NESDC ECONOMIC REPORT

Thai Economic Performance in Q1 and Outlook for 2019

Macroeconomic Strategy and Planning Office

Press Release 9.30 a.m. May 21, 2019

Economic Projection of 2019

(%YoY)	2017 Year	2018 Year	2018 Q3	2018 Q4	2019 Q1	2019 Year (f)
GDP (CVM)	4.0	4.1	3.2	3.6	2.8	3.3-3.8
Investment[1/]	1.8	3.8	3.9	4.2	3.2	4.5
Private	2.9	3.9	3.8	5.5	4.4	4.5
Public	-1.2	3.3	4.2	-0.1	-0.1	4.5
Private Consumption	3.0	4.6	5.2	5.4	4.6	4.2
Government Consumption	0.1	1.8	1.9	1.4	3.3	2.2
Export of Goods[2/]	9.8	7.2	2.8	2.3	-3.6	2.2
Volume[2/]	6.0	3.6	-0.2	0.7	-3.9	1.2
Import of Goods[2/]	13.2	14.3	17.0	7.5	-2.9	3.5
Volume[2/]	7.2	8.2	10.2	4.6	-3.0	2.0
Current Account to GDP (%)	11.0	6.9	3.7	5.5	10.9	5.9
Inflation	0.7	1.1	1.5	0.8	0.7	0.7-1.2

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

- **The Thai economy in the first quarter of 2019** expanded by 2.8 percent (%YoY), compared with 3.6 percent in the previous quarter. After seasonally adjusted, the economy grew by 1.0 percent from the fourth quarter (%QoQ sa).
- **On the expenditure side**, the growth was mainly supported by continual expansion of private consumption, private investment, and the speed up in government expenditure, while export declined. **On the production side**, agriculture and electricity, gas, steam and air conditioning supply sectors accelerated, while manufacturing, wholesale and retail trade, accommodation and food service activities, transportation, as well as construction sectors softened.
- **The Thai economy in 2019** is projected to grow in the range of 3.3 – 3.8 percent, driven by (1) a favorable growth momentum of domestic demand including private consumption, private investment, government spending, and public investment; (2) a gradual improvement of export conditions during the latter half of the year due to declining inventories in major economies, more-eased conditions on chip shortage in the world market, and a clearer redirection of the global trade, production and investment amid more intensified trade tension; (3) a recovery of tourism sector; and (4) low base effect in the second half of the year. In all, it is expected that export value will grow by 2.2 percent, private expenditure and total investment will expand by 4.2 and 4.5 percent respectively. Headline inflation is forecasted to lie in the range of 0.7 – 1.2 percent and the current account will record a surplus of 5.9 percent of GDP.
- **Economic management for the remainder of 2019** should prioritize on, **(1) Fostering export growth** to reach not less than 3.0 percent by focusing on reaping benefits and minimizing impacts from the trade protection measures particularly by (i) driving export products that would benefit from the trade protection measures along with supporting those entrepreneurs affected by the trade protection; (ii) operating foreign trade policies to closely abide by key trading partners' regulations in particular of those related to the trade privileges and trade protection conditions; (iii) negotiating new trade agreements, especially with the countries where Thailand could receive benefits from trade diversion and those who become key players in the global supply chain; (iv) promoting hedging strategy among exporters to reduce risks from exchange rate volatility; **(2) Supporting the tourism recovery** to reach at least 2.21 trillion Baht by continuously giving the utmost importance to the safety of tourists' lives and properties, restoring country's image regarding to the air pollution problem (PM 2.5), promoting tourism package targeting long-distance tourists and high-income tourists, reducing congestion in major tourist destinations, improving the distribution of tourism revenues to the secondary cities and local communities, connecting Thailand with other key destination in the region, and encouraging Thai people to travel within the country; **(3) Supporting continual expansion of public investment** by expediting the FY2019 government's and state-owned enterprises' capital budget disbursement to reach the disbursement rates of no less than 70.0 percent and 80.0 percent, consecutively as well as fastening the FY2020 government budgeting process; **(4) Stimulating private investment** by fostering export growth for increasing capacity utilization in the corresponding industries, supporting entrepreneurs affected by the trade protection to move their production base to Thailand, continuously propelling public investment projects; as well as readying the labor force both in term of quantity and quality; and **(5) Supporting small farmers, low income groups, and strengthening the SMEs, local enterprises, and local economies.**

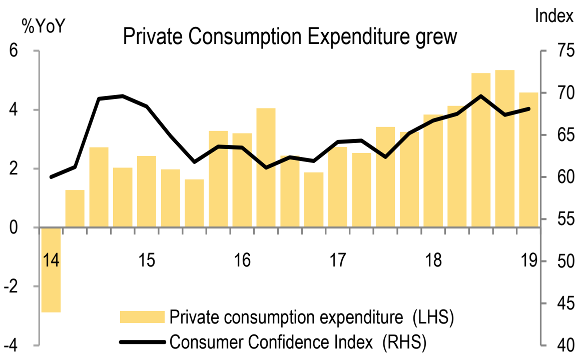
1. The Thai Economy in Q1/2019

Expenditure Side:

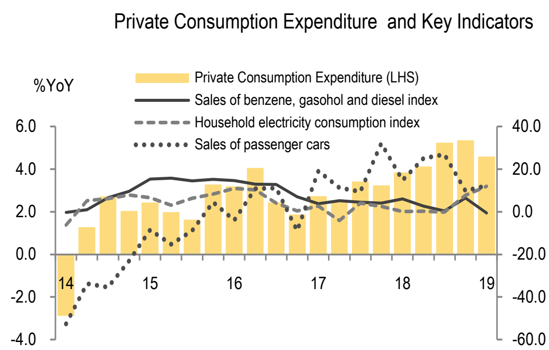
Private consumption expenditure favorably expanded, in line with the expansion of overall income and employment conditions, low inflation, government measures to support low income group, and the rising consumer confidence. In the first quarter of 2019, private consumption expenditure expanded by 4.6 percent, decelerating from a 5.4-percent growth in the previous quarter, due to the high growth base. The private consumption expenditure of durable goods increased, aligned with the expansion of passenger car sales by 12.3 percent, accelerated from a 9.8-percent growth in the previous quarter. This was due to launches of new car models and attractive sale promotion campaigns. Besides, consumption for other consumer goods, also favorably rose as seen from household electricity consumption index, the import of textile index, sales of semi-durables index, and the VAT of hotel and restaurant index (at 2010 price), which grew by 11.9, 7.6, 1.8 and 3.2 percent, respectively. The expansion of private consumption expenditure in this quarter was supported by (i) the continual improvement of overall income and employment conditions as observed in the first quarter of 2019, where the employ persons has been increasing for 4 consecutive quarters by 0.9 percent, (ii) consistently low inflation and interest rates, (iii) the improvement of key agricultural prices and (iv) government measures to support low income group. Consumer Confidence Index, pertaining the overall economic situation, stood at 68.1.

In the first quarter of 2019, Private consumption expenditure and private investment favorably expanded. Meanwhile export of goods declined.

Private consumption expenditure favorably expanded by 4.6 percent, supported by the expansion of overall income and employment conditions, low inflation, government measures to support low income group, and the rising consumer confidence.



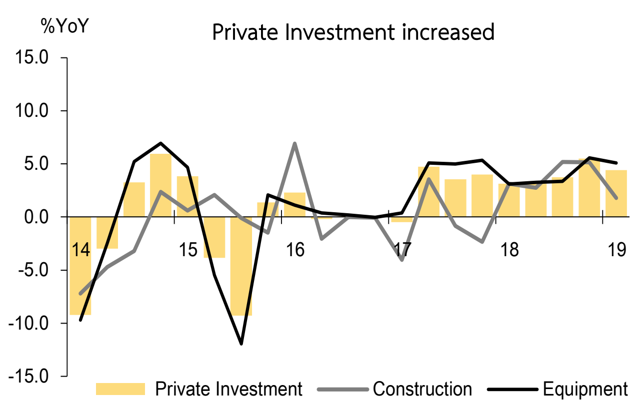
Source: NESDC, University of the Thai Chamber of Commerce



Source: NESDC, BOT, Department of Energy Business

Private investment continually improved, supported by the continual expansion of investment in machinery and equipment, and construction. In the first quarter of 2019, private investment increased by 4.4 percent, compared with a 5.5-percent growth in the previous quarter. **The investment in machinery and equipment** favorably expanded by 5.1 percent, compared with a 5.6-percent expansion in the previous quarter. This was consistent with a 2.5 and 6.6-percent growth of the import of capital goods (in 2010 price) and newly registered motor vehicles for investment purposes, respectively. **The investment in construction** increased by 1.8 percent, compared with a 5.1-percent growth in the previous quarter, in line with a 0.8 percent increase of the sales of construction materials such as ready mixed concrete and concrete pile (0.8 percent), steel products (6.2 percent) and tile (4.8 percent). **The value of projects approved and promotion certificate issued by the BOI** increased by 76.7 percent and 3.8 percent respectively. The Business Sentiment Index (BSI) stood at 50.4.

Private investment increased by 4.4 percent, supported by the continual expansion of investment in machinery and equipment. Meanwhile, the investment in construction decelerated.



Source: NESDC

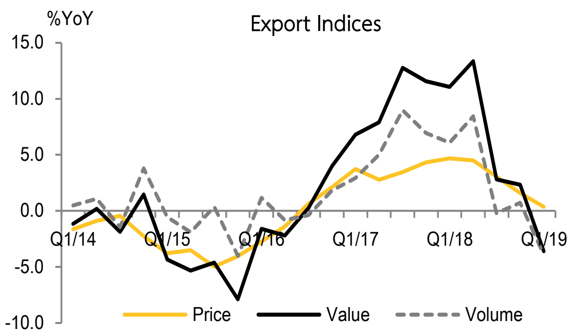
Exports in US dollar terms decreased for the first time in 11 quarters. The contraction was attributable to the economic slowdown in key trading partner countries, the adaptation of foreign entrepreneurs to escalating trade tensions from protectionism measures amid uncertainty in the conclusion of the US-China trade negotiations, as well as the high base effect from the previous year. Export value in the first quarter of 2019 was recorded at 60.2 billion US dollars, decreased by 3.6 percent, compared with a 2.3-percent growth in the previous quarter. The export volume index decreased by 3.9 percent, mainly from the decrease in export volume of agricultural commodities, manufacturing products, and fishery products by 1.9, 2.1, and 14.2 percent, respectively. These contractions were in accordance with the deceleration of the trading partner economies, coupled with the protectionist trade policies between the US and China, the high base effect from the same period last year for some products, and the downturn in electronic cycle, as well as the decline in domestic agricultural and aquaculture production. Export price index increased by 0.4 percent, decelerated from a 1.6-percent increase in the previous quarter. This was consistent with the decline in crude oil price in the global market, resulting to a slowdown in export prices, especially oil related products, such as refined fuel, chemicals, and plastic resin. Excluding unwrought gold, export value fell by 3.8 percent, compared with a 1.5-percent expansion in the previous quarter. **In baht term,** export value decreased by 3.3 percent, compared with a 1.9-percent growth in the previous quarter.

Export in US dollar terms decreased for the first time in 11 quarters by 3.6 percent. This was due to the economic slowdown in key trading partners, the escalating trade protection measures, coupled with the uncertainty of the US-China trade negotiation, and the high base effect.

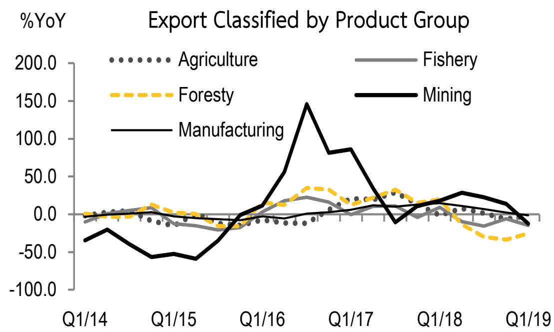
Export value excluding unwrought gold decreased by 3.8 percent.

Export quantity decreased by 3.9 percent, while export price increased by 0.4 percent.

In baht term, export value decreased by 3.3 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Exports value of agricultural commodities decreased by 2.0 percent, compared with a 6.5-percent decline in the previous quarter. This was due to a high base effect, high level of importers' inventories amid the economic slowdown in key trading partners, as well as the limitations of domestic production and the increasing competition from other trading countries, thus subsequently led to the reduction in the export quantity of main agricultural products, especially rice, rubber, tapioca, and sugar. However, export prices of agricultural products were not expanded. **Exports value of manufacturing products** declined by 1.5 percent, compared with a 2.1-percent growth in the previous quarter, as a result of the economic slowdown in key trading partner countries, the US and China lifted up protectionism stance further, coupled with the uncertainty situations from the trade protection policies, as well as the continued downturn in electronic cycle. **Exports value of fishery products** decreased by 14.9 percent as a result of the reduction in export quantity and price, which was in accordance with the decline in domestic production and the increasing of competition from export competing countries. **Exports value of other products** increased by 6.7 percent as a result of the increase in exports of non-monetary gold.

Export items with increased value included, pick up & trucks (6.8 percent), computer (42.6 percent), rubber products (4.8 percent) and non-monetary gold (7.6 percent). On the other hand, **export items with decreased value** included rice (-10.1 percent), tapioca (-14.2 percent), rubber (-8.9 percent), sugar (-16.5 percent), crustaceans (-14.2 percent), passenger cars (-8.4 percent), vehicle parts & accessories (-0.8 percent), machinery & equipment (-2.9 percent), chemicals (-7.1 percent), petro-chemical products (-6.2 percent), petroleum products (-9.2 percent) and metal & steel (-5.0 percent).

Export value of agricultural commodities declined, in accordance with the high base effect, high inventory level of importers, and economic slowdown in key trading partners.

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

Export value of manufacturing products declined, as a result of the economic slowdown in key trading partner countries and the effects of the trade measures through supply chain network.

