

## Quarterly Economic Report: Q4 | 2015







Dear Our Valued Clients,

We are very pleased to release Quarterly Economic Report Q4|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.

Global economy was projected at 3.1% in 2015 and will grow 3.2% in 2016 as it has entered a period of slow growth stemming from low global commodity prices, turbulence in financial markets, geopolitical conflicts, and demographic changes. A lackluster of China's economy weighs on the Asia region's prospects with 5.4% growth rate in 2015 and 5.3% in 2016. ASEAN's economic dynamics, however, will continue to rise at steady pace amid weakness in the world market. Thailand targeted GDP growth in 2015 at 2.8% and aims to grow 3.0% in 2016 supported by the rise of inbound tourists as well as government's stimulus plans.

On behalf of Deloitte Thailand, we very much look 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,

A handwritten signature in black ink, appearing to read "Subhasakdi Krishnamra".

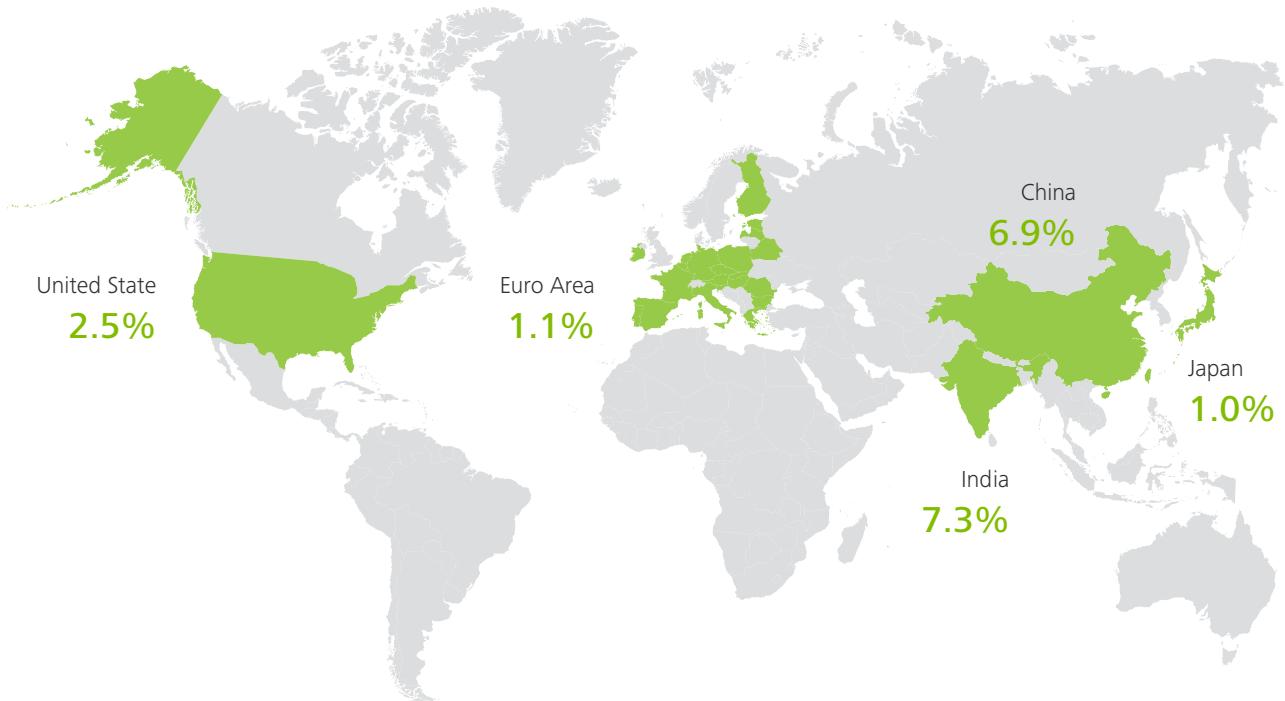
Subhasakdi Krishnamra  
Country Managing Partner

# Executive Summary

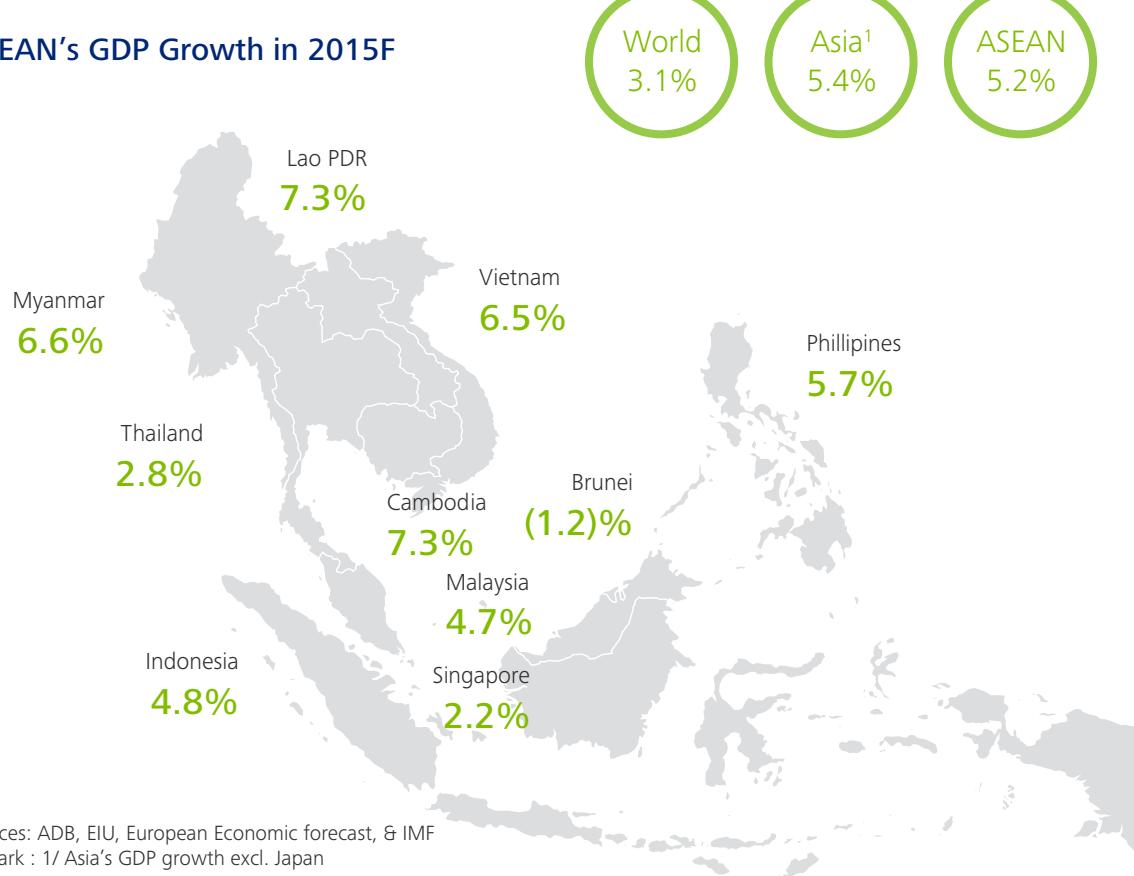
# Executive Summary

Global economy is still confined to a slow-growth path with the growth projection at 3.1% in 2015 as gains in developed countries will not outweigh losses in developing countries

## Global and major economies' GDP growth in 2015F



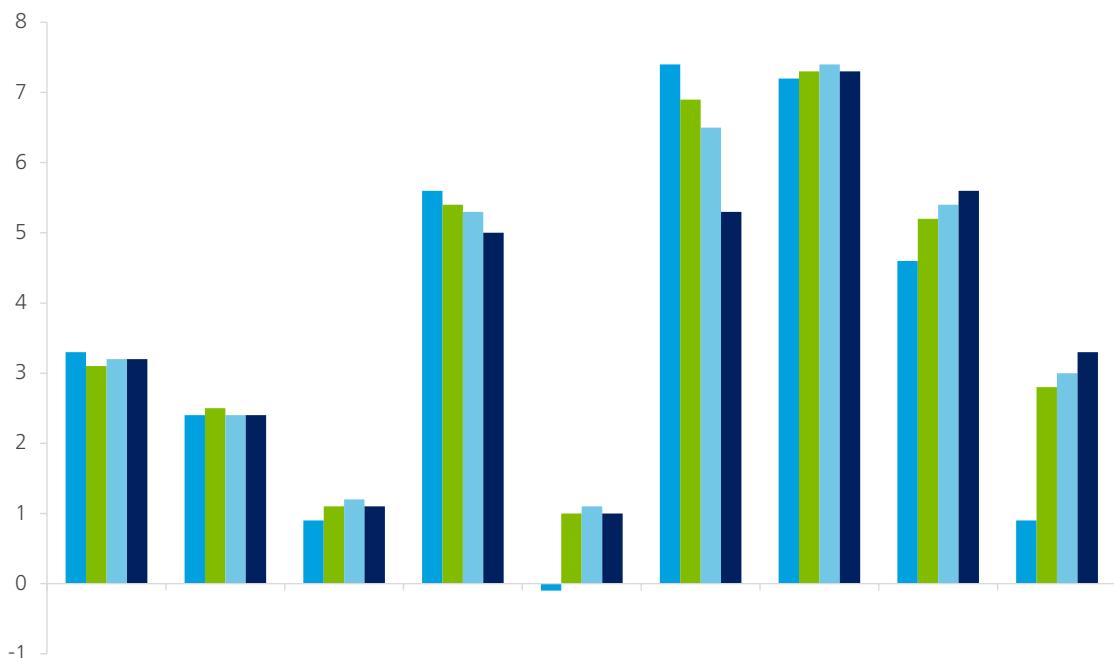
## ASEAN's GDP Growth in 2015F



Sources: ADB, EIU, European Economic forecast, & IMF  
Remark : 1/ Asia's GDP growth excl. Japan

## A rise of overall economic growth of ASEAN is expected as most of ASEAN countries benefit from lower oil prices, economic stimulus schemes and impacts of AEC integration.

- World economy has entered a period of slow growth. Turbulence in financial markets from China to Euro Area, high unemployment rate, falling global commodity prices, structural reforms and geopolitical turmoil weigh down the process of recovery in the coming years.
- Large emerging and developing economies are struggling with structural reforms and bearing with the slowing-growth path. Meanwhile, high-income economies such as the US, Euro area and Japan have shown economic recovery in 2015 and likely to maintain the momentum in 2016. The global growth, however, is forecasted to gradually diminish due to subdued global trade and demographic changes
- Asia's growth in 2015 was projected to grow slower at 5.4% compared to 5.6% in 2014 owing to slowing growth of China and a lackluster global trade. As a result, it is forecasted that Asian economic growth will be slow down to 5.3% in 2016.
- ASEAN's economic dynamics expectedly rise at steady pace amid weakness in the world economy. Despite weak demand and sluggish growth of key trading partners, ASEAN economy is expected to grow above 5.0% in the coming years as most of ASEAN countries benefit from lower oil prices as well as better economic conditions.
- Thailand targeted 2015 economic growth of 2.8%, compared to 0.9% in 2014 as negative impacts from slowdown domestic demand and subdued exports. In 2016, Thai GDP is expected to grow 3.0% supported by the rise of inbound tourists and government's stimulus plans.



Real GDP Growth Rate (%)	World Economy	USA	Euro Area	Asia	Japan	China	India	ASEAN	Thailand
2014	3.3	2.4	0.9	5.6	(0.1)	7.4	7.2	4.6	0.9
2015F	3.1	2.5	1.1	5.4	1.0	6.9	7.3	5.2	2.8
2016F	3.2	2.4	1.2	5.3	1.1	6.5	7.4	5.4	3.0
2017F - 2020F	3.2	2.4	1.1	5.0	1.0	5.3	7.3	5.6	3.3

Trend



Sources: Compiled from various research houses & agencies (e.g. IMF, ADB, EIU, NESDB) & DTTJ Analysis  
 Remark : Asia's GDP growth excl. Japan

# Global & Asian Economic Review

# Global economy is currently stuck in an uneasy holding pattern

Turbulence in financial markets from China to Euro Area, high unemployment rate, falling global commodity prices, structural reforms and geopolitical turmoil weigh down the process of recovery.

## World Economy

- World economy has entered a period of low growth. Overall growth rate is set to slow down from 2015 onwards as low performance and risks in one region could drag down other region and afterwards restrain the world economy.

## United States

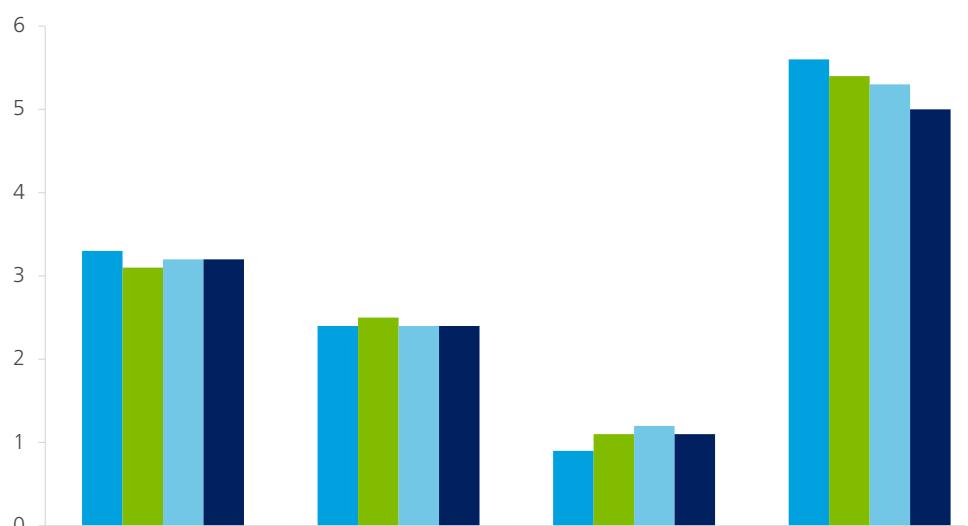
- The U.S. economy has been slowly recovering, supported by a strong job creation, expansion in consumer spending, and government expenses.
- The recovery of investment in construction sector, especially in residential investment, and the expansion of fiscal expenditure, for the first time in five-year periods, will help boost the overall economic growth. However, the US economy is expected to experience mild recession as business cycle comes to an end in 2019 – 2020. GDP growth, consequently, will rapidly drop but still be above 1%.

## Euro Area

- Acute political risks, including the refugee crisis, economic fragility of Greece, geopolitical tensions, terrorism, and labor-supply shortfall in the future will negatively affect the economic environment in Euro Area.
- The impact of a continued quantitative easing measure was expected to mitigate the negative effects and drive Euro Area's growth in 2015 and continue in 2016.

## Asia (excl. Japan)

- Asia's growth in 2015 was projected to grow slower at 5.4% compared to 5.6% in 2014 owing to slowing growth in China and a lackluster global trade.
- Active domestic demand, higher consumption, and favourable government policies will help drive growth across the region. Nevertheless, negative impacts from the slowdown in Chinese economy are expected to overshadow the positive and lead to slow growth from the 2016 onwards.



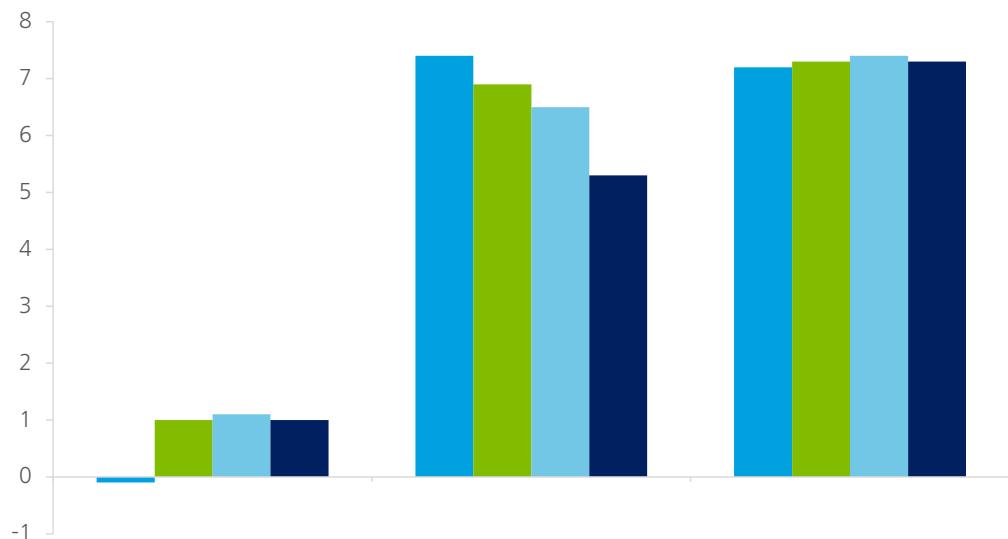
Real GDP Growth Rate (%)	World Economy	United States	Euro Area	Asia
2014	3.3	2.4	0.9	5.6
2015F	3.1	2.5	1.1	5.4
2016F	3.2	2.4	1.2	5.3
2017F - 2020F	3.2	2.4	1.1	5.0

Trend



# The region faces a tough road ahead as ongoing weakness will continue in the coming years

Asia's growth projection is revised down as China's economic recovery has so far been sluggish and weighs on the region's prospects.



