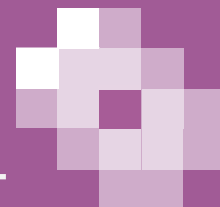




NESDB ECONOMIC REPORT



Thai Economic Performance in Q3 and Outlook for 2015-2016

Macroeconomic Strategy and Planning Office

Press Release 9.30 a.m. November 16, 2015

Economic Projection for 2015 - 2016

(%YoY)	2014	2015		Projection	
	Year	Q2	Q3	2015	2016
GDP (CVM)	0.9	2.8	2.9	2.9	3.0-4.0
Total Investment	-2.6	2.7	-1.2	4.6	9.5
Private	-2.0	-3.2	-6.6	-1.3	4.7
Public	-4.9	24.7	15.9	22.6	11.2
Private Consumption	0.6	1.6	1.7	2.0	2.6
Government Consumption	1.7	3.8	1.0	2.7	3.2
Export of Goods	-0.3	-5.5	-4.7	-5.0	3.0
Volume	0.7	-3.8	-1.8	-3.0	2.0
Import of Goods	-8.5	-10.1	-14.5	-9.8	5.4
Volume	-6.8	-0.4	-3.1	-0.1	3.9
Current Account to GDP (%)	3.8	6.3	6.8	6.3	5.7
Inflation	1.9	-1.1	-1.1	-0.8	1.0-2.0

❑ **The Thai economy in the third quarter of 2015** expanded by 2.9 percent, compared with a 2.8 percent growth in previous quarter. After seasonal adjustment, the Thai economy in the third quarter of 2015 expanded by 1.0 percent from the second quarter (QoQ_SA). **In the first 9 months of 2015**, the Thai economy grew by 2.9 percent.

❑ **The expenditure side:** export of services and public investment showed robust growths. Private and public consumption expenditure continued to grow, while export of goods was impacted by the global economic slowdown. **On the production side:** hotel and restaurants and construction sectors expanded well. Other service sectors also grew at favorable rates. Moreover, the manufacturing sector started to grow after experiencing contraction in previous quarter. On the other hand, the agricultural sector was impacted by the drought and imposed constraint on growth.

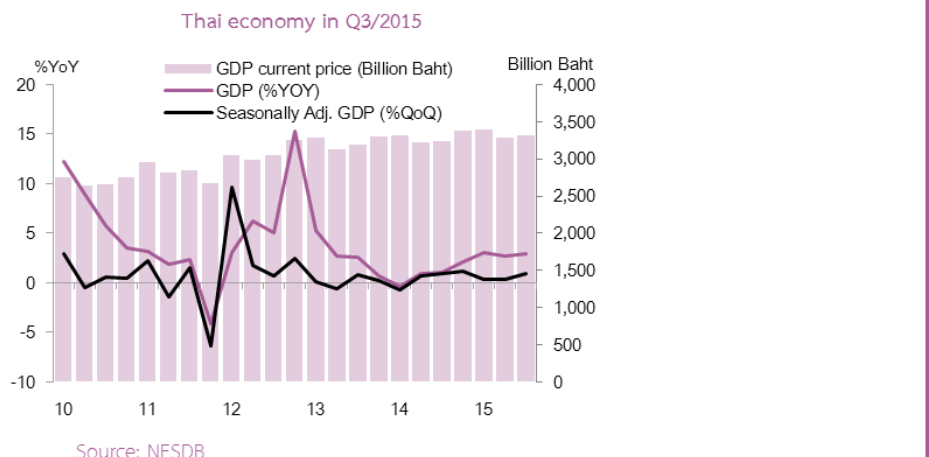
❑ **Thai economy in 2015 is forecasted to expand by 2.9 percent.** Private consumption and total investment is expected to grow by 2.0 and 4.6 percent respectively. Headline inflation is projected to be negative of 0.8 percent. There expected to be a surplus in current account balance of 6.3 percent of GDP.

❑ **Thai economy in 2016 is forecasted to grow by 3.0 – 4.0 percent**, supported by (i) the government expenditure and investment; (ii) the positive contribution from economic stimulus; (iii) the gradual recovery of the global economy and the export prices; (iv) the depreciation of Thai baht which will help improve export value in baht term, and enhance income and liquidity for exporters; (v) the gradual recovery of agricultural prices; (vi) low oil price (vii) the continual expansion of the tourism sector. It is expected that export value will grow by 3.0 percent, private consumption and total investment will grow by 2.6 and 9.5 percent respectively. Headline inflation is expected to lie between 1.0 – 2.0 percent and the current account balance will be in a surplus of 5.7 percent of GDP.

❑ **Economic management for the remaining of 2015 and in 2016** should emphasize on (i) Implementing key public infrastructure investment projects, especially mega projects which can begin the bidding process within 2015-2016, the water resource management plan, the urgent phase of the road transportation development plan under the second economic stimulus package, as well as the border special economic zone development; (ii) Supporting the recovery of private investment by publicly promoting investors to fully enjoy investment privileges under programs approved by the Cabinet in order to expedite their investment projects, adopting proactive measures to incentivize investors to invest in the targeted industries and services, and addressing the problems faced by SMEs; (iii) Disbursing government budget to meet the intended target; (iv) Supporting income for farmers and low-income people by accelerating budget disbursement under the approved programs; (v) Solving problem in agricultural sector by monitoring, preventing and alleviating drought impacts, reducing the costs of agricultural inputs, supporting the farmer group establishment and combining farm lands of small farmers, as well as promoting renting cost to move in line with product prices, and (vi) Bolstering export to grow no less than 3.0 percent by providing incentives for the private sector in order to enhance export value, maintaining the exchange rate to be in suitable range, coordinating among public and private agencies to increase the volume of key export items, maintaining the prices of imported raw material and inputs to be in line with the global market prices and the currency depreciation of key import markets, reducing the delay and limitation created by the bureaucracy, continuing to work on the illegal workforce and illegal fishing issues in order to prevent the export and production in the fishery sector from being affected.

Thai Economy in the third quarter of 2015 and outlook for 2015 – 2016

The Thai economy in the third quarter of 2015 expanded by 2.9 percent, compared with a 2.8 percent growth in previous quarter. **The expenditure side:** export of services and public investment showed robust growths. Private and public consumption expenditure continued to grow, while export of goods was impacted by the global economic slowdown. **On the production side:** hotel and restaurants, construction expanded well, and other service sectors grew at favorable rates. Moreover, the industrial sector started to expand after experiencing contractions and was able to contribute to growth more. Meanwhile, the agricultural sector was impacted by the drought and imposed constraint on growth. After seasonal adjustment, the Thai economy in the third quarter of 2015 expanded by 1.0 percent from the second quarter (QoQ_SA). **In the first 9 months of 2015**, the Thai economy grew by 2.9 percent.



Thai Economy in Q3/2015

- 1) **Private consumption expenditure** expanded by 1.7 percent, compared with a 1.6 percent increase in the previous quarter as electricity consumption, sales of diesel, sales of benzene and gasohol, and VAT of hotel and restaurant (constant price) grew. However, the sales of passenger cars and motorcycles fell. Consumer Confidence Index pertaining the overall economic situation stood at 61.8, compared with the level of 64.9 in the previous quarter.

In the first 9 months of 2015, private consumption expenditure grew by 1.9 percent.

- 2) **Total investment** fell by 1.2 percent. **Public investment** continued to expand well by 15.9 percent owing to 21.3 percent growth in investment by government, as disbursement of investment budget stood at 18.4 percent, compared with 17.4 percent in previous quarter. Meanwhile, investment by state-owned enterprises grew by 5.4 percent. **Private investment** declined by 6.6 percent. This was due to 8.5 percent contraction in machinery and equipment investment as entrepreneurs delayed their capital goods import. The investment in vehicles also declined, especially trucks and commercial cars. Investment in construction contracted by 0.3 percent. The Business Sentiment Index (BSI) stood at 46.7, compared with the level of 48.2 in the previous quarter.

In the first 9 months of 2015, total investment grew by 3.7 percent. Public investment grew by 25.0 percent, whereas private investment fell by 2.2 percent.

- 3) **Export** value was recorded at 54.2 billion US dollars – a 4.7 percent contraction. The export volumes declined by 1.8 percent and export price contracted by 2.9 percent due to the economic deceleration in key trading partners, decline in export prices, as well as the effect from the end of Generalized Scheme of Preferences (GSP) for Thai exports. The **export products recorded an expansion** in value include rubber, automotive, sugar, and Integrated circuits & parts. The **export products with a contraction in value** include rice, cassava, petro-chemical products petroleum products, chemicals and machinery and equipment. Exports to US, Australia, and CLMV expanded, while exports to EU (15), China, Japan, and ASEAN (5) continued to decline. Export value (excluding unwrought gold) contracted by 6.7 percent. **In baht term, the value of export increased by 4.6 percent**, recorded at 1,911 billion baht.

In the first 9 months of 2015, total export value declined by 4.9 percent; with a decrease in export volume at 2.7 percent, and a drop in export prices of 2.2 percent. Overall, the total export value, in terms of Thai baht, contracted by 0.9 percent

- 4) **Industrial production** expanded by 0.8 percent, compared with a 0.6 percent decrease in the previous quarter. This was owed to growth of domestic-oriented industries and a normal state of car

production as major manufacturers have finished introducing new vehicle models. Meanwhile, export-oriented industries dropped following the contraction of export volume. **The industries with positive growth** include petroleum products, automotive, chemical products, and tobacco. **The industries with decline in growth** include textiles, clothing, rubber and plastic products, hard disk drive, electronic tube, food and beverages, machinery and parts, and furniture. The capacity utilization rate (CAPU) stood at 58.5 percent.

In the first 9 months of 2015, Industrial production expanded by 0.9 percent, Manufacturing Production Index (MPI) fell by 4.4 percent. The capacity utilization rate (CAPU) stood at 58.7 percent.

- 5) **Hotels and restaurants sector** continued to grow well by 10.9 percent, decelerating from 18.7 percent in the previous quarter. Number of inbound tourists stood at 7.3 million persons or grew by 24.3 percent, decelerating from 37.6 percent in the previous quarter. Furthermore, the hike in inbound tourist was from all most of the region, except Africa. The number of tourists from East Asia grew by 33.7 percent, decelerating from 61.9 percent in the previous quarter, caused by a blast at Rachaprasong Road in August 17th 2015. The tourism revenue amounted to 359.1 billion baht, increased by 25.4 percent. The average occupancy rate was at 58.4 percent, compared with 51.7 percent in the same period last year.

In the first 9 months of 2015, Hotels and restaurants sector grew by 14.3 percent.

- 6) **Construction sector** grew by 7.7 percent, decelerating from 17.8 percent growth in the previous quarter. Public construction grew by 17.5 percent (construction by government grew by 20.8 percent, state-owned enterprises expanded by 9.5 percent), which is in line with the continual growth in public investment. Meanwhile, the private construction declined by 0.3 percent, which was in line with the contraction of key indicators including permitted construction areas as well as sales of steel and cement products.

In the first 9 months of 2015, construction sector grew by 15.9 percent, with 27.6 and 1.4 percent growth in public and private construction respectively.

- 7) **The agricultural sector** contracted by 5.7 percent, compared with a 6.2 percent decline in the previous quarter. Production of key agricultural products fell due to the drought and lack of rains in many areas of the country, which forces farmers to postpone plantation in some areas. The products with a decrease in production include paddy, palm oil, and fruits. Meanwhile, production of cassava, rubber, and livestock grew. Moreover, the price of agricultural products continued to decrease due to the declined prices of key products, such as paddy, palm oil, and white shrimp. The decreases of major agricultural products and prices led to lower farmers' income which dropped by 13.6 percent.

In the first 9 months of 2015, agricultural sector decreased by 5.4 percent. The Agricultural Product Index, Agricultural Price Index and farm income dropped by 7.4, 5.9, and 12.9 percent, respectively.

Thai economy in 2015 – 2016

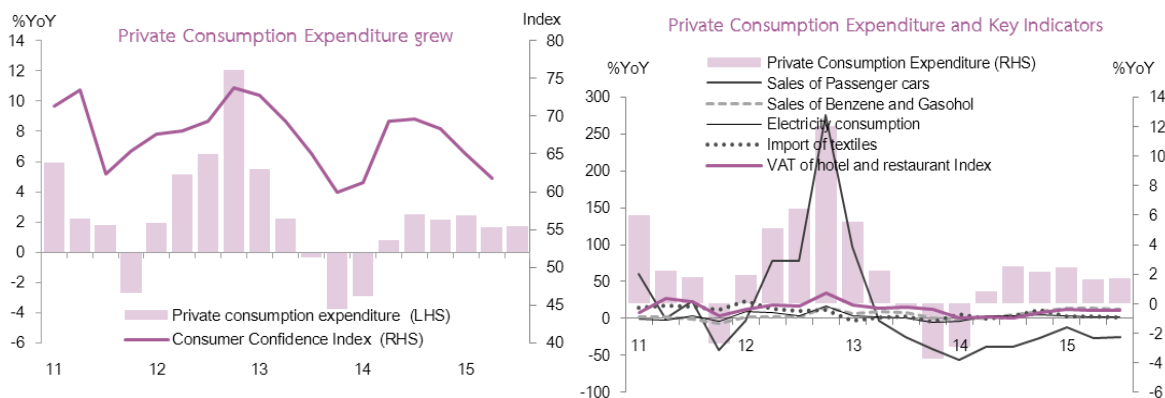
On the 16th of November 2015, NESDB projected that the Thai economy in 2015 will expand by 2.9 percent, improving from 0.9 percent growth in 2014. Export and agricultural production for the entire year are likely to decline more than anticipated. These negative impacts from declined export and agricultural production will be offset by higher-than-expected number of inbound tourists, which is expected to exceed 30 million, and the government's economic stimulus package. It is forecasted that export value for 2015 will decline by 5.0 percent, private consumption and total investment will grow by 2.0 and 4.6 percent respectively. Headline inflation is expected to be negative 0.8 percent. There expected to be a surplus in current account balance of 6.3 percent of GDP.

Thai economy in 2016 is forecasted to grow by 3.0 – 4.0 percent, supported by (i) the acceleration of government expenditure and investment; (ii) the positive contribution from economic stimulus packages; (iii) the gradual recovery of the global economy and the export prices; (iv) the depreciation of Thai baht which will help improve export value in baht term, and enhance income and liquidity for exporters; (v) the gradual recovery of agricultural prices in line with the world recovery; (vi) low oil price which will help enhance the purchasing power of consumers and businesses, and will provide the room for accommodative monetary policy; (vii) the continual expansion of the tourism sector. Nevertheless, the slowdown of the Chinese Economy, the depreciation of the RMB and major currencies of Thailand's trading partners and competitors, the impact from drought will remain a constraint and a risk for the economic recovery. It is expected that export value will grow by 3.0 percent, private consumption and total investment will grow by 2.6 and 9.5 percent respectively. Headline inflation is expected to be between 1.0 – 2.0 percent and the current account balance will be in a surplus of 5.7 percent of GDP.

