



Bank of Thailand  
October 2007



## Outline

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- I. Economic and inflation conditions in 2007 Q2 and preliminary economic indicators for the first 2 months of 2007 Q3
- II. Economic growth and inflation assessment for the next 8 quarters
  - I. Major assumption changes
  - II. Risk factors

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### 1. Economic and inflation conditions in 2007 Q2 and the first 2 months of 2007 Q3

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1.1 **Output in 2007 Q2** improved from the previous quarter. Private and public investment picked up slightly, while private and public consumption slowed down. Exports continued to grow strongly. Meanwhile, imports accelerated due to a recovery in investment.

	Growth (%YoY)							
	2005	2006	2006				2007	
			Q1	Q2	Q3	Q4	Q1	Q2
<b>GDP</b>	4.5	5.0	6.1	5.0	4.7	4.3	4.2	4.4
<b>Domestic Demand</b>	7.0	3.4	5.0	3.8	3.1	1.8	1.5	1.3
Private Consumption	4.3	3.1	3.9	3.3	2.8	2.5	1.3	0.9
Private Investment	10.9	3.9	7.0	3.3	2.9	2.3	-2.3	-0.8
Government Consumption	13.7	3.4	7.4	5.7	4.3	-4.2	11.1	7.4
Public Investment	11.3	4.5	5.3	6.4	3.8	2.5	1.1	3.1
<b>Net Exports</b>								
Exports	4.3	8.5	14.4	9.0	4.7	7.0	6.9	6.7
Imports	9.3	1.6	1.9	-1.7	5.2	1.0	0.2	3.7

Source: NESDB

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### 1.2 Contribution to GDP growth in 2007 Q2

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**Contribution to GDP growth** from domestic demand was similar to that in the previous quarter, whereas that from net exports was lower owing to the acceleration in imports. Meanwhile, contribution from change in stock and statistical discrepancy was higher.

	Contribution to GDP Growth							
	2005	2006	2006				2007	
			Q1	Q2	Q3	Q4	Q1	Q2
<b>GDP</b>	4.5	5.0	6.1	5.0	4.7	4.3	4.2	4.4
<b>Domestic Demand</b>	5.9	3.0	4.3	3.5	2.8	1.5	1.3	1.2
Private Consumption	2.3	1.7	2.1	1.9	1.5	1.3	0.7	0.5
Private Investment	1.8	0.7	1.2	0.6	0.5	0.4	-0.4	-0.2
Government Consumption	1.1	0.3	0.6	0.5	0.5	-0.3	1.0	0.7
Public Investment	0.6	0.3	0.3	0.4	0.3	0.1	0.1	0.2
<b>Net Exports</b>	-2.1	4.8	7.8	6.9	0.5	4.1	4.4	2.5
Exports	2.9	5.7	8.9	5.9	3.4	4.6	4.6	4.6
Imports	5.0	0.9	1.1	-1.0	2.9	0.5	0.1	2.1
<b>Change in Stock and Stat.</b>	0.7	-2.8	-6.0	-5.3	1.4	-1.3	-1.6	0.7

Source: NESDB

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### 1.3 Preliminary indicators for the first 2 months of 2007 Q3

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**On the demand side** **Private consumption index** showed signs of improvement. **Private investment index** recovered gradually, although the level remained below the same period of last year. Though slowing down somewhat, **export growth** remained strong. This was in line with **import growth** which accelerated due to imports of capital and raw materials in export-oriented industries.

	2006	2006				2007		
		Q1	Q2	Q3	Q4	Q1	Q2	Jul - Aug
Private consumption index (%YoY)	1.7	1.5	1.3	2.6	1.3	-0.5	0.0	0.8
Private investment index (%YoY)	2.0	1.6	1.9	2.2	2.3	-3.8	-2.7	-2.9
Export value (%YoY)	17.2	17.2	15.4	15.9	20.0	18.9	18.8	12.7
Import value (%YoY)	7.8	4.9	3.3	12.1	11.2	5.9	7.4	8.0

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### 1.4 Preliminary indicators for the first 2 months of 2007 Q3

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**On the supply side** **Farm income** slowed down slightly, due mainly to a deceleration in agricultural output. Meanwhile, **tourism** was sluggish due to political uncertainty and southern unrest which affected tourist confidence. However, **manufacturing production** accelerated from the previous quarter.

