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

Issue 32/2010 March 29, 2010

Thailand's Economic Projection for 2010

The Ministry of Finance made an upward revision on Thailand's Economic Projections for 2010 to 4.5 percent per year, from the previous forecast of 3.5 percent per year

The Ministry of Finance of Thailand announced that **the Thai Economy in 2010 is expected to expand at 4.5 percent, or within a range of 4.0 to 5.0 percent per year, an improvement from the December 2009 forecast of 3.5 percent.**

Mr. Satit Rungkasiri, the Director-General of the Fiscal Policy Office (FPO), gave details on Thailand's economic projections as of March 2010 that **the upward revision on Thailand's Economic Projections for 2010 is due to improvements in export and private consumption sectors. Particularly, the faster-than expected economic recoveries of major trading partners, especially those in Asian region, has and will continue to contribute to the high growth in Thai exports of goods and services. Moreover, domestic spending in 2010 has a tendency to further expand from the low base last year. Thus the Thai economy is considered more balanced as its expansion is now driven by both internal and external drivers.**

Mr. Ekniti Nitithanprapas, the Director of Macroeconomic Policy Bureau and the Spokesperson of the Ministry of Finance, added that **export volume of goods and services in 2010 is forecasted to grow at 9.7 percent per year, from the contraction of -12.7 percent per year in 2009, as the economy of Thailand's major trading partners continue to recover. Meanwhile, private spending in 2010, especially private consumption, is expected to show an improving trend, due to higher farm income following higher agricultural price and better employment situation. Private consumption is projected to expand at 4.3 percent per year, while private investment is expected to grow from the low base last year at 8.2 percent per year. For internal economic stability, headline inflation is projected to rise to 4.0 percent per year (or within the range of 3.5 - 4.5 percent per year) given higher oil prices and higher prices of goods as services that use oil as inputs. The conjecture of the cessation of Government's measures to alleviate cost of living during the third quarter of the year would also contribute to higher inflation. For external stability, Thailand is projected to record a smaller current account surplus in 2010 at 2.4 percent of GDP (or within the range of 1.9 – 2.9 percent of GDP), as the revival in domestic demand and low base last year are expected to lead to faster expansion of import value.**

The Director-General of FPO concluded that **these economic projections have already taken into account the potential impact from the suspension of investment projects in Map Ta Phut Industrial Estate area and the ongoing political situation. If the government could quickly resolve these problems and accelerate the disbursement under the "Stronger Thailand 2012" program to achieve at least 80 percent of approval budget framework, the Thai economy would likely to grow at the high case of projection range at 5.0 percent per year in 2010.**

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

	2009	2010f (As of Dec 09)	2010f (As of Mar 10)	
			Average	Range
Major Assumptions				
Exogenous Variables				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	-1.2	3.0	3.7	3.2 – 4.2
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	61.4	80.0	80.0	75.0 – 85.0
3) Export price in U.S. dollar (percent y-o-y)	0.3	7.0	8.6	8.0 – 9.0
4) Import price in U.S. dollar (percent y-o-y)	-2.5	6.8	8.0	7.5 – 8.5
Policy Variables				
5) Exchange Rate (Baht per U.S. dollar)	34.3	33.0	32.5	31.5 – 33.5
6) Repurchase Rate (Policy Rate) at year-end (percent y-o-y)	1.25	1.50	1.50	1.25 – 1.75
7) Fiscal-Year Pubic Expenditure (Trillion Baht)	2.47	2.55	2.59	2.55 – 2.63
Projections				
1) Economic Growth Rate (percent y-o-y)	-2.3	3.5	4.5	4.0 – 5.0
2) Real Consumption Growth (percent y-o-y)	-0.1	3.4	4.3	3.8 – 4.8
- Real Private Consumption	-1.1	3.3	4.3	3.8 – 4.8
- Real Public Consumption	5.8	3.9	4.2	3.7 – 4.7
3) Real Investment Growth (percent y-o-y)	-9.0	7.8	7.8	6.8 – 8.8
- Real Private Investment	-12.8	8.0	8.2	7.7 – 8.7
- Real Public Investment	2.7	7.4	6.8	6.3 – 7.3
4) Export Volume of Goods and Services (percent y-o-y)	-12.7	8.0	9.7	9.2 – 10.2
5) Import Volume of Goods and Services (percent y-o-y)	-21.8	17.4	18.9	18.4 – 19.4
6) Trade Balance (billion U.S. dollar)	19.4	7.8	4.8	3.8 – 5.8
- Export Value of Goods in U.S. dollar (percent y-o-y)	-13.9	15.5	18.0	17.0 – 19.0
- Import Value of Goods in U.S. dollar (percent y-o-y)	-24.9	27.7	31.9	30.9 – 32.9
7) Current Account (billion U.S. dollar)	20.3	9.6	7.2	6.2 – 8.2
- Percentage of GDP	7.7	3.3	2.4	1.9 – 2.9
8) Headline Inflation (percent y-o-y)	-0.9	3.4	4.0	3.5 – 4.5
Core Inflation (percent y-o-y)	0.3	1.5	1.5	1.0 – 2.0
9) Unemployment Rate (percentage of total labor force)	1.5	1.3	1.3	1.0 – 1.5

