



Thai Economic Performance in Q4 2011 and Outlook for 2012

Macroeconomic Strategy and Planning Office

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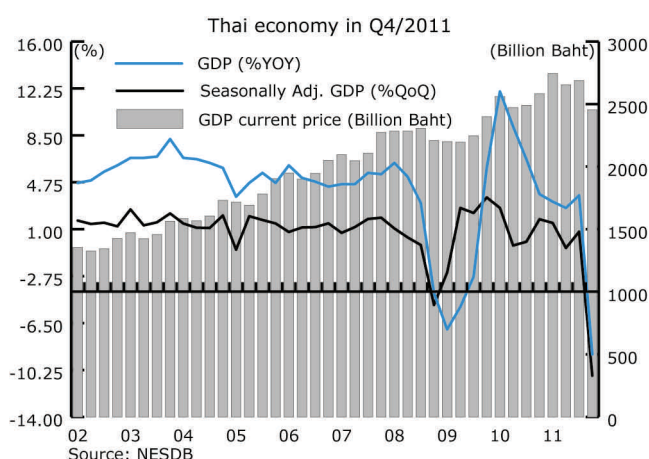
Economic Projection Year 2012

(% YOY)	2010	2011			Projection
	Year	H1	H2	Year	2012
GDP (at 1988 price)	7.8	3.0	-2.8	0.1	5.5-6.5
Total Investment (at 1988 price)	9.4	6.6	0.0	3.3	14.2
Private	13.8	10.5	3.8	7.2	14.5
Public	-2.2	-5.9	-11.4	-8.7	13.0
Total Consumption (at 1988 price)	5.1	2.8	-0.1	1.3	4.4
Private	4.8	3.0	-0.4	1.3	4.5
Public	6.4	1.4	1.3	1.4	3.5
Export of Goods (US\$)	28.4	22.6	10.7	16.4	17.2
Volume	17.7	14.8	6.0	10.2	11.8
Import of Goods (US\$)	37.0	26.9	22.7	24.7	24.3
Volume	26.8	15.0	11.5	13.1	17.5
Current Account to GDP (%)	4.1	3.9	3.0	3.4	1.2
Inflation	3.3	3.5	4.1	3.8	3.5-4.0
Unemployment rate	1.0	0.7	0.6	0.7	0.7

- ❑ In the fourth quarter of 2011, Thai economy contracted by 9.0 percent, mainly due to severe flood which significantly damages the industrial production, consumption, investment, export and tourism sector while agriculture production slightly expanded. This led to the decline in GDP worth 328,154 million baht at current market price.
- ❑ After seasonal adjustment, Thai economy contracted by 10.7 percents compared to the previous quarter.
- ❑ In 2011, Thai economy merely expanded by 0.1 percent. Export value in terms of US dollars increased by 16.4 percent. Private consumption expenditure and private investment grew by 1.3 and 7.2 percent, respectively. Headline inflation was at 3.8 percent, while unemployment remained low at 0.7 percent. Current account registered a surplus of 11,869 million US dollars or 3.4 percent of GDP.
- ❑ In 2012, Thai economy is expected to grow in the range of 5.5 - 6.5 percents, mainly due to expansion in domestic demand and recovery of industrial production. Private consumption expenditure and investment are anticipated to grow by 4.5 and 14.2 percent, respectively. Headline inflation is forecasted to be in the range of 3.5 - 4.0 percent, while unemployment expected to remain low at 0.7 percent. Current account will recorded a surplus of 1.2 percent of GDP.
- ❑ The Economic Management for 2012 should emphasize the following key issues:
 - (i) Urgently implement the flood protection system to prevent possible impact to the major communities and production bases. Furthermore, immediately put in place the water resource management plan that can efficiently and effectively prevent the nation from repetitious flood and drought. In achieving such goal, the government must accelerate the implementation of projects under the strategy for reconstruction and future development and master plan on water resource management, speed up the establishing of the Disaster Insurance Promotion Fund, providing proper financial aids for affected businesses that is in need of extra working capital for business recovery, and strengthening the confidence of manufacturing sector and investors.
 - (ii) Accelerate the budget disbursement, particularly investment expenditure to achieve the target of budget disbursement acceleration committee.
 - (iii) Employ suitable macroeconomic policy that can cope with rising volatility and risks in global financial market, as economic stability in European countries gradually worsen. The authority should give priority to preventive measures concerning the volatility in exchange rate, as well as implementing monetary and exchange rate policy that accompany the recovery state of Thai economy after the flood disaster.
 - (iv) Manage and maintain fair pricing for both consumers and producers. The emphasis should be given to the communication strategy that can convey the recommended price to the consumers with accuracy and in a timely manner, while facilitating domestic entrepreneurs to enhance their competitive edge will a crucial factor in reducing unnecessary cost of production.
 - (v) Advance policy implementation which emphasizes inequality reduction and building better future for the country including income restructuring policy especially for low income earners, energy policy, infrastructure investment, and promoting investment on research and development.

Thai Economic Performance in Q4/2011 and Outlook for 2012

In the fourth quarter of 2011, Thai economy contracted by 9.0 percent, down from a 3.7 percent growth in the preceding quarter. The main factors leading to the contraction was the severe impact from the flood resulted in a major reduction in demand from both domestic and external, as well as the production sector. On the other hand, agricultural sector slightly increased from an expansion of harvesting area. On a seasonally adjusted quarter-on-quarter growth, Thai economy expanded by 10.7 percent. For 2011, the economy grew by 0.1 percent.



Thai Economy in Q4/2011

- (1) **Industrial Sector** contracted by 21.8 percent, compared to an expansion of 3.1 percent in the previous quarter. The sluggish performance was due to the severe flood impact toward industrial estates and logistic system, as well as the industries within the supply chain of the affected industries. The capacity utilization rate was at 46.4 percent, declined from 64.5 percent in the previous quarter and a 64.2 percent level in the fourth quarter of last year.

For 2011, industrial sector contracted by 4.3 percent.

- (2) **Private consumption** expenditure decreased by 3.0 percent in the fourth quarter after an expansion of 2.4 percent in the previous quarter. This was owing to devastating flood in many production bases. Consumption on durable goods extremely dropped by 21.8 percent, likewise, consumer confidence index stood at 62.3 declined from 73.5 in the preceding quarter. Moreover, consumers still concerned over future cost of living as price of goods remained at high level, while farm income declined from a slowdown in price of major agricultural products including rubber, palm oil and cassava.

For 2011, private consumption expenditure grew by 1.3 percent.

- (3) **Private Investment** declined by 1.3 percent, after an expansion of 9.1 percent in the previous quarter. The contraction was caused by the flood impact and deteriorating investor confidence. As a result, investment in machinery and equipment dropped by 2.4 percent, while Business Sentiment Index (BSI) in the fourth quarter declined to 41.4 from 50.6 in the previous quarter.

For 2011, private investment expanded by 7.2 percent.

- (4) **Export value in terms of US dollars** recorded at 49,162 million US dollars, contracted by 5.2 percent compared to 27.3 percent growth in the previous quarter. The sharp drop in export value was attributed to the 2011 flood and the economic slowdown of major trading partners especially US and EU.

For 2011, the export value registered at 225,366 million US dollars, increased by 16.4 percent with major exporting market like China (27.6 percent), South Korea (26.8 percent), and ASEAN (22.5 percent) still expand at a good pace.

- (5) **In Tourism Sector**, the number of inbound tourists in the fourth quarter was 4.4 million persons declined by 4.4 percent, mainly caused by the flood, while the occupancy rate registered at 55.7 percent compared to 54.3 percent in the previous quarter. Revenue from tourism sector recorded at 188,075 million baht, increased by 0.8 percent from the same period of last year. Thus, GDP of hotel and restaurant sector contracted by 5.3 percent, compared to a 10.2 percent growth in the previous quarter.

For 2011, the number of inbound tourists was 19.1 million persons, grew by 19.8 percent.

However, agricultural sector expanded by 0.7 percent in the fourth quarter of 2011 following an increase in production of major crops particularly rubber, cassava, and oil palm. Nevertheless, the flood had partially affected the paddy plantation area and in turn reduces the paddy production. As a result, farm income declined by 0.2 percent compared to an expansion of 7.8 percent in the previous quarter. In 2011, agricultural sector expanded by 3.8 percent with a price increase of 12.2 percent, which led to an expansion of 17.9 percent of farm income.

Thai Economy in 2011

In 2011, Thai economy expanded by 0.1 percent. The sluggish growth was mainly from the severe flood disaster striking Thailand since the end of the third quarter through the fourth quarter that caused immense damage toward overall economy and private properties, leading to the decline in GDP worth 328,154 million baht at current market price. Headline inflation was 3.8 percent. Private consumption expenditure grew by 1.3 percent, while private investment grew by 3.3 percent. Furthermore, export value in terms of US dollar increased by 16.4 percent, and current account registered a surplus of 11,869 million US dollars or 3.4 percent of GDP

Thai Economic Outlook in 2012

NESDB forecasted that the Thai economy in 2012 will expand in the range of 5.5 – 6.5 percent. The main driving factors will be the recovery and expansion in manufacturing sector, the investment for post-flood rehabilitations and new water management system under the government water management plan. Furthermore, the financial and tax subsidy schemes carried out by the government will be crucial for proper recovery of agricultural, industrial, and service sector. The current income restructuring policy will generally create new money supply in the economy and in turn will lead to a continued expansion in domestic demand. Moreover, production sector is expected to recover at a faster pace than previously expected, this would result in a continuous increase in private investment. The expansion of external demand is expected to be sound following the strong expansion of Asian economy.

NESDB forecast that in 2012 (i) headline inflation is expected to remain in a range of 3.5 – 4.0 percent, (ii) private consumption expenditure will expand by 4.4 percent, (iii) investment will grow by 14.2 percent, (iv) export value in terms of US dollars will increase by 17.2 percent, and (v) current account surplus will register approximately 1.2 percent of GDP.

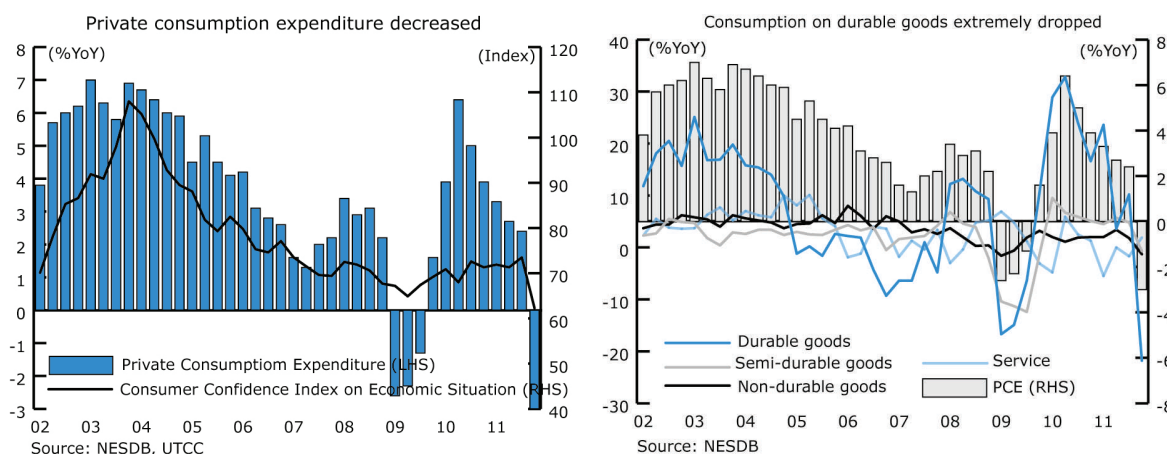
1. Economic Performance in Q4/2011

Expenditure Side

Private consumption expenditure decreased by 3.0 percent in the fourth quarter after an expansion of 2.4 percent in the previous quarter. This was due to severe flood in many areas which caused problems in various sectors especially production and transportation sectors. Consumption on durable goods extremely dropped by 21.8 percent, particularly automobile as a result of flood impact that caused a shortage in automobile and automobile parts. The automobile industries in industrial estates resided in Ayutthaya and Pathumthani province were submerged and had to suspend their operation. Consumer confidence index in the fourth quarter stood at 62.3, decreased from 73.5 in the preceding quarter, mainly resulted from severe flood affecting economic losses on public and private property. Furthermore, consumers still concerned over future cost of living as price of goods remained at high level. Key supporting factors for consumption expansion in the next period included: (i) employment remained high; (ii) farm and non-farm income remained high and; (iii) government stimulus measures such as increase in minimum wage rate and government official's starting salary, tax deduction for first home buyer and tax rebate for first car buyer.

In 2011, private consumption expenditure expanded by 1.3 percent, slowed down from 4.8 percent in the previous year. This was resulted from an increase of 3.2 percent in durable goods, 3.4 percent in semi-durable goods, and 1.5 percent in non-durable goods, whereas service decreased by 1.1 percent as a result of a drop in net tourist expenditure in the first quarter.

Private consumption expenditure decreased by 3.0 percent owing to severe flood in many areas.



Private Consumption Expenditure

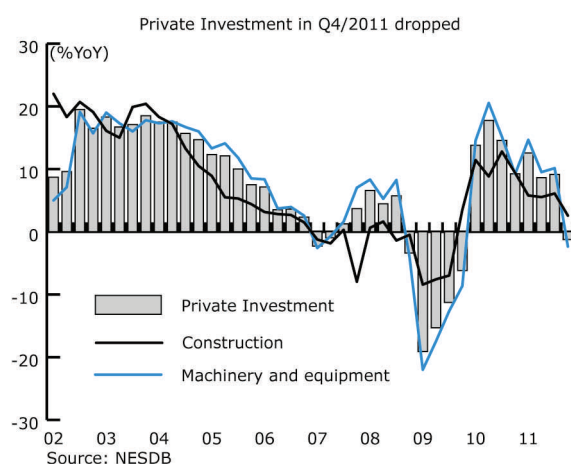
%YoY	2009	2010						2011				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	
Private Consumption	-1.1	4.8	3.9	6.4	5.0	3.9	1.3	3.3	2.7	2.4	-3.0	
Durable Goods	-7.1	25.1	28.9	32.8	24.0	16.6	3.2	23.6	3.6	10.2	-21.8	
Semi-durable Goods	-8.8	6.7	9.5	6.7	5.9	5.1	3.4	4.5	5.7	4.8	-0.7	
Non-durable Goods	0.7	1.8	2.0	1.1	1.9	2.0	1.5	2.0	3.4	1.8	-1.3	
- Food	0.6	0.5	0.7	1.1	0.2	-0.2	2.0	2.0	4.4	1.8	-0.3	
- Non-food	0.7	2.7	3.1	1.2	3.2	3.3	1.1	2.1	2.7	1.7	-1.9	
Service	2.2	1.4	-4.8	5.9	2.5	1.3	-1.1	-5.5	0.0	-1.7	1.9	

Source: NESDB

Private investment declined by 1.3 percent in the fourth quarter of 2011, after an expansion of 9.1 percent in the previous quarter. It was mainly caused by a contraction of machinery and equipment investment. Investment in machinery and equipment dropped by 2.4 percent in the fourth quarter after an expansion of 10.1 percent in the previous quarter, as a result of the 2011 flood which affected many industrial estates in the central region, particularly automobile, electronics and electrical appliance industries. This was reflected in a slowdown of capital goods import. Likewise, domestic commercial car sales contracted by 62.4 percent. In addition, investment in construction expanded with a decelerated rate of 2.6 percent after an expansion of 6.1 percent in the previous quarter, especially investment in residential and commercial building in the central region and Bangkok. In addition, severe flood impact has caused a suspension in the construction business and subsequently resulted in a slowdown of domestic construction material sales.

