



Highlights and Key Issues

- GDP expanded by 11% on the quarter in Q1 in seasonally adjusted terms, recovering strongly after contracting by more than 10% on the same basis in Q4 when flooding decimated the manufacturing sector. But compared with a year earlier, the economy expanded by just 0.3% in Q1, illustrating the scale of the catastrophe.
- Reconstruction spending underpinned import growth but exports struggled as a third of manufacturers hit by the flooding remained closed through Q1. External demand is also fairly subdued as risks to the global outlook are still high. But domestic demand has recovered strongly, with seasonally adjusted investment rising 13.8% on the quarter in Q1 and consumer spending up 6.5%.
- The Bank of Thailand left rates on hold at its last two meetings, confident that the recovery has strong momentum. Although inflation has eased recently, the bank noted that price pressures are building, raising the possibility of rate hikes later this year.
- The state planning agency expects the economy to grow by 5.5-6.5% this year. However, the external environment remains challenging and we are more cautious, forecasting growth of 5.3%. And with the global economy still fragile and political tensions high, the risks are on the downside.
- Industrial output fell in March but investment continued to grow strongly, suggesting that although domestic demand remains buoyant external demand is the weak link.

Forecast for Thailand

(Annual percentage changes unless specified)

	2011	2012	2013	2014	2015	2016
Domestic Demand	0.9	8.1	5.0	4.8	4.1	3.8
Private Consumption	1.3	5.3	5.6	5.2	5.1	4.6
Fixed Investment	3.3	8.9	7.1	6.1	5.5	5.0
Stockbuilding (% of GDP)	0.8	1.8	1.1	0.7	0.1	-0.5
Government Consumption	1.1	10.0	4.3	3.6	2.7	3.1
Exports of Goods and Services	9.5	3.7	8.8	7.8	8.6	8.2
Imports of Goods and Services	13.7	7.3	7.2	7.2	7.6	7.6
GDP	0.1	5.3	6.5	5.6	5.4	4.9
Industrial Production	-9.4	10.0	9.0	7.1	6.1	6.0
Consumer Prices	3.8	3.5	2.5	2.3	2.3	2.6
Government Budget (% of GDP)	-1.6	-4.3	-3.3	-2.5	-2.1	-1.8
Trade Balance (\$bn)	23.5	12.4	13.8	16.1	17.1	14.7
Current Account (\$bn)	11.9	2.5	5.1	8.0	6.9	3.9
Current Balance (% of GDP)	3.4	0.7	1.3	2.1	1.8	0.9
Short-Term Interest Rate (%)	2.95	3.20	4.56	5.58	5.63	5.63
Exchange Rate (Baht per US\$)	30.5	31.2	32.8	35.0	36.7	37.2

For further information contact Sarah Fowler (sfowler@oxfordeconomics.com)

Overview

Strong GDP rebound in Q1...

- GDP expanded by 11% on the quarter in Q1 in seasonally adjusted terms, recovering strongly after contracting by more than 10% on the same basis in Q4 when flooding decimated the manufacturing sector. But compared with year earlier, the economy grew by just 0.3% in Q1, illustrating the long-lasting effect of the catastrophe late last year.
- Reconstruction spending underpinned annual import growth of 4.5% but exports struggled, falling for a second successive quarter in year-on-year terms as around a third of manufacturers hit by the flooding remained closed. External demand is also still fairly subdued as risks to the global outlook remain high. But domestic demand has recovered strongly, with seasonally adjusted investment rising 13.8% on the quarter in Q1 and private spending up 6.5%.

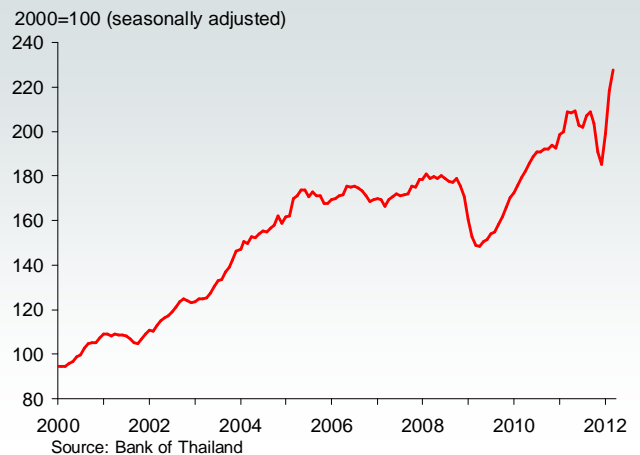
...with 75% of factories now open...

- Hit by the flooding, the seasonally adjusted index of industrial production collapsed in October and November; indeed, in the latter month it was nearly 47% below its Q3 level. However, there have been strong gains in output since December, albeit it did fall back in March to a level nearly 8% below that of Q3. The central bank has estimated that almost 75% of factories affected by the flooding have now reopened and they expect capacity to be back to 100% by the end of June. Chemicals and autos, sectors that are dominated by multinational companies, have recovered rapidly but output levels in some machinery sectors and textiles are still way down on those of a year ago.

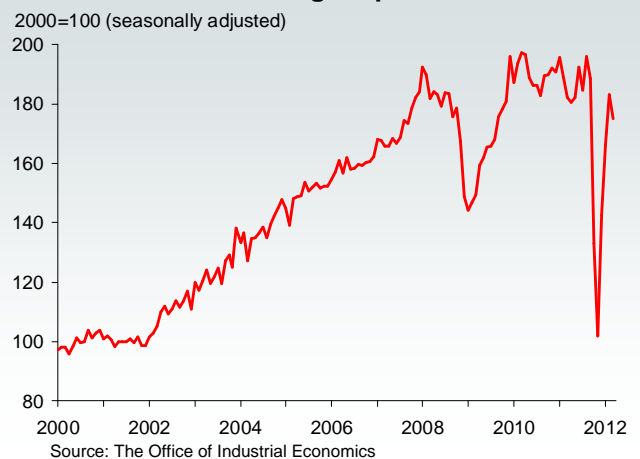
...helped by reconstruction spending

- Government spending rose by 39% on the year in Q1, with the amount spent in that quarter nearly 40% of that spent in all of 2011. So far, the government estimates the damage from the flooding at THB1.3 trillion (US\$41.5bn), and it has sought cabinet approval for spending THB350bn (US\$11.1bn) on water management and upgrading infrastructure to prevent heavy rainfall from being so catastrophic in the future. We expect the fiscal deficit to rise to over 4% of GDP this year.

