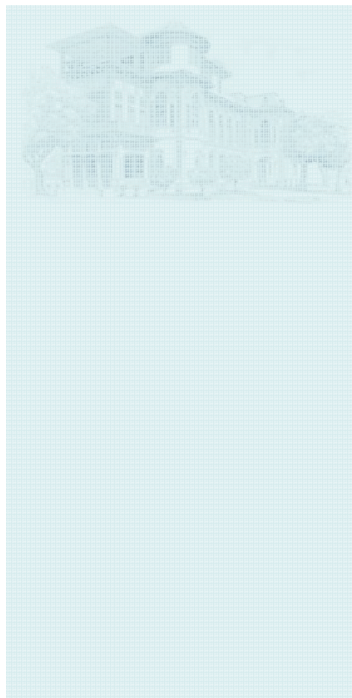


1. *The Thai Economy in 2009*
2. *Forecasts for 2010-2011*
3. *Monetary Policy Outlook for 2010*

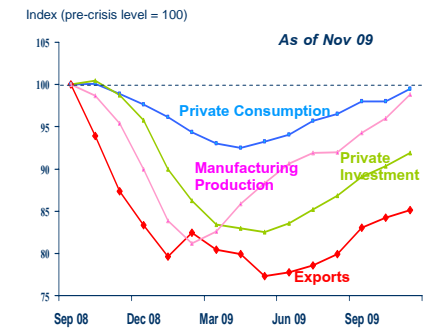


1. *The Thai Economy in 2009*
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3. *Monetary Policy Outlook for 2010*

## The Thai Economy in Perspective: 2009

4

- **The Thai economy contracted, relative to the previous year, for the first time since 1999 following the global economic crisis**
  - Trading partners' slumping economies caused a slowdown in Thailand's exports in 2009 Q1, thus affecting employment, private consumption, and investment. Meanwhile, financial institutions remained strong.
- **Swift moves in monetary policy—with the policy interest rate adjusted down to 1.25 per cent per annum—and expansionary fiscal policy helped the economy to emerge from recession in 2009 Q2**



- GDP Level**
- Quarter 1 : reaching the lowest point
  - Quarter 2 : recovering
  - Quarter 3 : softening somewhat
  - Quarter 4 : resuming a stronger pace of expansion

In 2009 Q4, the Thai economy showed clearer signs of a broad-based recovery, with positive YoY growth for the first time since the crisis

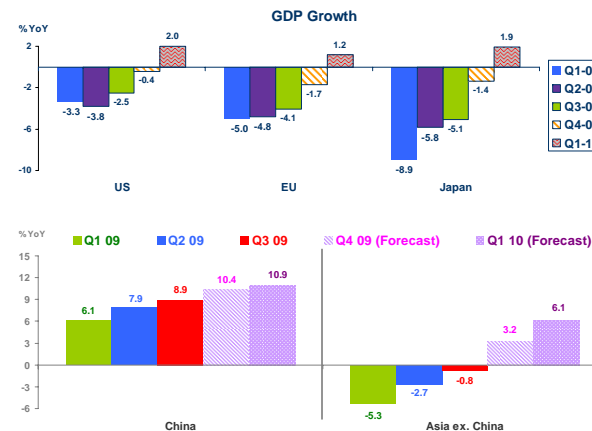
Major driving forces

- **Demand side** Exports still drove the economy. Private consumption started to expand, while private investment recovered gradually.
- **Supply side** Industrial sectors such as electronics and autos, as well as the number of tourists, showed signs of normalization in 2009 Q4 in line with the global recovery and the rebound of domestic demand.

