

Thai Economic Performance in Q1 and Outlook for 2015

Macroeconomic Strategy and Planning Office

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Economic Projection for 2015

	2013	2014			2015	
	Year	Q3	Q4	Year	Q1	Year (f)
GDP (CVM)	2.8	1.0	2.1	0.9	3.0	3.0-4.0
Total Investment	-0.8	2.6	3.2	-2.6	10.7	6.2
Private	-0.8	3.2	4.1	-2.0	3.6	3.8
Public	-1.0	0.9	-0.5	-4.9	37.8	15.8
Private Consumption	0.8	2.5	2.1	0.6	2.4	2.3
Public Consumption	4.7	-1.3	3.6	1.7	2.5	3.8
Export of Goods	-0.1	-1.7	1.5	-0.3	-4.3	0.2
Volume	0.2	-1.4	2.7	0.7	-2.6	1.2
Import of Goods	-0.2	-0.8	-5.7	-8.5	-7.2	-0.8
Volume	1.6	-0.4	-0.5	-6.8	4.1	3.2
Current Account to GDP (%)	-0.8	-0.5	8.4	3.3	9.6	3.9
Inflation	2.2	2.0	1.1	1.9	-0.5	(-0.3)-0.7

❑ **The Thai economy in the first quarter of 2015** grew by 3.0 percent, accelerating from 2.1 percent in the previous quarter. After seasonal adjustment, the Thai economy expanded by 0.3 percent from the fourth quarter of 2014 (%QoQ SA).

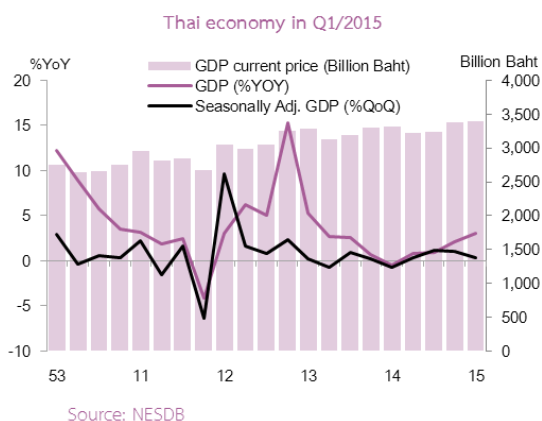
❑ **On the expenditure side**, main contributions were from private consumption expenditure, government investment, and export of services. **On the production side**, nearly all sectors improved, especially construction, hotel and restaurants, transportation, and industrial sectors.

❑ **The Thai economy in 2015** is forecasted to grow by 3.0 - 4.0 percent, contributed by (i) government expenditure and investment which will continue to increase; (ii) private expenditure and investment which have been improving under an increased confidence of the economy and the decent overall economic recovery; (iii) the strong growth of tourism sector which is expected to continue for the remainder of the year; (iv) the recovery in industrial production is expected to gradually improve; and (v) low crude oil price which increases purchasing power and allows adequate room for a period of accommodative monetary policy. Nonetheless, there are some potential risks and limitations including (i) the deceleration of the global economy, (ii) the depreciation of the Euro and the Yen, and (iii) the unfavorable agricultural prices in the global market and export condition will remain to be key constraints causing private consumption and the overall economy to grow weaker than previously anticipated, which will restraint the benefits from economic recovery from distributing to all sectors in the economy. Farmers, in particular, will be affected by the low agricultural prices, as well as the agricultural- and export-related businesses. It is forecasted that export value will expand by 0.2 percent while private consumption and total investment will grow by 2.3 and 6.2 percent, respectively. The headline inflation is expected to lie between (-0.3) - 0.7 percent and the current account is likely to register a surplus of 3.9 percent of GDP.

❑ **Economic management in 2015** should be prioritized by (i) accelerating the measures aimed to tackle export problem. The long-term countermeasures require the production restructures in order to push up product value and productivity, as well as promote the third-generation industry and services. Meanwhile, the short-term measures should aim to maintain the Baht and avoid faster appreciation than trading competitors' currencies, to seek for the new potential markets and increase export volumes of key products, to mitigate the barriers, delay, and constraints on government procedures and regulation, to facilitate international trade, especially along trading borders, to expedite the combating measures against human trafficking and illegal fishery problems; (ii) providing additional measures to support agricultural sector to focus on communicating and creating better understanding of farmers about the situation and condition of agricultural prices which will encourage farmers to adapt themselves toward changes in global agricultural price, as well as monitoring cost of agricultural raw material, enhancing productivity, and supporting the second job creation to generate more income for farm household; (iii) providing assistance to farmers and those affected by the slowdown of exports; and (iv) expediting budget disbursement and implementation of important government investment projects.

The Thai economy in the first quarter and the outlook for the remainder of 2015

The Thai economy in the first quarter of 2015 expanded by 3.0 percent, improving from 2.1 percent growth in the fourth quarter of 2014. **The expenditure side** was contributed by the expansion of private consumption expenditure, government investment, and export of services. **On the production side**, almost all sectors improved, especially construction, hotel and restaurants, transportation, and industrial sectors which continued to grow. After seasonal adjustment, the Thai economy in the first quarter of 2015 expanded by 0.3 percent from the fourth quarter (%QoQ SA).



Thai economy in the first quarter of 2015

- 1) **Private consumption expenditure** expanded by 2.4 percent, accelerating from a 2.1 percent growth in the previous quarter which is in line with the growth in VAT collection (constant price) and spending on semi-durable goods. VAT collection, sales of beer, and import of consumer goods grew by 1.0, 15.3, and 7.2 percent respectively. Consumer Confidence Index pertaining the overall economic situation stood at 68.4 in this quarter, compared with the level of 69.6 in the last quarter of 2014. Nonetheless, this level is still higher than the 60.0-level in the first quarter of 2014.
- 2) **Total investment** grew by 10.7 percent, accelerating from a 3.2 percent growth in the previous quarter. Public investment expanded by 37.8 percent owing to 40.9 and 31.8 percent growth in investment by government and state-owned enterprises respectively. Construction improved remarkably as the disbursement of government's capital budget in land and construction grew as high as 74.1 percent, and State-owned enterprise's construction grew by 30.4 percent. At the same time, investment in machinery by both government and state-owned enterprises continue to grow. Private investment expanded by 3.6 percent. Investment in construction and machinery and equipment grew by 1.8 and 4.1 percent respectively. For the first time in 7 quarters, the Business Sentiment Index (BSI) stood at a level higher than 50 (the level which business expand their investment) , at 50.5 compared with 48.8 in the previous quarter.
- 3) **Export value** was recorded at 52.9 billion US dollars – a 4.3 percent contraction. The export volumes declined by 2.6 percent and export price contracted by 1.8 percent mainly due to 4 key factors: (i) the deceleration in key trading partners' economies, especially China and Japan; (ii) the appreciation of the Thai baht, especially when compared with the Euro and the Yen; (iii) the decline in export prices in line with lower crude oil price and agricultural prices in global market, particularly fuel, chemical products, rubber, and rice; and (iv) the end of Generalized Scheme of Preferences (GSP) for Thai exports to Europe. The export products recorded an expansion in value including automotive, machinery and equipment, integrated circuits and parts, and printed circuits. The export products with a contraction in value included rice, rubber, cassava, petro-chemical products and petroleum products. Exports to major markets such as the US and Australia expanded in this quarter, while exports to EU (15), Japan, China, and ASEAN (9) contracted. Export value (excluding unwrought gold) contracted by 3.7 percent. In baht term, the value of export fell by 4.3 percent. In addition, the decline in export value and the prices of export have no direct effects only on the key exporting markets. The impact from the decline in export value and prices of various countries causes the economies of Thailand's trading partners in Asia to slowdown, thereby having an indirect effect on Thai exports. It can be observed that export sector of many countries with previous growing trend turn negative in the forth quarter of 2014

and also the first quarter of 2015, causing a visible economic slowdown, particularly in countries which are highly dependent on export.

Growth of export value and of the economies in Asia

	Export (%YoY)							GDP (%YoY)		
	2013	2014					2015	2014		2015
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q3	Q4	Q1
China	8.3	5.7	-3.5	4.9	12.9	8.5	4.6	7.3	7.3	7.0
Indonesia	-3.9	-3.2	-2.5	-2.5	2.3	-10.3	-11.4	5.0	5.0	4.7
South Korea	2.1	2.3	1.6	3.2	3.6	0.9	-2.9	3.2	2.7	2.4
Malaysia	0.3	2.7	3.5	8.5	3.0	-4.2	-11.2	5.6	5.7	5.6
Singapore	0.5	0.0	4.8	2.4	-0.2	-7.1	-11.5	2.8	2.1	2.1
Taiwan	1.1	2.9	1.2	3.7	6.2	0.5	-3.9	4.3	3.4	3.5
Thailand	-0.1	-0.3	-1.1	0.3	-1.7	1.5	-4.3	1.0	2.1	3.0
Vietnam	16.6	12.7	12.2	15.7	11.9	10.8	9.0	6.1	7.0	6.0

Source: CEIC

- 4) **Construction sector** grew by 25.4 percent, accelerating from 1.3 percent growth in the previous quarter, thanks to 44.2 percent growth in public construction. Construction by government and state-owned enterprises and the private sector expanded by 50.3, 30.4, and 1.8 percent respectively.
- 5) **Hotels and restaurants sector** grew by 13.5 percent, showing a clear sign of improvement both in terms of number of inbound tourists, tourism revenue, and hotel occupancy rate. Number of inbound tourists grew by 23.5 percent, accelerating from 7.0 percent in the previous quarter. The tourism revenue increased by 22.3 percent. The average hotel occupancy rate was at 68.5 percent, compared with the rate of 60.3 percent from the same period last year, representing the highest average rate of occupancy in 8 quarters.
- 6) **Industrial sector** grew by 2.3 percent, accelerating from a 1.4 percent growth in the previous quarter. This was supported by a recovery of industries which serve domestic consumption. Nonetheless, export value of manufacturing products continued to decline with the fall in export volume. Industries with positive growth included food and beverages, petroleum products, Integrated circuit and semiconductors, automotive, chemical products. Industries which experienced contraction included hard-disk drives, textile, rubber and rubber products. The capacity utilization rate averaged at 62.1 percent.
- 7) **The agricultural sector** contracted by 4.8 percent, compared to a 3.2 percent decline in the previous quarter. Production of key agricultural products fell due to the low prices and unfavorable weather. There is a decline in the production of rubber, oil palm and paddy. On the other hand, production of cassava, sugarcane, and fruit increased. The prices of agricultural products continued to decline for the fifth quarter, including the price of rice, sugarcane, rubber (ribbed smoked sheets 3: RSS 3), oil palm, white shrimp, and livestock. The decline in production and price of agricultural products cause a 12.6 contraction in farm income this quarter.

The Thai Economic outlook for 2015

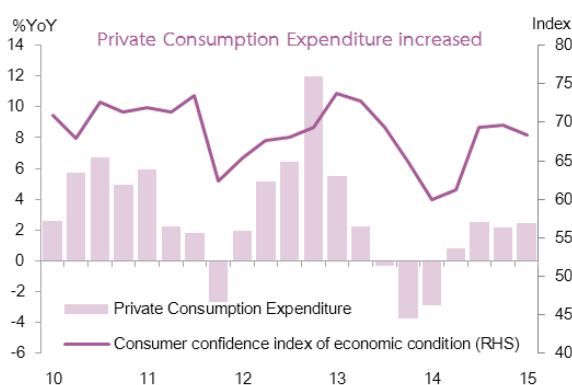
The Thai economy in 2015 is forecasted to grow by 3.0 – 4.0 percent. For the remainder of 2015, it is expected that the Thai economy will grow at a satisfactory rate under the constraints of global economic slowdown and low agricultural price. Economic growth is expected to be contributed by (i) government expenditure and investment which will continue to accelerate further; (ii) private expenditure and investment which have been improving under an increased confidence in the economy and the decent overall economic recovery; (iii) the remarkable growth of tourism sector in the first quarter which is expected to continue for the remainder of the year; (iv) the recovery of industrial production which is expected to have a more robust growth and able to better support economic recovery; and (v) low crude oil price which increases purchasing power and allows adequate room for a period of accommodative monetary policy.

Nonetheless, the deceleration of the global economy, the depreciation of Yen and Euro currencies, and the unfavorable agricultural prices in the global market remain key constraints for the export sector and in turn will become limitations for private consumption and the overall economy to grow less than previously anticipated, which will prevent the benefits from economic recovery from distributing to all sectors in the economy. Farmers, in particular, will be affected by the low agricultural prices, as well as the agricultural– and export-related businesses. It is forecasted that export value will expand by 0.2 percent while private consumption and total investment will grow by 2.3 and 6.2 percent, respectively. The headline inflation is expected to lie between (-0.3) – 0.7 percent and the current account is likely to register a surplus of 3.9 percent of GDP.

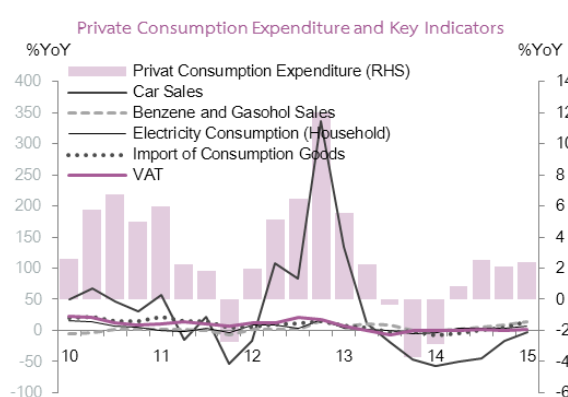
1. The Thai Economy in Q1/2015

Expenditure Side:

Private consumption expenditure: continued to recover, in line with the improvement in non-durable goods spending and a slower contraction pace of passenger cars sales. In the first quarter of 2015, private consumption expenditure expanded by 2.4 percent, compared with a 2.1 percent increase in the previous quarter as VAT collection (constant price) and non-durable goods spending accelerated. VAT collection, sales of beer, and import of consumer goods grew by 1.0, 15.3, and 7.2 percent compared with a 0.9 percent contraction, and 1.5 and 4.2 growth in the previous quarter. Meanwhile, there was a slower contraction pace of passenger cars sales of 3.5 percent compared with 16.3 percent contraction in the previous quarter. Consumer Confidence Index pertaining the overall economic situation stood at 68.4 in this quarter, compared with the level of 69.6 in the last quarter of 2014.



Source: NESDB, University of the Thai Chamber of Commerce



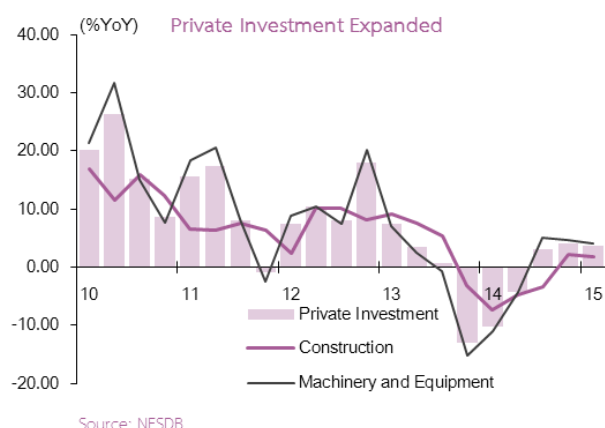
Source: NESDB, Department of Energy Business

Private investment: continued to grow contributed mainly by expansion of investment in construction and machinery and equipment, yet at slower pace from the previous quarter. In the first quarter, private investment grew by 3.6 percent, compared with a growth of 4.1 percent in the previous quarter. **Investment in construction** expanded by 1.8 percent, slowing from 2.2 percent in the previous quarter, partly as a result of investment in construction area permitted in the municipal and vicinity areas approved in the previous quarter with 18.2 percent expansion. **The machinery and equipment investment** expanded by 4.1 percent, compared with 4.7 percent increase in the previous quarter. Meanwhile, new investment is likely to improve considerably, as reflected by the number and the value of projects approved by the Board of Investment (BOI) which increased by 77.8 and 527.9 percent compared with a 9.4 and 31.3 percent growth in the previous quarter respectively. The Business Sentiment Index (BSI) stood at 50.5 (the first time being higher than 50-level in 7 quarters) compared with the level close to 48.8 in the previous quarter.

In the first quarter of 2015, private consumption expenditure accelerated, while private investment continued to grow. However, export contracted, imposing limitation on economic growth.

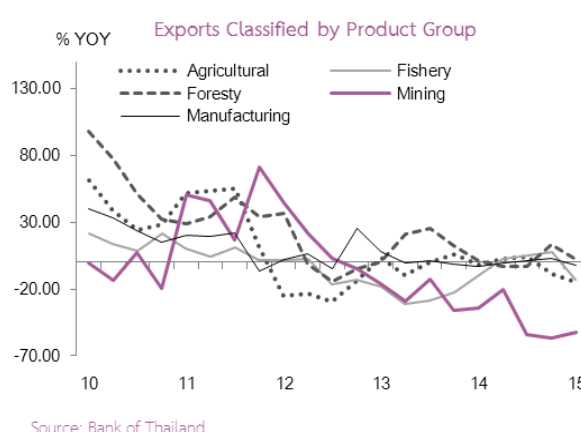
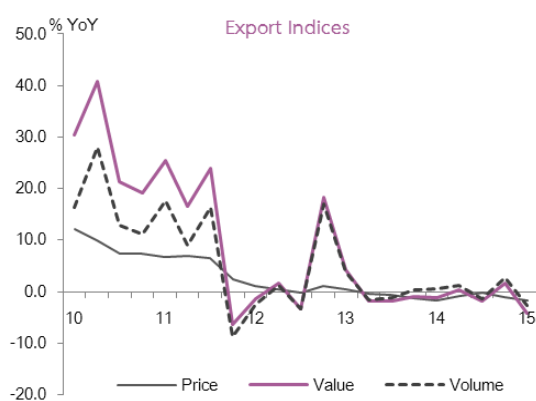
Private consumption expenditure fell by 2.4 percent, which is consistent with the slower contraction pace of passenger cars sales and the improvement in other spending.

Private investment continued to grow with the support of investment in construction and machinery and equipment.



