



Thai Economic Performance in Q3 and Outlook for 2012 and 2013

Macroeconomic Strategy and Planning Office

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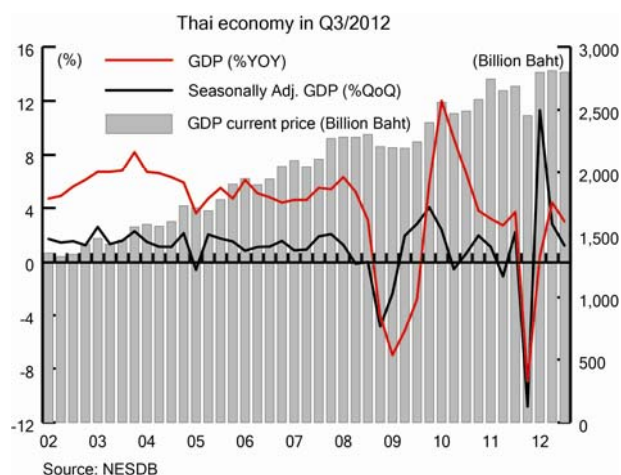
Economic projection for 2012 and 2013

(% YOY)	2011	2012		Projection	
	Year	H1	Q3	2012	2013
GDP (at 1988 price)	0.1	2.2	3.0	5.5	4.5-5.5
Total Investment (at 1988 price)	3.3	7.7	15.5	12.0	8.1
Private	7.2	10.5	16.2	13.7	8.0
Public	-8.7	-2.7	13.2	5.7	8.5
Total Consumption (at 1988 price)	1.3	3.9	6.5	5.3	3.8
Private	1.3	4.1	6.0	5.2	4.0
Public	1.1	2.7	9.0	6.0	2.5
Export of Goods	16.4	-0.2	-2.5	5.5	12.2
Volume	10.2	-3.3	-6.2	5.0	8.0
Import of Goods	24.7	13.4	1.6	8.8	12.4
Volume	13.3	6.6	-2.3	7.0	8.7
Current Account to GDP (%)	1.7	-0.5	3.1	0.8	1.0
Inflation	3.8	3.0	2.9	3.0	2.5-3.5
Unemployment rate	0.7	0.8	0.6	0.7	0.6

- ❑ In the third quarter of 2012, the Thai economy grew by 3.0 percent, with growth mainly driven by the acceleration in private consumption and government expenditure, as well as private investment. On the supply side, growth was driven by the expansion of non-manufacturing production. By contrast, manufacturing production and export declined because of a high base effect, the delay in the recovery of flood-affected sectors, and the unfavorable global economic condition which increasingly weighted on the Thai economy.
- ❑ After seasonal adjustment, Thai economy in the third quarter of 2012 grew by 1.2 percent.
- ❑ Thai economy in 2012 is projected to grow by 5.5 percent in 2012. The value of export is forecasted to expand by 5.5 percent, while household consumption and total investment are expected to grow by 5.2 and 12.0 percent respectively. The headline inflation is expected to be at 3.0 percent. In addition, the current account is projected to record a surplus of 0.8 percent of GDP.
- ❑ Thai economy in 2013 is forecasted to grow by 4.5 – 5.5 percent. The main driving factors for growth are favorable condition of domestic demand, and the recovery of export. It is expected that the export value will grow by 12.2 percent. Meanwhile, household consumption and total investment will expand by 4.0 and 8.1 percent respectively. The headline inflation is forecasted to be in the range of 2.5 – 3.5 percent. Current account is projected to record a surplus of 1.0 percent of GDP.
- ❑ Economic management for the remaining of 2012 and in 2013 should emphasize on these following key issues: (i) Accelerating exports, especially to markets whose export values fell sharply in 2012, as well as solving non-tariff barriers problem that present an obstacle to trade expansion in the major export markets. (ii) Expediting disbursement of government budget and accelerating implementation of major public investment plans, particularly the investment projects under the water resource management and future development, and the transport infrastructure development plan, as well as accelerating the development of new economic zone in order to enhance the long-term economic growth potential. (iii) Monitoring and preparing domestic economy to cope with economic environment, where Thai baht is expected to be strengthened. The preparation plan should accentuate on enhancing productivity of the production and export sectors, especially labor-intensive SMEs which receive their revenues in foreign currencies. Furthermore, opportunities arise from the appreciation of Thai baht, especially, encouraging Thai investors to invest abroad (TDI), promoting investment in imported machineries in production sector, and expediting spending on imports in megaprojects in public sector and state owned enterprises. Moreover, implementation of monetary policy must be appropriately designed to comprehend the economic conditions. (iv) Restructuring of energy price policy needs to be undertaken as planned so that energy prices will be in line with their true costs in collaboration with improved in energy efficiency. (v) Reforming rules and regulations on trade and investment will be necessary in order for Thailand to fully benefit from the free trade, free flow of capital and skilled labor under the agreement on establishment of the ASEAN Community by 2015.

Thai Economic Performance in Q3/2012 and Outlook for 2012 - 2013

In the third quarter of 2012, Thai economy expanded by 3.0 percent, compared to the growth rate of 0.4 and 4.4 percent in the first and second quarter respectively. The main supporting factors were the accelerated expansion of domestic demand, especially household expenditure, government expenditure, and total investment. As for production side, the expansion was supported by the growth of non-manufacturing production, especially agricultural, construction, retail sales, and hotels and restaurants sectors which continue to achieve high growth. Nevertheless, export and production of industrial sector contracted. For the first 9 months of 2012, Thai economy expanded by 2.6 percent.



Thai Economic Performance in the Third Quarter of 2012

- 1) **Total consumption** grew by 6.5 percent, accelerating from 5.6 percent in the previous quarter. Household consumption expanded at a faster rate of 6.0 percent, compared to 5.3 percent in the previous quarter, supported by improvement in household income and tax rebate for first-time-car-buyer scheme. Meanwhile, government expenditure expanded by 9.0 percent, which is a higher rate compared to 7.4 percent of the previous quarter. This expansion is due to the better disbursement of government budget. **For the first 9 months of 2012, total consumption increased by 4.9 percent.**
- 2) **Total investment** expanded by 15.5 percent, representing an acceleration from 10.2 percent in the second quarter as private investment expanded at a faster pace. The investment in machinery and equipment increased robustly by 18.2 percent. Meanwhile, the public investment expanded by 13.2 percent, compared to the rate of 4.0 percent in the previous quarter. **For the first 9 months of 2012, total investment increased by 10.3 percent.**
- 3) **Export value in US Dollar term** in the third quarter was recorded at 59,280 million US Dollars, representing a 3.0-percent contraction. This is due to a delay in the recovery of flood-affected industries and the effects from economic crisis in Eurozone. The export value of agricultural and manufacturing products contracted by 25.4 and 4.8 percent respectively. Export markets that experienced a contraction included the US (1.2 percent), European Union (19.2 percent), Japan (6.3 percent), and ASEAN (9.0 percent). **For the first 9 months of 2012, export value in US Dollar term contracted by 0.9 percent.**
- 4) **Agricultural sector** expanded by 8.6 percent, accelerating from 1.8 percent in the previous quarter as there is an expansion in agricultural sector's production, both in crops and livestock, especially paddy rice, cassava, and rubber which expanded by 57.7, 27.0, and 8.3 percent respectively. This expansion helped increase farmers' income by 2.4 percent. **For the first 9 months of 2012, agricultural sector expanded by 4.3 percent.**

- 5) **Construction sector** expanded by 9.8 percent, accelerating from 6.9 percent in the previous quarter following the public and private construction which grew robustly by 11.3 and 9.9 percent respectively. **For the first 9 months of 2012, construction sector expanded by 6.1 percent.**
- 6) **Retail sales sector** expanded by 4.1 percent, representing a deceleration from 5.4 percent in the previous quarter as there was a contraction in agricultural raw materials and live animals trade which was caused by the slowdown in the industrial production and its export. Meanwhile, trade in automobile and fuel trade expanded. **For the first 9 months of 2012, retail sales sector expanded by 4.6 percent.**
- 7) **Hotels and restaurant sectors** continued to expand by 6.9 percent, in line with the expansion of inbound tourists. The number of inbound tourists was recorded at 5.3 million persons, representing an increase of 8.4 percent. For the first 9 months in 2012, there was a total of 15.9 million inbound tourists, representing a 8.6-percent increase. It is expected that the number of inbound tourists for the entire 2012 will exceed the target of 20.5 million persons. **For the first 9 months of 2012, hotels and restaurant sectors expanded by 7.0 percent.**
- 8) **Industrial sector** contracted by 1.1 percent, compared to the 2.8 percent expansion in the previous quarter. This was caused by the contraction in the export industries, especially hard disk drives, semi-conductors, and frozen seafood which shrank by 37.2, 27.8, and 24.6 percent respectively. The main causes were the economic crisis in Eurozone and the slowdown of the global economy, and a high base effect from the same period of last year. Meanwhile, the flood-affected industries have yet to fully recovered from the flood in 2011. The automobile industry received a support from the tax rebate for first-time-car-buyer scheme. **For the first 9 months of 2012, industrial sector contracted by 0.9 percent.**

Thai Economic Outlook for 2012 - 2013

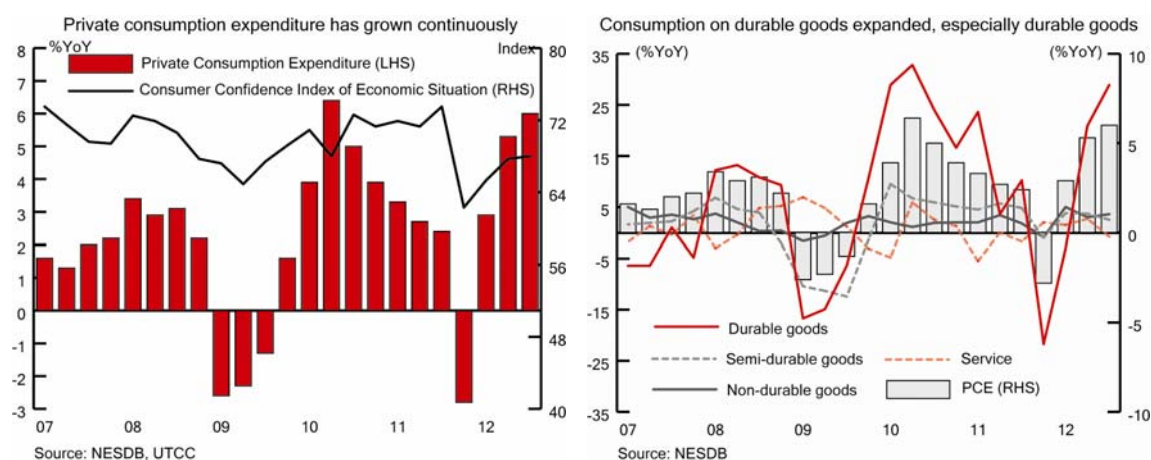
NESDB forecasts that the Thai economy in 2012 will expand by 5.5 percent, which is the lower bound of the projection range of 5.5 – 6.0 percent in the previous press release. The reasons are that the Thai economy was affected by European economic crisis, the slowdown of the Chinese economy, and the delay in the recovery of the flood-affected industries. Household consumption is forecasted to expand by 5.2 percent, total investment by 12.0 percent, export value in US Dollar term by 5.5 percent, headline inflation at 3.0 percent, and current account surplus of 0.8 percent of GDP.

Thai economy in 2013 is expected to grow by 4.5 – 5.5 percent. The export value will expand by 12.2 percent, and household consumption and total investment by 4.0 and 8.1 percent respectively. The headline inflation is projected to be in the range of 2.5 – 3.5 percent, and the current account surplus of 1.0 percent of GDP.

1. Economic Performance in Q3/2012

Expenditure Side

Private consumption expenditure in the third quarter of 2012 grew by 6.0 percent, improving from 5.3 percent in the previous quarter. This was due to the recovery of production sector which brought the household income back to normal level. The government economic stimulus measures also contributed towards this improvement, particularly the tax rebate for first-time-car-buyer scheme which drove domestic car sales to increase by 70.8 percent in this quarter. Other supporting factors for consumption expansion include (i) employment condition, which remained supportive; and (ii) household income, which received a boost from the increase in minimum wage. This is consistent with the improvement in consumer confidence index. For the third quarter, the consumer confidence index on economic situation was at 68.0, slightly improved from 67.7 in the prior quarter. This indicated that consumers became more confident over the economic conditions that gradually improve.



Private Consumption Expenditure

%YoY	2010	2011					2012		
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Private Consumption	4.8	0.5	3.3	2.7	1.1	-4.7	2.9	5.3	6.0
Durable Goods	25.1	3.3	23.6	3.6	10.2	-21.7	-3.1	20.9	28.9
Semi-durable Goods	6.7	3.4	4.5	5.7	4.8	-1.0	3.8	3.7	2.5
Non-durable Goods	1.8	1.6	2.0	3.4	1.8	-0.9	5.0	3.0	3.6
- Food	0.5	2.0	2.0	4.4	1.8	-0.3	1.7	0.7	1.0
- Non-food	2.7	1.3	2.1	2.7	1.7	-1.2	7.4	4.6	5.5
Service	1.4	-4.1	-5.5	0.0	-6.5	-5.1	1.5	2.7	-0.8

Source : NESDB

Private Investment increased by 16.2 percent, accelerating from 11.8 percent in the previous quarter. This improvement was mainly due to an expansion of machinery and equipment investment and a strong expansion of construction investment.

The machinery and equipment investment in the third quarter expanded by 18.2 percent, increasing from 12.2 percent in the second quarter as a result of a continual investment to repair the loss sustained during the severe flood, even though import of capital goods in this quarter decelerated from 32.6 percent expansion in the previous quarter to 19.7 percent in this quarter. This was particularly due to a slowdown in import of capital goods used in the electronic, electrical appliances, automobile and machinery industries. Domestic commercial car sales grew by 51.0 percent, slowing down from 88 percent in the preceding quarter.

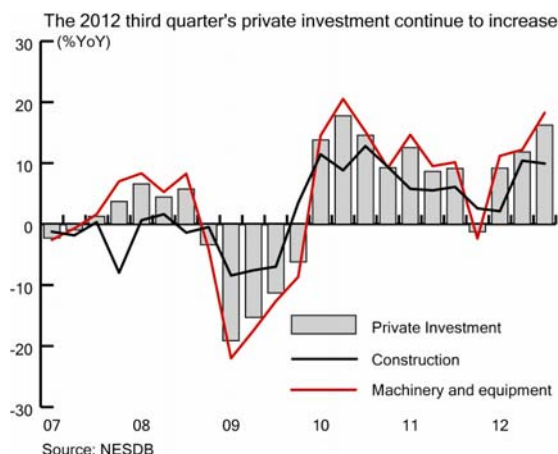
Construction investment in the third quarter increased by 9.9 percent, maintaining a high rate of growth, despite a slight slowdown from 10.4 percent in the second quarter.

The expansion of expenditure side was attributed to an increase in domestic demand, particularly private consumption expenditure and private investment, whereas import and export declined.

Private consumption expenditure expanded by 6.0 percent, mainly resulted from the recovery of production sector and the government economic stimulus measures especially the tax rebate for first car buyer scheme.

