



NESDB ECONOMIC REPORT



Thai Economic Performance in Q2 and Outlook for 2017

Macroeconomic Strategy and Planning Office

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Economic Projection of 2017

(%YoY)	2016		2017		
	Q4	Year	Q1	Q2	Year (f)
GDP (CVM)	3.0	3.2	3.3	3.7	3.5-4.0
Total Investment	1.8	2.8	1.7	0.4	3.4
Private	-0.4	0.4	-1.1	3.2	2.2
Public	8.6	9.9	9.7	-7.0	8.0
Private Consumption	2.5	3.1	3.2	3.0	3.2
Public Consumption	1.8	1.7	0.3	2.7	3.2
Export of Goods ¹	4.0	0.1	6.8	8.0	5.7
Volume ¹	1.8	0.5	2.9	5.1	3.2
Import of Goods ¹	6.1	-5.1	15.9	13.8	10.7
Volume ¹	2.7	-2.5	7.2	8.9	6.2
Current Account to GDP (%)	9.7	11.5	14.1	7.7	9.7
Inflation	0.7	0.2	1.3	0.1	0.4-0.9

Note: ¹ base on the Bank of Thailand's data

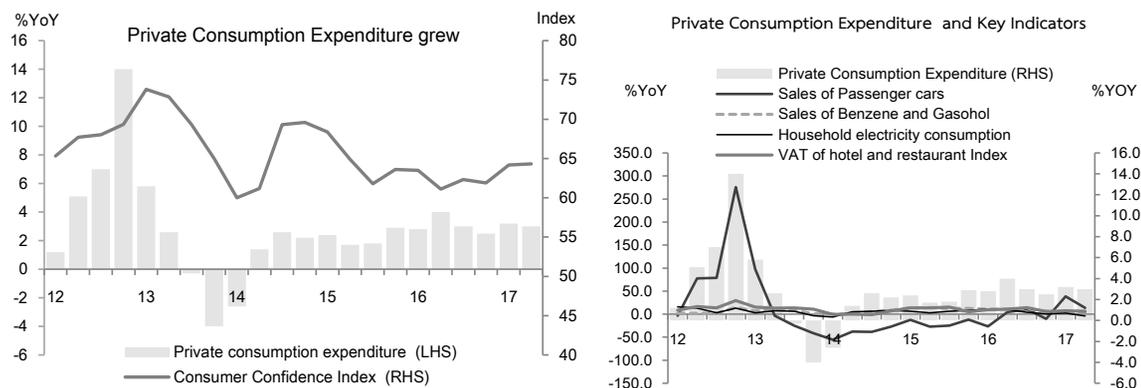
- **The Thai economy in the second quarter of 2017** expanded by 3.7 percent, accelerating from 3.3 percent in the previous quarter. After seasonally adjusted, the Thai economy in the second quarter expanded by 1.3 percent from the first quarter of 2017 (%QoQ sa). In the first half of 2017, the economy grew by 3.5 percent.
- **On the expenditure side:** the economic growth was mainly driven by the acceleration of exports of goods and services, the continued expansion of private consumption as well as the rebound of private investment. Meanwhile, public investment declined. **On the production side:** growth of agricultural, wholesale & retail trade, hotels & restaurants, and transportation & communication sectors accelerated, while growth of manufacturing sector slowed down.
- **The Thai economic outlook for 2017:** It is expected that the Thai economy will grow by 3.5 – 4.0 percent, supported mainly by (i) the recovery of the export in tandem with the pickup of the world economy and the world trade volume, (ii) the stronger expansion of both public and private investment in the latter half of the year, (iii) the acceleration of key production sectors including hotels & restaurants, manufacturing, and construction sectors, and (iv) the favorable expansion of household income particularly of those in agricultural, export, tourism and related service sectors which will continue to support private consumption. It is expected that the export value of goods will expand by 5.7 percent, private consumption and total investment will grow by 3.2 and 3.4 percent respectively. The headline inflation will be in the range of 0.4 – 0.9 percent and the current account will record a surplus of 9.7 percent to GDP.
- **Economic management for 2017** should emphasize on (i) preventing and mitigating impacts from natural disasters (ii) expediting the budget disbursement under key budget framework to achieve disbursement target (iii) strengthening the SMEs and grass-root economies by implementing credit and financial support measures, expediting the implementation of provincial cluster development program under the supplementary budget framework, encouraging SMEs to build safeguard against currency volatility risk, linking SMEs supply chain with larger-scale business and manufacturers, and promoting SMEs to seek for and extend to new markets, especially in CLMV, (iv) supporting expansion of farm income and caring for low-income people by preparing measures for managing agricultural products that will be released more into market, supporting large-scale farming, raising share of farmers in market sale prices, establishing integrated database of poor farmer and low-income people, and (v) supporting the non-agricultural sectors to be fully recovered by; supporting the expansion of manufacturing export by expediting export growth to continue its acceleration and to become more board-based, monitoring and solving the problems from trade protection measures conducting in key export markets, encouraging entrepreneurs to use tariff privileges under preferential trade agreements with other countries, building up confidence and supporting the recovery of private investment by expediting the transport infrastructure investment action plan to be implemented as planned, encouraging investment projects approved by BOI in earlier period to be materialized in 2017, and providing proactive measures to attract investors in the targeted sectors, supporting the expansion of the tourism sector by focusing on ensuring safety in the major tourist destinations, tackling the immigration congestion and facilitating immigration check points, promoting marketing campaign to attract high-income and long-haul tourists, and promoting domestic tourism market together with distributing income into local and rural-area tourist destinations.

1. The Thai Economy in Q2/2017

Expenditure side:

Private consumption expenditure expanded at satisfactory rate due to an increase of expenditures on durable goods and services, in line with the improvement of household income. In the second quarter of 2017, private consumption expenditure grew by 3.0 percent in line with the expansion of sales of passenger cars of 13.9 percent and the expansion of sales of motorcycles of 8.2 percent. The VAT of hotel and restaurant index (at 2010 price) grew by 6.5 percent. Import of textiles (at 2010 price) increased by 6.8 percent. Consumer Confidence Index pertaining the overall economic situation stood at 64.3.

In the first half of 2017, private consumption expenditure increased by 3.1 percent.

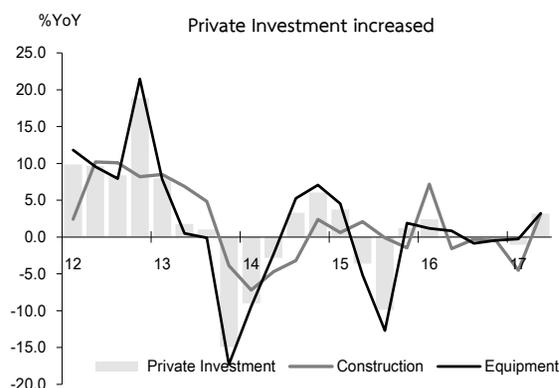


Source: NESDB, University of the Thai Chamber of Commerce

Source: NESDB, BOT, Department of Energy Business

Private investment expanded in both investments in machinery and equipment, and construction. In the second quarter of 2017, private investment expanded by 3.2 percent. **The investment in machinery and equipment** grew by 3.2 percent. This was consistent with a 5.3 percent growth of the import of machinery & equipment and supplies, and a 2.2 percent growth of domestic commercial car sales. **The investment in construction** rose by 3.1 percent, in line with the increase of the permitted construction areas. **The value of projects applied for the investment promotion made to Board of Investment (BOI) increased by 7.0 percent.** However, **the value of projects approved by BOI and the value of promotion certificate issued by BOI decreased by 45.5 percent and 3.7 percent, respectively,** due to the reduction of projects applied for the investment incentives in the first quarter. The Business Sentiment Index (BSI) stood at 50.9.

In the first half of 2017, private investment grew by 1.0 percent.



Source: NESDB

In the second quarter of 2017, private consumption expenditure favorably expanded. Meanwhile, government consumption expenditure and export of goods and services accelerated and private investment slowly picked up. However, public investment declined.

Private consumption expenditure expanded by 3.0 percent, compared with 3.2 percent growth last quarter.

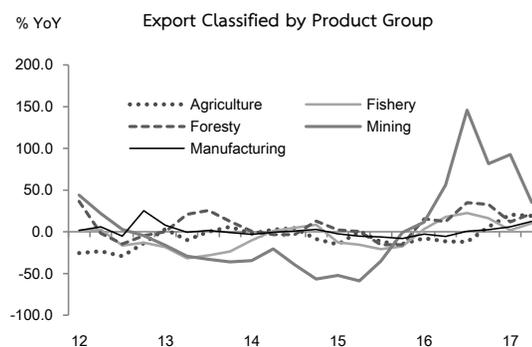
Private investment rebounded to positive growth rate of 3.2 percent, supported by the expansion of both investments in machinery & equipment and construction.

Export in US dollar term accelerated owing to the economic improvement in key trading partners (US, EU, China, and Japan) and the increased commodity prices in world market. Export value in the second quarter of 2017 was recorded at 56.1 billion US dollars, representing a 8.0 percent growth which was the highest growth rate in 18 quarters. The export quantity increased by 5.1 percent. The export price increased by 2.8 percent, particularly crude oil, refined fuels, chemicals, rubber and sugar. Excluding unwrought gold, export value increased by 9.9 percent. **In baht term**, the export value increased by 4.9 percent.

In the first half of 2017, export value increased by 7.4 percent. In baht term, export value increased by 5.0 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Export of agricultural commodities expanded at a high rate by 19.2 percent (continually expanded for three consecutive quarters). Manufacturing products expanded with the highest rate in 18 quarters by 12.5 percent (continued to accelerate for four consecutive quarters). Fishery products increased by 10.4 percent, while export of other products decreased by 44.3 percent. **Export items with increased value** included rubber, rice, sugar, rubber products, telecommunication equipment, vehicle parts & accessories, and petroleum products. On the other hand, **export items with decreased value** included passenger car, air conditioning machines and tapioca.

Export in US dollar term increased by 8.0 percent, in line with the improvement of global economy. Export value excluding unwrought gold increased by 9.9 percent.

The export quantity increased by 5.1 percent and export price increased by 2.8 percent. In baht term, export value increased by 4.9 percent.

Export value of agricultural commodities, manufacturing products and fishery products increased.

Export Value of Major Product in US Dollar Term

%YoY	2016								2017			Share Q2/17 (%)
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2		
Agriculture	-6.2	-9.5	-2.8	-7.5	-11.5	-11.9	6.1	19.8	20.5	19.2	7.6	
Rice	-4.4	-0.5	-8.0	12.1	-12.9	-12.4	-4.8	4.5	-7.2	19.3	2.0	
Rubber	-12.1	-15.7	-8.7	-22.1	-8.4	-27.3	15.0	57.7	78.3	37.9	2.5	
Tapioca	-19.0	-26.9	-7.2	-16.4	-37.0	-11.3	-3.9	-16.4	-18.5	-13.7	0.8	
Manufacturing	-1.2	-4.1	1.6	-2.7	-5.5	0.8	2.6	9.1	5.9	12.5	88.2	
Sugar	-8.6	14.1	-28.9	39.1	-4.2	-33.2	-23.4	5.6	-19.3	32.0	1.7	
Crustaceans canned, prepared, or preserved	-3.9	-8.3	-0.7	-17.5	1.3	-4.2	2.8	16.3	21.7	11.6	0.4	
Rubber products	8.1	0.7	15.8	0.9	0.5	23.4	9.5	41.6	51.5	32.4	2.2	
Apparels and Textile Materials	-5.5	-6.3	-4.6	-6.7	-6.0	-5.2	-3.9	2.1	3.2	1.1	2.9	
Electronics	-2.8	-6.5	0.7	-5.5	-7.6	0.6	0.7	13.4	10.3	16.5	14.7	
- Computer parts & accessories	-8.6	-10.1	-7.2	-7.5	-12.7	-4.1	-10.2	1.7	-0.8	4.4	5.7	
- Integrated circuits & parts	-0.1	-1.9	1.4	-3.4	-0.4	0.7	2.0	11.4	11.7	11.1	3.5	
- Printed circuits	-6.9	-11.0	-2.9	-12.7	-9.3	-1.9	-4.1	11.7	13.9	9.7	0.6	
- Telecommunication equipment	1.5	-6.2	9.0	-2.5	-9.8	2.9	15.0	46.1	21.6	71.6	2.4	
Electrical appliances	3.5	1.3	5.9	-2.7	5.5	8.5	3.3	6.8	9.5	4.1	5.9	
Metal & steel	-0.2	-6.1	5.7	-10.7	-1.2	9.1	2.2	16.7	17.3	16.1	4.5	
Automotive	3.2	3.0	3.5	-1.5	8.1	4.9	1.9	2.5	2.6	2.3	14.3	
- Passenger car	22.8	66.9	-2.5	74.8	59.1	4.3	-9.5	-14.6	-19.1	-9.8	4.4	
- Pick up and trucks	-20.9	-35.0	-0.8	-42.5	-24.0	1.7	-3.5	10.4	15.8	4.3	2.7	
- Vehicle parts & accessories	5.2	0.3	10.2	-1.6	2.3	6.9	13.8	11.5	13.4	9.7	6.4	
Machinery & equipment	-0.3	-5.2	4.7	-0.9	-9.3	2.5	6.8	7.8	4.2	11.5	8.8	
Chemicals	-5.0	-13.0	4.1	-15.7	-10.4	-1.0	9.5	18.5	23.1	14.4	3.1	
Petro-chemical products	-3.7	-6.7	-0.7	-5.6	-7.7	-5.9	4.8	11.7	7.3	16.1	5.6	
Petroleum products	-30.9	-43.7	-17.8	-43.6	-43.7	-29.2	-4.8	39.6	43.0	36.7	3.0	
Fishery	15.1	10.6	19.2	3.3	17.8	22.7	16.3	6.5	2.1	10.4	1.0	
Crustaceans	38.5	43.0	35.1	22.3	64.2	50.7	23.5	2.7	-4.8	8.4	0.5	
Other Exports	75.5	135.8	23.5	193.5	82.9	17.5	33.4	-38.7	-35.0	-44.3	1.9	
Non-monetary gold (excl. articles of goldsmiths)	89.8	169.6	27.2	230.7	110.9	20.7	38.0	-40.7	-37.5	-45.4	1.7	
Total Exports (Customs basis)	0.5	-1.4	2.4	1.0	-3.8	1.0	3.8	7.8	4.9	10.9	100.0	
Exports, f.o.b. (BOP basis)	0.1	-1.9	2.1	-1.6	-2.2	0.3	4.0	7.4	6.8	8.0	98.3	
Export Value (exclude gold)	-1.6	-4.7	1.6	-5.3	-4.1	-0.3	3.5	9.6	9.2	9.9	96.6	

Source: Bank of Thailand

Export markets: export to US, EU (15), China, Japan and ASEAN (9) expanded, while export to Australia and the Middle East (15) declined. Export to the US, China, and EU (15) increased by 7.0, 26.0 and 5.5 percent, respectively which were in line with the improvement of the US, China, and EU economies. Export to Japan expanded by 20.1 percent, improved from 2.5 percent contraction in the previous quarter. Export to ASEAN (9) expanded by 15.0 percent, due to the expansion of export to ASEAN (5) and CLMV, which expanded by 17.2 and 11.8 percent, respectively. Meanwhile, exports to Australia, and the Middle East (15) fell by 4.8, and 0.4 percent, respectively.

