



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Recent Development of Thai Economy – Opportunities and Challenges

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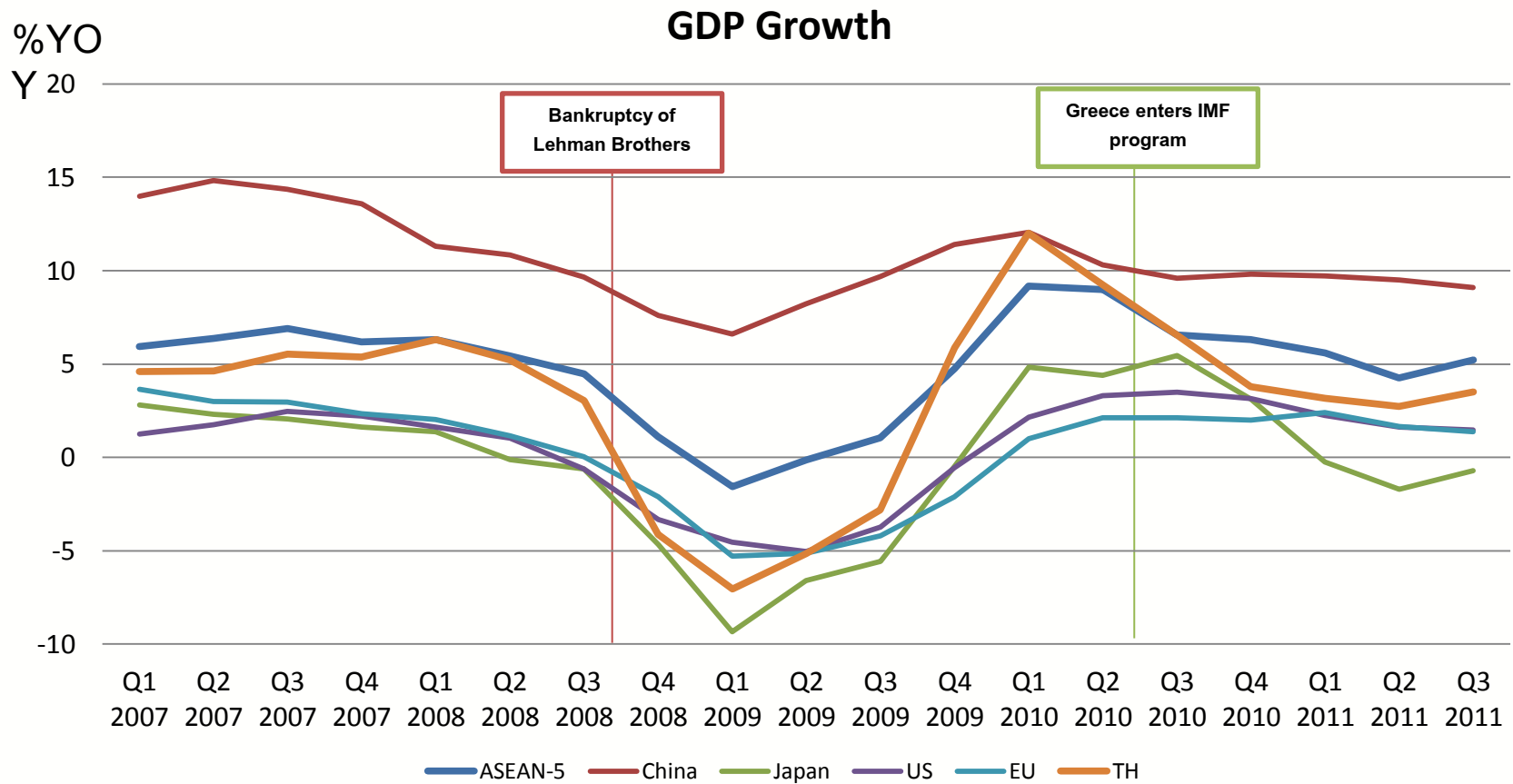


Recent Economic Development and Outlook



Emerging Asia

ASEAN economies picked up and recovered fairly quickly after the 2008 Global Financial Crisis.

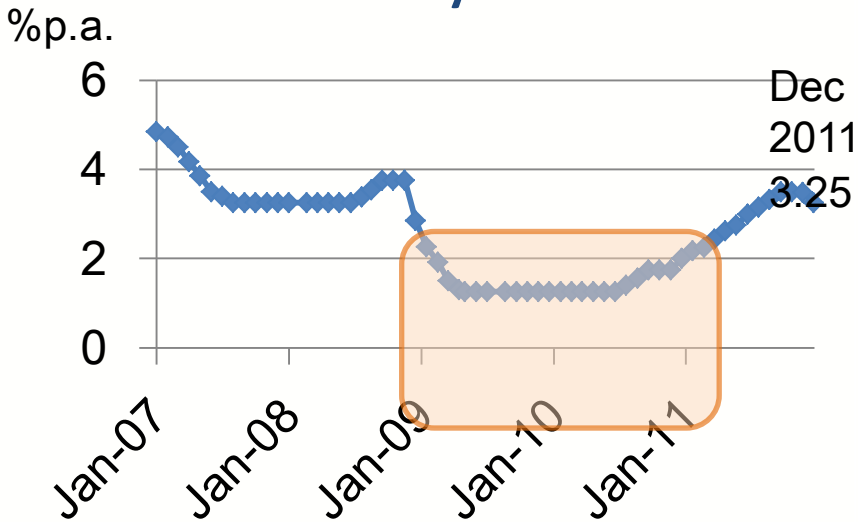




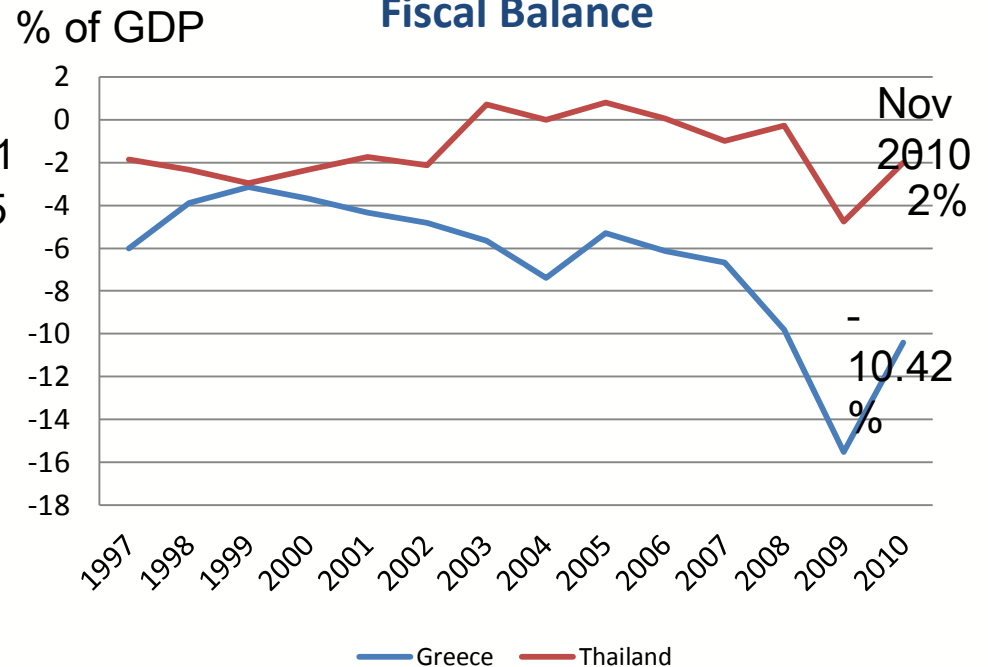
Accommodative monetary policy and fiscal stimulus both help to support the Thai economy during the 2008 global financial crisis

