

Economic Outlook



Thai Economic Performance in Q2 and Outlook for 2011

Macroeconomic Strategy and Planning Office

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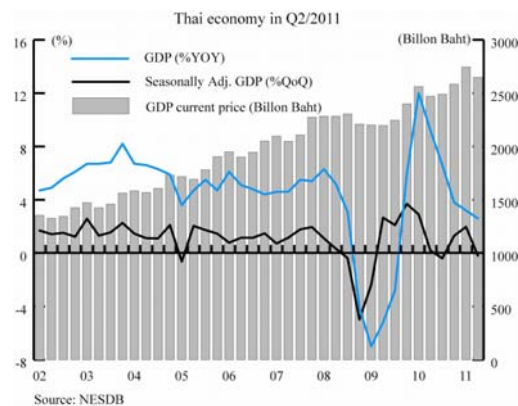
Economic projection Year 2011

(% YOY)	2010		2011		
	Q4	Year	Q1	Q2	2011F
GDP (at 1988 price)	3.8	7.8	3.2	2.6	3.5-4.0
Total Investment (at 1988 price)	6.4	9.4	9.3	4.1	6.2
Private	9.2	13.8	12.6	8.6	8.7
Public	-3.1	-2.2	-1.4	-9.9	-1.5
Total Consumption (at 1988 price)	3.8	5.1	3.0	2.5	3.3
Private	3.9	4.8	3.3	2.8	3.3
Public	3.2	6.4	1.8	1.0	3.0
Export of Goods (US\$)	21.1	28.5	27.4	19.2	16.5
Volume	12.2	17.3	18.6	9.2	9.7
Import of Goods (US\$)	18.7	36.7	25.6	28.0	21.3
Volume	12.0	26.5	19.2	18.9	12.5
Current Account to GDP (%)	6.4	4.6	7.6	2.1	2.4
Inflation	2.8	3.3	3.0	4.1	3.6-4.0
Unemployment rate	0.8	1.0	0.8	0.6	0.7

- ❑ In the second quarter of 2011, Thai economy grew by 2.6 percent, down from a 3.2 percent growth in the first quarter. The slowdown was partly attributed to the contraction in manufacturing sector that was affected by the earthquake and Tsunami disaster in Japan. Nevertheless, the continual global economic expansion has led to an increase in external demand, which in turn resulted in higher export and tourism sector. Furthermore, the unemployment rate remained at the low level.
- ❑ After seasonal adjustment, Thai economy, contracted by 0.2 percent (% QoQ SA), from to the previous quarter.
- ❑ In 2011, Thai economy is expected to grow in the range of 3.5 – 4.0 percent. In addition, export is expected to expand by 16.5 percent, while consumption and private investment are forecasted to grow by 3.3 and 8.7 percent respectively. Headline inflation is expected to be in the range of 3.6 - 4.0 percent, with an unemployment rate of 0.7 percent. Current account surplus is expected to be equivalent to 2.4 percent of GDP.
- ❑ Crucial economic management for 2011 involves: (1) Managing and maintaining fair pricing for both consumers and producers. The rise in price is partly a result of slowdown in production, which was affected by unforeseen events, such as floods. Thus, monitoring system should be set up to mitigate the effect of the events in a timely manner. (2) Ensuring income security for all citizens especially in agricultural sector that has a tendency to be affected by fluctuating weather. Moreover, government should expand and improve irrigation area, encourage the use of technology to enhance productivity, assist farmers to make a clear cultivation plan, and utilize proper financial tools to create insurance system that is suitable to Thai agricultural sector. (3) Enhancing the country's competitive edge to cope with rising production costs such as labor cost, interest rate and oil price. This also includes transforming labor-intensive production into technology-intensive production, in order to reduce the tension in labor market. (4) Preparing and coordinating policy tools to lessen possible impact from increasing volatility in global financial market and (5) Employing suitable fiscal policy and managing disbursement level in line with the set target, while enhancing the role of private sector in public investment. This would sustain Thai economic expansion under the sluggish global economic recovery.

Thai Economic Performance in Q2/2011 and Outlook for 2011

In the second quarter of 2011, Thai economy expanded by 2.6 percent, down from a 3.2 percent growth in the previous quarter. The slowdown was partly due to the contraction in manufacturing sector that was affected by the earthquake and Tsunami in Japan, as well as the reduction in total investment. However, the global economy that continued to expand led to an increase in external demand for Thai exports. The export value hit the record high in this quarter and the tourism sector continued to expand steadily. The seasonally adjusted GDP decreased by 0.2 percent (%QoQ SA), from the first quarter of 2011. The economy expanded by 2.9 percent in first half of 2011.



Positive Factors Affecting Economic Growth in Q2/2011

- (1) **Export value in terms of US dollar reached 57.3 billion US dollars** or expanded by 19.2 percent, compared to the same period of last year. The key major export products were rubber, rubber production, and air conditioners, which expanded by 76.2, 34.5 and 33.7 percent respectively. For the first half of the year, the export value registered at 113.3 billion US dollar, or expanded by 23.1 percent.

The major export markets continued to expand, for example, China, the USA, Japan and EU expanded by 22.7, 17.5, 35.9 and 20.3 percent respectively.

- (2) **Tourism Sector:** the number of inbound tourists was 4.37 billion persons, increased by 50.8 percent compared to the same quarter of last year. This improvement was due to a rise in number of tourists from China, South Korea and India which increased by 160.7, 65.3 and 53.2 percent respectively. Tourism revenue stood at 152,864 million baht, or increased by 55.9 percent from the same period of last year. Occupancy rate was 52.2 percent, increased by 38.8 percent, compared to the same quarter of last year. As a result, the GDP of hotel and restaurant sector surged by 19.8 percent. In the first half of the year, the total number of inbound tourists registered at 9.67 million persons, or an increase of 28.1 percent.
- (3) **Household consumption** expanded by 2.8 percent. This was attributed by the increase in farm income due to rising prices of main agricultural products such as rubber, cassava and oil palm that rose by 36.4, 56.0 and 44.7 percent respectively. Furthermore, employment condition remained positive, with unemployment rate of 0.6 percent, recorded a historical low level. However, consumer confidence reduced slightly to 71.3 from 71.9 in the previous quarter due to concerns over rising living expenses and high oil price that made consumers more cautious about their spending. Average household consumption expanded by 3.0 percent in the first half of the year.

Negative Factors affecting Economic Growth in Q2/2011

- (1) **Manufacturing Sector** contracted by 0.3 percent, compared to an expansion of 1.7 percent in the first quarter. Major manufacturing industries were largely affected by the devastating disaster in Japan for example motor vehicle industry, Hard Disk Drive manufacturing and wearing apparel contracted by 19.9, 1.4 and 13.4 percent respectively. The capacity utilization stood at 58.9 percent, down from 62.4 percent in the same quarter of last year. For the first half of the year, manufacturing sector expanded only 0.7 percent.
- (2) **Investment** expanded by 4.1 percent, down from an expansion of 9.3 percent. Lower investment in this quarter was due to a 9.9 percent contraction in public investment, which continued to decrease from a 1.4 percent contraction in the previous quarter. The reduction of public investment was a result of a lower disbursement for projects under Stimulus Package 2 as most of them were completed or entering their final phase. Private investment, on the other hand, expanded by 8.6 percent, down from a 12.6 percent growth in the preceding quarter. This deceleration was contributed by lower investment in construction and machinery and equipment, which reflected a decline in imports of capital goods. Business Sentiment Index was approximately 50.4, down from 53.1 in the previous quarter. For the first half of the year, average investment expanded 6.6 percent, by which private investment increased 10.5 percent and public investment contracted by 5.9 percent.

Thai Economic Outlook for 2011

NESDB forecasts that the Thai economy will expand in the range of 3.5 – 4.0 percent in 2011. The economy is expected to expand at a faster pace in the second half of the year, compared to the first half, due to (i) the recovery of the Japanese economy; (ii) the continual expansion of Asian market and; (iii) improved investor confidence after the general election. Nevertheless, there remain economic risks including; (i) US and EU economic uncertainties (ii) high oil price which could lead to rising inflation as well as tension in labor market and; (iii) the delay of the 2012 FY budget disbursement during October – December, as a result of the election which has delayed the normal budgeting process.

NESDB forecasts that in 2011: (i) the headline inflation rate will be in the range of 3.6-4.0 percent; (ii) household consumption will expand by 3.3 percent; (iii) investment will grow by 6.2 percent; (iv) exports in terms of US dollar will expand by 16.5 percent and; (v) current account surplus will register approximately at 2.4 percent of GDP, decrease from the surplus of 4.6 percent of GDP in 2010.

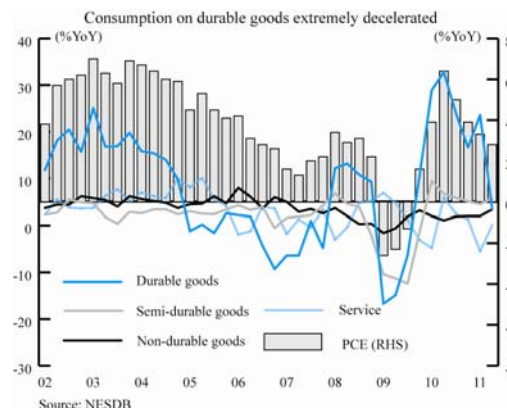
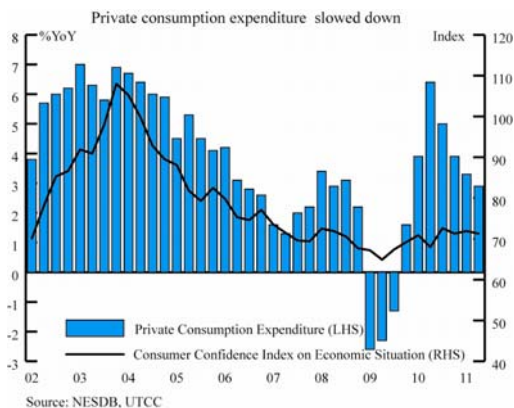
1. Economic Performance in Q2/2011

Expenditure Side

Private consumption expenditure expanded with a decelerated rate of 2.8 percent in the second quarter after an expansion of 3.3 percent in the first quarter. Consumption on durable goods extremely dropped from 23.6 percent to 3.5 percent. Passenger car sales decreased as a result of an affect of Japan's Tsunami disaster that caused a shortage in major imported automobile parts, and hence a delay in delivery of automobiles to customers. However, automobile industry showed a sign of recovery in the end of this quarter. The supporting factors for consumption expansion in the second quarter included: (i) low unemployment rate; (ii) farm and non-farm income remained high and; (iii) continued increase in household loan.

In addition, consumer confidence index on economic situation in the second quarter stood at 71.3, decreased from 71.9 in the preceding quarter due to consumer's concern over high cost of living and high oil price. Furthermore, a tendency of high cost of living and high interest rate were major factors which induced consumers to be more cautious on their spending.

Private consumption expenditure expanded by 2.8 percent as a result of low unemployment rate, farm and non-farm income remained high as well as continued increase in household loan.



Private Consumption Expenditure

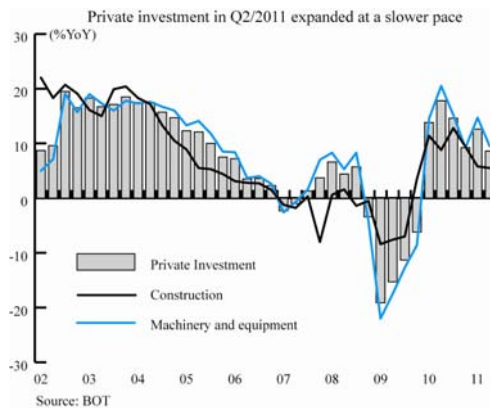
%YoY	2009	2010				2011		
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2
Private Consumption	-1.1	4.8	3.9	6.4	5.0	3.9	3.3	2.8
Durable Goods	-7.1	25.1	28.9	32.8	24.0	16.6	23.6	3.5
Semi-durable Goods	-8.8	6.7	9.5	6.7	5.9	5.1	4.5	5.7
Non-durable Goods	0.7	1.8	2.0	1.1	1.9	2.0	2.0	3.4
- Food	0.6	0.5	0.7	1.1	0.2	-0.2	2.0	4.1
- Non-food	0.7	2.7	3.1	1.2	3.2	3.3	2.1	3.0
Service	2.2	1.4	-4.8	5.9	2.5	1.3	-5.5	0.1

Source: NESDB

Private investment increased by 8.6 percent in the second quarter of 2011, slowed down from 12.6 percent in the previous quarter. This was mainly caused by a slowdown in both equipment and construction investment. Investment in machinery and equipment expanded with a decelerated rate of 9.5 percent in the second quarter after an expansion of 14.7 percent in the previous quarter, particularly the import of capital goods which slowed down after a substantial import amount in the previous period. Whereas, domestic commercial car sales contracted as a result of an impact of Japan's Tsunami disaster. In addition, investment in construction increased by 5.5 percent, slowed down from 5.8 percent in the previous quarter. This was owing to high base effect, as there was an accelerating investment in residential area in order to obtain a benefit from real estate measure which was expired in June 2010.

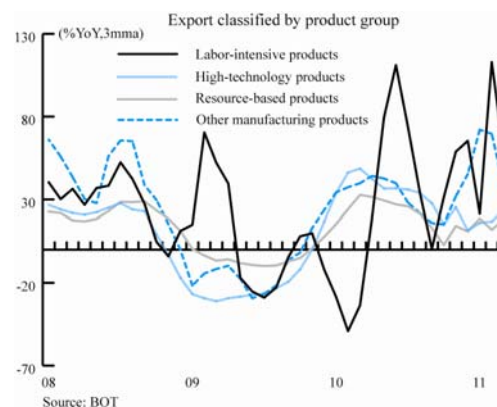
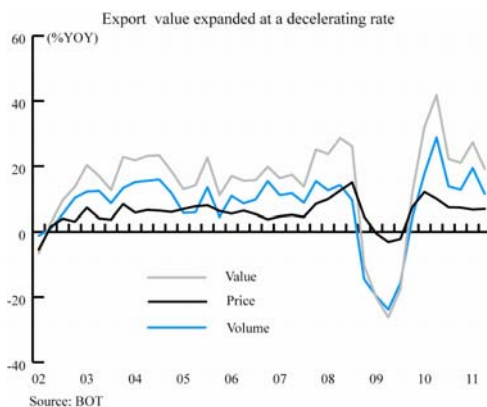
Private investment expanded at a slower pace due to decline in growth rate of equipment and construction investment.

