Economic Outlook

Thai Economic Performance in Q2 and Outlook for 2012

Macroeconomic Strategy and Planning Office

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Economic Projection Year 2012

(% YOY)	2011		2012		
	Q4	Year	Q1	Q2	Projection
GDP (at 1988 price)	-8.9	0.1	0.4	4.2	5.5-6.0
Total Investment (at 1988 price)	-3.6	3.3	5.2	10.2	11.3
Private	-1.3	7.2	9.2	11.8	12.2
Public	-12.1	-8.7	-9.6	4.0	8.1
Total Consumption (at 1988 price)	-3.0	1.3	2.4	5.4	4.7
Private	-2.8	1.3	2.9	5.3	4.8
Public	-4.1	1.1	-0.2	5.6	3.8
Export of Goods (US$)	-5.2	16.4	-4.0	-0.4	7.3
Volume	-7.5	10.2	-5.0	-0.8	6.8
Import of Goods (US$)	12.2	24.7	9.6	10.3	13.5
Volume	3.7	13.3	3.5	8.5	11.0
Current Account to GDP (%)	2.3	3.4	0.6	-2.7	0.1
Inflation	4.0	3.8	3.4	2.5	2.9-3.4
Unemployment rate	0.6	0.7	0.7	0.9	0.7

❒ In the second quarter of 2012, Thai economy expanded by 4.2 percent, the main driving factors were the advancement in production and private consumption especially manufacturing sector that started to positively expand. Moreover, the expansion were evident in most of the sectors including construction, wholesale and retail trade, hotel and restaurant, household expenditure, private and public investment. Nevertheless, agricultural production slowed down and export sector continued to contract.

❒ After seasonal adjustment, Thai economy in the second quarter grew by 3.3 percent compared to the first quarter.

❒ In 2012, Thai economy is expected to expand in the range of 5.5-6.0 percent, driven by domestic demand and acceleration of manufacturing sector. Private consumption and investment projected to grow by 4.8 and 11.3 percent respectively, while export value forecasted to expand by 7.3 percent. In addition, headline inflation is expected to be in the range of 2.9-3.4 percent and current account will register a surplus at 0.1 percent of GDP.

❒ The economic management for 2012 should emphasis on these following key issues: (i) Accelerating recovery process of flood affected industries to achieve full production capacity. At the same time, build up investor's confidence over flood protection system to ensure full usage of production capacity in domestic production base; (ii) Accelerating budget disbursement and implementing of major public infrastructure projects, particularly projects under water resource management plan to exploit an expandable government expenditure compensating the deceleration of export as well as build up investor's confidence. Meanwhile, speed up investment projects of state owned enterprises remain crucial; (iii) Implementing monetary and exchange rate policies in accordance with economic environment that inflationary pressure is expected to be soften. In the second half of 2012. , Thai economy highly depends on domestic demand growth as a driving force, while export sector strongly rely on price competitiveness and exchange rate stability; (iv) Assisting entrepreneur who are affected by a minimum-wage policy, particularly those labor-intensive SMEs by rapidly publicize them to fully utilize the government assisting measures such that they could reduce production cost and enhance productivity. Furthermore, the measures should be broadened out towards entrepreneurs not covered by the current scheme. At the same time, the measure also need to accommodate the labor being laid off or forced to reduce their working hours.

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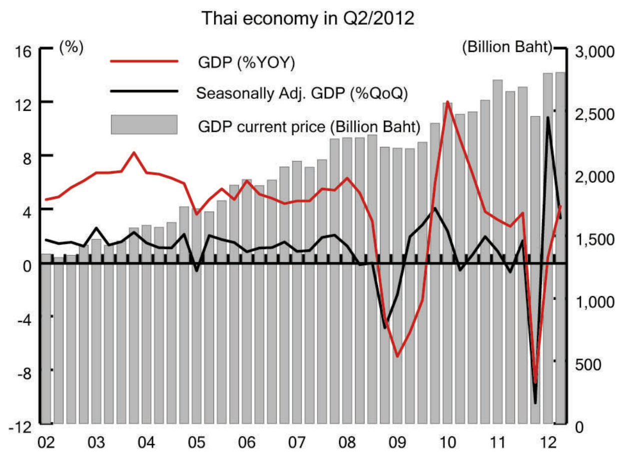
Thai Economic Performance in Q2 and Outlook for 2012

The Thai economy grew by 4.2 percent in the second quarter, compared to a contraction of 0.4 percent in the first quarter. The main driving factors were the advancement in private consumption expenditure and private investment, and the recovery of the production and industrial and services sectors. Moreover, the export sector continued to contract but gradually improve when compared to the first quarter.



Source: NESDB

Thai Economic Performance in the Second Quarter

(1) Household consumption expanded by 5.3 percent, improved from 2.9 percent in the previous quarter. This improvement was mainly due to an increase in consumers' purchasing power resulted from government's measures to raise people's income and stimulus package in particular the tax rebate for first-car-buyer scheme, measure to reduce cost of living and increase in minimum wage. Likewise, the consumer confidence index was at 67.7 slightly improved from 65.3 in the first quarter. The consumer confidence is expected to increase further as employment conditions remain sound. Nevertheless, the consumer confidence remained low compared to the third quarter of 2011 which represents the pre-flood environment.

In the first half of 2012, household consumption expanded by 4.1 percent.

(2) Private investment grew by 11.8 percent from 9.2 percent expansion in the first quarter. The advancement of investment was largely from investment in machinery to repair and compensate for the damage caused by the flood and the continuous improvement in the construction investment following the acceleration of permitted construction area which expanded by 22.1 percent.

In the first half of 2012, private investment grew by 10.5 percent.

(3) Tourism sector The number of inbound tourists stood at 4.8 million persons and generated a revenue in the amount of 200,965 million baht, expanded from the same period of last year by 8.2 and 12 percent respectively. Furthermore, the occupancy rate registered at 55.3 percent, slightly increased from 51.8 percent in the same period of the previous year, mostly contributed by improvement of tourists from China, Russia, and Japan. The rise of inbound tourist number in this quarter reflected by the expansion of hotel and restaurants branches by 8.4 percent.

In the first half of 2012, number of inbound tourists stood at 10.5 million persons, augmented by 7.6 percent.

(4) Manufacturing sector in the second quarter increased by 2.7 percent compared to a contraction of 4.3 percent in the preceding quarter, the first expansion since the fourth quarter of 2011. The positive development was the result of recovery in production capacity of flood affected industrial factories. Furthermore, the capacity utilization rate stood at 69.2 percent, increased from 62.6 percent in the prior quarter. Nevertheless, Thailand's expected Industrial Sentiment Index (TSI) for the next 3 months in June was adjusted downwards from 111.1 in May 2012 to 105.8, following a rise in concern over Eurozone crisis.

In the first half of 2012, manufacturing sector contracted by 0.9 percent.

(5) Agricultural sector expanded by 1.3 percent, slowed down from 3.4 percent expansion in the first quarter. This was owing to a severely drop in sugarcane production while production of other agricultural product still expanded. Meanwhile, the price of agricultural products decreased by 11.9 percent, in particular the rubber and cassava. Thus, farm income contracted by 9.3 percent.

In the first half of 2012, agricultural sector rose by 2.5 percent.

(6) Export value in terms of US dollar in the second quarter recorded at 56,686 million US dollars, contracted by 0.4 percent but improved from 4 percent contraction in the previous quarter. The improvement was largely due to recovery in export of manufacturing products, especially electronics, electrical appliances and automobiles. On the contrary, the export of agricultural products continued to decline, particularly rice and rubber. Export market that experienced higher growth included United States (4.6 percent), ASEAN (9) (7.2 percent), China (13.7 percent), Australia (20.5 percent), and the Middle-East (9.8 percent). Meanwhile, the export to Europe and Japan continued to decelerate by 7.5 and 1.4 percent respectively.

In the first half of 2012,export value in term of US dollar registered at 110,489 million US dollars, contracted by 2.1 percent.

Thai Economic Outlook for 2012

NESDB is expected a robust growth in the range of 5.5-6.0 percent. Supporting factors include (i) acceleration of production in manufacturing sector; (ii) continual increase in domestic demand both in household consumption and private investment; (iii) inflationary pressure and oil price expected to remain low which will support expansionary monetary policy. Nevertheless, there are still risks and constraints facing the economy in the remaining of the year including (i) the slow recovery of the world economic as European crisis remain uncertain; and (ii) the delay in government budget disbursement and implementation of major public investment projects especially investment under the water resource management plan.

For 2012, (i) the headline inflation is expected to be in the range of 2.9-3.4 percent; (ii) household will expand by 4.8 percent; (iii) investment will grow by 11.3 percent; (iv) export value in terms of US dollars will expand by 7.3 percent; and (v) current account surplus will register approximately 0.1 percent of GDP.

1. Economic Performance in Q2/2012

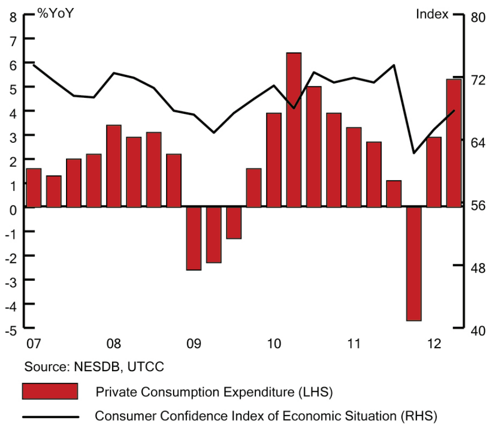
❒ Expenditure Side

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

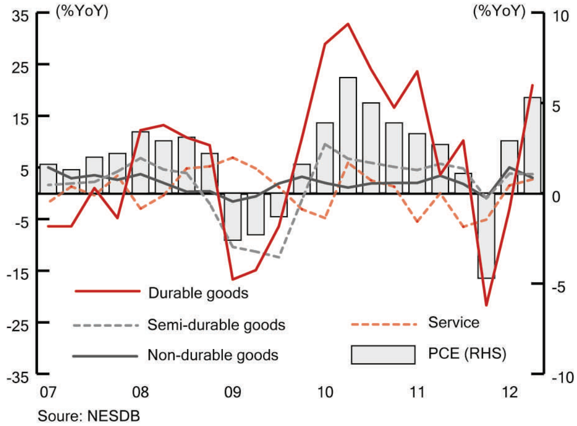
Private consumption expenditure expanded by 5.3 percent, reflecting the rise in consumers' purchasing power.

Private consumption expenditure in the second quarter of 2012 grew by 5.3 percent, improved from 2.9 percent in the first quarter, mainly due to the recovery of production sector and employment and subsequently leading to the improvement of consumer's confidence. In addition, domestic car sales substantially improved by 103.9 percent. Such expansion was mainly due to the effect of tax rebate for first car buyer scheme, the low base effect caused by the tsunami disaster in Japan, and the production recovery of car manufacturers as well as acceleration in the delivery process to meet the accumulated demand from the earlier period. This was consistent with the improvement in consumer confidence index. For the second quarter, the consumer confidence index on economic situation was at 67.7, slightly improved from 65.3 in the first quarter. This was in line with post-flood economic recovery and the restoration of businesses. In the first half of this year, private consumption expenditure increased by 4.1 percent from the same period of last year.

Private consumption expenditure has grown continuously



Consumption on durable goods expanded significantly



Private Consumption Expenditure

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

Source : NESDB

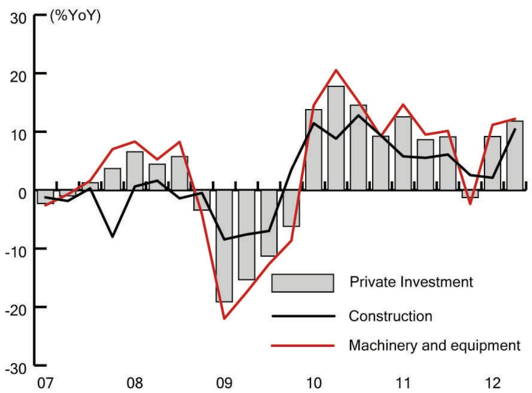
Private investment improved as a result of an expansion in machinery and equipment as well as construction investment.

Private investment increased by 11.8 percent in the second quarter, improved from 9.2 percent in the previous quarter, due to an expansion of machinery and equipment and construction investment. The machinery and equipment investment in the second quarter expanded by 12.2 percent, a continuously improved from the first quarter of 11.2 percent. This was attributed to the acceleration of investment to compensate for the loss sustained during the severe flood as well as an expansion of production capacity in respond to domestic economy development. This was consistent with a rise in import of capital goods in the second quarter by 30.4 percent, especially capital goods used in the electronic, electrical appliances, automobile and industrial machinery. Likewise, domestic commercial car sales grew by 88.9 percent, increased from 47.8 percent in the preceding quarter as a result of the surge in domestic demand.

In addition, the construction investment in the second quarter increased by 10.4 percent, a remarkable improvement from 2.1 percent in the first quarter. The sales of construction materials rose owing to increasing demand for post-flood reconstruction. Similarly, construction areas permitted in municipal area increased by 22.1 percent. In the first half of this year, private investment grew by 10.5 percent, equaled to the same period of last year.

Nevertheless, business Sentiment Index (BSI) for the second quarter was slightly decreased from 53.0 in the first quarter to 51.0. Similarly, the expected BSI for the next three months stood at 55.3, decreased from 55.9 in the first quarter. This decline reflected a small drop in investors' confidence, particularly the order book confidence due to uncertainty over European economic crisis. The continuation of government policy and the acceleration of investment in accordance with the government plan for water resource management will be crucial factors in building both domestic and foreign investors' confidence in the succeeding period.

The 2012 second quarter's private investment continually increased

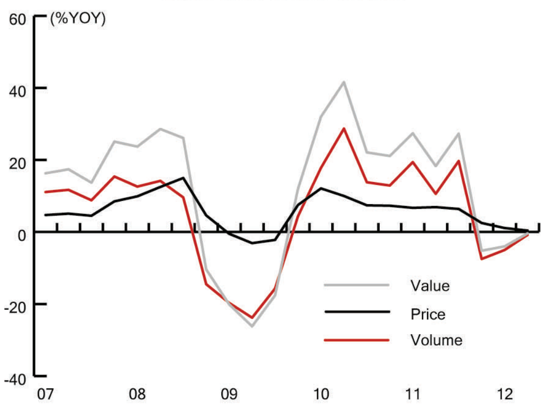


Source: NESDB

Export value in US dollar terms contracted by 0.4 percent and recorded at 56,686 million US dollars.