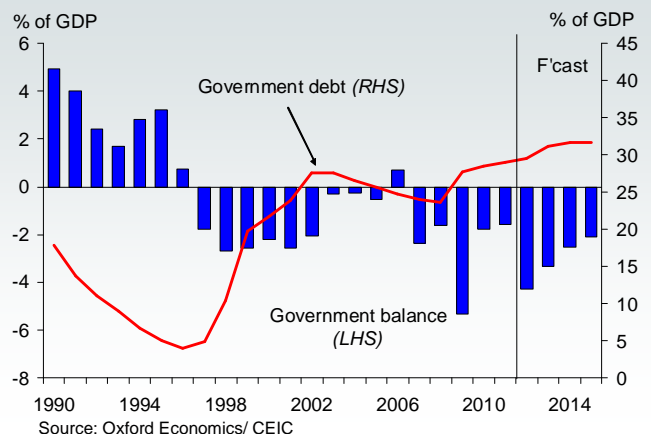
Thailand: Private investment indicator



Thailand: Manufacturing output



Thailand: Government budget balance and debt



But the global outlook is still subdued

- In March, industrial output fell but investment continued to grow strongly, suggesting that, although capacity in the economy is almost back to normal and domestic demand is buoyant, manufacturers face a difficult external situation with exports held back by slower growth in China and the crisis in the Eurozone.
- During January and February the baht rose by almost 5%, benefiting from the widespread improvement in “risky” assets brought about by reasonable news in the US and the ECB’s bank financing operations. But as the global background has become more difficult once again, the baht has slipped back by more than 3% and government bond yields are noticeably higher than they were at the start of the year.

Higher rates possible later this year...

- Having cut interest rates in November and January to support the economy following the flooding, the monetary policy committee left rates on hold at its last two meetings. The central bank suggested that the economic recovery is now gaining traction, lessening the need for low interest rates but the committee also highlighted the upside risks to inflation and the need to continue normalising rates once economic activity is fully back to normal. We expect the bank to raise rates later this year, possibly in Q3.

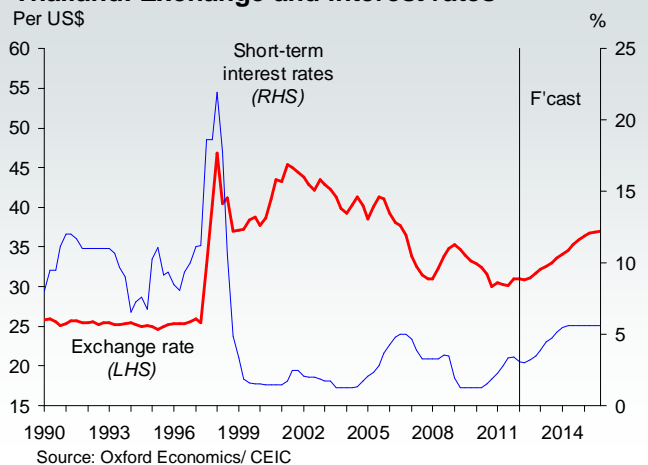
...particularly as inflation may rise

- Although inflation has eased in recent months, slowing to just 2.5% in April, the lowest rate since 2009, the central bank highlighted this year’s increase in global oil prices at the May interest rate meeting and raised its forecast for headline inflation in 2012 to 3.5%. The bank also noted the upside risks stemming from a pick-up in domestic demand in the latter part of this year and government stimulus measures, in particular the minimum wage hike. In the light of these domestic pressures, the bank has raised its forecast for core inflation this year to 2.5% (this inflation measure eased to a 12-month low of 2.1% in April).

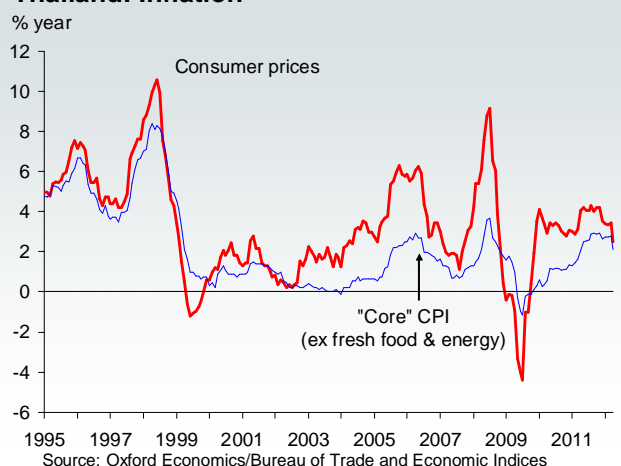
Growth of 5.3% expected this year

- The state planning agency expects the economy to grow by 5.5-6.5% this year, while the central bank raised its 2012 GDP growth forecast from 5.7% to 6.0% this month. We are more cautious, expecting growth of 5.3%, before a pick-up to 6.5% in 2013.