	2006	2006				2007		
		Q1	Q2	Q3	Q4	Q1	Q2	Jul - Aug
Farm income (%YoY)	32.7	36.6	42.3	25.1	28.3	27.4	22.3	17.0
Number of tourists (%YoY)	20.0	35.5	24.1	11.8	12.0	5.8	0.4	0.0
Manu. production index (%YoY)	7.4	9.7	6.6	6.6	6.8	6.0	5.6	8.8
CAPU (per cent)	73.9	75.0	73.6	73.8	73.2	76.0	75.1	76.1

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## 1.5 Internal stability

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**Internal stability** remained sound. **Headline inflation** declined due to lower domestic retail oil prices compared to the same period last year, despite higher world oil prices. In addition, pressure from raw food prices was mild. **Core inflation** stabilised due to domestic demand which had yet to fully recover.

(Unit: per cent)	2006	2006				2007		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Headline Inflation	4.7	5.7	6.0	3.6	3.3	2.4	1.9	1.6
- Core Inflation	2.3	2.6	2.8	1.9	1.7	1.4	0.9	0.8
- Energy	15.0	26.1	23.0	11.2	2.4	-1.0	-0.3	-1.3
- Raw Food	7.5	6.8	8.6	4.8	10.0	8.9	7.2	7.4

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## 1.6 External stability

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**External stability** was satisfactory. The **trade balance** registered a smaller surplus due to the acceleration in imports. Meanwhile, the **services account** was at a level similar to that in the previous quarter. As a result, the **current account** remained in surplus and continued to put pressure on the baht to appreciate.

(Unit: Bn US dollars)	2006	2006				2007		
		Q1	Q2	Q3	Q4	Q1	Q2	Jul – Aug
Trade Balance	1.0	-0.2	-1.9	1.4	1.7	3.6	1.5	1.0
Services Account	1.2	0.9	-0.4	-0.2	0.9	1.4	-0.1	0.1
Current Account	2.2	0.7	-2.3	1.2	2.6	5.0	1.4	1.1
International Reserves	67.0	55.3	58.1	61.6	67.0	70.9	73.0	80.7 (as of end-Sep 07)
External Debt	59.6	57.7	57.7	60.0	59.6	59.8	58.6	59.8 (as of end-Jul 07)
Exchange Rate (Baht per dollar)	37.93	39.33	38.19	37.69	36.57	35.59	34.69	34.06 (Quarter 3)

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## 1.7 Financial stability

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**Financial stability** remained sound.

**Corporate sector:** Corporate balance sheets remained strong, but profitability and debt service ability continued to decline, especially in businesses that were highly dependent on exports but had low import content, due to fiercer competition and the strong baht.

**Household sector:** Overall stability remained sound. The NPL ratio remained low for consumer credits, and households appeared to be more cautious in their spending behaviour. However, there were signs of a higher rate of loan delinquency among the low to medium income groups.

**Financial sector:** The ratio of capital to risk-weighted assets of commercial banks still stood well above the international standard. Profitability remained satisfactory, but the increase in NPLs should be closely monitored. Meanwhile, the problems in the US subprime market had little direct impact on Thai commercial banks, but their indirect impact could materialise through a deterioration in credit quality, especially those given to export-oriented businesses which could be affected by a slowdown in the US economy and volatile exchange rates.

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## Summary

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- In 2007 Q2, the Thai economy accelerated modestly from the first quarter owing to private and public investment which started to recover and a continuous expansion in exports.
- Preliminary indicators for the first 2 months of 2007 Q3 showed signs of gradual recovery in domestic demand, which led to a slight acceleration in imports. At the same time, exports continued to expand well, despite an expected deceleration in growth.
- Internal and external stability remained satisfactory.
- Financial stability remained sound overall, but was partly affected by the economic slowdown in the previous periods.

