NESDB ECONOMIC REPORT

Thai Economic Performance in Q1 and Outlook for 2018

Macroeconomic Strategy and Planning Office

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Economic Projection of 2018

(%YoY)	2016	2017			2018	
	Year	Year	Q3	Q4	Q1	Year (f)
GDP (CVM)	3.3	3.9	4.3	4.0	4.8	4.2-4.7
Investment[1]	2.8	0.9	1.2	0.3	3.4	4.7
Private	0.5	1.7	2.5	2.4	3.1	3.9
Public	9.5	-1.2	-1.6	-6.0	4.0	8.6
Private Consumption	3.0	3.2	3.4	3.4	3.6	3.7
Government Consumption	2.2	0.5	1.8	0.2	1.9	3.0
Export of Goods[2]	0.1	9.7	12.5	11.6	9.9	8.9
Volume[2]	0.5	5.9	8.7	7.0	5.0	4.9
Import of Goods[2]	-5.1	14.4	13.0	14.6	16.3	12.7
Volume[2]	-2.5	8.4	8.8	8.3	9.2	6.7
Current Account to GDP (%)	11.7	10.6	12.1	9.3	13.3	8.4
Inflation	0.2	0.7	0.4	0.9	0.6	0.7-1.7

Note: [1] Investment means Gross Fixed Capital Formation
[2] base on the Bank of Thailand's data

- **The Thai economy in the first quarter of 2018** expanded by 4.8 percent, accelerating from 4.0 percent growth in the previous quarter. After seasonally adjusted, the Thai economy in the first quarter expanded by 2.0 percent (%QoQ sa).
- **On the expenditure side**, the expansion was supported by the acceleration of private consumption, government consumption, total investment, and a robust export growth. **On the production side**, the manufacturing and the wholesale and retail trade expanded at an accelerated rate. The hotels and restaurants as well as the transportation sectors maintained high growth momentum. Meanwhile, the agricultural and the construction sectors reversed from contractions in the preceding quarter to favorable growth rates.
- **The Thai economy in 2018** is expected to expand in the range of 4.2 – 4.7 percent, supported by (i) the improvement of the world economic growth and rising global commodity prices which will further support export of goods and service, (ii) the favorable expansion of government consumption and the acceleration of public investment, (iii) the clearer pace of private investment recovery, and (iv) the improvement of household income conditions. All in all, it is expected that export value of goods will expand by 8.9 percent. Private consumption and total investment will grow by 3.7 and 4.7 percent respectively. The headline inflation is forecasted to be in the range of 0.7 - 1.7 percent and the current account will register a surplus of 8.4 percent of GDP.
- **Economic management for the year 2018** should focus on (1) **Promoting key economic sectors** by: (i) fostering export sector to continually expand and reach its full potential, (ii) supporting private investment growth by pushing up investment projects approved by the Board of Investment to be materialized and started their operation, pursuing public infrastructure investment as well as building up investors' confidence, and (iii) sustaining the expansion of service sector particularly the tourism sector by maintaining security and improving facilities, promoting tourism on high-income and long-distance traveling markets, together with extending airport capacity as well as improving transportation system to connect secondary tourist attractions to distribute tourist revenue to the local community. (2) **Expediting key public investment to achieve the growth target** by (i) expediting procurement processes for the rest of the year, coupled with improving the efficacy of the government's and state-owned enterprises' capital budget disbursement to be not less than 66.7 and 77.0 percent of total capital budget, respectively, (ii) continually driving key infrastructure projects as well as encouraging investors to invest in key economic areas, and (iii) progressing pivotal transportation and logistics infrastructure projects as well as key urban and economic areas development at both regional and provincial levels. (3) **Supporting small farmers and low income groups as well as strengthening the SMEs and local economies** by focusing on (i) strengthening agricultural production and farm income particularly on some agricultural products of which prices have recovered slowly, preparing measures to handle the increasing agricultural output in the market, coupled with close monitoring and preparation for unfavorable weather conditions that could impact agricultural production, and supporting large-scale farming, (ii) supporting the low income and grass-root economies as well as SMEs particularly on the continuation of the social welfare smart card project and ensuring sufficiency and accessibility of funds for credit provisioning measures particularly for those who vulnerable to rising oil prices and interest rates, (iii) assisting and developing SMEs affected by changing business patterns and consumers' behavior, changing demographics, changing production technology, as well as Baht appreciation trend. (4) **Arranging labor force** both in terms of quantity and quality of labor to facilitate expansion of economic and investment activities.

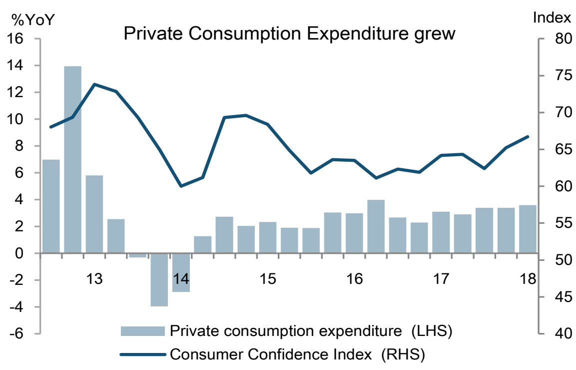
1. The Thai Economy in Q1/2018

Expenditure side:

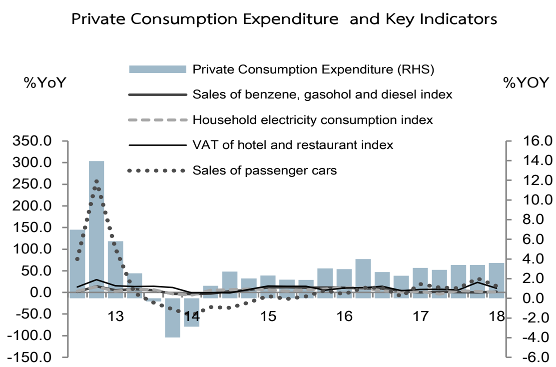
Private consumption expenditure accelerated due to a pick up in services and semi-durable goods consumption, and favorable growth of durable goods consumption, in line with the expansion of the overall income conditions, household loans, and the rising consumer confidence. In the first quarter of 2018, private consumption expenditure continually grew by 3.6 percent, slightly picked up from 3.4 percent in the previous quarter. The continuous growth of private consumption expenditure aligned with the expansion of passenger cars sales by 14.8 percent. This was partly due to launches of new car models and competitive marketing campaigns. The VAT of hotel and restaurant index grew by 9.8 percent. Spending on other products also rose as the import of textile index and sales of benzene, gasohol & diesel index increased by 10.8 and 2.0 percent, respectively. The expansion of private consumption expenditure in this quarter was supported by (i) the continual improvement of the overall income condition, (ii) consistently low inflation and interest rates, (iii) Thai baht appreciation, (iv) the government measures to support the low income group, and (v) an improvement of consumer confidence. Consumer Confidence Index pertaining the overall economic situation stood at 66.7, the highest level in 12 consecutive quarters.

In the first quarter of 2018, private consumption expenditure accelerated and private investment continually improved. Meanwhile, export of goods and services favorably increased.

Private consumption expenditure grew by 3.6 percent, accelerated from 3.4 percent in the previous quarter, in line with the broader expansion of overall income conditions, low inflation, and the improvement of consumer confidence.



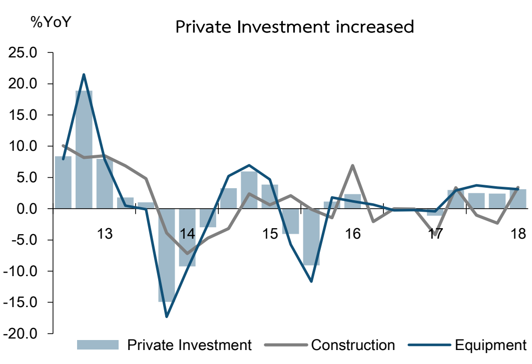
Source: NESDB, University of the Thai Chamber of Commerce



Source: NESDB, BOT, Department of Energy Business

Private investment continually improved, supported by the expansion of both investment in machinery and equipment, and construction. In the first quarter of 2018, private investment expanded by 3.1 percent improved from the 2.4 percent expansion in the previous quarter. **The investment in machinery and equipment** grew by 3.1 percent. This was consistent with 2.8 and 3.0 percent growth of the import of capital goods (in 2010 price) and newly registered motor vehicles for investment purpose, respectively. **The investment in construction** rebounded to a positive growth rate of 3.4 percent from a reduction of 2.3 percent in the previous quarter, which was in line with the increase of the permitted construction in Bangkok and provincial areas. **The total value of projects applied for the investment promotion made to Board of Investment (BOI)** was recorded at 203.6 billion baht, which increased by 228.5 percent and well improved from 57.5 percent expansion in the previous quarter, 81 percent of which are value of projects applied for the investment promotion in Eastern Economic Corridor (EEC). The Business Sentiment Index (BSI) stood at 52.4**.**

Private investment grew by 3.1 percent, supported by the expansion of both investment in machinery & equipment, and construction.



Source: NESDB

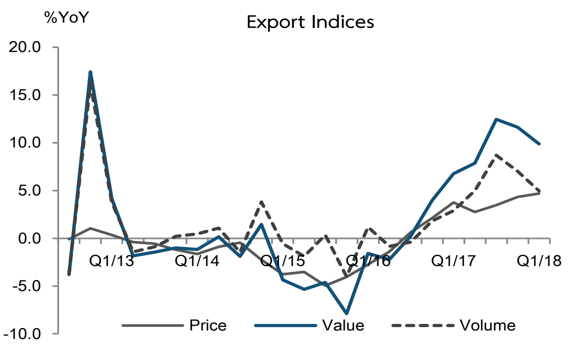
Exports in US dollar term maintained its high growth rate, in accordance with the continued economic expansion of key trading partners and the increased commodity prices in the world market. Export value in the first quarter of 2018 was recorded at 61.8 billion US dollars, representing a 9.9 percent growth (continually expanded for 7 consecutive quarters). The export quantity increased by 5.0 percent, supported by the strong growth in the exports of manufacturing product of 9.7 percent. Export price increased by 4.7 percent, reflected the increase in prices of crude oil, refined fuel, chemicals, and plastic resin. Excluding unwrought gold, export value grew by 11.2 percent. **In baht term,** export value decreased by 1.3 percent, compared with a 3.9 percent growth in the previous quarter.

Export in US dollar term maintained its high growth rate of 9.9 percent. Export value excluding unwrought gold increased by 11.2 percent.

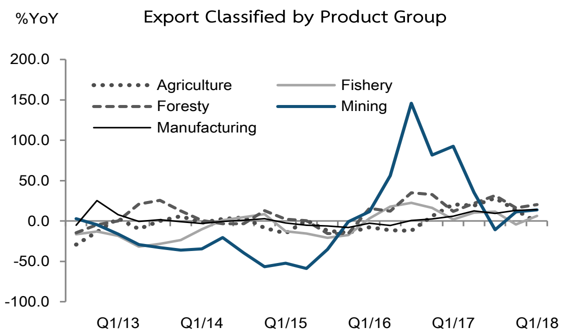
Export quantity increased by 5.0 percent and export price increased by 4.7 percent.

In baht term, export value decreased by 1.3 percent, which was in accordance with the movements in exchange rate.

Export value of manufacturing products accelerated both in quantity and price, in accordance with the improvement of trading partners' economies and increased commodity prices in the world market. Meanwhile, export value of agricultural commodities declined due to the reduction in the export value of some products.



Source: Bank of Thailand



Source: Bank of Thailand

Export value of agricultural commodities declined by 1.5 percent, compared with a 13.6 percent growth in the previous quarter, due to the reduction in the export volume of some agricultural products, such as rubber and tapioca. Meanwhile, export quantity of other key agricultural products still continue to expand. **Export value of manufacturing products** expanded with the highest growth in 21 quarters by 14.1 percent, following the improvement of global economy. **Export value of fishery products** increased by 6.5 percent. Meanwhile, **export value of other products** fell by 30.7 percent as a result of the decline in the export of non-monetary gold. **Export items with increased value** included rice (21.1 percent), tapioca (28.7 percent), vehicle parts & accessories (15.4 percent), passenger cars (18.5 percent), pick up & trucks (1.8 percent), telecommunication equipment (37.7 percent), computer parts & accessories (16.1 percent), and machinery & equipment (9.4 percent). On the other hand, **export items with decreased value** included rubber (-34.8 percent), sugar (-0.8 percent), rubber products (-2.8 percent), pineapple canned/prepared or preserved (-39.0 percent), and optical appliance & instruments (-3.1 percent).

Export Value of Major Product in US Dollar Term

%YoY	2016	2017					2018	Share
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1/18 (%)
Agriculture	**-6.2**	**20.0**	**20.5**	**19.2**	**28.4**	**13.6**	**-1.5**	**7.1**
Rice	-4.4	17.2	-7.2	19.3	43.9	20.5	21.1	2.2
Rubber	-12.1	35.7	78.3	37.9	22.9	11.7	-34.8	1.9
Tapioca	-19.0	-7.0	-18.5	-13.7	5.8	2.7	28.7	1.1
Manufacturing	**-1.2**	**10.3**	**5.9**	**12.5**	**9.6**	**13.1**	**14.1**	**88.7**
Sugar	-8.6	7.0	-19.3	32.0	26.0	-9.5	-0.8	1.0
Crustaceans canned, prepared, or preserved	-3.9	6.2	21.7	11.6	4.7	-5.8	-12.8	0.3
Rubber products	8.1	41.2	51.5	32.4	37.1	44.3	-2.8	2.1
Apparels and Textile Materials	-5.5	3.9	3.2	1.1	3.9	7.4	8.3	2.9
Electronics	-2.8	14.2	10.3	16.5	11.3	18.4	13.3	14.7
- Computer parts & accessories	-8.6	5.8	-0.8	4.4	2.5	16.6	16.1	6.1
- Integrated circuits & parts	-0.1	7.1	11.7	11.1	3.4	3.6	7.4	3.3
- Printed circuits	-6.9	10.5	13.9	9.7	4.0	15.9	0.9	0.5
- Telecommunication equipment	1.5	51.1	21.6	71.6	49.6	60.4	37.7	2.3
Electrical appliances	3.5	6.2	9.5	4.1	3.1	8.5	9.6	6.0
Metal & steel	-0.2	14.8	17.3	16.1	8.6	17.9	17.3	4.6
Automotive	3.2	6.3	2.6	2.3	2.6	18.1	15.7	15.7
- Passenger car	22.8	-7.1	-19.1	-9.8	-10.8	13.5	18.5	4.6
- Pick up and trucks	-20.9	11.8	15.8	4.3	-1.8	30.2	1.8	3.1
- Vehicle parts & accessories	5.2	13.6	13.4	9.7	14.4	16.9	15.4	6.6
Machinery & equipment	-0.3	7.3	4.2	11.5	13.2	0.9	9.4	8.5
Chemicals	-5.0	20.8	23.1	14.4	24.8	21.4	27.8	3.5
Petro-chemical products	-3.7	11.2	7.3	16.1	10.9	10.7	17.7	5.5
Petroleum products	-30.9	32.6	43.0	36.7	29.7	26.0	41.1	3.4
Fishery	**15.1**	**4.8**	**2.1**	**10.4**	**11.5**	**-4.1**	**6.5**	**0.8**
Crustaceans	38.5	7.2	-4.8	8.4	17.8	4.2	13.6	0.4
Other Exports	**75.5**	**-19.6**	**-35.0**	**-44.3**	**49.8**	**-43.1**	**-30.7**	**2.0**
Non-monetary gold (excl. articles of goldsmiths)	89.8	-20.7	-37.5	-45.4	52.7	-46.6	-31.5	1.9
Total Exports (Customs basis)	**0.5**	**9.9**	**4.9**	**10.9**	**12.0**	**11.7**	**11.3**	**100.0**
Exports, f.o.b. (BOP basis)	**0.1**	**9.7**	**6.8**	**7.9**	**12.5**	**11.6**	**9.9**	**98.3**
Export Value (exclude gold)	**-1.6**	**10.8**	**9.2**	**9.8**	**11.2**	**12.8**	**11.2**	**96.5**

Source: Bank of Thailand

Export markets: exports to all major markets expanded favorably. Exports to the US, EU (15), and Japan increased by 9.3, 10.0, and 23.4 percent, respectively, which were in line with the continued improvement of the US, EU, and Japan economies. Meanwhile, exports to China increased by 0.6 percent, decelerated from 14.2 percent growth in the previous quarter mainly due to the reduction in exports of rubber and rubber products. Exports to ASEAN (9) expanded by 15.2 percent, due to the expansion of export to ASEAN (5) by 15.7 percent and CLMV countries by 14.5 percent. Exports to the Middle East (15) continued to expand by 12.4 percent, due to an increase in exports of vehicles, parts & accessories, precious stones & jewelry, and woods & wood products. Similarly, exports to Australia expanded by 14.3 percent, due to the expansion of exports in vehicles, parts & accessories, air conditioning machines, and plastics products.