Real GDP Growth Rate (%)	Japan	China	India
2014	(0.1)	7.4	7.2
2015	1.0	6.9	7.5
2016F	1.1	6.5	7.4
2017F - 2020F	1.0	5.3	7.3

Trend



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

## Japan

- The slow growth in 2015 has been evident as Abenomics has so far failed to raise economic activities. The positive outlook is expected but uncertainties remain since the tax increase to 10% and an expected slowdown in the US economy might weaken growth in the future.
- Domestic consumption and investment, together with stimulus policies will help drive growth in the future but the impacts might be offset by the rapid workforce contraction.

## China

- China's growth in 2015 benefited from external demand for exports, low fuel prices, robust domestic consumption, and investment in manufacturing and infrastructure.
- Excessive credit growth as a result of funding largely in property construction could result in oversupply in property market and slump in lending. These potential risks might cause a "hard-landing" to China's economy.
- China's demographic shift will mount threat to labour-intensive industry in the future as working-age population is shrinking.

## India

- Private consumption has been the largest contribution of India's economic growth. Meanwhile, investment and government spending, particularly in service sector such as telecommunications, education, health care, and IT service also spurred growth during 2015.
- A delay in infrastructure investment and a shortage of skilled labour to shift economy to higher productivity manufacturing are currently the major constraints on promoting economic growth in the future.

# ASEAN Economic Review

# ASEAN in the Global Economy



**3%** of the World GDP  
(World GDP 2014: USD 77.0 trillion)

- Total ASEAN's GDP around USD 2.5 trillion
- Favorable demographic and competitive wages for trading and foreign investment e.g. manufacturing, financial services.



**11%** of the World Foreign Direct Investment (FDI) (World FDI 2014: USD 1,228.3 billion)

- Total FDI USD 136.2 billion
- Intra-ASEAN FDI USD 24.4 billion
- Extra-ASEAN FDI USD 111.8 billion



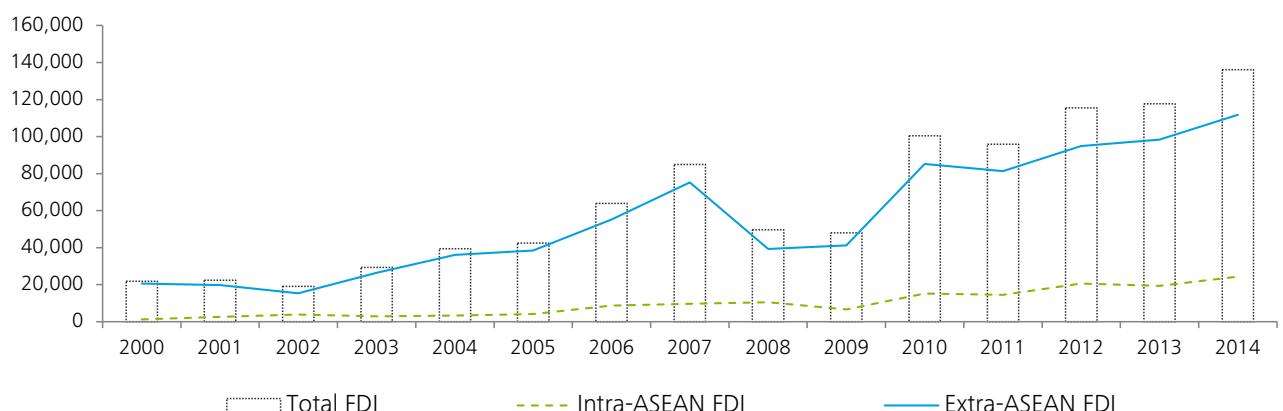
**9%** of the World Population  
(World Population 2014: 7,200 million)

- Total population around 624 million
- Indonesian population, approximately 252 million, is ranked at 5th in the world population after China, India, EU, and U.S.

Source: ASEANstats, CIA, and UNCTAD (Data as of 2014)

## A breakdown of FDI inflows in ASEAN

From 2010, Extra-ASEAN FDI has contributed more than 80% of total FDI to ASEAN. A share of Intra-ASEAN FDI, however, significantly increased during the same period.



	2000-2005	2006-2010	2011	2012	2013	2014/p	% change from 2000-2014
Total FDI	174,372.5	346,809.0	95,837.9	115,452.9	117,687.0	136,181.4	524.4
Intra-ASEAN FDI	17,875.9 (10.3)	50,649.5 (14.6)	14,559.8 (15.2)	20,548.8 (17.8)	19,399.6 (16.5)	24,377.4 (17.9)	1,899.1
Extra-ASEAN FDI	156,496.6 (89.7)	296,159.5 (85.4)	81,278.1 (84.8)	94,904.0 (82.2)	98,287.5 (83.5)	111,803.9 (82.1)	443.0

Source: ASEAN FDI Database, ASEAN Secretariat

Note: <sup>p</sup> preliminary data. Percent share in total trade in parenthesis

Intra-ASEAN FDI is defined as FDI to ASEAN countries made by other ASEAN member countries.

Extra-ASEAN FDI is defined as FDI to ASEAN member countries made by countries not belonging to ASEAN.

## Intra-ASEAN FDI

Indonesia, Singapore, and Malaysia were the most famous destination for ASEAN countries' investment. FDI in Vietnam looked bright. Meanwhile, Thailand faced difficulties to attract Investment from ASEAN.

Unit: US\$ million

		Total (2005 – 2009)	2010	2011	2012	2013	2014/p	Total (2010 – 2014/p)
ASEAN-10		<b>39,547.1</b>	15,200.4	14,559.8	20,548.8	19,399.6	24,377.4	<b>94,086.1</b>
Brunei		<b>95.4</b>	89.5	67.5	31.5	-58.0	141.2	<b>271.7</b>
Cambodia		<b>970.9</b>	349.0	223.8	523.0	298.9	372.5	<b>1,767.2</b>
Indonesia		<b>8,123.5</b>	5,904.4	8,334.5	7,587.9	8,721.1	13,458.8	<b>44,006.7</b>
Lao PDR		<b>222.7</b>	135.4	75.0	73.6	104.6	137.9	<b>526.6</b>
Malaysia		<b>6,547.9</b>	525.6	2,664.3	2,813.9	2,187.5	2,771.1	<b>10,962.4</b>
Myanmar		<b>374.1</b>	25.5	84.6	151.2	1,186.8	683.6	<b>2,131.7</b>
Philippines		<b>306.7</b>	40.2	-74.1	145.2	-41.7	78.7	<b>148.2</b>
Singapore		<b>8,440.2</b>	5,592.9	1,717.6	8,302.0	3,665.0	4,532.7	<b>23,810.2</b>
Thailand		<b>10,454.2</b>	1,236.9	-50.7	-342.0	1,256.8	653.9	<b>2,755.0</b>
Vietnam		<b>4,011.6</b>	1,300.9	1,517.3	1,262.6	2,078.6	1,547.1	<b>7,706.4</b>

Source: ASEAN Statistics, ASEAN Secretariat

Note: /p preliminary data

## Extra-ASEAN FDI

More than 50% of Extra-ASEAN FDI was invested in Singapore while Indonesia, Thailand, Malaysia, and Vietnam have consistently attracted investment flows from aboard.

Unit: US\$ million

		Total (2005 – 2009)	2010	2011	2012	2013	2014/p	Total (2010 – 2014/p)
ASEAN-10		<b>249,391.1</b>	85,159.8	81,278.1	94,904.0	98,287.5	111,803.9	<b>471,433.2</b>
Brunei		<b>1,589.7</b>	535.9	1,140.8	833.3	783.5	427.0	<b>3,720.5</b>
Cambodia		<b>2,115.1</b>	433.6	667.9	1,034.1	976.1	1,354.1	<b>4,465.8</b>
Indonesia		<b>26,249.6</b>	7,866.4	10,907.2	11,550.0	9,722.7	8,817.5	<b>48,863.8</b>
Lao PDR		<b>862.4</b>	197.2	391.8	220.7	322.1	775.3	<b>1,907.2</b>
Malaysia		<b>20,780.0</b>	8,630.3	9,336.6	6,586.1	10,109.9	7,943.0	<b>42,605.7</b>
Myanmar		<b>2,943.2</b>	2,223.3	1,973.6	1,203.0	1,434.1	262.6	<b>7,096.6</b>
Philippines		<b>10,891.3</b>	1,257.8	1,890.1	2,651.9	3,901.5	6,121.9	<b>15,823.1</b>
Singapore		<b>127,961.8</b>	49,441.6	45,056.7	52,678.3	52,473.3	67,565.6	<b>267,215.5</b>
Thailand		<b>31,776.7</b>	7,874.6	3,911.7	11,041.2	11,743.0	10,884.0	<b>45,454.6</b>
Vietnam		<b>24,221.4</b>	6,699.1	6,001.7	7,105.5	6,821.4	7,653.0	<b>34,280.6</b>

Source: ASEAN Statistics, ASEAN Secretariat

Note: /p preliminary data

## Intra- and extra-ASEAN FDI, 2014/<sup>p</sup>

		Intra-ASEAN FDI		Extra-ASEAN FDI		Total FDI (US\$ Million)
		Value (US\$ Million)	Share to total FDI (%)	Value (US\$ Million)	Share to total FDI (%)	
ASEAN-10		24,377.4	17.9	111,803.9	82.1	136,181.4
Brunei		141.2	24.9	427.0	75.2	568.2
Cambodia		372.5	21.6	1,354.1	78.4	1,726.5
Indonesia		13,458.8	60.4	8,817.5	39.6	22,276.3
Lao PDR		137.9	15.1	775.3	84.9	913.2
Malaysia		2,771.1	25.9	7,943.0	74.1	10,714.0
Myanmar		683.6	72.2	262.6	87.8	946.2
Philippines		78.7	1.3	6,121.9	98.7	6,200.5
Singapore		4,532.7	6.3	67,565.6	93.7	72,098.3
Thailand		653.9	5.7	10,884.0	94.3	11,537.9
Vietnam		1,547.1	16.8	7,653.0	83.2	9,200.1

Source: ASEAN Statistics, ASEAN Secretariat

Note: <sup>p</sup> preliminary data.

## Top ten sources of FDI inflows in ASEAN

Country/region <sup>1/</sup>	Value (US\$ Million)				Share to total value (%)			
	2012 <sup>3/</sup>	2013 <sup>3/</sup>	2014 <sup>p</sup>	2012-2014	2012 <sup>3/</sup>	2013 <sup>3/</sup>	2014 <sup>p</sup>	2012-2014
European Union (EU)	6,542.3	22,255.7	29,268.5	58,066.4	5.7	18.9	21.5	15.7
ASEAN	20,548.8	19,399.6	24,377.4	64,325.8	17.8	16.5	17.9	17.4
Japan	21,206.1	21,766.0	13,381.1	56,353.3	18.4	18.5	9.8	15.3
United States	14,395.7	4,913.3	13,042.3	32,351.2	12.5	4.2	9.6	8.8
Hong Kong	5,480.1	5,230.2	9,504.9	20,215.3	4.7	4.4	7.0	5.5
China	5,718.1	6,778.5	8,869.4	21,366.0	5.0	5.8	6.5	5.8
Australia	3,219.2	3,489.2	5,703.4	12,411.8	2.8	3.0	4.2	3.4
Republic of Korea	1,577.0	3,652.4	4,468.9	9,698.3	1.4	3.1	3.3	2.6
Taiwan, Province of China	2,838.2	1,349.9	2,814.1	7,002.2	2.5	1.1	2.1	1.9
Canada	1,048.0	1,030.3	1,264.0	3,342.2	0.9	0.9	0.9	0.9
<b>Total top ten trade partners</b>	<b>82,573.6</b>	<b>89,865.1</b>	<b>112,693.9</b>	<b>285,132.5</b>	<b>71.5</b>	<b>76.4</b>	<b>82.8</b>	<b>77.2</b>
Others <sup>2/</sup>	32,879.3	27,821.9	23,487.5	84,188.7	28.5	23.6	17.2	22.8
<b>Total</b>	<b>115,452.8</b>	<b>117,687.0</b>	<b>136,181.4</b>	<b>369,321.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ASEAN Statistics, ASEAN Secretariat

Note: <sup>p</sup> preliminary data. 1/ Ranked according to FDI inflows in 2014; covers countries on which data is available.

2/ Lao PDR's data on breakdown 'by economic sector' are not yet available. Philippines' data by economic sector are only for equity; other capital and reinvested earnings breakdown by economic sector are not available.

## Top ten FDI inflows in ASEAN by economic sectors

Economic Sectors <sup>1/</sup>	Value (US\$ Million)				Share to total value (%)			
	2012 <sup>3/</sup>	2013 <sup>3/</sup>	2014 <sup>4/p</sup>	2012-2014	2012 <sup>3/</sup>	2013 <sup>3/</sup>	2014 <sup>4/p</sup>	2012-2014
Financial and Insurance activities	35,488.0	28,263.7	43,052.2	106,803.9	30.7	24.0	31.6	28.9
Manufacturing	19,233.6	33,342.1	22,215.4	74,791.1	16.7	28.3	16.3	20.3
Wholesale and retail trade; repair of motor vehicles	20,153.8	13,946.6	17,055.2	51,155.6	17.5	11.9	12.5	13.9
Real estate activities	10,945.8	9,821.5	10,040.0	30,807.3	9.5	8.3	7.4	8.3
Mining and quarrying	6,596.6	8,042.2	7,295.1	21,933.9	5.7	6.8	5.4	5.9
Agriculture, forestry, and fishing	1,744.2	2,346.0	4,492.6	8,582.8	1.5	2.0	3.3	2.3
Transportation and storage	3,139.6	2,802.5	2,612.8	8,554.9	2.7	2.4	1.9	2.3
Information and communication	2,051.4	2,196.5	2,546.9	6,794.8	1.8	1.9	1.9	1.8
Construction	162.1	825	1,187.9	2,175.0	0.1	0.7	0.9	0.6
Professional, scientific and technical activities	465.9	711.8	1,048.3	2,226.0	0.4	0.6	0.8	0.6
<b>Total top ten Economic Sector</b>	<b>99,981.0</b>	<b>102,297.9</b>	<b>111,546.4</b>	<b>313,825.3</b>	<b>86.6</b>	<b>86.9</b>	<b>81.9</b>	<b>85.0</b>
Others	15,471.8	15,389.2	24,635.0	55,496.0	13.4	13.1	18.1	15.0
<b>Total<sup>2/</sup></b>	<b>115,452.8</b>	<b>117,687.1</b>	<b>136,181.4</b>	<b>369,321.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ASEAN Statistics, ASEAN Secretariat

Note: <sup>1/</sup> preliminary data. <sup>1/</sup> Ranked according to FDI inflows in 2014; covers countries on which data is available.

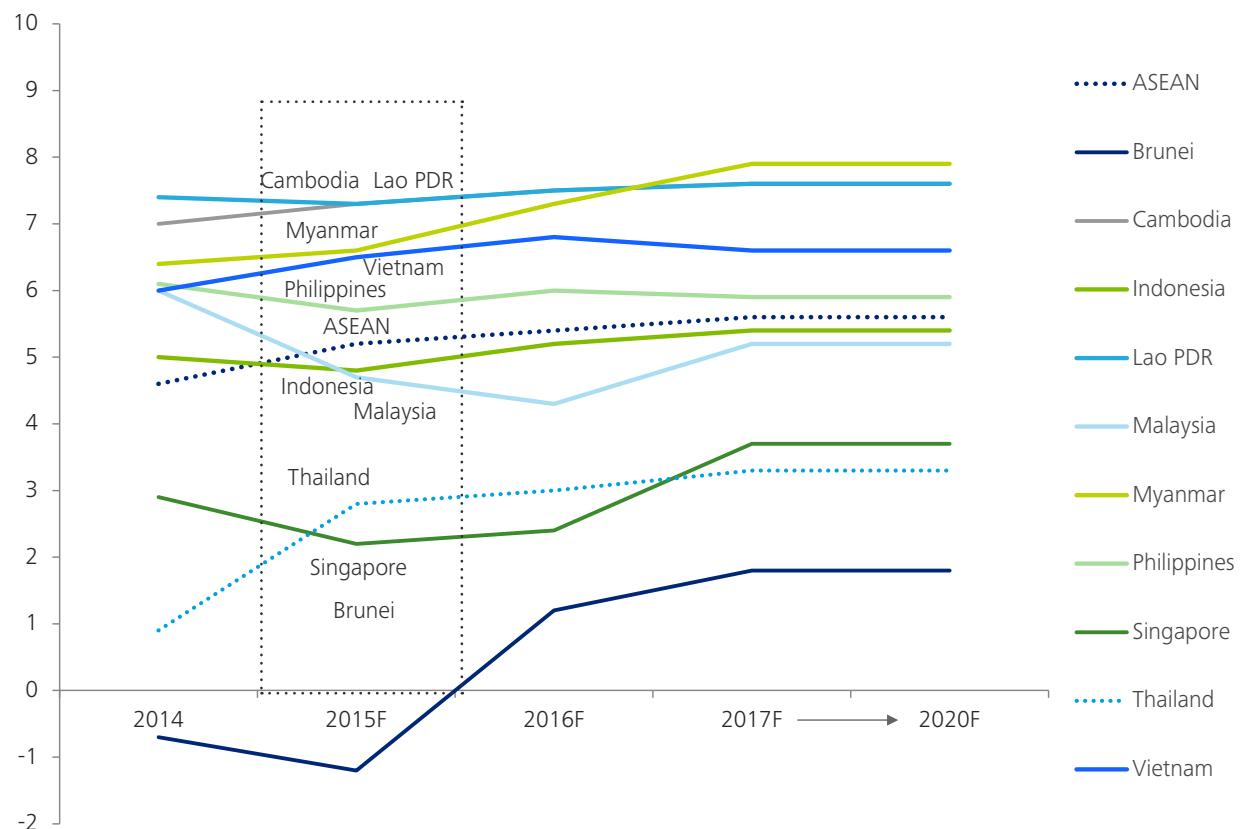
<sup>2/</sup> Lao PDR's data on breakdown 'by economic sector' are not yet available. Philippines' data by economic sector are only for equity; other capital and reinvested earnings breakdown by economic sector are not available.

