



Quarterly Economic Report: Q2 | 2015





Dear Our Valued Clients,

We are very pleased to release Quarterly Economic Report Q2 | 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 in 2015 is revised to 3.3% from 3.5% in the previous period, as major economies experience downside risks and, in turn, underperform their growth targets. Asian economy, however, is expected to maintain its steady growth path. ASEAN is likely to nurture its growth momentum from 2015 onwards due to growing domestic demands and rising foreign direct investment across the region. For Thailand, real GDP growth is forecasted at 3.0% as a result of threats from negative factors and expected to pickup 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

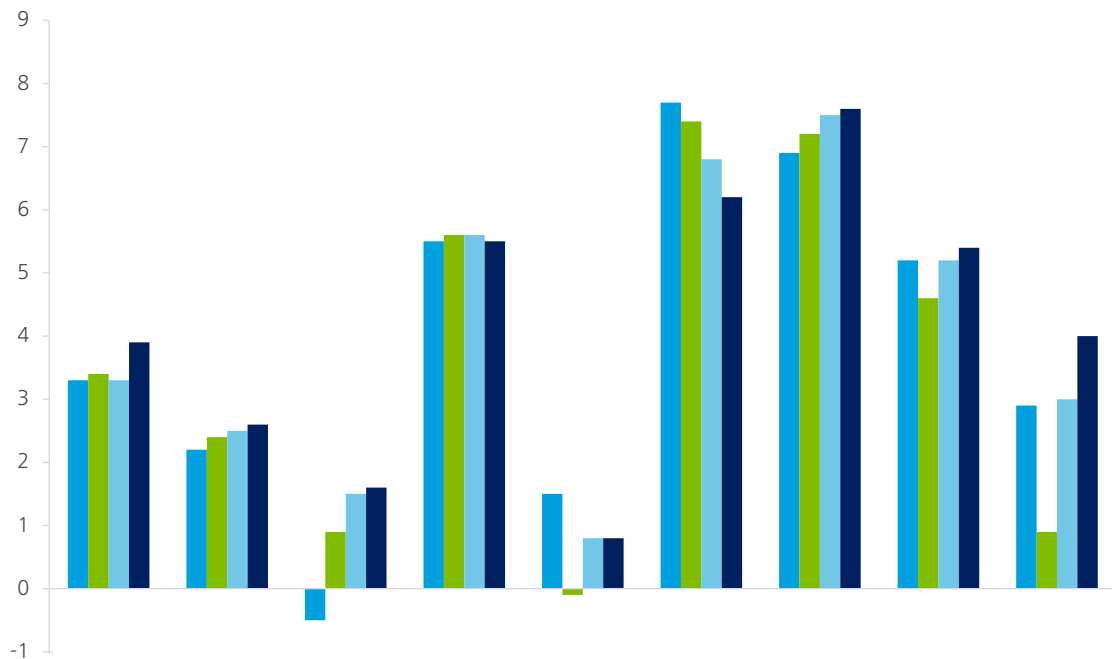
Subhasakdi Krishnamra
Country Managing Partner

Executive Summary

Executive Summary

Overall, analysts forecast a gradual rebound in advanced economies and slower growth in emerging and developing economies.

- Global economic growth in 2015 is revised down to 3.3% as major economies (e.g. Euro Area, China) experience several adverse factors.
- Among advanced economies, USA is forecasted to retain its growth potential, while Euro Area and Japanese economic activities remain sluggish. Slower growth in China will inevitable have a noticeable effect on regional and global economy.
- Asian economy is forecasted to have a steady growth path in 2015 and the coming years, despite the expected slowdown of Chinese economy and lower global commodity prices.
- ASEAN economy is expected to nurture its growth momentum from 2015 onwards as a result of growing domestic demands and rising foreign direct investment across the region.
- Thai real GDP in 2015 is likely to grow 3.0% with support from better political situation, the initiation of large public investments, and lower energy prices. However, internal and external downside risks (e.g. high household debt, drought, Chinese economic slowdown) to a large extent will affect the growth of Thai economy.



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	6.9	5.2	2.9
2014	3.4	2.4	0.9	5.6	(0.1)	7.4	7.2	4.6	0.9
2015F	3.5	2.5	1.5	5.6	0.8	6.8	7.5	5.2	3.0
2016F-2019F	3.9	2.6	1.6	5.5	0.8	6.2	7.6	5.4	4.0
Trend	↑	↑	↑	→	→	↓	↑	↑	↑

Sources: Compiled from various research houses & agencies (e.g. IMF, ADB, EIU, NESDB) & DTTJ Analysis

Global & Asian Economic Review

Global growth in 2015 is expected to marginally lower than in 2014

During 2015, the recovery in advanced economies is expected to gradually gather momentum, while a broad-based slowdown appears to be underway in developing and emerging economies.

World Economy

- Overall, global growth is projected at 3.3% in 2015 with a long-term average growth of 3.9% from 2016-2019.
- In addition, global economy should be supported by continued low commodity prices and still-benign financing conditions.

United States

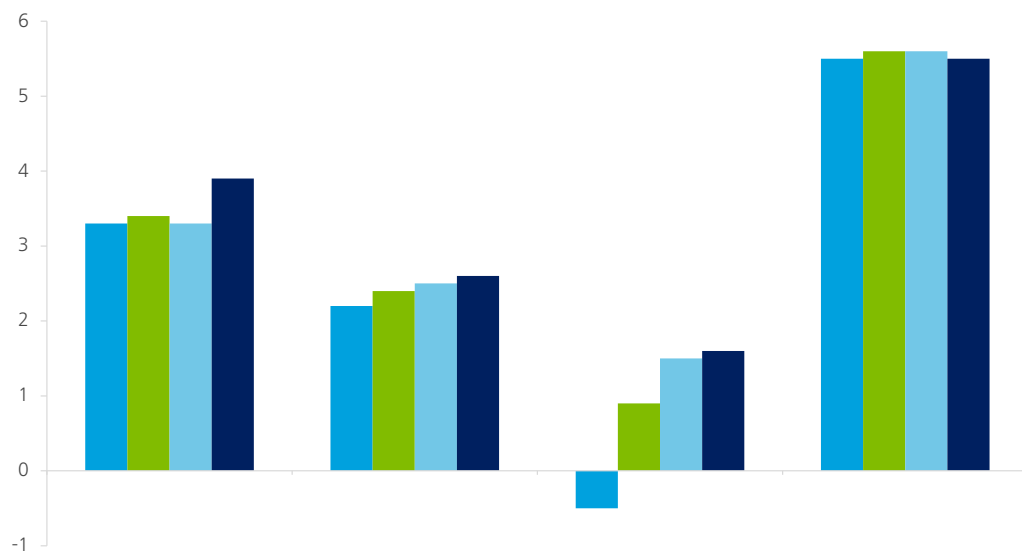
- Low energy prices, moderate inflation, reduced fiscal drag, strengthened balance sheets, and an improving housing market will drive the US growth momentum forward.
- A recovery is expected to continue in the United States and both fiscal and monetary policy in the United States are expected to remain accommodative. On this basis, conditions remain in place for robust economic performance in 2015.

Euro Area

- The combined strength of several positive factors (e.g. low oil prices, a weaker euro) blowing in the EU's direction underpins a slight upward revision for GDP growth during 2015, despite unsolved Greece bailout issues.
- Geopolitical tensions with Russia and high unemployment rates in some member states continue to weigh on GDP growth.

Asia

- The outlook for Asian economy remains favorable, with the region projected to be the global growth leader in the coming years.
- Asian domestic demand is forecast to continue to drive growth, supported by the windfall boost from lower world oil prices and strong labor market conditions.

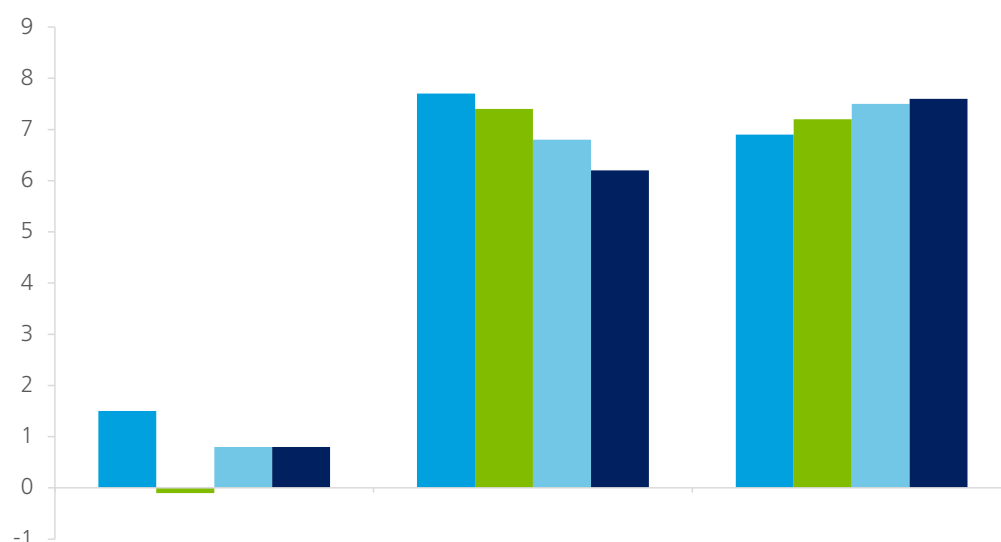


Real GDP Growth Rate (%)	World Economy	USA	Euro Area	Asia
2013	3.3	2.2	(0.5)	5.5
2014	3.4	2.4	0.9	5.6
2015F	3.3	2.5	1.5	5.6
2016F-2019F	3.9	2.6	1.6	5.5
Trend	↑	↑	↑	→

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

Asian economic growth is expected to hold steady at 5.6% in 2015

Asian economy will grow at a steady growth path in 2015 supported by the ongoing recovery in advanced economies and soft global commodity. However, global down-side risks may affect Asian growth momentum.



Real GDP Growth Rate (%)	Japan	China	India
2013	1.5	7.7	6.9
2014	(0.1)	7.4	7.2
2015F	0.8	6.8	7.5
2016-2019F	0.8	6.2	7.6
Trend	➡	⬇	⬆

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

Japan

- The Liberal Democratic Party (LDP)-led coalition will continue to dominate the House of Representatives (the lower house of parliament) until the next general election, which is due in 2018.
- The gradual rebound of Japanese economy in 2015 results from the weaker yen, higher real wages, and higher equity prices as a result of the Bank of Japan's additional quantitative and qualitative easing (QE), as well as lower commodity prices.

China

- As structural adjustments and policy efforts to address financial vulnerabilities continue, growth in China is expected to decelerate from 2015 onwards.
- Ongoing implementation of structural reforms and lower commodity prices are expected to expand consumer-oriented activities, partly buffering the slowdown.
- Slower growth in China would impact the rest of the region and the world as a result of global deep trades and financial linkages.

India

- Indian economy has made a remarkable turnaround in response to more effective policies and resolution of political uncertainty.
- Lower commodity prices will aid the government's fiscal consolidation efforts. However, an extensive food subsidy program and a narrow tax base will strain the public finances.
- Reforms to accelerate land and environmental clearances, increase labor market flexibility, and simplify business procedures should continue to improve India's business environment, which is crucial for sustaining faster and more inclusive growth.