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

Attachment: Thailand's Economic Projections for 2010

1. Economic Growth

The Thai economy in 2010 is forecasted to grow at 4.5 percent per year (or within the range of 4.0 – 5.0 percent per year), an improvement from December 2009 projection of 3.5 percent per year. The main positive factors attributing to this growth is from the stellar recovery of major trading partners' economy, especially those in Asia which has a better growth potential than others. This leads to the rebound of growth of export volume of goods and services being projected at 9.7 percent per year (or within the range of 9.2 – 10.2). Domestic spending, in addition, accelerates especially private consumption which is expected to grow at 4.3 percent per year (or within the range of 3.8 – 4.8 percent per year). The positive factors of this recovery are higher farm income following global agricultural price, better household income from overall economic recovery, and a drop in unemployment rate to its normal level. Private investment in 2010 is expected to speed up from the low base with low policy interest rate. This would support private investment to grow further at the rate of 8.2 percent per year (or within the range of 7.7 – 8.7 percent per year). Furthermore, public spending plays an important role in supporting the Thai economy to unceasingly grow. To be more specific, public capital expenditure under the "Stronger Thailand 2012" project would help public investment grow at the increasing rate of 6.8 percent per year (or within the range of 6.3 – 7.3 percent per year). Public consumption, on the other hand, is expected to grow at 4.2 percent per year (or within the range of 3.7 – 4.7 percent per year). Import volume of goods and services is expected to expedite its growth rate to 18.9 percent per year (or within the range of 18.4 – 19.4 percent per year) with the recovery of domestic spending and more manufacturing of export goods.

2. Economic Stability

Internal economic stability is expected to improve, with headline inflation in 2010 rises to 4.0 percent per year (or within the range of 3.5 – 4.5 percent per year). This is due to global oil and agriculture prices which are expected to rise following global economic recovery. Unemployment rate is expected to revert to the normal rate of 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 in 2010 is projected to record a smaller surplus of 7.2 billion US Dollar, or approximately 2.4 percent of GDP (or within the range of 1.9 – 2.9 percent of GDP) due mainly to the higher growth of import value relative to export value. Import value is forecasted to grow at 31.9 percent per year (or within the range of 30.9 – 32.9 percent per year) from the fast domestic spending and import price in the global market, while export value is projected to expand at 18.0 percent per year (or within the range of 17.0 – 19.0 percent per year, due to major trading partners' economic recovery and higher export price.

In conclusion, the Thai economy in 2010 has a tendency for better balanced recovery, with the positive factors coming from better domestic spending and better export performance in tandem with faster-than-expected recovery of trading partners' economy. Nevertheless, major risk factor that comes into play is from the suspension of investment projects in Map Ta Phut Industrial Estate area and the ongoing political peril which could slow down the recovery of private spending than expected. Public sector needs to accelerate the budget disbursement and "Stronger Thailand 2012" project to reach their respective goals while private sector is not yet fully recovered.