



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND



BANK OF THAILAND

Monetary Policy  
*Report*  
*April 2013*





## Major economic developments and outlooks

1) **Economic growth projection** has been revised up for both 2013 and 2014 due to:

- 1.1) Strong GDP outturn in 2012 Q4
- 1.2) Higher fiscal impetus
- 1.3) Recovery in trading partners' economies

GDP growth projection

	2013	2014
As of Jan 13	4.9	4.8
As of Apr 13	5.1	5.0

- 2) **Upside risks to economic growth** are viewed to be balanced with downside risks
- 3) **Inflation** remains within the target range, but supply constraint may add more pressure going forward
- 4) **Financial stability risks** continue to warrant close monitoring



## 1.1 The GDP outturn in 2012 Q4 surpassed expectations mainly from private consumption and government expenditure

- **Consumption expanded well** especially spending on durable goods, supported by the first-car scheme, favorable household income and confidence, as well as conducive monetary conditions
- **Government spending continued to expand** as a result of accelerated disbursement in early FY 2013
- **Private investment growth was slightly lower than expected**, decelerating back to normal trend

(%YoY)	2012	
	As of Jan 2013	Outturn
GDP Growth	5.9	6.4
- Private Consumption	6.3	6.6
- Private Investment	16.5	14.6
- Government Expenditure	6.6	7.9
- Exports of Goods and Services	3.1	2.9
- Imports of Goods and Services	6.7	6.2



## 1.2 Fiscal impetus is likely to increase going forward

- Budgetary spending is higher than previously assessed due to:
  - An upward revision in carry-over spending for FY 2013 in line with actual disbursement thus far
  - An increase in total budget spending of 25 billion baht for FY 2014
- Non-budgetary spending also increases mainly from the two-trillion-baht infrastructure investment plan that has become more concrete.  
The disbursement rate is expected at about 40 percent of planned spending in the first two years.

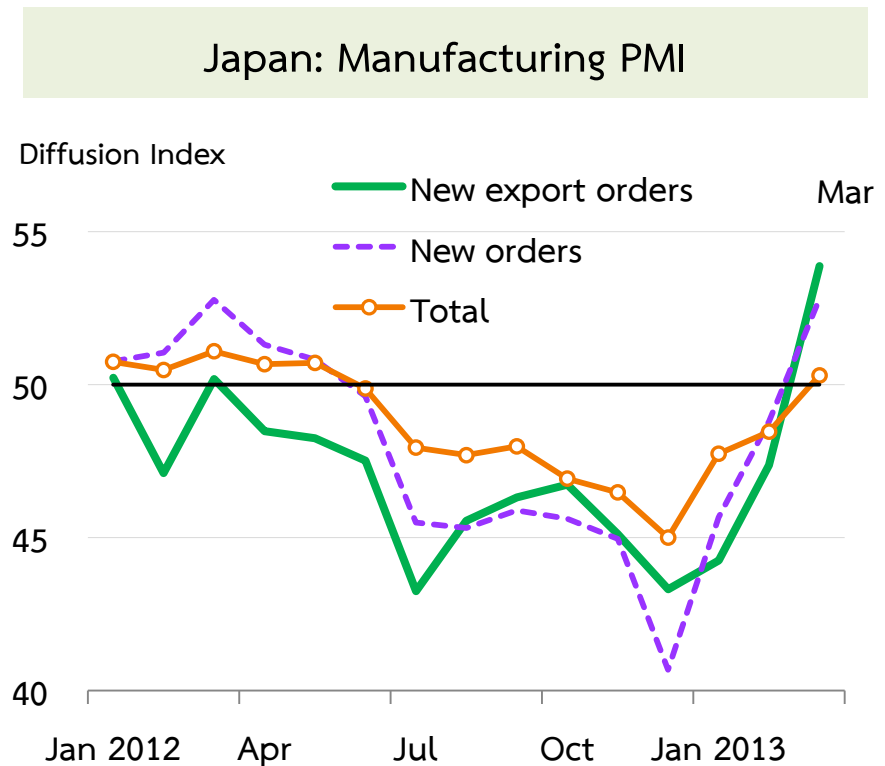
### Assumption on the two-trillion-baht infrastructure investment plan

(Billion baht)	2013	2014
Base case	17	93



## 1.3 Recovery in trading partners' economies strengthens slightly in 2013, mainly from Japan and Asia

- Japan's stimulus policies have become more concrete and started to support private sector's confidence
- China and Asia's economic prospects remain sound given strength in domestic demand and signs of improving exports in regional countries

