



**NESDB**

## Economic Performance in Q1/2005 and Outlook for 2005

### ECONOMIC OUTLOOK

**Macroeconomic Office  
Office of the National Economic  
and Social Development Board**

962 Krungkasem Road

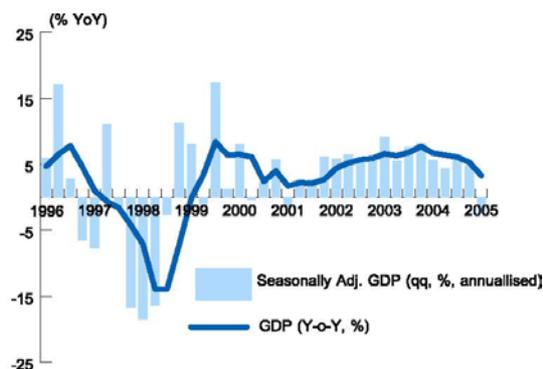
Pomprab, Bangkok 10100

<http://www.nesdb.go.th>

- Thai economy expanded by 3.3 percent in Q1/2005, softened sharply from the annual growth of 6.1 in 2004, predominantly underpinned by rapid increase in oil prices and general consumer prices, slowdown of the global economy, export constraints on frozen poultry and shrimp, a drought, and the tragic Tsunami, amid rising trend of interest rates.
- The economic prospect is expected to improve in the second half, as the temporary hindering factors diminish, public spending is accelerated, and exports of agricultural products and low import-content manufactures are stimulated further.

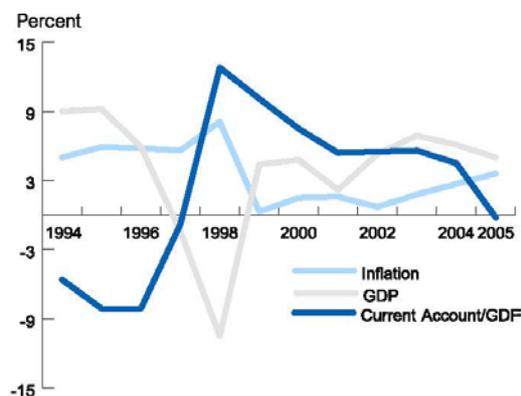
## OVERVIEW

**Thai economy expanded by 3.3 percent in Q1/2005, slowed down from 6.1 percent in 2004.**



Source : NESDB

**In 2005, economic growth is projected to be in a range of 4.5-5.5 percent while pressure on inflation and current account is increasing.**



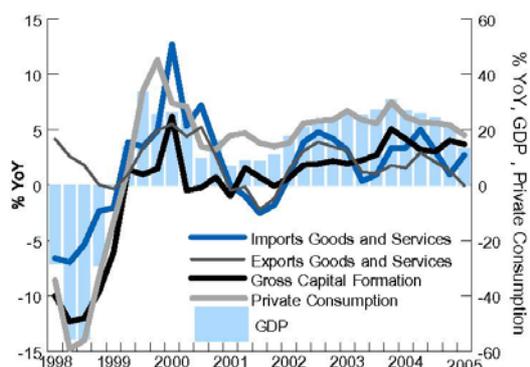
Source: NESDB, BOT, MOC

## Key Themes of 2005

- Thai economy expanded by 3.3 percent in Q1/2005, softened sharply from the annual growth of 6.1 in 2004, predominantly underpinned by rapid increase in oil prices and general consumer prices, slowdown of the global economy, export constraints on frozen poultry and shrimp, a drought, and the tragic Tsunami, amid rising trend of interest rates.
- Pressures on consumer prices have built up, as evident in the rising trend of inflation rate from 2.8 percent in Q1, to 3.2 in April, and 3.6 percent in May. The hike in prices of non-food items shall push up core inflation further.
- Import in US dollar value term jumped by 28.5 percent, much faster than the 12.4 percent rise in exports. This is due primarily to high oil prices, rising demand for imported capital goods in accordance with investment momentum, and inevitable rise in demand for raw materials and intermediate products to support especially export-oriented production. Trade balance slipped into a negative territory for 4 consecutive months, as a result.
- Tourism has seen signs of a recovery from the tragic Tsunami and eased tension on services account. However, the services account surplus was not sufficient to completely compensate for the loss in trade balance. Current account deficit dragged the balance of payment surplus down, pushing downward pressures on currency during March to May.
- As the temporary hindering factors phase out and stimulating measures kick in, the second half shall see tourism recovery, improved situation in agricultural sector when drought impact subsides and export of frozen and prepared poultry turn to normalcy with further efforts to expand exports of agricultural products such as frozen shrimp and poultry and low-import content manufacturing goods.
- Overall, the annual growth is projected in the range of 4.5-5.5 percent with 3.6 percent inflation, and current account surplus of 0.1 percent to GDP.