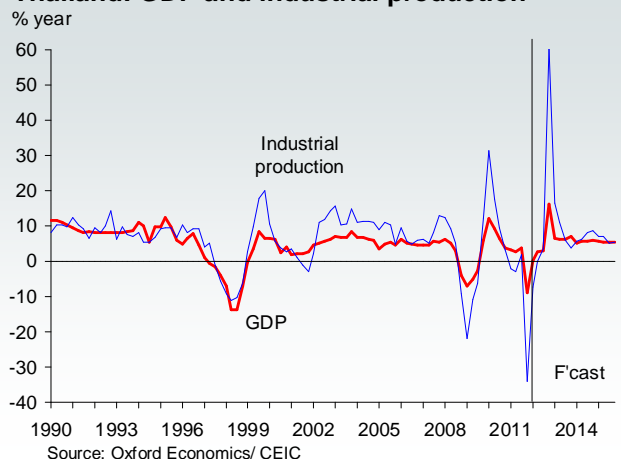
Thailand: Exchange and interest rates



Thailand: Inflation



Thailand: GDP and industrial production



Key Indicators: Thailand

Percentage changes on a year earlier unless otherwise stated

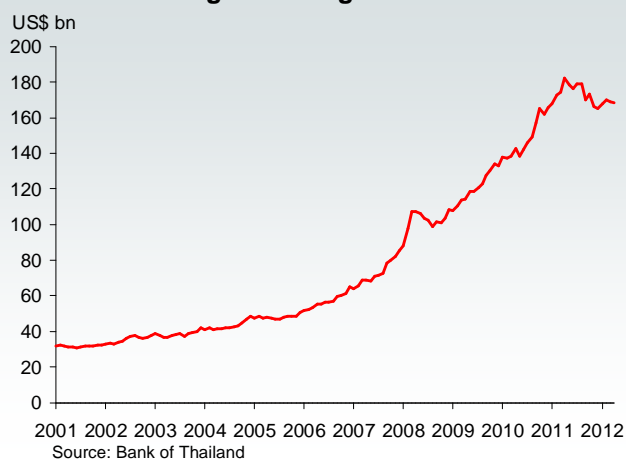
	Man. production	Private Investment indicator	CPI	Food prices	Producer prices	Exports US\$	Imports US\$	Trade balance (US\$ mn)
Apr	-8.3	14.3	4.0	8.6	6.5	25.0	26.1	854
May	-3.5	12.7	4.2	8.4	6.2	17.4	33.8	-438
Jun	3.3	7.5	4.1	7.8	4.5	14.5	26.1	794
Jul	-0.9	5.7	4.1	7.2	5.2	38.3	13.5	3151
Aug	7.2	8.4	4.3	8.4	6.0	31.1	44.1	-1331
Sep	-0.5	8.9	4.0	8.8	5.6	19.1	41.9	-1247
Oct	-30.0	6.1	4.2	9.9	4.2	0.3	21.5	-1763
Nov	-47.1	-1.4	4.2	10.2	3.5	-12.5	-2.4	-1004
Dec	-25.2	-3.7	3.5	9.1	4.5	-2.1	19.1	-1916
2012								
Jan	-15.0	0.2	3.4	7.7	3.6	-6.0	-4.2	-125
Feb	-3.1	9.3	3.3	7.2	1.8	0.9	8.3	42
Mar	-3.7	9.0	3.4	7.1	1.8	-6.5	25.6	-4617
Apr	-	-	2.5	4.5	0.8	-	-	-

Financial Indicators: Thailand

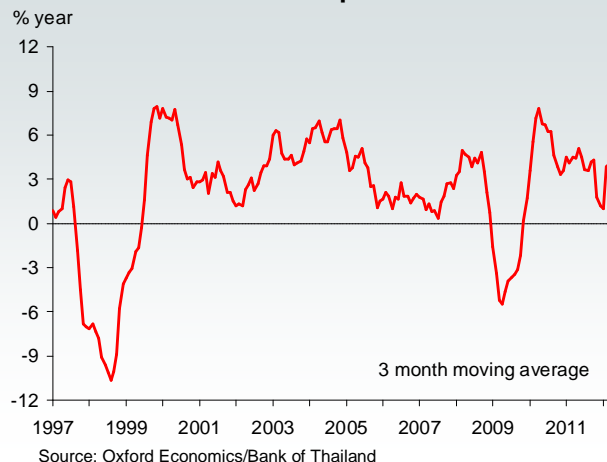
Percentage changes on a year earlier unless otherwise stated

	Repo rate (end) %	Money Supply (Broad)	Stock exchange (SET)	Exchange rate Bt/\$ avg.	Exchange rate Yen/Bt avg.	Bank lending	Reserves (total) US\$ Mn	Reserves cover months
Apr	2.75	15.4	1091.2	30.1	2.76	16.0	189884	10.4
May	2.75	14.3	1072.7	30.2	2.68	16.0	185471	9.7
Jun	3.00	16.3	1028.9	30.5	2.64	16.6	184894	9.3
Jul	3.25	17.6	1098.5	30.1	2.64	16.6	187639	10.0
Aug	3.50	17.4	1077.1	29.9	2.58	17.5	188317	8.3
Sep	3.50	16.2	1011.5	30.4	2.52	17.5	180113	8.5
Oct	3.50	16.1	930.1	30.9	2.48	17.2	182008	10.0
Nov	3.25	15.9	975.6	31.0	2.50	16.1	178255	10.6
Dec	3.25	15.2	1032.2	31.2	2.49	16.7	175124	9.1
2012								
Jan	3.00	15.9	1055.2	31.6	2.44	16.7	178553	10.6
Feb	3.00	13.7	1122.0	30.7	2.55	15.8	180363	9.7
Mar	3.00	13.0	1179.8	30.7	2.69	-	179248	7.3
Apr	3.00	-	1189.9	30.9	2.64	-	178962	-