## ASEAN's economic dynamics expectedly rise at steady pace amid weakness in the world economy

Despite weak demand and sluggish growth of key trading partners, ASEAN economy was predicted to grow 5.2% in 2015 and continue 5.4% in 2016 as most of ASEAN countries benefit from lower oil prices as well as better economic conditions.

### Real GDP growth rate of ASEAN economies from 2014 - 2020F

Real GDP Growth Rate (%)



Real GDP Growth Rate (%)	ASEAN	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
2014	4.6	(0.7)	7.0	5.0	7.4	6.0	6.4	6.1	2.9	0.9	6.0
2015	5.2	(1.2)	7.3	4.8	7.3	4.7	6.6	5.7	2.2	2.8	6.5
2016F	5.4	1.2	7.5	5.2	7.5	4.3	7.3	6.0	2.4	3.0	6.8
2017F - 2020F	5.6	1.8	7.6	5.4	7.6	5.2	7.9	5.9	3.7	3.3	6.6

Trend



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

# Brunei

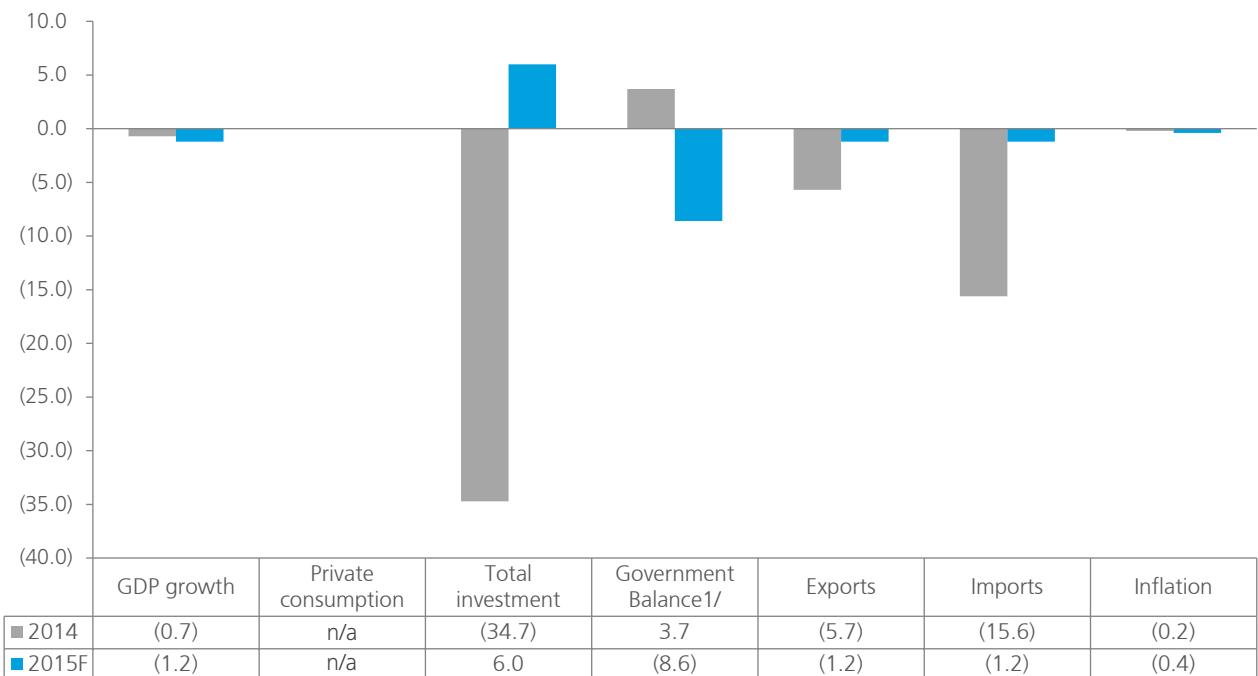
The large dependence on the performance of the oil and gas production has still weighed on the sultanate's economy as protracted maintenance works on aging equipment continue



- GDP growth in 2015 was forecasted at -1.2% as the continuity of declining in oil and gas production which accounts for almost two-thirds of the economy.
- The construction of infrastructure projects such as a bridge to Pulau Muara Besar island, Chinese-invested petrochemicals refinery and aromatics cracker project, and a Japanese steel-pipe threading plant are underway in order to support production in the future and help diversify the economy through export-oriented manufacturing and services instead of a massive reliance on oil and gas.
- Agriculture and fisheries sectors performed well in 2015 and will continue to grow over the future since the investment by a Taiwan-Singapore joint venture in an organic farming base is planned to launch in 2016.

## Brunei economy forecasted to contract 1.2% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, and IMF.

<sup>1/</sup> % of GDP.

# Cambodia

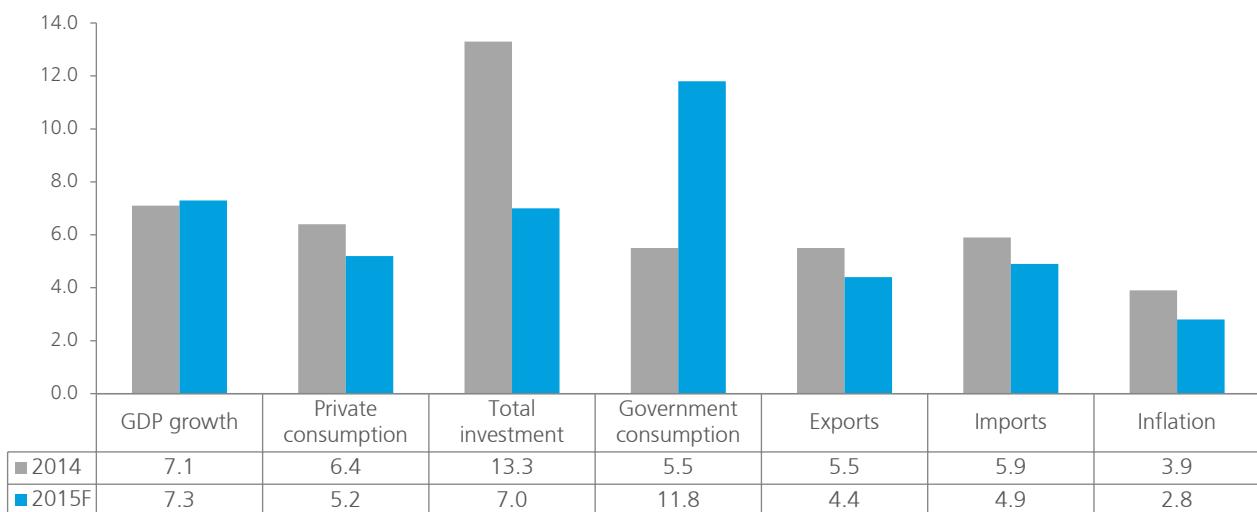
The road to become a lower middle-income country is opened after decades of robust economic growth. FDI, exports and tourism are still the major sources of growth. A major challenge, however, is a economic diversification to drive growth in the future.



- Economic growth was projected at 7.3%, driven by a pick-up in FDI, exports and tourism. A more stable labour relations in the garment industry will help stimulate export volume. Meanwhile, construction will continue to expand, funded by an increase in inflow FDI due to a calmer political environment.
- Flooding and drought continue to undermine agriculture sector. Another challenge for the government is the excessive credit growth in construction and real-estate sectors.
- From 2016 onwards, it is expected that Cambodian economy will gradually diversify into light manufacturing and further integrate into regional and global value chains to upgrade the economy.

## Cambodian economy forecasted to grow 7.3% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF.

# Indonesia

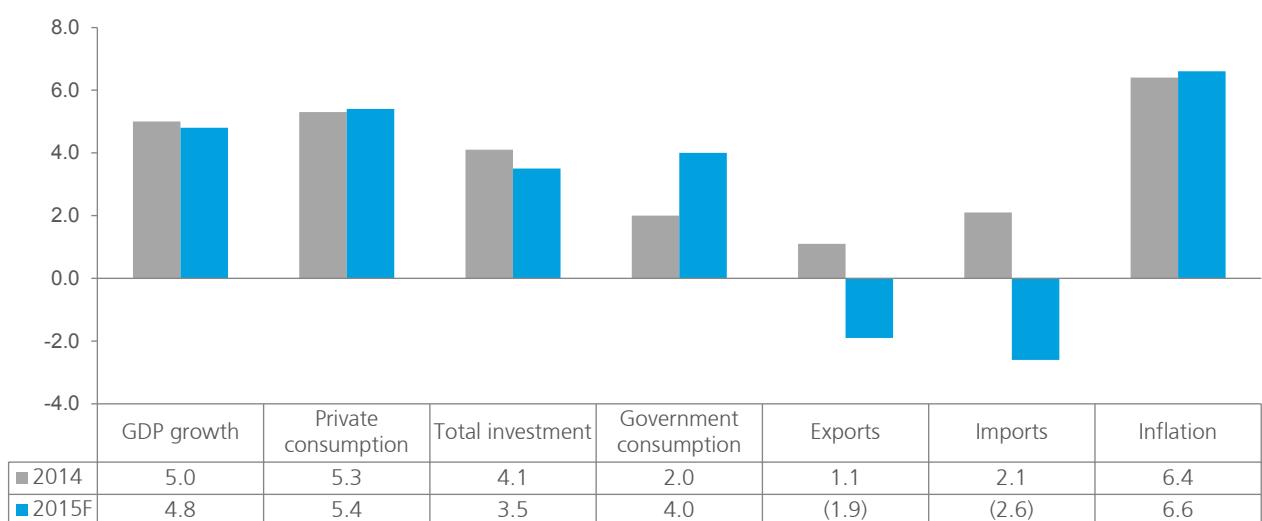
Private consumption has been still the main contributor of Indonesia's economic growth in 2015 while economic reform through policies to stimulate investment will play an significant role from 2016 onwards



- Indonesia targeted economic growth at 4.8% in 2015, driven mainly by private consumption. A rise in expenditure is aided by growth in employment as number of formal-sector jobs created, the improvement of social welfare, and expansionary monetary policy.
- Various policies will be adopted to stimulate investment such as cutting waiting for business-licensing process, and removing double taxation for collective investments contracts for real estate sector. These will expect to spur the investment in infrastructure and property.
- Providing appropriate supporting infrastructure, improving regulatory uncertainties, and facilitating a revival business environment to attract FDI are the key to stimulate Indonesia's manufacturing exports and help bring back growth above 6% as it was in 2010.

## Indonesian economy forecasted to grow 4.8% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF.

# Lao PDR

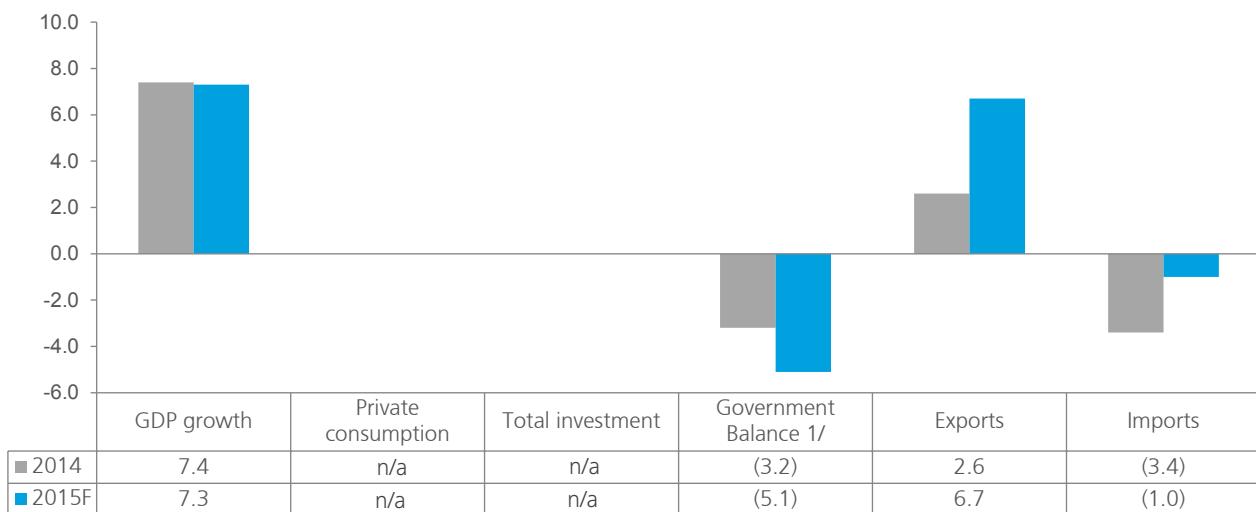
Lao PDR's economic growth will be slightly slow down but still maintain above 7% for consecutive years. The expansion of hydropower projects and tourism will offset the subdued demand and prices for minerals and weak agriculture production.



- Large investments in hydropower construction projects will continue to play an important role in generating growth. An increase in power outputs will be exported to neighbor countries and help support industrial activities in Lao PDR.
- The expected recovery of Thai economy will help encourage tourism sector in Lao PDR since Thai people are the major visitor. Moreover, the improvement in transport infrastructure projects, including new airport in southern region, high-speed railway from Vientiane to the Chinese border will also support Laos's tourism and economic activities.
- Continued infrastructure projects, along with low inflation, will underpin private consumption and spending. Meanwhile, the Laos government will improve the access to finance and upgrade infrastructure, education to develop the domestic public sector as foreign aid is expected to decline in upcoming years.

## Lao PDR economy forecasted to grow 7.3% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, and IMF.

1/ % of GDP.

# Malaysia

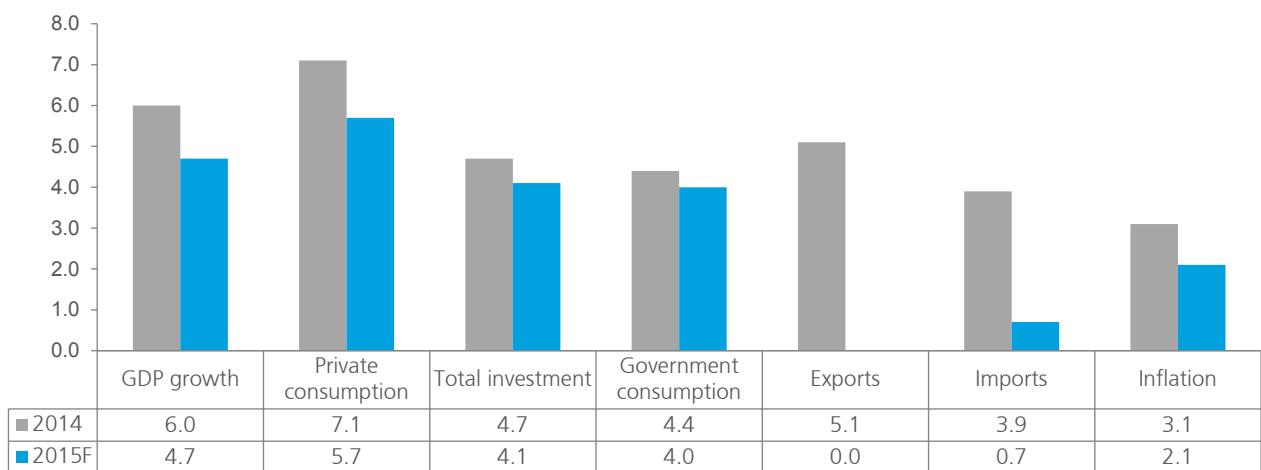
The slump in global commodity and oil prices still continue to dampen Malaysia's economic growth. However, sustained growth in government, investment and household spending will help alleviate the growth contraction.