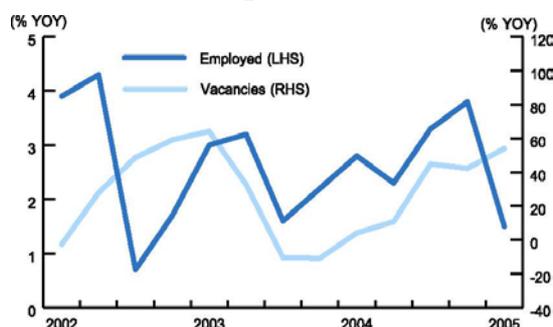
# 1. ECONOMIC PERFORMANCE IN Q1/2005: GREW BY 3.3 PERCENT

## Economic Growth by Demand Components

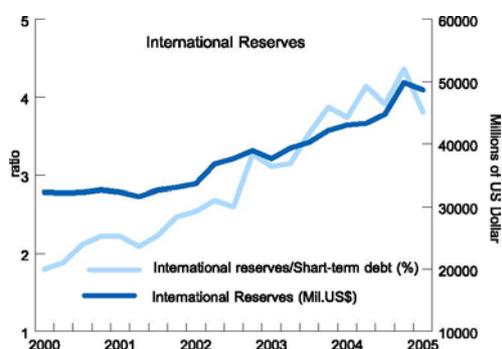


Source: NESDB

## Employment



Source : NSO



## 1.1 Overall Performance:

**Economic growth:** In the first quarter of 2005, Thai economy had faced with several adverse factors including world economic slowdown which limited Thai exports, rising oil prices, drought impacts, export constraints on frozen chicken as well as the effect on shrimp exports exacerbated by damage on shrimp farm caused by the Tsunami and the anti-dumping duties imposed on Thai shrimp. Under such circumstances, Thai economy expanded by 3.3 percent slowing down from 6.1 percent in 2004. This was primarily seen in a slowdown in domestic demand led by private consumption and private investment which grew by 4.5 and 10.6 percent, slowed from 5.7 and 15.3 percent growth in 2004, respectively. However, government expenditure and investment expanded with a high growth of 16.0 and 29.2 percent.

On external fronts, export value in US dollar term increased by 12.4 percent, while import value grew by 28.5 percent outpacing that of exports. As a result, trade balance in the first quarter registered a deficit of 3,225 million US dollar.

**Economic stability: Pressure on price of goods and services has built up. In the first quarter,** headline inflation was 2.8 percent and increased to 3.2 percent for the first five months of 2005. Current account recorded a deficit of 1,499 million US dollar and climb up to a deficit of 3,108 million US dollar in the first four months. Foreign reserves at the end of April stood at 49,237 million US dollar, or equivalent to about 3.8 times to short-term debts. Meanwhile, unemployment rate was 2.29 percent, slightly declined from 2.7 percent in the first quarter of 2004. Public debt to GDP was 43.5 percent, down from 47.5 percent at the end of 2004..

## 1.2 Downside factors associated with economic slowdown in the first quarter: World economic slowdown, higher oil prices and temporary domestic adverse factors.

World Economy  
(Y-O-Y growth rate, %)

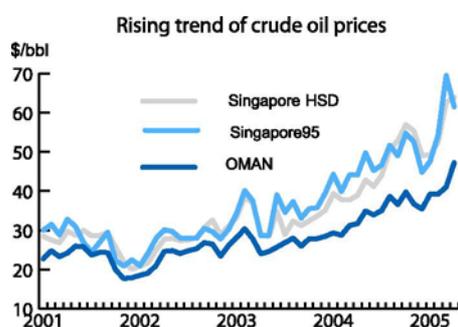
|                     | 2002 | 2003 | 2004 |      |     |     | 2004<br>Year | 2005<br>Q1 | 2005<br>F |
|---------------------|------|------|------|------|-----|-----|--------------|------------|-----------|
|                     |      |      | Q1   | Q2   | Q3  | Q4  |              |            |           |
| World               | 3.0  | 4.0  |      |      |     |     | 4.7          |            | 3.4       |
| US                  | 1.9  | 3.0  | 5.0  | 4.8  | 4.0 | 3.9 | 4.4          | 3.7        | 3.6       |
| EU-15               | 1.0  | 0.7  | 1.8  | 2.3  | 2.1 | 1.8 | 2.2          | 1.6        |           |
| EU-25 <sup>1/</sup> | 1.1  | 1.0  | 1.9  | 2.4  | 2.2 | 1.9 | 2.3          | 1.6        | 2.0       |
| Euro Zone           | 0.8  | 0.5  | 1.5  | 2.1  | 1.8 | 1.5 | 2.0          | 1.3        | 1.1       |
| Germany             | 0.1  | -0.1 | 1.6  | 1.4  | 1.2 | 0.5 | 1.6          | 1.1        | 0.8       |
| Japan               | -0.3 | 1.4  | 4.5  | 3.2  | 2.6 | 0.6 | 2.7          | 1.2        | 0.8       |
| Hong Kong           | 2.3  | 3.3  | 7.0  | 12.1 | 6.8 | 7.1 | 8.1          | 6.0        | 4.0       |
| Singapore           | 3.2  | 1.4  | 7.9  | 12.3 | 7.2 | 6.5 | 8.4          | 2.5        | 4.0       |
| South Korea         | 7.0  | 3.1  | 5.3  | 5.5  | 4.7 | 3.3 | 4.7          | 2.7        | 4.0       |
| Taiwan              | 3.6  | 3.3  | 6.7  | 7.9  | 5.3 | 3.3 | 5.7          | 2.5        | 4.0       |
| Indonesia           | 4.4  | 4.9  | 4.4  | 4.4  | 5.1 | 6.7 | 5.1          | 6.3        | 5.5       |
| Philippines         | 4.4  | 4.5  | 6.5  | 6.6  | 6.3 | 5.4 | 6.1          | 4.6        | 4.7       |
| Malaysia            | 4.1  | 5.2  | 7.8  | 8.2  | 6.7 | 5.8 | 7.1          | 5.7        | 6.0       |
| Thai                | 5.4  | 6.9  | 6.7  | 6.4  | 6.1 | 5.1 | 6.1          | 3.3        | 4.5-5.5   |
| China               | 8.3  | 9.3  | 9.8  | 9.6  | 9.1 | 9.5 | 9.4          | 9.4        | 8.5       |

