

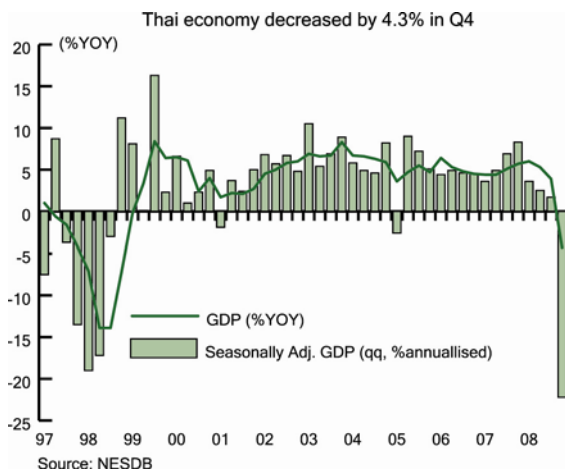
ECONOMIC OUTLOOK

THAI ECONOMIC PERFORMANCE IN Q4 AND OUTLOOK FOR 2009

- ❑ **The Thai economy plunged sharply by 4.3% (YOY) in the fourth quarter of 2008, much deeper than expectation, as compared to 5% growth achieved in the first 3 quarters.** The contraction was attributed mainly to the deterioration in global economic conditions which caused Thai exports and tourism to contract. In addition to the global recession, the rapid pace of deterioration was exacerbated by political uncertainty and frequent changes of government. This domestic uncertainty has also delayed the disbursement of government budget and the implementation of public projects.
- ❑ **Overall economic expansion in 2008 was 2.6%, slowed down significantly from a 4.9% growth in 2007, and economic momentum has weakened.** However, economic stability remains in check and manageable, as reflecting in a low inflation and low unemployment rates. A low inflation of 2.1% in Q4 stemmed from the sharp drop in oil and commodities prices. For the whole year, inflation rate averaged at 5.5%. Current account turned into a small deficit of 178 million US dollar.
- ❑ **Policy rate was aggressively cut down and has led money market to follow suit. However, the real interest rates increased and become positive due to a more rapid decline in inflation.** Hence, the monetary policy is actually not yet accommodative, especially during the period of economic slowdown and low public confidence. Private credit decelerated whilst deposit accelerated and thus excess liquidity rose. Thai baht weakened in line with the depreciation of regional currencies. Meanwhile, stock market fluctuated with lower SET index and smaller trading volume, which was spurred by capital movement in a midst of global financial and economic crisis. Political disturbances also weighed heavily on investors' confidence and consequently on the performance of stock market.
- ❑ In 4Q08, fiscal balance recorded large deficits of 129,003 and 208,134 million baht, on a budget balance basis and on a cash balance basis, respectively. This resulted from a shortfall of revenue collection while expenditures have been accelerated. Public debts at the end of November 2008, equivalent to 37% of GDP, rose from the 36.92% registered at the end of September. The increase was contributed by the rise in debt of non-financial state-owned enterprises.
- ❑ In 2009 deterioration in global economic and financial conditions is a key risk factor for the Thai economy. The Thai economy is predicted to contract quite sharply in the first half of 2009 when the world economy hit bottom and severely affect Thai's export, tourism and investors' confidence. However, the economy is expected to recover in the latter half, supported by the implementations of the following packages: 1) stimulus package of around 116,700 million baht as a supplementary to the FY 2009 budget; 2) measures in the urgent economic recovery plan; 3) the medium and long-term public investment scheme; 4) acceleration of disbursement of FY 2009 and 2010 government budget; and 5) more accommodative monetary policy together with credit expansion and guarantee scheme provided for SMEs.
- ❑ NESDB revised 2009 forecast to (-1%) - (0%), mostly reflecting a sharper-than-expected contraction in exports and tourism which are depressed by gloomier outlook of the world economy. Inflation is predicted to be (-0.5%)-(0.5%). Unemployment could surge to 2.5%-3.5%. Current account is likely to be in a surplus of about 0.0%-1.0% of GDP.
- ❑ Economic measures in 2009 are aimed to stimulate domestic consumption in the short-run and generate a sustained economic growth through public and private investment in the second half of the year. While these measures cover a wide range of areas, the focus is on government-financed projects and investment under the pro-active fiscal policy, together with supportive monetary policy to help stimulate domestic demand. The measures are also aimed at providing a relief and cushion to those affected by the economic turmoil. These include, for example, subsidies for elderly persons, training for unemployed, soft loan and credit guarantee scheme for SMEs in return for an agreement to refrain from laying off workers, and an extension of tax allowances to reduce tax burden. Price guarantee scheme is also launched to stabilize agricultural prices.

1. Economic Performance in Q4 and year 2008

1.1 The Thai economy plunged sharply by 4.3% (YOY) in the fourth quarter of 2008, much deeper than expectation, as compared to 5% growth achieved in the first 3 quarters. The contraction was attributed mainly to the deterioration in global economic conditions which caused Thai exports and tourism to contract. In addition to the global recession, the rapid pace of deterioration was exacerbated by political uncertainty and frequent changes of government. This domestic uncertainty has also delayed the disbursement of government budget and the implementation of public projects. In overall, the Thai economy expanded by 2.6 percent in year 2008, slowed down rapidly from an expansion of 4.9 and 5.2 percent in 2007 and 2006 respectively.



Key Highlight

(1) Export contracted both in terms of value and volume. Private and public investment declined while household spending slowed down slightly. The contraction of demand resulted in a reduction in manufacturing, transportation, construction and service sectors. The key negative factors which contributed to an abrupt economic contraction in Q4 are as follows:

□ The world economic recession severely affected export and tourism sector in the forth quarter.

- The deteriorating financial crisis affected real sector and dampened consumption expenditure, investment and international trade in most countries. In the forth quarter, world economy went into the recession, led largely by the economic contraction of major economies including the US (-0.2%), UK (-1.0%), Japan (-4.6%), Eurozone (-1.6%), Singapore (-3.7%), South Korea (-3.4%) and Taiwan (-8.4%). Meanwhile, the economy of China, India and Vietnam also slowed down dramatically with the rate of growth of 6.8%, 4.9% and 5.6% respectively.

- As a result of the global economic recession, export and tourism of Thailand noticeably contracted in the last quarter of 2008, along with along with the sharp contraction in its major export markets such as China (-17.5 percent), South Korea (-32.1 percent), Singapore (-34.8 percent), and Vietnam (-24.2 percent). The volumes of Thailand export decreased by 8.9 percent and values in US dollar reduced by 9.4 percent or 100,000 million baht approximately. The number of foreign tourists diminished by 19.4 percent; it represented an approximated decrease of 700,000 visitors. The loss of tourism revenues is estimated to be around 25,000 million baht.

□ Domestic political disturbance and airport shutdown aggravated the situation in tourism sector and eroded market sentiments. This eventually depressed private investment and household spending further. In the forth quarter, household consumption increased by 2.2 percent, softened

from 2.7 percent of the previous quarter. Whereas, private investment contracted by 1.3 percent compare to the expansion of 3.5 percent in the previous quarter. However, for the whole year of 2008, household consumption expanded by 2.5 percent, compare to 1.6 percent in 2007 and private investment picked up by 3.2 percent, compare to 0.6 percent of the previous year.

- ❑ **Frequent changes in government delayed budget disbursement and the implementation of government projects.** During October-December 2008, the disbursement of government budget registered at 363,711.7 million baht which is equivalent to the disbursement rate of 19.82 percent, lower than the target of 22.50 percent. Particularly, the disbursement of investment budget was only 28,241.7 million baht, compared to 54,751.5 million baht in the same period last year. Similarly, disbursement of public enterprises was lower than that of the same period last year and lower than the target. Disbursement of public enterprises including Petroleum Authority of Thailand registered at 76,208.6 million baht (equivalent to disbursement rate of 24.7 percent of disbursement plan of 355,819 million baht) lower than that of 105,109.9 million baht over the same period last year (which is equivalent to disbursement rate of 29.5 percent). Therefore, the last quarter of 2008, public investment in real term decreased by 10.2 percent whereas, public consumption increased by 10.4 percent.
- ❑ **Production experienced with a broad-based contraction including manufacturing, construction, transportation and communication, and hotels and restaurants sectors.** However, financial sector, wholesale and retail trade sector, electricity and water supply sector, and agricultural production sector continued to expand, though at a slower pace due to the softening domestic demand.
- ❑ **Industrial sector contracted by 6.8 percent due to the worsening global economic condition that resulted in export demand reduction.** Export-oriented industrial production with export to total production ratio

of more than 60 percent and between 30-60 percent decreased by 11.5 and 9.9 percent respectively. While domestic-oriented industrial production declined by 1.2 percent due to deceleration in household spending, investment, and the delay of mega-projects. Manufacturing capacity utilization in the fourth quarter was at 61.8 percent, indicated rising in excess production capacity.

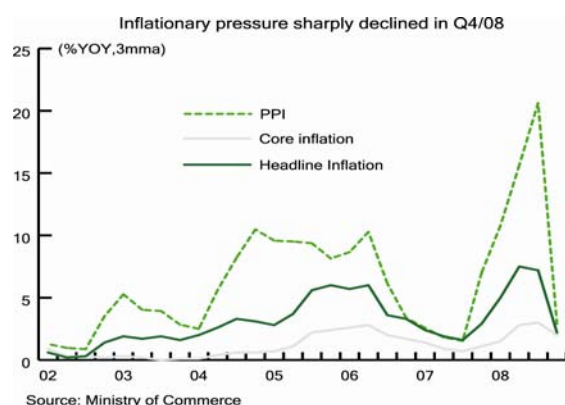
- ❑ Construction sector contracted by 12.8 percent, which is the 3 consecutive quarters contraction, due to the contraction of demand for housing and commercial building in tandem with the slowdown in economic activities. Meanwhile, the reduction in government construction was attributable to the delay of Mega-projects investment.
- ❑ **The number of tourists dropped by 19.4 percent owing to the worsening global economic condition that reduced purchasing power of tourists, the increase in travel cost in Thailand as well as tourists more cautious about political situation in Thailand. As a result,** hotel and restaurant sector contracted by 8.3 percent. Meanwhile, transportation sector declined by 10.6 percent after continually decelerated in the first 3 quarters.
- ❑ **Agricultural sector** expanded by 1.8 percent, slowed down from previous quarter which was attributable to natural disaster and partly the reduction in export demand that are stemmed from global financial crisis, in particular demand for rubber and cassava.

(2) Economic stability remained in checked but development in unemployment situation requires close monitor.

(2.1) Domestic economic stability remained in checked but close monitor should be given to unemployment situation.

- Inflation rate dropped sharply to 2.1 percent in the fourth quarter from 5.0, 7.5, and 7.2 percent in the first three quarters. As a result, an average inflation rate in the first three quarters was at 5.5 percent. In January 2009, inflation rate turned to a negative rate of -0.4 percent after dropped to a rate of 0.4 percent in December 2008. Core inflation in the fourth quarter was at 2.1 percent and at average rate of 2.4 percent for the whole year of 2008. Producer price index in the fourth quarter increased by 2.9 percent and 12.4 percent for the whole year of 2008.

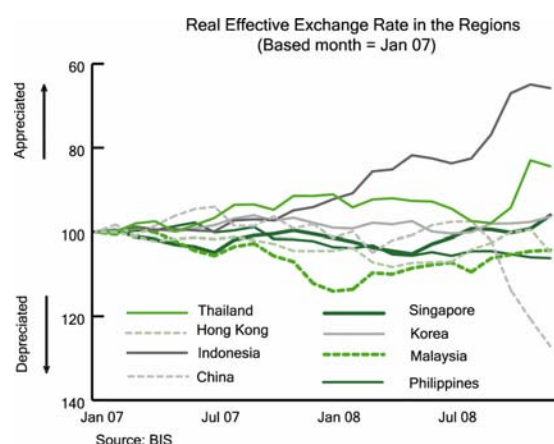
However, price of foods continued to increase in all items and resulted in 14.4 percent increase in food price index in the fourth quarter and an average of 16.6 percent for the year 2008. The increase in food price eroded household spending on foods that increased by only 1.4 percent, compare to 20.4 percent increase in total spending on foods & beverages. However, foods and beverages price index increase by 11.2 percent in January 2009 as price of fruits & vegetables, milk & dairy products was softened. However, it is necessary for the government to ensure fair price of the necessary products for consumers.

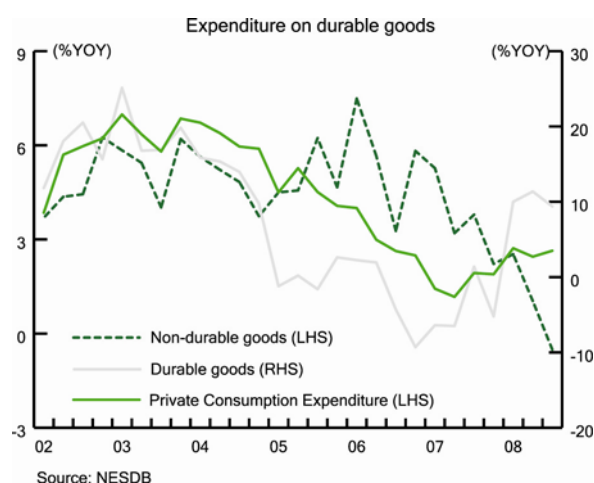
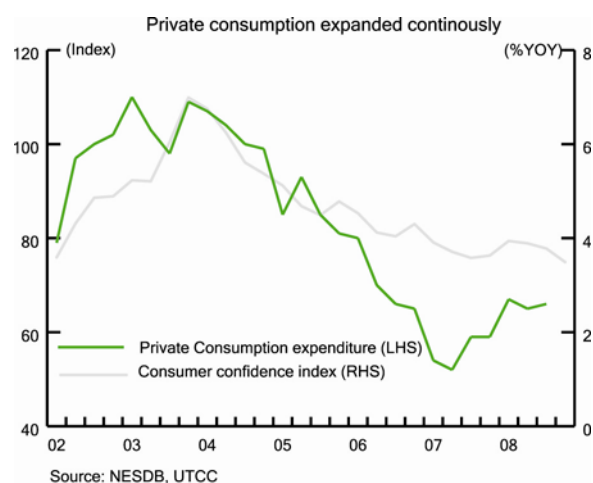


- Average unemployment rate in Q4 remained low at 1.3 percent and the year 2008 was at 1.4 percent. However, there is a sign of rising unemployment rate, in particular, in manufacturing and investment that seriously fell down.

(2.2) External stability remained in check.

- International reserve at the end of December registered 110.247 billion Us Dollar and Net Forward Position recorded 6.920 billion USD (equivalent to 4.0-4.4 time of short term foreign debt or 7.6 months of import).
- Current account registered a deficit of 1,971.5 million USD (equivalent to 68,338 million baht) which is the continually deficit from a deficit of 1,346 million USD in previous quarter. However, surplus in first half of the year turned the balance in 2008 to register a surplus of 178 million USD or equivalent to 10,393 million baht. (which comprised of trade balance surplus of 217 million USD and service balance deficit of 416 million USD).
- Exchange rate in the fourth quarter was averaged at 34.8 baht per USD, depreciated compare to 32.88, 32.28, and 33.84 baht per USD in the first three quarters. In the fourth quarter, Thai baht fluctuated in the range of 33.70-35.68 baht per US dollar consistent with movements of other regional currencies.





Private Consumption				
(%YOY)	2006	2007	2008	share (%)
Private consumption	3.02	1.60	2.51	100
Durable goods	-2.46	-4.24	9.63	11.4
Semi-durable goods	2.65	1.27	1.67	13.5
Non-durable goods	5.57	3.63	0.89	48.5
- Food	3.47	3.66	1.35	20.3
- Non-food	7.12	3.61	0.56	28.2
Services	1.19	0.57	3.10	26.6

Source: NESDB

Economic condition by sectors in the fourth quarter and the whole year of 2008

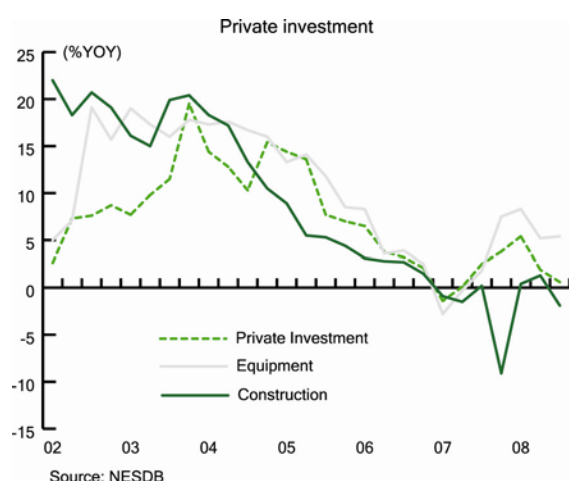
□ **Household consumption expanded at a sluggish rate.** In Q4, household consumption increased by 2.2 percent, softened from an average rate of 2.6 percent in the first three quarters. The supporting factors for consumption expansion in Q4 are including (i) employment expansion (ii) the increase in farm incomes of 17.7 percent (iii) the increase in household purchasing power due to inflation deceleration and (iv) contribution from “6 months 6 measures” economic package that reduced living costs of people. However, consumers increasingly concerned about the negative impacts of world economic recession on their income and employment prospects. In addition, the psychological impacts from deteriorating political condition, that eventually led to successive demonstrations and the shutdown of Suvarnabhumi and Don Muang Airports between the 25th November and the 3rd December of 2008, deferred household consumption decision.

Most of consumption indicators continued to expand but at a slower pace. Real VAT revenues increased by 1.0 percent while the import volume of consumption goods rose by 1.6 percent. Motorcycle sales value, the main indicator for household consumption in rural areas, picked up by 5.8 percent. Passenger car sales grew noticeably, from a very low base, by 47.9 percent as consumers waited for benefit from tax incentives for eco-car in January 2008 and postponed their decision in Q4 of 2007.