Business Sentiment Index (BSI) was at 50.4, declined from 53.1 in the previous quarter. On the other hand, the expected BSI for the next 3 months stood at 55.1, increased from 54.5 in the previous quarter. This reflected that investor's confidence on future business condition has improved. However, increasing in cost of production, the restriction on price increase in accordance with government request for entrepreneur's cooperation to hold product price as well as an economic uncertainty will pose as strong risk factors for future investment.



Export value in the second quarter of 2011 recorded at 57,343 million US dollars (equivalent to 1,736,583 million baht). The export value expanded by 19.2 percent, decelerated from 27.4 percent in the first quarter. The export volume and price increased by 9.2 and 6.9 percent respectively. Export value excluding unwrought gold grew by 24.8 percent.

Export value in US dollar terms expanded at a decelerated rate of 19.2 percent.



Export of agricultural commodities improved due to a decline in global supply. In addition, an increase in export of agricultural commodities was a result of an expansion of export volume of agricultural commodities in line with a rise in export volume of rice as well as an increase in export volume of rubber following high demand from China. Therefore, export value of agricultural commodities significantly increased by 54.7 percent with a growth of export price and export volume of 18.0 and 31.1 percent respectively. **Moreover, both volume and value of exported manufacturing products rose by 9.0 and 15.3 percent respectively**, while price of exported manufacturing products slightly grew by 5.8 percent. Major exported manufacturing products that recorded a positive growth included electrical appliances (16.8 percent) and computer and parts (4.8 percent). On the other hand, major exported manufacturing products that recorded a decline includes vehicles, parts and accessories (-11.0 percent) due to a shortage of major imported parts from Japan. Nevertheless, when classified by type of product, export of high-technology products and resource-based products increased by 15.3 and 32.1 percent respectively. However, export value of labor-intensive products dropped by 17.7 percent, compared to a growth rate of 66.3 percent in the previous quarter. This was a result from a decline in unwrought gold.

Export market expanded in both major markets and other markets. Export value to Japan and ASEAN (9) increased at a faster pace of 35.9 and 23.6 percent respectively. However, export to US and EU (15) expanded at a decelerated rate of 17.5 and 20.3 percent, compared to 21.3 and 24.1 percent in the previous quarter respectively. Most export markets grew at a slower pace except Australia which contracted by 34.5 percent due to a high base effect of exported unwrought gold and a decline in export value of vehicles, parts and accessories.

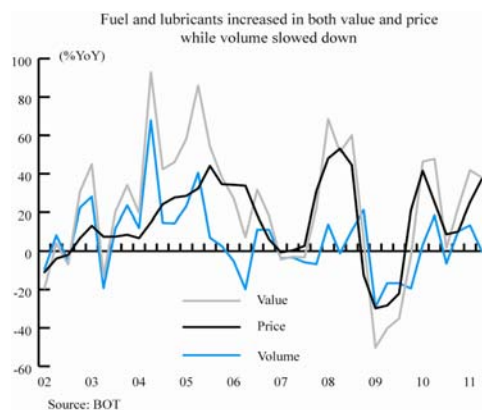
Major Export Market

(%YOY)	2008	2009	2010				2011			
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Shared (%)
US	4.4	-17.8	22.8	26.4	25.4	12.0	21.3	21.3	17.5	9.6
Japan	10.9	-21.8	29.4	34.6	32.0	24.3	29.8	30.2	35.9	11.3
EU 15	7.2	-24.5	21.7	24.1	19.4	14.6	19.7	24.1	20.3	9.5
ASEAN (9)	22.4	-19.1	67.6	45.1	27.5	17.6	36.5	20.6	23.6	23.7
Hong Kong	15.5	-5.6	22.3	58.2	21.7	54.0	38.5	70.3	30.1	7.2
Taiwan	-18.8	-16.7	69.7	36.0	38.6	37.7	43.5	45.9	44.6	1.9
South Korea	23.0	-23.2	42.8	41.7	12.6	20.1	28.1	36.3	34.3	2.2
Middle East	26.9	-7.8	9.8	21.7	3.9	6.8	10.1	15.5	14.6	4.7
India	25.6	-3.6	92.5	25.2	24.7	20.9	36.3	14.8	32.9	2.2
China	9.1	-0.4	69.3	30.7	26.9	19.2	33.2	24.8	22.7	10.7
Australia	34.4	7.5	3.7	97.3	-16.2	-11.1	9.2	-1.3	-34.5	3.2

Source: BOT

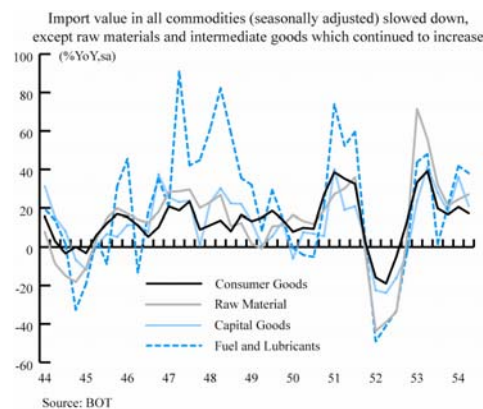
Imports: Value and price expanded whereas volume slowed down. In the second quarter of 2011, import value in US dollar terms increased by 28.0 percent, accelerated from 25.6 percent in the previous quarter. Import price rose by 11.5 percent, mainly due to an increase in oil and gold price. Import volume expanded by 18.9 percent, slowed down from 19.2 percent in the previous quarter. Such expansion was driven by high import of raw materials and intermediate goods in respond to an increase in external demand, whereas other categories slowed down.

Import value in US dollar terms increased by 28.0 percent, accelerated from the previous quarter.

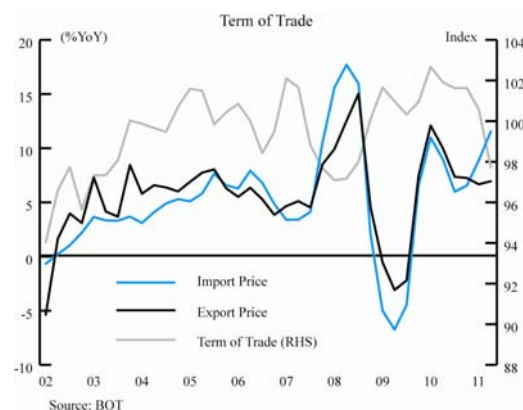


After seasonally adjustment, almost all import categories experienced a slowdown on value and volume while price increased except raw materials and intermediate goods which increased in value, volume and price. **Import value of capital goods** expanded by 20.9 percent, decelerated from 36.1 percent in the previous quarter. Import goods that still recorded a positive growth include electrical machinery and parts; computer and accessories; optical, cinematographic and photographic equipments; and industrial machinery, tools and parts. **Raw material and intermediate goods** expanded by 27.0 percent, increased from 24.4 percent in the previous quarter, which was in line with export expansion. **Consumer goods** grew by 17.2 percent, dropped from 20.5 percent in the previous quarter, supported by a slowdown on private consumption expenditure. **Fuels and lubricants** increased by 38.0 percent, slowed down from 41.8 percent in the previous quarter. The import volume decreased by 0.1 percent

whereas import price increased by 37.2 percent. This was due to a continued rise of oil price in the world market as a result of speculation in capital market and political unrest in North Africa and Middle East regions.



Term of trade decreased from the previous quarter. Export price increased by 6.9 percent, while import price considerably increased by 11.5 percent, mainly resulted from higher oil price. Hence, term of trade in the second quarter of 2011 contracted by 4.1 percent, a two consecutive quarters reduction.



Trade balance registered a slowdown on surplus. Trade balance recorded a surplus of 1,683 million US dollars (equivalent to 51,491 million baht), compared to a surplus of 3,334 million US dollars (equivalent to 101,845 million baht) in the previous quarter.

Term of trade decreased by 4.1 percent, mainly due to high import price.

Trade balance registered a slowdown on surplus.

□ **Production side:**

The agricultural sector expanded by 6.7 percent slowed down from 7.6 percent in the previous quarter. The slowdown in the agricultural sector, both in terms of production and prices levels, have led to a moderate growth of agricultural income of 25.7 percent slowed down from 43.1 percent expansion in the previous quarter. This slowdown was mainly attributed to (i) an early cultivation of major crop rice in order to compensate for the production loss caused by late last year’s major flood which has shift up harvesting period into the first quarter, and (ii) a decline in cassava production caused by the spread of mealy bug and the recent draught. Meanwhile, the prices of agricultural products, especially rubber, experienced a decline from the previous quarter, from 61.4 percent to 36.4 percent. This was mainly due to the decline in demand for natural rubber following Japan tsunami disaster, which devastates Japan auto-parts manufacturing sector and in turn affects Thailand auto and auto-part manufacturing sector production schedule.

Compared with the same quarter of last year, the production of sugarcane production has experienced a dramatic increased, from 1.5 million tons to 19.1 million tons. This was mainly due to cooler weather coupled with increased rainfall. Similarly, the production of second crop rice and shrimp also expanded, with growth rates of 7.3 and 4.8 percent respectively. On the other hand, cassava and rubber production contracted by 9.1 and 4.2 percent consecutively.

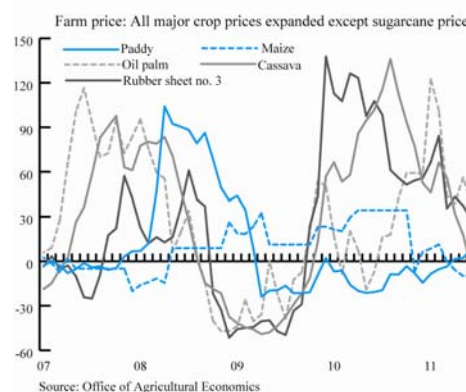
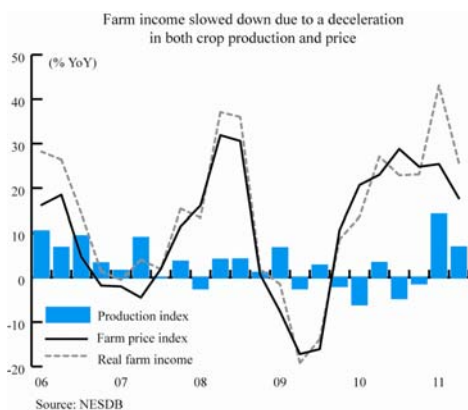
In addition, when comparing with the same quarter of last year, the prices of oil palm, rubber, and cassava increased by 44.7, 36.4, and 15.0 percent respectively. Such increase was caused by (i) the government measures in guarantee the minimum price of palm oil with oil yield of 17 percent at 6 baht per kilogram, and (ii) the increasing demand from the world market for rubber and cassava. On the other hand, the prices for sugarcane and jasmine paddy following an increased in overall supply, declined by 8.5 and 7.5 percent respectively.

Agricultural sector expanded by 6.7 percent decelerated from a growth of 7.6 percent in the previous quarter following slow down in crop production and crop price.

Agricultural Production

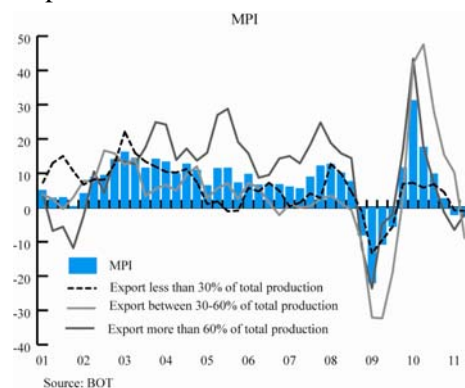
% YoY	2008	2009	2010				2011		
	Year	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2
Agricultural Production Index	1.5	0.9	-2.1	-6.0	3.3	-4.6	-1.3	14.1	6.8
Agricultural Price Index	19.6	-9.4	25.6	20.7	23.0	28.8	24.8	25.4	17.7
Crop Production Index	3.0	0.6	-3.4	-8.4	4.6	-7.2	-2.4	18.9	8.6
Crop Price Index	21.0	-12.1	30.8	24.9	28.4	34.3	29.0	29.6	17.9
Farm income at current price	21.4	-8.6	19.9	13.6	27.1	22.9	23.1	43.1	25.7
Farm income at constant price	21.4	-17.5	13.9	7.3	21.6	16.5	17.5	36.8	19.1

Source: OAE, NESDB



Industrial sector contracted by 0.3 percent in the second quarter, compared to 1.7 percent expansion in the previous quarter. The contraction in industrial sector were caused by (i) the continuous effect of Tsunami incident in Japan, (ii) the increase of production cost namely interest rate, oil price and wages rate, (iii) the contraction of construction sector in domestic market, (iv) fluctuating weather, (v) the relocation of some industrial bases from Thailand to neighboring countries, and (vi) the effect of baht appreciation to exporting industries. In detail, the industries that contracted in this quarter were motor vehicle (19.9 percent), textile (6.9 percent), wearing apparels (13.4 percent), cement (2.0 percent), processing and preserving of fish and fish products (2.6 percent), Hard Disk Drive (1.4 percent), TV radio sound or video recording and associated goods (53.4 percent), petroleum (0.6 percent), plastics in primary forms (6.7 percent), jewelry and related articles (16.1 percent). Nevertheless, there still some industries that expanded in this quarter, compared to the same period of last year, namely malt liquors and malt increased in order to make up for loss inventory in the previous quarter; sugar producing rise following increased in sugar cane supply; integrated circuits production increased as external demand rise; and air condition production rise as climate change drove up external demand.

In this quarter, capacity utilization rate was at 58.9 percent, down from 62.6 percent in the previous quarter and 62.4 percent in the same period last year. The major industries that employed capacity utilization above 75 percent were plastics in primary forms (80.8 percent), rubber tires and tubes (79.4 percent), motorcycle (96.8 percent), and integrated circuits (82.7 percent). On the other hand, the major industries that employed capacity utilization lower than 50 percent were textile (48.2 percent), basic iron and steel (47.3 percent), furniture (26.5 percent), and processing and preserving of fish and fish products (48.7 percent). In the first half of this year, the industrial sector slightly grew by 0.7 percent.