Exports to US, EU (15), China, Japan and ASEAN (9) expanded, while exports to Australia and the Middle East (15) declined.

Export Value to Key Markets in US Dollar Term

%YOY	2016								2017			Share Q2/17 (%)
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2		
Total Exports (Mil US\$) (Customs basis)	215,388	105,303	110,085	53,844	51,458	55,247	54,838	113,547	56,456	57,090	100.00	
(%YoY)	0.5	-1.4	2.4	1.0	-3.8	1.0	3.8	7.8	4.9	10.9		
United States	1.8	-1.2	4.9	-3.2	0.7	7.0	2.7	7.2	7.4	7.0	11.4	
Japan	2.1	-1.5	5.9	5.5	-8.4	0.5	11.4	8.0	-2.5	20.1	9.8	
EU (15)	1.0	-0.6	2.6	-1.0	-0.3	2.7	2.5	7.3	9.2	5.5	9.0	
China	0.3	-8.3	8.3	-6.1	-10.3	-0.3	17.1	31.2	36.5	26.0	11.7	
ASEAN (9)	-0.7	-2.9	1.6	4.3	-9.7	-0.4	3.6	7.1	0.0	15.0	25.8	
- ASEAN (5)*	-1.1	-2.5	0.3	9.6	-13.7	0.5	0.1	3.1	-8.9	17.2	15.5	
- CLMV**	-0.0	-3.5	3.3	-3.8	-3.2	-1.9	8.1	13.5	15.3	11.8	10.3	
Middle East (15)	-15.1	-9.6	-20.6	-11.1	-7.8	-16.5	-24.5	-12.8	-23.1	-0.4	3.8	
Australia	5.5	10.3	1.2	6.9	13.9	10.6	-8.4	-3.9	-3.0	-4.8	4.3	
Hong Kong	-3.0	-3.6	-2.5	0.6	-8.1	-4.5	-0.3	9.4	6.3	13.0	5.1	
India	-2.6	-5.8	0.9	-9.1	-2.4	-1.9	4.1	15.7	18.3	13.3	2.7	
South Korea	-0.7	-7.7	6.4	-8.4	-6.9	1.1	12.1	24.2	24.2	24.2	2.1	
Taiwan	-4.5	-9.4	0.8	-17.8	-0.5	-2.8	4.5	19.2	15.9	22.1	1.9	

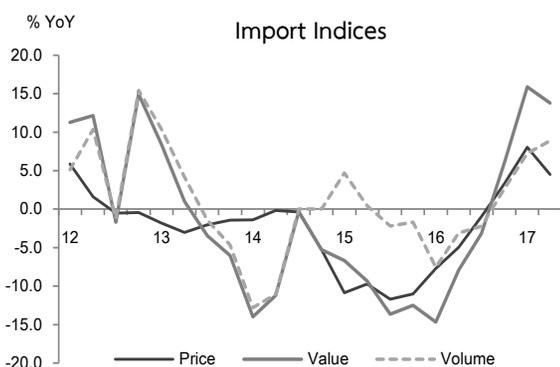
Note: * ASEAN (5) Consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore
 ** CLMV Consist of Cambodia, Laos, Myanmar, and Vietnam

Source: Bank of Thailand

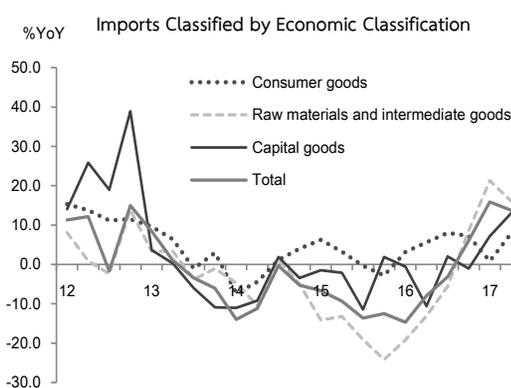
Import value in US dollar term increased both in quantity and price. In the second quarter of 2017, the value of import was recorded at 49.5 billion US dollars or equivalent to 13.8 percent of growth. This was due to the increase of 4.5 percent of import price, decreased from the previous quarter with the decline in raw materials and intermediate goods prices. Meanwhile, import quantity increased by 8.9 percent, particularly in the import of consumer goods, raw materials & intermediate goods and capital goods. The import value excluding unwrought gold expanded by 11.9 percent. **In Thai baht term**, the import value increased by 10.6 percent.

Import in US dollar term expanded by 13.8 percent due to the increase of both quantity and price.

In the first half of 2017, import value increased by 14.8 percent. In Thai baht term, import value increased by 12.3 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Overall, import value of all categories increased. The import value of raw materials and intermediate goods expanded by 16.1 percent in line with acceleration of export sector. Import of capital goods expanded by 13.0 percent in line with the improvement of private investment. Import of consumer goods, and other imports expanded by 7.8 and 24.8 percent, respectively. Import items with increased value included crude oil, integrated circuits & parts, materials of base metal, chemicals, and non-monetary gold.

Import quantity of all categories accelerated in line with the acceleration of export sector and the continued expansion of domestic demand.

Import Value of Major Product in US Dollar Term

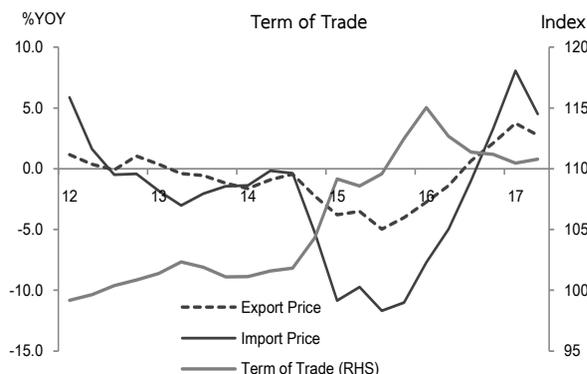
%YoY	2016								2017			Share Q2/17 (%)
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2		
Consumer goods	6.0	4.3	7.6	3.1	5.6	8.0	7.2	4.3	0.8	7.8	10.3	
Raw materials and intermediate goods	-8.0	-16.1	1.0	-19.2	-13.1	-5.6	8.6	18.5	21.3	16.1	55.1	
Capital goods	-2.6	-5.7	0.4	-0.5	-10.6	2.0	-1.1	10.0	7.2	13.0	24.9	
Other Imports	3.0	-2.0	7.6	-15.0	17.0	0.6	13.1	21.9	19.1	24.8	9.7	
Total Imports (Customs basis)	-4.2	-10.3	2.2	-12.0	-8.5	-1.7	6.2	15.0	14.8	15.2	100.0	
Imports, f.o.b. (BOP basis)	-5.1	-11.3	1.3	-14.7	-7.9	-3.2	6.1	14.8	15.9	13.8	91.4	

Source: Bank of Thailand

Term of trade decreased from the same period last year, as export price increased by 2.8 percent, while import price increased by 4.5 percent. Thus, the term of trade decreased from 112.7 in the same quarter last year to 110.8 in the second quarter of 2017.

Term of trade decreased, compared with the same period last year.

In the first half of 2017, term of trade stood at 110.6, declined from 113.9 in the same period last year. Export price increased by 3.3 percent while import price increased by 6.2 percent.



Source: Bank of Thailand

Trade balance recorded a surplus of 6.6 billion US dollars (equivalent to 226.8 billion baht), compared with a surplus of 8.5 billion US dollars (equivalent to 298.9 billion baht) in the same quarter of last year.

Trade balance recorded a surplus.

In the first half of 2017, the trade balance recorded a surplus of 15.4 billion US dollars (equivalent to 535.9 billion baht), compared with a surplus of 20.2 billion US dollars (equivalent to 716.7 billion baht) in the same period last year.

Production side:

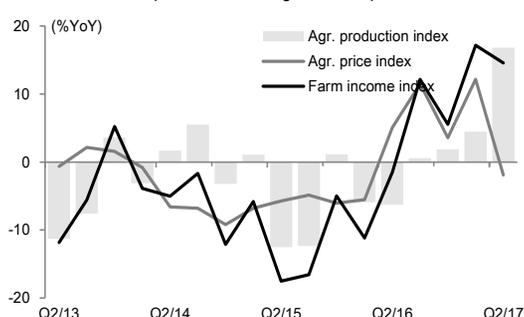
Agricultural sector accelerated to its normal production condition and supported farm income recovery. In the second quarter of 2017, agricultural sector highly expanded by 15.8 percent, accelerating from 5.7 percent in the previous quarter, owing to the end of drought. Major products with positive growth included off-season paddy (125.2 percent), rubber (4.4 percent), cassava (36.9 percent), maize (11.9 percent), oil palm (19.8 percent), and fruits (13.8 percent) as well as livestock (1.8 percent) and fishery (13.6 percent). **Agricultural Price Index decreased** by 1.9 percent as a result of price contraction in paddy, oil palm, maize, and cassava, as well as livestock and fishery due to improved yield. However, the price of rubber and

Agricultural, Wholesale and retail, Hotels and restaurants, and Transport, storage and communication sectors accelerated. However, Manufacturing sector slightly decelerated, while Electricity, gas & water supply, and Construction sector slightly declined.

sugarcane increased. Farm income's Index increased for four consecutive quarters by 14.6 percent mainly contributed by the production expansion.

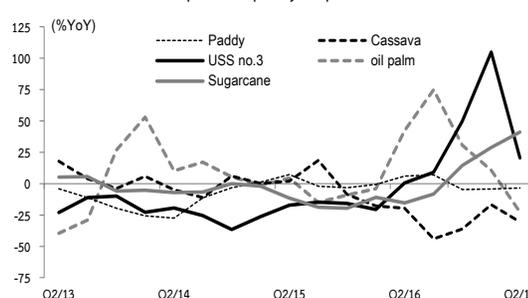
In the first half of 2017, agricultural sector expanded by 10.3 percent, comparing with a 1.3 percent contraction in the same quarter last year. Agricultural Production Index, Agricultural Price Index and farm income's Index grew by 9.7, 4.9 and 15.0 percent respectively.

Farm income improved by 14.6 percent due to increased production of agricultural products



Source: Office of Agricultural Economics (OAE)

The prices of rubber and sugarcane increased, on the other hand prices of paddy oil palm and cassava declined.



Source: Office of Agricultural Economics (OAE)

Agricultural sector accelerated and supported farm income's expansion. However, Agricultural Price decreased owing to more products delivered in market.

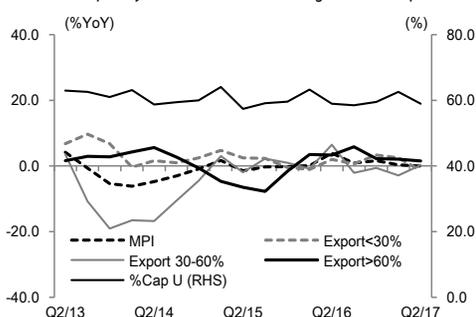
Manufacturing sector slightly decelerated from the previous quarter due mainly to the contraction in the vehicle, metal, and non-alcohol beverage production. In the second quarter of 2017, manufacturing sector expanded by 1.0 percent, decelerating from a 1.3 percent growth in the previous quarter in tandem with a 0.1 percent contraction in Manufacturing Production Index. Manufacturing Production Index of the production of domestic-oriented industry (with export share of less than 30 percent) contracted by 1.4 percent due to a decrease in production of metal and related products and non-alcohol beverage including drinking water. Meanwhile, Manufacturing Production Index of the industries with export share of 30-60 percent and Manufacturing Production Index of the production of export-oriented industries (with export share of more than 60 percent) grew by 0.3 and 1.5 percent respectively. **Manufacturing Production Index with positive growth** included electronic tube and parts such as Integrated Circuit (IC), rubber products, petroleum products, etc. **Manufacturing Production Index with negative growth** included metal and related products, vehicle, and non-alcohol beverage including drinking water, etc. **The average capacity utilization rate stood at 59.0 percent.**

In the first half of 2017, manufacturing sector expanded by 1.2 percent, comparing with a 1.0 percent growth in the same quarter last year. Manufacturing Production Index (MPI) grew by 0.1 percent. The Capacity Utilization Rate (CAPU) stood at 60.8 percent.

