NESDC ECONOMIC REPORT

Thai Economic Performance in Q4 and 2018 and Outlook for 2019

Macroeconomic Strategy and Planning Office

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Economic Projection of 2019

(%YoY)	2017	2018			Projection
	Year	Year	Q3	Q4	2019
GDP (CVM)	4.0	4.1	3.2	3.7	3.5 – 4.5
Investment[1/]	1.8	3.8	3.9	4.2	5.1
Private	2.9	3.9	3.8	5.5	4.7
Public	-1.2	3.3	4.2	-0.1	6.2
Private Consumption	3.0	4.6	5.2	5.3	4.2
Government Consumption	0.1	1.8	1.9	1.4	2.2
Export of Goods[2/]	9.8	7.7	2.6	2.3	4.1
Volume[2/]	6.0	4.2	-0.4	0.7	3.1
Import of Goods[2/]	13.2	14.3	17.0	7.5	6.1
Volume[2/]	7.2	8.2	10.2	4.6	4.6
Current Account to GDP (%)	11.0	7.4	3.4	6.6	6.2
Inflation	0.7	1.1	1.5	0.8	0.5 – 1.5

Note: [1/] Investment means Gross Fixed Capital Formation

[2/] base on the Bank of Thailand's data

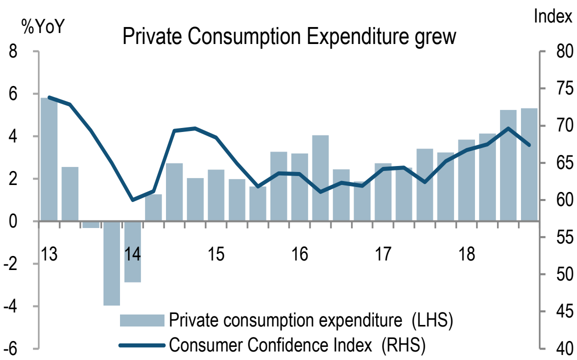
- **The Thai economy in the fourth quarter of 2018** expanded by 3.7 percent (%YoY), accelerating from 3.2 percent in the previous quarter. After seasonally adjusted, the economy grew by 0.8 percent from the third quarter (%QoQ sa).
- **On the expenditure side**, the expansion was supported by the speed up in private consumption and private investment, and the improvement of export of goods and services, while government consumption softened. **On the production side**, the manufacturing, the wholesale and retail trade, the hotel and restaurants, and the transportation and communication sectors accelerated while the agriculture, and construction sectors slowed down.
- **In 2018**, The Thai economy expanded by 4.1 percent, up from 4.0 percent in 2017 and was recorded as the fastest expansion in 6 years. Export value grew by 7.7 percent while private consumption and total investment grew by 4.6 and 3.8 percent, respectively. Headline inflation averaged at 1.1 percent and the current account recorded a surplus of 7.4 percent of GDP.
- **The Thai economy in 2019** is projected to grow in the range of 3.5 – 4.5 percent, supported by (i) a favorable growth momentum of private consumption, (ii) an improvement of private investment attributed by rising capacity utilization and increased BOI's investment applications, (iii) an acceleration of public investment following progresses of key public infrastructure projects, (iv) a recovery of tourism sector in line with normalizing trend of tourist numbers and receipts, (v) a clearer redirection of global trade, production, and investment which will help ease the impacts from global slowdown. All in all, it is expected that export value will grow by 4.1 percent, and private consumption and total investment will grow by 4.2 and 5.1 percent, respectively. Headline inflation is forecasted to be in the range of 0.5 – 1.5 percent and the current account will record a surplus of 6.2 percent of GDP.
- **Economic management for the year 2019** should prioritize **(1) Fostering export sector** to reach not less than 5.0 percent growth rate by focusing on (i) supporting export products that would benefit from the trade protection measures and assisting affected exporters as well as monitoring changes in key import products subjected to the tariffs imposed by the US and China, (ii) operating foreign trade policies to abide closely by the world trade rules and key trading partners' regulations, (iii) negotiating new trade agreement, especially with the regional countries, and (iv) promoting hedging strategy among exporters as to reduce risks from exchange rate volatility together with reducing cost and facilitating the exporting process. **(2) Promoting a recovery of tourism sector** by restoring tourists' perception on safety standard, accommodating tourists activities and reducing congestion in major tourist destination, promoting tourism packages targeted at high-income and long-distance tourists, improving distribution of tourism revenue to secondary cities and local communities, as well as connecting with other key destinations in the region and campaigning Thais to travel within the country. **(3) Maintaining economic momentum from government expenditure and public investment** by (i) expediting disbursements of the FY2019 government's capital budget, the state-owned enterprises' capital budget, and the carry-over budget to reach the disbursement rates of no less than 70.0, 80.0 and 75.0 percent, respectively. **(4) Supporting expansion of private investment** by (i) fostering export growth to propel higher capacity utilization rate which will drive investment in manufacturing sector, (ii) encouraging entrepreneurs especially those affected by trade protection measures to increase their production capacity in Thailand and motivating affected foreign investors to relocate their production bases to Thailand, (iii) steering public investment projects. **(5) Supporting small farmers, low income groups, SMEs and local economies**. **(6) Preparing the labor force**, both in terms of quantity and quality, to adequately support economic expansion, especially target industries and those that can potentially leverage opportunities from international manufacturing facility relocation.

1. The Thai Economy in Q4/2018 and 2018

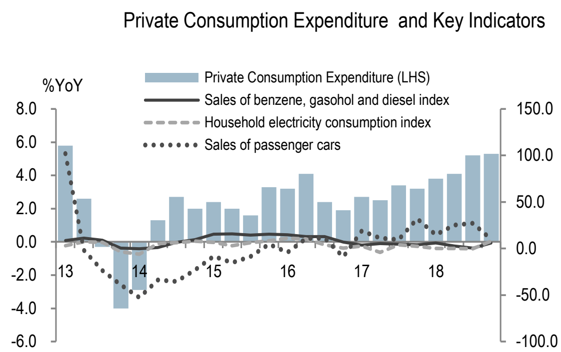
Expenditure side:

Private consumption expenditure favorably expanded, in line with the more broad-based expansion of the overall economic activities and income conditions, low inflation and interest rates, and government measures to support low income group. In the fourth quarter of 2018, private consumption expenditure firmly expanded by 5.3 percent, compared with a 5.2 percent growth in the previous quarter. The private consumption expenditure of durable goods increased, aligned with the expansion of passenger car sales by 9.8 percent. Besides, consumption for other consumer goods, particularly semi-durable goods and non-durable goods also accelerated as seen from sales of semi-durables index, the import of textile index, sales of benzene, gasohol & diesel index, and household electricity consumption index, which grew by 6.8, 23.2, 5.8 and 7.8 percent, respectively. The expansion of private consumption expenditure in this quarter was supported by (i) the favorable improvement of overall income conditions, which was in line with the strengthening employment conditions as observed in the fourth quarter of 2018 that the employ persons has been increasing for 3 consecutive quarters, and therefore unemployment rate declined to the lowest level in 12 quarters, (ii) the more broad-based expansion for the overall economic activities, (iii) consistently low inflation and interest rates, and (iv) government measures to support low income group. Consumer Confidence Index pertaining the overall economic situation stood at 67.4.

In 2018, private consumption expenditure expanded by 4.6 percent, the highest pace in 6 years, compared with 3.0 percent in 2017.



Source: NESDC, University of the Thai Chamber of Commerce



Source: NESDC, BOT, Department of Energy Business

Private investment accelerated, supported by the acceleration of investment in machinery and equipment, which continued to accelerate for four consecutive quarters, together with the continual expansion of investment in construction. In the fourth quarter of 2018, private investment grew by 5.5 percent, accelerated from a 3.8 percent growth in the previous quarter. **The investment in machinery and equipment** grew by 5.6 percent, accelerated from 3.4 percent in the previous quarter. This was consistent with 4.9, 6.9, and 2.7 percent growth of domestic machinery sales (in 2010 price), newly registered motor vehicles for investment purposes, and import of capital goods (in 2010 price) respectively. The expansion of investment in machinery and equipment was in accordance with the increased in capacity utilization rate of manufacturing sectors, and the improvement of business sentiment, as observed in the fourth quarter that the total value of projects applied for the investment promotion made to Board of Investment was recorded at 528 billion baht, increased by 103.9 percent, in particular, the value of projects applied for the investment promotion in Eastern Economic Corridor (EEC), which increased by 146.5 percent. **The investment in construction** maintained its strong growth momentum of 5.1 percent, compared with a 5.2 percent growth in the previous quarter, in line with a 7.9 percent increase of the sales of construction materials, together with the progress of public infrastructure of infrastructure projects. The Business Sentiment Index (BSI) stood at 50.7.

In 2018, private investment expanded by 3.9 percent, the highest pace in 6 years, where investment in machinery and equipment expanded by 3.9 percent, and investment in construction increased by 4.1 percent.

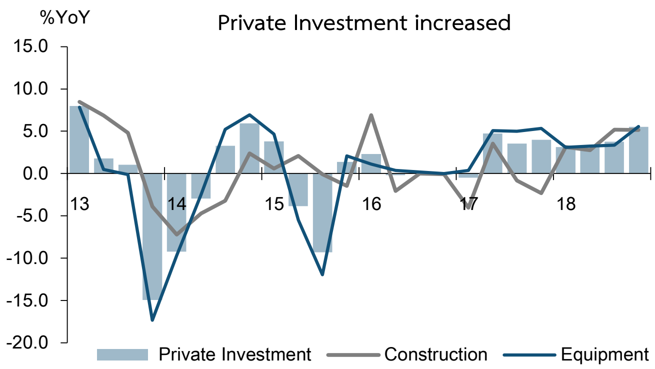
In the fourth quarter of 2018, private consumption expenditure favorably grew, private investment continually accelerated. Meanwhile, export of goods and services improved from the previous quarter.

Private consumption expenditure favorably grew, in line with the more broad - based expansion of overall income conditions, low inflation and interest rates, and government measures to support low income group.

Private consumption expenditure of durable goods increased, aligned with the expansion of passenger car sales. Besides, consumption of semi-durable goods and non-durable goods accelerated.

Consumer Confidence Index stood at 67.4.

Private investment increased by 5.5 percent, supported by the acceleration of investment in machinery and equipment, together with the continual expansion of investment in construction. This was in accordance with the increased in capacity utilization rate of manufacturing sectors, the improvement of business sentiment, and the progress of public infrastructure projects.



Source: NESDC

Exports in US dollar terms slowed down from the previous quarter due to the deceleration of export price, while export quantity improved from the previous quarter. Export value in the fourth quarter of 2018 was recorded at 62.5 billion US dollars, expanded by 2.3 percent, decelerating from a growth of 2.6 percent in the previous quarter. The export volume index increased by 0.7 percent, supported by the increase in export volume of manufacturing products of 0.3 percent. Meanwhile, export volume of agricultural commodities declined by 8.1 percent, due to the high base effect, and export quantity of fishery products decreased by 3.4 percent, following the decline in domestic aquaculture production. Export price index increased by 1.6 percent, slowed down from 3.0 percent in the previous quarter, mainly driven by the deceleration of crude oil price and other related products; particularly refined fuel, chemicals, plastic resin and rubber products. Excluding unwrought gold, export value grew by 1.4 percent, compared with a 5.4-percent expansion in the previous quarter. **In baht term,** export value increased by 1.9 percent, compared with a 1.3-percent growth in the previous quarter.

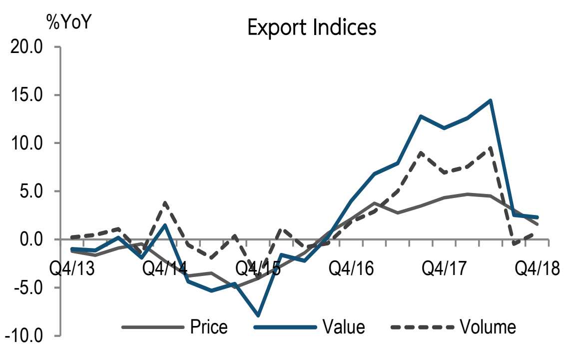
Export in US dollar terms expanded by 2.3 percent, decelerated from the previous quarter due to the deceleration of export price. Meanwhile, export quantity improved from the previous quarter, but remained low, due to the economic slowdown in key trading partners, escalation of trade protection measures and high base effect.

Export value excluding unwrought gold increased by 1.4 percent.

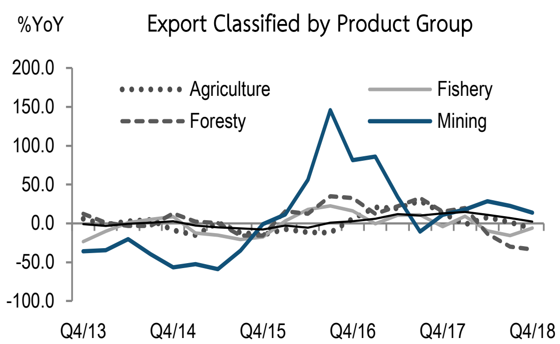
Export quantity increased by 0.7 percent, and export price increased by 1.6 percent.

In baht term, export value increased by 1.9 percent.

In 2018, export value increased by 7.7 percent, continuing from a 9.8 percent growth in 2017. In baht term, export value increased by 2.7 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Exports value of agricultural commodities decreased by 6.5 percent, compared with a 1.3 percent expansion in the previous quarter. This was mainly due to a high base effect, the slowdown of global economy and the decline in domestic production of rice and tapioca, thus subsequently led to the reduction in the export quantity of main agricultural products. Meanwhile, export price of agricultural products increased. **Exports value of manufacturing products** expanded by 2.1 percent, decelerated from a 6.7 percent growth in the previous quarter, which was in line with the decline of manufacturing production of export-oriented industries, the economic slowdown in key trading partner countries, and the tensions on the US-China trade protectionism measures. **Exports value of fishery products** decreased by 6.2 percent as a result of the reduction in export quantity and price, which was in accordance with the decline in domestic production. **Exports value of other products** increased by 80.1 percent as a result of the increase in exports of non-monetary gold.

Export value of agricultural commodities declined, due to a high base effect and the impacts of trade protection measures.

Export value of fishery products decreased, in accordance with the domestic production.

Export value of manufacturing products decelerated from the previous quarter, in line with the economic slowdown in key trading partners, and the adaptation of foreign entrepreneurs to trade protection measures.

Export items with increased value included sugar (19.0 percent), vehicle parts & accessories (5.6 percent), machinery & equipment (3.2 percent), metal & steel (7.2 percent), chemicals (25.5 percent), petro-chemical products (8.4 percent), petroleum products (20.1 percent), and non-monetary gold (90.1 percent) On the other hand, **export items with decreased value** included rice (-5.0 percent), tapioca (-7.5 percent), rubber (-25.5 percent), crustaceans (-6.3 percent), passenger cars (-16.8 percent), pick up & trucks (-1.2 percent), computer parts & accessories (-12.7 percent).