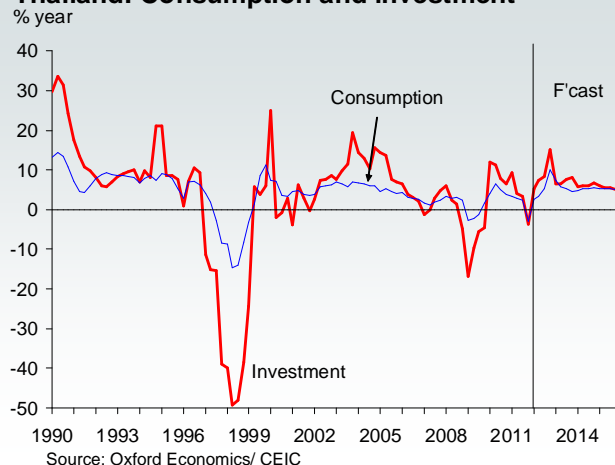
Thailand: Foreign exchange reserves



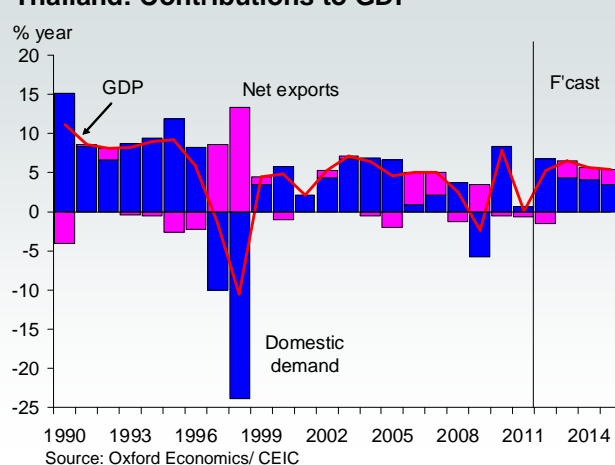
Thailand: Private consumption indicator



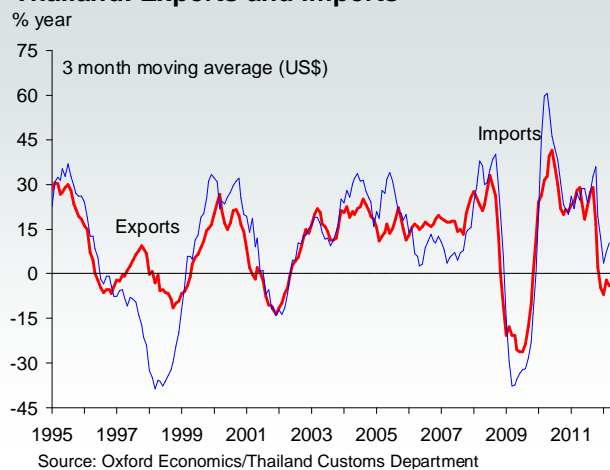
Thailand: Consumption and investment



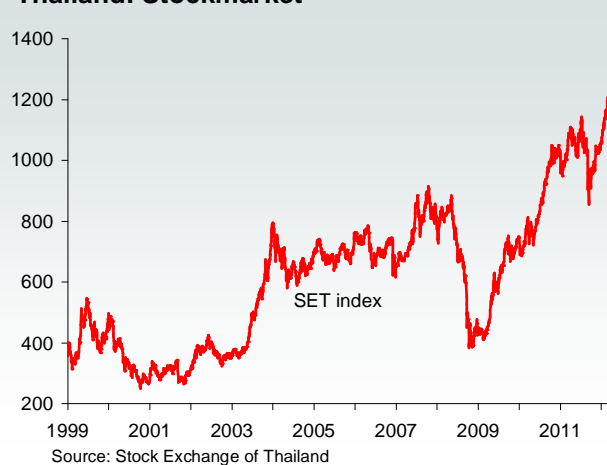
Thailand: Contributions to GDP



Thailand: Exports and imports



Thailand: Stockmarket



THAILAND
TABLE 1 SUMMARY ITEMS

Annual Percentage Changes, Unless Otherwise Specified

	CONSUMERS EXPENDITURE	TOTAL FINAL EXPENDITURE	TOTAL FIXED INVESTMENT	REAL GDP	INDUSTRIAL PRODUCTION	UNEMPLOYMENT RATE (%)	AVERAGE EARNINGS	WHOLE ECONOMY PRODUCTIVITY	COMPETITIVENESS (2008=100)	PRODUCER PRICES	CONSUMER PRICES
	(C)	(TFE)	(IF)	(GDP)	(IP)	(UP)	(ER)	(GDP/ET)	(WCR)	(PPI)	(CPI)
YEARS BEGINNING Q1											
2010	4.82	12.17	9.35	7.81	14.53	1.05	6.53	6.77	98.29	9.41	3.27
2011	1.33	4.77	3.25	0.08	-9.37	0.66	8.02	-1.07	101.84	5.46	3.81
2012	5.27	6.02	8.89	5.27	9.96	1.07	0.85	3.51	95.14	3.91	3.49
2013	5.62	6.72	7.13	6.46	9.02	0.88	3.64	4.22	87.70	3.52	2.51
2014	5.18	6.24	6.10	5.65	7.11	0.89	5.50	4.57	81.14	2.91	2.31
2015	5.11	6.25	5.45	5.41	6.08	0.90	5.87	4.37	76.49	2.89	2.29
2016	4.59	5.94	5.03	4.89	5.96	0.89	5.79	3.84	74.79	2.87	2.55
2010											
I	3.92	18.10	12.07	12.02	31.34	1.13	3.06	9.22	86.71	11.95	3.72
II	6.45	14.11	11.29	9.24	17.50	1.31	6.12	9.78	98.03	9.33	3.21
III	5.03	11.48	7.94	6.57	9.54	0.89	7.49	5.36	107.05	10.28	3.26
IV	3.90	6.03	6.37	3.80	3.18	0.87	9.30	3.07	101.38	6.32	2.90
2011											
I	3.28	7.57	9.26	3.17	-2.12	0.81	8.21	2.68	90.44	6.43	3.01
II	2.74	7.00	4.12	2.73	-2.93	0.57	6.97	1.20	98.19	5.77	4.10
III	2.35	9.65	3.31	3.72	1.91	0.65	8.25	2.27	106.93	5.60	4.13
IV	-2.85	-4.66	-3.56	-8.88	-34.12	0.61	8.58	-10.00	111.81	4.06	3.97
2012											
I	2.68	1.74	5.16	0.26	-7.41	0.74	2.98	-0.97	89.54	2.40	3.39
II	3.27	3.42	7.49	2.55	0.00	1.33	2.62	-0.77	98.50	5.28	3.68
III	5.26	4.18	8.47	2.88	3.39	1.10	-0.19	2.33	100.64	4.03	3.51
IV	9.95	15.37	15.10	16.30	60.53	1.12	-1.69	14.34	91.88	3.92	3.36
2013											
I	7.26	8.56	6.46	6.40	16.50	0.94	3.07	1.82	85.68	5.37	2.96
II	5.78	7.87	6.46	6.20	10.91	0.85	3.38	4.57	90.31	2.93	2.40
III	5.14	5.19	7.52	6.30	5.94	0.86	3.87	4.93	91.39	2.93	2.33
IV	4.41	5.43	8.10	6.90	3.81	0.87	4.20	5.52	83.42	2.92	2.35
2014											
I	4.73	5.78	5.68	5.08	5.54	0.89	4.82	3.93	79.50	2.92	2.34
II	5.23	6.23	6.00	5.76	6.08	0.89	5.33	4.70	83.44	2.91	2.28
III	5.32	6.36	6.00	5.76	8.14	0.89	5.84	4.70	84.58	2.91	2.31
IV	5.42	6.58	6.71	5.99	8.63	0.89	5.94	4.94	77.03	2.90	2.32
2015											
I	5.16	6.39	5.94	5.67	7.03	0.90	5.93	4.62	73.87	2.90	2.27
II	5.16	6.22	5.43	5.34	6.92	0.90	5.86	4.30	77.90	2.90	2.30
III	5.10	6.24	5.43	5.33	5.04	0.90	5.88	4.28	80.15	2.89	2.30