Manufacturing sector slightly slowed down due to the contraction of in the vehicle, metal, and non-alcohol beverage production.

Export-oriented industries and the industries with export share of 30 - 60 percent increased, in tandem with an increase in export quantity and the expansion of domestic demand.

Manufacturing Production Index decreased by 0.1 percent and the capacity utilization rate averaged at 59.0 percent.



Source : Office of Industrial Economics (OIE)

Electricity, gas and water supply sector contracted due to the decrease in the production of electricity and water supply. In the second quarter of 2017, electricity, gas and water supply sector contracted by 1.4 percent compared with a 1.9 percent expansion in the previous quarter. **The total volume of electricity generation** decreased by 1.5 percent owing to decreased household consumption. This was due to lower temperature comparing with the same period last year as well as a success of “Campaign of Reducing Electricity Use”. Meanwhile, electricity consumption in large-scale industries increased such as food, beverage and tobacco sector and chemical product, petroleum, coal, rubber and plastic product sector. **Water supply production** decreased by 1.5 percent due to a lower temperature in the second quarter of 2017 as well as a success of “Campaign of Reducing Water Use”.

In the first half of 2017, electricity, gas and water supply sector expanded by 0.1 percent, comparing with a 5.2 percent growth in the same quarter last year.

Construction sector declined following a contraction in public construction while the private construction rebounded. In the second quarter of 2017, construction sector contracted by 6.2 percent compared with a 2.8 percent expansion in the previous quarter. The public construction decreased by 12.8 percent (government construction dropped by 23.2 percent while SOEs construction grew favorably by 20.5 percent), comparing with a 8.5 percent contraction in the previous quarter. While, the private construction increased by 3.1 percent, owing to 3.0 percent increase in construction of residential buildings and 12.9 percent increase in others construction. However, construction of office buildings and construction of factory buildings decreased by 1.8 and 9.1 percent respectively. **Construction Materials Price Index** decreased by 1.0 percent following a decline in prices of cement, metal and metal products and others construction materials.

In the first half of 2017, construction sector contracted by 1.9 percent, comparing with a 10.8 percent growth in the same quarter last year. The public and private construction decreased by 2.4 and 0.7 percent respectively.

Wholesale and retail trade sector grew in line with the expansion in household and tourism expenditures. In the second quarter of 2017, wholesale and retail trade sector expanded continually by 6.0 percent, comparing with 5.9 percent in the previous quarter. The improvement was supported by the increase of farm income and the improvement of number of tourists and tourism receipts. **Retail Sales Index (April - May 2017) grew by 5.5 percent**, accelerating from a 4.5 percent growth in the previous quarter, due to the increase in (i) retail sale volume of non-durable goods, (ii) department stores, supermarkets, and general stores, (iii) sale of motor vehicles and automotive fuel sector, and (iv) other retailing sector. Meanwhile, durable goods sales contracted. **Wholesales Index (April - May 2017) contracted by 3.2 percent** due to contraction in all categories.

In the first half of 2017, wholesale and retail trade sector expanded by 5.9 percent, comparing with a 4.7 percent growth in the same quarter last year. Retail Sales Index improved by 4.9 percent, and Wholesales Index contracted by 3.7 percent.

Hotels and restaurants sector grew steadily supported mainly by the tourism receipts. In the second quarter of 2017, hotels and restaurants sector expanded by 7.5 percent, accelerating from a 5.3 percent in the previous quarter. The tourism receipt was at 625.0 billion baht increasing by 9.4 percent. **Foreign tourism receipts** were at 395.0 billion baht, grew by 8.8 percent growth comparing with 3.9 percent in the previous quarter. This increasing was contributed by US, South Korean, Malaysian, Lao and Chinese tourists. **Thai tourism receipts** were at 230.0 billion baht grew by 10.3 percent accelerating from 4.6 percent in the previous quarter. Meanwhile, the average occupancy rate in the second quarter was at 67.5 percent, comparing with 66.3 percent in the same quarter of last year.

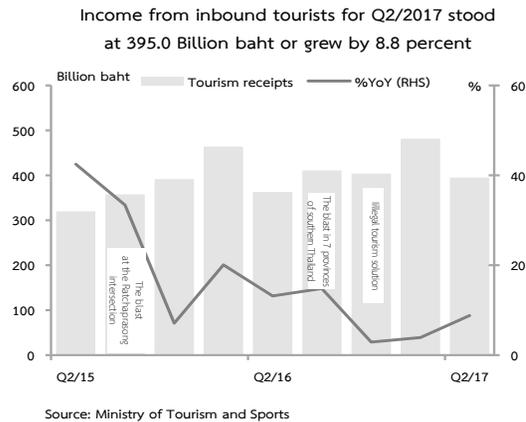
In the first half of 2017, hotels and restaurants sector grew by 6.4 percent, tourism receipts stood at 876.7 billion baht, number of foreign tourists increased by 4.4 percent, and average occupancy rate was at 70.4 percent.

Electricity, gas and water supply sector contracted by 1.4 percent following a contraction in electricity generation during a lower temperature period comparing with the same period last year, as well as a contraction in water supply production.

Private construction increased by 3.1 percent while public construction dropped by 12.8 percent led to a 6.2 percent contraction in construction sector. SOEs construction grew favorably by 20.5 percent, while government construction dropped by 23.2 percent.

Wholesale and retail trade sector expanded by 6.0 percent, in tandem with an increase in household consumption, tourist number and tourism receipts.

Hotels and restaurants sector expanded by 7.5 percent accelerating from a 5.3 percent growth in the first quarter, in tandem with an expansion of tourism receipts from major countries and the improvement of spending from Chinese tourists.



Transport, storage and communication sector accelerated due to the improvement in tourism, agriculture, and export. In the second quarter of 2017, transport, storage and communication sector grew by 8.6 percent, accelerating from 5.4 percent in the previous quarter. Transport service grew by 8.8 percent, accelerating from a 4.8 percent in the previous quarter due to the growth in all transportation types (7.0 percent of land transport, 15.6 percent of air transport, and 3.1 percent of water transport). Besides, telecommunication service expanded by 8.0 percent, comparing with 9.1 percent in the previous quarter in accordance with the better earnings from telecommunication service providers especially the fiber-optic internet services.

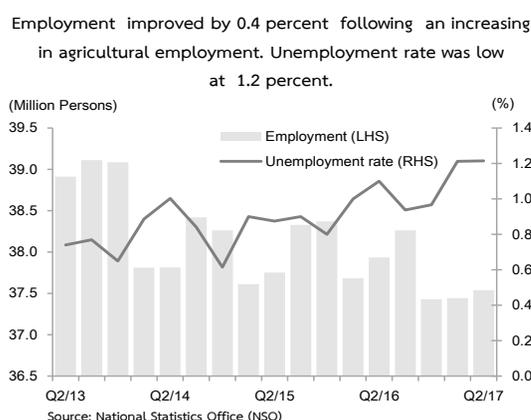
In the first half of 2017, transport, storage and communication sector expanded by 7.0 percent, transport services grew by 6.8 percent, and telecommunication services expanded by 8.3 percent.

Employment condition improved, while unemployment rate remained low. In the second quarter of 2017, employment grew by 0.4 percent due to improvement in agricultural employment particularly in paddy, sugarcane, and rubber production. In fact, agricultural employment in the second quarter increased by 6.3 percent improving from 1.4 percent contraction in the previous quarter. Besides, the non-agricultural employment continually decreased by 2.1 percent due to the decline in employment in construction, manufacturing, and hotels and restaurants sectors by 11.8 percent, 4.2 percent, and 2.7 percent respectively. Unemployment in the second quarter was recorded at 464,970 persons and the unemployment rate was at 1.2 percent.

In the first half of 2017, employment dropped by 0.1 percent, while the unemployment rate remained at 1.2 percent.

Transport, storage and communication sector grew by 8.6 percent accelerating from 5.4 percent in the first quarter supported by expansion of tourism, agriculture, and export.

Employment increased by 0.4 percent improving from 0.6 percent contraction in the previous quarter, while unemployment rate remained low at 1.2 percent.



Employed Persons by Industry

%YOY	Shared Q2/60	2016							2017		
		Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Employed	100.0	-0.9	-0.4	-1.3	0.2	-0.9	-0.2	-2.5	-0.1	-0.6	0.4
- Agricultural	31.0	-4.3	-4.5	-4.1	-2.7	-6.2	-2.3	-6.0	2.4	-1.4	6.3
- Non-Agricultural	69.0	0.8	1.4	0.1	1.5	1.4	0.9	-0.7	-1.2	-0.3	-2.1
Manufacturing	16.4	-2.6	-2.0	-3.1	-2.2	-1.7	-1.9	-4.4	-2.8	-1.5	-4.2
Construction	6.1	3.1	5.6	0.1	5.8	5.4	0.1	0.2	-10.2	-8.7	-11.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.1	2.5	2.1	2.9	2.9	1.4	3.9	1.9	1.0	0.9	1.0
Accommodation and food service activities	7.2	3.2	3.4	3.1	2.9	4.0	6.1	0.1	0.7	4.2	-2.7
Unemployment (Hundred thousand persons)		3.8	3.9	3.6	3.7	4.1	3.6	3.7	4.6	4.6	4.6
- Seeking workers		0.8	0.7	0.8	0.6	0.8	1.0	0.7	1.0	1.0	1.1
- Discouraged workers (available to work)		3.0	3.2	2.8	3.1	3.3	2.6	3.0	3.6	3.6	3.5
Unemployment Rate (%)		1.0	1.0	1.0	1.0	1.1	0.9	1.0	1.2	1.2	1.2
- Seeking workers		0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3
- Discouraged workers (available to work)		0.8	0.8	0.8	0.8	0.9	0.7	0.8	0.9	1.0	0.9

Source: NSO

Fiscal Conditions:

On the revenue side, in the third quarter of the fiscal year 2017 (April-June 2017) the net government revenue collection stood at 692.1 billion baht which was lower than the same quarter of last year by 3.5 percent. This was due to the excess revenue collection in the same quarter of previous year from government bond and revenue from gambling tax on special lottery from the Government Lottery Office. However, the tax revenues collection from consumption tax increased by 3.9 percent and income tax increased by 0.5 percent, particularly, the revenues from corporate income tax and excise tax.

For the 9 months of the 2017 fiscal year, the net government revenue collection decreased by 3.1 percent from the same period last year, but remained higher than projection by 0.4 percent.

Government Revenue

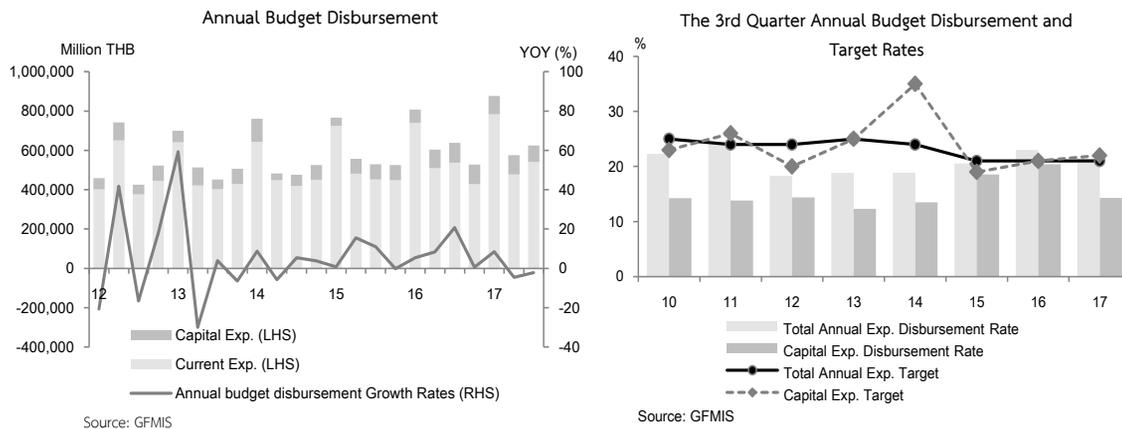
Fiscal Year (Billion Baht)	2014		2015		2016				2017		
	Year	Year	Year	Q1	Q2	Q3	Q4	9M	Q1	Q2	Q3
Net Government Revenue	2,075.3	2,213.4	2,394.5	586.0	492.6	717.3	598.6	1,740.3	548.2	500.1	692.1
Compared with the target (%)	-8.8	-4.8	0.4	13.4	-0.6	2.1	-10.8	0.4	4.4	-1.5	-1.1
YOY (%)	-4.0	6.7	8.2	15.5	4.8	9.9	2.6	-3.1	-6.5	1.5	-3.5

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the third quarter of the fiscal year 2017 was at 736.6 billion baht, decreased by 1.7 percent from the same period last year. Classified by its source of funds, the government disbursements are as follows: **(i) the 2017 annual budget disbursement in this quarter (including the 2017 supplementary budget)** was at 625.2 billion baht (equivalent to 21.4 percent of the annual budget) which decreased from the same period of last year by 2.1 percent. This included the disbursement of current expenditure at 541.6 billion baht increased by 0.8 percent from the same period of last year and the disbursement of capital expenditure was at 83.6 billion baht decreased by 17.7 percent comparing with the same period of last year (The disbursement rate of the third quarter of last year was at 20.4 percent which was higher than the rate of this fiscal year at 14.3 percent). This was partly caused by 1) the expedited budget disbursement in the first 2 quarters 2) the delay in budget disbursement of some government agencies and 3) the delay on disbursement of the supplementary budget. However, the disbursement including purchasing order (PO) in the third quarter was at 114.8 billion baht (disbursement including purchasing order (PO) of 28.3 billion baht of the supplementary budget was already counted) increased from the same period of last year by 6.6 percent. Therefore, the disbursement tends to accelerate in the rest of the fiscal year.

