



Quarterly Economic Report:

Q1 | 2015





Dear Our Valued Clients,

We are very pleased to release Quarterly Economic Report Q1/2015 to you. It is a part of our constant endeavors to provide valuable insights to our clients. This high level update and summary of the market conditions will hopefully be beneficial in helping you to understand the business environment so as to support you in your decision making process and further development of your business strategies.

Overall, global economic growth is likely to improve in 2015, although downside risks, especially geo-political tensions, have been evident. Major Asian economies remain in a steady growth path. ASEAN is likely to keep its growth momentum in 2015, partly due to the boom of several economies in Mekong Sub-Region as well as benefits from AEC establishment. For Thailand, real GDP growth is expected to increase 3% compared to 2014, as a result of sluggish domestic economy and export, and could reach 4-5% from 2016 onwards.

On behalf of Deloitte Thailand, we very much appreciate our business relationships and looking forward to supporting you in the dynamic and changing business environment.

If you have any questions or inputs, please do not hesitate to contact us at Deloitte.

Best regards

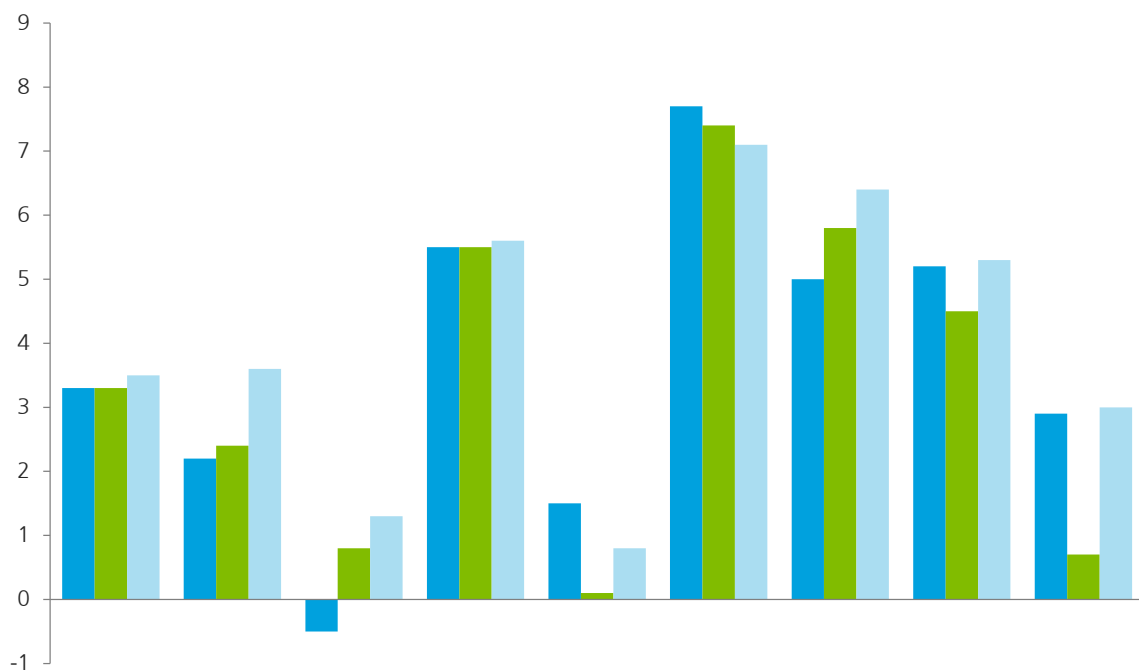
Subhasakdi Krishnamra
Country Managing Partner

Executive Summary

Executive Summary

Overall, growth of global and regional economies will improve in 2015 amid downside risks

- Global economic growth is likely to improve in 2015 after the core economies underperformed their recovery targets during 2014.
- Among advanced economies, USA is expected to regain its growth potential, while Euro Area and Japan remains in slow recovery mode. A modest slowdown in China and a pickup in India are expected in 2015.
- Asian economy remains in a steady growth path in 2015. Continuous infrastructure development and serious reforms are necessary to reinforce sustainable growth and productivity.
- ASEAN economy is likely to gain a higher growth rate in 2015 due the boom of several economies in Mekong Sub-Region as well as benefits from AEC establishment.
- Thai economic growth in 2015 is forecasted at 3.0% subject to consumer and investor confidence, public mega-project investment, and global economic recovery.



Real GDP Growth Rate (%)	World Economy	USA	Euro Area	Asia	Japan	China	India	ASEAN	Thailand
2013	3.3	2.2	(0.5)	5.5	1.5	7.7	5.0	5.2	2.9
2014	3.3	2.4	0.8	5.5	0.1	7.4	5.8	4.5	0.7
2015F	3.5	3.6	1.3	5.6	0.8	7.1	6.4	5.3	3.0
Trend	↑	↑	↑	→	→	↓	↑	↑	↑

Sources: Compiled from various research houses & agencies (e.g. IMF, ADB, EIU, NESDB, K-Research, SCB EIC, FTI) & DTTJ Analysis

Global & Asian Economic Review

Global & Asian Economic Review

The global economy is still struggling to gain momentum as many advanced economies continue to grapple with legacies of financial crisis and emerging economies are less dynamic than in the past.

World Economy

- Overall, growth of global economy in 2015 will improve from 2014.
- Among advanced economies, growth is projected to pick up, but is slower in the Euro Area and Japan and generally faster in the United States and elsewhere.

United States

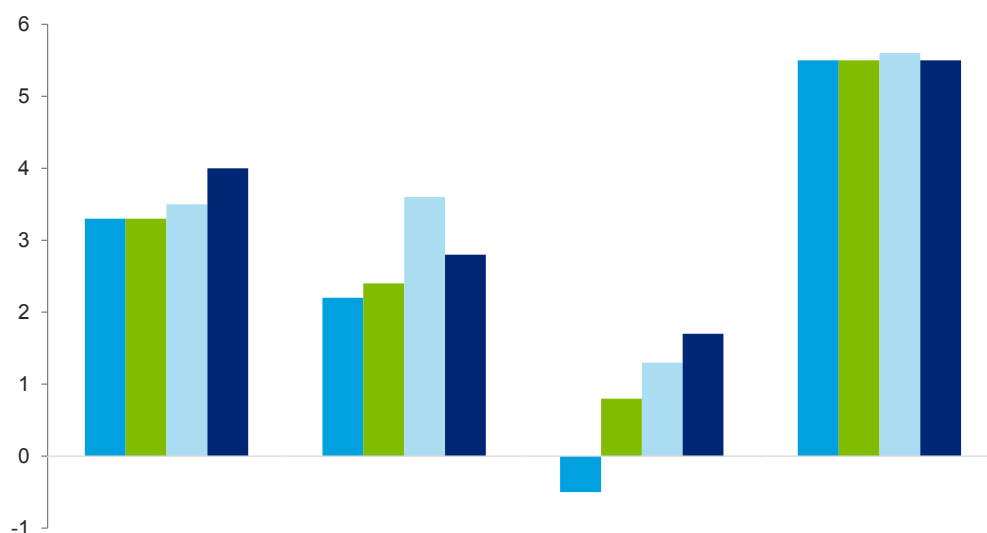
- Growth is projected to exceed 3% in 2015 supported by lower oil prices, fiscal adjustment, and an accommodative monetary policy,
- The dollar will strengthen against the euro in 2015-16 as the European Central Bank loosens monetary policy and the Fed raises interest rates. The current-account deficit is expected to widen in 2016 as the strong dollar is likely to inhibit export growth.

Euro Area

- A recovery in Euro Area is projected to gradually take hold, supported by a reduction in fiscal drag, lower oil prices, expansionary monetary policy with the adoption of quantitative easing (QE), and improving lending condition.
- Geo-political risks are still high, as tensions related to the Russia-Ukraine conflict could increase, and the economic impact of sanctions and countersanctions could prove larger than expected in particular if they last long.

Asia

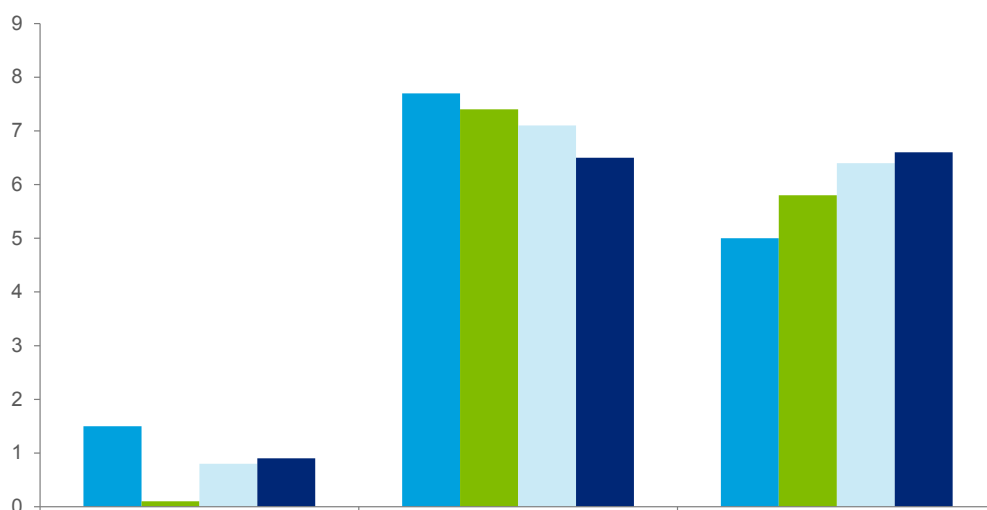
- Asian economic growth remains in a steady growth path, helped in part by favorable financial conditions and accommodative economic policies.
- A modest slowdown in China and a pickup in India are expected in 2015. For the rest of developing Asian states, growth remains broadly robust.



Real GDP Growth Rate (%)	World Economy	United States	Euro Area	Asia
2013	3.3	2.2	(0.5)	5.5
2014	3.3	2.4	0.8	5.5
2015F	3.5	3.6	1.3	5.6
2016F - 2019F	4.0	2.8	1.7	5.5
Trend	↑	↑	↑	→

Japan, China, India: a steady growth path will continue in 2015

Asian growth in 2015 will be driven by a bounce in domestic and external demand. Downside risks could stem from a tightening in global financial conditions, geo-political tensions, and weak growth in advanced economies.



Real GDP Growth Rate (%)	Japan	China	India
2013	1.5	7.7	5.0
2014	0.1	7.4	5.8
2015F	0.8	7.1	6.4
2016-2019F	0.9	6.5	6.6
Trend	➡	⬇	⬆

Japan

- As the Liberal Democrat Party (LDP) won the recent general election, Shinzo Abe – the LDP president and the re-elected Prime Minister – continues “Abemonics” fiscal policy to pull Japanese economy out from the recession.
- Additional quantitative and qualitative monetary easing (QE) and the delay in the second consumption tax rate increase in conjunction with lower oil price and yen depreciation are likely to support a gradual economic rebound in 2015–16

China

- Diminishing growth in 2015 onwards due to economic reforms proposed by Chinese government to promote financial stability and sustainable growth (i.e. slowing credit growth and raising the cost of capital). Likewise, the slowdown pace of economic growth in subsequent years represents a structural rather than cyclical shift.
- Controls on inbound and outbound capital flows will be relaxed significantly as authorities try to establish the Renminbi (RMB) as an international currency.

India

- Growth in India is expected to rise further in 2015 as both exports and investment increase in conjunction with lower oil prices.
- Continued progress on market-friendly reforms, a stable political outlook, and positive investor sentiment will boost India’s economic growth prospects.
- Business confidence revives in part due to government’s moves to fast-track infrastructure projects and cut red tape in several areas.

ASEAN Economic Review

ASEAN : A Regional Economy of the World



3% of the World GDP
(World GDP 2013:
USD 74.0 trillion)

- Total ASEAN's GDP around USD 2.42 trillion
- Strategic location for manufacturing industries (e.g. automobile, computer and parts, textiles)
- Regional financial service and logistics hub



7% of the World Inter Trade
(World Inter Trade 2013:
USD 45.7 trillion)

- Total trade USD 3.0 trillion
- Total export USD 1.6 trillion
- Total import USD 1.4 trillion















9% of the World Population
(World Population 2013:
7,100 million)

- Total population around 630 million
- Indonesian population around 250 million ranking 4th after China, India, and USA
- A large regional consumer market













Source: EIU, IMF, US Census, & UNCTAD (Data as of 2013)

ASEAN demographic and economic indicators at a glance

	ASEAN Population					
	#Population (million)	Aged 0-14 (%)	Aged 15-64 (%)	Aged 65/over (%)	Population Growth (%)	Urbanisation (%)
ASEAN-10 	632.7	27.2	67.1	5.7	1.3	46.3
Brunei 	0.4	25.3	70.4	4.3	1.6	76.6
Cambodia 	15.3	31.1	63.6	5.4	1.5	21.4
Indonesia 	254.1	28.9	65.9	5.2	1.4	52.2
Lao PDR 	6.7	35.2	61.0	3.8	2.5	36.5
Malaysia 	30.4	26.1	68.5	5.4	1.5	73.3
Myanmar 	62.8	24.9	69.9	5.2	1.1	33.0
Philippines 	99.3	34.1	62.0	3.9	1.7	44.6
Singapore* 	5.5	16.1	73.8	10.2	1.6	100.0
Thailand* 	67.3	18.2	72.1	9.7	0.4	47.9
Vietnam 	90.8	22.7	70.7	6.6	1.1	32.3

Sources: Key Indicators for Asia and The Pacific 2014 by ADB, EIU, NESDB, World Bank, & DTTJ Estimates

* Note: a high proportion of the elderly citizen reflect the aging society.