Construction sector continued to contract by 7.6 percent, from a contraction of 1.3 percent in the previous quarter. This was due to a contraction of public construction, registered at 19.9 percent, as construction under the SP2 has ended and a slowed down in state enterprises investment. Furthermore, the private construction expanded by 5.5 percent, dropped from 5.8 percent in the previous quarter. This was consistence with sale volume of construction materials, such as cement which expand by 1.4 percent, down from the expansion of 3.7 percent in the previous quarter. The main reason supporting slowdown in private construction was caused by a slowdown in housing construction as housing supply in the market remained high while consumer demand declined.

The construction material price index grew by 5.3 percent, declined from 6.2 percent in the previous quarter. This was mainly caused by falling steel price. Nevertheless, other construction materials still expanded at a faster pace including cement (15.2 percent), wood (5.2 percent) and concrete (3.4 percent). Thus, the overall increased in construction material price would result in a higher cost of production and, in turn, drive up the standard construction index to 4.0 percent. In the first half of this year, the construction sector contracted by 4.6 percent.

Industrial sector contracted as a result of the effect of Tsunami in Japan, the increase of production cost and the effect of baht appreciation.

Construction sectors shrank due to the contraction of public construction. Also, private construction particularly housing construction decelerated.

Real Estate sector grew by 5.2 percent, improved from 3.9 percent in the previous quarter. Such expansion was supported by favorable economic situation and increasing consumers' demand following a raise in minimum wage and civil servants' salary. Moreover, the housing price trend is likely to move upward in all housing type, with first half of 2011 price for detached house, townhouse and condominium increased by 1.8, 3.6, and 7.1 percent respectively. In particular, condominium with price range around 50,000 baht per square meter substantially rose by 11.5 percent. The Housing Developer's Sentiment Index (HDSI) stood at 68.1, up from 65.1 in the previous quarter. The real estate sector grew by 4.3 percent in the first half of this year.

Real estate sector accelerated because of some supporting factors such as continuing economic growth and adoption of new rate of minimum wage.

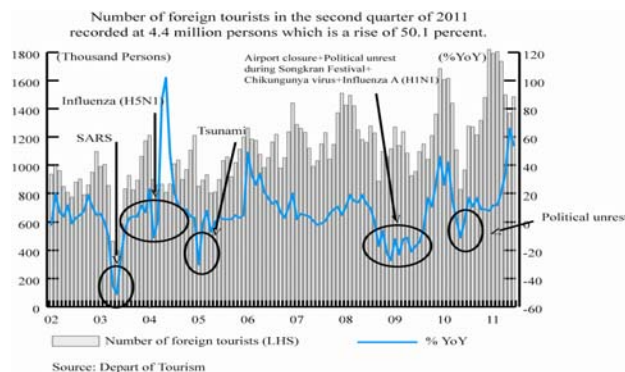
Hotel and Restaurants expanded by 19.8 percent improved from 8.0 percent growth in the previous quarter. The inbound tourists in this quarter recorded at 4.4 million persons, an increase of 50.1 percent following an increase of Asian tourists, particularly from China, Korea, India, Japan, and Malaysia which expanded by 160.7, 65.3, 53.2, 48.0, and 41.1 percent correspondingly. Furthermore, the low base effect in the previous year from the political unrest also has a positive effect on the current quarter growth rate. Consequently, occupancy rate was at 52.2 percent, compared to 38.8 percent during the same period of last year.

Hotel and Restaurants expanded by 19.8 percent. The number of inbound tourists recorded at 4.4 million persons with a growth rate of 50.1 percent following an increase of Asian tourists and the low base effect in the prior year as a result of the political unrest.

Revenue from tourism sector recorded at 152,864.3 million baht, increased from 98,036.6 million baht in the same quarter of last year or 55.9 percent growth.

Domestic tourism continued to expand, reflected from numbers of flights and low-cost-airline passengers which grew by 34.8 and 33.6 percent respectively compared to the same period of previous year.

During the first half of 2011, hotel and restaurants expanded by 13.4 percent, compared to the same period of last year. The number of tourists recorded at 9.7 million persons, an increase of 28.1 percent, with average occupancy rate at 58.4 percent.



Number and Growth of Tourists Classified by Nationality

Thousand Persons	2009	2010							2011		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Malaysia	1,757.8	2,059.0	956.5	1,102.4	513.3	443.3	517.3	585.1	1,212.9	587.6	625.3
China	777.5	1,122.2	471.7	650.5	333.9	137.8	314.4	336.1	793.3	434.0	359.3
Japan	1,004.5	993.7	475.5	518.2	305.6	169.9	253.7	264.5	573.3	321.9	251.4
Korea	618.2	805.4	382.5	423.0	241.7	140.8	192.2	230.8	517.7	285.0	232.7
United Kingdom	841.4	810.7	413.9	396.8	247.3	166.6	177.8	219.1	454.0	248.9	205.1
USA	627.1	611.8	310.6	301.2	187.8	122.8	124.8	176.3	369.3	208.7	160.6
Australia	646.7	698.0	326.2	371.8	175.8	150.5	177.6	194.2	407.5	198.1	209.4
India	614.6	760.4	344.1	416.2	169.1	175.1	187.0	229.2	461.1	192.9	268.2
% YoY											
Malaysia	-2.63	17.13	13.5	20.5	18.78	7.85	38.96	7.87	26.8	14.5	41.1
China	-5.95	44.34	42.2	45.9	75.93	-2.83	78.74	24.49	68.2	30.0	160.7
Japan	-12.95	-1.07	6.0	-6.8	21.27	-13.55	-12.55	-0.50	20.6	5.3	48.0
Korea	-30.47	30.28	29.7	30.8	47.23	7.66	26.11	35.04	35.4	17.9	65.3
United Kingdom	1.80	-3.65	2.7	-9.5	12.93	-9.40	-9.51	-9.52	9.7	0.6	23.1
USA	-6.28	-2.44	2.0	-6.6	13.10	-11.30	-7.93	-5.69	18.9	11.1	30.7
Australia	-6.88	7.94	13.0	3.8	25.34	1.43	6.61	1.40	24.9	12.7	39.2
India	14.45	23.72	18.4	28.5	46.36	-0.03	28.09	28.82	34.0	14.1	53.2

Source: Department of Tourism

Employment in the second quarter of 2011 stood at 38.02 million persons, increased by 1.5 percent compared to the same period of last year. The rise of employment in agricultural sector grew by 7.3 percent due to higher wage rate in the sector induced by high agricultural product prices. On the contrary, employment in non-agricultural sector declined by 1.6 percent, particularly in wholesale and retail trade, construction, and hotel and restaurants sectors which declined by 6.9, 6.3 and 1.9 respectively.

The average number of unemployed in this quarter was 217,000 persons, declined from 281,730 persons in the same period of last year, or contracted by 56.5 percent. Meanwhile, the unemployment rate was at 0.6 percent.

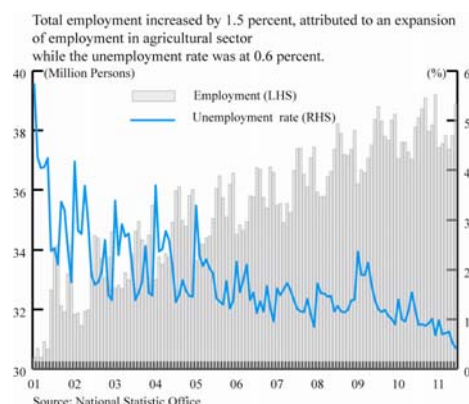
The ratio of vacancies over new registered applicants was at 0.8 slowed down from 1.0 percent in the previous quarter, reflected the ease of tension in labor market. Nonetheless, there's still a shortage of labor supply in some industries such as motor vehicles, electronics appliance, wearing apparel, textile, plastic products and food products. In order to resolve the labor shortage situation the cabinet has appointed a committee to undertake the situation in 26 April 2011. The committee has held a meeting on 26 May 2011 and reaches a conclusion on 2 main strategies to tackle labor shortage issue including (i) increasing the number of labors in the market by supporting new graduates, unemployed persons as well as under-the-full-potential workers such as elderly persons, disabled persons, and alien workers to enter into the main labor market; and (ii) improving labor productivity by increasing a labor skill and promoting an usage of modern technologies.

Employment increased by 1.5 percent owing to the rise of employment in agricultural sector which expanded by 7.3 percent. Meanwhile, unemployment rate was 0.6 percent.

Employed Persons by Industry

%YOY	2009	2010							2011		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Employed	1.9	1.0	1.0	0.9	2.6	-0.5	0.8	0.7	1.0	0.6	1.5
- Agricultural	-0.1	0.5	-2.8	2.8	2.8	-6.6	-1.2	3.9	4.9	2.1	7.3
- Non-Agricultural	3.1	1.3	2.8	-0.3	2.5	3.1	2.3	-1.3	-1.1	-0.3	-1.6
Manufacturing	-1.5	-1.3	-0.2	-2.4	-1.1	0.8	-2.3	-2.1	0.5	1.3	0.5
Construction	4.0	2.2	4.0	-0.1	-1.2	9.3	1.9	-3.0	-0.9	4.0	-6.3
Hotel and Restaurant	8.8	1.3	6.0	-3.4	10.3	1.7	0.1	-4.8	-5.8	-10.0	-1.9
Wholesale	5.1	3.0	3.9	1.9	2.9	4.9	4.1	-0.5	-5.1	-2.9	-6.9
Unemployment (Hundred thousand persons)	5.7	4.0	4.6	3.4	4.3	5.0	3.4	3.3	2.6	3.2	2.2
Unemployment Rate	1.5	1.0	1.2	0.9	1.1	1.3	0.9	0.9	0.7	0.8	0.6

Source: National Statistical Office



□ Fiscal condition

In the third quarter of fiscal year (April – June 2011) government revenue was 596,977.5 million baht, exceeded the target by 80,304.5 million baht or 15.5 percent and grew by 9.4 percent compared to the same period of last year. Tax categories which experienced a high collection rate were corporate income tax and value added tax. Such high level of revenue collection was due to strong growth in corporate revenue which in turn boosts up corporate income tax on net profit and withholding tax collection, with growth rate of 45.3 and 20.8 percent respectively. On the other hand, collection of oil excise tax was underperformed compare to the target following a reduction of oil excise tax rate in April. Furthermore, automobile tax collection slightly slowed down from the previous quarter amid the effect of supply shortage from tsunami disaster in Japan. In the first 9 month of fiscal year, government revenue has exceeded the target by 181,042.7 million baht or 15.0 percent.

On the expenditure side, the total budget disbursement was 539,112.4 million baht. The total budget disbursement comprised of (i) the 2011 budget disbursement of 521,887.2 million baht, equivalent to 24.1 percent of the annual budget (exceeded the set target of 24.0 percent). In details, the 2011 budget disbursement included (a) current budget disbursement of 471,553.2 million baht or 26.5 percent of the total current budget, and (b) capital budget disbursement of 50,334.0 million baht, equivalent to 12.8 percent of the total capital budget, lower than the set target of 17.0 percent from speed up disbursement process on subsidy in the previous quarter, and (ii) carry-over budget disbursement of 17,225.2 million baht, equivalent to 10.5 percent of the total carry-over budget, slowed down by 36.6 percent compared to the same period of last year. The slowdown in carry-over budget disbursement was mainly from different in amount of carry-over budget between years; fiscal year 2011 carry-over budget was 32.7 percent less than 2010.

The stimulus package 2 (SP2), the total disbursement in the third quarter of fiscal year 2011 was 12,271.2 million baht declined by 83.2 percent compared to the same period of last year. The accumulated total budget allocated for SP2 at the end of the third quarter of fiscal year 2011 was at 341,294.4 million baht and the total disbursement was at 283,669.5 million baht or 83.1 percent of the total allocated budget, expanded by 4.5 percent from the previous quarter. Currently there are 43,850 projects listed under SP2 (equivalent to 349,960.4 million baht) and can be classified according to their disbursement level as follow: (i) fully disburse 27,250 projects (62.1 percent of total project), (ii) partially disburse 12,571 projects (28.8 percent of total project), (iii) not yet disburse 834 projects (1.9 percent of total project), (iv) under procurement process 2,323 projects (5.3 percent of total project), and (v) await budgeting approval 872 projects (2.0 percent of total project).

Fiscal balance in the third quarter of fiscal year 2011, the budget balance on cash basis recorded a surplus of 160,823.8 million baht. In detail, budget balance and non-budgetary balance recorded a surplus of 72,378.6 and 88,445.2 million baht respectively. Moreover, government has conducted a cash balance management, which was consistent with budget demand and improve country fiscal stability, through deficit financing in the amount of 25,834.0 million baht. As a result, budget cash balance, after borrowing, registered a surplus of 186,657.8 million baht. At the end of June 2011, the treasury reserve remained strong with a record amount of 301,044 million baht.

Public debt at the end of May 2011 amounted to 4,279,265.1 million baht, increased by 135,004.3 million baht or by 3.3 percent, compared to the same period of last year, and increased by 48,520.3 million baht or by 1.1 percent from the end of 2010 fiscal year (September 2010). The ratio of public debt to GDP was at 41.1 percent declined from 41.9 percent at the end of 2010 fiscal year.

Government revenue continued to exceed the target, by 15.5 percent. However, the collection of oil excise tax was underperformed while automobile tax collection slightly slowed down.

The 2011 FY budget disbursement slightly exceeded the target while the disbursement under SP2 declined as most of the projects were fully disbursed in the previous quarter.

The ratio of public debt to GDP was at 41.1 percent.

