



Thai Economic Performance in Q4 and 2016 and Outlook for 2017

Macroeconomic Strategy and Planning Office

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Economic Projection of 2017

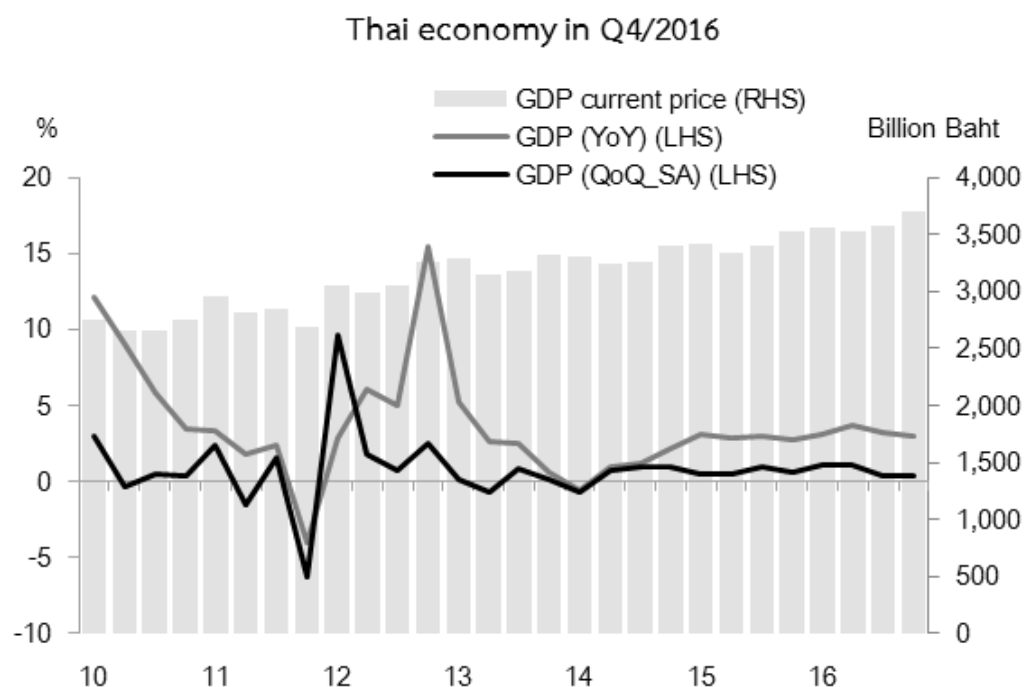
(%YoY)	2015	2016		Projection	
	Year	Year	Q3	Q4	2017
GDP (CVM)	2.9	3.2	3.2	3.0	3.0-4.0
Total Investment	4.4	2.8	1.0	1.8	5.3
Private	-2.2	0.4	-0.8	-0.4	2.5
Public	29.3	9.9	5.8	8.6	14.4
Private Consumption	2.2	3.1	3.0	2.5	2.8
Public Consumption	3.0	1.6	-5.2	1.5	2.6
Export of Goods ¹	-5.6	0.0	0.4	3.6	2.9
Volume ¹	-3.4	0.1	-0.4	1.4	1.2
Import of Goods ¹	-10.6	-4.7	-2.4	6.7	5.5
Volume ¹	0.2	-2.2	-1.5	3.6	2.0
Current Account to GDP (%)	8.1	11.4	10.1	9.4	9.4
Inflation	-0.9	0.2	0.3	0.7	1.2-2.2

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

- ❑ **The Thai economy in the fourth quarter of 2016** expanded by 3.0 percent, continuing from 3.2 percent in the previous quarter. After seasonally adjusted, the Thai economy in the fourth quarter expanded by 0.4 percent from the third quarter of 2016.
- ❑ **On expenditure side**, export of goods, government expenditure and total investment accelerated. Household consumption continued to grow well while export of service slowed down. **On the production side**, the agricultural, manufacturing and wholesale and retail trade sectors grew at faster pace while hotel and restaurant sector experienced a slowdown.
- ❑ **In 2016**, the Thai economy grew by 3.2 percent, improving from 2.9 percent in 2015. Private consumption, public and private investment expanded by 3.1, 9.9, and 0.4 percent respectively. Export value was null with 0.0 growth. Meanwhile, the inflation rate was 0.2 percent and the current account registered a surplus of 11.4 percent to GDP.
- ❑ **The outlook for 2017**, the Thai economy is projected to grow by 3.0 – 4.0 percent, supported by (i) an expansion of the export sector which will further support the recovery of the manufacturing production and private investment, (ii) an acceleration of the agricultural production and farm income which will support the expansion of household consumption, (iii) an acceleration of public investment (iv) the 190-billion-baht supplementary budget in the fiscal year 2017, and (v) the favorable expansion of tourism receipts. It is expected that value of export of goods will grow by 2.9 percent, private consumption and total investment will grow by 2.8 and 5.3 percent respectively. The headline inflation rate will be in the range of 1.2 – 2.2 percent and the current account will record a surplus of 9.4 percent to GDP.
- ❑ **Economic management for 2017** should emphasize on (i) expediting government spending and public investment in which that disbursement rate of capital budget from FY2017 annual budget and the SOEs' investment budget should not be lower than 80 percent, disbursement rate of supplementary budget should not be lower than 65 percent, the carry-over budget disbursement should not be lower than 75 percent. Moreover, it is important to speed up the implementation of transportation infrastructure development plans, development projects under Eastern Economic Corridor, and special border economic zones. (ii) facilitating export growth to expand at its full potential by monitoring and being aware of trade protection policies from other countries, proactively seeking new markets, supporting marketing plan to match with targeted export markets; promoting border trade and linkage with CLMV, as well as enhancing value added for export products and services with innovation, (iii) supporting the expansion of agricultural production and farm income by enhancing efficiency and minimizing marketing process of agricultural products in order to pass on higher income to farmers, supporting large-scale farming, reducing production cost, adopting proper crop plantation and production process suitable for each areas, and switching to grow crops with higher market values, (iv) building up confidence and supporting private investment growth by accelerating export in order to reduce excess production capacity, attracting investors in the targeted sectors for future industrial and service development, providing information on plans and progress of key public infrastructure projects and economic area development, facilitating foreign investors who wish to relocate their production base to Thailand, and expediting implementation of BOI approved projects, (v) sustaining the growth of tourism sector by ensuring safety in major tourist attractions, attracting high-end and high-purchasing-power tourists, promoting and linking tourism with other regional countries, focusing on high-potential and high-growth-tendency tourists, building up new tourist market, and supporting domestic tourism.

The Thai economy in the fourth quarter of 2016 and the outlook for 2017

The Thai economy in the fourth quarter of 2016 expanded by 3.0 percent, continuing from 3.2 percent in the previous quarter. **On expenditure side**, export of goods, government expenditure and total investment accelerated. Household consumption continued to expand well while export of service slowed down. **On the production side**, the agricultural, manufacturing and wholesale and retail trade sectors grew at faster pace while hotel and restaurant sector experienced a slowdown. After seasonally adjusted, the Thai economy in the fourth quarter expanded by 0.4 percent from the third quarter of 2016. **In 2016**, the Thai economy grew by 3.2 percent, improving from 2.9 percent in 2015.



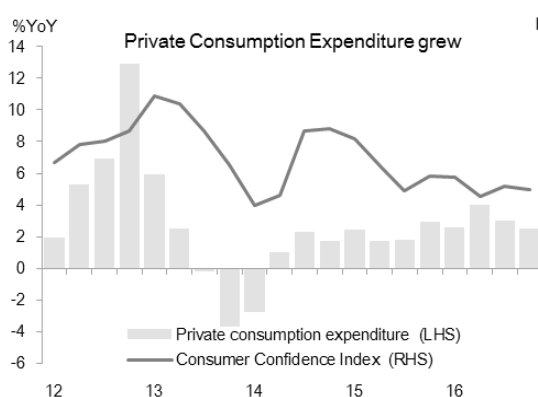
Source: NESDB

1. The Thai Economy in Q4/2016

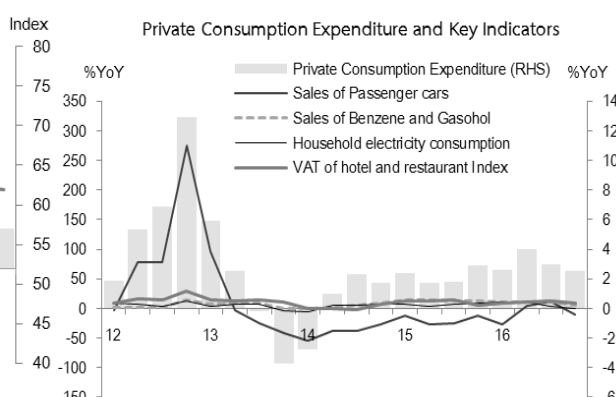
□ Expenditure Side:

Private consumption expenditure continually expanded, which was supported by government stimulus measures. In the fourth quarter of 2016, private consumption expenditure grew by 2.5 percent. The VAT of hotel and restaurant index (at 2010) grew by 9.6 percent, which was supported by tax measurement enhancing domestic tourism sector. Import of textile, sales of motorcycles, sales of benzene (and gasohol) and sales of diesel continued to grow. However, sales of beer and soda water (and drinking water) declined. Sales of passenger cars decreased by 10.3 percent after increasing in last two quarters. Consumer Confidence Index pertaining the overall economic situation stood at 61.9.

In 2016, Private consumption expenditure expanded by 3.1 percent, compared with 2.2 percent growth recorded in 2015.



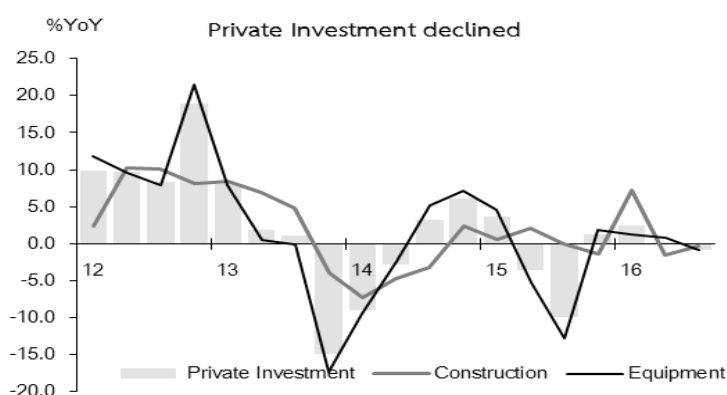
Source: NESDB, University of the Thai Chamber of Commerce



Source: NESDB, BOT, Department of Energy Business

Private investment contracted, due to decline in both investments in machinery and equipment, and in construction. In the fourth quarter of 2016, private investment decreased by 0.4 percent. **The investment in machinery and equipment** fell by 0.4 percent. This was consistent with the sales of commercial car and the import of capital (at 2010 price) decreased by 15.4 and 2.8 percent respectively. **The investments in construction** fell by 0.5 percent, aligning with the decrease of sales of cement, concrete, and the permitted construction area by 0.3, 1.7 and 4.0 percent respectively. The value of projects applied and of projected approved by Board of Investment (BOI) increased by 245.2 percent and 29.2 percent respectively. The promotion certificate issued by BOI increased for the first time in six quarters, by 5.2 percent. The Business Sentiment Index (BSI) stood at 49.7.

In 2016, private investment rose by 0.4 percent, Investment in machinery and equipment expanded by 0.2 percent, and construction investment grew by 1.1 percent.



Source: NESDB

In the fourth quarter of 2016, private consumption expenditure continually expanded, export of goods registered positive growth and public investment highly increased, however, private investment declined due to earlier stage of export recovery which production sector still remained their excess capital utilization.

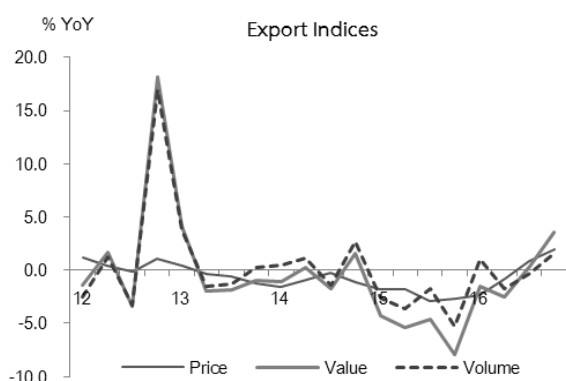
Private consumption expenditure expanded by 2.5 percent, compared with 3.0 percent in the previous quarter.

Private investment fell by 0.4 percent, due to decline of investments in machinery and equipment and investments in construction.

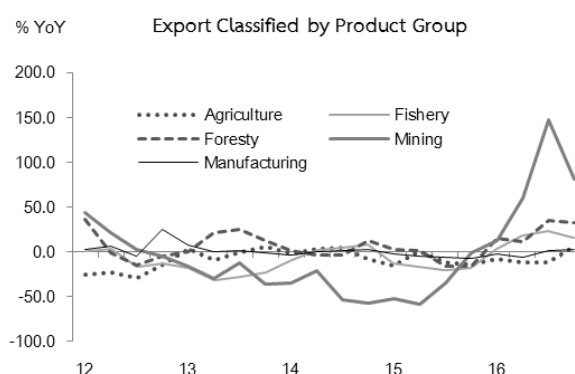
Exports in US dollar term gradually accelerated due to increase in both export price and quantity, supported by economic recovery of key trading partners and the improvement of commodity prices in the world market. Export value in the fourth quarter of 2016 was recorded at 54.6 billion US dollars, representing a 3.6 percent growth, accelerated from a 0.4 percent growth in the previous quarter. The export quantity increased by 1.6 percent and export price increased by 2.0 percent. Export value was able to grow owing to (i) the economic recovery in key trading partners, especially US, EU and Japan.; (ii) the acceleration of China’s rubber import from Thailand for producing tire. (iii) the export price grew by 2.0 percent, particularly refined fuels, chemicals, rubber and sugar. Excluding unwrought gold, export value increased by 3.1 percent. **In baht term**, the export value increased by 2.3 percent.

In 2016, export value represented a 0.0 percent growth, improved from a 5.6 percent contraction in 2015. **In baht term**, export value increased by 3.0 percent.