	GDP at PPP (billion USD)	GDP per Capita at PPP (USD)	GDP Components				
			Private Consumption (%)	Government Consumption (%)	Total Investment (%)	Goods & Service Export (%)	Goods & Service Import (%)
ASEAN-10 	5,996.3	9,477	58.8	10.5	29.7	56.7	54.2
Brunei 	30.0	73,806	22.3	18.3	15.3	76.2	32.5
Cambodia 	46.0	3,069	81.3	6.3	18.6	54.1	59.5
Indonesia 	2,388.4	9,599	55.8	9.1	35.6	23.7	25.7
Lao PDR 	30.9	4,630	-	-	-	-	-
Malaysia 	692.3	23,188	51.2	13.5	25.7	82.9	74.0
Myanmar 	229.8	3,769	78.8	-	23.5	0.1	0.1
Philippines 	642.9	6,600	73.3	11.1	18.9	27.9	32.0
Singapore 	425.2	78,744	37.1	10.2	32.2	190.5	167.5
Thailand 	1,036.0	15,519	51.0	16.0	27.0	77.7	74.5
Vietnam 	474.8	5,293	65.0	6.2	29.6	83.9	79.8

Sources: Key Indicators for Asia and The Pacific 2014 by ADB, EIU, NESDB, World Bank, & DTTJ Estimates

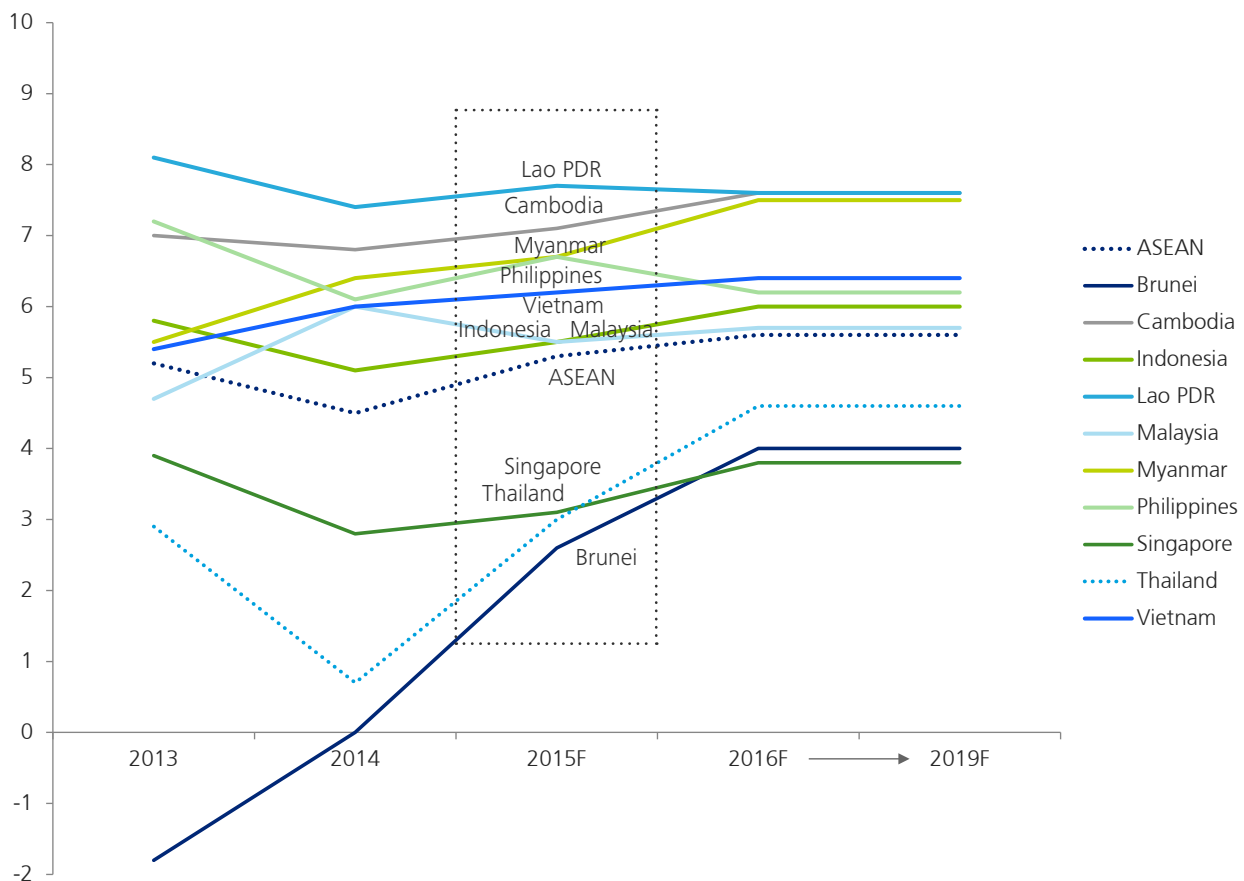
Note: GDP at purchasing power parity (PPP) is the sum value of all domestic goods and services valued at prices prevailing in the United States

ASEAN growth momentum will continue in lines with global trend

ASEAN growth is projected to accelerate to 5.3% in 2015 and will average 5.6% over 2015-2019, largely based on the rebound of key ASEAN members, but also due to stronger exports in line with the recovery of major advanced economies.

Real GDP growth rate of ASEAN economies from 2013 - 2019

Real GDP Growth Rate (%)



Real GDP Growth Rate (%)	ASEAN	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
2013	5.2	(1.8)	7.0	5.8	8.1	4.7	5.5	7.2	3.9	2.9	5.4
2014	4.5	0.0	6.8	5.1	7.4	6.0	6.4	6.1	2.8	0.7	6.0
2015F	5.3	2.6	7.1	5.5	7.7	5.5	6.7	6.7	3.1	3.0	6.2
2016F-2019F	5.6	4.0	7.6	6.0	7.6	5.7	7.5	6.2	3.8	4.6	6.4
Trend	↑	↑	↑	↑	↑	↑	↑	→	↑	↑	↑

Brunei

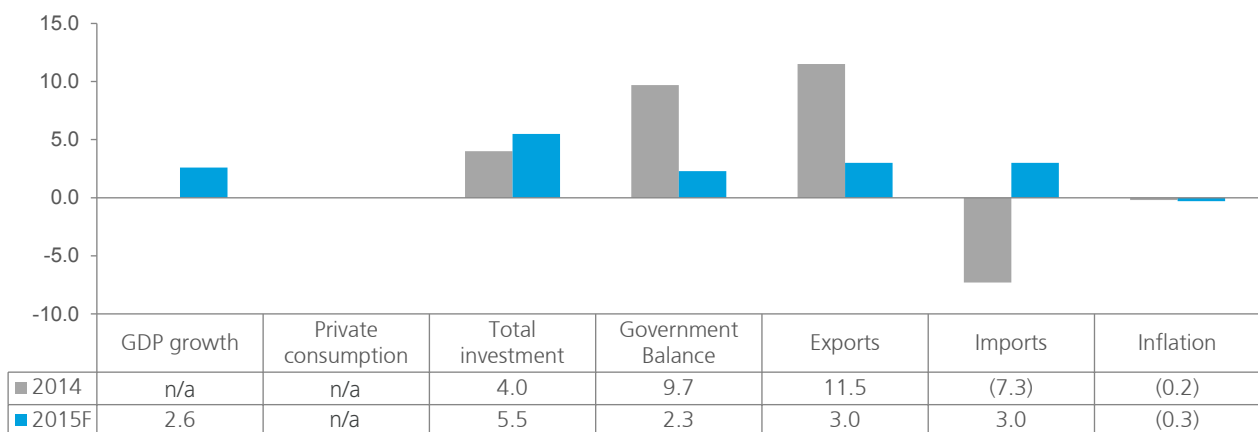
Energy and petrochemical projects are the key growth drivers in the coming years; non-energy sector diversification remains the major challenge.



- Brunei attempts to develop the non-energy sector and to attract large investments that could increase employment in the country and reduce its dependence on the energy sector for growth.
- Alternative sectors of long-term growth include information technology, Islamic banking and renewable energy. Food-processing in the halal sector continues to create jobs.
- Falling global food and fuel prices, as well as a strong Singaporean dollar, result in deflation. Despite a sharp fall in global oil prices in 2015, the fall will not result in the merchandise trade and current account deficit.

Brunei economy is forecasted to expand 2.6% in 2015

Real expenditure on GDP (% growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Cambodia

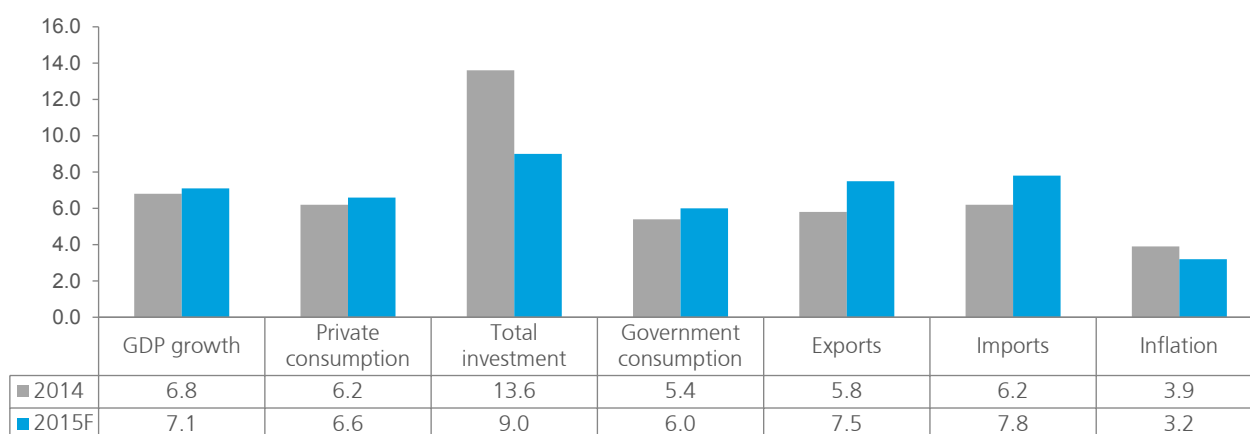
The Cambodian People Party, led by the Prime Minister Hun Sen, is open to political reform after striking with the Cambodia National Rescue Party, its opposition in parliament, to end the latter's boycott of parliament. In turn, tensions between the two main political parties will persist.



- Political stability results in the inflows of both foreign investment and foreign tourists. Meanwhile, both fiscal and monetary policy remain accommodative for economic growth throughout 2015.
- The current-account deficit will narrow in 2015 thanks to lower oil prices. In addition, Inflows of loans and foreign investment will ensure that Cambodia avoids external financing difficulties.
- The National Bank of Cambodia (the central bank) will seek to restrain excessive credit growth. However, the economy's high level of dollarisation will limit the effectiveness of monetary policy.

Cambodia economy is forecasted to expand 7.1% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Indonesia

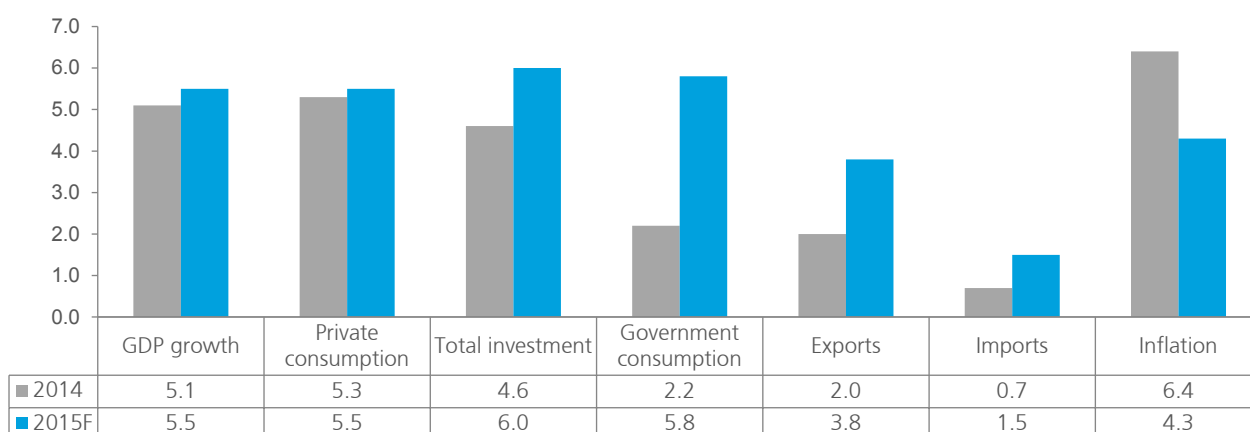
Real GDP growth from 2016-2019 is expected to average 6.0%. If local infrastructure and workforce skills improve, Indonesia is well placed to take advantage of China's diminishing competitiveness in export manufacturing.