1. The Thai Economy in Q3/2015

Expenditure Side:

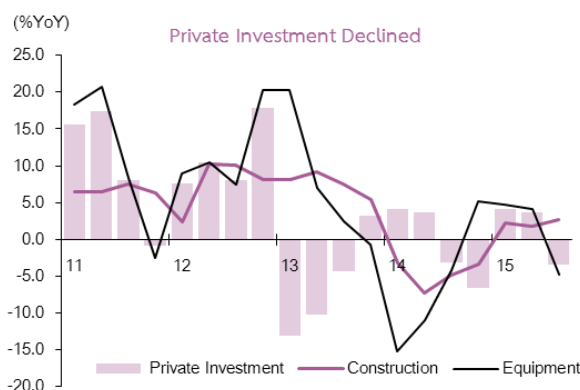
Private consumption expenditure gradually accelerated from the previous quarter. In the third quarter of 2015, private consumption expenditure expanded by 1.7 percent, compared with a 1.6 percent increase in the previous quarter as Electricity consumption, and Sales of Diesel increased by 2.8 and 5.5 percent, accelerating from 2.4 and 3.2 percent in the previous quarter respectively. Meanwhile, the Sales of Benzene and Gasohol and VAT of hotel and restaurant Index (constant price) grew by 12.9 and 10.3 percent respectively. However, the sales of passenger cars and motorcycles fell by 24.6 and 16.4 percent respectively. Consumer Confidence Index pertaining the overall economic situation stood at 61.8 in this quarter, compared with the level of 64.9 in the previous quarter.



Source: NESDB, University of the Thai Chamber of Commerce

Source: NESDB, Department of Energy Business

Private investment declined due to the contraction in machinery and equipment and construction investment. In the third quarter, private investment fell by 6.6 percent, compared with a contraction of 3.2 percent in the previous quarter. The **machinery and equipment investment** contracted by 8.5 percent, compared with 4.8 percent decline in the previous quarter, which is in line with the 11.5 percent decline in import value of capital goods. Moreover, **investment in construction** contracted by 0.3 percent, compared with a 2.7 percent growth in previous quarter. The sales of cement, tiles, and construction area permitted in the municipal and vicinity areas declined by 3.3, 11.9, and 9.3 percent respectively. Meanwhile, the **number and value of projects approved by BOI** increased by 13.7 and 3.9 percent compared with a 56.3 and 29.6 percent growth in the previous quarter respectively. The Business Sentiment Index (BSI) stood at 46.7, compared with the level of 48.2 in the previous quarter.



Source: NESDB

In the third quarter of 2015, Private consumption expenditure gradually accelerated. Meanwhile, the drive from export of services and public investment remained high. However, private investment and export of goods continued to decline.

Private consumption expenditure continued to expand by 1.7 percent, supported by the growth in expenditure on non-durable goods.

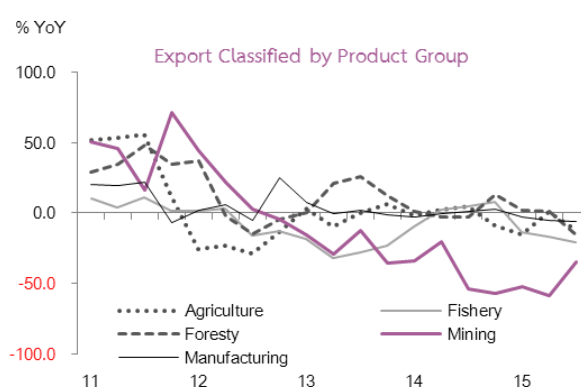
Private investment declined due to the contraction of machinery and equipment and construction investment.

Exports in US dollar term contracted due to the economic deceleration in key trading partners, decline in export prices, as well as the effect from the end of Generalized Scheme of Preferences (GSP) for Thai exports. Nonetheless, export in Baht term began to grow as the Thai baht depreciated. Export value in the third quarter of 2015 was recorded at 54.2 billion US dollars – a 4.7 percent contraction. The export price contracted by 2.9 percent and export volumes declined by 1.8 percent. Such decline mainly due to (i) economic deceleration in key trading partners, especially China and Japan; (ii) the decline in export prices which fell with the crude oil price and agricultural prices in global market, particularly fuel (whose price declined by 14.0 percent, with 3.9 percent share of total export), chemical products (by 10.5 percent, with 2.8 percent share), rubber (by 11.3 percent, with 2.7 percent share), rice (by 3.3 percent, with 1.8 percent share), and sugar (by 22.9 percent, with 1.4 percent share), and (iii) the end of Generalized Scheme of Preferences (GSP) for Thai exports to Europe, effective since January 2015. Export value (excluding unwrought gold) contracted by 6.7 percent. In baht term, the value of export, recorded at 1,911 billion baht, increased by 4.6 percent, compared with a contraction of 3.1 percent in the previous quarter.

Export in USD term contracted by 4.7 percent, where export volumes and export price contracted by 1.8 and 2.9 percent respectively. In baht term, export increased by 4.6 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Export of agricultural commodities fell by 12.2 percent, compared with a growth of 0.8 percent in the previous quarter. This was due to the 5.3 percent decline in the export quantity of agricultural products, especially rice and tapioca. However, export prices of key products, such as rice, rubber, sugar and tapioca continued to decrease. As a result, export prices of agricultural products decreased by 7.3 percent. The export of major agricultural products includes Rice whose export value fell by 27.6 percent due to a 25.2 percent decline in export quantity since the global demand decelerated, while Thai's rice price is higher than competitors particularly Vietnam. Moreover, the export rice price decreased by 3.3 percent. The export value of **tapioca** fell by 29.0 percent, contributed by a 3.8 percent decrease in export price and a 22.4 percent decline in export volume after having risen sharply in the earlier period. Meanwhile, the export value of **rubber** increased by 11.1 percent due to a 25.2 percent increase in export quantity to meet the demand from China for its automotive industry. Meanwhile, the export price of rubber fell by 11.3 percent. Export value of sugar increased by 12.7 percent due to a rise in export quantity by 45.8 percent to China, Indonesia, Cambodia, Japan and South Korea. Meanwhile, sugar's export price fell by 22.9 percent. **Manufacturing products declined by 6.2 percent compared with a 5.3 percent contraction 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 of export declined by 3.8 percent. Meanwhile, price of export continued to decline by 2.6 percent. The export value of key manufacturing products such as chemicals, petroleum products and petro-chemical Products continued to contract by 30.8, 34.3, and 9.3 percent respectively as the export prices remain low due to the decline of crude oil price. Meanwhile, export of automotive which is the number 1 of Thailand exports (with a share of 15.6 percent of total export value) expanded by

Export of agricultural commodities, manufacturing products, fishery products declined, but other export increased.

7.1 percent, especially the export of passenger cars grew by 88.0 percent due to the growth in export of Eco Cars to European countries and the export of new-release model vehicles to Australia, Middle-East, and ASEAN countries. Nevertheless, export of integrated circuits & parts, air conditioning machines, and printed circuits grew by 5.2, 7.0, and 0.2 percent respectively. The export value of **fishery products** declined by 20.8 percent. The key products whose export value declined include crustaceans, cuttlefish, squid, octopus. **Other export** products increased by 215.3 percent as a result of the 411.2 percent increase in the export of Non-monetary gold which is in line with the gold price in the global market.

Export Value of Major Product

%YoY	2013	2014					2015						Shared
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	Q3/15
Agriculture	0.0	-1.3	-2.0	2.6	4.4	-8.6	-15.2	0.8	-12.2	-8.2	-11.4	-17.1	7.2
Rice	-4.6	23.0	4.6	21.5	25.2	39.3	-5.1	-7.4	-27.6	-22.8	-31.1	-28.8	1.8
Rubber	-5.9	-26.9	-15.5	-24.0	-24.8	-42.1	-36.1	-12.6	11.1	18.5	22.5	-7.4	2.7
Tapioca	18.1	13.5	26.9	14.2	15.5	-0.2	-2.7	64.2	-29.0	-5.3	-43.5	-33.7	0.9
Manufacturing	1.8	0.1	-3.1	-0.5	0.9	3.0	-2.5	-5.3	-6.2	-2.8	-9.9	-6.1	88.6
Sugar	-27.2	-4.2	-28.3	-29.8	13.3	93.3	1.2	-8.2	12.7	14.1	10.0	13.8	1.5
Crustaceans canned, prepared, or preserved	-19.5	-13.8	-25.2	-13.8	-11.8	-6.5	-4.6	-17.5	-10.2	-17.4	-6.0	-7.8	0.6
Rubber products	-2.2	-10.0	-14.9	-13.4	0.1	-10.9	-20.6	-9.4	-30.6	-30.5	-34.3	-27.0	1.5
Apparels and Textile Materials	3.6	-0.3	-1.3	0.9	-0.4	-0.2	-6.2	-8.9	-8.6	-5.0	-12.0	-8.9	3.2
Electronics	-0.8	1.8	-0.4	-1.7	2.4	6.5	-0.0	-2.6	-5.3	-4.4	-7.4	-4.0	15.0
Computer parts & accessories	-5.7	-2.0	-3.2	-6.0	0.0	1.0	-4.6	-2.8	-6.7	-9.5	-8.5	-2.1	6.7
Integrated circuits & parts	7.6	4.1	5.2	1.3	1.1	9.3	4.5	-0.1	5.2	9.7	5.1	2.0	3.9
Printed circuits	53.7	32.0	36.7	24.0	33.3	34.0	26.9	17.3	0.2	-8.2	6.8	3.1	0.7
Electrical Appliances	2.3	4.3	7.2	2.0	0.1	8.1	-0.6	-3.5	0.4	4.3	-1.1	-2.1	5.3
Metal & Steel	-4.4	-10.9	-34.2	-5.5	-0.9	7.4	4.7	-8.4	-5.9	4.1	-16.6	-5.3	4.2
Automotive	7.6	0.1	3.0	-1.6	-3.9	3.3	4.9	-3.7	7.1	3.7	3.7	13.9	15.6
Passenger car	16.6	-1.6	-8.0	0.5	-8.6	12.4	8.0	7.1	88.0	65.7	73.1	127.2	5.6
Pick up and trucks	0.7	-2.3	6.8	-6.9	-8.3	-0.3	5.2	-18.4	-30.8	-33.6	-34.9	-23.8	3.3
Machinery & Equipment	4.0	8.5	7.8	9.9	7.8	8.4	3.8	1.7	-4.1	-5.2	-0.2	-6.6	8.6
Chemicals	7.6	-6.0	-7.3	-7.3	-2.3	-7.2	-23.5	-21.4	-30.8	-14.0	-36.6	-39.7	2.7
Petro-chemical Products	5.3	7.5	5.3	11.2	6.8	6.8	-9.9	-12.7	-9.3	-7.7	-10.5	-9.6	5.5
Petroleum products	-1.3	-11.9	-15.5	-0.0	-7.2	-22.5	-27.2	-17.7	-34.3	-9.4	-43.4	-45.1	3.9
Fishery	-25.4	1.4	-9.4	2.3	4.7	7.8	-13.4	-16.5	-20.8	-18.7	-20.1	-23.2	0.8
Crustaceans	-33.4	-5.3	-27.1	-6.1	-1.3	12.2	-10.6	-18.1	-26.4	-26.4	-27.7	-25.2	0.3
Other Exports	-44.5	-12.2	277.9	13.5	-77.4	-7.1	-30.8	4.6	215.3	-4.7	522.0	252.6	2.7
Non-monetary gold (excl. articles of goldsmiths)	-50.1	-15.6	469.3	14.3	-85.4	-12.6	-31.5	6.0	411.2	21.4	938.6	567.3	2.5
Total Exports (Customs basis)	-0.3	-0.4	-1.4	-0.0	-1.8	1.6	-4.7	-5.0	-5.3	-3.6	-6.7	-5.5	100.0
Exports, f.o.b. (BOP basis)	-0.1	-0.3	-1.1	0.3	-1.8	1.5	-4.3	-5.5	-4.7	-3.1	-5.6	-5.4	99.1

Source: Bank of Thailand

Export markets: exports to US, Australia, and CLMV expanded, while exports to EU (15), China, Japan, and ASEAN (5) continued to decline. Exports to the US and Australia grew by 0.2 and 8.4 percent, decelerating from 2.6 and 9.2 percent in the previous quarter respectively. Meanwhile, Exports to EU (15), Japan, and China fell by 4.4, 7.8, and 1.0 percent respectively. This was owed to the deceleration of the Chinese economies, as well as the slow recovery of the Japan and Eurozone economies. Export to ASEAN (9) fell by 10.6 percent.

Exports to US, Australia, and CLMV expanded, while exports to EU (15), China, Japan, and ASEAN (5) continued to contract.

This was mainly due to the fall in export to ASEAN (5), especially Malaysia, Singapore and Indonesia. The export to CLMV, however, grew by 7.2 percent, accelerating from 5.5 percent growth in the previous quarter. Meanwhile, export to Hong Kong and the Middle East contracted by 2.0 and 8.2 percent respectively.

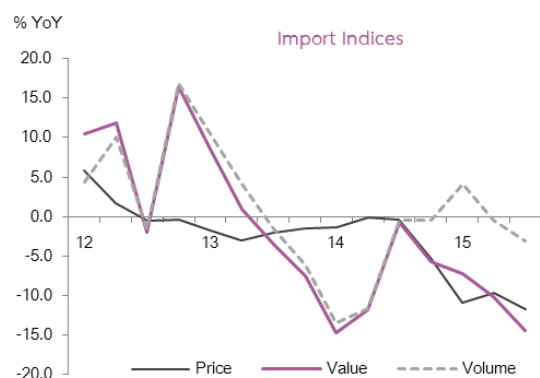
Export Value to Key Markets

(%YOY)	2013	2014						2015					Shared Q3/15
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	
Total Exports (Mil US\$) (Customs basis)	228,505	227,524	55,987	56,308	57,743	57,485	53,365	53,491	54,708	18,222	17,669	18,816	100.0
(%YoY)	-0.3	-0.4	-1.4	0.0	-1.8	1.6	-4.7	-5.0	-5.3	-3.6	-6.7	-4.9	100.0
United States	0.7	4.1	0.6	4.9	3.4	7.2	5.6	2.6	0.2	1.4	-1.9	2.9	11.2
Japan	-5.2	-2.2	0.7	-6.4	-1.2	-1.9	-9.2	-3.8	-7.8	-9.6	-6.7	-7.0	9.1
EU (15)	3.4	4.7	4.8	10.9	2.0	1.7	-3.9	-8.4	-4.4	-1.1	-2.3	-5.1	9.2
China	1.4	-7.9	-4.5	-4.2	-6.3	-15.3	-14.4	1.2	-1.0	-1.6	0.4	-5.4	11.3
ASEAN (9)	5.0	0.2	-5.4	-0.1	1.1	5.1	-2.4	-5.9	-10.6	-4.5	-14.9	-5.7	25.0
- ASEAN (5)*	2.0	-3.9	-11.0	-4.1	-4.2	4.3	-9.4	-11.8	-19.5	-13.1	-24.4	-12.9	15.0
- CLMV*	11.8	8.9	7.0	8.8	13.6	6.7	10.6	5.5	7.2	11.6	5.5	8.1	10.0
Middle East (15)	0.3	0.2	2.6	7.2	-6.0	-2.9	-7.9	-21.6	-8.2	-13.4	-8.5	-13.8	4.7
Australia	6.0	-10.1	-17.4	-20.3	-14.4	14.6	9.5	9.2	8.4	21.1	-2.3	9.2	4.7
Hong Kong	0.7	-4.4	-1.8	1.7	-13.5	-1.8	-11.5	-9.0	-2.0	-1.5	-7.2	-9.0	5.9
India	-5.3	8.4	-5.0	20.7	7.4	12.7	6.1	-4.8	-11.5	-8.0	-13.9	-2.6	2.4
South Korea	-4.0	-1.5	-13.3	-3.9	11.7	1.8	0.6	-16.4	-10.7	-9.6	-0.1	-7.8	1.9
Taiwan	-1.4	19.0	14.0	16.2	25.2	20.6	4.7	-11.5	-15.3	-2.0	-25.6	-6.5	1.6

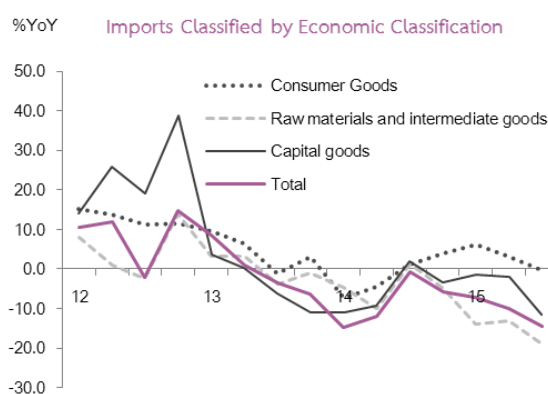
Source: Bank of Thailand

Imports contracted as the import volume and import price declined, especially the price of crude oil which fell considerably. In the third quarter of 2015, the value of import was recorded at 44,607 million US dollars, representing a decline of 14.5 percent, compared with a 10.1 contraction in the previous quarter. This was mainly due to the decline of import price which fell by 11.7 percent as the prices of crude oil, petroleum products, and chemical products fell. Meanwhile, import quantity fell by 3.1 percent owing to the decline in the import of other goods, especially gold (declined by 28.6 percent). With unwrought gold excluded, the value of import contracted by 13.8 percent. Import value excluding unwrought gold and crude oil contracted by 8.0 percent. In Thai baht term, the value of import was recorded at 1,571 billion baht, or a contraction of 6.1 percent compared with a 7.9 percent decline in the previous quarter.