Exports to major markets expanded favorably, especially US, EU (15), China, Japan, ASEAN (9), Australia, and the Middle East (15). This was in line with the improvement of key trading partners' economies.

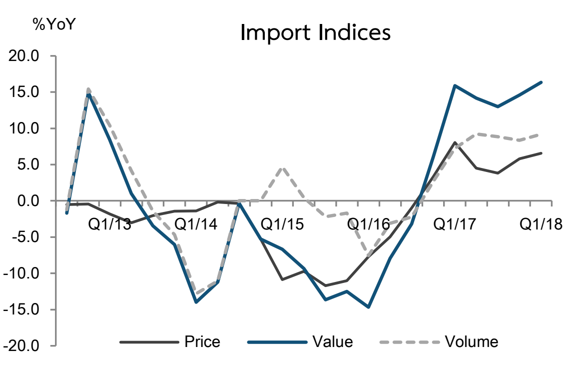
Export Value to Key Markets in US Dollar Term

%YOY	2016	2017					2018	Share Q1/18 (%)
	Year	Year	Q1	Q2	Q3	Q4	Q1	
Total Exports (Mil US$) (Customs basis)	215,388	236,694	56,456	57,090	61,888	61,259	62,829	100.00
(%YoY)	0.5	9.9	4.9	10.9	12.0	11.7	11.3	
United States	1.8	8.3	7.4	7.0	8.1	10.7	9.3	10.6
Japan	2.1	8.9	-2.5	20.1	10.4	9.3	23.4	10.3
EU (15)	1.0	7.6	9.2	5.5	4.5	11.4	10.0	9.5
China	0.3	23.7	36.5	26.0	21.7	14.2	0.6	11.5
ASEAN (9)	-0.7	8.9	0.0	15.0	9.6	11.7	15.2	25.9
- ASEAN (5)*	-1.1	6.0	-8.9	17.2	5.3	13.1	15.7	15.0
- CLMV**	-0.0	13.1	15.3	11.8	16.2	9.9	14.5	10.9
Middle East (15)	-15.1	-5.1	-23.1	-0.4	0.7	6.4	12.4	3.5
Australia	5.5	1.9	-3.0	-4.8	-0.1	17.2	14.3	4.5
Hong Kong	-3.0	7.3	6.3	13.0	7.7	2.8	1.3	5.1
India	-2.6	25.8	18.3	13.3	27.3	46.3	31.0	3.2
South Korea	-0.7	14.6	24.2	24.2	11.3	0.8	4.2	2.0
Taiwan	-4.5	18.2	15.9	22.1	23.3	11.3	11.5	1.6

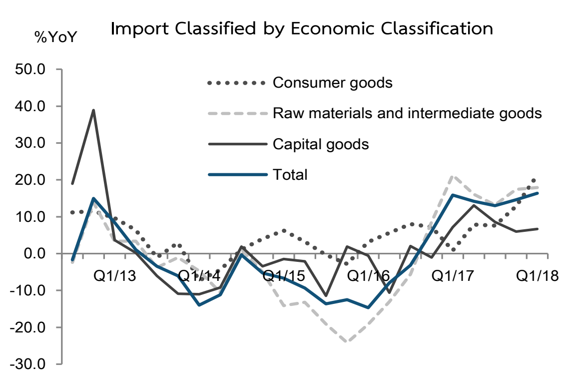
Note: * ASEAN (5) consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore
** CLMV consist of Cambodia, Laos, Myanmar, and Vietnam
Source: Bank of Thailand

Import value in US dollar term accelerated, in accordance with the expansion of exports and domestic demand. In the first quarter of 2018, the value of import was recorded at 55.2 billion US dollars, grew by 16.3 percent. Import price and quantity increased by 6.6 percent and 9.2 percent, respectively. The import volume of raw materials & intermediate goods, capital goods, and consumer goods increased by 9.0, 2.9 and 15.7 percent respectively, associated with the expansion of exports, manufacturing production, and domestic demand. Import value excluding unwrought gold expanded by 16.0 percent. **In Thai baht term,** the import value increased by 4.5 percent.

Import value in US dollar term expanded by 16.3 percent due to the increase of both quantity and price.



Source: Bank of Thailand



Source: Bank of Thailand

Overall, import value of all categories increased. Import value of raw materials and intermediate goods accelerated with a 17.9 percent growth, which was in line with the continually expansion of the exports and the improvement in manufacturing production. Import of capital goods continued to expand by 6.7 percent due to increase in both import quantity and price. Import value of consumer goods increased by 21.3 percent, in accordance with the continual expansion of domestic demand. Meanwhile, other imports expanded by 26.0 percent. Import items with increased value were crude oil, petroleum products, materials of base metal, power-generating machinery & parts, other machinery & mechanical appliances & parts, aircrafts, food, beverage, & dairy products, animal & fishery products, and non-monetary gold.

Import quantity of raw materials & intermediate goods accelerated in line with the expansion of the manufacturing production.

Meanwhile, import quantity of consumer goods accelerated in accordance with the improvement of private consumption expenditure.

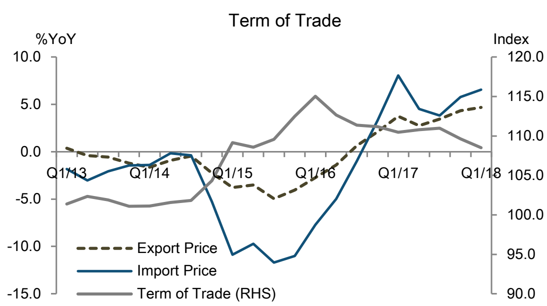
Import Value of Major Product in US Dollar Term

%YoY	2016	2017					2018	Share
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1/18 (%)
Consumer goods	6.0	7.3	0.8	7.8	7.6	12.9	21.3	10.5
Raw materials and intermediate goods	-8.0	16.9	21.2	16.1	13.2	17.4	17.9	54.6
Capital goods	-2.6	8.6	7.2	13.0	8.6	6.0	6.7	23.9
Other Imports	3.0	28.0	19.1	24.8	46.8	23.3	26.0	11.0
Total Imports (Customs basis)	-4.2	14.7	14.8	15.2	14.3	14.6	16.2	100.0
Imports, f.o.b. (BOP basis)	-5.1	14.4	15.9	14.2	13.0	14.6	16.3	90.6

Source: Bank of Thailand

Term of trade decreased from the same period last year, as export price increased by 4.7 percent, slower than the increase in import price of 6.6 percent. Thus, the term of trade decreased from 110.5 in the same quarter last year to 108.5 in the first quarter of 2018.

Term of trade decreased, compared with the same period last year.



Source: Bank of Thailand

Trade balance recorded a surplus of 6.6 billion US dollars (equivalent to 208.7 billion baht), compared with a surplus of 8.8 billion US dollars (equivalent to 309.1 billion baht) in the same quarter of last year.

Trade surplus was lower than that of the same period last year, but current account surplus increased.

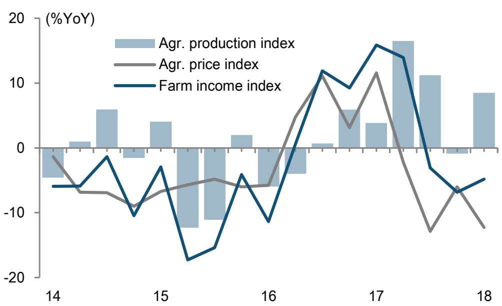
Production side:

Major production sectors continuously improved, in line with the favorable expansion of exports, and the improvement in domestic demand.

Agricultural sector reverted from a 1.3 percent contraction in the previous quarter to the expansion of 6.5 percent as the impact from the flood abated. Meanwhile, the Agricultural Price Index declined as a result of a lower in price of some agricultural products. The improvement of agricultural sector was in line with the strong increase in **Agricultural Production Index** by 8.5 percent, improved from a 0.9 percent contraction in the previous quarter. The expansion seen in all categories of agricultural production, which were (i) crops, mainly due to favorable weather conditions, including the sufficient irrigation water and rainfall, (ii) fishery, attributable to a higher volume of shrimp production, and (iii) livestock, driven by a higher demands from both domestic and exports. Specifically, major agricultural products with positive growth included (i) paddy (31.8 percent), especially non-glutinous paddy, due to the higher of water supply in 4 major dams and more rainfall, (ii) rubber (12.0 percent), owing to favorable weather condition and a low base seen in 2017, that was affected by floods and heavy rain in the southern region, (iii) oil palm (22.0 percent), associated with an increase in crop yield per area, and (iv) maize (41.9 percent), driven by the increase in both yield per area and planting areas. However, the production of cassava contracted by 6.0 percent following a lower in planting areas, as farmers switched to other crops with higher returns, such as sugarcane, corn and others. **Agricultural Price Index** decreased by 12.3 percent, mainly due to (i) lower rubber price according to its higher production volume supplied into market and remained high global rubber stock, and (ii) lower oil palm price, owing to higher supply and high global stock. However, major agricultural price index increased such as paddy (14.2 percent), cassava (43.8 percent), and maize (29.5 percent). The decrease of agricultural price index thus led to lower **Farm Income Index**, which dropped by 4.8 percent.

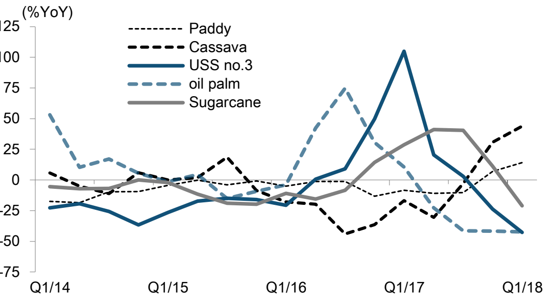
Agricultural sector reverted from a contraction to an expansion of 6.5 percent, owing to favorable water supply and weather condition. Meanwhile, agricultural price index declined due to the reduction of some products, but the price of key crops increased.

Farm Income Index decreased by 4.8 percent due to decreased in prices of agricultural products while production increased.



Source: Office of Agricultural Economics

The prices of paddy and cassava increased while prices of rubber, oil palm and sugarcane declined.



Source: Office of Agricultural Economics

Manufacturing sector grew by 3.7 percent accelerated from 3.4 percent growth in the previous quarter, in line with the favorable expansion of export and the improvement of domestic demand. Meanwhile, the first quarter capacity utilization rate reached 72.4 percent, a peak over the last 5 years (only Q1). The acceleration in manufacturing production was alongside with the 3.9 percent increase in Manufacturing Production Index (MPI). **Manufacturing Production Index of the industries with 30-60 percent export share to total production** grew by 7.2 percent accelerated from 5.0 percent growth in the previous quarter, in tandem with the acceleration of major industries such as 12.0 percent growth of vehicle, 9.1 percent growth in animal processing and preservation, and 3.8 percent growth of motorcycles. Besides, sugar production continually grew by 11.7 percent. **Manufacturing Production Index of the domestic-oriented industries (with export share of less than 30 percent to total production)** increased by 4.0 percent, accelerated from 2.7 percent growth in the previous quarter, owing to the growth in major industries such as production of plastics and synthetics rubber (8.7 percent), refined petroleum products (20.6 percent), and vegetable and animal oils and fats (38.8 percent), including the favorable expansion of basic iron and steel production (3.1 percent). **Manufacturing Production Index of export-oriented industries (with export share of more than 60 percent to total production)** slightly declined by 0.6 percent, due mainly to the decline in production of other rubber products (4.3 percent) and processing and preserving of fish (5.1 percent). Meanwhile, most of other productions favorably expanded such as computers and peripheral equipment (10.2 percent), electronic components (2.7 percent), and domestic appliances (7.3 percent). The strengthening recovery and more broad-based growth of manufacturing sector production led to a significant rise in **the average capacity utilization rate**, which reached 72.4 percent, the highest record over the last 5 years (only Q1), improving from 67.4 percent and 69.6 percent in the previous quarter and in the same quarter last year. There were clearly seen in (i) **more than 80 percent average capacity utilization industries**, of which 7 sectors of 21 sectors, including the production of sugar (134.1 percent), plastics and synthetics rubber (98.5 percent), vehicles (93.4 percent), refined petroleum products (88.1 percent), processing and preserving of meat (86.3 percent), motorcycles (80.2 percent), computers and peripheral equipment (80.1 percent) and (ii) **60-80 percent average capacity utilization industries,** which included the production of electronic components and boards (76.2 percent), rubber tyres and tubes (69.1 percent), wearing apparel, except fur apparel (67.2 percent), other general-purpose machinery (66.8 percent), plastic products (63.8 percent), and domestic appliances (63.7 percent).

Manufacturing Production Index with positive growth included vehicles (12.0 percent), refined petroleum products (20.6 percent), vegetable and animal oils and fats (38.8 percent), plastics and synthetics rubber (8.7 percent), and computers and peripheral equipment (10.2 percent), etc.

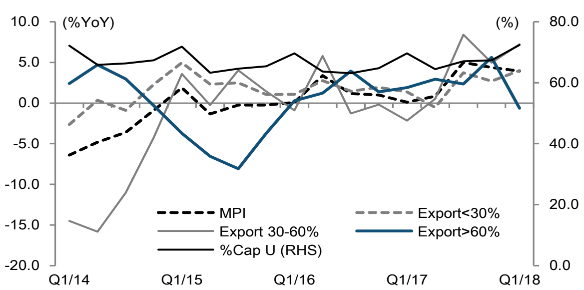
Manufacturing Production Index with negative growth included tobacco products (-31.2 percent), distilling, rectifying and blending of spirits (-29.6 percent), and other rubber products (-4.3 percent), etc.

Manufacturing sector accelerated with a 3.7 percent growth, in tandem with the favorable expansion of export and the faster growth in domestic demand.

Manufacturing Production Index of the domestic-oriented industries and the industries with export share of 30-60 percent to total production increased by 4.0 and 7.2 percent, respectively. Meanwhile, the key export-oriented products expanded well but the index slightly declined due to the reduction of some specific products.

The capacity utilization rate reached 72.4 percent, which was the highest rate for the last 5 years (only Q1).

Manufacturing Production Index increased by 3.9 percent and the capacity utilization rate averaged at 72.4 percent.



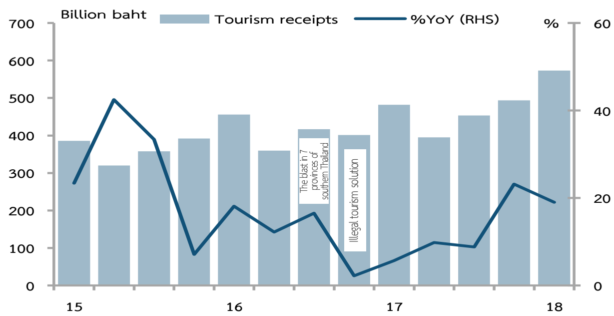
Source : Office of Industrial Economics

Hotels and restaurants sector expanded by 12.8 percent, continued from a 15.3 percent increase in the previous quarter, in line with the strong increase in the number of foreign tourists and travel receipts. The total number of foreign tourists was at 10.61 million persons, increased by 15.4 percent, mainly attributed by the number of tourists from China (30.2 percent), Russia (26.6 percent), India (18.3 percent), and Hong Kong (31.2 percent). Having combined with the acceleration in the number of Thai tourists, mainly supported by the improved performance of the domestic economy, and the implementation of the Amazing Thailand Go Local campaign by the government, the total amount of tourism revenue recorded at 840.5 billion baht, which rose by 16.8 percent, comparing with a 15.9 percent increase in the previous quarter. This was attributed by (i) **foreign tourism receipts**, which were at 573.3 billion baht, grew by 19.0 percent, mainly contributed by travel receipts from Chinese, Russian, Indian, German, and South Korean tourists; and (ii) **Thai tourism receipts** which were at 267.2 billion baht, increased by 12.2 percent. **The average occupancy rate** was at 76.79 percent, increased from 69.44 percent in the previous quarter and 73.35 percent in the same quarter last year.

