ข่าวกระทรวงการคลัง
กลุ่มสารนิเทศการคลัง สำนักงานปลัดกระทรวงการคลัง โทร. 0-2273-9021 โทรสาร 0-2273-9763
www.mof.go.th

No.133 / 2552 **28 September 2009**

Thailand's Economic Projection for 2009 and 2010 (As of September 2009)

The Fiscal Policy Office (FPO), Ministry of Finance, announced that the Thai economy for 2009 is forecasted to contract at -3.0 percent per year. Despite the sharp contraction during the first half of the year, it is projected that the Thai economy would start to recover in the second half of the year, and eventually expand in the last quarter of the year. The major factor attributing to this improvement is the public expenditures, especially investment expenditures under the "Thai Khem Khaeng" plan, along with the revival of major trading partners' economy, Asian nations in particular. Nonetheless, the Thai economy still faces the risk from the slow recuperation of private domestic spending, both consumption and investment. On the other hand, internal economic stability is expected to improve, given that inflation is projected to decline to -0.8 percent per year, following oil price which decreases significantly compared to last year as well as the tendency of stronger Baht. The projection of unemployment rate has an improving trend of 1.8 percent of total labor force, as the re-employment rises following the better expansion of the Thai economy in the second half of the year. As for external stability, current account in 2009 is projected to record a large surplus of 8.0 percent of GDP, as import value shrinks more than export value.

The Thai economy for 2010 is forecasted to expand at 3.3 percent per year (or within the range of 2.5 - 4.1 percent per year), with the expansionary fiscal policy continuing from late 2009 from public expenditures under the "Thai Khem Khaeng" plan as the major drive, along with the revival of private expenditures that would exhibit an improving trend from the low base in 2009. Meanwhile, export of goods and services in 2010 is forecasted to grow as the economy of major trading partners recovers. As for internal economic stability, inflation is projected to rise to 2.5 percent per year (or within the range of 2.0 - 3.0 percent per year), following increasing oil price compared to 2009. For external stability, current account in 2010 is projected to record a smaller surplus of 4.0 percent of GDP (or within the range of 3.7 - 4.6 percent of GDP), as the revival in domestic demand would cause faster expansion of import value than export value. Details of the economic forecasts are as follows:

1. The Thai economy in 2009

1.1 Economic Growth

The Thai economy in 2009 is forecasted to contract by -3.0 percent per year. This is attributed to the sharp contraction of the economy in the first half of the year as a result of Global economic crisis that causes a marked fall in export volume of goods and services. Although the recovery trend of the global economy would play a positive role to the export of goods and services in the second half of the year, export volume of goods and services in 2009 is still forecasted to considerably shrink at a high rate of -14.8 percent per year. Import volume of goods and services, on the other hand, is forecasted to decline by -22.2 percent per year, as export and domestic spending subside. In particular, private investment is projected to contract by -13.7 percent per year, as investors delay their investment decision following the drop in foreign and domestic purchase orders. Despite the improving tendency of domestic consumption as a result of better private income following an increase in employment and the Government's Stimulus Package 1 that helps supporting income and reducing household expense, the sharp contraction inprivate spending the first half of the year would cause average private consumption in the year 2009 to shrink at the rate of -1.0 percent per year.

The major factor that would alleviate the contraction of the Thai economy when private spending does not yet fully recover is the accelerated disbursement of government expenditures to reach the target. In particular, the quick implementation of the "Thai Khem Khaeng" plan has to continually help driving the economy during the remaining of the year. Government consumption growth in 2009 is projected to accelerate to 6.4 percent per year, while public investment growth is projected to increase to 5.3 percent per year.

1.2 Economic Stability

Internal economic stability is expected to improve, with headline inflation in 2009 forecasted to fall to -0.8 percent per year. This is due to the falling crude oil price, which is expected to deeply drop from 2008 level, along with the appreciating Baht. Core inflation, which excludes energy and food prices, is projected to fall to 0.4 percent per year, partly due to the continuation of the Government's measures that help lowering cost of living. Unemployment rate has an improving trend of 1.8 percent of total labor force, as the re-employment rises following the better expansion of the Thai economy in the second half of the year. As for external stability, current account in 2009 is projected to record a large surplus of 8.0 percent of GDP, as trade balance reaches the high surplus of 20.5 billion USD. This large surplus is due to the greater fall in import value relative to export value. Import value is forecasted to contract from the high base of last year at -28.8 percent per year, while export value is projected to decline at -17.2 percent per year.