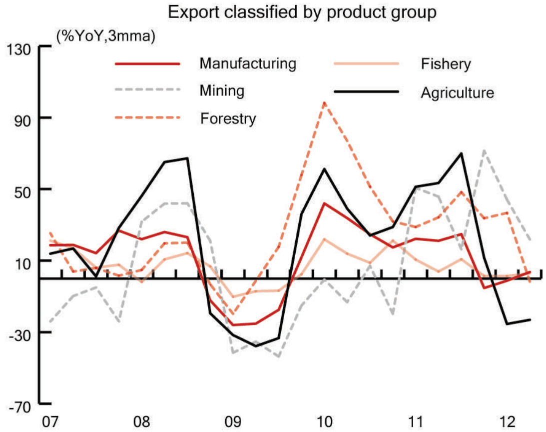
Exports: Export value in the second quarter of 2012 recorded at 56,686 million US dollars (1,775,105 million baht), contracted by 0.4 percent which owing to flood-affected industries have not yet fully recovered and European economic crisis began to take affect during the end of this quarter. However, export value improved from the the prior quarter which registered at 4.0 percent contraction. Export volume declined by 0.8 percent whereas export price expanded by 0.4 percent. When excluding an export of unwrought gold, the export value grew by 0.6 percent. Overall, Thai's export value during the first half of 2012 registered at 110,489 million US dollars, decreased by 2.1 percent compared to the same period of last year.

Export value, volume and price



Source: BOT

Export classified by product group



Source: BOT

Export value of agricultural commodities shrunk by 23.1 percent in collaboration with the contraction of export volume by 18.0 percent as a result of the decline of rice exports as Thai rice loses price competitiveness in the world market and the rise of rice supply in the global market. Meanwhile, agricultural export price reduced by 6.3 percent due to the drop of cassava and rubber prices. The major reasons attributed to the continual fall of rubber price are: (i) an effect from European economic crisis; (ii) a slowdown of Chinese economy which is the major rubber importer; and (iii) a continual drop of oil price which led to a cheaper price of synthetic rubber. The volume and value of exported manufacturing products expanded by 2.8 and 3.6 percent consecutively, improved from the contraction in the previous quarter at 2.7 percent and 1.2 percent, respectively. Such an improvement reflected the recovery of manufacturing sector especially vehicle exports which strongly expanded by 33.7 percent compared to the 2.6 percent growth in the last quarter. Exports of major exported manufacturing products such as electronics and electrical appliances showed a sign of improvement with 3.8 and 1.0 percent growth respectively, compared to contraction of 8.3 and 7.9 percent in the previous quarter.

Major Export Market

(%YOY)	2010	2011							2012			
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Share Q2/12 (Percent)
USA	21.3	8.2	19.3	-1.0	21.3	17.5	5.2	-7.7	3.4	2.1	4.6	10.1
Japan	29.8	17.9	28.7	8.7	30.2	27.2	21.0	-3.2	-4.1	-7.0	-1.4	10.5
EU (15)	19.7	12	22.2	2.9	24.1	20.3	25.5	-18.3	-12.3	-16.9	-7.5	8.8
ASEAN (9)	36.5	22.5	22.1	22.8	20.6	23.5	34.7	11.0	8.1	9.2	7.2	25.6
Hong Kong	38.5	25.5	48.6	6.3	70.3	30.1	37.9	-18.8	-34.1	-35.0	-33.2	4.8
Middle East	10.1	7.6	15.0	0.5	15.5	14.6	16.4	-15.1	8.2	6.5	9.8	5.2
China	33.2	27.6	23.8	31.0	24.8	22.7	62.8	2.4	7.5	1.4	13.7	12.2
Australia	9.2	-14.7	-20.1	-8.4	-1.3	-34.5	10.8	-27.3	4.3	-9.6	20.5	3.9
Total Export	28.1	17.2	23.1	11.7	28.1	18.5	29.0	-4.8	-2.0	-3.9	0.0	100.0
Total Export by Balance of Payment	28.4	16.4	22.6	10.7	27.4	18.3	27.3	-5.2	-2.1	-4.0	-0.4	98.5

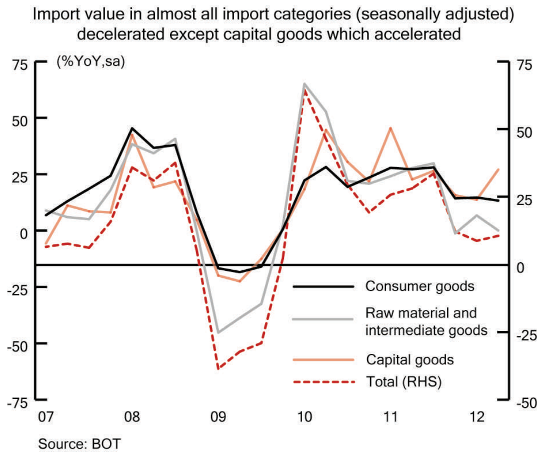
Source: BOT

Export markets: The value of exports to major markets particularly Japan and EU (15) declined by 1.4 and 7.5 percent respectively. On the contrary, the export value to the US and ASEAN (9) expanded by 4.6 and 7.2 percent consecutively. Meanwhile, exports to most of the other markets showed an improvement, apart from Hong Kong which recorded a 33.2 percent reduction due to the drop of exports of integrated circuits and unwrought gold.

Import value in US dollar terms grew by 10.3 percent, accelerated from the previous quarter. Almost all import categories slowdown except capital goods that accelerated.

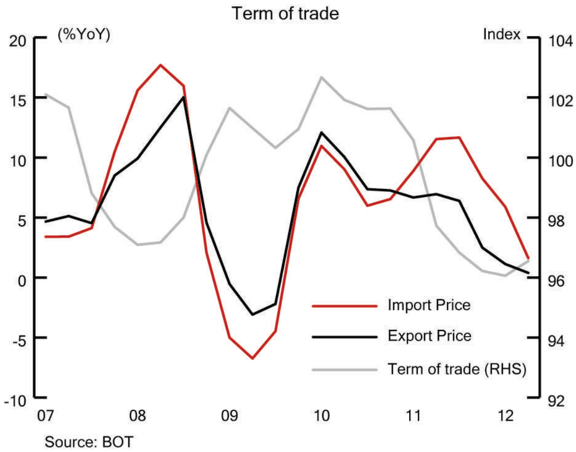
Imports: Import value and volume continued to accelerate from the previous quarter while price slowed down as a result of a drop of world crude oil price. In the second quarter of 2012, import value in US dollar terms recorded at 55,203 million US dollars or grew by 10.3 percent, accelerated from 9.6 percent growth in the preceding quarter. Import price rose by1.6 percent, slowed down from 5.9 percent growth in the previous quarter. Import volume expanded by 8.5 percent, accelerated from 3.5 percent growth in the previous quarter. Import expansion in the second quarter of 2012 was mainly due to an increase in import of vehicles and vehicle parts for using as raw materials for automotive industry. In the first half of 2012, Thailand's import value registered at 107,833 million US dollars grew by 9.9 percent, compared to the same period of last year.

After seasonally adjustment, almost all import categories slowed down except capital goods which accelerated. **Import value of raw materials** expanded by 0.1 percent, slowed down from 6.9 percent growth in the previous quarter. Import goods which experienced a decline in import value included minerals and integrated circuits and parts. **Capital goods** expanded by 27.0 percent, accelerated from 13.7 percent growth in the preceding quarter. Import goods that recorded a impressive growth included locomotive and rolling stock, power-generating machinery and parts and telecommunication equipments. **Consumer goods** continued to expand by 13.3 percent, from 14.7 percent growth in the preceding quarter in accordance with an improvement of private consumption expenditure. Consumer goods such as food, beverage, and dairy products, household electrical appliances, and furniture and parts expanded considerably.



Term of trade improved from the previous quarter.

Term of trade improved from the previous quarter. Export price increased by 0.4 percent, while import price increased by 1.6 percent. As a result, term of trade in the second quarter of 2012 stood at 96.6 compared to 96.1 in the previous quarter.



Trade balance registered a surplus.

Trade balance recorded a surplus of 1,483 million US dollars (equivalent to 47,324 million baht), higher than a surplus of 1,173 million US dollars (equivalent to 36,548 million baht) in the previous quarter.

After two consecutive quarters of contraction, the manufacture production started to expand in several major production sectors.

- **Production side:**

Agricultural sector decelerated due to the contraction of sugarcane production. Meanwhile, other commodities production expanded satisfactorily. On the contrary, agricultural price continued to decline.

Agricultural sector contracted by 1.3 percent compared to 3.4 percent expansion in the previous quarter. Agricultural production rose in all categories particularly fishery and crop, which expanded by 9.6, and 2.5 percent respectively. However, sugarcane production dramatically fell by 58.1 percent from the same period of last year due to an abnormally high production in previous crop year 2010/2011. The severe contraction in sugarcane was the main responsible for contraction of agricultural production in this quarter.

Major crops that experienced higher yield compared to the same period of last year included cassava, unsmoked rubber sheet no. 3, and paddy rice which rose by 24.5, 12.9, and 10.9 percent respectively. Such an expansion were mainly due to (i) an expansion of cultivated area with an increase in yield per rai of cassava production; (ii) a rise in rubber harvesting area which is partly a result of government policy to increase rubber harvesting by one million rai in 36 provinces during 2004 to 2006; and (iii) an increased in paddy rice production from second cultivation of in-season rice to elevate the production that got damage during the flood.

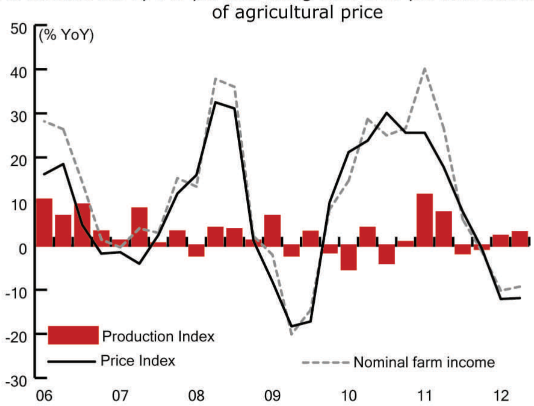
Nevertheless, agricultural prices continued to contract for three consecutive quarters with a contraction of 11.9 percent in the second quarter. The contraction was experienced across all agricultural products. In detail, fishery, crop, and livestock fell by 14.3, 11.9, and 10.9 percent respectively. Moreover, demand for rubber was severely affected by European economic crisis and resulted in a drop of 31.2 percent in rubber price, while slowed down of demand from China for cassava has caused cassava price to shrink by 24.7 percent. Thus, the contraction of agricultural price[1] has led to a 9.3 percent drop of farm income.

Agricultural Production

%YoY	2009	2011					2012	
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2
Agricultural Production Index	-2.5	5.1	11.5	7.5	-1.7	-0.7	1.4	3.0
Agricultural Price Index	25.2	12.2	25.6	17.8	7.7	-0.6	-12.2	-11.9
Crop Production Index	30.3	12.3	29.7	18.0	6.5	-2.8	-14.4	-11.9
Livestock Production Index	8.0	10.3	4.0	12.8	13.7	10.6	-3.8	-10.9
Fishery Production Index	6.0	16.0	23.7	27.2	9.6	6.0	2.6	-14.3
Farm Income	22.1	17.9	40.1	26.6	5.9	-1.3	-10.9	-9.3

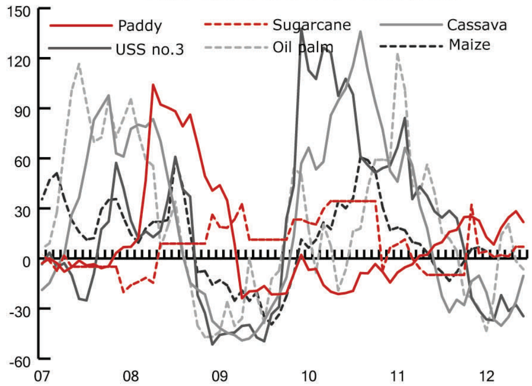
Source: OAE, NESDB

Farm income fell by 9.3 percent along with 11.9 percent shrinkage of agricultural price



Source: Office of Agricultural Economics

Major agricultural crop's farm prices



Source: Office of Agricultural Economics

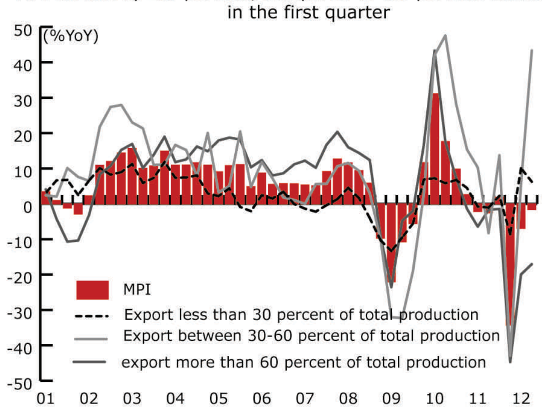
Industrial sector grew by 2.7 percent improved from 4.3 percent contraction in the first quarter, the first expansion after contracted for two consecutive quarters. The positive development reflected a post-flood recovery of industrial factories. Productions in most of the industries were able to recover except hard-disk drive, electronic and equipment industries, and the production of radios, televisions and communication equipment as these sectors required high level of precision in assembling machines and parts. The industries that experienced remarkable acceleration were (i) automobile industry grew by 78 percent, following acceleration in their production to compensate production loss during the flood while demand for new car also rise which was partly due to the government's "First-Car Policy". (ii) Food and Drink industry expanded by 8.0 percent, largely due to an increase in beer production (grew by 24.1 percent) during the Euro-Championship Football Festival; and (iii) Petroleum production increased by 4.5 percent.

Industrial sector grew by 2.7 percent, attributed by the recovery of the industrial factories. Productions in most of the industries were able to recover.

Nevertheless, the textiles and the leather industries continued to contract for the fifth consecutive quarters and the fourth consecutive quarters, respectively. This was mainly due to loss of labor competitiveness and direct effect from European economic crisis as Europe are their major market for these products particularly textiles.

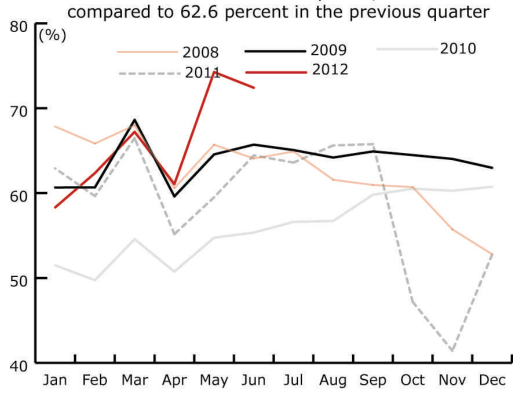
[1] Agricultural price stated above for paddy rice and cassava are market price not quoted price under government pledging scheme.

