

Thailand's Economic Outlook 2015: Prospect of Housing Finance

Mr. Krisada Chinavicharana

7 January 2015

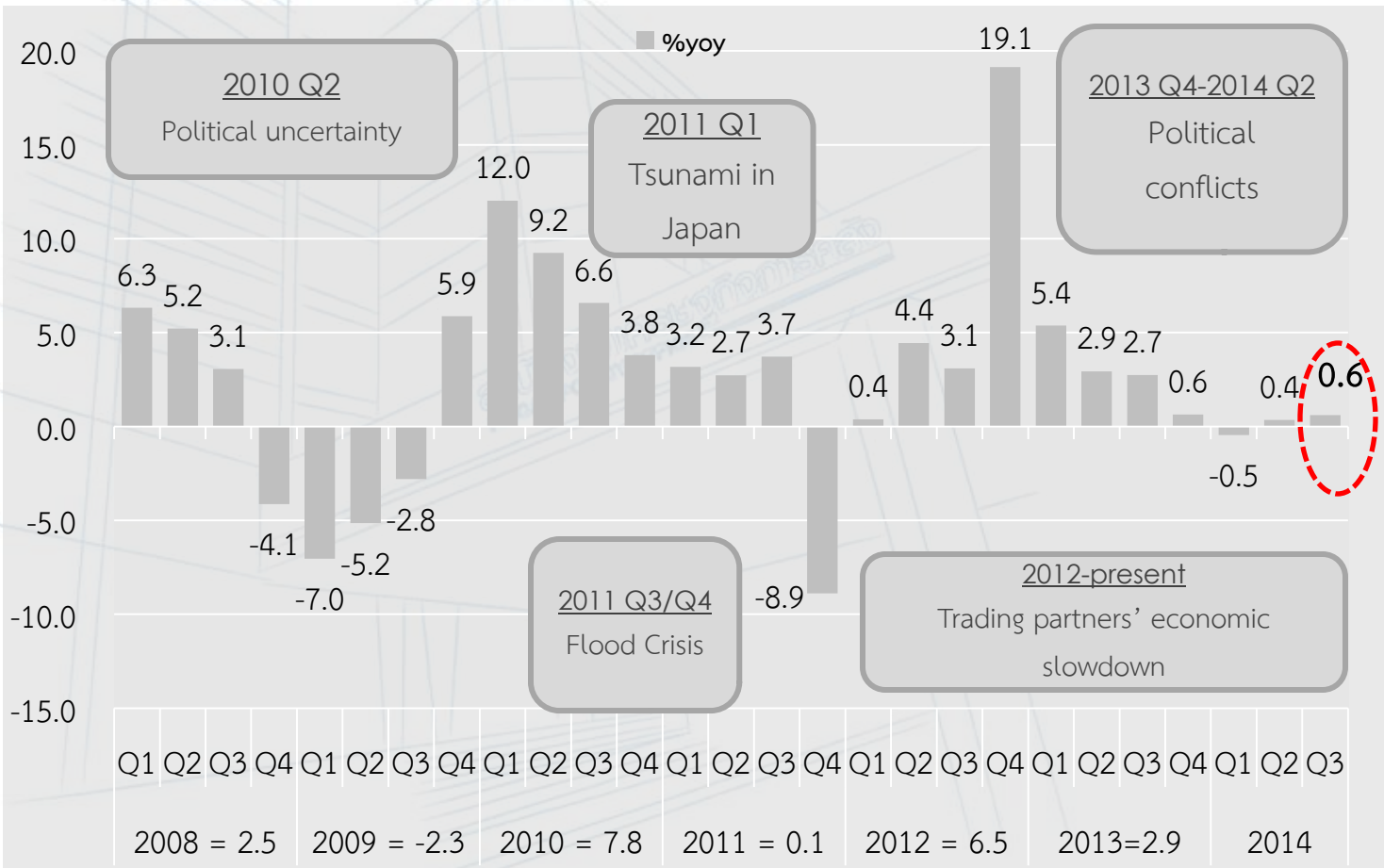
เสนอแนะอย่างมีหลักการ
ศึกษาโดยไม่หยุดนิ่ง
คนคลังที่มีคุณภาพ

ส
ค
ค

Outline

- > Thailand's Economic situation
- > Thailand's Economic Outlook 2015
- > Key challenges
- > Thailand's Real Estate sector