Exports in US dollar term expanded by 3.6 percent due to a 1.6 percent increase in export quantity and 2.0 percent increase in export price. In baht term, export value increased by 2.3 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Export of agricultural commodities increased for the first time in 6 quarters by 6.2 percent. There was a 1.4 percent increase in the export quantity and a 4.6 percent increase in export price, mainly due to the increase in export prices of rubber and sugar, whereas export prices of rice and tapioca decreased. The export value of key agricultural products with growth in this quarter included rubber (increased for the first time in 5 quarters by 15.0 percent, as export price grew by 17.1 percent, whereas export quantity fell by 2.1 percent). On the other hand, the decline of export value included rice, tapioca and sugar. **Export value of manufacturing products** grew by 2.6 percent, which was supported by the recovery of the global demand and the increase in crude oil price. As a result, the quantity and price of manufacturing export increased by 1.0 and 1.6 percent, respectively. The increase of export values of key manufacturing products in this quarter included vehicle parts & accessories, machinery & equipment, petro-chemical products and chemicals. Meanwhile, the decline in export value included air conditioning machines, passenger car and petroleum products. The export value of fishery products increased by 16.2 percent; with a 9.1 percent growth in export price and a 6.5 percent growth in export quantity. Export of other products increased by 33.4 percent as a result of the increase in the export of non-monetary gold.

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

Export Value of Major Product in US Dollar Term

%YoY	2015					2016								Share
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
Agriculture	-10.7	-15.2	0.8	-12.2	-14.6	-6.3	-7.8	-11.7	-11.9	6.2	-9.5	20.9	8.9	7.7
Rice	-15.2	-5.1	-7.4	-27.6	-17.4	-4.6	11.8	-13.2	-12.5	-4.9	-24.4	25.9	-7.8	2.4
Rubber	-16.0	-36.1	-12.6	11.1	-15.6	-12.1	-22.2	-8.4	-27.3	15.0	-5.1	15.6	36.2	2.4
Tapioca	-0.7	-2.7	64.2	-29.0	-17.2	-19.3	-17.1	-37.0	-11.3	-4.0	-26.8	24.2	-4.9	1.1
Manufacturing	-5.5	-2.5	-5.3	-6.3	-7.9	-1.3	-2.7	-5.8	0.9	2.6	-3.6	7.8	3.9	87.8
Sugar	-2.0	1.2	-8.2	12.7	-11.8	-13.3	30.9	-11.7	-33.4	-27.6	-51.7	-22.4	5.3	0.8
Crustaceans canned,	-13.8	-4.6	-17.5	-10.2	-20.4	-1.6	-17.5	12.5	-4.1	2.9	-6.4	14.0	3.0	0.6
Rubber products	-19.1	-20.6	-9.4	-30.6	-15.0	8.0	0.9	0.4	23.4	9.4	1.3	7.1	20.6	1.9
Apparels and Textile Materials	-8.2	-6.2	-8.9	-8.6	-9.1	-5.5	-6.6	-6.0	-5.3	-3.8	-9.8	-0.5	-1.0	3.0
Electronics	-3.7	-0.1	-2.7	-5.3	-6.3	-2.8	-5.5	-7.6	0.7	0.8	-5.7	5.6	3.1	15.2
Computer parts &	-5.0	-4.6	-2.8	-6.7	-5.8	-8.6	-7.5	-12.7	-4.1	-10.2	-14.5	-2.6	-12.7	6.3
Integrated circuits & parts	3.1	4.5	-0.2	5.2	2.8	-0.1	-3.4	-0.4	0.7	2.0	-8.4	6.6	9.1	3.7
Printed circuits	6.1	26.9	17.3	0.2	-11.4	-6.9	-12.7	-9.4	-1.9	-4.1	-14.9	-0.6	6.7	0.5
Electrical Appliances	-2.1	-0.6	-3.5	0.4	-4.6	3.6	-2.7	5.5	8.5	3.4	-2.5	5.8	7.5	5.3
Air conditioning machines	0.3	-1.5	-2.9	7.0	1.0	6.2	0.1	12.6	12.6	-0.2	-10.0	-2.2	12.0	1.5
Metal & Steel	-4.1	4.7	-8.4	-5.9	-6.2	-0.2	-10.8	-1.8	9.6	2.2	-2.3	12.7	-2.8	4.3
Automotive	2.5	4.9	-3.7	6.9	1.6	3.0	-1.5	6.3	5.7	1.9	-2.1	5.9	2.2	14.9
Passenger car	46.5	8.0	7.1	88.0	81.2	22.5	74.8	54.6	6.0	-9.5	-13.9	-6.9	-7.2	4.9
Pick up and trucks	-20.0	5.2	-18.4	-30.8	-37.4	-21.4	-42.5	-26.8	2.2	-3.5	-13.4	2.8	0.3	2.9
Vehicle parts & accessories	-1.7	-0.4	0.9	-1.6	-5.7	5.3	-1.7	2.3	7.1	13.9	15.1	19.5	7.6	6.3
Machinery & Equipment	-0.2	3.8	1.7	-4.1	-1.8	-0.0	-0.4	-9.2	2.2	7.5	6.2	25.2	-6.9	9.5
Chemicals	-25.6	-23.5	-21.4	-30.8	-27.1	-4.8	-14.9	-10.4	-1.0	9.4	17.3	9.0	3.2	2.9
Petro-chemical products	-11.8	-10.2	-12.7	-9.3	-15.2	-3.7	-5.8	-7.8	-5.8	5.0	-3.0	10.5	7.9	5.3
Petroleum products	-28.3	-27.2	-17.8	-34.3	-32.6	-30.3	-42.7	-43.0	-28.5	-4.6	-26.8	4.9	14.3	3.3
Fishery	-17.2	-13.4	-16.5	-20.8	-17.4	15.2	3.3	18.6	22.6	16.2	16.1	24.0	8.8	1.1
Crustaceans	-18.8	-10.6	-18.1	-26.4	-18.1	38.8	22.3	66.1	50.5	23.3	26.5	36.4	7.8	0.6
Other Exports	22.2	-30.8	4.6	215.3	25.4	75.5	193.5	82.9	17.5	33.4	-38.2	63.2	136.8	2.2
Non-monetary gold (excl. articles of goldsmiths)	36.8	-31.5	6.0	411.2	53.8	89.9	230.7	111.0	20.7	38.0	-39.4	70.4	157.6	2.0
Total Exports	-5.8	-4.7	-5.0	-5.3	-8.1	0.5	0.9	-4.1	1.2	3.8	-4.2	10.2	6.2	100.0
Exports, f.o.b. (BOP basis)	-5.6	-4.3	-5.4	-4.6	-7.9	0.0	-1.5	-2.5	0.4	3.6	-4.3	10.1	5.6	99.5
Export Value (exclude gold)	-6.1	-3.7	-5.5	-6.6	-8.4	-1.6	-5.2	-4.3	-0.1	3.1	-3.6	9.1	4.1	97.5

Source: Bank of Thailand

Export markets: exports to US, EU (15), China, Japan and ASEAN (9) expanded, while exports to Australia and the Middle East declined. Exports to the U.S., EU (15) and Japan expanded by 2.7, 2.6 and 11.5 percent, respectively, in line with the improvement in the US, EU and Japan Economies. Exports to China increased for the first time in 6 quarters by 17.4 percent. Export to ASEAN (9) increased by 3.4 percent, improving from the decline of 0.04 percent in the previous quarter. It was due to the increase of export to CLMV with 8.1 percent increase. Meanwhile exports to Australia and the Middle East fell by 8.3 and 24.7 percent, respectively. Such decline was in line with the economic deceleration in Australia and the contraction in exports of passenger car and pick-up trucks to the Middle East.

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

Export Value to Key Markets in US Dollar Term

(%YOY)	2015					2016								Shared Q4/16 (%)
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
Total Exports (Mil US\$) (Customs basis)	214,352	53,351	53,482	54,691	52,829	215,327	53,829	51,308	55,330	54,859	17,783	18,911	18,165	100.00
(%YoY)	-5.8	-4.7	-5.0	-5.3	-8.1	0.45	0.9	-4.1	1.2	3.8	-4.2	10.2	6.2	
United States	0.7	5.6	2.6	0.2	-4.9	1.8	-3.2	0.6	7.0	2.7	-4.7	10.3	3.3	11.3
Japan	-7.7	-9.2	-3.9	-8.1	-9.6	2.5	5.7	-7.5	0.8	11.5	8.9	22.5	2.8	9.8
EU (15)	-5.7	-3.9	-8.4	-4.4	-5.9	1.0	-0.5	-1.0	2.7	2.6	-9.2	13.8	4.4	9.2
China	-5.4	-14.4	1.2	-1.0	-6.3	0.3	-6.4	-10.3	-0.4	17.4	4.4	22.0	27.3	13.0
ASEAN (9)	-7.2	-2.5	-5.9	-10.6	-9.3	-0.9	3.9	-10.4	-0.04	3.4	-0.5	1.8	9.2	25.9
- ASEAN (5)*	-15.1	-9.5	-11.8	-19.5	-19.1	-1.5	9.1	-14.8	1.1	-0.2	-3.2	0.5	2.6	14.2
- CLMV**	7.7	10.5	5.5	7.2	7.9	-0.1	-4.0	-3.5	-1.8	8.1	3.6	3.5	17.2	11.8
Middle East (15)	-10.5	-7.9	-21.6	-8.2	-4.1	-15.3	-11.3	-8.1	-16.4	-24.7	-28.4	-22.8	-22.9	3.7
Australia	5.0	9.5	9.2	8.4	-4.8	5.5	7.2	13.1	10.8	-8.3	-12.0	-1.4	-11.1	4.2
Hong Kong	-6.2	-11.5	-9.0	-2.0	-1.9	-3.1	0.6	-8.2	-4.5	-0.3	-6.6	3.9	2.1	5.3
India	-5.7	6.1	-4.8	-11.5	-11.8	-2.7	-9.1	-2.4	-2.0	4.0	-0.9	5.3	7.6	2.2
South Korea	-9.2	0.6	-16.4	-10.7	-8.6	-1.5	-9.7	-8.3	0.8	12.1	-3.5	17.8	23.8	2.0
Taiwan	-12.0	4.7	-11.5	-15.3	-23.1	-4.8	-18.1	-1.1	-3.0	4.4	0.5	5.5	7.0	1.6

Note: * ASEAN (5) Consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore

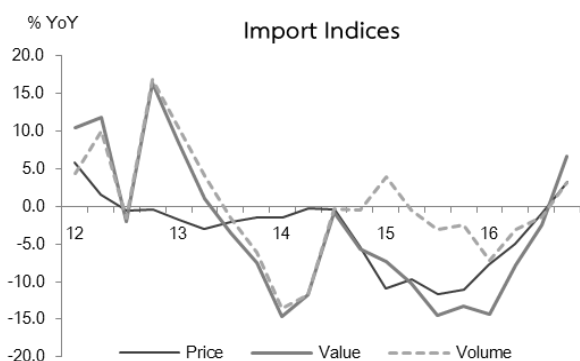
** CLMV Consist of Cambodia, Laos, Myanmar, and Vietnam

Source: Bank of Thailand

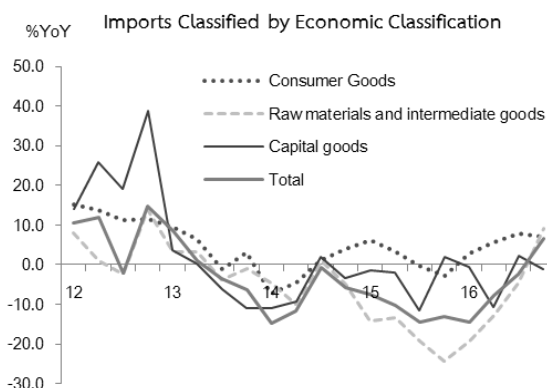
Import value expanded for the first time in 14 quarters as both import quantity and import price increased. In the fourth quarter of 2016, the value of import was recorded at 48.0 billion US dollars, representing an increase of 6.7 percent. This was mainly due to the increase of import price, which grew by 3.3 percent as the prices of crude oil and fuel increased. Meanwhile, import quantity increased by 3.2 percent, owing to the increase in the import of raw materials and intermediate goods and consumer goods. The import value excluding unwrought gold expanded by 6.5 percent. Import value excluding unwrought gold and crude oil expanded by 5.4 percent. **In Thai baht term**, the value of import was recorded at 1,698 billion baht, or an increase of 5.4 percent.

In 2016, the import value decreased by 4.7 percent, compared with a 10.6 percent contraction in 2015. **In Thai baht term**, value of import fell by 1.8 percent, compared with 5.8 percent contraction in 2015.

Imports in US dollar term expanded for the first time in 14 quarters by 6.7 percent, due to increase of import quantity and price.



Source: Bank of Thailand



Source: Bank of Thailand

Overall, there was an increase in import value of raw materials and intermediate goods, consumer goods and other imports. Meanwhile, the import of capital goods decreased. **The import value of raw materials and intermediate goods** increased by 9.2 percent, supported by the increase of import value of crude oil, petroleum products, chemicals, plastics and materials of base metal. **The import value of consumer goods** grew by 7.1 percent contributed by the increase of import value of animal & fishery products, food, beverage & dairy products and medical & pharmaceutical products. **The import value of capital goods** declined by 1.1 percent caused by the decrease of import value of computer, telecommunication equipment, transformers, generators, motors and accumulators, power-generating machinery & parts, and aircrafts. **The value of other imports** increased by 13.1 percent, especially, the import of automotive and non-monetary gold.

Import value of raw materials and intermediate goods, consumer goods and other imports grew, while import value of capital goods declined.

