



## Quarterly Economic Report

### Q4 | 2016

February 2017  
Deloitte Thailand

# Contents

Message from the Country Managing Partner	3
Executive Summary	4
Global & Asian Economic Review	8
AEC Economic Review	11
Thailand Economic Review	23
Thailand Reform Review	26
Business Survey: Managing in a Slow-Growth Economy	34
Industry Sector Update	49
Automotive	51
Finance & Banking	56
Electronics	60
Residential Real Estate	64
Wholesale & Retail	67
Tourism	70
Upcoming Report Highlights	73



Dear Our Valued Clients,

We are very pleased to release Quarterly Economic Report Q4 | 2016 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 economic growth projection in 2016 is revised down to 3.0% lower than 3.2% in previous year. A slower-than-expected recovery has been caused by negative risks such as an economic slump in China, currency depreciation, subdued global trade, financial instability in Russia, refugee crisis and rising terrorism. While some high-income economies from the west start to gain economic momentum, China's economic slowdown remains the biggest risk to the prosperity of Asia. The lukewarm growth outlook is 5.4% in 2016 and will decelerate to 4.6% on average in 2018-21 owing to an expected economic downturn in China and the US during 2018-19. Nevertheless, ASEAN's economy will be resilient amid global headwinds due to a gradual increase in trade and investment activities among the ASEAN member states. For Thailand, 2016 economic growth is estimated to expand 3.2% driven by strong public investment on large-scale infrastructure projects as well as healthy private consumption, in particular tourism sector.

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 that reads "Subhasakdi". The signature is stylized and cursive.

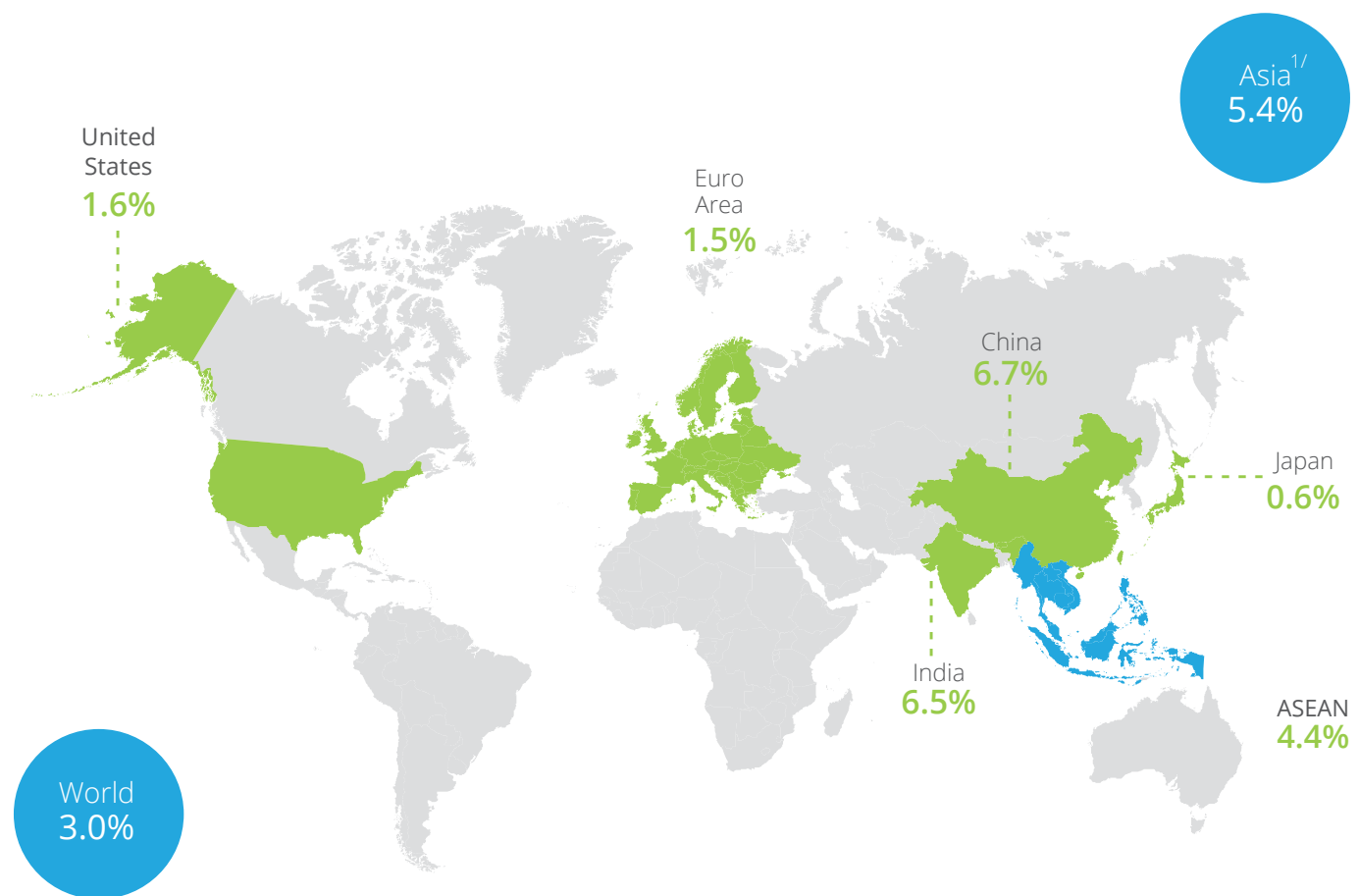
**Subhasakdi Krishnamra**  
**Country Managing Partner**

# Executive Summary

# Executive Summary

Headwinds in the global economy continue to cause the slow global growth environment

## Global and major economies' GDP growth in 2016

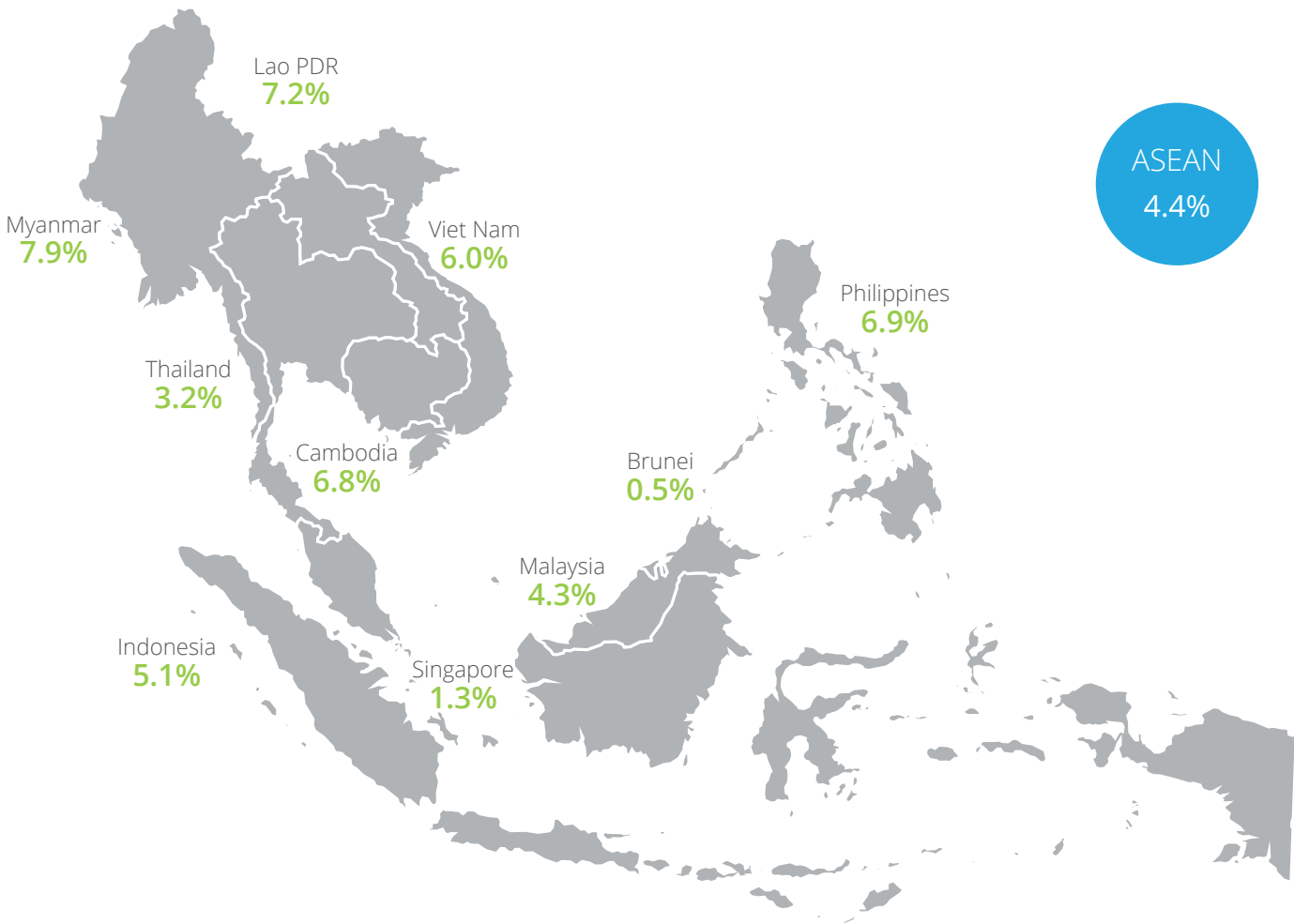


Sources: ADB, EIU, European Economic forecast, & IMF

Remark : 1/ Asia's GDP growth excl. Japan

ASEAN remains resilient and continues to benefit from stable private consumption amid global economic stagnation

ASEAN's GDP growth in 2016



Sources: ADB,EIU, & IMF

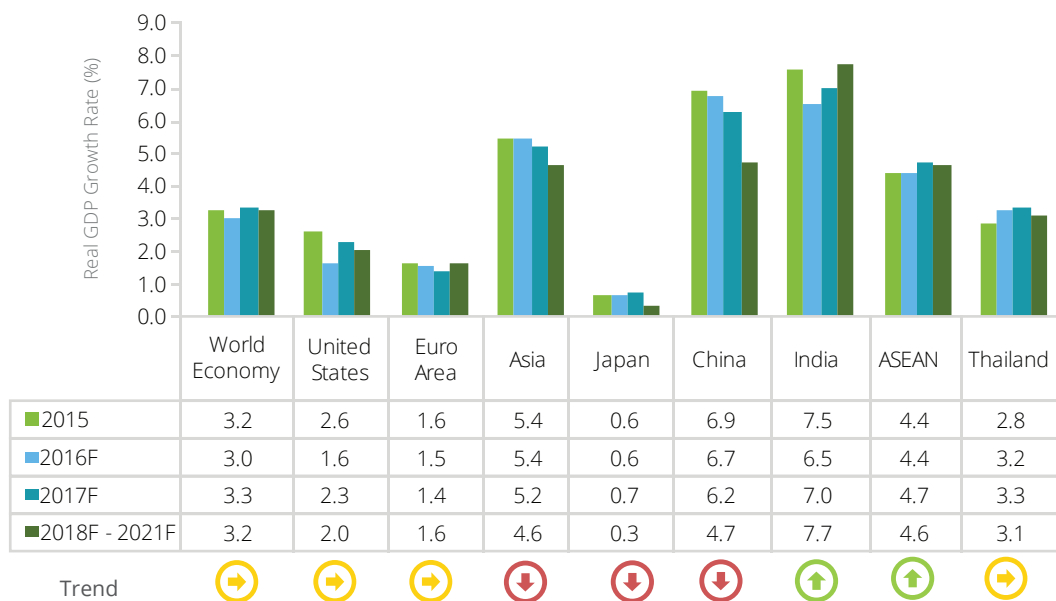
An economic growth projection for the world economy is revised down to 3.0% in 2016 lower than 3.2% in previous year as a result of a slower-than-expected recovery in developed economies and slowing growth in developing economies. Many risks including prolonged economic slump in China, currency depreciation and higher US interest rates, more countries leaving from the EU, and rising terrorism will keep the real GDP growth on average 3.2% in 2018-2021.

Overall, ASEAN economy remain relatively resilient amid weakness in the world economy. An expected recovery of energy prices and global demand, along with a gradual increase in trade and investment activities among the ASEAN member states will drive the region's economic growth rate from 2017 onwards.

Some high-income economies have started to gain momentum. Low inflation, high consumer spending, rising wage rates, and healthy labour market will help accelerate the US's economic growth. Meanwhile, the EU economy is expected to grow steadily with the concern over more countries leaving the EU.

China's economic slowdown remains the biggest risk to the prosperity of Asian region, particularly in export-oriented economies. The fastest-growing subregion is still South Asia. Meanwhile, Japanese economy will continue to grow at the tepid pace as the effect of ultra-loose policy to boost demand for domestic credit is unlikely to be significant.

Thailand's real GDP in 2016 is projected to reach 3.2%, improving from 2.8% in previous year. Both private consumption and investment will grow robustly and help promote the overall economy. A negative effect on growth in outbound shipments owing to weak global demand will remain; however, the impact will be dampened down by the rising merchandise demand from ASEAN countries and significant expansion in tourism sector.



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



# Headwinds in the global economy continue to cause the slow global growth environment

Moderate global growth continues amid challenges and uncertainties. Some developed economies are expected to gather momentum. Meanwhile major developing economies will remain in slowing growth path.

## World Economy

An economic growth projection for the world economy is revised down to 3.0% lower than 3.2% in previous year as a result of a slower than-expected recovery in developed economies and slowing growth in developing economies. Many risks including prolonged economic slump in China, currency depreciation and higher US interest rates, more countries leaving from the EU, and rising terrorism will keep the real GDP growth on average 3.2% in 2018-2021.

## United State

Low inflation, high consumer spending, rising wage rates, and healthy labour market will continue to boost economic growth. Real GDP growth in 2017 will robustly shift above 2.0% after years of recovery

The US political outlook is expected to change dramatically under the Trump administration. However, it is still doubtful that Mr. Trump's protectionist policies such as an increase in infrastructure spending, more tax cuts, and higher trade tariffs will be able to ramp up public spending. On the contrary, a recession in China and a break-up of the EU will damage global sentiment and are likely to reduce US consumer and business confidence in the future.

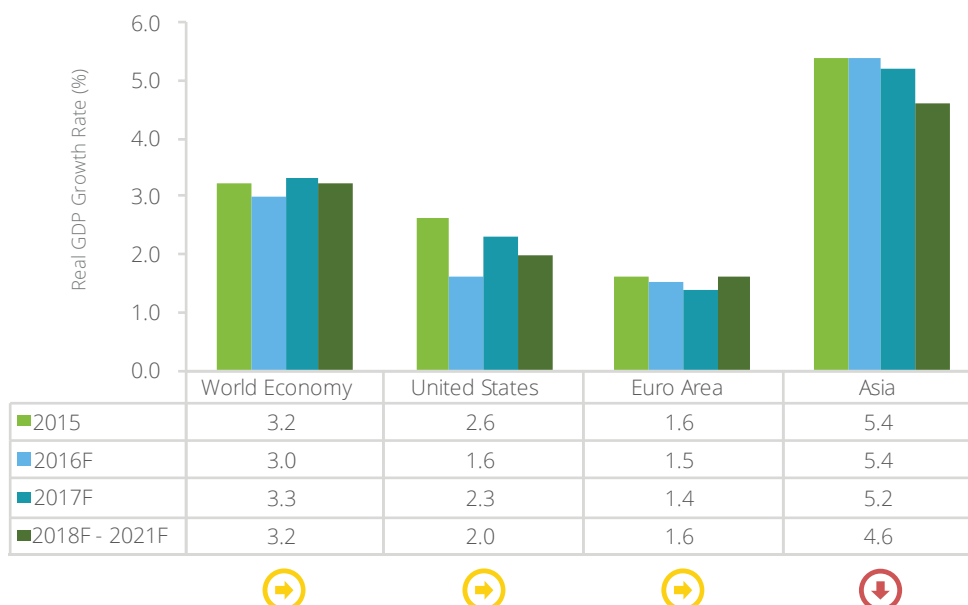
## Euro Area

The UK's decision to leave the EU has weighed on the overall growth and raised concerns about the future viability of the EU. The real GDP growth is expected to drop to 1.5% in 2016 and 1.6% on average in 2018-21

Another concern on the health of the EU is that more countries such as Greece and Italy will withdraw from the EU and would destabilize the global economy.

## Asia (Excl Japan)

The region's real GDP in 2016 is projected at 5.4% and will gradually decelerate to 4.6 on average in 2018-21 driven in large part by weaker growth in China. The fastest-growing subregion is South Asia. Japanese economy, on the other hands, will only expand in a tepid pace. Meanwhile, ASEAN's economy will be resilient and grow steadily from 2017 onwards.



# Slowing growth in China persists and continues to weigh on the region's growth prospects

Asia's economy is still facing a tough road ahead to gain momentum due to sluggishness in China's structural reform, low commodity prices and weaker demand from the west.



## Japan

An ultra-loose policy will continue to boost demand for domestic credit but its effect is unlikely to be significant as previous packages have done little to promote economic growth. However, a positive contribution from the external sector will help improve the overall economic picture.

The effect of policy tailwinds from Abenomics attempting to alter behavior of consumer and corporate spending will be offset by changing demographic structure. It is expected that the overall population and workforce will contract steadily and weaken consumption, investor confidence as well as GDP growth in 2017-21.

## China

Real GDP growth is forecasted to slow to 6.7% in 2016 mostly driven by strong housing market activity and investment by SOEs. However, their impacts on economic activities will not be strong next year. Investment growth will drop to 4.6% in 2017 compared to 6.2% in 2016. Meanwhile, private consumption growth will also decelerate but it will remain robust.