Thailand's GDP growth



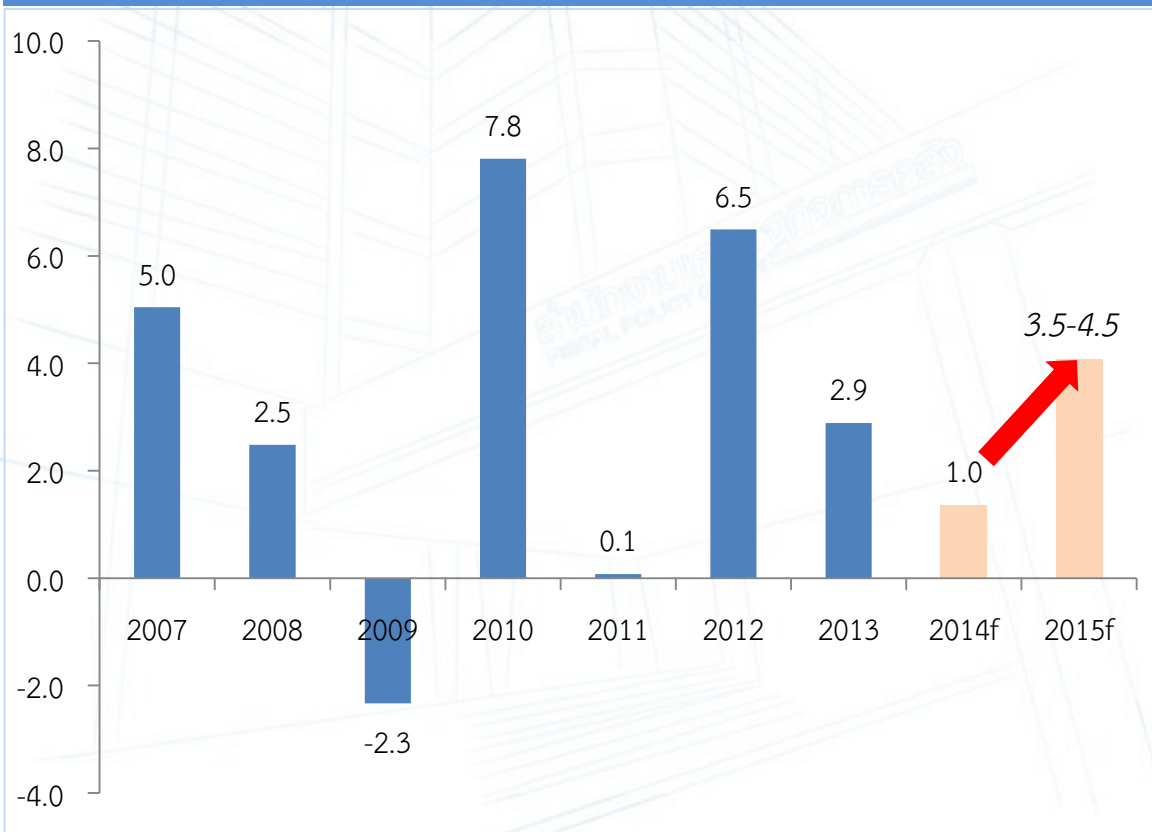
The Thai Economy has strong fundamental and has always immediately recovered after the crisis.

The average Thailand's GDP growth in 2000 – 2013 is 4.1 percent.

“Thailand’s GDP in 2015 will be back to the normal growth path”

FPO Economic Outlook

Gross Domestic Product at 1988 Prices (%YOY)



Real Gross Domestic Product (%YOY)