In 2011, private investment accelerated by 7.2 percent, slowed down from 13.8 percent in 2010, with an expansion of 7.8 and 5.0 percent in machinery and construction investment.

Business Sentiment Index (BSI) was at 41.4, decreased from 50.6 in the previous quarter. Likewise, the expected BSI for the next 3 months stood at 51.4, decreased from 53.8 in the previous quarter. This indicated that investor's confidence on future business condition has declined according to an increase in cost of production, whereas increasing price is limited. In addition, clarity and continuity of policy, rule and regulation, and water resource management policy are key supporting factors for the restoration of domestic and foreign investor's confidence.

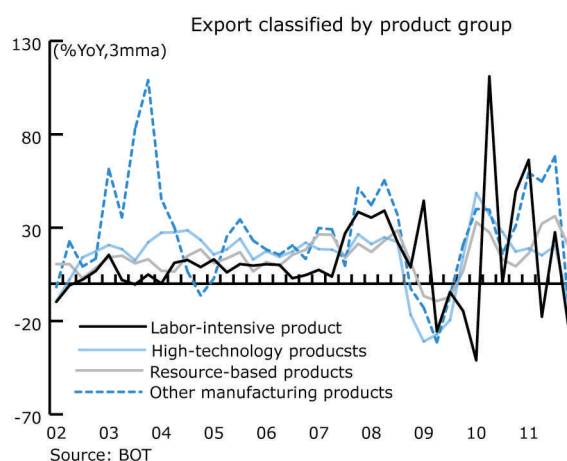
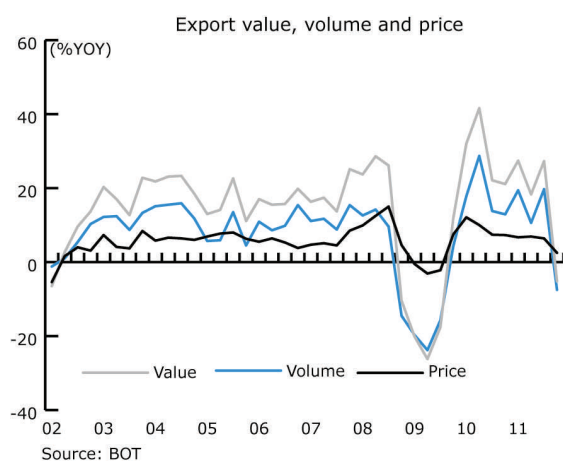


Exports: Export value in the fourth quarter of 2011 recorded at 49,162 million US dollars (equivalent to 1,524,918 million baht), contracted by 5.2 percent compared to 27.3 percent growth in the previous quarter. The export volume fell by 7.5 percent while the export price increased by 2.5 percent. The decline of export value was attributed to the 2011 flood which affected many major industrial estates, especially in Ayutthaya and Pathumthani provinces which were submerged and had to suspend their production, and the fragile state of the world economy, particularly the US and Euro-zone which are major trading partners of Thailand.

In 2011, the export value registered 225,366 million US dollars (equivalent to 6,865,650 million baht), increased by 16.4 percent while the export volume and price expanded by 10.2 and 5.6 percent consecutively.

Private investment declined, mainly caused by a decrease in machinery and equipment investment.

Export value in terms of US dollar, contracted by 5.2 percent, equivalent to 49,162 million US dollars as a result of the 2011 deluge and the fragile state of global economy.



Export value of agricultural commodities in the fourth quarter of 2011 decelerated to 11.3 percent, while export volume and price expanded at a slower pace of 11.1 and 0.1 percent respectively. The deceleration of the export volume was mainly caused by the decrease of the exported rice in term of volume due to the flood and the uncompetitive price of Thai rice in the global market. Meanwhile, the export volume of cassava, rubber, and sugar kept growing continually. **The volume and value of exported manufacturing products contracted by 9.5 and 7.1 percent respectively** while the export price rose slightly by 2.6 percent as a consequence of the domestic flood. Major exported manufacturing products such as computer and parts; vehicles, accessories and parts; and electrical appliances contracted by 38.4, 31.4 and 23.3 percent consecutively. When classified by type of products, the export value of the domestic-resource-based products improved by 20.5 percent. In contrast, the export value of the labor-intensive and the high-technology products fell by 21.7 and 9.1 percent consecutively.

Export markets: The value of export to major markets declined particularly the US, Japan and EU (15) which contracted by 7.7, 3.2, and 18.3 percent respectively. While the export value to ASEAN (9) decelerated to 11.0 percent. The contraction of export value arose in many other markets such as Hong Kong, Taiwan, Middle East, and Australia. While, exports to South Korea, India, and China expanded with a decelerated rate.

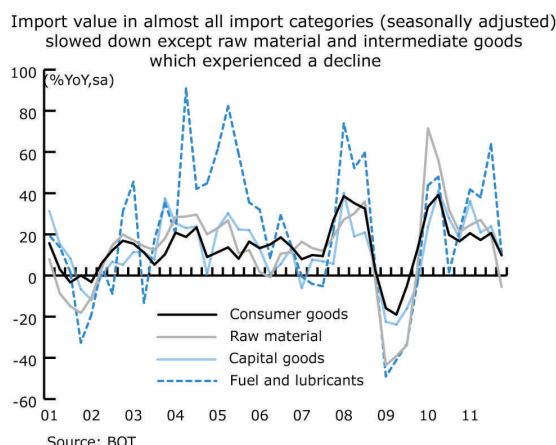
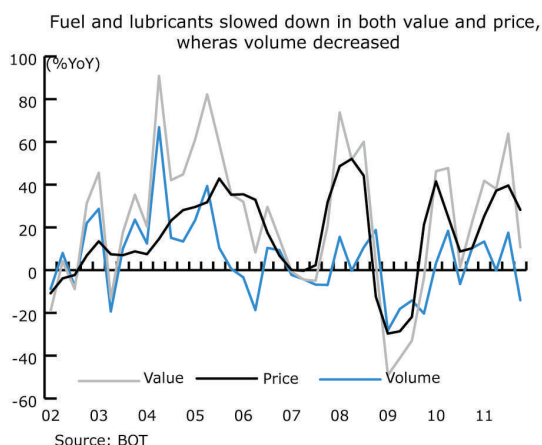
Major Export Market

(%YOY)	2009	2010						2011					
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Share 2011 (%)	
USA	-17.8	21.3	22.8	26.4	25.4	12.0	8.2	21.3	17.5	5.2	-7.7	9.6	
Japan	-21.8	29.8	29.4	34.6	32.0	24.3	17.9	30.2	27.2	21.0	-3.2	10.5	
EU (15)	-24.5	19.7	21.7	24.1	19.4	14.6	12.0	24.1	20.3	25.5	-18.3	9.4	
ASEAN (9)	-19.1	36.5	67.6	45.1	27.5	17.6	22.5	20.6	23.5	34.7	11.0	23.7	
Hong Kong	-5.6	38.5	22.3	58.2	21.7	54.0	25.5	70.3	30.1	37.9	-18.8	7.2	
Taiwan	-16.7	43.5	69.7	36.0	38.6	37.7	19.8	45.9	41.2	23.3	-20.1	1.7	
South Korea	-23.2	28.1	42.8	41.7	12.6	20.1	26.8	36.3	34.3	36.8	0.9	2.0	
Middle East	-7.8	10.1	9.8	21.7	3.9	6.8	7.6	15.5	14.6	16.4	-15.1	4.5	
India	-3.6	36.3	92.5	25.2	24.7	20.9	17.9	14.8	32.9	19.1	7.0	2.3	
China	-0.4	33.2	69.3	30.7	26.9	19.2	27.6	24.8	22.7	62.8	2.4	12.0	
Australia	7.5	9.2	3.7	97.3	-16.2	-11.1	-14.7	-1.3	-34.5	10.8	-27.3	3.5	
Total Export	-14.3	28.1	31.6	41.4	21.9	20.8	17.2	28.1	18.5	29.0	-4.8	100.0	
Total Export by Balance of Payment	-13.9	28.4	32.0	41.6	22.1	21.1	16.4	27.4	18.3	27.3	-5.2	98.5	

Source: BOT

Imports: Value, volume and price slowed down, compared to the same period of last year. In the fourth quarter of 2011, import value in US dollar terms grew by 12.2 percent, decelerated from 33.4 percent in the previous quarter. Import price rose by 8.3 percent, mainly due to an increase in oil and gold price. Import volume expanded by 3.6 percent, considerably decelerated from 19.4 percent in the previous quarter. Import deceleration in the fourth quarter of 2011 was due to severe flood, resulting in a massive slowdown of import volume of consumer goods and capital goods, compared to the previous quarter. Whereas import volume of fuels and lubricants, raw materials and intermediate goods contracted.

Import value in US dollar terms grew by 12.2 percent, slowed down from the preceding quarter. Almost all import categories decelerated except raw materials and intermediate goods which contracted in both value, and volume.



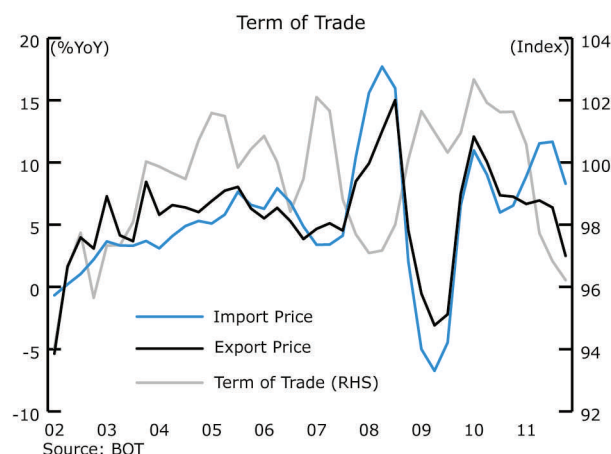
After seasonally adjustment, almost all import categories recorded a slowdown in value, volume and price except raw materials and intermediate goods which contracted in both value and volume.

Import value of raw material and intermediate goods contracted by 5.4 percent, dropped from 19.7 percent in the previous quarter as a result of severe flood impact and an exceptionally high import of raw material and intermediate goods in the preceding quarter. **Capital goods** expanded by 9.7 percent, decelerated from 23.8 percent in the previous quarter. Import goods that recorded a positive growth included transportation equipments; agricultural machinery, tools and parts; computer and accessories. On the contrary, computer parts declined by 39.1 percent. **Consumer goods** grew by 9.9 percent, slowed down from 20.6 percent in the previous quarter. Consumer goods such as beverages; clothes; watches and ornaments decelerated in line with the reduction of private consumption expenditure. **Fuels and lubricants** increased by 10.7 percent, decelerated from 63.8 percent in the previous quarter. The import volume decreased by 14.1 percent while price increased by 28.2 percent. Such expansion in price was due to a continuous rise of oil price in the world market as a result of speculation in capital market.

In 2011, import value, volume and price rose by 16.8, 13.1 and 5.6 percent, decelerated from an expansion of 28.4, 26.8 and 9.1 percent in 2010 respectively.

Term of trade decreased from the previous quarter. Export price increased by 2.5 percent, while import price increased by 8.3 percent, particularly crude oil price. Hence, term of trade in the fourth quarter of 2011 contracted by 5.3 percent, a fourth consecutive quarters of reduction.

In 2011, term of trade contracted by 4.1 percent from an expansion of 1.0 percent in 2010. In detail, export price increased by 5.6 percent while import price increased by 10.1 percent.



Trade balance recorded a slowdown on surplus of 993 million US dollars (equivalent to 30,617 million baht) lower than a surplus of 7,676 million US dollars (equivalent to 231,563 million baht) in the previous quarter.

In 2011, trade balance registered a surplus of 23,502 million US dollars (equivalent to 713,715 million baht) lower than a surplus of 31,759 million US dollars (equivalent to 1,000,330 million baht) in 2010.

❑ Production Side:

Agricultural sector expanded by 0.7 percent following an increased in production of major crops particularly rubber, cassava, and oil palm which grew by 24.6, 35.7 and 152.7 percent respectively. Such an improvement was partly attributed to an increased in harvesting area. Nevertheless, the flood had severely affected the paddy plantation area and in turn reduces the first-season paddy production by 14.2 percent compared to the previous year. For the whole 2011 year, agricultural sector expanded by 3.8 percent.

The price of agricultural product contracted by 0.7 percent compared to the same period of last year following a reduction in price of major products including unsmoked rubber sheet no. 3, cassava, and oil palm, which contracted by 17.7, 16.9, and 25.3 percent respectively. The slowdown in price was mainly attributed by (i) the fall of rubber price following the deceleration of Chinese demand – China has reduced their import of rubber and waited to order at the lower price in 2012 after the promulgation of Chinese tax reduction measure on imports of natural rubber (effective on 1st January 2012). Moreover, domestic demand was also dropped due to severe flood impact which caused the reduction of demand for rubber from the automobile and related industries; (ii) the decline of cassava price was a result of the increasing supply of more than 35.7 percent and the slowdown in cassava imports of trading partners which are waiting to see the market condition and the government policy on alternative energy; and (iii) the decrease of oil palm price was a consequence of the rise of plantation area and the high base effect. Nevertheless, the domestic paddy price rose by 24.2 percent, partly due to the government rice pledging measure.¹

Term of trade contracted by 5.3 percent from higher import price.

Trade balance registered a slowdown on surplus.

Agricultural sector expanded by 0.7 percent following an increased in production of major crops particularly rubber, cassava, and oil palm.

¹ Project period: from 7th October 2011 to 29th February 2012 and from 1st February 2012 to 31st July 2012 for southern area and the redemption period lasts for 4 months from the pledging date.

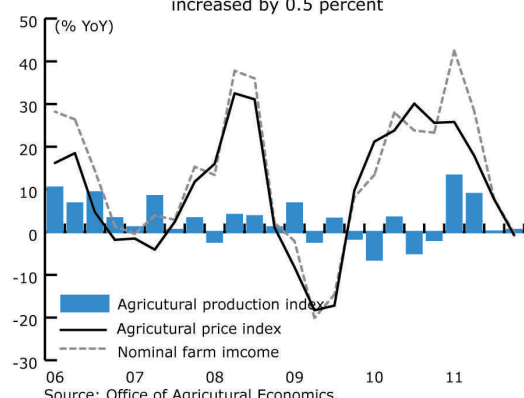
The contraction of agriculture price had affected the farm income in the fourth quarter to shrink by 0.2 percent. Thus, the farm income for 2011 grew by 17.9 percent with the 35.3 percent growth in the first half of the year and only 3.8 percent growth in the latter half.

