NESDC ECONOMIC REPORT

Thai Economic Performance in Q2 and Outlook for 2019

Macroeconomic Strategy and Planning Division

Press Release 9.30 a.m. Aug 19, 2019

Economic Projection of 2019

(%YoY)	2018		2019		
	Year	Q4	Q1	Q2	Year (f)
GDP (CVM)	4.1	3.6	2.8	2.3	2.7-3.2
Investment[1/]	3.8	4.2	3.2	2.0	3.8
Private	3.9	5.5	4.4	2.2	3.7
Public	3.3	-0.1	-0.1	1.4	4.0
Private Consumption	4.6	5.4	4.9	4.4	4.2
Government Consumption	1.8	1.4	3.4	1.1	2.2
Export of Goods[2/]	7.5	2.7	-4.0	-4.2	-1.2
Volume[2/]	3.9	1.1	-4.4	-4.4	-1.7
Import of Goods[2/]	13.7	6.5	-2.9	-3.4	-1.6
Volume[2/]	7.7	3.7	-3.0	-3.3	-2.1
Current Account to GDP (%)	6.4	5.4	9.3	3.7	5.9
Inflation	1.1	0.8	0.7	1.1	0.7-1.2

Note: [1/] Investment means Gross Fixed Capital Formation

[2/] Based on the Balance of Payment Recording System

- **The Thai Economy in the second quarter of 2019** expanded by 2.3 percent (%YoY) compared with 2.8 percent in the previous quarter. After seasonally adjusted, the economy grew by 0.6 percent from the first quarter (%QoQ sa). In the first half of 2019, the Thai economy rose by 2.6 percent.
- **On expenditure side**: the main supporting factors were expansions of private consumption, private investment, and government expenditure while export of goods declined. **On production side**: the agriculture and the manufacturing sectors declined, while the accommodation and food service activities and the transportation and storage sectors decelerated from the previous quarter. However, the construction and the electricity and gas sectors speeded up and the wholesale and retail trade sector continuously increased.
- **The Thai economy in 2019** is projected to expand by 2.7 – 3.2 driven mainly by (1) a favorable growth momentum of domestic demand both private consumption expenditure and private investment; (2) a gradual recovery of export conditions in the second half of the year following the clearer adjustment of export and production sectors amid more intensified trade tensions; (3) key government stimulus measures; and (4) a low growth base for the second half of the year. In all, it is expected that export value will decline by 1.2 percent while private consumption expenditure and total investment will grow by 4.2 and 3.8 percent respectively. Inflation will lie in the range of 0.7- 1.2 percent and the current account will register a surplus of 5.9 percent to GDP.
- **Economic management for the remainder of 2019** should put emphasis on the following issues: **(1) Fostering exports growth in the second half of 2019 to reach the target of at least 3.0 percent**, mainly by: (i) fostering export of goods which are potentially benefiting from the trade protection measures in both the US's and China's markets, (ii) seeking export opportunities from the current swine flu outbreak and China's halt on its import duty exemption under its trade protection measures; (iii) assisting exporters impacted from the trade protection measures through the supply chain so that they could promptly redirect their exports to other markets; (iv) monitoring changes in key import products which are subjected to the tariffs imposed by the US and China, as they could be re-channeled to the Thai market; (v) operating foreign trade policies to closely abide by the world trade rules and key trading partners' regulations, especially those relevant to special trade preferences and trade protection measures; (vi) extending new trade agreements, especially with the economies which potentially become key players in the international supply chain; and (vii) facilitating exporting processes and reducing costs. **(2) Supporting the recovery and sustaining the expansion of the tourism sector**, by penetrating market in high-income Chinese tourists, conducting tourism campaign activities, promoting tourism packages which target long-distance and high-income tourists, and encouraging Thai tourists to travel domestically. **(3) Expediting the budget disbursement** particularly on: (i) the FY2019 government's capital budget to reach no less than 60.0 percent disbursement rate; (ii) fastening the FY2020 carry-over budget disbursement not to be less than 70.0 percent; (iii) accelerating the FY2020 budgeting process; (iv) speeding up the implementation of infrastructure projects. **(4) Encouraging private investment** by: (i) fostering exports to drive capacity utilization in manufacturing; (ii) supporting those entrepreneurs affected by the trade protection measures to expand their production in Thailand as well as encouraging affected investors to relocate their production base to Thailand; (iii) continuously fostering key public investment projects; (iv) facilitating, monitoring, and propelling important investment projects, both those applied and those already approved for the investment promotion, to be promptly operated; and (v) readying the labor force both in terms of quantity and quality. **(5) Strengthening small farmers, the labor force, low income groups, SMEs, and economies.**

1. The Thai Economy in Q2/2019

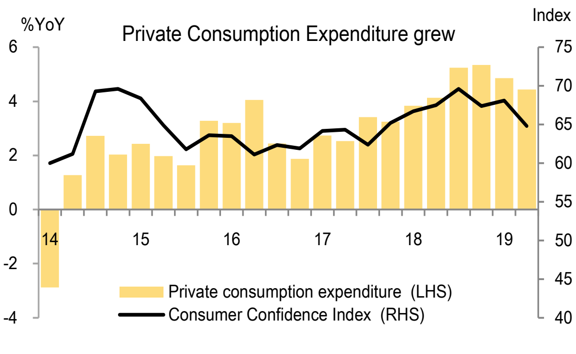
Expenditure Side:

In the second quarter of 2019, Private consumption expenditure and private investment continually expanded. Meanwhile export of goods declined.

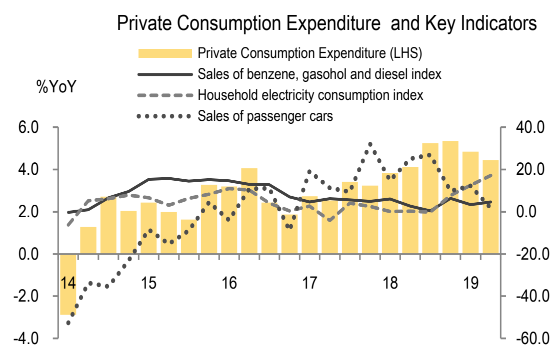
Private consumption expenditure favorably expanded by 4.4 percent, supported by low interest rate and inflation, and government measures to support low income group.

Private consumption expenditure continued to expand at a satisfactory rate, supported by favorable employment conditions, low interest rate and inflation, and government measures to support low income group. In the second quarter of 2019, private consumption expenditure expanded by 4.4 percent, decelerating from a 4.9-percent growth in the previous quarter, due to the deceleration of durable goods expenditure. The favorable growth was in line with an acceleration of key indicators especially household electricity consumption index, sales of benzene, gasohol and diesel index, and sales of semi-durables index, which grew by 17.2, 4.7 and 3.5 percent, respectively. The commercial and passenger car sales increased by 5.4 and 1.7 percent, respectively, decelerated from 10.6 and 12.3-percent growth in the previous quarter. The expansion of private consumption expenditure in this quarter was supported by (i) consistently low interest, inflation and unemployment rates and (ii) government measures to support low income group. The Consumer Confidence Index, pertaining the overall economic situation, stood at 64.8 level.

In the first half of 2019, private consumption expenditure increased by 4.6 percent.



Source: NESDC, University of the Thai Chamber of Commerce

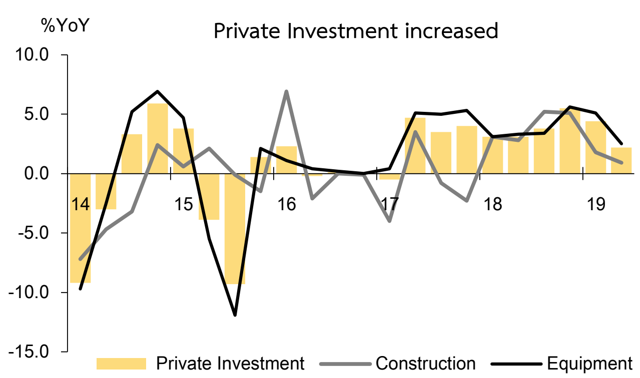


Source: NESDC, BOT, Department of Energy Business

Private investment increased by 2.2 percent, decelerated from the previous quarter, in accordance with the deceleration of investment in machinery and equipment and investment in construction.

Private investment decelerated, in accordance with the deceleration of investment in machinery and equipment, and construction. In the second quarter of 2019, private investment increased by 2.2 percent, compared with a 4.4-percent growth in the previous quarter. **The investment in machinery and equipment** increased by 2.5 percent, compared with a 5.1-percent expansion in the previous quarter. This was consistent with a 2.1, 4.1 and 1.8-percent growth of the import of capital goods (in 2010 price), domestic machinery sales (in 2010 price), and newly registered motor vehicles for investment purposes, respectively. The deceleration of investment in machinery and equipment was in accordance with the decrease in exports and capacity utilization rate of manufacturing sector. **The investment in construction** increased by 0.9 percent, compared with a 1.8-percent growth in the previous quarter, in line with a 2.6 percent increase of the sales of construction materials such as tile (5.4 percent), ready mixed concrete and concrete pile (2.8 percent), steel products (1.3 percent). **The total value of projects applied for the investment promotion made to BOI** was recorded at 103.7 billion Baht, increased by 32.7 percent, in particular, the value of projects applied for the investment promotion in Eastern Economic Corridor (EEC), which increased by 74.3 percent. The Business Sentiment Index (BSI) stood at 49.6 level.

In the first half of 2019, private investment grew by 3.3 percent.



Source: NESDC

Exports in US dollar terms continually decreased for 2 consecutive quarters. The contraction was attributable to the economic slowdown in key trading countries, the escalating trade protection measures (the US-China trade protectionism measures during May-June 2019), as well as the high base effect and the limitations of domestic production in some agricultural commodities. Export value in the second quarter of 2019 was recorded at 60.6 billion US dollars, fell by 4.2 percent, compared with a 4.0-percent decline in the previous quarter. The export volume index dropped by 4.4 percent, mainly from the decrease in export volume of agricultural commodities, fishery products, and manufacturing products by 6.5, 10.3, and 5.6 percent, respectively. These contractions were in accordance with the deceleration of the trading partner economies amidst more intensified trade protection measures, the downturn in global electronics cycle, as well as the decline in domestic agricultural and aquaculture production. Export price index increased by 0.2 percent, compared with a 0.4-percent increase in the previous quarter. This was consistent with the decline in crude oil price in the global market, resulting to a slowdown in export prices, especially oil related products, such as refined fuel, chemicals, and plastic resin. Excluding unwrought gold, export value fell by 5.8 percent, compared with a 4.2-percent decline in the previous quarter. **In Baht term,** export value decreased by 5.3 percent, compared with a 3.8-percent decline in the previous quarter.

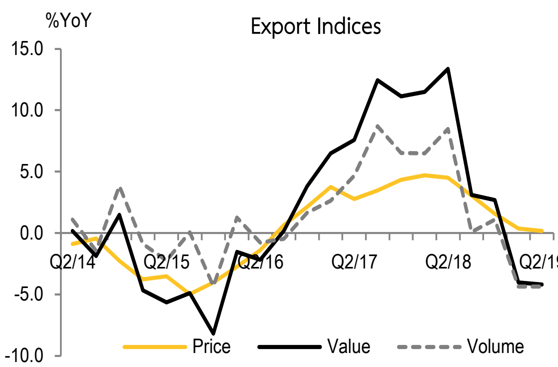
In the first half of 2019, export value decreased by 4.1 percent. In Baht term, export value contracted by 4.5 percent.

Export in US dollar terms continually decreased by 4.2 percent. This was in line with the global economic slowdown in key trading partners, the escalating trade protection measures, the high base effect, and the limitations of domestic production in some agricultural commodities.

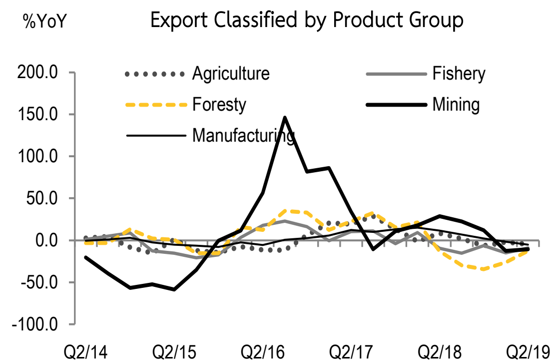
Export value excluding unwrought gold decreased by 5.8 percent.

Export quantity decreased by 4.4 percent, while export price increased by 0.2 percent.

In Baht term, export value decreased by 5.3 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Exports value of agricultural commodities fell by 4.9 percent, compared with a 2.1-percent decline in the previous quarter. This was due to a high base effect, high level of importers' inventories amid the economic slowdown in key trading partners, the limitations of domestic production due to the droughts, as well as the increasing competition from other trading countries, thus subsequently led to the reduction in the export quantity of main agricultural products, especially rice, rubber, tapioca, and sugar. However, export prices of agricultural products increased by 1.7 percent. **Exports value of manufacturing products** declined by 5.4 percent, compared with a 1.9-percent drop in the previous quarter, as a result of the economic slowdown in key trading partner countries, the US and China lifted up protectionism stance further, as well as the continued downturn in electronic cycle. **Exports value of fishery products** decreased by 9.2 percent as a result of the reduction in export quantity, while export price increased, which was in accordance with the decline in domestic production and the increasing of competition from export competitor countries. **Exports value of other products** rose by 66.2 percent as a result of the increase in exports of non-monetary gold by 68.2 percent.

Export items with increased value included vehicle parts & accessories (1.0 percent), motorcycle (22.7 percent) air conditioning machines (10.6 percent), and non-monetary gold (68.2 percent). On the other hand, **export items with decreased value** included rice (-23.9 percent), tapioca (-8.5 percent), rubber (-11.8 percent), sugar (-21.0 percent), crustaceans (-7.4 percent), passenger cars (-12.9 percent), pick up & trucks (-4.3 percent), rubber products (-23.1 percent), machinery & equipment (-6.2 percent), chemicals (-17.9 percent), petro-chemical products (-10.2 percent), petroleum products (-14.2 percent) and metal & steel (-8.3 percent).

Export value of agricultural commodities declined, in accordance with the high base effect, high inventory level of importers, and economic slowdown in key trading partners.

Export value of fishery products declined, in accordance with the domestic production.

Export value of manufacturing products declined, as a result of the economic slowdown in key trading partner countries, the effects of the trade measures through supply chain network and the uncertainty situations from the trade protection policies.

Export Value of Major Product in US Dollar Term

%YoY	2018							2019			Share
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q2/19
Agriculture	**0.4**	**3.4**	**-2.5**	**-1.4**	**8.4**	**1.7**	**-6.3**	**-3.6**	**-2.1**	**-4.9**	**7.3**
Rice	9.4	19.3	1.5	21.9	16.8	8.8	-4.4	-17.2	-10.6	-23.9	1.7
Rubber	-23.6	-25.4	-21.5	-34.9	-13.6	-17.0	-25.5	-10.4	-8.9	-11.8	1.8
Tapioca	7.0	17.5	-3.0	28.2	4.9	2.9	-7.5	-11.9	-14.3	-8.5	0.7
Manufacturing	**8.6**	**13.2**	**4.4**	**15.1**	**11.4**	**6.7**	**2.1**	**-3.6**	**-1.9**	**-5.4**	**86.8**
Sugar	11.1	4.7	20.1	-1.9	9.5	15.1	27.9	-21.0	-21.0	-21.0	1.3
Crustaceans canned, prepared, or preserved	-14.2	-10.3	-17.1	-6.0	-14.1	-20.1	-14.1	-7.8	-3.9	-11.6	0.3
Rubber products	4.1	7.9	0.5	-2.8	19.4	2.6	-1.3	-10.1	4.7	-23.1	1.9
Apparels and Textile Materials	6.5	8.6	4.4	8.8	8.5	6.5	2.4	-2.5	-0.7	-4.2	2.8
Electronics	5.0	12.4	-1.5	13.6	11.2	3.6	-6.3	-10.4	-11.3	-9.5	13.9
- Computer parts & accessories	5.9	16.5	-3.2	16.1	16.8	7.4	-12.7	-15.5	-18.9	-12.1	5.5
- Integrated circuits & parts	0.8	6.8	-4.7	7.3	6.4	-3.9	-5.5	-12.6	-10.7	-14.4	3.0
- Printed circuits	3.4	1.8	4.8	1.0	2.5	8.2	1.2	-10.7	-8.4	-13.0	0.5
- Telecommunication equipment	6.3	17.5	-2.6	37.9	2.5	-0.1	-4.7	-5.6	-7.7	-3.5	2.3
Electrical appliances	1.6	6.6	-3.6	9.6	3.6	-3.5	-3.8	-1.3	-4.6	2.2	5.9
Metal & steel	13.2	19.6	7.3	18.9	20.4	7.5	7.2	-6.7	-5.1	-8.3	4.6
Automotive	7.9	15.3	1.4	15.9	14.6	6.1	-3.1	-3.7	-3.8	-3.5	14.8
- Passenger car	2.6	15.5	-8.2	18.7	12.4	1.6	-17.3	-10.7	-8.4	-12.9	4.0
- Pick up and trucks	8.3	12.3	4.8	2.1	24.8	11.7	-1.2	1.3	6.8	-4.3	3.1
- Vehicle parts & accessories	10.3	14.4	6.7	15.5	13.4	7.7	5.6	0.1	-0.8	1.0	6.8
Machinery & equipment	6.7	10.3	3.4	13.0	7.8	3.7	3.0	-4.5	-2.9	-6.2	8.3
Chemicals	23.3	28.5	18.7	28.4	28.6	12.2	25.5	-12.6	-7.1	-17.9	3.1
Petro-chemical products	16.0	20.4	11.9	17.9	22.7	15.9	8.0	-8.2	-6.1	-10.2	5.5
Petroleum products	30.0	35.7	25.8	41.1	30.9	32.4	19.9	-11.8	-9.2	-14.2	3.2
Fishery	**-6.5**	**-1.4**	**-11.0**	**9.2**	**-9.7**	**-15.4**	**-6.3**	**-12.0**	**-14.9**	**-9.2**	**0.7**
Crustaceans	-8.7	-2.3	-13.5	13.5	-12.9	-20.3	-6.4	-10.6	-14.2	-7.4	0.4
Other Exports	**-21.2**	**-7.4**	**-33.7**	**-32.7**	**36.0**	**-63.4**	**80.1**	**38.9**	**6.7**	**66.2**	**4.0**
Non-monetary gold (excl. articles of goldsmiths)	-22.8	-7.7	-36.0	-33.8	37.3	-65.9	90.1	40.7	7.6	68.2	3.8
Total Exports (Customs basis)	**6.9**	**11.7**	**2.5**	**12.2**	**11.2**	**3.0**	**2.0**	**-2.9**	**-2.1**	**-3.8**	**100.0**
Exports, f.o.b. (BOP basis)	**7.5**	**12.4**	**2.9**	**11.5**	**13.4**	**3.1**	**2.7**	**-4.1**	**-4.0**	**-4.2**	**99.3**
Export Value (exclude gold)	**8.2**	**12.9**	**3.9**	**12.9**	**12.9**	**6.0**	**1.8**	**-5.0**	**-4.2**	**-5.8**	**95.5**

Source: Thai Customs Department & Bank of Thailand

Export markets: exports to China, Japan, EU (15), ASEAN (9), Australia, and the Middle East (15) declined, while exports to the US continued to expand. Exports to the US increased by 3.3 percent, supported partly by the trade diversion. Exports to China decreased for 4 consecutive quarters by 9.1 percent, following the contraction in exports of rubber products, chemicals and refined fuel. This was in line with the slowdown of the Chinese economies and the negative supply chain impacts of trade protectionism measures. Exports to Japan fell by 2.3 percent. Similarly, exports to ASEAN (9) declined by 5.9 percent as a result of the contraction in exports to ASEAN (5) and CLMV by 8.7 and 2.0 percent, respectively. In addition, exports to EU (15) dropped by 7.3 percent, due to the contraction in exports of precious stones and jewelry and solar cells. Meanwhile, the exports of vehicles, parts & accessories and air conditioning machine & parts grew. Exports to Australia contracted by 9.5 percent, mainly due to a contraction in exports of vehicles, parts & accessories. However, exports to the Middle East (15) lined by 5.6 percent, mainly due to the decrease in exports of air conditioning machine & parts, and teleprinters, telephone sets & parts. Meanwhile, the exports of vehicles, parts & accessories, and canned & prepared or preserved fish, crustaceans continuously increased.