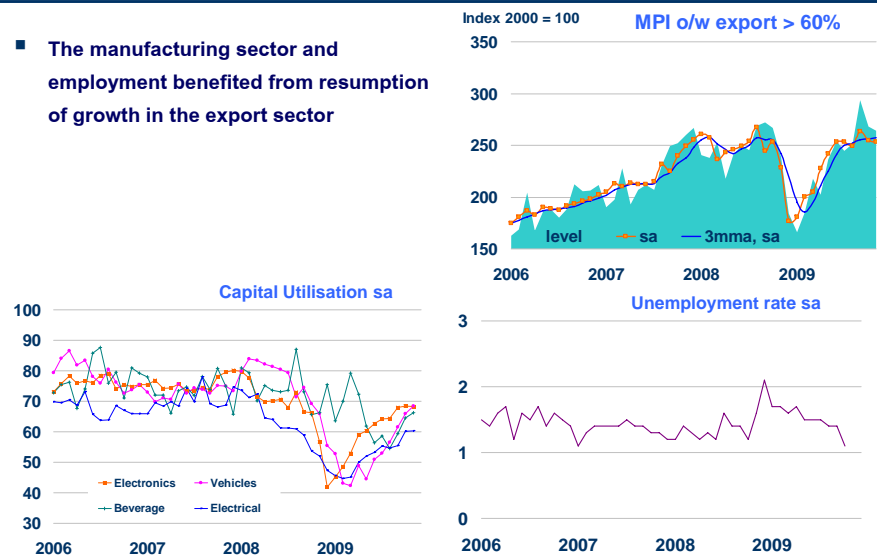
%YoY	2008	2009				
		Q1	Q2	Q3	Oct	Nov
Private Consumption Index	3.6	-5.3	-4.3	-2.4	-0.9	4.0
Private Investment Index	2.9	-16.1	-15.7	-11.1	-10.1	-6.9
Export volume of goods	15.9	-20.0	-26.1	-17.5	-2.6	17.3
Import volume of goods	26.5	-34.3	-28.1	-24.9	-21.2	-6.6
Manufacturing Production Index	5.3	-18.5	-9.2	-5.0	1.9	0.4
Number of tourists	0.8	-15.7	-16.5	-2.9	10.5	27.0

Global recovery

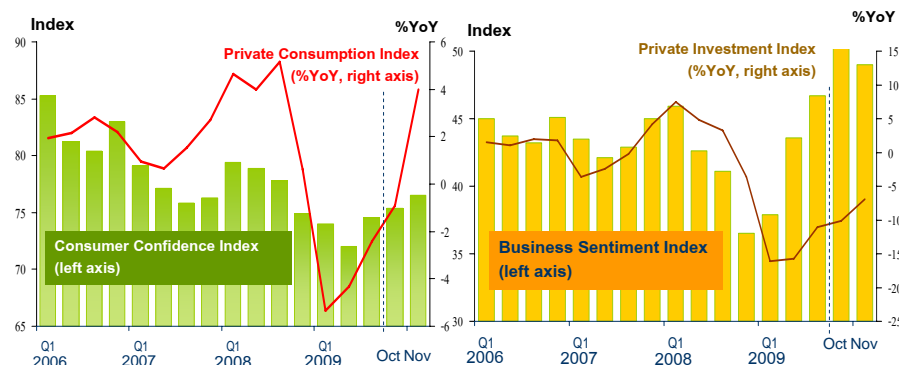
- The global economic recovery, especially in Asia, helped support Thailand's export sector



- The manufacturing sector and employment benefited from resumption of growth in the export sector

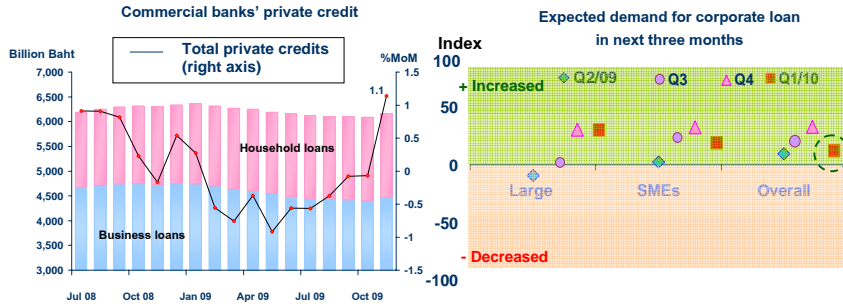


- An expanding manufacturing sector and improved labor market conditions helped boost consumer and investor sentiment, leading to the rebound of consumption and aggregate private demand