Export Value of Major Product in US Dollar Term

%YoY	2017 Year	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Year	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Share Q4/18 (%)
Agriculture	**20.2**	**20.6**	**19.4**	**28.9**	**13.5**	**0.1**	**-1.5**	**7.9**	**1.3**	**-6.5**	**7.2**
Rice	17.6	-7.1	19.6	45.1	20.9	8.3	21.2	14.7	7.6	-5.0	2.4
Rubber	35.5	78.5	38.1	23.0	10.6	-23.6	-34.9	-13.6	-17.0	-25.5	1.7
Tapioca	-6.1	-18.1	-11.9	6.6	3.4	6.8	28.1	4.9	2.3	-7.5	0.9
Manufacturing	**10.2**	**5.8**	**12.2**	**9.9**	**12.9**	**8.4**	**14.6**	**11.0**	**6.7**	**2.1**	**89.0**
Sugar	12.5	-7.6	32.8	31.2	-6.5	0.5	-7.1	-4.1	2.3	19.0	0.9
Crustaceans canned, prepared, or preserved	4.6	13.0	11.6	4.7	-5.8	-14.1	-6.0	-14.1	-20.1	-14.0	0.4
Rubber products	41.3	51.6	32.5	37.2	44.3	4.1	-2.8	19.4	2.6	-1.2	2.4
Apparels and Textile Materials	3.9	3.1	1.1	4.0	7.4	6.4	8.5	8.4	6.3	2.4	2.9
Electronics	14.0	10.0	16.5	11.3	18.2	5.0	13.6	11.2	3.6	-6.2	14.8
- Computer parts & accessories	5.7	-0.8	4.4	2.5	16.4	5.9	16.1	16.8	7.4	-12.7	5.6
- Integrated circuits & parts	7.1	11.8	11.1	3.4	3.6	0.8	7.3	6.4	-3.9	-5.4	3.2
- Printed circuits	10.5	13.9	9.7	4.0	15.9	3.4	1.0	2.5	8.2	1.2	0.6
- Telecommunication equipment	51.0	21.5	71.7	49.6	60.4	6.2	37.9	2.5	-0.4	-4.7	2.6
Electrical appliances	6.2	9.5	4.1	3.0	8.5	1.7	9.6	3.6	-3.4	-3.6	4.9
Metal & steel	14.3	16.1	15.9	8.6	17.2	13.0	18.7	19.8	7.4	7.2	4.7
Automotive	6.3	2.5	2.3	2.6	18.1	8.0	15.9	14.6	6.2	-2.9	15.1
- Passenger car	-7.1	-19.1	-9.8	-10.8	13.5	2.7	18.7	12.4	1.5	-16.8	4.1
- Pick up and trucks	11.8	15.8	4.3	-1.8	30.2	8.3	2.1	24.8	11.7	-1.2	3.3
- Vehicle parts & accessories	13.6	13.2	9.6	14.5	16.9	10.3	15.4	13.3	7.8	5.6	6.9
Machinery & equipment	7.2	3.9	11.5	13.2	0.7	6.9	13.0	7.7	4.1	3.2	8.6
Chemicals	22.9	23.1	14.5	33.1	21.4	23.4	28.4	28.6	12.2	25.5	3.8
Petro-chemical products	10.1	7.4	11.2	11.1	10.7	16.2	17.9	22.7	16.3	8.4	5.6
Petroleum products	32.5	43.0	36.6	29.7	26.0	30.1	41.1	30.9	32.5	20.1	4.4
Fishery	**4.1**	**-0.6**	**10.4**	**11.2**	**-4.2**	**-6.5**	**9.2**	**-9.7**	**-15.4**	**-6.2**	**0.8**
Crustaceans	7.0	-4.8	8.4	17.3	4.2	-8.7	13.5	-12.9	-20.4	-6.3	0.5
Other Exports	**-19.5**	**-35.0**	**-44.3**	**49.9**	**-43.0**	**-21.2**	**-32.7**	**36.0**	**-63.4**	**80.1**	**1.9**
Non-monetary gold (excl. articles of goldsmiths)	-20.7	-37.5	-45.4	52.7	-46.6	-22.8	-33.8	37.3	-65.9	90.1	1.8
Total Exports (Customs basis)	**9.9**	**4.8**	**10.7**	**12.3**	**11.6**	**6.7**	**11.7**	**10.9**	**3.0**	**2.0**	**100.0**
Exports, f.o.b. (BOP basis)	**9.8**	**6.8**	**7.9**	**12.8**	**11.6**	**7.7**	**12.6**	**14.4**	**2.6**	**2.3**	**100.3**
Export Value (exclude gold)	**10.9**	**9.2**	**9.8**	**11.5**	**12.8**	**8.5**	**14.1**	**14.0**	**5.4**	**1.4**	**98.5**

Source: Bank of Thailand

Export markets: exports to the US, Japan, and ASEAN (9), expanded, while exports to China, EU (15), Australia, and the Middle East (15) declined. Exports to the US increased by 6.7 percent improving from a 0.01-percent contraction in the previous quarter, supported by the US economic expansion and the positive impacts from the US trade protection measures against China. Exports to Japan expanded by 8.4 percent (continually expanded for 7 consecutive quarters), close to an 8.7-percent growth in the previous quarter. Similarly, exports to ASEAN (9) increased by 9.4 percent as a result of the expansion of exports to CLMV countries by 9.9 percent (continually expanded for 9 consecutive quarters), and exports to ASEAN (5) by 9.0 percent (continually expanded for 7 consecutive quarters). However, exports to China decreased for 2 consecutive quarters by 4.6 percent, following the contraction in exports of rubber, computer parts & accessories, and woods & wood products. This was due to the slowdown of the Chinese economy and the negative supply chain effects from trade protectionism measures. Similarly, exports to EU (15) decreased for the first time in 10 quarters by 3.7 percent, due to the contraction in exports of vehicles, parts & accessories, and solar cells. Meanwhile, exports to the Middle East (15) and Australia contracted by 6.7 and 6.3 percent, respectively, mainly due to a contraction in exports of vehicles, parts & accessories.

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

Exports to the US accelerated, in line with the strong expansion of the US economy and the change in trade direction. Meanwhile, exports to china continued to decrease, due to the slowdown of the Chinese economy and the negative supply chain effects of trade protectionism measures.

Export Value to Key Markets in US Dollar Term

%YOY	2017 Year	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Year	2018 Q1	2018 Q2	2018 Q3	2018 Q4	Share Q4/18 (%)
Total Exports (Mil US$) (Customs basis)	236,635	56,427	56,965	62,065	61,178	252,486	63,022	63,170	63,918	62,376	100.0
(%YoY)	9.9	4.8	10.7	12.3	11.6	6.7	11.7	10.9	3.0	2.0	
United States	8.5	7.6	7.2	8.3	10.7	5.4	9.1	6.7	-0.01	6.7	11.7
Japan	7.7	-3.6	16.4	10.4	9.1	13.0	24.7	11.3	8.7	8.4	10.2
EU (15)	8.1	8.7	5.5	6.8	11.3	5.0	10.6	11.2	2.5	-3.7	8.7
China	24.0	37.0	26.6	22.0	14.1	2.3	2.6	15.8	-2.8	-4.6	12.4
ASEAN (9)	8.9	0.4	14.9	9.6	11.2	14.7	14.8	12.8	22.3	9.4	27.8
- ASEAN (5)*	6.1	-8.5	17.1	5.2	13.2	13.4	15.7	8.2	21.0	9.0	15.4
- CLMV**	12.9	15.6	11.7	16.3	8.9	16.6	13.6	19.8	24.2	9.9	12.4
Middle East (15)	-5.0	-22.5	-0.3	0.7	6.2	0.1	11.4	-5.7	2.0	-6.7	3.2
Australia	1.9	-3.0	-4.8	-0.1	17.2	2.6	14.4	10.3	-5.7	-6.3	4.1
Hong Kong	7.2	5.9	13.1	7.7	2.8	1.8	1.4	9.5	2.7	-6.2	4.5
India	25.6	17.7	13.0	27.4	46.3	17.3	31.7	27.3	13.8	-0.2	2.8
South Korea	14.4	23.2	24.1	11.8	0.7	4.9	5.3	11.1	2.1	0.8	1.8
Taiwan	19.0	16.4	22.7	24.9	11.9	-1.3	11.4	1.50	-11.2	-5.5	1.5

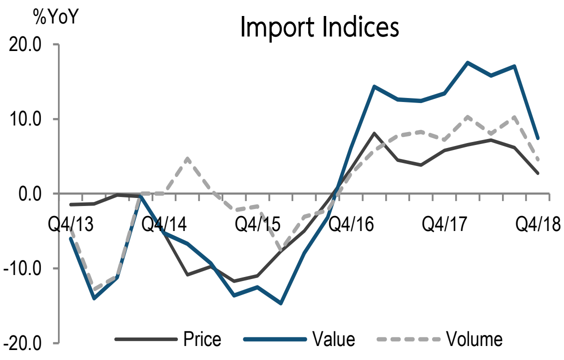
Note: * ASEAN (5) consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore
** CLMV consist of Cambodia, Laos, Myanmar, and Vietnam

Source: Bank of Thailand

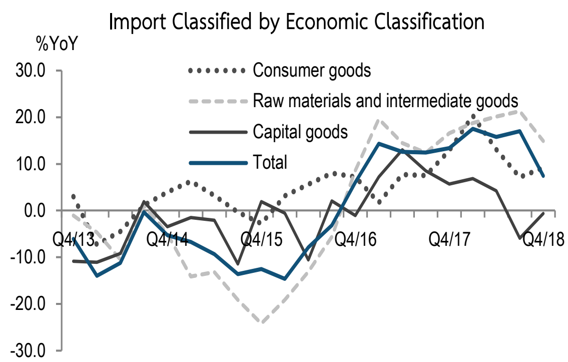
Import value in US dollar terms grew by 7.5 percent, aligned with the expansion of exports and domestic demand.

Import value in US dollar term in the fourth quarter of 2018 was recorded at 58.1 billion US dollars, expanded by 7.5 percent, slowed down from a 17.0-percent growth in the previous quarter. Import price and quantity increased by 2.7 percent and 4.6 percent, respectively. The import volume of raw materials & intermediate goods as well as consumer goods increased by 9.9 and 8.4 percent, respectively, associated with the expansion of exports and domestic demand. Import value excluding unwrought gold expanded by 11.9 percent. **In Thai baht term,** the import value increased by 7.0 percent.

In 2018, import value increased by 14.3 percent, compared with a 13.2-percent increase in 2017. In Thai baht term, import value increased by 9.0 percent, compared with an 8.7-percent increase in 2017.



Source: Bank of Thailand



Source: Bank of Thailand

Import quantity of consumer goods as well as raw materials & intermediate goods increased, whereas the import of capital goods decreased.

Overall, import value of raw materials and intermediate goods, and consumer goods increased, while those of capital goods and other import goods declined. **Import value of raw materials and intermediate goods** grew by 14.9 percent, associated with the expansion of manufacturing production. **Import value of capital goods** fell by 0.6 percent, as a result of the decrease in imports of aircrafts, ships, floating structures & locomotive that declined by 41.3 percent. However, import value of machinery, equipment & supplies continually expanded by 4.9 percent. **Import value of consumer goods** increased by 9.2 percent, in line with the favorable expansion of household demand. **Import value of other goods** decreased by 21.5 percent as a result of the decrease in the import of non-monetary gold.

Import items with increased value included crude oil (39.1 percent), petroleum products (17.4 percent), chemicals (10.3 percent), materials of base metal (6.9 percent), other machinery & mechanical appliances & parts (6.1 percent), automotive (15.0 percent), food, beverage, & dairy products (5.5 percent), animal & fishery products (3.7 percent), On the other hand, **import items with decreased value** included aircrafts (-43.4 percent), ships (-81.1 percent) power-generating machinery & parts (-19.6 percent), telecommunication equipment (-1.6 percent), and non-monetary gold (-50.1 percent).

Import Value of Major Product in US Dollar Term

%YoY	2017					2018					Share
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q4/18 (%)
Consumer goods	7.5	1.7	7.7	7.5	12.9	12.2	20.4	13.1	7.1	9.2	10.7
Raw materials and intermediate goods	15.7	19.7	14.5	12.4	16.6	18.8	18.8	20.2	21.3	14.9	56.7
Capital goods	8.5	7.2	13.0	8.6	5.7	1.0	6.9	4.2	-5.9	-0.6	23.1
Other Imports	27.9	19.2	24.8	46.5	23.3	9.0	25.9	4.3	35.3	-21.5	9.5
Total Imports (Customs basis)	14.1	14.1	14.3	13.8	14.1	12.5	16.6	13.9	14.5	5.8	100.0
Imports, f.o.b. (BOP basis)	13.2	14.3	12.6	12.4	13.4	14.3	17.5	15.8	17.0	7.5	92.6

Source: Bank of Thailand

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

Term of trade decreased from the same period last year, as export price increased by 1.6 percent, slower than the increase in import price of 2.7 percent. Thus, the term of trade slightly decreased from 109.7 in the same quarter last year to 108.4 in the fourth quarter of 2018.

In 2018, term of trade stood at 108.2, decreased from 110.5 in the previous year. Import price increased by 5.6 percent and export price increased by 3.4 percent.

Trade balance recorded a surplus of 4.4 billion US dollars (equivalent to 144.3 billion baht), compared with a surplus of 3.4 billion US dollars (equivalent to 112.5 billion baht) in the previous quarter, and a surplus of 7.0 billion US dollars (equivalent to 231.8 billion baht) in the same quarter of last year.

In 2018, trade balance stood at 23.6 billion US dollars (equivalent to 758.8 billion baht), lower than a surplus of 34.2 billion US dollars (equivalent to 1,158.3 billion baht) in 2017.

Trade surplus was higher than that of the previous quarter but lower than the same period last year.

Production side:

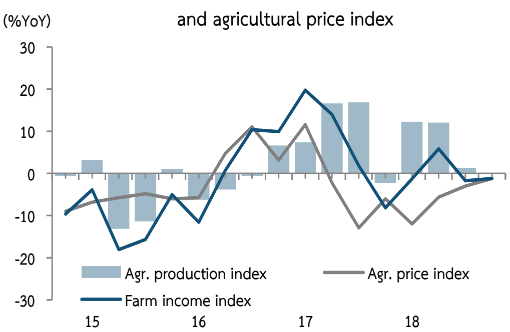
Manufacturing, wholesale, retail trade and repairing, hotels and restaurants, and transport and communication sector expanded at an accelerated rate. Meanwhile, agricultural and construction sectors slowed down.

Agriculture sector slowed down from the previous quarter, following declines in paddy and sugarcane production due to unfavorable weather condition in some production areas. In the fourth quarter of 2018, agricultural sector expanded by 1.4 percent, decelerated from a 2.7 percent growth in the previous quarter. This deceleration was in line with a reduction of livestock production index of 4.1 percent and a low growth of crops production index of 0.7 percent. However, the fishery production index rebounded by 2.6 percent. Major agricultural products with production contraction included (i) poultry (-9.1 percent), partially due to a lower price that reduced production incentive, (ii) sugarcane (-11.2 percent), following decreases in both yield per area and price, and (iii) paddy (-0.4 percent), especially the contraction of Hommali paddy of 11.4 percent due to the droughts in some production areas. In contrast, major agricultural products with production expansion included (i) rubber (2.9 percent), (ii) fruits (3.8 percent), (iii) cassava (12.2 percent), (iv) white shrimp (2.6 percent), and (v) maize (2.5 percent). Agricultural Price Index decreased by 1.2 percent, mainly due to (i) the decline of rubber price, caused by the decline of rubber demand in China, Malaysia, and Japan, (ii) lower sugarcane price, as a result of excess supply of sugar in the world market and the increase of domestic sugar stock, (iii) lower white shrimp price, due to the rising production in various countries, especially India and Indonesia, and (iv) lower oil palm price that was in line with the decline of crude palm oil price in the world market and the level of Thailand's crude palm oil stocks remained high. In contrast, agricultural products with the increased price index consisted of paddy (13.0 percent), cassava (45.0 percent), and swine (13.5 percent). The slowdown of agricultural production index, together with the decline in agricultural price index thus led to the decrease of Farm Income Index by 1.2 percent.

Agricultural sector decelerated, mainly due to unfavorable weather condition in some production areas.

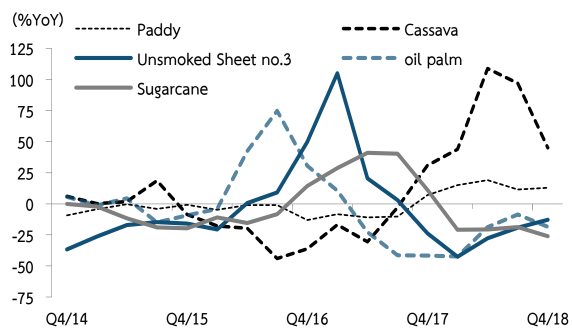
Thus, **in 2018,** agricultural sector expanded by 5.0 percent. Agricultural Production Index increased by 5.5 percent, while Agricultural Price Index declined by 5.7 percent. As a result, Farm Income Index decreased by 0.4 percent.

Farm Income Index decreased by 1.2 percent due to the decrease of agricultural production index and agricultural price index



Source: Office of Agricultural Economics

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



Source: Office of Agricultural Economics

Manufacturing sector accelerated in line with the favorable expansion of domestic demand and the slow recovery of export volume. In the fourth quarter of 2018, manufacturing sector expanded by 3.3 percent, improved from 1.6 percent growth in previous quarter. This was in line with a 2.4 percent increase in Manufacturing Production Index (MPI), compared with a 0.9 percent growth in the previous quarter. **Manufacturing Production Index of the domestic-oriented industries (with export share of less than 30 percent to total production)** increased by 2.7 percent, improved from a 0.6 percent contraction in the previous quarter. The improvement was caused by increase in the production of major industries, such as tobacco (41.0 percent), refined petroleum products (8.8 percent), and non-alcohol beverage products (10.0 percent). **Manufacturing Production Index of the industries with 30-60 percent export share to total production** grew by 8.1 percent accelerated from a 2.2 percent growth in the previous quarter. The acceleration was mainly attributed by an increase in the production of vehicle of

Manufacturing sector accelerated in tandem with the favorable domestic demand condition and the improvement of export volume.

Manufacturing Production Index of the industries with 30-60 percent export share to total production expanded by 8.1 percent.

The domestic-oriented industries grew by 2.7 percent. Meanwhile, the export-oriented industries declined by -4.8 percent, following the decline of some key productions.

The average capacity utilization rate stood at 68.4 percent, increased from 67.4 percent in the same quarter last year.

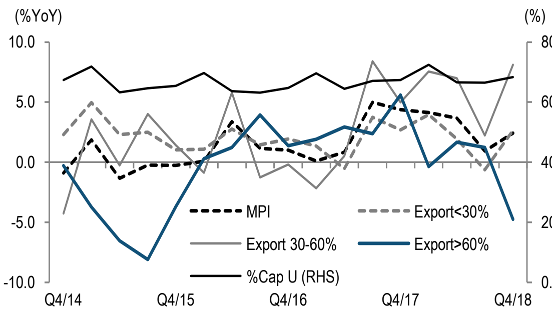
13.5 percent, which also accelerated from a 2.6 percent growth in the previous quarter, particularly the production for domestic sales which favorably expanded in response to new models launched during the last quarter of 2018. Besides, there was also a strong expansion of sugar production of 54.4 percent as a consequence of an early sugarcane extraction period. Meanwhile, production of electric motors and generators declined by 12.0 percent. **Manufacturing Production Index of export-oriented industries (with export share of more than 60 percent to total production)** decreased by 4.8 percent, due mainly to the contraction in major export industries, including production of other rubber products (-22.4 percent) and computers and peripheral equipment (-11.5 percent). Meanwhile, production of other general-purpose machinery together with electronic components grew by 13.7 percent and 3.3 percent, respectively. The average capacity utilization rate stood at 68.4 percent, increased from 66.4 percent in the previous quarter and 67.4 percent in the same quarter last year. In addition, among 23 major industries, the industries with **capacity utilization rate of higher than 90 percent** were plastics and synthetics rubber (99.0 percent) and vehicles (97.4 percent). The industries with **capacity utilization rate between 80-90 percent** were refined petroleum products (88.4 percent) and processing and preserving of meat (83.8 percent), and the industries with **capacity utilization rate between 70-80 percent,** were computers and peripheral equipment (76.1 percent), electronic components and boards (75.6 percent), and motorcycles (74.0 percent).