The net government revenues collections decreased by 3.5 percent, but the tax revenue collection from consumption and income tax were expanding.

The annual budget disbursement was lower than the same period of last year, due partly to the expedited budget disbursement in the first two quarters and the delay on disbursement of the supplementary budget. However, the state-owned enterprises' capital expenditure disbursement increased.

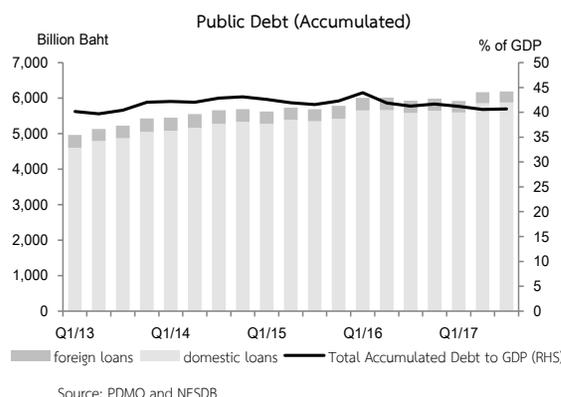


(ii) the carry-over budget disbursement was at 27.0 billion baht, decreased by 30.8 percent from the same period last year; (iii) state-owned enterprises’ capital expenditure budget was disbursed in this quarter at 84.5 billion baht (the disbursement of capital expenditure of 2.6 billion baht of annual budget was already included) increased by 23.9 percent, comparing with the same period of last year; and (iv) the off-budget loans were disbursed at 2.5 billion baht, declined by 48.5 percent from the same period last year as the projects have almost been completed. This included Loans for water resource management and road transport system projects of 2.4 billion baht and the Development Policy Loan (DPL) of 142.3 million baht.

For the 9 months of the 2017 fiscal year, (i) the annual budget disbursement amounted to 2,078.0 billion baht, increased by 1.3 percent from the same period of previous year (the disbursement rate was at 71.1 percent, which was lower than rate of 73.9 percent in the same period last year). This included the current expenditure’s disbursement increased by 1.0 percent and the capital expenditure’s disbursement increased by 3.7 percent from the same period of last year; (ii) the carry-over budget disbursement amounted to 179.9 billion baht (equivalent to 65.1 percent of total carry-over budget); (iii) state-owned enterprises’ capital expenditure budget disbursement amounted to 256.3 billion baht; and (iv) the off-budget loans disbursement amounted to 7.1 billion baht.

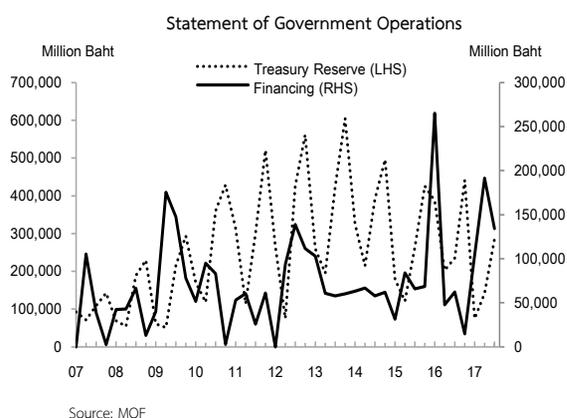
Public Debt: At the end of June 2017, it was accumulated at 6.2 trillion baht or equivalent to 40.7 percent of GDP. The public debt was comprised of domestic loans of 5.9 trillion baht (38.7 percent of GDP) and foreign loans of 309.8 billion baht (2.0 percent of GDP).

The Public Debt remains under the fiscal prudential framework at 40.7 percent of GDP, increased from 40.6 percent at the end of previous quarter.



Fiscal Balance: in the third quarter of fiscal year 2017, the budgetary balance recorded a surplus of 48.2 billion baht, while the non-budgetary balance recorded a deficit of 38.6 billion baht. In the meantime, the government conducted a cash balance management through borrowing total of 134.1 billion baht. (For the 9 months of the 2017 fiscal year, the government has conducted a cash balance management through borrowing total of 429.7 billion baht from 552.9 billion baht of Loan on Deficit Financing). Therefore, the cash balance after debt financing recorded a net surplus of 143.7 billion baht. At the end of the third quarter of fiscal year 2017, the treasury reserve stood at 285.3 billion baht.

At the end of the third quarter of fiscal year 2017, the treasury reserve stood at 285.3 billion baht.



Financial Conditions:

Over the second quarter, the policy rate was kept unchanged at 1.50 percent per annum.

The Monetary Policy Committee decided to leave the policy interest rate on hold at 1.50 percent per annum in the meeting on 24 May, 2017 as concerns over subdued inflationary pressure and external downside risks. Meanwhile, Fed raised the policy rate by 25 basis points to a range of 1.00-1.25 percent per annum at the meeting on 13-14 June 2017, and further signaled the balance sheet normalization to begin in the last quarter this year. It is likely that the Fed will raise its policy rate once again in the remaining of this year. At the same time, the ECB, BOE and Bank of Canada (BOC) revealed policy direction towards more tightening. Besides, BOJ and other most central banks in Asia maintained their accommodative monetary policy direction.

In July to August 2017: in the meeting on 5 July 2017, the Monetary Policy Committee maintained its existing policy interest rate in order to support the more broad-based domestic demand and bring the inflation back to its target. In the meantime, BOC raised policy rate by 25 basis points to 0.75 percent per annum for the first time over the past 7 years. Nonetheless, ECB and BOE signaled a more dovish tone in response to a downward inflationary pressure. On 2 August 2017, Bank of India lowered its policy rate by 25 basis points to 6.00 percent per annum to induce private investment and bring inflation back to target level.

Policy interest rate remained albeit Fed raised its rate, while other central banks still pursued accommodative monetary policy.

Policy Interest Rate

At the end of period	2015		2016				2017					
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Apr	May	Jun	Jul
USA	0.25-0.50	0.50-0.75	0.25-0.50	0.25-0.50	0.25-0.50	0.50-0.75	0.75-1.00	1.00-1.25	0.75-1.00	0.75-1.00	1.00-1.25	1.00-1.25
EU	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
England	0.50	0.25	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Japan	0.1	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Australia	2.00	1.50	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
New Zealand	2.50	1.75	2.25	2.25	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Russia	11.00	10.00	11.00	10.50	10.00	10.00	9.75	9.00	9.75	9.25	9.00	9.00
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Taiwan	1.625	1.375	1.50	1.50	1.375	1.375	1.375	1.375	1.375	1.375	1.375	1.375
Korea, South	1.50	1.25	1.50	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
India	6.75	6.25	6.75	6.50	6.50	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Indonesia (BI Rate)	7.50	-	6.75	6.50	6.50	-	-	-	-	-	-	-
Indonesia* (BI 7-Day RR Rate)	-	4.75	-	5.25	5.00	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Philippines	4.00	3.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Source: Collected by NESDB

Remark: In August 2016, Indonesia introduced a new policy rate known as the BI 7-Day (Reverse) Repo Rate in order to replace the former reference rate – BI Rate. The new policy rate was retroactive since April 2016.

Several commercial banks and Specialized Financial Institutions (SFIs) cut their lending rates, while leaving deposit rates unchanged. The four major commercial banks and some SFIs slashed their prime lending rates; MOR, MRR and MLR, starting in May, to reduce interest expense for retail customers and SMEs. Since then, the mid-sized commercial banks and other retail banks also cut their interest rates throughout May and June. Nevertheless, real deposit and lending rates increased as inflation rate declined.

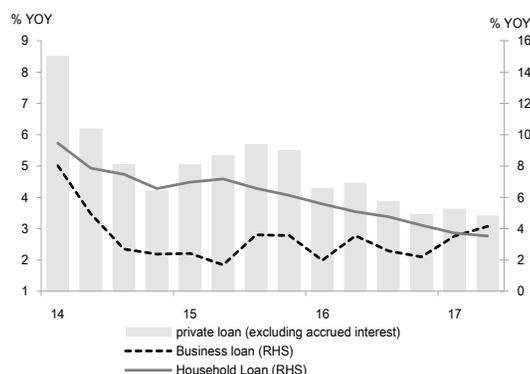
In July 2017, all-sized commercial banks and SFIs kept their deposit and lending rates unchanged. However, deposit and lending rates in real term decreased after inflation picked up.

In the second quarter of 2017, Private loan of Depository Corporations grew by 3.4 percent, continuously expanded from a 3.6 percent growth in the previous quarter. In particular, the expansion of private loan was mainly supported by the growth of loan for manufacturing, wholesale & retail, and accommodation & food service activities. Meanwhile, household loan slightly slowed down from the previous quarter owing to a decelerating growth in loan from Specialized Financial Institutions (SFIs). Loan quality during the second quarter improved as seen by Non-Performing Loan to total outstanding loan ratio decreased from 1.38 percent to 1.36 percent in this quarter.

Commercial bank and SFIs lending rates mostly decreased though saving rates remained unchanged.

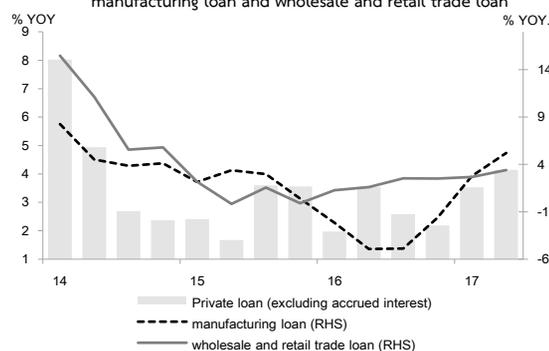
Private loan of Depository Corporations expanded, following accelerated growth in business loan albeit a slowdown in household loan.

Private loan of other depository corporations continued expanded



Source: Bank of Thailand

Private loan expanded from the acceleration of manufacturing loan and wholesale and retail trade loan

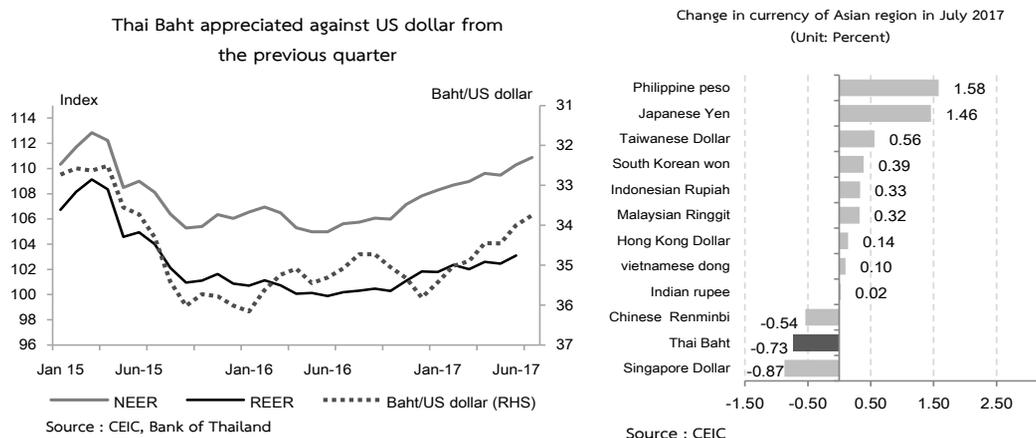


Source: Bank of Thailand

Thai Baht against US Dollar appreciated. During the second quarter of 2017, an average exchange rate was at 34.3 baht per US dollar, appreciating by 2.3 percent relatively to the previous quarter. The appreciation was a result of US dollar weakening caused by (i) concern over U.S. political risks (ii) the uncertainty on Fed policy direction in the presence of weak U.S. economic data. Furthermore, an increase in Thailand current account surplus also supported the appreciation of Thai baht. In the second quarter of 2017, an average Thai baht against trading partners (NEER)¹ appreciated by 1.1 percent compared with the same period of last year. The appreciation of NEER caused by the appreciation of Thai baht against US dollar and Japanese Yen. This was in line with a 0.7 percent appreciation in the real effective exchange rate (REER).

In July 2017, Thai Baht persistently appreciated since there were signals about uncertainty of the next Fed rate raise and the slow progress of president Trump’s healthcare reform proposal, which weighted down US dollar. Together with the continued current account surplus, Thai baht appreciated by 0.7 percent.

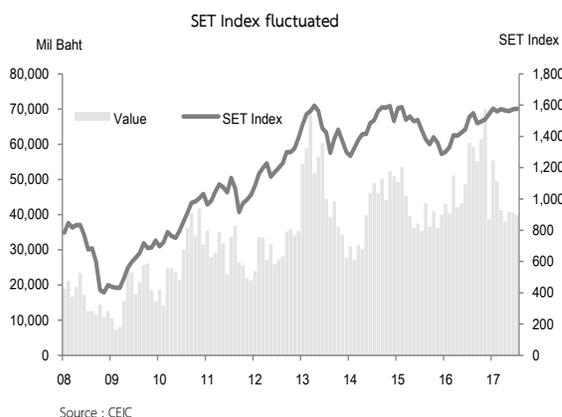
Thai Baht against US Dollar in the second quarter appreciated as a result of US dollar weakening and a massive surplus in Thai’s current account.



SET index fluctuated and closed nearly the same level as previous quarter. During the first half of the quarter, SET index moved downward due to the concern over the conflict between North Korea and the U.S. as well as the under-estimated performance of listed companies in the second quarter of 2017. However, during the latter half of the quarter, SET index rebounded from window dressing activities of institution investors, surrounded by a net sell position of foreign investor. As a result, SET index closed at 1,574.7 points at the end of this quarter closed to 1,575.1 points at the end of the first quarter.

SET index fluctuated and closed nearly the same level as previous quarter, which was influenced by both domestic and foreign factors.