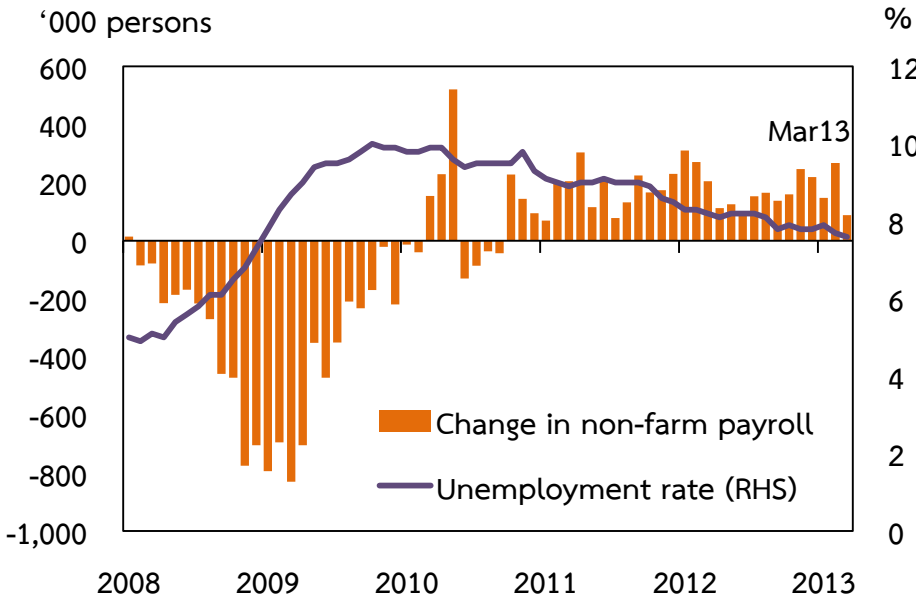




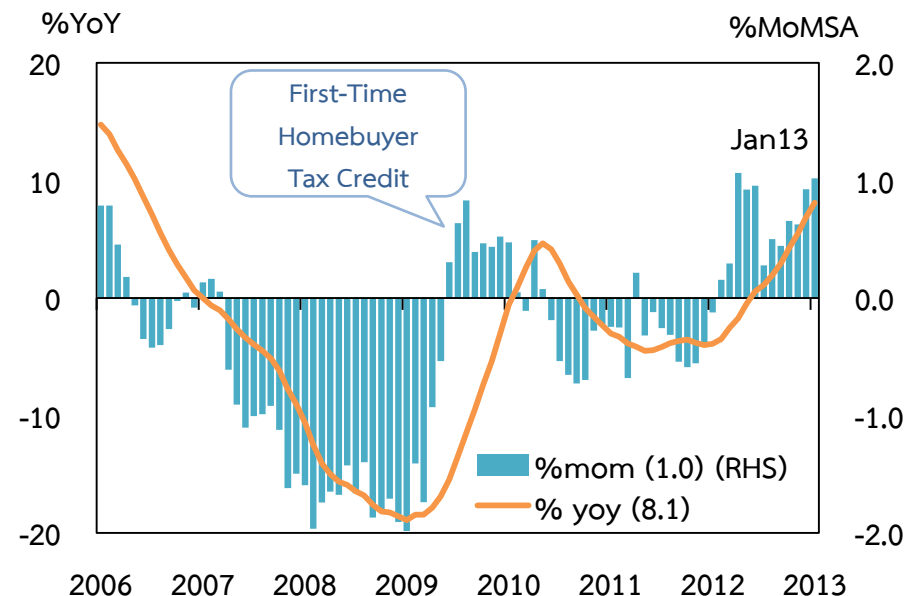
## Economic recovery in the U.S. will continue to be gradual, while the euro area economy is still weak with increased risks

- Leading indicators of the U.S. economy have improved, but fiscal concerns continue to weigh on the recovery
- Weaknesses in the euro area economy persist, with additional near-term risks from political uncertainty in Italy and financial sector problems in Cyprus