Agricultural Production

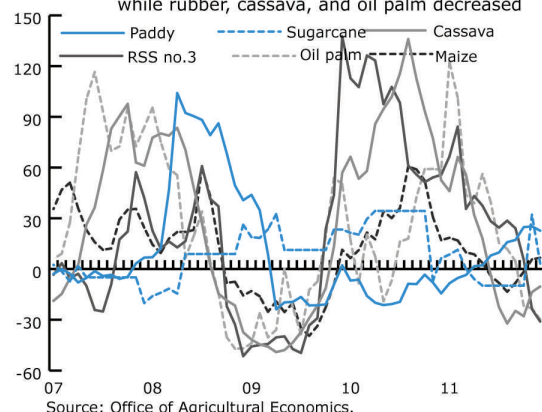
%YoY	2008	2009	2010					2011				
	Year	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Agricultural Production Index	1.5	1.1	-2.5	-6.4	3.4	-4.9	-1.8	5.1	13.2	8.9	0.1	0.5
Agricultural Price Index	19.9	-9.4	25.2	21.2	23.8	30.1	25.6	12.2	25.8	17.9	7.7	-0.7
Crop Production Index	21.4	-12.1	30.3	25.4	29.5	35.9	30.1	12.3	30.1	18.2	6.5	-2.9
Farm Income	21.7	-8.4	22.1	13.4	28.0	23.8	23.3	17.9	42.5	28.4	7.8	-0.2

Source: OAE, NESDB

Farm income decreased by 0.2 percent due to the 0.7 percent drop of agricultural price while the agricultural production increased by 0.5 percent



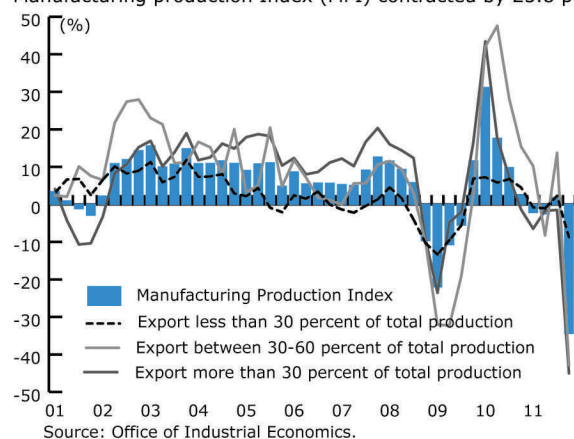
Farm prices: paddy, maize and sugar cane increased while rubber, cassava, and oil palm decreased



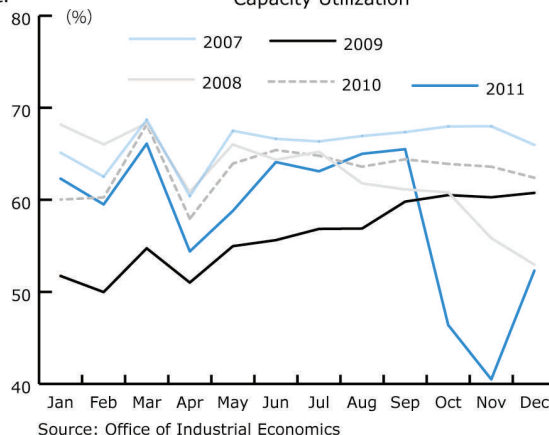
Industrial Sector contracted by 21.8 percent, compared to an expansion of 3.1 percent in the previous quarter. The sluggish performance was due to the severe flood impact to industrial estates and production plants in the central region of Thailand. Furthermore, the impact is not only affecting the production in the flooding area but it is also affecting other industries that connected in the same value chain to suspend their production. The industries that were severely damage from the flood are as follows: automobile, electronic part and radio, television and communication equipment and apparatus industry which contracted by 61.6, 59.9 and 58.5 percent respectively. In 2011, industrial sector contracted by 4.3 percent.

Industrial sector contracted 21.8 percent due to severe flood impact to industrial estates in the central region of Thailand.

Manufacturing production Index (MPI) contracted by 25.8 percent.



Capacity Utilization



In the fourth quarter, Capacity utilization rate was at 46.4 percent, decreased from 64.5 percent in the previous quarter owing to impact of flood. However, In December, the flooding crisis started to relieve and production started to resume, as a result, capacity utilization rate improved to 52.3 percent. The major industries that employed capacity utilization lower than 50 percent were automobile (31.7 percent), textile (34.7 percent), radio, television and communication equipment and apparatus industry (22.5 percent), and textile fibers production (33.7 percent). On the contrary, the major industries that employed capacity utilization above 70 percent were plastic in primary forms (78.6 percent), glass and glass products (77.3 percent), plastic product (73.9 percent), and chemicals and chemical products (71.6 percent) as these industries were not affected by the flood.

The expected Thailand Industries Sentiment Index (TSI) for the next 3 months was at the level of 107.7 increased from 106.3 on the previous month following an increased in the number of orders, sales and production volumes.

Construction sector contracted by 5.9 percent due to the contraction of public construction that declined by 15.9 percent following a delay in the 2012 governmental budget disbursement and the completion of the investment project under the stimulus package 2 (SP2). Moreover, private construction expanded by 2.6 percent, declined from 6.1 percent in the previous quarter as the result of a slowdown in construction of commercial and residential building. Furthermore, construction area permitted was substantially decline by 14.6 percent. In 2011, construction sector contracted by 5.1 percent.

The construction material price index grew by 7.1 percent. This was mainly caused by an increasing of domestic steel price, which rose by 12.7 percent, supported by increasing in global price. However, price of wood and cement grew by 1.1 and 5.4 percent slowed down from the previous quarter of 1.3 and 12.5 percent respectively.

Real estate sector contracted by 0.3 percent compared to an expansion of 5.0 percent in the previous quarter. The slowdown was caused by the flood situation in Bangkok and vicinities area which in turn affect the consumer buying decision, supported by (i) a reduction in housing transfer by 32 percent compare to the same period of last year and (ii) a slowdown in mortgages, which rose by 7.7 percent declined from 10.0 percent growth in the previous quarter, this was partly due to an increase in demand for repairing and renovating their current resident more than demand for buy new house. Furthermore, the house price trend has moved upward in all house type, with the prices of single-detached house (including land), town house (including land), condominium and land increased by 4.5, 4.4, 14.7, and 5.0 percent respectively. In 2010, real estate sector rose by 3.5 percent.

The flooding crisis has severely affected the construction in the real estate sector as reflected in the newly completed and registered housing in Bangkok and vicinities declined by 62.9 percent.

Hotel and Restaurants in the fourth quarter contracted by 5.3 percent compared to the 10.2 percent growth in the previous quarter. As a result of the 2011 flood, the inbound tourists in this quarter recorded at 4.4 million persons, declined by 4.4 percent while the occupancy rate registered at 55.7 percent compared to 54.3 percent in the previous quarter. The improvement in occupancy rate was partly due to the temporary stay of the flood victims. For the whole 2011 year, hotel and restaurants expanded by 7.4 percent.

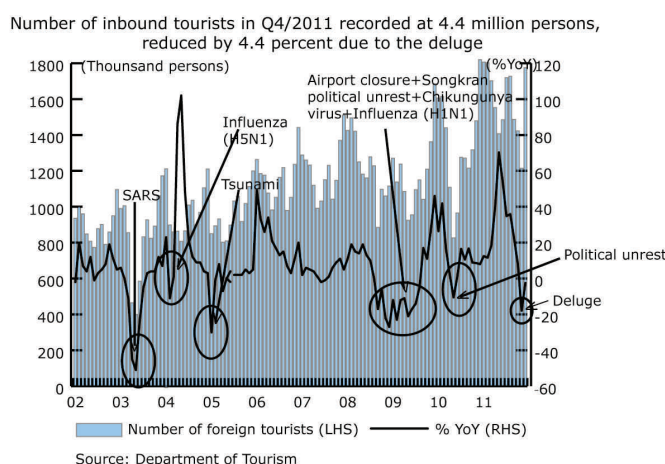
Compared to the same period of last year, numbers of tourists from Australia, Russia, and China grew by 22.7, 16.9, and 7.7 percent respectively. On the other hand, the numbers of tourists from Taiwan, Sweden, and Japan contracted by 39.0, 31.6, and 17.9 percent respectively.

Construction sector contracted by 5.9 percent due to the contraction of public construction, which declined by 15.9 percent. Meanwhile the private construction expanded by 2.6 percent.

Real estate sector contracted by 0.3 percent, declined from 5.0 percent expansion in the previous quarter.

Hotel and restaurants contracted by 5.3 percent as a result of the 2011 flood. The inbound tourists declined by 4.4 percent.

Revenue from tourism sector recorded at 188,075 million baht, increased from 186,548 million baht in the same quarter of last year or a 0.8 percent growth.



Number and Growth of Tourists Classified by Nationality

Thousand Persons	2009	2010					2011				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Malaysia	1,757.8	2059	513.3	443.3	517.3	585.1	2,470.7	574.4	645.3	683.2	567.8
China	777.5	1,122.2	333.9	137.8	314.4	336.1	1,760.6	474.9	397.5	526.3	362
Japan	1,004.5	993.7	305.6	169.9	253.7	264.5	1,126.2	317.0	248.2	343.8	217.1
Korea	618.2	805.4	241.7	140.8	192.2	230.8	1,014.3	288.8	226.6	282.2	216.7
United Kingdom	841.4	810.7	247.3	166.6	177.8	219.1	844.2	227.5	200.0	198.0	218.7
USA	627.1	611.8	187.8	122.8	124.8	176.3	684.1	188.9	160.4	152.7	182.1
India	646.7	698.0	175.8	150.5	177.6	194.2	916.8	207.3	267.3	231.8	210.4
Australia	614.6	760.4	169.1	175.1	187.0	229.2	854.1	185.5	204.1	226.2	238.3
% YoY											
Malaysia	-2.63	17.13	18.78	7.85	38.96	25.4	20.0	11.9	45.6	32.1	-3.0
China	-5.95	44.34	75.93	-2.83	78.74	76.8	56.9	42.2	188.4	67.4	7.7
Japan	-12.95	-1.07	21.27	-13.55	-12.55	19.5	13.3	3.7	46.1	35.5	-17.9
Korea	-30.47	30.28	47.23	7.66	26.11	36.4	25.9	19.5	60.9	46.8	-6.1
United Kingdom	1.8	-3.65	12.93	-9.4	-9.51	12.5	4.1	-8.0	20.0	11.4	-0.2
USA	-6.28	-2.44	13.1	-11.3	-7.93	21.1	11.8	0.6	30.6	22.3	3.3
India	-6.88	7.94	25.34	1.43	6.61	25.4	20.6	22.6	52.7	23.9	-8.2
Australia	14.45	23.72	46.36	-0.03	28.09	38.2	22.4	5.5	35.6	27.4	22.7

Source: Department of Tourism

Domestic tourism continued to expand, supported by the numbers of flights and low cost airlines' passengers which improved by 23.69 and 14.3 percent consecutively, compared to the same period of last year.

For the whole 2011 year, the number of inbound tourists registered at 19.1 million persons, an increase of 19.8 percent compared to the same period of last year.

Employment in the fourth quarter of 2011 stood at 38.92 million persons, increased by 1.2 percent compared to the same period of last year. The improvement in employment was seen in both agricultural and non-agricultural sectors, with the growth rate of 1.9 and 0.2 percent respectively. This reflected the limited impact of the flood on the employment as a consequence of the government measure on wage subsidy for workers in the affected businesses. According to a subsidized policy, the government is paying 2,000 baht for workers instead of employers for 3 months under the conditions that the employers will not layoff their employees during that period and pay their workers not less than 75 percent of the normal wage.

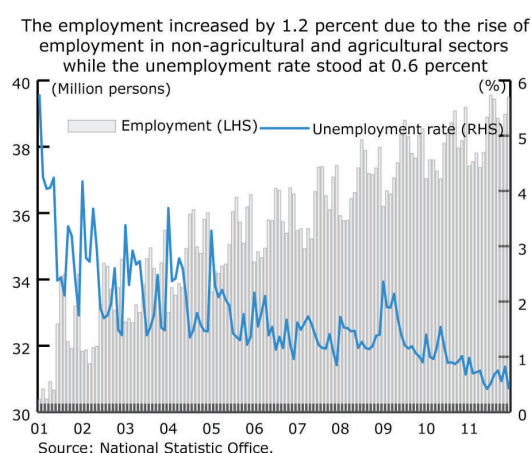
The employment increased by 1.2 percent following an increased in both non-agricultural and agricultural sectors. Meanwhile, the unemployment rate was at 0.6 percent.

Furthermore, the employment in non-agricultural sector showed an improvement in other community and social sector, public administration sector, and industrial sectors which grew by 29.2, 11.3, and 2.6 percent respectively. On the other hand, the employment in hotels and restaurants sector reduced by 5.0 percent.

The average number of unemployed person in the last quarter was 237,627 persons, declined by 99,787 persons compared to the same period of last year or declined by 29.6 percent. The unemployment rate was at 0.6 percent.

The ratio of vacancies over new registered applications was at 0.7, remained stable compared to the prior quarter. This reflects an improvement of tension in labor market compared to the first and the second quarter which recorded at 1.0 and 0.8 percent consecutively.

In 2011 year, the employment recorded at 38.46 million persons, an increase of 1.2 percent while the average unemployment rate was 0.7 percent.



Employed Persons by Industry

%YOY	2009	2010					2011				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Employed	1.9	1.0	2.6	-0.5	0.8	0.7	1.2	0.6	1.4	1.6	1.2
- Agricultural	-0.1	0.5	2.8	-6.6	-1.2	3.9	2.4	2.1	6.4	2.3	0.2
- Non-Agricultural	3.1	1.3	2.5	3.1	2.3	-1.3	0.4	-0.3	-1.5	1.1	1.9
Manufacturing	-1.5	-1.3	-1.1	0.8	-2.3	-2.1	1.9	1.3	1.2	4.2	2.6
Construction	4.0	2.2	-1.2	9.3	1.9	-3.0	0.0	4.0	-6.5	4.3	0.5
Hotel and Restaurant	8.8	1.3	10.3	1.7	0.1	-4.8	-3.2	-10	-2.3	2.3	-5.0
Wholesale	5.1	3.0	2.9	4.9	4.1	-0.5	-3.6	-2.9	-6.8	-3.4	0.4
Unemployment (Hundred thousand persons)	5.7	4.0	4.3	5.0	3.4	3.3	2.6	3.2	2.3	2.6	2.4
Unemployment Rate	1.5	1.0	1.1	1.3	0.9	0.9	0.7	0.8	0.6	0.7	0.6

Source: National Statistical Office

❑ Fiscal condition

On the revenue side, in the first quarter of fiscal year 2012 (October – December 2011) net government revenue was at 396,152.0 million baht, exceeded the target by 13,674.0 million baht or 3.6 percent and grew by 0.1 percent compared to the same period of last year. Tax categories which experienced a high collection rate were corporate income and excise tax on cigarette. Such high level of corporate income tax collection was due to the measure of Revenue Department that allowed corporate that were affected from the flood since September to postpone their monthly tax payment until December. Furthermore, the hike in excise tax on cigarette collection was due to the speed up of cigarette production in order to restore depleting stock after a stall in production during the flood. Nevertheless, there are still negative factors which will affect the government revenue collection for the rest of fiscal year 2012 especially the impact from the flood that would lessen the corporate income tax and current policy which hold the rate of excise tax on oil at an exceptionally low level of 0.005 baht per liter.

Although, flood damages deteriorated overall economic condition in this period, government revenue collection showed an above-target revenue collection by 36 percent.

On the expenditure side, the total budget disbursement in the first quarter of fiscal year 2012 was at 489,807 million baht. The total budget disbursement comprised (i) the 2012 budget disbursement of 439,179 million baht, equivalent to 21.2 percent of the annual budget and (ii) carry-over budget disbursement of 50,628.6 million baht, equivalent to 10.3 percent of total carry-over budget. In detail, the 2012 budget disbursement included (i) current budget disbursement of 401,051 million baht or 22.4 percent of the total current budget, and (ii) capital budget disbursement of 38,128 million baht or 14.5 percent of the total capital budget.