MPI shrank by 1.6 percent, compared to 6.9 percent shrinkage in the first quarter



Source: Office of Industrial Economics

Capacity utilization rate stood at 69.2 percent in the second quarter, compared to 62.6 percent in the previous quarter



Source: Office of Industrial Economics

Capacity utilization rate stood at 69.2 percent in the second quarter, increased from 62.6 percent in the previous quarter. This improvement was mainly due to (i) the majority of affected factories were able to recover their production capacity. In particular, 81 percent of the factories that reside in the affected industrial estates were able to recover their production with 48 percent that recover to their full production capacity and 33 percent were partly recover; (ii) the accumulated demand during the period of flood; and (iii) the increase in consumers' purchasing power, resulting from the government's flood relief schemes and the rise in the salary for civil servants and minimum wage.

Major industries which increased their capacity utilizations from the previous quarter were radios, televisions and communication equipment industry (116.1 percent from 32.2 percent), and automobile (96.6 percent from 88.8 percent).

Construction sector expanded by 6.9 percent accelerated from 0.8 percent in the previous quarter. The private construction grew by 10.4 percent, owing to the continual reparation of affected residencies and factories, and the expansion of new construction. Likewise, the public construction rose by 2.7 percent, compared to the 1.0 percent contraction in the last quarter due to the accelerating process on government budget disbursement.

Construction sector expanded by 6.9 percent owing to acceleration in private and public construction that recorded growth rate of 10.4 and 2.7 percent respectively.

In addition, construction area permitted in municipalities across the country expanded by 22.1 percent in this quarter, compared to the 24.5 percent contraction in the previous quarter. Such an increased reflects the recovery of the construction sector. Likewise, cement sale volume increased by 7.0 percent. Furthermore, the construction material price expanded by 4.5 percent from the same period of last year. In detail, the price of concrete products, sanitary wares, and steels continually rose by 18.4, 2.2, and 1.6 percent respectively.

Real estate sector expanded by 3.9 percent compared a contraction of 1.0 percent in the previous quarter as a result of the improvement in both supply and demand sides. On the demand side, housing transfer in Bangkok and vicinities improved to a contraction of 3.0 percent compared to 9.8 percent shrinkage in the first quarter. On the supply side, the number of housing estates registration in Bangkok and vicinities expanded by 56.1 percent compared to a contraction of 3.2 percent in the first quarter. Furthermore, the housing price continued to increase for town house (including land), condominium, and land, with the year-on-year percentage growth of 2.9, 7.3, and 3.0 percent respectively. However, the price of single-detached house (including land) slightly declined by 0.6 percent.

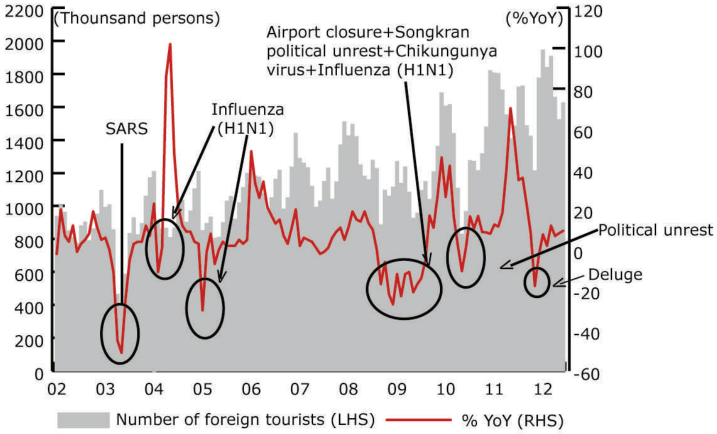
Real estate sector expanded by 3.9 percent as a result of the improvement in both supply and demand sides.

Hotel and restaurants grew by 8.4 percent improved from 5.6 percent in the previous quarter due to an increased in number of inbound tourists to 4.8 million persons or grew by 8.2 percent compared to the same period of last year. Furthermore, the revenue from tourism sector grew to 200,965 million baht from 179,354 million baht in the same quarter of last year or expanded by 12.0 percent. Moreover, occupancy rate advanced to 55.3 percent which was higher than the same period of last year that register at 51.8 percent.

Hotel and restaurants grew by 8.4 percent with a number of inbound tourists recorded at 4.8 million persons or grew 8.2 percent compared to the same period of last year.

The rise of inbound tourist number in this quarter is mostly contributed by improvement of tourists from China (grew by 165,679 persons or 41.7 percent), Russian (grew by 58,143 persons or 34.7 percent), and Japanese (grew by 42,068 persons or 17.0 percent). Tourists from European countries also increased by 163,478 persons or 18.6 percent though their economies remained uncertain. Furthermore, domestic tourism continually expanded which was reflected by the number of flights and passengers of low cost airlines that increased by 3.4, and 9.8 percent compared to the same period of last year.

Number of inbound tourists in Q2/2012 recorded at 4.8 million persons, an increase of 8.2 percent compared to the same period of last year



Source: Department of Tourism

Number and Growth of Tourists Classified by Nationality

Thousand Persons	2010	2011							2012		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Malaysia	2,059.0	2,470.7	1,219.7	1,251.0	574.4	645.3	683.2	567.8	1,115.7	577.2	538.5
China	1,122.2	1,760.6	872.3	888.2	474.9	397.5	526.3	362.0	1,124.2	561.1	563.2
Japan	993.7	1,126.2	565.2	561.0	317.0	248.2	343.8	217.1	630.1	339.8	290.3
Korea	805.4	1,014.3	515.4	498.9	288.8	226.6	282.2	216.7	540.5	305.2	235.3
France	461.7	509.2	260.2	249.0	167.6	92.6	122.6	126.5	304.7	192.2	112.5
Russia	644.7	1,014.5	565.3	449.2	397.5	167.7	129.4	319.8	634.3	408.4	225.9
United Kingdom	810.7	844.2	427.5	416.7	227.5	200.0	198.0	218.7	434.0	239.1	194.9
USA	611.8	684.1	349.3	334.8	188.9	160.4	152.7	182.1	379.4	207.5	171.9
India	760.4	916.8	474.7	442.1	207.3	267.3	231.8	210.4	504.6	210.7	293.9
Australia	698.0	854.1	389.6	464.5	185.5	204.1	226.2	238.3	427.1	215.6	211.5
% YoY											
Malaysia	17.1	20.0	27.5	13.5	11.9	45.6	32.1	-3.0	-8.5	0.5	-16.5
China	44.3	56.9	84.9	36.5	42.2	188.4	67.4	7.7	28.9	18.2	41.7
Japan	-1.1	13.3	18.9	8.3	3.7	46.1	35.5	-17.9	11.5	7.2	17.0
Korea	30.3	25.9	34.8	18.0	19.5	60.9	46.9	-6.1	4.9	5.7	3.9
France	8.1	10.3	12.0	8.6	7.9	20.1	19.0	0.2	17.1	14.7	21.5
Russia	91.3	57.4	85.1	32.4	82.9	90.6	97.0	16.9	12.2	2.7	34.7
United Kingdom	-3.7	4.1	3.3	5.0	-8.0	20.0	11.4	-0.2	1.5	5.1	-2.6
USA	-2.4	11.8	12.4	11.2	0.6	30.6	22.3	3.3	8.6	9.9	7.2
India	23.7	20.6	37.9	6.2	22.6	52.7	23.9	-8.2	6.3	1.6	9.9
Australia	7.9	22.4	19.4	24.9	5.5	35.6	27.4	22.7	9.6	16.2	3.6

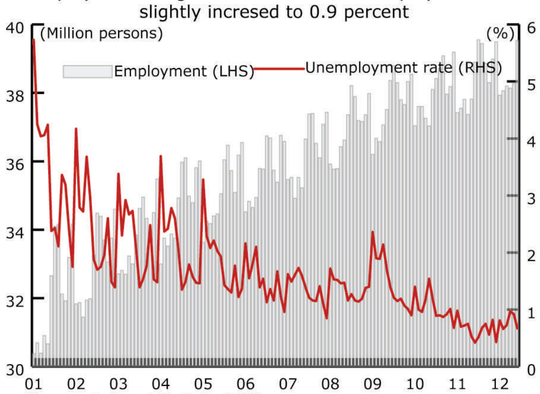
Source: Department of Tourism

Employment continued to expand while increased in labor supply has caused the unemployment rate to slightly increase. In general, the unemployment rate remained low at 0.9 percent and the tension of labor market remained tight.

Employment in the second quarter of 2012 stood at 38.65 million persons, increased by 1.6 percent compared to the same period of last year, which was in accordance with the improvement of agriculture, industrial, and retail sales sectors that grew by 5.2, 4.9, and 0.4 percent respectively. The development of the employment was partially contributed from an expansion of agricultural production such as rice, rubber, and oil palm. Nonetheless, employment in hotel and restaurants and construction sectors shrank by 13.5 and 1.6 percent consecutively due to the seasonal migration.

The average number of unemployed person in this quarter was 334,140 persons, increased by 103,000 persons compared to the same period of last year as a result of a rise in a number of new graduates. However, tension of labor market remains tight since the first quarter of 2010 with the ratio of vacancies over new registered applications at 0.8. The average unemployment rate in the second quarter was at 0.9 percent, a slight improvement from 0.7 percent growth in the first quarter.

Employment grew by 1.6 percent due to the improvement of employment in agriculture while the unemployment rate slightly incresed to 0.9 percent



Source: National Statistical Office

Employed Persons by Industry

%YOY	2010	2011							2012		
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Employed	1.0	1.2	1.0	1.3	0.6	1.4	1.6	0.9	1.4	1.0	1.6
- Agricultural	0.5	2.4	4.3	0.6	2.1	6.4	2.3	-1.0	3.9	2.3	5.2
- Non-Agricultural	1.3	0.4	-0.9	1.7	-0.3	-1.5	1.1	2.3	0.0	0.2	-0.5
Manufacturing	-1.3	1.9	1.3	3.8	1.3	1.2	4.2	3.4	5.6	2.4	4.9
Construction	2.2	0.0	-1.5	3.5	4.0	-6.5	4.3	2.6	-1.6	1.0	-1.6
Hotel and Restaurant	1.3	-3.2	-6.3	-1.7	-10.0	-2.3	2.3	-5.8	-12.7	-10.5	-13.5
Wholesale	3.0	-3.6	-4.8	-1.5	-2.9	-6.8	-3.4	0.4	-0.4	-0.9	0.4
Unemployment (Hundred thousand persons)	4.0	2.6	2.7	2.5	3.2	2.3	2.6	2.5	3.1	2.8	3.3
Unemployment Rate	1.0	0.7	0.7	0.6	0.8	0.6	0.7	0.6	0.8	0.7	0.9

Source: National Statistical Office

Although the revenue collection expanded by 3.8 percents, revenue collection remained lower than the target by 3.4 percents. Meanwhile, the budget disbursement under Emergency Decree Empowering the Ministry of Finance to Borrow Money for Constructing the Systems for Managing Water and Building Country's Future, B.E. 2555 (350 billion baht) was merely 1.99 percents from the total allocated budget.

❒ **Fiscal condition**

On the revenue side, in the third quarter of fiscal year 2012 (April – June 2012) net government revenue collection was at 620,150.2 million baht, lower than the target by 3.4 percent or 21,692.8 million baht. Main contribution was from lower-than-expected collection of corporate tax, lower than the target by 10 percent or 22,863.2 million baht. This was mainly due to the notable fall in corporate income tax that was largely affected by the severe flood crisis in the late 2011 while the corporate income tax collection for the latter half of 2011 was due in May 2012. Nevertheless, tax collection from import tax, excise tax on automobile and value added tax were higher than the target by 91.3, 20.5, and 2.9 percent or 14,752.8, 5,702.6, and 4,784.8 million baht respectively. Moreover, net government revenue increased by 22,666.6 million baht compared to the same period of last fiscal year or equivalent to 3.8 percent growth. In detail, tax collection from import tax, excise tax on automobile and value added tax have increased by 32.5, 61.1 and 18.9 percent respectively. The acceleration in revenue collection reflects an increase in domestic demand in the post-flood recovery period.

Net government revenue collection was lower than the target by 3.4 percent as a result of the flood crisis that severely affect the corporate revenue.

On the expenditure side, the total budget disbursement in the third quarter of fiscal year 2012 (April – June 2012) was at 459,612 million baht. The total budget disbursement comprised of (i) the 2012 budget disbursement of 435,486 million baht, equivalent to 18.3 percent of the annual budget which is lower than the target of 25.0 percent. In detail, the 2012 budget disbursement included (a) current budget disbursement of 376,020 million baht and (b) capital budget disbursement of 59,466 million baht or 14.5 percent of the total capital budget, which is lower than the target of 20.0 percent. The 2012 budget disbursement for the first 9 month was at 1,607,543 million baht, equivalent to 67.5 percent of the annual budget which is higher than the target of 67.0 percent. The lower than expected disbursement level was mainly due to acceleration of budget disbursement in the previous quarter after the delay in passing the 2012 budget act. (ii) carry-over budget was at 24,126 million baht with the total of 9 month disbursement at 122,528 million baht.

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

Fiscal Balance

Unit: Million Baht

Fiscal Year	2010	2011					2012		
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Government Revenue	1,678.9	1,891.0	395.6	393.8	597.5	504.2	398.4	412.8	620.2
Compared with the target (%)	24.4	14.6	12.5	16.9	15.6	13.4	4.2	4.0	-3.4
Compared with prior year (%)	19.0	10.9	13.4	17.0	8.8	7.3	0.7	4.8	3.8
Budget Disbursement	1,627.8	2,050.5	553.8	516.9	521.9	458.0	439.2	733.1	435.5
Percent of annual budget (%)	95.8	94.5	25.5	23.8	24.1	21.1	21.2	32.1	18.3
Higher / Lower the target (%)	1.8	1.5	5.5	-0.2	0.1	-3.9	1.2	10.1	-6.2

Source: FPO & GFMIS

Flood relief budget (central budget of 120,000 million baht), up until 8th of August 2012, has approved total of 2,489 projects with an allocated budget of 118,121.4 million baht equivalent to 98.4 percent of the total flood relief budget. In detail, the project that pass procurement contract signing process totaled at 2,381 projects with an allocated budget of 112,443.7 million baht or 95.2 percent of the total flood relief budget, furthermore, there were 2,271 projects that record a partial disbursement with total disbursement of 82,870.0 million baht or 70.1 percent of the total flood relief budget.

Flood relief budget disbursement was total at 82,827.0 million baht or 70.1 percent of the total budget.

Emergency Decree Empowering the Ministry of Finance to Borrow Money for Constructing the Systems for Managing Water and Building Country's Future, B.E. 2555 (350 billion baht), up until 15th of August 2012, has allocated budget total of 17,868.38 million baht with disbursement amount of 462.7 million baht or 2.59 percent of allocated budget.

