

**High-level Regional Policy Dialogue on
"Asia-Pacific economies after the global financial crisis: Lessons learnt,
challenges for building resilience, and issues for global reform"**

6-8 September 2011, Manila, Philippines

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Country Experiences 1: ASEAN Economies

**Macroeconomic Indicators,
Macroeconomic Policies,
Macroeconomic Outlook and Issues of Concern**

by
Mr. Boonchai Charassangsomboon
Executive Director of Macroeconomic Policy Bureau
Fiscal Policy Office, Ministry of Finance
Thailand

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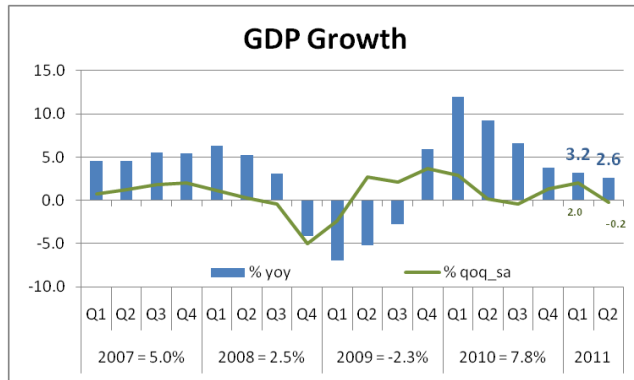
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Executive Summary

- **The Thai economy has fully recovered from the 2008-2009 global economic crisis,** as evidenced by the continuous growth of 2.9 percent per year in the first half of 2011. The expansion was due to an increase in both global and domestic demands, resulting in expansions in exports as well as in private consumption and investment.
- **The Thai economy has shown its resiliency to external and internal shocks,** Purchasing power remains strong given moderate inflation (July headline inflation at 4.08 percent) and low unemployment rate (June 2011 unemployment rate at 0.4 percent). Moreover, foreign reserves, which currently stood at 189.0 billion USD as of 19th August 2011, were 3.6 times the amount of short-term external debts.
- **Thai financial system remains sound and corporate sector well-performed.** Liquidity in the banking system remained adequate with the ratio of loan to deposit around 88.9 percent. Net non-performing loans in June 2011 leveled at 1.6 percent of total outstanding loan. Capital of the banking system remained at around 15.4 percent, much higher than the 8.5 percent minimum regulatory requirement.
- **Thailand's fiscal policies continue to support the economy, however, the role of government in supporting the economy begins to subside in the time when private sector is fully functioning in driving the economy forward.** Fiscal policy for Fiscal Year 2011 is currently set to be in deficit of 420 billion Baht or 3.9 percent of GDP. Moreover, the government is committed to maintain fiscal discipline under the Fiscal Sustainability Framework. Public debt to GDP is currently at 40.7 percent of GDP (June 2011), well below the level specified in Fiscal Sustainability Framework at 60 percent of GDP.
- **On monetary policy, the Bank of Thailand (BOT) has been tightening the monetary policy to curb inflationary pressure under the inflation targeting framework.** BOT raised its policy interest rate nine times from its recorded low level of 1.25 percent to the current level of 3.50 percent (August 2011).
- **On economic outlooks, the Thai economy is forecasted to grow by 4.5 percent per year in 2011.** Given a strong domestic demand from private consumption and investment as well as the continuous expansion in global economy, the Thai economy is forecasted to grow by 4.5 percent from last year in 2011, with the range of 4.0-5.0 percent.
- **Looking forward, issues of concern for Thailand are (1) the economic slowdown of important trading partners (2) the higher inflationary pressure and (3) the volatility in capital market.** Nonetheless, the Thai economy is expected to continue to grow in 2011 despite these concerns given sound economic fundamentals, strong public finance allowing for continued expansionary fiscal policy and infrastructures investments, and growing Asian economies and closer intra-regional trade and investment.

I. Macroeconomic Indicators

(1) Domestic Sector



Source: Fiscal Policy Office, Ministry of Finance

The Thai economy has fully recovered from the global economic crisis of 2008-2009 as demonstrated by the real GDP growth of 2.9 percent per year in the first half of 2011. The expansion was due to the strong growth in exports and a continuous expansion of domestic demand. On quarterly basis, the Thai economy continued to grow in the 2nd quarter of 2011 at 2.6 percent per year.

GDP Growth (% of GDP)			2010	2009				2010				2011	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Real GDP	%yoy	7.8	-7.0	-5.2	-2.8	5.9	12.0	9.2	6.6	3.8	3.2	2.6	
	%qoq sa		-2.4	2.7	2.1	3.7	2.9	0.2	-0.4	1.3	2.0	-0.2	
Expenditure side													
Ø Private Consumption (Share 51.4%)	%yoy	4.8	-2.6	-2.3	-1.3	1.6	3.9	6.4	5.0	3.9	3.3	2.8	
	%qoq sa		-2.4	0.7	1.0	2.3	0.8	2.1	-0.4	1.4	0.8	0.2	
Ø Public Consumption (Share 9.9%)	%yoy	6.4	6.1	7.9	8.6	6.9	11.0	8.4	3.7	3.2	1.8	1.0	
	%qoq sa		-3.2	2.1	3.9	3.7	1.2	0.2	-1.8	3.1	0.7	-0.7	
Ø Private investment (Share 16.1%)	%yoy	13.8	-19.1	-15.3	-11.3	-6.2	13.8	17.8	14.6	9.2	12.6	8.6	
	%qoq sa		-13.9	3.0	2.8	3.4	4.2	6.2	-0.3	-0.6	7.0	1.9	
Ø Public investment (Share 5.1%)	%yoy	-2.2	-9.3	8.8	8.4	0.6	6.9	-4.9	-5.4	-3.1	-1.4	-9.9	
	%qoq sa		-3.8	12.9	-2.4	-4.7	1.6	0.7	-3.0	-2.1	3.0	-8.1	
Ø Export of Goods and Services (Shares 69.0%)	%yoy	14.7	-16.7	-21.1	-14.6	4.0	16.6	22.3	11.7	9.5	16.0	11.8	
	%qoq sa		-6.5	-2.5	6.9	6.8	4.6	2.5	-2.5	4.7	10.7	-1.0	
Ø Import of Goods and Services (Share 52.6%)	%yoy	21.5	-30.9	-24.8	-22.9	-7.2	33.3	24.6	21.3	10.5	16.8	14.9	
	%qoq sa		-27.7	10.3	3.6	12.0	4.2	3.7	0.0	2.2	10.1	2.4	

Source: Compiled by Fiscal Policy Office, Ministry of Finance

From the demand perspective, the continued expansion in the 2nd quarter GDP was from both external and internal demands. During the 2nd quarter, private consumption and private investment continued to grow at 2.8 percent and 8.6 percent respectively. Exports increased at a slower pace at 11.5 percent due to (1) high base effect and (2) slowdown in global demand. Real public consumption expanded at a decelerated pace at 1.0 percent, as compared to a decrease in public investment at -9.9 percent.