Hotel and restaurants sector sustained its strong growth rate at 12.8 percent, aligned with the increase of both the number of tourists and receipts.

The average occupancy rate was at 76.79 percent, increasing from 69.44 percent in the previous quarter and 73.35 percent in the same quarter last year.

Income from foreign tourists for Q1/2018
stood at 573.3 billion baht or grew by 19.0 percent



Source: Ministry of Tourism and Sports

Wholesale and retail trade sector grew by 7.0 percent, continued from a 6.9 percent growth in the previous quarter, aligned with the affirmative growth of household consumption, production activities, exports, and the number of foreign tourists. In the first quarter of 2018, the trade sector expanded in both wholesale and retail trade. **Retail Sales Index** grew by 5.7 percent, owing to the increase in almost all categories; which consisted of 4.1 percent growth in durable goods, 9.8 percent growth in department stores and retail shops (such as restaurants, and beverage and tobacco shops), 9.5 percent growth in trading of motor vehicles sale, motor repairing services, and automotive fuel sector, and 13.0 percent growth in other retailing sectors. Meanwhile, non-durable goods (such as food retail store) slightly declined by 0.9 percent. **Wholesales Index** grew by 8.7 percent, mainly due to expansion in wholesale-volume of those non-durable goods (such as beverages, tobacco, pharmaceutical and medical goods, fragrance, and cosmetics) grew by 3.1 percent, durable goods increased by 8.2 percent, intermediate goods expanded by 12.6 percent, and other goods grew by 10.7 percent.

Wholesale and retail trade sector notably expanded by 7.0 percent, following an improvement of domestic demand, strong growth of exports, and tourist numbers.

Transport and communication sector grew by 7.1 percent continued from 8.8 percent in the previous quarter, alongside with the robust growth in the number of tourists and exports, as well as a favorable expansion in manufacturing production. Transport services rose by 7.6 percent, comparing with 8.9 percent growth in the previous quarter, attributed by (i) 3.4 percent growth in land transport, (ii) 12.5 percent growth in air transport, and (iii) 9.5 percent growth in water transport. Besides, telecommunications services expanded by 9.5 percent, comparing with 8.6 percent in the previous quarter, in accordance with the better earnings performance of telecommunication service providers.

Transport and communication sector grew by 7.1 percent, attributable to the strong performance of tourism and manufacturing production as well as trade activities.

Electricity, gas and water supply sector increased by 2.2 percent, compared to 3.1 percent growth in the previous quarter. In details, (i) **production and sale of electricity generation** increased by 3.3 percent, improved from 3.2 percent growth in the previous quarter due to the higher demand for electricity used in manufacturing sector, especially for those in steel industry and food and beverages industries, together with the expansion of service sector, including hotels and restaurants as well as retail trade, even though there was a slowdown in household electricity demand due to lower average temperature in the first quarter. (ii) **Water supply production and distribution** decreased by 1.8 percent, compared with 5.8 percent growth in the previous quarter. (iii) **Gas separation** decreased by 4.7 percent, compared to 0.7 percent growth in the previous quarter, in line with the reduction in gas volume delivered to gas separation plants.

Electricity, gas and water supply sector expanded by 2.2 percent. Production and sale of electricity accelerated, in line with rising demand in manufacturing and services sector. Meanwhile, gas separation declined due to the temporary reduction in gas supply.

Construction sector expanded by 1.2 percent, improved from the contraction in 3 preceding quarters.

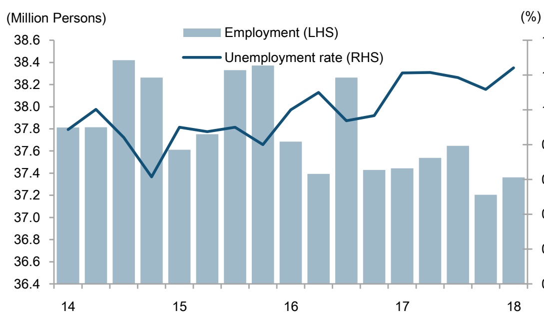
Construction sector increased by 1.2 percent, improving from a 5.3 percent decline in the previous quarter. The public construction slightly decreased by 0.1 percent, but improved from a 7.1 percent decline in the previous quarter, due to a 12.1 percent growth of state-owned enterprise construction accelerating from a 9.9 growth in the previous quarter. Meanwhile, government construction decreased by 5.4 percent, slower than a contraction of 13.7 percent in the last quarter of 2017. **The private construction** increased by 3.4 percent, significantly improved from a 2.3 percent decline in the previous quarter following the improvement in construction of residential buildings and factory buildings, which increased by 4.1 and 3.4 percent, respectively. **Construction Materials Price Index** increased by 2.8 percent, following a rise in prices of concrete (3.5 percent), cement (4.0 percent), and wood and wood products (2.9 percent), especially steel and steel products, which grew by 8.3 percent due to a continuous steel price hike in the world market since last year.

Employment declined by 0.2 percent, improved from 0.6 percent decline in the previous quarter.

Unemployment rate stood at 1.2 percent.

Employment: agricultural employment improved, in tandem with a recovery in major agricultural production, while non-agricultural employment dropped. In the first quarter of 2018, the employment slightly decreased by 0.2 percent, improving from a 0.6 percent decline in the previous quarter. This was mainly due to an expansion of 6.0 percent in agricultural employment, improving from reduction of 1.2 and 2.0 percent in the third quarter and the fourth quarter of 2017, respectively, in tandem with a favorable expansion of major agricultural production, such as paddy, rubber, oil palm, and maize, etc. Meanwhile, non-agricultural employment decreased by 2.8 percent following the decrease in employment of construction, wholesale and retail sales, and automobile repair sector. Similarly, employment in manufacturing sector declined by 0.03 percent improved from the contraction in the last 3 consecutive quarters, in line with the consistent improvement of manufacturing production. Unemployment in the first quarter was recorded at 470,000 persons and the unemployment rate was at 1.2 percent.

Employment declined by 0.2 percent but improved from the previous quarter, following an expansion of employment in agricultural sector. Unemployment rate was low at 1.2 percent.



Source: National Statistics Office

Employed Persons by Industry

%YOY	Shared Q1/18	2016	2017					2018			
		Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar
Employed	**100.0**	**-0.9**	**-0.6**	**-0.6**	**0.4**	**-1.6**	**-0.6**	**-0.2**	**-0.4**	**-0.2**	**-0.3**
- Agricultural	31.2	-4.3	0.3	-1.4	6.3	-1.2	-2.0	6.0	7.0	5.4	4.5
- Non-Agricultural	68.8	0.8	-1.0	-0.3	-2.1	-1.8	0.1	-2.8	-3.3	-2.4	-2.4
Manufacturing	16.8	-2.6	-2.9	-1.5	-4.2	-4.0	-1.8	-0.03	-2.1	-0.8	3.4
Construction	5.6	3.1	-8.2	-8.7	-11.8	-6.8	-4.3	-11.8	-13.7	-10.7	-9.4
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.8	2.5	-0.2	0.9	1.0	-2.6	0.02	-2.8	-5.7	0.7	-2.6
Accommodation and food service activities	7.5	3.2	1.8	4.2	-2.7	-1.0	6.8	-1.3	-1.1	1.6	-4.8
Total labor force (Million persons)		38.3	38.1	38.2	38.3	38.2	37.7	38.1	37.8	38.4	38.1
Employed (Million persons)		37.7	37.5	37.4	37.5	37.6	37.2	37.4	37.1	37.6	37.3
Unemployment (Hundred thousand persons)		3.8	4.5	4.6	4.6	4.5	4.2	4.7	4.7	4.9	4.4
Unemployment Rate (%)		1.0	1.2	1.2	1.2	1.2	1.1	1.2	1.3	1.3	1.2

Source: NSO

Fiscal Conditions:

On the revenue side, in the second quarter of the fiscal year 2018 (January - March 2018) the net government revenue collection stood at 527.4 billion baht, an increase by 5.5 percent from the same quarter last year and higher than the official target by 2.8 percent. This was partly due to an increase of revenue collected from VAT, corporate income tax, petroleum income tax, and excise tax on vehicle. Meanwhile, the revenue collection from personal income tax decreased by 3.1 percent due to revision of the Revenue Code on the allowance and exemption after deduction of expenses. Furthermore, the excise tax collections on beer and spirits decreased by 14.7 percent and 9.0 percent respectively.

The net government revenue collection increased by 5.5 percent and was higher than the target by 2.8 percent.

For the first half of the 2018 fiscal year, the net government revenue collection stood at 1,075.0 billion baht, increased by 2.5 percent from the same period last year and higher than the official target by 3.7 percent.

Government Revenue

Fiscal Year (Billion Baht)	2016	2017					2018		
	Year	Year	Q1	Q2	Q3	Q4	H1	Q1	Q2
Net Government Revenue	2,394.6	2,355.7	548.2	500.1	689.9	617.5	1,075.0	547.5	527.4
Compared with the target (%)	0.4	0.5	4.4	-1.5	-1.4	1.2	3.7	4.5	2.8
YOY (%)	8.2	-1.6	-6.5	1.5	-3.8	3.1	2.5	-0.1	5.5

Source: Ministry of Finance

On the expenditure side, the total budget disbursement in the second quarter of the fiscal year 2018 was at 680.2 billion baht, a decrease by 2.1 percent from the second quarter of FY2017. Classified by its source of funds, the government disbursements were as follows: **(i) the 2018 annual budget disbursement in this quarter** was at 572.9 billion baht declined by 0.6 percent from the same period of last year (equivalent to 19.8 percent of the annual budget, lower than the target of 22.0 percent but higher than the disbursement rate of 19.7 percent in the same period last year). The current expenditure disbursement increased slightly by 0.3 percent (equivalent of 21.0 percent of the annual budget, lower than the target of 22.0 percent but higher than the disbursement rate of 20.1 percent in the same period last year). On the other hand, the capital expenditure disbursement decreased by 5.0 percent from the same period of last year (equivalent to 15.1 percent of the annual budget, lower than the target of 22.0 percent and lower than the disbursement rate of 18.2 percent in the same period last year). **(ii) The carry-over budget disbursement** was at 58.0 billion baht, which decreased by 3.1 percent from the second quarter of 2017. **(iii) State-owned enterprises' capital expenditure budget (excluding PTT)**[1] was expected to disburse at 51.0 billion baht, rose from the same period last year by 28.6 percent. **(iv) The off-budget loans** were disbursed at 626.1 million baht, consisting of a 581.5 million baht disbursement on the Water Resource Management and Road Transport System Project's loans and a 44.6 million baht disbursement on the Development Policy Loan (DPL).

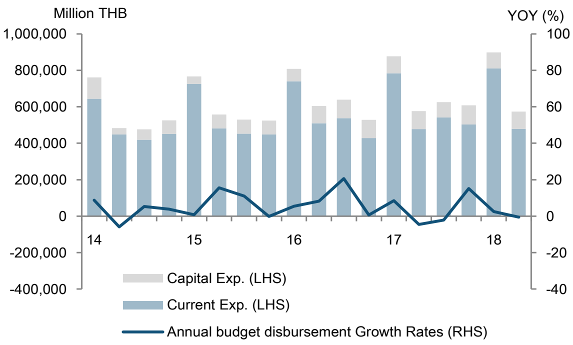
The current expenditure disbursement increased whereas the capital expenditure disbursement decreased.

For the first half of the 2018 fiscal year, (i) the total budget disbursement was at 1,470.7 billion baht, a 1.2 percent increase from the same period of 2017 (with a 50.7 percent disbursement rate, lower than the target of 52.3 percent but higher than the disbursement rate of 49.7 percent in the same period last year). This was consisted of a 180.9 billion baht of the capital expenditure disbursement which decreased by 5.3 percent (with a 29.2 percent disbursement rate, lower than the target of 43.1 percent and the disbursement rate of 35.2 percent in the same period last year). However, the disbursement rate in the second half of FY 2018 tended to be accelerated once adding purchasing order (PO). In detail, the actual disbursement rate plus PO in the first half of 2018 was at 54.8 percent of total capital expenditure budget, higher than the same period last year of 44.0 percent. (ii) The disbursement of the carry-over budget stood at 127.7 billion baht, equivalent to 39.4 percent of the total carry-over budget. (iii) State-owned enterprises' capital expenditure budget (excluding PTT) disbursement was expected to disburse at 109.9 billion baht. (iv) The off-budget loans disbursement amounted to 1.6 billion baht.

The disbursement rate of capital budget in the second half of FY2018 is expected to accelerate as indicated by the PO of 54.8 percent at the end of the first half of FY2018, compared with 44.0 percent over the same period last year.

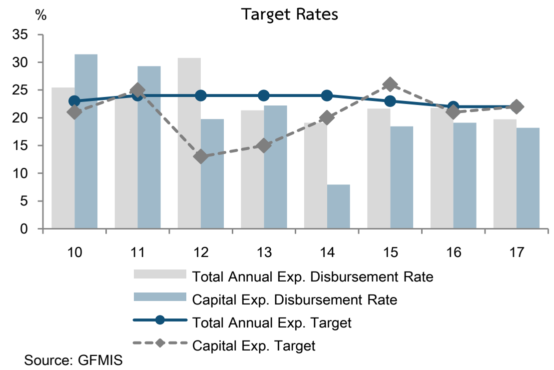
[1] This number included the annual capital budget disbursement of 2.28 billion baht of annual budget.

Annual Budget Disbursement



Source: GFMIS

The 2nd Quarter Annual Budget Disbursement and Target Rates

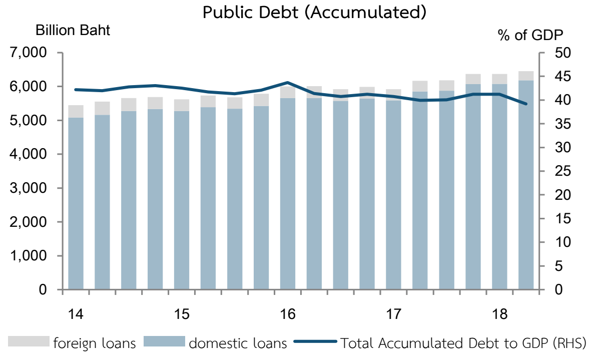


Source: GFMIS

Public Debt at the end of March 2018 was accumulated at 6.5 trillion baht or equivalent to 39.2 percent of GDP. The public debt was comprised of domestic loans of 6.2 trillion baht (37.6 percent of GDP) and foreign loans of 270.0 billion baht (1.6 percent of GDP).

The public debt remained under the fiscal prudential framework at 39.2 percent of GDP.

Public Debt (Accumulated)



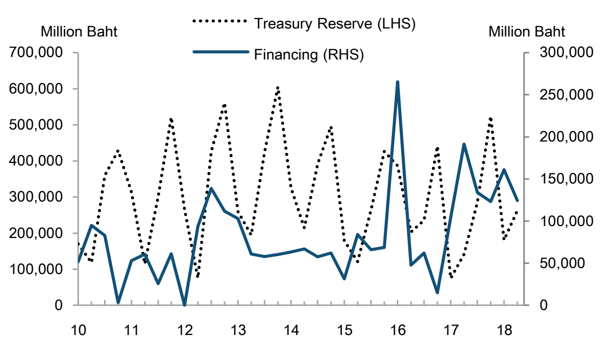
Source: PDMO and NESDB

Fiscal Balance: in the second quarter of fiscal year 2018, the budgetary balance recorded a deficit of 95.1 billion baht, while the non-budgetary balance recorded a surplus of 52.4 billion baht. The government conducted a cash balance management through borrowing for a total of 124.4 billion baht. Therefore, the cash balance after debt financing recorded a net surplus of 81.6 billion baht. Combined with 180.9 billion baht of treasury reserve at the end of the first quarter, the treasury reserve stood at 262.6 billion baht at the end of the second quarter of fiscal year 2018.

