NESDB ECONOMIC REPORT

Thai Economic Performance in Q1 and Outlook for 2017

Macroeconomic Strategy and Planning Office

Press Release 9.30 a.m. May 15, 2017

Economic Projection of 2017

(%YoY)	2015	2015			2017	
	Year	Year	Q3	Q4	Q1	Year (f)
GDP (CVM)	2.9	3.2	3.2	3.0	3.3	3.3-3.8
Total Investment	4.4	2.8	1.0	1.8	1.7	4.4
Private	-2.2	0.4	-0.8	-0.4	-1.1	2.0
Public	29.3	9.9	5.8	8.6	9.7	12.6
Private Consumption	2.2	3.1	3.0	2.5	3.2	3.0
Government Consumption	3.0	1.7	-5.2	1.8	0.2	3.2
Export of Goods[1]	-5.6	0.0	0.4	3.6	6.6	3.6
Volume[1]	-1.5	0.4	-0.2	1.4	2.8	1.6
Import of Goods[1]	-10.6	-4.7	-2.4	6.7	15.9	7.0
Volume[1]	0.3	-2.1	-1.4	3.2	7.3	3.0
Current Account to GDP (%)	8.1	11.5	10.6	9.3	12.3	8.9
Inflation	-0.9	0.2	0.3	0.7	1.3	0.8-1.3

Note: [1] base on the Bank of Thailand's data

- **The Thai economy in the first quarter of 2017** expanded by 3.3 percent, accelerating from 3.0 percent in the previous quarter. After seasonally adjusted, the Thai economy in the first quarter expanded by 1.3 percent from the fourth quarter of 2016 (%QoQ sa).
- **On the expenditure side**: Economic growth was driven by the acceleration of private consumption, exports of goods and services, and the continued expansion of total investment. Meanwhile, government consumption expenditure slowed down. **On the production side**: Growth of agricultural, wholesale and retail trade, and hotel & restaurants sectors accelerated, while growth of manufacturing and construction sectors softened.
- **The Thai economic outlook for 2017**: It is expected that the Thai economy will grow by 3.3 – 3.8 percent, supported mainly by (i) the recovery of the export in tandem with the pickup of key trading partners' economies and the global commodity prices, (ii) the high and accelerated growth of public investment, (iii) the acceleration of the agricultural production and favorable agricultural prices, (iv) the favorable expansion of the tourism sector which continually support the overall economy, and (v) the improvement of domestic car market. It is expected that the export value of goods will expand by 3.6 percent, private consumption and total investment will grow by 3.0 and 4.4 percent respectively. The headline inflation will be in the range of 0.8 – 1.3 percent and the current account will record a surplus of 8.9 percent to GDP.
- **Economic management for 2017** should emphasize on (i) driving public spending and expediting the implementation of key public investment projects to achieve the target. (ii) facilitating export growth to achieve 5 percent growth target by expanding export products to become more broad-based, monitoring and solving the problems from trade protection measures from other countries, proactively seeking for new markets, and building up collaboration between key agencies aiming to drive exports, (iii) supporting expansion of farm income and caring for low-income people by preparing measures for managing agricultural products released into the market during the crop year 2017/2018, raising income share of farmers in market prices, supporting large-scale farming in order to reduce production cost and distribute products directly to consumers, adopting proper crop plantation and production process suitable for each areas as well as switching to grow crops with higher market values, and conducting database for poor farmers and low-income people in order to facilitate the direct assistance measures to reach target groups effectively, (iv) building up confidence and supporting private investment growth by expanding export volume in order to reduce excess production capacity in manufacturing sector, implementing the infrastructure investment plans in particular Public-Private Partnerships projects, expediting investment project approved by BOI during 2014-2016 to start investing, and providing proactive measures to attract investors in the targeted sectors, and (v) supporting the expansion of the tourism sector by ensuring safety in key tourist attractions, promoting tourism for high-income and long-haul tourists, supporting the recovery of the Chinese tourists particularly those high-income tourists as well as the tourists from ASEAN countries, and supporting domestic tourism together with distributing income to tourism attractions at the local and rural levels.

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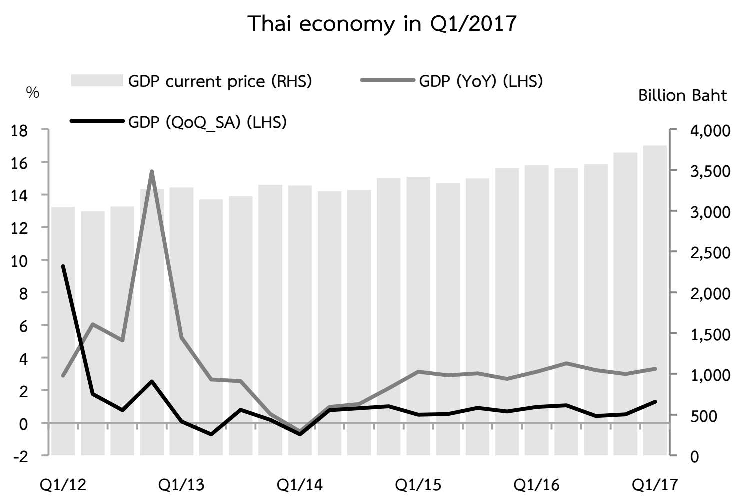
The Thai economy in the first quarter and the outlook for 2017

The Thai economy in the first quarter of 2017 expanded by 3.3 percent, accelerating from 3.0 percent in the previous quarter. **On the expenditure side**, the economic growth was driven by the acceleration of private consumption, exports of goods and services, and the continued expansion of total investment. Meanwhile, government consumption expenditure slowed down. **On the production side**, growths of agricultural, wholesale and retail trade, and hotel & restaurants sectors accelerated, while growth of manufacturing and construction sectors softened. After seasonally adjusted, the Thai economy in the first quarter expanded by 1.3 percent from the fourth quarter of 2016 (%QoQ sa).



Source: NESDB

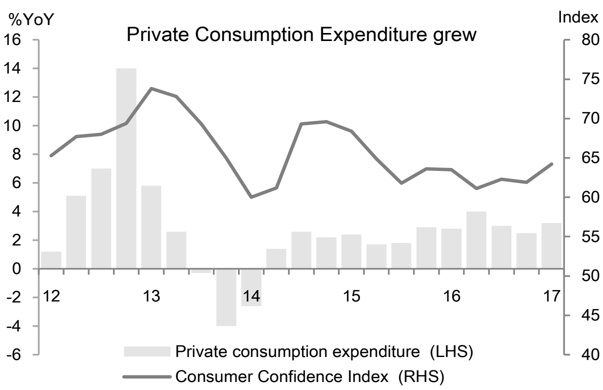
1. The Thai Economy in Q1/2017

Expenditure side:

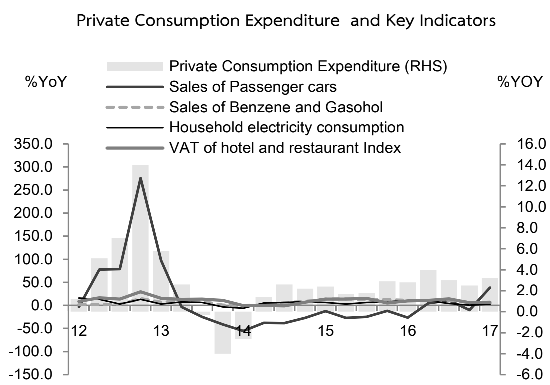
In the first quarter of 2017, private consumption expenditure, export of good and services, and public investment accelerated. Meanwhile, private investment declined.

Private consumption expenditure accelerated due to the expansion of consumption expenditure on durable goods and services, in line with the improvement of farm income. In the first quarter of 2017, private consumption expenditure grew by 3.2 percent. This was in line with high expansion of sales of passenger cars of 38.8 percent and the expansion of sales of motorcycles of 4.4 percent. Spending on other products such as sales of benzene and gasohol, and diesel increased by 3.9 and 1.7 percent, respectively. The VAT of hotel and restaurant index (at 2010 price) increased by 7.1 percent. Consumer Confidence Index pertaining the overall economic situation stood at 64.2, the highest level in the past 7 quarters.

Private consumption expenditure grew by 3.2 percent, in line with the improvement of farm income and consumer confidence.



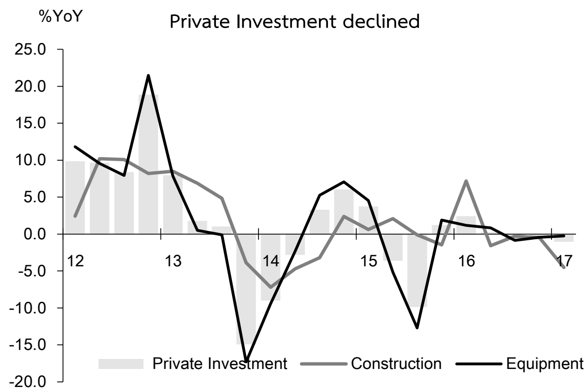
Source: NESDB, University of the Thai Chamber of Commerce



Source: NESDB, BOT, Department of Energy Business

Private investment contracted, due mainly to high excess production capacity in manufacturing sector which constrained the new investment. In the first quarter of 2017, private investment decreased by 1.1 percent. **The investment in machinery and equipment** fell by 0.3 percent. This was consistent with the decline of the domestic sales of machinery and equipment, and the import of machinery, equipment and supplies by 5.1 and 2.7 percent, respectively. **The investments in construction** fell by 4.5 percent, following the decrease of sales of cement, tile, and the permitted construction area. **The value of projects applied** for the investment promotion made to Board of Investment (BOI) decreased by 26.0 percent due to the decrease in the value of the application from China. However, **the value of projects approved and promotion certificate issued by BOI** increased by 119.5 and 85.3 percent respectively. The Business Sentiment Index (BSI) stood at 50.8.

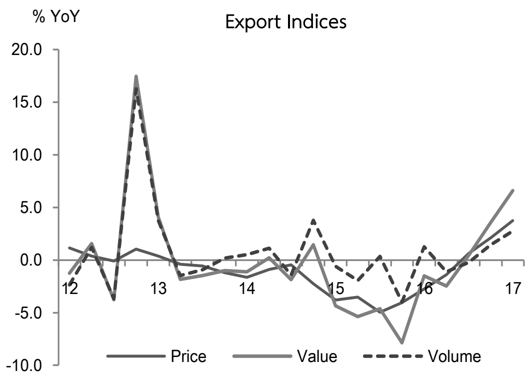
Private investment fell by 1.1 percent as high excess production capacity constrained new investment in machinery and equipment which accounted for 80 percent of private investment.



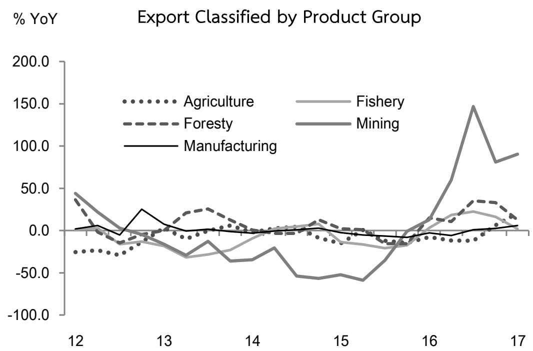
Source: NESDB

Exports in US dollar term accelerated owing to the economic improvement in key trading partners (US, EU, China, and CLMV), and the increased commodity prices in world market. Export value in the first quarter of 2017 was recorded at 56.2 billion US dollars, representing a 6.6 percent growth which was the highest growth in the past 17 quarters. The export quantity increased by 2.8 percent. The export price increased by 3.7 percent, particularly crude oil, refined fuels, chemicals, and rubber products. Excluding unwrought gold, export value increased by 9.0 percent. **In baht term**, the export value increased by 5.0 percent.

Exports in US dollar term expanded by 6.6 percent which was the highest rate in the past 17 quarters. In baht term, export value increased by 5.0 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Export value of agricultural commodities and manufacturing products accelerated with a growth of 20.7 percent (the highest rate in the past 22 quarters), and 5.9 percent, respectively. Export value of fishery products increased by 2.1 percent, while export of other products decreased by 35.0 percent. **Export items with increased value** included rubber, rubber products, petroleum products, vehicle parts & accessories, and chemicals. On the other hand, **export items with decreased value** included passenger car, computer parts & accessories, rice, tapioca, and sugar.

Export of agricultural commodities, manufacturing products and fishery products increased, but export of unwrought gold declined.