## Financial institutions started to lend once again

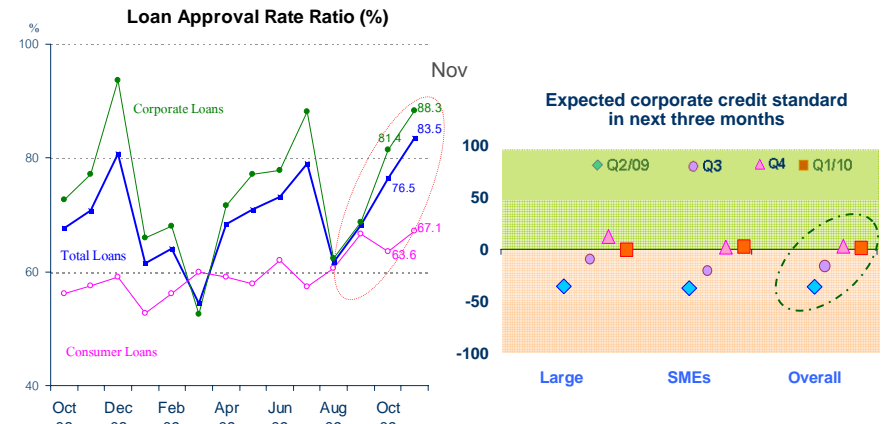
- Resumption of lending by financial institutions would expedite economic recovery
- Expected demand for loans in the next three months continued to improve, while lending standards became less strict



\*seasonally adjusted

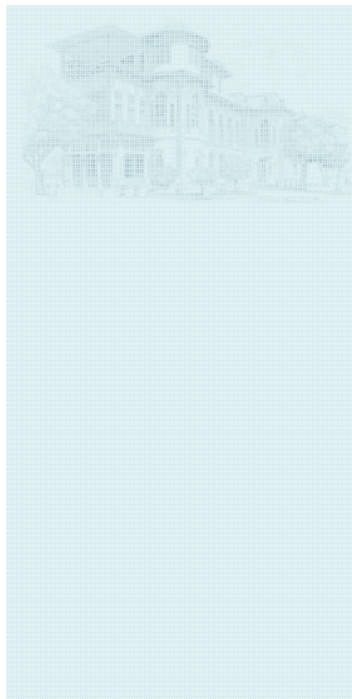
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- The loosening of credit standards for all types of loans were poised to continue in the period ahead



\*Excluding credits approved for or guaranteed by the Ministry of Finance

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- The Thai Economy in 2009
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## Forecast Summary

	2009	2010	2011
<b>GDP Growth</b> <i>(Oct 09)</i>	~ -2.7	3.3 – 5.3 <i>(3.3 – 5.3)</i>	2.8 – 4.8
<b>Core Inflation</b> <i>(Oct 09)</i>	0.3*	1.3 – 2.3 <i>(1.5 – 2.5)</i>	1.8 – 2.8
<b>Headline Inflation</b> <i>(Oct 09)</i>	-0.9*	3.0 – 5.0 <i>(3.5 – 5.5)</i>	2.0 – 4.0

\*Actual outturn

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## Economic outlook for 2010

- The outlook for 2010 remains as assessed in the previous projection (Oct 09)
- However, the recovery is of higher quality, more broad-based, and supported by stronger business sentiment
  - Private consumption and investment, together with exports, will expand at rates higher than projected in the previous Report - leading to a pickup in import growth, which reflected a firmer recovery