Manufacturing Production Index with positive growth included vehicles (13.5 percent), sugar (54.4 percent), luggage and handbags (131.4 percent), tobacco (41.0 percent), other general-purpose machinery (13.7 percent), refined petroleum products (8.8 percent), electronic components (3.3 percent), soft drinks (10.0 percent), processing and preserving of fish (4.5 percent), and concrete and cement (7.0 percent), etc.

Manufacturing Production Index with negative growth included other rubber products (-22.4 percent), computer and peripheral equipment (-11.5 percent), electric motor and generator (-12.0 percent), vegetable and animal oils and fats (-10.7 percent), and domestic appliances (-7.3 percent), etc.

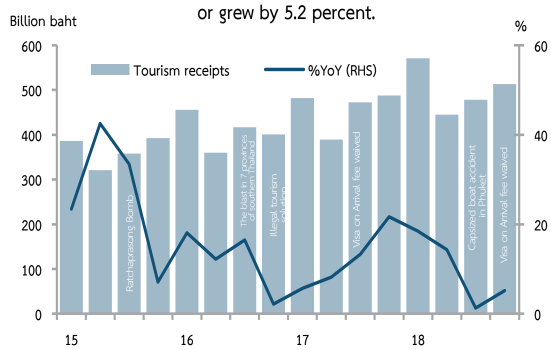
Thus, **in 2018,** manufacturing sector expanded by 3.0 percent, Manufacturing Production Index increased by 2.8 percent, and the average capacity utilization rate stood at 68.5 percent.

Manufacturing Production Index increased by 2.4 percent and the capacity utilization rate averaged at 68.4 percent.



Source : Office of Industrial Economics

Income from foreign tourists for Q4/2018 stood at 513.2 billion baht or grew by 5.2 percent.



Source: Ministry of Tourism and Sports

Hotels and restaurants sector accelerated, in accordance with the increased in average occupancy rate, due to the improvement in the number of tourists and tourism receipts, and favorable expansion of household consumption. In the fourth quarter of 2018, hotels and restaurants sectors expanded by 5.3 percent, improved from a 4.1 percent increase in the previous quarter. The total number of foreign tourists increased by 4.3 percent to 9.74 million persons, improved from a 1.9 percent growth in the previous quarter. This improvement was partly due to a fading impact of capsized boat accident and the implementation of government measures to promote tourism sector, together with the promoting campaign from the Tourism Authority of Thailand (TAT). The expansion in the number of tourists was mainly from Malaysia (32.4 percent), India (15.2 percent), Hong Kong (19.3 percent), and Japan (9.2 percent). The improvement of tourism sector in this quarter was also supported by the rebounded in the number of a Russian tourist by 1.4 percent and the recovery of Chinese tourist which started to expand by 2.8 percent in December. When combined with the acceleration in the number of Thai tourists, 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 rose by 5.6 percent to 793.4 billion baht, comparing with a 2.7 percent increase in the previous quarter. This was attributed by (i) **foreign tourism receipts** accelerated by 5.2 percent from a 1.3 percent growth in the previous quarter

Hotels and restaurants sector accelerated ,supported by the strong expansion of household consumption and the improvement in the number of foreign tourists.

The average occupancy rate was at 71.12 percent, increasing from 65.38 percent in the previous quarter and 69.44 percent in the same quarter last year.

to 513.2 billion baht, which was mainly accounted from tourists receipts from Malaysia, Hong Kong, India, the US, and Japan tourists; and (ii) **Thai tourism receipts** which were at 280.2 billion baht, increased by 6.3 percent. **The average occupancy rate** was at 71.12 percent, increased from 65.38 percent in the previous quarter and 69.44 percent in the same quarter last year.

For the whole year of 2018, hotels and restaurants sector expanded by 7.9 percent compared with 10.6 percent growth in 2017. Number of foreign tourists was at 38.28 million persons (increased by 7.5 percent). The total tourism receipts were at 3,075.0 billion baht (increased by 9.0 percent). Receipts from foreign tourists were at 2,007.5 billion baht (increased by 9.6 percent). Receipts from Thai tourists were at 1,068.0 billion baht (increased by 7.9 percent). The average occupancy rate was at 71.40 percent.

Wholesale and retail trade notably expanded by 7.5 percent, in tandem with the strong growth of domestic demand.

Wholesale and retail trade sector favorably expanded, following the favorable expansion of household consumption and the improvement of foreign tourist number. In the fourth quarter of 2018, wholesale, retail trade, and repairing sector grew by 7.5 percent, compared to a 7.3 percent growth in the third quarter of 2018. This was in line with a high growth of **the Wholesale, Retail Sales, and Repair of Motor Vehicles Index** of 10.8 percent, accelerated from an 8.3 percent in the previous quarter. The index was driven by (i) an increase in **Wholesale, Retail Sales, and Repair of motor vehicles and motorcycles index** of 10.6 percent, accelerated from 9.2 percent in the previous quarter, mainly supported by 12.6 percent growth of motor vehicles sale and a 7.4 percent growth of automotive parts sale, (ii) an increase in **Wholesales Index (except motor vehicles and motorcycles)** of 5.0 percent, mainly supported by a 10.1 percent growth in wholesales of other goods (such as industrial chemicals, iron, steel, and other basic non-ferrous metals products) and a 5.1 percent growth in wholesales of domestic appliances, and (iii) an increase in **Retail Sales Index (except motor vehicles and motorcycles)** of 20.2 percent, accelerated from a 19.3 percent growth in the previous quarter, mainly supported by a 46.6 percent growth in retail sales of other goods (such as jewelry and other new goods) and 10.6 percent growth in retail sales of automotive fuel.

For the whole year of 2018, Wholesale, retail trade, and repair of motor vehicles, etc. sector expanded by 7.3 percent, accelerated from 7.0 percent in 2017.

Transport and communication sector satisfactory grew by 6.1 percent, aligned with the acceleration of land transport, air transport, and telecommunications services.

Transport and communication sector satisfactory expanded, supported by the expansion of land transport, air transport, and telecommunications services. In the fourth quarter of 2018, transport and communication continued to expand by 6.1 percent, compared with a 5.3 percent growth in the previous quarter. Transport services increased by 3.1 percent, accelerated from a 1.6 percent growth in the previous quarter. This was mainly due to the expansion of goods and passengers transport services, attributed by (i) a 5.4 percent growth in land transport, (ii) a 6.4 percent growth in air transport. On the other hand, (iii) water transport decreased by 0.7 percent. Telecommunications services expanded by 8.9 percent. This was in line with the better operating profit of telecommunication service providers.

For the whole year of 2018, transport and communication sector expanded by 6.3 percent. Transport services grew by 3.2 percent and telecommunication services increased by 10.2 percent.

Electricity, gas and water supply sector accelerated, supported by the expansion of manufacturing production activities and service sector.

Electricity, gas and water supply sector expanded at an accelerating pace, in line with the acceleration of production activities in manufacturing and services sectors, as well as favorable expansion in household demand and the higher average temperature. In the fourth quarter of 2018, electricity, gas and water supply sector increased by 5.7 percent, accelerated from a 1.1 percent growth in the previous quarter. In details, (i) production and sale of electricity generation increased by 7.4 percent, accelerated from 2.2 percent growth in the previous quarter, and (ii) gas separation increased by 2.7 percent, accelerated from 0.7 percent growth in the previous quarter, associated with the increase in gas volume used in power plants. In contrast, (iii) Water supply production and distribution decreased by 5.6 percent, relative to 6.9 percent contraction in the previous quarter.

For the whole year of 2018, electricity, gas and water supply sector increased by 2.6 percent, accelerated from a 2.3 percent growth in 2017. Production and sale of electricity generation increased by 3.6 percent, and gas separation expanded by 1.2 percent. Meanwhile, water supply production and distribution declined by 4.4 percent.

Construction sector slowed down in tandem with the public construction. In the fourth quarter of 2018, construction sector increased by 3.4 percent, decelerated from a 4.5 percent growth in the third quarter 2018. The public construction expanded by 2.0 percent (the state-owned enterprise construction increased by 6.9 percent, while the government construction declined by 0.4 percent). The private construction increased by 5.1 percent, compared with 5.2 percent expansion in previous quarter. **Construction Materials Price Index** increased by 1.0 percent, following a rise in prices of steel and steel products (1.6 percent), other construction materials (1.4 percent), tile and composite materials (3.5 percent), and cements (1.0 percent), especially.

Construction sector slowed down in tandem with the deceleration of public construction. Meanwhile, private construction favorably expanded by 5.1 percent.

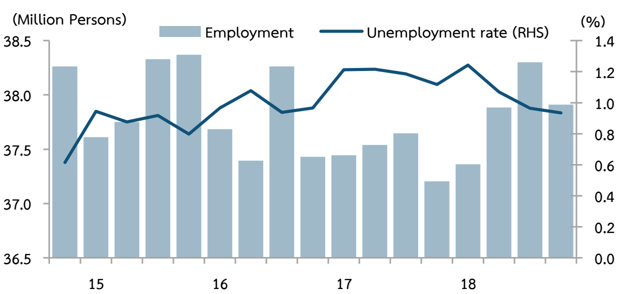
For the whole year of 2018, construction sector increased by 2.7 percent, improved from a 2.8 percent contraction in 2017. Public and private construction expanded by 1.9 percent and 4.1 percent, respectively.

Employment satisfactory and broadly expanded, covering both agricultural and non-agricultural sector, while unemployment declined to the lowest rate in 12 quarters. In the fourth quarter of 2018, the employment increased by 1.9 percent, accelerated from a 1.7 percent growth in the third quarter 2018. Agricultural employment increased by 2.4 percent, a continuous expansion seen in four consecutive quarters, aligned with an expansion of major agricultural production, such as fruits and cassava, etc. In addition, non-agricultural employment increased by 1.7 percent, continued from a 1.6 percent growth in the previous quarter, following a 4.6 percent growth in employment of manufacturing sector, which increased continually for three consecutive quarters, in line with the expansion of manufacturing production, together with the increase in employment of wholesale and retail trade sector by 1.5 percent, aligned with the expansion in wholesale and retail trade sector. The employment of construction sector increased by 5.0 percent, in line with the expansion of construction sector. The constant improvement of employment brought down the unemployment rate to 0.9 percent, the lowest rate seen in 12 quarters.

Employment continually and broadly improved, in line with the more broad-based production expansion, and brought down unemployment to the lowest rate in 12 quarters.

For the whole year of 2018, unemployment was registered at 400,000 persons and the unemployment rate was at 1.1 percent.

Employment increased by 1.9 percent, following an expansion of employment in agriculture sector and non - agriculture sector. Unemployment rate was low at 0.9 percent.



Source: National Statistics Office

Employed Persons by Industry

%YOY	Share Q4/18	2017 Year	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Year	2018 Q1	2018 Q2	2018 Q3	2018 Q4
Employed	100.00	-0.6	-0.6	0.4	-1.6	-0.6	1.1	-0.2	0.9	1.7	1.9
- Agricultural	32.22	0.3	-1.4	6.3	-1.2	-2.0	3.3	6.0	3.0	1.9	2.4
- Non-Agricultural	67.78	-1.0	-0.3	-2.1	-1.8	0.1	0.1	-2.8	-0.01	1.6	1.7
Manufacturing	16.62	-2.9	-1.5	-4.2	-4.0	-1.8	2.5	-0.03	2.6	2.8	4.6
Construction	5.44	-8.2	-8.7	-11.8	-6.8	-4.3	-2.2	-11.8	-2.7	2.6	5.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.66	-0.2	0.9	1.0	-2.6	0.02	-0.69	-2.8	-2.2	0.9	1.5
Accommodation and food service activities	7.53	1.8	4.2	-2.7	-1.0	6.8	1.8	-1.3	5.7	3.0	-0.02
Total labor force (Million persons)		38.1	38.2	38.3	38.2	37.7	38.4	38.1	38.5	38.7	38.4
employed (Million persons)		37.5	37.4	37.5	37.6	37.2	37.9	37.4	37.9	38.3	37.9
Unemployment (Hundred thousand persons)		4.5	4.6	4.6	4.5	4.2	4.0	4.7	4.1	3.7	3.6
Unemployment Rate (%)		1.2	1.2	1.2	1.2	1.1	1.1	1.2	1.1	1.0	0.9

Source : National Statistical Office (NSO)

Fiscal Conditions:

On the revenue side, in the first quarter of the fiscal year 2019 (October - December 2018), the net government revenue collection stood at 588.9 billion baht, increased by 7.5 percent compared to the same quarter last year. The key contributing components included: (i) the revenue from state-owned enterprises (SOEs) were significantly higher than the same period last year due to the dividend paid by PTT Public Company Limited; (ii) the revenue from petroleum income tax increased, due to tax payment from the transfer of petroleum concessions and (iii) the revenue collected from VAT and excise tax, on consumption tax base, rose by 7.0 percent and 11.6 percent, respectively.

The net government revenue collection increased by 7.5 percent.

Government Revenue

Fiscal Year (Billion Baht)	2017					2018					2019
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Net Government Revenue	2,355.7	548.2	500.1	689.9	617.5	2,536.9	547.6	532.5	754.1	702.8	588.9
YOY (%)	-1.6	-6.5	1.5	-3.8	3.1	7.7	-0.1	6.5	9.3	13.8	7.5

Source: Ministry of Finance

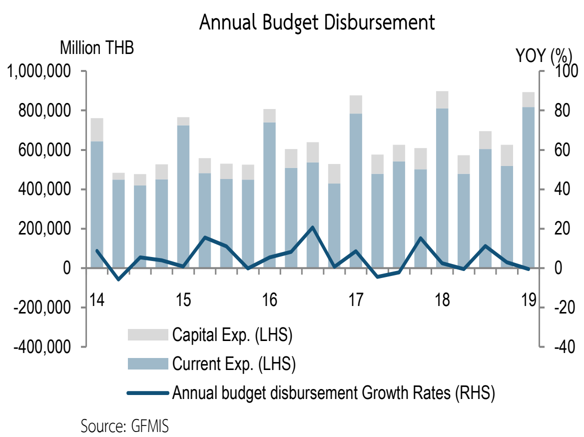
On the expenditure side, the total budget disbursement in the first quarter of fiscal year 2019 was at 1,034.3 billion baht[1], increased by 1.1 percent compared with the same quarter of FY2018.

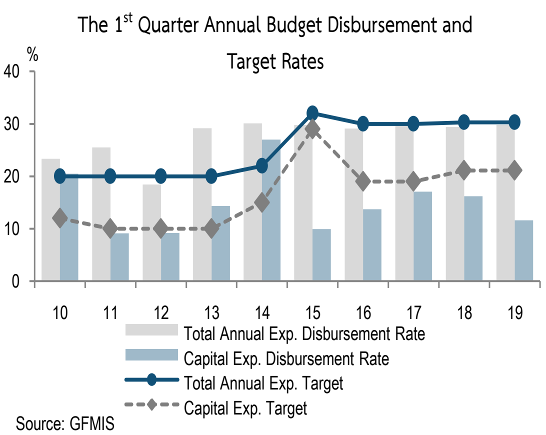
Classified by sources of funds, the government disbursements were as follows: (i) **the 2019 annual budget disbursement** stood at 893.0 billion baht, declined from the same quarter last year by 0.5 percent. The disbursement rate was at 29.8 percent, lower than the target of 30.3 percent, but higher than the rate of 29.4 percent in the same quarter last year.

In details, the current expenditure disbursement amounted to 817.7 billion baht, expanded by 0.9 percent from the same quarter in the previous year. The disbursement rate was at 34.8 percent, greater than the rate of 32.3 percent in the same quarter last year. The capital expenditure disbursement marked at 75.2 billion baht, dropped from the same quarter last year by 13.8 percent. The rate of disbursement was at 11.6 percent, lower than the target of 21.1 percent and a rate of 16.2 percent in the same quarter last year.

The disbursements of the annual budget and the off-budget loans declined. In contrast, the carry-over budget and the State-owned enterprises' capital expenditure budget expanded.

The rate of annual budget disbursement was at 29.8 percent owing to rates of the current expenditure disbursement and the capital expenditure disbursement of 34.8 percent and 11.6 percent, respectively.





(ii) **The carry-over budget disbursement** stood at 70.8 billion baht, increased from the first quarter of FY2018 by 1.5 percent. The disbursement rate was at 19.3 percent, smaller than the rate of 21.5 percent in the same quarter last year. (iii) **State-owned enterprises' capital expenditure budget** (excluding PTT) was anticipated to be disbursed at 73.5 billion baht[2], rose from the same period last year by 24.9 percent and (iv) **The off-budget loans** were disbursed at 279.7 million baht due to a 185.7 million baht disbursement on the Water Resource Management and Road Transport System Project's loans and a 94.0 million baht disbursement on the Development Policy Loan (DPL).

[1] The total budget disbursement means the disbursement of the grand total of annual budget, the carry-over budget, the off-budget loans, and the State-owned enterprises' capital expenditure budget.
[2] The number was included the 3,277.7 million baht of the capital spending allocated from the annual budget.

