



Thai Economic Performance in Q3 and Outlook for 2013 and 2014

Macroeconomic Strategy and Planning Office

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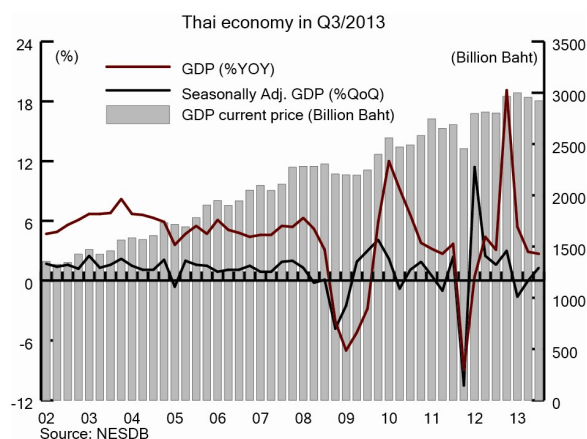
Economic Projection for 2013 and 2014

(% YOY)	2012	2013		Projection	
	Year	H1	Q3	2013	2014
GDP (at 1988 price)	6.5	4.2	2.7	3.0	4.0-5.0
Total Investment (at 1988 price)	13.2	5.2	-6.5	0.9	7.1
Private	14.4	2.4	-3.3	0.7	5.8
Public	8.9	17.0	-16.2	1.3	12.0
Total Consumption (at 1988 price)	6.8	3.7	0.5	1.6	2.9
Private	6.7	3.4	-1.2	0.8	2.7
Public	7.5	5.4	7.4	5.8	3.8
Export of Goods (US\$)	3.1	1.2	-1.8	0.0	7.0
Volume	2.5	1.2	-1.2	0.3	6.0
Import of Goods (US\$)	8.8	3.2	-2.9	0.6	6.7
Volume	7.1	5.8	-0.9	2.9	6.2
Current Account to GDP (%)	-0.4	-2.6	-0.9	-0.9	-0.6
Inflation	3.0	2.7	1.7	2.4	2.1-3.1
Unemployment rate	0.7	0.7	0.8	0.7	0.7

- ❑ The Thai economy in the third quarter of 2013 expanded by 2.7 percent, slowing from 2.9 percent in the previous quarter. After seasonal adjustment, it expanded by 1.3 percent from the previous quarter (% QoQ SA)
- ❑ **On the expenditure side**, the expansion was mainly driven by government spending, while export contracted. **On the supply side**, the expansion was predominantly supported by continued growth in hotels and restaurants, financial, and transportation sectors.
- ❑ **In 2013, the Thai economy** is expected to grow by 3.0 percent, with a growth in private consumption expenditure and total investment by 0.8 and 0.9 percent respectively. Headline inflation is expected to average 2.4 percent, and current account balance will be in a deficit of 0.9 percent of GDP.
- ❑ **In 2014, the Thai economy** is estimated to grow by 4.0 - 5.0 percent thanks primarily to the global economic recovery and the implementation of public investment under the water resource management plan and the infrastructure development plan. In addition, relatively stable oil price and low inflation will help support economic expansion.. It is expected that export value will grow by 7.0 percent while private consumption expenditure and private investment are likely to increase by 2.7 and 7.1 percent respectively. Headline inflation is forecasted to be in the range of 2.1 – 3.1 percent, and the current account deficit will be approximately 0.6 percent of GDP.
- ❑ **Economic management for 2014 should emphasize** on the following issues. **Firstly, expediting exports to expand at its full potential** by (i) enhancing export income from major markets, which also includes solving problems in the production sector, (ii) increasing income from newly high-potential markets, (iii) promoting border and intraregional trade by facilitating cross-border trade and transport as well as supporting entrepreneurs to seek for new markets in neighboring countries. **Secondly, accelerating private investment expansion** by (i) speeding up the enactment of investment promotion policy under a new investment promotion strategy, and (ii) resolving procedural obstacles that delay private investment. **Thirdly, expediting the infrastructure investment** under financial bill for transport infrastructure development plan and the water resource management pan in order to support economic growth and enhance long-term competitiveness. **Lastly, maintaining the liquidity in the economy** and ensuring the access to credits for SMEs entrepreneurs. This includes for example the extension of the collateral categories, promoting exchange rate hedging, and establishing mechanism for joint ventures in new businesses.

Thai economy in the third quarter and the outlook in 2013 - 2014

The Thai economy in the third quarter expanded by 2.7 percent, slowed down from 2.9 percent growth in the previous quarter. The expansion of expenditure was mainly driven by the government expenditure while exports experienced a contraction. On the production side, the expansion was predominantly supported by continued expansion of hotel and restaurant, financial and transportation sectors. Compared with the second quarter of 2013 after seasonal adjustment, the Thai economy grew by 1.3 percent. In the first nine months of 2013, the Thai economic growth averaged 3.7 percent.



Thai economy in the third quarter of 2013

- (1) **In the third quarter of 2013, private consumption** expenditure declined by 1.2 percent, compared with an expansion of 2.5 percent in the previous quarter. This was due to a contraction of expenditure on durable goods, especially domestic car sales which declined by 24.8 percent. A smaller momentum from the tax rebate for first-car-buyer scheme led to a reduction of car sales from 193,756 vehicles in the previous quarter to 145,801 vehicles in the third quarter of 2013. A slowdown in spending on other goods owed to income and financial constraints, especially weaker agricultural prices and lower income from export as well as the more cautions on credit approval by financial institutions following a slowdown in the economy. The slowdown was also in line with the decline in the consumer confidence index about the overall economic situation from 72.9 in the second quarter of 2013 to 69.3 in the third quarter.

In the first nine months, private consumption expenditure expanded by 1.9 percent.

- (2) **Total investment** declined by 6.5 percent, compared with an expansion of 4.7 percent in the previous quarter. Public investment dropped by 16.2 percent, compared with an expansion of 15.4 percent in the last quarter. This contraction was contributed by the decline in both public and state-owned-enterprise investment. Moreover, private investment contracted by 3.3 percent, compared with an expansion of 2.0 percent in the previous quarter due partly to a high base of investment in machinery and equipment in the same quarter of 2012. The machinery and equipment investment decreased by 5.7 percent in line with the 6.1 percent contraction of import volume of capital goods. Nonetheless, private construction continually grew by 4.8 percent. Business Sentiment Index (BSI) also dropped from 50.9 in the second quarter to 47.8.

In the first nine months, total investment expanded by 1.1 percent.

- (3) **Export** value in the third quarter of 2013 was recorded at 57.9 billion US dollars with a negative growth of 1.8 percent, compared with a 1.9 percent contraction in the previous quarter. The reduction owed to a sluggish global demand as well as the production losses due to Early Mortality Syndrome (EMS) in shrimps and technological changes in manufacturing sector. Export value (excluding unwrought gold), however, increased by 1.0 percent. Key export goods enjoying positive growth included automotive (7.2 percent), integrated circuits and parts (18.7

percent), petroleum products (9.6 percent), and chemical products (4.6 percent) respectively. On the contrary, export value of agricultural commodities shrank by 0.2 percent mainly due to declining export value of rubber while the export value of rice and tapioca increased. Exports to the US, and the EU (15) grew by 0.7 and 3.3 percent respectively. Meanwhile, export to Japan continued to decline by 10.1 percent due to the depreciation of the Yen with some short term fluctuations. Exports to ASEAN (9) grew by 10.8 percent while exports to Hong Kong and Australia contracted by 1.4 and 5.5 percent respectively.

In the first nine months, export value was recorded at 169.7 billion US dollars expanding by 0.2 percent while export value in Thai baht term declined by 2.4 percent.

- (4) **In the third quarter, the agricultural production** decreased by 0.7 percent compared with an expansion of 2.5 percent in the previous quarter. This is attributable to the decline in key products particularly rice, cassava, and maize caused by the drought and dry spell, as well as the decline in shrimp following the emerging disease (Early Mortality Syndrome: EMS). Meanwhile, agricultural price index increased for its first time in eight consecutive quarters mainly contributed by the rise in the price of fishery, fruit livestock and tapioca respectively. On the contrary, price of major crops decreased, led to the 1.4 percent contraction of farmers' income.

In the first nine months, agricultural production increased by 0.9 percent.

- (5) **In the third quarter, the manufacturing sector** contracted by 0.4 percent compared with 1.1 percent contraction in the previous quarter, due mainly to the decrease in export-oriented industries and high base of automobile production during the same period last year. This was in line with a 3.6 percent decrease in Manufacturing Product Index (MPI). However, domestic-oriented industries expanded.

In the first nine months, the manufacturing sector expanded by 1.1 percent.

- (6) **In the third quarter, the construction sector** dropped by 2.2 percent compared with a 5.0 percent expansion in the previous quarter. This resulted from the 9.6 percent contraction of public construction, compared with a 2.4 percent growth in the previous quarter. Meanwhile, private construction expanded by 4.8 percent, in line with sale volumes of cement and metal products that rose by 8.7 and 17.9 percent, respectively.

In the first nine months, construction sector expanded by 3.9 percent.

- (7) **The hotel and restaurants sector** expanded by 15.1 percent, higher than 14.2 percent in the previous quarter. The numbers of inbound tourists were 6.7 million persons and total revenue were 320,894 million baht, increased from the same period last year by 26.1 and 32.7 percent, respectively. The number of inbound tourists from China, Laos, and Malaysia were the top three fast growing.

Thai economic outlook in 2013 - 2014

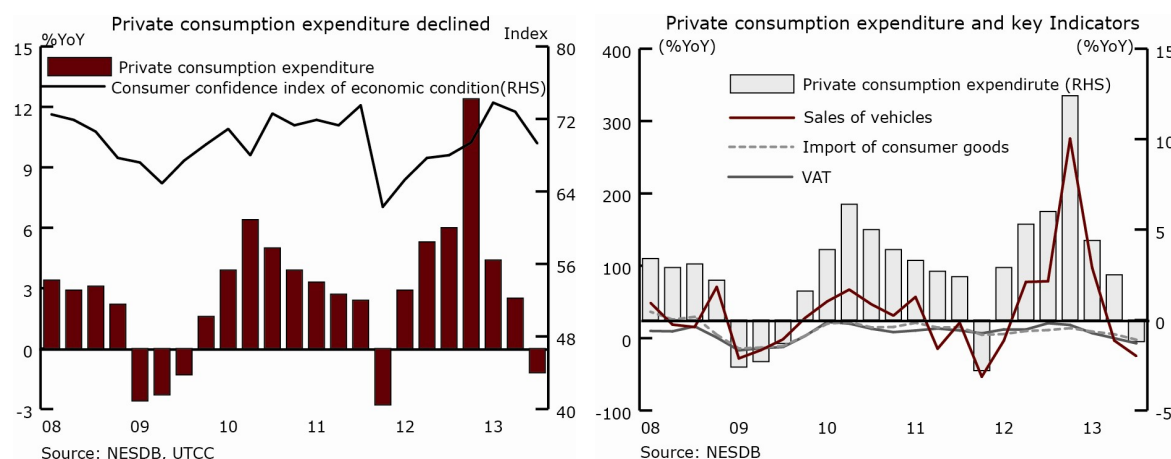
NESDB projected that Thai economy in 2013 is likely to grow by 3.0 percent, below the lower bound of 3.8-4.3 percent released on 19th August 2013. The revised projection was due to the lower-than-expected export growth and lower-than-targeted automobile production (a target of 2.5 million cars production). Another key factor for this downward revision includes the below-targeted implementation of important government projects. Export value in US dollar term is expected to remain unchanged from the previous year. Private expenditure is expected to grow by 0.8 percent while total investment is projected to expand by 0.9 percent. In 2013, headline inflation is expected to average 2.4 percent and the current account balance will register a deficit of 0.9 of GDP.

In 2014, the Thai economy is expected to grow in the range of 4.0 -5.0 percent, mainly contributed by 7.0 percent expansion of export value, together with a 2.7 percent growth of private consumption and a 7.1 percent growth of total investment. In 2014, headline inflation will lie in the range of 2.1 - 3.1 percent and the current account balance is likely to record a deficit of 0.6 of GDP.

1. Economic Performance in Q3/2013

■ Expenditure Side:

Private consumption expenditure: consumption of durable goods contracted due to a high base effect, while consumption of other goods similarly decelerated due to financial and income constraints. In the third quarter of 2013, private consumption expenditure contracted by 1.2 percent, compared with a 2.5 percent expansion in the previous quarter. This was due to a contraction in expenditure on durable goods, especially on domestic car sales which declined by 24.8 percent. The diminished push from the tax rebate for first-car-buyer scheme led to a reduction of car sales from 193,756 vehicles in the previous quarter to 145,801 vehicles in the third quarter of 2013. A slowdown in spending was caused by other income and financial constraints, especially the weak agricultural prices and income from export, the more stringent approach credit approval by financial institutions under the decelerating economic conditions and the increase in household debt during post-flood period. Consequently, the sales of motorcycles, and import of consumer goods contracted by 8.6 and 2.2 percent respectively. Electricity consumption, sales of beer, soda water and drinking water grew at 0.7, 4.2, and 22.4 percent respectively, slower than in the previous period. The slowdown were in line with the 7.2 percent reduction in VAT collection (constant price) and the Consumer Confidence Index about the overall economic situation which continued to decline from 73.8 in the first quarter of 2013 to 72.9 and 69.3 in the second and third quarter respectively.



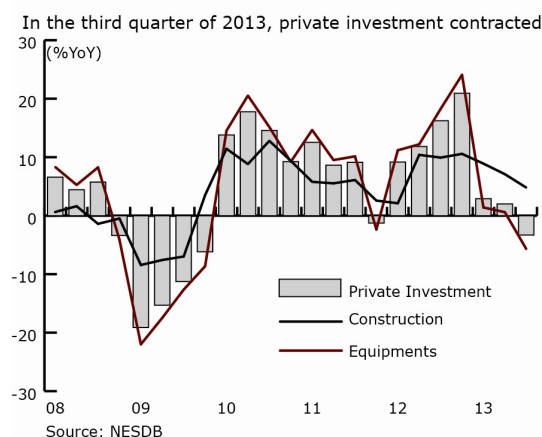
Private investment declined due to a high base effect of the machinery and equipment investment, but construction investment continued to grow. In the third quarter of 2013, private investment contracted by 3.3 percent, compared with an expansion of 2.0 percent in the previous quarter as there was an abnormally high expansion in machinery and equipment investment in the same quarter of 2012. The machinery and equipment investment contracted by 5.7 percent compared with 1.4 and 0.6 percent in the first and second quarter of 2013 respectively. This figure was in line with the 6.1 percent contraction of import volume of capital goods, compared with the expansion of 3.6 and 0.2 percent in the first and second quarter of 2013 respectively. Meanwhile, domestic commercial car sales contracted by 26.2 percent, compared with the 53.4 percent expansion in the third quarter of 2012 and a 3.2 percent growth in the second quarter of 2013. Nonetheless, **construction investment grew satisfactorily** by 4.8 percent, even though this represents a slowdown from the growth rate of 7.1 percent in the previous quarter. The growth in steel and cement sales was at 17.9 and 8.7 percent respectively. The decline in private investment was in line with the Business Sentiment Index (BSI) which reduced to 47.8, compared with the level of 52.2 and 50.9 in the first and second quarter of 2013 respectively. Furthermore, the value of new projects applying for

Expenditure in the third quarter of 2013 decelerated from the previous quarter due to contraction in key indicators, including private consumption, private investment, export and import.

Private consumption expenditure contracted by 1.2 percent due to a high base effect and slowdown in domestic car sales, as well as financial and income constraints.

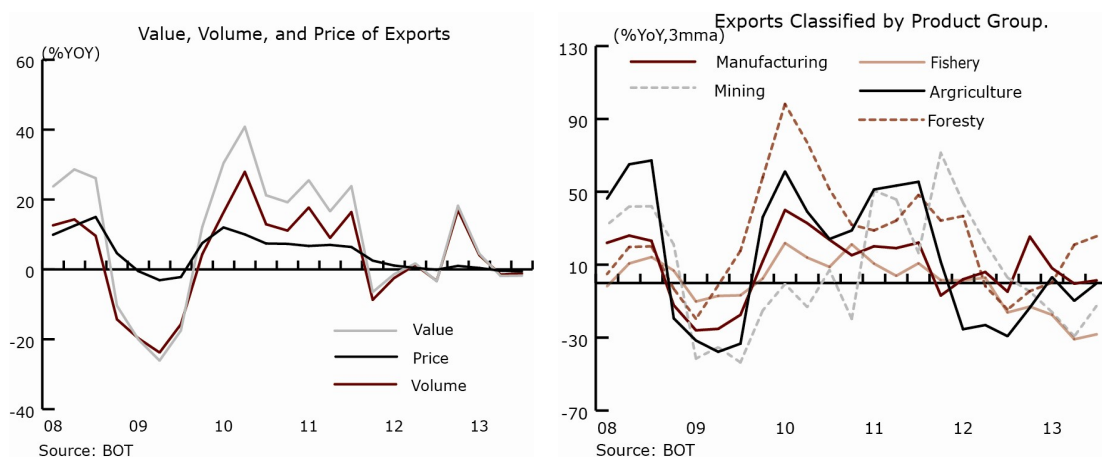
Private investment contracted by 3.3 percent, compared with 2.0 percent expansion in the previous quarter due to contraction in machinery and equipment investment, while construction continued to grow.

investment promotion to the Board of Investment (BOI) declined from a high base of 302.8 billion baht recorded in the third quarter of 2012 to 105.1 billion baht in the third quarter of 2013 (a 65.3 percent decline). However, the number of BOI investment promotion certificate continued to grow by 309.6 billion baht, compared to 192.6 billion baht in the same period last year (a 60.7 percent rise).



Exports continued to contract as a result of a weak global demand and the slump in export prices, as well as the constraints on production of fishery products and changes in technology. Export value in the third quarter of 2013 was recorded at 57.9 billion US dollars (1,824.9 billion baht) – a 1.8 percent decline, compared with a 1.9 percent contraction in the previous quarter. The export quantity declined by 1.2 percent from the same period last year, while export price contracted by 0.6 percent. Export value (excluding unwrought gold) increased by 1.0 percent. In baht term, the value of exports contracted by 1.4 percent, compared with a decline of 6.3 percent in the previous quarter.