Export Value of Major Product in US Dollar Term

%YoY	2015	2016					2017	Share
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1/17 (%)
Agriculture	**-10.7**	**-6.3**	**-7.8**	**-11.7**	**-11.9**	**6.2**	**20.7**	**8.0**
Rice	-15.2	-4.6	11.8	-13.2	-12.5	-4.9	-7.0	2.0
Rubber	-16.0	-12.1	-22.2	-8.4	-27.3	15.0	78.4	3.2
Tapioca	-0.7	-19.3	-17.1	-37.0	-11.3	-4.0	-18.1	1.0
Manufacturing	**-5.5**	**-1.3**	**-2.7**	**-5.8**	**0.9**	**2.6**	**5.9**	**86.5**
Sugar	-2.0	-13.3	30.9	-11.7	-33.4	-27.6	-14.2	1.1
Crustaceans canned, prepared, or preserved	-13.8	-1.6	-17.5	12.5	-4.1	2.9	21.7	0.4
Rubber products	-19.1	8.0	0.9	0.4	23.4	9.4	51.5	2.4
Apparels and Textile Materials	-8.2	-5.5	-6.6	-6.0	-5.3	-3.8	3.2	3.0
Electronics	-3.7	-2.8	-5.5	-7.6	0.7	0.8	10.3	14.4
- Computer parts & accessories	-5.0	-8.6	-7.5	-12.7	-4.1	-10.2	-0.8	5.8
- Integrated circuits & parts	3.1	-0.1	-3.4	-0.4	0.7	2.0	11.7	3.4
- Printed circuits	6.1	-6.9	-12.7	-9.4	-1.9	-4.1	13.9	0.6
Electrical appliances	-2.1	3.6	-2.7	5.5	8.5	3.4	9.6	6.1
Metal & steel	-4.1	-0.2	-10.8	-1.8	9.6	2.2	17.3	4.4
Automotive	2.5	3.0	-1.5	6.3	5.7	1.9	2.6	15.1
- Passenger car	46.5	22.5	74.8	54.6	6.0	-9.5	-19.1	4.3
- Pick up and trucks	-20.0	-21.4	-42.5	-26.8	2.2	-3.5	15.8	3.4
- Vehicle parts & accessories	-1.7	5.3	-1.7	2.3	7.1	13.9	13.3	6.4
Machinery & equipment	-0.2	-0.0	-0.4	-9.2	2.2	7.5	3.6	8.7
Chemicals	-25.6	-4.8	-14.9	-10.4	-1.0	9.4	21.9	3.0
Petro-chemical products	-11.8	-3.7	-5.8	-7.8	-5.8	5.0	7.5	5.2
Petroleum products	-28.3	-30.3	-42.7	-43.0	-28.5	-4.6	40.8	2.7
Fishery	**-17.2**	**15.2**	**3.3**	**18.6**	**22.6**	**16.2**	**2.1**	**0.8**
Crustaceans	-18.8	38.8	22.3	66.1	50.5	23.3	-4.7	0.4
Cuttlefish, squid, octopus	-17.2	-2.8	-18.9	-7.6	-0.4	16.3	46.7	0.2
Other Exports	**22.2**	**75.5**	**193.5**	**82.9**	**17.5**	**33.4**	**-35.0**	**3.3**
Non-monetary gold (excl. articles of goldsmiths)	36.8	89.9	230.7	111.0	20.7	38.0	-37.5	3.0
Total Exports (Customs basis)	**-5.8**	**0.5**	**0.9**	**-4.1**	**1.2**	**3.8**	**4.9**	**100.0**
Exports, f.o.b. (BOP basis)	**-5.6**	**0.0**	**-1.5**	**-2.5**	**0.4**	**3.6**	**6.6**	**99.6**
Export Value (exclude gold)	**-6.1**	**-1.6**	**-5.2**	**-4.3**	**-0.1**	**3.1**	**9.0**	**96.5**

Source: Bank of Thailand

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

Export markets: exports to US, EU (15), China and ASEAN (9) expanded, while exports to Australia, Japan, and the Middle East declined. Exports to the U.S., EU (15), and China expanded by 7.4, 8.7 and 36.9 percent, respectively which was in line with the improvement in the US, EU and China economies. Export to ASEAN (9) increased by 0.4 percent, due to the expansion of export to CLMV by 15.5 percent. Meanwhile, exports to Australia, Japan and the Middle East fell by 3.3, 2.7, and 22.9 percent, respectively.

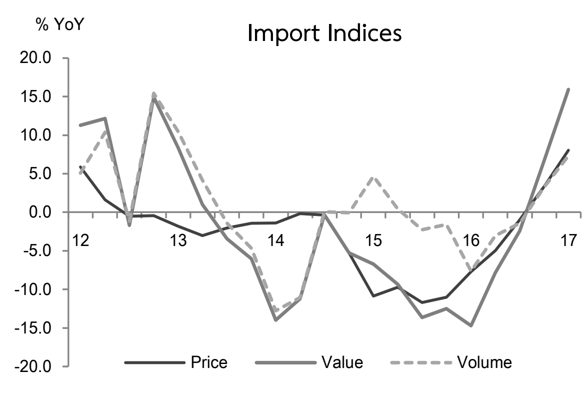
Export Value to Key Markets in US Dollar Term

%YOY	2015	2016					2017	Share Q1/17
	Year	Year	Q1	Q2	Q3	Q4	Q1	(%)
Total Exports (Mil US$) (Customs basis)	214,352	215,327	53,829	51,308	55,330	54,859	56,456	100.00
(%YoY)	-5.8	0.5	0.9	-4.1	1.2	3.8	4.9	
United States	0.7	1.8	-3.2	0.6	7.0	2.7	7.4	10.8
Japan	-7.7	2.5	5.7	-7.5	0.8	11.5	-2.7	9.3
EU (15)	-5.7	1.0	-0.5	-1.0	2.7	2.6	8.7	9.6
China	-5.4	0.3	-6.4	-10.3	-0.4	17.4	36.9	12.7
ASEAN (9)	-7.2	-0.9	3.9	-10.4	-0.04	3.4	0.4	25.0
- ASEAN (5)*	-15.1	-1.5	9.1	-14.8	1.1	-0.2	-8.4	14.4
- CLMV**	7.7	-0.1	-4.0	-3.5	-1.8	8.1	15.5	10.6
Middle East (15)	-10.5	-15.3	-11.3	-8.1	-16.4	-24.7	-22.9	3.5
Australia	5.0	5.5	7.2	13.1	10.8	-8.3	-3.3	4.4
Hong Kong	-6.2	-3.1	0.6	-8.2	-4.5	-0.3	6.4	5.6
India	-5.7	-2.7	-9.1	-2.4	-2.0	4.0	18.2	2.7
South Korea	-9.2	-1.5	-9.7	-8.3	0.8	12.1	26.0	2.1
Taiwan	-12.0	-4.8	-18.1	-1.1	-3.0	4.4	16.3	1.6

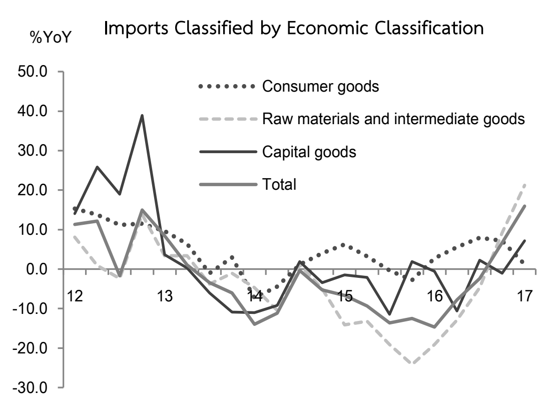
Note: * ASEAN (5) Consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore
** CLMV Consist of Cambodia, Laos, Myanmar, and Vietnam
Source: Bank of Thailand

Imports in US dollar term accelerated by 15.9 percent, due to increase of both quantity and price.

Import value accelerated both in quantity and price. In the first quarter of 2017, the value of import was recorded at 47.4 billion US dollars, representing 15.9 percent of growth. The import price increased by 8.0 percent due to the increase in fuel price. The import quantity increased by 7.3 percent, particularly in the import of raw materials & intermediate goods and capital goods. The import value excluding unwrought gold expanded by 12.9 percent. **In Thai baht term**, the import value increased by 14.1 percent**.**



Source: Bank of Thailand



Source: Bank of Thailand

Import value of all categories increased, particularly raw materials and intermediate goods, in line with the export recovery

Overall, import value of all categories increased. The import value of raw materials & intermediate goods, capital goods, consumer goods, and other imports expanded by 21.2, 7.2, 1.2 and 19.1 percent, respectively. Import items with increased value included crude oil, materials of base metal and products, chemicals, and non-monetary gold.

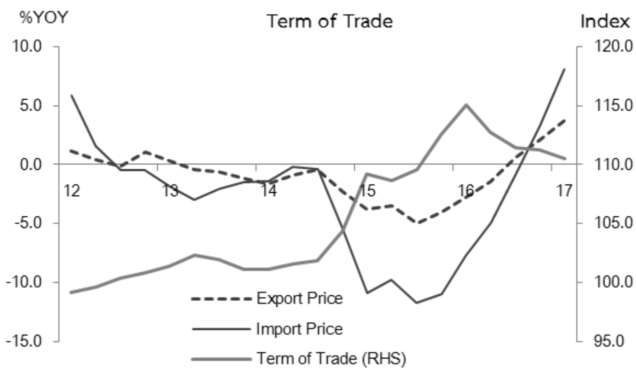
Import Value of Major Product in US Dollar Term

%YoY	2015	2016					2017	Share Q1/17
	Year	Year	Q1	Q2	Q3	Q4	Q1	(%)
Consumer goods	1.5	5.8	2.7	5.5	8.0	7.1	1.2	10.1
Raw materials and intermediate goods	-17.6	-7.6	-19.1	-12.9	-4.7	9.2	21.2	53.8
Capital goods	-3.5	-2.5	-0.5	-10.6	2.2	-1.1	7.2	26.0
Other Imports	1.1	3.0	-15.0	17.0	0.6	13.1	19.1	10.1
Total Imports (Customs basis)	-11.0	-3.9	-12.0	-8.4	-1.2	6.5	14.8	100.0
Imports, f.o.b. (BOP basis)	**-10.6**	**-4.7**	**-14.7**	**-7.8**	**-2.4**	**6.7**	**15.9**	**90.5**

Source: Bank of Thailand

Term of trade decreased from the same period last year, as export price increased by 3.7 percent, while import price increased by 8.0 percent. Thus, the term of trade decreased from 115.1 in the same quarter of last year to 110.5 in the first quarter of 2017.

Term of trade decreased, compared with the same period last year, as import price rose at a faster pace than export price.



Source: Bank of Thailand

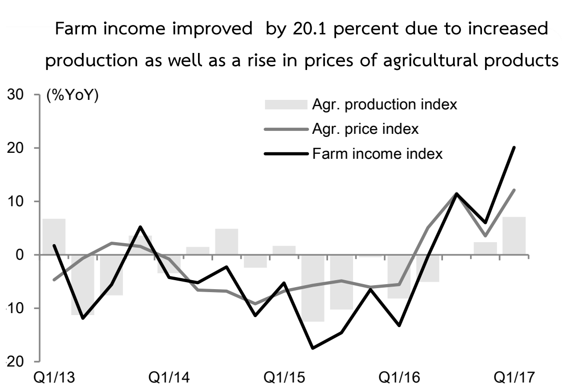
Trade balance recorded a surplus of 8.8 billion US dollars (equivalent to 309.1 billion baht), declined from the surplus of 11.8 billion US dollars (equivalent to 421.2 billion baht) in the same quarter of last year.

Trade surplus decreased from the same period last year due mainly to the increase of import price of crude oil , and the rise of import quantity following the improvement of domestic demand and export.

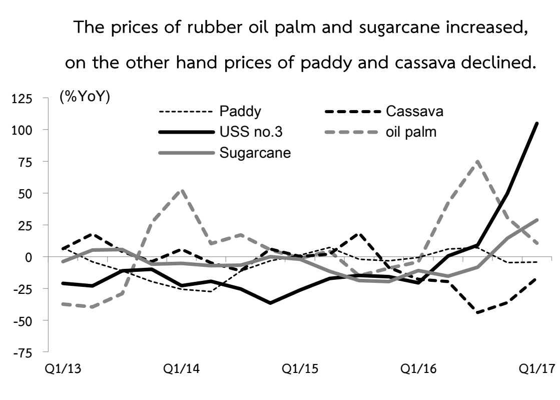
Production side:

Agricultural sector expanded at an accelerated rate following the end of drought while agricultural price increased which led to an increase in farm income. In the first quarter of 2017, agricultural sector continued to expand for three consecutive quarters by 7.7 percent due to the end of drought. **Agricultural Production Index** expanded, due to the increases in production of paddy (63.0 percent) maize (39.6 percent) oil palm (7.0 percent) and sugarcane (7.3 percent), while the production of rubber and cassava contracted. **Agricultural Price Index** increased by 12.1 percent following the increase of prices of un-smoked ribbed rubber sheet No.3, sugarcane, oil palm, and white shrimp. Meanwhile the price of paddy and cassava dropped. **Farmers' Income Index** increased by 20.1 percent as a result of the increase of Agricultural Production Index and Agricultural Price Index.

Agricultural sector, Hotel and restaurants sector, Wholesale and retail trade sector, and Transport, storage and communication sector accelerated, while Manufacturing sector and Construction sector slightly decelerated



Source: Office of Agricultural Economics (OAE)



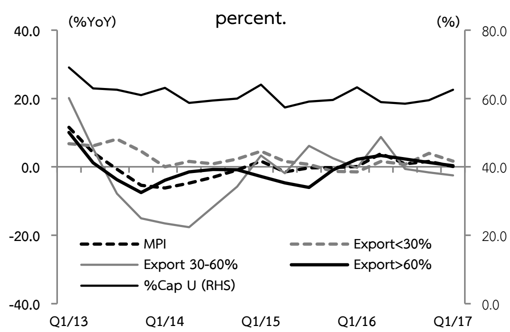
Source: Office of Agricultural Economics (OAE)

Agricultural sector expanded by 7.7 percent following the end of drought. Agricultural Price Index increased by 12.1 percent which led to a 20.1 percent increase in farmers' income index.