Source: Government agencies, WEO (April 2005) and average from several sources.

1/ EU25 started as of 1 May 2004

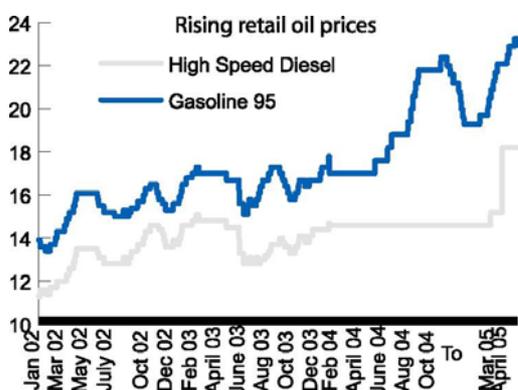
(1) **World economic slowdown:** In the first quarter, world economy experienced a slowdown more evidently, led primarily by slowdown in major economies and Asian economies --in particular those countries with high dependency on oil imports as well as those who exports to such major trading partners as US, Japan and EU. Not only did the US economy experience oil prices surge in the first quarter, the interest rates have been on the rising trend in a bid to secure price stability and reduce current account deficit. Apart from high oil prices, the Japanese and the EU economies were also affected by the currency appreciation and export slowdown.

In the first quarter, the US economy grew by 3.7 percent, slower from 3.9 percent in the last quarter of 2004 and average rate of 4.4 percent in 2004. The Japanese and the EU economies expanded by 1.2 and 1.6 percent respectively. The slowdown in major advanced economies subsequently faltered exports of Asian countries. Given the slowdown in global economic growth combined with impacts of higher oil prices, Asian economies, thus, experienced a clear slowdown in the first quarter, except for the Chinese economy which expanded strongly by 9.4 percent. The Asian countries that notably slowed down include South Korean, Singapore and Taiwan, growing by 2.7, 2.5 and 2.5 percent, respectively. Countries with moderate slowdown include Hong Kong, Philippines, Malaysia and Indonesia – among which the last two were oil-exporting countries.



World Crude Oil Price (USD/BBL)

|           | OMAN  | DUBAI | BRENT |
|-----------|-------|-------|-------|
| 2004 Year | 34.33 | 33.65 | 38.09 |
| Q1        | 29.75 | 29.45 | 31.65 |
| Q2        | 33.49 | 33.30 | 35.31 |
| Q3        | 36.75 | 36.30 | 41.29 |
| Q4        | 37.29 | 35.52 | 44.11 |
| 2005 Q1   | 42.50 | 41.27 | 47.68 |
| Jan       | 39.20 | 37.92 | 44.19 |
| Feb       | 41.08 | 39.87 | 45.62 |
| Mar       | 47.23 | 46.02 | 53.23 |
| Apr       | 48.19 | 46.92 | 52.74 |



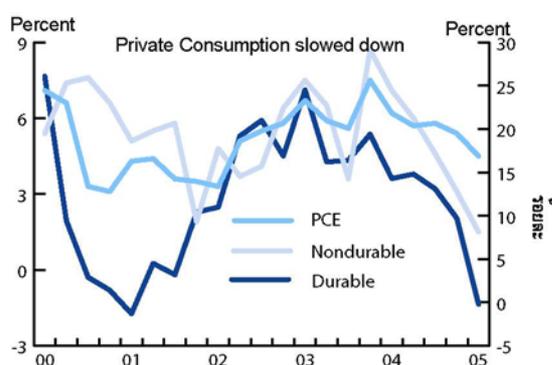
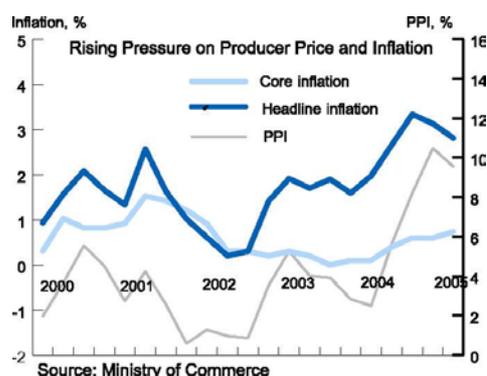
(2) **Continued rising oil prices and raise of domestic retail oil prices:** World crude oil prices increased markedly in the first quarter and rather volatile. Oman and Dubai oil prices averaged at 42.50 and 41.27 US dollars per barrel, rose by 42.9 percent from the same period last year. This was driven by continued strong demand in the world market and low level of excess capacity to produce more supply within 30 days. In addition, there were also some psychological factors causing temporary increases in oil prices such as workers’ protest, closedown for repairment of oil refineries and the announcement of US and OECD oil inventories.