Export Value of Major Product in US Dollar Term

%YoY	2017	2018					2019	Share
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1/19 (%)
Agriculture	**20.2**	**0.1**	**-1.5**	**7.9**	**1.3**	**-6.5**	**-2.0**	**7.1**
Rice	17.6	8.3	21.2	14.7	7.6	-5.0	-10.1	2.0
Rubber	35.5	-23.6	-34.9	-13.6	-17.0	-25.5	-8.9	1.7
Tapioca	-6.1	6.8	28.1	4.9	2.3	-7.5	-14.2	1.0
Manufacturing	**10.2**	**8.4**	**14.6**	**11.0**	**6.7**	**2.1**	**-1.5**	**88.9**
Sugar	12.5	0.5	-7.1	-4.1	2.3	19.0	-16.5	0.9
Crustaceans canned, prepared, or preserved	4.6	-14.1	-6.0	-14.1	-20.1	-14.0	-3.9	0.3
Rubber products	41.3	4.1	-2.8	19.4	2.6	-1.2	4.8	2.2
Apparels and Textile Materials	3.9	6.4	8.5	8.4	6.3	2.4	-0.4	2.9
Electronics	14.0	5.0	13.6	11.2	3.6	-6.2	-11.3	13.2
- Computer parts & accessories	5.7	5.9	16.1	16.8	7.4	-12.7	-18.9	5.0
- Integrated circuits & parts	7.1	0.8	7.3	6.4	-3.9	-5.4	-10.7	3.0
- Printed circuits	10.5	3.4	1.0	2.5	8.2	1.2	-8.4	0.5
- Telecommunication equipment	51.0	6.2	37.9	2.5	-0.4	-4.7	-7.7	2.1
Electrical appliances	6.2	1.7	9.6	3.6	-3.4	-3.6	-4.6	5.8
Metal & steel	14.3	13.0	18.7	19.8	7.4	7.2	-5.0	4.5
Automotive	6.3	8.0	15.9	14.6	6.2	-2.9	-3.8	15.4
- Passenger car	-7.1	2.7	18.7	12.4	1.5	-16.8	-8.4	4.3
- Pick up and trucks	11.8	8.3	2.1	24.8	11.7	-1.2	6.8	3.4
- Vehicle parts & accessories	13.6	10.3	15.4	13.3	7.8	5.6	-0.8	6.7
Machinery & equipment	7.2	6.9	13.0	7.7	4.1	3.2	-2.9	8.7
Chemicals	22.9	23.4	28.4	28.6	12.2	25.5	-7.1	3.3
Petro-chemical products	10.1	16.2	17.9	22.7	16.3	8.4	-6.2	5.3
Petroleum products	32.5	30.1	41.1	30.9	32.5	20.1	-9.2	3.1
Fishery	**4.1**	**-6.5**	**9.2**	**-9.7**	**-15.4**	**-6.2**	**-14.9**	**0.7**
Crustaceans	7.0	-8.7	13.5	-12.9	-20.4	-6.3	-14.2	0.3
Other Exports	**-19.5**	**-21.2**	**-32.7**	**36.0**	**-63.4**	**80.1**	**6.7**	**2.1**
Non-monetary gold (excl. articles of goldsmiths)	-20.7	-22.8	-33.8	37.3	-65.9	90.1	7.6	2.0
Total Exports (Customs basis)	**9.9**	**6.7**	**11.7**	**10.9**	**3.0**	**2.0**	**-1.6**	**100.0**
Exports, f.o.b. (BOP basis)	**9.8**	**7.2**	**11.1**	**13.4**	**2.8**	**2.3**	**-3.6**	**97.2**
Export Value (exclude gold)	**10.9**	**7.9**	**12.5**	**12.9**	**5.7**	**1.5**	**-3.8**	**95.2**

Source: Bank of Thailand

Export markets: exports to China, Japan, EU (15), ASEAN (5), Australia, and the Middle East (15) declined, while exports to the US and CLMV countries expanded. Exports to the US increased by 32.2 percent (excluding arms & ammunition including parts, exports to the US increased by 3.7 percent), supported partly by the trade diversion. Exports to China decreased for 3 consecutive quarters by 9.2 percent, following the contraction in exports of woods & wood products, vehicles, parts & accessories and machinery & parts. This was in line with the slowdown of the Chinese economies and the negative supply chain impacts of trade protectionism measures. Exports to Japan decreased for the first time in 8 quarters by 1.6 percent. Similarly, exports to ASEAN (9) decreased for the first time in 10 quarters by 4.3 percent as a result of the contraction in exports to ASEAN (5) by 7.5 percent (decreased for the first time in 8 quarters), while exports to CLMV countries increased by 0.2 percent (continually expanded for 10 consecutive quarters). In addition, exports to EU (15) decreased by 6.5 percent, due to the contraction in exports of computer parts & accessories, and solar cells. Meanwhile, exports to Australia contracted by 12.2 percent, mainly due to a contraction in exports of vehicles, parts & accessories. However, exports to the Middle East (15) slightly decreased by 0.02 percent, improving from a 6.7 percent decline in the previous quarter, mainly due to the increase in exports of vehicles, parts & accessories, and prepared or preserved fish, crustaceans, molluscs in airtight containers. Meanwhile, the exports of air conditioning machine & parts, and precious stones & jewellery declined.

Exports to China, Japan, EU (15), ASEAN (5), Australia, and the Middle East (15) declined, while exports to the US and CLMV countries expanded.

Exports to the US accelerated, in line with the strong expansion of the US economy, which was supported by opportunity from trade diversion. Meanwhile, exports to china continued to decrease, due to the slowdown of the Chinese economies and the impact of trade protectionism measures through the supply chain.

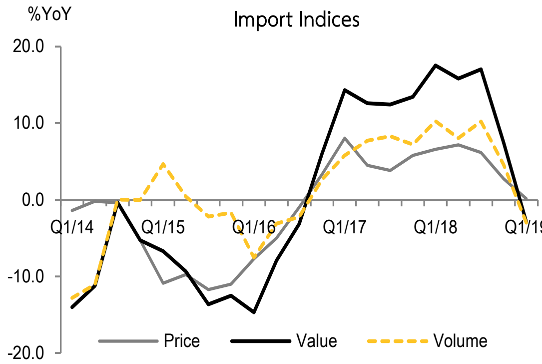
Export Value to Key Markets in US Dollar Term

%YOY	2017	2018					2019	Share Q1/19 (%)
	Year	Year	Q1	Q2	Q3	Q4	Q1	
Total Exports (Mil US$) (Customs basis)	236,635	252,486	63,022	63,170	63,918	62,376	61,988	100.0
(%YoY)	**9.9**	**6.7**	**11.7**	**10.9**	**3.0**	**2.0**	**-1.6**	
United States	8.5	5.4	9.1	6.7	-0.01	6.7	32.2	14.2
Japan	7.7	13.0	24.7	11.3	8.7	8.4	-1.6	10.3
EU (15)	8.1	5.0	10.6	11.2	2.5	-3.7	-6.5	9.0
China	24.0	2.3	2.6	15.8	-2.8	-4.6	-9.2	10.8
ASEAN (9)	8.9	14.7	14.8	12.8	22.3	9.4	-4.3	25.1
- ASEAN (5)*	6.1	13.4	15.7	8.2	21.0	9.0	-7.5	14.1
- CLMV**	12.9	16.6	13.6	19.8	24.2	9.9	0.2	11.0
Middle East (15)	-5.0	0.1	11.4	-5.7	2.0	-6.7	-0.02	3.6
Australia	1.9	2.6	14.4	10.3	-5.7	-6.3	-12.2	4.0
Hong Kong	7.2	1.8	1.4	9.5	2.7	-6.2	-13.6	4.4
India	25.6	17.3	31.7	27.3	13.8	-0.2	2.1	3.3
South Korea	14.4	4.9	5.3	11.1	2.1	0.8	-5.3	1.9
Taiwan	19.0	-1.3	11.4	1.50	-11.2	-5.5	-14.4	1.4

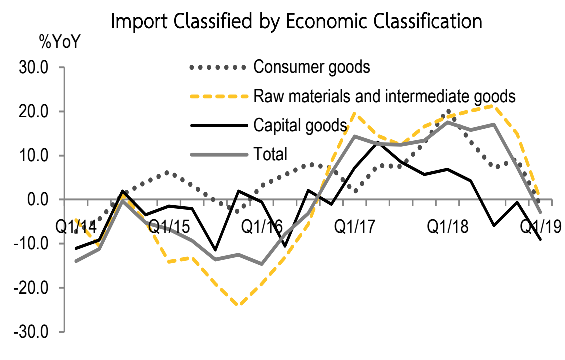
Note: * ASEAN (5) consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore
** CLMV consist of Cambodia, Laos, Myanmar, and Vietnam
Source: Bank of Thailand

Import value in US dollar term contracted as the import quantity declined, while import price increased. In the first quarter of 2019, the value of import was recorded at 53.4 billion US dollars, declined by 2.9 percent, (contracted for the first time in 10 quarters), compared with a 7.5-percent growth in the previous quarter, associated with the contraction of exports. Import quantity decreased by 3.0 percent due to an increase in import quantity of raw materials & intermediate goods, capital goods, and consumer goods, which decreased by 0.4 percent, 9.0 percent, and 1.4 percent, respectively. Meanwhile, the price of imports continued to increase by 0.2 percent. Import value excluding unwrought gold declined by 0.1 percent. **In Thai baht term,** the import value decreased by 2.6 percent.

Import value in US dollar terms decreased for the first time in the 10 quarters, by 2.9 percent, which was in association with a dropped of exports.



Source: Bank of Thailand



Source: Bank of Thailand

Overall, import value of raw materials and intermediate goods, consumer goods, and capital goods decreased, while other import goods increased. **Import value of raw materials and intermediate goods** declined by 0.1 percent, associated with the decline in exports and manufacturing production. **Import value of capital goods** fell by 9.1 percent, as a result of the decrease in imports of aircrafts, ships, floating structures & locomotive, and telecommunication equipment. However, import value of machinery, equipment & supplies continually expanded. **Import value of consumer goods** decreased by 1.2 percent, mainly from the decrease in animal & fishery products. However, **Import value of other goods** increased by 10.3 percent as a result of the increase in the import of vehicle, and vehicle parts, consistent with the continued expansion of the domestic car sales.

Import quantity of raw materials & intermediate goods, capital goods, and consumer goods declined.

Import items with increased value included crude oil (1.8 percent), petroleum products (12.2 percent), natural gas (43.5 percent), other machinery & mechanical appliances & parts (3.9 percent), automotive (11.2 percent), food, beverage, & dairy products (5.5 percent). On the other hand, **import items with decreased value** included aircrafts (-91.9 percent), ships' derricks/cranes/floating structures (-35.1 percent) chemicals (-0.9 percent), materials of base metal (-4.9 percent), animal & fishery products (-10.9 percent), power-generating machinery & parts (-12.0 percent), and non-monetary gold (-50.8 percent).

Import Value of Major Product in US Dollar Term

%YoY	2017	2018					2019	Share
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1/19 (%)
Consumer goods	7.5	12.2	20.4	13.1	7.1	9.2	-1.2	10.5
Raw materials and intermediate goods	15.7	18.8	18.8	20.2	21.3	14.9	-0.1	55.1
Capital goods	8.5	1.0	6.9	4.2	-5.9	-0.6	-9.1	22.1
Other Imports	27.9	9.0	25.9	4.3	35.3	-21.5	10.3	12.3
Total Imports (Customs basis)	**14.1**	**12.5**	**16.6**	**13.9**	**14.5**	**5.8**	**-1.2**	**100.0**
Imports, f.o.b. (BOP basis)	**13.2**	**14.3**	**17.5**	**15.8**	**17.0**	**7.5**	**-2.9**	**89.0**

Source: Bank of Thailand

Term of trade increased from the same period last year, as export price increased by 0.4 percent, faster than the increase in import price of 0.2 percent. Thus, the term of trade slightly increased from 108.5 in the same quarter last year to 108.8 in the first quarter of 2019.

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

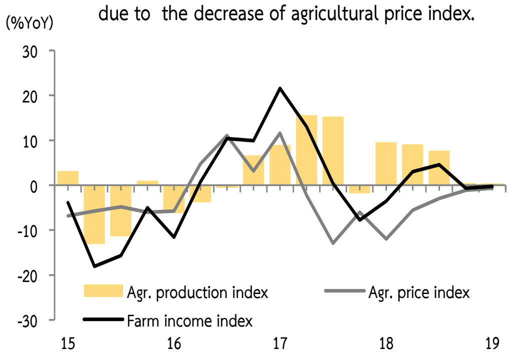
Trade balance recorded a surplus of 6.8 billion US dollars (equivalent to 215.1 billion baht), compared with a surplus of 4.4 billion US dollars (equivalent to 145.0 billion baht) in the previous quarter, and a surplus of 7.5 billion US dollars (equivalent to 235.8 billion baht) in the same quarter of last year.

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

Production Side:

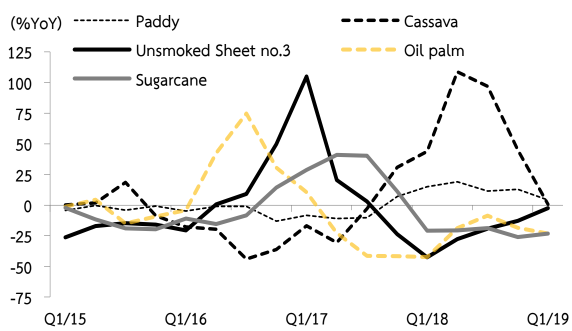
Agriculture sector gradually accelerated, following the increased in major agricultural products. In the first quarter of 2019, agricultural sector expanded by 0.9 percent, slightly accelerated from a 0.7-percent growth in the previous quarter. This acceleration was in line with an expansion of agricultural production index of 0.4 percent. Major agricultural products with production expansion included: (i) paddy (6.6 percent), mainly supported by the higher price of jasmine rice last year, which resulted in the expansion of planted area and the sufficient water for crops; (ii) maize (21.5 percent), owing to the higher price of maize and the government policy that encourage farmers to grow maize after harvest season; (iii) fruits (3.5 percent), due to the significant growth of longan production and favourable weather condition; (iv) rubber (2.1 percent), attributable to an expansion of rubber production, that caused by rubber trees replanting since 2013 and some rubber trees are in high yielding period; (v) oil palm (18.7 percent), driven by a higher planting areas and favourable weather condition; and (vi) cassava (5.6 percent), due to an increase in cropped area as a result of a higher price. Major agriculture products with production contraction included: (i) white shrimp (-7.3 percent); and (ii) sugarcane (-14.0 percent). **Agriculture Price Index** decreased by 0.7 percent, mainly due to (i) the decline of sugarcane price, caused by excess supply of sugar in the world market and the domestic sugar stock remained high, (ii) lower oil palm price following a decline of crude palm oil price in the world market and the level of Thailand's crude palm oil stocks remained at a high level, (iii) lower rubber price, as a result of declining of global rubber demand, especially in China and Malaysia, and (iv) lower white shrimp price, due to rising production in various countries, especially in India and Indonesia, which resulted in the decline of white shrimp price in the world market. In contrast, major agricultural with the increased price index consisted of swine (38.7 percent), paddy (4.1 percent), egg (4.7 percent), poultry (1.4 percent), and maize (2.5 percent). A reduction in agricultural price index thus led to lower overall **Farm Income Index** of 0.3 percent.

Farm Income Index decreased by 0.3 percent due to the decrease of agricultural price index.



Source: Office of Agricultural Economics

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



Source: Office of Agricultural Economics

Manufacturing sector slowed down from the previous quarter, in line with the deceleration of export volume, which affected by the slowdown of the global economy and trade tensions between the US and China. In the first quarter of 2019, manufacturing sector expanded by 0.6 percent, compared to a 3.5-percent growth in the previous quarter. This was in line with a 1.1 percent contraction in Manufacturing Production Index (MPI). **Manufacturing Production Index of export-oriented industries (with export share of more than 60 percent to total production)** decreased by 4.4 percent, due mainly to the contraction in major export industries, including production of computers and peripheral equipment (-15.2 percent), other rubber products (-6.5 percent), and processing and preserving of fruits and vegetable (-10.6 percent). Meanwhile, production of other general-purpose machinery together with medical tools and instruments grew by 5.4 percent and 10.7 percent, respectively. **Manufacturing Production Index of the domestic-oriented industries (with export share of less than 30 percent to total production)** decreased by 1.0 percent. The contraction was caused by the decline in the production of major industries, such as basic iron and steel (-11.3 percent) and fertilizers (-19.5 percent). Meanwhile, production of refined petroleum products continued to expand by 2.2 percent. **Manufacturing Production Index of the industries with 30-60 percent export share to total production** grew by 1.3 percent. This was mainly attributed by an increase in the production of vehicle of 4.6 percent and the expansion of sugar production of 3.2 percent. Meanwhile, production of electric motors and generators declined by 21.1 percent. The average capacity utilization rate stood at 71.3 percent, decreased from 72.9 percent in the same quarter last year. In addition, among 32 major industries, the industries with **capacity utilization rate of higher than 100 percent** was sugar (139.8 percent). The industries with **capacity utilization rate between 90-100 percent** were plastics and

Agricultural, electricity, gas, steam and air conditioning supply sectors accelerated. Meanwhile, manufacturing, wholesale and retail trade, accommodation and food service activities, transportation and storage, and construction sectors slowed down.