“Strong Thailand project “ (FY 2009 -2012), totaling around 3.5% of GDP

Policy Rate

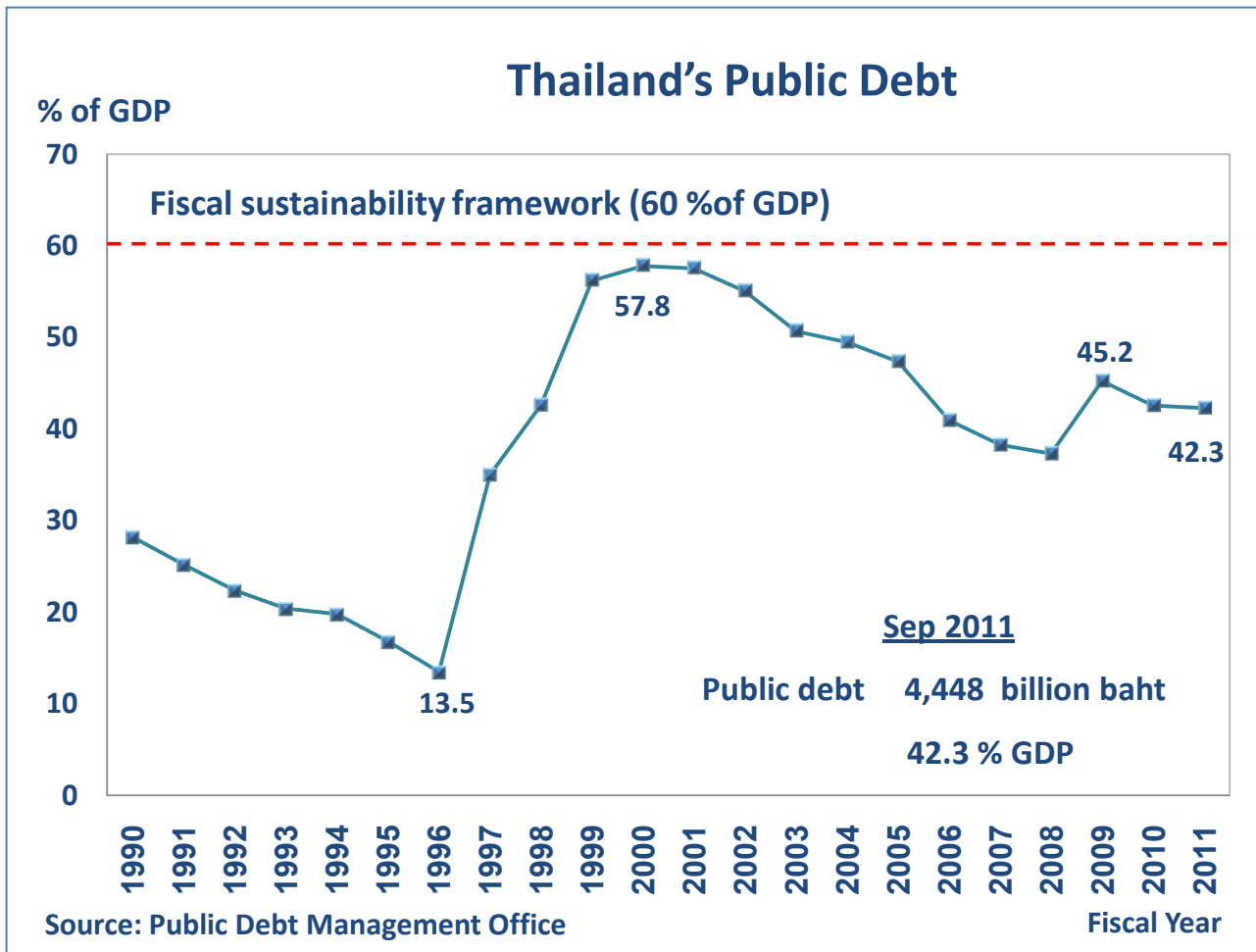


Fiscal Balance



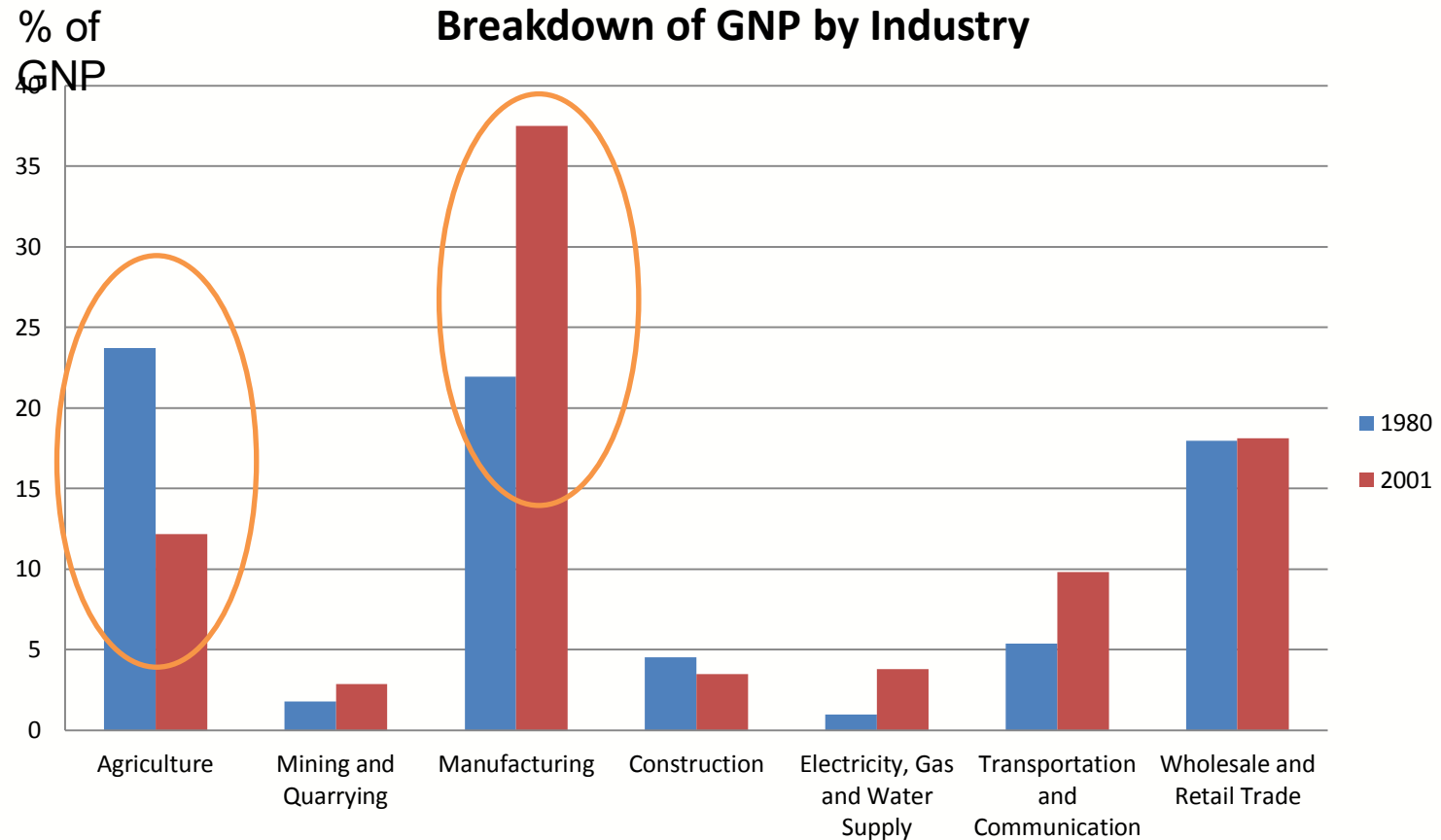


Fiscal room available from years of prudent macroeconomic policies





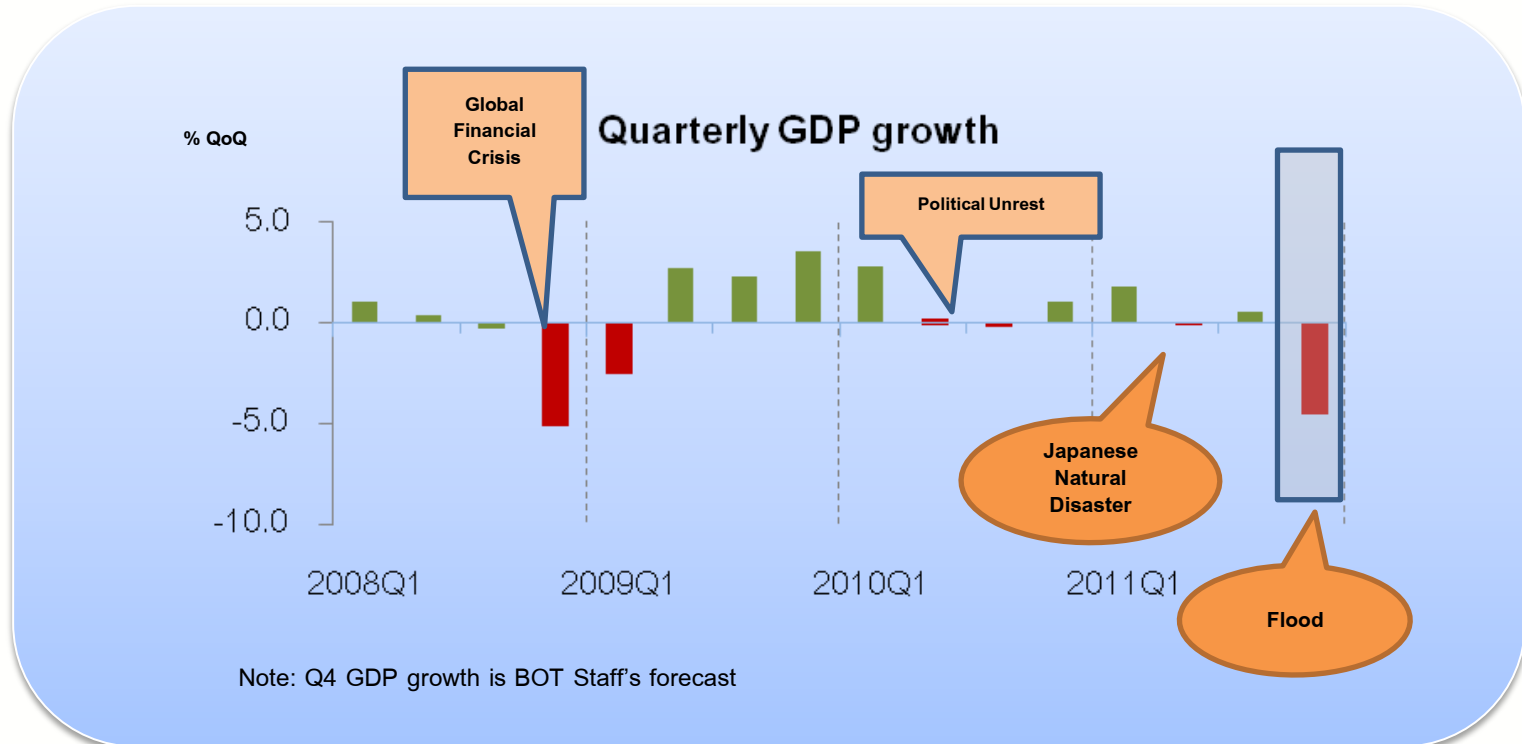