Import value in USD term declined by 14.5 percent due to decline in import price and import quantity, especially raw materials and intermediate goods, and capital goods.



Source: Bank of Thailand



Source: Bank of Thailand

Overall, there was a decline in all categories of import. **The import value of raw materials and intermediate goods** declined by 19.1 percent due to a 17.0 and 2.5 percent decline in import price and import quantity respectively. The goods whose import value decreased include crude oil, petroleum products, chemical products and printed circuits. Nonetheless, there were import items whose value increased, including parts of electrical appliances and part of other electrical apparatus. **The import value of capital goods** declined by 11.5 percent (owing to the 3.6 and 8.2 percent decline in import price and import quantity respectively). Goods with a contraction in import value included computers, other machinery and mechanical appliances & parts, and aircrafts. Goods with a growth in import value included telecommunication equipments, medicinal and surgical equipment and supplies. **The import value of consumer goods** fell by 0.4 percent due to a 2.0 percent decline in import price. Meanwhile, import quantity increased by 1.6 percent, which is in line with the gradual increase in private consumption. The import items with a growth in value included toiletries and cosmetics, household electrical appliances, and textiles. **The value of other imports** decreased by 14.6 percent, especially the import of non-monetary gold which was recorded at 1,576.0 million US dollars, representing a decline of 28.6 percent.

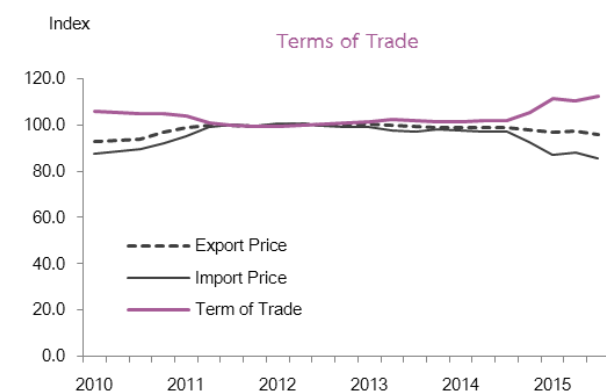
There was a decline in import value of raw materials and intermediate goods, capital goods, consumer goods and other imports.

Import Value of Major Product

%YoY	2013	2014						2015					Shared
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	Q3/15
Consumer goods	4.4	-1.7	-7.3	-4.5	1.1	4.0	6.3	3.2	-0.4	-3.2	15.8	-10.1	9.9
Medicinal and pharmaceutical products	8.3	-1.5	-12.4	3.9	4.5	-0.2	4.8	-1.9	-5.4	-6.3	14.4	-19.6	2.3
Toiletries and cosmetics	3.2	-10.7	-10.5	-24.5	0.0	-4.4	-7.4	-9.6	-12.4	-24.6	17.5	-21.4	1.4
Textiles	1.1	3.1	-7.5	9.8	5.7	5.1	23.8	4.7	-2.1	-10.4	5.6	-0.9	1.1
Raw materials and intermediate goods	0.5	-4.9	-4.7	-10.5	1.1	-5.0	-13.9	-13.2	-19.1	-13.4	-16.2	-27.0	55.7
Crude oil	9.8	-15.6	-4.3	-20.0	-5.2	-30.4	-47.6	-29.6	-42.9	-24.9	-53.1	-46.8	9.5
Petroleum products	10.2	27.8	42.3	25.1	35.2	4.8	-49.5	-45.7	-57.4	-63.0	-54.8	-53.8	1.9
Materials of base metal	-5.0	-5.8	-19.2	-15.5	7.6	8.6	-1.8	-12.6	-15.7	-2.5	-11.0	-31.2	8.5
Parts of electrical appliances	-2.5	-0.7	-4.5	-7.6	-0.4	10.3	6.7	1.2	0.1	-2.6	10.2	-6.3	13.4
Chemicals	-2.1	-2.1	3.3	-7.6	-4.5	1.8	-9.9	-5.5	-13.5	-8.1	-12.3	-20.1	5.8
Capital goods	-3.5	-5.5	-11.1	-9.2	1.9	-3.5	-1.5	-2.0	-11.5	-23.7	18.4	-20.8	25.9
Telecommunication equipment	5.3	5.9	-1.1	10.0	-1.4	14.2	10.4	-12.5	3.5	4.8	11.4	-4.5	3.5
Transformers, generators, motors, and accumulators	-18.1	13.3	4.1	17.5	18.3	13.2	-3.5	-12.8	-10.4	-20.0	7.8	-17.2	2.1
Mechanical appliances & parts	-13.0	-6.1	-9.8	-2.6	-5.4	-6.6	-8.7	-11.1	-8.3	-12.6	1.6	-12.8	9.9
Measuring, checking, and precision instruments	-9.3	-11.7	-16.5	-18.0	-6.9	-4.0	-1.8	-3.2	-1.5	-5.0	2.7	-1.9	1.6
Aircrafts	105.9	-31.9	-27.9	-89.5	85.4	-39.5	-2.7	452.8	-59.6	-75.3	566.0	-96.6	1.1
Ships' derricks / cranes / floating structures	9.6	-38.3	-47.4	-22.3	-29.1	-73.2	42.9	9.3	-82.9	-89.1	-28.3	-77.3	0.2
Other Imports	6.7	-39.8	-60.3	-39.5	-23.0	-22.3	23.2	-16.3	-14.6	23.5	-0.5	-48.4	8.6
Non-monetary gold (excl. articles of goldsmiths)	21.6	-56.1	-82.5	-51.8	-22.2	-34.3	100.1	-41.7	-28.6	82.9	-10.3	-82.3	3.1
Automotive	-6.2	-27.5	-31.7	-32.8	-27.9	-15.1	-6.3	-5.0	-1.0	-7.8	13.1	-6.5	4.5
Total Imports (Customs basis)	0.5	-9.0	-15.4	-12.9	-1.3	-5.6	-6.4	-9.4	-15.3	-12.7	-4.8	-26.2	100.0
Imports, f.o.b. (BOP basis)	-0.1	-8.5	-14.7	-11.8	-0.8	-5.8	-7.2	-10.1	-14.5	-10.6	-10.8	-21.3	88.5

Source: Bank of Thailand

Term of trade improved from previous quarter as export price decreased by 2.9 percent while import price decreased by 11.7 percent. Thus, the term of trade improved slightly from 110.6 in previous quarter to 112.2 in the third quarter of 2015, compared with 102.0 in the same quarter of last year.



Source: Bank of Thailand

Trade balance recorded a surplus for the ninth consecutive quarters. The trade balance in the third quarter of 2015 recorded a surplus of 9,616 million US dollars (equivalent to 339,969 million baht), compared with a surplus of 7,847 million US dollars (equivalent to 261,850 million baht) in the previous quarter and a surplus of 4,754 million US dollars in the same period last year.

❑ Production side

Agricultural sector: contracted following a declined production of major agricultural products, caused by drought and unfavorable prices. In this third quarter, agricultural sector dropped by 5.7 percent, compared with a 6.2 percent contraction in the previous quarter. This was in association with a 9.3 percent decrease of Agricultural Product Index attributed by (i) a 55.9 percent decrease of paddy production, continuously dropped from a 37.5 percent contraction in the previous quarter, caused by drought in May, (ii) a 17.4 percent decrease of oil palm production, caused by drought during 2014-2015, and (iii) a 18.5 percent decrease of fruit production, especially southern Langsat and mangosteen, caused by unfavorable weather. However, other agricultural productions expanded, namely cassava, rubber, and livestock with the growth rate of 2.4, 3.6, and 5.7 percent, respectively. **Agricultural Price Index** decreased by 4.8 percent for 7th consecutive quarters. The products with contracted price includes paddy (4.0 percent), rubber (14.8 percent), oil palm (15.0 percent), and white shrimp (15.9 percent) due to (i) highly competitive price of rice in the world market, (ii) sluggish economy and larger volume of rubber production in global market, as well as declined price of artificial rubber following dropped price of crude oil product, (iii) lower oil price following existing high inventory in world market, and (iv) higher volume of white shrimp production in both domestic and world market (Indonesia, India, Eduardo and Vietnam). The decreases of major agricultural products and prices led to lower farmers' income which dropped by 13.6 percent, compared with 15.1 percent contraction in the previous quarter.

Term of trade improved from previous quarter.

Trade balance recorded more surplus compared with previous quarter and with same period last year.

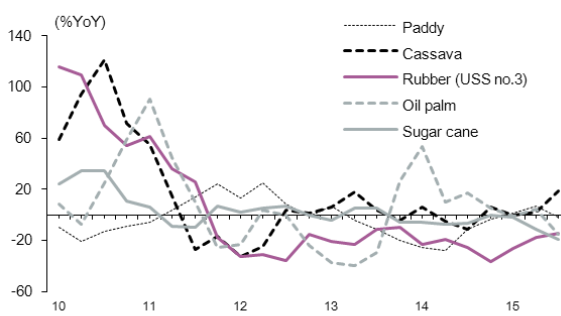
Agricultural sector dropped by 5.7 percent following a contraction of paddy, oil palm, and fruit production, as well as agricultural price which decreased by 4.8 percent. This led to lower farmers' income which dropped by 13.6 percent.

Farm income declined by 13.6 percent following a contraction in agricultural production and price



Source : OAE

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



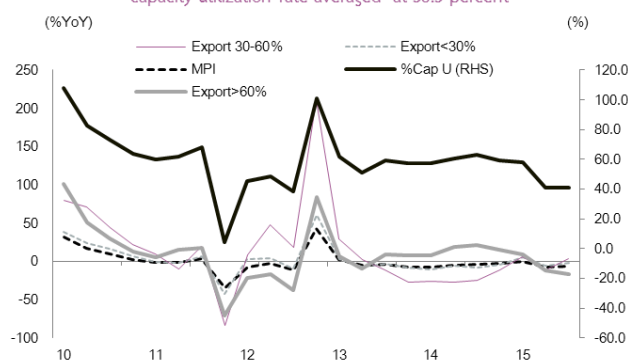
Source : OAE

Industrial sector: expanded owing to growth of domestic-oriented industries and a normal state of car production. Meanwhile, export-oriented industries dropped following the contraction of export volume. In this third quarter, industrial production expanded by 0.8 percent, compared with a 0.6 percent decrease in the pervious quarter. This was in line with a 5.9 percent increase in Manufacturing Production Index (MPI) (with export share of 30-60 percent of total production), compared with a 6.3 percent increase in the previous quarter. In details, the production with favorable growth included car production with a 8.1 percent increase, compared with a 8.1 percent decrease in the previous quarter, as well as sugar production with a 37.3 percent increase owing to higher demand. The MPI of domestic-oriented industries (with export share of less than 30 percent to total production) increased by 3.8 percent, especially a continual growth of petroleum production. Meanwhile, the MPI of the export-oriented industries (with export share of more than 60 percent to total production) contracted by 17.3 percent for 4th consecutive quarters, especially a declined growth of the television and radio equipment, as well as office appliance which dropped by 78.4 and 24.9 percent, respectively. This led to a drop of Manufacturing Products Index, which lowered by 6.1 percent.

In details, industries with positive growth included petroleum products (15.7 percent), vehicles (8.1 percent), chemical products (4.3 percent) and tobacco (2.1 percent). Industries which experienced contraction included textiles (7.8 percent), clothing (8.4 percent), rubber and plastic products (2.6 percent), hard disk drive (24.9 percent), electronic tube (14.2 percent), food and beverages (0.3 percent), machinery and parts (1.4 percent) and furniture (3.1 percent). The capacity utilization rate (CAPU) stood at 58.5 percent, compared with 55.6 percent in the previous quarter and 60.5 percent in the same period last year.

Industrial Sector expanded by 0.8 percent owing to growth of domestic-oriented industries. Meanwhile, the MPI of the export-oriented industries contracted following the contraction of export volume.

Manufacturing Production Index declined by 6.1 and the capacity utilization rate averaged at 58.5 percent



Source : OIE

Construction sector: expanded in public sector but contracted in private sector. In the third quarter of 2015, construction sector expanded by 7.7 percent, decelerating from a 17.8 percent growth in the previous quarter. In details, public construction rose by 17.5 percent, (government project rose by 20.8 percent, and state enterprises increased by 9.5 percent). Meanwhile, the private construction declined by 0.3 percent which was in line with the contraction of key indicators including permitted construction areas as well as sales of steel and cement products which decreased by 9.3, 8.3, and 3.3 percent, respectively. Price of construction materials continuously contracted by 5.7 percent owing to a contraction of energy cost and raw material price, especially steel price which remained low owing to an over-supply in the world market.

Real estate sector: continued to expand in both demand and supply. In the third quarter of 2015, real estate sector expanded by 2.5 percent, compared with a 1.4 percent expansion in the previous quarter. On demand side, housing right transfer in Bangkok and vicinities areas and personal housing credit expanded by 16.8 and 11.2 percent, respectively. On supply side, real estate development credit increased by 6.1 percent. Regarding price, overall prices increased, particularly for land, and condominium which increased by 10.8 and 10.0 percent, respectively.

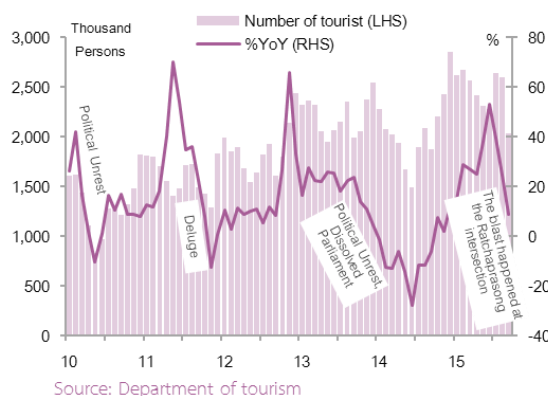
Hotel and restaurants sector: favorably expanded, albeit decelerating from the previous quarter. In the third quarter of 2015, hotel and restaurants sector expanded by 10.9 percent, decelerating from 18.7 percent in the previous quarter. Number of inbound tourists stood at 7.3 million persons or grew by 24.3 percent, decelerating from 37.6 percent in the previous quarter. Furthermore, the hike in inbound tourist was from all most of the region, except Africa. The number of tourists from East Asia (which accounted for 70.1 percent of inbound tourist) grew by 33.7 percent, decelerating from 61.9 percent in the previous quarter, caused by a blast at Rachaprasong Road in August 17th 2015. This led to a declined number of tourists which stood at 7.3 million persons or 8.7 percent in September 2015 (tourist records at Suwannabhum Airport decreased by 1.2 percent in October 2015). The highest number of inbound tourists were from China, Malaysia, Japan, Korea, and Lao PRD respectively. The tourism revenue amounted to 359.1 billion baht, increased by 25.4 percent. The average occupancy rate was at 58.4 percent, compared with 51.7 percent in the same period last year.