Manufacturing sector decelerated due mainly to the contraction of vehicle production. However, the production of export-oriented industry expanded; following the improvement of global economy; and the production of domestic-oriented industry increased in tandem with an accelerated domestic demand. In the first quarter of 2017, manufacturing sector expanded by 1.2 percent, decelerating from a 2.2 percent growth in the fourth quarter of 2016. The industry with export share of 30-60 percent to total production decreased due to the contraction of vehicle and automobile parts & engine production. Meanwhile, the production of domestic-oriented industries (with export share of less than 30 percent to total production) increased by 1.7 percent, as well as production of export-oriented industries (with export share of more than 60 percent) grew by 0.4 percent. **Manufacturing Production Index** with positive growth included electronic tube and parts (14.5 percent), metal products (9.6 percent), as well as meat and related products (5.7 percent), while manufacturing production index with the contraction included vehicle (-6.0 percent), automobiles parts and engine (-6.4 percent) and other rubber products (-3.0 percent). **The average capacity utilization rate** stood at 62.57 percent.

Manufacturing sector increased by 1.2 percent decelerated from the previous quarter due mainly to the contraction of vehicle production.

Manufacturing Production Index increased by 0.1 percent and the capacity utilization rate averaged at 62.57 percent.



Source : Office of Industrial Economics (OIE)

Construction sector continued to expand, supported by the public construction, particularly SOEs construction. In the first quarter of 2017, construction sector expanded by 2.8 percent, owing to 8.5 percent growth in public construction (government construction grew by 4.1 percent and SOEs construction grew favorably by 21.3 percent) while private construction declined by 4.5 percent. **Construction Materials Price Index** increased by 2.0 percent, which was the first expansion in the past ten quarters.

Construction sector expanded by 2.8 percent, owing to 8.5 percent growth in public construction, while private construction declined by 4.5 percent.

Wholesale and retail trade sector accelerated at a favorable pace in tandem with an improvement of household consumption, tourists' spending, and exports. In the first quarter of 2017, wholesale and retail trade sector expanded by 5.9 percent, comparing with 5.6 percent increase in the previous quarter. The improvement was supported by (i) the acceleration of household consumption, following the significant increase of farm income, (ii) the improvement of tourists' spending, and (iii) the recovery of export sector. **Retail Sales Index** improved by 4.0 percent owing to sale volume of vehicle and automobile repairing service and fuel. Meanwhile, **Wholesales Index** contracted by 3.9 percent following the decreased wholesales in durable and non-durable goods. In contrast, intermediate goods increased in line with the improvement of export sector.

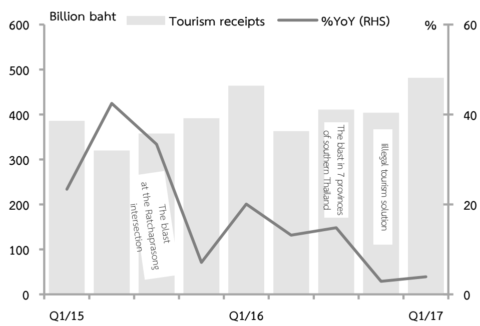
Wholesale and retail trade sector increased by 5.9 percent, accelerated from 5.6 percent in the previous quarter.

Hotel and restaurants sector accelerated owing to an increased income from foreign tourists as well as an expansion in occupancy rate. In the first quarter of 2017, hotel and restaurants sector grew by 5.3 percent, comparing with a 4.9-percent growth in the previous quarter. Tourism receipts stood at 712.5 billion baht (or 4.7 percent growth), sourced by

Hotel and restaurants sector grew by 5.3 percent, accelerated from 4.9 percent in the previous quarter. The receipts from foreign tourists increased by 3.9 percent, and average occupancy rate was at 73.35 percent.

(i) receipts from foreign tourists of 481.7 billion baht (or 3.9 percent growth), attributed by tourists from Russia, Eastern Europe, U.S.A., France and Japan, and (ii) receipts from Thai tourists of 230.8 billion baht (or 6.5 percent growth). Average occupancy rate was at 73.35 percent.

Income from inbound tourists for Q1/2017 stood at 481.7 billion baht or grew by 3.9 percent



Source: Ministry of Tourism and Sports

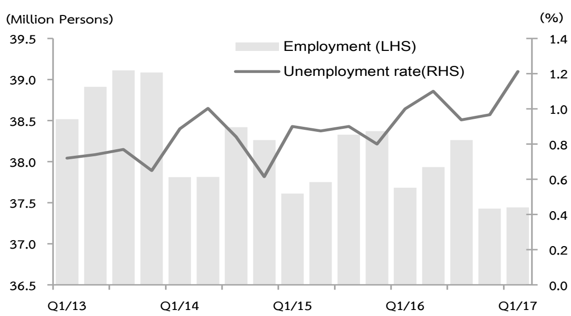
Transport, storage and communication sector grew at a favorable pace, following an expansion in both of transport and telecommunication service. In the first quarter of 2017 transport, storage and communication sector grew by 5.9 percent comparing with 5.2 percent increase in the previous quarter. Transport service grew by 5.3 percent due to an increase in land transport and air transport services of 5.7 and 10.0 percent, respectively. Telecommunication service expanded by 9.1 percent following an increase of 4G LTE (4th Generation Long Term Evolution) services providers' performance.

Transport, storage and communication sector grew by 5.9 percent. Transport service increased by 5.3 percent and telecommunication service expanded by 9.1 percent.

Employment slightly declined, while unemployment rate remained low. In the first quarter of 2017, employment slightly declined by 0.6 percent, improved from the contraction of 2.5 percent in the previous quarter. The agricultural employment decreased at a slower pace by 1.4 percent, comparing with the contraction of 6.0 percent in the previous quarter. This was due to an increase in the employment in harvesting season for sugarcane and rice production. In addition, agricultural employment started to expanded in March. Similarly, non-agricultural employment slightly declined by 0.3 percent, improved from the contraction of 0.7 percent in the previous quarter. The improvement was due to the increase of employment in both service and manufacturing sector.

Employment declined by 0.6 percent in the first quarter, but the unemployment rate remained low at 1.2 percent.

Employment declined by 0.6 following the contracted employment in both agricultural and non-agricultural sectors. Unemployment rate was low at 1.2 percent.



Source: National Statistics Office (NSO)

Employed Persons by Industry

%YOY	Shared	2015	2016					2017			
	Q1/17	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar
Employed	100.0	-0.2	-0.9	0.2	-0.9	-0.2	-2.5	-0.6	-1.0	-0.5	-0.4
- Agricultural	29.4	-3.6	-4.3	-2.7	-6.2	-2.3	-6.0	-1.4	-1.7	-4.4	0.8
- Non-Agricultural	70.6	1.6	0.8	1.5	1.4	0.9	-0.7	-0.3	-0.7	1.2	-0.9
Manufacturing	16.7	0.9	-2.6	-2.2	-1.7	-1.9	-4.4	-1.5	-5.6	1.3	-0.4
Construction	6.4	0.6	3.1	5.8	5.4	0.1	0.2	-8.7	-9.0	-7.5	-10.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.2	-0.1	2.5	2.9	1.4	3.9	1.9	0.9	5.6	0.1	-1.6
Accommodation and food service activities	7.6	3.0	3.2	2.9	4.0	6.1	0.1	4.2	6.0	4.7	1.9
Unemployment (Hundred thousand persons)		3.4	3.8	3.7	4.1	3.6	3.7	4.6	4.5	4.3	5.0
Unemployment Rate (%)		0.9	1.0	1.0	1.1	0.9	1.0	1.2	1.2	1.1	1.3

Source: NSO

Fiscal Conditions:

On the revenue side, in the second quarter of the fiscal year 2017 (January - March 2017) the net government revenue collection stood at 488.8 billion baht which was lower than the same quarter of last year by 0.8 percent. This is due to the high revenue collection from the 4G 900 MHz spectrum license auction in March 2016, which was above normal. However, the tax revenues collection still increased by 5.2 percent, particularly, the revenues from excise tax on fuel, VAT and corporate income tax in line with the increase in excise tax rate, the increase in commodity prices, and the improvement of economic activities.

The tax revenues collection increased by 5.2 percent in accordance with the increase in excise tax rate, the increase in commodity prices, and the improvement of economic activities.

For the first half of the 2017 fiscal year, the net government revenue collection decreased by 3.6 percent from the same period last year, due mainly to the high base effect, but was higher than the projection by 0.7 percent.

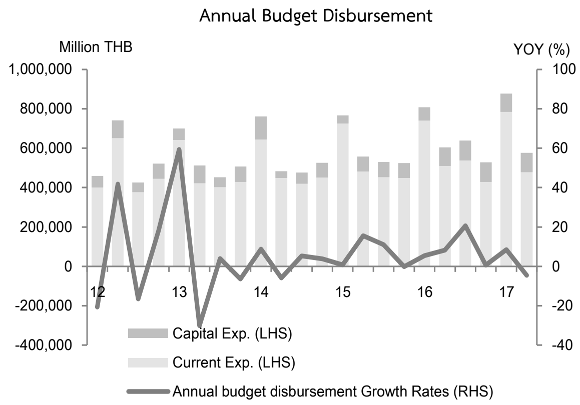
Government Revenue

Fiscal Year	2014	2015	2016						2017	
(Billion Baht)	Year	Year	Year	Q1	Q2	Q3	Q4	H1	Q1	Q2
Net Government Revenue	2,075.3	2,213.4	2,394.5	586.0	492.6	717.3	598.6	1,039.7	550.9	488.8
Compared with the target (%)	-8.8	-4.8	0.4	13.4	-0.6	2.1	-10.8	0.7	5.0	-3.7
YOY (%)	-4.0	6.7	8.2	15.5	4.8	9.9	2.6	-3.6	-6.0	-0.8

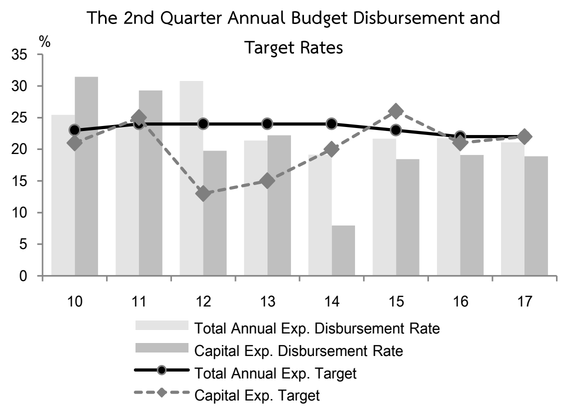
Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the second quarter of the fiscal year 2017 was at 709.0 billion baht, decreased by 5.1 percent from the same period last year. Classified by its source of funds, the government disbursements are as follows: **(i) the 2017 annual budget disbursement in this quarter** was at 576.3 billion baht or equivalent to 21.1 percent of the annual budget. This includes the disbursement of current expenditure at 477.7 billion baht decreased by 6.2 percent from the same period of last year and the disbursement of capital expenditure at 98.6 billion baht increased by 3.8 percent comparing with the same period of last year.

The capital expenditure disbursement was higher than the same period last year by 3.8 percent.



Source: GFMIS



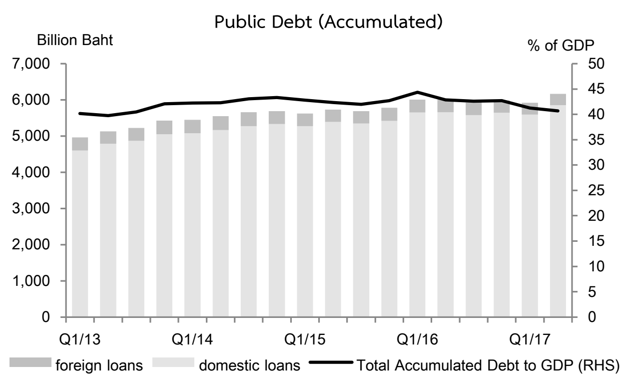
Source: GFMIS

(ii) The 2017 supplementary budget disbursement, started in March, was at 110.4 million baht; **(iii) the carry-over budget disbursement** was at 59.8 billion baht, decreased by 20.9 percent from the same period last year; **(iv) state-owned enterprises' capital expenditure budget (include PTT)** is expected to be disbursed in this quarter by 72.3 billion baht (the disbursement of capital expenditure of 1.8 billion baht of annual budget was already included) increasing by 20.6 percent, compared with the same period last year; and **(v) the off-budget loans** were disbursed at 2.3 billion baht, which included Loans for water resource management and road transport system projects of 2.1 billion baht and the Development Policy Loan (DPL) of 186.2 million baht.

For the first half of the 2017 fiscal year, (i) the annual budget disbursement amounted to 1,452.8 billion baht, increased by 2.9 percent from the same period of previous year (the disbursement rate was at 49.7 percent, fell short from the target of 52.0 percent) while the capital expenditure was disbursed at 191.0 billion baht, increased by 17.0 percent from the same period last year (equivalent to 31.5 percent of total capital expenditure, fell short from the target of 41.0 percent); (ii) the carry-over budget disbursement amounted to 152.9 billion baht (equivalent to 55.4 percent of total carry-over budget); (iii) state-owned enterprises' capital expenditure budget (include PTT) disbursement amounted to 183.5 billion baht; and (iv) the off-budget loans disbursement amounted to 4.6 billion baht.

Public Debt: at the end of March 2017, it was accumulated at 6.2 trillion baht or equivalent to 40.7 percent of GDP. The public debt was comprised of domestic loans of 5.9 trillion baht (38.6 percent of GDP) and foreign loans of 314.3 billion baht (2.1 percent of GDP).

The Public Debt remains under the fiscal prudential framework at 40.7 percent of GDP, declined from 41.2 percent at the end of previous quarter.