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

Exports to the US continually increased, supported by opportunity from trade diversion. Exports to China continued to decrease, due to the slowdown of the Chinese economies and impact of trade protectionism measures through the supply chain.

Export Value to Key Markets in US Dollar Term

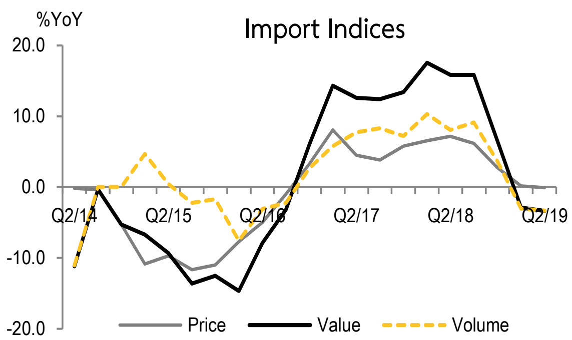
%YOY	2018							2019			Share
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q2/19 (%)
Total Exports (Mil US$) (Customs basis)	252,957	126,655	126,302	63,287	63,368	63,930	62,372	122,971	61,988	60,983	100.0
(%YoY)	6.9	11.7	2.5	12.2	11.2	3.0	2.0	-2.9	-2.1	-3.8	
United States	5.5	7.9	3.4	9.1	6.8	0.07	6.8	17.3	32.1	3.3	11.8
- excluding arms & ammunition	5.6	8.0	3.4	9.2	6.9	0.1	6.8	3.5	3.6	3.3	11.8
Japan	13.0	18.0	8.4	24.9	11.3	8.6	8.2	-2.0	-1.8	-2.3	9.7
EU (15)	5.1	11.1	-0.7	11.0	11.2	2.5	-3.7	-7.1	-6.8	-7.3	8.7
China	2.7	9.9	-3.6	4.1	16.0	-2.3	-4.8	-9.7	-10.4	-9.1	11.6
ASEAN (9)	14.9	14.3	15.5	15.1	13.6	21.8	9.6	-5.2	-4.5	-5.9	25.8
- ASEAN (5)*	13.6	12.6	14.7	16.1	9.4	20.2	9.3	-8.2	-7.8	-8.7	14.5
- CLMV**	16.7	16.8	16.6	13.8	19.9	24.1	9.9	-1.0	-0.01	-2.0	11.3
Middle East (15)	-0.1	2.7	-2.7	11.8	-5.6	1.2	-6.6	-2.8	-0.31	-5.6	3.1
Australia	2.6	12.4	-6.1	14.5	10.3	-5.7	-6.5	-10.9	-12.3	-9.5	4.0
Hong Kong	1.8	5.3	-1.5	1.4	9.5	2.8	-6.3	-9.4	-13.6	-5.1	4.9
India	17.8	30.2	6.7	32.8	27.7	14.3	-0.4	3.1	1.3	4.9	3.4
South Korea	6.0	9.6	2.3	6.7	12.3	3.0	1.6	-3.3	-6.6	-0.3	2.2
Taiwan	-0.9	6.1	-7.8	11.5	1.6	-10.1	-5.3	-10.2	-14.5	-6.3	1.7

Note: * ASEAN (5) consist of Brunei, Indonesia, Malaysia, the Philippines, and Singapore
** CLMV consist of Cambodia, Laos, Myanmar, and Vietnam
Source: Thai Customs Department & Bank of Thailand

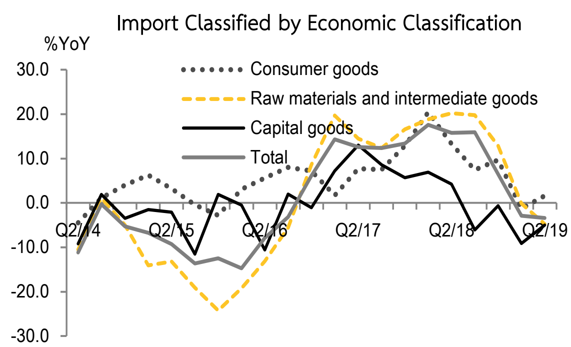
Import value in US dollar terms continued to decline from the previous quarter by 3.4 percent, in response to a drop of exports.

Import value in US dollar term continued to decline from the previous quarter, consistent with the decline in exports and the gradually deceleration of domestic demand. In the second quarter of 2019, the value of import was recorded at 54.8 billion US dollars, dropped by 3.4 percent, compared with a 2.9-percent decline in the previous quarter, associated with the contraction of exports. Import quantity decreased by 3.3 percent due to a decrease in import quantity of raw materials & intermediate goods and capital goods, which fell by 4.2 and 5.2 percent, respectively. Meanwhile, the price of imports decreased by 0.1 percent. Import value excluding unwrought gold declined by 3.7 percent. **In Thai Baht term,** the import value decreased by 4.3 percent.

In the first half of 2019, import value contracted by 3.1 percent. In Thai Baht term, import value decreased by 3.5 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Import quantity of raw materials, intermediate goods, and capital goods declined, while consumer goods increased.

Overall, import value of raw materials and intermediate goods and capital goods decreased, while consumer goods and other import goods increased. **Import value of raw materials and intermediate goods** declined by 4.8 percent, associated with the decline in exports. **Import value of capital goods** fell by 5.0 percent, as a result of the decrease in imports of machinery, equipment & supplies, associated with the deceleration of private investment and capacity utilization rate of manufacturing sectors. However, **import value of consumer goods** expanded by 1.6 percent, mainly from the increase in food, beverage & daily products and household electrical appliances. **Import value of other goods** rose by 2.0 percent as a result of the increase in the import of non-monetary gold and vehicle &vehicle parts.

Import items with increased value included petroleum products (1.8 percent), natural gas (10.6 percent), food, beverage & dairy products (4.9 percent), household electrical appliances (15.7 percent), automotive (1.8 percent), and non-monetary gold (7.0 percent). On the other hand, **import items with decreased value** included crude oil (-7.3 percent), power-generating machinery & parts (-45.4 percent), other machinery & mechanical appliances & parts (-1.0 percent), chemicals (-9.9 percent), materials of base metal (-3.8 percent), animal & fishery products (-4.2 percent).

Import Value of Major Product in US Dollar Term

%YoY	2018							2019			Share Q2/19 (%)
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	
Consumer goods	12.5	16.7	8.6	20.4	13.3	7.4	9.7	0.1	-1.3	1.6	10.9
Raw materials and intermediate goods	17.9	19.5	16.3	18.8	20.2	19.8	12.9	-2.5	-0.1	-4.8	57.0
Capital goods	1.0	5.6	-3.3	6.9	4.2	-6.1	-0.6	-7.1	-9.1	-5.0	22.6
Other Imports	9.0	15.2	4.4	25.9	4.3	35.2	-21.5	6.6	10.3	2.0	9.5
Total Imports (Customs basis)	**12.0**	**15.2**	**9.1**	**16.6**	**13.9**	**13.6**	**4.8**	**-2.4**	**-1.2**	**-3.6**	**100.0**
Imports, f.o.b. (BOP basis)	**13.7**	**16.7**	**11.1**	**17.6**	**15.8**	**15.9**	**6.5**	**-3.1**	**-2.9**	**-3.4**	**92.9**

Source: Thai Customs Department & Bank of Thailand

Term of trade increased from the same period last year, as export price grew by 0.2 percent. Meanwhile, the import price fell by 0.1 percent. Thus, the term of trade slightly increased from 108.0 in the same quarter last year to 108.3 in the second quarter of 2019.

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

In the first half of 2019, term of trade stood at 108.5, expanded from 108.3 in the same period last year. Export price increased by 0.3 percent while import price rose by 0.04 percent.

Trade balance recorded a surplus of 5.7 billion US dollars (equivalent to 178.6 billion Baht), compared with a surplus of 6.4 billion US dollars (equivalent to 203.4 billion Baht) in the previous quarter, and a surplus of 6.4 billion US dollars (equivalent to 207.4 billion Baht) in the same quarter of last year.

Trade surplus was lower than that of the previous quarter and the same period last year.

In the first half of 2019, the trade balance recorded a surplus of 12.2 billion US dollars (equivalent to 382.0 billion Baht), compared with a surplus of 13.8 billion US dollars (equivalent to 439.4 billion Baht) in the same period last year.

Production Side:

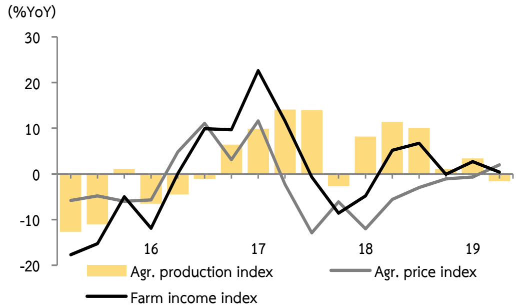
Agricultural and manufacturing sectors dropped. Accommodation and food service activities and transportation and storage sectors slowed down from the previous quarter. Wholesale and retail trade expanded at a favorable pace. Construction, electricity, gas, steam and air conditioning supply sectors accelerated.

Agriculture sector slowed down, following a decline in major agricultural products due to the drought. Meanwhile, agricultural prices increased for the first time in nine quarters (since the second quarter of 2017). This led to farmers' income continued to increase for two consecutive quarters. In the second quarter of 2019, agricultural sector decreased by 1.1 percent, compared with a 1.7 percent growth in the previous quarter. This was in line with a contraction of **Agricultural Production Index** of 1.6 percent. Major agricultural products with production contraction included (i) **paddy** (-15.3 percent), which caused by the prolonged periods of no rainfall and the water was at a lower level than the same period last year, and (ii) **sugarcane** (-65.3 percent), due to the drought and a lower price. However, major agricultural products with production expansion included (i) **rubber** (6.2 percent), driven by rubber trees replanting substituted for other plants since 2013 reaching high yielding period, (ii) **cassava** (17.4 percent), owing to a higher planting areas as a result of a higher price of cassava provided an incentive for farmers, (iii) **oil palm** (20.1 percent), mainly supported by the increase in oil palm planted areas, combined with oil palm trees reaching high yielding period, and (iv) **fruits** (2.6 percent), as a consequence of an increase in yield per area of some fruits such as mangosteens, longan, and durian. **Livestock production** and **fishery production** rebounded by 1.9 percent and 2.7 percent, respectively. **Agricultural Price Index** rose for the first time in nine quarters by 2.0 percent, mainly due to (i) an increase in **swine** price due to the effects of African Swine Fever, especially in China, Vietnam Cambodia and Laos, which resulted in an expansion of pork price in the global market, (ii) an increase in **rubber** price following a decline of world rubber stocks, which caused by rubber disease outbreak in Indonesia, the drought in China's rubber plantation, and the Agreed Export Tonnage Scheme (AETS) consisting of Indonesia, Malaysia, and Thailand, and (iii) an increase in **fruits** price, as a result of a supply shortage of fruits for a market such as pineapples and durians, and (iv) an increase in **poultry** price, owing to the chicken production was inadequate to rising domestic demand. In contrast, major agricultural price index with the contraction, included **oil palm** (-31.2 percent), **cassava** (-25.8 percent), **sugarcane** (-12.1 percent), and **maize** (-9.6 percent). The rise of agricultural price index thus led to overall **Farm Income Index** increased for two consecutive quarters by 0.4 percent.

Agricultural sector declined by 1.1 percent, the first time for six quarters. As a result of the reduction of some agricultural products, those were affected by drought and erratic rainfall. Agricultural price increased for the first time in nine quarters, following the increase of key agricultural products. Consequently, overall Farm Income Index grew for two consecutive quarters.

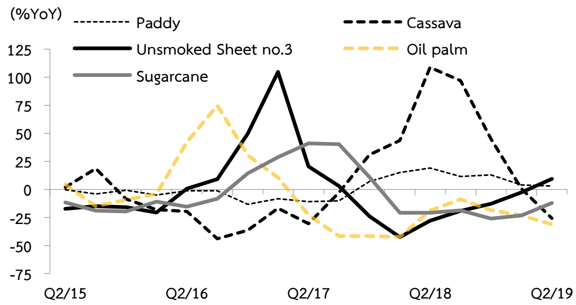
In the first half of 2019, agricultural sector expanded at a slower pace by 0.4 percent, comparing with a 1.7 percent expansion in the second half of 2018. Agricultural Production Index grew by 1.2 percent, while Agricultural Price Index and Farm Income Index increased by 0.7 percent and 1.9 percent, respectively.

Farm Income Index increased by 0.4 percent due to the increase of agricultural price index



Source: Office of Agricultural Economics

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



Source: Office of Agricultural Economics

Manufacturing sector contracted in line with a drop of export volume. This was caused by the impact of the global economy slowdown and the trade protectionism between the US and China. In the second quarter of 2019, manufacturing sector declined by 0.2 percent compared with a 0.6 percent growth in the previous quarter, alongside with a 2.6 percent contraction in Manufacturing Production Index (MPI). **Manufacturing Production Index of export-oriented industries (with export share of more than 60 percent to total production)** dropped by 7.5 percent, due mainly to the decline in major export industries, including production of other rubber products (-16.9 percent) following a weakening of latex and rubber product orders, jewelry (-34.3 percent), computers and peripheral equipment (-13.4 percent), electronic components (-4.5 percent), and processing and preserving of fruits and vegetable (-14.0 percent). Meanwhile, other general-purpose machineries expanded by 13.9 percent as a result of the increase of orders especially air condition (Inverter) from key trade partners such as the European Union, Japan, Vietnam and India as well as the expansion of medical tools and instruments by 3.3 percent. **Manufacturing Production Index of the industries with 30 – 60 percent export share to total production** fell by 4.3 percent. The contraction was caused by the decrease in the production of major industries, such as sugar (-24.8 percent), vehicle (-0.8 percent), weaving of textiles (-8.1 percent), electric motors and generators (-9.3 percent), and textile fibres (-8.0 percent). Meanwhile, production of tires and inner tubes increased by 0.6 percent as well as other fabricated metal products rose by 3.9 percent. **Manufacturing Production Index of the domestic-oriented industries (with export share of less than 30 percent to total production)** grew by 0.8 percent. This was mainly attributed to an expansion in the production of palm oil (23.7 percent), basic chemicals (11.7 percent), soft drinks (12.1 percent), distilling, rectifying and blending of spirits (1.3 percent), and malt liquors and malt (17.3 percent). Meanwhile, production of fertilizers together with prepared animal feeds declined by 21.4 percent and 5.8 percent, respectively. The **average capacity utilization rate** stood at 65.6 percent, declined from 68.2 percent in the same quarter last year. Out of 32 sectors, there were (i) an industry with **capacity utilization rate of higher than 90 percent** was plastics and synthetics rubber (96.3 percent), (ii) 3 industries with **capacity utilization rate between 80 - 90 percent**, including vehicles (81.3 percent), refined petroleum products (80.8 percent), and fresh, chilled or frozen poultry meat (80.6 percent) and (iii) 7 industries with **capacity utilization rate between 70 - 80 percent**, including pulp (78.7 percent), electronic components (76.9 percent), other general-purpose machinery (73.8 percent), computers and peripheral equipment (73.4 percent), pharmaceuticals (73.2 percent), paper and paper packaging (71.9 percent) and tires and inner tubes (80.0 percent).

Manufacturing sector declined by 0.2 percent following a contraction of export-oriented industries.

Export-oriented industries and the industries with 30 – 60 percent export share to total production dropped. Meanwhile, domestic-oriented industries rebounded.