Construction sector expanded by 7.7 percent following a growth in public construction. Meanwhile, the private construction dropped.

Real estate sector expanded by 2.5 percent, gradually accelerated from 1.4 percent expansion in the previous quarter.

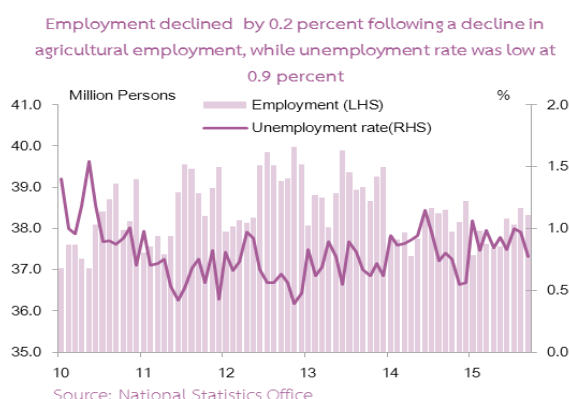
Hotel and restaurants sector expanded by 10.9 percent, decelerated from a 18.7 percent growth in the previous quarter. This was caused by a blast at Rachaprasong Road in August 17th 2015. Number of inbound tourists increased by 24.3 percent. The tourism revenue rose by 25.4 percent.

Number of inbound tourists stood at 7.3 million persons or grew by 24.3 percent



Wholesale and retail trade sector: expanded in line with an improvement in tourism sector. In the third quarter of 2015, wholesale and retail trade sector expanded by 3.9 percent, compared with a 3.7 percent expansion in the previous quarter. For wholesale trade, the wholesale trade index of durable goods, including textile, clothing, shoes, as well as housewares and non-durable goods, increased. For retail trade, the retail trade index in non-durable goods, including food and beverage, grew. However, the indices in department store, vehicle trading and maintenance, and fuel decreased.

Employment: dropped following a decrease in agricultural employment, while non-agricultural employment rose and unemployment remained low. In the third quarter of 2015, employment dropped by 0.2 percent following a 3.8 percent decline in agricultural employment. This was due to unfavorable prices and weather for agricultural production. However, non-agricultural employment rose by 1.7 percent, particularly in real estate, transportation and warehouse, construction and hotel and restaurant sectors which increased by 41.1, 5.6, 2.4, and 1.9 percent, respectively. Furthermore, employment in industrial sector expanded by 0.6 percent. Unemployment in this quarter was at 356,020 persons or rose by 9.0 percent from the same period last year. The unemployment rate remained low at 0.9 percent.



Employed Persons by Industry

%YOY	2014					2015					
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.
Employed (100%)	-0.4	-0.4	-1.2	0.3	-0.1	-0.5	-0.2	-0.2	-1.0	0.3	-0.3
- Agricultural (33.9%)	-2.4	1.0	-2.9	-2.2	-4.9	-4.4	-5.8	-3.8	-8.2	-0.9	-2.7
- Non-Agricultural (61.1%)	0.7	-1.0	-0.3	1.7	2.5	1.3	2.6	1.7	2.8	1.0	1.0
Manufacturing (16.6%)	1.6	-0.8	1.9	1.0	4.4	1.2	3.0	0.6	1.5	0.7	-0.7
Construction (5.6%)	-5.0	-7.2	-6.4	-3.0	-2.5	1.9	2.5	2.4	8.4	3.3	-3.4
Wholesale (15.9%)	-0.2	-1.5	-2.7	3.2	0.4	-2.6	2.0	-0.2	1.4	-3.1	0.1
Hotel and Restaurant (6.7%)	1.2	-2.0	-1.9	4.6	4.7	2.3	3.6	1.9	1.1	-0.1	6.4
Unemployment (Hundred thousand persons)	3.2	3.4	3.9	3.3	2.4	3.6	3.4	3.6	3.8	3.8	3.0
Unemployment Rate (%)	0.8	0.9	1.0	0.8	0.6	0.9	0.9	0.9	1.0	1.0	0.8

Source: NSO

□ Fiscal Conditions

On the revenue side, in the last quarter of the fiscal year 2015 (July-September 2015) the net government revenue collection stood at 577,454.5 million baht, higher than the same quarter of last year by 9.9 percent. The key contributing components included an increase in excise tax rate on diesel fuels, and the revenues from state-owned enterprises. Nonetheless, the net tax revenue in this quarter was still lower than the target by 8.1 percent, due to the economic slowdown and the fall of crude oil price, which caused a fall in the revenues from corporate income tax, value-added tax (VAT) and petroleum income tax.

For the whole fiscal year 2015, the net government revenue collection stood at 2,207,475.0 million baht, increasing by 6.4 percent from last year, but lower than the projection by 5.1 percent.

Wholesale and retail trade sector expanded 3.9 percent in line with an improvement in tourism sector and household consumption.

Employment dropped by 0.2 percent following a decline in agricultural employment. Meanwhile, non-agricultural employment rose. The unemployment rate remained low at 0.9 percent.

The net government revenue collection increased by 9.9 percent, due to an increase in excise tax rate on diesel fuels, and revenues from SOEs. However, it was still lower than the target by 8.1 percent

Government Revenue

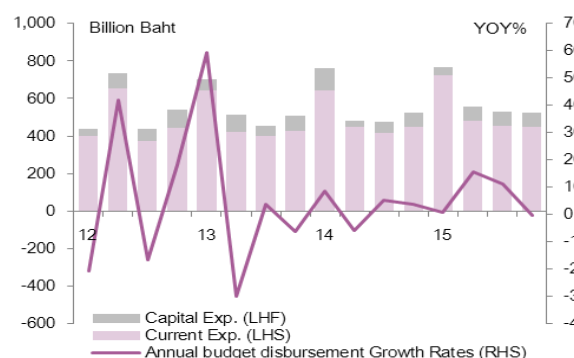
Fiscal Year (Billion Baht)	2013	2014					2015				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Net Government Revenue	2,161.6	2,075.3	503.5	437.2	608.5	526.2	2,207.5	507.5	469.9	652.5	577.5
Compared with the target (%)	2.9	-8.8	2.5	-6.1	-13.8	-14.0	-5.1	1.1	-0.7	-9.6	-8.1
YOY (%)	9.4	-4.0	-1.0	-6.9	-5.2	-2.8	6.4	0.8	7.5	7.2	9.9

Source: Ministry of Finance

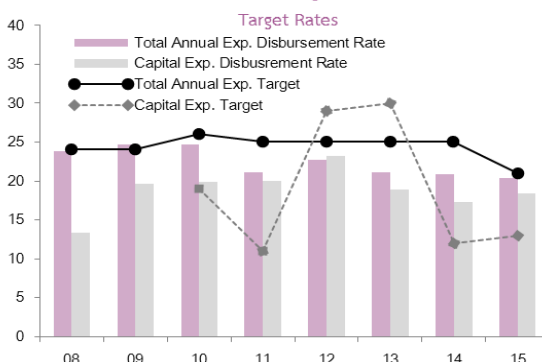
On the expenditure side, the total budget disbursement in the last quarter of the fiscal year 2015 was at 711,366.3 million baht, increased by 8.4 percent from the same period last year. Classified by its source of funds, the government disbursements are as follows: **(i) the 2015 annual budget disbursement** in this quarter was at 524,766.2 million baht, decreased by 0.2 percent from the same period last year, or equivalent to 20.4 percent of the 2015 annual budget. However, it was lower than the target and the same period last year rates of 21.0 and 20.8 percent, respectively. In detail, the current expenditure was disbursed at 448,331.9 million baht, declined by 0.6 percent from the same period last year (equivalent to 20.8 percent of total budget, which were lower than the rate of the same period last year of 21.5 percent). Meanwhile, the capital expenditure was disbursed at 76,434.3 million baht, increased by 2.1 percent compared with the same period last year. (equivalent to 18.4 percent of annual capital budget, which were higher than the target and the same period last year rates of 13.0 and 17.4 percent, respectively.);

The capital budget disbursement rate was achieved the target and higher than the rate of same period of last year.

Annual Budget Disbursement



Source: GFMIS

The 4th Quarter Annual Budget Disbursement and

Source: GFMIS

(ii) the carry-over budget disbursement was at 46,040.2 million baht, increased by 31.8 percent from the same period last year (equivalent to 13.1 percent of the overall carry-over budget, which were higher than the rate of the same period last year of 11.6 percent); **(iii) the off-budget loans** disbursement was at 4,289.4 million baht. The off-budget loans consisted of The Thai Khem Kaeng stimulus package phase II (TKK) of 3,678.3 million baht and the Development Policy Loan (DPL) of 611.0 million baht; **(iv) state-owned enterprises' capital expenditure budget¹** was expected to disburse in this quarter at 119,363.4 million baht, increased by 33.9 percent, compared with the same period last year. The main contributors were the PTT Public Limited, Electricity Generating Authority of Thailand, Provincial Waterworks Authority, Mass Rapid Transit Authority of Thailand, State Railway of Thailand, Thai Airways International Public Company Limited and Airports of Thailand PLC and; **(v) The government's fiscal stimuli measures** were disbursed at 16,907.1 million baht, which includes the special budget reallocating from TKK of 3,610.9 million baht and Economic Stimulus Package phase II: Loans for water resource management and road transport system projects of 13,296.1 million baht. Meanwhile the Economic Stimuli Package phase I, i.e. the paddy and rubber farmer income assistance programs, has already ended last quarter.

¹ The figure is calculated by subtracting SOE capital budget allocated from the 2015 annual budget, 3,316.1 million baht, from the overall SOE capital budget. This figure is already included in the 2015 annual budget reported in (i).

For the whole fiscal year 2015; (i) the annual budget disbursement amounted to 2,378,264.1 million baht, increased by 5.9 percent from the previous year (the disbursement rate was at 92.5 percent, fell short from the target of 97.0 percent, but were higher than the same period last year rate of 89.0 percent). The capital budget disbursement of 271,559.3 million baht, decreased by 4.4 percent from last year (equivalent to 65.3 percent of total capital budget, lower than the target and the previous year's disburse rates of 87.0 percent of 65.8 percent, respectively). The major contributors were Ministry of Transport, Ministry of Interior, Ministry of Agriculture and Cooperatives, and Ministry of Education, and, with the ratio towards actual capital budget disbursement of 34.4, 14.6, 14.1 and 9.9 percent, respectively; (ii) the carry-over budget disbursement of 223,306.9 million baht, which was 63.5 percent of total carry-over budget, but lower than the fiscal year 2014's disbursement rate of 70.8 percent; (iii) the off-budget loans disbursement of 18,352.0 million baht; (iv) State-owned enterprises' capital budget disbursement of 450,657.7² million baht and; (v) The government's economic stimulus packages phase I and II disbursement of 73,135.8 million baht.

Fiscal Balance: in the last quarter of fiscal year 2015, the budgetary balance recorded a deficit of 5,507.9 million baht, decreased by 86.0 percent from the same period last year. However, the non-budgetary balance recorded a surplus of 99,207.7 million baht. In the meantime, the government conducted a cash balance management through borrowing total of 68,638.0 million baht. Therefore, the cash balance after debt financing recorded a net surplus of 162,337.8 million baht, which was higher than the same period last year by 55.4 percent.

Therefore, summing up the treasury reserve recorded at the end of 2014 fiscal year of 495,746.3 million baht and the deficit of the whole fiscal year 2015 of 69,570.3 million baht, the treasury reserve at the end of the fiscal year 2015 amounted to 426,176.8 million baht, which was lower than the end of fiscal year 2014 by 14.0 percent.



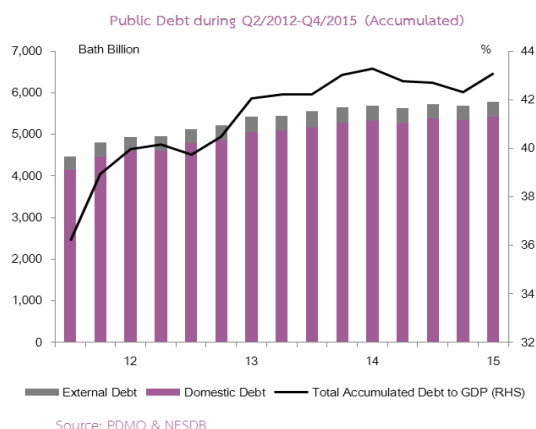
Public Debt, at the end of the fiscal year 2015, was accumulated at 5,783,323.2 million baht (equivalent to 43.1 percent of GDP). The public debt was comprised of domestic loans of 5,423,040.1 million baht (40.4 percent of GDP) and foreign loans of 360,283.1 million baht (2.7 percent of GDP).

The components of public debt consisted of Direct Government debt at 4,157,394.8 million baht (71.9 percent of total public debt), State Enterprises debt (non-financial Institution) at 1,065,199.9 million baht (18.4 percent), and Special Financial Institutions debt (guaranteed by the government) at 542,296.4 million baht (9.4 percent).

At the end of 2015 fiscal year, the treasury reserve amounted at 426,176.8 million baht

The Public Debt was at 43.1 percent of GDP and remains under the fiscal prudential framework.

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



Financial Conditions

The policy rate remained unchanged throughout the third quarter of 2015. In both meetings on the 5th August and 16th September 2015, the Monetary Policy Committee (MPC) held policy rate steady at 1.50 percent per annum. The decisions were based on the assessment that the current policy rate is at an appropriate level to support the economic recovery and was also in line with the decision of major countries. Meanwhile, Canada, Norway, Sweden, New Zealand, China, India, and Russia reduced their policy rates in the third quarter. Moreover, Taiwan decided to lower its policy rate by 0.125 percent for the first time since 2009. Furthermore, in October 2015, FED, BOJ, and ECB³ continued to maintain their accommodative monetary policy measures. Likewise, China continued to reduce its policy rate by 25 basis points in order to stimulate its economy, which was its fifth reduction in 2015. On top of that, on 14th October 2015, Singapore decided to reduce the appreciation pace of the Singapore dollar in order to support its economic growth. Despite the on-going policy rate reduction in various countries, the MPC continued to keep policy rate at 1.50 percent per annum in the latest MPC meeting on 4th November 2015.

Average deposit rates of all commercial banks declined while average lending rates remained stable relative to the previous quarter. During the third quarter of 2015, the average 12-month deposit rates of four major commercial banks, medium-sized commercial banks, and retail banks were decreased to 1.46, 1.53, and 2.30 percent per annum, respectively. On the contrary, the overall lending rates remained at the same level at 6.52, 6.93, and 8.62 percent per annum, respectively. Consistently, Specialized Financial Institutions (SFIs) kept their average 12-month deposit and lending rates stable at 1.73 and 6.78 percent per annum, respectively. Moreover, in October 2015, one of the major commercial banks slightly reduced its deposit rate.

Real deposit rate shifted downward, while real lending rate remained unchanged, compared with the previous quarter. The real deposit rate decreased to 2.53 percent per annum following a reduction in deposit rate of commercial banks. Meanwhile, the real lending rate remained unchanged at 7.59 percent per annum due to the same level of MLR interest rate and inflation rates at the end of the second and third quarter.

The policy rate was kept unchanged at 1.50 percent per annum, in line with monetary policy direction of major economies in the third quarter of 2015, while many countries continued to loosen their monetary policy.

Average deposit rates of commercial banks declined while average lending rates remained stable from the previous quarter.