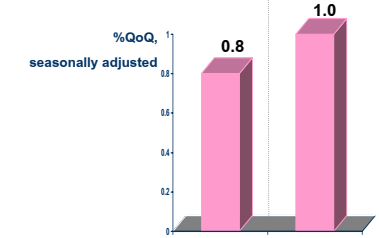
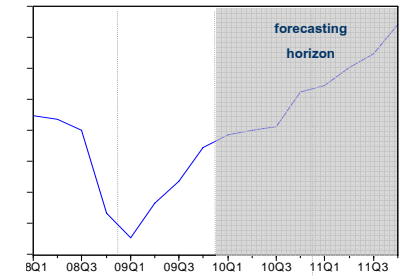
(%YoY)	2009 <sup>E</sup>	2010 <sup>E</sup>	2011 <sup>E</sup>
<b>Private Consumption</b> <i>(Old)</i>	(-2.0) – (-1.0) <i>((-2.5) – (-0.5))</i>	3.5 – 5.5 <i>(2.0 – 4.0)</i>	2.5 – 4.5
<b>Private Investment</b> <i>(Old)</i>	(-14.0) – (-12.0) <i>((-15.5) – (-13.5))</i>	9.5 – 11.5 <i>(7.0 – 9.0)</i>	10.0 – 12.0
<b>Exports of Goods and Services</b> <i>(Old)</i>	(-15.0) – (-12.0) <i>((-15.5) – (-12.5))</i>	12.5 – 15.5 <i>(9.0 – 12.0)</i>	9.5 – 12.5
<b>Imports of Goods and Services</b> <i>(Old)</i>	(-23.5) – (-21.5) <i>((-26.0) – (-23.0))</i>	23.0 – 26.0 <i>(16.5 – 19.5)</i>	13.0 – 16.0

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## Economic outlook for 2011

- The growth momentum from 2010 continues well into 2011
- The year-average quarter-on-quarter growth in 2011 is projected to be 1.0%, higher than the 2010 rate of 0.8%

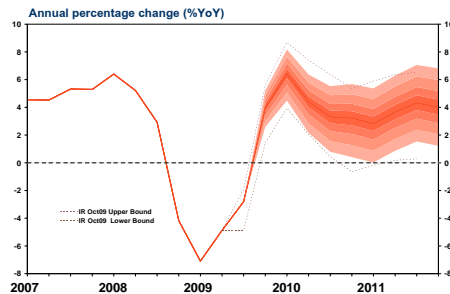
Real GDP (level, seasonally adjusted)



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## GDP Growth Forecast

### GDP Growth Forecast



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

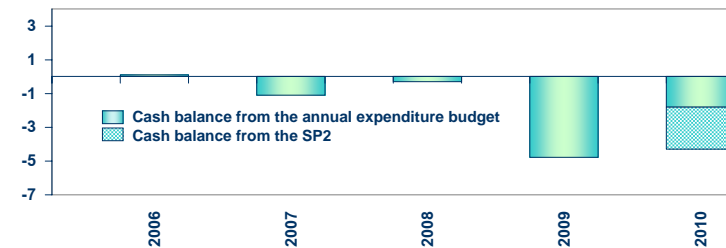
%YoY	2009	2010	2011
<b>GDP Growth</b> <i>(Oct 09)</i>	-2.7	3.3 – 5.3 <i>(3.3 – 5.3)</i>	2.8 – 4.8

- Uncertainty remains high, mainly due to the following risk factors:
  - Slower-than-assessed global recovery
  - Lower-than-targeted disbursement of public spending
  - Delayed resolution to the Map Ta Phut case

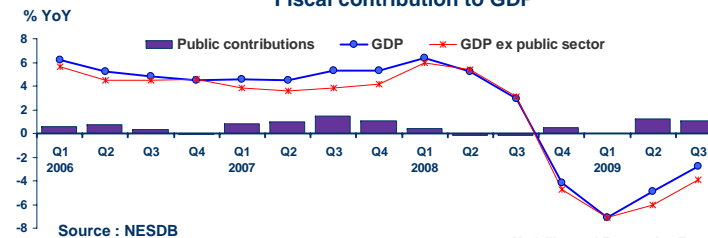
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## Fiscal position

### Ratio of Cash Balance to GDP



### Fiscal contribution to GDP



Source : NESDB

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## Impacts of the Map Ta Phut injunction

### Incorporating the impacts of the Map Ta Phut injunction into the baseline projection

- Some projects have already been allowed to continue operating
- However, the MPC judges that uncertainty surrounding the resolution process remains high, and therefore decides to maintain the impact assessment of the Map Ta Phut suspension as in the previous projection (Oct 09)

### Risk factors resulting from Map Ta Phut:

- The overall investment climate for foreign investors is affected, particularly due to policy uncertainty. Potential long-term impacts include production base shifts
- The court's ruling may serve as legal precedents with potential implications for other related industries
- Private sector competitiveness may be affected if the process as required by Article 67 of the 2007 Constitution takes long time and intensive supervision

