



**Thailand's Economic and Monetary Conditions
in 2009**

Monetary Policy Group

May 2010

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Part 1: Economic Performance in 2009

1.1 Executive Summary

The Thai Economy in 2009

In 2009, the overall economy contracted by 2.3 percent year-on-year (yoy), the first time in a decade, due to the global financial crisis which significantly affected Thailand's major trading partner countries. As a result, the Thai exports sharply shrank which also caused continuing impacts on manufacturing productions, business confidence, as well as domestic consumption and investment. During the first quarter of 2009, the Thai economy was most severely affected by the global economic crisis. However, in the second half of the year, the Thai economy showed signs of recovery following the world economic recovery as well as accommodative monetary and fiscal policies which helped stimulate the economy and shoring up producer and consumer confidence. Private consumption was boosted by favorable farm and tourism incomes as well as rebounding employment. Meanwhile, exports and imports ameliorated in tandem with manufacturing productions which satisfactorily expanded almost across the board, both productions for domestic uses and for exports. Nevertheless, private investment, although starting to soar, remained at a low level.

	% YoY		Contribution to GDP growth	
	2551	2552	2551	2552
Consumption	3.0	-0.1	1.8	0.0
Private	2.7	-1.1	1.4	-0.6
Public	4.6	5.8	0.4	0.5
Investment	1.2	-9.0	0.3	-2.0
Private	3.2	-12.8	0.5	-2.1
Public	-4.6	2.7	-0.3	0.1
Domestic Demand	2.5	-2.4	2.1	-2.0
Change in Inventories	58.6*	-98.7*	1.3	-3.6
Net Exports of Goods and Services	-6.5	23.5	-1.0	3.4
Exports of Goods and Services	5.1	-12.7	3.6	-9.2
Imports of Goods and Services	8.5	-21.8	4.6	-12.6
Gross Domestic Product	2.5	-2.3	2.5	-2.3

Note: * Billions of Baht

Source: Office of the National Economic and Social Development Board

Overall economic stability remained sound, reflecting in high level of international reserves, continual surpluses in trade balance and current account as well as low inflation and unemployment rates.

1. Supply side

With regard to the **agricultural sector**, *major crop productions*, especially rice and tapioca, fell sharply mainly from unattractive prices compared with those of last year. *Major crop prices* in 2009 also decreased from those of the previous year in response to a decline in demand for both food and energy crops following the world economic crisis. Nonetheless, agricultural prices continued to improve in the second half of the year in line with the global demand recovery, especially exports of agricultural products to China. Moreover, world grain productions in agricultural year 2008/2009 trended downwards due to unpropitious weather, affecting plantations in many countries around the world which contributed to increases in prices of rice and various agricultural products during the end of the year. Decreases in crop productions and prices in 2009 contributed to a drop in farm income by 9.4 percent from last year.

Manufacturing Productions in 2009 contracted by 5.1 percent. During the first half of the year, productions declined almost across the board, particularly vehicle industry, owing to a drop in both domestic and external demand. However, manufacturing productions began to improve and became more broad-based in the

second half of the year, partly due to recovering economic conditions of trading partner countries, rising domestic demand from the government's economic stimulus measures, and stock replenishment. In addition, it was worth highlighting that electronics production already returned to its pre-crisis level in the fourth quarter.

Capacity Utilization Rate in 2009 averaged at 61.0 percent, decreasing from 67.7 percent in 2008. In the first quarter of the year, capacity utilization rate dropped almost all industries. However, it had constantly risen since the second quarter, corresponding to improving manufacturing productions, especially electronics industry. In the last quarter of 2009, capacity utilization rate averaged at 66.0 percent, a rate close to that of the pre-crisis period.

In the **service sector**, tourism in 2009 contracted in line with the number of foreign tourist arrivals. In the first half of 2009, the number of foreign tourist arrivals declined by 16.1 percent yoy according to economic conditions of key traveler countries. Moreover, domestic political problems prompted many Asian countries to issue travel warnings for Thailand. However, in the latter half of the year, economic conditions of key traveler countries began to pick up, together with the mitigations in political risks and pandemic 2009 influenza, resulting in a 12.4 percent yoy growth in the number of foreign tourist arrivals. This contributed to a contraction of the number of foreign tourist arrivals by 3.0 percent in 2009. Occupancy rate stood at 49.2 percent in 2009, declining from 56.2 percent in the previous year.

Overall real estate sector in 2009 expanded from the previous year. An increase in demand for real estate was reflected in a growth of 9.6 percent in the registration number of transferred residential properties in

Bangkok and vicinity, as consumers accelerated their property registrations due to the uncertainties in the extension of benefits from the property stimulus measures which were supposed to be terminated at the end of March 2009. Rebounding demand in the second half of the year following the economic recovery also contributed to demand expanding. Overall real estate supply in 2009 expanded by 9.5 percent from last year, as reflected in a growth in the number of new housing registrations in Bangkok and vicinity. Excluding Baan Eua Athorn (BEA) condominium, overall real estate supply slightly expanded by 1.6 percent. For newly-launched real estate projects in Bangkok and vicinity, the average price per unit increased in response to rising land prices in metropolitan areas. Meanwhile, prices of low- and middle-ended quality-adjusted houses with lands declined from 2008.

2. Demand side

Private consumption in 2009 dropped by 1.1 percent yoy. In the first quarter of the year, private consumption declined in line with domestic economic recession and softening consumer confidence. Private sector reduced spending on both durable and non-durable goods. Household spending during the rest of the year ameliorated following recovering economic conditions as well as the government's stimulus measures. Private consumption, especially of durable goods such as vehicles and electrical appliances, resumed expansion in the fourth quarter due to favorable farm income from rising crop prices, and improving consumer confidence.

Private investment in 2009 contracted by 12.8 percent yoy. During the first half of the year, private investment declined from the world economic crisis and political uncertainties, but improved in the second half of the year mainly in response to the economic recovery and rebounding investor confidence. Nevertheless, most

capital investments were for replacement of depreciated machineries and equipments. Meanwhile, investment in construction remained at a low level throughout the year.

On the **external front**, the trade balance in 2009 registered a substantial surplus from the previous year. Although exports markedly contracted in response to the economic recession of trading partner countries, imports registered a sharper drop from a decline in domestic demand. Export value in 2009, amounting to 150.9 billion US dollars, contracted by 13.9 percent from last year. Meanwhile, import value, totaling to 131.5 billion US dollars, declined by 24.9 percent from the past year. Services, income and transfers account also recorded a surplus of 0.9 billion US dollars, decreasing from an excess of 1.5 billion US dollars in 2008 mainly due to a considerable drop in tourism income in the first half of 2009 and a decrease in investment returns. As a consequence, the current account surplus stood at 20.3 billion US dollars, rising from a surplus of 1.6 billion US dollars last year.

Net capital account in 2009 recorded a deficit of 1.2 billion US dollars, compared to a surplus of 14.6 billion US dollars in the previous year. The deficit was mainly attributable to capital outflows from Thai investments abroad, both in portfolio investments, especially in Korean government bonds, and direct investment which was in line with the Thai government's policy to encourage Thai investments abroad. Moreover, foreign direct investments in 2009 declined from the previous year, particularly from the US, Singapore and Japan due to effects from the global financial crisis. Nevertheless, foreign portfolio investments turned to a surplus following clearer signs of the global economic recovery, especially in Asia. Therefore, in addition to the large current account surplus, the balance of payments in 2009 registered a surplus of 24.1 billion US dollars, a slight decline from the previous year.

With regard to **fiscal conditions in fiscal year 2009**, the government continued a deficit budget policy in a larger size, increasing from a deficit of 1.8 percent of GDP to 3.9 percent of GDP this fiscal year (including the supplementary budget of 116.7 billion baht) to shore up and stimulate the economy during the global economic crisis. Moreover, during the end of fiscal year 2009 the government launched the Strong Thailand 2012 Project, and the loan disbursement under which totaled 14.9 billion baht. As a result, the budget expenditure (excluding principal loan repayment) amounted to 1,803.0 billion baht, increasing by 13.9 percent from the previous fiscal year. Meanwhile, the government's revenue collection was lower than the target owing to the economic recession and government's tax cut measures. Consequently, the government's revenue (cash basis) was 1,409.7 billion baht, decreasing by 8.8 percent from the last fiscal year, and lower than the budget document by 190.3 billion baht. Due to higher expenditure and lower revenue collection of the government, the overall cash balance in fiscal year 2009 recorded a deficit of 420.3 billion baht, or 4.8 percent of GDP.

For fiscal year 2010, the government continued its deficit budget policy by setting the budget expenditure at 1,700 billion baht, and the estimated net revenue at 1,350 billion baht, resulting in a budget deficit of 350 billion baht, or 3.8 percent of GDP. Moreover, the government has incurred additional non-budgetary borrowing to invest in the Strong Thailand 2012 Project amounting to 335 billion baht, or 3.7 percent of GDP.

In the first quarter of fiscal year 2010, the budget expenditure (excluding principal loan repayment) totaled 449.8 billion baht, increasing by 11.3 percent from the same period of the previous fiscal year. Together with loan disbursement under the Strong Thailand 2012 Project of 20.2 billion baht, the government's revenue (cash basis) stood at 352.9 billion baht, increasing by 27.0 percent from the same period of the last fiscal year as a result of excise tax rate hikes in petroleum, alcoholic beverage and beer, as well as recovering economic conditions. As the government expenditure was higher than its revenue, the overall cash balance recorded a deficit of 128.8 billion baht. This resulted in an increase in the level of public debt from 37.3 percent of GDP at the end of fiscal year 2008 to 43.9 percent of GDP at the end of the first quarter of fiscal year 2009.

3. Monetary conditions

Both reference lending and deposit interest rates of commercial banks^{1/} declined in response to the Monetary Policy Committee's (MPC) 3 consecutive policy interest rate cuts (during the beginning of 2009) to 1.25 percent per annum. The minimum loan rate (MLR) of 4 largest commercial banks averaged at 5.86 percent per annum, compared to 6.75 percent per annum at the end of 2008. Likewise, the average 3-month, 6-month, and 12-month time deposit rates of 4 largest commercial banks stood equivalently at 0.70 percent per annum at the end of 2009, compared to last year's average at 2.28, 2.34 and 2.54 percent per annum, respectively.

^{1/} Average interest rates of 4 largest commercial banks

Depository corporations' private credit^{2/} at the end of 2009 expanded by 3.7 percent from a growth of 8.5 percent last year. During January-October 2009, private credit decelerated following the economic recession. Nevertheless, household credits grew satisfactorily, especially mortgage loans. Private credit began to accelerate during the end of 2009 due to (1) the government's Fast Track Scheme to accommodate specialized financial institutions' private credit expansion, (2) rising demand for credits from improving economic confidence and conditions, and (3) banks' less stringent credit standards compared with the beginning of the year. Meanwhile, deposits including bill of exchanges (B/E) at depository corporations during the first half of 2009 continued to expand from that of the previous year as investors shifted from risky assets towards deposits. Nevertheless, deposits (including B/E) at depository corporations decelerated during the latter half of the year, partly due to more investment in higher-return assets, government savings bond and BOT bond. Deposits (including B/E) grew by 6.6 percent at the end of 2009 from last year's expansion of 9.0 percent. Commercial banks' liquidity remained eased as loan to deposit (including B/E) ratio of overall commercial banks in 2009^{3/} averaged at 85.3 percent, decreasing from the previous year's average of 87.9 percent.

Monetary base slowed down in the first half of 2009 in line with economic conditions, but still increased corresponding

^{2/} Deposit corporations comprise of Domestically Registered Commercial Banks, Branches of Foreign Banks, International Banking Facilities, Finance Companies, Specialized Banks, Thrift and Credit Cooperatives, and Money Market Mutual Funds.

^{3/} Preliminary data and subject to change

to improvements in economic activities and domestic demand for consumption. At the end of the year, monetary base grew by 6.1 percent, decelerating from an 11.3 percent expansion in 2008. Broad money^{4/}, during the beginning of 2009 still registered a marked expansion which was close to that of the fourth quarter of last year regardless of the domestic economic contraction. This was partly due to an increase in financial institutions' deposits as a result of shifted investment from risky assets towards deposits. However, broad money had continued to decelerate since the middle of the year in response to an adjustment in investment from risky financial assets towards deposits. Overall broad money at the end of 2009 stood at 10,610.1 billion baht, expanding by 6.7 percent, but decelerating from an expansion of 9.2 percent last year.

Baht-to-US dollar exchange rate in 2009 averaged at 34.32 baht per US dollar, weakening from an average of 33.38 baht per US dollar in 2008. In the first quarter of 2009, the baht depreciated from investors' concerns over problems in the US and the European financial systems, as well as more-than-expected global economic contraction. Consequently, investors shifted their investments from risky assets towards US dollar denominated assets. Later, however, the baht trended upwards in response to the depreciation of US dollar, improving investor confidence in the global economic recovery, and continual current account surplus. Towards the end of the year, the baht registered a downward trend, partly due to an

increasing year-end demand for US dollar of domestic investors and financial institutions, as well as the downgrades of sovereign ratings of Greece and Mexico, leading to a temporary risk aversion.

Nominal Effective Exchange Rate (NEER) slightly weakened from an average of 77.90 in 2008 to 77.13 in 2009, reflecting the depreciation of baht against trading partners' currencies. Meanwhile, in 2009, **Real Effective Exchange Rate (REER)** or price-adjusted NEER to reflect the country's competitiveness averaged at 89.22, decreasing from an average of 91.24 last year, mainly following declines in NEER and domestic inflation rate compared with those of trading partners. Compared to that of the previous year, the depreciation of REER showed an improvement in Thailand's competitiveness.

Overall economic stability remained sound. *External stability* remained resilient as reflected by continued current account surplus and high level of international reserves. At the end of December 2009, international reserves stood at 138.4 billion US dollars, increasing from 111.0 billion US dollars last year, on the back of low external debts. Regarding *internal stability*, headline inflation recorded a negative rate of 0.9 percent in 2009, declining markedly from 5.5 percent in 2008, following a notable decline in energy prices, the government's stimulus measures, as well as the economic contraction. With these latter two factors, the core inflation rate registered at 0.3 percent, declining from 2.4 percent in the previous year. Unemployment rate showed an improving trend in line with the economic recovery, lowering from 2.1 percent in the first quarter to 1.7 percent in the second quarter, and finally to 1.0 percent in the last quarter of 2009.

^{4/} New definition of Broad Money which includes Bill of Exchange, Money Market Fund and Cooperatives is used in this report consistent with the international basis.

4. Economic Outlook for 2010

The MPC assessed that the Thai economy, both demand and supply, continued to expand satisfactorily from the last quarter of 2009. Meanwhile, favorable global economic recovery helped support an expansion in exports. However, the MPC viewed that going forward domestic political uncertainty would have adverse impact on confidences of consumer, investor, and tourists. Hence, the MPC decided to revise the economic growth for 2010 downwards in the range of 4.3-5.8^{5/}. On inflationary pressure,

the MPC assessed that price pressure would be heightened since pressure on costs of raw materials accelerated for some time would gradually be passed through to consumer prices following an improvement in domestic demand. However, the government's decision to extend the expiration of its cost of living subsidy measures to the end of the second quarter of 2010 contributed to the estimated headline and core inflation rates in 2010 to be in the ranges of 3.3-4.8 and 1.0-2.0 percent, respectively.

Monetary Policy Group
Bank of Thailand
May 2010

^{5/} As of April 2010

Thailand's Key Economic Indicators

	2008 Total	2009				
		Total	Quarter 1	Quarter 2	Quarter 3	Quarter 4
<i>(% from the same period of last year, unless specified otherwise)</i>						
Gross Domestic Product^{1/}	2.5	-2.3	-7.1	-4.9	-2.7	5.8
The Real Sector						
Farm Income	33.1	-9.4	2.5	-21.5	-17.0	0.2
Crop Production	9.0	-2.0	2.5	-6.4	-2.4	-2.5
Crop Price	22.1	-7.5	0.0	-16.1	-14.9	2.8
Manufacturing Production Index, without seasonal adjustment (level)	190.2	180.5	162.4	171.9	186.0	201.4
Manufacturing Production Index, without seasonal adjustment	5.3	-5.1	-18.5	-9.2	-5.0	14.2
Industrial Capacity Utilization (%)	67.6	61.0	57.9	58.4	61.5	66.0
Number of Tourists (million persons)	14.6	14.1	3.6	3.0	3.3	4.3
Number of Tourists	0.8	-3.0	-15.7	-16.5	-2.8	27.9
Occupancy rate (%)	56.2	49.2	53.4	42.1	47.2	54.1
Domestic Demand						
Private Consumption Index	3.6	-2.5	-5.3	-4.3	-2.5	2.3
Private Investment Index	2.9	-11.2	-15.8	-15.4	-11.2	-1.7
Government Cash Balance (billions of baht)	-96.5	-401.4	-240.2	57.8	-90.3	-128.8
Price and Employment						
Headline Inflation	5.5	-0.9	-0.3	-2.8	-2.2	1.9
Core Inflation (excluding raw food and energy)	2.4	0.3	1.7	-0.1	-0.5	0.1
Unemployment Rate (%)	1.4	1.5	2.1	1.7	1.2	1.0
External Accounts (Billions of US\$, unless specified otherwise)						
Export ^{2/}	175.2	150.9	33.3	34.0	40.7	42.9
△%	15.9	-13.9	-20.0	-26.1	-17.5	12.2
Import ^{2/}	175.1	131.5	25.6	30.1	35.6	40.2
△%	26.5	-24.9	-37.6	-33.0	-28.3	1.4
Trade Balance	0.1	19.4	7.7	3.9	5.1	2.7
Current Account ^{3/}	1.6	20.3	9.5	2.8	3.7	4.3
Net Capital Flow ^{3/ 4/}	14.6	-1.2	-3.2	-3.5	2.8	2.6
Balance of Payments	24.7	24.1	7.4	1.3	7.7	7.8
Official Reserves (Billions of US\$)	111.0	138.4	116.2	120.8	131.8	138.4
Monetary Statistics (End of period) (Billions of baht)						
Monetary Base	1,039.7	1,103.4	974.2	980.7	983.2	1,103.4
△%	11.3	6.1	4.2	8.2	8.9	6.1
Narrow Money	1,041.2	1,174.6	1,033.0	1,025.6	1,052.1	1,174.6
△%	4.1	12.8	3.2	3.9	7.7	12.8
Broad Money	9,948.7	10,610.1	10,241.0	10,143.0	10,120.6	10,610.1
△%	9.2	6.7	9.0	9.1	7.6	6.7
Depository corporations' deposits (including bill of exchange) ^{5/}	9,787.3	10,434.6	10,167.3	10,104.1	10,019.0	10,434.6
△%	9.0	6.6	8.8	9.3	7.7	6.6
Depository Corporations Private Credits ^{5/}	8,565.2	8,832.7	8,460.7	8,473.6	8,510.4	8,832.7
△%	9.3	3.1	6.4	2.9	0.4	3.1
Interest Rates (% p.a.)						
Repurchase Rate, 1 day (closing rate daily average)	3.38	1.42	1.89	1.27	1.25	1.25
Overnight Interbank Rate (mode daily average)	3.35	1.34	1.87	1.18	1.15	1.15
Fixed Deposit Rate (1 year) ^{6/}	1.75-2.00	0.65-1.00	0.75-1.00	0.65-1.00	0.65-1.00	0.65-1.00
Prime Rate (MLR) ^{6/}	6.75-7.00	5.85-6.25	6.00-6.50	5.85-6.25	5.85-6.25	5.85-6.25
Exchange Rate (Baht : US\$)						
	33.38	34.32	35.36	34.68	33.96	33.31

^{1/} At constant price ^{2/} BOP Basis ^{3/} From October 2006, the reinvested earning data (R.E.) is included in the Financial Account, with corresponding contra entry under "Investment Income" item by the same amount in the Current Account. Also, adjustments are made to the Balance of Payments data series to reflect RE since 2001.

(Detail on BOT Press release No.45/2006) <http://www.bot.or.th/bothomepage/General/PressReleasesAndSpeeches/PressReleases/news2549/Eng/n4549e.htm>

^{4/} The latest net capital flow data shown is preliminary which will be revised in the following month.

^{5/} Depository Corporations comprise Domestically Registered Commercial Banks, Branches of Foreign Banks, International Banking Facilities, Finance Companies, Specialized Banks, Thrift and Credit Cooperatives and Money Market Mutual Funds.