The slowdown in Chinese economy will mostly stem from tepid investment, especially in household construction. Meanwhile, private consumption will rise as a result of higher incomes. Government consumption will also expand at a rapid rate. However, economic growth will be undermined by the US's action to prevent a flow of imports from China.

## India

The demonetization scheme has caused a shortage of cash on which most of India's economy depends. It is expected that this cash crunch will have a severe impact on economic activities.

Manufacturing sector will benefit from an improvement in the business environment due to an ease of restriction on foreign investment. On the private consumption side, the high public infrastructure spending and improved liquidity shortage will help accelerate GDP growth in 2017-21.

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

# AEC Economic Review

# ASEAN in the global economy

## SEA countries as

a single country, would be

1



### Economy

6<sup>th</sup> largest GDP globally 2015 –  
At US\$ 2.6 billion behind  
United States, China, Japan,  
Germany, and United Kingdom.

### Trade

The world's 4<sup>th</sup> largest exporter  
– behind the EU, US and China.  
Intra-ASEAN trade is the largest  
share (24%) of ASEAN's 2015  
total trade



### Population

3<sup>rd</sup> largest population with 630 million  
in 2015 – behind China and India.  
More than half under the age of 30  
and 48% living in urban areas.



### Internet

4<sup>th</sup> largest pool of internet users  
globally in 2015: behind China,  
India, and the US.

### Mobile

3<sup>rd</sup> largest market for mobile  
subscriptions after China and India.



### Investment

US\$120 billion of FDI in 2015  
(60% is FDI in services).

3x increase in total FDI from US\$43  
billion 2005 to US\$121 billion 2015.

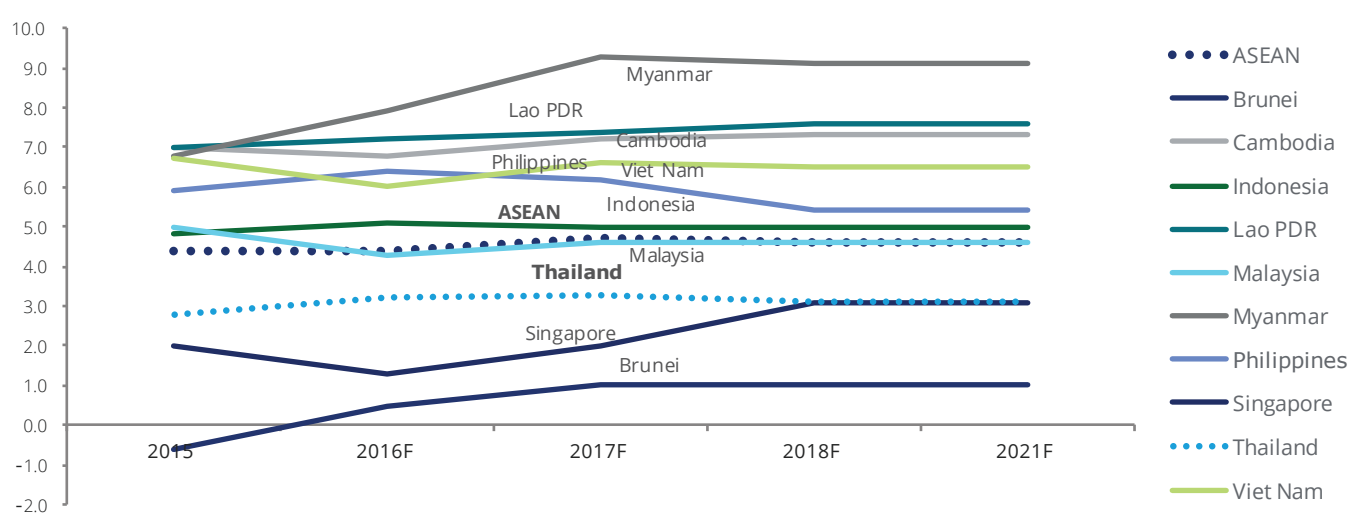
Intra-ASEAN FDI was the highest  
source of FDI in 2015 (5x increase  
from 2005 to 2015).

Source: ASEAN Secretariats, IMF, WorldBank, Internet Live Stats (<http://www.internetlivestats.com/>),  
and Simon Kemp. (2016). Digital in 2016. We Are Social.

# Overall, ASEAN economy remains relatively stable amid external headwinds

ASEAN's economic dynamics will bounce back and steadily grow from 2017 onwards as the world economy gradually stabilizes.

Real GDP growth rate of ASEAN economies from 2015 – 2021F



Real GDP growth Rate	ASEAN	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
2015	4.4	(0.6)	7.0	4.8	7.0	5.0	6.8	5.9	2.0	2.8	6.7
2016F	4.4	0.5	6.8	5.1	7.2	4.3	7.9	6.9	1.3	3.2	6.0
2017F	4.7	1.0	7.2	5.0	7.4	4.6	9.3	6.2	2.0	3.3	6.6
2018F - 2021F	4.6	1.0	7.3	5.0	7.6	4.6	9.1	5.4	3.1	3.1	6.5
Trend	↑	↑	↑	→	↑	→	↑	↓	↑	→	↑

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

# Brunei

A weak but positive economic growth is shown after the years of maintenance works in ageing oilfields and gasfields. Meanwhile, a modest recovery in oil prices and a rise of private consumption will help boost growth in 2016-17

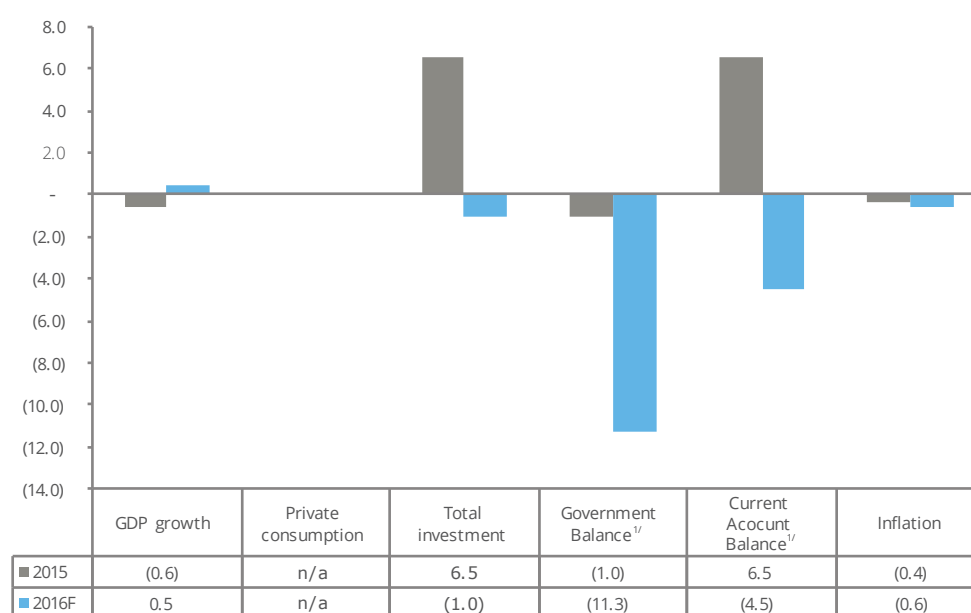
The sultanate's economic growth still rely largely on the performance of the oil and gas sector. A slight recovery of oil and gas output will help boost 2016 real GDP to 0.5% before picking up to an average of 1.5% a year in 2017-18.

A decline in government spending remains the largest drag on growth in 2016. On the contrary, a rise in private consumption spending, ongoing construction projects and falling unemployment will support the economic expansion during the years of the forecast period.

The surge of chemicals exports and number of FDI projects in the pipeline as a result of the attempt to create alternative drives of economic growth other than the oil and gas sector. However, it will be a long journey towards creating employment and growth in manufacturing and agriculture sectors.

## Brunei economy forecasted to grow 0.5% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, and IMF  
1/ % of GDP

# Cambodia

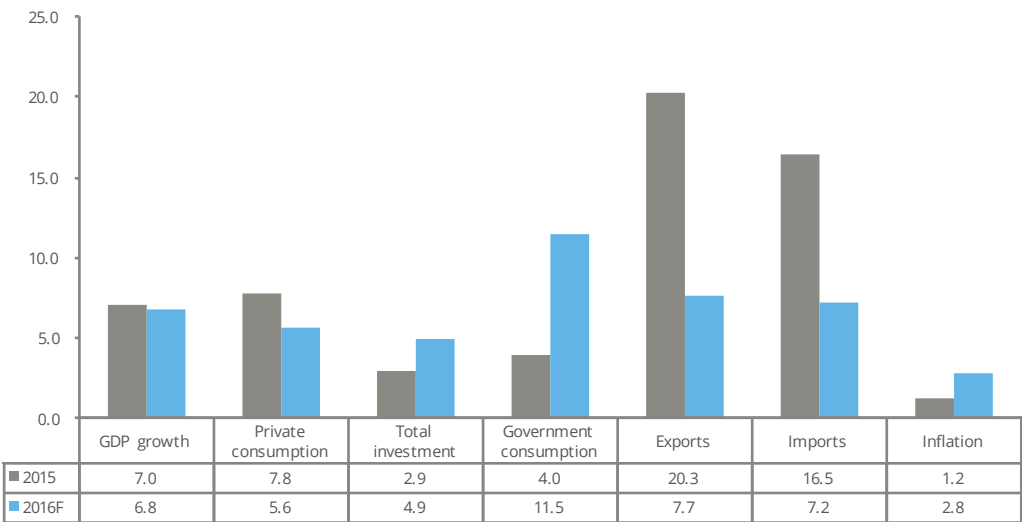
A strong garment sector, real estate, and infrastructure projects help offset weaker growth in agriculture and tourism sectors and continue to fuel growth.

Since the economy still relies mostly on private consumption, the fall in household indebtedness and the improvement of productivity will help encourage higher spending. Cambodian economy is forecasted to slightly decelerate to 6.8% in 2016, compared to 7.0% in previous year.

Continued growth in exports from the garment and footwear industry due to the recovery of global trade will overshadow the deceleration in tourism and agriculture sectors.

A positive outlook for investment growth is projected owing to the strong relations between Cambodia and China. This allows large direct bilateral loans from China and make available for oversea infrastructure projects in 2017-21.

Cambodian economy forecasted to grow 6.8% in 2016  
Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF

# Indonesia

Insufficient government expenditure and poor exports of goods and services remain the biggest constraint on economic growth. However, private consumption still grows amid headwinds from external demand.

Private consumption which is the biggest chunk of Indonesian GDP will robustly grow as a result of lower inflation and credit costs and more employment. It is expected that real GDP growth will slightly improve from 4.8% in 2015 to 5.1% in 2016.

A failure to reach the targeted tax revenue will undermine the government expenditure. Meanwhile, the country will continue to experience the drag from external sector. Growth in exports will not be sufficient to drive the overall economy as imports begin to rise.

A doubt about the administration's effort to boost more private investment from both local and foreign investors and the attempt to implement reforms in certain areas such as removing protectionist rules on trade and investment and inflexibility of labour market will result in a big uncertainty about the economy in 2017-21.

Indonesian economy forecasted to grow 5.1% in 2016  
Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF



# Lao PDR

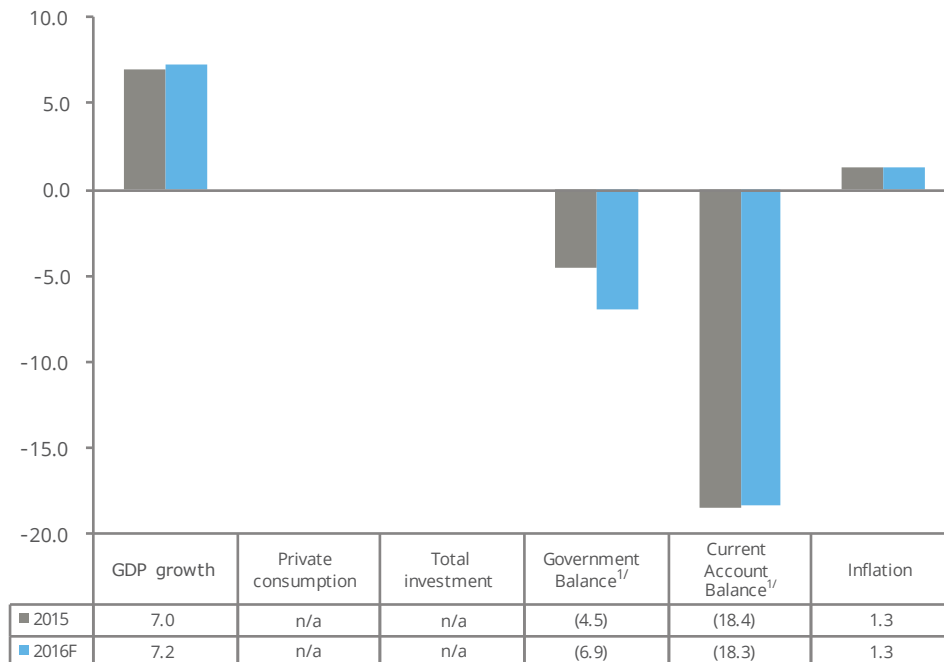
The attempts to rein in fiscal deficit will lower GDP growth. Nevertheless, the economy still fairly grows supported by higher private consumption spending and exports of goods and services and ongoing work on hydropower project.

Growth in tourism sector coupled with an increase in remittances received from Lao workers in Thailand will encourage private consumption spending. A higher than expected economic growth in Thailand will have a positive impact on Lao's economy helping boosting retail trade.

The large numbers of ongoing construction projects such as hydropower projects, a high-speed railway from the capital, Vientiane, to the Chinese border, and the Wattay international airport will support investment spending and demand for imported capital goods over the forecast period.

A moderate rise in global commodity prices will give a fillip to the exports of goods and services, particularly copper and coffee. It is forecasted that the country's GDP growth in 2017 and 2018 will be slightly lower to 7.0% as the government will attempt to rein in current fiscal deficit and focus more on better management of resources.

**Lao PDR economy forecasted to grow 7.2% in 2016**  
Real expenditure on GDP (% change)



Sources: ADB, EIU, and IMF

1/ % of GDP

# Malaysia

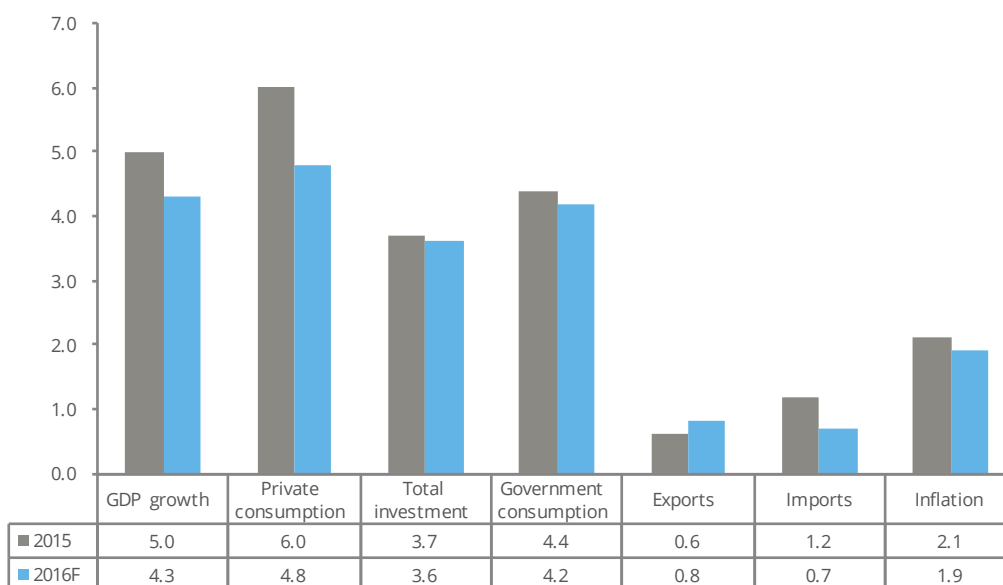
Overall economy will not gain much traction. Negative effects of subdued global trade and low energy prices will continue to undermine the GDP growth in 2016.

Malaysian economy remains sluggish as a result of the negative effects of subdued world trade growth and low global energy prices. These two factors will weigh on export volume and investment in energy sector. It is estimated that the economy will expand by 4.3% in 2016 and 4.4% on average in 2017-21.

Private consumption will be muted reflecting weak domestic demand as a result of the softer labour market, lower revenue from hydrocarbon and other commodities, and contraction in agriculture.

It is forecasted that the accommodative monetary and fiscal policies will help encourage private consumption, a key driver of GDP growth in 2017-21. On the contrary, the impact of weak external demand, particularly China and the US, for Malaysian's exports such as hydrocarbon and electronic and electrical goods will limit real growth in exports throughout the forecast period.