Export value (USD term) contracted by 1.8 percent as a result of a weak global demand and the slump in export prices, as well as the constraints on production of fishery products and changes in technology. In baht term, the value of exports contracted by 1.4 percent.



Export of agricultural commodities: the export quantity improved, but the reduction in price led to a decline in export value. Export value of agricultural commodities shrank by 0.2 percent, compared to a decline of 9.8 percent in the previous quarter. The quantity of exports grew by 1.4 percent as the exports of rice, rubber and tapioca increased. Meanwhile, there was a decline in the price of key exports, such as rice, rubber, tapioca and sugar, causing the overall price of agricultural exports to decline by 1.5 percent. The value of **rice** export increased by 5.5 percent as there was a decline in the price of Thai rice in the global market to a comparable of the competitors'. This made Thai rice more competitive, leading to an increase in export quantity of rice by 12.2 percent. The export of **tapioca** increased by 19.1 percent, contributed by an increase in export quantity. Meanwhile, the export value of **rubber** declined by 11.1 percent, mainly due to a drop in the price of rubber in the global market caused by a slow recovery of the Chinese

economy. Similarly, **sugar** export decreased, as export price and quantity dropped. **Manufacturing products** grew at a low level due to weak global demand and the technological changes in electronic products. The export of manufacturing products grew at a low rate in both price and quantity by 1.5 and 1.4 percent, albeit a slight improvement from a contraction of 0.7 and 0.4 percent respectively in the previous quarter. In part, it was due to a low base effect from the same period last year. The goods that recorded growth in export included automotive (7.2 percent), integrated circuits and parts (18.7 percent), petroleum products (9.6 percent), and chemicals (4.6 percent) respectively. Nevertheless, the export value of Hard Disk Drive, despite a low base, continued to decline by 17.5 percent. This was due to a technological change, making Solid State Drive (SSD) and Flash Drive more popular among consumers while the demand for Hard Disk Drive declined.

Export Value of major commodities

%YoY	2012							2013							
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q3	Jul	Aug	Sep	Shared Q3/13
Agriculture	-22.1	-24.3	-21.7	-25.4	-23.1	-29.2	-13.6	-3.0	3.2	-9.8	-0.2	-0.2	-7.7	8.7	7.3
Rice	-28.0	-37.8	-16.3	-38.7	-36.9	-34.1	5.0	-3.4	8.6	-14.0	5.5	8.2	-0.1	8.7	1.9
Rubber	-31.1	-27.0	-35.4	-26.6	-27.5	-39.7	-30.6	-12.3	-8.7	-16.8	-11.1	-20.5	-7.8	-4.1	3.0
Tapioca	9.0	7.1	10.8	-10.5	33.3	11.1	10.6	13.2	34.9	-8.3	19.1	69.4	-26.3	55.6	1.0
Industry	6.1	4.0	8.1	2.0	6.0	-4.8	25.4	3.7	8.1	-0.4	1.4	-1.0	6.2	-0.9	87.1
Agro Manufacturing Product	4.1	7.9	0.3	12.9	3.6	-3.3	4.4	-2.4	-1.7	-3.1	-4.5	-8.1	-6.1	1.5	11.5
Sugar	8.9	17.1	-4.9	40.8	3.1	8.7	-27.0	-29.2	-37.4	-22.6	-32.2	-31.1	-54.9	24.1	1.1
Other agro-manufacturing products	-7.8	-14.0	-1.3	-12.0	-15.6	-8.6	7.7	10.9	12.7	9.4	11.3	10.7	14.7	8.6	0.4
Beverages	14.3	7.8	21.3	15.1	1.6	13.6	29.7	21.7	16.4	26.8	13.9	14.8	11.8	15.3	0.7
Apparels and textile materials	-12.0	-15.5	-8.3	-15.3	-15.7	-15.5	0.5	4.0	1.3	6.8	4.2	4.2	6.0	2.2	3.3
Electronics	0.9	-2.2	4.2	-8.3	3.8	-14.7	34.4	-3.0	3.6	-8.6	2.6	2.5	1.3	4.0	14.4
Integrated circuits & parts	-15.4	-21.2	-9.2	-21.0	-21.3	-29.8	26.9	4.7	2.0	7.4	18.7	16.2	13.2	25.8	3.4
Electrical Appliances	2.2	-3.3	8.4	-7.9	1.0	-8.7	35.2	5.3	13.4	-1.4	-0.8	-2.1	-0.9	0.5	4.9
Automotive	26.3	16.4	36.3	2.6	33.7	10.3	77.0	14.4	16.8	12.2	7.2	-3.3	16.8	8.9	14.1
Metal & Steel	21.3	-2.9	45.9	-5.4	-0.6	24.0	72.3	30.1	55.9	6.6	-21.0	-11.7	-16.0	-33.1	4.2
Petroleum products	15.7	35.4	0.7	68.1	14.2	-12.6	18.7	-13.0	-6.3	-19.3	9.6	9.5	29.4	-8.3	6.0
Machinery & Equipment	1.9	4.9	-0.9	-1.0	10.8	-4.0	2.6	1.2	4.2	-1.5	4.7	8.4	7.1	-1.3	7.8
Chemicals	2.1	2.2	2.0	8.3	-2.9	1.6	2.3	12.8	15.9	10.0	4.6	2.3	8.4	3.2	3.8
Furniture and parts	-3.2	-6.2	-0.2	-7.0	-5.4	-7.9	8.5	6.3	4.1	8.5	0.9	0.1	1.4	1.1	0.5
Gold	12.8	-23.4	62.3	-14.7	-34.1	130.1	-36.0	-64.6	-86.8	-29.1	-46.8	-18.9	-11.7	-80.3	3.1

Source: BOT

Export markets: exports to major markets such as the U.S. and EU (15) grew from the low base in the same period last year, while exports to Japan, Hong Kong, and Australia contracted. Exports to ASEAN (9) continued to grow. Exports to the US, and EU (15) grew by 0.7 and 3.3 percent respectively, compared with a contraction of 3.5 and 5.2 percent respectively in the previous quarter. Such growth is due to a low base effect and the continual growth of the US private sector and the recovery of the European economy. Exports to ASEAN (9) grew by 10.8 percent. Meanwhile, export to Japan continued to contract by 10.1 percent due to the fluctuation of the Yen. At the same time, export to Hong Kong contracted by 1.4 percent. Export to Australia also declined by 5.5 percent contributed primarily by a contraction in exports of automotive and parts, and iron, metal and steel.

Major Export Market

(%YOY)	2012							2013							
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q3	Jul	Aug	Sep	Shared Q3/13
USA	4.6	3.4	5.8	2.1	4.6	-1.2	14.3	-0.4	2.6	-3.5	0.7	-0.6	3.6	-0.7	10.0
Japan	-1.6	-3.8	0.4	-6.3	-1.3	-6.5	9.0	-2.3	1.5	-6.2	-10.1	-10.5	-6.0	-13.6	9.3
EU (15)	-9.2	-12.3	-5.9	-16.9	-7.5	-19.3	13.4	1.4	8.7	-5.2	3.3	0.0	13.4	-2.7	8.7
ASEAN (9)	5.0	8.1	1.1	9.2	7.1	-10.3	15.2	4.2	5.9	2.5	10.8	8.6	17.3	6.6	25.7
Hong Kong	9.6	-7.4	28.5	-6.5	-8.4	9.8	59.2	9.5	11.2	7.8	-1.4	-7.8	4.3	-1.3	6.5
Middle East	12.8	8.2	17.9	6.5	9.8	4.5	36.2	-0.7	5.4	-6.9	0.6	-15.4	3.8	16.8	5.1
China	2.5	7.5	-2.3	1.4	13.7	-12.2	9.9	-3.1	7.3	-13.4	-0.3	-5.3	3.1	1.2	11.3
Australia	22.1	4.3	40.1	-9.6	20.5	23.7	64.9	24.9	33.6	16.3	-5.5	19.5	8.5	-34.5	4.7
Total Export	3.1	0.3	5.7	-1.4	1.9	-4.2	18.5	1.0	4.3	-2.2	-1.7	-1.5	3.9	-7.1	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	-1.8	-1.3	2.5	-6.3	98.5

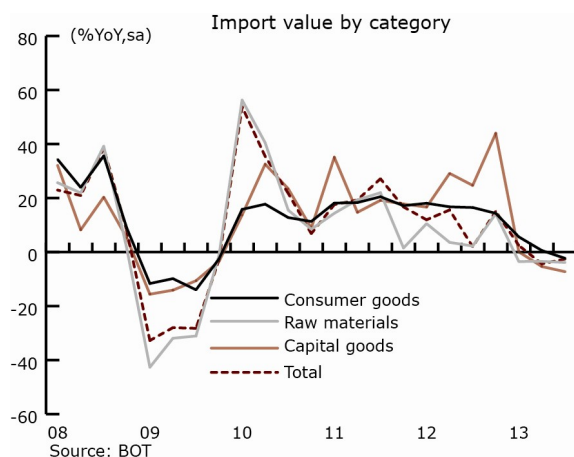
Source: BOT

Imports contracted in line with the declining exports and the weakening domestic demand. The abnormally high base effect of capital goods in the same period last year and the falling import prices also contributed to the contraction: Import in US dollar term was recorded at 52.9 billion US dollars in the third quarter of 2013. This represented a decline of 2.9 percent, compared with a growth of 0.2 percent in the previous quarter. Import quantity declined by 0.9 percent compared with a 3.3 percent expansion in the previous quarter. This was mainly due to a decline in import of capital goods and consumer goods. Meanwhile, import of raw materials and intermediate goods gradually increased by 0.2 percent despite a low base in the same quarter of previous year. The price of imports declined by 2.0 percent, compared with a contraction of 3.0 percent in the previous quarter, representing a fifth consecutive quarter of reduction, following the contraction in prices of key commodities in the global market, especially gold, pesticide, iron, metal and steel. With unwrought gold excluded, the value of import contracted by 5.2 percent. In Thai baht term, the value of import was recorded at 1,665.7 billion baht, or a decline of 2.6 percent compared with a contraction of 4.3 percent in the previous quarter.

Overall, there was a decline in every category of import. **The import value of raw materials and intermediate goods** contracted by 2.6 percent, compared with a growth of 2.2 percent in the previous quarter. This was mainly due to the decline in import of fuels and non-agro manufacturing products. Goods with a decline in import value include crude oil, natural gas, minerals, plastics, and computer parts and accessories. This was in line with the contraction in manufacturing production and export. **The import value of capital goods** contracted by 6.1 percent, compared with an expansion of 0.2 percent in the previous quarter. This contraction was a result of a high base effect from the same period last year, especially the import value of machinery, equipment, and supplies, such as computers, other machinery and mechanical appliances and parts and transformers, generators, motors, and accumulators. Meanwhile, the import of aircrafts continued to expand, with an import value of 762 million baht, representing an increase of 91.8 percent. **The import value of consumer goods** declined by 1.1 percent, compared with a growth of 6.5 percent in the previous quarter. This was in line with the slowdown in private consumption expenditure. The products which expanded at a slower pace included electrical appliances, jewellery (excluding pearls and precious stones), musical instruments, and animal and fishery products. Meanwhile, the import of food, beverage, and dairy products, and furniture and parts continued to expand.

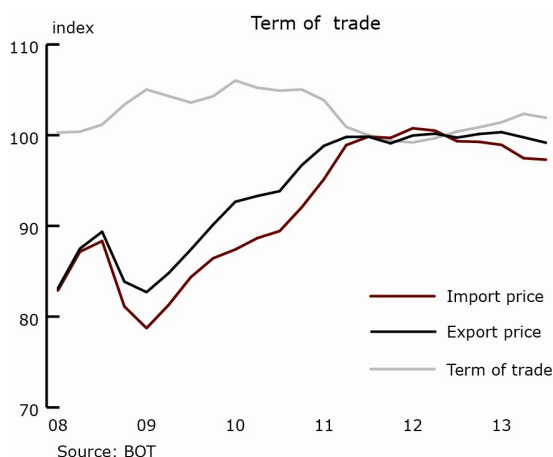
Import in US dollar term declined by 2.9 percent, compared with a growth of 0.2 percent in the previous quarter.

There is a decline in every category of import, especially capital goods.



Term of trade declined slightly from the previous quarter. Export price decreased by 0.6 percent, while import price decreased by 2.0 percent. The term of trade was at 101.9 in the third quarter of 2013, compared with 102.4 in the previous quarter.

Term of trade decreased slightly from the previous quarter.



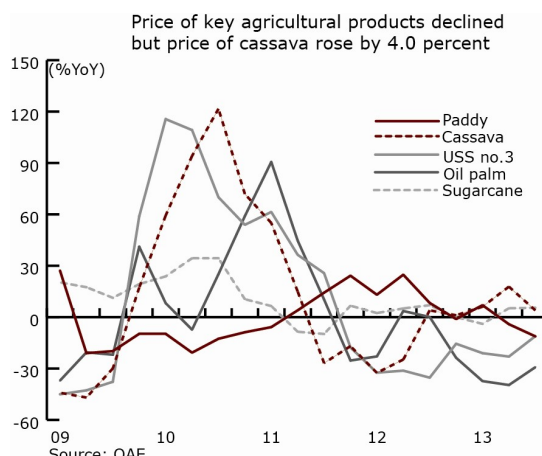
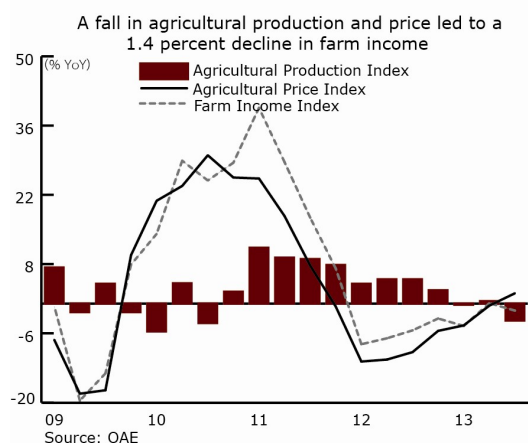
Trade balance recorded a surplus after 2 consecutive quarters of deficit. The trade balance in the third quarter of 2013 recorded a surplus of 5.03 billion US dollars (equivalent to 159.2 billion baht) compared with a deficit of 271 million US dollars (equivalent to 9.37 billion baht) and 497 million US dollars (equivalent to 13.05 billion baht) in the first and second quarter of 2013 respectively. This is due to the fact that import value contracted at a faster pace than export value.

Trade balance recorded a surplus.

□ Production side:

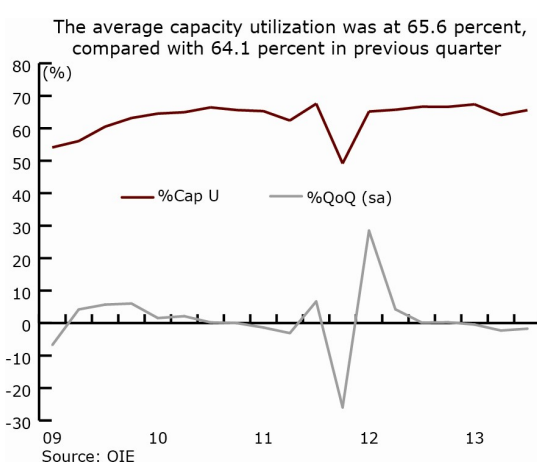
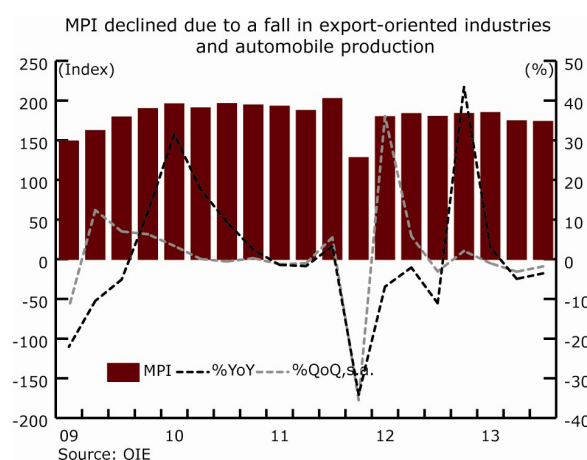
Production of agricultural sector contracted, while the price rose. However, farmers' income decreased following the contraction of production and major crop prices. In the third quarter, production decreased by 0.7 percent, which was in line with 3.4 percent contraction of agricultural product index compared with 0.5 percent in the previous quarter. In detail, the causes of the decline were drought and dry spell for in-season rice, cassava and maize, and the emerging disease (Early Mortality Syndrome: EMS) in white shrimp. However, livestock, rubber, oil palm and fruit production expanded by 2.3, 6.3, 2.1, and 1.8 percent, respectively. The improvement in crop and fruit production was owing to (i) increased in production areas for rubber and oil palm and (ii) favorable climate for fruit plantation. Agricultural price index increased for its first time in eight quarters by 2.1 percent, mainly due to the rise in the price of fishery, fruit and livestock by 60.8, 14.1, and 17.2 percent, respectively. On the contrary, price of major crops decreased. The contraction of product and major crops price led to the contraction of farmers' income by 1.4 percent.

Agricultural sector contracted by 0.7 percent. The production and farmers' income decreased while price expanded for its first time in eight quarters.