Capital budget disbursement on fixed asset such as land and building in the first quarter of fiscal year 2012 accumulated to 93,329.1 million baht slowed down by 7.9 percent from the previous quarter. The reduction in disbursement was mainly due to the delay of 2012 budget act and the investment project under the stimulus package 2 (SP2) are approaching their final implementation phase. The capital budget disbursement on fixed asset comprised (i) disbursement by government of 33,073.2 million baht dropped by 22.6 percent compared to the same period of last year and (ii) disbursement by state own enterprises of 60,255.9 million baht slightly picked up by 2.8 percent from last fiscal year. Furthermore, the disbursement by the government can be classified by their source of finance as follow: (i) the 2012 budget of 4,860.8 million baht, (ii) carry-over budget of 24,120.4 million baht, and (iii) budget under SP2 of 4,091.3 million baht.

The Stimulus Package 2 (SP2), the total budget allocated at the end of the first quarter of fiscal year 2012 was at 343,481.1 million baht and the total disbursement was at 301,823.0 million baht equivalent to 87.9 percent of the total allocated budget.

Fiscal balance in the first quarter of fiscal year 2012, the budget balance on cash basis recorded a deficit of 256,612.9 million baht. In detail, budget balance and non-budgetary balance recorded a deficit of 91,839.2 and 164,773.7 million baht respectively. Moreover, the usual cash balance management through deficit financing could not be conducted during the quarter as 2012 budget act has not been approved by the parliament. As a result, the treasury reserve, at the end of December 2011, register at 264,677 million baht declined from 256,613 million baht recorded at the end of September 2011 or equivalent to a reduction of 49.2 percent.

Public debt at the end of November 2011 amounted to 4,303,532.11 million baht, increased by 137,210.1 million baht or by 3.3 percent, compared to the same period of last year. However, comparing to the end of the 2011 fiscal year (September 2011), the public debt declined by 144,762.5 million baht or by 3.3 percent. The ratio of public debt to GDP at the end of November 2011 was at 40.5 percent, slowed down from 44.0 percent at the end of the 2011 fiscal year.

Capital budget disbursement on fixed asset such as land and building decreased by 7.9 percent compared to the same period in the previous year attributed by the deferment of investment project in 2012 budget.

Treasury reserve was at 264,677.0 million baht, decreased by 49.2 percent compared to 2011 budget.

Public debt to GDP ratio recorded at 40.5 percent, which is remaining under fiscal sustainability framework.

Fiscal Balance

Unit: Million Baht

Fiscal Year	2010					2011					2012
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Government Revenue	1,678.9	349.0	336.3	545.6	448.0	1,891.0	395.6	393.8	597.5	504.2	396.2
Compared with the target (%)	24.4	24.1	26.8	24.1	25.8	14.6	12.5	16.9	15.6	13.4	3.6
Compared with prior year (%)	19	25.9	17.7	20.6	15.5	10.9	13.4	17	8.8	7.3	0.1
Budget Disbursement ¹	1,627.8	396.8	432.4	379.5	419.2	2,050.5	553.8	516.9	521.9	458	439.2
Percent of annual budget (%)	95.8	23.3	25.4	22.3	24.7	94.5	25.5	23.8	24.1	21.1	21.2
Higher / Lower the target (%)	1.8	3.3	2.4	-2.7	-1.3	1.5	5.5	-0.2	0.1	-3.9	1.2
SP2 Disbursement	219.5	20.2	70.8	73.1	55.5	61.4	22.7	14.3	12.3	12.1	6.1
Percent of Total SP2 budget (%)						-72.0	12.6	-79.7	-83.2	-78.2	-73.3
SP2 Disbursement(Commulative)	234.4	35.0	105.8	178.9	234.4	295.8	257.1	271.4	283.7	295.8	301.8
Percent of Total SP2 budget ¹ (%)	67.0	10.0	30.2	51.1	67.0	84.5	73.5	77.6	81.1	84.5	86.2
Percent of Total allocated budget ² (%)	73.1	21.1	39.8	58.6	73.1	86.3	76.8	79.5	83.1	86.3	87.9

Source: FPO & GFMS

Remark: ¹ Total SP2 Budget 350,000 Million Baht² Total allocate Budget at the end of period

Public Debt

Unit: Billion Baht

Public Debt End of Period (Fiscal Year)	2008	2009	2010				2011				2012
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 (Nov 11)
Public Debt End of period	3,408.3	4,002.0	3,967.5	4,124.7	4,202.4	4,230.7	4,282.1	4,246.1	4,263.4	4,448.2	4,303.5
Public Debt to GDP (%)	37.5	44.3	43.9	40.8	41.6	41.9	42.4	41.3	41.1	44.0	40.5
Direct Government	2,162.1	2,586.5	2,588.1	2,762.3	2,864.7	2,907.5	3,002.4	2,988.8	3,000.5	3,181.1	3,087.2
Non-Financial State Enterprises Debt	988.5	1,108.7	1,098.3	1,103.7	1,095.3	1,084.0	1081	1,065.9	1,074.3	1,079.7	1,061.4
Special Financial Institutions Guaranteed Debt	102.3	208.7	198.4	188.6	180.5	177.2	168.1	160.3	158.3	156.9	168.1
FIDF Debt (Liability)	138.2	98.1	82.6	70.1	61.9	62.1	30.6	31.1	30.4	30.4	0.0
Autonomous Agency Debt (VF & EFPO)	17.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: MOF

❑ Financial Condition

Policy Rate declined. During the fourth quarter, The Monetary Policy Committee (MPC) decided to lower the policy interest rate, from 3.50 percent to 3.25 percent per annum. The decision was made in order to stimulate domestic economy from severe flood impact. Similarly, many Asian countries started to relax their monetary policy after a continuous hike of policy rate in the first three quarters of 2011. These were mainly due to the uncertainty in global economic outlook and soften inflationary pressure.

In 2011, the monetary policy was going through a tightening cycle as MPC decided to continually raise the policy interest rate in the first three quarters of 2011, resulted in an increase of policy rate from 2.00 percent to 3.50 percent. This was mainly due to the heightening of inflationary pressure while Thai economy's still experience a sound economic expansion. Nevertheless, recent severe flood damage as well as increasing of global economic risks, MPC decided to halt the rate in October and lower policy rate by 0.25 percent in November as future risk for Thai economy remains apparent while upside inflation risks were expected to be limited.

In January, MPC decided to further drop the policy interest rate by 0.25 percent in response to escalating flood damage, while risk of a global economic slowdown has increased especially from EU public debt situation and the fragile state of US economy which could undermine future performance of export sector. Furthermore, domestic inflationary pressure started to soften. Thus, Thai policy rate at the end of January 2012 stood at 3.00 percent per annum.

Policy rate was decreased from flood damage, the uncertainty in global economic and soften inflationary pressure.

World Policy Rate Changes

Unit : Percent

Country	2009	2010				2011						2012	Policy Rate at the end of Jan 2012
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct	Nov	Dec	Jan	
Thai	-1.50			+0.50	+0.25	+0.50	+0.50	+0.50		-0.25		-0.25	3.00
USA													0.25
Europe	-1.50						+0.25	+0.25		-0.25	-0.25		1.00
China					+0.50	+0.25	+0.25	+0.25					6.56
Japan					0-0.1								0 - 0.1
India	-1.00			+0.25	+0.25	+0.50	+0.25						3.00
Brazil	-1.50					+0.25	+0.25					-0.25	6.25
Malaysia	-1.25	+0.25	+0.25	+0.25			+0.25						3.00
Philippine	-2.75					+0.25			-0.25	-0.50			6.00
Indonesia	-5.00		+1.50	+0.50		+1.00	+0.50	-0.25			-0.50	-0.50	10.50
Russia	-0.50	+0.25	+0.50		+0.25					-0.25	-0.25		4.25

Source : CEIC

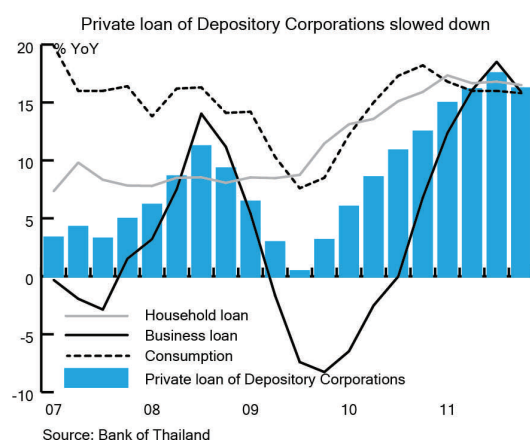
Commercial banks' interest rate remained unchanged. Although the policy interest rate was dropped by 0.25 percent during the fourth quarter, an average of 12-month deposit rate and MLR lending rate of four major banks still remains unchanged. As a result, the real deposit and lending rate increased from -1.16 percent and 3.22 percent per annum to -0.66 percent and 3.72 percent per annum, respectively. Whereas, the medium-sized commercial banks declined their interest rates particularly deposit rates in response to the policy interest rate cut. **In January**, only The Government Savings Bank lowered their lending rates and saving rate by 0.19 and 0.12 percent consecutively.

Deposits including Bill of Exchange (B/E) of Depository Corporations expanded by 14.3 percent, slightly decelerated from 14.7 percent in the preceding quarter. Throughout the fourth quarter, Bill of Exchange (B/E) continually decelerated from 69.4 percent at the end of the previous quarter to 60.4 percent at the end of current quarter. Meanwhile, deposits (excluding B/E) slightly picked up to 10.1 percent, compared to an expansion of 9.9 percent at the third quarter. This was caused by the heightening of financial institutions fundraising activities in order to support future loan expansion after the severe flood situation.

Private loans (excluding accrued interest) slowed down from 17.5 percent in the previous quarter to 16.2 percent, owing to business sector decided to postpone loan application as a result of severe flood. Therefore, loan for business expanded at a slower pace by 15.9 percent, compared to 18.5 percent expansion in the preceding quarter. Moreover, loan for household slightly decelerated from 17.0 percent to 16.5 percent in this quarter. However, personal loans expanded at the similar rate compared to the previous quarter, this was mainly due to the rise in household loan for post-flood restoration and spending during the New Year holidays. On the contrary, number of credit cards slowed down and outstanding credits declined in accordance with the deceleration of credit cards spending, caused by the decline in consumer confidence during the flooding period. Non-Performing Loans (NPLs²) to outstanding loan had decreased to 1.3 percent from 1.5 percent in the previous quarter, as a result of principle repayment and selling of debts to Asset Management Corporation: AMC.

For the year 2011, Deposits including Bill of Exchange (B/E) of depository corporations accelerated. For the first half of 2011, Bill of Exchange (B/E) expanded at a high level which was attributed to growing appetite for higher yield investment and an adjustment of saving behaviors after the implementation of the new deposit protection regulation. Whereas, for the second half of the year, issuance of B/E expanded at a slower pace, owing to an adjustment in B/E issuing regulation which required financial institution to include issued B/E into the calculated components of their reserve requirement ratio. Private loans expanded at a faster pace following a positive sign of economic situation especially loans for business. On the contrary, loan for household decelerated.

Furthermore, Specialized Financial Institutions (SFIs) had set up a credit line to relief the flood-affected person total of 257,000 million baht and up until 13th of February 2012 SFIs had approved loan under this credit line worth 9,528.8 million baht or 3.7 percent of the total credit line.



Deposit rate and lending rate of 4 majors banks unchanged, while the medium-sized commercial banks decreased deposit rate in response to the policy rate cut.

Deposits including Bill of Exchange (B/E) of Depository Corporations decelerated, owing to the deceleration in B/E. Meanwhile, Deposits slightly picked up.

Private loans slowed down as a result of severe flood impact.

² NPLs in financial institutions (excluding BIF and credit fanciers).

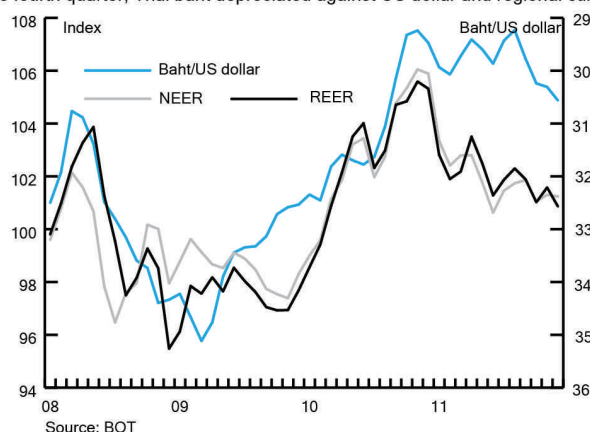
Excess liquidity of commercial bank system tightened. Commercial bank's credit, excluding repurchase position (R/P), to deposits (including B/E) ratio had increased to 93.7 percent from 93.0 percent in the previous quarter, due to a higher expansion of loan than deposit (including B/E). Nevertheless, the current level of excess liquidity remained at a high level and will be able to support future loan extension.

Thai baht depreciated against US dollar. An average exchange rate in the fourth quarter of 2011 was at 31.017 baht per US dollar, depreciated from the previous quarter and from the same period of last year by 3.0 and 3.4 percent respectively. Thai baht appreciated in the beginning of the quarter, supported by the clearer direction of Greece debt resolution. Nevertheless, during the latter half of the quarter, Thai baht depreciated as concern over the uncertainty in global economic outlook increased which caused by the public debt situation in the EU and the stagnation of the US economy. Furthermore, the severe damage from the flood also deepened the downward movement of Thai baht. Thus, investors had adjusted their investment strategies by reducing their risk asset. Thai baht depreciated against other regional currencies including that of export-competing-countries. Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) declined by 4.13 and 0.85 percent, respectively.

In 2011, Thai baht fluctuated in the first half year and depreciated continuously during the rest of year. Thai Baht moved in the range of 29.696 - 31.692 baht per US dollar with an average exchange rate of 30.492 baht per US dollar, appreciated by 3.78 percent compared to 2010 while Real Effective Exchange Rate (REER) increased by 6.84 percent.

An average exchange rate in January was at 31.576 baht per US dollar depreciated by 1.15 percent compared to previous month. During 1st – 17th of February, the depreciation trend of Thai baht started to slowdown, with an average exchange rate recorded at 30.869 baht per US dollar.

In the fourth quarter, Thai baht depreciated against US dollar and regional currencies



Capital and financial account recorded a net outflow³ In the last quarter of 2011, capital and financial account recorded a net outflow of 5.2 billion US dollars, increased from a net outflow of 2.0 billion US dollars in the previous quarter. The increased in net outflow was mainly contributed by an outflow of short-term loans repayment and an increased in commercial bank foreign deposit account following a decreased in hedging position of Thai's exporter from lower export transaction caused by flood damage.

In 2011, Capital and financial account recorded a net outflow of 6.4 billion US dollars, shifted from a net inflow of 24.0 billion US dollars in 2010. The sharp drop in capital and financial

Excess liquidity had increased but remained at a high level.

Thai baht depreciated against US dollar following the uncertainty in global economic outlook and severe flood damage.

Capital and financial account recorded a net outflow, as a result of an outflow of short-term loans repayment and an increased in commercial bank foreign deposit account.

³ Capital and Financial account figure at the end of fourth quarter preliminary data from Bank of Thailand, which is subjected to be changed.

account was mainly attributed from both banking sector, a decline in hedging position of Thai's exporter, and other sectors, an increase of trade credit extended to business counterparts by non-depository financial institution.

