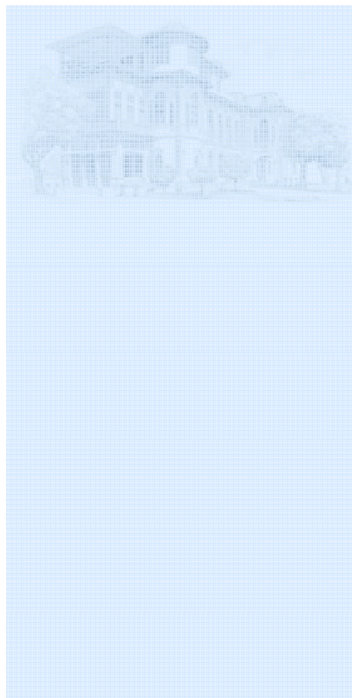


1. *The Thai economy in 2010*
2. *Projection for 2011-2012*
3. *Challenges facing monetary policy*



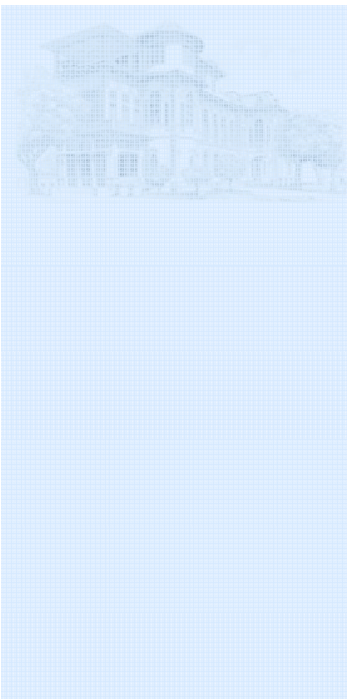
1. *The Thai economy in 2010*
2. *Projection for 2011-2012*
3. *Challenges facing monetary policy*



## The Thai economy in 2010

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- The Thai economy was expected to grow about 8 per cent (previous forecast's upper bound) despite negative shocks - notably the political and climate factors - throughout the year.
- Exports registered strong growth thanks to exporters' aptitude in coping with uncertainty surrounding exchange rates and capital flows.
- Price pressure started to rise persistently in 2010 H2 and could undermine macroeconomic stability and growth going forward.



1. The Thai economy in 2010

2. Projection for 2011-2012

3. Challenges facing monetary policy

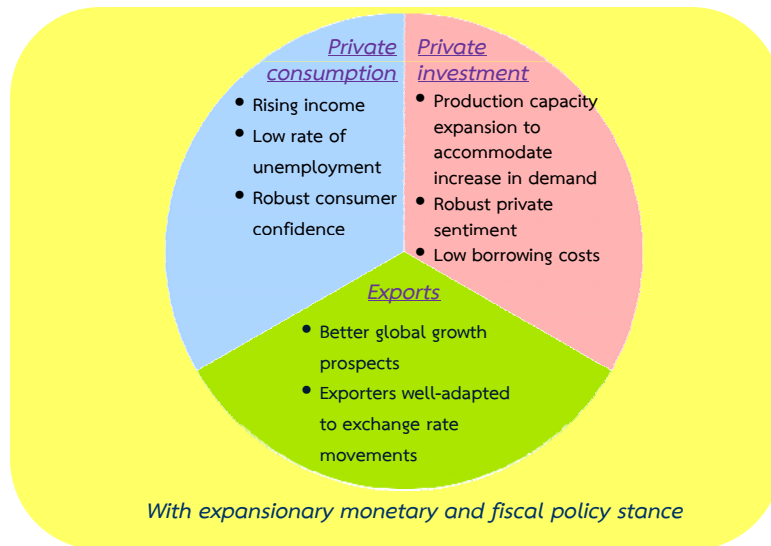


Growth and inflation outlook for 2011-2012

- All GDP components contribute to growth in 2011 and 2012 - projected to be 3.0-5.0 per cent which is a normal pace of expansion - thanks to continued momentum from 2010 and robust economic fundamentals.
- Risks to growth do not change significantly from those in 2010.
- Additional risks to inflation emerge.