Fiscal balance in the third quarter of fiscal year 2012, the budget balance on cash basis and non-budgetary balance recorded a surplus of 169,130.5 and 42,413.6 million baht respectively. Moreover, government has conducted a cash balance management through deficit financing by borrowing in the amount of 138,818.7 million baht. Thus, budget cash balance registered a surplus of 350,362.7 million baht. At the end of June 2012, the treasury reserve recorded at 424,897.0 million baht increased from 350,363.0 million baht in the previous quarter but declined by 96,393.0 million baht or 18.5 percent compared to the end of 2011 fiscal year.

Treasury reserve recorded at 424,897.0 million baht declined by 18.5 percent compared to the same period of 2011.

Public debt at the end of May 2012 amounted to 4,668,099.5 million baht, accelerated by 388,834.5 million baht or by 9.1 percent from the same period of last year. Likewise, public debt compared to the end of fiscal year 2011 increased by 219,804.9 million baht or 4.9 percent. The ratio of public debt to GDP at the end of May was at 42.6 percent. Moreover, public debt was mainly attributed by government debt which amounted to 3,430,151.4 million baht or 73.5 percent of total public debt.

The ratio of public debt to GDP continued to increase, with current ratio of 42.6 percent at the end of May.

Public Debt

Unit:Billion Baht

Public Debt End of Period (Fiscal Year)	2009	2010	2011				2012		
			Q1	Q2	Q3	Q4	Q1	Q2	Q3 (May 12)
Public Debt End of period	4,002.0	4,230.7	4,282.1	4,246.1	4,263.6	4,448.3	4,298.0	4,473.1	4,668.1
Public Debt to GDP (%)	44.3	41.9	42.4	40.3	40.5	42.2	40.3	41.4	42.6
Direct Government	2,586.5	2,907.5	3,002.4	2,988.8	3,000.5	3,181.2	3,088.5	3,268.4	3,430.2
Non-Financial State Enterprises Debt	1,108.7	1,084.0	1,081.0	1,065.9	1,074.3	1,079.7	1,061.1	1,035.9	1,033.9
Special Financial Institutions Guaranteed Debt	208.7	177.2	168.1	160.3	158.3	156.9	148.4	162.5	195.2
FIDF Debt (Liability)	98.1	62.1	30.6	31.1	30.5	30.4	0.0	0.0	0.0
Autonomous Agency Debt (VF & EFPO)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.2	8.8

Source: MOF

❒ Financial condition

Policy rate kept unchanged throughout the quarter. In the second quarter, the monetary policy committee (MPC) decided to hold its policy rate at 3.00 percent per annum. Although Thai economy continuously improved but the risk of global economic slowdown remains a major threat to future recovery. Furthermore, the core inflation rate remained within target. Similarly, most of the Asian countries and major trade partners kept their policy rate unchanged throughout the quarter as risk of global economic slowdown increased. In July, the MPC decided to maintain policy rate for the fourth consecutive time since March 2012 at 3.00 percent per annum. Whereas some Asian countries started to lower their policy rate.

World Policy Rate Changes

Unit : Percent

Country	2010	2011				2012			Policy Rate at the end of Jul. 2012
		Q1	Q2	Q3	Q4	Q1	Q2	Jul	
Thai	+0.75	+0.50	+0.50	+0.50	-0.25	-0.25			3.00
USA									0.25
Europe			+0.25	+0.25	-0.50				1.00
China	+0.50	+0.25	+0.25	+0.25			-0.25	-0.31	6.00
Japan	0-0.1								0 - 0.1
Philippine		+0.25	+0.25			-0.50		-0.25	5.75
Vietnam	+1.00	+3.00	+1.00		+1.00	-1.00	-3.00	-1.00	10.00
Indonesia		+0.25			-0.75	-0.25			5.75
Malaysia	+0.75		+0.25						3.00

Source : CEIC

Commercial banks' interest rates remained unchanged, while real interest rates slightly increased as the inflation rate softened. In the second quarter, an average of 12-month deposit rates and Minimum Loan Rates (MLR) of four major banks were kept unchanged at 2.86 and 7.13 percent per annum, respectively. Meanwhile, the inflationary pressure declined from the previous quarter, causing the real deposit and lending rate to increase from –0.59 and 3.68 percent per annum to 0.30 and 4.57 percent per annum, respectively. In July, the deposit and lending rates remained unchanged in line with the policy interest rate, while inflation rate heightened. Thus, the real deposit and lending rates declined.

Deposits including Bill of Exchange (B/E) of Depository Corporations continuously increased by 15.2 percent, accelerated from 14.4 percent in the previous quarter, owing to a notable expansion in deposits. In the second quarter, deposits grew by 17.7 percent from an increase in Financial Institutions fundraising activities in order to cope with future loan

Policy rate was kept unchanged while real interest rates slightly increased as the inflation rate softened. Private loans accelerated but excess liquidity slightly eased following acceleration of commercial banks fundraising activities through deposit. Capital market fluctuated in line with financial flows, at the same time nominal effective exchange rate (NEER) slightly appreciated.

Policy rate was kept unchanged throughout the quarter. Similarly, policy rate in most of the Asian countries and major trade partners, were maintained as situations of the global economy remain uncertain.

An average of 12-month deposit rate and Minimum Loan Rate unchanged in line with the policy interest rate.

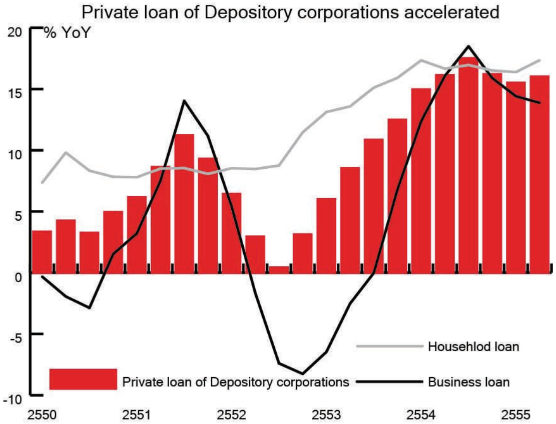
Deposits including Bill of Exchange (B/E) of Depository Corporations continuously increased in order to cope with future loan expansion.

expansion as well as to secured their deposit base. On contrary, Bill of Exchange (B/E) continuously declined throughout the quarter and at the end of quarter accrued Bill of Exchange (B/E) contracted by 5.3 percent.

Private loans accelerated owing to the expansion of the household loans.

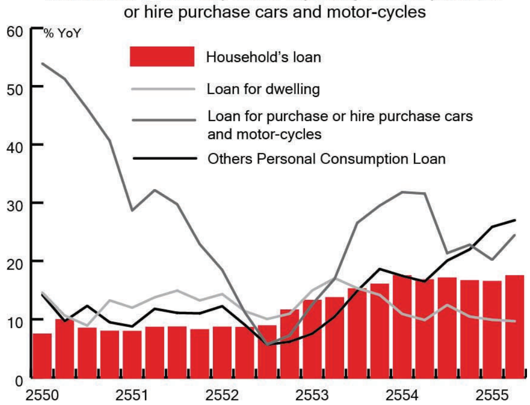
Private loans (excluding accrued interest) grew by 16.1 percent accelerated from 15.3 percent in the previous quarter, mainly due to an expansion of the household loans which grew by 17.4 percent compared to 16.4 percent in the first quarter. The expansion in household loan was largely driven by an increased in loans for purchase or hire purchase cars and motor-cycle as a result of post-flood demand as well as first-time car buyer scheme. On the other hand, business loan satisfactory expanded by 13.9 percents but slightly declined from previous quarter, mainly due to slowdown in loan for production sector and financial Intermediation. Number of credit cards and credit card spending slightly declined from the previous quarter. NPLs[2] gradually slowed down to 1.2 percent

Private loan of Depository corporations accelerated



Source : Bank of Thailand

Household's loan expanded especially loan for purchase or hire purchase cars and motor-cycles



Source : Bank of Thailand

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

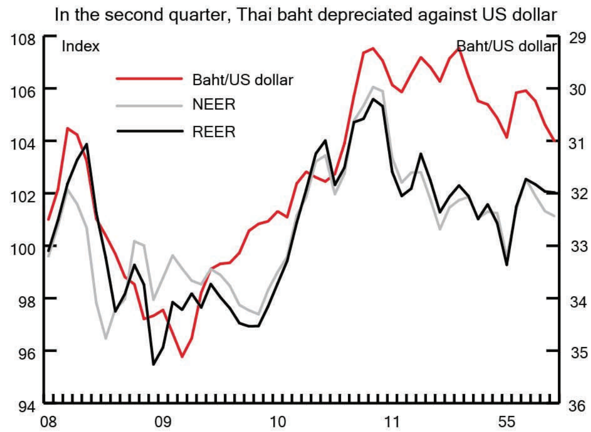
Excess liquidity of commercial bank system slightly eased. Commercial bank's credit (excluding repurchase position: RP) to deposits (including B/E) ratio slightly declined to 93.2 percent relative to 93.4 percent in the preceding quarter due to an acceleration in commercial banks fundraising activities, particularly deposit, in order to support future loan expansion.

Thai baht depreciated against US dollar following an increased concern over spread of debt crisis in Euro country.

Thai baht depreciated against US dollar. An average exchange rate in the second quarter of 2012 was at 31.32 baht per US dollar, depreciated from the previous quarter and the same period of last year by 1.05 and 3.38 percent respectively. Throughout the quarter Thai baht fluctuated in a downward trend as concern over spread of debt crisis in Euro country rise while solution still unclear. Furthermore, economic indicators of US and China were failing to meet the investor expectation which lead to reduction in risky asset holding. As a result, Thai baht at the end of the second quarter closed at 31.83 baht per US dollar. In July, Thai baht slightly appreciated to 31.65 baht per US dollar as China economic indicators improved. Moreover, Thai baht during 1st – 17th of August further appreciated to 31.50 bath per US dollar as China economic outlook continued to improve while no new threat has arise from Euro debt crisis.

Thai baht appreciated against other regional currencies including that of export-competing-countries. Nominal effective exchange rate (NEER) was at 101.45 increased by 0.28 percent compared to the previous quarter but depreciated by 0.28 percent compared to the same period of last year. Similarly, Real Effective Exchange Rate (REER) increased by 1.03 percent compared to the previous quarter but depreciated by 0.27 percent compared to the same period of last year.

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



Capital and financial account recorded a net outflow[3] In the second quarter of 2012, capital and financial account recorded a net outflow of 3.50 billion US dollars, reverted from net inflow of 2.22 billion US dollars in the first quarter. The net outflow was mainly contributed by increased outflow of other sector and Bank of Thailand (BOT) while inflow to banking sector foreign portfolio investment notably slowed down as rising concern over Euro debt crisis. In detail, other sector recorded a net outflow of 7.46 billion US dollars following an increase in trade credit and direct investment abroad of Thai investor. Bank of Thailand (BOT) registered a net outflow of 1.43 billion US dollars due to an increase in BOT bond sell-off by foreign investor.

Capital and financial account recorded a net outflow following an increased in short term trade credit and BOT bond sell-off by foreign investor.

Net Financial Flow

(Billion US Dollars)	2010	2011			2012					
	Year	Year	H1	H2	H1	Q1	Q2	Apr.	May	June
Monetary Authorities	2.71	-0.15	1.05	-0.90	1.54	2.96	-1.43	-0.43	-0.95	0.00
Government	3.56	3.71	1.50	2.20	2.73	0.93	1.80	0.88	-0.25	1.17
ODC	10.32	-8.34	1.54	-9.88	8.83	5.23	3.59	2.81	1.30	-0.51
Portfolio	-0.94	-1.07	-1.47	0.40	1.28	0.98	0.30	0.13	0.21	-0.05
Loan	8.41	0.31	5.40	-5.09	7.90	5.30	2.60	1.98	1.06	-0.44
Deposits Abroad	-0.40	-3.54	-0.69	-2.85	1.07	-0.98	2.04	0.64	0.91	0.48
Others	3.24	-4.05	-1.70	-2.34	-1.43	-0.08	-1.35	0.06	-0.89	-0.51
Other Sectors	7.40	-1.85	-3.21	1.36	-14.36	-6.90	-7.46	-3.11	-3.10	-1.25
Direct Investment	1.93	-1.42	-2.48	1.06	-1.00	-0.16	-0.84	-0.94	0.32	-0.22
Portfolio	3.61	0.90	0.78	0.11	-5.45	-3.80	-1.66	-0.79	-0.73	-0.14
Trade Credit	1.27	-0.25	-0.66	0.41	-5.96	-1.91	-4.05	-0.68	-2.83	-0.54
Deposits Abroad	0.92	-1.37	-1.39	0.01	-3.09	-1.72	-1.37	-0.65	-0.19	-0.52
Others	-0.32	0.30	0.53	-0.23	1.14	0.68	0.46	-0.06	0.34	0.17
Total Financial Flows	23.99	-6.63	0.88	-7.22	-1.27	2.22	-3.50	0.14	-3.00	-0.64

Source: BOT

Current account registered a deficit of 2,453 million US dollars (equivalent to 75,991 million baht), compared to a surplus of 551 million US dollars (equivalent to 17,820 million baht) in the previous quarter. This was attributed by trade balance surplus of 1,483 million US dollars and net services, primary income and secondary income deficit of 3,936 million US dollars.

Current account registered a deficit.

International reserve at the end of July 2012 stood at 175.37 billion US dollars (excluding net forward position of 29.90 billion US dollars), equal to 3.2 times of short-term foreign debt (at the end of the first quarter of 2012) and 3.1 months of import value (at the end of the second quarter of 2012).

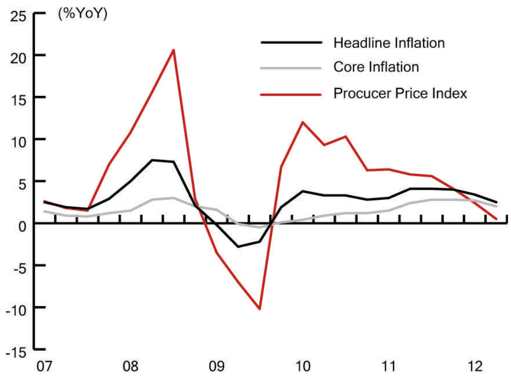
International reserve at the end of July 2012 stood at 175.37 billion US dollars.

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

Headline inflation in the second quarter of 2012 was at 2.5 percent, slowed down from 3.4 percent in the first quarter, mainly resulted from a slowdown in the price of ready-made food and fresh food particularly meat. Food and beverage price index rose by 4.8 percent, slowed down from 7.3 percent in the previous quarter. Whereas non-food and beverage price index increased by 1.1 percent, slightly increased from 1.0 percent in the previous quarter. The price of non-food and beverage increased in all categories; especially the cost of electricity that went up by 0.30 bath per unit between June and August 2012, and the reduction in access to free-electricity program for households in June 2012. However, the price of retail fuel in the second quarter slowed down in line with the world's crude oil price (due to the increase in supply as situation in Middle-East improved and world economic slowdown) and partially from the postpone of the implementation of energy price restructuring policy. The core inflation was at 2.0 percent in the second quarter, lower than 2.7 percent in the previous quarter. This small decline followed a slowdown in the price of ready-made food for inside- and outside-home consumption, as well as a slowdown in the price of seasonings and condiments.[4]

Headline inflation in the second quarter of 2012 was at 2.5 percent.

