



กระทรวงการคลัง
Ministry of Finance

Thailand's Economic Outlook and Fiscal Policies

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Outline

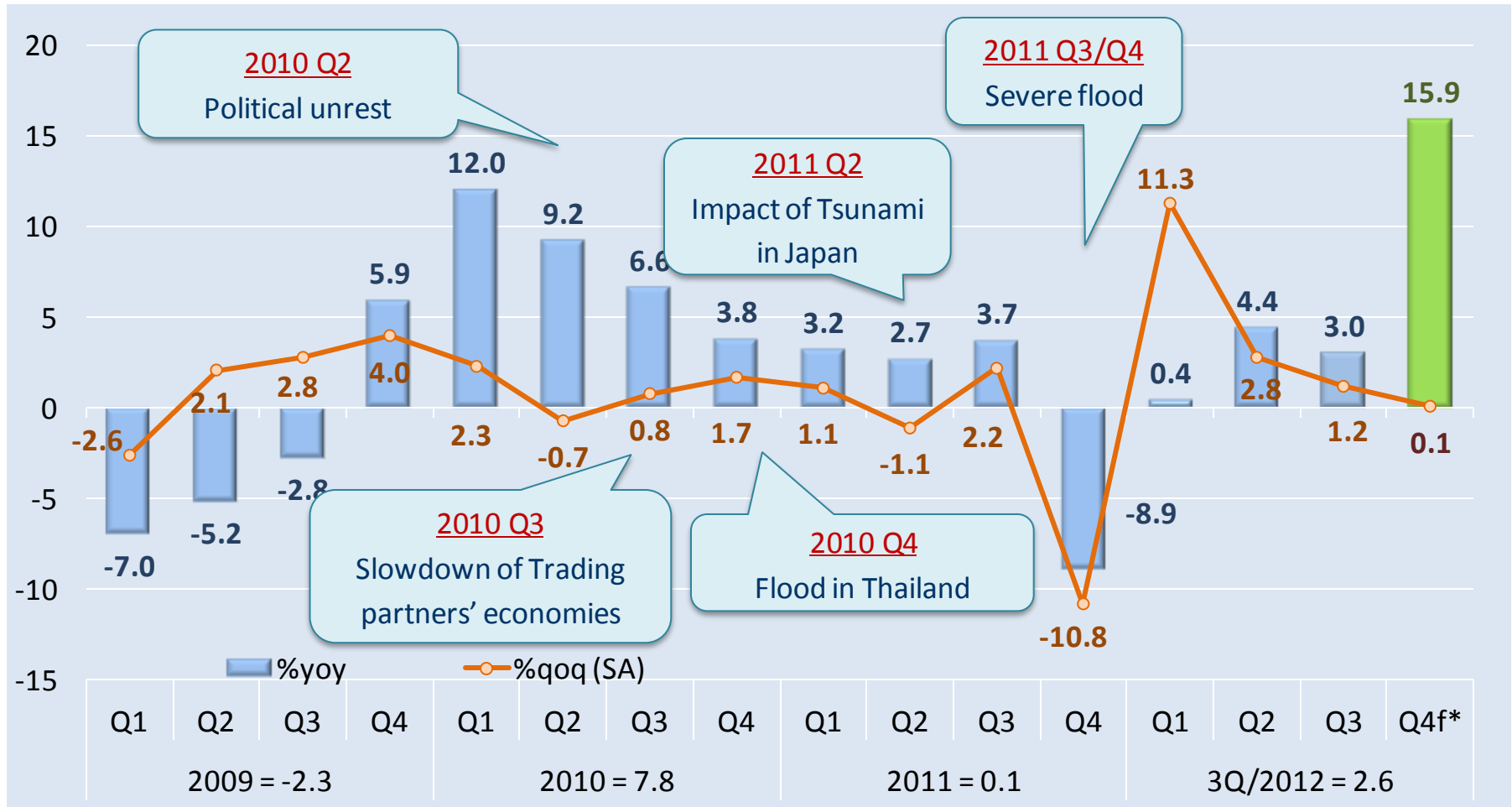
Thailand's economic development

Short-term government policies

Medium-term government policies

Thailand's Economic Development

Thai economic growth indicated resiliency to withstand adverse shocks

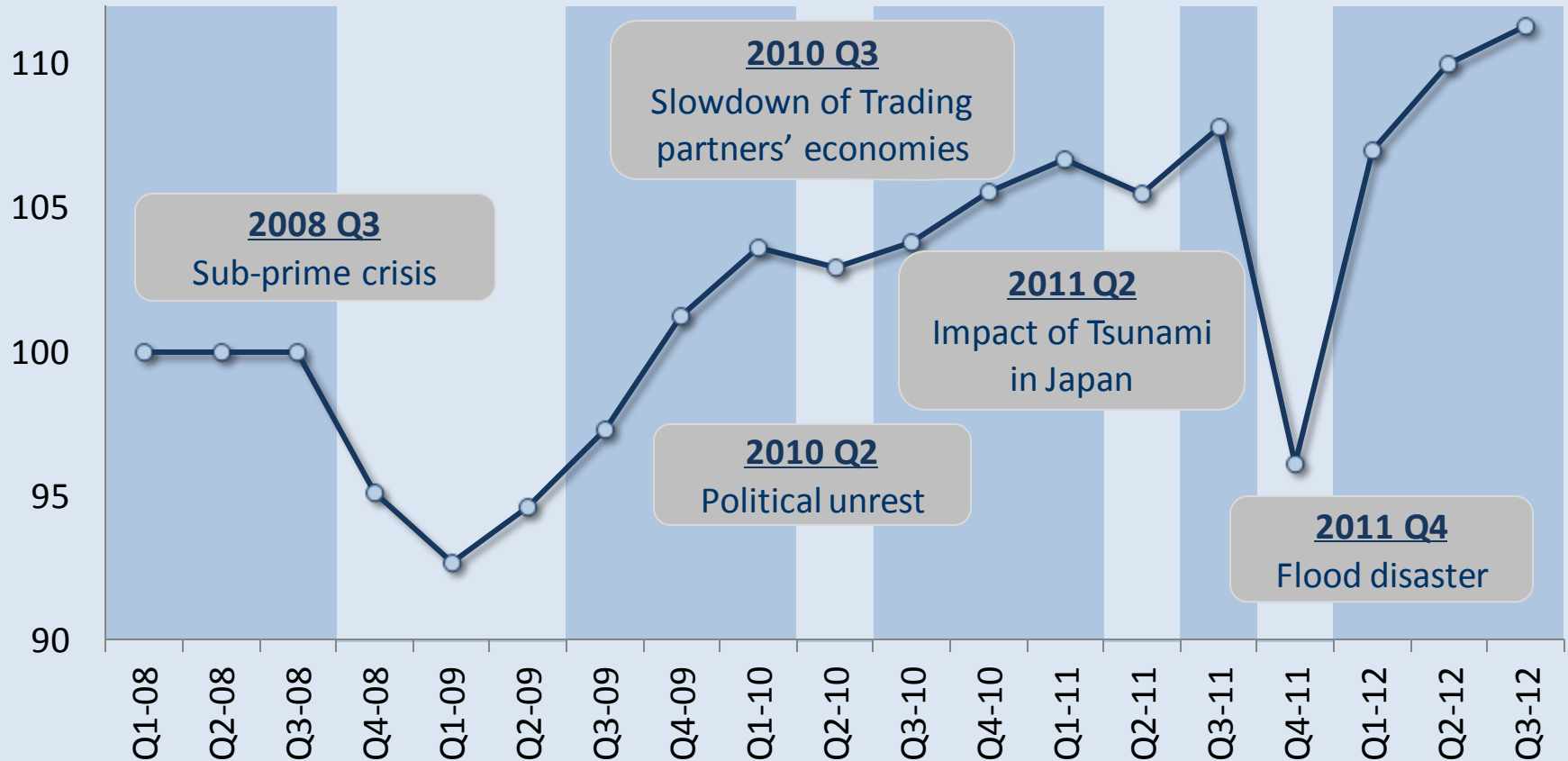


* Forecasted by FPO

Thailand's Economic Development

Thai GDP level is now above the recent crises

GDP level Index at constant price (s.a. 2008Q1 = 100)



Short Term and Medium Term Policies aim at Sustainable Growth

Medium-
Term
Strategies

Maintain
Fiscal
Sustainability

Promote
Inclusive Growth

Increase Competitiveness

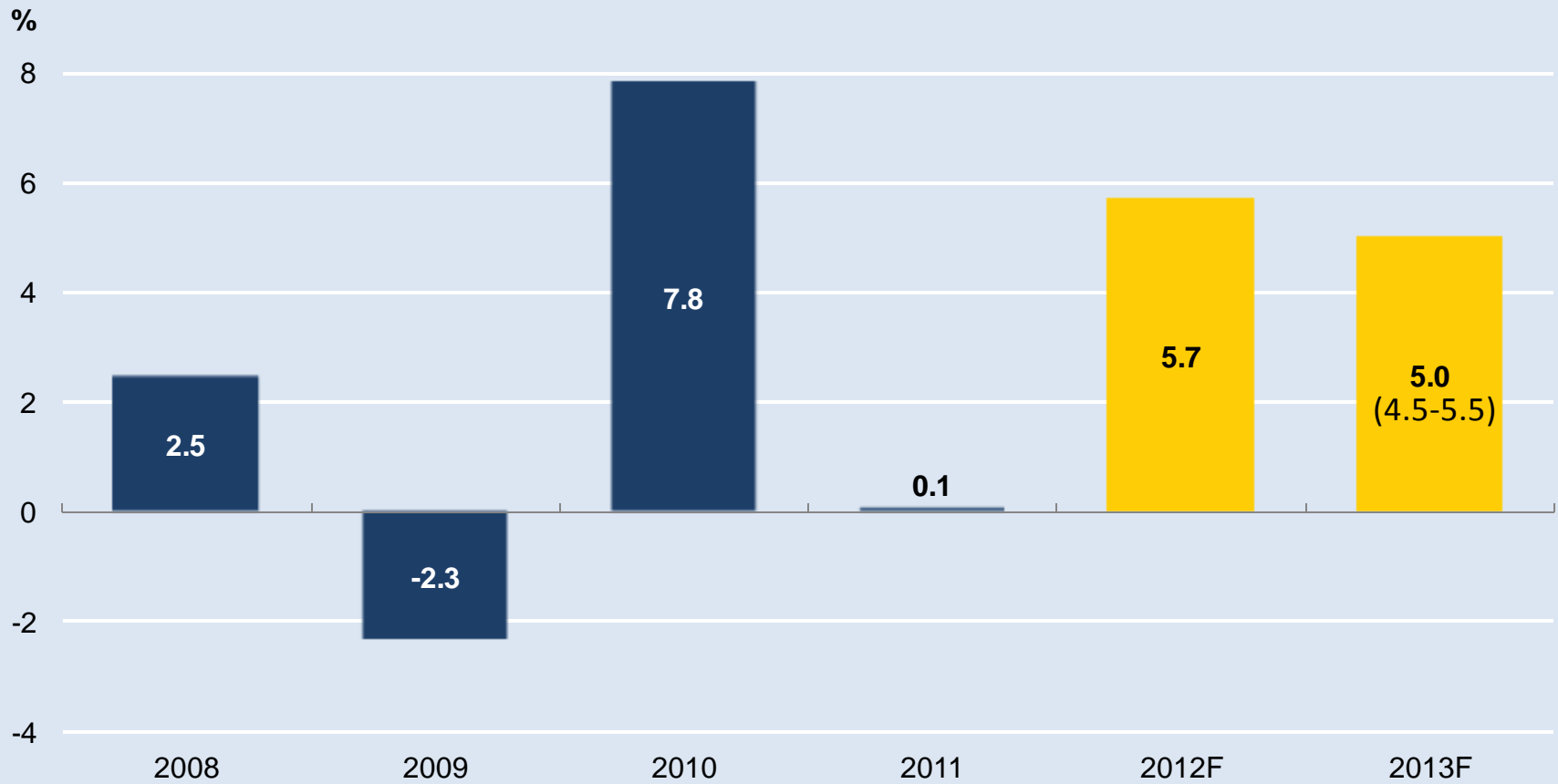
Short-Term
Strategies

Balanced
Growth

Maintain
Economic
Stability

Thailand's Economic Outlook

Real Gross Domestic Product



Source: FPO (as of December 2012)