Real deposit rate decreased following a reduction in deposit rate while real lending rate remained unchanged

³ In the October 2015 meeting, the ECB raised the securities issued share limit in the Public Sector Purchase Program, and signaled for the additional quantitative easing (QE) measures in the next meeting on December, 2015.

Policy Interest rate

At the end Period	2014					2015						
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	Oct.
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	0-0.25
EU	0.05	0.25	0.15	0.05	0.05	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	0.10
Canada	1.00	1.00	1.00	1.00	1.00	0.75	0.75	0.50	0.50	0.50	0.50	0.50
Sweden	0.00	0.75	0.75	0.25	0.00	-0.25	-0.25	-0.35	-0.35	-0.35	-0.35	-0.35
Norway	1.25	1.50	1.50	1.50	1.25	1.25	1.00	0.75	1.00	1.00	0.75	0.75
Australia	2.50	2.50	2.50	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.00	2.00
New Zealand	3.50	2.75	3.25	3.50	3.50	3.50	3.25	2.75	3.00	3.00	2.75	2.75
Russia	17.00	7.00	7.50	8.00	17.00	14.00	11.50	11.00	11.50	11.00	11.00	11.00
China	5.60	6.00	6.00	6.00	5.60	5.35	4.85	4.60	4.85	4.60	4.60	4.35
Korea, South	2.00	2.50	2.50	2.25	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.50
India	8.00	8.00	8.00	8.00	8.00	7.50	7.25	6.75	7.25	7.25	6.75	6.75
Indonesia	7.75	7.50	7.50	7.50	7.75	7.50	7.50	7.50	7.50	7.50	7.50	7.50
Thai	2.00	2.00	2.00	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.50

Source : CEIC

Deposits including Bill of Exchange (B/E) of commercial banks expanded by 5.4 percent in this quarter, decelerating from 7.0 percent in the previous quarter. The scenario was in accordance with a reduction in deposit rate of commercial banks as a result of a gradual pace of economic recovery. Moreover, the unfavorable of economic condition has resulted in a low level of deposit demand.

Private loans (excluding accrued interest) of all commercial banks grew by 5.7 percent, slightly accelerating from 5.3 percent growth in the previous quarter following an improvement in business loans. The acceleration of business loans, an increase of 3.1 percent growth compared with a 1.7 percent growth in the previous quarter, was driven by loans in agriculture, real estates and construction sectors. Meanwhile, household loans slowed down to 6.9 percent, compared with 7.2 percent in the previous quarter as a result of deceleration in credit card and personal consumption loans. This action was in line with Senior Loan Officer Survey⁴ in the third quarter of 2015, presented by the Bank of Thailand. According to the survey, a declining trend in household demand for loans, as well as the higher restrictions imposed by the financial institutions regarding the household loans, has put a high level of caution in loans approval, specifically in Small and Medium Enterprises (SMEs). Despite the stable trend in SMEs loans, loans demand for large-scaled corporations heightened.

Loan-to-deposit ratio of commercial bank system increased, while excess liquidity⁵ declined from the previous quarter. Commercial bank's credit (excluding repurchase position: RP) to deposit (including B/E) rose from 98.6 percent in the previous quarter to 98.9 percent in the third quarter of 2015 as a result of an increase in commercial bank loans, together with the decline in deposit (including B/E). This was consistent with the decrease in excess liquidity from 1,657.7 billion baht in the previous quarter to 1,556.9 billion baht in this quarter.

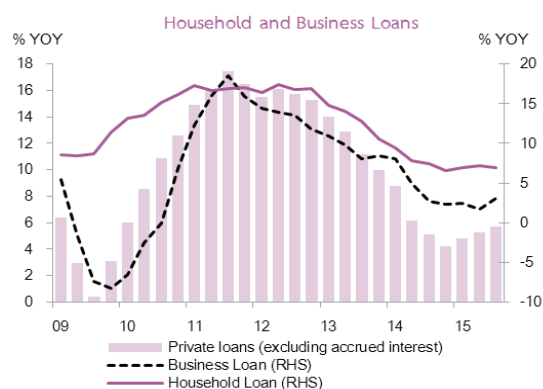
Deposits including Bill of Exchange (B/E) of commercial banks decelerated from the previous quarter

Private loan of all commercial banks improved from the previous quarter as the business loan enhanced. In contrast, household loans declined.

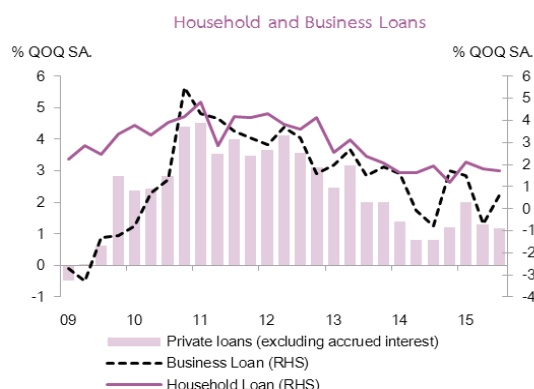
Loan-to-deposit ratio of commercial bank system increased. On the contrary, excess liquidity declined.

⁴ The Bank of Thailand conducts a quarterly credit conditions survey to review opinions of senior loan officers from financial institutions as well as credit card and personal loan companies under supervision (non-banks). In 2015 Q3 survey, the Bank of Thailand received feedbacks from 21 banks and 13 non-banks, which altogether covered about 84.3 percent of total credits in the financial system.

⁵ Excess liquidity equals to 90 percent of net repurchase position +40 percent of net foreign assets +50 percent of investment in government and Bank of Thailand bond.



Source: BOT

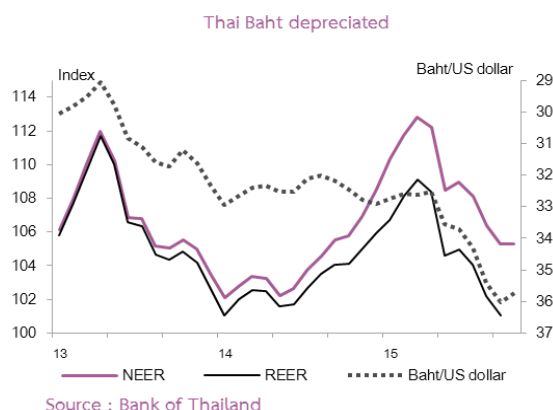


Source: BOT

Thai Baht against US dollar has depreciated throughout the quarter as a result of foreign monetary policy practices and the deceleration of Chinese and Asian economies. Contributing to the depreciating trend of Thai baht in this quarter were (i) appreciation of US dollar induced by the expectation concerned with the FED policy rate hike in September, (ii) devaluation of the official RMB fixing rate by the People's Bank of China, and (iii) foreign investors' net capital outflow in the equity and bond markets caused by slower growth prospects in Chinese and Asian economies. Nevertheless, Thai baht, as well as other economies in the region, experienced a slight appreciation in domestic currencies after the FOMC decided to postpone the policy rate hike in the 16th – 17th September meeting. However, this figure has been reverted back in the late September where there were abrupt depreciations in regions' domestic currencies.

Overall, an average exchange rate in the third quarter of 2015 stood at 35.26 baht per US dollar, depreciating by 5.92 percent relatively to the previous quarter. In October, Thai baht experienced some fluctuations mainly induced by the market expectation towards the path of the Fed policy rate hike. Initially, Thai baht started to appreciate due to the downward revisions towards timing of Fed policy rate hike after the economic performances in the US and China were behind targets. However, after the FOMC meeting in 27th – 28th October where market expectation was reverted towards the potential for the Fed policy hike in December, the Thai baht has been pushed downward again. As a result, an average Thai baht in October was 35.73 baht per US dollar; appreciating by 0.81 percent compared with the previous month. Moreover, Thai baht during 2nd – 13th November continued to fluctuate in a depreciating trend with an average exchange rate of 35.70 Baht per US dollar.

Nevertheless, in the third quarter of 2015, Thai baht against trading partners was at 105.3, depreciating by 3.5 and 0.2 percent relative to the previous quarter and the same period of last year, respectively. Consistently, the Real Effective Exchange Rate (REER) depreciated by 3.7 and 2.9 percent compared with the previous quarter and the same period of last year, respectively.



Source : Bank of Thailand

Thai Baht against US dollar has depreciated throughout the quarter as a result of foreign monetary policy practices and the deceleration of Chinese and Asian economies.

⁶ The BOT began using the new NEER and REER in March 2013. The base year would also be changed to 2012, that the indicators could capture the true structure of trade in line with changing international trade dynamics.

Capital and financial account recorded an outflow position, reversing the inflow in the previous quarter. In the third quarter of 2015, capital and financial account registered a net outflow of 7.35 billion US dollars, compared with an inflow of 0.73 billion US dollars in the previous quarter. This was mainly due to (i) a net-sell position posed by foreign investors in Thai stock and bond markets, (ii) investment of the domestic businesses outside Thailand, (iii) Thai investors' investment in short-term foreign bonds, and (iv) trade credit granted by Thai exporters to partner countries. Moreover, Foreign Direct Investment (FDI) increased from 1.08 billion US dollars in the previous quarter to 2.30 billion US dollars in this quarter.

Capital and financial account record an outflow compared with an inflow in the previous quarter

Capital Flow

(Billion USD)	2014			2015					
	Year	H1	H2	H1	Q1	Q2	Q3	Aug.	Sep.
Capital and financial account	-16.4	-8.6	-7.9	-1.3	-2.0	0.7	-6.8	-2.9	-1.9
Government	1.4	-1.3	2.7	-0.8	-0.4	-0.5	-0.9	-0.5	-0.6
Monetary Authorities	-3.0	0.4	-3.3	-0.8	-0.4	-0.4	-1.2	0.0	-0.1
Bank	-5.3	-0.9	-4.4	-2.9	-3.2	0.3	-4.9	-2.3	-0.6
Others	-9.7	-6.7	-3.0	3.2	1.9	1.3	0.6	0.0	-0.6
Direct Investment	-0.6	0.9	-1.5	-0.2	0.6	-0.9	-0.5	-0.2	-0.9
Thai investor	-4.3	-1.7	-2.6	-4.2	-2.3	-2.0	-2.8	-0.6	-1.4
Foreign investor	3.7	2.6	1.1	4.0	2.9	1.1	2.3	0.4	0.5
Portfolio Investments	-12.1	-5.9	-6.2	-5.2	-2.5	-2.6	-4.7	-1.1	-1.8
Thai investor	-7.4	-4.7	-2.7	-1.3	-0.9	-0.4	-0.8	0.5	-0.8
Foreign investor	-4.7	-1.2	-3.5	-3.9	-1.6	-2.2	-3.9	-1.6	-1.0
Loans	-5.4	-1.6	-3.8	-1.3	-2.3	0.9	-2.3	-0.6	0.2
Other	1.6	-2.1	3.6	5.3	2.0	3.3	0.1	-1.0	0.2

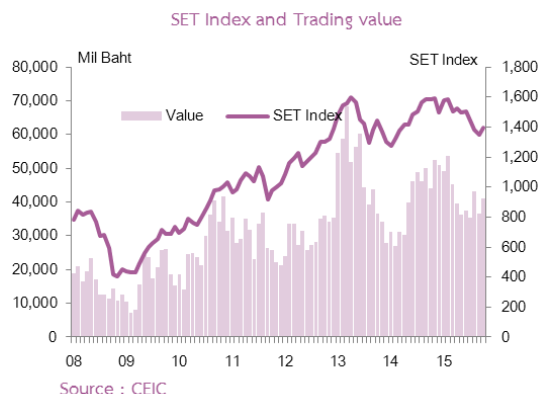
Source: BOT

SET Index fluctuated in a downward trend due to the setback of foreign investment driven by concerns towards slower growth in Chinese and Asian economies, entwined with the uncertainty against timing of FED policy rate hike. Throughout the third quarter, SET Index was influenced negatively owing to both negative domestic and international factors. Contributing to the disruptive growth were (i) severe drought in Thailand which cast a shadow on overall economy, (ii) decline in export which misses expectation by a large margin, (iii) decelerating outlook of the Chinese economy which was worsened by financial turbulence in Chinese stock market, and (iv) the expected path of FED policy rate hike which played a significant role in inducing the foreign capital outflow from the region. Altogether, SET was tilted to the downside as the prospective business performances were distressed and the stock returns in terms of Thai baht were perceived to be lower from the currency depreciation. Thus, in the end of the third quarter, SET index closed at 1,349.0 points, stepping down from the previous quarter by 10.3 percent. However, an average trading volume slightly increased to 38.3 billion baht per day, compared with 37.8 billion baht per day in the previous quarter. In this quarter, foreign investors imposed a net sell position of 91.9 billion baht, while domestic and institutional investors posed the net buy positions of 73.5 and 24.6 billion baht, respectively.

SET Index fluctuated in a downward trend due to the setback of foreign investment

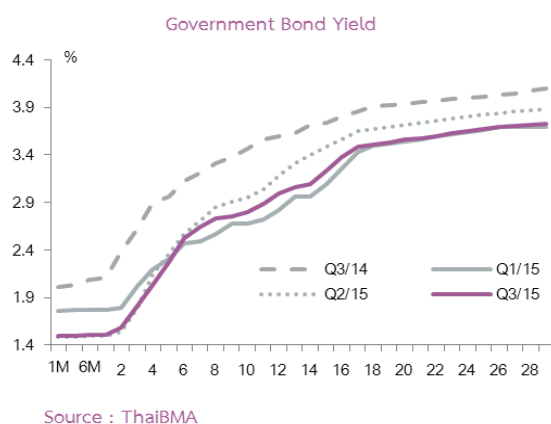
In October, SET index experienced a gradual pickup and closed at 1,394 points, equaling a 3.4-percent increase from the previous month with the boost from net buy position of the proprietary investors. The slight rebound in SET was contributed by (i) additional economic stimulus scheme rolled out by the government, (ii) dwindling unease of Chinese economic slowdown as its GDP growth in the third quarter was narrowed down to the expectation, and (iii) the gradual rebound of global crude oil price. Furthermore, SET index during 2nd – 13th

November continued to fluctuate with a slight downward trend, as a result of concerns towards the potential FED policy rate hike, and the expected decline in business performances in the telecommunication sector.



Yields on shorter-term government bonds slightly rose owing to Thai baht depreciating trend and transitory influences, reversing the downward shift in longer-term yields, consistent with the moves in US government bonds. At the end of the third quarter in 2015, Thai government bond yield showed some reversing movements across different maturities. Despite a slight rise in yields on shorter-term government bonds from Thai baht depreciation trend and transitory influences, yields on medium- to longer-term bonds, which generally reflect market participants' expectations for global economic prospects, shifted downward in accordance with the movement in US government bonds. Contributing to this downward shift was concerns of sluggish growth in Chinese economy, which induced investors to raise their safe portion in the portfolio. As the third quarter ends, foreign investors registered a net-sell position of 29.9 billion baht, compared with the net-sell position of 26.4 billion baht in the previous quarter. Moreover, an average daily outright transaction dropped to 74.6 billion baht per day, which is lower than the previous quarter of 90.7 billion baht per day.