Manufacturing sector contracted following the decrease in export-oriented industries and automobile production which sharply dropped from last year's irregularly high level. However, domestic-oriented industries expanded. In the third quarter, manufacturing sector sluggishly contracted by 0.4 percent compared with 1.1 percent decrease in the previous quarter. This was in line with a 3.6 percent decrease in Manufacturing Product Index (MPI). The slowdown was caused by (i) the end of the tax rebate for first car buyer scheme which led to the sharp contraction in automobile production and MPI of semi-export-oriented industries (export ratio of 30-60 percent of total production) by 11.0 and 8.3 percent respectively, and (ii) slow-recovery of export-oriented industries led to 4.1 percent decrease in MPI of export-oriented industries (export ratio higher than 60 percent of total production), including aquatic product processing (30.5 percent), electronic tube (2.1 percent), hard disk drive (0.7 percent) and jewelry (21.4 percent). On the contrary, domestic-oriented industries (export ratio less than 30 percent of total production) increased by 0.9 percent. Overall, the industries with expansion included petroleum (8.4 percent), electronic appliance (7.1 percent), rubber product (1.0 percent) and television and radio receivers (0.3 percent). The industries with contraction included food and beverages (11.2 percent) automobiles (11.0 percent) furnitures (19.4 percent) leather product (6.6 percent) textiles (1.1 percent) chemical products (2.3 percent). The average capacity utilization was at 65.6 percent compared with 64.1 and 66.6 percent in the previous quarter and the same period last year, respectively.

Manufacturing sector contracted by 0.4 percent due to a sharp contraction of automobile production and export-oriented industries.



Construction sector contracted following the decrease in public construction while private construction continually expanded. In the third quarter, construction sector dropped by 2.2 percent compared with a 5.0 percent expansion in the previous quarter. The contraction was mainly from the drop in public construction, from a 2.4 percent expansion in the previous quarter to a 9.6 percent decrease in this quarter. Meanwhile, private construction expanded by 4.8 percent, decelerated from a 7.1 percent growth in the second quarter. This was in line with a decline in permitted construction areas in the second and third quarter by 12.0 and 4.0 percent, respectively. However, sale volume of cement and metal products rose by 8.7 and 17.9 percent, respectively. Furthermore, material price increased by 0.3 percent following the higher costs of raw materials for cement and concrete product.

Real estate sector continuously expanded both in demand and supply side. Price of detached house and townhouse accelerated due to the higher price of land. In the third quarter, real estate sector expanded by 3.3 percent compared with a 4.4 percent expansion in the previous quarter. On demand side, demands for housing remained strong but slightly decelerated from the second quarter. This was reflected by the expansion of personal loan for real estate which grew by 11.4 percent compared with 12.2 percent in the second quarter. On supply side, loan extended for real estate developer and new launched projects increased by 12.3 and 30.6 percent, respectively. Likewise, price of land, townhouse and detached house increased by 9.3 percent, 7.9 percent, and 5.3 percent, respectively. Meanwhile, price of condominium rose by 3.8 percent, decelerated from 9.4 percent and 4.3 percent in the first and second quarter, respectively.

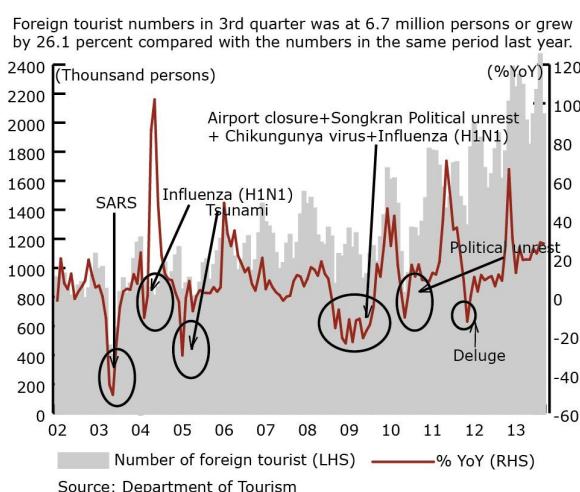
Hotel and restaurants sector favorably grew owing to accelerative numbers of inbound tourists. In the third quarter, the sector expanded by 15.1 percent, a comparable level with the second quarter expansion of 14.2 percent. In addition, number of inbound tourists and total revenue received stood at 6.7 million persons and 320,894 million baht, increased from the same period last year by 26.1 and 32.7 percent, respectively. Moreover, average occupancy rate increased to 62.5 percent, compared with 57.5 percent in the same period last year.

The number of inbound tourists from China, Laos, and Malaysia highly expanded by 82.9 percent, 32.3 percent, and 22.8 percent, respectively. Major five of inbound tourists were Chinese (21.0 percent) Malaysian (11.3 percent) Japanese (6.2 percent) Korean (5.0 percent) and Lao (5.0 percent).

Construction sector contracted by 2.2 percent compared with a 5.0 percent expansion in the previous quarter, mainly due to the drop in public construction while private construction decelerated.

Real estate sector expanded 3.3 percent, due to the expansion in both demand and supply sides. Rising price of land led to higher prices of townhouse and detached house, while price of condominium accelerated.

Hotel and restaurants sector favorably grew by 15.1 percent and the number of inbound tourists stood at 6.7 million persons or increased by 26.1 percent.



Shared and Growth of Tourists Classified by Nationality

	2011	2012							2013			
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q3
(% YoY)												
Total	20.7	16.0	8.9	23.3	8.1	9.8	8.6	39.3	22.1	22.1	21.3	26.1
China	53.4	62.1	33.9	91.0	22.2	47.9	46.9	162.9	99.7	102.8	96.6	82.9
Malaysia	21.4	2.4	-3.9	8.4	7.2	-13.7	-9.3	28.6	18.8	11.1	27.3	22.8
Japan	13.5	21.6	10.2	33.0	5.4	16.4	9.0	70.6	18.0	23.3	11.9	11.2
Korea	24.9	16.2	3.6	29.4	1.3	6.4	9.7	56.0	14.0	20.1	6.6	9.3
Loas	24.7	6.6	11.6	2.1	13.6	9.9	-5.6	12.8	-5.6	4.4	-14.8	32.3
Shared (%)												
China	9.0	12.5	11.0	13.9	10.1	12.1	14.4	13.4	18.1	16.8	19.5	21.0
Malaysia	13.0	11.5	11.0	11.9	10.7	11.4	11.6	12.1	10.8	9.8	12.0	11.3
Japan	5.9	6.1	5.9	6.4	5.8	5.9	7.0	5.9	5.7	5.9	5.5	6.2
Korea	5.2	5.2	5.0	5.4	5.1	4.9	5.8	5.1	4.7	5.0	4.3	5.0
Loas	4.6	4.3	4.5	4.1	4.0	5.1	4.8	3.5	3.5	3.4	3.6	5.0

Source: Department of Tourism

Wholesale and retail trades sector slowed down in line with domestic demand conditions. In the third quarter, wholesale and retail trades sector expanded by 2.5 percent, slightly decelerated from 3.0 percent in the previous quarter. This was consistent with the contraction of private consumption by 1.2 percent, as well as the contraction of retail trade index, and wholesale trade index by 3.8 and 4.2 percent, compared with a 2.8 expansion and a 1.9 percent contraction in the previous quarter, respectively. The retail trade of department store and automobiles, as well as the wholesale trade of fuel and machinery contracted. The wholesale and retail trades of food and beverage and construction materials highly expanded, while agricultural materials slightly grew.

Wholesale and retail trades sector expanded by 2.5 percent, slowed down from 3.0 percent in the previous quarter due to deceleration of domestic demand. While food and construction materials increased.

Wholesales and retail sales indices

% YOY	2011	2012							2013					
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Jul	Aug	Jul-Aug
Retail sales index	4.2	18.4	12.3	24.7	8.0	16.8	14.4	36.7	6.3	10.0	2.8	-4.5	-3.1	-3.8
Food and beverages	-13.1	-16.3	-38.7	12.2	-50.3	-20.8	-9.7	45.6	105.5	106.5	104.4	33.9	8.4	19.0
Motor vehicles and fuel	7.4	8.8	7.7	9.8	7.3	8.2	8.4	11.2	4.1	4.3	3.8	3.1	-7.2	-2.5
Department stores and supermarket	1.3	29.1	18.4	40.5	10.4	27.4	23.3	62.3	7.2	14.1	0.5	-7.8	-4.9	-6.4
Wholesales index	18.6	20.4	21.5	19.6	20.0	23.1	8.3	33.1	4.5	11.1	-1.9	-9.3	0.8	-4.2
Agricultural raw material and live animals	13.4	-12.2	-16.7	-4.1	-18.3	-16.1	-14.7	3.1	-0.4	-0.5	-0.4	0.9	-0.8	0.1
Food and Beverage	5.5	10.8	8.6	13.7	9.3	7.6	8.5	18.3	13.7	13.8	13.6	11.2	11.5	11.4
Fuel	9.8	16.0	11.8	20.4	16.3	7.5	16.6	24.2	4.7	6.8	2.5	-0.1	-1.8	-1.0
Construction material	15.1	10.9	6.6	15.8	5.8	7.1	3.8	30.1	7.4	9.5	5.3	6.4	11.3	8.8
Machinery and equipment	6.5	18.6	13.5	24.4	5.8	21.1	10.8	42.3	13.7	26.6	1.6	-11.9	-4.9	-8.5

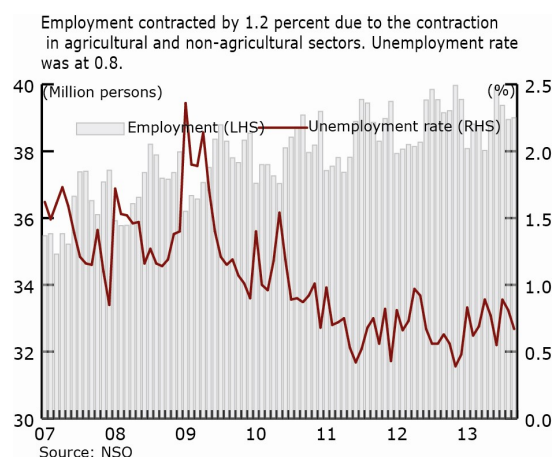
Source: BOT

Employment in the third quarter of 2013 stood at 39.11 million persons or contracted by 1.2 percent following the decrease in employment in agricultural sector (decreased by 278,646 million persons or 1.7 percent) and in non-agricultural sector (decreased by 187,298 millions persons or 0.8 percent). The contraction in employment in agricultural sector was caused by unsupportive climate for plantation, particularly for in-season rice. For non-agricultural sector, the contraction was seen in (i) hotel and restaurant sector (138,456 persons or 6.0 percent), particularly in food and beverage service (ii) construction sector (74,550 persons or 3.2 percent), particularly in building construction and (iii) wholesale and retail trades (72,087 persons or 1.2 percent). Remarkably, the contraction of employment in service sector was partly caused by increasing wage rates and avoiding of hard

Employment contracted by 1.2 percent due to the contraction in agricultural (1.7 percent) and non-agricultural sector (0.8 percent). However, employment in manufacturing sector improved by 2.5 percent owing to higher employment in food and beverage, rubber, and plastic and printing industries. The unemployment rate remained low at 0.8 percent.

work in unfavorable sectors, especially in construction sector. This led to higher informal workers. On the contrary, in manufacturing sector, the employment increased by 129,740 persons or 2.5 percent owing to high employment in food and beverage, rubber and plastic and printing industries.

The average unemployment was recorded at 305,600 persons, increased from the same period last year by 74,790 persons. However, the unemployment rate remained low at 0.8 percent. In addition, overall labor market condition was less tight reflected by the slightly lower job vacancies to new registered applications ratio to 0.5, compared to 0.6 in the previous quarter.



Employed Persons by Industry

%YOY	2011	2012							2013			
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q3
Employed (100%)	1.2	1.2	1.2	1.3	1.0	1.5	0.7	1.8	1.1	1.3	0.9	-1.2
- Agricultural (35.9%)	2.4	3.7	3.8	3.6	2.3	5.2	3.4	3.8	0.8	1.2	0.5	-1.7
- Non-Agricultural (64.1%)	0.4	-0.3	-0.3	-0.4	0.2	-0.8	-1.2	0.5	1.2	1.4	1.1	-0.8
Manufacturing (15.1%)	1.9	1.8	2.1	1.4	2.4	1.8	1.0	1.9	-0.1	1.1	-1.3	2.5
Construction (7.5%)	0.0	5.1	0.5	10.8	-1.0	0.1	7.7	14.1	5.8	6.0	5.6	-3.2
Hotel and Restaurant (6.3%)	-3.6	-0.7	-0.2	-1.3	-0.9	0.6	-1.6	-0.9	2.9	3.5	2.3	-1.2
Wholesale (16.2%)	-3.2	-9.4	-12.4	-6.2	-10.5	-14.3	-11.4	-0.5	5.8	4.4	7.2	-6.0
Unemployment (Hundred thousand persons)	2.6	2.6	3.1	2.1	2.8	3.4	2.3	1.9	2.9	2.8	2.9	3.1
Unemployment Rate (%)	0.7	0.7	0.8	0.5	0.7	0.9	0.6	0.5	0.7	0.7	0.7	0.8
Of Which under employment (Hundred thousand persons)	3.8	3.5	3.7	3.3	3.5	3.8	3.0	3.6	3.4	3.9	2.8	3.3

Source: National Statistical Office

❑ Fiscal condition

On the revenue side, in the fourth quarter of fiscal year 2013 (July – September 2013) net government revenue collection stood at 537.5 billion baht, declined by 6.3 billion baht (or 1.2 percent) compared to the same period of last year. The slight decrease in revenue collection was caused by (i) the 57.5 percent decreasing of State-owned-enterprise's revenue as PTT public company limited shifted its dividend pay out to the government to October, (ii) the slowdown in VAT collection of 6.2 percent following a shrinkage of capital goods import (iii) the deceleration in excise tax on automobile as a result from reverse effect from the first-time-car-buyer scheme launched last year and caused the collection to dropped by 26.6 percent. Furthermore, net government revenue collection in this quarter also fell short from the target by 4.9 percent. This was mainly the result of lower corporate income tax rate while some of businesses still in post-flood recovery state.

For the fiscal year 2013, net government revenue collection stood at 2,157.4 billion baht, higher than the collection in the same period of last year and the target by 9.2 and 2.7 percent respectively. Of the revenue collection, the revenue from the auction of 3 G license of Frequency 2.1 GHz. was an amount of 20.8 billion baht

Fiscal condition in the third quarter of fiscal year 2013, net government revenue collection declined by 1.2 % compared to the same period of last year and fell down from target by 4.9. Budget disbursement was lower than target while budget disbursement for the royal decree on investment loan for water resource management and future development still delay.

Net government revenue collection was lower than the same period of last year especially revenue from State-owned-enterprises, VAT, excise tax on automobile.

Government Revenue

Fiscal Year (Billion Baht)	2012							2013						
	Year	H1	H2	Q1	Q2	Q3	Q4	Year	H1	H2	Q1	Q2	Q3	Q4
Revenue Department	1,617.3	601.9	1,015.4	278.7	323.1	536.5	478.9	1,764.7	703.0	1,061.7	346.9	356.2	575.3	486.4
YOY (%)	6.7	10.1	4.8	6.5	13.5	4.1	5.5	9.1	16.8	4.6	24.4	10.2	7.2	1.6
Compared with the target (%)	-0.5	3.3	-2.5	2.4	4.0	-2.5	-2.6	-0.5	5.5	-4.1	8.3	2.9	-2.0	-6.5
Excise Department	379.7	179.2	200.4	83.2	96.1	95.6	104.8	432.9	231.1	201.8	119.1	112.0	105.3	96.4
YOY (%)	-5.0	-21.5	16.8	-25.6	-17.4	9.8	24.0	14.0	28.9	0.7	43.1	16.6	10.2	-8.0
Compared with the target (%)	-6.3	-4.9	-7.4	-2.0	-7.3	-8.6	-6.4	5.1	11.0	-1.0	16.9	5.4	1.6	-3.8
Custom Department	119.0	57.9	61.1	27.2	30.7	31.5	29.6	113.4	58.7	54.7	31.1	27.6	26.3	28.4
YOY (%)	15.6	13.5	17.7	7.2	19.8	30.6	6.5	-4.7	1.3	-10.4	14.1	-10.0	-16.4	-4.0
Compared with the target (%)	12.8	9.7	15.9	-1.0	21.2	23.6	8.7	-2.2	1.4	-5.7	2.7	0.0	-5.4	-6.0
State Enterprise	122.7	57.1	65.7	35.3	21.8	28.8	36.9	101.4	50.8	50.7	21.2	29.6	35.0	15.7
YOY (%)	24.2	34.8	16.3	35.7	33.2	-23.2	94.3	-17.4	-11.1	-22.8	-40.0	35.7	21.7	-57.5
Compared with the target (%)	20.1	7.6	33.6	1.5	19.2	-3.5	91.0	1.4	12.8	-7.9	-14.7	46.7	2.7	-25.0
Net Government Revenue	1,975.9	811.3	1,164.6	398.5	412.8	620.8	543.8	2,157.5	978.1	1,179.4	508.5	469.6	641.9	537.5
YOY (%)	4.4	2.8	5.6	0.7	4.8	3.9	7.6	9.2	20.6	1.3	27.6	13.7	3.4	-1.2
Compared with the target (%)	-0.2	4.1	-3.0	4.2	4.0	-3.3	-2.7	2.7	10.6	-3.0	16.2	5.2	-1.4	-4.9

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the fourth quarter of fiscal year 2013 was at 682.6 billion baht, declined by 7.8 percent comparing to the same period of last fiscal year. The budget disbursement in this quarter comprised of current budget of 451.2 billion baht (decreased by 2.4 percent) and capital budget of 231.4 billion baht (increased by 18.4 percent). Furthermore, the budget disbursement can also be classified by the sources of funding as follows: **(i) the 2013 annual budget** disbursement of 506.3 billion baht, or equivalent to 21.1 percent of the total budget which was lower than the target of 25 percent as a result of front loaded disbursement in the first two quarter of this fiscal year. The annual budget disbursement comprised of current expenditure of 429.0 billion baht (equivalent to 21.5 percent of the total allocated budget which was lower than the disbursement in same period of last year by 1.1 percent) and capital expenditure of 77.3 billion baht (equivalent to 18.9 percent of the total allocated budget which fell far short of 30 percent target set). The lower-than-expected capital expenditure disbursement was due to the delay in budget allocation in this quarter. Furthermore, government procurement was hindered by the shortage of contractors and delay in bidding process. **(ii) Carry-over budget** disbursement of 41.3 billion baht increased from the same period of last year by 73.6 percent. This is due to the value of total carry-over budget for fiscal year 2013 is higher than the previous year (disbursement rate was at 13.8 percent improved from 2.6 percent in the previous year), **(iii) Off-budget Loan** 10.8 billion baht which include the TTK stimulus package II disbursements of 3.2 billion baht, the disbursement of Development Policy Loan (DPL) of 4.0 billion baht, and the Royal Decree on investment loan for water resource management and future development of 3.6 billion baht and **(iv) State-Owned-Enterprise's** (including PTT public company limited) capital budget disbursement was at 124.2 billion baht, dropped by 36.8 billion baht or 22.5 percent from the same period of last year, most of which was contributed by the disbursement of Mega Projects investment by Mass Rapid Transit Authority of Thailand and PTT public company limited.