ASEAN Economic Review

Economic structure of ASEAN member states at a glance

	Agricultural Sector		Manufacturing Sector		Service Sector	
	Contribution to GDP (%)	Growth Rate (%)	Contribution to GDP (%)	Growth Rate (%)	Contribution to GDP (%)	Growth Rate (%)
ASEAN-10 	12.8	3.2	39.3	4.1	47.9	5.2
Brunei 	0.7	(1.2)	68.7	(5.6)	30.6	4.7
Cambodia 	33.5	1.8	25.6	9.8	40.8	7.9
Indonesia 	13.7	4.2	43.6	4.2	42.6	6.1
Lao PDR 	25.6	2.9	31.6	8.5	42.9	9.0
Malaysia 	9.4	2.6	38.6	6.1	52.0	6.3
Myanmar 	29.9	4.0	33.8	12.0	36.3	6.5
Philippines 	11.2	1.9	31.1	7.5	57.7	6.0
Singapore 	-	-	24.9	2.7	75.1	3.2
Thailand 	12.0	1.1	42.5	(0.9)	45.5	2.2
Vietnam 	18.4	3.5	38.3	7.1	43.3	6.0

Sources: ADB, EIU, & DTTJ Estimates

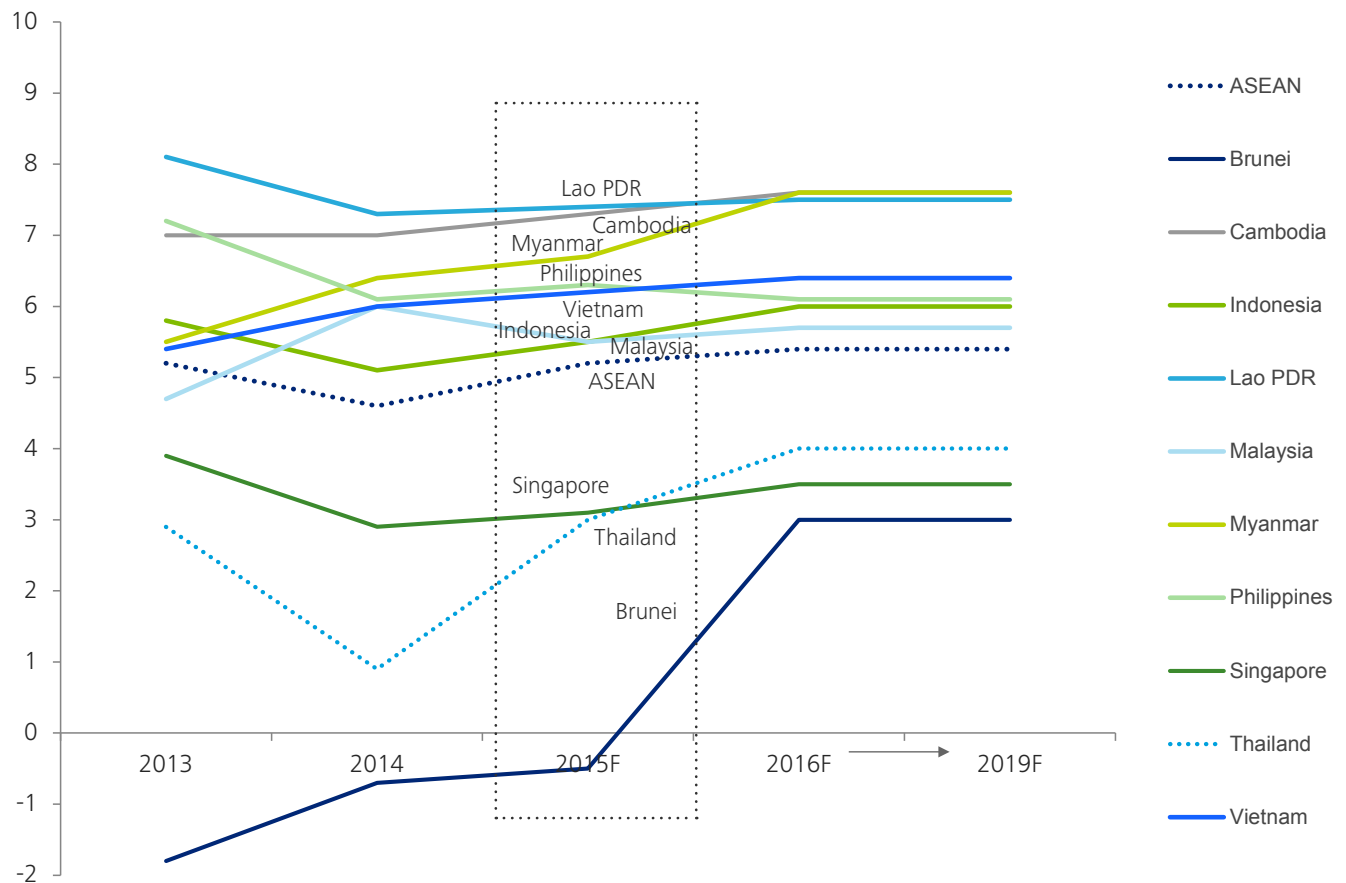
Note: Contribution to GDP (%) and Growth Rate (%) are based on data in 2013 and 2014 respectively.

ASEAN is expected to have a growth rebound in 2015

ASEAN growth is expected to reach 5.2% in 2015 and will average 5.4% over 2016-2019 due to improved domestic demands of ASEAN member states and 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	4.6	(0.7)	7.0	5.0	7.3	6.0	6.4	6.1	2.9	0.9	6.0
2015F	5.2	(0.5)	7.3	5.2	7.4	5.5	6.7	6.3	3.1	3.0	6.2
2016F-2019F	5.4	3.0	7.6	6.0	7.5	5.7	7.6	6.1	3.5	4.0	6.4
Trend	↑	↑	↑	↑	↑	↑	↑	→	↑	↑	↑

Sources: ADB, EIU, IMF, NESDB, & Research Houses

Brunei

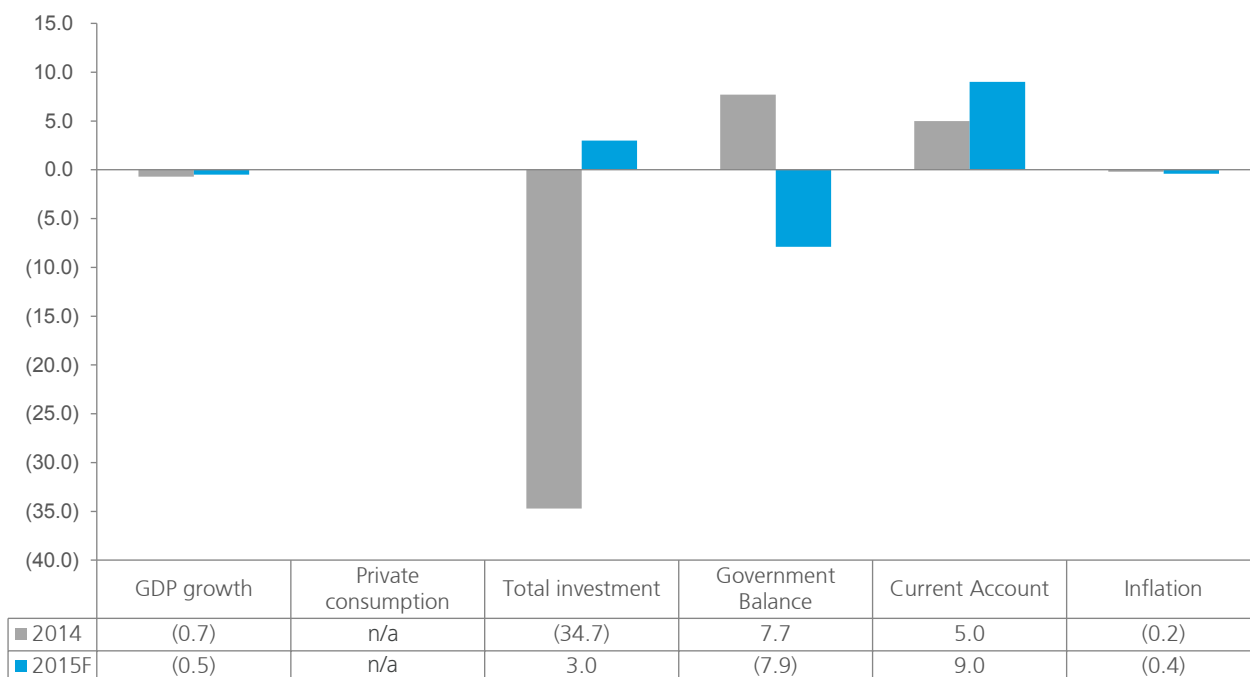
Declining oil and gas production has weighed on Brunei economy. GDP has contracted for 2 consecutive years (2013-2014) and is projected to contract again in 2015.



- Subdued production and the impact of lower global energy prices cause GDP contraction in 2015 before a rebound in 2016 subject to a recovery in energy outputs and prices.
- Brunei needs to diversify away from excessive reliance on the oil and gas sector has become clear, as the large fall in global energy prices induced government budget into a large deficit.
- Exports still comfortably exceed imports to maintain substantial trade and current account surpluses. Large sovereign wealth funds and sizeable international reserves could provide buffers against external and fiscal risks.

Brunei economy is forecasted to contract 0.5% in 2015

Real expenditure on GDP (% growth YoY)



Sources: ADB, EIU, & IMF

Cambodia

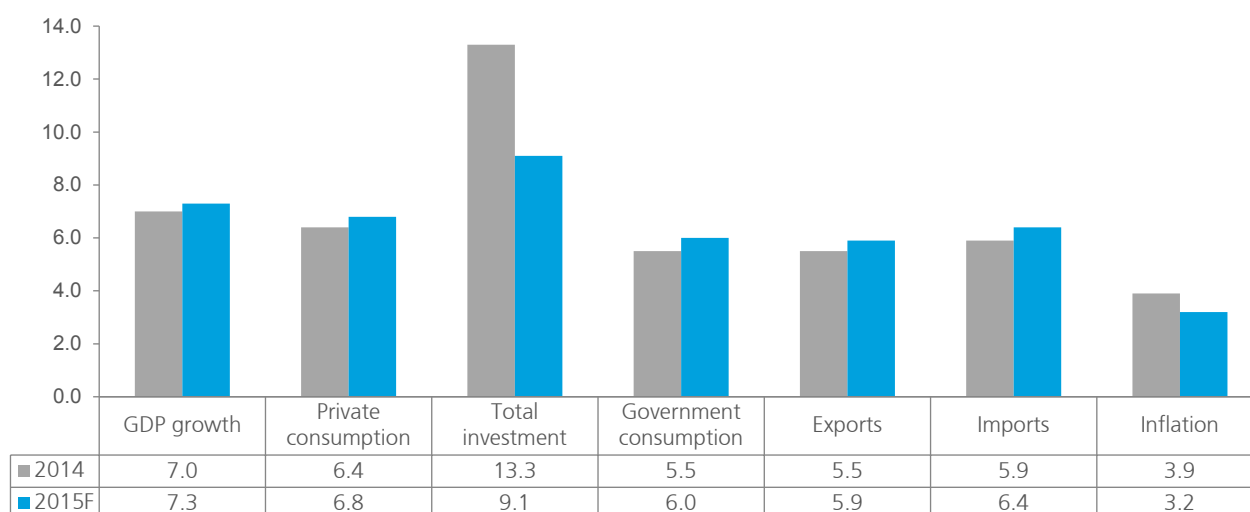
High GDP growth is based on a better outlook for exports and tourism, an easing of domestic political and labor tensions, and lower energy prices. A major development challenge, nevertheless, is to diversify sources of growth.



- Cambodian economy is forecasted to enjoy solid growth in the coming years. Garments and footwear will benefit from improved demand in major markets. Wholesale and retail trade will gain from rising incomes. Real estate is supported by FDI inflows and accommodative fiscal and monetary conditions.
- However, Cambodian growth has depended on narrow manufacturing base and a concentration of exports to the European Union and the US, heavily facilitated by preferential trade access (GSP). Hence, this leaves the economy exposed to external price and demand shocks and changes in trade policy.
- Over the medium-term, growth should be stimulated by diversification and further integration into regional and global supply chains.

Cambodia economy is forecasted to expand 7.3% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF

Indonesia

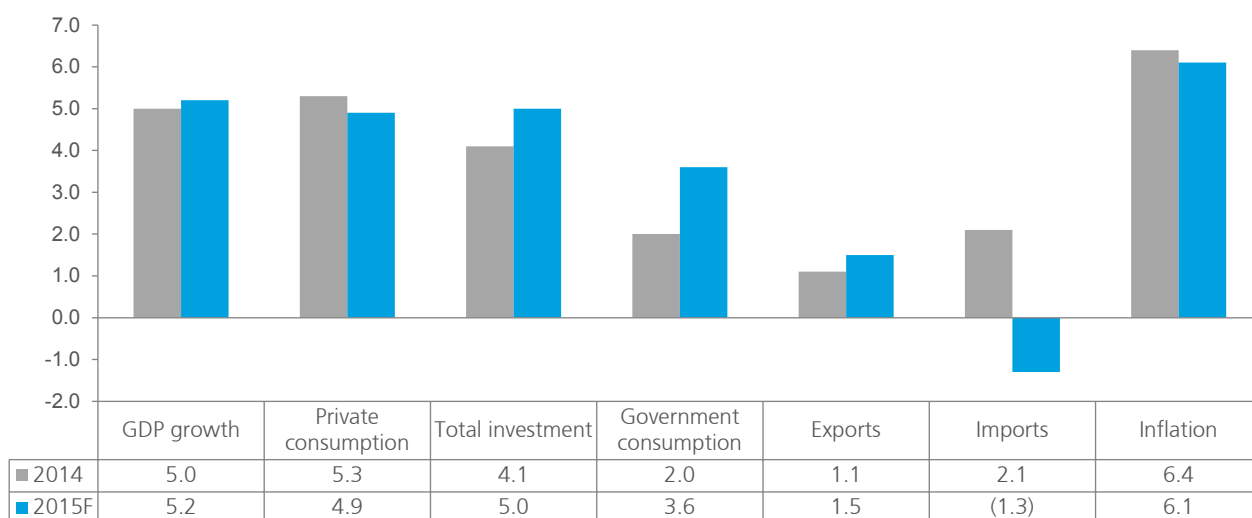
Policy reform to enhance investment environment is expected to nurture economic growth from 2015 onwards. Major economic challenges include maintaining reform momentum, bolstering government revenue, and developing export-oriented manufacturing.