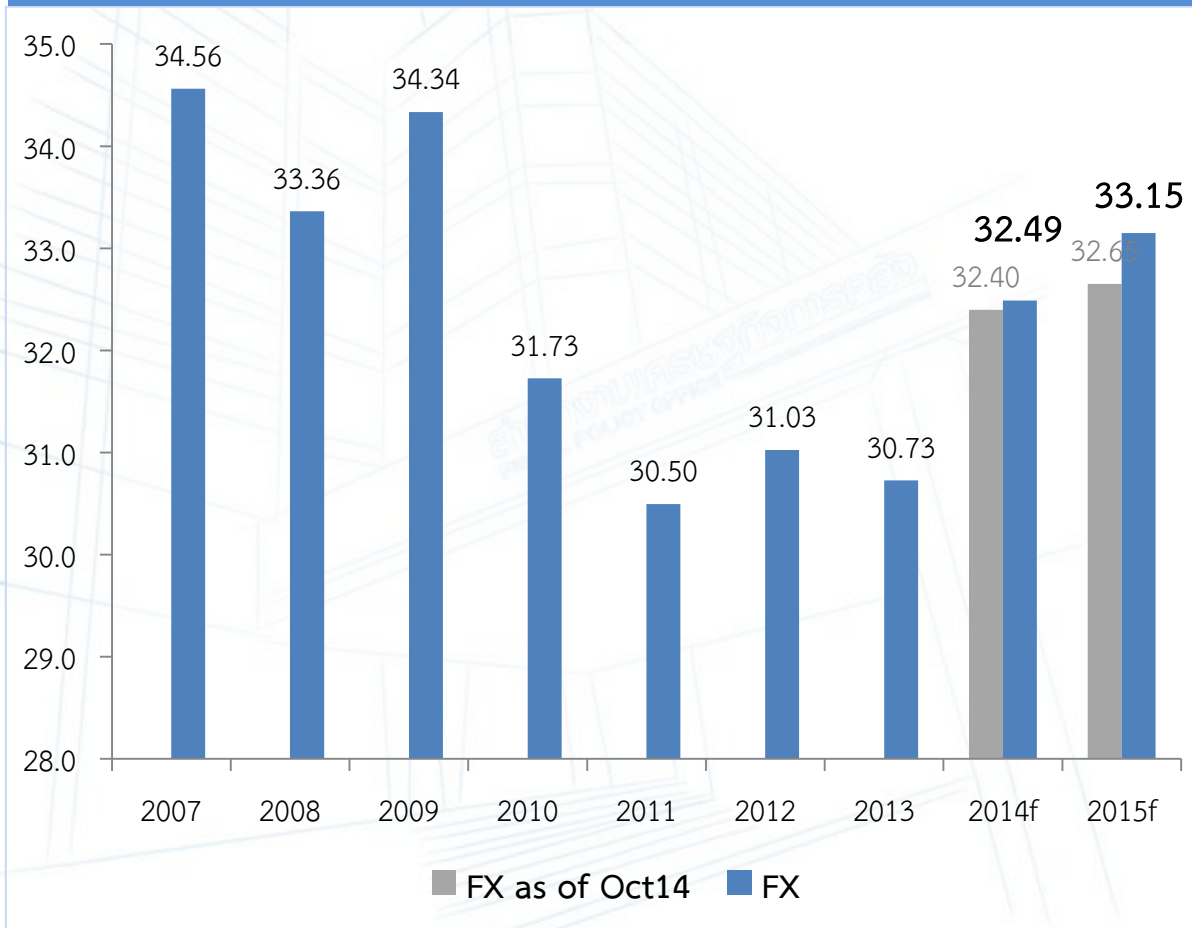
- In 2014, GDP is projected to grow at 1.0%.
- The Thai economy in 2015 is expected to grow at an increasing rate at 3.5-4.5% due mainly to anticipated increase in public expenditure, especially from infrastructure investment projects.

World Economic Outlook

| Global Economic Outlook | 2013 | 2014 | | | | FPO Forecast | |
|------------------------------------|-------------|------|------|------|-------------|--------------|-------------|
| | | Q1 | Q2 | Q3 | YTD | 2014 | 2015 |
| 15 Trading Partners (76.9%) | 3.66 | 4.0 | 3.6 | 3.4 | 3.66 | 3.60 | 3.82 |
| 1. China (11.9%) | 7.7 | 7.4 | 7.5 | 7.3 | 7.4 | 7.3 | 7.2 |
| 2. US (10.0%) | 2.2 | 1.9 | 2.6 | 2.7 | 2.4 | 2.5 | 2.8 |
| 3. Japan (9.7%) | 1.6 | 2.5 | -0.3 | -1.3 | 0.3 | 0.5 | 1.0 |
| 4. Eurozone (6.9%) | -0.4 | 1.0 | 0.8 | 0.8 | 0.9 | 0.9 | 1.1 |
| 5. Hong Kong (5.8%) | 2.9 | 2.6 | 1.8 | 2.7 | 2.4 | 2.0 | 3.0 |
| 6. Malaysia (5.7%) | 4.7 | 6.2 | 6.5 | 5.6 | 6.1 | 5.6 | 5.2 |
| 7. Singapore (4.9%) | 3.9 | 4.8 | 2.3 | 2.8 | 3.3 | 3.1 | 3.2 |
| 8. Indonesia (4.8%) | 5.8 | 5.2 | 5.1 | 5.0 | 5.1 | 5.3 | 5.6 |
| 9. Australia (4.5%) | 2.0 | 3.1 | 2.6 | 2.9 | 2.9 | 2.8 | 2.8 |
| 10. Vietnam (3.1%) | 5.4 | 5.1 | 5.4 | 6.2 | 5.6 | 5.7 | 5.6 |
| 11. India (2.3%) | 4.7 | 4.6 | 5.7 | 5.3 | 5.2 | 5.1 | 5.6 |
| 12. Philippines (2.2%) | 7.2 | 5.6 | 6.4 | 5.3 | 5.8 | 5.9 | 6.5 |
| 13. South Korea (2.0%) | 3.0 | 3.9 | 3.5 | 3.2 | 3.5 | 3.5 | 3.6 |
| 14. United Kingdom (1.7%) | 1.7 | 2.4 | 2.6 | 2.6 | 2.5 | 2.6 | 2.6 |
| 15. Taiwan (1.5%) | 2.2 | 3.4 | 3.9 | 3.6 | 3.6 | 3.4 | 3.5 |