The increase in consumption spending in Q4 was mainly attributable to the expansion of durables goods consumption of 7.7 percent, in particular, spending on passenger cars and electrical appliances (such as washing machines and air-conditioners). Consumption spending on services and foods expanded by 6.5 and 2.0 percent respectively but consumption spending on semi-durable goods declined by 3.1 percent.

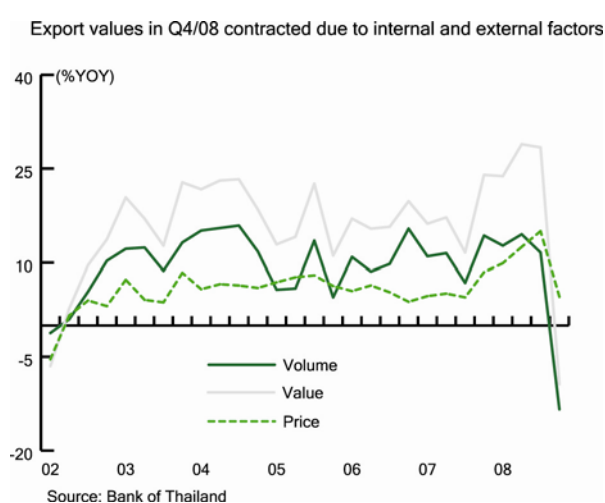
For the whole year of 2008, private consumption expanded by 2.5 percent which was mainly attributable to the increase in durable goods consumption. Overall, consumption spending on durable goods, semi-durable goods, non-durable goods and services grew by 9.6 percent, 1.7 percent, 0.9 percent and 3.1 percent respectively. Among non-durable goods, consumption spending on foods picked up by only 1.4 percent, compare to 3.7 percent in 2007, which indicated the impacts of high food prices on low-income group. Meanwhile, consumption spending on durable goods picked up noticeably due to a strong expansion of consumption spending on cars and electrical appliances in the first half of 2008.

❑ **Private investment contracted both investment in construction and investment in machinery and equipment.** In Q4, private investment contracted by 1.3 percent, compare to decelerate rates of expansion of 6.5 percent, 4.3 percent and 3.5 percent in Q1, Q2 and Q3 respectively. Although the decline in oil prices has lowered pressure on production costs since August 2008, the deteriorating global economic condition and successive demonstrations eroded investor confidences as reflected in a reduction of business sentiment index (BSI) in which the current BSI index and the next 3-months expected BSI index dropped from 41.1 and 47.5 in Q3 to 36.5 and 40.2 in Q4.



Investment by destination sectors: In Q4, investment in machinery and equipment contracted by 1.3 percent in line with a 7.8 percent reduction in domestic sales of machinery (at 1988 price) between October and November. In addition commercial car sales contracted by 32.7 percent as deteriorating economic prospects deferred entrepreneurs' decision while the imports of capital goods (at 1988 price) slightly increased by 4.3 percent.

Investment in construction plunged by 0.7 percent in Q4, due to the contraction of investment in commercial building construction



Export of Agriculture

(%YOY)		2007	2008				
		year	year	Q1	Q2	Q3	Q4
Rice	Value	34.2	121.8	108.1	155.8	134.2	-18.0
	Price	9.4	5.5	13.6	91.0	88.4	59.6
	Quantity	22.7	110.2	82.7	35.1	23.4	-48.6
Rubber	Value	4.5	51.1	33.6	30.5	47.1	-21.3
	Price	7.8	40.4	33.8	26.9	43.8	-3.1
	Quantity	-3.0	7.7	0.0	2.9	2.4	-20.9
Cassava	Value	23.1	-2.2	13.5	20.0	23.3	-35.2
	Price	18.6	61.1	58.9	61.9	39.3	13.1
	Quantity	3.8	-39.3	-29.3	-25.5	-11.8	-40.6
Corn	Value	48.6	110.3	229.6	-6.6	201.4	27.4
	Price	-7.0	64.3	15.0	186.1	27.2	-1.9
	Quantity	22.7	79.1	181.1	-43.5	136.6	22.1

Source: Ministry of Commerce

and housing construction of 2.8 and 1.2 percent respectively. Meanwhile, investment in industrial plant construction and other constructions expanded by 2.1 and 1.5 percent respectively, compare to their contraction in Q2 and Q3.

For the whole year of 2008, private investment picked up by 3.2 percent. Investment in machinery and equipment increased by 4.2 percent. In contrast, investment in construction contracted by 0.2 percent due to the decline of investment in industrial plant construction and other constructions by 4.8 and 5.7 percent respectively while investment in housing

construction and commercial building construction continued to increase by 0.9 and 5.9 percent respectively.

❑ **Export value contracted due to global economic recession and the airport shutdown.** In Q4, export value in dollar terms contracted by 9.4 percent which is attributable to the economic recession in major export destination countries such as Japan, Eurozone, ASEAN as well as a sharp economic slowdown in new export destination countries such as China and India. In addition, the new regulation in European market that requires registration and permission for the use of hazardous chemical substances in electrical appliances as well as the impacts from Suvarnabhumi and Don Muang Airport shutdown between 25th November and 3rd December 2008 also contributed to the contraction of export. In dollar terms, export volume declined by 13.4 percent while export price increased by 4.6 percent. In baht terms, export value decreased by 7.1 percent but export price picked up by 7.4 percent.

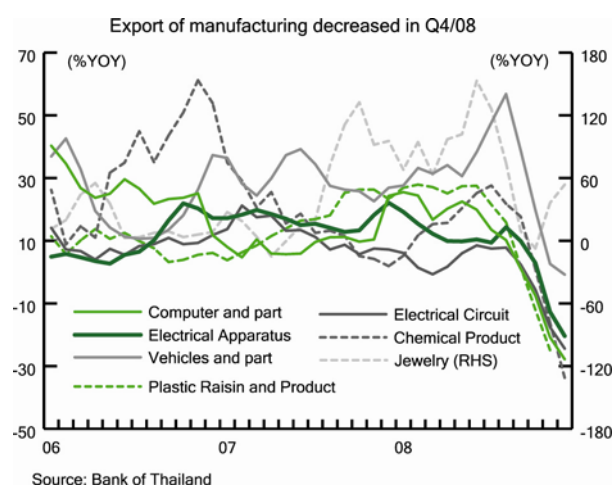
- **Export volume of agricultural commodity started to decline.** In Q4, export value of agricultural commodity dropped by 19.6 percent as a result of 20.7 percent reduction in export volume while export price picked up by 1.4 percent. Agricultural export that recorded volume reduction are including (i) Rice, due to importing countries switched their orders to cheaper low grade rice in Vietnam, Pakistan and India meanwhile Thai rice price was

(%YOY)	2008 (%YOY)					Export share in 2008	Export share by destination	
	Year	Q1	Q2	Q3	Q4		Major market	others
Electrical machinery	0.7	10.0	12.6	6.2	-21.8	17.5	75.2	24.7
computer and part	6.1	18.8	20.8	9.2	-18.0	10.3	78	22.0
Electrical circuit	-14.0	-6.2	-4.1	-4.9	-39.2	4.1	68.2	31.8
Electrical appliances	6.1	14.2	14.3	16.1	-17.3	10.1	65.3	34.7
Radio and Television	2.6	1.5	5.3	22.9	-18.4	1.8	57.6	42.4
Clothes	1.2	1.5	1.3	3.9	-2.0	1.7	84.1	15.9
Furniture and part	-3.8	-1.7	3.4	-2.0	-14.1	0.7	75.2	24.9
Canned food	23.4	20.5	34.1	28.4	13.2	2.2	60.2	39.7
shrimp	4.9	-7.2	1.1	12.3	8.5	0.7	81.2	18.8
chicken	62.5	66.3	69.2	70.4	48.9	0.9	97.1	2.1

Source: Ministry of Commerce

higher than world market price. (ii) Cassava, due to the decline in domestic production (iii) Rubber, due to the decline in import demand from China which are the main importer and a downturn in automotive industry stemmed from the reduction of car sales.

- **The decline of manufacturing export value was broad-based.** In Q4, export value of manufacturing products plunged by 7.8 percent due to the 12.0 percent reduction in export volume but export price increased by 4.8 percent. Export value of high technology products (which is accounted for 68 percent of total manufacturing export and 61 percent of total export value) declined by 13.8 percent. Export value of labor-intensive products and resource based products expanded by 9.4 and 11.4 percent respectively. Commodities that recorded a decline in export value are including electrical appliances, computer and part thereof, plastic and resin products, petroleum products, vehicle parts, garments and furniture. Commodities which recorded a slowdown in export value are including rubber products, cars, paper products, toys and sport requisites, gems and jewelry. The increase in export value of gems and jewelry was driven by the increase in export value of gold. By netting out of gold, the export value of gems and jewelry declined by 30.6 percent, which is attributable to the recession in the US.



- **Export markets: The value of export to both major and other markets declined.** In Q4, export to every major market declined. Export to Japan and the US contracted by 4.7 and 10.2 percent respectively. Export to Asian and European union decreased by 15.9 and 7.4 percent respectively. Export to other market also declined such as China (-24.2 percent) Hong Kong (-16.7 percent), Taiwan (-29.9 percent). However, export to India and Middle East recorded expansion rate of 28.7 and 5.4 percent respectively.

For the whole year export value in dollar terms increased by 16.8 percent as export volume and price picked up by 10.5 and 5.5 percent respectively. In baht terms, export value expanded by 12.8 percent and export price

Key Export Market

2007 (%YOY)	2008						
	year	year	Q1	Q2	Q3	Q4	%share
Major Market	11.8	14.2	18.2	26.5	26.2	-10.8	57.2
USA	12.6	11.4	8.2	9.7	15.7	-10.2	11.4
Japan	11.8	11.3	7.7	21.0	25.0	-4.7	11.3
EU (15)	12.8	12.0	16.1	13.0	15.7	-7.5	12.0
Asian (9)	21.4	22.6	32.8	48.4	39.4	-15.9	22.6
Others	25.9	20.8	30.8	31.0	31.3	-5.3	42.8
Hong Kong	5.6	5.6	49.9	37.6	12.5	-16.7	5.6
Taiwan	2.2	1.5	-26.0	-12.3	-3.3	-29.9	1.5
South Korea	1.9	2.1	17.2	15.4	63.6	1.1	2.1
Middle East	4.9	5.3	26.4	33.2	48.1	5.4	5.3
India	1.8	1.9	24.5	32.4	25.5	28.7	1.9
China	9.7	9.1	34.7	22.1	14.7	-24.2	9.1

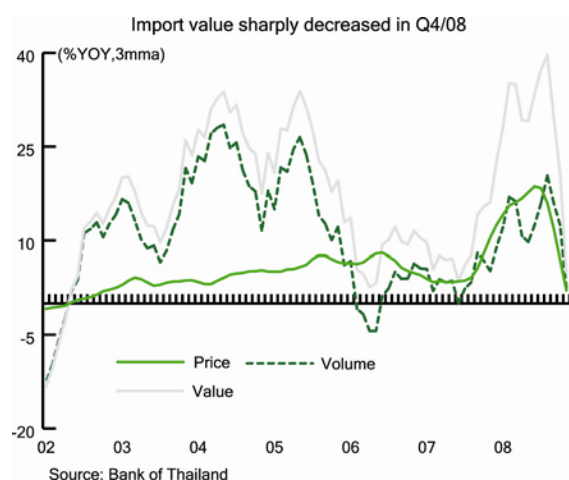
Source: Bank of Thailand

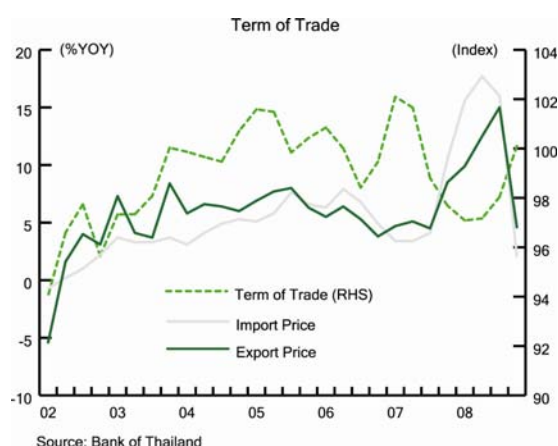
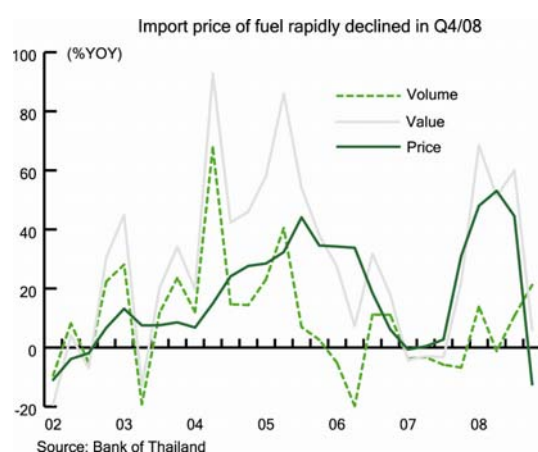
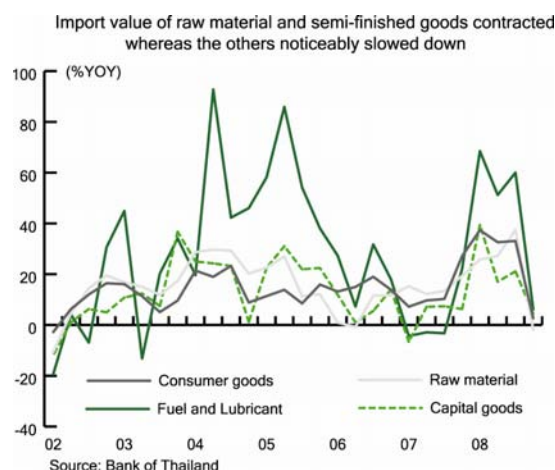
increased by 6.6 percent. In sum, export value of agricultural and manufacturing commodities increased by 35.0 and 16.5 percent respectively.

□ **Imports: slowdown noticeably in line with the deceleration in exports and domestic demand.** In Q4, import value in dollar terms picked up by 5.3 percent, noticeably decelerated from 35.0 percent, 28.7 percent and 39.1 percent in Q1, Q2 and Q3 respectively. Import value slowed down in all import categories except for raw material & semi-finished goods that declined in line with export contraction and the slowdown in domestic demand. Overall, import volume increased by 3.2 percent while import price continued to increase but at a slower pace of 2.1 percent due to the decline in oil price. In baht terms, import volume expanded by 8.1 percent and import price picked up by 4.7 percent.

- **Import of capital goods decelerated both in volume and value:** In Q4, import value expanded by 4.5 percent in tandem with the contraction of domestic investment brought about by global economic downturn. Import goods that recorded an expansion in its import value are including machinery and parts, metal products, other capital goods. In contrast, import value of electrical machinery and computer & part thereof. Over all, import volume of capital goods in Q4 increased at a sluggish rate of 1.7 percent while import price rose by 2.7 percent.

- **Imports of semi-finished goods and raw materials declined both in volume and value terms.** In Q4, Import value of raw materials and semi-finished goods dropped by 1.9 percent in line with the contraction in export and the slowdown in domestic demand. Import goods that recorded a decline in its value are including electrical and electronic appliances, other metal ores, metal waste, chemical products and fertilizer and rubber. However, import value of metal and gold showed a robust rate of expansion in particular import value of gold. This was attributable to the increase in speculative demand as gold price declined in Q4. Overall, import volume of





semi-finished goods and raw material plunged by 8.0 percent while import price increased by 6.6 percent.

- Imports value of fuel and lubricant decelerated in line with the decline in oil prices.** Import value of fuel and lubricant expanded by 6.1 percent as import volume picked up by 21.2 percent and import price noticeably declined by 12.5 percent. The deceleration in import value of fuel and lubricant was mainly attributable to the decline in world market oil prices as indicated by a reduction in import value of crude oil (import volume rose by 16.6 percent but import price dropped by 9.5 percent) as well as a contraction of import value of petroleum products of 56.5 percent.
- Import value of consumer goods slowed down:** Import value of consumer goods increased by 2.6 percent, noticeably decelerated from 33.1 percent in Q3. This was attributable to concerns over economic prospects which eventually deferred consumption decision. Import goods that record a reduction in its import value are including miscellaneous goods, medicine and pharmaceutical products, gems and jewelry, clothing, shoes and other garments. Meanwhile, the import value of electrical appliances, watch and parts, milk and dairy products declined. In sum, import volume and import price of consumer goods increased by 1.6 and 1.0 percent respectively.

For the whole year of 2008, import value in dollar terms picked up by 26.4 percent with the increases in import volume and import price of 12.2 and 12.6 percent respectively. In baht terms, import value and import price increased by 22.1 and 8.8 percent respectively.

- Term of trade improved** as export price in Q4 picked up by 4.6 percent while import price increased at a slower pace of 2.1 percent. Thus, changes in relative price improved term of trade in Q4 by 2.5 percent in contrast with a reduction of 0.8 percent in Q3.

❑ **Trade balance recorded a deficit of 1,365 million USD** (which is equivalent to 47,201 million baht) larger than a deficit of 180 million USD in Q3. However, for the whole year of 2008, trade balance registered a surplus of 237 million USD which is equivalent to 6,027 million baht.

❑ **Current account continued to record a deficit.** Net service, income & transfer in Q4 registered a deficit of 607 million USD which was partly a result of the shutdown of Suvarnabhumi and Don Muang Airports between 25th November and 3rd December 2008 that substantially eroded tourism revenues. Combined with trade balance deficit in Q4, current account balance was in deficit of 1,971.5 million USD (equivalent to 68,338 million baht). For the whole year of 2008, current account registered a deficit of 178 million USD which is equivalent to 10,393 million baht.

