SCB
Economic Intelligence Center

Outlook

Quarter 3/2017

Economic Outlook in 2017

In Focus: Thai exporters in preparation to Trump trade actions

Special issues:

No panic in Fed's asset reduction plan

Will economic recovery lead to an upturn in the Thai labor market?

Thai companies to pour money into M&A

Strengthen global economy offers hope for Thai exports

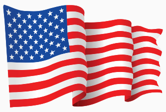
Who's at risk from the strong baht?

Quarter 3/2017

Global Economy in 2017

Better fundamentals including consumption, industrial production, and international trade

Reflationary trends in commodity prices support the global economic recovery



Global risks remain due to the U.S. trade protectionism and European political instability issues

Thai Economy in 2017

Growth driven by export rebound

EIC forecasts

Thailand's GDP to grow

3.4% in 2017

Supporting factors

- The continuing global economic recovery boosts expansion of Thai exports
- Some household purchasing power back after first-car scheme debts paid off
- Government measures supporting those on a low income, and more deductions for personal income tax
- Two-fold increase in public investment in large-scale infrastructure projects
- Additional THB 190 billion fiscal stimulus

Risk factors

- Employment and wages are still not fully recovered
- Trump's protectionist policy may affect some export categories
- High corporate debt in China
- Political uncertainty in Europe due to Brexit and Italian election
- Growing tensions in the Korean Peninsula and the Middle East
- Thai baht and bond yields volatility stemming from economic policy uncertainty in developed countries.

Source: EIC analysis based on data from CEIC, NESDB, BOT and MOC

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Thai Economic Outlook in 2017

The global economy continued to strengthen during the year's first half and some risks dissipated. Global economic fundamentals strengthened, led by continued expansion in the United States, rising commodity prices and a recovery in manufacturing output. International trade grew 10%YOY in the first quarter. A few major risks that were previously matters of concern did not materialize. Namely, U.S. trade policy did not turn toward protectionism, contrary to previous threats by President Donald Trump. And politics in Europe, especially elections in France, took a positive turn, supporting economic recovery. Nonetheless, other risks will persist for the rest of the year. Thai exports remain vulnerable to any U.S. effort to reduce the trade deficit, problems in China's financial sector and Europe's ongoing political uncertainties such as the outcome of Brexit negotiations and upcoming elections in Italy. Thailand's financial markets also face instability, as economic policies and politics abroad are likely to generate volatility in cross-border fund flows, affecting the yields of long-term Thai government bonds as well as the baht's exchange rate.

EIC revises Thailand's 2017 GDP growth forecast upward to 3.4%YOY, mainly from an improved outlook for trade. Rising global growth helped Thai exports to grow faster than expected in the first half of the year, with positive prospects for the rest of the year. Accordingly, EIC adjusts the forecast for Thai exports to grow by 2.5%YOY in 2017, up from 1.5% in the previous quarterly forecast. Higher external demand will lift exports and raise manufacturing output while also inducing suppliers to restock their inventories, which have been declining for a long period. These trends could eventually boost sluggish private investment and hiring. In addition, the Thai economy will receive a boost from the government's economic stimulus measures during the second half of the year. A central budget dispensation of 190 billion baht will provide support for employment and consumption outside of Bangkok, allowing recovery in consumption to extend to low-to-middle income households, after being concentrated among middle-to-high-income ones during the year's first half.

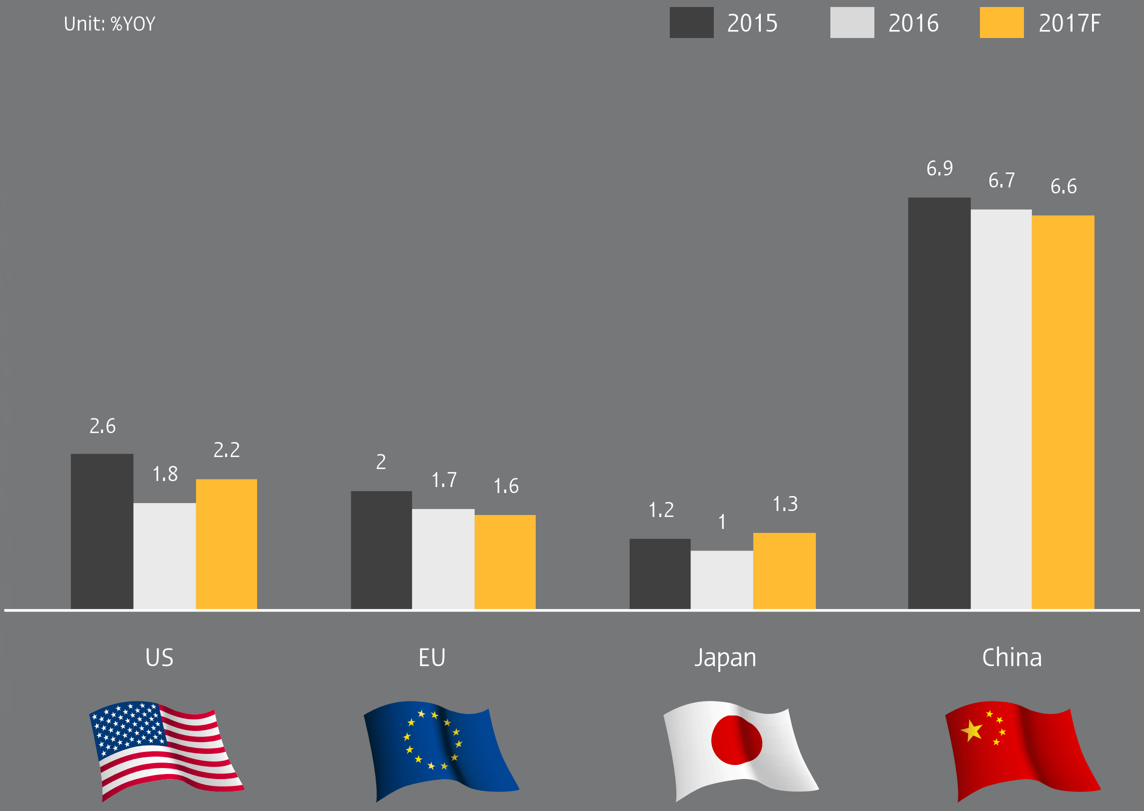
Global economic outlook in 2017

The global economy expanded steadily in the first half of 2017, supported by domestic demand in key economies, improving commodity prices and the recovery in international trade. Major economies like the U.S., Eurozone, Japan and China grew faster than expected on the back of solid domestic consumption, strong labor markets and improving inflation. Some concerns have abated, such as President Trump's threat to adopt a protectionist trade stance and fears that French voters would elect an anti-EU leader. China's capital outflows and property market price bubbles are now under control. Global trade is on track to recovery thanks to better commodity prices and higher demand. These factors will strengthen the world economic outlook going forward. As for monetary policy, the U.S. and China are tightening their stances by hiking short-term interest rates. The Fed also issued a statement discussing a possible reduction in its balance sheet, which will likely start at the end of this year.

EIC sees three key risks for the global economy this year: uncertainty in U.S. policies, elections in Europe and escalating geopolitical risks in several regions. The U.S. might turn toward protectionism, which would target several major trading partners and jeopardize global trade. Another risk is that investigations into President Trump's links to Russia could lead to impeachment, which might derail tax reforms. In Europe, votes in Germany in September and Italy at the end of the year are risks that need to be monitored, since the election of anti-establishment leaders could undermine political stability in the region. Geopolitical risks in several parts of the world are eroding consumer confidence and business sentiment. These include widespread terrorist attacks, North Korea's missile tests and the move by various Arab nations to sanction Qatar, which could escalate tensions in the Middle East. If these risk events worsen, it could trigger severe volatility in global financial markets.

1 Global economy has improved, but risks remain

GDP growth forecast for 2015, 2016, 2017



Source: Projections by EIC and foreign economic research houses (Goldman Sachs, J.P. Morgan, Deutsche Bank and Bank of America).

U.S. economy

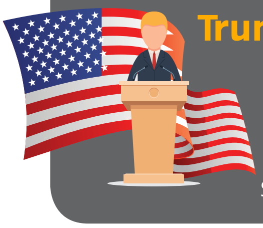
Temporary weak consumption while private investment remains strong

U.S. economic growth was slowed by weak private consumption during the first quarter, but investment remained strong. GDP rose 1.4% QOQ SAAR[1] during the quarter, lowest in 3 quarters, or equivalent to 2.1% YOY. Private consumption, especially purchases of cars and homes, slowed alongside lower government spending. These numbers suggest that the first quarter's slowdown will be temporary. Labor markets are gaining strength, reflected in the unemployment rate returning to a normal level and rising private sector income. Going forward, private consumption growth will then rebound during the remainder of the year. On private investment, it experienced high growth of 3.1% YOY, mainly from the energy industry, which got a boost from the America First Energy Plan policy. This is expected to continue its growth momentum, helping propel the U.S. economy toward a growth rate of 2.2% in 2017.

On the fiscal front, progress on budget spending will provide economic support for the rest of the year, but risks remain. The Senate is considering the draft of the American Health Care Act to replace the Affordable Care Act, also known as Obamacare. This change, along with the proposed federal budget for 2018 that aims to cut spending in such areas as healthcare and welfare, would provide the government the money it needs to implement major corporate tax cuts. These moves would improve business confidence and stimulate investment. However, uncertainty remains, since the draft Act is still in the legislative process, whereby it may be changed or rejected.

EIC projects that President Trump's executive order to scrutinize the U.S. trade deficit will benefit the U.S. economy. The investigation will examine trade deficits with 16 countries, targeting abuses. The results are likely to help increase U.S. bargaining power on trade. Export products that stand to benefit are U.S. beef, imports of which have been banned by several countries. The U.S. is likely to curb its imports of certain products like steel. However, given its structure, the U.S. economy will continue to rely heavily on imported goods, especially consumer products.

Political uncertainty could hurt confidence. Trump's approval rating has declined following the media turmoil over his dismissal of James Comey, the former director of the Federal Bureau of Investigation (FBI). His popularity has also been hit by his administration's slow progress on fiscal policies and his decision to withdraw the U.S. from the 2015 Paris Agreement on climate change. The White House morass could delay or derail tax reforms, hurting consumer and business confidence and slowing the economy.



Progress on
Trump's fiscal stimulus
and timing of Fed's balance sheet reduction

Implications for Thai economy

- Steady U.S. economic recovery means higher demand for goods and services from Thailand. However, the Trump administration's plan to cut the U.S. trade deficit could hurt some of Thailand's export products such as electricals & electronics and fishery products. Thai businesses in the agriculture and agribusiness sectors could also lose share in the domestic market, if the U.S. pushes for increased access. (See more in In Focus :Thai exporters in preparation to Trump trade actions)
- The U.S. dollar Index declined by 4.9% from the beginning of the year and 10-year U.S. Treasury yields dropped by 0.12% from the beginning of the year to 2.32% as political uncertainty dragged. This shift prompted large capital flows into Asian markets. The Thai baht and other Asian currencies have strengthened as a result. However, as Trump's tax reform prospects become clearer and the Fed starts the balance sheet reduction program, capital flows should reverse. EIC expects the Thai currency to weaken to 35.0-35.5 baht per dollar by the end of 2017.

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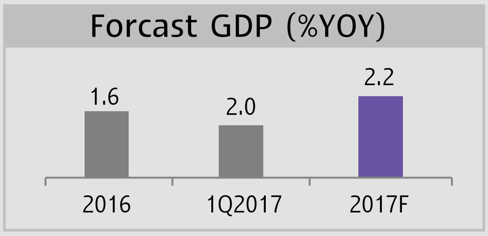
[1] quarter-on-quarter, seasonally adjusted and annualized rate

U.S. economy

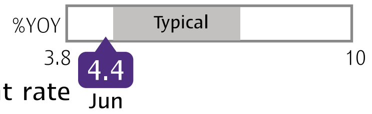
Temporary weak consumption while private investment remains strong


Forcast GDP (%YOY)

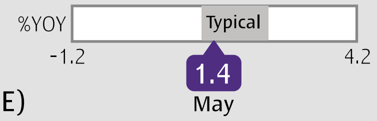
Household sector

Strong labor market supports consumer spending

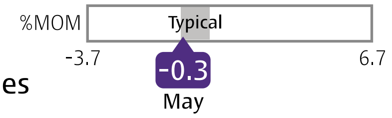
Unemployment rate 🟢



Headline inflation (PCE) 🟢



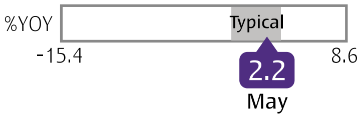
Retail sales 🟠



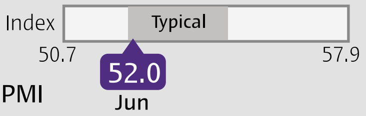
Business sector

Political uncertainty remains

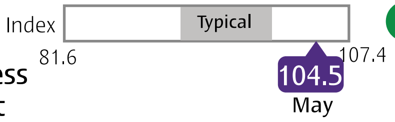
Industrial Production 🟠



Markit Manufacturing PMI 🟠



Small Business Sentiment 🟢



Link with Thailand

Tourist arrivals
+10.0%YOY
(Mar-May17)

FDI
+7.9%YOY
1Q2017

Export
+6.6%YOY
(Mar-May17)

Import
+10.4%YOY
(Mar-May17)

Monetary & Fiscal Policy

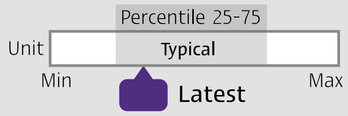
Fed to shrink balance sheet in 2018

Tax cuts likely in second half of 2017

Watch List

Plan to cut trade deficit

Trump's approval rating and fiscal policies

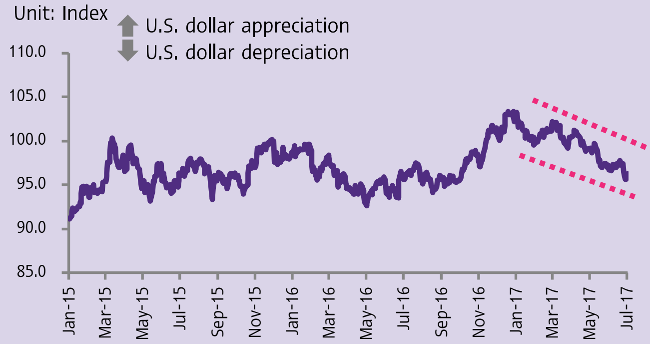


Minimum and maximum of data range since 2000

2017 direction 🟢 better 🟠 neutral 🔴 worse

Lack of economic policy process pressures dollar.

U.S. dollar index



U.S. trade deficit persists.

U.S. Trade Balance

Source: EIC analysis based data on June 2017 from Bloomberg, Federal Reserve, CEIC and Markit

BOX

No panic in Fed's asset reduction plan

Federal Open Market Committee (FOMC) meeting in June 2017 released the plan to reduce size of Federal Reserve (Fed)'s balance sheet. The plan could begin this year. Previously, Fed ended the quantitative easing (QE) program and has hiked Fed Funds rate for 3 times. The announcement to shrink its balance sheet is a part of monetary policy normalization.

The Fed's announcement toward normalization is not new as it happened once in 2013. In May 2013, the Fed revealed that it would start reducing the size of its monthly asset purchases under its aggressive QE program, which had been in effect since the subprime mortgage bond crisis of 2008. This amounted to a major change in policy direction. It prompted 10-year U.S. Treasury yields to jump by 100 basis points, to above 2%, generating consequences in global financial instability. In emerging markets, government bond yields by 250 basis points on average; while stock indexes dropped 13.75% and exchange rates depreciated 13.5%. This circumstance is also called "Taper Tantrum".

The recent Fed's asset reduction announcement, in contrast, did not similarly roil the markets. Both announcements tend to cut its economic support tools by reducing asset purchases from the market. But, the different results occur. The market reactions to recent Fed's announcement of balance sheet reduction in terms of volatility were minimal, even though the Fed published the plan faster than market expected by 1 quarter from September this year. A small market response was reflected by 8.5 and 4.2 basis points drops in U.S. and emerging market's government bond yields, respectively. Exchange rate markets saw no significant movement, which was totally different from market response during taper tantrum.

3 major components contributing to a mild market response compare to taper tantrum period are

1) Current U.S. economy is stronger and can better withstand the potential impact of changing monetary policy. In 2013, when QE tapering was announced, the U.S. economy was still relatively weak. The unemployment rate was at 7.9%, and inflation was far below the Fed's 2% target. Today, however, the U.S. economy appears likely to keep growing. Unemployment stands at 4.3%, the lowest in 10 years, and this level represents full employment. Inflation moves closer to the Fed's 2% target. Thus, the economy is now strong enough to absorb shocks from volatile financial markets.

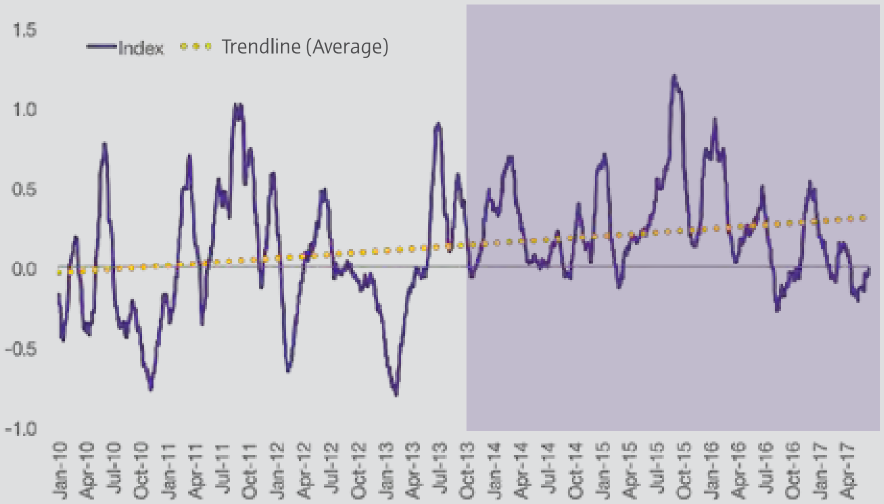
2) The Fed provided clear signals regarding policy direction, which averted market panic. The markets priced in the change prior to the actual announcement. In 2013, Ben Bernanke, Fed chairman at that time, testified to Congress that the Fed would taper QE if economic indicators showed positive signs. This created a market expectation that the Fed would actually taper in September 2013, prompting a market panic due to unclear communication. However, the Fed has been clear on the steps of reducing the size of balance sheet. Even though the Fed did not specify the time to start the plan and the target size, the announced framework is enough to provide the market insight on the impacts, helping keep financial markets relatively calm.

3) Investors change their views on financial market volatility. The Global Financial Stress Index Fund Flow (GFSIFF) issued by Bank of America-Merrill Lynch (Figure 4) shows that, during 2010–2013, the GFSIFF Index averaged at 0.03, reflecting investors' level of fear was high, with a low risk appetite. On the other hand, the Index rose starting in 2014, recently reaching 0.27, suggesting that investors are in a risk-on mode and willing to invest in high-risk markets. Thus, when the Fed announced its balance sheet reduction plan this time, the market response was not as volatile as in 2013.