Baht likely to be depreciated and more fluctuated

Baht/USD Exchange Rate



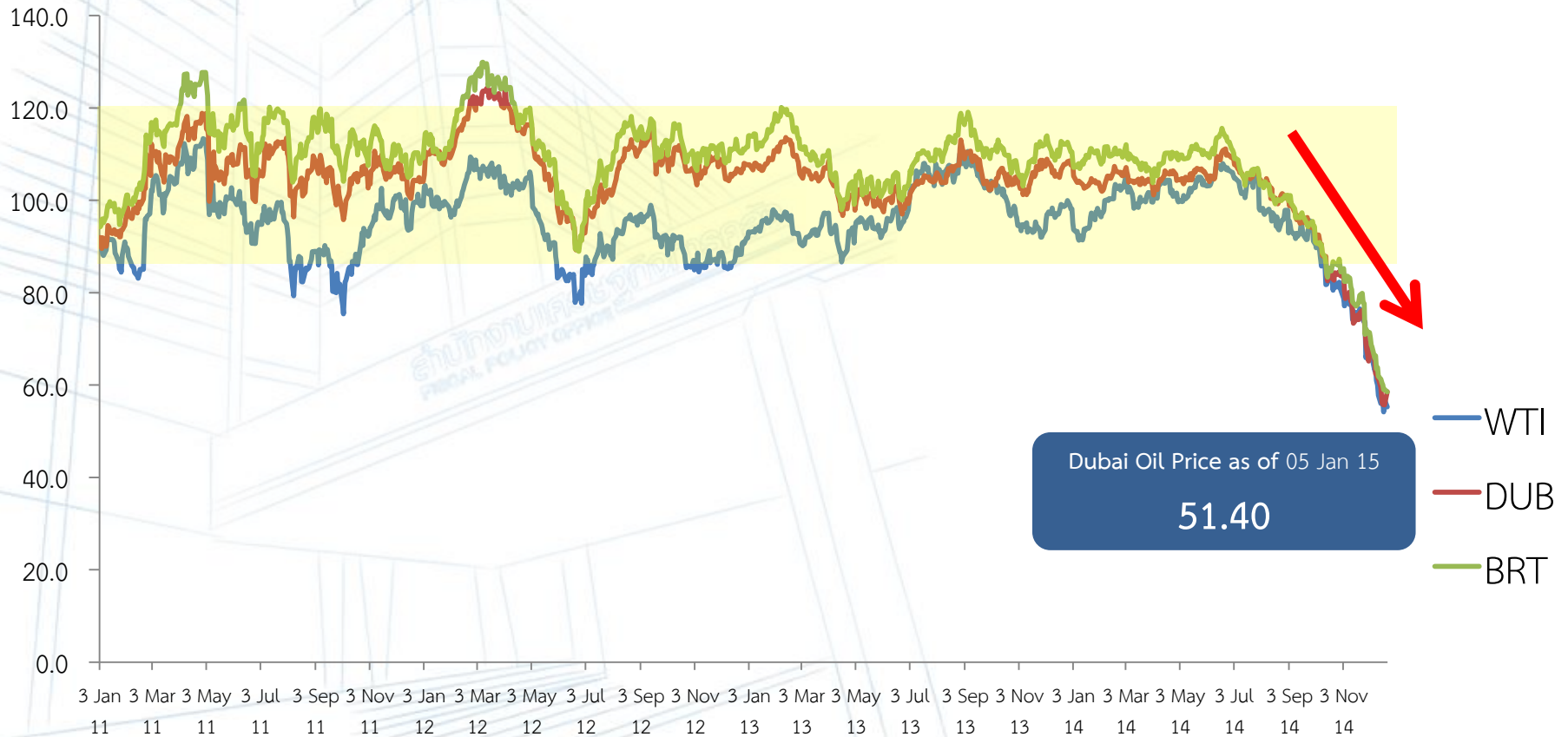
Key challenges in 2015

- Monetary policies in developed countries i.e. US, EU, and Japan
- Future trends in global capital flows
- Risk of economic crisis in Russia
 - Geopolitical risk