At the end of the second quarter of FY2018, the treasury reserve stood at 262.6 billion baht.

For the first half of the 2018 fiscal year, the budgetary balance recorded a deficit of 517.1 billion baht and the non-budgetary balance recorded a deficit of 29.5 billion baht. The government has conducted a cash balance management through borrowing total of 285.4 billion baht. Therefore, the cash balance after debt financing recorded a net deficit of 261.2 billion baht.

Statement of Government Operations



Source: MOF

Financial Conditions:

The policy rate kept unchanged at 1.50 percent over the first quarter

Policy interest rate remained unchanged, while Fed together with Bank of Canada and Bank Negara Malaysia and PBOC raised their rates. Nonetheless, most central banks maintained accommodative policy stance.

At the meeting on February 14 and 28 March, the Monetary Policy Committee (MPC) left its policy rate on hold at 1.50 percent to maintain accommodative policy stance, thereby supporting a gradual rise of inflation towards target range. Meanwhile, central banks in major advanced economies gradually moved forward to a less accommodative stance, aligned with the improvement of economic activities and clearer signs of inflationary pressures. In particular, the Federal Reserve decided to raise its policy rate by 0.25 percent to a range of 1.50 – 1.75 percent in the meeting on 21 – 22 March, with a signal of the more aggressive response to tight labor market conditions and rising wage pressures. Thus, markets anticipated a faster pace of Fed's normalization. Besides, the European Central Bank (ECB) started to reduce the pace of its monthly asset purchases by 30 billion Euros, starting from January 2018. Among others, Bank of Canada and Bank Negara Malaysia raised their policy rates in January, and the People Bank of China (PBOC) then raised its reverse repo rate (RRR) after Fed rate hike on March. However, other central banks in the region maintained their accommodative stance that remain appropriate in fostering a more broad-based recovery and supporting inflation back to their target ranges, amidst financial asset price and capital flows volatilities in emerging markets in the presence of inflation inertia to converge to their targets observed in many countries.

In April 2018, the central banks of both advanced economies and others in the region kept their monetary policy direction steady as last month. Yet, the European Central Bank (ECB) and Bank of Japan stated that dynamic inflation is likely to undershoot their targets and thus would take more time to achieve. In addition, the People's Bank of China (PBOC) cut its reserve requirement ratio (RRR) by 1.00 percent, starting from 25 April onward; on the move to boost liquidity and in turn help ease a tightening financial conditions from deleverage measures.

Policy Interest Rate

(%)	2016	2017					2018				
At the end of	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar	Apr
USA	0.50-0.75	1.25-1.50	0.75-1.00	1.00-1.25	1.00-1.25	1.25-1.50	1.50-1.75	1.25-1.50	1.25-1.50	1.50-1.75	1.50-1.75
EU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
England	0.25	0.50	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Australia	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
New Zealand	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Canada	0.50	1.00	0.50	0.50	1.00	1.00	1.25	1.25	1.25	1.25	1.25
Russia	10.00	7.75	9.75	9.00	8.50	7.75	7.25	7.75	7.50	7.25	7.25
China	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Korea, South	1.25	1.50	1.25	1.25	1.25	1.50	1.50	1.50	1.50	1.50	1.50
India	6.25	6.25	6.75	6.50	6.50	6.25	6.00	6.25	6.00	6.00	6.00
Indonesia	4.75	4.25	4.75	4.75	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.25
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

Interest rate remained stable, whereas real interest rate increased as inflation decelerated.

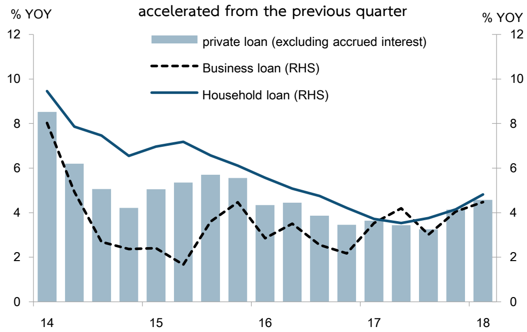
All commercial banks and Specialized Financial Institutions (SFIs) kept their 12-month deposit and lending rates at the same level as in the previous quarter. In the first quarter of 2018, 12-month fixed deposit rates and MLR interest rates remained unchanged at 0.93 percent and 6.20 percent, respectively. However, real deposit rates and real MLR rates increased to 0.75 percent and 5.57 percent, respectively, as headline inflation rate declined.

In April 2018, deposit and lending rates of all commercial banks and specialized financial institutions maintained the same rates as at the end of the fourth quarter of 2017.

Private loan (excluding accrued interest) of Depository Corporations continuously accelerated over the last 2 quarters, in line with economic recovery that became more pronounced. At the end of the first quarter of 2018, private loan of depository corporations grew by 4.6 percent, accelerated from a 4.1 and 3.3 percent growth in the fourth and third quarter of 2017, consecutively. The loan expansion was supported by the growth of both business and household loan. In particular, the expansion of business loan, in line with the economic performance, was mainly supported by the growth of loan for wholesale & retail and real estate activities. Likewise, household loan accelerated both from banks and Specialized Financial Institutions (SFIs), due to the pick up in housing loan and hire purchase loan in line with the improvement of housing demands and domestic car market. Meanwhile, non-performing loan to total outstanding loan ratio was at 2.93 percent, similar to those in the fourth quarter of 2017.

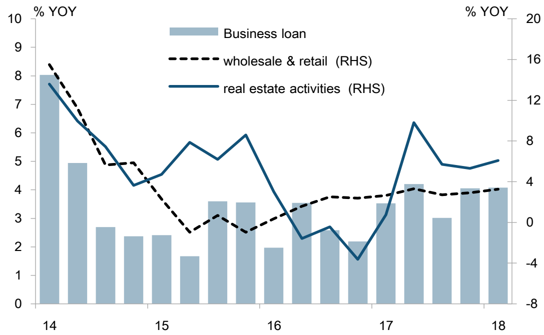
Private loan (excluding accrued interest) of Depository Corporations continuously accelerated over the last 2 quarters, in line with strengthened economic recovery .

Private loan (excluding accrued interest) of Depository Corporations accelerated from the previous quarter



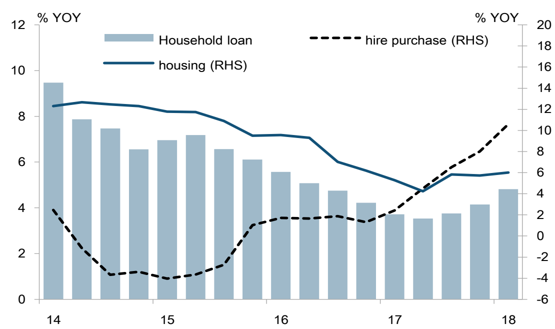
Source: Bank of Thailand

Business loan expanded from the acceleration of loan for wholesale & retail and real estate activities



Source: Bank of Thailand

Household loan expanded from the acceleration of hire purchase loan and housing loan



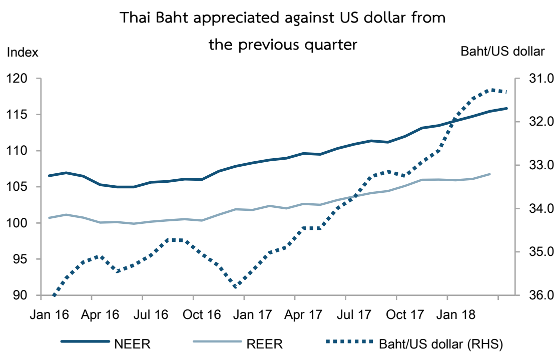
Source: Bank of Thailand

Thai Baht against US Dollar appreciated. During the first quarter of 2018, an average exchange rate was at 31.54 baht per US dollar, appreciating 4.3 percent from the previous quarter. During the first month of the quarter, Thai baht persistently appreciated, as foreign investors increasingly bought assets in emerging countries because global economic sentiment showed a positive prospect. In addition, the US dollar was under the depreciation pressures due to risk factors such as rising long term US fiscal deficit and rising US - China trade tension. However, in February, Thai baht shortly depreciated amid global stock market correction which was driven by the anticipation of a faster Fed's interest rate hike in 2018. However, this depreciation pressure subsided since the correction ended, and Thai baht's persistently appreciated until the end of the quarter. **In the first quarter of 2018**, **average Thai baht against trading partners (NEER)**[2] appreciated by 1.7 percent from the previous quarter. This was in line with a 0.5-percent appreciation of the real effective exchange rate (REER).

Thai baht against US dollar appreciated, supported by current account surplus and foreign inflows in the bond market.

In April, Thai baht has returned to be depreciated since the US government bond yield increased. The higher US bond yield was the result of (i) an anticipation that US inflation would reach its 2 percent target in 2018, and (ii) an increasing oil price. This caused foreign investors to speculate for a rising US dollar, and sell assets in emerging markets, including short-term bond in Thai bond market. As a result, on average, Thai baht in April was at 31.31 baht per US dollar, depreciating 0.2 percent from March average.

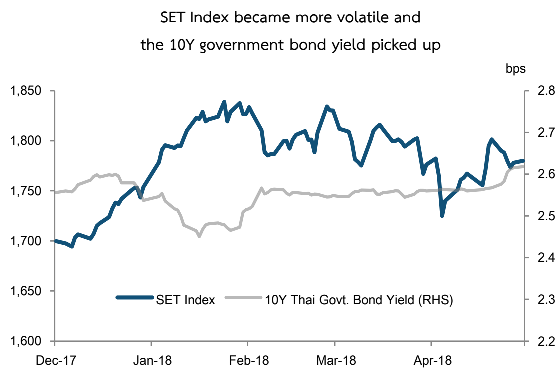
[2] The BOT began using the new NEER and REER in March 2014. The base year would also be changed to 2012, that the indicators could capture the true structure of trade in line with changing international dynamics.



Source : CEIC, Bank of Thailand

SET index during the first quarter fluctuated around a downward trend. One of key factors was the fear of investors over tightening monetary policy stance of the Fed. Set Index had risen significantly since the end of last year before the market correction in the end of January as global investors concerned that the Fed would tighten the financial conditions faster. This factor curbed market sentiment to be risk-off and created downward volatility pressures to the global stock markets. Furthermore, the international trade policies between the US and China was another main influence for the tightening market conditions in this quarter, resulting in downward pressure on SET index from the February onward. In addition, SET index was also affected by a domestic event at the end of quarter as the market overreacted on the announcement of key commercial banks on waiving transfer fee, causing selling-off sentiment on banking stocks. As a result, SET index closed at 1,776.26 at the end of first quarter, increased from 1,753.71 at the end of last year.

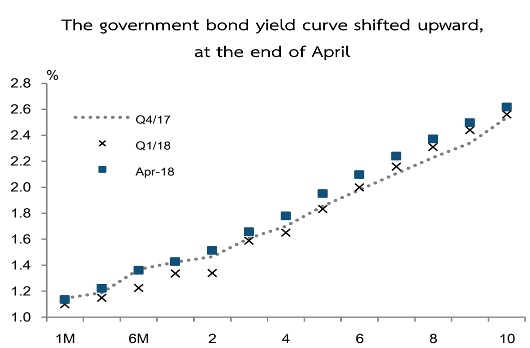
SET index became more volatile due to investors' concerns over the Fed's tightening and uncertainty in trade tension between the US and China.



Source: CEIC

The Thai government bond yields at the end of quarter changed gradually from the end of last year. The yields of government short-term bonds had declined since the beginning of the year before it began to pick up at the end of quarter, whereas the long term yields fluctuated within the narrow range. The yield of 10-year Thai government bond had declined since the beginning of the quarter before rising in response to the acceleration of the US 10-year Treasury rates at the end of January and moved within the narrow range until the end of quarter. At the end of first quarter of 2018, the 10-year Thai government bond yield was at 2.56 percent per annum which rose from 2.54 percent per annum at the end of last year, while the 6-month and 2-year ones were at 1.22 and 1.34 percent per annum, a decline from 1.37 and 1.47 percent per annum at the end of last year.

The government short-term bond yields picked up at the end of quarter following the long-term yields.



Source: ThaiBMA

In April, financial conditions remained tightened by the US-China trade tension and the fear that the Fed would raise interest rates faster than market expectation. In the beginning of the month, SET index as well as other Emerging Markets' indices plunged down as the market responded to the Chinese government announcement as she might employ tariff measures in retaliation to the US trade policies; meanwhile short-term government bond yields began to pick up. However, SET index recovered afterward as the market sentiment was easing and was supported by a favorable domestic condition. Nonetheless, the market became tightening in the third week of the month due to an escalating crude oil price in association with acerbations of the US 10-year Treasury yield and US dollar appreciation. SET index declined afterward as well as a shift in the Thai government bond yield curve. At the end of the month, SET index closed at 1,780.11 slightly increased from 1,776.26 at the end of last month; whereas the 6 month, 2 Year and 10 Year government bond yields were at 1.36, 1.51 and 2.62 percent per annum, respectively.

Capital and financial account recorded a net outflow of 0.7 billion US dollars in the first quarter of 2018, relative to a net outflow of 6.0 billion US dollars in the previous quarter. The declined outflow was caused by (i) decreasing of Thai direct investment, and (ii) inflows from a net sell position of foreign bond.

The outflows of capital and financial account declined due to a net sell of foreign bond and a decrease in Thai direct investment.

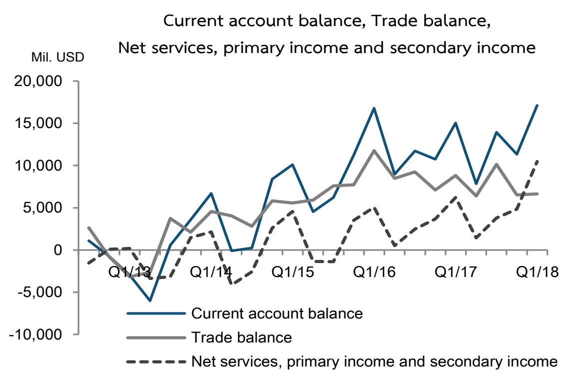
Capital Flow

(Billion USD)	2016					2017					2018			
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1	Jan	Feb	Mar
- Direct Investment	-10.3	-1.2	-1.8	-7.4	0.1	-11.6	-1.0	-4.0	-2.0	-4.6	0.3	0.3	-0.1	0.1
Thai investor	-13.4	-4.7	-3.2	-3.3	-2.3	-20.7	-3.5	-5.5	-4.0	-7.7	-2.2	-0.5	-0.7	-1.0
Foreign investor	3.1	3.5	1.3	-4.1	2.3	9.1	2.5	1.5	2.1	3.0	2.5	0.8	0.6	1.0
- Portfolio Investments	-2.8	1.7	0.9	2.8	-8.2	-2.5	-1.4	-1.3	2.5	-2.3	-1.7	2.0	-2.7	-1.0
Thai investor	-4.3	-0.8	1.3	-2.8	-2.0	-12.0	-3.7	-2.7	-2.9	-2.6	-0.5	-0.5	0.3	-0.3
Foreign investor	1.5	2.6	-0.4	5.5	-6.2	9.5	2.3	1.5	5.4	0.3	-1.2	2.5	-3.0	-0.7
Others	-7.9	-0.4	-0.4	-3.1	-4.0	-4.1	-4.6	-0.5	0.0	0.9	0.7	2.7	-0.5	-1.6
Capital and financial account	-21.0	0.2	-1.3	-7.8	-12.1	-18.2	-7.0	-5.7	0.5	-6.0	-0.7	5.0	-3.3	-2.4

Source: BOT

Current account registered a surplus of 17.1 billion US dollars (539.7 billion baht). This was a result of a trade surplus of 6.6 billion US dollars and a surplus in services, and primary and secondary income of 10.5 billion US dollars.