Public Debt: at the end of December 2018, it was accumulated at 6.8 trillion baht, equivalent to 41.9 percent of GDP. The public debt was comprised of domestic loans of 6.6 trillion baht (40.3 percent of GDP) and foreign loans of 254.8 billion baht (1.6 percent of GDP).

The public debt remained under the fiscal prudential framework at 41.9 percent of GDP.

Fiscal Balance: in the first quarter of fiscal year 2019, the budgetary balance and non-budgetary balance recorded deficits of 350.7 billion baht and 24.6 billion baht, respectively. In the meantime, the government conducted a cash balance management through borrowing of 121.8 billion baht. Therefore, the cash balance after debt financing recorded a net deficit of 253.5 billion baht. At the end of the first quarter of fiscal year 2019, the treasury reserve stood at 379.9 billion baht.

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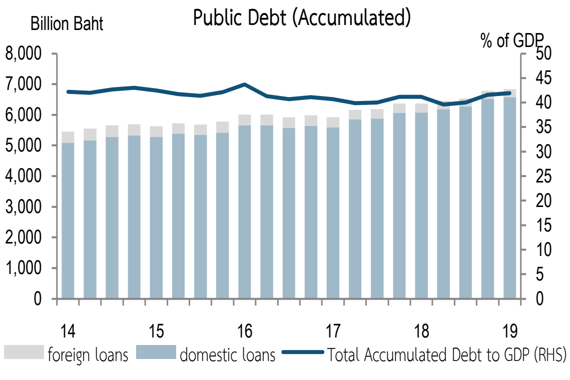
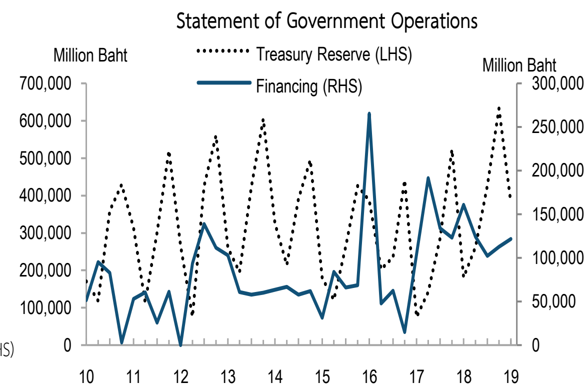


Source: PDMO and NESDC



Source: MOF

Financial Conditions:

The policy rate increased by 25 basis points to 1.75 percent per annum in the fourth quarter of 2018

Policy rate increased to 1.75 percent per annum, in line with monetary policy direction of major countries and other countries in region.

In the meeting on 19th December 2018, the Monetary Policy Committee (MPC) decided to raise policy rate by 0.25 percentage point from 1.50 percent per annum to 1.75 percent per annum. The assessment was based on (i) the continual expansion of the Thai economy owing to strong domestic demand and (ii) the need for reducing the risk of financial instability and building up policy space for the future monetary policy movement. Similarly, major economies continued to implement monetary policy normalization. The Federal Reserve (Fed) raised its policy rate to a range of 2.25 - 2.50 percent per annum in the meeting on 18th - 19th December 2018, which was the fourth increase in 2018. This decision was made under the conditions that the US economy continued to expand at a stable pace, an inflation rate was close to the target rate at 2.00 percent and the unemployment rate sustained at a low level. Bank of Canada increased its policy rate to 1.75 percent per annum. Likewise, Bank of Russia increased its policy rate to 7.75 percent per annum in response to rising inflationary pressure. Moreover, European Central Bank (ECB) halted Quantitative Easing at the end of December 2018. For regional economies, Indonesia and South Korea, for instance, increased their policy rates by 25 basis points to 6.00 and 1.75 percent per annum, respectively.

Overall in 2018, the MPC decided to raise the policy rate totaling by 0.25 percent, in the December 2018 meetings. As a result, the policy rate was increased from 1.50 percent per annum at the end of 2017, to 1.75 percent per annum at the end of 2018.

In January 2019, Fed has signaled that it would slow down rate hikes in 2019, and consider adjusting any of the details for completing balance sheet normalization in light of economic and financial developments.

Policy Interest Rate

(%) At the end of period	2017					2018					2019
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Jan.
USA	1.25-1.50	0.75-1.00	1.00-1.25	1.00-1.25	1.25-1.50	2.25-2.50	1.50-1.75	1.75-2.00	2.00-2.25	2.25-2.50	2.25-2.50
EU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
England	0.50	0.25	0.25	0.25	0.50	0.75	0.50	0.50	0.75	0.75	0.75
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Canada	1.00	0.50	0.50	1.00	1.00	1.75	1.25	1.25	1.50	1.75	1.75
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
Russia	7.75	9.75	9.00	8.50	7.75	7.75	7.25	7.25	7.50	7.75	7.75
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	1.50	1.25	1.25	1.25	1.50	1.75	1.50	1.50	1.50	1.75	1.75
India	6.00	6.25	6.25	6.00	6.00	6.50	6.00	6.25	6.50	6.50	6.50
Indonesia	4.25	4.75	4.75	4.25	4.25	6.00	4.25	5.25	5.75	6.00	6.00
Philippines	3.00	3.00	3.00	3.00	3.00	4.50	3.00	3.50	4.50	4.50	4.50
Malaysia	3.00	3.00	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.25	3.25
Thailand	1.50	1.50	1.50	1.50	1.50	1.75	1.50	1.50	1.50	1.75	1.75

Source: Collected by NESDC

An average deposit and lending rates of five major commercial banks remained stable.

Average deposit and lending rates of major commercial banks remained unchanged from the previous quarter while Specialized Financial Institutions (SFIs) raised deposit rate. In the fourth quarter of 2018, the average 12-month deposit rate and the average lending rate of five major commercial banks remained stable at 1.37 and 6.28 percent per annum, respectively. However, one of SFIs raised its deposit rate by 0.25 percent. As a result, the average 12-month deposit rate of SFIs was increased by 0.08 percent from the previous quarter to 1.60 percent per annum. On the contrary, SFIs kept the average lending rate stable at 6.58 percent per annum. Moreover, the real deposit and lending rates increase following a lessened headline inflation rate

In 2018, the average deposit and lending rates of major commercial banks remained unchanged at 1.37 and 6.28 percent per annum, respectively. However, the average deposit rate of SFIs increased by 0.08 percent from the previous year, while the average lending rate remained stable.

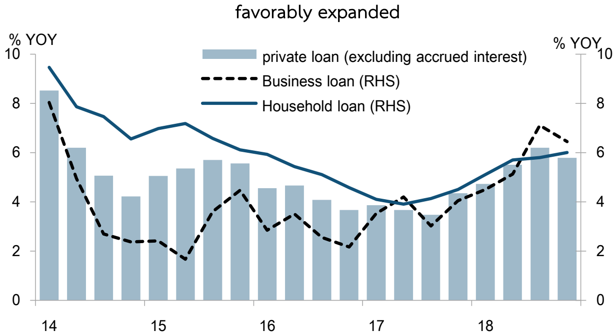
In January 2019, two major commercial banks decided to increase deposit rates by 0.25 percent. As a result, the average 12-month deposit rate of major commercial banks increased to 1.42 percent per annum. However, SFIs held their deposit as well as lending rates steady at the same level as in the fourth quarter in 2018

Private loan (excluding accrued interest) of depository corporations favorably expanded with the acceleration of household loan, while business loan decelerated.

Private loan (excluding accrued interest) of depository corporations favorably expanded with the acceleration of household loan, while business loan decelerated. At the end of the fourth quarter of 2018, an outstanding of private loan from depository corporations grew by 5.8 percent, decelerated from a 6.2-percent growth in the previous quarter, owing to the deceleration of business loan, in particular, loan for manufacturing and agriculture, forestry, fishing and mining sectors. In contrast, household loan accelerated from the previous quarter following the expansion in hire purchase loan and housing loan, though household loan of SFIs slowed down. In the fourth quarter of 2018, loan's quality improved from the third quarter, as non-performing loan to total outstanding loan ratio slightly decreased to 2.94.

In 2018, an outstanding of private loan from depository corporations grew by 5.8 percent, accelerating from the expansion of 4.3 percent in 2017. The loan expansion was mainly supported by the increase of business loan and household loan. In details, business loan expansion was attributed by loans for wholesale & retail and real estate activities. Likewise, household loan accelerated, due to the expansion of housing loan and hire purchase loan.

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



Source: Bank of Thailand

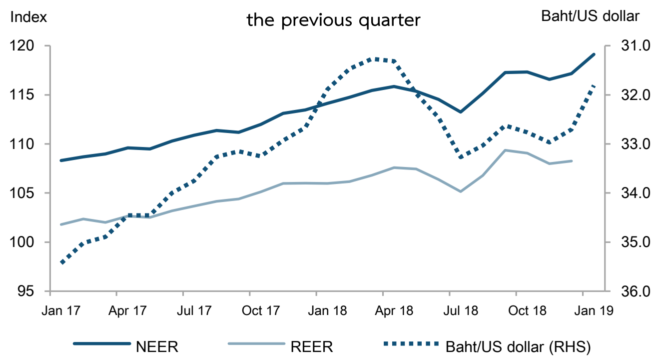
Thai Baht against US Dollar appreciated. In the fourth quarter of 2018, an average exchange rate was at 32.82 baht per US dollar, appreciating 0.5 percent from the previous quarter. This was in line with a capital inflow in Thai bond market and a surplus of current account. Regional currencies, however, mostly depreciated from the previous quarter. The appreciation of Thai Baht in the fourth quarter was partly supported by Fed's policy signal that posted uncertainty in future interest rate increase. This was also the major factor causing US dollar to be depreciated. Besides, Thai baht was also supported by an increase in policy rate on December 2018. **In the fourth quarter of 2018,** Thai baht against trading partners (NEER)[3] appreciated on average by 1.6 percent from the previous quarter. This was consistent with a 1.4-percent appreciated of the real effective exchange rate (REER).

Thai baht against US dollar appreciated in line with a capital inflow in Thai bond market and a surplus of current account.

In 2018, Thai baht was at an average of 32.32 baht per US dollar, appreciating by 4.7 percent from the 2017 average rate. The appreciation was in line with currencies of regional countries with strong economic fundamentals, such as Japan, South Korea, and Malaysia. In addition, main supporting factors of Thai baht appreciation were a foreign inflow in Thai bond market and a surplus of current account.

In January 2019, the Thai baht was at an average of 31.81 baht per US dollar, appreciating by 2.7 percent from previous month, as the downside risks for the US economic expansion increased. This causes uncertainty on future Fed's policy rate hike. In addition, Thai baht appreciation has been supported by a relatively strong Thailand's economic and financial fundamentals.

Thai Baht appreciated against US dollar from the previous quarter



Source : CEIC, Bank of Thailand

SET index had a downward trending which was influenced by both internal and external factors. Throughout, the fourth quarter, SET Index as well as the other regional stock markets experienced a subdued growth. The key contributing factors to the volatility of SET index were (i) the concern over the Thai and global economic conditions, (ii) investors' expectation on the increases in federal fund rate and Thai policy rate, and (iii) the ending of ECB's Quantitative Easing. Moreover, the downward trend of SET Index was pressured by the subdued oil price in global market, the uncertainty over the US and Chinese trade policies, and Government Shutdown in the US. Altogether, SET index at the end of the fourth quarter of 2018 closed at 1,563.9 points. This was a reduction of 10.96 percent from the previous quarter with average daily trading volume of 45.3 billion baht, declined from 52.0 billion baht per day in the previous quarter. In this quarter, foreign investors continually imposed a net sell position of 78.6 billion baht.

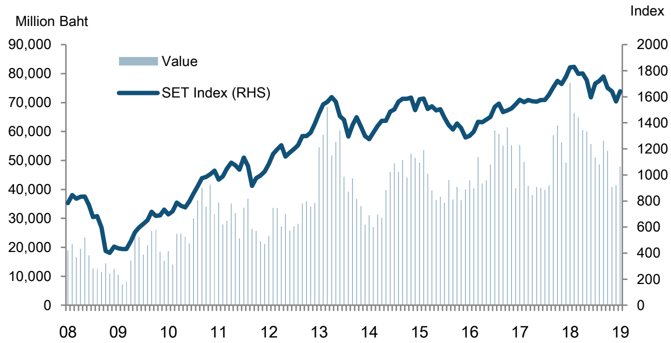
SET index fluctuated in a downward trend, which was influenced by the concern over global economic slowdown and the political uncertainty in major countries.

Overall in 2018, SET index markedly declined from 1,753.7 points in the end of 2017 to 1,563.9 in the end of 2018, equaling to a 10.8-percent drop from 2017. This was resulted from the monetary policy tightening in many countries, the escalation of trade protection measures between the US and China as well as the US government shutdown and the Brexit uncertainty. Thoroughly, an average trading volume stood at 56.4 billion baht per day, increased by 18.2 percent from 2017, with more pronounced foreign investors' net-sell position at 287.5 billion baht

In January 2019, SET Index picked up to 1,641.7 points, equaling to a 5.0-percent expansion from December 2018. This was resulted from the expected slowdown in the US policy rate hikes, Chinese economic stimulus measures, a recovery in global oil prices, and the improvement of political sentiment in Thailand after the election date was announced.

[3] 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.

SET Index move downward and trading volume decreased from the previous quarter



Source: SET

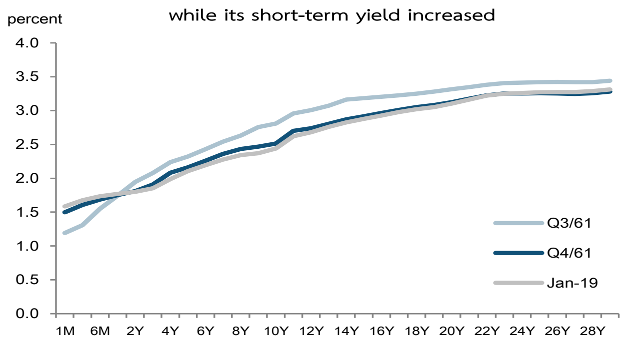
Government bond index increased in line with decreasing average bond yield. Foreign investors continuously registered a net buy position.

Bond trading volume declined, while foreign investors continuously registered a net buy position. Daily average outright trading in the fourth quarter of 2018 recorded at 69 billion baht. Foreign investors had a net buy of 33.6 billion baht. In details, foreign investors accounted for a net buy position of long-term bond while selling short-term bond. This was due to expected slower growth of global economy as well as increasing US-China trade tension. In addition, Thailand's bond market was considered as a safe haven among other countries in the region. Therefore, long-term bonds' demand increased and, as a result, its long-term yield (TTM > 1Y) declined by 14 - 30 basis point. However, the yield for short-term maturity (TTM ≤ 1Y) increased by 1- 31 basis point following policy interest rate increased.

In 2018, a daily average outright trading volume was at 78.8 billion baht, lowered from an average of 90.4 billion baht in 2017. Foreign investors posted a net buy position at 131.3 billion baht. Government bond index fell by 2.3 percent, resulting to a decline in government bond yield in all maturities.

In January 2019, foreign investors registered a net buy of long-term bond while selling short-term bonds. As a result, government bond yield with short-term maturities continuously increased, and bond yield with long-term maturities declined.

Government bond yield with long-term maturity declined,
while its short-term yield increased



Source: ThaiBMA

Capital and financial account recorded a net outflow due to Thai direct investment as well as Thai portfolio investment.

Capital and financial account recorded a net outflow of 4.3 billion US dollars in the fourth quarter of 2018. This was caused by a net outflow of Thai outbound investment, in terms of (i) Thai direct investment, (ii) Thai portfolio investment and (iii) other investments such as derivatives investment, loan, and deposit. Furthermore, there was an outflow of a net sell position from foreign investors in stock market. However, there were a foreign inflow into Thai bond market in this quarter.

In 2018, Capital and financial account registered a net outflow of 21.6 billion US dollars, which was mainly due to investment abroad of Thais and a net sell position from foreign investors in stock market.

Capital Flow

(Billion USD)	2017					2018						
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Nov.	Dec.
- Direct Investment	-10.6	0.2	-2.7	-1.9	-6.1	-5.7	-0.4	-3.1	-2.4	0.3	0.1	-0.1
Thai investor	-18.6	-2.2	-4.5	-4.1	-7.8	-18.1	-5.1	-5.4	-5.6	-2.0	-0.7	-0.8
Foreign investor	8.0	2.4	1.7	2.2	1.7	12.5	4.6	2.3	3.2	2.3	0.8	0.7
- Portfolio Investments	-2.1	-1.3	-1.2	2.4	-2.0	-5.4	-3.0	-4.0	1.2	0.3	1.8	0.0
Thai investor	-11.6	-3.6	-2.7	-3.0	-2.3	-2.2	-2.1	1.6	-1.4	-0.4	-0.3	0.4
Foreign investor	9.4	2.3	1.5	5.4	0.2	-3.2	-0.9	-5.7	2.6	0.7	2.1	-0.5
Others	0.3	-3.9	-0.8	2.2	2.9	-10.5	-0.3	-2.4	-3.0	-4.9	-2.3	-1.9
Capital and financial account	-12.4	-5.1	-4.8	2.7	-5.3	-21.6	-3.7	-9.5	-4.2	-4.3	-0.3	-2.0

Source: BOT

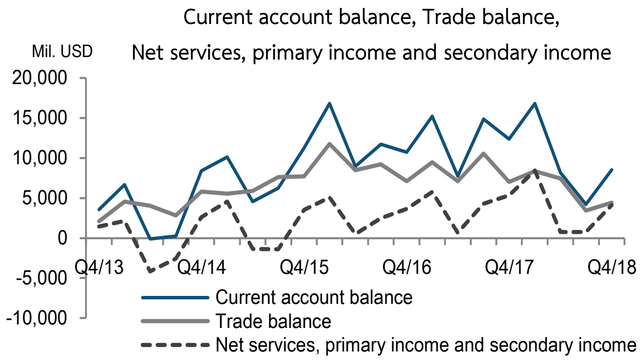
Current account registered a surplus of 8.5 billion US dollars (280.1 billion baht). This was a result of a trade surplus of 4.4 billion US dollars and a surplus in services, and primary and secondary income of 4.1 billion US dollars.