Total government expenditure in the fiscal year 2013 was at 2,880.2 billion baht, increased from the previous year by 7.3 percent. The total annual expenditure comprised of (i) current year expenditure of 2,171.4 billion baht, equivalent to a disbursement level of 90.5 percent which is lower

Overall Budget disbursement and capital budget disbursement in this quarter was decreased from the same period of last year and lower than target due to expedited disbursement in previous quarters.

than the target of 94 percent whereas capital expenditure of 276.5 billion baht, equal to disbursement level of 67.8 percent, short fell from the target of 80 percent, (ii) carry over budget disbursement of 231.0 billion baht, dramatically increased from the previous year by 57.6 percent, which equivalent to disbursement level of 77.2 percent. This reflects an improvement in disbursement acceleration of carry over budget when compared to the previous year, (iv) Off-budget loan disbursement of 36.2 billion baht, rose by 67.6 percent, and (v) State-owned-enterprise's (including PTT public company limited) capital budget disbursement of 441.5 million baht, increased by 23.9 percent.

Government Expenditure

Fiscal Year	2012					2013						
(Bil baht)	Year	Q1	Q2	Q3	Q4	Year	H1	H2	Q1	Q2	Q3	Q4
budget disbursement	2,684.9	575.2	843.9	525.1	740.8	2,880.2	1,634.3	1,245.9	968.1	666.2	563.3	682.6
YOY (%)	9.7	-15.3	35	-12.5	36.1	7.3	15.2	-1.6	68.6	-21.1	7.3	-7.8
Current Expenditure	1,945.8	424.6	671	388.1	462.2	1,989.9	1,117.9	863.9	675.3	455.3	413.0	451.2
YOY (%)	4.2	-22.6	53.9	-19.8	15.8	2.3	3.2	1.6	59.0	-32.1	6.4	-2.4
Capital Expenditure	739	150.3	172.5	136.6	278.1	890.3	516.4	382.0	292.8	210.9	150.3	231.4
YOY (%)	27.1	14.8	-8.7	18.1	92.6	20.5	73.2	13.5	94.8	22.3	10.0	18.4
1. Annual Budget	2,148.4	439.2	732.9	435.5	540.9	2,171.4	1,212.6	958.8	699.8	512.8	452.5	506.3
Disbursement	90.3	18.5	30.8	18.3	22.7	90.5	50.5	40.0	29.2	21.4	18.9	21.1
Disbursement Target (%)	93	20	22	25	26	94.0	44.0	50.0	20.0	24.0	25.0	25.0
Current Budget	1,873.0	401.1	651.1	376	444.9	1,894.9	1,063.5	831.4	641.4	422.1	402.3	429.0
Capital Budget	275.4	38.1	81.8	59.5	96	276.6	149.1	227.5	58.4	90.7	50.2	77.3
Disbursement	66.3	9.2	19.7	14.3	23.1	67.8	37.2	31.2	14.6	22.6	12.6	18.9
Disbursement Target (%)	72	10	13	20	29	80.0	25.0	55.0	10.0	15.0	25.0	30.0
2. Carry-overbudget	146.8	50.6	47.9	24.1	24.2	231.0	158.9	72.1	86.2	72.7	30.8	41.3
Current Budget	60.8	21.9	18.3	10.0	10.6	95.0	62.5	32.5	31.8	30.7	10.4	22.2
Capital Budget	85.6	28.8	29.5	14.2	13.3	135.8	96.4	39.4	54.4	42.0	20.4	19.0
3. Off-budget loan	33.6	6.5	5.8	5.9	15.4	36.2	16.0	20.1	7.7	8.2	9.5	10.7
4. State-own-enterprise's capital budget	356.1	78.9	57.3	59.6	160.3	441.5	246.8	194.7	174.4	72.4	70.5	124.2

Source: FPO & GFMS & NESDB

Fiscal balance, in the fourth quarter of fiscal year 2013, the cash balance before debt financing recorded a surplus of 180.4 billion baht with a surplus in non-budgetary balance of 137.1 billion baht and a deficit in budgetary balance of 17. billion baht. Furthermore, the government conducted a cash balance management through borrowing in the amount of 60,252.1 million baht. Thus, the treasury reserve at the end of September 2013 stood at 603.9 billion baht, lowered than the previous year by 43.6 billion baht or equivalent to 7.8 percent reduction.

For the fiscal year 2013, the government budget balances recorded deficit of 244.9 billion baht while non-budgetary balances recorded surplus of 6.5 billion baht. Moreover, the government conducted a cash balance management through borrowing total at 281.9 billion baht (the ceiling for borrowing in fiscal year 2013 is at 300 billion baht). Thus, the cash balance after debt financing recorded a surplus of 43.6 million baht.

Public debt at the end of September 2013 amounted to 5,430.6 billion baht, equivalent to 45.5 percent of GDP, increased from previous quarter and the end of last fiscal year by 117.0 and 499.3 billion baht respectively. The component of public debt consisted of government debt at 3,774.8 billion baht (69.5 percent), non-financial institution SOEs debt at 1,113.0 billion baht (20.5 percent), and financial institution SOEs debt (government guarantee) at 541.9 billion baht (10.0 percent).

Treasury reserve at the end of September recorded at 603.9 billion baht.

The ratio of public debt to GDP continued to increase, with current ratio of 45.5 percent.

Public Debt

End of Fiscal Year (Billion Baht)	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13	Q3/13	Q4/13
Public Debt End of period	4,297.9	4,473.1	4,810.0	4,937.2	4,937.2	4,961.3	5,074.0	5,209.3	5,430.6
Public Debt to GDP (%)	40.3	41.4	43.7	44.5	44.5	43.7	44.1	44.1	45.5
Direct Government	3,088.5	3,268.4	3,506.3	3,515.0	3,515.0	3,516.6	3,555.6	3,642.1	3,774.8
Non-Financial State Enterprises Debt	1,061.0	1,035.9	1,047.2	1,064.3	1,064.3	1,072.8	1,072.4	1,076.2	1,113.0
Special Financial Institutions Guaranteed Debt	148.4	162.5	246.4	352.2	352.2	364.6	437.9	490.2	541.9
FIDF Debt (Liability)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Autonomous Agency Debt (VF & EFPO)	0.0	6.2	10.0	5.7	5.7	7.3	8.1	0.8	0.8

Source: FPO & GFMS

Financial conditions

Policy interest rate remains unchanged. During the third quarter of 2013, the Monetary Policy Committee (MPC) decided to keep the policy rate unchanged at 2.5 percent per annum. The decision was based on the assessment that the current policy rate remains appropriate to accommodate an ongoing recovery of Thai economy. Likewise, such decision was in line with other Asian countries, except for India and Indonesia which raised their policy rate during the quarter to contain their inflationary pressure and to stabilize their currencies. Furthermore, major countries continue to hold their policy rate at the low level, in order to support their economic recovery. **In October 2013**, The MPC decided to maintain its policy rate at 2.5 percent per annum. On the contrary, India continued to increase its policy rate by 0.25 percent to contain its inflationary pressure. **In November 2013**, The European Central Bank cut the refinance rate and the marginal lending facility rate to a record low, at 0.25 percent and 0.75 percent per annum respectively, in order to fight against the risk of deflation and accommodate their economic recovery. Meanwhile, Indonesia further hiked its policy rate, from 7.25 percent to 7.50 percent per annum, in order to discourage the capital outflow and maintain their price stability.

Policy interest rate was kept unchanged, in line with other Asian countries.

World Policy Rates change

Country	2012				2013								Policy Rate at the end of 15 Nov. 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	Oct.	Nov.	
Thailand	-0.25			-0.25		-0.25							2.50
USA													0.25
Europe			-0.25			-0.25						-0.25	0.25
Japan													0 - 0.1
China		-0.25	-0.31										6.00
India		-0.50			-0.50	-0.25	+0.25			+0.25	+0.25		7.75
South Korea			-0.25	-0.25		-0.25							2.50
Philippines	-0.50		-0.25										5.50
Indonesia	-0.25					+0.25	+1.25	+0.50	+0.50	+0.25		+0.25	7.50

Source: CEIC

An average deposit and lending rates of four major banks and medium commercial banks were kept unchanged. During the third quarter of 2013, an average 12-month deposit and minimum loan rate of four major banks and medium commercial banks remained stable from the previous quarter. Meanwhile, an average 12-month deposit rate of retail bank slightly increased. Furthermore, most commercial banks continued to launch higher yield products in order to secure their deposit base. Throughout the quarter inflation rate continued to decline and caused real deposit and lending rate, at the end of the third quarter, to increase to 1.08 and

During the third quarter of 2013, an average 12-month deposit and minimum loan rate of four major banks and medium commercial banks remain stable from the previous quarter. Meanwhile, an average 12-month deposit rate of retail bank slightly increased.

5.58 percent per annum, respectively. **In October 2013**, an average deposit and lending rate¹ of Thai commercial banks remain unchanged from the end of the third quarter.

The commercial banks' 12-month deposit rates change

Bank	2012				2013							Interest rate at the end of Oct 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	Oct.	
Four Major banks	-0.01			-0.40	-0.01	+0.05						2.50
Medium Commercial Banks	-0.04	+0.08	-0.03	-0.29	-0.06							2.50
Retail Banks	-0.29			-0.08	-0.22		+0.07			+0.07		3.02

Source: BOT

The commercial banks' Minimum Loan Rates change

Bank	2012				2013							Interest rate at the end of Oct 2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	Oct.	
Four Major banks	-0.12			-0.13								7.00
Medium Commercial Banks	-0.11		+0.02	-0.13								7.38
Retail Banks		-0.05		-0.07								8.05

Source: BOT

Deposits including Bill of Exchange (B/E) of Commercial Banks expanded by 7.5 percent, decelerated from 10.1 percent in the previous quarter. Despite the intense competition among financial institutions to increase their deposit, in order to cope with future credit expansion and to maintain their deposit base, however, deposit was undermined by the unfavorable trend of economic condition as well as the changing behavior of depositors towards a higher yield products and/or products with tax beneficial such as LTF, RMF, and life insurance. In the last quarter of 2013, it is expected that the competition among financial institutions over deposit will be more intense in order to upkeep with the growing demand of credit and to compensate a changing behavior of depositors towards a higher yield products and/or tax beneficial products.

Private loans (excluding accrued interest) grew by 12.4 percent, slowed down from 14.5 percent in the previous quarter, following a decline in both business and household loans. Business loan decelerated to 8.1 percent expansion compared to 9.3 percent expansion in the previous quarter. Likewise, household loan slowed down from 14.0 percent to 12.8 percent. This was partly due to the slowdown in economic momentum, the recent uplift of restriction in loan approval by financial institutions as well as the slowdown of windfall from the first-time-car buyer scheme. On the other hand, credit outstanding on the credit card expanded due to an accelerate credit card expenditure which registered a growth rate of 13.4 percent, compared to 13.0 and 11.7 percent in the previous quarter and same period of last year, respectively. Moreover, number of credit card continually increased at a moderate pace.

Loan to deposit ratio of commercial bank system slightly loosened while excess liquidity² declined. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) ratio decreased to 100.4 percent from 101.1 percent at the end of last quarter. On the other hand, excess liquidity declined to 1,237.5 billion baht compared to 1,314.4 billion baht in the preceding quarter.

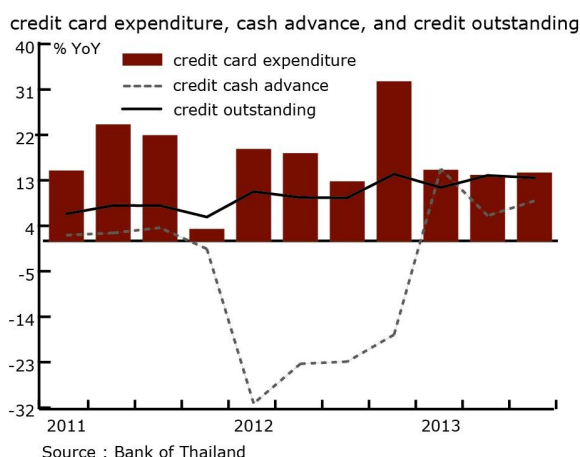
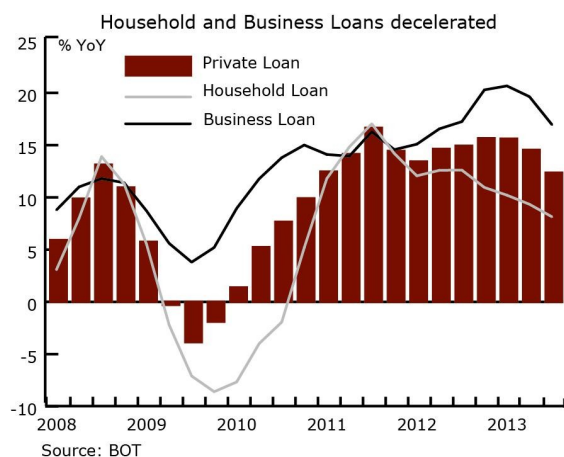
Deposits including Bill of Exchange (B/E) of Commercial Banks expanded by 7.5 percent decelerated from 10.1 percent in the previous quarter.

Private loans slowed down, following a decline in both business and household loans.

Excess liquidity of commercial bank system slightly loosened while excess liquidity declined.

¹ Calculated from an average 12-month deposit and minimum loan rate of 4 major banks minus with headline inflation rate.

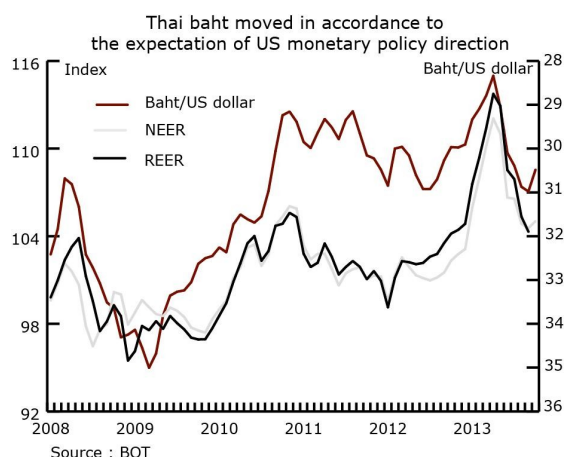
² Excess liquidity equals to 90 percent of net repurchase position + 40 percent of net foreign assets+ 50 percent of investment in government and Bank of Thailand bond.



Thai baht moved in accordance to the expectation of US monetary policy direction. An average exchange rate in the third quarter of 2013 was at 31.48 baht per US dollar compared to 29.91 and 31.36 baht per US dollar in the previous quarter and the same period of last year, respectively. At the beginning of the quarter, Thai baht continued to depreciate following capital outflow which was caused by (i) an increasing probability of downsizing in the US quantitative easing measures (QE Tapering) as the US economy continue to recover, (ii) Thai and regional economic expansion in the second quarter continue to slow down from the first quarter, and (iii) the rising concern over the deficits of fiscal and current account of Indonesia and India. Nevertheless, at the beginning of September through the end of the quarter, Thai baht reverted back to its appreciation trend as market expectation over Federal Reserve decision to maintain QE measures which in turn caused capital inflow to reverse back to Asia market. All in all, an average exchange rate in the third quarter of 2013 depreciated by 5.2 percent compared to the previous quarter. Similarly, most of the region exchange rate also depreciated against US dollar, especially Indonesian Rupiah and Indian Rupee that depreciated by 11.1 and 8.9 percent compared to the previous quarter respectively.

In October, Thai baht continued to appreciate from September with a monthly average of 31.22 baht per US dollar (appreciated by 1.5 percent from the previous month). Furthermore, Thai baht movement during 1st-15th of November was average at 31.41 baht per US dollar.

Thai baht against trading partners' depreciated when compared to the previous quarter but still appreciated if compared to the previous year. At the end of the third quarter of 2013, Nominal Effective Exchange Rate (NEER) was at 104.55, depreciated by 1.97 percent compared with the previous quarter but appreciated from the same period of last year by 2.99 percent. Likewise, Real Effective Exchange Rate (REER) depreciated by 3.89 percent compared with the previous quarter but appreciated by 4.83 percent compared with the same period of last year. The appreciation partly dampened competitiveness of Thai export.



Thai baht moved in accordance to the expectation of US monetary policy direction. Thai baht depreciated from the previous quarter in line with capital outflow posted in Thailand and regional countries.

Capital and financial account³ recorded a net outflow mainly from an outflow in the banking sector. In the third quarter of 2013, capital and financial account registered a net outflow of 3.33 billion US dollars, reversed from a net inflow in the first half year. This was caused by (i) the repayment of short term debt by the banking sector as reflected in the banking sector foreign loan account which post a net outflow of 4.57 billion US dollars, (ii) the net outflow in Thai trade credit account of 2.22 billion US dollars, and (iii) the net outflow in foreign portfolio investment in all sectors, following a rising concern over the reduction of quantitative easing measure by the FED (QE tapering). Nevertheless, foreign direct investment (FDI) in other sectors remained positive at a higher level with the net inflow of 4.04 billion US dollars compared to 1.13 billion US Dollars in the previous quarter.

Capital and financial account recorded a net outflow mainly from an outflow in the banking sector.

