

THE THAI ECONOMY



The Lotus is a symbol of strength and resilience.

The Thai economy continues to grow and bloom, despite the challenges, because of the country's strong fundamentals, proven resiliency and dynamism.

* Work of Thai traditional art by the SUPPORT Training Center at Chitralada Villa of Dusit Palace



Rising Above the Challenge

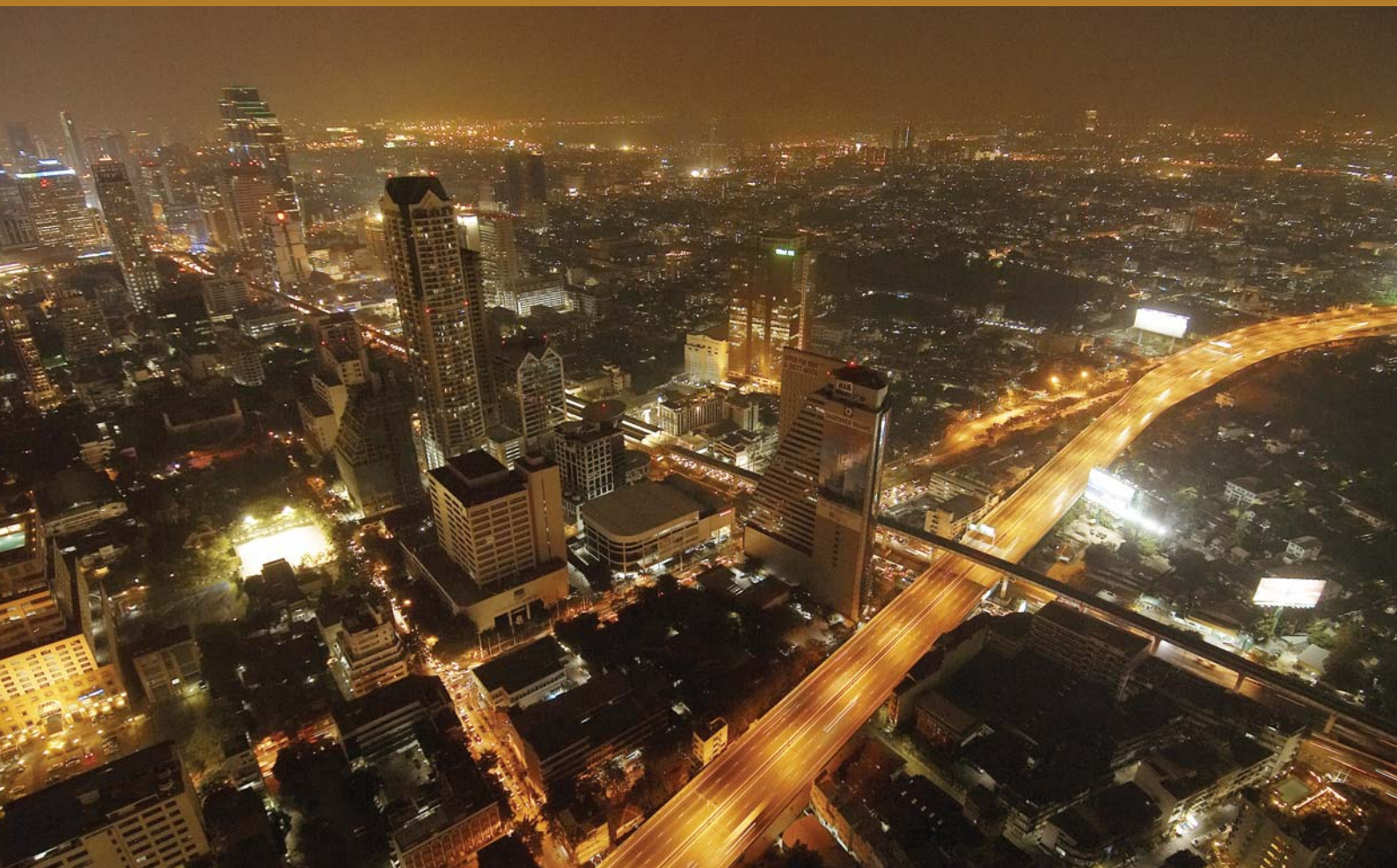
By the end of 2009, the Thai economy should recover from the impact of the global economic crisis which inevitably affected the country's export and investment and caused the Thai economy to contract in the first half of 2009. The

government's vigorous fiscal stimulus programmes are having their intended effect. With the country's major export partners recovering, the economy is expected to register positive growth by the fourth quarter.