- Private consumption, which accounts for around 56% of Indonesian GDP and is forecast to expand by 5.6%YoY, is expected to be the major contributor of economic growth.
- After sluggish expansion in recent years, investment growth will recover and be supported by public infrastructure works that are funded by savings made by cutting fuel subsidies.
- Government consumption growth will be underpinned by Jokowi's efforts to improve public services.

Indonesian economy is forecasted to grow 5.5% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Lao PDR

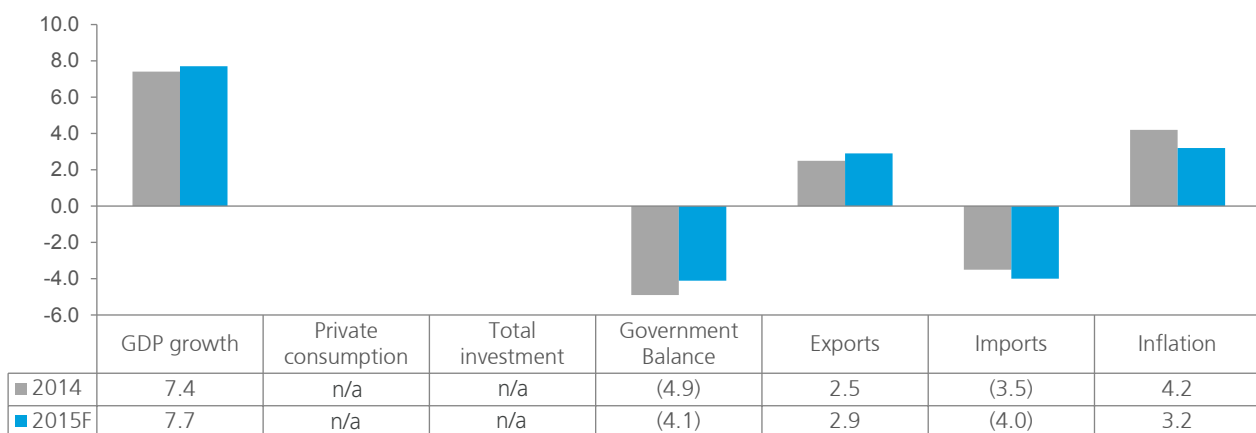
Priorities include controlling inflation while maintaining economic growth, in order to step up government revenue collection and to move ahead with reforms aimed at making the business environment more conducive to private-sector activity.



- Key priorities for Laos authorities in the near future will be to keep inflation in control while maintaining economic growth, in order to step up government's revenue collection and to implement reforms aimed at making the business environment more conducive to private-sector activity.
- GDP growth will accelerate in 2015 in line with the recovery of Thai economy. A hydroelectric dam and a railway to China will underpin growth.
- A number of transport infrastructure projects are planned or under way that will improve linkages throughout the Southeast Asia region. An east-west railway is to connect Thailand and Vietnam across southern Laos; and new bridges to Myanmar and Thailand are also planned.

Laos economy is forecasted to grow 7.7% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Malaysia

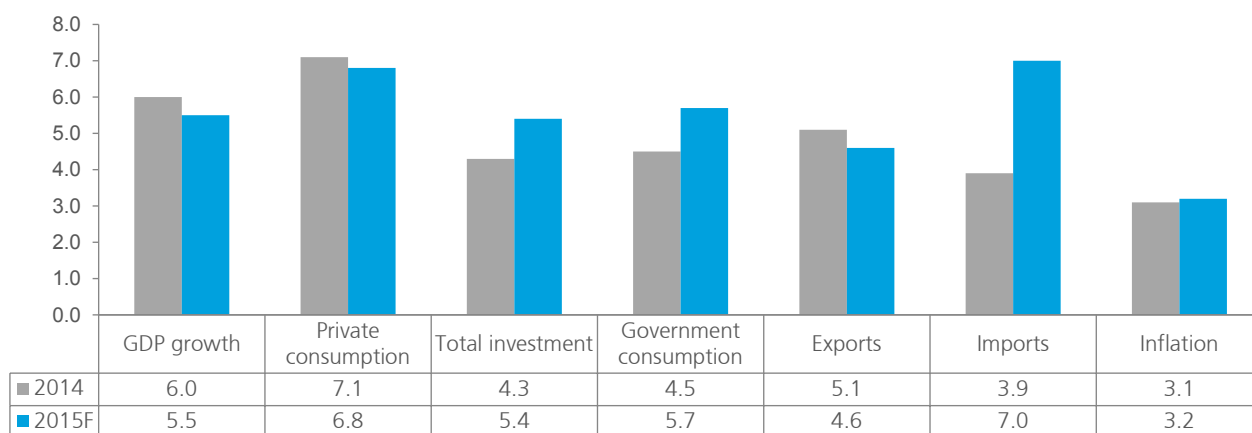
The policy agenda over the next five years will focus on initiatives outlined in two road maps aimed at raising income levels and transforming Malaysia into a high-income country by 2020.



- The implementation of the final year of the 10th Malaysia Plan (10MP) in 2015 and the commencement of the 11MP the following year will continue to support investment growth over the next 5 years.
- Domestic demand is expected to be the major driver of economic expansion. In particular, investment growth will accelerate from an estimated 4.3% in 2014, as more infrastructure projects get under way.
- Service sector will continue to account for the majority of Malaysian economy. Dynamic services subsectors include wholesale trade, tourism and hospitality, largely due to raising tourist-arrival numbers.

Malaysian economy is forecasted to grow 5.5% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Myanmar

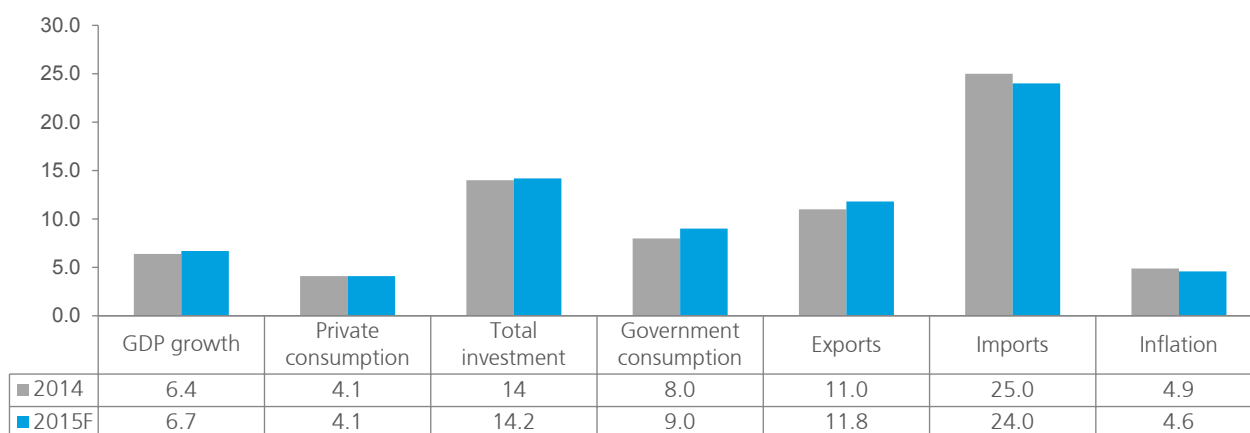
The military-based government will continue to promote an ambitious economic reform agenda. Economic policymaking will improve gradually, but the business environment will remain challenging.



- The government will continue to pursue a wide-range of reforms with a focus on economic growth and poverty alleviation. Multilateral agencies such as the IMF and World Bank have re-established their presence in the country and will expand their technical and financial support for the government's efforts.
- The development of large infrastructure projects will drive strong demand for imports of capital goods and raw materials in the coming years. Merchandise import growth will continue to accelerate, driven by foreign-invested projects in the oil and gas, power, mining, telecoms and infrastructure sectors.
- Inward foreign investment will surge as regulatory and legal reforms are enforced. Improved access to capital and foreign markets will accelerate activities in many parts of the country, especially manufacturing and tourism.

Myanmar economy is forecasted to grow 6.7% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Philippines

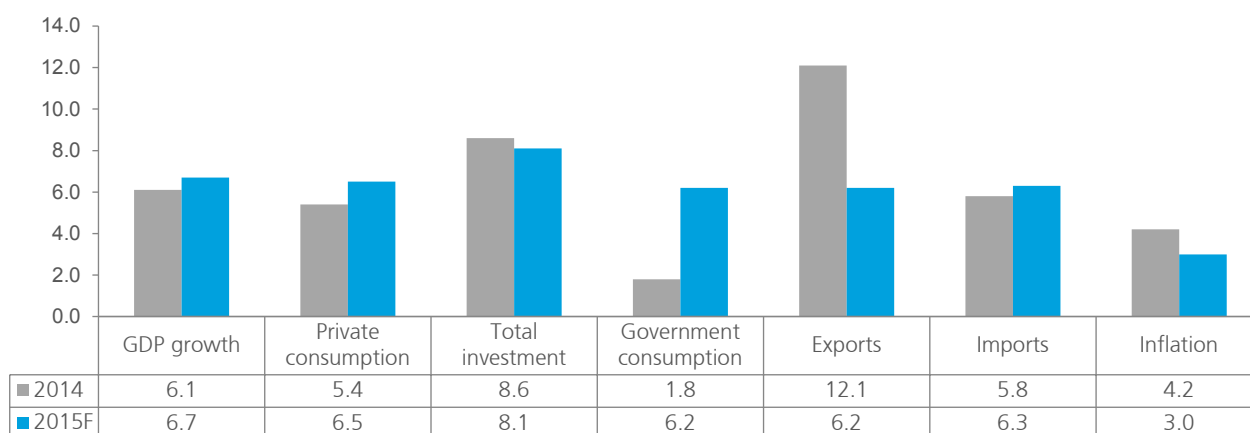
The policy and resources must be dedicated to tackling three big issues: (i) low level of public spending, (ii) insufficient infrastructure investment, and (iii) high unemployment rate.



- Private consumption will be the major driver of Philippine economy. Urbanisation, which has spurred demand for housing and transport services, will continue to underpin strong private consumption growth. Private consumption will also receive a boost from the recent plunge in global oil prices, which will increase households' purchasing power.
- Post-typhoon reconstruction will boost investment and demand for office spaces from the business -process outsourcing (BPO) industry and for homes will also drive construction spending.
- Public investment remains inadequate, particularly given the Philippines' poor infrastructure, which itself is a major bottleneck for foreign direct investment and higher economic growth. Thus, the Philippines government has set the target of raising spending on infrastructure to be in line with the Southeast Asia average—the equivalent of 5% of GDP—by 2016.

Philippines economy is forecasted to grow 6.7% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Singapore

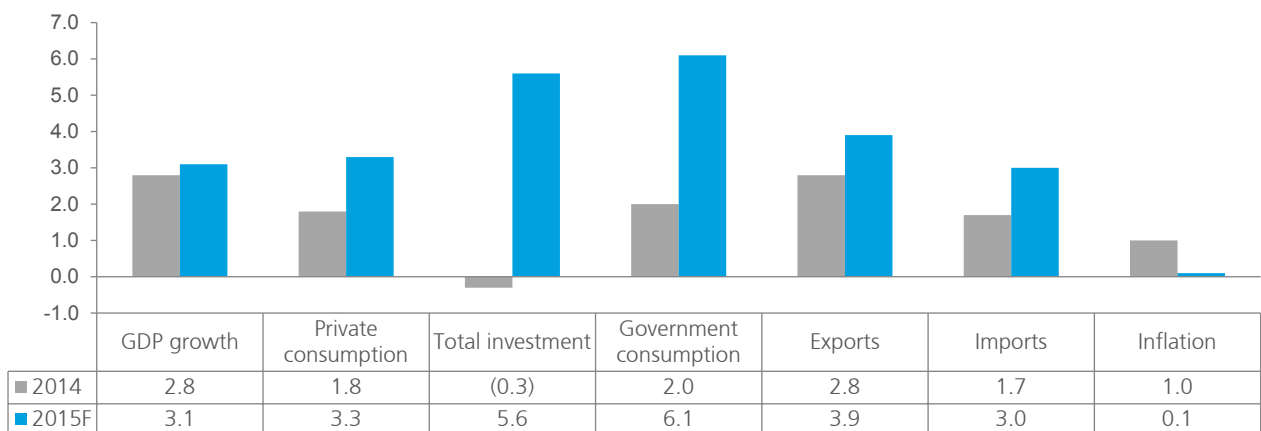
Policymakers will continue to keep a close eye on economic developments in the EU and US. Singapore is among the countries in Southeast Asia which are most vulnerable to low levels of demand in Western economies.