Capital and Financial Account

(billion USD)	2012			2013						
	Year	H1	H2	H1	Q1	Q2	Q3	Jul.	Aug.	Sep.
Capital and Financial Account	14.14	5.47	8.68	7.14	3.62	3.52	-3.33	-0.67	-4.54	1.89
Government	6.51	2.03	4.48	3.38	1.96	1.42	-0.14	-0.38	-0.71	0.95
Monetary authorities	1.04	1.54	-0.50	-0.84	2.74	-3.58	-0.28	0.97	-2.26	1.00
Other depository corporations	16.38	9.79	6.59	3.60	1.08	2.51	-5.26	-2.67	-1.50	-1.09
Foreign Portfolio investment	1.71	1.20	0.51	-0.84	0.32	-1.16	-0.68	-0.14	-0.39	-0.15
Foreign loan account	13.04	8.42	4.62	5.94	2.15	3.79	-4.57	-1.85	-0.90	-1.82
Other sectors	-9.79	-7.89	-1.90	1.00	-2.16	3.16	2.35	1.40	-0.08	1.02
Foreign direct investment (FDI)	9.55	4.74	4.81	3.18	2.05	1.13	4.04	1.73	0.99	1.31
Foreign Portfolio investment	1.93	0.74	1.19	0.42	0.94	-0.51	0.16	0.15	-0.81	0.82
Foreign trade credit account	-4.03	-2.14	-1.89	-1.17	-1.13	-0.03	-1.31	-0.30	-0.32	-0.70
Thai direct investment (TDI)	-12.27	-5.71	-6.56	-4.01	-2.45	-1.56	-1.43	-0.70	-0.62	-0.11
Thai Portfolio investment	-6.05	-3.47	-2.59	-0.75	-1.70	0.95	0.41	0.55	0.36	0.50
Thai trade credit account	1.94	0.30	1.65	-1.09	-1.09	0.00	-2.22	-0.62	-0.85	-0.76

Source: BOT

Current account registered a deficit of 888 million US dollars (27.35 billion baht) in the third quarter of 2013, compared with a deficit of 561 million US dollars (18.08 billion baht) in the same period of 2012 and a deficit of 6.66 billion US dollars (196.74 billion baht) in the previous quarter. This was a result of a trade surplus of 5.03 billion US dollars and a deficit in services, primary income, and secondary income of 5.92 billion US dollars

Current account registered a deficit.

International reserve at the end of September 2013 stood at 172.29 billion US dollars (excluded net forward position of 21.21 billion US dollars), which was equal to 2.7 times of short-term foreign debt (at the end of the second quarter) or 9.8 months of import value (the average of import value in the third quarter of 2013).

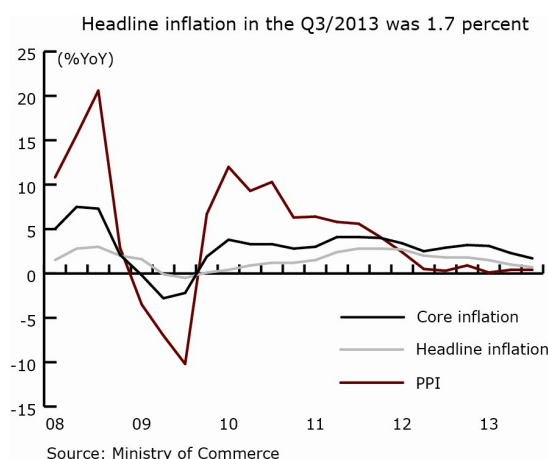
International reserve at the end of September 2013 stood at 172.29 billion US dollars

Headline inflation in the third quarter of 2013 was at 1.7 percent, decelerated from 2.3 percent in the previous quarter. This was mainly a result of a slowdown in price of fruits, vegetable, and energy. **Food and beverage price index increased by 2.7 percent**, decelerating from 3.8 percent in the previous quarter as the prices of fruits and vegetable declined due to seasonal effect. The **non-food and beverage price index increased by 1.2 percent**, decelerating from 1.5 percent in the previous quarter. Such deceleration was due to a slowdown in the price of energy, especially the decline in cost of electricity following the cut of the FT cost during June to August by 0.0512 baht per Unit. The price of energy increased at slower pace of 3.7 percent compared with a 4.6 percent expansion in the previous quarter. The core inflation was 0.7 percent, compared with 1.0 percent in the previous quarter.⁴

Headline inflation in the third quarter of 2013 was 1.7 percent.

³ Capital and Financial account figure at the end of third quarter preliminary data from Bank of Thailand, which is subjected to be changed.

⁴ In October 2013, headline inflation was at 1.5 percent, and core inflation was at 0.7 percent. For the first 10 months of 2013, the average headline inflation was at 2.3 percent and the average core inflation was at 1.0 percent.



Producer Price Index (PPI) in the third quarter rose by 0.4 percent, remaining at the same level as in the previous quarter. The price of agricultural products increased by 3.6 percent, decelerated from an 8.3 percent increase in the previous quarter. Meanwhile, the price of mining products increased by 0.1 percent, compared with a contraction of 5.6 percent in the previous quarter. The price of manufacturing products declined by 0.3 percent, compared with a fall of 1.1 percent in the previous quarter.⁵

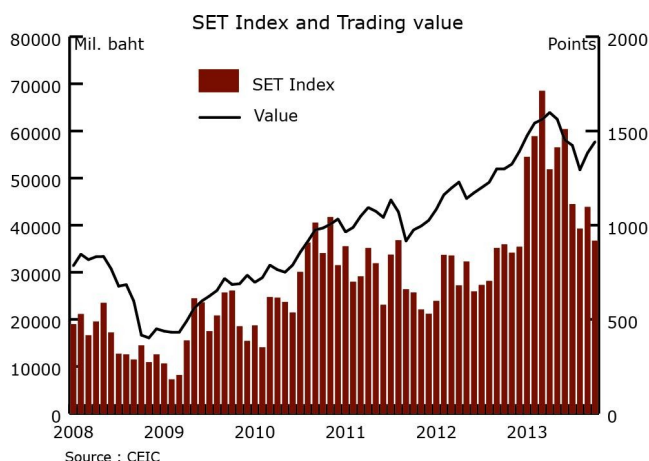
SET index fluctuated throughout the third quarter due to the uncertainty in the Federal Reserve Bank (FED) monetary policy direction. At the end of third quarter, SET index was closed at 1,383.2 points, slightly decreased by 4.7 percent from the end of the second quarter, with an average trading value declined to 42.5 billion baht. Foreign investors recorded a net sell of 29.8 billion baht, which largely from the net sell in August that amounted to 39.9 billion baht following a risky assets sell-off trend that in turn caused capital outflow from regional markets. Such concern was arisen from (i) an increasing probability of downsizing in the US quantitative easing measures (QE Tapering) as the US economy continues to recover (ii) economic slowdown and concern over political situation in Thailand and (iii) fiscal and current account deficit in Indonesia and India. Nevertheless, SET index started to improve after the FED decided to continue its quantitative easing measure, the decision was made at the FOMC meeting during 17th -18th September 2013. This decision led to a net buy of foreign investors and caused SET index to rapidly advance from 1,275.7 points on 28th August 2013 to 1,439.1 points on 18th September 2013, or increased by 12.8 percent. However, investors' concern over the resolution of US fiscal negotiation that arises during the end of the quarter has pushed SET index back to fluctuation state.

In October 2013, SET index advanced further to 1,442.9 points but an average daily trading value declined to 36.7 billion baht from 43.8 billion baht in September. Moreover, foreign investors continually recorded a net buy of 1.2 billion Baht, compared to 9.6 billion baht in September. The advancement was largely owed to the continuation of FED quantitative easing measure, which was announced on the 29th – 30th October 2013. During 1st – 15th of November, SET index reverted to a downward trend as investors were concern over the possible tapering of the quantitative easing by the FED which will start in the first quarter of 2014 and also over domestic political conflict. As a result, foreign investors recorded a net sell of 21.9 billion baht.

Producer Price Index (PPI) in the third quarter of 2013 rose by 0.4 percent, remaining at the same level as in the previous quarter.

SET index fluctuated throughout the third quarter due to the uncertainty in the Federal Reserve Bank (FED) monetary policy direction.

⁵ In October 2013, PPI decreased by 0.1 percent. For the first 10 months of 2013, PPI increased by 0.2 percent.



Bond trading volume dropped but foreign investors' net buy increased while government bond index remained stable. Daily average outright trading in the third quarter of 2013 registered at 74.4 billion baht, plumped from 100.5 billion baht in the second quarter. However, foreign investors' posted a net buy of 91.2 billion baht, dramatically increased from 38.6 billion baht in the previous quarter. This was caused by the market expectation over continuation of FED's quantitative easing measures for the rest of 2013. Furthermore, 10 year Thai Government bond yield, at the end of third quarter, shifted upward by 5.2 percent from the second quarter in line with 10 years US treasury bond yield which increased by 22.2 percent from the previous quarter.

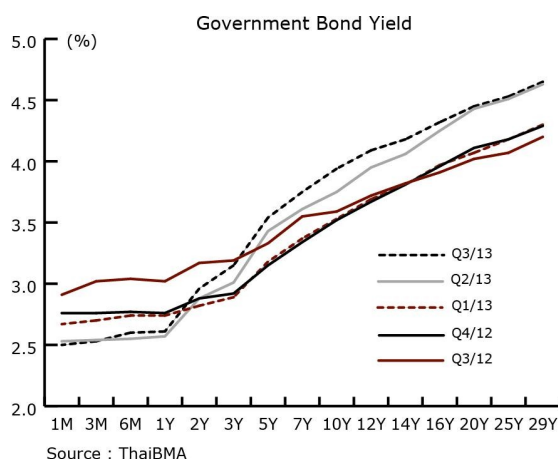
In October 2013, daily average outright trading was at 75.4 billion baht, close to the volume in September which recorded at 75.8 billion baht. Foreign investors continued to record a net buy of 44.5 billion baht as investor expected that FED will continue its quantitative easing measures until clear resolution over the US fiscal problem has been reached. This was partly a support factor for capital inflow towards bond market.

Foreign investors increased their net buy position.

Stock and Bond Market

	2012							2013							
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q3	Jul.	Aug.	Sep.	Oct.
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	1,383.2	1,423.1	1,294.3	1,383.2	1,442.9
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	42.5	44.4	39.2	43.8	36.7
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	-29.8	0.5	-39.9	9.6	1.2
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	13.3	-10.3	11.4	12.2	-2.3
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	102.0	101.7	100.6	102.0	102.7
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	74.4	73.8	73.3	75.8	75.4
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	91.2	41.3	-44.7	95.6	44.5

Source: CEIC and ThaiBMA



Public fundraising remained high at a close level to the previous quarter while corporate fundraising significantly dropped. In the third quarter of 2013, public fundraising through debt securities remained high at 1,757.4 billion baht, which was comparable to the previous quarter. In detail, public fundraising comprised of government bonds (106.1 billion baht), treasury bills and promissory notes (105.0 billion baht), state enterprises bonds (94.9 billion baht) and monetary authority bonds (1,451.4 billion baht). On the contrary, private fundraising decreased to 342.3 billion baht, from 732.1 and 362.5 billion baht in the prior quarter and the same period of last year respectively. Moreover, most private fundraising was carried out through debt securities and mostly concentrated in financial intermediation, real estate, production and transport, storage and transportation sectors.

Public fundraising remained high at a close level to the previous quarter while corporate fundraising significantly dropped.

New issuances of securities in Primary Market

(billion Bahts)	2012							2013						
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Q3	Jul.	Aug.	Sep.
Government bonds	657.1	313.3	343.8	150.7	162.6	196.4	147.4	315.4	174.8	140.6	106.1	30.4	46.4	29.3
Treasury bills / Promissory notes	433.9	273.0	196.7	143.8	129.2	160.1	36.6	42.5	29.7	12.8	105.0	0.0	0.0	105.0
State enterprises bonds	211.4	53.2	170.5	16.1	37.1	153.0	17.5	129.6	72.0	57.6	94.9	37.5	19.4	38.0
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	1,451.4	522.0	600.7	328.7
Toal	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	1,757.4	589.9	666.5	501.1
Equity Securities	248.5	55.5	193.0	32.7	22.9	24.2	168.8	92.2	30.4	61.8	26.9	9.1	13.1	4.7
Debt Securities	1,424.6	701.1	682.6	459.7	282.3	338.3	344.3	1,101.6	431.3	670.3	315.4	110.1	99.5	105.8
Total	1,673.1	756.6	875.6	492.4	305.2	362.5	513.1	1,193.8	461.7	732.1	342.3	119.2	112.6	110.5

Source: BOT

2. Crude oil price movement in Q3/2013

The average crude oil price increased from the previous quarter. In the third quarter of 2013, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 106.89 US dollars per barrel, an increase of 3.1 percent, compared with a decline of 5.9 and 3.8 percent in the first and second quarter of 2013 respectively. This rise was mainly due to an increase in WTI which rose by 14.5 percent. Brent remained steady, while the crude oil price in Oman and Dubai dropped slightly from the same period last year by 0.4 and 0.3 percent respectively, compared with a decline of 5.3 and 5.3 percent in the previous quarter. This increase in oil price was caused by a conflict in the Middle East, especially the unrest in Syria, creating a psychological effect on the market that the conflict may spread throughout the Middle East with an impact on the major oil producers.

For the first 10 months of 2013, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 104.40 US dollars per barrel, representing a decrease of 2.0 percent.

The average crude oil price increased from the previous quarter due to unrest in Syria.

Crude Oil Price

Year	US Dollar / barrel						(%YOY)				
	OMAN	DUBAI	BRENT	WTI	Average		OMAN	DUBAI	BRENT	WTI	Average
2011	Q1	100.55	100.17	105.22	94.15	100.02	32.2	32.3	36.2	19.6	30.0
	Q2	111.1	110.73	117.19	102.67	110.42	42.2	42.1	47.5	31.5	40.9
	Q3	107.33	106.92	112.17	89.76	104.05	45.4	44.8	46.2	18.6	38.7
	Q4	106.98	106.31	109.03	93.97	104.07	26.8	26.2	25.0	10.4	22.1
	Year	106.49	106.03	110.9	95.14	104.64	36.3	36.1	38.3	19.8	32.6
2012	Q1	115.95	115.11	117.51	101.87	112.61	15.3	14.9	11.7	8.2	12.6
	Q2	106.36	106.3	108.84	93.43	103.74	-4.3	-4.0	-7.1	-9.0	-6.0
	Q3	106.52	106.31	109.58	92.33	103.68	-0.8	-0.6	-2.3	2.9	-0.4
	9M	109.62	109.24	111.97	95.88	106.68	3.1	3.1	0.4	0.4	1.8
	Q4	107.3	107.28	110.04	88.15	103.19	0.3	0.9	0.9	-6.2	-0.8
	Year	109.04	108.75	111.49	93.95	105.81	2.4	2.6	0.5	-1.3	1.1
2013	Q1	108.13	108.12	112.64	95.18	106.02	-6.7	-6.1	-4.2	-6.6	-5.9
	Q2	100.73	100.64	103.56	94.27	99.80	-5.3	-5.3	-4.9	0.9	-3.8
	Q3	106.14	106.00	109.68	105.73	106.89	-0.4	-0.3	0.1	14.5	3.1
	Jul	103.23	103.23	107.35	104.36	104.54	4.0	4.3	4.5	18.7	7.5
	Aug.	106.78	106.66	110.45	106.54	107.61	-2.1	-2.0	-2.2	12.8	1.2
	Sep	108.42	108.12	111.25	106.31	108.52	-2.5	-2.68	-1.57	12.3	1.0
	9M	105.00	104.92	108.63	98.39	104.24	-4.1	-4.0	-3.0	2.2	-2.3
	Oct	106.63	106.57	109.49	100.63	105.83	-1.9	-1.9	-1.8	12.4	1.2
	10M	105.16	105.09	108.71	98.62	104.40	-4.0	-3.8	-2.9	3.5	-2.0
	1-15 Nov	104.45	104.45	105.92	94.20	102.26	-4.5	-4.0	-5.7	-1.5	-4.0

Source: Thaioil Plc

WTI projection in 2013 and 2014

หน่วยงาน	WTI Projection (US Dollar / barrel)	
	2013	2014
BMI (October 2013)	98.40	93.00
EIA (October 2013)	98.69	96.00
Barclays (September 2013)	98.39	104.00
Bloomberg Consensus (October 2013)	99.20	93.97

Source: Corrected by NESDB

3. World economy in the third quarter of 2013

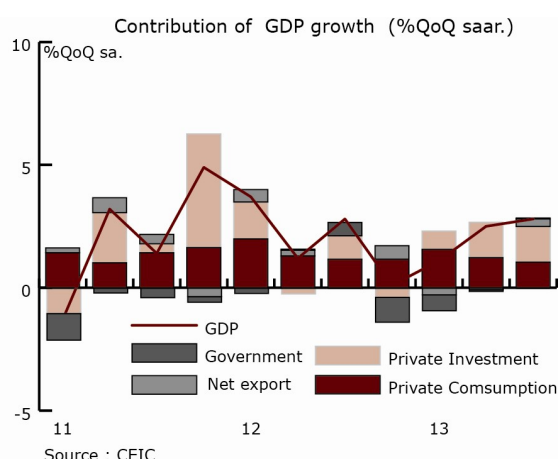
- **US economy** in the third quarter grew by 1.6 percent from same quarter of last year. For quarter on quarter seasonally adjusted basis, the US economy expanded by 2.8 percent (%QoQ saar.), accelerating from 2.5 percent in the previous quarter fueled by recovery in domestic demand specifically private consumption and private investment. Moreover, import of goods and services increased by 1.9 percent, somewhat slowing down from 6.9 percent in the previous quarter. This has led to a larger net export which helped propel the economic growth. Nevertheless, the federal government expenditure declined for 4 consecutive quarters with a negative growth of 1.7 percent in the third quarter, due to the fiscal consolidation involving budget spending cut. On the private sector, however, several key economic indices pictured continual recovery. The manufacturing ISM index in September increased to 56.2, the highest level since April 2011. Meanwhile, the real estate sector notably improved. In August, the NAHB housing market index hit the highest record since November 2005 at the level of 58 and the FHFA housing price index expanded for 19 months in a row with a growth rate of 8.5 percent in August. In addition, the economic stability remained favorable. The unemployment rate continued to fall to 7.2 percent in September, down from 7.8 percent in the same period last year. Despite recovered economic performance and declined unemployment rate, the Federal Reserve still concerned about the fragile fiscal condition and higher mortgage rates. Accordingly, the Fed decided to maintain its Quantitative Easing measure at 85 billion US dollar per month and kept the Fed fund rate at 0 - 0.25 percent. Besides, the fiscal condition remained a key limitation for economic growth in 2013. In particular, the conflict between Democrat and Republican parties about government budget in 2014 and the Obamacare together with a public debt ceiling led to the temporary government shutdown during 1st – 18th October 2013. Fortunately, both parties agreed on a deal as temporarily allowed government to increase its debt ceiling hence, under the current sequestration, the government is able to borrow and fully operate until 15th January 2014. With such condition, the economy in the fourth quarter is likely to slowdown from the previous quarter.