In 2018, current account registered a surplus of 37.7 billion US dollars (equivalent to 1,210.6 billion baht), compared with a surplus of 50.2 billion US dollars (equivalent to 1,702.5 billion baht) in 2017.

International reserve at the end of December 2018 stood at 205.6 billion US dollars (excluding net forward position of 33.7 billion US dollars), which was equivalent to 3.3 times of short-term foreign debt, equivalent to an import value of 10.6 months (given the average of import value in the fourth quarter of 2018).

Current account registered a lower surplus than the same period last year.

International reserve at the end of December 2018 stood at 205.6 billion US dollars.

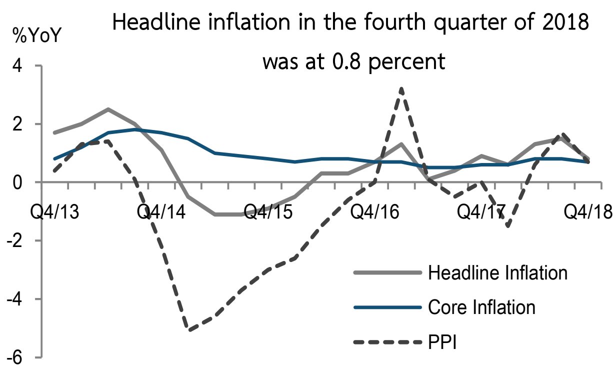


Source: Bank of Thailand

Headline inflation: In the fourth quarter of 2018, headline inflation was averaged at 0.8 percent, decelerated from 1.5 percent in the previous quarter. Food-and-Beverage price index increased by 0.7 percent, compared with a 0.4 percent in the previous quarter, due to an increase in prices of rice, flour & cereal products, fish and aquatic animals, eggs and diary products, and seasonings and condiments. Non-Food and Beverage price index increased by 0.9 percent, decelerated from 2.2 percent in the previous quarter as the domestic retail fuel price slowed down, which caused energy index to increase by 3.4 percent, decelerated from 9.1 percent in the previous quarter. Core inflation was average at 0.7 percent, compared with 0.8 percent in the previous quarter.[4]

In 2018, headline inflation was averaged at 1.1 percent. Core inflation was averaged at 0.7 percent.

Headline inflation was at 0.8 percent, decelerated from the previous quarter due to the deceleration of Non-Food and Beverage price index.



Source: Ministry of Commerce

Producer Price Index (PPI): In the fourth quarter of 2018, Producer Price Index increased by 0.7 percent, decelerated from 1.7 percent in the previous quarter. The price of manufactured products increased by 0.3 percent, decelerated from 1.6 percent in the previous quarter as price of petroleum products declined. The price of mining products increased by 9.5 percent, decelerated from 12.0 percent in the previous quarter as price of lignite, petroleum, & natural gas decreased. Meanwhile, the price of agriculture products increased by 1.1 percent, accelerated from 0.1 percent in the previous quarter as price of crops and live-stocks increased.[5]

In 2018, producer price index increased by 0.4 percent.

Producer Price Index (PPI) increased by 0.7 percent, decelerated from the previous quarter due to the deceleration of price of manufactured products and mining products.

[4] In January 2019, headline inflation was 0.3 percent, Core inflation was 0.7 percent.
[5] In January 2019, Producer Price Index (PPI) decreased by 1.1 percent.

2. Crude Oil price in Q4 of 2018

The crude oil price increased due to the continual of demand expansion, the tensions between the U.S. and Saudi Arabia, the US sanction against Iran, and the influence of geopolitical tensions.

The crude oil price in the global market decreased from the previous quarter, but increased from the same previous last year. In the fourth quarter of 2018, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 65.47 USD per barrel, increased from the same period last year by 11.3 percent, but decreased from the previous quarter by 11.0 percent.

The major factors contributed to the year on year increase of global crude oil price included (i) the continual expansion of global economy that consequently raised demand for crude oil, in particular, those in the US and China, while demand in Europe and Japan decreased, (ii) growing tensions between the U.S. and Saudi Arabia over the disappearance of a Saudi journalist, and the US sanction against Iran, and (iii) the persistent geopolitical tensions, including the political turmoil in Syria.

In 2018, the average crude oil price in the 4 major markets stood at 68.78 USD per barrel, or an increase of 29.7 percent, higher than 53.01 USD per barrel in 2017.

Crude oil price

Year		USD per Barrel					(%YoY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	Average
2016	Year	43.10	45.04	41.40	41.71	42.81	-11.7	-16.0	-18.6	-18.5	-16.3
2017	Q1	51.90	54.60	53.00	53.44	53.24	59.9	55.6	69.4	71.3	63.7
	Q2	48.31	50.92	49.55	49.80	49.65	5.9	8.4	15.1	15.0	11.0
	Q3	48.20	52.22	50.34	50.55	50.33	7.1	11.1	16.8	15.8	12.6
	Q4	55.42	61.55	59.18	59.20	58.84	12.4	20.4	22.8	21.6	19.3
	Year	50.96	54.82	53.02	53.24	53.01	18.2	21.7	28.1	27.7	23.8
2018	Q1	62.90	67.18	63.71	64.04	64.46	21.2	23.0	20.2	19.8	21.1
	Q2	67.89	74.91	71.90	71.93	71.66	40.5	47.1	45.1	44.4	44.3
	Q3	69.61	75.99	74.12	74.41	73.53	44.4	45.5	47.2	47.2	46.1
	Q4	58.77	68.12	67.28	67.70	65.47	6.1	10.7	13.7	14.4	11.3
	Year	64.79	71.55	69.25	69.52	68.78	27.2	30.5	30.6	30.6	29.7
	Oct.	70.81	80.68	79.27	79.95	77.68	37.2	39.9	42.9	44.0	41.1
	Nov.	56.56	65.95	65.67	65.96	63.54	-0.3	4.9	8.2	8.8	5.5
	Dec.	48.94	57.73	56.88	57.18	55.18	-15.5	-9.9	-7.4	-6.9	-9.8
2019	Jan.	51.65	60.24	58.94	59.20	57.51	-18.9	-12.8	-10.8	-10.5	-13.2

Source: Thaioil Plc and EPPO.

3. The World Economy in Q4 and the year 2018

The world economy in the fourth quarter of 2018 softened manifestly from the previous quarter, following the downtrend of the business cycle in major advanced economies, policy interest rates increases, as well as the additional effects from the intensifying trade protectionist measures, and the worsened business sentiment regarding risk factors over the world economy and the financial market. Such constraints resulted in an extensive slowdown of economic growth in several key economies, including the US, the Eurozone (growth being the lowest in 20 quarters), China (112 quarters), and Japan (16 quarters), as well as the NIEs, namely Taiwan (10 quarters) and Singapore (12 quarters).

Nevertheless, following the above-potential growth rates, heightened inflationary pressures, and capital outflows from economies with weak fundamentals, the central banks of advanced and some developing economies continually normalized their monetary policy settings. The US's Fed decided to increase policy rates by 25 basis points and conducting its balance sheet normalization. Similarly, the Bank of Canada raised its rate by 25 basis points, while the ECB halted its monthly asset purchases since the end of December 2018. The slowdown of key economies amidst the continual monetary normalization as well as increases in trade protectionist measures, together with other key risks had instigated volatilities within the global economic and financial system throughout the quarter.

The world economy exhibited clearer and more extensive slowdowns during the last quarter. This followed the downtrend of business cycles in major economics, monetary policy normalization, and the intensifying trade protectionist measures.

Nonetheless, growth rates in several economies remained above-potential. The rising inflationary pressures resulted in a continual monetary policy normalization in many economies.

The US economy is expected to expand by 2.4 percent, decelerating from 3.0 percent in the previous quarter. This was in line with the decelerations in manufacturing production and exports, as reflected by decline in the Purchasing Managers' Index (PMI), reported by the Institute for Supply Management (ISM), from 59.6 in the previous quarter to 56.9 in the fourth quarter. In addition, exports growth softened with a growth rate of 5.7 percent in the first two months of the fourth quarter, compared with 8.1 percent in the previous quarter. Nevertheless, the US economic expansion was still supported by private consumption, which could be seen from the growth of retail sales of 5.3 percent during the first two months of the quarter, compared with a 4.8-percent growth in the previous quarter, consistent with the improvement of the labor market and wages, where the unemployment rate stood at 3.6 percent in the quarter, declining from 3.9 percent in the third quarter and the average hourly wage increased by 3.3 percent, the highest growth rate in 39 quarters. Meanwhile, the core PCE inflation in the first two months of the quarter was at 1.9 percent. Under such conditions of above-potential growth amid strengthened labor market with higher wage rate and close-to-target inflation rate, the Federal Open Markey Committee (FOMC) decided to raise the target range for the federal funds rate by 0.25 basis point to 2.25 – 2.50 percent in the meeting on December 18 – 19, 2018. **For the whole 2018,** the US economy is expected to grow by 2.8 percent, accelerating from 2.2 percent in 2017. The inflation rate was at 2.1 percent, compared with 1.8 percent in 2017.

The US economy tends to decelerate. However, the growth remained higher than its potential and employment conditions remained strong, causing wage rate to accelerate. Inflation rate was close to its target level. Thus the Fed hiked the policy rate as well as reduced its balance sheet.

The Eurozone economy expanded by 1.2 percent, softened from 1.6 percent from the previous quarter, and was the lowest rate in 20 quarters. This was mainly due to the slowdowns in manufacturing and service sectors, in line with the weaker Composite Purchasing Managers' Index (Composite PMI). However, domestic consumption accelerated, in line with an improvement in employment conditions which resulted in 10-year lowest rate of unemployment at 7.9 percent. This was despite the fact that consumption confidence weakened due to concerns over possible No-Deal Brexit outturn and weak economic conditions in Italy. Meanwhile, the headline inflation was lower from 2.1 percent in the previous quarter to 1.9 percent, following a reduction in energy price. With those conditions, in the meeting on January 24, 2019, the ECB decided to keep its policy rate unchanged at least until mid-2019 and ceased its Asset Purchase Programme (APP) at the end of December 2018. **For the whole 2018,** the Eurozone economy expanded by 1.8 percent, decelerating from 2.5 percent in 2017, while the inflation rate was at 1.7 percent, compared with 1.5 percent in 2017.

The Eurozone economy slowed down to the lowest rate in 20 quarters, following the deceleration in manufacturing and service sectors. However, domestic consumption accelerated, in line with the lowest unemployment rate in 10 years.

The Japanese economy plateaued from the third quarter as a result of a negative contribution from net exports, following the slowdown in exports and the acceleration of imports. Nevertheless, private consumption improved, consistent with strong labor market as reflected by the 2.4-percent unemployment rate, the lowest level in 8 years. Another key contributor to private consumption growth was due to accelerated spending before the consumption tax hike in October 2019. Inflation was at 0.9 percent, down from 1.1 percent in the previous quarter, remaining lower than the 2-percent target rate. As a result, the BOJ decided to maintain the policy rate and its level of asset purchases in their meeting on January 23, 2019. **For the whole 2018,** the Japanese economy expanded by 0.7 percent, decelerating from 1.9 percent in 2017. The inflation rate was at 1.0 percent, compared with 0.5 percent in 2017.

The Japanese economy plateaued from the previous quarter, due to the negative contribution from net exports. Nonetheless, private consumption expanded well, consistent with the low unemployment rate. Inflation was still below the policy target.

The Chinese economy expanded by 6.4 percent, decelerated from 6.5 percent in the previous quarter, and was the lowest rate in 28 years. The slowdown was mainly due to slowdown of the agriculture and services sectors, as well as the lessened contribution from net exports due to the increased import tariffs by the US. Exports growth was only at 4.4 percent in the fourth quarter of 2018, lowest in 7 quarters. Similarly, imports expanded by 4.8, which was the lowest in 2 years, and was consistent with the increased import tariffs on US's products and the slowdown of the overall economy. Investment in fixed assets decreased for the first time in 24 years in line with economic restructuring measures, stricter regulation on commercial banks' loan provision, and slowdown of private investment in order to wait for clearer trade policy directions. In terms of economic stability, corporate debt to GDP remained high at 155.1 percent, and both household and government debt ratios also continued to increase. Foreign exchange reserves decreased to 3,073 billion USD at the end of December 2018, the lowest in 6 quarters which was consistent with the 5 consecutive quarters of capital outflows and correspondingly Yuan depreciation at the end of 2018 by 5.6 percent compared with at the end of 2017. Because of the deceleration of the economy with increasing pressures from the unresolved stability risks, the PBOC cut its reserve requirement ratio (RRR) for the fourth time in a year, to 13.5 percent on January 4, 2019, which was effective since the 25th of January in order to increase liquidity in the economy and promote small businesses. **For the whole 2018,** the Chinese economy expanded by 6.6 percent, slowing from 6.9 percent in 2017. The inflation rate averaged at 2.1 percent, compared with 1.6 percent in 2018.

The Chinese economy expanded with a lowest rate in 28 years, from slower growths of agricultural production, services, and net exports. In addition, investment in fixed assets declined. Amidst higher pressures from economic slowdown and intensifying trade tension, the central

The NIEs slowed down from the previous quarter. In detail, the economies of Taiwan and Singapore expanded by 1.8 and 1.9 percent, in comparison with the third quarter rates of 2.4 and 2.4 percent, respectively. Such slowdowns were mainly due to softened manufacturing production and exports. On the other hand, the South Korea economy grew by 3.1 percent, highest in 5 quarters and accelerating from 2.0 percent in the preceding quarter. The 7-year-high expansion in exports in the fourth quarter was the key contributor. **For the whole 2018,** the economies of Taiwan, Singapore, and South Korea expanded by 2.6, 3.2, and 2.7 percent, decelerated from the 2017 rates of 3.1, 3.9, and 3.1 percent, respectively. As for **the ASEAN economies,** most economies favorably expanded, driven by better growth paces of domestic consumption and investment, in line with the improvement in the labor market conditions as reflected by low rates of unemployment. However, exports continually slowed down. The economies of Malaysia, the Philippines, and Vietnam grew by 4.7, 6.1, and 7.3 percent, accelerating from the preceding quarter's growth rates of 4.4, 6.0, and 6.8 percent, respectively. The Indonesia economy grew by 5.2 percent, the same pace as the third quarter. Inflation largely lowered from the third quarter, following the decline in energy and transportation prices. **For the whole 2018,** the economies of Vietnam and Indonesia expanded by 7.1 and 5.2 percent, accelerating from the 2017 rates of 6.8 and 5.1 percent, respectively. On the other hand, the economies of Malaysia and Philippines expanded by 4.7 and 6.2 percent, and were lower than the 2017 rates of 5.9 and 6.7 percent, respectively.

The NIEs mostly slowed down following softened growth pace of exports and manufacturing production. The ASEAN economies largely well expanded following stronger domestic demand, while exports decelerated.

GDP growth, Inflation, and Export growth in several key economies

	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2017	2018			2017	2018			2017	2018		
	Year	Year	Q3	Q4	Year	Year	Q3	Q4	Year	Year	Q3	Q4
USA	6.6	8.5*	8.1	5.7**	2.2	-	3.0	-	1.8	2.1*	2.2	1.9**
EU	9.4	8.3	3.6	0.5	2.5	1.8	1.6	1.2	1.5	1.7	2.1	1.9
Japan	8.3	5.7	2.4	1.5	1.9	0.7	0.1	0.0	0.5	1.0	1.1	0.8
China	6.7	9.7	11.6	4.4	6.8	6.6	6.5	6.4	1.6	2.1	2.3	2.2
Hong Kong	7.6	6.8	8.7	2.1	3.8	-	2.9	-	1.5	2.4	2.5	2.6
India	13.1	8.8	10.0	5.7	6.2	-	7.1	-	3.3	4.0	3.9	2.6
Indonesia	16.3	6.7	8.5	-0.7	5.1	5.2	5.2	5.2	3.8	3.2	3.1	3.2
South Korea	15.8	5.4	1.7	7.7	3.1	2.7	2.0	3.1	1.9	1.5	1.5	1.8
Malaysia	14.7	13.6	9.5	7.8	5.9	4.7	4.4	4.7	3.8	1.0	0.5	0.3
Philippines	19.7	-1.8	1.5	-2.1	6.7	6.2	6.0	6.1	2.9	5.2	6.2	5.9
Singapore	10.4	10.3	12.1	5.5	3.9	3.2	2.4	1.9	0.6	0.4	0.7	0.5
Taiwan	13.2	5.9	3.0	0.1	3.1	2.6	2.4	1.8	0.6	1.4	1.7	0.5
Thailand	9.8	7.7	2.6	2.3	4.0	4.1	3.2	3.7	0.7	1.1	1.5	0.8
Vietnam	21.8	13.0	14.3	6.4	6.8	7.1	6.8	7.3	3.5	3.5	4.1	3.4

Source: CEIC, Collected by NESDC

Note: * averaged over the first 11 months of 2018

** averaged over October and November 2018

4. The World Economic Outlook for 2019

The world economy in 2019 is expected to slow down further from the latter half of 2018, leading by adjustments to the downtrend of the US economic cycle, as well as the deceleration of the Chinese and the Eurozone economies, while other countries have been underway of the adaptation phase against the escalating trade tensions. As such the economic growth of developing countries and the global trade volume are seen to slowly lose its pace further from 2018. **Under the baseline scenario, the world economy and the global trade volume are projected to grow by 3.8 and 3.8 percent,** slowing from 3.9 and 4.0 percent in 2018, respectively.