- If reform momentum is maintained through 2015-2016, the government is likely to accelerate infrastructure development, reduce logistic costs, and enhance budget implementation.
- Private consumption is considered robust in 2015 as a result of slower inflation, growth in employment, and cash payments from the government to 15.5 million low-income households to compensate for the fuel price hike.
- Foreign direct investment is the key to triggering innovation through technology and management skills and to link Indonesia to regional and global production networks.

Indonesian economy is forecasted to grow 5.2% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF

Lao PDR

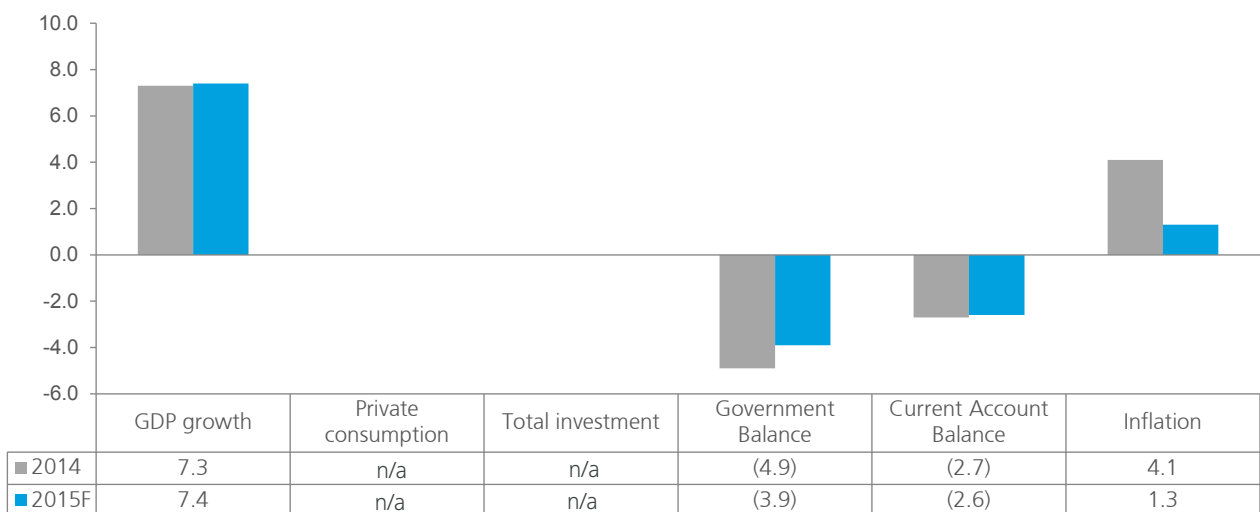
GDP growth is expected to moderately improve in 2015 and maintains the momentum in the coming years as hydropower industry and service sector expand. Serious efforts and resources are needed to spur the development of the domestic private sector.



- Agricultural output will pick up, in line with government encouragement of FDI and schemes to promote the development of agriculture-related exports, such as meat products.
- Tourism continues to be a bright spot as visitor numbers expand, aided by the opening of a new airport in southern Laos during the mid-2015. Likewise, the government aims to grow the proportion of higher-spending Western tourists.
- Laos government has lowered its annual GDP growth target to 7.0% - 7.5% in its 8th National Socio-economic Development Plan. The private sector is expected to play a stronger role during the upcoming plan and foreign aid is expected to decline.

Laos economy is forecasted to grow 7.4% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF

Malaysia

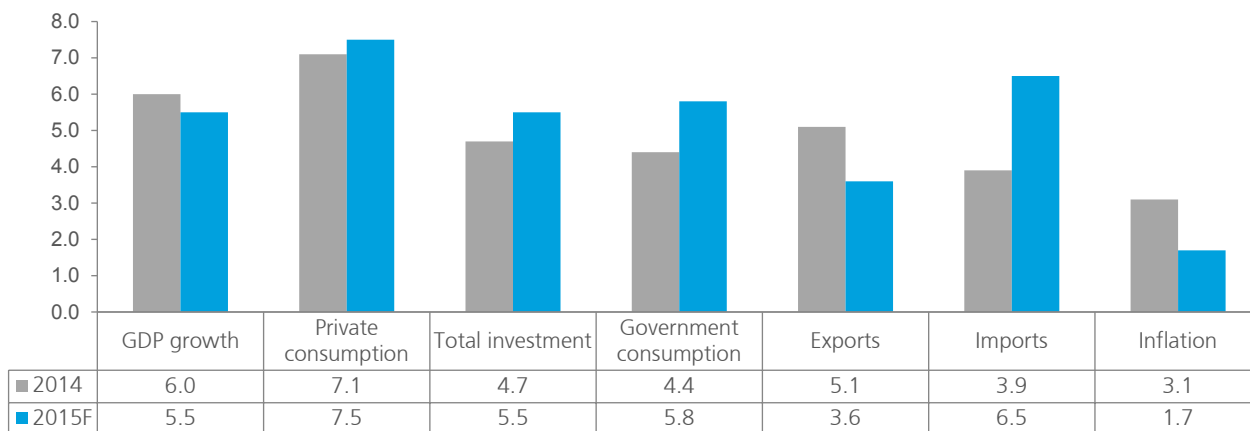
The policy agenda over the next five years will focus on initiatives outlined in two roadmaps aimed at raising income levels and transforming Malaysia into a high-income country by 2020.



- Economic growth is projected to slow in 2015 due to the impact of demand slowdown and lower commodity prices. However, economic slowdown will be tempered by expected benefits to both manufacturing and service industries (e.g. electronics, foods & beverages, tourism).
- Private consumption remains strong and will continue to be a key driver of economic growth. Lower fuel prices are expected to contribute to higher disposable incomes.
- Malaysian government will continue to create investment projects, although oil and other commodity projects may diminish in the short-term. Significant investment is expected to strengthen in 2016 as global economic conditions are expected to improve.

Malaysian economy is forecasted to grow 5.5% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF

Myanmar

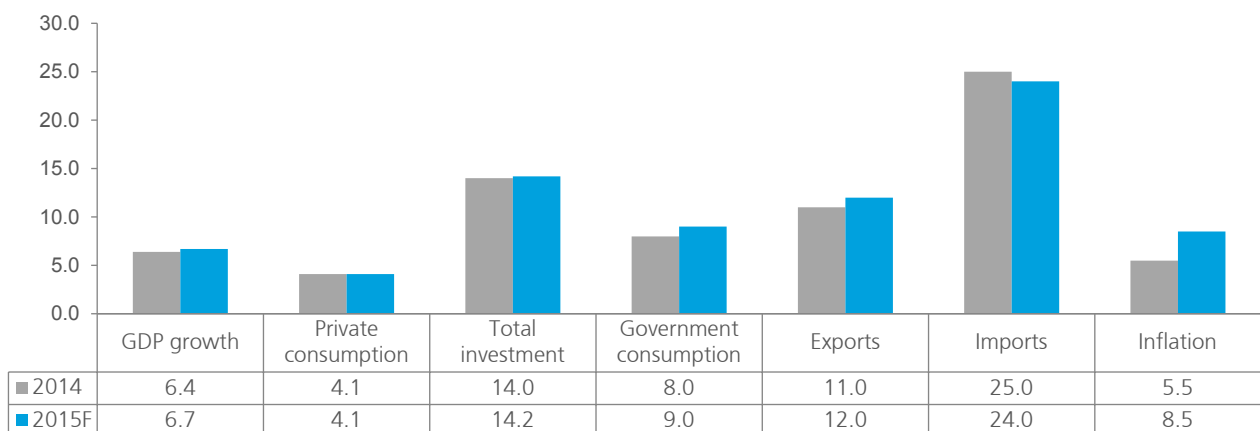
The ambitious economic reform agenda will be carried out by the new government after the 2015 general election. Even if the opposition wins the election, the military will remain politically powerful.



- Economic growth is forecast to reach 6.7% in FY2015 and likely to maintain above 7.0% in the coming years due to FDI stimulated by structural reform, an improved business climates, and Myanmar's integration into ASEAN.
- Large projects funded by foreign investors, especially energy and telecommunications ones, will continue to underpin GDP growth. Despite lower global energy prices, the exploration and production contracts signed by major energy players indicate the bright prospects of the upstream sector.
- A key challenge is to develop and enhance human resources by better equipping its young people to take their roles in a modern economy.

Myanmar economy is forecasted to grow 6.7% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF

Philippines

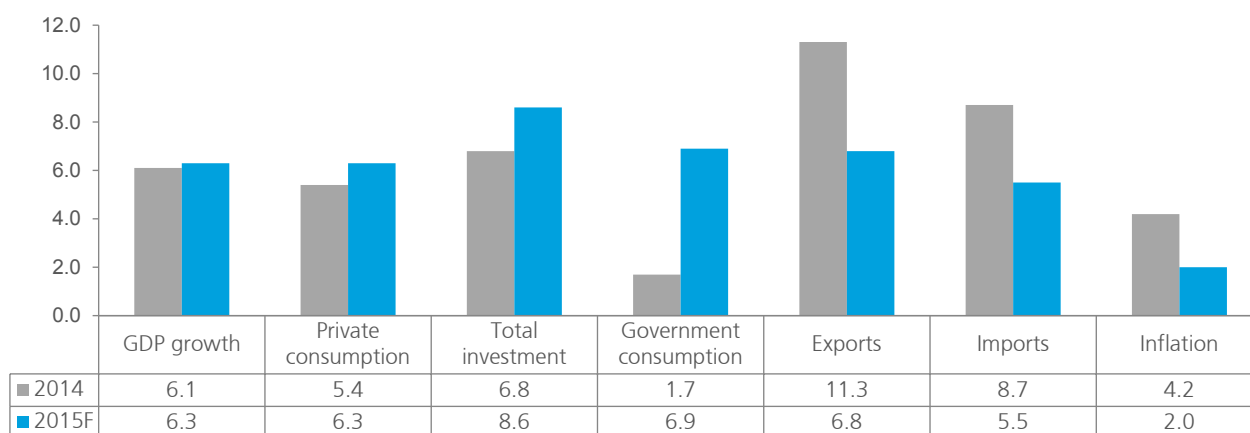
A recovery in government expenditure in conjunction with private consumption, investment, and exports will continue to keep GDP growth momentum.



- Steady growth in employment and rising workers' remittances will underpin private consumption growth. Likewise, lower global oil prices will boost households' purchasing power.
- Philippines's current government will continue to push for public-private partnerships (PPPs) to accelerate infrastructure development. Further reforms to enhance competition, improve regulatory efficiency, and reduce the administrative costs of doing business are crucial for achieving higher levels of investment.
- Major challenges are to accelerate infrastructure development and further improve the investment climate to generate more and better jobs for poverty reduction.

Philippines economy is forecasted to grow 6.3% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF

Singapore

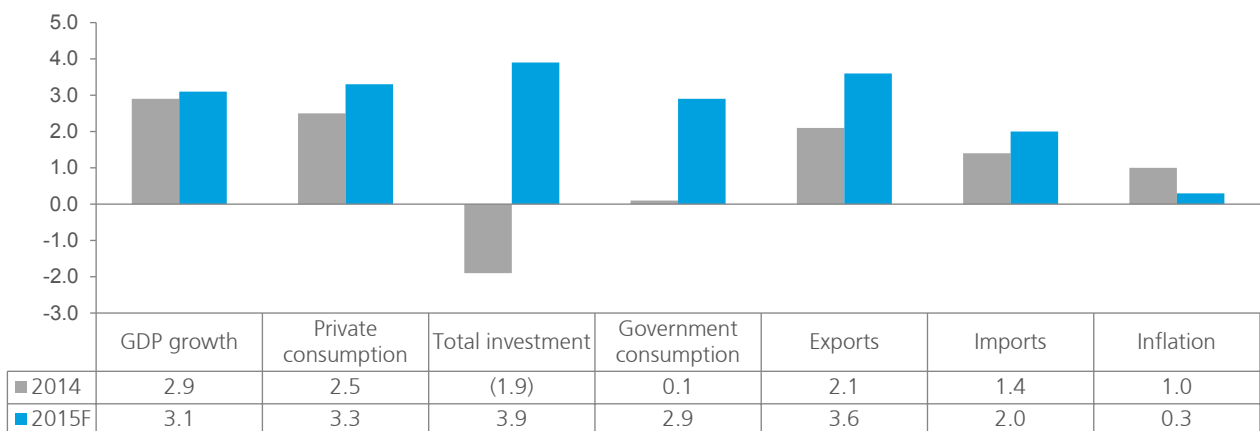
Singapore's domestic market sustains its export-oriented stronghold and global competitive advantages essential for safeguarding resilient economic growth in the challenging future.