Global Economy in the third quarter continually recovered led by US economy which was driven by the strong private demand. Eurozone economy expanded 2 quarters in rows. Japanese economy accelerated due to the government economic stimulus policy. Chinese economy grew higher than expectation.

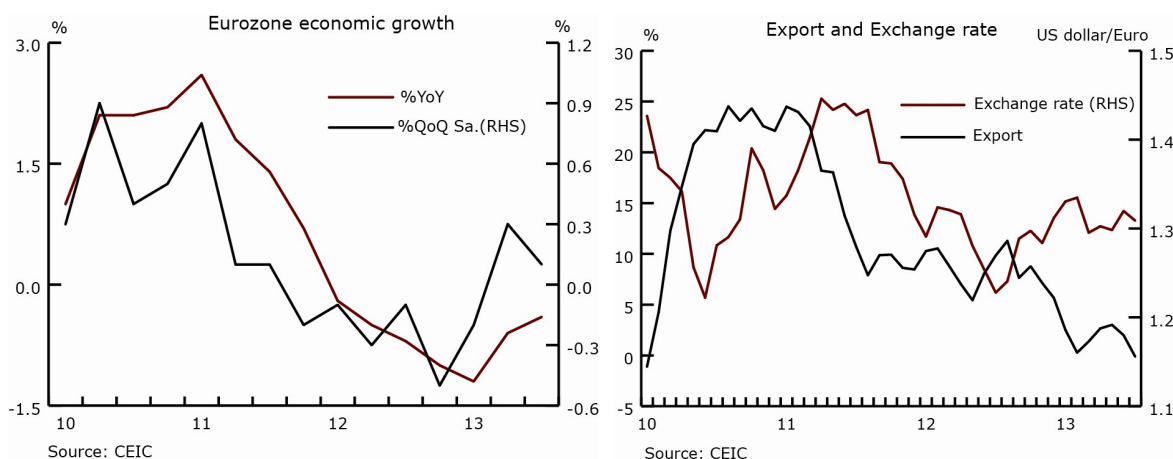
Key Events

Date	Events
13 December 2013	Deadline for government and congress to reach the federal government budget 2014 including expenditure cut and Obamacare
17 – 18 December 2013	Federal Open Market Committee Meeting
15 January 2014	The temporary deal will be funding government until 15 Jan 2013
28 – 29 January 2014	Federal Open Market Committee Meeting
7 February 2014	Deal of temporary debt ceiling increase
18 – 19 March 2014	Federal Open Market Committee Meeting: in the baseline scenario, the Fed is likely to taper its QE in this meeting

Source: Corrected by NESDB



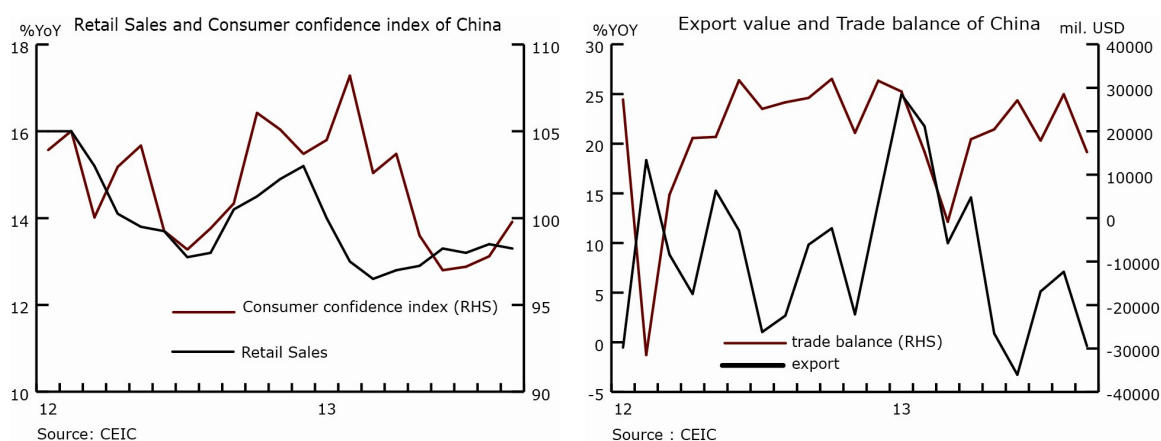
- ❑ **Eurozone economy** in the third quarter grew by 0.1 percent compared with the previous period (%QoQ sa), showing two consecutive quarters of expansion. However, when compared with the same period last year (%YoY), the Eurozone economy continued to contract by 0.4 percent. This reflected that growth has started to resume but still remains very sluggish. Key engines of growth are robust external demand. In contrast, domestic demand remained weak due partly to a high unemployment rate at 12.2 percent. Furthermore, there were some concerns of a prolonged deflationary pressure as a result of a slowdown in domestic demand and a decline in commodity and oil prices. In the third quarter, inflation slightly increased to 1.3 percent, though still lower than 2.0 percent inflation target. As a result, the ECB decided to cut policy rate by 0.50 percent to 0.25 percent on 13th November 2013. Current account recorded a surplus due to Euro currency depreciation and fragile domestic demand.



- ❑ **Japanese economy in the third quarter grew by 2.7 percent, up from 0.3 and 1.2 percent in the first two quarters respectively. The growth was 0.5 percent on the quarter on quarter seasonally adjusted basis (%QoQ), continuing from 1.1 and 0.9 percent growth in the first and the second quarter respectively.** This expansion was driven mainly by stronger domestic demand both private investment particularly investment in residential construction and private consumption owing to the front load of consumer spending prior to the consumption tax hike from 5 to 8 percent which will be implemented in April 2014. This increasing trend is also in tandem with higher consumer confidence. As a result of monetary expansion, yen currency depreciated by 19 percent in the first 9 months which in turn contributed to high export growth of 12.7 percent in the third quarter. Production side also performed well. Industrial production index (IPI) between July and August experienced an expansion rate of 0.8 percent for the first time in four consecutive quarters. Inflation continued to rise with average rate at 0.9 percent in the third quarter reflecting downward deflationary pressure.

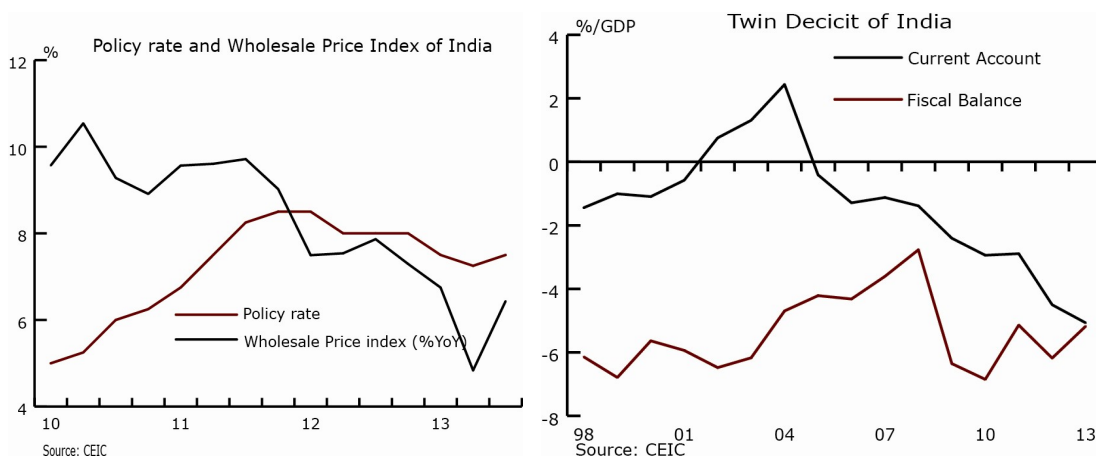


- ❑ **Chinese economy** in the third quarter expanded by 7.8 percent, up from the first two quarters and higher than previously expected. The growth rate over the first three quarters averaged at 7.7 percent, thanks to government fiscal stimulus package launched in July 2013 aiming to reduce reliance too heavily on export contribution while balancing the economic structure. The package includes for example reduction in corporate tax, VAT cut for small enterprises which helped improve domestic economic activities in the third quarter. Meanwhile, manufacturing PMI index in the third quarter averaged at around 49.6, growing from the previous quarter, and continued to stay at 51.4 in October. For household spending, retail sales expanded constantly by 13.3 percent in the third quarter, speeding up from the first half of the year. This is in tandem with improved household income and better consumer confidence. Private investment also performed well particularly investment in fixed asset and construction, owing to government stimulus measures including tax and fee reduction as well as credit expansion. Nevertheless, export value began to show a negative growth of 0.4 percent in September. Exports in the third quarter thus expanded by 3.9 percent considerably lower than 11.5 percent in the first half of the year which consequently brought about lower surplus in trade and current account. Inflation continued to soar especially raw food items. In the third quarter, inflation was 2.8 percent, hovering from 2.4 percent in the first half of the year. Inflation over the first nine months averaged at 2.5 percent. After remaining in contraction, producer price index started to increase in line with rising raw materials and metal prices.

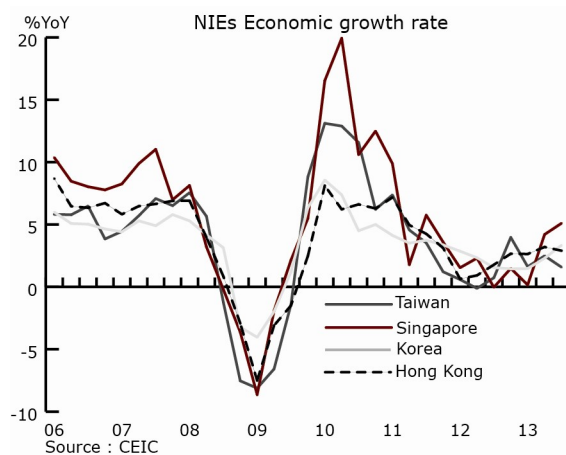


- ❑ **Indian Economy** in the third quarter of 2013 is likely to expand continuing from 2.4 percent growth in the second quarter. The main driving force of Indian economy owed primarily to export value with 11.6 percent growth in the third quarter, compared with a contraction of 1.3 percent in the second quarter. Import value, however, declined by 9.0 percent, higher than 5.3 percent in the previous quarter, owing to sizable decline in gold imports. As a result, trade balance deficit declined in this quarter. Moreover, industrial production index registered a growth rate at 1.7 percent, compared with a contraction of 1.0 percent in the previous quarter. The most notable sector that showed significant improvement included electronics, textile and leather sectors. Nevertheless, the economy faced with rising inflationary pressure from the rise in the food and oil price. Consumer price index increased for four consecutive quarters and stood at 9.7 percent growth rate, compared with 9.5 percent in the previous quarter. High inflationary pressure was partly due to the continual depreciation of Rupee with average depreciation of 15.0 percent in this quarter, as well as the rise in the wholesale price index with 6.4 percent growth rate, compared with 4.8 percent in the second quarter. Moreover, the Indian economy still faces with twin deficit due to the repetitive of annual budget deficit and current account deficit that recently show some signs of improvement. On the monetary side, the Reserve Bank of India decided to raise the policy rate in total by 50 basis points since July

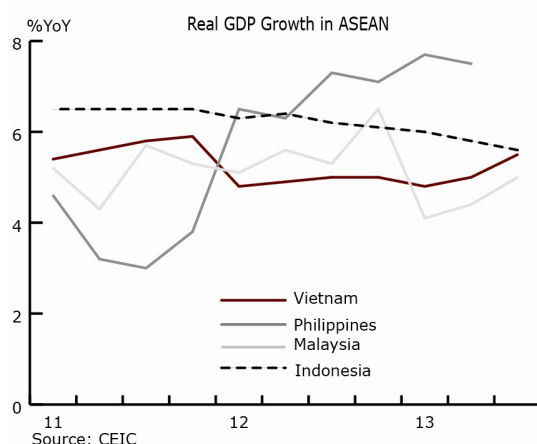
2013. Consequently, the current policy rate of India was at a high level of 7.75 percent aiming to curb down inflationary pressure.



□ **Newly industrial economies** in the third quarter grew at a higher rate than the previous quarter. Korean, Taiwan, Singapore and Hong Kong economies expanded by 3.3, 1.6, 5.1 and 2.9 percent compared to growth rates in the second quarter of 2.3, 2.5, 4.2 and 3.2 percent respectively. Key contribution of the economic growth came from domestic demand. The Korean economic growth accelerated due mainly to stronger private consumption and private investment which offset a decline in export caused by the world economic slowdown and Japanese yen depreciation which further dented the price competitiveness of Korean exports. In the meantime, the Taiwanese economic growth spurred due to strong private consumption and investment in machinery resulted from government economic stimulus package. The Singapore economy performed better, contributed by the manufacturing sector which grew by 4.5 percent, higher than 1.3 percent in the previous quarter. The construction sector, however, expanded by 3.6 percent, slowing down from 6.9 percent in the previous quarter. This is because of a slowdown in construction sector of both public and private sectors. The service sector significantly grew owing to expansion in financial and retail and wholesale sectors. Economic stability in NIEs continued to be favorable in which inflation rate and unemployment rate remain subdued. In addition, current account of Korea, Taiwan and Singapore were in surplus except Hong Kong that remained in deficit due to higher import growth.



- **ASEAN economy** continued to expand in the third quarter. Indonesia Vietnam and Malaysia grew by 5.6, 5.5 and 5.0 percent respectively, compared to 5.8, 5.0 and 4.4 percent in the previous quarter. Indonesia's economic growth in the third quarter slowed down from the second quarter considered as the lowest rate in the past four years, due mainly to a sluggish investment. This is partly because the Bank of Indonesia raised the policy rate by 150 basis points to 7.5 percent since June 2012 in order to curb high inflation rate of around 8.6 percent in the third quarter. In addition, there were larger capital outflows causing exchange rate to depreciate by 12.2 percent compared with the same period last year. Growth was driven by robust private consumption and export. Meanwhile, the Malaysian economy improved, fueled by stronger export performance with growth rate of 7.6 percent in the third quarter, compared with contraction of 2.6 and 5.4 percent in the first and the second quarters respectively. Vietnam's economic growth accelerated, particularly in the industrial sector. The manufacturing PMI index in September was at 51.5, the highest level since April 2011. Moreover, foreign direct investment in the first nine months of 2013 expanded by 52.2 percent. As a result, inflation rate surged to 7.0 percent in the third quarter, up from 6.5 percent in the third quarter. The Philippines' economy continued to grow in the third quarter owing mainly to higher remittances during July and August averaging at 6.7 percent compared with in the same period last year. This propelled domestic consumption to expand. Private investment also remained robust.



World Economic Growth

	2011	2012	2013				2014	
	Year	Year	Q1	Q2	Q3	Average 3Q	Year	Year
World	3.7	3.1	n.a.	n.a.	n.a.	n.a.	3.0	3.5
USA	1.8	2.8	1.3	1.6	1.6	1.5	1.6	2.5
Europe	1.5	-0.6	-1.8	-0.5	-0.4	-0.7	-0.4	1.0
Japan	-0.6	2.0	0.3	1.2	2.7	1.4	1.8	1.2
Australia	2.4	3.7	2.4	2.6	n.a.	n.a.	2.5	2.8
China	9.4	7.7	7.7	7.5	7.8	7.7	7.6	7.5
India	6.3	3.2	4.8	4.4	n.a.	n.a.	3.5	5.0
Brazil	2.7	0.9	1.9	3.3	n.a.	n.a.	2.5	2.5
Russia	4.3	3.4	1.6	1.2	1.2	1.3	1.5	3.0
South Korea	3.7	2.0	1.5	2.3	3.3	2.4	2.6	3.6
Taiwan	4.1	1.3	1.6	2.5	1.6	1.9	2.2	3.5
Hong Kong	4.9	1.5	2.9	3.2	2.9	3.0	2.4	3.4
Singapore	5.2	1.3	0.2	4.2	5.1	3.2	3.4	3.5
Indonesia	6.5	6.2	6.0	5.8	5.6	5.8	5.5	5.4
Malaysia	5.1	5.6	4.1	4.4	5.0	4.5	4.5	4.8
Philippines	3.6	6.8	7.7	7.5	n.a.	n.a.	6.8	5.0
Vietnam	5.7	5.2	4.8	5.0	5.5	5.1	5.3	5.4

Source: Collected by NESDB

4. Thailand Economic Outlook for 2013

The Thai economy is estimated to grow by 3.0 percent compared with 6.5 percent in 2012. The headline inflation is likely to average at 2.4 percent compared with the rate of 3.0 percent in 2012. Meanwhile, the current account will record a deficit of 0.9 percent of GDP compared with a deficit of 0.4 percent in 2012.

On 18th November 2013, the Office of the National Economic and Social Development Board (NESDB) released the economic outlook suggesting that the Thai economy in 2013 is expected to grow by 3.0 percent, less than the lower bound of the previous projection released on 19th August 2013. The justifications of the current estimation are as follows.