IV	5.03	6.16	5.03	5.33	5.42	0.90	5.81	4.28	74.06	2.89	2.30
2016											
I	4.96	6.17	5.03	5.29	6.26	0.90	5.78	4.24	71.60	2.88	2.47
II	4.57	5.87	5.03	4.75	5.90	0.89	5.77	3.71	76.40	2.88	2.58
III	4.46	5.91	5.03	4.75	5.80	0.89	5.78	3.71	78.61	2.87	2.58
IV	4.38	5.81	5.03	4.75	5.90	0.87	5.80	3.71	72.57	2.87	2.58

COPYRIGHT (C), OXFORD ECONOMICS

THAILAND
TABLE 2 SUMMARY ITEMS

	TRADE BALANCE (\$ BN)	CURRENT ACCOUNT (\$ BN)	CURRENT ACCOUNT (% OF GDP)	GOVERNMENT FINANCIAL BALANCE (BAHT BN)	GOVERNMENT FINANCIAL BALANCE (% OF GDP)	SHORT-TERM INTEREST RATE	SPREAD OVER US SHORT-TERM RATE (RSH - RSH US)	REAL SHORT-TERM INTEREST RATE (Note 1)	EQUILIBRIUM EXCHANGE RATE PER US DOLLAR (RXEQUIL)	EXCHANGE RATE PER US DOLLAR (RXD)
	(BVIS/1000)	(BCUS/1000)	(BCUR%)	(GB)	(GB*100/GDPI)	(RSH)	(RSH - RSH US)	(Note 1)	(RXEQUIL)	(RXD)
YEARS BEGINNING Q1										
2010	31.8	13.2	4.1	-181.0	-1.8	1.5	1.1	-1.8	39.7	31.7
2011	23.5	11.9	3.4	-167.3	-1.6	2.9	2.6	-0.9	39.5	30.5
2012	12.4	2.5	0.6	-487.8	-4.3	3.2	2.7	-0.3	39.7	31.2
2013	13.8	5.1	1.3	-413.1	-3.3	4.6	4.2	2.1	39.3	32.9
2014	16.1	8.0	2.1	-338.2	-2.5	5.6	5.2	3.3	39.0	35.0
2015	17.1	6.9	1.8	-303.7	-2.1	5.6	3.9	3.3	38.7	36.7
2016	14.7	3.9	1.0	-288.2	-1.8	5.6	1.9	3.1	38.4	37.2
2010										
I	6.0	5.0	6.4	-151.7	-5.9	1.3	1.0	-2.5	39.8	32.9
II	8.8	1.2	1.5	160.8	6.5	1.3	0.8	-2.0	39.7	32.4
III	8.0	1.7	2.1	13.1	0.5	1.6	1.2	-1.7	39.6	31.6
IV	8.9	5.3	6.2	-203.3	-7.9	1.8	1.5	-1.1	39.6	30.0
2011										
I	8.0	5.9	6.6	-176.7	-6.4	2.3	2.0	-0.7	39.5	30.5
II	6.8	0.9	1.1	73.1	2.8	2.8	2.5	-1.3	39.5	30.3
III	7.7	3.1	3.5	21.0	0.8	3.3	3.0	-0.8	39.4	30.1
IV	1.0	1.8	2.3	-84.8	-3.5	3.4	2.9	-0.6	39.7	31.0
2012										
I	-6.5	-6.4	-7.1	-375.2	-13.4	3.1	2.6	-0.3	39.8	31.0
II	1.0	-3.4	-3.7	130.7	4.7	3.0	2.5	-0.7	39.8	30.9
III	9.2	6.6	7.2	-27.3	-1.0	3.2	2.8	-0.3	39.8	31.1
IV	8.7	5.7	6.2	-216.0	-7.4	3.5	3.1	0.1	39.5	31.7
2013										
I	5.2	5.4	5.7	-357.0	-11.6	3.9	3.5	0.9	39.4	32.2
II	4.4	0.7	0.7	162.9	5.3	4.4	4.1	2.0	39.3	32.5
III	3.2	1.2	1.2	-2.4	-0.1	4.8	4.4	2.4	39.3	33.1
IV	1.0	-2.2	-2.4	-216.6	-6.8	5.2	4.8	2.8	39.2	33.6
2014										
I	5.8	6.3	6.5	-364.3	-11.0	5.4	5.1	3.1	39.1	34.1
II	5.3	1.8	1.9	214.2	6.5	5.6	5.3	3.4	39.1	34.6
III	3.8	2.3	2.4	25.9	0.8	5.6	5.3	3.3	39.0	35.3
IV	1.2	-2.3	-2.4	-213.9	-6.2	5.6	5.2	3.3	38.9	35.9
2015										
I	6.9	7.0	7.0	-379.7	-10.6	5.6	4.7	3.4	38.8	36.3
II	5.6	0.8	0.8	253.1	7.1	5.6	4.2	3.3	38.7	36.8
III	3.8	1.7	1.7	43.5	1.2	5.6	3.7	3.3	38.6	36.9
IV	0.8	-2.5	-2.5	-220.5	-5.9	5.6	3.2	3.3	38.5	37.0
2016										
I	6.8	7.4	7.0	-400.8	-10.3	5.6	2.7	3.2	38.4	37.1
II	5.1	0.2	0.2	288.5	7.5	5.6	2.2	3.1	38.4	37.1
III	3.1	1.2	1.2	56.9	1.5	5.6	1.7	3.1	38.3	37.2
IV	-0.2	-4.9	-4.5	-232.9	-5.8	5.6	1.2	3.1	38.3	37.3

