



Thai Economic Performance in Q2 and Outlook for 2013

Macroeconomic Strategy and Planning Office

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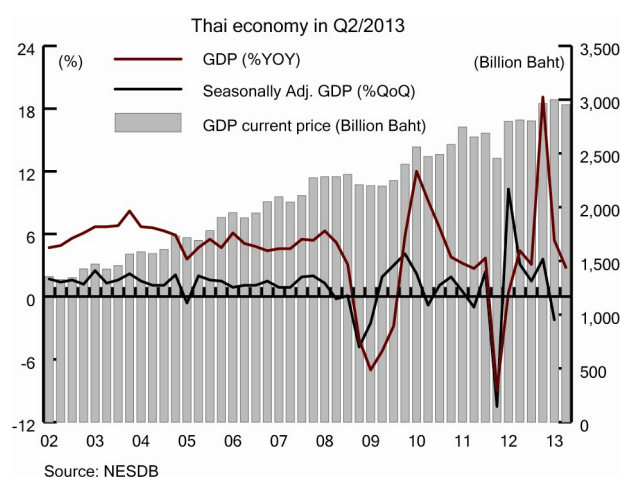
Economic Projection for 2013

(% YOY)	2012		2013		
	Q4	Year	Q1	Q2	Year
GDP (at 1988 price)	19.1	6.5	5.4	2.8	3.8-4.3
Total Investment (at 1988 price)	23.0	13.2	5.8	4.5	6.0
Private	20.9	14.4	2.9	1.9	4.0
Public	31.6	8.9	18.8	14.8	13.8
Total Consumption (at 1988 price)	12.4	6.8	3.8	3.0	2.6
Private	12.4	6.7	4.4	2.4	2.5
Public	12.5	7.5	2.9	5.8	3.6
Export of Goods (US\$)	18.2	3.1	4.5	-1.9	5.0
Volume	17.0	2.5	4.1	-1.5	5.0
Import of Goods (US\$)	16.4	8.8	6.4	0.2	6.5
Volume	16.9	7.1	8.4	3.3	7.8
Current Account to GDP (%)	0.2	0.8	0.0	-0.1	0.3
Inflation	3.2	3.0	3.1	2.3	2.3-2.8
Unemployment rate	0.5	0.7	0.7	0.8	0.7

- ❑ Thai economy in the second quarter of 2013 expanded by 2.8 percent, slowed down from 5.4 percent in the first quarter. After seasonal adjustment, Thai economy contracted by 0.3 percent.
- ❑ On the expenditure side, the expansion was driven by private consumption and investment. Nevertheless, the unfavorable global economic conditions and the Thai baht appreciation caused export to contract. On the supply side, the expansion was supported by hotels and restaurants, real estate, wholesale and retail, and financial sectors. Manufacturing production contracted due to the contraction of export-oriented industry.
- ❑ In the second half of 2013, supporting factors for economic expansion include (i) the improving global economic condition, (ii) the implementation of government measure to support economy to expand at its potential, (iii) the favorable investment climate as seen in the high application for BOI investment incentives, (iv) the inflationary pressure and policy rate remain low and in an accommodative level to support recovery of domestic demand, and (v) the tourism sector is expected to continue to expand at a high rate.
- ❑ Thai economy is forecasted to grow by 3.8 – 4.3 percent, with 2.3 – 2.8 percent headline inflation and current account surplus of 0.3 percent of GDP. Total consumption and total investment is projected to grow by 2.6 and 6 percent respectively.
- ❑ Economic management for the remaining of 2013 should emphasize on (i) Expediting the implementation of the government measure to support economy, as approved by the cabinet on the 6th of August 2013, especially the measures on accelerating government budget disbursement, measures to enhance export revenue, and measures to support private investment and consumption. (II) Accelerating investment that has been granted BOI incentive in order to strengthen private investment expansion in the latter half of the year which will face with a high base effect. (iii) Pumping the investment projects under the royal decree on investment loan for water resource management and future development, and financial bill for transport infrastructure development plan, to be ready for implementation in the fourth quarter. This will support the economic momentum as well as increase investor confidence and enhance long term economic growth potential, and (iv) Enhancing the tourism sector to induce short term growth and sustain long term potential. This will be achieved by improving both existing and new tourist spots to attract potential visitors, as well as upgrading quality of service to elevate value creation in tourism sector, and enhancing tourist safety and security which will boost the confidence over Thai tourism sector.

Thai economy in the second quarter of 2013 and Outlook for 2013

In the second quarter, Thai economy expanded by 2.8 percent, slowed down from 5.4 percent growth in the first quarter. On the expenditure side, the expansion was supported by the growth in private consumption and investment, despite deceleration from the high base effect. Export contracted due to unfavorable global economic conditions and the appreciation of Thai baht. On production side, the expansion was supported by the hotel and restaurant, real estate, wholesale and retail trade, and the banking sectors. Meanwhile, the manufacturing sector contracted in tandem with the export sector. Compared with the first quarter of in 2013, Thai economy contracted by 0.3 percent (%QoQ, sa). In the first half of 2013, the Thai economy expanded by 4.1 percent.



Thai Economy in the Second Quarter of 2013

- (1) **Private consumption** expenditure expanded by 2.4 percent, decelerating from 4.4 percent in the previous quarter due to a high base effect and the slowdown in domestic car sales. The expenditure on durable goods decelerated as the domestic car sales slowed down to 5.2 percent from 121.8 percent in the previous quarter while the sales of motorcycles shrank by 8.1 percent. Similarly, consumption of other goods decelerated in this quarter following weak recovery in farm income and a reduction of export income (in baht term). Meanwhile, Consumer Confidence Index about the overall economic situation was at 72.8, compared with 73.8 in the previous quarter.

In the first half of 2013, private consumption expenditure expanded by 3.4 percent.

- (2) **Total investment** expanded by 4.5 percent compared with 5.8 percent in the previous quarter, due to a high base effect in machinery and equipment investment. Private investment expanded by 1.9 percent, decelerating from 2.9 percent in the previous quarter due to a slowdown in machinery and equipment and construction investment that grew only by 0.6 and 7.1 percent respectively in this quarter. Nevertheless, prospect for new investments remains sound, as reflected by the application for investment incentives to the Board of Investment (BOI), representing an investment value of 358 billion baht, or a 72.0 percent increase. Public investment grew by 14.8 percent, decelerating from 18.8 percent in the previous quarter.

In the first half of 2013, total investment grew by 5.1 percent.

- (3) **Export value** in the second quarter of 2013 was recorded at 55.6 billion US dollars (1,662.1 billion baht) – a 1.9 percent contraction compared with 4.5 percent growth in the first quarter of 2013. The contraction was due to the slow recovery of global economy and the

appreciation of the Thai Baht. There was a contraction in the export values of agricultural commodities and manufacturing products. Key manufacturing goods with positive export growth rates include automobiles (12.2 percent), furniture and parts (8.5 percent), metal and steel (6.6 percent) and chemical products (10.0 percent). By contrast, key agricultural products with negative growth include rice (14.0 percent), rubber (16.8 percent), and tapioca (8.3 percent). Exports to major markets including US, EU (15), and Japan contracted by 3.5, 5.2, and 6.2 percent respectively, whereas exports to ASEAN (9), Hong Kong, and Australia continued to grow by 2.5, 7.8, and 16.3 percent consecutively. Export value in baht term contracted by 6.3 percent.

In the first half of 2013, export value grew by 1.2 percent in US dollar term, but declined by 3.0 percent in baht term.

- (4) **The agricultural sector** expanded by 0.1 percent, decelerated from 0.8 percent expansion in the first quarter. This was caused by the contraction of in-season rice production that was negatively affected by drought. Fish and other fishing products contracted due to early mortality syndrome (EMS) which continued to affect production. Meanwhile, agricultural production price index increased for the first time in 7-quarter, especially the price of cassava, fruit, livestock, and fish and other fishing products. This led to an expansion of higher farmers' income by 1.8 percent.

In the first half of 2013, agricultural sector expanded by 0.4 percent.

- (5) **Manufacturing sector** contracted by 1.0 percent compared with 4.9 percent growth in the first quarter, as reflected by MPI for export-oriented industries (with export ratio higher than 60 percent of total productions) which decreased by 13.8 percent due to the sluggish global economic recovery and the appreciation of Thai baht. However, the MPI of semi-export-oriented industries (with export ratio of 30-60 percent of total productions) rose by 8.6 percent owing to the continued growth in automobile production. The average capacity utilization was at 63.4 percent.

In the first half of 2013, manufacturing sector expanded by 2.0 percent.

- (6) **Construction sector** grew by 5.0 percent decelerated from 10.5 percent in the first quarter due to the slowdown in public investment to 2.4 percent. Nonetheless, the private construction continued to grow at a favorable rate of 7.1 percent, which is in line with the expansion in sales volume of cement and steel products by 10.6 and 22.0 percent respectively.

In the first half of 2013, construction sector grew by 7.6 percent.

- (7) **Hotels and restaurants sector** expanded considerably by 14.2 percent, continuing from 14.8 percent growth in previous quarter. This is in line with number of inbound tourists which stood at 5.9 million persons, increased by 21.3 percent compared with the growth rate of 18.9 percent in the previous quarter. The total revenue received was 278 billion baht, an increase of 27.8 percent. The average occupancy rate increased from 54.8 percent in the second quarter of 2012 to 60 percent.

In the first half of 2013, hotels and restaurants sector grew by 14.5 percent.

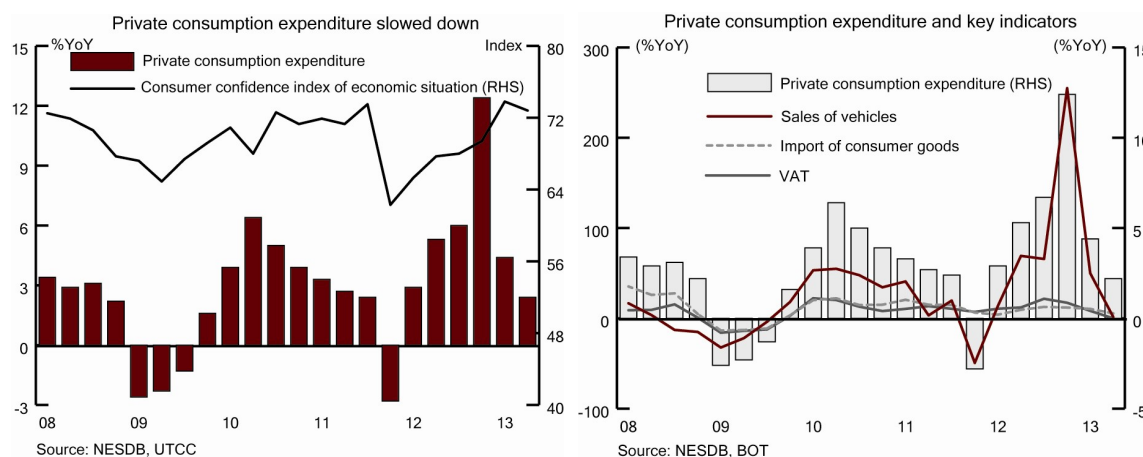
Thai Economic outlook for 2013

Thai economy in 2013 is projected to grow by 3.8 – 4.3 percent. Total consumption and total investment is expected to grow by 2.6 and 6 percent respectively. The headline inflation rate is expected to be in the range of 2.3 - 2.8 percent. There is expected to be a surplus in current account of 0.3 percent of GDP.

1. Economic Performance in Q2/2013

Expenditure Side:

Private consumption expenditure decelerated due to a high base effect and the diminishing impulse from the first-time-car-buyer scheme. In the second quarter of 2013, private consumption expenditure expanded by 2.4 percent, compared with 5.3 percent in the second quarter of 2012 and 4.4 percent in the first quarter of 2013. This was due to (i) a high base effect, (ii) the slowdown in domestic car sales, (iii) sluggish recovery in farm income, and (iv) the deceleration of household credit expansion. The expenditure on durable goods expanded at a slower pace as the domestic car sales slowed down to 5.2 percent from 121.8 percent in the previous quarter. Meanwhile, the sales of motorcycles and beer shrank by 8.1 and 3.4 percent respectively. Similarly, consumption of other goods decelerated in this quarter, partly due to the high base effect and slow recovery of farm income. Consumer Confidence Index about the overall economic situation was at 72.8, compared with 73.8 in the previous quarter. **In the first half of 2013**, private consumption expenditure expanded by 3.4 percent compared with the same period last year.

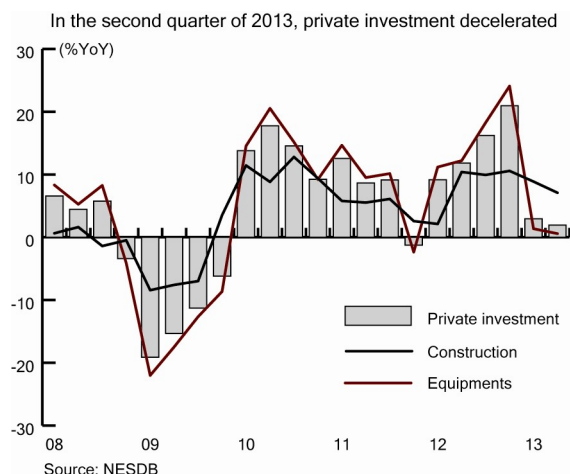


Private investment decelerated due to the abnormally high expansion in machinery and equipment investment in 2012, while investment in construction grew satisfactorily. In the second quarter of 2013, private investment expanded by 1.9 percent, decelerating from 11.8 percent in the same period last year and 2.9 percent in the previous quarter. This was due to machinery and equipment investment that grew only by 0.6 percent compared with 1.4 percent in the previous quarter. Import volume of capital goods contracted by 10.3 percent due to a rush of import capital goods in the post-flood recovery period. Meanwhile, domestic commercial car sales grew by 1.5 percent, representing a sharp deceleration compared with the rate of 88.9 percent in the second quarter of 2012 and 17.1 percent in the first quarter of 2013. Construction investment in this quarter increased by 7.1 percent, decelerating from the rate of 8.9 percent in the previous quarter. The growth in steel and cement sales was 22.0 and 10.6 percent respectively. The deceleration in private investment is in line with the Business Sentiment Index (BSI) which reduced from 52.2 in the first quarter to 50.9 in this quarter. Similarly, the expected BSI for the next 3-month reduced to 54.7 from 56.6 in the previous quarter. Nevertheless, prospect for new investments remains sound, as reflected by the number of projects applying for investment incentives to the Board of Investment (BOI), representing an investment value of 358 billion baht, or a 72.0 percent increase compared with the same period last year. **In the first half of 2013**, private investment grew by 2.4 percent.

Expenditure in the second quarter of 2013 decelerated from the first quarter due to contraction in export. Meanwhile, private consumption expenditure and private investment decelerated.

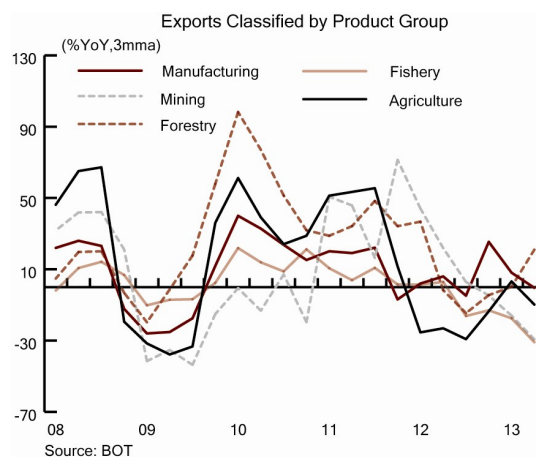
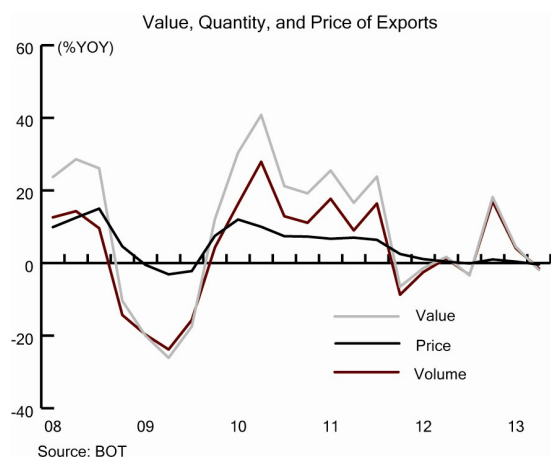
Private consumption expenditure decelerated to 2.4 percent as expenditure on durable goods slowed down due to the diminishing impulse from the first-time-car-buyer scheme.