Capital and Financial Account

(billion of USD)	2009	2010					2011				
		Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Monetary authorities	1.48	2.71	0.59	0.03	0.77	1.32	-0.14	1.70	-0.65	0.11	-1.30
Government	0.59	3.56	1.00	0.38	1.89	0.29	3.68	1.17	0.34	1.80	0.38
Bank	8.34	10.32	2.36	4.13	1.37	2.46	-7.71	1.52	0.01	-0.96	-8.28
Others	-13.01	7.40	2.95	0.58	4.22	-0.35	-2.20	-3.73	0.53	-2.97	3.98
Non-Depository Financial Corporations	-25.57	1.39	0.77	0.34	0.77	-0.50	n.a.	0.09	-1.41	-0.63	n.a.
Non-bank	12.56	6.01	2.18	0.24	3.45	0.14	n.a.	-3.82	1.94	-2.34	n.a.
Capital and Financial A/C	-2.60	23.99	6.90	5.12	8.26	3.72	-6.36	0.65	0.23	-2.02	-5.22

Source: BOT

Current account registered a surplus of 1,843 million US dollars (equivalent to 57,539 million baht) decreased from a surplus of 3,146 million US dollars (equivalent to 94,891 million baht) in the previous quarter. This was attributed to trade balance surplus of 993 million US dollars and net services, primary income and secondary income surplus of 850 million US dollars.

In 2011, current account registered a surplus of 11,869 million US dollars (equivalent to 363,197 million baht) slightly lower than a surplus of 13,176 million US dollars (equivalent to 412,320 million baht) in 2010.

International reserve at the end of January 2012 stood at 178.55 billion US dollars (excluding net forward position of 30.80 billion US dollars), which was equal to 3 times of short-term foreign debt (at the end of the third quarter of 2011) or 3.7 months of import value (at the end of the fourth quarter of 2011).

Headline inflation in the fourth quarter of 2011 was at 4.0 percent, declined from 4.1 percent in the previous quarter, mainly resulted from a decrease in domestic oil price. Non-food and beverage price index increased by 0.5 percent, declined from 1.7 percent in the previous quarter, mainly due to a decrease in domestic oil price following a drop in world crude oil price. Moreover, the reduction of Oil Fund levy on octane-91, octane-95 gasoline and diesel, which became effective since 27th August 2011 to 15th January 2012 as well as the extension of diesel excise tax reduction measure until 29th February 2012 were also another supporting factors in fuel price index deceleration. Whereas, food and beverage price index expanded by 9.7 percent, increased from 8.2 percent in the previous quarter, resulted from an increase in price of prepared food, meat, fruits and vegetables. Such rising in price was mainly caused by severe flood which affected agricultural planting areas and resulted in crop yield reduction. **Core inflation (excluding fresh food and energy) in the fourth quarter stood at 2.9 percent**, increased from 1.5, 2.4 and 2.8 percent in the first, second and third quarter respectively. An upward trend of core inflation reflected that producer has passed on their higher production cost to commodities' prices especially the prepared food both consume in and outside home, as well as an upward price of seasonings and condiments such as sugar and oil. This was an attributable to high demand on food during flood situation.⁴

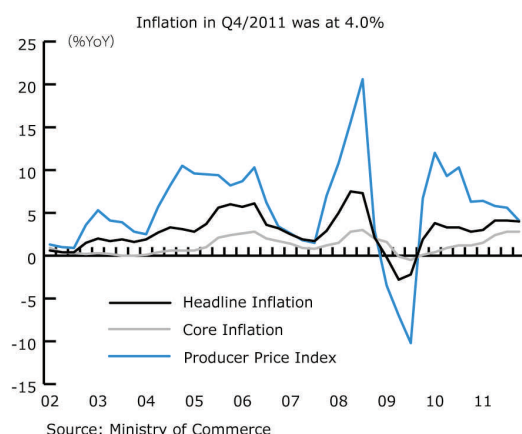
In 2011 headline inflation was at 3.8 percent, increased from 3.3 percent in 2010, mainly resulted from an increase in price of prepared food, meat, fruits and vegetables. Food and beverage price index increased by 8.0 percent whereas non-food and beverage price index increased by 2.8 percent.

Current account registered a slower on surplus.

International reserve at the end of January 2012 stood at 178.55 billion US dollars.

Headline inflation in the fourth quarter of 2011 was at 4.0 percent.

⁴ In January 2012, headline inflation was at 3.4 percent and core inflation was at 2.8 percent.



Producer price index in the fourth quarter of 2011 was at 4.1 percent, continually decreased from 5.5 percent in the previous quarter. Such reduction was due to lower price of manufacturing products (particularly rubber and plastic products) according to a decrease in world price, as well as mining products (particularly petroleum and natural gas). Whereas price of agricultural products declined by 5.3 percent, improved from a contraction of 7.6 percent in the previous quarter as a result of an increase in price of vegetables and fruits due to severe flood impact. Moreover, a continual decrease in cost of raw materials, especially non-food resulted in a deceleration of producer price index and subsequently reduced the pressure on production cost.

In 2011, producer price index stood at 5.5 percent, declined from 9.4 percent in 2010, mainly resulted from a decrease in price of agricultural products.⁵

SET index advanced in line with the region, however, average daily trading value declined.

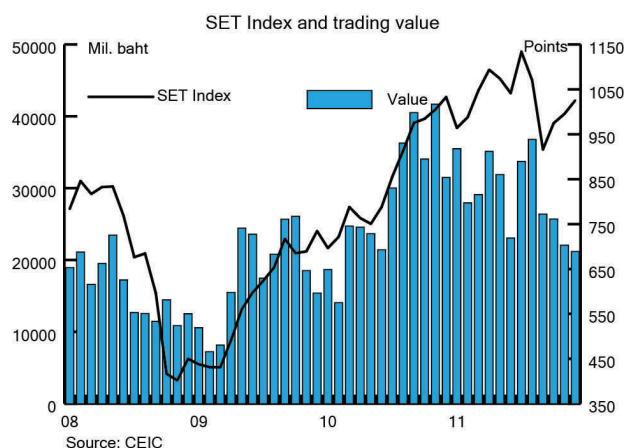
SET index advanced and closed at 1025.3 basis points, increased by 11.9 percent from the previous quarter. This was mainly due to a surge in capital flow to Asian region as well as positive factors from domestic sources, especially the investment of the LTF and RMF fund. Furthermore, foreign investors recorded a net buy of 30.2 billion baht. Nevertheless, SET index fluctuated throughout the entire quarter due to external factors attributed by both the public debt situation in the EU and the stagnation of the US economy along with domestic flood damaged, which led to a sharp decreased in average daily trading value from 32.3 billion baht to 23.0 billion baht.

In 2011, SET index fluctuated in the range of 855.5 - 1,144.1 basis points, slightly decreased from 1032.7 basis points or decreased by 0.7 percents from last year, while average daily trading value is quite stable at 28.6 billion baht. Foreign investor posted a net sell position of 5.1 billion baht after recorded a dramatically high net buy position from previous year.

In January 2012, SET index continued to hike and closed at 1,084.0 basis point or increased by 5.7 percents from the previous month. This was influenced by the recovery of US economy and the clear statement of the FED in keeping the interest rate exceptionally low until 2014. However, average daily trading value remained low at 23.9 billion baht. Foreign and institution investors posted a net buy of 4.4 billion baht. Between February 1st- 17th, SET index advanced further, foreign investor remain posted a high level of net buy position by 31.7 billion baht.

Foreign investor's posted a net buy of 30.2 billion baht in line with the capital inflow toward the Asian region.

⁵ In January 2012, producer price index was at 3.6 percent.



Bond trading volume and Foreign investors' net buy position sharply dropped. Daily average outright trading in the fourth quarter registered at 60.5 billion baht, declined from 69.8 billion baht in the third quarter of 2011. Moreover, foreign investors' recorded a net buy of 30.5 billion baht sharply dropped from a net buy of 171.5 billion baht in the previous quarter. The sharp reduction in net buy position of foreign investor was caused by (i) concern over an unfolding Euro zone crisis and US economic uncertainty and (ii) reduction in bond supply especially from BOT bond and government bond.

Furthermore, the market expectation of lower policy rate in the near future and slowdown in bond supply have caused yield curve of all tenors to shift downward. Nevertheless, the government bond index rose considerably from an increased in demand from both foreign and domestic investor.

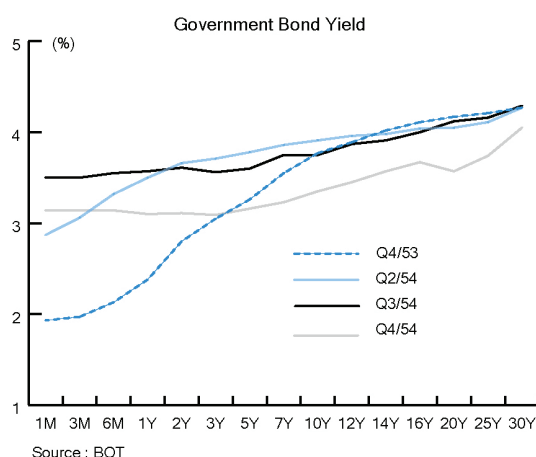
The bond market in 2011, daily average outright trading increased to 72.1 billion baht from 68.6 billion baht in 2010 with a net buy position of foreign investor recorded at 688.8 billion baht, compared to 322.4 billion baht in the previous year. This was mainly caused by an extension of easing monetary policies in major industrial countries, which led to a continuous demand in Thai bond during the first quarter to the third quarter of 2011.

Foreign investors' net buy position sharply dropped compared to the previous quarter.

Stock and Bond Market

(Billion Baht)	2009	2010					2011					2012
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Jan
Stock Market												
SET Index	734.5	1,032.8	788.0	797.3	975.3	1,032.8	1,025.3	1,047.5	1,041.5	916.2	1,025.3	1,084.0
Daily average trading (Billion Baht)	17.8	28.7	19.3	23.1	35.8	35.9	29.0	30.8	30.0	32.3	23.0	23.9
Net Trading of Foreign Investors (Billion Baht)	38.2	81.7	42.5	-59.9	58.9	40.1	-5.1	-0.6	-14.1	-20.7	30.2	2.9
Bond Market												
Gross Price Index (Point)	103.5	104.9	104.6	108.0	108.9	104.9	105.9	104.2	103.3	103.6	105.9	106.3
Daily Average Outright Trading Value	59.9	68.6	61.4	64.8	70.9	77.0	72.1	80.8	77.7	69.8	60.5	70.5
Net Trading of Foreign Investors	23.1	322.4	25.8	21.6	148.5	126.5	688.8	292.7	197.1	171.5	30.5	61.0

Source: CEIC and ThaiBMA



Corporate fundraising through debt security increased following a rising demand in business working capital. Private fundraising totaled at 255.3 billion baht, accelerated from 200.5 billion baht in the previous quarter but slightly declined from the same period of last year which recorded at 286.2 billion baht. Debt securities issuance accounted for 248.2 billion baht, mainly from a rising demand in business working capital. Furthermore, the majority of debt securities issuance came from financial intermediation sector, real estate sector and production sector. Fundraising through equity securities registered at 7.1 billion baht slightly decelerated from the previous quarter. Moreover, the fundraising was mainly in production sector and health and social work sector.

In 2011, private fundraising was at 1,216.9 billion baht, increased from 1,066.0 billion baht in 2010. The majority of the fundraising was concentrated in the first half year as private sector anticipated an outperforming economic growth in the latter half. This is reflected through the issuance of debt securities in the first half of the year which recorded at an impressive figure of 782.9 million baht. Nevertheless, the private fundraising from the third quarter onward started to decline following a reduction in the need for business working capital after the worsen situation of EU debt crisis.

Corporate fundraising increased following a rising demand in business working capital.

Insurance of Private securities in Primary Market

(Billion Baht)	2009	2010					2011				
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
Equity Securities	32.8	96.2	19.7	37.1	22.0	17.3	92.1	39.0	37.2	8.9	7.1
Debt Securities	985.9	969.9	201.2	275.3	224.4	268.9	1,124.8	404.4	302.3	191.6	248.2
Short-term	571.8	682.5	144.4	164.5	178.2	195.4	873.3	330.0	221.1	147.4	174.7
Long-term	414.1	287.4	56.85	110.7	46.2	73.6	251.5	74.4	81.2	44.2	73.5
Total	1,018.8	1,066.0	221.0	312.4	246.4	286.2	1,216.9	443.4	339.5	200.5	255.3

Source: BOT

2. Crude Oil Price in Q4/2011 and Oil Price Trend in 2012

❑ Crude Oil Price in Q4 and 2011

World crude oil price increased at a slower pace as a result of an uncertainty in economic situation in Europe, particularly public debt crisis in Greece. In the fourth quarter of 2011, an average world crude oil price (Dubai, Brent, Oman, and WTI) stood at 104.07 US dollars per barrel, higher than the average price of 85.24 US dollars per barrel in the same period of last year or increased by 22.1 percent, decelerated from 38.7 percent in the prior quarter.

In 2011, the average crude oil price (Dubai, Brent, Oman, and WTI) stood at 104.64 US dollars per barrel, higher than the average price of 78.90 US dollars per barrel in 2010.

World crude oil price increased at a slower pace due to uncertainty in economic situation in Europe, particularly public debt crisis in Greece.

Crude Oil Price

US dollar/ barrel		OMAN	DUBAI	BRENT	WTI	Average
2008	Year	94.37	93.65	97.93	99.69	96.41
2009	Q1	44.60	44.27	45.43	43.07	44.34
	Q2	59.01	58.95	59.67	59.64	59.32
	Q3	68.19	67.88	68.85	68.36	68.32
	Q4	75.42	75.29	75.58	76.22	75.63
	Year	61.80	61.60	62.38	61.82	61.90
2010	Q1	76.08	75.69	77.28	78.72	76.95
	Q2	78.15	77.90	79.44	78.07	78.39
	Q3	73.84	73.83	76.74	75.70	75.03
	Q4	84.40	84.22	87.23	85.13	85.24
	Year	78.12	77.91	80.17	79.41	78.90
2011	Q1	100.55	100.17	105.22	94.15	100.02
	Q2	111.10	110.73	117.19	102.67	110.42
	Q3	107.33	106.92	112.17	89.76	104.05
	Q4	106.98	106.31	109.03	93.97	104.07
	Oct	104.61	103.82	108.68	86.09	100.80
	Nov	109.19	108.82	110.47	97.05	106.38
	Dec	107.14	106.30	107.95	98.77	105.04
	Year	106.49	106.03	110.90	95.14	104.64
2012	Jan	110.77	109.73	111.43	100.24	108.04
	1-16 Feb	114.34	113.28	116.55	99.18	110.84
	16 Feb	117.24	116.11	120.11	102.31	113.94

Source: Thaioil (PLC)

❑ Crude Oil Price Trend in 2012

In 2011, an average Dubai crude oil price stood at 106.03 US dollars per barrel which was higher than 77.91 US dollars per barrel in 2010. On 16th February 2012, Dubai crude oil price stood at 116.51 US dollars per barrel. NESDB forecasted that the average Dubai crude oil price in 2012 will be in a range of 105-110 US dollars per barrel, the similar level as 2011 price.

Most of the institutions expected that an average WTI crude oil price in 2012 will be higher than 2011 which stood at 95.14 US dollars per barrel. For example, Energy Information Administration (EIA) of USA, JP Morgan and Goldman Sachs forecasted that WTI oil price for 2012 will be at 100.0, 110.0 and 123.5 US dollars per barrel consecutively. Whereas

In 2011, an average Dubai crude oil price stood at 106.03 US dollars per barrel, and forecasted that in 2012 will be in a range of 105-110 US dollars per barrel.

Business Monitor International (BMI) of UK projected that the price will drop to 93.50 US dollars per barrel.

Key factors contributing to the rise of oil price in 2012 include (i) global economic recovery; (ii) higher demand, especially from China. EIA anticipated that world oil consumption will increase from 88.11 million barrels per day in 2011 to 89.38 and 90.85 million barrels per day in 2012 and 2013 respectively. (iii) decreasing oil production in petroleum exporting countries; (iv) political unrest in the Middle East; and (v) public debt crisis in Greece.