GDP Growth (% of GDP)		2010	2009				2010				2011	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Real GDP	%yoy	7.8	-7.0	-5.2	-2.8	5.9	12.0	9.2	6.6	3.8	3.2	2.6
	%qoq sa		-2.4	2.7	2.1	3.7	2.9	0.2	-0.4	1.3	2.0	-0.2
Supply Side												
Ø Agriculture (Share 8.3%)	%yoy	-2.3	5.2	-1.1	0.6	0.4	-2.2	1.5	-4.5	-3.5	7.6	6.7
	%qoq sa		3.8	-2.8	1.3	-1.2	0.0	1.1	-4.1	-0.2	11.1	0.0
Ø Manufacturing (Share 40.8%)	%yoy	13.9	-15.0	-9.7	-7.1	8.7	22.9	17.6	11.6	4.8	1.7	-0.3
	%qoq sa		-6.8	5.8	3.4	6.9	4.8	1.4	-1.7	0.3	1.5	-0.3
Ø Wholesale and Retail (Share 13.3%)	%yoy	2.7	-1.8	-1.9	-1.1	3.6	3.4	2.7	2.6	1.9	2.2	1.7
	%qoq sa		-0.1	0.5	0.9	2.1	-0.1	0.0	0.6	1.1	0.4	-0.4
Ø6.6 Transport (Share 9.4%)	%yoy	4.0	-8.2	-8.3	-3.8	5.4	6.0	2.2	4.0	3.8	3.1	6.6
	%qoq sa		2.1	0.7	1.0	1.8	1.9	-2.2	2.3	1.8	1.0	1.5
Ø Real Estate (Share 3.9%)	%yoy	3.8	-1.8	1.7	1.2	3.5	6.6	2.4	4.1	2.1	3.9	5.2
	%qoq sa		-1.1	3.1	-0.1	1.6	1.7	0.7	1.4	-0.2	3.3	0.7
Ø Hotel & Restaurant (Share 3.8%)	%yoy	8.5	-6.4	-5.6	-2.3	13.9	15.4	0.2	10.1	8.0	8.0	19.8
	%qoq sa		2.3	2.1	-0.3	8.9	3.5	-10.2	9.1	6.2	3.6	0.2

Source: Compiled by Fiscal Policy Office, Ministry of Finance

From the production perspective, manufacturing sector contracted while the other sectors continued to expand. Manufacturing sector which accounted for 40.8 percent of GDP contracted at -0.3 percent per year in the 2nd quarter, mainly due to the inventories run down and a decrease in automobile production from supply shortage as a result of Tsunami in Japan. Agricultural, transport, real estate and hotel and restaurant sectors grew continuously, while wholesale and retail contracted from the previous quarter.

b. Indicators

Thailand's Economic Indicators : Consumption

Growth rate : %YOY (Share of GDP)	2009	2010	2010				2011				
			Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	YTD
Real GDP	-2.3	7.8	12.0	9.2	6.6	3.8	3.2	2.6	-	-	2.9
Real Private Consumption (51.4%)	-1.1	4.8	3.9	6.4	5.0	3.9	3.3	2.8	-	-	3.0
Private Consumption Indicators											
Real value added tax	-11.4	15.5	22.2	20.2	13.0	8.3	10.5	19.3	12.0	4.5	13.4
No. of passenger car sales	1.4	50.7	50.7	67.1	55.6	36.0	60.3	0.3	-0.5	12.2	24.0
Motorcycle sales	-8.9	21.0	32.8	18.2	22.4	11.9	11.3	17.9	18.2	11.6	14.2
Real farm income (calculated by FPO)	-9.5	15.3	7.8	22.4	17.7	17.7	38.7	22.6	-1.7	-8.3	23.2
Import of consumer goods (volume)	-9.5	25.1	31.5	34.3	20.9	16.4	19.6	11.9	2.7	14.0	15.4
Consumer confidence index	67.2	70.7	70.9	68.0	72.6	71.3	71.9	71.3	72.3	74.4	72.0

Source: Compiled by Fiscal Policy Office, Ministry of Finance

rose at 12.2 percent from last year, improving from -0.5 percent in the previous month. Meanwhile, motorcycle sales grew slower at 11.6 percent. Nevertheless, consumer confidence index in July 2011 was at 74.4 points, an improvement from 72.3 percent in last month, partly due to a positive expectation of anew government's stimulus economic policies.

Thailand's Economic Indicators : Investment

Growth rate : %YOY (Share of GDP)	2009	2010	2010				2011				
			Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	YTD
Real private investment (16.1%)	-13.1	13.8	13.8	17.8	14.6	9.2	12.6	8.6	-	-	10.5
>Private investment in equipment (12.0%)	-15.3	14.7	14.5	20.5	15.2	9.2	14.7	9.5	-	-	11.9
>Private investment in construction (3.6%)	-5.1	10.6	11.4	8.8	12.8	9.4	5.8	5.5	-	-	5.7
Private investment indicator											
Import of capital goods (volume)	-14.7	25.9	24.1	40.4	27.8	13.6	29.3	14.5	17.4	14.2	20.5
Commercial car sales	-17.9	42.3	57.6	43.7	42.2	32.1	31.7	-1.4	-0.3	10.1	16.2
Real estate tax collection	-11.1	75.8	79.6	81.5	58.9	82.4	17.2	7.1	-11.1	43.5	16.3
Domestic cement sales	-0.4	4.6	6.7	11.1	3.0	-2.4	1.5	-1.1	4.0	8.6	1.3
Thai Industrial Sentiment Confidence Index (Level)	85.9	104.1	110.5	99.1	103.9	102.7	107.7	107.4	107.4	105.2	107.2

Source: Compiled by Fiscal Policy Office, Ministry of Finance

terms of construction, property tax collection steadily grew at 43.5 percent from last year, an acceleration from the previous month contraction of -11.1 percent, indicating the continuous growth in property transaction following the improvement of the Thai economy. This was consistent with cement sales in July 2011 which grew at 8.6 percent, a continuous expansion from the previous month increase of 4.0 percent.

Thailand's Economic Indicators: Exports

Growth rate: % yoy	2009	2010	2010				2011				
			Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	YTD
Real export (56.9%)	-13.6	17.3	16.8	28.4	13.1	12.2	18.6	9.2	-	-	13.7
Value \$ term (Custom Dep.)	-14.3	28.1	31.6	41.4	21.9	20.8	28.1	19.4	16.8	38.3	25.7
Price \$ term (Ministry of Commerce)	0.3	9.1	12.1	10.0	7.4	7.3	6.7	7.0	7.0	7.1	6.8
Volume \$ term (FPO)	-14.5	17.6	17.4	28.6	13.5	12.6	20.1	11.7	9.2	29.1	17.6
Main export goods (share of total export in 2009)											
Electronic goods (17.7%)	-13.1	21.9	52.7	24.2	14.8	6.4	1.2	6.9	-1.6	15.6	5.7
volume \$ term	-14.3	20.3	46.2	23.2	15.9	4.4	0.9	5.2	-4.3	12.3	4.4
Electrical appliances (10.2%)	-13.8	32.4	40.8	40.1	32.6	19.7	26.8	15.9	12.5	12.3	19.6
volume \$ term	-13.9	29.8	39.9	38.0	29.7	15.9	23.3	13.4	10.0	10.0	16.7
Vehicles (9.3%)	-27.7	55.1	67.0	83.0	58.3	25.6	23.8	-7.9	2.2	15.6	8.9
volume \$ term	-28.8	50.3	63.8	78.9	52.5	19.8	18.0	-12.1	-2.5	11.7	4.1
Agro industry sector (7.4%)	-3.8	16.7	35.1	27.1	8.9	0.2	14.6	37.0	34.4	40.4	28.1
volume \$ term	-2.0	9.3	25.9	19.5	2.5	-7.8	3.7	21.2	19.4	27.1	14.7
Agricultural sector (10.8%)	-18.4	31.0	49.0	31.2	20.6	27.2	45.2	53.7	55.7	58.1	50.5
volume \$ term	-13.2	-1.3	6.1	-5.9	-7.1	2.2	22.6	33.8	35.2	36.1	29.1
Fuel (5.5%)	-31.2	25.8	47.0	30.4	21.0	15.7	30.7	39.1	43.1	7.0	30.4
volume \$ term	-15.6	0.8	-6.6	-2.4	6.3	3.9	12.0	18.4	21.2	-11.6	10.6

Source: Compiled by Fiscal Policy Office, Ministry of Finance

markets, especially China, ASEAN-5 and Eurozone.

