

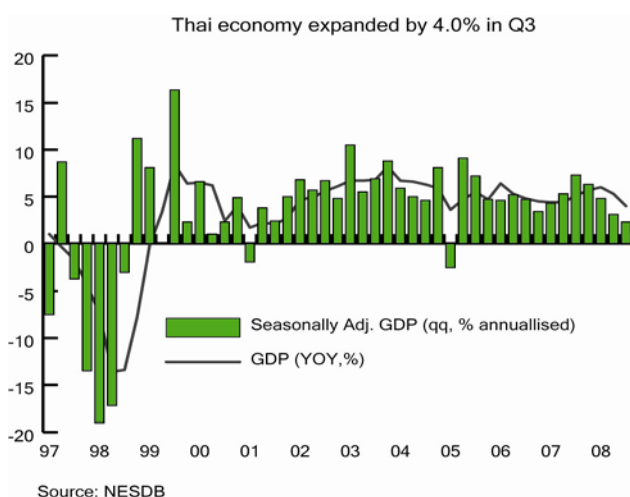
ECONOMIC OUTLOOK

THAI ECONOMIC PERFORMANCE IN Q3 AND OUTLOOK FOR 2008 - 2009

- ❑ **The Thai economy in the third quarter of 2008 expanded by 4.0 percent, slowed down from 6.0 and 5.3 percent in the first and second quarter respectively as a result of weakening domestic demand and a slowdown in export.** In the first three quarters of 2008, the economy grew at a satisfactory rate of 5.1 percent, This will help absorb impacts from worsen global economic condition in the coming period.
- ❑ **Overall economic stability remained positive as inflationary pressure softened as oil and commodity prices declined, but trade balance and current account recorded a deficit.** In the third quarter, headline inflation was 7.3 percent; with monthly headline inflation continuously slowed down from 9.2 percent in July to 6.4 and 6.0 percent in August and September respectively, and decelerated further to 3.9 percent in October. However, trade and current account balances registered a deficit. This was attributable to the slowdown in export in contrast with accelerated import expansion, and the impacts of full-blown global financial crisis and domestic political uncertainties on tourism incomes as well as low tourism-season. Unemployment rate remained low at 1.2 percent.
- ❑ **Policy rate adjusted upward and inflation rate deceleration raised real interest rate, though remained negative. Credits accelerated while deposits contracted and signaled a tighter liquidity condition.** Thai baht vis-à-vis USD depreciated steadily since mid April. SET index on average declined and remained periodically volatile following foreign capital movement amid global financial turbulence caused by widening effect of a full-blown financial crisis.
- ❑ **Fiscal balance recorded deficit, on budget balance basis, but cash balance continued to record surplus from the previous quarter FY 2007.** This resulted from higher revenue but slight increase expenditures. Public debts at the end of September were 3.41 trillion baht, increased by 1.0 percent from the end of June 2008.
- ❑ **In the fourth quarter of 2008, The Thai economy is expected to slow down further as the deepening global slowdown will restrain export expansion.** For the whole year, the economy is expected to grow by 4.5 percent, compared to 4.8 percent in 2007, with inflation rate of 5.6 percent, average unemployment rate of 1.4 percent and current account deficit of approximately 300 million USD, compared to a surplus of 14,049 million USD in 2007.
- ❑ **The Thai economy is likely to moderate in 2009, in spite of stronger impacts from deteriorating global economic and financial condition on export, while domestic spending and investment remain sluggish.** Against this backdrop, the economy is forecasted to expand by around 3-4 percent with a moderate inflation rate of 2.5-3.5 percent and current account deficit of 1.2 percent of GDP.
- ❑ **Economic management in 2009 should aim to stimulate and strengthen domestic economy, using government budget and government project implementation as a key driver.** In addition, short-term measures to mitigate negative impacts from global economic crisis including 1) preparation for layoff-workers with appropriate welfare scheme and training for skill enhancement, 2) closely monitoring those sectors with severe impacts such as tourism, export, and real estate, 3) establish supporting mechanism for farmers that suffered from output price decline by ensuring efficient production planning, fair incomes and sufficient liquidity.

1. Economic performance in Q3

1.1 The Thai economy in the third quarter of 2008 grew by 4.0 percent, slowed down from 6.0 and 5.3 percent in the first and second quarter respectively. This is owing to the impacts of global financial crisis, the increase in raw material price and investment contraction. Meanwhile, the contribution from net exports declined as import volume accelerated. Overall, the Thai economy expanded by 5.1 percent in the first nine months of 2008.



Key Highlight

(1) In the third quarter, household consumption expanded at the same rate as in the first half of 2008, private investment noticeably softened. Export value expanded at a solid pace but its volume showed a sign of deceleration. Production moderated visibly both in manufacturing and service sectors. Nonetheless, agricultural continued to expand.

- Export Volume in the third quarter expanded by 9.0 percent, softened from 9.8 percent in previous quarter. Services revenues slowed down due to the decline in tourism number. Favorable factors associated with solid growth in export value are rising world demand for agricultural products and softening agricultural prices (rice, cassava, and rubber). Manufacturing exports continued to increase both in terms of value and volume. In all, export value of goods and services grew by 22.5 percent, accelerated from 16.6 percent in the second quarter.

Commodities with strong export expansion in the third quarter were (i) Agricultural products such as rice (129.3 percent), rubber (44.4 percent), cassava (20.6 percent), and (ii) Fishery grew by 11.3 percent, after slipped by 1.4 percent in previous quarter which was attributable to the strong expansion in the export of raw and frozen shrimp (10.3 percent). (iii) Manufacturing products increased by 20.4 percent, up from 13.0 percent in previous quarter. This was due to acceleration in export expansion of electrical appliances (12.0 percent compared to a contraction of 0.4 percent in previous quarter), canned foods (40.8 percent, compared to 34.1 percent in previous quarter), rubber products (23.4 percent, from 14.8 percent in previous quarter), automobile and parts (39.3 percent, from 3.3 percent in previous quarter). However, exports of furniture

and parts continued to decline (- 5.0 percent compare to -12.8 percent in second quarter).

Exports to the main market remained strong. In the third quarter, exports to main market including the US and Japan, increased by 12.0 and 23.6 percent respectively from a low base last year. Export to ASEAN5 and the EU expanded by 31.7 and 9.9 percent respectively. Other main markets with strong export expansion are South Korea, India and the Middle East. On the contrary, export to China and Hong Kong started to moderate in tandem with a slowdown of Chinese economy.

Export share by country

	2003	2004	2005	2006	2007	2008		
						Q1	Q2	H1
U.S.	17.8	19.4	19.8	15.0	12.6	11.7	11.0	11.2
Japan	16.8	15.1	14.6	12.6	11.8	11.3	11.4	11.1
EU 15	15.1	15.9	15.0	13.0	12.8	12.8	11.6	10.9
Asian (9)	21.7	21.8	19.9	20.8	21.4	21.6	24.8	22.7
Middle East	4.5	3.3	3.6	4.4	4.9	4.8	5.1	5.9
Australia	1.4	1.6	2.4	3.4	3.8	4.0	4.0	4.7
China	2.9	3.0	5.2	9.0	9.7	9.9	9.3	9.2
India	0.5	0.5	0.6	1.4	1.8	1.7	1.9	2.0
Hong Kong	5.2	5.9	5.4	5.5	5.6	6.1	5.6	5.4
South Korea	1.4	1.8	2.1	2.1	1.9	1.9	1.7	2.4
Taiwan	2.4	2.7	2.9	2.6	2.2	1.7	1.6	1.4
South Africa	0.4	0.4	0.5	0.8	0.9	0.9	1.0	1.0
Others	9.9	8.3	8.0	9.3	10.4	11.6	11.0	11.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: BOT

❑ **Agricultural production** expanded by 9.9 percent, faster than 3.1 and 8.6 percent in the first and second quarter respectively. This was attributable to the expansion of plantation area following the recent agricultural prices surge, which eventually led to strong agricultural production expansion such as rice, oil palm, rubber and cassava. This situation notably raised farm income by 57.0 percent in the third quarter. In the first nine months, farm income increased by 44.4 percent while agricultural production expanded by 6.9 percent

❑ **Industrial sector expanded by 6.1 percent**, down from 9.5 percent and 7.7 percent in the first and the second quarter respectively. The slowdown was observed both in production for domestic market and export-oriented production. The latter was affected by the US sub-prime crisis in the US that reduced demand and thus

slowdown production of hard disk drives and electrical appliances. Meanwhile, production of wood furniture and leather in this quarter declined markedly.

❑ **Numbers of foreign tourists dropped by 1.7 percent for the first time in 3 years.** In September, number of tourism contracted by 16.5 percent, due to a prolonged and more violence domestic political tension as seen from temporary airport shutdown in the south and the enforcement of emergency decree. This development eroded tourism confidence. The occupancy rate in the third quarter was 53.7 percent, falling from 57.7 percent in the same period last year. The decline in tourism activities had negative effect on hotel & restaurant, and transportation sector which expanded by only 0.2 and 1.5 percent compared to 5.9 and 3.6 percent respectively in previous quarter.

❑ **Financial sector** grew by 9.1 percent from the same period last year, benefiting from credit expansion, particularly the business loan. This reflected higher demand for operating capital following rising input prices and transportation cost. Meanwhile, consumer credits continued to grow, supporting by the expansion of housing loans.

(2) Key concerns: weakening domestic demand

❑ **In the third quarter, household consumption** grew by 2.6 percent, slightly increased from 2.5 percent in the previous quarter. The continue expansion was supported by (i) the increase in farm income as a result of higher agricultural prices (ii) minimum wage increased (iii) "6 months 6 measures"¹ economic package which partly helped

¹ The "six months, six measures" economic package is as follows:

- 1) Excise tax cuts bring the price of gasohol 91, 95, E10, E20 and E85 down by 3.30 baht/litre to 0.0165 baht from the current price 3.3165 baht/litre, diesel B2 down by 2.30 baht/litre to 0.005 baht and bio-diesel B5 down by 2.19 baht/litre to 0.0048 baht, effective on July 25th 2008.
- 2) Freeze the price of household cooking gas for 6 months.
- 3) Free tap water for household using less than 50 cubic metres/month.
- 4) Free electricity for households using less than 80 units/month; 50% subsidy for those using 81-150 units.
- 5) Free travel on 800 non air-conditioned BMTA buses.
- 6) Free travel on all non air-conditioned trains, will cover 16 million persons and cost the government about 250 million baht.

ease inflationary pressure and raised purchasing power. Nonetheless, household spending remained concentrate in the consumption of durable goods which expanded by 9.4 percent, in particular spending on vehicles and household electrical appliances. Spending on semi-durable goods and services expanded by 3.4 and 5.2 percent while spending on foods dropped by 0.3 percent.

- **Private investment continued its slow pace with a growth rate of 3.5 percent**, compared to 6.5 and 4.3 percent in the first and second quarter respectively. The slow expansion rate was attributable to higher raw materials cost, softened domestic demand, domestic political uncertainty and global economic slowdown which eroded business sentiments and eventually caused new investment projects to delay. In the first 9 months, private investment expanded by 4.8 percent.

- **Government expenditure and public investment in real terms declined by 2.9 and 5.5 percent respectively.** The government budget disbursements increased due to the expansion of current budget, while investment budget declined. Together with the rising prices, public investment at constant prices declined. Public investment in construction contracted for two consecutive quarters due to rising cost of construction material of 26.6 percent, up from 24.6 percent in previous quarter. In the third quarter, public investment in construction of central government, state owned enterprises and local administration plummeted by 7.3 percent.

In the fourth quarter of FY2008, disbursement of government budget registered at 397,706 million baht. Overall, the annual government disbursement in FY2008 (October 2007-September 2008) registered at 1,532,446 million baht. This was accounted for 92.3 percent disbursement rate of planned budget of 1,660,000 million baht (lower than the target of 94.0 percent disbursement rate). The current budget disbursement was 348,267 million baht and the investment budget disbursement was 49,440 million baht. The disbursement of carry-over budget was 14,829 million baht. Disbursement of

public enterprises including Petroleum Authority of Thailand during July-September registered at 70,974 million baht (increased from 50,071 million baht in the same period last year).

- **Inventories** build up in the third quarter. The build-up of manufacturing inventories for three consecutive quarters was an unusual trend since the stock should normally be released in the third quarter. This is because weakening domestic demand and deteriorating global economic condition had lowered demand for the products. The build-up of inventories are in food and beverage, textile, furniture, radio and television which indicated further slowdown in these industries.

- (3) **Over all, economic stability in 2008 remained strong.** Inflationary pressures started to subside. However, risks associated with current account deficit heightened.

- **Unemployment rate in the third quarter was 1.2 percent and employment rate increased by 1.8 percent.**

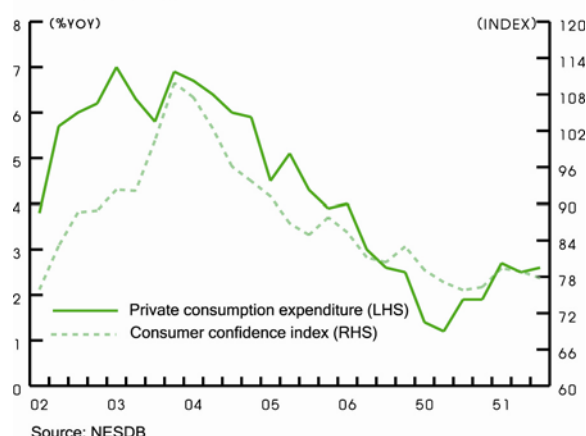
- **Inflationary pressure has eased since August.** In the third quarter, inflation rate was 7.3 percent, somewhat lower than 7.5 percent in the second quarter. The rates subsided in August and September to 6.4 and 6.0 percent respectively, compared to a high rate of 9.2 percent in July. This lessened inflationary pressure was partly the effect of the 6 months 6 measures economic package, observed in a decline in inflation rate of electricity, energy light and water supply by 26.1 percent. Moreover, the excise tax reduction on gasoline and the falling world oil price has softened the inflation in transportation and communication. However, inflation in food items continues to rise. In the first 10 months, headline and core inflation rate were 6.3 and 2.4 percent respectively.

- **Current account registered a larger deficit in the third quarter.** Trade balance was in a deficit of 1,296 million US dollars, from a surplus of 425 million US dollars in the second quarter and deficit of 109 million US dollars in the first quarter. In the first 9 months, overall trade balance registered a deficit of 979 million

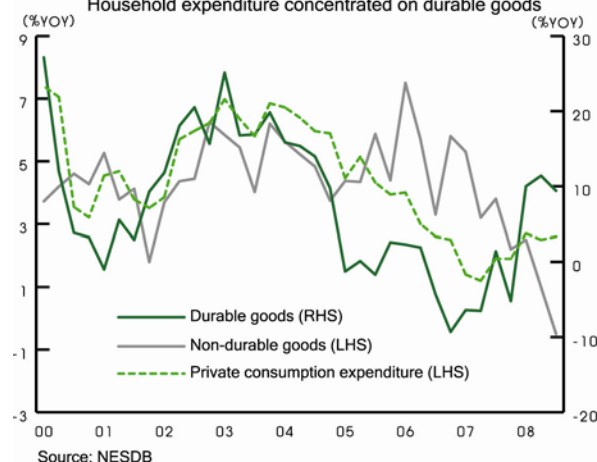
US dollars or equaled to 31,757 million baht. Similarly, service, income and transfer balance registered a deficit of 1,166 million US dollars as a result of repatriation of foreign investors' earning and dividend. Moreover, tourism receipts significantly slowed down. Accordingly, current account balance in the third quarter registered a deficit of 2,461 million US dollars (or equivalent to 83,189 million baht), higher than a deficit of 1,016 million US dollars in the second quarter. Under the circumstances of export slowdown, as a result of the global recession, the current account deficit has become a key concern that requires appropriate risk management to maintain external stability. In addition, current account deficit put a downward pressure on the Thai baht value. In the third quarter, Thai baht was 33.84 bath per US dollar, depreciating from 32.38 and 32.28 baht per US dollar in the first and the second quarter respectively. On 20 November 2008, Thai baht was 35.07 baht per US dollar.

- ❑ **Fuel and Lubricants: import value increased by 60.0 percent**, accelerated from 51.2 percent in the second quarter (as a result of growth rate of price and volume of 44.5 and 9.8 percent respectively). In the third quarter, import volume of crude oil fell by 10.2 percent, while import price rose by 78.6 percent

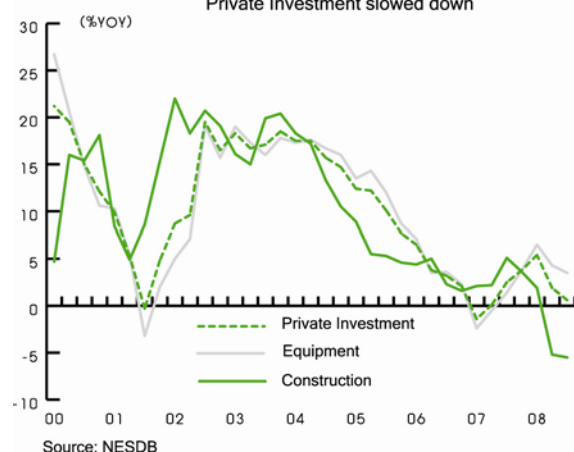
Private consumption in Q3 expanded at the same rate as in the first half of 2008



Household expenditure concentrated on durable goods



Private Investment slowed down



Economic Condition in the third quarter of 2008 by sectors

□ **Household expenditure expanded by 2.6 percent in the third quarter, the same rate as in first half of 2008.** Supporting factors include (i) Strong increase in farm income of 57.0 percent as a result of higher volume and prices of agricultural products (ii) Upward adjustment of minimum wage since 1 June 2008, and the 6 months 6 measures economic package to alleviate the impacts of high inflation and enhance consumer's purchasing power. (iii) High oil price has influenced consumer decision to buy energy-saving vehicles such as compact car and eco-car. Nevertheless consumer confidence continued to decline due to concerns over economic and income prospects as well as development in political situation as reflected by continual contraction of consumer confidence index.