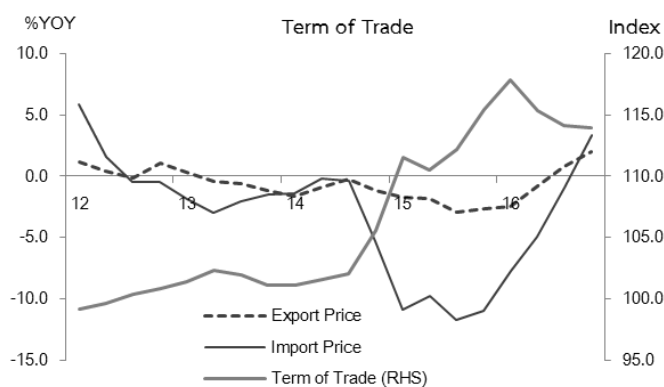
Import Value of Major Product in US Dollar Term

%YoY	2015					2016								Shared Q4/16 (%)
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	
Consumer goods	1.5	6.3	3.2	-0.4	-2.8	5.8	2.7	5.5	8.0	7.1	8.9	8.8	3.8	10.4
Animal & fishery products	-7.7	-7.5	-9.6	-12.4	-1.1	15.3	-4.7	18.8	24.5	23.4	23.1	31.7	16.7	1.8
Food, beverage, and dairy products	-2.1	4.8	-1.9	-5.4	-5.3	2.8	-2.6	1.0	6.9	6.0	4.5	5.9	7.4	2.6
Household Electrical Appliances	5.6	3.7	12.0	17.3	-8.0	10.0	49.3	-0.3	-9.2	3.0	0.7	-1.5	10.4	0.4
Medicinal and pharmaceutical products	5.6	23.8	4.7	-2.1	-2.2	1.9	-8.1	6.5	6.5	4.0	0.8	8.2	2.7	1.1
Raw materials and intermediate goods	-17.6	-14.1	-13.2	-19.1	-24.2	-7.6	-19.1	-12.9	-4.7	9.2	4.5	11.0	12.5	51.2
Crude oil	-41.2	-47.6	-29.6	-42.9	-45.1	-22.3	-44.1	-37.6	-13.4	17.1	4.0	26.6	21.4	8.8
Natural gas	0.9	51.8	-11.9	6.5	-27.0	-37.9	-44.4	-36.7	-42.7	-23.2	-32.1	-18.4	-17.5	1.3
Petroleum products	-48.8	-49.5	-45.7	-57.4	-38.7	0.8	-12.0	-5.2	6.4	19.8	67.0	-3.3	4.2	1.9
Materials of base metal	-15.9	-1.8	-12.6	-15.7	-32.2	-1.0	-19.6	2.0	-4.3	23.8	13.4	30.2	29.2	8.1
Parts of electrical appliances	-0.4	6.7	1.2	0.1	-8.6	-2.7	-11.2	-4.7	1.0	4.3	0.5	4.7	8.2	12.9
Chemicals	-12.5	-10.0	-5.7	-13.5	-21.6	-4.5	-14.0	-13.0	2.5	9.6	9.1	6.4	13.7	5.1
Capital goods	-3.5	-1.5	-2.1	-11.5	1.9	-2.5	-0.5	-10.6	2.2	-1.1	-7.1	-1.7	7.4	26.6
Computer	-7.7	-13.6	-6.2	-7.0	-3.8	-12.0	-4.3	-21.8	-17.8	-2.5	-4.1	2.1	-5.4	0.9
Telecommunication equipment	-0.7	10.4	-12.5	3.5	-2.3	-0.3	10.5	3.1	-7.3	-6.5	-11.3	-19.7	22.8	4.2
Transformers, generators, motors, and accumulators	-1.0	-3.5	-12.8	-10.4	23.5	3.7	20.0	-5.1	10.4	-7.3	-10.9	11.2	-20.3	2.4
Power-generating machinery and parts	-0.6	-30.5	48.3	-16.3	-0.5	20.4	20.7	-28.2	92.5	27.1	75.3	-8.9	27.5	0.6
Other machinery and mechanical appliances & parts	-8.3	-8.7	-11.1	-8.3	-4.7	-2.2	-4.7	-3.8	-1.0	0.6	-3.7	0.3	5.3	9.3
Measuring, checking, and precision instruments	-2.3	-1.8	-3.2	-1.5	-2.5	-3.5	-8.6	-1.8	-2.9	-0.6	-5.0	2.1	1.2	1.5
Aircrafts	2.0	-2.7	452.8	-59.6	30.7	-21.2	8.5	-54.0	9.4	-31.4	-51.8	59.2	-0.6	1.3
Ships' derricks / cranes / floating structures	-20.4	42.9	9.3	-82.9	-27.5	-41.6	-52.8	-80.0	30.9	236.3	415.3	-27.4	29.8	0.6
Other Imports	1.1	23.2	-16.3	-14.6	13.7	3.0	-15.0	17.0	0.6	13.1	80.1	-19.3	13.6	11.8
Non-monetary gold (excl. articles of goldsmiths)	9.4	100.1	-41.7	-28.6	44.8	-16.6	-51.3	15.3	-28.7	10.0	372.6	-44.3	15.4	5.3
Automotive	-4.2	-6.3	-5.0	-1.0	-4.2	8.1	-1.7	15.9	10.8	8.7	12.5	6.5	7.2	4.9
Total Imports (Customs basis)	-11.0	-6.6	-9.4	-15.3	-12.6	-3.9	-12.0	-8.4	-1.2	6.5	6.5	3.0	10.3	100.0
Imports, f.o.b. (BOP basis)	-10.6	-6.7	-9.3	-13.6	-12.5	-4.7	-14.7	-7.8	-2.4	6.7	7.4	2.5	10.5	92.0

Source: BOT

Term of trade decreased from the same period last year, as export price increased by 2.0 percent, while import price increased by 3.3 percent. Thus, the term of trade decreased by 1.3 percent to 113.9 in the fourth quarter of 2016, compared with 115.4 in the same quarter of last year.

In 2016, term of trade stood at 115.3, improving from 112.4 in 2015. Export price fell by 0.1 percent and import price declined by 2.7 percent.



Source: Bank of Thailand

Trade balance recorded a surplus. The trade balance in the fourth quarter of 2016 recorded a surplus of 6,633 million US dollars (equivalent to 234,788 million baht), compared with a surplus of 8,973 million US dollars (equivalent to 312,496 million baht) in the previous quarter.

In 2016, trade balance stood at 35,752 million US dollars (equivalent to 1,261,744 million baht), higher than a surplus of 26,841 million US dollars (equivalent to 926,081 million baht) in 2015.

Production Side:

Agricultural sector: agricultural production accelerated while agricultural price continued to rise which led to an increase in farm income for three consecutive quarters.

In the fourth quarter of 2016, agricultural sector continued to expand for two consecutive quarters by 3.2 percent, accelerating from 0.9 percent in the third quarter, due to the drought conditions ended. **Agricultural Production Index** increased by 5.1 percent, owing to 5.0 percent increase in major crops yield including paddy (7.9 percent) palm oil (10.2 percent) and rubber (1.1 percent). **Agricultural Price Index** increased by 3.8 percent following the increase of prices of sugarcane, un-smoked ribbed rubber sheet No.3, oil palm, and white shrimp. However, price of paddy and cassava declined. The increase of Agricultural Production Index and Agricultural Price Index led to a rise of 9.1 percent in farmers' income index.

In 2016, agricultural sector increased by 0.6 percent, in association with a rise of Agricultural Price Index and farmers' income index at 4.0 and 2.8 percent, respectively.

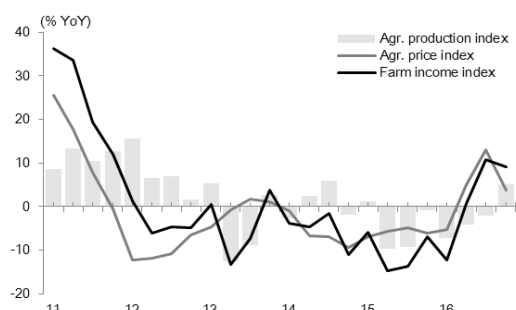
Term of trade decreased, compared with the same period last year.

Trade balance recorded a surplus

Agricultural, manufacturing wholesale and retail trade as well as construction sector accelerated, while hotel and restaurants sector decelerated.

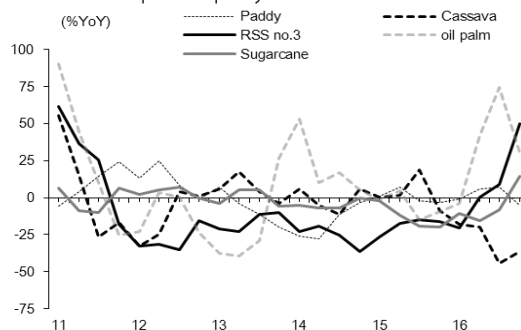
Agricultural sector grew by 3.2 percent after drought condition eased, while agricultural price continued to rise by 3.8 percent which led to a 9.1 percent rise in farm income

Farm income grew by 9.1 percent as a result of both production growth and rising prices



Source: Office of Agricultural Economics

The prices of rubber, oil palm and sugarcane increased, while prices of paddy and cassava decreased.

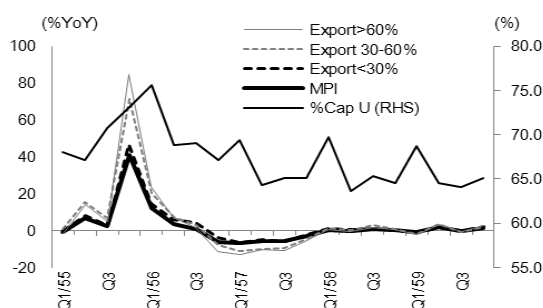


Source: Office of Agricultural Economics

Manufacturing sector accelerated owing to the acceleration of export sector and the expansion of domestic demand. In the fourth quarter of 2016, manufacturing sector expanded by 2.1 percent, accelerating from 1.6 percent in the previous quarter. Production of export-oriented industries (with export share of more than 60 percent) grew by 2.7 percent, in line with an acceleration of export volume. The production of domestic-oriented industries (with export share of less than 30 percent to total production) increased by 2.5 percent, in line with the growing of private consumption, while the industry with export share of 30-60 percent to total production decreased by 1.7 percent which was consistent with the decline in automobile production. **Manufacturing production with positive growth** included electronic tube and parts, metal products, and petroleum products while **manufacturing production with the contraction** included vehicle and parts, apparels and automobiles, non-alcohol beverage and drinking water, and furniture. Meanwhile, average capacity utilization rate remained at 65.11 percent.

In 2016, manufacturing sector increased by 1.4 percent, Manufacturing Production Index grew by 0.4 percent, and capacity utilization rate averaged at 65.64 percent.

Manufacturing Production Index increased by 1.5 percent and the capacity utilization rate averaged at 65.11 percent.



Source: Office of Industrial Economics

Construction sector continued to expand following the high growth in public construction, particularly SOEs construction, but private construction contracted. In the fourth quarter of 2016, construction sector expanded by 6.1 percent, accelerating from 5.2 percent in the previous quarter. This was owing to 11.7 percent growth in public construction (government construction grew by 2.7 percent and SOEs construction grew by 44.0 percent) while private construction declined by 0.5 percent.

In 2016, construction sector increased by 8.3 percent, following an expansion of public construction and private construction of 14.0 and 1.1 percent, respectively

Manufacturing sector expanded by 2.1 percent, accelerated from the last quarter, in line with an increase in export sector and domestic demand.

Construction sector expanded by 6.1 percent, public construction increased by 11.7 percent, while private construction contracted by 0.5 percent.

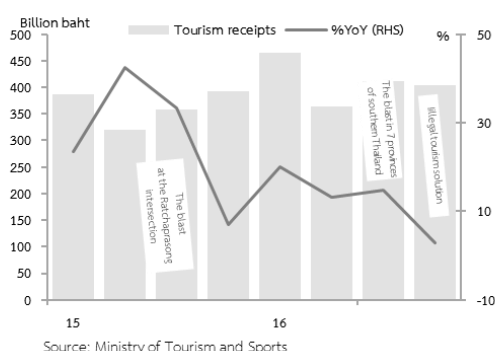
Wholesale and retail trade sector continued to expand at a favorable pace due to an improvement of export sector, and an increasing of household expenditure. In the fourth quarter of 2016, wholesale and retail trade sector increased by 5.6 percent, accelerating from 5.2 percent in the previous quarter. Supporting factors included the improvement of export, the growth of farm income, and the government measures (economic stimulus measures in December, 2016 (Year-end Shopping) and a tax measure for stimulating domestic tourism at the end of 2016).

In 2016, wholesale and retail trade sector expanded by 5.0 percent.

Hotel and restaurants sector decelerated from the previous quarter. In the fourth quarter of 2016, hotel and restaurants sector grew by 4.8 percent, decelerating from 13.5 percent in the previous quarter. Tourism receipts stood at 631.9 billion baht (or 5.0 percent growth). The favorable factors included (i) receipts from foreign tourists of 403.9 billion baht (or 2.9 percent growth). The highest receipts from foreign tourists were from China, Russia, Malaysia, U.S.A., and Australia, respectively, and (ii) receipts from Thai tourists of 228.0 billion baht (or 8.9 percent growth) owing to domestic tourism promotion measures. Average occupancy rate was at 65.50 percent.

In 2016, hotel and restaurants sector expanded by 10.3 percent, Tourism receipts stood at 2,510.8 billion baht (or 11.1 percent growth). Receipts from foreign tourists was at 1,641.3 billion baht, while receipt from Thai tourists was at 869.5 billion baht. Average occupancy rate was at 66.60 percent.

Income from inbound tourists for Q4/2016 stood at 403.9 Billion baht or grew by 2.9 percent



Transport, storage and communication sector continued to grow following an expansion in both of land transport and telecommunication service. In the fourth quarter of 2016, transport, storage and communication sector continued to grow by 5.1 percent. **Transport service** grew by 3.9 percent due to an increase of land transport and air transport services of 4.9 and 5.8 percent, respectively, while water transport service contracted by 0.7 percent. **Telecommunication service** expanded by 9.3 percent following the improvement of services providers' performance.

In 2016, transport, storage and communication sector grew by 5.5 percent.

Employment dropped following the decreases in both agricultural and non-agricultural employment, while unemployment rate remained low. In the fourth quarter of 2016, employment dropped by 2.5 percent following the decrease in both agricultural and non-agricultural employment of 6.0 and 0.7 percent, respectively. The contraction in agricultural employment was caused by a decrease of workforce in harvesting season, and the reduction of workforce in production of cassava, sugarcane, and rice. Meanwhile, the contraction in non-agricultural employment caused by a 4.4 percent decrease in a major industrial production.

Wholesale and retail trade sector expanded by 5.6 percent, following an improvement of export, higher farm income and household expenditure.

Hotel and restaurants sector expanded by 4.8 percent, caused by an increase of tourism receipts of 5.0 percent.