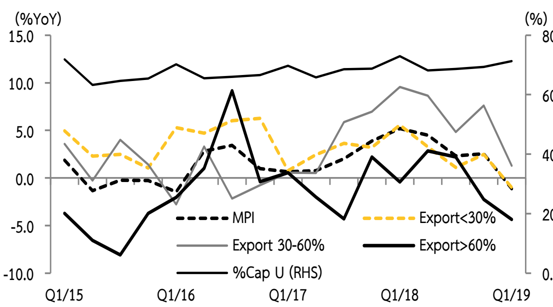
Agricultural sector grew by 0.9 percent, accelerated from the previous quarter, mainly due to the increase in key agricultural products, while the agricultural price continuously declined. The decreased of some key agricultural products and agricultural prices, led to the slight lower farm income index.

synthetics rubber (97.8 percent), parts and accessories for motor vehicles (91.0 percent), and vehicles (90.2 percent). Finally, the industries with **capacity utilization rate between 80-90 percent** were refined petroleum products (87.4 percent), slaughtering and production of fresh or frozen poultry meat (84.7 percent), basic chemicals (81.9 percent), condiments (80.8 percent), and distilling, rectifying and blending of spirits (80.1 percent).

Manufacturing Production Index with positive growth included vehicles (4.6 percent), refined petroleum products (2.2 percent), other general-purpose machinery (5.4 percent), distilling, rectifying and blending of spirits (17.9 percent), sugar (3.2 percent), medical tools and instruments (10.7 percent), dairy products (5.1 percent), canned aquatic animals (6.0 percent), luggage and handbags (18.5 percent), and soft drinks (2.1 percent), etc.

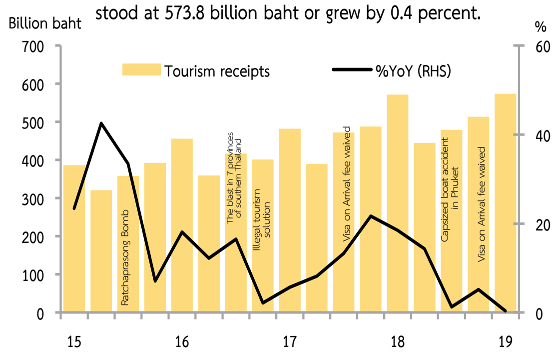
Manufacturing Production Index with negative growth included computer and peripheral equipment (-15.2 percent), basic iron and steel (-11.3 percent), other rubber products (-6.5 percent), processing and preserving of fruits and vegetable (-10.6 percent), electric motor and generator (-21.1 percent), fertilizers (-19.5 percent), electric wires and cables (-24.7 percent), electronic components (-2.6 percent), pails and similar containers of metal (-12.8 percent), and jewelry and related articles (-6.3 percent), etc.

Manufacturing Production Index decreased by 1.1 percent and the capacity utilization rate averaged at 71.3 percent.



Source : Office of Industrial Economics

Income from foreign tourists for Q1/2019 stood at 573.8 billion baht or grew by 0.4 percent.



Source: Ministry of Tourism and Sports

Accommodation and food service activities sector slightly slowed down from the previous quarter, in tandem with the deceleration in the number of tourists and international tourism receipts. In the first quarter of 2019, accommodation and food service activities sectors expanded by 4.9 percent, compared with a 5.3 percent increase in the previous quarter. The total number of foreign tourists was at 10.80 million persons, increased by 1.8 percent. This was mainly attributed by the number of tourists from India (25.0 percent), Malaysia (8.3 percent), Japan (9.6 percent), South Korea (7.1 percent), and Taiwan (17.3 percent). In contrast, the tourists from China declined by 1.7 percent but improved from a 6.4 percent contraction in the previous quarter. In addition, the total amount of tourism revenue rose by 2.3 percent to 850.2 billion baht. This was attributed by (i) **foreign tourism receipts** of 573.8 billion baht, which increased by 0.4 percent and mainly contributed by tourism receipts from India, Malaysia, Japan, the US, and South Korea; and (ii) **Thai tourism receipts** of 276.5 billion baht, increased by 6.3 percent. Besides, the **Average Occupancy Rate** was at 77.16 percent, increased from 71.12 percent, compared with the previous quarter, and 76.79 percent, compare with the same quarter last year.

Wholesale and retail trade sector continued to expand, albeit at a slower pace than the previous quarter, following the deceleration of household consumption and the foreign tourist number. In the first quarter of 2019, wholesale and retail trade; repair of motor vehicles and motorcycles sector grew by 6.8 percent, compared to a 7.5 percent growth in the previous quarter. This was in line with a slowdown of **the total Wholesale, Retail Sales, and Repair of Motor Vehicles and Motorcycles Index** of 2.9 percent, decelerated from an 8.6 percent in the previous quarter. The index was driven by (i) an increase in **Retail Sales Index (except motor vehicles and motorcycles)** of 13.3 percent, decelerated from a 17.5 percent growth in the previous quarter, mainly supported by a 37.2 percent growth in retail sales of other goods (such as jewelry and other new goods) and 5.5 percent growth in retail sales of general stores, (ii) an increase in **Wholesale, Retail Sales, and Repair of Motor Vehicles and Motorcycles Index** of 1.3 percent, decelerated from 11.2 percent in the previous quarter, mainly supported by 5.2 percent growth of automotive parts sale and a 3.1 percent growth of motor vehicles repair, and (iii) a decrease in **Wholesales Index (except motor vehicles and motorcycles)** of 2.9 percent, mainly caused by a 4.8 percent contraction in wholesales of household goods (such as watches, jewelry, and clothing) and a 3.5 percent decline in wholesales on a fee or contract basis.

Manufacturing sector expanded at a slower pace with a 0.6 percent growth, in tandem with the contraction of export .

Export-oriented industries declined, following the contraction in production of computers and peripheral equipment, and other rubber products.

Domestic-oriented industries decreased, as a result of basic iron and steel productions.

Manufacturing Production Index of the industries with 30-60 percent export share to total production expanded, mainly due to the production of vehicle and sugar.

The capacity utilization rate stood at 71.3 percent.

Accommodation and food service activities sector expanded by 4.9 percent, slowed down from the previous quarter. This was mainly due to the lower of tourists and international tourism receipts.

The average occupancy rate was at 77.16 percent.

Wholesale and retail trade sector expanded by 6.8 percent, slightly slowed down from the previous quarter, in tandem with the slowdown of number of foreign tourists.

Transportation and storage sector slowed down from the previous quarter, following the slowdown of land transport and air transport. Meanwhile, warehousing and postal services expanded. In the first quarter of 2019, transport and storage sector expanded by 3.4 percent, compared with a 5.4 percent growth in the previous quarter. This was mainly due to the slowdown of transport services, attributed by (i) a 3.7 percent growth in land transport and transport via pipeline, which slowed down from the previous quarter, especially land transport, (ii) a 1.8 percent growth in air transport, which slowed down from the previous quarter, following the deceleration of passenger air transport, and (iii) water transport decreased by 2.2 percent, as a result of the decline of freight water transport. In addition, warehousing and postal services expanded by 9.0 percent and 7.5 percent, respectively. This was in line with the higher revenue of entrepreneur.

Transportation and storage sector decelerated by 3.4 percent, in line with the slowdown of land transport and air transport. Meanwhile, warehousing and postal services expanded at favorable pace.

Electricity, gas, steam and air conditioning supply sector favorably expanded, in line with the expansion of household demand and the higher average temperature. In the first quarter of 2019, electricity, gas, steam and air conditioning supply sector increased by 5.4 percent, accelerated from a 5.0 percent growth in the previous quarter. In details, (i) electric power generation continued to increase by 6.2 percent, following the higher household demand for electricity, mainly due to the average temperature in this quarter higher than usual by 1.3 Celsius (average temperature was at 27.6 Celsius) ,whereas the electric demand in manufacturing sector slowed down and (ii) manufacture of gas decreased by 1.6 percent, improved from 5.6 percent contraction in the previous quarter, associated with the increase in gas volume used in power plants.

Electricity, gas, steam and air conditioning supply sector grew by 5.4 percent, in tandem with the expansion of household demand and the higher of average temperature.

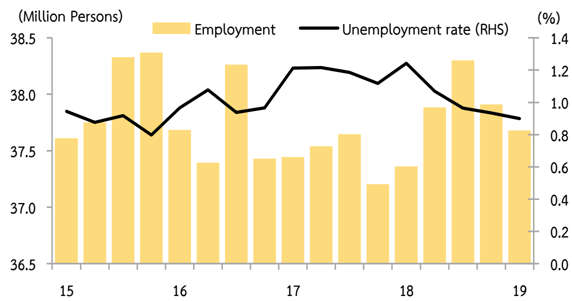
Construction sector continuously grew in tandem with the acceleration of public construction. Meanwhile, the private construction slowed down. In the first quarter of 2019, construction sector increased by 3.0 percent, compared with a 3.4 percent growth in the previous quarter. The public construction expanded by 4.1 percent, accelerated from 2.1 percent growth in the previous quarter (the government construction increased by 5.5 percent and the state-owned enterprise construction increased by 1.1 percent). The private construction expanded by 1.8 percent, decelerated from the previous quarter, following the decline of residential construction and the slowdown of other construction, while non-residential construction continued to expand such as commercial building and factory building. **Construction Materials Price Index** decreased by 0.03 percent, following a decline in prices of steel and steel products (-4.5 percent). Meanwhile, wood and wood products and cements increased by 9.5 percent and 2.1 percent, respectively.

Construction sector continued to grow by 3.0 percent, owing to the acceleration of public construction. Meanwhile, private construction slightly slowed down.

Employment continued to expand for four consecutive quarters, aligned with the acceleration of non-agricultural employment, while the agricultural employment dropped. The unemployment rate remained at a low level by 0.9 percent. In the first quarter of 2019, the employment increased by 0.9 percent. This was mainly due to the accelerated non-agricultural employment growth by 3.2 percent, a continuous expansion seen in three consecutive quarters, and was attributed by the acceleration in employment of construction sector and wholesale, retail sales, and repair of motor vehicles and motorcycles sector, which increased by 10.5 percent and 2.4 percent, respectively. The employment in manufacturing sector slowed down from the previous quarter with a 1.0 percent growth. This was in line with the slowdown of manufacturing sector. Meanwhile, the employments in accommodation and food service activities sector decreased by 0.2 percent. This was mainly due to the slowdown of accommodation and food service activities sector. The agricultural employment decreased by 4.2 percent, in line with a declined of some agricultural productions, such as white shrimp and sugarcane, etc. The unemployment rate in the first quarter was at 0.9 percent and unemployed persons was recorded at 345,000 persons.

Employment continuously increased for four consecutive quarters, as a result of non-agricultural employment expanded at an accelerated rate, whereas agricultural employment declined.

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



Source: National Statistics Office

Employed Persons by Industry

%YOY	Share Q1/19	2017 Year	2018 Year	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1
Employed	**100.00**	**-0.6**	**1.1**	**-0.2**	**0.9**	**1.7**	**1.9**	**0.9**
- Agricultural	**29.65**	**0.3**	**3.3**	**6.0**	**3.0**	**1.9**	**2.4**	**-4.2**
- Non-Agricultural	**70.35**	**-1.0**	**0.1**	**-2.8**	**-0.01**	**1.6**	**1.7**	**3.2**
Manufacturing	16.78	-2.9	2.5	-0.03	2.6	2.8	4.6	1.0
Construction	6.16	-8.2	-2.2	-11.8	-2.7	2.6	5.0	10.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.03	-0.2	-0.7	-2.8	-2.2	0.9	1.5	2.4
Accommodation and food service activities	7.46	1.8	1.8	-1.3	5.7	3.0	-0.02	-0.2
Total labor force (Million persons)		**38.1**	**38.4**	**38.1**	**38.5**	**38.7**	**38.4**	**38.3**
Employed (Million persons)		**37.5**	**37.9**	**37.4**	**37.9**	**38.3**	**37.9**	**37.7**
Unemployment (Hundred thousand persons)		**4.5**	**4.0**	**4.7**	**4.1**	**3.7**	**3.6**	**3.5**
Unemployment Rate (%)		**1.2**	**1.1**	**1.2**	**1.1**	**1.0**	**0.9**	**0.9**

Source : National Statistical Office (NSO)

Fiscal Conditions:

On the revenue side, in the second quarter of the fiscal year 2019 (January - March 2019), the net government revenue collection stood at 565.7 billion baht, increased by 6.2 percent compared with the same quarter last year. The key contributing components included: (i) the revenue from other government agencies were higher than the same period last year, due to the payment of the license auction in telecommunication business (4G) that was auctioned in fiscal year 2016; (ii) the revenue collected from excise tax on vehicle increased, due to the expansion of domestic car production; (iii) the revenue collected from personal income tax increased, which was partly due to an increase of withholding tax; and (iv) VAT increased due to rises in import prices.

The net government revenue collection increased by 6.2 percent.

For the first half of the fiscal year 2019, the net government revenue collection stood at 1,161.8 billion baht, increased by 7.6 percent from same period last year.

Government Revenue

Fiscal Year (Billion Baht)	2017 Year	2018 Year	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 H1	2019 Q1	2019 Q2
Net Government Revenue	2,355.7	2,536.9	547.6	532.5	754.1	702.8	1,161.8	596.1	565.7
YOY (%)	-1.6	7.7	-0.1	6.5	9.3	13.8	7.6	8.9	6.2

Source: Ministry of Finance

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

On the expenditure side, the total budget disbursement in the second quarter of fiscal year 2019 was at 776.2 billion baht[1], increased by 14.1 percent from the same quarter of FY2018 in which current expenditure and capital expenditure disbursements increased by 18.6 percent and 1.4 percent, respectively.

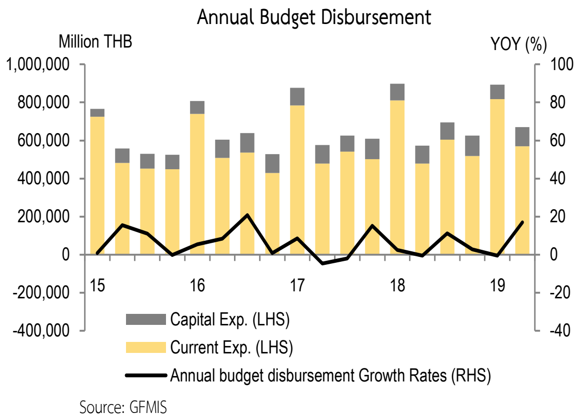
Classified by sources of funds, the government disbursements were as follows: (i) **the 2019 annual budget disbursement** stood at 669.5 billion baht, rose from the same quarter last year by 16.9 percent. The disbursement rate was at 22.3 percent, higher than the target of 22.0 percent and the rate of 18.8 percent in the same quarter last year.

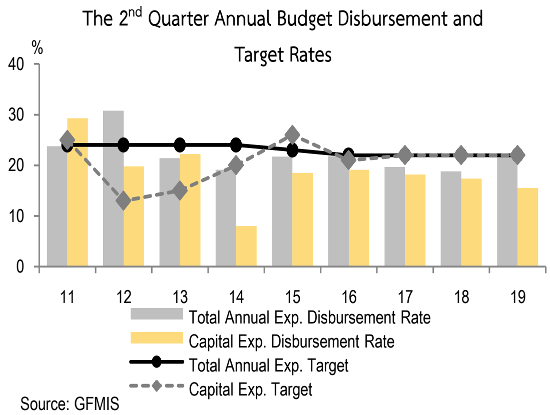
In details, the current expenditure disbursement amounted to 569.2 billion baht, expanded by 18.8 percent from the same quarter in FY2018. The disbursement rate was at 24.2 percent, greater than the rate of 19.1 percent in the same quarter last year. The increase in current expenditure disbursement was the result of expansion of general government subsidy disbursement, particularly the disbursements of the Department of Local Administration and the Office of the Basic Education Commission.

The rate of annual budget disbursement was at 22.3 percent (the disbursement rates of the current expenditure and the capital expenditure were at 24.2 percent and 15.5 percent respectively).