The expansion of household spending mostly concentrated on durable goods that increased by 9.4 percent. Key commodity items were cars, motorcycles, household electrical appliances (namely washing machine, refrigerator and air conditioner etc.). Spending on semi-durable and services which expanded by 3.4 and 5.2 percent respectively. However, household spending on foods decreased by 0.3 percent due to the increase in food prices.

For the first 9 months, private expenditure grew by 2.6 percent, attributable to the expansion of expenditures on durable goods, semi-durable goods, foods and services of 10.2, 3.5, 1.0 and 1.9 percent respectively.

□ **Private investment: slowed down amid mounting production cost, weakening global economy and domestic political uncertainty, which eroded business sentiment and caused new investment to delay.** Private investment grew by 3.5 percent in the third quarter, slowed down from 6.5 and 4.3 percent in the first and second quarter respectively. Although fuel cost pressure started to decline in August due to lower oil price, it remained higher than normal trend. Together with domestic political uncertainties and full-blown financial crisis in the US that currently encompassing Japan and European countries,

investor's confidence had been eroded by the concerns over their impacts on the domestic economy as indicated by the continual contraction of business confidences which imply that the business sector will postpone new investment projects for awhile.

Nevertheless, there were several favorable factors supporting private investment expansion, including the negative real interest rate, government investment supporting measures for community enterprises and small and medium-sized enterprises (SME), tax measures for stimulating investment and measures for enhancing competitiveness.²

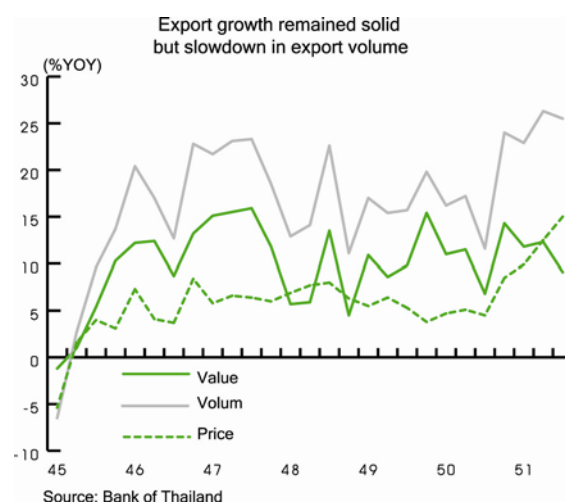
Investment in machinery and equipment grew by 5.4 percent. Import of capital goods (at 2000 prices) rose by 17.5 percent, in particular, investment in electrical machinery, industrial machinery, and metal equipment continued to expand. Domestic machinery sales (at 2000 prices) increased by 2.2 percent in July to August. Whereas commercial car sale dropped by 25.9 percent.

Investment in private construction dropped by 1.9 percent, compared to 0.9 percent growth in the first half of 2008, due to the slowdown of commercial building and residential construction from 9.8 and 6.4 percent in previous quarter to 4.5 and 3.1 percent respectively. In addition, industrial plant construction and other constructions sharply contracted by 14.4 and 17.8 percent respectively.

For the first 9 months, private investment grew by 4.8 percent. Investment in machinery and equipment

increased by 6.3 percent but investment in construction declined by 0.1 percent (classified into 9.5, 1.4 and 0.8 percent expansion of commercial building construction, residential construction and industrial plant construction respectively. Meanwhile other constructions dropped by 7.8 percent).

□ **Export growth remained solid but with a sign of slowdown in export volume.** In the third quarter of 2008, export continued to expand at a satisfactory rate both in terms of price and volume. Therefore, in US dollar term, export value increased at a solid pace of an average 25.5 percent. The supporting factors were the increase in world demand for agricultural commodities which contributed to agricultural prices in the third quarter, the advanced orders in the second quarter from new and Asian markets. In the third quarter, export price and volume increased by 15.0 percent and 9.1 percent respectively which resulted in 24.8 percent expansion of export value in baht term.



However, there was a clearer sign of slowing down in export, as indicated by decelerated rate of volume expansion from an average rate of 14.1 percent in the first seven months to an average rate of 2.6 percent between August and September.

² Measure on 4th March 2008, (1) Tax measures for supporting local economy and small and medium-sized enterprises comprising of personal income tax exemptions for individual and small and medium-sized enterprises whose earning less than 1.2 million baht per year, corporate tax exemption for 150,000 baht of initial profit (formerly pay 15 percent) for companies whose have registered capital not less than 5 million baht. (SMEs would be able to reduce cost by 22,500 baht.) (2) Tax measures for stimulating investment and enhancing competitiveness were the higher rate of deductibility of machinery depreciation, income tax exemption for energy-saving equipments, the full depreciation of computer software within 3 accounting period, specific business tax reduction for sale of property from 3 percent to 0.1 percent and fees reduction for the transfer and mortgage of property from 2 percent to 0.01 percent.

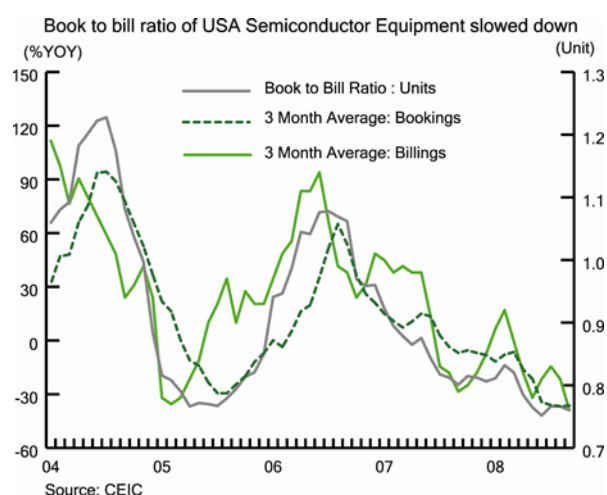
Export of Agriculture								
Export (%YOY)		2007			2008			
		Year	Q3	Q4	Q1	Q2	Q3	9M
Rice	Value	34.2	16.9	59.4	108.1	156.0	134.2	134.5
	Price	9.5	7.3	4.2	13.6	90.9	88.4	64.1
	Quantity	22.7	7.7	53.1	82.7	35.3	23.4	44.7
Rubber	Value	4.5	-6.4	17.8	33.6	30.5	47.1	37.6
	Price	7.1	-7.2	27.0	33.8	26.9	43.8	34.7
	Quantity	-3.0	0.6	-7.4	0.0	2.9	2.4	1.7
Cassava	Value	23.1	-1.1	13.0	13.5	20.0	23.3	18.3
	Price	24.5	40.5	55.4	58.9	61.9	39.3	51.8
	Quantity	3.8	-29.7	27.2	-29.3	-25.5	-11.8	-24.3
Corn	Value	48.6	296.4	-9.7	229.6	-6.6	201.4	150.9
	Price	-7.0	-41.4	37.9	15.0	186.3	27.2	85.3
	Quantity	22.7	395.3	34.4	181.1	-43.5	136.6	107.4

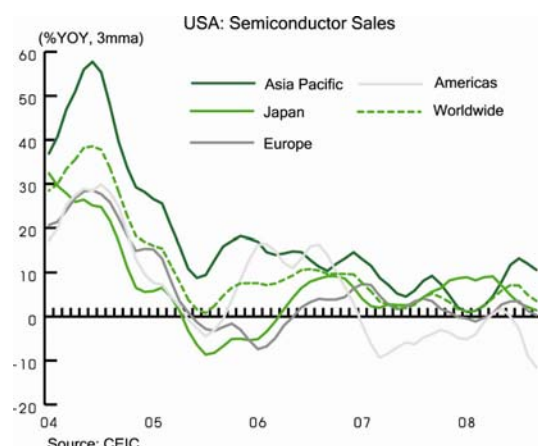
Source: Ministry of Commerce

❑ **Agricultural commodity: export price accelerated notably and supported a robust expansion of export value.** In the third quarter export of agricultural commodity grew by 66.1 percent with the increase in export price of 56.8 percent. Export price of rice, cassava and rubber continued to increase significantly but export volume of agricultural commodity slowed down from the first half of 2008 to 5.8 percent due to the reduction in export volume of cassava in line with the contraction of its domestic production. Export volume of rice and rubber slowed down as rubber's demand from China (the major export market) decelerated in tandem with the slowdown of tire industry and the release of rubber stock into the market.

❑ **Manufacturing products: export value remained favorable** with the continued increase in export price of 10.7 percent and export volume of 10.8 percent and resulted in 22.7 percent expansion of its export value in the third quarter. The key drivers for manufacturing export expansion were the export of automobile, petroleum products, rubber products, and petrochemical products. Meanwhile export value of computer and parts, gems and jewelry, and plastic slowed down. In addition, integrated circuit, machine and parts, air-conditioner and parts, which are among major export commodities, experienced a contraction in export value. However, the strong export expansion in the third quarter was a result of advanced orders before the full-blown financial crisis while effects on the real economy were still unclear.

❑ **Electronic products showed a clearer sign of export slowdown.** In the third quarter, export value of electronic products increased by 2.5 percent, slowed down from 5.6 and 7.4 percent in the first and second quarter respectively. The deceleration in its export was partly attributable to the demand contraction after Beijing 2008 Olympic Games and the slowdown in electronic market cycle that began the second quarter of 2007. The commodities with the contraction of its export value were





Key Export Market

(%YOY)	2007				2008			
	Year	H1	Q3	Q4	Q1	Q2	Q3	Share
Major Market	10.9	12.2	2.4	17.3	12.2	20.7	20.1	50.4
USA	-1.3	-0.1	-9.3	5.2	7.2	6.2	12.0	11.2
Japan	9.7	12.9	1.9	11.9	6.3	19.8	23.6	11.1
EU (15)	15.5	23.0	10.4	7.6	11.7	8.3	9.9	10.9
Asian (5)	19.6	14.7	8.5	41.3	21.8	42.9	31.7	17.1
Others	25.6	7.1	22.2	30.8	31.7	30.6	30.9	49.6
Hong Kong	19.7	12.2	23.6	39.3	46.3	34.0	9.4	5.4
Taiwan	-1.5	13.8	-22.4	-5.4	-26.7	-13.3	-4.2	1.4
South Korea	11.1	16.7	5.1	12.1	13.9	12.2	60.4	2.4
Middle East	29.0	25.6	31.7	32.2	23.9	31.3	46.5	5.9
India	47.1	62.7	56.7	17.0	24.4	31.6	24.8	2.0
China	26.4	27.4	25.8	25.4	34.2	21.5	13.9	9.2

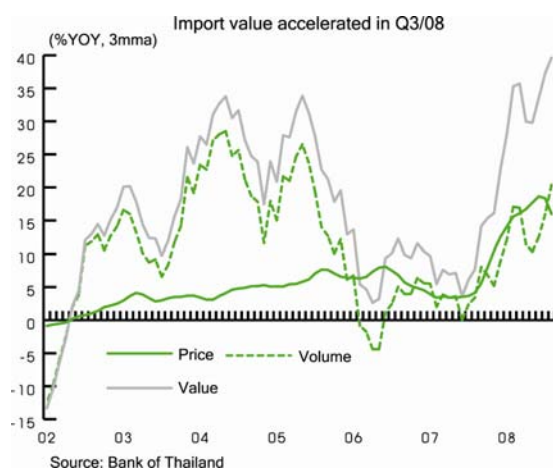
Source: Ministry of Commerce

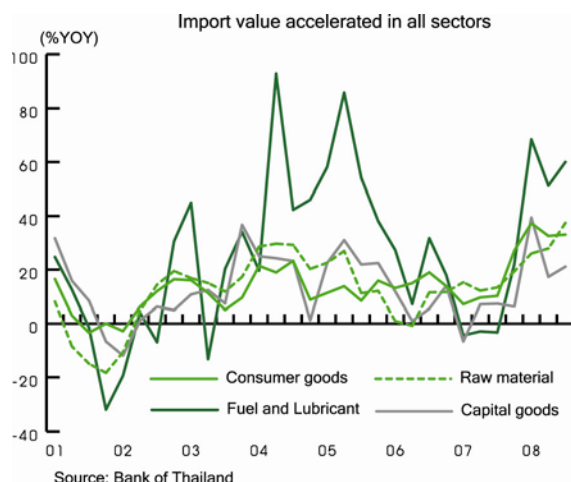
integrated circuit, printer circuit, and ball bearing. The export of computer and parts, the main electronic export commodity (with its share of 10.3 percent in total export), significantly slowed down with its growth rate of 6.8 percent, compared to 17.9 and 18.2 percent in the first and second quarter respectively.

- **Export markets: export to major markets continued to expand and export to other markets increased favorably.** In the third quarter, exports to the major market expanded satisfactorily with the increase of export value to Japan and the US by 23.6 and 12.0 percent respectively (the expansion from a low base in the third quarter of 2007). Export commodities which had a satisfactory growth rate in the US market were canned seafood, gems and jewelry, radio receiver, television, and iron and steel, etc., and those in Japanese market were rubber, processed chicken, electrical appliances and parts. Export to Asian and EU markets increased by 31.7 and 9.9 percent respectively while export to other markets such as India and Middle East continued to grow satisfactorily. However, export to China and Hong Kong started to slowdown due to economic deceleration, in particular, export of rubber and electronic products.

For the first nine months, export value in US dollar term increased by 25 percent with export price and volume growth of 12.5 and 11.0 percent respectively. In baht term, export value and price increased by 18.4 and 6.4 percent respectively. Export value of agricultural and industrial products grew by 58.9 and 22.6 percent respectively.

- **Import accelerated, particularly import of raw material and semi-finished goods.** In Q3, import value grew by 39.1 percent in US dollar term, compared to 29.3 percent in the second quarter, attributable to growth in all import categories in particular raw materials and semi-finished goods in tandem with export expansion. Besides, there was expectation about Thai baht depreciation and high import price. Import of fuel and lubricant rose in line with the surge in oil price in July 2008.



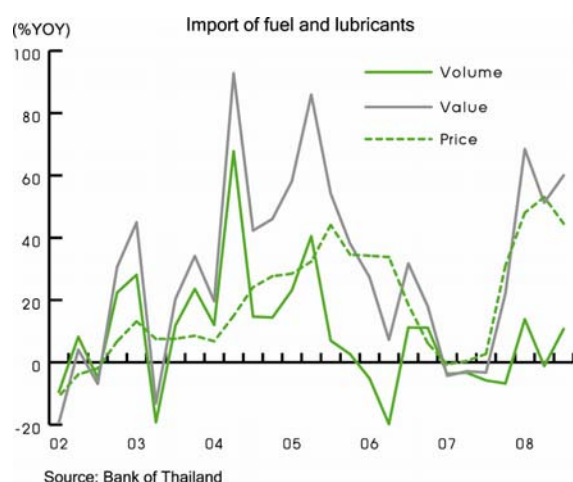


Furthermore, import volume grew at remarkable rate of 19.8 percent, comparing to 9.9 percent in the second quarter. Meanwhile import price slowed down to 16.0 percent, mainly due to contraction of oil price in August and September 2008. In term of Thai Baht, import value and price increased by 38.3 and 15.3 percent respectively. However, the high growth of import, as seen in 2008, was an expansion after a period of import slowdown in 2007.

□ **Capital goods: import volume expanded by 21.1 percent, accelerated from 17.3 percent in previous quarter.** Main drivers for the import expansion were agricultural machinery, tools and parts and transportation equipments. Nonetheless, Import of capital goods in this quarter fluctuated considerably as a result of fluctuation of import in previous year, recession of global economy and political uncertainties. Therefore, business sectors have to adjust their policy according to unstable situation. In the third quarter, import volume and value expanded by 15.9 and 4.5 percent consequently.

□ **Raw material and semi-finished goods: Import value expanded by 37.4 percent, accelerated from 27.9 percent in the previous quarter.** Import value of iron and gold continued to increase in spite of higher iron price as importers speculated that this price would continue its increase, thus they tried to increase stock before price rising. Furthermore, the increase in import volume of gold was a result of lower price which led to higher investment and speculative demand. This was seen in the import volume and value of raw material and semi-finished goods which grew by 21.8 and 12.8 percent respectively.

□ **Fuel and Lubricant: Import value in the third quarter increased by 60.0 percent, accelerated from 51.2 percent in the second quarter** due to the increase in price and volume by 44.5 and 9.8 percent respectively. In this quarter, import volume of crude oil decreased by 10.2 percent but price increased by 78.6 percent.