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## 2. Economic growth and inflation assessment for the next 8 quarters

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Issues and assumptions considered by the MPC

1. Key changes in the assumptions from the last *Inflation Report*
  - Oil prices
  - Farm and non-fuel commodity prices
  - Monetary policy directions of major economies
  - Regional currencies and major trading partners' economies
  - Public spending
2. Risk factors that could affect the economy and inflation going forward

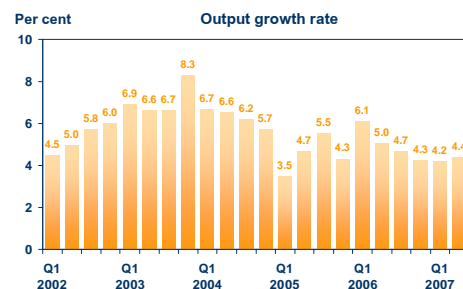
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## 2.1 Key changes in the assumptions from the last *Inflation Report* (Baseline scenario)

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- The incorporation of actual data from the NESDB for 2007 Q2 and preliminary data from the Bank of Thailand for 2007 Q3

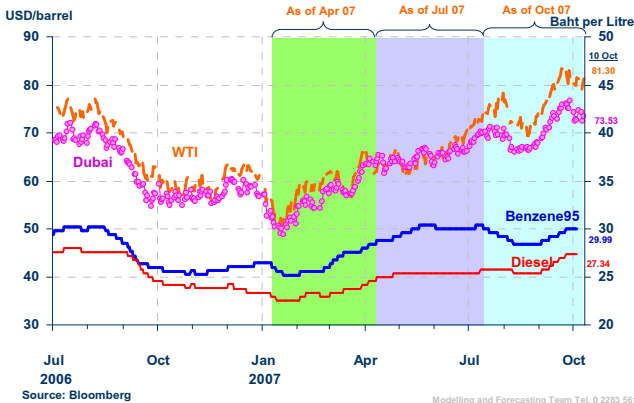


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### World crude oil prices prior to each MPC meeting

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### Dubai oil price assumption for the baseline scenario was revised up from the last Inflation Report

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#### Dubai crude oil price

	2007 <sup>F</sup>			2007 <sup>F</sup>	2008 <sup>F</sup>				2009 <sup>F</sup>			
	Q2*	Q3	Q4		Q1	Q2	Q3	Q4	2008 <sup>F</sup>	Q1	Q2	Q3
Dubai (Jul 07)	64.8*	69	66	63.8	65	65	65	65	65.0	66	66	n.a.
Dubai (Oct 07)	64.8*	70.0*	68	64.6	65	65	65	65	65.0	66	66	66

#### Domestic retail oil prices

	2007 <sup>F</sup>			2007 <sup>F</sup>	2008 <sup>F</sup>				2009 <sup>F</sup>			
	Q2*	Q3	Q4		Q1	Q2	Q3	Q4	2008 <sup>F</sup>	Q1	Q2	Q3
Benzene 95 (Jul 07)	29.6*	30.4	29.2	28.8	28.8	28.8	28.8	28.8	28.8	29.2	29.2	n.a.
Benzene 95 (Oct 07)	29.6*	29.3*	28.8	28.5	27.6	27.6	27.6	27.6	27.6	28.0	28.0	28.0
Benzene 91 (Jul 07)	28.8*	29.6	28.4	28.0	28.0	28.0	28.0	28.0	28.0	28.4	28.4	n.a.
Benzene 91 (Oct 07)	28.8*	28.5*	28.0	27.7	26.8	26.8	26.8	26.8	26.8	27.2	27.2	27.2
Diesel (Jul 07)	25.2*	25.7	24.5	24.1	24.1	24.1	24.1	24.1	24.1	24.5	24.5	n.a.
Diesel (Oct 07)	25.2*	25.9*	26.1	25.1	24.9	24.9	24.9	24.9	24.9	25.3	25.3	25.3

\* Actual data

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### Oil price assumptions for risk scenarios

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#### Dubai crude oil price

	2007 <sup>F</sup>			2007 <sup>F</sup>	2008 <sup>F</sup>				2009 <sup>F</sup>			
	Q2*	Q3*	Q4		Q1	Q2	Q3	Q4	2008 <sup>F</sup>	Q1	Q2	Q3
Dubai (base)	64.8	70.0	68	64.6	65	65	65	65	65.0	66	66	66
Dubai (worse)	64.8	70.0	80	67.5	80	82	83	84	82.3	87	88	88
Dubai (better)	64.8	70.0	62	63.1	58	57	56	55	56.4	55	55	55