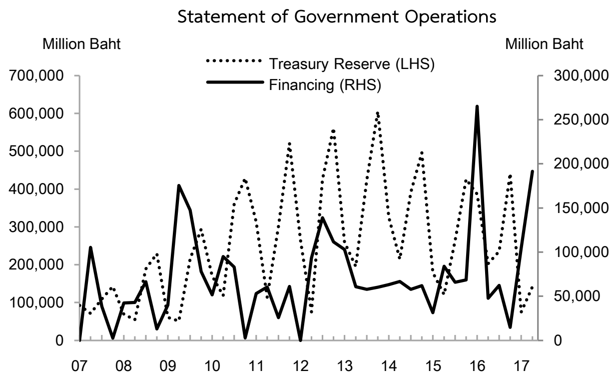


Source: PDMO and NESDB

Fiscal Balance: in the second quarter of fiscal year 2017, the budgetary balance recorded a deficit of 156.4 billion baht, while the non-budgetary balance recorded a surplus of 31.7 billion baht. In the meantime, the government conducted a cash balance management through borrowing total of 191.4 billion baht. Therefore, the cash balance after debt financing recorded a net surplus of 66.7 billion baht. At the end of the second quarter of fiscal year 2017, the treasury reserve stood at 141.6 billion baht.

At the end of the second quarter of fiscal year 2017, the treasury reserve stood at 141.6 billion baht.

For the first half of the 2017 fiscal year, the budgetary balance recorded a deficit of 574.7 billion baht and the non-budgetary balance recorded a deficit of 20.6 billion baht. The government has conducted a cash balance management through borrowing total of 295.6 billion baht. Therefore, the cash balance after debt financing recorded a net deficit of 299.7 billion baht.



Source: MOF

Financial Conditions:

The policy rate was kept unchanged at 1.50 percent per annum throughout the first quarter of 2017

Policy interest rate remained unchanging, though Fed raised its policy rate.

The Monetary Policy Committee decided to maintain the policy interest rate at 1.50 percent per annum, as the committee judged that the current policy stance would help to sustain growth and cope with the uncertainty of global economic recovery.

However, Fed raised the policy rate by 25 basis points to be a range of 0.75 - 1.00 percent per annum in the meeting on 14-15 March 2017. The market expected that Fed will hike its policy rate twice in the remaining of this year. Meanwhile, the ECB, BOE, BOJ, and most central banks in Asia maintained their policy stances.

In April 2017, the central bank of many countries held their policy rates, while the ECB began to reduce the pace of its monthly asset purchases to 60 billion Euros, starting from April until the end of 2017. Meanwhile, the Bank of Russian cut policy rate to stimulate its economy albeit the Hong Kong Monetary Authority raised policy rate to stabilize its currency.

Policy Interest Rate

(%) At the end of period	2015 Year	2016 Year	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Jan	2017 Feb	2017 Mar	2017 Apr
USA	0.25-0.50	0.50-0.75	0.25-0.50	0.25-0.50	0.25-0.50	0.50-0.75	0.75-1.00	0.50-0.75	0.50-0.75	0.75-1.00	0.75-1.00
EU	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
England	0.50	0.25	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Japan	0.1	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Australia	2.00	1.50	2.00	1.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50
New Zealand	2.50	1.75	2.25	2.25	2.00	1.75	1.75	1.75	1.75	1.75	1.75
Russia	11.00	10.00	11.00	10.50	10.00	10.00	9.75	10.00	10.00	9.75	9.25
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Taiwan	1.625	1.375	1.50	1.50	1.375	1.375	1.375	1.375	1.375	1.375	1.375
Korea, South	1.50	1.25	1.50	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
India	6.75	6.25	6.75	6.50	6.50	6.25	6.25	6.25	6.25	6.25	6.25
Indonesia (BI Rate)	7.50	-	6.75	6.50	6.50	-	-	-	-	-	-
Indonesia* (BI 7-Day RR Rate)	-	4.75	-	5.25	5.00	4.75	4.75	4.75	4.75	4.75	4.75
Philippines	4.00	3.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Thailand	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50

Source: Collected by NESDB

* Remark: In August 2016, Indonesia introduced a new policy rate known as the BI 7-Day (Reverse) Repo Rate in order to replace the former reference rate – BI Rate. The new policy rate was retroactive since April 2016.

The average 12-month deposit and lending rates of commercial banks and SFIs were maintained at the same rates as in the previous quarter. However, real deposit and lending rates increased; as a result of reduction in inflation rate

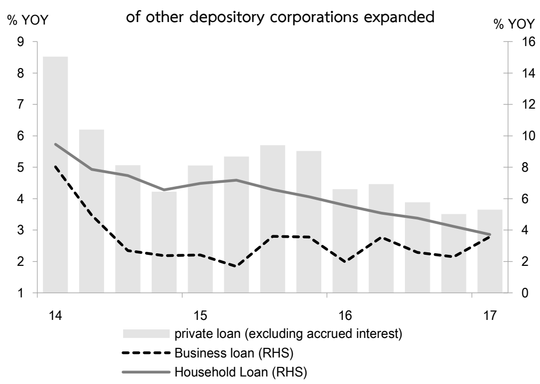
All major and medium-sizes commercial banks, retail bank and Specialized Financial Institutions (SFIs) hold their 12-month deposit rates and lending rates at the same rate as in the previous quarter. However, real deposit and lending rates increased following a decrease in headline inflation rate at the end of the first quarter of 2017.

In April 2017, the 12-month deposit and lending rates of all-sized commercial banks and SFIs remained at the same rates as in the previous quarter. Furthermore, the real deposit and lending rates further increased due to the reduction of headline inflation.

Private loan of Depository Corporations accelerated, driving from business loan. In contrast, household loan slowed down.

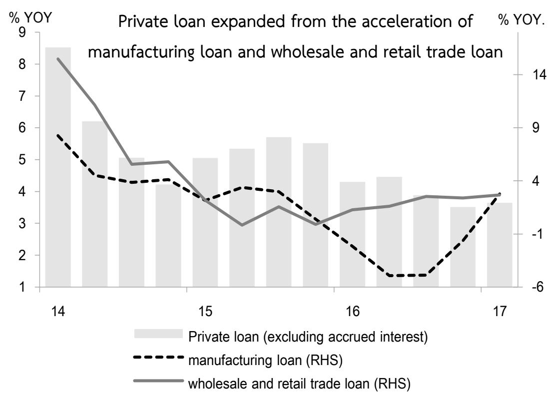
Private loan of Depository Corporations grew by 3.7 percent, accelerated from a 3.5-percent growth in the previous quarter. The loan expansion was supported by the growth of business loan, particularly manufacturing loan as well as wholesale & retail trade loan, reflecting the improvement of economic activities in private sector. In contrast, household loan decelerated from the previous quarter following the slowdown growth of housing loan.

Private loan (excluding accrued interest) of other depository corporations expanded



Source: Bank of Thailand

Private loan expanded from the acceleration of manufacturing loan and wholesale and retail trade loan



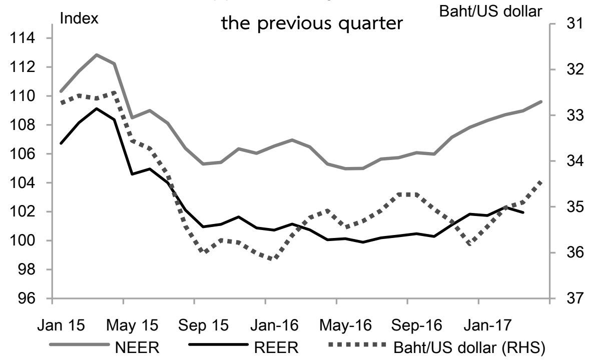
Source: Bank of Thailand

Thai baht appreciated against the US dollar. The quarterly average of Thai baht stood at 35.11 baht per US dollar, appreciating by 0.8 percent from the previous quarter, supported by the signs that Fed will gradually raise their policy rate, and the concern of investor on the delayed implementation of US economic stimulus policy. Furthermore, Nominal Effective Exchange Rate (NEER)[1] appreciated by 1.6 percent, comparing with the previous quarter. This was mainly caused by the appreciation of Thai baht against Euro, Yuan and Yen. Likewise, the Real Effective Exchange Rate (REER) appreciated by 0.9 percent.

Thai baht appreciated against the US dollar.

In April 2017, the monthly average exchange rate of Thai baht appreciated further to 34.45 baht per US dollar due to the depreciation of US dollar. Such depreciation was caused by tensions mounted over Syria and Korea peninsula, uncertain political situation in Europe (e.g. the dissolution of the UK parliament and the French presidential election).

Thai Baht appreciated against US dollar from the previous quarter



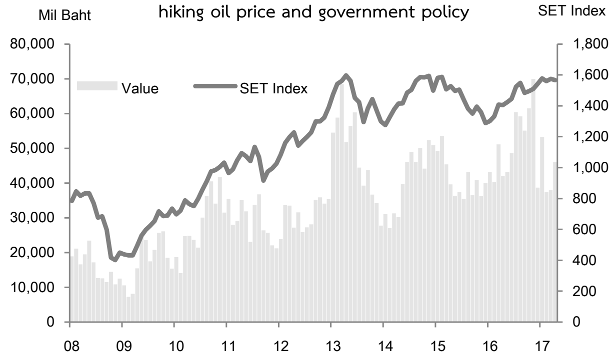
Source : CEIC, Bank of Thailand

SET Index fluctuated in an upward trend. At the beginning of the quarter, SET Index moved in an upward trend due to the recovery of global oil prices and partly the result of the extension of tax incentive scheme to promote private investment. However, SET Index moved downward afterward in an anticipation of Fed policy rate hike, and then rebounded after Fed raised its policy rate and signaled a gradual hike in the meeting on 14-15 March 2017. At the end of the first quarter of 2017, SET Index closed at 1,575.1 points representing a 2.1 percent growth from the previous quarter.

SET Index fluctuated in an upward trend.

In April 2017, SET Index closed at 1,566.3 points, down from 1,575.1 points at the end of March, as investors switched their portfolios to Thai bond market due to the concern over the tension in Syria and Korea peninsula. Besides, the earning performance of listed companies was lower than expected.

SET Index closed at a higher level due to a hiking oil price and government policy



Source : CEIC

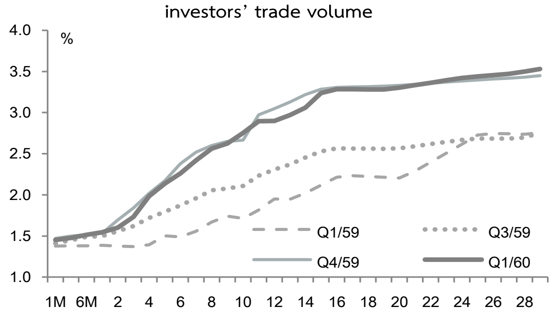
[1] The BOT began using the new NEER and REER in March 2014. The base year would also be changed to 2012, that the indicators could capture the true structure of trade in line with changing international trade dynamics.

The government bond yields moved along with the expectation of monetary policy direction in major countries and foreign investors' trade volumes. In the first quarter of 2017, the government bond yields in all maturities moved downward alongside the US government bond yields that declined in response to expectation on Fed policy rate decision. Besides, foreign investors registered a net buy of 89.4 billion baht in this quarter, comparing with a record of 72.3 billion baht from the last quarter. After the implementation of US economic stimulus policy tended to be delayed, the government bond yields in almost all maturities declined by 2-16 basis points (bps), except for the yields of 10-year maturity that increased by 8 bps due to low-base effect from the previous quarter.

Government bond yield moved along with monetary policy direction of major countries and foreign investors' trade volume.

In April 2017, yields of the government bond with a less-than-5-years maturity shifted downward associated with a net buy position of foreign investors after the tension over the US-Syria conflict and Korea peninsula mounted. On the other hand, government bond yields for the more-than-5-years maturity shifted upward in line with the movement in the government bond yields in the US and region.

Government bond yield moved in the same direction in response to international monetary policy and foreign investors' trade volume



Source : ThaiBMA

Capital and financial account recorded a net outflow position of 4.4 billion US dollars, lower than the net outflow of 11.9 billion US dollars in the previous quarter, owing to the increase in foreign investment inflow from both direct and portfolio investment. Nonetheless, the net balance on the financial account recorded a net outflow. This was mainly due to (i) Thai off-shore portfolio investment in both bond and stock markets, of Foreign Investment Fund (FIF) (ii) higher deposit abroad and repayment of short-term loan used for adjusting foreign currency positions of financial institutions and (iii) Thai off-shore direct investment.

Net outflow of capital and financial account was less than previous quarter due to the increase in both direct and portfolio investment inflow.