## Forecast Summary

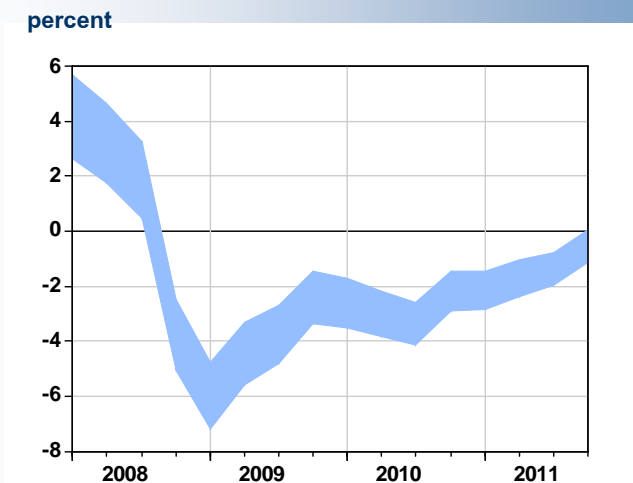
	2009	2010	2011
<b>GDP Growth</b> <i>(Oct 09)</i>	~ -2.7	3.3 – 5.3 <i>(3.3 – 5.3)</i>	2.8 – 4.8
<b>Core Inflation</b> <i>(Oct 09)</i>	0.3*	1.3 – 2.3 <i>(1.5 – 2.5)</i>	1.8 – 2.8
<b>Headline Inflation</b> <i>(Oct 09)</i>	-0.9*	3.0 – 5.0 <i>(3.5 – 5.5)</i>	2.0 – 4.0

\*Actual outturn

## Inflation Outlook

- **Inflation forecasts** are revised down relative to the previous *Report* (Oct 09) owing to the extension of the government's cost-of-living subsidies to the end of 2010 Q1
- Over the period ahead, price pressures will rise due to the following factors:
  - Domestic demand will continue to expand, thus narrowing the output gap
  - Oil and commodity prices are projected to trend up following the global recovery

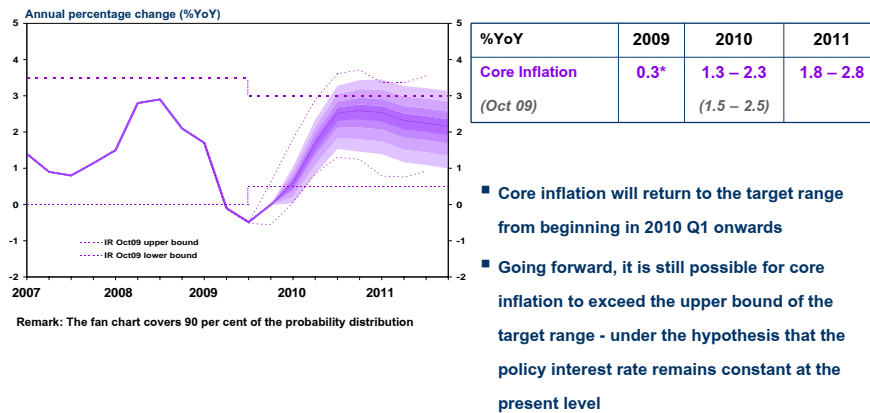
## Output gap projection



Estimation as of January 2010. Shaded area indicates interval estimation.