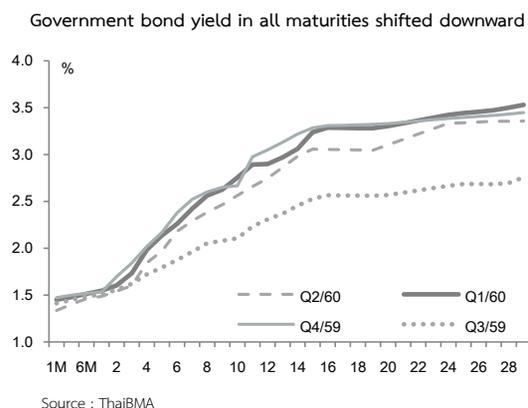
In July 2017 SET Index fluctuated, influenced by perspective of listed companies earning performance, which gradually announced during July. At the end of July, SET Index was at 1,576.1 points. Meanwhile, foreign investors recorded a net sell at 6.6 billion baht.



¹ The BOT began using the new NEER and REER in March 2014. The base year would also be changed to 2012, that the indicators could capture the true structure of trade in line with changing international trade dynamics.

The government bond yield curve shifted downward in all maturities, following the decline in the U.S. government bond yields. This was due to the U.S. political uncertainty and weak economic data. Besides, foreign investors registered a net buy of 66.2 billion baht during the second quarter. The 10-year government bond yield was at 2.56 percent, declined by 19 bps from the preceding quarter.

In July 2017, the government bond yield in all maturities continually decreased. In addition, yield of short-term bond felled faster than those of bonds in other maturities. This was because the supply of short-term bond decreased while its demand from both local and foreign investors remained high. As a result, 1-month, 3-months, and 6-months government bond yield declined by 15 bps, 18 bps, and 8 bps respectively.



Capital and financial account remained a net outflow of 6.9 billion US dollars in the second quarter of 2017, relative to a 6.8 billion US dollars net outflow in the previous quarter. The net outflow was mainly driven by (i) offshore portfolio investment in both bond and stock markets abroad, especially through Foreign Investment Fund (FIF) (ii) deposits held abroad, aiming to adjust foreign currency position of financial institutions and (iii) Thai offshore direct investment. Meanwhile, there was a net inflow from foreign investors for direct and portfolio investment.

The government bond yield curve shifted downward following the decline in the U.S. government bond yields.

Capital and financial account recorded a net outflow position, due to net outflow of portfolio and direct investment.

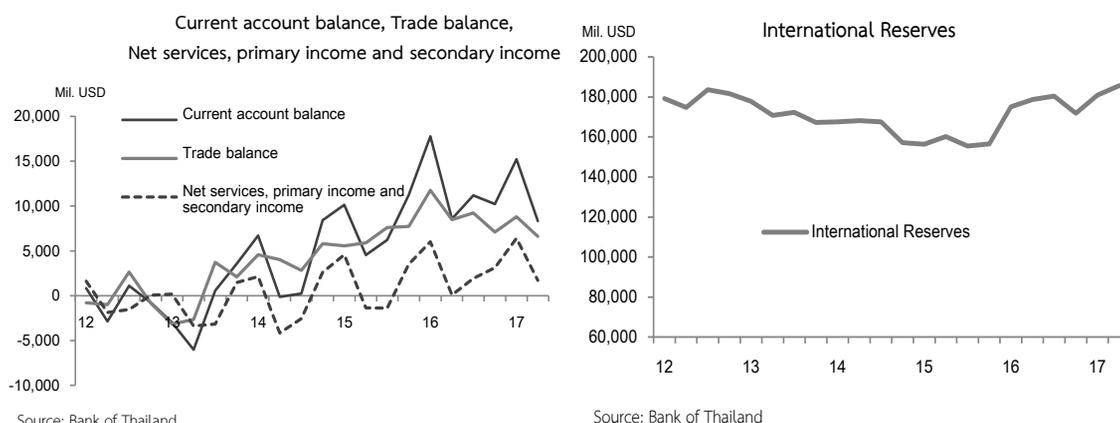
(Billion USD)	Capital Flow										
	2015		2016				2017				
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Apr	May	Jun
Categorized by economic sectors											
Government	-1.7	0.7	-0.7	1.3	1.0	-0.9	0.4	-2.1	0.1	-1.2	-1.0
Monetary Authorities	-1.4	1.1	2.6	-0.1	0.8	-2.3	0.4	0.8	-0.5	0.7	0.6
Bank	-12.8	-0.6	-0.8	3.1	-0.4	-2.4	-0.5	-3.0	0.9	-2.1	-1.8
Others	-1.2	-27.7	-1.4	-7.3	-11.9	-7.1	-7.1	-2.6	-0.3	-1.2	-1.0
Capital and financial account	-17.1	-26.5	-0.3	-3.1	-10.5	-12.7	-6.8	-6.9	0.2	-3.8	-3.3
Categorized by financial transactions											
- Direct Investment	4.0	-12.6	-2.4	-2.2	-6.9	-1.2	-0.8	-1.8	0.0	-0.7	-1.1
Thai investor	-5.0	-14.3	-4.4	-3.9	-2.9	-3.1	-3.3	-3.8	-0.5	-1.7	-1.6
Foreign investor	9.0	1.7	2.0	1.7	-3.9	1.9	2.5	2.0	0.5	1.0	0.5
- Portfolio Investments	-16.5	-4.2	0.2	-0.3	0.9	-5.0	-2.6	-1.6	-0.3	0.6	-1.9
Thai investor	-3.8	-3.9	-0.1	0.8	-2.6	-2.0	-3.8	-2.5	-0.5	-0.8	-1.2
Foreign investor	-12.6	-0.3	0.3	-1.1	3.5	-3.0	1.3	0.9	0.2	1.5	-0.8
- Loans	-5.4	1.3	-0.6	3.6	-1.5	-0.1	-0.7	0.7	0.3	-0.9	1.3
- Others	0.5	-1.6	0.9	-5.4	-3.7	-3.4	-3.5	-3.4	0.6	-2.3	-1.6
Capital and financial account	-17.1	-26.5	-0.3	-3.1	-10.5	-12.7	-6.8	-6.9	0.2	-3.8	-3.3

Source: BOT

Current account registered a surplus of 8.3 billion US dollars (284.7 billion baht). This was a result of a trade surplus of 6.6 billion US dollars and a surplus in services, and primary and secondary income of 1.7 billion US dollars.

Current account registered a surplus.

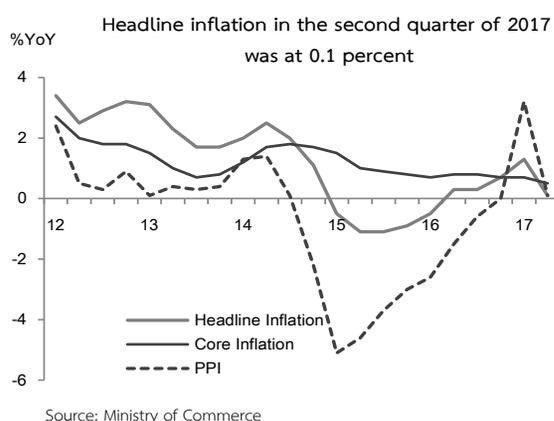
In the first half of 2017, current account registered a surplus of 23.5 billion US dollars (818.9 billion baht), compared with a surplus of 26.3 billion US dollars (934.3 billion baht) in the same quarter of last year.



International reserve at the end of June 2017 stood at 185.6 billion US dollars (excluding net forward position of 31.3 billion US dollars), which was equal to 3.5 times of short-term foreign debt or import value of 11.2 months (the average of import value in the second quarter of 2017).

Headline inflation: In the second quarter of 2017, headline inflation was average at 0.1 percent. **Food-and-Beverage** price index decreased by 0.8 percent, due to a decline in prices of meats, eggs and dairy products and vegetables and fruits. Meanwhile, **Non-Food and Beverage** price index increased by 0.6 percent declined from 1.4 percent in the first quarter, as the domestic retail fuel price slowed down. The core inflation stood at 0.5 percent.²

In the first half of 2017, headline inflation was at 0.7 percent. Core inflation was at 0.6 percent.



Producer Price Index (PPI): In the second quarter of 2017, increased by 0.1 percent. **The price of mining products** increased by 2.0 percent, decelerated from 3.3 percent in the first quarter due to lignite, petroleum and natural gas prices decreased. **The price of manufacturing products** increased by 0.6 percent decelerated from 2.7 percent recorded in the last quarter due to petroleum products, rubber and plastic products prices decreased. **The price of agriculture product** decreased by 4.0 percent as price of agriculture product, fish and fishery products declined.³

In the first half of 2017, Producer Price Index increased by 1.6 percent.

International reserve at the end of June 2017 stood at 185.6 billion US dollars.

Headline inflation was at 0.1 percent decelerated from the previous quarter. Food-and-Beverage price index decreased while Non-Food and Beverage price index decelerated.

Producer Price Index (PPI) increased by 0.1 percent. The price of mining and manufactured products decelerated while price of agriculture product decreased.

² In July 2017, headline inflation was at 0.2 percent and core inflation was at 0.5 percent. In the first 7 months of 2017, headline inflation was at 0.6 percent and core inflation was at 0.6 percent.

³ In July 2017, Producer Price Index (PPI) decreased by 1.3 percent. In the first 7 months of 2017, Producer Price Index by 1.2 percent.

2. Crude Oil price in Q2 of 2017

The crude oil price in the global market increased. In the second quarter of 2017, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 49.65 USD per barrel increased from the same period last year by 11.0 percent, but decreased from the previous quarter by 6.7 percent.

The major factors contributed to the increase of global crude oil price included (i) the improvement of global economy that raised demand for crude oil especially in US, Europe and China and (ii) the 9-month extension of oil production cut of OPEC and Non-OPEC (until March 2018).

In the first half of 2017, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 51.4 USD per barrel, increasing from the same period last year by 33.2 percent.

The crude oil price increased due to the improvement of global economy, and OPEC and Non-OPEC output cuts.

Crude oil price

Year		USD per Barrel					(%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2014	Year	96.82	96.48	99.49	92.71	96.38	-8.2	-8.5	-8.6	-5.6	-7.7
2015	Year	51.17	50.87	53.61	48.84	51.12	-47.1	-47.3	-46.1	-47.3	-47.0
2016	Q1	31.20	31.30	35.09	32.46	32.51	-40.9	-39.8	-36.2	-33.3	-37.6
	Q2	43.30	43.03	46.96	45.61	44.72	-29.4	-29.6	-26.1	-21.3	-26.7
	Q3	43.66	43.10	46.99	45.01	44.69	-12.5	-13.3	-8.4	-3.4	-9.5
	Q4	48.68	48.19	51.12	49.32	49.32	19.6	18.6	14.6	17.0	17.4
	H1	37.25	37.16	41.02	39.04	38.62	-34.7	-34.3	-30.8	-26.8	-31.7
	H2	46.17	45.64	49.05	47.16	47.01	1.9	1.1	2.3	6.3	2.9
	Year	41.71	41.40	45.04	43.10	42.81	-18.5	-18.6	-16.0	-11.7	-16.3
2017	Q1	53.44	53.00	54.60	51.90	53.24	71.3	69.4	55.6	59.9	63.7
	Q2	49.80	49.55	50.92	48.31	49.65	15.0	15.1	8.4	5.9	11.0
	H1	51.62	51.28	52.76	50.11	51.44	38.6	38.0	28.6	28.4	33.2
	Apr	52.45	51.96	53.65	50.96	52.25	33.9	34.1	24.1	24.4	28.9
	May	50.60	50.47	51.57	48.78	50.36	14.2	14.1	8.0	3.8	9.9
	Jun	46.34	46.21	47.55	45.20	46.33	-0.2	0.2	-4.8	-7.5	-3.1
	Jul	47.56	47.55	49.28	46.83	47.80	10.1	12.1	6.0	4.1	8.0
7M	51.04	50.74	52.27	49.64	50.92	34.0	33.8	25.0	24.4	29.2	

Source: Thaioil Plc and EPPO.

3. The World Economy in Q2 of 2017

In the second quarter of 2017, global economy continually improved led by the acceleration of economic activities in the major countries particularly US, EU, and Japan. This was contributed by the improvement of economic fundamental, economic sentiment, and prolong accommodative monetary policies. Meanwhile, the Chinese economy maintained a relatively high growth. These improvements in major countries mentioned above turned into (i) stronger growth of world trade volume and (ii) rising commodity prices which helped boosting up developing economies in other regions including ASEAN's economy to broadly recover and accelerated.

As a result of ongoing pace of recovery and rising inflation, central banks in several countries started to signal their monetary policy adjustment. The US Federal Reserve continued to raise the policy interest rate for the fourth time since 2015 and prepared for the balance sheet normalization. While, the Bank of England (BOE), the Bank of Canada (BOC) and the European Central Bank (ECB) signaled their policy's direction shift despite they still kept their policies unchanged throughout the quarter in order to ensure the economic recovery and to bring inflation back to the target. Similarly, the Bank of Japan (BOJ) and most of central banks in developing economies still maintained the monetary easing at the same level for further supporting economic expansion.

Even though continual rise of the US policy rate led to more policy diversion from other countries, the US dollar appreciated at a shower pace than expected due to change of investors' expectation on progress of the US's economic policy and the direction of the US's monetary policy over the next period.

US economy expanded by 2.1 percent (Advance estimate), accelerating slightly from 2.0 percent in the previous quarter, due to the acceleration of private investment and exports of goods and services. In addition, public investment showed the first expansion in 5 quarters. However, private consumption slowed down from the previous quarter. The labor market remained solid reflected from a decline in the unemployment rate reaching 4.4 percent, which was the lowest rate in 10 years. Meanwhile, core inflation (core PCE price index) dropped to 1.5 percent from 1.8 percent in the previous quarter which was lower than the Fed's target of 2.0 percent. Nevertheless, as a result of the continued economic recovery and improving labor market, the FOMC decided to hike its policy rate to the range of 1.00 – 1.25 percent in the 13 – 14th June 2017 meeting, which is the third policy rate hike since December 2016. Furthermore, the Committee has indicated that it expects to begin implementing its balance sheet normalization program over the near term.