- **Consumer goods:** Import value expanded by 33.1 percent because the appreciation of Thai baht had encouraged consumers with high purchasing power to spend in imported products such as electrical appliances, watches and parts, milk and dairy products, gems and jewelry, lens and glasses and parts. In the third quarter, import volume and price increased by 29.7 and 2.6 percent respectively.

For the first 9 months, Import value in term of US dollar increased by 34.5 percent, with increased in volume and value by 15.5 and 16.4 percent respectively. In term of baht, import volume and value increased by 27.4 and 10.1 percent respectively. Export volume on capital goods, raw material and semi-finished goods, fuel goods and consumer goods increased by 25.3, 30.6, 59.4 and 34.2 percent consequently.

- **Term of trade improved as export prices increased** by 15.0 percent, while import price increased by 16.0 percent, slowed down from the average of 17.7 percent. This led term of trade in the third quarter improved, by decreased only 0.8 percent, lower than decrease by 4.9 and 4.4 percent in the first and second quarter.



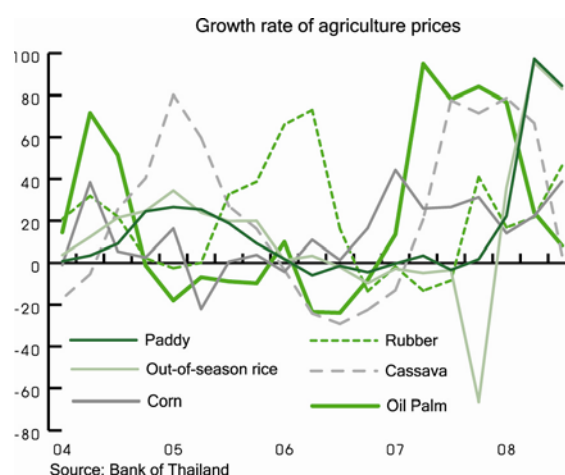
- **Trade Balance registered a deficit of 1,296 million US dollars** (or 43,465 million baht), compared to a surplus of 425 million US dollars in the second quarter, and a deficit of 109 million US dollars in the first quarter. For the first 9 months,

trade balance recorded a deficit of 979 million US dollars, which was equivalent to 31,757 million baht.

- **Current account was recorded a deficit in the third quarter.** Net service, income and transfer during the third quarter registered a deficit of 1,166 million US dollar, mainly due to an increase in repatriation of investment income, a slowdown of foreign tourist income during a low season and also the impact of high oil price and political uncertainties. As combine with deficit of trade balance, current account marked deficit at 2,461 million US dollars (or 83,189 million baht), compared to 1,016 million US dollars in the second quarter. For the first 9 months, current account deficit 788 million US dollars (or 27,040 million baht).

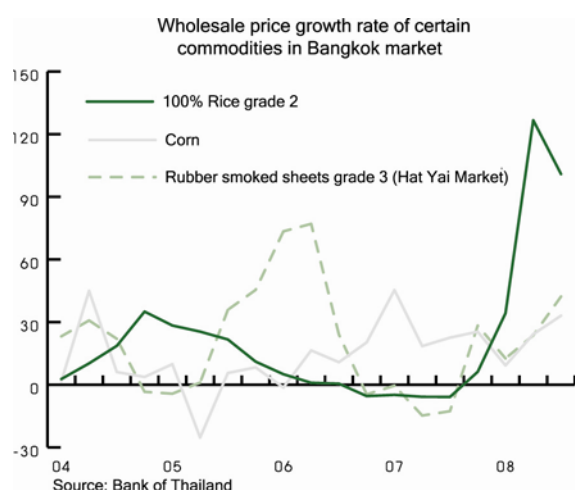
□ Production Side

- **Agricultural sector expanded by 9.9 percent**, notably picked up from 3.1 and 8.6 percent in the first and second quarter. As a result of rising price of agriculture products, farmer expanded agricultural production and plantation area. Even though in September, many locations around the country were flooded, the damages were minimal. Growth in main agriculture productions remained high; including rice, cassava, oil palm and rubber. Price of major agricultural products had increased; such as rice (increased by 84.4 percent), rubber (increased by 46.3 percent), oil palm (increased by 8.1 percent) and cassava (increased by 3.8 percent).



Export of Thai agricultural products accelerated by 62.9 percent compared with 49.4 percent growth in the previous quarter, with export volume of Thai rice expanded by 23.4 percent. As a result of sharp rise in overall agriculture prices associated with continued expansion of products, farm income rose impressively by 57.0 percent in the third quarter. Averaged over 9 months, farm income rose by 44.4 percent and value of agricultural sector expanded by 6.9 percent, compared to 1.5 percent expansion from the same period of last year.

- **Industrial sector expanded by 6.1 percent**, decelerating from 9.5 percent in the first quarter and 7.7 in the last quarter of 2008 due to a slowdown in industrial production for domestic market which resulted from uncertainty in political situation and delay of mega project investment. Many industrial productions like basic and fabricated metals products, motor vehicles and alcoholic beverages had slowed down. While textile and cement production reported negative growth. Export-oriented industries also experienced a slow down; including electronics, electrical appliances and automobile and parts. The exports of wood furniture and leather products experienced a major contraction as demand in the US market fall sharply, as a result of sub-prime crisis. In the third quarter of 2008, capacity utilization rate was 69.6 percent, slightly lower than 75.6 and 71.1 percent in the first and second quarter. Over 9 months of 2008, industrial sector had expand by 7.8 percent.

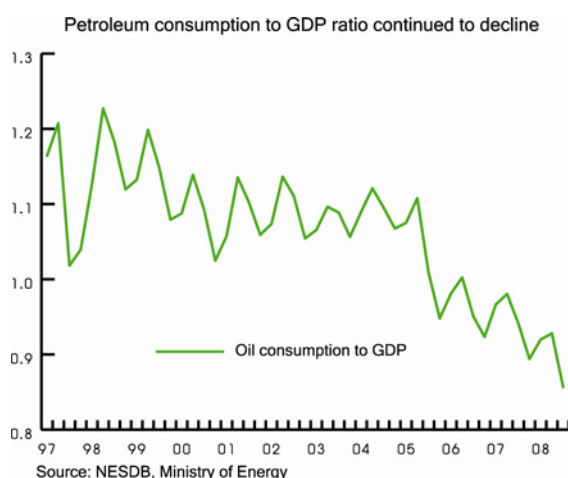


- **Construction sector continued to contract, with 4.5 percent contraction in the third quarter.** As a result construction sector had contracted by 2.5 percent in 9 months period. The main reasons are as follows: 1) contraction in private construction; especially in industrial building which contracted by 14.4 percent and slowdown in resident and commercial building 2) slowdown in public construction by both central and local government and 3) rising price of construction material; especially steel price which rose by 61.7 percent.
- **Real estate sector in the third quarter had slowed down** concurrent with weaker economic situation; decrease in purchasing power and delay in decision making process. Consumer purchasing behavior for new house has shifted towards smaller home, with expansion in medium-size residents with price range around 3 – 5 million baht and townhouse in Bangkok urban areas with price range not exceeding 2 million baht. While demand for condominium, especially along the sky train construction line, was still in the upper trend. Speculation in real estate played a vital role in the first 8 months, as ownership transfers of condominium were mainly second hand trade. Bank had put more restrictions on approval of housing loan to both buyer and developer, which inevitably impacts the availability of capital in this sector. This action contributed to a slowdown in the third quarter.
- **Hotel and restaurant** expanded by 0.2 percent in the third quarter compared with the 9.2 and 5.9 percent expansion in the first and second quarter. For the first time in the past 3 years, numbers of foreign tourists reported a negative growth of 1.7 percent; with negative growth reaching 16.5 percent in September. This was due to prolonged political uncertainty which resulted in unpleasant events such as a declaration of state of emergency during September. As a result, the rate of hotel accommodation in September dropped to 53.7 percent compared with 57.7 percent in the same

period of last year. Furthermore, spending power of foreign tourists had dramatically declined as a result of rising traveling cost and others expenses; especially accommodation cost that rose by 27.7 percent.

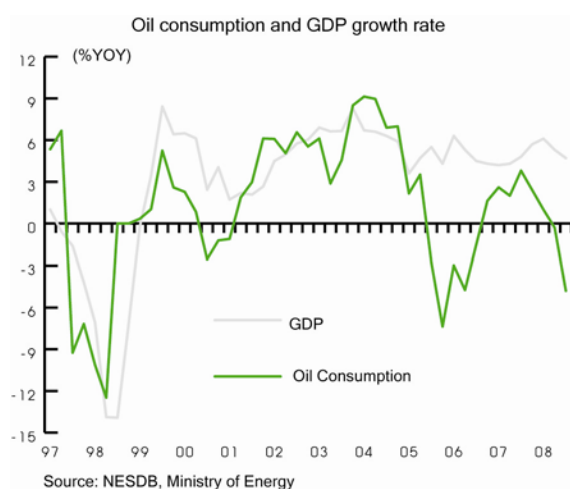
- **Financial sector** grew by 9.1 percent, owing to continuing credit expansion. Overall asset quality had improved, as reflected in lower proportion of NPL to total asset. The commercial loans in banking system grew by 13.2 percent, accelerating from 11 percent in the last quarter; this expansion has continued for 4 consecutive quarters. Business loan had expanded by 12.3 percent. This reflected higher demand for working capital in response to according to higher raw material and transportation cost. Consumer loans had mainly grown in housing mortgage category.

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



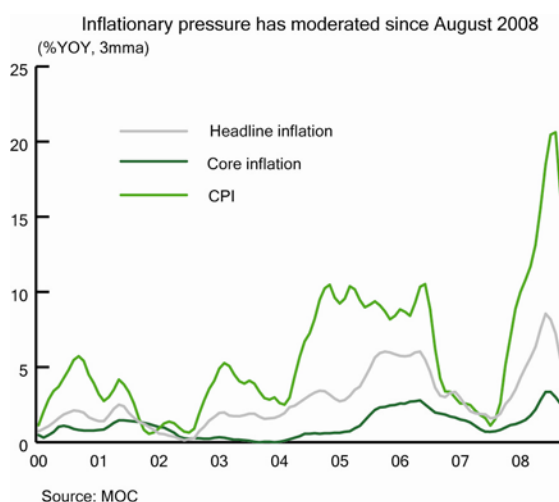
- A continuous decline in the ratio of petroleum usage to GDP indicated that overall energy efficiency had been improved. In the third quarter of 2008, the ratio of oil consumption to GDP stood at 0.8566 percent, decreased from 0.9280 percent in the second quarter, and relatively lowered than that in the same period of last year (the ratio stood at 0.9416 percent in the third quarter of 2007).

For the first 9 months, the ratio of oil consumption to GDP stood at 0.9017 percent, decreased from 0.9628 percent in the same period of last year. The improvement was also seen in a significant shift towards consumption of 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.



(%YoY)	Petroleum Consumption			
	2008			
	Q1	Q2	Q3	9 M
Benzene	-1.92	-5.22	-7.27	-4.82
Octane (91+95)	-26.42	-32.01	-40.14	-32.68
Gasohol	111.95	94.07	91.27	97.87
Diesel	-0.37	-3.99	-14.40	-6.06
HSD+LSD	-10.23	-20.44	-33.92	-21.12
B5	787.29	645.00	498.98	599.92
LPG	17.59	20.82	27.13	22.04
NGV	190.52	220.18	268.89	232.30

Source : EPPO



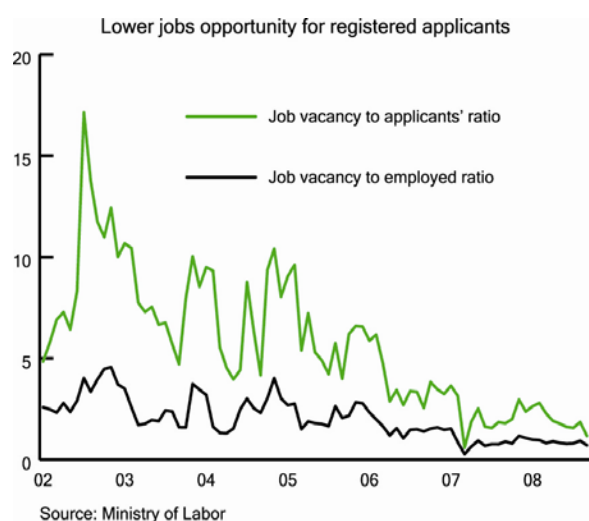
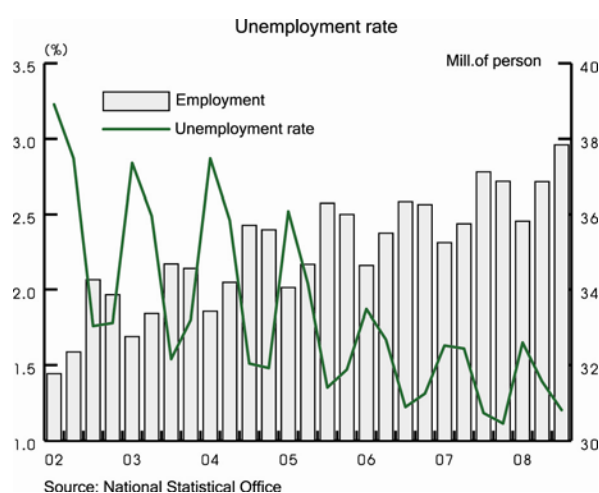
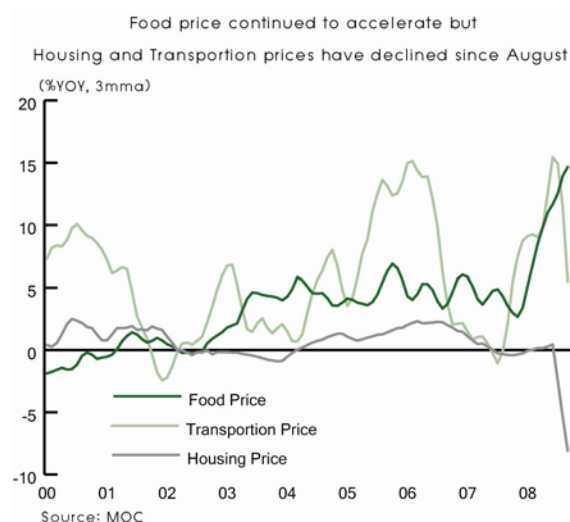
Domestic consumption of petroleum products: Alternative energy consumption rose sharply.

In the third quarter, consumption of gasohol increased by 91.27 percent, with average daily usage of 9.6 million litre (as a percentage of 44 of benzene consumption) While bio-diesel (B5) significantly grew by 499 percent, with average daily usage of 10.8 million litre. Moreover consumption of LPG similarly expanded by 27.13 percent. On the contrary, consumption of traditional benzene 95 and 91 and diesel continued to decline sharply by 81.0, 30.5 and 35.7 percent respectively. These figures showed a shift in the structure of energy consumption towards the alternative energy of which prices are evidently lower than those of the traditional energy. During July 2008, oil price reached its historical records, thus government announced the “six months, six measures” economic package to encourage gasohol usage by reducing the oil 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. This measure shifted the energy consumption behavior toward alternative energy usage. However, after an expiration of “six months, six measures” economic package, the government is required to manage energy structure to reduce structural distortion and promote appropriate use of energy types among different user groups.

□ **Economic Stability:** Inflation rate remained high but inflationary pressure has moderated since August 2008 while unemployment rate remained low but there is a risk from current account deficit.

Internal stability

• **Inflation rate:** inflationary pressure has moderated since August 2008. In the third quarter, headline inflation was 7.3 percent softer than 7.5 percent in the second quarter due to sharply drop from the highest rate at 9.2 percent in July to 6.4 and 6.0 percent in August and September respectively, as a result of the 6 months 6 measures measures



economic package. The package of free electricity and water could lower price as much as 26.1 percent, the cut in diesel and gasohol excise taxes, together with the low oil price could drop the price of transportation and communication to 11.5 percent. Nevertheless food price continued to accelerate at the average of 13.9 percent in the third quarter, due to the increase in food products category such as cooking oil, rice, flour, meats, eggs and seasoning etc. For the first 10 months, headline inflation was averaged at 6.3 percent³.

Core Inflation has declined since August. Its average rate in the third quarter stood at 3.0 percent higher than that of in the first and second quarter due to higher prices of various products such as processed food, construction materials, miscellaneous appliances, drug and medical care commodities, personal care expenditures and education expenditures at university level. For the first 10 months, core inflation was averaged at 2.4 percent.