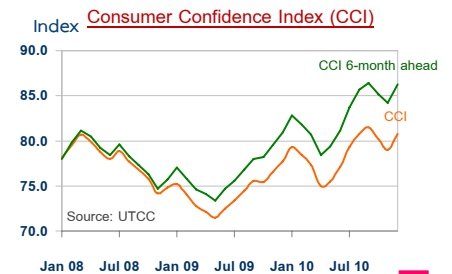
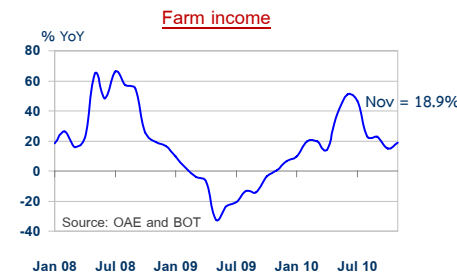
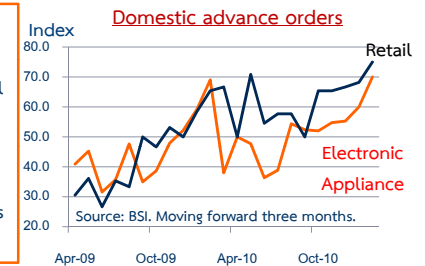
All GDP components contribute to a sustained growth momentum



Private consumption will grow robustly in line with favourable income prospect and consumer sentiment

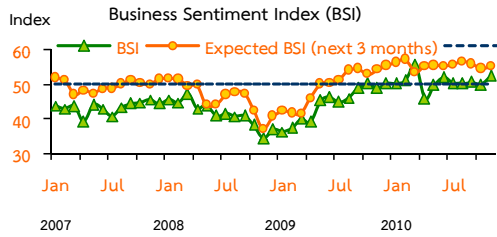
Private consumption will sustain its strong momentum, as reflected by advance orders of durable and non-durable goods – in particular, retail sales and electronic appliances. This outlook is supported by:

- Rising farm and non-farm income
- Higher minimum wages and government salaries
- Robust consumer confidence.



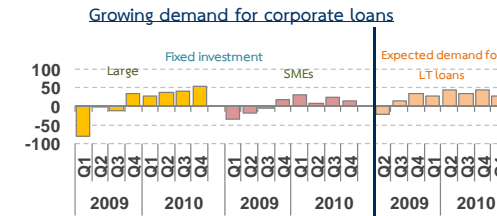


Private investment will continue to ride on the recovery momentum, which began in 2009 H2, due to pent-up investment demand



Determinants of investment growth going forward:

- Rebound in private sentiment continuing from 2010 H2
- Expansion of production capacity to accommodate firming domestic and external demand
- Low costs of borrowing, which facilitate growth in business lending



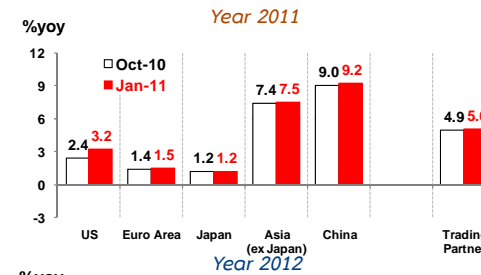
Source: BOT's credit condition survey

Note: Positive for an increase in demand; negative for a decline



Exports will benefit from firming external demand

GDP Forecasts



Emerging markets will steer the robust global growth going forward, against a backdrop of a gradual recovery in G-3 economies.



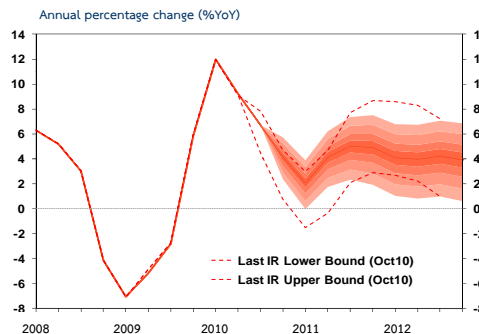
Note: \* Weighted average (by export share) of Thailand's major trading partner GDPs (12 countries)

Source: Consensus forecast as of October 2010 and January 2011



GDP Growth Forecast

GDP Growth Forecast



%YoY	2010	2011	2012
GDP Growth (Oct 10)	8.0	3.0 - 5.0	3.0 - 5.0

Risk factors going forward:

- Protracted recovery in trading partners' economies, especially in the euro area
- International capital flows
- Domestic political factors, particularly the uncertainty regarding the general election

Remark: The fan chart covers 90 per cent of the probability distribution.



Inflation will face both demand and cost pressures, further driven up by expectations

Pressure to inflation will rise persistently going forward:

■ Cost-push factors

- Commodity prices, wages, and material costs will continue to upswing.
- Businesses cannot bear rising production costs any further, thus a greater pass-through of cost burdens to retail prices.

■ Demand-pull factors

- Demand pressure starts to rise in line with the continued growth momentum.

■ Government's policies conducive to spending

■ Private sector's inflation expectations

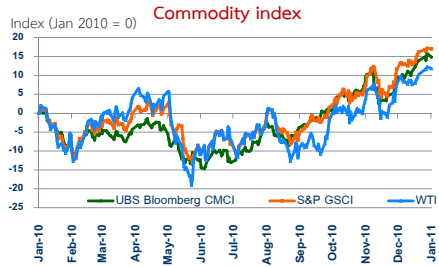
- Businesses have been anticipating higher costs going forward, driven by the factors above as well as other policies such as the adjustment of minimum wages and government salaries.
- As a result, businesses might raise prices swiftly and substantially when an opportunity arises.