- (1) The pace of economic recovery remains sluggish mainly in the export sector as export volume indices after seasonal adjusted in the third quarter declined by 2.5 percent compared with the second quarter. Meanwhile, a pickup of household consumption still faced with the effect of normalization process of spending in durable goods. Together with the high base effects, the Thai economy in the third quarter therefore grew by 2.7 percent (%YoY), less than earlier expected.
- (2) The recovery of the global economy seems to be slower than anticipated, NESDB thus downwardly revised the world economic projection in 2013 to be at 2.9 percent, the lowest growth rate within the past four years, and lower than the 3.3 percent growth predicted in the previous projection on 19th August 2013. The sluggish global economic recovery as well as weak and slow regaining in the fishery production and commodity prices caused export value in first 9-month of 2014 to expand by only 0.1 percent. In all, total export value is expected to be at the same level as previous year, lower than the previous projection of 5.0 percent.
- (3) The modest recovery of economic momentum tends to affect growth in the fourth quarter especially when compared to high-base in the last quarter of last year, in particular spending in durable goods. In 2012, domestic car sales reached 399,697 units in the fourth quarters compared with the sale of 295,967 units in the third quarter of 2013. Therefore, automobile production is likely to be lower than 2.5 million units assumed in the earlier projection. Another downside risks is due to a high-base effect of private investment in machinery and equipment. In all, private consumption and private investment in 2013 is likely to expand by 0.8 percent and 0.7 percent respectively, lower than 2.5 percent and 4.0 percent in the previous projection.
- (4) The disbursement of the FY 2013 budget was delayed with 90.3 percent disbursement rate, lower than 94.0 percent in the previous projection on 19th August 2013. Meanwhile, the cumulative disbursement under the water resource management plan as of September 2013 was 15,502 million baht compared with 22,428 million baht in the previous projection. The budget under infrastructure development plan is likely to be disbursed in 2014 rather than a disbursement of 6.6 billion baht in 2013 as on 19th August 2013. Provided the delay in disbursement, it is expected that the government investment will expand only by 1.3 percent compared with 13.8 percent expansion in the previous projection.
- (5) The impacts of flood during September and October in the Eastern and Northeastern regions affected agricultural area losses of about 4 million rai which could lead agricultural production to fall in the last quarter.

Thai economy in 2013 is expected to grow by 3.0 percent, less than the lower bound of the previous projection. The justifications of the current estimation are as follows.

- (1) The pace of economic recovery remains sluggish mainly in the export sector.*
- (2) The recovery of the global economy seems to be slower than anticipated*
- (3) The modest recovery of economic momentum tends to affect growth in the fourth quarter to face with last year high-base influence.*
- (4) A likely delay in the disbursement of the FY 2013 budget.*
- (5) The impacts of flooding incidents during September and October.*

5. World economic outlook in 2014

The global economy in 2014 is expected to grow by 3.5 percent compared with 2.9 percent in 2013. The recovery will be primarily driven by the US economy which is expected to grow by 2.5 percent, accelerating from 1.6 percent in 2013, fuelled by stronger growth of private demand and the slow pace of fiscal consolidation. The Eurozone economy is likely to expand by 1.0 percent in 2014, gradually improving from the contraction of 0.7 percent in 2013 with a stronger momentum from export sector. Nevertheless, the domestic demand remains fragile due to high unemployment and ongoing fiscal tightening. The Japanese economy is expected to slow down with a growth rate of 1.2 percent in 2014 in response to smaller effects of fiscal stimulus and impacts of consumption tax hike. The Chinese economy is expected to grow by 7.5 percent, comparable to 7.6 percent in 2013.

The recovery of the US economy supports the possibility that the FED will begin tapering in the first quarter of 2014 before raising the policy rate in the latter half of 2015. This will create an upward pressure on bond yield and appreciation pressure on the US dollar (trade weighted). Meanwhile, the European Central Bank is likely to continue its loosening monetary policy to support domestic demand which remains fragile and to reduce the risk of deflation. Similarly, the Japan's Central Bank is likely to continue quantitative easing. Therefore, the Euro and the Yen currency tends to depreciate against the US dollar in 2014.

US economy is expected to grow by 2.5 percent, accelerating from 1.6 percent in 2013, propelled by (i) the recovery and robust growth of private demand, thanks in part to increasing income and financial condition especially from soaring asset and home prices after the crisis, better employment situation, and declined household debts. (ii) The regaining momentum in construction sector driven by the pent-up demand during the economic crisis. (iii) The healthier export performance and current account balance supported by the depreciation of the US dollar, the modest unit labor cost after the economic crisis period, and the innovation progress of US entrepreneurs as well as increased FDI inflow. (iv) The expansion in the oil production industry. (v) The pace of fiscal consolidation will be slower and thus have lesser impact on overall economy in 2014. It is expected that the negotiations over budget and resolution on debt ceiling will be clarified and settled before the expiration of temporary measure for opening up the federal government agencies and the debt ceiling extension on 15th January and 7th February 2014 respectively. Given the significant improvement of economic condition in 2013 and outlooks, the Fed tends to begin QE tapering in the first quarter of 2014 while maintaining its current policy rate at 0 – 0.25 percent up to the latter half of 2015.

Budgetary projection by Congressional Budget Office (Trillion USD)

Fiscal Year	2012	2013	2014	2015	2016	2017	2018
Budget Deficit	-1.295	-1.087	-0.642	-0.560	-0.378	-0.432	-0.482
Government Expenditure	3.537	3.455	3.602	3.777	4.038	4.261	4.485

source: CBO Update Budget Projection: Fiscal Year 2013-2023

Eurozone economy is expected to expand by 1.0 percent in 2014 - a modest recovery from the contraction of 0.7 percent in 2013. The supporting factors for growth include the exchange rate depreciation and declining real wages in post-crisis period which bolster exports and the current account balance. Nevertheless, domestic demand remains weak due to prolonged high unemployment and the implementation of fiscal consolidation measures which will pose the risk of deflation. Together with the recent deceleration trend of inflation to 0.7 percent, the ECB tends to further maintain the expansionary monetary throughout 2014, as well as

The global economy in 2014 is expected to grow by 3.5 percent compared with 2.9 percent in 2013.

US economy is likely be fuelled by stronger growth of private demand and the slow pace of fiscal consolidation. The Eurozone economy is likely to gradually expand with a stronger momentum from export sector. Nevertheless, the domestic demand remains fragile. The Japanese economy is expected to slow down in response to smaller effects of fiscal stimulus and impacts of consumption tax hike. The Chinese economy is expected to grow with a same pace of 2013.

resorting additional policy if the deflation risk is warranted. This will lead the Euro currency to depreciate against the US dollar.

Japanese economy is expected to expand by 1.2 percent in 2014, softened from the rate of 1.8 percent in 2013 owing much to the fadeout of fiscal stimulation in 2013 and the impact of consumption tax hike from 5 percent to 8 percent to be effect in April 2014. Private consumption is thus likely to slow down. However, private investment is likely to continue its growth from late 2013 especially investment in residential construction. Exports and current account balance tend to improve in line with the improvement of economic condition of major trading partners, especially the U.S. and the EU, and the depreciation of the Yen in 2013. In addition, the Yen tends to weaken further and support export recovery as the Bank of Japan (BOJ) continues its quantitative easing until the inflation target of 2.0 percent is warranted.

Chinese economy is expected to grow by 7.5 percent, comparable to the rate of 7.6 percent in 2013. Although the improvement of economic condition in the US and Eurozone economies will strengthen export performance, the pace of export expansion is unlikely rebound to its pre-crisis rate due to the appreciation of the Reminbi and a slower pace of demand expansion in advanced economy. Meanwhile, the expansion of domestic demand tends to be affected by (i) the fadeout of fiscal stimulation, (ii) the increase in VAT rate, and (iii) the implementation of economic scheme to reduce excess production capacity, to lower debt burden, and to maintain stability in financial and real estate sectors.

NIEs economy is likely to continue its expansion in 2014, propelled by recovery of major economies and improved domestic demand. It is expected that the economies of Hong Kong, South Korea, Taiwan and Singapore will grow by 3.4, 3.6, 3.5, and 3.5 percent in 2014, compared with 2.4, 2.6, 2.2, and 3.4 percent in 2013 respectively.

ASEAN economy: The Indonesia economy is expected to grow by 5.4 percent in 2014 compared with 5.5 percent in 2013. Such growth is driven by robust export owing to the global economic recovery and the depreciation of the Indonesian rupiah, as well as the government measures to control imports and boost up exports. The Vietnamese economy is expected to grow by 5.4 percent, the same rate as in 2013 due partly to the progress in resolving NPLs in the banking sector which help improve business sentiment. The global recovery will also benefit the export sector. The Malaysia economy is expected to grow by 4.8 percent, compared with 4.5 percent in 2013. The growth will be spurred by buoyant export performance in tandem with a pickup of the US and Europe economy. However, the budget deficit problems are likely to become major constraints for growth. Meanwhile, the Philippines economy is expected to grow by 5.0 percent, considerable decelerating from 6.8 percent in 2013 due to the impacts of super typhoon Haiyan which caused massive destruction and loss of life. Moreover, inflationary pressure is likely to increase.

6. Thailand's Economic Outlook for 2014

The Thai economic performance in 2014 is expected to improve owing to the recovery of global economy which helps strengthen exports to recover from sluggish condition in 2013, as well as to bolster household consumption and investment. Together with the contribution from key government investment projects, the Thai economy in 2014 is projected to expand at a satisfactory rate. Economic stability remains sound. Inflationary pressure tends to remain contained at low level in line with oil and primary commodity prices in the global market while trade and current account are improving. Nevertheless, the 2014 Thai economic prospect still confronts with limitations as follows: (i) export tends to grow by less than its long-run potential due to the depreciation of major currencies, limitation in shrimp production and sluggish agricultural price recovery, (ii) household consumption growth continues experiencing high-base effect, (iii) the depreciation of Japanese Yen could pose downside risk to private investment expansion, (iv) the enactment of the China's first tourism law might slow down the number of Chinese traveling to Thailand and has some impact on the Thai tourism sector.

Supporting factors for the economic growth

- (1) The recovery of the global economy from 2.9 percent growth in 2013 to 3.5 percent growth in 2014 will help export sector to improve from 2014, after experiencing a modest 3.1 percent growth in 2012 and a zero growth in 2013.
- (2) The implementation of key public investment projects including the 350 billion baht investment plan for water resource management and the infrastructure development plan under the Borrowing Act for country's transportation development projects with total borrowing framework in 2014 of 66.52 billion and 160 billion baht respectively.
- (3) Inflationary pressure remains subdued in line with a moderate increase of the global crude oil price. This will reduce the need for monetary policy tightening and support domestic demand recovery.

Risk factors and limitations of the economic growth

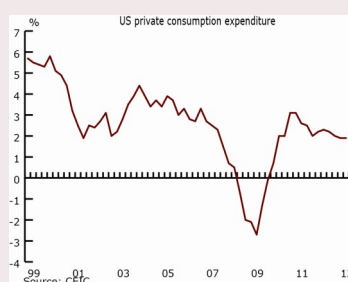
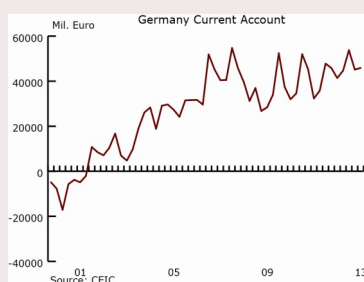
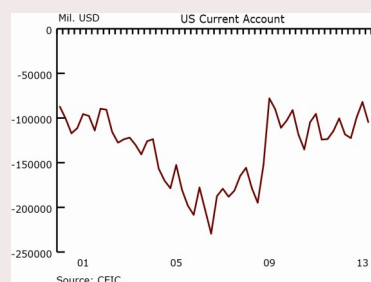
- (1) Exports tends to grow by less than its long-run potential due to following reasons: (i) the decline in price competitiveness of Thailand's exports as well as other Asian countries, due to the depreciation of major currencies, especially the US dollars, the Euro, and the Yen, which still remains weaker than the pre-crisis period, (ii) the recovery of shrimp production from the Early Mortality Syndrome could be slower than expectation and reduce the pace of export recovery, and (iii) the weak recovery of agricultural and primary commodity prices in the world market.

Thai Export under Global Economic Rebalancing

The global economy in 2013 is likely to grow moderately by 2.9 percent in 2013. Considering the correlation between export volume and the global economic growth, it is found that the global economic growth will allow for Thai exports to expand by 3.1 percent. Nevertheless, during the first 9 months of 2013, Thai export volume contracted by 1.2 percent, well below its potential level.

A well-below its full potential level of export value in the first 9 months of 2013 is not only due to the supply constraints, it is also partly caused by changing global economic landscape after the Financial Crisis including 1) the depreciation of major currencies, especially the US dollar, the Euro and the Yen which continues to remain below pre-crisis levels, 2) the adjustment from high debts position that weaken domestic demand in developed countries to stay below pre-crisis levels, and 3) the development in the labor market which maintain wages and production costs in developed countries during post-crisis period. Meanwhile, the labor costs in the Asian region continued to increase, and adversely affected comparative competitiveness between regions. Such condition has led to a current account balance improvement in developed countries and a rundown in current account surplus of Asian countries. This situation is considered as key limitation for the Asian economies which largely depend their growth on export, some of whom are Thailand's export markets.

In 2014 and over the medium-term, the external conditions are likely to continue constraining the growth of export sector. As a result, Thailand needs to make effort to allow export to grow at its full potential levels in order to generate higher income which will in turn support the growth of domestic demand and become major source of foreign currency revenue. This will support higher import from the key public investment plans, as well as maintain Thailand's economic stability on external front, particularly under the ongoing budget deficit.



- (2) The private consumption expenditure face following limitations: (i) a high base effect of spending in durable goods in the first half of 2013, (ii) the fragile recovery of agricultural and primary commodity prices in the world market could derail the recovery of household farm income, and (iii) more cautions on credit provision from financial institutions given growing household debts.
- (3) The expansion in private investment still faced with a number of risks as follows: (i) the depreciation of the Yen which makes investment cost in Thailand in Japanese investors' view higher, (ii) the delay of investment to wait for the progress of key public investment projects, and (iii) the deferral of investment to wait for a new investment promotion policies.
- (4) The endorsement of new Chinese tourism law which came into effect on 1st October 2013 raises costs of travelling abroad for Chinese tourists. This may affect the number of Chinese inbound tourists.

Early Mortality Syndrome in Shrimp and its export

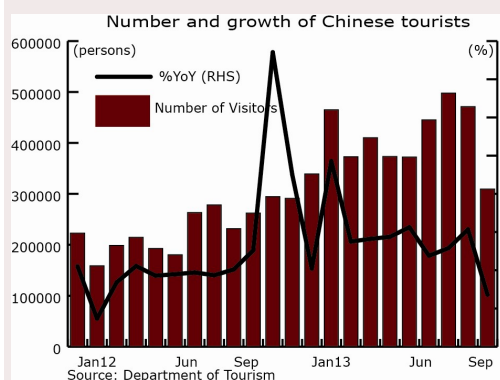
In 2011, exports of Thai frozen-shrimp valued about 1.7 billion USD or accounted for 0.8 percent of total Thai exports. However, due to an emerging widespread outbreak of the Early Mortality Syndrome in shrimp, volume and value of frozen-shrimp exports continually declined by 15.6 percent in the first 9 months of 2013. The impacts on exports have intensified and become more pronounced. As a result, volume and value of exports dropped by 36.8 percent in the first 9 months of 2013. Sharp decline in export value exacerbated overall export growth.

Several government agencies attempted to solve and alleviate the effect. Department of Fisheries and Kasetsart University adopted many mitigation measures in order to control numbers of bacteria in shrimp as well as to develop and lookup for new shrimp genes that are immunized to the Early Mortality Syndrome. The situation is expected to be improved in 2014 in which that the shrimp production will share about 70 percent of normal production level. However, since shrimp production requires a substantial production cost, the solution to this problem must obtain good collaborations and depend much on farmers' confidence. This is considered as government's key challenge.

Export of frozen shrimp	2012	2013			
		Q1	Q2	Q3	9M
Volume (thousand ton)	177.8	27.3	20.0	22.9	70.3
%YoY	-11.4	-21.2	-59.5	-53.1	-47.1
Value (mil USD)	1,459.3	239.5	199.1	246.4	685.0
%YoY	-15.6	-21.3	-48.7	-37.1	-36.8
Export price (USD/ton)	8,207.8	8,765.6	9,941.6	10,742.4	9,745.9

Source: OIE, OEA, and MOC

Thailand's tourism sector and the first China's tourism law



Chinese tourists have played an important role to the Thailand's tourism sector in terms of quantity, growth and revenue. In 2012 Chinese tourist registered at 2.79 million people (accounted for 12.5 percent of total number of in-bound tourist) and generated the total revenue of about 107 billion baht. In the first 9 months of 2013, Chinese tourist dramatically expanded by 93.0 percent.

The Chinese government introduced the first tourism law of the People's Republic of China enacted on October 2013. The main issues of this law include 1) controlling travel agency not to take advantage of tourist by offering unreasonable low price to attract tourist while compensating and seeking illegitimate profits with some implicit methods such as arranging tourists to visit at designated stores in order to receive commission from partner shops or charging the extra fee without prior notice, 2) regulating travel agency by strictly controlling travel business operation to be fair, competitive and protecting customer rights as well as providing precise and strict punishment for those who violate, 3) prohibiting Chinese tourists to illegally stay abroad or to isolate themselves from the tour group without approval, (iv) controlling Chinese tourist' behavior to respect the place, culture and tradition based on their countries of destination.

Although the Tourism Law of the People's Republic of China will be beneficial to Thailand in the long run by lowering the low cost tourist (a zero-fare tour), reducing the crowd at tourist attractions as well as enhancing more opportunity to develop the niche market of tourist and attracting more high wealth and high spending tourists. However, it is likely that Chinese tourists will have higher traveling cost and face with some limitation to travel abroad. Under this circumstance, there exist some risks that might affect the expansion of tourists in the remaining of 2013 and further in 2014 which thus should be closely monitored and evaluated.