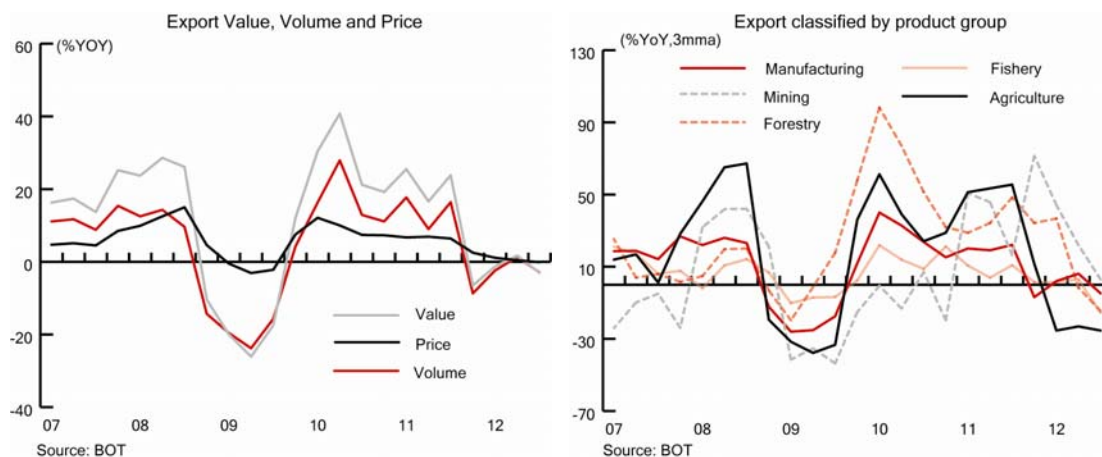
Private investment increased following an expansion in machinery and equipment investment.

Business Sentiment Index (BSI) for the third quarter decreased slightly to 50.6 from the level of 51.0 in the second quarter. Similarly, the expected BSI for the next three months is at 55.1, decreased from 55.3 in the second quarter. This decline reflects a slight loss in investors' confidence in almost all components of business conditions, except for production cost. Nevertheless, investment outlook remains bright. This can be observed from the value of investment projects applying for investment incentives to the Board of Investment (BOI) during the first nine months of 804 billion baht which is higher than the initial target.



Exports: Export value in the third quarter of 2012 was recorded at 59,280 million US dollars (1,858,665 million baht), representing a contraction of 3.0 percent. This is due to the slow recovery of flood-affected industries. Moreover, European economic crisis had increasingly weighted on the production and export sector in this quarter. These factors caused export volume and prices to contract by 2.9 and 0.1 percent, respectively. When the export of unwrought gold is excluded, the value of export declined by 6.3 percent.

Export value in US dollar term contracted by 3.0 percent due to global economic slowdown, slow recovery of flood-affected industries and high base effect.



Export value of agricultural commodities shrank by 25.4 percent. The export volume contracted by 17.5 percent because of the decline in rice exports as the domestic rice price was higher than the price in the world market, and the increase of rice supply in the global market. Meanwhile, the prices of major agricultural commodities, such as cassava and rubber, experienced a decline. Consequently, the overall agricultural export prices declined by 9.7 percent.

The export value of manufacturing products declined by 4.8 percent, compared to the expansion of 5.3 percent in the previous quarter. This contraction was attributable to (i) a slow recovery of flood-affected industries, (ii) the relatively high export value in the same period of last year (high base effect) as a result of the acceleration of production and export in the post-

tsunami period in Japan, and (iii) a delay in orders as customers preferred to wait for the launch of new electronic products. Such reduction was particularly due to a drop in export of electronics and electrical appliances by 14.7 and 8.7 percent respectively. By contrast, automotive, metal products and chemical products were able to maintain a favorable rate of growth in the third quarter.

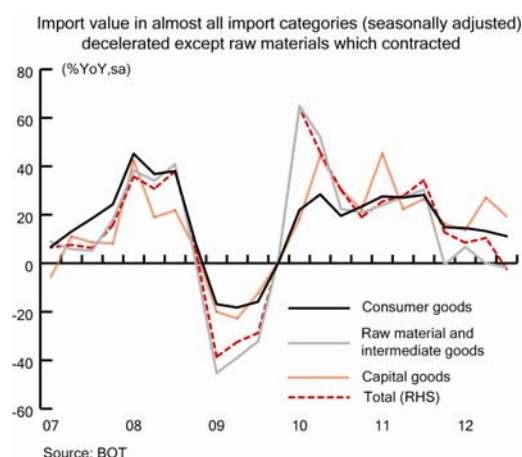
Export markets: The value of exports to major markets, particularly US, EU (15), ASEAN (9), and Japan declined by 1.2, 19.2, 9.0 and 6.3 percent respectively. Likewise, exports to most of the other high potential markets showed a contraction, apart from Hong Kong, Middle East and Australia. Exports to Hong Kong recorded a 9.8 percent increase due to the expansion of export values of unwrought gold, as well as iron, steel and their products. By contrast, exports to Middle East and Australia increased because of an expansion in exports of vehicles, parts and accessories, as well as unwrought gold.

Major Export Market

(%YOY)	2010	2011						2012				
	Year	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M	Share % Q3/55
USA	21.3	7.8	21.3	17.5	3.9	13.4	-7.7	2.1	4.6	-1.2	1.8	9.7
Japan	29.2	17.5	30.3	27.4	20.6	25.8	-4.5	-6.3	-1.2	-6.3	-4.6	10.2
EU (15)	19.7	12.0	24.1	20.3	25.5	23.3	-18.3	-16.9	-7.5	-19.2	-14.7	8.3
ASEAN (9)	36.4	21.9	20.6	23.5	34.7	26.4	9.0	9.2	7.2	-9.0	1.9	23.0
Hong Kong	18.6	6.2	44.7	3.4	23.5	22.1	-33.3	-6.5	-8.3	9.8	-1.2	6.4
Middle East	10.1	7.5	15.5	14.6	16.4	15.5	-15.8	6.5	9.8	4.5	6.9	4.9
China	33.2	22.2	24.8	22.7	41.3	29.9	2.6	1.4	13.7	-11.8	0.2	11.2
Australia	9.2	-14.6	-1.3	-34.5	10.8	-10.8	-27.3	-9.6	20.5	23.7	11.5	4.9
Total Export	26.8	15.1	26.3	16.8	25.6	22.8	-6.1	-1.4	2.0	-3.8	-1.1	100
Total Export by Balance of Pay- ment	27.1	14.3	25.5	16.6	23.8	21.9	-6.5	-1.3	1.7	-3.0	-0.9	98.7

Source: BOT

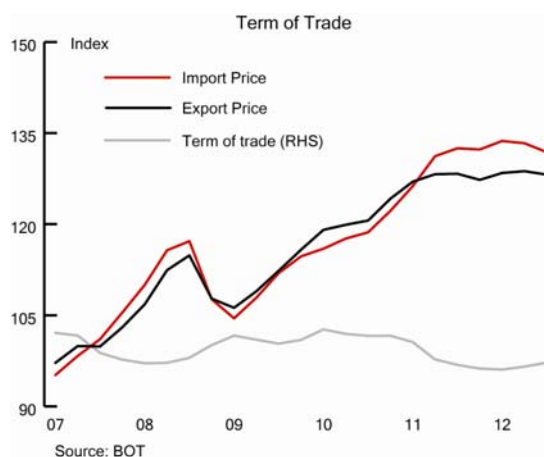
Imports: In the third quarter of 2012, import value in US dollar term was recorded at 54,274 million US dollars. Compared to the same period of last year, import value declined by 2.5 percent due to a price reduction by 2.5 percent and a contraction of import volume by 2.0 percent. This is a reversal from an expansion of import value by 10.3 percent in the previous quarter. The key import commodities whose value experienced a decline included world crude oil, gold and gems.



Import value in US dollar terms contracted by 2.5 percent, decreased from the previous quarter. Almost all import categories decelerated except raw materials that contracted, mainly resulted from the drop of gold and gems.

After seasonal adjustment, almost all import categories expanded in a decelerated pace, except for raw materials which experienced a contraction. Import value of raw materials contracted by 1.7 percent. Import goods which experienced a decline in import value include gold, gems, crude oil, and integrated circuits and parts. Capital goods expanded by 19.4 percent, decelerated from 27.1 percent growth in the preceding quarter. Import goods that recorded a sound growth included locomotive and rolling stock, power-generating machinery and parts as well as telecommunication equipments. Consumer goods expanded by 11.1 percent, which is a level comparable to the 13.3 percent growth in the preceding quarter. This is in line with an improvement in private consumption expenditure. The import of consumer goods such as food, beverage, and dairy products, household electrical appliances, as well as furniture and parts expanded considerably.

Term of trade improved from the previous quarter. Export price decreased by 0.1 percent, while import price decreased at a faster pace of 0.5 percent. As a result, term of trade in the third quarter of 2012 stood at 97.2, compared to 96.6 in the previous quarter.



Trade balance recorded a surplus of 5,006 million US dollars (equivalent to 156,159 million baht), which is higher than a surplus of 1,483 million US dollars (equivalent to 47,325 million baht) in the previous quarter.

□ Production Side:

Agricultural sector expanded by 8.6 percent in the third quarter, accelerated from 1.8 percent in the previous quarter due to favorable growths of crops and livestock production which increased by 17.5 percent and 7.0 percent respectively. In detail, paddy rice, cassava and rubber production expanded by 57.7, 27.0 and 8.3 percent respectively. This was mainly due to (i) expansion of production yields per Rai as well as an increase in plantation area of paddy rice and cassava, and (ii) an increase of rubber production owing to an expansion in harvesting area, especially the eastern and the north-eastern regions, partially a result of One Million Rai for Rubber Plantation Project in 36 provinces that was implemented during 2004-2006.

Agricultural product prices decreased by 10.3 percent for four consecutive quarters, as a result of product-price decreases in all sectors, namely; crops, livestock, and fishery, which dropped by 9.9, 15.4 and 2.5 percent respectively. In detail, the price of unsmoked rubber sheet No. 3, swine, and broiler declined by 35.3, 22.9 and 12.4 percent respectively caused by slowdown in global demand from European economic crisis and global economic slowdown.

However, despite the decrease in agricultural product price, the rise of the production has resulted in higher income for farmers by 2.4 percent.

Imports of capital goods and consumer goods have grown continually.

Term of trade improved from the previous quarter.

Trade balance registered a surplus.

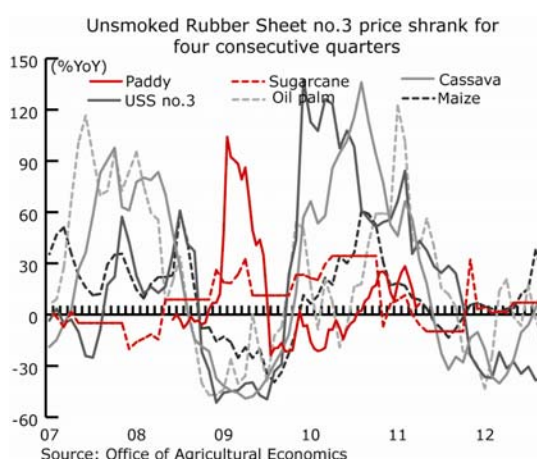
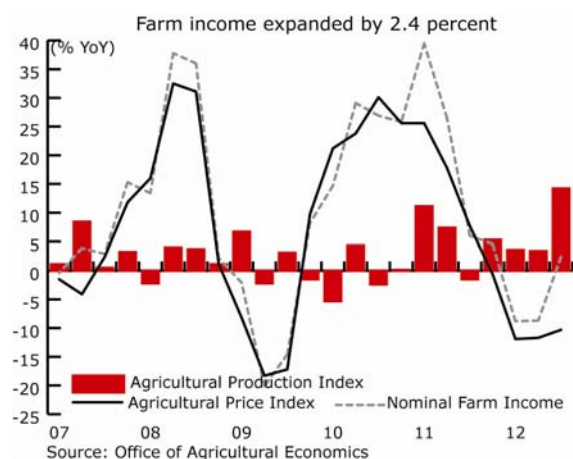
Production side expanded in almost sectors, particularly in agriculture and construction; while, manufacturing contracted.

Agriculture sector increased by 8.6 percent due to the expansion of crops and livestock production

Agricultural Production

%YoY	2010	2011					2012		
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Agricultural Production Index	-2.5	5.1	11.5	7.5	-1.7	-0.7	1.4	3.0	14.2
Agricultural Price Index	25.2	12.2	25.6	17.8	7.7	-0.6	-12.2	-11.7	-10.3
Crop Production Index	30.3	12.3	29.7	18.0	6.5	-2.8	-14.4	-11.9	-9.9
Livestock Production Index	8.0	10.3	4.0	12.8	13.7	10.6	-3.8	-10.9	-15.4
Fishery Production Index	6.0	16.0	23.7	27.2	9.6	6.0	2.6	-14.3	-2.5
Farm Income	22.1	17.9	39.5	26.5	6.0	4.6	-8.8	-8.7	2.4

Source: OAE, NESDB

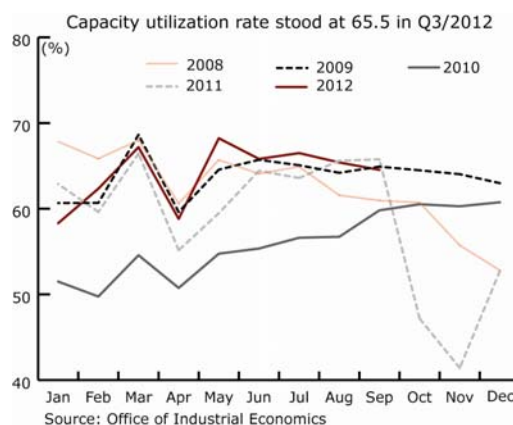
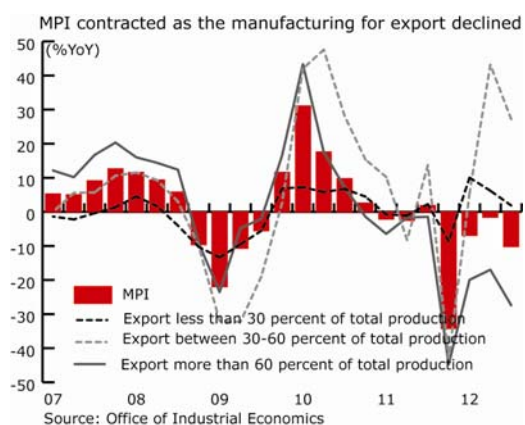


Industrial sector contracted by 1.1 percent compared to a rise of 2.8 percent in the second quarter, in line with a contraction of 10.2 percent in manufacturing products. This was mainly due to a drop in exporting industries which declined by 27.4 percent, especially hard disk drive, electronic components and frozen seafood products that contracted by 37.2, 30.9 and 24.6 percent respectively. The causes of contraction were (i) hard disk drive and electronic parts manufacturers has not yet fully recover from the severe flood as well as some of the manufacturers remain in transition period, (ii) slowdown in market demand for industrial products as a result of European economic crisis and deceleration of Chinese economy, and (iii) a delay in purchasing decision prior to the launch of new products.

However, automobiles industry continues to expand at a favorable rate of 42.8 percent due to the rise of export and domestic consumption. The rise in domestic consumption was largely owed by the tax rebate for first car buyer scheme, which resulted in an increase in production of sedan car (up to 1,800 cc.) in the second and third quarter by 102.3 and 72.9 percent respectively.