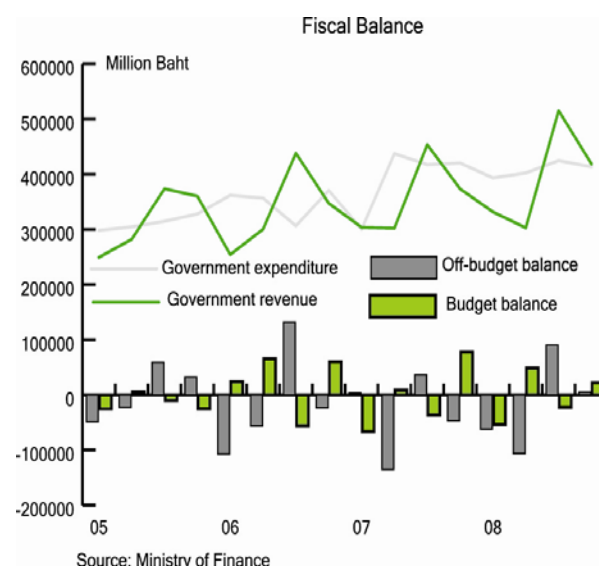
- **The average employment in the third quarter of 2008** was 37.84 million people, increased by 1.9 percent from the same period of last year. Agricultural sector employed 16.07 million people, increased by 3.7 percent while non-agricultural sectors employment accounted for 21.77 million people, increased by 0.6 percent. Employment in the construction, trade and hotel and restaurant sector grew by 3.7, 1.9 and 2.1 percent respectively. Regarding manufacturing sector, employment dropped by 6.5 percent due to production slowdown. The unemployment rate remained low at 1.2 percent. By the end of the third quarter, there were 381,608 establishments registered for social security. The insured persons increased by 1.1 percent from the same period last year to the total of 8.89 million people. Working opportunity had drop, as job vacancy to applicants' ratio reduced to 0.71 times compared to 0.82 and

³ Headline inflation was 3.9 percent in October, showed the sharply fell of price pressure.

0.79 times at the end of March and June 2008 respectively, which indicated lower job opportunity.

- **External stability remained in check:** International reserve stood at 102.421 billion US dollars at the end of September⁴ (Net Forward Position was 13.390 billion of US dollars), equivalent to 3.8 – 4.2 times of short term foreign debt or 6.7 months of imports. International reserve continued to decrease in this quarter due to the deficit in current account and the outflow of foreign capital movement to compensate financial losses from sub-prime crisis. Moreover, there was an international reserve intervention to prevent the significant depreciation and fluctuation of Thai baht from rapidly foreign capital outflow. Current account balance in the third quarter registered a deficit of 2,461 million US dollars (or 83,189 million baht), higher than a deficit of 1,016 million US dollars in the second quarter. Under the circumstances of export slowdown as a result of the extreme recession of global economy, the deficit in current account is the key concern of economic stability management. Average exchange rate in the third quarter was at 33.84 baht per US dollar, depreciated from 32.28 baht per US dollar in the second quarter and 32.38 baht per US dollar in the first quarter. In the third quarter, Thai baht moved in the range of 33.26 - 34.69 baht per US dollar.⁵

- **Fiscal balance continued its surplus in last quarter of FY 2008.** In the fourth quarter of fiscal year 2008 (July – September 2008), the total of government revenue was 408,563 million baht, increased by 9.1 percent compared with the same quarter of the past fiscal year. The main sources of revenue in this quarter are corporate income tax, petroleum income tax, and income from state enterprises. Whereas the government expenditure was 413,322 million baht, decreased by 1.6 percent compared to the same period of the last year. Therefore, budget balance recorded a deficit of 4,759 million baht, compared to a deficit of 45,578 million baht in the same quarter of the previous fiscal year. Including a non-budget balance surplus of 31,818 million baht, budget cash balance before borrowing registered a surplus of 27,059 million baht, compared to a surplus 31,015 million baht in the same period of FY 2007. In this quarter, domestic borrowing by government bonds was 13,109 million baht, therefore budget cash balance after borrowing registered 40,167 million baht.

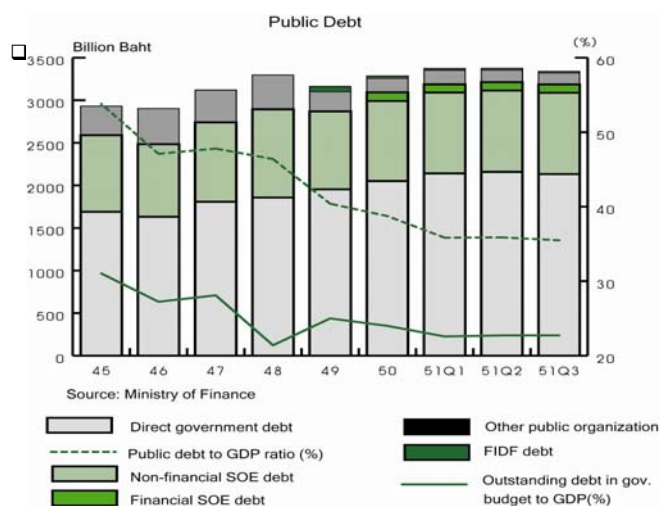


⁴ On 7th November 2008, International reserve stood at 100.804 billion US dollars (with continued decreasing of Net Forward Position to 8.970 billion US dollars).

⁵ On 20th November 2008, exchange rate was at 35.07 baht per US dollar.

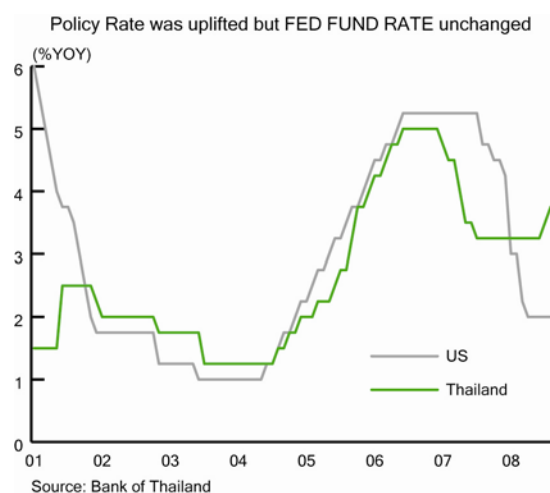
During the fiscal year 2008 (October 2007 – September 2008), government revenue recorded 1,549,605 million baht, grew by 7.3 percent compared to the same period of the last fiscal year due to the higher tax collection especially of corporate income tax, value added tax, import duties, as well as increasing income from state enterprises. Regarding government expenditure side, the total disbursement was 1,633,404 million baht, increased by 3.7 percent compared with the same period of past fiscal year. As a result, budget cash balance registered deficit of 83,799 million baht, decreased by 35.7 percent compared to the same period of last fiscal year. Including non-budget cash balance surplus of 5,053 million baht, budget cash balance before borrowing faced deficit of 78,746 million baht, dropped by 50.4 percent compared to the same period of FY 2007. The financing of deficit was through an issuing of 165,000 million baht worth of treasury bills (T-bills) and government bonds, a full amount of a deficit financing plan.

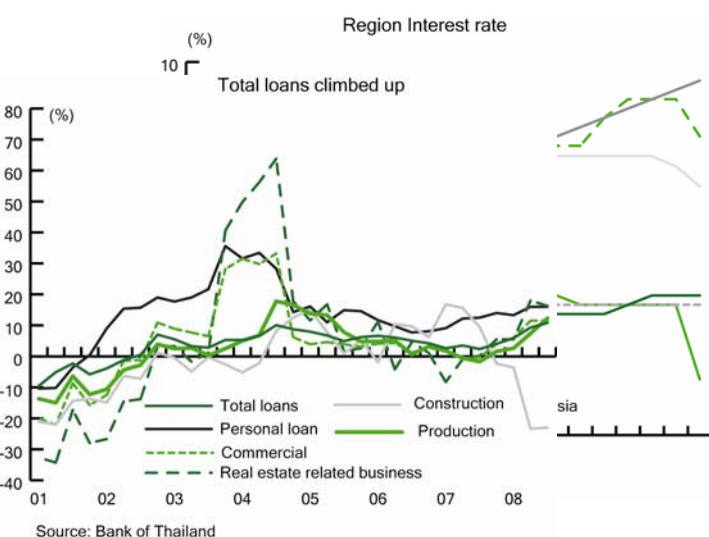
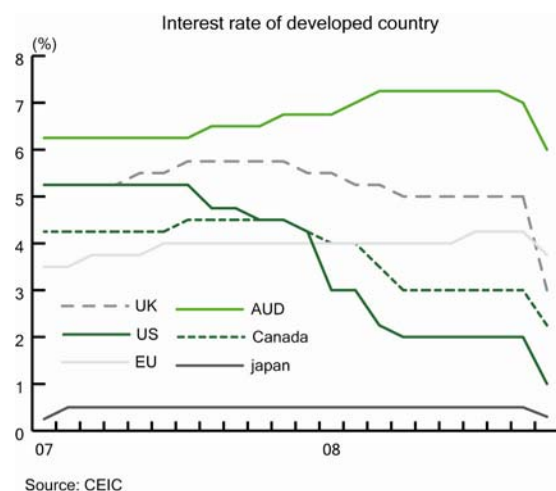
- **Public debt at the end of September 2008 stood at 3.41 trillion baht, increased by 1.0 percent from the outstanding of public debt at the end of June 2008**, mainly because of an increase in direct government foreign debt and the domestic debt of special financial institutions. Public debt to GDP ratio slightly increased to 36.22 percent, compared with 35.88 percent at the end of June 2008.



Financial conditions: Policy rate was increased to 3.75 percent as concerns over inflationary pressure heightened. Money market interest rate increased due to liquidity reduction and higher capital demand from private sector amid rising cost of production, and household credit expansion in tandem with rising loan demand for housing and car leasing. Bank deposit continued to decline in response to low interest rate and changing investment strategy toward bill of exchange and bond holding. Thai baht has depreciated. SET index declined both in terms of price and volume and associated with a greater volatility while foreign investors adjusted their portfolio from equity to debt market.

- **Policy rate** was 3.75 percent at the end of Q3, increased from 3.25 percent at the end of Q2 as concerns over inflationary pressure heightened. Over the same period, the Federal Reserve Board kept its Fed Funds Rate unchanged at 2 percent. European central bank lifted its policy rate to 4.25 percent; Bank of Japan put its policy rate on hold at 0.5 percent and People Bank of China lowered its policy rate for the first time since 2002 to 7.2 percent. However, the worsening global economic condition posted a greater downside risks to the Thai economy. Meanwhile the decline in oil prices and the government measures has shifted policy rate outlook to a downward trend.





Real interest rate increased as commercial banks' deposit and lending rates were kept unchanged but inflation rate decelerated in August and September. At the end of Q3, an average 3-month and 12-month time deposit rates of five major commercial banks remained at 2.50 and 2.88 percent per annum respectively while MLR lending rate kept on hold at 7.38 percent per annum. However, the inflation rate reduction resulted in higher real 12-month time deposit rate from negative of 6.03 percent per annum in the second quarter to negative of 3.13 percent annum and higher real lending from negative of 1.5 percent per annum to 1.4 percent per annum.

■ **Commercial banks' deposits** continued to contract. At the end of the third quarter commercial banks' deposits declined by 0.2 percent, continued from 1.0 percent contraction in the second quarter. Saving in deposit accounts declined especially those accounts over 10 million baht. This was partially attributable to Deposit Protection Agency Act B.E. 2551 that was enforced in August as well as the structural shift in saving pattern toward bill of exchange (B/E) and short-term bond.

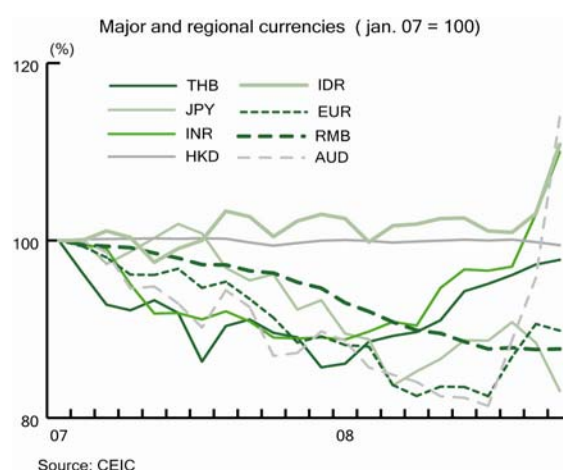
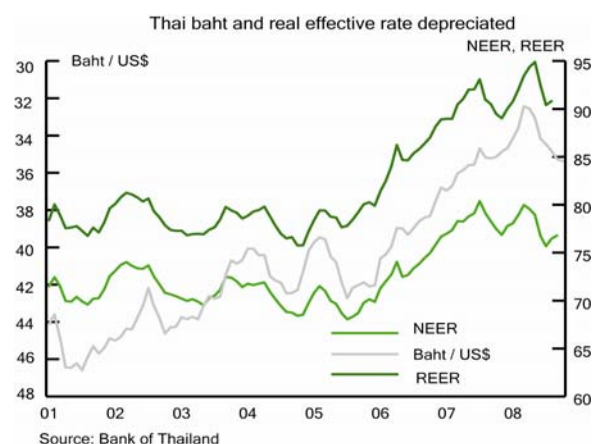
■ **Business and Household credits continued to expand while deposit declined.** Commercial banks' credit rose by 14.3 percent, accelerated from 12.1 percent in previous quarter. The growth rate of credit extended by depository corporations⁶ accelerated from 8.6 percent in the second quarter to 10.4 percent in the third quarter, of which business and household credits increased by 13.2 percent and 8.7 percent respectively. Classified by sectors, growth rate of loans to industrial production accelerated from 7.4 percent in the second quarter to 12.3 percent in the third quarter. Growth of loans to wholesale & retail and personal consumption were relatively stable compared to second quarter due to concern

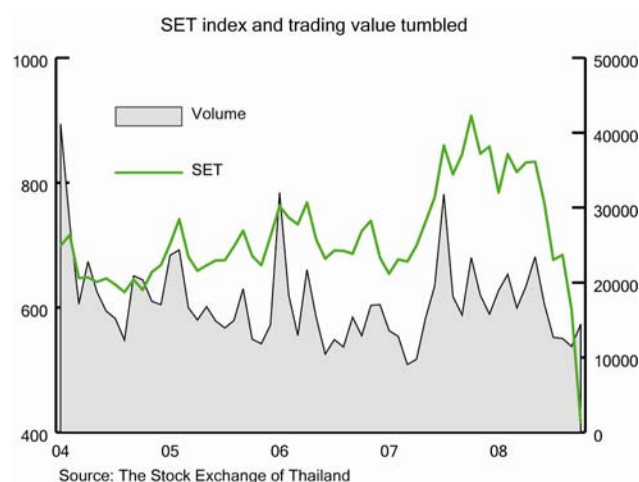
⁶ Depository Corporations comprises of all depository corporations excluding the Bank of Thailand, namely, domestically-registered commercial banks, branches of foreign banks, international bank facilities, finance companies, specialized banks, thrift and credit cooperatives, and money market mutual funds.

over deteriorated economic prospect. Loans to financial intermediation and real estate sectors continued to slow down, owing to the impacts of US financial crisis that lowered consumers and investors' confidences. Loans to construction sector contracted continually. Moreover, credit card spending slightly decreased owing to concern over the future incomes and purchasing power in spite of deteriorating economic prospect. However, advanced cash withdrawn by credit card holders increased and credit card outstanding balance rose by 6.4 percent reflecting lower repayment capability.

- **Liquidity in banking system declined.** The continual acceleration in commercial bank credit expansion and a decline in banks' deposit raised credit to deposit ratio to 103.2, reflecting tighter liquidity condition. Nevertheless, excess liquidity in banking systems, estimated as disposable liquidity, was approximately at 924.9 billion baht, increased by 1.7 percent from the same period of last year. Commercial banks are likely to be more cautious in their lending practices as risk and asset quality evaluation become increasingly sophisticated.
- **The ratio of NPLs to credit outstanding slightly dropped.** NPLs in financial institutions (excluding BIBF and credit fanciers) at the end of third quarter were at 229.98 billion baht, equivalent to 3.59 percent compare to 3.77 percent in the second quarter.
- **Thai baht depreciated.** Average exchange rate in the third quarter was at 33.84 baht per US dollar, depreciated by 4.83 percent from the second quarter but appreciated slightly by 0.49 percent from the same period of last year. Thai baht had depreciated through-out the third quarter, touching the weakest point at 34.73 baht per US dollar during mid-September. Factors contributed to such event were: 1) net capital outflow from stock market in order to cover losses from worsen financial crisis situation in the US 2) the deterioration of trade and current account balances which was caused by deficit in trade and current account

balances and 3) Thai baht and regional currency were expected to depreciated even further from continue capital outflow by foreign investors as financial losses are deepened and liquidity are needed in US and Euro market. Furthermore, shift in investment strategy toward risk reduction also contributed to the capital outflow. Thus, demand for US dollar by foreign investor had accelerated. Considering the movement of Thai baht against other currencies, it depreciated against most major and regional currencies but appreciated against Philippines Peso and Indian Rupee. Therefore, average nominal effective exchange rate (NEER) and real effective exchange rate (REER) depreciated by 2.69 and 3.81 percent respectively. In October through to November, Thai baht continued to depreciate further with average exchange rate of 34.38 baht per US dollar in October and 34.95 baht per US dollar in November (average exchange rate from 1st to 22nd of November).