Latest macroeconomic indicators in July 2011 showed an expansion of private consumption even through there were some signs of slowdown. Real value-added tax collection in this month expanded 4.5 percent year-on-year, slower than the previous month of 12.0 percent growth per year. Imports of consumer goods grew at 14.0 percent, accelerating from the previous month. Consumption of durable goods as demonstrated by passenger car sales

rose at 12.2 percent from last year, improving from -0.5 percent in the previous month. Meanwhile, motorcycle sales grew slower at 11.6 percent. Nevertheless, consumer confidence index in July 2011 was at 74.4 points, an improvement from 72.3 percent in last month, partly due to a positive expectation of anew government's stimulus economic policies.

Private investment in July 2011 also showed a continue sign of expansion from both investment in machinery and construction. The imports of capital goods expanded at 14.2 from the last year. This paralleled to commercial car sales expanded at 10.1 percent after the construction for two consecutive months because of the returning to normal production capacity of the automobile sector after the Tsunami situation in Japan had recovered. In terms of construction, property tax collection steadily grew at 43.5 percent from last year, an acceleration from the previous month contraction of -11.1 percent, indicating the continuous growth in property transaction following the improvement of the Thai economy. This was consistent with cement sales in July 2011 which grew at 8.6 percent, a continuous expansion from the previous month increase of 4.0 percent.

Exports in July 2011 continued to grow which was supported by major trading partners' economic expansion. Export value recorded a high level of 21.5 billion USD, accelerated from 16.8 percent last month to 38.3 percent from last year, due to the 29.1 percent expansion of export volume and 7.1 percent growth of export price. This growth was particularly attributed to well-expanded growth in all sectors and

Thailand's Economic Indicators: Imports											
Growth rate : %YOY (Share of GDP)	2009	2010	2010				2011				
			Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	YTD
Real import (43.5%)	-23.1	26.5	44.8	31.3	24.9	12.0	19.2	18.9	-	-	19.0
Value \$ term (Custom Dep)	-25.4	36.5	58.5	46.0	30.5	20.1	27.9	29.2	26.1	13.5	26.1
Price \$ term (Ministry of Commerce)	-2.6	8.2	11.0	9.0	6.0	6.9	8.9	11.5	11.8	12.1	10.5
Volume \$ term (FPO)	-23.5	26.7	42.8	34.0	23.1	12.4	17.4	15.8	12.9	1.2	12.7
Main import goods (% share of total import in 2009)											
Raw materials (42.7%)	-30.7	44.5	95.7	43.8	39.1	19.4	19.7	36.1	38.3	-3.7	22.1
volume \$ term	-30.2	37.3	90.1	36.5	31.2	11.3	12.2	26.5	28.9	-10.4	14.0
Capital and machinery (25.9%)	-16.3	29.8	27.9	45.3	32.0	17.2	34.1	19.4	22.4	18.3	25.2
volume \$ term	-14.7	25.9	24.1	40.4	27.8	13.6	29.3	14.5	17.4	14.2	20.5
Consumer goods(9.5%)	-9.6	28.3	33.0	36.8	24.0	21.7	26.0	19.6	10.1	22.8	22.7
volume \$ term	-9.5	25.1	31.5	34.3	20.9	16.4	19.6	11.9	2.7	14.0	15.4
Fuel (17.4%)	-33.2	27.3	43.1	47.7	5.6	22.7	42.7	38.3	20.1	60.7	43.1
volume \$ term	-19.5	7.0	1.3	18.8	-3.1	11.2	13.7	0.8	-13.6	13.5	7.4

Source: Compiled by Fiscal Policy Office, Ministry of Finance

percent. This was mainly due to an expansion in imports of fuel, capital goods, machinery, and consumption goods, while imports of raw materials showed the first contraction in almost 20 months of -3.7 percent. This resulted in trade surplus of 2.8 billion USD in July 2011.

Thailand's Economic Indicators : Supply Side											
Growth : % yoy (Share of GDP)	2009	2010	2010				2011				
			Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	YTD
Agri-sector (8.3%)	1.3	-2.3	-2.2	1.5	-4.5	-3.5	7.6	6.7	-	-	7.2
Non-agri sector (91.7%)	-2.7	8.8	13.6	9.9	7.4	4.7	2.8	2.2	-	-	2.5
• Manufacturing production (40.8%)	-6.1	13.9	22.9	17.6	11.6	4.8	1.7	-0.3	-	-	0.7
• Hotel and restaurant production(3.8%)	-0.3	8.5	15.4	0.2	10.1	8.0	8.0	19.8	-	-	13.4
Supply-side indicators											
Agricultural Production Index	0.8	-3.5	-6.4	3.3	-4.6	-1.3	14.1	6.8	-8.1	-7.3	8.1
Manufacturing Production Index	-7.2	14.4	31.2	17.6	9.8	2.6	-2.1	-2.5	3.8	-1.1	-2.2
Number of tourists (mil. persons) (%yoy)	14.15	15.94	4.66	2.90	3.76	4.62	5.31	4.35	1.49	1.52	11.18
	-3.0	12.6	27.8	-2.2	14.5	8.4	14.0	50.1	53.9	18.8	26.5

Source: Compiled by Fiscal Policy Office, Ministry of Finance

accessories was from supply shortage of components for creating its integrated circuits. Consistently with capacity utilization index, it stood at 63.0 points, decreased from the previous month level of 64.1 points.

For an agricultural sector's performance, Agricultural Production Index (API) in July 2011 decreased -7.3 percent from a year earlier, continued the contraction from the previous month of -8.1 percent. This was mainly due to a decrease in major crops production such as rice and rubber with the cause of the climate that was not in favor of production and harvest. While the API in July 2011 grow at 4.8 percent, a slight slowdown from the previous month growth of 12.7 percent, partly due to a high base effect from strong global demand, which caused an acceleration in agricultural prices. This resulted in -8.3 percent per year contraction of real farm income in July 2011.

Service sector in this month through tourism indicators indicated that service sector continued to expand well. The number of inbound tourists was recorded at 1.5 million persons, expanded at 18.8 percent from last year. This well-expanded growth can be seen in Asian country groups, particularly China, Vietnam, and Japan.

Imports value in USD terms in July 2011 continued to expand well to 18.7 billion USD. In term of percentage growth, imports expanded at 13.5 percent per year, slower than the previous month expansion of 26.1 percent. This reflected from 1.2 percent growth in import volume, a slowdown from the previous month increase of 12.9 percent and 12.1 growth in import price, an acceleration from the previous month growth of 11.8

Supply-side sector in July 2011 showed a contraction in industrial and agricultural production while service sector continued to expand well. This reflected by Manufacturing Production Index (MPI) that contracted -1.1 percent per year, after an expansion of 3.8 percent last month. A continuous high cost of raw material, particularly cotton wool caused the production of garment and textile to decline while a decline in the production of television parts and

c. Inflation

(% YOY)	2009	2010	2011					YTD
			Q1	Q2	May	Jun	Jul	
Headline Inflation	-0.90	3.30	3.01	4.10	4.19	4.06	4.08	3.64
Core Inflation	0.30	0.90	1.50	2.40	2.48	2.55	2.59	2.01

Source: Compiled by Fiscal Policy Office, Ministry of Finance

Headline inflation continued to grow at 4.08 percent year-on-year in July 2011, resulting in a 7-month average of 3.64 percent,

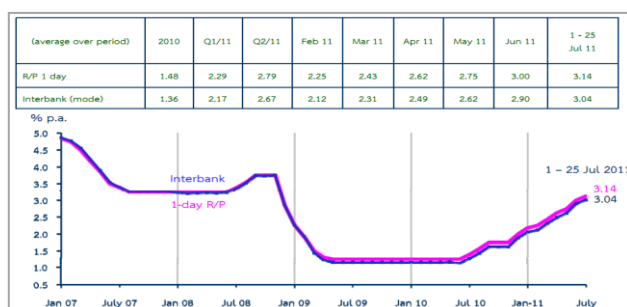
compared to 3.30 percent in 2010. This was mainly due to an increased in energy and food price, while core inflation (energy and food price components excluded) grew by 2.59 percent from last year (still within the range set by the Bank of Thailand of 0.5-3.0).

d. Interest rate

Since the second half of 2010, the Monetary Policy Committee (MPC) under the Bank of Thailand has continuously increased its policy interest rate (1-day repurchase rate) from its record low level of 1.25 to 3.50 percent.