❑ **Production in Q4 Of 2008**

- **Agriculture:** In the fourth quarter agriculture sector expanded by 1.8 percent, slowed down from 9.9 and 8.6 percent in the third and second quarter respectively. The deceleration in agricultural production was attributable to a contraction in the production of major crops such as rice and oil palm that declined by 0.2 and 0.7 respectively. In contrast, production of cassava and rubber increased by 1.6 and 4.7 percent respectively. The key determination factor for the reduction of agricultural production was natural disaster, for example, the Northern and Northeastern regions experienced with abnormal low temperature which damaged agriculture production in the areas. Likewise, flood in the Southern region and an overthrow of old crop generation of rubber trees caused rubber production to decline. World economic slowdown also played a vital role in reducing demand for agricultural products, particularly, rubber and cassava. Meanwhile, the deceleration of agricultural price in the world market caused domestic agricultural price to slow down. However, the government launched a pledging scheme to relief price reduction in some

agricultural products such as rice, maize, cassava, rubber and oil palm. In addition, the reduction of oil price pulled down costs of agriculture production. In the fourth quarter, farm income increased by 17.1 percent, slowed down from the third quarter. This is attributable to the slowdown in both price and production. However, overall farm income in 2008 expanded by 34.0 percent. Total value added of agricultural sector in 2008 increased by 5.1 percent compared to 1.8 percent in 2007.

- **Industrial sector** contracted by 6.8 percent compared to an expansion of 6.1 and 7.7 in the third and second quarter respectively. Export oriented production contracted by 11.5 percent. This resulted from the decline in orders from importers as world economic condition worsened, especially in computer and parts, integrated circuits, televisions, wood furniture and leather products; with export values decreased by 49.1, 58.0, 57.5, 51.4 and 43.4 respectively. Likewise, domestic oriented production contracted by 1.2 percent which was attributable to the delay in mega investment projects and a slowdown in domestic consumption and investment spending which resulted in production contraction which included petroleum products, steel bar & shape steel, petrochemical, pulp and cement. In contrast, food and beverage production and passenger cars expanded. Production capacity utilization rate recorded 61.8 percent, slowed down from 69.6 and 71.1 percent in the third and second quarter at respectively. This indicated excess production capacity which would retain future investment from expansion. Values added of industrial sector grow by 3.9 percent in 2008 compared to 6.2 percent in 2007.
- **Construction** continued to slow down for three consecutive quarters. In the fourth quarter, construction sector contracted by 12.8 percent which lowered the whole year growth rate to 4.7 in 2008. The contraction of construction sector was attributable to a reduction in demand for resident and commercial building in tandem with the

slowdown in income and general economic condition. Permitted areas for residential and commercial building declined by 1.8 and 3.4 percent respectively which suggested that construction sector will slow down further. Likewise, public constructions dropped by 26.2 percent. However, construction price index continued to increase by 3.7 percent compare to the fourth quarter last year but decelerated from last quarter, as price of steel fell by 3.1 percent from the same period of last year.

- **Real estate sector contracted slightly by 0.3 percent** due to the reduction of purchasing power and deteriorating consumer confidence. Moreover, financial institutions strengthened their lending standard for credits extent to home buyer and real estate developers, especially medium and small size developers. Delay in buying decision also played a vital role. Stocks of new houses in Bangkok and its vicinities at the end of 2008 were 110,812 units, increased by 2.0 percent from 2007, Majority of remaining supplies was single houses, which account for 32 percent of total stocks. The proportions of, townhouse and condominium were 27 and 29 percent, respectively.
- **Hotel and restaurant contracted by 8.3 percent from the same period last year**, compared to 5.9 and 0.2 percent expansion in the second and third quarter respectively. The reduction was mainly attributable to 1) a reduction in purchasing power of both domestic and foreign tourists due to worsening world economic condition 2) rising traveling cost and others expenses, which indicated by increase in average accommodation fees by 4.4 percent and 8.0 percent for Bangkok area, and 3) incident during the 25th of November through to 3rd of December which resulted in the shutdown of Suvarnnabhumi International Airport caused cancellation of several international flights to Thailand and raise concern over security issues among foreign tourists. As a result, in this quarter, foreign tourists declined by 19.4 percent due to a reduction of Chinese tourist (-56.6 percent), and South Koreans (-47.0 percent) while

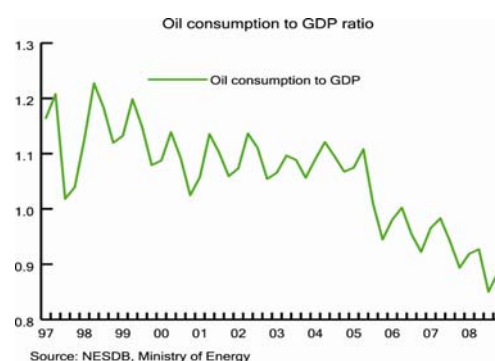
tourist from Malaysia increased slightly (3.2 percent). In the fourth quarter, occupancy rate recorded 50.1 percent drop from 62.2 percent in the same period of 2007, which equivalent to decline of 18.6 percent.

- **Financial sector expanded by 5.3 percent** owing to 21.2 percent expansion of total loans. Loans for industrial and personal consumption rose by 8.9 and 15.5 percent respectively. Consumption credits for purchase or hire-purchase of housing and cars & motor-cycle expanded by 13.3 and 22.9 percent respectively. Net Interest Margin (NIM) increased by 3.4 compared to 3.3 percent in the fourth quarter of 2007. All in all, financial intermediation sector grow by 8.1 percent in 2008.

□ **The overall energy efficiency continued to improve with a more balance and flexible energy structure**

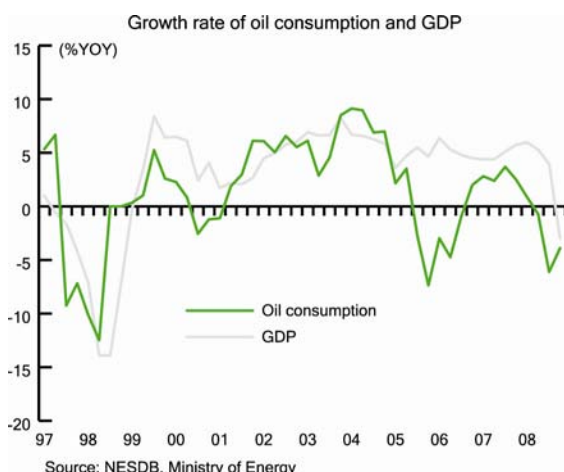
- **A ratio of petroleum usage to GDP continued to decline** which indicated an improvement of overall energy efficiency. In the fourth quarter of 2008, the ratio of oil consumption to GDP stood at 0.8855 percent, slightly increased from 0.8502 percent in the third quarter but lower than that of 0.8938 percent in the fourth quarter of 2007.

Overall, in 2008, the average ratio of oil consumption to GDP was at 0.8956 percent, decreased from 0.9447 percent in the fourth quarter of 2007. This indicated a significant shift of oil consumption structure towards alternative energy which is currently available at lower cost than traditional benzene and diesel. Effectively, GDP was generated at lower cost as the utilization of petroleum products became more efficient and more concentrated in cheaper fuel.



Petroleum Consumption						
(%YoY)	2007	2008				
	year	year	Q1	Q2	Q3	Q4
Benzene	1.69	3.0	-1.9	-5.2	-7.3	2.7
Octane (91 + 95)	-6.1	-33.1	-26.4	-32.0	-40.1	-34.6
Gasohol	37.8	92.4	112.0	94.1	91.3	81.5
Diesel	2.13	-5.74	-0.4	-4.0	-14.4	-4.8
HSD+LSD	-1.2	-23.3	-10.2	-20.4	-33.9	-30.1
B5	1360.6	502.4	787.3	645.0	499.0	384.6
LPG	14.3	6.16	17.6	20.8	27.1	1.8
NGV	117.6	229.4	190.5	220.2	268.9	224.2

Source : EPPO



Source: NESDB, Ministry of Energy

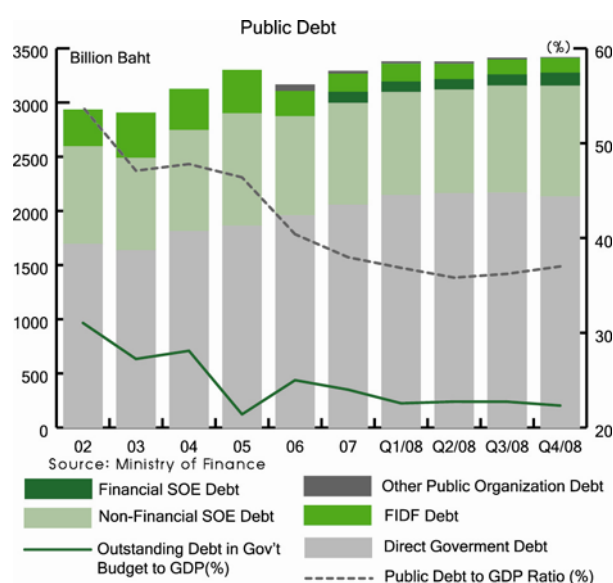
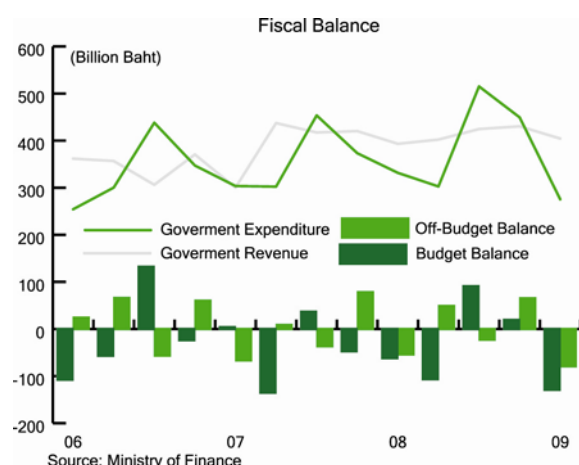
- **Domestic consumption of petroleum products: Alternative energy consumption continued to grow noticeably.** In the fourth quarter, consumption of gasohol increased by 81.5 percent with average daily usage of 11.6 million litre (equivalent to 48 percent of benzene consumption), increased from 9.6 million litre in the third quarter. Bio-diesel (B5) consumption grew by 385 percent with average daily usage of 15.0 million litre. Moreover, consumption of NGV expanded by 224.2 percent while consumption of LPG slightly increased by 1.8 percent.

In contrast, consumption of traditional benzene 95 and 91 and diesel continued to decline by 76.8, 25.6 and 30.1 percent respectively. These figures showed a shift in the structure of energy consumption towards the alternative energy such as gasohol and Bio-Diesel which prices are evidently lower than those of the traditional energy. Furthermore, the government announced anti-inflation measure ("6 months 6 measures" economic package) to encourage gasohol usage by reducing the excise tax on gasohol 91 and 95 by 3.30 baht/litre, high speed diesel by 2.30 baht/litre and diesel B5 by 2.10 baht/litre (effective on 25 July 2008 – 31 January 2009). This measure shifted the energy consumption behavior toward alternative energy usage.

Overall, in 2008, high speed diesel and low speed diesel consumption declined by 23.3 percent while diesel B5 consumption grew by 502.4 percent. Consumption of benzene 95 and 91 decreased by 33.1 percent but consumption of gasohol increased by 92.4 percent. Moreover, consumption of LPG and NGV increased by 16.6 and 229.4 percent respectively.

□ **Fiscal Balance: large deficit in the first quarter of FY 2009.**

In the first quarter of FY2009 (October – December 2008), the total of government revenue was at 275,337 million baht, a 16.6 percent decrease compared to the same quarter of FY2008. Tax collections from almost every main source were lower than the target whereas

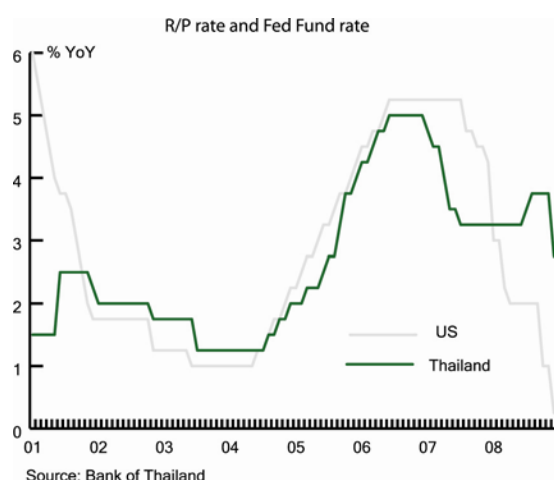


government expenditure was at 404,340 millions baht, a 2.8 percent increase compare to the same period of FY2008. Budget balance recorded a deficit of 129,003 million baht compare to that of 62,996 million baht in the same period of FY2008. Including a deficit of off-budget balance of 79,131 million baht, cash balance (before borrowings) registered a deficit of 208,134 million baht, compared to a deficit of 116,221 million baht in the same quarter of FY2008. In order to finance deficit, the government issued bonds worth 40,000 million baht. Therefore, cash balance including borrowings registered a deficit of 168,134 million baht.

During the first quarter of FY 2009, revenue collections were lower than the target by 16.1 percent (or 52,334 million baht) which is attributable to the decline in revenue collection from the main sources; especially personal income taxes, value added taxes (VAT), gasoline taxes, automobile taxes, import duties and income from state enterprises. At the same time, rebate for VAT was relatively high. Meanwhile, the collection of corporate income taxes, petroleum income taxes, and beer taxes were higher than estimation and the collection in the same period of FY2008. On expenditure side, the total disbursement was at 19.8 percent, lower than a target of 22.5 percent. Because of the two-week delay in an enforcement of the B.E.2552 (A.D.2009) Budget Act, capital budget disbursement was only 6.9 percent of total capital budget. Nevertheless, the government has accelerated budget disbursement, especially capital expenditure, to meet the disbursement target of FY2009 at 94 percent.

Public debt at the end of November 2008 stood at 3.42 trillion baht, which was 37 percent of GDP (36.92 percent at the end of September), included 23 percent of direct government debt. In addition, public outstanding debt increased 231,322 million baht at the end of November or 7.3 percent of September outstanding debt. The increase was mainly from Non-financial SOE debt.

□ **Financial conditions:** Policy rate was lowered and money market interest rate declined accordingly. Real interest increased as inflation declined at a faster pace than the increase of nominal market rate. Commercial banks' deposit expanded while loans growth rate slowed down both loan to business sector households and thus excess liquidity picked up. Thai baht depreciated while stock market index declined continually from previous quarter. Bond market expanded.



Country	Q1	Q2	Q3	Q4	Jan-Feb	Present Rate (%)	Inflation Rate (end of Jan 09)
Thailand	-	-	+0.50	-1.00	-0.75	2.00	-0.4
United State	-0.75	-0.25	-	-0.75	-	0.25	0.09 (Dec)
Euro	-	-	+0.25	-1.75	-	2.00	1.58 (Dec)
China	-	-	-0.27	-1.89	-	5.31	1.0
Japan	-	-	-	-0.4	-	0.1	0.4 (Dec)
Taiwan	+0.125	+0.125	-0.125	-1.5	-0.5	1.5	1.59
Malaysia	-	-	-	-0.25	-	3.25	4.39 (Dec)

Source: CEIC

- **Policy rate** was lowered from 3.75 percent at the end of Q3 to 2.75 percent at the end of Q4. Due to weakening world and domestic economic condition and the deceleration in rate of inflation in tandem with the reduction in oil prices and commodities prices, the monetary policy boards agree to deploy easing monetary policy to stimulate economic activities while downside risks to economic growth heightened and the positive impact from fiscal stimulation takes time before to be realized. Policy rate in oversea market were lowered as global economic recession tends to be deeper and longer than previously expected. Together with the risks of deflation in some countries, central banks around the world turned to easing monetary policy to stimulate economic activities. In Q4, the Federal Reserve Board lowered its policy rate twice to 0.25 percent; Bank of Japan cut its policy rate to 0.1 percent; European central bank and the People Bank of China lowered their policy rates to 2.5 and 5.3 percent respectively.

Throughout 2008, Bank of Thailand raised its policy rate twice in the third quarter (totally 50 bps) in order to maintain economic stability as inflationary pressure heightened by oil price surge. In the fourth quarter, as economic condition deteriorated, the policy rate was lowered by 100 basis points to 2.75 percent at the end of December, lower than at the end of 2007 by 50 bps. In January 2009, the policy rate was lowered further by 75 bps, to 2.00 percent.

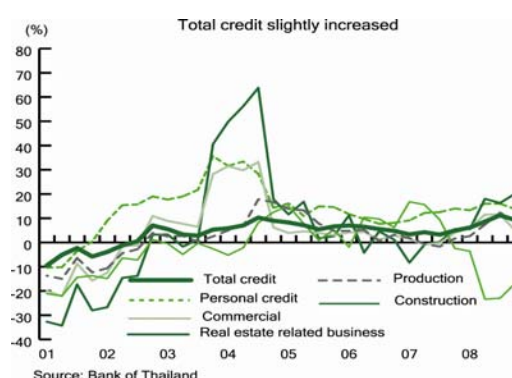
- **Commercial banks' deposit and lending rates declined in tandem with a reduction of policy rate. Meanwhile, inflation rate decelerated throughout the fourth quarter and pushed real interest rate back to its positive zone in November and December.** At the end of the fourth quarter, an average 3-month and 12-month time deposit rates of the five commercial banks declined to 1.62 and 1.88 respectively while MRL lending rate decreased to 6.875. However, the rapid deceleration of inflation rate to 0.4 percent at the end of fourth quarter turned the real 12-

month time deposit rate from a negative rate of 3.13 percent per annum at the end of the third quarter to a positive rate of 1.48 percent per annum while real lending rate increased from 1.4 percent per annum to 6.48 percent per annum.

Throughout 2008, both commercial deposit and lending rates declined by 44 and 12 bps respectively, inline with policy rate reduction of 100 bps in December. A further policy rate cut by 75 bps in lowered 3-month and 12-month time deposit rate to 1.25 and 1.5 percent per annum respectively, while MRL lending rate declined to 6.62 percent per annum. As inflation decelerated to -0.4 percent in January, the deposit and lending rate was in positive zone for three consecutive months.