- Growth in 2015 was projected at 4.7% as weak energy prices continually weigh on the oil and natural gas production. Merchandise exports such as palm oil products, natural rubber, electronics and electrical products also declined in 2015 but could accelerate in 2016 as a result of investment growth.
- Private spending is forecasted to be moderate as lower revenue from oil and commodities. However, tax cuts and government support schemes to low-income group and the removal of the sales and services taxes will help mitigate the impact.
- The Economic Transformation Programme supported by the government will continue to spur the investment activates in industry and infrastructure sectors. Although, the decline in commodity prices and ringgit depreciation were expected to slightly harm some projects in 2015, the recovery in 2016 is foreseen due to the improvement of global trade.

## Malaysian economy forecasted to grow 4.7% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF.

# Myanmar

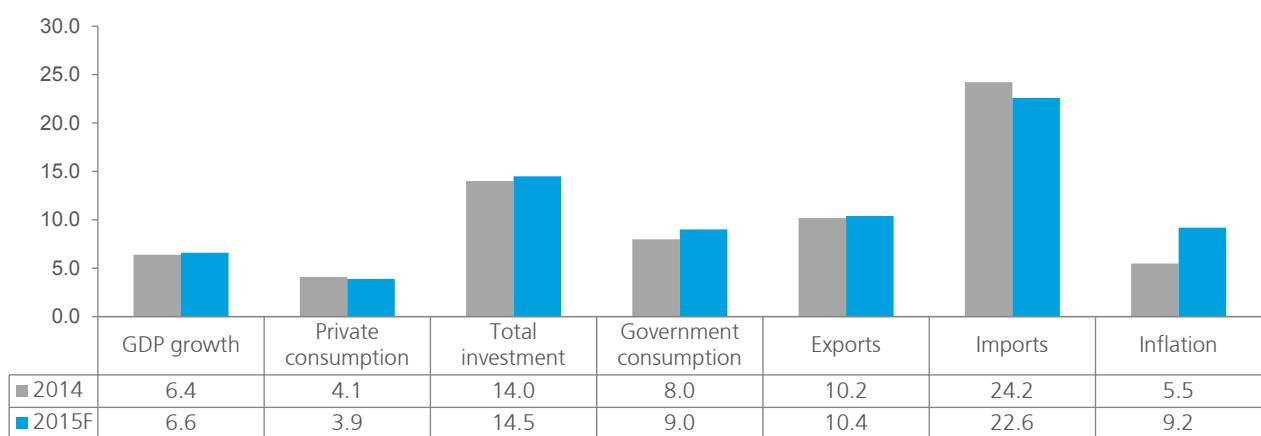
Despite the subdued global energy prices, strong investment activities funded mostly by foreign investors continue to underpin the economic growth meanwhile unstable political environment and chronic underinvestment might impede the economy in the future.



- Large projects in many industries, especially hydrocarbon and infrastructure, by foreign investors will boost the economic growth in Myanmar. GDP growth has been projected to reach 6.6% in 2015, 7.3% in 2016 and 7.9% on average from 2017 – 2020.
- An improvement in telecommunications and access to capital market continue to support gains in many industries such as manufacturing and tourism. Competitive minimum wage rates and the launch of special economic zones (SEZs) will help attract more foreign investments. The slight subtraction of net export, however, is expected as the rapid demand of imports, particularly intermediate goods.
- The government transition and the amicable relation between National League for Democracy (NLD) and the military are vital to the perspective of future foreign investment in Myanmar.

## Myanmar economy forecasted to grow 6.6% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF.

# Philippines

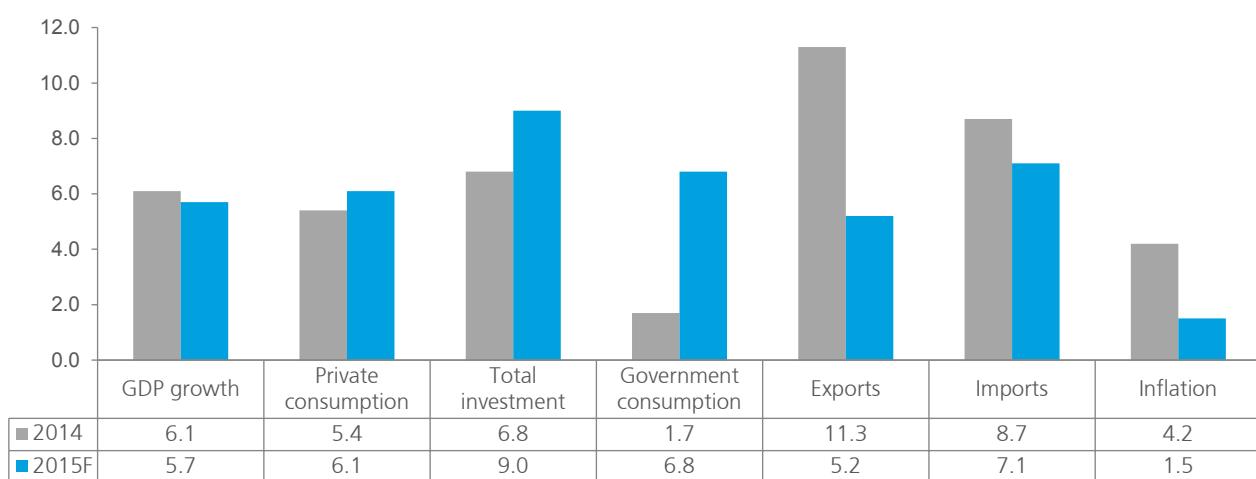
Sustained increase in private investment, together with higher private and public expenditures, generated strong economic growth in 2015. Inadequate public investment in infrastructure, however, is the biggest obstacle to a faster growth in the future.



- Growth was projected at 5.7% in 2015. Buoyant private investment coupled with robust private consumption continued to accelerate economic growth. A recovery in government spending, moreover, helped support the development of tourism, agriculture, and manufacturing.
- Strong remittance inflows, low inflation and steady growth in employment will still underpin the private consumption. Growth in exports continue to rise as demand for manufactured goods remains strong.
- Inadequate public investment in infrastructure still repeatedly poses a serious threat to attract foreign investment and promote growth as Philippines is ranked 95 out of 144 countries for the quality of infrastructure.

## Philippines economy forecasted to grow 5.7% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF.

# Singapore

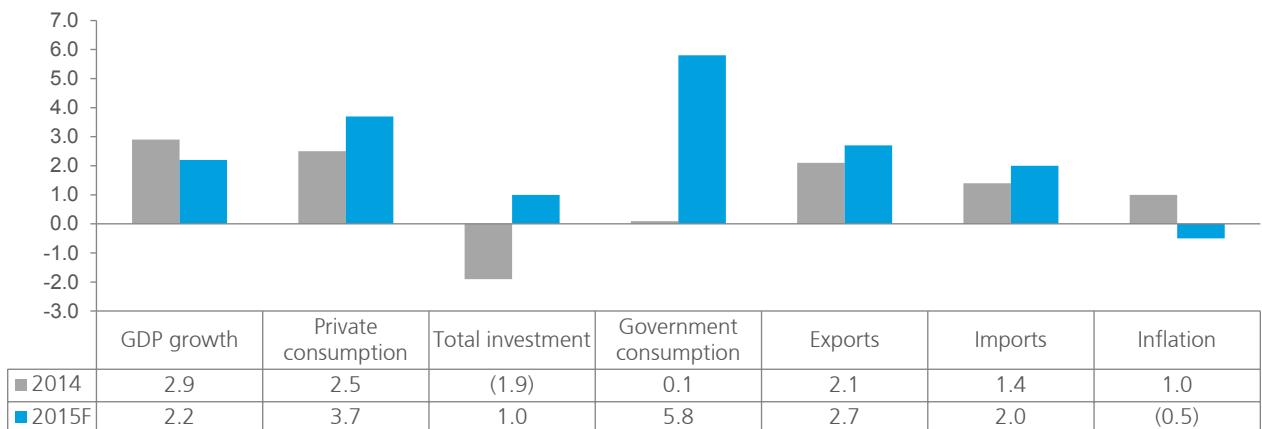
Singapore's economy is showing a sign of recovery, supported by strong growth in exports, private consumption and public spending. Meanwhile, a persistent labour shortage has been detrimental to growth in labour-intensive sectors.



- Singapore will continue to benefit from entrepôt trade due to the slight improvement of external demand. Trade surplus was expanded in 2015 compared with 2014.
- The expansion in both public investment and government expenditure on infrastructure such as transportation and health care will help promote growth in 2016 onwards. Likewise, biomedical output is still a key of manufacturing sector. An average growth of 3.7% a year from 2017-2020 is projected as service sector grows and global recovery gathers momentum.
- One of the major threat to Singapore economy over the next decade is a decline in labour force. A growth in labour-intensive sectors such as construction, retail, and food services has persistently contracted due to aging population and shrinking labour supply.

## Singapore economy forecasted to grow 2.2% in 2015

Real expenditure on GDP (% growth YoY)



Sources: ADB, EIU, & IMF.

# Vietnam

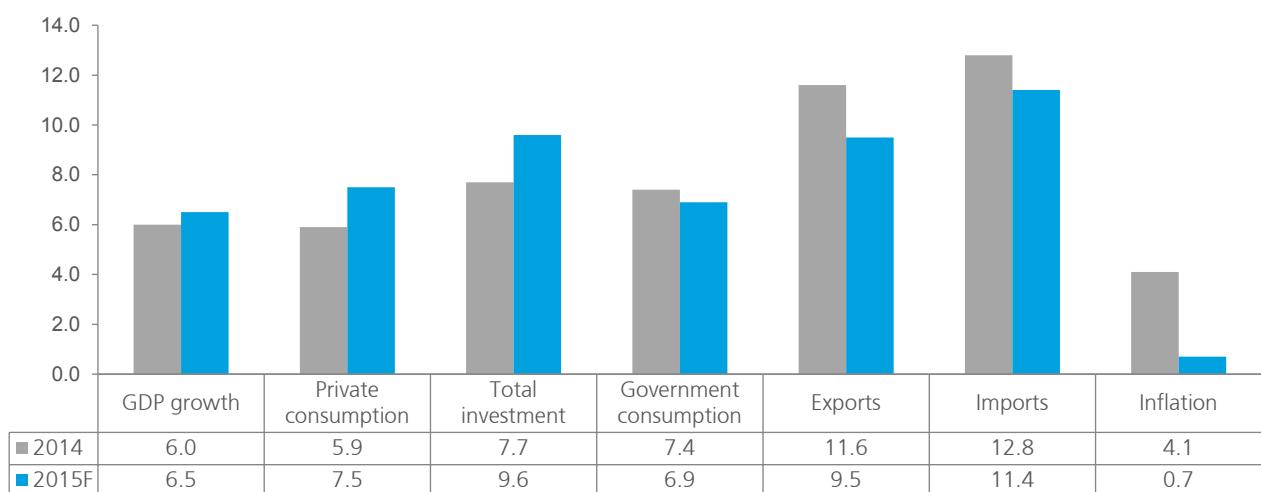
Robust private consumption growth, foreign investment and favourable policies were the main drivers of growth in 2015. The major challenge to sustain economic growth is to link domestic firms to global value chains.



- GDP growth was expected to pick up to 6.5% in 2015 supported by robust private consumption as a result of increasing wage rate and stable inflation. Exports of goods and services, especially electronics, funded by FDI will continue to expand as major trading partner gradually gather growth momentum.
- A further loosen monetary policy will spur the overall investment activity. Lower transportation costs and the reform of state-owned enterprises (SOEs) will help support growth in service sectors but growth in agricultural sector will be impeded due to sluggish global food prices.
- The new challenge of sustainable growth in Vietnam is to incorporate local firms into global value chains in order to access to global market and benefit knowledge and technology spillovers.

## Vietnam economy forecasted to expend 6.5% in 2015

Real expenditure on GDP (%growth YoY)



Sources: ADB, EIU, & IMF.

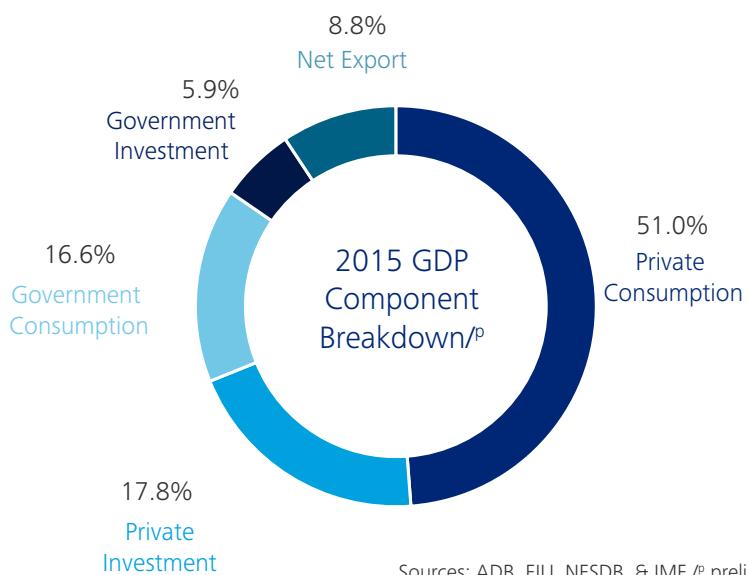
# Thailand Economic Review

# Thailand

The negative impacts from subdued merchandise exports and agricultural production will be offset by the rise of inbound tourists as well as government's stimulus plans.



- Thailand targeted 2015 economic growth at 2.8%, compared to 0.9% in 2014. A moderate growth stems from a slowdown in domestic spending as a result of stagnant real incomes, high level of household debt, and low commodity prices.
- A slowdown in Chinese economy and the depreciation of both competitors' and trading partners' currency are likely to negatively affect Thailand's export performance by limiting merchandise export volume in the coming years.
- Severe drought and unfavorable prices of major agricultural products have been detrimental to Thai agricultural production sector. Furthermore, a higher competitive price of rice and larger volume of rubber production in the global market lead to lower farmers'

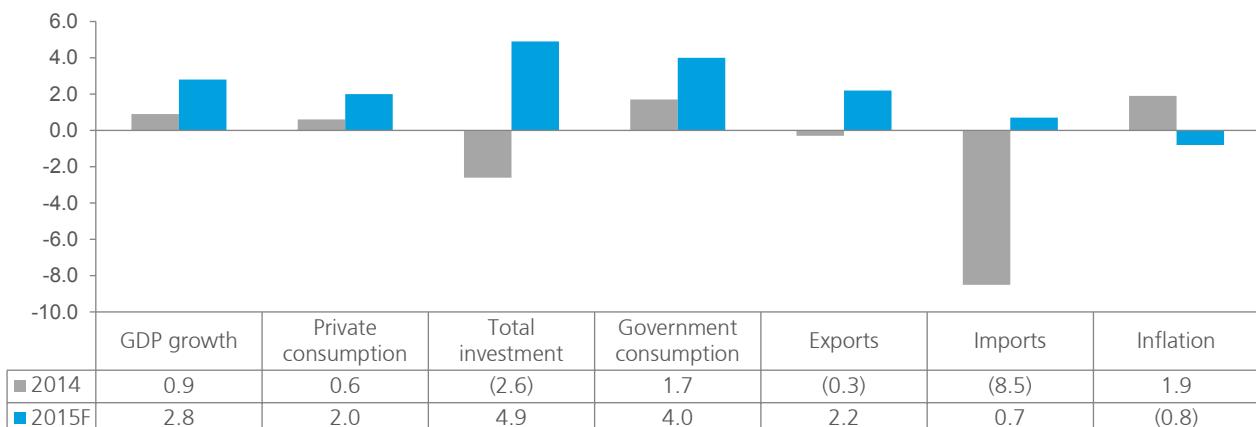


income.

- The expansion of tourism sector, which is expected to exceed 30 million and the government's economic stimulus scheme, however, will mitigate the negative effects of downward exports of goods and agricultural outputs in the coming years.
- Private and public consumption expenditure will also bolster economic activities.

- Meanwhile, investments in key public infrastructure projects such as road transportation plan as well as the border special economic zone development will expectedly help promote growth in Thailand the coming years.

## Thailand economy forecasted to expend 2.8% in 2015



Sources: ADB, EIU, NESDB, & IMF.

## Thailand's economic fundamentals remain sound

### Real Sector

- Several manufacturing and service industries (e.g., automotive, jewelry, foods, healthcare, tourism) are the major drivers of economic growth, although some (e.g. electronics, textiles) have lost competitiveness.
- High level of household debt at **80.6%**, low commodity prices and rising unemployment rate at **0.92%** are the drag of domestic consumption.
- Negative inflation at **0.8%** affects producers' sentiments, but maintains purchasing power.

### Government Sector

- Public debt / GDP is **43.8%** below the debt ceiling 60%.
- Fiscal discipline is an issue as the Thai government budget remains in the fiscal deficit mode during the past 10 years.
- Public Infrastructure Investment Plan (2015 – 2022) with the total budget of **3.38 trillion Baht**.

- Prepare a committed long-term national strategy to drive Thai economy.

### Financial Sector

- Loan growth with proper risk management practices.
- Relatively low NPL ratio at **2.8%** amid several risks.
- Accommodative monetary policy (Policy Rate = **1.50%**).
- Players across different industries deploy capital market in both debt and equity security to grow their business.