Exports contracted due to the economic deceleration in key trading partners, appreciation of the Thai baht, the decline in export prices, as well as the effect from the end of Generalized Scheme of Preferences (GSP) for Thai exports. Export value in the first quarter of 2015 was recorded at 52.9 billion US dollars – a 4.3 percent contraction, compared with a 1.5 percent growth in the previous quarter. The export volumes declined by 2.6 percent and export price contracted by 1.8 percent mainly due to (1) economic deceleration in key trading partners, especially China and Japan; (2) appreciation of the Thai baht, especially when compared with the Euro and the Yen by 17.8 and 13.7 percent respectively; (3) the decline in export prices which fell with the crude oil price and agricultural prices in global market, particularly fuel (whose price declined by 12.9 percent, with 3.5 percent share of total export), chemical products (by 7.6 percent, with 3.1 percent share), rubber (by 32.8 percent, with 2.4 percent share), rice (by 1.6 percent, with 2.1 percent share), and sugar (by 7.8 percent, with 1.0 percent share); and (4) the end of Generalized Scheme of Preferences (GSP) for Thai exports to Europe, effective since January 2015. Export value (excluding unwrought gold) contracted by 3.7 percent. In baht term, the value of export, recorded at 1,730 billion baht, fell by 4.3 percent, compared with a growth of 4.7 percent in the previous quarter.

Export value in US dollars contracted by 4.3 percent. Export volume fell by 2.6 percent, while export price contracted by 1.8 percent. In baht term, the value of export declined by 4.3 percent.



Export of agricultural commodities: declined by 15.2 percent, compared with a contraction of 8.5 percent in the previous quarter. This was due to the 6.8 percent contraction in the export price of key agricultural products and the 9.0 percent decline in export quantity of agricultural products. The export value of **rice** declined by 5.1 percent after 4 consecutive quarters of growth as there was a decline in export quantity of rice by 3.6 percent, owing to the decline in demand from African countries, as well as the diminished competitiveness due to the strong Thai baht compared to trading competitors such as India and Vietnam. The export price of rice also fell by 1.6 percent. Similarly, the export value of **tapioca** decreased by 2.7 percent, contributed by a 4.8 percent decline in export quantity due to the reduced import by China. However, the export price increased

Export value contracted for agricultural commodities, manufacturing products, fishery products and other exports.

by 1.8 percent. Meanwhile, the export value of **rubber** declined by 36.1 percent due to a drop in both quantity and price of 4.8 and 32.8 percent, respectively, as global stockpile remains high, and China who is the main importer slowed down its import due to its high level of existing stock. Export value of **sugar** increased by 1.2 percent, resulting from a 10 percent increase in export quantity particularly to ASEAN and China, while the export price declined by 7.8 percent. **Manufacturing products declined by 2.5 percent compared with a 3.1 percent growth in the previous quarter due to the slow recovery of the global demand, as well as the decline in export prices which was due to the fall global crude oil price.** The quantity and price of export declined by 1.1 and 1.4 percent respectively, compared with a 3.4 percent growth and a 0.3 percent contraction in the previous quarter respectively. The export products recorded expansion in value including automotive grew by 4.9 percent due to export to Australia and Saudi Arabia, as well as machinery and equipment, integrated circuits & parts, and printed circuits which grew by 3.8, 4.5, and 26.9 percent respectively. The export products with a contraction in value in this quarter included crustaceans (canned, prepared, or preserved), petro-chemical products and petroleum products (4.6, 9.9, and 27.2 percent contraction respectively). **Fishery products** fell by 13.4 percent. The exports with a decline in export value included crustacean (shrimp, crab, and lobster) fish, cuttlefish, squid and octopus. **Other exports** contracted by 30.9 percent, mainly due to the decline in unwrought gold exports by 31.5 percent.

Export Value of major product

%YoY	2013	2014					2015				Shared Q1/15
	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar	
Agriculture	0.0	-1.3	-2.0	2.7	4.4	-8.5	-15.2	-20.8	-17.8	-6.5	7.6
Rice	-4.6	23.0	4.6	21.5	25.2	39.3	-5.1	-13.0	-1.5	-0.9	2.1
Rubber	-5.9	-26.9	-15.5	-24.0	-24.8	-42.1	-36.1	-40.6	-38.8	-27.9	2.4
Tapioca	18.1	13.5	26.9	14.2	15.5	-0.2	-2.7	-15.7	0.5	7.3	1.5
Manufacturing	1.8	0.1	-3.1	-0.4	0.9	3.1	-2.5	-1.6	-2.9	-3.0	88.9
Sugar	-27.2	-4.2	-28.3	-29.8	13.3	93.3	1.2	-12.6	-10.1	20.6	1.0
Crustaceans canned, prepared, or preserved	-19.5	-13.8	-25.2	-13.8	-11.8	-6.5	-4.6	-2.3	-4.2	-7.3	0.4
Rubber Products	-2.2	-10.0	-14.9	-13.4	0.1	-10.9	-20.6	-24.1	-23.5	-14.5	1.7
Apparels and textile materials	3.6	-0.3	-1.3	0.9	-0.4	-0.2	-6.2	-5.6	-9.0	-4.2	3.2
Electronics	-0.8	1.8	-0.4	-1.7	2.4	6.6	-0.1	6.6	-1.1	-5.2	14.6
Computer parts & accessories	-5.7	-2.0	-3.2	-6.0	0.0	1.0	-4.6	0.2	-5.5	-8.8	6.7
Integrated circuits & parts	7.6	4.2	5.2	1.3	1.1	9.6	4.5	21.2	8.2	-10.5	3.3
Printed circuits	53.7	32.0	36.7	24.1	33.3	34.0	26.9	43.7	16.6	21.2	0.6
Electrical Appliances	2.3	4.5	7.2	2.0	0.1	8.8	-0.6	-1.9	1.0	-1.0	6.0
Metal & Steel	-5.5	-11.2	-34.2	-5.5	-0.9	5.9	4.7	2.2	2.6	9.0	4.4
Iron & steel	-12.3	-30.5	-62.5	-15.7	-10.3	10.1	20.3	12.9	25.0	23.0	1.4
Automotive	7.6	0.1	3.0	-1.6	-3.9	3.3	4.9	12.0	-1.5	5.9	15.8
Machinery & Equipment	4.0	8.5	7.8	9.9	7.8	8.6	3.8	5.0	2.3	4.0	8.9
Chemicals	7.6	-6.0	-7.3	-7.3	-1.9	-7.2	-23.5	-22.7	-20.8	-27.0	3.1
Petro-chemical Products	5.3	7.6	5.3	11.2	6.8	7.0	-9.9	-11.0	-9.4	-9.3	5.5
Petroleum products	-1.3	-11.9	-15.5	-0.0	-7.2	-22.5	-27.2	-28.6	-26.6	-26.4	3.5
Fishery	-25.4	1.4	-9.4	2.3	4.7	7.8	-13.4	-1.3	-25.9	-13.0	0.8
Crustaceans	-33.4	-5.3	-27.1	-6.1	-1.3	12.2	-10.6	10.5	-27.4	-15.0	0.3
Other Exports	-44.5	-12.1	278.4	13.5	-77.4	-7.1	-30.9	7.8	-60.3	-39.8	1.8
Non-monetary gold (excl. articles of goldsmiths)	-50.1	-15.6	469.3	14.3	-85.4	-12.6	-31.5	11.4	-65.2	-40.1	1.6
Total Exports (Customs basis)	-0.3	-0.4	-1.4	-0.0	-1.8	1.6	-4.7	-3.5	-6.1	-4.4	100.0
Exports, f.o.b. (BOP basis)	-0.2	-0.3	-1.1	0.3	-1.7	1.5	-4.3	-2.6	-6.0	-4.3	98.7

Source: BOT

Export markets: exports to major markets such as the US and Australia expanded in this quarter, while exports to EU (15), Japan, China, and ASEAN (9) contracted. Exports to the US and Australia grew by 5.6 and 9.5 percent, decelerating from 7.2 and 14.6 percent in the previous quarter respectively. Meanwhile, Exports to EU (15), Japan, and China fell by 3.9, 9.2, 14.4 percent respectively per the economic slowdown in Japan, China and Eurozone, as well as the appreciation of the Thai baht compared to the Yen and the Euro. Export to ASEAN (9) fell by 2.4 percent, compared with a 5.2 percent growth in the previous quarter. This was mainly due to the fall in export to ASEAN (5), especially Malaysia and Indonesia. The export to CLMV, however, grew by 10.6 percent, accelerating from 6.8 percent growth in the previous quarter. Export to Vietnam in particular grew by 18.1 percent, much higher than a 7.1 percent growth in the previous quarter. Meanwhile, export to Hong Kong and the Middle East contracted by 11.5 and 7.9 percent respectively.

Exports to major markets such as the US and Australia expanded in this quarter, while exports to EU (15), Japan, China, and ASEAN (9) contracted.

Export Value of major country

(%YOY)	2013	2014					2015				Shared Q1/15
	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar	
United States	0.7	4.1	0.6	4.9	3.4	7.2	5.6	6.0	5.1	5.6	11.0
Japan	-5.2	-1.9	0.7	-6.4	-1.0	-0.6	-9.2	-7.5	-11.7	-8.4	9.6
EU (15)	2.7	4.7	4.8	10.9	2.0	1.7	-3.9	-5.0	-4.7	-2.1	9.4
China	1.4	-7.9	-4.5	-4.2	-6.3	-15.3	-14.4	-19.7	-15.1	-8.3	10.5
Australia	6.0	-10.1	-17.4	-20.3	-14.4	14.6	9.5	3.8	5.7	19.4	4.4
ASEAN (9)	5.0	0.2	-5.4	-0.1	1.1	5.2	-2.4	-0.7	-8.3	1.6	25.4
ASEAN (5)	1.8	-4.9	-11.0	-4.1	-4.2	4.3	-9.4	-11.4	6.1	-5.7	15.3
Brunei	-12.9	-14.2	15.0	-29.9	-23.4	-12.1	-24.2	-16.7	-53.5	-2.0	0.2
Indonesia	-3.0	-12.5	-19.7	-17.8	-10.8	3.5	-15.4	-11.2	-19.1	-15.6	15.0
Malaysia	4.7	-1.9	-0.1	-1.4	-5.0	-1.0	-14.6	-12.5	-19.3	-12.2	19.4
Philippines	3.6	16.6	13.0	14.9	17.4	20.4	7.4	7.8	1.7	12.6	10.5
Singapore	3.7	-7.0	-23.9	0.5	-6.6	3.8	-5.4	5.1	-19.8	-2.1	15.0
CLMV	10.7	9.3	7.0	8.8	13.6	6.8	10.6	27.0	62.7	15.0	10.1
Cambodia	12.7	6.3	14.5	4.4	1.9	4.8	16.0	-13.5	32.7	32.9	9.8
Laos	4.7	7.3	1.7	8.4	9.3	10.3	1.2	-2.6	-4.0	9.7	7.6
Myanmar	21.2	11.9	7.6	15.3	21.3	5.1	2.3	2.9	3.1	1.1	8.2
Vietnam	10.8	9.8	5.1	8.6	18.3	7.1	18.1	33.7	0.0	22.5	14.3
Hong Kong	0.7	-4.4	-1.8	1.7	-13.5	-1.8	-11.5	8.3	-1.2	-32.5	5.5
Korea, South	-4.0	-1.5	-13.3	-3.9	11.7	1.8	0.6	-14.7	16.3	3.3	1.9

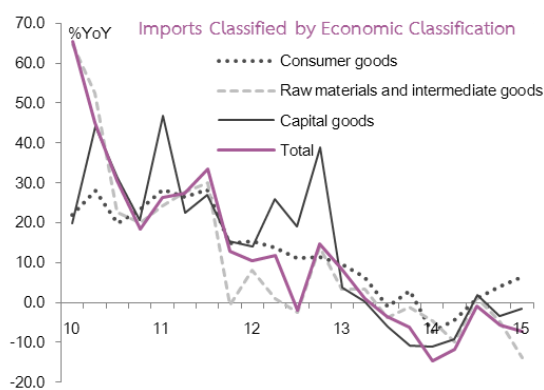
Source: BOT

Imports contracted as the import value of crude oil declined with the global prices. However, quantity of import in all categories increases as economic conditions recovered. In the first quarter of 2015, import in US dollar term was recorded at 45.6 billion US dollars or a decline of 7.2 percent, compared with 5.7 percent contraction in the previous quarter. This was mainly due to the decline of import price which fell by 10.9 percent as the price of key imports fell, such as crude oil, fuel, gold, and chemical products. Meanwhile, Import quantity increased by 4.1 percent, with an increase in all import categories, especially consumer and raw materials and intermediate goods. With unwrought gold excluded, the value of import contracted by 9.7 percent. Import value excluding unwrought gold and crude oil contracted by 0.7 percent. In Thai baht term, the value of import was recorded at 1,488 billion baht, or a contraction of 7.3 percent compared with a 2.8 percent decline in the previous quarter.

Import in US dollar term declined by 7.2 percent due to the decline of import price. However, quantity of import increases.



Source: Bank of Thailand



Source: Bank of Thailand

Overall, there was a decline in import value of raw materials and intermediate goods, and capital goods, but consumer goods, and other imports continued to increase, especially consumer goods which grew for the third consecutive quarters. The **import value of raw materials and intermediate goods** declined by 13.9 percent due to a 16.6 percent decline in import price (but import quantity increased by 3.2 percent). The goods whose import decreased include crude oil (47.6 percent decline, owing to fall in crude oil price), chemical products and printed circuits. Nonetheless, there were import items whose value increased, including natural gas, construction materials, plastic, Integrated circuits & parts, and parts of electrical appliances. **The import value of capital goods** declined by 1.5 percent owing to the 1.9 percent decline in import price. Meanwhile, import quantity increased by 0.5 percent. Goods with a contraction in import value included computers, power-generating machinery, and other machinery and mechanical appliances & parts. **The import value of consumer goods** increased by 6.3 percent (grew for the third consecutive quarters), with a 7.2 percent increase in import quantity and a 0.9 percent decline in import price. The import items with a growth in value included food, beverage, and dairy products, medicinal and pharmaceutical products, household electrical appliances and jewellery (excl. pearls & precious stones). **The value of other imports** increased by 23.2 percent, especially the import of non-monetary gold which was recorded at 2.2 billion US dollars, representing an increase of 100.1 percent.

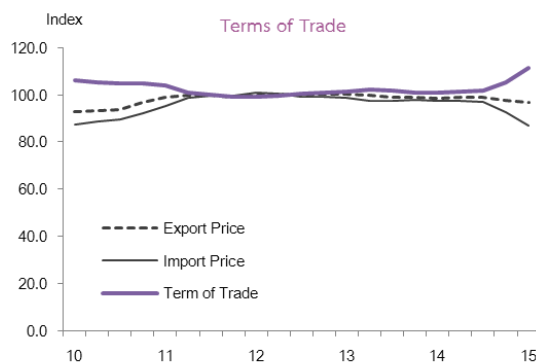
The import value of raw materials, intermediate goods, and capital goods declined. However, import value of consumer goods and other imports continued to increase.

Import Value of major product

%YoY	2013	2014					2015				Shared Q1/15
	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar	
Consumer goods	4.4	-1.7	-7.3	-4.5	1.1	4.0	6.3	-2.7	18.5	5.4	9.8
Food, beverage, and dairy products	8.3	-1.5	-12.4	3.9	4.5	-0.2	4.8	-9.4	29.0	2.5	2.4
Animal & fishery products	3.2	-10.7	-10.5	-24.5	-0.0	-4.4	-7.4	-8.8	-12.4	-0.7	1.4
Medicinal and pharmaceutical products	1.1	3.1	-7.5	9.8	5.7	5.1	23.8	33.7	16.9	21.7	1.3
Raw materials and intermediate goods	0.4	-4.8	-4.7	-10.0	1.1	-5.0	-13.9	-19.4	-8.0	-12.9	55.5
Crude oil	9.8	-15.6	-4.3	-20.0	-5.2	-30.4	-47.6	-55.8	-45.0	-38.9	9.2
Petroleum products	10.2	27.8	42.3	25.1	35.2	4.8	-49.5	-40.5	-64.1	-43.7	2.1
Materials of base metal	-5.0	-5.8	-19.2	-15.5	7.6	8.6	-1.8	-10.5	3.8	3.4	8.7
Chemicals	-2.1	-2.1	3.3	-7.6	-4.5	1.8	-9.9	-4.9	-13.5	-11.6	5.6
Integrated circuits & parts	0.4	5.2	3.6	-5.4	6.7	16.6	9.2	12.7	13.6	1.4	4.7
Parts of electrical appliances	-1.6	-4.1	-5.8	9.1	-15.7	-3.7	14.8	4.9	35.7	8.0	1.3
Capital goods	-3.5	-5.5	-11.1	-9.2	1.9	-3.5	-1.5	0.7	5.3	-10.3	24.6
Other machinery and mechanical appliances & parts	-13.0	-6.1	-9.8	-2.6	-5.4	-6.6	-8.7	12.3	-0.1	-12.6	9.4
Telecommunication equipments	5.3	5.9	-1.1	10.0	-1.4	14.2	10.4	4.8	49.3	-10.1	3.8
Transformers, generators, motors, and accumulators	-18.1	13.3	4.1	17.5	18.3	13.2	-30.5	-25.4	26.9	-0.8	1.9
Measuring, checking, and precision instruments	-9.3	-11.7	-16.5	-18.0	-6.9	-4.0	-1.8	7.6	9.4	0.5	1.6
Aircrafts	105.9	-31.9	-27.9	-89.5	85.4	-39.5	-2.7	292.0	-67.5	-99.8	1.3
Ships' derricks / cranes / floating structures	9.6	-38.3	-47.4	-22.3	-29.1	-73.2	42.9	6.5	73.8	-14.3	0.9
Power-generating machinery and parts	-6.1	-0.2	21.9	9.7	-25.1	5.6	-30.5	28.4	-52.7	-34.8	0.3
Other Imports	6.7	-39.8	-60.3	-39.5	-23.0	-22.3	23.2	-16.6	47.3	44.6	10.1
Non-monetary gold (excl. articles of goldsmiths)	21.6	-56.1	-82.5	-51.8	-22.2	-34.3	100.1	-23.4	190.6	164.2	4.3
Total Imports (Customs basis)	0.5	-9.0	-15.4	-12.6	-1.3	-5.6	-6.4	-13.3	1.5	-5.9	100.0
Imports, f.o.b. (BOP basis)	-0.1	-8.5	-14.7	-11.8	-0.8	-5.7	-7.2	-14.8	1.6	-6.2	87.8
Total Imports (excl. gold)	-1.5	-5.0	-6.3	-9.4	0.4	-4.2	-9.7	-14.6	-1.5	-11.2	83.5
Total Imports (excl. crude oil)	-2.1	-6.9	-16.8	-9.9	0.1	0.3	2.1	-4.3	11.6	0.7	78.5
Total Imports (excl. crude oil and gold)	-3.8	-2.4	-6.8	-6.8	1.7	2.7	-0.7	-3.7	8.0	-5.2	74.2

Source: BOT

Term of Trade improved from the previous quarter. Export price decreased by 1.8 percent while import price decreased by 10.9 percent, thus the term of trade improved from 105.5 in the previous quarter to 111.5 in the first quarter of 2015.