Private investment expanded by 1.9 percent, decelerating from 2.9 percent in the previous quarter due to machinery and equipment investment which grew at an abnormally high in the same period last year, while investment in construction grew satisfactorily.



Exports contracted as a result of a slower-than-expected of global economic recovery and the appreciation of the Thai Baht. Export value in the second quarter of 2013 was recorded at 55.6 billion US dollars (1,662.1 billion baht) – a 1.9 percent contraction compared with a 1.7 and 4.5 percent growth in the second quarter of 2012 and the first quarter of 2013 respectively. The contraction was due to the slow recovery of global economy, especially the significant deceleration of the Chinese economy, and the appreciation of the Thai Baht. The export quantity declined by 1.5 percent from the same period last year, while export price contracted by 0.4 percent. Export value (excluding unwrought gold) declined by 1.4 percent. In baht term, the value of exports contracted by 6.3 percent compared with an expansion of 0.5 percent in the previous quarter. **In the first half of 2013**, export value was recorded at 111.7 billion US dollars, representing an expansion of 1.2 percent. In baht term, export value was recorded at 3,335.7 billion baht, declined by 3.0 percent.

Export value (in US dollars term) contracted by 1.9 percent compared with 4.5 percent expansion in the previous quarter. Export value (in baht term) contracted by 6.3 percent due to a slower-than-expected of global economic, and the appreciation of the Thai baht.



Export value of agricultural commodities shrank by 9.8 percent. This was due to the quantity and price of exports which declined by 6.9 and 3.1 percent respectively as the global market remained sluggish. The value of **rice** export continued to decrease by 14.0 percent following a contraction of 18.8 percent in export quantity, despite an increase in the price of 4.9 percent. Similarly, the export of **tapioca** also declined due to export quantity, in spite an expansion in price. Furthermore, despite a low base effect, the export value of **rubber** declined by 16.8 percent mainly due to a drop in export price. **Sugar** export decreased, as export price and quantity dropped. **The export value of manufacturing products** contracted by 0.4 percent compared with 8.1 percent growth in the previous quarter. Furthermore, the quantity of export declined by 0.7 percent compared with a 7.0 percent expansion in the first quarter. The goods with high export growth rates include automobiles, chemicals, furniture and parts, and jewellery, which grew by 12.2, 10.0, 8.5 and 7.6 percent respectively.

Export value of major commodities

%YoY	2012							2013						
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Apr	May	Jun	Shared Q2/13
Agriculture	-22.1	-24.3	-21.7	-25.4	-23.1	-29.2	-13.6	-3.0	3.2	-9.8	-6.5	-16.7	-4.3	7.0
Rice	-28.0	-37.8	-16.3	-38.7	-36.9	-34.1	5.0	-3.4	8.6	-14.0	-8.4	-26.0	-0.5	1.8
Rubber	-31.1	-27.0	-35.4	-26.6	-27.5	-39.7	-30.6	-12.3	-8.7	-16.8	-8.1	-22.0	-20.5	3.1
Tapioca	9.0	7.1	10.8	-10.5	33.3	11.1	10.6	13.2	34.9	-8.3	-19.3	-3.7	0.9	0.8
Industry	6.1	4.0	8.1	2.0	6.0	-4.8	25.4	3.7	8.1	-0.4	5.2	-4.5	-0.7	89.2
Agro Manufacturing Product	4.1	7.9	0.3	12.9	3.6	-3.3	4.4	-2.4	-1.7	-3.1	3.6	-9.1	-2.2	13.1
Sugar	8.9	17.1	-4.9	40.8	3.1	8.7	-27.0	-29.2	-37.4	-22.6	-23.6	-30.8	-9.0	2.1
Apparels and textile materials	-12.0	-15.5	-8.3	-15.3	-15.7	-15.5	0.5	4.0	1.3	6.8	8.2	8.2	4.4	3.4
Electronics	0.9	-2.2	4.2	-8.3	3.8	-14.7	34.4	-3.0	3.6	-8.6	-3.8	-12.6	-8.7	14.5
Electrical Appliances	2.2	-3.3	8.4	-7.9	1.0	-8.7	35.2	5.3	13.4	-1.4	6.9	-3.7	-5.9	5.6
Automotive	26.3	16.4	36.3	2.6	33.7	10.3	77.0	14.4	16.8	12.2	20.1	5.9	12.7	13.9
Metal & Steel	21.3	-2.9	45.9	-5.4	-0.6	24.0	72.3	30.1	55.9	6.6	14.6	6.1	0.7	4.6
Chemicals	2.1	2.2	2.0	8.3	-2.9	1.6	2.3	12.8	15.9	10.0	17.9	4.8	9.0	4.2
Furniture and Parts	-3.2	-6.2	-0.2	-7.0	-5.4	-7.9	8.5	6.3	4.1	8.5	14.3	9.3	3.0	0.6
Gold	12.8	-23.4	62.3	-14.7	-34.1	130.1	-36.0	-64.6	-86.8	-29.1	-31.2	172.7	-53.6	1.3

Source: BOT

Major Export Market

(%YOY)	2012							2013						
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Apr	May	Jun	Shared Q2/13
USA	4.6	3.4	5.8	2.1	4.6	-1.2	14.3	-0.5	2.6	-3.5	8.3	-6.9	-9.4	10.0
Japan	-1.6	-3.8	0.4	-6.3	-1.3	-6.5	9.0	-2.5	1.5	-6.2	3.2	-7.6	-11.9	10.1
EU (15)	-9.2	-12.3	-5.9	-16.9	-7.5	-19.3	13.4	1.4	8.7	-5.2	0.8	-12.1	-2.4	8.6
ASEAN (9)	5.0	8.1	1.1	9.2	7.1	-10.3	15.2	4.1	5.9	2.5	3.5	-1.2	5.5	26.8
Hong Kong	9.6	-7.4	28.5	-6.5	-8.4	9.8	59.2	9.6	11.2	7.8	12.7	1.1	9.7	5.3
Middle East	12.8	8.2	17.9	6.5	9.8	4.5	36.2	-0.8	5.4	-6.9	3.5	-17.3	-2.3	4.9
China	2.5	7.5	-2.3	1.4	13.7	-12.2	9.9	-3.6	7.3	-13.4	-6.6	-16.3	-16.7	10.8
Australia	22.1	4.3	40.1	-9.6	20.5	23.7	64.9	24.4	33.6	16.3	22.7	22.7	6.0	4.6
Total Export	3.1	0.3	5.7	-1.4	1.9	-4.2	18.5	1.0	4.3	-2.2	3.0	-5.2	-3.4	100.0
Total Export by Balance of Payment	3.1	0.2	6.1	-1.4	1.7	-3.4	18.2	1.2	4.5	-1.9	3.8	-5.1	-3.5	98.6

Source: BOT

Export markets: exports to major markets contracted, while exports to ASEAN(9), Hong Kong, and Australia expanded. Exports to major markets including US, EU(15), and Japan contracted by 3.5, 5.2, and 6.2 percent respectively, despite the low base effect and the improvement of these economies. Meanwhile, exports to ASEAN(9), Hong Kong, and Australia continued to grow by 2.5, 7.8, and 16.3 percent consecutively.

Imports continued to grow, despite a contraction in export: Import in US dollar term was recorded at 56.1 billion US dollars in the second quarter of 2013. This represented an expansion of 0.2 percent, decelerating from 6.4 percent in the previous quarter. Import quantity increased by 3.3 percent due to an increase in import quantity of all categories, especially raw materials. Meanwhile, the price of imports continually declined by 3.0 percent, a fourth consecutive quarter reduction, following the contraction in prices of world crude oil, and other key commodities in the global market, as well as the appreciation of the Thai baht. In Thai

Import in US dollar term grew at a decelerated pace of 0.2 percent, with an import value of 56.1 billion US dollars.

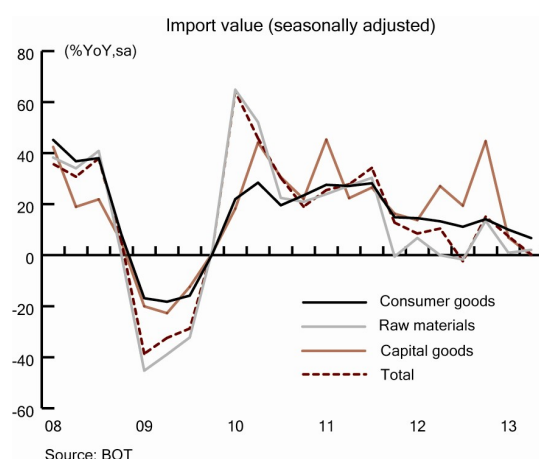
baht term, the value of import was recorded at 1,676.2 billion baht, or decline by 4.3 percent. **In the first half of 2013**, , import value was recorded at 112,512 million US dollars, a growth rate of 3.7 percent. In baht term, import value was recorded at 3,335.7 billion baht, or a decline of 3.0 percent.

Import Quantity Indices

Import Quantity Indices (%YOY)	2012							2013					
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Apr	May	Jun
Consumer goods	10.1	8.2	12.9	6.3	10.2	11.5	14.5	6.7	8.3	5.0	12.0	0.6	3.5
Raw materials	2.9	0.7	6.3	1.6	0.0	-1.4	15.5	5.2	2.9	7.2	12.0	3.0	7.3
Capital goods	23.3	17.5	29.1	11.8	23.5	17.3	42.4	1.7	3.1	0.4	5.0	-0.5	-3.4
Total	6.1	7.2	7.0	4.3	10.0	-1.6	16.9	5.8	8.4	3.3	10.5	-3.0	3.4

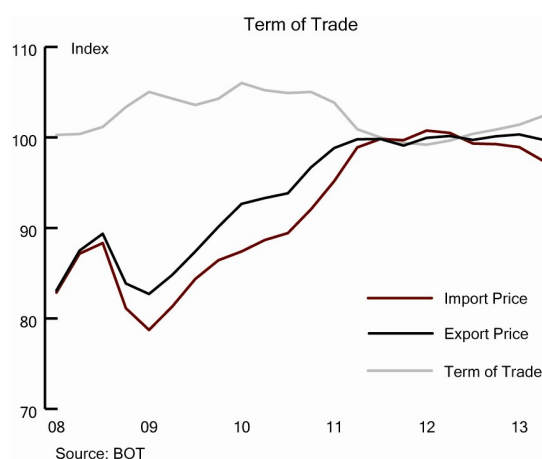
Source: BOT

After seasonal adjustment, the import of raw materials expanded, while import of consumer goods decelerated. Meanwhile, there was a slight contraction in the import of capital goods due to a high base effect. **The import value of raw materials** expanded by 2.1 percent, accelerated from 0.7 percent in the previous quarter. This was mainly due to the import of fuels, especially crude oil, natural gas, and petroleum products. **The import value of capital goods** contracted by 0.1 percent compared with an expansion of 3.7 percent in the previous quarter. This contraction was a result of the decline in import value of machinery, equipment, and supplies, including computers and power-generating machinery and parts. Furthermore, this was also partly due to high base effect from import in post-flooded recovery. **The import value of consumer goods** expanded by 6.7 percent, decelerating from 9.4 percent in the previous quarter as there was a slowdown in private consumption expenditure and a high base effect from the previous year caused by flood recovery-related spending. The products which expanded at a slower pace included food, beverage, and dairy products, toiletries and cosmetics, and furniture and parts.



Term of trade improved from the previous quarter. Import price decreased by 3.0 percent, while export price decreased by 0.4 percent. The price of imports declined at a higher rate than the price of exports, thus, term of trade improved from 101.4 in the first quarter to 102.4 in the second quarter of 2013.

Term of trade improved from the previous quarter.



Trade balance recorded a deficit of 497 million US dollars (equivalent to 13.05 billion baht) compared with a deficit of 271 million US dollars (equivalent to 9.36 billion baht) in the previous quarter, and a surplus of 706 million US dollars (equivalent to 23.03 billion baht) in the same period last year. This was due to the decline of export value by 1.9 percent and the expansion in import value by 0.2 percent. **In the first half of 2013**, there was a trade deficit of 768 million US dollars, compared with the surplus of 1,424 million US dollars of the same period in previous year.

Trade balance recorded a deficit.

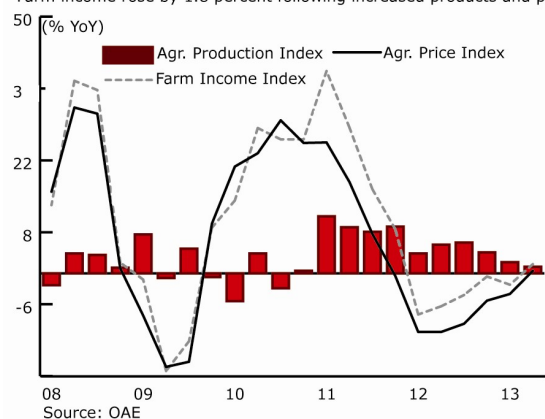
❑ Production side:

Agricultural sector production decelerated while the price and farmers' income rose. In the second quarter, the production expanded by 0.1 percent, decelerated from 0.8 percent expansion in the first quarter. This was caused by the contraction of in-season rice production that was affected by drought. However, other major agricultural outputs increased, including rubber (17.3 percent), oil palm (13.5 percent) and fruit (11.1 percent). The improvement in other major agriculture production was owing to (i) increased in harvested area for rubber production in the northern and north-eastern regions, (ii) increased in production areas for oil palm, and (iii) favorable climate for fruit plantation. Similarly, livestock production expanded by 1.5 percent due to higher demand for bovine and swine in domestic and foreign markets. Under these circumstances, agricultural product index continued to increase by 1.3 percent for an eleven consecutive quarters. Additionally, agricultural production price index increased for the first time in 7-quarter by 0.5 percent. In detail, price of cassava, sugarcane, swine, and egg rose by 17.8, 5.2, 9.4, and 15.1 percent, respectively. On the contrary, price of rubber and oil palm decreased due to lower global demand and high inventory in the global market. The rise of agricultural production and price led to higher farmers' income which expanded by 1.8 percent compared with 1.9 percent contraction in previous quarter.

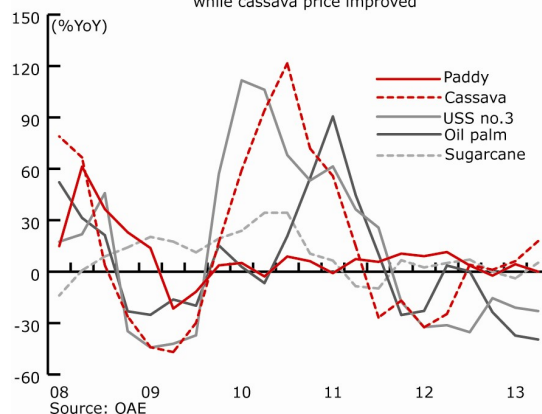
Agricultural sector continuously grew by 0.1 percent but decelerated from 0.8 percent in previous quarter. The expansion was owing to an increase in production of rubber, oil palm, fruit, and livestock.