Higher crude oil prices had caused domestic retail oil prices to rise as benzene prices control was abandoned since October 21, 2004. Meanwhile, diesel oil prices was raised by 0.60 baht on February 22, 2005, to stay at 15.19 baht per litre and another 3 baht increase on March 23, 2005, to 18.19 baht per litre up to present<sup>1</sup>

**The impacts of higher oil price were seen as follows;**

- Higher crude oil price, coupled with raising domestic oil price ceiling put more pressure on consumption. Import value, which also surged rapidly following rising crude oil prices, dampened overall economy. In the first quarter of 2005, import value of crude oil, fuel oil and lubricant expanded by 63.9 percent, as compared to the same quarter of 2004. Oil import volume rose by 19.2 percent while oil import price increased by 37.4 percent.

<sup>1</sup> To date, the cabinet approved to lift domestic diesel oil prices ceiling and maintain a manage float policy since June1st, 2005 onwards. Also, there will be an excise tax reduction on diesel for 10 months and gradually reduce subsidy on diesel prices up until 2006 in order to mitigate adverse impacts.



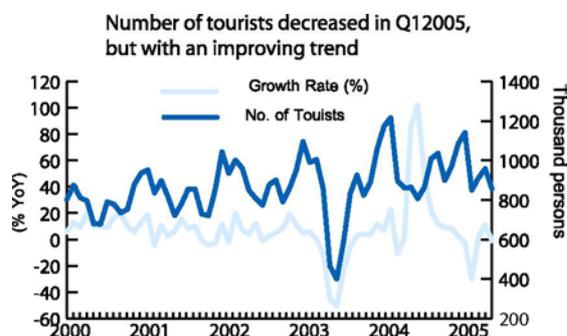
- Soaring crude oil price was passed through retail oil price and, consequently to general level, resulted in declines in real consumer purchasing power and household spending. Evidently, private consumption slowed down to 4.5 percent expansion in the first quarter of 2005, slower than 5.7 percent in 2004. This was due to rising inflationary pressure that increased from 2.8 percent in the first quarter to 3.6 percent in April and 3.7 percent in May 2005 and, in response, an upward adjustment in interest rate is expected. A slowdown in consumption was seen both in durable and semi-durable goods, but more evidently in the former. For durable good items, vehicle sale contracted by 0.2 percent in the first quarter of 2005 which was much lower than 12.9 percent growth in 2004. For semi-durable good items, spending on electrical appliances, telephones and computers increased by 4.6 percent, slightly lower than 5.0 percent in 2004.

- Though in the long term, oil price is expected to sustain at a high level, the response in 2004-2005 was an overshooting adjustment passing through the transition period. However, in the long run, government measures on energy saving and alternative energy sources will be more effective, for example, under alternative energy's strategic plan, government aims to increase share of bio-diesel to 10 percent of total diesel usage within Year 2012. Therefore, it is expected that the economy will become more resilient to the oil price change.

- (3) **As a result of drought**, crop production decreased by 11.7 percent in the first quarter of 2005 while overall agricultural sector contracted by 8.2 percent. Production of sugar cane, cassava and second paddy dropped by 22.7, 20.7 and 17.2 percent respectively. Despite export volume of agricultural product declining by 6.9 percent, significant increase in export price led export value to increase by 21.8 percent.

(4) **Bird flu impact** still remained since it was in the quarantine period; therefore, exports to Europe and Japan were prohibited. Export value of frozen chicken decreased by 98.7 percent in the first quarter and 97.5 percent in April 2005. Nevertheless, cooked chicken dramatically increased by 89.2 percent in the first quarter and 79.7 percent in April 2005.

(5) **Frozen shrimp export decreased** by 12.0 percent in the first quarter. This was due to the high export base in the first quarter of 2004 combined with the impact of damage on shrimp farm caused by the Tsunami. High export base was a result of US anti-dumping measures which caused exporters to expedite shrimp export in the first quarter of 2004.



(6) **Tourism has been affected by the Tsunami.** In the first quarter of 2005, number of tourists declined by 6.9 percent which led to a contraction of hotel and restaurant sector by 2.0 percent.