- Commercial banks' deposits expanded.** At the end of the fourth quarter, commercial banks' deposits increased by 7.8 percent compare a contraction of 0.2 percent in the third quarter. Commercial banks' deposits increased in all accounts type and in all deposit size; especially in fix account, which increase by 12.7 percent compared to an increase of 1.5 percent at the end of third quarter. Demand for bill of exchange (B/E) has shifted to fix saving especially when financial risks are high due to concerns over deteriorating economic condition and savers' expectation about further policy rate reduction. **In 2008**, commercial banks' deposits contracted in the second and third quarter. However, commercial banks' deposits picked up noticeably in the last two month of 2008 due to deposit transfer from bill of exchange (B/E) as risks increasingly intensified both in financial market and economic condition which caused demand for bill of exchange (B/E) to decline as seen in the deceleration of B/E demand from 190 percent expansion in January to 19 percent expansion in December.
- Business and personal credits continued to expand but at a slower pace.** Commercial banks' credit (include repurchase position with the Central Bank) rose by 18.4 percent at the end of the fourth quarter, accelerated from 14.3 percent at the end of third quarter. The expansion of credits was mainly attributable to

(i) the 204.5 percent expansion of repurchase position with the Central Bank and (ii) the 38 percent increase of loans to other depository corporations at the end of fourth quarter. These loans activities reflected liquidity management and profit taking by financial institutes regarding higher risks in other business sectors and personal loans. Meanwhile, loans extended by Depository Corporation (include repurchase position with the Central Bank) slowed down from 11.2 percent expansion in third quarter to 9.3 percent at the end of fourth quarter; of which business and household credits increased by 11.2 and 8.1 percent respectively. Classified by sectors, loans to all sectors either slowed down or declined except for loans to banking and financial intermediation that increased by 101 percent at the end of fourth quarter, inline with expansion of Commercial banks' credits. The slowdown in credit extension reflected a stricter loan standard to reduce default risks that usually rise during the period of economic slowdown. Credit card spending contracted significantly and cash withdrawal declined owing to concern over income prospects and purchasing power in spite of deteriorating economic condition and earning opportunities. Moreover, the expansion of credit card outstanding balance slowed down to 5.6 percent. **Throughout 2008**, credits expanded continuously in the first three quarter before slowed down in the fourth quarter that owing to contraction in credits extended towards business sectors.

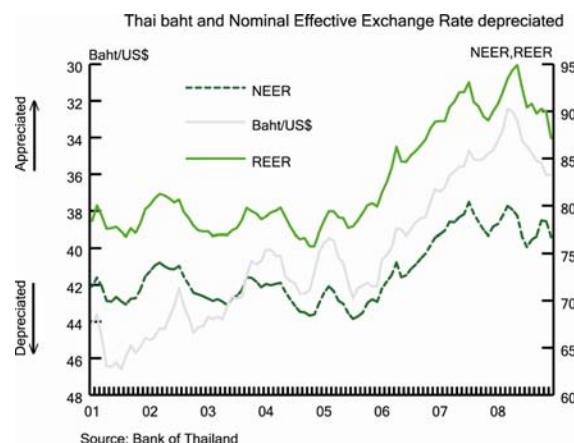


- Liquidity and excess liquidity in commercial banking system increased at an accelerated rate.** Credits (exclude repurchase position with the Central Bank) to deposit (include bill of exchange) ratio

decreased by 87.3 percent. This is consistent with 38.1 percent increase in excess liquidity in commercial banking system (estimated as disposable liquidity) which was approximately at 1.14 trillion baht. However, the increase in excess credit was attributable to the expansion of repurchase position with the Central Bank and cautious lending practices as risk management and asset quality evaluation become more sophisticated.

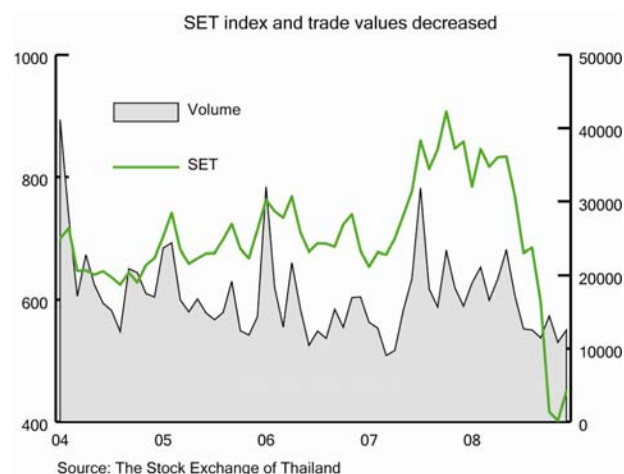
- **The ratio of NPLs to credit outstanding slightly declined.** NPLs in financial institutions (excluding BIBF and credit fanciers) at the end of forth quarter were at 217.29 billion baht, equivalent to 3.19 percent of total credits. Throughout 2008, NPLs declined continuously and the NPLs ratio stood at 3.95 percent at the end of 2007. However, the delinquency rate (between 1-3 months) increased from 2.7 percent at the end of 2007 to 3.9 percent at the end of 2008.
- **Commercial banks' earning declined.** Net profit of commercial banking system was at 15.1 billion baht, declined by 7.5 billion baht from last quarter. The reduction of commercial banks' earning was attributable to an increase in reserve for bad debts which is expected to increase during the period of economic down turn. As a result, commercial banks' expenses, both interest expense and non-interest expense, increased especially reserve for doubtful debts.
- **Thai baht depreciated both in nominal and real effective terms.** An average exchange rate in the forth quarter was at 34.78 baht per US dollar; depreciated by 3 percent from the third quarter and the same period of last year. Thai baht had depreciated throughout 2008, especially in the last quarter due to trade deficit and low investors' confidences in economic condition and political unrest. Comparing Thai baht against other currencies, Thai bath appreciated against most of regional currencies but depreciated against US dollar, Japanese Yen, Chinese RMB and Hong Kong dollar but slower depreciated against other regional currencies. Therefore, average nominal effective exchange rate (NEER) and

real effective exchange rate (REER) depreciated by 0.6 and 1.34 percent respectively regarding the third quarter.



- **Stock market declined continually in line with the contraction in world's stock markets and deteriorating political conditions.** In the fourth quarter, average daily trading value was 12.67 billion baht, increased from average 12.2 billion baht in the third quarter. SET index closed at 449.96 points at the end of the fourth quarter, down from 569.54 points at the end of previous quarter which equivalent to 20.99 percentage drop. Net sale of foreigner investor was recorded at 37.2 billion baht. The volatility of SET index dramatically increased in the fourth quarter especially in mid of October where SET index touch its lowest at 384.15 points due to the worsening global financial crisis that eroded earning of multinational corporations as well as the rising solvency risk. However, SET index technically rebounded in December to 451.72 points as a consequence of window dressing transaction of financial institutions' and trust funds' as well as the a more stable political condition. For the whole year of 2008, SET index trended downward and tumbled from 858.10 points at the end of 2007 to 449.96 points at the end of 2008 which equivalent to 48 percentage drop. Average daily trading value was at 15.92 billion baht and the foreign investors recorded a net sell of 162.34 billion baht compare to a net buy of 55.02 billion baht in the 2007. The most critical factors for SET in 2008 were the slowdown in

global economic condition and the deteriorating domestic political condition.



- Bond trading increased compare to the fourth quarter last year but declined from the previous quarter.** In the fourth quarter, daily average outright trading was at 65.7 billion baht, increased from 47.3 billion baht in the same period of last year but slightly declined from 74.9 billion baht in previous quarter. Net buy of foreign investors recorded at 4.04 billion baht, declined from 8.78 billion baht in previous quarter, which was equivalent to a drop of 54 percent, caused by trading cycle of Thai bond market. Government bond price index increased by 11 percent from previous quarter. Government bond yields declined in all maturity by 150-202 bps comparing the end of last year, especially in long-term maturity bond (1-10 years) due to policy rate reduction in December and investors' expectation of a further interest rate reduction. **In 2008**, daily average trading value was at 70.29 billion baht, increased from 42.99 billion baht per day in 2007. Foreign investors had a net buy of 68.37 billion compared to a net sale of 40.27 billion baht; this was partially attributed to the decline in stock market that shifted investment port to bond market. Throughout the year, bond yield movement was volatile due to the expectation of the lower interest rate. In the first half of 2008, bond yield increased inline with an upward trend of policy interest rate and trended downward in the second half of the year. In comparison to

previous year, government bond yield of all maturity decreased by 99-225 bps and price index increased by 13 percent.

Capital Flows and Trading values of Foreign Investors									
	2006	2007				2008			
End of Period	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Capital Flows (Billion USD)	5.7	-2.7	0.7	0.4	-1.4	13.2	-3.1	0.7	na
Net value of foreign investors in SET (Billion Baht)	55.0	30.6	66.9	-2.2	-40.3	-13.9	-36.1	-74.8	-37.2
Net value of foreign investor in BEC (Billion Baht)	35.5	-34.2	-18.7	7.9	4.6	29.1	26.5	8.8	4.0

- Corporate fundraising decreased from the same period last year**, in the fourth quarter private fundraising was at 267.26 billion baht compare to 382.32 billion baht in the same period of last year. Corporate fundraising in the fourth quarter came mostly from an issuance of debt securities (mostly issued by financial sector) which accumulate to 266.78 billion baht, decreased from 344.08 billion baht from the same period last year. Fundraising through equity securities recorded 0.48 billion baht, decreased noticeably from 48.42 billion baht in the same period last year due to worsening market condition and business underperform. **Overall 2008**, corporate fund raising accumulated to 1,231.91 billion baht, declined from 1,274.75 billion baht in 2007, of which 96.4 percent was fundraising through debt securities issuance, in line with national investment direction.

□ The Movement of Oil Price

• World Crude Oil Price : steady declining

In the fourth quarter of 2008, average world crude oil price (Dubai, Brent, Oman and WTI) stood at 55.3 US Dollar/barrel, decreased by 36.6 percent from the same period last year and decreased by 52.0 percent from previous quarter. Oil price continued to decline because of the contraction of world oil demand and economic activities which is a result of widespread economic crisis, as well as high excess production capacity from OPEC and non OPEC countries.

Crude Oil Price

US\$/Barrel		OMAN	DUBAI	BRENT	WTI	Average
2007	Year	68.75	68.83	72.60	72.64	70.70
2008	Q1	92.34	91.50	96.72	98.03	94.65
	Q2	117.75	117.02	112.21	124.02	120.25
	Q3	114.16	113.32	116.24	117.85	115.39
	Q4	53.21	52.75	56.54	58.89	55.35
	Year	94.37	93.65	97.93	99.69	96.41
	Jan-09	44.45	44.12	45.02	41.93	43.88
	1-10 Feb-09	44.67	44.30	45.00	39.96	43.48

Source: reuters

In 2008, average world crude oil price (Dubai, Brent, Oman and WTI) stood at 96.4 US Dollar/barrel, increased by 36.4 percent. Oil prices in 2008 was volatile all year through. Average crude oil price increased by 75.1 percent in the first half while increased by 6.7 percent in the second half of 2008. However, since early of the year 2009 crude oil price began to be stable for average world crude oil price (Dubai, Brent, Oman and WTI) stood at 43.9 US Dollar/barrel, similar to average price level of December 2008 which stood at 42.0 US Dollar/barrel. Also, crude oil price in 2009 tend to be stable than the 2008 price.

- **Domestic retail petrol prices: decrease in tandem with world oil price.** In the forth quarter of 2008, retail petrol prices decrease due to the declination of both world crude oil price and excise tax in gasohol and diesel under “6 months 6 measures” economic package. (Effective on 25 July 2008 – 31 January 2009) Retail Benzene 95 price was at 29.79 baht per litre, decreased by 6.0 percent in the same period of the previous year. Retail Benzene 91 price was at 26.35 baht per litre, decreased by 14 percent in the same period of the previous year. Gasohol 95 (E10) and 91 price stood at 21.01 and 20.20 baht per litre respectively, decreased by 24.8 and 25.4 percent respectively. High speed diesel and bio-diesel (B5), average price were 22.7 and 21.55 baht per litre respectively, decreased by

Retail Petrol Price

Baht/litre		ULG95	UGR91	Gasohol			HSD	HSD B5
				95E10	95E20	91E10		
2007	Year	29.18	28.32	26.17	-	25.62	25.66	24.95
2008	Q1	33.39	32.22	29.38	27.47	28.57	29.78	29.04
	Q2	38.43	37.26	34.12	32.22	33.29	36.35	35.47
	Q3	39.72	37.87	31.37	30.05	30.56	36.21	35.52
	Q4	29.79	26.35	21.01	19.72	20.20	22.70	21.55
	Year	35.33	33.43	28.97	27.37	28.16	31.26	30.39
2009	Jan	30.29	21.99	17.44	16.14	16.64	18.61	17.11
	1-11 Feb	34.25	25.65	20.82	19.52	20.02	19.57	18.07

Source: EPPO

20.2 and 21.8 percent respectively. Nevertheless, retail petrol price in the first three respectively quarters was in the high price level therefore the average price for the whole year of 2008 was as follow ; retail benzene 95 was at 35.33 baht per litre, increased by 21.1 percent compared to the previous year., benzene 91 was at 33.43 baht per litre, increased by 18 percent., Gasohol 95 (E10) and 91 price were at 28.97 and 28.16 baht per litre respectively, increased by 10.7 and 9.9 percent respectively., high speed diesel and bio-diesel (B5) were at 31.26 and 30.39 baht per litre respectively, both increased by 21.8 percent.

1.2 World Economic Performance in Q4/2008 and in the whole year of 2008.

The world economy in the fourth quarter noticeably slowed down due to the economic contraction in major industrialized countries and export dependence countries especially in Asia. Emerging and developing economies drastically slowed down. The value of trades and industrial production entered contracting condition.

In the fourth quarter, the US financial crisis has severely deteriorating, as credit crunch occurred widely. Economy of major industrial countries were in the contracting condition, unemployment rate increased, housing and security prices have declined continuously, domestic demand has consequently contracted responding to the situation of credit crunch and wealth destruction. Bankruptcy of financial institutions and lack of the world economic confidence caused security index in all region to fall and raised cost of funding in the global financial market. The contraction of demand in industrialized countries caused export to decline in other countries, which tended to deteriorate further in 2009. This situation caused other developed and Newly Industrialized countries such as Japan, Canada, South Korean and Singapore to enter contraction condition. Furthermore, economic growth of developing and emerging countries slowed down sharply. All in all, global economy in the year 2008 registered a growth rate of only 2.8 percent, compare to 5.0 percent in the year 2007.

World Economic Growth										
% yoy	2007	2008 (yoy)				2008 (qoq)				2008
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
World	5	4.8	3.8	2.3	-0.2	n.a.	n.a.	n.a.	n.a.	2.8
US	2	2.5	2.1	0.8	-0.2	0.9	2.8	-0.3	-3.8	1.3
Eurozone	3	2.1	1.4	0.6	-1.2	0.7	-0.2	-0.2	-1.5	0.7
UK	3.1	2.3	1.6	0.0	-1.0	0.3	0.0	-0.5	-1.5	0.7
Japan	2.1	1.5	0.7	-0.1	-4.6	0.6	-0.9	-0.1	-3.3	-0.7
China	13.0	10.6	10.1	9.0	6.8	-5.6	12.4	2.7	n.a.	9.1
India	9.3	8.8	7.9	7.6	4.9	2.2	0.5	-1.3	n.a.	7.3
S.Korea	5	5.7	4.8	3.8	-3.4	5.7	4.8	0.5	-5.6	2.5
Taiwan	5.7	6.3	4.6	-1.0	-8.4	-3.1	-1.6	1.5	-5.4	0.1
Hong Kong	6.4	7.3	4.2	1.7	-3.0	2.0	-1.4	-0.5	n.a.	2.6
Singapore	7.7	6.9	2.1	-0.7	-3.7	15.7	-5.5	-5.1	-16.9	1.2
Malaysia	6.3	7.1	6.3	4.7	1.9	-1.8	2.3	3.0	n.a.	5.0
Philippines	7.2	4.7	4.6	4.6	4.5	0.3	2.0	-2.4	n.a.	4.6
Vietnam	8.2	7.5	5.6	6.5	5.6	n.a.	n.a.	n.a.	n.a.	6.3

Source: CEIC, Public agencies and other sources

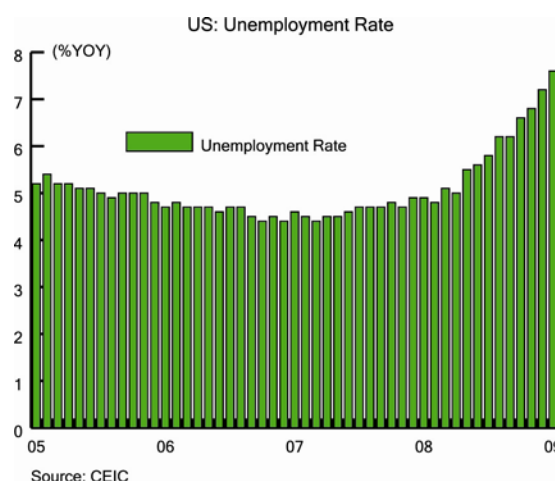
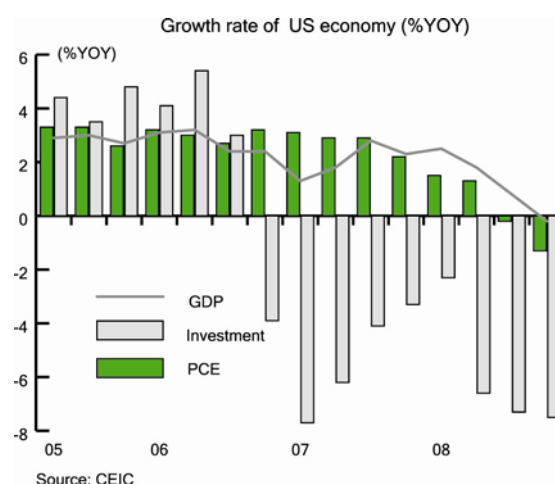
The drastic slow down of global economy in the last quarter of 2008 caused the global trade and global manufacturing production to decline, and decelerated world trade volume expansion to only 4.1 percent, the tremendous slow down comparing to 7.2 percent in 2007. However the deteriorating economic condition that tended to be more severe in 2009 caused several countries to lower their policy rate. The US, Eurozone, UK, Japan, Canada, cut their interest rate down to record low. Meanwhile the risk of deflation had increasingly intensified as inflation pressure declined. Therefore, major industrialized countries increasingly turned its monetary policy to credit