^{6/} As quoted by the 5 largest banks

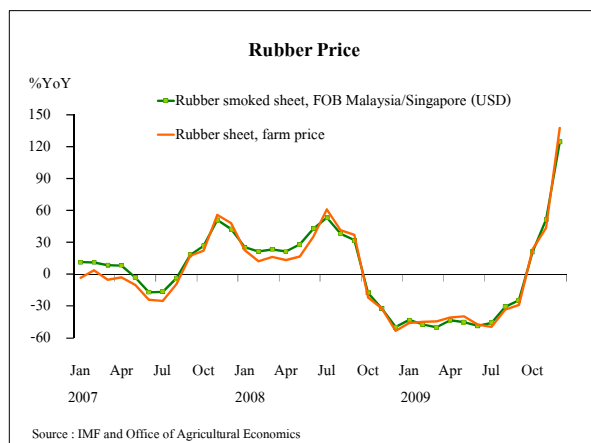
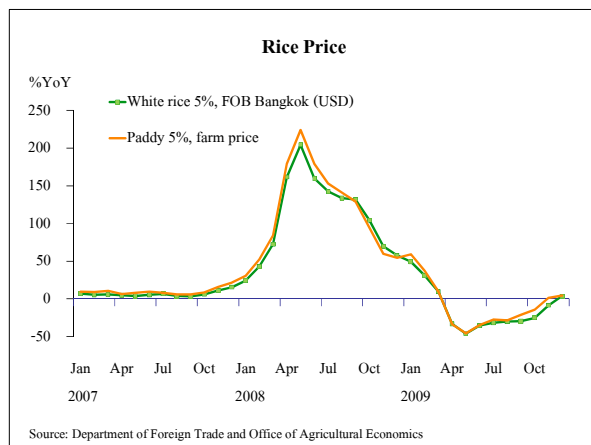
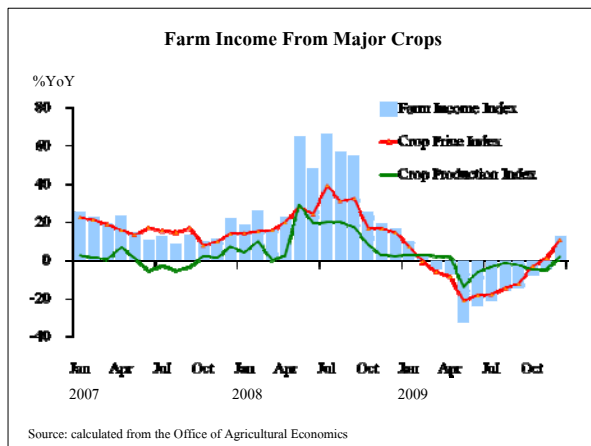
Section 2: Economic Conditions by Sector

2.1 Supply-side

2.1.1 Agricultural Sector

Table 1 : Farm Income from Major Crops,
Crop Production and Crop Price

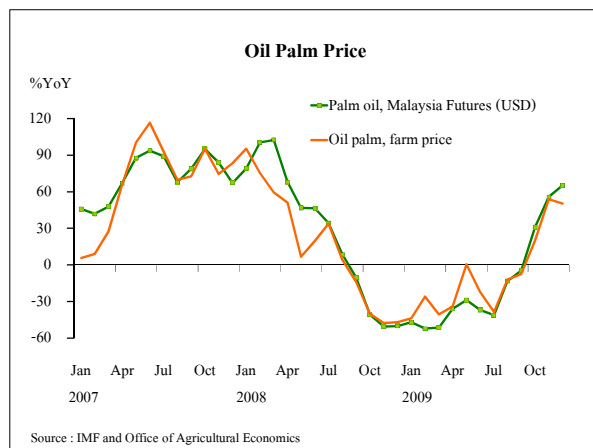
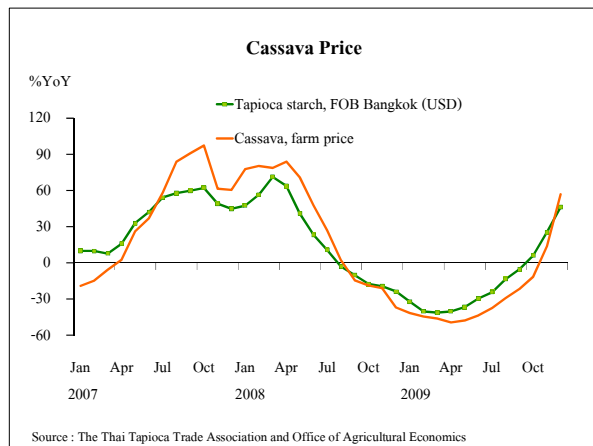
%YoY	2008	2009	2009			
			Q1	Q2	Q3	Q4
Farm income	33.1	-9.4	2.5	-21.5	-17.0	0.2
Crop production	9.0	-2.0	2.5	-6.4	-2.4	-2.5
Crop price	22.1	-7.5	0.0	-16.1	-14.9	2.8



According to the National Economic and Social Development Board (NESDB), agricultural production in 2009 declined by 0.6 percent from the previous year. This corresponded to the contraction in **crop production index** which fell by 2.0 percent from the previous year, mainly from lower productions of oil palm, rubber and paddies. A drop in oil palm production resulted from the crop's cyclical nature that normally provided high yield every two years. Moreover, unfavorable climate in the southern region of Thailand towards the end of the year disrupted the supply of oil palm and rubber. A decline in rice output was due mainly to a reduction in planting areas following less attractive price and an outbreak of planthopper in the fourth quarter. Similarly, an invasion of cassava mealybug in many regions damaged the production of cassava and caused farmers to reduce planting areas and shift to cultivate other crops such as sugarcane.

Crop price index in 2009 contracted by 7.5 percent from that of the previous year, particularly in the second and third quarters by 16.1 and 14.9 percent, respectively. This was in line with diminished demand for food and energy crops such as paddies, rubber, cassava and maize, amid the global economic crisis. Owing to the recovery of global demand especially from China in the second half of the year, crop price improved constantly as an expansion of 2.8 percent was observed in the last quarter. Exports of agricultural products to China for industrial uses increased, including rubber for automotive industry, glutinous rice for alcohol beverages, and tapioca

chips for ethanol industry. Moreover, farming areas in many countries such as India, China and the Philippines were adversely affected by natural disasters, contributing to an increase in prices of rice and other agricultural products during the end of the year.



Prices of livestock and fishery increased from the previous year by 3.6 and 1.7 percent, respectively. An increase in livestock price was due to lower supply of fowls and swine while the demand for consumption steadily increased. For fishery, a rising price was driven by an increase in price of sea fish, whereas the price of shrimp decreased from the preceding year. Despite increases in prices of livestock and fishery, **Thai agricultural price index** exhibited a decline of 5.2 percent from that of the previous year due mainly to a decrease in crop price.

Outlook for 2010

As for 2010, farm income is expected to expand from a strong growth in crop price while crop production will be constrained by ongoing droughts and pest outbreaks which might be more severe than the end of the previous year. Farmers need to terminate their plantings in order to cut the pests' epidemic cycle. Thus, the productions of rice and cassava are expected to decline from the previous year, whereas productions of oil palm, rubber and sugarcane are expected to rise due to an increase in expected harvesting areas and a shift of productions from cassava and maize to sugarcane following an attractive sugarcane price.

A strong growth in major crop prices is expected in 2010 from an increase in prices of such crops as rubber, Hom Mali and other paddies, cassava, sugarcane, and oil palm. This owes to 1) a contraction in the world supply of rice and sugarcane as a result natural disasters in India, China and the Philippines; 2) the recovery of global demand especially from China, causing exports of Thai agricultural products for China's industrial uses to rise; and 3) an ongoing outbreak of planthopper and mealybug that will cut the supply of rice and cassava.

Supply Side Policy Team

Tel. 0-2283-5607

Table : Thai Agricultural Prices						
(Unit: Baht/tonne)						
	2008	2009				
		Total	Q1	Q2	Q3	Q4
Agricultural Price Index						
(1995 =100)	269.0	255.1	250.5	249.9	247.6	272.3
$\Delta\%$	19.3	-5.2	1.3	-12.6	-11.0	3.0
1. Crop Price Index^{1/}						
(1995 =100)	336.0	310.7	304.7	303.9	296.6	337.7
$\Delta\%$	22.1	-7.5	0.0	-16.1	-14.9	2.8
Hom Mali Paddy	13,700	13,513	12,708	13,262	13,927	14,287
$\Delta\%$	56.2	-1.4	8.8	-21.2	1.6	12.1
Paddy Class 1 (5%)	10,676	9,717	10,142	9,925	9,567	9,077
$\Delta\%$	63.5	-9.0	27.6	-21.4	-19.5	-9.7
Rubber	76,549	56,358	43,584	52,068	58,029	73,827
$\Delta\%$	11.0	-26.4	-45.0	-42.8	-37.7	58.9
Maize	7,850	6,139	6,409	6,253	5,568	6,029
$\Delta\%$	15.4	-21.8	-18.4	-21.5	-36.0	-7.3
Cassava	1,808	1,252	1,171	1,166	1,219	1,494
$\Delta\%$	23.8	-30.7	-44.1	-47.0	-30.0	17.4
2. Livestock Price Index						
(1995 =100)	151.2	156.6	148.7	159.7	160.0	158.0
$\Delta\%$	16.0	3.6	1.1	2.2	5.1	5.8
3. Fishery Price Index^{2/}						
(1995 =100)	174.4	177.3	180.7	168.7	180.1	179.7
$\Delta\%$	7.2	1.7	9.1	-2.9	-0.8	1.7
4. Forestry Price Index						
(1995 =100)	126.8	153.5	153.7	153.4	153.4	153.4
$\Delta\%$	3.3	21.0	21.2	20.9	20.9	20.9

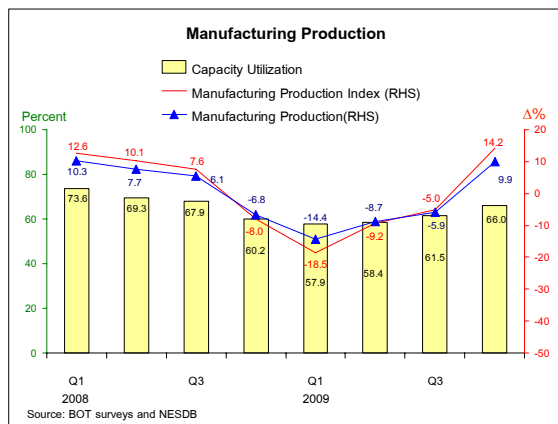
Note : $\Delta\%$ represents percentage change from the same period last year

^{1/} referred by the vegetable and fruit indices from Office of Agricultural Economics

^{2/} adjusted weights between vannamei and black tiger shrimps since 2008

Source: The Farm Price Index is constructed from the data of the Fish Marketing Organization, Office of Agricultural Economics, and Bureau of Trade and Economic Indices

2.2 Manufacturing Sector

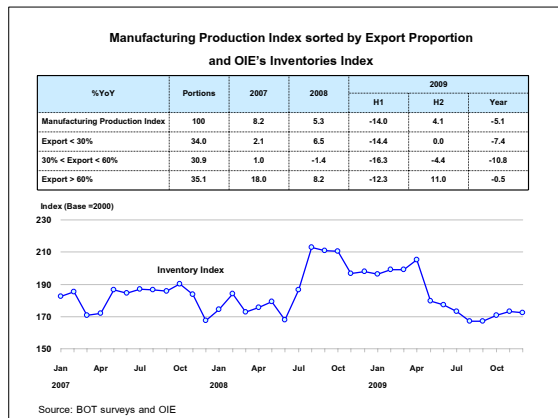


Manufacturing Production Index*
(Year-on-year percentage change)

Industry	Weight 2000	2007	2008	2009 ^P		
				H1	H2	Year
Textiles	12.23	-2.5	-2.1	-4.0	-8.6	-6.2
Electronics	10.31	25.3	14.9	-11.0	14.6	2.2
Petroleum	9.48	1.2	2.7	-0.7	9.6	4.3
Vehicles and Equipment	6.85	4.0	14.8	-40.0	-5.9	-23.3
Food	6.82	4.5	3.1	-3.7	4.5	-0.3
Beverages	5.11	3.3	2.9	-7.1	-10.3	-8.7
Electrical Appliances	5.05	6.0	4.9	-27.7	1.2	-14.6
Leather and Leather Products	2.79	22.7	-68.9	-25.7	-5.9	-16.8
Chemical Products	2.36	7.4	-6.1	-4.6	14.0	4.1
Iron and Steel Products	2.21	-2.3	-9.8	-35.2	24.2	-11.0
Construction Materials	1.84	-3.6	-8.6	-9.2	2.5	-3.6
Others	10.62	1.8	-4.9	-9.0	-1.3	-5.2
Total*	75.68	8.2	5.3	-14.0	4.0	-5.1

Note: * Covering 76 products with 75.7 percent of overall value added in the manufacturing sector
P = Preliminary

Source: BOT surveys



Capital Utilization*
(Unit : Percent)

Industry	Average 1995-1996	2007	2008	2009 ^P		
				H1	H2	Year
Electronics	77.1	76.1	67.2	52.7	69.5	61.3
Petroleum	88.6	83.5	81.7	79.4	77.2	78.3
Vehicles and Equipment	74.7	73.3	75.1	43.5	63.9	53.7
Beverages	69.0	73.2	74.3	68.2	61.6	64.8
Electrical Appliances	87.1	70.2	61.6	47.8	58.4	53.2
Food	40.4	58.2	60.5	67.8	53.4	60.6
Leather and Leather Products	-	53.4	25.8	25.3	26.1	25.7
Chemical Products	91.4	95.9	88.4	85.2	89.8	87.5
Iron and Steel Products	58.1	55.4	50.7	38.6	50.5	44.6
Construction Materials	87.9	78.4	73.3	67.2	69.7	68.4
Pulp and Paper Products	77.6	90.8	81.0	74.0	81.0	77.5
Rubber and Rubber Products	73.1	61.0	60.5	51.3	56.6	53.9
Others	81.8	61.3	55.5	50.5	53.1	51.8
Total *	76.7	72.5	67.6	58.2	64.9	61.0

Note: * Covering 69 products with 59.1 percent of overall value added in the manufacturing sector

P = Preliminary

Source: BOT surveys

According to the report of NESDB, manufacturing production in 2009 declined by 5.1 percent from the previous year, in line with Manufacturing Production Index (MPI)* which decreased by 5.1 percent from last year. Decreases were observed in almost all sectors except electronics, petroleum and chemical products. The decline was largely attributable to a reduction in both domestic and foreign demand in the first half of 2009 in tandem with the global economic slowdown. On the other hand, in the second half of the year, MPI increased in almost all sectors, especially export-oriented industries (share of exports in production greater than 60 percent) following high productions of hard disk drive, integrated circuits (IC) and television. This was partly due to recovery of trading partner's economic conditions as well as higher domestic demand, and re-building of inventory which was depleted during the second half of 2008. Manufacturing production in 2010 is expected to expand continuously in many sectors such as electronics, petroleum, vehicles and iron and steel, as a result of increased order books.

Capacity Utilization Rate averaged at 61.0 percent, lower than 67.6 percent in the previous year. In the first quarter of 2009, capacity utilization rate decreased in many sectors, comparing to the fourth quarter of 2008. Nevertheless, capacity utilization rate had gradually increased since the second quarter of the year, consistent with the recovery in manufacturing production especially electronics sector. Capacity utilization in the fourth quarter registered at 66.0 percent, close to the level before the global economic crisis.

* Covered 75.7 percent of the overall value added in manufacturing sector of NESDB

Details of manufacturing production and capacity utilization by sectors were as follows:

Textiles production, especially garment, reduced continuously from last year. This was due to a decrease in external demand, particularly from the US. Manufacturers responded by expanding their markets to the EU. Nevertheless, synthetic fibers production began to recover during the second and third quarters of 2009, and markedly increased in the fourth quarter, following an expansion of both domestic and external demand.

Vehicles and equipments production decreased significantly especially in the first half the year, following a huge drop in external demand. Production for exports declined markedly, more than production for domestic sales. Nonetheless, vehicles production increased in the second half of the year, following demand recoveries from domestic and foreign markets, contributing to increases in productions of both passenger and commercial cars. The capacity utilization rate, thus, increased from 43.5 percent in the first half of the year to 63.9 percent in the second half of the year.

Food production, particularly frozen seafood and canned pineapple, declined considerably in the first half of the year as a result of softened demand and lack of raw materials. However, production increased towards the end of the year due to an increase in demand in canned seafood product, following the global economic recovery and a drop in raw materials prices. The capacity utilization rate stood at 60.6 percent, close to 60.5 percent in 2008.

Beverages production decreased from the previous year. Beer and liquor production

dropped noticeably, following the economic slowdown and increased retail prices after the government raised excise tax rate on alcoholic beverage on 7 May 2009. Capacity utilization of the industry therefore declined from 74.3 percent in the previous year to 64.8 percent in 2009.

Electrical appliances production fell considerably from previous year, following a decline in demand from both domestic and foreign markets. Productions decreased for all products, especially televisions, air-conditionings, refrigerators and washing machines. Nevertheless, productions recovered in the fourth quarter of 2009, particularly television production due partly to both domestic and foreign governments' stimulus packages. FIFA World Cup 2010, to be held in the mid of 2010, caused television manufacturers to begin expanding their capacity towards the end of the year to serve the demand which was expected to constantly rise. The capacity utilization of the industry dropped from 61.6 percent in 2008 to 53.2 percent this year.

Iron and steel industry and construction materials production continued to decline from the previous year, especially in the first half of the year. The deterioration was mainly due to slowdowns in construction and manufacturing sectors, particularly vehicles and electrical appliances industries, as well as a slowdown in mega project investment. However, production of hot and cold-rolled sheet began to expand in the fourth quarter, following recoveries in vehicles and electrical appliances industries. The capacity utilization of these industries fell from 50.7 percent and 73.3 percent in the previous year to 44.6 percent and 68.4 percent in 2009, respectively.

Electronics production in 2009 moderated considerably from the previous year, particularly integrated circuits (IC) and hard disk drive productions as a result of a significant decline in foreign demand. Nevertheless, production continued to expand in the second and third quarters, and rose significantly in the fourth quarter, hitting its record high. This improvement was from an increase in demand for personal computer (PC) and non – PC group such as electronics product, camera and surveillance camera, partly due to the government's stimulus packages and changing consumer behavior towards more digital contents. This caused manufacturers in these sectors to start expanding their investments and productions. The capacity utilization rate stood at 61.3 percent, declining from 67.2 percent in the previous year.

Petroleum production expanded from the previous year, especially in the second half of the year, following an increase in domestic demand after a significant reduction in fuel price. The decrease of average Dubai crude oil price from 94.18 US dollars per barrel in 2008 to 61.9 US dollars per barrel in 2009, coupled with an improvement in consumer confidence caused manufacturers to expand their capacity during the first half of the year to serve domestic demand which was expected to rise. The capacity utilization rate was at 78.3 percent, decreasing from 81.7 percent in the previous year.

Chemical production increased in almost all products from the previous year, especially in the second half of the year, following the capacity expansion of upstream petrochemical manufacturers to serve domestic demand which was expected to rise in the future. The capacity utilization rate was down from 88.4 percent last year to 87.5 percent this year.

Rubber and Rubber product production decreased noticeably in the first half of 2009, but continued to increase in the second half of the year, following an improvement in the productions of chained industries, particularly vehicles industry. Rubber glove production expanded well, in line with demand from public health services. Consequently, the capacity utilization rose from 51.3 percent in the first half of the year to 56.6 percent in the second half of the year.

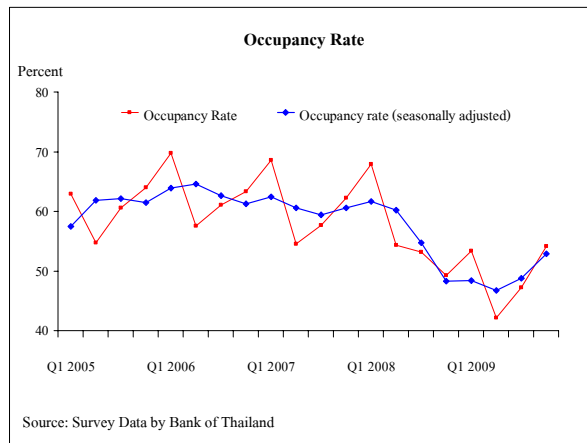
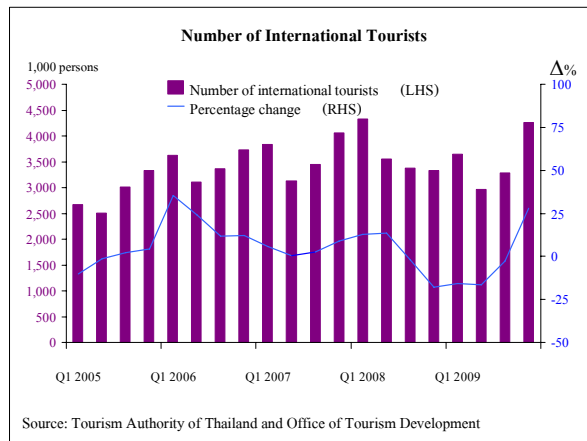
Pulp and paper production slightly decreased in almost all products due to a decline in demand from both domestic and foreign markets. Nonetheless, production began to gradually increase in the second quarter and expanded considerably in the fourth quarter, especially craft paper products which were used in packaging export goods. This growth was in line with exports which began to recover during the end of the year. The capacity utilization rate decreased from 81.0 percent in 2008 to 77.5 percent this year.

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2.3 Services

2.3.1 Tourism and Hotel Industry



International Tourists Classified by Nationality

Country	Δ (%)		Market Share (%)	
	Year	Year	Year	Year
	2008	2009	2008	2009
East asia	-0.1	-6.9	52.1	50.0
- Malaysia	17.3	-2.6	12.4	12.4
- China	-8.9	-5.9	5.7	5.5
- Japan	-9.7	-12.9	7.9	7.1
- Korea	-17.9	-30.5	6.1	4.4
Europe	2.1	1.9	27.3	28.7
Americas	-1.7	-5.9	6.2	6.0
South Asia	0.3	16.2	4.9	5.8
Oceania	4.2	-7.4	5.5	5.2
Middle East	6.4	4.2	3.2	3.4
Africa	-0.8	-5.5	0.8	0.8

Source: Tourism Authority of Thailand and Office of Tourism Development

For the tourism and hotel industry in 2009, the number of foreign tourist arrivals totaled 14.1 million persons, dropping by 3.0 percent from the previous year. The first half of the year continued to see a large decrease in the number of foreign tourists from the fourth quarter of 2008 in line with the global economic slowdown, coupled with political unrest that became increasingly severe in April, and the outbreak of the 2009 H1N1 flu during the mid 2009 in many countries, including Thailand. In the second half of the year, however, the number of foreign tourists expanded constantly by 12.4 percent from the same period of previous year in tandem with a pick up in the economies of major markets for Thai tourism. Tourism revenue from foreigners in 2009 amounted to 543.8 billion baht, decreasing by 9.8 percent from the previous year.

In 2009, the structure of foreign tourists classified by nationality was similar to the previous year. Tourists from East Asian countries continued to account for the largest share of 50.0 percent of the total number of foreign tourists, declining slightly from the previous year. This was mainly due to a drop in tourists from Japan and Korea as this group of tourists was quite sensitive to domestic political instability. Furthermore, these economies recovered at a slower rate than other countries.

The number of tourists from Europe in the first half of the year continued to decrease from the end of 2008 in tandem with political instability. However, the latter half of the year saw a rise in the number of tourists due to the cooperation between the government and private

sectors in organizing road show activities to promote tourism. The share of tourists from the US declined slightly from that of the previous year, given its sluggish economy.

However, the number of tourists from South Asia, especially India, and the Middle East countries, which were new target markets, expanded significantly in 2009 in line with their growing economies amidst the global economic crisis.