2 Investors' risk appetite has been rising since 2014

Since 2014, investors shift to risk-on mode

Unit: Index



Source: EIC analysis based data from Bloomberg

Eurozone economy

Outstanding growth amid lingering political risks

The Eurozone grew 0.6% QOQSA[2] or 1.9%YOY in the first quarter of 2017. The main drivers were recoveries in household consumption and private investment, in line with exports. The unemployment rate declined to the lowest level in eight years, at 9.3%, in May. The manufacturing PMI hit a six-year high of 57.0 in June. Nevertheless, the Eurozone economy is still driven mainly by core economies like Germany and France, whereas those on the periphery, such as Italy, Spain, Portugal and Greece, still face fragile growth prospects. For example, unemployment stands at still high rates of 11% in Italy and 18% in Spain.[3]

Economic growth in the third quarter might be affected by political risk in Italy. Germany's election on September 24 is not of great concern in terms of EU unity given that both of the two leading candidates are pro-EU. Italy's election, on the other hand, must be closely monitored if it is held in September, as suggested by former prime minister Matteo Renzi. Italy's prolonged economic woes, especially in the banking sector, have driven the rise of the Five Star Movement (M5S), an anti-EU party. If that party wins enough seats to form a government, a referendum to leave the EU will be on the table. Italexit would shake the confidence of businesses and investors and weigh down hiring and household consumption. This shock could drag Eurozone growth below the 1.6% rate now expected in 2017. However, the probability of the election being held in September is 45%[4]

EIC projects that the European Central Bank will avoid tightening monetary policy this year, despite its previous indication it would turn toward a normal stance. Economic recovery in the Eurozone has yet to translate into rising inflation. Moreover, with political uncertainty looming, the ECB will have to take a gradual approach in normalizing its monetary policies. At the upcoming meeting on September, the ECB will likely announce its plan to taper its QE to 40 billion euros per month, down from 60 billion euros today, starting in January 2018 and continuing at that level for another six to nine months. Interest rates would likely start to rise in the third quarter of 2018.

Inflation trend and ECB statement on QE taper

Implications for Thai economy

- Thai exports to the Eurozone expanded 5.4%YOY in the first five months of the year. The rebound in Eurozone consumption will translate into higher demand for Thai exports, especially of computers and parts, and cars and parts.
- The Thai government's use of Article 44 to allow foreign companies to hold more than a 50% share in aircraft maintenance and parts production businesses in the EEC will attract more FDI from Europe, especially from Airbus, the French aircraft manufacturer.
- A decline in concern regarding EU political and economic risks after the French election turned out as expected, and steady recovery in the Eurozone economy helped the euro strengthen by 8.0% against the dollar, or 2.5% against the baht[5]. However, EIC expects the euro to weaken to 1.08 against the dollar before the end of 2017 due to political uncertainty in Italy and the Fed's rate hikes.

[2] Quarter-on-quarter growth, seasonally adjusted

[3] Data as of May 2017

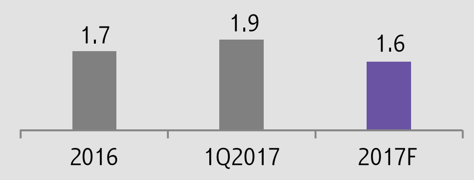
[4] according to an estimate in June by Teneo Intelligence, a political risk consultancy

[5] Changes in EUR as of July 3, 2017, compared to the end of 2016.

Eurozone economy

Outstanding growth amid lingering political risks

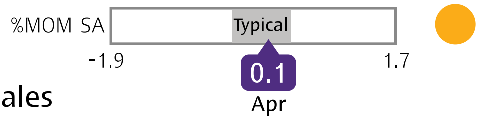
Forcast GDP (%YOY)



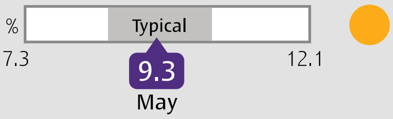
Household sector

Continued consumption growth

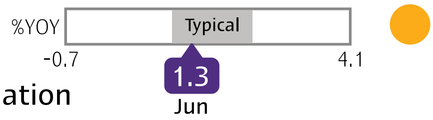
Retail sales



Unemployment rate



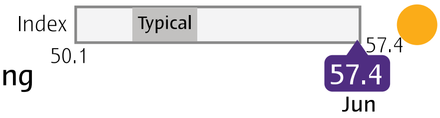
Headline inflation



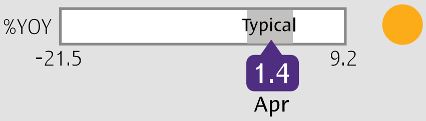
Business sector

Export may slow down as oil prices stabilizes.

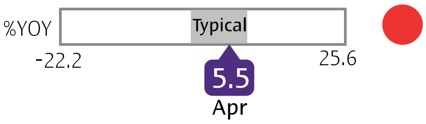
Manufacturing PMI



Industrial Production



Export



Link with Thailand

Tourist arrivals
+2.1%YOY
(Mar-May17)

FDI
+19.0%YOY
(1Q2017)

Export
+7.8%YOY
(Mar-May17)

Import
+5.0%YOY
(Mar-May17)

Monetary & Fiscal Policy

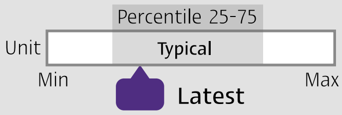
Expect ECB to hold benchmark refinancing rate until end of Q2/2018

Expect ECB to extend QE program, with a reduction in monthly asset purchase

Watch List

ECB meeting on September 7th

Elections in Germany and Italy in September

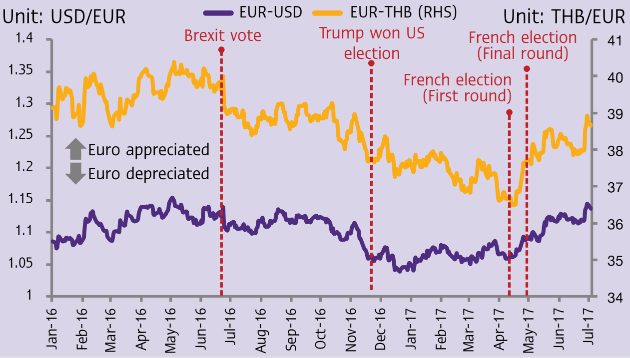


Minimum and maximum of data range since 2000

2017 direction 🟢 better 🟠 neutral 🔴 worse

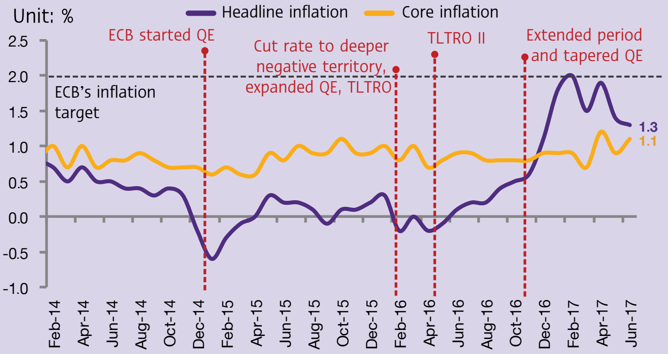
Euro strengthened following French election

Euro



Eurozone growth recovery has yet to lift inflation

Headline inflation compared with core inflation



Source: EIC analysis based data on June 2017 from Bloomberg and CEIC

Japanese economy

Recovering exports boost growth beyond expected level

Japan's economy expanded 1.0%QOQ SAAR[6] in the first quarter of 2017, or 1.3% YoY. Exports led the growth trend, increasing 6.0%YOY on the back of a yen that was weaker compared to the previous year. Also supportive was demand from China and other Asian markets, consistent with higher manufacturing output. Private investment grew by 3.6%YOY. Additional contributing factors were investments in preparation for the 2020 Tokyo Olympics, reflected in the 6.1%YOY expansion in construction of residential buildings such as dormitories for athletes. However, private consumption remained sluggish, growing at 0.9%YOY, concentrated among some durable goods and services.

EIC expects Japan's GDP to grow by 1.3% in 2017, driven by exports and government stimulus. This forecast reflects a small upward revision from 1.2% in our previous projection, since exports grew more than expected in the first quarter. This growth trajectory is expected to continue throughout 2017 in line with recovery in global demand. Exports of electronics and machinery, in particular, grew by 8%YOY and 12%YOY, respectively. The impact of public investment from the government's economic stimulus measures will be more pronounced from the second quarter onward, from progress in several construction projects in preparation for the upcoming Olympics. A majority of the investment projects are public-private partnerships, thus inducing both public and private investment. There are also private investment in other areas such as hotels and retail stores to accommodate the rising number of foreign visitors.

The Bank of Japan will likely keep its policy interest rates on hold throughout 2017 because inflation remains low. Core inflation was just 0.2%YOY in the first quarter, reflecting anemic domestic consumption. This was partly due to sluggish wage growth. Companies are not optimistic about future revenues and are concerned that aging of the population will lead to labor shortages in the future. As a result, instead of raising wages, Japanese companies have been investing in machines and robots to support production. They have also been rewarding workers with bonus payments rather than salary increases, to maintain flexibility. These decisions put downward pressure on wages, thereby dragging on consumption. Given that inflation is still far below the target of 2% for 2017-2018, the BOJ will likely keep its short-term policy interest rate at -0.1% and long-term rate at around 0% to support the economy. Low rates will weaken the yen, which is beneficial for corporate profits, the stock market, and exporters.

Unemployment falls to 20-year low but wages languish

Implications for Thai economy

- The yen appreciated 5% against the dollar from the beginning of the year through the end of May, a change comparable to that of the baht against the dollar. EIC expects the BOJ to keep its rates on hold. The Fed's rate hike will help push the yen to 116 per dollar by the end of 2017.
- Net Japanese FDI in Thailand grew 8.4%YOY in 1Q2017 after shrinking last year. The Thai government's Eastern Economic Corridor plan will help attract more FDI from Japan, especially in industries with existing bases in Thailand's Eastern region, such as the automotive and parts industry.
- Japan's exports of electronics, which grew at an astounding rate, benefited Thai electronic parts exporters in the same supply chains. In the first five months of this year, Thai exports of electronics to Japan expanded 39%YOY. However, sluggish Japanese demand for other products meant that overall Thai exports to Japan expanded by only 4%YOY

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[6] quarter-on-quarter, seasonally adjusted and annualized rate

Japanese economy

Recovering exports boost growth beyond expected level

Forcast GDP (%YOY)

Household sector

Sluggish wage growth dragged on consumption

Consumer Confidence Index
Index 27.5 – Typical – 50.1
43.3 Jun 🟠

Headline inflation
%YOY -2.5 – Typical – 3.7
0.4 May 🟠

Labor real wage
%YOY -5.3 – Typical – 2.6
0.0 Apr 🟠

Business sector

Rising global demand and weak yen continued to support exporters

Manufacturing PMI
Index 47.7 – Typical – 53.3
52.4 Jun 🟢

Industrial Production
%YOY -37.2 – Typical – 29.2
6.8 May 🟢

Merchandized Exports
%YOY -49.4 – Typical – 45.3
14.9 May 🟢

Link with Thailand

Tourist arrivals
+8.9%YOY
(Mar-May17)

FDI
+8.4%YOY
(1Q2017)

Export
+15.7%YOY
(Mar-May17)

Import
+12.1%YOY
(Mar-May17)

Monetary & Fiscal Policy

BANK 2017F

BOJ to hold short-term rate at 0.1% and 10-year yield at 0%

Government stimulus program to show impact in 2Q2017

Watch List

Government's ability to repay debt when inflation rises

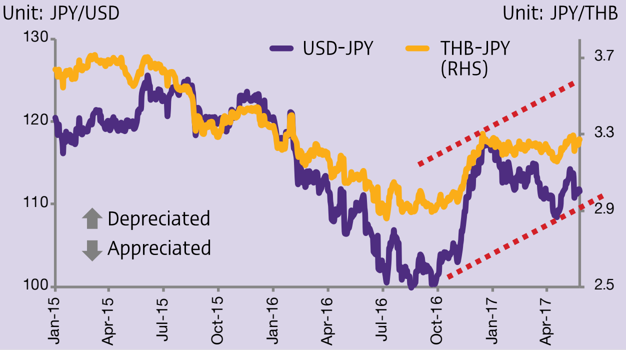
Pressure on BOJ to keep rates low as the Fed raises its rates

Unit – Percentile 25-75 – Typical – Min – Max – Latest: Minimum and maximum of data range since 2000

2017 direction: 🟢 better 🟠 neutral 🔴 worse

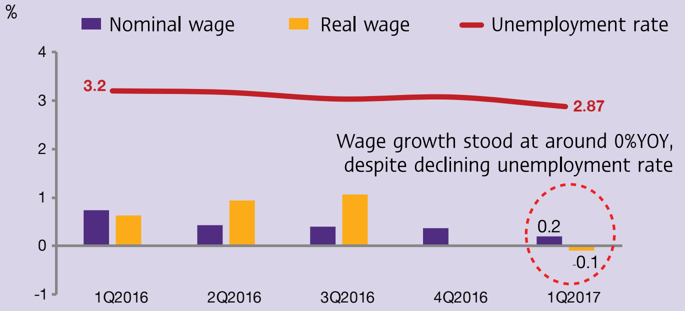
Rising U.S. interest rates helped weaken yen

Yen



Sluggish wage growth dragged on consumption

Wage growth and unemployment rate



Wage growth stood at around 0%YOY, despite declining unemployment rate

Source: EIC analysis based data on June 2017 from Bloomberg and CEIC

Chinese economy

Continued growth supported by government policy and strong consumption despite high debt levels

China's economy grew strongly in the first quarter of 2017 from public spending, domestic consumption and exports. GDP expanded 6.9%YOY in the first quarter, higher than previous quarter's 6.5%YOY. The main driver was government infrastructure investment project under public-private partnerships, which has been ongoing since late 2015. In addition, private consumption was strong, with retail sales rising 10.9%YOY in the first quarter of the year on the back of rising consumer confidence following government measures to encourage spending. At the same time, exports improved, expanding 8.9%YOY, especially those to major partners like the EU and the U.S., after concerns on the U.S. protectionist trade policies was relaxed.

EIC expects China's economy to grow by 6.6% in 2017, driven by government policy to stimulate high-technology production and domestic consumption. The key drivers are supply-side economic reforms that support high-tech manufacturing and services as part of the "Made in China 2025" strategy, as well as a rebound in exports in line with global recovery. Domestic consumption will also benefit from better economic fundamentals, such as low unemployment and rising consumer confidence. Even though the government uses economic stimulus measures to encourage spending, it continues to reduce overcapacity in steel and coal mining sectors, to cut real estate inventory in large cities, and to and control risks from high domestic debts by control credit growth as well as deleverage.

China's high debt level is a key risk to be monitored, but the government remains able to manage the situation. Moody's downgraded Chinese government bonds issued in yuan and other currencies from Aa3 to A1, reflecting concern about the rising level of domestic debt. In 2016, the debt level reached 257.6% of GDP. The government has by far implemented the following control measures. 1) The People's Bank of China (PBOC) raised short-term interest rates to slightly tighten its monetary policy. This is intended to control credit creation for businesses in industries with overcapacity, but the measure could increase burden to existing debtors. 2) PBOC has drafted regulations on shadow banking, the investment and fund-raising channel for high-risk businesses. EIC expects these measures to effectively slow down credit growth and maintain financial stability in the long run.

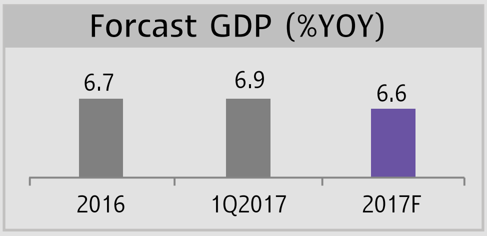
Appointment of new leaders of Communist Party at 19th National Congress in October–November

Implications for Thai economy

- Compared to end of 2016, the yuan has recently strengthened against the U.S. Dollar by 0.5%, following the same direction as other currencies in Asia, including Thai baht. This, However, will have limited impact on Thai export and tourism sectors.
- China's domestic consumption improved, leading to higher demand for such products as consumer goods, medicine, clothing and toys. This presents an opportunity for Thai businesses in these products. Moreover, "Made in China 2025" strategy, which supports high-tech manufacturing, will benefit Thai exports in the supply chains, including machinery & parts, integrated circuits and electronics.
- Overall Chinese FDI in Thailand has been stable, though with a slight drop in rubber, plastics and construction. There are, however, signs of growth in car sales and maintenance services, motorcycles, electricity generation, natural gas and ventilation systems.

Chinese economy

Continued growth supported by government policy and strong consumption despite high debt levels



Household sector

Consumption rose from better economic fundamentals

Consumer Confidence Index	Index	97.0	116.4	116.4 Apr	●
Retail sales	%YOY	4.3	23.3	10.1 May	●
Unemployment rate	%	3.0	4.3	4.1 Mar	●

Business sector

Rebound in exports drove manufacturing

Manufacturing PMI	Index	38.8	59.2	51.7 Jun	●
Industrial Production	%YTD	-3.6	22.0	6.4 Apr	●
Export	%YOY	-28.0	51.7	8.7 Apr	●

Link with Thailand

Tourist arrivals
-4.6%YOY
(Mar-May17)

FDI
+5.8%YOY
(1Q2017)

Export
+32.1%YOY
(Mar-May17)

Import
+7.5%YOY
(Mar-May17)

Monetary & Fiscal Policy

2017F

Reinforce Macro Prudential Assessment framework to curb risk in financial system.

Maintain 3% budget deficit to boost investment both inside and beyond the country.

Watch List

Domestic debt to GDP ratio

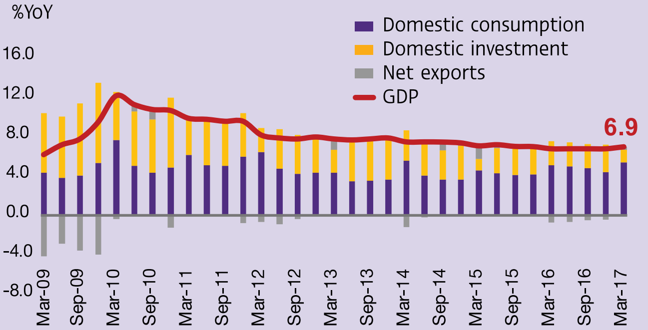
Real estate bubble

Unit | Percentile 25-75 | Typical | Min | Max | Latest — Minimum and maximum of data range since 2000

2017 direction: ● better ● neutral ● worse

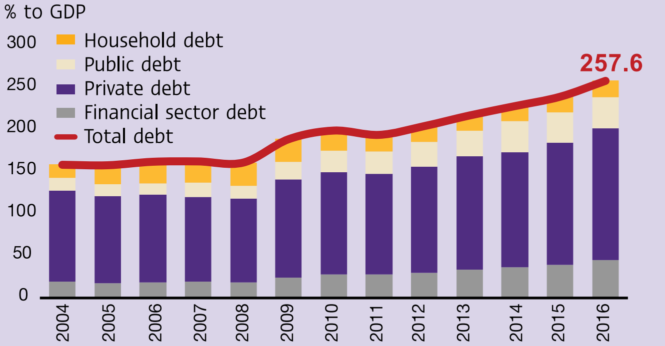
Domestic consumption and exports fuel GDP growth

Contribution to GDP growth



High private debt keeps on going

Composition of debt to GDP ratio



Source: EIC analysis based data on June 2017 Bloomberg และ CEIC

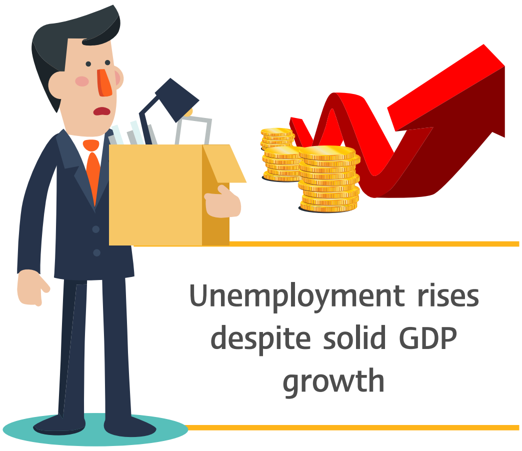
ASEAN-4 economy

Singapore to become "smart nation"

Singapore's economy recovered gradually in the first quarter of 2017. GDP expanded by 2.7%YOY, driven mainly by the manufacturing sector, a key part of the Singaporean economy, and especially the electronics industry, boosted by rebounding global demand. The Singapore Manufacturing Purchasing Managers' Index (PMI) was at 50.9 in June, in its tenth straight month of improvement. Manufacturing output rose by 6.7%YOY in April. Inflation has remained positive since December 2016. These numbers indicate that the Singaporean economy is standing on solid ground.