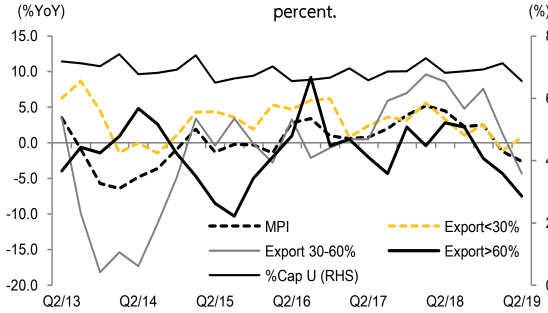
The average capacity utilization rate stood at 65.6 percent.

Manufacturing Production Index with negative growth included other rubber products (-16.9 percent), sugar (-24.8 percent), jewelry (-34.3 percent), computer and peripheral equipment (-13.4 percent), electronic components (-4.5 percent), processing and preserving of fruits and vegetable (-14.0 percent), fertilizers (-21.4 percent), prepared animal feeds (-5.8 percent), vehicles (-0.8 percent), pails and similar containers of metal (-11.8 percent), etc.

Manufacturing Production Index with positive growth comprised other general-purpose machineries (13.9 percent), palm oil (23.7 percent), malt liquors and malt (17.3 percent), soft drinks (12.1 percent), basic chemicals (11.7 percent), dairy products (7.5 percent), luggage and similar products (29.5 percent), articles of concrete (2.3 percent), cement (5.7 percent), paints and similar coatings (4.7 percent), etc.

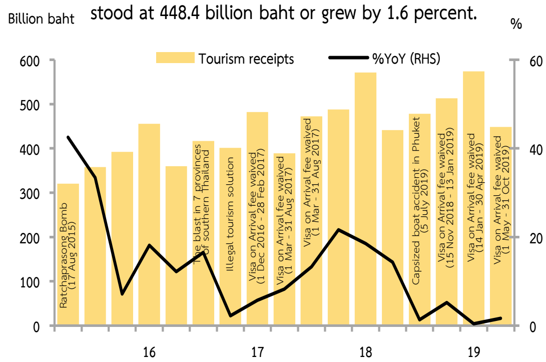
In the first half of 2019, manufacturing sector expanded by 0.2 percent, slowed down from a 2.6 percent growth in the second half of 2018. Manufacturing Production Index (MPI) declined by 1.9 percent. The Capacity Utilization Rate (CAPU) stood at 68.4 percent.

Manufacturing Production Index decreased by 2.6 percent and the capacity utilization rate averaged at 65.58 percent.



Source : Office of Industrial Economics

Income from foreign tourists for Q2/2019 stood at 448.4 billion baht or grew by 1.6 percent.



Source: Ministry of Tourism and Sports

Accommodation and food service activities sector slowed down from the previous quarter, in accordance with the slow growth rate in the number of tourists and international tourism receipts, and the deceleration of household spending. In the second quarter of 2019, **accommodation and food service activities sector** expanded by 3.7 percent, slowed down from 4.9 percent growth in the previous quarter. The total **number of foreign tourists** was at 8.97 million persons, increased by 1.1 percent, however, decelerated from 1.8 percent in the previous quarter**.** This was mainly supported by an expansion of the number of tourists from India (23.4 percent), Malaysia (5.4 percent), Japan (12.4 percent), Laos (7.3 percent), and Hong Kong (8.9 percent). However, the tourists from China and Europe dropped by 8.2 percent and 0.8 percent, respectively. Additionally, the total **amount of tourism revenue** rose by 2.4 percent to 708.3 billion Baht. This was attributed to (i) **foreign tourism receipts 448.4** billion Baht, which increased by 1.6 percent and mainly contributed to tourism receipts from India, Japan, Malaysia, the UK, and the US. Meanwhile, tourism receipts from China and Russia declined; and (ii) **Thai tourism receipts** of 259.8 billion Baht, increased by 3.9 percent. Moreover, the **Average Occupancy Rate** was at 69.83 percent, decreased from 70.37 percent when compared with the same quarter last year.

Accommodation and food service activities sector expanded at a slower pace by 3.7 percent, following the deceleration in foreign tourist number and also household spending. Average Occupancy Rate was at 69.83 percent.

In the first half of 2019, accommodation and food service activities sector expanded by 4.3 percent, slightly slowed down from a 4.7 percent in the second half of 2018. The tourism receipts stood at 1,022.2 billion Baht and the number of foreign tourists rose by 1.5 percent. Meanwhile, the average occupancy rate was at 73.50 percent.

Wholesale and retail trade sector continued to grow with a slight slowdown, following the deceleration of household spending and foreign tourist number. In the second quarter of 2019, wholesale and retail trade; repair of motor vehicles and motorcycles sector continually grew by 5.9 percent, compared with a 6.8 percent increase in the previous quarter. This was in line with an expansion of **the total Wholesale, Retail Sales, and Repair of Motor Vehicles and Motorcycles Index** of 6.2 percent, accelerated from a 3.0 percent in the previous quarter. The index was driven by (i) an expansion in **Retail Sales Index (except motor vehicles and motorcycles)** of 16.7 percent, accelerated from a 13.6 percent in the previous quarter, mainly due to a 43.4 percent growth in retail sales of other goods (such as other new goods and jewelry) and 9.0 percent growth in retail sales of general stores, (ii) an expansion in **Wholesales Index (except motor vehicles and motorcycles)** of 1.9 percent, improved from a 3.3 percent contraction in the previous quarter, mainly due to a 7.3 percent growth in wholesales of household goods (such as watches, jewelry, and cosmetics) and a 4.4 percent growth in wholesale of food, beverages and tobacco, and (iii) a contraction in **Wholesale, Retail Sales, and Repair of Motor Vehicles and Motorcycles Index** of 0.4 percent, compared with 2.3 percent growth in the previous quarter, partially caused by a 2.9 percent decline of motor vehicles sales, while automotive parts sale increased by 5.6 percent.

Wholesale and retail trade sector slowed down from the previous quarter, in tandem with gradual slowdown in household spending and foreign tourist number.

In the first half of 2019, wholesale and retail trade; repair of motor vehicles and motorcycles sector grew by 6.4 percent, slowed down from 7.5 percent growth in the second half of 2018. Wholesale, Retail Sales, and Repair of Motor Vehicles and Motorcycles Index increased by 0.9 percent and Retail Sales Index (except motor vehicles and motorcycles) grew by 15.1 percent. Meanwhile, Wholesales Index (except motor vehicles and motorcycles) declined by 0.7 percent.

Transportation and storage sector expanded with a slower pace than the previous quarter as a result of the contraction of water transport. Meanwhile, land transport and air transport grew at a favorable pace. In the second quarter of 2019, transport and storage sector expanded by 2.5 percent, compared with a 3.5 percent growth in the previous quarter. This was caused by the slowdown of transport

Transportation and storage sector increased by 2.5 percent, in line with the contraction in agricultural and manufacturing sector and international trade activities.

Transport services expanded by 2.4 percent. Shipping support services grew by 4.4 cent and postal services increased by 2.7 percent.

services which rose by 2.4 percent, in comparison to a 3.3 percent growth in the previous quarter, attributed by (i) an water transport service declined by 1.9 percent as a consequence of the decline of freight water transport, (ii) a 3.9 percent growth in land transport and transport via pipeline services in line with the contraction of manufacturing sector, and (iii) a 1.5 percent growth in air transport services in response to an expansion of passenger air transport. In addition, shipping support and postal services expanded by 4.4 percent and 2.7 percent, respectively. This was in line with the higher revenue of entrepreneur.

In the first half of 2019, transportation and storage sector grew by 3.0 percent, comparing with a 5.0 percent growth in the second half of 2018. Transport services expanded by 2.9 percent and shipping support services increased by 6.5 percent. Besides, postal services expanded by 5.2 percent.

Electricity, gas, steam and air conditioning supply sector expanded at an accelerating pace, following the upsurge of household electricity demand, by cause of the higher of average temperature. In the second quarter of 2019, electricity, gas, steam and air conditioning supply sector expanded by 7.3 percent, accelerated from 5.4 percent in the previous quarter. In details, (i) electric power generation grew continually by 7.6 percent, in tandem with a greater demand for electricity in household sector. This was driven by .the increase of average temperature in this quarter that stood at 30.03 Celsius (the average temperature in the second quarter was at 27.87 Celsius). Meanwhile, the demand for electricity in industrial sector slowed down, in accordance with the contraction of manufacturing sector and (ii) gas separation plant expanded by 4.2 percent, improved from a 1.6 percent decline in the previous quarter, in line with the increase of the natural gas used for electricity generation fuel.

Electricity, gas, steam and air conditioning supply sector increased by 7.3 percent. Electric power generation accelerated following the expansion in household electricity demand because of the rise in average temperature. Meanwhile, gas separation plant rebounded.

In the first half of 2019, electricity, gas, steam and air conditioning supply sector expanded by 6.4 percent, improved from 3.0 percent in the second half of 2018. Electric power generation increased by 6.9 percent and gas separation plant rose by 1.4 percent.

Construction sector accelerated in line with the public construction, while the private construction slowed down. In the second quarter of 2019, construction sector expanded by 3.4 percent, accelerated from a 3.0 percent expansion in the previous quarter. **Public construction** increased at an accelerated pace by 5.8 percent, compared with 4.1 percent in the previous quarter In details, the government construction expanded by 8.1 percent, accelerated from 5.5 percent expansion in the previous quarter and the state-owned enterprises construction expanded by 1.8 percent, accelerated from 1.1 percent expansion in the previous quarter)**. Private construction** grew by 0.9 percent, slowed down from 1.8 percent growth in the previous quarter. This was mainly due to the contraction of residential construction and the slowdown of other construction, while non-residential construction continued to expand such as commercial buildings and factory building. **Construction Materials Price Index** increased by 0.1 percent, improved from a 0.06 percent decrease in the previous quarter. This was attributed to the rise in price of wood and wood products (11.2 percent) and cements (2.1 percent). Meanwhile, steel and steel products decreased by 4.3 percent.

Construction sector expanded at an accelerated pace by 3.4 percent, following the rise in public construction. Meanwhile, private construction slowed down.

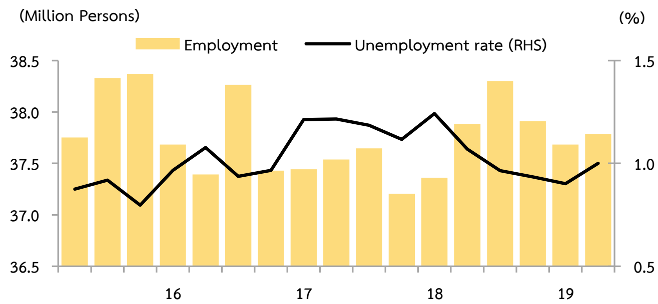
In the first half of 2019, construction sector expanded by 3.2 percent, slowed down from 4.0 percent in the second half of 2018. Public construction and private construction increased by 4.9 percent and 1.3 percent, respectively.

Employment dropped following the decline in the agricultural employment and the slowdown of non-agricultural employment. In the second quarter of 2019, employment declined by 0.3 percent. This was mainly due to a contraction of 4.0 percent in agricultural employment, a continuous decline seen in two consecutive quarters, in line with the reduction of key agricultural products such as paddy and sugarcane. Meanwhile, non-agricultural employment expanded for four consecutive quarters, but at a slower pace by 1.5 percent, following the slowdown of employment in construction sector and the contraction of employment in manufacturing, and wholesale and retail trade sectors. However, employment in accommodation and food service activities sector rebounded. The **unemployment rate** stood at 1.0 percent, comparing with a 1.1 percent expansion in the same period last year and the **average unemployed person** was recorded at 376,900 persons.

In the first half of 2019, employment increased by 0.3 percent and the unemployment rate stood at 0.9 percent.

Employment contracted for the first time in five quarters, following the decline in agricultural employment which dropped for two consecutive quarters. Non-agricultural employment slowed down from the previous quarter. The unemployment rate stood at 1.0 percent.

Employment decreased by 0.3 percent,
following a decrease of employment in agriculture sector.
Unemployment rate was low at 1.0 percent.



Source: National Statistics Office

Employed Persons by Industry

%YOY	Share Q2/19	2018 Year	2018 H1	2018 H2	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 H1	2019 Q1	2019 Q2
Employed	100.00	1.1	0.4	1.8	-0.2	0.9	1.7	1.9	0.3	0.9	-0.3
- Agricultural	30.47	3.3	4.5	2.2	6.0	3.0	1.9	2.4	-4.1	-4.2	-4.0
- Non-Agricultural	69.53	0.1	-1.4	1.7	-2.8	-0.01	1.6	1.7	2.3	3.2	1.5
Manufacturing production	16.62	2.5	1.3	3.7	-0.03	2.6	2.8	4.6	0.3	1.0	-0.5
Construction	6.22	-2.2	-7.4	3.8	-11.8	-2.7	2.6	5.0	8.3	10.5	6.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.57	-0.7	-2.5	1.2	-2.8	-2.2	0.9	1.5	1.0	2.4	-0.4
Accommodation and food service activities	7.60	1.8	2.1	1.4	-1.3	5.7	3.0	-0.02	0.4	-0.2	1.1
Total labor force (Million persons)		38.4	38.3	38.6	38.1	38.5	38.7	38.4	38.4	38.3	38.4
employed (Million persons)		37.9	37.6	38.1	37.4	37.9	38.3	37.9	37.7	37.7	37.8
Unemployment (Hundred thousand persons)		4.0	4.4	3.7	4.7	4.1	3.7	3.6	3.6	3.5	3.8
Unemployment Rate (%)		1.1	1.2	0.9	1.2	1.1	1.0	0.9	0.9	0.9	1.0

Source : National Statistical Office (NSO)

Fiscal Conditions:

The net government revenue collection increased by 3.0 percent.

On the revenue side, in the third quarter of the fiscal year 2019 (April - June 2019), the net government revenue collection stood at 776.3 billion Baht, increased by 3.0 percent compared with the same quarter last year. The key contributing components included: (i) the revenue collected from petroleum income tax increased, due to tax payment from the transfer of petroleum concessions and the increase in **petroleum** business performance following the rise in energy products prices; (ii) the revenue collected from corporate income tax increased, due to the improve of business performance; and (iii) the revenue collected from personal income tax increased, due to the end of filing tax returns shifted to the 1st of April, as the last day of March was public holiday, and the efficiency of revenue collection enhanced by digital technology application.

For the 9 months of the fiscal year 2019, the net government revenue collection stood at 1,937.1 billion Baht, increased by 5.6 percent from same period last year.

Government Revenue

Fiscal Year (Billion Baht)	2018 Year	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 9M	2019 Q1	2019 Q2	2019 Q3
Net Government Revenue	2,536.9	547.6	532.5	754.1	702.8	1,937.1	596.6	564.2	776.3
YOY (%)	7.7	-0.1	6.5	9.3	13.8	5.6	9.0	5.9	3.0

Source: Ministry of Finance

The disbursements of the annual budget and the state-owned enterprises' capital expenditure budget declined. In contrast, the disbursements of the carry-over budget and the off-budget loans improved.

On the expenditure side, the total budget disbursement in the third quarter of fiscal year 2019 was at 712.3 billion Baht[1], decreased by 9.7 percent from the same quarter of FY2018 in which current and capital expenditure disbursements decreased by 12.0 percent and 1.1 percent, respectively.

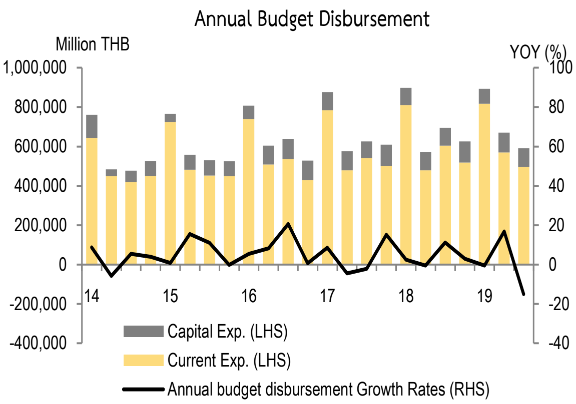
Classified by sources of funds, the government disbursements were as follows: (i) **the 2019 annual budget disbursement** stood at 590.1 billion Baht, decreased from the same quarter last year by 15.1 percent. The disbursement rate was at 19.7 percent, lower than the rate in the same quarter last year of 22.8 percent.

[1] The total budget disbursement means the disbursement of the grand total of annual budget, the carry-over budget, the off-budget loans, and the State-owned enterprises' capital expenditure budget.

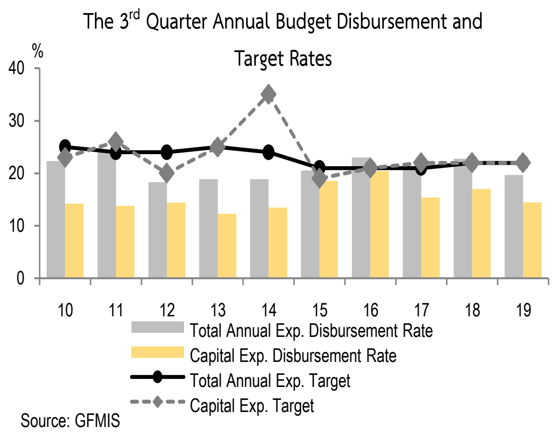
In details, the current expenditure disbursement amounted to 497.4 billion Baht, fell by 17.6 percent from the same quarter in FY2018. The disbursement rate was at 21.1 percent, lower than the rate of 24.0 percent in the same quarter last year. The increase in current expenditure disbursement was the result of the high disbursement rates on the first half of FY2019.

The capital expenditure disbursement marked at 92.8 billion Baht, increased from the same quarter last year by 1.0 percent. The rate of disbursement was at 14.4 percent, lower than a rate of 17.0 percent in the same quarter last year.

The rate of annual budget disbursement was at 19.7 percent (the disbursement rates of the current expenditure disbursement and the capital expenditure disbursement were at 21.1 percent and 14.4 percent respectively).