Note 1 : REAL INTEREST RATE = Nominal interest rate (RSH) - % change in CPI

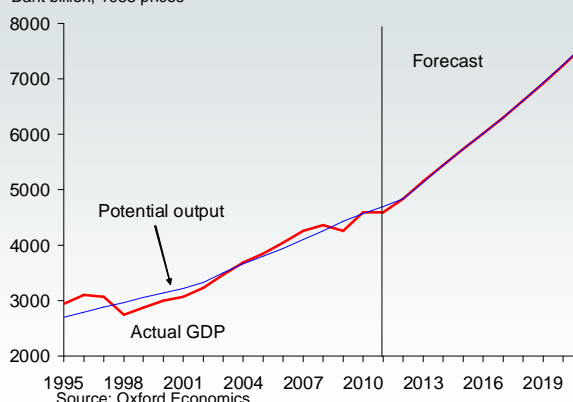
COPYRIGHT (C), OXFORD ECONOMICS

Potential output growth 4.9%pa

- Potential output is projected to rise by 4.9%pa over the next 10 years, a significantly higher rate than in the previous decade. GDP is set to expand by 5.3% in 2012, having grown by 0.1% in 2011 and to be significantly above potential growth at 6.5% in 2013. As a result, the small output gap of 0.3% in 2011 will expand in 2012 to 2.0% and decrease in 2013 to 0.4%, and it is not forecast to close fully until 2015.
- The main contribution to growth in potential output over the coming decade comes from expanding total factor productivity.
- The 0.7%pt contribution from expanding labour usage reflects the 0.2%pa rise in the working population over the next ten years and an increase in the participation rate which combine to boost the labour supply by 1.1%pa. For the capital stock's contribution of 1.6%pt, the main factor is significantly higher investment growth (at 5.6%pa) than in the previous decade. Finally, total factor productivity growth's significantly higher contribution of 2.6%pt reflects the better contribution to potential growth from factors influencing production other than labour and capital over the coming decade.

Thailand: Actual & potential output

Baht billion, 1988 prices



Potential GDP and Its Components Average Percentage Growth

	2002-2011	2012-2021
Potential GDP*	3.8	4.9
Employment at NAIRU	1.4	1.1
Capital Stock	4.5	4.7
Total Factor Productivity	1.4	2.6

* $\ln(\text{Potential GDP}) = 0.65 * \ln(\text{Employment at NAIRU}) + 0.35 * \ln(\text{Capital Stock}) + \ln(\text{Total Factor Productivity})$

Long-Term Forecast for Thailand

(Average annual percentage change unless otherwise stated)

	2002-2006	2007-2011	2012-2016	2017-2021
GDP	5.7	2.6	5.5	4.7
Consumption	5.2	1.9	5.2	4.3
Investment	9.2	1.0	6.5	4.7
Government Consumption	4.4	5.5	4.7	4.2
Exports of Goods and Services	8.4	4.5	7.4	7.1
Imports of Goods and Services	9.5	4.3	7.4	7.4
Unemployment (%)	2.0	1.2	0.9	0.9
Consumer Prices	2.9	2.8	2.6	2.6
Current Balance (% of GDP)	1.1	4.5	1.4	-1.1
Exchange Rate (vs US\$)	40.6	32.3	34.6	38.1
General Government Balance (% of GDP)	-0.5	-2.5	-2.8	-1.4
Short-term Interest Rates (%)	2.5	2.6	4.9	5.6
Long-term Interest Rates (%)	4.7	4.1	5.9	6.9
Working Population	1.5	0.8	0.3	0.0
Labour Supply	1.5	1.3	1.4	0.8
Participation Ratio	77.9	79.5	82.9	86.4
Labour Productivity	3.5	1.0	4.1	3.9