U.S. employment conditions



S&P Case-Shiller home prices

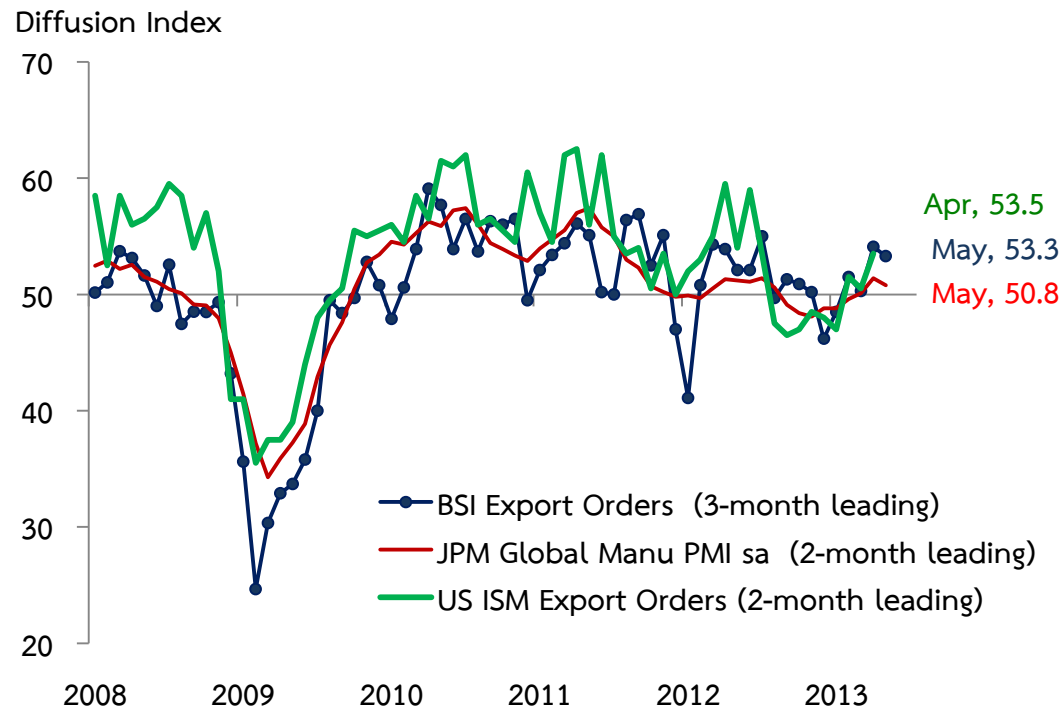




## Thailand's exports are expected to recover gradually, returning to normal trend in 2013 H2

- Prospects for exports have improved in line with:
  - Leading indicators hovering above 50
  - Continued recovery in trading partners' economies
- Exports will play more role in driving economic growth in 2014

### Leading indicators for Thailand's exports



Source: BOT, SEMI, CEIC, and BOT's calculation



## Overall, Thailand's economic outlook improves from the previous assessment

(%YoY)	2012	2013		2014	
	Outturn	Jan 13 <sup>E</sup>	Apr 13 <sup>E</sup>	Jan 13 <sup>E</sup>	Apr 13 <sup>E</sup>
GDP Growth	6.4	4.9	5.1	4.8	5.0
- Private Consumption	6.6	4.3	4.7	3.5	3.7
- Private Investment	14.6	12.1	7.4	9.1	9.4
- Government Consumption	7.4	2.2	4.5	6.9	4.1
- Public Investment	8.9	17.1	22.3	7.3	6.9
- Exports of Goods and Services	2.9	8.0	7.2	8.7	9.3
- Imports of Goods and Services	6.2	10.7	9.2	10.3	10.3