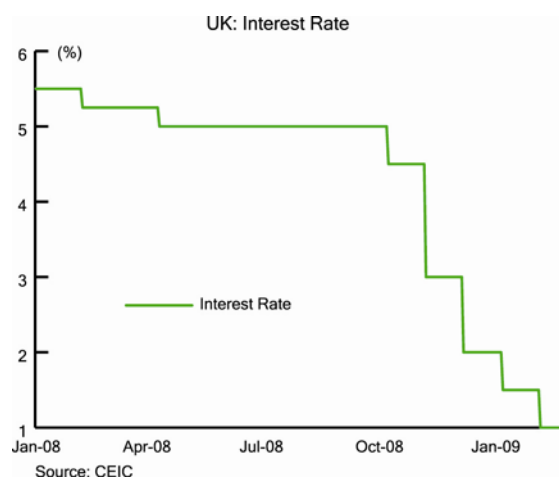
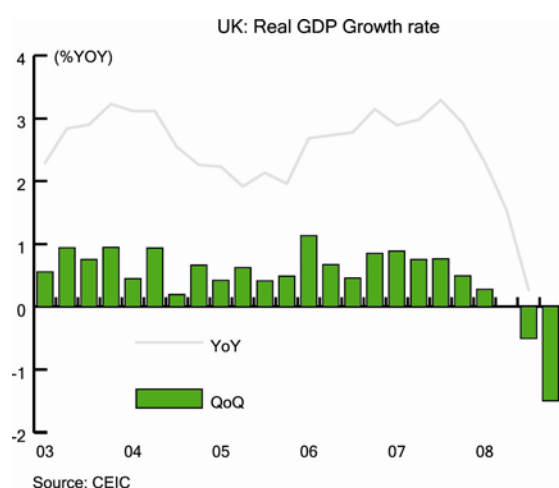
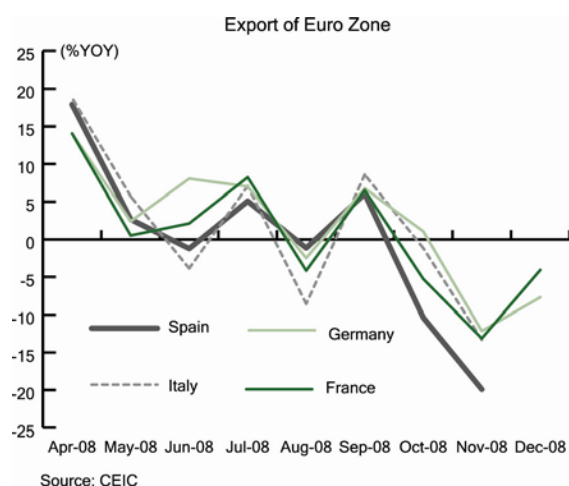
easing and deployed fiscal deficit policy for economic stimulation. Likewise, developing countries increasingly employed fiscal deficit policy to stimulate domestic demand for compensation of export demand reduction. In the fourth quarter of 2008, the performances of main economies are summarized as follows.

□ **The US economy contracted for two consecutive quarters with more drastically in Q4.**

In the third quarter, the US economy contracted by 0.2 percent compare to the same period of last and 3.8 percent compare to previous quarter, which was the contraction of two consecutive quarters. Private consumption contracted by 1.3 percent while investment contracted by 7.5 (yoy). The drastic economic contraction caused the economic growth rate for the whole 2008 to decelerate to 1.3 percent, from 2 percent in 2007. The latest key economic indicator pointed to a further deterioration in 2009. Industrial ISM index in December declined to 32.9, the lowest level in 26 years; Consumer confidence index in January 2009 continuously decreased to 37.7, the lowest level since 1977. Unemployment rate increased to 7.6 percent in January. Non-farm payroll dived 577,000 in December 2008 and 598,000 in January 2009. Job losses and mass lay off occurred in service, industrial production and construction sectors. The strong increase in unemployment rate tended to generate a roll back effect that aggravates condition in real estate and credit markets which will be obstacles to economic recovery. Although Fed cut its policy rate to as low as 0-0.25 percent, credit market has not yet improved adequately and counterparty risk remained high. Meanwhile, the risk of deflation increased due to severe demand contraction and commodity prices reduction in the world market. Under this circumstance, Fed turned its monetary policy to balance sheet expansion in order to reduce cost of funding and to increase credit accessibility of public and private sectors, as well as to extend credit to insolvency financial institutions and to nationalize troubled financial institutions. Moreover, US government announced Troubled Asset Relief Program (TARP) worth 700 billion USD, (equivalent to 24,500 billion baths) to help

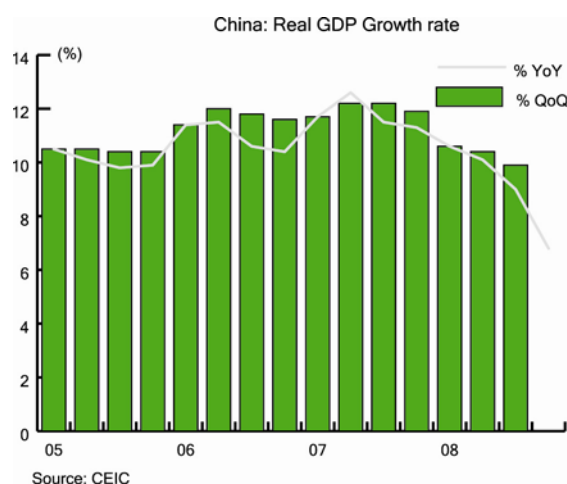
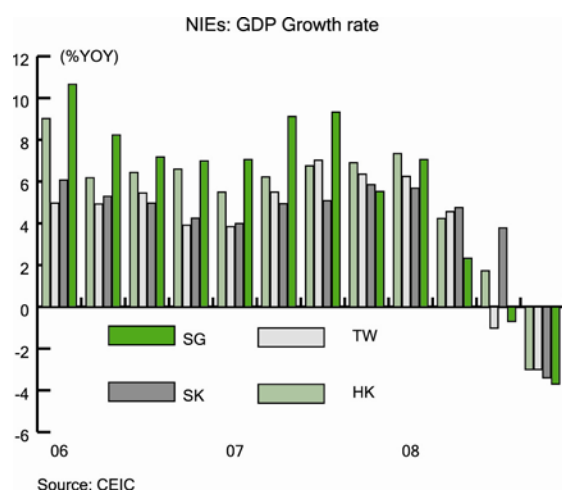
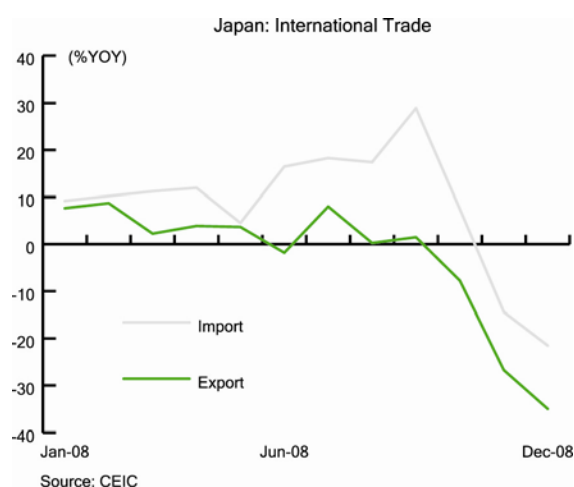
illiquid debtors and financial institutions as well as automobile industry. In addition, the US announced economic stimulus package with total value of 787 billion USD.





❑ **The Euro Zone Economy** contracted for three consecutive quarters. In the fourth quarter of 2008, Euro Zone economy contracted by 1.5 percent from previous quarter and 1.2 percent compare to the same period last year. This pulled down the Eurozone economic expansion for the whole year of 2008 to 0.7 percent, down from 3 percent in 2008. Eurozone economy was severely affected by the current global financial crisis due to its large-scale exposure to the US economy particularly in trade sector. As a result, manufacturing production had declined substantially as evidence in the reduction of PMI index from 52.1 in the first quarter of 2008 to 40.2 in the fourth quarter. Likewise, industrial production index in the fourth quarter declined by 3.4 percent. Unemployment rate picked up from 7.2 percent in the first quarter to 7.9 percent in the fourth quarter while exports fell across all countries in particular in the countries where the US is key trading partner. In the fourth quarter, exports dropped by 4.8 percent (yoy). Additionally, several financial institutions in the region have been facing with liquidity problem and prone to bankruptcy conditions that are stemmed from US financial crisis.

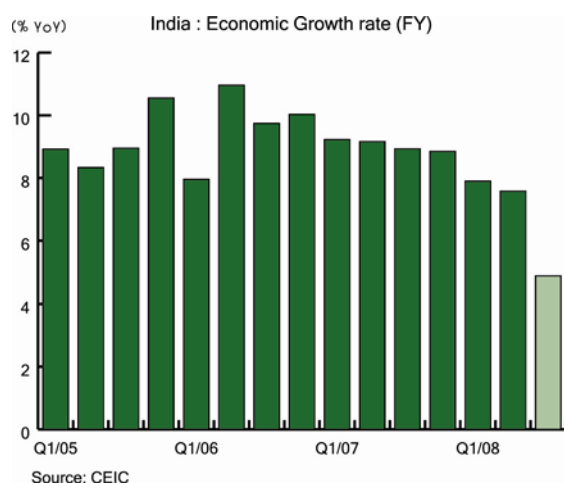
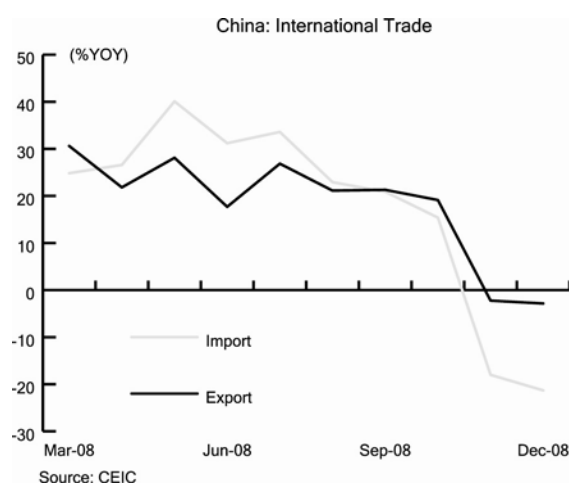
❑ **The UK Economy** contracted by 1.5 percent (qoq) in the fourth quarter and drove the UK economy to a full-fledged recession for the first time in 18 years. The general economic conditions in the UK are akin to that of the US economy, which are the continues reduction in housing prices and slump in real estate market as well as credit contraction and high debt level both on household and business balance sheets. Financial sector which is accounted for 30 percent of GDP was severely affected by financial crisis. Meanwhile manufacturing sector shrank 4.6 percent in the fourth quarter consistent with the decrease of purchasing manager index in December to 34.4 which equivalent to 7.4 percent contraction from the same period of 2007 and construction production index in December fell to 29.3, the lowest level since 1992. The sharp economic contraction raise the number claims for unemployment compensation which escalated by 77,900 people in December, totaling to



336,000 people for the whole year of 2008. Under this circumstance, the central bank lowered its policy rate to 1.0 percent. Moreover, the UK government has prepared to establish a loan guarantee fund for small and medium enterprises worth 21.3 billion pounds, and announced stimulus package worth 30.8 million US dollars.

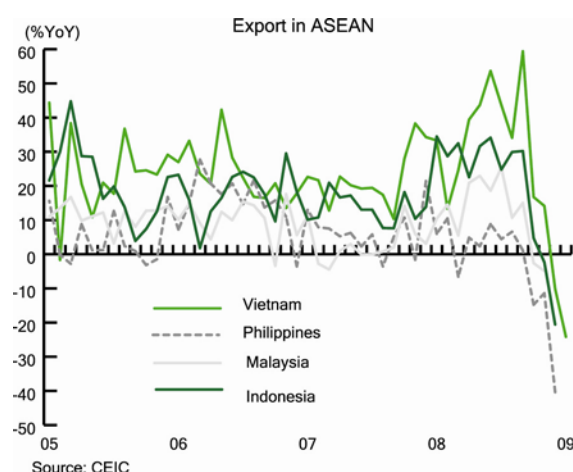
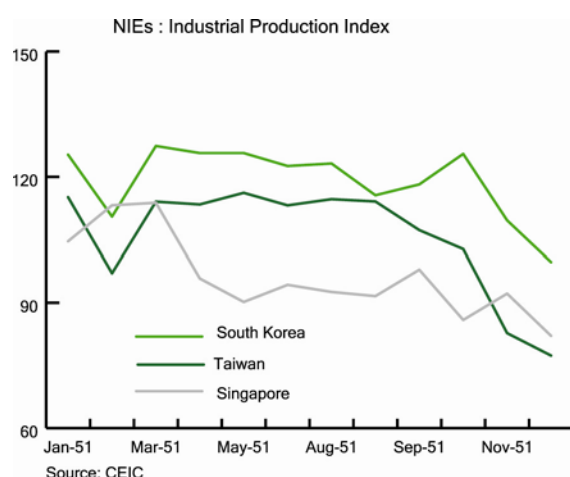
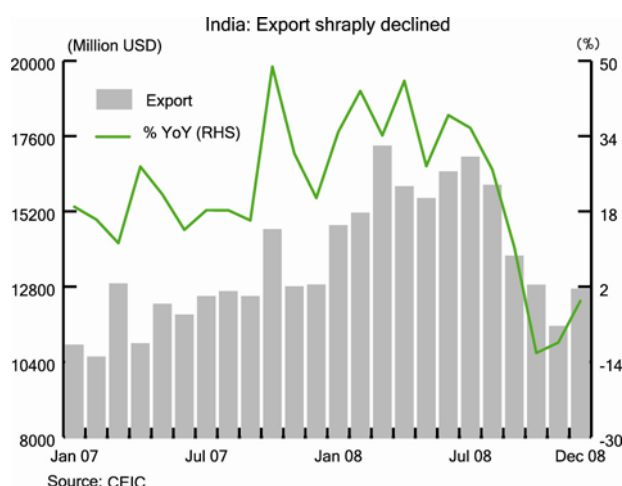
❑ **The Japanese Economy** severely affected by global financial crisis that turned the economy in 2008 into recession. In the fourth quarter, the Japanese economy contracted by 3.3 percent from previous quarter and 4.6 percent from the same period last year. This is a strongest contraction in 30 years and is a three quarters consecutive contraction that turned the GDP growth rate for the whole year of 2008 to a negative rate of 0.7 percent. The contraction of the Japanese economy was mainly attributable to a decline in exports by 12.9 percent from the same period last year while imports increased by 3.0 percent. Domestic demand continued to decline as indicated by a reduction of retail sales of 1.5 percent in the fourth quarter. Recent economic indicators pointed to a further severe economic contraction as exports in December fell by 35 percent (yoy) and imports dropped by 21 percent. Consumer confidence index fell sharply to 26.7, its historically lowest level since 1875. The demand contraction in both domestic and overseas market badly affected Japan's manufacturing sector as illustrated by a 20.0 percent contraction of industrial production index in December, the strongest reduction since 1970. However, unemployment rate in the fourth quarter was at 3.9 percent; relatively stable compare to 4 percent in previous quarter.

❑ **The Chinese Economy** grew only by 6.8 percent in the fourth quarter, the slowest pace since the fourth quarter of 2001 and resulted in 9.0 percent GDP expansion for the whole year of 2008. Global economic slowdown severely affected the Chinese trade sector as seen in the reduction of exports of 17.5 percent (yoy) in December. The sharp export reduction lowered manufacturing and investment. The manufacturing Purchasing Managers' Index (PMI) fell from 53.1 in January to 41.2 and 38.8



percent in November and December respectively while foreign direct investments in December dropped by 5.7 percent (yoy) which equivalent to 5.98 billion USD. In January 2009, foreign direct investment dropped further at a faster pace of 33 percent in January. Under the circumstances of severe economic slowdown, the Chinese government announced a policy package to stimulate the economy worth 586 billion USD that encompassed housing projects for low-income, infrastructure constructions in rural areas, development of transportation systems, development of education and public health systems for low-income people, environmental projects, development of industrial technology and Sichuan post-earthquake reconstruction. Meanwhile, people bank of China cut its policy rate from 5.31 percent to 2.16 percent.

□ **The Indian Economy** is forecasted to grow by 4.9 percent in the fourth quarter (yoy), slow down from 7.3 percent in previous quarter which will pull down the economic growth rate for the whole year of 2008 to 7.3 percent. Current economic crisis severely affected India's export and industrial sectors as seen in continues contraction of export volume since the beginning of the third quarter (12.1 percent, 9.9 percent and 1.1 percent in October, November and December, respectively). Since labor-intensive production is accounted for around 50 percent of total exports, the contraction of exports directly affected labor market. In particular, industries such as textiles, leather, gems and jewelry have seriously affected, triggering a mass lay-off. To stimulate the economy, the Indian government stimulus measures worth 60 billion USD, focusing on providing assistance to major industries and infrastructure development. In addition, the VAT rate was lowered from 8 percent to 4 percent while central bank lowered policy rate from 9 percent to 5.5 percent, and launched supporting measure to business sector, in particular SMEs, by providing low interest rate loans.