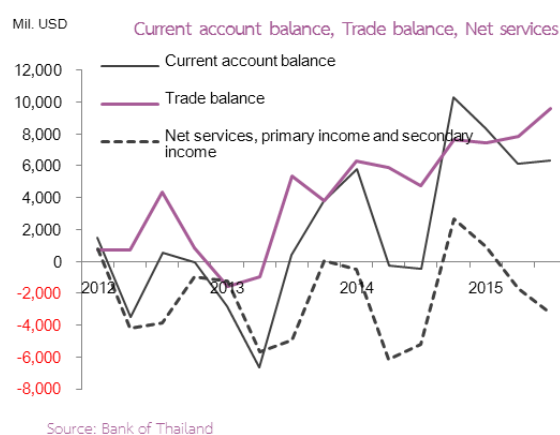
In October, Thai government bond yields in all maturities shifted downward, specifically the decline was more noticeable in medium- and longer-term bonds, as a result of foreign capital inflow owing to the potential delay of US policy rate hike, and diluting pressure on Chinese economic outlook. Thus, in October, foreign investors registered a high net-buy position at 52.1 billion baht; consistently, an average daily outright transaction rose to 88.1 billion baht per day.



Current account registered a surplus in the third quarter of 2015, with a surplus of 6,367 million US dollars (224,010 million baht), compared with a surplus of 6,157 million US dollars (205,002 million baht) in the previous quarter and a deficit of 478 million US dollars in the third quarter of 2014. This was a result of a trade surplus of 9,616 billion US dollars and a deficit in services, primary and secondary income of 3,250 billion US dollars.

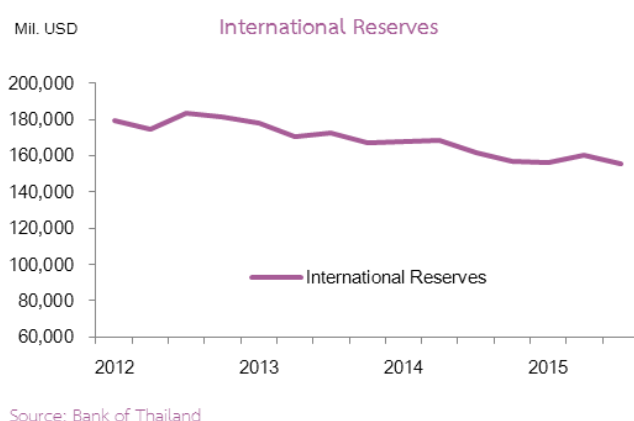
Yields on shorter-term government bonds slightly rose, reversing the downward shift in longer-term yields.

Current account registered a surplus.



International reserve at the end of September 2015 stood at 155.53 billion US dollars (excluded net forward position of 13.3 billion US dollars), which was equal to 2.8 times of short-term foreign debt (at the end of the second quarter of 2015) or 10.5 months of import value (the average of import value in the third quarter of 2015).

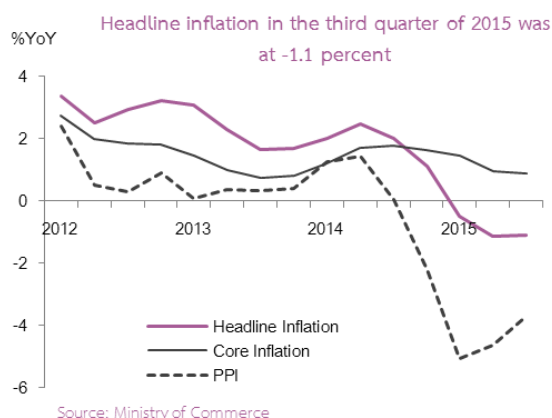
International reserve at the end of September 2015 stood at 155.53 billion US dollars.



Headline Inflation in the third quarter of 2015 was at -1.1 percent, maintained from the previous quarter due to a decline of energy price. **Food-and-Beverage price index increased by 1.2 percent** due to a raise up price of vegetables and fruits. Meanwhile, **non-Food-and-Beverage price index declined by 6.3 percent** due to a decline in energy price, mainly due to the decline in domestic retail fuel prices, which in the line with the drop in global crude oil price, as well as the cut of LPG price and the cut of the Energy Adjustment Cost (Ft) during May to August 2015 by 0.09 baht per unit and during September to December 2015 by 0.03 baht per unit ads price of natural gas fell. Consequently, the energy price indices declined by 16.4 percent compared with a decrease of 14.2 percent in the previous quarter. The Core Inflation stood at 0.9 percent, compared with 1.0 percent in the previous quarter.⁷

Headline inflation in the third quarter of 2015 was at -1.1 percent.

⁷ In October 2015, headline inflation was -0.8 percent. Core inflation was at 1.0 percent. In the first 10 Months of 2015, headline inflation was at -0.9 percent. Core inflation was at 1.1 percent.



Producer Price Index (PPI) in the third quarter of 2015 declined by 3.7 percent, compared with 4.6 percent contraction in the previous quarter, due to the fall in manufactured products. **The price of manufactured products** declined by 4.9 percent, especially the petroleum price, rubber product and plastic. **Meanwhile, the price of agricultural products** increased the first time in the fourth quarters, by 1.8 percent, due to the increased in the prices of agricultural products. **The price of Mining product** increased by 0.5 percent.⁸

Producer Price Index (PPI) in the third quarter of 2015 declined by 3.7 percent.

⁸ In October, 2015, Producer Price Index declined by 3.1 percent. In the first 10 months of 2015 Producer Price Index declined by 4.4 percent.

2. Crude Oil price in Q3/2015

The crude oil price in the global market declined for the fifth quarters. In the third quarter of 2015, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 49.37 USD per barrel or a decline of 50.9 percent, compared with the same period last year, which stood at 100.63 USD per barrel. This was a decline in all markets. However, crude oil price in the third quarter of 2015 decreased 19.0 percent, compared with the previous quarter

Key reasons of decline in global crude oil price included (1) an increase in global supply as OECD (US and Canada) and OPEC countries increased their production to 26.55 and 37.73 million barrels per day respectively (higher than the level of 25.79 and 36.52 million barrels per day the same period last year), caused the global oil production in this quarter was at 96.34 million barrels per day (higher than the level of 93.73 million barrels per day the same period last year) and (2) the gradual increased in global demand due to the slow pace of global economy recovery, especially Japan and China.

The crude oil price in the global market declined due to an increase in global supply from the rise of production in OPEC and OECD countries and the global slowdown.

Crude oil price

Year		USD/Barrel					(%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2013	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
	10M	102.32	102.16	105.11	97.81	101.85	-2.7	-2.8	-3.3	-0.8	-2.4
	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	Q1	52.82	52.03	54.99	48.64	52.59	-49.4	-50.1	-49.0	-50.6	-49.3
	Q2	61.30	61.12	63.54	57.97	60.98	-42.3	-42.4	-42.1	-43.7	-42.6
	Q3	49.87	49.71	51.28	46.61	49.37	-50.9	-50.9	-50.4	-51.6	-50.9
	Jul.	56.50	56.31	57.16	51.49	55.37	-46.8	-46.9	-47.2	-49.7	-47.6
	Aug.	47.60	47.58	48.14	42.85	46.54	-53.3	-53.1	-53.4	-55.4	-53.8
	Sep.	45.51	45.24	48.54	45.49	46.19	-53.0	-53.0	-50.8	-49.7	-51.7
	Oct.	45.98	45.77	49.35	46.33	46.86	-47.0	-47.2	-44.1	-45.2	-45.9
	10M	53.80	53.44	55.88	50.60	53.43	-47.4	-47.7	-46.8	-48.3	-47.8
	1-12 Nov.	44.49	44.26	47.53	44.73	45.25					

Source: Thailoil Plc

WTI Price Projection

Institution	USD /barrel	
	2015	2016
Deutsche Bank AG	52.68 (Oct 2015)	65.00 (Oct 2015)
EIA	49.53 (Oct 2015)	53.57 (Oct 2015)
Barclays	50.80 (Oct 2015)	59.00 (Oct 2015)
Nomura International Hong Kong	55.80 (Oct 2015)	62.00 (Oct 2015)

Source: Collected by NESDB

3. The World Economy in Q3 and the year 2015

In the third quarter of 2015, the economic growths in most advanced countries have been persistently weaker than the previous quarter. Much of that slowdown has been concentrated in the US and the Chinese economies. Moreover, the economic recoveries in the Eurozone and the Japanese economy have been on a slower pace. The slowdown in major countries significantly impacted on lower growth in most major Asian economies, together with decline in exports. Meanwhile, inflation continued to remain low while many countries experienced negative inflation rates. According to above conditions, several countries continued their accommodative monetary policies and some also decided to place additional easing monetary policies for further supporting economic activities as well as to soften deflationary pressure. As a result of slower economic growth in major countries in the first half of 2015 and a continued slowdown in the third quarter, the global growth is projected at 3.0 percent, the slowest growth in previous seven years, and slightly lower than 3.2 percent in 2014

- ❑ **US economy.** In the third quarter of 2015 US economy expanded by 2.0 percent, down from 2.7 percent in the second quarter and remarked as the lowest growth in six quarters. The slowdown owed mainly to the rundown of inventory, weaker export, and the slow investment in nonresidential structures. However, household consumption still expanded well in line with further improvement in the labor market which led to the lowest unemployment rate in seven and a half years. Inflation remained low at 0.3 percent, unchanged from the previous quarter. With less favorable economic activities, subdued inflation, and further downward risk from the global economy, on 27-28th October 2015, the Federal Open Market Committee (FOMC) decided to maintain the policy rate at 0.0-0.25. The US economy in 2015 is expected to expand by 2.5 percent, compared with 2.4 percent in 2014.
- ❑ **EU economy was underway of a recovery while experiencing higher deflationary pressures.** In the third quarter of 2015, the EU economy grew by 1.6 percent, compared with 1.5 percent in the second quarter. A continued recovery in this quarter was mainly driven by the improvement in household spending and production sectors in line with a gradual expansion of household credits and a continued improvement in PMI index. Meanwhile, the unemployment rate has gradually declined through remained high with an average of 10.9 percent, particular in countries that experienced with severe economic crisis. Moreover, inflation declined from 0.2 percent in the second quarter to 0.1 percent, exhibiting higher risks of deflationary pressure as a result of lower oil price. Following such conditions, in the meeting on 22 October 2015⁹, the European Central Bank (ECB) decided to maintain interest rates and continued the 60 billion Euro quantitative easing measure (QE) until September 2017. The Eurozone economy is expected to expand by 1.5 percent in 2015, recovering from the 0.9 percent in 2014
- ❑ **Japanese economy showed a fragile recovery.** In the third quarter, the Japan economy slowed down from the previous quarter owing to a weaker export and a softened domestic consumption in line with lower domestic confidence. Meanwhile, inflation dipped back into a low level with fifth consecutive quarterly declines. Due to a weaker economy and lower inflation, Bank of Japan (BOJ) continued to maintain monetary easing measure by expanding monetary base of 80 trillion Yen per year. The Japanese economy is expected to expand by 0.6 percent in 2015, higher than a contraction of 0.1 percent in 2014.
- ❑ **Chinese economy hit a 6-year-low growth rate.** The economic growth in the third quarter was 6.9 percent, slowing from 7.0 percent growth in the second quarter. The slowdown was due mainly to the deceleration of fixed asset investment and the slowdown in manufacturing

US economy showed a slow growth owing mainly to the rundown in inventory, weaker export, and slow investment in nonresidential structures. However, household consumption remained strong.

The recovery of EU economies has been underway. The unemployment rate has gradually declined, particular in those countries experiencing economic crisis. However, there were higher risks of deflationary pressure.

The recovery momentum of the Japanese economy remained fragile. Inflation declined for five consecutive quarters.

Chinese economic growth hit a 6-year-low. Meanwhile, economic conditions and financial market have increasingly experienced more volatility.

⁹ However, ECB said that “The degree of monetary policy accommodation will need to be reexamined at our December monetary policy meeting”

sectors, together with a further decline in exports. Meanwhile, financial conditions were affected by rising concern over the economic slowdown. These included falling equity prices during August and the sharp RMB devaluation after the People's Bank of China (PBC) change the RMB's daily midpoint on 11th August 2015. As a result of economic slowdown, the PBC therefore decided to cut the policy rate for the sixth time since November 2014 coupled with lowering its required reserve ratio (RRR). It is expected that the Chinese economy will grow by 6.9 percent in 2015, compared with 7.3 percent in 2014

- ❑ **NIEs economies slowed down in almost every country (except for South Korea)** due to weaker exports and a slowdown in domestic demand. The **Singapore economy** grew by 1.4 percent, slowing down from 2.0 percent in the previous quarter. The slowdown was due to a contraction in manufacturing, a fifth consecutive quarterly decline in exports, as well as the slowdown in construction and service sector. **The Taiwanese economy** contracted for the first time in 6 years by 1.0 percent, caused by a decline in net export and a slowdown in domestic consumption. **The Hong Kong economy** expanded by 2.3 percent, lower than 2.8 percent in the previous quarter, owing to a contraction in export and weak domestic demand. However, **The South Korea economy** grew by 2.6 percent, accelerating from 2.2 percent in the last quarter, contributed mainly by the expansion in domestic demand and the improvement of export performance. Meanwhile, inflation remained low in all countries. In particular, Singapore and Taiwan experienced a negative rate of inflation for three consecutive quarters. It is expected that the economies of Singapore, Taiwan, Hong Kong and South Korea will grow by 2.0, 1.2, 2.5, and 2.4 percent in 2015, compared with 3.0, 3.8, 2.5, and 3.3 percent in 2014 respectively.
- ❑ **ASEAN economies slowed down in almost all country, owing to further contraction in exports and a decline in world commodity prices.** The **Malaysian economy** expanded by 4.7 percent, decelerating from 4.9 percent owing to sluggish private consumption. **The Indonesian economy** expanded by 4.7 percent, the same growth rate as in the previous quarter, due to stronger public spending and total investment growths which could offset a continued decline in export. **The Philippines economy** continued to expand following an increase in overseas remittance, a decline in oil prices, and public spending acceleration. **The Vietnamese economy** showed a continual higher growth to 6.8 percent, accelerating from 6.4 percent in the second quarter, driven by the expansion in industrial sector especially in manufacturing sector for exports, while services sector improved. It is expected that the economies of Indonesia Philippines Malaysia and Vietnam will grow by 4.7, 5.2, 4.9, and 6.4 percent in 2015, compared with 5.0, 6.1, 6.0 and 6.0 percent in 2014.

Most major Asian economies (except for South Korea and Vietnam) have been on a weaker pace than the last quarter following a contraction in exports and weakening domestic demand.

Economic Inflation and Export growth in ASIA

	Export (%YoY)						GDP (%YoY)				Inflation (%YoY)			
	2013	2014		2015			2014	2015			2014	2015		
	Year	Year	Q4	Q1	Q2	Q3	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
China	7.8	6.0	8.6	4.5	-2.8	-6.1	7.3	7.0	7.0	6.9	1.5	1.2	1.4	1.7
Hong Kong	3.6	3.2	1.2	2.3	-1.9	-4.1	2.5	2.4	2.8	2.3	5.1	4.4	3.0	2.3
India	6.1	2.6	0.7	-15.1	-17.0	-18.7	7.1	7.5	7.0	n.a.	4.1	5.3	5.1	3.9
Indonesia	-3.9	-3.4	-10.3	-11.8	-11.7	-16.3	5.0	4.7	4.7	4.7	6.5	6.5	7.1	7.1
South Korea	2.1	2.3	0.9	-3.0	-7.2	-9.5	3.3	2.5	2.2	2.6	1.0	0.6	0.5	0.7
Malaysia	0.3	2.4	-4.5	-11.2	-14.8	-17.0	6.0	5.6	4.9	4.7	2.8	0.7	2.2	3.0
Philippines	8.8	9.5	5.7	-0.2	-8.3	-11.2	6.1	5.0	5.6	n.a.	3.6	2.4	1.7	0.6
Singapore	0.4	-0.1	-7.1	-11.6	-14.8	-17.2	3.0	2.6	2.0	1.4	0.0	-0.3	-0.4	-0.6
Taiwan	1.4	2.7	0.4	-4.2	-9.8	-13.9	3.8	3.8	0.5	-1.0	0.8	-0.6	-0.7	-0.3
Thailand	-0.1	-0.3	1.5	-4.3	-5.5	-4.7	0.9	3.0	2.8	2.9	1.1	-0.5	-1.1	-1.1
Vietnam	16.5	12.6	10.8	9.0	9.3	9.4	6.0	6.1	6.4	6.8	2.6	0.7	1.0	0.5

Source: CEIC

4. World economic outlook in 2016

The world economic growth is projected at 3.4 percent in 2016, modestly picking up from the growth rate of 3.0 percent in 2015. Contributing factors to the strengthening outlook include (i) the solid recovery of the US economy (ii) intense accommodative monetary policy implemented by many countries throughout 2015 as seen from the QE Measures induced by the Euro zone and Japanese economies, as well as rapid and continuous policy rate reduction in China, India and other major countries, and (iii) higher fiscal impulse in the US, Canada, Euro zone, and other major economies. Improving economic outlook in major economies will thus lead to higher global demand and rising commodities prices, and will also support Asian and other developing economies to gradually pick up, despite the slowdown of the Chinese economy which becomes the restraints in global economic recovery.