2. The Thai economy in 2010

2.1 Economic Growth

The Thai economy for 2010 is forecasted to expand at 3.3 percent per year (or within the range of 2.5 - 4.1 percent per year), with the government spending under the fiscal deficit framework at 3.5 percent of GDP as the major drive, along with the Government investment expenditures under the "Thai Khem Khaeng" plan. Public investment is thus forecasted to accelerate to 8.2 percent per year (or within the range of 5.2 – 11.3 percent per year), while public consumption in 2010 is projected to expand at the rate of 4.8 percent per year (or within the range of 4.0 – 5.7 percent per year.) In addition, the recovery of private expenditures that has an improving trend from the low base in 2009 would play a supporting role. Private consumption is forecasted to grow at 4.2 percent per year (or within the range of 3.7 – 4.7 percent per year), as household income recuperates following the recovered economy, coupled with the employment and work hours that would resume the normal level. Private investment in 2010 is projected to expand from the low base to 6.6 percent per year (or within the range of 2.7 – 9.0 percent per year), as the public investment under the "Thai Khem Khaeng" plan would cause the Crowding-in effect for private investment. Meanwhile, export of goods and services in 2010 is forecasted to grow at 5.6 percent per year (or within the range of 4.8 – 6.7 percent per year), as the economy of major trading partners recovers, along with the low base of last year. The growth of import volume of goods and services is projected to accelerate to 12.4 percent per year (or within the range of 10.6 – 14.2 percent per year), as a result of the recovery of domestic spending and the rise in export.

2.2 Economic Stability

In terms of internal economic stability, headline inflation in 2010 is projected to rise to 2.5 percent per year (or within the range of 2.0 – 3.0 percent per year), as the global oil and agricultural prices are expected to rise following the recovery of the global economy. Unemployment rate is expected to resume its normal level at 1.3 percent of total labor force (or within the range of 1.0 – 1.5 percent of total labor force.) As for external stability, current account is projected to fall, yet still record a surplus of 4.0 percent of GDP (or within the range of 3.7 – 4.6 percent of GDP.) This is due to the fall in trade surplus to 9.7 billion USD (or within the range of 8.7 – 11.1 billion USD), as the value of import grows at the faster pace than export value. Export value is projected to grow at 10.0 percent per year (or within the range of 9.0 – 11.4 percent per year) following the revival of the global economy. Import value is forecasted to grow at 19.5 percent per year (or within the range of 17.0 – 21.9 percent per year), as domestic demand speeds up and import order for export-oriented manufacturing rises.

Major Assumptions and Economic Projections of 2009 and 2010 (As of Sep 2009)

	2008	2009f (As of Sep 09)	2010f (As of Sep 09)	
			Average	Range
Major Assumptions				
Exogenous Variables				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	2.7	-1.5	2.8	1.8 – 3.8
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	95.0	61.2	80.0	75.0 – 85.0
Policy Variables				
3) Exchange Rate (Baht per U.S. dollar)	33.2	34.5	34.0	33.5 – 34.5
4) Repurchase Rate (Policy Rate) at year-end (percent y-o-y)	2.75	1.25	1.50	1.25 – 1.75
5) Fiscal-Year Pubic Expenditure (Trillion Baht)	2.17	2.41	2.47	2.40 – 2.53
Projections				
1) Economic Growth Rate (percent y-o-y)	2.6	-3.0	3.3	2.5 – 4.1
2) Real Consumption Growth (percent y-o-y)	2.2	-0.2	4.3	3.7 – 4.9
- Real Private Consumption	2.5	-1.3	4.2	3.7 – 4.7
- Real Public Consumption	0.4	6.4	4.8	4.0 – 5.7
3) Real Investment Growth (percent y-o-y)	1.1	-9.1	7.0	3.4 – 9.6
- Real Private Investment	3.2	-13.7	6.6	2.7 – 9.0
- Real Public Investment	-4.8	5.3	8.2	5.2 – 11.3
4) Export Volume of Goods and Services (percent y-o-y)	5.4	-14.8	5.6	4.8 – 6.7
5) Import Volume of Goods and Services (percent y-o-y)	7.5	-22.2	12.4	10.6 – 14.2
6) Trade Balance (billion U.S. dollar)	0.2	20.5	9.7	8.7 – 11.1
- Export Value of Goods in U.S. dollar (percent y-o-y)				
- Import Value of Goods in U.S. dollar (percent y-o-y)	16.8	-17.2	10.0	9.0 – 11.4
	26.4	-28.8	19.5	17.0 – 21.9
7) Current Account (billion U.S. dollar)	-0.2	22.7	11.5	10.5 – 13.0
- Percentage of GDP	-0.1	8.7	4.0	3.7 – 4.6
8) Headline Inflation (percent y-o-y)	5.5	-0.8	2.5	2.0 – 3.0
Core Inflation (percent y-o-y)	2.3	0.4	1.5	1.0 – 2.0
9) Unemployment Rate (percentage of total labor force)	1.4	1.8	1.3	1.0 – 1.5

f = forecast by Fiscal Policy Office, Ministry of Finance, Thailand