Fiscal Balance

Unit: Million Baht

Fiscal Year	2010							2011			
	Year	H1	H2	Q1/53	Q2/53	Q3/53	Q4/53	H1	Q1	Q2	Q3
Government Revenue	1,678,911.0	685,251.8	993,659.2	348,975.1	336,276.7	545,617.3	448,041.9	789,304.2	395,510.0	393,794.2	596,977.5
Compared with the target (%)	24.4	25.4	23.7	24.1	26.8	24.1	25.8	14.6	12.5	16.9	15.5
Compared with prior year (%)	19.0	21.7	17.2	25.9	17.7	20.6	15.5	15.2	13.3	17.1	9.4
Budget Disbursement ¹	1,627,846.3	829,233.2	798,613.0	396,783.7	432,449.6	379,459.5	419,153.5	1,070,691.2	553,779.1	516,912.1	521,887.2
Percent of annual budget (%)	95.8	48.8	47.0	23.3	25.4	22.3	24.7	49.3	25.5	23.8	24.1
Higher/Lower than target (%)	1.8	5.8	-4.0	3.3	2.4	-2.7	-1.3	5.3	5.5	-0.2	0.1
SP2 Disbursement	219,497.8	90,904.0	128,593.8	20,150.8	70,753.2	73,074.8	55,519.0	37,028.9	22,689.9	14,339.0	12,271.0
Percent of total SP2 budget (%)								-59.3	-82.4	-28.8	-82.7
SP2 Disbursement (Cumulative)	234,369.5	105,775.6	234,396.5	35,022.4	105,775.6	178,850.4	234,369.5	271,398.3	257,059.3	271,398.3	283,669.5
Percent of total SP2 budget ² (%)	67.0	30.2	67.0	10.0	30.2	51.1	67.0	77.6	73.5	77.6	81.1
Percent of total allocated budget ³ (%)	73.1	39.8	73.1	21.1	39.8	58.6	73.1	79.5	76.8	79.5	83.1

Source : FPO & GFMIS

¹ Total annual Budget 2,269,967.5 Million Baht² Total SP 2 Budget 350,000 Million Baht³ Total allocate Budget at the end of period

Public Debt

Unit: Billion Baht

Public Debt End of period (Fiscal Year)	2006	2007	2008	2009	2010	2010				2011		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3 (May)
Public Debt End of period	3,276.4	3,233.1	3,183.4	3,408.3	4,002.0	3,967.5	4,124.7	4,202.4	4,230.7	4,282.1	4,246.1	4,279.3
Public Debt to GDP (%)	46.2	41.2	37.3	37.5	44.3	43.9	40.8	41.6	41.9	42.4	41.3	41.1
Direct Government	1,827.0	1,967.7	2,051.4	2,162.1	2,586.5	2,588.1	2,762.3	2,864.7	2,907.5	3,002.4	2,988.8	3,016.7
Non-Financial Stats Enterprises Debt	1,012.8	911.5	911.3	988.5	1,108.7	1,098.3	1,103.7	1,095.3	1,084.0	1,081.0	1,065.9	1,073.7
Special financial Institutions Guaranteed Debt	0.0	0.0	0.0	102.3	208.7	198.4	188.6	180.5	177.2	168.1	160.3	158.2
FIDF Debt (Liability)	436.6	273.5	185.2	138.2	98.1	82.6	70.1	61.9	62.1	30.6	31.1	30.6
Autonomous Agency Debt (VF & EFPO)	0.0	80.4	35.6	17.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: MOF

Financial Condition

Policy Rate continued to increase. During the second quarter, the Monetary Policy Committee (MPC) decided to raise the policy interest rate twice, total of 0.5 percent, from 2.50 percent to 3.00 percent per annum. The recent policy rate hike was inline with Asian region and emerging market countries monetary policy, which aim to curve down their overheated economy and inflationary pressure to a sustainable level. On the other hand, countries in advance economy maintained there policy rate at a low level to support their economic recovery, except Euro zone which increased their policy interest rate in April in order to combat hiking inflationary pressure. In July, MPC decided to raise the policy interest rate by 0.25 percent. Thus, the policy interest rate at present was at 3.25 percent per annum.

Commercial banks' interest rate increased following the policy rate hike, while the real interest rate decreased from accelerating inflation rate. At the end of the second quarter, an average of 12-month deposit rate and MLR lending rate increased from 1.87 and 6.54 percent per annum to 2.35 and 6.88 percent per annum, respectively. Meanwhile, headline inflation rate in June increased to 4.06 percent, thus the real lending and deposit rates dropped to -1.71 and 2.82 percent per annum, respectively.

Policy Rate was increased to curve down inflationary pressure .

Deposit rate and lending rate increased, while the real rate declined.

World Policy Rate Changes

Unit : Percent

Country	2008	2009	2010				2011			Policy Rate at the end of Apr 2011
			Q1	Q2	Q3	Q4	Q1	Q2	Jul	
Thai	-0.50	-1.50			+0.50	+0.25	+0.50	+0.50	+0.25	3.25
USA	-2.80									0.25
Europe	-1.50	-1.50						+0.25	+0.25	1.50
China	-2.20					+0.50	+0.25	+0.25	+0.25	6.56
Japan	-0.40					0-0.1				0 - 0.1
South Korea	-2.00	-1.00			+0.25	+0.25	+0.50	+0.25		3.00
India	-1.25	-1.75	+0.25	+0.25	+0.75	+0.25	+0.50	+0.75	+0.50	8.00
Malaysia	-0.25	-1.25	+0.25	+0.25	+0.25			+0.25		3.00
Chile	+2.25	-7.75		+0.50	+1.50	+0.75	+0.75	+1.25		5.25
Brazil	+2.50	-5.00		+1.50	+0.50		+1.00	+0.50	+0.25	12.50
Russia	+3.00	-4.25	-0.50	-0.25			+0.25	0.25		8.25

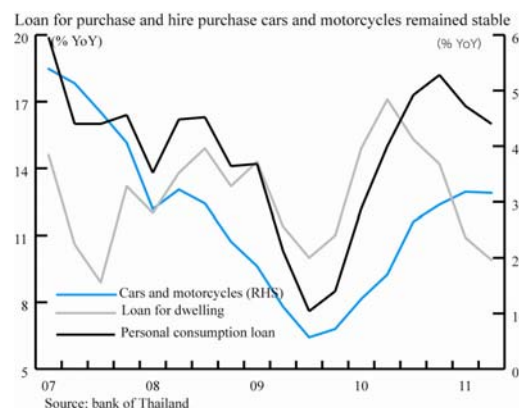
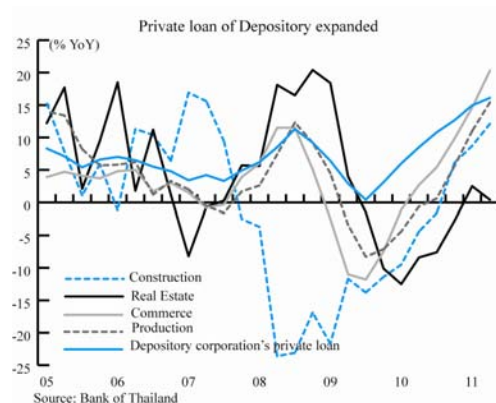
Source: BOT, Collected by NESDB

Deposit including bill of exchange (B/E) of Depository Corporations continued to accelerate, increased by 15.1 percent from 12.5 percent in the previous quarter. This was mainly due to a vigorous fundraising activity of financial institutions in order to support a higher expectation of future loans. In particular, bill of exchange accelerated at a faster pace to 81.9 percent at the end of current quarter. Such expansion was a preparation process of Depository Corporations in order to retain their current customer base under the new Deposit Protection Act that will be enforce in August 2011. On the other hand, deposits (excluding B/E) slightly picked up to 10.3 percent respectively.

Private loans (excluding unpaid receivable interest) grew by 16.1 percent, increased from 15.0 percent in the previous quarter. Loan for business accelerated to 14.8 percent from 11.8 percent in the previous quarter which mainly increased from financial intermediation, production and wholesale and retail sale sectors. On the other hand, household loan slightly slowed down to 13.9 percent from deceleration in loan for dwelling, compared to 14.1 percent in the earlier quarter. Meanwhile, loan for purchase or hire purchase cars and motorcycles remained grow at high level. Moreover, number of credit cards and outstanding credit picked up, reflecting the optimistic view on future economic situation. NPLs¹ to outstanding loan recorded at 1.6 percent dropped from 1.7 percent in the prior quarter, owing to principle repayment and transferring debt to Asset Management Companies.

Bill of Exchange accelerated while deposits of depository corporations slightly increased.

Private loan expanded as well as and loan for purchase and hire purchase cars and motorcycles.

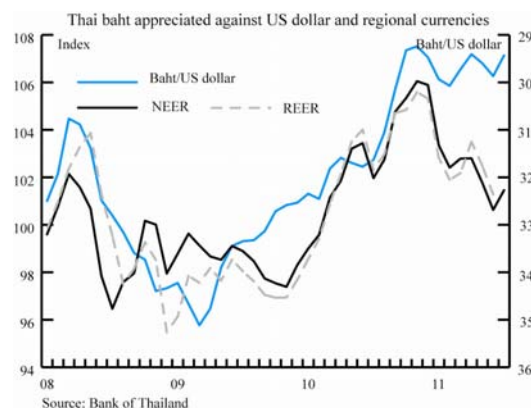


¹ NPLs in financial institutions (excluding BIF and credit fanciers).

Commercial bank's credit (excluding repurchase position: R/P) to deposits (including B/E) ratio slightly improved to 93.2 percent at the end of the current quarter. Nevertheless, excess liquidity in commercial banking system increased from 1.41 trillion baht in the first quarter to 1.49 trillion baht in this quarter. The ample liquidity in commercial banking system should be able to support the future loan expansion.

Thai baht slightly appreciated against US dollar. An average exchange rate in the second quarter of 2011 was at 30.291 baht per US dollar, appreciated from the previous quarter and from the same period of last year by 0.83 and 6.33 percent respectively. During April, Thai baht appreciated following an increase in investor risk appetite, both in stock and bond market, and an appreciation trend of other regional currencies. However, during May and June, Thai baht movement has reverted back as concern over European debt crisis increased. Thai baht depreciated against other regional currencies including that of export-competing-countries. Nominal effective exchange rate (NEER) and real effective exchange rate (REER) decreased by 1.07 and 0.77 percent.

In July and August 2011, Thai baht continued to appreciate to an average of 30.077 baht per US dollar in July and 29.843 baht per US dollar in August (an average exchange rate over the period of 1st – 18th of August).



Capital and financial account recorded a net outflow². In the second quarter of 2011, capital and financial account recorded a net outflow of 0.37 billion US dollars, improved from net outflow of 0.99 billion US dollars in the previous quarter. The improvement in Capital and financial account was mainly contributed by inflow of non-banking sector, record at 0.65 billion US dollar, compared to an outflow of 4.79 billion US dollar in the previous quarter. The tremendous shift in non-banking sector was owing to a substantial increased in inflow of foreign direct investment and portfolio investment accounts.

Capital and Financial Account

(billion of USD)	2009	2010					2011	
		Year	Q1	Q2	Q3	Q4	Q1	Q2
Monetary authorities	1.48	2.66	0.59	-0.02	0.77	1.32	1.69	-0.69
Government	0.59	3.28	0.75	0.39	1.85	0.29	0.61	0.27
Bank	7.85	9.79	1.43	2.10	2.87	3.39	1.48	-0.60
Others	-12.69	1.47	1.01	-1.37	2.46	-0.63	-4.79	0.65
Non-bank	-10.08	-0.09	0.98	-1.82	1.36	-0.60	-2.30	0.32
FDI	4.49	4.99	1.54	0.91	1.50	1.04	0.23	1.39
Portfolio Investment	-7.70	2.74	1.37	-0.44	0.87	0.93	0.41	1.16
Trade Credit	-2.96	-3.99	-2.18	-1.13	-0.74	0.06	-1.07	-1.32
State Enterprises	-2.61	1.56	0.03	0.45	1.1	-0.03	-2.49	0.33
Capital and Financial A/C	-2.78	17.20	3.78	1.10	7.95	4.37	-0.99	-0.37

Source: BOT

Credit to deposit ratio slightly improved, while excess liquidity increased.

Thai baht slightly appreciated against US dollar following an increase in investor risk appetite during the beginning of the quarter.

Capital and financial account improved due to an increased inflow of non-bank sectors.

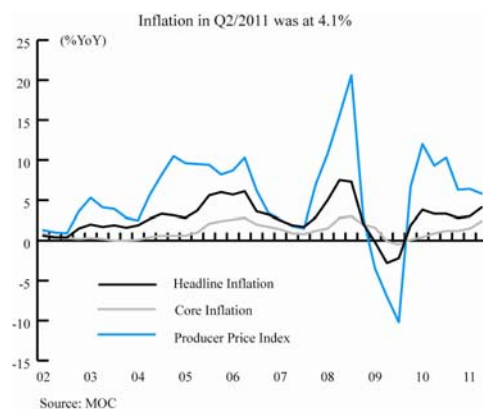
² Capital and Financial account figure at the end of second quarter preliminary data from Bank of Thailand, which is subjected to changed.

Current account registered a surplus of 1,823 million US dollars (equivalent to 55,833 million baht), decreased from a surplus of 6,795 million US dollars (equivalent to 207,903 million baht) in the previous quarter. This was attributed by trade balance surplus of 1,683 million US dollars and income and transfer surplus of 140 million US dollars.

International reserve at the end of July 2011 stood at 187.64 billion US dollars (excluding Net Forward Position of 26.41 billion US dollars), which was 3.6 times of short-term foreign debt or 3.4 months of import value.

Headline Inflation in the second quarter of 2011 was at 4.1 percent, continually increased from 3.0 percent in the previous quarter, owing to an increase in price of commodity goods, particularly prepared food, meat, fresh foods (particularly fruits and vegetables), as well as higher oil price. In the second quarter, food and beverage price index escalated by 8.3 percent, mainly resulted from a substantial increase in price of prepared food and meat since April 2011. Such rising in price was mainly caused by the disease epidemic as well as high price of animal feed which resulted in a reduction of swine supply. Moreover, price of fresh fruits and vegetables increased as a result of lower crop yield from an effect of fluctuated weather. Whereas, non-food and beverage price index increased by 1.6 percent, mainly due to higher oil price, following a continued rise in world crude oil price.