Changing Structure of the Thai Economy





Recent Economic Development

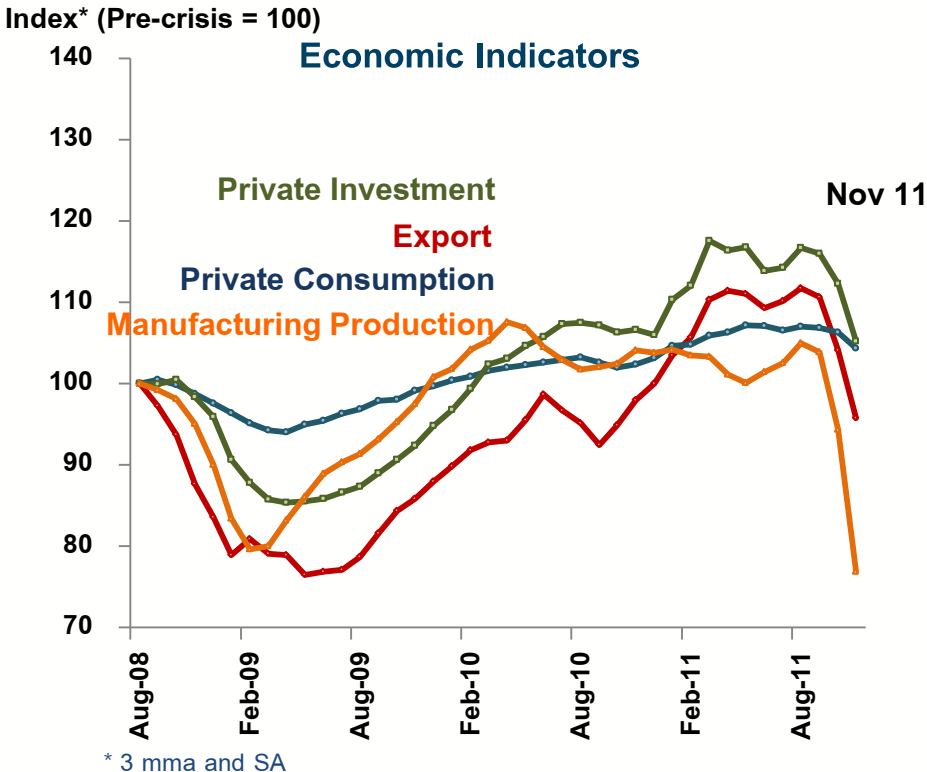
The recovery which began to gather momentum during 2009-2010, was interrupted by domestic and external shocks, economic growth for 2011 is likely to turn out weaker than previously assessed.