Crude Oil Prices continue to fall since the middle of 2014



Daily Crude Spot Price (USD per Barrel)

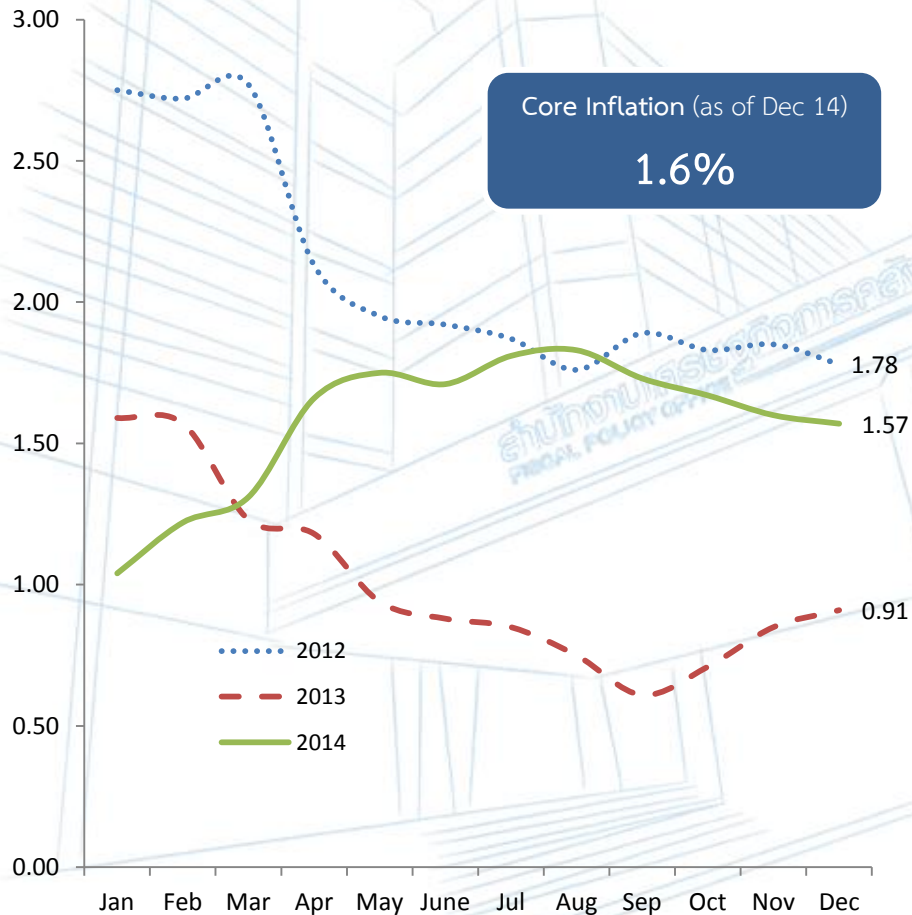


Source: Reuters

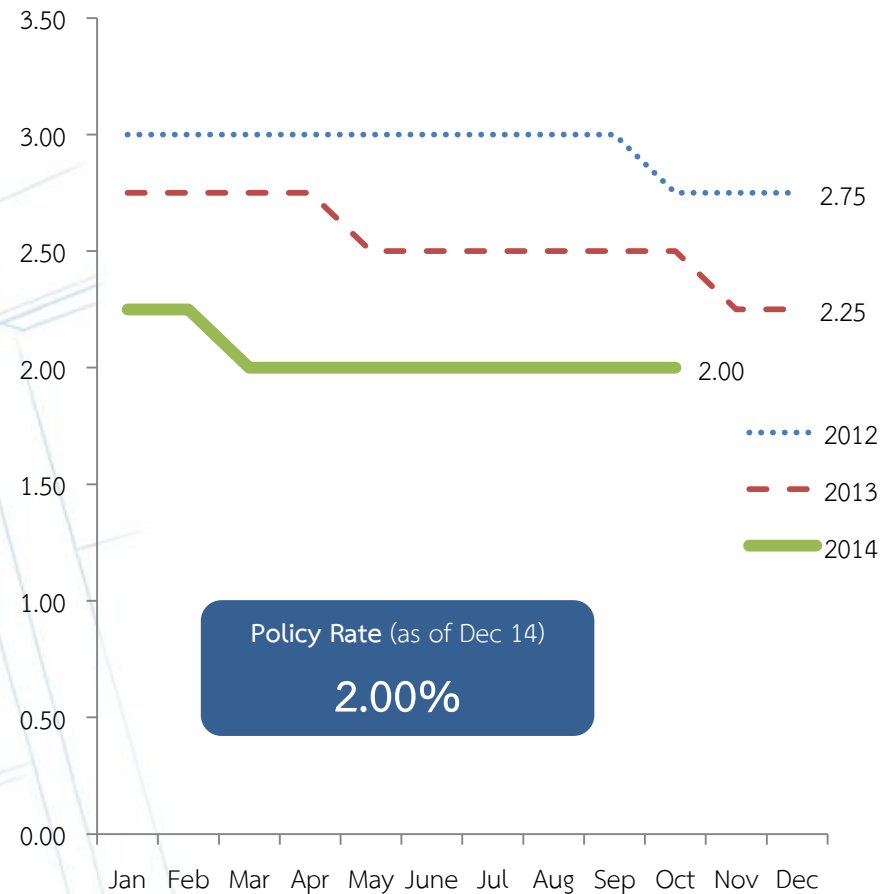
The stable policy interest rate supports economic growth