Source: GFMIS



Source: GFMIS

(ii) **the carry-over budget disbursement** stood at 71.3 billion Baht, increased from the second quarter of FY2018 by 66.8 percent. The disbursement rate was at 19.2 percent, greater than the rate of 13.2 percent in the same quarter last year; (iii) **State-owned enterprises' capital expenditure budget** (excluding PTT) was anticipated to be disbursed at 53.6 billion Baht[2], declined from the same period last year by 6.0 percent; and (iv) **the off-budget loans** were disbursed at 1,062.4 million Baht due to the disbursement of 1,045.5 million Baht on the Water Resource Management and Road Transport System Project's loans and 16.9 million Baht on the Development Policy Loan (DPL).

For the 9 months of the fiscal year 2019, the total budget disbursement was at 2,517.9 billion Baht, a 1.0 percent increased from the same period of FY2018, with the allowing details: (i) the 2019 annual budget disbursement of 2,152.5 billion Baht. The disbursement rate was 71.7 percent, higher than the disbursement rate of 71.0 percent in the same period last year. In detail, disbursements of the current expenditure and capital expenditure were at 1,884.3 billion Baht and 268.2 billion Baht, respectively; (ii) the disbursement of the carry-over budget stood at 203.0 billion Baht, equivalent to 54.7 percent of the total carry-over budget; (iii) State-owned enterprises' capital expenditure budget (excluding PTT) disbursement was expected to disburse at 170.4 billion Baht[3]; and (iv) the off-budget loans disbursement amounted to 1,757.4 million Baht.

The disbursement rates of the annual budget and the carry-over budget in nine months of FY2019 were at 71.7 percent and 54.7 percent, respectively.

Public Debt: at the end of June 2019, the debt was accumulated at 6.9 trillion Baht, equivalent to 40.5 percent of GDP. The public debt was comprised domestic loans of 6.7 trillion Baht (39.2 percent of GDP) and foreign loans of 220.5 billion Baht (1.3 percent of GDP).

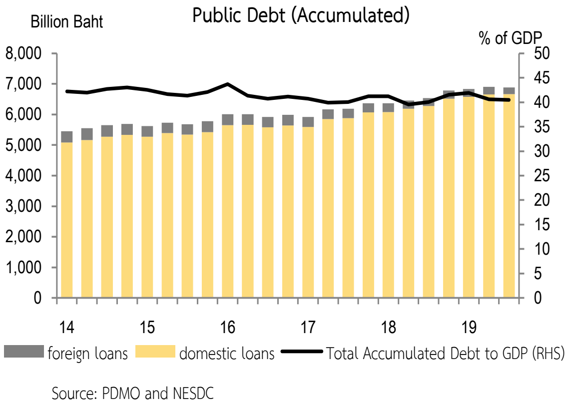
The public debt remained under the fiscal prudential framework at 40.5 percent of GDP.

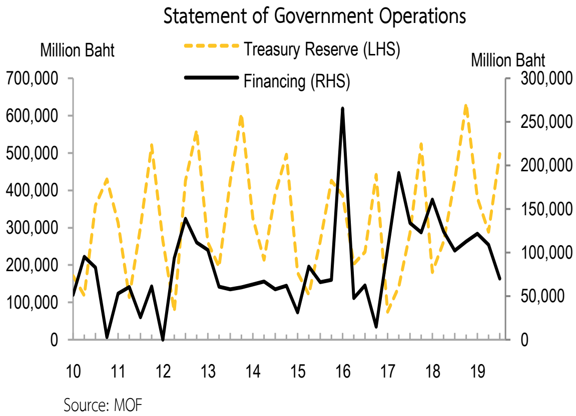
Fiscal Balance: in the third quarter of fiscal year 2019, the budgetary balance and non-budgetary balance recorded surplus of 116.1 billion Baht and 22.0 billion Baht, respectively. In the meantime, the government conducted a cash balance management through borrowing of 70.2 billion Baht. Therefore, the cash balance after debt financing recorded a net surplus of 208.3 billion Baht. At the end of the third quarter of fiscal year 2019, the treasury reserve stood at 497.4 billion Baht.

At the end of the third quarter of fiscal year 2019, the treasury reserve stood at 497.4 billion Baht.

For the first 9 months of the 2019 fiscal year, the budgetary balance and non-budgetary balance recorded deficits of 411.9 billion Baht and 25.1 billion Baht. The government conducted a cash balance management through borrowing total of 301.0 billion Baht (66.9 percent of Loan for budget deficit financing framework). Therefore, the cash balance after debt financing recorded a net deficit of 136.1 billion Baht.

[2] The number was included the 3,785.3 million Baht of the capital spending allocated from the annual budget and the carry-over budget.
[3] The number was included the 9,780.3 million Baht of the capital spending allocated from the annual budget and the carry-over budget.





Financial Conditions:

The policy rate kept unchanged at 1.75 percent per annum over the second quarter.

Policy rate remained stable at 1.75 percent per annum, while many countries decreased policy rate such as India, New Zealand, Malaysia, the Philippines, Russia and Australia.

In both meeting on 8th May 2019 and 25th June 2019, the Monetary Policy Committee (MPC) decided to keep policy rate unchanged at 1.75 percent per annum with the decision based on the assessment that the current policy rate was at an appropriate level to sustain economic activities and suitable for the current target range. Similarly, European Central Bank (ECB) holds its policy rate at zero percent together with keeping ECB's deposit rate and ECB's lending rate at -0.4 percent and 0.25 percent per annum, respectively. In addition, many countries have signaled to ease their monetary policies while some countries decided to lower its policy rate in this quarter. For example, Reserve Bank of India decided to decrease policy rate by 25 basis points twice in this quarter, from 6.25 to 5.75 percent per annum. Likewise, New Zealand, Malaysia, the Philippines, Russia, and Australia, who announced to lower their central bank policy rate in this quarter.

In July 2019, Federal Reserve (Fed) decreased its policy rate by 25 basis points to the range of 2.00-2.25 percent per annum. Similarly, central bank of South Korea and Indonesia announced their policy rates lower from 1.75 and 6.00 percent per annum to 1.50 and 5.75 percent per annum, respectively. **In August 2019**, the MPC decided to decrease policy rate by 25 basis points to 1.50 percent per annum to support the weaker than expected economic growth. This was in line with other countries such as New Zealand, India, and the Philippines who decreased central bank policy rates by 50 basis points, 35 basis points, and 25 basis points, respectively.

Policy Interest Rate

(%) At the end of period	2018					2019						
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Apr.	May	Jun.	Jul.	Aug.
USA	2.25-2.50	1.50-1.75	1.75-2.00	2.00-2.25	2.25-2.50	2.25-2.50	2.25-2.50	2.25-2.50	2.25-2.50	2.25-2.50	2.00-2.25	2.00-2.25
EU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
England	0.75	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Canada	1.75	1.25	1.25	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Australia	1.50	1.50	1.50	1.50	1.50	1.50	1.25	1.50	1.50	1.25	1.00	1.00
New Zealand	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.75	1.50	1.50	1.50	1.00
Russia	7.75	7.25	7.25	7.50	7.75	7.75	7.50	7.75	7.75	7.50	7.25	7.25
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
South Korea	1.75	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.50	1.50
India	6.50	6.00	6.25	6.50	6.50	6.25	5.75	6.00	6.00	5.75	5.75	5.40
Indonesia	6.00	4.25	5.25	5.75	6.00	6.00	6.00	6.00	6.00	6.00	5.75	5.75
Philippines	4.75	3.00	3.50	4.50	4.75	4.75	4.50	4.75	4.50	4.50	4.50	4.25
Malaysia	3.25	3.25	3.25	3.25	3.25	3.25	3.00	3.25	3.00	3.00	3.00	3.00
Thailand	1.75	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.50

Source: Collected by NESDC

Major commercial banks and medium-sized commercial banks raised their deposit rates, while average lending rate remained at same level as the previous quarter. In the second quarter of 2019, on average, 12-month deposit rate of major commercial banks was raised by 4 basis points to 1.46 percent per annum; resulting from a 12-month deposit-rate increase from one of major commercial bank in June. However, the average of Minimum Loan Rate (MLR) of major commercial banks was stable at 6.28 percent per annum. Similarly, the medium-sized commercial banks still kept their deposit and lending rate stable at 1.13 and 6.71 percent per annum, respectively. In addition, due to a decrease of inflation, the real deposit and lending rates increased from the previous quarter.

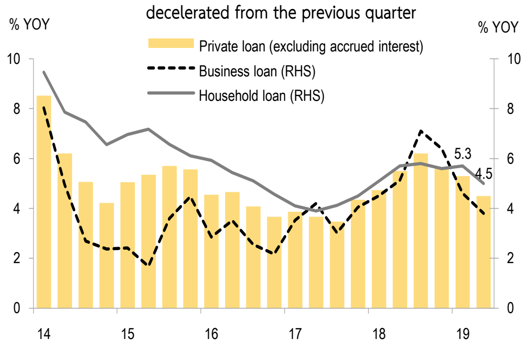
The average deposit rate of major commercial banks increased, but the average lending rate remained stable. Meanwhile the real deposit and lending rates increased following by lower inflation rate.

In July 2019, there is a medium-sized commercial bank increased a deposit rate by 45 basis points. As a result, on average, a 12-month deposit rate of medium-sized commercial banks increased to 1.35 percent per annum. **In August 2019**, major commercial banks and Specialized Financial Institutions (SFIs) lower their lending rates by 12.5 - 25.0 basis points in line with policy rate reduction.

Private loan (excluding accrued interest) of depository corporations decelerated due to a slower growth of both business loan and household loan. At the end of the second quarter of 2019, an outstanding of private loan from depository corporations grew by 4.5 percent, decelerated from a 5.3-percent growth in the previous quarter. This was due to the deceleration of both business loan and household loan. In particular, business loan decelerated due to a slower growth of loan for manufacturing, loan for financial and insurance activities, and loan for accommodation and food services activities. Household loan, similarly, slowed down from 5.7 to 5.0 percent growth. This was the result of a deceleration in housing loan since there was a high base effect in the previous quarter causing by a loan-to-value measure. In addition to housing loan, a slowdown in loan for purchase or hire purchase cars and motor-cycle was another reason causing a lower growth of household loan in this quarter. In the second quarter of 2019, loan's quality was lowered from the previous quarter, as non-performing loan (NPL) to total outstanding loan ratio increased slightly from 2.97 in the previous quarter to 2.95 in this quarter.

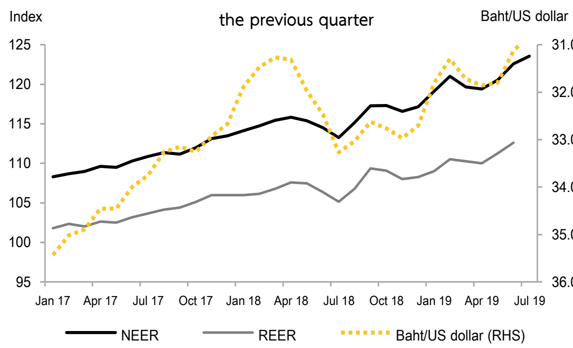
Private loan (excluding accrued interest) of depository corporations decelerated.

Private loan (excluding accrued interest) of depository corporations decelerated from the previous quarter



Source: Bank of Thailand

Thai Baht appreciated against US dollar from the previous quarter



Source : CEIC, Bank of Thailand

Thai Baht against US Dollar appreciated. During the second quarter of 2019, an exchange rate was average at 31.59 Baht per US dollar, appreciating by 0.1 percent from the previous quarter. In contrast, other regional currencies such as South Korean Won, Malaysian Ringgit and Indonesian Rupiah depreciated from the previous quarter. These reverse movements were in line with better economic fundamentals of Thailand, comparing with those depreciating currencies. The appreciation of the Baht, in addition, was supported by capital inflows in both equity and bond market due to an expected policy rate cut of the Federal Reserve (Fed) in June. Furthermore, comparing with trading partners/competitors, Thai Baht has been appreciated, reflected by an increase in Nominal Effective Exchange Rate (NEER)[4] by 0.8 percent on average from the previous quarter.

Thai Baht against US dollar appreciated supported by inflows of foreign portfolio investment in both the equity and Bond market.

In July 2019, Thai Baht slightly depreciated due to Bank of Thailand's measures to control short-term capital flows; by reducing BOT's short-term bond issuing as well as reducing the limit on the outstanding balance of Non-resident Baht Account (NRBA) and Non-resident Baht Account for Securities (NRBS). This measure caused a foreign net sell in Thai bond market during this month. However, as there was an increasing possibility of Fed's policy rate cut together with the policy rate reduction in other regional countries, the exchange rate in this month was average at 30.79 Baht per US Dollar, appreciating by 1.1 percent from an average rate in June.

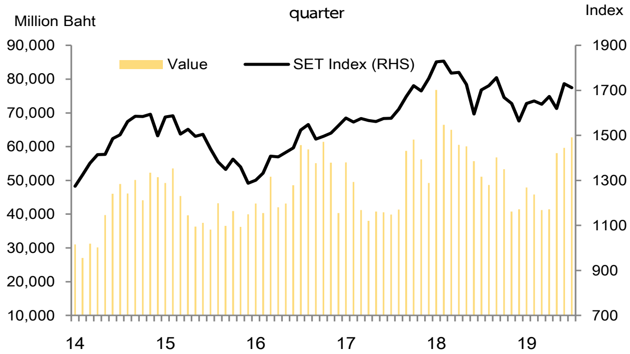
[4] The BOT began using the new NEER and REER in March 2014. The base year would also be changed to 2012, that the indicators could capture the true structure of trade in line with changing international dynamics.

SET index increased from the previous quarter. At the end of the second quarter of 2019, SET index increased by 5.6 percent, to 1,730.3 points from the previous quarter. The upward movement of SET index was mainly driven by the net buy position of local institutions. In this quarter, SET index movement fluctuated during the first half of the quarter following by the results of trade US-China trade talk. However, overall throughout the quarter, SET index increased from the previous quarter, supporting by (i) Fed's policy rate cut expectation and recent accommodative monetary policy of major countries. (ii) an increased weighting of Thai equities by the MSCI Emerging Markets index. and (iii) the improvement of political situation after the cabinet forming become clearer. Furthermore, considering SET index movement by sector classification, the index in commercial sector, Food & Beverage sector, and energy & utilities sector were key sectors driving SET index to rise in this quarter. This was in line with a better outlook of domestic consumption as well as an increasing oil price.

SET index increased from the previous quarter caused by a net buy of local institutions.

In July 2019, SET Index decreased by 1.1 percent, to 1,711.97 points from end of June, which was pressured by a net sell of local institutions during the upward trend of SET Index. Meanwhile, foreign investors posted a continual net buy position.

SET Index in the second quarter of 2019 increased from the previous quarter



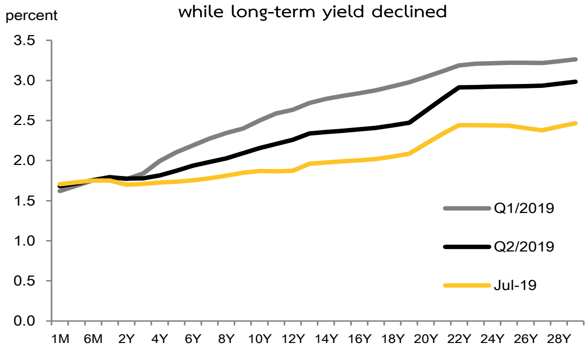
Source: SET

Foreign investors registered a net buy in bond market. In the second quarter, foreign investors registered a net buy of 46.2 billion Baht, comparing with a net sell of 37.3 billion Baht in the previous quarter. Most of the net buy was seen in June with the record of 54.0 billion Baht, after there were increasing signs of Fed's policy rate cut which reflects concern over US-China trade tension and no deal Brexit situation. As a result, daily average outright trading volume increased from 23.6 billion Baht to 29.8 billion Baht in this quarter. Government bond yield, as a consequence, has shifted downward in almost all maturities except those with less than 1-year maturities which increased closely to the policy rate.

Government bond yield has shifted downward in almost all maturities, causing by foreign investors net buy.

In July 2019, foreign investors sold short-term bonds amount of 44.3 billion Baht and bought long-term bonds amount of 17.2 billion Baht. In total, foreign investors recorded a net sell of 25.5 billion Baht. This was caused by a decrease of BOT's short-term bond issuing. As, a result, government bond yield has shifted downward in almost all maturities, except 1-month bond and 6-month bond which yields higher than the previous month.

Government short-term yield rose while long-term yield declined



Source: ThaiBMA

Capital and financial account recorded a net outflow of 2.5 billion US dollars in the second quarter. This was caused by an outflow of Thai outbound investment in term of Thai direct investment and Thai portfolio investment. However, foreign investors continually caused net inflows in form of direct investment and portfolio investment.

Capital and financial account recorded a net outflow due to Thai outbound investment.

Capital Flow

(Billion USD)	2018							2019					
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Apr.	May	Jun.
- Direct Investment	-7.3	-3.5	-3.8	-0.4	-3.1	-2.6	-1.2	-2.9	-4.9	2.0	2.3	-0.1	-0.2
Thai investor	-20.7	-10.5	-10.2	-5.1	-5.4	-5.7	-4.5	-7.4	-5.0	-2.4	0.1	-1.0	-1.5
Foreign investor	13.4	7.0	6.4	4.7	2.3	3.1	3.3	4.5	0.1	4.4	2.2	0.9	1.3
- Portfolio Investments	-5.9	-7.1	1.2	-3.0	-4.1	1.4	-0.2	-1.8	-2.6	0.8	-1.0	-0.8	2.5
Thai investor	-1.9	-0.5	-1.4	-2.1	1.6	-1.2	-0.2	-3.8	-1.3	-2.5	-0.7	-0.8	-1.1
Foreign investor	-4.0	-6.6	2.6	-0.9	-5.7	2.6	0.0	2.0	-1.3	3.3	-0.3	0.0	3.6
Others	-7.6	-2.6	-5.0	-0.3	-2.3	-2.8	-2.2	-3.7	1.6	-5.3	-3.0	0.9	-3.1
Capital and financial account	-20.8	-13.2	-7.6	-3.7	-9.5	-4.0	-3.6	-8.4	-5.9	-2.5	-1.7	0.0	-0.8

Source: BOT

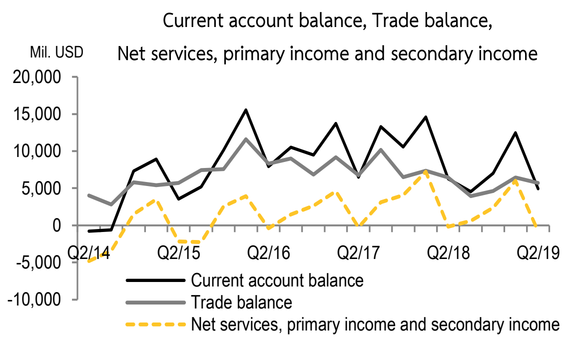
Current account registered a surplus of 4.9 billion US dollars (154.2 billion Baht). This was a result of a trade surplus of 5.7 billion US dollars and a deficit in services, and primary and secondary income of 0.8 billion US dollars.