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



Source: Bank of Thailand

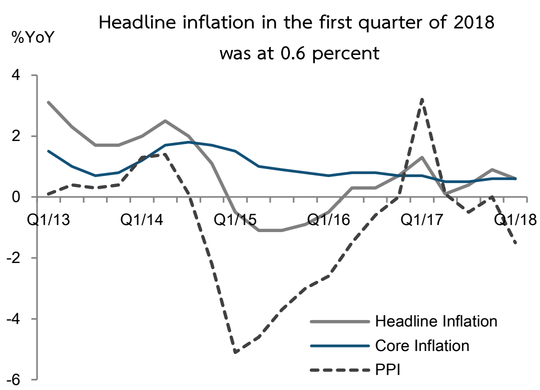
International reserve at the end of March 2018 stood at 215.6 billion US dollars (excluding net forward position of 35.8 billion US dollars), which was equivalent to 3.5 times of short-term foreign debt, or to an import value of 11.7 months (given the average of import value in the first quarter of 2018).

International reserve at the end of March 2018 stood at 215.6 billion US dollars.

Source: Bank of Thailand

Headline inflation: In the first quarter of 2018, headline inflation was average at 0.6 percent. **Food-and-Beverage** price index slightly increased by 0.04 percent, decelerating from 0.2 percent in the previous quarter due to a slowdown in prices of fish and aquatic animals and a decline in prices of meats, eggs & dairy products, and vegetables & fruits. **Non-Food and Beverage** price index increased by 1.0 percent, decelerating from 1.3 percent in the previous quarter as the domestic retail fuel price slowed down, which made energy index increased by 3.0 percent, decelerating from 5.2 percent in the previous quarter. Core inflation stood at 0.6 percent.[3]

Headline inflation was average at 0.6 percent. Both Non-Food and Beverage price index and Food-and-Beverage price index decelerated.



Source: Ministry of Commerce

Producer Price Index (PPI): In the first quarter of 2018, Producer Price Index decreased by 1.5 percent. **The price of agriculture products** decreased by 6.1 percent as price of crops, live-stocks, and fish & fishery products decreased. **The price of manufactured products** decreased by 0.9 percent due to a decrease in price of rubber & plastic products. Meanwhile, **the price of mining products** increased by 2.5 percent due to an increase in the price of lignite, petroleum, & natural gas.[4]

Producer Price Index (PPI) decreased by 1.5 percent. The price of agriculture products and manufactured products decreased, while price of mining products increased.

[3] In April 2018, headline inflation was 1.1 percent, Core inflation was 0.6 percent. In the first 4 months of 2018, headline inflation was 0.7 percent, Core inflation was 0.6 percent.

[4] In April 2018, Producer Price Index (PPI) decreased by 0.8 percent. In the first 4 months of 2018, PPI decreased by 1.3 percent.

2. Crude Oil price in Q1 of 2018

The crude oil price in the global market increased. In the first quarter of 2018, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 64.15 USD per barrel, increased from the same period last year by 20.5 percent, and from the previous quarter by 9.0 percent.

The major factors contributed to the increase of global crude oil price included (i) the improvement of the major economies that induced demand for crude oil, especially in the US, Europe, and China, (ii) the improvement of cooperation among OPEC members and Non-OPEC oil exporter for production cuts, and (iii) the persistent geopolitical tensions which could affect production, including the conflict between Saudi Arabia & Iran, and the US sanction against Iran.

The crude oil price increased due to the improvement of the global economy, high compliance of OPEC and Non-OPEC output cut, and the geopolitical tensions among the Middle East countries.

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	44.72	-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	49.32	19.6	18.6	14.6	17.0	17.4
	Year	41.71	41.40	45.04	43.10	42.81	-18.5	-18.6	-16.0	-11.7	-16.3
2017	Q1	53.44	53.00	54.60	51.90	53.24	71.3	69.4	55.6	59.9	63.7
	Q2	49.80	49.55	50.92	48.31	49.65	15.0	15.1	8.4	5.9	11.0
	Q3	50.55	50.34	52.22	48.20	50.33	15.8	16.8	11.1	7.1	12.6
	Q4	59.20	59.18	61.55	55.42	58.84	21.6	22.8	20.4	12.4	19.3
	Year	53.24	53.02	54.82	50.96	53.01	27.7	28.1	21.7	18.2	23.8
2018	Q1	63.82	63.52	66.90	62.35	64.15	19.4	19.8	22.5	20.1	20.5
	Jan.	66.18	66.05	69.09	63.70	66.25	22.9	23.2	24.6	21.1	23.0
	Feb.	62.18	61.92	64.90	60.59	62.40	13.1	14.0	16.0	13.4	14.1
	Mar.	63.11	62.60	66.72	62.77	63.80	22.5	22.6	27.3	26.4	24.7
	Apr.	68.15	68.12	71.72	66.25	68.56	29.9	31.1	33.7	30.0	31.2

Source: Thaioil Plc and EPPO.

3. The World Economy in Q1 of 2018

The world economy in the first quarter of 2018 has strengthened, led by the accelerated growth in the US and favorable growth in Eurozone and China.

The world economy in the first quarter of 2018 has continually strengthened, led by the accelerated growth of the US economy, a solid expansion of the Eurozone, and the above-target growth of the Chinese economy. Strong growths in the major economies have brought about higher world trade volume and commodity prices, and encouraged a more pronounced recovery in developing economies.

The continual pace of expansion has been pivotal in closing the output gap and attaining above-potential growth of advanced economies, particularly the US and Canada. In the meantime, developing economies has notably shifted towards potential growth which consequently narrowed their output gap. Consequently, unemployment rates declined in many major economies and inflationary pressures have become clearer in various countries, particularly in Northern America where inflation rates have moved toward the monetary target and thus allowed central banks to continue their monetary policy normalization. As a result, the US Federal Reserve has increased the Fed Fund rate, together with continued normalizing the balance sheet, while the Bank of Canada raised its policy rate for the third time since July 2017. Likewise, the European Central Bank (ECB) has started to reduce its monthly asset purchase by 30 billion euro since January 2018 as well as in some Asian central banks, such as Bank Negara Malaysia which decided to hike the policy rate for the first time since 2016. In contrast, the Bank of Japan (BoJ) and other central banks in developing economies still maintain accommodative monetary policy in order to support a broader-based economic recovery and to drive inflation to achieve the target. Nevertheless, strong expansion of US economy, amid rapid pace of monetary normalization both in the rates hike and balance sheet reduction, combined with investors' expectation on long-term inflationary pressure, and the rising trend of the US' bond supply had raised the 10-year US bond yields up to 2.8 percent in the first quarter of 2018, compared with 2.4 percent in the fourth quarter of 2017, and marked as the highest rate in 4 years. This was significantly in line with an uptrend of 10-year bond yields in other major countries.

Bond Yield (percent per annum)

Country	3-5 Years			10 Years		
	Q1/17	Q4/17	Q1/18	Q1/17	Q4/17	Q1/18
USA	1.5	1.8	2.3	2.4	2.4	2.8
Italy	0.2	0.0	0.1	2.2	1.9	2.0
UK	0.5	0.8	1.0	1.3	1.3	1.5
Germany	-0.6	-0.5	-0.2	0.4	0.4	0.6

Source: CEIC

Meanwhile, the US's latest trade protection measures became more provoking. On March 8th 2018, the US officially raised tariffs on steel and aluminum imports by 25 and 10 percent, respectively, and on March 22nd, imposed additional tariffs planned on more than 1,300 import products from China (approximately 50 billion US dollars in value). In response, on April 2nd, China announced trade retaliation measure planned against the US by increasing tariffs on 128 import products from the US (approximately 3 billion US dollars in value) and later on April 4th announced additional tariffs on 106 products, worth a total of around 50 billion US dollars.

The US economy expanded at the highest pace in 11 quarters, driven by private investment, government consumption expenditures and net exports. Meanwhile, unemployment rate stood at the lowest rate in 17 years.

The US economy expanded at highest pace in 11 quarters (Advance estimate). In the first quarter of 2018, the US economy expanded by 2.9 percent, accelerating from 2.6 percent in the previous quarter. The growth was mainly driven by private investment, government consumption expenditures and net exports. Private investment expanded by 5.8 percent, accelerating from 3.6 percent in the fourth quarter of 2017, marked as the highest rate in 11 quarters. This continual economic growth has led the unemployment rate to remain at the lowest rate in 17 years at 4.1 percent. Meanwhile, inflationary pressure has become more pronounced. The PCE inflation rate increased by 1.8 percent in the first quarter, from 1.7 percent in the preceding quarter, and is close to the Fed's target of 2 percent. A more pronounced economic strengthening and inflationary pressure caused the FOMC to hike its policy rate in the meeting on March 20 – 21th 2018 by 0.25 percent to the range of 1.50 - 1.75 percent, the first policy rate hike in 2018 and was the sixth rate hike since December 2015.

The Eurozone economy slowed down from the previous quarter, following a decline in industrial production and domestic consumption.

The Eurozone economy expanded by 2.5 percent, down from 2.8 percent in the previous quarter, following some slowdowns in Germany, France, and Italy economies. This was due to a deceleration in industrial production growth and domestic consumption. Nonetheless, consumer confidence in April 2018 continued to expand for the sixth consecutive months, reflecting better political conditions in the region. Additionally, a continued economic growth has caused the unemployment rate in the first quarter of 2018 to decline to 8.5 percent, the lowest level in nine years. Nevertheless, the inflation rate decelerated from 1.4 percent in the previous quarter to 1.2 percent and remained below the monetary policy target. As a result, in the April 26th 2018 meeting, the ECB decided to keep its policy rate unchanged and maintained asset purchases of 30 billion euro per month until the end of September 2018.

The Japanese economic expansion was at 0.9 percent, slowing from the previous quarter due to the slower consumption, both private and government .

The Japanese economy expanded by 0.9 percent, slowing from 1.8 percent in the previous quarter as a result of slower growths of private and government consumption. Residential private investment contracted continually from the previous quarter, while non-residential private investment grew at a slower pace. Nevertheless, manufacturing production still showed a positive sign as shown by the purchasing managers index (PMI) reaching the highest level in 16 quarters, in line with the continued exports of goods and services as well as overall private investment. Public investment accelerated from the fiscal year 2017 - 2020 fiscal stimulus packages and the preparation for 2020 Tokyo Olympics. The unemployment rate was at 24-year low, whereas wages slowly rose. The inflation rate rose to 1.3 percent but is still below the 2-percent policy target. Therefore, on April 27th, the Bank of Japan (BOJ) continued to maintain its policy rate and kept the level of quantitative easing unchanged.

The Chinese economy expanded by 6.8 percent, mainly contributed by the growth in manufacturing, services, and exports. However, investment decelerated.

The Chinese economy grew by 6.8 percent, similar growth as in the previous quarter. The main drivers were the strong expansions in manufacturing and service sectors, particularly in advanced technology manufacturing and information technology services. Exports accelerated and marked as the highest expansion in 20 quarters. In addition, domestic consumption grew robustly while investment continued to slow down as a result of the economic rebalancing policies and also measures for mitigating financial risks and corporate debt levels. The Yuan appreciated by 4.2 percent from higher foreign exchange reserves. In the first quarter of 2018, foreign reserve increased to 3,142.8 billion US dollars from 3,139.9 billion US dollars at the end of the previous quarter. Meanwhile, on March 22nd the People's Bank of China recently increased the rate on 7-day reverse repurchase agreements to 2.55 percent from 2.50 percent.

NIEs economies mostly accelerated due to strengthened exports and manufacturing. The ASEAN economies grew favorably, driven by the momentum in exports and domestic consumption.

NIEs economies mostly accelerated from the previous quarter. The Singapore and Hong Kong economies expanded by 4.3 and 4.7 percent, accelerating from 3.6 and 3.4 percent in the previous quarter, respectively. South Korea maintained its growth rate at 2.8 percent, while Taiwan decelerated to 3.0 percent from 3.3 percent in the previous quarter. **ASEAN economies** mostly continued to improve driven by the persistent growth in exports as well as domestic consumption which corresponded to the improvement of the labor market. Inflation was higher mainly from rising food prices. In the first quarter of 2018, Vietnam, Indonesia, Malaysia, and the Philippines grew by 7.4, 5.1, 5.4, and 6.8 percent, respectively, compared with 7.7, 5.2, 5.9, and 6.5 percent in the previous quarter consecutively.

GDP growth, Inflation and Export growth in several key economies

	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2016	2017		2018	2016	2017		2018	2016	2017		2018
	Year	Year	Q4	Q1	Year	Year	Q4	Q1	Year	Year	Q4	Q1
USA	-3.6	6.5	7.8	7.7	1.5	2.3	2.6	2.9	1.3	2.1	2.1	2.2
EU	0.0	9.4	15.9	18.2	1.8	2.5	2.8	2.5	0.2	1.5	1.4	1.2
Japan	3.2	8.3	9.6	10.1	1.0	1.7	1.8	0.9	-0.1	0.5	0.6	1.3
China	-7.7	7.9	9.6	14.1	6.7	6.9	6.8	6.8	2.0	1.6	1.8	2.2
Hong Kong	-0.6	7.6	6.1	8.8	2.1	3.8	3.4	4.7	2.4	1.5	1.6	2.5
India	-1.3	12.9	13.5	4.6	7.9	6.3	7.2	-	5.0	3.3	4.6	4.6
Indonesia	-3.4	16.3	13.4	8.8	5.0	5.1	5.2	5.1	3.5	3.8	3.5	3.3
South Korea	-5.9	15.8	8.4	10.1	2.9	3.1	2.8	2.8	1.0	1.9	1.5	1.3
Malaysia	-4.6	14.7	16.8	19.8	4.2	5.9	5.9	5.4	2.1	3.8	3.6	1.8
Philippines	-2.4	19.7	13.4	-6.0	6.9	6.7	6.5	6.8	1.8	3.2	3.3	4.4
Singapore	-5.5	10.4	11.2	9.7	2.2	3.6	3.6	4.3	-0.5	0.6	0.5	0.2
Taiwan	-1.8	13.2	10.4	10.6	1.4	2.8	3.3	3.0	1.4	0.6	0.4	1.6
Thailand	0.1	9.7	11.6	9.9	3.3	3.9	4.0	4.8	0.2	0.7	0.9	0.6
Vietnam	9.0	21.4	24.8	25.1	6.2	6.8	7.7	7.4	2.7	3.5	2.7	2.8

Source: CEIC, Collected by NESDB

4. The World Economic Outlook for 2018

The world economy in 2018 is expected to grow by 4.1 percent, supported by the acceleration of the US economic growth, which has been entering the longest economic expansion with additional supports from the US tax reform under the Tax Cuts and Jobs Act, as well as the favorable growth momentum of the Eurozone and the expected an above-official target expansion of the Chinese economy. Meanwhile, the Japanese economy tends to experience a gradual slowdown. The sustained improvement of the major economies, coupled with the rise in the world trade volume and global commodity prices, could encourage a more broad-based and pronounced recovery and strengthened growth in developing and emerging economies. Particularly, the growth in India, Brazil, and the Middle East are expected to accelerate to 7.2, 2.3, and 3.4 percent, compared with 6.3, 1.0, and 2.6 percent in 2017, respectively.

As a result of the sustained economic expansion of major economies, the output gap of some advanced countries has been closed and become positive in this year, as seen in the US, Canada and the UK. At the same time, output gaps in other major economies have started to narrow down. Under these conditions, the US, Canada, Eurozone, the UK, and other key developing economies are expected to continue pursuing their monetary policy normalization specifically in the latter half of this year, which will consequently lead to an upward trend of the global interest rate cycle. Short term interest rates will likely increase in line with policy rate hikes in major economies, while long term interest rates tend to advance following a positive global growth and inflation expectation, together with balance sheet reduction, and quantitative tapering in major economies, which will eventually increase global bond supply.