Core Inflation (%yoy)



Policy Rate (%yoy)



Supporting factors

- 45-billion-baht disbursement for the first phase of the infrastructure investment project (expected at 50% of 99.7-billion-baht-infrastructure investment plan)
- TKK project's additional budget
- Increase overall efficiency of budget disbursement on both current expenditures and capital expenditures
- Acceleration in government procurement in the first half of FY2015
- 3.5-billion-baht accelerated disbursement of budget for seminar and training
- Lower administrative obstacles, compared to last year

Key Challenges to Thailand's Economic



Natural Disaster



Agricultural Commodity Prices



Lack of Labors

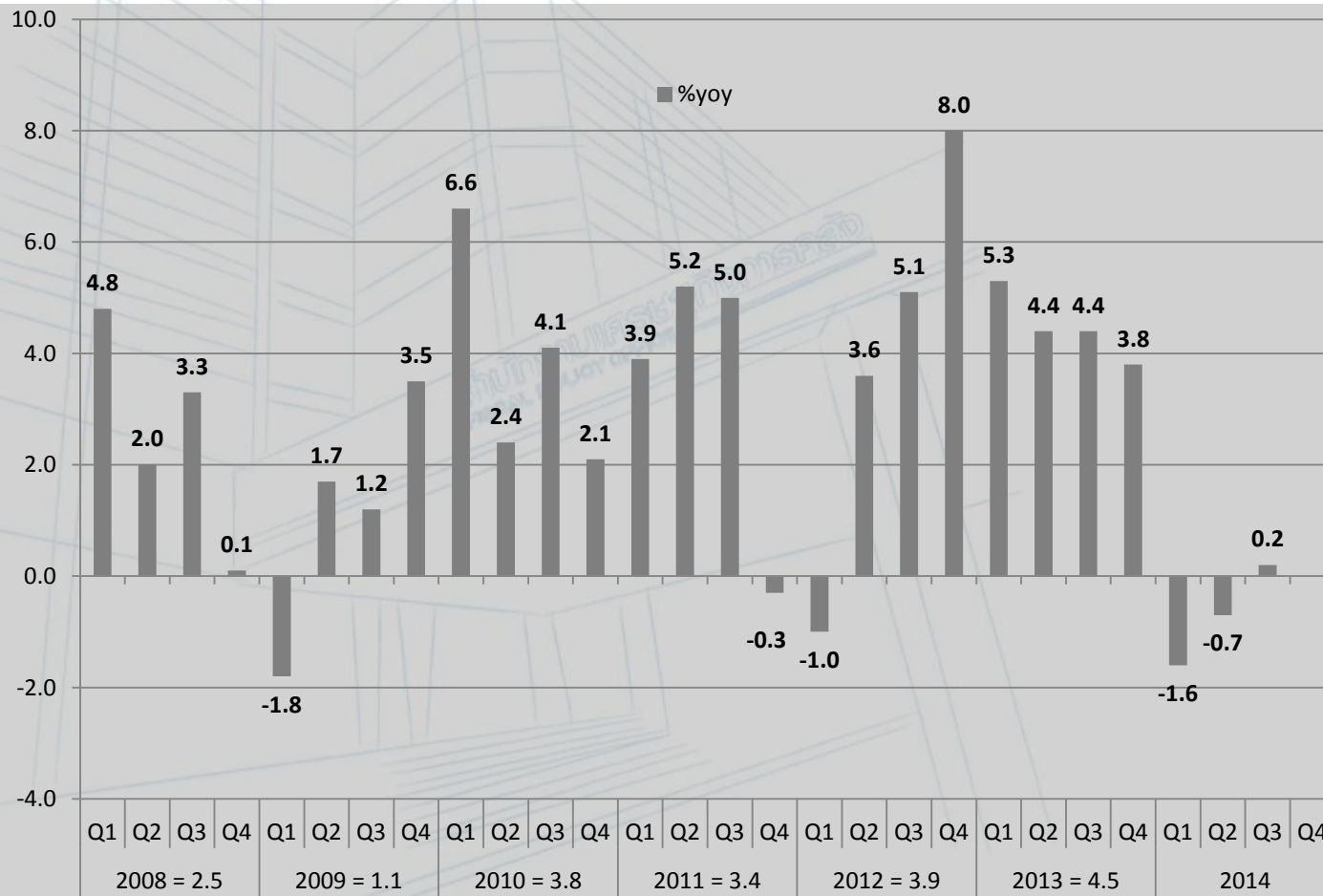


Global Fund Flows



“Real Estate sector is expected to grow”

Thailand economic growth in Real Estate sector



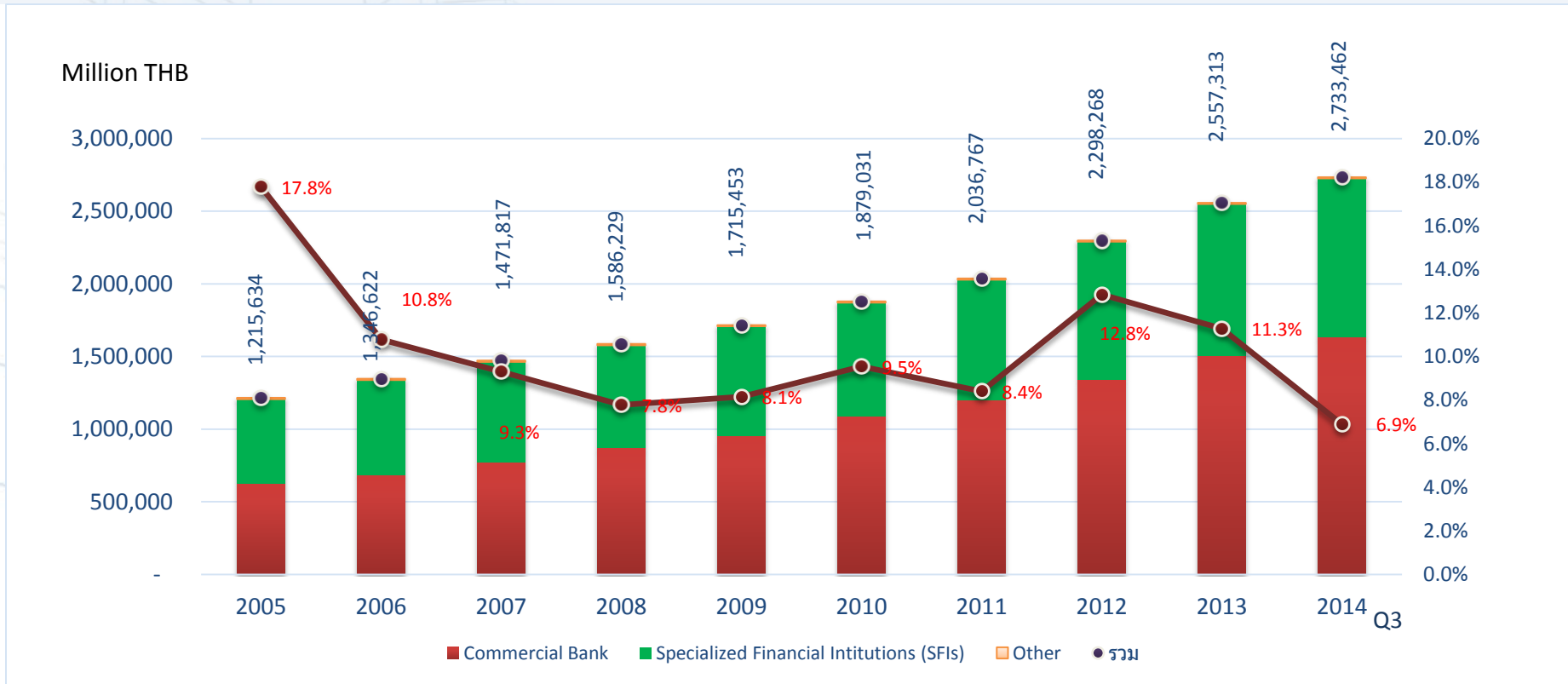
Real Estate sector has always recovered after the crisis. Moreover, it shows the positive sign in the third quarter this year.