The average occupancy rate was 49.2 percent in 2009, decreasing from 56.2 percent in 2008. The average occupancy rate in the first half of the year was lower than that of the pre-crisis level in 2007 (60.8 percent), but improved in the latter half of the year in line with an increase in the number of foreign tourists. The low occupancy rate was partly due to an expansion in the number of hotel rooms,

especially in the central part of Thailand, to support the tourism demand after experiencing a surge in foreign tourists in 2007. The average room rate in 2009 contracted by 6.5 percent from the previous year in line with price cuts to attract tourists during the economic crisis.

Although the tourism and hotel industry started to pick up towards the end of the year in tandem with an increase in the number of tourists from Asia, tourism revenue did not rise significantly since the average expenditure per tourist of this group was lower than that from other regions. Moreover, tourists from Asia were more sensitive to domestic political instability. Thus, recovery in tourism industry was still quite fragile and needed the cooperation between the government and related private sectors in promoting the Thai tourism going forward.

Tourism Indicators

	2008 ^P	2009 ^P	2009			
	Year	Year	Q1 ^P	Q2 ^P	Q3 ^P	Q4 ^P
1. Number of foreign tourist (million persons)	14.6	14.1	3.6	3.0	3.3	4.3
$\Delta\%$	0.8	-3.0	-15.7	-16.5	-2.8	27.9
2. Income from tourism (billion bahts)	603.2	543.8	152.8	96.7	119.3	175.1
3. Occupancy rate (percent)	56.2	49.2	53.4	42.1	47.2	54.1
4. Room rates (baht)	1,516	1,418	1,629	1,343	1,298	1,401

Note: P = Preliminary data

$\Delta\%$ represents percentage change from the same period last year

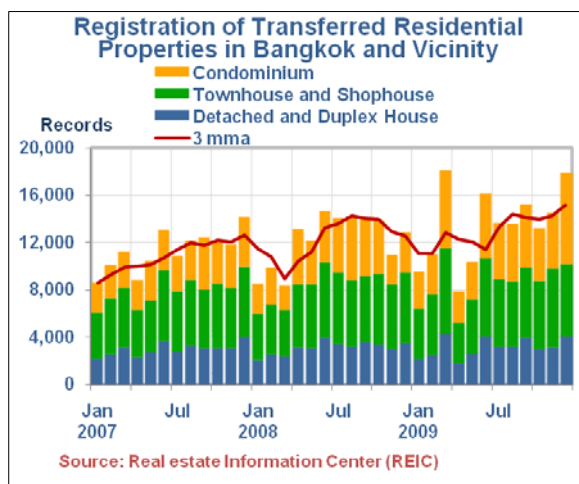
Sources: Tourism Authority of Thailand, Office of Tourism Development, and Bank of Thailand

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2.3.2 Real Estate

In 2009, overall real estate market expanded from 2008. Although it was adversely affected by the global economic crisis and domestic political instability during the first half of the year, real estate market was able to gradually recover since the second half of the year. There was a number of supporting factors, such as gradual economic recovery, improving consumer and business confidence, and the government's stimulus packages, in particular income-tax deductible for new residential property purchases which was expired at the end of 2009, low interest rate and higher competition in credit lending from financial institutions.



Overall real estate demand in 2009 expanded from last year, as reflected in a 9.6 percent growth in the registration number of transferred residential properties in Bangkok and vicinity. In the first quarter of the year, demand for real estate considerably expanded as consumer intended to obtain benefits granted from the property stimulus measures, which should have been terminated at the end of March 2009. In the second quarter, real estate demand contracted, following the economic slowdown and domestic political instability. However, it

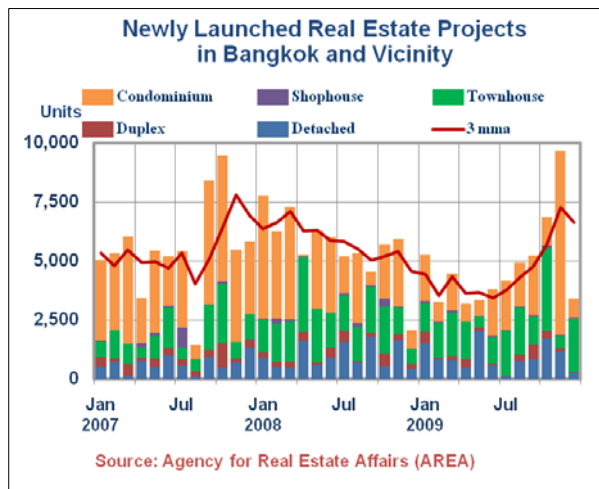
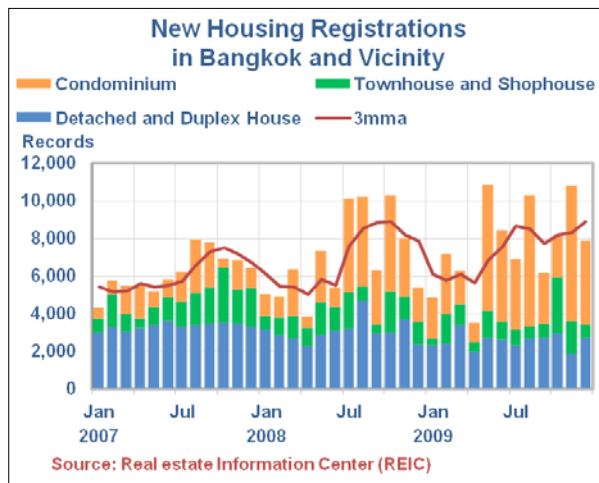
gradually picked up in the second half of the year.

Registration of transferred residential properties in Bangkok and vicinity was concentrated in condominium, townhouse and detached house, accounting for 34.9, 32.1 and 20.6 percent of total registration, respectively. The average prices in 2009 for registered and transferred townhouse and condominium valued between 1.8–1.9 million baht, while that of detached house was at 3.4 million baht. The average sales rate^{1/} of condominium stood at 68.2 percent, higher than those of townhouse and detached house by 34.6 and 27.8 percent, respectively. This was partially due to an increase in investment demand for condominium which yielded relatively higher return.^{2/}

As for 2010, real estate demand is expected to rise at almost the same rate as in 2009, driven by housing demand for lower-ended townhouse which was supported by the government's investment promotion, as well as for middle- and lower-ended condominium in accordance with excess demand in the market, and investment demand for condominium of both Thai and foreigners as the price of Thai condominium was relatively lower than that of other foreign markets.

^{1/} Calculated by using 3-month moving average

^{2/} The real housing demand for condominium registered at approximately 60 percent, whereas the demand for investment purpose and speculation purpose accounted for 20 percent each. Generally, return on investment of condominium yielded approximately 5-7 percent (according to the Bank of Thailand's Economic/Business Information Exchange Program during the fourth quarter of 2009).



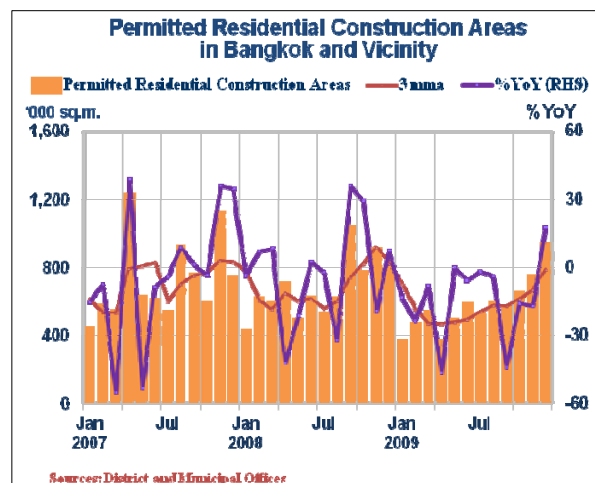
Overall real estate supply in 2009 expanded from last year by 9.5 percent, as reflected in a growth in the number of new housing registrations in Bangkok and vicinity (excluding Baan Eua Athorn (BEA) condominium^{3/}, overall real estate supply slightly expanded by 1.6 percent). Condominium, accounting for 51.1 percent of total registration, expanded by 47.3 percent. This was the highest level since the 1997 financial crisis, following the completion of real estate projects launched in the past few years. Therefore, the concentration of supply

^{3/} The number of new housing registrations in Bangkok and vicinity in 2008 and 2009 totaled 83,065 and 90,971 units, respectively. Apart from the supply of Baan Eua Athorn condominium at 7,720 units in 2008 and 14,432 units in 2009, the number of new housing registrations in Bangkok and vicinity registered at 75,345 and 76,539 units, respectively.

structure changed from detached house and townhouse to condominium.

The overall new supply of real estate contracted from last year, as shown by a 15.0 percent decrease in newly launched real estate projects in Bangkok and vicinity^{4/}. In the first half of the year, real estate supply fell substantially by 40.0 percent, but recorded a moderate contraction of 4.9 percent in the third quarter, following weakened consumer demand, domestic political instability, and tightened credit standards of financial institutions. However, supply of real estate expanded by 44.9 percent in the fourth quarter of 2009 in accordance with demand recovery. This was in line with the resumption of housing developer sentiment index to its confidence level since the third quarter, and reached its all-time high at 57.8^{5/} in the fourth quarter of 2009.

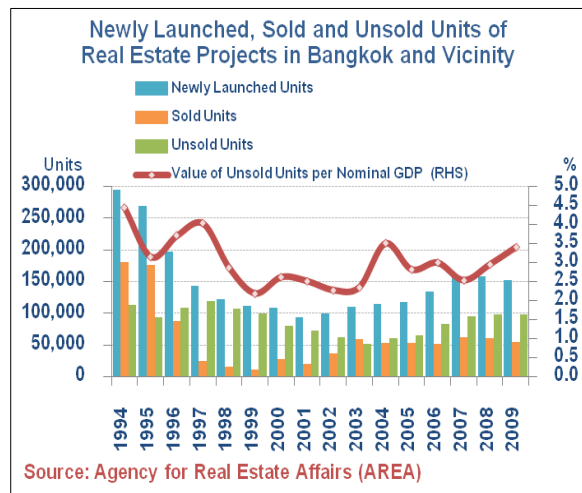
The recovery of supply in the second half of the year was mainly from an increase in newly launched real estate projects, mostly located in the proximity of mass transit systems such as sky train and express way.



^{4/} Survey of Agency for Real Estate Affairs (AREA), covering Bangkok and vicinity, accounted for 70 percent of overall country

^{5/} Real Estate Information Center (REIC)

In 2010, real estate supply is expected to slightly decline, as reflected in a decrease of 15.4 percent in permitted residential construction areas in Bangkok and vicinity in 2009, compared to a 6.8 percent contraction in 2008. However, the condominium projects are expected to continuously grow, following such changes in consumer lifestyle as possession of second house to facilitate and save costs of transportation.

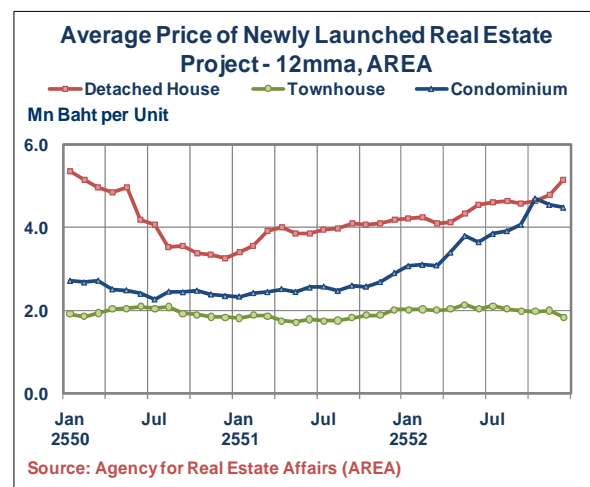


At the end of 2009, **unsold units of existing housing stock** recorded relatively high at 97,442 units, or 82.0 percent from an all-time peak of 118,979 units during the 1997 financial crisis. Notably, if these units were added up with the number of sales of newly launched and completed real estate projects, and ongoing projects under investment promotion in 2010, it could possibly lead to an oversupply in real estate market in the forthcoming period.

As for **housing finance** in 2009, the outstanding real estate credit valued at 1,342 billion baht, accounting for 17.6 percent of total financial institutions' credit, or expanding by 4.0 percent from last year. Mortgage credit registered at 961.8 billion baht, increasing by 10.2 percent. Meanwhile, real estate developer credit recorded at 380.2 billion baht, contracting by 8.8 percent. Notably, the ratio of outstanding

real estate credit to GDP in the fourth quarter of 2009 stood at 14.8 percent, approaching its highest level of 20.0 percent during the 1997 crisis.

In 2009, loan to value (LTV)^{6/} ratio for mortgage lending was at 81.3 percent, slightly down from 83.9 percent in 2008. This partly reflected greater risk aversion of financial institutions. Meanwhile, the overall rate on new mortgage for borrowers in 2009 stood at 6.2 percent, declining from 6.7 percent in 2008.



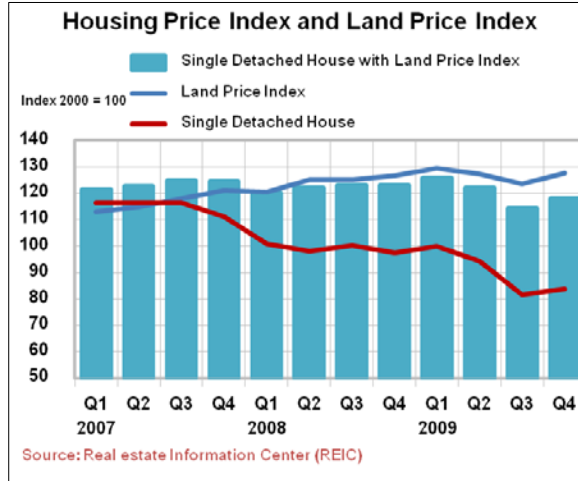
In 2009, **the average prices**^{7/} of middle- and high-ended newly launched detached house and townhouse in Bangkok and vicinity, increased by 15.0 and 10.3 percent, respectively, whereas that of condominium rose considerably by 49.5 percent, following rising land prices in metropolitan areas.

Looking forward, although land prices are expected to rise, property prices in 2010 may slightly increase as prices of interior decoration materials declined from low-cost imported products from China. Furthermore, there was

^{6/} Calculated from individual mortgage lending of 17 commercial banks from the second quarter of 2008 to the fourth quarter of 2009

^{7/} Survey of Agency for Real Estate Affairs (AREA) in Bangkok and vicinity, accounted for 70 percent of overall country

still plenty of existing supply of condominium and townhouse which valued less than 1 million baht in the market, both from housing projects under investment promotion program and Baan Eua Athorn projects.



Meanwhile, the prices of middle- and low-ended houses^{8/} with lands declined from 2008.^{9/} As for the assessment on asset-price bubbles, Thailand's property prices appeared to align with the fundamentals. Since financial institutions were more cautious in lending, this contributed to lower risk in asset-price bubbles caused by credit expansion. However, the prolonged easing financial conditions, coupled with the economic recovery, may increase the possibility of asset-price bubbles in the forthcoming period.

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^{8/} Detached house price index and townhouse price index were calculated from Government Housing Bank's new mortgage loans, employing Hedonic methodology, which explained the relationship between standard house price and additional characteristics, such as the number of floors, area utilization, building age and related infrastructures. Meanwhile, land price index was calculated from median price, weighted by land area. For housing price with land, it was calculated by using a fixed weight proportion between house and land prices. The weight proportion between detached house and land was 40:60, whereas that of townhouse and land was 45:55.

^{9/} In 2009, the quality-adjusted housing price index, excluding land, declined from the previous year, due to decreasing cost of materials from China, following an improvement in more efficient technology.

Real Estate Indicators

	2008	2009	2009					
			H1	H2	Q1	Q2	Q3	Q4
1. Demand Side Indicators								
1.1 Registration of Transferred Residential Properties in Bangkok and Vicinity (Units, REIC)	146,451 (8.2)	160,563 (9.6)	72,782 (9.3)	87,781 (9.9)	38,454 (43.9)	34,328 (-13.9)	42,297 (0.2)	45,484 (20.8)
- Detached and Duplex House	36,948	37,663	17,292	20,371	8,847	8,445	10,266	10,105
- Townhouse and Shophouse	63,688	66,793	31,135	35,658	16,574	14,561	17,097	18,561
- Condominium	45,815	56,107	24,355	31,752	13,033	11,322	14,934	16,818
1.2 Number of Real Estate Transactions – Overall Country (Records, Department of Land)	903,614 (7.2)	920,941 (1.9)	437,752 (-2.6)	483,189 (6.4)	222,558 (9.1)	215,194 (-12.4)	236,283 (1.2)	246,906 (11.9)
- Bangkok and Vicinity (Records)	237,661 (7.6)	243,594 (2.5)	108,377 (0.6)	135,217 (4.0)	56,361 (27.8)	52,016 (-18.2)	64,468 (-4.9)	70,749 (13.8)
1.3 Value of Real Estate Transactions – Overall Country (Million Baht, Department of Land)	709,148 (19.1)	661,196 (-6.8)	306,236 (-4.4)	354,960 (-8.7)	154,921 (14.0)	151,315 (-18.0)	181,406 (-6.6)	173,554 (-10.7)
1.4 Sale Rate^{2/} – 3 mma (Percent, AREA)								
- Detached House	26.7	27.8	29.5	26.1	30.4	28.5	28.9	23.2
- Townhouse	29.0	34.6	45.9	23.3	44.4	47.4	27.3	19.2
- Condominium	57.1	68.2	65.1	71.3	54.3	75.8	70.4	72.2
2. Supply Side Indicators								
2.1 Newly Launched Real Estate Projects in Bangkok and Vicinity (Units, AREA)	67,732 (1.7)	57,600 (-15.0)	23,337 (-40.0)	34,263 (18.9)	13,007 (-39.1)	10,330 (-41.2)	14,356 (-4.9)	19,907 (44.9)
- Detached and Duplex House	15,061	13,822	7,546	6,276	3,893	3,653	2,643	3,633
- Townhouse and Shophouse	21,349	19,785	8,060	11,725	4,772	3,288	5,186	6,539
- Condominium	31,322	23,993	7,731	16,262	4,342	3,389	6,527	9,735
2.2 New Housing Registrations in Bangkok and Vicinity (Units, REIC)	83,065 (11.9)	90,971 (9.5)	40,958 (24.7)	50,013 (-0.4)	18,244 (12.0)	22,714 (37.2)	23,295 (-12.2)	26,718 (12.8)
- Detached and Duplex House	36,914	30,849	15,492	15,357	8,165	7,327	7,764	7,593
- Townhouse and Shophouse	14,616	13,670	5,962	7,708	3,046	2,916	2,254	5,454
- Condominium	31,535	46,452	19,504	26,948	7,033	12,471	13,277	13,671
2.3 Existing Housing Stock (Units, AREA)	97,429 (2.9)	97,422 (0.0)	92,321 (-4.3)	97,422 (0.0)	n.a.	92,321 (-4.3)	n.a.	97,422 (0.0)
- Detached House	35,380	34,589	35,393	34,589	n.a.	35,393	n.a.	34,589
- Townhouse	29,884	34,538	30,287	34,538	n.a.	30,287	n.a.	34,538
- Condominium	32,165	28,295	26,641	28,295	n.a.	26,641	n.a.	28,295
2.4 Permitted Residential Construction Areas in Bangkok and Vicinity Transactions – Overall Country (1000 sq.m., BOT)	12,494 (-3.3)	10,974 (-12.2)	4,811 (-16.2)	6,163 (-8.7)	2,430 (-16.0)	2,381 (-16.5)	2,720 (-19.5)	3,443 (2.1)
- Bangkok and Vicinity (1000 sq.m.)	8,222 (-6.8)	6,952 (-15.4)	2,871 (-18.0)	4,081 (-13.5)	1,400 (-15.6)	1,471 ^R (-20.2)	1,717 ^R (-22.5)	2,364 (-5.6)
2.6 Cement Sales (1000 Tons, BOT)	24,834 (-10.3)	24,227 (-2.4)	12,122 (-9.8)	12,104 (6.2)	6,264 (-12.5)	5,859 (-6.7)	6,045 (2.9)	6,059 (9.6)

Real Estate Indicators

	2008	2009	2009					
			H1	H2	Q1	Q2	Q3	Q4
3. Financial Indicators								
3.1 Real Estate Personal Credit Outstanding ^{3/} (Million Baht, BOT)	873,012 (12.3)	961,796 (10.2)	904,323 (10.6)	961,796 (10.2)	887,722 (13.5)	904,323 (10.6)	927,648 (9.3)	961,796 (10.2)
3.2 Real Estate Developer Credit Outstanding ^{3/} (Million Baht, BOT)	416,977 (22.1)	380,161 (-8.8)	417,238 (7.3)	380,161 (-8.8)	407,441 (20.9)	417,238 (7.3)	395,014 (0.3)	380,161 (-8.8)
3.3 Real Estate Credit Outstanding ^{3/} (Million Baht, BOT)	1,289,989 (15.3)	1,341,956 (4.0)	1,321,561 (9.5)	1,341,956 (4.0)	1,295,163 (15.7)	1,321,561 (9.5)	1,322,661 (6.4)	1,341,956 (4.0)
3.4 Real Estate Credit Outstanding per Total Credit Outstanding (Percent, BOT)	17.6	17.6	18.1	17.6	17.5	18.1	17.9	17.6
3.5 Real Estate Credit Outstanding per GDP (Percent, BOT)	14.2	14.8	14.6	14.8	14.3	14.6	14.6	14.8
3.6 Average MLR of 4 Largest Banks at the End Period (Percent/year, BOT)	6.8	5.9	5.9	5.9	6.1	5.9	5.9	5.9
3.7 Non-Performing Loans Outstanding (NPLs) (Million Baht, BOT)								
- Real Estate Business NPLs	50,158	45,424 ^P	51,968	45,424 ^P	51,846	51,968	49,621	45,424 ^P
- % per NPLs	12.5	12.0 ^P	12.8	12.0 ^P	12.3	12.8	12.2	12.0 ^P
- Real Estate Personal NPLs	31,853	34,057 ^P	35,422	34,057 ^P	35,162	35,422	36,059	34,057 ^P
- % per NPLs	7.9	9.0 ^P	8.7	9.0 ^P	8.4	8.7	8.9	9.0 ^P
3.8 Real Estate Stock Price Index (2004 = 100, SETSMART)	33.3	63.6	45.1	63.6	30.7	45.1	62.2	63.6
4. Price Indicators								
4.1 Construction Material Price Index (2000 = 100, MOC)	158.4 (17.1)	137.7 (-13.0)	136.0 (-14.8)	139.5 (-11.2)	137.3 (-9.1)	134.7 (-20.0)	139.5 (-18.0)	139.4 (-3.1)
4.2 Detached House (w Land) Price Index ^{4/} (2000=100, REIC)	122.0 (-1.1)	120.1 (-1.6)	123.9 (2.3)	116.2 (-5.4)	125.8 (4.6)	122.1 (-0.1)	114.4 (-6.9)	118.0 (-4.0)
4.3 Townhouse (w Land) Price Index ^{4/} (2000=100, REIC)	121.3 (1.5)	120.3 (-0.8)	122.2 (1.2)	118.4 (-2.8)	124.4 (3.5)	120.0 (-1.2)	117.2 (-3.0)	119.5 (-2.6)
4.4 Land Price Index ^{4/} (2000=100, REIC)	124.4 (6.5)	126.9 (2.1)	128.4 (4.5)	125.5 (-0.3)	129.5 (7.5)	127.3 (1.7)	123.5 (-1.3)	127.5 (0.6)
4.5 Average Price of Newly Launched Real Estate Project in Bangkok and Vicinity – 12 mma (Million Baht/Unit, AREA)								
- Detached House	3.9	4.5	4.3	4.7	4.2	4.3	4.6	4.9
- Townhouse	1.8	2.0	2.0	2.0	2.0	2.1	2.0	1.9
- Condominium	2.5	3.8	3.3	4.3	3.1	3.6	3.9	4.6