Long-Term Forecast for Thailand

Annual percentage changes unless otherwise specified

	2002-2011	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021
GDP	4.1	2.5	-2.3	7.8	0.1	5.3	6.5	5.6	5.4	4.9	4.8	4.8	4.8	4.8	4.7	5.1
Consumption	3.5	2.9	-1.1	4.8	1.3	5.3	5.6	5.2	5.1	4.6	4.2	4.2	4.3	4.3	4.7	4.7
Investment	5.0	1.2	-9.2	9.4	3.3	8.9	7.1	6.1	5.5	5.0	4.6	4.7	4.7	4.7	4.7	5.6
Government Consumption	5.0	3.2	7.5	6.4	1.1	10.0	4.3	3.6	2.7	3.1	3.4	4.0	4.4	4.6	4.7	4.4
Exports of Goods and Services	6.4	5.1	-12.5	14.7	9.5	3.7	8.8	7.8	8.6	8.2	7.4	7.4	7.3	7.3	6.3	7.3
Imports of Goods and Services	6.9	8.9	-21.5	21.5	13.7	7.3	7.2	7.2	7.6	7.6	7.6	7.6	7.6	7.6	6.7	7.4
Unemployment (%)	1.6	1.4	1.5	1.1	0.7	1.1	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Consumer Prices	2.8	5.5	-0.8	3.3	3.8	3.5	2.5	2.3	2.3	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Current Balance (% of GDP)	2.8	0.8	8.3	4.1	3.4	0.7	1.3	2.1	1.8	0.9	-0.1	-0.6	-1.1	-1.7	-2.0	0.1
Exchange Rate (per \$)	36.5	33.0	34.3	31.7	30.5	31.2	32.8	35.0	36.7	37.2	37.5	37.8	38.1	38.4	38.5	36.3
General Government Balance (% of GDP)	-1.5	-1.6	-5.3	-1.8	-1.6	-4.3	-3.3	-2.5	-2.1	-1.8	-1.7	-1.5	-1.3	-1.2	-1.2	-2.1
Short-term Interest Rates (%)	2.5	3.4	1.4	1.5	2.9	3.2	4.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.3
Long-term Interest Rates (%)	4.4	4.6	3.9	3.6	3.7	3.9	5.7	6.4	6.7	6.7	6.8	6.9	6.9	6.9	6.9	6.4
Working Population	1.1	0.9	0.8	0.7	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.1	0.0	0.0	-0.1	0.2
Labour Supply	1.4	1.9	1.9	0.7	0.7	2.1	1.7	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.2	1.1
Participation Ratio (%)	78.7	79.1	80.0	80.0	80.1	81.3	82.4	83.0	83.6	84.2	84.9	85.7	86.5	87.3	87.6	84.7
Labour productivity	2.3	0.5	-4.1	6.8	-1.1	3.5	4.2	4.6	4.4	3.8	3.8	3.8	3.8	3.7	4.4	4.0
Employment	1.8	1.9	1.8	1.0	1.2	1.7	2.1	1.0	1.0	1.0	0.9	0.9	1.0	1.0	0.2	1.1
Output gap (% of potential GDP)	0.1	3.9	-2.9	-0.3	-0.3	-2.0	0.4	-0.2	-0.1	0.1	0.1	0.0	-0.1	-0.2	-0.2	-0.2

Background

- Thailand is a kingdom, with King Bhumibol Adulyadej having reigned since 1946, the longest-reigning monarch in Thai history. The king is officially titled Head of State, the Head of the Armed Forces, an Upholder of the Buddhist religion and the Defender of all Faiths. He is the world's longest serving head of state. Until 1932 Thailand had an absolute monarchy and the 1997 constitution was the first to be drafted by a popularly elected Constitutional Drafting Assembly. The constitution created a bicameral legislature consisting of a 500-seat House of Representatives and a 200-seat Senate and for the first time in Thai history both houses were directly elected. The January 2001 general election, the first election under the 1997 constitution, was won by Thaksin Shinawatra and the subsequent government was the first in Thai history to complete a four-year term. At the 2005 election, which had the highest voter turnout in history, Thaksin won a second term.
- Thailand grew by an average of 9.4% annually from 1985 to 1996, but a sudden loss of investor confidence in 1997 led to the Asian crisis and in 1998 the economy contracted by 10.8%. The economy started to recover in 1999, expanding by 4.2% and by 4.4% in 2000 thanks largely to strong exports. Growth was dampened by the softening of the global economy in 2001 but picked up in the subsequent years owing to strong growth in Asia, a relatively weak baht encouraging exports and increasing domestic spending as a result of Thaksin's greater emphasis on building up domestic demand following his election win in 2001.
- Singapore's Temasek holdings bought a large US\$1.9bn stake in Shin Corp, a leading Thai company owned by Thaksin's family in early 2006. This prompted a public outcry, not just about the sale itself but also about the tax-free nature of the deal for the Thaksin family. This sudden wave of hostility prompted the prime minister to try and regain the political initiative by calling an early general election in April 2006. However, though his party swept the board at the poll, the result was meaningless as three of the main opposition parties refused to take part in protest at Thaksin's alleged cronyism, and consequently in several areas the level of abstentions were so high that they rendered the election constitutionally invalid. As a result, though Thaksin's government continued in office, it was unable to enact its budgetary plans.
- The courts were unable to find a quick way out of the legal and political deadlock and after more than five years in power, Thaksin was ousted in a military coup in September 2006, accused of corruption and abuse of power. He has since been in self-imposed exile, facing a two-year jail sentence if he returns to Thailand after being convicted in absentia on a conflict of interest charge. Assets of US\$2.3bn belonging to Thaksin were frozen in 2006 when the case was first tabled and in February 2010, the Supreme Court seized US\$1.4bn of his assets.
- When elections were held 18 months after the coup, Thaksin's supporters returned his allies to power and the People's Power Party led by Samak Sundaravej formed a government with five smaller parties. However, in November 2008, the Peoples' Alliance for Democracy (PAD) group, who wear yellow shirts and oppose Thaksin, staged a week-long sit-in at Bangkok's two airports, shutting down air traffic and crippling the tourism industry. These protests, combined with a court decision to ban the ruling party, left the Democrats in a position to form a coalition government, allowing Abhisit Vejjajiva to become prime minister.
- In March and April 2009, supporters of Thaksin, who wore red shirts and whose formal name is the United Front for Democracy (UDD) called fresh protests in Bangkok, trying to overthrow the government. As the army gathered, the Red Shirts called off their protest as they feared greater loss of life. But the anger did not go away and in March 2010 they called fresh protests in Bangkok aimed at toppling the government. They occupied Bangkok's historic and commercial districts and at one point stormed parliament, forcing MPs to flee. The protests ended in May with a military crackdown on the protesters, which left at least 88 people killed.
- The Puea Thai party won the general election in July 2011, winning a majority with 264 seats out of 500. The elections were peaceful and the military accepted the victory, allowing Yingluck Shinawatra, the new prime minister to form a government and begin a four-year term. However, those who backed the previous government may protest if Yingluck allows her brother, the exiled former premier Thaksin, to return to Thailand.