WTI Oil Price Forecast for 2012

Institution	WTI Projection of 2012
BMI (October 2011)	93.50 US\$/Barrel
EIA (January 2012)	100.00 US\$/Barrel
Goldman Sachs (January 2012)	123.5 US\$/Barrel
JP Morgan (November 2011)	110 US\$/Barrel

Source: Collected by NESDB

3. Global Economic Performance in Q4/2011

Eurozone economy expanded at decelerating pace with an increase in unemployment rate and inflation. Financial instability and sovereign debt in PIIGS could intensify the weakness of overall euro area. US economy grew at a faster pace, driven by industrial expansion. Rising level of employment would enhance the confidence in economic recovery. Asian economy was hit by the global economic slowdown. Chinese economy grew at the slowest pace in 10 quarters as a result of shrinking global demand. Japan economy exhibited a contraction but the domestic demand in Japan continued to be strong. Most ASEAN countries expanded at good paces. However, inflation is still a problem but tends to be less severe.

- ❑ **US Economy** expanded by 1.6 percent on a year-on-year basis, accelerated from 1.5 percent in the previous quarter. On a seasonally adjusted quarter-on-quarter basis, the economic growth rate was 2.8 percent, up from a 1.8 percent expansion in the third quarter. The increasing growth was driven by an expansion in industrial production as well as private consumption and spending on residential properties. Purchasing Managers' Index (PMI) was 53.9 increasing from the previous quarter's level at 51.6. A rise in PMI indicated an industrial expansion consistent to a decline in unemployment rate. Nevertheless, domestic demand decelerated as a result of fiscal policy tightening by which the US government was required to implement a good fiscal discipline.

In 2011, trade deficit was 558 billion US dollars, higher than the last-year deficit at 500 billion US dollars. The unemployment rate was 8.7 percent in the fourth quarter, lower than the previous quarter average at 9.1 percent. In addition, the unemployment rate continued to decline and stood at 8.3 percent in January 2012. Similarly, the number of unemployed persons in the third quarter was 13.9 million persons, but subsequently decreased to 13.1 million persons in the fourth quarter. Despite the dropout from labor force, the rest 683,000 persons were still able to find new jobs. In the fourth quarter, non-farm payroll was 132.2 million persons where the number was only 131.7 million persons in the previous quarter. Most of the employment growth was seen in private sector. On the other hand, government employment continued to drop.

- ❑ **Eurozone Economy** expanded by 0.7 percent on a year-on-year basis and contracted by 0.3 percent on a quarter-on-quarter basis. Most countries in the area are sliding into a recession as experiencing both decelerating and negative growth. Germany, Austria and France, for example, expanded at a decelerating pace of 2.0, 1.4 and 1.5 respectively. Greece and the Netherlands contracted by 7 and 0.7 percent respectively. Unemployment slightly rose to 10.4 percent from 10.2 percent in the previous quarter. Spain remained its highest rate of unemployment in the group at 22.9 percent (December), while Austria retained its lowest rates at 4.1 percent. Inflation continued to rise above 2 percent target at 2.9 percent for three consecutive quarters with rising trends for coming quarter. Nevertheless, the ECB decided to reduce the policy rate for the third time since July by 25 basis points to 1.0 percent. However, the considerably cross-country variation with high gap of multiple rates of inflation could limit the impacts of such interest rate measures. And there was a risk that sovereign debt and banking stresses could intensify, perhaps significantly, to the detriment of overall economic activity and the financial stability across the euro area. Overall, the Euro area expanded by 1.5 percent in 2011 and expected to contract by 0.5 percent in 2012.
- ❑ **Japanese Economy** contracted by 0.6 percent on a seasonally adjusted quarter-on-quarter basis, decreased from 1.7 percent seen in the previous quarter. Global economic slowdown strongly hit Japanese economy where exports declined by 1.7 percent on a year-on-year basis, decreased from 1.2 percent growth in the preceding quarter. Yen appreciation and flood in Thailand also added to

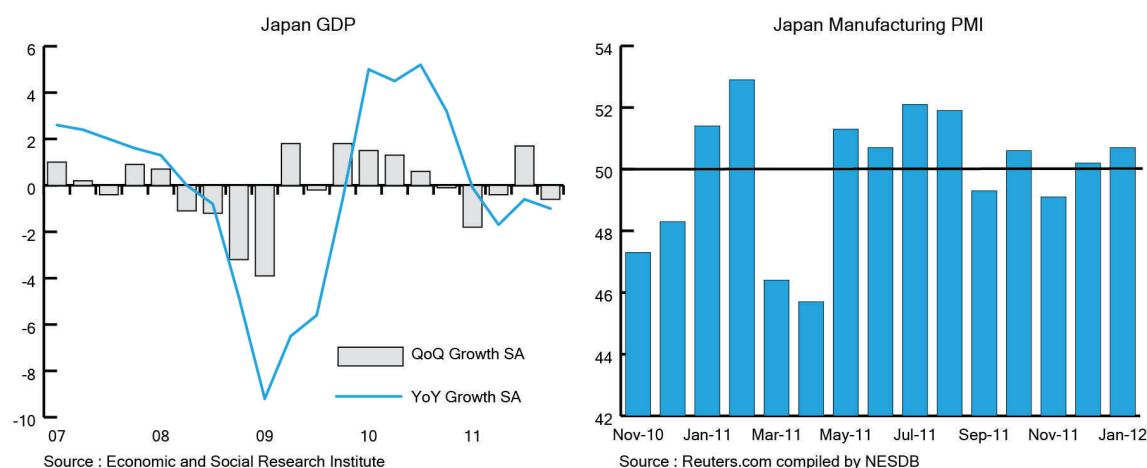
US economy grew at a faster pace, driven by industrial expansion. Greater level of employment would enhance the confidence in economic recovery.

Eurozone economy expanded at decelerating pace on annual basis and contracted on quarter basis. A slight increase in unemployment and a continual rise in inflation appeared against the ECB's decision on the policy rate cut by 25 bps to 1.0 percent. Meanwhile, financial instability and sovereign debt in PIIGS could intensify the weakness of overall euro area which expected to contract by 0.5 percent in 2012.

Japan economy exhibited a contraction compared to the previous quarter and was hit by global economic slowdown, while domestic demand continued to be strong due to private consumption and government spending.

the fourth-quarter economic contraction. In contrast, domestic consumption and government expenditure still grew by 0.5 and 1.5 percent on a year-on-year basis respectively. On supply side, industrial production decreased by a monthly average of 2.2 percent, and Manufacturing PMI also declined to 50.0 from a level of 51.1 in the previous quarter. Tankan, an index representing Japanese business environment, indicated a state of contraction. The index stood at -4 in the fourth quarter, down from 2.

However, Japan's export would be boosted as a global economy somewhat improved as evidenced by an improvement in US economic data and the attempt to cut fiscal deficit by Greece. Although there was a campaign by government called 2.5-trillion-yen The 4th Supplementary Budget and PMI rose to 50.7 in January 2012, but Japan economy would still be threatened by global economic slowdown and yen appreciation.



- ❑ **Chinese Economy** exhibited a 8.9 percent expansion on a year-on-year basis, the slowest pace in 10 quarters. In contrast, the economy grew 9.1 percent in the preceding quarter. On a seasonally adjusted quarter-on-quarter basis, the growth rate was 2.0 percent. Global economic slowdown, particularly in Europe, and tightened monetary policy were the main factors contributing to China slow growth. The other sign of slowdown was a decline in Purchasing Managers' Index (PMI) to a level of 49.9, while it was at the level of 50.9 in the previous quarter. Meanwhile, inflation still exceeded 4.0-percent target but declining from the previous quarter as a result of slowdown in global demand and tightened monetary policy. Inflation rates were 6.3 and 4.6 percent in the third and fourth quarter respectively. Lower inflation might lead to more easing monetary policy to boost economic growth. Evidently, the reserve requirement ratio for commercial banks was 21.0 percent, decreased by 0.5 percent. Later, economic growth was predicted to decline further, but not experienced a hard landing because of strong consumption expenditure.

- ❑ **Indian Economy** had a tendency to grow at a similar pace as the third quarter where the growth rate was 6.7 percent. Average PMI increased from 52.2 in the third quarter to 52.4 in the fourth quarter, and continued its rising trend to a level of 57.5 in January 2012. The expansion was due to an increase in production of newly-established businesses in response to rising consumer demand. However, industrial production index in the fourth quarter expanded by 1.0 percent, lower than 3.2 percent growth in the previous quarter as export was discouraged by plunge in global demand. The global economic slowdown, coupled with lower food prices, drove down inflation rate to 8.8 percent in the fourth quarter, decreased from 9.7 percent. Nevertheless, the inflation risk would persist because Rupee depreciation might lead to more expensive imports of raw materials and fuel. Hence, Reserve Bank of India increased the policy rate (Repo Rate), from 8.25 percent to 8.50 percent.

Chinese economy grew at the slowest pace in 10 quarters as a result of shrinking global demand. Consequently, People's Bank of China decided to ease monetary policy.

Indian economy had a tendency to maintain its slow growth similar to the previous quarter. Interest rate hike was implemented by Reserve Bank of India to restore price stability.

❑ Newly Industrialized Economies (NIEs – Singapore, Taiwan, South Korea and Hong Kong)

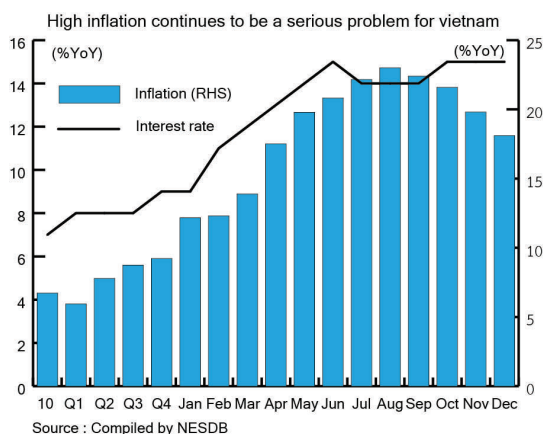
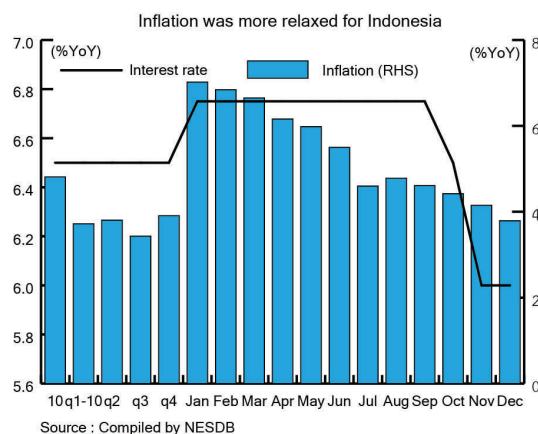
Singapore expected a slower growth in the fourth quarter, particularly in transportation and electronics sectors. The average monthly export growth in the fourth quarter was only 0.3 percent on a year-on-year basis. On a similar pattern, industrial production expanded by 10.2 percent, down from 15.1 percent in the previous quarter. Property rental cost was driven up by a supply shortage and rental fee rise, leading to a 5.54 percent inflation rate in the fourth quarter.

South Korea expanded by 3.4 percent, lower than 3.6 percent in the previous quarter. Tightened monetary policy was successful in tackling inflation which decreased to 3.9 percent, from the previous level of 4.31 percent, while the policy interest rate was raised to 3.25 percent.

Taiwan and Hong Kong expanded by 1.9 and 2.9 percent, down from 3.4 and 4.3 percent in the previous quarter respectively. Both economies were hit by shrinking global demand but being boosted by domestic consumption. Moreover, Lower investment by hi-tech companies contributed to a contraction of Taiwan economy. Regarding price stability, inflation in Hong Kong and Taiwan were 5.8 and 1.2 percent respectively, lower than the previous quarter's level. Low vegetable and communication prices led to low inflation in Taiwan, while Hong Kong still encountered high inflation driven by residential and food prices.

❑ **Australian Economy** grew by 1.0 percent in the third quarter, compared with 1.4 percent in the second quarter, mainly due to a price deceleration in housing market and a decline in coal production. Nevertheless, it was expected to improve in the last quarter following the better term of trade, growing exports and improving domestic investment. While, unemployment slightly rose to 5.2 percent from 5.1 percent in the previous quarter, a lower pressure on wage and a recovery in food production along with AUD appreciation brought inflation down for three consecutive quarters to 3.1 percent, compared with 3.6 and 3.5 percent in the second and third quarter respectively. As a result, the Reserve Bank of Australia decided to reduce the policy rate for the third time in 12 months by 25 basis points to 4.25 percent. However, the foreign exchange markets had remained volatile and being traded in a wide range against the US dollar. Overall, the Australian economy is expected to grow at 3.25 percent in 2011 and better in 2012.

❑ **ASEAN-4 economy (Indonesia, Malaysia, Philippines and Vietnam):** Most countries continued to expand at good paces. Vietnam expanded by 6.1 percent, accelerating from 5.7 percent in the previous quarter, while its inflation declined to 19.8 percent from a record high of 22.5 percent in the previous quarter. Subsequently, the refinancing rate has remained at 15 percent since October. Malaysia expanded by 4.8 percent, decelerating from 5.8 percent in the previous quarter. Philippines expanded by 3.7 percent, compared with 3.6 percent in the previous quarter. Indonesia, as a similar figure, continued to expand at 6.5 percent for four consecutive quarters and retained its policy rate at 6.0 percent in response to lower pressure on inflation.



NIEs growth was lower due to slowdown in global demand towards domestic goods. High inflation persisted in Singapore and Hong Kong.

The overall economy decelerated with negative signs found in coal production, housing market. Meanwhile, an easing inflation and a slight increase in unemployment caused the reserve bank decided to reduce the policy rate for three times in a year. The economy in 2012 is expected to see a better performance as term of trade improves and exports expands.

Most countries expanded at good paces. Interest rates were on downward trend as Inflation declined but still being a serious problem for Vietnam.