Source: Bank of Thailand

Trade balance recorded a surplus for the seventh consecutive quarters. The trade balance in the first quarter of 2015 recorded a surplus of 7,425 million US dollars (equivalent to 242,286 million baht), compared with a surplus of 7,636 million US dollars (equivalent to 250,051 million baht) in the previous quarter.

Term of Trade improved from the previous quarter.

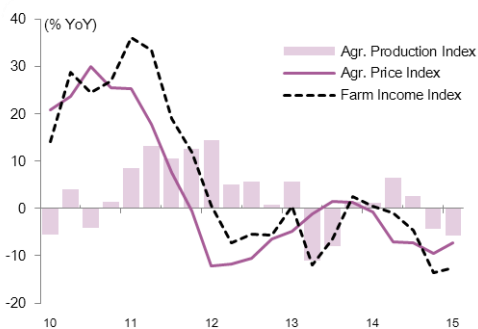
Trade balance recorded a surplus.

Production Side

Agricultural sector: continuously contracted for two consecutive quarters following a decrease in major agricultural products caused by unfavorable prices and weather. **In the first quarter of 2015,** the sector contracted by 4.8 percent, compared with a 3.2 percent drop in the previous quarter. This was in line with a 5.8 percent contraction of agricultural production index due to: (i) a decrease in the irrigation water for agriculture in the river basins of Chao Phraya and Mae Klong, 26 provinces in total, resulted in a 27.6 percent contraction of off-season paddy production (continually contracted from a 0.4 percent drop in the previous quarter), (ii) a severe draught caused rubber tree to drop leaves early in February and be unfavorable to oil palm which led to less production of rubber and oil palm by 9.7 percent and 31.0 percent, respectively, and (iii) a conversion of rice and rubber's plantation area to cassava and sugar cane following the motivating prices. However, livestock production expanded by 1.5 percent following higher demands from both domestic and exports. In addition, fishery production grew by 17.0 percent owing to an early stage of recovery in white shrimp production from the EMS outbreak, so do the production of sugar cane and cassava that rose by 0.9 and 3.2 respectively.

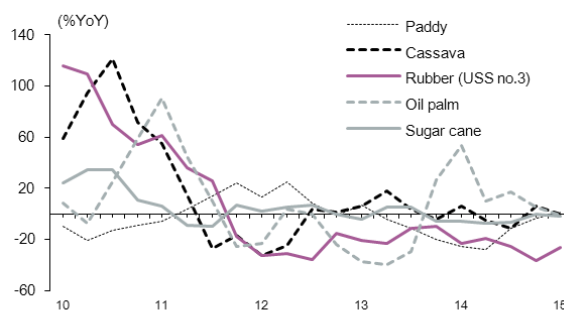
Agricultural Price Index continued to drop for five consecutive quarters by 7.2 percent, particularly in major agricultural products including paddy, sugar cane, rubber (ribbed smoked sheets 3: RSS 3), oil palm, white shrimp, and livestock products, of which dropped by 4.4, 2.1, 26.4, 1.4, 24.2 and 7.5 percent, respectively. These were caused by (i) intense price competition in the global rice market, (ii) a decrease in sugar prices following declining demand and lower export price affected by the Brazilian real depreciation, (iii) a decrease in rubber price due to a lower demand, following decreasing crude oil price and global demands, (IV) a decrease in palm prices as fruit quality was low during a particular drought period, and (V) a higher volume of domestic shrimp, as well as global shrimp (particularly from India, Indonesia and Vietnam). All in all, a drop in agricultural prices and production caused farmer income to contract by 12.6 percent in this quarter.

Farm income declined by 12.6 percent following a contraction in agricultural production and price



Source : OAE

The prices of cassava and paddy increased, while rubber oil palm and sugar cane decline



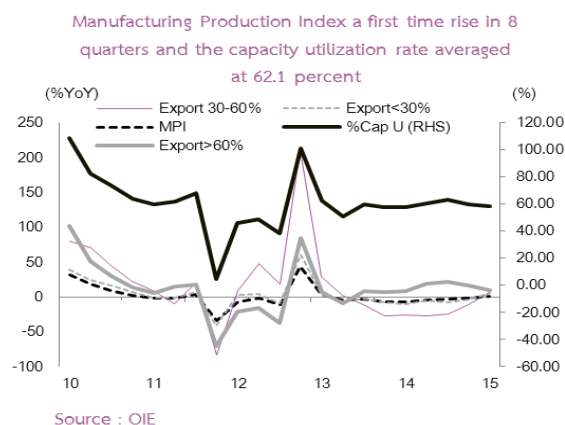
Source : OAE

Industrial sector: expanded owing to an increase in domestic-oriented industries, while the export-oriented industries decreased following a drop in export volumes. In the first quarter of 2015, industrial sector increase by 2.3 percent, accelerated from a 1.4 percent increase in the previous quarter. This was in line with a 0.1 percent increase in Manufacturing Production Index (MPI), a first time rise in 8 quarters, compared with a 2.3 percent drop in the previous quarter. Industries with less than 30 percent and 30-60 percent export shares began to expand by 5.0 percent and 0.9 percent, particularly in petroleum products, food and beverages, malt and malt liquor, and clothing. While car industry expanded for the first time in seven quarters, following a record high volume of its export, along with an improvement in domestic car sales (contracted at decelerated pace). However, export-oriented industries (with more than 60 percent export shares) continued to drop for two consecutive quarters, especially jewelry, television and radio equipment, and office appliances. The capacity utilization rate was

Agricultural sector continued to drop for two consecutive quarters by 4.8 percent, following a decreased supply of off-season paddy, rubber, and oil palm. While, prices dropped for five consecutive quarters by 7.2 percent led to a drop in farmer income by 12.6 percent.

Industrial sector accelerated following an improvement in domestic-oriented industries. While export-oriented industries contracted as export volume dropped.

improved to 62.5 percent, compared with 60.1 percent in the previous quarter and 61.8 percent in the same period last year. In details, industries with positive growth included food and beverages (5.5 percent) clothing (7.6 percent) leather products (1.8 percent) petroleum products (10.8 percent) chemical products (1.2 percent) electronic tubes (1.3 percent) vehicles (1.5 percent). Industries which experienced contraction included textiles (2.5 percent) rubber and plastic products (1.1 percent) hard disk drive (8.2 percent) and machinery and parts (2.8 percent).



Construction sector: remarkably expanded owing to an acceleration in public construction, and a continual rise in private construction. In the first quarter of 2015, construction sector accelerated by 25.4 percent, compare with 1.3 percent growth in the previous quarter. This was supported by a remarkable expansion of 44.2 percent in public constructions, compared with a 6.5 percent rise in the previous quarter. This was in line with an increase in public and state enterprises disbursement for investment by 123.2 percent and 43.1 percent, respectively. Private construction continued to increase from 2.2 percent in the previous quarter to 1.8 percent in this quarter, following a high increase by 18.2 percent of permitted construction areas in the previous quarter. However, construction material price contracted by 3.7 percent, as steel and oil prices dropped.

Real estate sector: continued to expand. In the first quarter of 2015, real estate sector rose by 2.8 percent, accelerated from 2.6 percent in the previous quarter. **On demand side**, housing right transfer in Bangkok and vicinities areas and personal housing credit expanded by 5.9 percent and 11.8 percent, respectively. **On supply side**, completed registered housing within Bangkok and vicinities areas and real estate development credit continued to rise by 39.1 and 3.7 percent, respectively. However, property developers were sluggish to launch new housing projects as per their concerns for a sluggish economic recovery. This was in line with a 20.8 percent decrease in permitted construction areas. **In price**, overall prices increased, particularly in condominium and land which increased by 16.0 percent and 11.7 percent, respectively.

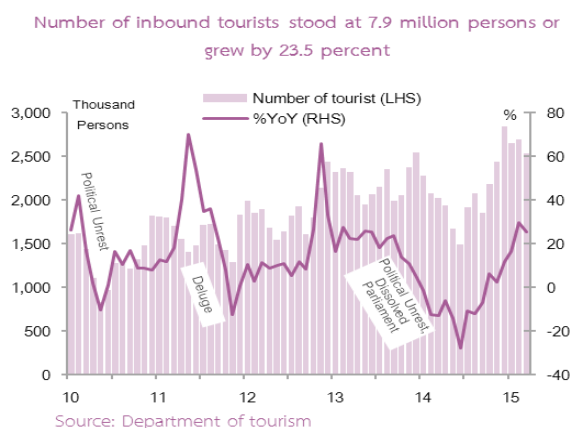
Hotel and restaurants sector accelerated following an improvement of tourism sector, particularly in tourist number, revenue and average occupancy. **In the first quarter** of 2015, hotel and restaurants sector expanded for two consecutive quarters by 13.5 percent, accelerated from 3.3 percent in the previous quarter. Number of inbound tourists stood at 7.9 million persons or grew by 23.5 percent, accelerated from 7.0 percent in the previous quarter following the increased number of tourists from most regions (except Europe and Australia). The tourists from East Asia, the largest group of tourist which accounted for 62.8 percent of inbound tourist), grew by 55.6 percent, particularly from Hong Kong (144.8 percent), China (96.1 percent), and Malaysia (70.9 percent). However, tourists from Europe and Australia contracted

Construction sector highly grow following an accelerating increase in public construction. While, private construction continually grow at slow pace.

Real estate sector continued to rise by 2.8 percent following an expansion in demand and supply, meanwhile, prices improved, especially price of condominium and land.

Hotel and restaurants sector notably accelerated following an improvement of tourism sector. The inbound tourist number, and tourism revenue increased by 23.5 percent and 22.3 percent respectively. The hotel occupancy rate was highest in 8 quarters.

by 15.9 percent and 4.3 percent, respectively. The tourism received 403.5 billion baht from inbound tourist, increased by 22.3 percent. The average hotel occupancy rate was highest in 8 quarters at 68.5 percent, compared with 60.3 percent in the same period last year.



Wholesale and retail trade sector: improved following a recovery of domestic consumption and tourism sector resulted in the acceleration of wholesale trade. While retail trade contracted at slower pace, owing to an increase in retail sales in department store. **In the first quarter of 2015**, the sector expanded by 3.9 percent, continually accelerated from 0.2 percent, 1.7 percent, and 2.8 percent increases in the three previous quarters. **For wholesale trade**, the wholesale trade index in food and machinery and devices improved by 14.6 and 7.8 percent, respectively. However, the index in agricultural materials and food, fuel, and construction materials dropped by 6.1 percent, 17.7 percent, and 1.4 percent, respectively. **For retail trade**, overall index dropped by 1.8 percent, an improvement from a 2.5 percent decrease in the previous quarter. The retail trade in food and beverages, as well as car and fuel dropped by 41.0 percent and 6.1 percent respectively. However, retail sales in department store continued to rise by 10.0 percent, compared with a 4.2 percent increase in the previous quarter.

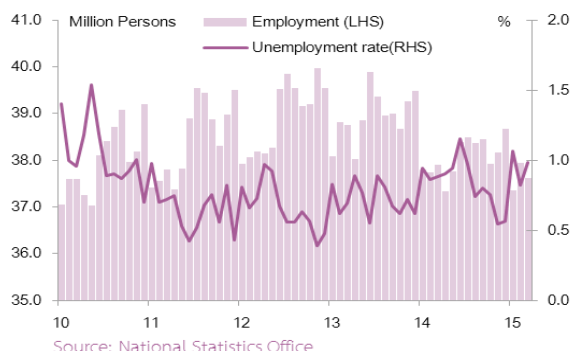
Employment: employment dropped following a decrease in agricultural employment, while non-agricultural employment rose and unemployment was low. In the first quarter of 2015, the employment dropped by 0.5 percent following a 4.4 percent decrease in agricultural employment due to unfavorable prices and weather for agricultural production. However, non-agricultural employment rose by 1.3 percent, particularly in hotel and restaurant which increased by 2.3 percent. This was in line with an improvement of tourism and industrial sector. In the industrial sector, employment expanded by 1.2 percent, particularly in food, chemical and non-metallic industry. While, the employment in wholesales and retail trades contracted by 2.6 percent. Unemployment in this quarter was 361,300 persons or expended by 5.9 percent, of which was the increase of new entry labour force and previously employed worker by 13.5 percent and 0.9 percent respectively. The unemployment rate was low at 0.9 percent.

Wholesale and retail trade sector accelerated by 3.9 percent following a recovery of domestic consumption and tourism sector, resulted in acceleration of sales in department store.

Employment declined by 0.5 percent following a decline in agricultural employment, while non-agricultural employment increased.

Unemployment was in low rate at 0.9 percent, of which mainly from the expansion of new entry labour force.

Employment declined by 0.5 following a decline in agricultural employment, while unemployment rate was low at 0.9 percent



Employed Persons by Industry

%YOY	2013	2014					2015			
	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar
Employed (100%)	-0.1	-0.4	-0.4	-1.2	0.3	-0.1	-0.5	-1.2	0.5	-0.7
- Agricultural (30.5%)	-0.2	-2.4	1.0	-2.9	-2.2	-4.9	-4.4	-4.1	-4.0	-4.0
- Non-Agricultural (69.5%)	0.0	0.7	-1.0	-0.3	1.7	2.5	1.3	0.2	2.6	0.8
Manufacturing (17.3%)	0.8	1.6	-0.8	1.9	1.0	4.4	1.2	5.4	-0.4	0.3
Construction(6.6%)	2.0	-5.0	-7.2	-6.4	-3.0	-2.5	1.9	4.7	6.3	-4.8
Wholesale (16.5%)	0.2	-0.2	-1.5	-2.7	3.2	0.4	-2.6	-6.3	-1.0	-0.3
Hotel and Restaurant (7.1%)	-0.3	1.2	-2.0	-1.9	4.6	4.7	2.3	-1.9	2.3	3.7
Unemployment (Hundred thousand persons)	2.8	3.2	3.4	3.9	3.3	2.4	3.6	4.0	3.2	3.8
Unemployment Rate (%)	0.7	0.8	0.9	1.0	0.8	0.6	0.9	1.1	0.8	1.0

Source: NSO

❑ Fiscal Conditions

On the revenue side, in the second quarter of the fiscal year 2015 (January to March 2015) the net government revenue collection stood at 466,288.0 million baht, higher than the same quarter of last year by 6.6 percent. The main contributors were the revenue collection on income– and consumption tax bases which increased from the same period last year by 6.8 and 7.3 percent, respectively, the first expansion after experiencing a continual decline since the beginning of 2014 fiscal year. However, the tax revenue collection remained under projection by 1.4 percent.

For the first 6 months of fiscal year 2015, the net government revenue collection stood at 973,646.2 million baht, higher than the same period of last year by 3.5 percent, but lower than the projection by 0.1 percent.

The amount net tax revenue collection increased by 6.6 percent from the same period of last year, the first expansion since the beginning of 2014 fiscal year. The revenue collection in major taxes improved inline with economic recovery.

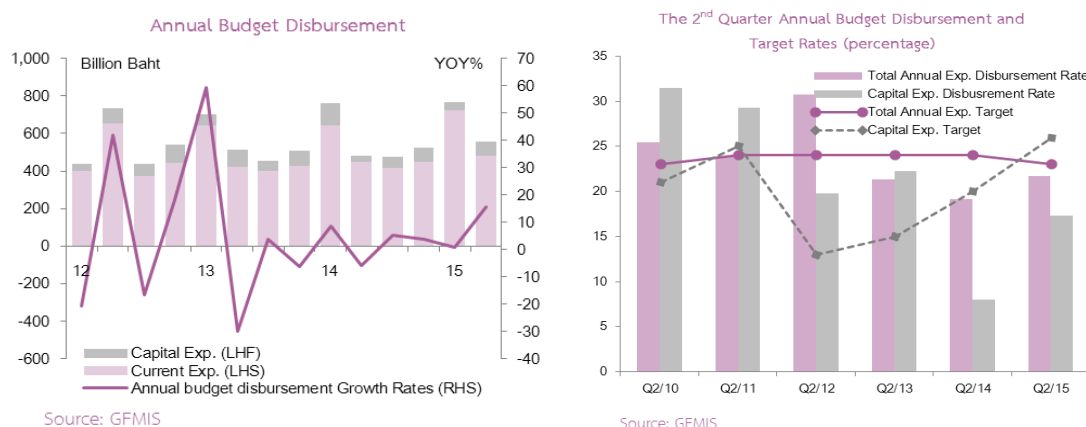
Government Revenue

Fiscal Year	2013	2014					2015		
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	6M
Net Government Revenue	2,161.6	2,075.3	503.5	437.2	608.5	526.2	507.4	466.2	973.6
Compared with the target (%)	2.9	-8.8	2.5	-6.1	-13.8	-14.0	1.1	-1.4	-0.1
YOY (%)	9.4	-4.0	-1.0	-6.9	-5.2	-2.8	0.8	6.6	3.5

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the second quarter of the fiscal year 2015 (January to March 2015) was at 727,911.1 million baht, increased by 16.2 percent from the same period of last year. Classified by its source of funds, the government disbursements are as follows: **(i) The 2015 annual budget disbursement** in this quarter was at 557,899.3 million baht, increased by 15.5 percent from the same period of last year, or equivalent to 21.7 percent of the 2015 annual budget, which was lower than the target of 23.0 percent, but higher than the same period of last year which stood at 19.1 percent. In detail, the current expenditure disbursed at 481,163.0 million baht, expanded by 7.3 percent from the same period of last year (equivalent to 22.6 percent of total budget, higher than the rate of the same period of last year of 21.4 percent). Meanwhile, the capital expenditure was disbursed at 76,736.3 million baht, increased by 123.2 percent compared with the same period of last year. (equivalent to 17.3 percent of annual capital budget, lower than the target of 26.0 percent but higher than disbursement rate of same period of last year which stood at 8.0 percent). Moreover, the capital budget disbursement in this quarter accelerated from the previous quarter by 85.9 percent;

Acceleration of budget disbursement in this quarter has further enhance the speed of economic recovery, especially disbursement of capital budget that improved immensely by 123.3 percent from the same period of last year and 85.9 percent from the previous quarter.