## 2. ECONOMIC PROJECTION FOR 2005: 4.5-5.5 PERCENT GROWTH RATE, 3.6 PERCENT HEADLINE INFLATION, AND A SMALL CURRENT ACCOUNT SURPLUS.

Thai economy is expected to expand continuously in 2005, but at a slower rate as the business cycle has already peaked in 2003 following the prolonged expansion in the last 6 years. The growth rate of 3.3 percent in the first quarter of 2005 is substantially below the normal trend because of temporary negative factors. As these negative factors such as drought, problems of chicken and shrimp export, and effects of the Tsunami on tourism diminish and the oil price are adjusted to the stabilized level, Thai economy will expand at the faster pace.

Positive factors expected to support the economic growth in the remaining months are as follows:



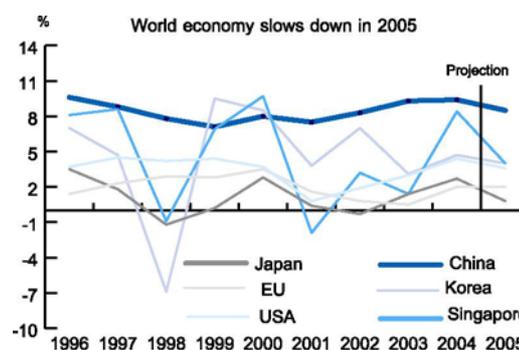
- Average export price is expected to increase further at the satisfactory rate and shall support export value. The economic growth rate of 18 Thailand's trading partners is projected to grow by 3.4 percent in 2005.
- Numbers of foreign tourists have started to pick up. In 2004, the number of international tourists increased by 11.1 percent in March. A 1.1 percent drop of number of foreign tourists in April affected by bombings in Song-Kla is expected to be only temporary.
- The investment environment and conditions remain encouraging: Judging by movements of various indicators, the investment sentiment remains encouraging. For example, net inflows of foreign direct investment increased by 117 percent in the first quarter as compared to the same period of 2004. The data on investment promotion also show the same direction of increasing. In 2004, the investments which were granted promotion increased by 110.7 percent. These investments would normally start up their operations in the period of 1-1.5 years following the approvals. As such, some of these investments being promoted are expected to start their operations this year. Moreover, the investments which have applied for the promotion expanded

by 111.2 indicating a good investment sentiment going forward.

- Government supplementary budget of 50,000 million baht from FY 2005 and 48,471 million baht from FY2004 are expected to be disbursed by this calendar year. This spending will play a supporting role in sustaining economic growth this year. Moreover, the investment plan under state owned enterprises have been expanded to 316,747 million baht, covering in part some mega projects of which the investment process could start within this year.

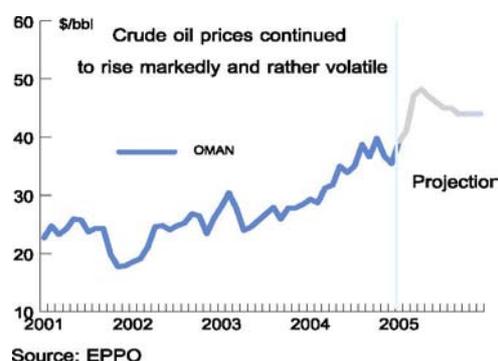
## 2.1 Key Assumptions for 2005 Projection

Downward revision of the world growth and upward revision of crude oil prices



- (1) **World Economic Growth:** The world economy in 2005 is predicted to expand by 3.4 percent, slower than 4.7 percent in 2004. The assumption is revised downward slightly from 3.8 percent growth assumed in the March projection. The downward adjustment was due to the downward revisions of key economies which predominantly drives the world growth. The 2005 economic growth of US economy is revised from 3.8 percent to 3.6 percent, the Japanese economy from 1.1 percent to 0.8 percent, and EU economy from 1.5 percent to 1.1 percent. In addition, the projections of Singapore, South Korea, Taiwan, and Hong-Kong real GDP are expected to decline from the previous estimate while the forecasted growth rates of China, Indonesian, and Malaysia are kept the same as in the previous forecast, namely at 8.5 percent, 5.5 percent, and 6 percent respectively. The downward revisions were also supported by the most recent data in the first quarter, when most countries expanded at the rate lower than that of

market expectation due mainly to the soaring oil price at a much faster pace than expected. The slowdown in the US economy significantly affected the export performance of other economies in the first quarter and it will have further affect on export performance in the remaining months. The effect of global economy is more severe in the countries which are pursuing a restricted monetary policy to reduce inflation pressure and maintain price stability.