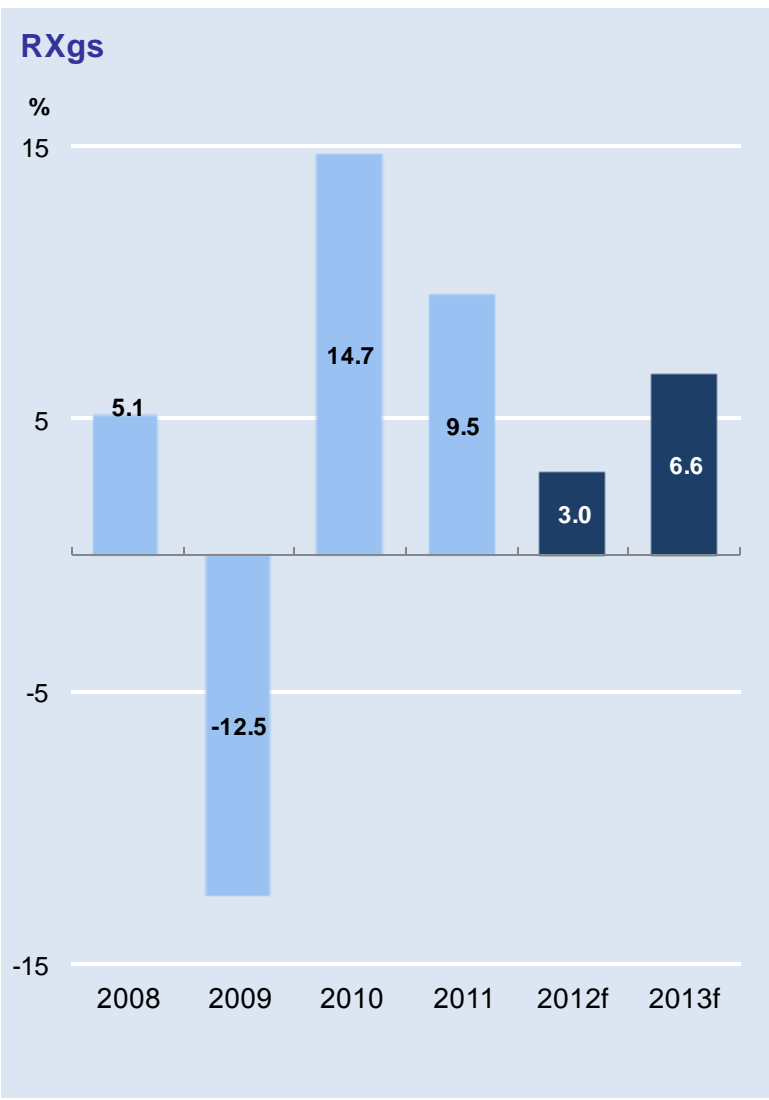
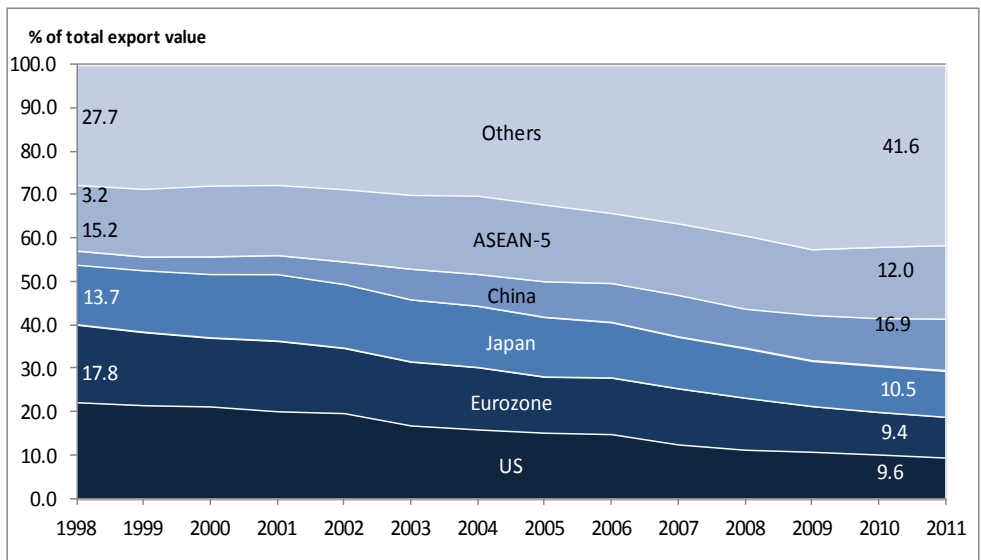
Thailand's Economic Outlook

	2011	2012F	2013F	
		Average	Average	Range
Real GDP	0.1	5.7	5.0	4.5-5.5
- Real Private Consumption (Cp)	1.3	5.6	3.9	3.4-4.4
- Real Public Consumption (Cg)	1.1	6.7	3.5	3.0-4.0
- Real Private Investment (Ip)	7.2	16.1	9.2	8.2-10.2
- Real Public Investment (Ig)	-8.7	8.5	14.0	13.0-15.0
- Real Export of goods and services (Xgs)	9.5	3.0	6.6	5.6-7.6
- Real Import of goods and services (Mgs)	13.7	6.1	5.6	4.6-6.6
- Trade Balance	17.0	9.5	9.4	8.4-10.4
- Export of goods in \$ term	13.1	3.9	10.0	9.0-11.0
- Import of goods in \$ term	24.9	8.0	10.5	9.5-11.5
- Current Account (Bill.\$)	5.9	3.0	2.1	0.1-4.0
- Current Account (%GDP)	1.5	0.8	0.5	0.0-1.0
Headline Inflation	3.8	3.0	3.0	2.5-3.5
Core Inflation	2.4	2.1	1.9	1.4-2.4

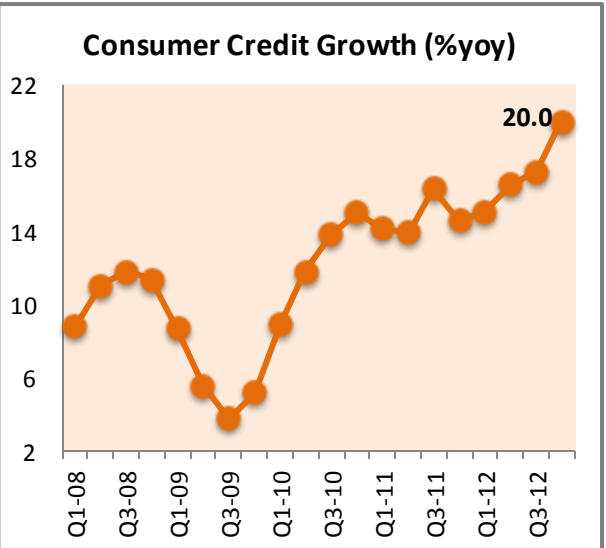
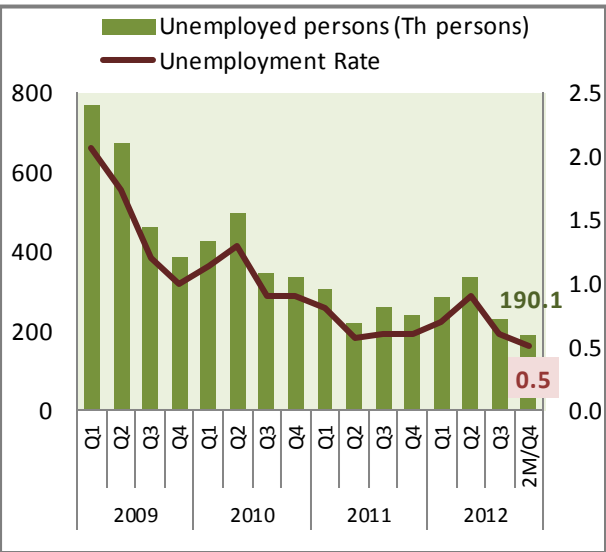
More exports to emerging Asian markets alleviate impact from global turbulence

Country/ Region	2010	2011	2012f IMF*	2013f IMF*
US	3.0	1.7	2.2	2.1
EU	1.9	1.5	-0.4	0.2
JP	4.4	-0.7	2.2	1.2
CN	10.4	9.3	7.8	8.2
ASEAN	7.0	4.5	5.4	5.8

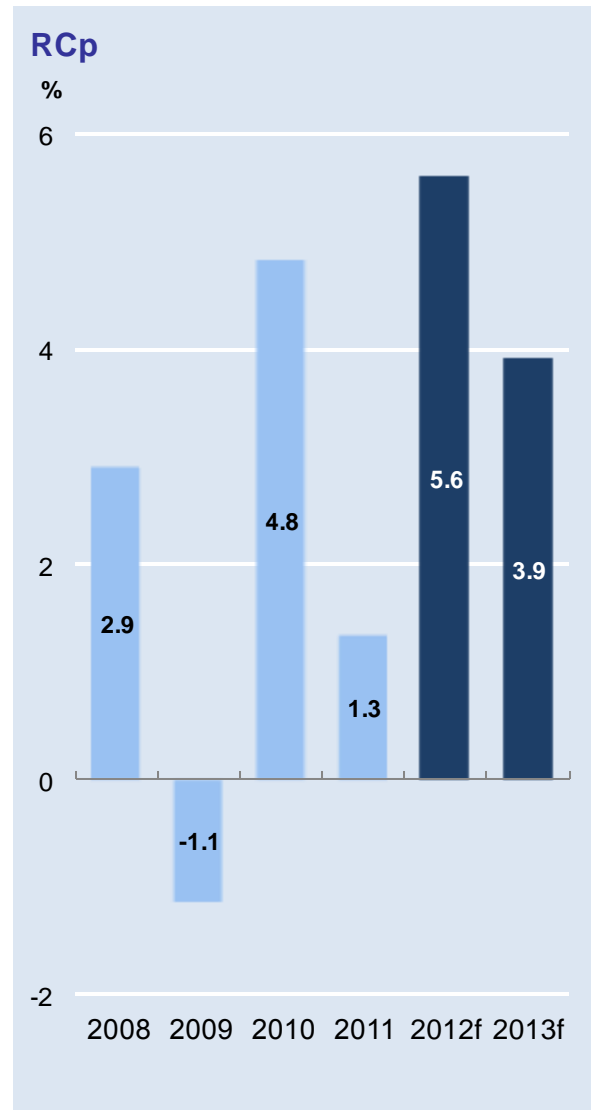
* as of Oct 2012



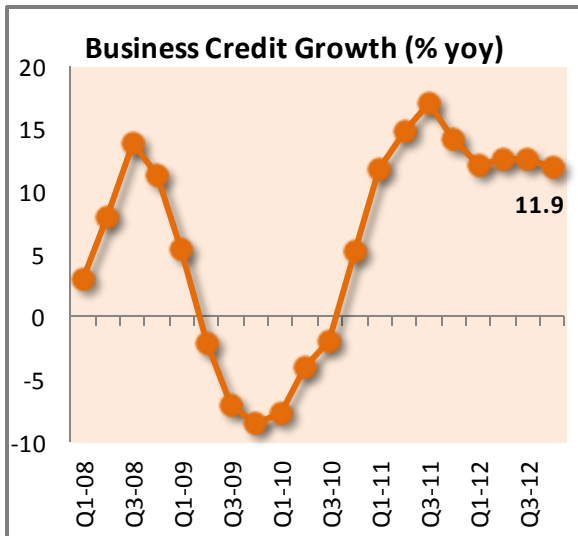
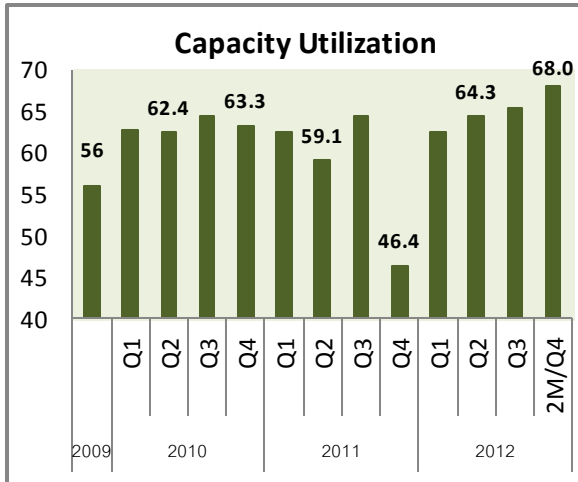
Government policies to promote consumption while reduce income disparity



- ## Government Policies
1. Increase in minimum wage to 300THB per day
 2. Salary hike for bachelor degree holders in the public sector
 3. Increase farm income by rice pledging scheme
 4. Hike monthly allowances for senior citizens
 6. 3-year debt moratorium and credit cards for farmers
 7. Tax Rebate for first-time car
 8. PIT tax reforms