- Stronger economic growth in the US, one of Singapore's top export markets, should help to support export growth. Private consumption will be boosted by subdued consumer price inflation.
- Despite the government's plans to broaden welfare spending, prudent expenditure policies and strong fiscal revenue inflows will result in a budget surplus.
- The current-account surplus will remain substantial in the coming years, owing to continuing surpluses on the merchandise trade account and strong growth in exports of services.

Singapore economy is forecasted to grow 3.1% in 2015

Real expenditure on GDP (% growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Vietnam

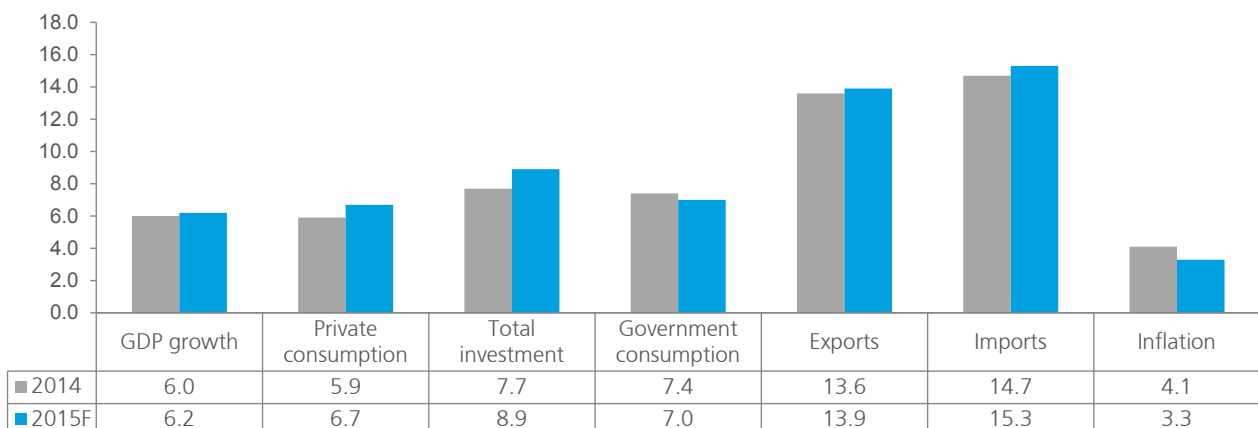
Government policy will focus on economic liberalisation with a view to avoid the macroeconomic imbalances. The government moderates its pro-growth bias in the aftermath of the significant economic volatility that occurred during 2010-12.



- Underpinning Vietnam's economic recovery will be a steady increase in private consumption growth, which will result from stable price conditions and accelerating wage growth.
- Investment will be driven by the government's policies to liberalise the economy further. Loose monetary policy in 2015 will help to support acceleration in GDP growth.
- The government will pursue a trade liberalisation agenda through participation in the single-market ASEAN Economic Community, which will become effective by the end of 2015, but also negotiations towards the Trans-Pacific Partnership (TPP) and free-trade agreements (FTAs) with the EU and other nations.

Vietnam economy is forecasted to expand 6.2% in 2015

Real expenditure on GDP (%growth YoY)

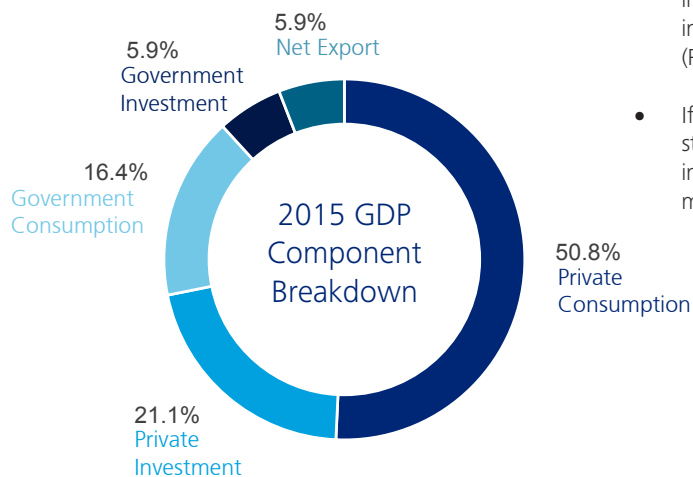


Sources: ADB, EIU, European Economic Forecast, & IMF

Thailand Economic Review

Thailand

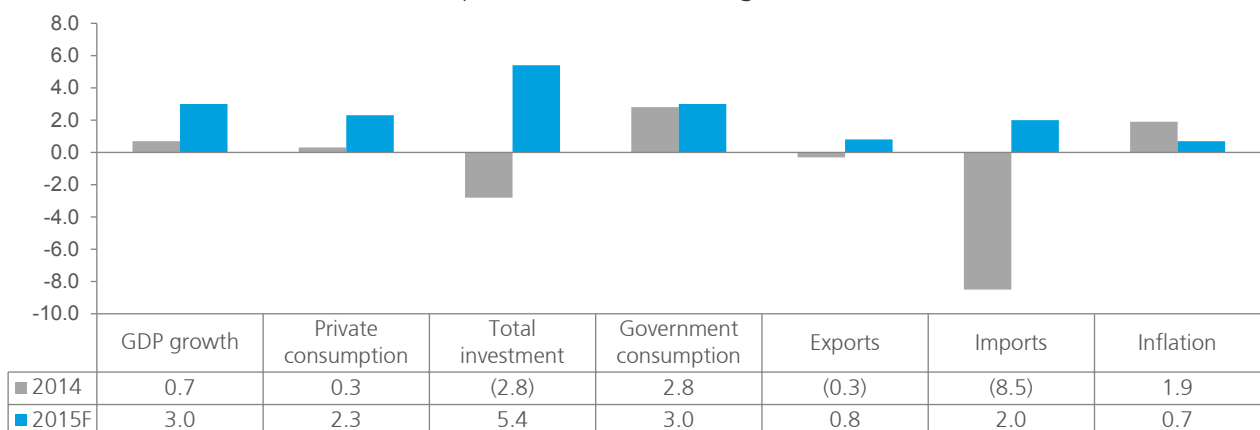
Thailand's military-controlled government has declared country reforms as its top priority and has actively pursued policies aimed at boosting consumption and investment.



- Thailand GDP in 2015 is forecasted at Baht 12.51 trillion or growing 3.0%YoY. In turn, Thai economic growth is driven by a recovery of private investment and tourism sector, an adjustment of car sales and production to its normal trend, public investment projects, and the decline in crude oil price.
- However, several challenging factors are likely to cause Thailand's GDP growth slowdown. These include a high level of household debt (more than 80% of GDP), slow government budget disbursement, fragile EU and Japanese economic conditions, intense geo-political conflicts, and a continual fall of main agricultural commodity prices.
- The government's top policy priority will be to revive GDP growth by boosting public investment (especially in large infrastructure projects), accelerating annual budget disbursement, fast-tracking foreign-investment approvals as well as adopting new public investment strategy (e.g. public private partnership (PPP), public infrastructure bond).
- If Thailand's reform strategy could induce political stability, and in turn, install a new Thai government in 2016, Thailand could re-gain its GDP growth momentum to around 4% - 5% from 2016 onwards.

Thailand economy is forecasted to expand 3.0% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, European Economic Forecast, & IMF

Thailand Reform Review

NCPO's roadmap to reform Thailand in Stage 2

The National Council for Peace and Order (NCPO) proposed three stages of national administration during the transition period.



Sources: compiled from NCPO, the Royal Thai Government, & Thai Local Newspapers

The Interim Government to perform public administration

The Interim Government established under Thailand's Interim Constitution 2014

The Interim Government consists of the Prime Minister (General Prayuth Chan-Ocha) and 34 other ministers appointed by the King to perform public administration.

Government Policy Areas

- Protection of Monarchy.
- Maintenance of state security and foreign affairs.
- Reduction of social inequalities and building of opportunities and access to public services.
- Education and Learning.
- Upgrade of public health services and people's healthcare.
- Enhancement of economic performance.
- Roles and opportunities in ASEAN Community.
- Science and technology, R&D, and innovation.
- Maintenance of natural resources security and balance between conservation and sustainable utilization.
- Promotion of good governance in state administration, and anti-corruption.

Highlights

- The Cabinet agreed to delay the 21st petroleum-concession bidding round until some flaws in the laws related to that matter could be fixed.
- The Prime Minister ordered government agencies to accelerate the 2015 Budget disbursement to meet the spending plan, which aims to boost public consumption and investment.
- Thai government targeted tourism industry to recover in 2015 under the so-called "2015 Discover Thainess" campaign. The main aims of the project will be to boost inbound foreign visitor numbers to 28 million and increase revenues by 16 per cent.
- State Enterprise Policy Committee (SEPC) approved the plans to solve problems in several state enterprises (e.g. TOT, CAT Telecom, BMTA), but also to establish "State Enterprise Corporation of Thailand" to play the shareholder role. In addition, SEPC proposed strategic plan for state enterprises in energy and transport sector, to adopt "Public Private Partnership Model" to promote efficiency and advance government investment.

The National Legislative Assembly (NLA) to take the Parliament duties

NLA established under Thailand's Interim Constitution 2014

NLA consists of 220 members appointed by the King in accordance with NCPO's recommendation.

NLA's Key Duties

- Priority role is to act as the House of Representatives, the Senate, and the National Assembly during the transition period.
- NLA has the power to:
 - Issue the rule on election and perform duties of the NLA President, the NLA Vice-Presidents, and its Committees and meetings.
 - Introduction and deliberation of Bills and Organic Law Bills (i.e. Constitution Related Bills).
 - Monitor and control the Interim Government by making the submission of motions, discussion, making resolutions, and interpellation.
- Peace keeping and other related matters for the performance of its duties.

Highlights

- On January 23, NLA voted overwhelmingly by 190 votes out of 220 to impeach former Prime Minister, Yingluck Shinawatra, in the rice-pledging case. Former Parliament President, Somsak Kiatsuranon, and former Parliament Vice-President, Nikhom Wairatpanich, escaped impeachment in another case.
- NLA scheduled to vote on March 13 on whether or not to impeach the 38 former senators accused by the anti-graft agency of amending the previous constitution for their own benefit.
- The National Anti-Corruption Commission (NACC) has unanimously resolved to kick-off the process of impeaching former Prime Minister, Abhisit Vejjajiva, and former Deputy Prime Minister, Suthep Thaugsuban, for their alleged mishandling of the break-up of a red-shirt rally in 2010.
- Passed the Public Gathering Bill.
- Draft the Inheritance Tax Bill and the Land and Construction Tax Bill.

The National Reform Council (NRC) to propose the reform framework for Thailand

NRC established under Thailand's Interim Constitution 2014

NRC consists of 250 members appointed by the King in accordance with NCPO's recommendation.

NRC's Key Duties

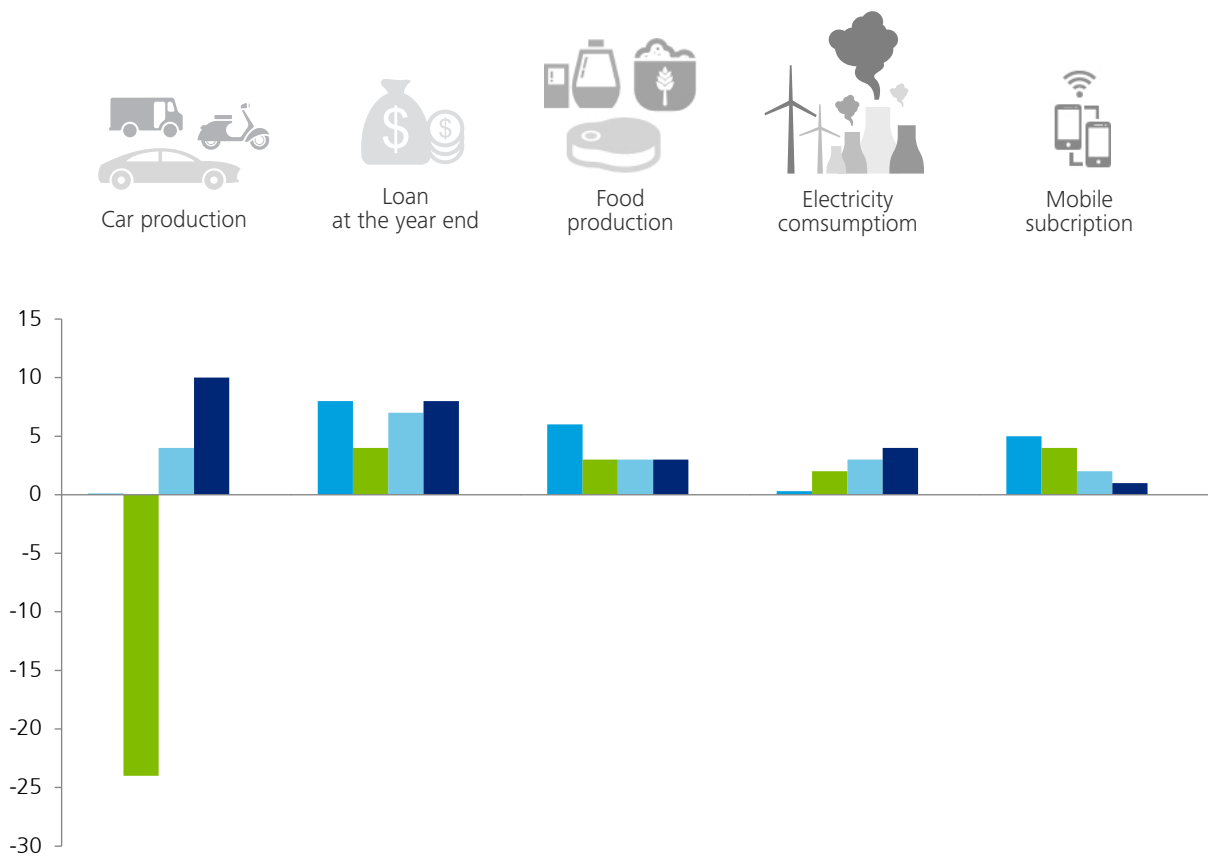
- Study, analyze, and propose the guideline and proposal for reforms under Section 27 to NLA, NCPO, the Council of Ministers, and other relevant agencies.
- Give advice and recommendation to the Constitution Drafting Committee for the purpose of Constitution drafting.
- Consider and approve the Draft Constitution proposed by the Constitution Drafting Committee (CDC).