□ **The NIEs countries turned to economic recession.** Economic downturn in major export destination countries like US, EU, UK and Japan

severely affected Newly Industrialized Economies (NIEs). Export values that started to decline in October (and more severe reduction in November and December) badly affected NIEs as these economies are highly export-dependent economies with a very high share of manufacturing in total production. Industrial production substantially declined in November and December which resulted in 3.4 percent, 3.7 percent, and 8.36 percent GDP contraction in the third quarter for South Korea, Singapore and Taiwan respectively and lowered their whole year growth rate to 2.5, 1.2 and 0.12 percent respectively. In addition, the latest economic indicators in January 2009 suggested that the impacts on export will become more severe as indicated by stronger export contraction of 32.1 and 42.9 percent for South Korea and Taiwan respectively.

□ **The ASEAN economies sharply decelerated.**

Global economic downturn has its strong impacts on the export of ASEAN countries. In the fourth quarter, export of Indonesia, Malaysia and the Philippines contracted by 13.8, 0.3 and 19.0 percent respectively. Furthermore, Vietnam's export value slowed down to 6.4 percent compared to 45.0 percent in the third quarter. This contraction in export caused a severe impact on manufacturing production of ASEAN countries. Indonesia and the Philippines' manufacturing products grew sluggishly by 1.96 and 1.35 percent respectively in November compared to that of 6.0 and 9.23 percent in October while Malaysia's manufacturing products contracted by 15.54 percent in December. The reduction in production and export had severe impact over employment and domestic demand. In the fourth quarter, the Philippines and Indonesia's economy expanded by 5.6 and 5.7 percent; with annual expansion of 4.6 and 6.0 percent. Malaysia and Vietnam expected to grow by 1.9 and 5.6 percent in the fourth quarter; consequently the economies in 2008 would expanded by 5.3 and 6.3 percent

respectively. Under the circumstance, Malaysia, Vietnam and Indonesia government had announced policy package to stimulate economy worth 2, 5.7 and 4.5 billion US dollars. While, central banks of Malaysia, the Philippines, Vietnam and Indonesia lowered their policy rate to 2.5, 5, 7 and 8.5 percent respectively.

World Economic Growth (% YOY)

% yoy	2006	2007	2008	2009_f	2010_f
World	5.3	5	2.8	(-0.5) – (0.5)	3.0
United State	2.9	2	1.3	(-2.3) - (-1.6)	1.6
Euro zone	2.8	3	0.7	(-2.5) - (-2.0)	0.2
United Kingdom	2.9	3.1	0.7	(-3.2) - (-2.8)	0.2
Japan	2.4	2.1	-0.7	(-3.0) - (-2.6)	0.6
China	11.6	13.0	9.1	5.0 - 6.5	8.0
India	9.4	9.3	7.3	4.8 – 5.2	6.5
South Korea	5.1	5	2.5	-3.5	3.6
Taiwan	4.8	5.7	0.1	-3.0	3.1
Hong Kong	7.0	6.4	2.6	-3.8	3.0
Singapore	9.4	7.7	1.2	-3.8	3.5
Malaysia	5.9	6.3	5.0	1.5	4.3
Philippines	5.4	7.2	4.6	2.1	4.2
Vietnam	7.9	8.2	6.3	4.8	5.6

Source: CEIC, Public agencies and average value from many sources

2. Economic Projection for 2009

The world economic outlook for 2009

2.1 The world economic growth rate is

expected to be in the range of -0.5 and 0.5 percent, the lowest rate since World War II. Major advanced countries and high export-dependent economies are likely to experience with economic recession while other developing and emerging economies tends to slowdown noticeably in tandem with the contraction of global manufacturing production bring about by a reduction in world trade volume. Commodity prices are expected to decline due to rising excess production capacity and a reduction of demand both in domestic and foreign markets. Meanwhile, financial institutions are likely to be cautious in their lending practices. Deteriorating consumer confidences and business sentiments are likely to limit the efficiency of easing monetary and fiscal policy implementation and thus the management of economic stability will be critical issues. The impacts of economic stimulus packages that launched in late 2008 and early 2009 by various countries are

likely to bring back the world economy to begin its recovering path in the fourth quarter of 2009 under the condition that financial strain and market sentiments are improved.

The economy of major industrialized countries is projected to contract by 2.0 – 2.8 percent. The general economic conditions in the last quarter of 2008 and in January of 2009 indicated that the corrections of the real economy are stronger than previously expected. The rising jobless rate tends to form a roll-back momentum and delay economic recovery in 2009. Although, an aggressive liquidity injection and deposit insurance schemes in the US and other major countries have helped reduce short-run financial uncertainty, sentiments in financial and capital markets remained fragile. Spreads in funding market remained high as the process of financial loss recognition remained incomplete. Financial efficiency and long-term solvency of financial institutions, the fundamental factors for market sentiments and for the working of economy, has yet adequately improved. Therefore, financial strain remained acute in advanced economies while export expansion will be limited by broad-based global slowdown. In addition, rising jobless rate are eroding consumer confidences and likely to aggravate the worsening housing market and credit condition while asset price reduction lowering real purchasing power. Against this backdrop, the economy of the US, Eurozone and UK are likely to contract by 2.3 to 1.6 percent, 2.0 to 2.5 percent and 2.8 to 3.2 percent respectively which will pull down the Japanese economy to a contraction of 2.6 to 3 percent.

Unemployment Rate Forecast in 2009 (%)

Regional	2007	2008	2009		
			Pessimistic	Baseline	Optimistic
World	5.7	6.0	6.5	6.1	7.1
Developed Economies and EU	5.7	6.4	7.1	6.6	7.9
Non-EU & CIS	8.5	8.8	9.2	9.1	9.8
East Asia	3.5	3.8	4.5	4.0	5.5
South-East Asia and the Pacific	5.5	5.7	6.1	6.0	6.4
South Asia	5.3	5.4	5.7	5.4	6.2
Latin America and the Caribbean	7.2	7.3	8.1	7.6	8.3
Middle East	9.4	9.4	6.3	9.3	11.0
North Africa	10.4	10.3	10.4	10.2	11.2
Sub-Saharan Africa	7.9	7.9	8.1	7.9	8.5

Source: ILO

Export by Country (%YoY)

Country	2008			2009
	Oct.	Nov.	Dec.	Jan.
United State	5.1	-5.3	-11.4	n.a.
Japan	-7.8	-26.7	-35.0	n.a.
EU	3.3	-10.7	n.a.	n.a.
China	19.1	-2.2	-2.8	-17.5
India	-12.1	-9.9	-1.1	n.a.
South Korea	10.3	-15.0	-21.6	-32.1
Hong Kong	9.4	-5.3	-11.4	n.a.
Taiwan	-9.8	-21.6	-40.1	-42.9
Singapore	-4.3	-11.9	-20.4	n.a.
Malaysia	-2.6	-4.9	-14.9	n.a.
Vietnam	16.7	14.1	-10.2	-24.2
Indonesia	4.7	-2.4	-20.6	n.a.
Philippines	-14.8	-11.4	-40.4	n.a.

Source: CEIC

❑ **Growth in developing and emerging economies is expected to slow down sharply in 2009.**

In particular, the countries with high exposure to global production chain and high dependent on export and foreign capital are likely to slip into recession or experience with a serious slowdown with difficulties in stability management. This is because financial strain and economic contraction in major advanced economies will result in; (i) The reduction of world trade volume of around 2.8 percent. As major industrialized economies account for around 50 percent in global GDP, their demand reduction would reduce global trade substantially as seen in the fourth quarter of 2008. (ii) The decline in oil and primary commodity prices in response to the contraction of global demand which is likely to seriously affect the oil and primary commodity exporting countries. (iii) The decline in capital flow, both in terms of FDI and stock market investment, to developing and emerging economies due to the rising capital demand to compensate financial losses and budget deficit in advanced economies, the fragile sentiments in financial system and the lacking of confidence on global economic prospects, and the rising demand for safe assets. (iv) The US dollar is likely to appreciate against other major currencies due to the deteriorating economic condition in other major economies. This excluded Japanese Yen, as Yen carry trade will result in capital inflow while FDI outflow tends to slow down.

Against this backdrop, growth rate in China India and Brazil are projected to slow down to 6.7 percent, 5.1 percent and 1.8 percent in 2009, compare to that of 9.1 percent, 7.3 percent and 5.8 percent in 2008. The Newly Industrialized economies such as South Korea Singapore are forecasted to contract by 3.5 percent and 3.8 percent respectively. Meanwhile, ASEAN countries are expected to slow down sharply with the rate of growth of 1.5 percent 3.5 percent, 2.1 percent and 4.8 percent for Malaysia Indonesia Philippine and Vietnam, compare to that of 5.0 percent 6.0 percent, 4.6

percent and 6.3 percent in 2008. The economy of Middle East region is expected to decelerate from 6.1 percent in 2008 to 4.0 percent in 2009 due to the reduction in oil prices and growth for African economy is likely to soften from 5.2 percent to 3.4 due to the decline in primary commodity price and capital inflow.

❑ **The world economy is expected to move to recovery trajectory in Q4 of 2009 and likely to grow between 2-3 percent in 2010.**

The timing for economic recovery is likely to be delayed by in high and rising global unemployment rate that are generated by economic contraction in advanced economies and broader base slowdown in other developing and emerging economies. Therefore, in the best case scenario, the global economy is projected to start recovering path in the fourth quarter of 2009 due to supportive coordinated measures that are including (i) The low policy rate of interest (ii) Although, financial system in advanced countries has yet improved adequately and the efficiency of standard interest rate policy is likely to be eroded by steady disinflation, the working of real economy will be supported by aggressive credit easing policy that aimed to lower cost of credit, to increase the credit accessibility of households and firms, to reduce the insolvency risks of financial institution and to finance fiscal deficit and stimulus measures. This credit easing policy is likely to be more emphasized in 2009 (iii) The worldwide coordinated fiscal stimulus packages.

In addition to low policy rate and the aggressive credit easing policy, the US recovery in the second half of 2009 will be supported by the second phase of Troubled Asset Relief Program (TARP) of 350 billion USD and the economic stimulus package of 787 billion USD. Meanwhile, the central bank of Eurozone and Japan are expected to be more emphasize on credit easing measure in order to normalize financial conditions and Japan and Eurozone recovery will be supported by stimulus package of 250 and 87 billion USD respectively. Meanwhile the central bank of Eurozone, Japan

and UK is expected to emphasize on credit easing monetary policy in an attempt to normalize their financial conditions and to finance budget deficit. Similarly to developing and emerging economies that are increasingly reliance on fiscal stimulus measures. In particular, China announced stimulus measure of 585 billion USD while other countries such as Singapore, Malaysia and Vietnam announced their package of 13.2, 7.2 and 0.8 billion USD respectively. Most of stimulus packages encompassed tax rebate, an increase in tax allowances, tax privileges for business sectors (in particular for SMEs), government spending on development projects, transfer for low-income group as well as compensations for unemployed workers and subsidy for firms to retain job position.

However, analysts around the globe increasingly concerns that the world economic recovery will be delayed. The persistence of expectations that the global economy will experience with a prolonged global economic contraction throughout 2009 and start its recovering path in 2010 is due to following risk factors:

- ❑ **All countries faced with problems high and rising-unemployment that lowered purchasing power.** The worsening financial and economic condition resulted in high and rising jobless rate which caused household and business debts in many countries to increase and wealth to decline. Income growth and confidence would remain weak, and sustainability of the economic recovery becomes a concern without lasting and ever rising fiscal stimulus. Therefore, the loose fiscal and monetary policy will be less effective as the psychological effects of an approximately 50 percent reduction in securities and housing prices eroded consumers' confidence and real Purchasing power.

Interest Rate reduction and Value of Economic Stimulus Packages

Country	Policy Rates	Value of Economic Stimulus Packages	
		% of GDP	Bill. US\$
United State	4.0 % → (0-0.25%)	10.8	1,489
Japan	0.5 % → 0.1 %	2.0	87.6
Euro Zone	4.25 % → 2.0 %	n.a.	250
Germany	-	3.1	102.9
France	-	1.5	38.9
Italy	-	4.3	90.5
Bulgaria	-	0.8	0.3
Czech Republic	-	0.4	0.7
Slovenia	-	1.4	0.6
United Kingdom	5.0 % → 1.0 %	1.1	30.8
Canada	4 % → 1.0%	2.0	28.7
Australia	7.25 % → 3.25 %	4.0	36.4
New Zealand	8.25 % → 3.25 %	4.0	5.1
China	7.47 % → 5.31 %	15.0	586.0
India	4 % → (0-0.25%)	1.3	14.3
South Korea	5.0 % → 2.0 %	1.0	9.7
Singapore	-	8.2	13.2
Taiwan	3.5 % → 1.25 %	1.7	6.5
Malaysia	3.5 % → 2.5 %	1.0	1.9
Vietnam	13.0 % → 7.0 %	1.1	0.8
Indonesia	9.25 % → 8.25 %	1.5	6.5
Egypt	12.5 % → 10.5 %	0.3	0.4
Mexico	8.25 % → 7.75 %	0.7	7.2
Brazil	13.75% → 12.75%	0.2	2.6
Chile	8.25 % → 4.75 %	2.8	4.6

Source : IMF

* Interest rate during July 2008 - February 18, 2009

- ❑ **The contagious impacts of financial problem on real economic activities resulted in the shut down of some businesses in manufacturing and service sectors.** This situation causes a vicious circle which develop through this related dimensions of problems; (i) Unemployment problem (ii) Non-performing loans forms a roll-back impact to the financial sector and (iii) Excess supply together with the sluggish demand condition encourage business sector to deploy price-competing strategy (price war) and could potentially lead to deflation. This is a situation in which debtors faced with rising real debt burden and lowering debt-service

capability. In addition, price war could encourage some countries to resort to trade protection.

Most countries have cut their policy rate to a historical lowest level. However, financial strain remained persist as financial institutions are more cautious in their credit extension. At the same time, further implementing of expansionary fiscal policy will be and less flexible in some countries due to high and rising deficit in fiscal balance.

❑ **Many countries face with structural problem both poverty and competitiveness problems.**

Therefore, there exists fiscal burden in these countries to restore their economic and social foundation. In such a situation, the difficulties in budget management tend to increase and encourage the government to opt for foreign loans. Some countries turned to loans from international organizations.

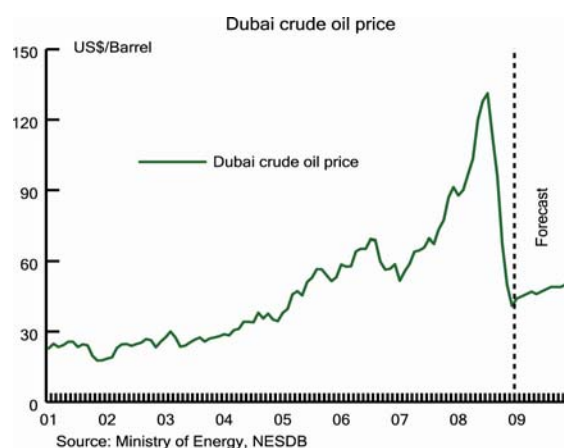
❑ **The impacts of financial crisis on trade and investment in developed and developing countries reinforce to each others in the way to widen and amplify scale of the crisis.**

2.2 Oil price trend in 2009: Oil price trends downward to an average 45-55 USD per barrel.

(1) **Average Dubai crude oil price in 2009 is expected to be at around 45-50 US dollar per barrel, lower than an average of 93.65 US dollar per barrel in 2005.** In January 2009, an average Dubai crude oil price was at 44.12 US dollar per barrel before slightly increased to 45.55 US dollar per barrel in February 10, 2009. The global economic recession is expected to bottom out in the first half of 2009 and, facilitated by coordinated stimulus measures in the US, EU, Japan, and Asian countries, pick up in the second half of the year. Together with oil continued expansion of oil demand from China, Middle East and Latin America, global economic recovery is likely to raise global oil demand.

(2) **However, the recovery of global economy in 2009 remained uncertain. Up to date, the risk of prolonged global economic contraction remained persist. Therefore, most analysts expected that the average crude oil price in 2009 will be lower than 50 US dollar.**

According to the report from Energy Information Administration (EIA) in February 2009, WTI crude oil price in 2009 is forecasted at 43.0 US dollar per barrel, lower than average price of 99.69 US dollar per barrel in 2008. Meanwhile, IMF and Goldman Sachs forecasted that average WTI crude oil price in 2009 will be at 50 US dollar per barrel. In all, the supporting factors for low oil price in 2009 are including;



- **Consumption demand decline due to global economic recession.** According to EIA's oil market situation report on February, world oil consumption demand in 2009 is forecasted to be at around 84.70 million barrels per day, decreased from consumption demand in 2007 (which was at 85.87 million barrels per day) by 1.17 million barrels per day. Consumption demand in OECD countries is expected to decline from 47.6 million barrels per day to 46.08 million barrels per day due mainly to the reduction in US consumption demand. Nevertheless, the expansion in consumption demand from China, Middle East, and Latin America, is likely to raise consumption demand in non-OECD countries from 38.18 millions barrels per day to 38.63 million barrels per day.