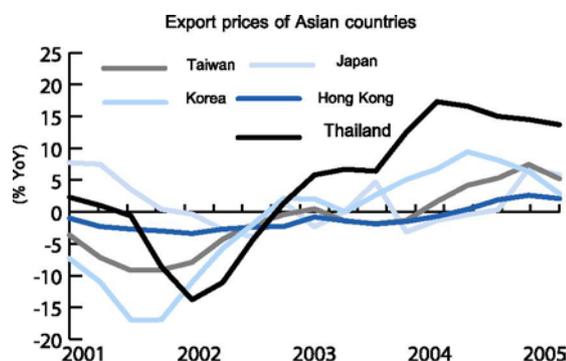


(2) **Crude Oil price** is assumed to be 44 dollar per barrel, higher than in the previous forecast of 38 dollars/barrel, and also higher than the annual average price of 30.8 dollar per barrel in 2004. In the first five month of 2005, the Dubai price was averaged at 43.2 dollars/barrel, increasing by 39.5 percent from the same period last year. For the 7 remaining months of this year, the price is expected to stay on a steady and rising trend of around 44-45 dollar/barrel. This trend will be boosted by continued rising in the global demand while spare capacity remains tight and hedge funds will actively speculate in the future oil market, leveraging on the weak fundamental of the oil market. This trend did not assume a significant lower price in the summer quarter as the demand simply switches from heating oil to gasoline. Finally, the price would be slightly scaled up in the third quarter and will be seasonally higher in the winter quarter. On May 10, 2005, the Energy Information Administration (EIA), the U.S. Department of Energy forecasted the reference rate of the West Texas Index, for the year 2005-2006, to be

about 50-51 dollars/barrel. As evident in the past two years, this reference is about 4-5 dollars/barrel higher than the Dubai crude price.

According to the expectation of 44 dollar/barrel crude oil price on average in 2005, the retail prices of benzene 95, benzene 91, and HSD will be increased to 23.10, 22.40, and 21.50 baht/litre respectively, higher than the level of 21.6, 20.9, 19.5 baht/litre assumed in the March forecast.<sup>2</sup>

(3) **Export and Import price:** In 2005, the average export price of commodities in US dollar terms is projected to increase by 11.0 percent, higher than 9.3 percent in the previous forecast. The higher increase in the export price projection is based on 13.6 percent in the first 4 month of 2005, higher than expected. The surge in price is mainly found in manufacturing goods. However, the price of export in the first quarter decelerated from that in 2004 which grew by 15.8 percent. In the remaining quarters of 2005, the growth in exports prices are forecasted to be slower as global demand expands at a slower rate. The volume of global trade is expected to expand by 7.4 percent, lower than 9.9 percent expansion in 2004.

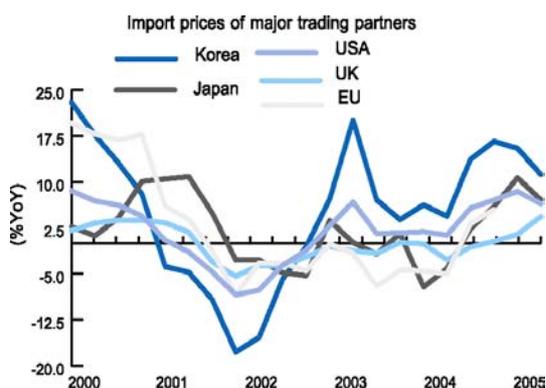


It is expected that prices of electronics, jewelry, clothes and apparels, electrical appliances will slightly increase. The price of main agriculture such as rubber is on a rising trend in April due to the continued rising trend in demand especially in China where, for example, the demand for tire and tube increased by 10 percent in the first quarter.

<sup>2</sup> During June 1-November 30, 2005, the price of diesel is at 20.50 Baht/litre. The government started to abolish the diesel price subsidy accommodated with the temporary reduction in the excise tax on diesel oil by 1 baht/litre, which is 4.6 % lower than what should be. In this projection, the price which reflects reality is used in the assumption.

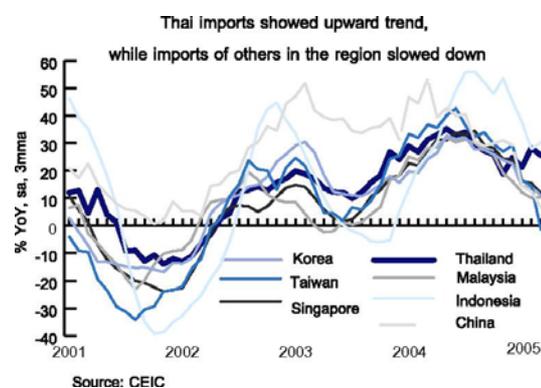
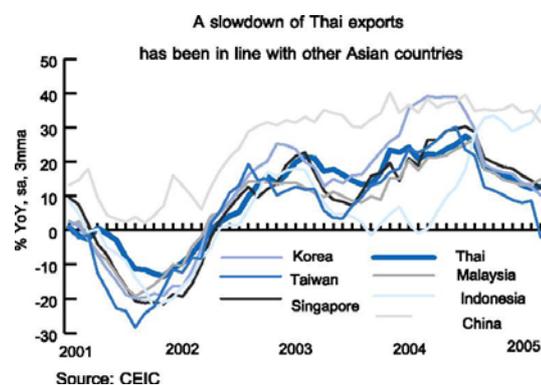
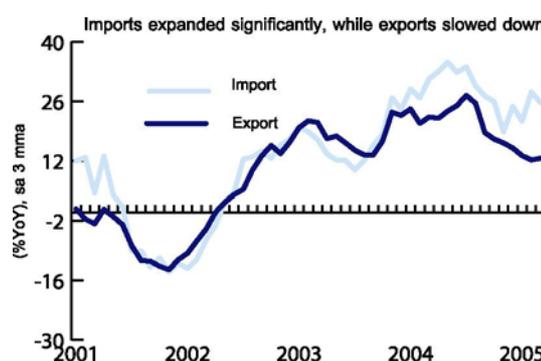
On the other hand, the demand for synthetic fibre reduced by 15.3 percent following the increase in prices pushed up by higher oil price.