However, key risks looming economic activities and the financial system in major countries and the overall global economy are still high. With the risks together with the declined inflationary pressures following the downtrend of oil and primary commodities' prices, combined with the downtrend of the economic cycle, it is expected that major economies will start to become more cautious and considers adjusting their monetary normalization more slowly compared with last year. Under the baseline scenario, the Fed is expected to hike its funds rate for 1 – 2 times in 2019, a slower pace than 4 times in 2018, together with a possibility to reconsider its balance sheet reduction measures if risks to the US economic growth loom even more. The central banks of Japan, Canada, and the Eurozone, are expected to maintain their monetary stance, while the PBOC is seen to relax its monetary settings further as well as let the currency to gradually depreciate in order to support its economic growth and pillow the effects of the trade protectionist measures.

The US economy is expected to expand by 2.6 percent, a decelerated pace from 2.8 percent in 2017. The economy will be constrained by above-full-employment economic conditions, diminishing contribution from measures under the Tax Cuts and Jobs Act, as well as the impacts of trade protection measures. However, the US economic growth tends to remain higher than its potential level which, in turn, will cause the unemployment rate to decline unceasingly. This will push upward pressure on wage and thus inflation to be in a range of 2.0 – 2.3 percent, which is slightly higher than the target rate. As a result, this would be one of the supporting reasons for the Fed to continually hike its policy rates. Nevertheless, under the volatilities within the financial and capital markets, and the risk of possible deceleration in the US and global economies, it is likely that the Fed will become more cautious and may slow the policy rate hike compared with the previous year. Under the baseline scenario, it is expected that the Fed will increase the rate 1 – 2 times in June and/or December 2019, compared with 4 increases in 2018. However, it is possible that the Fed would increase the policy rate slower than the base case and reconsider its balance sheet reduction policy, if the risks of capital market volatility and the signs of economic slowdown significantly increase.

The Eurozone economy is estimated to grow by 1.6 percent, decelerating from a 1.8-percent growth in 2018. The expected slowdown trend is in tandem with tighter monetary policy settings after the end of the ECB's Asset Purchase Programme (APP) in December 2018, the high uncertainty surrounding Brexit negotiations, the continuing effects of trade protectionist measures, the effects of the newly implemented emission standards in Germany, and weak economic fundamentals in Italy. This view is also consistent with the January 2019 Composite Purchasing Managers' Index (Composite PMI) which dropped to 51.0, the lowest level in 66 months. Consequently, it is expected that the ECB will continue to maintain its expansionary policy stance.

The Japanese economy is expected to expand by 0.9 percent, which is close to 0.7-percent growth in 2018. The picking up pace will be supported by accelerating domestic production and investment of businesses in order to adjust to the trade protectionist measures, the larger labor force following measures to attract foreign workers beginning April 2019 onwards as a solution to labor shortages, and the acceleration of domestic demand before the consumption tax hike, which will be effective from October 2019. Nonetheless, exports are likely to slow down in line with the economic deceleration of trading partners and remain under risks from the rising US's import tariffs on automobile and automotive parts, if the investigation under Section 232 of the US trade law concludes that importing such products is a threat to the US security. In addition, inflation is likely to remain below the policy target. It is thus expected that the Bank of Japan will continue maintaining its monetary policy.

The Chinese economy is estimated to expand by 6.3 percent, slowing from 6.6-percent growth in 2018, owing to the slowdown trend in exports and manufacturing which will be affected further by the US's tariff measure, and will consequently lead to a slowdown in domestic demand as well. Under economic constraints from high corporate and household debt, together with its financial stabilization and economic restructuring, it is expected that the PBOC will continue to affirm accommodative monetary policy in order to boost economic activities and cushion impacts from the US' tariff measures by gradually let the Yuan depreciate further and alleviate impacts from the tightening financial markets through SFIs credit lending and continually cut banks' reserve requirement ratio (RRR).

The NIEs tend to moderate further from the second of 2018, following the slowdown of global growth and effects of the US-China trade protectionist measures which will cause export growth to slow down during the initial phase of trade redirection and supply chain adjustments. Nevertheless, it is expected that the trade redirection, coupled with manufacturing facility relocation, will increasingly crystalize and cushion the impacts from the global slowdown and the trade protection measures during the latter half of 2019. The growth rates of the Hong Kong, Singapore, South Korea, and Taiwan economies are estimated to rise by 3.4, 3.0, 2.5, and 2.4 percent, respectively, sequentially from the growth rates of 3.5, 3.2, 2.7, and 2.6 percent in 2018. Similarly, **the ASEAN economies** are expected to decelerate due to the deceleration of exports, following the slower economic growths of trading partners, especially the US and China. In addition, domestic demand is likely to face headwinds from the 2018 policy interest hikes aiming to curb down inflationary pressures and to stabilize the currency. Nevertheless, it is expected that changes in international trade direction and global supply chain as a result of the implemented trade protectionist measures will generate some positive spillovers and will be able to mitigate the negative impacts from the trading partners' slowdown and the effects of the trade measures through the ASEAN-China supply chain network. In the base case, the Philippines, Malaysia, Vietnam, and Indonesia are estimated to grow by 6.0, 4.6, 6.8, and 5.2 percent, slower from the 2018 rates of 6.2, 4.7, 7.1, and 5.2 percent, respectively.

Notwithstanding, downside risks from volatilities in the global financial system remain high compared with 2018 which may make the global economic and trade volume growths, as well as monetary policy directions, to diverge from the baseline assumptions. Key risks that are needed to be consistently monitored are as follows: (i) the uncertainties revolving around the US-China trade negotiations and their subsequent trade policy directions, after the two countries' agreement to temporarily hold off on additional tariffs on each others for 90 days but will terminate on March 1st, 2019; (ii) the possibility of additional trade protectionist measures with other countries, especially after the conclusion of section 232 investigation into the imports of motor vehicles and automotive parts on the US's security which is scheduled to conclude on February 17th, 2019; (iii) the progress of the UK's Brexit negotiations with the EU, before its planned departure on March 29th,2019; (iv) the slowdown of the Chinese economy amid its instability risks posed by economic imbalances, which will be intensified by the trade tension as well as capital outflows and production relocation; (v) stability risks in several emerging markets and developing economics with weak economic fundamentals (for example, Venezuela, Argentina, Turkey, and South Africa); (vi) non-aligned US's policies directions, which will obstruct the 2019 budgeting process and the debt ceiling resolutions due on March 1st as well as the 2020 budgeting process during the last quarter of 2019; (vii) volatilities in the financial market from investors' expectations and their investment direction adjustments following key economies' monetary policy direction and growth prospects; and (viii) the unresolved geopolitical conflicts, particularly the Saudi Arabia – Iran in Yemen civil war, the US' withdrawal from the Intermediate-range Nuclear Forces (INF) treaty, and Venezuela's domestic political unease.

5. Thai Economic Outlook for 2019

The Thai economy in 2019 is inclined to face with increased limitations and downside risks posed by global economic and financial volatilities. Under the baseline scenario, it is nevertheless expected that the Thai economy will grow at a favorable pace, driven primarily by the improving domestic demand, particularly private consumption and investment, as well as the recovering tourism sector and the positive impact from the redirection of international trade. All of which will ease the strains from the global economic slowdown, which has slowly been dragging on Thai economic and exports growth since the second half of 2018. However, the volatile global economic condition, as well as the domestic political sentiment and policy directions after the election, still needs close monitoring.

Supporting factors for the economic growth:

1) **Private consumption tends to keep its strong growth momentum,** and continually support the overall economic expansion. Particularly, in 2018 it grew at a strong rate of 4.6 percent, which accelerated from the 2017 rate of 3.0 percent and was the highest rate in 6 years. These improvements were buttressed by: (i) the overall improvement of income base, generated from diverse sectors especially those related to tourism, exports, and manufacturing sectors, in addition to the expansion of certain key agricultural outputs and prices; (ii) the stronger employment conditions as evident by the continual growth throughout the year of both agricultural and non-agricultural employment. In the fourth quarter of 2018, the employed persons in the agricultural sector rose, for four consecutive quarters, by 2.4 percent. Similarly, the non-agricultural sector showed a growth of 1.7 percent, accelerating from 1.6 percent in the third quarter and was the second period of consecutive accelerations. By industry, the number of employed persons grew by 5.0 percent in construction (10-quarter highest), 4.6 percent in manufacturing (45-quarter highest), and 1.5 percent in retail and wholesale trades (8-quarter highest). As such, the improvement of the employment condition resulted in the lowest unemployment rate in 12 quarters, at 0.9 percent; (iii) the currently low rates of interest and inflation; (iv) the new car model launches, amidst the end of the five-year ownership requirement under the first-car buyer scheme; and (v) the government's continual measures to support the low-income citizens. As such, it is expected that, throughout the year 2019, the improved income base, better employment conditions, low inflation and interest rates, and the government's measures targeting the low income, together with additional spending during the election, will jointly support the growth dynamics of private consumption. Nevertheless, the high growth base of passenger car sales tends to pose some constraints on the expansion of durable goods spending, and inevitably cause private consumption growth soften from 2018.

2) **Private investment has been on a more-pronounced recovery pace,** especially in machinery and equipment. Investment in machinery and equipment continues to expand following continued export growths which have been driving the capacity utilization rate of key export-oriented industries to increase further and thus enter into a period of investment expansion aiming to expand the production capacity. Particularly, the capacity utilization rate in the fourth quarter of 2018 was at 68.4[6] percent, higher than 67.4 percent in the same period last year. On the other hand, investments in construction tend to expand correspondingly with the progresses of major public infrastructure projects as well as the overall economic recovery. As for 2019, private investment tends to grow more pronouncedly, following: (i) high capacity utilization rates in key industries, which will encourage production industries to expand their investments; (ii) better domestic investors' sentiment, in line with the increases in total value of investment applications received via the Board of Investment (BOI). In 2018, there were investment application values of 901 billion baht, an increase by 42.8 percent. Particularly, values of 683.9 billion baht were those applied to invest in the Eastern Economic Corridor (EEC) area, which increased by 137.4 percent from the value in 2017. Some of these projects are expected to start their investments within 2019; (iii) the progresses of major investment projects, both key infrastructure and the development of EEC; and (iv) the production and investments relocation in response to the escalated US-China trade tension.

[6] In the fourth quarter of 2018, the average capacity utilization rate stood at 68.4%, an increase from 66.4% in the third quarter of 2018 and 67.4% in the fourth quarter of 2017. Among the 23 key industries, 2 industries exhibited above-90 percent capacity utilization rates, namely: rubber and plastics products (99.0%) and motor vehicles (97.4%). Other 2 industries had 80 – 90 percent capacity utilization rates, which are consisted of refined petroleum products (88.4%) and processing and preserving of meat (83.8%). In addition, there were 3 industries with 70 – 80 percent capacity utilization rates,

Progresses of Key Public Infrastructure Investment Projects

Major public infrastructure investment projects' progresses have been satisfactory, and it is expected that the disbursement figures for these projects will keep rising accordingly. As of 4th February 2019, there are 20 projects, with the total budget of 728,669 million baht, under the 2016 Transport Action Plan (20 projects in total), the 2017 Transport Action Plan (36 projects in total), and the 2018 Transport Action Plan (9 projects in total), which have been proceeded into the construction phase. They are divided into: (i) 14 projects under the 2016 Transport Action Plan with the total investment value of 723,109 million baht; (ii) 5 projects under the 2017 Transport Action Plan with the total investment value of 3,517 million baht; and (iii) 1 project under the 2018 Transport Action Plan with the total investment value of 2,043 million baht.

As for key infrastructure investment projects under the Eastern Economic Corridor Plan (EEC) (the high speed train project linking 3 major airports (Don Muang - Suvarnabhumi - U Tapao, the U Tapao Airport and Eastern Airport City project, the 3rd phase of Laem Chabang (LCB) Port project, the 3rd phase of Map Ta Put Industrial Port Development project, and the Aircraft Maintenance, Repair and Overhaul (MRO) project), all of them are already approved by the cabinet. The projects are under the process of bidding and negotiating with the potential private partners, are conceivable to be signed as soon as the second quarter of 2019.

Progress of 20 Public Investment Projects under the Transport Action Plan Year 2016 (1,383,938.89 MB. Budget*)

Project	Budget (MB.)	Progress (Percent)
Dual-track rail: Jira – Khon Kaen	23,803	94.2
Coastal port (Port A) at Laem Chabang Port	1,864	100.0
Container depot at Laem Chabang: Stage I	2,031	98.8
Intercity motorway: Pattaya – Map Ta Phut	17,819	96.7
Intercity Motorway: Bang Pa In – Nakhon Ratchasima	76,600	59.9
Mass Rapid Transit Orange Line: Thailand Cultural Centre – Minburi	109,541	27.0
Meter gauge (1 meter) rail development Prachuab – Chumporn	36,023	16.2
Meter gauge (1 meter) rail development Mab Kabao – Jira	30,729	7.4
Meter gauge (1 meter) rail development Lopburi – Pak Nam Pho	22,328	4.9
Train route: Bangkok – Nakhon Ratchasima (Thai – China Cooperation)	179,413	Construction started
Intercity Motorway: Bang Yai – Kanchanaburi	49,120	18.2
Mass Rapid Transit Pink Line: Khae Rai – Minburi	56,691	Rigjts allocation, civil and system work
Mass Rapid Transit Yellow Line: Lat Phrao – Samrong	54,644	
Suvarnabhumi airport: Stage II	62,503	93.5

Under Construction 723,109 MB.

Bidding Process 399,706 MB.

Project	Budget
MRT Light Red Line and Dark Red Line	44,158 MB.
MRT Purple Line: Tao Pun – Rat Burana	131,004 MB.
The High-Speed Rail Linked 3 Airport Project (Don Muang – Suvarnabhumi – U-Tapao)**	224,544 MB.

MOT / SEPO / NESDB Consideration Process 94,673 MB.

Project	Budget
High-speed train route: Bangkok – Hua Hin	94,673 ลบ.
High-speed train route: Bangkok – Phitsanulok (Thai – Japan Cooperation)	N/A

* Initially 1,796,385 MB. from 1 Dec 2015 cabinet decisions

** Includes the High-speed train route: Bangkok – Rayong project

Source: Ministry of Transport as of 4 February 2019

Progress of 36 Public Investment Projects under the Transport Action Plan Year 2017 (895,757.55 MB. Budget*)

In Service 738 MB.

Project	Budget (MB.)
Ferry Service across Gulf of Thailand	N/A
Common Ticket System	738

Under Construction 3,517 MB.

Project	Budget (MB.)
Truck rest area on the main routes	480
Intermodal Facility at Chiang Khong, Chiang Rai	2,219
Regional airport: Mae Sod, Tak	369
Regional airport: Betong, Yala	338
Regional airport: Sakon Nakorn	111

Bidding Process 42,687 MB.

Project	Budget (MB.)
Express Way Rama 3 – Dao Kanong – Outer Ring (West)	31,244
Baggage System Upgrade at Suvarnabhumi airport	3,264
Krabi Airport	3,876
Aircraft Maintenance, Repair, and Overhaul Facility Development at U-Tapao Airport	4,303

Cabinet Approval Process 85,345 MB.

Project	Budget (MB.)
Dual Track Rail: Den Chai – Chiang Rai – Chiang Khong	85,345

MOT / SEPO / NESDB Consideration Process 464,634 MB.

Project	Budget (MB.)
Cross-border Logistics Center, Nakorn Phanom	1,169
Intercity Motorway (Nakorn Phatom – Cha Am)	80,600
Expressway Kratu – Patong, Phuket	14,177
Dual Track Rail: Paknampho – Den Chai	62,614
Dual Track Rail: Jira – Ubonratchathani	37,524
Dual Track Rail: Khonkaen – Nong Khai	26,654
Dual Track Rail: Chumporn – Surat Thani	24,287
Dual Track Rail: Surat Thani – Songkhla	57,369
Dual Track Rail: Hat Yai – Padang Beza	8,116
Dual Track Rail: Den Chai – Chiang Mai	59,915
Dual Track Rail: Ban Pai –Nakorn Phanom	67,965
Commuter Train Dark Red Line: Rangsit – Thammasat University Rangsit	6,570
MRT Light Red Line Extension: Taling Chan – Siriraj and Taling Chan – Salaya	17,672

Study / Survey / EIA / PPP 257,566 MB.