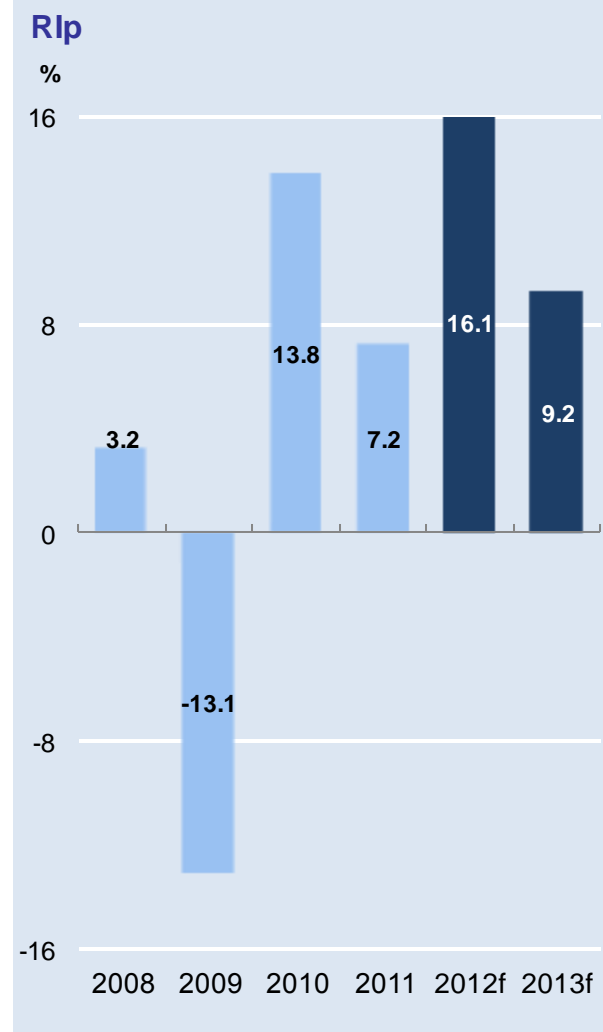


Private investment is underpinned by rising capital utilization and business credit, but government policies aim to promote investment growth momentum

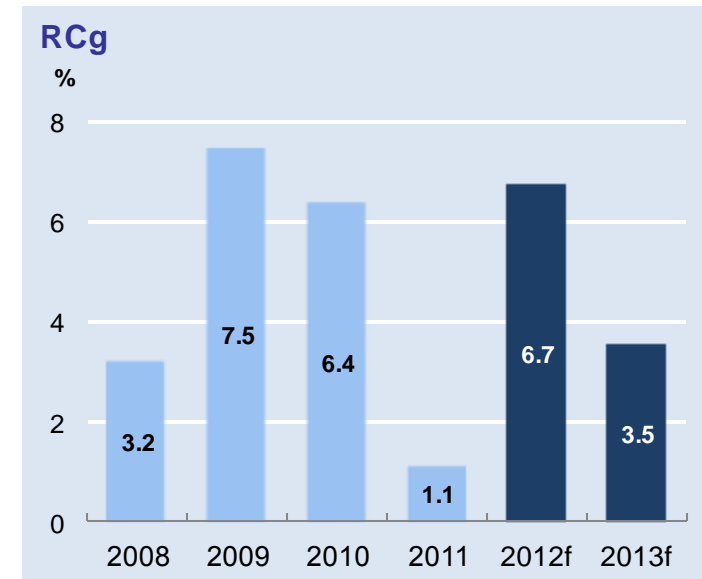
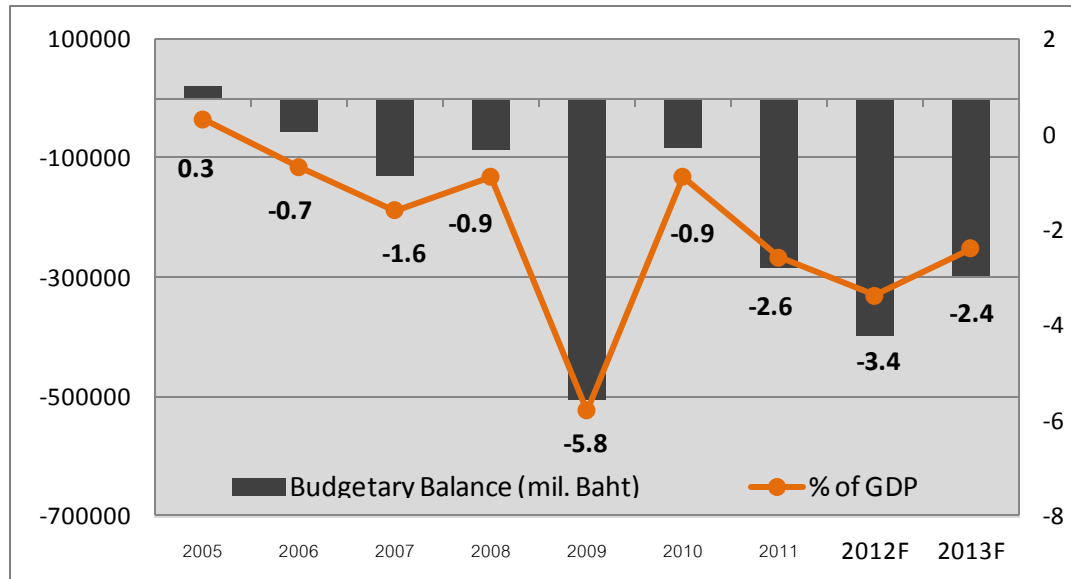


Government Policies

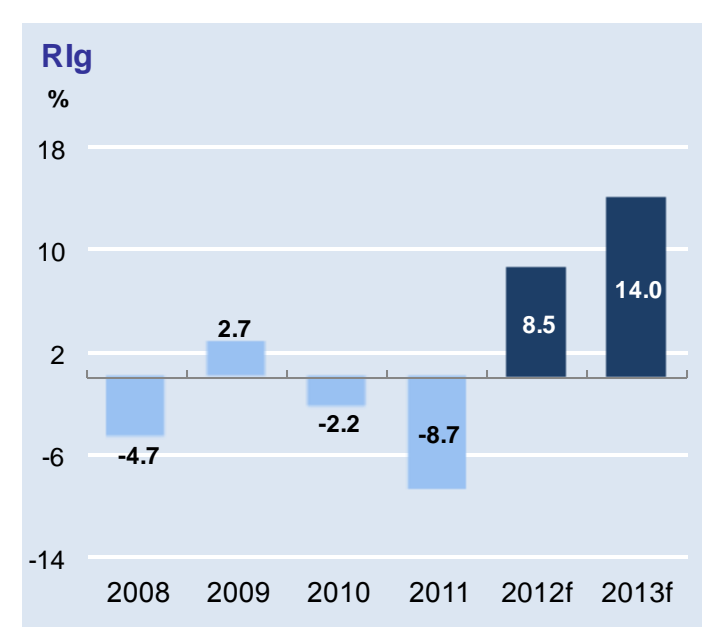
1. Cutting corporate income tax from 30% to 23% in 2012 and 20% in 2013
2. Tax deduction for first-time home buyers and zero-interest-rate soft loans
3. Tax incentive for private sector to enhance productivity through machinery replacement
4. 1-million baht revolving village fund
5. SML budgets for community development
6. Infrastructure investment
7. Productivity improvement loan and portfolio guarantee scheme for SMEs



Expansionary fiscal policy is needed to stimulate economy and investment cycle



Public Sector Spending (bn THB)	FY2011	FY2012	FY2013 (F)
1. Central Government budget	2,177.9	2,295.3	2,400
Current expenditure	1,787.0	1,873.1	1,902
Capital expenditure	263.6	275.4	449
2. Central Government revenue	1,891.0	1,980.6	2,100
3. Central Government budget deficit	-285.8	-314.7	-300
(% Of GDP)	-2.6	-2.7	-2.4
4. Water Resource Management Program	-	0.8	???*
5. Infrastructure Investment Program	-	-	???*
6. Local Government expenditure	301	295.7*	312.2*
7. State-own enterprise investment	259	277.3*	311.9*

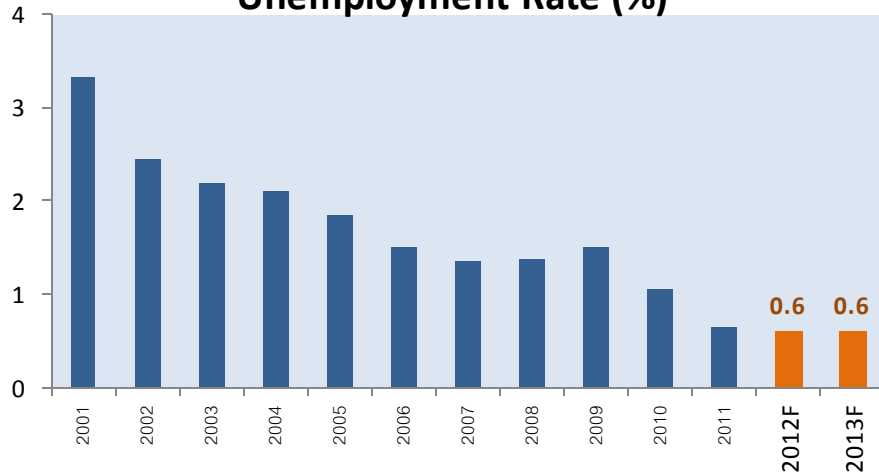


* Forecasted by FPO, as of December 2012

Strong Economic Fundamentals

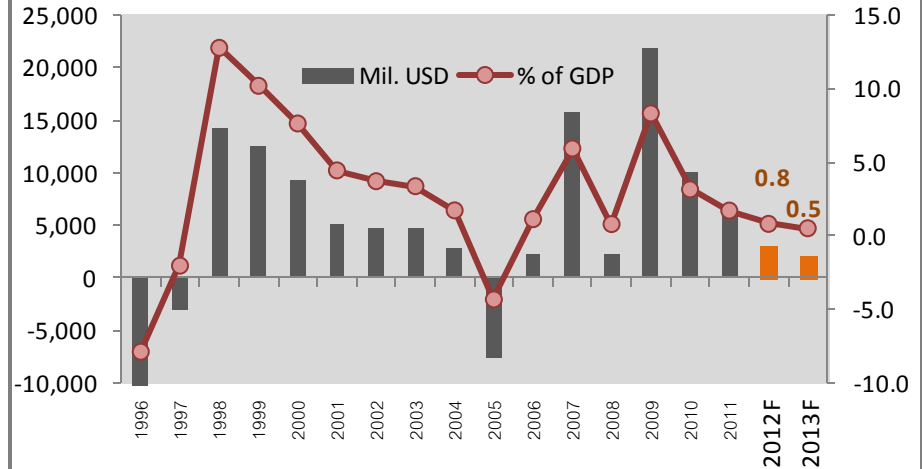
Internal Stability

Unemployment Rate (%)

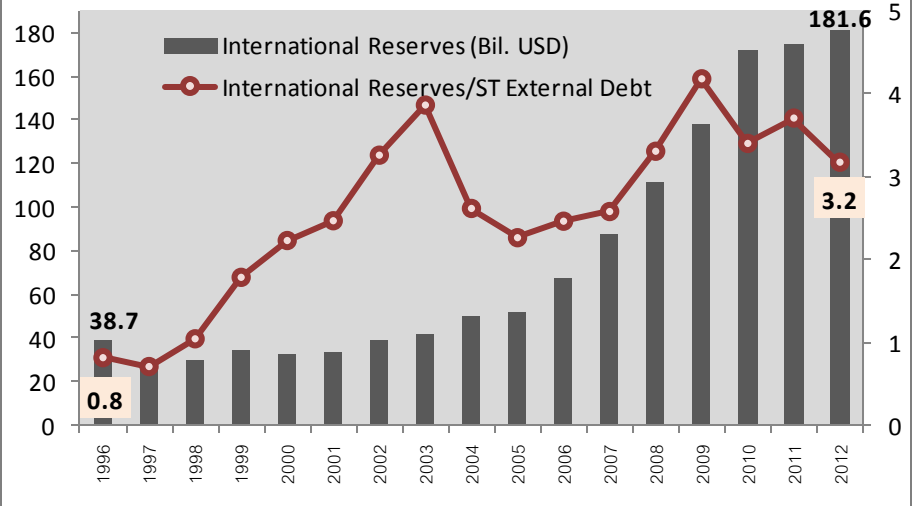
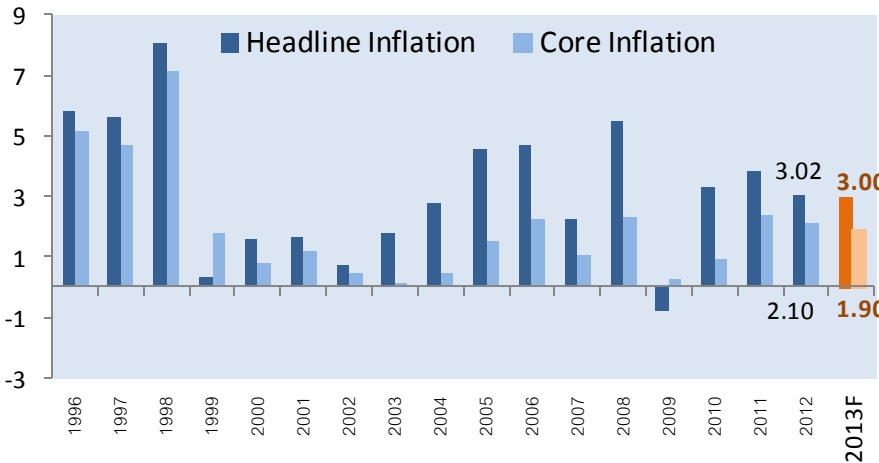