Note: E = Expected

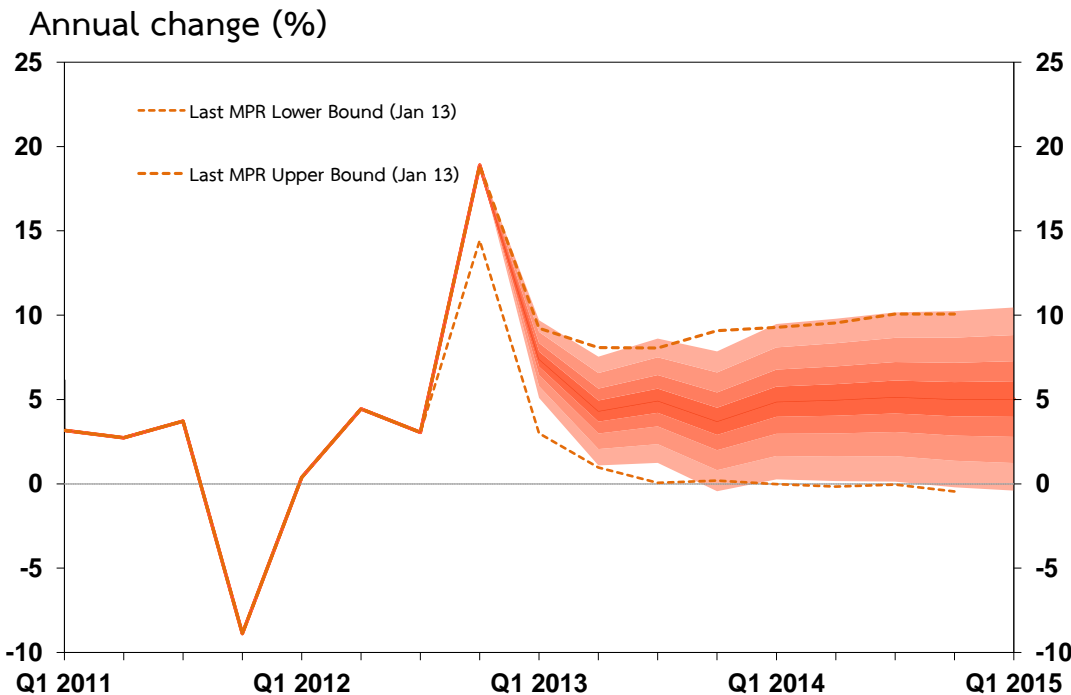




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## Upside risks to economic growth increase and are viewed to be balanced with downside risks

GDP growth forecast



Note: The fan chart covers 90 percent of the probability distribution

- Upside risks increase from the possibility of faster disbursement of infrastructure investment compared to the baseline scenario
- Downside risks increase slightly given the recent economic problems in the euro area
- The fan chart is thus balanced, compared to the previous one that was downward-skewed



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## Inflation is projected to stay within the target range

- Near-term pressure is lower than anticipated owing to food prices
- Looking ahead, additional pressure may arise from:
  - (1) Pass-through of cost amid growing demand
  - (2) Higher oil prices
  - (3) Tightening labor market and rising labor cost

### Assumption of Dubai oil price

U.S. dollars per barrel	2012*	2013	2014
As of Jan13	109	105	110
As of Apr13		110	110

Note: \*Outturn

### Inflation projection

	2012*	2013	2014
Core inflation	2.1	1.6	1.7
		(1.7)	(1.6)
Headline inflation	3.0	2.7	2.7
		(2.8)	(2.6)

Note: \*Outturn

( ) Monetary Policy Report January 2013



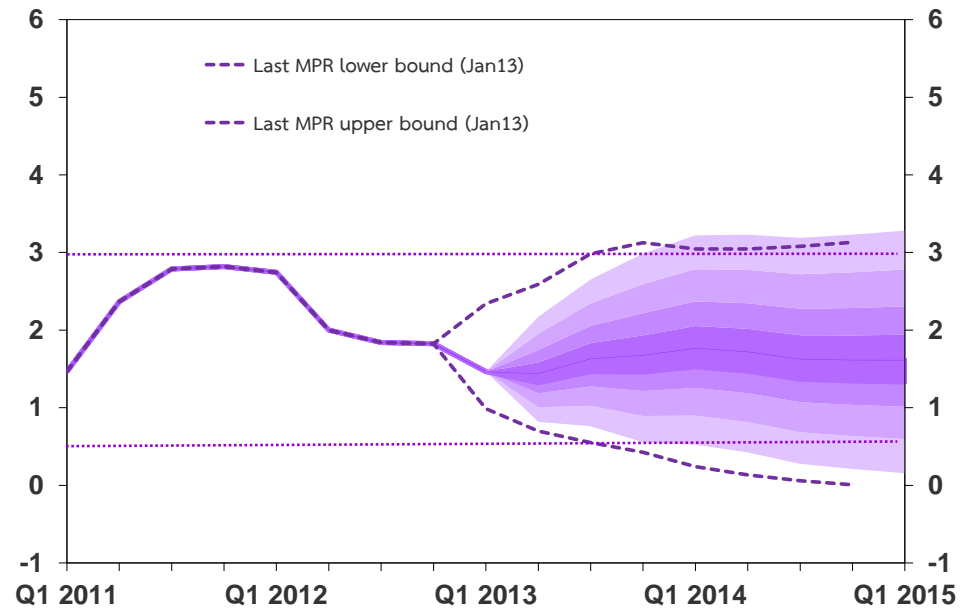
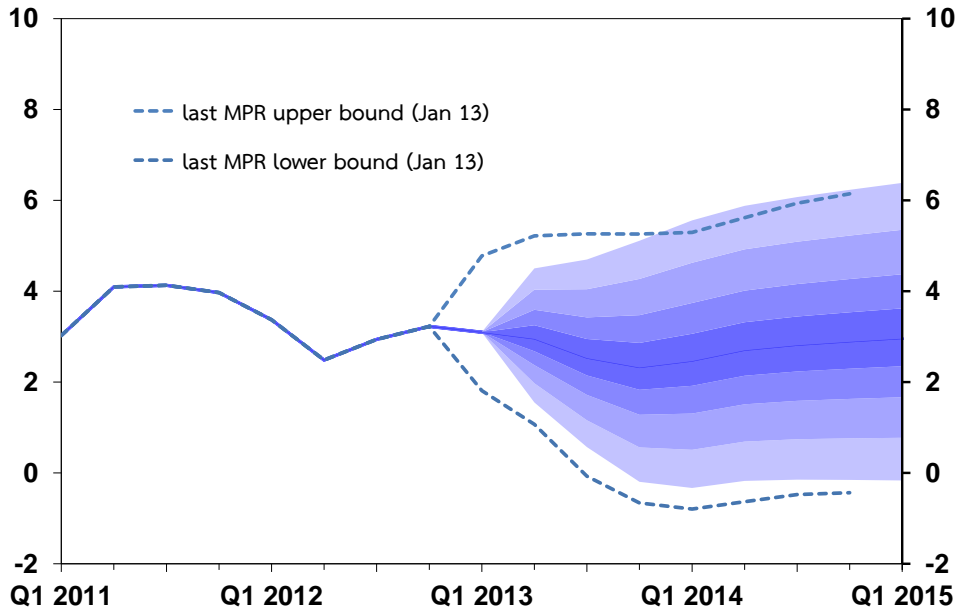
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Inflation fan charts are skewed slightly to the upside, reflecting higher upside risks from growing domestic demand