In terms of import price in US dollar terms in 2005, the average import price of goods is projected to increase by 13 percent, higher rate than 10 percent in the previous forecast. However, the increase in import price is comparable to the 13.3 percent increase in 2004. In the first four months, the import price increased by 14.5 percent the import prices of crude oil and gasoline substantially increased by 39 percent, as compared with the same periods last year. On the other hand, the price of raw materials import, consumer goods, and capital goods increased at slower rates.



During the following eight months, it is expected that the price of import will continue to increase at a slower rate as the global demand is on the decelerating trend. The price of oil is on a surging trend, but not substantially accelerating compared with the last eight month of 2004 because of the high base of oil price, as seen in the increases of 15.2, 38.9, and 45.5 percent in the last 3 quarters of 2004.

Therefore, Thai economy's term of trade will decline this year, the first year since 2002. The worsening in the comparative prices between export and import will be an important factor that forces Thailand into the trade deficit. However, a higher demand for imports quantity to support domestic production for exports and domestic demand and a higher demand of expanding investment shows that Thailand is still on the rising growth cycle.



## 2.2 Revision of Economic Projection for 2005

- (1) According to the above conditions, NESDB has revised the projection of Thailand's economy down from 5.5-6.5 percent released on March 7, 2005 to 4.5-5.5 percent. Meanwhile, inflation is revised upward from 3.2 percent to 3.6 percent, due primarily to higher oil prices as well as rising agricultural products price –resulting from drought impacts and slight currency depreciation that, in turn, could possibly put pressure on commodity prices. Current account is expected to record a small surplus of 0.1 percent of GDP, lower than earlier expected of 1.0 percent of GDP. The downward revision was mainly due to impacts of oil price increase which underlining a slowdown of economy in the first quarter and, thereafter, pulls down the economic growth for the whole year.
- (2) Private expenditure is revised down from 5.3 percent to 4.6 percent. Likewise, private investment is adjusted downward following the slowdown in the first quarter and expected slowdown in domestic demand and exports. The downward revision to exports was in tandem with expected downtrend of the world economy. However, the less robust performance of exports has been in line with other Asian economies. Moreover, the downward adjustment of consumption, exports and investment would result in a lower import volume growth anticipated in March.
- (3) Economic stability is expected to remain favorable. Unemployment rate is expected to be around 2 percent. Also, international reserves still remain ample, short-term external debts will continue to be subdue in comparison to the size of international reserves, public debts

decline and exchange rate fluctuates only in narrow band. However, the economy is expected to experience higher inflationary pressure and substantial decline in current account surplus.

## 2.3 The High Case Scenario of 5.5 Percent Growth

The high case scenario of 5.5 percent growth: accelerate export promotion, aggressively recover tourism sector, and accelerate disbursement government and public enterprises budget according to the planned targets.

- (1) Accelerate the export to achieve 18 percent growth, up from 15.7 percent projected trend, or equivalent to an increase in export value by approximately 2 billion US dollar or 80 billion baht. The efforts would be primarily focused on exports of agricultural products and low-import content manufactures.
- (2) Aim at higher number of foreign tourists in 2005, attracting approximately 200,000 more foreign tourists to meet the new high target of 12.57 million tourists to reap up 6.4 billion baht more in revenue.
- (3) Full disbursement of 50,000 million baht from FY2005 supplementary budget and approximately 48,471 million baht from the FY2004 supplementary budget must be made to help sustain economic activity. NESDB has already accounted for full disbursement of 50,000 million mid-year budget in March forecast but has yet to assume for a spending of 32,000 million baht more from the FY2004 supplementary budget, which was not accounted for in the previous forecast.

## 2.4 The low case scenario of 4.5 percent growth in 2005

The low case scenario of 4.5 percent growth in 2005 is conditional upon the worst possible assumptions of a lingering Dubai or Oman price closed to 50 US dollar per barrel, which will consequently drag down the global economy growth to below 3 percent, and domestically such a surge in oil price will render inflationary pressure less manageable and leave Thailand with inflation rate of higher than 4 percent.