Note: ^{1/} Derived from the amount of the Juristic Act and Right Registration Fee, separately classified into 2 percent and 0.01 percent categories

^{2/} Calculated from sold units divided by newly launched units in each month

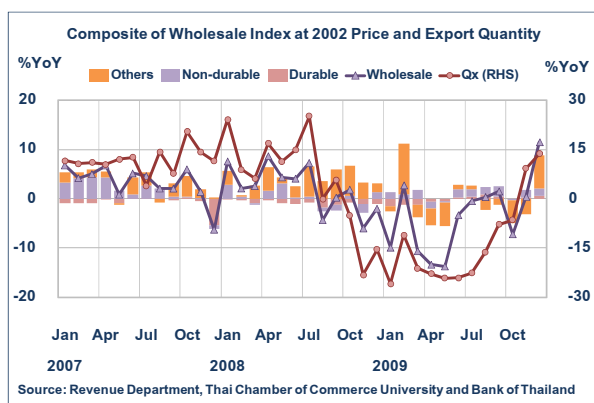
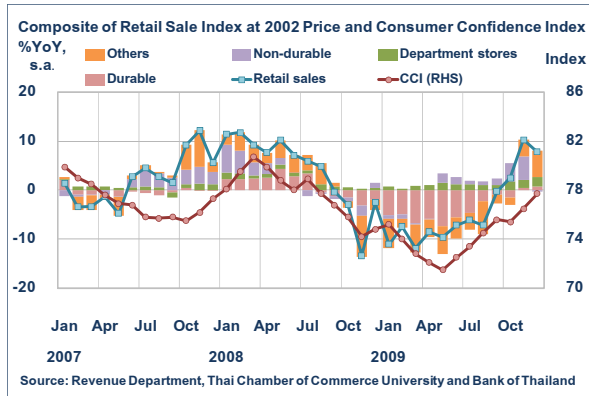
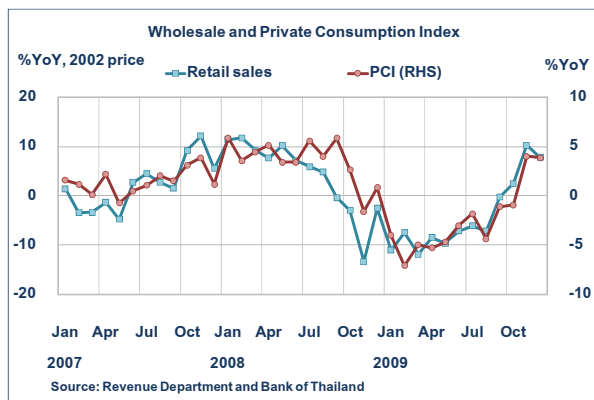
^{3/} Outstanding credit extended by commercial banks (excluding foreign branches of Thai commercial banks) at end-period

^{4/} Rebased REIC's construction material price index, using base year = 2000

^{5/} Numbers in () are year on year growth rate, P = Preliminary data, R = Revised data, E = Estimated data

Sources: Department of Land, Bank of Thailand (BOT), Real Estate Information Center (REIC), Agency for Real Estate Affairs (AREA), Ministry of Commerce (MOC) and SET Market Analysis and Reporting Tool (SETSMART)

2.3.3 Trade



Overall trading activities in 2009 decreased from the previous year. Both wholesale and retail trade declined markedly during the first half of the year. This was due partly to domestic political instability and the global economic downturn, causing consumers to be cautious with their spending. However, in the second half of the year, wholesale and retail trade steadily rebounded and exhibited a growth in the fourth quarter owing to the government's stimulus measures and the global economic recovery that shored up consumer confidence.

Wholesale trade declined by 3.4 percent from last year due to significant drops in sales of construction materials and durable goods. This was in line with a contraction in household spending and a slowdown in production sectors such as household and intermediate goods. However, necessary goods such as food, beverage and tobacco, registered an impressive growth. As a result, wholesale trade began to rebound in the third quarter.

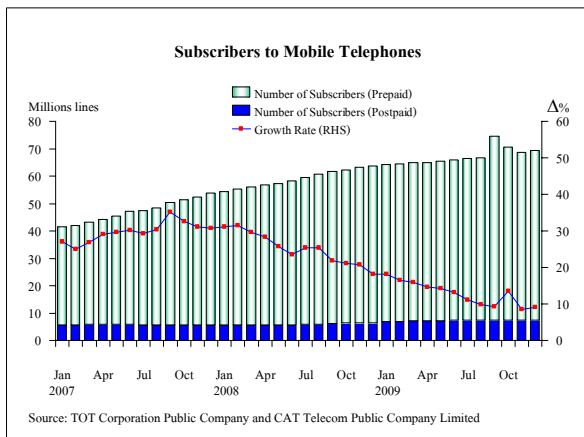
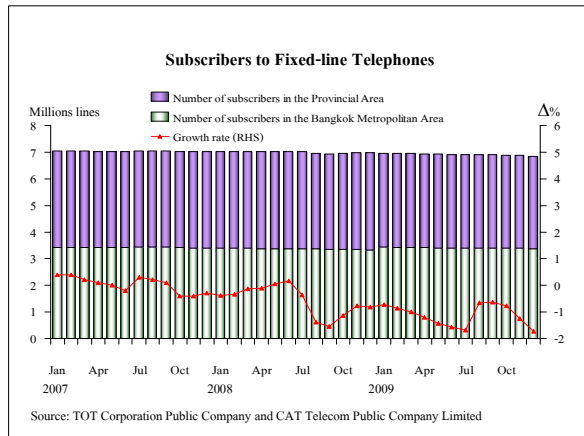
Retail trade decreased by 4.3 percent from the previous year mainly from durable goods such as electrical appliances, household goods, and clothes. However, sales of indispensable products such as fresh food, vegetable, and fruit recorded a remarkable growth. Moreover, sales of supermarkets and department stores also expanded satisfactorily. As a result, overall retail trade grew remarkably in the fourth quarter.

The outlook of trading sector in 2010 is expected to grow due to the global economic recovery and the government's stimulus measures that will help boost producer and consumer confidence.

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2.3.4 Telecommunication



Telecommunication Services^{1/}

(Million Lines)	2008	2009	2009			
			Q1	Q2	Q3	Q4
Fixed-line Telephones	3.34	3.38	3.40	3.40	3.39	3.38
Bangkok Metropolitan Area						
Fixed-line Telephones Provincial Area	3.63	3.46	3.54	3.52	3.50	3.46
Total Fixed-line Telephones	6.97	6.85	6.96	6.92	6.90	6.85
Δ %	-0.8	-1.7	-1.0	-1.6	-0.6	-1.7
Mobile Phones Postpaid	6.54	7.42	7.10	7.31	7.35	7.42
Mobile Phones Prepaid	57.15	62.08	57.80	58.56	59.92	62.08
Mobile Phones	63.69	69.50	64.89	65.87	67.27	69.50
Δ %	18.2	9.1	15.9	13.2	9.3	9.1

Note: ^{1/} Data as of end-period

Δ% represents percentage change from the same period last year

Source: TOT Corporation Public Company and CAT Telecom Public Company Limited

In 2009, overall telecommunication sector moderated from the previous year, following declines in fixed-line and mobile telephone services. The number of fixed-line telephones decreased by 1.7 percent from last year, mainly due to a drop in provincial area subscribers. It was noted that the number of fixed-line telephones declined only marginally as a result of The National Telecommunications Commission's policy to expand coverage of

fixed-line telephone services throughout provincial areas, and service providers expedited the expansion of Broad Band Internet services.

Meanwhile, the number of mobile phone services fell from 18.2 percent in the previous year to 9.1 percent this year. The services declined notably in the first half of the year from the economic slowdown. Nevertheless, it increased in the second half of the year due to higher consumer confidence in the economic recovery. In addition, service providers introduced many value-added services (VAS) such as information, news and global positioning system (GPS). The development of higher content applications also enabled mobile phones to support various purposes.

Overall, the revenue of mobile phone service providers moderated, due to the economic slowdown.

Minutes of Use (MOU) decreased by 4.4 percent from the previous year, averaged at 261.1 baht per number per month, while the average revenue per unit (ARPU) declined by 8.6 percent to an average of 226.6 baht per number per month. Nonetheless, revenues from non-voice services continued to increase from the previous year due to consumers' favor of SMS and international roaming (IR), which picked up following tourism recovery in the second half of the year.

The telecommunication sector is expected to recover in 2010 in tandem with the economic recovery. Meanwhile, the number of fixed-line telephones is expected to stabilise and the number of mobile phones is projected to increase due to demand for mobile internet which obtained the highest growth in this industry.

2.4 Labor Market Conditions

Employment

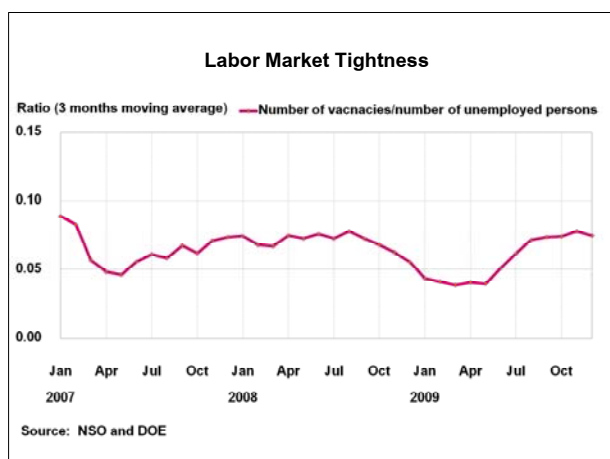
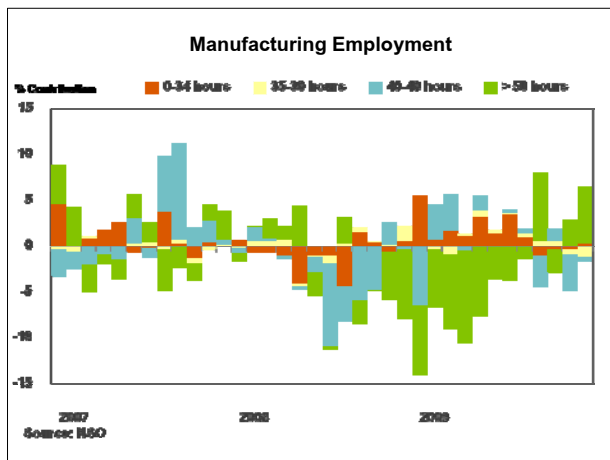
% YOY	2008	2009	2552					
			H1	H2	Q1	Q2	Q3	Q4
Employed persons	2.1	1.9	2.1	1.6	1.9	2.3	1.4	1.9
Agriculture	2.7	0.0	1.7	-1.5	0.8	2.5	-0.8	-2.3
Non-agriculture	1.7	3.1	2.3	4.0	2.5	2.1	3.1	4.9
Manufacturing	-3.0	-1.5	-3.5	0.7	-3.7	-3.2	1.3	0.2
Construction	3.0	4.0	4.5	3.4	3.4	5.6	1.6	5.3
Trade	3.2	5.1	5.4	4.8	5.5	5.3	4.2	5.4
Service	3.8	4.7	3.8	5.6	4.7	2.9	4.0	7.2

Source: NSO

Unemployment

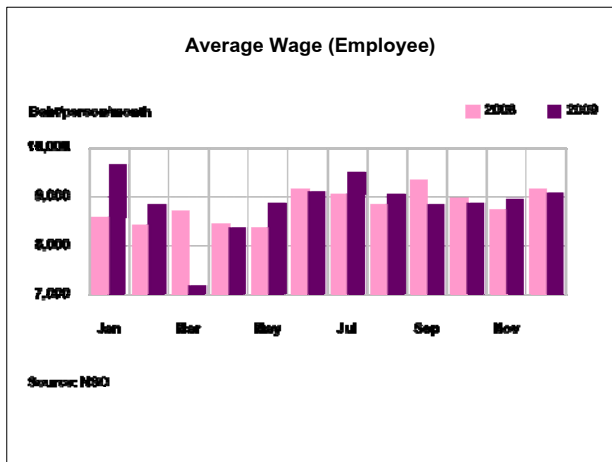
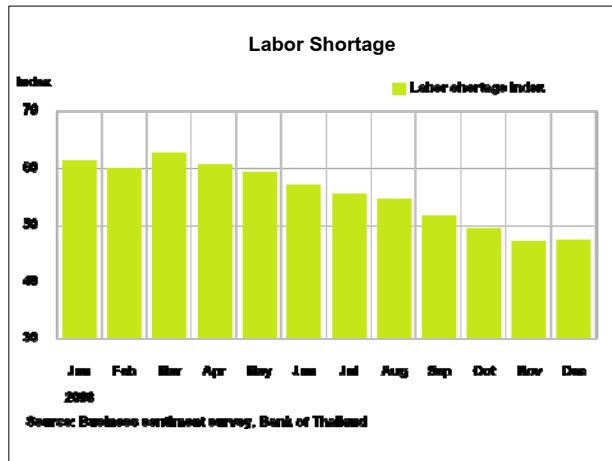
	2008	2009	2009					
			H1	H2	Q1	Q2	Q3	Q4
Unemployed person (Thousand persons)	522.0	572.3	726.2	418.5	779.4	673.0	456.1	380.9
Unemployment rate (%)	1.4	1.5	1.9	1.1	2.1	1.7	1.2	1.0
Underemployed persons (Thousand persons)	507.8	604.9	634.6	575.2	698.8	570.5	524.5	626.0
Underemployment rate (%)	1.3	1.6	1.7	1.5	1.9	1.5	1.3	1.6

Source: NSO



Although being affected by the global economic crisis, labor market in 2009 adjusted satisfactorily. In the first half of the year, **unemployment rate** stood at 1.9 percent. The most vulnerable sector was the manufacturing sector where employment, particularly in electronics, vehicles, textiles and furniture contracted by 3.5 percent from the previous year. Meanwhile, employment in trade, services and construction sectors still expanded at a satisfactory level, reflecting high flexibility of the Thai labor market during the crisis. However, in the second half of the year, labor market conditions improved in line with the economic recovery as unemployment rate was reduced to 1.1 percent and employment in the manufacturing sector turned to a year-on-year growth of 0.7 percent.

Although the economic crisis affected production in the manufacturing sector, unemployment rate was not very high in relation to other countries in the region. Unemployment rate reached its highest level of 2.1 percent or 779.4 thousand persons in the first quarter. This was partly due to firms' attempt to keep their high-skilled workers to resume their production during the recovery period. Therefore, they cut labor cost by reducing working hours. As a result, the number of labors who worked more than 50 hours per week fell substantially in the first half of the year. In the second half of the year, labor market improved following the economic recovery. New orders continued to rise in electronics, electrical appliances and vehicles sectors. This resulted in an increase in production as well as demand for labor which in turn led to the tightening of labor market, reflecting from a rise in the ratio of vacancies to unemployed persons.



Considering **the average wage of employees** in 2009, there was still not much pressure on the cost of production. The average wage stood at 8,694.2 baht per person per month, reducing by 2.5 percent from the previous year. The agricultural sector experienced wage reduction due to a substantial drop in crop prices, compared to that of the previous year. In addition, trade, transportation as well as hotel and restaurant sectors also confronted with a huge reduction in wage following a downturn of manufacturing and tourism sectors.

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Meanwhile, there were some signs of **labor shortage**, especially for vocational and skilled labors in the manufacturing sector. In accordance with the business sentiment survey of the BOT, the respondents reported that they experienced more difficulty in labor recruitment. Labor shortage index dropped from the benchmark level of 50 in the fourth quarter of 2009. This scarcity of labors in the manufacturing sectors was attributable to the government policies to help retrenched labors during the hard time such as extending a duration for receiving unemployment benefits and “Tonkla-archeep” project which supported those labors to work in their hometown.

2.5 Price Level

In 2009, **headline consumer price index (CPI)** decreased by 0.9 percent, compared to a rise of 5.5 percent in 2008. The decline was due to a drop of 4.8 percent in prices of non-food items. Meanwhile, prices of food and beverages edged up by 4.4 percent. **Core CPI** (excluding raw food and energy prices) rose slightly by 0.3 percent, decelerating from the previous year's growth of 2.4 percent. Core inflation from the second to the fourth quarters of 2009 was kept in check, below the lower bound of the 2009 policy target range of 0.5-3.0 percent.

Nevertheless, negative headline and core inflation rates below the target range in 2009 by no means indicated deflation. Prices of goods and services did not subside from lower demand which forced manufacturers to cut down prices. Rather, this was mainly due to a decline in oil prices and the government measures to alleviate the cost of living. More specific details included:

(1) average domestic retail oil prices dropped by about 13 percent from the prices in 2008, following global oil prices.

(2) the government measures to alleviate the cost of living, as follows:

- "6 measures in 6 months" came into effect in August 2008, then extended twice in 2009. The extensions allowed the measures to have impacts on inflation throughout the year 2009, by reducing cost burdens on many items including electricity and water charges, as well as public transportation costs (third class train and bus fares).

- 15-year free education program was effective in May 2009, significantly absorbing expenses on education-related items, namely, school uniforms, tuition fees, and school books and supplies.

Without incorporating the effects of the aforementioned government measures, headline and core inflation in 2009 would rise by 0.4 and 1.5 percent, respectively. This was in line with prices of processed food, personal expenses, and tobaccos and alcohols which edged up from the previous year.

Consumer Price Index

(Percentage change from the same period last year)

	Weight (Percent)	2008	2009	2009			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	5.5	-0.9	-0.3	-2.8	-2.2	1.9
Food and beverages	36.1	11.6	4.4	10.0	4.9	1.8	1.5
Non-food and beverages	63.9	1.7	-4.8	-6.9	-8.2	-5.2	1.9
Energy	9.1	8.0	-13.1	-25.8	-24.4	-13.2	20.1
Raw food	15.0	15.3	5.6	11.4	6.3	2.8	2.6
Core Consumer Price Index	75.9	2.4	0.3	1.7	-0.1	-0.5	0.1

Source: Bureau of Trade and Economic Indices, Ministry of Commerce

Producer price index (PPI) dropped by 3.8 percent in 2009, after rising by 12.4 percent in 2008. The decline was attributable to manufactured products, whose prices subsided by 5.6 percent, compared to a growth of 11.2 percent in 2008. In addition, prices of mining products continued to fall by 10.9 percent from a contraction of merely 2.3 percent in 2008. Although prices of agricultural products rose by 5.8 percent, the rate substantially decelerated from the previous year's growth of 20.7 percent.

The decline in prices of manufactured and mining products followed the downward trend of global commodity prices, including crude oil, natural gas, metallic minerals, petroleum products, chemicals, chemical products, base metals, and metal products, as well as rubber and plastic products. This

resulted from a significant external demand contraction following the global recession.

Prices of agricultural products, particularly agricultural and livestock products, continued to rise from the previous year, notwithstanding the sluggish global demand and damages in supply due to unfavorable climate conditions especially during the first half of 2009.

On average, manufactured product prices in the global market plummeted in 2009. Nevertheless, the last quarter of the year witnessed a rebound in prices of manufactured products due to increasing consumer demand as several economies, particularly in Asia, started to recover. The price levels, however, still remained below those of the pre-crisis levels in 2008.