The US economy is projected to expand by 2.7 percent, accelerated from 2.3 percent in 2017, and higher than the previous projection due to a higher than expected growth in the first quarter. Growth is expected to be driven by an improvement in household consumption expenditure, in line with strengthened labor market where the full employment level is reached with unemployment rate staying below 4.0 percent. In addition, private investment is expected to increase, owing to an improvement in business confidence, coupled with additional stimulus from the tax reform and job creation policies. Furthermore, government consumption expenditures and public investment, especially in infrastructure, will also become key growth drivers. This above-potential growth tends to persistently put an upward pressure on wage and, in turn, on inflation rate, of which would continue to increase to the 2 percent target. Thus, in the baseline scenario, it is expected that the FOMC will hike its policy rate twice during the remaining of this year. There will also be a possibility of an additional policy rate hike in the case of a significant increase in inflationary pressure than expected. **The Eurozone economy** is estimated to grow by 2.4 percent, compared to a 2.5 percent growth in 2017. Key supporting factors are a continuous strong expansion of domestic demand, following an improvement in market sentiment after the more ease political conditions in several countries, and a 9-year lowest unemployment rate of 8.5 percent in the first quarter of 2018 . Nonetheless, it is important to closely monitor political situations in key countries, especially Italy's political conditions and the Brexit’s negotiation. Under the baseline scenario, due to a gradual increase in inflationary pressure, it is thus expected that the ECB will maintain asset purchases of 30 billion euro per month until the end of September 2018 with the possibility of asset purchases reduction in the second half of the year. **The Japanese economy** is estimated to expand by 1.2 percent, decelerated from 1.7 percent in 2017 following a slower pace in private consumption. However, the manufacturing sector will continue to grow and further support the overall economy following better export performance which has been benefited from Yen depreciation trend. In addition, public investment is also likely to keep their momentum from additional budget disbursement, continued fiscal stimulation, and 2020 Tokyo Olympics preparation. On the other hand, a delay in wage-rise will cause inflationary pressure to increase only slowly. As a result, the BOJ is likely to keep its expansionary stance, including by holding its key policy rate and maintaining asset purchases at 80 trillion Yen. **The Chinese economy** is anticipated to grow by 6.7 percent in 2018, decelerating slowly from 6.9 percent in 2017. The growth will continue to be driven by strong private consumption and exports, which is in line with the improvement of manufacturing production, and the expansion in exports. Meanwhile, infrastructure investments are expected to accelerate as a result of the Belt and Road Initiatives, while investments in service and manufacturing sectors are expected to be stimulated under the Made in China 2025 campaign. However, there still remains downside risks in the financial sector, as credit to non-financial corporations remains high at 162.5 percent to GDP while new real estate loan tends to pick up. Likewise, the result of further implementation on structural reform, coupled with restoring financial stability measures, tighter restrictions on real estate speculation will eventually soften the pace of economic expansion. **The NIEs** is anticipated to expand despite a gradual slower pace as growth returns to be normalized. Taiwan and Singapore economies are expected to grow by 2.7 and 3.2 percent, compared with 2.8 and 3.6 in 2017, respectively. South Korea economy is likely to keep its pace at 3.1 percent, while Hong Kong is estimated to grow by 4.0 percent in 2018 accelerated from 3.8 percent in the previous quarter. Likewise, **the ASEAN Economies** are forecasted to grow continuously due to strong exports as well as improving domestic demand driven by strengthened labor market conditions and stronger growth of public investment, supporting the expansion of manufacturing sector. It is expected that Indonesia, Philippines, and Vietnam will grow by 5.4, 6.8, and 6.8 percent in 2018, compared with the growth of 5.1, 6.7, and 6.8 percent in 2017, respectively. On the other hand, Malaysia is likely to decelerate to 5.7 percent growth from 5.9 percent due to interest rate hike and the Ringgit appreciation.

Nevertheless, the economic expansion, the capital flows, and the exchange rates between major currencies over the rest of the year are still subjected to volatility with respect to several risk factors, which need to be closely monitored and assessed. Key risk factors include: (1) the US's trade protection policy and the trade retaliation by major US's trade partners, the outturn of NAFTA renegotiation, and other US's additional economic measures which might halt global economic and trade volume growth, (2) faster-than-expected increase of interest rates in key economies and in the global financial markets, resulted by (i) the monetary policy normalization in key countries, both in terms of interest rates increase and balance sheet reduction being faster than economic fundamentals to which economic growth might be susceptible, especially under the rising trend of oil prices and trade protection which will result in higher inflationary pressures than assumed in the base case, and (ii) the change in investors' long-term inflation outlook, the upward trend of global bond quantity resulted from US fiscal deficit, and key countries' balance sheet reduction which may cause faster-than-expected increase in long-term interest rates, (3) geopolitical uncertainties, particularly in the Middle East, which may affect confidence and overall economic recovery as well as the volatility of oil prices as they may rise faster than anticipated, and (4) the political conditions in major countries, including the US midterm election, the Italian government formation which might affect consumer and business sentiments, and the UK's political conditions which may result in uncertainties surrounding Brexit negotiations.

5. Thai Economic Outlook for 2018

In the remainder of the year 2018, the Thai economy tends to continually improve given the current accelerating pace of global economic recovery and the increased world price of commodities, government measures to support further economic expansion through government and private consumption expenditure, improvements in investment conditions of both private and public sectors, and the revitalized household income condition. Nevertheless, the year-on-year growth pace in the rest of the year 2018 tends to slow down, due to the higher base in the latter half of 2017 while global commodity price and interest rate have continued their upward trend, whereas world economy and global financial system would experience uncertain situations from the trade protection policies imposed by major advanced economies against their trade partners, changes in monetary stances globally, and foreign policies from those world leading countries.

Supporting factors for the economic growth:

1) **Exports are likely to maintain its favorable growth pace as the global economic expansion gains its momentum, which could support the expansion of manufacturing production and thus further support the overall economic growth.** The improvement of global recovery strengthened exports expansion from 7.3 percent in the first half of 2017 to 12.0 percent in the second half of 2017. Correspondingly, the manufacturing production accelerated from a growth of 1.5 percent in the first half of 2017 to 3.8 percent in the second half, while its growth contribution evidently increased from 0.4 percent in the first half to 1.0 percent in the latter half. Likewise, the export value in US dollar term continued to grow at 9.9 percent in the first quarter of 2018 while manufacturing sector further grew by 3.7 percent which contributed to the overall economic growth by 1.0 percent. For the remainder of the year, the global economic expansion is expected to gain its momentum and under the base case scenario the global economy is expected to grow by 4.1 percent, the same pace seen in 2017. These will thereby continue to drive growths of exports and manufacturing production further, and eventually the overall economic expansion.

2) **Government spending and public investment are likely to expand favorably and with a faster growth in the remaining of the year.** In terms of government spending, the budget disbursement rate under the 2018 annual budget over the first half of fiscal year was 50.7 percent, and it is anticipated to be disbursed at least 92.0 percent over the fiscal year (excluding FY2018 supplementary budget). Whereas, the disbursement of FY2018 supplementary budget, worth 150 billion baht, is expected to start disbursement in the second quarter of 2018. The government spending would then speed up and eventually boost up the overall growth. Similarly, the growth momentum from public investment is likely to accelerate, aligned with the capital budget under the annual budget framework and the state-owned enterprise budget framework, worth 636,465 million baht and 776,930 million baht, with a high annual growth of 17.5 and 33.7 percent, respectively. Meanwhile, the disbursement rate of capital budget for the remainder of the year tends to pick up as shown by the total amount of issuing a purchase order (PO), of which worth 348,576.9 million baht and accounting for 54.8 percent of the annual budget, increased from 44.0 percent of the same period last year. In addition, the disbursement of large-scale infrastructure projects sped up after more projects has started construction, particularly the projects under the 2016 Transportation Action Plan, worth 1,383,939.0 million baht, of which 14 underlying projects have been under construction, accounted for 705,510.0 million baht. For the projects under the 2017 Transportation Action Plan, there have been 4 projects under construction, worth 18,514.1 million baht. Furthermore, the projects under the Eastern Economic Corridor (EEC) Development Plan have shown further progress and thereby are expected to start to disburse from some large-scale projects in the latter half of 2018, and be able to speed up their associated disbursement rates in the coming year of 2019 onwards.

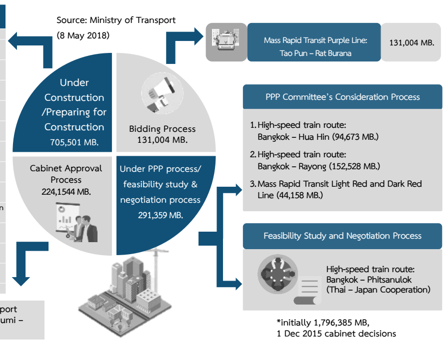
Progresses of Key Public Infrastructure Investment Projects

Major public infrastructure investment projects have been increasingly progressed and the disbursements for these projects are expected to rise accordingly. As of 8th May 2018, there are 18 projects under the 2016 Transport Action Plan (20 projects in total) and the 2017 Transport Action Plan (36 projects in total) that have been proceeded into a construction phase. The total budget of 724,015 million baht is divided into: (i) 14 projects in the 2016 Transport Action Plan with the total investment value of 705,501 million baht, and (ii) 4 projects in the 2017 Transport Action Plan with the total investment value of 18,514 million baht. It is expected that more projects would be proceeded into a construction phase in the near future.

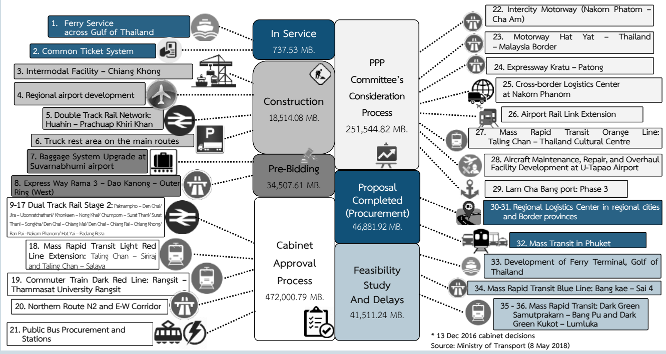
For the projects under the Eastern Economic Corridor Plan (EEC), as of 27th March 2018, the cabinet has already approved the construction of high speed train linking three major airports. Meanwhile, the Aircraft Maintenance, Repair and Overhaul (MRO) and the 3rd phase of Laem Chabang (LCB) Port projects are expected to be submitted to the EEC committees for consideration during the second half of this year. In addition, the Eastern Economic Corridor Act B.E. 2561 has been announced in the government gazette and could be enforced since 10th May 2018, which will be able to significantly hasten all important projects under the EEC Plan.

Progress of 20 public investment projects under Transport Action Plan Year 2016, (1,383,938.89 MB. budget*)

Project	Budget (MB.)	Progress (Percent)
Dual-track rail: Jira – Khon Kaen	23,803	68.17
Coastal port (Port A) at Laem Chabang Port	1,864	100.00
Container depot at Laem Chabang: Stage I	2,031	98.80
Intercity motorway: Pattaya – Map Ta Phut	17,819	73.89
Intercity Motorway: Bang Pa In – Nakhon Ratchasima	76,600	34.71
Mass Rapid Transit Orange Line: Thailand Cultural Centre – Minburi	109,541	8.62
Meter gauge (1 meter) rail development Prachuab – Chumporn	17,250	0.05
Meter gauge (1 meter) rail development Mab Kabao – Jira	29,499	0.43
Meter gauge (1 meter) rail development Lopburi – Pak Nam Pho	24,722	0.25
Train route: Bangkok – Nakhon Ratchasima (Thai – China Cooperation)	179,413	Construction started
Intercity Motorway: Bang Yai – Kanchanaburi	49,120	8.30
Mass Rapid Transit Pink Line: Khae Rai – Minburi	56,691	Site entry
Mass Rapid Transit Yellow Line: Lat Phrao – Samrong	54,644	Site entry
Suvarnabhumi airport: Stage II	62,503	78.66



Progress of 36 public investment projects under Transport Action Plan Year 2017, (895,757.55 MB. budget*)



Construction Plan of 5 major infrastructure investment projects under EEC

Current status	Project	Agency
PPP Project under EEC project list		
Drafting TOR	1. The High-Speed Rail Linked 3 Airport Project (HSR)	State Railway of Thailand
Making report	2. U-Tapao Rayong-Pattaya International Airport (UTP)	Port Authority of Thailand
Preparing for EEC committee	3. Maintenance Repair and Overhaul for U-Tapao Airport (MRO)	Thai Airways
Making report	4. Map Ta Phut Industrial Port Phase III (MTP)	Industrial Estate Authority of Thailand
Preparing for EEC committee	5. Laem Chabang Port Phase III (LCB)	Port Authority of Thailand

Source: Ministry of Transport (8 May 2018)

3) **Private investment tends to recover more pronouncedly**. This was evidenced by a growth of 2.5 percent in the latter half of 2017 and 3.1 percent in the first quarter of 2018, increasing from 0.9 percent in the first half of 2017. Rising in private investment was in line with the increase in capacity utilization in manufacturing sector with the average of 67.1 percent during 2017, improving from 65.3 percent in 2016. Therefore, private investment in 2018 is expected to improve noticeably with the following factors: (i) The fast increase of capacity utilization in manufacturing sector which will encourage production sector to invest in machinery and equipment (accounted for 80 percent of private investment) as to expand production capacity. This upward trend has been observed in the first quarter of 2018, where the capacity utilization average rate reached 72.4 percent, marked as the highest first quarter capacity utilization rate in 5 years, compared with 69.6 and 67.4 percent in the first quarter and the fourth quarter of 2017, respectively. In details, from the total of 21 industries, capacity utilization rate in 7 industries were higher than 80 percent and 6 industries were in the range of 60 – 80 percent. (ii) A significant rise of the total value of Board of Investment (BOI)'s investment promotion. This is reflected by a growth of 22.4 percent (642 billion baht) in 2017, and a 228.5 percent (203.6 billion baht) in the first quarter of 2018 (This is divided into an investment of 165.4 billion bath for Eastern Economic Corridor (EEC), increased from 12.3 billion baht in the same period last year. (iii) The progress of public infrastructure investment projects and the improving overall economic condition which are expected to support better construction investment, reflected by an increase in a number of construction permitted areas in the first quarter (a growth of 6.3 percent in Bangkok, 5.0 percent in municipal area, and 39.2 percent in sub-district administrative area). (iv) The improvement of business sentiment in accordance with favorable growth in exports and domestic demand as observed by the Business Sentiment Index (BSI) in the first quarter which stood at 52.4, highest level in 24 quarter.

Capacity Utilization Rate

In the first quarter of 2018, the average capacity utilization rate stood at 72.4 percent, the highest record over the last 5 years, improving from 67.4 percent and 69.6 percent in the previous quarter and in the same quarter of last year. Out of 21 key industries, there were 13 industries which the capacity utilization rates were higher than 60 percent. Among these 13 industries, there were (i) 7 industries which have more than 80 percent capacity utilization rate, (ii) 1 industry which have 70 – 79 percent capacity utilization rate, and (iii) 5 industries which have 60 – 69 percent capacity utilization rate. This is expected to be key factor to encourage the business sector to further increase their capacity utilization and thus essentially supported private investment in 2018, particularly investment in machinery and equipment, which accounted for 80.35 percent of private investment.