Thailand's GDP Growth Rate

Economic Projections*	2006	2007	2008	2009f
GDP (billion USD)	206.9	245.8	273.4	258.4
GDP growth (%)	5.2	4.9	2.6	(-3.5) - (-3.0)
GDP per capita (USD per year)	3,190.8	3,723.6	4,081	3,845.5

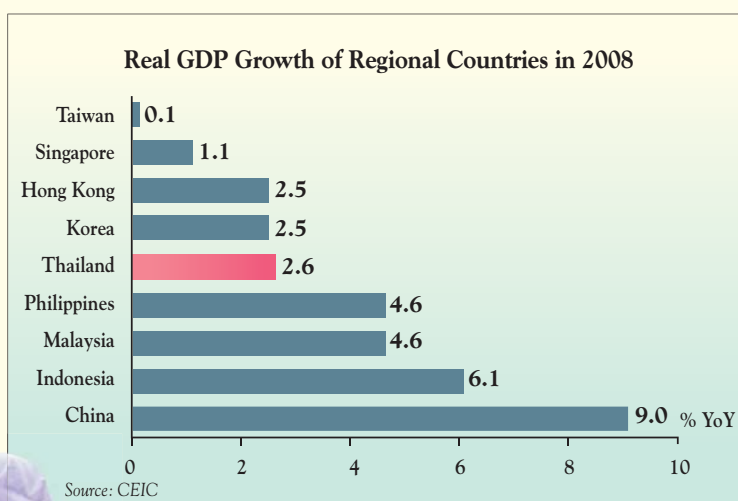
Source: Office of National Economic and Social Development Board, 24 August 2009



Strong Fundamentals

The Thai economy remains in a good position to cope with the dual shocks of the global economic crisis and domestic political issues. With lessons learned from the financial crisis of 1997, Thailand's economy had emerged stronger in its wake. At the end of the second quarter of this year, the country's current account registered a large surplus, while international reserves were a healthy equivalent of over 10 months of imports. The Thai

currency was floating in a stable range and inflation was under control. These show that Thailand's economy continues to be healthy and well-equipped to withstand external shocks.





Thailand is a free-market economy, based on private sector firms serving a strong domestic market with a growing middle class, and producing goods for export in a variety of sectors. Considered as main drivers of the Thai economy are its industrial sector, the agricultural sector and a robust services sector centred on the tourism and financial services industries. Over the past several decades, Thailand has successfully followed a model of export-led growth. In US dollar terms, between 1970 and 2009, total Thai exports grew by an average of 20 percent per annum.

Items	2006	2007	2008	2009f
Exports (billion USD)	127.9	150.0	175.3	146.7
Exports growth (%)	17.0	17.3	16.8	-16.3
Imports (billion USD)	126.9	138.5	175.1	132.7
Imports growth (%)	7.9	9.1	26.4	-24.2
Trade balance (billion USD)	1.0	11.6	0.2	14.0
Current account balance (billion USD)	2.3	14.0	-0.2	14.5
Current account balance to GDP (%)	1.0	6.1	-0.1	5.6

Source: Office of National Economic and Social Development Board, 24 August 2009



Trading Hub

Not only is Thailand's economy heavily focused on export volume, but it has also been a leader in Southeast Asia in terms of trade facilitation with the rest of the world, starting with its Asian neighbours. Thailand is a linchpin of the ASEAN economies, enjoying a strategic location that provides access to a greater market of 570 million people. The country's geographical advantages and strong relationships with major markets promote sustainable growth in the region. Exports of Thai products to new emerging markets rose 23 percent in 2008 to USD 56 billion, with China accounting for USD 15 billion, a nine percent increase from the previous year. Products exported to India jumped 28 percent and shipments to Cambodia, Lao PDR and Vietnam surged 40 percent.



Thailand's strategic positioning has made the country a regional centre for international travel and trade, as well as a hub for various industries, of which the most notable is the automotive industry.

As current chair of the Association of Southeast Asian Nations (ASEAN), Thailand helps forge greater cooperation between ASEAN member states and other economies including Australia, India and the Republic of Korea. Looking beyond its immediate neighbours, Thailand has signed free trade agreements with China, India, Japan, Australia and New Zealand.