ASEAN-4's Headline inflation rates

	2008	2009	2010	2011			
				Q1	Q2	Q3	Q4
Malaysia	5.4	0.6	1.3	2.8	3.3	3.4	3.2
Indonesia	9.8	4.8	3.7	6.8	5.9	4.7	4.1
Philippine	9.3	3.3	4.3	4.1	4.5	4.5	4.7
Vietnam	23.1	6.7	7.9	12.8	19.4	22.5	19.8

Source: Collected by NESDB

GDP Growth of Major Economies

Country (%YoY)	2008	2009	2010					2011				
	Year	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Year
World	-0.6	2.2	4.9	5.8	5.5	3.7	4.7	3.7	3.2	3.3	3.1	3.3
USA	-0.0	-3.5	3.0	2.2	3.3	3.5	3.1	2.2	1.6	1.5	1.6	1.7
Eurozone	0.4	-4.3	1.9	1.0	2.2	2.4	2.2	2.4	1.7	1.4	0.7	1.5
UK	-0.1	-4.9	1.4	1.2	2.5	3.0	1.7	1.7	0.6	0.5	0.8	0.9
Japan	-1.2	-6.3	4	4.8	4.4	5.5	3.1	-0.3	-1.7	-0.5	-1.0	-0.9
China	9.6	9.2	10.4	12.1	10.3	9.6	9.8	9.7	9.5	9.1	8.9	9.2
India	4.9	9.1	8.8	12.6	9.1	8.6	9.2	7.7	8.5	6.7	6.7*	7.4*
South Korea	2.3	0.3	6.2	8.5	7.5	4.4	4.7	4.2	3.4	3.5	3.4	3.6
Taiwan	0.7	-1.8	10.7	12.9	13.0	11.7	6.5	6.6	4.5	3.4	1.9	4.0
Hong Kong	2.3	-2.7	7.0	8.0	6.8	6.9	6.6	7.6	5.3	4.3	3.0	5.0
Singapore	1.5	-0.8	14.5	16.4	19.4	10.5	12.0	9.4	1.0	6.1	n.a.	5.3*
Malaysia	4.8	-1.6	7.2	10.1	9.0	5.3	4.8	5.2	4.3	5.8	4.8	4.9
Philippine	4.2	1.1	7.6	8.4	8.9	7.3	6.1	4.6	3.1	3.6	3.7	3.7
Vietnam	6.3	5.3	6.8	5.8	6.4	7.2	7.3	5.6	5.7	6.0	6.1	5.9
Indonesia	6.0	4.6	6.1	5.9	6.3	5.8	6.8	6.4	6.5	6.5	6.5	6.5
Thailand	2.5	-2.3	7.8	11.8	9.1	6.5	4.0	3.0	2.8	3.5	-9.0	0.1*

Source: Collected and forecast by NESDB

4. Thai Economic Outlook for 2012

Thai economy in 2012 is likely to expand robustly, led by a strong domestic demand and a revival of domestic production sector, which was previously damaged by the severe flood last year. The outlooks of economic situation are as follows:

In the first quarter, the economy is expected to expand at a slow pace, due to the enduring effect of the devastating flood, especially, on agriculture and manufacturing sectors. **The main economic drivers in this quarter are:** (i) a continual expansion in private consumption, owing to higher expenditure on durable goods and post-flood reconstruction, low unemployment, and increases of public servants' salaries, (ii) a low expected inflation rate, due to an extension of the diesel excise tax reduction to the end of February, and (iii) a continual expansionary monetary policy including both lowering the policy interest rate and credit extension by the government. **The major risks and limitations in the first quarter are due to the following factors:** (i) the net export is likely to register a contraction as exports are anticipated to grow lower-than-usual pace. This is because the production sector has not yet fully recovered. Moreover, the external demand continues to deteriorate, especially under the situation where the European economy is still fragile. Nevertheless, imports are expected to continually expand due to imports of new machinery and equipment in order to replace those damaged by the floodwater during the late 2011, (ii) the delay in approval of FY2012 budget by the parliament, it is expected that the government would not be able to start disbursing its capital budget until early February 2012, and (iii) fluctuations in money market, capital market, and exchange rate. These are due to the ongoing debt repayment obligations in Euro countries such as Italy, where the payment will due in February, March, and April 2012 with the payment figures of 36.4, 27.1 and 27.8 trillion euro respectively which together accounts for 5.7 percent of the GDP, and Greece's payment which will due in March 2012 in the amount of 14.0 trillion euro which is equivalent to 6.8 percent of the GDP.

In the second quarter of 2012, the economic expansion is expected to be higher than in the first quarter, and is also expected to show a strong sign of recovery. **The main economic drivers for this quarter are:** (i) acceleration in production sector as to compensate the depleted inventory during the flooding period, (ii) a higher auto sale and investment in automobile industry. It is expected that the auto industry would be able to expand at a higher pace compared to that of the first quarter. This is due to the unusual low levels of auto sale and investment last year which are partially caused by the supply disruption stemming from earthquake in Japan, (iii) increase of minimum wages, (iv) acceleration in construction investment as the government capital investment resume its normal disbursement level. Moreover, the private sector will construct the dike in order to prevent possible flooding in industrial estate areas, and (v) exports are anticipated to expand at a high pace, owing to recoveries in domestic production sector and global economic situation, especially when the Euro economic situation shows some signs of recovery after the expected economic contraction in the first quarter of 2012. **Risks and limitations in the second quarter could arise from the following circumstances:** (i) the incoming rainy season would negatively affect producer and investor confidence, especially if the government's water management plan and post-flood rehabilitation measures are ineffectively implemented or carried out, and (ii) inflation rate tends to be higher as the result of an increase in excise tax on diesel.

It is expected that the economic condition during the second half of 2012 would be strongly favorable, especially in the fourth quarter where the highest growth could be experienced. This is partially because of the low base effect from last year. **The main economic contributors are:** (i) the major industrial productions, such as automobile, electronics, and electrical appliance, are expected to be able to operate at their full capacities, (ii) the agriculture sector would expand at a satisfactory pace, (iii) the tourism sector is expected to register a strong expansion, and (iv) private consumption would continue to expand, led by a high growth in consumption of durable goods. This is due to the improvement in overall population income structure derived from higher civil servants' salaries and minimum wages, and also from the agricultural product pledging scheme. Furthermore, the consumption of automobile is expected to rise during the fourth quarter in order to receive the benefit from the tax

refund measure for first car buyers which will expire at the end of year. **During the second half of this year, Thai economy is likely to encounter the following risks and limitations:** (i) tighter monetary policy due to the higher inflationary pressure from both demand and production cost, (ii) higher baht appreciation compared to that in the first half of this year, and (iii) fluctuations both in money and capital markets caused by debt repayment obligations in Euro countries such as Italy, where the total repayment in the second half this year of 102.5 trillion euro accounts for 6.4 percent of the GDP, and Spain, where the total repayment of 35.2 trillion euro accounts for 3.3 percent of the GDP.

❑ **Supporting Factors for Thai Economic Expansion in 2012**

- (1) **The construction investment is likely to expand**, from both public and private sector especially in reconstruction of current infrastructure that was damaged by the flood and investment in new infrastructure for future flood protection. Moreover, the government measures on urgent economic rehabilitation and strengthening foreign investor confidence will be some of the key factors which will drive the economy both in short and long term. Furthermore, the Strategic Committee for Reconstruction and Future Development (SCRF) has approved the infrastructure development plan for year 2012-2016 with the amount of budget around 2.65 trillion baht. This plan also includes the Long Term Strategy for Flood Prevention and Mitigation in the Chao-Phraya River Basin, proposed by the Strategic Committee for Water Resources Management (SCWRM) with an estimate budget of 0.34 trillion baht.
- (2) **Major economic sectors tend to recover rapidly**, indicating by (i) number of inbound tourist in January 2012 which registered at 1.94 million persons or expanded by 7.7 percent compared to the same period of last year, an improvement from the 17.9 and 2.5 percent reduction in November and December 2011 consecutively; (ii) the 4.8 percent decrease of exports in the fourth quarter despite the severe negative pressure from both the world economy and the effects of the 2011 flood; (iii) the unemployment rate in December 2011 which recorded at 0.4 percent – an improvement from 0.8 percent in November 2011; and (iv) an expansion of industrial capacity utilization in December 2011 which was at 52.3 percent – an increase from the 40.5 percent in November – while it is expected to accelerate in January 2012.
- (3) **Household income is likely to improve at a satisfactorily rate** especially from the government income restructuring policy – (i) the rise of minimum wage to 300 baht per day, (ii) the increase of civil servants' income to 15,000 baht per month for all personal who has a bachelor degree, and (iii) the pledging policy for major agricultural products such as rice and cassava – and the lowering cost of living and consumption stimulating measures – (i) the suspension of Oil Fund levy on gasoline and diesel, including an extension of the diesel excise tax reduction, and (ii) the tax refund for the first car buyers (not more than 100 thousand baht per unit). These are expected to be some of the supporting factors that support the strong rebound of the private consumption.
- (4) **Interest rate is anticipated to be kept at a low level particularly during the first half of the year.** This is attributed by the necessity of economic stimulation, the lower inflationary pressure, and the global interest rate direction which remains at a low level. Such a decrease of interest rate would be a positive factor to support economic recovery.

❑ **Risk Factor and Limitations**

- (1) **The natural disaster** is one of the risks to the economic growth in 2012, with an uncertainty in climate condition. Natural disaster can bound to occur at anytime while the severity of the impact is most likely to be more intense. In case of natural disaster with a catastrophe level of damage occur in Thailand during 2012, the impact toward Thai economy could be significant and may lead to a sharp rise in government expenditure which would distress the fiscal stability. Furthermore, the foreign investor confidence may fall dramatically and lead to the decline of foreign direct investment. On the other hand, the economy could also be affected by the natural disaster happened outside of Thailand, particularly the disaster that occurs to countries which are

manufacturers and exporters of Thailand's key industrial components as well as to the oil-producing countries, as this would lead to the rise of global oil price.

- (2) **The world economy is likely to expand at a decelerated rate, as Eurozone economy contracts.** The contraction of the Eurozone economy is a result of the public debt crisis that would bring about the public spending cuts, while real sector still in fragile state and unemployment remain high. Moreover, there is a rising concern over the spread out of the public debt crisis to many other economies such as Italy and Spain. The deceleration of the world economy would lead to the decline of the world trade volume. This could decelerate the export-oriented countries' growth, especially ASEAN, NIEs, Japan, Germany, and the developing countries around the world. Furthermore, the slowdown of the world economy could lower the oil price and demand for oil which is the important factors to income and economic growth of the oil exporting countries in Middle East and North Africa.
- (3) **Money market, capital market, and the foreign exchange rate are anticipated to fluctuate** due to (i) the rising uncertainty and weakness of the global economy particularly the Eurozone that will face with the high fluctuation during the government bond's repayment period in 2012 as a result of the concern over the default especially for Italy (193.7 billion euro, 12.2 percent of GDP) and Greece (33.5 billion euro, 15.9 percent of GDP); and (ii) the high global liquidity following the quantitative easing measure used by many central banks to stimulate their economies, leading to the continual fund flows for investment in low risk assets and speculation.

Repayment schedule in 2012 (Unit: Billion Euros)

	Greece	Portugal	Ireland	Italy	Spain	France	Germany
Q1	14.4	0.0	5.6	63.5	2.1	14.8	44.0
Q2	9.2	10.2	0.0	27.8	12.5	17.8	35.0
Q3	7.9	1.0	0.0	40.1	14.9	41.8	48.0
Q4	2.0	1.3	0.0	62.4	20.3	24.3	33.0
Total	33.5	12.5	5.6	193.8	49.8	98.7	160.0
% GDP	15.9	7.4	3.6	12.2	4.6	4.9	6.1

Source: Collected by NESDB

- (4) **The risk of higher world oil price still remains,** as the political tension between Iran and the US and the EU is increasing. Recently, the EU announced a measure to suspend all imports of oil from Iran by July 2012. Meanwhile, Iran retaliated by threaten to stop exporting oil to the EU as soon as possible. Today, Iran has the oil production capacity at 3.6 million barrels per day which is accounted for 12.1 percent of the total OPEC production capacity.
- (5) **The world agricultural price is forecasted to decrease** as a consequence of the lower demand following the deceleration of the global economy. This could cause the decline of the domestic agricultural price and farm income.
- (6) **The economy in the first quarter of 2012 is expected to grow at a low rate.** Though many economic sectors are likely to recover satisfactorily, the major part of manufacturing sector which locates in the severe submerged area still needs some more time for the recovery. This causes the lower than full capacity production and leads to the lower than normal export volume.
- (7) **Shortage of labor is expected in some industries.** The tight labor market and the rising wage bring about the increase of production cost especially in the labor-intensive industry and may lead to the relocation of production base. Moreover, the ambiguity of policy on foreign labor may increase a number of illegal labors, contributing to the social burdens.

□ Key Assumptions for 2012 Projection

- (1) **There is no devastating flood or if it occurs, an efficient national water management system and proper infrastructure has been invested and organized,** especially in important areas such as the industrial estates.

Key Assumptions for 2012 Projection

	2011	2012	
		21 Nov 11	20 Feb 12
World Economic Expansion (%)	3.8	3.6-4.0	3.4-3.8
US	1.7	2.2	2.2
EU	1.5	1.0	-0.2
Japan	-0.9	2.0	1.8
China	9.2	9.0	8.6
World Trade volume Expansion (%)	6.9	6.7-7.7	6.1-7.1
Exchange Rate	30.5	30.0-31.0	30.0-31.0
Oil Price (US\$/Barrel)	106.0	105-110	105-110
Export Price (%)	5.6	7.0	5.4
Import Price (%)	10.1	8.0	6.8
Tourists (Million persons)	19.1	20.0	21.0

Source: NESDB

- (2) **The world economy is expected to expand in the range of 3.4 – 3.8 percent in 2012, lower than the previous estimated growth of 3.6 – 4.0 percent.** While the world trade volume would increase by 6.1 – 7.1 percent, lower than the previous expected growth of 6.7 – 7.7 percent.

US Economy is estimated to expand by 2.2 percent, unchanged from previously forecast but higher than the 2011 growth of 1.7 percent. In the fourth quarter, the US economy grew by 2.8 percent (qoq, sa annualized). One of the main contributing factors to this expansion is a change in inventory, which, however, indicates that the real economy has not fully recovered yet. Nevertheless, it is anticipated that the US economy would continually recover throughout this year with the following essential supports: (i) a favorable labor market condition, suggested by the January unemployment rate of 8.3 percent which is the lowest figure in 3 years, (ii) a recovery in production sector as revealed by the ISM manufacturing production indicator at which registered a 7-month high of 54.1 percent in January, (iii) an improvement in real estate sector, and (iv) a mild reduction in public spending, regardless of a higher public debt accumulation. Even so, the US economic revival still faces the following major risks: (i) the Euro economic contraction which would negatively affect the US economy through trade and instabilities in money and capital markets, and (ii) an appreciation in US dollar owing to a more confidence in holding US dollar compared to Euro. This appreciation would, in turn, constrain the US exports.

EU economy is expected to register a contraction of 0.2 percent in 2012, decelerated from the previous expected growth of 1 percent and from the previous year growth of 1.5 percent. The economy during the first half of 2012 is expected to grow at a slow pace, especially in the first quarter where the economic contraction is anticipated. However, it is expected that the economic condition during the second half of 2012 would be more favorable, despite the fact that PIIGS countries would all face economic contractions, major economies like French and Germany would manage to have moderate expansion. The constraints facing the EU economy are as follows: (i) high public debt which would induce the government to cut its expenditure on both economic stimulation and welfare, (ii) a fragile real domestic sector and a high unemployment rate, (iii) instabilities in financial institutions as a result from holding considerable amount of government bond issued by high-debt countries and also from raising concern over debt default, and (iv) continual uncertainty and instability in money and capital markets, especially when it is close to the debt-repayment date for PIIGS countries.

Japanese economy is expected to increase by 1.8 percent in 2012, slowed down from the previous forecast of 2 percent but accelerated from the 2011 expansion of 0.9 percent. It is estimated that, during the first half of 2012, the Japanese economy would still be fragile and face with a sluggish recovery. However, during the second half of 2012, the economy would pick up and be in a more favorable condition with the following supporting factors: (i) increases in both public and private construction investment to restore and repair damages from the recent earthquake, (ii) a positive change in inventory after a contraction for four consecutive quarters in 2011, (iii) a recovery of major manufacturing production, especially automobile and

Key assumptions for the 2012 projection

(1) *There is no devastating flood.*

(2) *Global economy and trade volume expand at 3.4 -3.8 and 6.1-7.1 percent respectively*

(3) *Average Dubai crude oil price is 105-110 US dollars per barrel*

(4) *Average export and import prices (in US dollar terms) increase by 5.7 and 6.8 percent respectively*

(5) *Exchange rate is anticipated to be 30-31 baht per US dollar*

(6) *Number of tourists is approximately 21 million persons*

electronics, in which both registered contraction of 10 percent last year, and (iv) a revival of US economy which accounts for 17 percent of Japanese export market. Nonetheless, the Japanese economy would still encounters the following limitations: (i) an appreciation of Yen currency which leads to a reduction in the country's competitiveness, (ii) a contraction of Euro economy which accounts for 11 percent of Japanese export market, (iii) a high unemployment rate, and (iv) a very high public debt to GDP of 200 percent.