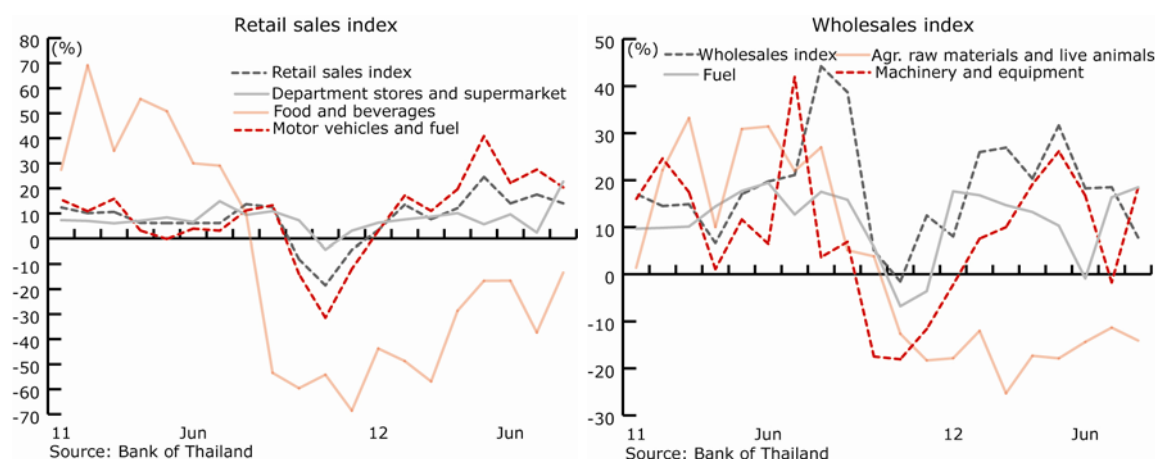
Nevertheless, the production in labor-intensive industries continues to contract for 10 consecutive quarters. This includes gem and accessories, clothing, leathers and textiles.

Industrial sector contracted by 1.1 percent due to the contraction in hard disk drives and electronics industries; while, automobile industry highly expanded.



Capacity utilization shifted from 64.3 percent in the previous quarter to 65.5 percent in this quarter. The manufacturing with an increasing capacity utilization included (i) automobiles industry, (with a rise from 94.2 to 106.7 percent), especially those of up to 1,800 cc. sedan car as well as pickup truck with one ton curb weight and two-wheel drive, (ii) textile and clothing industry (with a rise from 39.0 to 43.6 percent), and (3) rubber and plastic industry (with a rise from 63.5 to 69.3 percent).

Wholesale and retails trades increased by 4.1 percent slowed down from 5.4 percent rise in the previous quarter. The deceleration caused by a continuous decrease of agricultural raw materials and live animal trades following a contraction in industrial production and exports. However, the automobiles and fuel retails trades continuously increased.



Construction sector expanded by 9.8 percent accelerated from 6.9 percent in the previous quarter. The private construction increased by 9.9 percent partly due to the expansion of construction in the area that was approved in the prior period. Additionally, the public construction increased by 11.3 percent following a higher disbursement in capital budget.

Furthermore, cement sale volumes rise by 14.4 percent while the price of construction materials increased by 3.6 percent compared to the same period last year. The rise in price of construction materials was mainly from an increased in price of concrete, wood, and sanitary wares by 19.9, 3.4 and 0.2 percent, respectively.

Real estate sector increased by 4.4 percent compared to a rise of 3.6 percent in the previous quarter as demand for housing remained strong. The strong demand is reflected in the personal loan for real estate that expanded by 9.8 percent, while loan extended toward real estate developers also expanded by 15.6 percent. Furthermore, price level of condominium and land, compared to the same period last year, increased by 7.9 and 6.5 percent respectively

Hotel and restaurants grew by 6.9 percent decelerated from 8.6 percent in the previous quarter. The inbound tourists in this quarter recorded at 5.3 million persons or grew by 8.4 percent compared to the same period last year. The revenue from tourism grew to 236,199 million baht shifted from 212,333 million baht in the same quarter last year or expanded by 11.2 percent. Moreover, occupancy rate advanced to 57.6 percent higher than the same period last year that registered at 56.9 percent.

The rise of inbound tourist number in this quarter was mostly contributed by the increase of tourists from China (grew by 251,592 persons or 39.1 percent), Vietnam (grew by 36,495 persons or 23.4 percent), and Japan (grew by 28,097 persons or 8.2 percent).

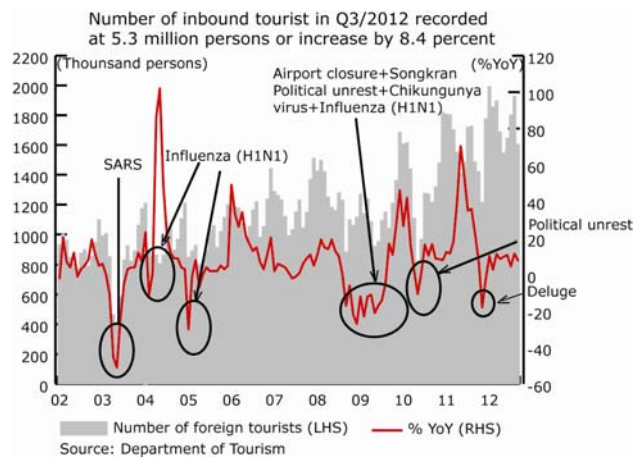
Furthermore, domestic tourism continually expanded which was reflected by the number of flights and passengers of low cost airlines that increased by 6.2, and 14.1 percent respectively, compared to the same period last year.

Wholesale and retails trades increased by 4.1 percent owing to the rise of automobiles and fuel retails trades

Construction increased by 9.8 percent owing to private and public construction with rises of 9.9 and 11.3 percent respectively.

Real estates grew by 4.4 percent as demand and supply improved.

Hotel and restaurants grew by 6.9 percent The foreign tourists increased by 5.3 million persons or grew by 8.4 percent compared to the same period in last year.



Number and Growth of Tourists Classified by Nationality

Thousand Persons	2010	2011						2012			
	Year	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M
Malaysia	2,059.0	2,470.7	574.4	645.3	683.2	1,902.9	567.8	615.8	556.8	605.7	1,778.4
China	1,122.2	1,760.6	474.9	397.5	526.3	1,398.6	362.0	580.3	587.8	777.9	1,945.9
Vietnam	380.4	488.3	106.9	140.0	155.9	402.8	85.5	132.4	172.5	192.4	497.3
Japan	993.7	1,126.2	317.0	248.2	343.8	909.1	217.1	334.3	288.9	371.9	995.1
Korea	805.4	1,014.3	288.8	226.6	282.2	797.6	216.7	292.6	241.1	309.4	843.1
Russia	644.7	1,014.5	397.5	167.7	129.4	694.7	319.8	463.9	207.1	155.2	826.2
United Kingdom	810.7	844.2	227.5	200.0	198.0	625.5	218.7	240.1	194.5	194.2	628.9
USA	611.8	684.1	188.9	160.4	152.7	502.0	182.1	210.0	176.7	160.4	547.1
India	760.4	916.8	207.3	267.3	231.8	706.4	210.4	210.9	300.0	247.1	758.0
Australia	698.0	854.1	185.5	204.1	226.2	615.8	238.3	212.7	229.3	247.9	690.0
% YoY											
Malaysia	17.1	20.0	11.9	45.6	32.1	29.1	-3.0	7.2	-13.7	-11.3	-6.5
China	44.3	56.9	42.2	188.4	67.4	77.9	7.7	22.2	47.9	47.8	39.1
Vietnam	4.8	28.4	13.8	65.1	52.0	43.2	-13.7	23.8	23.2	23.4	23.4
Japan	-1.1	13.3	3.7	46.1	35.5	24.7	-17.9	5.4	16.4	8.2	9.5
Korea	30.3	25.9	19.5	60.9	46.9	38.8	-6.1	1.3	6.4	9.6	5.7
Russia	91.3	57.4	82.9	90.6	97.0	87.2	16.9	16.7	23.5	19.9	18.9
United Kingdom	-3.7	4.1	-8.0	20.0	11.4	5.7	-0.2	5.5	-2.7	-1.9	0.5
USA	-2.4	11.8	0.6	30.6	22.3	15.3	3.3	11.2	10.2	5.1	9.0
India	23.7	20.6	22.6	52.7	23.9	33.0	-8.2	1.7	12.2	6.6	7.3
Australia	7.9	22.4	5.5	35.6	27.4	22.2	22.7	14.7	12.4	9.6	12.0

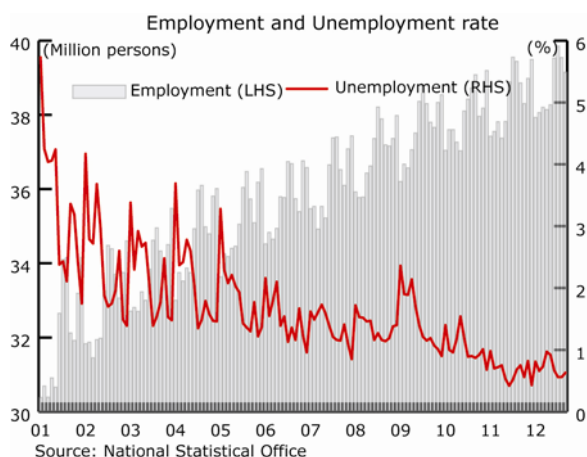
Source: Department of Tourism

Employment in the third quarter of 2012 stood at 39.52 million persons, increased by 0.6 percent compared to the same period last year. The improvement were seen in (i) industrial sector with an increase of 350,930 persons or a rise of 2.5 percent which was partly contributed by acceleration in vehicle and automobile parts manufacturing, (ii) agriculture sector experience a hike of 227,990 persons or an increased by 3.6 percent as a result of increase in agricultural production such as paddy, cassava and rubber, and (iii) construction sector employment rose by 143,500 persons or 7.0 percent hike which was in accordance with the rise of both public and private construction sectors.

The increases of employment in the all three sectors were contributed by labors mobility from service sector shown by the employment declines in hotel and restaurant sector as well as in wholesale and retails trades sector by 11.2 and 2.6 percent, respectively.

The average number of unemployed person in this quarter was 232,387 persons, increased by 30,053 persons compared to the same period last year. Nevertheless, labor market condition remained tight since the first quarter of 2010 with the ratio of vacancies over new registered applications at 1.4 percent, compared to 0.8 percent in the first two quarters of the year.

Employment in the third quarter of 2012 increased by 0.6 percent, in accordance with the higher employment in industrial, agriculture, and construction sectors while the unemployment rate dropped by 0.6 and labor market has remained tight.



Employed Persons by Industry

%YOY	2010	2011						2012			
	Year	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M
Employed	1.0	1.2	0.6	1.4	1.6	1.1	0.9	1.0	1.5	0.6	1.1
- Agricultural	0.5	2.4	2.1	6.4	2.3	3.2	-1.0	2.3	5.2	3.6	3.8
- Non-Agricultural	1.3	0.4	-0.3	-1.5	1.1	0.0	2.3	0.2	-0.8	-1.4	-0.4
Manufacturing	-1.3	1.9	1.3	1.2	4.2	1.7	3.4	2.4	1.8	2.5	4.6
Construction	2.2	0.0	4.0	-6.5	4.3	-0.1	2.6	1.0	0.1	7.0	0.9
Hotel and Restaurant	1.3	-3.2	-10.0	-2.3	2.3	-2.7	-5.8	-10.5	-14.3	-11.2	-12.2
Wholesale	3.0	-3.6	-2.9	-6.8	-3.4	-4.8	0.4	-0.9	0.6	-2.6	-1.1
Unemployment (Hundred thousand persons)	4.0	2.6	3.2	2.3	2.6	2.6	2.5	2.8	3.4	2.3	2.8
Unemployment Rate	1.0	0.7	0.8	0.6	0.7	0.7	0.6	0.7	0.9	0.6	0.7

Source: National Statistical Office

❑ Fiscal condition

On the revenue side, in the fourth quarter of fiscal year 2012 (July – September 2012) net government revenue collection stood at 545,665.0 million baht, lower than the target by 13,226.0 million baht or 2.4 percent, particularly on the revenue from corporate income tax that fall short from the target by 37,467.5 million baht or 15.1 percent. The decline in corporate income was largely a result of flood damage in the late 2011 and an economic crisis in major trading partner countries. In addition, the implementation of tax cut policy (from 30 percent down to 23 percent) and an increase in commercial bank reserves, as a safe guard towards Europe economic crisis, also play vital roles in the reduction of corporate income tax. Furthermore, excise tax revenue also experienced a short fall of 24,222.0 million baht or 60.7 percent from the extension of diesel price control policy (kept the excise tax on diesel at 0.005 baht).

Nevertheless, other government revenue collection remained positive and posted at higher level than target, particularly (i) remittance collection from state own enterprises that was higher than the target by 91.0 percent largely due to interim payment remittance from EGAT's 2012 half-year profit and an increase in annual dividend payment from TOT's 2011 profit. (ii) Excise tax on automobile recorded a 50.8 percent higher than target. Due to dramatically increase of new cars sales that resulted from the implementation of the first-time car buyer scheme and (iii) Value added tax collection were higher than the target by 11.2 percent, contributed by expansion in domestic consumption and import.

Comparing to the same period in the previous year, the revenue collection increased by 8.2 percent or 41,513.8 million baht. In detail, value added tax, remittance from state own enterprises, and excise tax on automobile increased by 34,547.9 , 17,908.4 , and 15,628.7 million baht or equivalent to 23.3 , 94.3 , and 62.6 percent respectively.

Net government revenue collection was lower than the target by 2.4 percent as a result of the flood crisis that severely affect the corporate revenue.

In fiscal year 2012, the net government revenue collection was at 1,977,450.9 million baht slightly lower than the target by 0.1 percent but increased from the previous fiscal year by 4.6 percent. The positive contributions were strong domestic demand, resulted in an increase in value added tax and excise tax on automobile, and an early remittance from state own enterprises. However, several negative factors has repressed revenue collection to gain positive ground which included the implementation of tax cut policy, the extension of diesel price control policy, and flood damage in the late 2011.

On the expenditure side, the total budget disbursement in the fourth quarter of fiscal year 2012 was at 648,817.6 million baht, increased by 21.3 percent comparing to the same period of the previous fiscal year. The total budget disbursement comprised of (i) the 2012 annual budget disbursement of 540,849.0 million baht (current budget disbursement of 444,818.6 million baht and capital budget disbursement of 96,030.4 million baht), equivalent to 22.7 percent disbursement lower than the target of 26.0 percent largely affected by the delay in capital budget disbursement which recorded at 23.1 percent compared to the target of 29 percent. Nevertheless, compared with the previous fiscal year, the disbursement rate of current budget and capital budget were increased by 15.6 and 31.3 percent, respectively. (ii) Carry-over budget disbursement of 23,891.2 million baht. (iii) The TKK stimulus package 2 disbursement at 8,173.8 million baht, and (iv) state-owned-enterprise's budget disbursement of 66,939.4 million baht.

