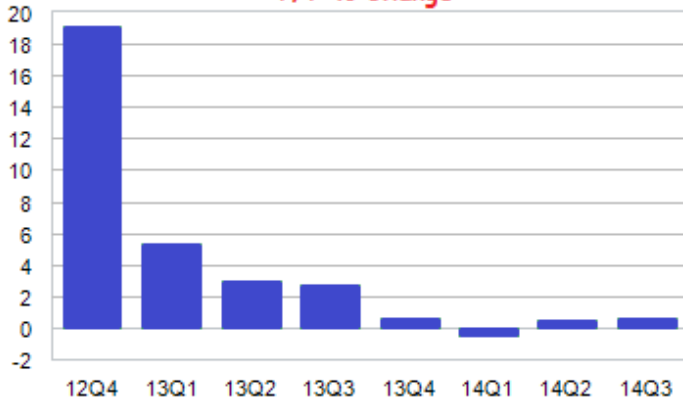


Thailand's Economic Outlook

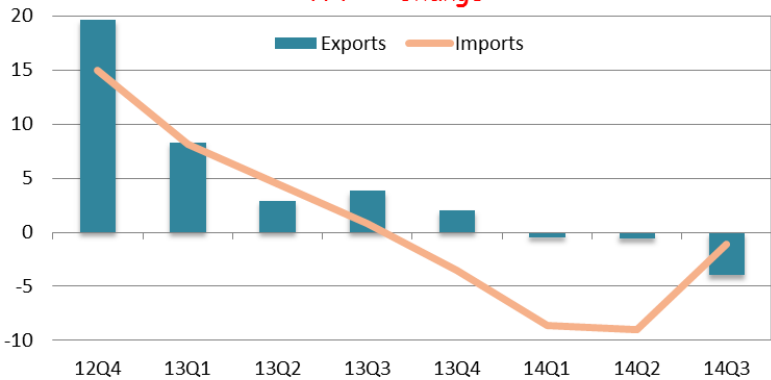
Thailand Real GDP
Y/Y % Change



Sources: Thai National Economic and Social Development Board, Moody's Analytics

The Thai economy is stalling, with growth slowing to only 0.2% during the first three quarters of the year. After months of political dispute, including violent protests, the military seized control in May and is now acting as the interim government. While the military regime has communicated that it intends for Thailand to return to an electoral democracy, elections are not expected until late 2015. Growth has undoubtedly been hindered by the uncertain political environment.

Thailand Foreign Trade
Y/Y % Change



Sources: Thai National Economic and Social Development Board, Moody's Analytics

In an effort to boost the domestic economy, the government has approved massive fiscal stimulus, which includes expediting over \$40 billion of spending on infrastructure projects. Monetary policy conditions are also loose, with the policy interest rate at its lowest rate since 2010. The government's expansionary efforts are expected to boost domestic demand and growth over the course of next year.

Thailand Tourism
Y/Y % Change



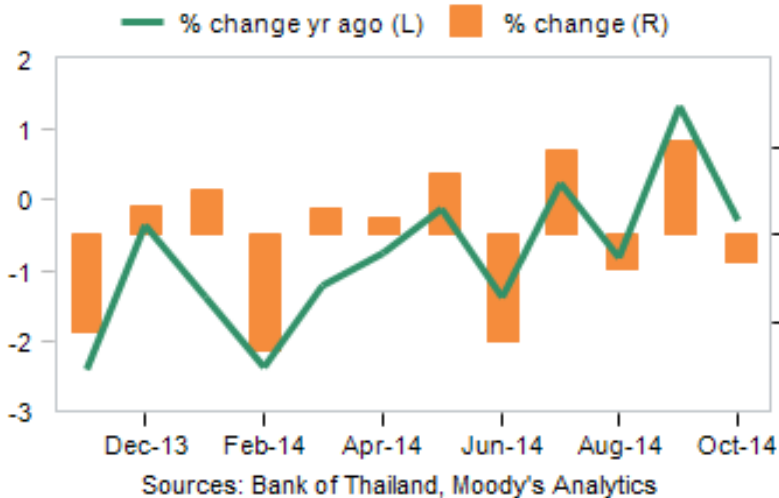
Sources: Thai Economic and Social Development Board, BoT, Moody's Analytics

In addition to political instability, falling exports is another main contributor to Thailand's weak economic growth. The decline in exports is mainly due to reduced auto exports as a result of increased global competition and weaker growth in Japan. Exports of services have also plummeted due to reduced tourism following Thailand's uncertain political situation and foreign government travel warnings.