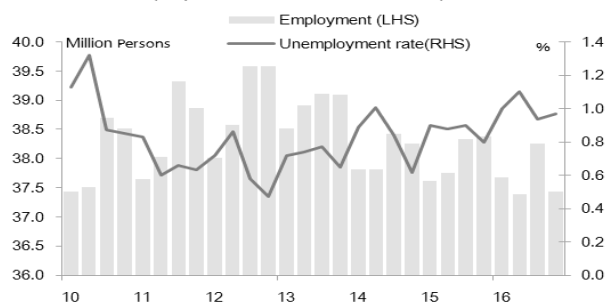
Transport, storage and communication sector continued to grow by 5.1 percent, of which transport service grew by 3.9 percent and telecommunication service expanded by 9.3 percent.

Employment dropped by 2.5 percent, decelerated both in agricultural and non-agricultural employment. Meanwhile, unemployment rate remained low at 1.0 percent.

Additionally, an employment in service sector decelerated comparing with an expansion in the previous quarter. Unemployed workers in this quarter was at 377,500 persons, equal to 1.0 percent unemployment rate.

In 2016, Unemployed workers remained low at 380,250 persons, equal to 1.0 percent unemployment rate.

Employment declined by 2.5 percent following the contracted employment in both agricultural and non-agricultural sectors. Unemployment rate was low at 1.0 percent.



Source: National Statistics Office

Employed Persons by Industry

%YOY	Shared Q4/16	2015					2016							
		Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.
Employed	100.0	-0.2	-0.5	-0.2	-0.2	0.3	-0.9	0.2	-0.9	-0.2	-2.5	-2.5	-1.2	-3.9
- Agricultural	32.5	-3.6	-4.4	-5.8	-3.8	-0.7	-4.3	-2.7	-6.2	-2.3	-6.0	-7.2	-3.5	-7.8
- Non-Agricultural	67.5	1.6	1.3	2.6	1.7	0.8	0.8	1.5	1.4	0.9	-0.7	-0.3	-0.1	-1.8
Manufacturing	16.4	0.9	1.2	3.0	0.6	-1.0	-2.6	-2.2	-1.7	-1.9	-4.4	-6.1	-1.3	-6.0
Construction	5.5	0.6	1.9	2.5	2.4	-4.9	3.1	5.8	5.4	0.1	0.2	7.3	2.1	-9.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.6	-0.1	-2.6	2.0	-0.2	0.3	2.5	2.9	1.4	3.9	1.9	2.0	2.0	1.9
Accommodation and food service activities	7.1	3.0	2.3	3.6	1.9	4.0	3.2	2.9	4.0	6.1	0.1	3.3	2.2	-1.2
Unemployment (Hundred thousand persons)		3.4	3.6	3.4	3.6	3.1	3.8	3.7	4.1	3.6	3.8	4.5	3.8	3.0
Unemployment Rate (%)		0.9	0.9	0.9	0.9	0.8	1.0	1.0	1.1	0.9	1.0	1.2	1.0	0.8

Source: NSO

Fiscal Conditions :

On the revenue side, in the first quarter of the fiscal year 2017 (October - December 2016) the net government revenue collection stood at 552.0 billion baht which was lower than the same quarter of last year by 5.8 percent. This is due to the unusually high revenue collection from the 4G 1800 MHz spectrum license auction and the excess liquidity of revolving funds in the first quarter of FY2016. However, the revenue collection from the Revenue Department and the Excise Department were higher than the same period of last year by 2.4 percent and 3.8 percent respectively. The key contributing components included (i) an increase of corporate tax collection from service fees and profit distribution and (ii) an increase of excise tax rates of gasoline and diesel on November 9, 2016.

The net government revenue collection decreased by 5.8 percent due to the unusually high revenue collection from the 4G 1800 MHz spectrum license auction and the excess liquidity of revolving funds in the first quarter of FY2016. However, the revenue collection from the Revenue Department and the Excise Department increased.

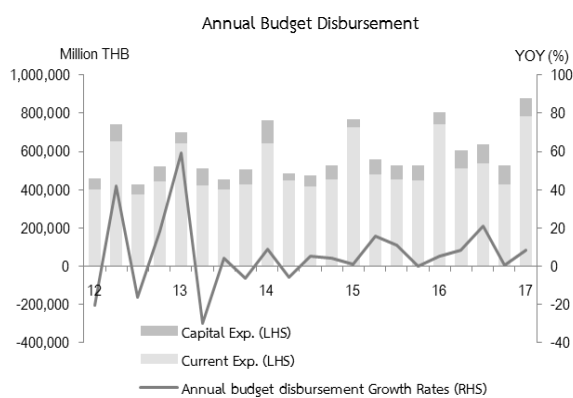
Government Revenue

Fiscal Year (Billion Baht)	2014	2015	2016				2017	
	Year	Year	Year	Q1	Q2	Q3	Q4	
Net Government Revenue	2,074.7	2,213.4	2,394.6	586.0	492.6	717.3	598.8	552.0
Compared with the target (%)	-8.8	-4.8	0.4	13.4	-0.6	2.1	-10.8	5.2
YOY (%)	-4.0	6.7	8.2	15.5	4.8	9.9	2.6	-5.8

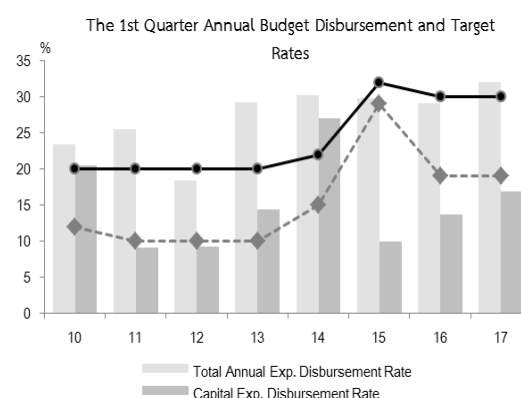
Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the first quarter of the fiscal year 2017 was at 1,081.9 billion baht, increased by 8.0 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** was at 876.4 billion baht or equivalent to 32.1 percent of the 2017 annual budget, which were higher than the target of 30.0 percent. In details, the current expenditure was disbursed at 784.0 billion baht, equivalent to 35.9 percent of current budget and the capital expenditure was disbursed at 92.4 billion baht or equivalent to 16.9 percent of annual capital budget, which fell short of the target of 19.0 percent.

The annual budget disbursement, both current and capital budget, was higher than the same period of last year.



Source: GFMS

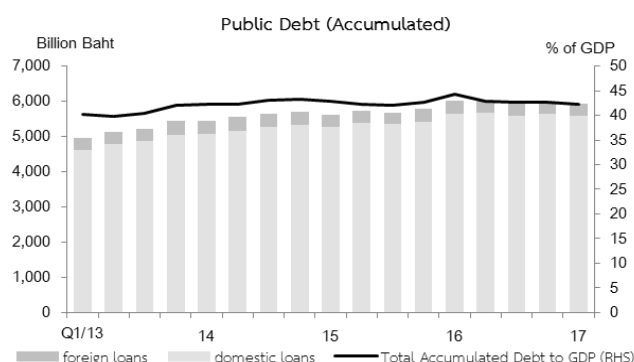


Source: GFMS

(ii) the carry-over budget disbursement was at 93.1 billion baht or equivalent to 35.2 percent of the overall carry-over budget; **(iii) state-owned enterprises' capital expenditure budget (include PTT)** is expected to be disbursed by 110.5 billion baht which mainly contributed by the investment of Electricity Generating Authority of Thailand, PTT Public Company Limited, EGAT International Company Limited, State Railway of Thailand, and Provincial Electricity Authority and; **(iv) the off-budget loans** were disbursed at 1.9 billion baht, which included the Economic Stimulus Package phase II: Loans for water resource management and road transport system projects of 1.8 billion baht, Thai Khem Kaeng stimulus package phase II (TKK) of 2.0 million baht, the Development Policy Loan (DPL) of 82.5 million baht.

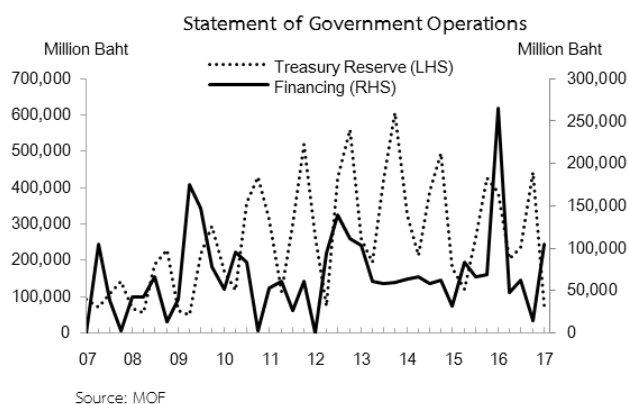
Public Debt at the end of December 2016 was accumulated at 5.9 trillion baht or equivalent to 42.2 percent of GDP. The public debt was comprised of domestic loans of 5.6 trillion baht (39.8 percent of GDP) and foreign loans of 329.2 billion baht (2.3 percent of GDP).

The Public Debt remains under the fiscal prudential framework at 42.2 percent of GDP.



Source: PDMO and NESDB

Fiscal Balance: in the first quarter of fiscal year 2017, the budgetary balance recorded a deficit of 418.3 billion baht. The non-budgetary balance also recorded a deficit of 52.3 billion baht. In the meantime, the government conducted a cash balance management through borrowing total of 104.2 billion baht. Therefore, the cash balance after debt financing recorded a net deficit of 366.4 billion baht.



Financial Conditions :

Thai policy rate remained unchanged at 1.50 percent per annum throughout the forth quarter of 2016. The decisions of the Monetary Policy Committee (MPC) were based on the assessment that current policy rate was at an appropriate level for supporting the economic recovery. Besides, there was a need for preserving the policy space as a cushion for any potential risks. In the forth quarter of 2016, the Federal Reserve (FED) decided to raise its policy rate 0.25 percent to 0.50 – 0.75 percent per annum. However, the European Central Bank (ECB), Bank of England (BOE) and Bank of Japan (BOJ) held the same stance of their monetary policies as in the previous quarter. For other countries, New Zealand, India and Indonesia decreased their policy rates 0.25 percent to 1.75 percent, 6.25 percent and 4.75 percent per annum, respectively with the objectives to stimulate their economic growths as well as to push up their inflation rates to targeting levels.

Over all in 2016, the MPC decided to keep the policy rate unchanged at 1.50 percent per annum.

In January 2017, the central banks of major countries including Fed, ECB, BOE and BOJ decided to hold the same stance of their monetary policies.

The policy rate was kept unchanged at 1.50 percent per annum, amid more diverse patterns of monetary policy conducted by major economies

Policy Interest Rate

At the end of period	2015					2016								2017
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.
USA	0.25-0.50	0-0.25	0-0.25	0-0.25	0.25-0.50	0.50-0.75	0.25-0.50	0.25-0.50	0.25-0.50	0.50-0.75	0.25-0.50	0.25-0.50	0.50-0.75	0.50-0.75
EU	0.05	0.05	0.05	0.05	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
England	0.50	0.50	0.50	0.50	0.50	0.25	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25
Japan	0.1	0.1	0.1	0.1	0.1	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Australia	2.00	2.25	2.00	2.00	2.00	1.50	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.50
New Zealand	2.50	3.50	3.25	2.75	2.50	1.75	2.25	2.25	2.00	1.75	2.00	1.75	1.75	1.75
Russia	11.00	14.00	11.50	11.00	11.00	10.00	11.00	10.50	10.00	10.00	10.00	10.00	10.00	10.00
China	4.35	5.35	4.85	4.60	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Taiwan	1.625	1.875	1.875	1.75	1.625	1.375	1.50	1.50	1.375	1.375	1.375	1.375	1.375	1.375
Korea, South	1.50	1.75	1.50	1.50	1.50	1.25	1.50	1.25	1.25	1.25	1.25	1.25	1.25	1.25
India	6.75	7.5	7.25	6.75	6.75	6.25	6.75	6.50	6.50	6.25	6.25	6.25	6.25	6.25
Indonesia (BI Rate)	7.50	7.50	7.50	7.50	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
Philippines	4.00	4.00	4.00	4.00	4.00	3.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Thailand	1.50	1.75	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.

Average deposit and lending rates of four commercial banks remained stable at 1.38 and 6.27 percent per annum. The medium-sized commercial banks and retail banks remained the 12-month deposit rates stable at 1.24 percent and 1.70 percent per annum, respectively. The medium-sized commercial banks and retail banks held the lending rates at 6.68 percent and 8.52 percent per annum, respectively. Likewise, Specialized Financial Institutions (SFIs) kept both the deposit and lending rates unchanged at 1.52 percent and 6.63 percent per annum, respectively.

Overall in 2016, the average 12-month deposit rates of Thai commercial banks and SFIs were dropped within the range of 0.02 and 0.55 percent; in accordance with the average lending rates which were lowered by the range of 0.10 and 0.25 percent.

In January 2017, all types of banks held the 12-month deposit and lending rates stable at the same level as at the end of the fourth quarter of 2016.

Real deposit and lending rates dropped from 1.00 percent and 5.89 percent per annum to 0.25 percent and 5.14 percent per annum, respectively; in accordance with the increase in headline inflation rate.

Overall in 2016, the real deposit and lending rates declined 2.00 percent and 2.23 percent, respectively; as a result of reduction in deposit rate in the second and fourth quarter and in lending rate in the second quarter as well as the increase in headline inflation rate from -0.85 percent at the end of the fourth quarter of 2015 to 1.13 percent at the end of the fourth quarter of 2016.

In January 2017, the real deposit rate continually decreased to -0.17 percent per annum in line with the real lending rate which dropped to 4.72 percent per annum; in accordance with the increase in headline inflation rate.

The average 12-month deposit and lending rates of commercial banks and SFIs were remained stable at the same level as in the previous quarter

Real deposit and lending rates declined.