World Oil Consumption

(million barrels per day)	Year			2009_f			
Consumption	2007	2008	2009_f	1st	2nd	3rd	4th
OECD	49.14	47.69	46.08	46.97	44.86	45.40	47.09
U.S. (50 States)	20.68	19.48	19.02	19.19	18.82	18.86	19.22
U.S. Territories	0.32	0.27	0.26	0.27	0.26	0.26	0.27
Canada	2.37	2.36	2.26	2.25	2.20	2.29	2.32
Europe	15.30	15.26	14.59	14.77	14.17	14.49	14.93
Japan	5.01	4.85	4.65	5.10	4.27	4.40	4.84
Other OECD	5.46	5.47	5.29	5.40	5.14	5.09	5.51
Non-OECD	36.67	38.18	38.63	38.09	38.57	38.70	39.13
Former Soviet Union	4.28	4.34	4.31	4.35	4.26	4.26	4.37
Europe	0.79	0.80	0.80	0.83	0.79	0.76	0.80
China	7.58	7.98	8.23	7.97	8.22	8.26	8.44
Other Asia	8.78	9.24	9.17	9.13	9.18	9.07	9.29
Other Non-OECD	15.24	15.82	16.13	15.80	16.13	16.34	16.23
Total World Consumption	85.81	85.87	84.70	85.06	83.44	84.09	86.21

Source :Energy Information Administration (EIA)

World Oil Supply

(million barrels per day)	Year			2009_f			
Supply	2007	2008_f	2009_f	1st	2nd	3rd	4th
OECD	21.46	20.94	20.84	21.03	21.01	20.57	20.76
U.S. (50 States)	8.46	8.51	8.96	8.91	9.03	8.92	8.98
Canada	3.42	3.35	3.49	3.46	3.49	3.49	3.53
Mexico	3.50	3.19	2.89	2.95	2.97	2.86	2.81
North Sea	4.54	4.30	3.90	4.08	3.92	3.72	3.89
Other OECD	1.53	1.58	1.59	1.64	1.60	1.58	1.55
Non-OECD	62.95	64.55	63.59	62.44	63.49	64.12	64.28
OPEC	35.42	35.75	34.54	33.89	34.36	34.77	35.14
Crude Oil Portion	30.90	31.27	29.41	29.12	29.29	29.53	29.67
Other Liquids	4.52	4.48	5.14	4.77	5.07	5.23	5.47
Former Soviet Union	12.60	12.52	12.50	12.45	12.54	12.47	12.53
China	3.90	3.98	4.00	3.93	4.02	4.00	4.03
Other Non-OECD	11.02	12.31	12.55	12.17	12.57	12.88	12.58
Total World Production	84.40	85.49	84.43	83.47	84.50	84.68	85.05
Non-OPEC Production	48.98	49.74	49.89	49.58	50.14	49.92	49.91

Source :EIA

Oil Price Forecasts

	Forecast 2009
EIA (Feb. 2009)	WTI = 43.14 US\$/Barrel
UBS Securities LLC (Jan.2009)	BRENT = 60 US\$/Barrel
Barclays Capital (Jan. 2009)	BRENT,WTI = 76 US\$/Barrel
UniCredit (Jan. 2009)	BRENT,WTI = 55 US\$/Barrel
Goldman Sachs (Dec.2008)	WTI = 30-45 US\$/Barrel
CIBC (Dec.2008)	WTI = 50 US\$/Barrel
IMF	WTI = 50 US\$/Barrel
S&P	WTI = 50-60 US\$/Barrel
Energy&Capital	WTI =lower than 50 US\$/Barrel
TD Newcrest analyst	WTI = 50 US\$/Barrel

- The impact of production reduction on oil price is weaker than that of a sharp reduction in consumption demand during the period of sharp and broad-based economic contraction. Although, the OPEC cut oil production on the 17th December 2008 by 2 million barrels per day (the largest production cut since 1992) due to the reduction of oil production in Saudi Arabia to reduce supply overhang, the demand declined at a faster pace. According to EIA report, oil production in 2009 is expected to be at 84.43 million barrels per day, lower than that of 85.49 million barrels per day in 2008. In the first quarter of 2009, OPEC oil production is expected to decline by 1.6 million barrels per day and pull down oil production to the 5-years lowest level of 29.1 million barrels per day as Saudi Arabia cut its oil production. In 2009 OPEC's oil production is expected to be at 34.54 million barrels, lower than that of 35.75 million barrels per day in 2008. Meanwhile, non-OPEC oil production tends to increase by around 150,000 barrels per day in 2009. However, there are downside risks for this projection in particular the delay in drilling projects caused by financial crisis and unfavorable oil price for production expansion as well as tight credit market condition.
- The incentive for oil speculation is expected to decline due to; (i) An enforcement of "Stop Excessive Energy Speculation Act of 2008" is expected to reduce speculation in oil market. (2) The operation of U.S. Commodity Futures Trading Commission (CFTC) is expected to close loophole of anti-speculative rules of futures trading market (3) The process of loss recognition in derivative and futures trading market has yet incomplete.

2.3 Economic Projection for 2009

Global economic recession is a key risk factor for the Thai economic outlook in 2009. Incorporating this factor, the Thai economy is predicted to contract quite sharply in the first half of 2009 when the world economy hit bottom and severely affect Thai's export, tourism and investors' confidence. However, the economy is expected to recover in the latter half, supported by the implementations of the following packages: 1) stimulus package of around 116,700 million baht as a supplementary to the FY 2009 budget; 2) measures in the urgent economic recovery plan; 3) the medium and long-term public investment scheme; 4) acceleration of disbursement of FY 2009 and 2010 government budget; and 5) more accommodative monetary policy together with credit expansion and credit guarantee scheme for SMEs on loans. In addition, sharp drop in oil prices is also a positive factor for the economy. However, the stimulus policy-induced rebound in economic activity in the second half of the year might not completely offset the impacts of export and tourism severe contraction in the first half.

(1) Key Assumption for 2009 Projection

(1.1) The global economy in 2009 is expected to grow by (-0.5) to 0.5 percent. This is downgraded from an estimated of 2.0-2.5 percent assumed in the 24th November 2008 projection. This is a sharp slowdown from the expansion of 5.0 percent in 2007 and 2.8 percent in 2008. The downward revision is due to a broad-based contraction in major advanced economies such as the US, Japan, Eurozone, as well as key Asian economies including South Korea, Taiwan, Hong Kong, and Singapore. Meanwhile, the economy of China, India, and other Asian countries decelerated noticeably.

(1.2) Average Dubai crude oil price in 2009 is projected at 45-55 US dollar per barrel, down from the previous projection of 55-65 US dollar per barrel. Crude oil price in 2009 is projected to decline sharply, from an average 68.83 US dollar per barrel in 2007 and 93.65 US dollar per barrel in 2008. This is due to a steep

decline in world demand for crude oil led by economic contraction.

(1.3) Average export and import prices are expected to decrease, in line with the decrease of crude oil and commodity prices. Under the situation of rapid drop in world demand for commodities and goods, price-competition is likely to be tougher. Therefore, export and import prices are forecasted to fall by 6.0 and 7.0 percent respectively.

(2) Economic outlook for 2009: The Thai Economy is expected to grow (-1) – (0) percent, which was revised down from the projection of 3.0-4.0 percent growth in the previous projection. The downward revision and dampened outlook is due to the worsening global economic condition which already resulted in a sharp contraction of export and tourism sectors. It is likely that the hard hit from global recession will be seen in the first half of 2009. The gloomy prospect is also worsened by more stringent lending standard imposed by most financial institutions while business sentiment has not yet improved, given that stress from economic slowdown has lingered. To survive the liquidity tightness and to avoid further risks, business sectors are expected to cut down their production and employment, especially in industrial sector, construction and real estate sector, wholesale and retail trade sector, transportation sector, and financial sector.

(2.1) The Thai Economy is expected to contract in the first half of 2009 due mainly to a sharp contraction in export and tourism sectors caused by the global economic recession. The contraction of the world economy is predicted to be deep in the first half of 2009, and consequently, Thai export and tourism sectors will be hit severely. As the latest data show, export value, in US dollar term, decreased by 26.5 percent in January, along with the sharp contraction in its major export markets such as China (-17.5 percent), South Korea (-32.1 percent), Singapore (-34.8 percent), and Vietnam (-24.2 percent). Private consumption and investment have declined dramatically in various

countries. Export contraction in various Thailand's export markets and their import contraction suggest further deterioration of Thais' export sector. Meanwhile, the Tourism Authority of Thailand lowered their foreign tourists target to 14 million people, equivalent to 3.7 percent reduction from 2008. This decline implies an approximately 20,000 million baht loss of tourism income.

Main countries with expected economic contraction in 2009		
% yoy	2008	2009_f
World	2.8	(-0.5) – (0.5)
United State	1.3	(-2.3) – (-1.6)
Euro Zone	0.7	(-2.5) – (-2.0)
United State	0.7	(-3.2) – (-2.8)
Japan	-0.7	(-3.0) – (-2.6)
South Korea	2.5	-3.5
Taiwan	0.1	-3.0
Hong Kong	2.6	-3.8
Singapore	1.2	-3.8
Thailand	2.6	(-1) – (0)

Source CEIC, Public agencies

(2.2) The Thai economy is, however, expected to recover with positive GDP growth rate in the later half of 2009. The supporting factors for economic recovery include fiscal stimulus packages, medium and long term public investment scheme, and acceleration of budget disbursement under fiscal deficit framework together with loosened monetary policy. Incorporating these factors, NESDB forecast a positive growth in the second half of 2009. With additional policy measures on the way, growth for the second half of 2009 could surprise on the upside. The followings are conditions/factors which will promote positive growth in the latter half of the year:

(2.2.1) Global economy is bottomed out in the first half of 2009. The second half will likely to witness the positive effects of the following measures and policy. 1) historical low level of interest rates in most countries after several aggressive cuts in 2008, and 2) fiscal stimulus packages which

are being implemented in various countries. The problem in US financial market improves while the emerging financial losses in Eastern Europe are smaller than those in the US and Western Europe. Under such condition of the world economic recovery, export and tourism sectors are expected to recover in the second half.

(2.2.2) The economic measures under supplementary budget worth 116,700 million baht must be ready to disburse in March. With the accelerated disbursement rate in the second quarter, it will further stimulate private consumption in the second half of the year to expand at a faster pace.

(2.2.3) Government budget disbursement is accelerated to meet the target of 94% disbursement rate for FY 2009. In parallel with such acceleration, preparation for budget allocation in FY 2010 should also be carried out in a bid for front-loaded disbursement of FY 2010 government budget and avoid the delay of budget execution. The timely implementation by the end of 2009 will provide additional boost to the economy. In this respect, project prioritization and details must be laid out as soon as the first FY 2010 budget reading is passed by the parliament. This must be done concertedly with preparation of medium and long term plan for public investment, the plan that aims to restore economic condition, business confidence, job creation, and to improve country competitiveness.

(2.2.4) The expedition of key public projects under medium and long term investment plan will not only revive the economy in the short run but will also help enhance competitiveness of the country in the longer term. The plan should be implemented as soon as in the last quarter of CY 2009.

(2.2.5) Guarantee scheme for prices of main crops including rubber, rice, cassava, maize, and oil palm, will help stabilize agriculture prices and sustain farm income for farmers.

(2.2.6) Eased monetary policy together with credit guarantee and soft loans for SMEs through state-owned financial institutions

will support the business sector to continue its operation and production. Moreover, entrepreneurs with healthy balance sheet take this opportunity to improve their competitiveness so that they can compete more efficiently when global economy turn around.

(2.2.7) Average Dubai crude oil price is lower than 60 U.S. dollar per barrel which will be the case under which the reduction in demand outweighs the production cut. Significant supply disruption is not considered to be likely.

(3) Projected growth components in 2009

(3.1) Household consumption is projected to increase by 2.2 percent, relatively stable compare to that of 2.7 percent in 2008. The continue expansion of household consumption is expected to be supported by economic stimulus package that includes free water, electricity for the poor, and subsidized public transport, an extension of tax allowances, and cash transfer to low-income people. Moreover, the package will also provide compensation and skill training to both unemployed and prone groups as well as employment opportunity under government projects.

(3.2) With a deepening global recession and expected contraction of global trade, Thailand's exports of goods and services are expected to decline. In this respect, export volume and value are forecasted to drop by 6.5 and 13.1 percent respectively. The decline in value, as compared to that in 2008, could reach 380,000 million baht. On the other hand, volume of import is expected to decline faster under the situation of export and investment contraction while inventory stock remains high. Import volume and value are projected to decline by 7.0 percent and 14 percent, respectively.

In 2009, trade balance and current account will be in surplus of approximately 1.8 and 2.3 billion US dollar, respectively. The surplus in

current account is equivalent to 0.9 percent of GDP.

(3.3) Number of foreign tourists is predicted to drop by 3.7 percent, down from 14.5 million people in 2008 to 14 million people in 2009. This will cause tourism income to decline by 20,000 million baht.

(3.4) Private investment is likely to decrease by 3.0 percent due to the increase in overcapacity, low business sentiment, and limited credit extension. Cut down in production and employment level in response to contraction in domestic and external demand has lead to over-capacity in some sectors. Larger output gap will consequently depress weaker employment and corporate investment outlook.

(3.5) The government consumption and capital, in real term, are set to expand by 8.3 and 8.0 percent respectively.

(4) Economic stability is challenged with higher risk, which is associated with unemployment rise. However, in overall, economic stability remains manageable.

(4.1) Inflation rate is likely to decline to (-0.5) – (0.5) percent, lower than 5.5 percent in year 2008, attributable largely by falling oil and commodity prices and weak final demand.

(4.2) Unemployment rate will inevitably rise and could reach 2.5-3.5 percent of labour force, or equivalent to 900,000–1,300,000 persons of the projected labour force of 36.942 million people. NESDB expects the hardest hit sector, export and tourism, to shed a sheer number of jobs this year. In fact, the increase in number of unemployment insurance by 38.3 percent in 2008 as compared to the previous year signals the risk. In January 2009, the number of unemployment insurance rose by 66,676 people, add to the existing number of 387,629 people in 2008. This reflects a clear upward trend of unemployment rate in 2009. Furthermore, the contraction of production and business environment will lead to the lost of new job opportunities. This is indicated by the increase of new registered applications by 88.5 percent but job vacancy rate dropped by

3.4 percent. As a result, job vacancy to applicants' ratio at the end of December 2008 was 0.55 times, reduced from 0.79 and 0.71 times at the end of June and September 2008 respectively.

(5) Production side: Overall production in 2009 tends to decelerate, comparing with 2008. Production side outlook is as follows:

(1) Agriculture Sector: Both production and price of agriculture products have tendency to decline, compared to 2008. As food importing countries has turned to produce agriculture product for fostering their food security system. Accompany with sharp decline in crude oil price. Thus, world market in the year 2009 will be highly competitive which market will belong to buyers. Consequently, the soften price will lead to the lower growth of farm income this year. Overall 2009, agriculture sector's risk factor are decrease in crop price, domestic economic downturn that lead to lower consumption rate, and both volume and price of export products expected to slow down. On the other hand, positive factor are low oil price, and stability of baht. The sector outlook is as follow:

(1.1) Rice: in 2009 production of rice in the first and second crops tends to decrease both in term of production area and total production, from high possibilities of drought. However, government launched rice pawning scheme for crop year 2008/2009, which effective from 1 November 2008 to the end of April 2009. This scheme will help stabilize rice price and support paddy price.

(1.2) Rubber: Production is expected to slow down from 2008, as demand in world market and main counterpart had decline, namely America, China, and Japan. This drop in demand is inline with consumption and investment pattern, especially in demand for auto mobile. In 2009 average rubber price tends to decrease from its high level of 2008 due to sharp drop in oil price and base price adjustment.

(1.3) Cassava: Total production in 2009 is expected to expand 15.9 percent, as farmers have expanded their harvesting areas from price incentive last year. However, since 70 percent of cassava production of Thailand depends on export market, the contraction of demand in the global market is expected. With respect to domestic market, demand for cassava market is expected to be resembled to that of last year except for demand from ethanol producers. Therefore, an upward adjustment of ethanol price will raise demand for cassava as income from ethanol production can cover its cost. The price of cassava in 2009 is expected to be at 1.70 baht per kilogram, which is lower than average price of last year, inline with global crude oil trend.

(1.4) Livestock: The production in 2009 will remain stable; partially from slow down in global food demand in turn will reduce overall Thais' export of livestock. Nevertheless, processing food exporter need to pay more attention towards product quality and improvement in production efficiency. In the same time, government should introduce cost saving measures by located cheaper source of animal nutrition, cheap animal vaccine, finding new export market with high purchasing power, especially in neighboring countries and Middle East.

(1.5) Fishery: The production is expected to slow down from the effect of Thai-China and Asean Free Trade Area, which resulted in massive flow of low cost fishery products into domestic market. Shrimp production will remain stable from last year as uncertainty in market situation and price had increase. Overall 2009, risk factor in fishery export are 1) global economic down turn which decelerate purchasing power, and 2) anti-trade policy, especially anti-dumping, by counterpart.

(2) Industrial sector: The industrial production in 2009 is expected to contract; especially the first and second quarter tends due to 1) contraction in export volume, 2) slow down in

domestic economy, and 3) high base effect from same period of last year. Industrial production has tendency to improve in the later half follow government expense and mid-year stimulus package. Furthermore, monetary policy and direct injection measures adopt by many countries is expected to provide some relief for Thais export market.

Economy of major export counterpart like US, Japan, and EU are expected to contract by 1.6, 2.6 and 2.0 percent respectively. Such contraction will adversely impact export oriented industries especially textile, electronic appliances and electronic parts, gems and jewelry, rubber and rubber products and furniture. In contrast, food and Beverages have tendency to increase. Furthermore, petrochemical industry would have a win fall from sharp decline in global oil price. In 2009, producers are expected to quickly adjust themselves toward changes in world production structure with new rival such as China, India and Vietnam that have advantage on production cost.

Positive factors contribute to expansion of industrial sector are as follows: 1) further decline in Oil price, subsequently reduce cost of production, 2) lessen inflationary pressure from global oil price situation, which increase consumers' purchasing power, 3) government stimulus package and accelerated budget disbursement will help stabilize economic activities especially in the last half, and 4) acceleration in mega project investment would benefit construction and others related industries.

Negative factors contribute to expansion of industrial sector are as follows: 1) Global economic deceleration which directly effects productions and employment level of Thai's export oriented industry, like automobile and electrical parts, and 2) increase in unemployment rate will alternately reduce domestic purchasing power.

(3) Construction and Real estate sector: in 2009 is expected to slow down from 2008 due to continuous uncertainty in both domestic and global economy. Positive factors in this sector

have prompt like reduction in cost of material, decline in oil price, interest rate cut by commercial bank to stimulate purchasing power, and expansion of tax threshold for home buyer from 100,000 baht to 400,000 baht per annum. Nevertheless, supply of new house in 2008 still remained which are the burden of developers. Main obstacles for both developers and home buyers are tougher credit approval by commercial bank, this will dramatically effect small and medium entrepreneurs, and low purchasing power of consumer. In 2009 price is expected to decrease follow decline in raw materials and commercial bank interest rate. In Addition, decrease in price would help promote sale during low demand period.