External stability

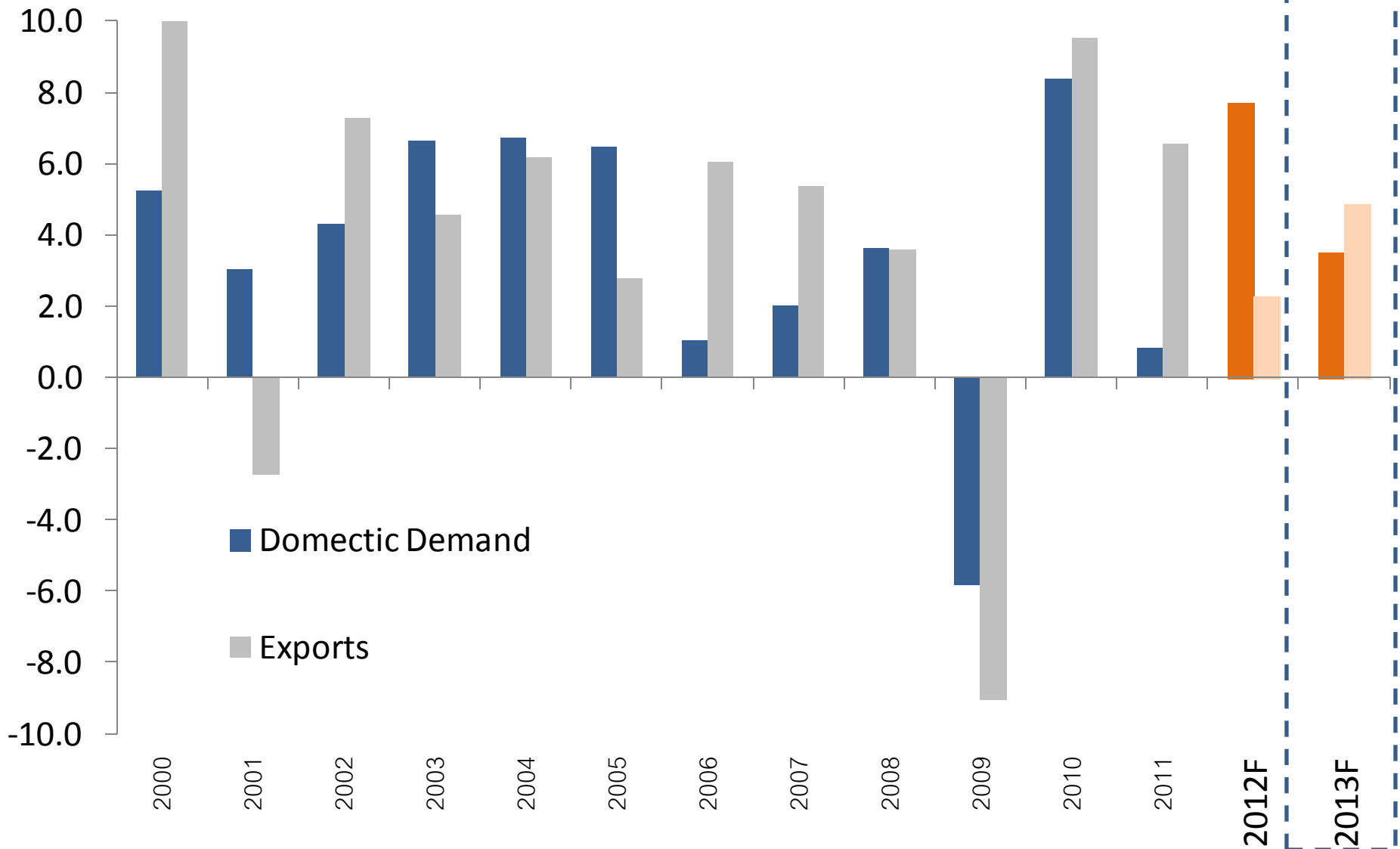
Current Account Balance



Inflation



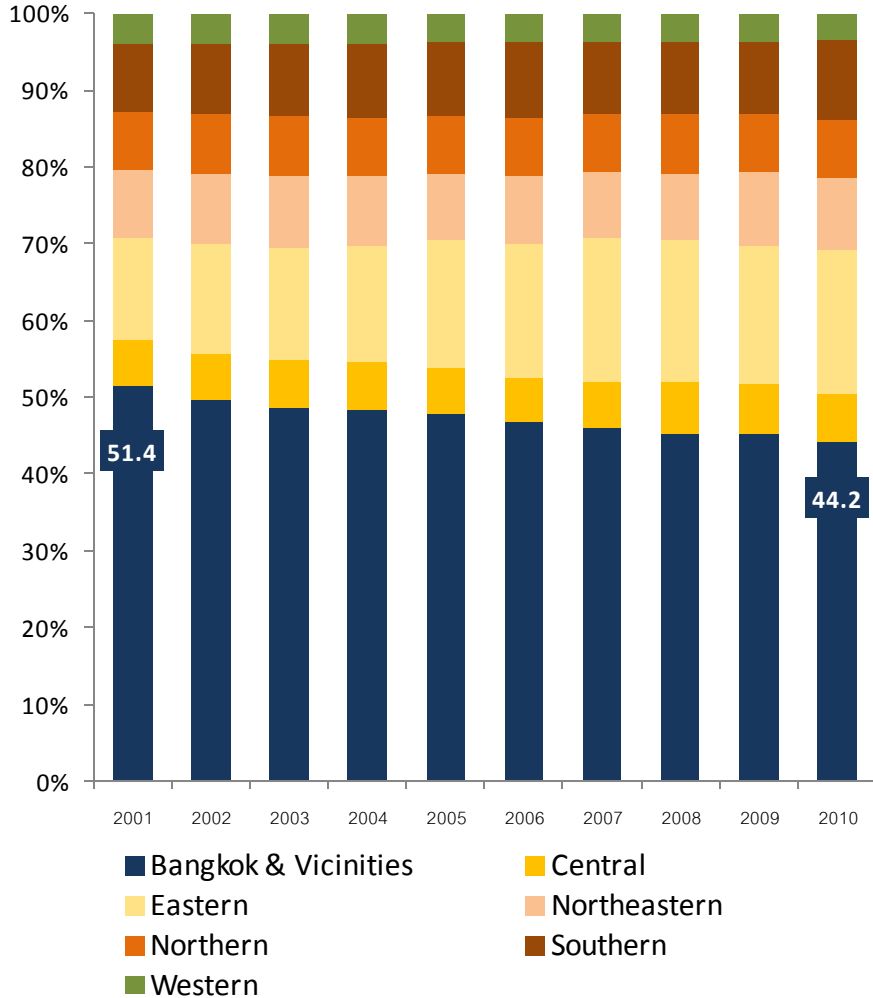
More Balanced Economy



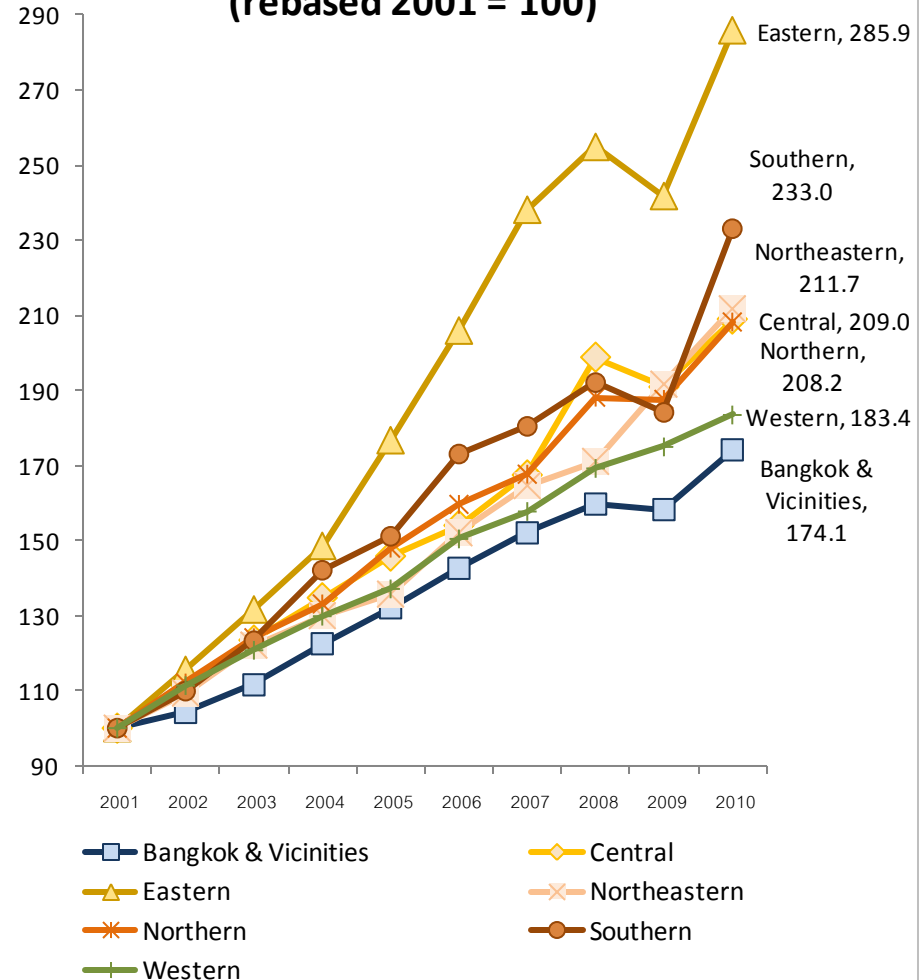
More Balanced Economy

Provincial output shows higher growth and share than Bangkok & vicinities

Share of Nominal GPP by Region

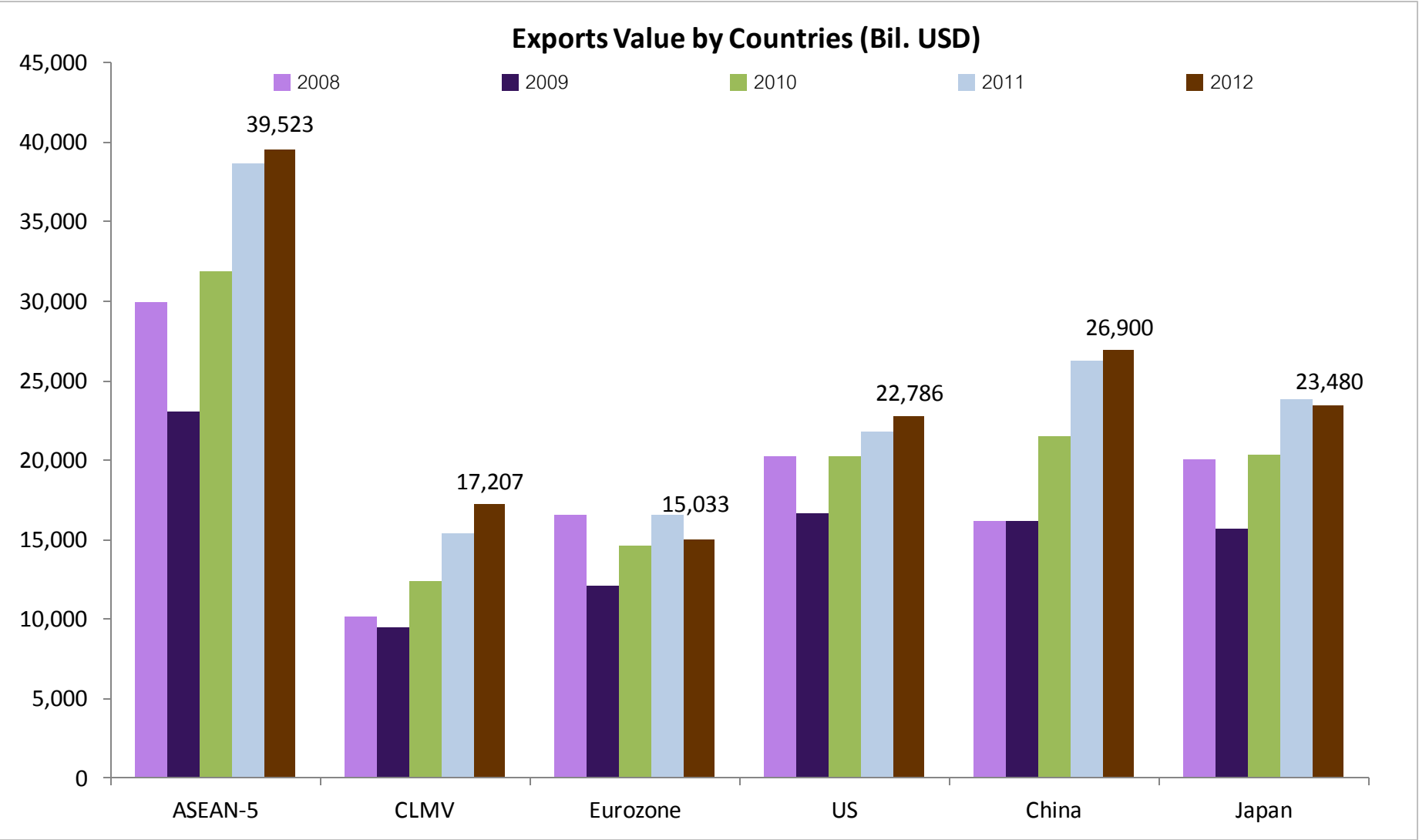


Nominal GPP by Region (rebased 2001 = 100)