### 3. PROBABILITY OF VARIOUS GROWTH PROJECTION SCENARIOS

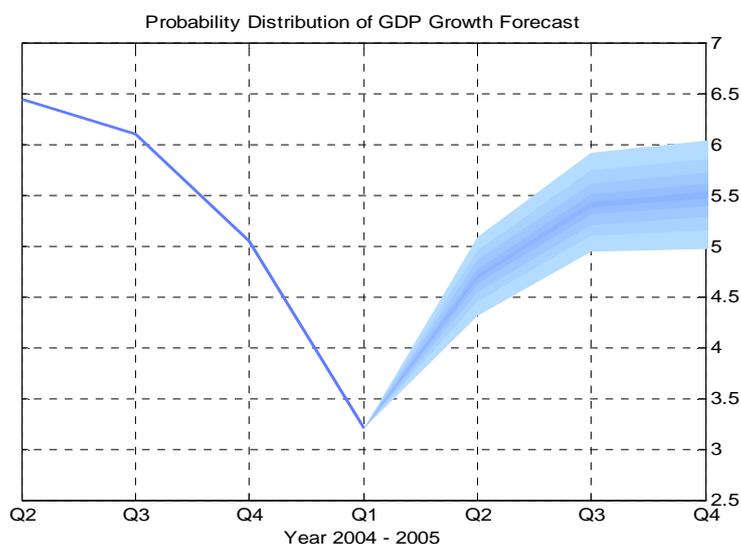
The assessment of economic conditions both internal and external factors indicates that the most likely case of economic growth in 2005 will be between 4.5 to 5.5 percent with a probability of around 86 percent.

Uncertainties due to various conditions cause varying degrees of downside risk and upside risk. Overall, however, NESDB assigns equal probabilities for downside and upside risks associated with the key assumptions being oil price and the world economic growth. The recent movement in oil prices in the world market suggested that it is equally possible for oil prices to up or down especially when technical and psychological factors play predominant role in price determination. Evidently, both positive and negative news related to around the oil market are common, for example, negative news on running down of oil inventories in the US or OECD countries and positive news on slowing down in the global demand for oil. Factors contributing to downside and upside risks on the prospect of the global economic growth of 3.4 percent are also assessed to be equally possible. The key variable to global prospect is the US economic growth, which is currently in the range of 3.4-3.8 percent with 3.6 percent model forecast, underpinned primarily by the oil price and interest rate trend. Moreover, the probability forecast indicates that the cases of economic growth rate below 4.5 percent or above 5.5 percent growth are rather remote.

#### Probability of various growth projection scenarios

| Probability       | Percent |
|-------------------|---------|
| Pr. {<4.0%}       | 2%      |
| Pr. {4.0%– 4.5%}  | 8.3%    |
| Pr. {4.5% - 5.0%} | 42.9%   |
| Pr. {5.0% -5.5%}  | 43.2%   |
| Pr. {>5.5%}       | 3.6%    |

} = 86.1%



**Economic Projection of 2005**

|   | Preliminary |         | Projection 2005 |           |
|---|-------------|---------|-----------------|-----------|
|   | 2003        | 2004    | Mar 7,05        | June 6,05 |
| GDP (at current prices: Bil.Bht)            | 5,930.4     | 6,576.8 | 7,198.8         | 7,195.0   |
| GDP Growth (at constant prices, %)          | 6.9         | 6.1     | 5.5 - 6.5       | 4.5-5.5   |
| Investment (at constant prices, %)          | 11.9        | 14.4    | 15.6            | 11.9      |
| Private (at constant prices, %)             | 17.5        | 15.3    | 15.7            | 10.6      |
| Public (at constant prices, %)              | -0.8        | 11.7    | 15.3            | 15.3      |
| Consumption (at constant prices, %)         | 5.8         | 5.4     | 5.7             | 5.1       |
| Private (at constant prices, %)             | 6.4         | 5.6     | 5.3             | 4.6       |
| Public (at constant prices, %)              | 2.0         | 4.1     | 8.6             | 8.6       |
| Export volume of goods&services (Volume, %) | 7.0         | 7.8     | 5.9             | 5.2       |
| Export value of goods (Bil.USD)             | 78.1        | 96.1    | 110.3           | 111.1     |
| Growth rate (%)                             | 18.2        | 23.0    | 14.8            | 15.7      |
| Growth rate (Volume, %)                     | 9.5         | 7.0     | 5.5             | 4.7       |
| Import volume of goods&services (Volume, %) | 7.7         | 12.1    | 9.4             | 9.0       |
| Import value of goods (Bil.USD)             | 74.3        | 94.4    | 113.4           | 116.1     |
| Growth rate (%)                             | 17.4        | 26.9    | 20.2            | 23.0      |
| Growth rate (Volume, %)                     | 9.7         | 12.1    | 10.2            | 10.0      |
| Trade balance (Bil.USD)                     | 3.8         | 1.7     | -3.2            | -4.9      |
| Current account balance (Bil.USD)           | 8.0         | 7.3     | 1.9             | 0.1       |
| Current account to GDP (%)                  | 5.6         | 4.5     | 1.0             | 0.1       |
| Inflation (%)                               |             |         |                 |           |
| CPI   | 1.8         | 2.7     | 3.1             | 3.6       |
| GDP Deflator                                | 1.9         | 4.6     | 3.6             | 4.4       |

Source: Office of the National Economic and Social Development Board, June 6, 2005