



Population	67.4 million
Population growth	0.6 percent
Surface area	513,120 sq. km.
Capital	Bangkok

Source: World Development Indicators.

The Thai economy closed 2010 on a strong note, supported by both domestic and external demand. GDP was up 4.8 percent from the previous quarter on a seasonally-adjusted annualized (SAAR) basis, following two quarters of mild contraction. For 2010 as a whole, GDP expanded by 7.8 percent from 2009. For 2011, the high base set by the rebound leads to year-on-year growth of 3.7 percent, but quarterly growth is expected to accelerate from the average 0.6 percent recorded between the second and fourth quarters of 2010 to 4.9 percent in 2011. Despite tailwinds from domestic and regional demand, growth is not expected to return to potential until 2012 due to the substantial linkages between Thailand and advanced economies, which are still expected to under-perform in 2011.

Exports of goods and services outperformed expectations in 2010. Although a slowdown was expected in the second half of 2010 following the sharp rebound (and inventory restocking) of late 2009 and early 2010, merchandise exports remained firm and even expanded in the fourth quarter, helped by higher demand for agricultural products and vehicles. Service exports also performed well against the backdrop of the political turmoil of April and May, and by December tourist arrivals were already at a new historical high. External demand is likely to remain supportive in 2011

thanks to vehicle exports to ASEAN and Oceania, and fast-growing demand from East Asia for both goods and services. (As an indication, tourist arrivals from China were up 45 percent in 2010—nearly four times the overall rate of increase). Nevertheless, because the recovery in advanced economies (which account for 70 percent of global import demand) is still expected to proceed at a modest pace, growth in external demand will remain below historical averages.

Domestic private demand picked up following three years of sluggish growth. Private consumption expanded by 5 percent in 2010 after averaging only 2 percent over a three-year period (2006-2009), while private investment grew by 14 percent. The strength in external demand supported investment growth as manufacturers shrugged off the political impasse and expanded the capacity of existing plants. Higher commodity prices boosted agricultural incomes, which propped up consumption in the provinces. In addition, the monetary policy “medicine” of low interest rates worked, with credit growth reaching 12 percent (year-on-year) in the fourth quarter compared to a pre-crisis peak of 11 percent. The combination of higher agricultural incomes and accommodative monetary policy helped boost demand for domestically-produced durable goods. The auto sector, in particular, expanded production by over 50 percent in 2010, helped by strong exports but also by domestic sales (up 55 percent for the year). Domestic demand will remain supportive in 2011 thanks to still-low interest rates, favorable external conditions (especially firm prices for agricultural commodities) and expansionary fiscal policy. A larger acceleration of domestic demand growth is unlikely because of rising interest rates, uncertainties on the external environment and domestic political risks (2011 is expected to be an election year).

Current inflation remains benign, but concerns about the outlook are on the rise along with food and energy prices. Headline inflation was stable at around 3 percent in 2010, while core inflation closed the year at 1.4 percent—well-below the Bank of Thailand’s inflation target of core inflation between 0.5 and 3 percent. The difference between core and headline measures can

be explained primarily by the increase in food prices, which were up 6 percent in 2010. This was the result of supply shocks (severe flooding in October, earlier droughts and pest infestations), as well as a broader global trend. Actual price increases do not fully reflect price pressures, as the Ministry of Commerce has been keeping a lid on prices of a number of widely-consumed products through “moral suasion”. The Ministry of Commerce estimates removal of these soft price controls may add as much as 1.7 percentage points to the annual consumer price index. The government also announced a renewal of subsidies to diesel oil, which affects the prices of a number of goods through its role in transportation. Concerns about a pass-through of persistent food price increases to core inflation expectations have led the Bank of Thailand to begin normalizing interest rates in July. Interest rates were raised three times in the past six months and are currently at 2.25 percent. There are also concerns about the closing output gap, but capacity utilization in domestically-oriented sectors remains slightly below pre-crisis levels, and lending rates have remained high despite the low policy rate (Thai banks have relatively high interest margins).