The total budget disbursement in fiscal year 2012 (October 2011-September 2012) was at 2,505,323.5 million baht, increased from the same period of preceding year by 5.2 percents. The total budget disbursement can be classified as follow: (i) the 2012 annual budget disbursement of 2,148,356.7 million baht equivalent to 90.3 percent of total budget which fall short from the target of 93.0 percent largely due to the lower than expected capital budget disbursement which recorded at 275,407.1 million baht or 66.3 percent of capital budget compared to the target of 72.0 percent. This shortfall were resulted from delay in 2012 budget act approval while most agencies task were to urgently implement flood relief measures that funding by flood relief budget (central budget of 120,000 million baht). Furthermore, shortage of construction material has slowed down government investment plan. (ii) Carry-over budget disbursement was at 146,411.2 million baht. (iii) The TKK stimulus package 2 disbursement of 24,419.6 million baht, and (iv) state-owned-enterprise's budget disbursement (excluding PTT) was at 176,072.2 million baht.

Flood relief budget (central budget of 120,000 million baht), at the end of 2012 fiscal year, total disbursement was at 99,758 million baht or 83.1 percent from the total approved budget. The highest disbursement projects are in the Industrial and Quality of Life Improvement Projects, which recorded at 98.8 percents of total approved budget. On the other hand, disbursement of projects under "other urgent projects" category was the least disbursed with disbursement level of 48.2 percent (most of the budget were allocated to Geo-Informatics and Space Technology Development Agency (GISTDA) and Hydro and Agro Informatics Institute (HAII)).

Budget disbursement in the third quarter was lower than the target as a consequence of acceleration in budget disbursement during the previous quarter after the delay in passing the 2012 budget act.

In fiscal year 2012, Budget disbursement was increased from the previous fiscal year by 3.6 percent. However, the budget disbursement, particularly capital budget disbursement was lower than the target.

The disbursement from Flood relief budget (central budget of 120,000 million baht) registered at 83.1 percent from the total approved budget, whereas disbursement from Royal Decree on Investment Loan for Water Resource Management and Future Development (total of 350,000 million baht) stood at 2,911.193 million baht or 13.20 percent of allocate budget.

Fiscal Balance

Unit: Billion Baht

Fiscal Year	2010	2011						2012					
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1
Government Revenue	1,678.9	1,891.0	395.6	393.8	597.5	504.2	1,977.5	398.4	412.9	620.5	545.7	1,977.5	398.4
Compared with the target (%)	24.4	14.6	12.5	16.9	15.6	13.4	-0.1	4.2	4.1	-3.3	-2.4	-0.1	4.2
Compared with prior year (%)	19.0	10.9	13.4	17.0	8.8	7.3	4.6	0.7	4.8	3.9	8.2	4.6	0.7
Budget Disbursement	1,627.8	2,050.5	553.8	516.9	521.9	458.0	2,148.4	439.2	732.9	435.5	540.9	2,148.4	439.2
Percent of annual budget (%)	95.8	94.5	25.5	23.8	24.1	21.1	90.3	18.5	30.8	18.3	22.7	90.3	18.5
Higher / Lower the target (%)	1.8	1.5	5.5	-0.2	0.1	-3.9	-5.4	1.2	10.1	-6.2	0.5	-5.4	1.2

Source: FPO & GFMIS

Royal Decree on Investment Loan for Water Resource Management and Future Development (total of 350,000 million baht), as of 2nd of November 2012, has allocated budget total of 21,341.6 million baht with disbursement amount of 2,911.2 million baht or 13.2 percent of allocate budget. Furthermore, ministry of finance has already drawn down loan in the amount of 10,000 million baht.

Fiscal balance in the fourth quarter of fiscal year 2012, the budget balance recorded a deficit of 26,894.6 million baht while non-budgetary balance recorded a surplus of 50,678.7 million baht. Moreover, government has borrowed to finance budget deficit in the amount of 111,655.6 million baht. Thus, fiscal balance on cash basis registered a surplus of 135,439.8 million baht.

In fiscal year 2012, the budget balance recorded a deficit of 314,683.2 million baht while government has borrowed to finance budget deficit in the amount of 344,084.3 million baht. As a result, the treasury reserve recorded at 560,337.0 million baht increased by 39,047.0 million baht or 7.5 percent compared to the previous fiscal year.

Public debt at the end of September 2012 amounted to 4,937,239.6 million baht, accounted for 43.9 percent of GDP, lower than from previous month by 99,719.2 million baht but accelerated from the end fiscal year 2011 by 488,945.0 million baht. The component of public debt consisted of government debt 3,515,011.0 million baht (31.3 percent of GDP), non –financial institution SOE debt 1,064,289.1 million baht (9.5 percent of GDP) financial institution SOE debt (government guarantee) at 352,207.4 million baht (3.1 percent of GDP) and autonomous agency debt at 5,732.2 million baht (0.1 percent of GDP)

Public Debt

Unit: Billion Baht

Public Debt End of Period (Fiscal Year)	2009	2010	2011				2012			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Public Debt End of period	4,002.0	4,230.7	4,282.1	4,246.1	4,263.6	4,448.3	4,298.0	4,473.1	4,795.0	4,937.2
Public Debt to GDP (%)	44.3	41.9	42.4	40.3	40.5	42.2	40.3	41.4	43.5	43.9
Direct Government	2,586.5	2,907.5	3,002.4	2,988.8	3,000.5	3,181.2	3,088.5	3,268.4	3,506.3	3,515.0
Non-Financial State Enterprises Debt	1,108.7	1,084.0	1,081.0	1,065.9	1,074.3	1,079.7	1,061.1	1,035.9	1,032.2	1,064.3
Special Financial Institutions Guaranteed Debt	208.7	177.2	168.1	160.3	158.3	156.9	148.4	162.5	246.4	352.2
FIDF Debt (Liability)	98.1	62.1	30.6	31.1	30.5	30.4	0.0	0.0	0.0	0.0
Autonomous Agency Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.2	10.0	5.7

Source: MOF

Financial condition

The policy rate was kept unchanged. During the third quarter of 2012, the Monetary Policy Committee (MPC) continually held policy rate at 3.00 percent per annum. The MPC assessed that the current policy rate remains favorable to accommodate economic growth while inflation rate still within the target. Nevertheless, during the third quarter, several central banks started to relax their policy rate to restore economic growth momentum, including, European Central Bank (ECB), The People's Bank of China (PBOC), Bangko Sentral ng Pilipinas (BSP) and Bank of Korea (BOK). In October, The MPC decided to cut the policy rate by 0.25 percent, from 3.00 percent to 2.75 percent per annum, to shore up domestic demand due to the projection of slowdown in the regional economy including China and would inevitably effect the export sector.

World Policy Rate Changes

Unit : Percent

Country	2010	2011				2012							Policy Rate at the end of Oct. 2012
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul	Aug	Sep	Oct	
Thai	+0.75	+0.50	+0.50	+0.50	-0.25	-0.25						-0.25	2.75
USA													0.25
Europe			+0.25	+0.25	-0.50			-0.25	-0.25				0.75
China	+0.50	+0.25	+0.25	+0.25			-0.25	-0.31	-0.31				6.00
Japan	0-0.1												0 - 0.1
Philippines		+0.25	+0.25			-0.50		-0.25	-0.25			-0.25	5.50
South Korea	+0.50	+0.50	+0.25					-0.25	-0.25			-0.25	2.75

Source : CEIC

Treasury reserve recorded at 560,337.0 million baht increased by 7.5 percent compared to the previous fiscal year.

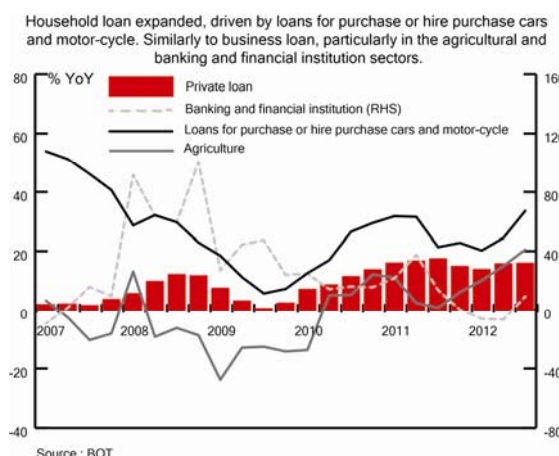
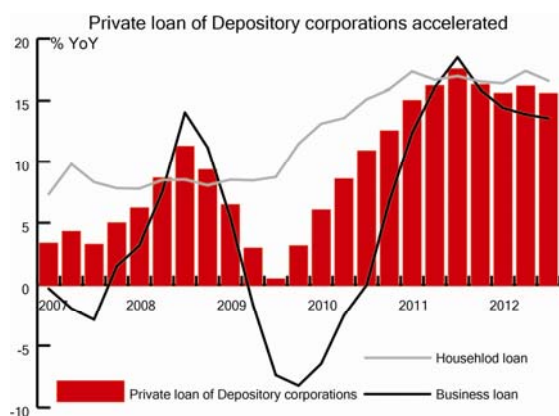
The ratio of public debt to GDP continued to increase, with current ratio of 43.9 percent at the end of September.

The policy rate were kept unchanged while many central banks started to relax their policy rate to restore economic growth momentum.

Commercial bank's interest rates were kept unchanged in parallel with the policy rate. In the third quarter of 2012, an average 12-month deposit rate and Minimum Loan Rates (MLR) of four major banks remained stable from the second quarter at 2.86 and 7.13 percent per annum, respectively. These constant rates were consistent with the policy interest rate. On the other hand, the real deposit and lending rate decreased from the previous quarter due to the rise in inflation. As a consequence, at the end of the third quarter, the real deposit and lending rate stood at -0.52 and 3.75 percent per annum, respectively. In October, an average 12-month deposit rate and MLR of four major bank declined in line with the policy rate. Nevertheless, the decreasing in the policy rate resulted in a wider interest rate spread.

Deposits including Bill of Exchange (B/E) of Depository Corporations continuously increased by 12.6 percent, accelerated from 10.5 percent in the previous quarter. In the third quarter, deposits grew by 29.6 percent from an increase in Financial Institutions fundraising activities in order to cope with future loan expansion as well as to secure their deposit base. On contrary, Bill of Exchange (B/E) continuously declined throughout the quarter.

Private loans (excluding accrued interest) grew by 15.7 percent accelerated from 15.5 percent in the previous quarter. This improvement mainly due to an expansion of the household loans which grew by 17.4 percent compared to 16.4 percent in the previous quarter. The expansion in household loan was largely driven by an increase in loans for purchase or hire purchase cars and motor-cycle as a result of first-time car buyer scheme which will be expired at the end of this year. On the other hand, business loan satisfactory expanded by 12.6 percent, particularly in the agricultural and banking and financial institution sectors. However, the production loans exhibit slow rate of expansion after shown a slow down signal in manufacturing sector since the beginning of the year. Number of credit cards and credit card spending slightly declined from the rising concerns over global economic situation, whereas NPLs¹ gradually slowed down to 1.16 percent



Excess liquidity of commercial bank system slightly eased. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) ratio slightly declined to 96.1 percent relative to 97.4 in the preceding quarter due to an acceleration in commercial banks deposit raising activities.

An average exchange rate in the third quarter were proximated compared to the second quarter with an apparent trend of appreciation. An average exchange rate in the third quarter of 2012 was at 31.37 baht per US dollar close to 31.32 baht per US dollar in the second quarter. During the third quarter, Thai baht continually appreciated under the influence of capital inflow, particularly in the bond market. As a result, Thai baht at the end of September closed at 30.83 baht per US dollar. However, exchange rate fluctuated throughout the first three quarters. In the first quarter and third quarter Thai baht experienced an appreciation while in the

Commercial bank's interest rates were kept unchanged in parallel with the policy rate.

Deposits including Bill of Exchange (B/E) of Depository Corporations continuously increased from an increase in Financial Institutions fundraising activities in order to cope with future loan expansion.

Private loans (excluding accrued interest) accelerated from the expansion in household loan which remained largely driven by an increased in loans for purchase or hire purchase cars and motor-cycle.

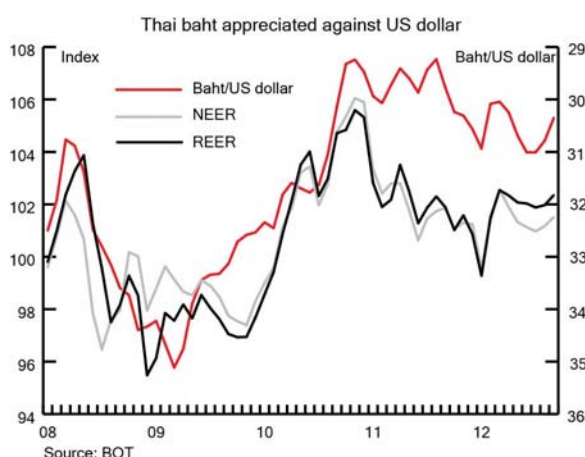
Excess liquidity of commercial bank system slightly improved as a result of acceleration in commercial banks fundraising activities in order to support future loan expansion

An average exchange rate in the third quarter were proximately compared to the second quarter with an apparent trend of appreciation.

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

second quarter significantly depreciated. The fluctuated movement was an evidence of investor's risk aversion behavior which heavily depended on the global economic situation and the anticipation of new supportive measures in major countries. In October, Thai baht continually appreciated to 30.70 baht per US dollar.

Thai baht depreciated against other regional currencies including that of export-competing-countries. In the third quarter of 2012, Nominal effective exchange rate (NEER) was at 101.22 depreciated by 0.23 and 0.46 percent compared to the previous quarter and to the same period of last year, respectively. Similarly, Real Effective Exchange Rate (REER) depreciated by 0.08 percent compared to the previous quarter but appreciated by 0.05 percent compared to the same period of last year. As a result, Thai Baht appreciate against other regional currencies with the sixth ranking compared to Philippine, Singapore, Taiwan, Malaysia, and Korea respectively.



Capital and financial account recorded a net inflow.² In the Third quarter of 2012, capital and financial account recorded a net inflow of 6.16 billion US dollars, reverted from a net outflow of 0.33 billion US dollars in the second quarter. In addition, the net financial inflow was occurred in all sectors as follows i) Government and Monetary Authorities sectors were recorded a net inflow of 2.08 and 1.14 billion US dollars, respectively. These inflows were mainly contributed by a foreign net buy in government bond due to a favorable bond's yield and investors' expectation in the appreciation of Thai baht following an improvement in economic situation of major industrial countries. ii) Banking sector, the inflow slightly decreased from the previous quarter as short-term loans repayment rose following a decrease in hedging position of Thai's exporter from lower export transaction. iii) Others sector recorded a net inflow for the first time in 2012, as a result of an increase in capital inflow from Thai portfolio investment aboard and trade credit from foreign partners.

Capital and financial account recorded a net inflow in all sectors.