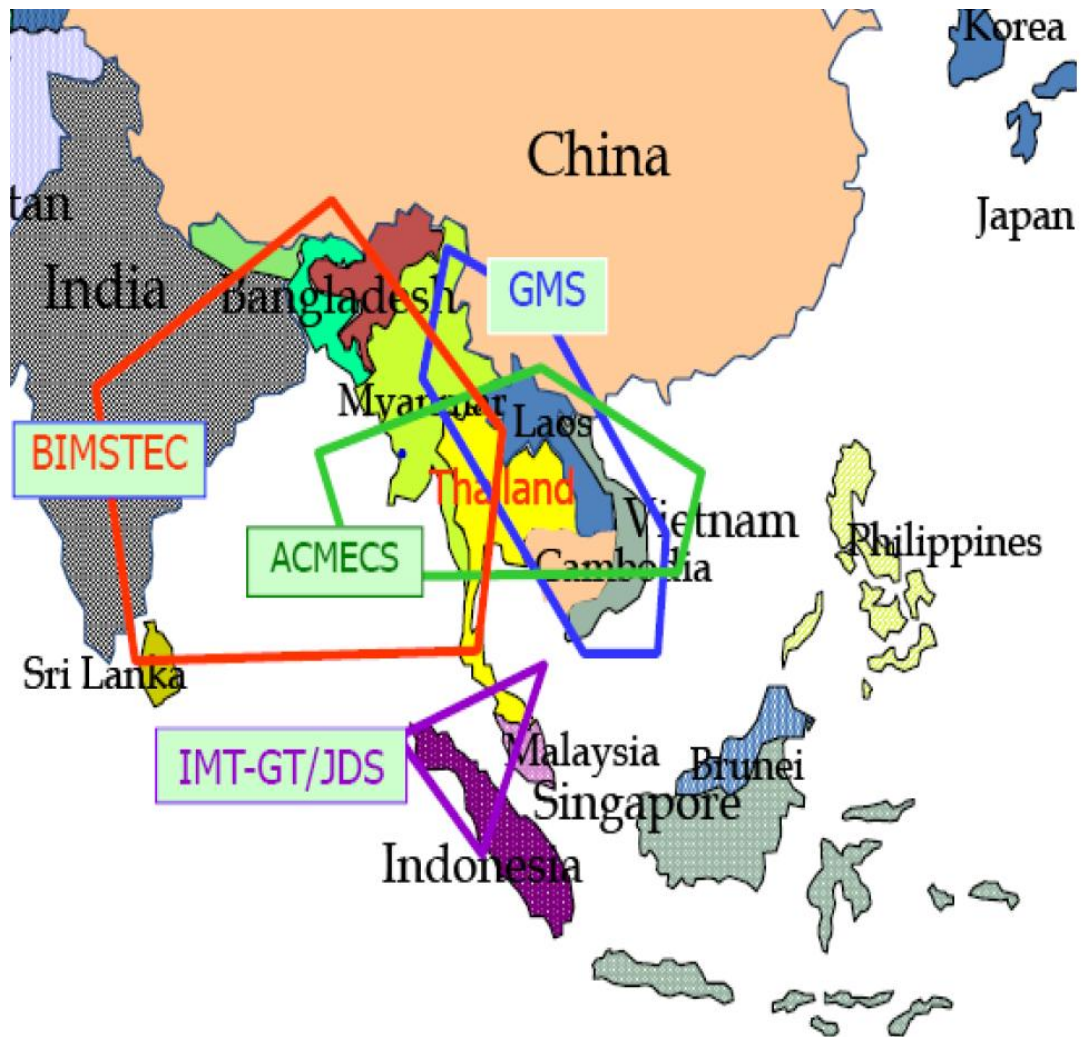


Growth in the provinces are partly driven by higher border trade

Exports to CLMV showed a significant increase since 2008



Thailand's strategic geographical location enables extensive ASEAN and South Asian networks, with Thailand as the focal point.



BIMSTEC: The Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation

Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan, Nepal

GMS: Greater Mekong Subregion

Cambodia, Thai, Laos, Vietnam, China

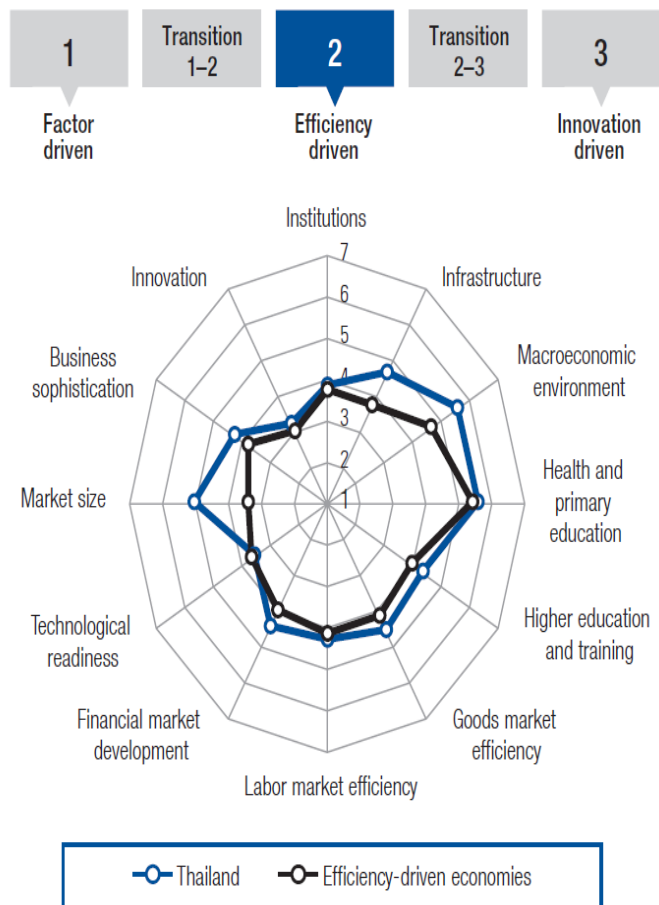
ACMECS: Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy

IMT-GT/JDS

Indonesia-Malaysia-Thailand Growth Triangle

Nevertheless, Thailand needs to enhance its competitiveness for upcoming AEC 2015, especially the inadequate logistic infrastructure

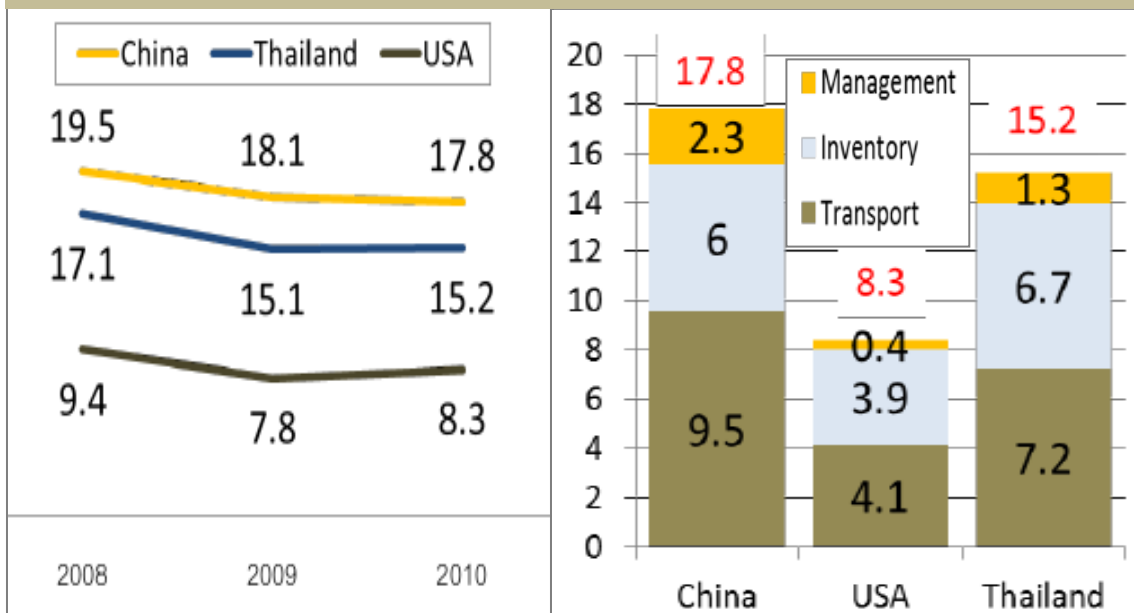
Stage of development



Source: Global Competitiveness Report 2012/2013, WEF

- Low innovation as a result of inadequate logistic infrastructure
- Thailand's logistics costs, although falling as a percentage of GDP, still relatively high
- Transport cost as a major logistic cost

Logistics Cost to GDP (%)