Current account registered a lower surplus than the same period last year.

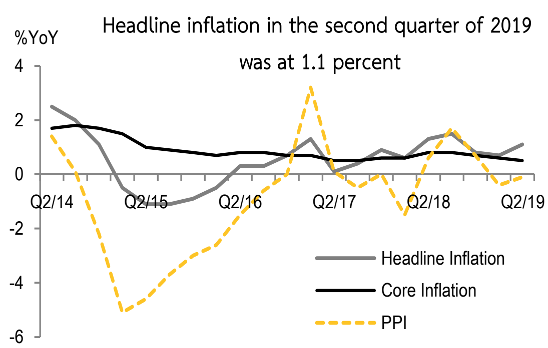
In the first half of 2019, current account registered a surplus of 17.4 billion US dollars (548.1 billion Baht), compared with a surplus of 20.9 billion US dollars (661.2 billion Baht) in the same period of last year.

International reserve at the end of June 2019 stood at 215.8 billion US dollars (excluding net forward position of 34.5 billion US dollars), which was equivalent to 3.5 times of short-term foreign debt, or to an import value of 11.8 months (given the average of import value in the second quarter of 2019).

International reserve at the end of June 2019 stood at 215.8 billion US dollars.



Source: Bank of Thailand



Source: Ministry of Commerce

Headline inflation: In the second quarter of 2019, headline inflation was averaged at 1.1 percent, accelerated from 0.7 percent in the previous quarter. **Food-and-Beverage** price index increased by 2.7 percent, accelerated from 1.9 percent in the previous quarter, due to an increase in prices of fresh vegetable, rice, flour & cereal products, and meats. **Non-Food and Beverage** price index increased by 0.2 percent, compared with a 0.1–percent growth in the previous quarter due to an increase in public transport fare. Meanwhile, the domestic retail fuel price decelerated. Core inflation was average at 0.5 percent, compared with 0.6 percent in the previous quarter.[5]

Headline inflation was at 1.1 percent, accelerated from the previous quarter due to the acceleration of Food and Beverage price index.

In the first half of 2019, headline inflation was average at 0.9 percent. Core inflation was average at 0.6 percent.

Producer Price Index (PPI): In the second quarter of 2019, Producer Price Index decreased by 0.1 percent, due to the decrease in price of manufactured products. **The price of manufactured products** decreased by 1.2 percent, compared with a 1.0-percent decrease in the previous quarter as price of petroleum products, and chemicals & chemical products declined. Meanwhile, **the price of mining products** increased by 2.3 percent, decelerated from a 5.4-percent growth in the previous quarter due to a decrease in price of lignite, petroleum, & natural gas. Meanwhile, **the price of agriculture products** increased by 7.1 percent, accelerated from 1.7 percent in the previous quarter as price of crops and live-stocks increased.[6]

Producer Price Index (PPI) decreased by 0.1 percent, due to the decrease in price of manufactured products.

In the first half of 2019, Producer Price Index decreased by 0.3 percent.

[5] In July 2019, headline inflation was 1.0 percent, Core inflation was 0.4 percent. On the first 7-month average, headline inflation was average at 0.9 percent, Core inflation was average at 0.6 percent.

[6] In July 2019, Producer Price Index (PPI) decreased by 1.2 percent. On the first 7-month average, PPI decreased by 0.4 percent.

2. Crude Oil price in Q2 of 2019

The crude oil price in the global market declined from the same period last year but increased from the previous quarter. In the second quarter of 2019, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 65.80 USD per barrel, declined by 8.2 percent from the same period last year, but increased from the previous quarter by 7.2 percent.

Key reasons for the decline in the global crude oil price included (i) an increase in OECD (US, Canada, and others) inventory to 2,896 million barrels (higher than 2,811 million barrels in the same period last year), (ii) world economic slowdown, causing the global demand increase slowly, and (iii) investor concern over key risks including uncertainties between the US - China trade negotiations that could affect the expansion of world economy.

In the first half of 2019, the average crude oil price in the 4 major markets (Dubai, Brent, Oman, and WTI) stood at 63.59 USD per barrel, a decline from the same period last year of 6.6 percent.

The crude oil price in the global market declined due to an increase in OECD inventory, world economic slowdown, and uncertainties between the US - China trade negotiations.

Crude oil price

Year		USD per Barrel					(%YoY)				
		WTI	BRENT	DUBAI	OMAN	Average	WTI	BRENT	DUBAI	OMAN	Average
2016	Year	43.10	45.04	41.40	41.71	42.81	-11.7	-16.0	-18.6	-18.5	-16.3
2017	Year	50.96	54.82	53.02	53.24	53.01	18.2	21.7	28.1	27.7	23.8
2018	H1	64.79	71.55	69.25	69.52	68.78	27.2	30.5	30.6	30.6	29.7
	H2	65.40	71.05	67.81	67.98	68.06	30.5	34.7	32.2	31.7	32.3
	Q1	64.19	72.05	70.70	71.06	69.50	23.9	26.7	29.1	29.5	27.3
	Q2	62.90	67.18	63.71	64.04	64.46	21.2	23.0	20.2	19.8	21.1
	Q3	67.89	74.91	71.90	71.93	71.66	40.5	47.1	45.1	44.4	44.3
	Q4	69.61	75.99	74.12	74.41	73.53	44.4	45.5	47.2	47.2	46.1
	Year	58.77	68.12	67.28	67.70	65.47	6.1	10.7	13.7	14.4	11.3
2019	H1	57.41	66.11	65.33	65.50	63.59	-12.2	-6.9	-3.6	-3.6	-6.6
	Q1	54.93	63.86	63.29	63.43	61.38	-12.7	-4.9	-0.7	-1.0	-4.8
	Q2	59.89	68.37	67.37	67.58	65.80	-11.8	-8.7	-6.3	-6.0	-8.2
	Apr.	63.94	71.66	71.01	71.15	69.44	-3.5	-0.1	4.2	4.4	1.3
	May.	61.02	70.49	69.58	70.03	67.78	-13.0	-8.6	-6.1	-5.5	-8.2
	Jun.	54.71	62.95	61.53	61.55	60.18	-18.7	-17.1	-16.3	-16.3	-17.1
	Jul.	57.33	63.96	62.97	63.42	61.98	-19.1	-14.7	-13.7	-13.1	-15.1
	7M	57.40	65.81	64.99	65.21	63.36	-13.3	-8.1	-5.2	-5.1	-7.9

Source: Thaioil Plc and EPPO.

3. The World Economy in Q2 of 2019

The world economy in the second quarter of 2019 decelerated in line with slowdowns in several major economies particularly the US, the Eurozone, China, and other ASEAN economies and the NIEs. The slowdowns were due mainly to softened manufacturing production, exports, and investments, as the trade protection measures had intensified.

The world economy and the global trade volume in the second quarter of 2019 continued to show a low growth and softened from the first quarter of 2019. It was mainly the result of the US economic cycle, monetary policy redirection in several key economies, and intensified pressures from the trade dispute. In addition, there were other uncertain factors contributed to the slowdown including particularly the Brexit negotiation, and some temporary factors, such as European Union's new fuel emission standard. Consequently, several key economies slowed down and reached to the lowest growth rate in many quarters. Specifically, the US, Eurozone, and Chinese economies expanded with the lowest rates in 8, 22, and 110 quarters, respectively. In addition, exports of several key economies contracted further from the preceding quarter, causing growths of the NIEs, ASEAN, and other developing economies to slow down, especially Hong Kong, Singapore, and Indonesia. Notwithstanding, the economies of South Korea and Taiwan accelerated following strengthened domestic demand and recovered exports of goods and services.

The softer economic activities amidst the uncertainties surrounding trade tension, as well as lower-than-target inflation in several key economies, had made many central banks signaling and easing additional monetary policy stance, such as India, the Philippines, Malaysia, Australia, New Zealand, and Russia. Meanwhile, the Federal Reserve and the European Central Bank continually eased their policies. Such monetary easing trends under the trade policy uncertainties and investors' expectation adjustment resulted in volatilities among key currency and financial markets throughout the second quarter. The yield on long-term bond of key safe-haven economies declined, reflecting more concerns of investors over the overall global economy.

The US economy expanded by 2.3 percent, in line with a reduction in net exports and a deceleration in private investment. Meanwhile, the core PCE inflation was lower than the target level which, thus, made the Fed to lower the policy rate and halted its balance sheet normalization earlier than previously announced.

The US economy expanded by 2.3 percent (Advance estimate), decelerating from 2.7 percent in the previous quarter, which was the lowest rate in 8 quarters. This was mainly due to deceleration in net exports and private investment, and was also consistent with a weaker Manufacturing Purchasing Manager's Index (Manufacturing PMI) from 55.4 in the previous quarter to 52.2, the lowest level in 11 quarters. However, private consumption expenditure continued to expand at a satisfactory rate owing to accelerations in both durable and non-durable goods consumptions in consistent with favourable employment conditions, where the unemployment rate stood at 3.5 percent, the lowest rate in 198 quarters, declining from 3.8 percent in the same period last year, and higher average hourly wage of 3.2 percent growth. Nevertheless, the core PCE inflation declined slightly from 1.6 percent in the previous quarter to 1.5 percent in this quarter, lower than the monetary policy target. Under such conditions, the Federal Open Market Committee (FOMC) decided to lower the target range for the federal funds rate at 2.00 – 2.25 percent in the meeting on July 30th –31st, 2019, the first rate cut in 11 years since 2008, and also decided to conclude its balance sheet normalization in August 2019, two months earlier than it previously indicated.

Eurozone economy decelerated due to the slowdown in manufacturing sector. Hence, the ECB signal the ample degree of monetary accommodation.

The Eurozone economy grew by 1.1 percent, slightly decelerated from 1.2 percent in the previous quarter which was the lowest rate in 22 quarters. After seasonally and working days adjusted, the Eurozone economy grew by 0.2 percent quarter-on-quarter basis, decreased from 0.4 percent growth in the previous quarter. This deceleration led by the slowdown in the major economies particularly Germany, which contracted by 0.1 percent in the second quarter (%QoQ SA), the first decline in the past three quarters, while France and Spain marginally grew by 0.2 percent and 0.5 percent respectively, slower than 0.3 percent and 0.7 percent in the previous quarter, and Italy experienced a zero growth. The slowdown of the Eurozone was contributed mainly to downtrend in manufacturing sector reflecting in the Eurozone Manufacturing Purchasing Manager Index (PMI) which was at 47.7 in the second quarter compared with 49.1 in the first quarter. This setback in manufacturing sector was mainly due to the new auto emission standard in Germany, a global economic slowdown, and the US trade protection measures. Moreover, private consumption also decelerated in line with slowing manufacturing production and lower economic confidence due to concerns over uncertainty of Brexit, and Italian political instability. Besides, Eurozone HICP inflation rate in the second quarter was at 1.4 percent, the same rate as the previous quarter, however, remained below the target rate at 2.0 percent. Consequently, the European Central Bank (ECB) signaled its intention to further easing monetary policy. Recently, the ECB meeting on June, 6th and July, 25th decided to keep its low interest rate until mid of 2020 extended from the end of this year which was set in the ECB meeting in April. Moreover, the monetary accommodation is also consist of a new series of longer-term refinancing operations (TLTRO-III) and continue fully reinvesting the principal payments from maturing securities purchased under the Asset Purchase Programme.

The UK economy expanded by 1.2 percent decelerated from 1.8 percent in the first quarter. However, after seasonally adjusted, the UK economy declined by 0.2 percent for quarter-on-quarter basis, the first contraction since 2012. Therefore, the Bank of England (BOE) in the July 31st meeting decided to keep its policy rate at 0.75 percent, and maintain the stock of bond purchase (435 billion GBP for UK government bond, and 10 billion GBP for non-financial investment-grade corporate bonds). Moreover, the BOE also signaled additional monetary easing in the coming periods.

The Japanese economy expanded by 1.2 percent, accelerating from 1.0 percent in the previous quarter, which was in line with the acceleration in household consumption, government expenditure, and private investment. While exports of goods and services declined as a result of the deterioration of world economy and increasing trade protection measures. Private consumption expanded by 1.0 percent, accelerating from 0.7 percent in the previous quarter, the highest rate in 6 quarters, due to the acceleration in consumption demand prior to the consumption tax hike from 8.0 percent to 10.0 percent in October 2019. Government expenditure increased by 1.9 percent, accelerated from 0.9 percent in the previous quarter. While private investment grew 2.5 percent, equivalent to the previous quarter, as a result of the expansion in investment in residential from 0.7 percent to 2.9 percent, the highest rate in 8 quarters. Nevertheless, exports of goods and services declined by 2.9 percent, the slowest pace in 25 quarters, and compared with a reduction of 2.2 percent in the previous quarter. At the same time, imports of goods and services decreased by 0.4 percent, compared with a decline of 1.3 percent in the previous quarter. Consequently, trade deficit recorded a higher deficit of 0.6 trillion yen. Besides, inflation rate stood at 0.8 percent, up from 0.3 percent in the previous quarter, but was lower than the target rate. Thus, the BOJ decided to maintain the policy rate and its level of asset purchases in their meeting on July 30th, 2019.

The Japanese economy grew by 1.2 percent, accelerating from the previous quarter, due to acceleration in private consumption and government expenditure. While exports and imports declined. Inflation rate was still below the target rate. Thus, the BOJ decided to maintain its monetary easing.

The Chinese economy expanded by 6.2 percent, a weaker growth rate than 6.4 percent in the previous quarter, and was the weakest growth rate in 110 quarters. Export value contracted for the first time in 10 quarters by 1.0 percent, which was mainly due to the result of the US' trade protection measures and the slowdown of trading partner economies. Similarly, import value continually declined, especially in capital and intermediate goods, which was affected by the softened exports. In addition, Chinese goods exports to the US fell for the second quarter by 8.2 percent. Imports from the US also decreased by 27.9 percent and caused the trade balance, with respect to the US, to register a surplus of 78 billion US dollars. Inflation was at 2.6 percent, increasing from the previous quarter's 1.8 percent and was the highest rate in 22 quarters. The high inflation in this quarter was driven by the surge in food prices, especially pork, which was largely affected by the outbreak of swine flu and the increased tariffs in many products, particularly imported goods from the US. Corporate debt to GDP was at a high level of 151.6 percent while household and government debt also continued to increase. Notwithstanding, China's foreign reserve strengthened and was at 3,119.2 million USD at the end of June 2019, a 14-month high. Under such conditions of overall economic slowdown, together with remaining pressures from the unresolved stability risks, the PBoC proceeded to cut its reserve requirement ratio (RRR) for small- and medium-sized rural banks from 11.5 percent to 8.0 percent effective on May 15th, 2019. In addition, after the US announced additional tariffs on its imports from China, the PBoC set the official midpoint reference for the Yuan on August 8th, 2019, to be at 7.0039 Yuan per US dollar, the weakest in 11 years.

The Chinese economy slowed down and was the lowest growth rate in 110 quarters. Exports showed a first decline in 10 quarters. Trade balance with the US still registered a surplus. There remain persisting stability problems which thus made the PBoC to continue reducing its RRR, although only for rural banks.

The NIEs economies mostly softened further from the preceding quarter, following the decreased exports and the softened manufacturing activities, which were the results of the key economies' slowdown and the ongoing trade tensions between the US and China. In particular, the Hong Kong economy expanded by 0.5 percent, down from 0.6 percent in the preceding quarter, due to the declines in exports and total investment. The Singapore economy grew by 0.1 percent, a slower pace from 1.1 percent, as manufacturing activities and exports fell. Nevertheless, the economies of South Korea and Taiwan expanded by 2.1 and 2.4 percent, respectively, which accelerated from the growth paces of 1.7 and 1.8 percent, respectively, in the first quarter. The higher growths were driven by stronger domestic demand and manufacturing sector as well as the recovering exports of both goods and services. Inflation rose in general due to the higher food prices. Hong Kong's inflation was at 3.0 percent, an increase from 2.2 percent, and was the highest in 11 quarters, following the outbreak of swine flu. **The ASEAN economies** mostly decelerated following the softer pace of manufacturing and the decline in exports. The slower growth rates of Vietnam and the Philippines were due to weaker domestic demand, while their exports improved. The economies of Indonesia, the Philippines, and Vietnam grew by 5.0, 5.5, and 6.7 percent,

The NIEs and ASEAN economies continued to soften as a result of continual weaker manufacturing production and declined exports.

respectively, decelerating from the first quarter growth rate of 5.1, 5.6, and 6.8 percent, respectively. On the other hand, the economy of Malaysia expanded by 4.9 percent, which was an accelerated pace compared with the preceding 4.5 percent, propelled by the stronger growth of private consumption. Meanwhile, inflation increased mostly due to higher food prices.