EIC forecasts that Singapore's economic growth will come around 2.3% in 2017, closed to the government's forecast, supported by external factors. The key risk is a rising unemployment, which has climbed since the beginning of 2017, reaching 2.3% in March. Moreover, non-manufacturing sectors, which have been struggling to grow, might negatively impact domestic consumption. Singapore also faces risks from the economic slowdown in China, a key trade partner. Exports to China accounted for 13% of Singapore's total exports in 2016. The main category is electronics, especially integrated circuits.

Regarding its long-term development goals, the government has announced Singapore's aim to be the world's first "smart nation." Singapore will use internet of things (IOT) technology to better manage the city and improve quality of life. Focusing on transportation and healthcare services, the government will deploy IOT tech such as apps that use GPS to track the location of buses and video-call health consultations between physicians and patients. Singapore launched a program called AI.SG to support the development of artificial intelligence (AI) for use in city finances, healthcare and urban planning. The project calls for USD107 million[7] in funding over the next five years. The government has also set up a Committee on Future Economy (CFE), which in February announced a set of strategies[8] to achieve sustainable growth. These programs and policies show that leaders are making an effort to steer Singapore through an era of great change to reach a sustainable future.



Unemployment rises despite solid GDP growth

Implications for Thai economy

- Singapore's economic revival will help Thailand's tourism sector. In the first four months of 2017, the number of Singaporean tourists in Thailand rose 1.4%YOY.
- In the first quarter of 2017, direct investment from Thailand to Singapore focused on the financial services and insurance industry. Singapore's policy to encourage investment in innovation, technology and startups will attract Thai businesses to invest more there going forward.
- The Singapore dollar continued to strengthen against the U.S. dollar, since the beginning of 2017, and is expected to fluctuate less than other regional currencies since it is under firm control by the Monetary Authority of Singapore (MAS). EIC expects the currency to average at 1.41 Singapore dollars per U.S. dollar in 2017.

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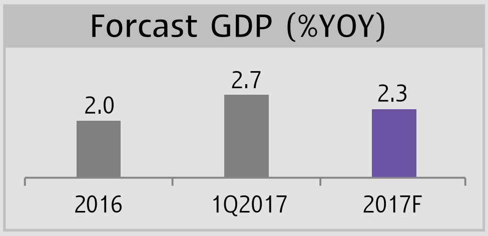
[7] Data from CNBC and Straits Times as of 3 May 2017

[8] 2017 Report of the Committee on the Future Economy: Pioneers of The Next Generation.

ASEAN-4 economy

Singapore to become "smart nation"


Forcast GDP (%YOY)

Household sector

Unemployment continued to increase

Unemployment rate: % · 1.7 · Typical · 5.9 · 2.3 Mar · 🔴

Headline inflation: %YOY · -1.6 · Typical · 7.6 · 0.4 Apr · 🟢

Retail Sales: %YOY · -11.9 · Typical · 41.5 · 2.6 Mar · 🟢

Business sector

Back on track thanks to the global demand recovery

Manufacturing PMI: %YOY · 44.3 · Typical · 60.9 · 50.9 Jun · 🟢

Industrial Production: %YOY · -32.2 · Typical · 58.6 · 5 Apr · 🟢

Export: %YOY · -37.8 · Typical · 37.6 · 11.4 Apr · 🟠

Link with Thailand

Tourist arrivals
+3.9%YOY
(Mar-May17)

TDI
-16.6%YOY
(1Q2017)

Export
+16.8%YOY
(Mar-May17)

Import
+43.5%YOY
(Mar-May17)

Monetary & Fiscal Policy

Sets appreciation rate of Singapore dollar at 0%

Aims to be the world's first "smart nation"

Watch List

Weak growth in non-manufacturing sectors could drag on consumption and the labor market

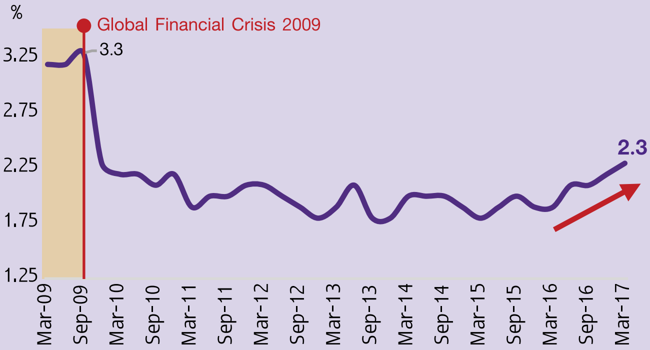
Percentile 25-75
Unit · Typical · Min · Max
Latest

Minimum and maximum of data range since 2000

2017 direction: 🟢 better 🟠 neutral 🔴 worse

Unemployment rose despite solid GDP growth

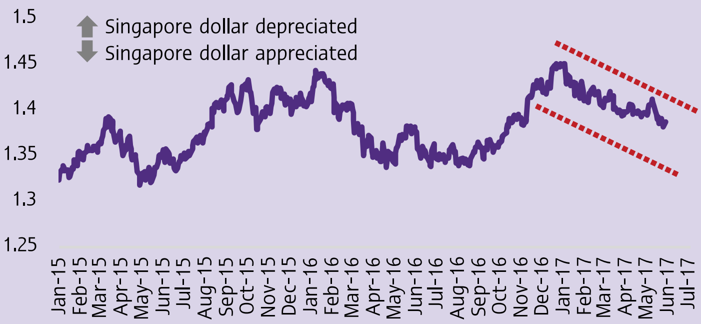
Singapore's unemployment rate



SGD steadily strengthened in 2017

Value of Singapore dollar

Unit: SGD/USD



Source: EIC analysis based data on June 2017 from Bloomberg and CEIC

CLMV economy

Hydropower projects fuel Laos's economic hopes

Laos's economy grew 6.9% in 2016, boosted by domestic factors. Growth of the Laotian industrial sector remained strong at 8%, driven by power generation and electricity exports. Farm output rose 2.5% thanks to improved weather. A 9.5% drop in tourist arrivals did not affect tourism income, since East Asian and Western tourists, the country's target group, increased the average length of stays and spending. The service sector then surged by 9%. Both exports and imports expanded by 12.3% and 6.7%, respectively, leading to a slightly lower trade deficit. However, the low level of foreign exchange reserves is still a major concern as it can cover only less than 2 months of imports.

Laos's economy is expected to expand by 6.8% in 2017, on the back of growing foreign direct investment to build hydropower plants and the Laos-China railways, and the enforcement of the new Investment Promotion law. Inflows of FDI will boosted imports of machinery and equipment, pushing the trade deficit to 19% of GDP this year. The tourism sector continues to grow. Inflation will rise to 2.3%, supported by higher global prices for oil and commodities. A lingering risk for Laos's economy is the growing level of public debt, which is expected to reach 69% of GDP this year. Of which, public debt equal to about 56% of GDP is in foreign currencies, making Laos vulnerable to changes in exchange rates. Nevertheless, the government is seeking to control public debt by reducing public spending and reforming the tax structure.

The national power authority, Électricité du Laos (EDL), has a strategic plan to establish 90 power plants across the country by 2020, making Laos the "battery of ASEAN." EDL is in the process of developing another 48 power plant projects, including 43 hydroelectric dams, 3 coal power plants, and 2 solar and wind farms. When these projects are completed, the country will have overall generating capacity of 25,000 MW per year, with a goal to export 9,000 MW per year to Thailand by 2020, following power purchase agreements with the Electricity Generating Authority of Thailand (EGAT). At present, EGAT buys electricity directly from independent power producers (IPPs) in Laos without going through EDL, so the Lao government is missing out on potential income from exporting electricity. EDL is therefore reforming the structure of the nation's energy sector to become the sole buyer of electricity and owner of all transmission lines. When the restructuring is completed, income from selling and exporting electricity through EDL will help the government reduce its fiscal deficit.

Management of public debt and gains in government income via tax reform and electricity exports.

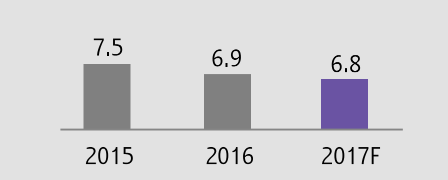
Implications for Thai economy

- In 2016, Thailand's exports to Laos dropped by 5.7%, while Thai imports from Laos rose by 28%. EIC predicts that Thai-Lao trade will continue to thrive in 2017 as exports of machinery and industrial goods from Thailand to Laos will likely increase and purchases of electricity from Laos will comprise 60% of Thailand's total imports from Laos.
- Thailand's direct investment in Laos in 2016 grew by 37% YOY. The main areas of investment were in power plants and the construction industry.
- The Laos Investment Promotion Law was revised in April to give more incentives for investors and identify the industries and areas that receive support. Businesses will get a tax exemption on profits for 4-10 years, along with other tax incentives according to the investment criteria. These provisions can benefit Thai businesses that are interested in investing in Laos.

CLMV economy

Hydropower projects fuel Laos's economic hopes

Forcast GDP (%YOY)



Household sector

Household consumption gradually expands

Urban Population Growth
%YOY — Typical — Min 4.1 — Max 5.9 — Latest 4.1 (2015) — 🟠

Consumer Price Index(CPI)
%YOY — Typical — Min -2.3 — Max 12.9 — Latest 1.5 (Apr) — 🟠

Telecommunication: Telephone
% — Typical — Min -10.8 — Max 640.1 — Latest 191.4 (2015) — 🟢

Business sector

Tourism is on the rising trend

Tourism Revenue
%YOY — Typical — Min -2.8 — Max 863.2 — Latest 5.9 (Dec16) — 🟢

Export
%YOY — Typical — Min -3.6 — Max 65.9 — Latest 21.1 (Dec16) — 🟠

Import
%YOY — Typical — Min -9.4 — Max 41.0 — Latest -9.4 (Dec16) — 🟢

Link with Thailand

Tourist arrivals
+11.2%YOY
(Mar-May17)

TDI
-38.8%YOY
(1Q2017)

Export
-4.1%YOY
(Mar-May17)

Import
48.8%YOY
(Mar-May17)

Monetary & Fiscal Policy

Lower public expenditure and reform of tax collection structure to reduce budget deficit.

Reduce interest rate caps between deposit rate and lending rate in kip to encourage loan growth.

Watch List

Increasing ratio of public debt to GDP.

Progress of electricity projects according to EDL's strategic plan 2020.

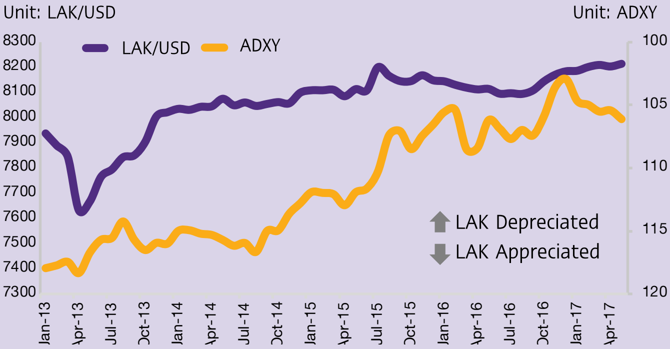
Unit — Percentile 25-75: Typical — Min — Max — Latest

Minimum and maximum of data range since 2000

2017 direction 🟢 better 🟠 neutral 🔴 worse

LAK is under strictly managed float system

Value of Lao Kip against U.S. dollar and Asia Dollar Index



Tourism revenue rose despite a drop in tourists arrival

Number of tourists and tourism revenue during 2010-2016

Source: EIC analysis based data on June 2017 from Bloomberg and CEIC

www.scbeic.com

SCB Economic Intelligence Center

Thai Economy in 2017

The impressive recovery of Thai exports in the first half of 2017 has been the engine behind the economy's growth. However, other sectors still haven't benefited much from the recovery. Employment and private investment are still low, resulting in a rather stagnant domestic economy. Domestic weaknesses remain a key risk in the second half of the year.

Thai Economy

The Thai economy continued to grow during the first half of 2017. Exports improved, while the tourism sector gradually recovered. These expansions were not, however, able to lift employment or stimulate moribund private investment.

The export rebound prompts EIC to raise its Thai GDP growth forecast for 2017 to 3.4%. The global economic recovery helped Thai exports grow more than expected in the first half of the year. Thai exports are expected to expand further in the second half. EIC now projects that Thai exports will expand by 3.5% yoy, a higher rate than the previous forecast at 1.5% yoy. These growing exports make it likely that the private sector will expand production to accommodate higher global purchasing power and to replace inventories that have been in decline. This trend could help revive private investment and support employment in the coming quarters. Moreover, during the latter half of the year, the Thai economy will be supported by the government's stimulus measures, especially from the 190-billion-baht disbursement of the central budget. This stimulus will help raise employment and consumption in the provinces, leading to more inclusive growth in household spending that extends to the middle-to-lower income group, whereas consumption growth was concentrated in the middle-to-high income group during the year's first half.

Private investment is likely to stay stagnant because Thai corporates increasingly rely on mergers and acquisitions to grow rather than investing in fixed assets. During the past several years, big companies in Thailand have significantly increased their budget for M&As. In contrast, investment in fixed assets, including construction of new or expanded facilities and purchases of equipment and machinery, rose very gradually. This shift is one reason that private capital spending on fixed assets has stalled. M&A investments make strategic sense for companies facing a slow-growth economy since they use existing businesses and resources to expand a company's market share. Moreover, the synergy from mergers can help reduce costs and inefficiencies in business operations.

EIC expects the Thai baht to strengthen against the dollar more than previously forecast. Contributing to the baht's strength is the dollar's weakness amid uncertainty about Trump's economic policies. Also supporting the currency is the expansion of emerging Asian economies including Thailand, which is fueling capital inflows into the region. EIC projects that the baht will strengthen to the range of 35.0 – 35.5 baht per dollar by the end of 2017, compared to our previous forecast of 36.0-36.5 baht per dollar. In the previous quarter, the baht appreciated against the dollar by 5% yoy. As a result, Thailand can lose its price competitiveness in some products to major competitors like China and Vietnam whose currencies depreciated against the baht. While, importers benefit from this trend, being able to import goods at lower cost. An appreciating baht would therefore help put downward pressure on Thailand's inflation rate. EIC adjusts our headline inflation estimate down to 1.0% yoy, from 1.4% yoy in our previous projection. The strengthening baht and the lower inflation rate will reduce the chance that the MPC will raise the policy rate. EIC maintains our view that the policy rate will be held at 1.5% throughout 2017.

EIC raises forecast for Thai GDP growth to 3.4% yoy in 2017

Negative factors

- Still sluggish labor market
- Thai firms have turned toward investing abroad
- U.S. trade policy

Positive factors

- Improving exports
- Continued government spending and stimulus measures
- Recovery in tourism

Key forecasts

▲ Revised up from previous forecasts ▼ Revised down from previous forecasts

GDP

	2016	2017F
GDP (%YOY)	3.2	3.4 ▲

Rebounding exports will boost Thai economy, while revival of labor market in year's second half will raise consumption.

Policy interest rate

	2016	2017F
Policy interest rate	1.5%	1.5%

Reduced inflation pressures mean BOT will maintain policy rate to support economic recovery.

Exchange rate

	2016	2017F
USD/THB	35.8	35.0-35.5 ▼

The baht will weaken and remain volatile, due to shifts in monetary policies around the world and turbulent geopolitics.

หน่วย: %YOY	2016	2017F	Key points
Private consumption	3.1	3.1	• Spending by middle- and high-income groups will grow • Weak employment growth and stagnant wages will drag on spending by middle-to-low income group
Private investment	0.4	1.4	• Investment in service sector will help raise private investment • Production capacity in industrial sector remains excessive • Big corporates shift toward investment abroad
Public consumption	1.7	1.7	• Higher stimulus spending will help drive public consumption growth
Public investment	9.9	10.2	• Capital spending on mega-projects will double • Government has approved additional stimulus of 190 billion baht
Export of goods*	0.5	3.5 ▲	• Likely to benefit from global economic recovery and rising oil prices • Risks in second half of the year will remain, from U.S. trade policy
Number of tourists	8.9	8.4	• Recovery will continue
Imports of goods*	-4.3	7.2 ▲	• Return to recovery, thanks to fuel imports and demand for consumer products
Headline inflation	0.2	1.0 ▼	• Inflation growth will slow due to decelerating oil prices and uncertain prospects for growth of purchasing power among middle-to-lower income households.

*Export and import values in USD terms

Source: EIC analysis on June 7, 2017 based on data from NESDB, BOT, MOC, TAT and Bloomberg

Private consumption

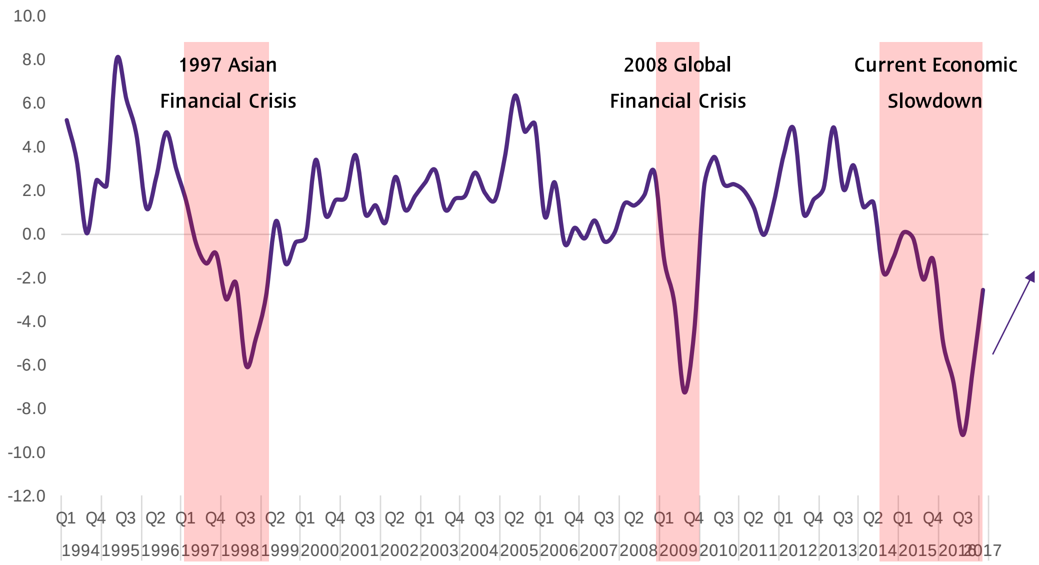
Will economic recovery lead to an upturn in the Thai labor market?