Eurozone economy grew by 2.2 percent, accelerating from 1.9 percent in the previous quarter. This was due to an improvement of domestic demand in line with better consumer confidence index (CCI) which reached the highest level in 10 years. In addition, the household and corporate loans continuously expanded from the previous quarter. Manufacturing and service sectors also accelerated following the export expansion. The continual economic recovery made the unemployment rate dropped to 9.2 percent, which was the lowest level in 8 years. Nevertheless, the inflation rate was at 1.5 percent, decreasing from 1.8 percent in the previous quarter. Under the conditions of economic recovery, which had yet pass through rising inflation, the ECB decided to keep its policy rate unchanged and maintain the net asset purchases at the current monthly pace of 60 billion Euro until the end of December 2017.

The world economy in the second quarter accelerated supported mainly by pickup in major economies, which led to greater world trade volume and clear economic recovery of the developing countries.

US economy expanded by 2.1 percent, unemployment rate declined to the lowest rate in 10 years. As a result, the FOMC decided to hike its policy rate for the third time since December 2016. Although, inflation rate stills lower than the Fed's target of 2 percent.

Eurozone economy considered the highest growth rate in 2 years and the lowest unemployment rate in 8 years. Lower inflation rate led ECB to keep its policy rate and assets purchases unchanged.

Japanese economy grew by 2.0 percent in the second quarter of 2017 considered as the fastest expansion in more than two years since the first quarter of 2015, speeding up from 1.5 percent growth in the first quarter. The higher growth was contributed mainly by the acceleration of domestic demand in particular household consumption in line with increased consumer confidence. Investment in both public and private sectors demonstrated stronger growth according to the fiscal stimulus package, especially investment in basic infrastructure projects. Moreover, export of goods and services also manifested continuously positive growth. The unemployment rate was at 2.9 percent, marked as the lowest rate in 22 years. Meanwhile, the inflation rate continued to increase slowly and remain at low rate of 0.4 percent in the second quarter. As a result, the BOJ still maintained the policy rate and kept the same level of quantitative easing. Simultaneously, the government continued its fiscal stimulus measures especially in infrastructure investment.

Chinese economy expanded by 6.9 percent, similar rate to the previous quarter. The beyond-expected growth was driven by the economic recovery of trading partners and the acceleration of domestic consumption, which in turn, had led to the expansion of manufacturing production. This was in accordance with an increase of fixed asset investment under infrastructure development plans. Meanwhile, foreign exchange reserves reached 3,056.8 billion US dollar by the end of June 2017 compared with 3,009.1 billion US dollar by the end of March 2017. A five-consecutive month increased in reserve resulted in the Yuan appreciation, 0.5 percent compared with the first quarter.

NIEs economies mostly decelerated from the first quarter due to slowdowns of exports and domestic investment. There was only Singapore economic growth that experienced an acceleration following expansions in service sector. In the meantime, consumer prices continuously rose among NIEs, particularly in Hong Kong where inflation rate increased. However, inflation rate in South Korea and Taiwan slightly decreased mainly resulting from a decline in food and clothes prices. South Korea, Taiwan, and Hong Kong economies expanded by 2.7 percent, 2.1 percent, and 3.8 percent in comparison with 2.9 percent, 2.7 percent, and 4.3 percent from the previous quarter respectively. For **ASEAN** economies, growth improved mainly due to accelerations in export and private consumption. Vietnamese, Indonesian, Malaysian and the Philippines economies expanded by 6.2 percent, 5.0 percent, 5.8 percent, and 6.5 percent as compared to 5.2 percent, 5.0 percent, 5.6 percent, and 6.4 percent in the first quarter respectively.

Japanese economy accelerated supported by the strong domestic demand. BOJ kept monetary policy unchanged because of sluggish inflation.

Chinese economy retained its previous growth pace, supported by pickup export and domestic consumption. Foreign exchange reserve continually increased for the five consecutive month.

Most NIEs countries decelerated following export and investment showed down. Meanwhile, ASEAN-4 mostly recovered due to stronger export and private consumption.

GDP growth, Inflation and Export growth in several key economies

	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)					
	2015		2016		2015		2016		2015		2016		2017	
	Year	Year	Q1	Q2	Year	Year	Q1	Q2	Year	Year	Q1	Q2	Year	Year
USA	-7.5	-3.6	7.7	5.8	2.9	1.5	2.0	2.1	0.1	1.3	2.5	1.9		
EU	-12.1	0.0	7.1	2.5	1.9	1.7	1.9	2.2	0.0	0.2	1.8	1.5		
Japan	-9.5	3.2	10.0	7.3	1.1	1.0	1.5	2.0	0.8	-0.1	0.3	0.4		
China	-2.9	-7.7	7.8	9.1	6.9	6.7	6.9	6.9	1.4	2.0	1.4	1.4		
Hong Kong	-1.8	-0.6	10.5	7.0	2.4	2.0	4.3	3.8	3.0	2.4	0.6	2.0		
India	-17.0	-1.3	18.5	10.0	7.5	7.9	6.1	-	4.9	5.0	3.6	2.2		
Indonesia	-14.6	-3.5	21.1	7.9	4.9	5.0	5.0	5.0	6.4	3.5	3.6	4.3		
South Korea	-8.0	-5.9	14.7	16.7	2.8	2.8	2.9	2.7	0.7	1.0	2.1	1.9		
Malaysia	-14.9	-4.8	14.4	11.5	5.0	4.2	5.6	5.8	2.1	2.1	4.3	4.0		
Philippines	-5.3	-2.4	16.3	11.0	6.0	6.9	6.4	6.5	1.4	1.8	3.2	3.1		
Singapore	-13.8	-5.5	16.0	5.5	2.0	2.0	2.5	2.9	-0.5	-0.5	0.6	0.8		
Taiwan	-10.9	-1.8	15.1	10.2	0.8	1.5	2.6	2.1	-0.3	1.4	0.8	0.6		
Thailand	-5.6	0.1	6.8	8.0	2.9	3.2	3.3	3.7	-0.9	0.2	1.3	0.1		
Vietnam	7.9	9.0	15.1	22.1	6.7	6.2	5.2	6.2	0.6	2.7	5.0	3.3		

Source: CEIC, Collected by NESDB

4. The World Economic Outlook for 2017

The world economy for the rest of 2017 tends to continually improve from the first half of the year due to the economic acceleration in major economies particularly the US, Canada and the Eurozone. Furthermore, economies of India, Russia, NIEs, and others developing countries are expected to continue their recovering pace with a more broad-based expansion as a result of the more robust growth of world trade volume and the increasing in export prices.

This continued economic expansion closed output gap in several major economies where the unemployment fell to their natural rates. While, inflation pressure strengthened and move higher than the targets in some countries. Hence, the US Federal Reserve continually signals to increase its policy rate and prepare for its balance sheet normalization process. Meanwhile, the Bank of Canada decided to raise its policy rate for first time in 7 years. Similarly, the European Central Bank and the Bank of England have signaled to consider adjusting their monetary policy directions since the third quarter of 2017.

Nevertheless, the recovering pace of the world economy and commodity prices as well as the monetary policy directions and capital flows and exchange rates over the remainder of the year have some possibilities to become fluctuated under the following conditions: (i) the progress of the US's fiscal policies, together with the resolution on the debts ceiling, (ii) the direction of NAFTA re-negotiation as well as the consideration of the US's trade policy to limit unfair competitions from other foreign countries, (iii) the outturn of Brexit negotiation which might create more uncertainty on the Eurozone and the UK economies, and (iv) the political condition and the result of upcoming general election in Italy during early 2018.

Under these circumstances, the world economy and global trade volume in 2017, on the base case, are likely to grow by 3.4 percent, and 4.0 percent respectively, up from 3.1 percent, and 2.6 percent in 2016. The 2017 economic outlook for major economies are as follows.

US economy is projected to expand by 2.2 percent, accelerating from 1.5 percent in 2016. The stronger economic growth will be underpinned by strengthening household spending, following improved labor market, firming housing and equity price, and lower ratio of household debt to disposable income marked as the lowest rate in 12 years. In addition, improved sentiment and economic environment will continue to support domestic investment. However, the delay in passing fiscal law and raising debt ceiling could possibly become risk factors and take a toll on US' economic confidence. Under such conditions, it is expected that the Fed will make a decision on their monetary policy more cautiously by starting its balance sheet normalization in September 2017 and deciding another policy rate hike in December 2017.

Eurozone economy is estimated to expand by 2.0 percent, increasing from 1.7 percent in 2016. The economic prospect this year are expected to be contributed mainly by (i) ample liquidity due to accommodative monetary stance, (ii) healthier fiscal conditions as a result of progressive structural reforms in several countries, particularly in post-crisis economies and other major economies, (iii) expansion in exports and intra-regional trade, and (iv) the improvement of market sentiment after the French presidential election 2017. As a recovery resembled in the Eurozone economy, there will be more possibilities that the ECB will decide to reduce its tapering size, coupled with the extension of QE scheme if the downside risks from the Brexit negotiation, the slower inflation, and the Euro appreciation significantly declined.

World economy in 2017 is forecasted to grow by 3.4 percent, up from 3.1 percent in 2016. This is due to the upturn of the economic cycle and improved economic fundamental in major economies, which further support developing economies.

Eurozone economy is expected to speed up, following the improvement of domestic demand and exports.

Japanese economy is forecasted to grow by 1.5 percent, improving from a 1.0 percent growth in 2016. The expansion will be supported by continued export growth momentum following the world economic recovery and the Yen depreciation. Export acceleration will also further contribute to improvement of investment and manufacturing production. Furthermore, fiscal stimulus have also supported overall economic activities. Better economic growth has also led to decreasing unemployment rate and improving business confidence. Even though inflation has remained in positive territory, the rate has not seemed to move close to monetary target in the near-term. Under these conditions, the BOJ is likely to maintain accommodative monetary stance in both key policy rate and the asset purchases at the same level.

Chinese economy is projected to expand by 6.8 percent, compared to 6.7 percent in 2016, underpinned by the improvement of exports which eventually will reduce excess capacity in major industries and thus lead to increase in manufacturing production. In addition, the growth will be also contributed by ongoing fiscal stimulus measures particularly infrastructure investment. The external stability also continues to improve. Nevertheless, the pace of expansion in the second half of the year is expected to face with some limitations due to high levels of corporate debts and government efforts to curb down financial instability.

The **NIEs** is anticipated to continuously enhance following the improvement of exports, which lead to stronger manufacturing production and domestic demand. It is expected that economies of Hong Kong, Singapore, and Taiwan will grow by 3.0, 2.4, and 2.0 percent, accelerating from 2.0, 2.0, and 1.5 percent in 2016, respectively. However, the contraction in private investment, particularly in the construction sector, is likely to constrain economic expansion in South Korea during the remainder of the year. Under this circumstance, the Korean economy is projected to grow by 2.6 percent, decelerating from 2.8 percent in 2016. Likewise, **the ASEAN's economies** are likely to grow favorably supported by the improvement of exports following the economic recovery of trading partners' economies. It is expected that the Malaysian, Indonesian, Philippines, and Vietnamese economies are expected to expand by 4.6, 5.0, 6.3, and 6.0 percent in comparison with 4.2, 5.0, 6.9, and 6.2 percent in 2016, respectively.

Chinese economy is likely to slightly pick up , supported by the recovery of exports and manufacturing production, as well as the momentum from the economic stimulus packages in infrastructure investment.

5. Thai Economic Outlook for 2017

The Thai economy for the rest of 2017 is expected to accelerate from the first half, supported mainly by the continual export recovery and the stronger growth of key production sectors particularly the tourism, manufacturing, construction, and related service sectors which will continue to support private consumption. Meanwhile, public investment tends to speed up in line with the accelerated disbursement of remaining budgets and progress of key infrastructure projects.

The economic stability is expected to remain favorable. The headline inflation is likely to remain low; trade balance and current account continue to be in surplus. In the meantime, household debt to GDP ratio tends to gradually decline following the pickup in household income.

Nonetheless, the improvement of the Thai economy still faces with some downside risks from natural disasters especially flood as well as the global economic and political conditions in major countries which might affect trading partners' economies and global commodity prices to be more volatile and to experience a slower-than-expected recovery. In addition, the appreciation pressure on Thai baht tends to persist for the rest of the year.