There is hope that improving economic conditions in the U.S. and additional stimulus efforts in China and Japan will lead to a recovery in Thai exports next year. Exports of services will remain weak until the political situation improves and tourism begins to recover.

Thai imports growth has also been discouraging. Imports have declined significantly for over a year as a result of reduced domestic demand. Conditions should improve in 2015 as the increase in fiscal stimulus helps boost the economy.

Thailand Private Consumption, SA

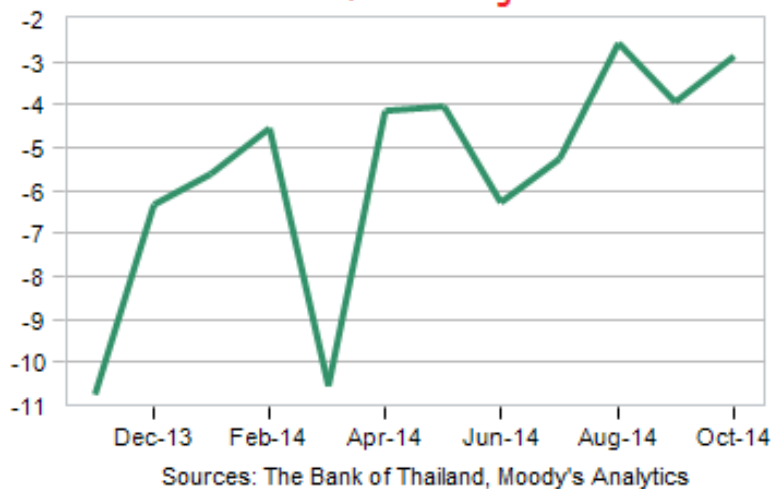


Thai private consumption remains weak. The uncertain political environment, high debt levels and weak farm incomes are all hurting consumer demand. Spending on durables, such as cars and furniture, has been especially hit, as consumers are cautious about making any big ticket purchases.

The increase in fiscal stimulus is expected to boost consumer spending next year. The government has also approved one-time cash handouts to farmers, which will raise farm incomes. While conditions in the household sector should begin to recover in the near term, consumers will continue to retrench until the political situation improves substantially.

Thailand Manufacturing Production

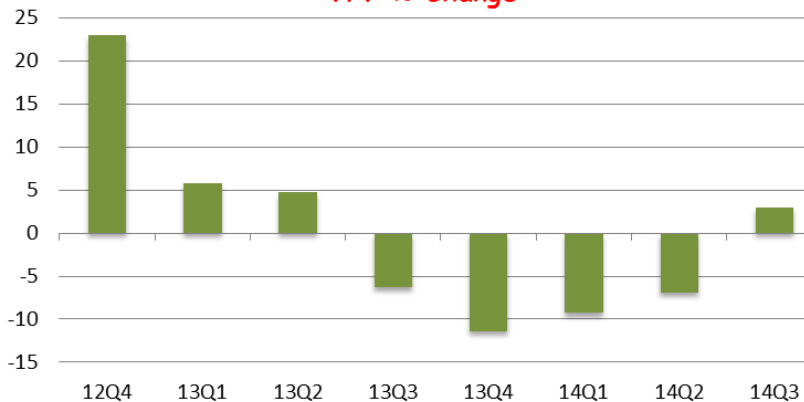
Y/Y % Change



Thailand's manufacturing industry is struggling due to the weak spending on durables and reduced global demand for Thai autos. Production is expected to show a mild recovery over the course of next year as domestic demand picks up and improving global economic conditions lift export demand. Increased government spending on infrastructure is also expected to boost the nation's production level.