The inflation rate for the second quarter of 2012 increased by 2.5 percent



Source: MOC

Producer Price Index (PPI) in the second quarter rose by 0.5 percent, a slowdown from 2.4 percent in the preceding quarter. Such deceleration was mainly due to a slowdown in the price of petroleum products, following a decline in the world oil price. The prices of agricultural and industrial products for the second quarter slightly increased by 0.6 and 0.5 percent respectively, slowed down from 2.6 and 2.3 percent in the first quarter respectively. Mining products shrank by 0.1 percent, which represented a huge drop from 6.3 percent growth in the first quarter. When considering the PPI classified by production process, the pressure on production cost had decreased continuously, especially the price of non-food raw materials.[5]

SET index fluctuated in a downward trend in line with other stock markets in Asia. In the second quarter of 2012, SET index closed at 1,172.8 points, slightly declined from the previous quarter. An average daily trading value was recorded at 28.6 billion baht, decreased from 30.5 billion baht in the previous quarter. Foreign investors recorded a net sell of 19.3 billion baht, plumped from a net buy of 82.8 billion baht in the previous quarter. Throughout the quarter SET index forced to move in the downward trend from net sell position of foreign investors following a rise in concern over unresolved debt crisis in European countries and a risk of slowdown in Chinese economy. Nevertheless, SET index managed to stand over 1,100 points amid to strong demand from institutional investors for window dressing action in June.

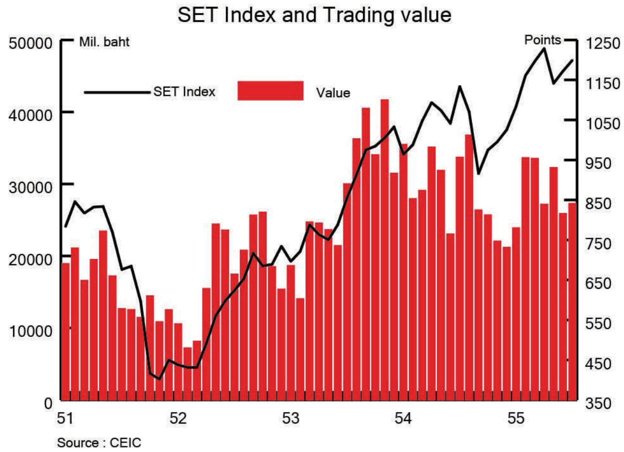
SET index in the second quarter fluctuated in a downward trend in line with other stock markets in Asia following the concern over unresolved debt crisis.

In July 2012, SET index advanced and closed at 1,199.3 points or increased by 2.3 percent from June. The improvement was mainly due to a rise in foreign investor confidence after an

[4] In July 2012, headline inflation equaled to 2.7 percent, and core inflation was at 1.9 percent. Consequently, headline inflation and core inflation for the first seven months of this year stood at 2.9 and 2.3 percent respectively.

[5] In July 2012, producer price index rose by 0.7 percent. During the first seven months of this year, producer price index increased by 1.3 percent.

announcement by the EU to provide financial aids through ESM toward trouble banks. Thus, foreign investor reverted to a net buy position of 0.3 billion baht from a net sell of 5.7 billion baht in June. An average daily trading value was at 27.3 billion baht, slightly increased from 25.9 billion baht in June. Between 1st – 17th August, SET index advanced further from June 2012, foreign investors posted a net sell position by 4.31 billion baht due to the expectation for improving future earning of listed company.



Investors shifted their investment from domestic assets that consider being risky toward Thai's bond market.

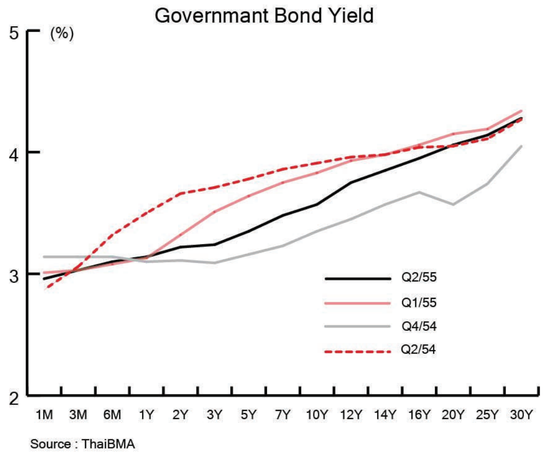
Bond trading volume and foreign investors' net buy remained high. Daily average outright trading in the second quarter of 2012 registered at 88.5 billion baht, increased from 76.1 billion baht in the first quarter. Moreover, foreign investors' continued to pose a net buy at the level of 213.7 billion baht. The continual increased in capital inflow toward Thai bond market was largely driven by higher demand for low risk asset following a hike in concern over EU debt crisis and an expectation of a continual increased in bond supply in the primary market. As a result, the government bond yield for medium to long terms maturity shifted downward, which reflect the improvement in investors demand.

In July 2012, daily average outright trading advanced to 90.7 billion baht, compared to 82.4 billion baht in June. Even though situation of Euro debt crisis slightly improved but the current Thai's bond yield remained in favor when account for future risk. Thus, foreign investors continued to pose a net buy at 61.5 billion baht.

Stock and Bond Market

(Billion Baht)	2010	2011							2012			
	Year	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2	Jul.
Stock Market												
SET Index	1,032.8	1,025.3	1,041.5	1,025.3	1,047.5	1,041.5	916.2	1,025.3	1,172.1	1,196.8	1,172.1	1,199.3
Daily average trading (Billion Baht)	28.7	29.0	30.2	27.6	30.8	30.0	32.3	23.0	29.6	30.5	28.6	27.3
Net Trading of Foreign Investors (Billion Baht)	81.7	-5.1	-14.7	9.6	-0.6	-14.1	-20.7	30.2	63.5	82.8	-19.3	0.3
Bond Market												
Gross Price Index (Point)	104.9	105.9	103.3	105.9	104.2	103.3	103.6	105.9	104.1	101.9	104.1	105.6
Daily Average Outright Trading Value	68.6	72.1	79.3	65.2	80.8	77.7	69.8	60.5	82.1	76.1	88.5	90.7
Net Trading of Foreign Investors	322.4	688.8	486.7	202.1	292.7	197.1	171.5	30.5	512.2	298.5	213.7	61.5

Source: CEIC and ThaiBMA



Public fundraising improved while demand for corporate fundraising through debt securities remained high. In the second quarter of 2012, public fundraising through debt securities totaled at 328.8 billion baht, increased from 310.7 billion baht in the previous quarter. This was mainly due to acceleration of government consumption and investment to further stimulate the economy. Private fundraising totaled at 282.2 billion baht and mostly concentrated in financial intermediation sector, mining and querying sector, real estate sector and production sector. Although private debt securities notably declined from 459.4 and 343.4 billion baht in the first quarter and the same previous of last year respectively, but remained high when compared to an average private fundraising in 2010 and 2011. Such high levels of private fundraising reflect a strong demand for capital in the private sector for post-flood rehabilitation and normal business operation.

Public fundraising continued to expand from the previous quarter. Likewise, corporate fundraising through debt securities remained high following a strong demand for capital for post-flood rehabilitation and normal business operation.

New issuances of securities in Primary Market

	2010	2011							2012		
(Billion baht)	Year	Year	H1	H2	Q1	Q2	Q3	Q4	Q1	Q2	H1
Public securities											
Government bonds	511.5	396.1	198.4	197.7	84.6	113.8	165.5	32.1	313.3	150.7	162.6
Treasury bills /Promissory notes	538.2	301.4	78.6	222.9	74.4	4.1	133.8	89.1	273.0	143.8	129.2
State enterprises bonds	42.2	40. 9	16.1	27.0	6.9	9.3	16.8	10.2	53.2	16.1	37.1
Monetary authority bonds & Specialized organization bonds	9,435.3	1,0862.7	2,667.2	2,090.1	3,116.8	2,772.6	2,489.1	2,484.2	4,417.5	2,326.5	2,091.0
Total	10,527.7	11,601.1	6,180.3	5,420.8	3,280.4	2,899.8	2,805.2	2,615.7	5,008.8	2,589.0	2,419.8
Private securities											
Equity Securities	96.2	92.1	76.2	17.2	39.0	37.2	9.3	7.9	52.6	32.7	19.9
Debt Securities	969.9	1,124.8	726.0	470.1	404.4	343.4	221.0	249.1	700.8	418.5	282.3
Total	1,066.0	1,216.9	802.2	487.3	443.4	380.5	230.3	257.0	753.3	451.2	302.1

Source: BOT

2. Crude Oil Price in Q2/2012

World crude oil price softened as a result of European economic uncertainty, particularly public debt crisis in Greece as well as risk of global economic slowdown. In the second quarter of 2012, an average world crude oil price (Dubai, Brent, Oman, and WTI) stood at 103.74 US dollars per barrel or dropped by 6.1 percent, decelerated from 12.6 percent growth in the prior quarter.

During the first half of 2012, the average crude oil price (Dubai, Brent, Oman, and WTI) stood at 108.18 US dollars per barrel, increased by 2.2 percent compared to the same period of last year.

World crude oil price decreased as a result of European economic uncertainty, particularly public debt crisis in Greece and risk of global economic slowdown.

Crude Oil Price

US Dollar / barrel		OMAN	DUBAI	BRENT	WTI	Average
2010	Q1	76.08	75.69	77.28	78.72	76.95
	Q2	78.15	77.90	79.44	78.07	78.39
	Q3	73.84	73.83	76.74	75.70	75.03
	Q4	84.40	84.22	87.23	85.13	85.24
	Year	78.12	77.91	80.17	79.41	78.90
2011	Q1	100.55	100.17	105.22	94.15	100.02
	Q2	111.10	110.73	117.19	102.67	110.42
	Q3	107.33	106.92	112.17	89.76	104.05
	Q4	106.98	106.31	109.03	93.97	104.07
	Year	106.49	106.03	110.90	95.14	104.64
2012	Q1	115.95	115.11	117.51	101.87	112.61
	Q2	106.36	106.30	108.84	93.43	103.74
	H1	111.17	110.71	113.17	97.65	108.18
	Jul	99.30	99.02	102.72	87.92	97.24
	2-16 Aug.	106.87	106.68	112.32	92.73	104.65
	16 Aug.	111.38	111.11	116.90	95.60	108.75

Source : Thaioil Plc.

3. Global Economic Performances in Q2/2012 and Outlook for 2012

An escalating Eurozone crisis in mid-2012 discouraged the second quarter's economic growth and trade volume of major economies, particularly China, Japan, Newly-Industrialized Economies (NIEs), as well as ASEAN. International trade contributed a major component to these economies. However, ASEAN economies grew satisfactorily. A fear of consumers and business sector about Eurozone crisis had derailed the growth of US economy. Slowdown in government spending was also the other factor threatening the US economy. The Eurozone countries with weak fundamental generated a negative impact to the whole region because the Eurozone relied on intra-regional trade in a great extent. The Eurozone economy was also weakened by severe fiscal austerity. In addition, global economic slowdown and risk of crisis contagion led to a decreasing prices of oil and commodities. Hence, inflationary pressure declined and several countries decided to ease their monetary policies.

- **United States Economy** expanded by 2.2 percent (YoY), decelerating from a 2.4-percent growth in the first quarter. After a seasonal adjustment, the economy expanded by 0.4 percent (QoQ), lower than the first quarter's 0.5 percent, in line with the slowdown in consumption, private investment, and government spending. Inventory build-up and exports grew at a slightly higher rate this quarter. Essential indicators in July still pointed to an economic slowdown. For example, purchasing Managers' Index on manufacturing sector (Mfg. PMI) stood at 52.7 in the second quarter, and the index also declined to 49.7 in June. However, the PMI was heading up to 49.8 in July indicating a stagnant condition of the economy. Unemployment rate rose to 8.3 percent in July, rising for three consecutive months. Moreover, consumer confidence index decreased to 65.9 in July, from 69.5 in March. Consumers had a great concern over the crisis in Eurozone, fiscal spending cut, tax hike, rising unemployment, and the overall economy was in a trend of recession. Federal Reserve immediately took an action by easing monetary policy by (1) maintain an exceptionally low level of interest rate at 0 – 0.25 percent. The effective time was also extended from 2013 to 2014. (2) The effective time of Operation Twist was extended from June 2012 to the end of 2012. The amount of bond purchase was also raised by 267 billion US dollars. (3) Federal Reserve stood ready for a further easing of monetary policy if the recovery in the third quarter is weak.

US economy was slowdown from the previous quarter. Job market registered a minimal growth, hence the Fed continue to maintain low interest rate.

- **Eurozone Economy** was threatened by political crisis in Greece. The impact fell mainly on PIIGS which had a weak fundamental. This led to a contraction of overall Eurozone economy by 0.4 percent (YoY), worsened from a zero-percent growth in the previous quarter. After a seasonal adjustment, the economy contracted by 0.2 percent (QoQ), also worsened from the previous quarter's zero percent. PIIGS economies, including Greece, Italy, Portugal, and Spain contracted by 6.2, 2.5, 3.3, and 1.0 percent (YoY) respectively; their GDP growth in the previous quarter were 6.5, 1.4, 2.3, and 0.4 percent respectively. Eurozone unemployment rate rose to 11.2 percent, from 10.9 percent in the first quarter. The weak job market was a major reason for the slowdown of the Core economies. Specifically, German economy expanded by 0.3 percent (YoY), lower than the preceding quarter's 0.5 percent. German growth was well driven by exports to non-Eurozone countries, which fueled the growth in production, unemployment, and domestic demand. Those non-Eurozone importers benefited from a depreciation of Euro currency. German unemployment stood at 5.5 percent, decreased from the first quarter's 5.6 percent. France economy grew by 0.3 percent, the same pace as the previous quarter. Unemployment rate was also unchanged, standing at 10.0 percent in the second quarter. Netherlands economy contracted by 0.5 percent in the second quarter of 2012, being contracted for three consecutive quarters, but still improved from a 1.0-percent contraction in the first quarter; the unemployment rate rose to 5.1 percent from 5.0 percent. The contraction of PIIGS economies and the slowdown of the Core led to a significant rise in unemployment

Overall Eurozone economy contracted, led by a recession in PIIGS countries and a slowdown of the Core. They also experienced an increase in unemployment rate.