- With the inauguration of AEC by the end of 2015, Singapore is expected to benefit from lower foreign equity limits and reduced tariff and nontariff barriers to trade in service industries, which are important to its economy.
- Likewise, Singapore will strive to maintain its current position as the ASEAN hub for trade, finance, and intellectual property.
- Singapore's authorities plan to enhance productivity over the next decade by encouraging businesses to upgrade their technological and capital bases, create more jobs, and raise real wages. These efforts could be undermined, nevertheless, by an aging society and a shrinking labor force, which limits the growth of both established and new enterprises.

Singapore economy is forecasted to grow 3.1% in 2015

Real expenditure on GDP (% growth YoY)



Sources: ADB, EIU, & IMF

Vietnam

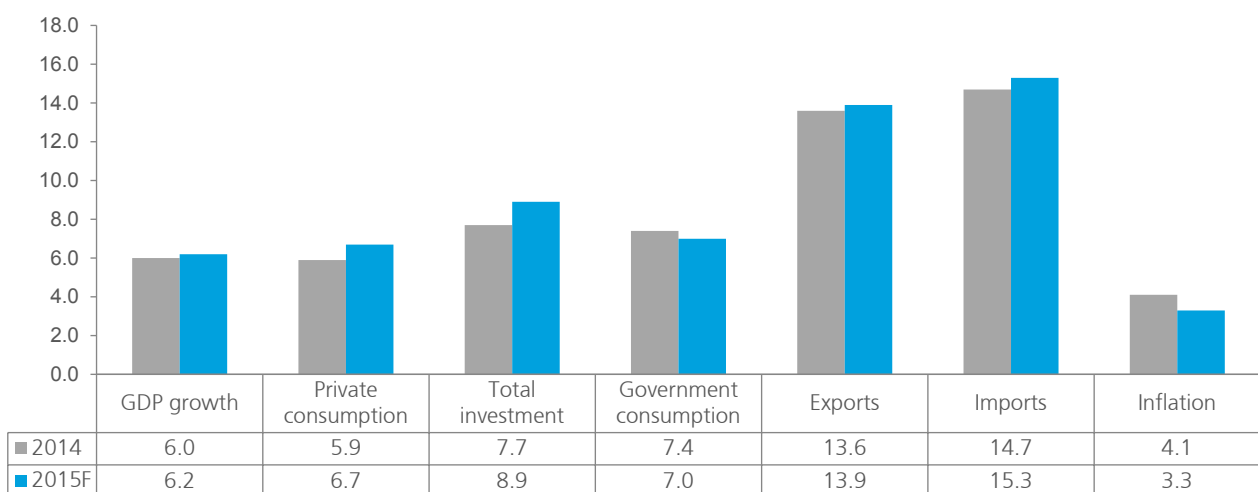
The government will continue to liberalise the economy, restructure troubled banks and privatise some state-owned enterprises. But the analysts suggest that progress will be slow and hindered by policy disagreements within the Communist Party of Vietnam (CPV).



- Better economic performance in advanced economies, particularly the US, Vietnam's biggest export market, will boost exports. But this positive effect will be partly offset by slowing growth in China.
- The reduction of global energy prices provides a positive development for Vietnam's economy. Lower energy prices boost household disposable income, stimulate consumption, and reduce costs for many businesses, supporting profits and investment.
- To achieve high rates of economic growth over the long-term, Vietnam needs not only to undertake deeper structural and corporate governance reform, but also to facilitate local firms' integration into global value chains.

Vietnam economy is forecasted to expand 6.2% in 2015

Real expenditure on GDP (%growth YoY)

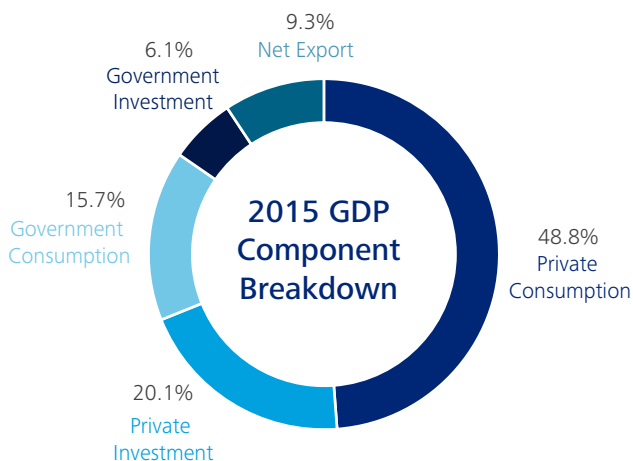


Sources: ADB, EIU, European Economic Forecast, & IMF

Thailand Economic Review

Thailand

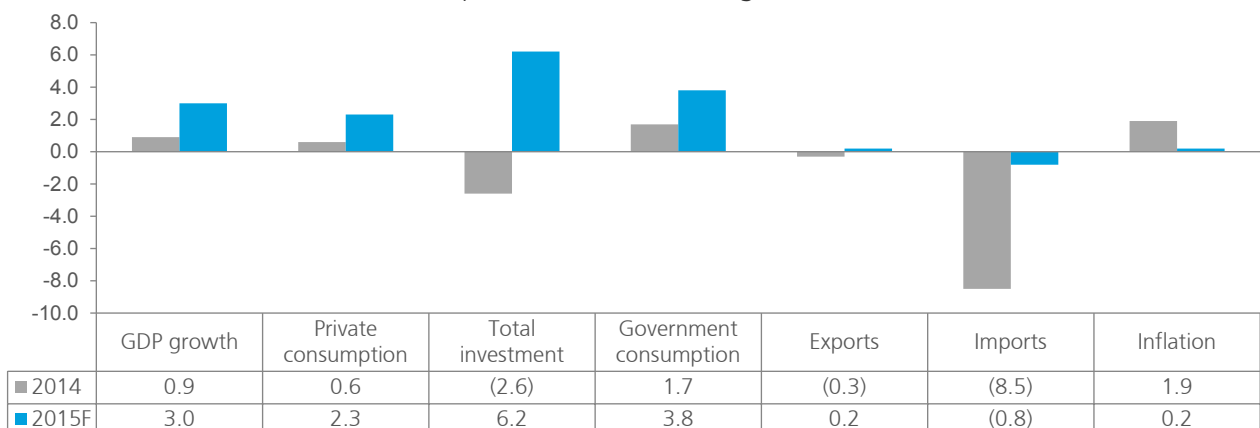
Thai economy is expected to gain benefits from a relatively calm political environment, the initiation of public investment, and lower energy costs for businesses and consumers.



- Thai GDP growth is expected to recover in 2015, amid both external and domestic risks (e.g. geo-political tensions, non-tariff barriers, drought, high level of household debt, falling agricultural commodity prices).
- The government has approved an infrastructure program that includes \$95 billion in investments over 8 years in railways, roads, ports, airports, and special economic zones. These public projects will play a vital role to drive real GDP growth momentum with the average of 4.0% from 2016-2019.
- Private investment is expected to gradually pick up as infrastructure projects get underway and consumption spending strengthens.
- Thai government plans to develop five special economic zones (SEZs) along Thailand's borders to promote industries such as logistics, processing agricultural products, and labor-intensive manufacturing. Investors in the zones are eligible to get several tax privileges, such as permission to employ foreign experts, foreign investors to own land, and so on.
- The current account is forecasted to remain in surplus in 2015 and several years forward. A recovery in tourism in 2015 will help keep the surplus current account.
- Reforms of state-owned enterprise (SOEs) are the key to achieving stronger public sector investment and efficiency. These could help revive Thailand's economy, but also improve its infrastructure over the long-term.

Thailand economy is forecasted to expand 3.0% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, IMF, NESDB, & Research Houses

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.



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 government plans to draw a 20-year national strategy blueprint, which covers security, the economy, social issues, legal and foreign affairs. The plan will be based on the NRC's and the NCPO's reform policies and proposals. The government claims that they only intend to lay an initial framework, which the future elected governments can propose changes if they have implementation problems.
- The Petroleum bidding is to be resumed after 3 months delay. Academia warn the government against using Article 44 of the 19th interim constitution, as it may have an adverse effect.
- The government aims to maintain the number of tourist arrivals at 28.8 million in 2015 and expects the total income of Baht 2.2 trillion despite MERS epidemic and aviation-safety issues.
- SEPC agreed in the 5th meeting to the restructure guidelines and roles of state enterprises in telecommunication and public facilities sectors. The focus would be on completing industrial restructure, which would encourage private businesses to compete on equal grounds with state enterprises and would support any implementations that reinforce the country's resources management efficiency and operations of state enterprises in similar sectors.

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

- NLA approved the amended interim constitution draft in three straight readings. NLA members voted 203 to 0 with three abstentions in the final reading to accept the draft. The deliberations took almost six hours. Deputy Prime Minister Wissanu Krea-ngam and Deputy Prime and Defence Minister Prawit Wongsuwon represented the cabinet and the National Council for Peace and Order (NCPO) at the sitting. The NLA resolution paves the way for a national referendum on the draft constitution.
- NLA has approved compliance with the 8th ASEAN air transport agreement, in a move to make Thailand the region's aircraft service and maintenance hub. The Protocol to Implement the 8th Package of Commitments on Air Transport Services under the ASEAN Framework was signed by ASEAN Transport Ministers, including Thailand's ACM Prajin Junthong.
- If the constitution draft has been endorsed by NRC and public referendum within January next year, the organic laws would be drafted by February and sent to NLA for deliberation within March and April, and send to the Constitutional Court in May.

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

- NRC is speeding up to clear at least half of legislative bills, which are related to the reform, before it is dissolved in August. The dissolution will happen regardless of whether the NRC approves the constitution draft or not. NRC members who support the draft believe the NRC should back it, if Constitution Drafting Committee (CDC) makes changes to its key principles. CDC spokesman addressed that the draft would be ready by 22 August and expressed confidence that it would be accepted by all sides.
- A small group of NPC members and National Police Chief have called for casinos to be legalised in Thailand. But, many Thais disagree with them and find the idea of legalising gambling in the Kingdom as sinful and immoral. Likewise, the Prime Minister emphasises that the legalisation of casinos will not happen in this government. Substantive research studies must be conducted.
- Deputy Prime Minister Wissanu Krea-ngam addressed that an election could be held in August 2016, if the constitution draft is endorsed by NRC during August this year and a public referendum around January next year.

Industry Sector Updates

Thailand key industries are expected to perform better in 2015



Growth Rate (%)	Automotive	Finance & Banking	Electronics	Residential Real Estate	Wholesale & Retail	Tourism
2013	0.1	8	(2)	14	5	19
2014	(24)	4	0.4	10	2	(7)
2015F	6	7	1	8	4	16
Forecast CAGR	7	8	2	9	5	10

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

Automotive

Thai automotive industry in 2015 will benefit from export growth, while domestic market is likely to decline. Over the long-term, this industry is forecasted to have an average growth rate of around 7%.

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 6.0% from 2014. Of which, 60% of production is for export and 40% for domestic sales. Domestic car sales is forecasted at 0.8 million units or contract 9%YoY due to the slowdown of domestic demand, whilst export is expected to be raise 10% as car demand in export markets remains solid.

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 deploy their production and supply chain capacity. As global and Thai economy will gradually capture an upward growth trend in the coming years, Thailand's car industry is projected to grow 7% in years after.

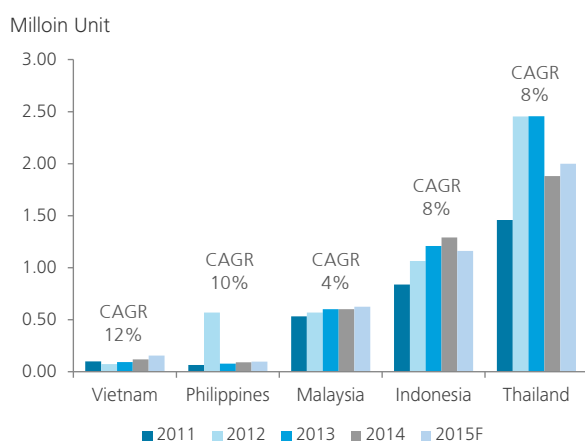


Sources: BOI, FTI, OIE, Somboon Advance Technology (SAT), & Thailand Automotive Institute

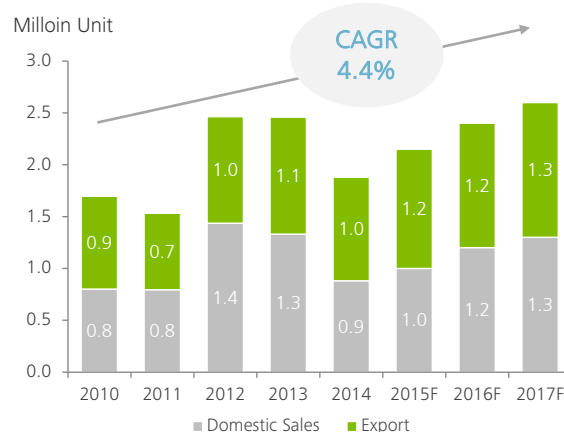
Thailand remains ASEAN's automotive industry leader, despite experiencing the contraction in recent years.