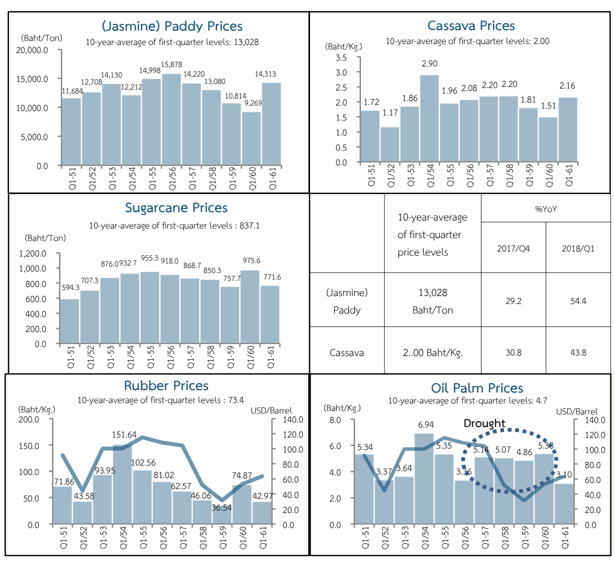
%YOY	Weight	2016	2017					2018
	2011	Year	Year	Q1	Q2	Q3	Q4	Q1
1. More than 80 percent capacity utilization rate, of which 7 industries								
Sugar	2.77	40.5	43.8	115.1	23.7	9.6	26.8	**134.1**
Plastics and synthetics rubber	4.24	92.4	96.8	91.2	95.8	98.4	101.9	**98.5**
Vehicles	15.88	82.3	83.4	82.5	76.6	88.6	86.1	**93.4**
Refined petroleum products	3.10	81.4	84.3	77.8	80.2	89.7	89.6	**88.1**
Processing and preserving of meat	2.25	79.5	83.0	79.9	78.4	86.0	87.8	**86.3**
Motorcycles	1.53	70.7	72.6	77.2	71.6	68.9	72.5	**80.2**
Computers and peripheral equipment	3.24	57.8	77.9	75.3	73.2	78.5	84.4	**80.1**
2. 70 - 79 percent capacity utilization rate, of which 1 industry								
Electronic components and boards	7.52	73.0	75.0	73.2	75.5	75.7	75.7	**76.2**
3. 60 - 69 percent capacity utilization, of which 5 industries								
Rubber tyres and tubes	1.61	66.8	68.6	68.5	67.2	69.2	69.5	**69.1**
Wearing apparel	2.88	68.0	66.7	67.5	66.2	65.5	67.7	**67.2**
Other general-purpose machinery	2.12	62.5	56.6	66.8	67.3	45.3	46.9	**66.8**
Plastic products	2.90	63.2	62.7	63.3	61.4	63.6	62.5	**63.8**
Domestic appliances	1.96	61.9	60.0	59.7	58.2	61.4	60.7	**63.7**

Source: Office of Industrial Economics

4) **The improvement of household income conditions**, particularly those in agricultural sector which is supported by the following factors: (i) The expansion of key agricultural products which is expected to grow favorably following the proper level of water in major dams being highest level in 11 year, which will thereby contribute to continual expansion of agricultural output. (ii) An improvement of major agricultural product prices. In the first quarter of 2018, major agricultural products prices notably improved in particular jasmine rice and cassava prices which being higher than the first quarter's 10-year average as well as a pleasant cane price. Meanwhile, oil palm and rubber prices are expected to gradually trend higher following an increasing crude oil prices and rising global demand which will eventually reduce stock level in major economies. The improvement in agricultural production and product prices was in line with the increase of employment in agricultural sector (31.2 percent of total employment) of 6.0 percent, compared with the contraction of 1.2 and 2.0 percent in the third and fourth quarter of 2017, respectively. Likewise, household income in other sectors tends to be more pronounced following the persistent expansion of exports, manufacturing production, and tourism.

The movements of the important crop prices in 2018

In the first quarter of 2018, the important crops prices have been increased, especially (jasmine) paddy and cassava prices, which registered high levels and were higher than their respective 10-year-average of the first-quarter levels. At the same time, the price of sugarcane, as already hit the 10-year highest first-quarter level last year (2017), declined from the high base in the first-quarter of this year and, somewhat, remained close to the 10 -year-average of the first-quarter level. These recoveries in major crops prices, therefore, played an important role in improving farmers income.



On the other hand, rubber and oil palm prices were correlated with the movements of crude oil price in the global market. Thus, owing to a reduction in oil price in 2011, the recoveries of rubber and oil palm prices have been sluggish. However, the combinations of (i) an increase in crude oil price through the year 2018, (ii) a higher usage demand for rubber and oil palm, following the recovery in world economic conditions, and (iii) the government measures to alleviate agricultural prices, it is expected that the rubber and oil palm prices as well as farmers income would be rebounded in the near future.

Limitation and Risk Factors:

1) **The high base in key production sectors which will curb the year-on-year expansion in the latter half of the year**: Although the quarter-on-quarter economic growth rate in the remaining of the year tends to maintain its favorable pace as global and domestic economic recovery increasingly gain momentum, the extent of year-on-year growth is likely to soften due to the high growth base in the second half of the year 2017, particularly in agricultural, manufacturing, and hotel and restaurant sectors.

2) **Commodity prices, inflation, and interest rates in the world markets tend to increase.** A continual economic recovery in several major economies, in particular the US economy, which has narrowed down output gaps and built a room for more rapid pace of monetary policy normalization both in terms of policy rate increase and balance sheet normalization which will eventually raise short and long term interest rates in the global market. Simultaneously, oil and primary commodity prices in the world market will increase as a result of improving global demand conditions. Although interest rates and commodity prices are expected to grow slowly and will not impede the Thai economy in 2018, it will likely to hinder household purchasing power and some of those businesses who are sensitive to inflation rate and commodity prices in the next term. In addition, the risk that the increasing interest rate could be faster than fundamental economic condition still needs to be monitored. Particularly, under the condition of faster-than-expect increase of oil prices brought about by geopolitical tensions, and trade protection that could raise the costs of production and inflation in the US to higher than the base line scenario.

3) **Fluctuation of the global economy, the capital movement, and the exchange rates between major currencies** which might be caused by: (i) the US's trade policy directions including the trade protection and the trade retaliations between the US and China, the outturn of NAFTA renegotiation, and additional US trade measures on its trade partners; (ii) the volatilities of international capital movement, security prices, and major currencies' exchange rate which come from changing investors' expectation during the global economic transition including an expectation on economic growth, monetary policy direction, inflation rate, fiscal stance, and bond supply in major countries; (iii) the political conditions in major countries, including the US midterm election, the Italian government formation, and the UK's political conditions which may result in uncertainties surrounding Brexit negotiations; and (iv) the geopolitical uncertainties, particularly in the Middle East, which may dampen confidence and overall economic recovery as well as affect oil prices to become more volatile and may rise faster than anticipation.

Implication of the US-China tariff measure to Thailand

The US Trade Representative (USTR) announced tariff measure on Chinese imports worth 46.4 billion US dollars; the list covered 1,333 products (8-digit harmonize code: HS code) of 19 group (2-digit HS code), on April, 3 2018. This measure would levy 25 percent tariff, approximately worth 5 billion US dollars or a 9.2-percent of import value from China, due to violation of property right under the Section 301 of the Trade Act of 1947.

Table: 1 List of key products the US announced tariffs against imports from China (2017 Data)

HS Code (2 digits)	Product Description	Import Value (in million USD)	Share of Imports from China	Share of US Imports
84	Machinery and mechanical appliances	20,041	3.96	0.86
85	Electrical machinery and equipment	14,460	2.86	0.62
90	Optical and precision equipment	6,445	1.27	0.28
87	Vehicles other than railway or tramway rolling -stock	1,983	0.39	0.08
76	Aluminum and articles thereof	1,280	0.25	0.05
30	Pharmaceutical products	606	0.12	0.03
	Other products	1,596	0.32	0.07
	Total (19 products in 2-digit HS Code)	46,411	9.18	1.98

Source: Global Trade Atlas

According to preliminary analysis on the weights of import values, the product groups (2-digit HS code) that would be affected the most by the tariff measure are (i) machinery and parts (HS 84); (ii) electric appliances and parts (HS 85); and (iii) optical, photographic and cinematographic instrument and parts (HS 90), respectively,

This measure, when it becomes effective, would impact on international trade and economic growth in many countries. The implication on Thai economy can be mixed: on the one hand, Thailand is part on the Chinese trade supply chain which could be affected directly by the measure; on the other, Thai economy could benefit in the scenarios that (i) the US would import these products directly from Thailand, or (ii) China would reallocate their investment to other countries for seeking new export gateway to the US in which Thailand could benefit from Chinese FDI.

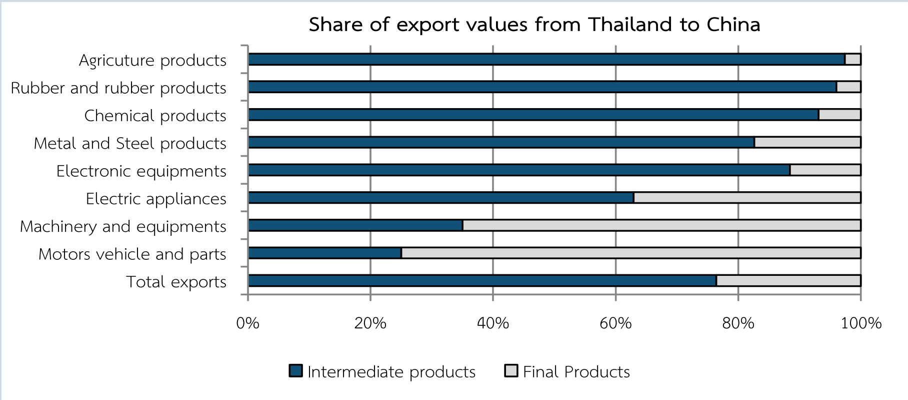
To analyze the impact on Thailand, the International Input-Output table is employed with 2 assumptions. First, China could diversify only their exports of 27.8 billion dollar (60 percent of 46.4 billion USD total export values to the US) to new markets; whereas it ceases production for the rest of export of 18.5 billion US dollar. Secondly, the US imports from other countries instead in the short-term, assuming that the US domestic production could not fill the production gap. The findings, suggests that the US tariff measures on China could result in shrinking GDP of both the US and China by 0.237 and 0.032 percent, respectively; while Thai economy would gain net benefit of a 0.057-percent GDP growth, as demonstrated in Table 2. In detail, the implication of tariff measures help boost the growth of industries that produce final products including machinery and equipment, electronic equipment, and motor vehicle and parts; whereas industries which mainly engage in intermediate product production including chemical products, rubber and rubber products and agricultural products, would encounter negative impacts.

The finding results suggest that the negative impact of this measure tends to limit within the US and China. However, the implications to other countries including Thailand are still depended on: (i) the impact of tariff on the US-China trade dynamic; (ii) strategy to diversify the market of China; (iii) import substitute production capacity of the US; and (v) market expectation on the global economy and trade volumes.

Table 2 Impacts of US-CH Trade War on Global Value-Added

Impacts	US	CH	TH
1. China does not import products to US accounted 46,411 Million USD) as US measure	**-0.244**	**-0.007**	**0.012**
1.1 China distributes products US listed to other trade partners (60% of 46,411 Million USD)	-0.236	-	0.045
1.2 China reduces productions (40% of 46,411 Million USD)	-0.008	-0.007	-0.033
2. US imports products from other trade partners	**0.007**	**-0.313**	**0.045**
Total impact	**-0.237**	**-0.320**	**0.057**

Source: Estimated by NESDB



Key assumptions for 2018 economic projection:

World Economic Projection

	Actual Data		Projection	
	2016	2017	Feb 19, 2018	May 21, 2018
World Economic Growth (%)[1]	3.5	4.1	4.1	4.1
USA	1.5	2.3	2.5	2.7
EU	1.8	2.5	2.4	2.4
Japan	0.9	1.7	1.2	1.2
China	6.7	6.9	6.7	6.7
World Trade Volume (%)	2.6	4.5	4.3	4.3
Exchange Rate (Baht/US dollar)	35.29	33.93	31.5 - 32.5	31.0 - 32.0
Dubai Crude Oil (US Dollar/Barrel)	41.4	53.0	55.0 – 65.0	60.0 - 70.0
Export Price (US Dollar) (%)	-0.4	3.6	1.5 – 2.5	3.5 - 4.5
Import Price (US Dollar) (%)	-2.7	5.5	2.5 – 3.5	5.5 - 6.5
Income from Tourism (Trillion baht)	1.72	1.95	2.18	2.23

Source: NESDB

[1] World economic calculated by trade weight of key economic partners in 2017 (15 economics)

1) **The world economy and the world trade volumes in 2018 are expected to grow by 4.1 and 4.3 percent, respectively, remained unchanged from the assumption in the previous forecast.** The growth is led by the accelerating US economic expansion, with supports from fiscal stimulus packages under the Tax Cuts and Jobs Act. The growth of China are expected to be at the same pace as last year while the growth of Eurozone and Japan are remaining favorable albeit slightly slow down. Key major and emerging market economies, especially Australia, India, Russia, Brazil, and Middle Eastern countries, tend to accelerate further following the improvement of world trade volumes and increases in prices of primary commodities especially crude oil prices in the world market.

2) **The average value of Thai baht in 2018 is expected to be in the range of 31.0 - 32.0 baht per US dollar, revised downward from the range of 31.5 - 32.5 baht per US dollar in the previous projection assumption.** This is in line with the strong-than-expect Thai baht value in the first quarter of 2018, which was at 31.54 baht per US dollar, appreciated by 4.3 percent from the end of 2017 and by 10.2 percent from the same period last year. The Thai baht is expected to fluctuate around this level throughout the year of 2018. The Baht depreciation pressures would be attributed by the Fed rate hikes, reduction of its balance sheet, and rising Treasury yields. On the other hand, the ongoing surplus of Thai current account, favorably domestic economic conditions and expectation on the BOT raising interest rates will provide an appreciation pressure on Thai baht against the US dollar.

3) **The average Dubai crude oil price in 2018 is expected to be in the range of 60.0 - 70.0 US dollar per barrel, a gradual rise from 53.0 US dollar per barrel in 2017.** It is revised upward from the previous forecast of 55.0 - 65.0 US dollar per barrel. Supporting factors are (i) increasing oil demand as a result of a more pronounced recovery of the key major economies including the US, the EU, China, and India; (ii) an extension of oil production reduction between OPEC and non-OPEC countries possibly until the end of 2019; and (iii) the persistent geopolitical tensions in oil production countries which could affect production including the withdrawal of the US from the Iran Nuclear deal (Iran is the sixth largest oil exporter) and the deepening economic and political crisis in Venezuela (the 12th largest oil exporter). However, the accelerating oil price rise could be mitigated by an expansion of oil production of non-OPEC countries especially from the US and Canadian shale oil production, and appreciation of the USD due to the Fed rate hikes.

4) **The export and import price in US dollar term are expected to increase by 3.5 - 4.5 and 5.5 - 6.5 percent, respectively,** accelerated from a 3.6-percent and 5.5-percent growth in 2017, respectively. The export and import price assumptions are adjusted upward from the previous projection assumption of 1.5 - 2.5 and 2.5 - 3.5 percent respectively due to higher-than-expect accelerating export and import prices in the first quarter this year of 4.7 and 6.6 percent respectively, and an upward revision of crude oil price assumption.

5) **Tourism revenues from foreign tourists in 2018 are expected to reach 2.23 trillion baht, increasing by 14.6 percent from 1.95 trillion baht in 2017.** It is an upward revision from the previous projection assumption of 2.18 trillion baht due to the fact that the number of tourist in the first quarter of 2018 was 10.6 million persons, an increase by 15.4 percent. The contribution to the higher-than-expect growths came from increases in numbers of tourists from China (29.9 percent of total foreign tourists), ASEAN (21.1 percent), East Asia, excluding China and ASEAN (12.6 percent), and South Asia (4.3 percent) by 30.2, 8.0, 12.9 and 16.1 percent respectively. The tourist figures tend to expand well during the remaining of the year. Key supporting factors are: (i) favorable economic conditions of key tourist origins including China, North America, Russia, and Middle East, which will support a continuous positive growth of short haul and long-distance tourists; (ii) Thailand is regarded as one of the world's important tourism destination; (iii) ongoing government's measures to stimulate the tourism sector and stable domestic political condition; (iv) the expansion of international travel routes including the expansion of Thai Airway connectivity with the secondary destinations in China and short haul international flights by low cost airlines; and (v) capacity improvements of major airports to accommodate increasing number of aircrafts and tourists.