Even as Thailand's GDP has expanded, the Thai labor market has stalled. The economy enjoyed steady growth during the first half of the year. Both the export sector and spending by foreign tourists have rebounded, and domestic car sales have leaped. The production side also showed signs of recovery, with the agricultural and industrial sectors growing by 2.4% YOY in the first quarter of 2017, the highest rate in four years. Moreover, although the private sector continues to draw down inventories, the inventory change in the first quarter of 2017 signaled that the economy has passed the lowest point of the inventory cycle. This change is similar to the pattern of economic recovery following past economic crises (Figure 3). However, EIC found that job and wage growth have remained stagnant. Employment fell by 210,000 jobs in the first four months of 2017, down 0.6% YOY. As demand for labor declined, the average wage dropped by 0.7% YOY in the same period. This raises the question of why recovery of the economy has not led to expansion of the labor market.

3 Most recent stage in inventory cycle follows pattern of post-crisis economic recovery

Ratio of change in inventory to GDP at fixed price (4-quarter moving average)

Unit: % per GDP



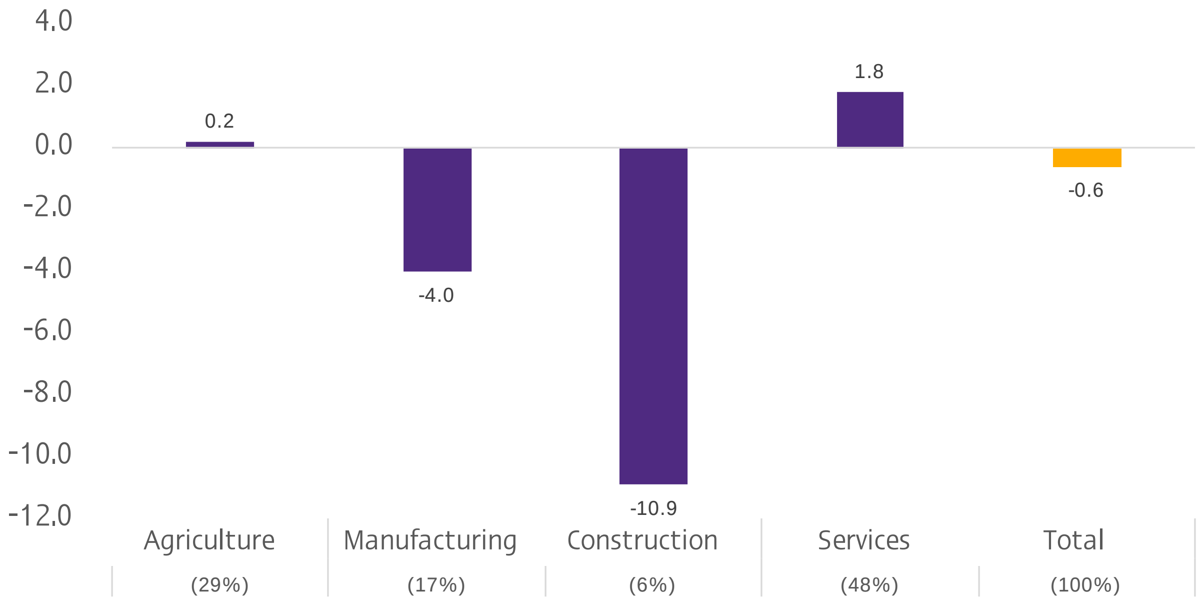
Source: EIC analysis based on data from NSO

EIC believes that the "jobless recovery" in the first four months of the year was caused by the fact that growth was concentrated in sectors that require little labor. The economic recovery at the end of last year was concentrated in products that rely on export income and require little labor to produce. For example, the value of exports of electronics rose by 10% yoy during the first four months of the year, leading to an 11% yoy (or 3% qoqsa) increase in capacity utilization in the electronics industry. But when looking at the labor share in the 2010 input-output table, we find that the labor costs account for only 4% of all production costs in the Thai electronics industry. Similarly, rubber products, energy and chemical products saw high growth in export value, at 62% yoy, 40% yoy, and 12% yoy respectively, but the share of labor costs for each were just 5%, 2%, and 8% respectively. Production in the industrial sector did not show a broad-based recovery. Capital utilization rates in industries such as furniture, leather goods and textiles are still below the three-year averages. As for the textile industry, it hires some 12% (700,000 workers) of total manufacturing workers. Since these industries have not increased their investment or employment, manufacturing sector employment has dropped by 4.0% yoy (Figure 4)

4 Employment shrank, especially in construction sector, despite economy's rebound

Change in employment in first 4 months of 2017

Unit: %YOY



( ) numbers in parentheses indicate share of labor in each sector to total labor

Source: EIC analysis based on data from NSO

Recovery in the agricultural sector has likewise failed to benefit employment. Only certain crops have seen big enough growth in price to allow farmers to enjoy the benefits. These include rubber and sugarcane with 82% yoy and 32% yoy growth in price in the first 4 months of the year, respectively. However, the labor used in growing these crops totaled only 2.5 million people, or about 1 in 4 of all workers in the agricultural sector. On the other hand, prices remain low for the more labor-intensive crops, such as rice, corn and cassava, which require about 6 million workers or half of the farm workforce. Moreover, as commodity prices recovery seems to be short-lived, employment in the agricultural sector might not be able to recover soon.

The diminishing impact of the government's economic stimulus measures partly contributed to contraction in employment in the construction sector earlier this year. Government stimulus spending undoubtedly bolstered Thailand's labor market last year, in ways both direct and indirect. As for the direct impact, the government injected a large portion of its budget into the provinces, via funding for small public investment projects and measures to improve living standards at the village and tambon (sub-district) levels. Totaling about 100 billion baht, these measures helped boost construction activity throughout the nation last year, which in turn accelerated demand for labor in that sector. In early 2016, the government supported the real estate sector by reducing the transfer tax. Many real estate developers sped up completion of their projects so that they could benefit from this temporary tax break, which was in effect only until April 2016. This led to an immediate rise in private sector demand for construction labor. However, the government started to take the foot off the pedal after the economy began to show signs of recovery. That is, it did not implement a new set of policies to boost investment at the provincial level (except for some 20 billion baht of budget leftover from last year), nor did it continue stimulus measures in real estate. This resulted in a drop in labor demand from both the public and private sectors. The construction sector faced the sharpest decline in employment in the first four months of 2017, with a 10.9% YOY drop (Figure 4), or about 290,000 fewer workers than in the same period last year.

Excluding construction, employment continued to expand in the rest of the service sector, however. Demand for labor in the service sector has been increasing for the past three years, following growth of many businesses, especially tourism and wholesale & retail trade. EIC expects the service sector to maintain a high demand for workers this year, since so many service businesses are enjoying steady growth. The number of foreign tourists continues to grow. EIC forecasts 35.3 million arrivals in 2017, up 8.4% yoy. Wholesalers and retailers plan to add more than 1,400 branches nationwide. Transportation-related businesses are also likely to grow, thanks to expanding infrastructure and rising e-commerce. These businesses all require labor to operate. But rising service sector employment is not offsetting the drop in other sectors. The reason might be that available workers do not have skills matching employer needs. Falling hires in the industrial and construction sectors are not outpaced by rising employment in the growing service sector.

EIC predicts that labor demand will recover in the short term. However, the labor market still has structural problems that Thailand should quickly address. During the second half of 2017, the new cycle of stimulus measures (tapping 190 billion baht of the central budget) will likely help revive hiring in the construction sector. And growth of the export sector will help increase demand for labor in manufacturing. The labor market is therefore likely to rebound for a while during the latter half of the year. This rebound might help lift consumption among middle- and low-income households. In the long term, however, EIC thinks that pressures on the Thai labor market will persist, due to the mismatch between workers' existing skills and employers' needs. In 2014, EIC conducted a survey on labor issues involving 222 companies in six key industries. We found that more than half of the firms could not find enough workers with the right skills. This gap has allowed unemployment to persist because so many job openings go unfilled. EIC believes that the skills mismatch will become more prominent in the future as the Thai government seeks to develop new “S-curve” industries. These new industries need labor with advanced technical skills, not to mention abilities such as critical thinking and foreign language fluency which are the basic skills required in today's general business operations. EIC thinks that the lack of skilled labor will prove a key impediment to the government's effort to crowd in investment in the new industries.

Private Investment

Thai companies to pour money into M&A

Private investment shown as a part of Thailand's GDP has declined in the past few years. But this doesn't necessarily mean that the private sector is spending less on investment. Many Thai companies have continued to invest. But the important questions are where their capital spending is directed and why it is not reflected in the GDP. In the previous quarterly edition of Outlook, EIC showed that Thai investors have increasingly placed their bets overseas (Read more in Outlook Quarter 2/2017). In this edition, EIC takes a deeper look into the investment behavior of companies listed on the Stock Exchange of Thailand and Market for Alternative Investment (Thai listed companies). Analyzing their financial statements, we found that capital used for long-term investment has continued to grow, but that the components or types of investment activity have changed considerably. We looked at 2 main types of investment:

1) Investment in new fixed assets, such as construction of new factories, purchases of land, buildings, machinery or production equipment. This includes intangible fixed assets such as computer programs.

2) Investment through mergers and acquisitions (M&As), such as full acquisition of another company, buying up enough stock of a company to gain control over its operations, and investment in an associated company or joint venture.

Less significant types of capital spending include investment in financial assets, such as debentures and bonds, and lending to other businesses. Focusing only on the 2 types of investment that are directly related to business operations, as outlined above, EIC observes that, although both types of investment are similarly designed to generate returns for a company, their patterns and effects on the overall economy are different. On the one hand, investment in new fixed assets (Type 1) generates new flows of capital in the economy through construction, equipment purchases, employment and other activities. On the other hand, mergers and acquisitions (Type 2) are investment in existing businesses, contributing only to the transfer of ownership of stocks or assets, without significant spending on new assets. This type of investment therefore does not help increase the value of private investment in GDP. A study by Doytch and Cakan (2011)[9] reaches a similar conclusion that M&As do not significantly contribute to the overall growth of an economy. Looking at how the effects differ according to industry, the study found that M&As have a positive impact on growth in the service sector, but a negative impact on growth in manufacturing. This is because M&As reduce competition in the market and thus lower productivity.

Thailand's listed companies have been putting more money into M&As in recent years. The statements of cash flows of listed Thai companies (excluding financial businesses) show that the share of capital used in M&As has increased from 11% of all long-term investments 10 years ago to more than 42% during 2014-2016 (Figure 5). This reflects the fact that companies are allocating more of their money to M&A deals. If this capital were to instead be used to buy new fixed assets, the contribution of private investment to GDP would not be as lackluster as it has been for the past few years.

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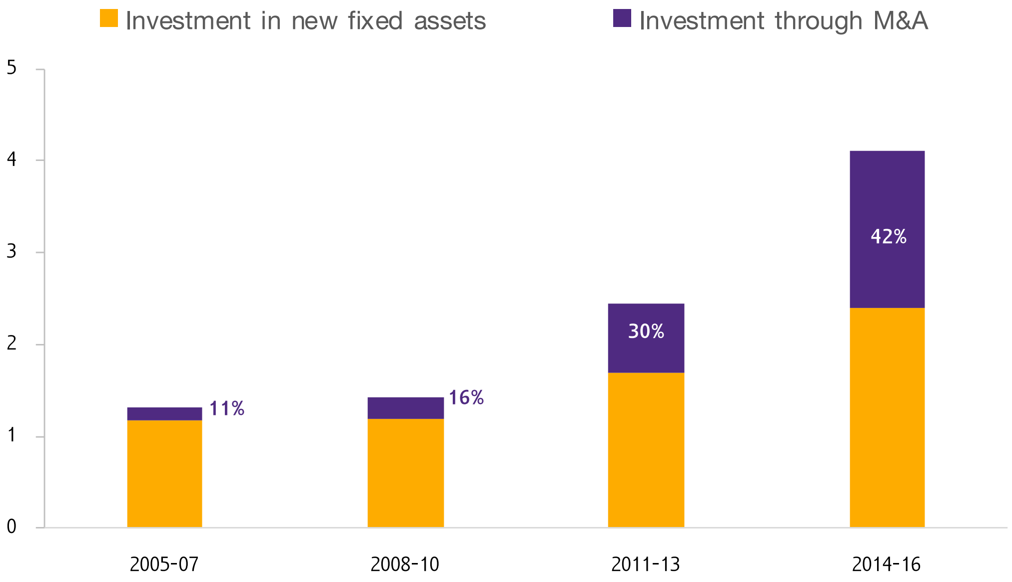
[9] Doytch, N. and Cakan, E. (2011), "Growth Effects of Mergers and Acquisitions: A Sector-level Study of OECD countries", Journal of Applied Economics and Business Research, Vol. 1, Issue 3, pp. 120-129.

5 Share of capital spending on M&As has been rising

Long-term investing cash flow of Thai listed companies

Unit: trillion baht



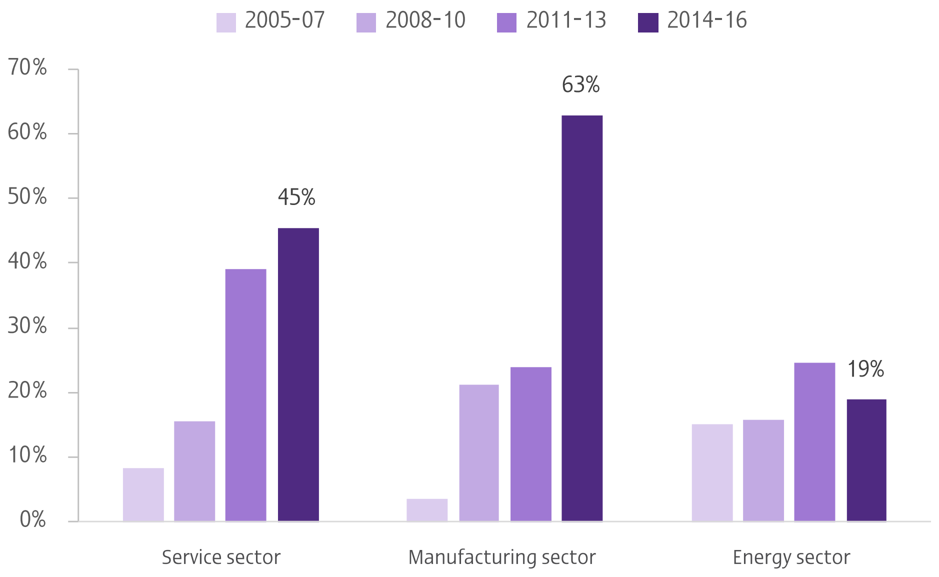
Source: EIC analysis based on data from Bloomberg

Companies in the manufacturing sector spend more than half of their long-term capital investment on M&As. Looking across sectors, EIC finds that the share of capital spending allocated to M&As in the energy industry sector has remained relatively constant, whereas the service and manufacturing sectors have increased their focus on M&As during the past 6 years (Figure 6). During 2014-2016, the manufacturing sector spent 63% of its investment funds on M&As over that three-year period. The service sector also saw an increase in the share allocated to M&As, although not as much as manufacturing did. This is because service-sector businesses have continued to invest in fixed assets, such as when retailers added new branches, developers built new real estate projects and telecommunications operators expanded their network infrastructure. Thus, investment in new fixed assets continued to rise in the service sector but stayed flat in manufacturing (Figure 7).

6 Thailand’s service businesses and manufacturers have shifted investment toward M&As

Share of M&A investment to total long-term investment of Thai listed companies

Unit: % of total long-term investment (excluding investment in financial assets)

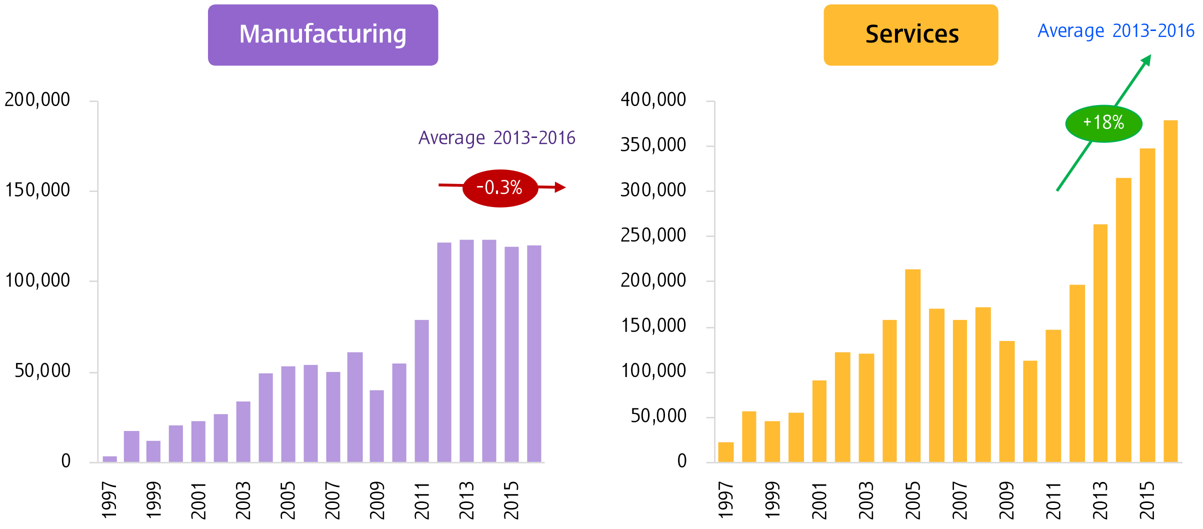


Source: EIC analysis based on data from Bloomberg

7 Investment in new fixed assets rose in service sector but was flat in manufacturing

Investment in new fixed assets of Thai listed companies in manufacturing and service sector

Unit: million baht



Source: EIC analysis based on data from Bloomberg

M&As can be spurred by any of a variety of factors, but globally they are occurring most frequently in countries with receding growth rates. Besides gaining higher productivity due to synergies and cost reduction from economies of scale, the factors leading more Thai companies to expand via M&As are three-fold:

1) Demographic transition prevent companies from expanding their customer bases as fast as before. Instead, firms are looking for ways to grow their share of the existing market share or expand into new markets through M&As. Bangkok Dusit Medical Services Company for instance, acquired hospitals like Samitivej, Phyathai, BNH, Paolo and others in order to expand its market share, thereby becoming the largest healthcare group in Thailand. Another example is Thai Union Frozen Company, which took over MW Brands of France so as to expand their market in Europe.