Highlights

- The CDC will submit the first draft of the new charter to the NRC on April 17. The draft's copies will be sent to the NRC members on April 18 and 19 and the NRC will deliberate the draft in two periods from April 20 to 23 and April 25 and 26.
- Key political reform issues considered by the CDC include:
- German-style election system, which is supposed to be:
 - A fair method and reinforce a better check and balance in the Parliament.
 - Non-elected prime minister to perform public administration.
 - Constitutional referendum by Thai citizens before the announcement of the 20th Constitution of Thailand.

Industry Sector Updates

Thailand key industries are expected to perform better in 2015



Growth Rate (%)	Automotive	Finance & Banking	Food & Beverages	Energy: Electricity	Telecommunications
2013	0.1	8	6	0.3	5
2014	(24)	4	3	2	4
2015F	4	7	3	3	2
Forecast CAGR	10	8	3	4	1

Sources: Compiled from various research houses & agencies (e.g. IMF, ADB, EIU, NESDB, K-Research, SCB EIC, FTI) & DTTJ Analysis

Automotive

Thai automotive industry in 2015 is likely to capture its natural growth path. Over the long-term, this industry is forecasted to have an average growth rate of around 10%.

Situation in 2014

Thai automotive industry has experienced another difficult year, producing 1.9 million units contracted by 23.5% compared to 2.46 million units in 2013. Likewise, domestic sales during 2014 was 0.88 million units or 33.7% lower than 1.33 million units sold in 2013 due to the impact of political disruption, slow government budget disbursement, and high level of household debt.

Outlook 2015

Car production is forecasted at 2.0 million units, growing 4.0% from 2014. Of which, 57% of production is for export and 43% for domestic sales. Domestic car sales is forecasted at 0.9 million units or decrease 3%YoY due to the slowdown of domestic demand, whilst export is expected to be raise 10% as a result of improved global economic conditions.

Long-term trend

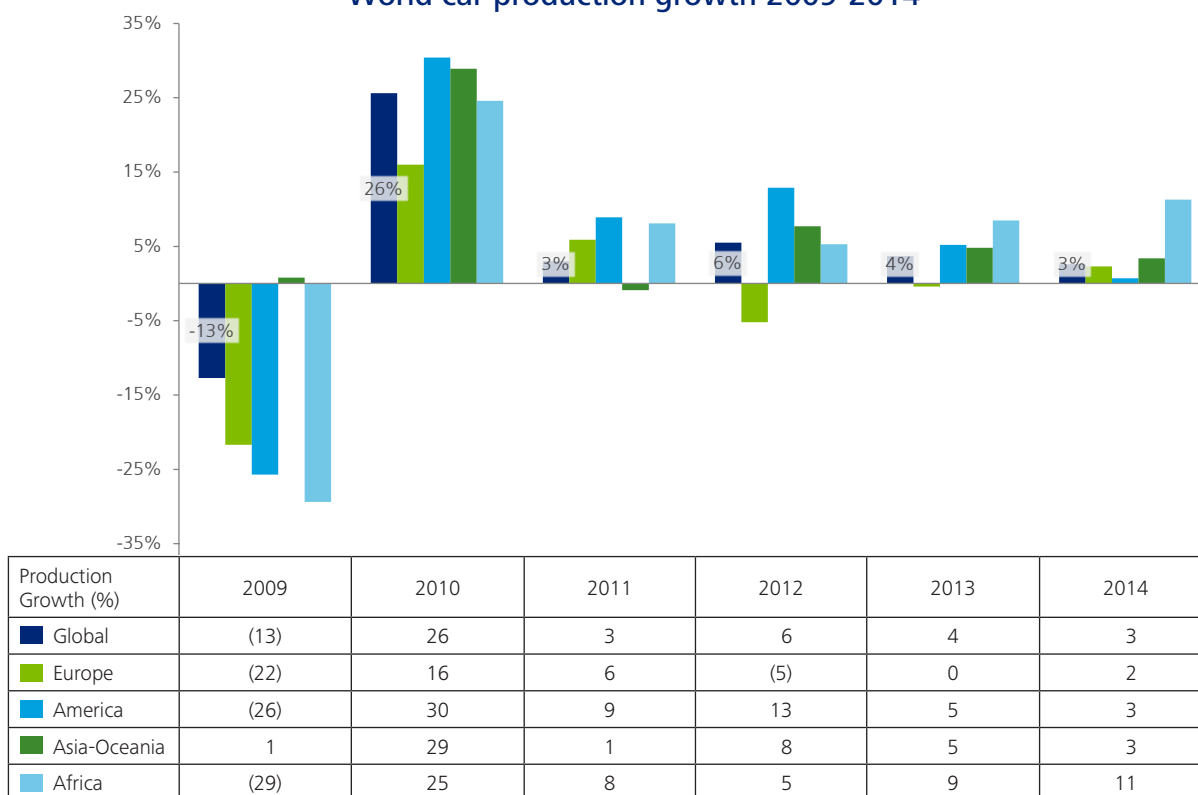
As Thailand represents a regional strategic location for production along with the country's eco-car incentive scheme phase II bolstered by BOI, major car producer will continue to expand their production and supply chain capacity. As global and Thai economy are expected to display an upward growth trend in the coming years, Thailand's car industry could grow 10% in years after.



Sources: BOI, FTI, OIE, Somboon Advance Technology (SAT), & Thailand Automotive Institute

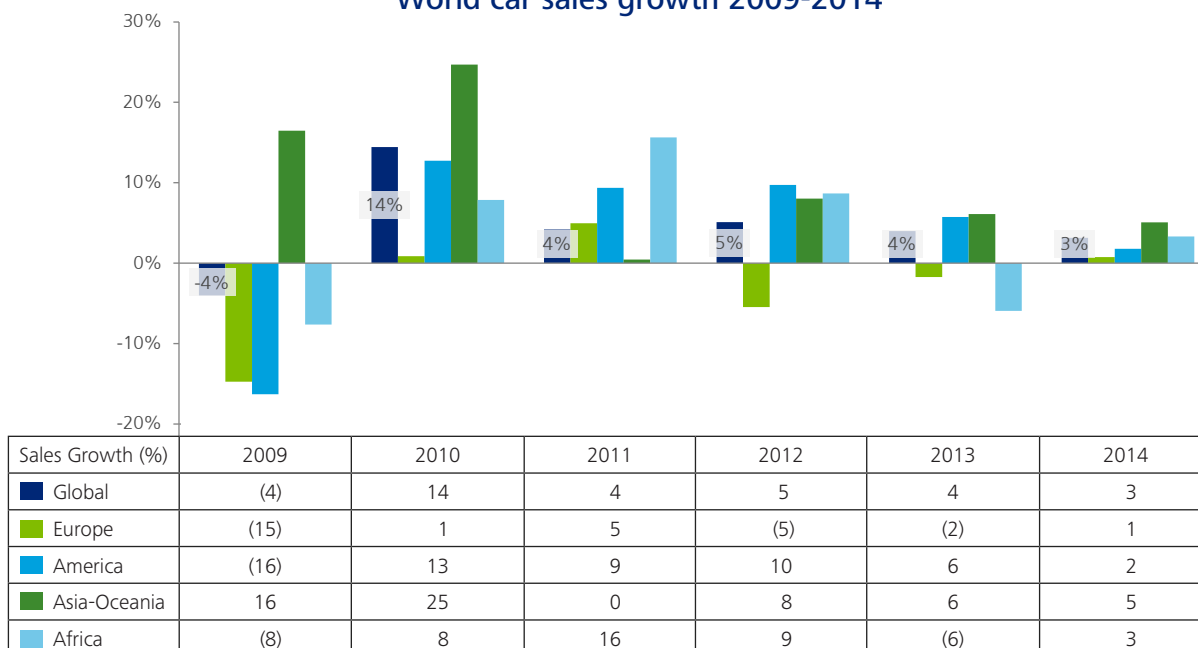
Global car production has faced a diminishing growth trend in the recent years as a result of prolonged global economic slowdown. Asia-Oceania and Africa are expected to gain better growth rates than America and Europe in the coming years.

World car production growth 2009-2014



- Global car production in 2014 was 89.7 million units growing 3% from 2013. Africa maintained its growth trend at 11%, while Asia-Oceania, Europe, and America experienced moderate growth at 3%, 2%, and 1% respectively.
- Global car sales in 2014 was 88.2 million units raising 3% from 2013. Asia-Oceania displayed the highest growth at 5%, while Africa, America, and Europe gained moderate growth at 3%, 2%, and 1% respectively.

World car sales growth 2009-2014

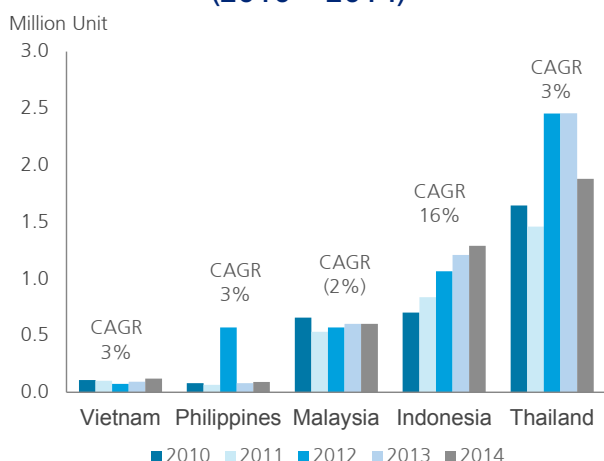


Source: OICA

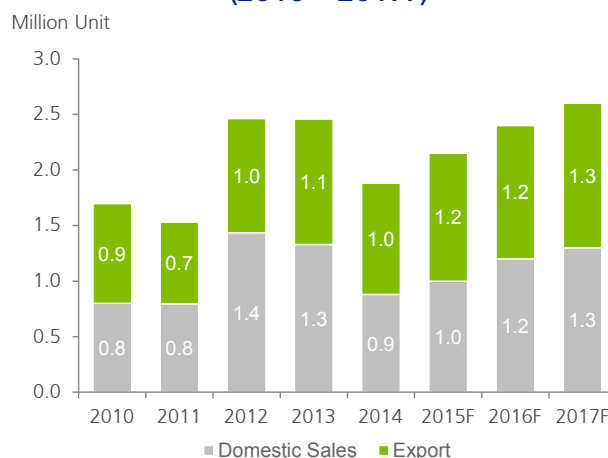
Thailand remains ASEAN's automotive industry leader, despite experiencing the contraction in recent years. Domestic sales and export will continue to grow.

- In 2014, Thailand was ranked 12th for global car manufacturing and represented 47% of total ASEAN car production.
- Indonesia market during 2010-2014 revealed the highest CAGR of 16%, which outrun Thailand's growth rate. The high growth of Indonesian output resulted from raising domestic consumption.
- Despite the significant contraction of Thailand car industry during 2014, analyst houses are optimistic about Thailand car industry buttressed by a decline in crude oil price and global economic recovery.
- A number of auto part producers in Thailand has expanded to CLMV to take advantage of abundant untapped resources and rising car demands in ASEAN.

