

THAILAND ECONOMY

NESDB proposes 7 measures for economic management

Thailand's National Economic and Social Development Board (NESDB) has proposed 7 measures for the new government to use in its economic management this year. NESDB Secretary-General Amphon Kitti-Amphon said the new government must try to maintain economic stability this year amid both surging oil prices and a global economic slowdown. The government must prepare key proactions and responses to accommodate sustainable economic growth in the long run, including the enhancement of production efficiency, building and adding product values for competitiveness, and increasing energy consumption efficiency. In addition, the Samak government must come up with the following seven key measures for efficient economic management.

First, it should boost confidence in the private sector by pursuing state investment policies for basic infrastructural development, particularly the investment in construction of the mass transit system in Bangkok, development of the logistics system, and faster deregulation to boost private investment.

Second, it should speed up budget disbursements for fiscal 2008 to ensure it reaches 94 per cent of the total budget under the plan to improve people's living, strengthen the urban communities, eradicate poverty, and support small- and medium-enterprise (SME) business development.

Third, it should oversee adjustment of prices to ensure a proper and fair increase so that the cost of living would not be adversely affected, and building up purchasing power of people at the grass-root level.

Fourth, it should promote exports to new markets, particularly to the Middle East, Africa, Eastern Europe, and strictly supervise the quality and health standards of food products.

Fifth, it should attempt to make tourism recover from last year's slowdown and get the "Tour Thailand in 2008-2009" programme into operation.

Sixth, it should push to enhance the efficiency of energy consumption, support a continuing campaign for alternative energy use, and building the stability of energy in the country.

Finally, it should restructure production in the agricultural, industrial and service sectors emphasising enhancing production efficiency, value-added products and services, and supervise an efficient adjustment of the retail and SME business sectors affected by the production structural changes in the world market.

Source: MCOT

Posted: February 25, 2008

Thai economy expected to grow 5.5%

Thailand's leading economic think tank Monday revised sharply upward its growth forecast for 2008, amid expectations for a surge in exports and increased private investment. The economy is now expected to grow between 4.5 to 5.5 percent this year, far rosier than the last estimates by the National Economic and Social Development Board (NESBD) in December, when growth was tipped at 4 to 5 percent.

"I would not have the confidence to make this forecast if I did not have solid data on major new investments and exports, in addition to the positive economic upturn in the final quarter of last year," Ampon Kittiampon, NESDB's secretary general, told reporters.

Thailand posted 5.7 percent growth in the fourth quarter last year, beating market expectations, the board said. Whole-year growth was 4.8 percent for 2007. Last year's growth was powered by exports, which rose 18.1 percent, despite fears that the strong Thai baht and the weak US dollar would weaken sales to the United States, the kingdom's biggest trading partner. The Thai baht is trading at 10-year highs against the dollar, but the think-tank predicted that exports would continue to grow by 12 percent this year. Inflation is also expected to rise this year, reaching 3.2 to 3.7 percent, against 2.3 percent last year, the NESDB said. Ampon said the sunny outlook was helped by a slate of investment plans already approved by the Thai Board of Investment, including new developments in petrochemical, automaking, and electronics.

Despite fears of a slowdown in the US economy, growth in exports to China and new markets in Eastern Europe should help cushion any downturn, he said. "Thailand's economy is likely to show sustained growth, although there are concerns about high oil prices, rising prices for consumer goods and a slowdown in the global economy," he said.

"Those factors will affect the economy less if the government carries on its policies with proper financial and monetary measures, while making the private sector feel confident in the economy," Ampon said. Business and consumer confidence slumped after the 2006 coup against then-prime minister Thaksin Shinawatra.

Source: Reuters

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Economic forecasts brighter Q4 2007 growth a surprising 5.7%

The National Economic and Social Development Board (NESBD) revised upward its growth forecast for 2008 on expectations of a surge in exports and private investment. The economy is expected to grow between 4.5% and 5.5% this year, higher than the agency's last estimate in December of 4-5%, said Ampon Kittiampon, the NESDB secretary general. Thailand posted 5.7% growth in the fourth quarter of last year, much higher than 4.4% in the third quarter, 4.3% in the second and 4.2% in the first quarter. Whole-year growth was 4.8%. Last year's economic growth was powered by exports, which rose 18.1% in US dollar terms. The baht has been trading at 10-year highs against the dollar, but the NESDB predicted that exports would continue to grow by 12% this year.

According to the government think-tank, January's record export growth reflected sound prospects for this year. Shipments overseas rose 33% in January from a year earlier to \$13.96 billion, while imports surged 49% to \$14.61 billion, compared with an 8.8% rise in the previous month. The country recorded a \$653.3-million trade deficit for the first month of the year, compared with a surplus of \$1.2 billion in December. Imports surged mainly because of a \$532-million oil rig order and \$239 million spent on aircraft. Oil and raw material imports also jumped as local consumption and investment picked up. Inflation is also expected to rise this year, reaching 3.2-3.7%, against 2.3% last year, because of ongoing pressure from rising

oil prices and higher consumer product prices, he said. The average Dubai crude price was projected at US\$80-85 per barrel, up from \$75-80 in the previous year.