Source: NESDB

Medium-Term Government Policies

Maintain Public Debt level under the Fiscal Sustainability Framework

Income Support Program

Improvement in Infrastructure and Logistic System

Maintain Fiscal Sustainability

Promote Inclusive Growth

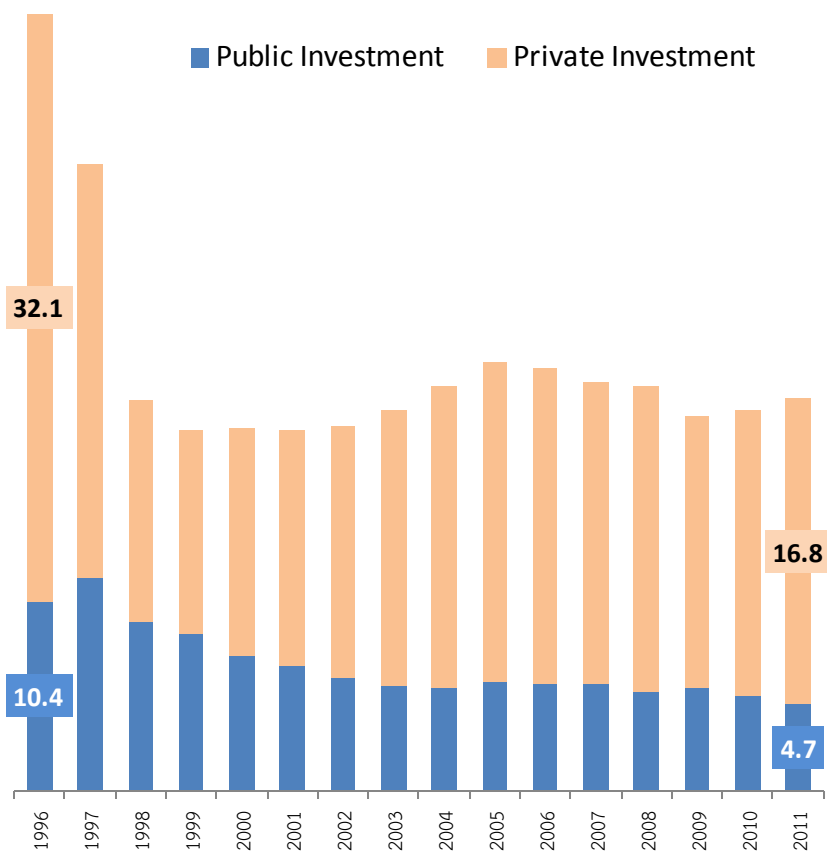
Increase Competitiveness

Medium-Term Government Policies: Enhance Competitiveness

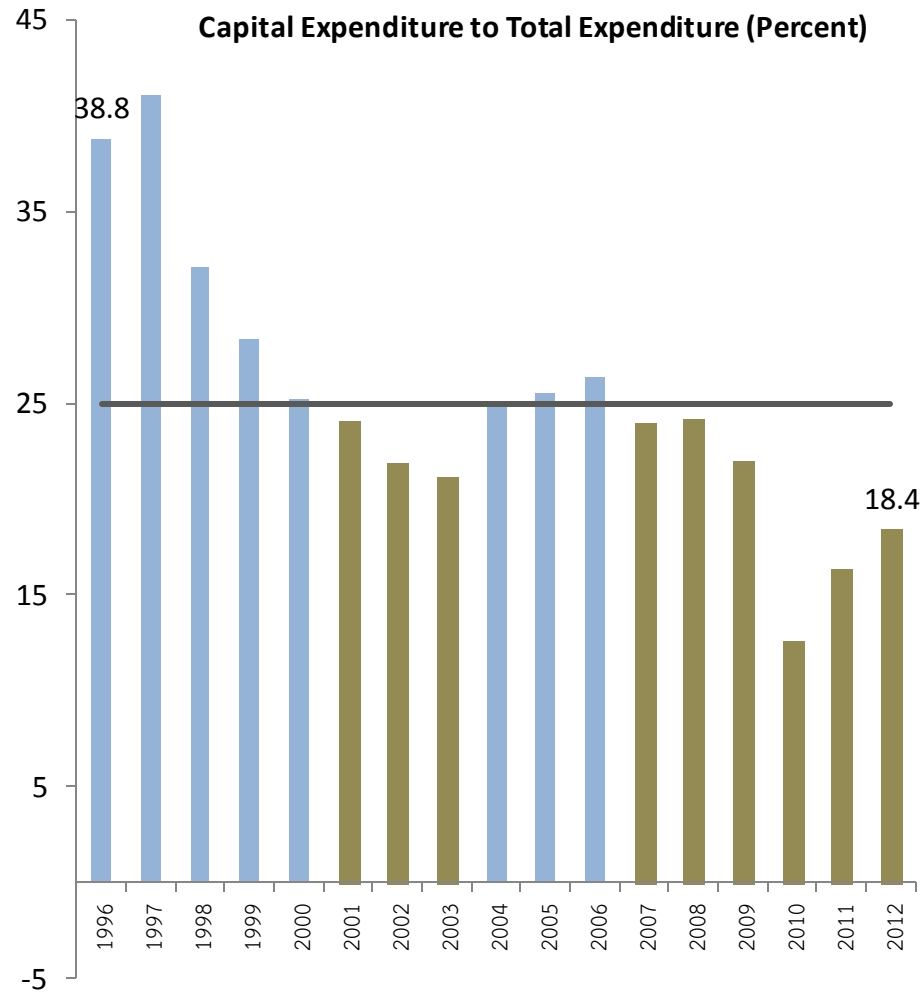
Domestic investment has been low since 1997 crisis

Investment to GDP Ratio (Percent)

Public Investment Private Investment



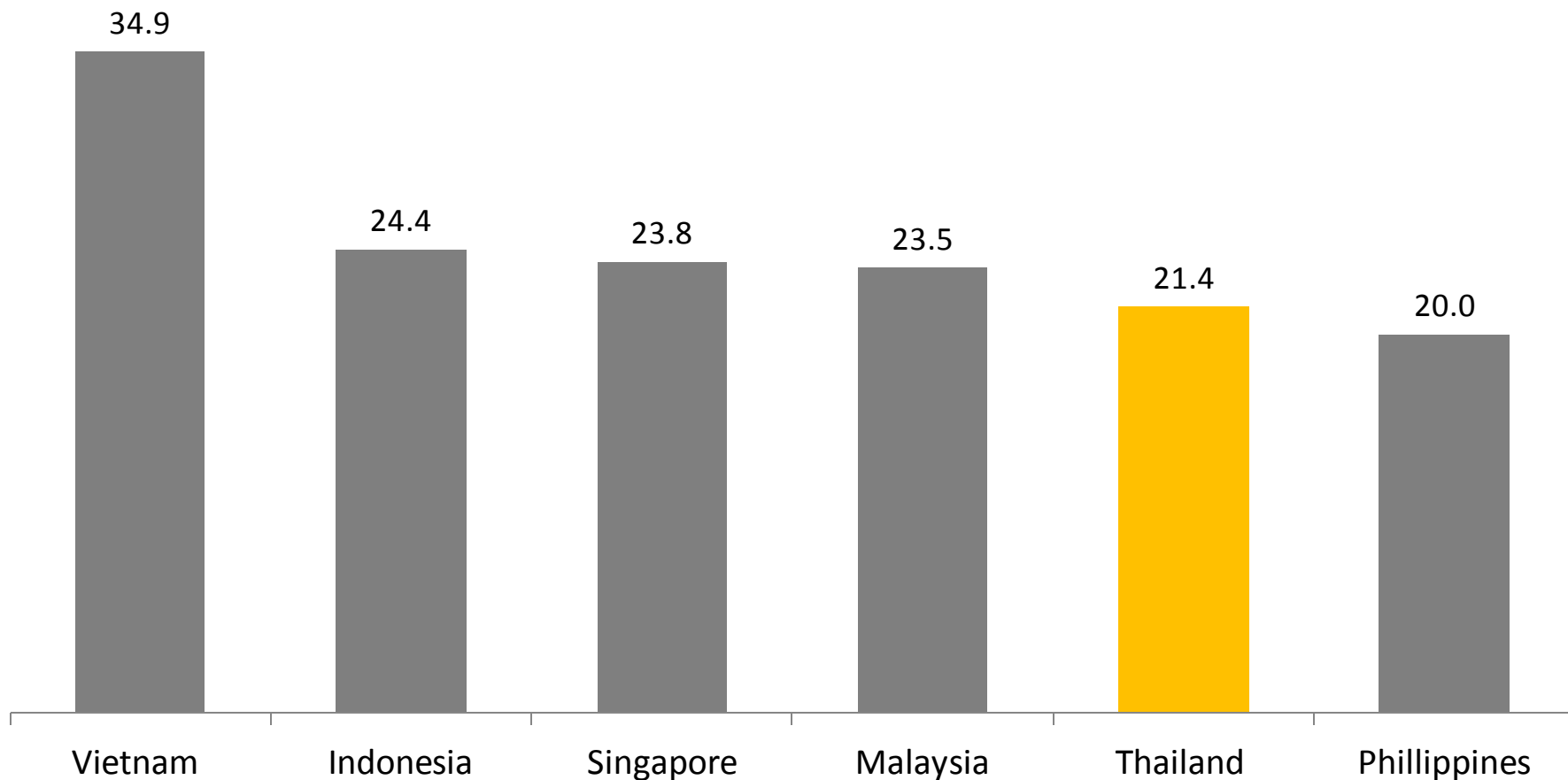
Capital Expenditure to Total Expenditure (Percent)



Medium-Term Government Policies: Enhance Competitiveness

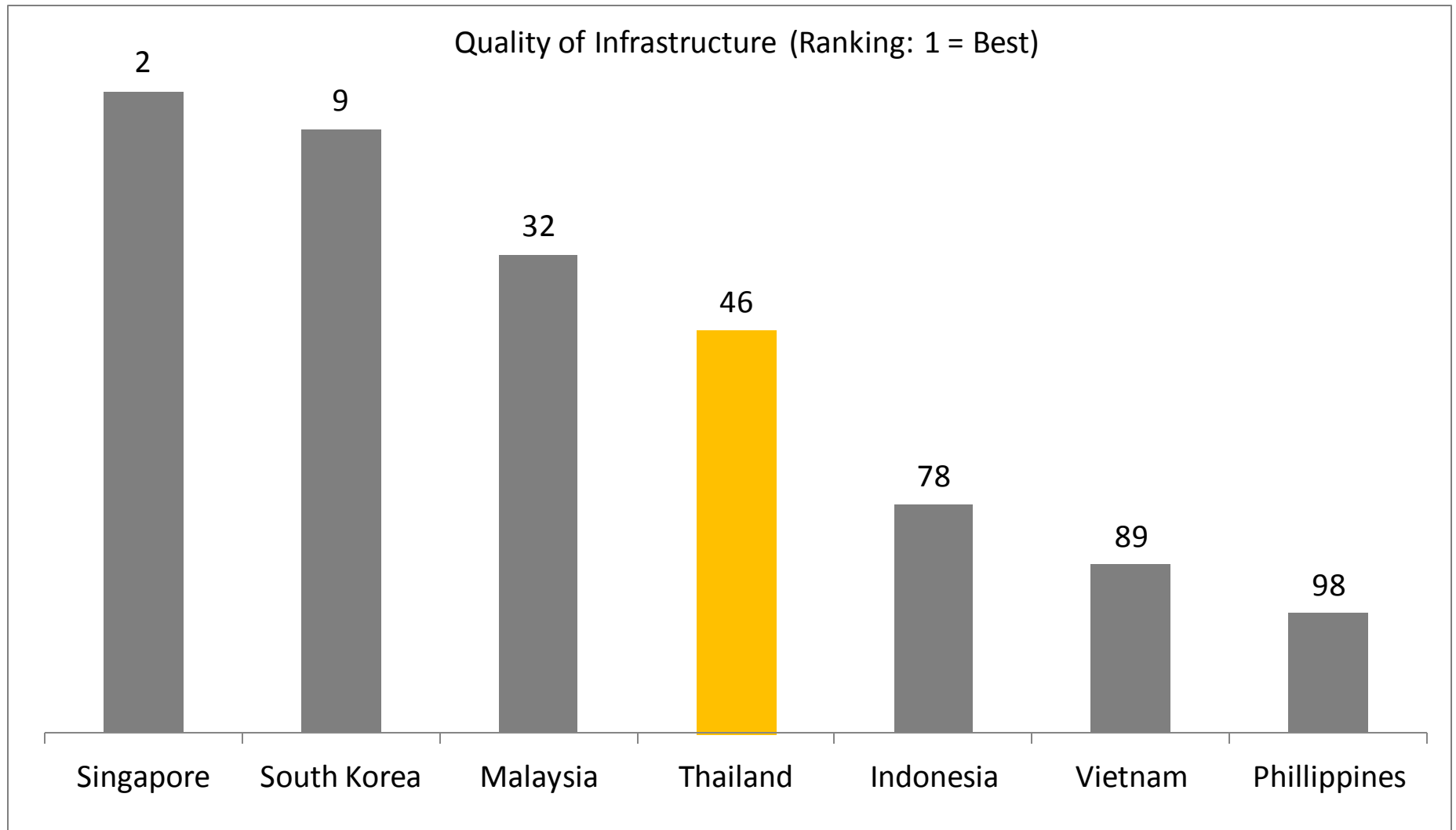
Thailand needs to expand its domestic investment to catch up with peers

Investment to GDP Ratio (Percent)



Medium-Term Government Policies: Enhance Competitiveness

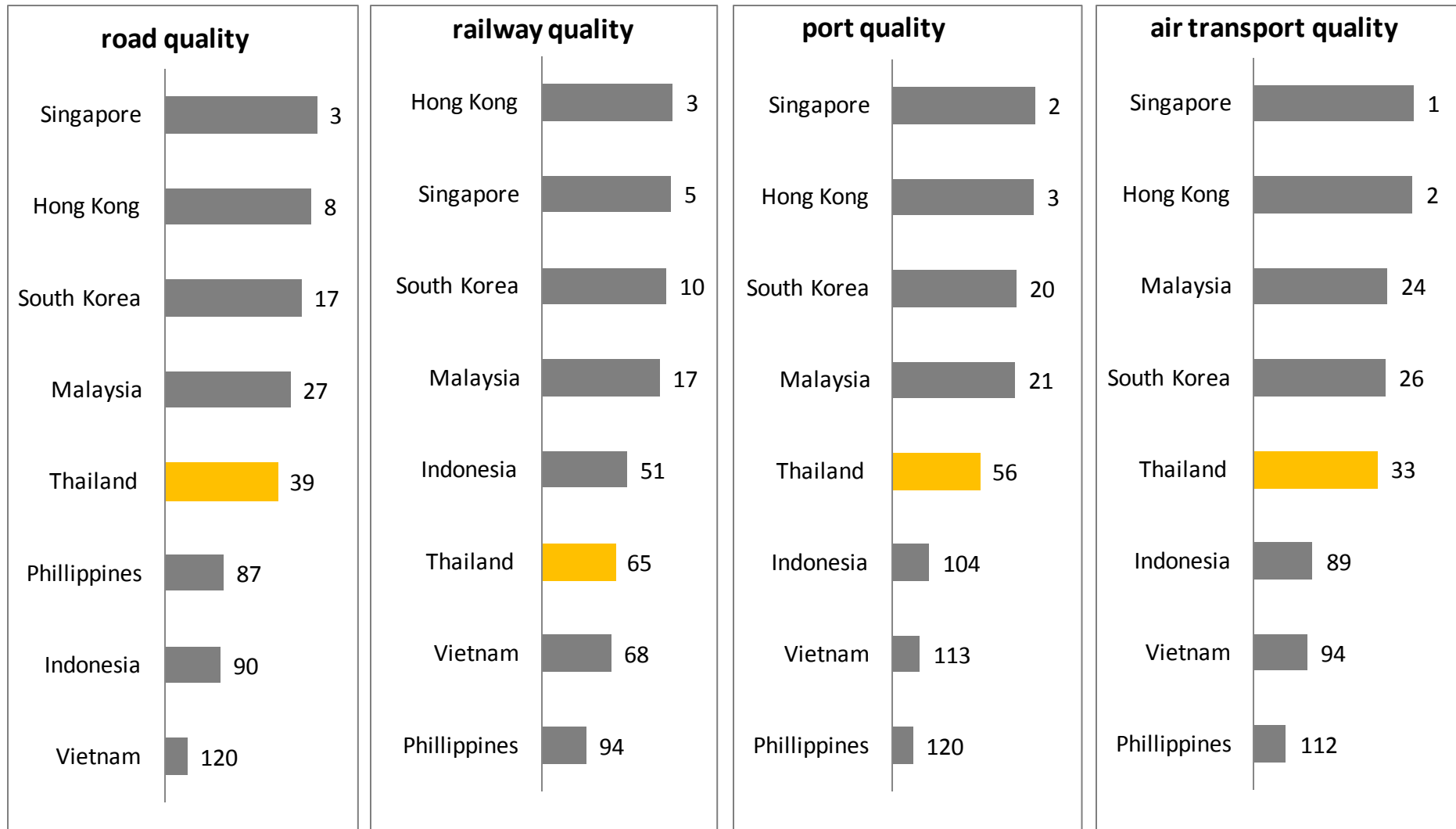
Greater investment would enhance infrastructure competitiveness