Producer Price Index

(Percentage change from the same period last year)

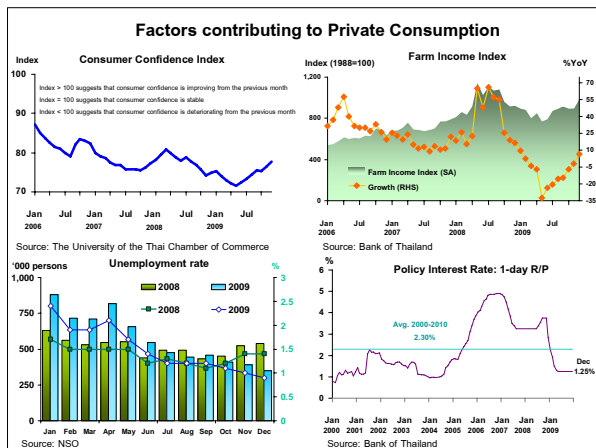
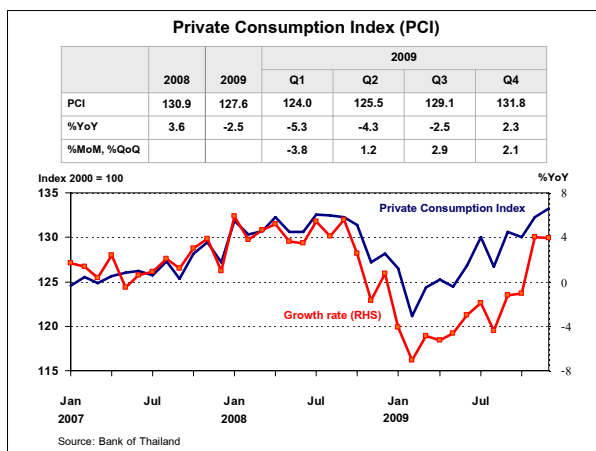
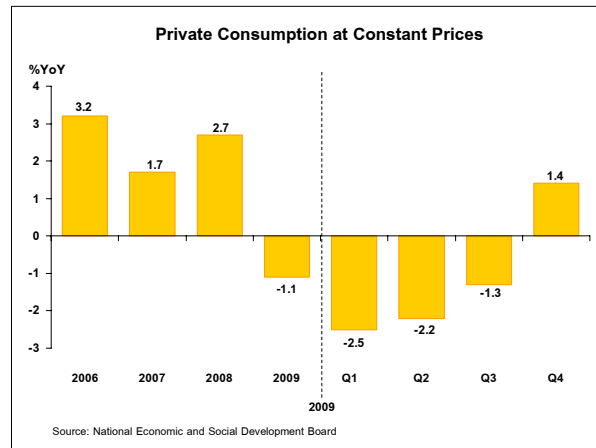
	Weight (Percent)	2008	2009	2009			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	12.4	-3.8	-3.5	-7.0	-10.2	6.7
Agricultural Products	9.5	20.7	5.8	8.5	9.1	-10.8	18.1
Mining Products	2.4	-2.3	-10.9	-18.4	-16.4	-12.4	6.4
Manufactured Products	88.1	11.2	-5.6	-5.5	-10.2	-10.0	4.1

Source: Bureau of Trade and Economic Indices, Ministry of Commerce

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2.6 Private Consumption



Private Consumption Indicators

%YoY	2008	2009	2009			
			Q1	Q2	Q3	Q4
Car Index	15.4	-4.5	-21.6	-16.7	-2.3	21.6
- Passenger car	33.1	4.2	-16.2	-8.6	4.8	33.3
- Motorcycle	12.1	-13.0	-17.1	-23.9	-13.0	3.0
- Commercial car	-15.9	-19.2	-41.1	-30.2	-8.9	8.8
Fuel Index	-0.7	6.3	3.7	6.8	9.9	5.0
- Benzene & Gasohol	-2.9	5.7	7.3	8.8	7.7	-0.7
- Diesel	-5.7	4.7	-1.3	4.1	12.1	5.3
- LPG	18.0	-0.1	5.2	-0.2	-6.0	1.6
- NGV	215.2	81.2	154.8	111.0	61.6	48.0
Household Electricity	2.6	5.5	2.7	5.4	6.4	7.5
Imports of Consumer Goods (at 2000 prices)	21.7	-6.2	-15.2	-17.2	-3.3	11.7
VAT (at 2000 prices)	9.0	-10.2	-16.9	-13.9	-12.3	2.9

Source: Bank of Thailand

Private consumption expenditure in 2009, according to the NESDB report, contracted by 1.1 percent compared to an expansion of 2.7 percent in 2008. In the first quarter of 2009, private consumption expenditure declined as a result of the economic recession and falling consumer confidence. However, it ameliorated during the rest of the year in line with the global economic recovery, the government's fiscal stimulus measures as well as favorable farm income and improving consumer confidence. However, consumers were still concerned over political and economic uncertainties going forward.

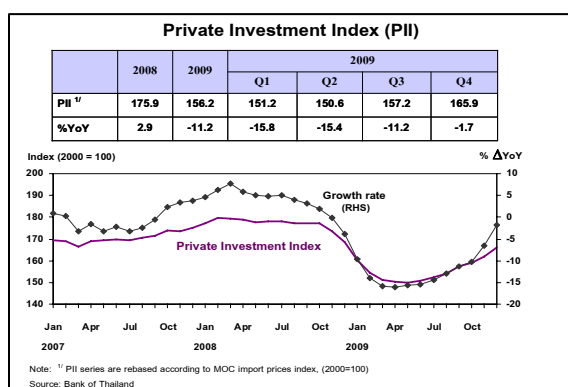
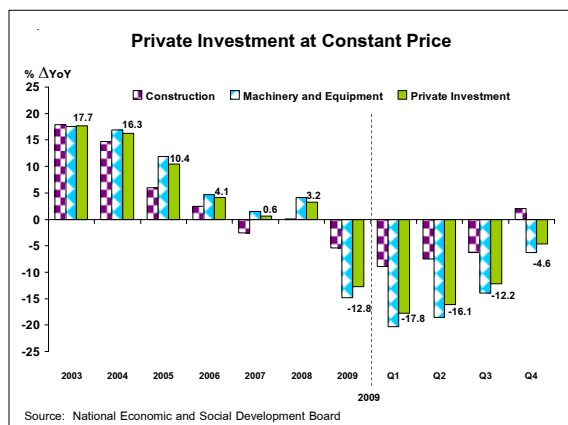
The BOT's **Private Consumption Index (PCI)** in 2009 also declined by 2.5 percent compared to a 3.6 percent growth last year. In the first quarter of this year, PCI fell markedly by 5.3 percent.

Nevertheless, private consumption had begun to improve since the second quarter onwards. It resumed growth and stayed close to the pre-crisis level in the last quarter, supporting by favorable farm and tourism incomes, together with rebounding employment, accommodative monetary and fiscal policies as well as consumer confidence which bounced back in the second quarter.

From the second quarter of 2009 onwards, private consumption gained a broad-based expansion, especially durable-goods consumption indicators which solidly improved and resumed growth in the last quarter. The number of vehicles sold, particularly passenger cars, continued to rise favorably. Besides, imports of consumer goods increased further, especially electrical appliances and household equipments which grew considerably.

In addition, non-durable goods consumption indicators gradually improved during the same period, reflecting in value-added tax (VAT) at constant prices which resumed expansion in late 2009 as well as household electricity usage and fuel consumption which continued to rise.

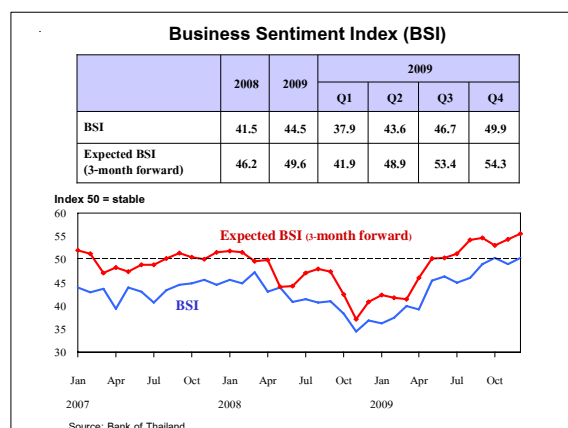
2.7 Private Investment



Private Investment Indicators

%QoQ	2008	2009	2009			
			Q1	Q2	Q3	Q4
Construction Area Permitted in Municipal Zone (a 12-month backward moving average) (Unit: 1,000 square meters)	17,389 (-2.4%)	16,342 (-6.0%)	4,204 (-4.5%)	4,063 (-1.9%)	4,052 (-0.8%)	4,023 (-1.3%)
Domestic Cement Sales (Unit: 1,000 tons)	24,834 (-10.3%)	24,227 (-2.4%)	6,264 (-0.2%)	5,859 (1.7%)	6,045 (3.5%)	6,059 (2.3%)
Imports of Capital Goods at 2000 Prices (Unit: Billion Baht)	1,393.6 (14.2%)	1,172.0 (-15.9%)	272.9 (-14.9%)	270.4 (-7.7%)	303.6 (4.0%)	325.1 (9.3%)
Domestic Machinery Sales at 2000 Prices (Unit: Billion Baht)	603.0 (-0.9%)	489.7 (-18.8%)	109.8 (-19.5%)	116.3 (-1.4%)	124.5 (4.1%)	139.0 (10.1%)
Domestic Commercial Car Sales (Unit: 1,000 units)	388.3 (-15.9%)	313.7 (-19.2%)	63.8 (-16.2%)	71.6 (-0.2%)	76.4 (11.3%)	101.9 (6.4%)

Source: Bank of Thailand

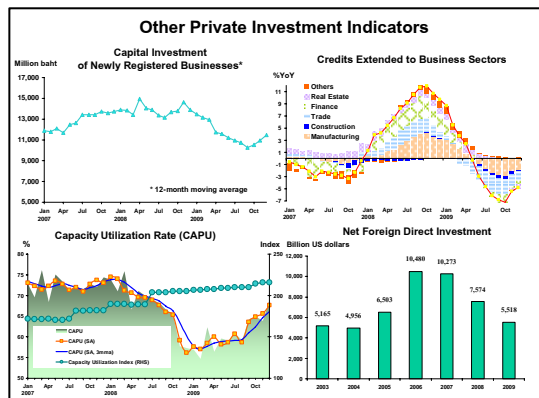


According to the NESDB report, **private investment** in 2009 contracted by 12.8 percent from the previous year. In the first quarter of the year, private investment continued to decline from the end of 2008 following the global economic crisis and domestic political uncertainties. During the rest of the year, private investment, although contracting from last year and remaining lower than the pre-crisis level, trended upwards and began to recover in the third quarter mainly from investments in machineries and equipments. Meanwhile, investment in construction remained at a low level throughout the first three quarters of the year, but improving signs were observed in the last quarter as investment in construction rose by 2.0 percent from that of the same period last year.

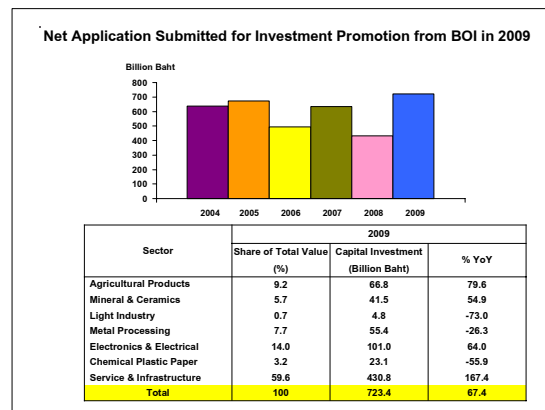
A drop in private investment was in line with an 11.2 percent decline in the BOT's **Private Investment Index (PII)** in 2009, owing to contractions in all private investment indicators. In the first half of 2009, these indicators continued to shrink from last year, but began to recover during the rest of the year as a result of improvements in imports of capital goods, especially industrial machines used in electronics, vehicle and electrical appliances industries. In addition, the number of domestic commercial cars sold also increased. Meanwhile, investment in construction, though remaining at low level throughout the year, registered an upward trend going forward, following the government's huge investment projects and private residential projects along the Skytrain routes.

Private investment began to pick up in the third quarter of 2009, corresponding to both **current and expected business sentiment indices (BSI)** which had constantly rebounded since the first quarter of the year. The current BSI rose from an average level of 41.5 point in 2008 to an approximate level of 50 point benchmark in the last quarter of 2009. Similarly, the 3-month expected BSI also soared above 50 point benchmark, reflecting continual investor confidence.

With regard to other private investment indicators, capital investment of newly-registered businesses began to ameliorate in the last quarter of 2009. Nonetheless, foreign direct investment (FDI) contracted in tandem with the global economic crisis as well as political problems. Moreover, commercial banks' credits to business sectors slowed down during the first half 2009, and registered a contraction in the latter half of the year. However, improving signs were observed in the last quarter of 2009, partly due to improving confidences and banks' less stringent credit extension standards compared to that of the beginning of the year.



In addition, the investment values of projects submitting application forms for investment promotion from the Board of Investment (BOI) in 2009 increased from the previous year, especially services and infrastructure sectors such as alternative energy projects. Similarly, the investment values of submitted applications in agricultural products as well as electronics and electrical sectors grew satisfactorily, partly due to accelerated submission of application forms in December as these special investment promotion measures to facilitate investment in Thailand Investment Year 2008-2009 would end in 2009.



Private investment outlook is expected to improve gradually due to economic and political uncertainties, as well as the Map Ta Phut problems. As a result, investors postponed their investment projects, waiting for more certainty although capacity utilization rates were high in some industries.

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2.8 External Sector

2.8.1 The Global economy

In the first half of 2009, the global economy continued to contract due to the global economic crisis albeit at a slower pace than in the fourth quarter of 2008. As a result of the massive fiscal stimulus packages and extraordinary monetary policy easing, the global economy rebounded in the second half of 2009. While the G3 economies experienced gradual and fragile recoveries, the Asian economies especially China and India witnessed faster recoveries than other regions. Meanwhile, global inflation increased but remained at a low level around the end of 2009.

Going forward, in 2010, the global economy is expected to recover gradually. The main risks to growth include high unemployment rates in G3 economies, public debt and fiscal deficit problems especially in some Euro area members coupled with fiscal stimulus fading.

The US economy

In 2009, the US economy shrank by 2.4 percent yoy with the continued contraction in the first half of the year at a slower pace compared to the last quarter of 2008. The economic contraction was a result of declining household spending, increasing unemployment, ebbing household wealth as well as destocking and reduction in business investment. However, with the fiscal stimulus package and extraordinary monetary policy easing, the US economy recovered in the second half of 2009. Money market conditions improved significantly while activities in housing

market started to recover. Likewise, household spending began to expand in the fourth quarter of 2009.

The Euro area economy

In the first half of 2009, the Euro area's economy contracted continually from the fourth quarter of 2008. Many economic indicators, including industrial production as well as consumer and producer confidence, continued to deteriorate while the scope and synchronization of fiscal stimulus measures across member countries were still quite ambiguous. As a result of the rebound in exports and clearer fiscal stimulus package, industrial production as well as both consumer and producer confidence improved significantly in the second half of 2009. However, the Dubai World debt crisis in late 2009 led to sharp rising sovereign default risks of some Euro area's members with high levels of public debt as well as increasing risks to growth of the Euro area.

The Japanese economy

In the first quarter of 2009, the Japanese economy experienced the sharpest contraction after 1955, owing to contractions of exports and investment. With the rebound of exports and industrial production as well as the fiscal stimuli, the Japanese economy started to recover in the second quarter of 2009. However, in the last quarter of the year, deteriorating consumer and investor confidence led to deflation which brought about a slowdown in domestic demand.

Asian economies

During the first half of 2009, economic activities in Asian economies deteriorated sharply with contractions in Singapore, Taiwan, South Korea, Hong Kong, and Malaysia due to the global financial crisis. The collapse of external demand from G3 as well as higher unemployment resulted in weakening domestic consumption and investment. Nevertheless, Asian economies recovered relatively faster and stronger than other regions in the second half of 2009, owing to fiscal measures and easing monetary policy as well as improvements in exports and domestic demand. Going forward, a resurgence of capital inflows into the region, on account of improving growth prospects and the return of risk appetite, could lead to volatilities in exchange rate and stock market as well as acceleration in asset prices.

Inflationary pressure

In the first half of 2009, inflationary pressure eased significantly due mainly to the global economic contraction and decreases in commodities and oil prices. Inflation in some countries such as US, Japan and China turned negative. Owing to the global economic recovery and increases in commodities and oil prices in the second half of the year, inflation started to rise during the end of 2009.

Inflation in the US remained negative in the second and third quarters before rising in the fourth quarter. As a result, inflation in the US in 2009 fell by 0.4 percent yoy. Likewise, the average inflation in the Euro area in 2009 remained

subdued, rising by 0.3 percent yoy. Meanwhile, inflation in Japan continued to be in the negative territory, falling by 1.4 percent yoy in 2009.

In the Asian region, inflationary pressures in most economies remained low, compared to those of the previous year. In particular, inflation in China and Taiwan turned negative in 2009. While inflationary pressures in Indonesia and the Philippines declined slightly, their inflation rates still rose faster than other countries in the region.

Monetary policy

During 2009, the Federal Reserves (Fed) maintained the Fed Funds rate at 0-0.25 percent and purchased debt securities, especially agency debt securities through Open Market Operations of 1.25 trillion US dollars, to support economic recovery as well as enhance liquidity in the financial system. The US economy recovered in the second half of 2009 as evidenced by improvements in housing market conditions and household consumption indicators. However, the Fed still maintained the same policy rate as the recovery remained fragile due to high unemployment, low household wealth and declining credit growth.

In Europe, the European Central Bank (ECB) reduced the policy rate from 2.0 to 1.0 percent during the first half of 2009 to support the economic recovery. The ECB maintained the policy rate at 1.0 percent during the second half of the year as the recovery continued to be fragile. However, as financial condition improved, it began to gradually withdraw financial support measures in late 2009 to

maintain medium-term price stability. The Bank of Japan (BoJ) also maintained low level of policy rate on account of fragile economic recovery as well as a deflationary threat in the last quarter of 2009.

Towards the end of 2009, some central banks began to increase their policy rates. The Reserve Bank of Australia (RBA) raised the cash rate, owing to clearer signs of economic recovery, declining unemployment level and expected higher inflationary pressures. Norges Bank (Central Bank of Norway) also raised policy rate in light of inflationary pressures.

Monetary policy in most Asian central banks was eased during the first half of 2009. Central banks in Asian economies reduced policy rates to support economic activities. The policy rates were kept on hold in the second half of the year in light of low inflationary risk and a need to support economic recovery.

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2.8.2 International Trade and the Balance of Payments

In 2009, export value decreased by 13.9 percent from the previous year. This was due to a decline in export volume which was in line with sluggish trading partners' economic conditions while export prices remained stable. Import value dropped by 24.9 percent from 2008, arising from both volume and price due to a slowdown in domestic and external demand. Import prices decreased in tandem with a substantial drop in crude oil price during the first half of the year. The sharp fall in imports in relation to exports resulted in a hefty surplus in the trade balance. Together with a surplus in the services, income and transfers account although smaller than that of the previous year due to a decline in tourism revenue, the current account registered a large surplus. However, the capital account turned from a substantial surplus to a small deficit in 2009, causing the overall balance of payments to record a smaller surplus, compared to that of the previous year.

Export value totaled 150.9 billion US dollars, contracting by 13.9 percent from last year (11.5 percent in baht term). The reduction in exports was mainly attributable to a 14.2 percent decline in export volume while export prices remained relatively stable. Although exports shrank in every category, especially agricultural and high-technology manufactured products due to contractions in trading partners' economies, Thai exports continued to recover since the second quarter of the year. Excluding gold, export value in 2009 fell by 15.5 percent.

Details of Thailand's major export items were as follows:

Agricultural products. Export value of agricultural products declined by 21.4 percent from contractions in both volume and price. The shrink in price was due to high base effect in the previous year following a drop in agricultural supply in competing countries encountering with bad weather conditions, and rising world demand. Meanwhile, export volume of agricultural products dropped in line with rice exports, owing to lower rice price in Vietnam as well as the government's policy which reduced the supply of Thai rice in the market. However, export volume of tapioca products rose due to higher demand from China while export volume of fresh and frozen fowl increased because the EU canceled its orders from China.

Fishery products. Export value of fishery products deteriorated by 5.0 percent from the previous year, mostly due to a contraction in volume, especially frozen fish and cuttlefish. However, export value of frozen shrimp expanded due to both price and volume as competing countries confronted pandemic problems.

Manufactured products. Export value of manufactured products shrank by 13.3 percent from the previous year, mainly from a decline in exports of high-technology products. Details of manufactured product exports classified by sector were as follows:

Labor-intensive products. Export value in 2009 remained relatively stable. Export value of garments, footwear, toys and games, ceramic products, and leather products declined. However, export value of precious stones, jewelry and gold accelerated by 18.0 percent due to unwrought gold exports of 5.7 billion US dollars, compared to 3.4 billion US dollars in the previous year.

Excluding gold, export value in this category fell by 18.1 percent.

High-technology products. Export value of high-technology products dropped by 17.1 percent from the previous year. The decline was experienced in almost all products in line with contractions in trading partners' economies. Export value of electronic products, electrical appliances and vehicles recorded a substantial fall, especially in the first half of the year. Chemical products, however, grew from rising demand of China. Nonetheless, in the fourth quarter of the year, export values of electronic products, electrical appliances, chemical products and plastic products almost returned to their pre-crisis levels. Other products also showed signs of recovery, but still below their pre-crisis levels.

Resource-based products. Export value of resource-based products curtailed by 3.7 percent from last year. The contraction was observed in almost all products, especially canned fish, canned pineapple, and furniture. However, export value of sugar expanded well from last year due to a decline in sugar supply in the world market. Moreover, exports of prepared food to the US increased, given it being necessity goods and was not much affected by the crisis. In addition, the US reduced its imports of prepared food from China due to sanitary issues.

Import value totaled 131.5 billion US dollars, ebbing from last year by 24.9 percent (23.0 percent in baht term), attributable to contractions in price and volume of 2.5 and 23.0 percent, respectively. Nonetheless, imports had continued to recover since the second quarter of the year in tandem with recoveries in domestic

demand and exports. Details of Thailand's major import items were as follows:

Consumer goods. Import value of consumer products contracted by 7.0 percent from the past year, both in durable and non-durable goods. Mainly from China, imports of electrical appliances and parts expanded from the previous year.

Raw materials and intermediate goods. Import value of raw materials and intermediate goods declined by 29.7 percent from last year, mainly due to a contraction in volume. Import of all products in this category declined, especially iron and steel which was partly affected by lower domestic demand and declining prices following a drop in the world commodity prices. Imports of electronic parts fell in tandem with exports.

Capital goods. Import value of capital goods contracted by 15.9 percent from 2008, mainly due to declines in imports of electrical machinery and parts and industrial machinery tools and parts.

Vehicles and parts. Import value of vehicles and parts deteriorated by 16.3 percent from the previous year, especially during the first half of 2009. However, import value recovered in the latter half of the year in line with improving production in the automobile industry following a pick up in domestic and external demand.