ASEAN car production volume (2010 – 2014)



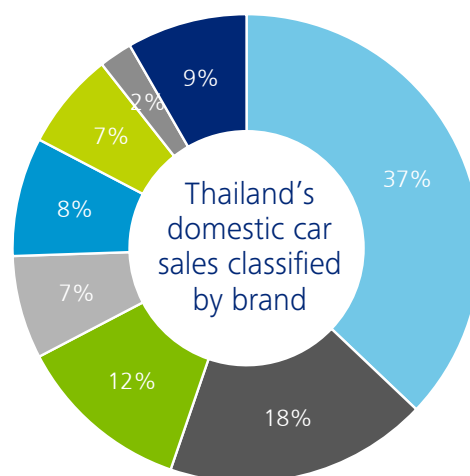
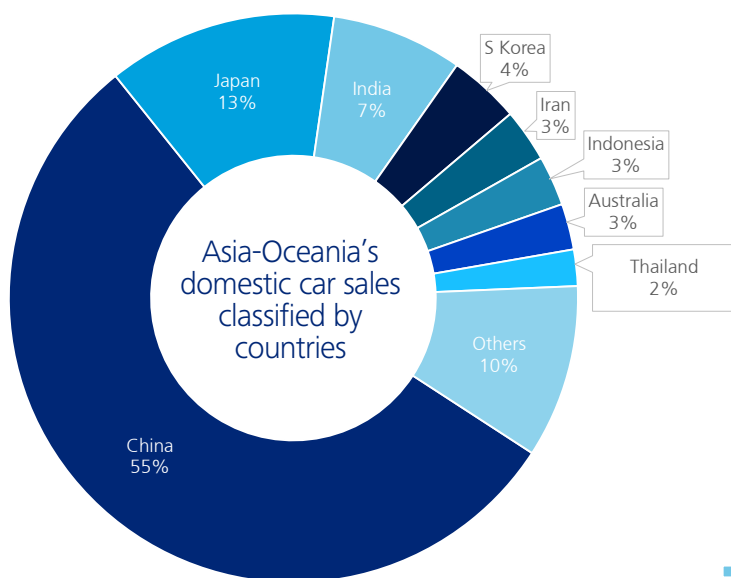
Thailand domestic car sale and export (2010 – 2017F)



Sources: ASEAN automotive Federation, FTI, OIE, OICA, & SAT

Despite a decrease of domestic car sales during 2014, Thailand car market still ranked 8th among Asian-Oceania countries.

- Asian-Oceania's domestic car sales reached 42.6 million units accounted for 48% of global domestic car sales during 2014.
- For Thailand, the total number of domestic cars sold was 0.88 million units, decreasing 33.7% from 2013. One-ton pick up cars and eco-cars were the "product champions". Japanese car manufacturers dominate the Thailand market possessing almost 90% of market share in production, domestic sales, and export.



■ Toyota ■ Isuzu ■ Honda ■ Mitsubishi
 ■ Mazda/Ford ■ Nissan ■ Suzuki ■ Others

Sources: OICA, BOI, FTI, OIE, & SAT

Finance & Banking

Finance & banking sector will continue to grow in the coming years amid several internal and external challenges

Situation in 2014

As a result of prolonged political disruption, which resulted in Thailand's economic growth slowdown, loan outstanding in the banking system finished at 12.9 trillion Baht, growing 4% from 2013.

Outlook 2015

Overall, Thailand loan outstanding is forecasted at 13.8 trillion Baht or grow 7%YoY. Loan demands will stem from public investment projects and a recovery of private investment to take advantages from lower energy prices. However, rising household debt and strict credit granting criteria will affect consumer loan demands.

Long-term trend

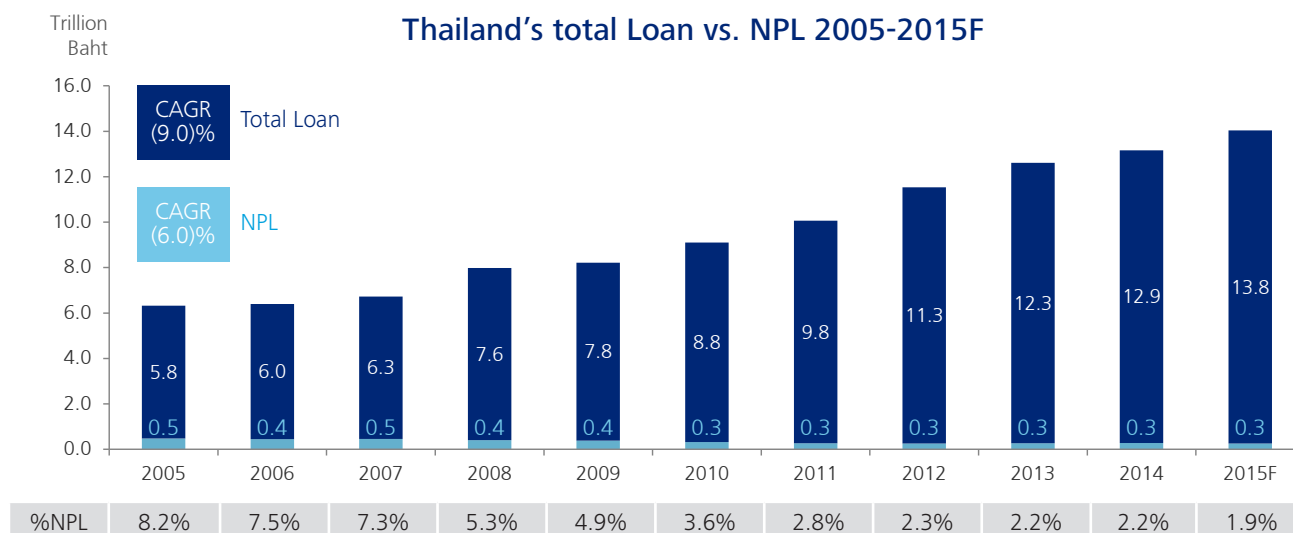
Financial institutions, will be posting loan growth around 8%YoY despite facing external and NPL threats as well as impacts of the Civil and Commercial Code Amendment Bill launched in 2015 to change "guarantor sections". In addition, the Interim Government has decided to pursue public infrastructure projects, which will stimulate both Bangkok and upcountry economic expansion, will boost loan demands across Thailand, and also, provoke capital markets to raise investment funds.



Sources: EIU, K-Research, & SCB EIC

Thailand's total loans in 2015 is forecasted at 13.8 trillion Baht, growing 7% YoY

In 2015, financial institutions in Thailand, both banks and non-banks, will face both internal and external challenges. As Thailand's major economic drivers are likely to be affected by several negative factors such as high level of household debt, slow global economic recovery, a continuous fall of agricultural product prices. Therefore, it is forecasted that Thailand's total loan will grow approx. 7% with an NPL portion of 1.9% under assumptions that consumers and investors regain their confidence and government could make significant progress in budget disbursement and public project investment.



Sources: BOT, EIU, SCB EIC, & K-Research

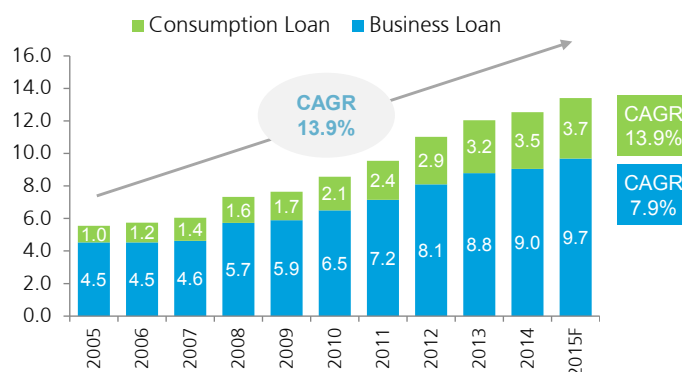
* Note: (1) Total Loan includes both bank and non-bank loan outstanding as of the 4th quarter 2005-2014
(2) NPL include both bank and non-bank gross NPL outstanding as of the 4th quarter 2005-2014

Selected Financial Statistics

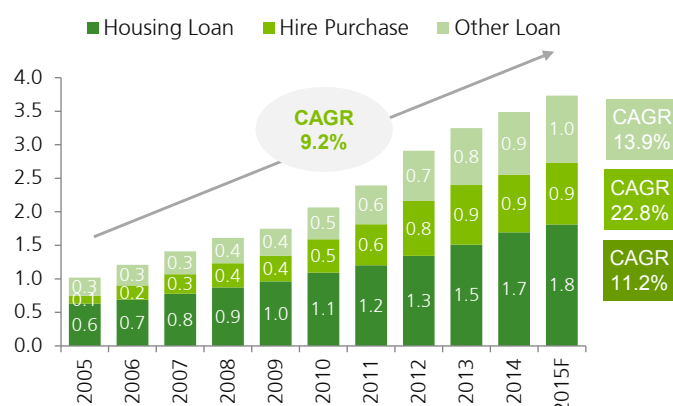
Number of	Total
Thai Commercial Bank	15
Foreign Bank Sub. & Branch	14
Government Bank	8
Foreign Representatives	46
Credit Card Company	10
Personal Loan Company	28
Credit Card	20.3 M
Debit Card	44.8 M
ATM Card	14.8 M
EDC Machines	0.34 M
Personal Loan Account	11.8 M
E-Money Card/Account	140.9 M
Internet Banking Account	8.7 M
Mobile Banking Account	3.4 M

Sources: BOT (as of March 2015) & DTJ Estimates

Commercial Bank Loan 2005-2015F



Consumption Loan 2005-2015F



Food & Beverage

Over the long-term, Thailand food and beverage industry will continue to grow in line with improved domestic and external demands.

Situation in 2014

Food production volume was at 37.4 million ton growing 3% from 2013 and export value reached 909.6 billion Baht or improved 11%YoY due to raising demand from key export markets. For key beverages, total production increased by 3%YoY mainly due to a rebound of domestic consumption after the end of political deadlock.

Outlook 2015

Food production is expected to increase 3%YoY as a result of improved global and domestic demands. For beverages, production is expected to grow by 3%YoY and the consumption of both alcohol and non-alcohol drinks will be in line with Thailand's domestic consumption growth.

Long-term trend

A positive outlook for food production and export is anticipated in the coming years as a result of demand recovery and the removal of trade barriers in the key export markets. In beverage segment, long-term growth momentum is expected for both alcohol and non-alcohol segment subject to the rebound of domestic demands over the coming years.

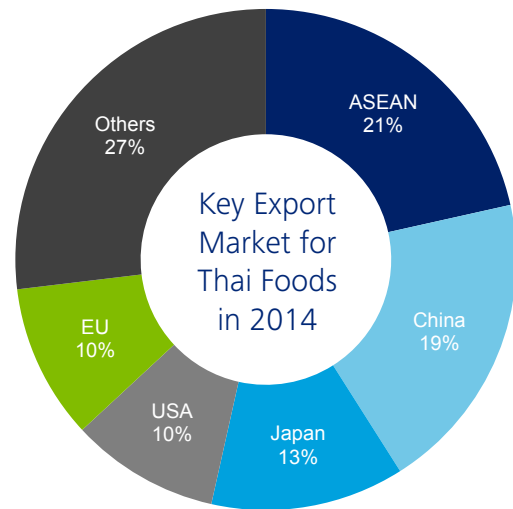


Sources: BOT, OIE, MOC, National Food Institute & Food FTI

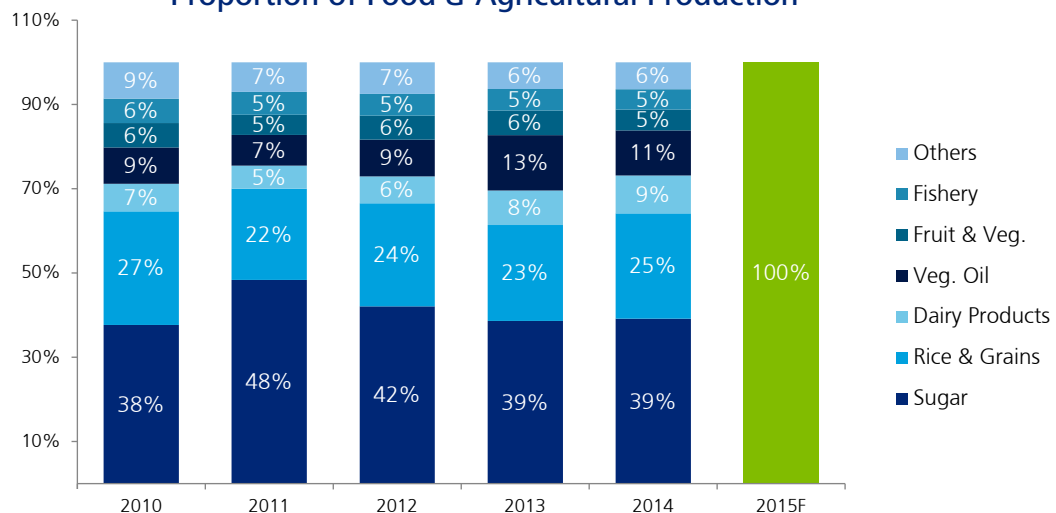
Food

Thailand is striving hard to defend its world leading food & agricultural position. International production expansion has become strategic practice among key players.

- During 2014, the production of major foods grew 3% and 2015 production level is likely to continue 3% growth rate.
- In 2014, the total value of Thai food export was 1,267 billion Baht. Thai food export remains competitive in the global market despite the slow recovery of global economy in 2015.