Supporting factors for the economic growth:

- 1) The world's economic growth and trade volume** are likely to grow better than expectation which are in line with the upward revision on the world economy and trade volume growths in 2017 to be 3.4 and 4.0 percent, up from 3.3 and 3.6 percent in the previous projection. This improvement is due to the upward revision of the growth in the Eurozone, Chinese, Japanese and ASEAN-5 economies which are contributed around 46.0 percent to total Thai export value. Besides, the US economy shared 11.4 percent to total export, tends to grow at similar pace as previously presumed. Altogether these factors will positively lead to higher economic contributions from export sector to overall economy.
- 2) The improvement of public and private investments.** Although the **public investment** in the second quarter declined as a result of (i) the lower disbursement of capital budget under the annual budget framework due mainly to already high disbursement of some key agencies in earlier periods, together with delay in disbursement process of some other agencies, (ii) the beginning stage of the disbursement of supplementary budget for fiscal year 2017, (iii) the slow process of disbursement of some projects compared to their actual progresses. Nevertheless, it is expected that public investment over the remainder of the year will speed up in tandem with the acceleration of capital budget disbursement from the annual and the supplementary budget frameworks as well as the disbursement of installment payment requested by project contractors. Meanwhile, the **private investment** tends to improve and accelerate gradually in the latter half of the year both investment in machinery and equipment, and construction. This is in line with the recovery of import of capital goods which expanding by 5.3 percent in the second quarter improving from 1.3 percent contraction in the first quarter. Also, permitted construction areas in particular for residential and factory in municipality area in the second quarter increased by 16.7 and 111.0 percent respectively, after declining in the previous quarter.
- 3) The acceleration of key production sectors** including: (i) **hotels and restaurants sector** is likely to grow at an accelerated rate. The number of foreign tourists in the first half increased by 4.4 percent mainly due to tourists expansions from ASEAN, Europe, Australia, and the US in response to their improving economic conditions. Besides, Chinese tourists contributed 27.2 percent of total inbound tourists showed a contraction of 3.8 percent in the second quarter. However, the number of Chinese tourists returned to the normal trend in

May and June. As a result, number of foreign tourists and tourism receipts in the second quarter increased by 7.6 and 8.8 percent increasing from 1.7 and 3.9 percent in the first quarter. This uptrend is likely to continue its momentum into the latter half of the year. It is thus expected that both numbers and receipts of foreign tourists will grow higher than the previous projection, (ii) **manufacturing sector** is expected to accelerate in line with the acceleration of the manufacturing export which grew in the second quarter by 9.9 percent in volume term improving from 2.7 percent in the previous quarter. Despite the fact that exports in earlier periods were partly from inventory which caused the production sector to recover slowly, the significant rundown of inventory in major industries signals the acceleration of manufacturing production in the latter half of the year. Additionally, raw materials import increased by 8.3 percent in the second quarter, and the business confidence index remained favorable, (iii) **construction sector** is likely to accelerate in the second half of the year in tandem with progress of public investment projects and improving private construction following clear expansion of residential and factory permitted construction areas, and increased number of new real estate projects in the second quarter.

- 4) **The household income expansion** which become more pronounced and more broad-based. This expansion will continue to support private consumption in the second half of the year particularly: (i) household income in agricultural and relating business sectors which are likely to accelerate due to recovery of agricultural production after drought impacts subsided. Moreover, water reserves in main dams and weather conditions have become more favorable to cultivation, (ii) income in export-oriented manufacturing sector which tends to improve in the second half of the year in line with higher growth of export and manufacturing production, and (iii) income in tourism sector which tends to improve due to expected increasing number of foreign tourists and tourism receipts. Moreover, tourism receipts from domestic tourists will also accelerate and broaden as a result of improving economic environments and the government's tourism supporting measures.

Limitation and Risk Factors:

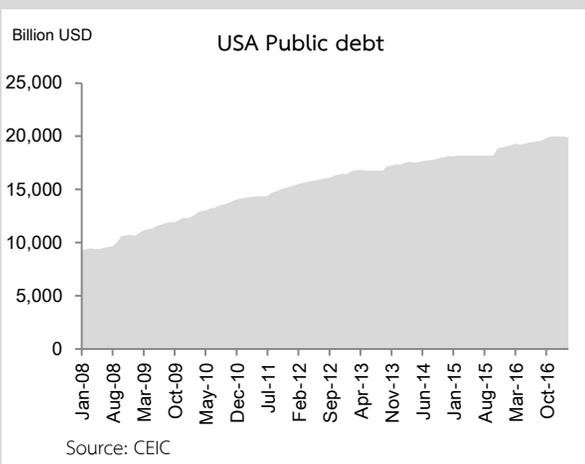
- 1) **Flooding conditions and natural disasters remain risk factors to the agricultural sector growth.** In based case, it is expected that the agricultural production in the second half will soften gradually as a result of the high-based growth in the second half of 2016. While non-agriculture sectors particularly manufacturing, tourism, transportation and construction sectors are expected to accelerate in the latter half, the impacts of flooding and natural disasters are still the main risks for agricultural productions and thus will expand slower than expected. The impacts might also occur in other production sectors. It is thus important to closely monitor and tackle with the problems.
- 2) **The global economy, commodity prices, capital movement, and foreign exchange rate of major currencies including Thai Baht are at risk of become fluctuate following key economic and political conditions** including: (i) the direction and progress of the US economic policies which might dampen investors' confidence particularly the delay in FY2018 government budgetary process, the concerns over public debt ceiling raising, and the US's trade policy particularly the result from NAFTA re-negotiation as well as the implementation of the trade measure to limit unfair competitions from other foreign countries, (ii) the monetary policy direction of major economies which possibly influences global liquidity to adjust faster than the actual economic fundamental. Specifically, the US Federal Reserve that continually indicates their aim to downsize its balance sheet and raise the federal funds rate, while central banks of other major countries (except Japan) also

consider their policy direction adjustment, and (iii) the outturn of Brexit negotiation which might pose some delay to the recovery of the Eurozone and the UK economies, and (iii) the expected result of general election in Italy during early 2018. Recent poll survey result on 9 August 2017 indicates that the Democratic Party (DP) was leading in the opinion poll compared to the Euro-skeptic Five Star Movement party (M5s) though with closer gap of 27.3 to 27.0 percent respectively.

The Adjustment of the U.S. Debt Ceiling

The public debt ceiling is a statutory borrowing limit used for regulating government spending and maintaining fiscal disciplines in order to limit debt accumulation and thus prevent possible mismanagement problems which could adversely affect the overall economy. The public debt ceiling in the U.S. was firstly introduced in 1917 with legislative limit to no more than 11.5 billion USD. In the early stage, the regulation on debt issuance was applied for a few types of debt instruments before expanding to cover all types of loans in 1939. From 2011, the U.S. public debts have begun to exceed the ceiling and therefore the ceiling has to be raised. However, the difficulty of debt ceiling amendment negotiation leads to adverse impact. In 2013, the Congress failed to agree on the federal government budget for fiscal year 2014 after the Republican Party opposed to raise the debt ceiling against the Obama Care, which led to temporary government shutdown. During the shutdown, around 800 thousands federal employees were furloughed without paid. The disbursement suspension caused a reduction in public spending and consequently negatively affected the U.S. economy. The shutdown would possibly happen after the temporary suspension of the debt ceiling came to the end on 15th March 2017. The outstanding public debt was at 19.9 trillion USD, already exceed the debt ceiling limit. Inevitably, the U.S. government therefore has to resolve debt limit again. If the U.S. Congress is not able to agree on raising debt legislative limit within 29th September 2017, the U.S. government might experience with the debt crisis again as happened in 2013-2014, including temporarily shut down, public debt default and sequestration.

In fact, the U.S. government is scheduled to disburse its budget for social security and Medicare spending during the October to November 2017, especially when the government need to pay the military retirement trust fund on 2nd October 2017. This situation would likely put the U.S. government at a high risk of inadequate cash and might lead to default some debts, which in turn pushing the government to reduce public spending inevitably. Recently, Mr. Steven Mnuchin, the United States Secretary of the Treasury requested to the U.S. Congress to raise the debt ceiling before the closing of the parliamentary session in August 2017, while Mr. Mick Mulvaney, Director of the office of Management and Budget



(OMB) commented on such problems would lead to a reduction in budget deficit. Meanwhile, President Donald Trump said that the good shut down of some government offices could be a solution to the problems.

Key assumptions for 2017 economic projection:

	World Economic Projection			
	Actual Data		Projection of 2017	
	2015	2016	May 15, 2017	Aug 21, 2017
World Economic Growth (%)	3.2	3.1	3.3	3.4
USA	2.9	1.5	2.2	2.2
EU	1.9	1.7	1.6	2.0
Japan	1.1	1.0	1.2	1.5
China	6.9	6.7	6.6	6.8
World Trade Volume (%)	2.8	2.6	3.6	4.0
Exchange Rate (Baht/US dollar)	34.29	35.29	35.0 - 36.0	34.0 - 35.0
Dubai Crude Oil (US Dollar/Barrel)	50.9	41.4	47.0 - 57.0	47.0 - 57.0
Export Price (US Dollar) (%)	-4.1	-0.4	1.5 - 2.5	2.0 - 3.0
Import Price (US Dollar) (%)	-10.8	-2.7	3.5 - 4.5	4.0 - 5.0
Income from Tourism (Trillion baht)	1.54	1.76	1.93	1.96

Source: NESDB

- 1) **In 2017, the world economy and the world trade volume are expected to grow by 3.4 and 4.0 percent respectively, revised up from 3.3 percent and 3.6 percent in the previous projections.** This upward revision is due to the higher-than-expected growth rate in EU, Japan, and China during the first half of the year. The global economy in the latter half tends to continue its growth momentum supported by the improvement of developed economies, especially in US, Canada, and Eurozone, as well as developing economies particularly India, Russia, NIEs, and ASEAN which tend to recover and exhibit more broad-based expansion in response to pick up in global trade and rising commodity prices. The developing economies have also showed strong expansionary directions particularly.
- 2) **The average Thai baht in 2017 is expected to be in the range of 34.0 to 35.0 baht per US dollar, compared to 35.29 baht per US dollar in 2016, a revision from the range of 35.0 to 36.0 baht per US dollar in the previous estimation.** This revision is mostly on account of the stronger-than-expected Thai baht appreciation in the second quarter with an average of 34.3 baht per US dollar. The main factors underlying the Baht appreciation are as follows: (i) the US Investor's concerns over slow progress of the US fiscal measures and uncertain FED monetary policy direction, (ii) remained low Thai inflation rate relative to those rates of US and others major economies, and (iii) strong economic stability in Thailand in all dimensions namely financial, fiscal and external stability. Additionally, high current account surplus and capital inflow to Thailand increased the pressure of domestic currency appreciation despite US Federal Reserve already increased its policy rate twice in the first half of 2017. It is, therefore, expected that Thai Baht will continue to experience the appreciation pressure during the remainder of the year.
- 3) **The average Dubai crude oil price in 2017 is expected to be in the range of 47.0 – 57.0 US dollar per barrel and remain unchanged from the previous projection.** In the first seven months of 2017, the average oil price was at 50.7 US dollars per barrel. It is expected that crude oil prices during the rest of the year will slowly increase due mainly to (i) the accomplish agreement between OPEC and non-OPEC on cutting oil productions until the first quarter of 2018, as well as a willingly support among major oil exporters reported in the recent meeting in August, particularly the U.A.E., Iraq, Kazakhstan and Malaysia, (ii) the announcement of Saudi Arabia's curbing crude oil exports in September by 520,000 barrels per day, and the U.A.E.'s export-reduction plans by 10.0 percent of her total oil exports, (iii) lowering the oil supply from Non-OPEC countries, especially in North America, and decreasing trend of US crude oil stock. Specifically, data on 4 August 2017 showed that crude oil stock levels were at 1,154.3 million barrels, compared to a peak of 1,227.7 million barrels as of 31 March 2017 (6.0 percent reduction), and (iv) increasing oil demand as a result of more pronounced recovery of the world economy.
- 4) **The export price in US dollar term increases by 2.0 – 3.0 percent, comparing to the decline of 0.4 percent in 2016.** This is an upward revision from the range of 1.5 – 2.5 percent assumption

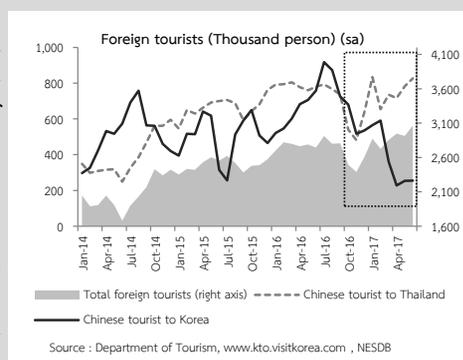
in the previous forecast owing to the higher-than-projected export price growth in the first half of the year, following the expansionary export prices in agriculture and agricultural industry. **The import price in US dollar term rose by 4.0 - 5.0 percent, comparing with the contraction of 2.7 percent in 2016**, upwardly revised from 3.5 - 4.5 percent in the previous estimation. This owes to the higher-than-expected import price in the first half as a result of increasing trend of industrial raw materials and capital goods prices.

- 5) **Revenue from foreign tourists is likely to be 1.96 trillion baht, increasing by 11.3 percent from 1.76 trillion baht in 2016 and it is an upward revision from the 1.93 trillion baht in the previous projection.** This is because the number of foreign tourists in the second quarter expanded higher than expected, especially faster-than-expected Chinese tourists' recovery. Furthermore, the number of tourists from Malaysia, Russia and the United States has continued to expand. As a result, it is expected that tourist receipts will expand by 14.2 percent in the second half of the year, in comparison with an 8.5 percent expansion in the first half. Key supporting factors include (i) the expected high expansion of long-stay tourists, especially from Europe, Russia and the United States, (ii) the capacity extension of major airports (Don Muang, Phuket, and U-Tapao) to accommodate more tourists, (iii) the expansion of short-haul international operations by low cost airlines, (iv) domestic political stability, (v) the China's South Korea travel ban which tends to attract more tourists from China to change their travel destination to Thailand, and (vi) government's measures in supporting tourism sector.
- 6) **Government budget** are expected to disburse as follows; (i) FY2017 annual budget disbursement rate (excluding supplementary budget) of 94.4 percent of overall budget, downward revision from 94.8 percent in the previous estimate. This revision is due to the downward revision of capital budget disbursement rate to 76.0 percent, compared to 80 percent in the previous projection. While, the current budget disbursement rate remain unchanged at 98.5 percent, (ii) FY 2017 supplementary budget disbursement rate of 50.0 percent, revising downwardly from 61.2 percent in the previous assumption according to the lower-than-expected actual disbursement in the third quarter of FY2017, especially in the capital budget, (iii) state-owned enterprise's capital budget disbursement of 78.0 percent, equivalent to the previous projection. This is because the actual data revealed that and the disbursement rate in the third quarter of FY2017 was at 18.5 percent, consistent with previous estimation, (iv) carry-over budget disbursement of 74.5 percent, downwardly revised from 78.0 percent, (v) off-budget loans consisted of water resources management and road transport system projects and others about 9,615.1 million baht, comparing to 49,503.5 million baht in FY2016, and (vi) annual budget disbursement in the first quarter of FY2018 (October – December 2017) of 32.0 percent.