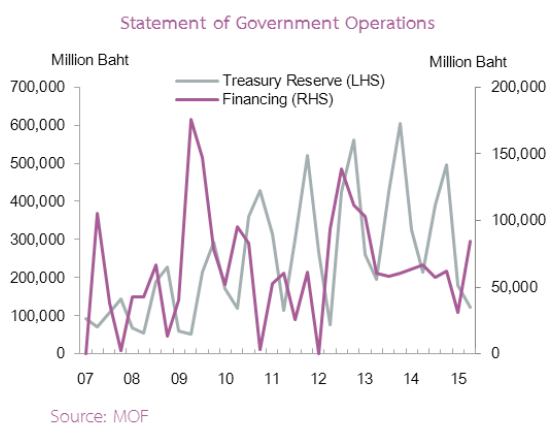
(ii) the carry-over budget disbursement was at 59,854.7 million baht, decreased by 15.0 percent from the same period of last year (equivalent to 17.0 percent of the overall carry-over budget, lower than the same period of last year of 23.4 percent); **(iii) the off-budget loans** disbursement was at 4,156.9 million baht, increased from the same period of last year by 0.9 percent. The off-budget loans consisted of The Thai Khem Kaeng stimulus package phase II (TKK) of 1,476.6 million baht, the Development Policy Loan (DPL) of 2,331.1million baht and the Royal Decree on Investment Loan for Water Resource Management and Future Development of 349.2 million baht; **(iv) State-owned enterprises' capital expenditure budget** was expected to disburse at 97,803.4 million baht, increased by 42.8 percent, compared to the same period of last year. The main contributors were the PTT Public Limited, Airports of Thailand PLC, Electricity Generating Authority of Thailand, Metropolitan Electricity Authority, and State Railway of Thailand and. Nevertheless, some state-owned enterprises has lowered their capital expenditure disbursements, including the Mass Rapid Transit Authority of Thailand, CAT Telecom Public Company Limited and TOT Public Company Limited and; **(v) The government's fiscal stimuli measures¹** were disbursed at 8,196.9 million baht, as follow: The special budget reallocating from TKK of 1,447.0 million baht, the paddy farmer income assistance program of 2,012.6 million baht, and the rubber farmer income assistance program of 4,737.3 million baht.

¹ These measures have been effective since November 2015.

For the first 6 months of fiscal year 2015; (i) the annual budget disbursement amounted to 1,324,209.7 million baht, increased by 6.5 percent from the previous year (the disbursement rate was at 51.4 percent, fell short from the target of 55.0 but were higher than the same period of last year rate of 49.3 percent). The capital budget disbursement of 118,009.0 million baht decreased by 21.8 percent from last year (equivalent to 26.6 percent of total capital budget, lower than the target of 55.0 percent and the previous year of 35.0 percent); the major contributors to capital budget disbursement were Ministry of Transport, Ministry of Agriculture and Cooperatives, Ministry of Education, and Ministry of Interior, with shares of actual disbursement to total capital budget disbursement in the first half of FY2015 of 33.96, 16.75, 10.94 and 10.65 percent, respectively; (ii) the carry-over budget disbursement of 137,646.2 million baht, or 39.2 percent of total carry-over budget; (iii) the off-budget loans disbursement of 6,722.2 million baht; (iv) State-owned enterprises' capital budget disbursement of 104,939.4 million baht² and; (v) The government's fiscal stimuli measure disbursement of 48,206.2 million baht.

Fiscal Balance: in the second quarter of fiscal year 2015, the budgetary balance recorded a deficit of 144,700.7 million baht, increased by 24.9 percent from the same period of last year. Furthermore, the non-budgetary balance recorded a surplus of 2,394.8 million baht. At the same time, the government conducted a cash balance management through borrowing total of 84,079.0 million baht. Therefore, the cash balance after debt financing recorded a deficit of 58,226.9 million baht, lower than the same period of last year by 47.6 percent.

Furthermore, adding up the treasury reserve recorded at the end of 2014 fiscal year of 495,746.3 million baht and deficit recorded in the first half of fiscal year 2015 of 374,650.3 million baht, the treasury reserve at the end of this quarter stood at 121,096.8 million baht, lower than the end of 2014 fiscal year by 75.6 percent.



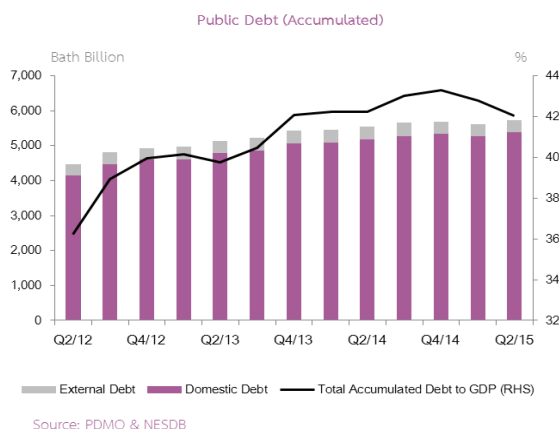
Public Debt, at the end of the second quarter of fiscal year 2015, was accumulated at 5,730,519.2 million baht (equivalent to 42.0 percent of GDP³), rose from the previous quarter by 106,545.4 million baht. The public debt was comprised of domestic loans of 5,388,803.3 million baht (39.5 percent of GDP) and foreign loans of 341,715.9 million baht (2.5 percent of GDP). The components of public debt consisted of Direct Government debt at 4,094,008.6 million baht (71.5 percent of total public debt), State Enterprises debt (non-financial Institution) at 1,051,551.0 million baht (18.4 percent), and Special Financial Institutions debt (guaranteed by the government) at 576,763.0 million baht (10.1 percent).

At the end of the second quarter of fiscal year 2015, the treasury reserve stood at 121,096.8 million baht

The Public Debt was at 42.0 percent of GDP and remains under the fiscal prudential framework.

² This amount included the disbursement of fiscal year 2014, from October-December 2014.

³ This is a calculation based on new series of the national accounts, of which the NESDB has published via www.nesdb.go.th



Financial Conditions

The policy interest rate was cut by 25 basis points during the first quarter of 2015. On the 11th of March, Monetary Policy Committee (MPC) decided to lower the policy interest rate from 2.0 percent per annum to 1.75 percent per annum, the first rate cut in year. The decision was made under the view that the outlook of the Thai economic recovery is likely to be weaker than previously assessed and, thus, rate cut was necessary to support consumption and investment. This was also in line with the decision of many countries that continue to hold or further easing their monetary policy. In detail, developed countries such as (i) the US continued to hold its policy rate at a low level and likely to delay policy rate hike, (ii) the EU and Japan continued their quantitative measures, and (iii) Canada, Denmark, Switzerland, Sweden, Australia, and South Korea decided to cut their policy rates. Likewise, developing countries started to further easing their monetary policy for example China, India, and Indonesia which decided to lower its policy rate in the first quarter. Moreover, MPC decided on the 29th April 2015 to further cut policy rate to 1.50 percent per annum and announced measures to relax restraints on capital flow. The decision was made in order to further support recovery of domestic demand.

An average deposit and lending rates of four major commercial banks were lowered in line with the policy interest rate cut but the reduction was higher in deposit rate compared to lending rate. In the first quarter of 2015, an average 12-month deposit rate and an average Minimum Loan Rate (MLR) of four major commercial banks was cut by 0.20 and 0.12 basis points to 1.53 and 6.63 percent per annum, respectively, following the policy interest rate cut on 11th of March. Likewise, medium size commercial banks and Specialized Financial Institutions (SFIs) also lower down their 12-month deposit rate by 0.27 and 0.16 basis points to 1.60 and 1.88 percent per annum, respectively, while their average MLR was also cut by 0.13 and 0.09 basis points to 7.04 and 6.83 percent per annum, respectively. In April, some commercial banks further cut their deposit and lending rate in accordance to the decision of MPC.

Real deposit and lending rates continued to increase from the previous quarter. Real deposit rate increased from 1.13 percent per annum in the previous quarter to 2.10 percent per annum, in line with the real lending rate which increased from 6.15 percent per annum to 7.20 percent per annum. The hike in real deposit and lending rates were mainly due to declining in inflation rate.

MPC decided to cut policy interest rate by 25 basis points in March, the first rate cut since the beginning of 2014, and further cut the rate by another 25 basis points in April. The action was in line with monetary policy direction of developed and developing countries and the relaxation of capital flow regulation.

An average deposit rate of four major commercial banks declined more than average lending rate.

Real deposit and lending rates increased in line with slowdown in inflation rate.

Policy Interest rate

(%)	2013	2014					2015				
At the end Period	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar	Apr
USA	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25
EU	0.25	0.05	0.25	0.15	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Canada	1.00	1.00	1.00	1.00	1.00	1.00	0.75	0.75	0.75	0.75	0.75
Denmark	0.20	0.20	0.20	0.20	0.20	0.20	0.05	0.05	0.05	0.05	0.05
Switzerland	0.125	-0.50	0.125	0.125	0.125	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75
Sweden	0.75	0.00	0.75	0.75	0.25	0.00	-0.25	0.00	-0.10	-0.25	-0.25
Australia	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.50	2.25	2.25	2.25
Russia	5.50	17.00	7.00	7.50	8.00	17.00	14.00	17.00	15.00	14.00	14.00
China	6.00	5.60	6.00	6.00	6.00	5.60	5.35	5.60	5.60	5.35	5.35
South Korea	2.50	2.00	2.50	2.50	2.25	2.00	1.75	2.00	2.00	1.75	1.75
India	7.75	8.00	8.00	8.00	8.00	8.00	7.50	7.75	7.75	7.50	7.50
Indonesia	7.50	7.75	7.50	7.50	7.50	7.75	7.50	7.75	7.50	7.50	7.50
Thai	2.50	2.00	2.00	2.00	2.00	2.00	1.75	2.00	2.00	1.75	1.50

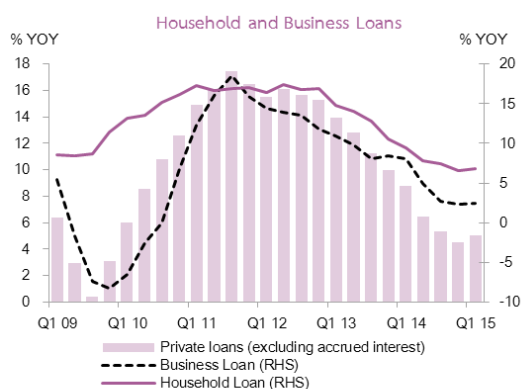
Source: CEIC

Deposit including Bill of Exchange (B/E) of commercial bank continued to accelerate for two-consecutive-quarter. In the first quarter of 2015, Deposit including B/E expanded by 6.8 percent improved from 6.0 percent in the previous quarter. The improvement was partly driven by the issuance of special deposit products by some commercial banks in order to increase their customer base.

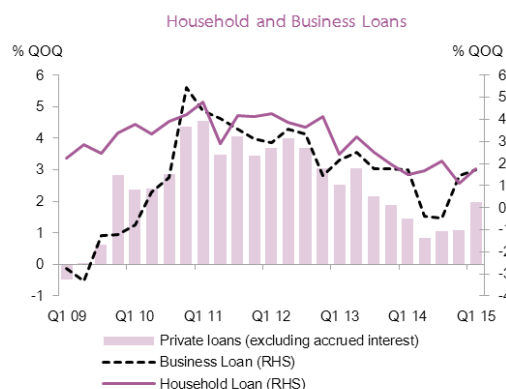
Private loans (excluding accrued interest) grew by 5.0 percent slightly improved from 4.5 percent in the previous quarter, mainly driven by an improvement in household loan from both commercial banks and SFIs. Household loan, in the first quarter, expanded by 6.8 percent slightly increased from 6.6 percent growth in the last quarter, the growth was particularly seen in loan for purchase land and consumption which was partly due the effect from government measures to relief burden of the farmer through Bank for Agriculture and Agricultural Cooperatives. Meanwhile, loan for purchase or hire purchase cars and motor-cycle slowed down for fourth-consecutive-quarter. Business loan grew by 2.6 percent, same growth rate as the previous quarter, which was mainly driven by expansion in financial and insurance sector as well as real estate sector. Furthermore, Credit condition survey in the first quarter of 2015, conducted by the Bank of Thailand, show that demand for business loan continued to increase but financial institution imposed higher restriction in loan approval especially for small and medium enterprises (SMEs). Credit card expenditure expanded by 6.7 percent slowed down from 12.6 percent growth in the fourth quarter of 2014. This was in line with the decline in consumer confidence and higher restriction for new credit card holder approval.

Deposit including B/E of commercial bank accelerated from the previous quarter.

Private loans expanded at a faster pace from the previous quarter, as a result of an improvement in household loan. Nevertheless, Credit card expenditure slowed down as economy still in recovery phase while financial institutions place a higher restriction for issuance of new credit card.



Source: BOT



Source: BOT

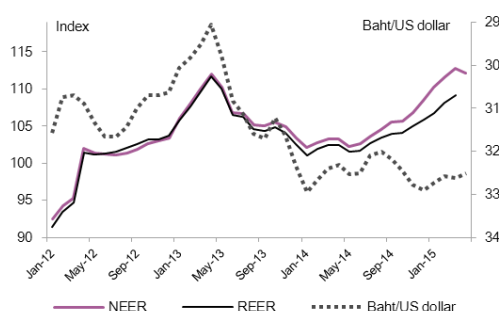
Loan to deposit ratio of commercial bank system declined while excess liquidity improved from the previous quarter⁴. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) declined from 97.6 percent to 96.2 percent in the first quarter of 2015, a third-consecutive reduction, following a slowdown in loan while deposits (including B/E) increased. This was inline with an improvement in excess liquidity from 1,585 billion baht in the fourth quarter of 2014 to 1,726.5 billion baht in this quarter.

Thai Baht against US dollar fluctuated throughout the quarter while average exchange rate remained close to the previous quarter. During the first two months of this quarter, Thai Baht appreciated with the support of (i) expectation of a delay in FED policy rate hike, (ii) increased in current account surplus following falling oil price and accelerated tourism revenue, and (iii) increased in capital inflow as a result of higher liquidity in the global market as major countries including Japan and EU conduct quantitative easing measures. Nevertheless, during the beginning of March, Thai Baht started to depreciate following a decision of MPC to cut policy interest rate before reverted back after FED meeting which has hike investor expectation that FED will not increase their policy rate before the third quarter.

As a result, an average exchange rate in the first quarter of 2015 stood at 32.64 baht per US dollar, slightly appreciated by 0.18 and 0.07 percent compared to the previous quarter and the same period of last year, respectively. In April, Thai Baht continued to remain under appreciation pressure due to the lift of martial law and weaker than expected US economic data. The average exchange rate during 1st – 28th of April stood at 32.48 baht per US dollar. However, Thai Baht rapidly depreciated after the MPC decision to further cut policy rate by 25 basis points, on the 29th of April, and the announcement of capital flow relaxation measures. Thus, the exchange rate at the end of April stood at 32.86 baht per US dollar or depreciated by 0.95 percent compared to March. Furthermore, Thai baht during 6th – 15th of May continued to fluctuate in a depreciation trend with the average exchange rate stood at 33.52 baht per US dollar.

Nevertheless, Thai Baht against trading partner's appreciated when compared to the previous quarter and the same period of last year. This was owing to the depreciation of trading partner's currencies, especially Euro and Yen. At the end of the first quarter of 2015, Nominal Effective Exchange Rate (NEER)⁵ was at 112.8, appreciated by 4.0 and 9.2 percent from the previous quarter and the same period of last year, respectively. Likewise, Real Effective Exchange Rate (REER) appreciated by 3.0 and 6.4 percent compared to the fourth quarter of 2014 and the first quarter of 2014, respectively.

Thai Baht fluctuated throughout the quarter while average exchange rate remained close to the previous quarter



Source : Bank of Thailand

Loan to deposit ratio of commercial bank system declined while excess liquidity improved from the previous quarter.

Thai Baht against US dollar fluctuated throughout the quarter while average exchange rate remained close to the previous quarter.

⁴ Excess liquidity equals to 90 percent of net repurchase position +40 percent of net foreign assets +50 percent of investment in government in government and Bank of Thailand bond.

⁵ The BOT started to use the new NEER and REER in March 2014 and also rebased the index with 2012 base year in order to capture real trade structure.

Capital and financial account continued to record an outflow. In the first quarter of 2015, capital and financial account registered a net outflow of 3.99 billion US dollar, compared to a net outflow of 6.93 billion US dollar in the previous quarter. This was mainly due to (i) Thai investment abroad both direct and portfolio investments, (ii) loan repayment and correction of foreign currency balance by Banking sector, and (ii) foreign investor continue to post a net sell in Thai stock market.

(Billion USD)	Capital Flow					2015			
	Year	H1	H2	Q3	Q4	Q1	Jan	Feb	Mar
Capital and financial account	-14.56	-5.91	-8.65	-1.73	-6.93	-3.99	-2.82	-0.99	-0.18
Government	1.33	-1.28	2.61	2.16	0.46	-0.70	-0.61	-0.19	0.10
Monetary Authorities	-2.96	0.35	-3.31	-1.18	-2.13	-0.37	-0.15	-0.10	-0.12
Bank	-5.27	-0.92	-4.36	-1.43	-2.93	-2.66	-2.83	-0.83	1.00
Others	-7.66	-4.06	-3.60	-1.27	-2.32	-0.27	0.75	0.13	-1.15
Direct Investment	4.87	3.31	1.56	1.7	-0.14	2.72	3.21	0.42	-0.91
Thai investor	-7.86	-2.68	-5.18	-1.81	-3.37	-2.39	0.32	-0.85	-1.86
Foreign investor	12.73	5.99	6.74	3.51	3.23	5.11	2.89	1.27	0.95
Portfolio Investments	-12.07	-5.87	-6.2	-1.65	-4.56	-3.37	-2.88	-0.62	0.13
Thai investor	-7.38	-4.71	-2.67	-1.87	-0.81	-1.69	-0.95	-0.36	-0.38
Foreign investor	-4.69	-1.16	-3.53	0.22	-3.75	-1.68	-1.93	-0.26	0.51
Loans	-5.38	-1.62	-3.76	-2.03	-1.74	-2.47	-0.31	-1.92	-0.24
Other	-1.98	-1.74	-0.24	0.26	-0.50	-0.88	-2.83	1.12	0.83

Source: BOT

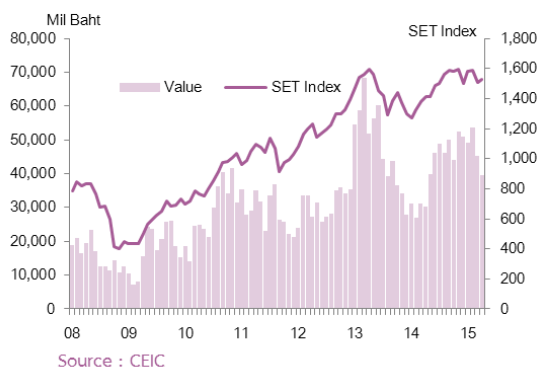
SET index fluctuated and closed at higher level than the end of 2014 due mainly to an increase in net buy position of individual and institution investors. Throughout the quarter, SET index fluctuated in accordance to the concern over global crude oil price movement and the recovery pace of major economies. The first two months of the quarter, SET index increased following an announcement of EU quantitative easing measures, which induces higher financial liquidity in the global market, and the likelihood that the FED will delay their policy rate hike. Thus, SET index shoot up passed 1,600 points with the boost from net buy position of institution and proprietary investors. Nevertheless, during the end of the quarter, SET index declined according to the profit-driven net sell of institution and proprietary investors. On the other hand, foreign investor registered a net-buy position for the first time since the end of 2014; which is consistent with the regional trend of increasing foreign capital inflow. At the end of the first quarter, SET index closed at 1,505.94 points increased by 0.6 percent from the end of 2014 with a slight increase in average trading volume from 49.0 billion baht per day to 49.3 billion baht per day.