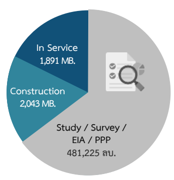
Project	Budget (MB.)
Regional Logistics Center in 7 border cities	8,121
Regional Logistics Center in 5 regional cities	8,606
MRT Orange Line: Taling Chan – Thailand Cultural Centre	120,459
Mass Transit in Phuket	30,155
Lam Cha Bang port: Phase 3	91
Development of Ferry Terminal, Golf of Thailand	982
Public Bus Procurement and Stations	572
MRT Blue Line: Bang kae – Sai 4	21,197
MRT Dark Green Line: Samutprakarn – Bang Pu	9,530
MRT Dark Green Line: Kukot – Lumluka	9,803
Mass Rapid Transit: Dark Green Samutprakarn – Bang Pu	30,500
Northern Route N2 and E-W Corridor, and Route N1 replacement	23,215

*13 Dec 2016 cabinet decisions **Double Track Rail Network: Huahin – Prachuap Khiri Khan in reported in AP 2016

Source: Ministry of Transport as of 4 February 2019

Progress of 9 Public Investment Projects under the Transport Action Plan Year 2018 (489,366.30 MB. Budget)

No.	Project	Budget
01	489 NGV Public buses	1,891 MB.
02	Regional airport development: Khon Kaen	2,043 MB.
03	Intercity Motorway: Rangsit – Bang Pa-In	29,400 MB.
04	Intercity Motorway: Thonburi – Pak Tho	43,000 MB.
05	High-speed train route: Bangkok – Chiang Mai	272,226 MB.
06	Mass Transit in Chiang Mai	107,233 MB.
07	Mass Transit in Nakhon Ratchasima	13,593 MB.
08	Mass Transit in Khon Kaen	13,947 MB.
09	Dry Port Khon Kaen	1,826 MB.



Source: Ministry of Transport as of 4 February 2019

3) Public investment tends to accelerate, despite the below-than-expected growth in 2018 which was due to: (i) the smaller FY2018 government's capital budget framework relative to that of FY2017 by 0.4 percent, which means that the growth of government investment will depend on higher disbursement rate; and (ii) the lower-than-expected disbursement rate of capital budget in the last quarter of 2018. Nevertheless, the investments of the state-owned enterprises expanded at a satisfactory rate of 8.7 percent. This was in line with the progresses of major infrastructure projects, which tends to support the overall economic growth. For the year 2019, public investment is expected to accelerate due to: (i) the increase of the FY2019 and FY2020 capital budget (which will be disbursed within the last quarter of CY2019) framework by 19.9 percent and 6.9 percent, respectively; (ii) the increase of the FY2019 carry-over budget by 13.1 percent; (iii) the progresses of key infrastructure projects, particularly those 14 projects under the Transport Action Plan Year 2016 that have been under construction (with 723,109 million baht investment value), compared with 9 projects in the same period last year (with 522,280 million baht), of which the operation and disbursement are expected to accelerate. This is especially the projects that are intended to be completed their constructions and to start their operations by the year 2020 – 2021.

4) **A recovery in the tourism sector will contribute more to the overall economy.** Although the number of tourists' growth in 2018 were hindered by temporary factors including the 2018 FIFA World Cup organized in Russia during June – July 2018 and the Phuket boat capsize incident in July which were a major setback to the economic growth in the latter half of 2018. The number of foreign tourists has been recovering evidently through the 4.5- and 7.7-percent growth in November and December, respectively, which were accelerations from 1.9 percent in the third quarter and 0.5 percent in October. The number of Russian and European tourists expanded by 1.4 and 0.9 percent in the fourth quarter of 2018, a clear recovery from the contractions of 7.8 and 2.1 percent in the preceding quarter, respectively. Similarly, the December number of Chinese tourists expanded for the first time in 6 months. Moreover, the latest January 2019 data on visitors through 5 main airports showed a clear improvement, with a 6.0-percent growth. Following the ongoing trend, it is expected that the tourism sector will return to its normal trend and further bolster Thailand economic growth throughout 2019.

5) **Redirection of international trade, global manufacturing production, and foreign investment will become more apparent, and as a result will cushion the effects of the global economic slowdown.** The slowdown of export value from 13.5 percent growth in the first half of 2018 to 2.4 percent in the second half was consistent with the shift in global economic cycle that passed through its peak period and started to be on its slowdown trend, and was also a result of the further intensified trade protectionist measures of the key countries. Notwithstanding those occurrences, data in the last quarter of 2018 suggested that Thai exports to the US and China has been benefiting from those measures in many export items. In addition, investment data also provided some signs of the changes in trade direction and supply chain outward from the affected countries, and are expected to further materialize if the US-China trade tensions escalate. Such redirections will not only pillow the effect of global economic slowdown, but will also be an important opportunity for Thailand to stimulate export and investment in order to further drive potential economic growth.

Limitation and Risk Factors:

1) **The global economy could expand less than expected while risks over the fluctuations in the economic and financial system remain high.** Under the base case scenario, it is expected that the world growth will be 3.8 percent, gradually slowing down from the 3.9-percent growth in 2018. Key risk factors to the outlook include: (i) outcome of the US-China trade negotiations dated on March 1st, 2019, as well as the trade policy direction afterwards; (ii) possible escalation of the US's trade protectionist measures to other countries especially after the conclusion of the section 232 investigation on the US's imports of motor vehicles and automotive parts due in February 2019 that will determine the trade policy direction, which may include additional trade protectionist measures; (iii) slower-than-expected Chinese economy and increasing instability risks from the continual built up of imbalances, which might also be aggravated by trade protectionist measures, together with capital outflows and production relocation; (iv) the risk that the UK may not be able to reach an agreement on the exit from EU (No-Deal Brexit) by March 29th, 2019; (v) non-aligned US's political policy directions between the Democratic and Republican parties, which would hinder the budget bill's approval process and the resolution of the US public debt ceiling; and (vi) unsettled geopolitical conflicts, including the Iran-Saudi Arabia tension, US's withdrawal from the Intermediate-Range Nuclear Forces (INF) Treaty, and Venezuela domestic political unease.

2) **Post-election political sentiment and the future government's policy direction are to be monitored.** Although it is expected that the political transition will be smooth and the key policies will continue, the political sentiment both during- and post-election periods as well as new government policy direction may pose some impacts on overall economic sentiment as well as investors' and tourists' confidence. Moreover, the FY2020 budget process and some investment approval could possibly be delayed.

Key assumptions for 2019 economic projection:

World Economic Projection

	Actual Data		Projection for 2019	
	2017	2018	Nov 19, 2018	Feb 18, 2019
World Economic Growth (%)[1]	4.1	3.9	3.8	3.8
USA	2.2	2.8[2]	2.6	2.6
EU	2.5	1.8	1.9	1.6
Japan	1.9	0.7	0.9	0.9
China	6.8	6.6	6.3	6.3
World Trade Volume (%)	5.1	4.0	3.8	3.8
Exchange Rate (Baht/US dollar)	33.9	32.3	32.5 – 33.5	31.5 – 32.5
Dubai Crude Oil (US Dollar/Barrel)	53.0	69.3	70.0 – 80.0	62.0 – 72.0
Export Price (US Dollar) (%)	3.6	3.4	1.0 – 2.0	0.5 – 1.5
Import Price (US Dollar) (%)	5.5	5.6	1.5 – 2.5	1.0 – 2.0
Income from Tourism (Trillion baht)	1.93	2.05	2.24	2.24

Source: NESDC
[1] World economic calculated by trade weight of key economic partners in 2017 (15 economies)
[2] Forecasted, since the data available is only up to the 3rd quarter of 2018.

1) **The world economy in 2019 is expected to grow by 3.8 percent, decelerating from a 3.9-percent growth rate in 2018,** as assumed in the preceding projection. This follows the slowdown of key economies, particularly the US, China, the Eurozone, and the Newly Industrialized Economics (NIEs). Latest data on the fourth quarter of 2018 exhibited a deceleration trend with lowest growth rates in many countries, partly as a result of the trade protectionist measures between the US and China which has resulted in weaker exports performance in several economies and thus slower trade volume growth. In the case that there is no additional US' trade protectionist measures and China's counter measures, **the world trade volume is projected to expand by 3.8 percent, which is a slowdown from 4.0 percent in 2018** (but maintained from the previous projection assumption). Nevertheless, there are some risks that could contribute to a lower world economic and trade volume expansion than assumed, and need close surveillance.

2) **The average value of Thai baht in 2019 is expected to be in the range of 31.5 – 32.5 baht per US dollar, appreciated from 32.3 baht per US dollar in 2018** and 32.5 – 33.5 baht per US dollar in the previous projection, following: (i) the likely slower pace of the Fed's policy rate hikes and long-term US treasury yield increases compared with the previous assumption. Under the baseline scenario, it is expected that the Fed will raise its policy rate for 1 – 2 times during 2019 and that the average yield on 10-year Treasury notes in the last quarter of 2019 will be at the same level as it was in the last quarter of 2018. This is different from the previous forecast assumptions which assumed that the Fed will raise its rate for 2 – 3 times and the average yield will be higher than it was in the last quarter of 2018; and (ii) the intensified risks in key countries which would dampen investors' confidence towards the slowdown trend of major economies, which thus would affect business profitability and lower returns on those economies' equities.

3) **The average Dubai crude oil price in 2019 is expected to be in the range of 62.0 – 72.0 US dollar per barrel, lower than 69.3 US dollar per barrel in 2018, and was a downward revision from 70.0 - 80.0 US dollar per barrel.** This was to be consistent with the decreases in oil prices during the fourth quarter of 2018, specifically from 79.3 and 65.8 US dollar per barrel in October and November, respectively, to average only 56.9 US dollar per barrel in December. Supporting factors for the lower oil prices are: (i) concerns on oversupply as Saudi Arabia and Russia provided signals on raising oil production, in order to alleviate the effects of Iranian crude oil supply reduction (under the US Sanction against Iran). However, US issued a temporary relieving measure to 8 countries allowing them to import Iranian oil for 180 days, which will expire on May 3rd, 2019; (ii) the faster-than-expected crude oil production increases of the US; and (iii) the intensifying of risks in major countries, which worsen investors' concerns over the global slowdown and thus would cause the oil demand to increase at slower pace than expected. Nevertheless, there are still factors that will support oil prices to increase gradually over the remainder of the year, including: (i) oil production reduction from both OPEC and non-OPEC countries, totaling 1.2 million barrel per day, from January – June, 2019; (ii) the expiration of the waiver to 8 countries importing crude oil from Iran on May 3rd , 2019, which will lead to the reduction of Iran's crude oil production; and (iii) the likely decline of crude oil supply from Venezuela, as a consequence of the US's sanction.

Thai exports under the global slowdown and the trade protection measures: Opportunities and Policy Implications

Thai exports in the last quarter of 2018 continued to grow though at slower rate, in line with the more broad-based deceleration in exports growth of major countries in the region, particularly, the exports of those countries with high export share to China. The export slowdown was also consistent with the deceleration in world economic expansion amid increasing pressures from trade tensions and the slowdown of Chinese economy with the lowest growth rate in the past 28 years. However, Thai export goods, in particular those listed on the tariff lists announced under the US and China's trade protection measures, grew by 4.8 percent and were actually the main supporter of the overall Thai export expansion in this quarter. In contrast, Thai exports, in which their categories were not included on the tariff lists, declined by 1.1 percent (Table 1). In addition, it was found that the Thai export goods that expanded well in the US market, mostly were those under the same categories as those on the US tariff lists imposed on Chinese imports (Table 2). Similarly, the Thai export goods that could expand in the Chinese market mostly were the ones under the same categories as those on the Chinese tariff lists imposed on the US imports (Table 3). On the other hand, the Thai export goods that declined in the Chinese market were mostly the ones with the same categories as those on the tariff lists that the US imposed on Chinese imports. This result clearly illustrated how trade protection measures could impact Thai exports through the linkage of the Thai-Chinese supply chain (Table 4). Nevertheless, the impacts through the linkage of the Thai–US supply chain, particularly the US goods manufactured for exporting to China using Thai intermediate goods, remained not yet clear.

The data revealed three important facts including: (i) the deceleration of world economic growth started to impact on Thai exports and experience some declines, as reflected by the decline in exports of those outside the trade protection measures, (ii) trade protection measures between the US and China posed negative impacts on Thai exports through the linkage of the Thai-Chinese supply chain where Thai intermediate goods were used for manufacturing Chinese goods and, later on, exporting to the US, and (iii) the positive benefits from change in trade direction caused by the trade protection measures were likely to outweigh the negative effects that occurred through the supply chain linkage. Under such data and information, policy for driving Thai exports in 2019 should thus focus mainly on : (i) promoting Thai exports that could benefit from the trade protection measures in both the US and China markets. According to the data collected by the NESDC, it was found that of total 6,847 Chinese products including on the US tariff lists (value of 250 million USD), by using the 8-digit Harmonized System Code, there were 2,556 products (value of 22.1 million USD) of Thai export products to the US market with the same categories as those Chinese products. Similarly, of total 5,865 US products including on the Chinese tariff lists (value of 110 million USD), there were 3,042 Thai products exporting the China (value of 31.5 million USD) that were in the same categories as those US products, of (ii) providing assistance measure for exporters impacted by the trade protection measures through the supply chain, especially those exporters who export their products to China and re-export to the US in order to diversify their exports to other markets, and (iii) monitoring on changes in key import products which are subjected to the tariffs imposed by the US and/or China, as they could be re-channeled to the Thai market

Table 1 Current situation of Thai export goods and trade barrier between US and China

%YoY	2017	2018				
		Year	Q1	Q2	Q3	Q4
Total Exports (Customs basis)	**9.9**	**6.7**	**11.7**	**10.9**	**3.0**	**2.0**
Under US measures applied to China	18.3	10.3	17.7	11.2	6.9	6.3
Under China measures applied to US	-6.4	4.1	8.5	2.8	1.8	3.5
Under trade barrier measures between US and China	3.0	6.8	12.5	6.4	4.0	4.8
Outside trade barrier	19.2	6.6	10.8	16.6	1.7	-1.1

Table 2 Examples of Thai exports to the US with positive Changes (YoY%)

	HS	Items	2018				
			Year	Q1	Q2	Q3	Q4
IP	2931	Organo - inorganic compounds	59.9	52.2	59.4	63.2	62.8
	3907	Polyacetals, other polyethers and epoxide resins, in primary forms	73.2	46.9	50.5	43.6	44.9
	5503	Synthetic staple fibres	166.7	140.8	163.8	139.8	215.9
	7205	Granules and powders, of pig iron, spiegeleisen, iron or steel	74.2	64.9	31.8	17.1	207.6
	8708	Parts and accessories of the motor vehicles	46.2	46.9	50.5	43.6	44.9
FP	4011	New pneumatic tyres, of rubbery used on motor cars	29.1	43.6	26.8	19.3	28.9
	7307	Tube or pipe fittings of iron or steel	81.7	110.5	19.2	96.6	124.8
	8512	Electrical lighting or signalling equipment used for cycles or motor vehicles	70.2	56.7	89.5	49.6	86.8
	8517	Electrical apparatus forline telephony	29.4	-52.4	10.9	74.5	108.9
	8543	Electrical machines and apparatus	26.7	-84.3	0.5	84.9	238.0

Table 3 Examples of Thai Exports to China with positive changes (YoY%)

	HS	Items	2018				
			Year	Q1	Q2	Q3	Q4
IP	2309	Preparations of a kind used in animal feeding	102.8	129.0	120.1	61.6	111.3
	2520	Gypsum; anhydrite; plasters	32.7	12.6	86.5	8.2	32.1
	2902	Cyclic hydrocbons	128.4	98.3	114.9	125.4	175.4
	2918	Carboxylic acids with additional oxygen function	87.8	105.3	92.3	112.7	63.0
	3903	Polymers of styrene, in primary forms	101.6	73.4	131.1	133.9	73.2
	3907	Polyacetals, other polyethers and epoxide resins, in primary forms	26.6	26.8	51.2	24.0	9.8
	4003	Reclaimed rubber in primary forms	87.5	56.8	95.9	107.0	89.1
	8503	Parts suitable for use solely or principally with machines	52.1	62.3	112.5	47.7	15.6
	8525	Transmission apparatus for radio-telegraphy	283.9	585.9	388.7	459.4	182.4
	8541	Diodes, transistors and similar semiconductor devices	91.4	134.9	73.0	65.7	108.3

Table 4 Examples of Thai Exports to China with negative changes (YoY%)

	HS	Items	2018				
			Year	Q1	Q2	Q3	Q4
IP	2708	Pitch and pitch coke	-27.4	-19.9	-36.6	-47.5	0.8
	3916	Monofilament of which any cross-sectional dimension	-84.4	-82.9	-93.2	-84.4	-72.1
	4007	Vulcanised rubber thread and cord	2.5	11.5	24.2	-8.7	-11.7
	4410	Particle board and similar board	-0.6	6.8	152.0	-32.8	-43.4
	5503	Synthetic staple fibers, not carded	42.0	5.3	180.6	61.0	-23.8
	5505	Waste of man-made fibers	-33.9	-48.5	-22.9	-29.8	-36.3
	5603	Nonwovens or not impregnated, coated, coverd or laminated	-15.9	-5.3	-40.5	23.0	-36.3
	8472	Other office machines	2.1	58.7	18.5	3.0	-37.9
	8542	Electronic integrated circuits and microassembies	-16.8	13.4	12.8	-49.1	-24.3
FP	8413	Pumps for liquid	-29.6	-13.0	-29.4	-40.5	-30.1
	8414	Air or vacuum pumps	-41.3	-16.2	-17.3	-28.1	-70.8
	8481	Taps, cocks, valves and similar appliances	-9.5	58.7	43.7	-43.9	-59.1
	8483	Transmission shafts and cranks	-17.1	-14.3	-1.2	-27.9	-23.2
	9002	Lenses, prisms, mirrors and other optical ele-ments	-29.6	-16.1	-9.4	-30.2	-46.6

Table 5 Opportunities of Thai exports from trade protection measures between US and China

US Market

Items under US measures applied to China (detailed by 8 - digit HS Code)			Thai export items with the same items of measures	
Package	Items	Value (Bil USD)	Items	Value (Bil USD)
16 bil USD	284	16	152	1.9
34 bil USD	818	34	460	5.6
200 bil USD	5,745	200	1,944	14.5
Total	6,847	250	2,556	22.1

China Market

Items under US measures applied to China (detailed by 8 - digit HS Code)			Thai export items with the same items of measures	
Package	Items	Value (Bil USD)	Items	Value (Bil USD)
16 bil USD	**114**	**16**	**63**	**2.6**
34 bil USD	545	34	131	3.8
200 bil USD	5,206	60	2,848	25.1
Total	5,865	110	3,042	31.5

4) **The export and import prices in US dollar term are expected to increase by 0.5 – 1.5 and 1.0 – 2.0 percent,** slower from 3.4 and 5.6 percent in 2018, respectively and downwardly revised from 1.0 – 2.0 and 1.5 – 2.5 percent previously assumed. This is in line with the downward revision of world crude oil price assumption in 2019 with expected decline rate of 3.3 percent from 2018, compared with the 6.5 percent growth in the previous assumption. The assumption revision implies that oil-related mineral, energy, and manufacturing export prices will increase at a slower rate than previously assumed, similarly for the prices of oil-related import products including energy, raw material, and intermediate goods.