The recovery of Thailand's tourism sector

In the past two years, the number of visitors and tourism revenue increased continually and has thus become a key driver of the Thai economy. In 2016, the number of foreign tourists reached 32.6 million, together with tourism services receipts of 1.76 trillion baht (or accounted for 12.3 percent of GDP). However, tourism receipts in the fourth quarter of 2016 expanded by 5.9 percent, relative to the average of 17.7 percent in the past three quarters.

Yet, the number of inbound tourists and tourism receipts in the second quarter of 2017 revealed a strong recovery and even faster than expected, especially the number of foreign tourists increased by 11.4 percent in June 2017. Based on this recent trend, the number of foreign tourists and tourism revenue in the second half of the year is expected to grow faster than those in the first quarter, thus the whole year projection is revised upwardly from the previous projection. The faster-than-expected pickup was not only supported by the strengths of Thai tourism and supportive government measures, but also as a result of the China's South Korea travel ban, which in turn more likely to make Chinese tourists changing their travel destination from China and travel more to Thailand.



Economic Projection for 2017:

The Thai economy in 2017 is projected to expand in the range of 3.5 – 4.0 percent, with the midpoint of 3.7 percent, improving continually from 2.9 and 3.2 percent of growth in 2015 and 2016, respectively. The headline inflation is projected to be in the range of 0.4 – 0.9 percent and the current account balance is forecasted to register a surplus of 9.7 percent of GDP

In the press release dated on 21 August 2017, NESDB forecasts that the Thai economy will expand in the range of 3.5 – 4.0 percent, upwardly revised from 3.3 – 3.8 percent in a press release dated on 15 May 2017. There were revisions on some growth components in line with the actual data in the second quarter and changes in key assumptions of the projection. The justification of projection revision are as follows:

- 1) The Thai economy in the second quarter expanded by 3.7 percent, higher than previously projected. Overall, the economy in the first half of the year grew by 3.5 percent on average. Meanwhile, growths in key economic sectors in the second half of the year have tendency to speed up from the first half particularly hotels and restaurants, construction, manufacturing, and related business sectors. The agricultural sector is likely to expand at favorable pace despite some slowdown affected from high base effect during the second half of 2016. Under such conditions, there was less possibility of the Thai economic growth to be lower than 3.5 percent.
- 2) The revision of two key assumptions including the external sector and public disbursement has made the growth components differed from the previous projection. The external sector assumptions include; (i) the upward revision of world economic and world trade volume growth from 3.3 and 3.6 percent in the previous projection to 3.4 and 4.0 percent respectively, (ii) the upward revision of export and import prices, and (iii) the upward revision of foreign tourist receipts, from 1.93 trillion baht in 2016 to 1.96 trillion baht in this projection. These revisions have boosted up the growth contribution from exports of goods and services. For the public disbursement assumption, the revision include; (i) the downward revision of disbursement rate of FY2017 capital budget, and (ii) the downward revision of FY2017 supplementary budget, from 61.2 percent to 50.0 percent which will thus diminish the growth contribution from public investment.

Key components of the economic growth :

- 1) **Consumption: Private consumption expenditure** is estimated to grow by 3.2 percent, slightly increasing from a 3.1-percent growth in 2016, and revised upwardly from 3.0 percent in the previous projection. The upward revision is due to higher income base in major sectors especially income in agricultural sector, export sector, and tourism sector. Such improvement will continue to support private consumption expenditure in the remaining year. Meanwhile, the estimation of **government expenditure** is kept unchanged at 3.2 percent, accelerating from 1.7 percent in 2016, and remains unchanged from the previous estimation as the current expenditure disbursement rate was as expected.
- 2) **Total investment** is projected to expand by 3.4 percent, up from 2.8 percent in 2016, but revised downwardly from 4.4 percent in the preceding projection. The revision was based on the downward revision of public investment. **Public Investment** is expected to grow by 8.0 percent, slower from 9.9 percent in 2016, and revised downwardly from 12.6 percent in the previous estimation. This is consistent with the downward revision of capital budget disbursement from both annual budget and supplementary budget. However, public investment in the latter half of 2017 tends to accelerate in line with the expeditious disbursement of capital budget from the remaining budget of both the annual budget and

supplementary budget. Disbursement of the state-owned enterprise's capital budget, likewise, tends to speed up following further progress of key investment projects as well as disbursement requests for project's install payment. **Private Investment** is forecasted to grow by 2.2 percent, increasing from the expansion of 2.0 percent in the previous estimation. This is due to the faster-than-expected recovery of private investment in the second quarter of 2017 while it is likely that the recovery will keep its pace in the remaining of 2017, in line with the pick up in export sector, import volume of capital goods, and the progress of public investment projects.

- 3) **Export value of goods in US dollar term** is expected to grow by 5.7 percent, compared to its growth of 0.1 percent in 2016, and revised from 3.6 percent in the previous projection. The revision is due mainly to the upward revision of the assumption of world economic growth and world trade expansion, from 3.3 percent and 3.6 percent to 3.4 percent and 4.0 percent respectively. It is also due to the upward revision of export price assumption, adjusted from 1.5 – 2.5 percent to 2.0 – 3.0 percent, which will drive the export value growth. Together with the upward revision of foreign tourism receipts, **the export quantity of goods and services is projected to grow by 4.9 percent, increasing from its growth of 2.1 percent in 2016**, revised from 2.9 percent in prior estimation.
- 4) **Import value of goods in US dollar term** is estimated to expand by 10.7 percent, compared to the decrease by 5.1 percent in 2016, revised upwardly from 7.0 percent in the previous projection. The revision is due mainly to the upward revision of import price assumption from 3.5 – 4.5 percent to 4.0 – 5.0 percent. The revision is also made for import quantity growth in line with the upward adjustment of export value, private investment, and private consumption. As a result, **the import volume of goods and services is predicted to grow by 5.6 percent, compared to 1.4 percent in 2016**, revised up from 3.5 percent in the preceding estimation.
- 5) **Trade balance** is estimated to register a surplus of 28.9 billion US dollars, lower than a surplus of 35.8 billion US dollars in 2016, and also 31.0 billion US dollars in the last projection. The revision is made as import value is expected to increase faster than the export value. Meanwhile, the current account is projected to register a surplus of 42.5 billion US dollars, equivalent to 9.7 percent of GDP, compared with 8.9 percent of GDP in the past projection, due to an upward revision in the service account assumption.
- 6) **Headline inflation** in 2017 is forecasted to be in the range of 0.4 – 0.9 percent, up from 0.2 percent in 2016, and lower than the range of 0.8 – 1.3 percent in the previous estimation. This projection was supported by the lower-than-expected of actual headline inflation in the first half of 2017, and the revision of Thai baht assumption from the range of 35.0 – 36.0 Baht per US dollar to 34.0 – 35.0 Baht per US dollar.

6. Economic Management for the year 2017

Thai economy is expected to expand well, supported by a robust growth of the agricultural sector, as well as higher and more broad-based expansions of exports and tourism sector. This could further strengthen household income and expenditure. However, the agricultural production has started to recover to normal conditions after facing with severe drought alongside the declining global market prices over the past two years, while the growth in non-agricultural sectors remained low, particularly, manufacturing and private construction sectors. Given by such conditions, benefits from the on-going recovery has not yet widely spillover across all sectors in the economy, especially, grass-root entrepreneurs and SMEs, which are accounted for large part of employment. In addition, the growth projection in the remainder of the year 2017 might be at risk from flood that could affect agricultural production. While economic and political conditions in major countries could become key risk factors that may affect the recovery of global economy and world market prices to be slower than expected. In addition, the Thai Baht is likely to be volatile and remain under consistent appreciation pressure. Under these circumstances, the macroeconomic policy management shall be given to the following guidelines:

- 1) **Preventing and mitigating impacts from natural disasters**, in particular, the flood that might affect the expansion of the agricultural production. The measures shall include for example (i) monitoring and then alerting people in those risky areas. The rescue plan could reduce damages and alleviate difficulties faced by victims from disasters, (ii) providing assisting measures for diminishing damage and difficulties of people during the disaster, and (iii) revitalizing and strengthening economic activities and well-being of people in affected area to return back to normal as soon as possible.
- 2) **Expediting the budget disbursement under key budget framework to achieve disbursement target**, comprising of (i) no lower than 76 disbursement rate of the FY2017 capital budget, with greater emphasis on expediting the budget disbursement of government agencies that have the disbursement rate over the first 9 months lower than the disbursement rate in the same period last year. (ii) no lower than 50 percent of the FY2017 supplementary budget (iii) no lower than 74.5 percent disbursement rate of the FY2017 carry-over budget (iv) no lower than 78 percent disbursement rate of the FY2017 SOE's capital budget (v) no lower than 19.5 percent disbursement rate of the first quarter of the FY2018 capital budget.
- 3) **Strengthening the SMEs and grass-root economies** by (i) implementing credit and financial support measures to reduce limitations to access credit and source of funding continuously, (ii) expediting the implementation of provincial cluster development program under the supplementary budget framework, worth 75,057.2 million baht, (iii) encouraging SMEs to build safeguard against currency volatility risk, (iv) encouraging SMEs to develop their accounting system in order to enter the tax system in accordance with government support measures, (v) supporting SMEs to improve their production, management system and marketing towards high technology, including links between SMEs supply chain and larger-scale business and manufacturers as well as product development corresponding to customer demand, (vi) supporting SMEs to seek for and extend to new markets, especially in CLMV, (vii) supporting the use of domestically manufactured goods, (viii) encouraging SMEs to invest in Special Economic Zone (SEZs) to benefit from privileges on tax exemption and foreign migrant workers, and (ix) alleviating labor shortage by promoting the Dual Vocational Training (DVT) educational system and solving foreign workers employment problem.

- 4) **Supporting the expansion of farm income and caring for low-income people** by emphasizing on (i) supporting measures for agricultural products that will be released more into market during the crop year 2017/2018, (ii) supporting a large-scale farming in order to reduce production cost and enhance trade bargaining power, (iii) adopting proper crop plantation and production process suitable in each area as well as switching to grow crop plantation with higher market values, (iv) raising share to farmers in market sale prices and (v) establishing integrated database system of poor farmers and low-income people in order to facilitate the direct assistance measures to reach target group effectively.
- 5) **Conducting measures to support the non-agricultural sectors to be fully recovered and be able to sufficiently propel economic growth as driving force from agricultural products becomes diminish** by (i) **supporting the expansion of manufacturing export** by expediting export growth to continue its acceleration and to become more board-based, monitoring and solving the problems from trade protection measures conducting in key export markets, and encouraging entrepreneurs to use tariff privileges under preferential trade agreements with other countries, (ii) **building up confidence and supporting the recovery of private investment** by expediting the implementation of the transport infrastructure investment action plan, encouraging investment project approved by BOI in the previous periods to be materialized in 2017, implementing proactive measures in order to attract investors in the targeted sector and providing information on progress of key public infrastructure projects and (iii) **supporting the expansion of the tourism sector** by focusing on ensuring safety in the major tourist destinations, tackling the immigration congestion and facilitating immigration check points, promoting marketing campaign for attracting more high-income and long-haul tourists, and promoting domestic tourism together with distributing income into local and rural-area tourist destinations.





Projection for 2017 ¹

	Actual Data		Projection	
	2015	2016	May 15 th , 2017	Aug 21 st , 2017
GDP (at current prices: Bil. Bht)	13,672.9	14,366.6	15,156.7	15,185.5
GDP per capita (Bht per year)	203,356.3	212,980.2	224,034.3	224,459.0
GDP (at current prices: Bil. USD)	399.2	407.1	426.9	440.2
GDP per capita (USD per year)	5,937.0	6,035.1	6,310.8	6,506.1
GDP Growth (CVM, %)	2.9	3.2	3.3 - 3.8	3.5 - 4.0
Investment (CVM, %)	4.4	2.8	4.4	3.4
Private (CVM, %)	-2.2	0.4	2.0	2.2
Public (CVM, %)	29.3	9.9	12.6	8.0
Private Consumption (CVM, %)	2.2	3.1	3.0	3.2
Public Consumption (CVM, %)	3.0	1.7	3.2	3.2
Export volume of goods & services (%)	0.7	2.1	2.9	4.9
Export value of goods (Bil. USD)	214.1	214.1	221.8	226.3
Growth rate (%) ^{2/}	-5.6	0.1	3.6	5.7
Growth rate (Volume, %) ^{2/}	-1.5	0.5	1.6	3.2
Import volume of goods & services (%)	0.0	-1.4	3.5	5.6
Import value of goods (Bil. USD)	187.2	178.4	190.8	197.4
Growth rate (%) ^{2/}	-10.6	-5.1	7.0	10.7
Growth rate (Volume, %) ^{2/}	0.3	-2.5	3.0	6.2
Trade balance (Bil. USD)	26.8	35.8	31.0	28.9
Current account balance (Bil. USD)	32.1	46.8	38.8	42.5
Current account to GDP (%)	8.1	11.5	8.9	9.7
Inflation (%)				
CPI	-0.9	0.2	0.8-1.3	0.4 - 0.9
GDP Deflator	0.6	1.8	1.5-2.5	1.5 - 2.5

Source: Office of the National Economic and Social Development Board, 21st August 2017

Note: ^{1/} Data was calculated based on new National Accounts Office's Series, published on www.nesdb.go.th

^{2/} Export and import base on the Bank of Thailand's data.