Mr Ampon said the positive outlook was helped by a slate of investment plans already approved by the Board of Investment (BOI), including new developments in petrochemicals, automating and automotive parts, and electronics. Despite fears of a slowdown in the US, growth in exports to China and new markets in Eastern Europe should help cushion any downturn, he said.

"Thailand's economy is likely to show more sustained growth, although there are concerns about high oil prices, rising prices for consumer goods and a slowdown in the global economy," he said. "Those factors will affect the economy less if the government carries out its policies with proper financial and monetary measures, while making the private sector feel confident in the economy."

The stronger-than-expected growth figures helped push Thai stocks up 1.44% yesterday. The Stock Exchange of Thailand index closed at 838.74 points, up 11.88, in trade worth 16.52 billion baht. Supakorn Sujiratanawimol, an executive vice-president of KTBS Securities, said the improved economic figures helped boost sentiment for the day.

But she noted that trading volume remained light, and that the direction of the US economy would play a larger role on the SET over the next few weeks. The overall market would remain volatile so long as foreign investor confidence in the global economy remained uncertain, Ms Supakorn said. Kitti Hamnilrat, a senior vice-president of Ayudhya Securities, agreed that the US economic slowdown and sub-prime mortgage crisis would continue to weigh on global markets for some time.

Source: Bangkok Post
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BOT maintains key interest rate; imminent Thaksin return distracts SET

The Bank of Thailand's Monetary Policy Committee (MPC) on Wednesday maintained its policy interest rate at 3.25 per cent per annum amid concerns over the rising inflation risk, but the Stock Exchange of Thailand (SET) reflected the more immediate concern of political stability, as the Thai capital awaits the return of ex-prime minister Thaksin Shinawatra.

Many investors in the sat out Wednesday, watching the political drama unfold. SET lost almost a half a per cent, closing 0.32 per cent lower than Tuesday, as the controversial former leader prepares to land at Suvarnabhumi airport Thursday morning and resume his familiar centre stage presence over all other concerns for many in Bangkok. Foreign investors and Thai observers alike are uncertain what lies ahead. The SET composite index lost 2.63 points, closing at 832.04 and the blue-chip SET-50 lost 2.24 points falling to 602.32.

However BOT's Monetary Policy Committee nonetheless focused on its continuing role of guiding fiscal policy. "Headline inflation remained at a high level, but was expected to moderately (continue) going forward," according to an MPC statement. "At the same time," said the Bank of Thailand unit, "core inflation is expected to remain within the target range throughout the next eight quarters.

"However, risks remained that global economic growth could turn out weaker than expected, affecting the Thai economy and inflation expectations going forward," the MPC said in a statement detailing possible risks to the Thai economy.

Delivering an assessment of Thailand's latest economic developments, Duangmanee Vongpradhip, Bank of Thailand Assistant Governor of the Monetary Policy Group, told a press

conference that the MPC noted that domestic demand was rising, both in consumption and investment, while exports expanded robustly.

In addition, the improvement in private sector confidence and the government's plan for additional fiscal stimuli would support a continued recovery in domestic demand, which going forward, would help cushion the impact from the risk of a slowdown in export growth, given the signs of a US recession, the senior bank official said.

Headline inflation adjusted upwards and could continue to accelerate in the near future as a result both of higher world oil and commodity prices. However, the recent appreciation of the Thai baht would help somewhat reduce inflationary pressure from world commodity prices, the MPC statement said.

The MPC expected that the overall growth momentum of the Thai economy improved due to the pickup in domestic demand, partly as a result of an accommodative monetary policy in earlier periods.

Source: MCOT

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Foreign reserves top \$100bn for first time

International reserves have reached an all-time high at \$100.5 billion baht as of Feb 29, according to data released yesterday by the Bank of Thailand. The country's reserves rose by more than \$5 billion from the previous week, the central bank reported on its website. The bank's net forward position, representing foreign-exchange swaps and future obligations, fell slightly to \$23.3 billion as of Feb 29 from \$24.1 billion the week before.

Reserves have risen thanks to central bank intervention in the currency markets to help stem appreciation of the baht. The bank essentially buys dollars in the market and issues baht to help create demand for foreign currency and influence market rates. Dealers said intervention had picked up over the past week following the central bank's move on Monday to scrap the 30% reserve rule on foreign inflows.

The baht, which has gained about 6% against the dollar since the beginning of the year, has remained relatively steady this week as a result of central bank intervention. It was trading late yesterday at 31.515/535 to the US dollar against 31.55/59 on Thursday.

Source: Bangkok Post

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