- In 2010, agriculture (including fishing) accounted for 12.4% of GDP, compared to construction's 2.7% share (down from over 7% in 1996). Services provide the bulk of economic activity, with a share of almost 50% in GDP. Manufacturing provides a 35.6% share (a much higher proportion than that seen in developed economies and reflecting the size of external trade relative to overall GDP).
- Exports amounted to over two-thirds of GDP in 2010 with manufactured goods responsible for 89% of sales in 2010. Nearly 70% of these were classified as high-tech products, up from 56.6% in 1995. In addition, Thailand is the world's largest rice exporter, selling US\$5.3bn of rice in 2010 although this is only 2.7% of total exports. Some 55% of arable land is used for rice production. Typically the composition of imports is disproportionately weighted towards capital goods and intermediate goods related to the export sector (for example, in 2010 capital goods made up 25% of imports and imports of electronic parts made up 9.5%). The import bill is highly exposed to commodity price fluctuations, with crude oil comprising 12.5% of imports in 2010, down from 16.1% in 2008.
- Tourism is a major source of foreign exchange earnings, with 18.5m visitors in 2011 (an increase of 18.6% on 2010 despite the severe flooding in October and November), up from 7.8m in 1998. Although the industry has been hampered in recent years by the rise in political instability and the flooding last year, it has proved very resilient, rebounding very quickly from disruption. The authorities have set a target of 19m visitors for this year. The governor of the Tourism Authority of Thailand said that gradually over time more tourists will come from the Middle East and Africa and fewer will come from Europe.

Key Facts

Politics

Head of state: King BHUMIBOL Adulyadej
 Head of government: Prime Minister Yingluck Shinawatra
 Political system: Democracy
 Date of next legislative election: July 2015
 Currency: Baht (THB), floating exchange rate

Long-term economic & social development

	1980	1990	2000	2011*
GDP per capita (US\$)	684	1506	1969	5046
Inflation (%)	19.7	5.9	1.6	3.8
Population (mn)	47.5	57.1	62.4	68.6
Urban population (% of total)	26.8	29.4	31.1	33.7
Life expectancy (years)	66.0	69.2	68.2	68.9

Source : Oxford Economics & World Bank

Structure of GDP by output

	2009
Agriculture	11.6%
Industry	43.3%
Services	45.1%

Source : World Bank

* 2011 or latest available year

Long-term sovereign credit ratings & outlook

	Foreign currency	Local currency
Fitch	BBB (Stable)	A- (Stable)
Moody's	Baa1 (Stable)	Baa1 (Stable)
S&P	BBB+ (Stable)	A- (Stable)

Structural economic indicators

	1990	1995	2000	2011*
Current account (US\$ billion)	-7.28	-13.23	9.33	11.87
Trade balance (US\$ billion)	-0.77	-1.13	0.42	23.50
FDI (US\$ billion)	1.18	3.39	7.55	-4.13
Debt service (US\$ billion)	5.29	8.59	13.99	19.32
Debt service (% of exports)	16.9	11.6	16.3	7.3
External debt (% of GDP)	32.9	59.5	65.0	17.8
Oil production (000 bpd)	44	51	110	224
Oil consumption (000 bpd)	407	679	725	960

Source : Oxford Economics / World Bank / EIA

Destination of goods' exports (2010)

European Union (27)	11.2%
China	11.0%
Japan	10.5%
United States	10.4%
Hong Kong, China	6.7%

Source : WTO



Source : CIA Factbook

Location : Southeastern Asia, bordering the Andaman Sea and the Gulf of Thailand, southeast of Burma (CIA Factbook)

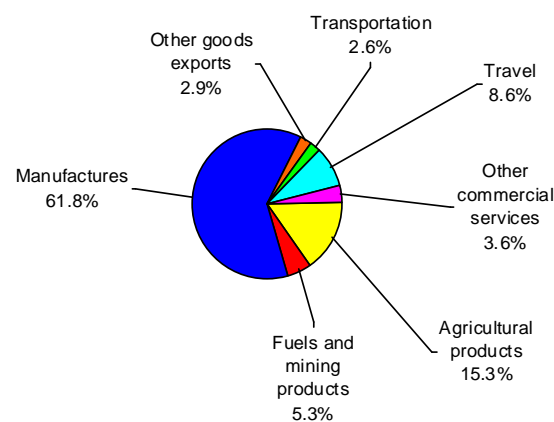
Corruption perceptions index 2011

	Score
Developed economies (average)	7.70
Emerging economies (average)	3.44
Thailand	3.38
Emerging Asia	3.35

Source: Transparency International

Scoring system 10 = highly clean, 0 = highly corrupt

Composition of goods & services exports, 2010



Source : WTO