The capital expenditure disbursement marked at 100.2 billion baht, increased from the same quarter last year by 7.0 percent. The rate of disbursement was at 15.5 percent, lower than the target of 22.0 percent and a rate of 17.4 percent in the same quarter last year.

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.





(ii) **The carry-over budget disbursement** stood at 61.0 billion baht, increased from the second quarter of FY2018 by 5.2 percent. The disbursement rate was at 16.4 percent, lower than the rate of 17.9 percent in the same quarter last year; (iii) **state-owned enterprises' capital expenditure** budget (excluding PTT) was anticipated to be disbursed at 48.0 billion baht[2], declined from the same period last year by 9.9 percent; and (iv) **the off-budget loans** were disbursed at 431.3 million baht due to the disbursements of 326.7 million baht on the Water Resource Management and Road Transport System Project's loans and 104.6 million baht on the Development Policy Loan (DPL).

For the first half of the fiscal year 2019 , the total budget disbursement was at 1,810.6 billion baht, a 6.3 percent increase from the same period of 2018, with the following details: (i) the 2019 annual budget disbursement of 1,562.4 billion baht. The disbursement rate was at 52.1 percent, lower than the target of 52.3 percent but higher than the disbursement rate of 48.2 in the same period last year. In details, disbursements of the current expenditure and capital expenditure were at 1,386.9 billion baht and 175.5 billion baht, respectively; (ii) the disbursement of the carry-over budget stood at 131.8 billion baht, equivalent to 35.5 percent of the total carry-over budget; (iii) state-owned enterprises' capital expenditure budget (excluding PTT) disbursement was expected to be disbursed at 121.8 billion baht[3]; and (iv) the off -budget loans disbursement amounted to 711.0 million baht.

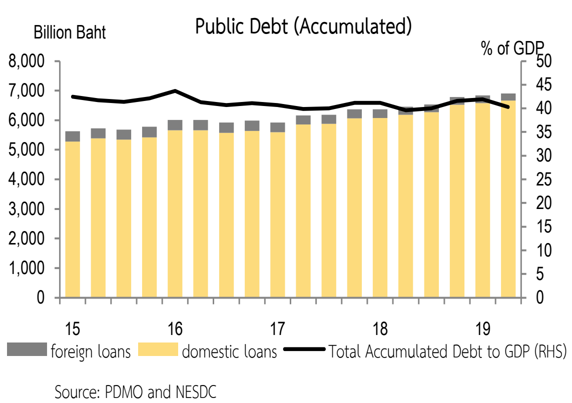
The public debt remained under the fiscal prudential framework at 40.3 percent of GDP.

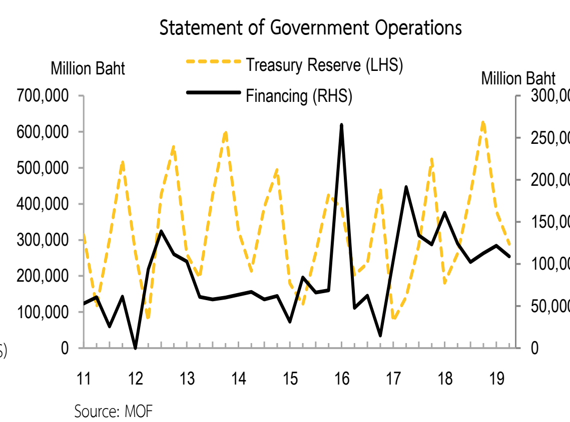
Public Debt: at the end of March 2019, the debt was accumulated at 6.9 trillion baht, equivalent to 40.3 percent of GDP. The public debt was comprised of domestic loans of 6.7 trillion baht (38.9 percent of GDP) and foreign loans of 248.3 billion baht (1.4 percent of GDP).

At the end of the second quarter of fiscal year 2019, the treasury reserve stood at 289.0 billion baht.

Fiscal Balance: in the second quarter of fiscal year 2019, the budgetary balance and non-budgetary balance recorded deficits of 189.4 billion baht and 10.4 billion baht, respectively. In the meantime, the government conducted a cash balance management through borrowing of 109.0 billion baht. Therefore, the cash balance after debt financing recorded a net deficit of 90.9 billion baht. At the end of the second quarter of fiscal year 2019, the treasury reserve stood at 289.0 billion baht.

For the first half of the fiscal year 2019 , the budgetary balance and the non-budgetary balance recorded deficits of 538.6 billion baht and 36.6 billion baht. The government has conducted a cash balance management through borrowing of 230.8 billion baht. Therefore, the cash balance after debt financing recorded a net deficit of 344.4 billion baht.





[2] The number was included the 2,717.2 million baht of the capital spending allocated from the annual budget and the carry-over budget.
[3] The number was included the 5,995.0 million baht of the capital spending allocated from the annual budget and the carry-over budget.

Financial Conditions:

The policy rate kept unchanged at 1.75 percent per annum over the first quarter.

Policy rate remained stable at 1.75 percent per annum, while ECB and Bank of India implemented accommodative monetary policy.

In both meeting on 6th February and 20th March 2019, the Monetary Policy Committee (MPC) decided to hold policy rate at 1.75 percent per annum with the decision based on the assessment that the current policy rate was at an appropriate level to sustain economic activities and suitable for the current target range. Similarly, major economies and other regional economies continued to keep their monetary policy directions and policy rates steady as last quarter. Meanwhile, some other countries gradually moved towards more accommodative stance, after previously employed the monetary policy normalization. In particular, the Federal Reserve (Fed) has signaled to hold its policy rate at a range of 2.25 – 2.50 percent per annum and end balance sheet normalization in September 2019. Moreover, European Central Bank (ECB) announced to hold its policy rate at zero percent per annum at least through the end of 2019, which was extended from the mid of 2019 as planed previously. The ECB also announced the new series of quarterly targeted longer-term refinancing operations (TLTRO-III), starting in September 2019 and ending in March 2021. For regional economies, India lowered its policy rate by 25 basis points to 6.25 percent per annum, which was the first decrease in 17 months.

In April 2019, India continued to decrease its policy rate by 25 basis points to 6.00 percent per annum in order to stimulate private investment and support economic growth.

Policy Interest Rate

(%) At the end of period	2017	2018					2019				
	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.	Apr.
USA	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	2.25-2.50	2.25-2.50	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	0.75	0.50	0.50	0.75	0.75	0.75	0.75	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	1.75	1.25	1.25	1.50	1.75	1.75	1.75	1.75	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	7.75	7.25	7.25	7.50	7.75	7.75	7.75	7.75	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	1.75	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75
India	6.00	6.50	6.00	6.25	6.50	6.50	6.25	6.50	6.25	6.25	6.00
Indonesia	4.25	6.00	4.25	5.25	5.75	6.00	6.00	6.00	6.00	6.00	6.00
Philippines	3.00	4.75	3.00	3.50	4.50	4.75	4.75	4.75	4.75	4.75	4.75
Malaysia	3.00	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Thailand	1.50	1.75	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	1.75

Source: Collected by NESDC

The average deposit rate of five major commercial banks increased, but the average lending rate remained stable. Meanwhile the real deposit and lending rates declined as inflation rate accelerated.

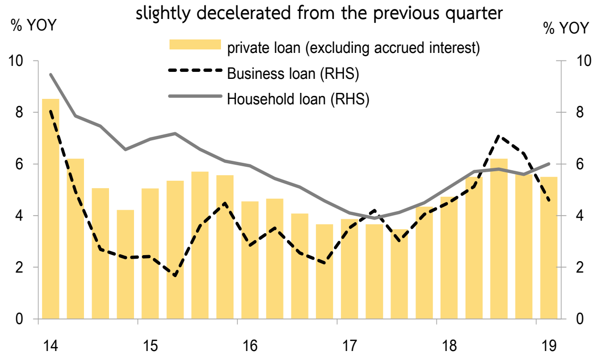
Major commercial banks raised their deposit rates following the policy rate hike in the previous quarter, while the medium-sized commercial banks lowered deposit rate. In the first quarter of 2019, the average 12-month deposit rate of five major commercial banks was raised by 5 basis points to 1.42 percent per annum after the Bank of Thailand (BOT) increased the policy rate by 25 basis points in December 2018. However, the five commercial banks still kept the average lending rate steady at 6.28 percent per annum. In addition, one of the medium-sized commercial banks lowered its 12-month deposit rate by 13 basis points, which brought down the average 12-month deposit rate of the medium-sized commercial banks to decline by 6 basis points from the previous quarter to 1.13 percent per annum. On the contrary, the medium-sized commercial banks kept the average lending rate stable at 6.71 percent per annum. Moreover, the real deposit and lending rates declined following an increase in headline inflation rate.

In April 2019, one of the five major commercial banks and retail bank lowered 12-month deposit rate by 10 and 5 basis points, respectively. As a result, the average 12-month deposit rate of the five major commercial banks and retail bank declined to 1.40 and 1.80 percent per annum.

Private loan (excluding accrued interest) of depository corporations slightly decelerated, in line with the business loan, while household loan expanded continually. At the end of the first quarter of 2019, an outstanding of private loan from depository corporations grew by 5.5 percent, marginally decelerated from a 5.6-percent growth in the previous quarter. This was in line with the deceleration in business loan, in particular, those in manufacturing, financial and insurance activities and agriculture, forestry, fishing and mining sectors. In contrast, household loan accelerated from the previous quarter, following the expansion in housing demand. In the first quarter of 2019, loan's quality was marginally lowered from the previous quarter, as non-performing loan (NPL) to total outstanding loan ratio increased slightly from 2.94 in the previous quarter to 2.95 in this quarter.

Private loan (excluding accrued interest) of depository corporations slightly decelerated, in line with the business loan especially manufacturing, financial and insurance activities, while household loan expansion accelerated from housing loan.

Private loan (excluding accrued interest) of depository corporations slightly decelerated from the previous quarter



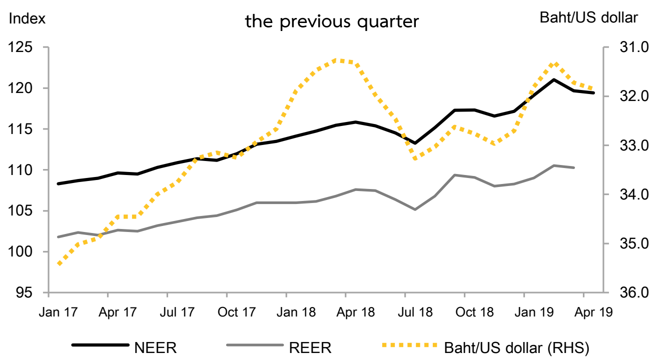
Source: Bank of Thailand

Thai Baht against US Dollar appreciated. During the first quarter of 2019, an average exchange rate was at 31.62 baht per US dollar, appreciating 3.66 percent from the previous quarter, in line with the appreciation of the exchange rates of other regional currencies. The movement of the Baht was partly resulted from : (i) the decline in US Dollar index, after Fed signaled that it would slow down policy rate hike; and (ii) strong economic fundamentals, reflected by the continual current-account surplus. Moreover, comparing with trading partners/competitors, Thai Baht has been appreciated, reflected by an increase in Nominal Effective Exchange Rate (NEER)[4] by 2.49 percent on average from the previous quarter. Besides, when considering together with price levels or inflation rate, Thai Baht slightly depreciated, reflected by a decline in Real Effective Exchange Rate (REER) of 0.02 percent on average from the previous quarter.

Thai baht against US dollar appreciated as same as NEER whereas REER slightly decreased.

In April 2019, Thai Baht against US Dollar slightly depreciated from the previous month, following the increase in US Dollar index. This was because of a higher confidence in the US dollar after US trade deficit decreased to 49.4 billion US Dollar in February, which was the lowest level since June 2018. Thus, average Thai Baht in April was at 31.85 Baht per US Dollar, depreciating by 0.4 percent from an average rate in March.

Thai Baht appreciated against US dollar from the previous quarter



Source : CEIC, Bank of Thailand

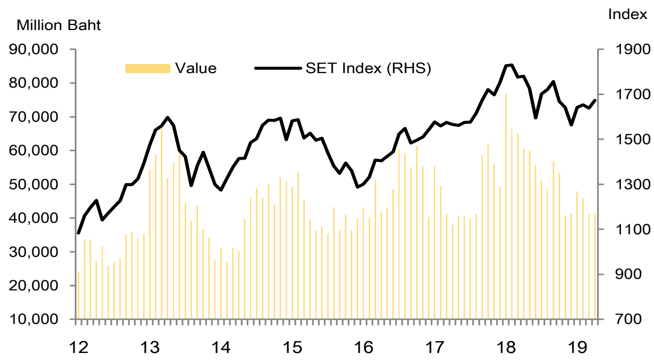
[4] The BOT began using the new NEER and REER in March 2014. The base year would also be changed to 2012, that the indicators could capture the true structure of trade in line with changing international dynamics.

SET index increased from the previous quarter. At the end of the first quarter of 2019, SET index increased by 4.8 percent, to 1,638.7 points from the previous quarter. The upward movement of SET index was mainly driven by the net buy of local institutions as there was the increase in energy prices as well as domestic consumption during the election period. This was in line with higher indices of the following business sectors: (i) Energy & Utilities sector, (ii) Commercial sector and (iii) Food & Beverage sector. In this quarter, there was a foreign inflow in regional stock markets, owing to (i) news regarding to the improvement in US-China trade talk (ii) Fed's signal of the delayed monetary policy normalizing and (iii) economic downside risks and political uncertainty in EU. However, during the latter half of this quarter, foreign investors posted a net sell position in Thai's stock market since they were waiting for more clarity on Thai's election result and the formation of a new government. This caused a slightly decrease of SET index during the last month of this quarter.

SET index increased compared with the previous quarter supported partly by the increase in energy prices as well as domestic consumption during the election period.

In April 2019, SET index increased by 2.1 percent, to 1,673.5 points from the end of March. Foreign investors had a net buy position in line with other regional stock markets. In details, Energy & Utilities sector and Food & Beverage sector were main contributors to a rising of SET index in this month following by an increasing trend of oil price and domestic consumption.

SET Index in the first quarter of 2019 increased from the previous quarter



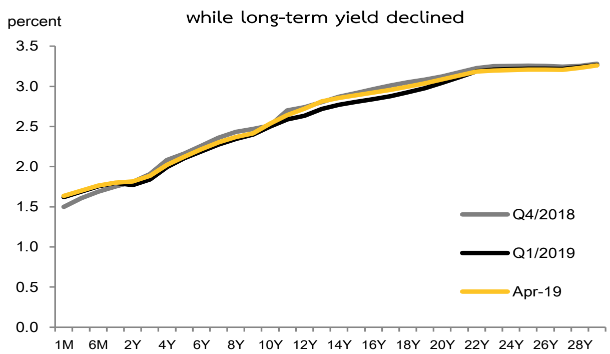
Source: SET

Government bond yield flatten, while bond trading volume increased, and foreign investors had a net sell position. During the first quarter of 2019, daily average outright transaction recorded at 81.4 billion baht. Foreign investors had a net sell position of 37.3 billion baht, comprised mostly of a short-term bond with less than 1-year maturity, which was the result of (i) the policy rate hike in December 2018; (ii) the expectation of investors regarding to Thai's political conditions; and (iii) an increase in government short-term bond supply (2 months data). Thus, short-term bond yield, at the end of March 2019, rose by 5-12 basis points from December 2018. In contrast, foreign investors had bought long-term bonds in this quarter, pressuring by a reduction of long-term bond yield in major countries as there were downside risks in global economy from (i) trade war and (ii) EU political risk.

Bond trading volume increased. Foreign investors had a net sell in short-term bond but net buy in long-term bond, resulting in the flattened yield curve.