**Malaysian economy forecasted to grow 4.3% in 2016**  
Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF

# Myanmar

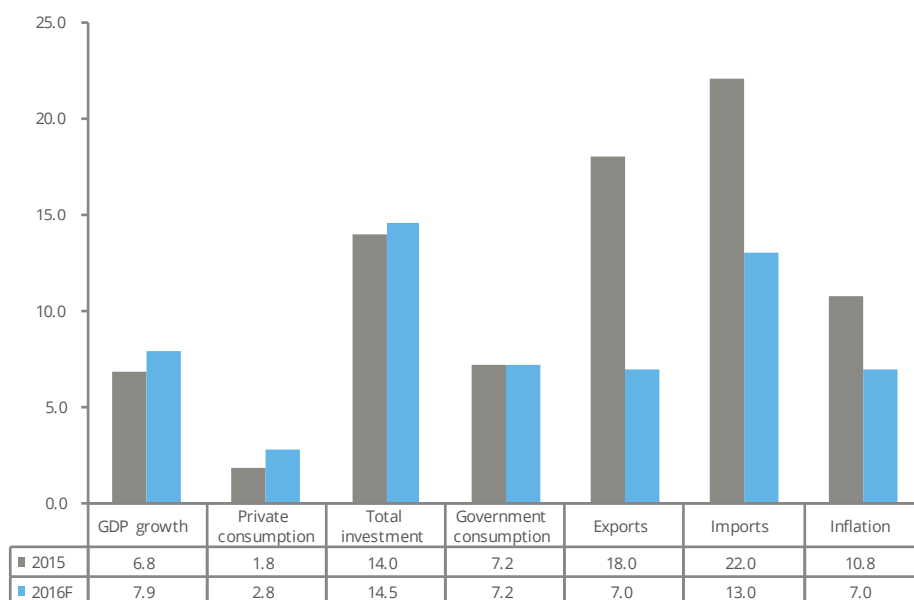
Foreign investment continues to surge as a result of special economic zones, together with regulatory and legal reforms. The new offshore gasfields will help drive export growth but rapid growth in imports will slightly subtract net exports.

The headline GDP growth in 2016 is projected at 7.9% fueled by large projects in hydrocarbons and infrastructure. Despite the fact that global energy prices remain relatively low, oil and gas exploration still continues and will steadily increase when the international fuel prices recover in 2017-21.

Foreign investment still plays a significant role in shaping Myanmar economy. Special economic zones (SEZs) will attract flows of investment from abroad. Moreover, regulatory and legal reforms introduced will also help drive investment spending and accelerate GDP growth.

Private consumption will help lift domestic demand. Rapid growth in imports due to stronger investment activity, however, will be a drag on net exports.

**Myanmar economy forecasted to grow 7.9% in 2016**  
Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF

# Philippines

A country remains resilient amid years of turbulence in the global economy. Public investment, especially infrastructure projects, remains strong. Private consumption continues to support growth due to healthy inflows of remittances.

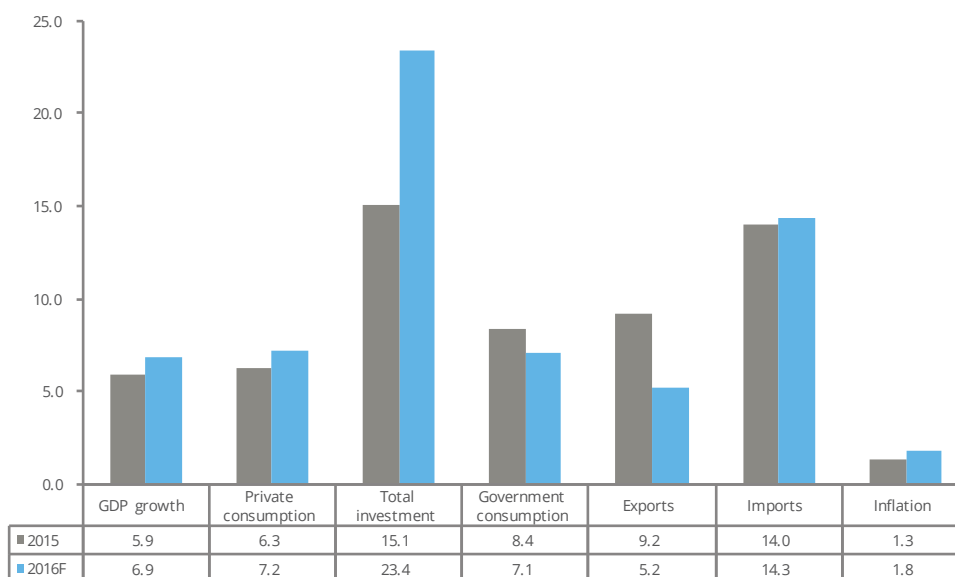
The economy will constantly grow amid the turbulence in the global economy. It is projected that real GDP growth in 2016 will reach 6.9% supported by strong public investment and healthy private consumption.

A number of infrastructure projects continues to promote public investment. However, the stagnation of Disbursement Acceleration Programme, a funding transfer from stalled projects to new or faster-moving one, will limit the growth of investment in 2017-21.

Service exports grown steadily as the business process outsourcing sector remain strong. Nevertheless, an increase in total investment, together with higher domestic demand will result in higher imports and will eventually undermine the net exports and GDP headline in 2016.

## Philippine economy forecasted to grow 6.9% in 2016

Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF

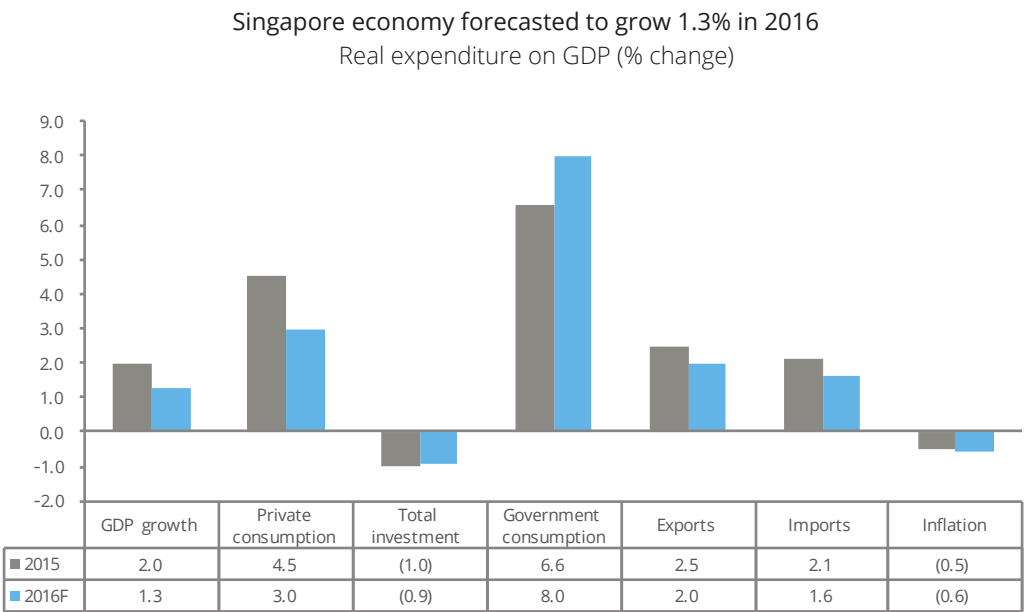
# Singapore

The economy continues to lose further momentum. Both public and private consumption will help stimulate economic activities; however their impacts on growth will not outweigh a slowdown on trades in both goods and services.

A stronger rebound in manufacturing will slightly support real GDP growth in 2016. Nonetheless, the weakness in imports of goods and services will continue and reflect a reduction in the volume of goods going through Singapore.

Some positive support to alleviate the effects of weak external demand are from both healthy private and public consumption due to rising wage rate and more inbound tourists. Likewise, government expenditure on infrastructure and health care will help boost growth during the forecast period.

A stronger economic performance is forecasted in 2017 due to a modest recovery in energy prices and global trade. Nevertheless, an economic slowdown in China and a mild recession in the U.S. in 2018-19 will pose a challenge on Singapore, the export-oriented economy.



Sources: ADB, EIU, & IMF

# Viet Nam

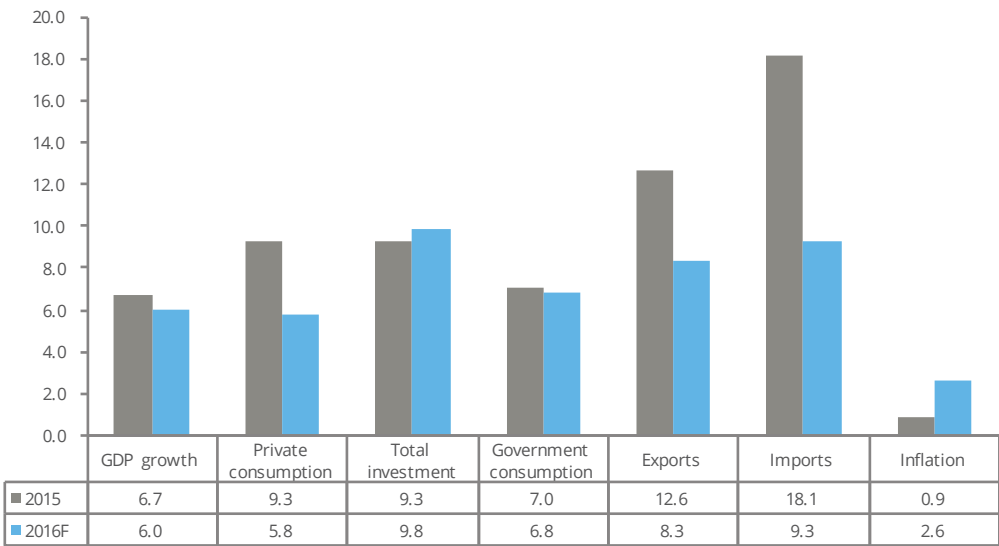
A surge of inward foreign investment, together with robust domestic demand will underpin the economic expansion. Meanwhile, import gains and agricultural sector’s problem due to adverse weather condition will exert a drag on GDP.

Headline expansion will continue to improve supported by gradual market-friendly reform by the government and a surge inflows of foreign investment, especially in manufacturing and electronic sectors as a result of the migration of low-cost export manufacturing from China.

An expected rebound in global demand growth will help improve growth to 6.5% on average in 2017-21. An increase in private consumption due to moderate inflation, together with a continuation of accommodative monetary policy will also support growth in the initial part of the forecast period.

Nevertheless, it is likely that the GDP growth will slightly drop in 2019-20 reflecting the anticipated technical recession in the US, the Viet Nam’s single-largest export market.

Vietnamese economy forecasted to grow 6.0% in 2016  
Real expenditure on GDP (% change)



Sources: ADB, EIU, & IMF

# Thailand Economic Review

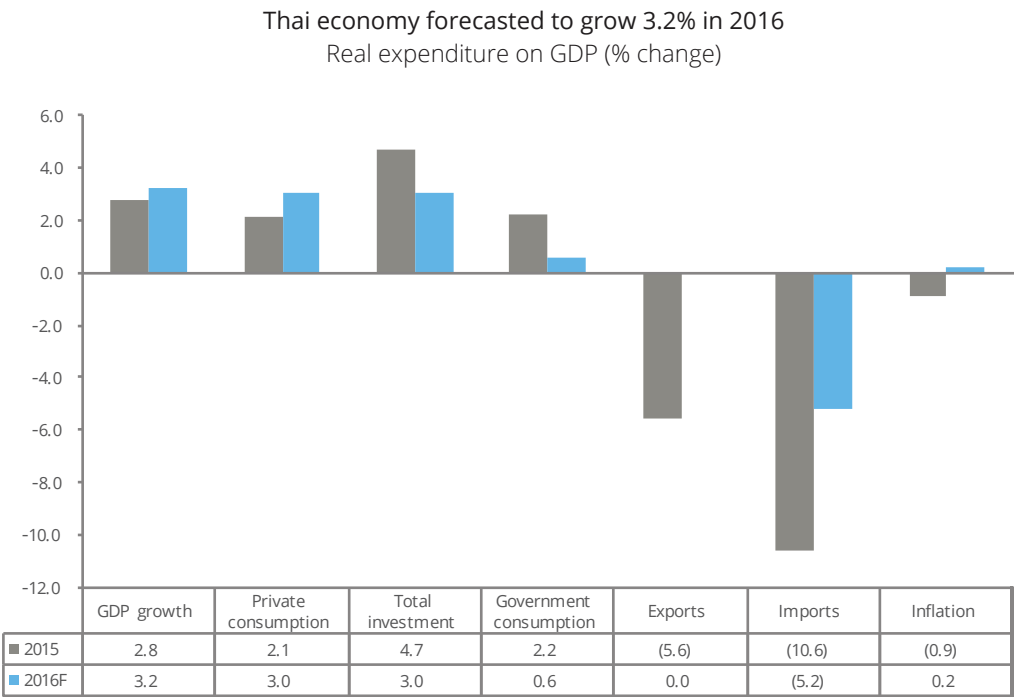
# Thailand

Public investment on large-scale infrastructure projects as well as private consumption, in particular tourism sector will help secure positive growth in 2016.

Since the domestic economy is gradually gathering momentum amid the external headwinds, 3.2% real GDP growth with the 0.2% headline in 2016 is projected, improving from 2.8 % in 2015.

Public investment continues to grow well due to ongoing infrastructure projects. Meanwhile, a slowing of year-on-year government consumption growth owing to expedited disbursement in earlier period will undermine growth during the forecast period.

Both private consumption and investment continue to expand robustly, particularly in tourism sector as business confidence grows on the back of increased political stability following the referendum and increased public spending and handouts to the rural economy has increased



Sources: ADB, NESDB, EIU, & IMF

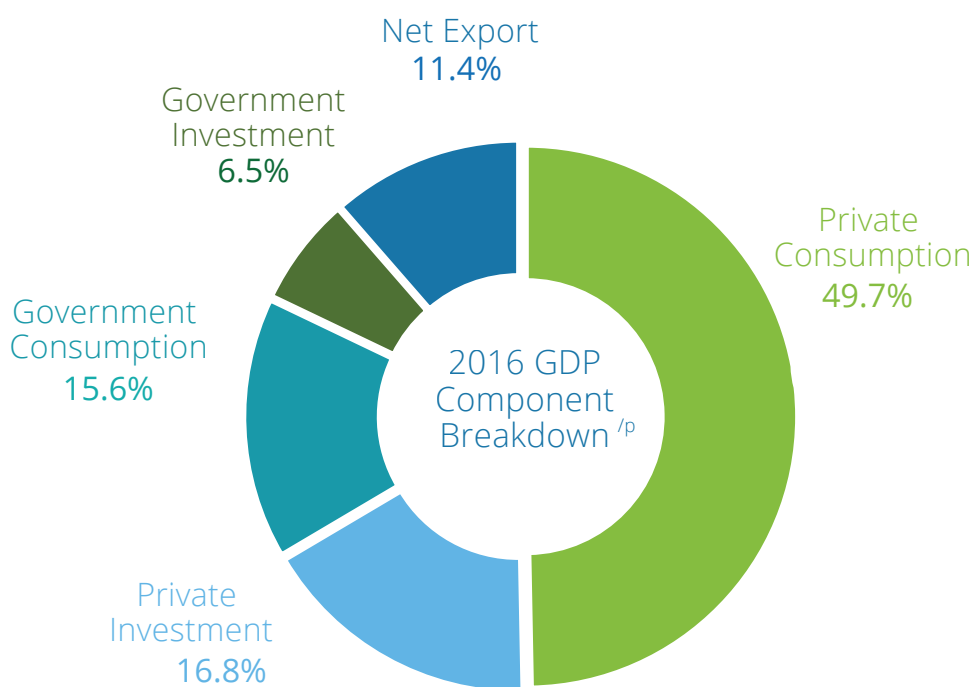


A surplus on the current account in 2016 is forecasted aided by an ongoing decline in imports; however, export volume is expected to slightly improve owing to an improvement of oil price and commodities price in the global market.

Infrastructure development, large labour force with low wage rates, and favourable regulatory reform in other ASEAN countries will continue to pose a challenge on Thailand's competitiveness and real GDP growth in the coming years.

More political certainty and economic stability will boost both private local and foreign investment in 2017. Moderate recovery in external demand and rising demand from other ASEAN countries will encourage both merchandise and service trade.

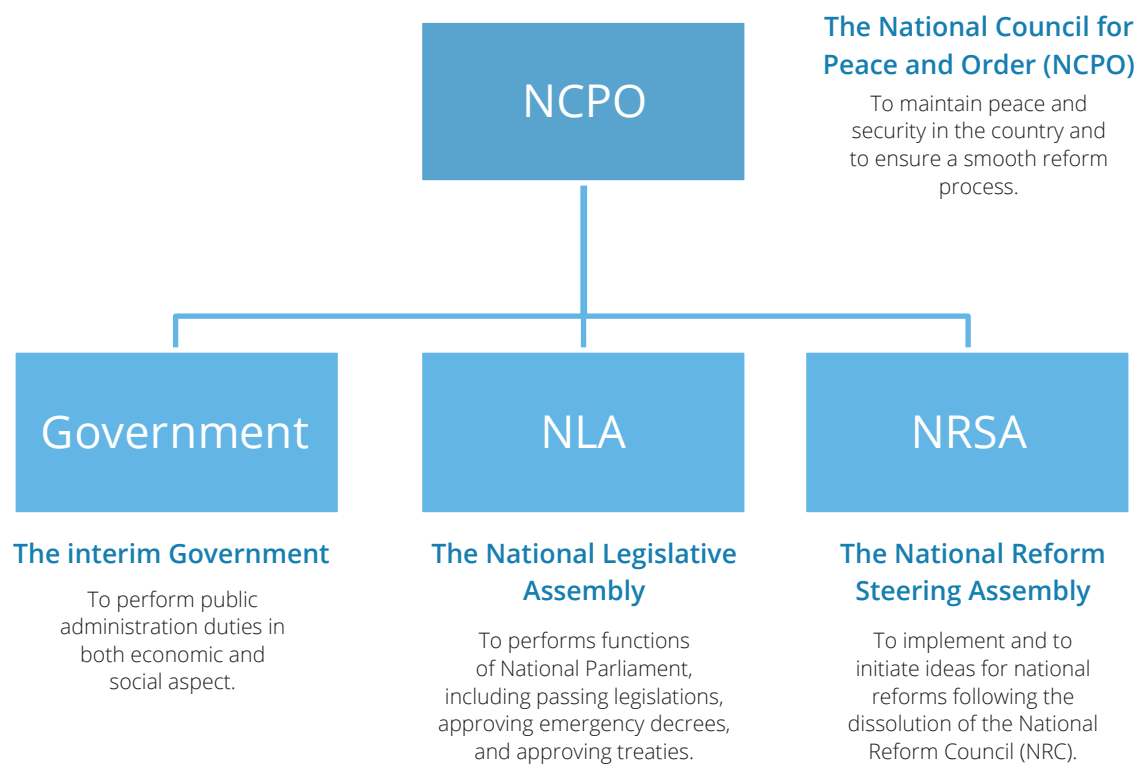
It is forecasted that both China and the US will encounter economic downturn in 2018-19 and it is likely to have a negative impact on Thai economy. As a result, growth in outbound shipments will slow again; however, their impact will be relatively low as the rising merchandise demand from ASEAN countries and significant expansion in tourism sector will help dampen the negative impacts.