In April, SET index continued to fluctuate and closed at 1,527 points improved from the end of March by 1.4 percent. This was resulted from further relaxation in monetary policy, which consistent with major economies and region economies monetary policy direction. Thus, institution investor net buy position dramatically increased which in turn help improve overall investment climate.

Capital and financial account continued to record an outflow, mainly from an outflow of foreign portfolio investments while foreign direct investment still records a net inflow.

SET index fluctuated in accordance to the concern over global crude oil price and the monetary policy direction of major economies.

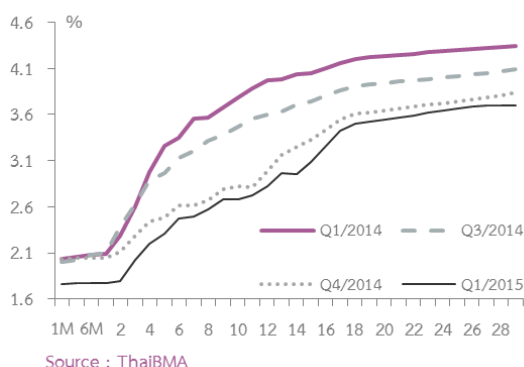
SET Index and Trading value



The government bond yield shifted downward in all maturities, as demand for Thai government bonds remain high and the consequence of policy interest rate cut. At the end of the first quarter, Thai government bond yield shifted downward in all maturities relatively to the previous quarter, especially short-term government bonds. This was due to an inadequate government bonds supply compared to a high-level of demand from both institutional and foreign investors, which resulted from an increased in capital inflow toward the regional market as EU and Japan continue their monetary expansion measures while FED is expected to delay its policy rate hike. Nevertheless, the lower yield, as a result of an unexpected policy rate cut by the MPC, became less attractive for foreign investors compared to other bond markets in the same region. Hence, foreign investors registered a net-buy position for only 7.3 billion baht; however, institutional investors posted a net buy of 670 billion baht. As a result, an average daily outright transaction volume immensely increased from the previous quarter to 82.4 billion baht. Meanwhile, the government bond index increased from net buy of institutional investors.

In April 2015, the average daily outright transaction rose to 105 billion baht. Similarly, the government bond index also increased from the net buy of institutional investors, while the government bond yield continually dropped as a result of the policy rate cut and limited supply of government bonds.

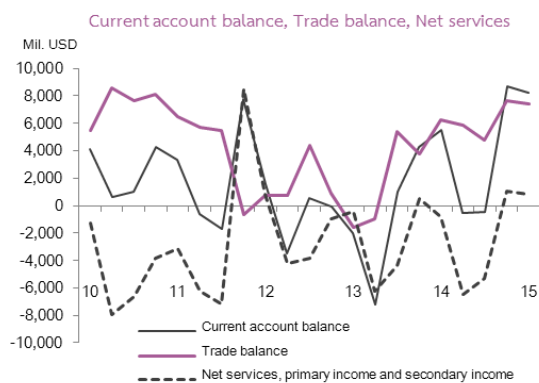
Government Bond Yield



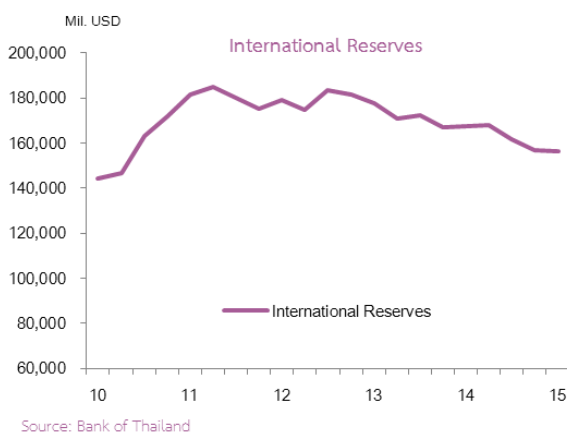
Current account in the first quarter of 2015 registered a surplus of 8,238 million US dollars (325,752 million baht), compared with a surplus of 8,683 million US dollars (284,512 million baht) in the previous quarter. This was a result of a trade surplus of 7,425 billion US dollars and a surplus in services, primary and secondary income of 813 billion US dollars.

The government bond yield shifted downward, as demand for Thai government bonds remain high while bond supply was limited.

Current account registered a surplus.



International reserve at the end of March 2015 stood at 156.32 billion US dollars (excluded net forward position of 19.6 billion US dollars), which was equal to 2.8 times of short-term foreign debt (at the end of the fourth quarter of 2014) or 10.3 months of import value (the average of import value in the first quarter of 2015).

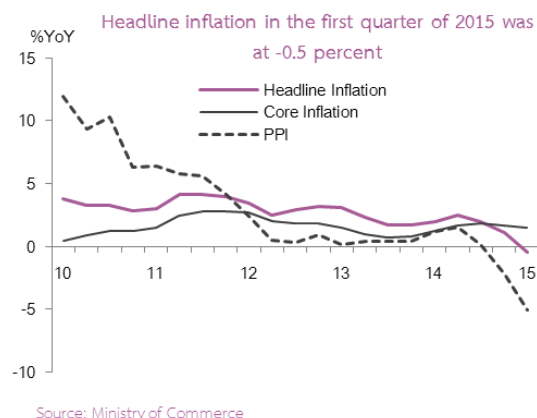


Headline inflation in the first quarter of 2015 was at -0.5 percent, decelerating from 1.1 percent in the last quarter of 2014 (lowest level in 22 consecutive quarters, since third quarter of 2009) due to a decline in the price of domestic fuels, as well as the price of food. **Food-and-beverage price index increased by 1.8 percent**, decelerating from 3.3 percent in the previous quarter due to the decline in prices of eggs and dairy products, fruits and vegetable as there is excess supply in the market. The **non-food-and-beverage price index declined by 1.7 percent**, decelerating from 0.02 percent decline in the previous quarter. This was mainly due to the decline in domestic retail fuel prices, which in line with the drop in global crude oil price, as well as the cut of the Energy Adjustment Cost (Ft) during January to April 2015 by 0.1 baht per unit as the price of natural gas fell. Consequently, the energy price indices declined by 12.9 percent, compared with 3.1 percent in the previous quarter. The core inflation stood at 1.5 percent, compared with 1.7 percent in the previous quarter⁶.

International reserve at the end of March 2015 stood at 156.32 billion US dollars.

Headline inflation in the first quarter of 2015 was at -0.5 percent, decelerating from 1.1 percent in the last quarter of 2014.

⁶ In April 2015, headline inflation was -1.0 percent while core inflation was 1.0 percent. In the first 4 months of 2015, headline inflation was -0.7 percent while core inflation was 1.4 percent.



Producer Price Index (PPI) in the first quarter of 2015 declined by 5.1 percent, compared with 2.2 percent decline in the previous quarter, due to the fall in prices of all product groups, especially mining and manufactured products. **The price of agricultural products** declined by 1.4 percent, due to the decline in the prices of fish and fishery and agricultural products. Meanwhile, the prices of mining products decreased by 8.9 percent as the price of lignite, petroleum and natural gas declined. **The price of manufactured products** decreased by 5.5 percent, especially the price of rubber product, plastic, and petroleum products as the prices of crude oil substantially declined⁷.

Producer Price Index (PPI) in the first quarter of 2015 declined by 5.1 percent primarily due to the fall of petroleum products' prices.

⁷ In April 2015, Producer Price Index declined by 5.4 percent. In the first 4 months of 2015, Producer Price Index declined by 5.2 percent.

2. Crude oil price movement in Q1/2015

The crude oil price in the global market declined for the third quarter. In the first quarter of 2015, the average crude oil price in the 4 major markets (Dubai, Oman, Brent and WTI) stood at 52.59 US dollars per barrel or a decline of 49.3 percent, which was a substantial decline compared with a 5.9 and 28.8 percent contraction in previous two quarters. This was a decline in all markets, including Dubai, Oman, Brent and WTI which declined by 50.6, 50.1, 49.4, and 49.0 percent respectively. Compared with the previous quarter, crude oil price declined by 30.4 percent.

Key reasons of sharp decline in global crude oil price included (1) an increase in global supply as US increased its production to 14.59 million barrels per day (higher than the level of 13.11 million barrels per day last year), and the fact that OPEC refused to cut production, causing the total global production to increase to 93.76 million barrels per day, and (2) a gradual increase in global demand due to the slow pace in global economic recovery, especially Japan and China.

The crude oil price in the global market declined due to an increase in supply from the rise of production in the US.

Crude Oil Price

Year		US Dollars per Barrel					Growth (%YOY)				
		Oman	Dubai	Brent	WTI	Average	Oman	Dubai	Brent	WTI	Average
2012	Q1	117.02	116.19	118.50	103.05	113.69	16.1	15.6	12.5	9.6	13.5
	Q2	106.45	106.35	108.55	93.60	103.74	-4.2	-3.9	-7.2	-8.6	-5.9
	Q3	106.55	106.32	109.84	92.09	103.70	-0.9	-0.7	-3.0	2.7	-0.6
	Q4	107.48	107.46	110.19	88.02	103.29	0.4	1.0	0.6	-6.5	-1.0
	Year	109.37	109.08	111.77	94.19	106.10	2.6	2.7	0.5	-0.9	1.3
2013	Q1	108.20	108.19	113.17	94.29	105.96	-7.5	-6.9	-4.5	-8.5	-6.8
	Q2	100.85	100.77	103.31	94.13	99.77	-5.3	-5.2	-4.8	0.6	-3.8
	Q3	106.44	106.30	110.25	105.80	107.20	-0.1	0.0	0.4	14.9	3.4
	Q4	106.87	106.83	109.59	97.36	105.16	-0.6	-0.6	-0.5	10.6	1.8
	Year	105.59	105.53	109.08	97.90	104.52	-3.5	-3.3	-2.4	3.9	-1.5
2014	Q1	104.39	104.26	107.90	98.47	103.76	-3.5	-3.6	-4.7	4.3	-2.1
	Q2	106.22	106.10	109.74	103.04	106.27	5.4	5.4	6.0	9.3	6.5
	Q3	101.59	101.28	103.38	96.28	100.63	-4.3	-4.5	-5.7	-8.9	-5.9
	Q4	75.14	74.30	77.02	73.00	74.86	-29.7	-30.4	-29.6	-25.2	-28.8
	Year	96.82	96.48	99.49	92.71	96.38	-8.2	-8.5	-8.6	-5.6	-7.7
2015	Jan	46.46	45.65	49.77	47.40	47.32	-55.27	-56.05	-53.55	-49.96	-53.79
	Feb	57.16	56.05	58.45	50.83	55.62	-48.6	-49.6	-49.6	-46.7	-48.7
	Mar	54.84	54.39	56.74	47.69	54.84	-48.0	-48.4	-48.2	-50.0	-48.6
	Q1	52.82	52.03	54.99	48.64	52.59	-49.4	-50.1	-49.0	-50.6	-49.3
	Apr	58.48	58.36	61.30	54.72	58.21	-44.3	-44.2	-43.3	-46.3	-44.5
	4M	54.24	53.61	56.57	50.16	53.64	-48.10	-48.62	-47.57	-49.53	-48.43
	1-14 May	65.09	64.29	66.43	59.91	63.93					

Source: Thaioil plc. And EPPO

WTI Price Projection

Institution	2015 (USD/Barrel)
Deutsche Bank AG (January 2015)	55.00
EIA (May 2015)	54.32
Barclays (January 2015)	42.00
Goldman Sachs (January 2015)	47.15

Source: Collected by NESDB

3. The World Economy in Q1/2015

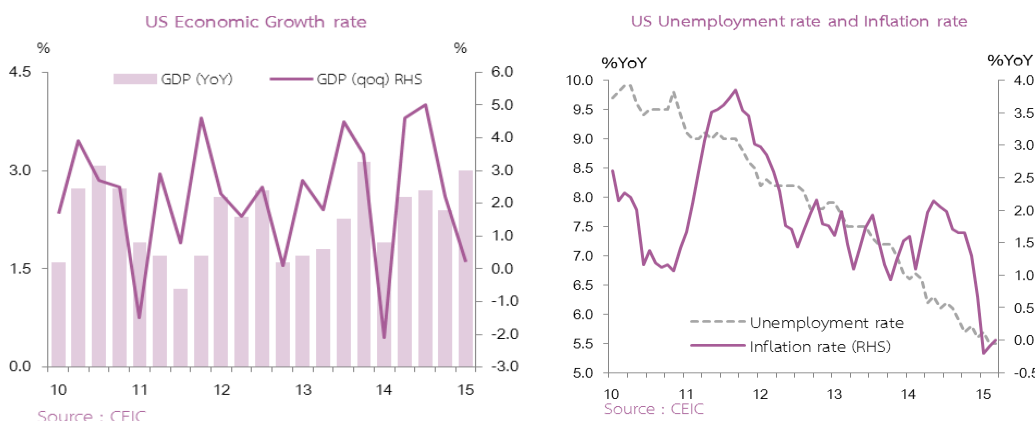
The world economy in the first quarter of 2015 paced down relative to the previous quarter as the US economy was restrained from harsh winter weather, intertwined with the economic sluggishness in the Chinese and major economies from export contractions. Whereas, the Japanese economy started to signal a gradual economic rebound due to improved manufacturing and exports spurred by the depreciation of the Japanese Yen, yet domestic demand remained fragile. Similarly, the EU economy showed an extent sign of economic resurgence.

Regarding an overall low-level inflation rate induced by subdued global oil price, major economies continually loosen monetary measures in order to stimulate economic growth, as well as reduce deflationary risk. However, the deviations in economic recovery cycle would precipitate the US to engage in policy rate hike in the second half of the year, which resulted in the appreciation in the US dollar entwined with the volatility arose from investors' anticipation for monetary measures conducted.

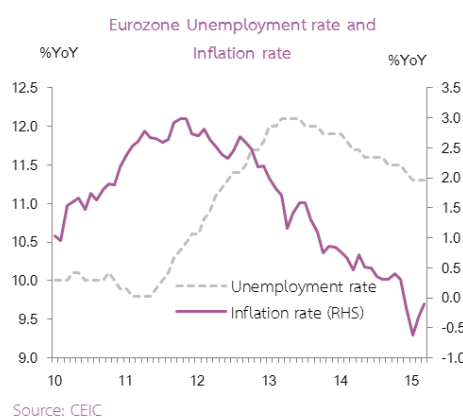
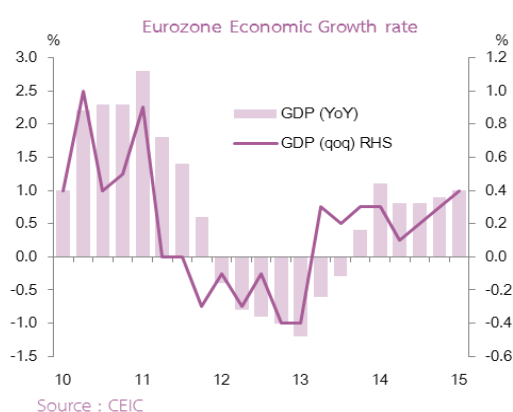
- ❑ **US economy slowed down from the previous quarter due to harsh winter weather.** In the first quarter of 2015, the US economy expanded by 0.2 percent (%QoQ, saar.), reduced from 2.2- percent growth in the previous quarter; regarding as two consecutive slowdown quarters. The fall in economic growth was due to the stall in private consumption caused by the severe cold weather, together with contraction in exports as a result of US dollar appreciation and weakening economic performance of major trading partners; yet the residential investment continued to expand and boost the economic growth. Nevertheless, on year-on-year basis, the US economy paced at 3.0 percent (%YoY). The US economic stability was moderate with Core PCE inflation of 1.3 percent in March; solid for three consecutive months, yet lower than the 2-percent monetary policy target. Although an average unemployment rate stood at 5.6 percent achieving the lowest in nearly seven years, an increase in employment of 85,000 positions in March was the first month in one-year period with under 200,000 positions employed. Altogether, considering low inflation pressure with no extent sign of reaching monetary policy target, and slow-paced of employment growth entwined with the economic sluggishness, the FOMC consented to maintain its policy rate within the range of 0.0-0.25 percent in the 28th-29th April 2015 meeting.

The world economy in the first quarter of 2015 paced down relative to the previous quarter as the US economy was restrained from harsh winter weather, intertwined with the economic sluggishness in the Chinese and major economies from export contractions. Whereas, the Japanese economy started to signal a gradual economic rebound. Similarly, the EU economy showed an extent sign of economic resurgence.

US economy slowed down from the previous quarter due to harsh winter weather. In the first quarter of 2015, the US economy expanded by 0.2 percent (%QoQ, saar.), reduced from 2.2- percent growth in the previous quarter



- ❑ **Euro zone economy showed an extent sign of economic resurgence with lessened deflation pressure.** In the first quarter of 2015, the EU economy expanded by 0.4 percent (%QoQ, sa), adjusted corresponding to the preceding performance of 0.3 percent in the fourth quarter of 2014; on year-on-year basis, the EU economy paced at 1.0 percent (%YoY). The surpassing economic performance in this quarter was thanks to economic improvements in both industrial and service industries. In addition, private consumption has progressed in line with the rising consumer confidence index. While the unemployment rate has gradually declined, and reached an average of 11.3 percent in the first quarter. The deflation pressure was lessened with the increment of inflation rate from -0.6 percent in January to 0.0 percent in April. According to the relieved deflation pressure and moderate economic performance partly contributed from the 60 billion Euro quantitative easing measure (QE), the liquidity was improved; resulted in downward shift in the European government bond yield, and a 19-percent (%YoY) depreciation of the Euro currency.