5) **Revenues from foreign tourists in 2019 are expected to reach 2.24 trillion baht, increasing by 9.2 percent from 2.05 trillion baht in 2018.** The assumption remains unchanged from the previous projection, with the following supporting factors: (i) the return to the normal trend of tourists from Russian and European countries, after unusual low growths during 2018 due to the June – July 2018 FIFA World Cup organized in Russia which brought European tourists to change their destination from other countries and travel more to Russia. The recovery is evident since the fourth quarter of 2018, as the number of tourists from Russia and Europe grew by 1.4 and 0.9 percent, respectively. Similarly, another key supporting factor include the normalizing trend of Chinese tourists after experienced with boat capsizing incident in Phuket on July 5th, 2018. This is evident by the data in December showing that the number of Chinese tourists grew for the first time in 6 months at 2.8 percent. In addition, the data on visitors to the 5 main airports in January 2019 also exhibited a stronger growth of 6.0 percent. All the factors are in line with the previous assumption that the number of tourist arrivals will normalize in the first quarter of 2019; (ii) the government's continual measures to promote tourism sector, especially the extension of the temporary waiver on the visa-on-arrival (VOA) fee to end on April 30th, 2019, secondary city tourism promotions, market seeking on potentially new tourist markets, and marketing campaigns to attract first-time visitors; and (iii) image of Thailand regarded as one of the world's most important tourism destinations.

6) **The budget disbursement** assumptions are as follows: (i) the FY2019 annual budget disbursement rate of 92.0 percent of overall budget (downwardly revised from 93.0 percent in the previous projection), compared with 91.5 percent in the FY2018. Specifically, the current and capital budgets are assumed to be disbursed by 98.0 percent (same as in the previous projection) and 70.0 percent (downwardly revised from 75.0 percent previously assumed, following the below-than-expected disbursement performance in the first quarter of FY2019), compared with 96.1 percent and 70.5 percent in the FY2018, respectively; (ii) state-owned enterprises' capital budget disbursement of 80.0 percent; (iii) carry-over budget disbursement of 75.0 percent; and (iv) annual budget disbursement in the first quarter of FY2020 (October – December 2019) of 30.3 percent.

Economic Projection for 2019:

The Thai economy is projected to expand in the range of 3.5 – 4.5 percent (with the midpoint of 4.0 percent), from 4.1 percent in 2018. Headline inflation is estimated to be in the range of 0.5 – 1.5 percent and the current account balance is forecasted to register a surplus of 6.2 percent of GDP.

In the press release dated on February 18th, 2019, NESDC forecasted that the Thai economy in 2019 will expand in the range of 3.5 – 4.5 percent (with the midpoint of 4.0 percent), unchanged from the forecast in the press release dated on November 19th, 2018. Although there were some revisions on crude oil price and exchange rate assumptions, which caused alterations to the import and export prices, as well as current accounts, and inflation rate projection, the revisions did not significantly affect the economic growth and its components forecasts. Nevertheless, there are more risks looming to the outlook than in the previous forecast and thus are in need of close surveillance and assessment.

(1) The volatilities of the global economy and financial markets are still depending on: (i) the outcome of the US-China trade negotiations planned on March 1st, 2019, as well as the economic and trade policy direction afterwards; (ii) the conclusion of the section 232 investigation into the imports of motor vehicles and automotive parts in February 2019 that will determine the US government's resulted policy direction; (iii) the slowdown of the Chinese economy and its instability risks, which might be aggravated by additional trade protectionist measures, together with capital outflows and production relocation; (iv) the risk that the UK may not be able to reach an agreement on the exit from EU (No-Deal Brexit); (v) obstacles to the US federal budgeting process and the debt ceiling problem; and (vi) key unsettled geopolitical conflicts.

(2) Although it is expected that the political transition will be well-ordered and the long-term key policies will continue, investors' confidence and overall economic sentiment may be sensitive to the during-election and post-election political conditions. In addition, the FY2020 budget consideration process and investment project approvals could possibly be delayed.

Key components of the economic growth :

1) **Consumption: Private consumption expenditure** is expected to grow by 4.2 percent, the same as previously estimated. However, private consumption decelerated from a 4.6-percent growth in 2018 due to a high base effect, especially in consumption of durable goods. Nevertheless, private consumption tends to exhibit a favorable expansion supported by: (i) the satisfactory improvement of overall income conditions which is in line with the improvement in employment conditions, in both agricultural and non-agricultural sector, since the first quarter of 2018. This, in turn, caused a reduction in unemployment rate of 0.9 percent in the last quarter of 2018, which is the lowest rate in 12 quarters. Moreover, it is expected that the income bases of tourism-related and service sectors would grow at accelerated rates, while those in manufacturing, export, and agricultural sectors would grow moderately; (ii) interest and inflation continue to remain low; and (iii) the government measures to assist low-income people. **Government consumption expenditure** is anticipated to expand by 2.2 percent, the same as previously estimated, accelerating from 1.8 percent in 2018. This is in line with an increase in budget framework and expected higher disbursement rates.

2) **Total investment** is expected to grow at 5.1 percent, the same as previously estimated, accelerated from 3.8 percent in 2018. **Public investment** is projected to expand by 6.2 percent, same as previously estimated, accelerated from 3.3 percent in 2018. The main supporting factors are increase in the FY2019 annual capital budget framework of 19.9 percent, compared to a reduction of 0.4 percent in the FY2018, and favorable progress of infrastructure projects, which have continued to enter into the construction phase and would help speed up budget disbursement of state-owned enterprises, especially the projects that are targeted to finish and operate during 2020 – 2021. **Private investment** is expected to expand by 4.7 percent, the same as previously estimated, accelerated from 3.9 percent 2018. The supporting factors are (i) an increase in capacity utilization rate, which is in line with increases in exports and domestic demand. This, in turn, will encourage more investments as to increase production capacity, especially in those industries with capacity utilization rate higher than 75.0 percent as well as those industries that tend to have greater opportunity from the trade tension between the US and China; (ii) the progress of Public-Private Partnership (PPP) infrastructure projects which has begun to further support constructions of private sector and would also improve confidence of private sector as well as encourage further private investment;

(iii) higher value of investment promotion applications in 2018 which reached 901 billion baht, increased by 42.8 percent from previous year, especially the application in the Eastern Economic Corridor (EEC) where the application value expanded by 137.4 percent in 2018, and (iv) the likelihood of manufacturing base relocation of foreign firms to Thailand due to escalating trade protection measures between the US and China.

3) **Export value of goods in US dollar term** is anticipated to grow by 4.1 percent, compared with a 7.7-percent growth in 2018. This is a downward revision from 4.6 percent in the previous assumption, due to a reduction in the assumption of export prices from 1.0 – 2.0 percent to 0.5 – 1.5 percent. This is in line with the downward revision of crude oil price assumption. While the export volume is expected to increase by 3.1 percent, the same as previously projected. Service exports tend to continually grow at a satisfactory pace in line with the continual rising revenues from tourists. It is thus projected that export quantity of goods and services will expand by 3.9 percent, compared with 4.2 percent in 2018.

4) **Import value of goods in US dollar term** is expected to expand by 6.1 percent, compared with a 14.3-percent growth in 2018. This is a downward revision from 6.5 percent in the previous projection. It was due to a downward revision on the growth of import price from 1.5 – 2.5 to 1.0 – 2.0 percent due to the decreasing in crude oil price assumption, which, in turn, causes the import price of raw material and energy to be lower. However, the import quantity tends to slightly rise by 4.6 percent, instead of 4.5 percent from the preceding projection, due to the revision exchange rate assumption. Combining with import of services, it is projected that import quantity of goods and services will expand by 4.3 percent, compared with 8.6 percent in 2018.

5) **Trade balance** is estimated to register a surplus of 20.0 billion US dollars, lower than a surplus of 23.6 billion US dollars in 2018. After combining with projection on service account surplus from the increasing revenues from tourist, the current account is projected to register a surplus of approximately 33.5 billion US dollars or 6.2 percent of GDP, compared with a surplus of 7.4 percent of GDP in 2018.

6) **Economic stability will remain sound**: the headline inflation rate in 2019 is expected to be in the range of 0.5 – 1.5 percent, compare with 1.1 percent in 2018. This is lower than the range of 0.7 – 1.7 percent in the previous projection consistent with a downward revision on the crude oil price and exchange rate assumption.

6. Economic Management for the year 2019

The Thai economy in 2019 tends to continually improve, supported by expanding domestic demand, which is expected to continue throughout 2019. Private consumption tends to strengthen further in line with the improvement of employment conditions. Both public and private investments are also expected to improve persistently. The tourism sector would recover to its normal trend and is expected to further support economic expansion. However, the economic expansion is expected to decelerate as a result of the shift to the downward trend of the global economic cycle that will limit the pace of export expansion. Meanwhile, international trade and investment redirection brought about by the trade tension between the US and China will pillow the impacts from the global economic slowdown and provide opportunities for advancing export and production expansion as well as private investments. Thus, the macroeconomic policy management in the year 2019 should put emphasis on:

1) **Fostering exports expansion to meet the target** of at least 5.0 percent in 2019 so as to maintain the household income and private consumption growth momentum. This also helps increase capacity utilization in the corresponding industrial sectors which, in turn, sustains a growth in private investment. In order to meet the export target, it is important to tackle the following issues: (i) fostering export of goods that would benefit from the trade protection measures in both the US and China's markets along with supporting those entrepreneurs, whose production bases are in countries affected by trade protection, to increase their production capacity in Thailand; (ii) helping exporters who are impacted from the trade protectionist measures through the supply chain, especially those who export intermediate goods for further manufacturing in China and then to the US, so that they could quickly redirect their exports to other markets; (iii) monitoring changes in key import products which are subjected to the tariffs imposed by the US and China, as they could be re-channeled to the Thai market; (iv) operating foreign trade policies to closely abide by the world trade rules and key trading partners' regulations, including the US Generalized System of Preference (GSP), also monitoring and examining the effects of additional benefits from new trade agreements of the regional neighboring countries; (v) continuously negotiating new trade agreement, especially with the regional neighboring countries; and (vi) promoting hedging strategy among exporters as to reduce risks and negative impacts from exchange rate volatility together with facilitating and reducing cost in the exporting process as well as providing mitigating measures to reduce the effects of exchange rate volatility, especially those in Chinese market where Yuan is likely to be depreciated.

2) **Supporting the recovery and sustaining the expansion of tourism sector** in order to continuously further support the economy to reach its full-potential, through: (i) continuously giving the utmost importance to the safety of tourists' lives and properties; (ii) promoting tourism package targeting long-distance tourists and high-income tourists in regional countries as well as increase the market base by encouraging tourists from the emerging market countries; (iii) accommodating tourists' activities and reducing congestion in major tourist destinations; (iv) improving the distribution of tourism revenues to the secondary cities and local communities; (v) connecting Thailand with other key destination in the region; and (vi) promoting the campaign for Thais who tend to travel abroad mainly to travel within the country instead as to support the expansion of domestic economic activities, during the period where exports face increasing limitations from global economic conditions.

3) **Retaining the momentum of public investment** as to build the driving force for economic expansion when the global economy decelerates and also to increase Thai long-run economic potential. Thus, it is crucial to consider the following issues: (i) expediting the FY2019 government's and state-owned enterprises' capital budget disbursement to reach the disbursement rates of no less than 70.0 and 80.0 percent, consecutively; (ii) fastening the FY2020 government budgeting process so that the budget could be implemented right in the first quarter of FY2020 and, in turn, prevent the deterioration in economic growth momentum streaming possibly from reductions in both government spending and investment; (iii) preparing for the major project plans and being ready to disburse the budget as soon as the FY2020 budget has been implemented; (iv) ensuring the disbursement of ongoing investment projects to meet the target levels; (v) ensuring investors' confidence regarding the continuity of the government's key policies and major investment projects after forming a new government; and (vi) continually fostering crucial investment projects which are necessary for the improvement of potential growth.

4) **Encouraging private investment** by: (i) fostering continual expansion in export sectors as to increase capacity utilization in the corresponding industries; (ii) supporting those entrepreneurs, whose production bases are in the countries affected by the trade protection, to increase their production capacity in Thailand; (iii) facilitating and motivating investors from other countries, who have been affected by the trade protection measures and are considering to move their production base, to invest in Thailand, by publicizing investment privileges, competency of transport and logistic infrastructure, readiness and capability of the economic zones; and (iv) continuously fostering public investment projects in both infrastructures and special economic zones.

5) **Supporting small farmers, low income groups, and strengthening the SMEs, local enterprises, and local economies** through: **(1) Agricultural Production and Income**, by: (i) solving problems on agricultural products whose prices remain low and tend not to recover soon enough, especially rubber, due to slowdown in global economy and softened demand for automobiles and rubber products as a result from trade protection, palm oil, due to high level of inventory, the EU's plan to reduce palm oil as bioenergy sources, and the low sugarcane price, in line with a reduction in sugar price in the global market; (ii) supporting large-scale farming; (iii) supporting and providing markets for selling agricultural products in each community; (iv) supporting the development of agricultural and fresh food products standard so as to increase value-added; and (v) managing water resources for agriculture during the drought periods as to alleviate risks of limited water supply for farming; **(2) Supporting Low Incomes, Local Economies and SMEs**, by: (i) pursuing the ongoing social welfare smart card project; and (ii) providing financial measures to attenuate debt burdens and lessen constraints on fund accessibility for small farmers, low income groups, local enterprises, and SMEs; and **(3) Assist and develop Affected SMEs from changes in business models, disruptive technologies, consumer preferences, and demography, as well as foreign exchange volatility**, by emphasizing: (i) encouraging SMEs to fully utilize benefits from government's measures on financial credit provisioning, currency appreciation impact mitigation, and SMEs promotion and development; (ii) supporting SMEs, especially the newly established SMEs, with the necessary knowledge and information; (iii) encouraging SMEs to improve their processes particularly on production, managerial, and marketing development towards more advance technology, as well as developing their products and services to match with the market demand; and (iv) establishing linkages between SMEs and larger-scale businesses.

6) **Preparing the labor force, both in terms of quantity and quality**, to adequately support further economic expansion and investment, especially for those industries with rising capacity utilization. The measures should also target industries leveraging opportunities from international manufacturing facility relocation as well as Thailand's target industries.

Projection for 2019 [1/]

	Actual Data		Projection for 2019	
	2017	2018	Nov 19, 2018	Feb 18, 2019
GDP (at current prices: Bil. Bht)	15,452.0	16,316.4	17,330.1	17,197.5
GDP per capita (Bht per year)	228,398.4	240,544.9	254,891.8	252,941.6
GDP (at current prices: Bil. USD)	455.3	505.2	525.2	537.4
GDP per capita (USD per year)	6,729.8	7,447.2	7,724.0	7,904.4
GDP Growth (CVM, %)	4.0	4.1	3.5 – 4.5	3.5 – 4.5
Investment (CVM, %)[2/]	1.8	3.8	5.1	5.1
Private (CVM, %)	2.9	3.9	4.7	4.7
Public (CVM, %)	-1.2	3.3	6.2	6.2
Private Consumption (CVM, %)	3.0	4.6	4.2	4.2
Government Consumption (CVM, %)	0.1	1.8	2.2	2.2
Export volume of goods & services (%)	5.4	4.2	3.9	3.9
Export value of goods (Bil. USD)	235.3	253.4	263.8	263.8
Growth rate (%)[3/]	9.8	7.7	4.6	4.1
Growth rate (Volume, %)[3/]	6.0	4.2	3.1	3.1
Import volume of goods & services (%)	6.2	8.6	4.2	4.3
Import value of goods (Bil. USD)	201.1	229.8	248.9	243.8
Growth rate (%)[3/]	13.2	14.3	6.5	6.1
Growth rate (Volume, %)[3/]	7.2	8.2	4.5	4.6
Trade balance (Bil. USD)	34.2	23.6	14.9	20.0
Current account balance (Bil. USD)	50.2	37.7	30.7	33.5
Current account to GDP (%)	11.0	7.4	5.8	6.2
Inflation (%)				
CPI	0.7	1.1	0.7 – 1.7	0.5 – 1.5
GDP Deflator	2.1	1.4	1.5 – 2.5	0.9 – 1.9

Source: Office of the National Economic and Social Development Council, 18th February 2019

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.