Capital Flow and Trading value of Foreign investors

	2006	2007				2008			
(billion baht) End of period	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct
Net Capital Flow	5.7	-2.7	0.7	0.4	-1.4	13.0	-2.0	na	na
Net value of foreign investor in SET	55.0	30.6	66.9	-2.2	-40.3	-13.9	-36.1	-74.8	-15.6
Net value of foreign investor in BEC	35.5	-34.2	-18.7	8.0	4.6	29.1	26.5	8.8	-0.03

Source : BOT, SET, ThaiMBA

■ **Stock market tumbled.** Average daily trading value was 12.2 billion baht, decreased from 20.0 billion baht in the second quarter. SET index closed 596.54 at points the end of third quarter, down from 768.59 points at the end of previous quarter which equivalent to a 22.39 percentage drop. Net sale of foreign investor was recorded at 74.78 billion baht, increased by 107.3 percent compared to the last quarter. SET index throughout the third quarter had declined significantly; especially in September from massive net sale by foreign investors, to reduce market risk and cover-up financial losses back home. SET index dropped in line with regional performance but to the lesser extent. SET index became more fluctuate with its associated downward trend in October through to November, and recorded a 5 years low of 387.43 points in the beginning of October before slightly rebounded after several releases of counter-crisis measures by major countries particularly the US. over 9 months, daily trading was averaged at 16.68 billion baht and foreign investors recorded a net sale of 142.17 billion baht.

■ **Bond trading accelerated compare to same period of last year but declined from the last quarter.** Daily average outright trading was 74.9 billion baht, increased from 44.6 billion baht in the same period of last year but slightly declined from the last quarter which recorded at 78.2 billion baht. Net buy of foreign investors recorded at 8.78 billion baht declined from 26.5 billion baht in the second quarter, which was equivalent to a drop of 66.86 percent, caused by deepening financial crisis. Bond price index increased slightly. Government bond yields of all maturity decreased by 32 – 154 basis points except short-term maturity bond, (1 – 6 months). In October, daily average trading volume declined by 9.77 percent from September to 63.87 billion baht, with net sale from foreign investor of 28 million baht.

- **Corporate fundraising increased from the same period last year but slowed down from last quarter, in line with private sector investment direction. Corporate fundraising (excluding short-term bond)** in the third quarter was 28.64 billion baht compared to 56.3 billion baht in the second quarter and 15.4 billion baht in the same period last year. Total fund raised by non-financial sectors registered 1.19 billion baht. With all of the transaction in issuance of private placement (PP). During 9 months, corporate fundraising was 186.6 billion baht, increased from 107.6 billion baht in the same period last year.
- **Listed companies earning reported lower growth.** Listed companies on SET showed net profit of 78.4 billion baht, decreased by 22.5 percent from the same period last year. The reduction in profit was attributable to the reduction in profit from exchange rate transaction and higher costs. Most sectors reported lower profit except for agribusiness and food industry which recorded 58.4 percent increase in profit compared to same period last year. Transportation and logistics sector earning substantially declined by 346.8 percent owing to higher inventory and fuel costs. Commercial banks' earning slightly decreased. Banking sector showed net profit of 24 billion baht decreased by 2.3 billion baht from the second quarter, due to higher reserve requirement and debt restructuring. Capital adequacy ratio (CAR) in the third quarter increased from 15.2 percent to 15.7 percent, owing to higher net profit and new capital raised. However, in the fourth quarter, reserve ratio is expected to be higher to cover losses from downgrading foreign assets and increasing realized losses from sub-prime crisis.

□ Trend of oil price in 2008-2009

- **World crude oil prices:** In the third quarter of 2008 average world crude oil prices (Dubai, Brent, Oman and WTI) stood at 115.4 US dollar/barrel, increased by 58.7 percent from the same period last year but slowed down from 82.4 percent in previous quarter. Oil prices continued to be volatile and associated with steady upward trend from the first half of 2008 due to stock accumulation in China for Beijing Olympic Game and demand other Asian countries outside OECD group as well as low excess production capacity. Thus, oil prices have increased steady and reached its historical peak level in July 2008 with average prices (Dubai, Brent, Oman and WTI) of 133.0 US dollar/barrel. However, US financial crisis which also affected other regions and depressed global economic expansion and the completion of Beijing Olympic Game resulted in oil demand reduction since August. Average crude oil price steady declined from 144.4 US dollar/barrel in August to 98.7 and 71.2 US dollar in September and October respectively, and continued its downward trend afterward.

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
	9 M	108.08	107.28	111.72	113.30	110.10
	Oct.	67.92	67.45	72.91	76.66	71.24
	10 M	104.07	103.30	107.84	109.63	106.21
	1-19 Nov.	52.57	52.42	55.90	59.83	55.15

Source: Reuter

- **Domestic retail petrol prices: rose steadily in tandem with world oil prices.** In third quarter, retail petrol prices were fluctuated in tandem with oil prices in the world market. The retail petrol prices reached their peak level in July with an average 42.7 and 40.9 baht/litre for of benzene 91 and 95, and average of 35.6 and 36.4 baht/litre for gasohol 91 and 95 (E10) as

well as 35.6 and 36.4 baht/litre for high speed diesel and bio-diesel (B5), averaged prices were 42.6 and 41.9 baht/litre respectively. However, domestic oil prices have eased steadily since August in line with the reduction in world oil prices. Domestic retail prices in the third quarter of traditional benzene 91 and 95 averaged at 39.7 and 37.9 baht/litre, increased by 35.8 and 33.1 percent correspondingly. Average gasohol 91 and 95 (E10) prices were 30.6 and 31.4 baht/litre, increased by 22.1 and 21.7 percent respectively. High speed diesel and bio-diesel (B5), averaged prices were 33.3 and 32.6 baht/litre, increased by 39.9 and 41.1 percent respectively. Nonetheless, retail petrol prices have eased continually since October. Therefore, in first 10 months, traditional benzene 91 and 95 prices stood at 37.0 and 35.4 baht/litre. Gasohol 91 and 95 (E10) prices were 30.2 and 31.0 baht/litre, high speed diesel and B5 averaged at 33.3 and 32.6 baht/litre.

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
	9 M	37.18	35.78	31.62	29.92	30.81	34.12	33.34
	Oct.	34.90	31.90	25.39	24.25	24.59	26.22	25.45
	10 M	36.95	35.40	31.00	29.35	30.18	33.33	32.55
	1-21 Nov.	30.24	26.61	21.53	20.23	20.73	22.64	21.57

Source: EPPO

1.2 The world economic performance in Q3/51

- ❑ In Q3 the subprime crisis triggered banking insolvency problem and mutated into a full-blown global financial crisis encompassing broader countries in Europe and resulted in worldwide stock market contraction. Money and capital markets liquidity in major economy was severely tightened and eventually affected money and capital market as well as real economic activities in various countries.
- ❑ Together with the impacts of economic slowdown in the first half of 2008, the recent financial crisis in Q3 aggravated the global economic condition to deteriorate significantly. Recent data indicated that, the major economies as well as some developing countries such as the US, Euro-zone, United Kingdom Japan, Singapore and Taiwan have slipped into economic recession while other countries including major newly emerging economies such as China, India and Russia showed a clear sign of sharper economics slowdown than previously expected.
- ❑ In an attempt to revive financial institutions, to limit contagion effect of backing crisis as well as to reduce risk from self-fulfilling economic contraction, countries with crisis origin have launched various measures such as direct liquidity injection, recapitalized and nationalized financial institutions, low interest rates policy. However, both financial conditions continued to deteriorate in the beginning of Q4 which are likely to further aggravate real economic activities in the remaining of the year.
- ❑ The slow down of world economics has lowered commodity price and inflation pressure. Central banks in any countries rapidly decreased the interest rate to stimulate their economies and encourage confidence in financial market. In October the central bank of Australia, New Zealand, Norway, and Fed decided to decrease the interest rate by 1.0 percentage point. European central bank (ECB), Switzerland, and

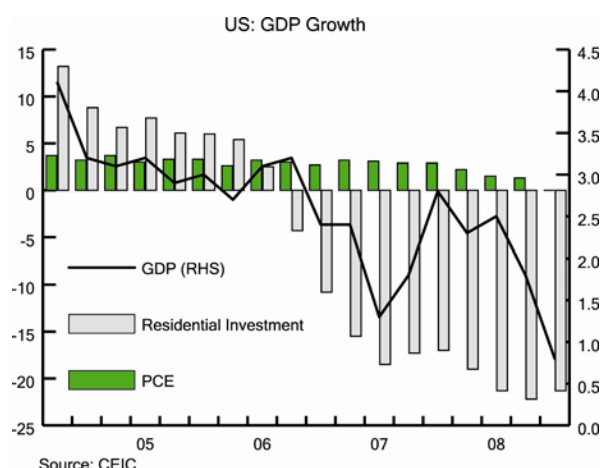
the United Kingdom decided to cut the interest rate by 0.5 percentage point. Japan decided to decrease the interest rate by 0.2 percentage point. Canada decided to decrease the interest rate by 0.75 percentage point. Also recently, in November, ECB and the United Kingdom decided to decrease the interest rate by 0.50 and 1.50 percentage point. In the rest of the year, central banks of the United state, Canada, New Zealand are expected to decrease the interest rate by 0.25, 0.25 and 0.50 percentage point, while developing countries and newly emerging economic have adopted economics stimulating policy.

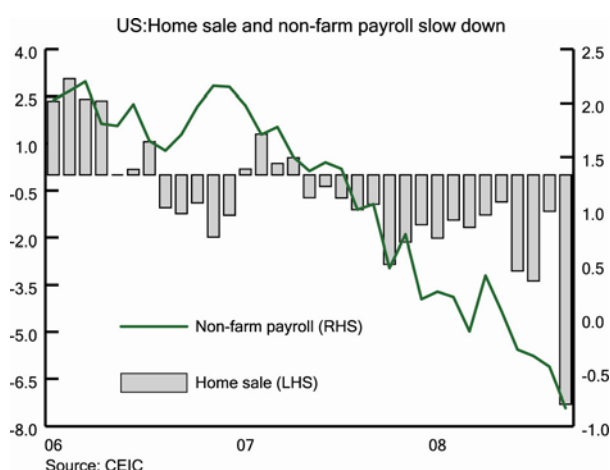
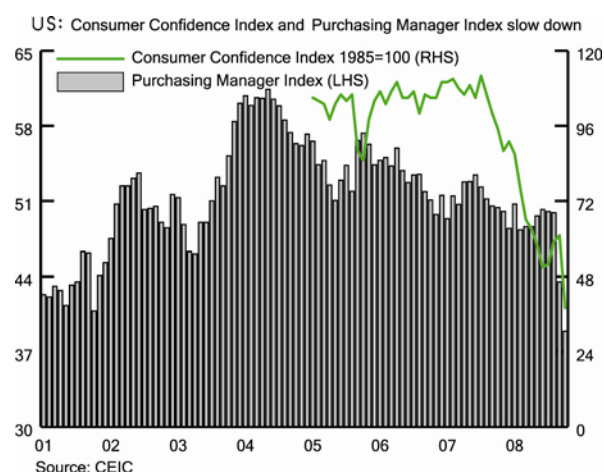
❑ The world economic outlook of the fourth quarter has loomed to be slow down due to the economic contraction in the United State, Euro-zone, Japan and the United Kingdom which tend to contract more. Developing countries and newly emerging economies, particularly Asian, highly depending on export countries, tend to receive increasingly the negative impact of economic slow down of developed countries. The slow down of world trade together with the adjusting of global financial market and the down turn situation of security market have caused developing countries and newly emerging economies, which have current account deficit and high foreign debt, a risk of facing crisis of deficit of balance of payment and foreign reserve.

❑ World Economics in the year 2008 is forecasted to expand 3.7 percent, contracting from 5.0 percent in 2007. This is the result of economic slow down in United State, Euro zone, the United Kingdom, and Japan which in 2008 grow 1.3, 1.2, 0.8 and 0.5 percent respectively, comparing with that of the year 2007 which grew 2.0, 3.0, 3.1 and 2.1 percent respectively. In the year 2008, NICs such as Taiwan, Singapore, South Korea and Hong Kong are expect to grow by 3.8, 2.3, 3.8 and 4.1 percent respectively, comparing with that of the year 2007 which grew 5.7, 7.7, 5.0 and 6.3 percent. The rate of economic growth of newly emerging economies namely China, India and Russia are expect to decrease from 11.9, 9.2, and 9.5 percent in 2007 to 9.7, 7.8 and 6.8 percent in

2008. The situation in main economies are as follows.

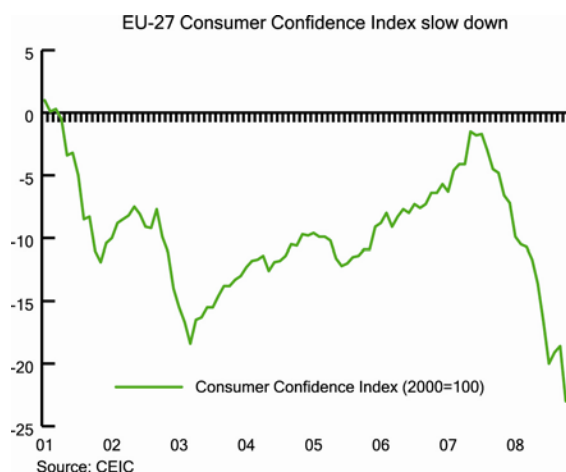
■ **The US Economy** in the third quarter the sub-prime loan market problem had expanded widely and triggered financial crisis problem, which resulted in a huge amount of financial institutions facing liquidity and solvency problems. The problem had already troubled the US real sector which was in slow down condition in the first half of the year. In this quarter, the US real GDP increased by 0.8 percent (yoy), but decreased by 0.3 percent comparing with that of previous quarter (qoq) and entering technical recession. As early forecasted, the economic contraction was due to the contraction of personnel consumption expenditure which was registered 3.1 percent (qoq) and durable goods consumption decreased by 14.1 percent. (qoq) The reason behind this was the decrease of wealth of household causing by the decrease of security and house prices, reducing employment and tightening loan condition. In an addition, investor's confidence has continually decreased, loan has slowed down, export increased at the lower rate at 5.9 percent, comparing with 12.3



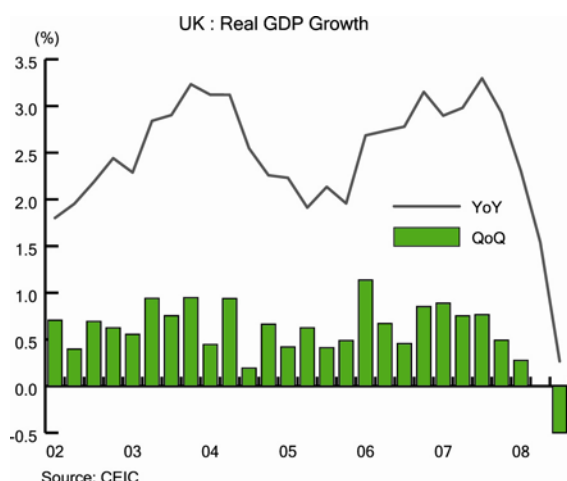


percent in second quarter, current account has improved and contributed to economic growth, the contraction of domestic economics due to consumer-led recession caused a deceleration of import by 1.9 percent (qoq). The US government has adopted several measures to solve economic problem continually. The crucial measures were namely to increase liquidity into the market, to nationalize and recapitalize the problematic financial institution, to cooperate with central bank of foreign countries in order to limit the financial crisis expansion, including 700 billion dollars rescue package. Since the beginning of last quarter, the circumstance has not improved and tended to further slow down. Presently, in October, the ISM index has dropped to 38.9 percent and car sales has made the record low in 25 years which point out the propensity of economic recession. Moreover, the unstable of financial institutions and uncertainty of counterparty risks caused illiquidity. Together with the falling down of asset values, the entrepreneurs will have difficulty in raising fund and expanding business expenditure. In the residential sector, however, housing market continued to run down but it is not yet the lowest condition. The housing sales and price has continually gone down as well as employment rate and consumer confidence. Thus, the private investment is expected to severely fall in the forth quarter. Against this situation, FED determined to cut the rate twice in October, from 2.0 percent at the end of second quarter to 1.0 percent in October. Overall, US economy in the last quarter is expected to descend from 3.8 percent from third quarter and the economic growth of 2008 is expanded to be at 1.3 percent.