GDP growth, Inflation, and Export growth in several key economies

(%YoY)	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2017	2018	2019		2017	2018	2019		2017	2018	2019	
	Year	Year	Q1	Q2	Year	Year	Q1	Q2	Year	Year	Q1	Q2
USA	6.6	7.8	1.4	-3.0	2.4	2.9	2.7	2.3	2.1	2.4	1.6	1.8
EU	9.4	8.4	-3.9	-3.4	2.4	1.9	1.2	1.1	1.5	1.8	1.4	1.4
Japan	8.3	5.7	-5.7	-6.2	1.9	0.8	1.0	1.2	0.5	1.0	0.3	0.8
China	7.9	9.9	1.3	-1.0	6.8	6.6	6.4	6.2	1.6	2.1	1.8	2.6
Hong Kong	7.6	6.8	-2.6	-4.6	3.8	3.0	0.6	0.5	1.5	2.4	2.2	3.0
India	13.1	8.7	6.7	-1.7	6.9	7.4	5.8	-	3.3	4.0	2.5	3.1
Indonesia	16.3	6.7	-8.2	-8.9	5.1	5.2	5.1	5.0	3.8	3.2	2.6	3.1
South Korea	15.8	5.4	-8.5	-8.6	3.2	2.7	1.7	2.1	1.9	1.5	0.5	0.7
Malaysia	14.7	13.6	-4.8	-4.6	5.7	4.7	4.5	4.9	3.8	1.0	-0.3	0.6
Philippines	19.7	0.9	-2.9	1.2	6.7	6.2	5.6	5.5	2.9	5.2	3.8	3.0
Singapore	10.4	10.3	-2.7	-6.5	3.7	3.1	1.1	0.1	0.6	0.4	0.5	0.7
Taiwan	13.2	5.9	-4.2	-2.6	3.1	2.6	1.8	2.4	0.6	1.3	0.3	0.8
Thailand	9.5	7.5	-4.0	-4.2	4.0	4.1	2.8	2.3	0.7	1.1	0.7	1.1
Vietnam	21.8	13.3	5.1	9.2	6.8	7.1	6.8	6.7	3.5	3.5	2.6	2.7

Source: CEIC, Collected by NESDC

4. The World Economic Outlook for 2019

The world economy tends to continually decelerate during the rest of the year, following the deceleration of the major economies including the US, China, and the Eurozone, amidst the increasing pressures from the intensifying US trade measures. In particular, the US recently announced 10 percent additional tariffs from imported goods China worth 100 billion US dollars effective September 1st, 2019, and additional goods worth 150 billion US dollars effective December 15th, 2019. Such measures will weight down on the world economic growth while several risks remained unsolved, especially the potentially intensifying US-China trade measures, the Japan-South Korea trade dispute, the US's trade measures on other economies under section 232 of the Trade Expansion Act of 1962, the possibility of No-Deal Brexit, and political conditions in Italy. The economic slowdown under the above-mentioned trade measures and key risks, resulted in the concerns over possible trend of economic recession in the upcoming periods, especially the US and the major economies in the Eurozone, as well as concerns over the Chinese economic stability. Nevertheless, under the baseline scenario with the assumption that there will be no additional trade protection measures and further undesirable developments of the key conflicts, it is expected that the world economy and the trade volume will grow by 3.3 and 3.4, respectively, lower than 3.9 and 4.0 percent, respectively, in 2018 and a downward adjustment from 3.6 and 3.6 percent, respectively, in the previous estimation.

The slower pace of economic growth, under lessened inflation pressures and heightened pressures from trade protection measures as well as concerns over key risks in both the global economic and financial landscapes, have brought about a broader-based adjustment towards more accommodative monetary stances during the third quarter. This includes for example the FOMC's rate cut, for the first time in 11 years, and sooner balance sheet normalization on July 30 – 31 meeting. In addition, the European Central Bank (ECB) decided on July 25th to maintain its rates and launched a new series of quarterly targeted longer-term refinancing operations (TLTRO-III), while the People's Bank of China (PBoC) reduced its reserve requirement ratio (RRR) for rural small- and medium-sized banks as well as depreciated its currency.

Over the rest of 2019, it is anticipated that the FOMC will reduce its policy rate additionally for 1 – 2 times in September and October meetings. The Bank of Japan tends to still maintain its accommodative monetary policy, with a possibility to relax it further if the adjustment to monetary goals is more delayed than expected. The ECB is likely to ease its monetary conditions additionally in the beginning of the last quarter. Similarly, the PBoC will also probably ease its monetary conditions further, in order to support its economic expansion and cushion the effect of the US's trade protection measures. Likewise, other economies are prospective to opt for a more accommodative monetary policy to pillow the slowing economy and exchange rate fluctuations.

The US economy is expected to expand by 2.4 percent, decelerating from 2.9 percent in 2018, which is lower than previously projected. This is in line with an increasing pressure from trade protection measures which will put more impacts on the export and production sectors. At the same time, investments are likely to decelerate owing to concerns over uncertain trade negotiation outturn where it is expected to prolong through 2019, and in the risks of further trade dispute escalation. At the same time, the agricultural sector would be affected by the reduction of Chinese imports. Furthermore, there has been more increasing signs of Chinese slowdown as the PMI in July declined to 51.2, the lowest level in 3 years. Meanwhile, long-term bond yields declined to be lower than short-term bond yields (or so called the Inverted Yield Curve), although over a short period, which reflects the investors' concerns over more possibilities of economic recession in the near future. Nevertheless, the US economic expansion for the rest of the year is expected to be supported by continuous increase in household and government consumption, which is in line with strong labor market conditions and low level of unemployment rate amidst the gradually increasing wage. Meanwhile, although the Bipartisan Budget Act of 2020-2021 has been passed, there would remain some risks from a full or partial government shutdown, if twelve separate appropriations bills were not passed before 1st October 2019.

The Eurozone economy is expected to grow by 1.1 percent, decelerating from 1.9 percent in 2018, and lower than 1.2 percent in the previous projection. In the second half of the year, the Eurozone economy tends to grow at a slow pace due to the greater impacts from US and China trade tension. Moreover, the US and EU trade negotiation remains uncertain which could lead to higher US import tariff on automobile and parts, and thus the Eurozone export and manufacturing sectors will be remarkably affected in addition to impacts from the new car emission standard. Recent data showed that the German manufacturing PMI in July dropped to 43.2, which was lower than 50 for 7 consecutive months, and the lowest level in 7 years. Furthermore, the Eurozone economy and investment sentiment tend to be under key risks including the possible No-deal Brexit outturn if EU and UK cannot reach the mutually agreement before October 31st 2019, the Italy's government instability and its fiscal problem and the rise of Eurosceptic both in the new European parliament and domestic politics which could impact the unity of European Union and their policy directions.

The Japanese economy is expected to expand by 0.9 percent, which is close to a 0.8 percent growth in 2018, which is the same as previously projected. The growth for the second half of the year will be supported by the expansion in domestic production and business investment, once they could adjust to the trade protection measures especially after the effectiveness of the EU and Japan's Economic Partnership Agreement (EPA) on 1st February 2019, which will allow 100 percent eliminate customs duties for Japanese exports, especially automobiles and car parts. The growth will also be supported by the acceleration in government expenditure, as a result of expansionary fiscal policy, in line with a 3.8 percent increase in the FY 2019 budget of 101 trillion yen compared to the FY 2018 budget. In addition, it is expected that the domestic demand will accelerate prior to the consumption tax hike in October 2019. Nonetheless, the export sector is likely to slow down in line with the economic deceleration of major trading partners, amidst the Yen appreciation and the trade tension between Japan and South Korea.

The Chinese economy is expected to grow by 6.1 percent, which is a lower rate than 6.6 percent in 2018. The deceleration follows the increased trade protection measures of the US as well as possible additional measures from the US to ban Chinese firms to that the US deems to be threats to its national security, which was effective since 13th August 2019. Such actions will further pressure China's economic performance and its stability management. In terms of economic expansion, the manufacturing and export sectors tend to be softened and will worsen the domestic demand through weaker confidence and income base. In terms of economic stability, there will be more pressure on Yuan depreciation under the increasing trade protection measures, amidst less inflow but more outflows of capital due to manufacturing relocation and measures to reduce Yuan depreciation risks. This will make stability management along with stabilizing economic growth pace becomes more complicated, especially under the constraints of high corporate and household debts. Under such trends, the PBoC tend to ease the monetary conditions further, in order to buttress economic activities and cushion the effect of the US's trade measures, by allowing the Yuan to depreciate further as observed in early August that the Yuan was set to be more depreciated above 7 Yuan per US dollar, which is the weakest in 11 years. The currency adjustment was along with measures on reducing manufacturing and export cost, granting credits through SFIs, and reducing the reserve requirement in order to gradually ease financial conditions. In addition, the Chinese government is also potentially implement more fiscal expansionary, most likely by reducing corporate tax to stimulate both domestic spending and investments.

The NIEs economies tend to continue their slowdown trend, as a result of the intensified trade protection measures and key economies' deceleration. Other primary risk factors are the tension between Japan and South Korea and the political protest in Hong Kong. Nevertheless, the trade redirection and manufacturing relocation are expected to be more evident and partially cushion the impacts from the US-China trade conflict as well as their trading partner economies' slowdown. The economies of Singapore, South Korea, Taiwan, and Hong Kong are anticipated to expand by 1.0, 2.1, 1.9, and 1.0 percent, respectively, which are less than the 2018 growth rates of 3.1, 2.7, 2.6, and 3.0 percent, respectively. Similarly, **the ASEAN economies** are likely to slow down following softer exports and manufacturing performance, due to the trading partner economies' slowdown, specifically the US, the Eurozone, and China. Meanwhile, several central banks have begun to reduce their policy interest rates in order to facilitate domestic investment to help compensate the negative effects from further economic slowdown and intensified trade protection measures. Nevertheless, the international trade and supply chain relocation in response to trade measures will start to increasingly show positive effects after clearer conclusion of the US-China trade conflict which will partially pillow the impacts from the trading partners' economic slowdown and impacts from the trade protection measures through the ASEAN-China supply chain. Under the baseline scenario, it is expected that the economies of the Philippines, Malaysia, Vietnam, and Indonesia will grow by 5.8, 4.4, 6.8, and 5.0 percent, respectively, in 2019, compared with the preceding growth rates of 6.2, 4.7, 7.1, and 5.2 percent.

Notwithstanding, the risks arose from volatilities in the global financial system remain high and tend to become more intense compared to the first half of the year. As such, the global economic and trade volume growths, as well as monetary policy directions, may diverge from the baseline assumptions. Key risks needed to be consistently monitored are as follows: (i) the direction of trade policy between the US and China which could be broadened, including the additional protection measures, particularly a tariff increase on the US's motor vehicles and automotive parts imports under section 232 of the Trade Expansion Act of 1962, after the 180-day review which will end in November 2019, and could affect the European countries, Japan, as well as other motor vehicles and automotive parts exporting countries; (ii) the higher possibility of a no-deal Brexit, if negotiations could not be agreed by October 31st , 2019; (iii) the trade dispute between Japan and South Korea which could be more sever; (iv) disagreements within the US Congress which could obstruct the 2020 budgeting process and lead to another period of partial government shutdown; (v) the broader-based adjustments towards accommodative monetary policy of major economies while some countries tend to increasingly manage their currencies which may result in a more competition of devaluation and consequently more fluctuations in the global economic and financial system; (vi) the slowdown and instability risks of the Chinese economy which might be aggravated due to the intensifying trade tension and the Yuan depreciation; (vii) the political uncertainty and fiscal policy directions in Italy, as well as the unity of the newly elected European parliament; (viii) the economic and financial stability in several emerging markets and developing economics with weak economic fundamentals (particularly Venezuela, Argentina, Turkey, and Russia); and (ix) major unresolved geopolitical conflicts.

5. Thai Economic Outlook for 2019

The Thai economy during the rest of the year is still subjected to constraints amidst the global economic slowdown and heightened trade protection measures which will affect Thai exports and tourism activities to recover slowly. Nevertheless, the growth during the second half of 2019 tends to improve from the former half, supported by the favourably expansion of domestic demand, both from household consumption, private investment, the contribution from government spending and public investment which are likely to improve following the government measures, and the lower growth base in export and tourist sectors.

Supporting factors for the economic growth:

1) **Domestic demand tends to keep its strong growth momentum** and is expected to continue throughout the latter half of the year, both in terms of private consumption and private investment. (1) **Private consumption** grew favorably by 4.6 percent during the first half of 2019, which was buttressed by the low inflation rate, interest rates, and unemployment rate. Although the consumption during the second quarter may have softened from the first quarter, but it was only a slight slowdown and was mostly due to the weaker demand for passenger cars which can be explained by the consumer delaying their purchase decisions in anticipation for new model releases. In addition, during the second half of 2019, private consumption is expected to grow continually supported by the eased monetary policy, low interests, inflation, and unemployment, the government measures, and the new car model launches during the latter half of the year. (2) **Private investments** is anticipated to expand despite the fact that declining export will reduce overall capacity utilization and will impact new investment in order to expand production capacity. Private investment in the second half of the year tends to expand favorably owing to key fundamental factors, namely: (i) The increase in value of projects applied for investment promotion through the Board of Investment (BOI) as observed in a 32.7 percent growth in the second quarter, after the first-quarter contraction which was due to delays in investment decisions in expectation for the more clear results of the US and China trade negotiations during January to May 2019; (ii) the production relocation amidst the clearer trade protection measures, of which some investors have already started to relocate and started investment in Thailand, as can be seen from the 9.0-percent expansion of factory construction o in the second quarter; and (iii) the overall rate of capacity utilization in many industries which remain higher than 70.0 percent, especially in the manufacturing of plastics and rubber, vehicles, electronic equipment, air conditioner, and computer and its accessories.

2) **The export sector tends to gradually recover.** Although the world economic slowdown may have been broader-based and the intensified trade measures will both caused the global trade volume to declined and thus affected Thai exports to fall by 4.1 percent during the first half of 2019, exports during the latter half of the year tends to improve, as supported by; (1) Clearer adjustment of export sectors to a more-pronounced trade direction and the lower growth base during the second half of 2019. During the first half of 2019, many key export products benefited from the trade diversion, both exports to the US and to China. Those exported to the US include chemical products, rubber, paper, textiles, jewelries, base metal, land vehicles and transport equipment, and weaponry, while those exported to the China included live animals and animal products, plants and plant products, fat and oil, shoes and hats, aircrafts, and other miscellaneous goods. The gains from trade diversion may not compensate the fallen exports resulted by the global slowdown and the decline of exports to China especially those export items to be assembled in China and then exported to the US. However, the adjustment of exports to the trade measures is expected to be clearer and somehow could compensate the declining exports. (ii) The lower growth base during the second half of 2019.

The trade diversions and the change of international supply chain : Policy implications

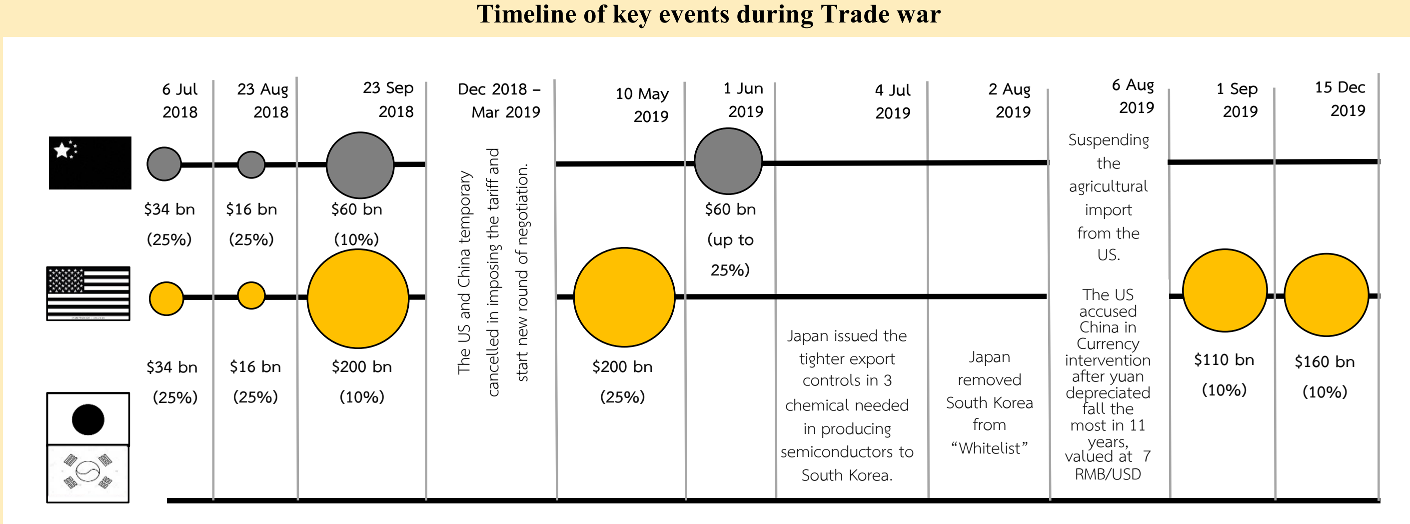
The trade diversions from trade protection measures lead to the expansion of Thai exports which in the products listed under the trade protection measured exports to China and the US, which can be categorized into 3 groups. (1) Export items with increased value in China and the US market included footwear and headgear, leather products, and wood products, (2) Export items with increased value in the US included products of the chemical industries, rubber products, pulp and papers, textiles, base metals, vehicles, and aircraft, and (3) Export items with increased value in China included live animals & animal products, vegetable products, prepared foodstuffs & beverages, jewellery, and miscellaneous articles. However, the improvement in exports from the trade diversion was not enough to compensate the negative supply chain impacts of trade protectionism measures, which the exports contracted on both market in exports of fats & oils, mineral products, plastics, plaster & cement, machinery, electrical equipment, and optical instruments. It caused the decreased in export value under the products listed in this measures. Nonetheless, the international supply chain continually improved in accordance with the relocation of supply chain in key industries from China to other countries especially South Korea, Taiwan, Japan, and Vietnam. Thus, in order to lessen the effects from trade protection measures should put emphasis on fostering export of goods that would benefit from the trade protection measures in both the US's and China's markets, along with reducing the negative impact from trade protection measures through Thai-Chinese-US supply chain, especially the export to the country with connected supply chain and international value chain.