2) A changing financial market landscape and low interest rates saddle companies with excess liquidity, which they have to manage so as to ensure the highest returns to shareholders. A study conducted by UNCTAD (2016)[10] showed that Thai companies are paying more dividends and investing less in fixed assets. Moreover, companies tend to invest via M&As in order to reap benefits from a project faster than from investment in new fixed assets. This preference is partly spurred by institutional investors' demand for quick returns. A merger or acquisition also increases the size of the company, making it more attractive to investors and allowing it to borrow from financial institutions at lower rates.

3) Rapid change in technology inducing many companies resort to M&As as a fast way to acquire new technology. One example is a chemical manufacturing company in Thailand that took over plants in Europe and the U.S., acquiring their technology and adapting it to production in Thailand and Asia. In addition, more businesses are becoming available as disruptive technology thwarts many companies, forcing them to sell off operations. Few such cases have yet occurred in Thailand, but disruptive technology is an important factor driving many M&As around the world.

All 3 phenomena have been occurring for some time in Japan, where the number of M&As averaged 2,000 a year since 2005. In value terms, M&As grew there at an average rate of 5% per year during 2005-2016. Yet private investment shown in Japan's GDP grew just averagely 1% per year in the same period.

Thai companies are more likely to merge with overseas businesses going forward. The value of M&As that involve overseas companies is quickly surpassing that of domestic M&As, according to data by Bloomberg[11], which includes cases where Thai companies acquire other firms, either in part or in whole,[12] or participate in joint ventures (Figure 8). Moreover, the average value of each M&A has been steadily rising. During 2014-2016, the average value of each domestic M&A deal stood at 3.9 billion baht, while each involving a foreign company averaged 12 billion baht (Figure 9). More than 10 large acquisitions each exceeded 10 billion baht in value. These big deals included Charoen Pokphand Foods PCL.'s 170-billion-baht acquisition of a stake in China's CITIC Limited[13] , and its 38-billion-baht purchase of Bellisio Foods, a large U.S. maker of ready-meals. Three large Thai deals in Vietnam, for example, were Central Group's takeover of the Big C retail chain there at 37 billion baht, TCC Holding's acquisition of Metro Cash & Carry stores at 25 billion baht, and SCG's 33 billion baht deal for cement maker Holcim Vietnam, together with Holcim's operations in Sri Lanka. These acquisitions of foreign companies are consistent with rising Thailand's outward direct investment.

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[10] UNCTAD (2016), "Trade and Development Report 2016: Structural transformation for inclusive and sustained growth", United Nation publication. New York and Geneva.

[11] M&A data include Thai companies and those whose majority shareholders or controlling shareholders are Thais, as well as non-listed companies. For example, they include Thai Beverage Plc, which is listed in Singapore, and holding companies that are not listed in the stock market.

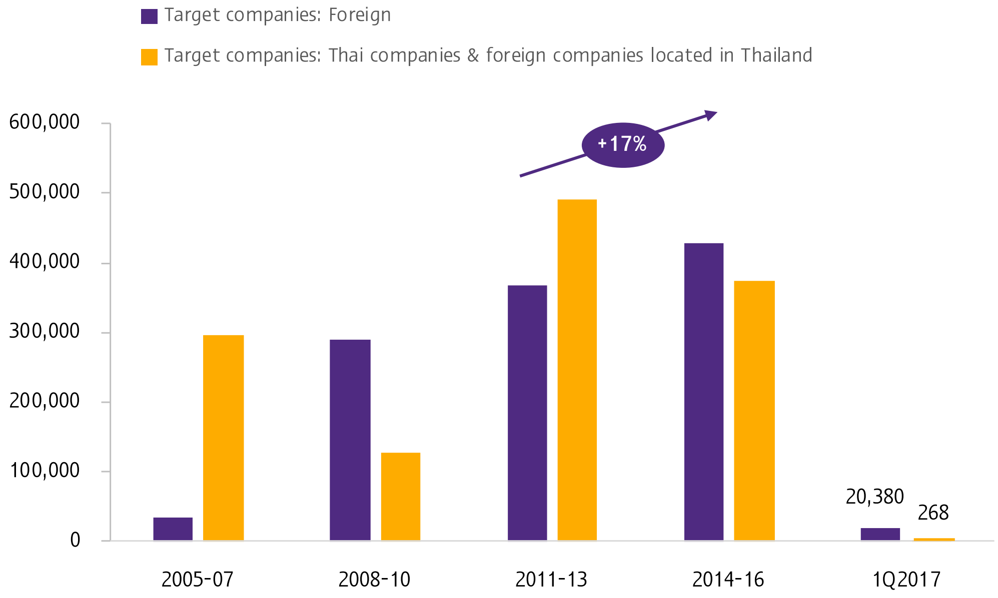
[12] Acquisition of other companies' shares in the proportion that gives controlling interest.

[13] 50:50 joint venture with Itochu Corporation with total value of baht 340 billion. Source: CP E-News, from http://www.cp-enews.com/news/details/cpnews/293

8 Thai M&As abroad are rising steadily

Announced value of M&A investment that Thai companies are acquirers

Unit: million baht



Source: EIC analysis based on data from Bloomberg

9 Average size of M&A deals is growing

Average size of announced M&A deals that Thai companies are acquirers

Unit: million baht

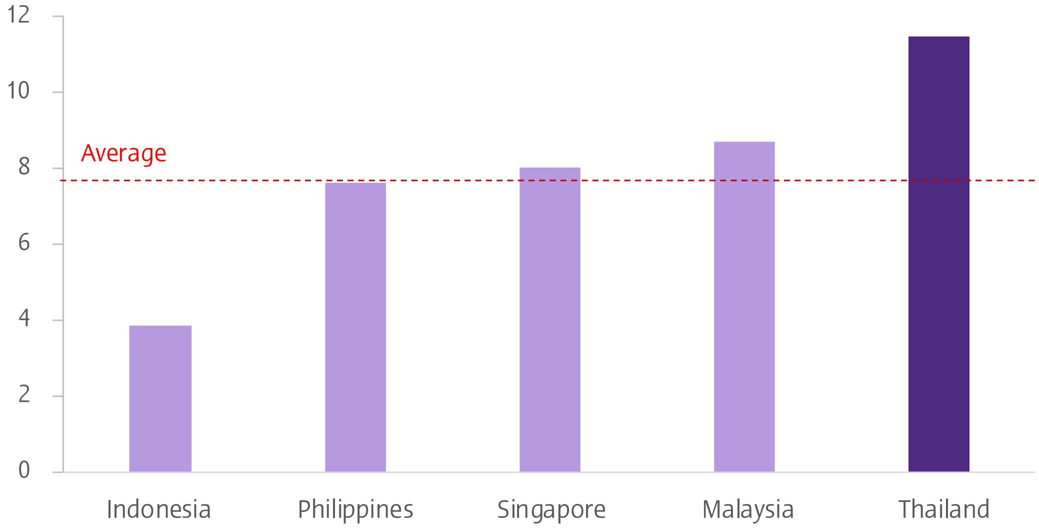
Source: EIC analysis based on data from Bloomberg

EIC believes that more and more Thai companies will invest through M&As, which will put downward pressure on domestic private investment. Investment via M&As is likely to increase for two main reasons: 1. Listed companies in Thailand are sitting on plenty of cash and can readily take on more debt. The interest coverage ratio of Thai companies is higher than that of listed companies in other ASEAN countries (Figure 10). This means that Thai companies have more excess cash after deducting their interest payment burden. As a result, these companies are forced to search for new investment opportunities, which is consistent with a study by Moeller et al. (2013)[14] that found companies with excess liquidity pay the worst returns to shareholders. 2. Growth prospects in new ASEAN markets is attracting investors around the world, including those from Thailand. This can be seen from the value of M&As in the region, which has grown by an average rate of 18% per year since 2010. Furthermore, Thailand's growing outward direct investment shows that Thai companies are more likely to invest in neighboring countries in search of new consumer markets and cheaper factors of production. However, running a business overseas is vastly different from running one in Thailand, due to differences in consumer preferences, laws, standard practices and other factors. To succeed, it is crucial to have expertise in doing business in the target country. This has made M&As a prime solution for Thai businesses seeking opportunities overseas. Indeed, a report by the Stock Exchange of Thailand shows that over 90% of the foreign direct investments by Thai listed companies are M&A or joint ventures, far above the companies going solo.

10 Debt repayment capacity of listed Thai companies exceeds ASEAN peers

Interest coverage ratio of Thai listed companies and Asian listed companies in 2016*

Unit: Times



*Median interest-coverage-ratio of listed companies

Source: EIC analysis based on data from Bloomberg

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[14] Moeller, S., Faelten, A, Appadu, N., & Vitkova, V. (2013), "How They Spend It: A study of corporate cash levels and spending behavior," UK, London: Cass M&A Research Centre (MARC).

Summary of Thai export sector

Thai exports expanded by 7.2% in value during the first five month of 2017, thanks to improving oil prices and the manufacturing sector recovery around the world.

Value of Thai exports during the first 5 months – by product

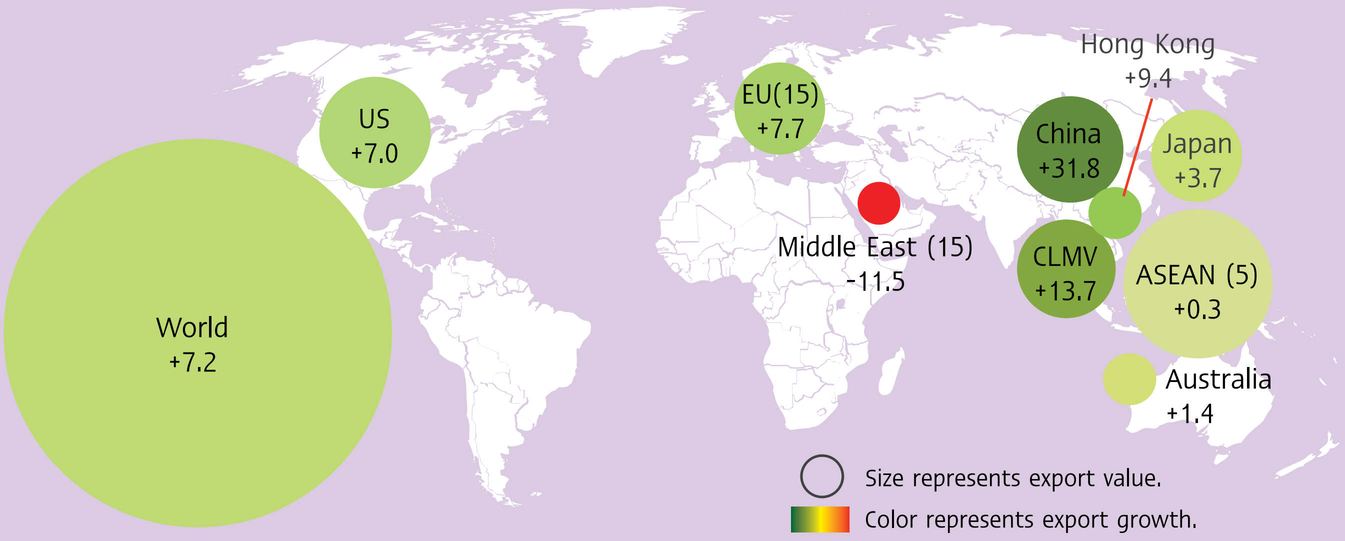
Unit: %YOY

⊖ Higher gold exports during the same period last year	Gold	-40%
⊖ Slowdown in Middle East's economies and lower demand from ASEAN5 as a result of their government policies.	Cars and car parts	-1%
⊖ Prices of agricultural products remain low	Rice Cassava	-1% -14%
⊕ Increase in demand for industrial goods as global economy recovers	Electrical appliance Electric circuit	9% 13%
⊕ The bird flu virus spread overseas and increased need for commodities, especially from CLMV, raising demand for Thai products	Fresh, chilled, frozen and processed poultry Fresh, chilled and frozen fruits and vegetables	11% 14%
⊕ Improving oil price	Refined fuel Rubber and rubber products Chemicals and plastic products	38% 61% 12%

Exports grew in most regions except the Middle East which contracted due to lower car exports

The value of Thai exports during the first 5 months of 2017 – by export market

Unit: %YOY



Source: EIC analysis using data from the Ministry of Commerce

Export

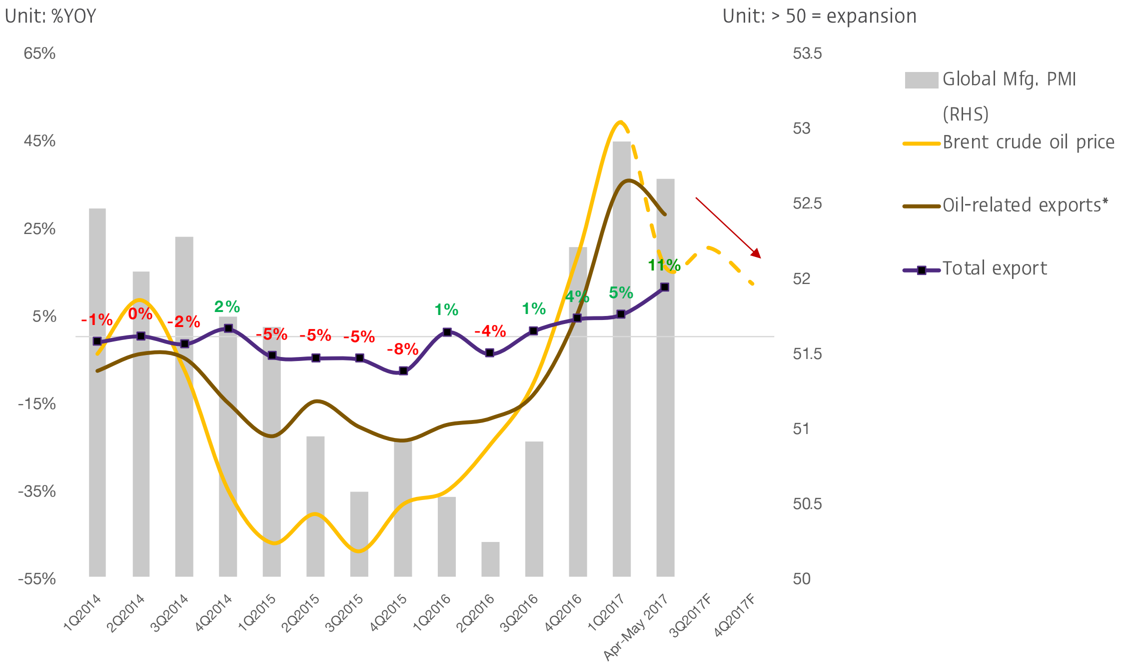
Strengthen global economy offers hope for Thai exports

Thai exports expanded by 7.2% in value during the first five month of 2017, thanks to improving oil prices and the manufacturing sector recovery around the world. As a result, Thai exports have expanded in terms of both price and quantity. The oil-related exports grew by 32%YOY in value terms. Meanwhile, the recovery of the manufacturing sector around the world, as reflected by a rebound in the Global Manufacturing PMI, has also supported demand for manufactured exports from Thailand.

EIC expects Thai exports to grow by 3.5% in 2017. The continuing recovery of major trading partners such as the U.S., Eurozone, Japan and China throughout 2017 will support expansion of the global manufacturing sector. Furthermore, lower global risks, following the U.S. retreat from protectionist threats and China's capacity cuts, will boost confidence in global trade and investment. As a result, demand for Thai manufactured products should expand in the second half of this year. Nevertheless, as oil prices stabilize, oil-related exports will not expand as much as during the initial five months of this year (Figure 11). At the same time, lower commodity prices including rice, rubber, sugar and cassava may hurt exports of related products which constituted 11% of total exports. Moreover, a stronger baht against regional currencies may dampen exporters' price competitiveness and hurt exports of commodities and some electronics products. These products have all been important drivers of Thai exports over the recent periods. (Read more in Box: Who's at risk from the strong baht?)

11 As the growth of oil price returns to normal, the expansion of oil-related exports will be lower than the first five months of this year.

Thailand's export growth compared to global oil price and manufacturing PMI



Remark: including refined fuel, chemicals and plastic products, and rubber and products

Source: EIC analysis based on data from the Ministry of Commerce and Bloomberg

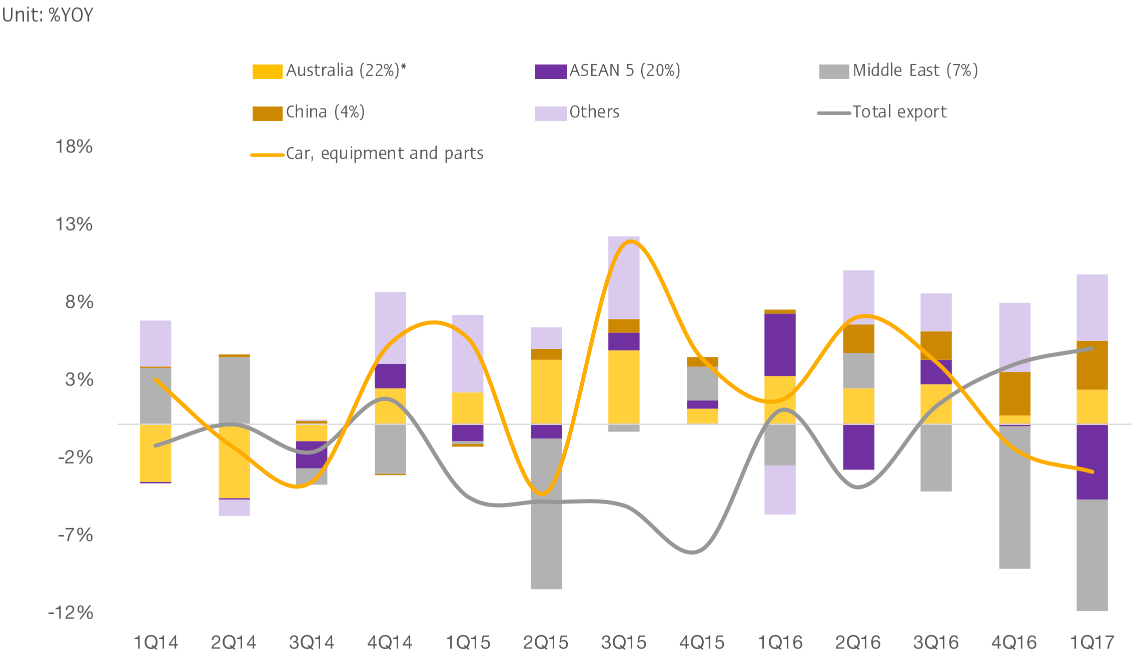
Spotlight Industry:

Cars, equipment and parts

The overall export sector has showed signs of continued recovery since the third quarter of 2016, thanks to higher oil prices and gradual recovery of the global manufacturing sector. Exports of cars, equipment and parts, however, have contracted (Figure 12). As such, it is important to investigate the causes and understand possible impacts on the Thai auto industry going forward.