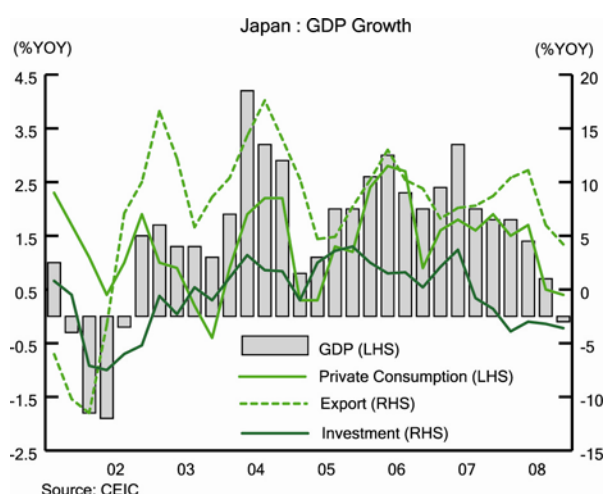
- **The Euro Zone Economy** grew by 0.7 percent (yoy) in the third quarter of 2008, slowed down from 2.1 percent in the first quarter and 1.4 percent in the second quarter but decreased by 0.2 percent quarter on quarter basis. Together with a contraction of 0.2 percent (qoq) in the second quarter, the Euro Zone economy



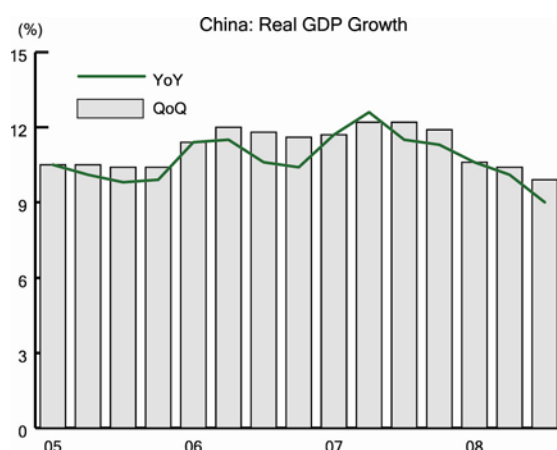
entered a full-fledged recession. Export growth slowed down due to the recession in major trading partners and the Euro currency appreciation. Investment slowed down due to the deterioration in financial condition that aggravated the lending and added the risks for a sharp economic recession. The manufacturing Purchasing Managers' Index (PMI) dropped rapidly in September to 44.1, its lowest level since the end of 2001. The industrial confidence index continued to decline due to the worsening condition in both export and domestic demand. Among the member countries, the PMI indicated that manufacturing production of only Greece and the Netherlands continued to see an expansion of output. While France, Spain, Italy, and Germany experienced record rates of contraction. Italian manufacturing production declined at the second-fastest rate in its survey history and Germany manufacturing production felt at fastest pace in six years. The services PMI declined to its lowest level since mid-2003. Retail sales decreased by 0.1 percent in September indicated the contraction of private consumption. Consumer confidence index decreased by 23 percent in October to its historically low level due to the deteriorating financial and economic conditions. Unemployment rate increased to 7.5 percent in August, in tandem with weakening economic activities. Current account deficit increased due to the slowdown of export. However, the declined in commodity prices eased inflationary pressures. Under the deteriorating financial and economic conditions, the European Central Bank has injected liquidity to financial system, cut its policy rate from 4.25 percent at the end of the third quarter to 3.75 percent in October and to 3.25 in November. For the rest of the year, the Euro-zone economy is likely to experience a sharper rate of contraction due to the worsening financial and U.S economic conditions as indicated by the decline of manufacturing PMI in October to its historically low level of 39.8. Against this development, the Euro Zone economy in 2008 is expected to grow by 1.2 percent, compared to 2.6 percent in 2007.



■ **The UK Economy** grew by 0.3 percent in the third quarter (yoy), down from 0.5 percent in the second quarter (qoq). Non-agriculture production declined by 1.0 percent. Industrial production fell by 1.0 percent, the decline in every industry. Construction sector contracted by 0.8 percent. Service sector declined was recorded by 0.4 percent due to the contraction of hotel and restaurant and financial sector. On demand side, only government expenditure expanded by 0.4 percent (qoq). However, trade deficit decreased due to the weak domestic economic condition and the reduction of real incomes that reduced imports.



■ **The Japanese Economy** contracted by 0.1 percent in the third quarter (yoy), the first contraction since the second quarter of 2002. The contraction is attributable to the sharp decline in domestic demand particularly the reduction of investment of 3.6 percent, the six consecutive quarters decrease. Private consumption slightly increased by 0.4 percent, down from 0.5 percent in the second quarter, reflecting high oil price. The contribution from international trade which is the main growth engine slowed down sharply. Export growth significantly slowed down to 4.2 percent compare to 11.1 percent in the first quarter and 6.1 percent in the second quarter due to a slowdown in world economy and the Yen currency appreciation. With respect to economic stability, inflation accelerated to 2.15 percent, the highest level in 10 years. Unemployment rate increased to 4.1 percent, its highest level since 2006. The recent indicators indicated a further slowdown of economic condition. In September 2008, business shutdown rate rose 34 percent, the fastest pace in eight years. Retail sales declined by 0.3 percent, to its lowest level since July 2007. Industrial production index declined by 2.4 percent. Export orders declined for 3 consecutive months. Consumer confidence index fell sharply by 29.4 percent in October to its historically low level. The downward trends of the US and Euro Zone



economy are likely to aggravate the Japanese economy in Q4 further. Against this background, the Japanese economy is likely to contract by 0.4 percent which will lower the whole year growth rate to 0.4 percent, from 2.1 percent in 2007.

- **The Chinese Economy** grew by 9.0 percent (yoy), down from 10.1 percent in previous quarter. This marked the fifth consecutive quarterly slowed down and the first one-digit economic growth rate since Q4-2005. Although the Chinese official did not release quarterly report on demand side, but the slowdown of economy is likely because of the slowdown in export which consistent with the fifth consecutive quarterly slowed down of industrial production to 10.5 percent. Real estate sector was affected by tight credit condition. In the first 9 months, home sales plunged by 42 percent from the same period last year. However, domestic demand growth remained buoyant. Retail sales and investment in durable goods in the first nine months continued to expand by 23.2 percent and 27.6 percent respectively. However, in the fourth quarter, the slowdown in export, manufacturing production and real estate sector are likely to drag on investment in durable goods and household consumption which are the main growth drivers for Q3. As investment in manufacturing and real estate sectors are accounted for 33 percent and 25 percent of total investment respectively, the slowdown in manufacturing and real estate sectors are likely to bring down investment in durable goods. In addition the employment in export sector is estimated at about 45 millions. Therefore, the weaken export will increasingly drag on incomes and consumption. Against this development, the Chinese economy is likely to slow down further in Q4 and bring down the whole year growth to 9.7 percent, compare to 11.9 percent in 2007.



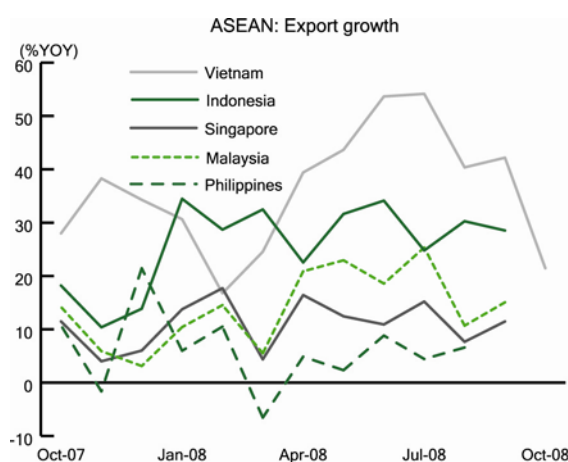
■ **The South Korean Economy** in Q3 expanded by 3.9 percent (yoy), down from 4.8 percent (yoy) in Q2 and increased by 0.6 percent (qoq) from previous quarter. This was the lowest rate of growth since Q3 of 2003. On production side, the slowdown was mainly attributable to the weakening manufacturing production which is accounted for 32 percent of GDP. The growth rate of industrial production declined from 8.9 percent and 9.0 percent in Q1 and Q2 respectively to 6.5 percent as a result of weakened export to China and other major trading partners. The financial services sector contracted by 0.03 percent (yoy) compare to 15 percent expansion in Q2. The wholesales and retail sales sector slightly improved. With respect to economic stability, liquidity increasingly has tightened due to the substantial capital outflow. In August, loan to deposit ratio hiked to 140 percent. Korean Won constantly depreciated. International reserves continued to decline in an attempt to stabilize currency. The tightened credit condition together with the weakened economic condition of its major trading partners, are likely to drag on Korean economy in Q4. Against this development, the Korean economy is likely to grow by 3.8 percent in 2008, down from 5.0 percent in 2007.

■ **The Singaporean Economy**, GDP contracted by 0.6 percent (yoy) in Q3 compare to 2.1 percent expansion in Q2. The economic contraction was attributable to the deceleration and the contraction of almost all production sectors. This is because the Singaporean manufacturing sectors are mostly export-oriented and thus heavily affected by the slowdown of global economy. The strong output contraction was in pharmaceutical industry and Electronic industry which declined by 35.7 percent and 7.1 percent respectively. The export sector, which is accounted for 230 percent of GDP, contracted



by 5.7 percent (yoy) and 13.9 percent (yoy) in August and September respectively and thus current account surplus has perpetually declined. Export to the US and EU declined by 24.5 percent and 23.6 percent in September. For the whole year of 2008, the Singaporean economy is likely to grow by 2.3 percent.

- **The Taiwanese Economy contracted by 1.0 percent in Q3 compare to the expansion of 4.3 percent in Q2, the first contraction since 2003.** The contraction was attributable to the weakening global economic condition as Taiwan is export dependent economy with the ratio of export to GDP of 74 percent. In Q3, export showed a sluggish growth rate of 0.3 percent down from 9.2 percent in Q2. The growth of electronic exports, the key export sector, decelerated from 9.3 percent in August to 4.6 percent in September dropped. This situation resulted in a contraction of manufacturing production of 1.39 percent in September compare to 0.66 percent expansion in August. Export orders grew by 2.82 percent, the lowest pace in 4 years. Orders from China and US, the most important export markets, fell by 10.79 percent and 2.29 percent respectively which suggested a further slowdown in Q4. Overall, the Taiwanese economy is expected to grow by 2.8 percent, down from 5.7 percent in 2007.



- **The Asian economies** showed downward trend except for Vietnamese economy. In Q3, Vietnam economy grew by 6.5 percent, stronger rate than that of 5.6 percent in Q2 but weaker than that of 8.5 percent in the same period last year. Countries with high ratio of export to GDP are increasingly affected by global slowdown, including Singapore (230.9 percent to GDP) Vietnam (77 percent to GDP) and the Philippines (42.6 percent to GDP). The rate of export growth has decelerated both in terms of volume due to the reduction in world demand, and in terms of value due to the falling prices of major export commodities such as rice, electronic and parts. Together with the capital outflow and the contraction of stock market,

Asian currencies have continually depreciated. Liquidity started to decline as in other regions as indicated by the rising loan to deposit ratio. This situation is likely to limit investment and consumption expansion in Q4. Against this development, central banks tend to cut their policy rates which are relatively high compare to other regions. In addition, the deterioration of current account balance caused by export slowdown, together with capital outflow, potentially lead to economic instability in some countries such as Vietnam, Philippines, and Indonesia.

2. Economic outlook in Q4 and the whole year of 2008

The Thai economy is likely to moderate further as the impacts of deteriorating global economic condition on exports will increasingly intensify. Domestic demand continues to soften. However, the favorable factors to economic expansion in the fourth quarter are the government economic stimulus measures, the decline in oil and raw material prices, lower inflationary pressure, and the likely monetary policy loosening.

2.1 Economic factor and condition in the last quarter of 2008

(1) Risk factors/limitations

The key risk factors associated with growth prospects of the Thai economy in Q4 are including (i) the deteriorating global economic condition (ii) domestic political uncertainty (iii) the softening business and consumer confidences. The impacts of deteriorated global economy on exports are expected to build up in Q4 as indicated by the slowdown of export volume from 11.8 percent in Q1 and 12.3 percent in Q2 to 9.1 percent in Q3. The slowdown of global economy will also restrain tourism sector expansion, in particular tourism from Europe and America which are directly affected by the crisis. In addition, consumer and business confidences remain low due to the worsening global economic condition and domestic political uncertainty.

With respect to the impacts on financial system, financial losses from foreign asset investment and Credit Default Swaps are likely to be minimal as the ratio of foreign investment and foreign assets to total asset of Thai commercial banks is as low as 8.0-10.0 percent. On liquidity front, liquidity in financial system remains ample. Taking into account bond and deposit in financial system, excess liquidity is estimated at around 700-800 billion baht. However, financial institutions are likely to strengthen

their lending standards in particular lending to SMEs. Therefore, government policy priority should be given to SMEs liquidity providing through government specialize financial institution to ensure liquidity accession of SMEs.

(2) Supporting factors for economic expansion in Q4 are including:

- (2.1) The downward trend of oil price and inflation will lower costs of living for people and production costs of business sector. Inflation in Q4 is expected to be at an average rate of 3.0-3.5 percent. In addition to lower inflation and commodity prices, economic expansion in Q4 will be also supported by “6 months 6 measures”.
- (2.2) The downward trend of domestic interest rate. The policy rate is expected to be lowered as domestic demand remained weak and inflationary pressure has substantially subsided as well as policy rates in other countries have continually been lowered in order to reduce risks of hard landing.
- (2.3) The speeding up of budget disbursement and government projects under the framework of budget deficit as well as other stimulus measures are expected to support economic activities and restore consumer and business confidences.
- (2.4) Export and tourism sectors will continue to expand, though at a slower pace. Advanced orders of around 2-3 months before the sharp deterioration of global economy are likely to drive export to grow at around 10 percent in Q4. In addition, the continuing tourism promotions are likely to support activities during the coming tourism season.

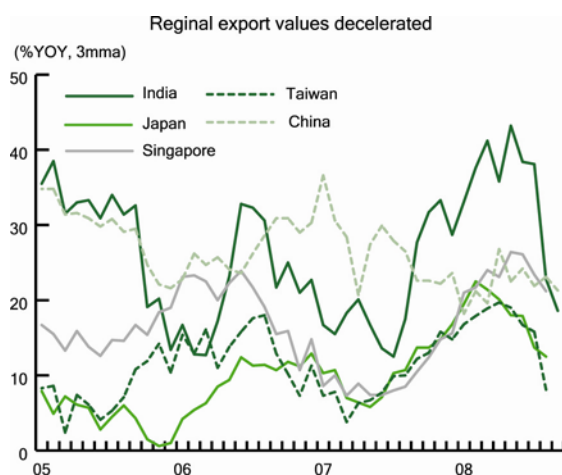
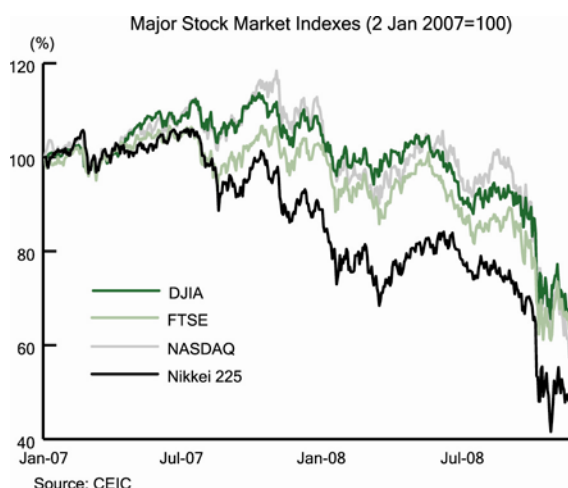
2.2 Economic outlook for 2008

For the whole year of 2008, the Thai economy is expected to grow by 4.5 percent, compare to 4.9 percent in 2007. Inflation is likely to accelerate to 5.6 percent, from 2.3 percent in 2007. Unemployment remains at the same rate as in 2007 at 1.4 percent. Current account will be in deficit of 300 million US dollar, considerably lower than that of 14,049 million US dollar surplus in 2007.

In this press release on 24th November 2008, Office of the National Economic and Social Development Board (NESDB) has revised GDP forecast from 5.2-5.7 percent in previous release on 25th August 2008 to 4.5 percent. The downward revision is underlined by following reasons:

- (1) The sharper-than-expected global slowdown together with domestic political unrests in Q3 negatively affected tourism sector by more than previously forecast.
- (2) The faster-than-expected import growth in all categories such as raw materials, capital goods, fuels and consumption goods which was partially driven by higher price expectations, in particular, prices of metal, gold and iron. Therefore, the contribution from net export is likely to be smaller than what previously forecast.
- (3) Investment expansion is slower than previously expected due to the sharper-than-expected global slowdown and its associated impacts on stock market that severely reduced equity prices and household wealth worldwide. This situation has eroded business sentiments and market opportunities. In addition, the political tension that developed to political unrest has reduced investor confidences and caused investment decision to delay.
- (4) The faster-than-expected import expansion together with negative impacts of deteriorating global economy and domestic political unrests on tourism sector caused current account surplus to decline by more than previously forecast.

The projection of government current and investment expenditures were revised downward as disbursement rates in Q4 of FY 2008 were lower than previously forecast.