In the first half of 2013, agricultural sector expanded by 0.4 percent, while agricultural production index increased by 1.7 percent. However, agricultural production price index and farmers' income contracted by 1.8 and 0.1 percent, respectively.

Farm income rose by 1.8 percent following increased products and price



Natural rubber and oil palm prices continuously contracted while cassava price improved

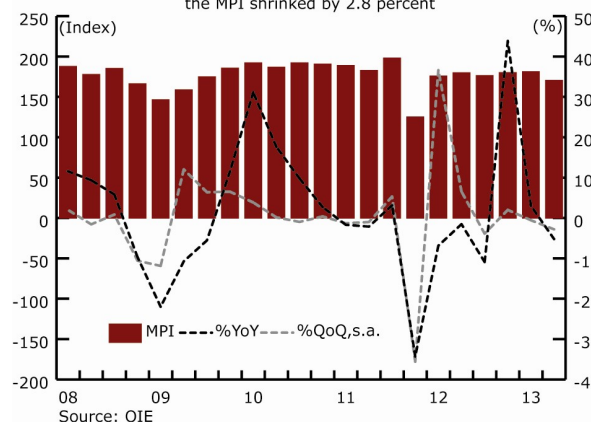


Manufacturing sector contracted by 1.0 percent compared with 4.9 percent growth in the first quarter. This contraction was caused by lower production in export-oriented industries (export ratio higher than 60 percent of total production) following the sluggish global economic recovery and the appreciation of Thai baht. Similarly, production for domestic demand also decreased. As a result, Manufacturing Product Index (MPI) contracted by 5.2 percent. In detail, MPI for export-oriented industries decreased by 13.8 percent. This was mainly driven by the contraction in aquatic product processing (30.0 percent), garment (7.1 percent), office appliances (17.8 percent), electronic tube (2.0 percent) and television and radio receivers (85.6 percent). Similarly, domestic-oriented industries (export ratio less than 30 percent of total production) also contracted by 1.3 percent as production in petrochemical industry decreased by 11.9 percent following a temporary closure for maintenance in oil refinery and gas distillery in major players. However, the MPI of semi-export-oriented industries (export ratio of 30-60 percent of total production) sluggishly rose by 8.6 percent, decelerated from 26.6 percent in the first quarter. This was a result of the slowdown in automobile production which expanded by 11.9 percent compared with 47.4 percent expansion in the first quarter. After seasonal adjustment, production of the manufacturing sector contracted by 3.6 percent compared with the previous quarter. The average capacity utilization was at 63.4 percent.

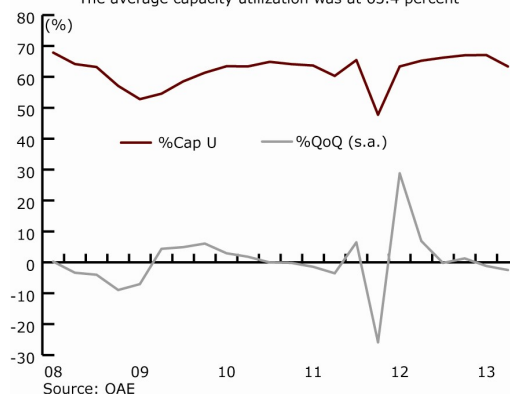
In the first half of 2013, manufacturing sector expanded by 2.0 percent. Manufacturing Product Index (MPI) decreased by 1.1 percent and the average capacity utilization was at 65.2 percent.

Manufacturing sector contracted by 1.0 percent due to decreased production of export-oriented industries.

MPI contracted by 5.2 percent, after seasonally adjusted the MPI shrank by 2.8 percent



The average capacity utilization was at 63.4 percent



Construction sector grew by 5.0 percent decelerated from 10.5 percent in the first quarter following the deceleration in public sectors, which rose by 2.4 compared with 13.4 in the first quarter. Meanwhile, private sector expanded by 8.9 percent and 7.1 percent in the first and second quarter respectively. This was in line with an increase in sale volume of cement and steel products by 10.6 and 22.0 percent, respectively. However, permitted construction areas declined by 11.8 percent compared with 4.0 percent growth in the first quarter. Furthermore, construction material price decreased by 0.1 percent caused by a declined in steel price of 8.4 percent as China steel stock remained high and price of ore sore.

In the first half of 2013, construction sector grew by 7.6 percent.

Real estate sector expanded by 3.9 percent compared with 5.3 percent in previous quarter. On demand side, demands for housing remained strong but slightly decelerated from the first quarter. This was reflected by the expansion of personal loan for real estate which grew by 12.2 percent compared with 12.4 percent in the first quarter. On supply side, key indicators perpetually expanded especially in ownership transfers for housing within Bangkok and vicinities (72.1 percent), credit extended to developers (12.8 percent), and number of new projects (25.3 percent). Likewise, price of all real estate increased including land (9.2 percent), detached house (6.2 percent), townhouse (5.2 percent) and condominium (4.3 percent).

In the first half of 2013, real estate sector grew by 4.6 percent.

Hotels and restaurants sector favorably grew owing to a higher-than-expected number of inbound tourists in the second quarter. Hotels and restaurants sector expanded by 14.2 percent, a comparable level with the first quarter expansion of 14.8 percent. In addition, number of inbound tourists and total revenue received stood at 5.9 million persons and 278,297 million baht, accelerated from the same period last year by 21.3 and 27.8 percent respectively. Moreover, average occupancy rate increased to 60.0 percent from 54.8 percent in the same quarter last year.

The supporting factors were (i) the high potential of Thailand as a tourist destination as reflected by the recognition in the global perspective, for example the 2013 World's Best City Award conferred on Bangkok's most attractive tourism destination and the 2013 World's Top Travel Hotspot bestowed on most attractive tourist spot of the world, and (ii) the indirect benefit from the East-China sea conflict.

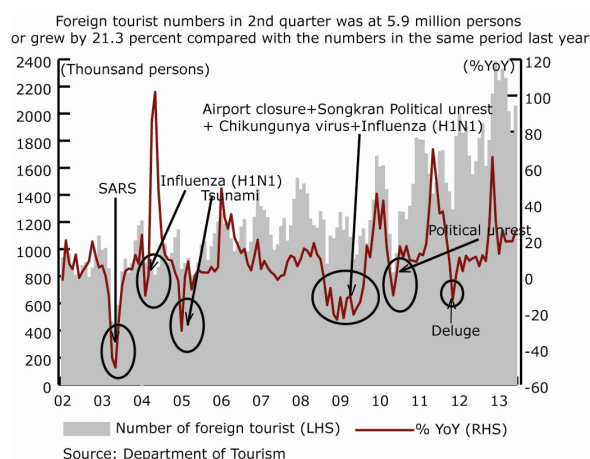
The rise of number of inbound tourists was mostly contributed by the expansion of Chinese (96.6 percent), Russian (57.4 percent) and Malaysian (27.3 percent) tourists. Major five of inbound tourists were Chinese (19.5 percent), Malaysian (12.0 percent), Japanese (5.5 percent), Korean (4.3 percent), and Russian (3.1 percent).

In the first half of 2013, hotels and restaurants sector grew by 14.5 percent.

Construction sector grew by 5.0 percent, decelerated from 10.5 percent in previous quarter following a drop in public and a rise in private public sectors.

Real estate sector expanded by 3.9 percent, due to the expansion of both demand and supply.

Hotels and restaurants sector favorably grew by 14.2 percent with 5.9 million tourists or grew by 21.3 percent



Number and Growth of Tourists Classified by Nationality

	2011	2012							2013		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
(% YoY)											
Total	20.7	16.0	8.9	23.3	8.1	9.8	8.6	39.3	20.0	18.9	21.3
China	53.4	62.1	33.9	91.0	22.2	47.9	46.9	162.9	95.1	93.5	96.6
Malaysia	21.4	2.4	-3.9	8.4	7.2	-13.7	-9.3	28.6	14.0	1.9	27.3
Japan	13.5	21.6	10.2	33.0	5.4	16.4	9.0	70.6	17.3	22.1	11.9
Russia	63.5	25.0	18.7	32.2	16.7	23.5	24.2	35.1	35.7	26.0	57.4
Korea	24.9	16.2	3.6	29.4	1.3	6.4	9.7	56.0	13.8	19.8	6.6
Shared (%)											
China	9.0	12.5	11.0	13.9	10.1	12.1	14.4	13.4	17.9	16.4	19.5
Malaysia	13.0	11.5	11.0	11.9	10.7	11.4	11.6	12.1	10.5	9.2	12.0
Japan	5.9	6.1	5.9	6.4	5.8	5.9	7.0	5.9	5.7	6.0	5.5
Russia	5.5	5.9	4.1	3.7	8.1	4.2	3.0	7.7	3.5	8.6	3.1
Korea	5.2	5.2	5.0	5.4	5.1	4.9	5.8	5.1	4.8	5.1	4.3

Source: Department of Tourism

Wholesale and retail trades sector slowed down in line with domestic demand conditions. The sector expanded by 2.9 percent, decelerated from 5.1 percent in the first quarter, which was a broad base deceleration, particularly food and beverage, automobile, fuel and machinery. This was consistence with the deceleration of consumer confidence index, sluggish recovery of farmers' income, as well as contraction of manufacturing production. However, retail trades in department stores still expanded.

In the first half of 2013, wholesale and retail trades increased by 4.1 percent.

Wholesales and retail sales indices

% YOY	2011	2012							2013		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	5M	Q1	Apr-May
Retail sales index	11.1	18.3	8.1	16.9	8.0	16.7	14.3	36.8	8.0	9.9	0.5
Food and beverages	-13.1	-16.3	-50.2	-20.6	-50.2	-20.6	-9.6	45.7	81.8	99.0	57.3
Motor vehicles and fuel	1.2	28.9	10.4	27.4	10.4	27.4	23.2	62.2	9.9	14.1	3.8
Department stores and supermarket	6.8	8.8	7.5	8.5	7.5	8.5	9.6	11.2	4.8	4.4	5.4
Wholesales index	17.3	20.0	19.4	22.6	19.4	22.6	7.9	32.4	6.7	11.4	-0.4
Agricultural raw material and live animals	11.6	-12.8	-18.3	-15.8	-18.7	-16.6	-15.7	1.8	-0.9	-1.9	0.7
Fuel	9.7	16.0	16.4	7.5	16.3	7.4	16.6	24.2	4.4	6.7	1.0
Machinery and equipment	6.3	18.6	5.9	21.0	5.7	20.8	10.7	42.1	17.3	26.7	3.8

Source: BOT

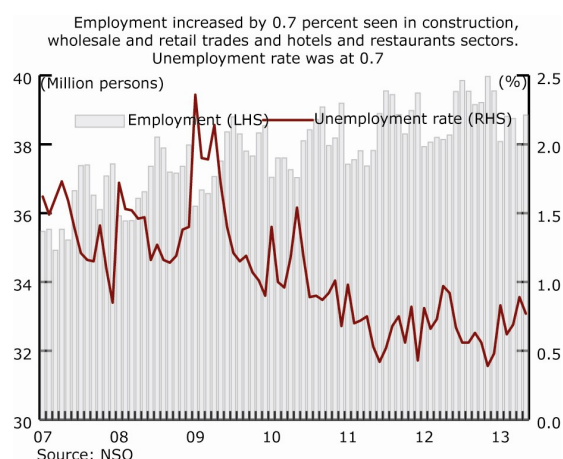
Employment in the second quarter of 2013 stood at 38.44 million persons or expanded by 0.7 percent, decelerated from the first quarter and the same period last year which rose by 1.3 and 1.5 percent, respectively. The deceleration was caused by 0.2 percent shrinkage in agricultural sector. However, non-agricultural sector expanded by 1.3 percent, comparable to an expansion level of 1.4 percent in previous quarter. This was reflected by acceleration of employment in (i) hotels and restaurants sector (154,940 persons), (ii) construction sector (144,077 persons), and (iii) wholesale and retail trades (112,023 persons). However, employment in manufacturing sector decreased by 0.7 percent in accordance with a slowdown in production.

The average unemployment was recorded at 289,507 persons declined by 44,617 persons from the same period last year. Thus, the unemployment rate remained low at 0.7 percent. In addition, overall labor market condition was less tight reflected by the stable job vacancies to new registered applications ratio that lowered to 0.6 compared with 0.9 in the previous quarter.

Wholesale and retail trades increased by 2.9 percent, slowed down from 5.1 percent in the previous quarter due to deceleration of domestic demand.

Employment expanded by 0.7 percent, decelerated from the first quarter and the same period last year following the contraction in agricultural sector. However, employment in non-agricultural sector improved, especially in hotels and restaurants, construction and wholesale and retail trades sectors. The unemployment rate remained low at 0.7 percent.

In the first half of 2013, employment expanded by 1.0 percent while the average unemployment rate stood at 0.7 percent.



Employed Persons by Industry

%YOY	2011	2012							2013		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Employed (100%)	1.2	1.2	1.2	1.3	1.0	1.5	0.7	1.8	1.0	1.3	0.7
- Agricultural (35.9%)	2.4	3.7	3.8	3.6	2.3	5.2	3.4	3.8	0.3	1.2	-0.2
- Non-Agricultural (64.1%)	0.4	-0.3	-0.3	-0.4	0.2	-0.8	-1.2	0.5	1.4	1.4	1.3
Manufacturing (15.1%)	1.9	1.8	2.1	1.4	2.4	1.8	1.0	1.9	0.1	1.1	-0.7
Construction (7.5%)	0.0	5.1	0.5	10.8	-1.0	0.1	7.7	14.1	6.2	6.0	5.6
Hotel and Restaurant (6.3%)	-3.2	-9.4	-12.4	-6.2	-10.5	-14.3	-11.4	-0.5	6.4	4.4	6.9
Wholesale (16.2%)	-3.6	-0.7	-0.2	-1.3	-0.9	0.6	-1.6	-0.9	2.4	3.5	1.9
Unemployment (Hundred thousand persons)	2.6	2.6	3.1	2.1	2.8	3.4	2.3	1.9	2.8	2.8	2.9
Unemployment Rate (%)	0.7	0.7	0.8	0.5	0.7	0.9	0.6	0.5	0.7	0.7	0.7
Of Which under employment (Hundred thousand persons)	3.8	3.5	3.7	3.3	3.5	3.8	3.0	3.6	na.	3.9	na.

Source: National Statistical Office

❑ Fiscal Condition

On the revenue side, in the third quarter of fiscal year 2013 (April – June 2013) net government revenue collection stood at 638,618.0 million baht, increased by 17,793.9 million baht (or 2.9 percent) compared to the same period of last year. The slight increase in revenue collection was contributed by (i) sound performance in the petroleum sector in 2012 which caused collection on the petroleum tax to increase by 17,256.7 million baht (or 23.3 percent), and (ii) excise tax on automobile that still received windfall from first-time-car-buyer scheme and caused the collection to rise by 10.6 percent. Nevertheless, tax collection in this quarter fell short from target by 1.9 percent. This was the result of corporate tax collection was lower than target by 11.2 percent as most of businesses were in post-flood recovery state in 2012 and value added tax (VAT) was slightly lower than target by 4.9 percent following a slowdown in import.

For the first 9-month of fiscal year 2013, net government revenue collection stood at 1,616,682.2 million baht, higher than the collection in the same period of last year and target set by the authority by 12.9 and 5.3 percent respectively.

On the expenditure side, the total budget disbursement in the third quarter of fiscal year 2013 was at 602,357.4 million baht, increased by 14.7 percent comparing to the same period of last fiscal year. The budget disbursement in the quarter comprised of current budget of 413,612.8 million baht (increased by 6.6 percent) and capital budget of 188,744.6 million baht (increased

Fiscal condition in the third quarter of fiscal year 2013, net government revenue collection was lower than target by 1.9 percent but increased from the same period of last year by 2.9 percent. Similarly, budget disbursement for the 2013 annual budget and the royal decree on investment loan for water resource management and future development fell short from target.