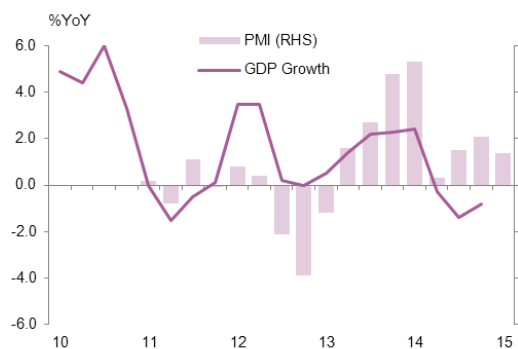


- ❑ **Japanese economy started to signal a gradual economic rebound from improvement in exports spurred by the depreciation of Japanese Yen, though domestic demand remained fragile and the inflation rate continually declined.** In the first quarter of 2015, Japanese economy tends to resurge from the contraction of 0.8 (%YoY) in the previous quarter. The rebound of Japanese economy was coherent with the higher export growth of 9.3 percent aligned with the expansion of 9.1 percent in the preceding quarter. Trade balance thus recorded the first surplus in March. Nonetheless, domestic demand remained fragile as retail sales in the first quarter dropped and turned to a negative growth of 4.5 percent relative to the expansion of 0.7 percent in the previous quarter (partly due to the high-level retail sales in prior period driven by consumers' spending surge before tax hike in April 2014), combined with continual downward trend of inflation rate to 2.3 percent from 3.3 and 2.6 percent in the third and the fourth quarter of 2014, respectively. As a consequence of sluggishness in economic recovery entwined with fragile domestic demand and falling inflation rate, the Bank of Japan continued to continually loosen its monetary policy.

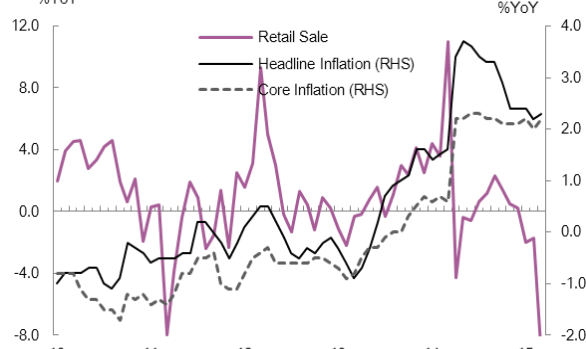
Euro zone economy showed an extent sign of economic resurgence with lessened deflation pressure. In the first quarter of 2015, the EU economy expanded by 0.4 percent (%QoQ, sa)

Japanese economy started to signal a gradual economic rebound from improvement in exports spurred by the depreciation of Japanese Yen, though domestic demand remained fragile and the inflation rate continually declined.

Japanese Economic growth rate and PMI



Japanese Retail Sale and Inflation rate



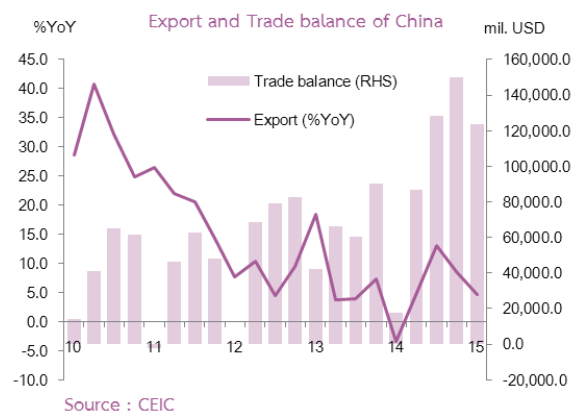
- **Chinese economy persisted to decelerate and grew at the lowest pace in six years. As a result, an additional monetary expansion measure was conducted by the Chinese government to encourage its economic performance.** In the first quarter of 2015, based on yearly basis, the Chinese economy reached a 7-percent growth; decelerating from 7.3-percent expansion in the preceding quarter, and remarked as the biggest drop in growth rate over six-year periods. In addition, the economy expanded only at 1.3 percent (%QoQ sa.), stalled from the 1.5-percent expansion in the prior quarter. The slowdown of Chinese economy was due to the downturn in investment especially in real estate and residential construction, entwined with the decline in consumption and weakening economic-driving force from exports; in fact, the export growth in this quarter stood at 4.6 percent relative to 8.5-percent growth in the previous quarter. Nevertheless, China was able to sustain its balance of trade surplus contributed from the curtailed imports as global oil price remained subdued and domestic demand declined. Whereas inflation rate dropped to 1.2 percent from 1.5-percent inflation rate in the previous quarter. As a consequence of persisted economic deceleration and downward trend in inflation rate, the central bank of the Republic of China (PBC) approved to further ease its monetary policy by lowering both lending and deposit rates by 0.25 percent after a 0.25-percent reduction in March, as well as lowering its required reserve ratio (RRR) for all-typed financial institutions for another 1.0 percent after a 0.5-percent cut in February; along with real estate encouraging measures, for instance, curtailing the amount of down payment for second-home-buyers.

Chinese economy persisted to decelerate and grew at the lowest pace in six years.

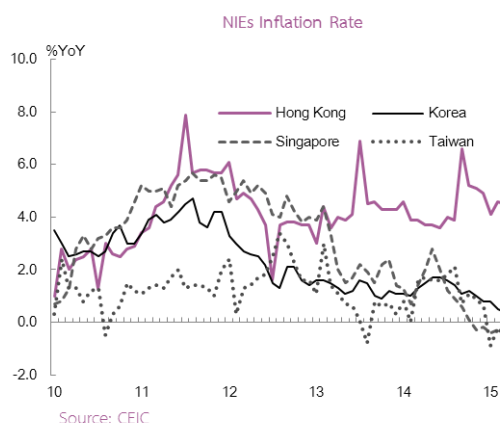
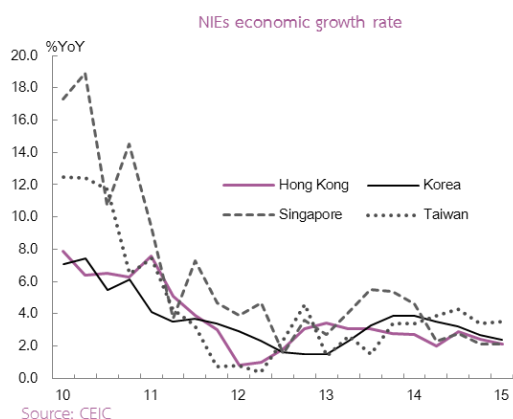
China Economic growth rate



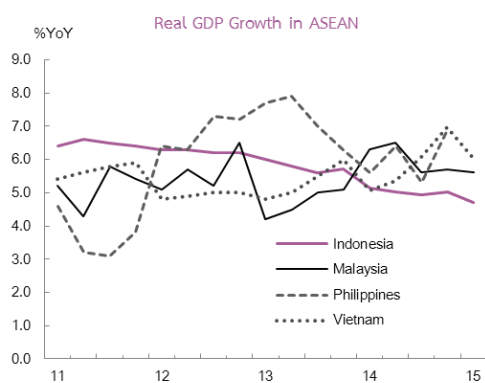
Export and Trade balance of China



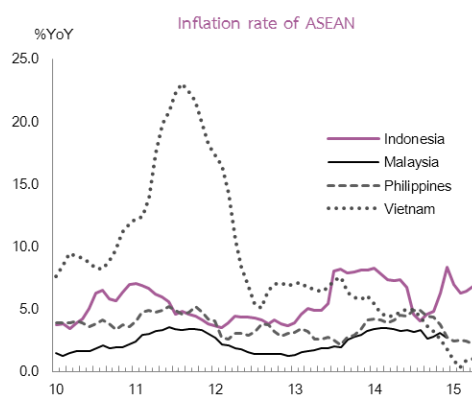
- ❑ **NIEs economies paced down as exports contracted.** In the first quarter of 2015, the Hong Kong Economy expanded by 2.1 percent, slowing down from 2.4 percent in the previous quarter, due mainly to slowdowns of export and private consumption. Whereas Singapore economy expanded at 2.1 percent (%YoY), equivalent to 1.1-percent growth on quarterly basis (%QoQ, sa), slowed down from 4.9-percent performance in the fourth quarter of 2014. The slower-paced economic growth was due to two-consecutive-quarters industrial manufacturing downturn, especially in electronics manufacturing and transportation engineering, which correspond with the three-consecutive-quarters contraction in exports regardless the expansion in construction sector. The Korean economy grew by 2.4 percent, decelerating from 2.7-percent growth in the previous quarter from shrinkage in exports and slowdown in domestic investment. As a result, the Central Bank of Korea unprecedented lower its policy rate by 0.25 percent, to be 1.75 percent, after policy rate cut from 2.50 and 2.00 percent in the third and fourth-quarter, respectively. Nevertheless, the Taiwanese economy grew by 3.5 percent, improving from 3.4 percent growth in the previous quarter, contributed from the expansion in exports and private consumption. Inflation rates pushed downward in nearly all economies (except for Hong Kong) in accordance with the subdued global oil price, and decelerating economic trend especially in Singapore and Taiwan with negative inflation rates. Thus, the Monetary Authority of Singapore (MAS) declared to loosen its monetary policy by curtailing the slope of currency trading band on 28th January 2015. Only Hong Kong inflation still remain high due to rising public utilities, electricity, water and housing prices following the end of government subsidy. Price of tobacco and alcohol beverages also increase due to the rise in excise tax.



- ❑ **ASEAN economies decelerated from export shrinkage.** In the first quarter of 2015, Vietnamese economy expanded at 6.0 percent, contracting from 7.0-percent growth in the previous quarter as a result of export shrinkage while both industrial and service manufacturing continued to expand. Whereas Indonesian economy grew at 4.7 percent, slowed down from 5.0-percent growth, considered as the slowest-paced growth in six-year period; due to sluggishness in government expenditure as well as export contraction. Philippines economy maintained in a moderate pace thanks to its private consumption growth spurred by overseas remittance, lower oil prices, and speeding of government spending. Malaysian economy expanded at 5.6 percent; slowed down from 5.7-percent growth in the fourth quarter of 2014, following slump in export as a result of falling export price particularly rubber, oil palm, and oil and petroleum prices. Despite downward trend of inflation rate in major economies from subdued global oil price, inflation rate in Indonesia remained high and comparable to the preceding quarter, which was the result of domestic oil subsidies reduction in November 2014.



Source: CEIC



Source: CEIC

Economic Inflation and export Growth in NIEs and ASEAN

	Export (%YoY)							GDP (%YoY)			inflation (%YoY)			
	2013	2014						2015	2014		2015	2014		2015
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q3	Q4	Q1	Q3	Q4	Q1	
China	8.3	5.7	-3.5	4.9	12.9	8.5	4.6	7.3	7.3	7.0	2.0	1.5	1.2	
Hong Kong	3.6	3.2	0.6	4.9	5.9	1.2	2.3	2.9	2.4	2.1	4.8	5.1	4.4	
India	6.2	2.0	-0.5	7.7	0.6	0.3	-15.1	8.2	7.5	n.a.	7.4	5.0	5.3	
Indonesia	-3.9	-3.2	-2.5	-2.5	2.3	-10.3	-11.8	4.9	5.0	4.7	4.4	6.5	6.6	
South Korea	2.1	2.3	1.6	3.2	3.6	0.9	-2.9	3.2	2.7	2.4	1.4	1.0	0.6	
Malaysia	0.3	2.7	3.5	8.5	3.0	-4.2	-11.2	5.6	5.7	5.6	3.0	2.8	0.7	
Philippines	9.1	9.5	6.6	12.9	12.6	5.7	-0.2	5.3	6.9	n.a.	4.7	3.6	2.4	
Singapore	0.5	0.0	4.8	2.4	-0.2	-7.1	-11.5	2.8	2.1	2.1	1.0	0.0	-0.3	
Taiwan	1.1	2.9	1.2	3.7	6.2	0.5	-3.9	4.3	3.4	3.5	1.5	0.8	-0.6	
Thai	-0.1	-0.3	-1.1	0.3	-1.7	1.5	-4.3	1.0	2.1	3.0	2.0	1.1	-0.5	
Vietnam	16.6	12.7	12.2	15.7	11.9	10.8	9.0	6.1	7.0	6.0	4.3	2.6	0.7	

Source: CEIC

4. The World Economic Outlook for 2015

The world economy in 2015 tends to expand gradually while world trade volume is likely to slow from the previous year. It is expected that the world economy in 2015 will grow by 3.4 percent, lower than 3.5 percent in the previous estimation. The revision is due mainly to the slower-than-expected US economy and the Chinese slowdown in the first quarter with no clear sign of recovery. Meanwhile, the EU and Japanese economies continue to recover in response to the easing monetary policies, but still on a slow pace amid high deflationary pressure. A moderate global recovery and softened commodity prices have impacted exports of major economies to slowdown and decline. The Indian economy and several economies in NIEs and ASEAN are expected to expand at lower rate than expected.

As a result of a gradual pickup of the EU and Japanese economies, as well as slowdowns in some key Asian countries amid lower inflationary pressure, many countries tend to continue their expansionary monetary policies and are likely to further ease policies to support their economies and lessen deflationary risks. At the same time, the US economy is likely to delay the Fed rate hike into the latter half of the year in order to see clear sign of labour market recovery and to ensure that the core PCE price index and inflation expectation will increase and reach the monetary target.

The divergence of monetary policy directions will thus make US dollar against other major currencies to be appreciated further. Oil and commodity prices will also remain under pressure of the US dollar appreciation, increase in oil supply from key production base, and continual low demand following moderate world growth.

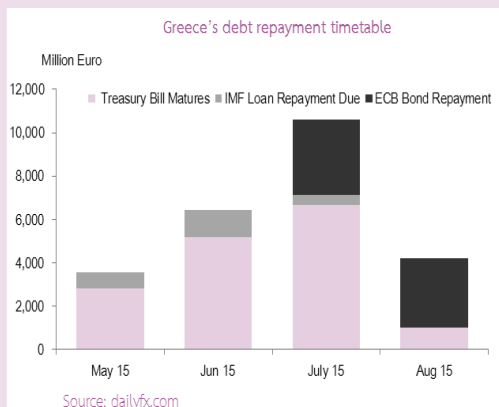
- ❑ **US economy** is projected to expand by 3.0 percent in 2015, accelerating from 2.4 percent in 2014, but revised down from 3.3 percent in the previous forecast due to the lower-than-expected expansion in the first quarter. For remainder of the 2015, the economic momentum will be affected by a U.S. dollar appreciation and weak economic activities in major trading partners. However, the economy tends to accelerate in line with stronger household consumption, the improvement in labor market, soared housing and equity prices, and strengthened household balance sheets. As a result of economic slowdown in the first quarter, together with lower-than-expected increase in non-farm payroll in March, and lower-than-target core inflation, it is thus expected that the Fed will decide to delay lifting the policy rate to be in the second half of year.
- ❑ **EU economy** is forecasted to grow by 1.2 percent in 2015, up from 0.9 percent in 2014, and a slight upward revision from as expansion of 1.0 percent in the previous projection. The revision owes mainly to the continued monetary expansion measures which help improve liquidity and economic confidences. In addition, the export sector will also expand in line with the Euro depreciation. Unemployment rate and domestic demand have improved moderately while the deflation rate has steadily eased. However, the momentum of the economic recovery pace still weigh with some risks from a slow progress in the negotiations between Greece and its creditors, geopolitical tensions, high deflationary pressure. It is expected that ECB will continue implementing its 1.1 trillion Euro quantitative easing program

The world economy in 2015 tends to expand gradually while world trade volume is likely to slow from the previous year. It is expected that the world economy in 2015 will grow by 3.4 percent, lower than 3.5 percent in the previous estimation.

Updates on Greece debt payment and negotiation

Greece economy has slipped back into recession after emerged from a six-year recession (during 2009 - 2013) in the first quarter of 2014. In the first quarter of 2015, Greece economy contracted by 0.2 percent (QoQ, sa), followed a 0.4 percent decline in the final quarter of last year. Furthermore, unemployment rate shoot up to 25.7 percent and public debt per GDP stood at 176 percent. Thus, EU revised Greece economic forecast for 2015 down to 0.5 percent.

The official talk between Greece and lenders on the 12th of May remained unsettled and caused a short-term fluctuation in the global financial market and damped investor confidence over Eurozone and Greece economic outlook. However, on the 15th of May Greece has agreed with the lenders term of privatizing their SOEs (sea port and provincial airport) and reduce government spending. This improvement has signal positive sign over the negotiation between Greece and lenders. Furthermore, Greece has repay 750 million euro to International Monetary Fund (IMF) by drew on its holdings of an IMF reserve currency in the amount of 650 million euro, nevertheless, during June to July Greece still face repayment to ECB and IMF in the amount of 3.45 and 1.4 billion euro, respectively. With this regards, Greece will need to call on ECB to extend repayment term in the amount of 27 billion euro, which is due to repay in July and August 2015. The extension by ECB is an absolute necessary for Greece as default will make Greece unable to receive any further financial aids from IMF and ECB which in turn will lead to the exit from Eurozone and trigger negative effect towards global financial market and Greece public debt. Thus, the next talk between Greece and lenders has a high possibility that Greece will submit to lenders term in return for financial aids and to remain in Eurozone.



- ❑ **Japanese economy** is expected to expand by 0.8 percent in 2015, a better-positioned prospect than 0.0 percent in 2014. The surpassing economic outlook is contributed by improved manufacturing and exports supported by the depreciation of the Japanese Yen, as well as gradual recovery in domestic demand spurred by subdued global oil prices, and appreciations in securities and domestic minimum wages. Nevertheless, the economic rebound tends to be restrained by interest rate hike and deeper deflation pressure as the inflation rate persists to decline; combined with sluggishness in domestic demand resurgence. Altogether, as a result, the BOJ proceeded to ease its monetary policy for 80 trillion Yen per year. Moreover, there exist possible circumstances where the BOJ would further loosen its monetary measures to boost the economy as well as lessen the risk of deflation.
- ❑ **Chinese economy:** In 2015, it is forecasted to grow at 7.0 percent, receded from 7.4-percent performance in 2014. The weaker prospect are clouded by lackluster in investments resulted from the economic reform policy aimed to restructure investments in real-estate, entwined with slackening commercial banks loans from deepening distress of non-performing loans, and depreciation in real-estate prices especially in large cities. Moreover, exports vulnerability is reflected by sharp drop in exporting value where export growth stood at 4.6 percent, significantly dropped from 8.5-percent growth in the previous quarter. The net effects of these weakening forces entwined with potential risks, likely inducing the Central Bank of China to further loosen its monetary policy, following a 0.25-percent reduction on deposit and lending rates, in line with a 1.0-percent Required Reserve Rate cut in April
- ❑ **NIEs economies:** In 2015, South Korea, Taiwan, Hong Kong, and Singapore are expected to expand at 3.5, 3.8, 2.6, and 3.0 percent, respectively, lower than previously predicted growth of 4.2, 4.0, 3.5, and 4.0-percent. The weakening economic outlooks are reflected from lower-than-expected economic performances in the first quarter, and lower potential growth in the rest of 2015 clouded by lackluster exports and currency vulnerabilities. Regarding these weakening prospects, entwined with low inflation pressure, it is potentially expected that Central banks in major economies would continually pursue accommodative monetary measures.