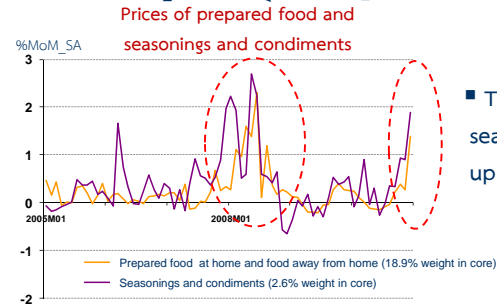


## Commodity prices will tend upwards persistently, pressuring production costs and retail prices

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- Commodity prices will surge over the period ahead.

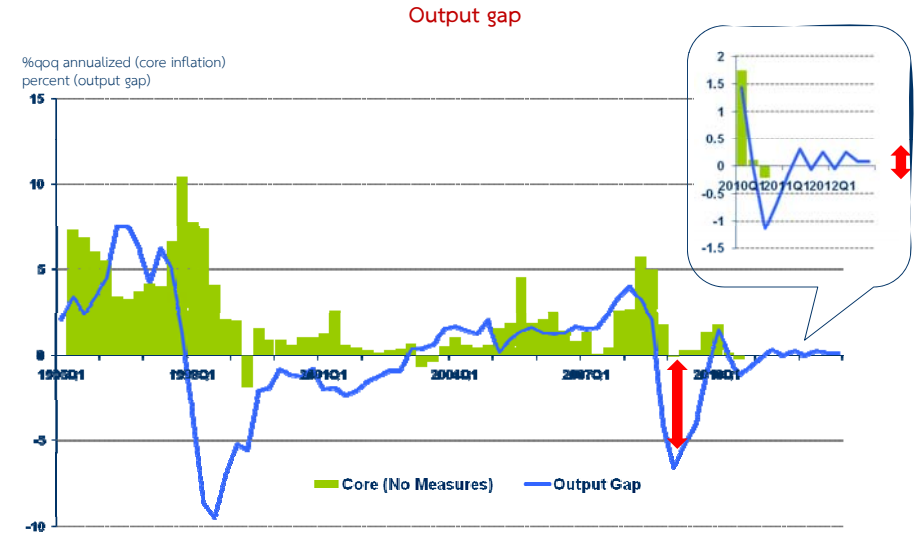


- The prices of prepared food and seasonings and condiments have picked up sharply, as happening in 2008.



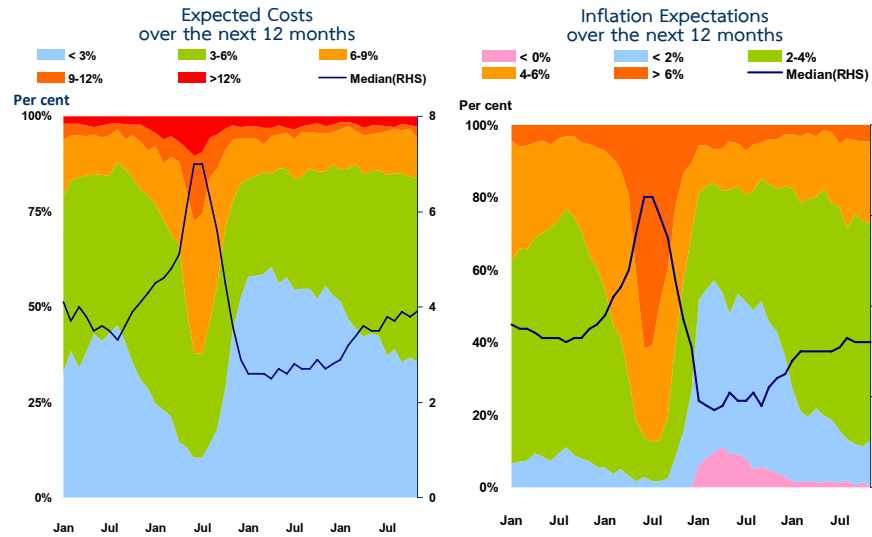
## Demand pressure starts building up in line with domestic growth, with the output gap closing over time