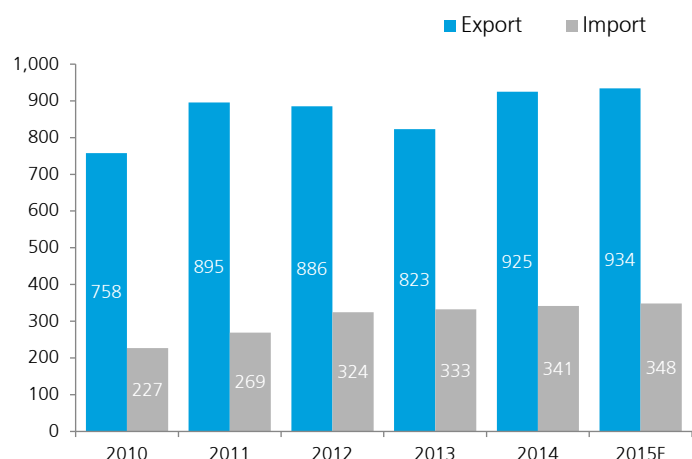
Proportion of Food & Agricultural Production



Total Production (million tons)	28.0	37.6	36.2	38.4	39.5	40.6
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- In 2014, Thailand trading value was around 1,266 billion Baht, growing 10%YoY, mainly driven by improved global economic conditions and the rebound of chicken export to Japan.
- For 2015, Thailand food export is expected to grow around 0-2% due to slow global economic recovery and intense competition among food exporters.
- Thailand's key players in food industry such as Charoen Pokphand Group, Betagro Group, Thai Union Frozen Group, Mitr Phol Sugar among them, continue to expand their footprints to overseas countries across different continents to access untapped resources and markets as well as gaining efficiency.

Food Trading



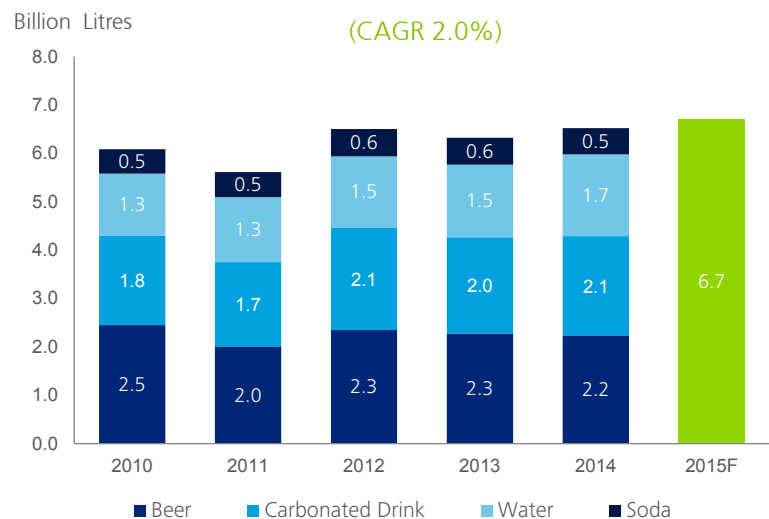
Sources: National Food Institute, BOT, & OIE
Note: data as of December 2014

Beverage

Beer consumption value continues to dominate beverage industry despite slow growth in the recent years

- Combined production volumes slowly grew over the past few years with 2% CAGR. In 2014, total key beverage output volume was 6.5 billion litres raised 3%YoY due to rebounded domestic consumption after the end of political unrest.
- Total production volume in 2015 is expected to be 6.7 billion litres or grow 3%YoY in line with the forecasted growth of domestic consumption.
- Growth of the beer market is likely to be modest in the coming years due to slow-down domestic consumption and market saturation. Competition will intensify, but the local Boonrawd Brewery is expected to maintain its leadership in sales by volume. Likewise, ThaiBev, a leading producer of beer and spirit, continues to perform well and posted a significant profit increase in early 2014, despite ongoing political unrest.

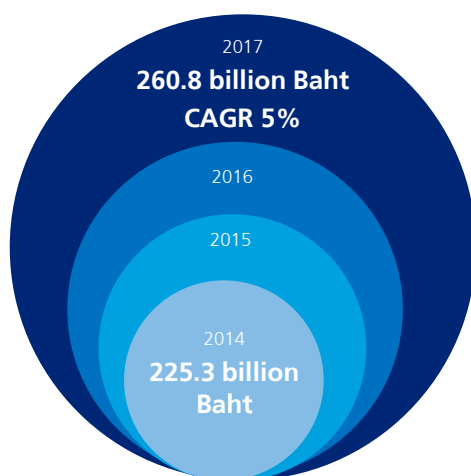
Key Beverage Production Volume



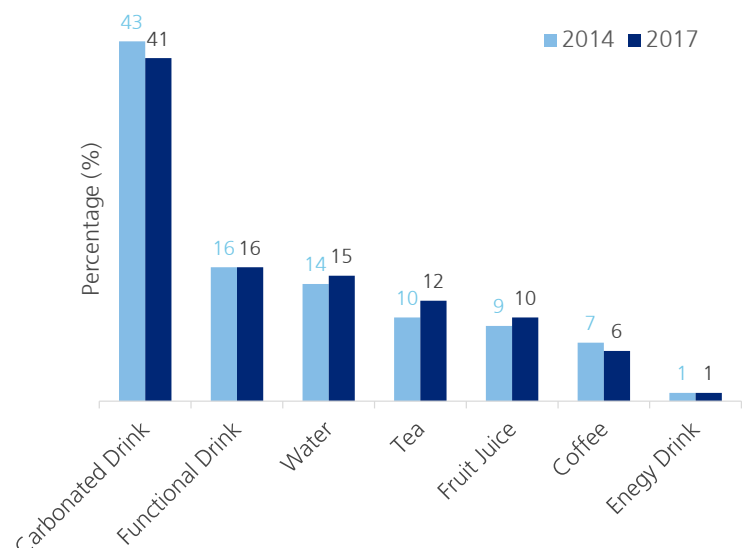
Sources: OAE, OIE, Euromonitor International, & DTTJ Estimates
Note: data as of December 2014

Other non-alcohol drinks will take a marginal market share of carbonated drinks. Thanks to healthy trend, marketing campaigns, and the rapid expansion of modern-trade stores

Non-Alcohol Beverage Market Size (Est.):



Non-Alcohol Beverage Market Share



Sources: OAE, OIE, LH Bank Research, Euromonitor International, & DTTJ Estimates
Note: we project CAGR at 5% from 2014 - 2017

Energy: Electricity

Slow growth of electricity sector in 2014 is expected in line with GDP growth affected by the political deadlock. Massive investment in electricity generating facilities, both conventional and renewable mode, will fulfill Thailand's long-term energy strategy.

Situation in 2014

Electricity consumption grew 2.3% to 172.0 billion kilo-watt hour compared to 0.3% in 2013. Two major economic sectors (i.e. large-scale business and household) taken together consumed around 60% of Thailand's electricity volume.

Outlook 2015

Electricity consumption level in 2015 forecasted at 177 billion kilo-watt hour or increase 3.0% YoY mainly due to improved consumer and investor confidence after the end of political deadlock.

Long-term trend

Electricity demand and supply will continue to increase in line with Thailand GDP growth trend. The new Thailand Energy Master Plan and Thailand Power Development Plan 2015-2035 (PDP2015) have been drafted to pave the way to promote sustainable energy and electricity development with the focus on energy efficient utilisation.

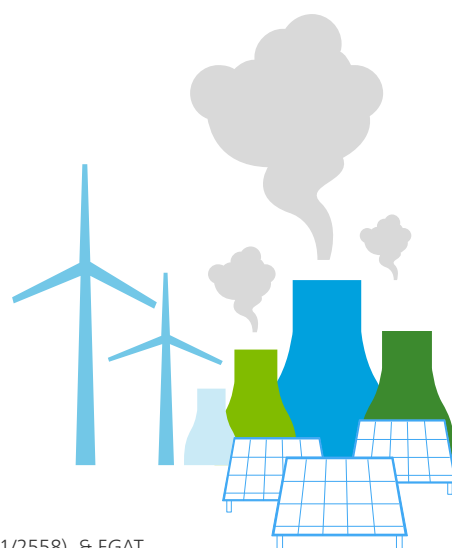
Thailand's energy policy highlights

Current Thailand Energy Policy:

- Thailand Power Development Plan 2010-2030 (PDP2010 – Revision 3): Thailand total capacity in 2030 will be around 70,686 MW with the net capacity increase of 38,291 MW from 2011.
- Alternative Energy Development Plan 2012-2021 (ADEP 2012-2021) targets on increasing the share of renewable energy uses by 25% within 2021 resulting in replacement of conventional fossil-fuel power plants by renewable ones.
- Energy Efficiency Plan 2011-2030 (EE Plan 2011-2030) aims to achieve 25% reduction of energy intensity (i.e. energy consumption/GDP) as a part of energy saving and efficiency programs.

Energy Policy Update:

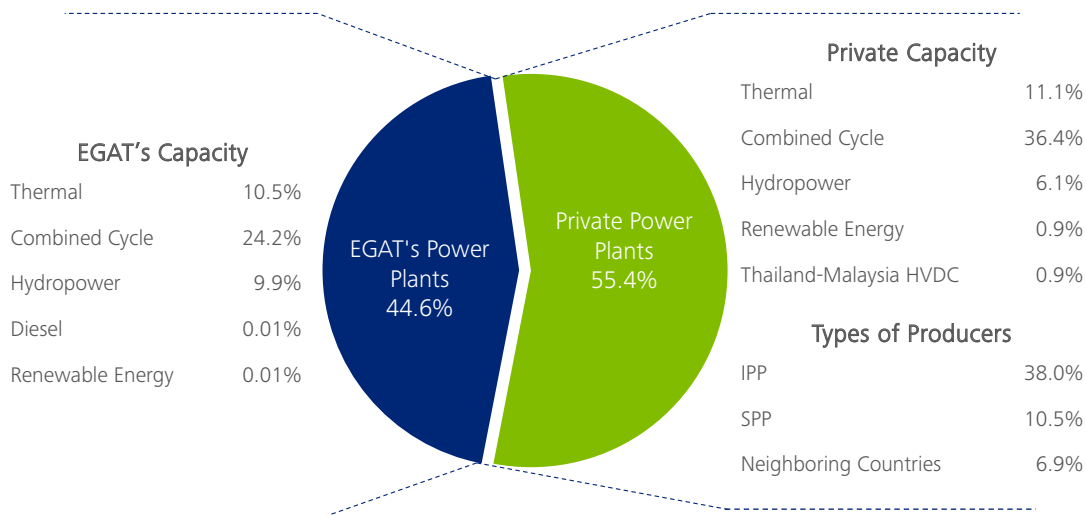
- The National Energy Policy Council (NEPC) acknowledged in principle the implementation of 'feed-in tariffs (FiT)' by Ministry of Energy which would replace the adder program for very small power producers (VSPP) of less than 10MW in production capacity. The subsidy will range for 20 years, and the rates would be different depending on power plant size and fuel types.
- The NEPC approved the Energy Smart Grid Network Master Plan 2015-2036, which will enhance Thailand's electricity generating system, in line with the Thailand Power Development Plan 2015-2035 (PDP2015) and the 11th National Economic and Social Development Plan.



Sources: BOT, EGAT, & Ministry of Energy (EPPO & DEDE)
Energy Policy and Planning Office (EPPO), Results of NEPC Meeting on 16 February 2015 (#1/2558), & EGAT
Note: MW = megawatt. 1 MW = 1 million watts

The majority of total electricity generating capacity belongs to private sectors.
The use of non-fossil inputs is expected to increase in the coming years.