In April 2019, foreign investors registered a net sell position by selling in both short and long-term bond, resulting in increasing of long-term bond yield but short-term bond yield remained unchanged.

Government short-term yield rose
while long-term yield declined



Source: ThaiBMA

Capital and financial account recorded a net outflow of 4.2 billion US dollars in the first quarter of 2019. This was caused by an outflow of (i) Thai outbound investment in terms of Thai direct investment and Thai portfolio investment, (ii) foreign portfolio investment in both stock and bond market, and (iii) a payment of trade credit.

Capital and financial account recorded a net outflow due to Thai outbound investment, foreign net sell position, and a payment of trade credit.

Capital Flow

(Billion USD)	2017	2018					2019			
	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.
- Direct Investment	-10.6	-7.2	-0.4	-3.1	-2.6	-1.1	-4.1	0.9	-0.3	-4.7
Thai investor	-18.6	-20.5	-5.1	-5.4	-5.7	-4.2	-4.1	0.0	-1.2	-2.8
Foreign investor	8.0	13.2	4.6	2.3	3.1	3.1	0.0	0.9	1.0	-1.9
- Portfolio Investments	-2.1	-5.8	-3.0	-4.0	1.4	-0.2	-1.7	-1.3	0.7	-1.1
Thai investor	-11.6	-1.9	-2.1	1.6	-1.2	-0.2	-0.6	-1.2	1.3	-0.7
Foreign investor	9.4	-3.9	-0.9	-5.7	2.6	0.0	-1.1	-0.1	-0.6	-0.4
Others	0.3	-8.9	-0.3	-2.4	-2.8	-3.5	1.6	1.4	-0.7	0.9
Capital and financial account	-12.4	-21.9	-3.7	-9.5	-4.0	-4.8	-4.2	1.0	-0.3	-4.9

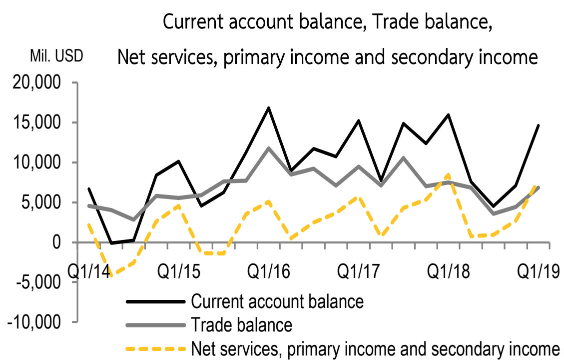
Source: BOT

Current account registered a surplus of 14.6 billion US dollars (460.5 billion baht). This was a result of a trade surplus of 6.8 billion US dollars and a surplus in services, and primary and secondary income of 7.8 billion US dollars.

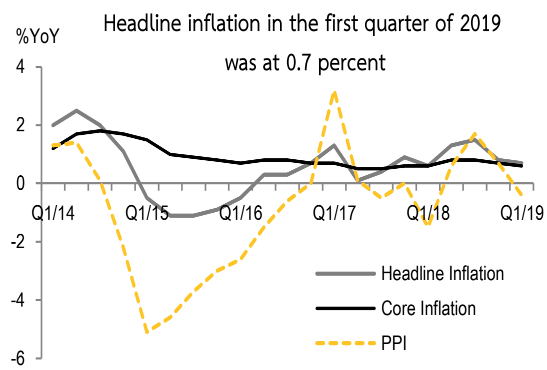
Current account registered a lower surplus than the same period last year.

International reserve at the end of March 2019 stood at 212.2 billion US dollars (excluding net forward position of 32.6 billion US dollars), which was equivalent to 3.4 times of short-term foreign debt, or to an import value of 11.9 months (given the average of import value in the first quarter of 2019).

International reserve at the end of March 2019 stood at 212.2 billion US dollars.



Source: Bank of Thailand



Source: Ministry of Commerce

Headline inflation: In the first quarter of 2019, headline inflation was averaged at 0.7 percent, slightly decelerated from 0.8 percent in the previous quarter. Non-Food and Beverage price index increased by 0.1 percent, decelerated from 0.9 percent in the previous quarter as the domestic retail fuel price slowed down, which caused energy index to decrease by 0.8 percent, compared with a 3.4-percent increase in the previous quarter. Food-and-Beverage price index increased by 1.9 percent, accelerated from 0.7 percent in the previous quarter, due to an increase in prices of rice, flour & cereal products, fish and aquatic animals, eggs and dairy products, and seasonings and condiments. Core inflation was average at 0.6 percent, compared with 0.7 percent in the previous quarter.[5]

Headline inflation was at 0.7 percent, decelerated from the previous quarter due to the deceleration of Non-Food and Beverage price index.

Producer Price Index (PPI): In the first quarter of 2019, Producer Price Index decreased by 0.4 percent, due to the decrease in price of manufactured products. The price of manufactured products decreased by 1.0 percent, compared with a 0.3-percent increase in the previous quarter as price of petroleum products, and chemicals & chemical products declined. Meanwhile, the price of mining products increased by 5.4 percent, decelerated from 9.5 percent in the previous quarter as price of lignite, petroleum, & natural gas decreased. Meanwhile, the price of agriculture products increased by 1.7 percent, accelerated from 1.1 percent in the previous quarter as price of crops and live-stocks increased.[6]

Producer Price Index (PPI) decreased by 0.4 percent, due to the decrease in price of manufactured products. Meanwhile, the price of mining products and agriculture products increased.

[5] In April 2019, headline inflation was 1.2 percent, Core inflation was 0.6 percent. On the first 4-month average, headline inflation was 0.9 percent, Core inflation was 0.6 percent.

[6] In April 2019, Producer Price Index (PPI) increased by 0.7 percent. On the first 4-month average, PPI decreased by 0.1 percent.

2. Crude Oil price in Q1 of 2019

The crude oil price in the global market declined from the previous quarter and from the same period last year. In the first quarter of 2019, the average crude oil price in the 4 major markets (Dubai, Oman, Brent, and WTI) stood at 61.38 USD per barrel, declined by 4.8 percent from the same period last year, and declined by 6.2 percent from the previous quarter.

Key reasons for the decline in the global crude oil price included (i) an increase in OECD (US, Canada, and others) inventory to 2,861 million barrels (higher than 2,839 million barrels in the same period last year), and (ii) world economic slowdown, causing the global demand increase slowly.

The crude oil price in the global market declined due to an increase in OECD inventory, and world economic slowdown.

Crude Oil Price

Year		USD per Barrel					(%YoY)				
		WTI	BRENT	DUBAI	OMAN	Average	WTI	BRENT	DUBAI	OMAN	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
2019	Q1	54.93	63.86	63.29	63.43	61.38	-12.7	-4.9	-0.7	-1.0	-4.8
	Jan.	51.65	60.24	58.94	59.20	57.51	-18.9	-12.8	-10.8	-10.5	-13.2
	Feb.	54.98	64.32	64.13	64.25	61.92	-11.7	-2.1	2.6	2.2	-2.2
	Mar.	58.17	67.03	66.80	66.84	64.71	-7.3	0.5	6.7	5.9	1.4
	Apr.	63.94	71.66	71.01	71.15	69.44	-3.5	-0.1	4.2	4.4	1.3

Source: Thaioil Plc and EPPO.

3. The World Economy in Q1 of 2019

The world economy in the first quarter of 2019 decelerated in line with slowdowns in the Eurozone, China, Japan, and other economies amidst more intensified trade protection measures in which many countries experienced with lowest growth in many quarters. Nevertheless, the US economy accelerated.

The world economy and global trade volume in the first quarter of 2019 further softened from the latter half of 2018 as a result of the China's and Eurozone's economic slowdown amidst rising negative impacts from trade protection measures as well as uncertainties regarding US and China trade negotiations, Brexit, and temporary events in EU. These factors resulted in a broader and sharper slowdown of exports and economic activities in various countries, particularly newly industrialized, the ASEAN, and other export-dependent developing economies. In details, the export value of Japan declined for the first time in 12 quarters. The values of Hong Kong, South Korea, Malaysia, Singapore, and Taiwan declined for the first time in 10 quarters. Those of China and Vietnam decelerated, with the lowest growth in 9 and 13 quarters, respectively. Notwithstanding, the US economy accelerated and widened the growth gap between the US and other major economies.

Under conditions of slow expansion in economic activity and weakening prospects for the overall economy over the rest of the year 2019, as well as the lessened inflationary pressure following lower oil price and softened domestic demand, central banks in several major economies signaled a shift in monetary policy directions. Specifically, during March 2019 meeting, the FOMC signaled a slower pace of interest hikes. Similarly, the ECB announced an easing package consisting of maintaining policy rate throughout 2019 and launching a new series of quarterly targeted longer-term refinancing operations (TLTRO-III) which will be effective in September 2019 and ending in March 2021, after the completion of TLTRO-II. In January and May 2019, The PBOC also eased the monetary conditions further by reducing the Reserve Requirement Ratio (RRR).

The US economy expanded by 3.2 percent, the highest rate in 15 quarters, due to accelerations in private and government consumptions, inventory accumulation, and an increase in net exports. Meanwhile, the core PCE inflation was lower than the target level which thus made the Fed to hold the policy rate.

The US economy expanded by 3.2 percent (Advance estimate), slightly accelerating from 3.0 percent in the previous quarter, supported by: (i) a higher contribution from net exports, owing to a decline in imports; (ii) an increase in inventories; (iii) an acceleration in government consumption expenditure, which increased by 1.8 percent in this quarter, accelerating from 1.5 percent in the previous quarter; (iv) a continued expansion in private consumption expenditure of 2.7-percent growth, slightly increased from a 2.6-percent growth in the previous quarter, due to an expansion in nondurable goods and services consumptions. This acceleration in private consumption was in line with favorable employment conditions, where the unemployment rate stood at 4.1 percent, declined from 4.3 percent in the same period last year, and continued to decrease by 3.6 percent in April 2019, which was the lowest rate in 49 years. The average hourly wage also increased by 3.3 percent, the highest rate in 10 years. Nevertheless, the core PCE inflation declined from 1.9 percent to be at 1.7 percent in the first quarter, lower than the monetary policy target. Under such conditions, the Federal Open Markey Committee (FOMC) decided to hold the target range for the federal funds rate at 2.25 – 2.50 percent in the meeting on April 30th – May 1st, 2019, and also gave a signal of a slower pace of rate hike for the rest of this year as well as set an end-date to the balance sheet runoff by September this year.

The Eurozone economy expanded by 1.2 percent, similar rate as in the previous quarter, following the deceleration in manufacturing sector, in line with a decline in exports. In addition, domestic consumption faced with several limitations which thus dampened economic sentiment.

The Eurozone economy expanded by 1.2 percent, equivalent to the previous quarter, which was the lowest rate in 21 quarters. This was mainly due to the deceleration in the manufacturing sector, in line with weaker Manufacturing Purchasing Managers' Index (Manufacturing PMI) from 51.7 in the previous quarter to 49.1 in the first quarter of 2019, the lowest level in 6 years, partly due to the newly implemented emission standards in Germany, in line with a decline in exports during the first quarter, the first decline in 12 quarters, at 4.1 percent. Meanwhile, domestic consumption was affected by concerns over Brexit uncertainty, the protests in France, and conditions over fiscal policy uncertainty in Italy, as also reflected in weaker economic sentiment. Meanwhile, the HICP inflation declined to 1.4 percent from 1.9 percent in the previous quarter, and was below the monetary policy target. Under those conditions, in the meeting on April 10th, 2019, the ECB decided to further ease its monetary policy by keeping its policy rate unchanged and signaled that it will maintain policy rate at least through the end of 2019, compared with the previous setting to maintain its policy rate unchanged at least until mid-2019. The easing package also consists of a new series of quarterly targeted longer-term refinancing operations (TLTRO-III) which will be started in September 2019 after the expiration of the previous TLTRO-II.

The Japanese economy is likely to show a slower growth, in line with a deceleration in consumption and a reduction in exports. In addition, inflation rate was still below the target rate. Thus, the BOJ decided to maintain its monetary easing.

The Japanese economy is expected to decelerate from the previous quarter, owing to a deceleration in consumption and a reduction in exports. The retail trade index expanded by 0.8 percent, decelerating from 2.0 percent in the previous quarter. This was consistent with declining consumer confidence index to 41.0, the lowest level in 12 quarters. Furthermore, exports dropped, for the first time in 12 quarters, by 5.7 percent. This was in line with a lower Purchasing Managers' Index (PMI) to 49.5, the lowest level in 24 quarters. Besides, inflation rate stood at 0.3 percent, the lowest rate in 10 quarters and was lower than the target rate. Thus, the BOJ decided to maintain the policy rate and its level of asset purchases in their meeting on April 25th, 2019.

The Chinese economy expanded by 6.4 percent, holding the same pace form the previous quarter, which was still the weakest rate in 28 years. Export value grew only by 1.3 percent, the slowest rate in 9 quarters, which was partially the result of the US's protection measures against imports from China. Similarly, imports also declined for the first time in 10 quarters by 4.3 percent, compared with a 4.8-percent growth in the preceding quarter, which was consistent with softened exports and domestic demand. Investments in fixed assets expanded by the slowest pace in 19 years, resulted from the 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 152.9 percent, and both household and government debt ratios also continued to increase. Foreign exchange reserves increased to 3,099 billion USD at the end of March 2019, the highest in 7 months which was consistent with the declined imports and stronger Yuan, where the currency appreciated by 2.4 on average during the first quarter. Nevertheless, capital movement continued to show a net outflow for the six consecutive quarters. As the decelerating trend of the economy continues, together with remaining pressures from the stability risks, the PBOC proceeded to cut its reserve requirement ratio (RRR) for small- and medium-sized banks from 11.5 percent to 8.0 percent on May 6th, 2019. It was the sixth RRR cut since the beginning of 2018 and has been put to effect since May 15th. In addition, the Chinese government attempts to stimulate the economy and reduce the impacts from the trade measures through key fiscal policies, including for example increasing the minimum income tax threshold, providing additional income tax exemptions, cutting the rate of VAT for manufacturers, exempting VATs for SMEs, lowering the rates of social security contributions paid by employers, and reducing electricity costs for industrial and commercial users.

The Chinese economy maintained similar growth as in the fourth quarter, the lowest in 28 years. There remain financial pressures which thus made the PBOC to continue reducing its RRR for six consecutive times since 2018.

The **NIEs** softened from the preceding quarter, following the decreased exports and the slower manufacturing activities which were partially the results of the key economies' slowdown and the ongoing trade tensions between the US and China. In particular, the economies of Hong Kong, South Korea, Singapore, and Taiwan expanded by 0.6, 1.8, 1.3, and 1.7 percent, lower than the previous quarter rates of 1.2, 3.1, 1.9 and 1.8 percent, respectively. Their exports values were contracted by 2.6, 8.5, 2.7, and 4.2 percent, respectively, during the first quarter of 2019. Inflation declined in this quarter due to lower oil prices as well as softened economic activities. Similarly, **the ASEAN economies** decelerated as a result of weaker exports performance, which affected production sector. Vietnam's exports experienced a lower growth pace of 5.1 percent, compared with 6.7 percent in the previous quarter. Indonesia's exports fell, for the second quarter, by 8.3 percent. Likewise, the exports value of the Malaysian economy declined for the first time in 10 quarters by 4.8 percent, respectively. Indonesia, Malaysia, the Philippines, and Vietnam grew by 5.1, 4.5, 5.6, and 6.8 percent in this quarter, respectively, softened from 5.2, 4.7, 6.3, and 7.3 percent in the previous quarter, respectively.

The NIEs and ASEAN economies softened as a result of weaker manufacturing production and declined exports.