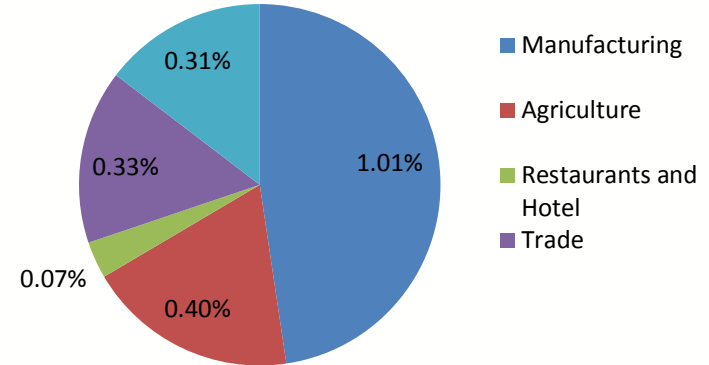


Recent Economic Development

Preliminary estimate of total output loss due to the flood is projected at around 2.0% of nominal GDP with manufacturing and agricultural production as well as tourism being among the most severely affected sectors.



Estimated loss due to the flood for each production sector (%NGDP)



Comparison of Effect from disasters

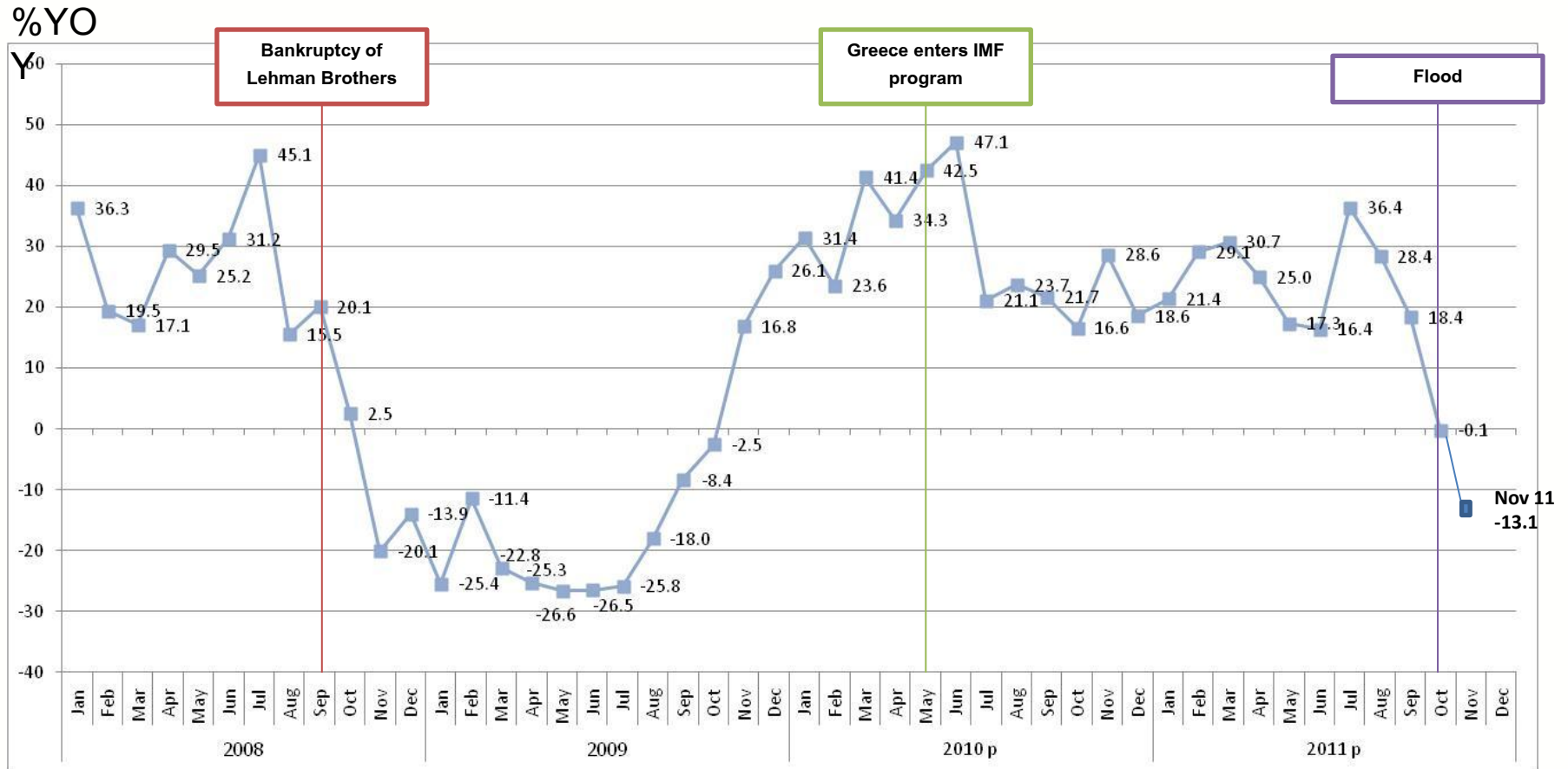
- NZ earthquake: - 0.6 % of GDP
- JP Tsunami: - (2.25 - 4) % of GDP



Export Growth

Despite improvement in export growth since the financial crisis in 2008, exports to major export markets had slowed down since August 2011 and contracted for the first time in October 2011.

The contraction is attributed largely to the fall in manufacturing products due to the flood.





Growth of Thai Exports to Major Markets

	(% Share 2010	%Δ 2010	%Δ 2011							Contribution to GDP Nov-11
			H1	Q1	Q2	Q3	Oct	Nov	YT D	
ASEAN	22.7	36.5	22.1	20.6	23.5	34.7	14.4	3.2	25.2	0.7
EU (27)	11.2	20.2	20.7	21.7	19.7	22.5	-12.4	-28.0	17.6	-3.0
New EU	1.3	24.1	9.9	5.0	15.2	1.4	-21.6	-19.9	3.8	-0.2
China	11.0	33.2	23.8	24.8	22.7	62.8	21.1	-9.8	35.6	-1.1
Japan	10.5	29.8	28.7	30.2	27.2	21.0	4.2	-8.8	26.0	-0.9
USA	10.3	21.3	19.3	21.3	17.5	5.2	-5.5	-13.9	11.8	-1.4
Hong Kong	6.7	38.5	48.6	70.3	30.1	37.9	-15.1	-43.6	38.3	-3.2
Middle East	1.2	19.4	15.9	15.7	14.9	12.4	9.2	22.9	12.0	1.2