Sources: NESDB, K-Research, SCB EIC, & DTTJ Estimates  
/p preliminary data

# Thailand Reform Review

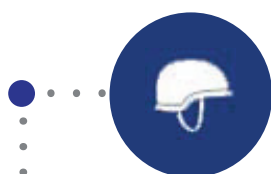
# Thailand’s Current Politics and Administration System



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

### Jun 2014

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

### Jul 2014

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

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

# 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.



## Stage Two

Create an environment contributes to national reforms with NLA & NRC in actions.

### Aug 2014 – 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 recommendation for Thailand reforms

### 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 drafts the 20<sup>th</sup> Constitution of Thailand.
- NRC rejected the draft of the 20<sup>th</sup> Constitution of Thailand by 135 votes against 105 in favour with 7 abstentions, and in turn, was dissolved on September 6, 2015.
- NPCO 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.

Sources: compiled from NCPO, the Royal Thai Government, ThaiPBS, & Thai Local Newspapers (The Nation, Bangkok Post)

# 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.



## Stage Two - Continued

Create an environment contributes to national reforms with NLA & NRC in actions.

### Oct 2015 – Aug 2016

- Appointed a new 21-person Constitutional Drafting Committee to propose the new draft of 20<sup>th</sup> 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.
- Conducted a nationwide referendum of the drafted 20<sup>th</sup> Constitution of Thailand on August 7, 2016. the majority of the voters (61%) accepted the drafted 20<sup>th</sup> Constitution of Thailand and also 58% of them allowed the Senate to take part in electing the Prime Minister during the five – year transition period.

### Aug 2016 – Nov 2017 (Approximately)

- Amended the drafted 20<sup>th</sup> Constitution in line with the referendum result.
- Launch the 20<sup>th</sup> Constitution of Thailand.
- Draft and deliberate the organic laws of the 20<sup>th</sup> Constitution of Thailand.



## Stage Three

An election will be held to restore full democracy.

### Dec 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.

Sources: compiled from NCPO, the Royal Thai Government, ThaiPBS, & Thai Local Newspapers (The Nation, Bangkok Post)

# The Interim Government to perform public administration

The Interim Government established under Thailand's Interim Constitution 2014 consists of the Prime Minister (General Prayuth Chan-ocha) and 34 other ministers appointed by the King to perform public administration.

## Government Priorities

- Accelerating Thai economic growth
- Agricultural reform
- Anti-human trafficking
- Energy and environment sustainability
- Social affairs
- Thailand and the world

## Highlights

- Thailand held the second Asia Cooperation Dialogue (ACD) Summit to promote cooperation in various areas, taking advantage of the diverse potential of ACD member countries. The summit aims to implement the ACD Vision 2030, Bangkok Declaration and the ACD Statement on reigniting Growth through Partnership for Connectivity.
- Cabinet reshuffle following the resignation of two ministers appointed to be members of the privy council during December 2016.
- The Prime Minister stressed Thais 4.0 as the core development of the Thailand 4.0 goal, which requires more skilled laborers, social responsibility, a stronger Thai identity, and the ability to implement new technologies. In 2017, all government agencies focus on communicating the Thais 4.0 and Thailand 4.0 goals to the public at all levels, including students, farmers, laborers, and members of the business and industry sectors.

Sources: The Royal Thai Government, Thailand Interim Constitution 2014,  
National New Bureau of Thailand & 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 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 convened a meeting on 29 November 2016 to acknowledge the appointment of the Heir to the Throne, and the NLA President formally invited His Royal Highness Crown Prince Maha Vajiralongkorn to ascend the Throne.
- NLA approved amendment to Sangha Act in all three readings, allowing the power to appoint a supreme patriarch to be transferred to His Majesty the King.
- NLA deliberated the counter-terrorism financing bill, with a vote of 198-1 and six abstentions, allowing it to become a law. The committee chairman noted that it would improve the efficiency of the prosecution of terrorism sponsors and subject the culprits to punishments under the Anti-Money Laundering Act.
- NLA engaged in the second and third readings of a draft act on digital economy and society development. The law seeks to lay information and communication technology foundations, undo redundancy in relevant agencies and increase Thailand's competitiveness on the world stage.
- NLA reviewed legislation on juristic entities and nepotism and in turn deliberated on additions to an act to do with the criminal responsibility of juristic entity representatives and ultimately passed the act.

Sources: The Royal Thai Government, Thailand Interim Constitution 2014, National New Bureau of Thailand & Thai local newspapers (The Nation & Bangkok Post)



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

NRSA established under Thailand's Interim Constitution 2014 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

- CDC has submitted the final charter draft, which had been adjusted by the Constitutional Court, to the Prime Minister.
- NRSA considered legislation to strengthen Election Commission to ensure fairer, more transparent elections. Recommendations for the election body focused on strengthening its capabilities and bolstering public belief in the panel.
- NRSA deliberated reform plan to promote financial knowledge as a way to create financial discipline and reduce inequality in society.
- NRSA considered establishment of national cyber security commission to protect the Kingdom's internet and computer network systems as Thailand does not have a central agency to coordinate protection and maintenance of computer networks.
- CDC targeted to revise laws regarding preparations for an election by collecting ideas and suggestions from political parties' representatives, had found noteworthy points that indicated the need to review the organic laws on elections.

Sources: The Royal Thai Government, Thailand Interim Constitution 2014,  
National New Bureau of Thailand & Thai local newspapers (The Nation & Bangkok Post)

# Business Survey

## Managing in a Slowing Economy

Conducted by Deloitte Thailand

Period: September – November 2016

“Risks to the global outlook remain tilted to the downside, with the world facing **three big adjustments**: the emerging-market slowdown, China’s shift to growth driven less by exports and manufacturing, and the Federal Reserve’s gradual exit from ultra-low interest rates. **Global growth could be derailed if these challenges are not managed**” – IMF

# Contents



## Objectives

This section delineates the research objectives aiming to understand on how companies from various industries in Thailand will respond during the period of slowing economy.

The scope of the survey will include topics of interest related to companies’ awareness and potential actions for managing in the slow-growth economy.



## Findings

A detailed analysis conducted by Deloitte Thailand's specialists will be provided in this section.

More than 100 respondents, mostly are top & senior executives participated in this survey.

– We are able to achieve the significant results and draw a firm conclusion accordingly.



## Summary

Survey outcomes will be discussed in this section. An in-depth summary will provide companies with further focus and refine their strategies under the current economic slowdown.

With extensive experience in conducting research and business survey in Thailand and across the region, we are confident of our ability to provide the high quality summary of the survey.

# Objectives

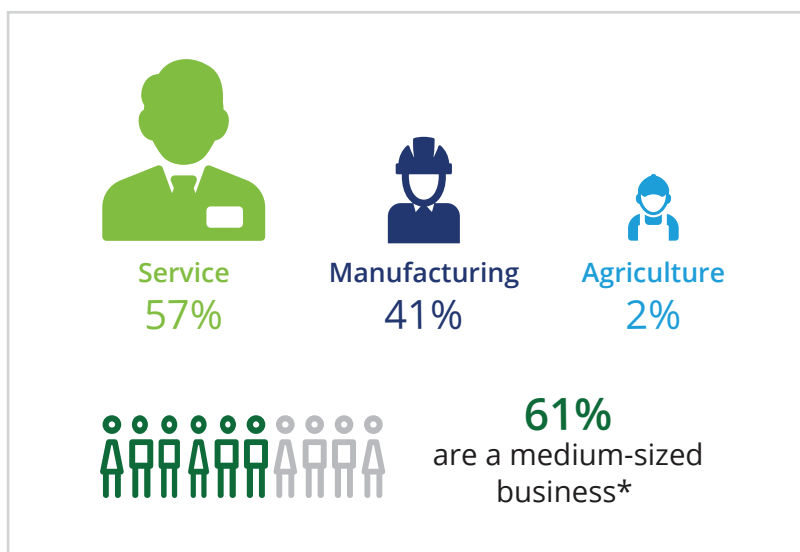
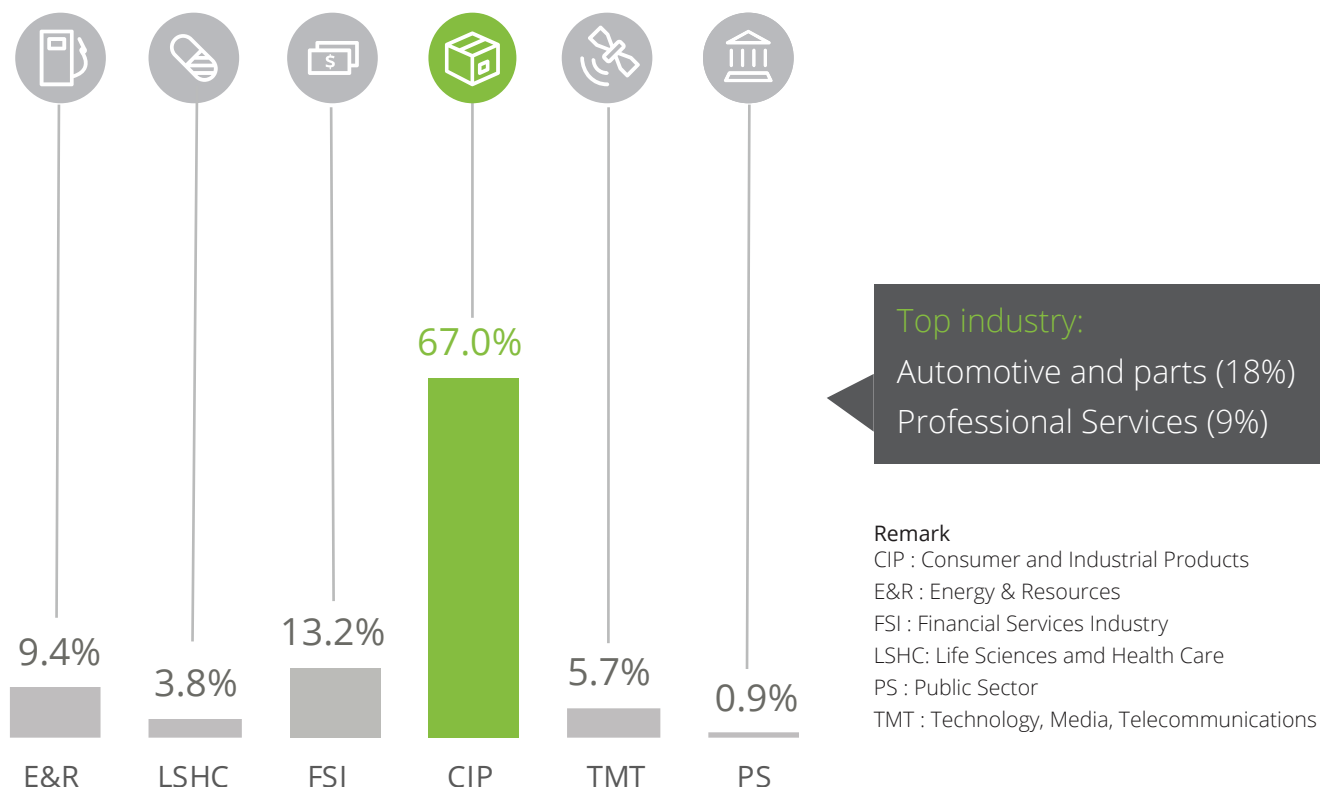


"It is evident that we might be on the verge of another economic downturn if the debt crisis in Europe persists and the Chinese bubble bursts." –  
**Deloitte Thailand**

# Findings

From 106 respondents,...

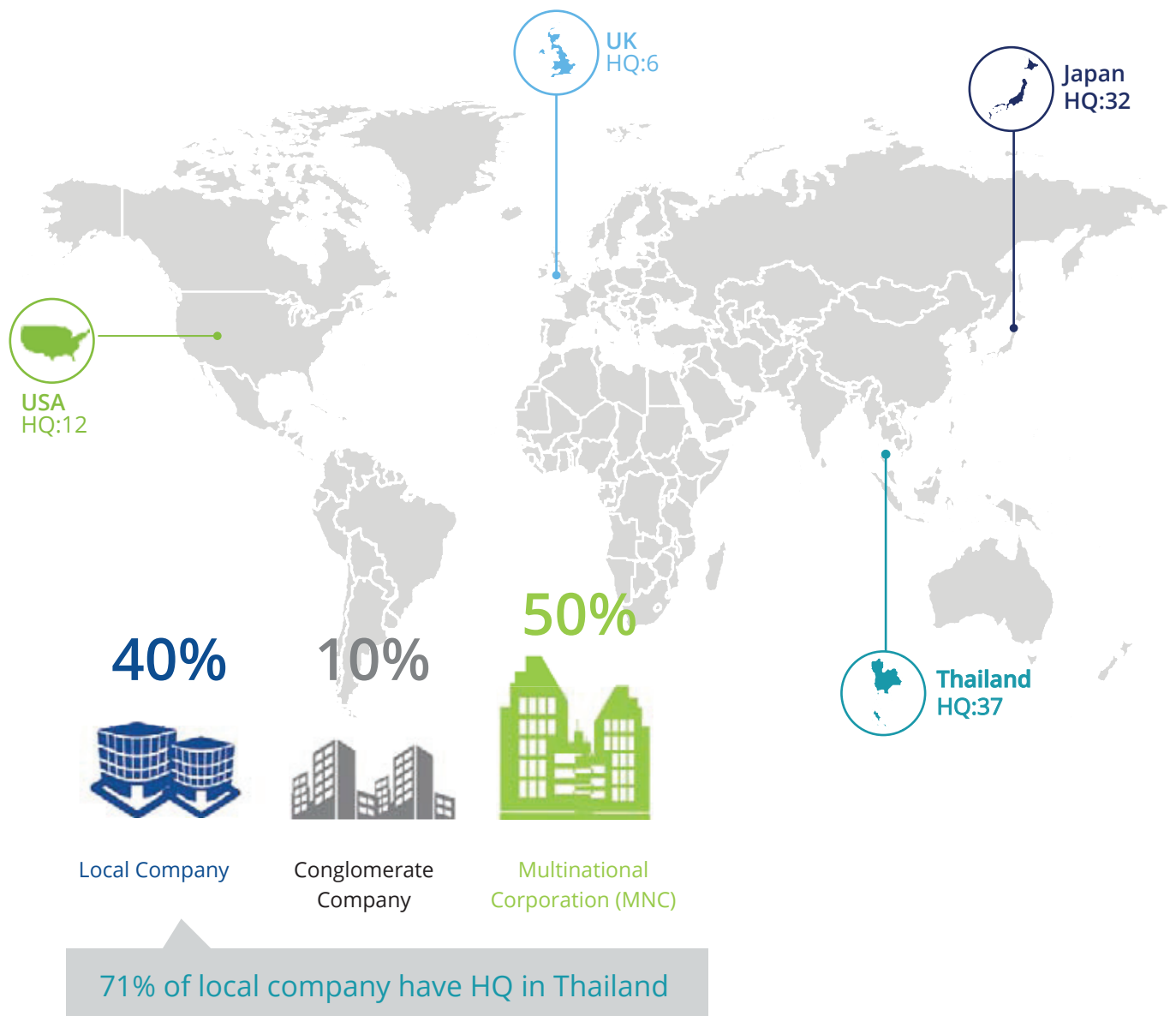
58% of respondents are top & senior executives



\* A medium-sized business has fewer than five hundred employees in the US

# Findings

65% of respondents have their HQ in Thailand and Japan



# Findings

100% are aware of the economic slowdown

54% feel the overall economy is slowing

30% say **the economy is staying the same**. Meanwhile, the rest (16%)  
believe that **the economy is picking up**

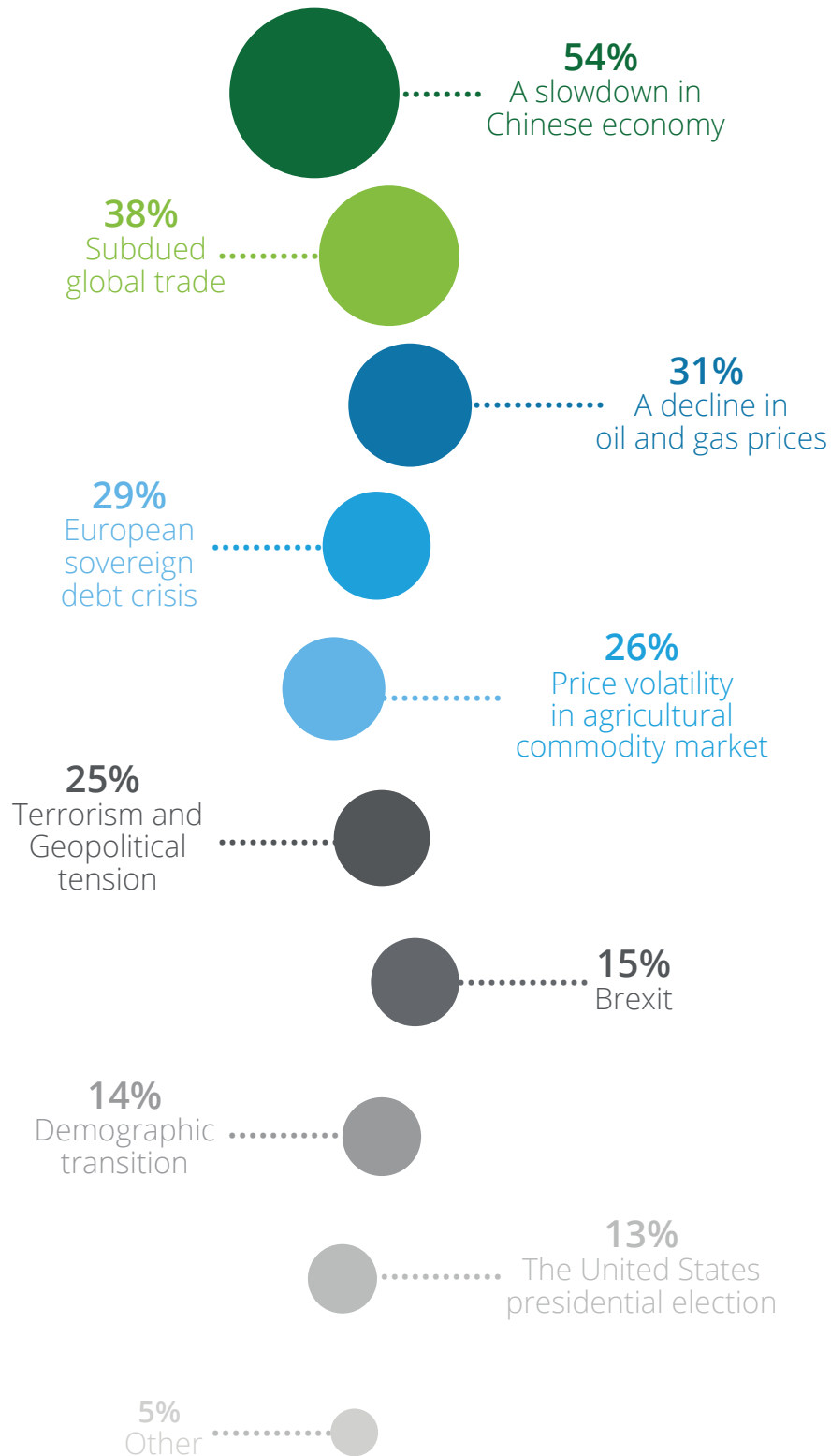
Half of respondents consider the economic slowdown  
affects their business

14% of respondents say **"The impact on their business will be very significant"**



# Findings

A business will be affected by...