Capital Flow

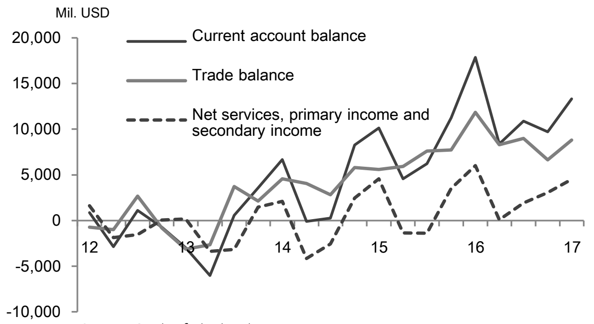
(Billion USD)	2015	2016				2017		
	Year	Year	H1	Q3	Q4	Q1	Feb	Mar
Categorized by economic sectors								
Government	-1.7	0.7	0.6	1.0	-0.9	0.4	0.5	-0.5
Monetary Authorities	-1.4	1.1	2.5	0.8	-2.3	0.4	0.8	-0.6
Bank	-12.8	-0.6	2.2	-0.4	-2.4	0.0	1.4	-2.3
Others	-1.2	-26.9	-8.7	-11.9	-6.4	-5.2	-3.0	-3.5
Capital and financial account	-17.1	-25.7	-3.4	-10.5	-11.9	-4.4	-0.2	-7.0
Categorized by financial transactions								
- Direct Investment	4.0	-11.7	-4.6	-6.9	-0.2	0.9	0.0	-0.7
Thai investor	-5.0	-14.2	-8.3	-2.9	-3.0	-2.4	-1.5	-1.6
Foreign investor	9.0	2.5	3.7	-4.0	2.8	3.3	1.5	0.9
- Portfolio Investments	-16.5	-2.9	2.7	2.6	-8.2	-2.4	1.1	-2.7
Thai investor	-3.8	-4.4	0.5	-2.8	-2.1	-4.3	-0.1	-2.7
Foreign investor	-12.6	1.5	2.2	5.4	-6.1	1.9	1.2	-0.0
- Loans	-5.4	1.4	3.0	-1.5	-0.1	-0.1	0.8	-1.3
- Others	0.5	-12.5	-4.5	-4.7	-3.4	-2.8	-2.1	-2.3
Capital and financial account	-17.1	-25.7	-3.4	-10.5	-11.9	-4.4	-0.2	-7.0

Source: BOT

Current account surplus declined. In the first quarter, current account recorded a surplus of 13.3 billion US dollars (468.1 billion baht), which was a surplus in trade balance of 8.8 billion US dollars and a surplus in services, primary and secondary income of 4.5 billion US dollars. Comparing to the same period last year the current account surplus declined by 25.4 percent.

Current account registered a surplus, decreased from the same period last year.

Current account balance, Trade balance,
Net services, primary income and secondary income

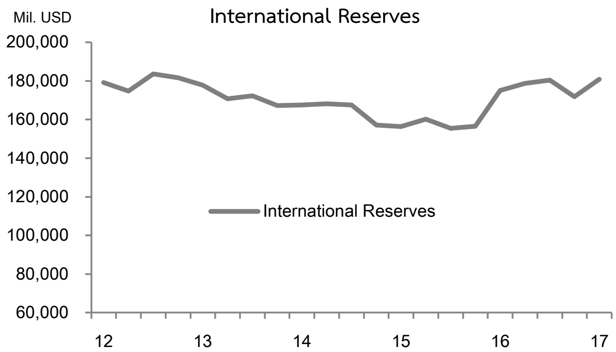


Source: Bank of Thailand

International reserve at the end of March 2017 stood at 180.9 billion US dollars (excluding net forward position of 26.6 billion US dollars), which was equal to 3.4 times of short-term foreign debt (at the end of March 2017) or 11.4 months of import value (the average of import value in the first quarter of 2017).

International reserve at the end of March 2017 stood at 180.9 billion US dollars.

International Reserves

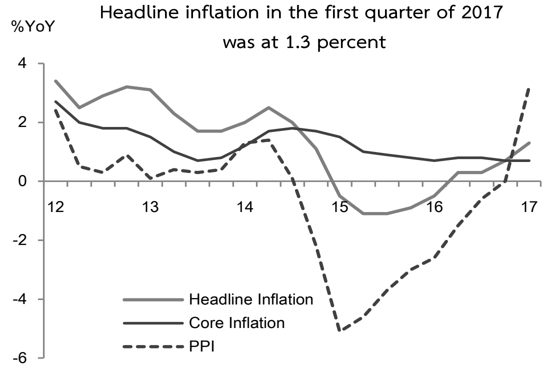


Source: Bank of Thailand

Headline inflation: In the first quarter of 2017, headline inflation was average at 1.3 percent. **Non-Food and Beverage price index** increased by 1.4 percent, accelerating from 0.4 percent in the previous quarter as the domestic retail fuel price increased in the same direction with global crude oil price. Meanwhile, **Food-and- Beverage price index** increased by 1.1 percent, decelerating from 1.3 percent in the previous quarter due to a slowdown of vegetables and fruits prices, and the declining price of meats, and eggs & dairy products. The core inflation stood at 0.7 percent.[2]

Headline inflation was average at 1.3 percent. Non-Food and Beverage price index increased. Meanwhile, Food-and-Beverage price index decelerated.

Headline inflation in the first quarter of 2017
was at 1.3 percent



Source: Ministry of Commerce

[2] In April 2017, Headline inflation was 0.4 percent, Core inflation was 0.5 percent. In the first 4 months of 2017, Headline inflation was 1.0 percent, Core inflation was 0.6 percent

Producer Price Index (PPI): in the first quarter of 2017, increased by 3.2 percent. **The price of agriculture product** increased by 6.9 percent due to price of agriculture product, and fish & fishery products increased. **The price of mining products** increased by 3.3 percent; following the increased prices of lignite, petroleum, and natural gas. **The price of manufacturing products** increased by 2.7 percent, due to an increased in price of petroleum products, and rubber & plastic products.[3]

Producer Price Index (PPI) increased by 3.2 percent. The price of agriculture, manufactured and mining product increased.

2. Crude Oil price in Q1 of 2017

The crude oil price in the global market increased. In the first quarter of 2017, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 53.24 USD per barrel, increased from the same period last year by 63.7 percent, and from the previous quarter by 7.9 percent.

The major factors contributed to the increase of global crude oil price included (i) recovery of global economy that raised demand for crude oil especially in the industrialized countries, and (ii) the oil production cuts of OPEC and Non-OPEC, especially Saudi Arabia and Russia.

The crude oil price in the global market increased, following the recovery of global economy, and OPEC and Non-OPEC output cuts.

Crude oil price

Year		USD per Barrel					(%YOY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2014	Year	96.82	96.48	99.49	92.71	96.38	-8.2	-8.5	-8.6	-5.6	-7.7
2015	Year	51.17	50.87	53.61	48.84	51.12	-47.1	-47.3	-46.1	-47.3	-47.0
2016	Q1	31.20	31.30	35.09	32.46	32.51	-40.9	-39.8	-36.2	-33.3	-37.6
	Q2	43.30	43.03	46.96	45.61	44.73	-29.4	-29.6	-26.1	-21.3	-26.7
	Q3	43.66	43.10	46.99	45.01	44.69	-12.5	-13.3	-8.4	-3.4	-9.5
	Q4	48.68	48.19	51.12	49.32	49.33	19.6	18.7	14.6	17.0	17.4
	Year	41.71	41.40	45.04	43.10	42.81	-18.5	-18.6	-16.0	-11.8	-16.3
2017	Q1	53.44	53.00	54.60	51.90	53.24	71.3	69.4	55.6	59.9	63.7
	Jan	53.85	53.63	55.45	52.60	53.88	96.3	101.1	73.8	65.8	83.0
	Feb	54.96	54.32	55.95	53.43	54.66	83.0	86.1	66.8	74.6	77.2
	Mar	51.50	51.07	52.41	49.67	51.16	42.5	34.3	31.7	41.7	37.3
	Apr	52.45	51.96	53.65	50.96	52.25	33.9	34.1	24.1	24.4	28.9
	4 Months	53.19	52.74	54.36	51.67	52.99	60.2	59.1	46.5	49.4	53.5

Source: Thaioil Plc and EPPO.

[3] In April 2017, Producer Price Index (PPI) increased by 1.7 percent. In the first 4 months of 2017, PPI increased by 2.8 percent.

3. The World Economy in Q1 of 2017

The world economy in the first quarter continued to recover, supported mainly by the expansions in advanced economies which has turned the world trade volume and commodity prices in the global market into the positive cycle and supported other developing countries to recover.

In the first quarter of 2017, the world economy continued to recover from the previous quarter, supported mainly by the expansions in advanced economies including the US, the Euro Zone and Japan as well as the acceleration of the Chinese economy and other major economies, namely UK and South Korea. The recovery in major economies has turned the world trade volume and commodity prices in the global market into the positive cycle and supported other developing countries to recover.

Meanwhile, employment and inflation rate continually increased in many countries especially the US where the unemployment rate declined as well as the inflation rate moved up closed to the monetary policy target. This has made FOMC decided to raise the policy rate for the third time in 9 years. Similarly, the ECB started to reduce the pace of asset purchase but still maintained its key policy rate in order to ensure continual economic recovery. Meanwhile, most developing countries have kept the policy rate unchanged to support the economic recovery, although inflation started to pick up. The monetary policy divergence caused the US dollar in the first quarter to appreciate against other major currencies. However, the US dollar fluctuated during the quarter following the expectations of investors over the concerns of policy direction in major countries, the France election result as well as the expectation on direction and soundness of the US policies.

US economy continued to expand by 1.9 percent, unemployment rate declined to 4.7 percent, inflation rate picked up closed to Fed's target. As a result, the FOMC decided to hike its policy rate for the third time in 9 years.

US economy expanded by 1.9 percent (Advance estimate), decelerating slightly from 2.0 percent in the preceding quarter. This was due to a slowdown in private consumption and a less growth contribution from government consumption expenditure, and public investment as well as a decrease in changes in inventories. However, private investment; especially in oil drilling & exploration sectors and export growth accelerated and thus became an engine of the economic growth in this quarter. The unemployment rate was at 4.7 percent, the lowest rate in 9 years. Meanwhile, the core PCE inflation rate was at 1.7 percent, close to the Fed's target of 2.0 percent. As a result, the FOMC decided to hike its policy rate to the range of 0.75 – 1.00 percent in the meeting on 14 – 15th March 2017, which is the third policy rate hike in 9 years since the financial crisis in 2008.

Eurozone economy grew by 1.7 percent and inflation rate increased to 1.8 percent, while the unemployment rate declined to 9.5 percent. ECB kept its policy rate unchanged and decreased the pace of monthly asset purchases.

Eurozone economy grew by 1.7 percent, comparing with 1.8 percent in the last quarter of 2016. Private consumption expenditure slowed down in line with declining consumer confidence index (CCI). Nevertheless manufacturing and service sectors improved following the expansion of export and thus became the key supporting factors of the economic growth. Moreover, the unemployment rate dropped to 9.5 percent, which was the lowest rate in 7 years. Meanwhile, inflation rate increased to 1.8 percent, the highest rate in 16 quarters and close to the monetary policy targets of ECB. However, the ECB decided to keep its policy rate unchanged in the meeting on 9th March 2017 in order to boost up the business and consumer confidence regarding the economic recovery and the rising inflation rate amid the uncertainty of the negotiation result of Brexit. However, the ECB started to decrease the monthly asset purchases to 60 billion euro from April to December 2017.

Japanese economy recovered, inflation rate increased, unemployment dropped to 2.9 percent, the lowest rate in 22 years. BOJ kept the same policy rate and QE measure.

Japanese economy picked up further contributed mainly by the recovery of export as a result of Yen depreciation. In addition, domestic consumption also improved considered from increase in retail sales and in line with better consumer confidence. The improved domestic consumption and export supported the expansion of manufacturing sector. Meanwhile, the unemployment rate was at 2.9 percent remarked as the lowest rate in the past 22 years and the inflation rate continued to increase from the previous quarter and stood at 0.3 percent. However, BOJ still remained the key policy rate and kept the same level of quantitative easing. Furthermore, the government continually implemented the 28-trillion-yen fiscal economic stimulus for boosting its economy.

Chinese economy expanded by 6.9 percent, slightly accelerating from 6.8 percent in the preceding quarter which remarked as the highest rate in 6 quarters. The growth acceleration was attributed by the export growth which was the first expansion in 8 quarters. In addition, the growth was also supported by the expansion of manufacturing production, private consumption and fixed asset investment under the infrastructure development plans. Meanwhile, the implementation on capital control measure had improved the external economic stability. At the end of March 2017, the foreign reserves increased to 3,009.1 billion US dollar, an increase for a second straight month and had thus made the Chinese Yuan to become more stable.

Chinese economy accelerated to 6.9 percent, which remarked as the highest rate in 6 quarters. Meanwhile, the capital control led to the external economic stability improved.

Newly Industrialized Economies (NIEs) most NIEs countries picked up following the export accelerations which were supported by the recovery of major economies and the increase in global commodity prices. While, the consumer prices continually increased even though Hong Kong and Taiwan inflation rates declined from the previous quarter due to prices of food and public facilities services. Korean, Taiwan, Singapore, and Hong Kong economies expanded by 2.7 percent, 2.6 percent, 2.5 percent, and 4.3 percent, compared with 2.4 percent, 2.9 percent, 2.9 percent, and 3.2 percent from the previous quarter, respectively. Also, **ASEAN Economies** mostly improved due mainly to increasing export growths and the recovery of domestic manufacturing sector. Meanwhile, the inflation rates went up resulted from the rising oil prices in the global market. **The Indonesian economy** accelerated to 5.0 percent, compared with 4.9 percent in the previous quarter, the **Vietnamese economy** grew by 5.1 percent, softened from 6.7 percent in the previous quarter, and served as the slowest growth in the past 3 years owing to the slowdown in the manufacturing production particularly electronics products.