Core inflation (excluding fresh food and energy) in the second quarter was at 2.4 percent, increased from 1.5 percent in the previous quarter. This reflected an upward trend of most commodities' prices (excluding fresh food and energy) following a transfer of heightened cost of production. As a result, Bank of Thailand increased policy rate in order to control inflation pressure that is anticipated to increase and maintain domestic economic stability.³



Producer price index in the second quarter of 2011 was at 5.8 percent, decreased from 6.4 percent in the preceding quarter. Key contributing factor to this phenomenon was lower price of agricultural products, especially crops. Whereas, manufacturing products (particularly petroleum, rubber and plastic products), accelerated in accordance with an increasable in world price. Moreover, decreasing in producer price index as well as increasing in consumer price in several products except fresh foods (which was affected by seasonal factor) that reflected producer are gradually pass through their heightened production cost to consumer price.⁴

Current account registered a slowdown on surplus.

International Reserve at the end of July 2011 stood at 187.64 billion US dollars.

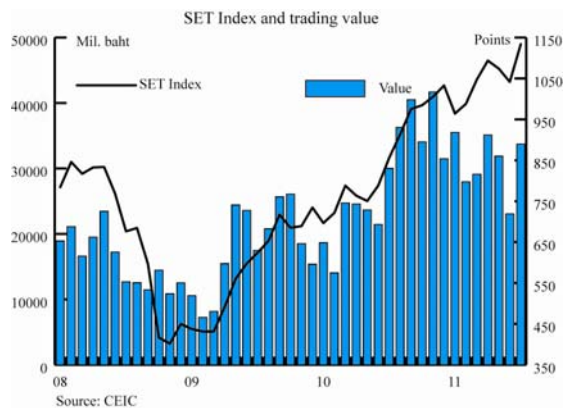
Headline Inflation in the second quarter of 2011 continually increased to 4.1 percent.

³ In July 2011, headline inflation was at 4.1 percent and core inflation was at 2.6 percent. Therefore, in the first seven months of 2011, headline inflation was at 3.6 percent and core inflation was at 2.0 percent.

⁴ In July 2011, producer price index was at 5.2 percent, and in the first seven months of 2011, producer price index was at 6.0 percent.

SET index volatility increased. During May and June, SET index fluctuated in a downward trend following a rising concern over unresolved public debt crisis in Euro zone and slowdown in US economy. Such concern has disrupted a risky asset sell-off phenomenon, especially in emerging economy, to reduce overall investment risk. Average daily trading value slightly declined from 30.8 to 29.4 billion baht and foreign investor position recorded a net sell of 14.1 billion baht. However, during the last week of the quarter, SET index advanced and closed at 1,041.5 points amid improving investor confidence on Greece public debt matter after public announcement of their 5 years fiscal and structure reform plans. Furthermore, the advancement seen during the last week of June was partly due to the customary window dressing by institutional investors, which recorded an accumulated net buy position of 7.7 billion baht.

In July 2011, SET index closed at 1,133.5 points, higher than the previous quarter. Average daily trading value was 33.7 billion baht with foreign investors' posted a net buy of 37.9 billion baht. Such advancement of SET was a result of improvement in foreign investor's confidences following (i) the rescue measures over Greece debt crisis issued by European Central Bank, (ii) an improvement in domestic political situation, and (iii) a strong expectation over listed companies future earning.



Bond trading volume and Foreign investors' net buy position declined while yield curve shifted upward. Daily average outright trading in the second quarter registered at 77.7 billion baht, slightly declined from 80.8 billion baht in the first quarter of 2011. The slowdown in trading volume, during May and June, was caused by reallocation of investment asset of foreign investors toward safe asset, such as US Treasury and Gold, following worsen public debt crisis in Euro zone. The government bond yield for short and medium term maturities shifted upward due to policy rate hike and high level of bond supply, while yield of bond with maturity above 15 years dropped as a result of shortage of bond supply. Moreover, foreign investors' recorded a net buy of 197.1 billion baht, compared with 292.7 billion baht in the previous quarter equivalent to 32.6 percent reduction.

In July 2011, daily average outright trading slightly increased to 64.2 billion baht from 63.9 billion baht in June, with foreign investor posted a net buy of 128.5 billion baht. As a result, total net buy of foreign investor from January to July recorded at 618.3 billion. The major factors that attracted capital inflow were (i) widening gap between regional and Fed fund rates and (ii) the public debt crisis situation in Euro-zone started to improve.

Foreign investor's position has shifted from net sell of 14.1 billion baht in the second quarter to a net buy of 37.9 billion baht in July.

Foreign investors continued to post a net buy of 197.1 billion baht but less than the previous quarter.

Stock Market and Bond Market

(Billion Baht)	2009	2010								2011			
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Jul	
Stock Market													
SET Index (Point)	734.5	1,032.8	797.3	1,032.8	788.0	797.3	975.3	1,032.8	1,041.5	1,047.5	1,041.5	1,133.5	
Daily average trading	17.8	28.7	21.1	35.8	19.3	23.1	35.8	35.9	30.2	30.8	29.4	33.7	
Net Trading of Foreigner Investors	38.2	81.7	-17.3	99.1	42.5	-59.9	58.9	40.1	-14.7	-0.6	-14.1	37.9	
Bond Market													
Gross Price Index (Point)	103.51	104.91	108.0	104.91	104.57	108.0	108.89	104.91	103.34	104.16	103.34	102.32	
Daily Average Outright Trading Value	59.85	68.63	63.0	73.98	61.42	64.75	70.93	77.03	79.29	80.76	77.69	64.20	
Net Trading of Foreign Investors	23.05	322.41	47.47	274.94	25.83	21.64	148.49	126.45	489.83	292.70	197.12	128.49	

Source: CEIC and ThaiBMA

Government Bond Yield

Year	3M	6M	1Y	3Y	5Y	10Y	15Y	20Y	30Y	40Y	50Y
2007	3.19	3.31	3.55	4.06	4.49	4.94	5.28	5.49	-	-	-
2008	2.10	1.99	1.98	2.07	2.22	2.69	3.27	3.44	-	-	-
2009	1.14	1.28	1.52	2.80	3.59	4.34	4.71	4.77	4.85	-	-
2010	1.97	2.13	2.38	3.05	3.26	3.77	4.05	4.17	4.27	-	-
Q1/2011	2.50	2.70	2.83	3.25	3.41	3.75	4.10	4.17	4.36	4.64	4.91
Q2/2011	3.06	3.32	3.50	3.71	3.78	3.91	4.03	4.05	4.27	4.54	4.81

Source: ThaiBMA

Corporate fundraising remained high, compared to the same period of last year. Private fundraising totaled at 338.1 billion baht, decelerated from 443.5 billion baht in the previous quarter but increased from 312.4 billion baht in the same period of last year. Debt securities issuance accounted for 302.3 billion baht. The majority of debt securities issuance came from financial intermediation sector, mining sector and real estate sector. However, fundraising through equity securities slightly declined from the same period of 2010, with total of 35.8 billion baht. In conclusion, the current level of corporate fundraising reflects a strong momentum of business expansion in the second half.

Corporate fundraising remained high

Issuance of Private securities in Primary Market

(Billion Baht)	2009	2010								2011		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	
Equity Securities	32.8	94.3	56.9	39.3	19.7	37.1	22.0	17.3	74.8	39.0	35.8	
Debt Securities	985.9	965.7	476.5	493.3	201.2	275.3	224.4	268.9	706.7	404.4	302.3	
Short-term	571.8	682.5	308.9	373.5	144.4	164.5	178.2	195.4	551.1	330.0	221.1	
Long-term	414.1	287.3	167.6	119.8	56.85	110.7	46.2	73.6	155.6	74.4	81.2	
Total	1,018.7	1,066.0	533.4	532.6	221.0	312.4	246.4	286.2	781.6	443.5	338.1	

Source: BOT

2. Crude Oil Price and Crude Oil Price Trend in 2011

□ Crude Oil Price in Q2/2011

World crude oil price in the second quarter of 2011 increased. This was driven by speculation in future markets and political unrest in North Africa and Middle East regions. In the second quarter of 2011, an average world crude oil price (Dubai, Brent, Oman, and WTI) stood at 110.42 US dollar per barrel, increased by 40.9 percent from 78.39 US dollars per barrel in the same period of last year

US\$/Barrel		OMAN	DUBAI	BRENT	WTI	Average
2008	Year	94.37	93.65	97.93	99.69	96.41
2009	Q1	44.60	44.27	45.43	43.07	44.34
	Q2	59.01	58.95	59.67	59.64	59.32
	Q3	68.19	67.88	68.85	68.36	68.32
	Q4	75.42	75.29	75.58	76.22	75.63
	Year	61.80	61.60	62.38	61.82	61.90
2010	Q1	76.08	75.69	77.28	78.72	76.95
	Q2	78.15	77.90	79.44	78.07	78.39
	Q3	73.84	73.83	76.74	75.70	75.03
	Q4	84.40	84.22	87.23	85.13	85.24
	Year	78.12	77.91	80.17	79.41	78.90
2011	Q1	100.55	100.17	105.22	94.15	100.02
	Q2	111.10	110.73	117.19	102.67	110.42
	Apr.	116.49	115.93	123.20	110.41	116.51
	May	109.05	108.63	114.45	101.32	108.37
	Jun	107.75	107.63	113.90	96.29	106.39
	Jul	110.22	109.78	116.70	97.30	108.50
	7 Months	106.45	106.07	111.99	98.26	105.69
	1-18 Aug..	105.01	104.47	109.20	86.66	101.33
	18 Aug.	105.44	105.10	106.99	82.38	99.98

Source: Thaioil PLC.

□ Crude Oil Price Trend in 2011

An average Dubai crude oil price in 2011 is expected to be in the range of 103-107 US dollars per barrel, higher than 77.91 US dollars per barrel in 2010. The average Dubai crude oil price in the second quarter of 2011 and the first seven months equaled to 110.73 and 106.07 US dollars per barrel respectively. On August 18, 2011, Dubai crude oil price stood at 105.1 US dollars per barrel.

Several institutions revised their WTI crude oil price forecast for 2011. The WTI crude oil price in 2011 was expected to be higher than last year's average price of 79.41 US dollars per barrel. The Energy Information Administration (EIA) of USA decreased the expected WTI oil price in 2011 from 103.0 to 98.43 US dollars per barrel. Whereas BMI (Business Monitor International) of UK increased its forecasted price from 81.93 to 101.9 US dollars per barrel. Meanwhile, JP Morgan and International Monetary Fund (IMF) projected the price to an average of 98.0 and 106.0 US dollars per barrel respectively. Key factors contributing to the rise of oil price in 2011 include (i) global economic recovery; (ii) higher demand on consumption, especially from China. EIA anticipated that world oil consumption will increase from 86.73 million barrels per day in 2010 to 88.16 million barrels per day in 2011. (iii) decreasing oil production in petroleum exporting countries; and (iv) political unrest in North Africa and Middle East regions.

WTI Oil Price Forecast for 2011 (US\$ / Barrel)

Institution	Press Release on May 23, 2011	Press Release on August 22, 2011
BMI	81.93 (January 2011)	101.90 (May 2011)
EIA	103.0 (February 2011)	98.43 (July 2011)
World Bank	86.1 (December 2010)	86.1 (December 2010)
JP Morgan	109.5 (May 2011)	98.0 (July 2011)
IMF	107.16 (April 2011)	106.0 (July 2011)

Source: Collected by NESDB

World crude oil price increased due to speculation in the future markets and political unrest in North Africa and Middle East regions.

An average Dubai crude oil price in 2011 is expected to be in the range of 103-107 US dollars per barrel.

3. Global Economic Performance in Q2/ 2011 and the outlook of the second half of the year

The global economy experienced a slowdown in the second quarter of 2011. The US economy expanded less than 2 percent for two consecutive months, showing the sign of sluggish growth. The US growth in this second quarter was the weakest since the announcement that the US was officially out of recession two years ago. The Eurozone economy also slowed down from the first quarter as many economies implemented tight fiscal policy to ease budget deficit which in turn affected their domestic demand. Unemployment remained high while inflation rose slightly. Moreover, the problem with the financial institutions and public debt in major economies such as France, Spain and Italy, could be a factor that aggravated Eurozone economic growth. Most countries in ASEAN grew at similar pace as the previous quarter, while inflation continued to be problematic for Vietnam and Indonesia.

- **US Economy** expanded by 1.6 percent on a year-on-year basis, down from a 2.2 percent growth in the previous quarter. On a seasonally adjusted quarter-on-quarter basis, the economy experienced a lower-than-expected growth of 1.3 percent (%QoQ, sa annualized), from the expected 1.7 percent expansion. First-quarter growth was also revised down sharply from 1.9 percent (%QoQ, sa annualized) to 0.4 percent. The increase in economic growth by 1.9 percent (%YoY) in the first half of the year primarily reflected positive contributions from higher exports, nonresidential fixed investment, business investment especially in structures investment, private inventory investment, and military expenditure. Imports, on the other hand, slowed down particularly petroleum and petroleum products, motor vehicles, bodies and trailers, and parts. Personal consumption expenditure especially on motorcycles and parts decreased dramatically. Industrial production shrank by 20.5 percent per year, in line with the PMI which reduced significantly to 56.4 in the second quarter from 61.1 in the first quarter. The deceleration of new order index, production, inventories and unemployment led import and export to slow down to 15.0 percent per year and 15.6 percent per year respectively. Trade deficit rate was 13.0 percent per year, slowed down from the first quarter and thus the trade deficit reached 288.3 billion US dollars in the first half of the year, higher than the trade deficit of 250.2 billion US dollars in the same quarter of last year. Employment decreased in the second quarter of this year as unemployment rate increased from 8.9 percent in the first quarter and reached 9.1 percent. At the end of the second quarter, the number of unemployed persons stood at 14.1 million, up from 13.5 million in the preceding quarter. Unemployment rate in July was at 9.1 percent, and the number of unemployed persons decreased to 13.9 million. Non-farm employment in the second quarter was 131.0 million persons, increased slightly from 130.8 million persons at the end of the first quarter. This non-farm employment came mainly from manufacturing and agricultural sector. However, non-farm employment increased significantly by 117,000 persons in July. The increase in non-farm employment was particularly in sectors such as health care, retail trade and manufacturing. Government employment, on the other hand, declined.