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

(%YoY)	Export (%YoY)				GDP (%YoY)				Inflation (%YoY)			
	2017	2018		2019	2017	2018		2019	2017	2018		2019
	Year	Year	Q4	Q1	Year	Year	Q4	Q1	Year	Year	Q4	Q1
USA	6.6	7.7	3.4	1.4	2.2	2.9	3.0	3.2	2.1	2.4	2.2	1.6
Euro Area	9.4	8.4	0.7	-4.1	2.4	1.9	1.2	1.2	1.5	1.8	1.9	1.4
Japan	8.3	5.7	1.4	-5.7	1.9	0.8	0.3	-	0.5	1.0	0.8	0.3
China	7.9	9.9	3.9	1.3	6.8	6.6	6.4	6.4	1.6	2.1	2.2	1.8
Hong Kong	7.6	6.8	2.1	-2.6	3.8	3.0	1.2	0.6	1.5	2.4	2.6	2.2
India	13.1	8.6	4.8	6.0	6.9	7.4	6.6	-	3.3	4.0	2.6	2.5
Indonesia	16.3	6.7	-0.7	-8.3	5.1	5.2	5.2	5.1	3.8	3.2	3.2	2.6
South Korea	15.8	5.4	7.7	-8.5	3.1	2.7	3.1	1.8	1.9	1.5	1.8	0.5
Malaysia	14.7	13.6	7.9	-4.8	5.7	4.7	4.7	4.5	3.8	1.0	0.3	-0.3
Philippines	19.7	0.9	-1.2	-3.1	6.7	6.2	6.3	5.6	2.9	5.2	5.9	3.8
Singapore	10.4	10.3	5.5	-2.7	3.9	3.2	1.9	1.3	0.6	0.4	0.5	0.5
Taiwan	13.2	5.9	0.1	-4.2	3.1	2.6	1.8	1.7	0.6	1.3	0.5	0.3
Thailand	9.8	7.2	2.3	-3.6	4.0	4.1	3.6	2.8	0.7	1.1	0.8	0.7
Vietnam	21.8	13.3	6.7	5.1	6.8	7.1	7.3	6.8	3.5	3.5	3.4	2.6

Source: CEIC, collected by NESDC

4. The World Economic Outlook for 2019

The world economy in 2019 is expected to continue its slowdown pace from the latter half of 2018, leading by adjustments to the downtrend of the US economic cycle, the decelerations of the Chinese and the Eurozone economies, additional impacts from the uncertain trade negotiations between the US and China during the first 4 months of 2019 as well as more intensified trade measures in the remaining of the year as the US raised import tariff from 10 percent to 25 percent on 200 billion USD worth of Chinese products while China announced immediate retaliatory measures. As a result, the economic growth of developing countries and the global trade volume are seen to lose its pace further from 2018 more than previously expected. **Under the baseline scenario, the world economy and the global trade volume are projected to grow by 3.6 and 3.6 percent,** slowing from 3.9 and 4.0 percent in 2018, respectively.

Following the broad-based global slowdown, together with the declined inflationary pressures, intensifying trade tensions, and key risks in the global economic and financial system, many countries started to reverse their monetary stances from monetary normalization in 2018 to maintaining or more accommodative monetary conditions. Under the baseline scenario, the Fed is expected to maintain its funds rate and halt the balance sheet runoff by September. Meanwhile, it might also be possible that the Fed would decide to apply additional monetary easing in the latter half if the US economy tends to slow down more than expected and if inflation is unlikely to reach the target. The ECB decided to ease the monetary conditions further starting from September, and tends to continually maintain the stance. Similarly, the BOJ is likely to hold on to its accommodative monetary policy in order to keep the momentum of the economic growth and the PBOC tends to relax the monetary conditions further as well as allow Yuan currency to be more flexible in order to curb down pressures from the trade measures and the economic slowdown.

In the baseline scenario, **the US economy** is expected to expand by 2.5 percent, decelerating from 2.9 percent in 2018. The economy would be constrained by above-full-employment economic conditions, diminishing contribution from measures under the Tax Cuts and Jobs Act, and additional negative impacts of trade protection measures to exports and production sectors as well as household and business spending. Private consumption, however, is expected to expand at a satisfactory pace, supported by strong labour market conditions and low level of unemployment rate amidst the gradually increasing wages. Nevertheless, the inflationary pressure would still be trivial, though is likely to gradually increase following rising import prices. As a result, the Fed is likely to keep policy rate unchanged throughout the year while it is possible that the Fed will decide to lower the policy rate under conditions that there are higher downside risks in the financial and the capital markets, and more signs of the economic slowdown, as well as clearer trend of inflation not to move towards the target rate.

The Eurozone economy is estimated to grow by 1.2 percent, decelerated from 1.9 percent in 2018, owing to the slowdown trend in manufacturing and the declining exports affected by the trading partners' slowdowns, the Germany's auto emission standards, and some concerns over many key risks including the Brexit uncertainty, the uncertain direction of US's trade protectionist measures particularly under the Section 232 applied to the EU, Italy's fiscal policy conditions, the concern over political situations including the election to the European Parliament held between 23rd and 26th May 2019 as well as the political environment in which that the Eurosceptists have gained more popularity which might affect the unity of the EU. Under the slowdown economic trend, together with the increases in downside risks, in the meeting on April 10th, 2019, the ECB decided to move towards more accommodative stance by applying the new series of quarterly targeted longer-term refinancing operations (TLTRO-III), starting in September 2019 and ending in March 2021. Consequently, it is expected that the ECB will continue to maintain its accommodative policy stance for the rest of 2019.

The Japanese economy is expected to expand by 0.9 percent, which is close to a 0.8-percent growth in 2018. The growth will be supported by the expansion in domestic production and business investment after adjusted to the trade protection measures as well as to the EU and Japan's Economic Partnership Agreement (EPA) effective on 1st February 2019, which will allow 100 percent eliminate customs duties for Japanese exports, especially automobiles and car parts. In addition, it is expected that the domestic demand will accelerate prior to the consumption tax hike in October 2019. Nonetheless, exports are likely to slow down in line with the economic deceleration of trading partners, the possible US's import tariffs on automobile and automotive parts under Section 232 of the US trade law, the United States-Mexico-Canada Agreement (USMCA), and the US – South Korea free trade agreement. Under the economic slowdown trend amid low inflation and higher trade risks in the world market, it is likely that the BOJ will continue maintaining its monetary policy.

The Chinese economy is estimated to expand by 6.1 percent, slowing from 6.6-percent growth in 2018, following the escalation of US trade measures which tends to put more constraints on the economic growth and stability management. It is expected that the manufacturing and exports sector will slowdown, and domestic demand in both consumption and investment will also be affected through weaker economic sentiment and employment slowdown, amidst high corporate and household debt levels. Under such conditions, 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's tariff measures by gradually letting the Yuan depreciate further, coupled with reducing the costs of the manufacturing and exports sectors, as well as providing credit lending through SFIs, and slowly cutting banks' reserve requirement ratio. In addition, it is possible that the Chinese government will continue to roll out additional measures to stimulate domestic demand.

The NIEs economies tend to soften further, following the global slowdown and effects of the US-China trade measures through the declining global growth and the supply chain effects which will make export to decline during the initial phase of trade redirection and supply chain adjustments. Nevertheless, it is expected that the trade redirection and manufacturing facility relocation will sequentially crystalize and cushion the impacts from the global slowdown and the trade protection measures for the rest of 2019. The growth rates of the Singapore, South Korea, and Taiwan economies are estimated to be 2.5, 2.3, and 2.0 percent, respectively, compared with the growth rates of 3.2, 2.7, and 2.6 percent in 2018. On the other hand, the Hong Kong economy is expected to keep its pace from 2018 at 3.0 percent. Similarly, **the ASEAN economies** are expected to decelerate due to the slower trends of exports and manufacturing activities, following the trading partners' economic slowdown, especially the US, the Eurozone, 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, after the escalation of the US tariffs on Chinese imports, it is expected that redirection of international trade and global supply chain as a result of the protectionist trade measures will generate additional positive spillovers and reduce the negative impacts from the trading partners' slowdown and the effects of the trade measures through the ASEAN-China's supply chain network. In the base case, the Philippines, Malaysia, Vietnam, and Indonesia are estimated to grow by 5.8, 4.4, 6.8, and 5.0 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 could impact 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 possible additional trade measures between the US and China, as well as other counties, especially the US's tariffs on additional 300 billion USD worth of imported Chinese goods, actions corresponding to the outcome of section 232 investigation into the imports of motor vehicles and automotive parts, measures of the US against economies in currency manipulator list, as well as the China's retaliatory measures; (ii) the progress of the Brexit negotiations; (iii) the slowdown of the Chinese economy amidst its instability risks which might become more aggravate due to the intensifying trade tension; (iv) stability risks in several emerging markets and developing economics with weak economic fundamentals (for example, Venezuela, Argentina, Turkey, and South Africa); (v) economic and political conditions of the Eurozone countries as well as the outcome of the European Parliament election during 23rd – 26th May, 2019; (vi) disagreements within the US Congress which could obstruct the public debt ceiling resolutions and the 2020 budgeting process; (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, Venezuela's domestic political unease, and the persistent tensions in Korean peninsula.

5. Thai Economic Outlook for 2019

The slowdowns of the world economy and trade volume amid trade policy uncertainty had put more constraints on the Thai economy in the first quarter. Nevertheless, in the case that there are no additional trade protection measures as well as no sharper-than-expected slowdown of key economies, it is expected that the Thai economy will continue to gradually accelerate during the rest of 2019 and will thus result in a favourable growth for the whole year. Key supporting factors are favourable domestic demand growth, improving trade conditions with clearer tendency towards redirection of international trade, production, and investments due to more intensified trade protection measures, as well as the recovering tourism sector and lower growth base during the latter half of 2019.

Supporting factors for the economic growth:

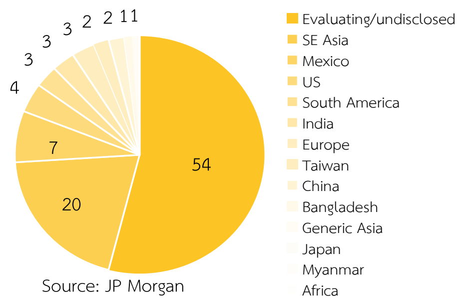
1) **Domestic demand tends to keep its strong growth momentum** and is expected to continue throughout the latter half of the year. (i) **Private consumption** is buttressed by the continual expansion of income bases and the continual employment expansion for four consecutive quarters, subdued inflation and interest rates, new car models launch after the conclusion of the first-time car buying scheme, favorable prices of several key agricultural product with continual expansion of production especially rice, maize, and cassava, as well as the low income support welfare card scheme. (ii) **Private investments** tend to keep its favorable pace, in line with the continual growth of 4.4 percent in the first quarter, supported by the recurrent progresses in key infrastructure projects, high capacity utilization in key manufacturing, higher value of projects applied for investment promotion through the Board of Investment (BOI) of 631.0 and 899.7 billion baht in 2017 and 2018, with growth rates of 10.5 and 42.6 percent, respectively, more specifically the value of projects applied for the promotion in Eastern Economic Corridor (EEC) in 2018 was 683.9 billion baht, a growth of 137.4 percent and clearer redirection on production, trade, and investments relocation in response to the escalated US-China trade tension. (iii) **Public Investments** is expected to expand following the progresses of key public infrastructure projects, which have increasing shares of investments in machinery and equipment as well as construction, together with the increase in the capital budget framework under the 2019 of 19.5 percent.

2) **Export conditions incline to gradually improve in the latter half of the year, following** the decreasing inventory levels in key economies, more-eased conditions on chip shortages in the electronics market, and clearer adaptation of international trade and production amid increasing pressures from the US-China trade protectionism. The decline in manufacturing and exports activities in key economies during the first quarter was a result of: (i) the adjustment of key economies to a downturn of the economic cycle; (ii) the escalating trade measures which have caused a deceleration in world trade volume (trade dilution) and impacted through the international supply chain (negative supply chain effect); (iii) uncertainties surrounding the US-China trade negotiations causing the key economies' manufacturers and exporters to delay business decisions and wait for clearer outcome of the trade agreement, which further aggravated the decline in trade and production activities; (iv) the ramp-up of production and imports of key economies before the first (in June and August 2018) and the second phase (in January 2019) of the US and China trade measures were put into effect which has piled up inventories in key economies especially the US and thus has led to less imports demands during the first quarter of 2019; and (v) chip shortages in the global market due to the lack of production capacity of 14-nanometer chipsets which have aggravated the electronics supply chain and trade conditions of the world electronics market continually since September 2018. For the rest of this year, although more intensified trade tension in May could affect the world trade volume and the world's supply chain linkage further, under the baseline scenario with no additional trade measures and uncertainties, it is expected that the clearer trade policy in May will make manufacturers, exporters, and importers to make a decision to adapt themselves to new trade, production, and investment directions, and will eventually start to produce and export more in particular under conditions of less inventories in major economies and relaxation of chip shortages which will thus support the international trade to gradually improve from the first quarter of 2019.

Opportunities for driving Thai private investment amid trade tension

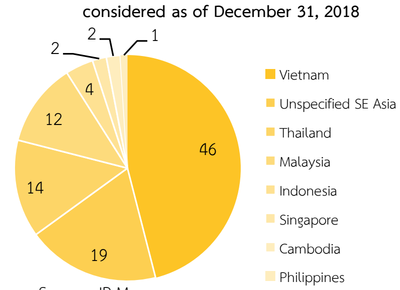
Since the trade tensions between the US and China in 2018, various companies, whose production bases are in the US and China, has considered in moving plants out, in order to avoid the negative impacts from trade protection measures. The import tariffs imposed on the first phase of trade production measures, consisting of the first measure (on July 6th, 2018 with value of 34 billion USD) and the second measure (on August 23rd, 2018 with value of 16 billion USD), imposed, however, a high tariff level at 25 percent, the value and list of products included were very limited. Meanwhile, in the first phase of the third measure (on September 24th, 2018 with value of 200 billion USD), the tariff imposed was at 10 percent; which, however, was not enough to urge those companies to move their production bases. This was because the cost of moving, such as new factory construction cost, product shipping cost, labor cost and general administration cost, which were higher than the trade loss from trade production measures of 10 percent increase in tariff, especially on the small and medium enterprises. In addition, the impact of the 10 percent increase in tariff can be partly compensated from the depreciated of Yuan by 3.5 percent in the latter half of 2018. Nevertheless, after both countries have raised the tariffs from 10 to 25 percent (second phase of the third measure) together with risks from the possible of the fourth trade protection measure, which will increase the product included in tariff list to cover all exports and imports between the two countries. This, in turn, incurred the loss from using the same production bases and it could be higher than the relocation cost. Thus, when consider together with the fact that Chinese economy is slowing down in the long run, those companies are better of relocate their production base, as to minimize the loss from trade protection measures.

Supply chain relocation destinations considered as of December 31, 2018



Source: JP Morgan

Southeast Asia Supply chain relocation destinations considered as of December 31, 2018



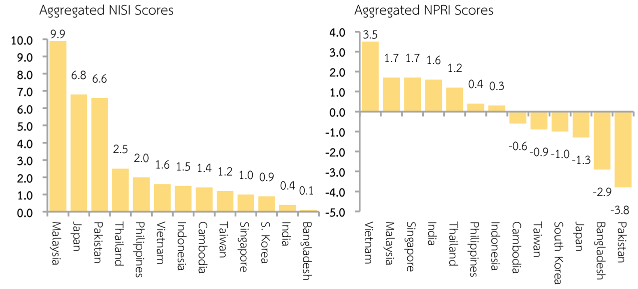
Source: JP Morgan

From the survey of 3 economic analysis institutes (American Chamber of Commerce in the People's Republic of China (Am Cham China), Nomura and JP Morgan) regarding to the interest in relocation destinations of some private companies where their production bases are in China, it is found that Southeast Asia region is the most attractive relocation destination (India for some electronics component). In addition, Nomura and JP Morgan both reported that Vietnam, Malaysia, Thailand, Philippines and Indonesia are the most interesting relocation countries in Southeast Asia.