GDP growth, Inflation and Export growth in several key economies

	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2015	2016		2017	2015	2016		2017	2015	2016		2017
	Year	Year	Q4	Q1	Year	Year	Q4	Q1	Year	Year	Q4	Q1
USA	-7.5	-3.4	2.0	7.4	2.6	1.6	2.0	1.9	0.1	1.3	1.8	2.5
EU	-12.1	0.1	0.6	-	1.9	1.7	1.8	1.7	0.0	0.2	0.7	1.8
Japan	-9.5	3.2	8.8	10.0	1.2	1.0	1.6	-	0.8	-0.1	0.3	0.3
China	-2.9	-7.7	-5.3	8.2	6.9	6.7	6.8	6.9	1.4	2.0	2.2	1.4
Hong Kong	-1.8	-0.6	5.3	10.5	2.4	2.0	3.2	4.3	3.0	2.4	1.2	0.6
India	-17.0	-1.3	5.9	16.9	7.5	7.5	7.0	-	4.9	5.0	3.7	3.6
Indonesia	-14.6	-3.9	14.0	20.8	4.9	5.0	4.9	5.0	6.4	3.5	3.3	3.6
South Korea	-8.0	-5.9	1.8	14.7	2.8	2.8	2.4	2.7	0.7	1.0	1.5	2.1
Malaysia	-14.9	-4.8	1.9	14.4	5.0	4.2	4.5	-	2.1	2.1	1.7	4.3
Philippines	-5.3	-2.6	3.6	17.3	6.0	6.9	6.6	-	1.4	1.8	2.5	3.2
Singapore	-13.8	-5.5	1.9	16.0	2.0	2.0	2.9	2.5	-0.5	-0.5	0.0	0.6
Taiwan	-10.9	-1.8	11.7	15.1	0.8	1.5	2.9	2.6	-0.3	1.4	1.8	0.8
Thailand	-5.6	0.0	3.6	6.6	2.9	3.2	3.0	3.3	-0.9	0.2	0.7	1.3
Vietnam	7.9	9.0	14.7	15.2	6.7	6.2	6.7	5.1	0.6	2.7	4.4	5.0

Source: CEIC, Collected by NESDB

4. The World Economic Outlook for 2017

The world economy in 2017 has continued to improve according to the improvement of economic fundamental in major countries especially in the US, Euro Zone and Japan as well as the positive sign of Chinese external economic stability and the alleviated political uncertainty in Europe after the French election. While the increase in world trade and commodity prices in the global market would continually underpin the growth in developing countries in Asia.

The world economy expanded by 3.3 percent in 2017, improved from 3.1 percent in 2016.

Therefore, in 2017, the world growth is projected to accelerate to 3.3 percent in 2017 from 3.1 percent in 2016, as the key economies have already entered to the recovery phase of economic cycle. In particular, the US economy has reached the full employment and inflation pressure persisted, thus Fed is likely to hike its policy rate continuously in the remaining of 2017. Meanwhile, ECB and other major economies are likely to maintain the policy rate to ensure economic recovery and to return the inflation to monetary policy target but some countries possibly reverse their policy directions by the fourth quarter of 2017. Therefore, the global interest rate will be moderately uptrend.

US economy improved into full employment. Meanwhile, the inflationary pressure increase more clearly. As a result, the Fed is likely to raise its policy rate continually.

Under the baseline scenario, **the US economy** is projected to expand by 2.2 percent, accelerating from 1.6 percent in 2016. Although, the economic growth slowed down in the first quarter and the progress of Trump's policy still faced high uncertainty, the economic acceleration will be supported by the improvement in economic fundamental. This includes; (i) the lowest ratio of household debt to disposable income within 12 years, (ii) the strong growth of consumer loan of 6.0 percent brought about easing liquidity, (iii) the historical high housing and equity price, and (iv) the lowest unemployment rate in 9 years. In addition, consumer sentiment index was at the highest level in 12 years. Under such conditions, inflationary pressure tends to persist and the Fed is likely to hike its policy rate twice in the rest of 2017.

Eurozone economy expand by 1.6 percent and inflation approaches in targets, ECB decided to decrease QE but tends to maintain policy rate throughout 2017.

Eurozone economy is expected to grow by 1.6 percent, comparing with 1.7 percent in 2016. The supporting factors for such growth is the expansion of EU member economies due to the progress of economic reform and QE in the past as well as the improvement of the key trading partners economies and the improvement of consumer and business confidence after the French presidential election 2017. The economic recovery led to the decrease of unemployment rate gradually and clearly. As inflation rate approaches in the monetary policy targets, ECB then decided to decrease the net asset purchases level in the past April 2017. In the remaining of this year, the ECB is likely to keep its policy rate unchanged and to ensure sustain pace of economic and inflation recovery through the uncertainty from Brexit negotiation and election outcome in the German federal election 2017 as well as Italian political condition. Nevertheless, the ECB may begin to reconsider its approach to monetary policy if the risk factors for sustainability of economic recovery decline and inflation rate return to sustainable goals.

Japanese economy gradually expanded while inflation returned to be positive yet still unable to move into its policy target. BOJ tends to continuously maintain the QE measure.

Japanese economy is expected to grow by 1.2 percent, a gradual pick up from 1.0-percent growth in 2016, underpinned by the core improvement of manufacturing sector and export following the recovery in major trading-partner economies and Yen depreciation. Likewise, the domestic demand acceleration is supposed to be supported by the expansion of (i) household income and consumption brought about by the improvement of manufacturing sector, low level of interest rate and unemployment rate, and (ii) increasing government demand which is stimulated by fiscal policy. Furthermore, the increase in energy prices is expected to help inflation back into the positive territory sustainably but unlikely to return to its target in 2017. Under such conditions, BOJ is likely to remain its policy rate and QE measure at the same level.

Chinese economy is likely to grow by 6.6 percent; the growth will be underpinned by recovery of export, manufacturing production, and the economic stimulus packages on infrastructure investment by the government. Nevertheless, the economic growth in 2017 is likely to slow down from 6.7 percent in the previous year due to the economic restructuring policy and resolves financial instability.

Chinese economy is likely to slow down gradually following the limitations from the economic restructuring policy, and the resolves of troubled assets in financial sector.

The NIEs is projected to gradually improve following the recovery of export and domestic demand. NIEs economies: Hong Kong, Singapore, and Taiwan are expected to grow by 3.0, 2.4, and 2.0 percent, accelerating from 2.0, 2.0, and 1.5 percent in 2016, respectively. While, Korea economy is likely to grow by 2.6 percent, decelerating from 2.8 percent in 2016. Additionally, **ASEAN economies** are likely to be accelerated due mainly to the improvement of export following the economic recovery of trade partners and rising global market commodity prices. In the baseline scenario, the Indonesian, Malaysian, Philippines and Vietnamese economies are expected to grow by 5.4, 4.6, 6.0 and 6.0 percent, compared to 5.0, 4.2, 6.9 and 6.2 percent in 2016, respectively.

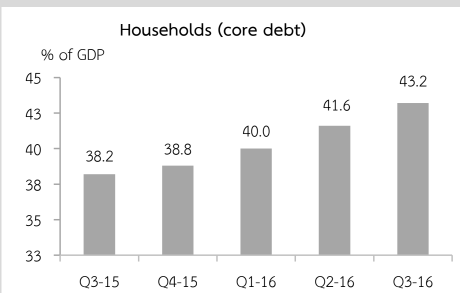
Concerns over the price bubble in Chinese's real estate sector

Since November 2014, China has launched an economic stimulus package in order to mitigate the effects of hard landing. The measurement included (i) lowering the policy interest rate. (ii) cutting the minimum required mortgage down payment. Those measures have induced demand for housing for the last 2 years. As a result, housing price, especially in the metropolis, rose since January 2015 – March 2017 (an average housing price per square metre increased by 17.8 percent). However, the increasing price concentrated only in the center city such as Tianjin Beijing Jiangsu Shanghai and Guangdong. Meanwhile, there are abundant housing stocks remaining in suburb area, and its prices increased slightly or even decreased in some areas. This circumstance is a challenge for Chinese's government to prevent its economy from the price bubble in real estate sector, which could lead to the economic instability.

The growth rate of residential property prices in

No.	County	2014	2015	2016
1	Tibet	37.1	-32.3	35.2
2	Tianjin	5.2	12.5	29.6
3	Beijing	3.6	20.5	27.8
4	Jiangsu	2.0	5.8	21.7
5	Shanghai	1.4	31.0	20.5
6	Guangdong	0.7	11.4	15.2
7	Hubei	4.9	11.4	14.0

Source: CEIC



Source: Bank for International Settlements (BIS)

As the People's Bank of China held its low interest rate for a long time, it induced speculators to borrow from domestic banks to finance their purchases. However, this situation would not last for long. Once the price drop to its fundamental, it could create the risk of financial instability. However, Chinese government has tried to curb the speculation by raising down payment requirements, increasing purchase restriction for second-home buyers, and destocking housing units in suburb area. Those actions under the condition of increasing policy interest rate are expected to cool down the property market in China.

5. Thai Economic Outlook for 2017

The Thai economy tends to perform well throughout the year 2017. For the rest of the year, the pace of growth is expected to accelerate gradually with a more broad-based expansion. Key supporting factors include (i) the recovery of the export in tandem with the pickup of key trading partners' economies and the global commodity prices, (ii) the high and accelerated growth of public investment, (iii) the acceleration of the agricultural production and favorable agricultural prices, (iv) the favorable expansion of the tourism sector which continually support the overall economy, and (v) the improvement of domestic car market. The economic stability is expected to remain favorable. The headline inflation is likely to remain low; trade balance and current account continue to be in surplus despite relatively lower than that of in 2016, as a result of increasing oil price as well as the domestic demand and export recovery. Meanwhile, household debt tends to gradually decline and employment is expected to improve following the household income recovery.

Nonetheless, the improvement of the Thai economy still faces with some limitations from high excess production capacity which become constraints for new investment to expand production capacity. In addition, there would also be risk factors from the direction of the US trade policy toward protectionism, the volatility of capital flows and exchange rate of major currencies, and sustainability of agricultural price increase that can be jeopardized by oil price fluctuation.

Supporting factors for the economic growth :

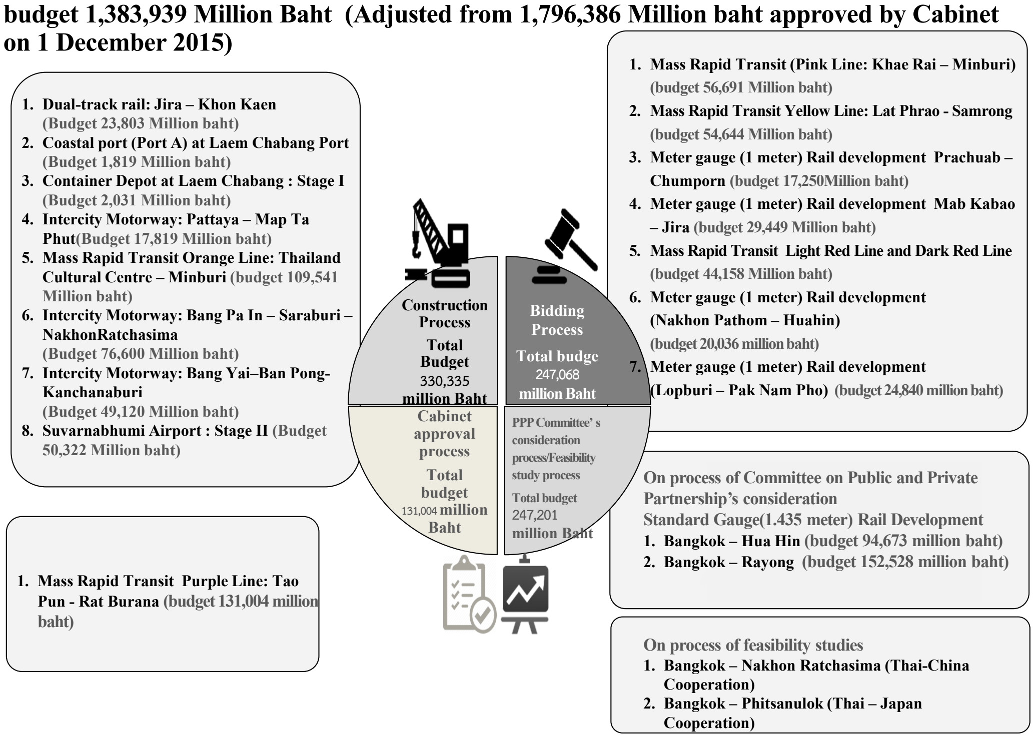
1) **The export sector is expected to continue its expansion** in line with the economic recovery of major trading partners as well as increases in global commodity prices. Export value in the first quarter of 2017 grew by 6.6 percent, accelerating from a 0.4 and 3.6 percent in the third and the fourth quarter of 2016, respectively. This was owed to the increase in export volume and export price of 2.8 percent and 3.7 percent, respectively. Likewise, export value (excluding unwrought gold) increased by 9.0 percent, the highest growth rate in 17 quarters. In the remaining of 2017, major trading partners' economies, including US, EU, Japan and ASEAN(5) (sharing about 44.1 percent of Thailand's export value), tend to expand at a faster pace. For China, which is accounted for 12.7 percent share of Thailand's export value, it is expected that the economy still continued its expansion though might see some slowdowns from the first quarter. Similarly to CLMV's economies, which is accounted for 10.6 percent of the total export market, tends to have an accelerated growth due to the recovery of agriculture production after drought conditions eased. Altogether with increases in global primary commodity prices, it is likely that export value in the remaining of 2017 will accelerate gradually and contribute more to the economic expansion.

2) **The high and accelerated growth of public investment**, which is supported by; (i) the remaining capital budget of 63.4 percent of total FY 2017capital budget. (ii) the remaining FY 2017 supplementary budget of 189,889.6 million baht out of 190,000 million baht. (iii) the FY2018 annual budget of 2,900 billion baht with a capital budget amounted 667.0 billion baht (increasing by 10 percent from the previous year) which will start disbursed in the last quarter of 2017 (October – December 2017), (iv) the 2017 SOE capital budget of 580,980 million baht which is expected that its disbursement will increase following the progress in government infrastructure projects, especially the projects under 2016 Transport Infrastructure Action Plan, which worth 1,383.9 billion baht. Under such plan, 8 projects worth 330.34 billion baht already started construction (increasing from 2 and 4 projects at the beginning of 2016 and at the end of 2016, respectively), and another 36 projects (worth 895.6 billion baht) under the 2017 Action Plan which is expected to start construction this year.