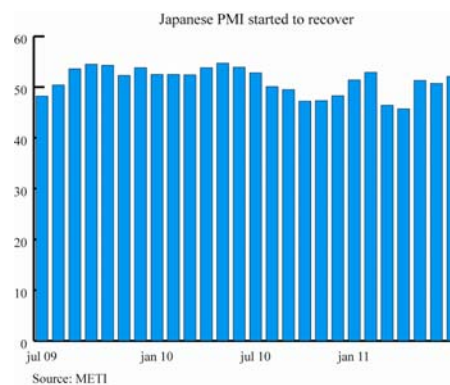
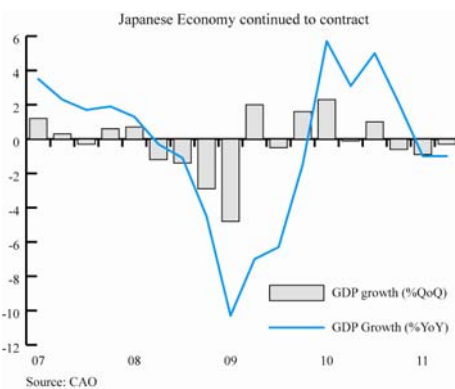
- **Eurozone Economy** expanded by 1.7 percent, decelerated from 2.5 percent on a year-on-year basis. While most major countries, in particular Germany, France and the Netherlands, decreased by 0.1 and 0.1 percent (%QoQ) respectively, Italy and Austria improved compared with the previous quarter. Unemployment remained unchanged at 9.9 percent for six months in a row since February. Spain remained its highest rate of unemployment at 21.7 percent (June), while Austria has the lowest rate of 0.4 percent, the Netherlands, and Luxemburg was at 4.1 and 4.5 percent respectively. Inflation continued to rise above 2 percent target at 2.7 percent, a slightly increase from 2.5 percent in the previous quarter. As a result of the inflation hike, the ECB decided to increase the policy rate twice by 25 basis points to 1.25 percent (April) and to 1.5 percent (July). However, the considerably cross-country variation with high gap of multiple rates of inflation could limit the impacts of such interest rate measure. And there was a risk that sovereign debt and banking stresses could intensify, perhaps significantly, to the detriment of overall economic activity and the financial stability across the euro area.

US economy expanded at a decelerated pace in the second quarter of 2011. Imports and domestic consumption declined while unemployment persisted at a high level.

The Eurozone economy is expected to grow at slow pace with considerably cross-country variation. Financial instability and sovereign debt in some major economies could intensify the weakness of overall euro area.

- **Japanese Economy** continued to contract for a third consecutive quarter as a result of the earthquake in March. In this quarter, the economy contracted by 1.0 percent on a year-on-year basis, the same rate as the previous quarter. On a seasonally adjusted quarter-on-quarter basis, the economy shrank by 0.3⁵ percent, compared with the 0.9 percent contraction in the preceding quarter. The Tankan survey which revealed the index of sentiment of large manufacturers decreased to -9 in the second quarter, down from +6 in the first quarter. The disaster also resulted in the slump of the Manufacturing PMI to 45.7 in April, the lowest level in two year. Nevertheless, the PMI started to pick up to the level above 50.0 in May and June where it reached 51.3 and 50.7 respectively. Industrial production in the second quarter also contracted persistently, however, the shrinkage started to show a sign of improvement towards the end of the quarter. This reflected in the contraction of industrial production by 1.6 percent in June, down from a contraction of 13.6 and 5.5 percent in April and May respectively. Retail sales in this quarter shrank by 1.7 percent compared to the same period of last year, despite showing a sign of recovery in June as it expanded by 1.1 percent, up from a contraction of 4.8 and 1.3 percent in April and May respectively. Moreover, on April 27 2011, Standard and Poor (S&P) has cut the Japanese outlook to negative from stable as a result of the huge cost of the devastating disaster. However, S&P affirmed Japan's long term sovereign credit rating at AA-

Japanese Economy continued to contract for a third consecutive quarter as a result of the earthquake in March.



- **Chinese Economy** expanded by 9.5 percent on a year-on-year basis, down from a 9.7 percent growth in the previous quarter. On a seasonally adjusted quarter-on-quarter basis, the economy grew by 2.2 percent. Thus for the first half of this year, the economy grew by 9.6 percent. It can be seen that the economy continued to grow although at a decelerated rate, amidst the concerns over China's hard landing — due to its over-investment which accounted for approximately 50 percent of GDP, the decrease in world consumption and tight monetary policy.

Chinese Economy continued to grow at a decelerated rate due to lower external demand and tight monetary policy that was implemented to curb record high inflation.

The deceleration was consistent with the PMI in the second quarter which decreased to 51.9 from 52.8 in the first quarter. The PMI fell for the fourth consecutive month to 50.7 in July, the lowest level in 29 months. Industrial production expanded by 14.3 percent in the first half the year. It reached 13.3 percent in May, the lowest rate in 7 months. Inflation rate in the second quarter of this year reached 5.7 percent, exceeding its 4.0 percent target. The inflation rate reached its highest rate in 3 years, hitting 6.4 percent in June due to rising food price by 14.4 percent. The Chinese government continued to implement tight monetary policy through raising bank's reserve requirement ratios (RRRs) and interest rates. On June 14, the Central Bank raised the RRRs by 0.5 percent, making the RRRs for large financial institutions a record high of 21.5 percent. The raise became effective on June 20 and it was the sixth move since the beginning of this year. Moreover, on July 7, the Bank increased the one-year deposit rate by 0.25 percent, to 3.5 and the one-year lending rate by the same amount, to 6.56 percent. Weakening external demand together with inflationary pressure forced the Chinese government to face a policy dilemma of choosing between boosting the economy and controlling inflation. Moreover, the fragility of the global economic recovery signals that the Chinese economy will likely to grow at a decelerated rate in the second half of this year.

⁵ The contraction was lower than the median forecast of 25 economists surveyed by Bloomberg News which predicted a 0.6 percent (QOQ) drop.

- ❑ **India Economy** showed a sign of slowdown as can be seen from the industrial production in May that reduced from 5.8 percent to 5.6 percent. Furthermore, India's PMI⁶ fell from 57.6 in May to 55.3 in June, the lowest figure in 9 months. India economy continued to face rising inflationary pressure. The inflation rate (Wholesale Price Index- WPI) reached 9.5 percent in the first half of the year which was the highest rate among major Asian economies. In addition, WPI rose for 7 consecutive months to 9.44 percent in June. The rise in price of goods was due to high food price which increased by 8.38 percent, an increase in commodity and oil prices, and the lowest level of Southwest monsoon rain in 3 year which significantly lowered India's agricultural products. The Reserve Bank of India has continued to control inflation through implementing tight monetary policy. On July 26, the Bank raised the repo rate again by 0.5 percent to 8.0 percent, the 11th interest rate hike since March 2553.
- ❑ **Newly Industrialized Economies (NIEs - Singapore, Taiwan, South Korea and Hong Kong)** on the whole, expanded at a decelerated rate. Singapore, South Korea, Taiwan and Hong Kong grew on a year-on-year basis at 0.5, 3.4, 4.9 and 5.1 percent, decelerated from 9.3, 4.2, 6.6 and 7.5 percent growth in the preceding quarter respectively. However, on a seasonally adjusted quarter-on-quarter basis, Singapore and Hong Kong contracted by 7.8 and 0.5 percent respectively. The contraction in Singapore reflected the shrinkage of the manufacturing sector which was largely due to a temporary output decline in the highly volatile pharmaceutical industry⁷ and Japan's supply chain disruption. The slowdown in Taiwan and Hong Kong resulted mainly from the deceleration in manufacturing sector and the reduction in exports of goods and services. The inflation problem has still been persistent in the region. Hong Kong has been affected by the rising prices of food and property as the consumer price index rose 5.6 percent in June, the highest rate in 35 months. The inflation rate in Hong Kong thus reached 5.2 percent in the second quarter, up from 3.8 percent in the previous quarter. For Taiwan, the inflation rate rose 1.92 percent reaching the highest level in 16 months. Inflation rate in South Korea was also at a high level as can be seen in July that the inflation rate reached 4.7 percent, higher than its inflation target of 2-4 percent for a seven consecutive month.
- ❑ **Australian Economy** is expected to grow at accelerated pace due to the recovery in exports, commodity prices and growing domestic demand. Private investment was a key driver to the rise in domestic demand which compensated the fall in domestic consumption. Australian trade balance is expected to improve compared with the previous quarter. Unemployment remained stable at 4.9 percent, but is expected to rise in the later quarter. Upward prices in oil and food, as well as wage rise in mining industry continually pushed inflation to 3.7 percent, up from 2.7 and 3.3 percent in the two previous quarters respectively. However, the tendency to increase the policy rate, which remained fixed for 9 months at 4.75 percent, depends on the AUD valuation in the later quarter, particularly if AUD moves depreciated against USD and EUR towards growing inflation.
- ❑ **ASEAN-4 economy (Indonesia, Malaysia, Philippines and Vietnam):** Most countries continued to expand at close paces to their Q1 growth. Vietnam expanded by 5.7 percent on a year-on-year basis, accelerated from 5.4 percent in the previous quarter. Indonesia maintained its growth at constant pace of 6.5 percent. Malaysia, on the other hand, grew at decelerated pace of 4.0 percent compared with 4.9 percent in the previous quarter. Vietnamese inflation has become a serious problem as the rate reached a record high of 19.4 percent, a huge upward movement from 12.8 in the previous quarter. As well as in Malaysia and Philippines that inflation rose from 2.8 and 4.5 percent in Q1 to 3.3 and 5.0 percent respectively. However, the appreciation of Indonesian rupiah and effective inflation-counter measures helped bringing down its high rate in the previous quarter from 6.8 percent to 5.0 percent in this quarter. Most ASEAN-4 currencies appreciated during the first half of the year, except Malaysian ringgit that appeared to slightly depreciate in July and August.

India Economy showed a sign of slowdown and still faced persistent inflationary problem.

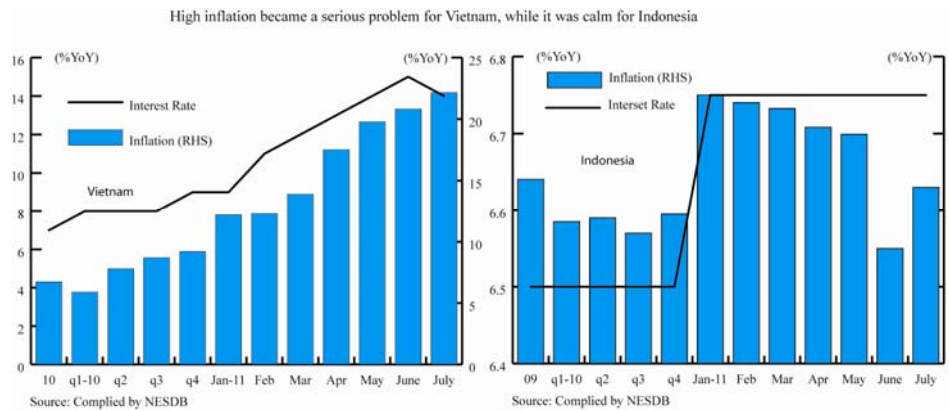
NIEs on the whole, expanded at a decelerated rate due to a slowdown in manufacturing sector and exports.

The recovery in exports and higher commodity prices was expected to accelerate Australian growth in the 2nd quarter.

Most countries expanded at a close pace to Q1 growth. Vietnam grew faster compared with the previous quarter, but inflation became a serious problem.

⁶ India's PMI is calculated by the HSBC Bank (HSBC PMI).

⁷ Due to the switching production of patented drug to generic ones.



Global Economic Outlook

The world economy has shown a sign of recovery and tends to persistently expand in the second half of 2011. However, currency fluctuation, growing inflation, debt burdens and downward growth in US and Euro area, the effects of Japanese disaster to world supply, as well as tightening fiscal policies that introduced in many economies are potential risks that should be aware. In addition, political conflicts⁸ and protests due to stringent measures and increasing food price will intensify the problems. The chronic problem of sovereign debt in US and Europe is expected to persist for the rest of the year, as S&P lowed the US long-term credit rating from its highest rate to AA+ for the first time in history, while remained the US short-term credit in-check at A-1+. This downgrade reflected the lack of confidence in the US sovereign debt resolution on its plan to cut its budget deficit at least 2.4 trillion USD by 2021, less than S&P estimation of about 4 trillion USD⁹ However, US government has decided to keep its Fed fund rate unchanged at low level of 0 and 0.25 until the mid of 2013, of which is under its easing measure that expected to come in series towards the second half of the year.

GDP Growth of Major Economies

Country (%YoY)	2008	2009	2010				2011			
	Year	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Year*
World	2.3	-0.6	5.0	4.9	4.8	4.6	5.1	4.2	na.	3.6-4.0
USA	0.0	-2.6	3.0	2.2	3.3	3.5	3.1	2.2	1.6	2.0
Eurozone	0.4	-4.0	1.7	0.8	2.0	1.9	2.0	2.5	1.7	1.7
UK	-0.1	-5.0	1.4	-0.3	1.6	2.5	1.5	1.6	0.7	1.5
Japan	-1.2	-6.3	4.0	5.7	3.1	5.0	2.1	-1.0	-1.0	0.2
China	9.0	9.2	10.3	11.9	10.3	9.6	9.8	9.7	9.5	9.2
India	6.7	6.7	8.6	8.6	8.9	8.9	8.2	7.8	na	8.2
South Korea	2.3	0.3	6.2	8.5	7.5	4.4	4.7	4.2	3.4	4.5
Taiwan	0.7	-1.9	10.8	13.6	12.9	10.7	7.1	6.6	4.9	5.4
Hong Kong	2.3	-2.7	7.0	8.0	6.7	6.9	6.4	7.5	5.1	5.4
Singapore	1.5	-0.8	14.5	16.4	19.4	10.5	12.0	9.3	0.5	5.2
Malaysia	4.7	-1.7	7.2	10.1	8.9	5.3	4.8	4.6	4.0	5.5
Philippines	3.7	1.1	7.6	8.4	8.9	7.3	6.1	4.9	na	5.0
Vietnam	6.2	5.3	6.8	5.8	6.4	7.2	7.3	5.4	5.7	7.0
Indonesia	6.0	4.5	6.1	5.6	6.1	5.8	6.9	6.5	6.5	6.4

Source: Collected by the NESDB
* Forecasted by the NESDB staff

⁸ Riots in UK and the downgrade on US long-term credit are examples of expecting incidences to come more.