The total revenue collection was higher than target especially the petroleum tax and excise tax on automobile, nevertheless, collection of corporate tax, VAT and import duty were under target.

by 38.0 percent). Furthermore, the budget disbursement can also be classified by the sources of funding as follows **(i) the 2013 annual budget** disbursement of 452,518.4 million baht, or equivalent to 18.9 percent of the total budget which was lower than set target of 25 percent. The annual budget disbursement comprised of current budget of 402,348.5 million baht (higher than the same period of last year) and capital budget of 50,169.9 million baht (equivalent to 12.6 percent of the total allocated budget which is lower than set target of 25 percent). The lower-than-expected capital budget disbursement were due to the acceleration in disbursement process during the first two quarter of 2013 fiscal year and obstacles in carry out the capital budget, especially the shortage of contractors and delayed in bidding process. Nevertheless, accumulated annual budget disbursement, for the first 9-month, was in line with target. **(ii) Carry-over budget** disbursement of 30,784.4 million baht increased from the same period of last year by 27.6 percent as the value of total carry-over budget for fiscal year 2013 is higher than the previous year (disbursement rate was at 10.3 percent slightly improved from 2012), **(iii) Off-budget Loan** disbursement of 9,449.9 million baht which include the TTK stimulus package II disbursements of 1,475.4 million baht, the disbursement of Development Policy Loan (DPL) of 3,048.3 million baht, and the royal decree on investment loan for water resource management and future development of 4,926.2 million baht with accumulated disbursement totaled at 11,886.4 million baht or 3.4 percent of the allocated budget, and **(iv) State-owned-enterprise's (including PTT public company limited) capital budget** disbursement was at 109,604.7 million baht, significantly improved by 47,680 million baht or 84.0 percent from the same period of last year, most of which was contributed by the disbursement of State Railway of Thailand, Mass Rapid Transit Authority of Thailand and PTT public company limited.

Fiscal balance, in the third quarter of fiscal year 2013, the cash balance before financing recorded a surplus of 171,405.4 million baht with surplus in both budget and non-budgetary balance of 160,857.8 and 10,547.5 million baht respectively. Furthermore, the government conducted a cash balance management through borrowing in the amount of 57,938.7 million baht. Thus, the treasury reserve at the end of June 2013 recorded at 423,497 million baht, slightly lowered than the previous year by 1,400 million baht or equivalent to 0.3 percent reduction.

For the first 9-month of fiscal year 2013, the government budget and non-budgetary balances recorded deficit of 238,999.6 and 119,536.3 million baht respectively. Moreover, the government conducted a cash balance management through borrowing total at 221,696.7 million baht, the ceiling for borrowing in fiscal year 2013 is at 300,000 million baht.

Public debt at the end of June 2013 amounted to 5,209,332 million baht, equivalent to 44.1 percent of GDP, increased from previous quarter and the end of last fiscal year by 135,300 and 272,100 million baht respectively. The component of public debt consisted of government debt at 3,642,122 million baht (69.9 percent), non-financial institution SOEs debt at 1,076,174 million baht (20.7 percent), and financial institution SOEs debt (government guarantee) at 490,222 million baht (9.4 percent).

Public debt to GDP equivalent to 44.1 percent.

Fiscal Balance

	2012								2013				
	Year	H1	H2	Q1	Q2	Q3	Q4	9M	H1	Q1	Q2	Q3	9M
Government Revenue	1,975.6	811.3	1,164.4	398.5	412.8	620.8	543.5	1,432.1	978.1	508.3	469.8	638.6	1,616.7
YOY (%)	4.4	2.8	5.6	0.7	4.8	3.9	7.5	3.3	20.6	27.6	13.8	2.9	12.9
Compared with the target (%)	-0.2	4.1	-3.0	4.2	4.0	-3.3	-2.7	0.8	10.6	16.1	5.3	-1.9	5.3
Budget Disbursement	2,148.4	1,172.0	976.4	439.2	732.9	435.5	540.9	1,607.5	1,212.6	699.8	512.8	452.5	1,655.1
YOY (%)	4.8	-10.5	34.4	-20.7	41.8	-16.6	18.1	0.9	3.5	59.3	-30.0	3.9	3.6
Compared with the target (%)	-2.7	5.2	-8.0	-1.5	6.8	-5.7	-2.3	-0.5	6.5	9.2	-2.6	-6.1	0.4
Public Debt End of period	4,937.2	4,473.1	4,937.5	4,297.9	4,473.1	4,810.0	4,937.2	4,810.0	5,074.0	4,961.3	5,074.0	5,209.3	5,209.3
Public Debt to GDP (%)	43.9	41.5	44.5	40.8	41.5	43.7	43.9	43.7	44.1	43.7	44.1	44.3	44.3

Source: FPO & GFMIS

Government Revenue

	2012								2013				
	Year	H1	H2	Q1	Q2	Q3	Q4	9M	H1	Q1	Q2	Q3	9M
Revenue Department	1,617.3	601.9	1,015.4	278.7	323.1	536.5	478.9	1,138.4	703.0	346.6	356.4	575.4	1,278.4
YOY (%)	6.7	10.1	4.8	6.5	13.5	4.1	5.5	7.2	16.8	24.4	10.3	7.3	12.3
Compared with the target (%)	-0.5	3.3	-2.5	2.4	4.0	-2.5	-2.6	0.5	5.5	8.2	2.9	-2.0	2.0
Custom Department	118.9	57.9	61.1	27.2	30.6	31.5	29.6	89.3	58.7	31.1	27.6	26.3	85.0
YOY (%)	15.6	13.5	17.7	7.2	19.7	30.6	6.5	19.0	1.4	14.1	-10.0	-16.4	-4.9
Compared with the target (%)	12.7	9.6	15.9	-1.0	21.1	23.6	8.7	14.2	1.4	2.7	0.0	-5.4	-0.8
Net Revenue	2,355.3	952.0	1,403.3	451.7	500.3	721.6	681.7	1,673.6	1,139.8	581.9	557.9	773.2	1,912.9
YOY (%)	5.9	3.3	7.7	0.1	6.3	4.5	11.4	3.8	19.7	28.8	11.5	7.2	14.3
Compared with the target (%)	0.4	2.2	-0.9	1.5	2.8	-2.5	0.9	0.1	10.5	15.8	5.6	-1.1	5.5
Net Government Revenue	1,975.6	811.3	1,164.4	398.5	412.8	620.8	543.5	1,432.1	978.1	508.3	469.8	638.6	1,616.7
YOY (%)	4.4	2.8	5.6	0.7	4.8	3.9	7.5	3.3	20.6	27.6	13.8	2.9	12.9
Compared with the target (%)	-0.2	4.1	-3.0	4.2	4.0	-3.3	-2.7	0.8	10.6	16.1	5.3	-1.9	5.3

Source: Ministry of Finance

Government Expenditure

Fiscal Year (Bil baht)	Year 2011	Q1/12	Q2/12	Q3/12	Q4/12	Q1/13	Q2/13	H1/13	Q3/13	9M
budget disbursement	2,684.9	575.2	843.9	525.1	740.8	984.0	969.6	1,653.6	602.4	2,256.0
YOY (%)	9.7	-15.3	35	-12.5	36.1	68.6	-19	16.5	14.7	16.0
Current Expenditure	1,945.80	424.6	671	388.1	462.2	675.3	455.3	1,117.9	413	1,543.6
YOY (%)	4.2	-22.6	53.9	-19.8	15.8	59	-32.1	3.2	6.4	4.0
Capital Expenditure	739	150.3	172.5	136.6	278.1	308.2	227.4	535.5	187.3	722.9
YOY (%)	27.1	14.8	-8.7	18.1	92.6	105	31.8	73.2	37.1	57.3
1. Annual Budget	2,148.40	439.2	732.9	435.5	540.9	699.8	512.8	1,212.6	452.5	1,665.1
Disbursement	90.3	18.5	30.8	18.3	22.7	29.2	21.4	50.5	18.9	69.4
Disbursement Target (%)	93	20	22	25	26	20	24	44	25	69
Current Budget	1,873.00	401.1	651.1	376	444.9	641.4	422.1	1,063.5	402.3	1,465.8
Capital Budget	275.4	38.1	81.8	59.5	96	58.4	90.7	149.1	50.2	199.3
Disbursement	66.3	9.2	19.7	14.3	23.1	14.6	22.6	37.2	12.6	49.9
Disbursement Target (%)	72	10	13	20	29	10	15	25	25	50
2. Carry-overbudget	146.8	50.6	47.9	24.1	24.2	86.2	72.7	158.9	30.8	189.7
3. Off-budget loan	33.6	6.5	5.8	5.9	15.4	7.7	8.3	16.0	9.4	25.5
4. State-own-enterprise's capital budget	356.1	78.9	57.3	59.6	160.3	175.9	90.3	265.9	109.6	375.8

Source: FPO & GFMIS & NESDB

Financial Conditions

The policy interest rate was reduced in order to minimize risks of economic slowdown. During the second quarter of 2013, The Monetary Policy Committee (MPC) decided to lower the policy interest rate from 2.75 to 2.50 percent per annum. An accommodative decision was supported by the signs of domestic economic slowdown. Likewise, such decision was also seen in many countries including European Union, Australia, India, Korea and Vietnam. On the other hand, Indonesia increased policy rate, in June 2013, to soften inflationary pressure and maintain its economic stability. **In July 2013**, The MPC decided to maintain the policy rate at

The policy interest rate was reduced in order to minimize risks of economic slowdown. Such decision was in line with the monetary policies in the region.

2.50 percent per annum as the MPC's assessed that the domestic economic fundamental remained sound and the current monetary policy was appropriate to accommodate future economic growth. On the contrary, Indonesia continued to raise its policy rate further, by 0.50 percent per annum, to reduce the downside risk toward its economic stability.

World Policy Rates change

Country	2011	2012				2013						Policy Rate at the end of Jan 2013
		Q1	Q2	Q3	Q4	Q1	Q2	Apr	May	Jun	Jul	
Thailand	-0.25	-0.25			-0.25		-0.25		-0.25			2.50
USA												0.25
Europe	-0.50			-0.25			-0.25		-0.25			0.50
Japan												0 - 0.1
China			-0.25	-0.31								6.00
India	+0.25		-0.50			-0.50	-0.25		-0.25			7.25
Australia	-0.50		-0.75		-0.50		-0.25		-0.25			2.75
South Korea				-0.25	-0.25		-0.25		-0.25			2.50
Vietnam	+6.00	-1.00	-3.00	-1.00	-1.00	-1.00	-1.00		-1.00			7.00
Indonesia	-0.50	-0.25					+0.25			+0.25	+0.50	6.50

An average lending rate of four major banks remained unchanged while the deposit rate increased, although the MPC decided to cut the policy rate by 0.25 percent per annum. An average Minimum Loan Rate (MLR) of four major banks remained stable at 7.00 percent per annum, while an average 12-month deposit rate slightly increased from 2.45 to 2.50 percent per annum. These reflected the intense competition in the deposit market among the large depository institutions in order to secure sufficient funding to match growing demand for loan both public, especially for the transport infrastructure development plan, and private sectors. Furthermore, an average MLR of medium commercial banks and retail banks were also unchanged as demand for new loan remained high while an average 12-month deposit rate slightly decreased following the policy rate reduction. **In July 2013**, an average MLR for all commercial banks remained unchanged while an average 12-month deposit rate was slightly declined.

An average lending rate of four major banks remained unchanged while the deposit rate increased, although the MPC decided to cut the policy rate.

The commercial banks' 12-month deposit rates change

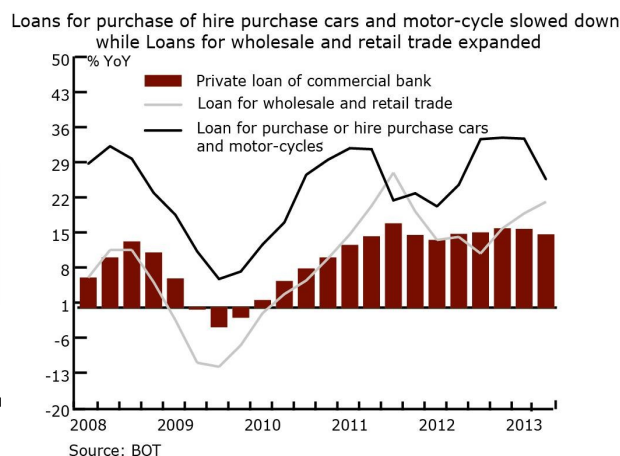
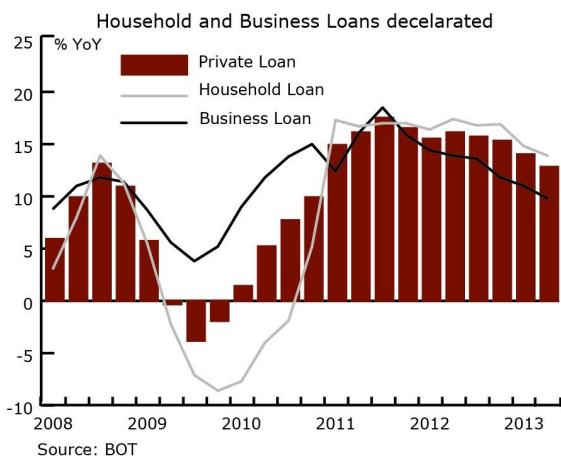
Bank	2011				2012				2013			Interest rate at the end of Jul 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	July	
Four Major banks	+0.34	+0.36	+0.65		-0.01			-0.40	-0.01	+0.05		2.50
Medium Commercial Banks	+0.54	+0.82	+0.72	-0.09	-0.03	+0.01	+0.01	-0.27	-0.04	-0.03	-0.01	2.69
Retail Banks	+0.64	+1.39	+0.21		-0.29			-0.08	-0.22			2.95

The commercial banks' Minimum Loan Rates change

Country	2011				2012				2013			Interest rate at the end of Jul 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	July	
Four Major banks	+0.5	+0.26	+0.45		-0.12			-0.13				7.00
Medium Commercial Banks	+0.5	+0.25	+0.37	-0.01	-0.11		+0.02	-0.13				7.44
Retail Banks	+0.43	+0.57	+0.42			-0.05		-0.07				8.05

Deposits including Bill of Exchange (B/E) of Commercial Bank expanded at a growth rate of 10.1 percent, compared to 10.0 percent in previous quarter. This slight increment was mainly due to a slowdown in deposit, which grew by 17.2 percent compared to 22.9 percent in previous quarter. The slowdown in deposit was largely driven by the low deposit rate while new financial products, particularly investment fund, with higher yield had risen. Meanwhile, Bills of exchange (B/E) continued to contract by 64.4 percent but slightly improved from a contraction of 73.3 percent in previous quarter.

Private loans (excluding accrued interest) grew by 12.8 percent slowed down from 14.0 percent in the first quarter, following a decline in both business and household loans. Business loan decelerated to 9.8 percent compared to 11.0 percent in prior quarter. Furthermore, household loan expanded by 13.9 percent slowed down from 14.8 percent owing to a drop in loans for purchase or hire purchase cars and motor-cycles that declined from 33.7 percent growth in the first quarter to 25.6 percent growth. This was supported by the declining number of delivered cars under the first-time-car-buyer scheme as approximately a million cars have been delivered under the scheme. Nevertheless, the number of credit card issued still increased and credit outstanding expanded by 14.0 percent compared to 11.6 percent in the first quarter, this was in line with an increase of credit card spending. Meanwhile, NPLs¹ rose from 0.96 percent in the first quarter to 1.0 percent.



Excess liquidity of commercial bank system considerably tightened. Although the commercial bank's credit slowed down in the quarter, but still grew at a higher pace than deposit which caused commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) ratio increased to 101.1 percent relatively to 99.1 percent at the end of last quarter.