3. Economic Projection for 2009

3.1 The economic outlook in 2009: the global economy tends to decelerate further and the economic growth rate is projected at 2.0-2.5 percent

Global economic condition in 2009 is subjected to the recovery of financial and real economic activities in advanced countries. However, financial stresses in major countries are likely to drag on real activities further. The constraints to economic recovery are including: 1) high household and business debts that have accumulated during the period of severely financial crisis in the second half of 2008. 2) The wealth destruction due to the sharp economic slowdown that raised unemployment rate and the sharp and continue reduction of equities and housing prices. Taking into account previous economic cycles caused by banking crisis, the economies of crisis origin usually faced with 4-6 quarters of economic slump before the mild recovery. The current situation indicated that, in Q4, the US, Euro-zone, and Japan are likely to contract by more than previously expected. Whereas, negative impacts on developing and emerging countries are increasingly perceived. Under this circumstance, the US economy and leading countries in Euro-zone are likely to contract further, at least in the first half of 2009, before mildly recover in the second half that would be supported by various measures launched by the US and Euro-zone. Such as direct liquidity injection for distressed financial institutions, increase the ceiling for deposit insurances, short-term debt providing for distress financial institutions. These measures are expected to ease the tight credit condition. Together with the decline in oil and other commodity prices, the domestic demand tends to recover gradually in the second half of 2009. In Asia, economic condition would be increasingly affected both in financial system and export demand. However, after Asian financial crisis in 1997 financial institutions in Asia have been strengthened which will be the safeguard to banking crisis. However, the sharp reduction of export demand from developed countries might twist economic stability of the export dependent countries with current account deficit and high foreign debt. Under these circumstances,

World Economic Growth (% YOY)

	2006	2007	2008				2008 (qoq)			2009
			Q1	Q2	Q3	total_f	Q1	Q2	Q3	
World	5.3	5.0	4.8	3.8	n.a.	3.7	n.a.	n.a.	n.a.	2.0-2.5
United State	2.9	2.0	2.5	2.1	0.8	1.3	0.9	2.8	-0.3	-0.7
Eurozone	2.8	3.0	2.1	1.5	0.7	1.2	0.7	-0.2	-0.2	-0.5
United Kingdom	2.9	3.1	2.3	1.6	0.3	0.8	0.3	0.0	-0.5	-1.3
Japan	2.4	2.1	1.4	0.7	-0.1	0.2	0.6	-0.9	-0.1	-0.2
China	11.6	11.9	10.6	10.1	9.0	9.7	-5.6	12.4	2.7	8.5
Singapore	9.4	7.7	6.9	2.1	-0.5f	2.3	15.7	-5.7	-6.3	2.0
India	9.8	9.2	8.8	7.9	n.a.	7.8	2.2	0.5	n.a.	6.3
Malaysia	5.9	6.3	7.1	6.3	5.7f	6.0	-1.8	2.3	n.a.	4.8
Philippines	5.4	7.2	4.7	4.6	n.a.	4.4	0.3	2.0	n.a.	3.8
Vietnam	7.9	8.2	7.5	6.5	6.5	6.3	n.a.	n.a.	n.a.	5.5

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

Exchange Rate

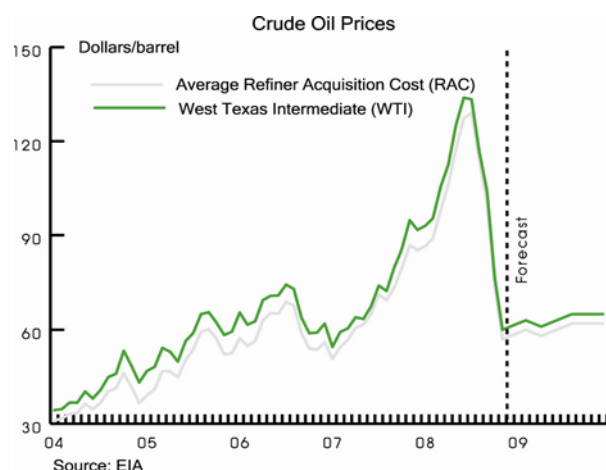
Annual avg.	2006	2007	2008f	2009f
US \$/Euro	1.26	1.371	1.456	1.387
Yen/US \$	116.3	116.9	108.1	108.9

Source: Consensus Forecast (Sep 2008)

- The global economic expansion is expected to be at around 2.0-2.5 percent, significantly down from 3.7 percent in 2008. The US, Euro-zone, United Kingdom, and Japan are likely to contract by 0.7, 0.5, 1.3 and 0.2 percent respectively which would lower growth rate of the newly industrialized economies such as South Korea, Singapore, and Taiwan to 3.5, 2.0, and 2.5 percent respectively. Similarly, the growth rate of emerging countries such as China, India, and Russia are likely to decelerate to 8.5, 6.3, and 3.5 percent respectively.
- The foreign exchange rate market will continue to fluctuate with the appreciation trend of US dollar against other major currencies. The supporting factors for US dollar are (i) US dollar has been substantially depreciated. Although the outlook for the US economy in 2009 remained weak, it is expected to be the first country that recover from the crisis in relative to Euro-zone and United Kingdom. (ii) Although the global slowdown negatively affects US export, the consumer-led recession tends to cut import by a larger magnitude and improve current account balance which would fundamentally support U.S dollar.
- The world economic turmoil will negatively affect global trade expansion which is expected to grow by 4.0 percent, down from 5.0 percent in 2008 due to the contraction of global demand in major economies. Meanwhile, the tendency of U.S dollar appreciation will reduce commodity market speculation. This situation will put downward pressure on commodity prices further, in particular oil and other major commodity prices. In addition, the global liquidity condition is unlikely to be significantly improved in near term due to rising capital demand to offset financial losses, high counterparty risks and equity market downturn that hinder recapitalization. Together with the weaker economic condition, this situation is likely to reduce capital inflow in developing countries both in terms of FDI and stock market investment.

3.2 Trend of oil price in 2008-2009

(3.2.1) Average Dubai crude oil price in 2008 is expected to be at 95 US dollar per barrel, increase from 68.83 US dollar per barrel, equivalent to increase of 37.1 percent from year 2007. For the first 10 months, The Dubai crude oil was averaged at 103.30 US dollar per barrel increased by 59.4 percent from the same period of last year. On October Dubai crude oil price was averaged at 67.5 US dollar per barrel. Average Dubai crude oil price during November and December will be lower than the average price in October 2008 from 2 main factors: 1) worsen global economic situation and 2) increase in excess production level by OPEC which expected to reach 2.48 million barrels per day in the forth quarter of 2008.



(3.2.2) In 2009, average crude oil price will remain stable with price level closes to the average price in the forth of 2008. The Energy Information Administration (EIA) forecasted on November 2008 that average crude oil WTI price in 2009 will be 63.50 US dollar per barrel, lower than the expected average price of 2008. However, NESDB expected average crude oil WTI price to be approximately 60-65 US dollar per barrel, lower than average price of 2008 (101.36 USD per barrel). The major factors that lower the average crude oil forecast price to be less than the expected average price of 2008 are as follows:

- **World oil demand is expected to remain stable due to the global economic slowdown.** According to EIA forecast in November, global oil demand in 2009 will be 85.93 million barrels per day, close to 85.89 million barrels per day in 2008. The oil demand from OECD countries is expected to be 46.93 million barrels per day, declined from 47.79 million barrels per day, as demand in US, Euro Zone and Japan will reduce. Whilst the oil

Oil Consumption							
(million barrels per day)	Year			2009_f			
Consumption	2007	2008_f	2009_f	Q1	Q2	Q3	Q4
OECD	49.14	47.79	46.93	47.84	45.80	46.47	47.62
U.S. (50 States)	20.68	19.56	19.31	19.43	19.15	19.28	19.36
U.S. Territories	0.32	0.29	0.29	0.30	0.29	0.28	0.30
Canada	2.37	2.35	2.30	2.33	2.23	2.31	2.35
Europe	15.30	15.16	14.85	14.88	14.50	14.89	15.11
Japan	5.01	4.95	4.81	5.38	4.39	4.53	4.96
Other OECD	5.46	5.48	5.37	5.52	5.23	5.19	5.54
Non-OECD	36.67	38.10	39.00	38.23	39.20	39.14	39.42
Former Soviet Union	4.28	4.41	4.45	4.36	4.54	4.47	4.42
Europe	0.79	0.80	0.82	0.88	0.81	0.76	0.82
China	7.58	8.00	8.34	8.07	8.32	8.33	8.64
Other Asia	8.78	8.91	8.88	8.88	8.97	8.69	8.97
Other Non-OECD	15.24	15.97	16.52	16.04	16.56	16.89	16.57
Total World Consumption	85.81	85.89	85.93	86.07	85.00	85.61	87.05

Source : EIA

demand of non-member OECD will increase slightly from 38.1 to 39.0 million barrels per day, due to increasing demand in China, Latin America and Middle-East countries.

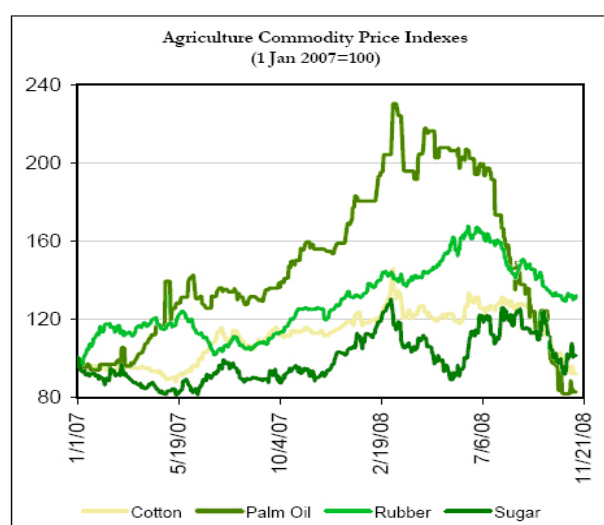
- World oil production expected to increase. EIA forecasted in 2008 that the global oil production of non OPEC country will decrease by 280,000 barrels per day, as a result of the delay of oil drilling project. However, global oil production expected to increase by 500,000 barrels per day in 2009 owing to increase in oil production from the US, Azerbaijan and Brazil. Nevertheless oil production from OPEC country tends to decrease from the OPECs' decision to cut production by 1.5 million barrel per day, effective on 1st of November 2008, with further reduction⁷ if oil price condition not improving. The excess oil production of OPEC expected to increase from 1.6 million barrels per day in the second quarter of 2008 to approximately 4 million barrels per day in 2009.
- The problem and damage in financial sector and the transaction including derivatives market had inevitable reduce the incentive of speculation in the future oil market and the other markets. Moreover G-20 had a joint agreement on enhancing the regulatory reform for financial and derivatives market, financial transaction of financial institution, securities trust and private banking.

3.3 The Thai Economy trend in 2009

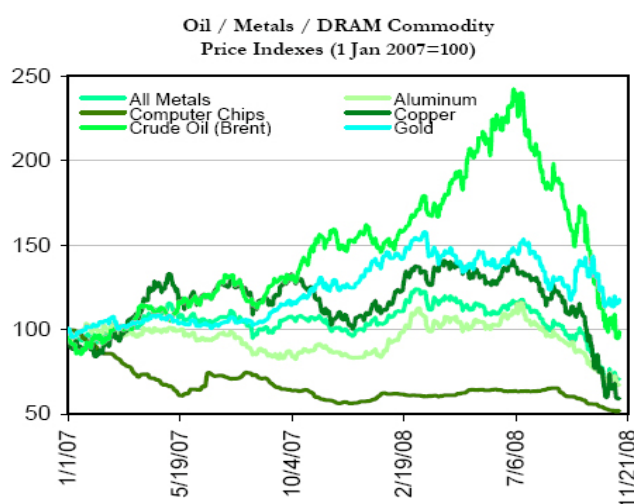
3.3.1 Key themes

- The Thai economy in 2009 tends to slowdown from 2008. In the first half of 2009, the global financial crisis continues to influence Thai economic performance with the tendency of sharp export slowdown from a high base in 2008. Private investment is likely to moderate further with low business confidences as global recession heading to its bottom. However, in the second half of the year, government spending and the disbursement rate of grass-root projects are expected to vigorously accelerated. That will help stimulate private expenditure and investment, especially the progress in government Mega-projects to boost up private confidence. While global economic and financial turmoil are expected to surpass its lowest level during the first half of the year and the stimulus effects from loosen fiscal and monetary policy since the second half year of 2008 thru the first half year of 2009 materialize.
- Export of goods and tourism services tends to moderate due to the global economic deceleration, in particular, export that sensitive to income and commodities resembling capital goods such as electronic, vehicle & transport equipment, electrical appliances, and gems& jewelry. The tourism sector will be subjected to the slowdown of global economy and domestic uncertainty. However, the situation is expected to be improved in the second half. The promotion campaign for tourism might assist the situation during the high season in the end of 2009.
- Economic management in 2009, government spending and investment should play a leading role in stimulating domestic spending and investment in

⁷ OPEC country will host a urgent meeting again on 29 of November 2008 with main agenda to stabilize oil price.



Source: <http://aric.adb.org>



Source: <http://aric.adb.org>

order to substitute the vigorously decline in export. Other measures aim to ease the effect of global recession to the low income group and disadvantaged group as well as small-medium enterprises (SMEs). The measures should emphasize both on a long-term self-reliance capacity building and increase competency. Moreover, the ease of monetary policy and the clarification of the government action plan for accessing liquidity will play a vital role to increase consumer confidence and improve consumption and investment spending.

- Source of economic growth in 2009 increasingly relies on domestic demand expansion, which would be a broader expansion base to support economic growth than net export.
- Oil and commodities prices tend to decline from high based, which sharply increased in 2008. The weak demand for product and services will contribute the rapidly decline in inflation rate in 2009. Demand of product and service that highly correlates with inflation should be monitored closely, as price could continuously reduce and finally could turn into deflation. As many countries such as US, South Korea, and Japan start to worry about the deflation.

3.3.2 Supporting factors for economic recovery in 2009. The expansion of consumption and investment in 2009 will be underpinned by the following supportive factors:

- (1) The implementation of fiscal deficit policy and accelerating government project to stimulate economic activity and inject liquidity into economic system especially, budget spending for rural people and enhance productivity of rural area for supporting the household expenditure during 2008, and also for enhancing long-

term self-dependency. In addition, the additional budget allocation of 100 billion baht will stimulate consumption and investment spending. Some parts of addition budget are designed to boost grass-root economy and increase liquidity for SMEs including measures for senior citizen and disadvantaged group.

- (2) The implementation of the government measures to speed up the recovery of consumption and investment as well as to strengthen competitiveness in private sector, which are including tax measures to raise disposable income and support disadvantage people, tax measures to stimulate investment and strengthen competitiveness, tax measures to support SMEs, financial measures to strengthen production and management efficiency for small and medium scale enterprises, financial measures for people and grassroots economy, and tax measure to stimulate real estate sector.
- (3) Other factors that enhance the expansion of consumption and investment are loosening monetary policy, decrease in oil and raw material prices, and the deceleration of inflation rate.

3.3.3 Risk factors associated with growth prospects of the Thai economy in 2009

- (1) The global economy expected to slowdown, which subsequently will affect Thai export and tourism starting in the later half of 2008 though to 2009. Global economic slowdown is expected to be more board-based covering most of Asian market, which is Thailand's major export destination. Meanwhile supply of agriculture products that start to build up, as world production has increased. In addition, drainage of rice stock by

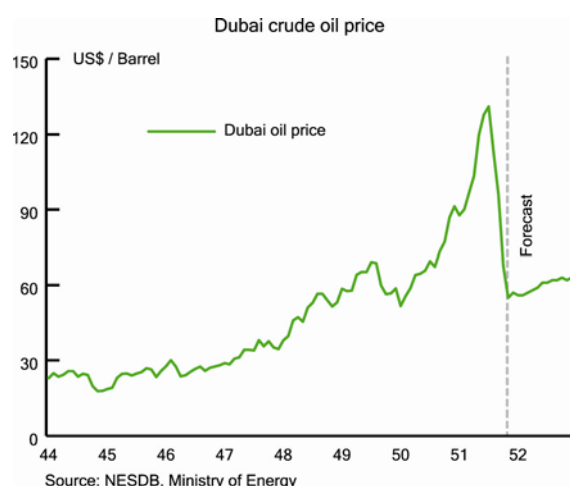
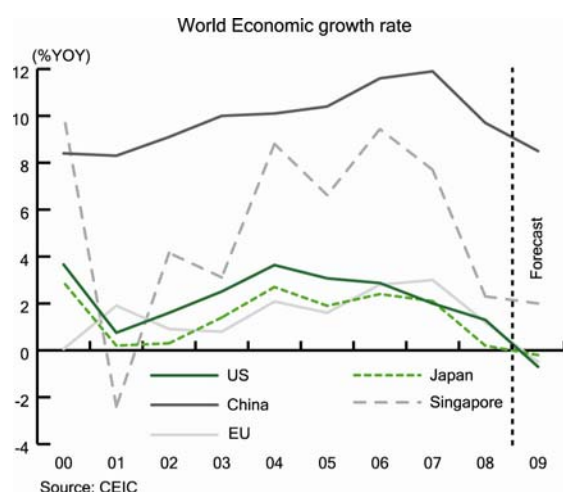
China and Vietnam, and rubber stock by China, will adversely affect export of Thai agricultural products.

- (2) Slowdown in private investment during 2008 with reduction in government investment will inevitably impact overall investment atmosphere. Therefore, in 2009, progress and clear decision over government mega projects will play a vital role in driving national investment.
- (3) Consumer confidence and business sentiment declined from the impact of global financial crisis and domestic political uncertainty. With news like further write-off in financial sectors, slow down in exports and deterioration of global trade situation will certainly have an impact on consumer confidence and investment decision.

3.4 Key Assumption for 2009 Projection

(1) The global economy in 2009 is expected to grow by 2.0-2.5 percent, slowdown from 5.1 percent in 2007 and lower than the projected growth rate of 3.7 percent in 2008⁸. This downward revision is due to a general slowdown in world major economies. Economic contraction is seen in the US, Japan, and Europe, while economic deceleration is apparent in China, India, East Asian countries, ASEAN5, as well as Eastern Europe.

(2) Dubai average crude oil price in 2009 is projected at 55-65 U.S. dollars per barrel, which is lower than average price of 68.83 U.S. dollars per barrel in 2007 and estimated price of 95 U.S. dollars per barrel in 2008.