12 Despite higher total exports, Thai exports of cars contracted, following big fall in demand from Middle East and ASEAN-5

Thailand's export growth of car, equipment and parts compared to total export



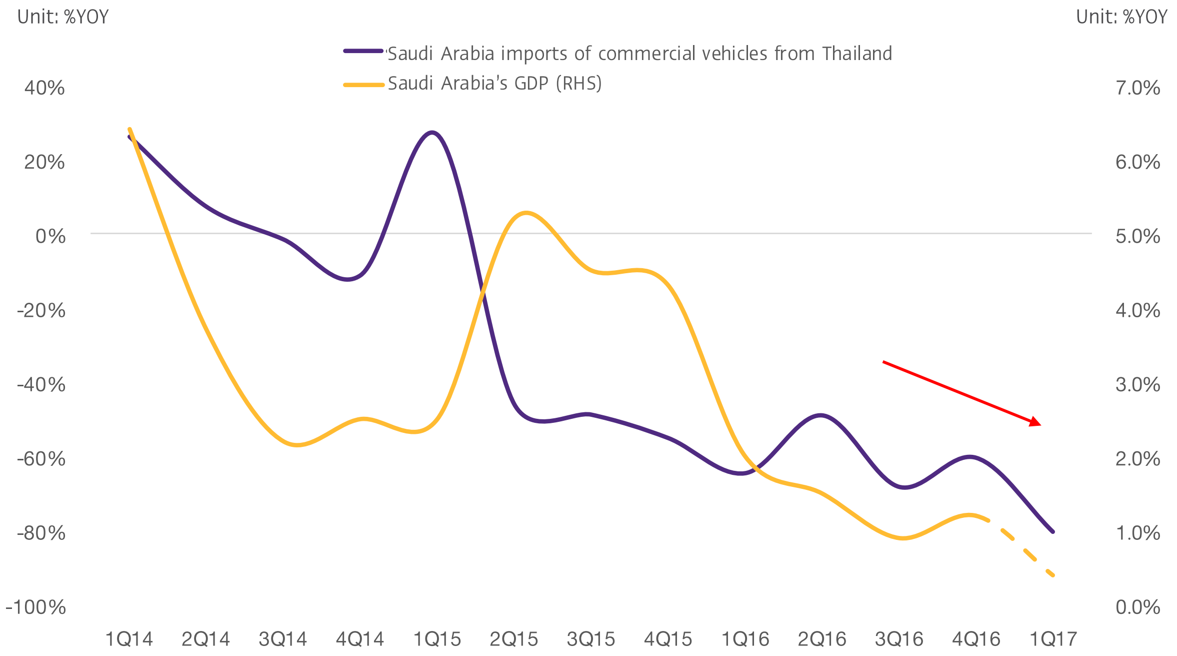
Remark: Car, equipment and parts exports to that market as a percentage of total car, equipment and parts exports

Source: EIC analysis based on data from Ministry of Finance and Trade Map

Exports of cars from Thailand to the Middle East fell by 45%YOY during the first five months of this year, because the region's economy, which depends primarily on oil exports, has not yet recovered. The big slump in oil prices since 2015 has slowed economic activity in the Middle East, which in turn dragged on demand for commercial vehicles from Thailand. Although oil prices and the global manufacturing sector have started to rise since the third quarter of 2016, Middle Eastern economies haven't yet fully recovered. Because they depend mostly on income from oil, whose prices remain below the past average, these countries continue to languish, and they benefit only a little from the global manufacturing recovery. Furthermore, current oil prices are still below the breakeven point needed to jump-start financial recovery in the major Middle Eastern countries, such as Saudi Arabia. The IMF estimates that this breakeven price is around USD 70 per barrel. As such, EIC expects that Thai car exports to the Middle East will continue to fall for the remainder of this year, given that the price of oil is projected to average at around USD 54 per barrel in 2017 (Read more in Bull-Bear: Oil Price). EIC expects that these economies will remain stagnant. The IMF's growth forecast for Saudi Arabia, for example, has fallen to 0.4% in 2017, down from 1.4% in 2016 (Figure 13).

13 Exports of commercial vehicles to Saudi Arabia fell as the region's economy, which depends primarily on oil exports, has not yet recovered.

Exports of commercial vehicles from Thailand to Saudi Arabia compared to Saudi Arabia's GDP



Source: EIC analysis based on data from the Ministry of Commerce, Trade Map, Bloomberg and CEIC

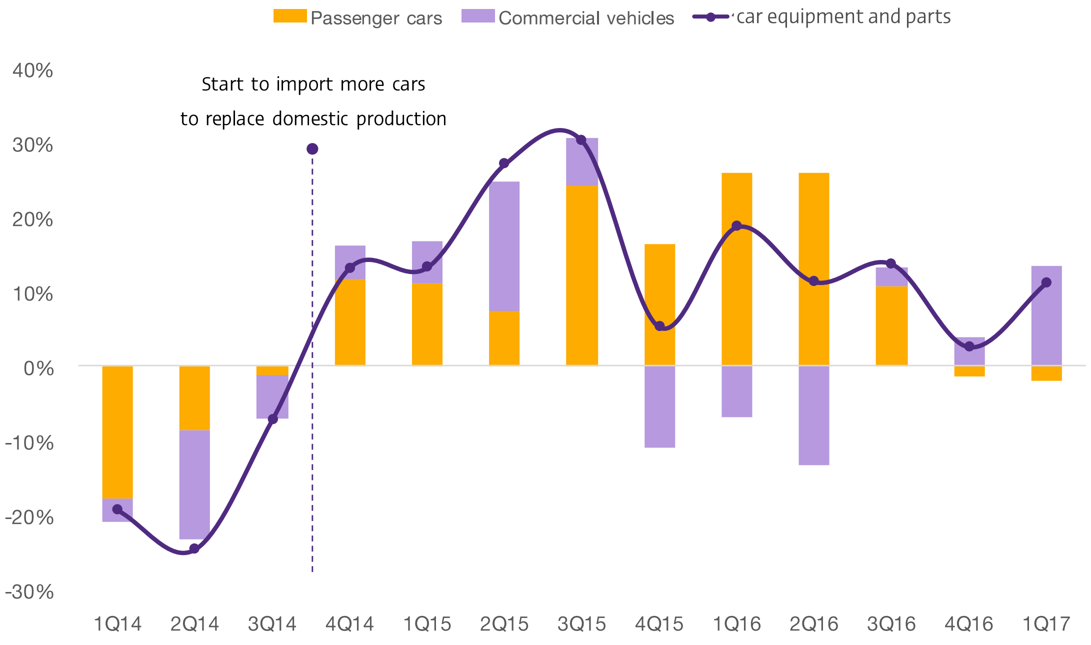
Exports of cars to the Philippines and Malaysia fell by 11%YOY during the first five months of this year, due to increased local car manufacturing encouraged by their governments. A drop in eco car purchases from the Philippines is due in part to Manila's policy to promote investments for production and exports of car parts. As a result, at the end of 2016, manufacturers of eco cars moved some of their production from Thailand to new bases in the Philippines, where they can produce for both the domestic market and export. Similarly, the Malaysian government has eased regulations related to investments by foreign car companies. This has increased domestic production capacity and reduced demand for imports. For these reasons, EIC expects Thai exports of cars to the Philippines and Malaysia, which together account for 13% of total car exports, to contract for the remaining period of 2017 and possibly beyond.

Exports of cars to Australia expanded by 13%YOY, on the back of global economic recovery, although any further rise might be limited because Thailand does not produce SUVs, the models now in high demand. Currently Australia is Thailand's biggest market for car exports, accounting for 22% of the total. It imports passenger cars and commercial vehicles in roughly similar proportions. The recoveries in commodity prices and global manufacturing that started in the third quarter of 2016 have boosted activity in Australia's agricultural and manufacturing sectors. This in turn has raised demand for Thai commercial vehicles among businesses there (Figure 14). EIC believes that the global manufacturing industry is likely to continue its recovery path throughout 2017, supporting demand for Thai commercial vehicles in Australia. Nevertheless, further increases in demand for Thai-made passenger cars and commercial vehicles are unlikely, because Australians prefer SUVs, which combine the functions of a passenger car and a pickup. Since SUVs are not produced in Thailand, factories here won't be able to respond to this demand, which means that Thai car exports could soften in the long term.

14 Car exports to Australia have benefited from global economic recovery, although demand may come under pressure due to preferences for SUVs cars, which are not produce in Thailand.

Thailand's export growth of car, equipment and parts to Australia – by category

Unit: %YOY



Source: EIC analysis based on data from Ministry of Commerce

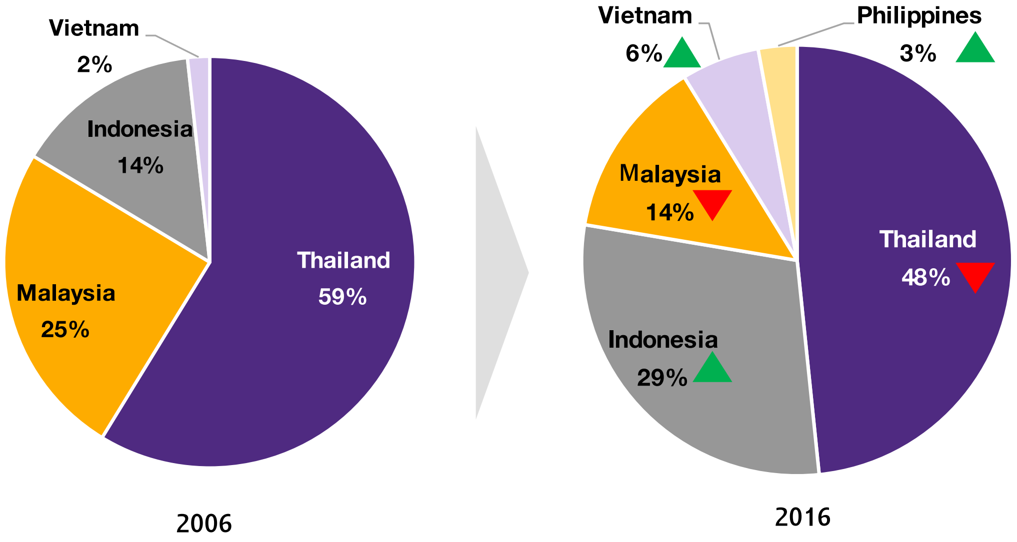
Exports of cars to China surged because one luxury brand now uses Thailand as a production base for that market. Exports of Thai passenger cars to China surged 160 fold after the company began exporting cars there during the second quarter of 2016. During 2015, passenger car exports to China accounted for just 0.03% of total car exports, but now the share has increased to 4.67%. Due to the high base from the year before, car exports to China may grow at slower pace following the second quarter of 2017. Nevertheless, the Chinese market still has strong growth potential, so its demand for cars will likely rise. Since more carmakers are choosing Thailand as a production base for sales to China, the growth of Thai car exports should remain strong.

EIC projects that exports of cars, equipment and parts will expand by 0% in 2017. Risks to car manufacturers in Thailand include stagnation in Middle Eastern economies and shifts in consumer preferences in places like Australia. Furthermore, government policies in various ASEAN countries to promote investment in local car factories could eventually eat into demand for Thai exports and also lead to greater international competition, as these countries start to make cars for export. In fact, while the ASEAN car manufacturing industry has grown substantially during the past 10 years, Thailand's market share has declined (Figure 15). Therefore, it is crucial for Thailand's car manufacturing industry to regain its competitive advantage and attract more investments from automakers around the world. Otherwise, it will hinder the growth of manufacturing technology, employment and related industries as well as private investment going forward.

15 Thailand's share of car production within ASEAN is falling, as production ramps up faster elsewhere in region.

Share of car productions in ASEAN

Unit: %



Compound annual growth rate of car production (2006 - 2016)

Thailand = 5% per year < ASEAN = 7% per year

Source: EIC analysis based on data from ASEAN Automotive Federation

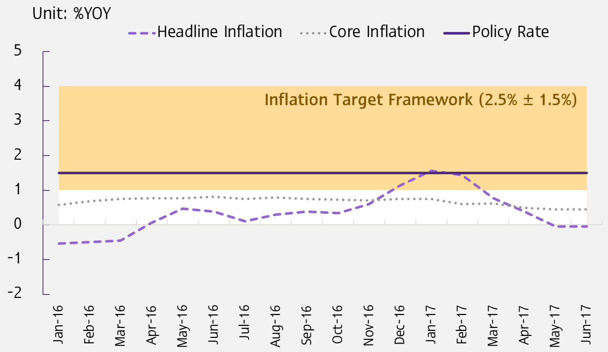
Summary of Interest Rates and Exchange Rates

Recent Interest Rate Developments

Interest rates in 2017

EIC expects the MPC to keep the policy rate at 1.5% throughout 2017

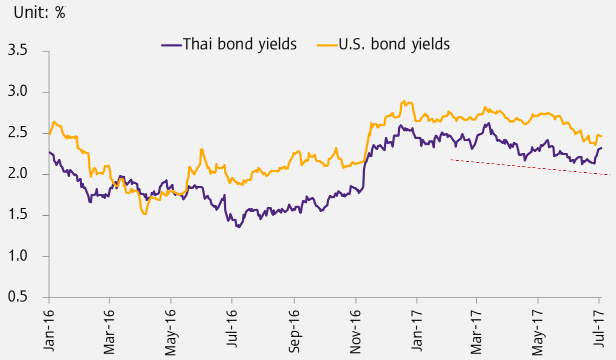
Short-term rates (policy rate)



Source: EIC analysis based data from CEIC

The policy rate has remained at 1.5% for the past two years. The Bank of Thailand's Monetary Policy Committee (MPC) in July 2017 meeting agreed to maintain the policy rate at the current level due to better Thai economic performance led by the growth of exports and tourism sectors. Although recent inflation fell below the target band, a gradual increase in inflation is expected during the latter half of the year.

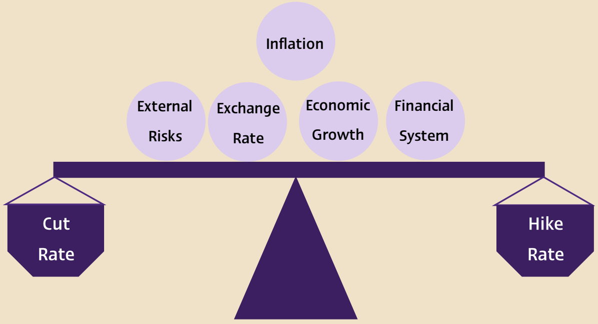
Long-term rates (10-year government bond)



Source: EIC analysis based data from CEIC

Thailand's 10-year government bond yield was at 2.47% on July 3, 2017, lower by 0.18% than at the beginning of the year. This was in line with the slight fall in the U.S. 10-year Treasury yield, despite the two Fed Funds rate hike In March and June this year.

Weight of Policy Rate Determinations



EIC projects that the current level of policy rate is fix with the Thai economic conditions in 2017. The Thai economy has improved from last year, thanks to a pickup in growths of exports and government spending. Furthermore, external risks have had a limited impact on the Thai economy, which reduces the need to respond with a rate cut. On the other hand, inflation pressure has been lower than expected; EIC has revised down our forecast for headline inflation in 2017 from 1.4% to 1.0%. At the same time, the current Thai baht appreciation also lowers the need for policy rate hike. Thus, EIC expects the rate to stay at 1.5% throughout the year.

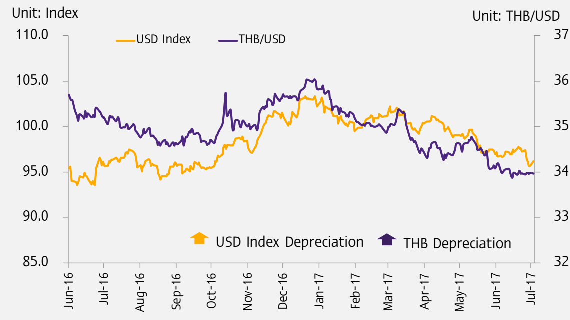
Long-term Thai government bond yield is expected to reach 2.8% by the end of 2017. EIC believes that the yields will gradually increase in respond to implementation of Federal Reserves' balance sheet reduction in the last quarter this year. This would rise U.S. Treasury yield, attracting global investors to bring money from Thailand and Asia back to the U.S. At the result, Thai government bond yield would increase.

Recent Exchange Rate Developments

Exchange Rates in 2017

EIC expects the Thai baht to stay in a range of 35.0-35.5 Thai baht per U.S. dollar at the end of 2017

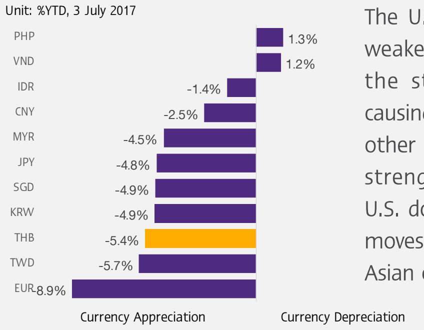
Recent Exchange Rate Developments



ที่มา: การวิเคราะห์โดย EIC จากข้อมูลของ CEIC

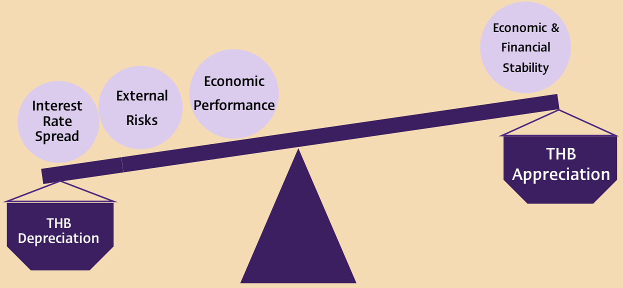
Thai baht has strengthened by 5.4% from the beginning of 2017 through July 3rd, reaching 33.97 baht per U.S. dollar. U.S. dollar weakness plays major role in Thai baht appreciation as investors diminish their confidence on a possibility of President Trump's economic policies in this year. The U.S. dollar has further depreciated due to growing concern that legal and political problems will entangle the White House in the wake of Mr. Trump's decision to fire FBI Director James Comey. Besides, rebounding economic growth in Asia like Thailand is attracting capital inflows into the region, causing the Thai baht and other Asian currencies to strengthen against the U.S. dollar.

Movements of Major and Asian Currencies



The U.S. dollar Index has weakened by 4.9% since the start of this year, causing the Thai baht and other Asian currencies to strengthen against the U.S. dollar. The Thai baht moves in line with other Asian currencies.

Weight of Exchange Rate Determinations



EIC has adjusted its estimate for the Thai baht down to 35.0-35.5 Thai baht per U.S. dollar. This is because the U.S. dollar has weakened more than expected, as investors are concerned about uncertainty in U.S. fiscal policy, hurting confidence in the American economy. All this is despite the Fed raising its policy rate in March and June. At a result, Thai baht appreciated more during the first half of the year than was previously expected.

However, EIC projects that Thai baht will weaken against U.S. dollar during the rest of this year. This is due to two key factors: 1) Federal funds rate hike can be expected in December 2017, along with a beginning Fed's balance sheet reduction program in the last quarter this year. These developments should trigger a reversal in capital flows, drawing funds from Asian and Thai markets back into the U.S. market, causing the U.S. dollar to strengthen. 2) Increasing demand by the Thai private sector to invest overseas and higher imports of capital goods for government infrastructure projects during the latter half of the year will raise demand for U.S. dollars, causing the Thai baht to weaken.