The policy rate has set the benchmark for money market rates, banking sector's interest rate, and government bond yields as follows:

1) Money market rate

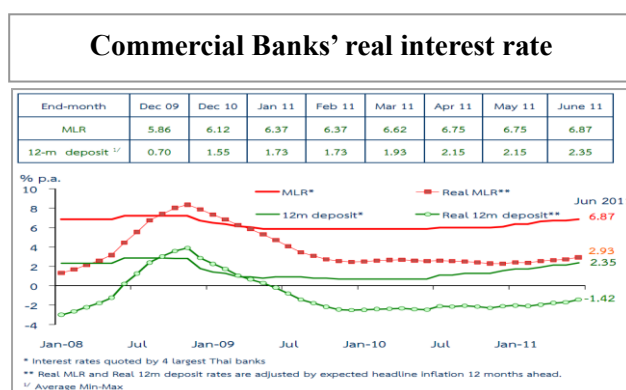


Source: Bank of Thailand

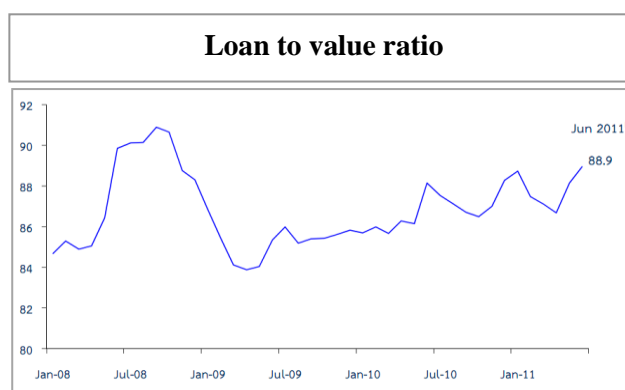
Short-term interest rates in the money market move in line with the RP 1-day policy interest rate presently set at 3.50 percent. At end-June 2011, the one-day repurchase rate and the average inter-bank overnight lending rate stood at 3.00 percent and 2.90 percent respectively.

2) Commercial banks' interest rates

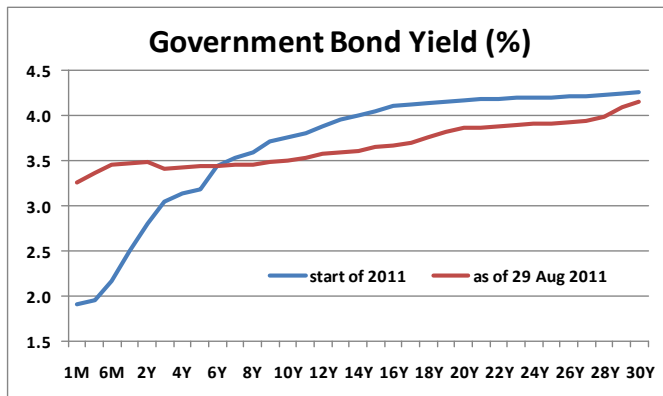
Interest rates in the banking sector moved in line but at a slower pace compared to the policy rate. The fixed-12-month deposit rate increased from 1.55 percent at the end of 2010 to 2.35 percent in June 2011. Meanwhile, the minimum lending rate (MLR) increased from 6.12 percent as of December 2010 to 6.87 percent in June 2011. The rise in commercial banks' interest rate was in line with the rise in policy rate as well as the high demand for loans as demonstrated by high level loan-to-deposit ratio of the banking sectors.



Source: Bank of Thailand



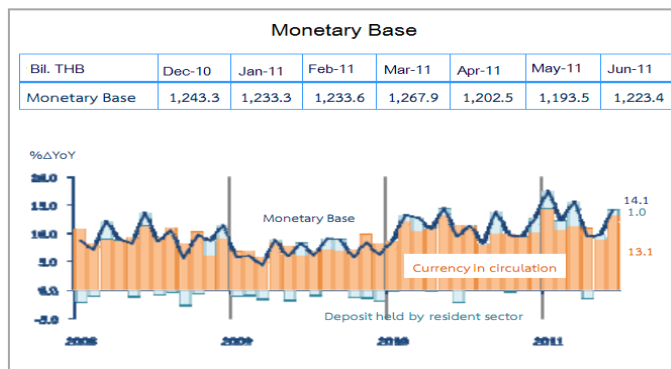
3) Government bond yields



Source: ThaiBMA, Compiled by Fiscal Policy Office, Ministry of Thailand

Government bond yields flattened due to the rise in short-term yields as a result of the continued hike in the policy rate, while, long-term yields curve decrease from the highest net foreign buy in 2011. This was partly due to switch into longer term bonds.

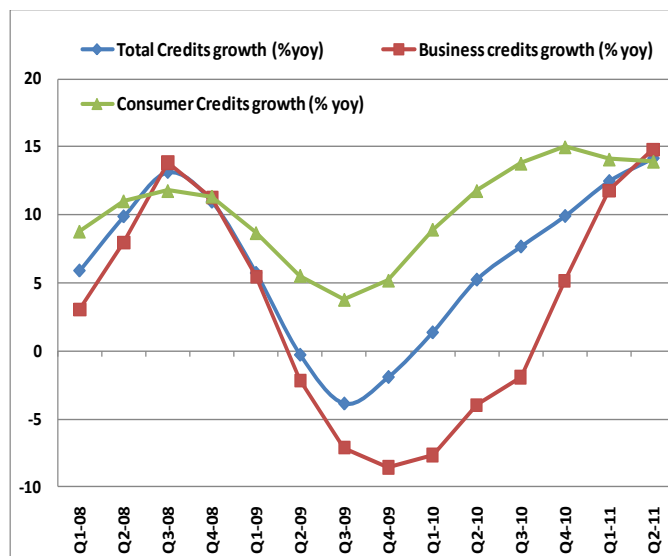
e. Monetary Growth



Source: Bank of Thailand

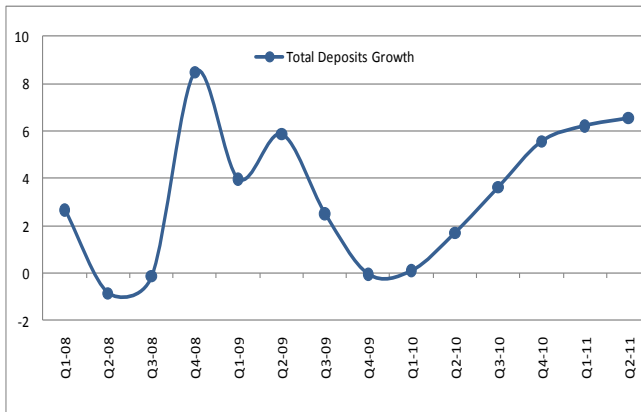
Monetary base continued to expand, and stood at 1,223.4 billion (41.1 billion USD) at the end of June 2011, a 14.1 percent year-on-year growth. Broad money at the end of June 2011 totalled 12,610.6 billion Baht (393.9 billion USD), expanding at a rate of 16.3 percent from the same period last year.