Thai baht slightly depreciated from the previous quarter, but still appreciated by 4.5 percent from the same period of last year. An average exchange rate in the second quarter of 2013 was at 29.91 baht per US dollar compared to 29.81 and 31.29 baht per US dollar in the first quarter of 2013 (depreciated by 0.34 percent) and the second quarter of 2012 (appreciated by 4.5 percent) respectively. At the beginning of the quarter, Thai baht continuously strengthened from 29.31 baht per US dollar, at the end of March, and hit the highest level at 28.63 baht per US dollar on the 22nd April. However, during the rest of the quarter, series of external and internal factors had triggered capital outflow in the Asian region including Thailand and caused Thai baht to revert to a depreciation trend and end the quarter at 31.13 baht per US dollar. The main factors that influenced Thai baht included (i) the lower-than-expected growth rate in the first quarter (released on the 20th of May 2013), (ii) the reduction of policy rate by 0.25 percent per annum (effective on the 29th of May 2013), (iii) the rising

Deposits including Bill of Exchange (B/E) of Depository Corporations slightly expanded.

Business and household loans slowed down, as a result, private loans (excluding accrued interest) grew at a slower pace.

Excess liquidity of commercial bank system considerably tightened as deposits (including B/E) slightly accelerated while credit (excluding RP) slowed down.

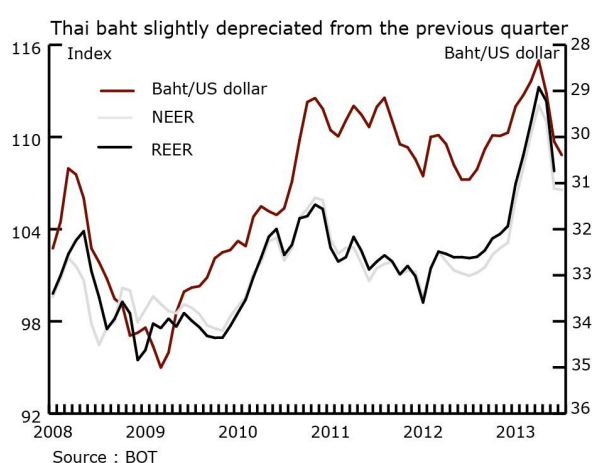
Thai baht slightly depreciated from the previous quarter following capital outflow in the Asian region including Thailand.

¹ NPLs in financial institutions (excluding BIF and credit fanciers).

concern over the possibility of intervention in the foreign exchange market by the relevant authorities, (iv) the increasing probability of tapering the US quantitative easing measure as the US economy gradually recovered, and (v) the heightening risks over financial stability and the slowdown of Chinese economy.

In July, Thai baht continued to depreciate from the previous month and closed at 31.35 baht per US dollar with a monthly average of 31.13 baht per US dollar. Furthermore, Thai baht movement during 1st-16th of August was average at 31.31 baht per US dollar.

Thai baht depreciated against trade partner currencies. At the end of the second quarter of 2013, Nominal Effective Exchange Rate (NEER) was at 106.65, depreciated by 3.20 percent compared to previous quarter but appreciated from the same period of last year by 5.46 percent. Similarly, Real Effective Exchange Rate (REER) depreciated by 2.86 percent compared to previous quarter but appreciated by 5.49 percent compared to the same period of last year. Furthermore, most of the regional currencies also depreciated, particularly Japanese Yen after the Bank of Japan implemented quantitative easing measure.



Capital and financial account recorded a net inflow² due to influx of foreign loan. In the second quarter of 2013, capital and financial account registered a net inflow of 4.18 billion US dollars, continued from a net inflow of 4.01 billion US dollars in previous quarter. The main contributor was an influx of short term foreign loan in the banking sector for foreign currency liquidity management. The amount of foreign loan stood at 6.39 billion US dollars substantially increased from 2.23 billion US dollars. Meanwhile, foreign direct investment (FDI) remained positive at a similar level as previous quarter with the net inflow of 1.52 billion US dollars. Nevertheless, portfolio investment of foreign investors reverted to a net outflow, both equity and debt securities, following a rising concern over the reduction of quantitative easing measure by the FED and the possibility that the Thai government might issue capital control measures to minimize the impact of strengthening of Thai baht.

Capital and financial account recorded a net inflow due to influx of foreign loan, while portfolio investment of foreign investors reverted to a net outflow.

Capital and Financial Account by sector

(Billion US dollars)	2011	2012								2013					
		Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Apr ^P	May ^P	Jun ^E	
Capital and financial account	-5.19	9.90	3.05	6.86	3.61	-0.56	4.46	2.40	8.19	4.01	4.18	4.89	0.11	-	
Monetary Authorities	-0.15	1.04	1.53	-0.50	2.96	-1.43	1.13	-1.63	-	2.74	-	-1.11	-1.62	-	
Government	3.81	5.87	2.02	3.85	0.08	1.94	2.65	1.20	-	1.96	-	1.80	0.26	-	
Bank	-8.75	13.81	8.76	5.05	5.30	3.46	1.52	3.53	-	1.08	-	1.11	1.48	-	
Others	-0.10	-10.82	-9.27	-1.55	-4.73	-4.54	-0.85	-0.70	-	-1.77	-	3.10	-0.01	-	

Source:BOT

² Capital and Financial account figure at the end of first quarter preliminary data from Bank of Thailand, which is subjected to be changed.

Capital and Financial Account by investments

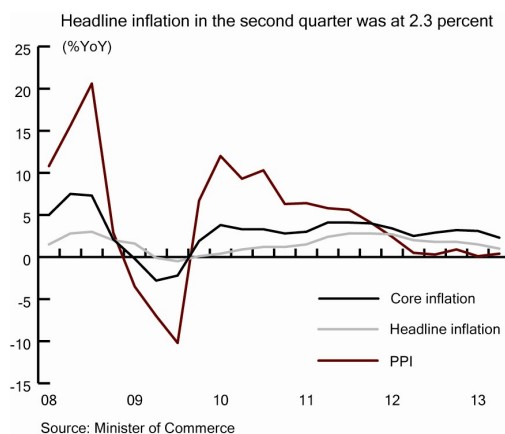
(Billion US dollars)	Year	2012 H1	2012 H2	2013 H1	2013 Q1	2013 Q2	2013 April ^P	2013 May ^P	2013 June ^E
Capital and financial account	9.91	3.05	6.86	8.19	4.01	4.18	4.89	0.11	-0.82
Direct Investment	-4.87	-2.70	-2.16	0.53	0.19	0.72	1.68	0.35	-1.31
Thai investor	-12.11	-6.90	-5.20	-2.41	-1.61	-0.80	0.04	-0.57	-0.27
Foreign investor	7.24	4.20	3.04	2.94	1.42	1.52	1.64	0.92	-1.04
Portfolio Investments	4.25	0.95	3.30	-0.19	3.69	-3.88	-0.11	-1.17	-2.60
Equity security	2.70	1.78	0.92	-2.80	0.08	-2.87	-0.40	-0.33	-2.14
Thai investor	-0.94	-0.46	-0.47	-0.46	-0.56	0.1	0.32	-0.17	-0.05
Foreign investor	3.64	2.24	1.39	-2.34	0.63	-2.97	-0.72	-0.16	-2.09
Debt security	1.55	-0.83	2.38	2.61	3.61	-1.01	0.29	-0.84	-0.46
Thai investor	-8.72	-6.31	-2.41	-0.27	-1.64	1.37	-0.38	0.46	1.29
Foreign investor	10.27	5.48	4.79	2.88	5.26	-2.38	0.67	-1.30	-1.75
Other Investments	10.52	4.80	5.72	7.85	0.50	7.34	3.32	0.93	3.09
Loans	14.39	7.08	7.32	8.62	2.23	6.39	1.33	1.51	3.55
Other	-3.87	-2.28	-1.60	-0.77	-1.73	0.95	1.99	-0.58	-0.46

Source: BOT

Current account registered a deficit of 5,076 million US dollars (149,493 million baht), compared with a surplus of 1,267 million US dollars (36,673 million baht) in the first quarter of 2013 and a deficit of 3,178 million US dollars (98,654 million baht) in the same period last year. This was a result of a trade deficit of 497 million US dollars and a deficit in services, primary income, and secondary income of 4,579 million US dollars. **In the first half of 2013**, current account posted a deficit of 3,809 million US dollars compared with a deficit of 2,215 million US dollars in the same period last year.

International reserve at the end of July 2013 stood at 172.25 billion US dollars (excluded net forward position of 23.04 billion US dollars), which was equal to 2.8 times of short-term foreign debt (at the end of the first quarter) or 9.2 months of import value (the average of import value in the second quarter of 2013).

Headline inflation in the second quarter of 2013 was 2.3 percent, decelerated from 3.1 percent in the previous quarter. This was mainly a result of a slowdown in price of energy. **Non-food and beverage price index** increased by 1.5 percent, decelerating from 2.5 percent in the previous quarter due to the decline in global crude oil price. The price of energy increased at slower pace by 4.6 percent, from 8.8 percent expansion in the previous quarter. Meanwhile, **the food and beverage price index** increased by 3.8 percent, decelerating from 4.0 percent in the previous quarter. This was due to a slowdown in the price of vegetables and fruits, as well as the prices of ready-made food for consumption inside and outside home. The core inflation was 1.0 percent compared with 1.5 percent in the previous quarter. **In the first half of 2013**, the headline inflation and the core inflation was 2.7 and 1.2 percent respectively.³



Current account registered a deficit.

International reserve at the end of July 2013 stood at 172.25 billion US dollars.

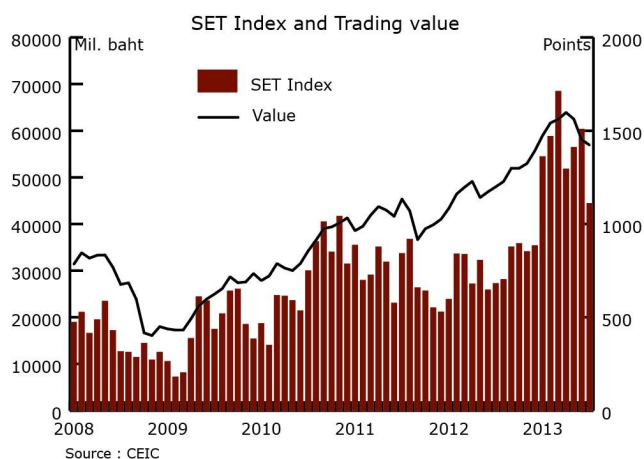
Headline inflation in the second quarter of 2013 was 2.3 percent, decelerating from 3.1 percent in the previous quarter due to a decline in the price of global crude oil and deceleration of domestic demand.

³ In July 2013, headline inflation was at 2.0 percent, and core inflation was at 0.9 percent. For the first 7 months of 2013, the average headline inflation was at 2.6 percent and the average core inflation was at 1.2 percent.

Producer Price Index (PPI) in the second quarter rose by 0.4 percent, accelerating from 0.1 percent in the previous quarter. Such acceleration was mainly due to an increased in price of agricultural products of 8.3 percent compared with 1.6 percent in the previous quarter, following an increase in the price of crops, live-stocks, and fish and other fishing products. Meanwhile, the price of mining products continued to decline by 5.4 percent from 5.0 percent shrinkage in the previous quarter due to a fall in the price of lignite, petroleum and natural gas. When consider the PPI by production process, the pressure on production cost remained steady at a low level. **In the first half of 2013**, the average PPI increased by 0.2 percent.⁴

SET index declined following a sell off by foreign investors, reflecting diminished liquidity in regional stock markets. In the second quarter of 2012, SET index closed at 1,451.9 points, declined by 7.0 percent from the previous quarter. An average daily trading value remained high at 56.3 billion baht. Foreign investors recorded a net sell of 80.5 billion baht, which was mainly due to rising concerned over the Fed's QE taper in the second half of 2013 and may stop entirely on mid-2014 after US economic prospects continually improved. Moreover, the effect of Chinese economic slowdown over Asian economies partly caused the net sell position of foreign investors.

In July 2013, SET index fluctuated and closed at 1,423.1 points. An average daily trading value significantly decreased from 60.4 billion baht in June to 44.4 billion baht. Institution investors recorded a net sell position of 10.3 billion Baht. This was caused by the rising concern over stability of Chinese financial institutions and the uncertainty in its economic prospects as well as the fall in profit of Thai's listed company and the downward outlook of Thai economy. However, foreign investors switched their position to a net buy of 0.5 billion baht. Between 1st – 16th August, SET index continually volatile from previous month, foreign investors posted a net sell position by 9.9 billion baht. This reflected that investors feared the near tapering of the quantitative easing by FED will start earlier than expected.



Bond trading volume remained high but foreign investors' net buy plumped. Daily average outright trading in the second quarter of 2013 registered at 100.5 billion baht, increased from 97.1 billion baht in the first quarter. However, foreign investors' pose a net buy of 38.6 billion baht, significantly declined from 281.8 billion baht in the previous quarter. This was contributed by (i) the rising concern of investors over the Fed's QE taper in the second half of 2013 and may stop entirely in mid-2014, (ii) the diversifying of investment to lessen the risks of capital control measures by the relevant authorities after Thai baht rapidly appreciated at the beginning of second quarter, and (iii) the policy rate cut in May owing to lower-than expected economic growth in the first quarter, and signs of economic slowdown in the second quarter. As a result, government bond yield, particularly short term maturity, shifted downward.

Producer Price Index (PPI) in the second quarter rose by 0.4 percent.

SET index declined following a sell off by foreign investor, reflects diminishing liquidity in regional stock market.

Bond trading volume remained high but foreign investors' net buy plumped.

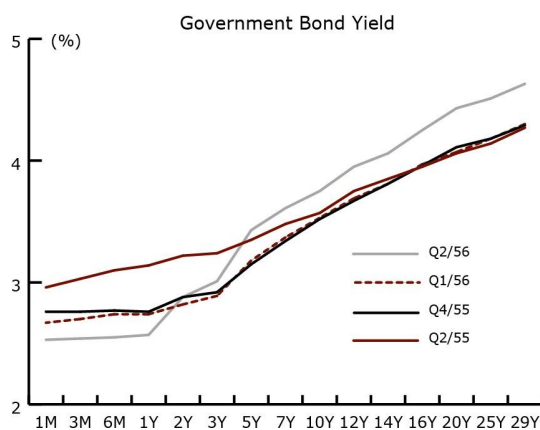
⁴ In July 2013, PPI increased by 0.3 percent. For the first 7 months of 2013, PPI increased by 0.3 percent.

In July 2013, daily average outright trading dropped to 73.8 billion baht, compared to 81.2 billion baht in June. Foreign investors shifted their investment to a net buys of 41.3 billion baht as FED's announced to continue QE measures and the MPC decided to maintain the policy rate after Thai baht stability improved.