- ❑ **ASEAN economy:** In 2015, the Indonesian economy is projected to expand by 5.2 percent, lower than previously forecasted growth of 5.5 percent, primarily due to the slowest-paced economic expansion in 6 year-period contributed by sluggishness in government expenditure, and lackluster exports induced by decline in global oil price. While Philippines economy is forecasted to reach a 6.4-percent growth, in line with the preceding projection, accelerating from 6.1 percent in 2014. The growth will contributed mainly by improving household consumption partly spurred by increase in emigrant remittance, low-level inflation rate, and moderate government expenditure expansion. On the contrary, Malaysian economy is expected to grow at 5.4 percent, weakening from previously forecast of 6.0 percent, as exports contracted from subdued trend of oil and agricultural prices, and household consumptions slowed down from credit sluggishness, as well as the impact of the goods and services tax (GST) started from 1st April 2015. For Vietnam, it is forecasted to achieve an economic growth of 6.2 percent, in line with previous projection.

5. The Thai Economic Outlook for 2015

The Thai economy for the rest of the year 2015 tends to expand satisfactorily under some limitations from the global economic slowdown and waning agricultural prices. Key supporting factors associated with economic growth include (i) Public expenditure and investment which continue to support the economic expansion. (ii) Private expenditure and investment picked up continually under better confidence and recovered economic condition. (iii) The tourism sectors which will show a continual and favorable expansion in the latter half of the year. (iv) The manufacturing sector which has started to improve and provided more contribution to the economy following the recovery of domestic demand and the expansion in automotive production. (v) Low inflation which help increase purchasing power and enable for easing monetary policies. However, there still remain some limitations due to the global slowdown, the depreciation of US dollar, Euro, and Yen currency, and falling agricultural prices in the world market which pose some constraint for export and domestic demand, and thus overall economy to recover slower than expected.

Economic stability continues to remain favorable. Current account tends to record a higher surplus resulted from the expansion of tourism sector and the decline in global oil prices. Meanwhile, unemployment continues to be low. Inflation is expected to decline in the first half and is likely to stay negative in the third quarter. Therefore, it is necessary to closely monitor the movement and inflation expectation as well as responses of the business sector to the price conditions.

□ Supporting factors for the economic growth:

- 1) **Public expenditure and investment** continues to support the economy. At the end of the second quarter of FY 2015, the budget was disbursed to the economy with the amount to 1.728 trillion baht, increasing by 9.8 percent from the same period last year. In the second half of FY 2015, it is expected that there will be additional 1.467 trillion baht disbursement, expanding at accelerated rate by 14.7 percent. The disbursement will be included from (i) Current budget of 1.075 trillion baht. (ii) SOEs budget of 0.223 trillion baht. (iii) Off-budget of 0.0247 trillion baht. (5) Remained budget from the farmer assistance measure and the second phase of economic stimulus measure of around 0.017 trillion baht.
- 2) **Private investment** has improved continuously from the second half of 2014 and the first quarter of 2015, particularly in the machinery and equipment in tandem with mounting import volume of capital goods. Over the remainder of the year, private investment will improve further supported by following factors: (i) The acceleration of BOI project approval of 544 billion baht in the second half of 2014 and 217.6 billion baht in the first quarter of 2015 and some of projects will start their investment within this year. (ii) Higher capacity utilization of some industries of more than 70 percent which will require additional investment to expand production capacity. This is also in line with better Business Sentiment Index soaring above 50 in the first quarter, the first time in seven quarters. (iii) The progress on public's infrastructure project which will help further stimulate private investment. (iv) The low level of interest rate.
- 3) **Manufacturing production** is likely to improve and provide greater contribution to the economy after showing the first expansion in the last quarter of 2014 and speed up in the first quarter of this year especially in following sectors (i) Automotive sector which experience higher export and less contraction in domestic sales. (ii) Petroleum sector which expand production compared to its low base during the annual maintenance closure in the previous year. (iii) The recovery of domestic-oriented manufacturing sector (with less than 30 percent of total production) which started to expand gradually following a pickup in domestic demand and the tourism sector. (iv) The continual growth of export-oriented production in some sector which is also in line with import volume of raw materials and

intermediate products that showed the first expansion in the third quarter of 2014 before accelerating steadily in the last quarter of 2014 and the first quarter of 2015.

- 4) **Crude oil price**, on the average for the rest of the year of 2015, is expected to remain in the range of 55 – 65 US dollar per barrel, lower than the average level of the last three quarters of 2014 at 93 US dollar per barrel. The low level of crude oil price will help keep the domestic oil price remain low, reduce production cost, increase purchasing power, and facilitate expansionary monetary policies, which in turn will continue to help boosting the recovery of domestic demand.
- 5) **Tourism Sector** is expected to have a strong recovery and serves as a key driver of growth. In the first quarter, the number of tourists was recorded at 7.9 million, rising by 23.4 percent, higher than expected. The occupancy rate, on the average, was reported at 68.5 percent, the highest rate in the past two years. For the rest of the year, the tourist number will continue to expand due to some key supporting factors including (i) Improving tourist confidence toward domestic political situation. (ii) The lifting of the martial law on 1st April 2015 which allows foreign tourists to be covered by travel insurance validity as in normal situation. The number of countries issuing travel warning to their citizen also declined. (iii) The ongoing government measures including anti-swindler measures, rearrangement of key tourist attractions, and the 2015 Discover Thainess tourism promotion campaign.

❑ Risk Factors and limitations to the economic growth:

- 1) **Export sector remains key limitation to the economic growth and adversely affects income base.** This is due to following key factors (i) No clear sign of solid recovery in major trading partners, which include the slowdown of the Chinese economy, weak domestic demand in the Japanese economy, a slow recovery of EU economy, and slower-than-expected US economy in the beginning of the year. (ii) The depreciation of main trade partners' currency, especially Yen and Euro which depreciated against Baht by 13.7 and 17.8 percent, respectively. (iii) The continual plunge in main agricultural prices which dampens export prices in all product categories, and thus resulting in a 1.8 percent decline in export price. (iv) Higher production cost amid slow pace of structural adjustment in the earlier period. In addition, a slow progress on solving IUU Fishing problem might also pose some risks on exports.
- 2) **Agricultural sector still endures the impact of lower global commodity price and drought condition.** Meanwhile, production cost adjustment and technological shift has made a slow progress which has a tendency to pose negative impact on the agricultural production and will thus impede the economic growth.

Progress in resolving the issue of Illegal, Unreported and Unregulated Fishing (IUU)

The European Union (EU) issued a final warning, a so-called "yellow card" to Thailand's fishery products

On 21 April 2015, the European Union (EU) issued a yellow card to Thailand due to inadequate effort in tackling illegal, unregulated, and unreported (IUU) fishing and failure to satisfy the EU's IUU regulation.

Impact on Thai Export

In 2014, export value of fishery products was recorded at 2,153 billion US dollars (accounting for 0.95 percent of total export value). The fishery products exported to EU 28 (the third largest export markets of Thailand's fishery products) in US dollar term was recorded at 319.0 million (0.14 percent of total exports). Furthermore, in the first quarter of 2015, exports of fishery products to EU 28 contracted by 47.6 percent compared with the same period last year. Products related to fishery, namely seafood canned, and seafood prepared or preserved also decreased in export value by 0.7 percent and 17.9 percent respectively.

However, declaration a yellow card from EU will not affect to exports of fishery products immediately since EU gave Thailand six months to implement measures against illegal fishing before re-evaluation in October 2015. If Thailand cannot solve the problem, the EU will issue a red card and fishery products export of Thailand to EU shall be banned.

Export of fishery products to EU

Fishery Export Value (%YOY)	2014					2015	Share Q1/15
	Year	Q1	Q2	Q3	Q4	Q1	
Export of fishery products to EU (28)	4.2	4.6	9.4	1.5	1.7	-5.0	100.0
Fishery products	16.0	20.8	27.8	21.1	-5.2	-47.6	0.74
Shrimp	24.2	-13.6	61.4	35.5	21.0	-54.5	0.14
Cuttlefish, squid, octopus	9.6	52.8	11.4	5.5	-24.8	-48.8	0.46
Fish	11.3	29.1	4.4	20.7	-8.0	-32.0	0.13
Crustaceas	48.3	54.1	31.8	95.8	26.3	-24.8	0.01
Related fishery products							
seafood canned	-38.1	-39.3	-34.9	-36.2	-41.4	-7.0	1.35
seafood prepared or preserved	-36.1	-42.3	-16.2	-36.8	-43.1	-17.9	0.53

Source: MOC

Export Market of Thailand's fishery product

%YOY	2014					2015	Share Q1/15
	Year	Q1	Q2	Q3	Q4	Q1	
Japan	-15.8	-20.2	5.3	0.0	4.8	-20.1	25.2
USA	-8.1	-35.7	-7.8	34.7	28.0	-3.5	19.8
EU (28)	16.0	20.8	27.8	21.1	-5.2	-47.6	10.5
EU (15)	16.8	20.4	28.8	23.2	-4.2	-47.5	10.2
China	50.7	21.7	16.6	-16.1	16.2	16.1	7.8

Source: MOC

Progress in solving IUU Fishing of Thailand

The Cabinet appointed the Steering Committee on Human Trafficking and IUU Fishing to oversee the issue closely and authorized the Command Center for Combating Illegal Fishing (CCCIF) to serve as the core agency integrating all agencies related to solving this problem, both public and private, and determine the National Plan of Action to prevent, deter and eliminate IUU Fishing (National Plan of Action on IUU Fishing: NPOA: IUU). The Ministry of Agriculture and Cooperatives have drafted the National plan and incorporate inputs from the public and private sectors. At present, the New Fisheries Act has been passed by the National Legislative Assembly (in the process of being announced into law) and related agencies are drafting its secondary legislation. Furthermore, the Cabinet has approved an additional budget of 367.3 million baht to relevant authorities to be used in solving the problems per the urgent plan proposed by the CCCIF, consisting of (1) Fishing vessel registration and fishing licensing (2) Monitoring, Control and Surveillance (3) Vessel Monitoring System (VMS), and (4) Improving on Traceability System.

Progress in solving IUU Fishing of Thailand

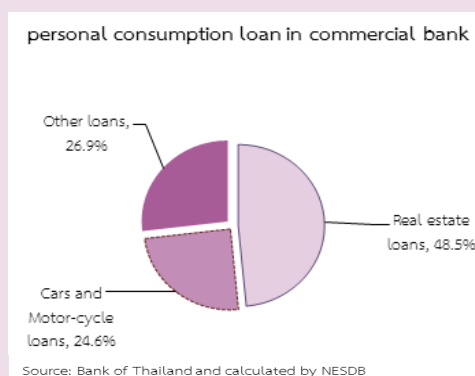
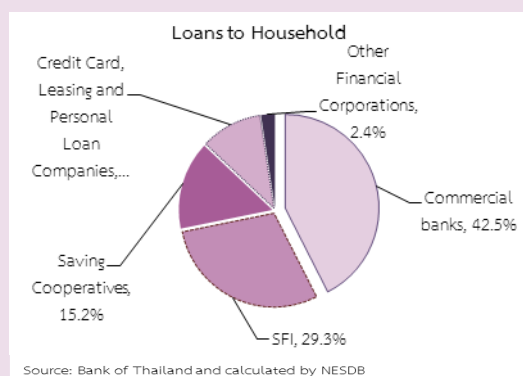
action plans	Progress
1) Fishing vessel registration and fishing licensing	At present, There were 50,970 fishing vessel registrations
2) Monitoring, Control and Surveillance (MCS)	Assigned to the Department of Fisheries to establish the Port In - Port Out Controlling Center (PIPO) in all the 22 coastal provinces and establish the VMS center under a central agency to be ready to operate in May 2015
3) Vessel Monitoring System (VMS)	Target is to install VMS on 5,532 fishing vessels of over 30 ton gross, namely (1) fishing boats in international water (74 vessels, with 49 already have VMS installed), (2) The fishing vessels of over 60 ton gross size (1,996 vessels) which is expected to have 1,347 vessels to comply with VMS installation in 2015 (3) The fishing vessels with 30 - 60 ton gross size (3,462 vessels) will be under new Fishery Act and it will be carried out after the adoption of the new Fisheries Act.
4) Improving on Traceability System	Department of Fisheries has issued a regulation for applying for permit to import certain fisheries under given criteria and guideline for importers in order to undertake a more thorough and systematic inspection.
5) New Fisheries Act and its secondary legislation	The New Fisheries Act has been passed by the National Legislative Assembly (in the process of being announced into law) and related agencies are drafting its secondary legislation to be ready for implementation within 60 days after the New Fisheries Act comes into effect.
6) National Plan of Action to prevent, deter and eliminate IUU Fishing (National Plan of Action on IUU Fishing or NPOA - IUU)	The Ministry of Agriculture and Cooperatives have drafted the NPOA - IUU and hold a platform to receive inputs from the public and private sectors. The inputs will be used to revise the draft plan.

Source: Strategy implementation committee of the NCPO

- 3) **Financial institutions** have posed higher restriction on credit provisions especially during high household debts and the initial stage of economic recovery. This has made household and business sectors more difficult to access credits. In addition, despite the fact that the Monetary Policy Committee decided to lower interest rates twice by 0.5 percent in total which reduce financial cost, financial institutions reduced their rate slower than the policy rate. As a result, households and private sectors have not yet fully gain fully benefits from an expansionary monetary policy.

Thailand's household debt in 2014

- Household debt to GDP.** Since 2005, NESDB has initiated the revision of the national income compilation as an improvement in terms of enhanced inclusion of economic activities, and amended national income approach from Fixed-base-year method in the old series to Chain Volume Measures (CVM). The NESDB has published the new series in a yearly basis since February 2012 and in this quarter NESDB has published quarterly GDP series using CVM. As a result of the regarded GDP approach revision, Thailand's household debt at the end of 2014 stood at 79.4 percent of GDP, dropped from 85.9 percent of old-series-GDP. Nonetheless, the household debt to GDP proportions still share the same co-movements, regardless of approach and series conducted.
- Thailand's household debt to GDP compared to other countries.** Considering Thailand's household debt of 79.4 percent of GDP, Thailand would rank as the third highest in Asia following Malaysia and Korea with 87.9 and 81.3 percent of GDP, respectively; on the other hand, outranking Japan, Indonesia, and India with 64.8, 17.1, and 8.5 percent of GDP, respectively. Nonetheless, the differences are contributed from the distinct definitions and composing concepts of household debt ratio across various countries. While, in some countries, households' business loans are not included in household debt, however, business loans and consumption loans are regarded as household debt in Thailand. With this regard, Thailand's personal consumption loans in commercial banks are comprised of (i) loans in purchase land and real estate of 48.5 percent, (i) loan in purchase or hire cars and motor-cycle of 24.6 percent, and (iii) other loans (including credit card spending) of 26.9 percent. Hence, the household debt as a percentage of GDP of Thailand in comparison to any other countries must be made with cautious.



- 4) **Labour market** has not yet shown a solid recovery reflecting in the decline in employment in agricultural and wholesale and retail sector.

□ Key assumption for 2015 economic projection:

- The world economy and trade volume are projected to grow by 3.4 and 3.9 percent respectively**, compared to 3.2 and 3.4 percent in 2014 but downwardly adjusted from 3.5 and 4.4 percent in the previous estimation. This owes to the downward revision of the economic outlook of the US economy, from 3.3 percent in the previous projection to 3.0 percent, and the downward revision of the India, and major countries in NIEs and ASEAN following a slowdown in export sector. Nevertheless, China and Japan growth prospect remain the same as previous projection at 7.0 and 0.8 percent, respectively.
- Thai baht currency is forecasted to be in the range of 32.7 – 33.7 baht per US dollar, depreciating from average of 32.48 baht per US dollar in 2014 and the previous**

estimation of 32.5 – 33.5 baht per US dollar. The revision is based upon following factors (i) The policy rate cuts and the additional measures to facilitate capital flows unveiled by MPC and Bank of Thailand in March and April 2015 which thus support Baht depreciation. (ii) A possibility of further delay in Fed policy rate hike from June to September meeting.

- 3) **Export and import price in US dollar term is revised downwardly to (-1.5) – (-0.5) and (-4.5) – (-3.5) percent respectively, compared to (-1.0) and (-1.8) percent in 2014,** and the previous assumption of (-0.5) – (0.5) and (-3.5) – (-2.5) percent, respectively. The revision is due to broader declines in export and import prices. The price drops were evidently seen in the first quarter of 2015 including export prices of agriculture, fishery, and manufacturing products with a decline rate of 6.8, 2.0, and 1.4 percent, respectively, which caused export price index to decline by 1.8 percent. Likewise, import price of consumer goods, raw materials and intermediate goods, and capital goods in the first quarter also declined by 0.9, 16.6, and 1.9 percent, respectively, which caused import price index to decline by 10.9 percent.
- 4) **Number of inbound tourist in 2015 is expected to be 29.0 million people,** higher than 24.8 million people in 2014, and the number is revised upwardly from the prior assumption of 27.0 million people. The upward revision is based on higher-than-expected tourist number in the first quarter of 2015 of 7.9 million people, with 23.4 percent growth rate, markedly accelerating from 7.0 percent in the fourth quarter of 2014.
- 5) **Average Dubai crude oil price is expected to be in the range of 50 – 60 US dollar per barrel, unchanged from the previous assumption.** The average Dubai crude oil price in the first four months of 2015 stood at 53.61 US dollar per barrel. However, during 1st – 13th of May average Dubai crude oil price increase to 64.28 US dollar per barrel, the highest level in the last five months, due to several supporting factors including (i) Increase in Saudi Arabia's Official Selling Price (OSP) which raise investor expectation over a hike in global oil demand. (ii) An expected delay in Fed policy rate hike causing the US dollar to depreciate. (iii) Rising concern over dispute in the Middle East. Nevertheless, average Dubai crude oil price over the remaining year is expected to be in the range of 55 – 65 US dollar per barrel, mainly due to (i) Mounting US oil inventory. (ii) US dollar appreciation pressure in response to Fed monetary policy direction, which has high possibility to raise the rate in the latter half. (iii) Increase in crude oil production which continues to influence the market more than the effect from increase in global oil demand, especially under the circumstance where OPEC will not reduce their production capacity and the likelihood that North American producer will increase their production if crude oil price started to increase. (iv) Global oil demand tend to slowly recover in line with the slowdown of major economies.
- 6) **Disbursement of key budget** include (i) FY2015 annual budget disbursement of 93.2 percent, with disbursement of current and capital budget of 98.0 and 70.0 percent respectively, (ii) SOEs capital budget of 75.0 percent disbursement, (iii) Carry-over budget of 70.0 percent disbursement, (iv) First quarter of FY2016 annual budget disbursement of 30.0 percent, and (v) Loans for water resource management project and road transport system project under the 2nd stimulus package of 20 percent disbursement of total loan amount.