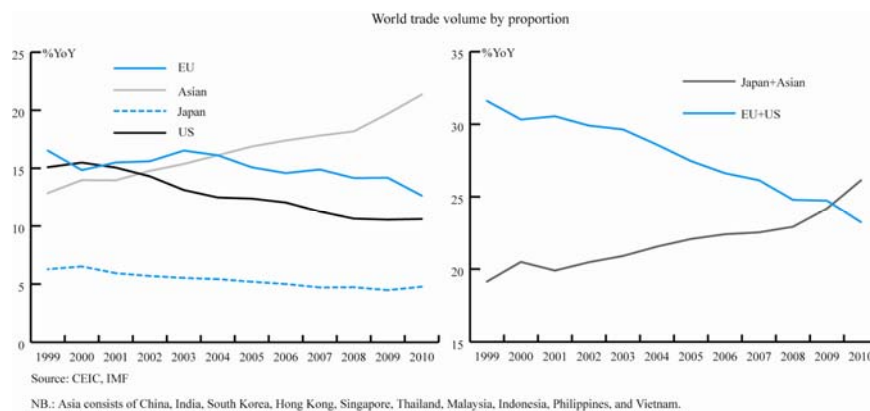
⁹ US Treasury Department argued that S&P has over estimated the US budget deficit, while other credit rating agencies like Moody's and Fitch unchanged the US long-term credit rate.

4. Thai Economic Outlook for 2011

Thai economy in the second quarter of 2011 expanded by 2.6 percent, decelerated from the previous quarter owing to the contraction of manufacturing production which was affected by the contraction of Japanese economy. Consequently, Thai economy grew by 2.9 percent in the first half of 2011. The latter half of the year; however, the economy have a tendency to improve with a more satisfactory rate than the first half, particularly the revival of manufacturing production, and the continual expansions of tourism sector and farm income which was a result of the rise of agricultural product prices. Nonetheless, there remain risk factors that can interrupt future growth including the worsen uncertainty of the global economy and the delay of government disbursement.

□ Supporting Factors for Thai Economic Expansion

(1) **Electronic and automobile industries showed sign of improvement**, particularly the revival of automobile industry. During the first half of 2011, automobile industry recorded a production of 0.66 million cars over the production target of 1.8 million cars, while the automobile industry remain confident to achieve their 2011 production target. Thus, the expected car production during the latter half of this year is likely to be around 1.14 million cars which is about 56.6 percent expansion compared to the same period of last year. Besides, the pickup of automobile industry will be an important factor in driving investment in the next period.



- (2) **Asian economy continued to expand with a satisfactory rate**, which will help reduce the economic impact in case the US and European economies grow at a lower than the expected rate or decelerate. In the event that the US economy decelerates modestly, the dynamic of Asian economy will be able to drive the global economy and trade. This is reflected through the IMF revision of the US economic growth in 2011 from 2.8 percent to 2.5 percent while revises the anticipated global trade volume up from 7.4 percent to 8.2 percent, owing to the high level of Chinese and Indian economic expansion. Furthermore, the IMF adjusts the NIEs economic growth upward. As a result, Thai exports are likely to expand continuously.
- (3) **The development of political atmosphere and confidence** brought about the rise of confidence of investors, tourists, and consumers.
- (4) **Private investment tends to grow favorably.** Net application submitted to The Board of Investment of Thailand (BOI) during the first seven months of 2011 registered at 599 projects with the total investment value of 205,796 million baht, expanded by 34.9 and 89.4 percent respectively compared to the same period of previous year. Consequently, private investment is inclined to improve continually.
- (5) **Household income continued to grow satisfyingly** particularly in farm income, owing to the rise of major agricultural product prices such as rubber, oil palm, sugar cane, cassava,

Thai economy in 2011 is projected to grow 3.5-4.0 percent with 3.6-4.0 percent of inflation and current account will record a surplus of 2.4 percent to GDP.

and rice. In June 2011, the domestic retail sale price of 100 percent white rice was 14,700 baht per ton or 8.5 percent growth compared to the previous month. In addition, with the impetus of the government rice policy the rice price have a tendency to move upward in the future. Similarly, for the latter half of 2011, the production of major agricultural products such as rice, maize and rubber tends to grow favorably.

- (6) **The tourism sector continues to advance.** The number of inbound tourists posted a historical high of 9.7 million persons in the first half of 2011. Inbound tourists in July 2011 recorded at 1.5 million persons; with the total number for the first seven months recorded at 11.2 million persons, expanded by 26.8 percent. Under the condition of stable political situation and Asian economy grew at the expected rate, the expected number of tourists in 2011 is likely to be 19.0 million persons. This will drive the related production and service sector to expand continuously.
- (7) **Liquidity in the market remains ample while credit expansion showed a good improvement.** During the first half of the year, the excess supply of money in commercial banks stood at a high level with the value of 1.485 trillion baht while commercial banks' credit approval grew by 16.5 percent. In addition, the large commercial banks have adjusted their credit approval targets upward. The above factors will support the economic environment to grow continuously.

□ Risk Factors and Limitations

- (1) **There is still risk on the world economic recovery.** The US economy has faced the higher risk of economic recession due to high unemployment rate while sign of recovery in the housing markets still weak. This will cause private consumption, which is the major driver of the US economy, to grow at a low level. Moreover, the issue on public debt gains higher concern after the US government bond was downgraded by S&P. The unease over the **European** public debt remains high. Though Greece and Portugal rescue plan have become more certain, there remain a high concerns over public debt of the major economies such as Italy and Spain. Furthermore, major economies are likely to decelerate in the latter half of 2011, especially France; its economic expansion has sharply slowed down in the second quarter, thus, the first half of the year France economy only grew by 2.1 percent compared to the same period of last year. Besides, the reduction of France fiscal deficit under the projected target will be a major obstacle to its economic expansion as French government expenditure is account for 25 percent of GDP. Moreover, its fiscal deficit remains high at 7.0 percent in 2010 and is expected to be in the range of 5.0-6.0 percent in 2011. German economy experienced a strong expansion of 3.7 percent in the first half of 2011, but in the later half their economy is expected to decelerate considerably owing to the drop of global demand especially its major trading partners such as the US, France, Japan, and China (Germany is an export oriented country with the export proportion of 46 percent to GDP). After the restoration from the harsh impact of earthquake and tsunami, **Japan** is still facing the risk due to the lower global demand, the yen appreciation, and the fragile private demand.
- (2) **Money market, capital market, and foreign exchange rate are countering the risk of volatility.** This is owing to the higher uncertainty of the world economic condition. In addition, Thai baht tends to appreciate in the latter half due to depreciation of US dollar.
- (3) **Oil price is likely to fluctuate.** The oil price tends to decline following the world economic deceleration. Nevertheless, the risk factors on supply side and speculation in the future market will affect oil price to move upward from time to time.
- (4) **Inflation rate and interest rate remain high.** The inflationary pressure due to the stress of oil price seems to be in a steady trend, while the domestic demand continues to grow satisfactorily

and the labor market remain tight, all these factors is likely to cause a rise in production cost. Meanwhile, the policy of raising daily minimum wage will accelerate the inflation rate.

- (5) **The delay of government budget disbursement in 2012** will cause the government investment to lesser than the expectation.
- (6) **The condition of agricultural production and farm income remain vulnerable** from the impact of fluctuating weather after the frequency of flood has been increasing since late 2010.

□ Key Assumption for 2011 Projection

- (1) **The 2011 world economy is expected to expand by 3.6 – 4.0 percent which is lower than the previous forecasted figure of 3.8 – 4.2 percent.** The world trade volume is, however, expected to remain at its prior projection of 6.7 – 7.7 percent as the Asia economy continues to expand at a good pace and an increasing role as a world trade driver.

US economy, in the first half of 2011, rose by 1.9 percent (%YoY) with the following supports;

(i) private consumption expanded by 2.5 percent (%YoY) in the first half which, however, is expected to decelerate during the second half of this year as the high unemployment rate continues to linger. Thus the US employment policy will be an important factor to create a strong recovery from the economic recession, (ii) private investment tends to expand at a satisfactory rate, even though the change in inventory, which is one of the investment driving factors, is lower than that normally observed during the US economic recovery phase. Also, the fixed investment residential is expected to contract even further after continually decline for four consecutive quarters. This is because private consumption slow recovers and there are still high housing stocks. However, during the second half of this year, private investment will be mainly driven by the nonresidential investment which is expected to recover after the problem of supply-chain disruptions in the automobile and electronic industries is solved. Moreover, those industries are expected to increase their productivity as to compensate for the slowdown during last two quarters, (iii) public consumption decreased by 1.6 percent (%YoY) during the first half of this year, compared to the same period of last year, and it is expected to continually decelerate. The public spending is also expected to reduce after the Congress agreed to raise the debt ceiling, and (iv) an increase in economic instability would reduce the investor and consumer confidence. Further, the financial market turmoil would drive the finance cost to be higher. It is also expected that obtaining credit approval would be more difficult. With such situations, the projection of the 2011 US economic expansion will be revised downward from 2.8 to 2.0 percent.

EU economy, in general, even though the EU economic situation tends to be decelerated throughout the second half of this year, while the performance in the first half still registered a fine level of expansion of 2.1 percent (%YoY). Thus the projected EU economic expansion will be revised upward from 1.6 to 1.7 percent. The trend of economic projection of four major countries are as follows:

German economy had experienced a high growth rate of 3.7 percent (%YoY) in the first half of this year with a good condition in labor market, an acceptable public debt to GDP, and only 2 percent of fiscal deficit to GDP. It is expected that, for the rest of this year, the German economy would continue to grow owing to a recovery in industrial sector (about 24.0 percent to GDP) and a reduction in inflationary pressure resulting from an expected decrease in oil price. However the German economy still heavily depends on export sector. Thus a decline in external demand, caused by a tendency of economic growth in slow pace among its major trading partners, would significantly reduce German net-export. Under these conditions, German economy is expected to expand by 3.3 – 3.8 percent this year.

French economy expanded by 1.9 percent (%YoY) in the first half of this year. However, as a result of an economic deceleration in the second quarter 2011, there is a growing concern about the future France economic expansion. Moreover, French government needs to reduce its fiscal

Key assumptions for the 2011 projection

- (1) Global economy and trade volume expand at 3.6-4.0 and 6.7-7.7 percent respectively*
- (2) Average Dubai crude oil price is 103-107 US dollars per barrel*
- (3) Average export and import prices (in US dollar terms) increase by 6.8 and 8.8 percent respectively*
- (4) Exchange rate is anticipated to be 29.5–30.5 baht per US dollar*
- (5) Number of tourists is approximately 19.0 million persons*

deficit by cutting public spending which is the important economic driver (approximately 25 percent to GDP). This would negatively affect the level of domestic demand. Thus, giving the above conditions, it is projected that the French economy will expand by 1.5 – 2.0 percent this year.

Italy economy, in general, fully recovery still prolong as; (i) the consumption is compressed by a high level of both inflation and unemployment while it is expected that the weak of private consumption in the second half of this year will still remain, (ii) it is clearly that, after a sound growth in the second half of 2010, private investment continues to lose pace, (iii) The net-export is expected to continually decline as a reduction in consumption demand in Europe and US, and (iv) the unfavorable fiscal situation remains a major obstacle for the Italy economic expansion, with the public debt level as high as 120 percent to GDP. Under these circumstances, together with a GDP growth of 0.9 percent (%YoY) during H1, the Italy economy is forecasted to grow by 0.5 – 0.9 percent this year.

Spain domestic demand remains weak and contracted for the eleventh consecutive months (as of the first quarter of 2011). Private investment also declined for the twelfth consecutive months and, thus, unemployment rate stood as high as 20.0 percent. The high unemployment rate will cause private consumption to remain low. Moreover, the net-export is likely to decrease in line with the demand in the global market. Furthermore, There is also constraint in government spending as the fiscal balance registered a deficit of 6.0 – 6.5 percent to GDP which is higher the target set by the EU. The Spain government, however, has to increase its spending to stimulate the economy. This would drive the public debt to be even higher. Thus under the above situations, the Spain economy in the first half expanded by 0.7 percent (%YoY) and is expected to be decelerated during the latter half with forecasted figure of 0.3 – 0.8 percent.

Japanese economy experienced an economic reduction of 1.0 percent (%YoY) during the first half of this year resulting from the severe natural disaster on the 11th March 2011. However, for the latter half of this year, it is expected that the Japan economy will bounce back to its positive ground as; (i) private investment expanded by only 1.6 percent (%YoY) , during the first half of this year. The main factor is a slowdown in the investment in private non-residential investment which registered only 1.1 percentage (%YoY) growth compared to the expansion of 6.1 percent (%YoY) during the second half of the year 2010. The recovery in the production sector would be a major supporting factor for the sufficient expansion in the investment in private non-residential investment in the latter half of the year. Thus it is expected that private investment will continually increase throughout the rest of this year, (ii) the public spending in the first half of this year play a crucial role as an economic driving force. Even though the public debt to GDP was as high as 200 percent, the government still increases its spending to stimulate the economy. As a result, the public consumption grew by 1.1 percent (%YoY) after experienced contractions for two consecutive quarters. The public spending is expected to continually expand for the rest of the year, (iii) private consumption contracted by 0.8 percent (%YoY) in the first half of this year which mainly caused by a reduction in the major consumption components, especially consumption on service which has been decreased for the fifth consecutive quarters. However, the private consumption is expected to recover suggested by a high increase in retail sale of electronic appliance which registered 8.0 percent (%YoY) increase in June 2011, showing an increase for the second consecutive months. Thus, the private consumption tends to recover during the latter half of this year, and (iv) Net-Export contracted by 11.2 percent (%YoY) in the first half of this year due to the problem in the production sector. Thus, the net-export is expected to improve when the production sector have recover from the disaster, especially for Japan four main export commodities (machinery, automobile, electronics, and industrial products) which accounted for 70.0 – 75.0 percent of total exports. Nevertheless, the Japanese Yen appreciation as well as a reduction in demand in global market will be a crucial obstacle for the Japan's export sector. Thus the NESDB will revise the projection for Japan economic expansion from 1.1 percent to 0.2 percent.