6) **The budget disbursement** assumptions are as follows: (i) the FY2018 annual budget disbursement rate of 92.0 percent of overall budget: the current and capital budget are assumed to be disbursed at 98.6 and 67.7 percent respectively; (ii) the FY2018 supplementary budget disbursement rate of 64.8 percent; (iii) the state-owned enterprise's capital budget disbursement of 77.0 percent; (iv) the carry-over budget disbursement of 68.2 percent; (v) the off-budget loans including water resources management and road transport system projects of approximately 2,944.3 million baht, reduced from 9,398.4 million baht in FY2017, and (vi) the annual budget disbursement in the first quarter of FY2019 (October - December 2018) of 30.0 percent of overall budget.

Economic Projection for 2018:

The Thai economy in 2018 is projected to expand in the range of 4.2 - 4.7 percent (with the midpoint of 4.5 percent), improving from 3.9 percent and 3.3 percent in 2017 and 2016, respectively. Headline inflation is estimated to be in the range of 0.7 - 1.7 percent and the current account balance is forecasted to register a surplus of 8.4 percent of GDP.

In the press release dated on May 21st, 2018, NESDB forecasts that the Thai economy will expand within the range of 4.2 - 4.7 percent (with the midpoint of 4.5 percent). This was an upward revision compared with the forecast of 3.6 - 4.6 percent (with the midpoint of 4.1 percent) in the press release dated on February 19th, 2018. The range was adjusted to be narrower and there were also some revisions on the growth components to be consistent with actual data of the first quarter of 2018 and the key assumptions revision. Major revisions are as follows:

1) In the press release dated on February 19th, 2018, NESDB announced that the Thai economy in 2018 will expand within the range of 3.6 - 4.6 percent, with 4.1 percent midpoint. However, the growth reached 4.8 percent in the first quarter of 2018, accelerating from 4.0 percent in the previous quarter. The growth was the highest during the past 20 quarters and higher than the forecasted midpoint, all in line with the expansion of goods and services exports, private consumption expenditure, as well as the stronger-than-expect growth of agricultural and manufacturing sectors. Under the base case it is expected that the economic growth for the rest of 2018 tends to continue expanding. Therefore, the lower bound of the predicted range became less likely while the midpoint of estimation increased from 4.1 percent to 4.5 percent which became closer to the upper bound of the 3.6 - 4.6 percent interval of the forecast released on February 19th 2018.

2) The adjustment in the growth components corresponded to actual data on the first quarter of 2018 and the main assumption revision. These include: (i) the upward revision of export and import prices to be in line with the upward revision of oil prices assumption, together with revision of key trading partners' economic growth which thus resulted in an upward revision of the export values, (ii) the adjusted assumption on the structure of the FY2018 supplementary budget corresponding a significant higher proportion of transfer expenditure relative to current expenditure compared with the previous assumption which thus partly became key supporting reason for upwardly revising the forecast of private consumption expenditure while downwardly revising the forecast of government consumption expenditure, (iii) the downward revision on government's capital budget disbursement rate and state-owned enterprises' capital expenditure budget framework to be consistent with the latest data in the first quarter, as well as the increased anticipation on capacity utilization rate in the manufacturing sector; all of which contribute to the downward adjustment to the forecast of public investment in contrast to the increased forecast of private investment, and (iv) the upward adjustment on the number of and receipts from foreign tourists; to be 39.0 million people (10.2 percent growth) with 2.23 trillion baht in term of receipts (14.6 percent growth) in this forecast, up from 38.0 million people (7.4 percent growth) with 2.18 trillion baht in term of receipts (11.6 percent growth) in the previous forecast; all of which contribute to the upward adjustment to the forecast of export of services.

Key components of the economic growth :

1) **Consumption: Private consumption expenditure** is estimated to grow by 3.7 percent, accelerated from 2017, and is revised upwardly from 3.2 percent in the previous projection. The upward revision is owing to the higher-than-expected growth of 3.6 percent in the first quarter and the positive outlook for the rest of the year, supporting by: (i) the improvement of overall income conditions with a more broad-based expansion, especially the increase in key agricultural product prices, as well as the continued income growth in exports, manufacturing, tourism and related services sectors, (ii) the implementation of the government measures to assist low income people and local economies under the FY2018 supplementary budget, and (iii) the end of five-year continuous single-ownership condition of first-car buyer scheme and the new cars launches. **Government consumption expenditure** is anticipated to expand by 3.0 percent, a faster pace than 0.5 percent of 2017. It is a slight downward revision from 3.2 percent as in the preceding projection, following the assumption adjustments on share of current expenditures and transfers within the FY 2018 supplementary budget framework.

2) **Total investment** is projected to expand by 4.7 percent, accelerating from 0.9 percent in 2017. **Public investment** is expected to grow by 8.6 percent, recovering from a contraction of 1.2 percent in 2017. The growth is mainly supported by high growth of capital budget framework under the annual budget and the state-owned enterprise's capital budget of 17.5 and 33.7 percent, compared with 8.9 percent and a decrease of 2.1 percent in 2017, respectively. In addition, further progresses of key infrastructure projects have become more apparent. However, there is a slight downward revision in the growth of public investment from 10.0 percent in the previous projection. This is in line with the downward adjustment of state-owned enterprises' capital budget framework assumption complying with the actual data as well as the expected decline of the capital expenditure disbursement rate assumption under the annual budget framework from 71.7 percent to 66.7 percent which is to be corresponding with the capital budget disbursement rate of 28.4 percent in the first half of FY2018. Nevertheless, it is expected that the capital budget disbursement rate will speed up during the latter half of FY2018 indicated by the purchasing order (PO) outstanding of 54.8 percent of total capital budget, higher than 44.0 percent of the same period in the previous fiscal year. **Private investment** is forecasted to grow by 3.9 percent, stronger than a 1.7 percent growth in 2017 and upwardly revised from 3.7 percent in the previous forecast. This revision is in line with the increase in capacity utilization rate to 72.4 percent in the first quarter of 2018, the highest first quarter capacity utilization rate in 5 years, together with high growth rates of the total value of application for investment promotion under the Board of Investment (BOI) which were 22.4 percent in 2017 and 228.5 percent in the first quarter of 2018 (165.4 billion bath of which was for Eastern Economic Corridor (EEC), an increase from 12.3 billion baht in the same period last year), the improvement of business sentiment, and the progress of the government's key infrastructure projects.

3) **Export value of goods in US dollar term** is expected to grow by 8.9 percent, compared to a 9.7 percent growth in 2017, and revised positively from 6.8 percent in the previous projection in both export quantity and export value. Export price and volume are projected to grow by 3.5 - 4.5 percent and 4.9 percent, respectively, revised from 1.5 - 2.5 percent in prices and 4.8 percent in quantity, respectively. In addition, the assumption of tourist receipts is also revised upwardly, from 2.18 trillion baht (an 11.6 percent growth) in the previous projection, to 2.23 trillion baht (a 14.6 percent growth). This is in line with the high growth in number of tourists during the first quarter and continued strong growth prospects over the rest of the year (the figures in April 2018 showed that the number of foreign tourists increased by 9.4 percent). Therefore, together with the preceding assumption adjustment, the export volume of goods and services is projected to grow by 6.3 percent, compared with 6.0 percent in the previous estimation.

4) **Import value of goods in US dollar term** is anticipated to grow by 12.7 percent, compared to 14.4 percent in 2017, upwardly adjusted from a 9.5-percent growth in the previous forecast. The revision is resulted from the improved estimates on import price from a growth range of 2.5 - 3.5 percent to a range of 5.5 - 6.5 percent growth in line with the upward revision of oil price assumption which would cause prices of imported products to increase. Moreover, the quantity of imported goods was adjusted higher, from 6.5 percent in the previous projection to 6.7 percent, corresponding to the revision of private consumption and investment growth projection. Combining with import of services, it is expected that the import volumes of goods and services will grow by 6.7 percent, an increase from 6.5 percent in the previous forecast.

5) **Trade balance** is estimated to register a surplus of 27.0 billion US dollars, lower than a surplus of 31.9 billion US dollars in 2017, and a downward revision from the previous projection of 28.5 billion US dollars. The smaller surplus is due to the upward revision of import value to grow faster than export value. After combining with the upwardly revised projection on service account surplus, the current account is projected to register a surplus of approximately 43.7 billion US dollars, equivalent to 8.4 percent of GDP – an increase from 7.8 percent in the previous projection.

6) **Economic stability will remain sound.** The headline inflation rate in 2018 is expected to be in the range of 0.7 - 1.7 percent, compared with 0.7 percent in 2017. This was a small downward adjustment from the 0.9 - 1.9 percent range in the previous forecast. The revision is due to (i) the lower-than-expected inflation rate during the first quarter of 2018 at 0.6 percent, owing to lower-than-expected inflation rate on fresh food (15.7 percent share) with a contraction of 1.0 percent in the first quarter, and (ii) the assumption on the more appreciation trend of the Thai Baht. However, inflation rate is anticipated to pick up in the latter half following the rise in energy prices (11.8 percent share) and the improved household spending.

6. Economic Management for the year 2018

The apparent recovery of the global economy and the government measures have been supporting factors for the accelerated improvement of Thai economy in both 2017 and the first quarter of 2018, both in terms of economic growth, fundamentals, and stability. In the remainder of the year 2018, the Thai economy tends to continually improve given the current accelerating pace of global economic recovery and the increased world price of commodities, government measures to support further economic expansion through government and private consumption expenditure, improvements in investment conditions of both private and public sectors, and the revitalized income condition. Nevertheless, the year-on-year growth pace in the rest of the year 2018 tends to slow down, due to the higher base in the latter half of 2017 while global commodity price and interest rate have continued their upward trend, whereas world economy and global financial system would experience uncertain situations from the trade protection policies imposed by major advanced economies against their trade partners, changes in monetary stances globally, and foreign policies from those world leading countries. Given these conditions, the macroeconomic policy management should emphasize on:

1) **Promoting key economic sectors,** especially by: (i) fostering export sector to continually expand to reach full potential, which thereafter enhance capacity utilization in particular in the manufacturing sector to operate closer to full capacity. In turn, this could encourage new investments to expand production capacity, which consequently support further economic expansion in the rest of the year 2018 and drive the potential growth in the longer run. Therefore, key measures should be bolstering export to grow by not less than 8.0 percent, coupled with monitoring and preparing preemptive measures against possible trade protectionism policies imposed by major advanced economies, both in terms of reducing adverse impacts and gaining potential opportunities; (ii) promoting private investment in both the approval of the project applied for BOI investment promotion, of which the numbers of new projects applications significantly rose in 2017 and in the first quarter of 2018, together with facilitating and encouraging new approved projects to be materialized, building up confidence and ensuring public infrastructure projects to be implemented as planned, encouraging investors to invest in target industries and areas, facilitating the investors to progress on their projects, and ensuring the continuity of the government's key policies, measures, and projects during transition period after the general election; and (iii) promoting the expansion of service sectors, especially tourism sector by ensuring safety in major tourist destinations, promoting tourism package targeted both at high-income and long-distance tourists, reducing congestion in the airports and major tourist attractions together with improving transportation system to connect secondary tourist attractions to distribute tourist revenue to the local community.

2) **Expediting the public investment to continue its expansion and reach the target** in order to strengthen investors' confidence, maintain economic momentum, distribute economic activities, and, ultimately, ensure sufficient investment expansion to achieve the long-term economic growth target as stipulated in the 20-year National Strategy by following measures: (i) expediting procurement processes and speeding up the capital budget disbursement for the rest of the year to improve the efficacy of the government's and state-owned enterprises' capital budget disbursement to reach the disbursement rate of no lower than 66.7 and 77.0 percent of total capital budget, respectively in order to foster the overall economic expansion, especially in the latter half of 2018 where greater growth bases are expected to be a constraint; (ii) driving key infrastructure projects including those under the 2016 - 2017 Transportation Action Plan and the Eastern Economic Corridor (EEC) Development Plan to continuously enter the construction phase, coordinated with pushing measures to continually attract investments in those Special Economic Zones (SEZs); and (iii) formulating master plan and expediting transportation and logistics infrastructure projects as well as urban and special economic zone areas development at both regional and provincial levels in order to bolster economic expansions and economic activities distribution.

3) **Supporting small farmers, low income groups, and strengthening the SMEs, local enterprises, and local economies: (i) agricultural production and farm income,** the emphases shall be on: agricultural products whose prices slowly improve, preparing preemptive measures to accommodate the rising supply following the adequate water and favorable weather conditions, coupled with monitoring and preparing measures for mitigating possible impacts from climate changes, and promoting exports of agricultural products to further expand from 2017 onward, as well as supporting a large-scale farming and enhancing farmers' income share in retail prices **(ii) supporting the low income and local economies as well as SMEs,** through the ongoing social welfare smart card project, together with more utilization of special loans provided to enhance financial inclusion for small farmers, low income groups, local enterprises, and SMEs, particularly those vulnerable to the uptrend in commodity prices, oil prices, and interest rates; and **(iii) assisting and developing SMEs affected** by changes in business patterns, disruptive technologies, consumer preferences, and demography, as well as foreign exchange volatility by encouraging SMEs to participate in government's measures on financial credit provisioning and currency appreciation impact mitigation and SMEs promotion and development, particularly production, managerial, and marketing development towards more advance technology, production, and service development to serve market demand and establish linkages with larger-scale businesses and manufacturers, encourage deployment of tax privileges and foreign workers in special economic areas, and support business sector to participate in the dual education system.

4) **Preparing adequate labor force, both in terms of quantity and quality, to support further economic expansion and investment**, especially for those industries with rising capacity utilization. This should cover high-skilled and semi-skilled labors development. The measures should aim at: (i) equipping fresh graduates who recently started, or are going to, enter job market with appropriate skills and experiences; (ii) developing skillsets for adaptation to disruptive technology; (iii) promoting the use of electronic media to assist in job searching; (iv) integrating the job market to facilitate a platform bringing together job seekers, academic institutes, and employers which could minimize transaction costs of job searching and matching; and (v) developing specialized labor training institutes to prepare for future target industries development.

Projection for 2018 [1]

	Actual Data		Projection	
	2016	2017	Feb 19, 2018	May 21, 2018
GDP (at current prices: Bil. Bht)	14,533.5	15,452.9	16,469.8	16,457.3
GDP per capita (Baht per year)	215,454.6	228,412.0	242,806.3	242,622.1
GDP (at current prices: Bil. USD)	411.8	455.3	514.7	522.5
GDP per capita (USD per year)	6,103.9	6,730.2	7,587.7	7,702.3
GDP Growth (CVM, %)	3.3	3.9	3.6 - 4.6	4.2 - 4.7
Investment (CVM, %)[2/]	2.8	0.9	4.9	4.7
Private (CVM, %)	0.5	1.7	3.7	3.9
Public (CVM, %)	9.5	-1.2	10.0	8.6
Private Consumption (CVM, %)	3.0	3.2	3.2	3.7
Government Consumption (CVM, %)	2.2	0.5	3.2	3.0
Export volume of goods & services (%)	2.8	5.5	6.0	6.3
Export value of goods (Bil. USD)	214.3	235.1	251.1	256.0
Growth rate (%)[3/]	0.1	9.7	6.8	8.9
Growth rate (Volume, %)[3/]	0.5	5.9	4.8	4.9
Import volume of goods & services (%)	-1.0	6.8	6.5	6.7
Import value of goods (Bil. USD)	177.7	203.2	222.5	229.1
Growth rate (%)[3/]	-5.1	14.4	9.5	12.7
Growth rate (Volume, %)[3/]	-2.5	8.4	6.5	6.7
Trade balance (Bil. USD)	36.5	31.9	28.5	27.0
Current account balance (Bil. USD)	48.2	48.1	40.0	43.7
Current account to GDP (%)	11.7	10.6	7.8	8.4
Inflation (%)				
CPI	0.2	0.7	0.9 - 1.9	0.7 - 1.7
GDP Deflator	2.4	2.3	2.0 - 3.0	1.5 - 2.5

Source: Office of the National Economic and Social Development Board, 21st May 2018

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

[2/] Investment means Gross Fixed Capital Formation

[3/] Export and import base on the Bank of Thailand's data.