Chinese Economy is projected to grow by 8.6 percent in 2012. The new growth projection is declined from the previous expected growth of 9 percent and also from the 2011 growth of 9.2 percent. The main economic drivers are: (i) a reduction in inflation rate, revealed by the January inflation rate of 4.5 percent which is significantly lower than the average rate of 6.3 percent during the second quarter last year, (ii) the expansionary monetary is anticipated after a decline in inflationary pressure and real estate price, and (iii) a recovery of US and Japanese economies which account for 17 and 18 percent respectively. However, the Chinese economy still faces with difficulties under the following circumstances: (i) a contraction of Euro economy which accounts for 20 percent of the Chinese exports. The Chinese exports registered a contraction of 0.5 percent in January 2012 after a 26 months consecutive expansion. This contraction was caused by a reduction in export to Euro and Hong Kong of 3.2 percent and 16.5 percent respectively, and (ii) a tendency of Yuan appreciation.

- (3) **The 2012 average Dubai crude oil price is expected to be in the range of 105-110 US dollars per barrel**, the similar level in the previous forecast. The factors which could support a rise of oil price from 2011 price are as follows: (i) the demand for oil in developing countries and China which tends to increase according to the OPEC forecast, from 27.6 and 9.4 million barrels per day in 2011 to 28.2 and 9.8 million barrels per day in 2012 respectively; (ii) increase in demand for investment in oil fund from speculation capital following a situation of high liquidity in money market while the supply of low-risk assets is limit; (iii) the political tension between Iran and the EU and the US; (iv) the natural disaster which would affect the production base and the tendency of the severe winter. Nonetheless, the decline of oil price could occur due to the following factors: (i) the deceleration of the global economy particularly the contraction of the Eurozone; (ii) the possible of the dollar's appreciation; (iii) the high propensity that Libyan production will return to normal level after a low production in 2011, 0.5 million barrels per day in 2011 compared to 1.6 million barrels per day in 2010; and (iv) the OPEC excess production capacity (29.8 million barrels per day in 2011 compared to 31.3 million barrels per day in 2010).
- (4) **Export price in terms of US dollar is anticipated to increase by 5.4 percent, a downward revision from the previous forecast of 7 percent**, mainly due to: (i) the commodity prices is likely to decline; and (ii) major agricultural product prices is expected to slow down following the lower global demand. **Import price in terms of US dollar is estimated to expand by 6.8 percent, a downward revision from the previous forecast at 8 percent**, following an expectation of the decline in the world commodity prices.
- (5) **Exchange rate is expected to be in the range of 30.0-31.0 baht per US dollar**, unchanged from the prior forecast. The baht tends to depreciate during the first half of the year since the US dollar is likely to appreciate. Nevertheless, the baht is projected to appreciate during the latter half compared to the first half of the year following: (i) a higher potential of trade balance surplus after the domestic production returns to the normal level; (ii) the fund inflows are expected to increase as the confidence over the Thai economy increased compared to the first half of 2012; and (iii) the recovery of the Euro zone would cause the dollar to depreciate.
- (6) **Number of inbound tourists in 2012 is forecasted to reach 21 million persons**, an upward revision from the previous forecast of 20 million persons. The upward revision was mainly due to: (i) a rapid recovery of the tourist number after the flood; (ii) a smooth of the

domestic political repatriation process which would support the rise of tourist's confidence; and (iii) a continual increase in possibility of the higher number of Asian tourists especially from China and India as these economies has expanded at a satisfactory rate.

❑ Outlook for 2012:

Thai economy is likely to expand in the range of 5.5 - 6.5 percent, an upward revision from the previous forecast at 4.5 - 5.5 percent. Moreover, this would be a solid expansion comparing to a 0.1 percent growth in 2011. Meanwhile, the inflation rate is estimated to be in the range of 3.5 - 4.0 percent comparing to the rate of 3.8 percent in 2011. The current account is anticipated to register a surplus of 1.2 percent of GDP in 2012, slowed down from the surplus of 3.4 percent in 2011.

The main reasons for the revision are as follows:

- (1) Major manufacturing sectors are forecasted to recover at a faster pace than previously expected, supported by the expansions of the agricultural sector in the fourth quarter of 2011 and the tourism in January 2012. Furthermore, the manufacturing sector tends to improve to their full capacity within the first half of 2012.
- (2) The worst than expected contraction of the economy in the fourth quarter of 2011 leads to the lower base effect compared to the prior forecast.
- (3) The economic contraction in the fourth quarter of 2011 was mainly caused by the severe impact in the manufacturing sector. However, the demand side was still robust since the impact toward labor market was limited and the current condition remains sound. With the well stabilized Thai economy, the economy is expected to recover rapidly.

❑ The composition of 2012 economic growth

- (1) **Total consumption expenditure is revised upward from 4 percent in the previous projection to 4.4 percent in this projection. Household consumption is expected to expand strongly at 4.5 percent**, an increase from the previous expectation of 4.4 percent. Key contributors for the increase in household consumption include: (i) a continual increase in Thai people's income and (ii) a faster than expected recovery in major production sectors such as manufacturing, tourism and agriculture. **Government expenditure is forecasted to rise by 3.5 percent, improved from 2.0 percent from the previous estimation.**
- (2) **Total investment is likely to improve by 14.2 percent, rose from the earlier projection of 10.3 percent.** This increase is led by higher public and private investment expenditure. Private investment spending is expected to increase continually by 14.5 percent, compared to the previous projection of 11 percent. This acceleration in private investment is due to: (i) a faster than expected recovery in expenditure on capital goods, including increases in imported capital goods and commercial car sale, and (ii) expected rise in investment in major industries such as automobile and electronics. **Meanwhile, the public investment expenditure is forecasted to grow by 13 percent, accelerated from previous expected growth of 8 percent.** This is due to the government investment in various infrastructure projects regarding to post-flood rehabilitations and water management system.
- (3) **Export value in term of US dollar** in 2012 is expected to expand by 17.2 percent, a downward revision from the previous forecast of 19 percent, led by reduction in both export volume and price. The export price is expected to grow by 5.4 percent, decelerated from the prior projection of 7 percent. The export volume is likely to decelerate, from the earlier projected growth of 12 percent to 11.8 percent, owing to reduction of expected growth of global economy and world trade volume. **Export volume of goods and services is anticipated to increase by 11.5 percent, slightly accelerated from the former predicted growth of 11.3 percent**, due to an upward revision of expected foreign tourist number from 20 to 21 million persons.

Thai economy in 2012 is projected to grow 5.5-6.5 percent with 3.5-4.0 percent of inflation and current account will record a surplus of 1.2 percent to GDP.

- (4) **Import value in term of US dollar** in 2012 is forecasted to increase by 24.3 percent, decelerated from the previous projection of 25 percent, owing to a reduction in expected import price, from 8 percent in the previous forecast to 6.8 percent. On the other hand, the import volume is expected to increase by 17.5 percent, up from 17 percent in the prior forecast, as a result of an increase in investment. **The import volume of goods and services is likely to grow by 15.1 percent, higher than the former projected growth of 14.7 percent.**
- (5) **Trade balance** is anticipated to register a surplus of 13.3 billion US dollar, a downward revision from previous expected surplus of 13.5 billion US dollar. This is due to a higher downward revision of export value compared to that of import. While the service account is expected to register a deficit of 8.8 billion US dollar, an improvement from the previous expected deficit of 9 billion US dollar. This is because of a higher service income, compared to the previous estimation. Thus, the 2012 current account would register a surplus of 4.5 billion US dollar or 1.2 percent to GDP.
- (6) **Economic stability in 2012**, the average inflation rate is projected to be in the range of 3.5 to 4.0 percent, the same range of the previous forecast and also in line with the 2011 figure of 3.8 percent. While the unemployment rate is likely to remain at a low level of 0.7 percent.

5. The economic management for 2012

- (1) Urgently implement the flood protection system to prevent possible impact to the major communities and production bases. Furthermore, immediately put in place the water resource management plan that can efficiently and effectively prevent the nation from repetitious flood and drought. In achieving such goal, the government must accelerate the implementation of projects under the strategy for reconstruction and future development and master plan on water resource management, speed up the establishing of the Disaster Insurance Promotion Fund, providing proper financial aids for affected businesses that is in need of extra working capital for business recovery, and strengthening the confidence of manufacturing sector and investors.
- (2) Accelerate the budget disbursement, particularly investment expenditure to achieve the target of budget disbursement acceleration committee.
- (3) Employ suitable macroeconomic policy that can cope with rising volatility and risks in global financial market, as economic stability in European countries gradually worsen. The authority should give priority to preventive measures concerning the volatility in exchange rate, as well as implementing monetary and exchange rate policy that accompany the recovery state of Thai economy after the flood disaster.
- (4) Manage and maintain fair pricing for both consumers and producers. The emphasis should be given to the communication strategy that can convey the recommended price to the consumers with accuracy and in a timely manner, while facilitating domestic entrepreneurs to enhance their competitive edge will a crucial factor in reducing unnecessary cost of production.
- (5) Advance policy implementation which emphasizes inequality reduction and building better future for the country including income restructuring policy especially for low income earners, energy policy, infrastructure investment, and promoting investment on research and development.

Outlook for Eurozone in 2012

- (1) There would be a concern over a chronic problem in Greece despite its high tendency to receive a 130-billion-Euro rescue package offered by EFSF. Going forward, a requirement on debt and deficit reduction will lead to escalating social and economic problems. Among Eurozone, Greece is only a country exhibiting a continued decline in the GDP growth since 2006 Subprime Crisis. Empirically, the growth rates are: 5.2 percent (2006), 4.3 percent (2007), 1.0 percent (2008), -4.5 percent (2009), and -6.0 percent (2011).
- (2) In a case of default, the countries at greatest risk are France and Germany. In details, Germany has the greatest share in Greek debt (22.6 billion USD), and France is the second-ranked debt holder (15 billion USD). For the Greek private debt, France has the largest share (41.7 billion USD) whereas the second-largest debtholder is Germany (11.3 billion USD)
- (3) For some Eurozone countries, fiscal tightening measure significantly and negatively affects their domestic demand and economic growth, hence deteriorating Thailand's export prospect. Furthermore, the impact may also hurt other Thailand's export markets, e.g. ASEAN, Japan, and China, because a significant proportion of their exports go to Europe (11.0 percent for ASEAN, 20.0 percent for China, and 11.0 percent for Japan). For Thai economy, 22.7 percent of its exports go to ASEAN, 11.5 percent go to China, and 10.4 percent go to Japan.

Credit Ratings of Eurozone Countries

Eurozone countries have continued to be downgraded. On 13 January 2012, 16 countries were downgraded by Standard & Poors. Then, Moody's downgrade was imposed on 9 countries on 13 February 2012. Details of current ratings are as follow:

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
France	AA+	Negative	Aaa	Negative	AAA	Negative
Germany	AAA	Stable	Aaa	Stable	AAA	Stable
Belgium	AA	Negative	Aa3	Negative	AA+	Negative
Spain	A	Negative	A3	Negative	AA-	Negative
Italy	BBB+	Negative	A3	Negative	A+	Negative
Greece	CC	Negative	Ca	Developing	CCC	-
Ireland	BBB+	Negative	Ba1	Negative	BBB+	Negative
Portuguese	BB	Negative	Ba3	Negative	BB+	Watch Negative

Source: Compiled by NESDB, February 2012

Situation in Greece

The negotiation of rescue package between Greece and Troika has seen a slow progress as Greece was required by European Central Bank (ECB) to restructure its fiscal and tax system. Recently, several negotiations failed, leading to a concern and financial market volatility. Nevertheless, on 9 February 2012, Greece parliament accepted the Troika's requirements. and the rescue package will be approved on 20 February 2012. If Greece is granted the rescue package and able to payoff its 14.5-billion-Euro liabilities coming due on 20 March 2012, it will ease a concern over the default. Therefore, stability would likely to improve in financial market.

Greece Public Debt Under Rescue Package

Greece Debt Projection	% GDP	bn euros
Debt		
Greek debt, of which	160.9	351.1
Bonds		241.2
International bonds		18.3
T-Bills		15.4
Loans (from EU and IMF)		73.6
Other loans		2.7
Rescue packages		
First rescue package		110
Disbursed		73
from EU		52.9
from IMF		20.1
ECB (Securities Market Programme)		55
Private holdings (incl.other central banks)		223.1
Remaining in first rescue package		37
Second rescue package (planned)		130
Debt Reduction		
Debt reduction with PSI (75% participation)	38.3	83.7
Debt reduction with PSI and CAC (100% part)	48.8	106.6
Recapitalisation of Greek banks		30.0
Debt reduction if ECB sells at purchase price (estimate)	6.9	15.0
Total potential debt reduction (estimate)	42.0	91.6
Sovereign debt after potential debt reduction (estimate)	118.9	259.6

Remark: PSI: Private Sector Involvement

CAC: collective Action Clause

Source: Eurostat and Danske Bank, February 2012

Economic Projection for 2012

	Actual Data			Projection for 2012	
	2009	2010	2011	21 Nov 11	20 Feb 12
GDP (at current prices: Bil. Bht)	9,041.6	10,104.8	10,539.4	11,595.7	11,572.3
GDP per capita (Bht per year)	135,144	150,117	155,916	170,748	170,403
GDP (at current prices: Bil. USD)	263.3	318.8	345.6	380.2	379.4
GDP per capita (USD per year)	3,936.0	4,735.5	5,112.0	5,598.3	5,587.0
GDP Growth (at constant prices, %)	-2.3	7.8	0.1	4.5-5.5	5.5-6.5
Investment (at constant prices, %)	-9.2	9.4	3.3	10.3	14.2
Private (at constant prices, %)	-13.1	13.8	7.2	11.0	14.5
Public (at constant prices, %)	2.7	-2.2	-8.7	8.0	13.0
Consumption (at constant prices, %)	0.1	5.1	1.3	4.0	4.4
Private (at constant prices, %)	-1.1	4.8	1.3	4.4	4.5
Public (at constant prices, %)	7.5	6.4	1.4	2.0	3.5
Export volume of goods & services (%)	-12.5	14.7	9.5	11.3	11.5
Export value of goods (Bil. USD)	150.7	193.7	225.4	270.0	264.2
Growth rate (%)	-14.0	28.4	16.4	19.0	17.2
Growth rate (Volume, %)	-14.2	17.7	10.2	12.0	11.8
Import volume of goods & services (%)	-21.5	21.5	13.6	14.7	15.1
Import value of goods (Bil. USD)	118.1	161.9	201.9	256.6	250.9
Growth rate (%)	-25.2	37.0	24.7	25.0	24.3
Growth rate (Volume, %)	-23.2	26.8	13.1	17.0	17.5
Trade balance (Bil. USD)	32.6	31.8	23.5	13.5	13.3
Current account balance (Bil. USD) ^{1/}	21.9	13.2	11.9	4.5	4.5
Current account to GDP (%)	8.3	4.1	3.4	1.2	1.2
Inflation (%)					
CPI	-0.9	3.3	3.8	3.5-4.0	3.5-4.0
GDP Deflator	1.9	3.7	4.2	3.5-4.0	3.5-4.0

Source: Office of National Economic and Social Development Board, Feb 20th, 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>).