Crude oil and petroleum products. Import value of crude oil and petroleum products shrank by 33.2 percent from a deterioration in both price and volume. The contraction in price was mainly due to a significant drop in crude oil price. According to the Customs Department, the average price of crude oil was at 62.8 US dollars

per barrel in 2009, decreasing from 102.6 US dollars per barrel in the previous year, leading to a 37.6 percent contraction in import value of crude oil. Meanwhile, import volume of this category fell in line with a moderation in natural gas imports. Import volume of liquid petroleum gas, however, increased due to a continued increase in demand which was not met by domestic production.

Trade, Services, and Current Account Balances

Trade balance recorded a surplus of 19.4 billion US dollars, primarily attributable to trade surpluses with major trading partners, including the US, the EU, ASEAN, Hong Kong and Australia. Nevertheless, Thailand still experienced trade deficits with Japan, China, South Korea, Taiwan, Myanmar and the Middle East countries.

Services, Income, and Transfers Account registered a surplus of 0.9 billion US dollars this year, declining from a surplus of 1.5 billion US dollars in the previous year. This was mainly due to a larger contraction in receipts than in payments. Compared with last year, receipts fell by 13.1 percent mainly from a 12.5 percent contraction in tourism revenue which was in line with a drop in the number of foreign tourists, especially during the first half of the year as a result of the economic slowdown in major markets of Thai tourism, and negative domestic factors such as the political unrest in April and the 2009 H1N1 flu during the mid year. Moreover, investment income shrank by 35.1 percent, owing to low rates of return in the world market. Meanwhile, payments contracted by 11.3 percent, with investment payment falling by 6.9 percent

mainly from remittances of profits and dividends by the private sector. A large surplus in the trade balance, coupled with a small surplus in the services, income and transfers account resulted in the pronounced current account surplus of 20.3 billion US dollars, compared to a surplus of 1.6 billion US dollars in the previous year.

Net Capital Movement

In 2009, net capital movement recorded a deficit of 1.2 billion US dollars, compared to a surplus of 14.6 billion US dollars in the previous year. This deficit was mainly due to capital outflows from Thai portfolio investments abroad and a decline in foreign direct investments.

Details of Thailand's capital movement are as follows:

Direct investments recorded a surplus of 2.1 billion US dollars, declining from last year's surplus of 6.0 billion US dollars. This was mainly attributable to a decline in foreign direct investment, especially from the US, Singapore and Japan, which were mostly in the non-banking sector. Most foreign direct investments were directed at sectors such as electrical appliances as well as machinery and transport equipment. Meanwhile, Thai direct investments abroad increased, where most of the investments were directed at the machinery and transport equipment and the food and beverage sectors. This was in line with the government's policy to encourage Thai investments abroad as well as supporting factors in invested countries such as cost of production and resources.

Portfolio investments registered a deficit of 9.2 billion US dollars, higher than those of the previous year. This was due to the outflow of Thai portfolio investments abroad of 12.2 billion

US dollars, compared to a net inflow of 0.4 billion US dollars last year. Most of the Thai investors were from the non-banking sector which invested in Korean government bonds. Meanwhile, foreign portfolio investments recorded a net inflow of 3.0 billion US dollars, compared to a net outflow of 2.5 billion US dollars in the previous year. Foreign portfolio investments were mainly in bank and non-bank equity securities, in line with an increase in foreign investors' confidence following the recovery of world economic conditions from the global financial crisis, especially in Asia.

Loans recorded a surplus of 0.5 billion US dollars. This was mostly attributed to an increase in short-term loans undertaken by banks to meet increases in foreign exchange hedging transactions due to a rise in Thai portfolio investments abroad and Thai exports which increased in line with the global economic recovery. Meanwhile, the non-banking sector repaid loans this year, as opposed to an increase in loans in the previous year, especially for non-bank financial institutions as well as petroleum and transport sectors.

Other capital recorded a surplus of 5.4 billion US dollars due to a reduction in net foreign asset holdings by commercial banks to meet foreign exchange hedging purposes, mainly in foreign debt securities of Thai exporters and Thai investors.

Balance of Payments

Although the capital account posted a deficit of 1.2 billion US dollars, a significant current account surplus of 20.3 billion US dollars resulted in a balance of payments surplus of 24.1 billion US dollars, slightly declining from last year. In 2009, international reserves rose from 111.0 billion US dollars at the end of 2008 to 138.4 billion US dollars, with net outstanding forward obligations of the BOT totaling 15.7 billion US dollars.

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Balance of Payments

(Unit: Million of US dollars)

	2008			2009 ^{1/}		
	H1	H2	Year	H1	H2	Year
Exports, f.o.b.	87,668	87,565	175,233	67,299	83,584	150,883
(% change)	26.2	7.0	15.9	-23.2	-4.5	-13.9
Imports, c.i.f.	85,860	89,265	175,125	55,674	75,793	131,467
(% change)	31.6	21.9	26.5	-35.2	-15.1	-24.9
Trade balance	1,808	-1,700	108	11,625	7,791	19,416
Net services income & transfers	2,327	-802	1,525	679	196	874
Current account balance	4,135	-2,502	1,633	12,304	7,987	20,291
Capital movements (net)	8,931	5,673	14,604	-6,664	5,465	-1,199
Direct Investments	2,994	3,008	6,002	1,200	918	2,118
-Foreign Direct Investment	4,616	3,954	8,570	2,843	3,111	5,954
of which: Non-bank	4,072	3,502	7,574	2,358	2,967	5,325
-Thai Direct Investment	-1,622	-946	-2,568	-1,643	-2,193	-3,836
Portfolio Investments	-1,990	-90	-2,080	-4,179	-5,032	-9,212
-Foreign	1,596	-4,116	-2,520	1,129	1,886	3,015
-Equity securities	-355	-3,436	-3,792	1,385	490	1,875
-Debt securities	1,951	-679	1,272	-256	1,396	1,140
-Thai	-3,586	4,025	440	-5,308	-6,918	-12,226
Loans	-458	453	-5	-1,664	2,127	464
-Foreign	-562	850	287	-1,051	2,366	1,315
of which: Bank	1,134	-415	719	-699	3,615	2,916
of which: Non-bank	-834	1,610	776	-186	-1,223	-1,408
-Thai	104	-396	-292	-613	-239	-852
Others	8,385	2,302	10,687	-2,021	7,452	5,430
of which: Currency and Deposits	6,511	4,374	10,885	-2,645	4,821	2,175
of which: Trade Credits	1,967	-1,272	695	-666	1,272	606
Errors and omissions	2,927	5,530	8,457	3,062	1,973	5,035
Overall balance^{2/}	15,993	8,701	24,693	8,702	15,425	24,127

Note : 1/ Preliminary data

2/ Actual data

Source : 1. Customs Department

2. Bank of Thailand

2.9 External Debt

External debt outstanding at the end of 2009 stood at 70.0 billion US dollars, increasing by 4.8 billion US dollars from the end of 2008. The rise in external debt was due to an increase in borrowings totaling 4.0 billion US dollars by the banking sector and the BOT, as well as valuation change of 0.8 billion US dollars, given the appreciations of Thai baht, Japanese yen and the euro against the US dollar. Details were summarized as follows:

External Debt Outstanding*
(Unit: Million US dollars)

	2007	2008	2009	Dec-09 compared to Dec-08
1. Public Sector	2,271	2,872	3,915	1,043
Short-term	4	4	364	360
Long-term	2,267	2,868	3,551	683
2. BOT	528	543	2,048	1,505
Short-term	17	322	419	97
Long-term	511	221	1,629	1,408
3. Banks	6,362	7,194	10,344	3,150
Short-term	3,961	4,462	8,541	4,079
Long-term	2,401	2,732	1,803	-929
4. Other sectors	52,712	54,615	53,708	-907
Short-term	17,660	19,420	18,550	-870
Long-term	35,052	35,195	35,158	-37
4.1 State Enterprises	9,379	9,681	9,319	-362
Short-term	23	38	29	-9
Long-term	9,356	9,643	9,290	-353
4.2 Non-Banks	43,333	44,934	44,389	-545
Short-term	17,637	19,382	18,521	-861
Long-term	25,696	25,552	25,868	316
Total Debt (1+2+3+4)	61,873	65,224	70,015	4,791
External Debt / GDP (%)	29.4	26.9	26.8	
Short-term	21,642	24,208	27,874	3,666
Long-term	40,231	41,016	42,141	1,125
Share (%)	100.0	100.0	100.0	
Short-term	35.0	37.1	39.8	
Long-term	65.0	62.9	60.2	

Note: * Including valuation change

Source: Bank of Thailand

Government sector. External debt of the general government sector recorded at 3.9 billion US dollars, up by 1.0 billion US dollars from 2008. The increase in government external debt was due to the purchases of baht-denominated government bonds by non-residents in the secondary market.

Bank of Thailand. External debt of the BOT registered at 2.0 billion US dollars, increasing by 1.5 billion US dollars from the previous year, mainly due to the International Monetary Fund's allocation of special drawing rights (SDRs) totaling 1.4 billion US dollars to the BOT, and foreign investors' purchases of baht-denominated BOT bonds in the secondary market.

Banking sector. External debt of the banking sector stood at 10.3 billion US dollars, growing by 3.2 billion US dollars from the end of 2008. The rise was attributable to short-term borrowings by foreign bank branches in Thailand, and liquidity cushion to prepare for the expiration of foreign exchange forward transactions.

Other sectors. External debt of other sectors was at 53.7 billion US dollars, decreasing by 0.9 billion US dollars from the end of last year as a result of debt repayment, as well as the revaluation in US dollar term. Net external debt of the state-enterprise sector stood at 9.3 billion US dollars, down by 0.4 billion US dollars from the redemption of due debt. As for the non-banking sector, net external debt registered at 44.4 billion US dollars, declining by 0.5 billion US dollars in tandem with a decrease in short-term debt from loan repayment and the revaluation of external debt outstanding in US dollars even though short-term trade credits, especially in the form of open account increased. Long-term debt slightly increased, owing to increases in loans and foreign investors' purchases of non-banking sectors' securities.

External debt structure

Short-term debt at the end of 2009 accounted for 39.8 percent of total external debt, increasing from 37.1 percent in 2008. This was due mainly to surges in short-term external debt of the banking sector, and trade credits of the non-banking sector.

External debt and vulnerability indicators

All vulnerability indicators in 2009 showed that the Thai economy remained resilient. Regarding liquidity indicators, the ratio of gross reserves to short-term external debt was 5.0 times, while the proportion of

gross reserves to the value of import stood at 12.6 times.

Although the ratio of short-term debt to total external debt increased from 2008, Thailand's debt service ability as reflected by the ratio of external debt to revenue from goods and services exports, and the external debt to GDP ratio remained close to that of the previous year. In addition, the ratio of current account to GDP rose to 7.7 percent and the debt service ratio slightly improved from the previous year.

External Vulnerability Indicators

	2007	2008	2009	2008				2009			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Solvency Indicators											
Current Account ^{1/} /GDP (%)	6.3	0.5	7.7	5.7	0.3	-1.4	-2.4	15.4	4.3	5.6	5.9
Debt / GDP* (%)	29.4	26.9	26.8	30.6	29.0	27.6	26.9	25.3	25.1	26.3	26.8
Debt / XGS* ^{1/} (%)	39.8	35.8	36.5	41.2	38.9	36.7	35.8	33.8	34.0	35.9	36.5
Debt Service Ratio (%)	11.7	7.0	6.7	8.7	6.1	5.6	7.9	7.2	7.8	5.9	6.1
Liquidity Indicators											
Gross Reserves / ST Debt	4.0	4.6	5.0	4.3	4.1	4.1	4.6	5.4	5.6	5.5	5.0
Gross Reserves / Import	7.6	7.6	12.6	8.9	8.0	7.1	7.6	8.7	10.0	12.1	12.6
ST Debt / Total Debt (%)	35.0	37.1	39.8	38.0	38.6	38.6	37.1	34.8	34.4	35.8	39.8

Note: * The new series of the external debt to GDP was revised by adopting the World Bank's approach: using the averaged quarterly GDP for the last 3 years starting from the GDP of the quarter in question (while the previous approach was calculated by dividing the external debt outstanding of the quarter in question by the average GDP of the same year and the previous 2 years).

^{1/} Since October 2006 reinvested earnings has been recorded as part of direct investment in financial account, and its contra entry recorded as "investment income" in current account. The series have been revised back to 2001.

Source: Bank of Thailand

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2.10 Fiscal Conditions

In **fiscal year 2009**, the government continued to conduct a deficit budget at a larger size than that of the previous fiscal year, totaling 347.1 billion baht or 3.9 percent of GDP. Meanwhile, the budget expenditure for fiscal year 2009 was set at 1,835.0 billion baht, including supplementary budget of 116.7 billion baht, to stimulate domestic economy during the period that private sector was adversely affected by the global economic crisis. Example of government stimulus measures included measures to alleviate costs of living, 15-year free education scheme, as well as allowance for the old.

Nevertheless, **the fiscal conditions of fiscal year 2009** were in greater deficit than previously estimated due to below-the-target revenue collection according to the budget document in light of the economic contraction. This adversely affected firms' performance, employment, and consumption. Coupled with tax exemption measures, the government therefore ran a cash deficit of 420.3 billion baht equivalent to 4.8 percent of GDP, and financed such deficit through net domestic borrowing of 496.9 billion baht. Meanwhile, net external loan repayment registered at 11.9 billion baht, resulting in an increase in treasury reserves from 229.9 billion baht at the end of fiscal year 2008 to 294.6 billion baht at the end of fiscal year 2009.

For **fiscal year 2010**, the government continued to set a deficit budget. The government set the budget expenditure at 1,700.0 billion baht, and the estimated net revenue at 1,350.0 billion baht, resulting in a budget deficit of 350.0 billion baht or 3.8 percent of GDP. Moreover, the government has incurred additional non-budgetary borrowing through the enactment of the Emergency Decree Empowering the Ministry of Finance to Borrow for Economic Restructuring and Strengthening B.E. 2552 (2009) amounted to 350.0 billion baht (of which 14.9 billion baht was already disbursed in fiscal year 2009) or 3.8 percent of GDP which was the same level of this fiscal year's deficit. This aimed to revive the economy and invest in infrastructure programs under the "Strong Thailand 2012 Project" as well as to support the recovery of private sector going forward.

In the first quarter of fiscal year 2010, fiscal position recorded a cash deficit of 128.8 billion baht. Together with domestic borrowing of 5.5 billion baht and external loan repayment of 0.7 billion baht, as well as the use of treasury reserves of 123.9 billion baht, the treasury reserves at the end of first quarter of fiscal year 2010 decreased from 294.6 billion baht at the end of the previous fiscal year, to 170.7 billion baht.

Treasury Cash Balance ^{1/}

(Unit: Billion baht)

Fiscal Year

	2008	2009	2009		2010 ^P			
			H1	H2	Q 1	Oct	Nov	Dec
Revenue	1,545.8	1,409.7	551.5	858.2	353.1	115.9	118.1	119.1
(Δ%)	(7.9)	(-8.8)	(-12.6)	(-6.2)	(26.8)	(24.6)	(30.6)	(25.3)
Expenditure ^{2/}	1,582.6	1,803.0	921.0	882.0	449.8	95.4	182.2	172.2
(Δ%)	(4.1)	(13.9)	(16.5)	(11.3)	(11.3)	(-1.8)	(12.9)	(18.4)
: Disbursement rate (%)	91.1	92.9	46.5	46.5	23.2	4.9	9.2	9.1
Budget deficit (-) or Surplus (+)	-36.7	-393.3	-369.5	-23.9	-96.7	20.5	-64.1	-53.1
Non-Budgetary Deficit (-) or Surplus (+)	12.7	-27.0	-18.3	-8.6	-32.0	-13.7	-15.0	-3.4
: Strong Thailand Project 2012				-14.9	-20.2	-1.4	-3.9	-14.9
Cash Deficit (-) or Surplus (+)	-24.0	-420.3	-387.8	-32.5	-128.8	6.8	-79.1	-56.5
: (% of GDP)	(-0.3)	(-4.8)	(-4.4)	(-0.4)	(-1.3)	(0.1)	(-0.8)	(-0.6)
Financing								
Net Domestic Borrowing	145.5	496.9	218.0	278.9	5.5	-17.7	8.1	15.2
Net Foreign Borrowing	-34.3	-11.9	-9.1	-2.8	-0.7	-0.5	-0.1	-0.1
Use of Treasury Cash Balance	-87.1	-64.7	178.9	-243.6	123.9	11.4	71.1	41.4
Treasury Cash Balance (end-period)	229.9	294.6	51.0	294.6	170.7	283.2	212.1	170.7

Note: ^{1/} Data on revenue remitted to the Treasury and expenditure are from Fiscal Policy Office, adjusted to cash basis

^{2/} Expenditure and disbursement rate excluded both of loan principle repayment and use of treasury cash balance

P = Preliminary data

Government Revenues

In fiscal year 2009, the government's revenue collection totaled 1,684.3 billion baht, contracting by 8.3 percent from the same period of last fiscal year. After excluding tax deducted items and VAT allocation to local governments, the government net revenue amounted to 1,410.9 billion baht, down by 8.7 percent and less than the specification in the budget document (1,604.6 billion baht) by 193.7 billion baht. This was due to contractions in both tax and non-tax revenues in accordance with (1) economic conditions, and (2) effects of additional fiscal measures, including an increase in tax exemption on personal income tax up to 150,000 baht, allowances on life insurance premium and investment in long-term equity fund (LTF) and retirement mutual fund (RMF), and a decrease in specific tax rate on real estate. Compared with that of the previous fiscal year, declining in tax income resulted from reductions in VAT by 14.2 percent in line with softened consumption and imports, and corporate income tax by 14.9 percent according to worsened business performance.

Non-tax income recorded at 174.2 billion baht, contracting by 5.1 percent from lower revenue remittances of state-owned enterprises following their deteriorated performances.

In the first quarter of fiscal year 2010, the government's revenue collection registered at 400.7 billion baht, expanding from the same period of last fiscal year by 16.4 percent and 64.5 billion baht above the target. Tax revenue increased by 15.5 percent, owing to improved economic conditions and increases in excise tax rates on fuel, liquors and tobacco. Meanwhile, **non-tax income** grew by 24.0 percent due to an increase in revenue remittances of some public enterprises.

Government Revenue *

(Unit: Billion baht)

Fiscal year

	2008	2009 ^P	2010 ^P			
			Q1	Oct	Nov	Dec
Total Revenue	1,837.6	1,684.3	400.7	130.7	145.5	124.5
($\Delta\%$)	(7.9)	(-8.3)	(16.4)	(14.9)	(14.4)	(20.6)
Taxes	1,654.0	1,510.1	356.5	111.4	127.9	117.2
($\Delta\%$)	(10.5)	(-8.7)	(15.5)	(5.6)	(17.0)	(25.1)
- Income base	739.5	681.0	102.9	30.7	42.8	29.3
($\Delta\%$)	(15.0)	(-7.9)	(-1.8)	(-7.6)	(-3.6)	(8.4)
Personal income tax	204.8	198.1	43.1	14.7	13.3	15.1
($\Delta\%$)	(6.3)	(-3.3)	(2.2)	(-3.7)	(-1.6)	(12.7)
Corporate income tax	460.7	392.2	59.0	16.0	28.9	14.1
($\Delta\%$)	(19.8)	(-14.9)	(0.3)	(-1.3)	(-2.3)	(8.0)
- Consumption base	806.9	741.1	226.0	72.1	75.4	78.5
($\Delta\%$)	(6.7)	(-8.2)	(27.2)	(14.7)	(33.0)	(35.0)
Value added tax	503.4	431.8	121.2	39.4	40.5	41.3
($\Delta\%$)	(15.9)	(-14.2)	(4.5)	(-7.0)	(10.4)	(12.0)
Excise tax	278.3	291.2	100.8	31.3	33.6	35.9
($\Delta\%$)	(-3.1)	(4.6)	(76.1)	(66.8)	(81.8)	(79.5)
- International trade base	97.4	77.6	24.4	7.6	8.5	8.3
($\Delta\%$)	(10.1)	(-20.4)	(2.8)	(-11.4)	(13.2)	(8.7)
Other incomes	183.7	174.2	44.2	19.3	17.6	7.3
($\Delta\%$)	(-11.2)	(-5.1)	(24.0)	(135.5)	(-1.5)	(-23.9)

Note : $\Delta\%$ represents percentage change from the same period last year

Source : Fiscal Policy Office, Ministry of Finance

Data Management Department, Bank of Thailand

* Revenue on a collection basis is defined differently from revenue on a cash basis shown in the treasury account position

Difference are from time-overlapping and the deduction from the collection basis set aside for tax rebates and export duties compensation.

Expenditures

The fiscal year 2009 budget expenditure (including principal loan repayment and current year expenditure plus carry-over expenditure) totaled 1,917.1 billion baht, up by 17.4 percent from the previous fiscal year. This consisted of **current expenditure** of 1,569.2 billion baht and **capital expenditure** of 345.5 billion baht, expanding by 20.3 percent and 5.9 percent, respectively.

The budget disbursement started to expedite in the second quarter of fiscal year 2009 due to an acceleration of supplementary budget disbursement to boost softened private consumption which was affected by the global crisis, including measures to reduce costs of living, 15-year free education scheme. Nevertheless, the budget disbursement in the second half of the fiscal year slightly slowed down from such factors as revision of construction plan and design whose financing needed more time to get re-approval. For the whole fiscal year, the government's disbursement rate stood at 91.8 percent of total budget, lower than 92.3 percent in the previous fiscal year. Major expenditures were for education, economic policy implementation, and universal healthcare. In addition, during the end of fiscal year 2009, the government launched the "Strong Thailand 2012 Project" whose disbursement totaled 14.9 billion baht, of which 14.5 billion baht was for recapitalization of some specialized financial institutions.

For the first quarter of fiscal year 2010, the government's budget disbursement recorded at 452.5 billion baht (including principal loan repayment and current year expenditure plus carry-over expenditure), comprising current year expenditure of 396.9 billion baht or 23.3 percent of total budget, higher than that of the prior fiscal year and targeted disbursement rate of the period by 18.6 percent and 20.0 percent, respectively. This was due to measures to expedite the disbursement, and the amount of budget expenditure for fiscal year 2010 was less than that of the previous fiscal year by 251.7 billion baht. Moreover, the government dispatched loan totaling 20.2 billion baht, mainly for village funds and road improvement under the "Strong Thailand 2012 Project."