Capital and Financial Account

(Billion US Dollars)	2010	2011						2012						
	Year	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	Jul	Aug	Sep	9M
Monetary Authorities	2.71	-0.15	1.70	-0.65	0.11	1.16	-1.31	2.96	-1.43	1.14	-0.04	0.44	0.73	2.67
Government	3.56	3.81	1.17	0.34	1.93	3.44	0.37	0.93	1.88	2.08	0.69	0.66	0.73	4.89
ODC	10.32	-8.75	1.53	0.22	-1.87	-0.13	-8.63	5.30	3.50	1.37	0.08	0.57	0.72	10.17
Other Sectors	8.22	-0.10	-2.96	0.32	-0.74	-3.38	3.28	-5.26	-4.29	1.58	1.15	2.10	-1.68	-7.97
Total	24.81	-5.19	1.43	0.23	-0.58	1.09	-6.28	3.93	-0.33	6.16	1.88	3.78	0.50	9.75

Source: BOT

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

Capital and Financial Account by type of investment

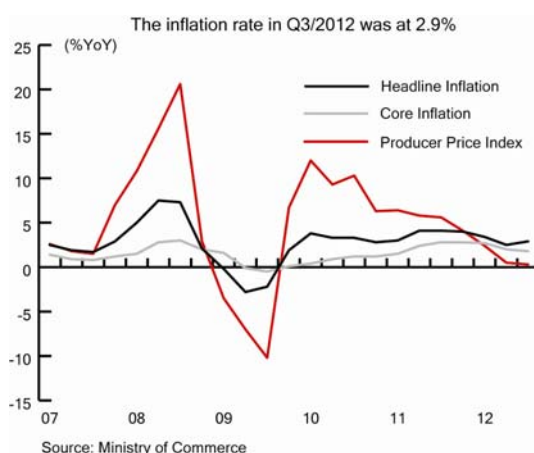
(Billion US Dollars)	2010	2011						2012						
	Year	Year	Q1	Q2	Q3	9 M	Q4	Q1	Q2	Q3	Jul	Aug	Sep	9 M
Direct Investment	4.50	-0.44	-3.92	2.38	-0.94	-2.48	2.04	-1.13	-1.41	-0.67	0.39	0.08	-1.14	-3.21
Portfolio	9.83	3.59	3.32	-1.56	2.44	4.20	-0.62	1.32	-0.50	5.19	0.80	2.80	1.59	6.01
Thai	0.71	-0.87	0.34	1.30	0.69	2.33	-0.60	-4.99	-1.78	0.46	0.00	1.49	-1.03	-6.31
Foreign	9.12	4.46	2.98	-0.26	1.75	4.47	-0.01	6.32	1.27	4.73	0.80	1.31	2.62	12.32
Loan	8.28	-1.81	2.13	2.57	0.92	5.62	-7.42	4.93	2.14	0.76	0.58	-1.05	1.23	7.83
Other Investment	2.21	-6.53	-0.10	-3.16	-2.99	-6.25	-0.29	-1.18	-0.56	0.88	0.11	1.95	-1.18	-0.86
Trade Credit	1.24	2.42	0.43	-0.19	-0.88	-0.64	2.26	0.67	-0.35	-0.29	0.36	0.97	-1.62	0.03
Total	24.81	-5.19	1.43	0.23	-0.58	1.09	-6.28	3.93	-0.33	6.16	1.88	3.78	0.50	9.76

Source: BOT

Current account registered a surplus of 2,747 million US dollars (equivalent to 85,596 million baht), compared to a deficit of 2,389 million US dollars (equivalent to 73,990 million baht) in the previous quarter. This was due to the trade balance surplus of 5,006 million US dollars and net services, primary income and secondary income deficit of 2,259 million US dollars.

International reserve at the end of October 2012 stood at 181.43 billion US dollars (excluding net forward position of 26.26 billion US dollars), equivalent to 3.1 times of short-term foreign debt (at the end of the second quarter of 2012) and 3.3 months of import value (at the end of the third quarter of 2012).

Headline inflation in the third quarter of 2012 was at 2.9 percent, rising from 2.5 percent in the preceding quarter. **This is mainly a result of an increase in the price of oil and fresh food. Non-food and beverage price index increased by 2.0 percent**, rising from 1.0 percent in the previous quarter. This increase due to low base effect caused by the exemption of Oil Fund levy as well as an increase in electricity charge which went up twice by 0.30 baht per unit between June and August 2012, and 0.18 baht per unit between September and December 2012. Food and beverage price index expanded by 4.4 percent because of an increase in fruit and vegetable price. This was due to the lower crop yield caused by an unfavorable weather. The core inflation increased by 1.8 percent in the third quarter, compared to the 2.0 percent rate of the previous quarter. This decline was due to a slowdown in the price of ready-made food for inside- and outside-home consumption.³



Producer Price Index (PPI) in the third quarter rose by 0.3 percent, decelerating from 0.5 percent in the previous quarter. Such deceleration was mainly due to a slowdown in the prices of industrial products, with the exception of petroleum products. The prices of industrial products in the third quarter increased by 0.1 percent, decelerating from 0.5 percent in the previous quarter. By contrast, the prices of agricultural and mining products increased by 1.2

Current account registered a surplus.

International reserve at the end of October 2012 stood at 181.43 billion US dollars.

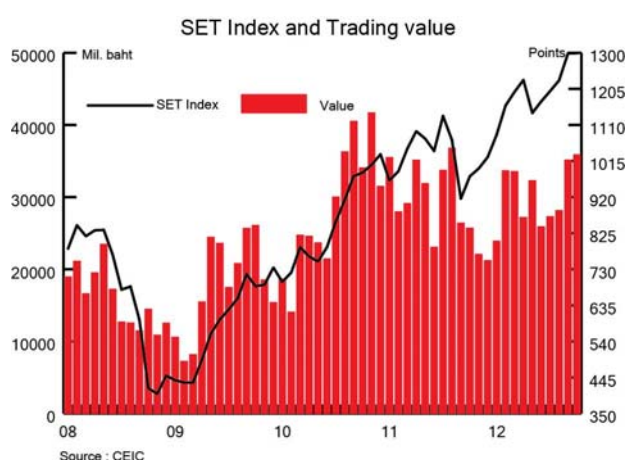
Headline inflation in the third quarter of 2012 increased by 2.9 percent.

³ In October 2012, headline inflation rose by 3.3 percent, and core inflation increased by 1.8 percent. Consequently, headline inflation and core inflation for the first ten months of this year increased by 3.0 and 2.2 percent respectively.

and 1.6 percent respectively, compared to an increase of 0.6 percent and a contraction of 0.1 percent in the preceding quarter. When considering the PPI classified by production process, the pressure on production cost is likely to remain steady at a low level.⁴

SET index and an average trading value advanced further following foreign investors' net buy position as the leading indicator. At the end of third quarter, SET index closed at 1,298.8 points, increased continually from the previous quarter and reached the peak at 1,300.2 points. Moreover, SET index fluctuated in an upward trend throughout the third quarter due to an increase of liquidity in capital markets from the unlimited bonds-buying program of the European Central Bank and an open-ended bond purchasing program of the Federal Reserve which led to the decreasing of the US Government bonds rate. Furthermore, SET index increased in all sectors especially technology and electronic sectors, financials sector and property sector. An average trading value was 30.2 billion baht, increased from 28.6 billion baht in the previous quarter. Foreign investors recorded a net buy of 1.5 billion baht, compared to a net sell position of 19.3 billion baht in the previous quarter. As a result, foreign investors have accumulated a net buy of 65.0 billion baht toward first 9 months of 2012.

In October 2012, foreign investors recorded a net sell of 17.9 billion baht, continually from a net sell position of 2.1 billion baht in September due to the concern of the regional economic outlook and the result of US president election. However, SET index remained at 1,298.9 points and an average trading value increased to 35.9 billion baht due to the announcement of improvement in employment and house's construction spending indicators. Between 1-16 November, SET index has decreased from the previous month and foreign investor recorded a net sell position of 8.0 billion baht due to increasing investors concern over the fiscal cliff of US.



Bond trading volume and foreign investors' net buy remained high. A daily average outright trading volume in the third quarter registered at 84.5 billion baht, slightly decreased from 88.5 billion baht in the second quarter. Foreign investors' continued post a net buy of 239.6 billion baht, improved from 213.7 billion baht in the second quarter. The continual increased in capital inflow toward Thai bond market was largely driven by the remaining in the low level of Federal Reserve Bank's interest rate and European Central Bank's interest rates. As a result, in the first 9 months of 2012, foreign investors posted an accumulated net buy of 751.8 billion baht which higher than the total net buy of foreign investors in 2011. This was also reflected the trend of capital flow into the region. Moreover, the huge amount of foreign net buy while bonds circulation decreased led the government bond yield for medium to long term maturity has shifted downward.

SET index advanced further from the previous quarter and closed near the peak level of 1,300 point.

Foreign investors posted an accumulated net buy in the first 9 months higher than the total foreign investors' net buy in 2011.

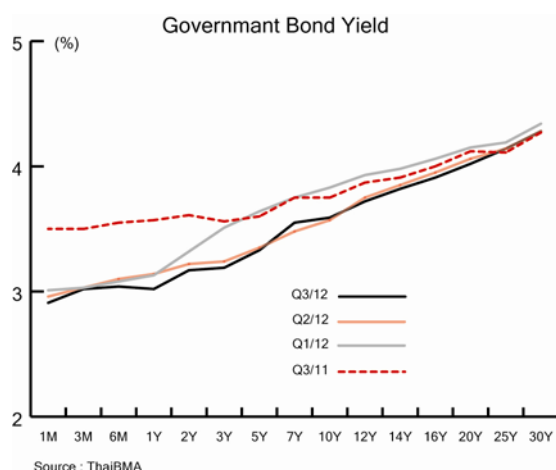
⁴ In October 2012, producer price index rose by 1.1 percent. During the first ten months of this year, producer price index increased by 1.1 percent.

In October 2012, a daily average outright trading volume stood at 80.8 billion baht. Foreign investors' net buy position declined to 58.2 billion baht from 85.2 billion baht in the previous month due to the unexpected cut off the policy rate and the slowdown in bond supply in the rest of 2012.

Stock and Bond Market

(Billion Baht)	2010	2011						2012				
	Year	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M	Oct
Stock Market												
SET Index	1,032.8	1,025.3	1,047.5	1,041.5	916.2	916.2	1,025.3	1,196.8	1,172.1	1,298.8	1,298.8	1,298.9
Daily average trading (Billion Baht)	28.7	29.0	30.8	30.0	32.3	31.1	23.0	30.5	28.6	30.2	29.7	35.9
Net Trading of Foreign Investors (Billion Baht)	81.7	-5.1	-0.6	-14.1	-20.7	-35.4	30.2	82.8	-19.3	1.5	65.0	-17.9
Bond Market												
Gross Price Index (Point)	104.9	105.9	104.2	103.3	103.6	103.6	105.9	101.9	104.1	104.3	104.3	105.8
Daily Average Outright Trading Value	68.6	72.1	80.8	77.7	69.8	67.5	60.5	76.1	88.5	84.5	83.0	80.8
Net Trading of Foreign Investors	322.4	688.8	292.7	197.1	171.5	658.3	30.5	298.5	213.7	239.6	751.8	58.2

Source: CEIC and ThaiBMA



Source : ThaiBMA

Public fundraising and corporate fundraising through debt securities improved. In the third quarter, public fundraising totaled at 509.5 billion baht, increased from 328.8 billion baht in the previous quarter. This was mainly caused by the increase in bond supply of Bank of agriculture and agriculture cooperatives for restructuring bank's debt and supporting government policy. Private fundraising totaled at 362.0 billion baht and mostly concentrated in financial intermediation sector, production sector and real estate sector in order to support business expansion.

Public fundraising improved mainly in the Bank of agriculture and agriculture cooperatives' bond as well as corporate fundraising through debt securities for supporting business expansion.

New issuances of securities in Primary Market

(Billion baht)	2010	2011						2012			
	Year	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M
Public securities											
Government bonds	511.5	396.1	84.6	113.8	165.5	364.0	32.1	150.7	162.6	196.4	509.7
Treasury bills /Promissory notes	538.2	301.4	74.4	4.1	133.8	212.3	89.1	143.8	129.2	160.1	433.1
State enterprises bonds	42.8	40.9	6.9	9.3	16.8	32.9	10.2	16.1	37.1	153.0	206.2
Monetary authority bonds & Specialized organization bonds	9,435.3	1,0862.7	3,116.8	2,772.6	2,489.1	8,378.5	2,484.2	2,326.5	2,091.0	1,688.7	6,106.3
Total	10,527.8	11,601.1	3,280.4	2,899.8	2,805.2	8,987.7	2,615.6	2,589.1	2,419.9	2,198.2	7,255.3
Private securities											
Equity Securities	96.1	92.1	39.0	37.2	9.3	85.5	7.9	32.7	22.7	23.6	79.0
Debt Securities	969.9	1,124.8	404.4	343.4	221.0	968.8	249.1	418.5	282.2	338.4	1,080.0
Total	1,066.0	1,216.9	443.4	380.5	230.3	1,054.3	257.0	451.2	304.9	362.0	1,159.0

Source: BOT

2. Crude Oil Price in Q3/2012

The average oil price fell slightly from the previous quarter. This is due to the decline in WTI oil price, whereas oil prices in other markets remained stable.

A decrease in oil price was mainly due to European economic crisis and global economic slowdown which consequently lowered world oil demand. In addition, investors felt uncertain about the global economic situation and decided to move their investment from commodity market to bond market in safe heaven countries. In the third quarter of 2012, the average price of crude oil in the world market (Dubai, Oman, Brent and WTI) stood at 103.68 US dollars per barrel, representing a drop of 0.4 percent when compared to the 6.1 percent growth in the previous quarter.

During the first nine months, the average crude oil price (Dubai, Oman, Brent and WTI) stood at 106.68 US dollars per barrel, an increase of 1.8 percent compared to the same period of last year.

World crude oil price dropped from the previous quarter due to European economic crisis and global economic slowdown.

Crude Oil Price

US Dollar / barrel		OMAN	DUBAI	BRENT	WTI	Average
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
	Q3	107.33	106.92	112.17	89.76	104.05
	Q4	106.98	106.31	109.03	93.97	104.07
	Year	106.49	106.03	110.90	95.14	104.64
2012	Q1	115.95	115.11	117.51	101.87	112.61
	Q2	106.36	106.30	108.84	93.43	103.74
	Q3	106.52	106.31	109.58	92.33	103.68
	Oct	108.68	108.65	111.47	89.57	104.59
	1-15 Nov	105.81	105.80	108.55	85.88	101.51
	15 Nov	107.20	107.18	110.98	85.45	102.72

Source : Thairoil Plc.

3. Global Economic Performances in Q3/2012 and Outlook for 2012

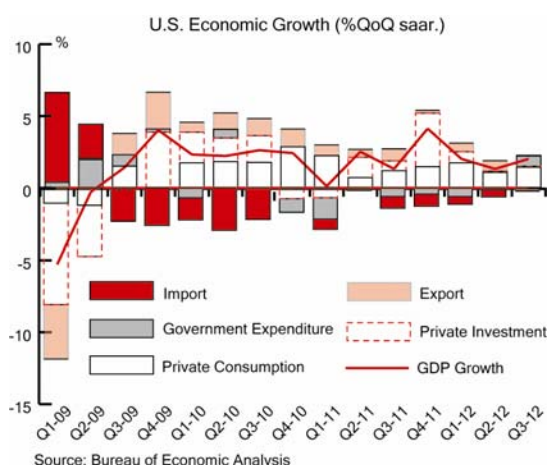
The World Economy in Q3/2012 slowed down mainly due to 1) the sharp recession of Eurozone. 2) Chinese economy exhibited a slightest growth rate in 13 quarters owing to the contraction of Eurozone economy, the second largest trade partner of China, and the tightened economic policy which intended to alleviate the inflationary pressure in mid 2011 began to affect the economy in 2012 as well as a hold up decision by investors due to the change of government leaders. 3) US economy showed a modest growth, which can be attributed to the effect of lower growth rate in China and the economic recession in Eurozone, as well as a rising concern over the fiscal cliff, seriously harming the non-construction investment and business sector confidence. 4) The slowdown of the Japanese economy, contributed by the decrease in post-tsunami reconstruction spending, appreciation of the Yen, and Japan – China conflict. The sluggish growth in the major countries caused global trade to slow down, and inevitably affect the export-dependent countries.