Exchange rate trends in major economies

Currency	Exchange rate (% YTD as of July 3, 2017) *	Expected exchange rate at end of 2017	Outlook	Factors affecting expectations on exchange rates
EURUSD	1.14 (-8.9%)	1.08	Depreciating	● Implementation of Fed's balance sheet reduction ● Brexit negotiation uncertainties ● Risk of U.S. shift toward trade protectionism
USDJPY	113.2 (-4.8%)	116	Depreciating	● Implementation of Fed's balance sheet reduction ● Wider yield gap as 10-year government bond stays at 0%, while U.S. Treasury yields increase
USDCNY	6.78 (-2.5%)	7.05	Depreciating	● Implementation of Fed's balance sheet reduction ● Continued capital outflows and corporate debt problems dent confidence in the yuan ● Slower growth due to structural change in the economy ● Risk of U.S. shift toward trade protectionism

**+ denotes depreciation and – denotes appreciation.*

Source: EIC analysis based data on CEIC

BOX

Who’s at risk from the strong baht?

A stronger baht against regional currencies may dampen exporters' price competitiveness, but will not hurt tourism. From the beginning of the year to 3 July 2017, the baht has surged by 5.1%, reaching 34.01 baht per USD. This was on the back of weaker USD and improved economic outlooks of Asian economies. Although most Asian currencies have strengthened, the baht did so by more than the currencies of Singapore, China, Indonesia, the Philippines, and Vietnam (Read more in Summary of exchange rate trends 2017).

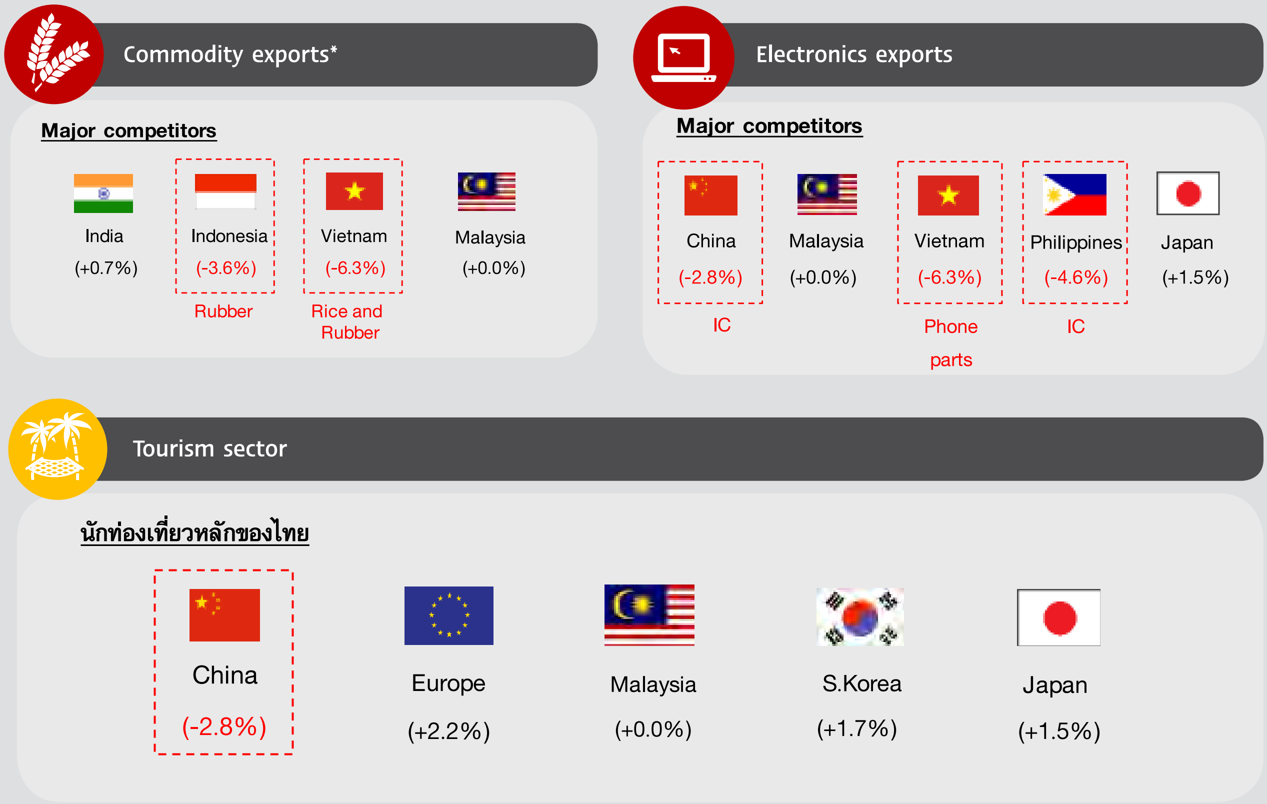
Exports of commodities and some electronics products may suffer if the baht remains strong for a long period of time. Studies find that Thai exports are not only similar to products from countries above, but they also share the same markets. For commodities, especially rice and rubber, Thai exports share the same major markets with those from Indonesia and Vietnam. For electronics such as printed circuits and phone parts, Thai exports also share markets with China, the Philippines, and Vietnam (Figure 16). These products have all been important drivers of Thai exports over the recent periods. However, the impact from the strong baht could be somewhat mitigated if exporters have previously entered into a forward contract, or if their products are not easily substituted by competitors.

Tourism will be spared the impact. The current 2.8% baht appreciation against the Chinese yuan is considered mild, compared to in 2015 when the tourism industry was hit by a 34% appreciation of the baht against Russian ruble. In that episode, the number of Russian tourists declined by 45%.

16 An extended period of strong baht may hurt exports of commodities and some electronics products, but will not affect tourism.

Potential affected industries

Unit: %YTD change against THB, (+) appreciation, (-) depreciation



Remark: including rice, rubber, cassava, and sugar

Source: EIC analysis based on data from Bloomberg, CEIC, Trademap

Bull - Bear

Oil Prices

Bull-Bear

Oil price

Crude oil price (USD/Barrel)	2016					2017F							2018F
(Average)	Q1	Q2	Q3	Q4	Average	Q1	Q2	Q3F	Q4F	Average	Max*	Min*	Average
WTI	33	46	45	49	43	52	50	50	52	51	55	47	55
Brent	35	46	46	50	44	54	52	52	55	53	57	49	57

**based on data from leading global research houses (30 June 2017)*
Source: Analysis by EIC

BULLs:

- OPEC and non-OPEC producers agreed during their May 25 meeting in Vienna to extend their supply cut of 1.8 million barrels per day for nine more months, from June 2017 to March 2018. This will help to balance out demand and supply of oil in the global market and thereby stabilize oil prices. For the first half of the year, collaboration among OPEC and non-OPEC members was strong, with the compliance rate reaching 102% at the end of April 2017.
- Demand for crude oil is beginning to rise above supply. The Energy Information Administration (EIA) forecasts that global demand in the third quarter of 2017 will be 99.5 million barrels per day, while supply will stand at only 99.1 million barrels per day. Asia will see the fastest growth in demand for crude oil, at 3.4% yoy, while China, the second largest consumer of oil in the world, will be demanding 12.75 million barrels per day, a 3% yoy rise.

BEARs:

- U.S. oil production will likely rise, as the number of rig counts reached 733 at the beginning of June 2017, a 126% yoy jump. The trend is consistent with EIA's forecast that U.S. oil supply will reach 16 million barrels per day in the second half of this year, up 9% yoy. Furthermore, U.S. oil inventory has continued to increase, reaching 513 million barrels in June 2017, with 3.3 million barrels added to stock during the month.
- President Trump announced that the U.S. would withdraw from the Paris climate accord. The agreement is designed to limit global warming by controlling carbon emissions, which is the root cause of the greenhouse effect, by burning less fossil fuel. Trump's decision will impact oil producers positively, since U.S. regulations might be relaxed, stimulating more investment and production of oil.
- Five Arab countries, led by Saudi Arabia and Egypt, have severed diplomatic ties with Qatar. This may jeopardize the agreement among OPEC and non-OPEC countries to cut production by 1.8 million barrels per day until the end of March 2018. Under the agreement, Qatar is to lower its production of oil by 30,000 barrels per day.

EIC’s view:
BEAR

The price of crude oil will remain largely unchanged in the third quarter of 2017. Growing production in the U.S., evident in the doubling of rigs over the past year, will weigh down on the price. However, the increase in demand for oil, on the back of global economic growth, especially in Asia, will support a gradual rise in price. Meanwhile, the severing of diplomatic ties between Arab countries and Qatar is not expected to have a significant impact on the price of crude, because Qatar is not a major oil producer, contributing only 1.7% to OPEC production share. Nevertheless, the conflict might drag on prices if it derails OPEC’s agreement to cut production by 1.8 million barrels per day.

In Focus

Thai exporters in preparation to Trump trade actions

President Donald Trump's executive orders on trade actions potentially transform U.S. international trade in various ways. His executive orders to investigate U.S. trade deficits with its 16 trade partners could be used to justify his protectionist measures and could help the U.S. gains greater benefits from trade. On the other hand, its 16 major trade partners, including Thailand, stand on the brink of a possible loss in bargaining power on trade and might lose export values in some industries.

Thai Exporters in Preparation to

Trump Trade Actions

Trump's Trade Policy

"America First"

1 Open U.S. export market

2 Protect U.S. industries

Impacts on Thai Businesses

Exporters

(Risk of U.S. non-tariff barriers)

1.Exceed GSP Quota	TV Camera	Spectacle Lens	4.Illegal Employment	Shrimp	Tuna
2.Intellectual Property Rights Violations	Semiconductor	Medicine	5.Failing Health Standard	Tropical Fruits	Needles
3.Dumping	Steel	Tire	6.Subsidizing	Sugar	

Domestic Sellers

(Risk of Losing Domestic Market Share)

- Meat
- Animal Products
- Maize

Businesses must enhance their competitiveness

1.Upgrade product quality

2.Diversify market

3.Expand production bases to enjoy GSP privileges

"Time to turn trade crisis into business opportunity"

Source: EIC analysis as of 29 June 2017

President Trump signed two executive orders in March that could hurt trade in many regions. These executive orders signal Mr. Trump's "America First" foreign policy stance declared during his first 100 days in office. The orders call for an investigation into the causes of U.S. trade deficits, particularly any unfair practices by 16 U.S. major trade partners. The reports are to be prepared within 90 days.

As Thailand is among the targeted trade partners by these executive orders, Thai businesses then need to prepare for any consequences. Although the executive orders will focus mainly on unfair trade practices, the U.S. might also use the report findings as justification to cut trade privileges that Thailand has enjoyed, in order to reduce its deficits. This would hurt Thai exports, especially in sectors like electronics that rely heavily on U.S. market. Thus, Thai businesses should closely follow the situation and be well-prepared for possible impacts.

1. Trump's trade policies

Under President Trump, U.S. trade policies will focus heavily on U.S. beneficiaries from trade. Mr. Trump has already announced that his country would withdraw from the Trans-Pacific Partnership (TPP) and called for renegotiation of the North America Free Trade Area (NAFTA). As Mr. Trump himself put it, "We're going to stop the ridiculous trade deals that have taken everybody out of our country and taken companies out of our country, and it's going to be reversed.[15]" Perhaps signaling his preference for bilateral negotiations, rather than multilateral deals, Mr. Trump held one-on-one meetings with the leaders of Japan, China and Germany after his inauguration. On March 31, he signed the executive order directing the Department of Commerce and the United States Trade Representative (USTR) to examine the 16 most significant bilateral trade deficits[16], as well as an executive order stepping up enforcement of laws on trade abuses.

These two executive orders aim at reducing U.S. trade deficits. Generally, the U.S. annually imports more than USD 2 trillion worth of goods a year, far above the level of exports. Deficits with the 16 major trade partners covered in the executive order totaled USD 800 billion, or 4.3% of GDP in 2016 (Figure 17). With an attempt to reduce trade imbalance, the White House begins with the probe of any unfair practices by trade partners in order to introduce or increase countermeasures such as anti-dumping duties, countervailing duties and penalties for currency manipulation.

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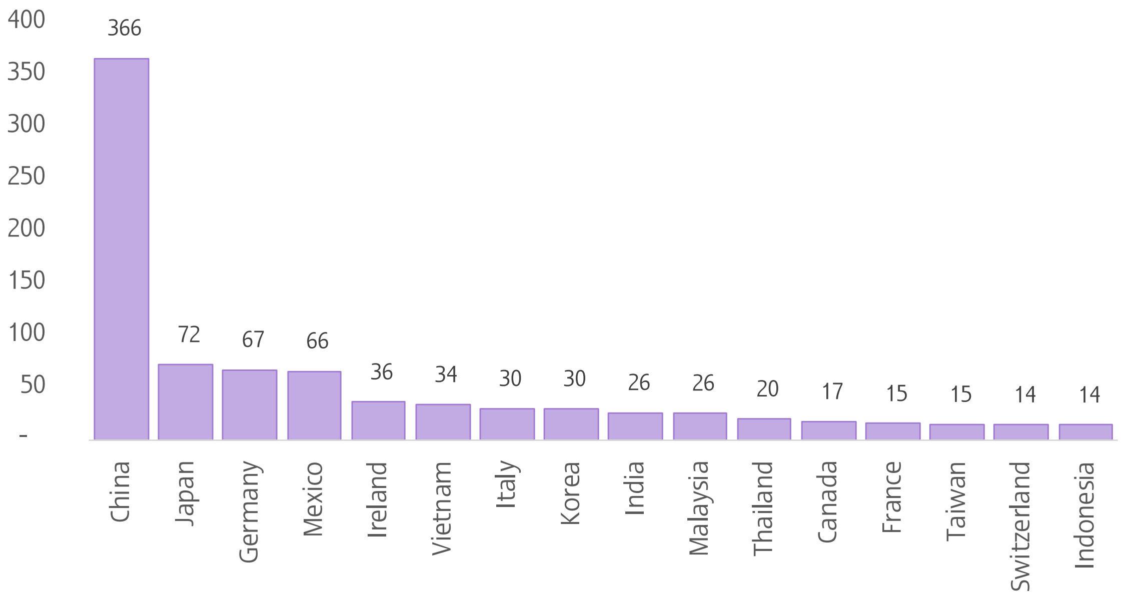
[15] Source: https://www.nytimes.com/2017/01/23/us/politics/tpp-trump-trade-nafta.html?mcubz=0&_r=0

[16] The 16 targeted trade partners include China, Japan, Canada, Mexico, Thailand, Malaysia, Vietnam, Indonesia, India, South Korea, Taiwan, Germany, Italy, France, Switzerland, and Ireland.

17 U.S. faced the highest deficit with China while the deficit with other 15 countries relatively equated.

U.S trade deficit in 2016 with 16 major trade partners

Unit: USD billion



Source: EIC analysis based data on Trademap

EIC views that the report findings are unlikely to result in massive impacts to U.S. trade partners, but they will be served as a pretext for re-negotiations. Mr. Trump seemed to soften his stance when he met with leaders of major trade partners, particularly China. Previously, he spoke harshly about trade with China, threatening to impose a whopping 45% tariff on all Chinese goods. However, upon meeting with President Xi Jinping in early April, Mr. Trump instead appeared cooperative and ordered the USTR to prepare 100-day study on bilateral trade and investment. In light of this pattern, EIC believes that the White House only intends to use findings from the executive orders to boost its bargaining power to reduce its imports and increase its exports.

2. How would Trump's trade policy affect Thailand?

On imports, EIC expects the impact to be small, as Thailand may only be pressed to increase its purchases of certain U.S. agricultural and food products, which constitute only a tiny share of imports. According to the U.S. international trade barriers report in 2016, Thailand was placed unfair restrictions on imports of agricultural and food products from the U.S. However, Thailand does not give special privileges to specific countries, unless they are treated under free trade agreements. As such, Thailand might not have to comply with the U.S. request. However, Thailand might allow imports of corn and meat such as beef, pork, poultry, and animal products from the U.S., for these imports have been restricted since disease outbreaks in 2003. Despite allowing these imports, the import value from the U.S. will increase only marginally, since imports of these products account for only 0.01% of Thailand's total imports from the U.S.

Given Thailand's economic structure, the executive orders are more likely to have a significant impact on Thai exports. Merchandised exports are a foremost driver of the Thai economy, at 52.5% of GDP in 2016. The U.S. is Thailand's largest merchandised export market, accounting for 11.4% of total Thai exports. Thai exports are then vulnerable to U.S. trade policy refocusing to reduce chronic deficits. Furthermore, policy might also cause the U.S. to cut back on its imports from the other 15 trade partners, which indirectly turn less import from Thailand. For instance, U.S. reduces its imports of Chinese-made cars. Consequently, China cut its auto production accordingly and reduce its imports of tires from Thailand.

In sum, the U.S. executive orders might have higher impacts Thai exports than imports. However, the impacts of Thai exports are not expected to be broad-based. Since the U.S. focuses on unfair trade practices, it is possible that only some export products will be subjected to corrective measures.

3. Which industries are at risk?

There are three possible cases in which the U.S. would block or reduce imports from Thailand. To understand these cases, EIC considers the U.S. Trade Facilitation and Trade Enforcement Act (TFTEA) of 2015, and the trade privileges Thailand currently receives from the U.S. The three potential cases are: 1) goods failing to meet standards 2) goods causing market distortions, and 3) the removal of privileges under the Generalized System of Preference (GSP). The details are as follows.

1) Goods failing to meet standards

Previously, the U.S. has cited or rejected many export products from Thailand that do not meet the required standards. The executive orders will allow the U.S. to get tougher on product standards under the TFTEA 2015 ranging from production processes to the products themselves. These conditions target illegal employment, such as child labor, forced labor, prison labor and indentured labor, as well as intellectual property rights violations and products that are harmful for consumers.

Regarding illegal employment, the shrimp industry is at risk of import ban. The U.S. has suspended shrimp and other seafood imports from Thailand many times in the past due to human trafficking in child labors, slave labors and illegal workers and illegal, unreported and unregulated fishing (IUU), particularly fishing in natural resources. Although last year the U.S. upgraded Thailand's human trafficking status from Tier 3, the lowest rank, to Tier 2 watch list, Thai industry and officials need to work more on avoiding another import ban. In 2016, Thai exports of shrimp to the U.S. totaled USD 330 million in value, or over 1.4% of total exports to the U.S.

Regarding intellectual property rights violations, Thai exports might not be directly affected by the issue, but exporters need to closely monitor. Thailand has been on the USTR's "Priority Watch List" for potential violations of intellectual property rights for 10 years, under Section 301 of the U.S. Trade Act of 1974. However, the Act mainly aims to protect American exports to Thailand. Thus, Thai exports will not be directly affected. Nevertheless, U.S. officials could cite Thai violations in order to justify reducing trade privileges. Violations might also trigger U.S. import bans or stricter screening of Thai export goods. USTR has noted that Thailand is a potential market for Chinese products that violate property rights. Hence, the two following groups of products may be subject to rigorous screening. 1) Industrial products such as semiconductors, electronics, chemicals, auto parts and aircraft. 2) Consumer products, such as drugs, food & beverages, household products, textiles, apparel, shoes, leather goods, toys and sports equipment.