## Core Inflation Forecast

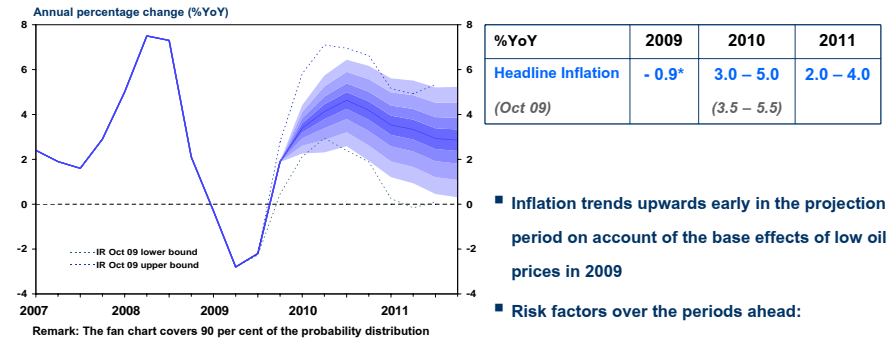
### Core Inflation Forecast



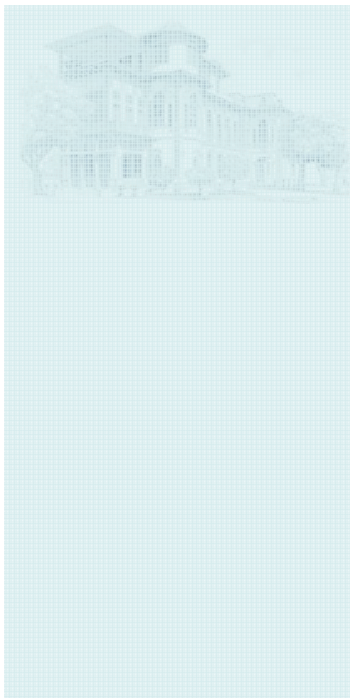
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## Headline Inflation Forecast

### Headline Inflation Forecast



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## Summary of the Monetary Policy Committee's Decisions

### 2 December 2009 and 13 January 2010

The MPC decided to maintain the policy rate at 1.25 per cent per annum at both meetings

- The Thai economy continued to recover, following the momentum of both domestic and external demands. Over the period ahead, inflation would trend upwards mainly from oil prices and the economic recovery, yet remaining within the policy target range.
- While continuing to subside, downside risks to growth remained due to the uncertainty surrounding the recovery of major industrialized countries

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## Monetary policy outlook in 2010

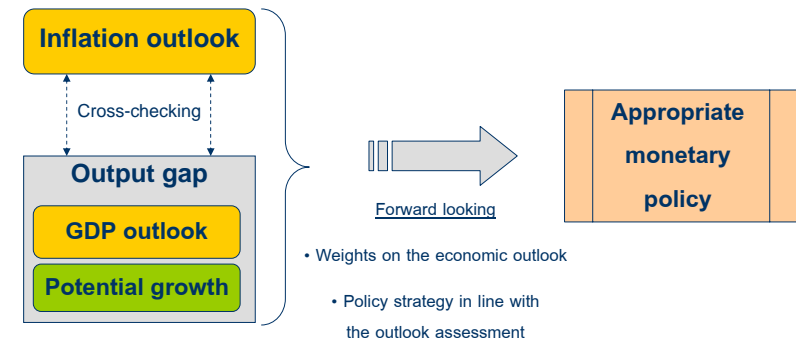
Gradual adjustments of monetary policy stance / policy interest rate to the normal conditions at a proper pace and time

Three principles:

1. In line with the goal of maintaining long-term price stability, as well as economic growth that is both stable and sustainable
2. Not hindering economic recovery, with reassurance that private consumption and investment can continue to expand on their own
3. Adequately swift, so that no imbalances such as asset price bubbles arise

## 1. Maintaining long-term price stability

- Over the period ahead, the primary goal of monetary policy is to navigate the economy back to its potential growth path, without causing inflation out of the target range



## 2. Not hindering economic recovery

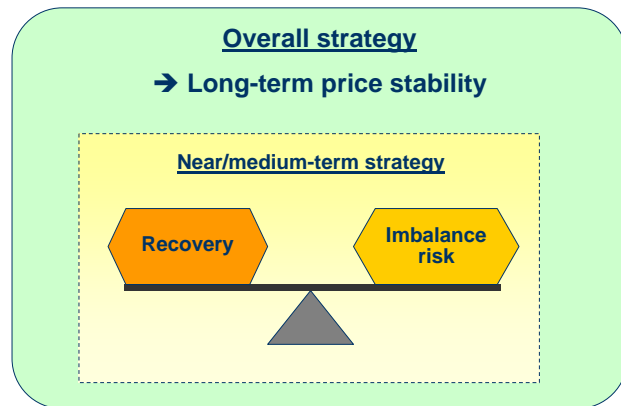
- The recovery of the Thai economy is still in its early phase, with a high degree of near-term uncertainty
- The MPC therefore monitors the recovery process closely by considering:
  - Whether the recovery in various economic sectors continues smoothly and in a broad-based manner
  - Whether the recovery is self-sustaining, with support from the main components of domestic demand – namely, private consumption and investment
- Going forward, monetary policy should not be overly tightened, without clear signs of a firm recovery first