In baseline scenario, **the US economy** is projected to expand by 2.7 percent due to a strong recovery in household demand, mainly supported by (i) the consumer confidence which reaches its highest level in seven-year periods, in line with the improvement in the labor market with the lowest unemployment rate in seven and a half years – at 5.0 percent in the end of October 2015. Consistent with the improving economic prospects were increase in securities prices and low debt service ratios. (ii) the recovery of investment in construction sector, particularly in residential investment with high level of pent-up demand, and (iii) the expansion of fiscal expenditure, for the first time in five-year periods, which will contribute to boost the overall economic growth. **The EU economy** is projected at 1.6 percent growth, slightly increasing from 1.5 percent in 2015, contributed by (i) a more favorable economic environment after Greece's political and economic crisis have been settled; (ii) a policy rate reduction, together with its continued quantitative easing measure which effectively increase liquidity in the economic system; (iii) a gradual decline in unemployment rate, particularly in countries that underwent severe economic crisis; and (iv) progress on economic measures which lessens the need for reducing the fiscal expenditure under austerity measures; in accordance with an expected increase in German fiscal spending. **Japanese economy** is expected an economic expansion at 1.2 percent, gradually improving from 0.6-percent growth in 2015. The underlying growth-driven factors include (i) advances in labor market, wages, equity prices and business returns; (ii) the Yen depreciation which will benefit external sector especially in the tourism sector, and (iii) the ongoing monetary easing measure. Meanwhile, **Chinese economy** is a slight slowdown with 6.7 percent growth compared with a 6.9-percent in 2015. This was due to the decline in fixed-asset investment and industrial production. However, a rush expansionary monetary measure, combined with the fiscal stimulus scheme such as the expedition of investment approval and the local government's financial support in infrastructure investment, and tendency of additional stimulus measures will become supporting factors for the Chinese economy not to face with hard landing.

An overall pickup trend in US and other major economies which contributes to a gradual recovery in global demand and prices, combined with the expansion of monetary policy conducted by major economies in 2015, is expected to have an influence on other major economies. For instance, Indian and Australian are projected at 7.4-percent and 3.0-percent growth rates, up from 7.0 percent and 2.3 percent in 2015, respectively. In addition, for Newly Industrialized Economies (NIEs), South Korean, Singaporean, Hong Kong, and Taiwan are projected a growth of 2.8, 2.5, 2.8, and 2.0 percent; increased from 2.4, 2.0, 2.4, and 1.2 percent in 2015, respectively. Consistently, for ASEAN economy, Indonesian, Philippines, and Vietnamese economies have a forecasted growth rate of 5.2, 5.8, and 6.6 percent, heightened from 4.7, 5.2, and 6.4 percent of growth rate in 2015, respectively; in contrast to Malaysian economy where the growth tends to be lower from 4.9 percent to only 4.6 percent in 2016.

Nevertheless, the different stage of economic recovery cycles tends to bring about diverged monetary policy direction, as well as an exchange rate between US dollar and other currencies. Overall, it is expected that the Federal Reserve Bank (Fed) will start to raise the policy rates in December 2015 before steadily uplift the rates during 2016. In the meantime, increasing risks on deflationary pressures amid gradual recovery trend will encourage the European Central Bank (ECB) and the Bank of Japan (BOJ) to further extend their monetary easing measures in order to support the economic recovery. Furthermore, it is also expected that the People's Bank of China (PBC) will continue to ease its monetary measures while the Chinese RMB will depreciate further following its economic and financial liberalized policy, together with decrease in its foreign reserves, and the needs for liquidity management. In all, the US dollar is forecasted to actively be in an appreciation trend, compared with other major currencies.

5. Thai Economic Outlook for 2015

The Thai economy in 2015 is projected to grow by 2.9 percent, accelerating from 0.9 percent in 2014. Meanwhile, an average inflation rate is expected to record a negative rate of 0.8 percent, down from 1.9 percent in 2014; while surplus on current account will accumulate to 6.3 percent of GDP, moderately rising from the 3.8-percent of GDP in 2014.

In the 16th of November 2015 press release, National Economic and Social Development Board (NESDB), projected that the Thai economy in 2015 will expand by 2.9 percent, maintaining in the range of 2.7 - 3.2 percent projected growth as announced on the 17th of August 2015 press release. However, an overall inflation rate is expected to be a negative of 0.8 percent, short of the forecast range of (-0.7) to (-0.2). Overall, Thai economic prospects have been influenced by various factors; including

- 1) **A sluggish recovery in global economic growth entwined with the subdued export prices**, which led to a lower-than-expected export value. Hence, an annual economic projection in 2015 is likely to be tilted to the lower bound of the previous forecast range. Consistent with the downward revision of the International Monetary Fund (IMF) from 3.3 -percent to a 3.1-percent annual growth in the October report, it is expected that the global economy in 2015 will grow by 3.0 percent, compared with 3.1 percent in the previous prediction. As a consequence of downward revision in global growth, the export volume growth is projected to decline by 3.0 percent, lower than a 2.0-percent contraction projected earlier on 17th August, 2015. Combined with the descending export growth revisions, from (-2.0) - (-1.0) percent to a (-2) percent growth; an annual export value in 2015 is further reduced to 5.0 percent contraction, compared with a 3.5-percent contraction in the previous prediction.
- 2) **Impacts from the severe drought** tend to be more pronounced in the shortfall in the forecast in the agricultural production sector. During the nine-month periods, agricultural production contracted by 5.4 percent, hence, an annual agricultural production is expected to experience a 5.5-percent contraction, down from the previous assumption of 3.0 - 4.0 percent contraction.
- 3) **Nevertheless, the number of tourists in 2015 is expected to be higher than the previous forecast. Meanwhile, the negative impacts of downward revision to exports along with contraction in agriculture production, are relieved by the government's economic stimulus scheme.** During September to October 2015, the government has rolled out the economic stimulus scheme in six main categories. Besides, the expected number of tourists in 2015 is at 30.3 millions people; higher than the previous projection of 30.0 millions people.
- 4) **An average Dubai crude oil price** tends to be lower than the median of the previous assumption range at 50 – 60 US dollar per barrel. Combined with declining trend of global commodity price, it is expected that import prices in 2015 will decline faster than the previous prediction at (-8.0) – (-7.0) percent, which tend to induce more surplus on balance of trade and current account than the previous forecasts, and will also lead the 2016 annual inflation to be lower than the lower bound of expected inflation rate in the earlier estimation.

6. Thai Economic Outlook for 2016

The Thai economy in 2016 is expected to accelerate driven mainly by (i) private consumption and public investment which will be bolstered in accordance with higher budget deficit and progress on key infrastructure projects, (ii) better global economic conditions including improving world economic growth and a modest recovery of world commodities' price which tend to be more favorable to the export sector particularly by bolstering export value in USD term to expand, (iii) the depreciation of Thai Baht which continues to support income and liquidity in Baht term, (iv) low oil prices, and (v) continual expansion of the tourism sector which continues to contribute to the economic growth. Nevertheless, there remain some key limitations and risk factors associated with the Thai economy, including (i) the slowdown of the Chinese economy, (ii) the depreciation of Chinese RMB and other major currencies both in trading partners' and competitors' countries, and (iii) drought impacts.

Economic stability continues to remain favorable. Inflation is expected to show mild positive rate in line with the recovery of world oil prices, Thai Baht depreciation, and improving domestic demand. Trade and current accounts continue to record a continual surplus.

□ Supporting Factors for the Economic Growth

- 1) **Acceleration in the disbursement of public expenditure budget:** This includes an increase in the budget deficit under the Fiscal Year 2016 budget of 390,000 million baht, compared with the budget deficit of 250,000 million baht under the Fiscal Year 2015 budget. Moreover, there have been significant progress on several key infrastructure projects, including: (i) 6 infrastructure projects which are expected to be ready for bidding by the end of 2015, with total investment value of 249,514 million baht, (ii) 12 infrastructure projects which will be ready for bidding in 2016, worth of 1.5 trillion baht, and (iii) Economic Stimulus Package phase II including loans for water resource management and road transport system projects. In all, these 3 packages are expected to be disbursed additionally of about 126,000 million baht to the economy, increasing from 48,500 million baht in 2015.
- 2) **Economic Stimulus Package phase III:** In the latter half of 2015, the government has implemented 6 key economic stimulus measures including (i) assistance measures for low-income earners and stimulus measures of small-scale public investment, (ii) fiscal and monetary measures for supporting SMEs in the urgent phase, (iii) fiscal and monetary measures for boosting the real estate sector, (iv) tax-incentive for supporting domestic investment, (v) measures to expedite investments by BOI, and (vi) assistance measures for rubber farmers. Despite the fact that these loan program and budget were mostly apparent in 2015, the positive impacts from tax measures will continue to foster the economic growth in 2016.

During September-November 2015, Government has launched 6 assistance measures to help farmers and low-income earners and also measures to boost economic activity with total loan amount of 270.0 billion baht and disbursement from the budget of about 89.4 billion baht. Although most of the measures will have been approved by the end of 2015, they will help to stimulate economic growth for the rest of this year and also continue into 2016.

Measures (according to Cabinet's Resolution)	Key characteristic of measures	Amount (million baht)	Duration
Assistance measures for low-income earners and stimulus measures of small-scale public investment (1 st Sep 15)	To Grant loan to village fund, not exceed 1 million baht each	60,000 (loan)	To make a legal contract within 31 Dec 15
	To Allocate budget to Tambon (Sub district), 5 million baht each	36,275 (budget)	To disburse within 31 st Jan 16
	The procurement of government units. Each item must not more than 1 million baht.	40,000 (budget)	To disburse within 31 st Jan 16
Financial and fiscal urgent measures to encourage SMEs (8 th Sep 15)	To grant low-interest loan to SMEs to secure working capital	100,000 (loan)	To apply for loan within 31 st Dec 15
	Streamlining rule and condition of Portfolio Guarantee Scheme, stage 5	100,000 (guaranteed loan)	To apply for guarantee within 31 st Dec 16
	Reduce corporate income tax rate for SMEs to 10 percent of net profit for two years.	-	From 1 st Jan 15 to 31 st Dec 16
	Corporate income tax exemption for SMEs who apply for commercial registration between 1 st Oct 2015 and 31 st Dec 2016 (New Start-up) for years	-	To register between 1 st Oct 15 to 31 st Dec 16
Financial and fiscal measures to stimulate property sector (13 Oct 15)	To ease loan approval for low and medium income earners	-	Beginning at 19 th Oct 15 until 1 year after that (duration may be revised)
	Cut in housing and condominium transfer and mortgage fees to 0.01% of the value	-	From 29 th Oct 15 to 28 th Apr 16
	Personal income tax exemption for expenses incurred for five years for real estate with building and land or condominium priced no more than three million baht	-	Property ownership registered between 13 th Oct 15 and 31 st Dec 16
Tax measures to promote domestic investment (3 Nov 15)	A double corporate income tax deduction for expenses incurred on new investment (Enterprises can choose either this measure or speeding up investment measure)	-	Expenses incurred from 3 rd Nov 15 to 31 st Dec 16
Investment promotion stimulation measures by BOI (3 Nov 15)	Exemption of corporate income tax, from one to five years and 50% tax reduction for five years, depending on actual investment (excluding land and working capital) but not more than eight years for those approved for investment promotion.	-	To apply for privileges between 1 st Jan 14 to 30 th Jun 16 and start operation and earn income within 2017
Supporting measures for rubber farmers (3 Nov 15)	To provide rubber farmers 1,500 baht for up to 15 rai per household	13,132.5 (budget) 12,750 from BAAC 382.5 budget for FY2016	-

- 3) **A gradual recovery of global economy and export prices:** These are considered as key supporting factors for gradual recovery of export sector and thus for overall economy. For the baseline scenario, the world economic growth in 2016 is expected to expand by 3.4 percent, improving from 3.0 percent in 2015. As a consequence, the global demand as well as export price will recover. Together with more stabilized oil prices, it is expected that export price will start to expand and thus will lead to improvement in export value compared with a 5-percent decline in 2015.
- 4) **The depreciation of Thai Baht:** It will continue to foster income and liquidity for Thai exporters. In the first half of 2015, export receipts have endured severe impacts from the slowdown of the world economy and falling export prices, which cause the export value in US dollar term to decline by 4.9 percent. In the meantime, the gradual depreciation of baht after April has led the export value denominated in baht to decline by 3.7 percent, a slow contraction compared with export value in US dollar term. In the third quarter, a continual depreciation of baht caused export value to expand by 4.6 percent, although export values denominated in U.S dollar declined by 4.7 percent. In 2016, Thai baht will continue to further depreciate, following

the normalization of the US Fed fund rates and depreciation trend of major currencies.. This will help enhance export values in baht term and support income and liquidity of exporters.

- 5) **A gradual increase in the agricultural prices:** In the first half of 2015, the **agricultural** prices such as rice and rubber dropped continually. This was due to the fact that there was lower global demand while stock of agricultural products remained high and supply in key production areas increased. In addition, a sharp fall in crude oil price also affected the price of energy crops to decline. However, in the third and last quarter of 2015, energy crop prices have become more stable in line with movement of crude oil prices. The recovery sign of global economy and a gradual increase in crude oil price thus will help the agricultural commodity price to be more stabilized. Nevertheless, it is expected that household income in the agricultural sector will be impacted by an ongoing drought.
- 6) **A gradual recovery of crude oil price but still remaining at the low level:** This will foster real purchasing power and help facilitate the implementation of accommodative monetary policy to support the economic recovery.
- 7) **The expansion of the tourism sector:** The numbers of inbound tourists in 2016 are projected to be approximately 32.5 million people, expanding from 2015 by 7.5 percent. Approximately, these tourist numbers are expected to generate incomes of 1.65 billion baht, increasing by 9.3 percent from last year. The expansion of the tourism sector will continue to drive the overall economy and offset declined export income. The growth of the sector will be supported by (i) the low cost of travel attributed to the low crude oil price, (ii) the depreciation of Thai Baht, which reduce traveling cost in Thailand and, (iii) the increase of long-haul tourists following the economic recovery of advanced economies.