THAI EXPORT UNDER TRADE WAR

%YoY		Thai Export to US				Thai Export to China			
		2018	H1-2018	H2-2018	H1-2019	2018	H1-2018	H2-2018	H1-2019
THAI EXPORT UNDER TRADE WAR		12.0	23.9	1.7	-14.4	6.5	9.7	3.7	-3.2
Expanded in both markets	FOOTWEAR AND HEADGEAR (HS64-67)	32.9	44.2	25.5	7.9	27	2.6	59.2	42.9
	LEATHER PRODUCTS (HS41-43)	15.1	-2.8	31.6	46.8	60.1	77.2	46.6	21.6
	WOOD PRODUCTS (HS44-46)	89.7	80.3	96.1	40.9	-29.7	-31.4	-26.9	2.7
Expanded in US	PRODUCTS OF THE CHEMICAL INDUSTRIES (HS28-38)	30	13.6	46.4	18.3	69.1	64	73.9	-13.6
	RUBBER PRODUCTS (HS40)	28.1	34.4	23.3	32.9	0.6	12.8	-10.3	-13.6
	PULP AND PAPERS (HS47-49)	-1.3	17.8	-15.2	51	6.4	30	-10.5	-14.8
	TEXTILES (HS50-63)	94.2	73.2	112.5	36.3	9	11	7	-3.9
	BASE METALS (HS72-83)	16.7	15.5	17.9	11.8	15.3	24	8.1	-15.9
	VEHICLES (HS86-87)	46.2	47.9	44.9	49	-85.8	-73	-97.4	-90.8
	AIRCRAFT (HS88-89)	-10.3	11.3	-20.4	17.3	37.8	78.3	3.3	-29.5
	WEAPONS (HS93)	10.7	33.2	-6.0	43.6	-	-	-	-
Expanded in China	LIVE ANIMALS; ANIMAL PRODUCTS (HS01-05)	-11.2	10.9	-31.3	-47.6	62.3	0	142.8	90.5
	VEGETABLE PRODUCTS (HS06-14)	35.8	50.6	21.3	-2.9	37.9	39.2	36.8	55.4
	PREPARED FOODSTUFFS; BEVERAGES (HS16 -24)	-7.2	0.0	-13.8	-1.8	3.1	-20.7	37.1	15.2
	JEWELLERY (HS71)	30.7	-22	105.8	-31.6	38.4	-1.7	91.4	15.5
	MISCELLANEOUS ARTICLES (HS94-99)	-	-	-	-	30.6	38.3	24.8	32.3
Contracted in both markets	FATS AND OILS (HS15)	-	-	-	-	220.1	122.7	287.8	-26.6
	MINERAL PRODUCTS (HS25-27)	15.5	193.4	-73.1	-67.3	-22.6	-20.3	-24.9	-47.9
	PLASTICS (HS39)	50.6	66.2	34.3	-45.2	23.3	13.1	35.0	-10.7
	PLASTER, CEMENT (HS68-70)	0.5	23.9	-20.5	-29.2	61.2	71.4	54.1	-6.1
	MACHINERY (HS84)	13.5	26.4	2.0	-18.2	-3.8	8.0	-13.7	-18.7
	ELECTRICAL EQUIPMENT (HS85)	-1.9	12.0	-14.3	-30.5	18.5	28.9	12.1	-1.8
	OPTICAL INSTRUMENTS (HS90-92)	-6.6	1.6	-14.5	-45.5	-34.6	-22.0	-44.3	-24.2

Source: Department of Custom, collected by Ministry of Commerce and calculated by NESDC

Timeline of key events during Trade war



3) **The implementation of government measures**, which are expected to accelerate budget disbursement, infrastructure investments. Assistance to entrepreneurs, farmers, low income people, the labor force, and the local economy, as well as to key economic sectors especially exports, tourism, and private investments, will be more consistent and evident.

4) **Lower growth base during the latter half of 2019.** Although the year-on-year growth pace of the Thai economy in the first and second quarter of 2019 may have been only 2.8 and 2.3 percent, respectively, but the seasonally-adjusted quarter-on-quarter growth paces are still favorable at 1.0 and 0.6 percent, respectively, which still exhibit a continual growth momentum of the economy and reflected that the slowdown was due to the high growth base during last year. This is consistent with the first and second quarter year-on-year growth rates which were at 5.0 and 4.7 percent, respectively, which were in line with the high expansion of the number of tourists and exports during the first half of 2018. Nevertheless, the smaller growth base during the latter half of 2018 which were due to softer exports and tourism activities will contribute to an acceleration of the overall economy in comparison with the first half.

Limitation and Risk Factors:

1) **Possibilities that the trading partners' economies and the world economy will expand lower than the baseline projection** and will affect the recovery of export and tourism sectors to be later than expected. This includes in particular the Eurozone economy that is likely to be affected by a political conflict in Italy and a risk of no-deal Brexit while Japanese economy will be impacted by consumption tax hike effective in October 2019. Besides, the Chinese economy continues to slow down as a result of the US trade protectionism measures, Yuan depreciation, a volatile capital flow, and overall global slowdown due to more intensified trade tensions.

2) **Remaining high uncertainty in the global economy and financial system and possibilities that the risks will upsurge.** Under such circumstance, the Thai economy in the second half is likely to grow lower than expected. The main risk factors which have to be closely monitored are as follows: (i) the direction of trade policy between the US and China which could be broadened, including the additional protection measures, particularly a tariff increase on the US's motor vehicles and automotive parts imports under section 232 of the Trade Expansion Act of 1962, after the 180-day review which will end in November 2019, and could affect the European countries, Japan, as well as other motor vehicles and automotive parts exporting countries; (ii) the higher possibility of a no-deal Brexit, if negotiations could not be agreed by October 31st, 2019; (iii) the trade dispute between Japan and South Korea which could be more sever; (iv) disagreements within the US Congress which could obstruct the 2020 budgeting process and lead to another period of partial government shutdown; (v) the broader-based adjustments towards accommodative monetary policy of major economies while some countries tend to increasingly manage their currencies which may result in a more competition of devaluation and consequently more fluctuations in the global economic and financial system; (vi) the slowdown and instability risks of the Chinese economy which might be aggravated due to the intensifying trade tension and the Yuan depreciation; (vii) the political uncertainty and fiscal policy directions in Italy, as well as the unity of the newly elected European parliament; (viii) the economic and financial stability in several emerging markets and developing economics with weak economic fundamentals (particularly Venezuela, Argentina, Turkey, and Russia); and (ix) major unresolved geopolitical conflicts.

3) **Drought conditions**, as observed from the usable storage level of all dams across the country on August 15th, 2019 stood at 13,026 million cubic meters (18 percent of total reservoirs capacity), lower than the last year level at 26,831 million cubic meters (38 percent of total reservoirs capacity). Moreover, this year water storage level is close to 2015, the worst drought record in 20 years, at 10,533 million cubic meters (15 percent of total reservoirs capacity). Considering in detail, 19 out of total 36 dams in Thailand had their usable storage level lower than 30 percent of its total reservoir capacity, which was considered as a crisis benchmark. In fact, 9 of them are in the Northeastern region. Besides, the usable storage levels of dams in the Central and North regions were accounted for only at 7 percent and 5 percent respectively.

Key assumptions for 2019 economic projection:

World Economic Projection

	Actual Data		Projection for 2019	
	2017	2018	May 21, 2019	Aug 19, 2019
World Economic Growth (%)[1]	4.1	3.9	3.6	3.3
USA	2.4	2.9	2.5	2.4
EU	2.4	1.9	1.2	1.1
Japan	1.9	0.8	0.9	0.9
China	6.8	6.6	6.1	6.1
World Trade Volume (%)	5.1	4.0	3.6	3.4
Exchange Rate (Baht/US dollar)	33.9	32.3	31.1 - 32.1	30.7 – 31.7
Dubai Crude Oil (US Dollar/Barrel)	53.0	69.3	62.0 – 72.0	59.0 – 69.0
Export Price (US Dollar) (%)	3.6	3.4	0.5 – 1.5	0.0 – 1.0
Import Price (US Dollar) (%)	5.5	5.6	1.0 – 2.0	0.0 – 1.0
Income from Tourism (Trillion Baht)	1.78	1.94	2.21	2.04

Note: [1] World economic growth calculated by trade weight of key economic partners in 2018 (15 economies)
Source: NESDC

1) **The world economy in 2019 is expected to grow by 3.3 percent, decelerating from 3.9 percent in 2018, and was weaker than 3.6 percent assumed in the previous projection.** This follows the actual data on the second quarter economic growth of several economies that were less than anticipated and registered the lowest growth rates in several quarters, particularly the US, the Eurozone, China, the NIEs, and the ASEAN economies. The global economy during the second half of this year is likely to be further affected by (i) the slowdown of the US and Chinese economies as well as other export-oriented countries, as a result of the ongoing trade measures between the US and China, especially the additional tariffs on 110 billion US dollar of goods from China, which will be effective on 1st September 2019, and another 160 billion US dollar, which will be effective on 15th December 2019, (ii) a ban on US federal agencies and private firms from buying equipment and services from Chinese companies, citing national security concerns, and (iii) the trade dispute between Japan and South Korea, which could disrupt the recovery of global electronics cycle. In the case that there are no additional US's and China's trade protection measures, **the world trade volume is projected to expand by 3.4 percent, which is a slowdown from 4.0 percent in 2018 and a downward revision from 3.6 percent in the previous projection.** Nevertheless, there are risks that could contribute to a lower world economic and trade volume expansion than initially assumed, and thus closer surveillance and evaluation are needed.

2) **The average value of Thai Baht in 2019 is expected to be in the range of 30.7 – 31.7 Baht per US dollar, appreciated from 32.3 Baht per US dollar in 2018 and slightly appreciated from the precious projection of 31.1 – 32.1 Baht per US dollar.** This is in line with the implementation of a more expansionary monetary policy stance of major countries, as seen during April – July 2019, and the tendency to increase their expansionary level in the second half of this year. Under the baseline scenario, it is expected that the Fed will lower its policy rate 1 – 2 more times for the rest of this year and end balance sheet runoff in September. The European Central Bank (ECB) is likely to adopt a more supportive monetary policy stance by lowering its policy rate 1 time, together with applying the new quarterly targeted long-run refinancing operation (TLTRO-III) in September 2019, and considering of expanding its quantitative easing (QE) program, if the economy was deteriorated further than expected and inflation rate did not clearly convert to the target rate.

3) **The average Dubai crude oil price in 2019 is expected to be in the range of 59.0 - 69.0 US dollar per barrel, lower than 69.3 US dollar per barrel in 2018, and lower from 62.0 – 72.0 from the previous projection.** This was consistent with the reduction of average oil prices from 71.0 and 69.6 US dollar per barrel in April and May respectively to 61.5 US dollar per barrel in June. This led the average oil price in second quarter to decline more than expected. The average oil price, however, is expected to decline further as: (i) concerns over the global slowdown which will mean the global demand for oil will increase slower than expected; and (ii) the US crude oil production tends to increase by around 1.3 million barrel per day, from the average of 10.99 barrel per day in 2018 to 12.27 million barrel per day in 2019, which is partly due to less pipeline limitations and therefore the US oil stock would increase. However, the average oil price during the rest of the year is expected to gradually increase by the following factors: (i) the possibility that both OPEC and non-OPEC countries will extend the completion of production reduction from June 2019 to March 2020; (ii) the

incidents and tension in the strait of Hormuz, where a third of all oil traded by sea passes; and (iii) the tapering crude oil production in Iran and Venezuela which are accounted for 4.5 percent and 2.3 percent of global production respectively.

4) **The export price in US dollar term is expected to increase by 0.0 – 1.0 percent, slower from 3.4 percent in 2018, which was lower from the assumption of 0.5 – 1.5 percent in the previous projection. While the import price in US dollar term is expected to increase by 0.0 – 1.0 percent, decelerated from 5.6 percent in 2018, which was lower from the assumption of 1.0 – 2.0 during the previous projection.** This is in line with the 2019 world crude oil price which is expected to decrease by 7.6 percent from the 2018 price level, compared with a reduction of 3.3 percent in the previous projection assumption. The export and import prices rose by 0.3 and 0.0 percent respectively in the first half of this year, which is lower than previously expected.

5) **Revenues from foreign tourists in 2019 are expected to reach 2.04 trillion Baht, increasing by 4.9 percent from 1.94 trillion Baht in 2018.** This was a downward revision, in contrast to 2.21 trillion Baht in the previous projection. The adjustment was consistent with actual tourist number of 9.0 million persons in the second quarter of 2019 data, which lower than previous projection of 9.4 million persons. The underestimation can be explained by: (i) a fall in Chinese tourists of 8.2 percent, continuously declined from a 1.7 percent decrease in the first quarter, indicating a change in preference of Chinese tourists from long distance to short distance destination travels; and (ii) a drop in European tourists of 0.8 percent, continuously decline from a 2.3 percent decrease in the first quarter, which was in line with a change in preference of Russian tourists, in particular, who travel more to Turkey due to a depreciation of Lira currency. Nevertheless, it is expected that the number of tourists will be recovering during the second half of 2019, supported by: (i) the satisfactory growth of tourists from other countries, especially ASEAN and India; (ii) a lower base in 2018; and (iii) the extension of the temporary waiver on the visa-on-arrival (VOA) fee. This is in line with the latest July 2019 data on visitors through 5 main airports which showed a clear improvement with a 4.4-percent growth, compared with 0.5 percent in the preceding month. This signaled a recovery during the second quarter of 2019.

6) **The budget disbursement** assumptions are as follows: (i) the FY2019 annual budget disbursement rate of 90.7 percent of overall budget (downwardly revised from 90.9 percent in the previous projection), compared with 91.5 percent in the FY2018. Specifically, the current and capital budgets are assumed to be disbursed by 99.0 percent (revised upward from 98.0 in the previous projection) and 60.0 percent (downwardly revised from 65.0 percent previously assumed, as the disbursement rate in the third quarter of FY2019 was at 14.4 percent and, thus, the disbursement performance in the first three quarters of FY2019 was only at 41.7), compared with 96.1 percent and 70.5 percent in the FY2018, respectively; (ii) state-owned enterprises' capital budget disbursement of 75.0 percent (downwardly revised from 80.0 percent in the previous projection); (iii) carry-over budget disbursement of 70.0 percent (revised downward from 75.0 percent in the previous projection); and (iv) annual budget disbursement in the first quarter of FY2020 (October – December 2019) of 28.0 percent (the same as in the previous projection).

Economic Projection for 2019:

The Thai economy in 2019 is forecasted to expand in the range of 2.7 – 3.2 percent (with the midpoint of 3.0 percent), compared with 4.1 percent in 2018. Headline inflation is estimated to lie within the range of 0.7 – 1.2 percent and the current account is likely to record a surplus of 5.9 percent of GDP.

In the press release dated on August 19th, 2019, NESDC forecasted that the Thai economy in 2019 will expand in the range of 2.7 – 3.2 percent (with the midpoint of 3.0 percent), a downward revision from the range of 3.3 – 3.8 percent (with the midpoint of 3.6 percent) in the previous projection on May 21st, 2019 press release. The revision included some revisions on key growth components to be consistent with the actual data in the first half of the year and some changes in key economic assumptions of the projection. Details of forecast revisions are as follows:

1) The Thai economy in the second quarter registered 2.3 percent which was lower than estimation on May 21st. Considered with 2.8 percent growth in the first quarter, the economy in the first half of the year averaged 2.6 percent and thus had made the expected annual growth to be lower than the lower bound of the previous projection. The slowdown and lower-than-expected growth in the second quarter was attributed by **(1) the lower-than-expected export growth** due mainly to slowdown in demand from major trading partner countries and intensified pressure from the trade protection measures which additionally affected Thai export sector. In particular, the unexpected escalation of trade tensions on May 10th had put pressures on the trade system and the international supply chain to adjust more harshly and with longer period of time, together with continued unclear direction of trade conflicts between the US and China, including also the US's ban on doing business with some Chinese firms of which were claimed to create national security risks to the US. In addition, higher risks will be from the trade dispute between Japan and South Korea as well as uncertain direction of trade conflicts and some possible counter measures. Amid a slower global growth and unclear direction of trade measures, exporters, importers, and producers in the international supply chain had thus decided to delay their decision on continuing economic activities in the second quarter in order to reduce risks and had thus made Thai export sector to decline further. **(2) the slower-than-expected of tourist numbers.** Numbers of tourists in the second quarter expanded by 1.1 percent, down from 1.8 percent in the first quarter, which was also lower than the previous assumption. The slowdown was a result of the slowdown of Chinese economy and the Renminbi depreciation which was also in line with slower growth of Chinese outbound tourists in which they tends to change their traveling behaviors by traveling to short-distance destinations. Data of Chinese outbound tourists to 16 key countries (shared about 81 percent of total outbound tourists) in the second quarter grew by 13.6 percent, down from 15.1 percent in the first quarter. Numbers of Chinese outbound tourists traveling to Japan, South Korea and Taiwan expanded by 22.0 percent compared with 16.2 percent in the first quarter while Chinese outbound tourists traveling to other countries mostly declined. **(3) the lower-than-expected disbursement in the capital budget**, in particular the disbursement of capital budget under the government annual budget FY 2019 was only at 14.4 percent, lower than 17.0 percent in the same quarter last fiscal year and the disbursement rate in the first nine months was at 41.7 percent, less than 45.2 percent in the same period last year. (4) the drought impact. The agriculture products declined for the first time in 6 quarters by 1.1 percent, owing to a dry spell and above-average temperature which affected production of rice and cassava to decline.