- In 2015, Thailand is projected to produce 2.0 million units or 49.5% of total ASEAN car production.
- Indonesia has become an attractive market for major car assemblers as it has a population of 250 million and a growing middle income-class segment.
- Global economic slowdown to some degree affects ASEAN car production.
- During 2015, Thailand is expected to produce 2.0 million cars growing 6% from 2014. Domestic sales is forecasted at 0.8 million units accounting for 40%, while export is projected at 60% or 1.2 million units.
- 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
(2011 – 2015F)**



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



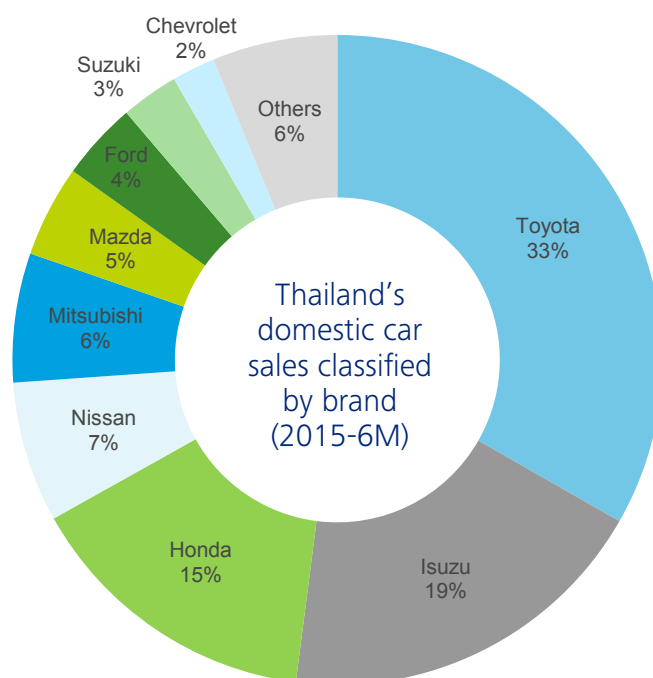
Sources: ASEAN Automotive Federation, FTI, OIE, OICA, & SAT

Domestic car sales in 2015 is expected to be contracted from 2014s' due to effects of several adverse factors

Update Thailand Car Market: January – June 2015

- The total number of domestic cars sales during January – June 2015 was 0.37 million units, decreasing 16.3% from 2014. One-ton pick up cars maintained the "product champion".
- Japanese car manufacturers dominate the Thailand car market with almost 90% of market share in production, domestic sales, and export.
- During 2015, several adverse factors, which include high household debt level, low agricultural commodity prices, drought, the slowdown of Chinese and several major economies, slow public and private investment disbursement, and so on, affect Thai economy and consumers' purchasing power and, thus, cause a contraction of domestic car sales during the first half of 2015.

Sources: FTI & Toyota (Thailand) Co. Ltd.



Finance & Banking

Finance & banking sector is expected to grow 7% in 2015 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 an accommodative monetary policy stance for the remainder of the year. 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

Although Thai economic situation is expected to improve from 2014, financial institutions, both banks and non-banks, will face both internal and external challenges. During the second half of 2015, several negative factors such as high level of household debt, slow global economic recovery, lower commodity price, remain evident. Therefore, it is forecasted that Thailand's financial activities will be slow down and total loan will grow approx. 7% with an NPL portion of 2.2%.



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

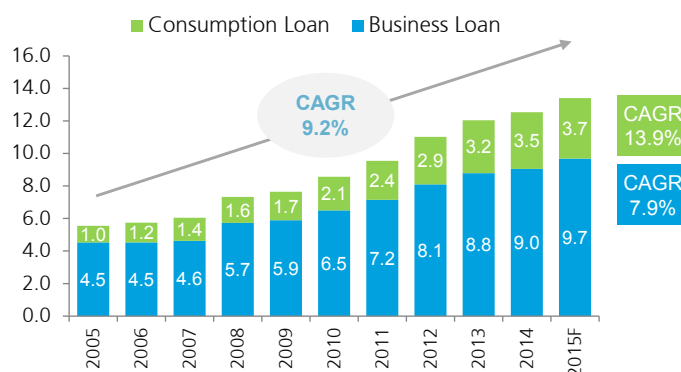
* Note: (1) Total Loan includes both bank and non-bank loan outstanding as of the 4th quarter 2005-2015F
(2) NPL include both bank and non-bank gross NPL outstanding as of the 4th quarter 2005-2015F

Selected Financial Statistics

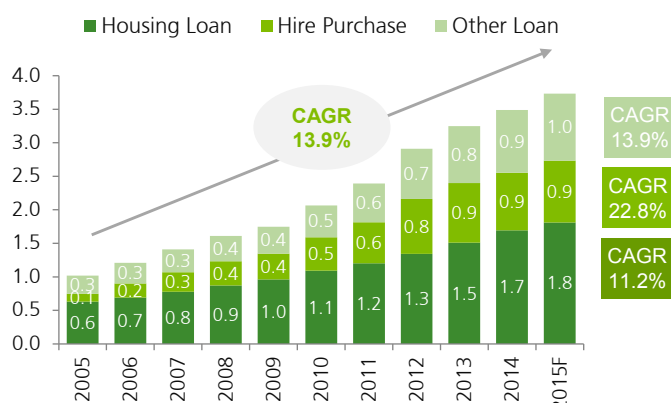
Number of	Total
Thai Commercial Bank	15
Foreign Bank Sub. & Branch	15
Government Bank	8
Foreign Representatives	48
Credit Card Company	10
Personal Loan Company	28
Credit Card	20.8 M
Debit Card	45.5 M
ATM Card	14.1 M
Personal Loan Account*	12.1 M
E-Money Card/Account*	27.5 M
Internet Banking Account*	10.7 M
Mobile Banking Account*	7.3 M

Sources: BOT (as of June 2015) & DTTJ Estimates
Note: Data have been revised by Bank of Thailand

Commercial Bank Loan 2005-2015F



Consumption Loan 2005-2015F



Electronics

Thailand's electronic industry has lost its competitiveness and likely to have lower growth rates in the coming years thanks to technology shifts and aggressive overseas competitors

Situation in 2014

Electronic industry outputs expanded by 0.4% during 2014 due to political unrest and the slowdown of global and domestic demands. Computer and part grew by 0.8%, while domestic appliances contracted 1.2%.

Outlook 2015

Office of Industrial Economics (OIE) forecasts that the production of computer and part will drop by 0.8% while the production of electrical appliances will contract by 0.6% during the first half of 2015. Overall, Thai computer and part export is expected to grow at a minimal growth rate (0-1%) due to the sluggish demand of electronic inputs and products in export markets and the slowdown of domestic markets.

Long-term trend

Thailand's electronic industry, especially computer and parts, will face high competition and global demand uncertainty and thus the potential long-term growth rate is forecasted at 2%. Over the long-term, computer and part players across the world must find the new growth paths to counter the aggressive moves of smartphone and tablet rivals (e.g. Samsung, Apple, Lenovo, Huawei, Xiaomi). For electronic appliance industry, although Thailand lost attractiveness from major producers, both export markets and domestic demands for some products (e.g. air conditioners, refrigerators) will continue to grow.



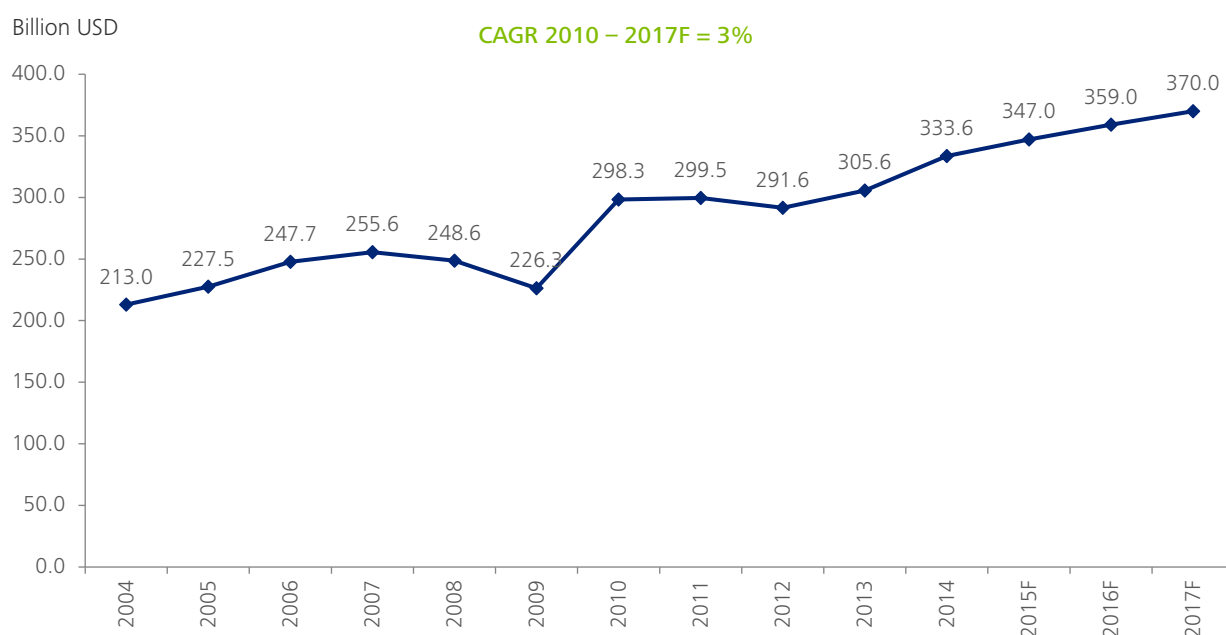
Sources: OIE & MOC

Electronics – computers & parts

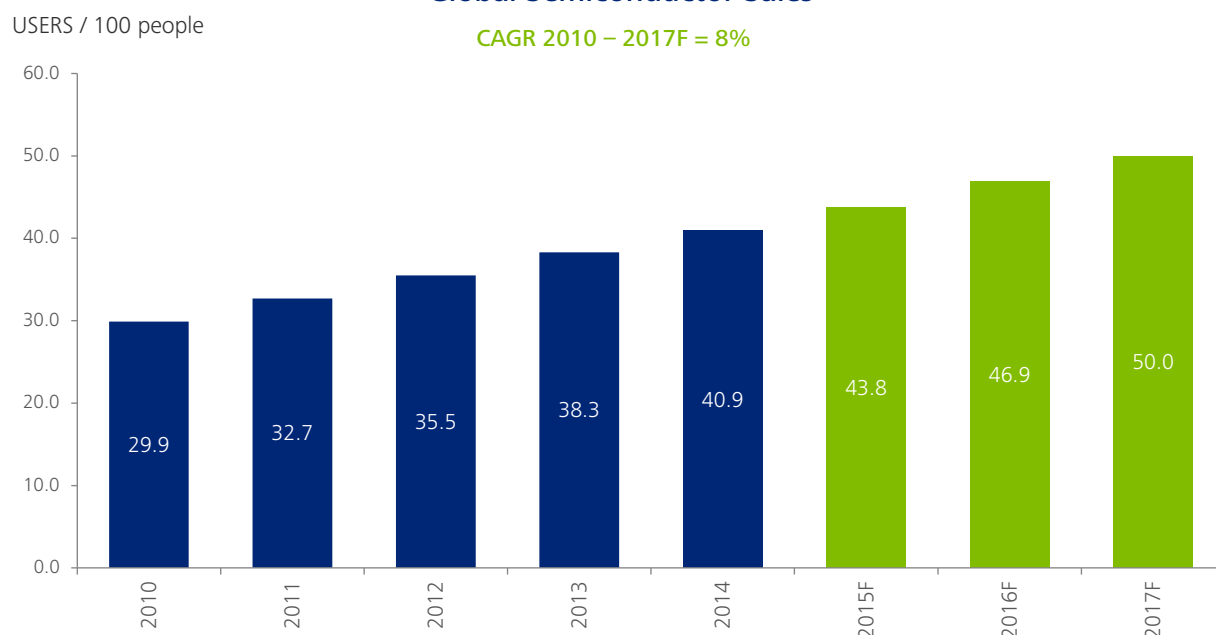
Positive outlook for electronic industry during 2015 - 2017

- Global semiconductor sales in 2015 is expected to grow 3.4%YoY as a result of slow global economic recovery. For 2016-2017, SIA has forecasted semiconductor sales growth at 3.4% and 3.0% in line with modest demand recovery in advanced economies.
- Personal computer (PC) penetration will grow and usage will remain steady, despite the aggressive invasion of tablets and smartphones.
- Apple and Samsung will continue their dominance in the smartphone market, but competition from low-cost Chinese rivals will intensify in the coming years. Major Chinese players such as Lenovo, Huawei and Xiaomi, will continue to compete on price and gain significant market share.