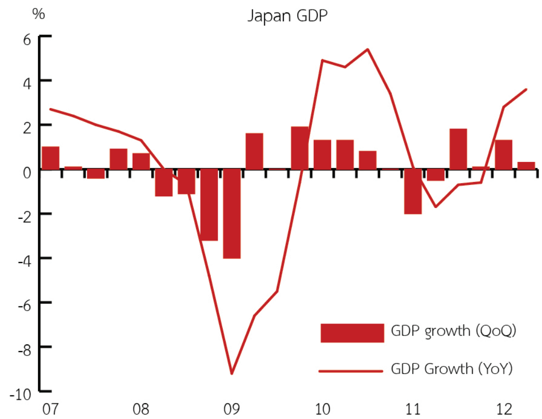
from 10.9 to 11.2 percent. Regarding the financial market, bond yield of PIIGS, particularly Spain, rose significantly as a result of the crisis and its consequences. In contrast, bond yield of the Core countries was seen to decline, particularly Luxembourg. The Euro currency exhibited a depreciation from 1.3210 US dollars in April to 1.2320 US dollars in early June, which implied a higher risk of Eurozone and the risk averse behavior in response to the third-round crisis in Greece. To tackle the ongoing crisis, the Eurozone authority and the European Central Bank (ECB) had announced a number of essential measures. Those are, (1) Official measures from 29 June 2012 Euro Summit and 9 July 2012 Euro Finance Ministers Meeting. (2) An interest rate cut to 0.75 percent on 11 July 2012. (3) Bond market intervention for a crisis country which filed for a bailout from European Stability Mechanism (ESM) on 26 July 2012. This led to a steady and declining trend of PIIGS bond yield. The equity market also signaled an improving investor confidence as the Madrid Stock Exchange General Index of Spain rose to a 5-month high.

Measures To Cope With Eurozone Crisis

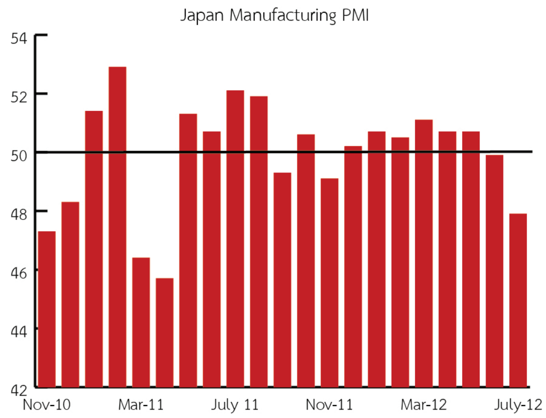
Source	Measures
1. Euro Summit on 28th-29th June 2012	1) Establishment of Eurozone banking regulator to achieve a banking union 2) Eurozone bank is entitled to a direct financing from European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) 3) Ease the regulation of EFSF/ESM (allow for the direct intervention in the secondary bond market of Eurozone member countries) 4) Growth and employment pact worth 120 billion Euro (150 billion US dollars), equivalent to 1.3 percent of Eurozone GDP and 4.0 percent of PIIGS GDP 5) Crisis Tackling Measures, which include the fiscal discipline measure and 200-billion-Euro funding for European Stability Mechanism (ESM)
2. Euro Finance Ministers on 9th July 2012	1) Approve a bailout for Spain not exceeding 100 billion Euro (Spain filed for bailout on 25th June 2012). MoU would specify the detailed measures applied to each commercial bank, the corporate governance reform, and the overall regulation. 2) Extend the deadline of government budget deficit compliance from 2013 to 2014 in which Spain had to reduce its fiscal deficit to 3.0 percent of GDP 3) A required reform of some Spanish banks and the overall banking sector 4) EFSF would function as a bailout grantor before the establishment of ESM
3. European Central Bank (ECB) Meeting on 2nd August 2012	1) ECB decided to maintain an interest rate at 0.75 percent 2) Bond market intervention was deemed to be temporary measure, and applied only to the secondary market. 3) Each government must comply to fiscal austerity and economic reform. 4) ECB would strongly agree to maintain the use of Euro currency.

Japanese economy still registered an expansion, driven by investment and exports, whereas the post-earthquake reconstruction spending began to slowdown.

- **Japanese Economy** grew by 3.6 percent (YoY), relatively higher than the first quarter's 2.8 percent. On a seasonally-adjusted quarter-on-quarter basis, the economy expanded by 0.3 percent, decelerating from the first quarter's 1.3 percent. The major drives were investment and exports although the Yen continued to appreciate and the Eurozone crisis continued to worsen. In contrast, the post-earthquake reconstruction spending began to slowdown. By the way, industrial production still expanded well by 4.9 percent in this quarter, higher than the previous quarter's 2.7 percent. However, the consumption was slowdown. With a satisfactory growth of the economy, Japan had been able to overcome deflation for 2 consecutive quarters. Inflation stood at 0.2 percent in the second quarter. Even if the inflation was lower, but it was well above zero percent. Japan exchange rate was 80.5 Yen per US dollar in April, appreciating from 83.98 Yen per US dollar in March. Such an appreciation threatened export and investment. To relief this impact, Bank of Japan has implemented Asset Purchase Program worth 5 trillion Yen since 27 April 2012.



Source: Economic and Social Research Institute



Source: Reuters

Chinese economy experienced a bit of slowdown in line with its industrial sector. The economy is inevitably exposed to Eurozone crisis. So, the government had taken a set of policies to ensure a good pace of growth.

- **Chinese Economy** expanded by 7.6 percent in the second quarter of 2012, decelerating from the 8.1-percent growth in the first quarter (YoY) and 9.5-percent growth in the second quarter of 2011. The declining growth was consistent to a lower PMI from 51.5 to 51.3. Similarly, investment and consumption expanded by 20.8 percent and 14.0 percent, decelerating from 24.7-percent and 18.2-percent growth in the same quarter of the previous year. Export sector still functioned well as a growth engine. Export grew by 10.5 percent in the second quarter, higher than the previous quarter's growth of 7.6 percent. Nevertheless, China is increasingly exposed to Eurozone crisis and the global economic slowdown as PMI went down from 51.5 in the first quarter to 51.3 in the second quarter, and finally stood at 50.1 in July. Moreover, exports decelerated to only 1.0-percent growth in July. In line with the global economic slowdown, inflation decreased to 1.9 percent in July, from the level of 3.8 percent and 2.9 percent in the first and the second quarter respectively. Chinese authority had implemented a series of fiscal and monetary policies, namely, (1) an interest rate cut from 6.56 percent in May to 6.0 in July (2) lowering a required reserve ratio from 20.5 percent in 24 February to 20.0 percent in 18 May 2012. The required reserve ratio had been cut for the second time since the beginning of 2012. In addition to these policies, the government also subsidized a purchase of energy-saving electrical appliance worth 32.5 billion Yuan or 0.069 percent of nominal GDP. The mentioned policies led to a good prospect for Chinese economy in the second half of 2012.

Indian economy tends to grow at a lower pace because of weakened domestic economy and slowdown in global demand.

- **Indian Economy** tends to grow at a rate lower than the previous quarter's 5.3 percent, owing to a weak domestic economy and a slowdown in global demand, especially the budget deficit and current account deficit (Twin Deficits). The problems led to Rupee depreciation and rising inflationary pressure. Major signals of fragile economy were: (1) Exports contracted by 2.3 percent in the second quarter, worsened from the 3.3-percent increase in the first quarter. (2)

PMI kept decreasing, from the first quarter's 56.3 to the second quarter's 54.9, and eventually standing at 52.9 in July. However, the slowdown of global economy and the oil price led to a lower pressure on inflation. Hence, the Wholesale Price Index decelerated from the first quarter's 7.5-percent growth to the second quarter's 7.4-percent growth. Consequently, Reserve Bank of India lowered the policy rate from 8.5 percent in the second quarter to 8.0 percent in July. However, the central bank halted the interest rate at 8.0 percent on 1st August 2012 to cope with inflation.

Newly-industrialized Economies still expanded at satisfactory rates, except for the slowdown South Korea. Exports of NIEs countries were either slowdown or contracted except of Hong Kong.

- **Newly-Industrialized Economies:** In the second quarter, Taiwan, Hong Kong, and Singapore expanded by 0.5, 1.1, and 1.9 percent (YoY) respectively, accelerating from the previous quarter's growth, but decelerating from the same quarter of the previous year (4.6, 5.2, and 2.3) percent respectively. South Korean economy expanded by 2.4 percent (YoY), lower than the 2.9-percent growth in the previous quarter; and expanded by 0.4 percent (QoQ), lower than the previous quarter's 0.9 percent. Export of South Korea and Taiwan also registered a contraction by 1.6 and 4.0 percent respectively. Similarly, export of Singapore grew by only 1.4 percent, decelerating from 4.8-percent growth in the previous quarter. However, domestic economy tends to expand well as evidenced by either a lower or unchanged unemployment rate. To ensure growth, Bank of Korea decided to lower its policy rate from 3.25 to 3.00 in July.

The Australian economy expanded well, mainly supporting by the expansion of mining industry. An easing inflation and a slight increase in unemployment were the cause for the reserve bank in reducing the policy rate to 3.5 percent. The economy in the second half of 2012 is expected to grow satisfactorily.

- **Australian Economy** grew at 4.3 percent in the first quarter of the year, a fastest growth in 5 years since the subprime crisis in 2007. The main drivers for the pace were a post-flooding improvement in mining industry which boosted exports, increasing domestic consumption and investment. Meanwhile, other sectors remained decelerated, particularly in housing sector. Unemployment remained stable at 5.2 percent. Inflation continued to ease for five consecutive quarters to 1.2 percent, compared with 1.6 and 3.1 percent in the two previous quarters respectively. As a result, the Reserve Bank of Australia decided to reduce the policy rate for the fifth time in 12 months by 25 basis points to 3.50 percent.

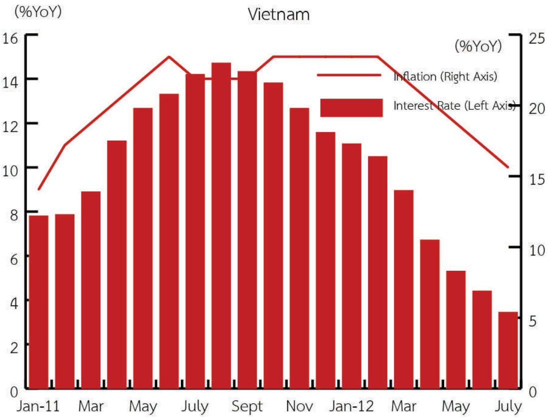
Growing ASEAN-4 with easing pressure of inflation and downward policy rates are key supporters to the regional growth and Thailand exports.

- **ASEAN Economies** still expanded satisfactorily. Indonesia, Malaysia and Vietnam grew by 6.4 5.4 and 4.7 percent respectively, compared to 6.3 4.7 and 4.0 in the previous quarter; and 6.5 4.3 and 5.7 percent in Q2/2011 respectively. Inflationary pressure continued to relax significantly after the slowdown in oil and commodity prices. Vietnam, in particular,

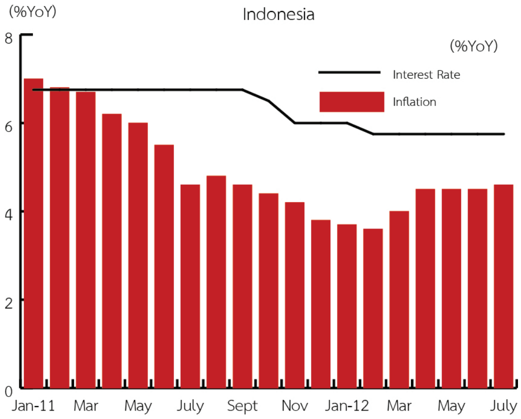
ASEAN-4's Headline inflation rates

	2008	2009	2010	2011					2012									
				Year	Q1	Q2	Q3	Q4	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	H1	Q1	Q2
Malaysia	5.4	0.6	1.3	3.2	2.8	3.3	3.4	3.2	2.7	2.2	2.1	1.9	1.7	1.6	1.4	2.0	2.3	1.7
Indonesia	9.8	4.8	3.7	5.4	6.8	5.9	4.7	4.1	3.7	3.6	4.0	4.5	4.5	4.5	4.6	4.1	3.7	4.5
Philippine	9.3	3.3	4.3	4.4	4.1	4.5	4.5	4.7	4.0	2.7	2.6	3.0	2.9	2.8	3.2	3.0	3.1	2.9
Vietnam	23.1	6.7	7.9	18.6	12.8	19.4	22.5	19.8	17.3	16.4	14.0	10.5	8.3	6.9	5.4	12.2	15.9	8.6

Source: Collected by NESDB



Source: compiled by NESDB



Source: compiled by NESDB

GDP Growth of Major Economies

	2009	2010					2011					2012			
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	H1	Q1	Q2	Year (F)
Y-O-Y % Growth of GDP															
World	-0.6	5.3	4.9	4.8	4.6	5.1	3.9	4.3	3.2	3.5	3.2	-	3.6	-	3.2-3.6
USA	-3.1	2.4	1.9	2.5	2.8	2.4	1.8	1.8	1.9	1.6	2.0	2.3	2.4	2.2	2.2
Eurozone	-4.4	2.0	1.0	2.2	2.2	2.2	1.5	2.4	1.7	1.3	0.7	-0.2	0.0	-0.4	-0.3
UK	-4.0	1.8	1.2	2.1	2.4	1.5	0.8	1.4	0.5	0.5	0.6	-0.5	-0.2	-0.8	0.2
Japan	-5.5	4.5	4.9	4.6	5.4	3.4	-0.8	0.1	-1.7	-0.7	-0.6	3.2	2.8	3.6	2.3
China	9.2	10.4	12.1	10.3	9.6	9.8	9.2	9.7	9.5	9.1	8.9	7.9	8.1	7.6	7.9
India	8.4	8.4	8.6	8.5	7.6	8.2	6.5	9.2	8.0	6.7	6.1	-	5.3	*	6.1
South Korea	0.3	6.3	8.6	7.4	4.5	5.0	3.6	4.0	3.5	3.7	3.4	2.7	2.9	2.4	3.5
Taiwan	-1.8	10.7	13.9	12.6	10.7	6.1	4.0	6.5	4.6	3.1	2.0	0.4	0.2	0.5	3.6
Hong Kong	-2.6	7.1	8.3	6.6	7.0	6.6	5.0	7.6	5.2	4.4	3.0	0.8	0.5	1.1	2.6
Singapore	-0.8	14.8	16.5	19.8	10.6	12.5	4.9	9.1	1.2	6.0	3.6	1.8	1.6	1.9	2.7
Malaysia	-1.7	7.2	10.1	8.9	5.3	4.8	4.9	4.6	4.3	5.8	5.2	5.0	4.7	5.4	4.4
Philippine	1.1	7.3	7.8	8.2	6.5	7.1	3.7	4.6	3.4	3.2	3.7	-	6.4	*	4.2
Vietnam	5.3	6.8	5.8	6.4	7.2	7.3	5.8	5.4	5.7	6.1	6.1	4.4	4.0	4.7	5.6
Indonesia	4.6	6.1	5.7	6.2	5.8	6.9	6.5	6.5	6.5	6.5	6.5	6.4	6.3	6.4	5.1
Thailand	-2.3	7.8	12.0	9.2	6.6	3.8	0.1	3.2	2.7	3.7	-8.9	2.2	0.4	4.2	5.5-6.0

Source: Collected and forecast by NESDB

Remark : * Data released on 30-31 Aug. 2012

effectively reduced the rate to merely 5.4 percent in July from the highest of 22.5 in Q3/2011, paving the way for a further easing of the monetary policy.