❑ Risk Factors and limitations to the economic growth

- 1) **The slowdown of the Chinese economy and countries with weak economic fundamental:** Although the global economy under the base case is expected to recover in line with the recovery of the U.S, Eurozone, Japan and key developing countries, the Chinese economy might slow down at a faster pace than expected. Additionally, countries with fragile economic fundamental - especially ones facing with high external debts, highly dependence on primary commodity export, and also facing with sharp depreciation – are still at risk of encountering the economic crisis. Under these conditions, the recovery pace of the world economy and commodity price might be slower than projected.
- 2) **Depreciation of trade partners' and competitors' currencies:** This includes: (i) The depreciation of Chinese RMB due to the economic and financial liberalization policies, decline in foreign reserve, and the necessity of domestic liquidity management which would limit the degree of currency intervention, (ii) The depreciation of Euro and Japanese Yen following ongoing quantitative easing (QE) measures and possible extension of the QE measure, and (iii) The currency of countries in the region which adopted the monetary policy with exchange rate target. The depreciations of aforementioned currencies will become limitations of export volume, despite the fact that Thai baht tends to depreciate further, as well as will put downward pressure on the recovery of commodity price in the world market.
- 3) **The impact of drought:** The drought situation continues to be severe following the water level in 4 main dams (Bhumibol, Sirikit, Kwae Noi and Pa Sak Jolasid). Based on the data on November 1st, 2015, the available water level was recorded at 4,247 million cubic meters, closed to the level in 2015 which caused rice farmers to postpone their off-season rice production in the crop year 2016. Under this condition, it is likely that the agricultural output and household income will further decline from 2015 and thus will become a limitation to the economic growth.

Key assumption for 2016 economic projection

World Economic Projection

	Actual Data		Projection of 2015		Projection of 2016
	2013	2014	Aug 17, 2015	Nov 16, 2015	Nov 16, 2015
World Economic Growth (%)	3.2	3.2	3.1	3.0	3.4
USA	1.5	2.4	2.5	2.5	2.7
EU	-0.4	0.9	1.2	1.5	1.6
Japan	1.6	-0.1	0.8	0.6	1.2
China	7.7	7.3	6.9	6.9	6.7
World Trade Volume (%)	3.5	3.4	3.4	3.3	3.8
Exchange Rate (Baht/US dollar)	30.7	32.47	33.5 - 34.5	34.3	36.0 - 37.0
Dubai Crude Oil (US Dollar/Barrel)	105.0	96.5	50.0 - 60.0	52.5	50.0 - 60.0
Export Price (US Dollar) (%)	-0.5	-1.0	(-2.0) - (-1.0)	-2.0	0.5 - 1.5
Import Price (US Dollar) (%)	-2.1	-1.8	(-8.0) - (-7.0)	-9.7	1.0 - 2.0
Tourist (Million Person)	26.7	24.8	30.0	30.3	32.5

Source: NESDB

- World economy and world trade volumes in 2016 are projected to grow by 3.4 and 3.8 percent, respectively, accelerating from 3.0 and 3.3 percent in the preceding year.** The driving forces are mainly from a moderate expansion in US economy, a gradual recovery in EU and Japan economy, and more stable commodity prices, which will help developing economies and countries facing severe instability problem in 2015 to realize gradual economic recovery. However, China economy is expected to decelerate.
- Thai baht for the whole of 2016 is expected to be in the range of 36.0 - 37.0 Baht per US dollar, depreciating from 34.3 Baht per US dollar in 2015** due to the expected gradual increase of the US Fed fund rate and depreciation in Chinese RMB.
- Export prices in US dollar term is projected to slowly increase by 0.5 - 1.5 percent compared with a contraction of 2.0 percent in 2015** due to the expected gradual recovery of world economy and more stable oil price in the second half of 2015, which is anticipated to pick up gradually in 2016. On the other hand, **import price in US dollar term is projected to rise by 1.0 - 2.0 percent**, compared with a 9.7 percent decrease in 2015, because of the low base in 2015 and a gradual increase in oil price.
- The number of inbound tourists in 2016 is projected to stay at 32.5 million people**, compared with 30.3 million people in 2015, or an increase of 7.5 percent. This is supported by an upward trend of Asian tourists and improvement in the number of inbound tourists from North America, Europe and Australia. It is expected that income from tourism will increase from 1.5 trillion baht in 2015 to 1.65 trillion baht in 2016, or an increase of 9.3 percent from the preceding quarter.
- Average Dubai crude oil price in 2016 is expected to be in the range of 50.0-60.0 US dollar per barrel, which is close to 52.5 US dollar per barrel in 2015.** The factors that will cause a gradual increase in oil price include (i) demand for oil is expected to increase, supported by the lower oil price last year despite the deceleration of global economy; (ii) the expected economic recovery in 2016 may lead to more demand for oil; and (iii) a reduction in oil production in the US and a decrease in excess supply in global oil market.¹⁰ However, there are a number of downside risks which can prevent oil price from increasing, including (i) expected increased oil supply from OPEC as the oil production of

¹⁰ OPEC estimated that world oil demand in 2016 will rise by 1.5 percent, to average around 94.11 mb/d from around 92.86 mb/d in 2015.

the Islamic Republic of Iran which is expected to enter the world market in the first half of 2016; (ii) The slowdown of Chinese economy; and (iii) the appreciation of US dollar.

- 6) **Disbursement of government budget** includes (i) FY2016 annual budget disbursement of 93.0 percent, with disbursement rates of current and capital budget of 98.0 and 73.0 percent respectively; (ii) SOEs capital budget disbursement of 75.5 percent; (iii) carry-over budget disbursement of 73.0 percent; (iv) first quarter of FY2016 annual budget disbursement of 28.8 percent; and (v) off-budget disbursement, consisting of loans under The Thai Khem Kaeng, DPL project, loan for urgent road- and water-related projects worth around 63,000 million baht.

❑ Economic Projection for 2016:

Thai economy in 2016 is projected to expand in the range of 3.0 – 4.0 percent, continuing to accelerate from 0.9 and 2.9 percent in 2014 and 2015 respectively. Headline Inflation is expected to lie between 1.0 – 2.0 percent and the current account will register a surplus of 5.7 percent of GDP.

❑ Key contributions of economic growth

- 1) **Consumption: Private consumption** is projected to expand by 2.6 percent, accelerating gradually from 2.0 percent in 2015 because of higher household income supported by the recovery in export and additional growth in tourism sector. Furthermore, domestic car sales are likely to return to normal trend as well as interest rate to remain low. However, income from agricultural sector may be affected by drought and low agricultural commodity price, even though there has been a gradual improvement in its price since 2015. Meanwhile, **Government expenditure** is projected to grow by 3.2 percent, up from 2.7 percent in 2015.
- 2) **Total Investment** is projected to expand by 9.5 percent, compared with 4.6 percent in 2015. **Private investment** is forecasted to grow by 4.7, up from a contraction of 1.3 percent last year owing to key supporting factors as follows: (i) the economic recovery sustained by both in domestic demand and export; (ii) progress in key infrastructure investment of government; (iii) measures aiming to expedite investment for both general investors and investors who have applied for BOI privileges, as well as financial and fiscal measures to support Small and Medium-sized enterprises (SMEs); and (iv) further improvement of rules and regulations in order to facilitate investment. Meanwhile, **Public investment** is expected to grow by 11.2 percent following an increase in annual capital budget for FY 2016, increasing by 30.3 percent from 2015. Moreover, acceleration in infrastructure investment projects will also lead to an improvement in SOEs' disbursement rate.
- 3) **Export value of goods** in US dollar term is projected to grow by 3.0 percent, up from a contraction of 5.0 percent in 2015. Export volume of goods is projected to grow by 2.0 percent, higher than a contraction of 3.0 percent in 2015, mainly supported by an upward trend in world economy and trade volume. Meanwhile, Export price is projected to increase by 1.0 percent. In addition, export of services is also expected to continue to expand well due to a continual expansion in the number of inbound tourists. Thus, export of goods and services is forecasted to grow by 3.1, compared with 0.3 percent in 2015.
- 4) **Import value of goods** in term of US dollar is projected to expand by 5.4 percent, compared with 9.8 percent contraction in 2015. It is expected that import volume will go up as a result of low base effect in 2015. Moreover, the stronger recovery in export, household spending and higher public investment will lead to an increase in demand for import product. Considering both import of goods with services, import is expected to rise by 3.9 percent, compared with a decline of 0.1 percent in 2015.

- 5) **Trade Balance** is likely to register a surplus of 29.6 billion US dollar, compared with a surplus of 33.0 billion US dollar in 2015 due to higher growth of import value than that of export value. After combining trade balance with net services which is expected to remain deficit close to the previous year, the current account is projected to have a surplus of 22.2 billion US dollar, or 5.7 of GDP, compared with current account surplus of 6.3 percent of GDP in 2015.
- 6) **Economic Stability remains favorable.** The headline inflation in 2016 is projected to be in the range of 1.0-2.0 percent, higher than a contraction of 0.8 percent in 2015 because of an upward trend in oil price and commodities prices in the world market, as well as the depreciation of Thai baht.

7. Economic Management for the remainder of 2015 and 2016

The Thai Economy in 2016 is expected to recover, primarily driven the expenditure and investment by the public sector and the anticipated recovery of the export sector. The recovery of the global economy and the commodity prices in the global market remained sluggish, which in turn imposes a constraint on the contribution the export sector can make. Meanwhile, the production and income base of people in the agricultural sector tends to be affected by drought, while agricultural prices are anticipated to recovery gradually and the competition in the global market to remain fierce. Given the expected recovery of the Thai economy and the limitations mentioned above, the macroeconomic management for the remaining of 2015 and in 2016 will have to prioritize the short-term economic issues and problems, as well as the implementation of key measures which will enhance the long-term economic potentials. The key policy issues are as follows.

- 1) **Driving the implementation of key infrastructure investment projects by the public sector** in order to create short-term economic drive by building confidence for the private investors and to enhance Thailand's long-term economic potential. Emphasis should be given to (i) implementing 6 large investment projects which can begin the bidding process within 2015, with a total value of 249.5 billion baht, and 12 more projects which can begin the bidding process within 2016, with total value of 1.5 trillion baht, (ii) implementing the water resource management plan and the urgent phase of the road transportation development plan under the second economic stimulus package, and (iii) developing the border special economic zones so that implementation will be achieve as planned and be able to disburse government budget to support the economic growth in 2016.
- 2) **Supporting the recovery and the growth of private investment** by (i) to publicly promoting investors to enjoy investment privileges under the tax incentive framework for domestic investment proposed by the Ministry of Finance (per Cabinet's Resolution on 3rd November 2015), the investment incentive framework of the Board of Investment (per Cabinet's Resolution on 3rd November 2015), as well as the investment incentives for the special economic zone areas (per BOI's announcement 4/2014, dated 18th December 2014), investment incentives for cluster development in special economic zone areas (per Cabinet's Resolution on 22nd September 2015), benefits under the tax incentives for International Headquarters (IHQ) and International Trading Center (ITC) (per Cabinet's Resolution on 10th March 2015), (ii) using proactive measures to incentivize investors to invest in the targeted industries and services which will contribute to future development of the country, such as targeted industries and services listed under industrial cluster development, and the tax incentives for International Headquarters (IHQ) and International Trading Center (ITC), and (iii) addressing the problems faced by SMEs and providing them with appropriate support.
- 3) **Disbursing government budget** to meet the intended target to support economic growth, especially (i) the disbursement of no less than 93.0 percent of the annual budget, (ii) disbursement of SOEs' budget by no less than 75.5 percent, (iii) disbursement of carry-over budget by no less than 73.0 percent, and (iv) disbursement under the water resource management plan and the urgent phase of the road transportation development plan under the second economic stimulus package by no less than 70.0 percent of 77.1 billion baht total loan amount.
- 4) **Supporting income for farmers and low-income people** by speeding up the budget disbursement under the key measures which have been approved, consisting of employment measures and local economy stimulus (per Cabinet's Resolution on 14th July 2015) with the remaining budget of around 20.4 billion baht (as of 30th September 2015),

the measures to support the livelihood of low-income individuals at village and sub-District levels, income assistance measures for rubber farmers (per Cabinet's Resolution on 3rd November 2015), as well as assistance through key credit-granting measures which have been recently approved.

- 5) **Addressing the problems in agricultural production** by (i) monitoring, preventing and alleviating drought, (ii) managing the costs of agricultural raw materials and inputs needed for agricultural production to be in line with oil prices and the depreciation of key import-source currencies, (iii) supporting the farmer group establishment and combining farm lands of small farmers in order to realize economies of scale, reducing low-level labor, as well as employing agricultural machinery, and (iv) promoting renting farm land in the form of crop-sharing instead of lump sum rent so that the cost of rent will move in line with product prices and the risks from natural disasters could be shared.
- 6) **Bolstering the export sector to grow by at least 3.0 percent** by (i) creating measures to support and incentivize the private sector to expand export market and to create value-added for Thai exports, (ii) maintaining the exchange rate to be in line with the movement of the currencies of our trading competitors and economic fundamentals, (iii) coordinating among public and private agencies to find more market and to increase the volume of key exports, (iv) maintaining the prices of imported raw material and intermediate goods to be in line with the movement of the global market prices and the depreciation of key import sources so that the cost of production will adjust accordingly to the changes in export prices, thereby helping maintaining the profit margin and liquidity for the private sector, especially the SMEs who do not import materials and machineries by themselves, (v) reducing the delay and limitation created by the bureaucracy to reduce the cost of doing business of exporters, as well as facilitating international trade, especially along the border area, increasing the capacity of customs and expediting the use of National Single Window, and (vi) continuing to work on the illegal workforce and illegal fishing issues in order to prevent the export and production in the fishery sector from being affected.

Economic Projection for 2015 - 2016 ¹

	Actual Data		Projection		
	2013	2014	2015		2016
			Aug 17, 2015	Nov 16, 2015	Nov 16, 2015
GDP (at current prices: Bil. Bht)	12,910.0	13,148.6	13,470.7	13,451.0	14,123.6
GDP per capita (Bht per year)	193,394.6	196,239.5	200,350.1	200,056.8	209,378.0
GDP (at current prices: Bil. USD)	420.1	404.8	396.2	392.2	386.9
GDP per capita (USD per year)	6,293.0	6,041.1	5,892.6	5,832.6	5,736.4
GDP Growth (CVM, %)	2.8	0.9	2.7 – 3.2	2.9	3.0 – 4.0
Investment (CVM, %)	-0.8	-2.6	7.0	4.6	9.5
Private (CVM, %)	-0.8	-2.0	1.8	-1.3	4.7
Public (CVM, %)	-1.0	-4.9	21.8	22.6	11.2
Private Consumption (CVM, %)	0.8	0.6	1.8	2.0	2.6
Public Consumption (CVM, %)	4.7	1.7	3.8	2.7	3.2
Export volume of goods & services (%)	2.8	0.0	1.4	0.3	3.1
Export value of goods (Bil. USD)	225.4	224.8	216.9	213.6	220.0
Growth rate (%) ^{2/}	-0.1	-0.3	-3.5	-5.0	3.0
Growth rate (Volume, %) ^{2/}	0.3	0.7	-2.0	-3.0	2.0
Import volume of goods & services (%)	1.4	-5.4	1.6	-0.2	4.0
Import value of goods (Bil. USD)	218.7	200.2	189.2	180.6	190.3
Growth rate (%) ^{2/}	-0.1	-8.5	-5.5	-9.8	5.4
Growth rate (Volume, %) ^{2/}	2.0	-6.8	2.0	-0.1	3.9
Trade balance (Bil. USD)	6.7	24.6	27.7	33.0	29.6
Current account balance (Bil. USD)	-5.2	15.4	18.8	24.9	22.2
Current account to GDP (%)	-1.1	3.8	4.8	6.3	5.7
Inflation (%)					
CPI	2.2	1.9	(-0.7) – (-0.2)	-0.8	1.0 – 2.0
GDP Deflator	1.6	1.0	(-0.7) – (-0.2)	-0.6	1.0 – 2.0

Source: Office of the National Economic and Social Development Board, 16th November 2015

Note: ^{1/} Data was calculated based on new National Accounts Office's Series, published on www.nesdb.go.th

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