Global Semiconductor Sales



Global Semiconductor Sales

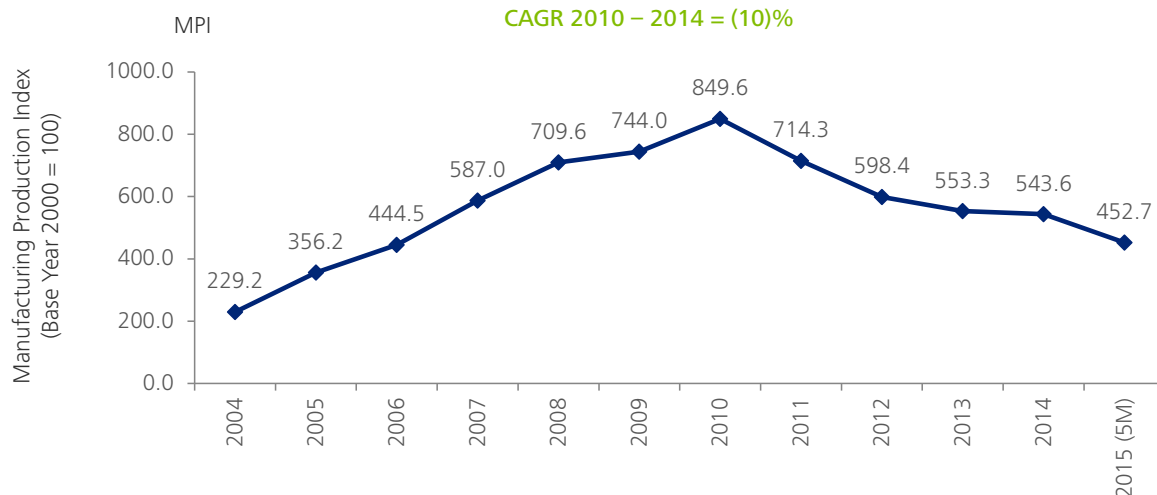


Sources: EIU, OIE, Semiconductor Industry Association (SIA), & World Semiconductor Trade Statistics (WSTS)

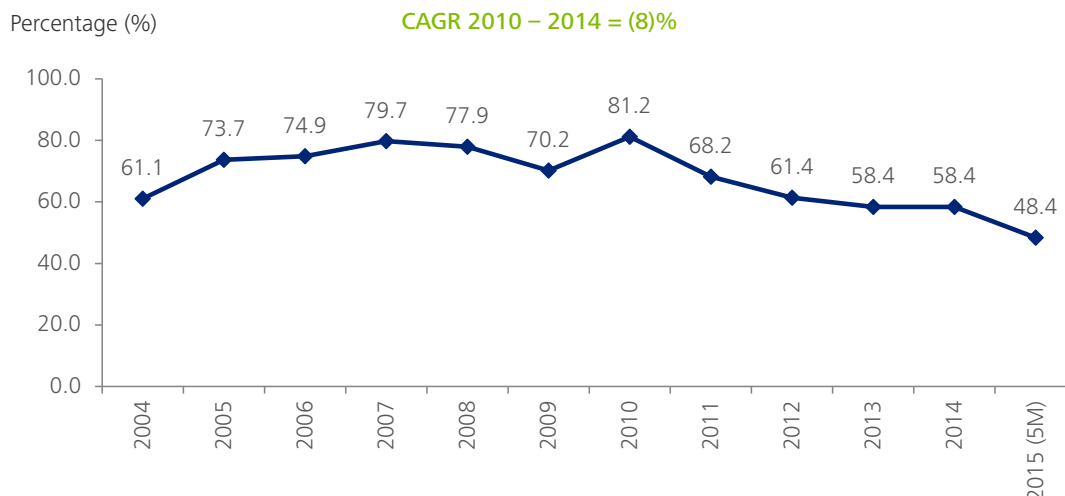
The Thai computer and part industry is moving toward the decline stage, facing challenges from technological shifts and oversea competitors

- From January - May 2015, MPI, export, and capacity utilization were contracted 14.2%, 14.1%, and 0.7% respectively.
- Overall, MPI, capacity utilization, and export in 2015 are expected to decrease from 2014.
- Over the long-term, computer and part players across the world must find the new growth drivers to sustain their competitiveness against the aggressive moves of smartphone and tablet rivals.

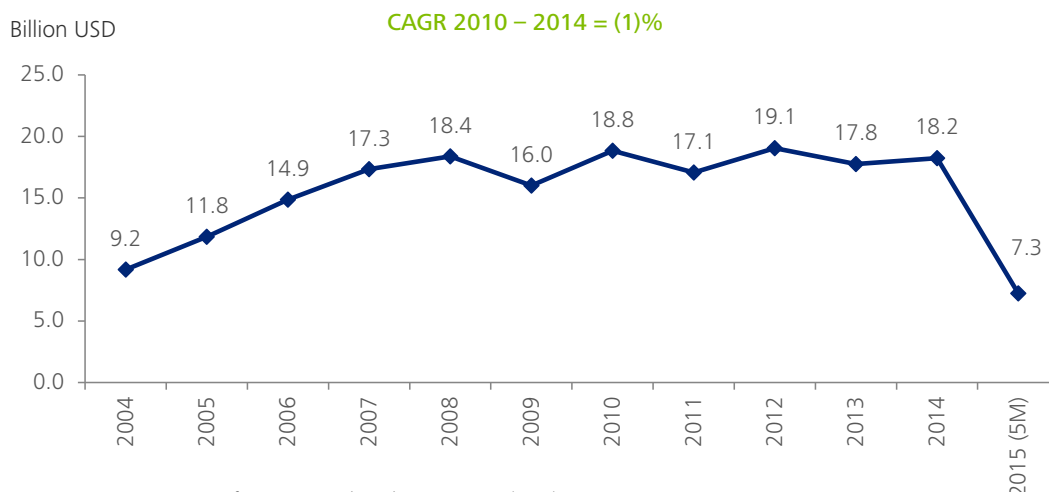
Computer & Part Production



Capacity Utilization



Computer & Part Export

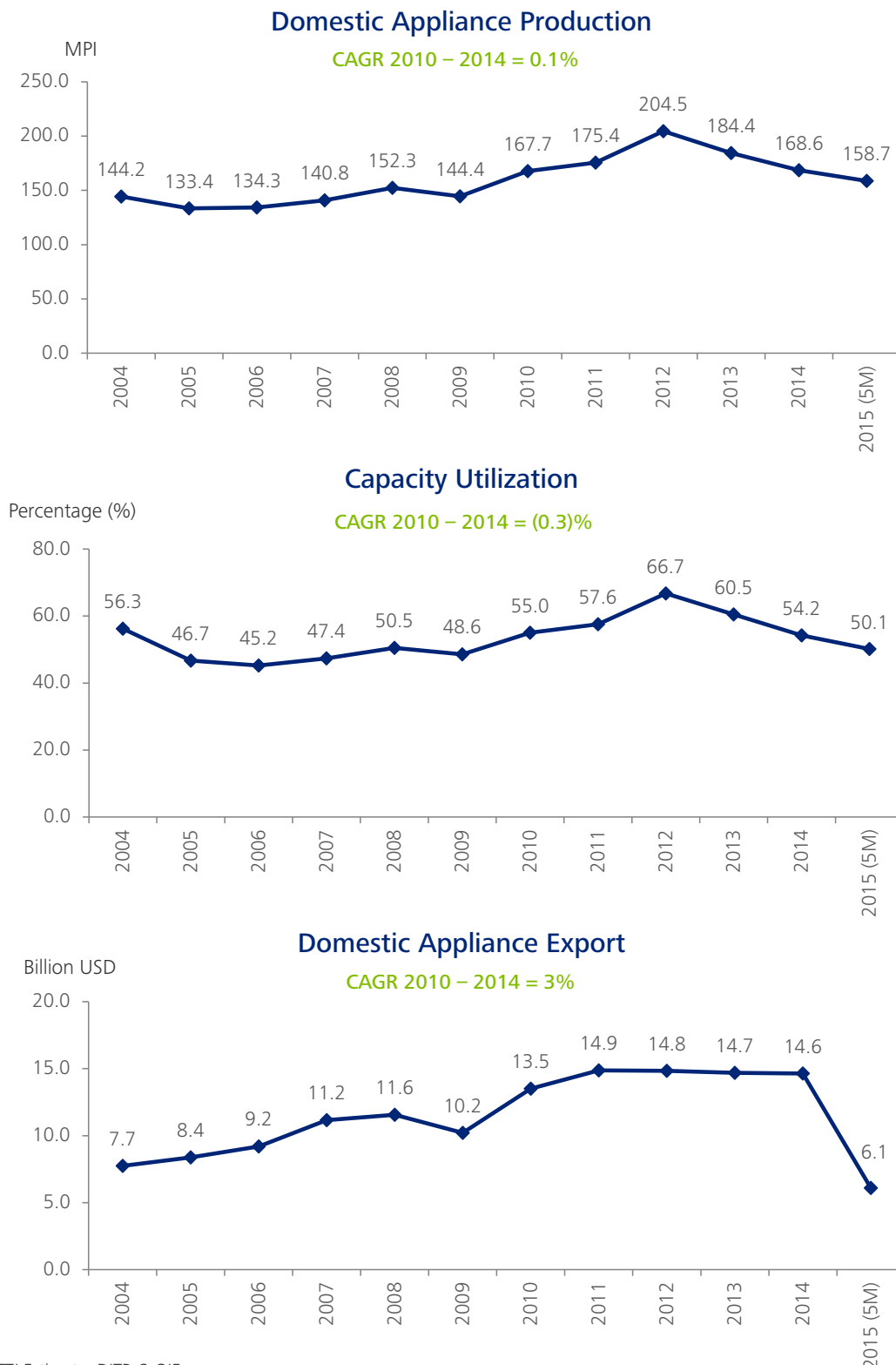


Sources: DTTJ Estimates, Department of International Trade Promotion (DITP) & OIE

Electronics – domestic appliances

Domestic appliance production and export are likely to contract in 2015 and expected to have a declining trend in the coming years

- From January – May 2015, MPI, capacity utilization, and export were contracted by 3.8%, 5.4%, and 1.1% respectively.
- Some domestic appliances players (e.g. Samsung, LG) have moved their production-base from Thailand to other countries to enjoy government incentives and cost advantages.
- Asia-Pacific region remains the key export market for Thai domestic appliances in the coming years.



Sources: DTTJ Estimate, DITP, & OIE

Note: Domestic Appliances include several electrical products such as air conditioner, rice cooker, refrigerator, water pot, electric fan and so on.

Residential Real Estate

Slowdown in the short-run amid several challenging factors, but remains positive over the long-run.

Situation in 2014

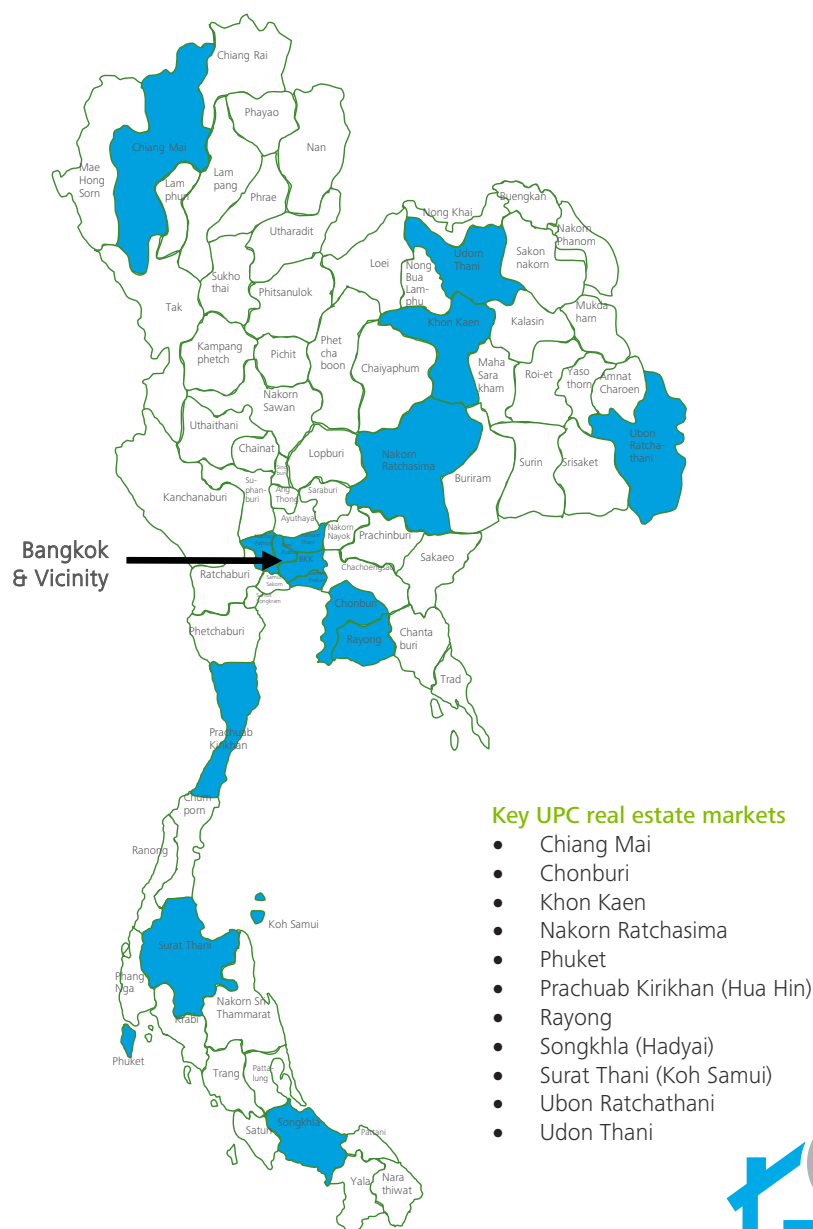
Although residential real estate sector has been affected by political unrest and other negative factors, property credit outstanding by the end of 2014 reached 2.3 trillion Baht or grew 10% from 2013.