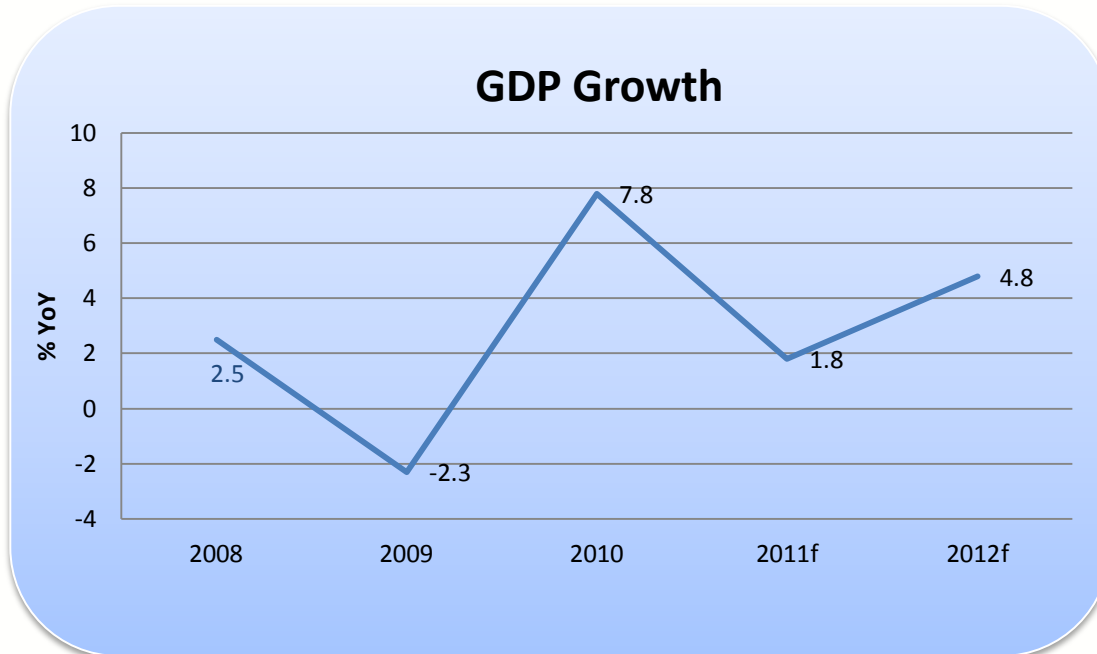
Breakdown of Goods Exported by Sector (% of Total export goods)

	2008	2009	2010	2011
1. Agricultural Products	9.0	8.2	8.8	10.8
2. Fishery Products	1.5	1.6	1.5	1.4
3. Manufactured Products	88.0	88.9	88.7	86.6
A. Labor intensive products	9.3	10.8	9.8	9.0
B. High-tech products	62.7	60.6	61.9	58.5
C. Resource-based products	10.5	11.8	11.0	11.8
D. Others	5.5	5.8	6.0	7.3
4. Forestry Products	0.1	0.1	0.1	0.1
5. Mineral Products	1.4	1.1	0.9	1.1



Economic Outlook

Economic growth is projected to rebound firmly in 2012 on the back of domestic demand to help cushion some possible weakness in exports due to global demand slowdown.



Downside Risks

Weak global demand

Ineffective government policies (flood prevention and stimulus program)

Relocation of production bases if flood recovery delays



Examples of Government Flood-Relief Measures

The Cabinet has approved in January 2012 a set up of the Flood Recovery and Restoration Committee on Infrastructure with a budget of 11,026.607 million baht to specifically focus on flood rehabilitation issues.

Income Support Measures

- Tax exemption for flood victims
 - Income tax exemption
 - Import tax exemption for machinery imports
- Extension of period for tax payment
- Up to 2 years leasing fee exemption for flood-affected property owners

Expense Support Measures

- Financial assistance scheme for flood-affected households
 - o 5000 Baht Emergency fund
 - o 30,000 Baht Residential restoration fund
 - o 10,000 Baht Household asset restoration fund
- Provision of free rice seeds for flood-affected farmers
- Expressway toll fee exemption

Credit Measures

- Loan for Micro businesses total 90,000 million Baht
- Loan for SMEs total 235,000 million Baht

- Extension of repayment timeframe, exemption or partial payment of interest and waive transfer fees for transfers to flood-affected area

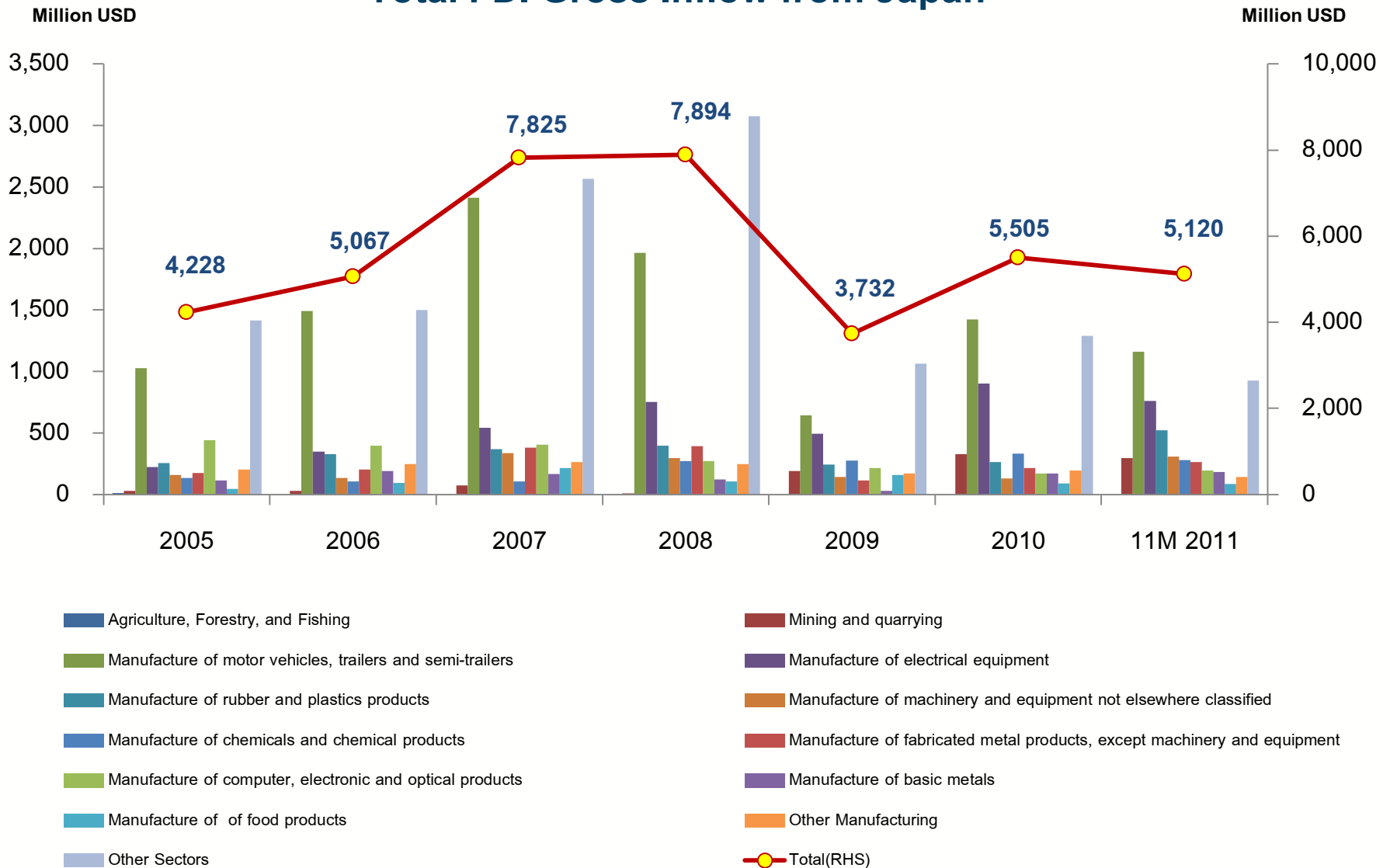


Cross Border Collateral Arrangement (CBCA)

- In October 2011 Bank of Thailand and the Bank of Japan have collaborated to implement an arrangement for liquidity provision in Thai Baht to Financial Institutions in Thailand utilizing Japanese Government Securities as collateral
- One aim of this measure is to facilitate the funding of financial institutions operating in Thailand including Japanese banks, which provide financial services to firms, including Japanese firms operating in the flood-affected areas of Thailand.