□ Key assumption for economic projection in 2014

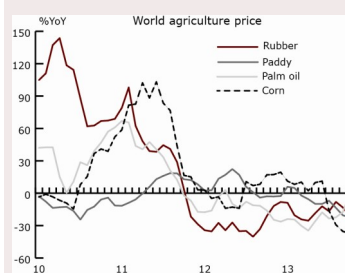
- (1) **The global economy in 2014 is expected to expand by 3.5 percent**, slightly higher than 2.9 percent in 2013. In addition, world trade volume is projected to grow by 4.5 percent, accelerating from 2.9 percent. This is due to the recovery of major advanced economies, particularly the US and the EU economies with economic growth of 2.5 and 1.0 percent respectively. Nevertheless, the Japanese and the Chinese economies tend to grow at satisfactory rate of 1.2 and 7.5 percent in 2014.
- (2) **The average Dubai crude oil price is expected to be in the range of 105-110 US dollars per barrel in 2014**, compared with an average of 105 US dollars per barrel in 2013. Although the improvement in global economic condition will raise the oil demand, the crude oil price is likely to remain tranquil due to (i) the balance between supply and demand (oil demand is approximately at 90.8 million barrels per day compared to production capacity of 90.2-92.2 million barrels per day) (ii) the increase in production capacity of the US which is the largest oil consuming country. (iii) The Chinese economy, the second largest consumer of crude oil, is expected to grow at a similar rate as the previous year. Meanwhile, the Japanese economy, the third oil largest consumer tends to slowdown from the preceding year, and (iv) QE tapering tends to induce the US dollar appreciation and lower speculative demand in crude oil and commodities markets.
- (3) **The average exchange rate in 2014 is forecasted to be in the range of 31.5 – 32.5 baht per US dollar**, compared with an average rate of 30.5 baht per US dollar in 2013. Key factors underlying the Thai Baht appreciation include (i) The QE tapering which is expected to start at 10 Billion US dollars per month in the first quarter of 2014 for the base case scenario. Under this assumption, the FED will completely terminate the QE measure by the end of 2014. (ii) The current account deficit in 2014 which is expected to continue from 2012 and 2013.
- (4) **The export and import price in US dollar term is expected to increase by 0.5-1.5 and 0.0-1.0 percent respectively**, gradually adjusting from a decline of 0.3 and 2.3 percent respectively in 2013. This is in tandem with the weak recovery of crude oil and agricultural prices in the global market.
- (5) **The number of inbound tourists in 2014 is expected to reach 28.0 million persons, compared with 26.2 million persons in 2013** accounted for growth rate of 6.8 percent. This upward trend of tourists owes to (i) the global economic recovery which improves the income condition of major tourism market and (ii) the competitiveness of Thai's tourism sector.

Key Assumption for Projection

	2012	2013		2014
		19 Aug.13	18 Nov. 13	
World Economic Growth (%)	3.3	3.3	2.9	3.5
USA	2.2	1.9	1.6	2.5
Eurozone	-0.6	-0.2	-0.7	1.0
Japan	2.0	1.8	1.8	1.2
China	7.8	7.6	7.6	7.5
World Trade (%)	2.8	3.5	2.9	4.5
Exchange (THB/USD)	31.1	29.8-30.8	30.4	31.5-32.5
Dubai (USD/Barrel)	108.8	104-109	105	105-110
Export Price USD (%)	0.6	0.0	-0.3	0.5-1.5
Import Price USD (%)	1.6	-1.3	-2.3	0.0-1.0
Inbound Tourists (mil. person)	22.3	26.2	26.2	28.0

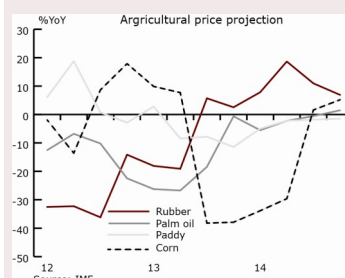
Source: Collected by NESDB

Agricultural commodity prices in the global market remain on downtrend



World agricultural price have declined continually since the end of 2012 and inevitably put downward pressure on export price and farm income which in turn become a limitation for the growth of export and private consumption.

The declining in the world agricultural price was mainly due to the mounting supply of agricultural product after the food price crisis during 2010-2011, the slowdown of global economy which softens demand of agricultural product, and a decline in the world crude oil price which is the important component for agricultural production cost.



Agricultural commodity prices in the global market

(%yoy)	2012	2013f	2014f
Rice	5.2	-6.3	-2.7
Maize	2.3	-16.6	-17.7
Palm oil	-12.7	-19.4	-1.8
Rubber	-29.9	-8.4	10.9

Source: IMF

IMF forecasted that the world agricultural price for the rest of 2013 and 2014 will be continually declined particularly prices of rice, corn and palm. This is mainly due to their supplies tend to continually increase. Nevertheless, after a sharp decline in the price of rubber due to the euro zone debt crisis, China economy slowdown and continual decline in crude oil prices, the price of rubber tend to gradually increase. Under these circumstances, prices of agricultural commodities tend to be weaker and remain a limitation to the export sector and private consumption in 2014.

- (6) **Disbursement ratio of government budget in 2014 is not to be less than 95 percent of the approved budget.** The disbursement under the investment plan on water resource management is forecasted not to be less than 70 percent of the borrowing framework of 66.5 billion baht in 2014. The disbursement under the investment plan on transport infrastructure development is not to be less than 70 percent of the borrowing framework in 2014 of 160.0 billion baht.

❑ Economic Outlook for 2014:

Thai economy is projected to expand by 4.0-5.0 percent. The headline inflation rate is expected to be in the range of 2.1-3.1 percent with current account deficit of 0.6 percent of GDP.

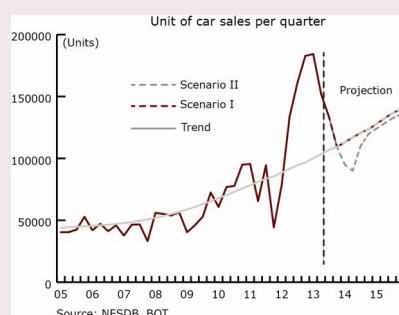
The Thai economy in 2014 is likely to grow by 4.0 – 5.0 percent. The headline inflation rate is expected to be in the range of 2.1 – 3.1 percent with current account deficit of 0.6 percent of GDP. The Thai economy has potential to achieve 5.0 percent growth rate under essential conditions as follows: (i) the global economy in 2014 to expand by not less than 3.5 percent., (ii) the disbursement of budget for water resource management and infrastructure development plans needs to be not lower than 70 percent of the borrowing framework in 2014 of 66.5 and 160.0 billion baht respectively, (iii) the disbursement rate of the investment budget under annual budget of not less than 80 percent, (iv) the average Dubai crude oil price in 2014 does not to exceed 105 US dollars per barrel., and (vi) domestic political conflict does not lead to violence which has adverse impacts on economic activities as well as dampening effect on sentiments on tourism and investment.

❑ The Components of 2014 Economic Growth

- (1) **Total consumption** is projected to grow by 2.9 percent, accelerating from 1.6 percent in 2013. The private consumption expenditure is expected to expand by 2.7 percent, up from 0.8 percent in 2013. This pace of improvement is still lower than the average growth of 5.0 percent during 2000-2006 due to the fact that: (i) the expansion of farm income still face with some limitations since agricultural commodity prices remains sluggish, (ii) household debts remain high while financial institutions become more cautious on their credit approval, and (iii) domestic car sales in the first half of 2013 remained higher than normal trend which would create high-base effect for spending in durable goods in the first half of 2014. The government expenditure is expected to grow by 3.8 percent, lower than that of 5.8 percent in 2013.

Thai economy is projected to expand by 4.0-5.0 percent. The headline inflation rate is expected to be in the range of 2.1-3.1 percent with current account deficit of 0.6 percent of GDP

First-time-car-buyer Scheme and the Private Consumption Prospect



The tax rebate for the first-time-car-buyer scheme led to the highest level of car sales in 2012 of 1.35 million, representing a growth rate of 91.7 percent compared with the previous year. In addition, this measure caused passenger car sales to increase by 85.6 percent and as a result, bolster private consumption in 2012 to grow by 6.7 percent. In 2013, it is expected that the number of total car sales will reach 2.4 million, lower than private sector's target of 2.5 million units which is used as an assumption for the previous economic projection. The economic growth in 2013 is therefore likely to stay below previous estimate, though remains higher than production volume in 2012 by

around 1.25 percent. This shows that the production of automobile industry does not pose any negative impacts on the economic growth in 2013.

Nonetheless, the imbalanced distribution of passenger car sales between the first and second half of 2013 indicates that the contribution from passenger car sales to the private consumption growth is mostly apparent in the first half of the year. This can be seen by the growth of passenger car sales of 134.8 and 13.7 percent in the first and the second quarter of 2013 respectively which accordingly become key driver for private consumption growth of 4.4 and 2.5 percent during the same period. However, due to uneven distribution, the passenger car sales declined by 17.3 percent in the third quarter of 2013, resulting in a contraction of 13.6 percent in consumption of durable goods and thus a 1.2 percent contraction in overall private consumption.

	2012				2013		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Car Sales							
Actual data (100,000 units)	0.79	1.34	1.61	1.83	1.84	1.52	1.33
Growth (%YoY)	-17.8	103.9	70.8	312.9	134.8	13.7	-17.3
Normal level (100,000 unit)	0.89	0.92	0.95	0.97	1.00	1.03	1.07
GDP: Private Consumption:							
Transport Equipment (%YoY)	-7.7	30.5	44.2	169.2	67.9	2.8	-13.6

In the last quarter of 2013, the impact of uneven distribution of passenger car sales on private consumption is likely to become more pronounced since the volume of passenger car sales in the last quarter of 2012 was as high as 183,000 units. Meanwhile, the number of passenger car sales in the last quarter of 2013 tends to stabilize to its normal level. It is thus expected that the number of passenger car sales will decline from the same period of last year by about 30 – 50 percent.

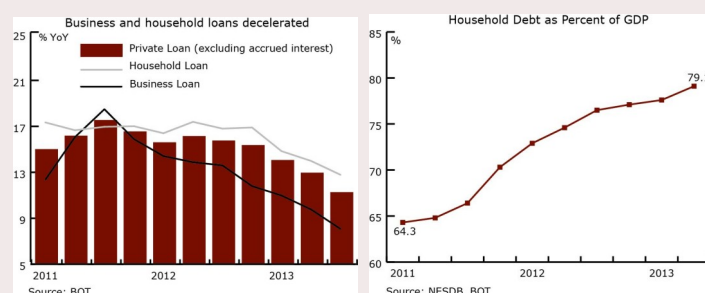
(2) **Total investment** is projected to expand by 7.1 percent, compared with 0.9 percent in 2013. Private investment is expected to grow by 5.8 percent, accelerating from 0.7 percent in 2013 owing to key supporting factors as follows: (i) The recovery of production and export sectors which will induce more investment, particularly in machinery and equipment, electronic appliances and chemical products, which capacity utilization recorded at 68.7, 76.2 and 80.6 percent respectively, (ii) The bidding of digital terrestrial television system with opening bid price of 15,190 million baht, equivalent to 1.7 percent of annual private investment., And (iii) the overall investment fundamental remain favorable particularly investment in response to the establishment of the ASEAN economic community (AEC) as well as to serve greater government investment on infrastructure development. Nevertheless, there remain limitations for private investment expansion including: (i) the depreciation of Yen which in turn increase the cost of investment for Japanese investors to invest abroad, (ii) overall capacity utilization rate remain low at 64.0 percent in September 2013, particularly in food and beverage, apparel, leather and office machines with capital utilization of 46.9 45.7 35.7 and 60.6 percent respectively, (iii) the upward trend of long-term bond yields. The government investment expenditure is expected to increase by 12.0 percent, accelerating from 1.3 percent in 2013.

The steadiness of credit provision in response to support Thai business sector

The economic growth during first nine months of 2013 was limited owing to the sluggish in the export sector, the delay in the government mega-projects as well as smaller momentum from the consumption stimulus policy. Under this circumstance, financial institutions were uplifted the loan approval condition for private sector particularly SMEs (Senior Loan Officer Survey at the end of September 2013). Meanwhile, household debts continued to upsurge.

Nevertheless, the global economy in 2014 is expected to recover. Private sector both in the manufacturing and non-manufacturing sector also share similar positive views on the economic growth prospect. This can be seen from the increase in the business confidence index in the next three months which stood at 52.3 compared to 47.5 at the present. Moreover, there remain a high demand for credit to new investment and business expansion in response to growing external demand.

The recent uplift restriction over the credit approval to the business sector while the delinquency and NPL ratio at the end of the second quarter remained at a modest rate of 5.3 percent might be a limitation for the recovery pace in the private sector in the remaining of 2013 and 2014.



- (3) **Export value of goods**, in US dollar term, is forecasted to increase by 7.0 percent, with the export volume growth of 6.0 percent and export price increase of 1.0 percent. The expansion is mainly supported by the recovery of global economy as well as Thai baht movement which is likely to be favorable for exports. Together with the solid expansion of tourism sector, the overall export volume of goods and services in 2014 is likely to grow by 7.0 percent, accelerating from 4.6 percent in 2013.
- (4) **Import value of goods**, in US dollar term, is projected to increase by 6.7 percent, compared with 0.6 percent in 2013. Import price is estimated to grow by 0.5 percent according to the projection assumption while import volume of goods is projected to expand by 6.2 percent due to increasing export value and uptrend of overall investment. Together with the higher import of service, it is expected that import volume of goods and services will grow by 6.2 percent, compared with 3.4 percent in 2013.
- (5) **Trade balance** is projected to record a surplus of 5.8 billion US dollars, compared with a surplus of 4.7 billion US dollars in 2013. Current account is likely to run a deficit of 2.5 billion US dollars, compared with a deficit of 3.6 billion US dollars in 2013.
- (6) **Economic stability** will remain favorable. An annual inflation rate is expected to average in the range of 2.1 - 3.1 percent, slightly increase from 2.4 percent in 2013. This is due mainly to the pressure from the prices of world crude oil and global primary goods which will remain subdued and are not yet likely to increase robustly in near term. Moreover, the domestic demand is likely to recover slowly which in turn will contain inflationary pressure to remain low.

7. Economic management for the remaining of 2013 and 2014

The Thai economic prospects face with some limitations, including the sluggish recovery of the global economy and the weakened domestic demand affected by a slowdown of export sector and a downtrend of agricultural prices in the world market, in addition to the high base effect from last year. Although the Thai economy in 2014 is expected to satisfactorily grow in tandem with the global economic recovery, the Thai export growth seems to be constrained by several limitations due to changing global economic landscape, as well as the exchange rate fluctuation. Meanwhile, financial institutions are likely to be more cautious in credit provision particularly during the slow pace of economic recovery. Under these conditions, the economic management for the remaining of 2013 and 2014 should emphasize on:

- 1) Expediting exports to expand at its full potential in order to be an income base for supporting domestic demand and outweighing the expected rise in imports especially during the implementation of government infrastructure investment plan. The policies should emphasize on (i) enhancing export income from major markets, which includes the adjustment of the production sector, such as solving the EMS problems in shrimps and moving the production towards technologically advanced electronic products, (ii) increasing income from newly high-potential markets, such as ASEAN, the Middle East, and Halal market, and (iii) promoting border and intraregional trade by facilitating cross-border trade and transport as well as supporting entrepreneurs to seek for new markets in neighboring countries.
- 2) Accelerating private investment expansion by (i) speeding up the enactment of investment promotion policy under a new investment promotion strategy, and (ii) resolving administrative barriers and procedural obstacles that might delay private investment.
- 3) Expediting the infrastructure investment under financial bill for transport infrastructure development plan and the water resource management in order to support economic growth and improve long-term competitiveness.
- 4) Maintaining the liquidity in the economy and ensuring the access to credits for SMEs entrepreneurs. This includes for example the extension of the collateral categories, promoting exchange rate hedging, and establishing mechanism for joint ventures in new businesses.

Economic Projection for 2013 and 2014

	Actual Data		Projection		
	2011	2012	2013		2014
			19 Aug.13	18 Nov. 13	18 Nov. 13
GDP (at current prices: Bil. Bht)	10,540	11,375	12,126	11,922	12,769
GDP per capita (Bht per year)	155,926	167,501	177,664	174,685	186,116
GDP (at current prices: Bil. USD)	346	366	400	391	399
GDP per capita (USD per year)	5,114	5,389	5,864	5,727	5,816
GDP Growth (at constant prices, %)	0.1	6.5	3.8 - 4.3	3.0	4.0-5.0
Investment (at constant prices, %)	3.3	13.2	6.0	0.9	7.1
Private (at constant prices, %)	7.2	14.4	4.0	0.7	5.8
Public (at constant prices, %)	-8.7	8.9	13.8	1.3	12.0
Consumption (at constant prices, %)	1.3	6.8	2.6	1.6	2.9
Private (at constant prices, %)	1.3	6.7	2.5	0.8	2.7
Public (at constant prices, %)	1.1	7.5	3.6	5.8	3.8
Export volume of goods & services (%)	9.5	3.1	7.4	4.8	7.0
Export value of goods (Bil. USD) ^{1/}	219.1	225.9	237.5	225.8	241.0
Growth rate (%) ^{2/}	14.3	3.1	5.0	0.0	7.0
Growth rate (Volume, %) ^{2/}	8.3	2.5	5.0	0.3	6.0
Import volume of goods & services (%)	13.7	6.2	7.2	3.4	6.2
Import value of goods (Bil. USD) ^{1/}	202.1	219.9	232.0	221.2	236.0
Growth rate (%) ^{2/}	24.9	8.8	6.5	0.6	6.7
Growth rate (Volume, %) ^{2/}	13.4	7.1	7.8	2.9	6.2
Trade balance (Bil. USD) ^{1/}	17.0	6.0	5.5	4.7	5.8
Current account balance (Bil. USD) ^{1/}	4.1	-1.5	1.2	-3.6	-2.5
Current account to GDP (%)	1.2	-0.4	0.3	-0.9	-0.6
Inflation (%)					
CPI	3.8	3.0	2.3 - 2.8	2.4	2.1-3.1
GDP Deflator	4.2	1.3	2.3 - 2.8	1.8	2.1-3.1

Source: Office of National Economic and Social Development Board, 18 November 2013

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