**Thailand** Key Economic Indicators

	2008	2009	2010	2011f	2012f	2010				2010			2011
	Year	Year	Year	Year	Year	Q1	Q2	Q3	Q4	Oct	Nov	Dec	Jan
<b>Output, Employment and Prices</b>													
Real GDP (% change y-y)	2.5	-2.3	7.8	3.7	4.2	12.0	9.2	6.6	3.8	..	..	..	..
Domestic demand (% change y-y)	4.3	-6.9	10.3	3.8	5.1	19.3	8.4	11.6	3.4	..	..	..	..
Industrial production index (2000=100)	178.9	166.1	190.1	..	..	191.8	186.4	191.8	190.6	191.2	190.4	188.4	186.3
(% change y-y)	3.9	-7.2	14.5	..	..	31.2	17.6	9.8	2.9	6.0	5.7	-3.4	3.7
Unemployment (%)	1.4	1.5	1.0	1.2	1.2	1.1	1.3	0.9	0.9	0.9	1.0	0.7	..
Real wages (% change y-y) 1/	4.8	-1.6	..	..	..	-0.6	2.8	4.1	6.2	..	..	..	..
Consumer price index (% change y-y)	5.5	-0.8	3.3	3.5	3.0	3.7	3.2	3.3	2.9	2.9	2.8	3.0	3.0
<b>Public Sector</b>													
Government revenues (% GDP)	16.5	16.4	17.2	17.4	17.5	12.9	23.1	17.9	15.1	..	..	..	..
Government expenditures (% GDP)	17.6	20.9	20.3	19.3	19.0	21.0	17.1	19.2	23.9	..	..	..	..
Government balance (% GDP) 2/	-1.4	-3.0	-2.1	-2.2	-1.5	-7.8	5.7	1.3	-7.2	..	..	..	..
Domestic public sector debt (% GDP) 3/	33.7	39.4	38.8	38.9	37.5	39.9	39.6	39.0	38.8	38.0	37.8	38.8	..
<b>Foreign Trade, BOP and External Debt</b>													
Trade balance (billions US\$)	-0.4	19.4	14.0	10.4	7.6	2.0	4.6	3.3	4.0	2.3	0.5	1.3	-0.6
Exports of goods (billions US\$)	175.2	150.7	193.7	216.0	242.9	43.9	48.1	49.7	51.8	17.0	17.6	17.2	16.5
(% change y-y)	15.9	-14.0	28.5	11.5	12.5	32.0	41.8	22.2	21.1	16.6	28.7	18.6	21.4
Key export (% change y-y) 4/	7.6	-15.2	27.0	..	..	57.5	27.2	21.4	11.0	12.1	16.3	5.1	-6.2
Imports of goods (billions US\$)	175.6	131.4	179.6	205.6	235.4	41.9	43.5	46.4	47.8	14.8	17.1	15.9	17.1
(% change y-y)	26.8	-25.2	36.8	14.5	14.5	63.9	44.9	30.7	18.8	31.9	38.9	17.7	26.7
Current account balance (billions US\$)	2.2	21.9	14.8	12.0	9.6	5.5	1.7	2.0	4.1	2.7	1.0	1.8	1.1
(% GDP)	0.8	8.3	4.6	3.3	2.5	7.1	2.2	2.6	4.7	..	..	..	..
Foreign direct investment (billions US\$) 5/	7.5	4.5	5.3	6.4	7.9	1.5	0.9	1.6	1.3	0.4	0.5	0.3	-0.7
External debt (billions US\$) 6/	76.1	75.3	..	..	..	79.1	81.1	89.9	..	..	..	..	..
(% GDP)	28.0	28.6	..	..	..	25.4	26.6	28.6	..	..	..	..	..
Short-term debt (billions US\$) 6/	33.6	33.1	..	..	..	35.7	37.2	42.1	..	..	..	..	..
Debt service ratio (% exports of g&s)	8.3	7.6	..	..	..	5.7	4.9	4.0	..	..	..	..	..
Foreign exchange reserves, gross (billions US\$)	111.0	138.4	172.1	191.2	207.9	144.1	146.8	163.2	172.1	171.1	168.0	172.1	174.0
(months of imports of g&s)	6.5	10.6	10.2	9.9	9.5	9.0	8.7	9.2	10.8	..	..	..	..
<b>Financial Markets</b>													
Domestic credit (% change y-y) 7/	9.3	3.1	12.5	..	..	6.0	8.5	10.8	12.5	12.1	12.3	12.6	14.4
Short-term interest rate (% p.a.) 8/	3.4	1.4	1.5	..	..	1.3	1.3	1.7	1.8	1.8	1.8	2.0	2.3
Exchange rate (Baht/US\$, ave)	33.4	34.3	31.7	30.0	30.0	32.9	32.4	31.6	30.0	30.0	29.9	30.1	30.5
Real effective exchange rate (2000=100) 9/	112.8	108.8	114.4	..	..	111.1	115.0	115.0	116.8	116.1	117.1	117.0	..
(% change y-y)	0.5	-3.6	5.2	..	..	1.6	4.9	6.1	8.3	4.9	5.7	5.0	..
Stock market index (Dec. 1996=100) 10/	450	735	1,033	..	..	788	797	975	1,033	984	1,005	1,033	964
Memo: Nominal GDP (billions US\$)	272.2	263.4	318.6	361.4	389.8	77.8	76.3	78.7	86.1	..	..	..	..

Sources: National data sources, World Bank staff estimates.

f = forecast

1/ Average wage of employed person, using the National Statistical Office Labor Force Survey, deflated by CPI inflation

2/ Cash balance of central government

3/ Includes domestic central government (CG) debt, domestic debt of non-financial state enterprises, and the Financial institutions Development Fund (FIDF) debt. Series was revised by adding the Village Fund (VF) and the Energy Fund Public Organization (EFPO).

4/ Machinery and mechanical appliances

5/ Non-bank FDI

6/ Bank of Thailand figures

7/ Private credits from domestically registered commercial banks, branches of foreign banks, international banking facilities, finance companies, specialized banks, thrift and credit cooperatives, and money market mutual funds

8/ One-day repurchase rate, average

9/ World Bank staff estimates

10/ Bangkok SET