Total FDI Gross Inflow from Japan



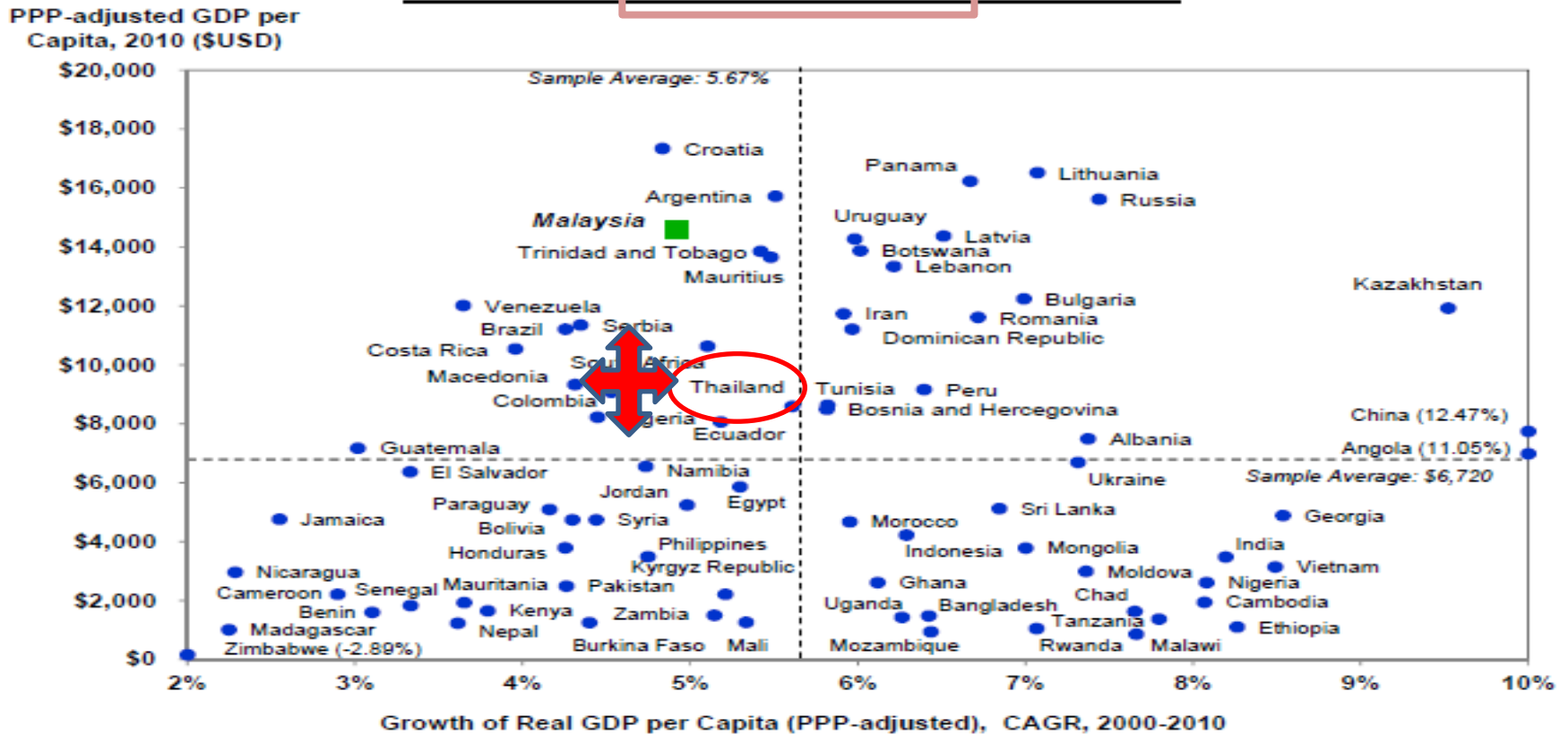


Challenges and Opportunities



Where is Thailand?

Prosperity Performance Lower and Middle Income Countries

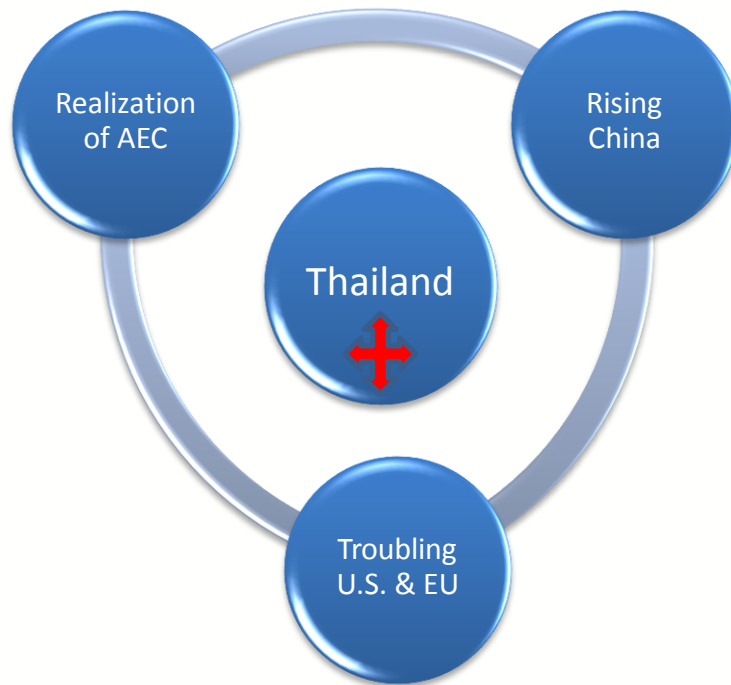


Source: EIU (2011), authors calculations
20110707 - Malaysia VC - v3 07072011 - prepared by IFA Stackle Rabinowitz