GDP growth 3-4% from 2016 - 2020

### International Trade & Capital Movement

- Despite import and export contraction, Current Account is positive at **26.2 billion USD or 6.3% of GDP**.
- Balance of Payment is positive at **2.4 billion USD or 0.7% of GDP**.
- Foreign Reserve amount is **156.7 billion USD**.
- Foreign Reserve / Short-term Debt Ratio is **2.8 times**.

Sources: BOT, EIU, IMF, NESDB, PDMO & DTTJ Estimates  
(all the numbers are based on the latest data)

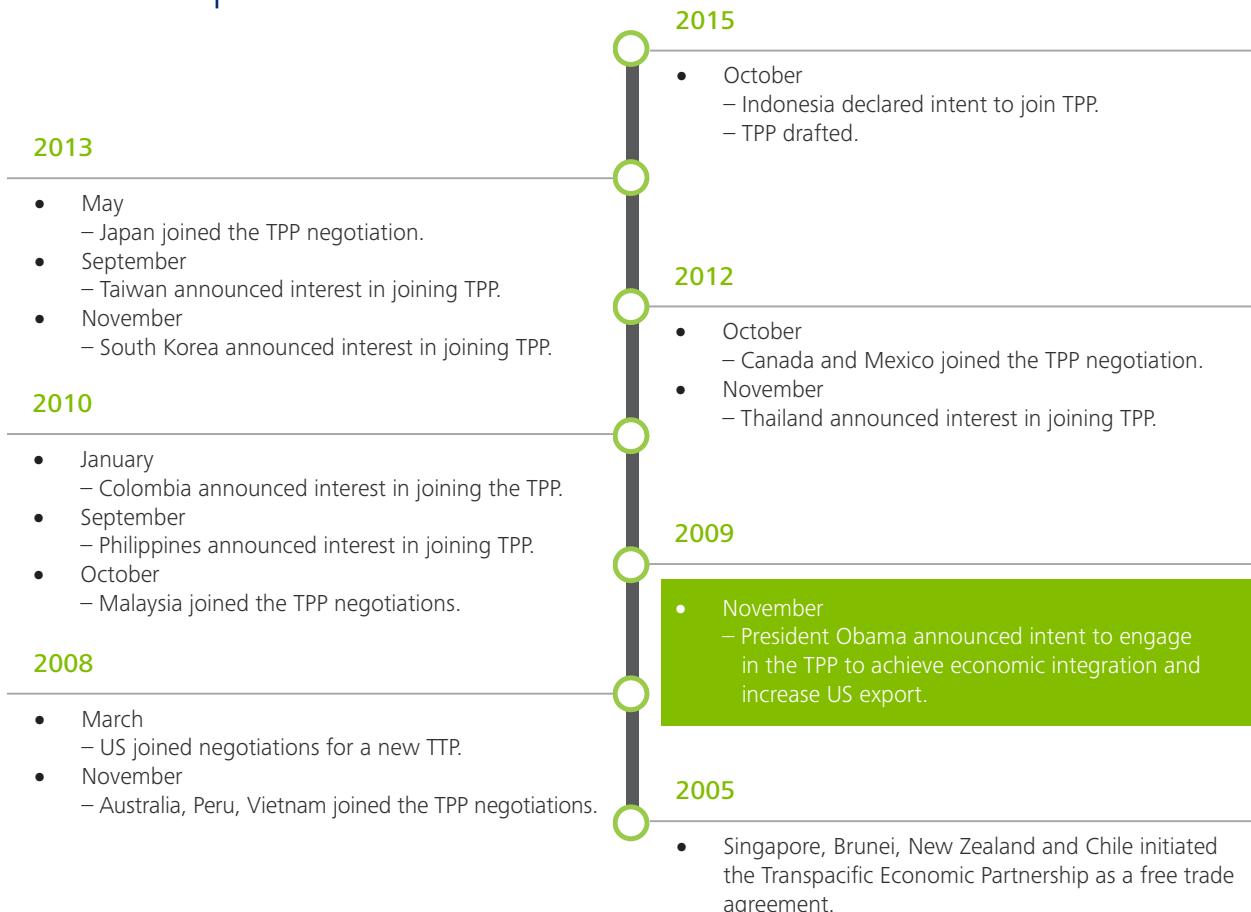
# Thailand and Trans-Pacific Partnership (TPP)

## Gain and lose of jumping into the deal?



- The Trans-Pacific Partnership (TPP) Agreement is a free trade deal currently negotiated between 12 countries in the Asia-Pacific region: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, The United States, and Vietnam.
- The objective of the TPP agreement is to promote economic growth and jobs in the Asia-Pacific region through the reduction of trade barriers and the implementation of uniform laws and regulations.

### TPP Development Timeline



## TPP Trade Bloc and Its Potential Synergies

The combined economic activity of the 12 current member states is considered the biggest trade agreement in history as it encompasses

**40%** of the global economy.



Source : USTR

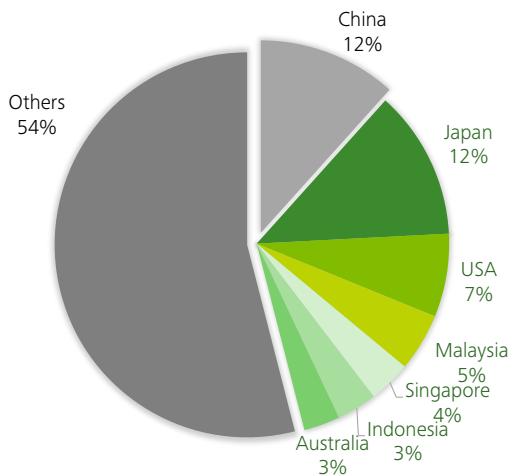
- Member countries, especially export-orientated countries, are expected to benefit hugely from the TPP Agreement.
- The lower trade costs can help create jobs, particularly in developing countries.
- The flows of vertical Foreign Direct Investment (FDI) in global value chain, international factor price differences can be capitalized and unskilled labor intensive production tasks can be relocated to developing countries.
- The import-dependent countries could easily import final products for consumption, raw materials, intermediate and domestically scarce capital goods and later export the processed goods to other countries.
- The uniformity of laws and regulations (e.g. intellectual property law, labor protection laws) could help improve the quality of goods and standardize the production process among member states.

## Thailand's Export and Import Situation Summary

Thai economic growth relies heavily on the exporting industry as its value contributes to about two-thirds of the country's GDP.

- Thailand's major trading partners includes the US, China and Japan, contributing to 10.5%, 11% and 9.6% of the country's total export and 6.4%, 16.9% and 15.6% of the country's total import in 2014 respectively.
- Thailand has a Free Trade Agreement (FTA) with 9 countries in the TPP except the US, Canada and Mexico. Thailand's top exports include 6 members of the TPP and top imports include 4 members of the TPP. Furthermore, Thailand's major trade partners including Indonesia, Philippines, South Korea and Taiwan are also considering joining the TPP Agreement.
- The Thai economy, which predominantly depends on FDI and foreign trade, is encountering considerable difficulties in boosting economic growth and facing a decrease in export volume. Investors have gradually relocated their investment to other countries.

### Thailand's Total Trade 2010-2014



Source : Ministry of Commerce, Thailand

# Thailand is likely to gain advantages by joining TPP

By the year 2029, 14% of the population is expected to be more than 65 years old and consequently Thai society will be more reliance on the health care system.



## Benefits by joining the TPP

- TPP would be favorable for Thailand's export sector as it will ensure that Japanese investors would continue to contribute in the Thai economy, especially the export industry.
- Furthermore, Thailand currently has no FTA with the US and is relying on a tax privilege – i.e. the Generalized System of Preferences (GSP) expired in 2017 – to reduce or remove tax on exports to the US. Joining the TPP will ensure access to the US market as Thai exports to the US market comprises 10% of Thailand's total exports.
- With the TPP agreement, which aims to increase exports by lowering trade barriers, Thai companies will have access to a larger regional market and increase trade opportunity as well as boost inward FDI in the country. Additionally, joining the Agreement would be an opportunity for outward FDI. Likewise, being a TPP member will help strengthen relationship with the US, Japan, and other TPP members.

## Potential losses by not being a part of TPP

- TPP members might impose new regulations that would limit exports from non-TPP trading bloc to the TPP markets. On this basis, Thailand's economy may potentially face a decline in exports and FDI through the loss of competitive advantage to other countries with access to the TPP market.
- TPP could lead to the relocation of factories for some products to other countries in the region, in particular to Thailand's main competitors in the manufacturing and service sector (e.g. Malaysia, Singapore and Vietnam). Thailand would be left behind if the country does not come aboard.

## TPP challenges to Thai's economy

- The TPP Agreement aims for firm's productions to meet international standards as well as to protect consumers and employees. Entering the Agreement could improve the society as a whole, however, this would come at a high cost to the producers since improving working conditions might add additional costs to the producers and as a result decrease firm's profit.
- As the TPP Agreement is aimed to encourage research and development by enforcing regulations and laws, it poses a formidable challenge to the intellectual property protection in Thailand, especially in the pharmaceutical industry.

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It is noteworthy that the decision should consciously be made by considering not only a certain group of people but the nation as a whole.

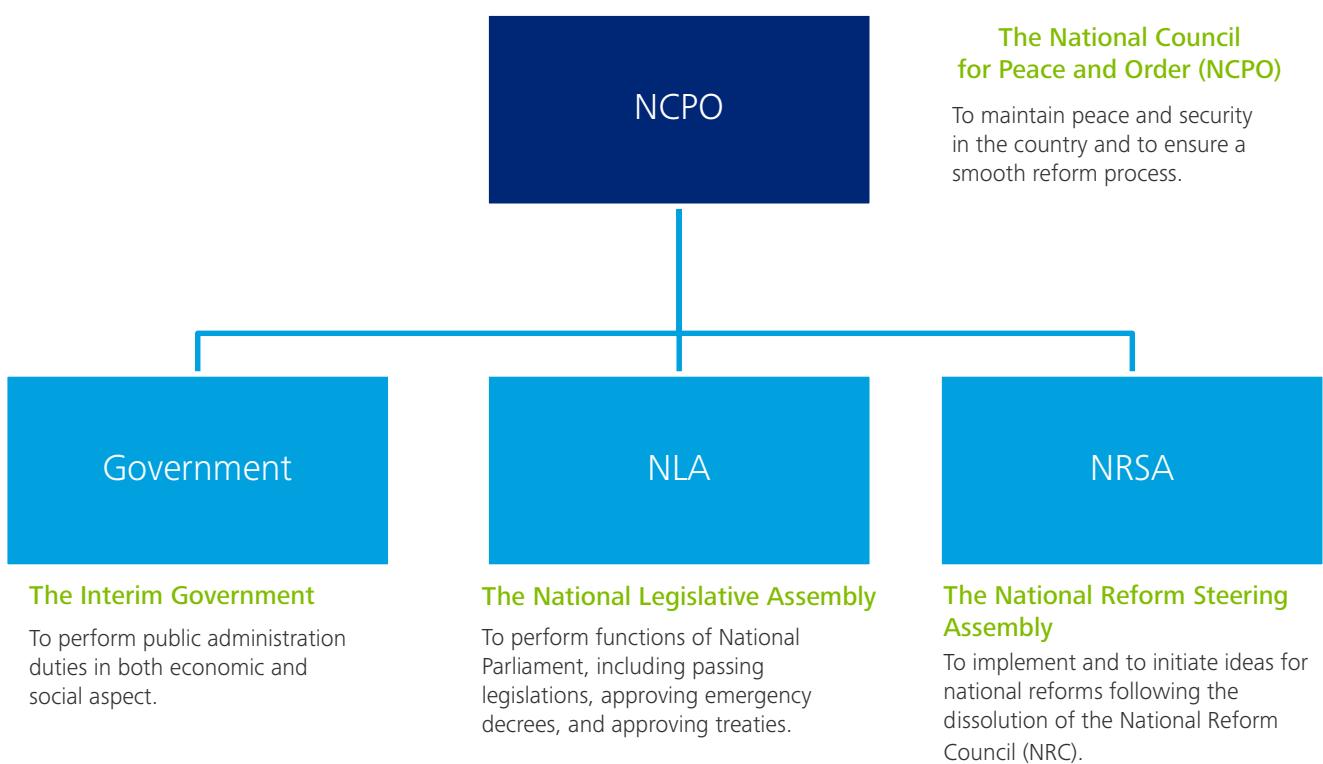
## Summary

- Entering the TPP will help promote Thailand's economic activities and strengthen Thailand's relationship with its major trading partner and investors.
- However, the Agreement presents challenges to the Thai government on the high cost of health care and the producer on the additional cost from the regulations implemented.
- Nevertheless, there are other alternatives to improve trade performances. For instance, the Regional Comprehensive Economic Partnership (RCEP), which aims to establish stronger economic ties between ASEAN and 6 other countries in the region, including the big markets China and India, might compensate the potential losses by not joining the TPP.
- Additionally, Thailand should also consider entering bilateral trade agreements or trade deals with the country's major trading partner to minimize the potential loss of not joining the TPP Agreement. For example, a bilateral trade with the United States could strengthen Thailand's exports and avoid problems with patents.



# Thailand Reform Review

# Thailand's Current Politics and Administration system



Note: *The National Reform Council (NRC)* is for undertaking a comprehensive reform of the country and drawing up recommendations for the Constitution Drafting Committee.

*The Constitution Drafting Committee (CDC)*, which consists of legal experts, academics, former senators, judges, civil servants, representatives from NGOs and the media, is nominated to ensure a truly democratic constitutional monarchy.

# 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.



## Coup on 22 May 2014



### Stage One

#### Bring back normal operations of civil service

##### May 2014

- Executed national security and law enforcement.
- Cleared illegal weapons.
- Appointed and transferred critical officers.

##### June 2014

- Developed economic master plans.
- Set up Reconciliation & Reform Center.
- Enforced narcotic suppression.
- Reviewed 56 SOEs' governance structure.

##### July 2014

- Launched the 19th interim constitution of Thailand.
- Drafted the 2015 Annual Budget Bill of THB 2.6 trillion.



### Stage Two

#### Create an environment contributes to national reforms with NLA and NRC in action.

##### Aug - Oct 2014

- Established the National Legislative Assembly (NLA) to perform the parliament roles.
- Approved the 2015 Annual Budget Bill.
- Appointed the Interim Prime Minister and form an Interim Government.
- Operated government new fiscal year.
- Appointed and transferred key civil & military officers.
- Established the National Reform Council (NRC) to study and provide recommendations for Thailand reforms.



## Stage Two - Continued

**Create an environment contributes to national reforms with NLA and NRC in action.**

### Oct 2014 - Sep 2015

- NLA successfully impeached the former Prime Minister Yingluck Shinawatra over the rice-pledging scheme.
- NRC proposed reform frameworks and appoints Constitution Drafting Committee (CDC) to draft the 20th Constitution of Thailand.
- NRC rejected the draft of the 20th Constitution of Thailand by 135 votes against 105 in favour with 7 abstentions, and in turn, was dissolved on September 6, 2015.
- NCPO proposed the 20-month period of the new political roadmap known as the 6-4-6-4 formula, which leads to a new civil government in July 2017.

### Oct 2015 – Feb 2017 (Approximately)

- Appointed a new 21-person Constitutional Drafting Committee to propose the new draft of 20th Constitution of Thailand within 180 days.
- Established the National Reform Steering Assembly (NRSA) consisting of 200 members to implement the national reform blueprint proposed by the dissolved NRC.
- Conduct a nationwide referendum of the drafted 20th Constitution of Thailand.
- Launch the 20th Constitution of Thailand.
- Draft and deliberate the organic laws of the 20th Constitution of Thailand.



## Stage Three

**An election will be held to restore full democracy.**

### Mar 2017 onwards (Approximately)

- Execute general elections – the Senate and the House of Representatives.
- Parliament in action.
- Form a new government.
- Continue Thailand's reform initiatives.

# 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**

- Accelerating Thai economic growth
- Agricultural reform
- Anti-human trafficking
- Energy and environment sustainability
- Social affairs (e.g. anti-corruption, drug control)
- Education reform

### **Highlights**

- Thailand and China officially launched their joint railway project even though construction will not start until May 2016 at the earliest.
- Thailand and China signed a Memorandum of Understanding (MoU) on agricultural products. The deal involved the sale of 1 million tonnes of rice and 20,000 tonnes of rubber.
- The Fiscal Policy Office expects the economy to expand by 3.8% in 2016. Government stimulus spending on transportation infrastructure, export expansion and the tax-reduction policy are expected to expand the economy. In addition, domestic consumption and private investment have increased based on the collected VAT.
- The government has set up a tax exemption aimed to support SMEs with less than 5 million Baht of registered capital and less than 30 million Baht of annual revenues.

Sources: Compiled from The Royal Thai Government, Thailand Interim Constitution 2014, Law Reform Commission of Thailand, ThaiPBS, & Thai local newspapers (The Nation, Bangkok Post)

# 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

- Submitted its opinion on the draft charter to the Constitution Drafting Commission (CDC). Most critical points were agreed with the CDC's decision. However, the discrepancy was the matter on impeachment authority.
- Approved the Armed Forces Reserve Act which is a military call-up law in times of emergency.