Stock and Bond Market

	2012							2013						
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Apr	May	Jun	Jul
Stock Market														
SET Index	1,391.9	1,172.1	1,391.9	1,196.8	1,172.1	1,298.8	1,391.9	1,451.9	1,561.1	1,451.9	1,597.9	1,562.1	1,451.9	1,423.1
Daily average trading (Billion Baht)	31.1	29.6	32.6	30.5	28.6	30.2	35.1	58.5	60.6	56.3	51.8	56.5	60.4	44.4
Net Trading of Foreign Investors (Billion Baht)	76.4	63.5	12.8	82.8	-19.3	1.5	11.4	-76.6	3.9	-80.5	-19.8	-5.1	-55.5	0.5
Net Trading of Institution Investors (Billion Baht)	-24.3	-38.3	14.0	-34.2	-4.1	-5.9	19.9	70.2	32.0	38.2	6.3	3.4	28.6	-10.3
Bond Market														
Gross Price Index (Point)	104.6	104.1	104.6	101.9	104.1	104.3	104.6	102.6	104.6	102.6	105.8	105.3	102.6	101.7
Daily Average Outright Trading Value	80.7	82.1	79.4	76.1	88.5	84.5	74.3	98.8	97.1	100.5	106.8	107.9	81.2	73.8
Net Trading of Foreign Investors	890.8	512.2	378.6	298.5	213.7	239.6	139.0	320.4	281.8	38.6	84.5	-28.3	-17.6	41.3

Source: CEIC and ThaiBMA



Source : ThaiBMA

Public fundraising remained high but lower than previous quarter while corporate fundraising significantly improved. In the second quarter of 2013, public fundraising through debt securities totaled at 1,794.5 billion baht, decreased from 1,870.2 billion baht in the previous quarter. Furthermore, public fundraising comprised of monetary authority bonds (1,583.5 billion baht), government bonds (140.6 billion baht), state enterprises bonds (57.6 billion baht) and promissory notes (12.8 billion baht). Private fundraising totaled at 725.9 billion baht, notably increased from 410.7 and 305.2 billion baht in the first quarter and the same period of last year respectively. Most private fundraising through debt securities mainly concentrated in financial intermediation, production, real estate and mining and quarrying sectors.

Public fundraising remained high but lower than previous quarter while corporate fundraising significantly improved.

New issuances of securities in Primary Market

(billion Bahts)	2012							2013					
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Apr	May	Jun
Government bonds	657.1	313.3	343.8	150.7	162.6	196.4	147.4	315.4	174.8	140.6	41.1	52.2	47.4
Treasury bills / Promissory notes	433.9	273.0	196.7	143.8	129.2	160.1	36.6	42.5	29.7	12.8	9.3	3.5	-
State enterprises bonds	211.4	53.2	170.5	16.1	37.1	153.0	17.5	129.6	72.0	57.6	12.6	9.1	35.9
Monetary authority bonds & Specialized organization bonds	7,799.3	4,417.5	3,381.8	2,326.5	2,091.0	1,688.7	1,693.0	3,177.2	1,593.7	1,583.5	523.2	583.2	477.0
Total	9,101.6	5,008.8	4,092.8	2,589.1	2,419.9	2,198.2	1,894.6	3,664.7	1,870.2	1,794.5	586.2	648.0	560.3
Equity Securities	248.5	55.5	193.0	32.7	22.9	24.2	168.8	86.0	30.4	55.6	7.0	31.4	17.2
Debt Securities	1,424.6	701.1	682.6	459.7	282.3	338.3	344.3	1,050.6	380.3	670.3	302.8	215.5	152.1
Total	1,673.1	756.6	875.6	492.4	305.2	362.5	513.1	1,136.6	410.7	725.9	309.8	246.9	169.3

Source: BOT

2. Crude oil price movement in Q2/2013

The average crude oil price fell from the previous quarter. In the second quarter of 2013, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 99.80 US dollars per barrel, a decline of 3.8 percent, compared with a 5.9 percent decline in the previous quarter. The crude oil price in Dubai, Brent, and Oman markets dropped from the same period last year by 5.3, 5.3, and 4.9 percent respectively, while WTI crude oil price remained stable. This was caused by sluggish global demand as global economy tended to recovery at a slower pace while the Chinese economy decelerated. Furthermore, the increase in the US crude oil production also affected the global crude oil price.

Global crude oil price fell from the previous quarter due to the slow recovery of global economy and the deceleration of the Chinese economy.

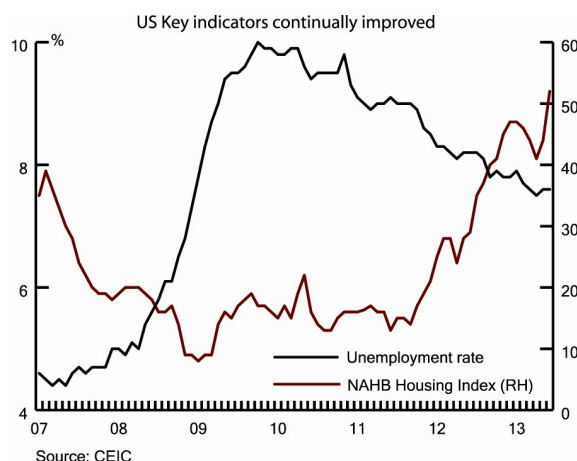
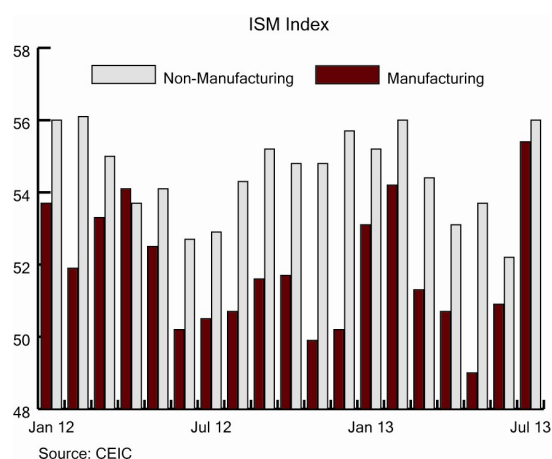
Crude Oil Price						
US Dollar / barrel		OMAN	DUBAI	BRENT	WTI	Average
2011	Q1	100.55	100.17	105.22	94.15	100.02
	Q2	111.10	110.73	117.19	102.67	110.42
	Q3	107.33	106.92	112.17	89.76	104.05
	Q4	106.98	106.31	109.03	93.97	104.07
	Year	106.49	106.03	110.90	95.14	104.64
2012	Q1	115.95	115.11	117.51	101.87	112.61
	Q2	106.36	106.30	108.84	93.43	103.74
	Q3	106.52	106.31	109.58	92.33	103.68
	Q4	107.30	107.28	110.04	88.15	103.19
	Year	109.04	108.75	111.49	93.95	105.81
2013	Q1	108.13	108.12	112.64	95.18	106.02
	Q2	100.73	700.64	103.56	94.27	99.80
	Apr	101.73	101.61	103.88	92.20	99.86
	May	100.26	100.14	103.28	94.77	99.60
	Jun	100.20	100.18	103.52	95.83	99.93
	H1	104.43	104.38	108.10	94.72	102.91
	Jul	103.23	103.23	107.35	104.36	104.54
	7 m.	104.26	104.22	107.99	96.10	103.14
	1-15 Aug.	104.88	104.74	108.89	106.14	106.16

Source : Thaioil Plc

3. World Economic Performance in Q2/2013

Global economic recovery remained slow. US private sector improved but the government budget cut was a main obstacle to economic prospect. Eurozone economy gradually recovered and started to move out of recession. Nevertheless, Eurozone economy remained contract compared to the second quarter of previous year. Japanese economy slowly improved due to the implementation of quantitative easing policy. However, Chinese economy significantly slowed down as a result of (i) the deceleration in trade partner's economies, (ii) the appreciation of Renminbi, and (iii) the domestic economy still under the transition period to strengthening the stability of financial institution. The deceleration in Chinese economy was a major obstacle towards expansion in global economy as well as trade.

- US economy** in the second quarter expanded by 1.7 percent (%QoQ saar.) accelerated from 1.1 percent in last quarter but remained lower than expectation. Private consumption continually grew by 1.8 percent. Similarly, private investment accelerated by 9.0 percent compared with 4.7 percent in previous quarter, particularly residential investment which notably expanded by 13.4 percent. Nonetheless, government budget cut has caused government expenditure to contract and remained a major limitation to the economic prospect. Production sector improved continuously with Manufacturing ISM in June stood at 50.9 raise from 49.0 in May. Likewise, NAHB housing market index, average first 6-month of 2013, was at 45.7 compared with 16.3 and 33.9 in 2011 and 2012 respectively. Thus, the labor market condition continually improved, with unemployment rate declined from 7.9 percent in January to 7.6 percent in June.

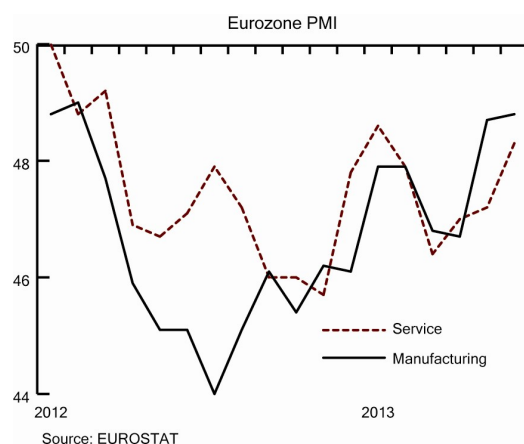


- Eurozone economy** in the second quarter (after seasonally adjusted) grew by 0.3 percent from previous quarter which was the first economic expansion since the second quarter of 2011. However, Eurozone economy continually declined by 0.7 percent compared with the same period last year. Furthermore, the unemployment rate remained stable at a high level and in June stood at 12.1 percent. This reflected the employment situation was more stabilized. The economic contraction was in line with key indicators particularly manufacturing and service PMIs which slightly increased from 46.8 and 46.4 in March to 48.8 and 48.3 in June, but remained below 50. Overall economic and financial condition is expected to improve due to (i) the advancement in economic situation, (ii) the progress in resolving problem in financial sector, and (iii) the approval of additional loans to Greece.

The global economy recovered with a slow pace

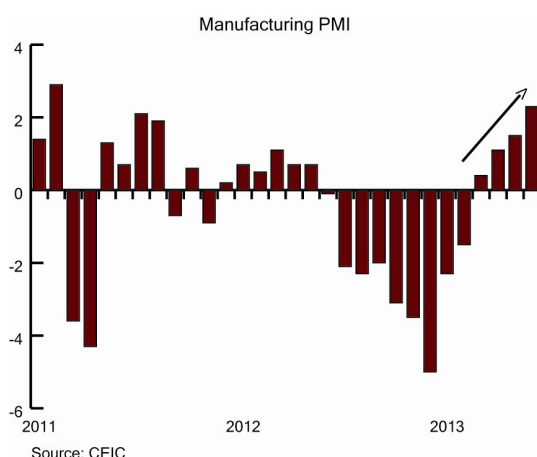
US: private sector continually rebounded but the sequestration remained a major limitation which caused the economy to expand lower-than-expected

Eurozone: although the quarter-on-quarter basis indicated the end of recession, the year-on-year basis remained contraction.



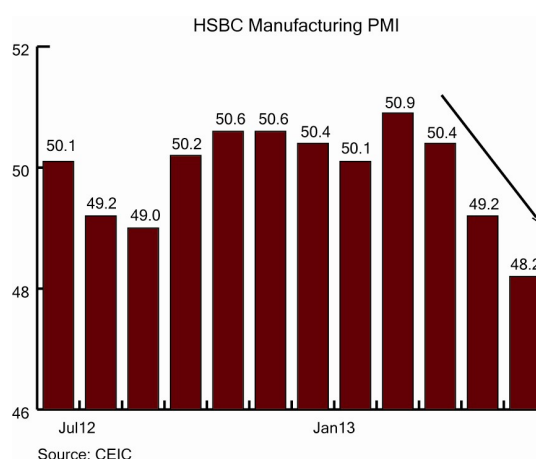
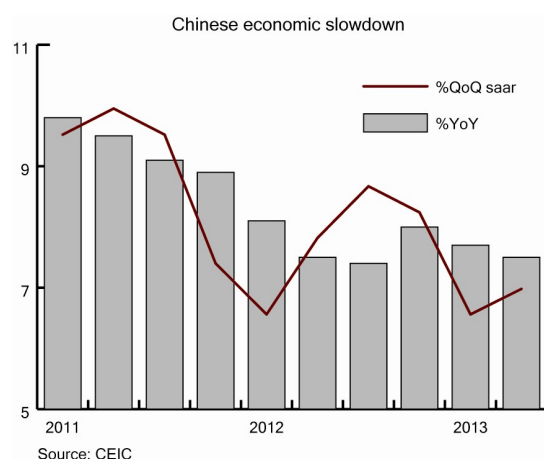
- **Japanese Economy** in the second quarter grew by 0.9 percent from the same quarter of last year accelerated from 0.3 percent in the first quarter due to the economic stimulus and quantitative easing measures. These measures stimulated real economic activities, hence manufacturing PMI in June increased to 52.3, the highest level in 28 months and above the 50-level for 4 consecutive months. On the other hand, the easing monetary policy has notably caused Japanese Yen to depreciate by 14.4 percent in the first half year which in turn advance export in the second quarter to grow by 1.7 percent compared with 1.2 percent in the first quarter. Furthermore, department store sales and retail sales in June were apparently expanded by 6.7 percent and 1.6 percent respectively. The overall economic condition continually improved due to the positive business sentiment and the ongoing effect from government stimulation. As a result, Tankan index in the second quarter was at -2.0, the highest level in 5 years, and consumer confidence index continually enhanced to 44.7 in June, from 40.8 in previous year.

Japan: real economy enhanced due to quantitative easing measure and depreciation of Japanese Yen



- **Chinese economy** in the second quarter grew by 7.5 percent continually decelerated from 7.7 percent and 7.9 percent in the first quarter of 2013 and the last quarter of 2012 respectively. Hence, in the first half of 2013, Chinese economy expanded by 7.6 percent which was the slowest pace since 2009. This slowdown was mainly due to the deceleration of production and export sectors that were affected from the sluggish recovery in major trade partners and appreciation of Chinese Renminbi against other major currencies. As a result, export value in the second quarter expanded only 3.7 percent, a sharp drop from 18.3 percent in previous quarter. Moreover, HSBC manufacturing PMI in June declined to 48.2, a two consecutive month that was below 50-level. Furthermore, government's credit control policy to strengthen the stability of financial institutions was a major limitation towards investment expansion. Under this circumstance, the Chinese government announced economic stimulus package in the amount of 4 trillion Renminbi on 25th July 2013.

China: Chinese economy decelerated due to the slowdown of major trade partners and appreciation of Chinese Renminbi



Real GDP Growth of Major Economies

%YoY	2011	2012			2013	
	Year	Q3	Q4	Year	Q1	Q2
World	3.9	-	-	3.3	-	-
US	1.8	2.6	1.7	2.2	1.6	1.4
Eurozone	1.5	-0.8	-1.0	-0.6	-1.7	-0.7
Japan	-0.6	0.2	0.4	2.0	0.3	0.9
China	9.4	7.4	7.9	7.7	7.7	7.5
India	7.5	5.2	4.7	5.1	4.8	n.a.
Australia	2.4	3.3	3.0	3.7	2.4	n.a.
Korea	3.7	1.6	1.5	2.1	1.5	2.3
Taiwan	4.1	1.0	3.9	1.3	1.8	2.3
Hong Kong	4.9	1.5	2.8	1.5	2.7	3.3
Singapore	5.3	0.0	1.5	1.3	0.2	3.7
Indonesia	6.5	6.2	6.1	6.2	6.0	5.8
Malaysia	5.1	5.3	6.5	5.6	4.1	n.a.
Philippines	3.6	7.3	7.1	6.8	7.8	n.a.
Vietnam	5.9	5.4	5.5	4.9	5.0	5.0

Source : Collected by NESDB

4. World Economic Outlook in 2013

The global economy tends to recover at a modest pace, lead by the stronger pace of recovery in the US economy, the improvement of Japanese economy, and the end of recession in Eurozone economy. Nevertheless, the slower-than-expected expansion in the first half year as well as the adjustment of Chinese economy to resolve their financial instability will become a limitation to the global economic growth in 2013. Thus, the global economic expansion is expected to be at 3.3 percent comparable to the growth rate in 2012 of 3.2 percent, but still lower than the growth rate of 3.6 percent in the previous projection.