Source: Global Competitiveness Report, World Economic Forum

Medium-Term Government Policies: Enhance Competitiveness

Thailand needs to upgrade its logistics quality



Source: Global Competitiveness Report, World Economic Forum

Medium-Term Government Policies: Enhance Competitiveness

Logistics development program should cover all modes of transportation



Rail Transport

• 1,700 billion Baht, 78%

Road Transport

• 382 billion Baht, 18%

Water Transport

• 34 billion Baht, 2%

Air Transport

• 862 million Baht, <1%

Custom Infrastructure

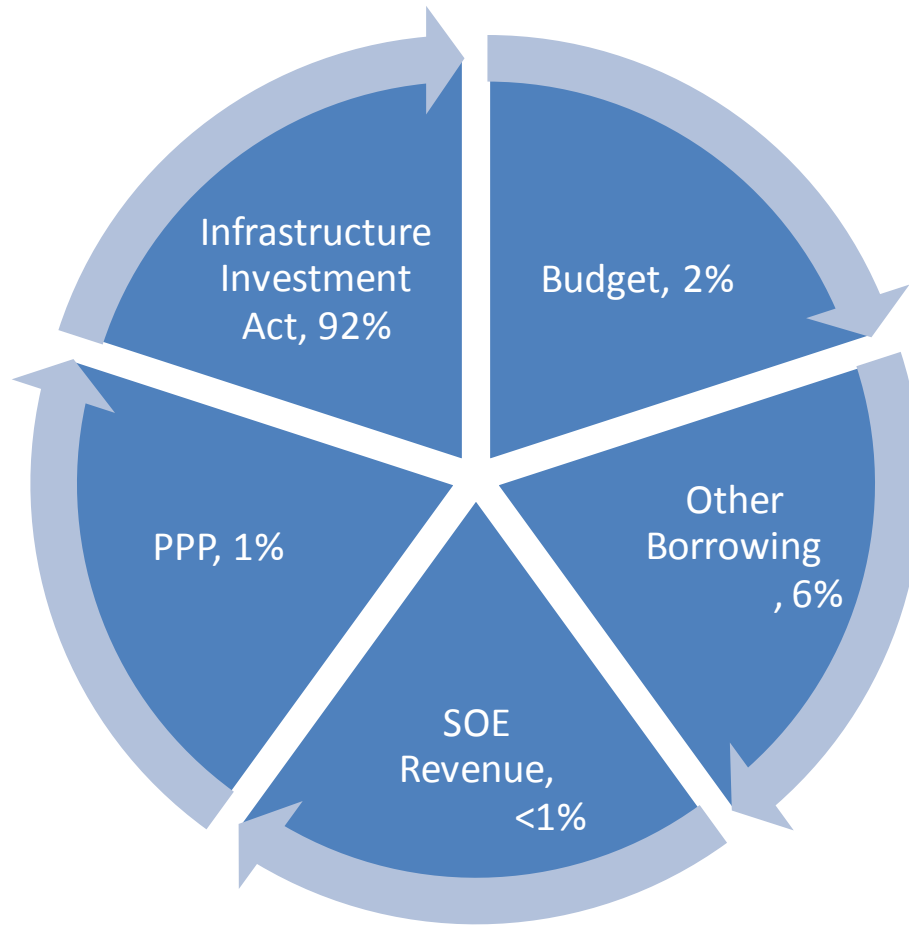
• 12 billion Baht, 1%

Etc. (overhead, administration, contingencies)

• 46 billion Baht, 2%

Medium Term Government Policies: Enhance Competitiveness

Financing plan for 2.17 trillion Baht logistics investment projects



Preliminary

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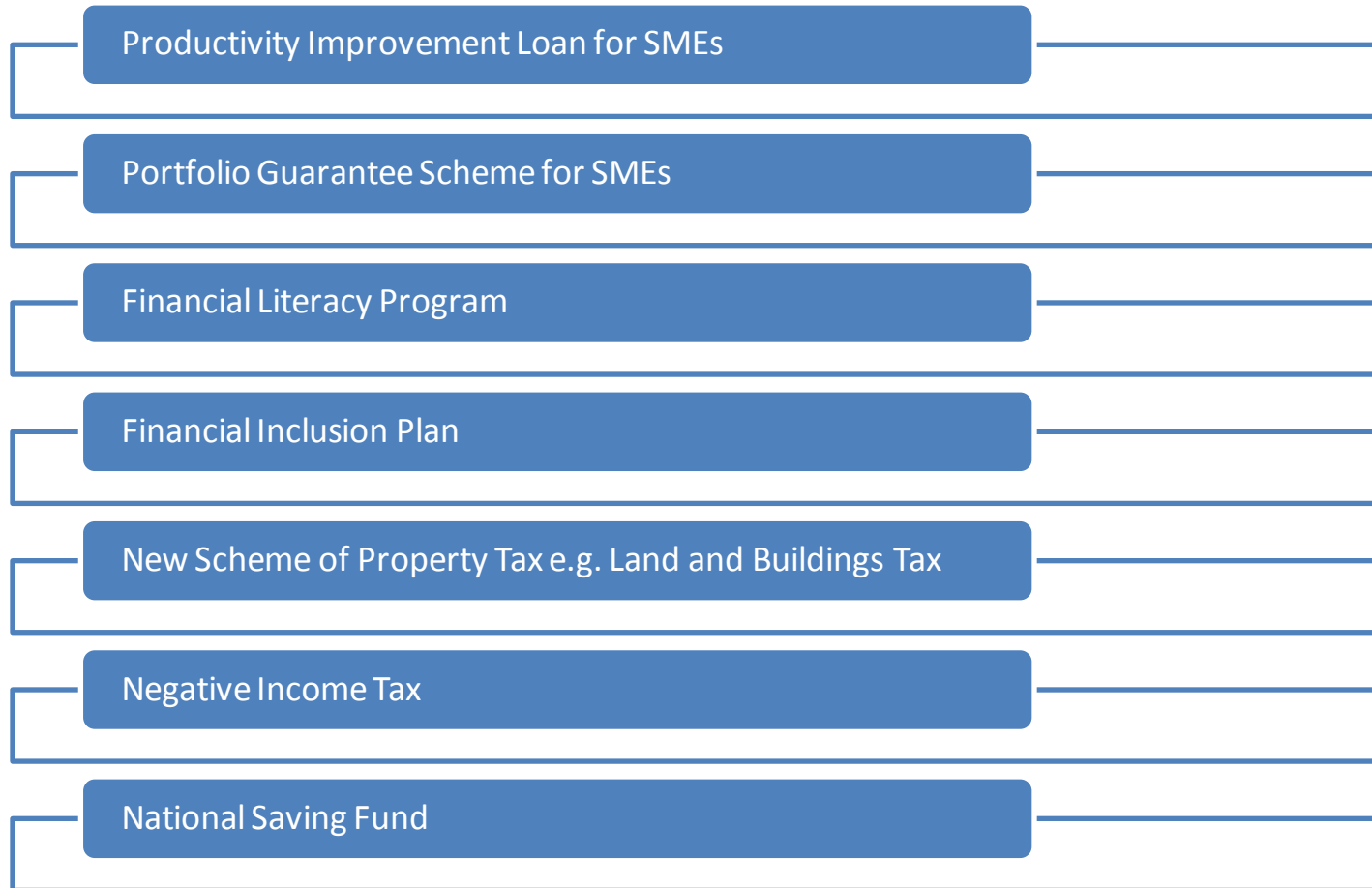
Medium-Term Government Policies: Enhance Competitiveness

Key logistics development programs

	AEC Connectivity	Reduce Logistic Cost and Increase Efficiency
Target base	High Speed Train Suvarnabhumi Phase III	Missing links lines of MRT
Product base	LCB Port Pakbara Port	Double-track railway New railroad network
Corridor base	Motorway NSEC & EWEC	ICD/CY/Truck Terminal Upgrades in inland waterway

Medium-Term Government Policies: Promote Inclusive Growth

Policy range to promote inclusive growth

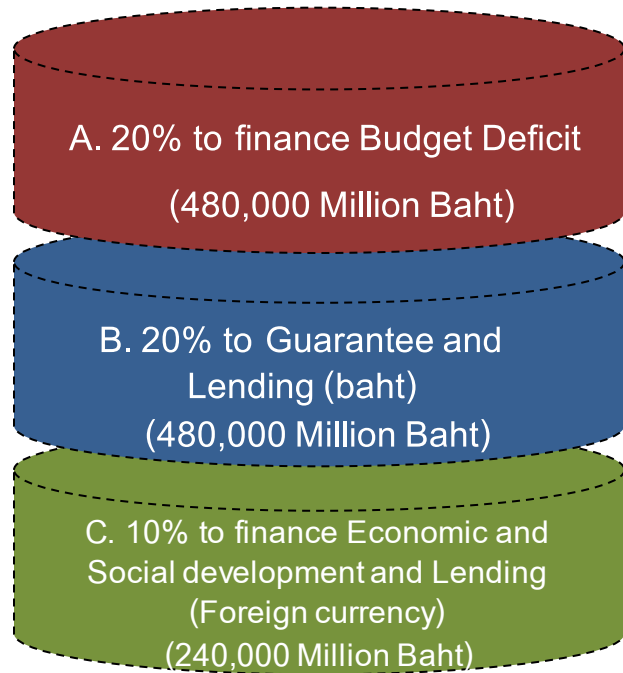


Medium-Term Government Policies: Maintain Fiscal Sustainability

Fiscal Discipline: Government Financing Plan

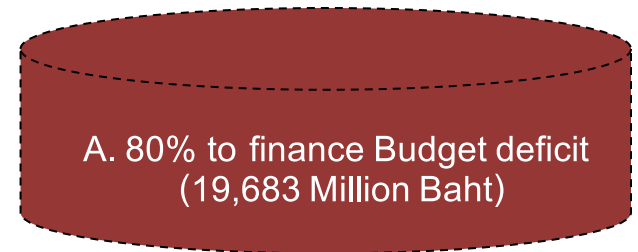
Budgetary Expenditure+
Additional Budgetary Expenditure