# The National Reform Steering Assembly (NRSA) to implement the national reform blueprints

NRSA established under Thailand's Interim Constitution 2014

NRSA consists of 200 members appointed by the King in accordance with NCPO's recommendation.

## NRSA's Key Duties

- Implement the national reform blueprints proposed by the dissolved National Reform Council (NRC).
- Give advices and recommendations to the Constitution Drafting Committee (CDC) for the purpose of Constitution drafting.

## Highlights

- Set up the so-called "1-1-18" reform scheme, which is in accordance with the government's 6-4-6-4 timeline scheme. The key reform issues include politics, education, corruption, inequality and the economy.
- The Constitution Drafting Committee (CDC) led by Meechai Ruchupan is finalizing the draft charter and plan to launch constitution referendum in the next step. The draft charter remains controversy in several sections such as
  - Non-elected Prime Minister
  - Senate selection process
  - New electoral system

Sources: Compiled from The Royal Thai Government, Thailand Interim Constitution 2014, Law Reform Commission of Thailand, ThaiPBS, & Thai local newspapers (The Nation, Bangkok Post)

# Industry Sector Updates

## Thailand's key industry projections at a Glance



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

# Automotive

Thai automotive industry in 2015 benefited from export growth, while domestic market continues negative growth for three consecutive years. Over the long-term, this industry is forecasted to have an average growth rate of around 4%.

## Situation in 2014

Thai automotive industry 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.

## Forecast 2015

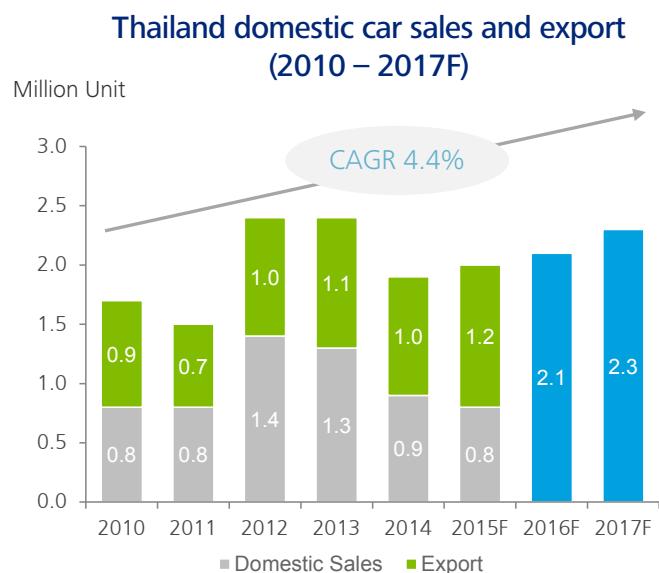
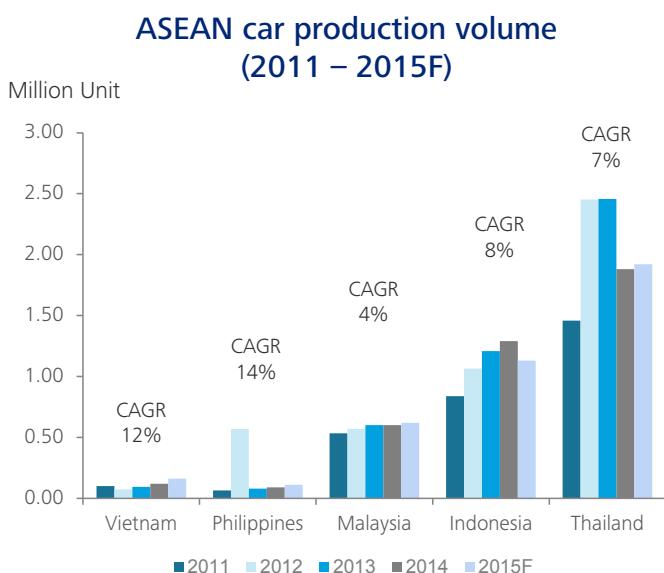
Car production was projected at 2.0 million units, growing 6.0% from 2014. Of which, 61% of production is for export and 39% for domestic sales. Domestic car sales was revised to 0.75 million units or contracts 15%YoY due to the slowdown of domestic demand, whilst export was expected to be raise 10% as car demand in major export markets remains solid.

## Long-term trend

As Thailand represents a regional strategic location for production along with the BOI's eco-car incentive scheme and mega-project investment to enhance Thailand's competitiveness, major car producers will continue to deploy their production and supply chain capacity to great effects. As analysts expect that overall global economy will gradually capture an upward growth trend in the coming years, Thailand's car industry is projected to grow 4% in years after.



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



Sources: ASEAN automotive Federation, FTI, OIE, OICA, SAT, & Toyota (Thailand) Co., Ltd.

- For Thailand, the volume of car production in 2015 was revised to 1.9 million units or 48.7% of total ASEAN car production.
- Two major car producers (i.e. Thailand and Indonesia) were slow down, while Malaysia, Philippines, and Vietnam were projected to gain higher growth rates.

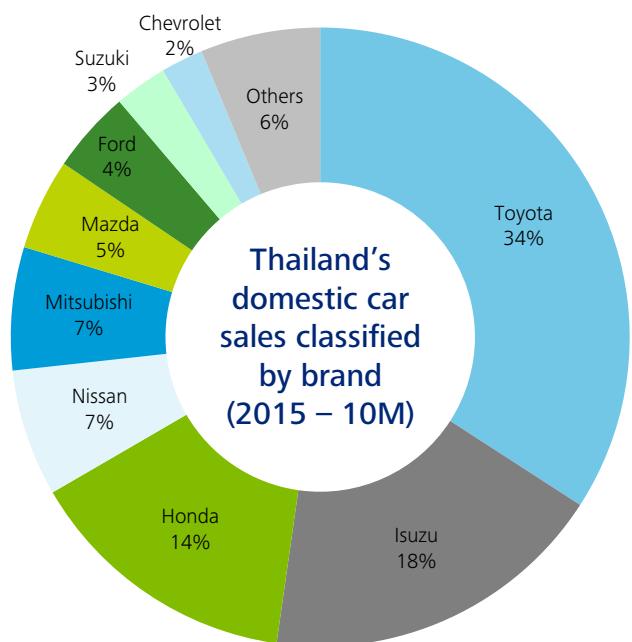
- During 2015, Thailand was expected to produce 1.9 million cars growing 6% from 2014. Domestic sales was forecasted at 0.75 million units accounting for 39%, while export was projected at 61% or 1.17 million units.
- A number of auto part producers in Thailand has expanded to CLMV to take advantage of abundant untapped resources and rising car demands in ASEAN.

The contraction of domestic car sales in 2015 was projected at 15% compared to 2014s' due to effects of several adverse domestic and external factors

### Update Thailand Car Market: January – October 2015

- The total number of domestic cars sales during January – October 2015 was 0.62 million units, decreasing 14.5% from the same period during 2014.
- Japanese car manufacturers continue to dominate the Thailand car market with almost 90% of market share in production, domestic sales, and export. Several car manufacturers, however, pay their attention to capture emerging and untapped demands in ASEAN countries.
- Adverse domestic and external factors including high household debt level, low agricultural commodity prices, drought, slow public and private investment disbursement, the slowdown of Chinese and several major economies, geo-political conflict, and so on, affect Thai economy and consumers' purchasing power and, thus, caused a contraction of domestic car sales during 2015.

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



# Finance & Banking

Finance & banking sector was expected to grow 4% 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.

## Forecast 2015

Overall, Thailand loan outstanding has been revised to 13.4 trillion Baht or grow 4%YoY. The slowdown of economic activities raised NPL proportion from 2.2% in 2014 to 2.6% in 2015. Likewise, the high level of household debt and strict credit granting criteria affect consumer loan demands. Overall during 2015, loan demands was expected to stem from an accommodative monetary and government incentive schemes.

## Long-term trend

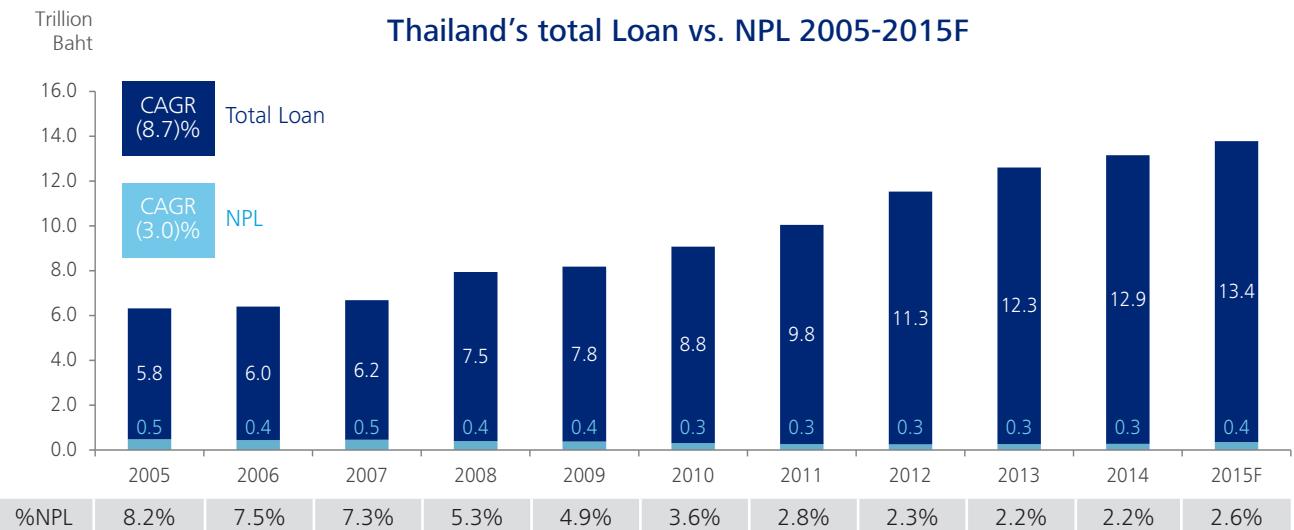
Financial institutions, will be posting loan growth around 8%YoY in the coming years despite facing external and NPL threats as well as impacts of the Civil and Commercial Code Amendment Bill launched in 2015 to change "guarantor sections". In addition, the Government economic team has decided to pursue both short-term and long-term economic schemes (e.g. village funds, SME incentives, logistics infrastructure investments), which will stimulate both Bangkok and upcountry economic expansion, boost loan demands across Thailand, and also, provoke capital markets to raise investment funds.

Sources: EIU, K-Research, & SCB EIC



## The forecast of Thailand's total loans in 2015 has been revised to 13.4 trillion Baht, growing 4% YoY.

The slowdown of Thai economy and external economies have affected the loan growth of financial institutions, both banks and non-banks. On this basis, Thailand's financial activities have been slow down and total loan has raised approx. 4% with an NPL portion of 2.6% compared to 2014's. Thai banks have been well placed to meet the requirements in the Basel III international capital-adequacy framework. According to BOT's record, risk-weighted assets as a proportion of banks' total assets stood at 16.7% during the first half of 2015 (i.e., higher than the threshold required under Basel III).



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

Note: (1) Total Loan includes both Thai banks' and foreign banks' loan outstanding as of the 4<sup>th</sup> quarter 2005-2015  
(2) NPL include both Thai banks' and foreign banks' gross NPL outstanding as of the 4<sup>th</sup> quarter 2005-2015

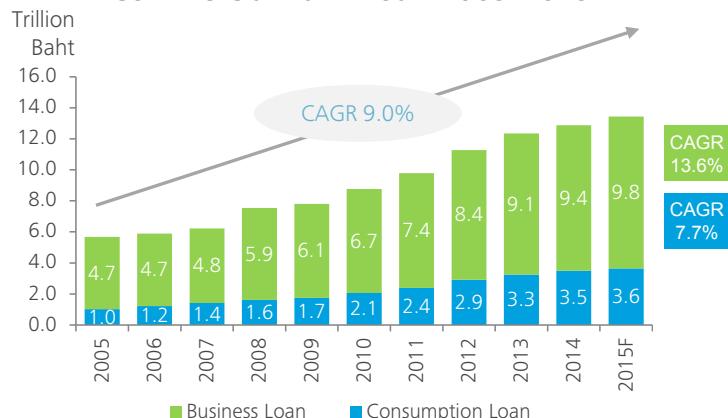
Thailand's total loan in 2015 was expected to grow 4% from 2014.

### Selected Financial Statistics

Number of	Total
Thai Commercial Bank	15
Foreign Bank Subsidiary & Branch	16
Specialized Financial Institution	9
Foreign Representative	46
Asset Management Company (AMC)	39
Credit Card Company	10
Personal Loan Company	32
Nano Finance Company	4
Credit Card	21.2 M
Debit Card	46.4 M
ATM Card	13.6 M
Personal Loan Account*	12.6 M
E-Money Card/Account*	30.7 M
Internet Banking Account*	11.2 M
Mobile Banking Account*	8.4 M

Sources: BOT (as of March 2015) & DTTJ Estimates  
Note: \* Data have been revised by Bank of Thailand.

### Commercial Bank Loan 2005-2015F



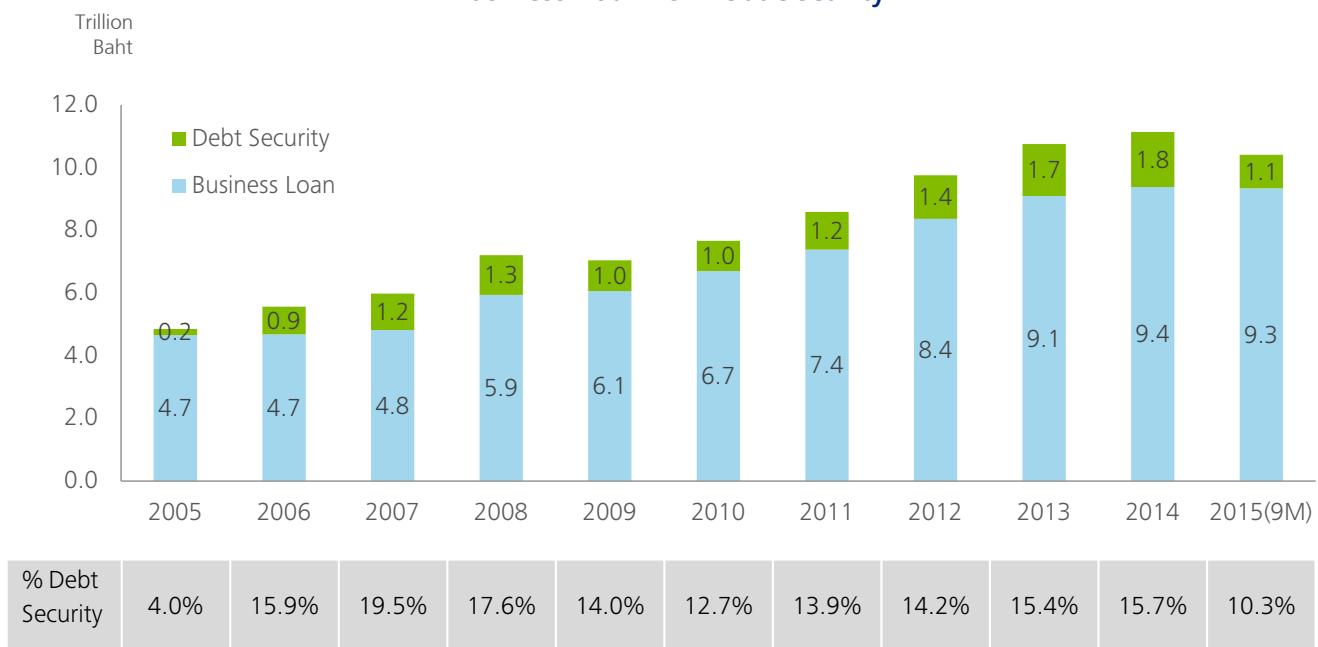
### Consumption Loan 2005-2015F



## Debt securities have long been alternative financing sources with above 10% of Thailand's lending market since 2006.

Debt securities have been deployed by Thai companies to support their financing activities in general and efficiently manage their cost of capital in particular. Based on the BOT's data in 2014, more than 90% of debt security volume came from 4 industries including financial services (62%), real estate and property development (11%), manufacturing (11%) and wholesale and retail business (7%).

### Business Loan vs. Debt Security



Sources: BOT

Note: (1) Corporate Loan includes both Thai banks' and foreign banks' loan outstanding as of the 3<sup>rd</sup> quarter 2015

(2) Debt security includes the short- and long-term debt instruments issued by companies in Thailand as of the 3<sup>rd</sup> quarter-2015

# 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%.

## Forecast 2015

Office of Industrial Economics (OIE) forecasts that the production of computer and part dropped by 3% while the production of electrical appliances were contracted by 4%. Overall, Thai electronic export was expected to contract by 3-4% 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, has been facing high competition and global demand uncertainty and thus the potential long-term growth rate is forecasted at 0-1%. Over the long-term, computer and part players across the world will create their new growth models to counter the aggressive moves of smartphone and tablet rivals (e.g. Samsung, Apple, Lenovo, Huawei, Xiaomi). For electronic appliance industry, although Thailand no longer gains advantages as the regional production-base, both export markets and domestic demands for some products (e.g. air conditioners, refrigerators) are expected to grow in the next few years.