On the other hand, the progress of Eurozone crisis-tackling measures, the relaxed macroeconomic policy in major economies, expansionary monetary policies in the US and Japan, and the urgent measures to solve the US fiscal cliff improved the overall confidence over global economy and investment climate. In addition, the real sector indicated a sign of gradual recovery. Therefore, the world economy and trade volume in 2012 are expected to expand by 3.3 and 3.3 percent respectively, decelerating from 3.9 and 5.8 percent in 2011.

- **United States Economy** in the third quarter modestly expanded by 2.3 percent (%YoY), or 2.0 percent (%QoQ saar.), slightly improved from the last quarter. The supporting factors for the growth consisted of personal consumption expenditures, federal government spending, and residential fixed investment. Nevertheless, exports, non-residential fixed investment, and private inventory investment are the key factors that suppressed economic growth. The economic slowdown, the uncertainty in the size of fiscal cliff and the Eurozone economies are the rationale of the expansionary monetary policy announced by Federal Reserve on 13rd September 2012. The easing measures consist of 1) keeping Federal Funds Rate at 0 – 0.25 percent until mid-2015, 2) expanding monetary policy through purchasing 40 billion US dollars per month of mortgage-backed securities (MBS) under an indefinite time horizon, 3) announcing the commitment of further relaxed monetary policy if the economy and labor market situation do not improve. However, some economic indicators in the last month of the third quarter and October exhibited a recovery sign, particularly the Manufacturing PMI increased to 51.7 in October, comparing to an average of 50.3 in the third quarter. Moreover, unemployment rate slowed down to 7.9 percent in October, improving from an average of 8.1 in the third quarter. Moreover, real estate indicator also displayed a strong recovery which will be a significant factor to support the expansion of consumption expenditure and overall economic situation. However, fiscal cliff situation remained a major concern for the growth in the fourth quarter of 2012 and in 2013. Fiscal cliff inevitably affected consumer and investor confidence and will possibly constrain the economic growth in 2013. In 2012, the US economy is projected to expand by 2.2 percent, comparing to 1.8 percent in 2011.

Global economy was seen to slowdown, led by a recession in Eurozone, a 13-quarters low of Chinese growth, and sluggish growth in the United States and Japan.

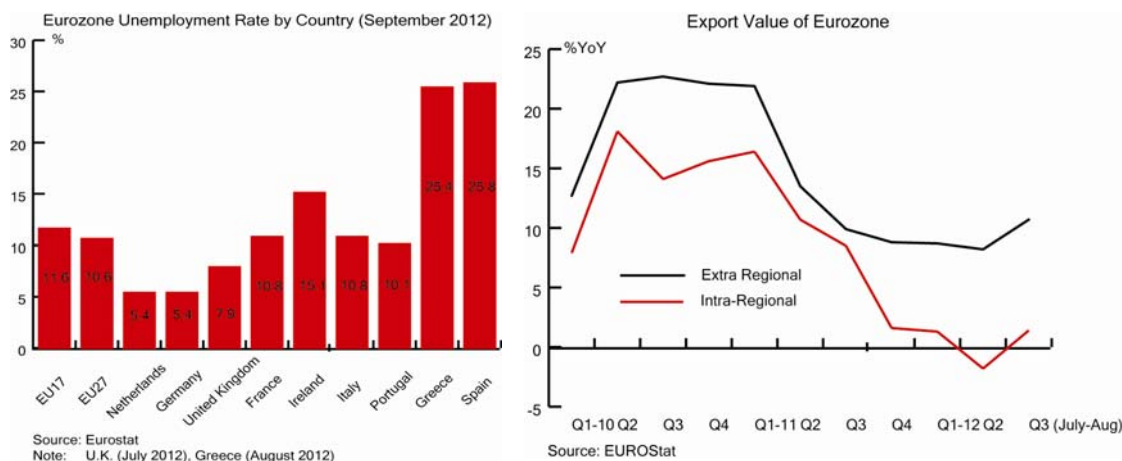
United States employed QE 3 and kept the exceptionally-low interest rate through 2015. Although major indicators showed a sign of improvement, uncertainty in fiscal cliff still persists.



❑ **Eurozone Economy** contracted by 0.6 percent (%YoY) in the third quarter, worsening from a 0.4 percent contraction in the previous quarter. This contraction was due to (1) an extreme fiscal tightening to achieve the deficit reduction target, and (2) Greek political crisis in June 2012, coupled with the delay in Eurozone reform, had derailed confidence of the single-currency system where Spain and Italy were unavoidable affected. The countries in deep trouble, namely Portugal, Italy, Greece, and Spain (PIGS), shrank by 3.4, 2.4, 7.2, and 1.6 percent respectively. Consequently, the unemployment rates continued to rise in September, particularly that of Portugal Italy Ireland and Spain. The figures stood at 10.1, 10.8, 15.1, and 25.8 percent respectively, compared to the second quarter's 15.5, 10.6, 14.7, and 24.7 percent. Meanwhile, Greece unemployment rate went up to 25.4 percent in August, compared to the second quarter's 23.9 percent. Governments in Eurozone still leverage more debt relative to their GDP. Unfortunately, worsening economic prospect drove the 10-year government bond yield rate to the record high in June 2012, in which Portugal, Italy, Ireland, Greece and Spain found their bond yield went up to 10.6, 5.9, 7.0, 27.8, and 6.9 percent respectively, which is much higher than the pre-crisis level of 4.2, 4.0, 5.0, 6.0, and 4.0 percent respectively in January 2010. A crisis of confidence in the future of the Single currency system has led the European Council, ECB, and IMF to issue and promptly implement a set of measures to tackle the problem.⁵

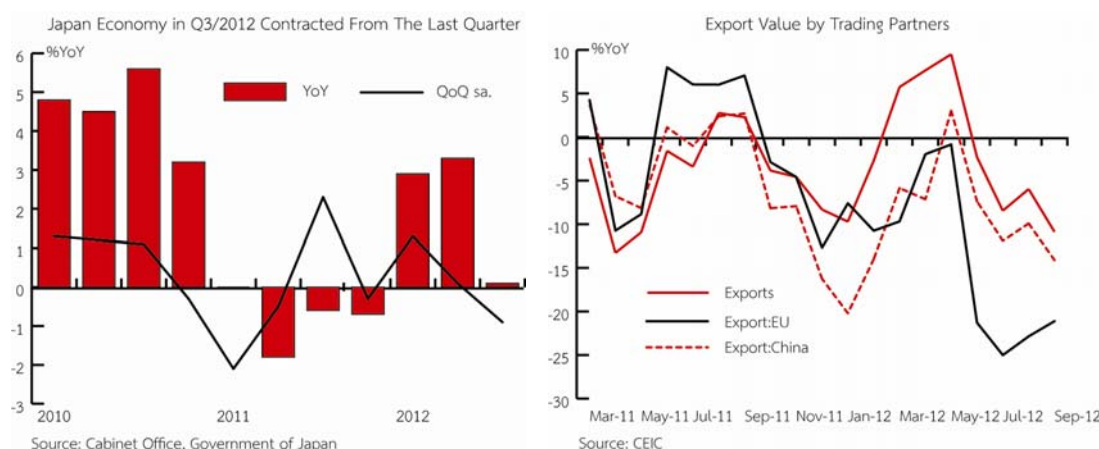
The progress in resolving the aforementioned problem and the more favorable position of the German Chancellor (Angela Merkel) and the French president (Francois Hollande) towards keeping Greece as a member of the Eurozone enhanced the economy and investment climate. The Greek bond yield declined significantly to the level prior to June 2012. Meanwhile, the amount of capital outflows from PIIGS has begun to decline. However, the strict austerity measures will drag down the growth of Eurozone in the last quarter of 2012, and the whole year GDP is expected to contract by 0.4 percent.

Eurozone witnessed a significant progress in economic reform leading to a better economic prospect and investment climate. However, real economy still contracted and unemployment rates went up, mainly caused by the strict austerity measure.



⁵ Significant progress are as follow: (1) the Euro Summit on 29th June 2012 and the Euro Finance Minister's Meeting on 9th July 2012 pointed to the measures that directly tackle the Eurozone problem at its root. (2) German constitutional court allowed its government to contribute funds to European Stability Mechanism (ESM). (3) ECB stood ready to intervene in a secondary bond market of troubled countries with an objective to cool down the excessive cost of funding. (4) Agreement in principle to offer Spain with a rescue package. (5) Lowering the policy interest rate to a historically low level on 11th July 2012 and the committee still insisted on the same policy when the meeting took place on 8th November 2012. (6) Speeding up the austerity measures to limit the level of public debt to which Spain will reduce its budget deficit to 4.5 percent of GDP in 2013. Recently, Greek parliament agreed to cut pension benefits, wages, and to increase the retirement age; these measures were prerequisites for the approval of the aid's next tranche worth 31.5 billion Euro.

- ❑ **Japanese Economy** in the third quarter expanded by 0.1 (%YoY), dramatically decreasing from 2.8 and 3.6 percent in the first and the second quarter respectively. For the quarter on quarter seasonal adjusted basis, the economy declined by 0.9 percent (%QoQ sa.). This contraction was mainly caused by a 8.4-percent decline in exports as a result of the Yen appreciation, the Eurozone economic crisis, and the political conflict with China. In fact, export value to China decreased by 11.9 percent (%YoY) and private consumption continued to shrink by 0.5 percent (%QoQ sa.). Against this economic slump, the Japanese government announced the 422-billion-Yen fiscal stimulus on 26th October 2012, together with an 11-trillion-Yen expansion in the Bank of Japan's Asset Purchase Program from 55 to 66 trillion Yen. However, the economic condition in last quarter has to confront with the limitations due to the weak domestic demand, and an appreciation of the Yen, and the effect from VAT increase. Under this circumstances, the Japanese economy in 2012 is likely to grow by 1.9 percent, compared to the 0.8 percent contraction in 2011.

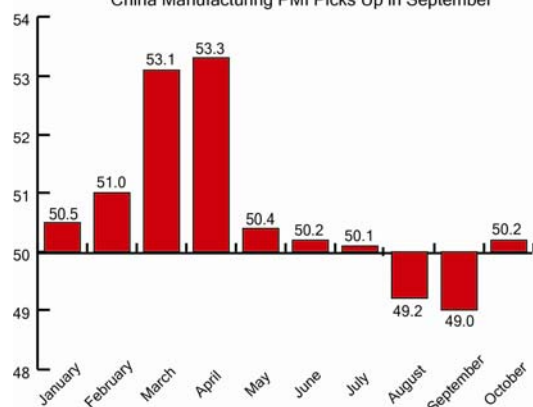


Japanese economy showed a large deterioration in growth rate as the reconstruction spending began to lose its momentum. Yen appreciation and Japan-China conflict also contributed to the economic slowdown.

- ❑ **The Chinese Economy** in the third quarter expanded by 7.4 percent (%YoY), compared to 7.6 percent in previous quarter which was the lowest growth level in 13 quarters. For the quarter on quarter seasonally adjusted basis, the Chinese economy grew by 2.2 percent (%QoQ sa.), improving from 2.0 percent in the second quarter. This improvement indicates the bottom-out of the Chinese economy which is likely to accelerate in last quarter of 2012. The key factors which will support the acceleration are: 1) an expansionary monetary policy throughout 2012 encompassing interest rate cuts in June and July by 0.56 percent, from 6.56 percent to 6.0 percent; the required reserved ratio was decreased 3 times from 21.5 to 20.0 percent within a year, along with the easing through Open Market Operation. 2) On the fiscal side, the 1-trillion-Yuan economic stimulus introduced on 8th September is expected to start to have an effect on the Chinese economy in the late of the fourth quarter. Furthermore, the key economic indicators showed a sign of ongoing recovery. Accordingly, the PMI manufacturing in September also increased to 50.2 from 49.0 in August. The fixed asset investment which was approved by the central government at the end of third quarter expanded by 2.3 percent (%YoY ytd.), compared to the contractions of 9.7 and 4.1 percent at the end of the first and the second quarter respectively. In conclusion, the Chinese economy in 2012 is expected to grow by 7.7 percent, declining from 9.2 percent in 2011, and to be the lowest rate since 1999.

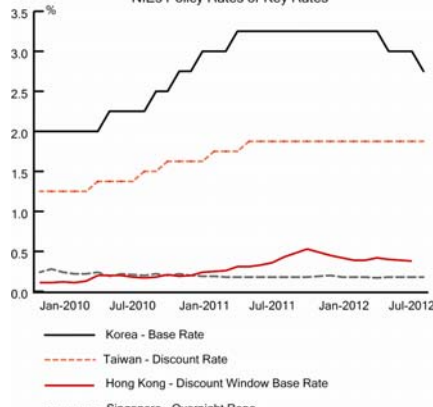
China exhibited a 13-quarter low in economic growth, but a sign of recovery tends to be more obvious.

China Manufacturing PMI Picks Up in September



Source: Li & Fung research centre

NIEs Policy Rates or Key Rates



Source: CEIC

- **Newly industrialized Economies (NIEs):** in the third quarter, their economies slowed down due to the Eurozone economic crisis, the sluggish Chinese and global economies which caused a severe impact on the manufacturing production and export. In particular, South Korea, Taiwan, Hong Kong and Singapore economies grew by only 1.6, 1.0, 1.3 and 1.3 percent respectively. South Korea's and Singapore's export declined by 5.6 and 4.1 percent respectively. Against the economic downturn, the NIEs' central banks implemented a series of expansionary monetary policies. The Bank of Korea cut its interest rate from 3.00 to 2.75 percent, while other central banks in NIEs kept their interest rates at a low level. After an improvement in Chinese economy and the improved confidence in Eurozone economy, NIEs indicators began to show a sign of recovery in the beginning of the fourth quarter of 2012. Particularly, electrical appliances and electronics industry were seen to improve with respect to exports and production aspects. Therefore, South Korea, Taiwan, Hong Kong, and Singapore, are likely to grow by 2.7, 1.3, 1.6, and 2.2 percent in 2012 respectively.

Newly-Industrialized Economies (NIEs): Export sector was hit by deterioration in global demand. The overall economy slowed down, but showing a sign of recovery.