Three quarters in 2014, the real estate contracted at -0.7% (%y-o-y)



*“Housing Finance
Historical Trend and Projection”*

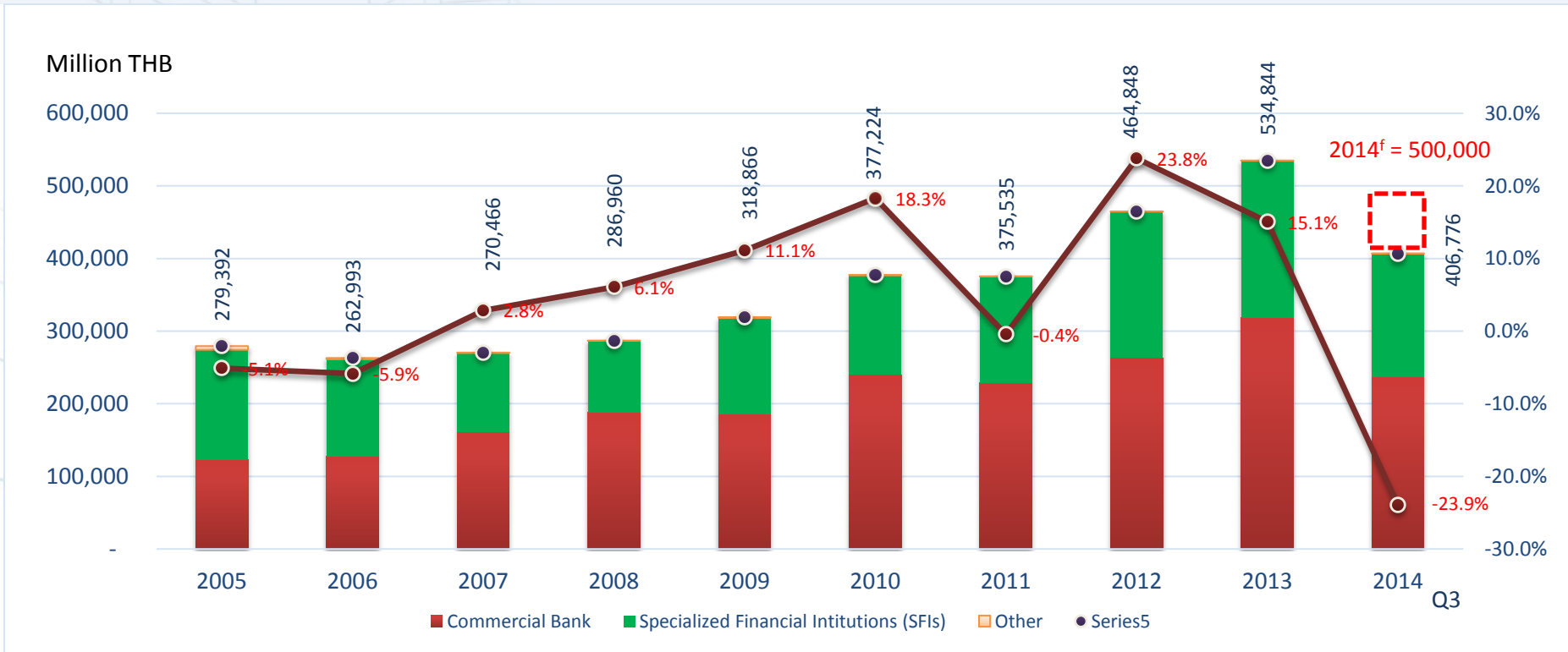
Outstanding Mortgage Loans to Individuals



Remarks: 1) Data collected from commercial banks, finance companies, credit fonciers, GHB, GSB, life insurance companies, and National Housing Authority, Islamic Bank of Thailand ,Bank for Agriculture and Agricultural Cooperatives.

2) These are loans given to individuals for purchase and construction of housing units.

New Mortgage Loans to Individuals



Remarks: 1) Data collected from commercial banks, finance companies, credit fonciers, GHB, GSB, life insurance companies, and National Housing Authority, Islamic Bank of Thailand ,Bank for Agriculture and Agricultural Cooperatives.

2) These are loans given to individuals for purchase and construction of housing units.

Housing Trend 2015

- CB & SFIs rivalry will remain through 2015
- Housing market expansion results hiking in housing credit

| | 2013 | 2014 p | 2015 p |
|-----------------------------------|-------|--------|--------|
| Housing market (Trillion Baht) | 0.535 | >0.5 | >0.5 |

- Relief in political tension drives consumer confidence
 - robust growth in housing demands & mortgage loans

Key Challenges for Real Estate sector

Risk factors



- High Household Debt
- Lack of Labors in construction sector
- Credit risk vulnerability



Supporting factors



- Infrastructure investment projects
- ASEAN Economic Community (AEC)