Deposit and Lending Rates of Commercial Banks

At the end of period	2015					2016							2017	Interest rate at the end	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.		Jan.
Policy Interest Rate	-0.50	-0.25	-0.25												1.50
The commercial banks' 12-month deposit rates change															
Four Major Banks	-0.33	-0.20	-0.03	-0.04	-0.06	-0.02		-0.02			0.02		-0.02		1.38
Medium-sizes Commercial Banks	-0.43	-0.27	-0.04	-0.03	-0.09	-0.20	-0.03	-0.14	-0.03						1.24
Retail Banks	-0.65	-0.30	-0.20	-0.10	-0.05	-0.55	-0.65	0.10							1.70
Specialized Financial Institutions (SFIs)	-0.31	-0.16	-0.15			-0.21		-0.18	-0.03						1.52
The commercial banks' Minimum Loan Rates change															
Four Major Banks	-0.23	-0.12	-0.11			-0.25		-0.25							6.27
Medium Commercial Banks	-0.24	-0.13	-0.11			-0.25		-0.25							6.68
Retail Banks	-0.10		-0.10			-0.10		-0.10							8.52
Specialized Financial Institutions (SFIs)	-0.14	-0.09	-0.05			-0.15		-0.15							6.63

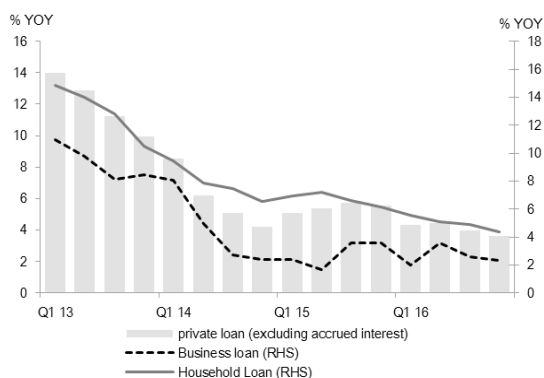
Source: CEIC

Private loan (excluding accrued interest) of Depository Corporations expanded by 3.6 percent, slowed down from the expansion of 4.0 percent in the previous quarter. The loan deceleration in this quarter was caused by a slowdown growth of both business and household loan. Business loan, especially loan to Small and Medium Enterprise (SME), decelerated due to a credit standard tightening as banks concerned over loan's quality. Household loan, likewise business loan, slowed down due to a lower growth of housing loan. In the fourth quarter of 2016, loan's quality slightly improved from the third quarter, due to the fact that Non-Performing Loan to total outstanding loan ratio was at 2.83 percent, comparing with a 2.89 percent in previous quarter. Meanwhile, quality of large corporate loans improved in this quarter.

In 2016, Private loan of Depository Corporations grew by 3.6 percent, decelerating from the expansion of 5.5 percent in 2015. The deceleration was in both business and household loans. In details, business loan expansion declined from (i) the contraction of manufacturing loan and real estate loan. (ii) large firms, especially in commercial sector and real estate and construction sector, funded by issuing bonds in bond market instead of borrowing from commercial banks. Household loan, similarly, decelerated from a slowdown of loans in all categories except for hire purchase loan.

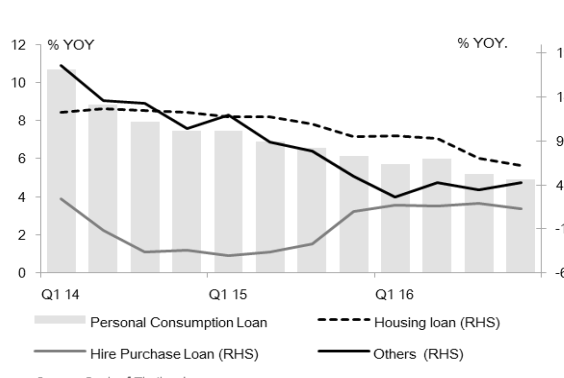
Private loans of Depository Corporations decelerated from a slowdown in both business and household loan. Meanwhile, Non-Performing Loan slightly decreased from the third quarter

Private loan (excluding accrued interest) of commercial banks decelerated



Source: Bank of Thailand

Housing loan and hire purchase loan slowed down



Source: Bank of Thailand

In the fourth quarter of 2016, Thai Baht depreciated against the US dollar following the change in monetary policy direction of the Fed that in turn caused the US dollar getting stronger. The quarterly average of Thai Baht stood at 35.39 Baht per US dollar, weakening by 1.6 percent from the previous quarter.

Thai Baht depreciated against the US dollar, albeit relatively less weakening than trading partners and competitors, resulting in the appreciation in REER from the previous quarter

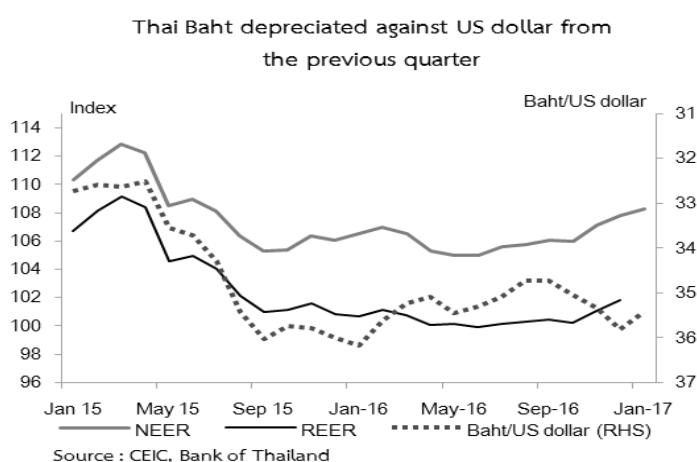
The depreciation was mainly caused by (i) the market expectation of Fed policy rate hike in December 2016 and in 2017. (ii) The Fed decision to raise 0.25 percent policy interest rate announced in December 13-14 meeting. and (iii) The result of US presidential election which caused investors to expect for the soaring US economic growth. Nevertheless, Thai Baht against trading partners, in terms of the Nominal Effective Exchange Rate (NEER)¹, appreciated from the third quarter by 1.1 percent. This was mainly caused by the relatively less weakening of Thai Baht than other regional currencies, especially Yen and Ringgit. Likewise, the Real Effective Exchange Rate (REER) appreciated by 0.7 percent from the previous quarter.

In 2016, Thai Baht fluctuated within a range of 34.56 – 36.32 Baht per US dollar. In the first three consecutive quarters of 2016, Thai Baht appreciated in anticipation of Fed policy rate hike and a further monetary easing conducted by European Central Bank and Bank of Japan.

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.

However, Thai Baht began to depreciate sharply in the fourth quarter since there were intentionally strong signals about policy rate rising ahead of the Fed meeting in December 2016 and a tendency of gradual rate hike in 2017. It was also explained by investors' positive view of the new US president-elect's policies. As a result, Thai Baht stood at 35.29 baht per US dollar on average in 2016, depreciated by 2.9 percent compared to previous year.

In January 2017, the monthly rate average of Thai Baht was at 35.43 baht per US dollar, appreciated by 1.1 percent relative to the average rate in previous quarter as a result of investors' concerns about Donald Trump's policies and uncertainty of the next Fed rate raise. During a recent period of 1-17 February, Thai Baht continued to fluctuate with an average of 35.05 Baht per US dollar.

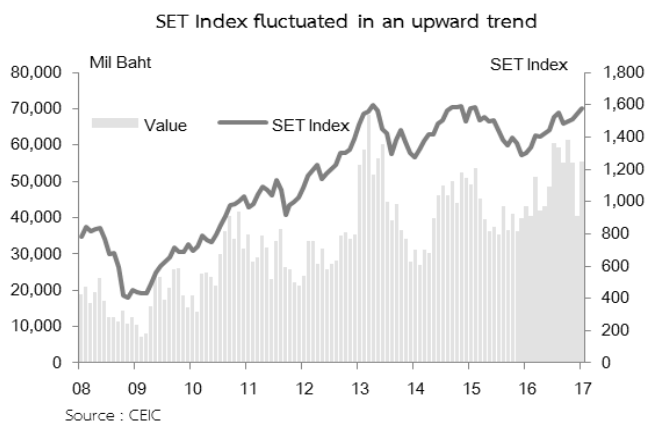


SET Index fluctuated with an upward trend. At the end of the fourth quarter of 2016, SET Index closed at 1,542.9 points with a 4.0 percent increase from the previous quarter. This was mainly explained by two supporting factors; the global oil prices hike and a higher confidence about economic growth prospects. Despite selling pressure from foreign investors' portfolios rebalance into major economies after Fed signals of raising interest rate since the beginning of the quarter, Thailand SET index still increased due to the net buy of institution investors. Foreign investors registered a net sell of 54.6 billion Baht, compared with a net buy of 96.0 billion baht in the previous quarter.

SET Index fluctuated around in an upward trend, compared with the previous quarter which was influenced by both domestic and foreign factors.

In 2016, the overall SET Index rose by 19.8 percent, mainly due to a recovery in global oil prices, accommodative monetary policy in the Euro zone and Japan as well as investment and fiscal stimulus measures that enhanced investors' confidence about the Thai economic prospect. The average trading volume per day recorded at 50.2 billion Baht, increasing by 22.1 percent from last year. Foreign investors were net buy with the inflow of 77.9 billion Baht, compared with a net sale of 154.3 billion Baht in 2015.

In January 2017, SET Index rose continuously; closing at 1,577.3 points after concerns over Fed interest rate raise-up was brought down. Besides, expectation on earning performance of listed companies brought back foreign investors and ultimately registered a net buy position. In particular, SET Index over the period of 1-17 February fluctuated by the expected economic policy of the US. On 17 February 2017, SET Index closed at 1,578 points.

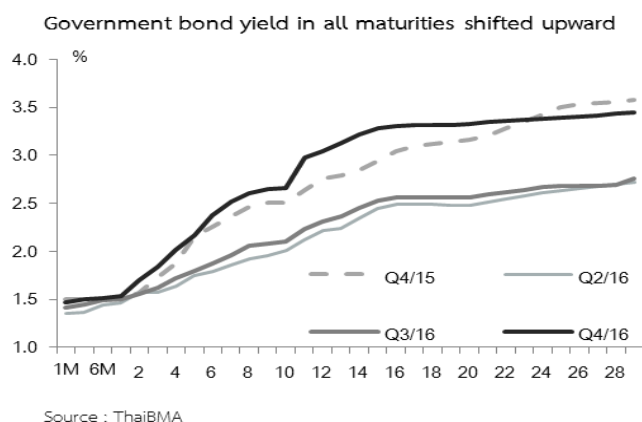


The government bond yields shifted upward in all maturities, comparing with the previous quarter following the increase in the US government bond yields. After Fed interest rates were likely to rise in December, foreign investors constantly sold Thai bond and other regional bond throughout the period of October to November. Evidently, foreign investors registered a net sell of 72.3 billion Baht.

The government bond yields shifted upward in all maturities.

In 2016, foreign investor registered the net buy of 331.0 billion Baht, compared with the net sell of 24.0 billion Baht in 2015. In the first quarter of 2016, the government bond yields shifted downward associated with the European Central Bank’s monetary easing and the Bank of Japan’s negative interest rate policy implementation. Consequently, there was a surge in inflow to buy Thai bond. However, foreign investors turned to sell Thai bond after the possibility of Fed policy rate hike become more pronounced, which caused a rapid shift in yield curve afterward.

In January 2017, foreign investors returned to net buy of 34.7 billion Baht after market expected a fairly gradual raise of Fed interest rate, together with uncertain policy surrounding the US new elected president. These aforementioned factors brought a short-term US government bond yield downward. Nonetheless, a positive long-term view on the US economic growth pushed the US long-term government bond yield upward, which therefore shift the Thai government bond yields in the same direction.



Capital and financial account continually recorded an outflow position of 12.3 billion US dollars, compared with an outflow of 9.1 billion US dollars in the previous quarter. This was mainly due to (i) higher deposit abroad of Foreign Investment Fund (FIF) (ii) the net outflow position of foreign portfolio investment including both the stock and bond markets and (iii) Thai off-shore direct and portfolio investment. However, there was registered a net inflow position.

Overall in 2016, capital and financial account registered a net outflow of 24.8 billion US dollars, compared with an outflow of 17.1 billion US dollars in 2015. This was mainly due to (i) Thai off-shore direct and portfolio investments, and (ii) other investment including loans, trade credits, deposits as well as other account receivables and payables. However, foreign investors remained confident and were interested in an investment in Thailand. As a result, foreign direct investment was at 3.3 billion US dollars and portfolio investment was at 2.2 billion US dollars

Capital and financial account continued to record an outflow; due to the deposit outflow of FIF and Thai investment abroad

Capital Flow

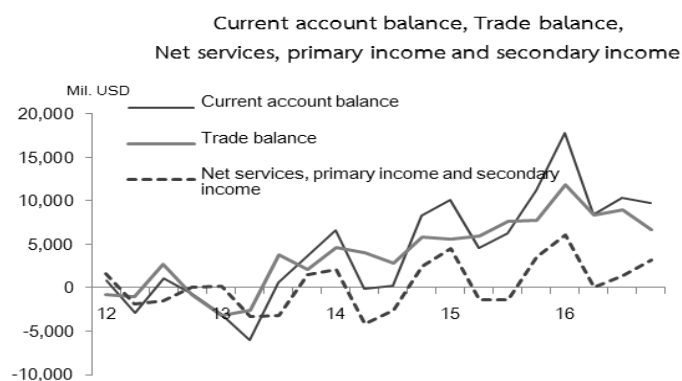
(Billion USD)	2015		2016				
	Year	Year	H1	Q3	Q4	Nov.	Dec.
Categorized by economic sectors							
Government	-1.7	0.7	0.6	1.0	-0.9	-0.7	-0.2
Monetary Authorities	-1.4	1.1	2.5	0.8	-2.3	-1.4	0.0
Bank	-12.8	-0.4	2.2	-0.4	-2.2	0.2	0.9
Others	-1.2	-26.1	-8.7	-10.5	-7.0	-1.8	-6.2
Capital and financial account	-17.1	-24.8	-3.4	-9.1	-12.3	-3.7	-5.6
Categorized by financial transactions							
- Direct Investment	4.0	-10.0	-4.6	-6.2	0.8	1.9	-1.7
Thai investor	-5.0	-13.3	-8.3	-2.9	-2.1	-0.1	-2.0
Foreign investor	9.0	3.3	3.7	-3.3	2.9	2.0	0.3
- Portfolio Investments	-16.5	-2.2	2.7	2.5	-7.2	-5.4	-0.2
Thai investor	-3.8	-4.4	0.5	-2.8	-2.0	-1.0	-0.4
Foreign investor	-12.7	2.2	2.2	5.3	-5.2	-4.4	0.2
- Loans	-5.2	1.4	3.0	-1.5	-0.1	0.4	0.6
- Others	0.6	-14.0	-4.5	-3.9	-5.7	-0.6	-4.2
Capital and financial account	-17.1	-24.8	-3.4	-9.1	-12.3	-3.7	-5.6

Source: BOT

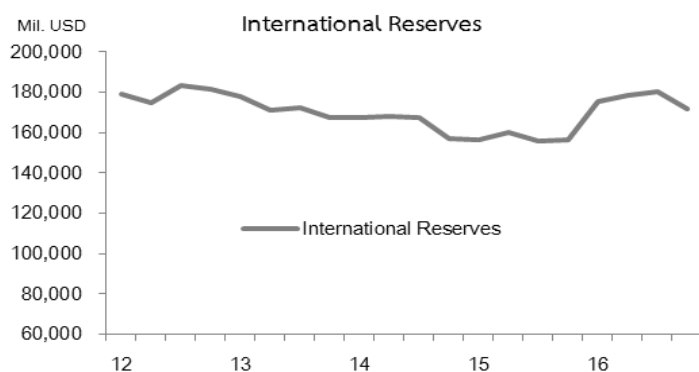
Current account registered a surplus of 9,789 million US dollars (346,789 million baht), compared with a surplus of 10,380 million US dollars (361,721 million baht) in the third quarter of 2016. This was a result of a trade surplus of 6,633 million US dollars and a surplus in services, primary and secondary income of 3,156 million US dollars.