f. Banking Sector



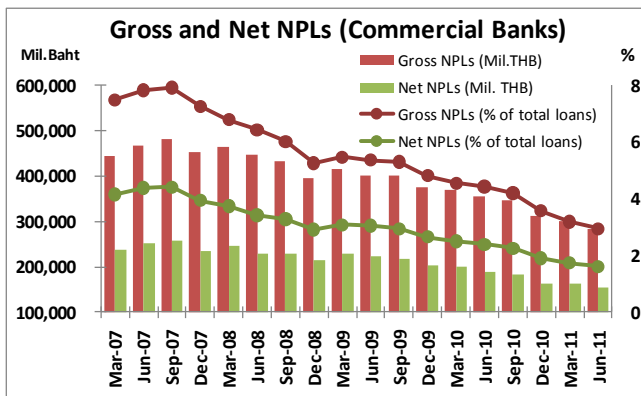
Source: BOT compiled by Fiscal Policy Office, Ministry of Finance

As of June 2011, total loans of the commercial banking system expanded by 16.1 percent per year, increasing from 12.1 percent growth in the fourth quarter of 2010. Corporate loans, accounted for 60 percent of total loans, continued to increase at 16.1 percent per year. This was consistent with the economic expansion, especially from the domestic demand. In addition, consumer loans in June 2011 grew at 13.9 percent per year, mainly from an increase in cars and motorcycles loans.

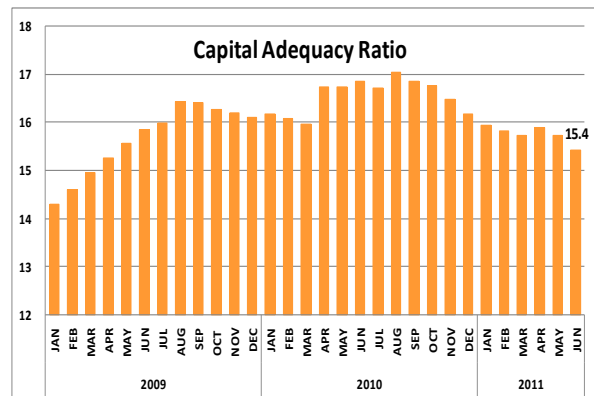


Source: BOT compiled by Fiscal Policy Office, Ministry of Finance

Deposits grew at a slower pace in June 2011. The deposit increased at 10.1 percent year-on-year in February 2011, higher than a 5.6 percent expansion in the 4th quarter of 2010. This was mainly due to higher deposit mobilization which has also encouraging higher competition among commercial banks in order to compensate future credits expansion.



Source: BOT compiled by Fiscal Policy Office, Ministry of Finance

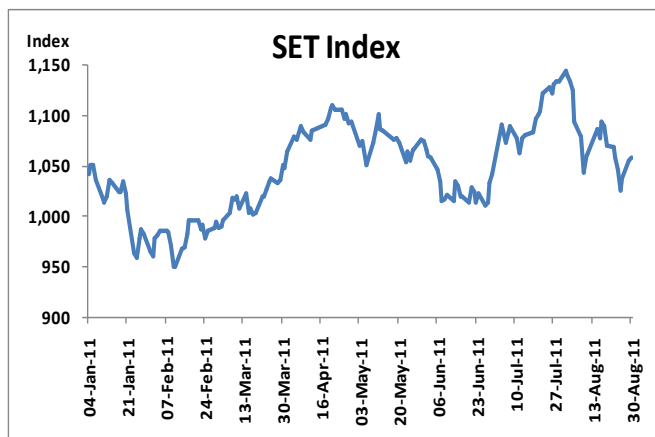


In tandem with the continuing global expansion since the last quarter of 2009, the Thai banking system performance has increased resiliently with lower NPL, higher profit, and high level of capital base. Compared with the beginning of 2011, both gross and net non-performing loans in the 2nd quarter of 2011 gradually declined. The ratio of gross and net NPL to outstanding loans currently stood at 3.0 percent and 1.6 percent respectively. Net profits also stayed at a high level since the 1st quarter of 2010 with capital strengthened as the BIS ratio increased to 15.4 percent, well above the 8.5 percent minimum regulatory requirement.

g. Corporate Sector

Overall financial performance of listed companies in the Stock Exchange of Thailand remained solid. In tandem with continued economic expansion in 2011, the performance of listed companies in the first quarter of 2011 remained robust with return on equity ratio at 5.27 percent, up from 3.86 percent in the previous quarter. Leverage and debt service indicators of non financial listed companies remained strong with debt-to-equity ratio at 1.27 times, slightly higher than 1.17 times in the previous month. This was mainly due to higher net profit following economic expansion.

h. Financial Market



Source: Reuter compiled by Fiscal Policy Office, Ministry of Finance

Thai capital markets particularly the equity market have experienced upward trend due to positive sign in regional economy. Equity market condition as indicated by SET index has significantly increased since July 2010. The SET index closed at 1,044.97 points on the 30th of August 2011, increased from 1032.76 points at the end of December 2010, or improved by 1.2 percent year to date.

The Combined market capitalization of SET and MAI as of 30 August 2011 was at 8.55 trillion Baht or about 80 percent of GDP.

Bond market showed stabilized trend with total bond outstanding value at 6.89 trillion Baht, or 68.2 percent of GDP in July 2011, improved from 66.9 percent of GDP in 2010. In terms of trading, trading value of the bond market slightly slowed down in July 2011. Outright transactions captured 7.1 percent of trading activities, slightly decreased from 8.3 percent in the previous month, while financing and others transaction increased its share to 92.9 percent from 91.7 percent in the previous month.

Government and State-Owned Enterprise (SOE) bonds are still dominant in the bond market. As of July 2011, the bond market concentrated on government and state agency bonds trading, with portion of government and state agency bonds trading volume decreased slightly and captured 99.1 percent of total trading volume, increasing from 97.5 percent as of December 2010. For corporate bonds, its share rose to 0.44 percent, up from 0.39 percent as of December 2010.

i. Government Sector

The government had set the Fiscal Year¹ (FY) 2010 budget deficit to be at 350 billion Baht or 3.6 percent of GDP in order to stimulate the Thai economy. Total expenditure worth 1,627.9 billion Baht, was set at 1,700 billion Baht comprising current expenditure worth 1,472.7 billion Baht and capital expenditure worth 227.3 billion Baht. Planned total government net revenue was set at 1,350 billion Baht.

At the end of the FY 2010, actual outturn for total net government revenue collection was 1,678.9 billion Baht, above the target revenue by 328.9 billion Baht or 24 percent and increase from the previous fiscal year by 268.1 billion Baht or 19.0 percent. Rise in government revenue reflected a strong economic expansion from higher demand from both domestic and overseas. Based on the revenue collection in FY 2010, it is found that collection of Value Added Tax (VAT), corporate income tax, and import duties were above the target by 24.5 percent, 14.5 percent and 30.8 percent respectively. In

¹ Fiscal Year 2010 started from 1st October 2009 and ended at 30th September 2010.

addition, government's tax measures also contributed to the higher than targeted individual income tax collection.