- ❑ **The US economy:** although the sequestration caused the US economy to grow less than expected in the first half of 2013, the pace of recovery is likely to accelerate in the second half. The improvement in private sector will be supported by the decline in household debt service ratio which is approaching the lowest level in 30 years and the year-to-date increase of equities price by 11.82 percent. From indicators in July 2013 show that production sector is likely to grow at an accelerated pace, including (i) the Manufacturing ISM which increased from 50.9 in June to 55.4, the highest level in 2 years, (ii) the Non-Manufacturing ISM that increased from 52.2 to 56.0, and (iii) the NAHB housing market index which increased to 57.0, a highest level since January 2006. The continued recovery of the production sector has led to a creation of 192,000 non-farm employment per month on average during the first half of 2013 and reduced unemployment rate to 7.4 percent in July 2013. This strong recovery in the private sector is expected to boost US economy in the second half of 2013 when the effects from budget cut is lessen. Nevertheless, the delay in economic recovery during the first half is likely to limit the annual growth rate to be at 1.9 percent, lower than 2.2 percent in 2012 and the previous assumption of 2.2 percent.
- ❑ **Eurozone Economy** after emerging from recession in the second quarter of 2013, key indicators continued to improve in July. In detail, the Manufacturing PMI increased to 50.3, indicating economic expansion for the first time since January 2012. Meanwhile, the Business Confidence Index reached 92.5, the highest level in 15-months. Nevertheless, the economic recovery is likely to gradually improve as the Non-Manufacturing PMI remained at 49.8, indicating a contraction in economic activities. Similarly, the unemployment rate remained high at 12.1 percent. The contraction in the first half coupled with a gradual expansion in the second half, the 2013 economy is likely to contract by 0.2 percent improving from a contraction of 0.6 percent in 2012.
- ❑ **Japanese economy:** the ongoing quantitative easing measure is likely to support economic recovery during the second half. Key economic indicators suggest an ongoing improvement, especially the investor confidence index for the next 3 months (Tankan Index: Forecast) which continue to improve. Meanwhile, inflation in June 2013 is at 0.2 percent, which is the first time that inflation is in a positive territory in a 13-month period, reflecting the diminishing deflationary pressure. Under the improvement of key economic indicators, it is expected that the Japanese economy in 2013 will expand by 1.8 percent compared with 2.0 percent in 2012.
- ❑ **Chinese economy** remains in a period of economic slowdown. In 2013, it is expected that the Chinese economy will grow by 7.6 percent, decelerating from 7.8 percent in 2012. Such slowdown was due to (i) economic rebalancing policies to lessen reliance on export and enhance domestic consumption, (ii) the weak economic recovery in major trading partners, especially the Eurozone, and (iii) the appreciation of Renminbi against US dollars, the Euro, and the Japanese Yen.

Moreover, the fact that most commercial banks are state-owned amounts to the state being deposit guarantee for the banks, effectively providing assurance for depositors that their money is safe. Similarly, capital control is an element which can prevent a highly volatile capital flows

The global economy tends to recover at a modest pace, led by US, Japanese, and Eurozone economies. Nevertheless, the slower-than-expected expansion in the first half year as well as the deceleration of Chinese economy caused the global economy in 2013 to grow by 3.3 percent comparable to the growth rate in 2012 of 3.2 percent.

US: key economic indicators accelerate while the unemployment also declined

Eurozone economy continually recovered with a slow pace

Japanese economy recovers with the lessen of deflationary pressure.

Chinese economy is likely to slowdown

in China. Meanwhile, quasi-fiscal policies and off-budget spending in the past, especially by local governments, have created a high level of public debt, presenting a medium-term constraints for economic growth. It is expected that the Chinese economy will grow by 7.6 percent, compared with the growth rate of 7.8 percent in 2012.

Given the solid recovery in the US private sector and the improvement of the labor market, it is expected that FED will begin its tapering by reducing the size of QE by 25 percent in September and another 25 percent in December 2013. Even though the interest rate will be kept unchanged at 0 – 0.25 percent per annum, it is expected that QE tapering will raise US bond yield and put appreciation pressure on the US dollar (Trade Weighted Terms). By contrast, the Euro is likely to depreciate against the US dollar due to concerns of investors over political uncertainties, such as the German election scheduled to be held in September 2013 and protests against austerity plans in PIIGS, and the delay in fiscal reform to bring down the public debt and primary deficits.

Similarly, the Japanese Yen is likely to depreciate against the US dollar as the Bank of Japan will expand money supply until the goal of 2.0 percent inflation is realized. However, after a strong appreciation in the first half of 2013, the Chinese Renminbi is likely to be more stabilized as concerns over economic slowdown will make the Chinese government more cautious about its exchange rate policy.

5. Thailand Economic Outlook for 2013

The Thai economy in the second half of the year is likely to improve from the first half. Nonetheless, comparing with the same period last year, the growth rate in the second half is expected to be lower than its potential due to the constraints from (i) limitation in exports sector, (ii) headwinds from a high base effect, (iii) the diminishing impulse from economic stimulus measures, (iv) the possibility of a delay in the implementation of public investment plans, and (v) the slow recovery of household income that depends on the exports condition and the price of agricultural products in the global market. As a result, the economic growth in 2013 is likely to be lower than previously projected.

Thai economy in the second half of 2013 is likely to improve from the first half. The Thai economy in the first quarter contracted by 1.7 percent compared to previous quarter (%QoQ sa.). The reasons for such contraction are as follows: (i) the slowdown in domestic car sales caused private consumption to decline by 1.3 percent compared with previous quarter and manufacturing production to contract by 4.7 percent compared with the expansion of 4.5 percent in the last quarter of 2012. (ii) slow global economic expansion and the appreciation of Thai baht led to a decline in quantity of export by 0.7 percent and a 8.6 percent contraction in the export-oriented manufacturing industries, and (iii) expediting of government budget disbursement in the first quarter of FY2013 which resulted in high disbursement rate of 29.2 percent of the total budget. However, in the second quarter, the economy contracted at a slower pace by 0.3 percent, reflecting an improvement in economic momentum. Therefore, the acceleration of the global economic recovery and the implementation of the new economic stimulus measures will strengthen the Thai economic momentum in the second half.

Nevertheless, comparing with the same period last year, the growth rate in the second half is expected to be lower than its potential. This is due to (i) a high base effect, especially in the last quarter, (ii) the contribution from export sector is likely to remain subdued due to constraints from the slow global economic recovery, especially the Eurozone and Chinese economies, (iii) even though appreciation pressure on Thai baht had lessen, but Thai baht remains stronger than the period before the global economic crisis by 7 and 18.4 percent against US dollar and Euro respectively. Moreover, REER in June proved to be higher than its average value in the second half of 2012 by 4.6 percent. These conditions will reduce the price competitiveness of Thai products as well as representing a short and medium term challenge for the export sector, especially under the trend of gradual recovery of the demand in the global market, (iv) the diminished impulse from first-time-car

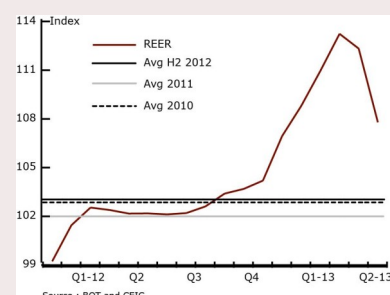
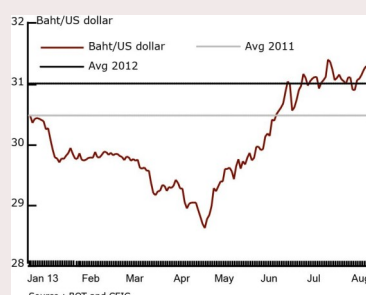
In the latter half of year, Thai economy is expected to enhance from the first half. However, the economic expansion will face with the major limitation including high base effect, weak export condition, diminishing impulse of government stimulus measure.

In the second quarter, Thai economy declined by 0.3 percent (QoQ sa.) accelerated from 1.7 percent contraction in previous quarter, which indicated the improvement of economic momentum.

REER and Exports

During the beginning of the second quarter, Thai baht fluctuated in an upward trend from 29.3 baht per US dollar at the end of March to 28.63 baht per US dollar on 22nd of April. However, Thai baht reversed its movement to a depreciation trend and end the quarter at 31.13 baht per US dollar. On average, Thai baht was at 29.1 baht per US dollar in the second quarter, appreciated by 4.5 percent compared with same period last year. The depreciation pressure put on Thai baht after 22nd of April consist of (i) possibility of intervention in the exchange rate market by relevant authorities to alleviate the appreciation pressure on Thai baht, (ii) the lower-than-expected economic growth in the first quarter and the policy rate cut by the MPC on 29th of May, (iii) the continual of lower-than-expected economic growth in the second quarter and low inflationary pressure affected the investor expectation over the movement of policy rate, (iv) rising concern over Chinese financial sector and overall economic prospect, and (v) the modest recovery of US economy and Fed's QE tapering which drive the US dollars to strengthen. The factors mentioned above will caused Thai baht to depreciate and relief exporter concern.

The nominal depreciation of Thai baht has induced real effective exchange rate (REER) to move downward in the same direction. Nevertheless, REER in June remained high at 107.79 compared with the second half of 2012, 2011 and 2010 which stood at 103.04, 102.00, and 102.86 respectively. This illustrates that the current level of REER remained strong compared with the second half of 2012, 2011 and 2010 by 4.61, 5.67, and 4.8 percent respectively. Thus, if REER stand at the current level, the exchange rate will remain a challenge towards price competitiveness of Thai export as well as continuing to be a constraint for export expansion both in short and medium term, particularly in the context of slowdown in Chinese economy.



-buyer scheme, and (v) the possibility of delay in the implementation of public investment plans. The above factors coupled with the lower-than-expected growth in the first half, Thai economy in 2013 is expected to be lower than the previous projection.

❑ Supporting factors for economic growth

- 1) **The improvement of economic momentum.** In the first quarter of 2013, Thai economic growth contracted by 1.7 percent (%QoQ sa.), compared with the last quarter of 2012. The contraction reflected a rapidly decreased of economic momentum due to a sharp slowed down of global demand and sharp appreciation of Thai baht, which adversely affected the production of export-oriented industries, as well as the fading out of impulse from economic stimulus measures. In the second quarter, the Thai economy contracted at a slower pace of 0.3 percent, reflecting the improvement in economic condition. With the clearer sign of global economic recovery, Thai economy in the second half is expected to improve from the first half of 2013.
- 2) **The implementation of economic stability framework for 2013** (approved by the Cabinet on 28th May 2013) and economic stability stimulus measures (approved by the Cabinet on 6th August 2013) will be the key driver to support economic growth in the second half.
- 3) **Investment fundamental and business confidence remain sound.** Even though the high base effect on import of capital goods caused capital investment in the second quarter to decelerated and lower the rate of overall investment expansion, investment fundamental in the second half remain sound. Particularly, the policy rate is expected to remains low and the expansion of new investment projects is likely to be high. This could be seen from the projects that were granted BOI incentives which have increased by 119.9 percent in 2012 and 33.1 percent in the first half of 2013. Moreover, the foreign investor confidence on the Thai economy remains strong.
- 4) **Inflationary pressure and policy rate remain low and in an accommodative level suitable for supporting the domestic demand.** Headline and core inflation rates remain low and gradually decline from 3.4 and 1.6 percent in January to 2 and 0.9 percent in July. The headline inflation in July was the lowest level in 42 months. This situation will be favorable in maintaining relaxing monetary policy, as well as encouraging the expansion of domestic demand.
- 5) **Tourism sector is likely to expand at a favorable rate.** During the first half of 2013, number of inbound tourists hit its historical high with a total of 12.7 million persons (increased by 20 percent compared to the same period of last year) and a monthly average of 2.41 million persons. Furthermore, the tourism condition remains supportive as reflected in the 2013 World's Best City Award conferred on Bangkok's most attractive tourism destination and the 2013 World's Top Travel Hotspot bestowed on most attractive tourist spot of the world. Thus, the ministry of tourism and sport adjusts its target for 2013 inbound tourists from 24.3 to 26 million persons while the NESDB also increases its forecast from 24.7 to 26.2 million persons.

❑ Risks and Limitations

- 1) **The delay in global economic recovery and the alteration between major currencies as well as the slowdown in Chinese economy.** Although, Eurozone economy displays a clearer sign of recovery but the process is likely to be gradual and Euro currency is remains under a depreciation pressure. Similarly, Japanese economy has shown a good sign of improvement but Japanese Yen will continue to depreciate due to an ongoing quantitative easing measure. Furthermore, problem in financial sector may cause the expansion of Chinese economy to be lower than expected.

Supporting factors:

(i) the improvement of economic momentum, (ii) the implementation of economic stability framework for 2013, (iii) investment fundamental and business confidence remain sound, (iv) inflationary pressure and policy rate remain low and in an accommodative level suitable for supporting the domestic demand, and (v) tourism sector is likely to expand at a favorable pace.

Risks and Limitations:

(i) the delay in global economic recovery and the alteration between major currencies as well as the slowdown in Chinese economy, (ii) the high base effect in the previous year and the diminishing impulse of government stimulus measures, (iii) government investment plan could possibly delay, and (iv) the political uncertainty remains a risk factor toward economic outlook.

- 2) **The high base effect in the previous year and the diminishing impulse of government stimulus measures.** During the second half of 2012 private investment and consumption expanded at a high level, especially in post-flood related activities like the import of machinery and construction. This will prove to be a limitation for the expansion of private investment in 2013. The acceleration in consumption of durable goods in the previous year was supported by the first-time-car-buyer scheme, which caused domestic car sales in the third and fourth quarter of 2012 to reach 373,393 and 399,697 units respectively. However, the windfall from the scheme started to fade out as seen in the number of car sales in the first and second quarter of 2013 that dropped to 398,142 and 327,543 units respectively. Thus, the diminishing impulse of government stimulus measures will put a downward pressure on private consumption in the second half of 2013.

Thai H2/2013 Economic growth in association with auto production

In 2012, from the influence of the first-time-car-buyer scheme, car production and domestic car sales were recorded at a historical high of 2.38 and 1.35 million units, respectively. In the first half of 2013, domestic car sales and production expanded by 21.1 and 26.6 percent respectively, making substantial contribution to economic growth in the first half. However, the impulse from the scheme started to fade out as seen in the deceleration of car production and car sales from 35.4 and 49.6 percent in the first quarter of 2013 to 8.3 and 6.1 percent in the second quarter of 2013. This indicates a normalization of domestic car market and poses a downside risks to overall production and economic growth in the remaining of 2013.

No. of cars (Diff. from target)	Changes in production (%)			Changes in values (mil. baht) (at car price of 530,000 baht/car)	
	H1/2013	H2/2013	Year	Value (million baht)	%GDP*
-50,000	21.1	-12.3	2.5	26,500	0.23
-100,000	21.1	-16.1	0.4	53,000	0.47
-150,000	21.1	-19.8	-1.7	79,500	0.70

Remark: * percent of 2012 GDP at market price

Hence, in order to lessen impacts of a decreasing domestic demand for cars, competency and capability of car exporters are necessary.

- 3) **Government investment plan could possibly delay.** In detail, investment projects under the royal decree on investment loan for water resource management and future development (350 billion baht) will have to go through public hearing as ruled by the administrative court. Furthermore, investment projects under the financial bill for transport infrastructure development plan still in the parliamentary process and the approval process could be delayed further is expected time frame on October 2013. Moreover, under the circumstance which the bill is approved by October, the projects that could be disbursed in 2013 will only amount to 6,600 million baht.
- 4) **The political uncertainty remains a risk factor toward economic outlook.** Under the unfavorable export and private consumption, Thai economy has increasingly relied on the private investment and tourism sector as key economic drivers. Even though the general environment is favorable for both sectors, their expansion in the second half are sensitive to the political tension.