2) The revision on key assumptions which altered the projection on the overall economy and growth components to be different from those in the previous estimation included: (1) the downward revision of the 2019 global growth from 3.6 percent to 3.3 percent in this projection in line with lower-than-expected growth of several economies in the second quarter, particularly the Eurozone and the UK as a result of uncertainties of the Brexit as well as the NIEs especially Hong Kong and Singapore economies that experienced with the lowest growth in the past ten years and the trade tension impacts. The revision put impacts on export growth to contribute less to the overall growth in comparison with the preceding forecast. (2) the downward revisions of the numbers of tourists assumption in 2019 from 40.5 million to 39.8 million (5.8 percent growth) and the tourist receipts from 2.21 to 2.04 trillion Baht (4.9 percent growth). The revision was consistent with a low growth in the second quarter and the slowdown trend in the remainder of the year, in addition to the changing behavior of Chinese tourists. (3) the downward revision of capital budget disbursement throughout FY2019 to be

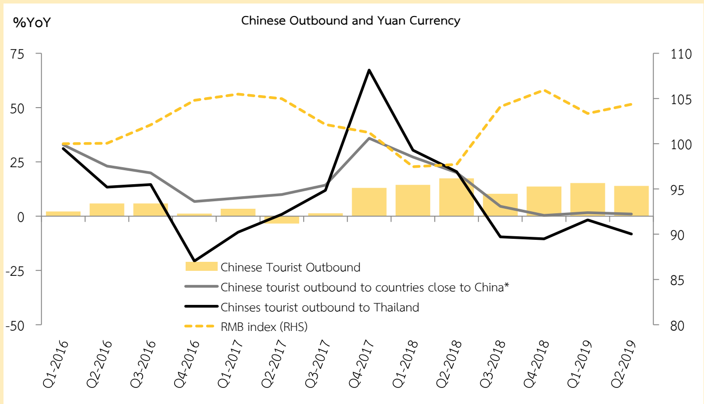
The slower than expected recovery of Chinese tourists

In 2018, there were 10.5 million Chinese tourists traveled to Thailand, which were accounted for 27.5 percent of total foreign tourists and brought about 0.58 trillion Baht revenue receipts to the country. However, since the second half of 2018, the number of Chinese tourists (accounted for 24.5 percent of total tourists over this period) has been declining, due partly to the boat capsize incident in Phuket, which caused the total tourists to grow only 3.1 percent, decelerating from 12.2 percent in the first half of the year. Likewise, for the first half of 2019, Chinese tourists continued to decline further by 4.7 percent on average, where, to be precise, the numbers decreased by 8.2 percent and 1.7 percent in the first and second quarters consecutively. It is believed that the main reasons for this continuous decrease in Chinese tourists are (i) concerns over expected Chinese economic slowdown and (ii) Yuan depreciation. This causes the total Chinese tourist outbound to decelerate and changes in their preference from distant to less-distant travels. In detail, it is clearly shown in the number of Chinese tourist outbound to 16 major countries (accounted for 81.2 percent of total Chinese outbound in 2018) that the numbers increased 13.6 percent in the second quarter of 2019, decelerating from 15.1 percent in the first quarter. Of those amounts, the Chinese tourists traveled to countries close to China (South Korea, Taiwan, Hong Kong, and Japan) expanded by 22.0 percent, accelerating from 16.2 percent in the previous quarter, while those traveled to further countries declined in almost destinations. This clearly indicates that Chinese tourists change their traveling behavior amidst weakening economic conditions and Yuan depreciation. Thus, although it is likely that, for the rest of this year, Chinese tourists would rebound to a positive growth owing to a low base effect, it still remains challenging in implementing tourism related policy in order for further improvement for the remainder of 2019.

Chinese Tourist Outbound

%YoY (Proportion in 2017)	2017	2018					2019	
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2
Hong Kong (34.1)	3.9	14.8	12.6	14.3	11.5	20.6	19.7	12.9
Macao (16.9)	8.5	13.8	13.4	13.1	13.2	15.2	23.5	21.0
Thailand (7.0)	12.7	5.8	30.2	21.3	-8.8	-10.5	-1.7	-8.2
Japan (5.6)	15.4	13.9	17.9	29.4	5.0	7.6	11.6	11.8
Vietnam (3.3)	48.6	23.9	42.9	29.2	18.3	7.9	-5.6	-0.8
South Korea (3.2)	-48.3	14.9	-30.5	51.7	40.9	32.6	26.6	31.5
Singapore (2.3)	12.7	5.8	9.7	13.6	5.0	-4.0	3.0	6.7
US (2.0)	4.1	-5.7	-0.5	-3.6	-6.5	-13.6	-2.4	-3.9
Taiwan (1.8)	-22.2	-1.4	6.2	1.3	-1.6	-9.8	13.2	44.2
Cambodia (1.4)	45.9	67.2	85.3	65.7	63.5	58.0	35.1	-1.3
Australia (1.0)	12.3	5.5	11.1	6.9	1.9	7.4	4.4	-4.0*
Total (81.2)	3.2	13.6	14.0	17.3	10.2	13.6	15.1	13.6*
Except close countries*	16.1	12.6	27.2	20.0	4.5	0.3	1.6	0.9

Source: CEIC complied by the NESDC
Note: Close countries includes South Korea, Taiwan, Hong Kong, and Japan



in tandem with lower-than-expected rate of 41.7 percent in the first nine months of FY2019, less than 50.5 percent during the same period in the previous estimation. Such revisions would make the growth contribution from public investments to be lower than expected in the previous projection. However, the assumption on capital budget disbursement during the first quarter of FY2020 remained unchanged at 10.0 percent.

3) On the base case, it is estimated that the growth over the latter half of 2019 will speed up driven mainly by (1) the continued strong momentum of domestic demand growth both private consumption and private investment; (2) the government's stimulus package; (3) the recovery of export and tourism sectors which partly were a result of low base effect.

Key components of the economic growth :

1) **Consumption: (1) Private consumption expenditure** is expected to grow by 4.2 percent, the same rate as previously estimated, and continuing from 4.6 percent in 2018. Over the first half of 2019, private consumption showed a high growth of 4.6 percent and tends to continue its expansion in the second half supported mainly by low interest rate, inflation and unemployment together with favorable price of some agriculture products as well as more monetary policy easing which had accordingly made many large commercial banks adjusted their rates downwardly. Additional supports also include the government measures to assist low-income people and the launch of new car model in the second half of the year. **(2) Government expenditure** is estimated to grow by 2.2 percent, the same rate as in the previous projection, accelerating from 1.8 percent in 2018. This is in line with disbursement of current budget in the first 9 months of FY2019 of 79.9 percent, higher than 75.4 percent in 2018.

2) **Total investment** is expected to grow by 3.8 percent, compared with 4.5 percent in the previous estimate, while similar to 3.8 percent in 2018. Public investment is projected to expand by 4.0 percent, lower than 4.5 percent in the previous projection. The revision was mainly due to a downward revision of assumption on disbursement rate of capital budget in FY 2019 and a downward revision of disbursement rate of state-owned enterprises (SOEs) to be in line with the disbursement rate in the first 9 months of FY2019. However, it is expected that public investment over the remainder of the year tends to grow at a faster rate following progresses of key public infrastructure investment projects. Private investment is expected to expand by 3.7 percent, downwardly revised from 4.5 percent in the previous projection and lower than 3.9 percent in 2018. The revision was also in line with declining trend of capacity utilization rates of key export-oriented industries which thus constrained new investment for production expansion. Nevertheless, private investment in the second half is expected to improve as a result to the investment expansion under PPP projects and growing prospects of new investment as observed in data of private construction in industry factories in the second quarter that grew by 9.0 percent, in line with higher value of investment promotion applications of 42.4 percent and 32.7 percent in 2018 and the second quarter of 2019, particularly those investment in the Eastern Economic Corridor (EEC) area with high growth of 137.4 percent and 74.3 percent respectively.

3) **Export value of goods** in US dollar term is anticipated to decline by 1.2 percent, compared with a 7.5-percent growth in 2018, and lower than 2.2 percent growth in the previous estimation. The revision is due to the downward revision of export volume of goods from increasing by 1.2 percent to declining by 1.7 percent, as a consequence of the readjusted expected world economic and trade volume growth to be consistent with the slowdown of trading partners' economies as well as the intensifying pressures from trade protection measures. In addition, the adjustment is also consistent with the downward revision of export prices from increasing by 0.5 – 1.5 percent to 0.0 – 1.0 percent, in line with the revised Dubai oil price assumption. After considering together with the export of services which tend to slowdown following the revised assumption on the number of tourists and tourism receipts, it is therefore projected that the export quantity of goods and services will fall by 0.7 percent, compared with a 4.2-percent growth in 2018 and a 2.3-percent growth in the previous forecast.

4) **Import value of goods** in US dollar term is expected to decrease by 1.6 percent, compared with a 13.7-percent growth in 2018. This is a downward revision from a growth of 3.5 percent in the previous projection. The revision follows the downward revision of import volume of goods from rising by 2.0 percent to declining by 2.1 percent, consistent with downwardly revised exports and investments, both private and public, which cause the demand for imports to be lesser than it was in the preceding estimation. Furthermore, the revision is also in line with the downward revision of import prices from increasing by 1.0 – 2.0 percent to 0.0 – 1.0 percent. Taking into account the import of services, it is therefore projected that the import quantity of goods and services will fall by 0.5 percent, in contrast with a 8.6-percent growth in 2018 and the previously forecasted 2.6-percent growth.

5) **Trade balance** is estimated to register a surplus of 23.0 billion US dollars, higher than a surplus of 22.4 billion US dollars in 2018, and 19.9 billion US dollars in the previous projection. This was a result of the downward revision in import growth faster than of exports growth revision. After combining with the downwardly revised service account surplus from the revenues from tourist, the current account is projected to register a surplus of approximately 32.2 billion US dollars or 5.9 percent of GDP, compared with 6.4 percent of GDP in 2018.

6) **Economic stability** will remain sound: the headline inflation rate in 2019 is expected to be in the range of 0.7 – 1.2 percent, compared with 1.1 percent in 2018, and the midpoint of the estimation is still maintained at 1.0 percent as in the previous projection.

6. Economic Management for the year 2019

A broad-base deceleration in global economy amidst a higher pressure from trade tension and changes in currency value resulted in a decline in exports as well as weak growth in the tourism sector. Taking into account the droughts and the capital budget disbursement constraints, the Thai economy expanded in a low, decelerated pace continually since the latter half of 2018. Simultaneously, the declined income from exports and tourism tend to result in lower capacity utilization in the manufacturing sector as well as the overall employment. Nevertheless, the increasingly intensifying trade protection measures are expected to lead to a clearer picture of the international trade redirection and manufacturing relocation. This can be an opportunity for the Thai economy to alleviate the effect of the slowing world economy and strengthen its long-term potential economic expansion. Given these conditions, the macroeconomic policy management during the rest of the year 2019 should put emphasis on:

1) **Fostering exports expansion during the second half of 2019 to reach the target of at least 3.0 percent,** in order to maintain the dynamics of the manufacturing sector, employment, and overall income base and spending behavior, as well as sustain the level of capacity utilization in the manufacturing sector, which will reduce the negative pressures on private investments, mainly by: (i) fostering export of goods which will potentially be benefiting from the trade protection measures in both the US's and China's markets, especially in products that performed well during the first half of 2019 in both markets, along with supporting entrepreneurs affected by the trade measures to utilize production capacity in Thailand; (ii) seeking agricultural products export opportunities from the current swine flu outbreak and China's halt on its import duty exemption under its trade protection measures; (iii) helping exporters who are impacted from the trade protection measures through the supply chain, especially those exporting to China for production before continuing to be sold to the US, so that they could promptly redirect their exports to other markets, particularly those that will play a larger role in the international supply chain in key products; (iv) monitoring changes in key import products which are subjected to the tariffs imposed by the US and China, as they could be re-channeled to the Thai market; (v) operating foreign trade policies to closely abide by the world trade rules and key trading partners' regulations, especially key conditions of the US relevant to special trade preferences and trade protection measures; (vi) extending trade and economic cooperation, especially with the economies which Thailand may benefit through trade redirection and alleviation of the effects of trade protection through Thailand – China – US supply chain; (vii) facilitating exporting processes and reducing costs; and (viii) prepare measures and recognizing trade opportunities in the case of a No-Deal Brexit.

2) **Supporting the recovery and sustaining the expansion of the tourism sector** to its full potential, in order to support the overall economy, where there should be at least 20.0 million tourists generating at least 1.1 tourism revenue, particularly through: (i) penetrating high-income Chinese tourism market; (ii) rebalancing the tourism markets, in order to alleviate the impacts from the decelerated growth of Chinese tourists, particularly those with middle income, which tend to be affected by their decelerated economy and weaker currency; (iii) continuously reassuring the safety of tourists' lives and properties; (iv) promoting tourism package targeting long-distance tourists and high-income tourists in regional countries as well as increasing the market base by encouraging tourists from the emerging market countries; (v) hosting events for tourism and related activities promotions in order to attract and facilitate more tourists, along with reducing congestion in major tourist destinations; and (vi) encouraging Thai people who tend to travel abroad mainly to travel domestically, in order that the expansion of domestic economic activities will be supported, especially during the period in which exports of goods and tourism are subjected to growth constraints.

3) **Retaining the momentum of government spending and public investment** to become a driving force for economic expansion under the period of global slowdown and also to move up Thailand's long-run economic potential growth. Thus, it is crucial to consider the following issues: (i) expediting the FY2019 government's capital budget disbursement to reach the disbursement rates of no less than 60.0 percent; (ii) fastening the FY2020 carry-over budget disbursement in the first quarter so that the disbursement rate is not less than 70.0 percent, including prioritizing projects that are obliged across the fiscal years, in order to reduce the impacts from the FY2020 delay in the budgeting process; (iii) accelerating the FY2020 budgeting process as well as prepare the projects in order to be immediately

executed so that the budget will be disbursed right away once the annual budget act becomes effecting; (iv) speeding up the implementation of newly approved infrastructure projects as well as the disbursement of those under construction to abide by the target; and (v) driving the key infrastructure projects necessary for uplifting the economic growth potential.

4) **Encouraging private investment** by: (i) fostering continual expansion in export sectors which will sustain capacity utilization to be around the level appropriate for investments in order to expand production capacity; (ii) supporting production increase in Thailand by both domestic and foreign producers who situated in Thailand, as well as motivating and facilitating investors from other countries, who have been affected by the trade protection measures and are considering to move their production base, to invest in Thailand, by publicizing investment privileges, competency and connectivity of transport and logistics infrastructure, and the potentials of the special economic zones; (iii) continuously fostering public investment projects in both infrastructures and special economic zones; (iv) facilitating, monitoring, and propelling important investment projects, both those applied and those already approved for the investment promotion, to be promptly implemented; (v) readying the labor force both in terms of quantity and quality, to adequately support further investment, especially for those industries with the opportunities from international manufacturing facility relocation as well as Thailand's target industries.

5) **Strengthening small farmers, the labor force, low income groups, SMEs, and economies,** especially those who are adversely affected by the decelerating exports, tourism, employment, as well as by the falling world commodity prices and rapidly changing weather conditions and natural disasters. The measures should therefore place stress on: **(1) Fostering Agricultural Production and Income**, by: (i) preventing and mitigating the impacts of natural disasters, especially droughts, including preparing the appropriate monetary, fiscal, and supply-side measures to recover the farmers affected; (ii) solving problems on agricultural products whose price recovery is subjected to constraints, as well as emphasizing exports in key agricultural products in order to reduce price pressures from the accumulated stocks; (iii) supporting large-scale farming, along with increasing farmers' income share from sales of final product by aiming to simplify marketing processes; (iv) supporting and providing markets for selling agricultural products in each community; (v) developing and standardizing agricultural products, including raw food products produced by the local enterprises, in order to enhance value added; and (vi) managing water resources for agriculture during the drought periods; and, **(2) Buttressing the Low Income, the Labor Force, SMEs, and Local Economies**, by: (i) pursuing the ongoing social welfare smart card project; (ii) providing financial measures to attenuate debt burdens and impacts from lay-offs, encourage training activities for career and production adjustments, lessen constraints on fund accessibility for small farmers, low income groups, local enterprises, and SME, and ensure fund sufficiency and effective identification of the target group; and (iii) assisting and developing affected SMEs from deceleration in exports and tourism, changes in business models, disruptive technologies, consumer preferences, and demography, as well as foreign exchange volatility.

6) **Ensuring country's peacefulness, public order, and stable political conditions as well as balanced policy implementation** by harmonizing between measures for short-term economic management and long-term economic potential development, under the consideration of the current and future economic situations and stability. Thus, the political sentiment and government policy direction will not hinder the economic sentiment and confidence, particularly in trade, tourism, and investment sectors.

Projection for 2019 [1/]

	Actual Data		Projection for 2019	
	2017	**2018**	**May 21, 2019**	**Aug 19, 2019**
GDP (at current prices: Bil. Bht)	15,452.0	16,318.0	17,133.9	17,003.4
GDP per capita (Bht per year)	228,398.3	240,568.7	252,006.6	250,086.5
GDP (at current prices: Bil. USD)	455.3	505.0	542.2	545.0
GDP per capita (USD per year)	6,729.8	7,445.4	7,974.9	8,015.6
GDP Growth (CVM, %)	4.0	4.1	3.3 – 3.8	2.7 – 3.2
Investment (CVM, %)[2/]	1.8	3.8	4.5	3.8
Private (CVM, %)	2.9	3.9	4.5	3.7
Public (CVM, %)	-1.2	3.3	4.5	4.0
Private Consumption (CVM, %)	3.0	4.6	4.2	4.2
Government Consumption (CVM, %)	0.1	1.8	2.2	2.2
Export volume of goods & services (%)	5.4	4.2	2.3	-0.7
Export value of goods (Bil. USD)	233.7	251.1	257.7	248.1
Growth rate (%)[3/]	9.5	7.5	2.2	-1.2
Growth rate (Volume, %)[3/]	5.6	3.9	1.2	-1.7
Import volume of goods & services (%)	6.2	8.6	2.6	-0.5
Import value of goods (Bil. USD)	201.1	228.7	237.9	225.1
Growth rate (%)[3/]	13.2	13.7	3.5	-1.6
Growth rate (Volume, %)[3/]	7.3	7.7	2.0	-2.1
Trade balance (Bil. USD)	32.6	22.4	19.9	23.0
Current account balance (Bil. USD)	44.1	32.4	32.2	32.2
Current account to GDP (%)	9.7	6.4	5.9	5.9
Inflation (%)				
CPI	0.7	1.1	0.7 – 1.2	0.7 – 1.2
GDP Deflator	2.1	1.4	1.1 – 1.6	0.9 – 1.4

Source: Office of the National Economic and Social Development Council, 19th August 2019

Note: [1/] Data were calculated based on new National Accounts Office's Series, published on www.nesdc.go.th.

[2/] Investment means Gross Fixed Capital Formation.

[3/] Export and import is based on the Bank of Thailand's data, which is in compliance with the Balance of Payment recording system.