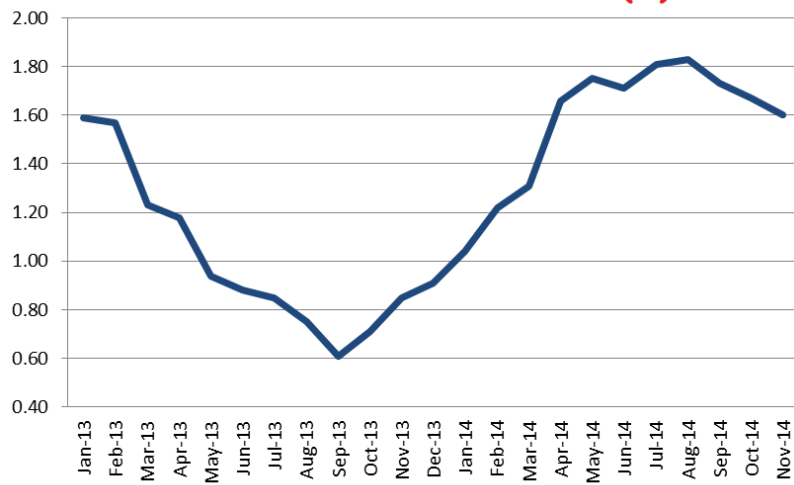
Thailand Gross Fixed Capital Formation

Y/Y % Change



Thai gross fixed investment remains weak due to reduced foreign investment and government spending following the political crisis. Conditions are expected improve in the coming months given the government's recent efforts to jumpstart investment. These include expediting foreign investment application approvals and massive government spending on transportation infrastructure, including two high-speed trains.

Thailand Core Inflation Rate (%)



Data Sources: Bureau of Trade and Economic Indices, Thailand; www.tradingeconomics.com

The Bank of Thailand has kept the policy interest rate unchanged at 2% since March, where it remains at its lowest rate since December 2010. Core inflation is within the target range of 0.5% to 3%, allowing the Bank of Thailand to remain focused on growth. With the economy still weak, the central bank will maintain a loose monetary policy stance.

Deflationary pressures have risen due to weakness in the domestic economy and falling oil prices. As a result, there is a chance that the central bank will cut the policy rate in the coming months, which would hopefully boost domestic demand and inflation.

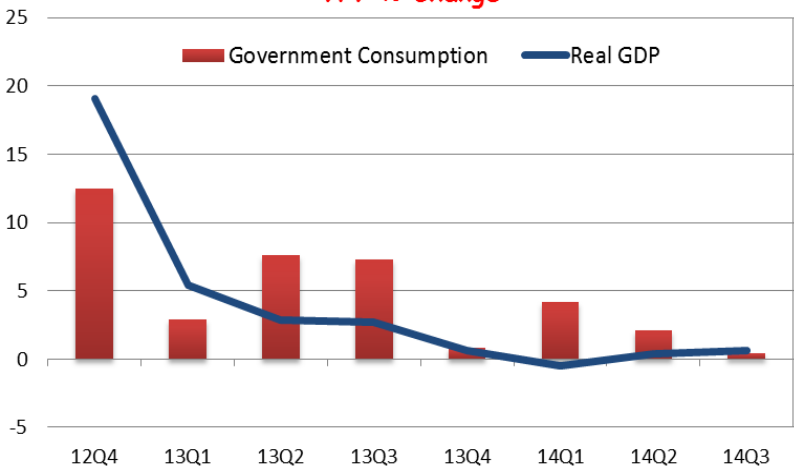
Thailand Exchange Rate Dollar:Baht; Inverted Scale



Data Sources: U.S. Board of Governors of the Federal Reserve System (FRB), <http://research.stlouisfed.org/>

Weak economic growth since early 2013 has caused foreign investment in Thai assets to decrease. This has reduced the demand for baht to purchase Thai assets, causing the value of the baht to drop significantly. In general, the baht has been very vulnerable to swings in investor sentiment. Since economic conditions in Thailand are expected to recover mildly in 2015, the baht may see some improvement in the coming months.

Thailand Government Spending Y/Y % Change



Sources: Thai National Economic and Social Development Board, Moody's Analytics

Overall, while downside risks to Thailand's economy remain due to the uncertain political climate, the economy is expected to show a mild recovery in the near term. One of the main reasons for the nation's economic downfall is the decline in government spending following the political crisis. Since the government is expediting a significant amount of spending on infrastructure, the economy will receive a substantial boost in the coming months. The increase in government spending will also lead to higher spending by consumers and businesses as a result of the multiplier effect.

The economy is expected to grow at a barely-positive rate through the rest of the year. Assuming that the political situation remains stable, growth should rebound next year to around 4%. Nevertheless, the economy will not fully recover until the political issues are resolved.