Key Assumptions for Projection

- Global economy in 2013 is expected to expand by 3.3 percent, slightly higher than 3.2 percent in 2012. This is a downward revision from 3.6 percent in the previous projection on 20th May 2013. The latest assumption reflects the downward revisions of the economic growth rate of the US and China from 2.2 and 8.0 percent to 1.9 and 7.6 percent respectively. In addition, the growth rates of other Asian emerging countries are also revised downward to reflect the lower-than-projected growth rates in the first half of the year.
- The average Dubai crude oil price is expected to be in the range of 104-109 US dollars per barrel, compared with an average of 108.8 US dollars per barrel in 2012. The average Dubai crude oil price in the first 7 months of 2013 was at 104.2 US dollars per barrel. For the rest of 2013, it is expected that crude oil price will increase gradually due to (i) the gradual recovery of global economy, particularly the downward revision of the economic growth rate of China, (ii) the increase in crude oil production and export by the US, and (iii) the stabilization and appreciation of the US dollar (Trade Weight) under the likelihood of QE tapering in the US and the rising concerns over the slowdown of Chinese economy as well as the ongoing QE in Japan.
- The yearly average exchange rate in 2013 is forecasted to be in the range of 29.8 – 30.8 baht per US dollar, compared with an average rate of 30.6 baht per US dollar in 2012 and the assumed range of 28.8 – 29.8 in the previous projection. In the first half of 2013, the average exchange rate was at 29.9 baht per US dollar. Nevertheless, at the end of July, Thai baht depreciated to the rate of 31.13 baht per US dollar. For the remaining of the year, Thai baht is expected to remain in the range of 30.2 – 31.2 baht per US dollar. Such revision is due to a number of reasons, including (i) lower-than-expected growth rate in the first quarter which led the MPC to lower the interest rate by 0.25 percent on 29th May 2013, (ii) the further slowdown of Thai economy and the inflation rate will alleviate the policy rate expectation, (iii) the rising

concerns over the Chinese economy will affect investor confidence on overall Asian economies and regional currencies, and (iv) the solid recovery of US economy and the expectation of QE tapering will lead to the appreciation of the US dollars.

- 4) The export price in US dollar term is expected to be flat, compared with the increase of 0.6 percent in 2012. This is a downward revision from the previous assumption of 1.5 percent. During the first half of 2013, the export price in US dollar term fell by 0.01 percent. In the latter half, the commodity price in the global market is expected to be weak due to the deceleration of Chinese economy, as well as the tepid global economic recovery and the stabilization of US dollar (Trade Weighted).
- 5) The import prices in US dollar term is expected to decline by 1.3 percent compared with the increase of 1.6 percent in 2012. This is a downward revision from the previous assumption of 0.5 percent. During the first half, the imports prices in US dollar term declined by 2.4 percent. For the rest of 2013, it is expected that the prices of primary goods will recover slowly amid the gradual rise in price of crude oil and the depreciation of Japanese Yen, which will reduce costs of machinery imports.
- 6) The number of inbound tourists in 2013 is expected to reach 26.2 million persons, compared with 22.3 million persons in 2012 (increase by 10.7 percent). This is an upward revision from the previous assumption of 24.7 million persons as the actual number of inbound tourists in the first half was higher-than-expected, amount to 12.7 million persons (increase by 22 percent).
- 7) The number of domestic car sales in 2013 is not expected to be lower than 2012 but will remain within the bound of 100,000 cars and this reduction will be compensated by demand for export. Thus, the automotive production will not be lower than the production level in 2012.
- 8) Disbursement of government budget in 2013 is expected to be not lower than 94 percent of the approved budget. The disbursement under the royal decree on investment loan for water resource management and future development and the financial bill for transport infrastructure development plan will amount to 22.4 and 6.6 billion baht respectively, which is a downward revision from the previous assumption of 67 and 10 billion baht respectively.

Key Assumption for Projection

	2011	2012	2013	
			May 20, 2013	August 19, 2013
World Economic Growth (%)	3.8	3.3	3.6	3.3
USA	1.8	2.2	2.2	1.9
Europe	1.4	-0.4	-0.2	-0.2
Japan	-0.7	1.9	1.6	1.8
China	9.2	7.8	8.0	7.6
World Trade (%)	5.8	2.8	4.1	3.5
Exchange (THB/USD)	30.5	31.1	28.8 – 29.8	29.8 – 30.8
Dubai (USD/Barrel)	106.0	108.8	105 - 110	104 - 109
Export Price USD (%)	5.6	0.6	1.5	0.0
Import Price USD (%)	10.1	1.6	0.5	-1.3
Inbound Tourists (mil. person)	19.1	22.3	24.7	26.2

□ Economic outlook for 2013

Thai economy in 2013 is projected to grow by 3.8 - 4.3 percent, compared with the growth rate of 6.5 percent in 2012. The headline inflation rate is expected to be in the range of 2.3 - 2.8 percent, compared with an average of 3.0 percent in 2012. There is expected to be a surplus in current account of 0.3 percent of GDP, lower than 0.8 percent in 2012.

In the press release on 19th August 2013, the Office of the National Economic and Social Development Board (NESDB) narrowed its projection range, as well as revised its projection of economic growth rate to 4.2 – 5.2 percent, from the previous projection on 20th May 2013 of 3.8 – 4.3 percent. The reasons for downward revision in our economic growth rate projection are as follows.

- 1) The growth rate in the second quarter was lower than forecasted. The previous growth projection of 4.2 – 5.2 percent was based upon the assumption that the growth rate in the second quarter should expand by 3.3 – 4.3 percent. However, the Thai economy in the second quarter only grew by 2.8 percent, thus making it less likely that the Thai economy in 2013 will achieve a growth rate more than 4.3 percent.
- 2) The downward revision of key growth assumptions used in previous projection, especially (i) world economic expansion in 2013 from 3.6 to 3.3 percent, (ii) export price from 1.5 percent to zero growth, and (iii) disbursement of government budget, particularly the disbursements under the royal decree on investment loan for water resource management and future development and the financial bill for transport infrastructure development plan from 67 and 10 billion baht to 22.4 and 6.6 billion baht. Furthermore, the public investment is also revised up to cover the plan to import aircraft in 2013 which were not included in the prior projection.
- 3) For the rest of 2013, there remains a downside risk to economic growth prospect, if (i) the export expansion lower than 5.0 percent, (ii) the diminishing impulse from the first-time-car-buyer scheme is domestic demand and export of automobile can not complete and cause the car production to be significantly lower than the level in 2012, and (iii) the delay in budget disbursement under the 2013 annual budget, the royal decree on investment loan for water resource management and future development, and the financial bill for transport infrastructure development plan.

□ Components of Economic Growth

- 1) Total consumption in 2013 is projected to grow by 2.6 percent, slowing down from 6.8 percent in 2012. This is a downward revision from 3.2 percent in previous projection. The private consumption expenditure is adjusted downward from 3.3 percent to 2.5 percent due to the lower-than-expected growth rate in the first quarter, as well as the downward revision of domestic car sales assumption. Similarly, government consumption expenditure is revised upward from 2.6 percent in the previous projection to 3.6 percent.
- 2) Total investment is projected to expand by 6 percent, compared with 13.2 percent in 2012, a downward revision from 7.9 percent in the prior projection. This is caused by downward adjustment of private investment from 6.3 percent to 4 percent to reflect the lower-than-expected growth in the second quarter. Meanwhile, the public investment is expected to expand by 13.8 percent unchanged from the previous projection, as the downward revision in budget disbursement under the royal decree on investment loan for water resource management and future development and the financial bill for transport infrastructure development plan will be compensated by the upward adjustment of SOEs capital expenditure to accommodate the new aircraft imported plan.

Thai economy in 2013 is projected to grow by 3.8 – 4.3 percent. The headline inflation rate is expected to be in the range of 2.0 -3.0 percent. There is expected to be a surplus in current account of 0.3 percent of GDP.

- 3) Export value of goods in US dollar term in 2013 is forecasted to increase by 5 percent, compared with 3.2 percent in 2012, a downward revision from 7.6 percent in the previous projection. This is due to the downward adjustment of the global economic growth assumption from 3.6 percent to 3.3 percent. As a result, the export volume is expected to grow by 5 percent down from 6.1 percent in the previous forecast. In addition, the export price assumption is expected to be unchanged from the previous year, a downward revision from 1.5 percent in the prior projection. Nevertheless, the upward adjustment on the number of inbound tourists leads to higher growth of export volume of goods and services than in previous projection.
- 4) The imports value of goods in US dollar term is projected to increase by 6.5 percent, compared with 7.8 percent in 2012, a downward revision from 7.6 percent in the prior projection. This was owed to a downward adjustment of import price assumption from 0.5 percent expansion to shrinkage of 1.3 percent. However, the import volume of goods is projected to expand by 7.8 percent up from 7.1 percent in the previous forecast due to the higher-than-expected growth in the first half and the revision of SOEs capital investment plan to accommodate import of new aircrafts.
- 5) Current account is projected to record a surplus of 1.2 billion US dollars, compared with a surplus of 0.2 billion US dollars in 2012, down from a surplus of 3.7 billion US dollars in the previous projection. This is due to a reduction in trade surplus from 8.9 billion US dollars to 5.5 billion US dollars, as expansion of export and import volume was revised downward from 6.1 and 7.1 percent to 5 and 7.8 percent respectively. However, the upward revision of export and import price has lessened the negative impact from downward adjustment in export and import volume. Moreover, the upward revision of number of inbound tourist has improved service balance from the previous projection.
- 6) The headline inflation rate in 2013 is forecasted to be in the range of 2.3 – 2.8 percent, compared with the average rate of 3 percent in 2012 and the previous forecast range of 2.3 – 3.3 percent. This is due to the downward revision of the export and import prices as well as an adjustment of projection bound from 1.0 percent to 0.5 percent range.

6. Economic management for the remaining of 2013

Thai economy in the first half of the year expanded at a rate below its potential, while in the latter half Thai economy still faces several limitations. Firstly, domestic demand will be under downward pressure from the high base effect and diminishing impulse of the government stimulus measures. Secondly, the expansion of export sector will be suppressed by the gradual recovery of global economy and the slowdown of Chinese economy, which will be a major limitation towards achieving export target. Finally, the real appreciation of Thai baht still has negative effect on price competitiveness of Thai exports in the short and medium terms. Even though the nominal appreciation pressure is currently softened. Therefore, the economic management for the remaining of 2013 should emphasize on enhancing the short term economic growth couple with strengthening the country long term competitiveness as follows:

- 1) **Expediting the implementation of the new economic stimulus measures**, as approved by the cabinet on the 6th of August 2013, will support economic expansion in the rest of the year, particularly in the last quarter of 2013 where Thai economy will face with the limitation from its high base effect. Part of the measures that concentrates on expediting government budget disbursement level will be sufficient to support economic growth rate, especially (i) expediting the disbursement of FY2013 budget, (ii) front-loading disbursement of FY2014 budget in the first quarter of FY2014, (iii) accelerating the carry-over budget disbursement, (iv) expediting local administration budget disbursement, and (v) speeding up the disbursement of off-budgetary funds. Moreover, other parts of the measures will also support the economy to achieve its potential growth, particularly measures to promote the export sector, such as accelerating export to high potential markets and cross-border trade, as well as the measures to support private investment and consumption.
- 2) **Accelerating investment that has been granted BOI incentives** in order to strengthen private investment expansion in the latter half of 2013.
- 3) **Preparing the investment projects under the royal decree on investment loan for water resource management and future development, and financial bill for transport infrastructure development plan** to be ready for implementation within the fourth quarter. This will support the economic growth in the latter half of 2013, as well as increase investor confidence and enhance long term economic potential.
- 4) **Enhancing the tourism sector to induce short term growth and sustain its long term momentum**. This will be achieved by improving both existing and new tourist spots to attract potential visitor, as well as upgrading quality of service to elevate value creation in tourism sector. Moreover, tourist safety and security will be the key factors toward international confidence in the Thai tourism sector.

Economic Stability Stimulus Measures

On 28th of May 2013, the cabinet approved the Economic Stability Framework for 2013 that was proposed by NESDB, Ministry of Finance, and the Office of the Prime-minister. The framework consists of 3 sections including monetary measure, fiscal measure, and sectoral measure. Afterward, Ministry of Finance proposed part of the details of the measures in the Economic Stability Framework for 2013 (got approved by the cabinet on 6th August 2013) and can be summarized as follows:

Measures	Economic Stability Stimulus Measures
1. Private consumption	1.1 Tax incentives to promote organization of seminars in the country 1.2 Promoting the use of energy-saving electrical appliances
2. Private investment	2.1 Tax incentives for enhancing tourism industry 2.2 The second phase of eco-car investment promotion 2.3 Promoting investment in agro-processing industry (food and bio-energy) 2.4 Enhancing accessibility of SMEs to appropriate sources of fund (1) Credit guarantee scheme for SMEs (2) Guarantee scheme for OTOP entrepreneurs and community enterprises (Micro-finance) (3) Enhancing Nano-finance
3. Public expenditure	3.1 Expediting FY2013 budget disbursement (1) Provincial and cluster development budget (2) The Local Administration budget (3) The off-budgetary funds
	3.2 Expediting FY2014 budget disbursement (1) Front loading the disbursement in the first quarter of FY2014 (2) Accelerating disbursement of carry-over budget (3) Accelerating the disbursement of civil servants and government permanent employees' FY2012 bonus (4) Accelerating disbursement of training and seminar budget
4. Exports Goods and Services	4.1 Promoting export of goods and services (1) Promoting export to potential markets (2) Promoting the use Thai baht for transactions with neighboring countries (3) Promoting international trade finance
	4.2 Promotion of tourism sector (1) Multiple entry visa (2) Thailand shopping paradise

Economic Projection for 2013

	Actual Data		Projection 2013	
	2011	2012	May 20, 2013	August 19, 2013
GDP (at current prices: Bil. Bht)	10,540	11,375	12,228	12,126
GDP per capita (Bht per year)	155,926	167,508	178,513	177,664
GDP (at current prices: Bil. USD)	345.6	366	417	400
GDP per capita (USD per year)	5,113	5,390	6,093	5,864
GDP Growth (at constant prices, %)	0.1	6.5	4.2 - 5.2	3.8 - 4.3
Investment (at constant prices, %)	3.3	13.2	7.9	6.0
Private (at constant prices, %)	7.2	14.4	6.3	4.0
Public (at constant prices, %)	-8.7	8.9	13.8	13.8
Consumption (at constant prices, %)	1.3	6.8	3.2	2.6
Private (at constant prices, %)	1.3	6.7	3.3	2.5
Public (at constant prices, %)	1.1	7.5	2.6	3.6
Export volume of goods & services (%)	9.5	3.1	7.1	7.4
Export value of goods (Bil. USD)	219.1	226.2	243.2	237.5
Growth rate (%) ^{2/}	14.3	3.2	7.6	5.0
Growth rate (Volume, %) ^{2/}	8.3	2.6	6.1	5.0
Import volume of goods & services (%)	13.7	6.2	6.9	7.2
Import value of goods (Bil. USD) ^{1/}	202.1	217.8	234.3	232.0
Growth rate (%) ^{2/}	24.9	7.8	7.6	6.5
Growth rate (Volume, %) ^{2/}	13.4	6.1	7.1	7.8
Trade balance (Bil. USD) ^{1/}	17.0	6.0	8.9	5.5
Current account balance (Bil. USD) ^{1/}	5.9	0.2	3.7	1.2
Current account to GDP (%)	1.7	0.1	0.9	0.3
Inflation (%)				
CPI	3.8	3.0	2.3-3.3	2.3 - 2.8
GDP Deflator	4.2	1.3	2.3-3.3	2.3 - 2.8

Source: Office of the National Economic and Social Development Board

Note: ^{1/} Bank of Thailand has adjusted the balance of payments calculation method based on the 6th IMF Balance of Payment and International Investment Position Manual (for more information, see <http://www.bot.or.th/Thai/Statistics/EconomicAndFinancial/ExternalSector/Pages/Newtable.aspx>)

^{2/} per BOT basis.