Chinese economy strongly expanded by 9.6 percent (%YoY) in the first half of this year. The expansion was mainly driven by private consumption especially in the construction sector which experienced a high growth. There is, then, a growing concern about bubble in Chinese construction sector and a high inflationary pressure. Thus the Chinese government implemented a tighter monetary policy which would reduce risk from overheating economy. Besides, Yuan appreciation and a decrease in world demand would be major factors for the Chinese economy to be decelerated. Thus, with a high economic growth in the first half of this year and a slight economic contraction in the latter half, the NESDB revises the Chinese economic expansion for the year 2011 from 9.0 to 9.2 percent.

- (2) **Average Dubai crude oil price in 2011 is expected to be in the range of 103-107 US dollars per barrel**, an upward revision from previous projection of 98-107 US dollar per barrel. In the first half of 2011, average Dubai crude oil price stood at 105.45 US dollars per barrel and reached 109.78 US dollars per barrel in July. Taken together, during the first 7 months an average Dubai crude oil price was 106.07 US dollar per barrel. The oil price in the second half is expected to be lower than the first half with key supporting factors including: (i) a decline in oil demand as US and EU economies remain fragile owing to a low level of consumption and private investment growths as well as a fiscal limitation that could lead to lower economic stimulus budget; and (ii) an investor become more cautious to invest in oil fund as a consequence of a dramatic drop of 10 US dollars per barrel in oil price on 6th May 2011. However, there remain several risks that might lead to an increase in oil price. Those factors include: (i) political unrest in Middle East and North Africa countries. Although the political unrest has cooled down, a violent remains persisted; (ii) natural disasters such as Hurricanes has affected source of oil production; and (iii) investor speculation on the rising oil price as a result of an increase in money supply, which many advanced economies injected into the financial system to support economic recovery that remains fragile.
- (3) **Export price in terms of US dollar is expected to increase by approximately 6.8 percent, lower than the previous forecast of 7.2 percent. Import price in terms of US dollar, on the other hand, is forecasted to grow by 8.8 percent, up from the previous forecast of 8.5 percent.** The upward forecast was due to the higher-than-expected import price in terms of US dollar in the second quarter of 2011.
- (4) **Exchange rate is expected to be in the range of 29.5-30.5 baht per US dollar**, the same figure as the previous projection. During the first half, average exchange rate was at 30.432 baht per US dollar. Thai baht is expected to appreciate due to a depreciation of US dollar because of a slowdown of US economy. Moreover, exchange rate in the latter half of 2011 tends to fluctuate owing to a rise in global economic uncertainty.
- (5) **Number of inbound tourists in 2011 is expected to reach 19.0 million persons**, an upward revision from the previous forecast of 18.0 million persons as a result of a satisfactory continual increase which revealed the historical high at 9.7 million persons during the first half of 2011. Moreover, number of inbound tourists in July 2011 stood at 1.5 million persons, accumulated to 11.2 million persons during the first 7 months. In addition, it is expected to reach 7.8 million persons in the last 5 months of 2011. This is due to (i) a better climate of political situation in Thailand; and (ii) number of tourists from China, Hong Kong, Taiwan and India significantly increased.

□ **Economic Outlook for 2011:**

Thai economy is expected to grow in a range of 3.5-4.0 percent in 2011 compared to a 7.8 percent growth in 2010 while the inflation rate is anticipated to be 3.6-4.0 percent compared to a 3.3 percent in 2010. The current account is likely to register a surplus of 2.4 percent of GDP, reducing from a 4.6 percent increase in 2010. Key factor contributing to the downward revision from the previous projection are as follows:

Thai economy is expected to grow in the range of 3.5 - 4.0 percent in 2011.

- (1) **Thai economy during the first half of 2011 expanded lower than the expectation.** The contraction of manufacturing production in the second quarter which led to just a 0.7 percent growth of manufacturing sector – a deceleration from 13.9 percent in 2010 – and the rise of imports particularly in the situation of high oil price lead to the decrease of net export value compared to the previous year. In addition, the government expenditure and investment are much lower than expected; the government investment contracted by 5.9 percent during the first half while the government expenditure expanded only 1.5 percent.
- (2) **The global demand in the latter half of 2011 is likely to decelerate more than the previous anticipation,** particularly the lower than expected growth rate of the US economy and its fragile revival and public debt crisis of the EU. The higher uncertainty of the US and EU brings about the concern and reduces the investors' confidence, causing the deceleration of the overall global economic activities. Nevertheless, the happened impacts tend to be less severe than the previous period due to the rising of Asian economy's role which helps reduce the negative effects. Consequently, the NESDB revises the US economic growth down to 2.0 percent from 2.8 percent while the world trade volume is revised downward slightly.
- (3) **The government demand is likely to expand lower than the previous expectation,** particularly the harsh contraction of the government investment during the first half of the year. The government budget disbursement in the third quarter tends to register lower than the target while it is expected to be delayed in the last quarter.

□ Projected growth components in 2011

- (1) **Total consumption expenditure is projected to grow by 3.3 percent, a downward revision from the previous projection at 3.6 percent.** This slowdown is due to a downward revision of both household and public consumption expenditures. Public consumption expenditure is expected to expand by 3.0 percent, a downward revision from previous projection of 3.2 percent, as the growth during the first half of 2011 increased less than expected (public consumption expenditure during H1 2011 expanded by 1.4 percent). Household consumption expenditure is revised downward from 3.7 percent in previous projection to 3.3 percent. In the first half of 2011, household consumption expenditure increased by only 3.0 percent and is expected to continually expand in the second half of this year, particularly of income base that tends to grow in both agricultural sector as a consequence of higher agricultural price, a strong recovery of manufacturing sector, an expansion of loan and an increase in tourism sector.
- (2) **Total investment is forecast to expand by 6.2 percent, a downward revision from the previous forecast of 7.3 percent.** Public investment is expected to contract by 1.5 percent, revised down from a 3.5 percent growth, as budget disbursement rate in FY2011 is lower than its target and a disbursement of investment budget during October-December 2011 tends to delay. However, private investment is expected to grow by 8.7 percent, revised up from previous projection at 8.5 percent. This is due to a confidence of investor remains positive which coincides with the number of application submitted to Board of Investment (BOI) during H1 as well as import of capital goods continually expanded.
- (3) **Export value of goods in US dollar term in 2011 is forecast to expand by 16.5 percent, a downward revision from previous projection of 17.0 percent.** Both export volume and price are revised downward. Export volume is expected to grow by 9.7 percent, slightly downed from a 9.8 percent growth in previous projection. This is due to a deceleration of global demand that is affected by a global economic uncertainty and a fragile recovery of US and EU economy. Export price is expected to grow by 6.8 percent, revised down from a 7.2 percent growth in previous projection. This downward revision is due to an expected decline in a growth rate of oil price and an expected appreciation of exchange rate. Export volume of goods and services is forecast to grow by 9.8 percent, revised up from a 9.7 percent growth in previous projection, following an expansion of tourism sector.

- (4) **Import value in US dollar term in 2011 is forecast to expand by 21.3 percent, an upward revision from previous forecast of 20.5 percent.** This is a consequence of a revision of both projected import volume and price. Import volume is expected to grow by 12.5 percent, up from a 12.0 percent growth in previous projection, due to its high growth of 19.0 percent during H1. A high growth in H1 was a result of expansion of export, investment and an oil price. Import price is forecast to grow by 8.8 percent, revised up from an 8.5 percent growth in previous projection, owing to a rapid growth of import price in the second quarter of 2011 (11.5 percent) leading to an import price growth of 10.2 percent during H1. In the latter half of 2011, import price is expected to expand at a decelerated rate as a growth rate of oil price tends to lower than the first half. Volume of import of goods and services is projected to expand by 11.3 percent, revised down from an 11.5 percent growth in previous projection, as a consequence a slowdown of import of service that grew only 1.1 percent during H1 2011.
- (5) **Trade balance is expected to register a surplus of 8.0 billion US dollars, a downward revision from a surplus of 10.4 billion US dollars in the previous projection.** This is owing to a growth of import is higher than that of export. Service account balance is expected to register a surplus of 0.8 billion US dollars, a same figure as previous projection. Therefore, the current account balance is expected to register a surplus of 8.8 billion US dollars or 2.4 percent of GDP, lower than a surplus of 11.2 billion US dollars in previous projection.
- (6) **Economic stability in 2011:** average headline inflation is expected to be in the range of 3.6-4.0 percent, an upward revision from the previous projection of 3.0-3.8 percent, as a headline inflation rate during H1 2011 reached as high as 3.5 percent. A projected unemployment rate remains low at 0.7 percent, reflecting tight labor market.

□ **Projection Condition for High and Low Cases**

- (1) **High Case Scenario:** Thai economy in 2011 is projected to grow more than 4.0 percent under the following conditions: (i) world economic growth exceeds 4.0 percent following the continued expansion of developed countries' economies, US economy grows with stability and the concern over economic recession reduces while the public debt issue is not affect the economic recovery and the private consumption restores satisfactorily, stable growth of major EU economies following strong economic expansion in Germany and France as well as the resolution of public debt crisis, strong recovery of Japanese economy in the second half of 2011 following the Tohoku earthquake and Tsunami on 11th march 2011, and a continued economic expansion in developing countries (specifically China) despite of the more risk factors including the increase in interest rate and inflation rate; (ii) no serious domestic political unrest leading to an improvement of confidence of consumers, investors confidence, and tourists; (iii) the annual average price of Dubai crude oil remains below 107 US dollars per barrel; (iv) quick recovery of affected automobile industry and its related industries following the Tohoku earthquake and Tsunami leading to the rise of car production to its target; and (v) the climate variability does not affect agricultural production.
- (2) **Low Case Scenario:** Thai economy in 2011 is projected to grow less than 3.5 percent under the following conditions: (i) world economy expands less than 3.6 percent; (ii) the annual average price of Dubai crude oil exceeds 107 US dollars per barrel resulting in lower level of consumption expenditure and investment as well as trade balance than previously forecasted; (iii) the discontinuous in fiscal policy implementation causing the budget disbursement to delay; and (iv) severe natural disasters occur and affect major agricultural productions such as rice, rubber, sugar cane oil palm cattle and fishery.

5. The economic management for 2011

Rising global economic uncertainties has led to a decrease in global demand, and intensified the volatility in the global financial market. Furthermore, rising inflationary pressure has caused increasing policy interest rate, while tension in domestic labor market still persists. Thus, the economic management to support the expansion in the later half should emphasize the following issues:

- (1) Managing and maintaining fair pricing for both consumers and producers. The rise in price is partly a result of slowdown in production, which was affected by unforeseen events, such as floods. Thus, monitoring system should be set up to mitigate the effect of the events in a timely manner.
- (2) Ensuring income security for all citizens especially in agricultural sector that has a tendency to be affected by fluctuating weather. Moreover, government should expand and improve irrigation area, encourage the use of technology to enhance productivity, assist farmers to make a clear cultivation plan, and utilize proper financial tools to create insurance system that is suitable to Thai agricultural sector.
- (3) Enhancing the country's competitive edge to cope with rising production costs such as labor cost, interest rate and oil price. This also includes transforming labor-intensive production into technology-intensive production, in order to reduce the tension in labor market.
- (4) Preparing and coordinating policy tools to lessen possible impact from increasing volatility in global financial market.
- (5) Employing suitable fiscal policy and managing disbursement level in line with the set target, while enhancing the role of private sector in public investment. This would sustain Thai economic expansion under the sluggish global economic recovery.

Economic projection of 2011

	Actual Data			Projection 2011F	
	2008	2009	2010	23 May. 11	22 Aug. 11
GDP (at current prices: Bil. Bht)	9,080.5	9,041.6	10,104.8	10,852.6	10,867.6
GDP per capita (Bht per year)	136,585	135,144	150,117	160,548	160,771
GDP (at current prices: Bil. USD)	272.2	263.3	317.8	361.8	362.3
GDP per capita (USD per year)	4,093.9	3,936.0	4,720.7	5,351.6	5,359.0
GDP Growth (at constant prices, %)	2.5	-2.3	7.8	3.5-4.5	3.5-4.0
Investment (at constant prices, %)	1.2	-9.2	9.4	7.3	6.2
Private (at constant prices, %)	3.2	-13.1	13.8	8.5	8.7
Public (at constant prices, %)	-4.7	2.7	-2.2	3.5	-1.5
Consumption (at constant prices, %)	2.9	0.1	5.1	3.6	3.3
Private (at constant prices, %)	2.9	-1.1	4.8	3.7	3.3
Public (at constant prices, %)	3.2	7.5	6.4	3.2	3.0
Export volume of goods & services (%)	5.1	-12.5	14.7	9.7	9.8
Export value of goods (Bil. USD)	175.2	150.7	193.7	226.7	225.7
Growth rate (%)	15.9	-14.0	28.5	17.0	16.5
Growth rate (Volume, %)	6.0	-13.6	17.3	9.8	9.7
Import volume of goods & services (%)	8.9	-21.5	21.5	11.5	11.3
Import value of goods (Bil. USD)	175.6	131.4	179.6	216.3	217.8
Growth rate (%)	26.8	-25.2	36.7	20.5	21.3
Growth rate (Volume, %)	8.9	-23.1	26.5	12.0	12.5
Trade balance (Bil. USD)	-0.4	19.4	14.1	10.4	8.0
Current account balance (Bil. USD) ^{1/}	2.2	21.9	14.8	11.2	8.8
Current account to GDP (%)	0.8	8.3	4.6	3.1	2.4
Inflation (%)					
CPI	5.4	-0.9	3.3	3.0-3.8	3.6-4.0
GDP Deflator	3.9	1.9	3.7	3.0-3.8	3.6-4.0

Source: Office of National Economic and Social Development Board, 22 August 2011

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.