Progress of 20 public investment projects under Transport Action Plan

Major public investments on infrastructure have been making progress particularly the implementation of 20 public investment projects under Transport Action Plan 2017. Recently in this first quarter of 2017, there were 8 projects under construction process worth 330,335 million baht, 7 projects under bidding process worth 247,068 million baht, 1 project on-listed Cabinet approval process worth 131,004 million baht and 4 projects under feasibility/negotiation process worth 247,201 million baht (excluded Bangkok-Nakhon Ratchsima (Thai-China Cooperation) route and Bangkok – Phitsanulok (Thai-Japan Cooperation) route).

Progress of 20 public investment projects under Transport Action Plan Year 2016 Total budget 1,383,939 Million Baht (Adjusted from 1,796,386 Million baht approved by Cabinet on 1 December 2015)



Additionally, in 2017, infrastructure projects in Transport Action Plan 2017 with 36 projects worth 895,758 million baht have been waiting for the implementation. It is expected that 5 projects worth 54,799 million baht will be constructed within this year.

While the 5 areas of Border Special Economic Zone Development policy, have completed the determining investment incentives targets on One-Stop-Service (OSS) and waited for setting up developing area. Moreover, there were 40 project applications worth 8,542 million baht submitted for Board of Investment (BOI) promotion. Likewise, 48 urgent investment projects worth 6,993 million baht and projects under Special Economic Zone Integrated Budget Plan worth 3,305 million baht other than listed on Transport Action Plan 2016-2017 have been waiting for Eastern Economic Corridor development in 2017. Meanwhile, drafted Eastern Special Economic Zone Development Act B.E. …. has been approved by the Cabinet on 11 April 2017, Thus it is expected that the progress of project implementation will be accelerated after the Act enforcement.

3) **The acceleration of the agricultural production and favorable agricultural prices** that started during the second half of 2016 and became more significant in 2017. In the first quarter of 2017, agricultural production and farm income increased by 7.1 and 20.1 percent, improving from a 0.1 percent production contraction and a 11.4 percent farm income's growth in the third quarter of 2016 as well as from an production increase of 2.4 percent and farm income's increase of 6.0 percent in the fourth quarter of 2016. This was in line with a favorable improvement of key indicators of household expenditure in the rural economy. During the remaining of 2017, agricultural production tended to continually expand due mainly to the more favorable water level in 4 major dams in Chaopraya basin, and higher price of major agricultural products comparing with last year which will lead to favorable improvement in farm income, household consumption and overall economic expansion.

4) **Tourism receipts tend to favorably expand** and further support the economy. In the first quarter of 2017, receipts from foreign tourists increased by 3.9 percent, accelerating from 2.9 percent in the last quarter of 2016. Higher growth was contributed by tourists from Russia (8.0 percent share), U.S.A., (4.4 percent share), and France (4.1 percent share), with an expansion of 32.4, 13.1, and 9.4 percent, respectively. Meanwhile, despite a 4.3 percent contraction of tourism receipts from Chinese tourists (25.8 percent share), it improved comparing with a 19.5 percent contraction in the fourth quarter of 2016. In the remaining of 2017, it is estimated that tourism receipts will grow at accelerated pace, contributed by (i) the improvement of tourism receipts from Chinese tourists that is expected to show a positive growth in the third quarter of 2017 and (ii) the continued expansion of tourism receipts from other countries, especially from Russia, U.S.A., and France, following an economic recovery in major countries.

5) **The improvement of domestic car market** supported by (i) the ending of the first-car buyer scheme's stipulation which allows those first-car buyers (about 1.12 million people) to sell their vehicles and purchase a new one, (ii) the closure of debt burden from the first-car buyers, which was in line with a gradual decrease of household debts to GDP from 81.2 percent at the end of 2015 to 79.9 percent at the end of 2016, and (iii) the increasing of farm income and the launching of new car model in 2017. However, the car production for export will face with some constraints of economic conditions and policy directions of some major export markets.

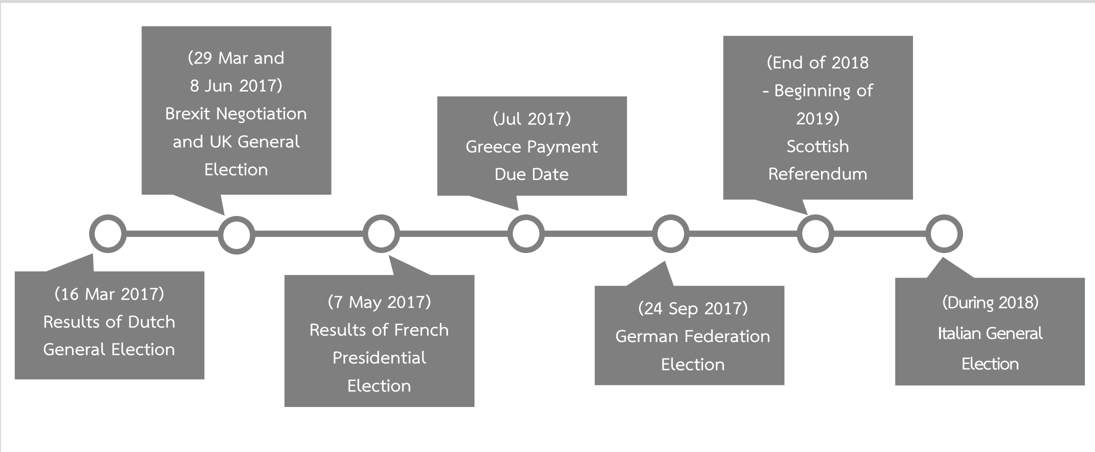
Limitation and Risk Factors:

1) **Excess production capacity in manufacturing sector still remains high,** which limits the expansion of private investment. Over the period of 2013 to 2016, export volume contracted by 0.7 percent on average and reduced capacity utilization in manufacturing sector and constraints private investment as seen from a continual contraction of private investment by 1.5, 0.8, 2.2 percent in 2013, 2014, 2015 and a sluggish expansion of 0.4 percent in 2016. However, export volume started to pick up in the last quarter of 2016 and improved further in the first quarter of 2017 but it has not yet adequately reduced excess production capacity and continues to limit private investment as shown by a 1.1 percent decline in private investment in the first quarter. This was just the early stage of export recovery. Nevertheless, as the recovery of domestic demand, exports, and the global economy will be clearer in the remaining of the year, the industries currently running at 70 percent capacity and the BOI approved projects tend to accelerate their investments.

2) **Capital flows and exchange rate tend to be volatile.** Despite the improvement of political conditions in Europe after the result of French presidential election in May 2017, during the remaining of 2017, the risks of capital flow and exchange rate volatility remain high due to uncertainty from geopolitical tensions, the progress on Brexit negotiation, the expectation on monetary policy direction of major advanced economies, the economic recovery in China that could be jeopardized by financial instability as well as the upcoming federation election result in Germany in September 2017 and parliamentary election in Italy during the early of 2018.

Europe in 2017: under changing geopolitical dynamic

In 2017, the European Union has been in the midst of momentous political change. In particular, the circumstance of the general election in major influential member countries, which is being challenged by the anti-European integration, so called Euroscepticism. Meanwhile, such phenomenon has become the downside risk factors for the global economic recovery due to the size of the European economy and its contribution to the world economy. The important political situations that should be monitored their outcomes throughout the entire year of 2017 and 2018 afterward are;



The dynamic of changes that we should "monitor closely"

1) **United Kingdom – negotiation on the EU separation remains highly uncertain, particularly, the pattern of trading relation between the UK and the EU.** Based on the EU summit on 29 April 2017, all EU leaders agreed on the main principles which must be kept prior to enter further negotiation with the UK. These key principles are residence rights of EU citizen must be protected and all financial commitments undertaken by the EU should be fully covered by all legal commitment. Throughout these negotiations, the EU will maintain its unity as the most important concern and there will be no separate negotiations between individual member states.

2) **Greece – concerns over Greece capability to repay its 7 billion Euros is still around since there is more likely no additional financial assistance from the EU and International Monetary Fund (IMF)** By July 2017, the 7 billion Euros will be due to pay back the European Union.

3) **Italy – The risk of isolation from the EU is still possible due to the rising popularity of the rightwing party; namely the Five Star Movement (M5 S), and escalating bad debt.** The decline in government popularity was the dissatisfaction from voter over the parliament reform and chronicle economic problem that reduced money demand for Euro currency.

4) **Germany - CDU / CSU party, led by Angela Merkel, which reiterated the position of EU integration, is likely to win the next Federation election.** Considering the poll results conducted in early May 2017 ahead of the election, the CDU/CSU remained gain the most popularity even lower support comparing with the last election on 2013 partly owing to the formation of anti-immigration attitudes.

5) **Scotland – there would be a second referendum to leave the UK after having done once in 2014, however, it has to wait for any action taken by the UK.** Based on the previous referendum, the proportion of supporters and opponents among those who voted for Brexit was quite similar. Besides, most Scottish desired to remain in the EU while British voters did not. Hence, the result of the second Scottish independence referendum would need to keep an eye on.

3) **The direction and progress in implementation of key US's economic policy** that would indirectly impact on investors' confidence and reduce the pace of global economic recovery. Besides, the recovery of global oil and commodity price could also be affected by the US policy direction, as well as the cooperation level and capacity to limit global oil production among OPEC members, particularly, under the rapid increase of the North American oil production.

Key assumptions for 2017 economic projection:

World Economic Projection

	Actual Data		Projection of 2017	
	2015	2016	Feb 20, 2017	May 15, 2017
World Economic Growth (%)	3.2	3.1	3.3	3.3
USA	2.6	1.6	2.2	2.2
EU	1.9	1.7	1.6	1.6
Japan	1.2	1.0	1.2	1.2
China	6.9	6.7	6.5	6.6
World Trade Volume (%)	2.8	2.6	3.6	3.6
Exchange Rate (Baht/US dollar)	34.29	35.29	35.5 - 36.5	35.0 - 36.0
Dubai Crude Oil (US Dollar/Barrel)	50.9	41.4	47.0-57.0	47.0 - 57.0
Export Price (US Dollar) (%)	-4.1	-0.4	1.2 - 2.2	1.5 - 2.5
Import Price (US Dollar) (%)	-10.8	-2.7	3.0 - 4.0	3.5 - 4.5
Income from Tourism (Trillion baht)	1.54	1.76	1.93	1.93

Source: NESDB

1) **In 2017, the world economy and world trade volume expand by 3.3 percent and 3.6 percent, accelerating from 3.1-percent and 2.6-percent growth rates in 2016, respectively and equivalent to the previous projection.** The expansion of economy in the major countries in the first quarter of 2017 was in line with the baseline scenario in previous assumption. Furthermore, the global economy during the rest of year will recover continually led by the economic acceleration of the US and improvement of economies in Japan, India, and several developing countries which could offset the gradual slowdown of the Chinese economy.

2) **The average Thai baht value in 2017 is expected to fall within the range of 35.0 – 36.0 Baht per US dollar, slightly depreciating from 35.29 baht per US dollar in 2015 and revised from the assumption of 35.5 – 36.5 baht per US dollar in previous projection.** The revision is based upon following the average Thai baht value in the first 4 months at 34.95 baht per US dollar depreciating slower than the previous scenario due to alteration of investors' expectation on the direction and the progress of the US key economic policies as well as the tensions over Korean Peninsula and Syria which has made the US dollar to appreciate more than the earlier scenario. However, in the remaining of this year Thai baht value is likely to depreciate following the acceleration of the US economy and the expectation of the Fed rate hike which for the base line scenario it is assumed that Fed will increase rates twice in the remaining of this year.

3) **The average Dubai crude oil price in 2017 is expected to be in the range of 47.0 – 57.0 US dollar per barrel, higher than the average of 41.4 US dollar per barrel in 2016 and remain unchanged of assumption from the previous projection.** Supporting factors for higher oil price are (i) the accomplishment of the oil reducing production agreement among OPEC and non-OPEC member countries in which that the current data suggested OPEC and non-OPEC compliance rate of 99 percent and 64 percent of total agreed oil cut level, respectively (data at the end of April 2017). This reflected better collaboration compared to average rate in the past, (ii) increasing oil demand as a result of improving global economic conditions, and (iii) potential risks that may arise from political unrest in Libya. Nevertheless, there are some factors that might cause oil prices to increase only gradually including (i) high level of oil stock, (ii) increasing production of shale oil in the North America, especially the US (data on May 5 revealed that the US's operating oil rigs increased to 877 rigs), (iii) a trend of US dollar appreciation in response to policy rate hike, and (iv) slowdown of the Chinese and the EU economies which are major oil consumers.

4) **The export price in US dollar term increases by 1.5 -2.5 percent, comparing with the decline of 0.4 percent in 2016.** This is an upward revision from the range of 1.2 – 2.2 percent assumption in the previous forecast due partly to the revision of export price database by the Ministry of Commerce, which made the export price in 2016 decreased from the previous publication. **The import price in dollar term increases by 3.5 - 4.5 percent, comparing with the contraction of 2.7 percent in 2016** and revising upwardly from 3.0 – 4.0 percent assumption in the previous estimation. The reason behind this revision is the increasing of the prices of industrial raw materials in the world market and made the import price higher than the previously anticipated.