Outlook 2015

Due to sluggish domestic economy affected by various negative factors (e.g. high level of household debt, drought, lower commodity prices, slow government budget disbursement), residential real estate sector is projected to grow 5%. Property credit outstanding by the year end is forecasted at 2.4 trillion Baht or increase 8% from 2014. The 2015 housing market has been encouraged by accommodative monetary policy.

Long-term trend

Several challenges bombarding Thai economy will result in slower growth of real estate sectors with the possible CAGR of 8-10%. The real estate market is forecasted to become vigorous again once a bulk of public mega-projects have been implemented across the nationwide and private sector regains their confidence.



Key UPC real estate markets

- Chiang Mai
- Chonburi
- Khon Kaen
- Nakorn Ratchasima
- Phuket
- Prachuab Kirikhan (Hua Hin)
- Rayong
- Songkhla (Hadyai)
- Surat Thani (Koh Samui)
- Ubon Ratchathani
- Udon Thani

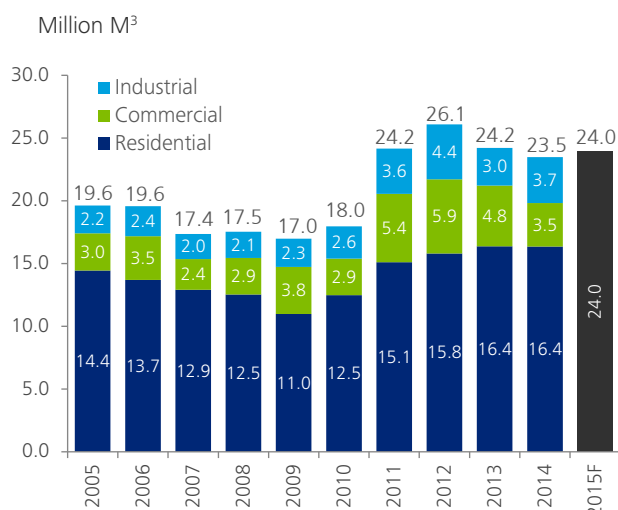


Sources: BOT, Plus Property, & SCB EIC

Slowdown in property loan expansion during 2015 affected by sluggish domestic demand and other adverse factors.

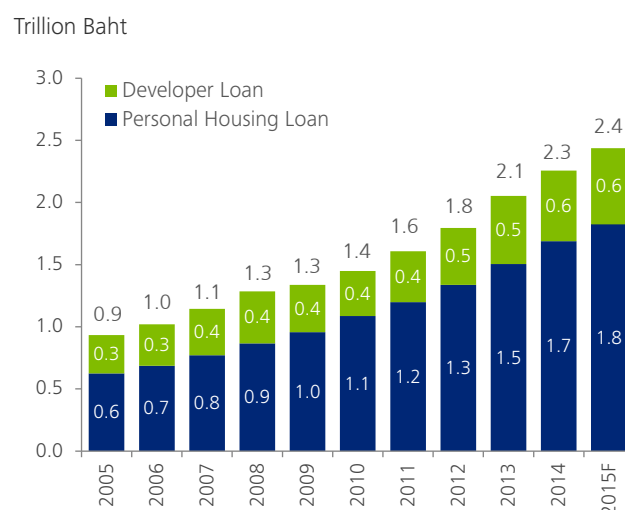
Permitted Construction Areas in Municipal Zones

CAGR 2005 – 2015F = 2%



Property Loan Outstanding

CAGR 2005 – 2015F = 10%

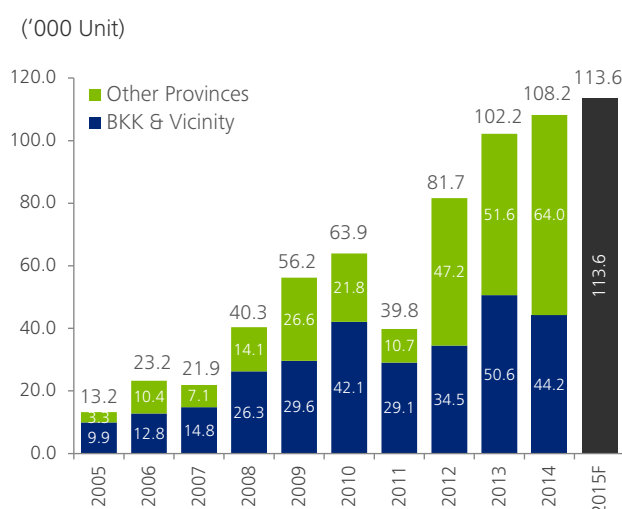


Sources: BOT & REIC

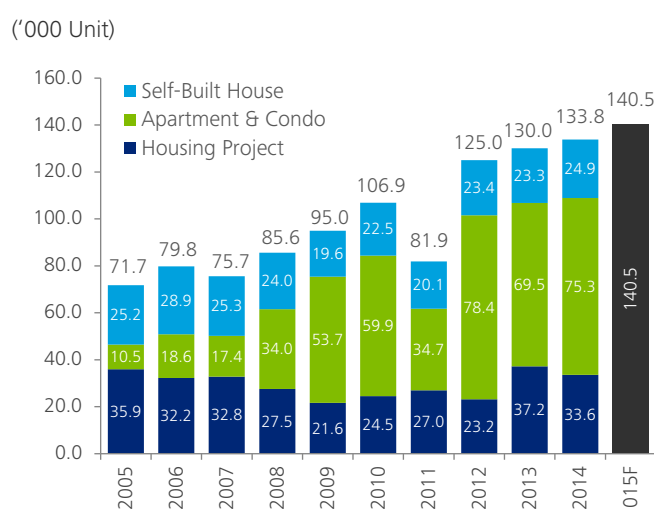
- Construction activities are forecasted to have slower growth across all key sectors
- The launch of the Civil and Commercial Code Amendment Bill in the early 2015 to change “guarantor sections” is likely to force banks to adopt more strict lending criteria to control their credit risks.

2015 condominium and housing projects in a huge challenging environment.

Nationwide Condominium Registration



New Housing in Bangkok & Vicinity



Sources: BOT, REIC, & DTTJ Estimates

Wholesale & Retail

Top players will continue to expand their footprints, although Thai economy during 2015 is in the slow growth mode.

Situation in 2014

Due to political disruption and a tepid recovery of domestic consumption with rising household debt level, wholesale and retail growth during 2014 were 0.7% and 4.0% respectively. It was evident, however, that major players (e.g. CPALL, Big C, Tops Supermarket) continued to enlarge their footprints in both Bangkok and upcountry areas.

Outlook 2015

Due to analysts' conservative view and slowdown of domestic demands affected by high level of household debt and drought, it is forecasted that both wholesale and retail sales during 2015 will grow at 3.5%YoY. Major players will continue to adopt more marketing promotions to boost its sales.

Long-term trend

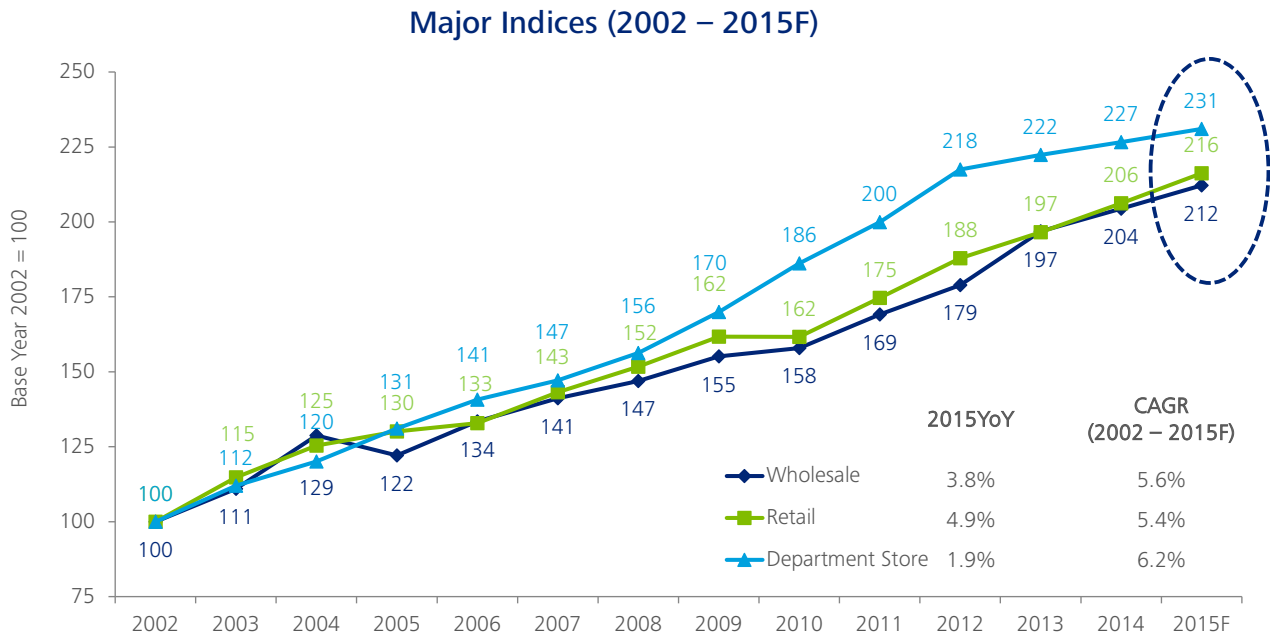
Analysts view that competition among players will be intense in both pricing and non-pricing mode due to oligopolistic industry structure. AEC establishment in 2015 will encourage players to take opportunities to expand their footprints in other SEA countries. Through 2017, Thailand's convenience sector is expected to have the strongest sales performance for the retail industry. Overall growth rate of wholesale and retail industry over the long-term is expected around 5%.



Sources: BOT, BOL Database, & DTTJ Analysis

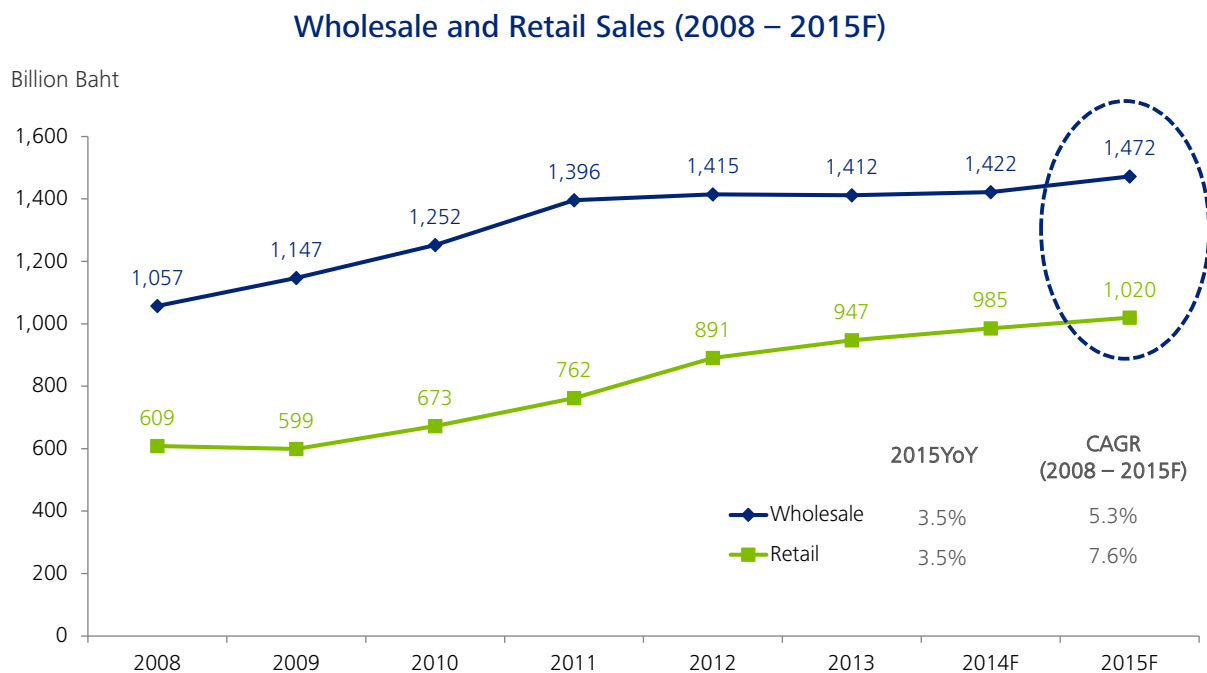
Wholesale & Retail

A slow recovery of Thai economy results in sales slowdown across three major channels during 2015



Sources: BOT & EIU

A slow recovery of Thai economy results in sales slowdown for both wholesale and retail segment during 2015



Sources: BOL Database, EIU, & DTTJ Estimates

Note: Our analysis covers only wholesalers and retailers of foods and customer package products

Tourism

Thailand is one of the world top tourist destinations buttressed by a better political condition.