# Findings

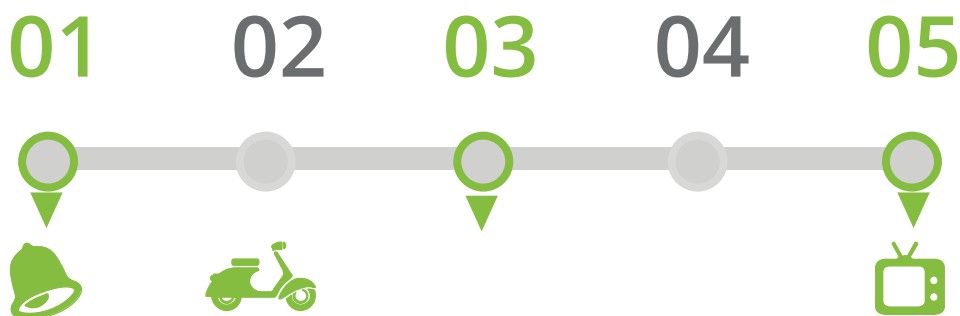
77% agree that lessons learned from previous economic crisis/downturn help minimise the impact of the current economic sluggishness and emerge strongly when the economy stabilises.

The economy will be recovered in...

Less than 3 years (55%)

3 to 5 years (40%)

An More than 5 years (5%)



## In the next 12 months,

47% feel an economy will improve  
30% say the economy will be the same  
23% An economic will be worse



40% view that those policies conducted by Thai gov. and BOT have a little support to their business. Meanwhile, 60% say *"Much and fairly support"*

# Findings

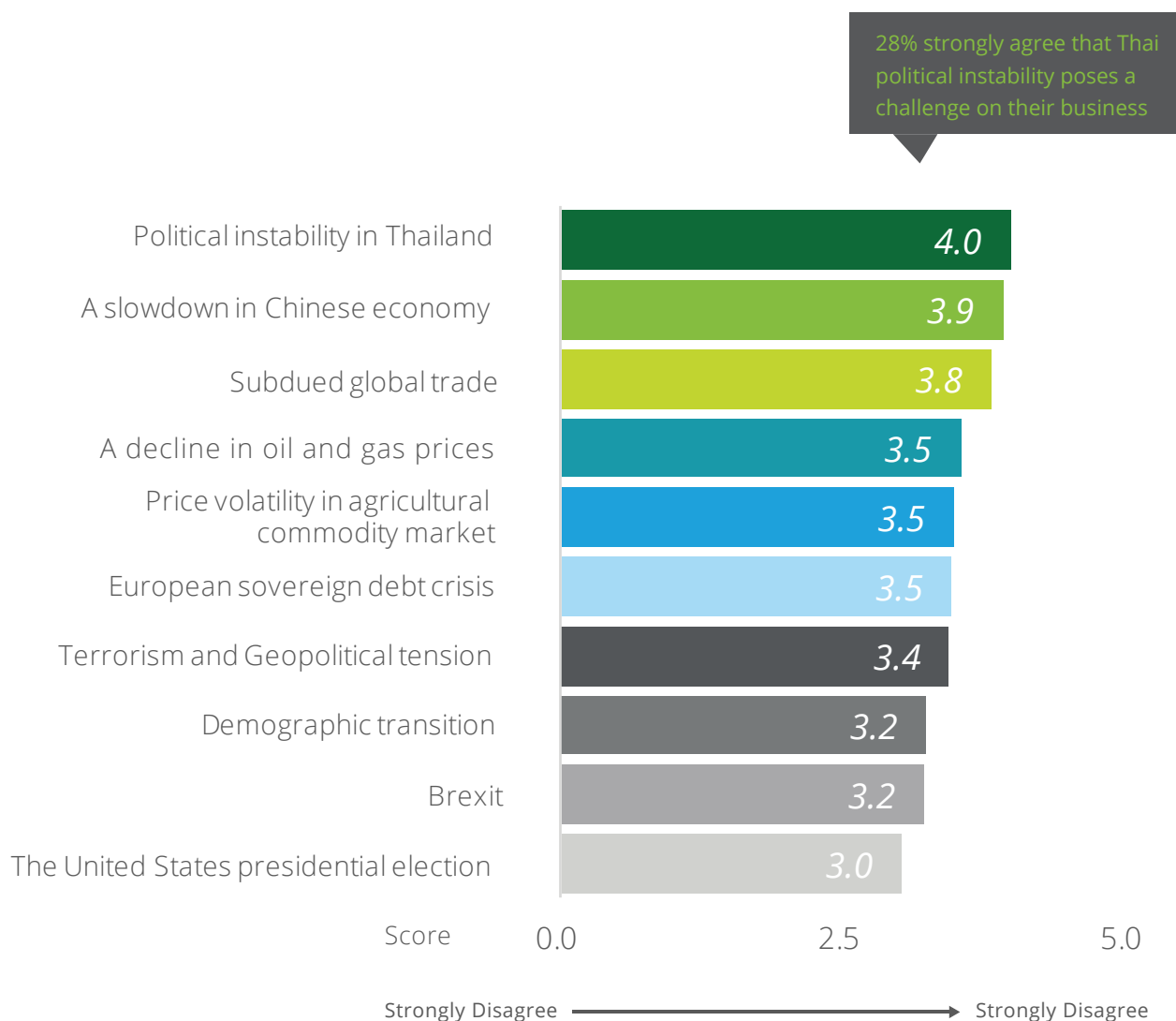
81% say the level of economic slowdown is moderate



“People” is ranked as the most important factor to deal with during the economic downturn.

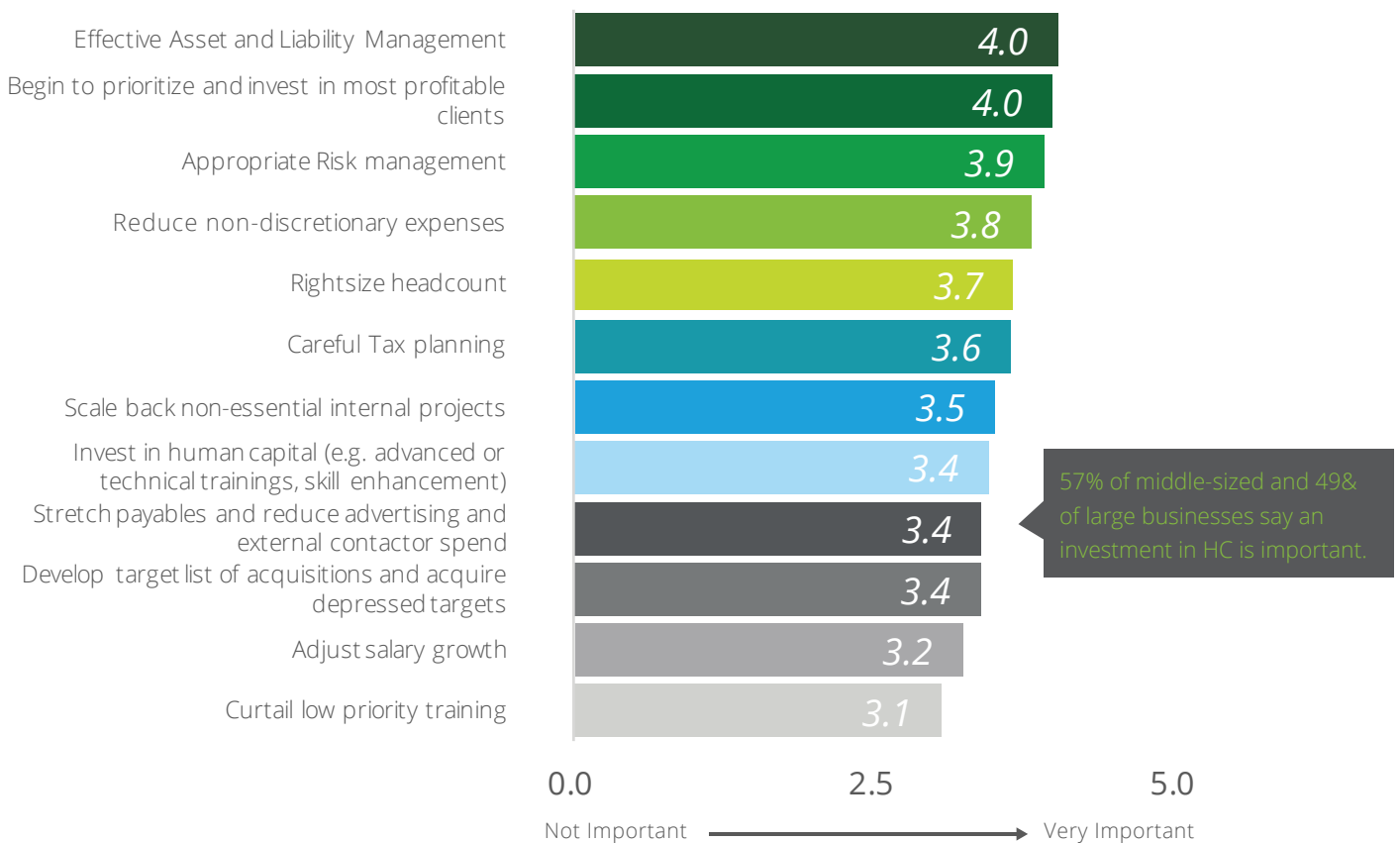
# Findings

Factors considered as challenges on business under the period of the slow-growth economy



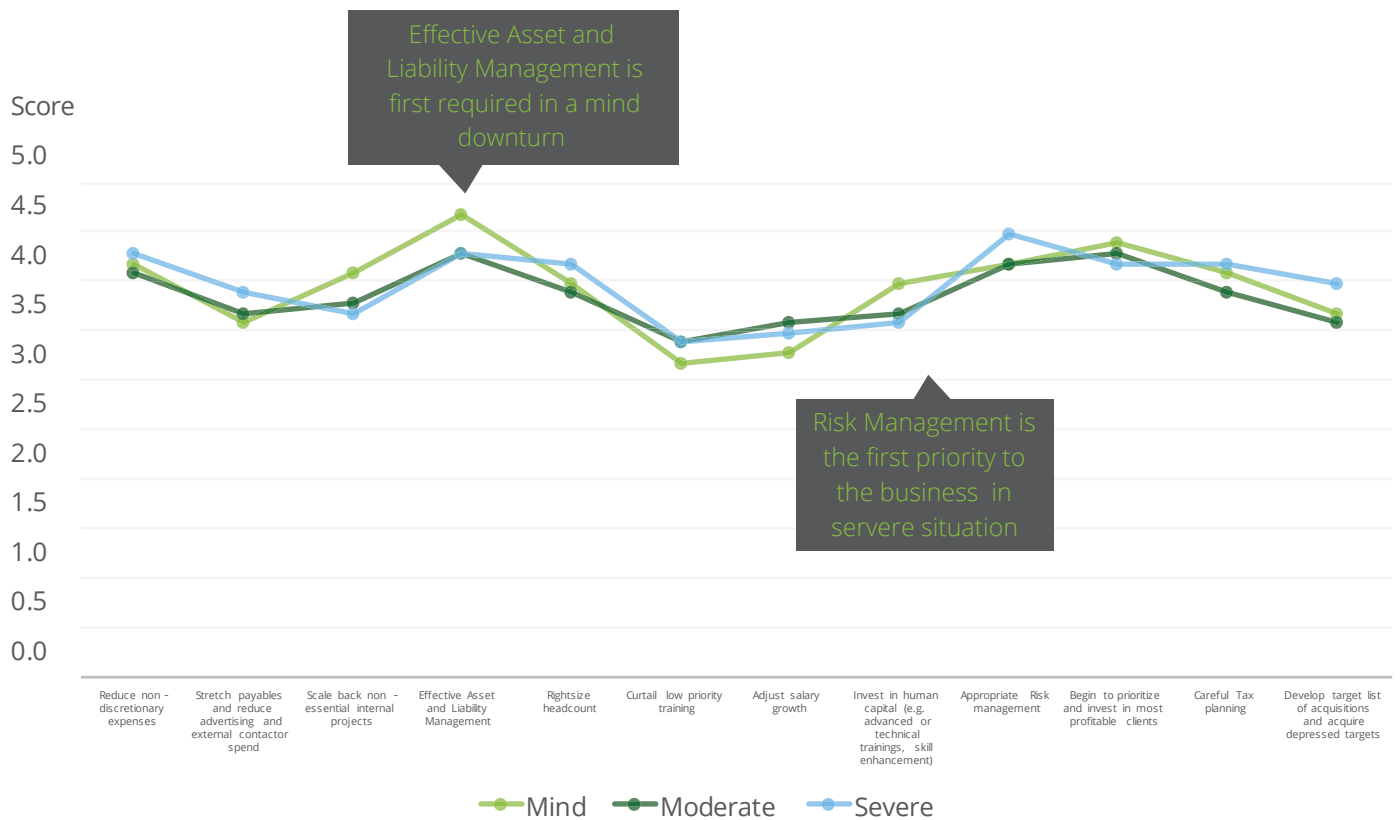
# Findings

Respondents say “Asset and Liability Management and Investment Priorities plan” are required under the economic slowdown



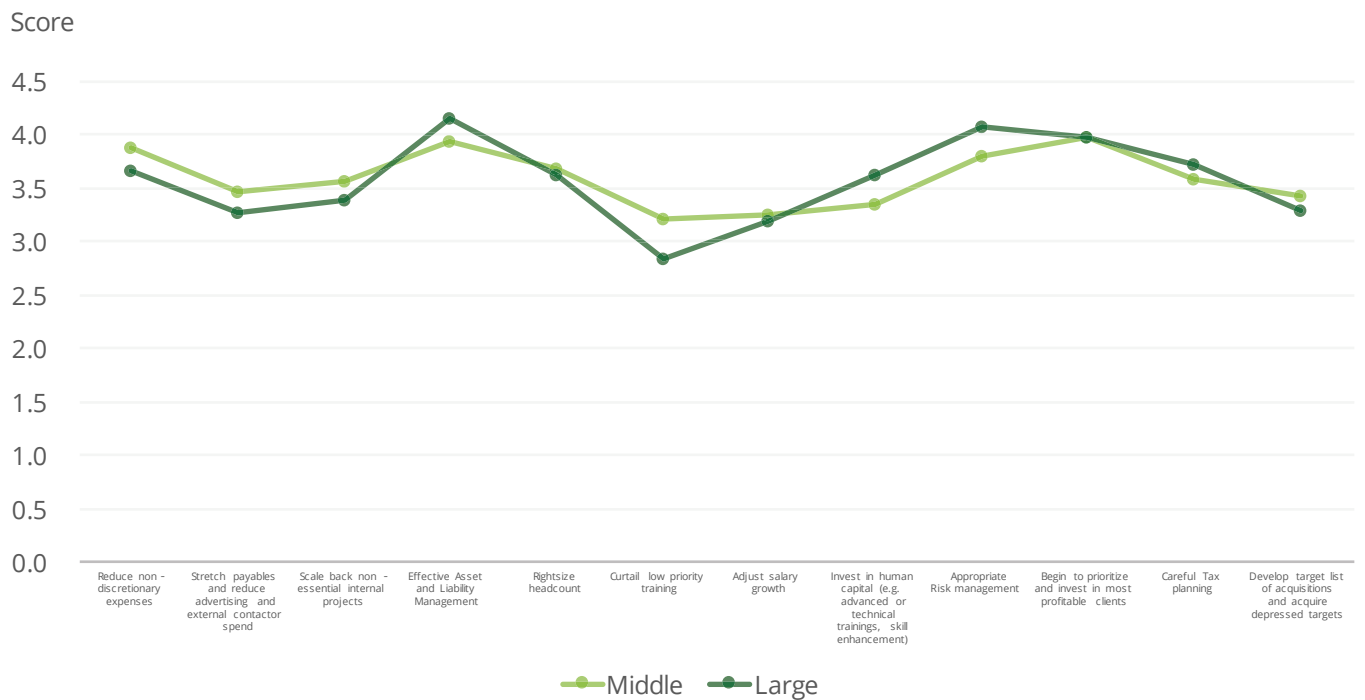
# Findings

No statistically different actions on each scenario found



# Findings

A different size of business does not always mean different actions



# Summary

How to manage in a slowing economy:  
The voice of businesses



## General Information

Most of respondents are Top & Senior executives.