World Economic Projection

	Actual Data		Projection of 2015	
	2013	2014	Feb 16,2015	May 18,2015
World Economic Growth (%)	3.2	3.2	3.5	3.4
USA	2.2	2.4	3.3	3.0
EU	-0.4	0.9	1.0	1.2
Japan	1.6	0.0	0.8	0.8
China	7.7	7.4	7.0	7.0
World Trade Volume (%)	3.5	3.4	4.4	3.9
Exchange Rate (Baht/US dollar)	30.7	32.5	32.5 - 33.5	32.7 - 33.7
Dubai Crude Oil (US Dollar/Barrel)	105.0	96.5	50.0 - 60.0	50.0 - 60.0
Export Price (US Dollar) (%)	-0.5	-1.0	(-0.5) - 0.5	(-1.5) - (-0.5)
Import Price (US Dollar) (%)	-2.1	-1.8	(-3.5) - (-2.5)	(-4.5) - (-3.5)
Tourist (Million Person)	26.7	24.8	27.0	29.0

Source: NESDB

❑ Economic Projection for 2015:

The Thai economy in 2015 is projected to expand in the range of 3.0 - 4.0 percent, speeding up from 0.9 percent in 2014. The headline inflation is expected to lie between (-0.3) - 0.7 percent and the current account is forecasted to register a surplus of 3.9 percent of GDP.

According to the NESDB's press release on 18th May 2015, the Thai economy is projected to be 3.0-4.0 percent, downwardly revised from the previous projection of 3.5 - 4.5 percent announced on 16th February 2014. The revision is mainly due to a downward revision of export volumes which, in turn, lessens the economic contribution from the export sector as well as dampen domestic demand to expand slower than the previous projection. However, change in the estimation technique of Gross Domestic Product from fixed based year (1988 prices) to chain volume measures (CVM) causes the current projection not to be comparable directly to the previous estimation. Therefore, the detail of the previous projection will not be shown in this press release.

❑ Key Components of Economic Projection for 2015

- 1) **Private consumption** is projected to grow by 2.3 percent, higher than 0.6 percent in 2014, but lower than that in the previous projection. The revision is owing to the downward adjustment of exports and the major agricultural products price which still decline from the previous year and thus affects household income to face with slow recovery. Nevertheless, private consumption still have some supporting factors including lower global crude oil price, the expansion of manufacturing sector, the speed up of tourism revenue, and government's farmer assistance measures. Meanwhile, public expenditure is projected to grow by 3.8 percent, up from 1.7 percent in 2014 following the improvement of budget disbursement.
- 2) **Total investment** is expected to expand by 6.2 percent, compared to a contraction of 2.6 percent in 2014. Private investment is projected to grow by 3.8 percent, accelerating from a contraction of 2.0 percent, but lower than the previous projection due to the downward revision of export and overall economic situation. Public investment is expected to grow by 15.8 percent, compared with a contraction of 4.9 percent in 2014, an upward estimation from the previous projection. This is mainly due to the higher-than-expected growth of public investment in the first quarter of 2015. Moreover, the upward expansion of public investment is contributed by the additional economic stimulus measures including loans

for water resource management project and road transport system project under amount of 78,294.85 million Baht (approved by the cabinet on 17th March 2015), and the upward revision in the budget disbursement in the first quarter of FY2016 to be in line with government budget framework approval on 20th January 2015.

- 3) **Export value of goods** is likely to grow by 0.2 percent, improving from a contraction of 0.3 percent in 2014 but revised down from the previous projection. The revision was mainly due to (i) the downward revision of the export volume from 3.5 percent to 1.2 percent following the downward revision of world economic growth and trade volume as well as faster-than-expected decline in export in the first quarter. (ii) the downward revision on the export price from (-0.5) - 0.5 percent to (-1.5) - (-0.5) percent. However, export volume of services is expected to show higher growth from the previous estimation due to higher assumption on number of inbound tourists.
- 4) **Import value of goods** is forecasted to contract by 0.8 percent, compared to a contraction of 8.5 percent in 2014, dropped from the last projection. This is mainly driven by (i) The downward revision of export volume from 4.8 percent to 3.2 percent following downward revision of the export volume and domestic demand. (ii) The downward revision of import price from (-3.5) - (-2.5) percent to (-4.5) – (-3.5) percent following a sharp decline in global crude oil price and sluggish recovery of major countries which caused the import price to decline more broadly than expected.
- 5) **Trade balance and current account** is likely to register a surplus of 26.6 billion US dollars, higher surplus than 24.6 billion US dollars in 2014, but lower than the earlier projection. This owes to more downward revision of export value than the revision of import value. Together with a higher surplus of service account due to the upward revision of tourist number, the current account is expected to register a surplus of 16.0 billion US dollars or equivalent to 3.9 percent of GDP, higher than 3.3 percent of GDP in 2014. **Average headline inflation rate** in 2015 is expected to be in the range of (-0.3) – 0.7 percent, down from 1.9 percent in 2014 and lower than the earlier projection. This is a result of a downward revision of import price and domestic demand compared to the previous projection.

⁸ For more details about Implication of changes in compilation method of GDP on the key macroeconomic indicators, see page 42.

6. Economic Management for the remainder of 2015

The Thai economy tends to recover steadily supported by the acceleration of public expenditure, the recovery of tourism sector, and falling oil price which enhance purchasing power and facilitate the continual easing monetary policies. However, softened agricultural prices and exports regarded as restraints to the economy to grow below its potential level. In addition, benefits from the economic recovery will not be able to distribute throughout economic sectors.

Under such conditions, key macroeconomic management for the remainder of 2015 should focus on expediting the measures to solve export and agriculture sector problems which are compulsory to be achieved in order to be with the global conditions, alleviating impacts for farmers and those affected from export downturn, and maintaining recovering momentum of domestic demand especially through the expedite of budget disbursement and key government investment project.

1) Accelerating the measures for tackling export problem: The continual decline in export volumes during 2012 to the first quarter of 2015 is attributed to 4 major changes after the US subprime crisis in 2009 including (i) The ongoing slowdown of global economy, which reduces the global demand and the commodity prices. (ii) The quantitative easing (QE) measures of major economies such as the U.S., EU and Japan have influenced the Baht appreciation, which have deteriorated export competitiveness of Thailand as well as other countries. (iii) Increase in production costs, especially wages in Thailand and other regional countries, whereas the labour cost of trading partners and competitors increase gradually under high employment rate. (iv) The economic restructuring process to improve value added and productivity remain slow, while the global competition has become increasingly intense.

These aforementioned conditions could become such main constraints to the recovery of export for the rest of 2015 and even over the long term. The long-term countermeasures, thus, require the production restructures in order to push up product value and productivity, as well as to increase the production structure of the third-generation industries. For the short term countermeasures, the main focuses should be on following measures:

- (1) Maintaining the Baht and avoid faster appreciation than trading competitors' currencies** and to be in line with the stage of country's development as well as the export dependency.
- (2) Collaborating between public and private sectors in order to seek for the new potential markets and to increase export volumes of key products.** This can help mitigate the further decline in export revenues.
- (3) Monitoring import price of raw materials** to adjust accordingly with the world commodity price and the depreciation of the main import partners' currencies. This is in order to maintain production cost to be in line with declining export price which will help businesses to maintain their normal profit and liquidity, especially SMEs who do not engage in import of raw material by their own.
- (4) Mitigating barriers, delay, and constraints on government procedures and regulation,** for which to reduce exporter's transaction costs. This also includes facilitating international trade, especially along trading borders, enhancing competency of custom borders, and expediting the Nation Single Window procedure to be fully utilized.

(5) **Expediting the combating measure against human trafficking and illegal fishery problems**, in order to limit negative impacts on export and fishery productions.

(6) **Implementing measures on wage and salaries with concerns**, by which to not rise faster than the productivity and not to overwhelm the production cost.

2) **Providing addition measures to support agricultural sector.** The transition of global economy and fluctuation in major currencies has caused agricultural products into bearish cycle after hitting its peak during 2011 – 2012. Even though the cycle started to reach its lowest point, there are still no clear sign of recovery that will take agricultural price back to an average price in 2012. Meanwhile, production costs of agricultural products that soared during the peak of the cycle have not yet reverts back in the same light as the price cycle.

Under such circumstances, tackling measures for agricultural sector during the rest of the year are required to focus on communicating and creating better understanding of farmer about the situation and condition of agricultural price. This will encourage farmer to adapt themselves toward changes in global agricultural price coupled with an implementation of following specific measures:

(1) **Monitoring cost of agricultural raw materials**, with the component of petrochemical, and price of agricultural machinery which imported from depreciated-currency economies. The cost is needed to move in line with the decline in import price and depreciation of origin country currency.

(2) **Enhancing productivity** by encouraging individual farmers to corporate in the form of partnerships, firms or cooperatives in order to generate economies of scale, to reduce under employment, to increase overall farm income, as well as to ensure qualified agricultural machinery, crop seed, and raw materials at the appropriate price.

(3) **Promoting the use of lease agreement on agricultural land under profit-sharing** instead of fixed payment, in order to allow the land lease cost to move in line with the agricultural price.

(4) **Supporting the second job creation** to generate more income for farm household, and also provide adequate training and skill enhancement course to support the career shift and an off-season employment.

3) **To provide assistance to farmers and those affected by the slowdown of exports by**

(1) **Expediting registration of individuals who are classified by income, occupation and crops** in order to determine additional supportive measures for target groups.

(2) **Implementing measures to support SMEs and to tackle household debt**, especially the debt of small farmers and informal debt of low-income households.

(3) **Expediting and monitoring the progress in resolving the issue of agricultural products' prices**, particularly credit measures which have already been carried out, with budget left and ready to be lent out in the next farming season.

(4) **Expediting implementation of the income generation and agricultural development for community projects to alleviate drought problem in repeated drought areas** (government provides budget of 1 million baht per sub-district, for 3,051 sub-districts on 27 January 2015).

4) **Expediting budget disbursement and implementation of key government investment projects** in order to enhance the continuous expansion of the domestic demand, including confidence building in the economy which consists of

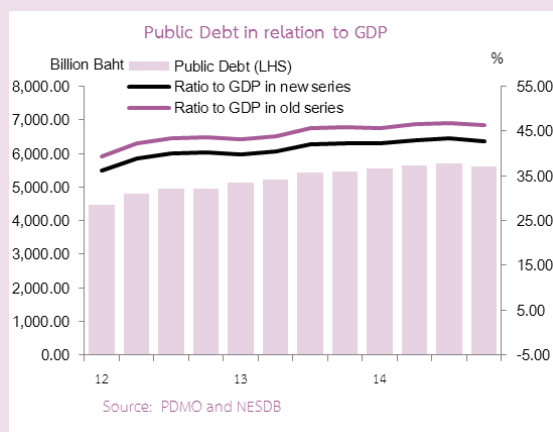
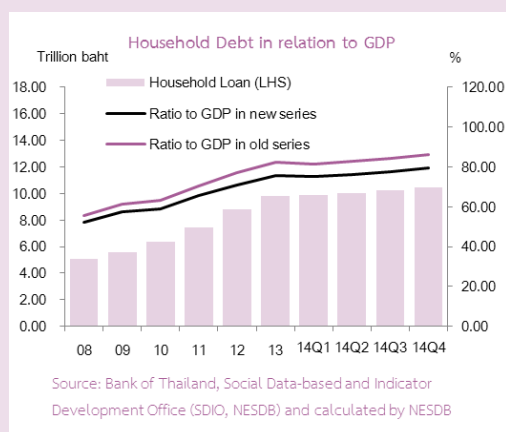
- (1) **Expediting the disbursement of government's annual budget, capital budget and State-owned enterprises' capital expenditure budget** in order to be disbursed no less than 98.0, 70.0, and 75.0 percent, respectively.
- (2) **Preparing the annual budget of the Fiscal Year 2016** to be ready and able to expedite the disbursement in the first quarter of the FY2016, with the rate of annual budget disbursement and capital expenditure budget of no less than 34.5 and 15.0 percent, respectively.
- (3) **Expediting the project to develop water resource management system and the road transportation system development (urgent phase): the second economic stimulus package** with a budget of 78,294.85 million baht to be able to embark and disburse the budget by at least 50.0 percent.
- (4) **Accelerating the implementation of infrastructure development plan** which began to progress and is publicly announced, as well as to enhance confidence and stimulate private investment, especially the development of transit systems in Bangkok and surrounding areas, double track railway development project, the standard gauge railway development project cooperated with Japan and China, the development of the Special Border Economic Zone and the Cooperation with Myanmar in development of Dawei Special Economic Zone.

Implication of changes in compilation method of GDP on the key macroeconomic indicators

NESDB initiated to improve the compilation method of GDP since 2005 by revising both the coverage of economic activities, indicators, and calculation method of the real national income. The calculation is changed from using fixed base year of 1988 in the old series to Chain Volume Measures (CVM), the new series. The revision is compliance with the IMF standard - compiling national income on quarterly basis by CVM method (Quarterly National Accounts Manual: Concepts, Data Sources, and Compilation IMF, 2001). Furthermore, NESDB has publicized the new annual series since February 2012 and in this quarter NESDB has published new quarterly GDP series.

The new GDP series has 5 implications on Thailand's key macroeconomic indicators as follows.

1. GDP value of Thailand at current prices in 2014 increase from 12,141 billion baht (373.6 billion US dollars) in the old series to 13,149 billion baht (404.6 billion US dollars) in the new series, causing the income per capita to rise from 196,239 baht (6,038 US dollars) per person per annum in the old series to 176,958 baht (5,445 US dollars) per person per annum.
2. The increase in GDP value at current price leads to decline in all indicators which are measured as a proportion to GDP. For instance, public debt per GDP as of March 2015 fell from 46.3 percent in the old series to 42.8 percent of GDP in the new series. Meanwhile, household debt per GDP as of the end of 2014 fell from 85.9 percent of GDP in the old series to 79.4 percent of GDP in the new series. The current account balance in 2014 also declined from 3.5 percent of GDP in the old series to 3.3 percent of GDP in the new series.



3. The ratio of economic activity components in relation to GDP changes both in GDP data at current price and in GDP data under CMV. For the expenditure side in GDP data under CMV, it was found that government expenditure and total investment per GDP increases. Meanwhile, the proportion of export of goods and services increase, but at a lesser extent than the increase in import of goods and services. Nonetheless, the GDP components measured in relation to the GDP in the new series will have to be interpreted with care as CVM method in the new series lack additive property, i.e. the sum of all components of GDP will not be equal to the GDP itself.

GDP % Shared on Demand side

	Annual Price		Based Year Price	
	Old Series	New Series	Old Series (1988)	New Series (CVM 2002)
Private Consumption	54.7	52.3	50.6	50.9
Government Consumption	14.2	17.1	10.5	16.1
Total Investment	25.9	24.6	21.0	24.2
Export products and services	75.0	69.2	73.5	77.1
Import products and services	67.7	62.6	56.0	69.9

Source: NESDB

4. The magnitude of economic growth of each year differs between the new and the old series. The maximum and minimum values of the difference in the annual growth rates are 1.4 and -2.9 respectively. Meanwhile, the mean value of the difference in annual growth rates is -0.1. Moreover, the direction of movement of the economic cycle of the old and the new series has no significant difference. In other words, both methods exhibit same pattern of economic cycle.

GDP % Share on Demand side

	Average	Median	Mode*	Max	Min
Private Consumption	-0.3	-0.2	-0.2	0.8	-1.8
Government Consumption	-0.7	-0.5	-1.7	3.3	-5.6
Total Investment	-0.2	-0.2	-0.2	3.0	-3.7
Export products and services	-0.7	-1.0	0.0	6.1	-5.0
Import products and services	-1.2	-0.9	na	7.5	-7.2
GDP	-0.1	0.1	-0.8	1.4	-2.9

Remark: Mode is calculated on 1 digit.

Source: NESDB

5. Projection data which is based on the new series are not directly comparable to the ones that based on the old series. The reason is as follows: (i) the changes in the relative significance of key GDP components resulted in different growth contribution from each GDP components towards overall economic growth, and (ii) economic growth rate in each quarter and in each year differs, causing the projection to be different. Moreover, the non-additive property of CVM has a significant implication on certain projection model which relies on such property and an impact on the calculation of source of growth.

For more details, see http://www.nesdb.go.th/Portals/0/eco_datas/account/qgdp/CVM/00_QGDP-CVMBook.pdf

Economic Projection for 2015^{1/}

	Actual Data		Projection
	2013	2014	May. 18, 2015
GDP (at current prices: Bil. Bht)	12,910.0	13,148.6	13,635.1
GDP per capita (Bht per year)	193,394.6	196,239.5	202,794.6
GDP (at current prices: Bil. USD)	420.1	404.8	410.7
GDP per capita (USD per year)	6293.0	6041.1	6108.3
GDP Growth (CVM, %)	2.8	0.9	3.0-4.0
Investment (CVM, %)	-0.8	-2.6	6.2
Private (CVM, %)	-0.8	-2.0	3.8
Public (CVM, %)	-1.0	-4.9	15.8
Private Consumption (CVM, %)	0.8	0.6	2.3
Public Consumption (CVM, %)	4.7	1.7	3.8
Export volume of goods & services (%)	2.8	0.0	3.7
Export value of goods (Bil. USD)	225.4	224.8	225.2
Growth rate (%) ^{2/}	-0.1	-0.3	0.2
Growth rate (Volume, %) ^{2/}	0.2	0.7	1.2
Import volume of goods & services (%)	1.4	-5.4	3.4
Import value of goods (Bil. USD)	218.7	200.2	198.6
Growth rate (%) ^{2/}	-0.2	-8.5	-0.8
Growth rate (Volume, %) ^{2/}	1.6	-6.8	3.2
Trade balance (Bil. USD)	6.7	24.6	26.6
Current account balance (Bil. USD)	-3.9	13.1	16.0
Current account to GDP (%)	-0.8	3.3	3.9
Inflation (%)			
CPI	2.2	1.9	(-0.3) – 0.7
GDP Deflator	1.6	1.0	(-0.3) – 0.7

Source: Office of the National Economic and Social Development Board, 18th May 2015

Note: ^{1/}This data is calculated from the new series of national accounts (see www.nesdb.go.th).

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