#### Domestic retail oil prices

	2007 <sup>F</sup>			2007 <sup>F</sup>	2008 <sup>F</sup>				2009 <sup>F</sup>			
	Q2*	Q3*	Q4		Q1	Q2	Q3	Q4	2008 <sup>F</sup>	Q1	Q2	Q3
Benzene 95 (base)	29.6	29.3	28.8	28.5	27.6	27.6	27.6	27.6	27.6	28.0	28.0	28.0
Benzene 95 (worse)	29.6	29.3	32.0	29.3	32.0	32.8	33.2	33.6	32.9	34.8	35.2	35.2
Benzene 95 (better)	29.6	29.3	26.4	27.9	24.8	24.4	24.0	23.6	24.2	23.6	23.6	23.6
Diesel (base)	25.2	25.9	26.1	25.1	24.9	24.9	24.9	24.9	24.9	25.3	25.3	25.3
Diesel (worse)	25.2	25.9	29.3	25.9	29.3	30.1	30.5	30.9	30.2	32.1	32.5	32.5
Diesel (better)	25.2	25.9	24.1	24.6	23.3	22.9	22.5	22.1	22.7	22.1	22.1	22.1

\* Actual data

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### Assumption on commodity prices

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- Assumptions on world farm prices and non-fuel commodity prices were revised upwards, in line with the International Monetary Fund's projections.

#### Assumptions on world commodity prices

(% Y-o-Y)	2007		2008	
	Old (Jul 07)	New (Oct 07)	Old (Jul 07)	New (Oct 07)
World farm price index (12 major Thai products) *	2.6	4.8	-0.4	0.9
Non-fuel commodity prices	4.2	12.3	-8.8	-6.8

\* Comprises of rice, shrimp, rubber, sugar, cassava, corn, coffee, soy bean, oil palm, tobacco, cotton and sorghum.

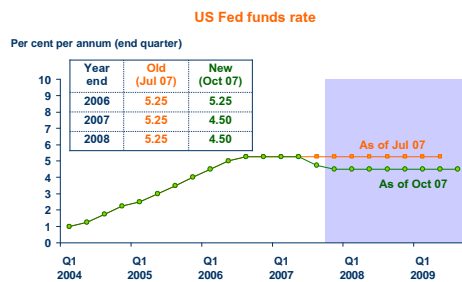
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### Assumption on the Fed funds rate

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- The assumption on the Fed funds rate was revised down from the previous projection to remain at 4.50 per cent until 2009 Q3.



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### Assumptions on regional currencies

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- Assumptions on regional currencies\*

Regional exchange rates were assumed to appreciate against the US dollar at a slower pace than previously anticipated. This was due to concerns regarding the US subprime problem during 2007 Q3 which caused international investors to sell off their emerging market assets and shift to low-risk assets in the US and Euro markets (flight to quality). As a result, many regional currencies appreciated by less than previously expected.

\* Comprises of the Chinese renminbi, Singapore dollar, Philippine peso, Indonesian rupiah, Korean won, Malaysian ringgit, and Taiwan dollar.

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## Assumptions on trading partners' economies

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- Thailand's trading partners' economies in 2007 should expand at a rate similar to that previously anticipated, with a strong growth of Asian economies compensating for the slower-than-expected growth rates of the US and Japan. However, the overall growth rate in 2008 was expected to be slightly lower than previously anticipated.

### Trading partners' GDP growth

(% Y-o-Y)	2007		2008	
	Old (Jul 07)	New (Oct 07)	Old (Jul 07)	New (Oct 07)
US	2.2	1.9	2.8	2.3
EU-12	2.5	2.5	2.3	2.2
JP	2.3	2.0	2.1	1.9
Asia	6.9	7.2	6.6	6.6
Total	4.6	4.6	4.6	4.5

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## Assumptions on public spending

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- Assumptions on public spending in fiscal years 2007 and 2008 were lower than previously assumed.