Current account in 2016 registered a surplus of 11.4 percent of GDP.

In 2016, current account registered a surplus of 46,412 million US dollars (1,640,576 million baht), compared with a surplus of 32,149 million US dollars (1,104,350 million baht) in 2015.



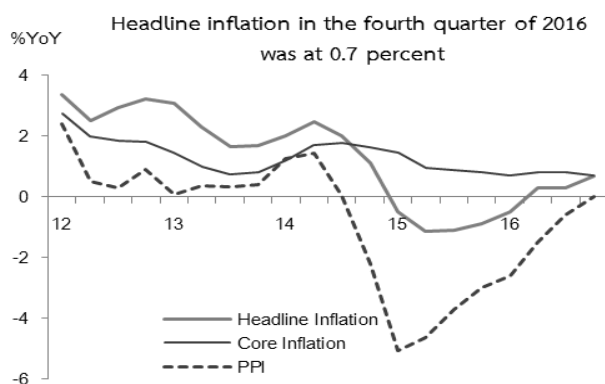
International reserve at the end of December 2016 stood at 171.9 billion US dollars (excluding net forward position of 25.8 billion US dollars), which was equal to 3.2 times of short-term foreign debt (at the end of December 2016) or 10.7 months of import value (the average of import value in the fourth quarter of 2016).



Source: Bank of Thailand

Headline inflation: In the fourth quarter of 2016, headline inflation was 0.7 percent. **Non-Food and Beverage price index** increased for the first time in 9 quarters by 0.4 percent as the price of domestic retail fuel price increased in the same direction with global crude oil price. Meanwhile, **Food-and-Beverage price index increased by 1.2 percent**, decelerating from 1.7 percent in the previous quarter due to a slowdown of fresh food prices, especially meats, vegetables and fruits, and eggs and dairy products. The core inflation stood at 0.7 percent.²

In 2016, Headline inflation was 0.2 percent, compared with -0.9 percent in 2015. Core inflation was 0.7 percent, decelerating from 1.1 percent in 2015.



Source: Ministry of Commerce

Producer Price Index (PPI): In the fourth quarter of 2016, remained steady. **The price of manufactured product** increased by 0.1 percent due to the price of rubber and plastic product increased. **The price of agriculture product** increased by 1.7 percent as a price of agricultural products including fish and other fishery products decelerated. **The price of mining products** decreased by 7.6 percent due to the declining price of lignite, petroleum and natural gas³.

In 2016, Producer Price Index (PPI) decreased by 1.2 percent, compared with 4.1 percent decrease in 2015.

International reserve at the end of December 2016 stood at 171.9 billion US dollars.

In the fourth quarter of 2016, headline inflation was 0.7 percent. Non-Food and Beverage price index increased for the first time in 9 quarters. Meanwhile, Food-and-Beverage price index decelerated.

Producer Price Index (PPI) remained steady. Price of manufactured and agricultural products increased while price of mining products decreased.

² In January 2017, headline inflation was 1.6 percent. Core inflation was 0.7 percent.

³ In January 2017, Producer Price Index (PPI) increased by 3.1 percent.

2. Crude Oil price in Q4 of 2016

The crude oil price in the global market increased. In the fourth quarter of 2016, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 49.33 USD per barrel, increasing from the same period of last year by 17.4 percent and from previous quarter by 10.4 percent, respectively.

The major factors contributed to the increase of global crude oil price included (i) recovery of global economy that led demand of crude oil to increase especially in the industrialized countries.. (ii) the psychological effect on the market since OPEC reached an agreement to cut oil production (OPEC's first output cuts since 2008), and (iii) the conflict in the Middle East, especially in Syria and Iraq.

In 2016, the average crude oil price in the 4 major markets stood at 42.81 USD per barrel, or a decline of 16.3 percent, lower than 51.12 USD per barrel in 2015.

The crude oil price in the global market increased for the first time in 10 quarters, due to the recovery of global economy, OPEC's agreement to cut oil production, and a conflict in the Middle East.

Year		USD per Barrel					(%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2015	Q1	52.82	52.03	54.99	48.64	52.12	-49.4	-50.1	-49.0	-50.6	-49.8
	Q2	61.30	61.12	63.54	57.97	60.98	-42.3	-42.4	-42.1	-43.7	-42.6
	Q3	49.87	49.71	51.28	46.61	49.37	-50.9	-50.9	-50.4	-51.6	-50.9
	Q4	40.71	40.61	44.62	42.14	42.02	-45.8	-45.3	-42.1	-42.3	-43.9
	Oct.	45.98	45.77	49.35	46.33	46.86	-47.0	-47.2	-44.1	-45.2	-45.9
	Nov.	41.95	41.65	45.93	42.90	43.11	-46.0	-45.3	-42.3	-43.1	-44.2
	Dec.	34.18	34.41	38.59	37.17	36.09	-43.9	-42.7	-38.9	-37.0	-40.6
	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	44.73	-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	49.33	19.6	18.7	14.6	17.0	17.4
	Year	41.71	41.40	45.04	43.10	42.81	-18.5	-18.6	-16.0	-11.8	-16.3
	Oct.	49.06	48.84	51.37	49.89	49.79	6.7	6.7	4.1	7.7	6.3
	Nov.	44.37	43.73	47.08	45.86	45.26	5.8	5.0	2.5	6.9	5.0
	Dec.	52.60	51.99	54.92	52.19	52.93	53.9	51.1	42.3	40.4	46.6
2017	Jan.	53.85	53.63	55.45	52.60	53.88	96.3	101.1	73.8	65.8	83.0

Source: Thaioil Plc and EPPO.

3. The World Economy in Q4 and the year 2016

In the fourth quarter of 2016, the global economy showed a clearer sign of recovery from the previous quarter, contributed mainly by the acceleration of the US, Japan and Chinese economies while the Euro Zone maintained its momentum of economic recovery. As a result of the stronger recovery of major advanced economies and rising oil and commodity prices in the world market, export and economic growth of Asian economies have improved. Meanwhile, deflationary pressures subsided and inflation upsurge in many countries particularly the US's inflation which moved more closely to the monetary policy target and thus made the Fed to raise policy rate for the second time within 9 years. Inflation in the EU and Japan returned to positive territory, despite the fact that the ECB and BOJ kept their policy rate unchanged in order to wait for a clearer sign of economic recovery.

- ❑ **US economy** in the fourth quarter of 2016 expanded by 1.9 percent (first estimate), accelerating from 1.7 percent in the preceding quarter. This was due to a rebound in private investment for the first time in four quarters and accelerations in government consumption and a continual expansion of private consumption which was in line with the a decline in unemployment rate which remarked as the lowest level in seven years. Meanwhile, the core PCE inflation rate was at 1.8 percent, closer to the central bank's target of 2.0 percent. The improvement of economic indicators and the rising inflation rate made the FOMC decide to hike its policy rate for the second time in 9 years on 13 – 14th December 2016 by 0.25 percent. **For the whole year 2016, the US economy expanded by 1.6 percent, the lowest growth rate in 5 years, and decelerating from 2.6 percent in 2015.**
- ❑ **Eurozone economy** in the fourth quarter grew by 1.8 percent, equivalent to the previous quarter, primarily supported by the improvement in manufacturing and services sector as well as the expansion of private consumption. Meanwhile, inflation rate increased and unemployment rate declined. However, as the inflation rate remained far below the policy target, the ECB decided to keep its policy rate unchanged, and to maintain QE until the end of March 2017 as well as to extend its monthly net asset purchases of 60 billion euro from April to December 2017. **For the whole year 2016, the Eurozone economy expanded by 1.7 percent, comparing with 1.9 percent in the previous year.**
- ❑ **Japanese economy** in the fourth quarter of 2016 expanded by 1.7 percent, accelerating from 1.1 percent in previous quarter. The supporting factors included the acceleration of export following Yen depreciation and the improvement of private investment and private consumption expenditure that substituted the slowdown of government consumption expenditure and the decrease of public investment. Meanwhile, the inflation rate turned to be positive after remaining in the negative territory in the previous two quarters. As a result, the BOJ decided to maintain the same level of policy rate and quantitative easing. Moreover, the government proceeded 28-trillion-yen economic stimulus package for supporting infrastructure investment and assisting business sector. **For the whole year 2016, the Japanese economy grew by 1.0 percent, slowing down from 1.2 percent in the previous year.**

US economy expanded by 1.9 percent, accelerating from 1.7 percent, following a rebound in private investment and an acceleration of government consumption. Meanwhile, inflation rate moved closer to the target and Fed decided to hike its policy rate to the range of 0.50 – 0.75 percent on 13 – 14th December 2016.

The Eurozone economy recovered continuously while inflation rate increased. However, ECB maintained QE measure and extended its monthly net asset purchases of 60 billion euro from April to December 2017.

Japanese economy continued to recover. Inflation rate turned to be positive, and Yen depreciated. BOJ maintained the same level of QE and policy rate.

❑ **Chinese economy** in the fourth quarter expanded by 6.8 percent, accelerating from an average of 6.7 percent in the first three quarters with the supports of the expansion of manufacturing production, an improvement in the real estate sector and fiscal stimulus packages. However, the economic stability still faced with risks from the Yuan depreciation and the continued outflow of foreign reserves. At the end of 2016, foreign reserve declined to 3,010.5 billion US dollar, and the non-financial corporate debt was at high level. **The Chinese economy in 2016 expanded by 6.7 percent, slowing down from 6.9 percent in 2015, and remarked as the lowest growth in 26 years since 1990.**

❑ **Other Asian economies** mostly improved due to the expansion of export. **Most Newly Industrialized Economies (NIEs)** improved in line with the recovery of key trading partners that led to improved exports. While, inflation rate picked up in many countries especially Singapore inflation rate which turned to positive after remaining negative for the past eight quarters. **In most ASEAN Economies**, there were improving exports. Nonetheless, the economic growth in some countries experienced slowdowns as a result of diminish effects from stimulus packages.

Chinese economy hit a year-high growth with 6.8 percent, accelerating from an average of 6.7 percent in the first three quarters. In 2016, the economy grew by 6.7 percent, remaining in the government's target.

NIEs improved, following the acceleration of export while inflation rate picked up especially Singapore's inflation rate turned to be positive for the first time in previous eight quarters. Meanwhile, ASEAN-4 economies mostly improved but the growth slowed down in some countries following to a diminish impact from the economic stimulus packages.

GDP growth, Inflation and Export growth in several key economies

	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2015	2016	2016		2015	2016	2016		2015	2016	2016	
	Year	Year	Q3	Q4	Year	Year	Q3	Q4	Year	Year	Q3	Q4
USA	-7.5	-3.3	-2.0	2.0	2.6	1.6	1.7	1.9	0.1	1.3	1.1	1.8
EU	-12.1	0.1	0.2	0.6	1.9	1.7	1.8	1.8	0.0	0.2	0.3	0.7
Japan ^{1/}	-9.5	3.2	7.0	8.8	1.2	1.0	1.1	1.7	0.8	-0.2	-0.6	0.2
China	-2.9	-7.7	-6.9	-5.2	6.9	6.7	6.7	6.8	1.4	2.0	1.7	2.2
Hong Kong	-1.8	-0.6	-0.3	5.3	2.5	1.5*	1.9	-	3.0	2.4	3.1	1.2
India	-17.0	-1.3	-0.9	5.5	7.2	7.3*	7.3	-	4.9	5.0	5.2	3.7
Indonesia	-14.6	-3.9	-5.3	13.8	4.9	5.0	5.0	4.9	6.4	3.5	3.0	3.3
South Korea	-8.0	-5.9	-5.0	1.8	2.6	2.7	2.6	2.3	0.7	1.0	0.7	1.5
Malaysia	-14.9	-4.8	-2.1	1.9	5.0	4.2	4.3	4.5	2.1	2.1	1.3	1.7
Philippines	-5.3	-4.4	-3.9	1.2	5.9	6.8	7.0	6.6	1.4	1.8	2.0	2.5
Singapore	-14.5	-4.8	-0.9	2.1	2.0	1.8	1.2	1.8	-0.5	-0.5	-0.4	0.0
Taiwan	-10.9	-1.7	0.1	11.7	0.8	1.5	2.1	2.9	-0.3	1.4	0.7	1.8
Thailand	-5.6	0.0	0.4	3.6	2.9	3.2	3.2	3.0	-0.9	0.2	0.3	0.7
Vietnam	7.9	9.1	9.3	14.9	6.7	6.2	6.6	6.7	0.6	2.7	2.8	4.4

Source: CEIC, Collected by NESDB

Note: ^{1/}the benchmark year revision from 2005 to 2011 including the implementation of the System of National Account 2008 (2008 SNA) instead of the System of National Account 1993 (1993 SNA)

* forecast by NESDB

4. The World Economic Outlook for 2017

The world economy in 2017 tends to grow by 3.3 percent, accelerating from the growth of 3.1 percent in 2016. The acceleration is due to higher growth of the US economy and the improvement of Japan, India, and other major countries. On the other hand, the Chinese economy and the Eurozone tends to gradually slow down. Such improvement of the global economy will brought about higher world commodity prices and deflationary pressure will eventually subside. Under such conditions, Fed is likely to hike its policy rate continually. Meanwhile, other major countries are likely to maintain their monetary policy at the same level as in the preceding year. This will lead interest rate in the global market to be on uptrend and the US dollar is likely to appreciate compare to other major currencies.