The survey showed that trade production measures were likely to change the world production lines to move out from china, which was the main manufacturing producer in the world, to the countries in Southeast Asia, particularly in the latter half of 2019. With the escalation of trade production measures, it would put more pressure to the companies in china to relocate their production bases. Such relocations will be an important opportunity for the Southeast Asia countries to gain benefits from trade tension by motivating investors from other countries to move their production base and invest to Thailand, in order to fostering the long term economic development. Thus, the economic policy management should put emphasis on facilitating and motivating investors from other countries, whose production bases are in countries affected by trade protection, to increase their production capacity in Thailand.

Countries that could benefits from import substitution by the US and China — Aggregated NISI Scores

Countries that could benefits from Production relocation away from China — Aggregated NPRI Scores



Source: Nomura

Source: Nomura

Note: NISI – Import Substitution Index, NPRI – Production Relocation Index is calculated by Nomura, published in November 2018

Example of the companies with the relocation news from 2019

Company	Product category	Status
Quanta Computer	Electronic equipment	Under the consideration on the possibility of relocation production line to the Southeast Asia
Foxconn	Electronic equipment	Under the consideration on the possibility of relocation production line to Vietnam and Taiwan
Compal Electronics	Electronic equipment	Under the consideration on the possibility of relocation production line to Vietnam
Taiwan's Kenda Rubber Industrial	Rubber products	Under the investment in Vietnam
Samsonite International SA	Bag products	Under the consideration on moving out from China
Macy's Inc.	World retail	Under the consideration on moving the products out from China
Fossil Group Inc.	World retail	Under the consideration on moving the products out from China
Nitto Denko	Chemical products	Under the consideration on reducing the production capacity in China and under the consideration on increasing the production capacity in other countries
Kobe Steel	Steel products	Under the consideration on moving the products out from China
Harley Davidson	Motorcycle	During the plant construction in Thailand
RICOH	Electronic equipment	Expect to moving out to Thailand in 2019
Delta Electronics	Electronic equipment	Offering to purchase the company stock in Thailand value of 2.14 Billion USD. which is the first stage before production line expansion in Thailand.
Wistron	Electronic equipment	Under the consideration on the possibility of relocation production line to India
Samsung	Electronic equipment	Under the consideration on the possibility of relocation production line to India

Source : NESDC

Progresses of Key Public Infrastructure Investment Projects

Major public infrastructure investment projects have progressed favorably, and it is expected that the disbursement figures for these projects will keep rising accordingly. As of May 2019, there are 20 projects under the 2016 Transport Action Plan, 36 projects under the 2017 Transport Action Plan, and 9 projects under the 2018 Transport Action Plan. The progresses are as follows: (1) Under the 2016 Transport Action Plan, 2 projects with the total investment value of 4,809 million baht have finished construction while another 12 projects with the total investment value of 732,490 million baht have been proceeded into the construction phase. This is in contrast to the same period of last year, which there were only a project with the total investment value of 1,864 million baht that has finished construction while another 13 projects with the total investment value of only 703,637 million baht that have been proceeded into the construction phase; (2) Under the 2017 Transport Action Plan, 1 project with the total investment value of 1,113 million baht has finished construction while another 4 projects with the total investment value of 4,513 million baht have been proceeded into the construction phase; and (3) Under the 2018 Transport Action Plan, 1 project with the total investment value of 2,043 million baht has been proceeded into the construction phase

As for the 5 key infrastructure investment projects under the Eastern Economic Corridor (EEC) plan, the progresses are as follows: (1) the high speed train project linking 3 major airports (Don Muang - Suvarnabhumi - U Tapao) and (2) the 3rd phase of Map Ta Put Industrial Port Development project have finished their bidding processes for private partners and are under way for the cabinet to approve of the Public Private Partnership (PPP) contract drafts; (3) the Aircraft Maintenance, Repair, and Overhaul (MRO) project is during the process of PPP contract drafting before presenting to the State Enterprise Policy Office; and (4) the U Tapao Airport and Eastern Airport City project and (5) the 3rd phase of Laem Chabang (LCB) Port project are currently during private partner selection. The EEC Policy Committee expected that all the 5 projects will be signed with their corresponding partners within June 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)
Coastal port (Port A) at Laem Chabang Port	1,864	100.0
Container depot at Laem Chabang: Stage I	2,945	100.0
Dual-track rail: Jira – Khon Kaen	23,803	98.8
Intercity motorway: Pattaya – Map Ta Phut	20,200	97.0
Intercity Motorway: Bang Pa In – Nakhon Ratchasima	84,600	68.0
Mass Rapid Transit Orange Line: Thailand Cultural Centre – Minburi	109,541	29.3
Meter gauge (1 meter) rail development Prachuab – Chumporn	42,333	18.1
Meter gauge (1 meter) rail development Mab Kabao – Jira	24,181	11.2
Meter gauge (1 meter) rail development Lopburi – Pak Nam Pho	18,961	7.7
Train route: Bangkok – Nakhon Ratchasima (Thai – China Cooperation)	179,413	3.8
Intercity Motorway: Bang Yai – Kanchanaburi	55,620	18.0
Mass Rapid Transit Pink Line: Khae Rai – Minburi	56,691	24.0 (Civil Work)
Mass Rapid Transit Yellow Line: Lat Phrao – Samrong	54,644	
Suvarnabhumi airport: Stage II	62,503	30.0

Constructed 4,809 MB.

Under Construction 732,490 MB.

Bidding Process 399,706 MB.	MRT Light Red and Dark Red Line (Under revisions to be in line with the 3-Airport Rail Project	44,158 ลบ.
	MRT Purple Line: Tao Pun – Rat Burana	131,004 MB.
	The High-Speed Rail Linked 3 Airports Project (Don Muang – Suvarnabhumi – U-Tapao) **	224,544 ลบ.
MOT / SEPO / NESDB Consideration Process 370,899 MB.	High-speed train route: Bangkok – Hua Hin	94,673 ลบ.
	High-speed train route: Bangkok – Phitsanulok (Thai – Japan Cooperation)	276,226 MB.

* 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 May 2019

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

Project	Budget (MB.)
Ferry Service across Gulf of Thailand	N/A
Common Ticket System	738
Regional airport: Mae Sod, Tak	1,113
Truck rest area on the main routes	480
Intermodal Facility at Chiang Khong, Chiang Rai	2,219
Regional airport: Betong, Yala	1,703
Regional airport: Sakon Nakorn	111
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
Dual Track Rail: Den Chai – Chiang Rai – Chiang Khong	85,345
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	235,320
Mass Transit in Phuket	30,155
Lam Cha Bang port: Phase 3	155,834
Development of Ferry Terminal, Golf of Thailand	982

In Service 1,851 MB.

Under Construction 4,513 MB.

Bidding Process 42,687 MB

Cabinet Approval Process 85,345 MB.

MOT / SEPO / NESDB Consideration Process 452,709 MB.

Study / Survey / EIA / PPP 533,730 MB.

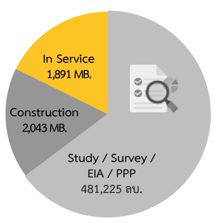
Project	Budget (MB.)
Cross-border Logistics Center, Nakorn Phanom	1,169
Intercity Motorway (Nakorn Phatom – Cha Am)	79,006
Expressway Kratu – Patong, Phuket	14,177
Dual Track Rail: Paknampho – Den Chai	59,400
Dual Track Rail: Jira – Ubonratchathani	36,683
Dual Track Rail: Khonkaen – Nong Khai	25,842
Dual Track Rail: Chumporn – Surat Thani	23,080
Dual Track Rail: Surat Thani – Songkhla	56,114
Dual Track Rail: Hat Yai – Padang Beza	7,864
Dual Track Rail: Den Chai – Chiang Mai	57,992
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	16,847
Public Bus Procurement and Stations	467
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 May 2019

Progress of 9 Public Investment Projects under the Transport Action Plan Year 2018 (489,366.30 MB. 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 May 2019

3) **The tourism sector will show an improvement.** Despite some slowdown and lower-than-expected growth of the number of tourists during the first quarter of 2019, partly a result of air pollution (PM 2.5), high growth base, and the Chinese economic slowdown amidst the trade tension which had brought about slower growth of Chinese outbound tourists. During the rest of the year, although impacts of Chinese economic slowdown on the number of tourists have to be closely monitored and evaluated, it is expected under the baseline forecast that the number of foreign tourists will continue to recover, supported by: (i) the improvement to normal situation of the air pollution problem (PM 2.5); (ii) the extension of the temporary waiver on the visa-on-arrival (VOA) fee to end on October 31st, 2019, instead of April 30th; (iii) favorable expansion in the number of tourists from other countries, especially Japan, South Korea, India, and Malaysia, which expanded by 9.6, 7.1, 25.0, and 8.3 percent, respectively; (iv) the tendency of Chinese tourist changes in preferences to travel more in short distances, instead of long-distance travels; and (v) the government's continual measure to promote tourism.

4) **Lower growth base during the latter half of 2019.** Although the year-on-year growth pace of the Thai economy in the first quarter of 2019 may have been only 2.8 percent, but the seasonally-adjusted quarter-on-quarter growth pace is still favourable at 1.0 percent, which shows a continual growth momentum of the economy. In addition, it became evident that the first quarter slowdown was partly because of the high growth base, in line with the first quarter of 2018 year-on-year growth rate which was at 5.0 percent, the highest in 20 quarters. Similarly, the quarter-on-quarter growth during the first quarter of 2018 which was at 1.9 percent, the highest in 21 quarters and higher than 99-quarter average since the first quarterly GDP publication in 1993 which is at 0.9 percent. This is in line with the accelerated exports in the former half of 2018, which was due to the increased imports by partner economies just before the first phase of US-China trade measures were put into effect and caused Thai exports and economic expansion to lessen during the third and fourth quarter, and will be supporting for the latter half of 2019 year-on-year growth rates to be higher due to smaller growth base during the latter half of 2018.

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.** Key risk factors to the outlook that need close monitoring include: (i) the possibility of additional US trade measures against China and other economies (actions following the conclusion of the section 232 investigation on the US's imports of motor vehicles and automotive parts, and investigations and reactions to currency interventionists, for example). These will cause the world economic and trade volume to decelerate further than what is expected; (ii) the progresses of the UK's negotiations regarding its exit from the EU (Brexit); (iii) European economic and political conditions, particularly the May 23 – 26 election to the European Parliament as well as the fiscal conditions and policy directions of the Italian government; (iv) the slowdown prospect of the Chinese economy and its instability risks which might be further aggravated by additional trade protectionist measures, and may result in slower-than-expected growth pace; (v) the US resolution of public debt ceiling and FY2020 budget bill's approval process and the ceiling; (vi) fluctuations in the financial markets as a result of changes in expectations and their adaptation to shifts in monetary policy directions and growth prospects of key economies; and (vii) unsettled geopolitical conflicts, including the US-Iran tension, Saudi Arabia-Iran conflict over the war in Yemen, and Venezuela domestic political unease.

2) **Political sentiment, FY2020 budget process, and policy directions after government formation.** It is expected that the political transition will be smooth, the FY2020 budget process will proceed and will be effective after the conclusion of FY2019 by 2 – 4 months, and key policies will continue. Nevertheless, political sentiment during, as well as after, the period of government formation and the next government's policy directions may impact the overall economic sentiment and investors' confidence. In addition, the FY2020 budgetary processes also prone to delays, which will affect the approvals of new investment projects under FY2019 budget.

3) **Risks of drought conditions,** as the usable storage level of the 4 main dams (Bhumibol, Sirikit, Khaew Noi Bamrung Dan, and Pa Sak Jolasid) on May 16, 2019, were at 4,393.9 million cubic meters, lower than that of the same period last year which was at 6,788.3 million cubic meters. In addition, the ongoing El Niño conditions could result in less rainfall. The possible drought will affect the growth of agricultural production during the 2019/2020 crop season to be lower than expected.

Key assumptions for 2019 economic projection:

World Economic Projection

	Actual Data		Projection for 2019	
	2017	2018	Feb 18, 2019	May 21, 2019
World Economic Growth (%)[1]	4.1	3.9	3.8	3.6
USA	2.2	2.9	2.6	2.5
Euro Area	2.4	1.9	1.6	1.2
Japan	1.9	0.8	0.9	0.9
China	6.8	6.6	6.3	6.1
World Trade Volume (%)	5.1	4.0	3.8	3.6
Exchange Rate (Baht/US dollar)	33.9	32.3	31.5 – 32.5	31.1 – 32.1
Dubai Crude Oil (US Dollar/Barrel)	53.0	69.3	62.0 – 72.0	62.0 – 72.0
Export Price (US Dollar) (%)	3.6	3.4	0.5 – 1.5	0.5 – 1.5
Import Price (US Dollar) (%)	5.5	5.6	1.0 – 2.0	1.0 – 2.0
Income from Tourism (Trillion baht)	1.93	2.03	2.24	2.21

Note: [1] Calculated by trade weight of key economic partners in 2018 (15 economies)
Source: NESDC

1) **The world economy in 2019 is expected to grow by 3.6 percent, decelerating from 3.9 percent in 2018, and was weaker than 3.8 percent assumed in the previous projection.** This follows the actual data on the first quarter economic growth rates of several economies that were less than anticipated, particularly the Eurozone, the NIEs, and the ASEAN economies. The situation was partly because of (i) the ongoing trade measures, between the US and China, which were effective since the latter half of 2018, (ii) delays in decision making of those producers and exporters in order to capture a clearer view on the US-China trade negotiations, (iii) declines in imports demand in major countries after accelerated prior as to accumulate inventories before the implementation of trade protection measures, and (iv) concerns over BREXIT. Furthermore, the additional trade protection measures implemented in May would directly affect US and Chinese economic growth. The intensifying trade measures amidst the uncertainties of the US-China trade talks will manifest their effects during the latter half of the year 2019 and will consequently slower world economic and trade volume growth than previously anticipated. In the case that there are no additional US's and China's trade protectionist measures, **the world trade volume is projected to expand by 3.6 percent, which is a slowdown from 4.0 percent in 2018 and a downward revision from 3.8 percent in the previous projection.** Nevertheless, there are risks that could contribute to a lower world economic and trade volume expansion than assumed, and thus need close surveillance and evaluation.

2) **The average value of Thai baht in 2019 is expected to be in the range of 31.1 – 32.1 baht per US dollar, appreciated from 32.3 baht per US dollar in 2018 and slightly appreciated from the precious projection of 31.5 – 32.5 baht per US dollar.** This is in line with the shift in monetary policy stances in major countries from normalization in the previous projection assumption to continuing their expansionary level from at the end of 2018 in this projection assumption. There has also possibility that expansionary monetary policy would be implemented in some countries as to prepare for the possible economic deceleration and reduction in inflationary pressure, amidst high uncertainties in global economic and financial system. Under the baseline scenario, it is expected that the Fed will hold its policy rate steady throughout 2019 and end balance sheet runoff in September, with a possibility of adopting expansionary monetary policy if the economy in the second half of the year was decelerated further than expected and the inflation rate is unlikely to move back to the target rate. The European Central Bank (ECB) is likely to maintain its monetary policy stance after announced to further apply the expansionary monetary policy and the new quarterly targeted long-run refinancing operation (TLTRO-III) in March 2019 meeting. Finally, the bank of Japan (BOJ) also keeps its expansionary monetary policy stance in order to maintain the economic growth.