Unit: Billion baht	Disbursement according to GFMIS classification*			Disbursement Rate (Percent)		
	2008	2009	2010	2008	2009	2010
			Q1			Q1
1. Current Year	1,532.4	1,790.9	396.9	92.3%	91.8%	23.3%
(Δ %)	(4.2)	(16.9)	(9.1)	(-1.7)	(-0.6)	(25.3)
Current Expenditure	1,264.9	1,507.9	353.3	97.7%	97.9%	24.4%
(Δ %)	(4.7)	(19.2)	(5.3)	(-1.8)	(0.2)	(11.8)
Capital Expenditure	267.5	283.0	43.6	73.3%	68.8%	17.5%
(Δ %)	(1.8)	(5.8)	(54.4)	(-0.0)	(-0.1)	(154.7)
Miscellaneous items	-	-	-	-	-	-
(Δ %)	-	-	-	-	-	-
2. Carry over	100.9	126.3	55.7	66.4%	65.9%	23.0%
(Δ %)	(-3.1)	(25.1)	(31.0)	(-0.0)	(-0.0)	(3.8)
Current Expenditure	40.0	61.4	25.4	71.1%	73.1%	24.5%
(Δ %)	(25.2)	(53.4)	(22.7)	(3.8)	(2.8)	(-0.9)
Capital Expenditure	58.8	62.5	30.1	63.5%	60.0%	21.9%
(Δ %)	(-17.8)	(6.4)	(39.0)	(-3.9)	(-5.4)	(5.6)
Miscellaneous items	2.2	2.4	0.2	66.0%	68.2%	19.8%
(Δ %)	(224.2)	(10.8)	(37.6)	(26.0)	(3.2)	(435.1)
3. Total Expenditures	1,633.3	1,917.1	452.5	90.1%	89.4%	23.3%
(Δ %)	(3.7)	(17.4)	(11.4)	(-1.4)	(-0.8)	(23.0)
Current Expenditure	1,304.9	1,569.2	378.7	96.6%	96.6%	24.4%
(Δ %)	(5.2)	(20.3)	(6.3)	(-1.8)	(0.1)	(11.1)
Capital Expenditure	328.3	345.5	73.7	71.3%	67.0%	19.1%
(Δ %)	(-2.4)	(5.9)	(47.7)	(-1.8)	(-6.0)	(97.1)
Miscellaneous items	2.2	2.4	0.2	66.0%	68.2%	19.8%
(Δ %)	(201.5)	(10.8)	(37.6)	(17.1)	(3.2)	(435.1)

Note: * Government Fiscal Management Information System

Δ % represents percentage change from the same period last year

Source: The comptroller's General Department, Ministry of Finance

State Enterprises

In fiscal year 2009, state enterprises^{1/} registered the retained income at 176.8 billion baht, expanding by 4.4 percent from the same period of last fiscal year. Compared with that of the previous fiscal year, capital expenditure of state enterprises recorded at 187.5 billion baht, decreasing by 14.9 percent. This was partly due to delay in project implementation, including problems on compensation for people affected by sound pollution from the operation of Suvarnabhumi International Airport, construction compensation (K factor) for Bangpli-Suksawasdi express way project that has not been finalized, and delayed investment plans of the red, purple, and blue mass transit railway lines.

Although the capital expenditure of state enterprises decreased, it was still higher than the retained income. Therefore, the state enterprises' balance recorded a continued deficit of 10.7 billion baht or 0.1 percent of GDP.

State Enterprises' Balances

(Unit : Billion baht)

Fiscal Year

	2007	2008 ^{P/}	2009 ^{P/}
Retained Income	168.9	169.3	176.8
($\Delta\%$)	(8.2)	(0.2)	(4.4)
Capital Expenditure	222.2	220.4	187.5
($\Delta\%$)	(26.5)	(-0.8)	(-14.9)
State Enterprises' Balances	-53.3	-51.1	-10.7
(% of GDP)	(-0.6)	(-0.6)	(-0.1)

Note: $\Delta\%$ represents percentage change from the same period last year

P/ = Preliminary data

Source : National Economic and Social Development Board (NESDB)

^{1/} Data on state enterprises were from the NESDB's survey (excluding some state enterprises such as PTT)

Public Debt

At the end of fiscal year 2009, total public debt registered at 4,002.0 billion baht or 45.2 percent of GDP, growing from 37.3 percent of GDP at the end of last fiscal year, comprising increases in debt levels of direct government borrowing, and financial and non-financial public enterprises. The rise in public debt for this fiscal year was partly due to revenue contraction, and economic stimulus measures such as supplementary budget to reduce costs of living, and farmers' income guarantee project.

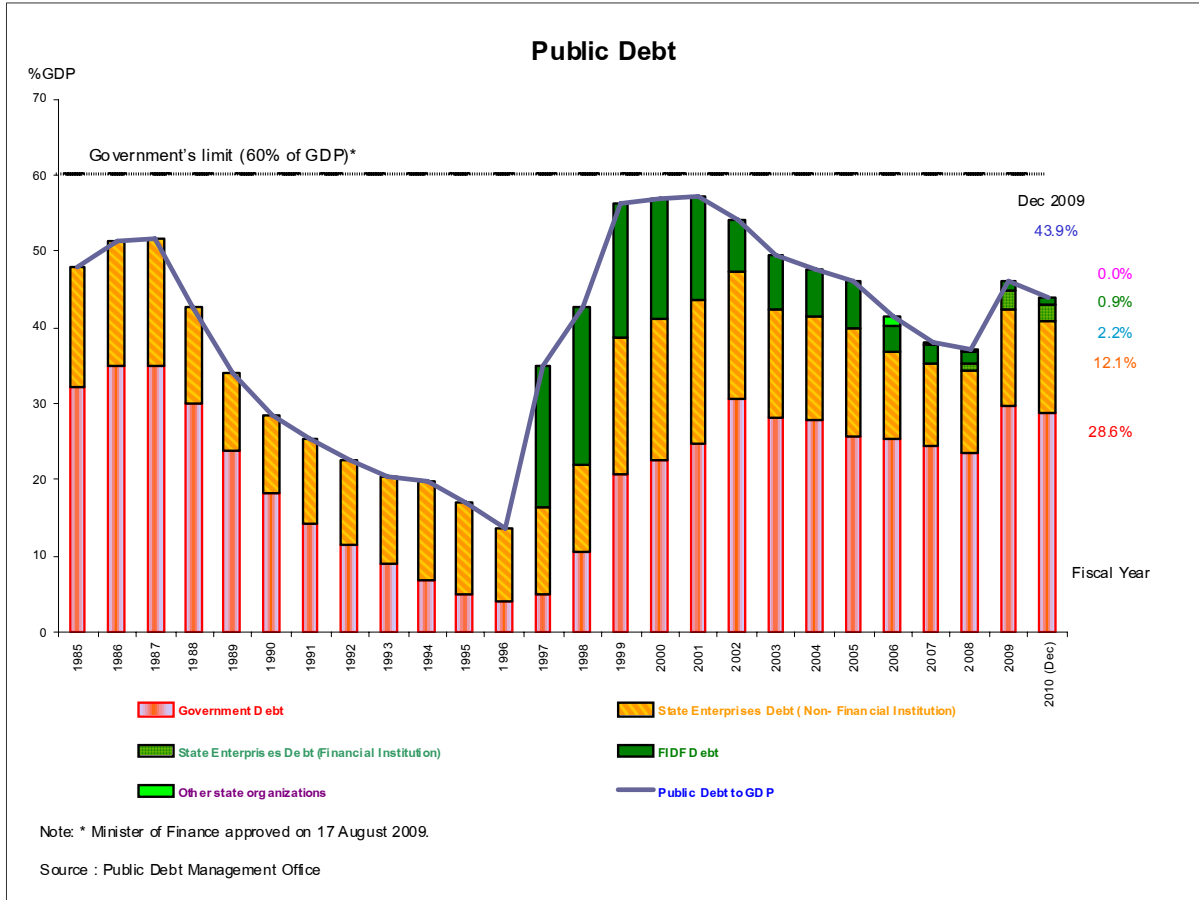
At the end of December 2009, public debt to GDP stood at 43.9 percent or 3,967.5 billion baht.

Public Debt			
(Unit : Billion baht)			
Fiscal Year			
	2008	2009	2010 ^{P/}
			Dec
1. Debt incurred from direct borrowing	2,162.1	2,586.5	2,588.1
(% of GDP)	(23.7)	(29.2)	(28.6)
1.1 foreign debt	67.0	63.0	57.7
1.2 domestic debt	2,095.1	2,523.5	2,530.4
2. Debt of non-financial state enterprises	988.5	1,108.7	1,098.0
(% of GDP)	(10.8)	(12.5)	(12.1)
2.1 government - guaranteed debt	572.6	559.5	542.1
foreign debt	174.9	175.5	170.1
domestic debt	397.7	384.0	372.0
2.2 non-government-guaranteed debt	415.9	549.1	556.2
foreign debt	136.5	137.4	141.6
domestic debt	279.4	411.7	414.3
3. Debt of financial state enterprises	102.3	208.7	198.5
(% of GDP)	(1.1)	(2.4)	(2.2)
3.1 foreign debt	9.0	8.5	8.2
3.2 domestic debt	93.3	200.2	190.3
4. Financial Institution Development Fund (FIDF)	138.2	98.2	82.6
(% of GDP)	(1.5)	(1.1)	(0.9)
4.1 government - guaranteed debt	73.8	73.8	30.4
4.2 non-government-guaranteed debt	64.4	24.4	52.2
5. Other state organizations*	17.1	0.0	0.0
(% of GDP)	(0.2)	(0.0)	(0.0)
5.1 government- guaranteed debt	8.3	0.0	0.0
5.2 non-government - guaranteed debt	8.8	0.0	0.0
Total (1+2+3+4+5)	3,408.2	4,002.1	3,967.2
(% of GDP)	(37.3)	(45.2)	(43.9)

Note : * Public Debt Management Office has updated debt report since July 2006

^{P/} = Preliminary data

Source : Public Debt Management Office, Ministry of Finance



Public Finance Team

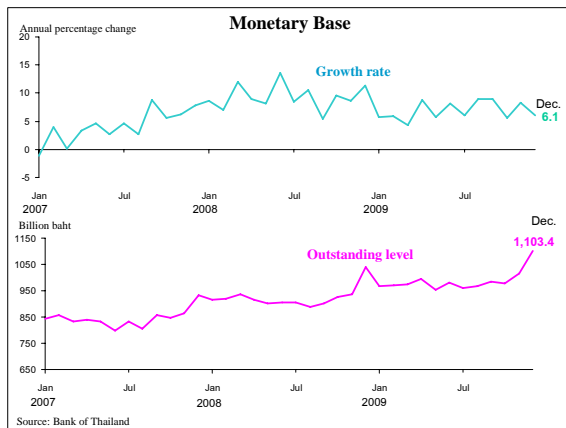
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2.11 Monetary Conditions

Monetary Base and Money Supply

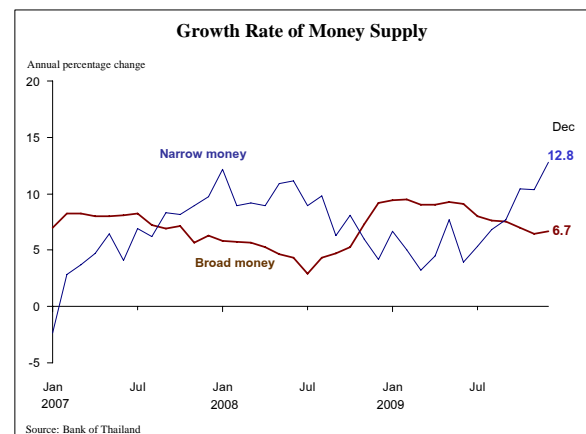
At the end of 2009, **monetary base** stood at 1,103.4 billion baht, expanding by 6.1 percent from the previous year. This corresponded to an accelerating growth of currency in circulation, especially at the end of the year as demand for cash increased.

In 2009, important developments regarding the supply of the monetary base were: (1) a continued increase in net foreign assets held by BOT, (2) a decline in the BOT's net claims on government from higher government deposits at the BOT together with a slight increase in government bonds holding, and (3) a decline in the BOT's net claims on financial institutions as these financial institutions increased investment volume in the repurchase market as well as their holdings of the BOT bonds.



Broad money, at the end of 2009, totaled 10,610.1 billion baht or an expansion of 6.7 percent, decelerating from 9.2 percent in 2008. During the first half of 2009, broad money rose at a high rate, close to the growth rate in the last quarter of 2008. This was due to higher economic uncertainty which prompted investors to shift their investments away from risky assets to safer assets such as deposits. Increase in deposits also resulted from the return of investments in foreign securities that reached maturity into the domestic banking system. During the second half of the year, broad money expanded at a decelerating rate, owing partly to a high base effect in the previous year where risk aversion was observed. In addition, with better sentiment, depositors shifted to higher-yielding assets such as equities, commercial papers and government saving bonds. Nevertheless, the broad money outstanding continued to increase, particularly deposits at specialized financial institutions (SFIs) which rose from the mobilization of deposits in accordance with the government's policy to accommodate more credit expansion in the period ahead.

Narrow money expanded at an accelerating rate especially in the second half of 2009, reflecting higher transaction demand for money and the recovering economic activities.



Exchange Rate, Interest Rates, and Government Bond Yields

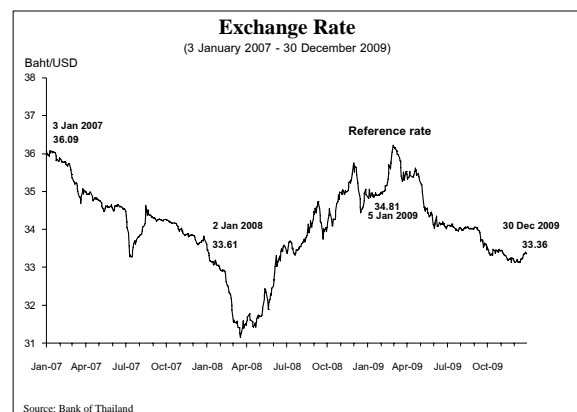
1) Exchange rate

The average exchange rate of baht against US dollar in 2009 was at 34.32 baht, depreciating from 33.38 baht per US dollar in 2008. The baht depreciation against the US dollar in the first quarter of the year was due to the concern of global investors over the trouble in the US and the European financial systems. This led investors to shift investments away from stocks and assets of emerging markets towards gold and dollar -denominated assets. Nevertheless, the baht continued to strengthen against the US dollar during the rest of the year. This was due to weaker dollar index and investors' risk appetite that gradually recovered in the second quarter and continued to improve in the second half of the year. This corresponded with improvements in economic data of many countries such as the US, Japan, and the Euro area, as well as the profitability of financial institutions in the US. As a consequence, global investors increased holdings of assets denominated in emerging market currencies. The continued current account surplus also contributed to the baht appreciation against the US dollar. Moreover, the speculation about central banks' further diversification of international reserves had also added pressure on the US dollar.

Nevertheless, the baht weakened once again towards the end of the year, owing to the year-end demand for US dollar by foreign investors and domestic financial institutions in preparation for the long holiday. Moreover, the recent better-than-expected US economic data also led the market to price in an earlier Fed funds rate hike. In addition, the downgrades of

sovereign ratings of Greece and Mexico also contributed to a temporary risk aversion.

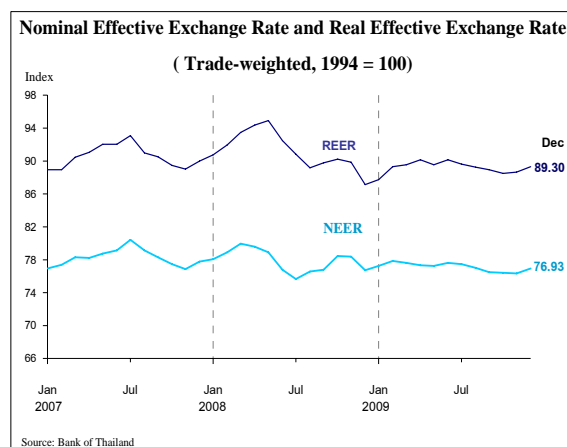
However, concerns over the possible default of Dubai World around the end of November only led to a temporary depreciation of the baht and other regional currencies since investors had limited exposures to Dubai World.



On average, the baht against the US dollar in 2009 weakened by 2.7 percent from the previous year, corresponding with a 0.98 percent depreciation in the Nominal Effective Exchange Rate (NEER), a weighted average of bilateral exchange rates between the baht and major trading partners' currencies. The NEER averaged at 77.13, slightly lower than the average of 77.90 in 2008, reflecting the weakening of baht against the trading partners' currencies.

The Real Effective Exchange Rate (REER), which takes into account the effect of inflation to reflect the country's price competitiveness, depreciated from an average of 91.24 in 2008 to 89.22 in 2009, equivalent to a 2.22 percent appreciation, in line with a decline in NEER.

In December 2009, the baht against US dollar appreciated by 5.4 percent from the same period last year, while the NEER and REER strengthened by 0.2 and 2.8 percent on average, respectively. In addition, the volatility of the baht in 2009 averaged at 3.5 percent which was considered lower than the majority of neighbouring countries.



Exchange Rates in the Region

As of Dec 2009	% change from Dec 2008			Annualized Volatility compared with US dollar ^{2/}
	NEER ^{1/}	REER ^{1/}	per USD ^{2/}	Jan– Dec 2009
IDR	13.5	15.5	18.8	12.1
KRW	12.4	14.4	17.0	15.7
SGD	0.2	-1.2	5.7	6.4
THB	0.2	2.8	5.4	3.5
PHP	-1.1	2.3	3.1	6.6
MYR	-1.2	-2.4	3.8	6.9
INR	-1.5	4.1	3.9	9.1
TWD	-1.9	-3.1	2.7	5.1
JPY	-3.9	-7.3	1.7	13.7
CNY	-5.4	-6.1	0.4	0.6

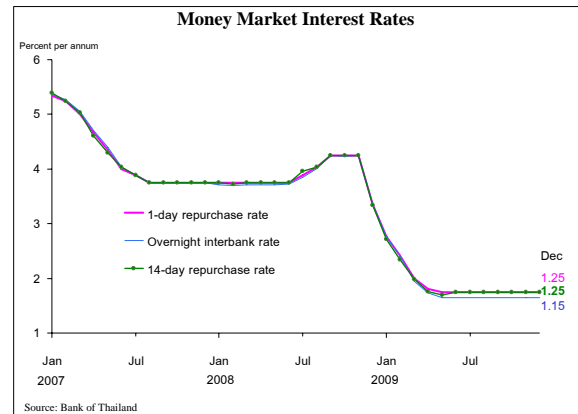
Source: ^{1/} BIS calculation
^{2/} BOT calculation

2) Money market interest rates

In 2009, short-term money market interest rates comprising the 1-day repurchase rate and interbank rate averaged at 1.42 and 1.34 percent per annum, lower than the previous year's averages of 3.38 and 3.35 percent per annum, respectively. This was in tandem with the 3 times policy rate cuts, totaling 1.50 percent per annum, and the policy rate was kept constant at 1.25 percent per annum during the past 5 Monetary Policy Committee (MPC) meetings.

During early 2009, risks to economic growth remained high, while inflationary pressure continued to be subdued. Thus, the monetary policy could continue to be eased from 2008 in order to support the economic recovery which was negatively affected by both internal and external factors. In addition, the impacts of the fiscal policy measures to stimulate the economy would take some time to come into full effect. The MPC therefore decided to lower the policy interest rate in the first 3 consecutive meetings of the year, totaling 1.50 percent per annum.

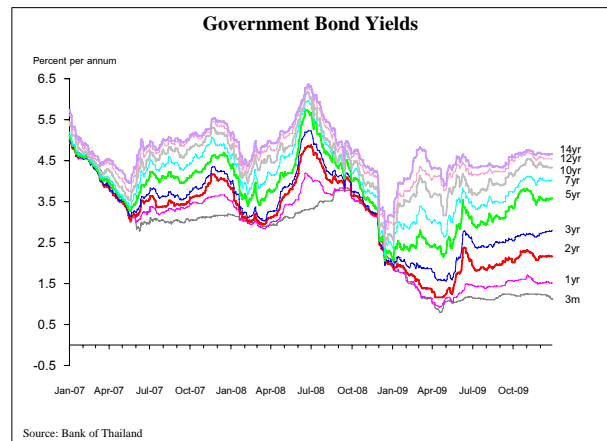
In the second half of the year, the Thai economy began to improve, following the continued global economic recovery in tandem with the support from both monetary and fiscal policy measures. The recovery was thus more broad-based. Nevertheless, the overall economic recovery remained fragile. The MPC therefore decided to maintain the accommodative policy interest rate in the last 5 meetings of the year to support the economic recovery in the currently subdued inflation environment.



3) Government bond yields

In early 2009, short- and medium- term government bond yields continued to decline from the last quarter of 2008, in tandem with investors' expectation on further policy interest rate cuts to shore up economic growth while the inflation remained low. Yields on long-term government bonds adjusted upwards due to an increase in supply of long-term government bonds, resulting from higher fiscal deficit. In addition, concern over the possibility of government bond supply increase, totaling 800 billion baht to invest in the "Strong Thailand 2012 Project," induced investors to adjust the duration of their investment portfolios towards shorter-term government bonds, following an expected decline in the price of long-term government bonds which was in line with the increased supply.

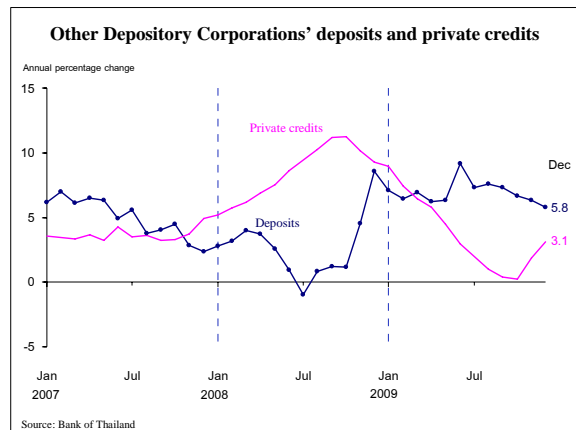
In the second half of the year, the government bond yields increased continually, partly from a more buoyant confidence given positive developments of the global and Thai economies, with the Stock Exchange of Thailand (SET) index also making a new high for the year. In addition, some central banks such as Reserve Bank of Australia and Norges Bank adjusted their policy interest rates upwards sooner than the market had previously anticipated. Moreover, the Public Debt Management Office announced a plan to mobilize additional funds worth 120 billion baht via the bond market in the fiscal year 2010. Nevertheless, towards the end of the year, the government bond yields declined slightly since investor confidence was dented by concerns over the sustainability of global and Thai economic recoveries as well as ongoing domestic political uncertainty. This resulted in a pick up in demand for government bonds.