For total actual government expenditure outturn in FY 2010, the government was able to disburse total government budget of 1,784.4 billion Baht in which 1,627.9 billion Baht was disbursed from the FY 2010 budget (or 95.8 percent disbursement rate) while 156.5 billion Baht was disbursed from carry-overs from previous fiscal years. Current expenditure disbursement in FY2010 amounted to 1,444.8 billion Baht, decreasing by -4.2 percent (y-o-y). At the same time, capital expenditure disbursement in FY2010 amounted to 183.1 billion Baht or decreased at -35.3 percent (y-o-y). **As a result, the budget deficit in FY2010 amounted to 105.5 billion Baht, lower than FY2009 of 505.4 billion Baht deficits due to higher-than-expected government revenue from strong economic growth.**

Fiscal Year 2010 central government balance

Items	Unit (billion Baht)
1. Revenue	1,678.9
2. Expenditures	1,784.4
- Current expenditure	1,444.8
- Capital expenditure	183.1
- Carry over expenditure	156.5
3. Budgetary balance	-105.5

Source: Fiscal Policy Office, Ministry of Finance

Public debt at the end of Fiscal Year of 2010 stood at 4,263.0 billion Baht, representing 41.9 percent of the nominal GDP. Public debt at the end of January 2011 comprised domestic debt of 3,898.2 billion baht or 91.4 percent of total public debt and foreign debt of 364.7 billion Baht or 8.6 percent of total public debt. Current public debt to GDP level remains well below the 60 percent public debt ceiling under the Fiscal Sustainability Framework which should give additional room for continued expansionary fiscal policy to support sustainable economic expansion over the medium term.

(2) External Sector

a. Balance of Payments

Billion USD	2010	2010 ^P		2011 ^P				
		H1	H2	H1	Q1	Q2	May ^P	Jun ^E
Trade balance	14.1	6.7	7.4	5.0	3.3	1.7	0.3	1.9
Export	193.7	92.1	101.6	113.3	56.0	57.3	19.3	20.8
%YoY	28.5	36.9	21.6	23.1	27.3	19.2	17.3	16.4
Import	179.6	85.4	94.1	108.3	52.7	55.7	19.0	18.9
%YoY	36.7	53.6	24.3	26.8	25.6	28.0	34.4	23.5
Services & transfer	0.8	0.6	0.2	3.6	3.5	0.1	-0.8	0.6
Current A/C	14.8	7.2	7.6	8.6	6.8	1.8	-0.5	2.5
Net capital movement	17.2	4.9	12.3	-1.4	-1.0	-0.4	-0.2	-2.7
Overall balance	31.3	13.1	18.2	7.3	7.3	0.0	-2.6	-1.0
Gross Reserves	172.1	146.8	172.1	184.9	181.6	184.9	185.5	184.9

Source: Bank of Thailand

In the first half of 2011, balance of payments was surplus by 7.3 billion USD primarily due to surplus in trade and service balance of 5.0 and 3.6 billion USD respectively. This was mainly due to better-than-expected exports growth following majors trading partners' economic growth and high number of inbound tourists, especially from China and ASEAN.

b. Foreign Reserves

Foreign reserves as of 19 August 2011 were at 189.0 billion USD, increasing from 172.1 billion USD at the end of 2010. This contributed to strong external sector position given that international reserves were equivalent to 3.6 times short-term external debts.

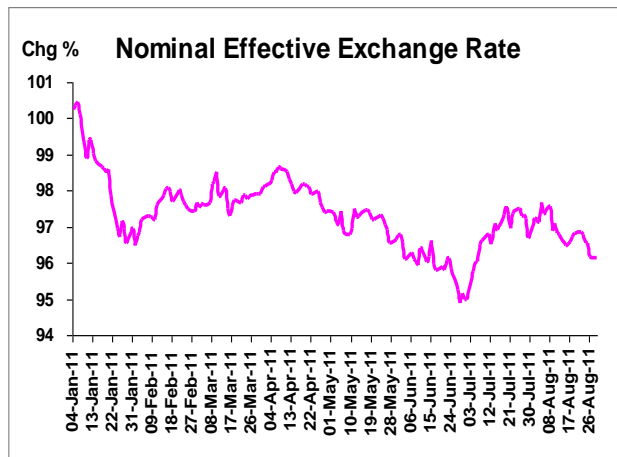
c. External Debt

	2010	2010		2011 ^P			Change May/Apr11		
		H1	H2	Q1	Apr	May	Total	Flow	Valuation Change
1. Monetary Authorities ^{2/}	4,880	2,607	4,880	6,626	8,583	6,442	-2,141	-2,048	-93
2. General Government	7,783	5,277	7,783	8,557	8,991	8,823	-168	-32	-136
3. Bank	20,525	13,167	20,525	23,182	22,026	24,307	2,281	2,349	-68
4. Other Sectors	63,743	60,011	63,743	66,352	66,908	66,493	-415	-21	-394
4.1 State Enterprises	10,287	9,705	10,287	9,868	10,138	10,137	-2	73	-75
4.2 Private Enterprises	53,456	50,306	53,456	56,484	56,770	56,356	-413	-94	-319
Gross External Debt	96,930	81,062	96,930	104,717	106,509	106,065	-444	248	-691
Short-term (%)	48.2	45.8	48.2	49.2	48.8	48.5			
Long-term (%)	51.8	54.2	51.8	50.8	51.2	51.5			

Source: Bank of Thailand

Gross external debt has declined significantly since the financial crisis years (1997-1999) and stood at 106.1 billion USD by end of May 2011. Private external debt, which stood at 56.4 billion USD, accounted for most of Thailand's gross external debt, representing 53 percent of total external debt. Over 52 percent of the debts are long-term in nature.

d. Exchange Rate



Source: Fiscal Policy Office, Ministry of Finance

As of 29 August 2011, Thai Baht exchange rate was at 29.97 Baht per USD. Since the beginning of the year, THB experienced appreciating trend, reflected by bigger current account surplus. Nevertheless, THB competitiveness as indicated from Nominal Effective Exchange Rate (NEER) for THB has been improved during the first half of 2011, particularly during the month of May.

II. Macroeconomic Policies

a. Fiscal Policy

Fiscal policies continue to support the economy, however, the role of government in supporting the economy begins to subside in the time when private sector is fully functioning in driving the economy forward. For the current fiscal year FY 2011, the Thai government plans to continue its expansionary fiscal policy in order to further enhance the domestic economy and ameliorate Thailand competitiveness. Total government revenue is estimated to be 1,650.0 billion Baht, or 22.2 percent increase from FY 2010's targeted revenue. FY 2011's budget expenditure is set at 2,070 billion Baht or 21.8 percent higher than FY 2010's planned expenditure. **Thus, planned budget deficit is 420.0 billion Baht or 3.9 percent of GDP.**

Fiscal Year 2011 Government Budgetary Framework

	FY 2011	
	Unit: Mil. Baht	% (y-o-y)
1.Total budget expenditures	2,070,000.0	21.8
(proportion to GDP)	20.0	
- Current expenditure	1,661,482.3	15.8
(proportion to budget)	80.2	
- Capital expenditure	345,617.0	61.2
(proportion to budget)	16.7	
- Principal repayment	32,554.6	-36.1
(proportion to budget)	1.6	
2. Total receipts	2,070,000.0	21.8
(proportion to GDP)	20.0	
- Net revenue	1,650,000.0	22.2
- Borrowing	420,000.0	20.0
3.Thailand's GDP	10,650,960.0	6.5

Source: Bureau of the Budget, Thailand

The budget allocation for FY 2011 is targeted for strategic national development policies as follows:

Budget Allocation Strategy in FY 2011	Amount (Mil. Baht)	%
1. Sustainable economic growth	219,232.8	10.6
2. Social development promotion	623,804.7	30.1
3. National confidence reinforcement	167,255.9	8.1
4. Environmental preservation, natural resources and land management	36,987.7	1.8
5. Science, technology and innovation development	18,440.9	0.9
6. International affairs and economic cooperation	7,981.7	0.4
7. National security and protection	183,819.3	8.9
8. Public good governance	303,042.7	14.6
9. Public sector administration	509,434.3	24.6
Total	2,070,000.0	100.0

Source: Bureau of the Budget, Thailand

Furthermore, the government has implemented Stimulus Package 2 (SP2), in which the government and state-owned enterprises would invest in physical and social infrastructure projects in order to enhance Thailand's medium term competitiveness. The SP2 covers several projects, such as water management, transportation, energy and alternative energy, etc. Its budget framework was set at around 350 billion Baht in Fiscal Year 2010. The investment in quality of live and the infrastructure project are the largest investment project with 181 billion baht or 51.8 percent of the total investment projects. As of 26th August 2011, the disbursement rate was at 82.5 percent.