Situation in 2014

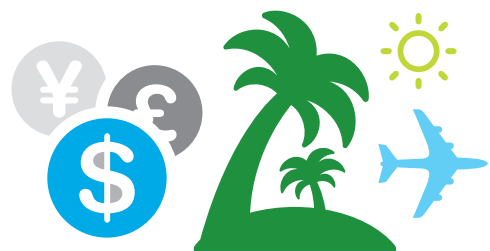
As Thailand tourism was severely affected by political disruption, foreign tourists decreased from 26.5 million in 2013 to 24.8 million in 2014, contracted 7% YoY. Tourism incentives and campaigns were adopted by the interim government to rejuvenate Thailand tourism after the end of political deadlock.

Outlook 2015

Tourism sector is expected to recovery in 2015 as a result of a better political environment. Likewise, the government's tourism campaign, namely, "2015 Discover Thainess", has been adopted targeting 28.8 million foreign tourists or grow 16% compared to 2014s'.

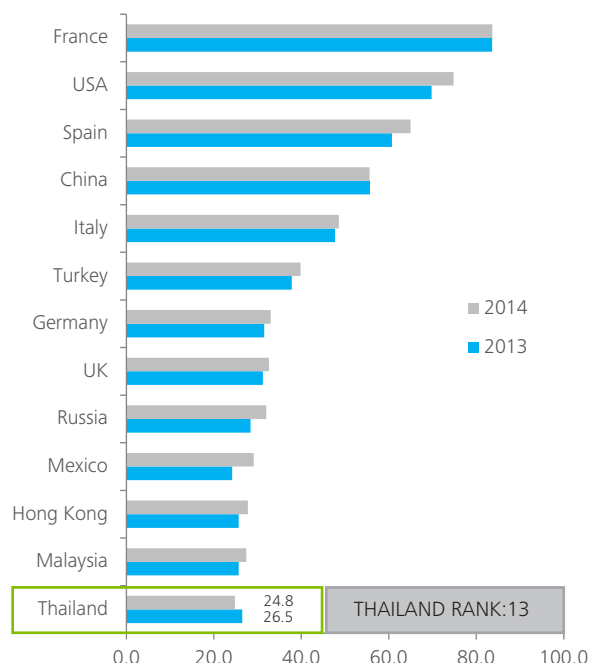
Long-term trend

Asian tourists especially from ASEAN, China, Japan and South Korea will be the major contributors to Thai tourism businesses over the long-term. Likewise, a trend of global economic recovery and better Thai political condition could boost tourism sector with the potential CAGR of 10%. In turn, it is expected that hotel industry will gain high room occupancy rate above 60%.

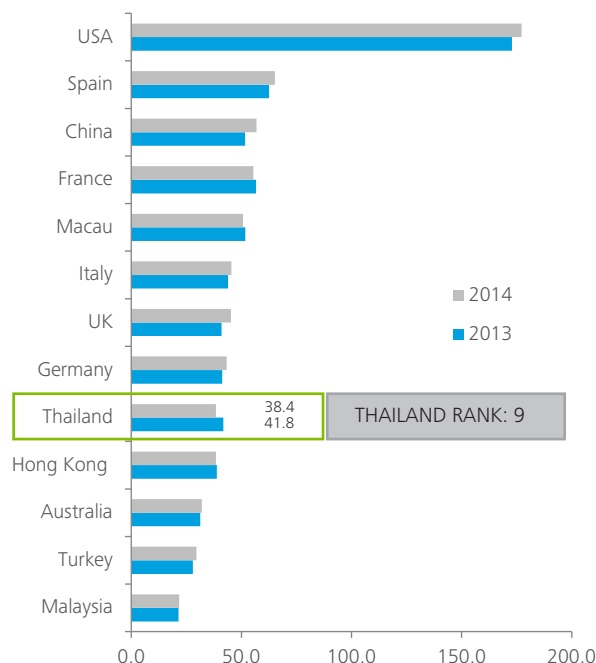


Thailand tourism was affected by political unrest in 2014, but remains competitive.

Int'l Tourist Arrivals 2014 (Million People)




Receipts 2014 (Billion USD)



Source: UNWTO (As of December 2014)

Better competitive position in 2015, but weaknesses must be tackled.

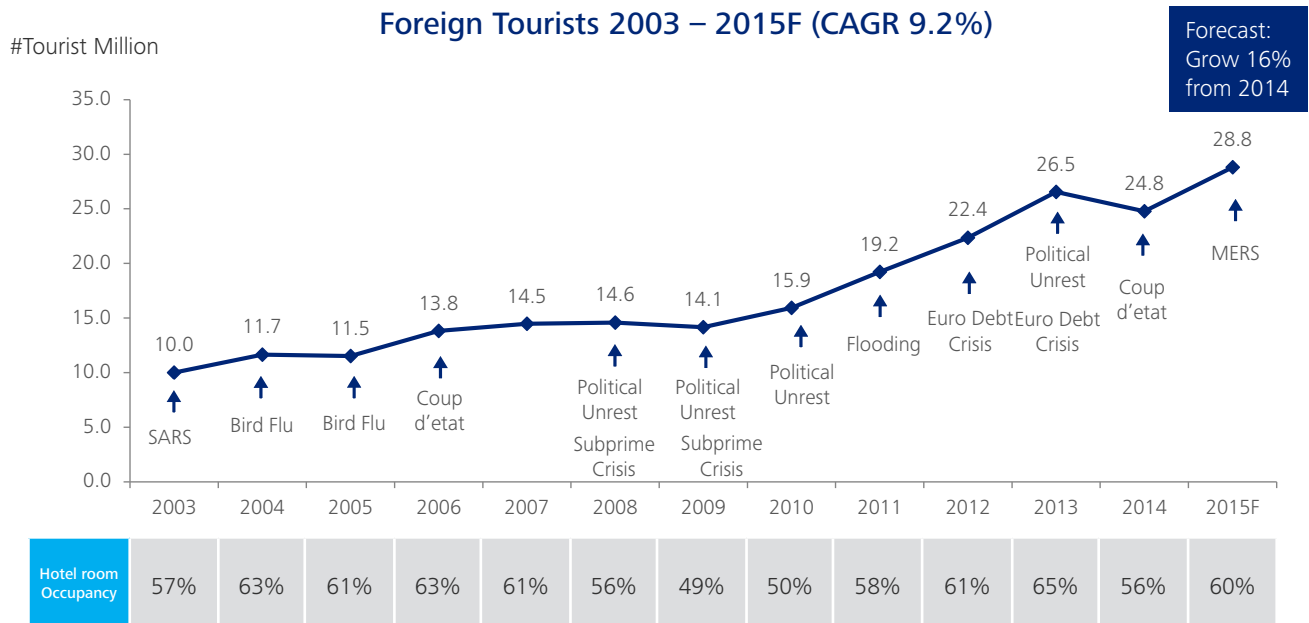
Travel & Tourism Competitiveness

ASEAN	Rank 2011	Rank 2013	Rank 2015	2015 vs. 2013
Singapore 	10	10	11	↓
Malaysia 	35	34	25	↑
Thailand 	41	43	35	↑
Indonesia 	74	70	50	↑
Philippines 	94	82	74	↑
Vietnam 	80	80	75	↑
Lao PDR 	n/a	n/a	96	n/a
Cambodia 	109	106	105	↑
Myanmar 	n/a	n/a	134	n/a
Brunei 	67	72	n/a	n/a

- Thailand's travel and tourism competitiveness is ranked 3rd among ASEAN members and 35th globally. The country improves by ten places partly due to a better political environment and government strong support.
- According to WEF database 2015, key strengths of Thailand's tourism sector include rich natural resources and tourism service infrastructure as well as the so-called "Thainess", which is a unique culture and underpins travel and tourism services. Likewise, Thai governments has spent resources to promoting Thailand tourism industry to become a major tourist destination.
- Despite strong support by the government, several weaknesses such as safety and security, health and hygiene, and environmental sustainability, must be tackled to enhance the long-term competitive edge.

Source: World Economic Forum

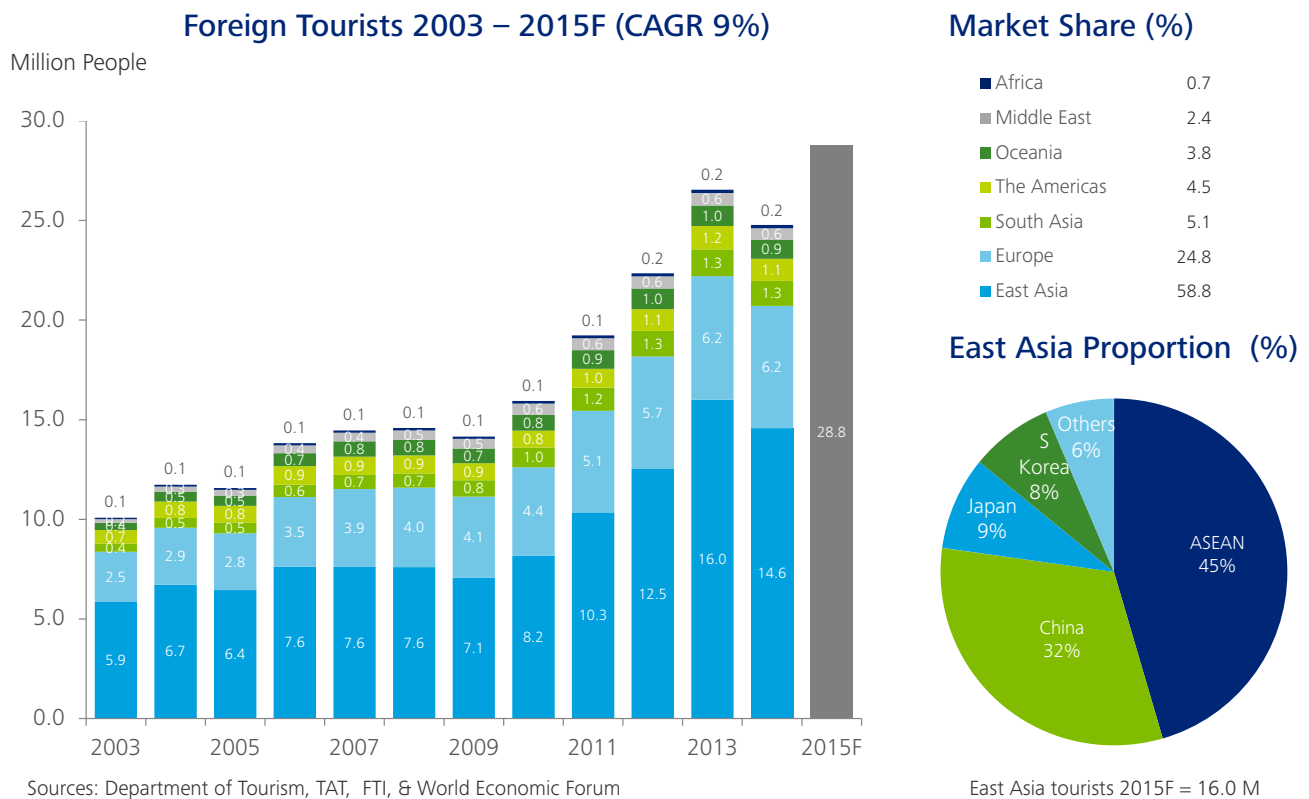
Tourism sector earning approximately accounts for 9% of Thai GDP



Sources: Department of Tourism, TAT, The Royal Thai Government, & DTTJ Estimate

- Prolonged political unrest in 2014 significantly affected Thailand tourism sector contracted by 7%YoY.
- New tourism campaign, namely, "2015 Discover Thainess" campaign is expected to rejuvenate Thailand's tourism sector in 2015 aiming to have 28.8 million foreign tourists or grow 16%YoY.
- East Asia tourists especially from ASEAN, China, Japan, and South Korea are expected to be major contributors to Thai tourism sector in the coming years.

The majority of foreign tourists in Thailand came from East Asia



Sources: Department of Tourism, TAT, FTI, & World Economic Forum



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