## 3. Acting sufficiently swiftly to prevent economic imbalances

- Current monetary policy is particularly accommodative, the necessity of which has diminished over time due to the unwinding of the global crisis
- Noteworthy lessons from various countries:
  - Keeping the stance of monetary policy too easy for too long creates imbalances in the economy, which in turn affect the overall economic stability
  - Imbalances can arise in various ways, thus making it difficult for policymakers to pin down and respond in a timely manner
- The MPC notes the risks associated with the current, particularly accommodative monetary policy, and will adjust to a more normal policy stance when appropriate

## Summary of the policy framework

- Appropriate monetary policy in 2010 needs to (1) support a firm economic recovery and (2) prevent asset price imbalances from arising



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## Issues of interest and policy significance in 2010

- Slower-than-expected recovery in the major industrialized countries, given their sluggish labor markets and high credit constraints
- Potentially more volatile cross-regional capital flows, due to the cross-country differences in the conduct of monetary policy
- Domestic political stability
- Resolution of the Map Ta Phut case

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## Detailed Summary of Forecasts

(%YoY)	2008	2009 <sup>E</sup>	2010 <sup>E</sup>	2011 <sup>E</sup>
<b>GDP Growth (Old)</b>	2.5	- 2.7 ((-3.5) – (-2.5))	3.3 – 5.3 (3.3 – 5.3)	2.8 – 4.8
- Private Consumption (Old)	2.7	(-2.0) – (-1.0) ((-2.5) – (-0.5))	3.5 – 5.5 (2.0 – 4.0)	2.5 – 4.5
- Private Investment (Old)	3.2	(-14.0) – (-12.0) ((-15.5) – (-13.5))	9.5 – 11.5 (7.0 – 9.0)	10.0 – 12.0
- Public Consumption (Old)	4.6	5.0 – 6.0 (3.5 – 5.5)	1.0 – 2.5 ((-0.5) – 1.5)	(-1.0) – 1.0
- Public Investment (Old)	-4.6	2.0 – 4.0 (5.5 – 7.5)	(-1.0) – 1.0 (3.0 – 5.0)	0.5 – 2.5
- Exports of Goods and Services (Old)	5.1	(-15.0) – (-12.0) ((-15.5) – (-12.5))	12.5 – 15.5 (9.0 – 12.0)	9.5 – 12.5
- Imports of Goods and Services (Old)	8.5	(-23.5) – (-21.5) ((-26.0) – (-23.0))	23.0 – 26.0 (16.5 – 19.5)	13.0 – 16.0

( ) Forecasts as of Oct 09, E = Expected

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## Economic assessment for the external sector

(%YoY)	2008	2009 <sup>E</sup>	2010 <sup>E</sup>	2011 <sup>E</sup>
<b>Value of Exports (F.O.B.) (Old)</b>	15.9	(-16.0) – (-13.0) ((-16.5) – (-13.5))	18.5 – 21.5 (13.0 – 16.0)	11.5 – 14.5
<b>Value of Imports (C.I.F.) (Old)</b>	26.5	(-27.5) – (-24.5) ((-28.5) – (-25.5))	31.0 – 34.5 (27.5 – 30.5)	12.5 – 15.5
<b>Trade Balance (Billion USD) (Old)</b>	0.1	19.0 – 21.0 (19.5 - 22.5)	5.0 – 8.0 (4.0 – 7.0)	4.0 – 7.0
<b>Current Account (Billion USD) (Old)</b>	1.6	19.5 – 21.5 (21.0 – 24.0)	8.0 – 11.0 (6.0 - 9.0)	6.0 – 9.0

( ) Forecasts as of Oct 09, E = Expected

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