Headline inflation forecast

Core inflation forecast

Annual change (%)



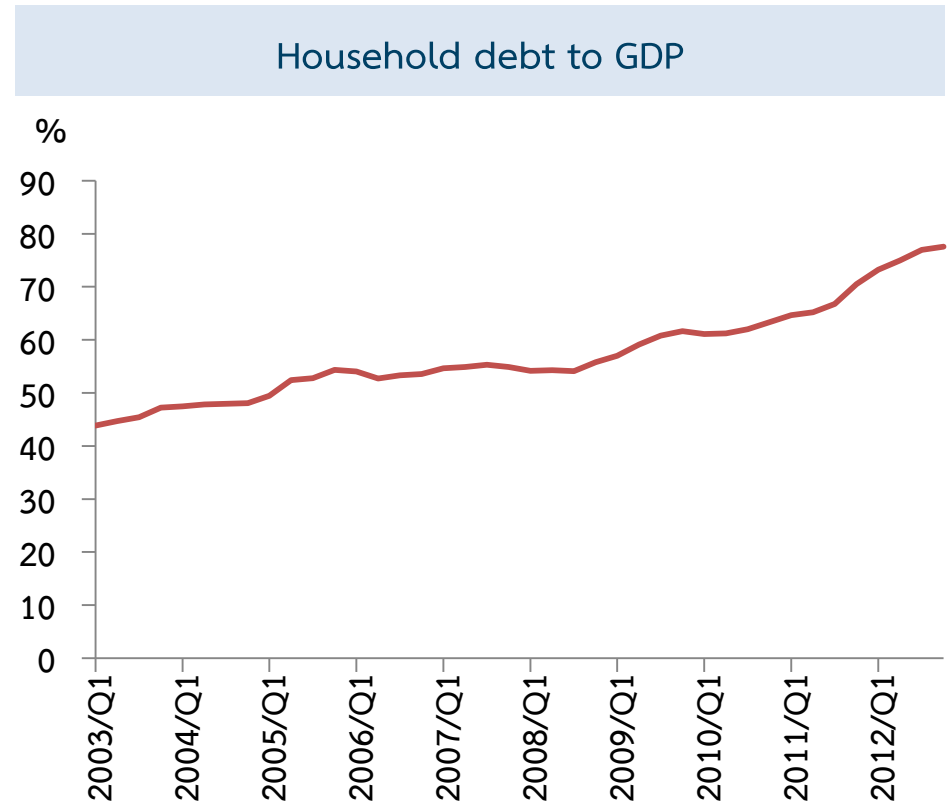
Note: The fan charts cover 90 percent of the probability distribution