Nevertheless, the pickup of the global economy and capital movement will be under risks following the US policy direction, the EU's political conditions and the election results in some major EU countries, the negotiation outcome and economic relations between the UK and the EU, the progress of Greece resolution, and the Chinese economic stability as well as the financial sector weaknesses in the EU.

- ❑ Under the baseline scenario, **the US economy** is projected to expand by 2.2 percent, accelerating from 1.6 percent in 2016. Meanwhile, inflation rate has gradually increased. The growth pick up will be mainly driven by the improvement in employment and an increase in asset prices which will lead to an improvement in household consumption and higher growth in private investment; especially in the real estate and oil drilling sectors. Moreover, the progresses in tax policy and infrastructure projects implementation under the administration of Donald Trump are likely to provide upside risks to the economic growth, and thus is expected to increase the possibility that the Fed will continue to hike its policy rate in the rest of 2017. However, the US growth still faced with some downside risks from the policy implementation on trade, investment and labor barriers.
- ❑ **Eurozone economies** are expected to grow by 1.6 percent, comparing with 1.7 percent in 2016 while inflation rate tends to accelerate. The economic prospect this year will be mainly underpinned by an expansionary monetary policy and an increase of fiscal impulse meanwhile ECB is likely to maintain QE in same level as in the previous year. Nevertheless, the recovery of the economies will be affected by the negotiations of Brexit and additional risk factors from political conditions which will have strong implications to the progress on the financial sector problem resolution, the economic reform, and the unity of Eurozone. In particular, the uncertainty will be from political conditions in Italy which could lead to general election within 2017, the outcome of the French presidential election in April - May 2017, and the German general election in August - October 2017 in which that candidates and the political parties that are anti-economic reform and support the EU exit are likely to gain more popularity.
- ❑ **Chinese economy** is likely to grow by 6.5 percent, decelerating from 6.7 percent in 2016 in line with the economic restructuring policy and the resolves in the financial sector which can lead to a continual slowdown of fixed asset investment. However, the economic growth in 2017 will be supported by the expansion of domestic consumption and the depreciation of Chinese Yuan, which will help the exports and manufacturing production to be improved. However, the economic expansion and the economic stability will face with some risk factors including the policy direction under the new US administration, the capital outflow amid the Chinese Yuan depreciation and a depletion of the foreign reserves as well as the problems in the financial and real estate sectors.

World economy expanded by 3.3 percent, accelerating from in 2016. Meanwhile, higher global commodity prices would cause an end of deflationary pressure in the major countries.

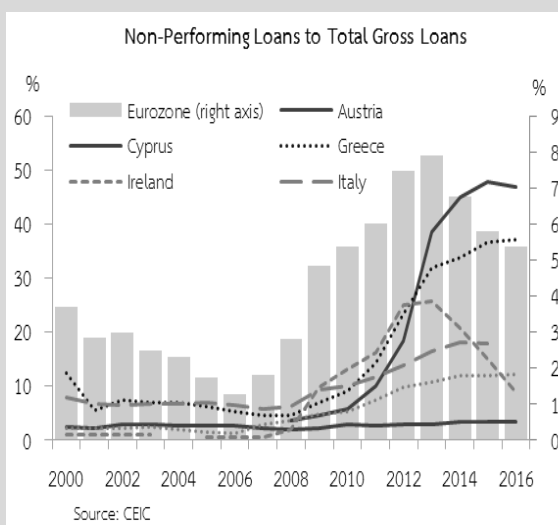
Fed is likely to hike its policy rate continually. Meanwhile, the other major countries are likely to maintain their monetary policy at the same level as last year. This would make interest rate in the world market to be uptrend and US dollar is likely to appreciate.

However, the world economy and capital flow tend to be volatile due to the U.S. policy direction, outcome of the negotiation between the UK and EU, political conditions and election results in EU, and the stability problem of the Chinese economy.

- ❑ **Japanese economy** is estimated to grow by 1.2 percent, improving from 1.0 percent in previous year contributed mainly by the fiscal stimulus packages worth 28 trillion Yen, aiming for investing in infrastructure and assisting business sector. However, the recovery of export and the expansion of manufacturing sector remains under risk of the Yen appreciation. Meanwhile, the rising inflation still face with some limitations from weakness of domestic demand. According to the above mentioned trend, BOJ is likely to remain policy rate and QE at the same level.
- ❑ **The NIEs** is projected to improve gradually following the expansion of domestic demand and exports. It is expected that South Korea, Taiwan, Hong Kong, and Singapore economies will grow by 3.0, 2.0, 2.5, and 2.2 percent, accelerating from 2.7, 1.5, 1.5, and 1.8 percent in 2016, respectively. **Likewise, ASEAN economies** will also experience with improving export performances supported mainly by the economic recovery of major trading partners and an increase of commodity prices in the global market. Meanwhile, the domestic demand is likely to expand continually. In the baseline scenario, the Indonesian, Malaysian, Philippines and Vietnamese economies are expected to grow by 5.4, 4.6, 6.0 and 6.5 percent, compared to 5.0, 4.2, 6.8 and 6.2 percent in 2016, respectively.

Risks from non-performing loans of the Eurozone commercial banks

The Eurozone economy staged gradual recovery amidst continually increasing risks, especially the risks from the Eurozone banking sector. The European Banking Authority (EBA) published the results of its 2016 EU-wide stress test of European banks on 29th July 2016 which revealed increasing risks among several commercial banks across European region by taking into accounts several key factors namely the commercial banks’ assets, profits, lending, and non-performing loans (NPLs). In addition, the report also exhibit that the non-performing loans to total gross loans (NPL/GL) ratio rose in several key countries including Austria, Cyprus, Greece, Ireland, and



Italy had the NPL/GL ratio of 18% in 2015 while the Eurozone’s NPL/GL ratio was only 5.4% in 2015 and 5.8% in 2016. Italy’s third largest bank, Monte dei Paschi di Siena (MPS), faced the NPL/GL ratio of 34%, putting it on the edge of bankruptcy if unable to increase its bank reserves. The situation was abated after the Italian government gave the MPS bailout funds. However, this was considered as only short-term measures since the NPL level still remained high and could turn into a main constraint for commercial bank lending, which will eventually affect the expansion of private investment and the overall economy over the next period.

5. Thai Economic outlook for 2017

The Thai economy in 2017 is expected to grow by 3.0 – 4.0 percent, improving continually from 2.9 and 3.2 percent in 2015 and 2016 respectively. Key driving forces will be mainly from (i) the clearer recovery of export which will also further support expansions of the manufacturing sector and private investment, (ii) the acceleration of agriculture production after the drought ended which will support agricultural household income and spending, (iii) the remaining high growth of government expenditure and public investment, and (iv) the favorable expansion of tourism income.

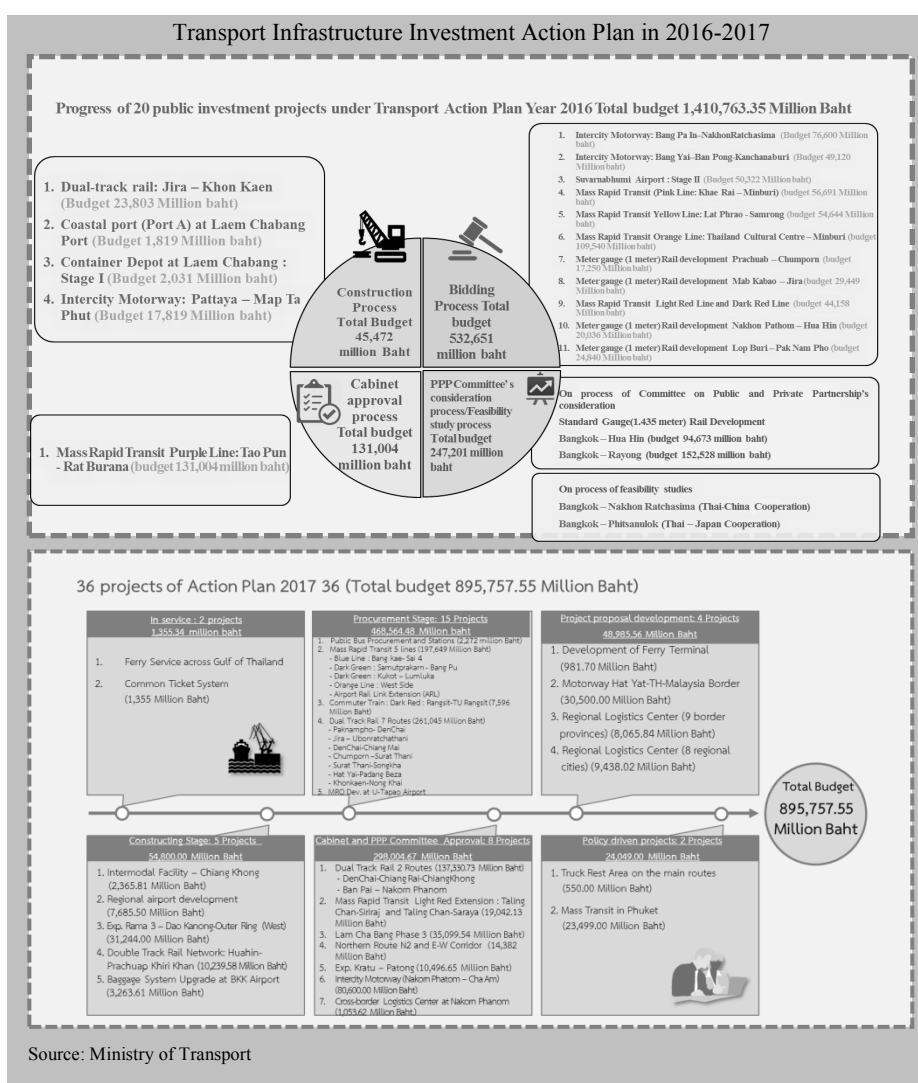
Economic stability continues to remain favorable. The headline inflation is likely to increase gradually following rising oil prices and the recovery of domestic demand. Meanwhile, employment tends to increase aligned with the recovery of the agricultural sector and the current account surplus will remain in high position.

Nevertheless, the improvement of the Thai economy still faces with the downside risks from the volatility of the global recovery and the capital movement that can be occurred under circumstances of the US policy direction, the EU's political conditions and the election results in some major EU countries, the negotiation outcome and trade relations between the UK and the EU, the progress of Greece resolution, and the Chinese economic stability as well as the financial sector weaknesses in the EU.

□ Supporting factors to the economic growth

- 1) Expansion of export sector has become more pronounced** following a gradual recovery of the global economy since the second half of 2016 particularly the US, the EU, Japan, and major economies in NIEs and ASEAN which has begun to accelerate. This is in line with Thai export which showed the expansion of 0.4 percent in the third quarter of 2016 and speeding up to 3.6 percent in the last quarter. In 2017, it is expected that the world economy will grow by 3.3 percent, accelerating from 3.1 percent in 2016 and the world trade will increase by 3.6 percent, up from 2.6 percent in 2016. These will support the Thai export sector (sharing about 54 percent to GDP) to improve. In addition, the recovery of export sector will further enhance the manufacturing sector (sharing 27 percent of GDP) as well as private investment to gradual recover.
- 2) The agricultural production tends to accelerate** after severely affected by the drought conditions and became key limitations to the economic growth in the earlier period. Figure shows that the agricultural sector declined by 5.7 in 2015 and 1.3 percent in the first half of 2016. However, drought impacts continued to subsided and thus the agricultural production in the third quarter of 2016 started to show the first expansion within the past 8 quarters of 0.9 percent before picking up to 3.2 percent in the last quarter. The agricultural production also tends to grow continually in 2017 due to higher water level in major dams. The improvement of agricultural production will generate higher level of income and spending of agricultural households (which provides 32.5 percent of total labor force) and thus will contribute to higher economic expansion, despite some decline in key agricultural product prices in the world market to the normal level in the latter half of the year.
- 3) Public investment continues to remain a key growth contribution** in line with the budget framework of 546 billion baht from the FY 2017 annual budget and 580 billion baht from the SOEs budget. Key supporting factor include the progresses of (i) the implementation of the 2016 transport infrastructure action plan (urgent phase) under 20 priority projects with total investment value of 1.4 trillion baht which continues to be implemented in 2017. There are 4 projects already starting construction with total investment value of 45.472 billion baht and 11 projects remaining under bidding process

with total investment value of 532.651 billion baht. Moreover, there are 2 projects with total investment value of 247.0 billion baht that remain underway of proposing to the cabinet and the PPP committee as well as another 2 projects that are under negotiation and preparation, (ii) the implementation of the 2017 transport infrastructure action plan under total 36 priority projects with total investment value of 895.757 billion baht of which there will be 5 projects expected to start construction within the first half of 2017 with total investment value of 54.8 billion baht and 15 projects under procurement stage with total investment value of 468.565 billion baht, (iii) the urgent development projects under the Eastern Economic Corridor (EEC) development plan (2017-2021) of 48 projects with 6.992 billion baht investment value.



4) The FY 2017 supplementary budget of 190 billion baht. The budget is allocated from the government revenue of about 27 billion baht and the budget deficit financing of 162.921 billion baht. This will further support the economic growth additionally from the annual budget including in particular spending on the integrated plan for grass root and community development (village and urban community fund) with 15 billion baht investment value and the integrated plan for strengthening and sustaining domestic economy (provincial budget) with 115 billion baht investment value.

5) Tourism receipts tend to expand favorably. In 2017, tourism receipts are expected to reach 1.93 trillion baht, or 9.8 percent growth from 1.76 trillion baht in 2016.

□ Risk factors

Although the global economy is likely to improve and contribute exports to expand, there are some risk factors that might cause the global economy and the financial system to be volatile. Key factors needed to be closely monitored and assessed include (i) the policy direction under the new US president's administration including policies on tax reduction and infrastructure investment which tend to become upside risks while another set of policies on trade, investment, security, and labor mobility which can pose downside risks to the US economy and the world economy, (ii) the negotiation outcome and economic relation between the UK and the EU which is expected to start negotiation process in March 2017 after the UK parliament vote to trigger Article 50 of the Lisbon Treaty on EU in the UK, (iii) the political conditions and the election results of major countries in the EU namely Italy, Netherlands, France, and Germany in which that the political party who oppose the economic reform and support the exit from the EU obtained higher popularity. The result might affect the solving on financial sector, the economic reform, and the unity of the EU, (iv) the progress on Greece's bailout negotiation particularly the possibility of achieving the agreement on the new bailout condition over the next period between the EU, IMF, and the Greek government, (v) the weakness of the financial institutions in the EU, and (vi) problems on the Chinese economic stability particularly the capital outflow amid the expected Chinese Yuan depreciations and the depleted foreign reserves. In addition, there have been increasing concerns on bubble situation in the real estate sector and high business accumulated debts.