❒ Global Economic Outlook in the Second Half of 2012

Greece's extreme tension in political and economic crisis during May to June 2012 led to a lower growth of global economy and global trade volume than the previously-projected level. For the base case, global economy in the second half of 2012 tends to be stagnant then gradually recover. Hence, the economy could grow by 3.2 - 3.6 percent and global trade volume could rise by 5.0 - 6.0 percent. Several factors will contribute to such recovery, namely, (1) measures to cope with Eurozone crisis will be more obvious and practical. (2) a number of countries decided to expand their fiscal and monetary policies, especially China, and (3) oil and commodity prices will remain low and encourage economic recovery. However, some critical events, which may lead to volatility in global economy and financial market, need to be closely monitored. Those include, a German court verdict on budget contribution to Euro rescue fund (European Stability Mechanism: ESM), an evaluation on Greece compliance to the terms and condition of bailout, progress on solving the Eurozone crisis, and United States' measures to lessen the impact of budget contraction (Fiscal Cliff).

US economy is expected to grow by 2.2 percent, driven by private consumption and declining unemployment rate.

US Economy is estimated to grow by 2.2 percent, an improvement from the 1.8 percent growth in 2011. The recovery of private sector following the subprime crisis, particularly, the declining debt of household and unemployment rate, the improvement of business and export sectors and the stabilizing real estate sector are key supporting factors to strengthen private consumption as a key contribution to the US's overall growth subsequently. Nevertheless, recently, the confidence of private sector has been declining due to risks and uncertainty in: (1) the economic crisis in the Euro area; (2) the termination of tax credits and deduction by the end of 2012 and a fiscal measure to cutoff the budget deficit by 606 bn USD; and (3) a still high unemployment with increasing trend, particularly in the past three months. In case these factors become a severe concern of the government, an expansionary monetary policy, including policy rate lowering and money supply expansion, will be expected.

Eurozone economy is expected to shrink by 0.3 percent led by a recession in PIIGS.

Eurozone Economy is expected to register a contraction by 0.3 percent compared to the 1.5 percent growth in 2011. PIIGS economies and the other fundamentally weak economies are estimated to continually contract, whereas the first two largest economies of Eurozone, totaling of 48.5 percent of Eurozone GDP like Germany and France are estimated to improve from the first half of 2012 supporting by (1) the continued depreciation of euro currency, (2) the implementation of monetary easing policy by ECB particularly the 0.25 percent of interest rate reduction down to a historically lowest rate of 0.75 percent on 11 July 2012, (3) the long-term low interest rates due to the capital movement of investors to avoid risks, and (4) a more stable and improving investment climate reasoned by the clear guidelines on Eurozone problem solving which have been announced recently in the Eurozone Summit on 29 June 2012, the European Finance Ministers' Meeting and the European Central Bank Meeting on 9 July 2012 and 5 July 2012 respectively. These include the positive progress of economic reform in Ireland, the achievement of bond selling of Eurozone members including the mobilization of 4.1 billion euro by Greece for debt payment to ECB on 14 August 2012. Under those conditions, it is estimated that Germany and France economies in 2012 will grow at 1.0 and 0.2 percents respectively despite the deceleration from the expansion of 3.1 and 1.7 percents respectively in 2011. Nevertheless, during the second half of 2012 there are still remaining major situation, likely to worsen the crisis in Eurozone economies yet will potentially produce the fluctuation in the global economy, that need to be monitored and evaluated closely especially in September 2012. Those are (1) the Federal Constitution Court of Germany ruling on 12 September 2012 on Euro measures whether to issue a temporary injunction against laws on the ESM permanent euro rescue fund and the fiscal pact, (2) the results of assessment on Greece's debt problem solving under the bail-out package to Greece including the deal negotiation between Greece and Troika on Greece's plan and period to lower its public debts and fiscal deficit, (3) Italy sovereign-bond yield rates which might drive Italy to requesting the financial assistance from ESM in order to meet ECB terms and conditions in interfering bond buying, since Italy still needs to mobilize fund for bond redemption of 180 billion euro during the rest of 2012, and (4) ECB measures on Euro in the meeting in September 2012.

Japanese economy is expected to grow by 2.3 percent, compared to a 0.8 percent contraction in 2011. The economy is still exposed to the risk of Yen appreciation and global economic slowdown.

Japanese Economy is estimated to grow by 2.3 percent, improved from the contraction by 0.8 percent in 2011. Even though the notable expansion of Japanese economy during the first half have resulted from the increase of export, investment and reconstruction after tsunami disaster, however, the Japanese yen appreciation and global economic slowdown have remained to be constraints to the expansion of export and private investment during the second half of 2012, reflected by the decline of industrial production index of 8.0 percent (annualized rate) in the second quarter. Due to the risk avoidance of investors, Japanese currency has continually appreciated during the first half of 2012 from the average of 82.43 yen per USD in March to the average of 79.02 yen per USD in July, the highest in 5 months. Under such economic conditions, it is likely that the Japanese government will conduct the money supply expansion policy and foreign-bond buying in order to lower down the pressure in Japanese currency appreciation.

Chinese economy is expected to grow by 7.9 percent where Eurozone crisis and global economic slowdown would remain as a risk to the economy.

Chinese Economy is forecasted to grow by 7.9 percent, compared to 9.2 percent increase in 2011. The European crisis and the global economic slowdown will become constraints to China's economic growth in the second half of 2012. Taking into account the sluggish growth in the first half of 2012 and July figures which have signaled the continual economic slowdown, plus the worrisome on economic slump and the decrease of inflationary pressure, it is expected that the Central Bank of China will continue to conduct monetary easing policy by cutting more reserve ratio rate and policy interest rate. It is also likely that Chinese government will implement fiscal policy to stimulate its economy if there is no sign of economic improvement in the third quarter due to the worrisome on local government debt burdens.

4. Thai Economic Outlook for 2012

The Thai economy in the second half of 2012 is expected to grow at a satisfactory rate. The supporting factors include: (i) the industrial production is expected to accelerate in the latter half; (ii) the private investment has a high tendency to increase continuously; (iii) the household consumption expenditure tend to expand at a satisfactorily rate; (iv) the budget still possesses the capacity to increase government's spending and further stimulate economy; and (v) the price of oil and inflationary pressure are likely to remain low. However, there are still risks and constraints facing the economy in the remaining of the year including (i) the expansion of the world economic will be lower than expected; (ii) the recovery of affected industrial sector tends to be slower than expected; (iii) the government's budget disbursement under the water resource management plan could be delay; and (iv) the production of agricultural products remain under the constraint of unpredictable natural disaster coupled with the high tendency of the low price of agricultural products in the world market.

Supporting Factors; (1) the expansion of industrial production; (2) Upward tendency of private investment; (3) Satisfactorily growth of private consumption; (4) The sufficiency of the government budget to stimulate economy; and (5) Inflationary pressure and the oil price are expected to remain low.

❐ **Supporting Factors**

(1) The industrial production is expected to accelerate in the second half of the year. Supporting factors are as follows: (i) the recovery of industrial sector likely to accelerate in the second half of this year which will push the production capacity to their full potential[6]; (ii) the low-base effect from peculiarly low growth in the last quarter of 2011; (iii) the government's measures - notably the extension of period of the tax-rebate for first -time car buyers scheme- will continuously stimulate the automobile industry[7]; and (iv) the progress made towards the construction of flood-protection system around affected industrial estates will raise investors' and businesses' confidence to restore machines and increase their capacity utilization.[8]

(2) Private investment is likely to grow at a good pace during the second half of this year. Factors supporting this growth are: (i) post-flood investment to restore production capacity will continue to increase following a delay in the first half year; (ii) investment for relocation of production bases within the country to avoid the unnecessary risk associating with flooding[9]; (iii) private sector's investment for flood-protection system; and (iv) new investment has a potential to grow at a good pace. This is evidence in the number of investment projects applied for concession to the Board of Investment's (BOI) and the budgets of the approved investment project by the BOI in the first-half of this year have increased by 97.9 and 33.6 percent respectively.

(3) Private consumption has a high tendency to experience a satisfactory rate of growth, even though the flood relief budget started to decline in the second-half of this year. Likewise,

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[6] As of 29th March 2012, the numbers of factories in seven industrial estates that have sustained full recovery and are now able to operate at full capacity level total of 204 out of 839 factories affected by the flood and increase to 402 factories in 30th july

[7] On 30th July 2012, the cabinet passed a resolution to extend indefinitely the period, during which the allowance of handling of new cars can be made. However, interested applicants must buy or reserve new cars before 31st December 2012, and must submit the application forms and supporting documents by the December deadline or within 90 days after the date on which the delivery of car is made. The application must be filed at the local Excise Departments or its branches.

[8] The governor of the Industrial Estate Authority of Thailand made an announcement on the progress of its construction of flood protections for industrial parks, industrial areas and industrial estates in the provinces of Ayuddya and Pathumthanee. Currently 80 percent of the construction plan has been completed, and within the remaining 30 days, we should see over 90 peercent completion. The dams and flood-protections will be able to handle this year's flood

[9] Relocation from flood prone area to industrial estate in the east such as Hemaraj industrial estate, Eastern Sea Board, Hemaraj-east industrial estate, and Amata industrial exatate.

household expenditure is likely to increase at a satisfactory rate. The factors that will raise consumers' purchasing power include: (i) the continued recovery of production sector; (ii) the low inflation rate; (iii) the easing of monetary policy; and (iv) the affect of government's stimulus measures, particularly the increase of civil servant salary and minimum wage, the pledging scheme for major agricultural products, and tax-rebate for first-time car buyers scheme.

(4) The budget still possesses the capacity to increase government's spending and further stimulate economy in the latter half of the year. Non-disburse budget up until 15th of August 2012 amounted to 569,083.0 million baht, while fund under royal decree on investment loan for water resource management and future development (total of 350,000 million baht) were able to disburse only 426.7 million baht. Thus, for the rest of the year the government has the opportunity to boost up government spending in order to lessen the impact from the slowdown in export sector.

(5) Inflationary pressure and the oil price are expected to remain low. This will facilitate the monetary authorities to pursue the course of expansionary monetary policy to aid the economic recovery in Thailand and in other countries especially those of our export destination.

Risk Factors and Limitations

(1) Global economy slows down and financial system remains volatile.

(2) Post flooding recovery is delayed

(3) Government budget disbursement and implementation of invest projects are lesser than target

(4) Lower labor competitiveness and the increasing of minimum wage

(5) Agricultural price continually lows

❒ **Risk Factors and Limitations**

(1) World economic situation in the second half tends gradually improve with a low recovery rate due to anxieties in: (i) European economic crisis tend to prolong and progress of its solution still uncertain; (ii) The automatic spending cut of US government which will be implemented in 1st January 2013; and (iii) the slowdown in Chinese economy. This sluggish economic recovery is a major limitation of Thai export and manufacturing sector in the latter half of the year. Moreover, there remain several crucial decisions which will have significant impact towards global economic and financial market as follows: (i) the verdict of Germany's Federal Constitutional Court over the case of increasing the fund to the European Stability Mechanism (ESM); (ii) the progress report of Greek austerity programs; (iii) the Italian bailout scheme from the ESM which relates to its authority to intervene bond market; (iv) the Netherlands election on 12th September 2012; and (v) The US government and Fed policy to alleviate the effect from lowering their budget deficit.

(2) The recovery of manufacturing sector in some industries have tendency to delay until the end of this year. Furthermore, lack of confidence in flood protection system and uncertainty in world economic situation could leads to a delay in recovering investment and increasing production capacity particularly industry that requires expensive machinery.

(3) The government budget disbursement and implementation of major public investment projects could be further delay, especially investment under the water resource management plan that will incontestably affect investor confidence. Furthermore, the delay in budget disbursement will also hinder the economic growth outlook from lower than expected government expenditure.

(4) This funding will improve not only investor's confidence but also cause the government expenditure to increase higher than expectation.

(5) Agricultural product price likely to be low due to the slowdown in global economic recovery. Moreover, the production of agricultural products remain under the constraint of unpredictable natural disaster

❒ **Key Assumption for 2012 Projection**

(1) The global economy is estimated to expand by 3.2-3.6 percent while global trade volume is expected to grow by 5.0-6.0 percent, decelerating from an expansion of 3.4 – 3.8 percent and 6.1 – 7.1 percent in the previous estimation (May 21st 2012). Such downward

Key Assumption for 2012 Projection

	2011	2012	
		21 May 12	20 Aug. 12
World Economic Expansion (%)	3.8	3.4-3.8	3.2-3.6
US	1.7	2.4	2.2
EU	1.4	-0.2	-0.3
Japan	-0.7	1.8	2.3
China	9.2	8.3	7.9
World Trade Volume (%)	5.8	6.1-7.1	5.0-6.0
Exchange Rate	30.5	30.5-31.5	31.0–31.5
Dubai Crude Oil (USD/Barrel)	106.0	105-110	105-110
Export Price in USD (%)	5.6	3.3	0.5
Import Price in USD (%)	10.1	5.8	2.5
Tourists (Million Persons)	19.1	21.0	21.0

Source: NESDB

adjustment affected from the impacts of Greek political and economic crisis during May to June and their domino effect, as a result, the global economy and trade volume tend to be lower than the preceding estimation and pose a limitation for export sector and Thai economy in general.

(2) The 2012 average Dubai crude oil price is projected to be in the range of 105-110 US dollars per barrel, unchanged from the prior estimation. During the first half of 2012, average Dubai crude oil price was at 108.18 US dollars per barrel while an average Dubai crude oil price between July and the first half of August is at 101.57 US dollar per barrel. For the remaining of the year, oil price tends to increase at a slower pace as the following supporting factors: (i) economic recovery of major oil consumption countries namely China, US and Europe, tend to be sluggish; (ii) demand for speculation is expected to be soften as a result of uncertainty in European economic crisis; and (iii) an increase in oil production in North America.