Unit: Bn Baht

Fiscal Year	2006	2007'			2008		
		Old (Jul 07)	New (Oct 07)	Diff	Old (Jul 07)	New (Oct 07)	Diff
Government consumption	907.7 (11.5)	1,019.8 (12.3)	998.8 (10.0)	-21.0	1,111.0 (8.9)	1,111.0 (11.2)	0.0
Public investment	549.5 (10.7)	617.0 (12.3)	587.5 (6.9)	-29.5	681.0 (10.4)	659.4 (12.2)	-21.6
- CG and LG	283.1 (14.7)	337.0 (19.0)	307.5 (8.6)	-29.5	373.0 (10.7)	373.0 (21.3)	0.0
- SOE (70 institutions)	266.3 (6.7)	280.0 (5.1)	280.0 (5.1)	0.0	308.0 (10.0)	286.4 (2.3)	-21.6

\* For fiscal year 2007, the budget process was delayed by 3 months. Total disbursement rate of 93.9 per cent was assumed, of which investment would be disbursed at 75 per cent. The budget was projected to record a deficit of 146.2 billion baht.

Note: P = preliminary data E = estimates ( ) = % change from the same period last year

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## 2.2 Risks on the economy and inflation going forward

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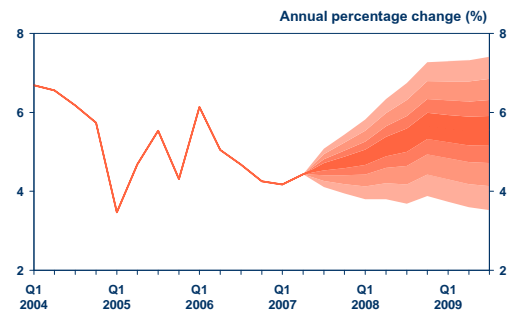
- Dubai crude oil price
- Regional currencies
- Disbursements of public expenditure
- Consumer and investor confidence
- Problems in the US subprime market

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## GDP growth forecast

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

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## Probability distribution of the GDP growth forecast

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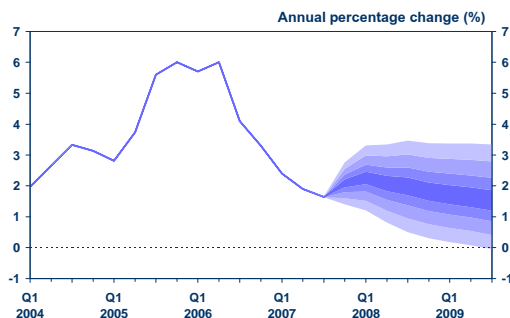
(Unit: per cent)	Probability			
	2007		2008	
	Old (Jul 07)	New (Oct 07)	Old (Jul 07)	New (Oct 07)
< 3.5	0.0	0.0	0.0	0.0
3.5 - 3.75	0.0	0.0	0.0	0.0
3.75 - 4.0	0.6	0.0	0.1	0.2
4.0 - 4.25	10.0	3.6	0.4	1.0
4.25 - 4.5	39.1	43.3	1.8	3.5
4.5 - 4.75	39.3	48.9	5.7	8.7
4.75 - 5.0	10.2	4.2	13.0	16.1
5.0 - 5.25	0.7	0.0	20.8	21.9
5.25 - 5.5	0.0	0.0	23.5	21.7
5.5 - 5.75	0.0	0.0	18.7	15.4
5.75 - 6.0	0.0	0.0	10.5	7.8
6.0 - 6.5	0.0	0.0	4.2	2.8
> 6.5	0.0	0.0	1.2	0.8

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## Headline inflation forecast

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

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### Probability distribution of the headline inflation forecast