Real GDP Growth of Major Economies

	2009	2010					2011					2012					2013
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Year	Year	
World	-0.6	5.3	-	-	-	-	3.9	-	-	-	-	-	-	-	3.3	3.9	
USA	-3.1	2.4	1.9	2.5	2.8	2.4	1.8	1.8	1.9	1.6	2.0	2.4	2.2	2.3	2.2	2.4	
Eurozone	-4.4	2.0	1.0	2.2	2.2	2.2	1.5	2.4	1.7	1.3	0.7	0.0	-0.4	-0.6	-0.4	0.2	
Japan	-5.5	4.5	4.9	4.6	5.4	3.4	-0.8	0.1	-1.7	-0.7	-0.6	2.8	3.6	0.1	1.9	1.0	
China	9.2	10.4	12.1	10.3	9.6	9.8	9.2	9.7	9.5	9.1	8.9	8.1	7.6	7.4	7.7	8.3	
India	8.4	8.4	8.6	8.5	7.6	8.2	6.5	9.2	8.0	6.7	6.1	5.3	5.5	-	5.6	6.7	
South Korea	0.3	6.3	8.6	7.4	4.5	5.0	3.6	4.0	3.5	3.7	3.4	2.9	2.3	1.6	2.7	3.4	
Taiwan	-1.8	10.7	13.9	12.6	10.7	6.1	4.0	6.5	4.6	3.1	2.0	0.2	0.5	1.0	1.3	3.8	
Hong Kong	-2.6	7.1	8.3	6.6	7.0	6.6	5.0	7.6	5.2	4.4	3.0	0.5	1.1	1.3	1.6	3.7	
Singapore	-0.8	14.8	16.5	19.8	10.6	12.5	4.9	9.1	1.2	6.0	3.6	1.6	2.0	1.3	2.2	2.9	
Malaysia	-1.7	7.2	10.1	8.9	5.3	4.8	4.9	4.6	4.3	5.8	5.2	4.7	5.4	5.2	4.4	4.8	
Philippines	1.1	7.7	8.4	8.9	7.3	6.1	3.9	4.9	3.6	3.2	4.0	6.3	5.9	-	5.2	5.0	
Vietnam	5.3	6.8	5.8	6.4	7.2	7.3	5.8	5.4	5.7	6.1	6.1	4.0	4.7	4.7	5.1	5.7	
Indonesia	4.6	6.1	5.7	6.2	5.8	6.9	6.5	6.4	6.5	6.5	6.5	6.3	6.4	6.2	6.2	6.5	

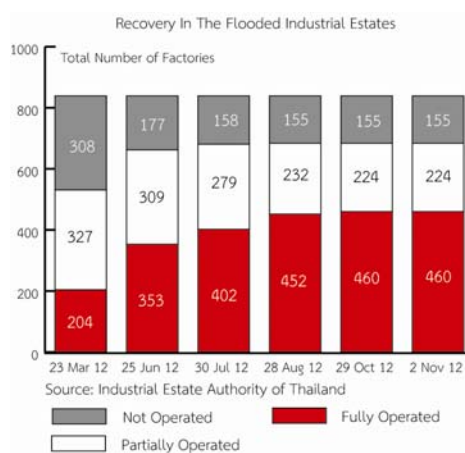
Source: Collected and forecast by NESDB

4. Thailand Economic Outlook for 2012

The Thai economy is forecasted to grow by 5.5 percent in 2012, with the headline inflation of 3.0 percent and a current account surplus of 0.8 percent of GDP.

In the press release on 20th August 2012, the Office of the National Economic and Social Development Board (NESDB) forecasted that the Thai economy in 2012 will grow in the range of 5.5 - 6.0 percent. In this press release, NESDB narrows down the economic growth projection to the point estimate of 5.5 percent, which is the lower bound of the previous projection. The justifications for this revision of our economic forecast are as follows.

- 1) The recovery of the flood-affected production sector is slower than the assumption employed in previous projection. As of 2nd November 2012, there remained 155 factories which have not yet to restart their operations, accounting for 18.5 percent of the total number of flood-affected factories. Furthermore, a total of 460 factories had been able to partially resume their operations, which is a similar number to the figure reported in August. This situation has caused the industrial production and exports in the second half of 2012 to be lower than what was previously estimated. Thus, the current situation has lowered the probability for Thai economy to grow faster than 5.5 percent.



- 2) The recovery of world's economy is taking place at a slower pace than expected. This has a negative effect on the price and volume of exports. The production and export sectors of Asian countries sluggishly recovered in October 2012. As a result, NESDB lowers the export projection in this press release.
- 3) Nevertheless, the expansion of domestic demand is likely to expand at a faster pace than in previous projection. This is partly due to the extension of the tax rebate for the first-time-car-buyer scheme which relieved the impact from a slow recovery of production and export sector.

5. World Economic Outlook for 2013

The global economy in 2013 is expected to recover slowly in the first half and the expansion will become more materialized in the later half of the year. The supporting factors for the global economic recovery include

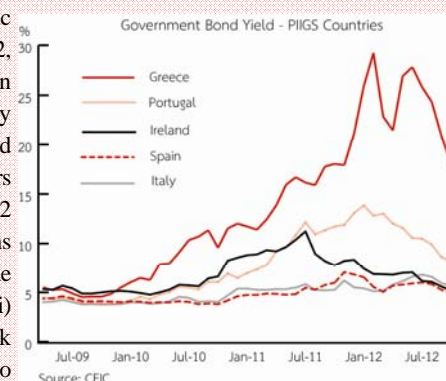
- 1) The progress in resolving economic problems in key countries, particularly the progress in Eurozone, becomes a supporting factor for the improvement of economic and investment sentiments in major economies. This includes the effort of the US to limit the size of fiscal cliff, which is expected to be no larger than 1.2 percent of GDP.
- 2) The monetary and fiscal stimulus of major economies throughout 2012 include (i) Chinese interest rate and reserve requirements ratio cuts, as well as the implementation of fiscal stimulus package worth 1 Trillion Yuan aimed to reduce the risks of economic hard landing. (ii) the European Central Bank's interest rate cut to a record low on the 5th of July 2012, and its intention to undertake Outright Monetary Transaction (OMT) aimed to ease the pressure in the bond markets of the member countries facing severe problems. (iii) The US Federal Reserve's extension of its low interest rate policy to mid-2015, and an announcement of the third Quantitative Easing measure of 40 Billion US Dollars per month. (iv) The continually reduction of interest rates in other countries. The result of these fiscal and monetary policies is expected to be more noticeable in 2013.

The US growth will be limited due to Fiscal Cliff. Most of the Eurozone economies tends to be in recession except Germany and France. In contrast, Chinese economy tends to improve, and Japanese economy will slowed down as the reconstruction spending is phased out.

Progress in Resolving the Debt Crisis in the Eurozone

After the political and economic crisis in Greece in June 2012, Europe has made much progress in resolving its problems particularly (i) The Euro Summit and Economic and Finance Ministers Council in June and July 2012 reached an agreement on solutions which can better address the fundamentals of the problems. (ii)

The European Central Bank announced its intention to undertake Outright Monetary Transaction (OMT) in the bond markets of the countries facing severe problems to ease the pressure in the market and to reduce the fiscal burden. (iii) The German Constitutional Court gave a positive ruling for Germany's government to make contributions towards the European Stability Mechanism (ESM), making the ESM financially ready to assist countries with fiscal problems. (iv) The approval of 100 Billion Euro bail out loan for Spain. (v) The less stringent positions of Chancellor of Germany and President of France towards Greece's problems and (vi) Spain and Greece agreed to undertake economic and fiscal reforms. Spain will reduce its fiscal deficit to 4.5 percent of GDP by 2013. Greece has recently passed austerity measures to reduce its pension pays, cut wages and salaries, and increase the retirement age. Such measures are the key conditions to be taken for its next 31.5 Billion Euro loans.



It is expected that the aforementioned supporting factors will contribute to a global economic recovery in 2013. The global economy and trade volume are forecasted to grow by 3.9 percent and 5.0 percent respectively, which is an improvement compared to the expansion of 3.3 percent and 3.3 percent in 2012.

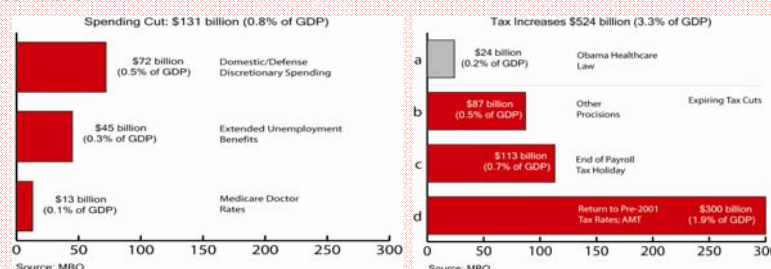
The US economy is predicted to grow by 2.4 percent. Even though the improvement in housing sector will contribute to household consumption and the production sector has improved substantially, the US economy will face the headwinds from the reduction in government spending and the tax increases in 2013 (the Fiscal cliff). **The Eurozone economy** is expected to grow marginally by 0.2 percent. Most member countries will be affected by the strict austerity measures even though the historical lowest interest rate and the weakened Euro currency will support economic growth in Germany and France. **The Chinese economy** is expected to grow by 8.3 percent. The supporting factors for the Chinese economy are the recovery of US economy and the improved economic and investment climate in Europe, as well as the monetary easing and fiscal stimulus undertaken by the Chinese government that will have more visible effects in 2013. Meanwhile, **the Japanese economy** is expected to grow by 1.0 percent, which is lower than the 1.9 percent growth in 2012 due to the effects from reconstruction spending will fade out. There is also a constraint imposed by a stronger Yen and the impact from the dispute between China and Japan.

- ❑ **Crude Oil Price:** Dubai crude oil price in 2013 on average is predicted to be in the range of 108 – 113 US Dollars per barrel, compared to the average price of 109.5 US Dollars per barrel in 2012. The supporting factors for oil price increase are (i) the improvement of global economy which will raise global crude oil demand, and (ii) excess liquidity in the global economic and financial systems⁶, which will spur speculative demand in commodity market during the period of global economic recovery. Nevertheless, there are factors which will prevent a strong increase in oil price. These include (i) a sluggish global economic recovery, (ii) major economies remain vulnerable to a high oil price⁷, and (iii) the increase of oil supply in the US has led to a continuous decline in oil import. These factors will reduce incentives for oil speculation.

Global economy is likely to recover and grow by a gradual pace in the first half of 2013, and the growth will improve in the second half of 2013. In sum, growth in 2013 tends to be 3.9 percent, improved from 3.3 percent in 2012

US Fiscal Cliff

In 2013, US economy will be facing a fiscal challenge from the enforcement of budget control act. As a result, US need to cut its government spending approximately 1.2 trillion dollars in the next 10 years as well as raising tax from the expired measure. Without clear resolution, the fiscal cliff will certainly induced reduction in government spending and increasing in tax rate which accounted for 4.0 percent of GDP, consequently a huge contraction in US economy. On the other hand, too much emphasized of fiscal cliff measure could affected the confidence over US fiscal consolidation.

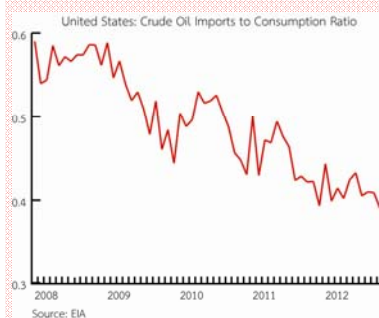


TOTAL SPENDING CUTS AND TAX INCREASES
\$655 bln (4.0 Percent of GDP)

Trend of US oil production and world oil price

In the last four years, the US oil production capacity rapidly increased and continually reduced the ratio of oil's import to the domestic consumption. Moreover, US Energy Information Administration (EIA) projected that the increased in oil production in US to remained at the current rate the US will become the world largest oil production country. From this fact, the speculation of oil price will be decreased under the situation where global economic recovery still remains volatile to the dramatic rise in global oil price.

However, US government policy remains a key factor for the direction and trend of US oil production.



Supporting Factor	Negative Factor
<ul style="list-style-type: none"> The Depreciation of major currencies, particularly US Dollar and Euro, which will encourage investor to turn to speculate in commodity and oil price 	<ul style="list-style-type: none"> The sluggish recovery of global demand The global economy remains sensitive to high oil price. The upward tendency of US oil production that will affect global oil balance

⁶ Such excess liquidity comes from the monetary easing of key countries during the past few years, accumulated in bond markets of countries considered as safe haven. It is also likely that the monetary easing measures of key countries will continue in 2013

⁷ During the past 2 years, US economy slowed down after WTI crude oil price rose above 95 US Dollars per barrel.

6. Thai Economic Outlook for 2013

The Thai economic growth rate in 2013 is likely to return to its normal growth path. The momentum of domestic demand remains sound. New investment from both public and private sectors will play more roles in driving the overall investment forward, despite the slowdown in consumption and investment due to the faded-out effect from the post-flood reconstruction spending. At the same time, the improvement of global economic condition will better support export recovery and make greater contribution to economic growth in 2013. The prospect of economic stability is likely to be positive in terms of price stability, employment, and the current account. Nevertheless, Thai economy still is faced with an increasing risk from capital flow. Under such conditions, the macroeconomic management in the rest of 2012 and in 2013 should give priority to enabling the economy to grow at its full potential, along with enhancing the long-term economic potential while managing and maintaining economic stability.

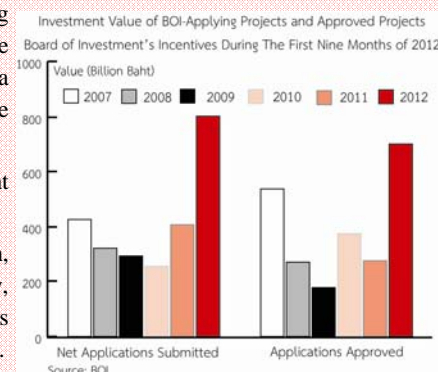
Thai Economic Outlook for 2013: economic growth will be normalized as the reconstruction spending is phased out. However, new investments will shore up domestic demand. Export will play more important role. Economic stability remains satisfactory, but international capital flow emerges as a new concern.

□ Supporting factors for economic growth

- 1) It is expected that the global economy will show clearer signs of recovery in the first quarter of 2013 before growth become more accelerated in the second half of the year. Taking into account the relatively low base in 2012 caused by the slow recovery in production sector during the first half of the year and the effect from debt crisis in Europe during the third quarter of 2012, it is expected that production and export of industrial sector in 2013 will expand at a satisfactory rate. Meanwhile, the prices of agricultural exports are likely to improve after the sluggish price throughout 2012. This will contribute towards a growth in agricultural export value in 2013.
- 2) **The recovery of electronics and computer sector:** the production and export of electronics and computer products have been in an unfavorable condition throughout 2012. This is due to a number of reasons, including the impact from the flood in 2011, the lack of parts and components, and the effects from global economy became more severe during the third quarter. Moreover, consumers delayed their purchasing decision during the second half of the year for new line of products. Therefore, the recovery of global economy in 2013, the launch of new products (such as Windows8, iPhone, iPad, and Surface in late 2012), the recovery of domestic producers, and the decline in inventory are expected to have a favorable effect on the production and exports of this sector.
- 3) Domestic demand is likely to grow at a satisfactory rate, even though it is expected to slow down from 2012. The expansion in private consumption is supported by the recovery in production sector and household income, the improvement of the prices of agricultural products during global economic recovery, and the support from the short-term stimulus measures that will continue to have an effect in 2013. Meanwhile, the new investments are likely to take place at an accelerated rate and likely to have a more important role in the expansion of private investment in 2013. Nevertheless, overall private investment is likely to slow down as the post-flood reconstruction spending fade out.