5) **Income from foreign tourists is likely to be 1.93 trillion baht,** increasing by 9.8 percent from 1.76 trillion in 2016 and equivalent to the previous projection. The supporting factors are (i) the increasing trend of long-haul tourists, particularly the inbound tourists from the Eurozone, Russia, and the US, (ii) the capacity extension of major airports (Don Muang, Phuket, and U-Tapao) to accommodate more tourists, (iii) the expansion of short-haul international operations by low cost airlines, (iv) domestic political stability, (v) the effect of the political unrest in some European countries which tends to make tourists changing their destination to Thailand, and (vi) government's measures in supporting tourism sector.

6) **Government budget** are expected to disburse as follows; (i) FY2017 annual budget disbursement rate of 94.8 percent of overall budget, equivalent to the previous projection (the disbursement rate consisted of current and capital budget at 98.5 and 80.0 percent, respectively), (ii) FY2017 supplementary budget disbursement rate of 63.4 percent, revising downwardly from 65.0 percent of assumption in the previous projection mainly due to lower -than-expected disbursement rate in the second quarter and the budget allocation between the current and capital budget is revised from 30 percent and 70 percent in the previous projection to 56 percent and 44 percent of overall supplementary budget, respectively, (iii) state-owned enterprise's capital budget disbursement of 78.0 percent, and revising downwardly from 80.0 percent in the previous projection due to the disbursement rate in the second quarter of FY2017 weaker than the earlier anticipated, (iv) carry-over budget disbursement of 78.0 percent, (v) off-budget loans consisted of water resource management and road transport system projects and others about 10,412.7 million baht, decreasing from 49,503.5 million baht in FY2016, and (vi) annual budget disbursement in the first quarter of FY2018 (October - December 2017) of 32.0 percent.

Economic Projection for 2017:

The Thai economy in 2017 is projected to expand in the range of 3.3 – 3.8 percent, improving continually from 2.9 and 3.2 percent of growth in 2015 and 2016, respectively. The headline inflation is projected to be in the range of 0.8 – 1.3 percent. The current account balance is forecasted to register a surplus of 8.9 percent of GDP

In the press release dated on 15th May 2017, NESDB forecasts that the Thai economy will expand in the range of 3.3 – 3.8 percent, which remarked as the narrowing of the projection range from 3.0 - 4.0 percent in a press release dated on 20th February 2017. There were also revisions on some growth components in line with the actual data in the first quarter and changes in key assumptions of the projection. The details of growth revision are as follows:

1) The Thai economy in the first quarter expanded favorably by 3.3 percent, close to the projection. As a result, the possibility of the Thai economic growth to be lower than 3.3 percent tends to be minimal. Meanwhile, the capacity utilization rate and the growth of manufacturing production in the first quarter still lower than previously expected. This was thus made less chance that the Thai economy to grow higher than 3.8 percent in 2017.

2) The revision in some growth components have been revised to be in line with the actual data in the first quarter and in line with revised key assumptions including; (i) The upward revision of export and import prices. As a result, export and import values are higher than the previous projection. (ii) The downward revision of the disbursement rate of both stated-owned enterprises' capital budget and the supplementary budget FY2017 from 80 and 65 percent, to 78 and 63.4 percent, respectively. In addition, there was revision in budget allocation between current budget and capital budget in the FY2017 Supplementary budget from 30 and 70 percent, to 56 and 44 percent, respectively. As a result, the growth structures of the government spending and public investment were revised from the previous projection.

Key components of the economic growth :

1) **Consumption: Private consumption expenditure** is estimated to grow by 3.0 percent, closed to the growth of 2016, and revised upwardly from a 2.8 percent in the previous forecast. The upward revision could be explained by the higher-than-expected expansion trends of income base in agricultural and export sectors which will continue to support household expenditure during the year of 2017. While **Government expenditure** is forecasted to increase by 3.2 percent, accelerating from 1.7 percent in the previous year and revised upwardly from 2.6 percent in the previous projection. This was due to the upward revision in the budget allocation of current budget in the FY 2017 supplementary budget from 30 percent in the previous estimation to 56 percent in the current forecast.

2) **Total Investment** is expected to expand at a faster pace in 2017 by 4.4 percent, compared to 2.8 percent of growth in 2016, but revised downwardly from 5.3 percent in the previous projection. This revision is made due mainly to the downward revision in **Private Investment** from 2.5 percent to 2.0 percent expansion in the current projection due to the fact that the private investment in the first quarter still experienced a contraction and capacity utilization in the manufacturing sector also remained lower than expected. However, private investment in the remaining of 2017 is likely to recover in tandem with the pickup in domestic demand, as well as the more pronounced pace of export recovery and the expansion of trading partner economies. These factors will also support key manufacturing sector with capacity utilization of higher than 65-70 percent and BOI approved projects during 2014-2016, to expand their investment. Meanwhile, **Public Investment** is projected to grow by 12.6 percent, accelerating from 9.9 percent in 2016, and revised downwardly from 14.4 percent in previous projection. This revision is mainly caused by the downward revision of state-owned enterprise's capital budget disbursement rate and the proportion of capital budget in the FY 2017 supplementary budget assumptions, from 80 and 70 percent of growth in preceding estimation to 78 and 44 percent in this projection respectively. In the remaining of the year, public investment tends to accelerate in line with the significant progress of 2016 – 2017 transportation action plan (urgent phase) which will thus expedite the disbursement of state-owned enterprises budget and, at the same time, the disbursement from the FY 2017 supplementary budget will be speeded up.

3) **Export value of goods in US dollar term** is likely to expand by 3.6 percent, comparing to a null growth in 2016, and revised up from 2.9 percent in the previous projection. The revision was due mainly to the upward revision of the export price assumption, from 1.2 – 2.2 percent to 1.5 – 2.5 percent increase. The export volume was also revised following the higher-than-expected actual data in the first quarter of 2017. It is expected that export of services to expand well due to a continual expansion of both tourist number and receipts. **Thus, the export quantity of goods and services is expected to grow by 2.9 percent, increasing from 2.1 percent in 2016.**

4) **Import value of goods in US dollar term** is predicted to increase by 7.0 percent compared to the decrease by 4.7 percent in 2016, upwardly revised from a 5.5 percent growth in the prior estimation. The revision was due to the upward revision of the import price assumption from of 3.0 – 4.0 percent in the previous estimate to 3.5 – 4.5 percent increase in this projection. Meanwhile, the import quantity of goods was also revised to be consistent with the actual data of import volume in the first quarter which was even higher than the expected import quantity for the whole year in the previous forecast. Taking into account service payments, **import volume of goods and services is expected to expand by 3.5 percent, compared to the 1.4 percent decrease in 2016.**

5) **Trade balance** is forecasted to register a surplus of 31 billion US dollars, decreasing from a surplus of 35.8 billion US dollars in 2016, lower than 32.2 billion US dollars in the previous projection. The revision is mainly because import value is projected to increase at faster pace as compared to export value growth. Meanwhile, the current account is projected to register a surplus of 38.8 billion US dollars or equivalent to 8.9 percent of GDP, lower than 9.4 percent of GDP in the previous projection due to a downward revision in the trade account assumption.

6) **Headline inflation** in 2017 is estimated to be in the range of 0.8 – 1.3 percent, increasing from 0.2 percent in 2016, and revised downwardly from the range of 1.2 – 2.2 percent in the previous projection. This is because the consumer price index of fresh food prices declined at faster pace than previously anticipated.

6. Economic Management for the year 2017

The Thai economy is projected to continually improve in 2017, driven by (i) the recovery of export following the improvement of trade partners' economies and the commodities' prices in the world market, (ii) the remaining high and accelerated growth of public investment, (iii) the acceleration of the agricultural production and favorable agricultural prices, (iv) the continual expansion of the tourism sector which continued to support the overall economy, and (v) the improvement of domestic car market. However, the economic growth remains under limitation of low production capacity utilization in the manufacturing sector which constraint private investment as well as under the risk from capital flow and exchange rate fluctuation. Additionally, there would also be risk factors from the direction of the US trade policy towards protectionism and also the continuity of recovery in global oil and primary commodity prices. Under such conditions, economic management in 2017 shall be given to the following guidelines:

1) **Expediting government spending and public investment to achieve disbursement target** which consist of: (i) no lower than the percentage of 94.8 disbursement rate of capital budget in the FY2017 annual budget; (ii) no lower than 63.4 percent of the FY2017 supplementary budget (iii) no lower than 78.0 percent disbursement rate of the FY2017 SOE's capital budget; (iv) no lower than 78.0 percent disbursement rate of the FY2017 carry-over budget and (v) no lower than the percentage of 32.0 disbursement rate of annual budget in the first quarter of FY2018, together with driving key public investment action plans (worth around 1,383,939 million bath) to be implemented as scheduled including in-process projects under the transportation infrastructure investment action plan in 2017 (worth around 895,758 million bath), along with the Eastern Economic Corridor Investment Plan 2017 with investment value of 6,993 million bath, and special border economic zones.

2) **Facilitating export growth to achieve 5 percent growth target** by focusing on (i) solving and supporting the expansion of manufacturing export to become more broad-based particularly in export products by SMEs, (ii) monitoring and solving the problems from trade protection measures conducted in major markets, (iii) increasing market share in the existing markets which economies continued to recover (e.g. US, EU, Japan, China, and ASEAN(9), particularly CLMV which occupied 10.6 percent market share), (iv) distributing to new export markets in order to increase export and reduce risks from protectionism policies in major markets, and (iv) building up collaboration between key agencies aiming to drive exports efficiently.

3) **Supporting the expansion of agricultural sector**, **farm income and low-income people** by emphasizing (i) preparing for supportive measures for agricultural products that will be released more into the market during the crop year 2017/2018, as well as raising market share for farmers in market sale prices, (ii) supporting for the large-scale farming in order to reduce production cost and distribute products directly to consumers aiming at increasing income share for farmers, (iii) adopting proper crop plantation and production process suitable in each areas , and switching to grow crops with higher market values, and (iv) conducting database of poor farmers and low-income people in order to facilitate the direct assistance measures to reach target groups effectively as well as to provide efficient measures to counter with farm price movements which for example could decline as a result of oversupply and oil prices fluctuation, additionally to support the low-income people and employees in the slow-recovery sectors.

4) **Building up confidence and supporting the recovery of private investment by** (i) promoting the acceleration of export quantity in order to reduce excess production capacity in manufacturing sector, which will lead to investment expansion to increase production capacity, (ii), implementing the transport infrastructure investment action plan year 2016 and 2017 particularly projects of Public Private Partnership (PPP) which will induce expansion of private investment, (iii) expediting investment of project approved by BOI of 1,688 projects in 2016 (worth around 861.3 billion baht) to be materialized in 2017, (iv) implementing proactive measures in order to attract investors in the targeted sector and service for future development such as industrial clusters, International Head Quarter (IHQ) and International Trading Center (ICT), and (v) providing information on progress of key public infrastructure projects, particularly in the transportation infrastructure investment plans, Eastern Economic Corridor (EEC), and Special Economic Zones (SEZs).

5) **Supporting the expansion of tourism sector** by focusing on (i) ensuring safety in major tourist destinations, (ii) promoting tourism campaigns in high-income and long-haul tourist markets, especially tourists from Russia, Eastern Europe, U.S.A, France and Japan, (iii) supporting the recovery of Chinese tourists, particularly those high-purchasing-power groups, (iv) encouraging the expansion of tourists from ASEAN countries, which is likely to improve along with the economic recovery, and (v) promoting domestic tourism together with distributing income to local and rural-area tourist destinations.

Projection for 2017 [1]

	Actual Data		Projection	
	2015	2016	Feb 20, 2017	May 15, 2017
GDP (at current prices: Bil. Bht)	13,672.9	14,366.6	15,150.5	15,228.6
GDP per capita (Bht per year)	203,356.3	212,980.2	223,941.8	225,096.1
GDP (at current prices: Bil. USD)	399.2	407.1	420.8	435.1
GDP per capita (USD per year)	5,937.0	6,035.1	6,220.6	6,431.3
GDP Growth (CVM, %)	2.9	3.2	3.0-4.0	3.3-3.8
Investment (CVM, %)	4.4	2.8	5.3	4.4
Private (CVM, %)	-2.2	0.4	2.5	2.0
Public (CVM, %)	29.3	9.9	14.4	12.6
Private Consumption (CVM, %)	2.2	3.1	2.8	3.0
Government Consumption (CVM, %)	3.0	1.7	2.6	3.2
Export volume of goods & services (%)	0.7	2.1	2.6	2.9
Export value of goods (Bil. USD)	214.1	214.1	220.3	221.8
Growth rate (%) [2/]	-5.6	0.0	2.9	3.6
Growth rate (Volume, %) [2/]	-1.5	0.4	1.2	1.6
Import volume of goods & services (%)	0.0	-1.4	3.7	3.5
Import value of goods (Bil. USD)	187.2	178.4	188.2	190.8
Growth rate (%) [2/]	-10.6	-4.7	5.5	7.0
Growth rate (Volume, %) [2/]	0.3	-2.1	2.0	3.0
Trade balance (Bil. USD)	26.8	35.8	32.2	31.0
Current account balance (Bil. USD)	32.1	46.8	39.5	38.8
Current account to GDP (%)	8.1	11.5	9.4	8.9
Inflation (%)				
CPI	-0.9	0.2	1.2-2.2	0.8-1.3
GDP Deflator	0.6	1.8	1.5-2.5	1.5-2.5

Source: Office of the National Economic and Social Development Board, 15th May 2017

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.