Sources: BOT, OIE, & OIE

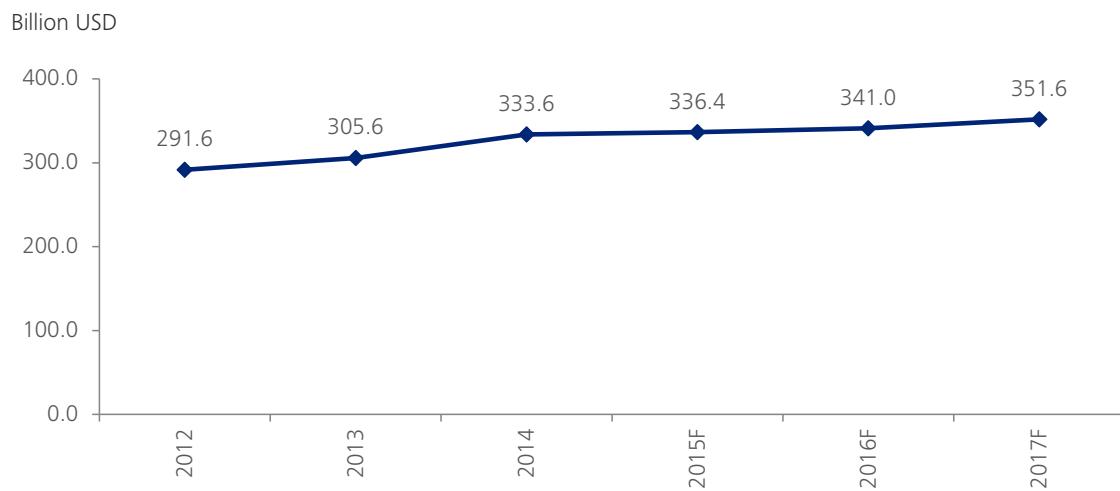
# Electronics – computers & parts

## Positive outlook for electronic industry during 2015 - 2017

- Global semiconductor sales in 2015 was expected to grow 0.8%YoY as a result of slow global economic recovery. For 2016-2017, SIA has forecasted semiconductor sales growth at 1.4% and 3.1% in line with modest demand recovery in advanced economies.
- Global PC penetration will continue to rise steadily from 44% in 2015 to 57% in 2019. PC usage remains strong, but its status as the default tool is gradually being eroded in several developed economies.
- Apple and Samsung still maintain their dominance in the smartphone market, but several players in emerging markets will cause problems for two established market leaders in coming years. Major Chinese and Indian players (i.e. Lenovo, Huawei, Xiaomi, Miramax) will continue to compete on price and gain significant market share.

### Global Semiconductor Sales

CAGR 2012 – 2017F = 4%



### Personal Computer User

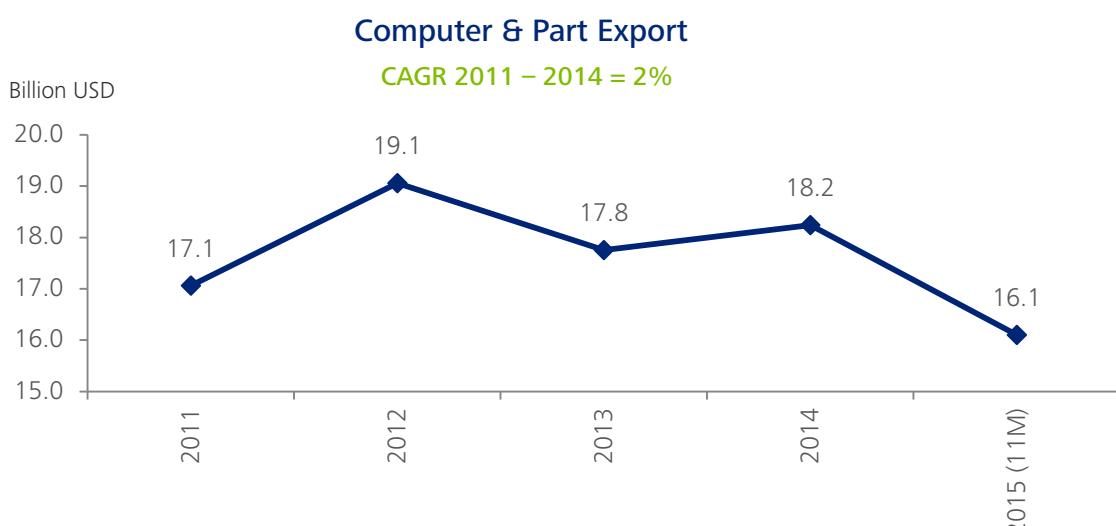
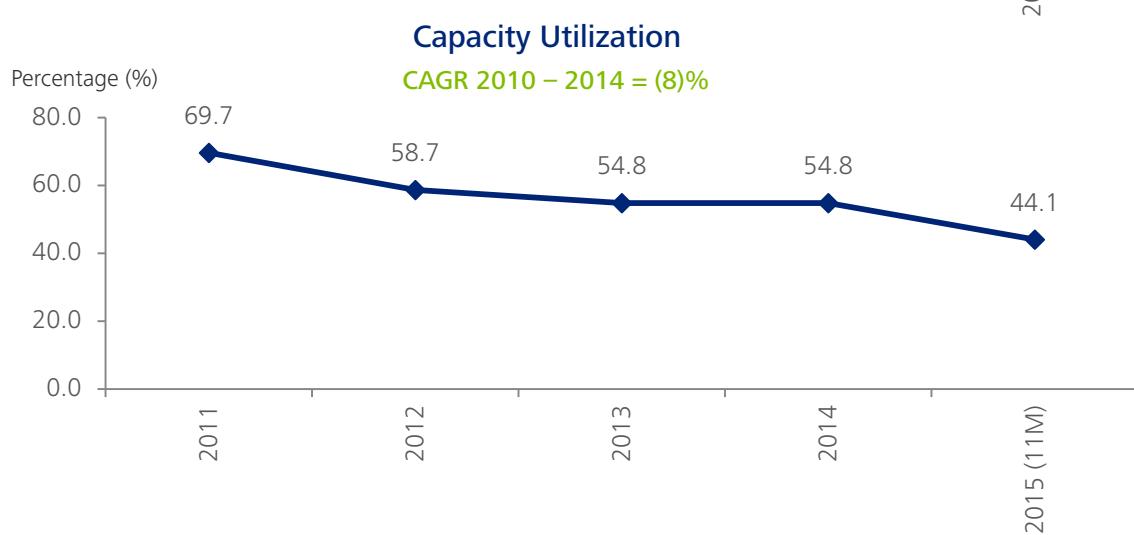
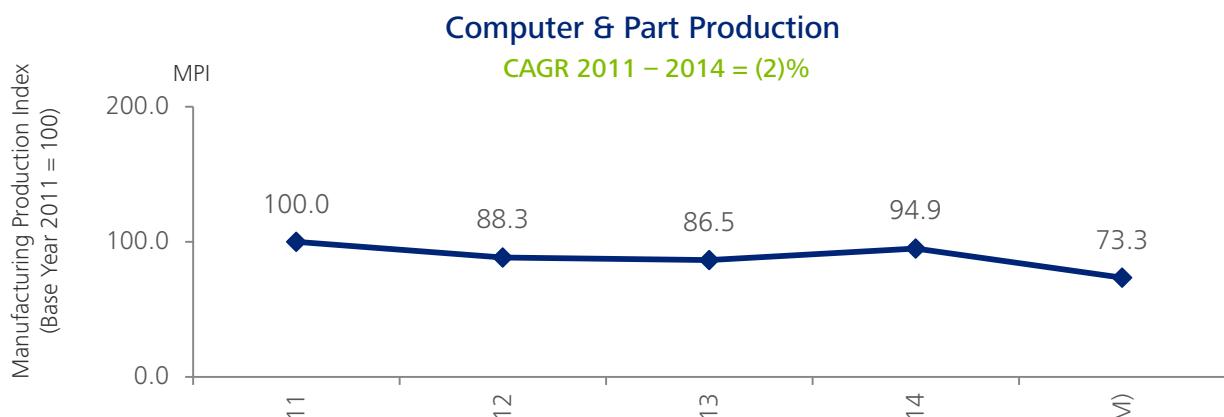
CAGR 2012 – 2017F = 7%



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 - November 2015, MPI, export, and capacity utilization were contracted 22.8%, 3.7%, and 19.7% compared to 2014s' respectively.
- Overall, MPI, export and capacity utilization in 2015 were projected to decrease from 2014s'.
- As a result of the contraction of computer and part industry across the world, Thailand no longer take great benefits from this industry as before. Value has migrated to growing adjacent segments (i.e. tablet, smartphone).

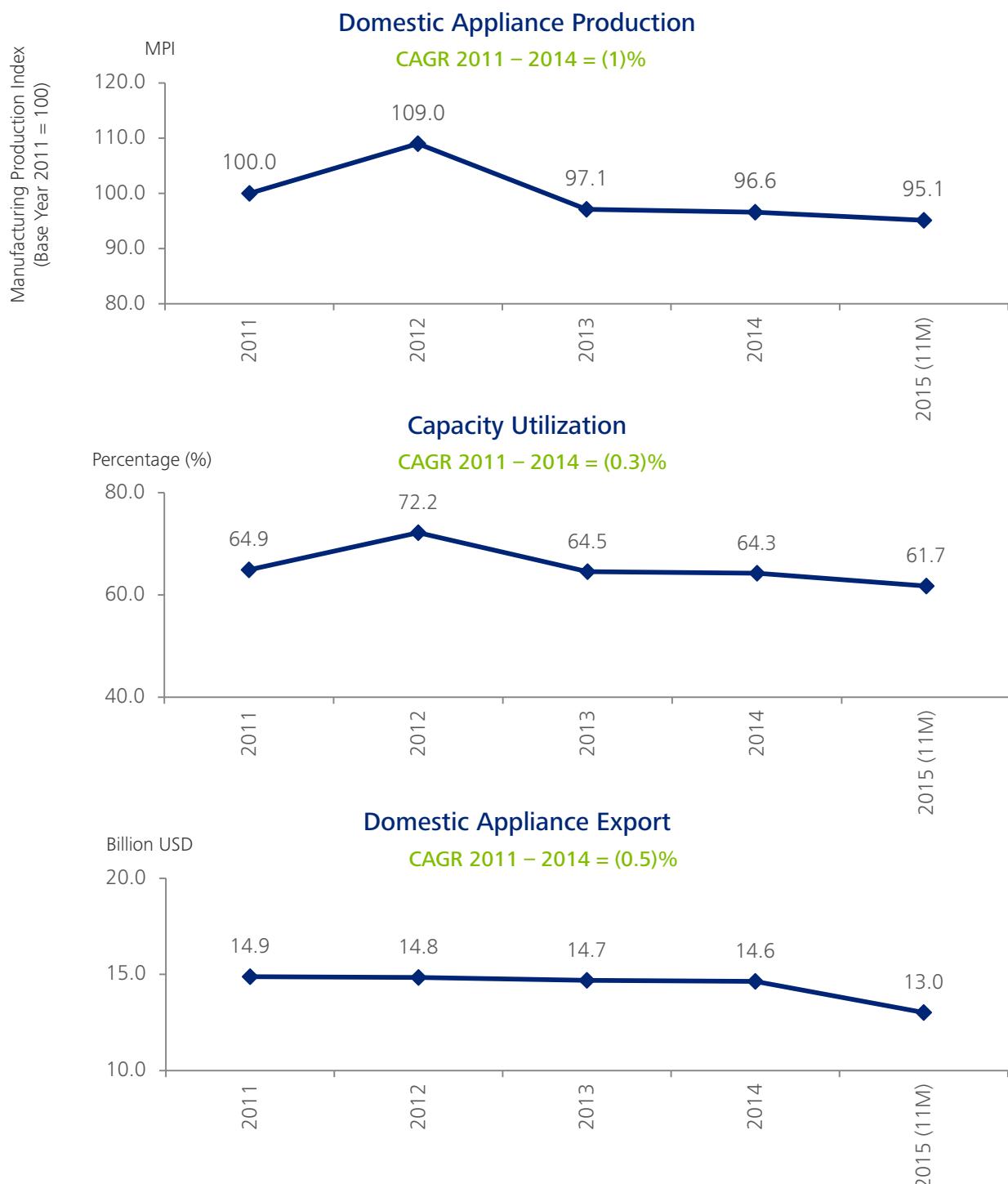


Sources: DTTJ Estimates, Department of International Trade Promotion (DITP) & OIE

# 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 – November 2015, MPI, export, and capacity utilization were contracted by 2.4%, 3.1%, and 4.9% compared to 2014s' respectively.
- Some domestic appliances players (e.g. Samsung, LG) have moved their production-base from Thailand to other ASEAN member states to enjoy government incentives and cost advantages.
- Thai government has announced new investment policy, which encourage manufacturers to deploy Thailand as a spring-board to AEC.



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

A gradual rise in household revenue and accelerating urbanization still help boost the real estate sector. However, the growth rate has been restricted by an increase in household debt and some concerns over lower demand in the future.

## Situation in 2014

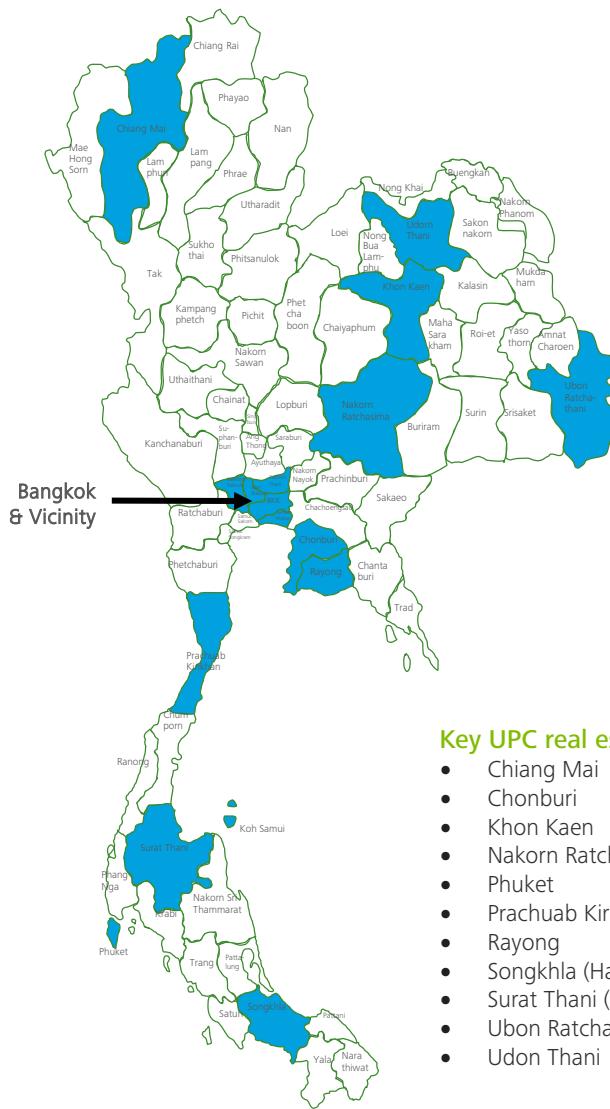
Although residential real estate sector has been affected by political unrest and other negative factors, property credit outstanding by the end of 2014 reached 2.3 trillion Baht or grew 10% from 2013.

## Forecast 2015

It has been evident that real estate markets remain solid in 2015, as investor confidence in residential real estate sector has improved, together with wealthy household. Nevertheless, many factors such as higher household debt, low commodities prices and slow government budget disbursement have shaken both lender and investor confidence and result in the lower growth in real estate market.

## Long-term trend

The forecasted long-term GDP growth at 3.0-3.5% in conjunction with political uncertainty will have an adverse effect on real estate sector in Thailand. In the wake of higher housing debt, it is expected that lenders will tighten up the mortgage criteria and decelerate the demand for house. Nonetheless, the ASEAN integrated market should help increase demand for commercial and residential space in Thailand as foreign firms are likely to move their headquarters and some stages of production to benefit a low cost of living.



## Key UPC real estate markets

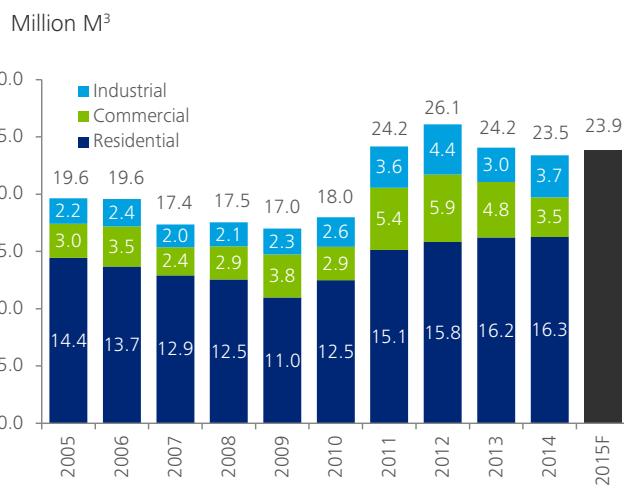
- Chiang Mai
- Chonburi
- Khon Kaen
- Nakorn Ratchasima
- Phuket
- Prachuab Kirikhan (Hua Hin)
- Rayong
- Songkhla (Hadyai)
- Surat Thani (Koh Samui)
- Ubon Ratchathani
- Udon Thani



Lending ratios and mortgage numbers have been cut to prevent speculation in the wake of high household debt and an economic slowdown.