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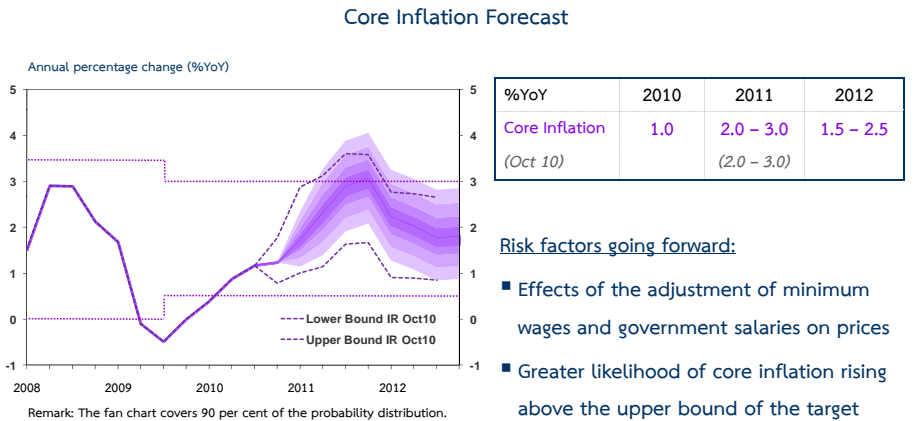
## Anticipating costs to rise, businesses might raise prices swiftly and substantially when possible

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## Core Inflation Forecast

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### Risk factors going forward:

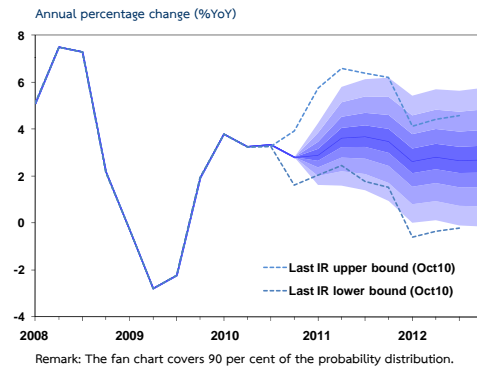
- Effects of the adjustment of minimum wages and government salaries on prices
- Greater likelihood of core inflation rising above the upper bound of the target range in 2011, compared to the previous projection



## Headline Inflation Forecast

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### Headline Inflation Forecast



%YoY	2010	2011	2012
Headline Inflation (Oct 10)	3.3	2.5 – 4.5	2.0 – 4.0
		(3.0 – 5.0)	

#### Risk factors going forward:

- Global oil and commodity prices, particularly the surging food prices
- Impacts of unfavourable weather conditions on farm prices



## Forecast Summary

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	2010	2011	2012
GDP Growth (Oct 10)	8.0	3.0 – 5.0 (3.0 – 5.0)	3.0 – 5.0
Core Inflation (Oct 10)	1.0*	2.0 – 3.0 (2.0 – 3.0)	1.5 – 2.5
Headline Inflation (Oct 10)	3.3*	2.5 – 4.5 (3.0 – 5.0)	2.0 – 4.0

Note: \*outturns

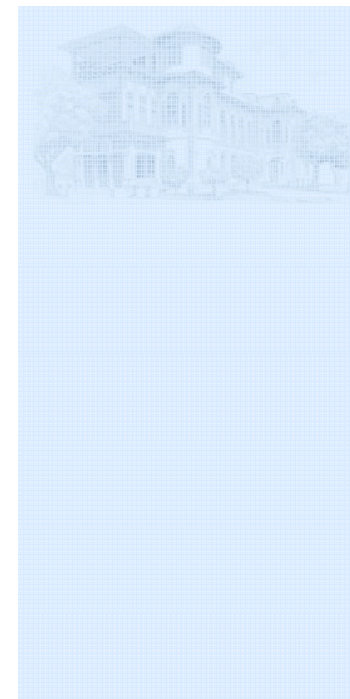


## Detailed Summary of Forecasts

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(%YoY)	2010 <sup>E</sup>	2011 <sup>E</sup>	2012 <sup>E</sup>
GDP Growth	8.0	3.0 – 5.0	3.0 – 5.0
- Private Consumption	4.8	3.0 – 5.0	2.5 – 4.5
- Private Investment	14.8	8.0 – 10.0	10.0 – 12.0
- Public Consumption	6.7	4.0 – 6.0	3.5 – 5.5
- Public Investment	-0.8	2.0 – 4.0	3.5 – 5.5
- Exports of Goods and Services	13.8	6.0 – 9.0	8.0 – 11.0
- Imports of Goods and Services	20.3	8.0 – 11.0	10.0 – 13.0
- Value of Exports (F.O.B.)	28.5	11.0 – 14.0	11.0 – 14.0
- Value of Imports (C.I.F.)	36.8	15.0 – 18.0	13.0 – 16.0
- Trade Balance (Billion USD)	14.0	8.0 – 11.0	4.5 – 7.5
- Current Account (Billion USD)	14.8	10.0 – 13.0	6.5 – 9.5

Note: E = Expected



1. The Thai economy in 2010

2. Projection for 2011-2012

3. Challenges facing monetary policy



In the presence of surging oil and commodity prices and rising global inflation going forward, the BOT must strive to establish public confidence in its commitment to keep inflation at reasonable level.



<http://www.bot.or.th/Thai/MonetaryPolicy/Inflation>