(4) Tourism sector: The government has been undertaking more aggressive marketing promotion to stimulate market and restore Thailand's reputation. Nevertheless, Ministry of tourism and sports had set a target over the number of foreign tourists at 14.0 million persons, which is 3.7 percent lower than last year, from 14.53 million persons in 2008 with forecasted revenue of 505,000 million baht. For 2009, the target of Thai tourist is 87.06 million persons which will generate income of approximately 407,600 million baht. To achieve such objectives, strong cooperation between government and private sector is vital. In addition, Thai's government needs to put forth budgeting support to 1) support marketing and promotion scheme 2) restoring Thai image 3) create incentive for both Thai and foreign tourist like corporate tax deduction for domestic meeting, lowering air fare during the first quarter, visa fees exemption and encouraging government officials to held seminar in provincial area.

Tourism sector was severely impacted in later half of 2008 and drag into the first quarter of 2009 which was in high season. The impact will translate toward small tourism businesses which adversely cause them to close down or reducing their cost of doing business such as executives' salary cut and decreased number of tourist guides hire. In turn deepen overall

unemployment situation. However, tourism sector is expected to perform better in second half with two main contribution factors including: 1) more stable domestic political situation will restore confidence of foreign tourist as reflected in cancellation of warning notice from many countries, 2) Government and private sectors have announced policies and measures in order to support tourism sector which include "Visit Amazing Thailand 2009" program, Road Show to potential customers especially to rising star countries such as Russia, Middle East and Spain. At the same time, keep existing particularly West Europe and major countries in Asia such as Japan, Singapore, Korea and Hong Kong.

3. Economic Management for 2009

Under current economic crisis, there is a probability of global economic recession in 2009. This is reflected by sharply decline in world trade volume, which has severely impacted export growth in several countries including Thailand since the end of 2008. The impacts are expected to be more pronounced in the first half of 2009. In effort to counter these risks to economic outlook, it is imperative for the Thai government to mobilize its fiscal resources in launching economic recovery measures. These measures should be aimed at stabilizing and stimulating domestic demand in the most effective and efficient manner. The guidelines for economic measures are as follows:

- (1) Accelerate budget disbursement in FY 2009 and their mid- term supplementary budget, which totalled 116,700 million baht. It is also crucial for the government to accelerate disbursement of FY 2009 government budget. In parallel with such acceleration, preparation for budget allocation in FY 2010 should also be carried out in a bid for front-loaded disbursement of FY 2010 government budget and avoid the delay of budget execution. In this respect, project prioritization and details must be laid out as soon as the first FY 2010 budget reading is passed by the parliament. The implementation of key public investment projects must also be expedited concertedly.
- (2) Prepare additional measures to provide cushion for those who could be laid off should the economic situation develop into deeper recession and lead to shut down of factories, globally and domestically. These measures should incorporate the scheme for unemployment compensation/welfare and training for the unemployed to improve skills in order to create opportunities for new jobs.
- (3) Closely monitor sectors that could be severely affected, such as tourism and export sector. Rescue package should be designed and prepared as the exit strategies during crisis.
- (4) Monitor and manage agriculture prices guarantee scheme to ensure efficiency and effectiveness and promote the scheme of comprehensive development in agriculture sector to be implemented with efficiency, transparency, and accountability.
- (5) Ease monetary policy further and closely manage liquidity in the money market. Soft loan and credit guarantee for SMEs on loans will also be implemented.

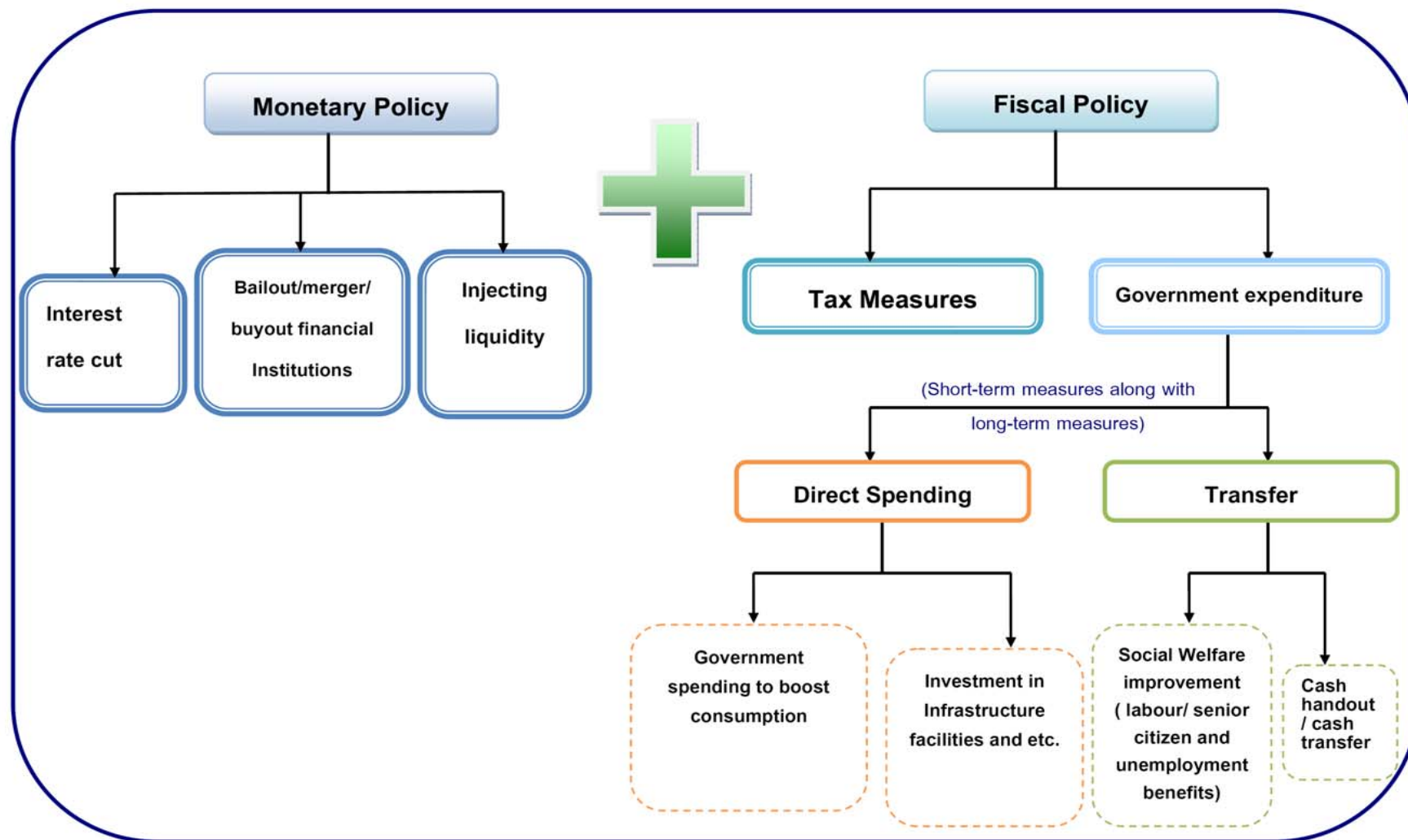
Economic Projection of 2009

	Actual Data			Projection_2009f	
	2006	2007	2008	24 Nov.08	23 Feb. 09
GDP (at current prices: Bil. Bht)	7,841.3	8,493.3	9,102.8	9,813.8	9,012.8
GDP per capita (Bht per year)	120,933.0	128,686	135,939	147,576.6	135,530.7
GDP (at current prices: Bil. USD)	206.9	245.8	270	284.5	251.8
GDP per capita (USD per year)	3,190.8	3,723.6	4,072.5	4,277.6	3,785.8
GDP Growth (at constant prices, %)	5.2	4.9	2.6	3.0-4.0	(-1) – (0)
Investment (at constant prices, %)	3.9	1.3	1.1	4.8	-0.4
Private (at constant prices, %)	4.1	0.6	3.2	3.8	-3.0
Public (at constant prices, %)	3.3	3.4	-4.8	8.0	8.0
Consumption (at constant prices, %)	2.9	2.7	2.2	4.3	3.1
Private (at constant prices, %)	3.0	1.6	2.5	3.7	2.2
Public (at constant prices, %)	2.4	9.2	0.4	8.0	8.3
Export volume of goods & services (%)	9.1	7.1	5.5	4.4	-6.2
Export value of goods (Bil. USD)	127.9	150.0	175.3	192.7	152.3
Growth rate (%)	17.0	17.3	16.8	7.0	-13.1
Growth rate (Volume, %)	11.2	11.0	5.5	4.0	-6.5
Import volume of goods & services (%)	3.3	3.4	7.5	5.2	-5.4
Import value of goods (Bil. USD)	126.9	138.5	175.1	199.2	150.6
Growth rate (%)	7.9	9.1	26.4	10.0	-14.0
Growth rate (Volume, %)	1.3	3.6	12.0	5.0	-7.0
Trade balance (Bil. USD)	1.0	11.6	0.2	-6.5	1.8
Current account balance (Bil. USD) ^{1/}	2.3	14.0	-0.2	-3.5	2.3
Current account to GDP (%)	1.0	6.1	-0.1	-1.2	0.9
Inflation (%)					
CPI	4.7	2.3	5.5	2.5-3.5	(-0.5) - (0.5)
GDP Deflator	5.1	3.2	4.5	2.5-3.5	(-0.5) - (0.5)
Unemployment rate (%)	1.5	1.4	1.4	1.5-2.5	2.5-3.5

Source: Office of National Economic and Social Development Board. February 23,2009

Note: ^{1/} Reinvested earnings has been recorded as part of FDI in Financial account, and its contra entry recorded as income on equity in current account.

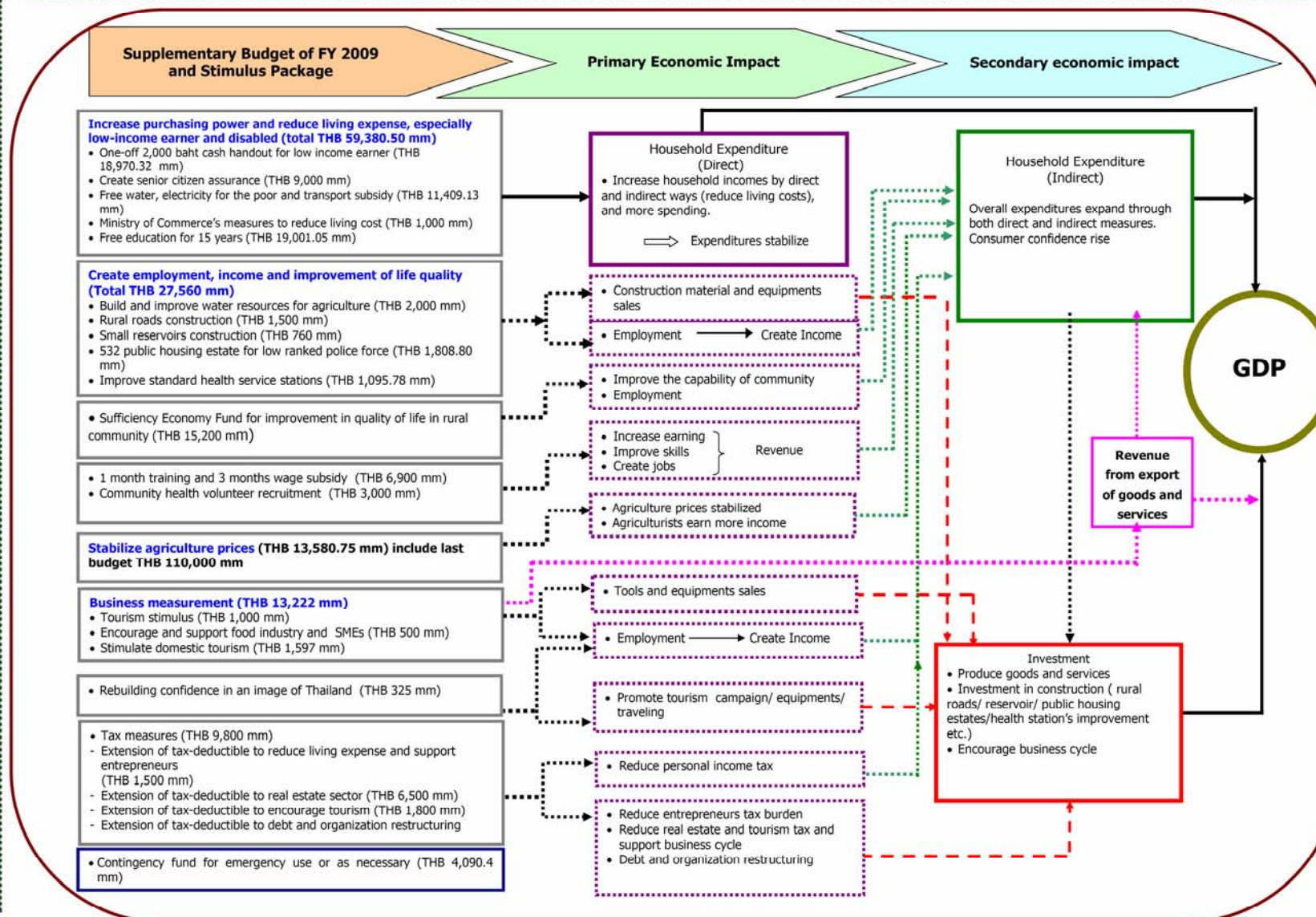
Framework of Economic Recovery Measures



Macroeconomic Strategy and Planning Office NESDB

Medium-Long Terms Investment and Economic Stimulus Plan and Government's implementation

Medium-Long Terms Investment and Economic Stimulus Plan



Medium-Long Terms Investment and Economic Stimulus Plan

Stimulus economic policy by country

	US Overall 787 billion USD	Japan Overall 102 billion USD	EU Overall 256.7 billion USD
Consumption	Total 286.7 billion USD	Total 60 billion USD	Total 2.3 billion USD
	<ul style="list-style-type: none"> • Payroll tax relief for low-income households (116 billion USD) • Extend unemployment benefits for 20 weeks (39 billion USD) • Expansion of health care for unemployed (25 billion USD) • Food stamps (20 billion USD) • Broaden child tax credit (14 billion USD) • Earned income tax credit (4.7 billion USD) • AMT relief for middle-class and a one-time \$250 payment for senior citizens, veterans and disabled (70 billion USD) 	<ul style="list-style-type: none"> • Implementation of the “Measures to Support People’s Daily Lives” (60 billion USD) 	<ul style="list-style-type: none"> • Measure to hire employment (2.3 billion USD)
Investment	Total 22 billion USD	Total 32 billion USD	Total 39 billion USD
	<ul style="list-style-type: none"> • Give out \$8,000 in tax credit for first-time home purchases (6 billion USD) • Car buyers take a tax write-off sales tax (2 billion USD) • Tax credits for SMEs (2 billion USD) • Tax credits for firms to hire workers and invest in new equipment (12 billion USD) 	<ul style="list-style-type: none"> • Measures to support employment (11 billion USD) • Establishment of a special contingency budget to cope with changes in economic conditions (10 billion USD) • Tax reform - tax reduction (11 billion USD) 	<ul style="list-style-type: none"> • Providing loan to SMEs (39 billion USD)
Government	Total 364.5 billion USD	Total 10 billion USD	Total 215.4 billion USD
	<ul style="list-style-type: none"> • Education (92 billion USD) • Medicaid and rest for infrastructure, unemployment claims, etc. (87 billion USD) • Health programs (68 billion USD) • Construction and transport (52.5 billion USD) • Improve energy efficiency (65 billion USD) 	<ul style="list-style-type: none"> • Increasing the amount of the Local Allocation Tax to promote policies aimed at creating employment and others (10 billion USD) 	<ul style="list-style-type: none"> • Developing Energy system (6.5 billion USD) • Investment in social and rural development projects especially in poor area (8.2 billion USD) • Developing Transportation System (0.65 billion USD) • Other policies to economic stimulation (200 billion USD)

Stimulus economic policy by country

	China Overall 586 billion USD	Singapore Overall 20.5 billion USD	Malaysia Overall 1.53 billion USD
Consumption	Total 0 billion USD	Total 0 billion USD	Total billion USD
Investment	Total 24 billion USD <ul style="list-style-type: none"> • Technical innovation and economic restructure (24 billion USD) 	Total 13.5 billion USD <ul style="list-style-type: none"> • Jobs for Singaporeans (5.1 billion USD) • Stimulating Bank Lending (5.8 billion USD) • Enhancing Business Cash-flow and Competitiveness (2.6 billion USD) 	Total 0.42 billion USD <ul style="list-style-type: none"> • Special fund to attract private sector investment (400 million USD) • Extension of all housing loans from 25 years to 30 years and housing loan customers. Government also abolished import duties for cement, long iron and steel products for the construction and manufacturing sectors; allowed individuals/foreign entities to buy commercial real estate (20 million USD)
Government	Total 562 billion USD <ul style="list-style-type: none"> • Affordable housing for low income population (41 billion USD) • Rural infrastructure facilities and programs to boost rural income (54 billion USD) • Investment in transportation network (263 billion USD) • Investment on medical services, culture and education (7 billion USD) • Spending on ecology protection (51 billion USD) • Sichuan post-earthquake reconstruction (146 billion USD) 	Total 7.0 billion USD <ul style="list-style-type: none"> • Supporting Families (2.6 billion USD) • Building A Home for the Future (4.4 billion USD) 	Total 1.11 billion USD <ul style="list-style-type: none"> • Building 25,000 units of low- and medium-cost houses (320 million USD) • Upgrading, repairing and maintain defense infrastructure (140 million USD) • Minor projects, including rural areas, infrastructure to create jobs; Public amenities such as roads, schools and hospitals (570 million USD) • Funding to implement a skills program catering to the needs of employers and industry, particularly in the development corridors (80 million USD)