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 the assumption was maintained from the previous projection.** This was consistent with the average oil prices during the first quarter which were at 63.3 US dollar per barrel. It is expected that the supporting factors for the higher price are: (i) the possibility that both OPEC and non-OPEC countries will extend production reduction, which originally will conclude in June, 2019; (ii) the tapering crude oil production of key producers, particularly Iran (4.2 percent of global production), as the waiver to 8 countries importing crude oil from Iran on will expire in May 2nd, 2019, and Venezuela (1.7 percent), as it is under the US's sanction. On the contrary, upward pressures on the oil prices over the remainder of the year tend to be limited by: (i) the intensifying risk factors in key economies, causing investor to beware of global economic slowdown, which will mean the global demand for oil will increase slower than expected; and (ii) the increases in the US crude oil production tend to be faster than market expectations, which were partly due to less pipeline limitations and therefore the US may increase production from the existing rigs.

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, which were maintained from the assumptions during the previous projection.** This is in line with the preservation of the 2019 world crude oil price and exchange rate assumptions. The export and import prices rose as expected by 0.4 and 0.2 percent, respectively, during the first quarter of 2019. It is estimated that they will decline during the second quarter, while gradually accelerate towards the end of 2019.

5) **Revenues from foreign tourists in 2019 are expected to reach 2.21 trillion baht, increasing by 8.6 percent from 2.03 trillion baht in 2018. This was a downward revision in contrast to 2.24 trillion baht in the previous projection, a 9.4 percent growth rate.** The adjustment was consistent with the first quarter of 2019 data which show the recovery being slower-than-expected. In particular, the number of tourists in the first quarter was 10.8 million tourists, below the projected 11.1 million tourists. The underestimation can be explained by the additional effects of the air pollution (PM 2.5), a high growth base, and the slowdown of the Chinese economy amidst the intensifying trade measures, which in turn resulted in less outbound tourists from China. The Chinese number of tourists in Thailand still declined in the first quarter by 1.7 percent. Nevertheless, during the rest of 2019, it is expected that the number of tourists will be recovering during the second quarter of 2019. This is supported by the extension of the temporary waiver on the visa-on-arrival (VOA) fee, the favorable growth rates of tourists from other countries especially Japan, South Korea, India, Malaysia, and the trend of preference changes of the Chinese tourists from distant to less-distant travels. This is in line with the latest April 2019 data on visitors through 5 main airports which showed a clear improvement with a 3.8-percent growth, compared with a reduction by 0.1 percent in the preceding month. This signaled a recovery during the second quarter of 2019.

6) **The budget disbursement** assumptions are as follows: (i) the FY2019 annual budget disbursement rate of 90.9 percent of overall budget (downwardly revised from 92.0 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 (the same as in the previous projection) and 65.0 percent (downwardly revised from 70.0 percent previously assumed, following the below-than-expected disbursement performance in the first half of FY2019 which were at 27.2 percent in contrast to the expected 30.0 percent), 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 (the same as in the previous projection); and (iv) annual budget disbursement in the first quarter of FY2020 (October – December 2019) of 28.0 percent (downwardly revised from 30.3 percent in the previous projection), which follows the revision of capital budget disbursement from 20.0 percent to 10.0 percent as the FY2020 budgetary processes will be concluded and effective only after FY2019 ended for 2 – 4 months.

Economic Projection for 2019:

The Thai economy is projected to expand in the range of 3.3 – 3.8 percent (with the midpoint of 3.6 percent), compared with 4.1 percent in 2018. Headline inflation is estimated to be in the range of 0.7 – 1.2 percent and the current account balance is forecasted to register a surplus of 5.9 percent of GDP.

In the press release dated on May 21st, 2019, NESDC forecasted that the Thai economy in 2019 will expand in the range of 3.3 – 3.8 percent (with the midpoint of 3.6 percent), a downward revision from the forecast of 3.5 – 4.5 percent (with the midpoint of 4.0 percent) in the press release dated on February 1 8 th, 2019. The revision also included the forecast range here were some revisions on key growth components to be consistent with the actual data of the first quarter of 2019 and changes in key assumptions of the projection. The details of growth revisions are as follows:

1) The revision was due to the lower-than-expected growth pace of 2.8 percent in the first quarter of 2019 attributable by (i) the slowdown of the world economy and the intensifying trade measures since the second half of 2018, together with the uncertain US-China trade negotiations which have impacted some exporters, importers, and manufacturers in the international trade and supply chain linkages delay their business decisions in order to minimize risks and wait for negotiation outcome. In addition, there were some effects from decline in imports demand in major economies due to the acceleration in the first half of 2018 before the trade measures were put into effect as well as the chip shortages which deepened the global electronics trade and production chain downturn. These conditions are expected to result in reductions in exports of the key economies and wide slowdown of economic growth, particularly those exports-dependent economies; and (ii) the slower-than-expected recovery in the number of foreign tourists. Particularly, the number of Chinese tourists shows a contraction of 11.3 and 1.9 percent in February and March, respectively, after a positive growth of 10.3 percent in January. This was partly a result of the news surrounding incident of air pollution (PM 2.5) in the first quarter and weak sentiment towards the Chinese slowdown, which have thus affected growth of Chinese outbound tourists to soften and caused them to change their tourism destination with less distant locations. These conditions caused the Thai economy in the first quarter to grow at a softer-than-expected pace, and thus made the midpoint of annual growth projection to be lower than 4.0 percent as previously forecasted.

2) The key assumptions revision that altered the overall economic trend and the growth components to be different from those in the previous forecast included: (i) the downward revision of the 2019 global growth from 3.8 percent to 3.6 percent following the broad-based slowdown and lower-than-expected growth of several economies in the first quarter, particularly the Eurozone, the NIEs, and the ASEAN economies, in addition to the intensifying trade measures in May. These revisions resulted in a smaller contribution of exports to the economic growth in comparison with the preceding forecast; (ii) the downward revision of the assumption on numbers of tourists and tourism receipts in 2019, from 41.0 million tourists (7.1 percent growth) and 2.24 trillion baht revenue, to 40.5 million tourists (5.8 percent growth) and 2.21 trillion baht revenue. The revision was consistent with the first quarter data which showed a deceleration and slower-than-expected recovery, in addition to the softer trend of Chinese outbound tourists during the rest of 2019; and (iii) the downward revision of capital budget disbursement throughout FY2019 to be lower than 70.0 percent as previously assumed, and in tandem with lower-than-expected rate of 27.2 percent in the first half of FY2019, less than 33.5 percent during the same period of last year. In addition, the assumption on capital budget disbursement during the first quarter of FY2020 was revised down from 20.0 percent to 10.0 percent. Such revisions would make the growth contribution from public investments to be lower than expected in the previous projection.

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 the 2018 growth rate of 4.6 percent, due to a high base effect, especially in the consumption of durables. Nevertheless, private consumption tends to exhibit a favorable expansion supported by: (i) the improvement of overall income conditions which is in line with the improvement in employment conditions. Employment has been increasing for 4 consecutive quarters since the second quarter of 2018, especially in non-agricultural sector which expanded by 3.2 percent, the highest in 35 quarters. Therefore, the rate of unemployment stood at 0.9 percent, 13-quarter lowest; (ii) interest and inflation tend to remain low; (iii) favorable price levels for key agricultural products, amidst continual production expansion, (iv) the launches of new car models as the first-time car buying scheme has concluded; and (v) the government measures to assist low-income people and to stimulate the real estate sector.

Government consumption expenditure is estimated to grow by 2.2 percent, the same as in the February projection, accelerating from 1.8 percent in 2018.

2) **Total investment** is expected to grow by 4.5 percent, a downward adjustment from the previous estimation but is still acceleration from 3.8 percent in 2018. **Public investment** is projected to expand by 4.5 percent, a downward revision from 6.2 percent previously estimated. This was mainly because of the downward adjustment of the assumption on capital budget disbursement under the FY2019 annual budget to be in line with the actual data during the first half of FY2019. In addition, it was also because of the smaller disbursement of first quarter under the FY2020 annual budget than previously assumed as well as the revised state-owned enterprises (SOEs) capital budget framework. Nevertheless, public investment will grow at a faster pace than the 2018 rate of 3.3 percent, following the SOEs' progresses in key infrastructure projects and the increased capital budget framework under the FY2019 annual budget. **Private investment** is expected to expand by 4.5 percent, a slight downward revision from 4.7 percent previously estimated. It is still expected to accelerate from 3.9 percent in 2018, as it is supported by: (i) the progresses of key public infrastructure projects; (ii) the high average rates of capacity utilization; (iii) the higher value of investment promotion applications; and (iv) the investment by foreign firms affected by the ongoing trade measures in Thailand, which is seen to be clearer in time as trade protection measures escalated.

3) **Export value of goods in US dollar term** is anticipated to grow by 2.2 percent, compared with a 7.2 -percent growth in 2018. This is a downward revision from 4.1 percent in the previous estimation, due to the downward revision of export volume, as the result of the world economic and trade volume growth rates are lower than expected, from 3.8 and 3.8 percent to 3.6 and 3.6 percent, respectively. The export volume is expected to increase by 1.2 percent, less than 3.1 percent previously projected. After considering with import of services which tend to slowdown following the revised assumption on the number of tourists and tourism receipts, it is therefore projected that the export quantity of goods and services will expand by 2.3 percent, compared with 4.2 percent in 2018

4) **Import value of goods in US dollar term** is expected to expand by 3.5 percent, compared with a 14.3-percent growth in 2018. This is a downward revision from 6.1 percent in the previous projection. It was due to the revision in exports and investments, both private and public, which causes the demand for imports to be softer than it was in the preceding estimation. Combining with import of services, it is projected that import quantity of goods and services will expand by 2.6 percent, compared with 8.6 percent in 2018.

5) **Trade balance** is estimated to register a surplus of 19.9 billion US dollars, lower than a surplus of 22.3 billion US dollars in 2018. This was a slight downward revision from a surplus of 20.0 billion US dollars in the February projection, as the downward adjustment in the growth of exports value was slightly larger in comparison with the downward revision in the growth of imports value. After combining with the downwardly revised service account surplus from the revenues from tourist, the **current account** is projected to register a surplus of approximately 32.2 billion US dollars or 5.9 percent of GDP, compared with 6.2 percent of GDP in the previous estimation and a surplus of 6.9 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 0.7 – 1.2 percent, compared with 1.1 percent in 2018. Although the midpoint of the estimation is still maintained at 1.0 percent, its range is adjusted to be narrower than the range in the previous projection.

6. Economic Management for the year 2019

A broad-base deceleration in global economy and a higher pressure from trade tension affected the Thai economy to grow at a slow pace in the first quarter. Furthermore, the economic growth over the rest of the year tends to be limited by a low expansion in the export sector and a possible delay in the FY2020 budgeting process, despite the fact that under the baseline scenario the economic growth in the second half of the year is expected to be higher than in the first half. Key supporting factors are favorable expansion of private consumption and private investment, continual disbursement on already approved and ongoing public investment projects lower growth base, as well as improving trade conditions with clearer tendency towards redirection of international trade, production, and investments due to more intensified trade protection measures. However, there are still some risks arising from high uncertainties in global economy and financial system, of which would cause the recovery in Thai exports to be slower than expected. This would also have negative impacts on wages and major commodity prices, which, in turn, would cause the household consumption in the second half of the year to decelerate faster than expected. Given the above environment, the macroeconomic policy management in the year 2019 should put emphasis on:

1) **Fostering exports expansion to reach the target** of at least 3.0 percent so as to maintain the growth momentum in production sector, household income, and private consumption. This also helps to 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 seize the benefits as well as lessen the effects from trade protection measures by tackling the following issues: (i) fostering export of goods that would benefit from the trade protection measures in both the US's and China's markets along with supporting those entrepreneurs affected by the trade protection, to increase their production capacity in Thailand; (ii) helping exporters who are impacted from the trade protection measures through the supply chain, especially those who export intermediate goods for further manufacturing in China and then re-export 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; (v) negotiating new trade agreements, especially with the regional neighboring countries and other markets where Thailand could receive benefits from trade diversion and could reduce the negative impacts from trade protection measures through Thai-Chinese-US supply chain. The agreements should also include those countries that have potential to be trading hubs, redirecting international supply chain amidst increasing pressure from trade protection measures on the ASEAN-Chinese-US supply chain; 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.

2) **Supporting the recovery and sustaining the expansion of the tourism sector**, in order to continuously further support the economy to reach its full-potential, where the tourism revenues from foreign tourist should be at least 2.21 trillion Baht (increased by 8.6 percent from 2018), by the following measures: (i) utilizing changes in Chinese tourist's behavior where they would be more likely to make a short-distance travel in the future, especially when there is increasing tension between China and US; (ii) continuously giving the utmost importance to the safety of tourists' lives and properties; (iii) restoring country's image after the air pollution incident (PM 2.5), so that it would not restrain the tourism sector in the future; (iv) 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; (v) accommodating tourists' activities and reducing congestion in major tourist destinations; (vi) improving the distribution of tourism revenues to the secondary cities and local communities; (vii) connecting Thailand with other key destination in the region; and (viii) encouraging Thai people who tend to travel abroad mainly to travel within the country 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 government spending and public investment** to become a driving force for economic expansion under the period of global slowdown and also to move up Thailand's long-run economic potential growth. 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 stemming 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 and progress 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 in order to increase capacity utilization in the corresponding industries; (ii) reaping the benefits from the trade protection measures by supporting those entrepreneurs, whose production bases are in the countries affected by the trade protection, to increase their production in Thailand as well as 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 logistics infrastructure, and the readiness and capability of the economic zones; (iii) continuously fostering public investment projects in both infrastructures and special economic zones; (iv) facilitating, monitoring, and propelling the important investment projects already applied for the investment promotion, of which the figures increased continuously during 2018 – 2019, so that the actual investment could be promptly implemented; and (v) readying the labor force both in terms of quantity and quality, to adequately support further economic expansion and investment, especially for those industries with the opportunities from international manufacturing facility relocation as well as Thailand's target industries.

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 deceleration in exports, changes in business models, disruptive technologies, consumer preferences, and demography, as well as foreign exchange volatility.

Projection for 2019 [1/]

	Actual Data		Projection for 2019	
	2017	2018	Feb 18, 2019	May 21, 2019
GDP (at current prices: Bil. Bht)	15,452.0	16,318.0	17,197.5	17,133.9
GDP per capita (Bht per year)	228,398.3	240,568.7	252,941.6	252,006.6
GDP (at current prices: Bil. USD)	455.3	505.0	537.4	542.2
GDP per capita (USD per year)	6,729.8	7,445.4	7,904.4	7,974.9
GDP Growth (CVM, %)	4.0	4.1	3.5 – 4.5	3.3 – 3.8
Investment (CVM, %)[2/]	1.8	3.8	5.1	4.5
Private (CVM, %)	2.9	3.9	4.7	4.5
Public (CVM, %)	-1.2	3.3	6.2	4.5
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	2.3
Export value of goods (Bil. USD)	235.3	252.2	263.8	257.7
Growth rate (%)[3/]	9.8	7.2	4.1	2.2
Growth rate (Volume, %)[3/]	6.0	3.6	3.1	1.2
Import volume of goods & services (%)	6.2	8.6	4.3	2.6
Import value of goods (Bil. USD)	201.1	229.8	243.8	237.9
Growth rate (%)[3/]	13.2	14.3	6.1	3.5
Growth rate (Volume, %)[3/]	7.2	8.2	4.6	2.0
Trade balance (Bil. USD)	34.2	22.3	20.0	19.9
Current account balance (Bil. USD)	50.2	35.2	33.5	32.2
Current account to GDP (%)	11.0	6.9	6.2	5.9
Inflation (%)				
CPI	0.7	1.1	0.5 – 1.5	0.7 – 1.2
GDP Deflator	2.1	1.4	0.9 – 1.9	1.1 – 1.6

Source: Office of the National Economic and Social Development Council, 21st May 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.