Objective/Sector		Budget Framework	Disbursed investment	
			Amount	Disbursed rate (%)
1	Food & energy security	59,503	50,185	84.3
	1.1 Water resource management	59,503	50,185	84.3
2	Basic public service development	74,781	59,147	79.1
	2.1 Logistic & Transportation	46,587	43,664	93.7
	2.2 Energy	174	0	0.0
	2.3 Communication	0	0	0.0
	2.4 Tourism infrastructure development	3,282	1,359	41.4
	2.5 Public health infrastructure development	14,692	6,225	42.4
	2.6 Social welfare	9,173	7,056	76.9
	2.7 Science & technology	185	179	96.9
	2.8 Environment	689	664	96.3
3	Create tourism potential	5,394	2,507	46.5
	3.1 Tourism development	5,394	2,507	46.5
4	Create new economy revenue	1,331	1,274	95.8
	4.1 Creativity economy	1,331	1,274	95.8
5	Develop education quality	51,981	37,578	72.3
	5.1 Education	51,981	37,578	72.3
6	Develop public health quality	1,928	860	44.6
	6.1 Public health personal development	1,928	860	44.6
7	Create job & improve quality of life	106,542	93,530	87.8
	7.1 Community development	106,542	93,530	87.8
8	Government policies	40,000	40,000	100.0
	8.1 Income support	40,000	40,000	100.0
Total		341,460	285,080	83.5
Expenditure under emergency circumstances		8,500	3,756	44.2
Grand total		349,960	288,836	82.5

Source: Strong Thailand project committee, Ministry of Finance

Despite the large fiscal stimulus, the government is committed to maintain fiscal discipline under Fiscal Sustainability Framework. Under this framework, public debt as a percentage of GDP must not exceed 60 percent ceiling. As of June 2011, public debt to GDP remained low at 40.7 percent.

b. Monetary Policy

The Bank of Thailand (BOT) has tightened monetary policy to control the inflationary pressure under the inflation targeting framework. Under this framework, monetary policy is set with price stability as the main objective with targeted core inflation between 0.5-3.0 percent. BOT implements its monetary policy by influencing short-term money market rates at the selected key policy rate, currently set on the 1-day repurchase rate. Since the second half of 2010, BOT has increased its policy interest rate several times from a record-low level of 1.25 percent at the beginning of 2010, to the current level of 3.50 percent.

c. Financial Policy

Comprehensive reforms continue to strengthen the stability and efficiency of the Thai financial sector following the aftermath of the Asian financial crisis. The reforms are progressing on many fronts, including the adoption of International Accounting Standards (IAS 39) for loan appraisal and provisioning, implementation of the Financial Sector Master Plan (FSMP), issuance of new prudential regulations and related policy guidelines under Basel II, and the participation in the IMF-World Bank Financial Sector Assessment Program (FSAP). The financial reforms which have been implemented in 2010 are summarized as following:

The Financial Sector Master Plan Phase II (2010-2014): a development plan for financial institutions. The FSMP Phase II aims to enhance the efficiency of the financial institutions system, thereby enabling financial institutions to perform their financial

intermediation role more efficiently, become more competitive, be able to serve a broader group of households and businesses, and maintain resiliency in face of the fast-changing environment. With greater efficiency, the financing cost of individuals and business would decline while the economy would be more competitive. Key measures of the FSMP Phase II can be summarized under 3 pillars: 1) reduce system-wide operating cost; 2) promote competition and financial access; and 3) strengthen financial infrastructure.

The Capital Market Master Plan (2010-2014): the Master Plan will benefit the capital market by improving competitiveness, promoting savings and retirement planning, and improving linkage between Thai and global capital markets and other sectors. Key measures to reform capital market can be summarized as followed: 1) abolish monopoly and improve competitiveness of the stock exchange of Thailand; 2) liberalize securities business to promote market efficiency; 3) reform legal framework; 4) improve tax system to be more efficient; 5) develop financial products; 6) establish a national saving fund; 7) develop a culture of savings and investments; and 8) develop domestic bond market.

d. Structural Reforms

The Government will manage the economy to have growth that is continuous, balanced and strong in both domestic and foreign sectors, immunity against various risks associated with the global economy. Economic restructuring would be needed to enhance competitiveness and improved efficiency in agriculture, industry, and service and tourism sectors as follows:

Agricultural Sector

1. Develop an integrated process of value addition for agricultural goods by expediting efficiency enhancement in the production of key crops in accordance with local conditions; promote research and development on crop strain development; rehabilitate environmental conditions such as soil and water supply; zone farmland to define proper areas for food and energy crop production; enhance production efficiency of energy crops such as oil palm, sugar cane, and cassava to produce alternative energy, and related industries in response to the global food and energy crisis.
2. Enhance fisheries by managing resources and environment; develop aquaculture for both coastal and local inland freshwater fisheries; promote international cooperation on fisheries in international waters and develop the potential of the fishery product industry.
3. Enhance the potential of production and marketing in the livestock sector by developing each stage of the production process to achieve safety and international standards; promote livestock breed development such as cows, buffaloes, swine and others; enhance the potential of surveillance, prevention, and control of livestock diseases; enhance the potential of livestock product inspection and certification, as well as explore new global markets for livestock products.

4. Promote value addition for agricultural goods through processing that meets international quality standards to create links with agro-industry, by supporting research and development on standards for food and agricultural production and food safety; expedite negotiation of agreements on agricultural products and food standards to prevent non-tariff barriers to trade; support the establishment of an effective disease prevention and control system, as well as supporting agricultural processing within communities.
5. Promote the New Theory of agriculture at the community level according to His Majesty's initiative to provide agricultural households with food security; promote the learning process on organic farming, integrated farming, forest farming, school lunch projects, and livestock banks according to His Majesty's initiative, with farmers and communities setting their own direction and approach.
6. Restructure agricultural production by establishing agricultural estates and expedite land zoning for efficient and integrated agricultural production and management, with a balance between food and alternative energy production, with the cooperation of all related agencies; increase farmer's revenues, improve farmers' standards of living, and reserve 130 million *rai* of arable land for sustainable agriculture.
7. Strengthen the entire agricultural sector by enhancing and developing the quality of the new generation of farmers of all ages in production, management, product management, and management of agricultural organization, through innovation, local wisdom and appropriate technology; promote and develop curricular and extra-curricular learning systems to increase the potential of the agriculture sector as a strong foundation of the economy, society and culture.