Challenges and Opportunities

Megatrends



Opportunities

Growing Chinese middle-class

ASEAN Economic Community

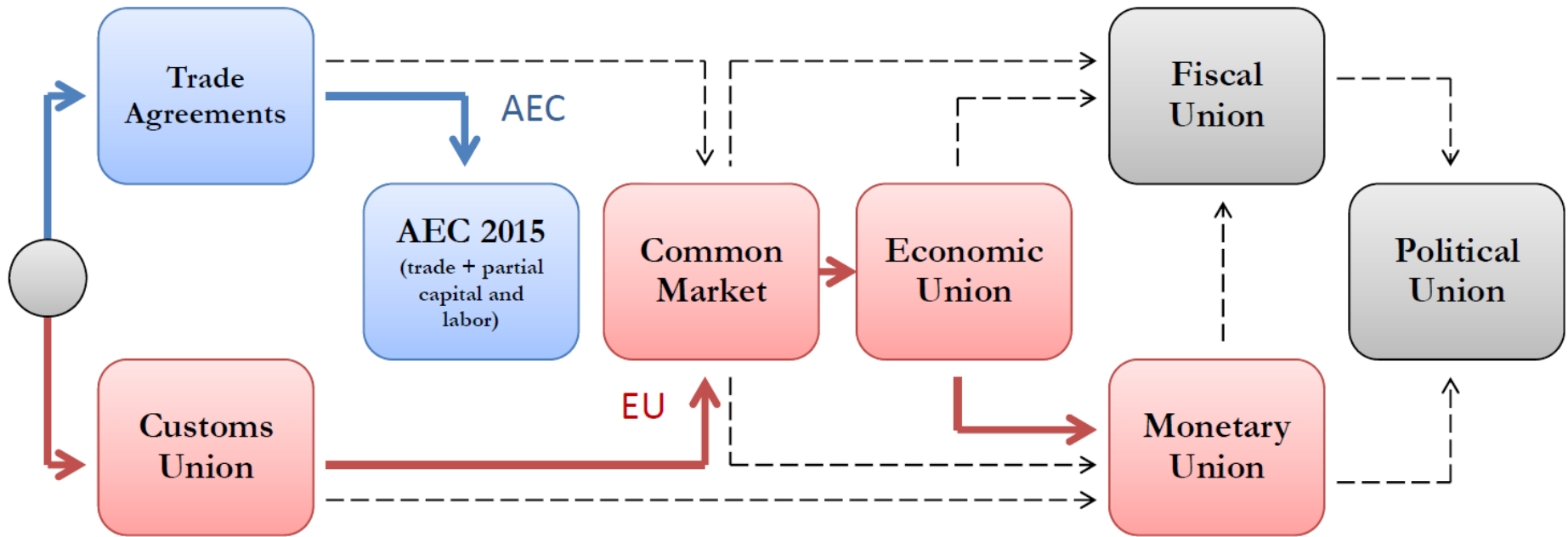
Challenges

Middle Income Trap

Crises in US and EU



Development of Economic Integration

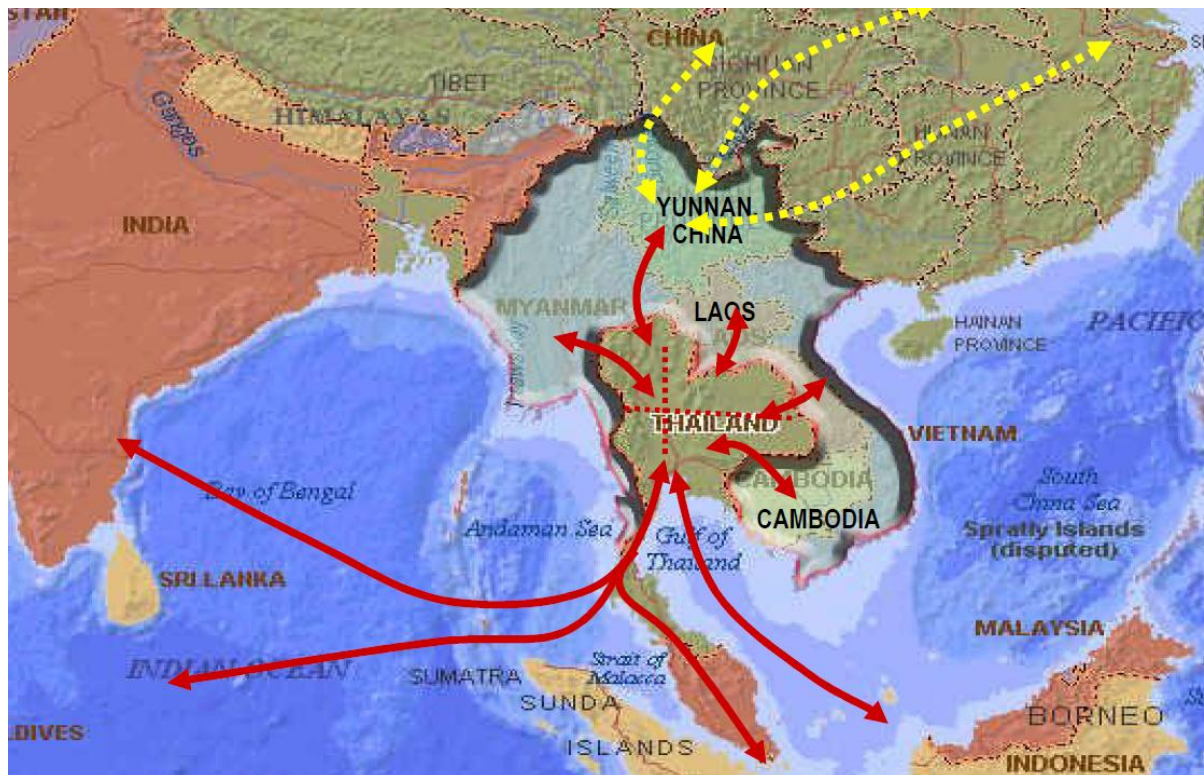




Opportunity from AEC: Thailand's strategic location

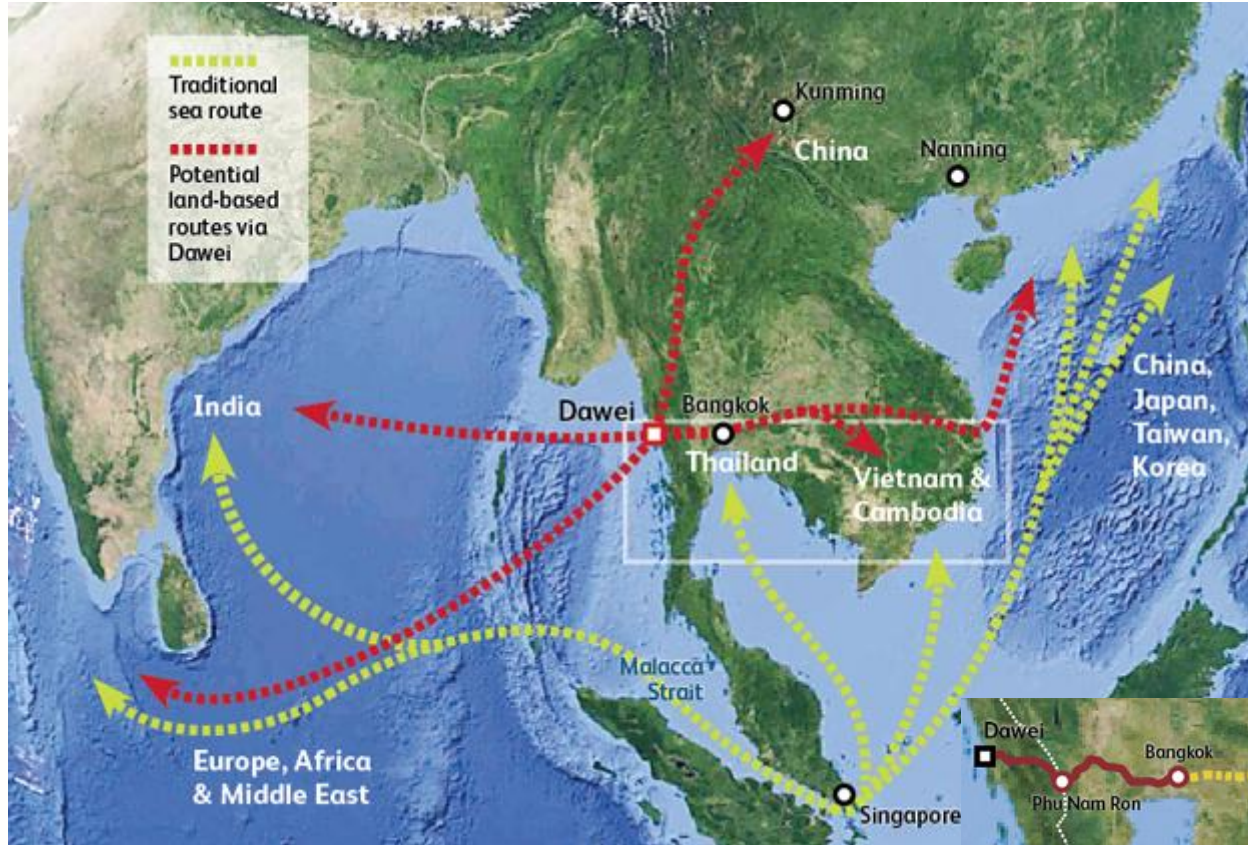
Heart of ASEAN

- ▶ Logistic hub, gateway to Indochina
- ▶ Resource cluster: energy, labor, minerals





Dawei (Tavoy) Deep-sea Port Project



Land bridge linking India, Africa and Europe with China and East Asia nations

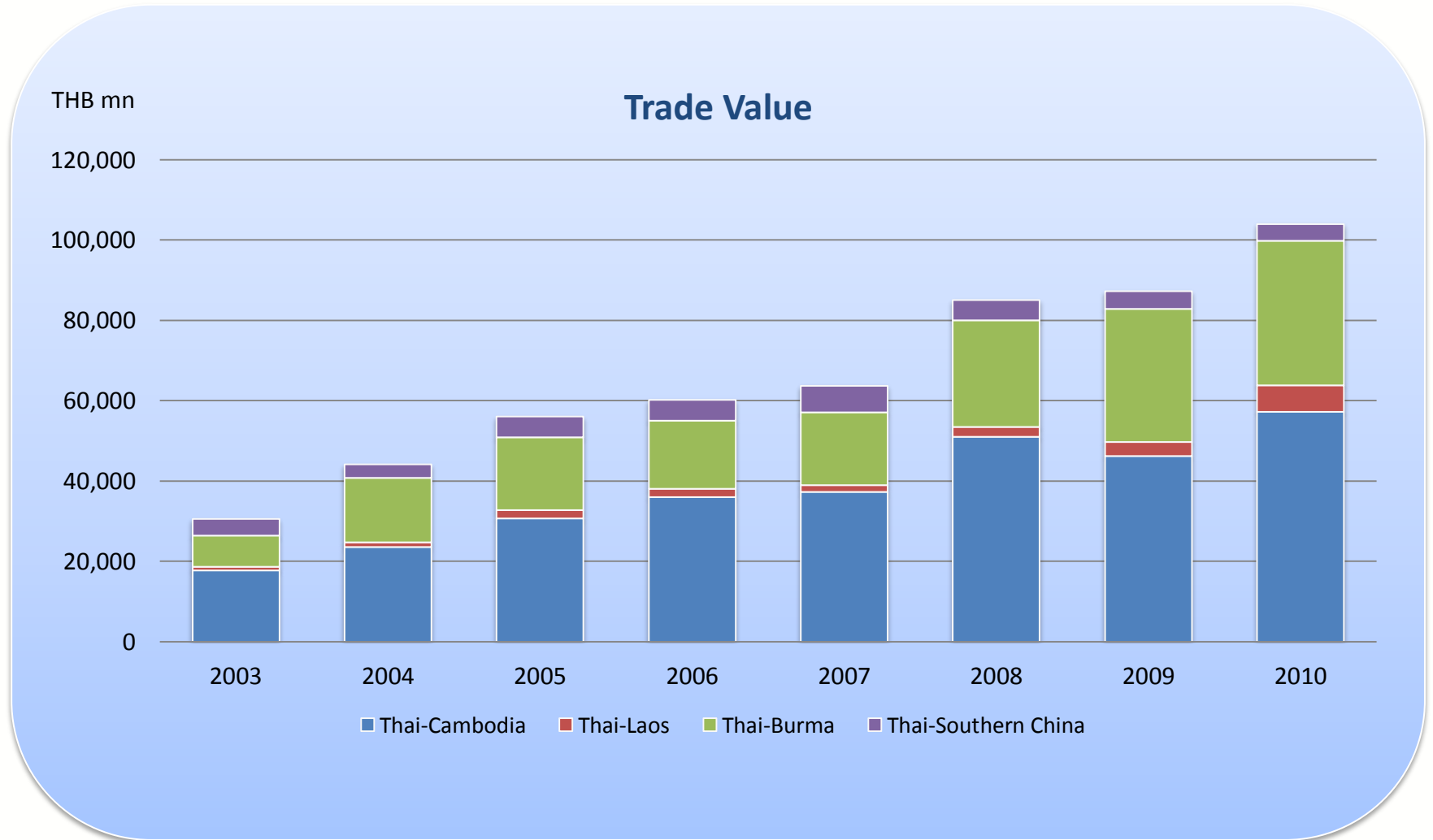
Lowers transport time of goods by an average of 10 days when compare to tradition sea route through the Malacca Strait

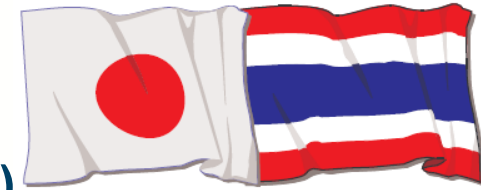
Easier access and transport of energy resource





Growing border trade among neighboring countries





Japan-Thailand Economic Partnership Agreement (JTEPA)

- Signed in April 2003 and effective in November 2007
- Extends beyond ordinary FTA schemes to include 3 pillars of

Liberalization and Facilitation

- Trade in goods
- Rules of origin of products
- Trade in services
- Investment
- The movement of natural persons

Cooperation in 9 areas

- Agriculture, forestry and fisheries
- Education and human resource development
- Financial services
- Information and communication technology
- Science technology
- Energy and environment
- Small and medium enterprises
- Tourism
- Trade and investment promotion

Special Cooperation in 7 projects

- “Kitchen of the World” Project
- “Automotive Human Resources Development Institute” Project
- Japan-Thailand “Steel Industry Cooperation Programmer”
- Cooperative Project in the Textile and Garment Industry
- Energy Conservation project
- Value-Creation Economy Project
- Public-Private Partnership



Structure of ASEAN+3 Macroeconomic Research Office (AMRO) as of end 2011