Total Electricity Generating Capacity: 34,690 MW



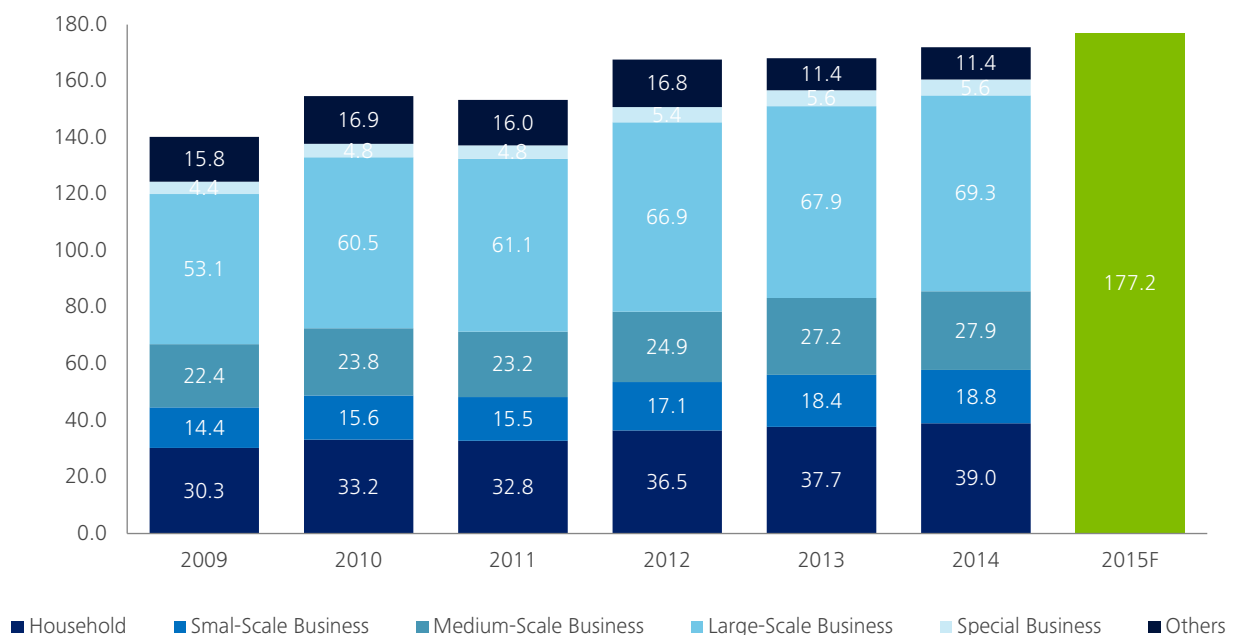
Sources: EGAT & Electricity Generating Company Websites
 Note: (1) Thai government has privatised electricity generating industry
 (2) data as of January 2015
 (3) MW = megawatt. 1 MW = 1 million watts

Large-scale business and household are the major consumer of electricity in Thailand.

- It is expected that the consumption of electricity in Thailand from 2009 – 2015 moderately grew with CAGR of 4.0%.
- During 2009-2014, Large-scale business and household sector taken together consumed around 60% of Thailand's electricity volume.
- Despite improved consumer and investor confidence as well as government budget disbursement, the rebound of domestic demand remains slow and thus, electricity consumption growth could be around 3.0%YoY in line with the forecasted GDO growth rate.

Thailand Electricity Consumption

(CAGR 4.0%)



Sources: BOT, EGAT, Ministry of Energy, & DTTJ Estimate
 Note: kw hour = kilo-watt hour

Telecommunications

The Digital Economy Policy and the adoption of 4G technology are the key to boosting profitability of telecom operators in the coming years.

Situation in 2014

Despite the impacts of political unrest and slowdown in domestic demand, the number of mobile subscriptions reached 98 million and 139% penetration rate, growing 5% YoY and 4% YoY respectively. Pre-paid services remains the major revenue contributor for all mobile operators and will continue over the coming years. AIS, DTAC, and TRUE market share were approx. 47%, 28% and 24% respectively.

Outlook 2015

Intense competition in both pricing and non-pricing modes (e.g. campaigns, services, channels) continues in 2015. Major mobile operators commit to enhance their service capabilities, especially 3G and 4G infrastructure. It is expected that, by the end of 2015, total mobile subscriptions and penetration rate will reach 102 million and 151% respectively.

Long-term trend

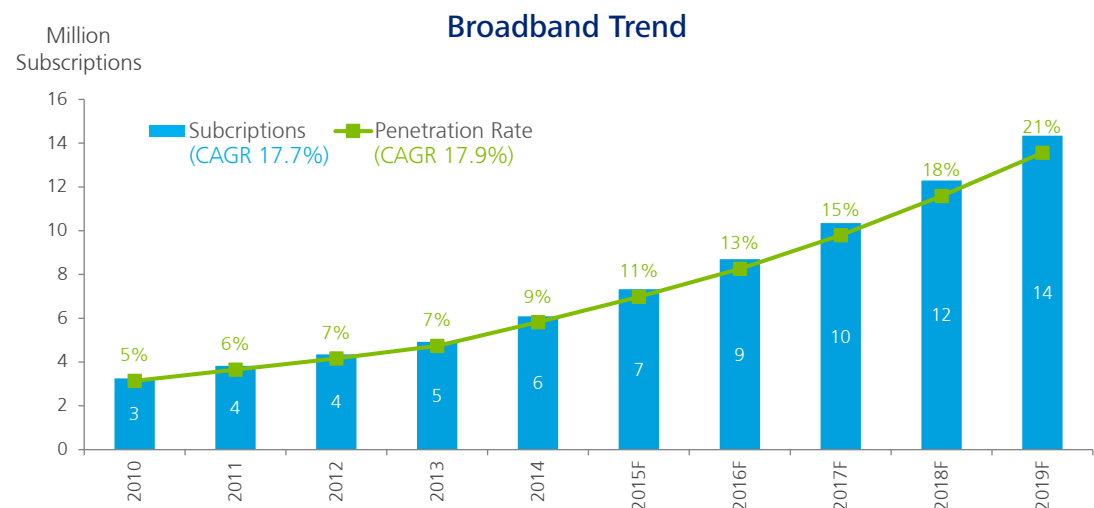
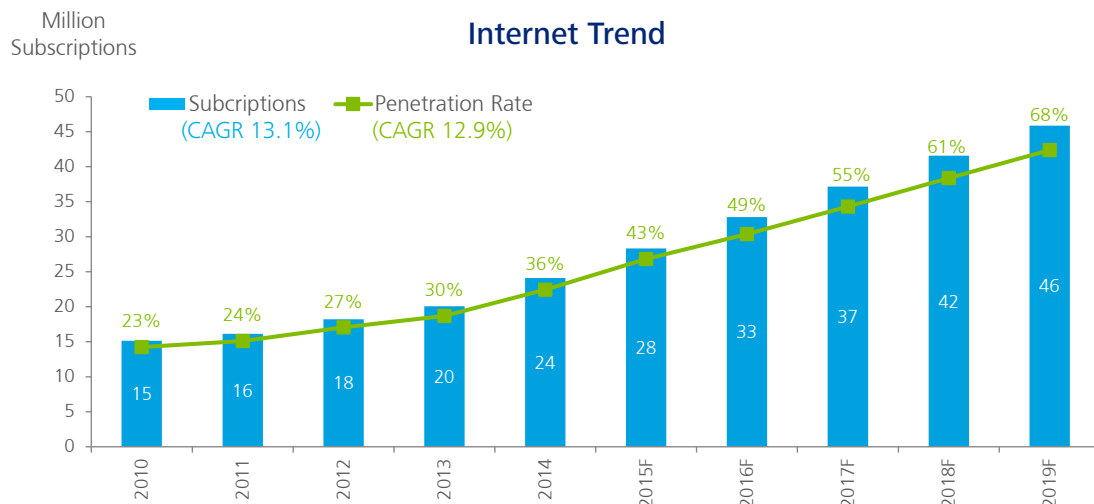
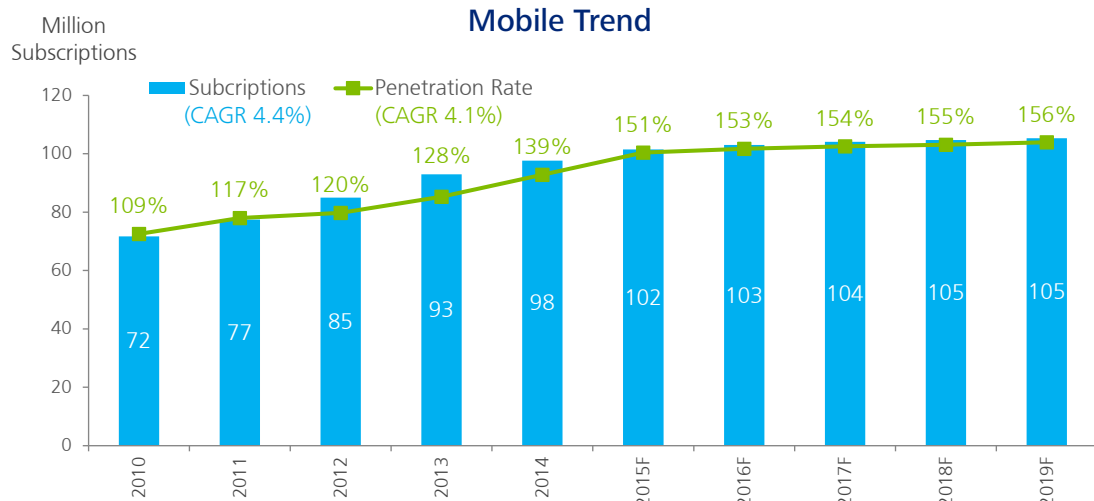
The launch of 4G mobile services in conjunction with “The Digital Economy Policy” will shift Thailand’s mobile market to more content-led services and change in business models of the mobile operators. Revenue growth will be supported by the launch of new products and strong demand for mobile, internet & broadband services, particularly in urban areas. Investment in new technology and advanced service infrastructure is the key to sustaining competitive edges of Thailand’s mobile operators.



Sources: : EIU, Company Annual Reports and Websites,
& Office of the National Broadcasting and Telecommunications Commission (NBTC)

Overall, Thailand's mobile market is moving towards the maturity stage with high penetration rate, while internet and broadband remains in the growth stage.

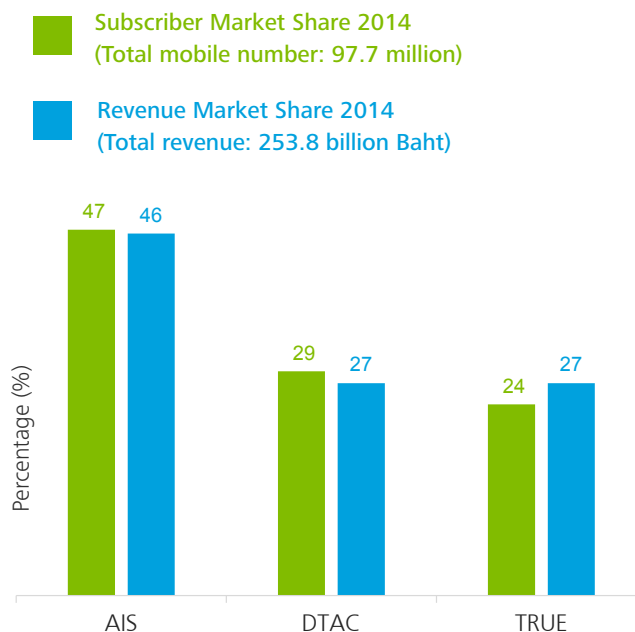
- Rapid growth in the use of mobile phones during 2010-2014 with the number of mobile subscriptions increasing from 72 million in 2009 to 98 million in 2014 (i.e. penetration rate in 2014 = 139%).
- Mobile market is expected to gradually expand from 2015-2019, due to market saturation.
- From 2016 onwards, it is expected that "The Digital Economy Policy" will contribute to driving operators' growth supported by the launch of new products and strong demand for mobile, internet & broadband services, particularly in urban areas.



Sources: EIU, NBTC, & Ministry of Information and Communication Technology (MICT)

Intense competition among three major mobile operators continues with innovative services and marketing campaigns to win subscribers and revenues

- Overall, revenue from voice service accounted for 48% of operators' total revenue in 2014, significantly dropped from 54% in 2013. By contrast, non-voice service gained 37.5% of revenue share in the same period growing 8%YoY. This indicated that major players have continued to induce new mobile service models, which, in turn, grow revenue from non-voice mode.
- Price competition among major operators has driven down average revenue per user (ARPU) from 1,149 Baht/month for post-paid users and 334 Baht /month for pre-paid users in 2002 to 582 Baht/month and 134 Baht/month respectively in 2014. ARPU appears to have stabilised since 2009 as the market matures and major operators improved their products (including rolling out new higher-speed services) and marketing, rather than competing on price alone.



Sources: EIU, Companies' Annual Reports and Websites, & NBTC
 Note: revenue from mobile services only (excl. Interconnection Charge).

Investment in new technology and advanced service infrastructure is the key to sustaining competitive edges of Thailand's mobile operators

AIS

- Long-term strategy: manage shareholder's wealth 75:25 (i.e. contribution from AIS : Non AIS in next 5 years).
- Continue investment in network with CAPEX around 40 billion Baht during 2015 to enhance customer experiences.
- Gain a license @78.5E for Thaicom8 from NBTC. The new satellite is expected to launch in the first half of 2016.

DTAC

- 2015 minimum CAPEX for 2015 is 14 billion Baht. Majority of the investment will be used for increasing data capacity by expanding more 4G 2.1GHz base stations in city areas, and densifying 3G network to increase network quality and reliability.
- Launch 4G in Khon Kaen, first in Northeast and plans to extend coverage to big cities across region.
- Launch 4G in Chiang Mai and major northern cities for meeting mobile internet demand and for AEC preparation.

TRUE

- Differentiate offerings through convergence, superior network, and service quality with leading technologies.
- Increase 4G network coverage to reach 80% of Thai population and continue to expand broadband network to reach 10 million households nationwide by 2016.
- Invest US\$124.68m in new 4G infrastructure to set up an additional 7,000 additional 4G base stations on the 2,100-mhz spectrum.

Sources: EIU, Companies' Annual Reports & Websites
 Note: Intouch is the parent company of AIS, Thaicom, & CS Loxinfo Plc.



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