Industrial Sector

1. Improve the efficiency of the industrial sector, including creating value for industrial products by integrating cooperation among government agencies to promote industrial development and upgrading labor skills and product standards; develop entrepreneurial management skills, improve the efficiency of machinery and industrial logistics on the basis of cooperation among the public sector, private sector, and educational institutions.
2. Develop and drive industries in which Thailand has high potential and advantage, such as food, steel, automobiles, petrochemicals, energy and electronics, making them regional and global production hubs through the promotion of investment or granting of privileges to high-potential industries, including securing and developing suitable acreage and infrastructure to support industrial development in the next twenty years, bearing in mind the environmental impact and local community participation.
3. Create products of high quality and standards to add value and protect the intellectual property of products produced in Thailand, by supporting skills development in combination with utilization of modern technology, such as fashion goods, jewelry and accessories, as well as using marketing measures and building brand recognition of Thai products to enhance their popularity both domestically and abroad.

4. Create and strengthen small and medium-scale entrepreneurs, including community enterprises, to serve as a production base for the domestic economy, by encouraging cluster formation to enhance product value and competitiveness, through support for knowledge and innovation; and foster good entrepreneurial governance and social responsibility.
5. Promote and expand the role of business incubation centers for entrepreneurs wishing to create high-value products and services by using modern technology custom-designed to make use of the potential of each area; create centers for industrial product development and design; and promote commercial utilization of knowledge and innovation.

Tourism and Services Sector

1. Promote cooperation among all government agencies, local administrative organizations, communities and the private sector in creating economic value and social value from tourism by raising tourism quality and standards to be sustainable, clean, safe, and unique in identity; establish new tourist destinations in areas with the potential to link nature, arts and culture with community way of life, as well as keep tourists safe from crime, fraud and preventable or avoidable accidents, whether from negligence or natural dangers; and give importance to controlling the number of tourists and impact on the environment.
2. Promote tourism linkages with neighboring countries, including tourism packages linking various provinces, along with the promotion of quality tourist markets, Thai and foreign, such as groups of families, retirees, the health-conscious, the MICE (Meetings, Incentives, Conferences and Events) market, groups interested in eco-tourism, adventure tourism, local cultures, and historical and archeological sites, with due regard for community participation in the sustainable development of each area.
3. Promote the service sector, particularly small-size and medium-size entrepreneurs with potential, in order to expand the operating and marketing base toward the regional level, for example, in healthcare services, international education, logistics for goods and services, information and communications technology, construction, sports and recreation-related businesses, and the business management industry; open new opportunities for the creative industries which would add value for Thai entrepreneurs and businesses, such as the film industry, the MICE industry, the fashion industry, and businesses based on Thai culture and identity, by developing a master plan on the creative industries, giving importance to knowledge development and innovation, strengthening entrepreneurs, business standards, personnel and marketing.

III. Macroeconomic Outlook and Issues of Concern

GDP is expected to grow at the annualized rate of 4.5 percent per year (with the range of 4.0 - 5.0 percent), unchanged from previous projection. The contribution to growth is mainly from the strong domestic and external demands. Private consumption is expected to rise steadily at the rate of 4.3 percent (with the range of 3.8 - 4.8 percent), resulting from low unemployment rate as well as rising farm income. Tourism sector is expected to grow robustly after recovering from the political turmoil last year. Private

investment, driven by near-full level of capital utilization rate in many industries especially in export-concentrated sector, is forecasted to grow by 9.6 per year in 2011. As global recovery continues, the external demand is expected to grow moderately, with downside risks from the US economy's fragile recovery, European sovereign debt crisis, and Japan's pace of recovery from natural disaster. Despite some broaden negative impacts, Asian economies continue growing robustly and Japan's Tsunami disaster is expected to be solved shortly. As a result, Thai exports of goods and services in real term are in a good shape, which continually expands at 9.0 percent (with the range of 8.0 - 11.0 percent). At the same time, imports of goods and services in real term are set to grow steadily at roughly 10.1 percent (with the range of 9.1 - 11.1 percent). Public consumption is projected to increase by 3.0 percent (with the range of 2.5 - 3.5 percent) in order to achieve the budget disbursement plan under budgetary expenditures in the fiscal year 2011, while public investment is likely to grow at 3.6 percent (with the range of 2.6 - 4.6 percent) as most infrastructure projects are scheduled to start this year.

Economic Outlook for 2011

(Unit: %yoy)	2010	2011 f (Dec 10)	
		Average	Range
Real GDP	7.8	4.5	4.0 - 5.0
- Real Private Consumption (Cp)	4.8	4.9	4.4-5.4
- Real Public Consumption (Cg)	6.0	3.4	2.9-3.9
- Real Private Investment (Ip)	13.8	11.3	10.3-12.3
- Real Public Investment (Ig)	-2.2	4.2	3.2-5.2
- Real Export of goods and services (Xgs)	14.7	6.4	5.4-7.4
- Real Import of goods and services (Xgs)	21.5	8.1	7.1-9.1
Trade Balance	14.1	11.7	10.7-12.7
Export of goods in \$ term	28.5	13.2	12.2-14.2
Import of goods in \$ term	36.6	14.6	13.6-15.6
Current Account (Bill.\$)	14.7	13.1	10.9-14.4
- Current Account / GDP (%)	4.6	3.6	3.1-4.1
Headline Inflation	3.4	3.5	3.0 - 4.5
Core Inflation	0.9	2.5	2.0 - 3.0

Source: Fiscal Policy Office, Ministry of Finance

Economic stability will remain resilient in 2011. The internal economic stability is seen to remain resilient. Headline inflation in 2011 is likely to rise to 3.8 percent (in the range of 3.3 - 4.8 percent), resulting from anticipated hiking in crude oil and commodity prices as well as increasing minimum wages. Unemployment is expected to hold its current low level of 0.9 percent of the total labour force (with the range of 0.8 - 1.0 percent), mainly as a result of the momentum gained from the economic recovery. Despite the direct impacts of global crisis, external stability is relatively well shielded. Current account remains strong in 2011, although it is projected to record a smaller surplus of USD 12.3 billion, accounting for 3.4 percent of GDP (in the range of 3.1 - 3.8 percent of GDP) due to the acceleration of import. Trade balance is estimated to reach USD 10.8 billion (with the range of USD 9.8 - 11.8 billion), partially explained by accelerated import growth which further increases to 20.8 percent (with the range of 19.8 - 21.8 percent) due to a hike of import price in the world market. However, export value is likely to grow by 17.6 percent (with the range of 16.6 - 18.6 percent) owing to stable export price, especially from commodity prices.

Issues of Concerns

1. Major trading partners' economic growth. Even though our export destinations have been more diversified over the years, much of Thailand's exports have been concentrated in large economies, namely China (11.0%), Japan (10.5%), US (10.3%) and EU15 (9.8%). Thus, the economic environments in these large economies are crucial to the Thai economy. As export sector has been the major driver of Thai economic growth, economic slowdown in the aforementioned countries would be a major concern for Thai economy.

2. Higher inflationary pressure. Even though the headline inflation was still at the moderate level in July 2011 (4.08 percent per year), the higher cost-push and demand-pull inflationary pressure is one of the major concerns. Nonetheless, the Bank of Thailand has been tightening the monetary policy in order to control the inflation upward trend.

3. Volatile Capital flows. Since the beginning of the year, Thai Baht exchange rate has been experiencing an appreciated trend. However, due to higher interconnection among global capital markets, Thai authorities are working towards mitigating the future negative impacts from exchange rate fluctuation.

Nonetheless, it is expected that the Thai economy would still be resilient despite these aforementioned risk factors, given strong economic fundamentals, sound fiscal and monetary policy, and closer cooperation with countries within the region.