Two-thirds of respondent are classified in Consumer & Industrial Product (CIP).

65% of respondents have HQ in Japan and Thailand and 60% are a medium-sized business.



## Perception & Awareness

100% are aware of the economic slowdown and 50% believe it will negatively affect their business.

A slowdown of Chinese economy, subdued global trade, and a decline in energy prices are considered as the top 3 challenges on business.

60% of respondents believe that government policies will help alleviate the impacts of downturn.

The economy will be recovered in less than 3 years said by 55%.



## Potential Actions

In respondents' view, an economy is under a moderate slowdown.

Political instability is ranked as the most challenging factor to business.

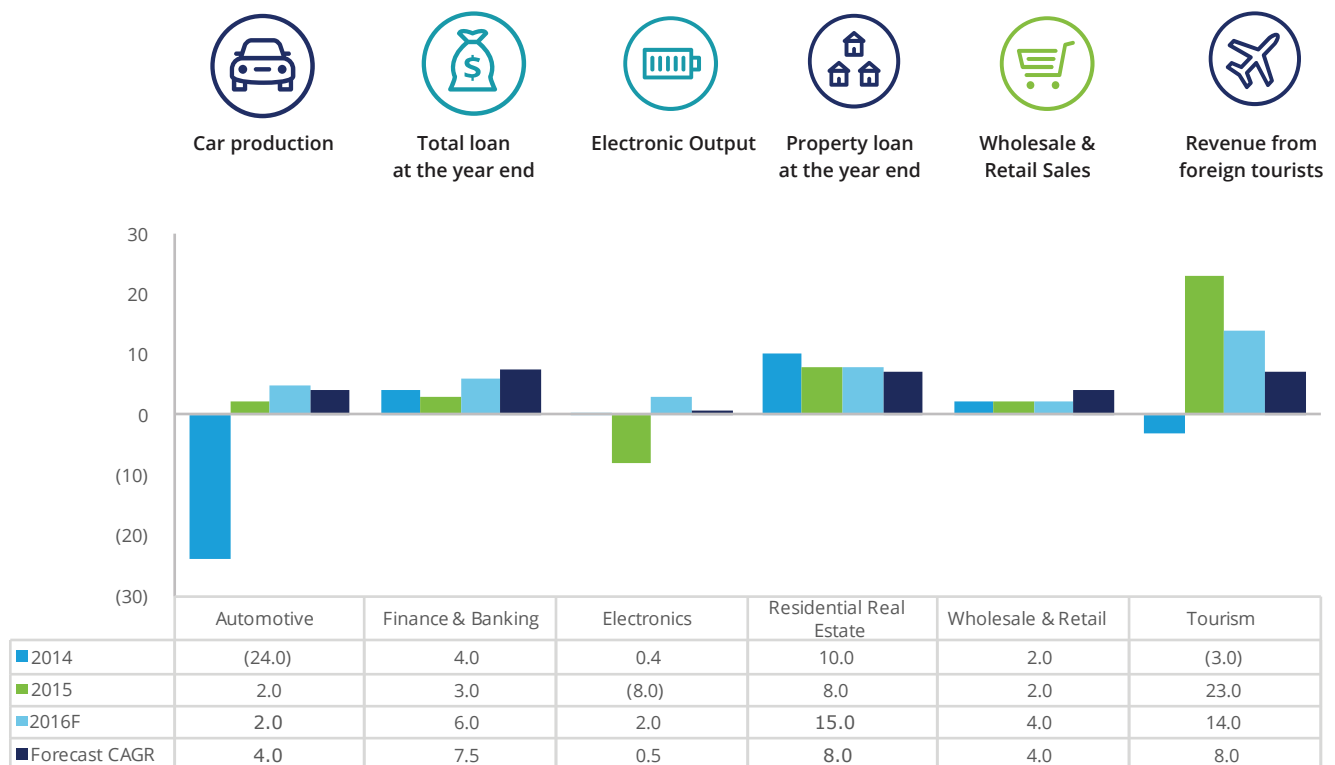
Effective Asset and Liability, prioritizing clients and investment, and appropriate risk management are first considered as potential actions to cope with economic slowdown.

No statistically different actions on each scenario (depth & duration) found.



# Industry Sector Update

# Thailand key industries are projected to continue their moderate growth path in 2016



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

# Automotive

Thai automotive industry in 2016 is forecasted to grow 2% due to shrinking domestic market. Over the long-term, Thailand automotive industry is projected to have an upward moderate growth path.

## Situation in 2015

Thai automotive industry in 2015 benefited from export growth, while domestic market contracted since 2013. Total car production was 1.91 million units or grew by 2% compared to 2014's. Car export reached 1.2 million units or increased 7% YoY. However, domestic sales during 2015 was 0.8 million units or 9% lower than 0.9 million units sold in 2014 due to the impact of economic slowdown, lower commodity prices, and high level of household debt.

## Forecast 2016

Car production is projected at 1.95 million units, growing 2% from 2015. Of which, 62% of production is for export and 38% for domestic sales. Domestic car sales is forecasted at 0.75 million units or contracts 11%YoY due to the contraction of domestic car demand, whilst car export is likely to maintain the growth rate at 9%YoY thanks to growing demands in major export markets.

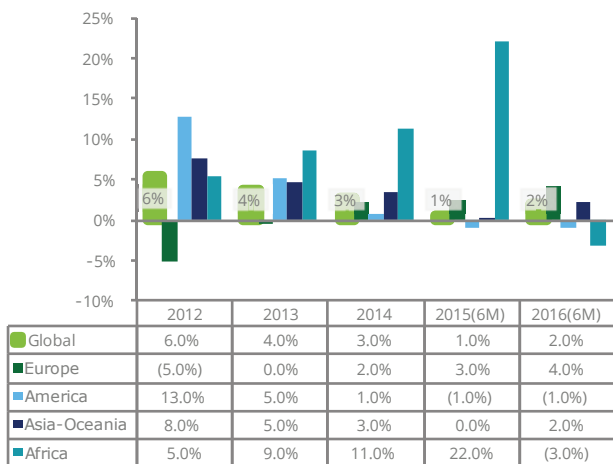
## Long-term trend

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% over the long-term.

# Automotive

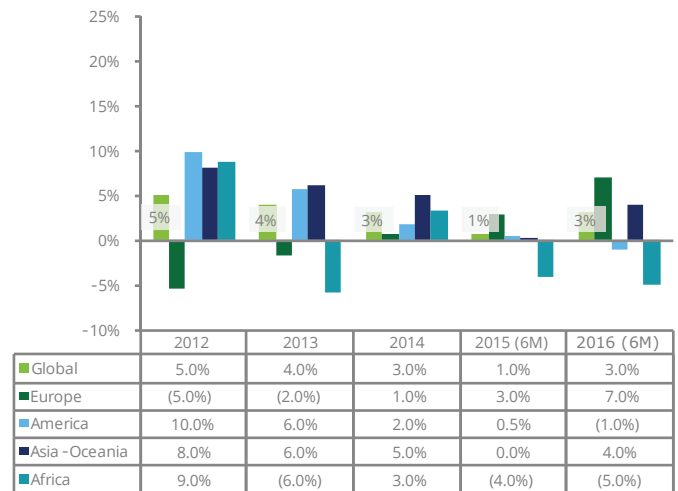
Overall, a better growth of global car industry is expected in 2016 due to a sign of global economic recovery of both advanced and developing economies.

World car production growth 2012-2016(6M)



Global car production in 2016(6M) was 46.5 million units growing 2%YoY. Europe and Asia-Oceania sustained their growth trend at 4% and 2% respectively, while the growth of Africa and America remained negative at -3% and -1% respectively.

World car sales growth 2012-2016(6M)

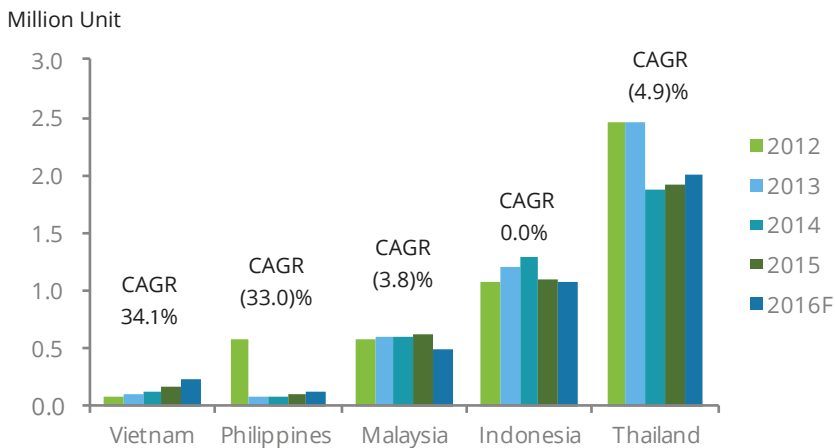


Global car sales in 2016(6M) was 45.8 million units raising 3%YoY. Europe gained the highest growth at 7%YoY and follow by Asia-Oceania at 4%, while Africa and America growth were shrunk by -5% and -1% respectively.

Sources: EIU & OICA

# Automotive

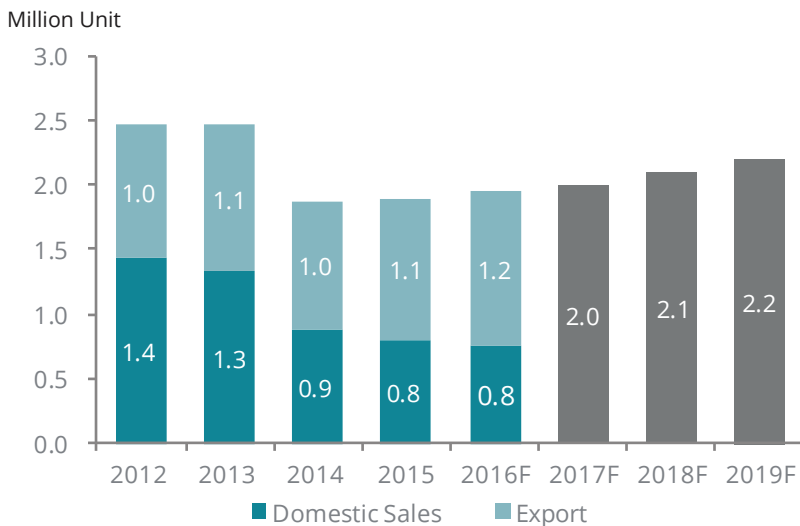
Thailand remains the ASEAN's automotive industry leader in the coming years underpinned by a solid supply chain and a large pool of skilled labour.



## ASEAN car production volume (2012 – 2016F)

Although CAGR displays negative production growth, Thailand remains the leading car producer of ASEAN with 51.2% market share.

Overall, ASEAN car industry in 2016 is forecasted to grow around 1-2% compared to 2015s'. Car export from ASEAN is expected to grow while domestic demand remains in a contraction mode.



## Thailand domestic car sales and export (2012 – 2019F)

During 2016, Thailand is expected to produce 1.95 million cars growing 2% from 2015. Domestic sales is forecasted at 0.75 million units accounting for 38%, while export is projected at 62% or 1.2 million units

Despite the slowdown of both global and domestic car demands, automotive players in Thailand can outperform other regions as a result of an established solid supply chains and a large pool of skilled labours in Thailand.

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

# Automotive

Domestic car sales during Jan-Sep 2016 was expanded by 0.5% compared to 2015s' thanks to government stimulus package and sales promotion.

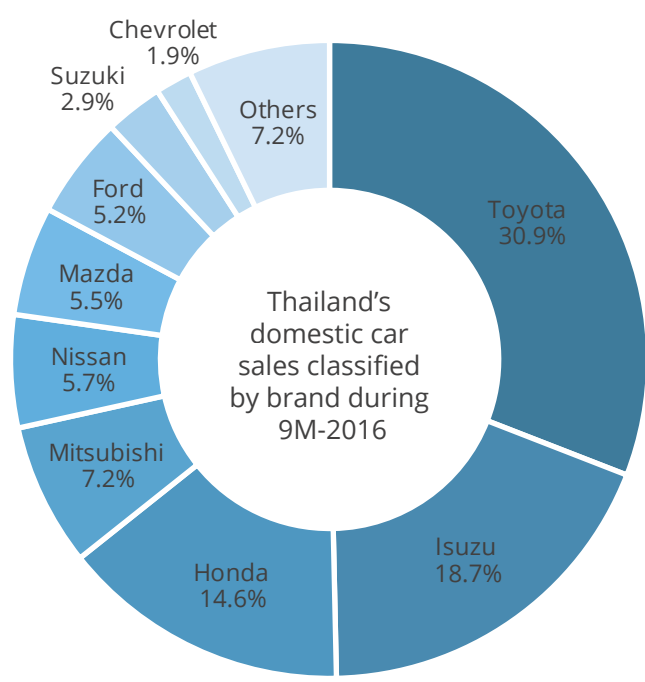
## Update Thailand Car Market for 9M-2016

The total number of domestic cars sales during 9M-2016 was 0.56 million units grew 0.5% YoY.

Major Japanese car manufacturers (Toyota, Isuzu, Honda, Mitsubishi, Nissan, Mazda, and Suzuki) maintained the market leadership in the Thailand car market occupying around 86% of domestic market share.

Although macro adverse factors (e.g. high household debt, lower commodity prices, trade contraction) continue to affect car domestic sales during 2016, recent government stimulus packages and car sales promotrion largely rejuvenated car demands during 9M-2016.

Source: Toyota (Thailand) Co. Ltd.



# Automotive

Sales volume summary as of 9M-2016.

	Sales Volume YTD 2015	Sales Volume YTD 2016	Sales Growth (%) YoY	Market Share 2015 (%)	Market Share 2016 (%)
<b>Toyota</b>	189,218	171,993	(9.1)%	34.2%	30.9%
<b>Isuzu</b>	101,979	104,348	2.3%	18.4%	18.7%
<b>Honda</b>	79,648	81,499	2.3%	14.4%	14.6%
<b>Mitsubishi</b>	34,946	40,330	15.4%	6.3%	7.2%
<b>Nissan</b>	26,361	31,800	20.6%	4.8%	5.7%
<b>Mazda</b>	35,693	30,832	(13.6)%	6.4%	5.5%
<b>Ford</b>	23,276	28,903	24.2%	4.2%	5.2%
<b>Suzuki</b>	15,808	16,313	3.2%	2.9%	2.9%
<b>Chevrolet</b>	12,040	10,368	(13.9)%	2.2%	1.9%
<b>Others</b>	34,863	40,139	15.1%	6.3%	7.2%
<b>Total</b>	<b>553,832</b>	<b>556,525</b>	<b>0.5%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Toyota (Thailand) Co. Ltd.

# Finance & Banking

Finance & banking sector is projected to grow 6% in 2016 mainly driven by accommodative monetary policy and expansionary fiscal policy.

## Situation in 2015

As a result of domestic and global economic slowdown affected by various adverse factors (e.g. lower commodity prices, high level of household debt, geo-political conflicts), loan outstanding in the banking system finished at 13.2 trillion Baht, growing 3% from 2014.

## Forecast 2016

Overall, Thailand loan outstanding in 2016 is forecasted at 14.0 trillion Baht or grow 6% YoY. From Jan-Sep 2016, total loan outstanding was 13.6 trillion Baht dropped 1.6% QoQ, but growing 5.0% YoY. Gross NPL in banking industry was 0.39 trillion Baht raised 5.2% QoQ or 9.3% YoY affected by adverse economic conditions. Overall during 2016, loan demands are expected to stem from an accommodative monetary policy and public infrastructure investment.

## Long-term trend

Financial institutions, will be posting loan growth around 7-8%YoY over the next few years despite facing both external and domestic downside risks. In addition, Thai Government will continue to pursue both short-term and long-term economic stimulus schemes (e.g. SME incentives, transportation 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



# Finance & Banking

Thailand's total loans from January to September 2016 was 13.6 trillion Baht declined 1.6% QoQ but grew 5.0% YoY. NPL proportion was 2.9% of total loan and NPL outstanding raised 5.3% QoQ or 9.2% YoY.

Overall, the growth of Thailand's total loan outstanding is expected to accelerate from 3% in 2015 to 6% in 2016. Both corporate and SME loan growth will be driven by public infrastructure investment, which also stimulates private investment. Likewise, overall consumer loan segment will continue to its growth momentum around 6-7% thanks to consumption demands and marketing campaigns. NPL proportion in 2016 is forecasted at 2.8 - 3.0% compared to 2.6% in 2015 as a result of adverse economic conditions. Financial technology (FinTech) in several models is expected to disrupt Thailand's financial service industry in the coming years.



Sources: BOT, EIU, SCB EIC, K-Research, TMB Analytics, & DTTJ Estimates (Data as of December 2016).