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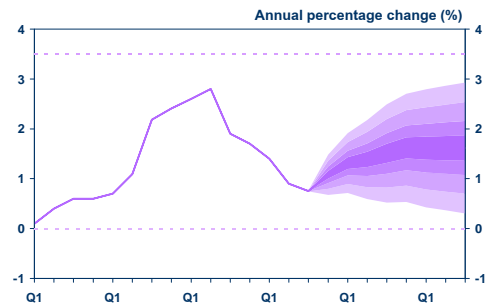
(Unit: per cent)	Probability			
	2007		2008	
	Old (Jul 07)	New (Oct 07)	Old (Jul 07)	New (Oct 07)
< 1.0	0.0	0.0	2.1	0.3
1.0 – 1.25	0.0	0.0	17.4	1.6
1.25 – 1.5	0.1	0.0		5.4
1.5 – 1.75	25.0	0.5	40.6	12.7
1.75 – 2.0		42.1		20.7
2.0 – 2.25	71.9	56.2	31.1	23.7
2.25 – 2.5		1.3		19.1
2.5 – 2.75	2.9	0.0	5.7	10.8
2.75 – 3.0	0.1	0.0	2.0	4.3
> 3.0	0.0	0.0	0.6	1.4

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### Core inflation forecast

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

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### Probability distribution of the core inflation forecast

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(Unit: per cent)	Probability			
	2007		2008	
	Old (Jul 07)	New (Oct 07)	Old (Jul 07)	New (Oct 07)
< 0	0.0	0.0	0.0	0.0
0.0 – 0.5	0.0	0.0	0.2	0.0
0.5 – 0.75	0.3	0.0	1.6	0.3
0.75 – 1.0	32.9	37.7	7.3	2.8
1.0 – 1.25	63.1	62.3	18.9	13.7
1.25 – 1.5	3.6	0.0	28.5	30.9
1.5 – 1.75	0.0	0.0	25.2	32.4
1.75 – 2.0	0.0	0.0	13.3	15.9
2.0 – 2.5	0.0	0.0	5.0	3.6
2.5 – 3.0	0.0	0.0	0.1	0.4
> 3.0	0.0	0.0	0.0	0.0

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### Forecast Summary

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(Per cent)	2005	2006	2007 <sup>E</sup>	2008 <sup>E</sup>
<b>GDP Growth</b>				
(old)	4.5	5.0	4.3 – 4.8	4.5 – 6.0
			(4.0 – 5.0)	(4.5 – 6.0)
<b>Core inflation</b>				
(old)	1.6	2.3	0.8 – 1.3	1.0 – 2.0
			(0.8 – 1.5)	(1.0 – 2.0)
<b>Headline inflation</b>				
(old)	4.5	4.7	1.8 – 2.3	1.5 – 2.8
			(1.5 – 2.5)	(1.0 – 2.5)

( ) Forecasts as of July 2007

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### Economic Assessment

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(%YoY)	2005	2006	2007 <sup>E</sup>	2008 <sup>E</sup>
<b>GDP growth</b>				
(old)	4.5	5.0	4.3 – 4.8	4.5 – 6.0
			(4.0 – 5.0)	(4.5 – 6.0)
<b>Consumption (private and public)</b>				
(old)	5.5	3.2	2.5 – 3.5	4.0 – 5.0
			(3.5 – 4.5)	(4.0 – 5.0)
<b>Investment (private and public)</b>				
(old)	11.1	4.0	0.5 – 1.5	8.0 – 9.0
			(1.5 – 2.5)	(7.5 – 8.5)
<b>Exports (F.O.B.)</b>				
(old)	15.0	17.2 <sup>R</sup>	13.0 – 15.0	6.5 – 9.5
			(12.0 – 15.0)	(5.5 – 8.5)
<b>Imports (C.I.F.)</b>				
(old)	26.0	7.8 <sup>R</sup>	8.5 – 10.5	11.0 – 14.0
			(9.0 – 12.0)	(10.5 – 13.5)
<b>Trade Balance (Billion USD)</b>				
(old)	-8.6	1.0 <sup>R</sup>	7.0 – 8.0	1.0 – 3.0
			(5.5 – 7.5)	(0.0 – 3.0)
<b>Current Account (Billion USD)</b>				
(old)	-7.9	2.2 <sup>R</sup>	8.5 – 9.5	1.5 – 4.5
			(7.0 – 9.0)	(1.0 – 4.0)