### Permitted Construction Areas in Municipal Zones

CAGR 2005 – 2015F = 2%



Sources: BOT & REIC

- The trend of construction and real estate investment aboard to generate more revenue and to balance portfolios has been seen as a window of business opportunities opens.

### Property Loan Outstanding

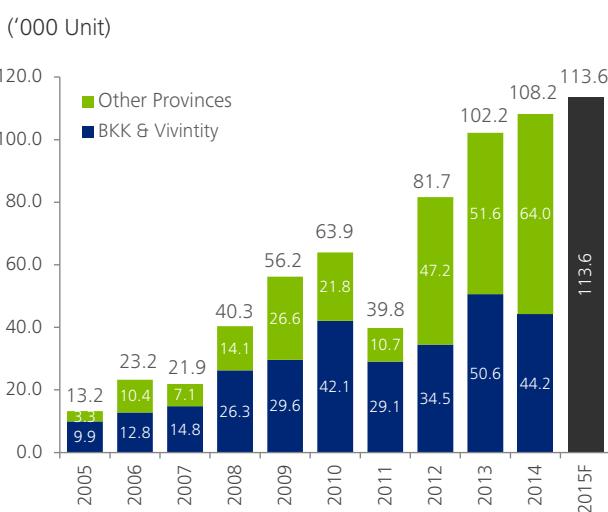
CAGR 2005 – 2015F = 10%



- Limited mortgage loan and its criteria were gradually tightened to cool down growth in the property sector amid oversupply worries.

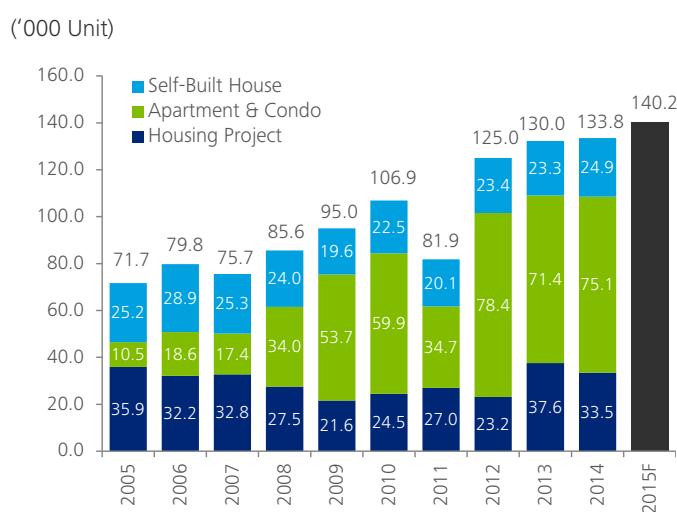
Growing demand from both the upper-income segment and foreign buyers invigorated the condominium and housing projects in 2015

### Nationwide Condominium Registration



Sources: BOT, REIC, & DTTJ Estimates

### New Housing in Bangkok & Vicinity



# Wholesale & Retail

The positive sign of wholesale and retail revival is forecasted, fuelled by the expansion of tourism, e-commerce, and both modern and tradition traders in urban and country areas.

## 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, BigC, Tops Supermarket) continued to enlarge their footprints in both Bangkok and upcountry areas.

## Forecast 2015

Thailand's consumer goods market was expected to be improved in 2015, supported by the rapid growth of tourism, e-commerce, and trade in urban and country areas. Retail and wholesale were forecasted to grow approximately 3.5%YoY while major players continued to adopt more marketing promotions to boost its sales.

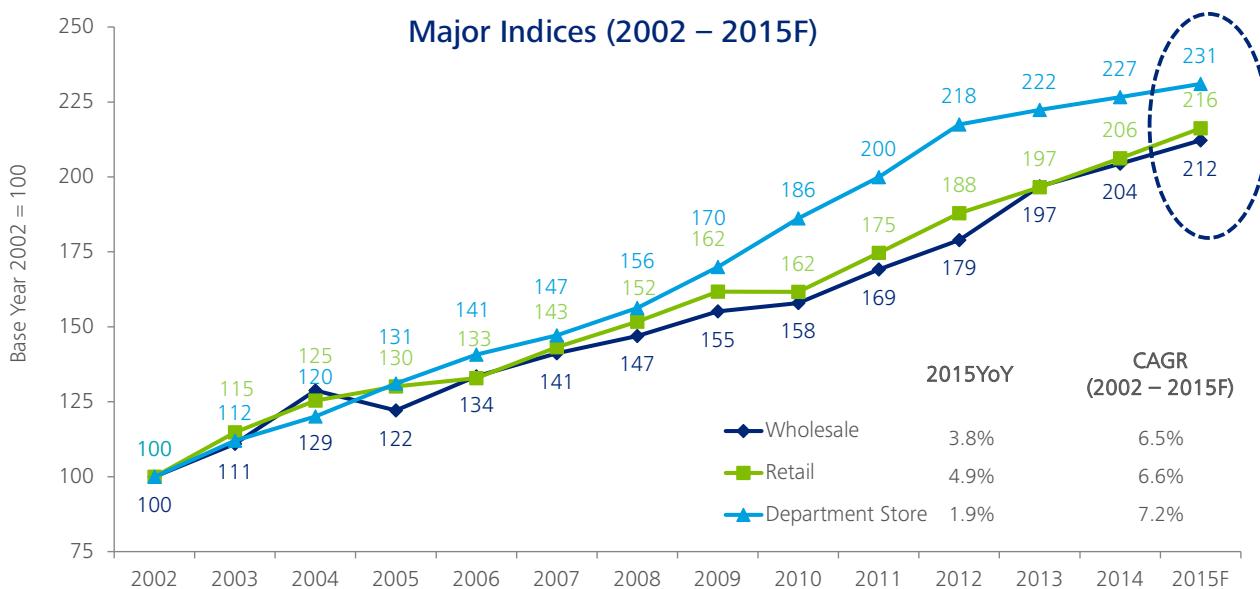
## Long-term trend

Thai government has tried to transformed the traditional market to the service-based economy. Private consumption has been bolstered by an expansionary fiscal policy spending on repairing schools, hospitals and irrigation systems to support job creation in both urban and rural areas. The emergence of AEC, moreover, will open up an opportunity to invest and trade between ASEAN member countries. The strong sales performance for the wholesale and retail industry over the long-term is expected to grow around 5%.



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

Subdued economy continually caused the slowdown in three major sales channels. However, retail and wholesale have recently shown a sign of recovery as their growth gradually climbs up.



Sources: BOT & EIU

An expected tepid growth of wholesale and retail segment in 2015 stemmed from the slow recovery of Thai economy.



Sources: BOL Database, EIU, & DTTJ Estimates

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

## Thailand's Retail Modern-Trade Market Segments at a Glance



Hypermarket / Department Store



Grocery Store



Convenient Store

Products/Services Offer		
<ul style="list-style-type: none"> <li>• Foods (fresh, ambient, &amp; grocery)</li> <li>• Non-foods (electrical appliances, apparel, toys, stationery and household goods)</li> <li>• Other services (banking, food court, chemist shop, hair-dresser)</li> </ul>	<ul style="list-style-type: none"> <li>• Foods (fresh, ambient, &amp; grocery)</li> <li>• Household goods (soup, tissue, detergent, and so on)</li> </ul>	<ul style="list-style-type: none"> <li>• Foods (fresh, ambient, &amp; grocery)</li> <li>• Household goods (soup, tissue, detergent, and so on)</li> </ul>
Major Competitors		
<ul style="list-style-type: none"> <li>• Tesco Lotus</li> <li>• BigC</li> </ul>	<ul style="list-style-type: none"> <li>• Tesco Lotus (Talad)</li> <li>• Gourmet Market (The Mall Group)</li> <li>• Tops Supermarket (Central Group)</li> <li>• King Power*</li> <li>• Villa Market</li> <li>• Foodland</li> </ul>	<ul style="list-style-type: none"> <li>• Tesco Lotus (Express)</li> <li>• 7-11 (CPALL)</li> <li>• MaxValu (AEON)</li> <li>• Mini BigC</li> <li>• Lawson108 (Saha-Lawson)</li> <li>• FamilyMart (Central Group)</li> </ul>

Sources: BOL Database, Competitor's Websites & DTTJ Analysis

\* Note: King Power focuses on "Duty Free Niche Market".

# Tourism

Thailand is one of the world top tourist destinations buttressed by a better political condition and new integrated tourism strategy.

## 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.

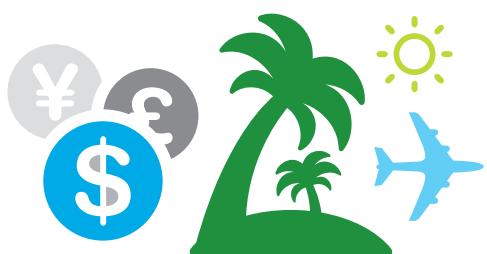
## Forecast 2015

Tourism sector was recovered in 2015 as a result of a better political environment and the success of the government's tourism campaign, namely, "2015 Discover Thainess". The number of foreign tourists was projected at 30.0 million or grow 21% 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 8%. In turn, it is expected that hotel industry will gain high room occupancy rate above 60%. From 2016 onwards, Thailand adopts "quality tourism strategy", which addresses the so-called "3Rs" (i.e. Repositioning, Restructure, and Rebalance) to enhance both competitiveness and sustainability of tourism industry.

Sources: BOT, Department of Tourism, Tourism Authority of Thailand (TAT), & The World Tourism Organization (UNWTO)



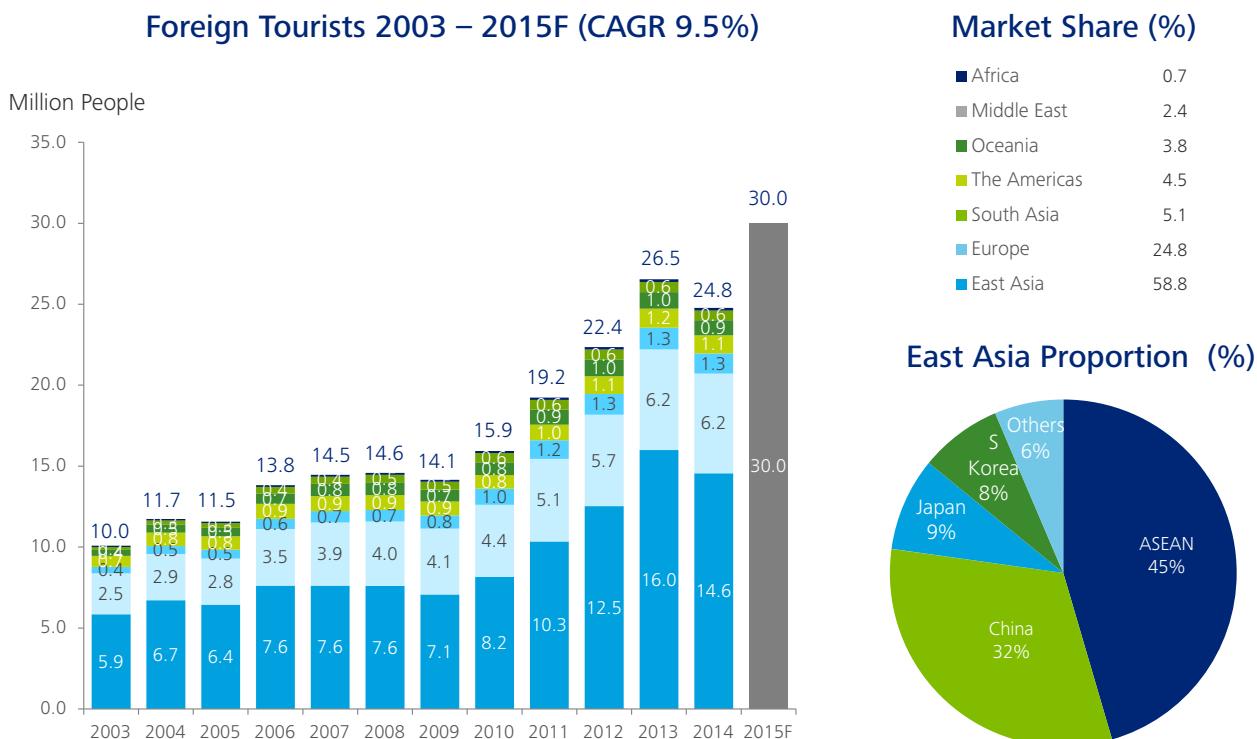
Tourism sector was projected to significantly grow during 2015.



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

- The so-called “2015 Discover Thainess” campaign has rejuvenated Thailand’s tourism sector in 2015, attracting 30.0 million foreign tourists with the growth rate of 21%YoY.
- From 2016 onwards, Thailand has proposed “Quality Tourism Campaign” with a committed long-term strategy, which pays less attention on “quantity” as measured by visitor arrivals, but dedicates resources to a total shift to “quality” as measured by visitor expenditure, average length of stay, and the overall quality of the visitor experience.

Asia tourists especially from ASEAN, China, Japan, and South Korea are forecasted to be major contributors to Thai tourism sector in the coming years.

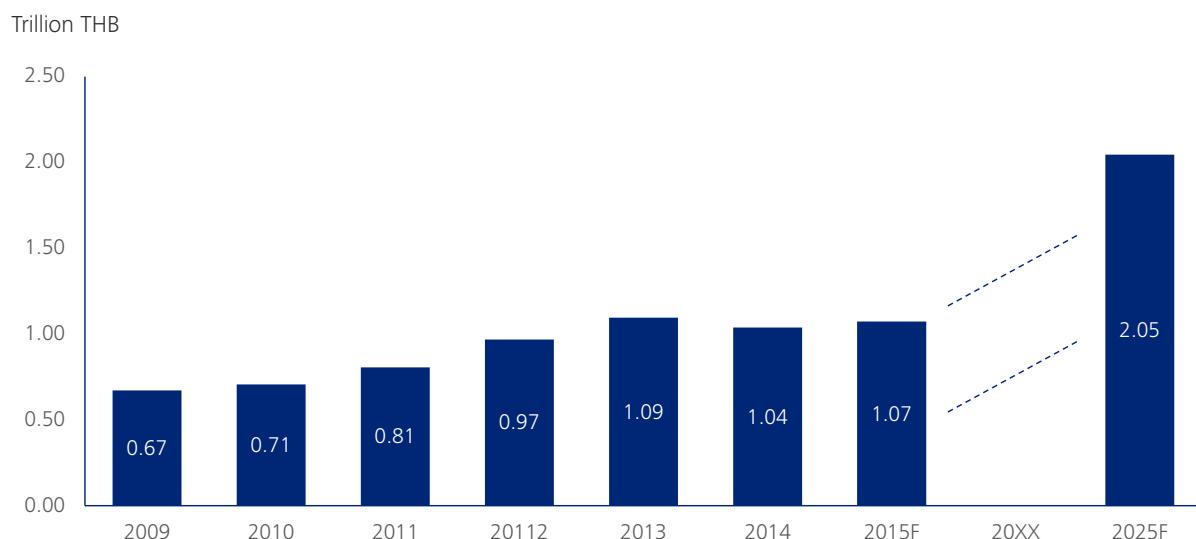


Sources: Department of Tourism, TAT, FTI, & World Economic Forum

East Asia tourists 2015F = 16.0 M

During 2015, the contribution of tourism to GDP was projected at 1.07 trillion Baht or 9% of GDP.

### Tourism Revenues 2009-2015F (CAGR 8.1%)



Sources: World Travel & Tourism Council (WTTC) & The World Tourism Organization (UNWTO)

- The direct contribution of Thailand's tourism to GDP was forecasted at 1.07 trillion Baht or 9% of GDP in 2015.
- The tourism strategy focusing on "Quality Tourism" in the coming years is likely to keep the growth momentum of tourism activities across tourism supply chain such as hotels, airlines, travel agents, restaurants, and so on.
- For the 2016 – 2025 period, WTTC has projected cumulative average growth rate (CAGR) of 6.7%. By 2025, the total revenue of Thailand's tourism will reach 2.05 trillion Baht or 11.7% of GDP.

# Upcoming Report Highlights

## Coming next in April'16

### ASEAN Economic Community

#### ASEAN Physical Connectivity

A brief summary of Thailand's plan on ASEAN physical connectivity

#### AEC Business Survey 2016

A DTTJ's client survey of an ASEAN integrated market

### New Thailand key industry updates

#### Current Situation of Key Industries:

Food & Beverage, Energy (Electricity), and Telecommunications in Thailand



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