Note: (1) Total Loan includes both Thai banks' and foreign banks' loan outstanding as of the 3rd quarter 2006-2016.

(2) NPL includes both Thai banks' and foreign banks' gross NPL outstanding as of the 3rd quarter 2006-2016.

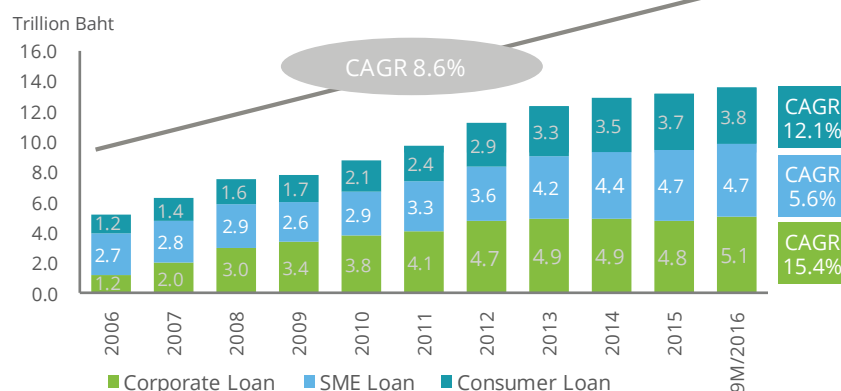
# Finance & Banking

Thailand's total loan in 2016 is projected to grow 6% YoY.

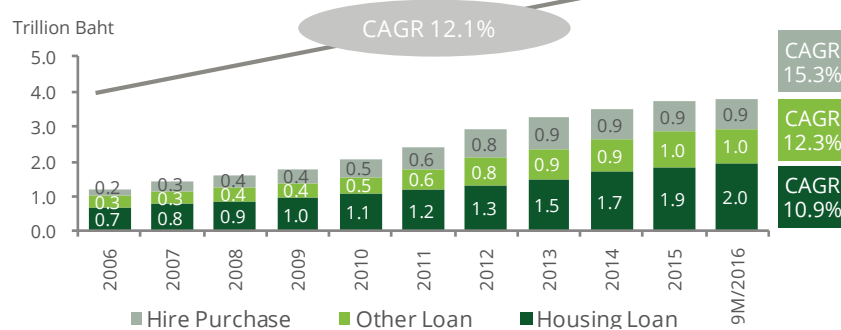
Selected Financial Statistics

Number of	Total
Thai Commercial Bank	15
Foreign Bank Subsidiary & Branch	15
Specialized Financial Institution	8
Foreign Representative	47
Asset Management Company (AMC)	44
Credit Card Company	9
Personal Loan Company	35
Nano Finance Company	23
Credit Card	22.9 M
Debit Card	48.7 M
ATM Card	11.3 M
Personal Loan Account	13.5 M
E-Money Card/Account	37.1 M
Internet Banking Account*	14.1 M
Mobile Banking Account*	19.4 M

Commercial Bank Loan 2006 – 9M/2016



Consumption Loan 2006 – 9M/2016



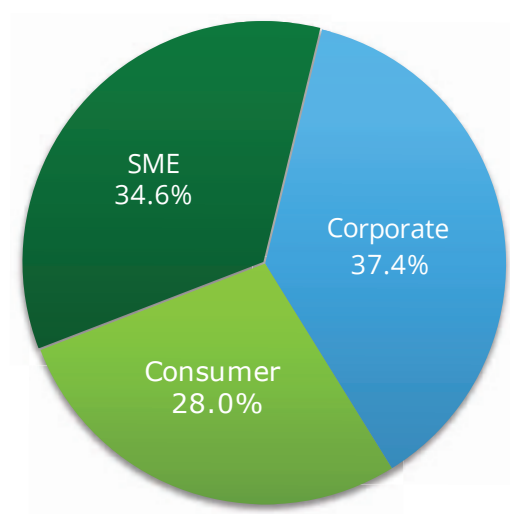
Sources: BOT (the latest data as of 2016) & DTTJ Estimates

Note: \* Data have been revised by Bank of Thailand.

# Finance & Banking

Total loan outstanding during January-September 2016 was 13.6 trillion Baht. Corporate, SME and Consumer loan proportion were 37.4%, 34.6% and 28.0% respectively. Interbank loan integrated into corporate segment accounted for 13.5% of total loan outstanding.

Loan proportion in 9M/2016



Loan growth comparisons

	(Unit: Trillion Baht)				
	9M/2015	H1/2016	9M/2016	% Δ YoY	% Δ QoQ
Corporate	4.7	5.2	5.1	8.2%	(2.7)%
SME	4.6	4.7	4.7	1.9%	(0.4)%
Consumer	3.6	3.8	3.8	5.2%	0.8%
Total	12.9	13.7	13.6	5.1%	(1.0)%

Source: Bank of Thailand (as of December 2016)

# Electronics

Thailand's electronic industry continues its downward trend affected by global and domestic economic slowdown as well as shifting production-base.

## Situation in 2015

Electronic industry outputs were contracted by 7.9% compared to 2014s' due to the slowdown of global and domestic demands. Computer and part dropped by 10.2%, while domestic electrical appliances were contracted 4.4% from the previous period.

## Forecast 2016

The production of computer and parts is forecasted to shrink at 8%, while domestic appliances are projected to rise at 4%. However, Thai electronic export is expected to shrink at 1% due to the sluggish demand of electronic inputs and products in export markets.

## Long-term trend

Thailand's electronic industry, especially computer and parts, has been facing high competition and global demand uncertainty with the projected long-term growth at 0-1%. In turn, 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 likely to maintain their growth path in the coming years.

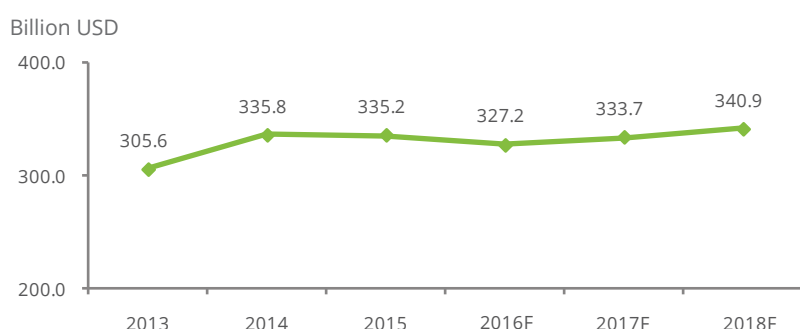
Sources: OIE & MOC

# Electronics - computurs & parts

The outlook for global electronic industry in a next few years overall remains in a slowdown mode.

Global Semiconductor Sales

CAGR 2013 – 2018F = 2%

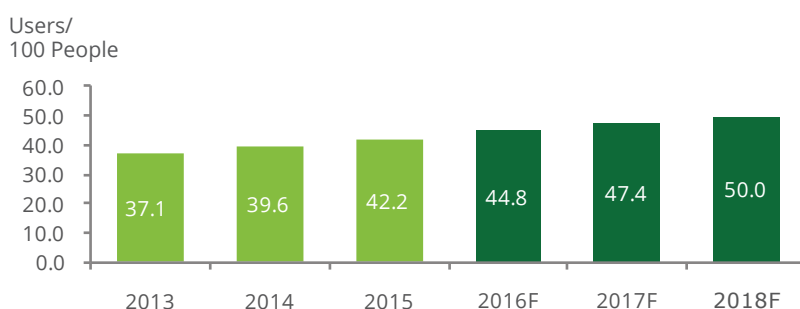


Global semiconductor sales in 2016 is expected to contract 2.4%YoY as a result of tepid semiconductor demands across major markets. For 2017-2018, SIA has forecasted semiconductor sales growth at 2.0% and 2.2% in line with slow recovery of advanced economies.

Global PC penetration will continue to rise steadily from 45% in 2016 to 50% in 2018. PC usage remains strong, but its status as the default tool is gradually being eroded in both developed and developing economies.

Personal Computer User

CAGR 2013 – 2018F = 6%

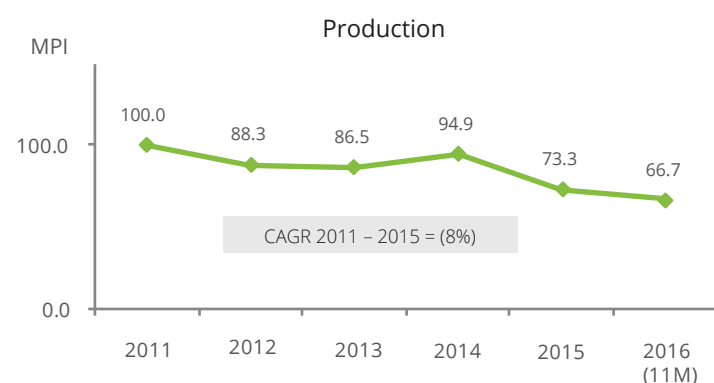


Although Apple and Samsung maintain their dominance in the smartphone market, budget smartphone offerings are gradually gaining stronghold in emerging markets. However, over the long-term the smartphone market is showing signs of slowing down due to the sluggish growth of major economies.

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

# Electronics - computers & parts

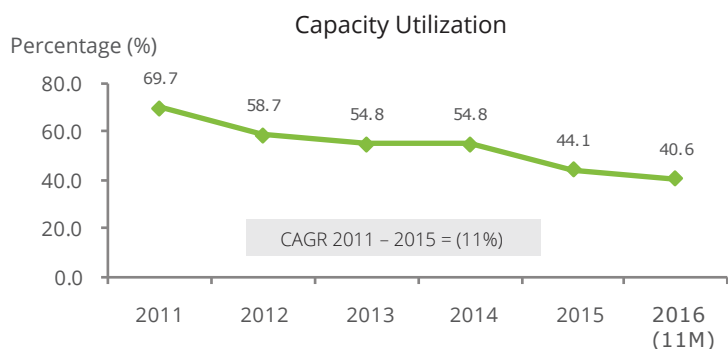
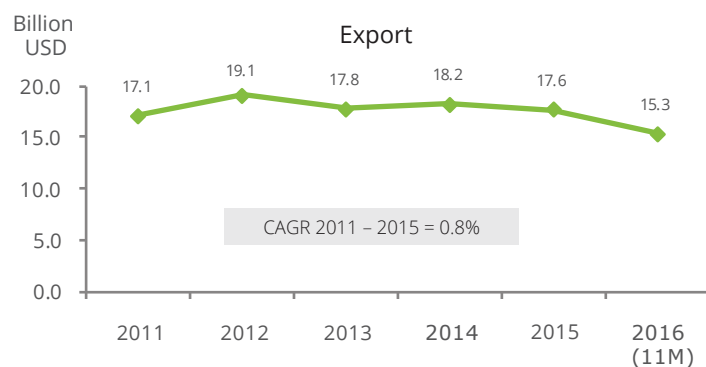
The Thai computer and part industry is moving toward the decline stage, facing challenges from technological shifts and overseas competitors.



MPI and capacity utilization from January – November 2016 were contracted 9.1% and 3.5%YoY respectively. Likewise, computer and parts export during January – May 2016 was dropped by 8.5% compared to 2015s'.

Overall, MPI, export and capacity utilization in 2016 have been estimated to be lower than 2015s'.

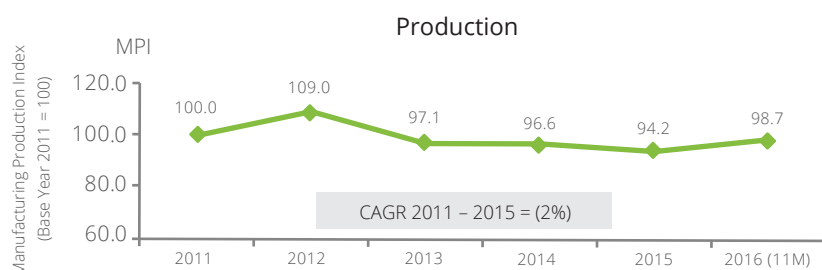
Due to the contraction of computer and parts industry across the world, Thailand can no longer take great benefits from this industry as before. Value has migrated to growing adjacent segments (i.e. tablet, smartphone).



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

# Electronics - domestic electrical appliances

Domestic electrical appliance's production and capacity utilization are projected to grow in 2016, while export is expected to have a negative growth.

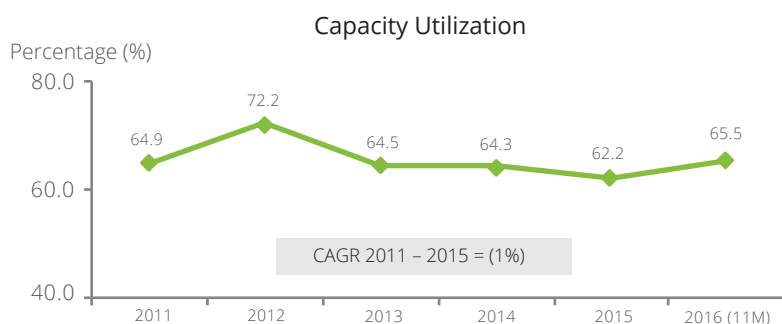


From January – November 2016, MPI and capacity utilization increased by 3.8% and 2.8%YoY respectively. Likewise, export during the same period declined by 4%YoY.

Despite struggling in the recent years, Thailand remains competitive for several domestic appliance products such as air conditioners, refrigerator among them.



The new Thailand's BOI investment policy provides attractive schemes for investors, but also encourage them to deploy Thailand as a springboard to other AEC member states 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

Both rising GDP per capita and accelerating urbanization continue to boost Thailand's real estate sector. However, the growth rate has been restricted by an increase in the high level of household debt and some concerns over lower demand in the future.

## Situation in 2015

Real estate markets were solid during 2015, as investor confidence in residential real estate sector improved. Nevertheless, various factors such as higher household debt, low commodities prices and slow government budget disbursement shook both lender and investor confidence and resulted in the lower growth in real estate market. Property credit outstanding by the end of 2015 reached 2.5 trillion Baht or grew 9% from 2014.

## Forecast 2016

Thailand's property loan outstanding was projected to grow by 15%, especially in Bangkok and vicinity area due to public investment in infrastructure projects and government real estate incentives. Likewise, regional mega-project investments including railway double-tracking, motorways, and new mass-transit routes will encourage the growth of property market nationwide.

## Long-term trend

The forecasted long-term GDP growth of Thailand at 3.0-3.5% in conjunction with global economic sluggish growth is likely to cause 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.

Sources: BOT, Plus Property, & SCB EIC



# Residential Real Estate

Property loan continued its growth path in 2016 underpinned by accommodative monetary and fiscal policy.

Permitted Construction Areas in Municipal Zones

CAGR 2006 – 2016F = 0.6%



Mortgage stimulus package in conjunction with attractive lending interest rates as well as infrastructure investment in major regional provinces have contributed largely to the growth of property loan during 2016 and years after.

During 9M/2016, residential and commercial construction activities were contracted by 10.6% and 15.5% compared to 2015s' respectively, while industrial construction ones significantly grew at 30%YoY.

Property Loan Outstanding

CAGR 2006 – 2016F = 10%

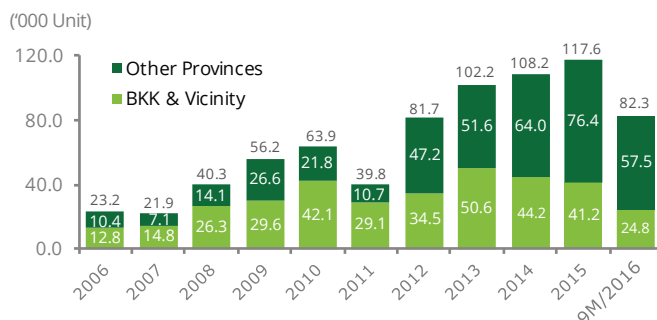


Sources: BOT, GHB, REIC & DTTJ Estimates

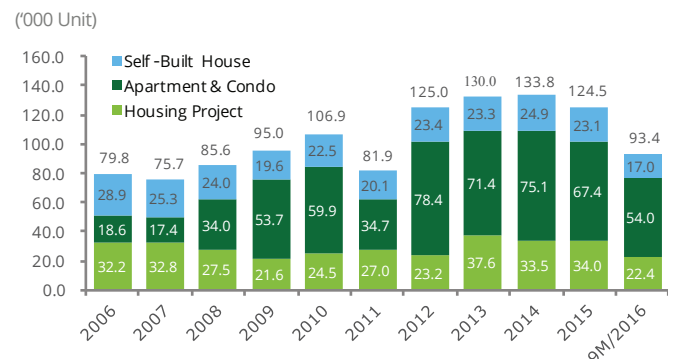
# Residential Real Estate

Nationwide condominium registration during 9M/2016 was dropped by 3.7%YoY. In the same period, new housing activities in Bangkok and vicinity displays a low growth at 0.3%YoY.