Other Depository Corporation^{1/} Deposits and Claims

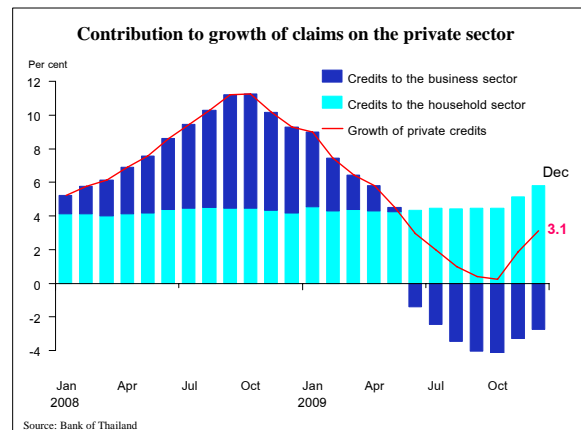
1) Other Depository Corporations' deposits

During the first half of 2009, deposits of other depository corporations (ODCs) continued to expand from the previous year since investors shifted their investments from risky assets to deposits. Nevertheless, the growth of deposits including commercial banks' bill-of-exchange (B/E) declined somewhat during the second half of the year. This was partly due to a decline in investors' risk aversion causing investors to shift to higher-yielding assets, such as equity, foreign investment funds (FIFs), as well as government saving bonds and the BOT bonds that were issued in July and September, respectively. In 2009, deposits including commercial banks' B/E expanded by 8.1 percent, accelerating from an average of 5.2 percent in 2008.



2) Other Depository Corporations' credits

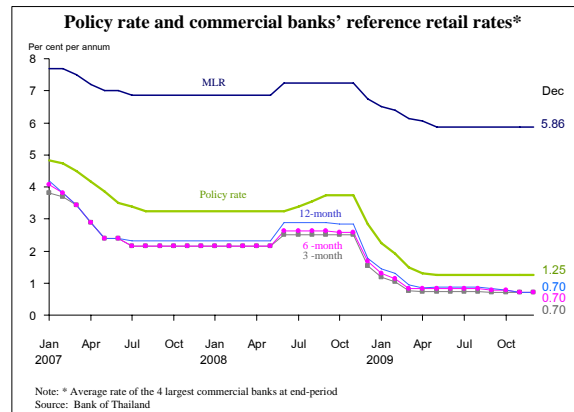
The private credit of ODCs in 2009 grew at an average of 3.7 percent, declining from 8.5 percent in the previous year. From January to October 2009, credit growth continued to decelerate following the economic slowdown. This resulted in lower demand for corporate loans, while financial institutions became more cautious in their lending activities. Nevertheless, household credits, especially for housing, continued to expand. Private credit growth began to accelerate around the end of the year, owing to government's "Fast track" loan project where the SFIs were encouraged to expand private credits. In addition, there was rising demand for credits in view of the ongoing economic recovery, along with a continued easing in credit standards of commercial banks.



^{1/} Other Depository Corporations comprise of domestically registered commercial banks, branches of foreign banks, international banking facilities, finance companies, specialised financial institutions (including Government Saving Bank, Government Housing Banks, Bank for Agricultural Cooperatives, Export-Import BOT, Small and Medium Enterprise Development BOT, Islamic BOT), saving cooperatives, and money market mutual funds.

3) Commercial bank interest rates

At the beginning of 2009, commercial banks' reference interest rates^{2/}, both deposits and loans, were adjusted downwards after the MPC decided to lower the policy interest rate 3 times in January, March, and April to 1.25 percent per annum. Later, the MPC decided to hold the policy rate unchanged throughout the year, causing most commercial banks to maintain their loan rates since May. At the end of 2009, the minimum loan rate (MLR) of four largest commercial banks averaged at 5.86 percent per annum, compared with 6.75 percent per annum at the same period last year. The time deposit rates of commercial banks were also gradually adjusted downwards alongside policy rate cuts earlier. Around the middle of the year, commercial banks raised their time deposit rates, particularly for the deposit amount of less than 3 million baht in order to relieve the impact on interest income of retail depositors. Nevertheless, the deposit rates for such special products were lowered at the end of the year. Thus, the average 3-, 6- and 12- month time deposit rates of four largest commercial banks at the end of 2009 stood equivalently at 0.70 percent per annum, compared with the last year's average of 2.28, 2.34 and 2.54 percent per annum, respectively.



^{2/} Average interest rates of four largest commercial banks

Performance of Commercial Banks

In 2009, the Thai banking system counted 32 commercial banks^{3/}, comprising 17 Thai registered commercial banks and 15 foreign bank branches.

The banking system performance in 2009 declined from the previous year with operating profits of 185.2 billion baht, reducing by 5.5 percent from the previous year. This was mainly due to a reduction in **net interest margin (NIM)** from 3.4 percent in 2008 to 3.0 percent in 2009. After deducting taxes and provision expenses, commercial banks' net profit amounted to 92.2 billion baht or a decline of 6.6 percent from 2008. This resulted in a reduction of **return on asset (ROA)** from 1.0 percent to 0.9 percent.

The drop in commercial banks' profit was primarily due to lower interest income from loans owing to a moderation in credit growth, especially the shrink in corporate credit albeit the private consumption credit still expanded. The average **effective lending rate** also declined from 6.00 percent per annum last year to 5.24 percent per annum in 2009. There was also a reduction in interest expenses on deposits due to a shift from deposits towards assets with higher returns. As a result, the **effective deposit rate** declined from 1.94 percent per annum in 2008 to 1.15 percent per annum this year.

The commercial banks' **non-interest income** increased by 7.2 percent from the previous year, owing to the profits from investments in securities that turned to be positive in 2009, coupled with higher income from fees. Meanwhile, **non-interest expenses** rose by 2.5 percent in 2009 compared to that of

the previous year, partly due to higher personnel expenses.

Although the net profit of commercial banks reduced in 2009, continual caution in operation and risk management when the economy bottomed out from the impact of global financial crisis helped the banking system maintain their positive profit. The ratio of **gross non-performing loans (Gross NPL) to total loans** declined to 4.8 percent at the end of the year with the outstanding amount of 376.1 billion baht, dropping from the previous year by 21.0 billion baht. This was attributable to a reduction in NPL ratios of both corporate and household loans, coupled with a drop in the special-mentioned loans (with one to three month past due, or delinquent loans).

Moreover, the overall positions of the commercial banking system in 2009 remained satisfactory, with higher capital positions from both profit and recapitalization. As a result, the BIS ratio increased to 16.1 percent while the ratio of regulatory tier-1 capital to total assets rose to 12.6 percent.

^{3/} Excluding Societe Generale bank and AIG retail bank co. Ltd., which were shut down on 20 February 2009 and 25 September 2009, respectively.

Performance of the Banking System

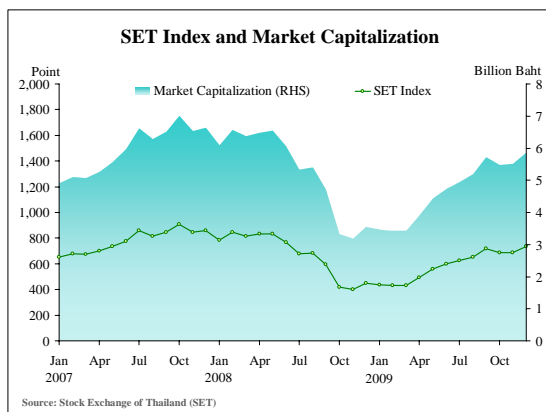
Billion baht	2008	2009 ^P	%Δ(YOY)
1. Interest income	478.7	404.3	-15.5
1.1 Credit	358.5	311.1	-13.2
1.2 Inter bank and money market items	35.6	20.8	-41.6
1.3 Leasing and financial rent contract	24.4	26.7	9.2
1.4 Financial investments	60.2	45.7	-24.0
2. Interest expenses	174.8	114.2	-34.6
2.1 Deposits	131.4	78.2	-40.5
2.2 Inter bank and money market items	10.5	7.9	-24.9
2.3 Borrowings	32.9	28.2	-14.3
2.4 Fees and charges	0.0	0.0	-94.1
3. Net interest income (3) = (1) – (2)	303.9	290.1	-4.5
4. Non-interest income	126.0	135.0	7.2
5. Operating expense	234.0	239.9	2.5
6. Operating profits (6) = (3) + (4) – (5)	196.0	185.2	5.5
7. Loan loss provision and debt	59.2	56.2	5.1
8. Taxes and special items	37.9	36.8	3.0
9. Net profits (9) = (6) – (7) – (8)	98.8	92.2	6.6

Note: P= Preliminary data

2.12 Capital Market

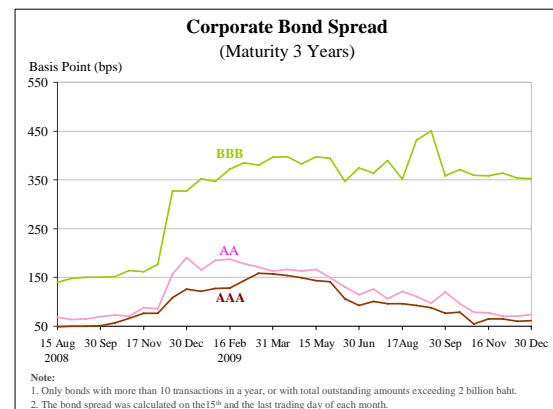
In 2009, the Thai capital market suffered from domestic economic recession, particularly during the first half of the year, due to lower capital raising activities of the corporate sector. However, in the second half of the year, the capital market improved in line with domestic and global economic recoveries.

The equity market was rather bearish during the first half of 2009, but rebounded during the rest of the year in tandem with improving economic conditions. At the end of 2009, the **Stock Exchange of Thailand (SET) Index** rose by 63.2 percent from 449.96 points at the end of 2008 to 734.54 points. **Market capitalization** also surged by 64.6 percent from 3.57 trillion baht to 5.87 trillion baht. Meanwhile, **market dividend yield** of the SET dropped from 6.57 to 3.65 percent. At the end of 2009, **market P/E ratio** was at 25.56, accelerating from 7.01 at the end of last year, due to a slowdown in business performance. Throughout the year, **new equity securities issued by non-financial corporate sector** aggregated 21.9 billion baht, dropping from of 34.0 billion baht in the earlier year. Corporate sector' issuance of equity securities were mainly from transportation, manufacturing, and real estate industries.



Overall, the bond market in 2009 witnessed improvements. The outstanding of **public securities** at the end of 2009 stood at 4.8 trillion baht, an increase of 820.3 billion

baht from the end of previous year. This was mainly attributable to an expansion of government bonds due to the issuance of (1) government bonds to cover revenue short falls and support economic stimulus measures (Strong Thailand 2012 Project), and (2) BOT bonds to facilitate liquidity management of the Thai economy. With regard to **private debt securities**, the outstanding amount totaled 1.2 trillion baht, increasing by 188.3 billion baht from the past year, especially through more issuance of debt securities with maturity above one year. Two factors contributing to this included: (1) low interest rate from accommodative monetary policy which helped lower the costs of issuing debt securities, and (2) commercial banks' tightened credit standards, encouraging corporate sector to raise their capitals through bond market. Particularly, corporate sector issuing more debt securities were largely from mining, manufacturing, and construction industries. Debt securities issuance by financial intermediaries, however, reduced dramatically. In addition, the spread between corporate and government bonds (**Corporate Bond Spread**) for highly-rated bonds slightly adjusted downwards, close to the pre-crisis level during the second half of the year as the economy started to recover. But for lower-graded bonds, the spread remained high, reflecting uncertainties surrounding the businesses of these bond issuers.



Part 3: Important Monetary Policies and Measures

Measures	Parties Involved	Main Points	Effective Date	Sources
<p>Interest Rate Policy</p> <p>1. Policy rate</p> <p>MPC decisions on the following dates</p> <ul style="list-style-type: none"> • 14 January 2009 • 25 February 2009 • 8 April 2009 • 20 May 2009 • 15 July 2009 • 26 August 2009 • 21 October 2009 • 2 December 2009 		<p>The MPC decided to lower the policy interest rate by 1.50 percent per annum, from 2.75 to 1.25 percent per annum, over three consecutive meetings since the last meeting on 14 January 2009. The MPC assessed that, going forward, risks to growth remained due to uncertainty in the global economy. Headline and core inflation continued to decline, allowing monetary policy to be eased further to support the economy and stimulate the recovery in the future.</p> <p>The MPC decided to maintain the policy interest rate at 1.25 percent per annum for five consecutive meetings. The MPC viewed that the level of policy interest rate was appropriate and supportive of the economic recovery. In line with the global economic and financial rebound, the Thai economy continued to recover, with headline inflation turning positive for the first time since early 2009.</p>	<p>14 January 2009 25 February 2009 8 April 2009</p> <p>20 May 2009 15 July 2009 26 August 2009 21 October 2009 2 December 2009</p>	<p>BOT News No. 1/2009, 6/2009, 12/2009</p> <p>BOT News No. 20/2009, 28/2009, 38/2009, 48/2009, 58/2009</p>

Measures	Parties Involved	Main Points	Effective Date	Sources
<p>Money Market Measures</p> <p>1. Repurchase market</p> <p>1.1 BOT's regulations on money market services in bond borrowing</p>	<ul style="list-style-type: none"> - Financial institutions established under specific laws prescribed by the BOT - Other juristic persons prescribed by the BOT 	<p>The BOT issued regulations on money market services in bond borrowing (bond borrowing services) by prescribing rules, practices, and regulations regarding bond borrowing transactions, with the aim of enhancing efficiency of monetary policy instruments and supporting developments in money and bond markets.</p>	<p>1 October 2009</p>	<p>BOT Regulation No. FOG 90/2009, dated 17 September 2009</p>
<p>2. Foreign exchange controls</p> <p>2.1 Notice of the Competent Officer</p>	<ul style="list-style-type: none"> - All commercial banks (except retail commercial banks) - Specialized financial institutions 	<p>The BOT revised its regulations on investments in securities abroad and derivatives, together with rules and practices regarding currency exchange and other amendments, as follows:</p> <p>(1) juristic persons possessing balance-sheet assets of 5,000 million baht or more were allowed to invest in securities abroad;</p> <p>(2) the definition of foreign securities was revised to cover securities under the Securities and Exchange Act;</p> <p>(3) institutional investors were further allowed to engage in derivatives transactions referencing foreign variables, securities borrowing and lending, and</p>	<p>4 August 2009</p>	<p>BOT circular No. ECD (23) Wor. 22/2009, dated 4 August 2009</p>

Measures	Parties Involved	Main Points	Effective Date	Sources
		<p>repo transactions with domestic and non-resident counterparties;</p> <p>(4) authorized juristic persons were allowed to demand invoices from customers, in the case of customers requesting to buy money for payment of goods;</p> <p>(5) persons borrowing from authorized juristic persons were allowed to sell foreign currencies against baht to commercial banks other than the lenders;</p> <p>(6) authorized juristic persons were allowed to engage in futures contracts on gold-related variables with institutional investors in all cases; but with individuals, only plain vanilla swaps were allowed.</p>		
<p>Credit Measures</p> <p>1. Policy statement on granting credits to certain types of business sectors</p>	<p>- Financial institutions under the Financial Institutions Businesses Act.</p>	<p>The BOT raised the ceiling of Loan to Value ratio (LTV) for housing loans worth 10 million baht or more, from the prescribed ratio of not exceeding 70 percent to not exceeding 80 percent.</p> <p>Financial institutions were required to maintain capital to accommodate risks from their credit-granting transactions, as prescribed in the BOT's notification regarding the regulation on calculation of</p>	<p>4 March 2009</p>	<p>BOT circular No. BOT.PPD (21) Wor. 481/2009, dated 4 March 2009</p>

Measures	Parties Involved	Main Points	Effective Date	Sources
		credit-risk-weighted assets for financial institutions under the Standardized Approach (SA) or the Internal Rating-Based Approach (IRB).		
<p>2. Supervisory guideline for credits guaranteed by the Small Industry Credit Guarantee Corporation under the Portfolio Guarantee Scheme</p>	<p>- Locally incorporated commercial banks</p>	<p>The BOT issued regulations as guideline for locally incorporated commercial banks on the calculation of credit-risk-weighted assets, classification and provisioning of guaranteed credits extended by the Small Industry Credit Guarantee Corporation under the Portfolio Guarantee Scheme.</p> <p>This aimed to improve guarantee procedures, and compensation for damages incurred to financial institutions, as well as to prompt financial institutions to accelerate their lending to SMEs.</p>		<p>BOT circular No. PPD (21) Wor. 72/2009, dated 22 April 2009</p>
<p>3. Modification of regulations of credit card business</p>	<p>- Commercial banks - Non-bank credit card companies</p>	<p>The BOT amended rules, procedures, and conditions of credit card business as follows:</p> <p>(1) the definition of “Corporate Card” as “Business Card/Corporate Card”, in order to cover card issuance to partnerships;</p> <p>(2) rules on the consideration of cardholders’ qualifications to include deposits at other depository corporations besides commercial banks;</p>	<p>31 July 2009</p>	<p>BOT.FPG 16/2009, 17/2009, and 18/2009, dated 9 July 2009</p>

Measures	Parties Involved	Main Points	Effective Date	Sources
		<p>(3) operators of credit card business were required to disclose more clearly and comprehensively information on interest rates, service charges, and penalties following the form set forth by the BOT.</p> <p>In addition, non-bank credit card companies could consider approving an emergency credit line exceeding 10 percent of deposit and investment balances.</p>		
<p>Financial Institutions Supervision and Development Measures</p> <p>1. Permission for commercial banks to engage in escrow business</p>	<p>- Commercial banks</p>	<p>The BOT permitted commercial banks to engage in escrow business under the prescribed rules. Commercial banks with low, moderately low, or moderate operational risk were allowed to undertake the escrow business in accordance with the Escrow Account Act B.E. 2551. In this regard commercial banks were required to ensure that the contractual parties were committed to their obligations according to the terms and conditions prescribed in the escrow contract.</p>	<p>1 May 2009</p>	<p>BOT.FPG 6/2009, dated 3 April 2009</p>

Measures	Parties Involved	Main Points	Effective Date	Sources
<p>2. Permission to offer depository services with customer-specified withdrawal conditions</p>	<ul style="list-style-type: none"> - Commercial banks - Finance companies 	<p>The BOT allowed commercial banks and finance companies to offer depository services with customer-specified withdrawal conditions under the prescribed rules, as follows:</p> <p>(1) in opening accounts for such services, customers were to be notified that funds in the opened accounts would not be protected by the Escrow Account Act B.E. 2551. Rather, they would have similar protection like normal deposits as prescribed by the Deposit Protection Agency;</p> <p>(2) This notification did not cover the usual deposits and withdrawal businesses of commercial banks and finance companies, etc.</p>	<p>1 May 2009</p>	<p>BOT.FPG 7/2009, dated 3 April 2009</p>
<p>3. Permission to provide supporting services to other parties (Insourcing) and other services</p>	<ul style="list-style-type: none"> - Commercial banks 	<p>The BOT extended the coverage of commercial banks' supporting services to other parties (Insourcing) and other services, as follows:</p> <p>(1) commercial banks were allowed to extend insourcing services to "government agencies" besides previously stipulated to "only other financial institutions."</p> <p>(2) commercial banks were allowed to provide additional types of services whose scopes and practices were prescribed, for instance, back-office fund administration.</p>	<p>1 May 2009</p>	<p>BOT.FPG 8/2009, dated 3 April 2009</p>

Measures	Parties Involved	Main Points	Effective Date	Sources
<p>4. Components of capital of locally incorporated commercial banks (No.2)</p>	<p>- Locally incorporated commercial banks</p>	<p>The BOT permitted locally incorporated commercial banks to repurchase hybrid capital instruments, namely, hybrid Tier 1 instruments, hybrid debt capital instruments, and subordinated debts from holders. The repurchase could be done when prices of debt instruments fell substantially below the face values. In addition, the repurchase needed to get approval from the BOT. This permission aimed at improving flexibility of commercial banks in managing their funds.</p>	<p>28 May 2009</p>	<p>BOT circular No. PPD (21) Wor. 92/2009, dated 29 May 2009</p>
<p>5. Power and duties of financial institutions' board of directors deemed by BOT as the most important</p>	<p>- Locally incorporated commercial banks - Foreign-incorporated commercial banks - Credit foncier companies - Finance companies</p>	<p>The BOT prescribed the power and duties of the board of directors of financial institutions deemed by BOT as the most important. This focused on four following aspects:</p> <ol style="list-style-type: none"> (1) risk management (2) capital adequacy (3) compliance roles (4) good corporate governance. <p>The prescription aimed to provide guideline on supervising financial institutions according to laws and the BOT's policies.</p>	<p>23 July 2009</p>	<p>BOT.FPG 15/2009, dated 9 July 2009</p>

Measures	Parties Involved	Main Points	Effective Date	Sources
6. Regulation on the calculation of credit-risk-weighted assets for commercial banks under the Internal Rating-Based Approach (IRB) (No. 2)	- All commercial banks	The BOT extended the regulation to allow commercial banks to choose their methods on reducing credit risks in case of having guarantees or credit derivatives, by considering the situation in which both obligors and guarantors failed to meet their obligations (Double Default Approach). Moreover, the BOT also revised the wordings of the regulation for greater completeness and clarity.	31 December 2009	FPG 21/2009, dated 1 December 2009

Note: Specialized financial institutions include Export-Import Bank of Thailand (EXIM) and Islamic Bank of Thailand.