Regarding health and safety standards, at least 15 Thai products are frequently denied entry into the U.S. According to the report on import refusals compiled by the U.S. Food and Drug Administration[17], the U.S. has denied entry to more than 15 products from different Thai companies mainly in 3 categories: 1) fishing such as shrimp and tuna; 2) fruits & vegetables namely fresh and processed tropical fruits (tamarinds, mangos, coconuts, longans, and dragon fruits), turmeric, spices, tea leaves, mung beans, bamboo shoots, chili paste and rice; and 3) medical equipment including medicines, needles and kettles. These products are often rejected for the presence of dirt, contamination, chemical residues, unhygienic packaging and problems with product labels. If Thai exporters do not fix these problems in time, the U.S. could bring the issue to suspend all imports of these products from Thailand, causing a potential loss of over USD 470 million, or 1.9% of total Thai exports to the U.S. in 2016.

2) Goods causing market distortions

Market distortion issues include dumping, subsidies and currency manipulation. Regarding currency manipulation, the U.S. Treasury Department revealed on April 15 that Thailand is not considered as a currency manipulator and is not in the monitoring list. Hence, Thai industries are more likely to be affected by the executive orders on dumping and subsidies.

Frozen shrimp, metals & metal products and tires could be targeted for dumping and subsidies. Although no Thai product is currently penalized under U.S. anti-dumping (AD) or countervailing duty (CVD) measures, the U.S. previously imposed these measures to Thai exports on seven items, mostly metal products and frozen shrimp.[18] Furthermore, in April or after the announcement of the executive orders, the U.S. imposed AD/CVD measures on exports of various trade partners, such as reinforced steel from Japan and Turkey, carbon steel wire from many countries, cold drawn pipes from many countries including China, softwood from Canada, and chloroprene rubber from China. Thai exporters should therefore pay attention to these products as they could possibly be targeted.

Sugar, pork, condensed milk, medicine and voice recorders might be cited for market manipulation. The U.S. trade barriers report in 2017 claims that the Thai government set the ceiling on domestic price of these products, which allows Thai exporters to enjoy lower costs and places their competitors at a disadvantage. Such claims could lead the U.S. to target certain Thai exports on a product-by-product basis.

3) Products that might lose privileges under the Generalized System of Preference (GSP)

The U.S. currently offers GSP privileges for over 3,500 Thai products. These potentially benefits Thai export worth of over USD 5.7 billion, accounting for 23.2% of total Thai exports to the U.S., or 2.6% of total Thai exports in 2016, respectively. There are 3 Thai export industries that enjoy the largest benefits under GSP: 1) Machinery and electrical appliances, including TV cameras, static inverters, switchboard and electric current controllers and small generators with spark plug ignition internal combustion engines, 2) Lenses, including non-glass lenses and lenses for cameras that are not for movies, and 3) Washing machines with spinning cycle. The U.S. is currently the main destination for these exports, accounting for more than 32% of the total export of these products to the global market.

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[17] www.accessdata.fda.gov/scripts/importrefusals

[18] Products that used to be under U.S. anti-dumping and countervailing duties include metal joints, metal pipes, hot rolled steel, pre-stressed concrete wires, plastic handle bags, frozen shrimp and metal joints.

Because Thai exports rely heavily on GSP, they would be vulnerable if the U.S. decides to cut GSP to Thailand. In 2016, Thailand utilized 70.4% of GSP-eligible products, worth over USD 4 billion. This benefited 16.3% of Thailand's exports to the U.S., or roughly 1.8% of total Thai exports. However, Thailand's GSP is set to expire at the end of 2017, and the U.S. authority may choose not to renew it. In that case, the U.S. might no longer be the top destination for Thailand's exports, falling to the third place after China and Japan.

In any case, EIC believes that the U.S. would not end all GSP benefits for Thailand, but only some are at risk. The U.S. criteria is to cut off GSP benefits for high-income countries, those with annual income per capita greater than USD 12,476. Thailand, however, is in the upper middle-income group, at only USD 5,720 per capita. As such, Thailand will not likely lose GSP in its entirety. Nevertheless, some Thai products might lose the benefits due to the competitive needs limit. According to the USTR report released this past April, Thailand exports TV cameras and spectacle lenses above the U.S. GSP ceiling, which might result in refuse to renew GSP benefits to these products. Thailand thus potentially lose 490 billion in exports, or over 2% of total exports to the U.S.

Given the three potential impacts as outlined above, Thai industries that are at greatest risk from the U.S. executive orders on trade are the following: 1) Agricultural and fishery products such as shrimp, tuna, and fresh & processed tropical fruit. 2) Manufacturing products such as semiconductors, steel, TV cameras and spectacle lens. 3) Consumer products such as medicine, needles, fish sauce, sugar, textiles and apparels, and shoes and leather products (Figure 18). It could have potential loss on Thai exports of USD 2.8 trillion or over 11.4% of Thai exports to the U.S.

18 Trump trade actions could imperil some Thai exports

Industry	U.S. issues to reject Thai exports		
	Goods failing to meet standards	Goods with market distortions	Goods in risks to lose GSP
Agriculture and Fishing	Shrimp Tuna Tropical fruit	Shrimp	-
Manufacture	Semiconductor	Steel Tire	TV camera Spectacle lens
Consumer goods	Needles Textile and apparel Shoes and leather	Medicine Sugar	-

Source: EIC analysis

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[19] Some products may lose GSP due to the competitive needs limit, which takes effect when a given product from a country accounts for over 50% of market share in the U.S., or the import value exceeds the limit set by the U.S. The rule is reviewed every 5 years. A decision to suspend GSP takes effect on July 1 the following year.

4. EIC views on U.S. trade reports

EIC believes that the report findings from the two executive orders could lead to bilateral trade negotiations and collaboration in investment. The results might include a list of products that the U.S. deems to involve unfair trade practices. Washington would then likely undertake bilateral negotiations with each trade partner to discuss the issues, relying upon the report findings to boost its bargaining power and secure an increase in U.S. exports. For example, following the meeting between Mr. Trump and Chinese leaders in early April, China then announced to open its market for more imports of beef from the U.S. Meanwhile, the U.S. will support China to promote infrastructure investment under the Belt and Road initiative. All this has been agreed, even though findings from the reports have not yet been released. Moreover, in April the U.S. and Indonesia agreed to reduce trade barriers to allow more U.S. corporates to do business in Indonesia. Over 11 US-Indonesia bilateral trade agreements have been signed, including agreements on purchases of natural gas from the U.S, investment in Indonesia's airline industry and development of electricity infrastructure in Indonesia.

Furthermore, EIC views that the U.S. will not be able to significantly cut imports from Thailand, since the American economy relies so heavily on imports. To cut back on imports, the U.S. would have to first increase its production to supply domestic consumption. In the meantime, the U.S. will still need to rely heavily on imports from trade partners around the world, including Thailand. Moreover, most of Thailand's exports to the U.S. are parts of American own supply chains. For example, in the case of products like computers & parts, cars & parts and printed circuits, Thailand imports parts and equipment from the U.S. for partial assembly here prior to export back to the U.S. to be made into finished products. Hence, these types of imports from Thailand cannot be cut on short notice.

EIC expects that release of the investigation results will have no immediate effect on Thai exports. Generally, the International Trade Administration under the U.S. Department of Commerce would first announce a probe into any potential trade infraction before issuing any retaliatory measure. Similarly, the investigation is probably just the beginning of the negotiation process, whereby each trade partner is first allowed to provide an explanation for the alleged violation. If it fails to acquit itself, the U.S. would then enact a retaliatory measure. Moreover, the U.S. could decide to terminate GSP privileges for certain Thai products but the benefits would not expire until after the end of 2017.

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[20] Source: http://www.reuters.com/article/us-pence-asia-indonesia-idUSKBN17N09A

5. How should Thai industries cope with the impacts?

Although the impact of the two executive orders might not be significant in terms of total Thai exports, it could be considerable for any industry that is affected. Thai businesses should brace for the potential impact by improving quality products and exploring new export markets, all of which would help alleviate the risks from changes in U.S. policy.

Regarding product quality, Thai industries need to upgrade their standards to ensure consumers' safety. Improvement is most needed in products that have frequently been banned from the U.S., such as fruit & vegetables and medical equipment. The bans have been on a product-by-product and firm-by-firm basis in the past, but the overall perception of Thai exports could be damaged if improvements are not made in the long run. This may in turn trigger import bans or other protectionist measures against not just a few specific products but whole industries.

On production process, Thai industries must upgrade its production processes to comply with regulations and ensure transparency. Laws on illegal employment should be amended quickly, particularly in the fisheries industry, which remains under close monitoring. Efforts to rein in production and sales of goods in violation of intellectual property rights should be prioritized to increase trust in Thai products. This might help remove Thailand from the U.S. Intellectual Property Rights Priority Watch List.

As for marketing, Thai industries should expand into new export destinations. Thai exports now rely too heavily on the U.S. market, and more than half of our exports are concentrated among just a few big markets, including the U.S. (11.4% of total exports in 2016), China (11.0%), Japan (9.6%), and Europe (7.2%). When any of these countries change trade policy, Thai exporters are highly vulnerable.

Thai industries might consider expanding their production bases to countries that have GSP benefits. A few Thai industries risk losing GSP, such as TV cameras and lenses, might start producing in other countries. Candidate destinations are the CLMV countries, (Cambodia, Laos, Myanmar and Vietnam), which have lower per capita incomes and therefore will retain their GSP eligibility longer and which do not now make any products that exceed the export ceiling. Producing in these countries will allow Thai exports to continue to enjoy GSP, fixing the cost of exports to the U.S.

Although the investigations into U.S. trade deficits following the executive orders will not likely lead to any major and immediate impact on Thailand's international trade, they do offer a unique opportunity for Thai industries to upgrade their production processes, improve product quality and diversify markets. These efforts would not only help Thai producers maintain the existing value of their exports to the U.S., but also boost global perceptions of Thai products, benefiting shipments to all markets.

Summary of EIC forecasts

Key indicators	2016	Unit	Actual			EIC forecast				Consensus
	Share (%)		2015	2016	17Q1	17Q2	17Q3	17Q4	2017	2017
Real GDP growth		% YOY	2.8%	3.2%	3.3%	2.9%	3.6%	3.9%	3.4%	3.4%
Demand-side										
Private consumption	51%	% YOY	2.2%	3.1%	3.2%	2.2%	3.2%	3.8%	3.1%	3.0%
Public consumption	16%	% YOY	3.0%	1.7%	0.2%	1.5%	2.0%	3.0%	1.7%	
Private investment	18%	% YOY	-2.2%	0.4%	-1.1%	1.8%	4.3%	0.7%	1.4%	
Public investment	7%	% YOY	29.3%	9.9%	9.7%	9.4%	8.8%	12.9%	10.2%	
Supply-side										
Agriculture	7%	% YOY	-3.8%	0.6%	7.7%	0.3%	0.5%	-1.3%	1.8%	
Manufacturing and Services	93%	% YOY	3.6%	3.5%	2.9%	3.0%	3.8%	4.3%	3.5%	
Of which Manufacturing	28%	% YOY	0.9%	1.4%					1.4%	
Of which Services	65%	% YOY	5.1%	4.4%					4.4%	
External sector										
Export of Goods (USD)		% YOY	-5.6%	0.0%	6.6%	4.5%	2.0%	1.0%	3.5%	5.0%
Import of Goods (USD)		% YOY	-10.6%	-4.8%	15.9%	9.2%	6.5%	-1.4%	7.2%	9.9%
Current account		USD bn	32.1	46.2					37.8	38.6
Key rates										
Headline inflation		% YOY	-0.9%	0.2%	1.2%	0.1%	1.2%	1.3%	1.0%	1.0%
Core inflation		% YOY	1.0%	0.7%	0.7%	0.5%	0.5%	0.6%	0.6%	
Policy rate (RP-1D) (end period)		% p.a.	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	
THB/USD (end period)		THB/USD	36.1	35.8	35.2	34.0	35.0	35.3	35.3	
Oil prices –Brent (period avg.)		USD/bbl	52.4	44.1	54	52	52	55	53.0	As of 15 June 17

Source: EIC forecasts, Asia Pacific Consensus Forecasts (15 June 2017)

Contributors

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Sutapa Amornvivat is Chief Economist and First Executive Vice President at Siam Commercial Bank (SCB), where she leads the Economic Intelligence Center. She previously set up and led Risk Analytics Division under Risk Management Group. Sutapa currently sits on Subcommittee on Finance, Banking, Financial Institutions and Capital Markets, The National Legislative Assembly.

Before SCB, Sutapa founded Risk Analytics and Research Group at TMB Bank during her secondment from ING Group, where she worked in various departments in risk management. Prior to joining the banking industry, Sutapa was Economist at the International Monetary Fund (IMF) in Washington, DC. She had also served as Director of MacroeconomicAnalysis Section at the Thai Ministry of Finance.

Sutapa's academic contribution includes lecturing at various universities in Asia including Hitotsubashi University, the Indian Institute of Technology, Chulalongkorn University, and National University of Singapore.

Sutapa holds an undergraduate degree in Applied Mathematics from Harvard University and a doctorate degree in Economics, Management,and Policy from Massachusetts Institute of Technology (M.I.T.) She wasa recipient of Thailand's most prestigious King's Scholarship, awardedto five scholars in an annual nationwide competition.

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Phacharaphot Nuntramas is an economist with extensive experience in Thailand's banking industry. He currently leads a team of economists covering global economic development and drawing business implications for Siam Commercial Bank (SCB) and thebank's clients. Previously, he was in Credit Risk Analytics Division under Risk Management Group, responsible for macro-prudential risk monitoring and stress testing.

Before SCB, Phacharaphot was Assistant Professor of Economics at San Diego State University, USA. His areas of interest include macroeconomics and international finance, and his academic research was published in the Journal of International Money and Finance. He was also an intern at the Board of Governors of the Federal Reserve System in Washington DC.

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Chutima Tontarawongsa,Ph.D

Senior Economist

Chutima has worked on a variety of research projects related to development economics. One of her projects studies the relationship between economic behavior and social network structures of villagers in rural Gambia. She also has experience in public health and microfinance research in India.

Chutima graduated summa cum laude from Lafayette College (PA, USA) with a bachelor's degree in economics and mathematics. She spent a year at the London School of Economics, UK. She then went on to receive her PhD from Duke University (North Carolina, USA).

Krasae Rangsipol

Senior Economist

Krasae has experience in the area of macroeconomic analysis and forecast. He specializes in using quantitative models as a tool. He formerly worked as a researcher in the macroeconomic program at the Thailand Development Research Institute (TDRI). After that, he worked for the Fiscal Policy Office (FPO) as an economist. At the FPO, he was responsible for producing quarterly macroeconomic forecasts as well as public policy analyses.

Krasae received his Bachelor's degree in Economics with a Quantitative Economics major from Chulalongkorn University. He was awarded a Royal Thai Government scholarship to pursue a Master of Science in Economics degree from University of Warwick, UK. He also received certificates for various training courses from the International Monetary Fund (IMF)

Thanapol Srithanpong, Ph.D

Senior Economist

Thanapol has experience in conducting research in the field of international economics and has worked on several empirical studies concerning the Thai economy, especially concerning micro-level analysis. His firm-level studies are related to international trade, foreign direct investment, and firm performance by utilizing applications from microeconometrics and business economics. Apart from academics, he had an internship experience at Siam Commercial Bank Asset Management (SCBAM) and the Bank of Thailand in the Monetary Policy Group during his undergraduate studies.He also worked as an information officer for the Tourism Authority of Thailand (Tokyo Office) during his studies in Japan.

Thanapol received a Bachelor of Arts (First Class Honors with Gold Medal Award) in Economics from Chulalongkorn University. He was awarded a Japanese Government Scholarship to pursue his graduate studies and received his Master of Arts and Ph.D. in Business and Commerce from Keio University, Japan.

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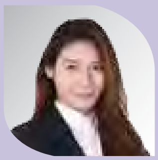
Senior Analyst

Areas in charge: Petroleum and Energy

Sivalai has prior work experience in conducting research and analysis in economic, monetary, and fiscal policies as well as transport infrastructure at the Ministry of Finance, NESDB and Department of Highways. She was also an advisory staff member for the Minister of Transport. Her research interests include entrepreneurship and financial market risks.

Sivalai received her Bachelor of Economics (First Class Honors) from Chulalongkorn University. She was awarded the Royal Thai Government Scholarship to pursue MSc program in Policy Economics at the University of Illinois at Urbana-Champaign, and the World Bank Graduate Scholarship to pursue MSc program in Economics at the London School of Economics. She completed her doctorate degree in Applied Economics and Management at Cornell University



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Jiramon previously worked as an economic consultant at The World Bank in Macroeconomics & Fiscal Management before moving to Finance & Market department. She has experience in working onThailand's Economic Monitor and initiating development projects for CLMV countries. During her academic year, she had an internship with Office of the Auditor General of Thailand in Performance Audit Office.

Jiramon graduated from Thammasat University with Bachelor of Economics in International Economics Major.

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Kunyaruk formerly worked as a research assistant for Economic Research and Training Center (ERTC), Thammasat University, with specialization on Foreign Direct Investment in Lao PDR. Prior to that, Kunyaruk worked with managerial accounting team at Mitsubishi Motors Thailand, where she was responsible for factory investment budget allocation and analysis.

Kunyaruk received her Bachelor of Economics, International program (Second class honor) from Thammasat University, and spent a year as an exchange student at Linnaeus University, Sweden.

Peerapan Suwannarat
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Peerapan specializes in Thai and global macroeconomic analysis by using both quantitative and qualitative method. Formerly she worked as a senior economist in the Fiscal Policy Office (FPO). Her main responsibility in the FPO was monitoring macroeconomic situation of Thailand's major trading partners and analyzing impacts to the Thai economy.

Peerapan graduated from Thammasat University with Bachelor of Economics (Second-Class Honors) in Development. Her study "Agricultural Productivity and Poverty Reduction in Thailand" was awarded from the Bank of Thailand's Annual Economics Articles Competition in 2011. Besides, she won Royal Thai Government Scholarship to study Master of Art in International and Development Economics from Yale University in USA and received certificates in various macroeconomic and financial market analysis courses from the International Monetary Fund (IMF) and Asian Development Bank (ADB).

Pimnipa Booasang
Analyst

Pimnipa had an internship experience with Bank of Thailand in Economic Intelligence Team, Monetary Policy Group, Macroeconomic and Monetary Policy Department. She also received the first place of Bank of Thailand's Setthatat Economic Paper Competition 2016.

Pimnipa graduated from Thammasat University with Bachelor of Economics degree in a Quantitative and Theoretical Economics major, International program (First Class Honors) and received the first place of B.E. Best Seminar Paper Award.

Yuwanee Ouinong
Analyst

Yuwanee previously worked for a management and strategic consulting firm specializing in telecommunications, media, and technology sector. Prior to that, Yuwanee has internship experience with the Bank of Thailand in Macroeconomics team, in the Department of Monetary and Economy Policy. She also received award for her economics research from the Bank of Thailand's Annual Economics Articles Competition.

Yuwanee received her Bachelor of Economics, International program (First class honor), from Thammasat University and awarded fellowships throughout the program.

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Finance Management Trainee

Sirada has an internship experience with Ministry of Commerce in Department of International Trade Promotion.

Sirada received her Bachelor's degree in Economics from Kasetsart University and Master of Arts in International Economics and Finance from Chulalongkorn University.

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