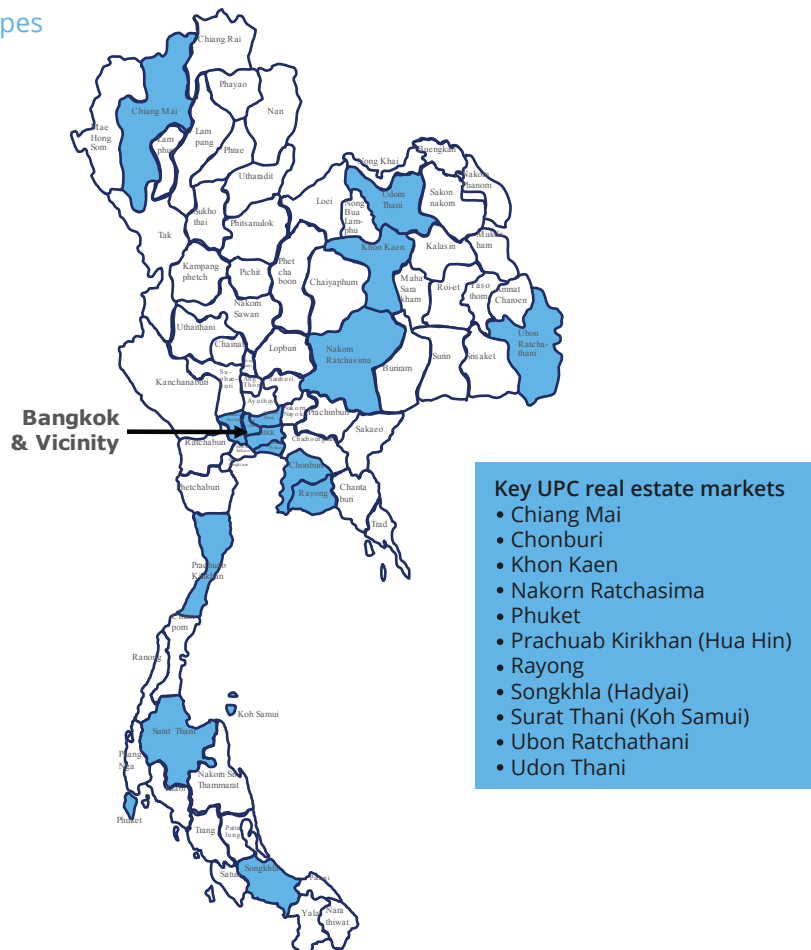
Nationwide Condominium Registration



New Housing in Bangkok & Vicinity



## Key Real Estate Landscapes



Sources: BOT, GHB, REIC, & DTTJ Estimates

# Wholesale & Retail

Wholesale and retail players will continue their growth strategy in the coming years underpinned by the expansion of tourism, e-commerce, and both modern and tradition traders in urban and country areas.

## Situation in 2015

Thailand's consumer goods market was improved in 2015 thanks to better political conditions and domestic economic rebound. Retail and wholesale taken together grew approximately 2% compared to 2014s'. Major players continued to adopt marketing promotions, but also enlarge their footprints nationwide.

## Forecast 2016

Wholesale and retail sales in 2016 are expected to be in a moderate growth mode with a combined growth rate at 4% compared to 2015s'. Competition among major players remain intensive with high barrier to entry. Consumer product suppliers based on the trading index statistics, deploy sales force loyalty programs via department stores to boost their sales volumes.

## Long-term trend

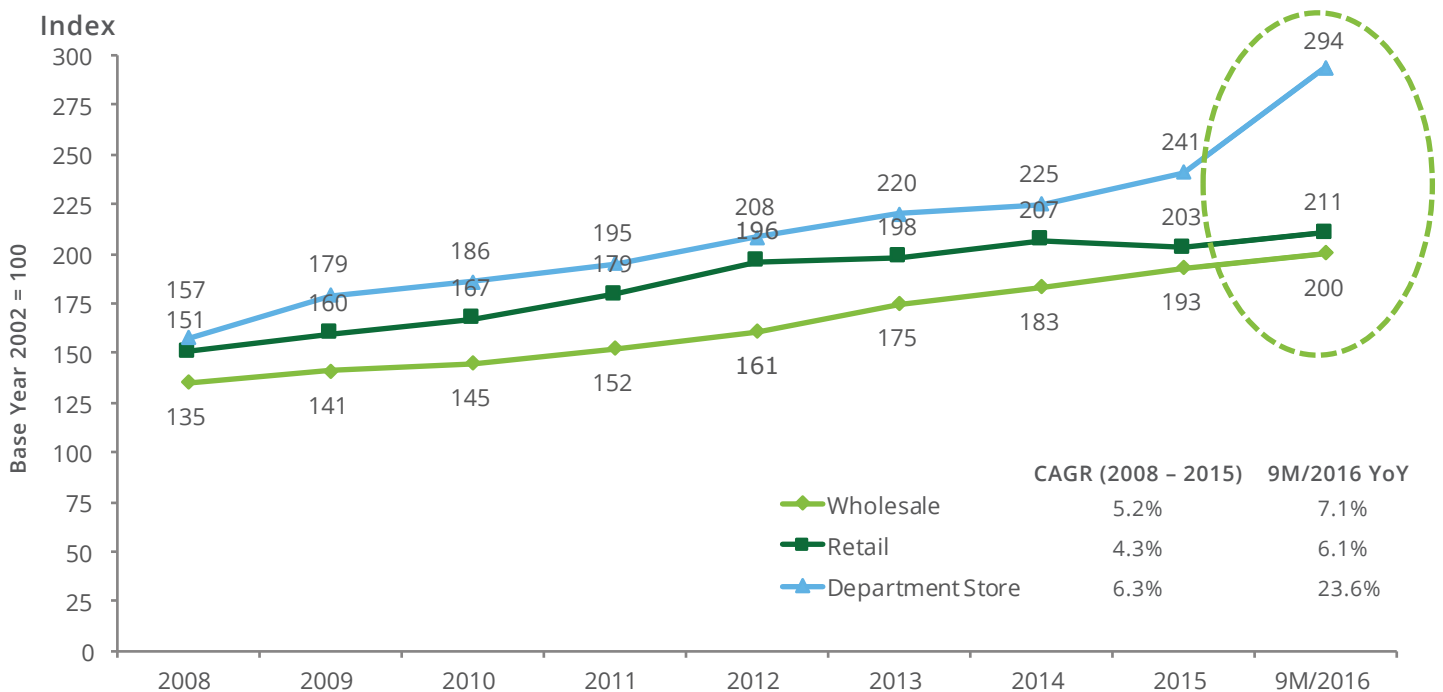
Thai government has tried to transformed the traditional market to the service-based economy. Private consumption has been bolstered by an expansionary fiscal policy spending on repairing schools, hospitals and irrigation systems to support job creation in both urban and rural areas. The emergence of AEC, moreover, will open up an opportunity to invest and trade between ASEAN member states. The strong sales performance for the wholesale and retail industry over the long-term is expected to grow around 3-4%.

Sources: BOT, BOL Database, EIU, & DTTJ Analysis

# Wholesale & Retail

Three major sales channels will continue their long-term growth momentum. In 2016, Retailers and wholesalers have gained their moderate sales growth path, while department stores have enjoyed a speedy pace of sales expansion.

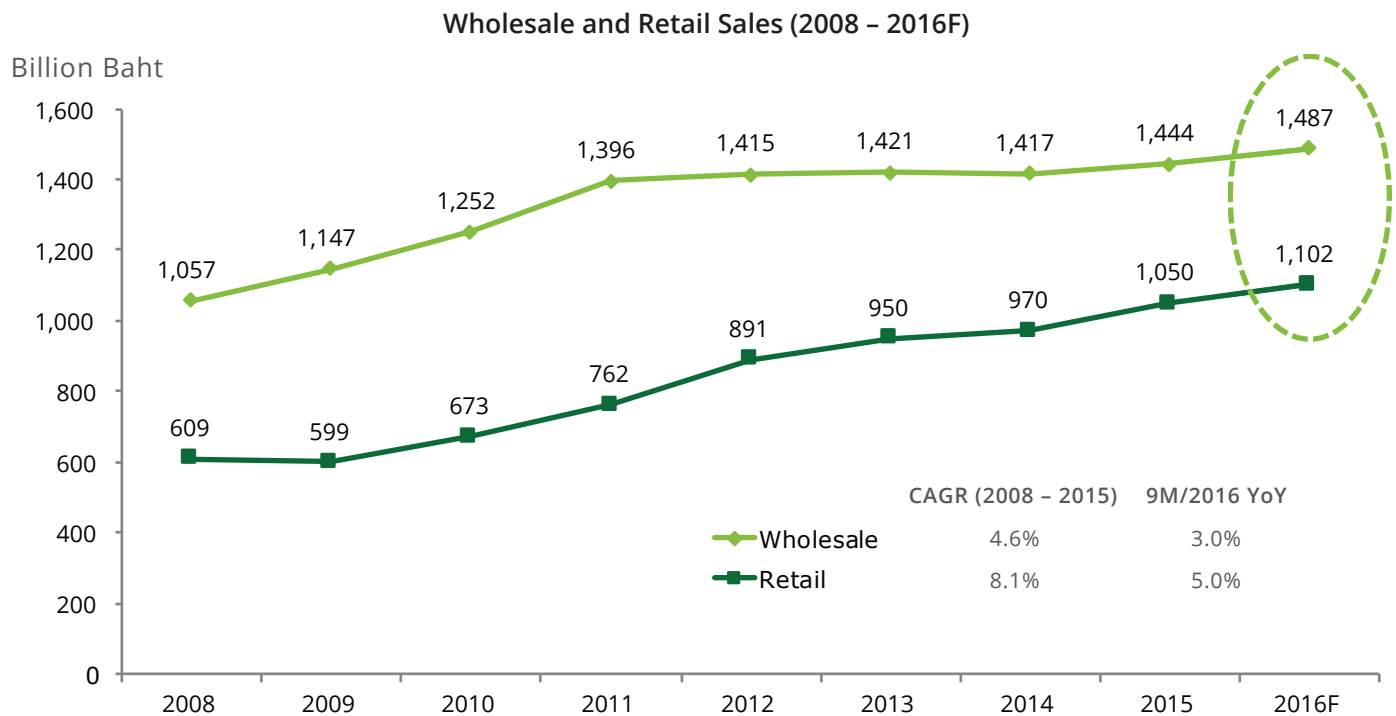
Major Trading Indices (2008 – 9M/2016)



Sources: BOT, BOL Database, EIU, & DTTJ Analysis

# Wholesale & Retail

Both wholesale and retail sales in 2016 are projected to grow 3.0% and 5.0% amid sluggish domestic consumption and investment.



Sources: BOL Database, EIU, & DTTJ Estimates

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

# Tourism

The implementation of “Quality Leisure Destination” vision will help sustain the growth of Thailand tourism sector in both the number of foreign tourists and revenues.

## Situation in 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 29.9 million or grew 21% compared to 2014s’. Total tourism revenue in 2015 was 1.45 trillion Baht or increased 23%YoY.

## Forecast 2016

As Thailand has implemented her tourism strategy growing both the number of foreign tourists and revenues, several initiatives have been proposed by the Ministry of Tourism and Sports to increase visitor expenditure, average length of stay, and the overall quality of the visitor experience. It is forecasted that the number of foreign visitors in 2016 will reach 33.0 million or grow 10% compared to 2015. Similarly, revenue from foreign tourists will be around 1.64 trillion Baht or increase 14%YoY.

## 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%. In the long-run, 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), 2016 Thailand Tourism by Minister of Tourism & Sports & The World Tourism Organization (UNWTO)

# Tourism

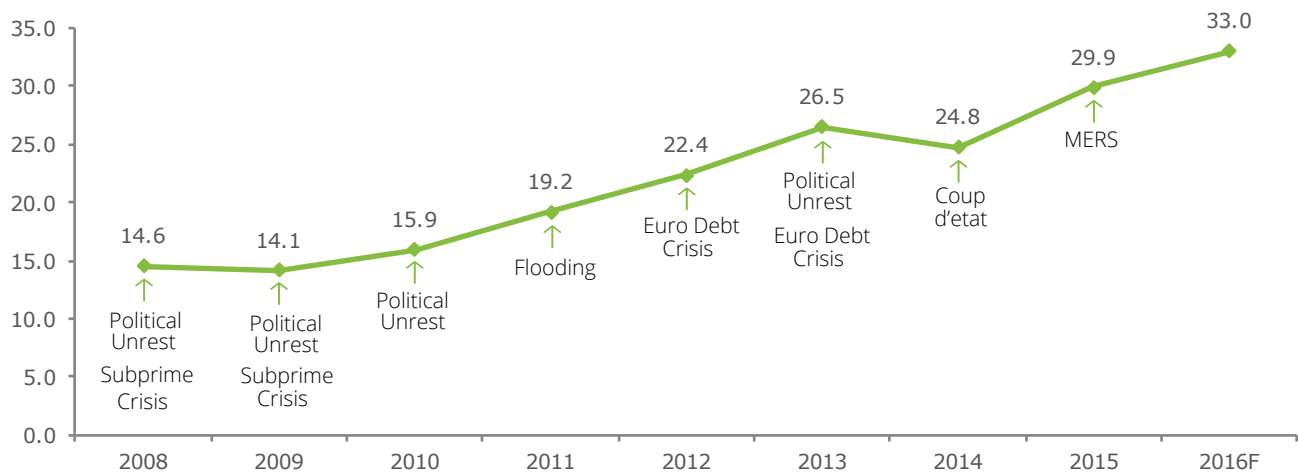
Total tourist arrivals in 2016 are forecasted at 33.0 million or raised 8% compared to 2015s'.

Foreign Tourists 2008 – 2016F

CAGR 2008 – 2016 = 10.4%

Forecast:  
Grow 10%  
from 2015

#Tourist (Million)



Hotel room  
occupancy (%)

2008	2009	2010	2011	2012	2013	2014	2015	2016F
56%	49%	50%	58%	61%	65%	56%	62%	65%F

From January to November 2016, the accumulated number of foreign tourists was 30.0 million. For the full year 2016, it is expected to reach 33.0 million growing 10%YoY. Approximately, 70% of foreign tourists comes from the Asia-Pacific region.

Hotel room occupancy rate is projected at 65% in line with increasing number of tourists. However, the large proportion of room occupancy tends to concentrate in major tourist destinations such as Bangkok, Phuket, Chiang Mai, Chonburi and the like.

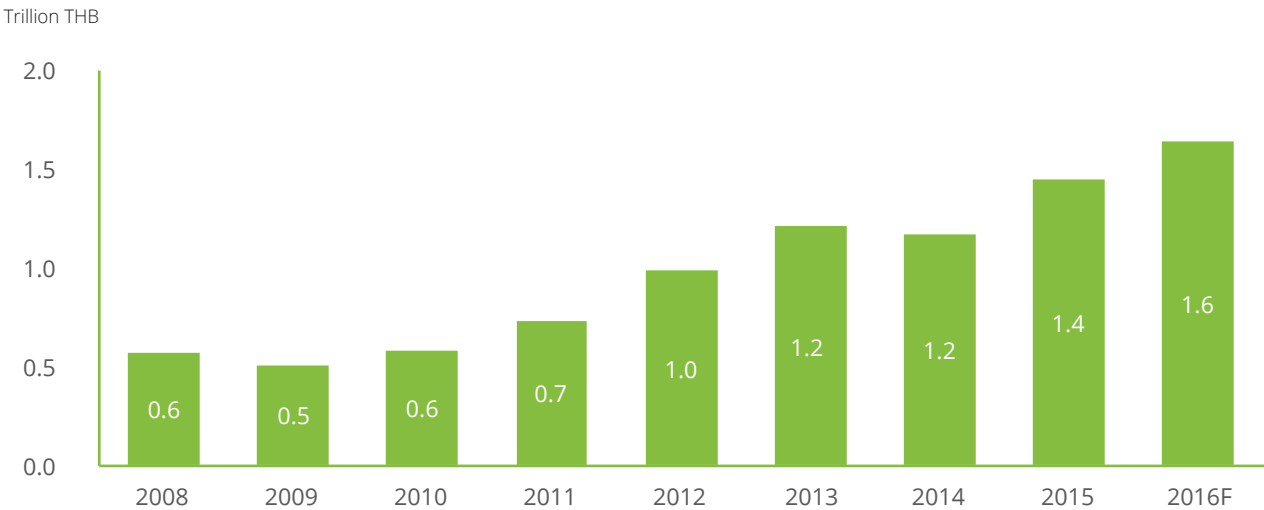
Sources: Department of Tourism, TAT, The Royal Thai Government, & DTTJ Estimate

# Tourism

The implementation of new tourism strategy focusing on “Quality Tourism” significantly boosts revenues from foreign tourists since 2015, but will also contribute a large proportion to Thailand GDP over the coming years.

Revenue from Foreign Tourists (2008-2016F)

CAGR 2008 – 2016 = 14.0%



During 2016, “Quality Tourism” strategy helped sustain the growth momentum of tourism activities across tourism supply chain including hotels, airlines, travel agents, restaurants, and so on. In turn, the latest estimated revenue from foreign tourists is around 1.64 trillion Baht raising 13.3%YoY accounting for 11.1% of GDP in the same period.

For the 2016 – 2026 period, WTTC has projected the cumulative average growth rate (CAGR) of 6.7%. By 2026, Thailand’s tourism is expected to have a direct contribution of 2.48 trillion Baht or 14.0% of total GDP in 2026.

Sources: Department of Tourism, 2016 Thailand Tourism by Minister of Tourism & Sports, NESDB, World Travel & Tourism Council 2016 (WTTC) & DTTJ Estimate



# Upcoming Report Highlights

Coming next in April 2017

## New Thailand key industry updates

Current Situation of Key Industries:  
Food & Beverage, Energy (Electricity),  
and Telecommunications in Thailand





Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/th/about](http://www.deloitte.com/th/about) for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

#### **About Deloitte Southeast Asia**

Deloitte Southeast Asia Ltd – a member firm of Deloitte Touche Tohmatsu Limited comprising Deloitte practices operating in Brunei, Cambodia, Guam, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam – was established to deliver measurable value to the particular demands of increasingly intra-regional and fast growing companies and enterprises.

Comprising 290 partners and over 7,400 professionals in 25 office locations, the subsidiaries and affiliates of Deloitte Southeast Asia Ltd combine their technical expertise and deep industry knowledge to deliver consistent high quality services to companies in the region.

All services are provided through the individual country practices, their subsidiaries and affiliates which are separate and independent legal entities.

#### **About Deloitte Thailand**

In Thailand, services are provided by Deloitte Touche Tohmatsu Jaiyos Co., Ltd. and its subsidiaries and affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.