The private investment in the medium term is expected to grow favorably. The supporting factors are:

1. The increasing in the business opportunity in Greater Mekong Sub-region: (GMS), consisting of 300 million populations where Thailand is a center of the region with the most organized infrastructure. Moreover, the expectation of growing in economic activity after the AEC in 2015.
2. The spread of Japan's production base to the foreign countries due to the appreciation of Yen, older age population structure as well as the risk management from the natural disaster after the major earthquake in 2011.
3. Limitation of European market during the economic reform and the depreciation of its currency induced a more competitiveness of European product in Asia market, consequently benefit to the Asian region.
4. The appreciation of Asia currency resulted in an increased in purchasing power and a lower import cost of capital goods, which will be supporting factors for private investment. This can be clearly seen from the continually increased in the total investment project applications. During January to September 2012, total investment project applications stood at 1,583 projects, expanded by 21.6 percents from the previous year. The total value of investment project applications reached 804,000 million baht, increased by 97.1 percent from preceding year. The decent growth rate is a good indicator for a growing trend in private investment.
5. Increasing in the government infrastructure projects.
6. The strong supply chain, particularly food industry, automobile and part as well as computer and electronics part.



- 4) The 2013 regular and supplementary budget will be sufficient to support the economic growth.
- 5) Inflationary pressure remains relatively low due to a slow increase in oil price and the appreciation of Thai baht.

❑ Risks and Limitations

- 1) Drought remains a downside risk towards the agricultural production. This can affect the farm income, private consumption, and overall economic growth.
- 2) The expansion of labor intensive industries will remain under constraints for a number of reasons, including the increasing labor costs, the appreciation of Thai baht, and the ongoing economic slump in Eurozone which is the key export market for such industries.
- 3) The excess liquidity in the global financial systems remains a stability risk which can cause Thai baht to appreciate at a faster pace than expected. It is also a risk which can cause a fluctuation in economic and financial systems, especially during the later half of the year when the global economy shows a stronger sign of recovery. This will lead to a risk-on behavior of investors, and their reallocation of investment assets.
- 4) There remains upside risks for oil price to increase faster than its fundamentals, especially under the strong recovery of global economy and the high level of excess liquidity in the global financial system. Such an event will create an upward pressure on inflation and will present an obstacle to the implementation of expansionary monetary policy.

❑ Key Assumption for 2013 Projection

- 1) Global economy and trade volume will expand by 3.9 and 5.0 percent respectively, accelerated from 3.3 and 3.3 percent in 2012 as the major economies begin to recover, especially that of the US and China which are expected to grow by 2.4 and 8.3 percent respectively. Meanwhile, the Japanese economy is expected to slow down from a growth rate of 1.9 percent in 2012 to 1.0 percent in 2013. Eurozone economy is forecasted to expand marginally at the rate of 0.2 percent, which is an improvement compared to the contraction of 0.4 percent in 2012.
- 2) The average Dubai crude oil price is expected to be in the range of 108 - 113 US Dollars per barrel, compared to an average of 109.5 US Dollars per barrel in 2012.
- 3) The exchange rate in 2013 is forecasted to be in the range of 30.00 – 31.00 baht per US Dollar. It is expected that the exchange rate will fluctuate in a narrow range during the rest of 2012 and the first quarter of 2013 as the concerns over the economic situations of major countries persist. Nevertheless, it is expected that progress in resolving economic problems in major countries will improve investors' confidence, and that there will be clearer signs of global recovery after the first quarter of 2013. This will lead to a reallocation of the excess liquidity in the global economic and financial systems and will likely create an upward pressure on Thai baht.

- 4) The prices of exports and imports in US Dollar term is expected to increase by 4.0 - 5.0 percent and 3.5 - 4.5 percent respectively, compared to the increase of 0.5 percent and 1.8 percent in 2012. Such increase is due to the rise of prices of goods in global market which are supported by (i) recovery of global economy, leading to an increase in demand and the price of key goods and commodities, (ii) the weakening of US Dollar and Euro currencies, and (iii) increase in speculations in commodity markets during global economic recovery and the relatively high level of excess liquidity in the economic system.
- 5) The number of inbound tourists in 2013 is expected to be 22.5 million persons, compared to the projection of 21.9 million persons in 2012, representing an increase of 2.7 percent.

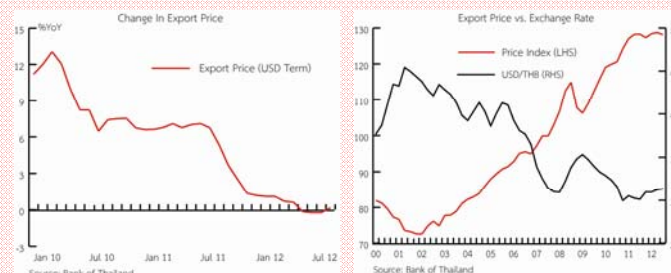
Export Price and Exchange Rate

Average export price in US Dollar term from 2002 to 2011 expanded annually by 5.6 percent. Nevertheless, export price in US dollar term in the first nine months of 2012 grew only 0.4 percent. In 2013, export price in US dollar term is likely to revert back to its normal pace from global economic recovery. The economic relation between exchange rate (Baht/US dollar) and export price in US dollar term can be demonstrated as follows:

$$\text{Exportprice}_t = 32.906 + 0.8804 \text{ Exportprice}_{t-1} - 0.5504 \text{ USD}_t$$

(4.0210) (24.9644) (-4.1379)

Adj. $R^2 = 0.991$ F-statistic = 2680.894



Key Assumption for Projection

	2011	2012		2013
		20 Aug. 12	19 Nov. 12	
World Economic Expansion (%)	3.8	3.2-3.6	3.3	3.9
US	1.7	2.2	2.2	2.4
Eurozone	1.4	-0.3	-0.4	0.2
Japan	-0.7	2.3	1.9	1.0
China	9.2	7.9	7.7	8.3
World Trade Volume (%)	5.8	5.0-6.0	3.3	5.0
Exchange Rate	30.5	31.0-31.5	31.2	30.0 - 31.0
Dubai Crude Oil (USD/Barrel)	106.0	105-110	109.5	108 - 113
Export Price in USD term (%)	5.6	0.5	0.5	4.0 - 5.0
Import Price in USD term (%)	10.1	2.5	1.8	3.5 - 4.5
Tourists (Million Persons)	19.1	21.0	21.9	22.5

❑ Economic outlook for 2013

Thai economy in 2013 is projected to grow by 4.5-5.5 percent, with the headline inflation rate in the range of 2.5 - 3.5 percent, and the current account surplus of 1.0 percent of GDP.

Thai economy has the potential to grow by no less than 5.0 percent under the conditions of (i) global economy growth rate of no lower than 3.9 percent, (ii) 2013 average oil price no higher than 113 US Dollars per barrel, (iii) the 2013 capital budget disbursement rate of no lower than 80 percent as well as the disbursement of investment loan for water resource management and future development, and transport infrastructure development plan are able to be disbursed at least 60,000 million baht and 10,000 million baht respectively, and (iv) there is no drought that has a severe impact on the agricultural production.

❑ Components of Economic Growth in 2013

- 1) Overall consumption is projected to grow by 3.8 percent, compared to 5.3 percent in 2012. It is expected that private consumption will expand by 4.0 percent, slowing down from 5.2 percent in 2012 as the impact from the post-flood recovery expenditure begins to fade. Nevertheless, there remains supporting factors for private consumption expansion, including (i) the improving trend of prices of goods in the global market, (ii) the nation-wide minimum wage increase, (iii) the recovery of the production sector, (iv) a positive effect from tax rebate for first-time-car-buyer scheme, and (v) a moderate inflationary pressure. Meanwhile, government expenditure is expected to grow by 2.5 percent following an increase in 2013 annual budget.

- 2) Total investment is projected to expand by 8.1 percent, compared to 12.0 percent in 2012. The private investment is expected to expand by 8.0 percent, decelerating from 13.7 percent in 2012 as the impact from post-flood recovery investment recedes. Nevertheless, the new investment will increasingly drive private investment expansion in 2013 as the fundamentals of Thailand's investment remain favorable. This can be observed from an increase in the value of investment projects requesting for investment BOI incentives, and the value of investment project granted BOI incentives during the first 9 months of 2012, by 97.1 and 155.9 percent respectively. Meanwhile, public investment is likely to grow at an accelerated rate from 5.7 percent in 2012 to 8.5 percent in 2013 as public expenditure will be expedited with a disbursement target of 80 percent. There are also supporting factors from investment for water resource management and future development, and transport infrastructure development.
- 3) Exports value in US Dollar term in 2013 is forecasted to increase by 12.2 percent, compared to 5.5 percent in 2012, taking into the account an increase in export prices and volume of 4.2 and 8.0 percent. The upward trend is supported by the recovery of global economy, the resume of trade in electronics and electrical appliances, the reduction in inventory in 2012, along with the recovery of domestic production and the relatively low base in the previous year. Coupled with the export of services which is likely to continue to expand in line with tourism sector, it is expected that the export value of goods and services will increase by 7.8 percent, accelerated from 4.2 percent in 2012.
- 4) The imports value in US Dollar term is projected to increase by 12.4 percent, compared to an increase of 8.8 percent in 2012. The import price is likely to increase by 3.7 percent. Meanwhile, the imports volume is expected to grow by 8.7 percent in accordance with the acceleration in export value. Moreover, the upward tendency of investment and appreciation of Thai baht will lead to a continuous expansion in imports of capital and consumer goods. Coupled with the import of services which is likely to accelerate, it is expected that the value of imported goods and services will expand by 8.5 percent, compared to 6.8 percent in 2012.
- 5) Trade balance and current account is expected to record a surplus of 13.7 billion US Dollars and 3.8 billion US Dollars respectively, compared to the surplus of 12.6 billion US dollars and 2.8 billion US dollars respectively in the previous year.
- 6) Economic stability is expected to remain favorable. The average inflation rate in 2013 is forecasted to be in the range of 2.5 – 3.5 percent. In the base case, it is expected that inflationary rate will remain at a level similar to that of 2012. This is because the 2013-average oil price in projection assumption is likely to remain close to that of 2012, while Thai baht is likely to strengthen. Nevertheless, there remain upside risks towards inflation, including (i) the restructuring of domestic energy price policy, and (ii) the pressure from excess liquidity in the global financial system which can cause oil and commodity prices to rise faster than expected.

Export Volume and World Economy

A Figure shows the positive correlation between the change in Thai's export volume and world economic growth. From the figure, Thai's export volume depends more on trading partner's economic condition than the exchange rate. Thus, faster global economic recovery in 2013 will pass on a positive effect toward Thai's export.



7. The Economic management for 2013

Economic management for the remaining of 2012 and in 2013 should give priority to ensuring that the economy is able to grow at its full capacity, along with economic restructuring to enhance long-term economic potential, and to manage the risks to economic stability.

Economic management for the rest of 2012 and 2013 should rely on the

- 1) Accelerating exports, especially to markets whose export values fell sharply in 2012, as well as solving non-tariff barriers problem that present an obstacle to trade expansion in the major export markets.
- 2) Expediting disbursement of government budget and accelerating implementation of major public investment plans, particularly the investment projects under the water resource management and future development, and the transport infrastructure development plan, as well as accelerating the development of new economic zone in order to enhance the long-term economic growth potential.
- 3) Monitoring and preparing domestic economy to cope with economic environment, where Thai baht is expected to be strengthened. The preparation plan should accentuate on the following (i) Enhancing productivity of the production and export sectors, especially labor-intensive SMEs which receive their revenues in foreign currencies. (ii) Highlighting all opportunities arise from the appreciation of Thai baht, especially, encouraging Thai investors to invest abroad (TDI), promoting investment in imported machineries in production sector, and expediting spending on imports in megaprojects in public sector and state owned enterprises. (iii) Implementing monetary policy must be appropriately designed to comprehend the economic conditions, particularly the environment where Thai baht is expected to appreciate, domestic economy still in the recovery process, and inflationary pressure remains in the inflation targeting range.
- 4) Restructuring of energy price policy needs to be undertaken as planned so that energy prices will be in line with their true costs in collaboration with improved in energy efficiency.
- 5) Reforming rules and regulations on trade and investment will be necessary in order for Thailand to fully benefit from the free trade, free flow of capital and skilled labor under the agreement on establishment of the ASEAN Community by 2015.

An improvement in world economic condition and the post-flood recovery in production capacity allow the government to issue a new measure addressing the fundamental problem of Thai economy and the need of long-term economic development. Hence, economic management in 2013 should emphasize the measures that realize the economy's full potential as well as restructure the economy to enhance growth and manage the risk to economic stability.

Economic projection for 2012 and 2013

	Actual Data		Projection		
	2010	2011	2012		2013
			20 Aug. 12	19 Nov. 12	19 Nov. 12
GDP (at current prices: Bil. Bht)	10,104	10,540	11,479	11,278	12,180
GDP per capita (Bht per year)	150,117	155,926	169,023	166,840	180,188
GDP (at current prices: Bil. USD)	318.8	345.6	367.3	369.8	399.4
GDP per capita (USD per year)	4,735.5	5,113.0	5,408.7	5,470.9	5,908.6
GDP Growth (at constant prices, %)	7.8	0.1	5.5 – 6.0	5.5	4.5 – 5.5
Investment (at constant prices, %)	9.4	3.3	11.3	12.0	8.1
Private (at constant prices, %)	13.8	7.2	12.2	13.7	8.0
Public (at constant prices, %)	-2.2	-8.7	8.1	5.7	8.5
Consumption (at constant prices, %)	5.1	1.3	4.7	5.3	3.8
Private (at constant prices, %)	4.8	1.3	4.8	5.2	4.0
Public (at constant prices, %)	6.4	1.1	3.8	6.0	2.5
Export volume of goods & services (%)	14.7	9.5	7.7	4.2	7.8
Export value of goods (Bil. USD)	193.7	225.4	241.8	237.8	266.8
Growth rate (Value, %) ^{2/}	28.4	16.4	7.3	5.5	12.2
Growth rate (Volume, %) ^{2/}	17.7	10.2	6.8	5.0	8.0
Import volume of goods & services (%)	21.5	13.7	10.5	6.8	8.5
Import value of goods (Bil. USD) ^{1/}	161.9	201.9	229.2	219.7	246.9
Growth rate (Value, %) ^{2/}	37.0	24.7	13.5	8.8	12.4
Growth rate (Volume, %) ^{2/}	26.8	13.3	11.0	7.0	8.7
Trade balance (Bil. USD) ^{1/}	29.8	17.0	12.6	12.6	13.7
Current account balance (Bil. USD) ^{1/}	10.0	5.9	0.3	2.8	3.8
Current account to GDP (%)	3.1	1.7	0.1	0.8	1.0
Inflation (%)					
CPI	3.3	3.8	2.9 – 3.4	3.0	2.5 – 3.5
GDP Deflator	3.7	4.2	2.9 – 3.4	1.5	2.5 – 3.5

Source: Office of National Economic and Social Development Board, 19 November 2012

Note: ^{1/} Bank of Thailand has adjusted the balance of payments calculation method based on the 6th IMF Balance of Payment and International Investment Position Manual (for more information, see <http://www.bot.or.th/Thai/Statistics/EconomicAndFinancial/ExternalSector/Pages/Newtable.aspx>)

^{2/} Export and import base on the Bank of Thailand's data.