Investment

Thailand remains an ideal investment destination for foreign investors looking for business opportunities both within Thailand and throughout Asia. The current emphasis is on investment in priority industries such as infrastructure development, renewable energy and the agro-industry. The service sector is also another area that the current government of Thailand is keenly promoting.



With the announcement of 2009 as the “Thailand Investment Year”, investment in key target sectors will receive maximum benefits from the government through the Thailand Board of Investment (BOI). To rapidly spur investment into Thailand, tax and non-tax incentives will be enhanced to give the country a competitive edge. Priority is being given to projects that offer high returns and can also be implemented quickly. High on the government’s agenda are projects aimed at upgrading the quality of education at all levels, improving the healthcare system, and developing mass transit and water management systems.

The largest sources of foreign investment by national origin are Japan, the European Union and the United States. In the past few years, Thailand annually received on average USD 10 billion in net foreign direct investment.

In addition, with a favourable investment climate and as an open society, Thailand has been chosen by many media firms, business operators, as well as international organisations and non-governmental organisations as a location for their regional offices.



Moving Ahead

Since the 1997 financial crisis, the financial system of Thailand has been restructured, with 12 local banks, a number of branches of foreign banks, and a large number of foreign bank representative offices. In June 2009, the International Monetary Fund issued a report which noted the strength of Thai financial institutions and the nation’s macroeconomic policy. Risk management of Thai banks remains strong, and even during this period of economic downturn, the quality of bank assets has not suffered.

Like China and the United States, the Thai government under Prime Minister Abhisit Vejjajiva has moved swiftly to counter the external shocks of the global economic crisis. The government has launched two large-scale stimulus packages, which have, on the one hand, alleviated the plight of the poorer members of Thai society during the financial crisis, and on the other hand, launched major public investment spending.



Investment Projects Ready for Implementation under “Thailand: Investing from Strength to Strength 2012” Scheme (total investment USD 45 billion)

Unit: Million USD

Category	2009	2010	2011	2012	Total
1. Water management	–	1,638.34	2,042.18	2,200.41	5,880.93
2. Logistics	365.51	1,441.53	3,426.01	3,728.93	8,997.98
3. Alternative energy	1,729.01	2,181.84	977.77	889.44	5,777.77
4. Communications	452.32	572.39	155.02	–	1,179.73
5. Tourism infrastructure	0.85	42.09	75.96	38.32	157.21
6. Human resource development – Education	–	1,333.78	1,229.04	1,257.30	3,820.12
7. Human resource development – Public Health	0.09	902.57	1,065.87	906.38	2,874.88
8. Infrastructure to support people's security	0.94	195.09	46.71	38.05	280.78
9. Science and technology infrastructure	–	77.10	99.39	151.16	327.64
10. Natural resources and environment	–	41.44	46.74	33.75	121.94
11. Tourism development	–	188.74	28.05	9.30	226.09
12. Creative economy	–	41.42	33.55	29.60	104.59
13. Community investment	424.10	475.28	308.42	281.66	1,489.50
Total	2,972.83	9,131.32	9,570.69	9,564.29	31,239.16

Exchange rate: USD 1 = THB 34.19 (Bank of Thailand, as of 8 September 2009)

The government also recognises its crucial role in providing certainty, rules and governance so as to facilitate business undertakings, as well as in enhancing Thailand's competitiveness through enlarging the pool of quality work force and improving the ability to use, receive and absorb the transfer of new technology. Prime Minister Abhisit Vejjajiva has reiterated the importance of greater accountability and transparency to reassure investors and the business community. Laws will be reviewed and improved to ensure further liberalisation and facilitation.

In the long term, the Prime Minister is pledging to promote stable economic growth through the coordination of fiscal and monetary policy, thus creating balance between the rate of economic growth, price stability and employment. Moreover, the new government intends to strengthen the country's capital market and financial system so that, in the future, it will be better able to cope with global financial volatility and provide stable support to both individuals and businesses.



Thailand's road to recovery illustrates the nation's strength in rising above every obstacle to development. With the nation's free-market economy, strong support from the government, solid industrial sector, strong financial institutions, and expanding regional partnerships, Thailand looks ahead to attain greater progress and development through its proven resiliency and dynamism.