( ) Forecasts as of Jul 07, E = Expected, R = Revised data

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### Economic Assessment

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(%YoY)	2005	2006	2007 <sup>E</sup>	2008 <sup>E</sup>
<b>Consumption (private and public)</b>				
(old)	5.5	3.2	2.5 – 3.5	4.0 – 5.0
			(3.5 – 4.5)	(4.0 – 5.0)
<b>Private consumption</b>				
(Old)	4.3	3.1	1.0 – 2.0	4.0 – 5.0
			(1.5 – 2.5)	(4.5 – 5.5)
<b>Public consumption</b>				
(Old)	13.7	3.4	11.0 – 12.0	4.0 – 5.0
			(13.0 – 14.0)	(2.0 – 3.0)
<b>Investment (private and public)</b>				
(old)	11.1	4.0	0.5 – 1.5	8.0 – 9.0
			(1.5 – 2.5)	(7.5 – 8.5)
<b>Private investment</b>				
(Old)	10.9	3.9	(-0.5) – 0.5	8.0 – 9.0
			((-0.5) – 0.5)	(8.0 – 9.0)
<b>Public investment</b>				
(Old)	11.3	4.5	3.5 – 4.5	8.5 – 9.5
			(7.5 – 8.5)	(5.5 – 6.5)

( ) Forecasts as of Jul 07

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## GDP growth forecasts by research houses

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	(27 Jun 07)		(26 Sep 07)	
	2007	2008	2007	2008
DBS Bank	4.4	5.1	4.3	5.6
Kasikorn Research	4.3	5.3	4.3	5.3
TISCO Securities	4.2	4.8	4.2	4.8
Capital Nomura	4.2	5.0	4.2	5.0
JP Morgan	4.2	5.1	4.2	5.1
Phatra Securities	3.7	4.6	4.0	4.6
Goldman Sachs	n.a.	n.a.	4.0	4.5
Lehman Brothers	3.5	5.5	3.8	5.0
Stanchart	n.a.	n.a.	3.8	4.8
ING	4.5	5.0	n.a.	n.a.
Average	4.1	5.0	4.1	5.0
NESDB	4.0-4.5 <sup>1/</sup>	n.a.	4.0-4.5 <sup>2/</sup>	n.a.

Source: Reuters and NESDB  
<sup>1/</sup> as of 4 Jun 07 <sup>2/</sup> as of 3 Sep 07

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## Headline inflation forecasts by research houses

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	(27 Jun 07)		(26 Sep 07)	
	2007	2008	2007	2008
Phatra Securities	2.5	2.5	2.6	2.7
Goldman Sachs	n.a.	n.a.	2.6	2.5
TISCO Securities	2.5	2.8	2.5	2.8
Lehman Brothers	2.8	3.5	2.4	3.6
JP Morgan	1.8	2.4	2.3	2.7
Stanchart	n.a.	n.a.	2.0	3.1
Capital Nomura	2.4	2.4	1.9	2.2
Kasikorn Research	2.3	2.5	1.7	2.3
DBS Bank	1.8	3.9	1.7	2.2
ING	2.4	2.5	n.a.	n.a.
Average	2.3	2.8	2.2	2.8
NESDB	2.0-2.5 <sup>1/</sup>	n.a.	2.0-2.5 <sup>2/</sup>	n.a.

Source: Reuters and NESDB  
<sup>1/</sup> as of 4 Jun 07 <sup>2/</sup> as of 3 Sep 07

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## Summary of the Monetary Policy Committee's Decisions

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### 29 Aug 2007

Domestic demand began to show signs of improvements while the slowdown in exports did not affect the overall economy. Meanwhile, inflation was expected to remain low. Overall, given that risks to growth and inflation did not change from the previous assessment, the MPC decided to maintain the policy rate at 3.25 percent per annum. The MPC also viewed that the impact of the problems in the US subprime market on the global economic and financial system would need to be closely monitored.

### 10 Oct 2007

Domestic demand showed signs of a continued and gradual improvement, while exports still expanded well despite an expected deceleration in growth during the latter half of this year. Meanwhile, the impact of the problems in the US subprime market on the Thai economy had been limited. Nevertheless, these problems were likely to be protracted and should be monitored closely. In addition, inflation continued to be low. Although price pressures rose since the previous meeting, core inflation was expected to remain within the target range during the next 8 quarters. The MPC thus decided to maintain the policy rate at 3.25 percent per annum.

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