FY2013 = 2,400,000 Million Baht



Principal Repayment

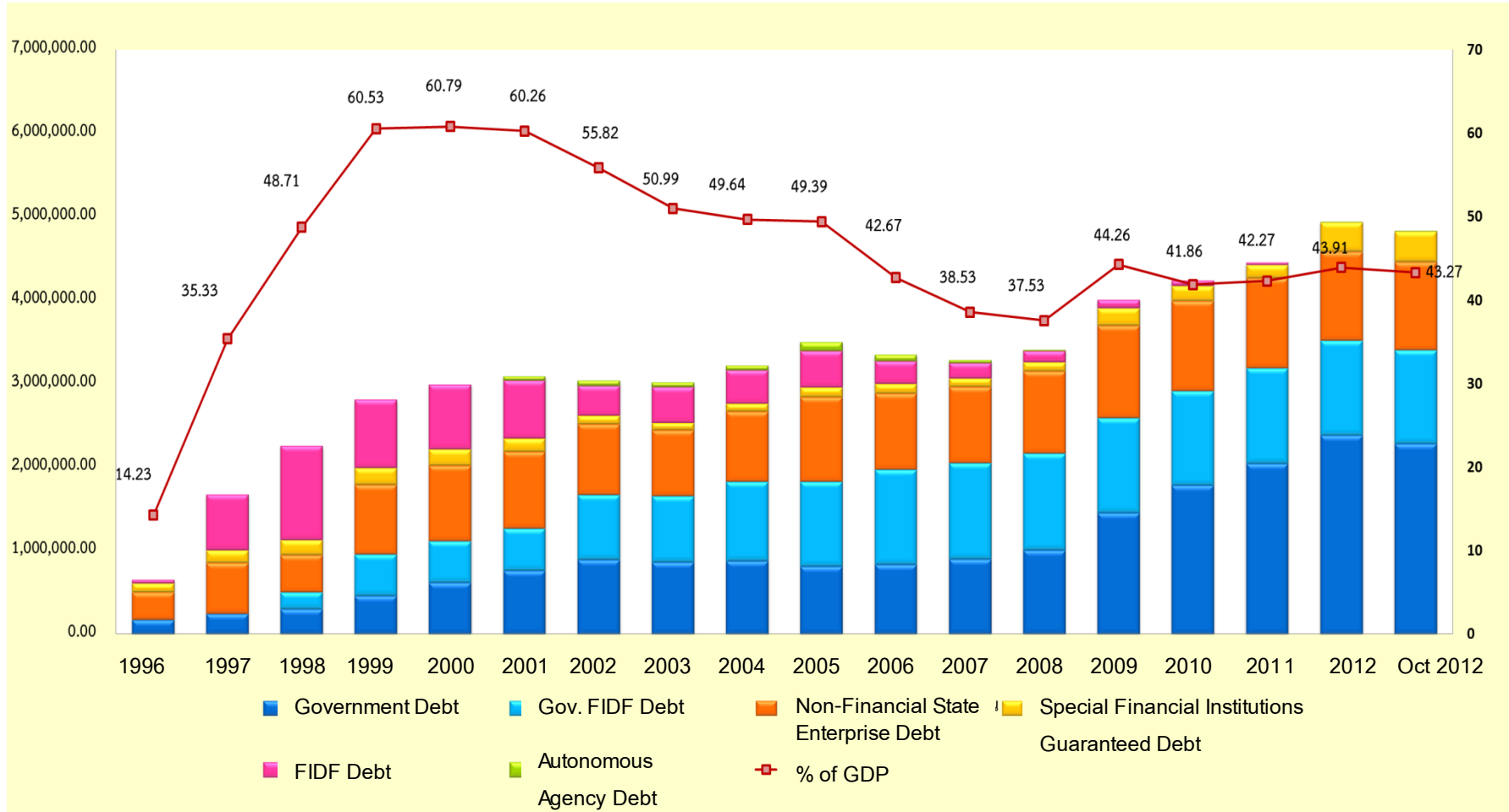
FY2013 = 24,604 Million Baht



Part	Government borrowing limit	Government borrowing plan	Remaining resource
A	499,683.0	300,000.0	199,683.0
B	480,000.0	400,829.9	79,170.1
C	240,000.0	-	240,000.0
Total	1,219,683.0	700,829.9	518,853.1

Medium-Term Government Policies: Maintain Fiscal Sustainability

Sustainability Framework: Public Debt/GDP $\leq 60.0\%$



Source: PDMO

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Medium-Term Government Policies: Maintain Fiscal Sustainability

Current public debt/GDP is 43.47%

Public Debt Outstanding (November 2012)	Amount (Million baht)	% of GDP
Government	3,459,510.78	30.84
FIDF	1,132,818.92	10.10
Non-Financial State Enterprise	1,043,961.08	9.31
Special Financial Institutions Guaranteed	364,796.36	3.25
Autonomous Agency	7,263.95	0.06
Total	4,875,532.17	43.47

Source: PDMO

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Medium-Term Government Policies: Maintain Fiscal Sustainability

Debt structure as of November 2012

Domestic vs. Foreign

	Public Debt	Foreign Debt		Domestic Debt	
	(Million baht)	(Million baht)	%	(Million baht)	%
Government	3,459,510.78	46,363.30	1.34	3,413,147.48	98.66
FIDF	1,043,961.08	277,460.25	26.58	766,500.83	73.42
Non-Financial State Enterprise	364,796.36	4,981.36	1.37	359,815.00	98.63
Special Financial Institutions Guaranteed	-	-	0.00	-	0.00
Autonomous Agency	7,263.95	-	0.00	7,263.95	100.00
Total	4,875,532.17	328,804.91	6.74	4,546,727.26	93.26

Short term vs. Long term

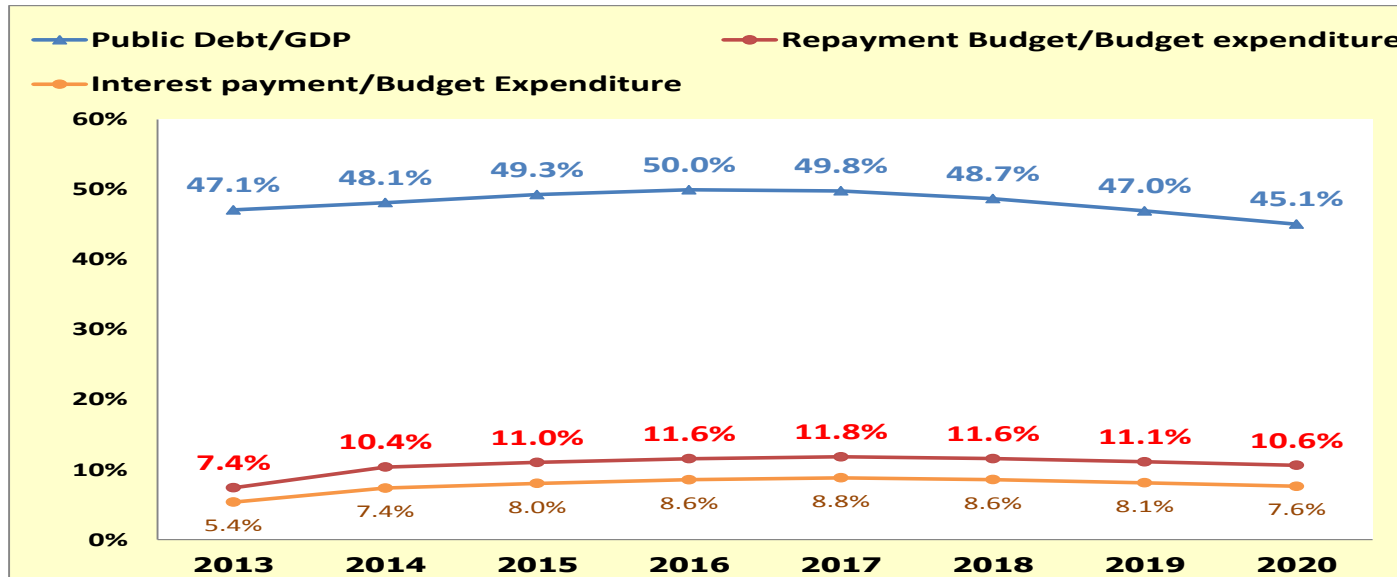
	Public Debt	Long term Debt		Short term Debt	
	(Million baht)	(Million baht)	%	(Million baht)	%
Government	3,459,510.78	3,350,632.12	96.85	108,878.66	3.15
FIDF	1,043,961.08	1,021,945.31	97.89	22,015.77	2.11
Non-Financial State Enterprise	364,796.36	321,546.36	88.14	43,250.00	11.86
Special Financial Institutions Guaranteed	-	-	0.00	-	0.00
Autonomous Agency	7,263.95	2,213.95	30.48	5,050.00	69.52
Total	4,875,532.17	4,696,337.74	96.31	179,194.43	3.68

Source: PDMO

Ministry of Finance

Medium-Term Government Policies: Maintain Fiscal Sustainability

Taking into account 2 trillion Baht investment plan, the projected debt and debt service ratio are well maintained under fiscal sustainability framework

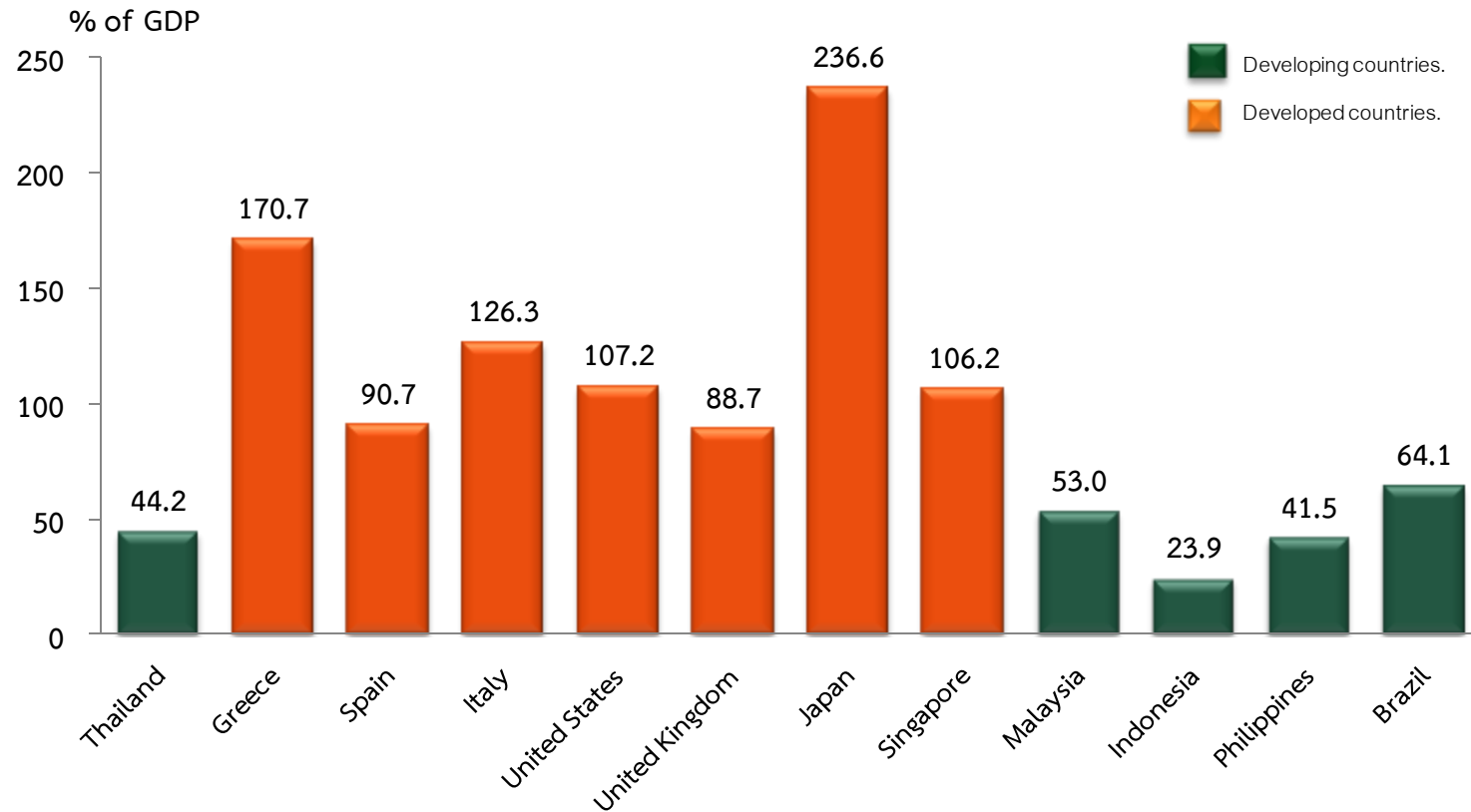


	2013	2014	2015	2016	2017	2018	2019	2020
Nominal GDP	12,154,000	13,068,000	14,048,000	15,102,000	16,235,000	17,452,000	18,761,000	20,168,000
Public Debt	5,724,198	6,289,223	6,923,930	7,546,853	8,085,676	8,498,353	8,809,541	9,088,274
Net New Debt	786,960	565,024	634,707	622,923	538,824	412,676	311,188	278,733
Public Debt/GDP	47.1%	48.1%	49.3%	50.0%	49.8%	48.7%	47.0%	45.1%
Debt Repayment	177,948	259,188	287,378	314,873	337,873	356,443	369,619	381,016
Budget Expenditure	2,400,000	2,500,000	2,604,000	2,722,000	2,855,000	3,080,000	3,323,000	3,585,000
Repayment Budget/Budget Expenditure	7.4%	10.4%	11.0%	11.6%	11.8%	11.6%	11.1%	10.6%

Source: PDMO

Medium-Term Government Policies: Maintain Fiscal Sustainability

Public debt / GDP in developing countries and developed countries.



Source : IMF – Fiscal Monitor (October 2012)

Note : For all countries are ratio of General Government Debt to GDP except Thailand is Public Debt ratio to GDP.

Thank You