- From the beginning of 2008 until 19 November, 2008, Dubai average crude oil price was at 100.43 US dollars per barrel, a 52.12 percent higher than the price of the same period in 2007.
- However, crude oil price has declined continuously since August 2008 due to followings: (i) World economic deceleration results in the decrease of world demand for oil consumption (ii) Financial crisis has increasingly driven the movement of fund back to the US, partly to cover financial damage. This results in an increase in demand for US currency leading to a stronger US dollar. (iii) Speculation in future market has declined since market risk has increased, and oil market is expected to ease off when the world economy decelerated.
- In the third quarter of 2008, Dubai crude oil price was averaged at 113.32 US

⁸ On the 24 August 2008 press release, 2008 growth rate was projected at 4.0 percent.

dollars per barrel, a slight decrease from average price of 117.02 US dollars per barrel in the second quarter. However, from October to November 2008, Dubai crude oil price was averaged at 58.73 US dollars per barrel. Noticeably, the second half of November, crude oil price dropped below 50 US dollars per barrel. In addition, crude oil price is likely to moderate for some period in line with a slowdown of global economy and appreciation of US currency.

- In 2009, crude oil price can increase from current level as OPEC countries have agreed to lower oil production, starting to be effective in November 2008, and it is possible that OPEC countries will further cut oil production in order to boost the price. Meanwhile, risks from natural disasters and tensions in geopolitics can possibly cause a short-term volatility of oil price. In addition, in the event of global economic recovery at the end of 2009, oil price will certainly step up from the current level (below 50 US dollars per barrel).
- (3) Export price in term of US dollars is expected to increase merely by 3.0 percent. Meanwhile, import price is projected to rise by 6.0 percent. The moderation of export price partly due to the adjustment of baseline price, which has multiplied during 2008 leading by steel, metal, gold, and oil price. It is projected that commodities and oil prices are likely to be moderate in 2009 due to the slowdown in demand and supply response of some commodities such as rice and wheat in early 2008. In addition, prices of energy crops, both corns and tapiocas, are likely to decline along with oil price. In 2009, import price that is likely to increase at a faster rate than export price will put Thailand in a disadvantage position in term of trade.

3.5 Economic outlook for 2009: Thai economy is expected to grow between 3.0 – 4.0 percent with 2.5 – 3.5 percent of headline inflation and a current account deficit equivalent to 1.2 percent of GDP

The Thai economy in 2009 will be able to expand up to 4.0 percent under conditions that (i) Government measures under the framework of economic management in 2009 are efficiently and effectively implemented. (ii) World oil price is not exceed 75 USD per barrel. (iii) The world economy expands not lower than 2.0 percent.

Economic growth components in year 2009

3.5.1 Demand side and economic stability

- (1) Total consumption expenditure is expected to grow by 4.3 percent with the expansion of household expenditure by 3.7 percent, higher than the estimate of 2.6 percent for the year 2008. The supporting factors for household expenditure expansion are (i) the inflation rate deceleration (ii) the induced effects from government spending under the framework of government budget deficit and allocation of 100 billion baht. additional budget In this respect, real government spending is forecasted to increase by 8.0 percent.
- (2) Total investment is projected to expand by 4.8 percent, slightly higher than the estimate of 2.3 percent for the year 2008. Public investment is expected to accelerate in tandem with the progress of mass-transit projects in the second half of 2009. Private investment is likely to decelerate further as investor will wait to see a clearer world economic situation, domestic political condition as well a clarification of wholesales-retails business act and foreign business act. Moreover, in 2009 financial institutions are expected to

tighten their lending practices further, even with sufficient liquidity, due to the concern over NPLs, in particular amid decelerating economic condition.

- (3) Export value in US dollar term is projected to increase by 7.0 percent in 2009, substantially lower than the estimate of 20.0 for the year 2008. Both export quantity and volume are likely to decelerate in the presence of sharp economic deceleration and high base in 2008. In this respect, export volume is projected to grow by 4.0 percent the same rate of projection for export price increase of 3.0 percent. In addition, under the situation of the slowdown in demand and excess production capacity in exporting countries in particular China, the price competition is likely to be fiercer. Agricultural production is expected to increase due to supply response in 2008 and thus its price is expected to decline at a faster pace than in 2008.

Overall, the export volume of goods and services is projected to expanded by 4.4 percent, significantly decelerate from 7.4 percent in 2008.

- (4) In 2008, imports substantially accelerated from a low base in 2007. The strong import expansion in 2008 was attributable to (i) the import of raw-material and semi-finished goods to be used in export-oriented production as well as consumption goods (ii) the import for the purpose of stock accumulation such as gold metal and iron and (ii) vehicles and parts, electronic products. In 2009, imports is likely to substantially slow down owing to weak investment, exports deceleration and weak domestic spending as well as the run down of inventory. In this respect, import volume in US dollar term is projected to increase by 30.7 percent in 2007, before decelerate to 5.0 percent in 2008. Import

price is likely to slow down substantially, in particular oil and fuel price which will result in 10 percent increase in import price in US dollar term. The import of services is projected to increase by 5.2 percent, down from the estimated of 7.7 percent in 2008.

- (5) Trade balance is forecasted to register a deficit of 6.5 billion US dollar in 2009, larger than the estimated of 1.0 billion US dollar in 2008 due to the strong import expansion in 2008 and, in 2009, exports is likely to decelerate at a faster pace than imports. Together with the forecast of surplus in service balance, current account is projected to record a deficit of 3.5 billion US dollar, equivalent to 1.2 percent of GDP and larger than the estimated deficit of 300 million US dollar for the year 2008.

- (6) Economic stability is likely to be favorable. Although current account is likely to record a deficit, it is still at manageable level. With respect to domestic stability, inflation is likely to be at around 2.5-3.5 percent, lower than the estimated of 5.6 percent for the year 2008, due to the decline in oil and commodity prices and weak demand condition. Although, the "6 months, 6 measures" economic package will be expired in early 2009, with a substantially decline in oil price, inflationary pressure is unlikely to increase. Unemployment is forecasted to be in the range of 1.5 – 2.5 percent which is equivalent to additional unemployment of around 500,000-600,000 persons. In the first 9 months of 2008, unemployment stood at 1.42 percent with average unemployment of 530,000 persons, out of total labor forces of 37.55 million persons.

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

(1) Agriculture sector: It is expected that world demand for crop production will increase at slower rate than world supply; therefore, excess supply and downturn of average price of world crop production will exist in the year 2009. In an addition, food importing countries has turned to produce agricultural product for fostering their own food security system. 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 next year. The sectoral outlook is as follow:

(1.1)**Rice:** In 2009 rice production of Thailand tends to turn out satisfactorily both in the first and second crops due to favorable incentive from last year price increase which is highest ever recorded. However, to cope with the downward trend in world market price, government launched rice pawning scheme for crop year 2008/2009, which is effective from 1 November 2008 to the end of April 2009. This scheme will stabilize rice price and support paddy price.

(1.2)**Cassava:** according to the favorable price development in 2008, farmers are encouraged to expand their harvesting areas. Thus, the output of cassava next year is expected to be 28.891 million tons and harvest areas will increase to 7.824 million Rais, increasing by 13.0 and 5.8 percent, respectively, comparing with 2008 crop year. However, since 70 percent of cassava production of Thailand depends on export market, the

contraction of demand in the world market is expected. During the past 1-2 years, China substantially imported tapioca for the purpose of ethanol production in preparation for Beijing Olympic Game. With respect to foreign tapioca market, European Union has increased their production output and thus has yet made advanced order from Thailand. With respect to domestic market, demand 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 ethanol as income from ethanol production can cover its cost. The price of cassava in 2009 is expected to be at around 1.70 baht per kilogram lower than that of in 2008.

(1.3)**Rubber:** Production of rubber is expected to increase in 2009 for new generation of rubber tree will be ready to be harvested. In 2009 rubber price tends to decrease from its high price level of 2008 to its normal price level. In 2008 rubber price was higher than fundamental as a result of the rising oil price encouraging the speculation in the commodity market. Moreover, it is projected that rubber demands in world market will slow down as the demand from rubber importing countries, namely Europe, America, Japan India and China decline.

(1.4)**Fishery:** In 2009 shrimp export is expected to slow down as world financial crisis will cause consumption in major market such as US and EU. shrinking, importers lacking liquidity, importers slowing down payment and delivery as well as importers trying to cut the price down and exporter

lacking of order during the period of exchange rate fluctuation. However, as comparing with other exporting countries, shrimps product from Thailand are much more recognized for three standards, namely, product quality and safety, quality control and trace back system and antibiotic free product. Moreover, more than 50 percent of Thai exporters who are proactive and have already made market with modern trade groups and supermarkets in the US, Japan, EU and Canada. Thailand has not only tried to keep present markets but also tried to expand market to new areas such as Russia and Eastern Europe. Thailand and Russia have already concluded Mutual Recognition Agreement on food safety inspection system and accreditation. This will encourage better opportunities for exporting Thai fresh, frozen and canned fishery products to Russia, the new and liberal market. The export opportunity for canned fish is likely to be improved.

- (2) Industrial sector: In 2009, industrial sector is likely to soften further from 2008. The manufacturing production sectors that will be negatively affected by global economic deceleration are including textile, electrical appliances and electronic parts, gem and jewelry rubber and rubber products and furniture. This is because the US real estate sector remains depressed. Food and Beverages are well performance. Production sector that are expected to be beneficial from the decline in energy costs are including petrochemical. In up coming year, producers are expected to be able to adjust themselves to changes in world production structure with low cost producers such as China, India and Vietnam.
- (3) Construction and Real estate sector are expected to slowdown in year 2009 due to spillover effects of financial crisis on money and capital markets, export market and caused unemployment problem. These effects have contracted purchasing power with a clear warning sign since previous quarter. However, several factors that prevent this sector from a sharp contraction are an attempt from the government to push mega projects and one year extension of real estate taxation (due on March 2009). Risks for producers are (i) the continue volatile construction costs (ii) accessibility to sources of funds (iii) higher financial costs as banks are likely to strict their credit approval and reduce risks
- (4) Tourism sector: In services sector, it is likely that the aggressive tourism promotion in 2009 will induce tourism to be higher than in 2008. In this respect, the number of tourists is forecasted to increase to 15 million persons, from 14.5 million persons in 2008. The Thai government launched 'Visit Amazing Thailand 2009', to promote both Thai and foreign tourists to travel in Thailand, promote product and tourism service in every attractive area, and concentrate on environmental concern traveling under "7 Greens" idea. Therefore, attracting the rising star market such as Russia, India, Middle East, Spain, and also maintain traditional market such as West Europe as well as main market in Asia such as Japan, Singapore, Korea, and Hong Kong, and expand market base to Vietnam and Indonesia.

4. Economic Policy Management for 2009

In 2009, global financial crisis will have an impact over Thai economy. Particularly on export sector, tourism sector, consumer and producer confidence, this in turn will affect spending pattern and investment expansion. Therefore, priority of the economic policy management in 2009 should be on stimulating and improving the economic structure concurrent with measures to alleviate the impact of global economic slowdown and to activate economic growth, especially to in low income and disadvantaged group. Economic policy management guidelines are as follows:

- (1) The budget disbursement in fiscal year 2009 and the additional allocation of 100 billion baht additional budget must be accelerated, which partly will be for grass-root economy stimulation and increase liquidity for SMEs through specialize financial institution. In addition, it is essential to speed up budget disbursement of mega projects by achieving target of 94 percent disbursement rate of government budget and 80 percent of SOE's investment budget especially the budget that goes directly toward people and communities. Achieving disbursement target of community budget is necessary to fully support the alleviation of household expenditure in short-run and promote self reliance in long-run.
- (2) Appropriate welfare measures must be provided to unemployed people, with proper skill improvement training if new career is needed.
- (3) Closely monitor sectors that will be severely affected; such as tourism sector, export sector and real estate sector. Counter measures must be implemented, including continuously promote export and tourism by focusing on new market, upgrade product standard and improve marketing network. Corporation between public and private sectors is crucial for success of counter measures.
- (4) Measures to relieve impact of steep decline in agricultural price should be provided for farmers in order to achieve, with proper future production planning and sufficient return.
- (5) Energy price must be properly managed with appropriate level of energy fund accumulation for unexpected event.
- (6) Easing monetary policy, under favorable circumstance where oil price and inflationary pressure had softened, and assurance of sufficient and accessible liquidity in the capital market especially for small and medium-enterprises.

Economic Projection of 2008-2009

	Actual Data		Projection		
			2008_f		2009_f
	2006	2007	Aug_f	Nov_f	Nov_f
GDP (at current prices: Bil. Bht)	7,841.3	8,493.3	9,410.1	9,232.2	9,813.8
GDP per capita (Bht per year)	120,933.0	128,686	142,577.1	139,881.8	147,576.6
GDP (at current prices: Bil. USD)	206.9	245.8	284.3	277.2	284.5
GDP per capita (USD per year)	3,191	3,724	4,307.5	4,200.7	4,277.6
GDP Growth (at constant prices, %)	5.2	4.9	5.2-5.7	4.5	3.0-4.0
Investment (at constant prices, %)	3.9	1.3	6.2	2.3	4.8
Private (at constant prices, %)	4.1	0.6	7.3	4.0	3.8
Public (at constant prices, %)	3.3	3.4	3.0	-2.7	8.0
Consumption (at constant prices, %)	2.9	2.7	3.5	2.1	4.3
Private (at constant prices, %)	3.0	1.6	3.2	2.6	3.7
Public (at constant prices, %)	2.4	9.2	5.0	-1.0	8.0
Export volume of goods & services (%)	9.1	7.1	8.5	7.6	4.4
Export value of goods (Bil. USD)	127.9	150.0	174.8	180.07	192.7
Growth rate (%)	17.0	17.3	16.5	20.0	7.0
Growth rate (Volume, %)	11.2	11.0	8.0	8.0	4.0
Import volume of goods & services (%)	3.3	3.4	8.4	7.7	5.2
Import value of goods (Bil. USD)	126.9	138.5	171.2	181.05	199.2
Growth rate (%)	7.9	9.1	23.6	30.7	10.0
Growth rate (Volume, %)	1.3	3.6	9.5	9.5	5.0
Trade balance (Bil. USD)	1.0	11.6	3.6	-1.0	-6.5
Current account balance (Bil. USD) ^{1/}	2.3	14.0	7.5	-0.3	-3.5
Current account to GDP (%)	1.1	5.7	2.6	-0.4	-1.2
Inflation (%)					
CPI	4.7	2.3	6.5-7.0	5.6	2.5-3.5
GDP Deflator	5.0	2.7	5.5-6.0	4.2	2.5-3.5
Unemployment rate (%)	1.5	1.4	1.5	1.4	1.5-2.5

Source: Office of National Economic and Social Development Board, 24 November 2008

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.

Budget Management Framework in FY 2009

The Government has set the budget expenditure for FY 2009 at 1,835,000 million baht, equivalent to 18.2 percent of GDP, an increase of 175,000 million baht or 10.5 percent over that FY 2008, while the net revenue is estimated at 1,585,500 million baht. Borrowing of 249,500 million baht or 2.4 percent of GDP will be made to balance the deficit budget. The B.E. 2552 (A.D. 2008) Budget Act has come into force on and from October 14, 2008.

For FY 2009, total revenue are estimated at 1,585,500 million baht, consisting of direct tax (751,000 million baht), indirect tax (1,017,497 million baht), income from state enterprises (131,503 million baht). After the deduction of the Revenue Department's tax rebates, export duties compensation and the allocation of value added tax to provincial administrative organization at the amount of 242,600 million baht, the government has to issue bond at the amount of 249,500 million baht to offset the deficit.

The structure of expenditure (total amount 1,835,000 million baht), comprises of (1) Current Expenditures (1,336,466 million baht), equivalent to 72.8 percent of the total budget, increased by 10.1 percent, (2) Capital Expenditures (407,318 million baht), equivalent to 22.2 percent, increased by 1.8 percent, (3) Principal Repayment (3,676 million baht) and (4) Use of Treasury Cash Balance (27,540.2 million baht). Target for budget disbursement rate in FY 2009 is set at 94 percent of total budget expenditure. Capital expenditures are expected to be reimbursed at least 74 percent of the total capital expenditure.

Period	Budget target each quarter (Million Baht)	Budget target accumulate at the end of period (Million Baht)	Budget target of accumulate disbursement rate at the end of period (%)
Oct.-Dec. 2008	412,875	412,875	22.5
Jan-Mar 2009	431,225	844,100	46.0
Apr-Jun 2009	440,400	1,284,500	70.0
Jan-Sep 2009	440,400	1,724,900	94.0

Source: Ministry of Finance

The cabinet approved the additional budget expenditure for FY 2009 in the amount of 100 billion baht to counter global crisis and Thai economic slowdown. It will be proposed to the parliament and senate for approval. The B.E. 2552 (A.D. 2008) Additional Budget Expenditure Act for FY 2009 will come into force on and from the date of its publication in the government gazette, which is expected to be done early 2009.

The cabinet endorsed the public debt management framework in the amount of 1,200,000 million baht in FY 2009, comprising of 1,095,191.89 million baht for public debt management plan and 10 percent reserve of the plan for adjustment.

Action Plan	Total (Million Baht)
1. Government Domestic Debt Management	513,576.19
2. FIDF Debt Management	218,190.72
3. Stabilize Financial Institution Debt Management	n.a.
4. State Enterprises Debt Management	184,838.89
5. External Debt	81,563.44
6. Foreign Debt Management	97,022.65
Total	1,095,191.89

Source: Ministry of Finance