World Economic Projection

	Actual Data		Projection of 2017	
	2015	2016	Nov 21, 2016	Feb 20, 2017
World Economic Growth (%)	3.2	3.1	3.3	3.3
USA	2.6	1.6	2.2	2.2
EU	1.9	1.7	1.4	1.6
Japan	1.2	1.0	1.0	1.2
China	6.9	6.7	6.4	6.5
World Trade Volume (%)	2.8	2.6	3.6	3.6
Exchange Rate (Baht/US dollar)	34.29	35.29	35.3 - 36.3	35.5 - 36.5
Dubai Crude Oil (US Dollar/Barrel)	50.9	41.4	42.0 - 52.0	47.0-57.0
Export Price (US Dollar) (%)	-2.3	-0.1	0.7 - 1.7	1.2 - 2.2
Import Price (US Dollar) (%)	-10.8	-2.7	2.5 - 3.5	3.0 - 4.0
Income from Tourism (Trillion baht)	1.54	1.76	1.95	1.93

Source: NESDB

Note: ^{1/} The Benchmark Year Revision of 2011 from 2005 including the implementation of System of National Accounts 2008 (2008SNA) is introduced in this series.

□ Key assumptions for 2017 economic projection

- 1) In 2017, the world economy and the world trade volumes are projected to expand by 3.3 percent and 3.6 percent, unchanged from the previous assumption. This is due to the fact that economic growth of major countries are quite similar to what assumed in the previous estimation. The world economy in 2017 will be driven by the pickup of the US economy and improving economic conditions in Japan, India, and several developing countries which could offset the slowdown of the Chinese and the EU economies.

- 2) **The average Thai Baht in 2017 is expected to be in the range of 35.5 – 36.5 Baht per US dollar, depreciating from 35.3 Baht per US dollar in 2016.** The assumption was revised from 35.3 - 36.3 Baht per US dollar in the previous forecast because key regional currencies are likely to depreciate more than expected.
- 3) **The average Dubai crude oil prices in 2017 is expected to be in the range of 47.0 – 57.0 US dollar per barrel, higher than 41.4 US dollar per barrel in 2016, and revising from 42.0 – 52.0 US dollar per barrel in previous projection.** This upward revision is owing to (i) an agreement among OPEC and non-OPEC members to reduce oil production by 1.8 million barrels per day. (ii) increasing oil demand as a result of improving prospects in the global economy. (iii) new US sanction on Iran after they launched ballistic missiles. However, there are factors that cause oil prices to increase only gradually, including (i) high level of oil stock (ii) increasing production of shale oil in the North America, especially the US (on February 10, the US's operating oil rigs increased to 591 rigs, the highest level in 2 years since October 2015) (iii) a trend of US dollar appreciation in response to policy rate hike. (iv) slowdowns of the Chinese and the EU economies which are major oil consumers.
- 4) **The export price in US dollar term is likely to increase by 1.2 -2.2 percent, up from the decline of 0.1 percent in 2016.** This estimation is also adjusted upward from the range of 0.7 -1.7 percent in the previous projection. The reason behind this revision was the increasing of oil price assumption as well as the increasing price of industrial products in response to higher oil price. **The import price in dollar term is expected to increase 3.0 - 4.0 percent, comparing with the contraction of 2.7 percent in 2016.** The import price was revised up from 2.5 – 3.5 percent due to higher price of crude oil and raw materials in the world market.
- 5) **Income from foreign tourists is forecasted to be 1.93 trillion baht,** increasing by 9.8 percent from 1.76 trillion baht in 2016 and close to the assumption of 1.95 in the previous projection. The supporting factors were (i) the increasing trend of long-stay tourists, particularly the inbound tourists from the Eurozone, Russia, and the US, (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) political instability in some European countries which tends to make tourists changing their destination to other regions and countries including Thailand, (vi) government's measures in supporting tourism sector, such as visa fees waiver for long-stay tourists, the extension of long-stay visas, and the implementation of the 2017 tourism marketing strategic plan.
- 6) **Budget disbursement assumptions are as follows;** (i) FY 2017 annual budget disbursement rate is at 94.8 percent of overall budget (disbursement rate of current and capital budget is at 98.5 and 80.0 percent, respectively), (ii) FY 2017 supplementary budget disbursement rate is at 65.0 percent. (iii) state-owned enterprise's capital budget disbursement is at 80.0 percent (iv) carry-over budget disbursement is at 78.0 percent (vi) off-budget loans consisted of water resource management and road transport system projects and other worth about 9,725 million baht. (vii) annual budget disbursement in the first quarter of FY 2018 (October – December 2017) is at 32 percent.

□ Economic Projection for 2017

The Thai economy in 2017 is projected to grow in the range of 3.0 - 4.0 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 1.2 – 2.2 percent. The current account balance is forecasted to register a surplus of 9.4 percent of GDP.

In the press release dated on 20th February 2017, NESDB forecasts that the Thai economy will expand in the range of 3.0 - 4.0 percent similar to the earlier projection on 21 November 2016. However, the growth components were revised to be in line with changes in key assumptions stated earlier.

□ Key components of the economic growth

- 1) **Consumption: private consumption expenditure** is expected to grow by 2.8 percent, continuing from 3.1 percent growth in 2016, and revising upwardly from a 2.7 percent in the previous projection. The revision could be explained by the clearer recovery trend of income base from farm households and also export-related households. **Public expenditure** is likely to increase by 2.6 percent, accelerating from 1.6 percent in 2016 and revising upwardly from a 2.1 percent in the previous projection. This revision is made to align with the formulation of the FY 2017 supplementary budget.
- 2) **Total Investment** is anticipated to rise by 5.3 percent, relative to a 2.8 percent of growth in 2016. **Private investment** is likely to grow by 2.5 percent, better performed from a growth of 0.4 percent in 2016. Key contributing factors include (i) the recent trend of improvement in exports, which will slowly reduce the excess production capacity, and eventually can encourage new investment to expand production capacity; (ii) improving investors' confidence to the global and the Thai economic recovery. As can be seen from the business sentiment index (BSI) on December, the current business sentiment index was 50.3; markedly recorded the highest level in the past 3 months and the 3-month expected business sentiment index was 56.1, the highest level in the past 23 months. Meanwhile, (iii) the value of projects applied for the investment promotion made to Board of Investment (BOI) in 2016 significantly increased by 172.1 percent and expected to start investing during the economic recovery stage and when the progress of public infrastructure has seen. Besides, the value of investment promotion certificate issued project by BOI began to pick up in the last quarter of 2016, the first expansion in the last 6 consecutive quarters. (iv) the progress of the public investment projects which have increasingly been under construction process. Meanwhile, **Public investment** is expected to distinctly grow by 14.4 percent, accelerating from 9.9 percent growth in 2016, and revising upwardly from 11.2 percent in the previous projection. This could be mainly driven by (i) the FY 2017 supplementary budget of 190 billion baht, and (ii) the further progress of public infrastructure projects that in turn will boost up the disbursement from state-owned enterprise's capital budget. In particular, the public investment projects under the 2016 transport infrastructure investment action plan (urgent phase) have been making more progress. Currently, there are 4 projects under construction worth 45,472 million Baht and 11 projects under bidding progress worth 532.651 million Baht. In addition, under the 2017 transport infrastructure action plan, there are 5 projects worth 54,800 million Baht that are expected to start construction within the first half of 2017, and other 15 projects worth 468,565 million Baht that will be under procurement stage.

- 3) **Export value of goods in US dollar term** is predicted to expand by 2.9 percent, improving from 0.0 percent in 2016. It is higher than previous projection of 2.4 percent as the export price assumption was revised upwardly following a rising oil price. Meanwhile, export of services is also expected to expand well due to a continual expansion in income from tourism. Thus, the export quantity of goods and services is forecasted to grow by 2.6 percent in 2017, increasing from an expansion of 2.1 percent in 2016.
- 4) **Import value of goods in US dollar term** is projected to grow by 5.5 percent, compared with a drop of 4.7 percent in 2016, revising upwardly from a 4.5 percent in the previous projection. It is due to (i) the upward revision of the import price assumption from 2.5 - 3.5 percent in the last projection to 3.0 - 4.0 percent and (ii) the upward revision of exports and public investment forecast which will make the demand for imports to increase. Taking into account service payments, import volume of goods and services is projected to grow by 3.7 percent, compare to 1.4 per cent growth in 2016.
- 5) **Trade balance** is projected to register a surplus of 32.2 billion US dollar, declining from a surplus of 35.8 billion US dollar in 2016. This is mainly because import value is expected to increase at faster pace as compared to export value. The current account is projected to register a surplus of 39.5 billion US dollar, or 9.4 percent of GDP.
- 6) **Economic stability is expected to remain sound.** The average headline inflation rate in 2017 is expected to be in the range of 1.2 – 2.2 percent, compared with 0.2 percent in 2016, and revising upwardly from the range of 1.0 – 2.0 percent in the previous projection. The revision is aligned with the revised assumption of crude oil prices, world commodity prices, as well as the adjustment assumption on Thai baht.

6. Economic Management for the year 2017

The Thai economy is anticipated to improve in tandem with the improvement of the agricultural sector, the more pronounced recovery of the export sector, the drive from public spending and investment as well as the continual expansion of tourism income. Private investment tends to recover at a slow pace under the period of early stage of export recovery and remaining low capacity utilization of the manufacturing sector. Nevertheless, the risks from volatility in the global economy remain high due to the uncertainty of U.S. policies direction, the political conditions and the election results of key European countries, stability problem of the Chinese economy, and the weakness of the European financial institutions. These factors may impact the recovery of Thailand's key trading partners and the global commodity prices. Under such conditions, economic management in 2017 will have to give priority to the following issues.

- 1) Expediting government spending and public investment** to maintain growth momentum and to buffer the risks from high volatility of the global economy. Such government spending and investment consist of (i) no lower than 80 percent disbursement rate of capital budget in FY2017 annual budget; (ii) no lower than 80 percent disbursement rate of FY2017 SOE's capital budget; (iii) no lower than 65 percent disbursement rate of supplementary budget, and (iv) no lower than 75 percent disbursement rate of the carry-over budget. Moreover, it is important to speed up the implementation of transportation infrastructure development plans including on-going projects under the transportation infrastructure investment action plan in 2016 (worth around 1.4 trillion baht), and the 2017 (895.8 billion baht), together with development projects under the Eastern Economic Corridor, and special border economic zones.
- 2) Facilitating export growth to continue to recover and expand at its full potential** in order to support the growth of the industrial sector, private investment, as well as overall recovery of the economy. Emphasis should be given to (i) monitoring and being aware of trade protection policies in other countries under the growing trend of protectionism, (ii) supporting export sector through proactively seeking new markets and increasing share in the existing markets, supporting marketing plan to achieve targeted export markets; promoting border trade and linking with CLMV, enhancing value added for export products with innovation.
- 3) Supporting the expansion of agricultural production and farm income** by enhancing efficiency and minimizing marketing process of agricultural products in order to pass on higher income to farmers, supporting large-scale farming, reducing production cost, adopting proper crop plantation and production process suitable for each areas, and switching to grow crops with higher market values.
- 4) Building up confidence and supporting private investment growth** by (i) accelerating export in order to reduce excess production capacity; (ii) implementing proactive measures to attract investors in the targeted sectors related to country development such as industrial clusters, International Head Quarter (IHQ) and International Trading Center (ICT); (iii) providing information on progress of key public infrastructure projects, particularly in investment in public transportation, Eastern Economic Corridor (EEC), and Special Economic Zones (SEZs) development; (iv) facilitating investors who wish to relocate their production base to Thailand, and those who face export-constraints in their current production bases, and (v) expediting implementation of BOI approved projects,
- 5) Sustaining the growth of tourism sector** by (i) ensuring safety in major tourist destinations, (ii) attracting high-end and high-purchasing-power tourists, (iii) implementing the 2017 strategic marketing plan for tourism sector by promoting Thai tourism in new potential markets, expanding existing markets that have high spending potential (e.g. China, India, Russia, U.S.A, and the UK), maintaining existing markets, as well as promoting tourism to link with other ASEAN countries, and (iv) promoting domestic tourism.

Projection for 2017 ¹

	Actual Data		Projection	
	2015	2016	Nov 21, 2016	Feb 20, 2017
GDP (at current prices: Bil. Bht)	13,672.9	14,360.6	14,806.2	15,150.5
GDP per capita (Bht per year)	203,356.1	212,862.3	218,853.7	223,941.8
GDP (at current prices: Bil. USD)	399.2	406.9	413.6	420.8
GDP per capita (USD per year)	5,937.0	6,032.7	6,113.2	6,220.6
GDP Growth (CVM, %)	2.9	3.2	3.0-4.0	3.0-4.0
Investment (CVM, %)	4.4	2.8	5.0	5.3
Private (CVM, %)	-2.2	0.4	2.8	2.5
Public (CVM, %)	29.3	9.9	11.2	14.4
Private Consumption (CVM, %)	2.2	3.1	2.7	2.8
Public Consumption (CVM, %)	3.0	1.6	2.1	2.6
Export volume of goods & services (%)	0.7	2.1	3.0	2.6
Export value of goods (Bil. USD)	214.1	214.1	219.2	220.3
Growth rate (%) ^{2/}	-5.6	0.0	2.4	2.9
Growth rate (Volume, %) ^{2/}	-3.4	0.1	1.2	1.2
Import volume of goods & services (%)	0.0	-1.4	3.6	3.7
Import value of goods (Bil. USD)	187.2	178.4	185.5	188.2
Growth rate (%) ^{2/}	-10.6	-4.7	4.5	5.5
Growth rate (Volume, %) ^{2/}	0.2	-2.2	1.5	2.0
Trade balance (Bil. USD)	26.8	35.8	33.7	32.2
Current account balance (Bil. USD)	32.1	46.4	42.1	39.5
Current account to GDP (%)	8.1	11.4	10.2	9.4
Inflation (%)				
CPI	-0.9	0.2	1.0-2.0	1.2-2.2
GDP Deflator	0.6	1.7	1.5-2.5	1.5-2.5

Source: Office of the National Economic and Social Development Board, 20th February 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.