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## Financial stability risks still warrant close monitoring

- Accommodative monetary conditions encourage investment in risky assets (e.g. in the stock and real estate markets)
- Given rising household debt, the household sector may become more vulnerable to shocks in the future
- Rapid capital flows contribute to exchange rate volatility



Note: This household debt series is calculated from household loans from financial institutions



## Forecast summary

	2012*	2013	2014
<b>GDP Growth</b>	<b>6.4</b>	<b>5.1</b>	<b>5.0</b>
	(5.9)	(4.9)	(4.8)
<b>Core Inflation</b>	<b>2.1</b>	<b>1.6</b>	<b>1.7</b>
	(2.1)	(1.7)	(1.6)
<b>Headline Inflation</b>	<b>3.0</b>	<b>2.7</b>	<b>2.7</b>
	(3.0)	(2.8)	(2.6)

Note: \*Outturn

( ) *Monetary Policy Report January 2013*



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[www.bot.or.th/Thai/MonetaryPolicy/Inflation](http://www.bot.or.th/Thai/MonetaryPolicy/Inflation)



## Detailed summary of forecasts

(Monetary Policy Report April 2013)

(%YoY)	2012	2013 <sup>E</sup>	2014 <sup>E</sup>
GDP Growth	6.4	5.1	5.0
- Private Consumption	6.6	4.7	3.7
- Private Investment	14.6	7.4	9.4
- Government Consumption	7.4	4.5	4.1
- Public Investment	8.9	22.3	6.9
- Exports of Goods and Services	2.9	7.2	9.3
- Imports of Goods and Services	6.2	9.2	10.3
Current Account Balance (Billion USD)*	2.7	1.8	0.1
Trade Balance (Billion USD)*	8.3	6.2	6.0
- Value of Exports of Goods*	3.2	7.5	10.0
- Value of Imports of Goods*	7.8	8.7	10.3

Note: E = Expected

\* Data revision according to BPM6 definitions and Ministry of Commerce's revised database



## Assumptions on trading partners' GDP growth

(compared with *Monetary Policy Report* January 2013)

Base Case

Worse Case

(% YoY)	Weight (%)	2012	2013		2014		2013		2014	
			Jan13	Apr13	Jan13	Apr13	Jan13	Apr13	Jan13	Apr13
U.S.	14.3	2.2	1.9	1.7	2.5	2.5	0.8	0.7	1.0	1.0
Euro area	10.3	-0.5	-0.2	-0.5	1.1	1.0	-2.0	-2.0	-1.2	-1.3
Japan	14.4	2.0	0.3	1.0	1.1	1.3	-2.0	-1.2	0.0	0.1
Asia*	51.8	4.8	5.4	5.5	5.8	5.8	3.6	3.7	4.0	4.0
(China)	(15.2)	7.8	8.2	8.2	8.1	8.1	6.7	6.9	6.9	6.9
Total**	100	3.3	3.4	3.5	4.0	4.0	1.7	1.8	2.4	2.3

Note: \* Weighted by shares of Thailand's major trading partners in 2010 (8 Asian countries including China (29.3%), Singapore (12.3%), Hong Kong (17.9%), Malaysia (14.4%), Taiwan (4.4%), Indonesia (10.0%), South Korea (4.9%), and Philippines (6.7%))

\*\* Weighted by shares of Thailand's major trading partners in 2010 (13 countries)





## Forecast assumptions

(compared with *Monetary Policy Report* January 2013)

	2012	2013		2014	
	Outturn	Jan 13	Apr 13	Jan 13	Apr 13
Dubai oil price (U.S. dollars per barrel)	108.9	105.0	110.0	110.0	110.0
Non-fuel commodity prices (%yoy)	-9.8	0.6	1.0	4.7	1.6
Fresh food prices (%yoy)	-1.5	11.2	11.4	7.7	6.6
Minimum wage in the Bangkok Metropolitan Region (baht per day)	279	300	300	300	300
Government expenditure					
Government consumption (%yoy)	10.4	6.8	8.2	9.8	8.1
Public investment (%yoy)	12.2	23.9	24.6	13.1	11.8
Fed funds rate (% year end)	0.13	0.13	0.13	0.13	0.13
Trading partners' economic growth (%yoy)	3.3	3.4	3.5	4.0	4.0
Regional currencies vis-à-vis the U.S. dollar (Index)*	108.5	105.7	106.1	104.0	104.1

Note: \* Appreciation against the U.S. dollar indicated by a decrease