(3) Export price of goods in US dollars term is forecasted to expand by 0.5 percent, decelerating from 3.3 percent from the previous projection. Likewise, import price of goods in US dollars term is estimated to expand by 2.5 percent, decelerating from 5.8 percent from the prior estimation. This is mainly due to global economic slowdown and higher risk aversion of investors which reduce commodity prices including oil, agricultural products, agro-industry, gold and jewelry prices. Thus, the export and import prices for the first half of the year in terms of US dollar increased only 0.8, and 3.7 percent respectively.

(4) Number of foreign tourist is anticipated to be 21 million persons, unchanged from the previous estimation and compare to 19.1 million persons in 2011.

❒ **Economic outlook for 2012**

Thai economy is forecasted to expand in the range of 5.5-6.0 percent increase from an expansion of 0.1 percent in 2011. In addition, inflation rate is estimated to expand between 2.9-3.4 percent, decelerating from 3.8 percent in 2011 while current account expected to record a surplus and equivalents to 0.1 percent of GDP, decreasing from 3.4 percent in 2011.

In the press release of 20th August 2012, NESDB narrowed down economic projection from the growth rate of 5.5-6.5 percents in 21st May 2012 to 5.5-6.0 percents. The main reasons for the downward revision are as follows (i) an adjustment for assumption of global economic and trade volume as well as export and import prices from the impacts of European economic crisis; and (ii) the delay in manufacturing recovery which previously project to fully recover in the first half of the year. The two new assumptions have lowered the possibility of Thai economy to expand over 6.0 percent.

❒ The compositions of 2012 Economic Growth

(1) Consumption expenses is expected to grow by 4.7 percent, compared to 1.3 percent in 2011, revised up from the last projection of 4.4 percent, mainly due to the revised up in private and public consumption from 4.5 and 3.5 percent to 4.8 and 3.8 percent. The revision of private and public consumption is in accordance with the higher than expected growth in the second quarter while inflationary pressure is expected to soften when compared to the previous forecast.

(2) Total investment anticipate to increase by 11.3 percent, compared to 3.3 percent in 2011, lower than the latest expectation at 12.3 percent, which due to the reduction of private and public investment to 12.2 and 8.1 percent respectively. This reduction is deriving from the second quarter's data which were lower than the previous estimation couple with an adjustment in exchange rate assumption and reduce in budget disbursement under the water resource management plan.

(3) Export value in term of US dollar is likely to grow by 7.3 percent, comparing to 16.4 percent last year, revised down from 15.1 percent in the previous projection. The reduction is according to: (i) revision of export price assumption from 3.3 percent in previous quarter to 0.5 percent in this quarter; and (ii) reduce export volume from 11.8 percent in the previous quarter to increase 6.8 percent in this quarter, according to the slow recovery of production in manufacturing sector which were the main factor responsible for a contraction in the export volume by 2.9 percent in the first half year. Furthermore, the new assumption for world economic growth and global trade remain a limitation to export sector even though the productions are able fully recover from flood disaster.

(4) Import value in term of US dollar is forecasted to grow by 13.5 percent, compare to 24.7 percent last year, revised down from 22.3 percent in the previous quarter, which mainly due to (i) Revised down the import price to 2.5 percent from 5.8 percent expansion in last projection; (ii) Lower projection on export growth, which result in lower demand on raw material and intermediate goods especially in electrical appliances and electronics industries that have high import content and experienced a slow recovery from flood crisis; and (iii) Decline in investment, which lower demand on import of capital goods.

(5) Trade balance is forecasted to record a surplus of 12.6 billion US dollar, while current account is expected to surplus by 0.3 percent of GDP following a revision in export and import growth.

(6) Average headline inflation is expected to be in the range of 2.9-3.4 percent, compare to

3.8 percent in the previous year and 3.4-4.0 percent in the previous estimation. This reduction is in accordance with the figure of half year inflation rate that remain at 2.9 percent while inflationary pressure is expected to be soften from lower import price.

5. The Economic management for 2012

Thai economy in the first half of 2012 was expanded less than potential mainly due to the slow recovery of industrial sector. Meanwhile, the slow recovery of global economy and potential of volatility risk remains risk factors toward the recovery of industrial sector and overall Thai's economy. Under the current situation domestic demand is a crucial driving force of economic growth. Thus, economic management should emphasize on the following factors:

(1) Accelerating recovery process of flood affected industries to achieve full production capacity. At the same time, build up investor's confidence over flood protection system to ensure full usage of production capacity in domestic production base.

(2) Accelerating budget disbursement and implementing of major public infrastructure projects, particularly projects under water resource management plan to exploit an expandable government expenditure compensating the deceleration of export as well as build up investor's confidence. Meanwhile, speed up investment projects of state owned enterprises remain crucial.

(3) Implementing monetary and exchange rate policies in accordance with economic environment that inflationary pressure is expected to be soften. In the second half of 2012. , Thai economy highly depends on domestic demand growth as a driving force, while export sector strongly rely on price competitiveness and exchange rate stability.

(4) Assisting entrepreneur who are affected by a minimum-wage policy, particularly those labor-intensive SMEs by rapidly publicize them to fully utilize the government assisting measures such that they could reduce production cost and enhance productivity. Furthermore, the measures should be broadened out towards entrepreneurs not covered by the current scheme. At the same time, the measure also need to accommodate the labor being laid off or forced to reduce their working hours.

After Euro Summit (29th June 2012) and European Finance Ministers meeting (9th July 2012)

The PIIGS crisis since 2009 is a major risk to a collapse of the single currency, and continually affects the global economic and financial stability. Even though the EU attempted to resolve this crisis but the current measures demonstrated many weaknesses which are as follows:

(1) Implementation of fiscal compact while ignoring the limitation of single currency in stabilizing economy generated an economic stagnation, adversely impact on employment and people's welfare. Such impacts lead to EU civil resistance on fiscal compact.

(2) Application of one size fit all measure, tightening fiscal policy, to the countries which have different fundamental problem exacerbates the crisis in several countries namely Spain.

(3) Resolving measures of liquidity and bond market intervention to ease the cost of borrowing by Long-term Refinancing Operation (LTRO) and the European Central Bank (ECB) direct intervention, are able to ease the problem only in limited coverage and only in short term.

(4) Net capacity of the EFSF (after deduct financial assistance to some countries before the measures) was only 200 – 250 Billion Euros, whereas the ESM was not yet fully operate, resulting in a lack of adequate assistance to gain investor's confidence.

(5) Liquidity injections for commercial banks in order to resolve the liquidity shortage was not effective because the liquidity is allocated for a purchase of government bond.

(6) Recapitalization of commercial banks in trouble countries were not able to reduce anxiety in bond market and country borrowing cost, due to the increase in government debt.

(7) Complexity of economic structure and related regulation composed sluggish decision-making and implementing process and in some case fail to implement, which affect the confidence and exacerbate the situation.

(8) Lack of problem solving mechanism in the form permanent institution and regulation resulted in reliance of decision making elected leaders which must weigh their decision between domestic political popularity and overall EU's benefit.

(9) Lack of resolving real cause of economic crisis, particularly economic restructuring and enhancing competitiveness especially those countries with weak economic fundamental. In addition, fiscal transfer to such countries in order to achieve self-directed economy is necessary for circumvent asymmetric shocks that arise from the different fundamental of each country.

However, the Euro summit meeting on 29th of July 2012 reached a conclusion about economic resolution as follows:

(1) The European single supervisory mechanism for financial institutions will be established, led by the ECB. This agreement is an initial step toward the European banking union.

(2) A direct recapitalization of commercial banks by the EFSF and the ESM has been approved in order to intervene members' bond markets. Accordingly, the ESM will start to directly recapitalize banking sector in 2013 which will not increase public debts of those countries.

(3) Eased out regulations of the EFSF and the ESM especially the role of intervening in the secondary bond market aiming to reduce EU member's cost of borrowing and to release anxiety in bond market of EU members.

(4) The economic resolution package to stimulate growth and employment worth 120 billion Euro (150 billion US dollars), equivalent to 1.3 percent of Eurozone GDP or 4.0 percent of PIIGS GDP. Moreover, this program also encourage an investment expansion to improve overall European competitiveness.

(5) The financial supporting program for Ireland have been revised as improvement in its economic reform became more apparent..

(6) Two major policies are approved which are the fiscal discipline measure, and the 200 billion Euro funding for the ESM.

Furthermore, the Euro Finance Ministers meeting on 9th of July 2012 had agreed on solution policy included

(1) Approved rescue fund of 30 billion Euro to Spanish banks (from total of 100 billion Euro, according to the agreement on June 2012)

(2) Extend the deadline for the reduction of excessive Spanish budget deficit by one year – from 2012 to 2013 in which Spain had to reduce its fiscal deficit to 3.0 percent of GDP. Moreover, banking reform and lending criterion will be implemented.

The agreed direction and policy of Euro Summit and The Euro Finance Ministers meeting could eliminate the weakness of the previous policy, especially in:

(1) Growth and employment stimulus package worth 120 billion Euro (150 billion US dollars), if were to be implement as plan would be sufficient to lessen the impact of economic contraction and help PIIGS economy to gradually improve in the remaining year of 2012.

(2) Extend the deadline for Spain to reduce their public deficit (not more than 3.0 percent of GDP) by one more year (from 2013 to 2014) and commitment to revise condition of rescue package toward Ireland as improvement in its economic reform became more apparent. This adjustment reflects the deflection from one size fit all policy to more flexible program in order to appropriately create a rescue package according to diverse situation in each country.

(3) The operation of the ESM under the agreed jurisdiction will further enhance the easing liquidity operation in trouble countries. Moreover, ESM will also reduce the limitation of EFSF operation from extra funding attach to ESM.

(4) The resolution on setting up banking supervision institution with European Central Bank (ECB) as a lead institution before ESM can directly recapitalize banking sector in 2013 will increase indecency of banking sector from government. The mention measure, if were to successfully carry out, will strengthen the easing liquidity operation and alleviate the crowding out effect. Moreover, the rescue fund provided to banking sector will not be include in the government debt which in turn will help reducing negative pressure on government borrowing cost.

(5) The establishment of ESM and banking supervision institution in Eurozone as a permanent mechanism with legalized authority will make the rescue operation become more automatic and independent from political influence which in turn will increase the speed and efficiency of the rescue operation.

(6) Although, the mechanism of fiscal transfers is indecisive, but the establishment of banking supervision institution in Eurozone and banking union is a key success that may lead to the establishment of the European fiscal union. The European fiscal union will accommodate the process of fiscal transfer by (i) deficit financing through banking sector would become more difficult and will increase indecency of banking sector which in turn will strengthen banking sector in trouble countries; and (ii) The banking union is designed and characterized for fiscal transfer via the mutual deposit insurance fund and the mutual bailout fund, of which are less apparent in implementing regulations. Subsequently, the fiscal union that designed to seek fund via bond and repayment fund, is less preferred by the donor countries.

Therefore, the rescue measures from the Euro Summit and the European Finance Ministers Meeting marked a significant progress in solving a short-term economic contraction, employing a stimulus package and relaxing a fiscal austerity customized to a specific condition of each country. The measures would also address the liquidity tension in a troubled country and solving a flaw of the single currency system. If those measures are implemented as expected, it would enhance investors' confidence. The Eurozone economy will then recover in the second half of 2012, being expected to contract by 0.5-0.2 percent. When complemented by a well-expanding China, US, and Japan economies, the world economy is expected to grow by 3.2–3.6 percent in 2012.

Nevertheless, the remaining of 2012 and the year 2013 is still uncertain. Several circumstances can affect the European economic resolution which could lead to another severe crisis and affect to stability of global economy and financial market. Against this situation, close monitoring and analysis is necessary.

(1) Progress of the economic stimulation and economic restructuring policy under 120 billion Euro packages

(2) Negotiation on fiscal austerity measures between troubled countries and European Union (EU).

(3) Progress of fundraising for European Stability Mechanism (ESM) under the initial agreement of 500 billion Euro and its sufficiency to cope with the crisis.

(4) Responses from trouble countries about their independence of decision making on fiscal policy and supervision over their financial institution after European banking union and European fiscal union are fully operate.

(5) Response of small countries with strong economic fundamental that did not receive benefit from the single currency system and have to take responsible for fiscal burden from EU economic measures, and the future burden from the founding of the banking union and the fiscal union.

(6) Political movement in major countries which can determine the direction and continuity of economic resolution particularly the Italian election in April 2013 and German election in September 2013.

(7) Progress of Ireland and Portugal economic restructuring and response of bond market prior the ending of financial supporting package in 2012.

Economic projection of 2012

	Actual Data			Projection for 2012	
	2009	2010o	2011	21 May 12	20 Aug. 12
GDP (at current prices: Bil. Bht)	9,041.6	10,104.8	10,540.1	11,573.1	11,478.6
GDP per capita (Bht per year)	135,144	150,117	155,926	170,415	169,023
GDP (at current prices: Bil. USD)	263.3	318.8	345.6	373.3	367.3
GDP per capita (USD per year)	3,936.0	4,735.5	5,113.0	5,497.3	5,408.7
GDP Growth (at constant prices, %)	-2.3	7.8	0.1	5.5-6.5	5.5 – 6.0
Investment (at constant prices, %)	-9.2	9.4	3.3	12.3	11.3
Private (at constant prices, %)	-13.1	13.8	7.2	13.0	12.2
Public (at constant prices, %)	2.7	-2.2	-8.7	10.0	8.1
Consumption (at constant prices, %)	0.1	5.1	1.3	4.4	4.7
Private (at constant prices, %)	-1.1	4.8	1.3	4.5	4.8
Public (at constant prices, %)	7.5	6.4	1.1	3.5	3.8
Export volume of goods & services (%)	-12.5	14.7	9.5	11.5	7.7
Export value of goods (Bil. USD)	150.7	193.7	225.4	259.5	241.8
Growth rate (%)	-14.0	28.4	16.4	15.1	7.3
Growth rate (Volume, %)	-14.2	17.7	10.2	11.8	6.8
Import volume of goods & services (%)	-21.5	21.5	13.7	14.2	10.5
Import value of goods (Bil. USD)	118.1	161.9	201.9	246.8	229.2
Growth rate (%)	-25.2	37.0	24.7	22.3	13.5
Growth rate (Volume, %)	-23.2	26.8	13.3	16.5	11.0
Trade balance (Bil. USD)	32.6	31.8	23.5	12.7	12.6
Current account balance (Bil. USD) [1/]	21.9	13.2	11.9	2.7	0.3
Current account to GDP (%)	8.3	4.1	3.4	0.7	0.1
Inflation (%)					
CPI	-0.9	3.3	3.8	3.5-4.0	2.9 - 3.4
GDP Deflator	1.9	3.7	4.2	3.5-4.0	2.9 - 3.4

Source: Office of National Economic and Social Development Board, 20 August 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)