



26 March 2008

Monthly Economic Report (February 2008)

Thai economy in February 2008 continued to expand well driven by improving domestic demand through both private consumption and private investment and buoyant external demand through strong export growth while import also grew strongly in line with domestic demand revival. Economic stability remained robust despite some risk from increasing inflationary pressure.

1. Private consumption indicators in February 2008 showed strong growth. Consumption indicator from real-term value-added tax collection in February 2008 grew at 6.9 percent (y-o-y), reflecting continued growth despite being decelerated from 12.4 percent growth in the previous month due to high VAT collection in January from special imported items such as aircrafts and oil drillers. Consumer indicators from durable goods showed significant growth as number of automobiles sold in February expanded by 44.9 percent (y-o-y) due mainly from increasing workers' salaries as well as excise tax reduction for new E20-compatible automobiles which has become effective since January. At the same time, indicator from motorcycle sales which reflected durable goods consumption in the grassroots level showed positive growth for the first time in 12 months at 5.6 percent (y-o-y) after contracting throughout 2007 due to rising farmers' income from increasing agricultural prices. Moreover, Consumers' Confidence Index (CCI) in February continued to improved and stood at 72.6 points reflecting overall improvement in private consumption outlook following clearer political situation and expectation for government economic stimulation measure which helped to enhance consumers' confidence.

2. Private investment indicator in February 2008 continued to expand well. Import value of capital goods, which is an indicator for investment in equipment and machinery, expanded strongly by 23.4 percent (y-o-y) in February 2008 particularly for imports of steel, machinery and electronic equipment. At the same time, indicator for construction-related investment also showed improving signs as real estate-tax collection in February expanded at 15.5 percent (y-o-y), compared to 8.8 percent (y-o-y) in January 2008. However, investment indicator from commercial car sales decelerated to 1.3 percent (y-o-y), decreasing from 11.4 percent (y-o-y) in January 2008 partly due to a low-based effect in January 2007 which led to high growth in January 2008.

3. Fiscal indicators in February 2008 showed increasing net government revenue collection which reflected revival in domestic economy. Net government revenue collection in February amounted to 113.5 billion baht, expanding by 9.5 percent (y-o-y) while tax revenue collection from 3 tax departments which reflected the overall state of the economy amounted to 113.4 billion baht, expanding by 8.6 percent (y-o-y). Income-based tax amounted to 32.3 billion baht, increased by 13.9 percent (y-o-y), reflecting that income in the private sector continued to grow well. Consumption-based tax collection amounted to 39.4 billion baht, expanding substantially by 11.0 percent (y-o-y), due to improving private consumption and rising import value. Total budget disbursement in February 2008 amounted to 118.7 billion baht, contracted by -40.8 percent (y-o-y), due to extraordinarily high based from February 2007 which was the first month of accelerated budget disbursement in Fiscal Year 2007 after a delayed budget during the first 4 months of FY2007. However, budget disbursement in the first 5 months of fiscal year 2008 expanded at 12.2 percent (y-o-y), reflecting the continued strong role of fiscal policy to support economic stimulation.

4. Export in February 2008 grew robustly despite a slow down from previous month. Export value of goods in USD terms in February was recorded at USD 13.0 billion, expanding by 16.4 percent (y-o-y) and slowed down from the previous month when export expanded by 33.3 percent (y-o-y). This was resulted from slow down in the growth rate of major export sectors such as electronics, electronic circuits, automobiles, equipment and machinery due to softening external demand following global economic slowdown. However, export value of goods in the first 2 months of 2008 grew robustly at 24.6 percent (y-o-y). **Import value improved substantially following revival of domestic demand.** Import values in February was recorded at USD 13.7 billion, expanding by 33.1 percent (y-o-y), slowed down from the January when import values grew at 49.1 percent (y-o-y) as a result of extraordinary import items in January 2008 which included aircrafts and oil-drillers. However, revival in investment and private sector production led to high growths in capital goods and raw material imports. Moreover, import of energy products increased in line with increasing oil prices. Trade balance in February 2008 recorded deficit for a second consecutive months at USD -0.7 billion following high import value growth which resulted in higher import value than export value.

5. On the supply side, economic indicators in February 2008 showed that production from agricultural and service sectors from tourism continued to expand well while manufacturing sector slowed down slightly. Indicator from Agricultural Production Index (API) in February expanded at 12.4 percent (y-o-y), accelerated from January in which API grew at 4.5 percent (y-o-y), contributed mainly from major crop items such as rice, cassava, sugarcane and oil palm. Agricultural prices also grew at high rate of 11.6 percent (y-o-y), improving from previous month which grew by 10.2 percent (y-o-y) from increasing demand for agricultural products from both domestic and ex-

external demands particularly as raw materials for bio-fuels which resulted in increasing farmers' income. Service sector from tourism also continued to expand with number of in-bound foreign tourists in February amounted to 1.5 million persons, increasing by 17.4 percent, due to improving political situation as well as low-based effect from last year. However, Manufacturing Production Index (MPI) in February 2008 expanded at 12.1 percent (y-o-y), slowed down from the previous month when the growth was recorded at 13.6 percent (y-o-y) as a results of slowing export-oriented manufacturing goods production following a global economic slow down.

6. Overall economic stability remained strong. For external stability, international reserves at the end of February increased rapidly and stood at USD 100.5 billion, from previous month of USD 92.8 billion, and more than three times over short-term external debts. **On the other hand, internal stability showed some increasing risk from increasing inflationary pressure.** Headline inflation in February 2008, increased to 5.4 percent (y-o-y), compared to 4.3 percent (y-o-y) in January 2008, due to rising oil price and food-related prices. Unemployment rate in January 2008 remained low at 1.7 percent of the total labor force, increasing slightly from the previous month of 0.8 percent mainly due to declining employment in agricultural sector with the end of the harvest season as well as declining manufacturing production. Public debt to GDP as of January 2008 was at 36.3 percent, declining slightly from the previous month, and remained well below the 50 percent ceiling public debt limit under the Fiscal Sustainability Framework.

Table 1 Monthly Economic Indicators

	2007	Jan 07	Feb 07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08
External Sector/															
- Dubai crude oil price (US\$/Barrel) /7	68.4	52.1	55.7	59.0	63.9	64.7	65.9	69.9	67.4	73.0	77.3	86.7	86.1	87.3	89.7
- Fed funds rate (%) /7	4.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	4.75	4.50	4.50	4.25	3.00	3.00
Fiscal sector/1															
- Net government revenue (Billion baht)	1,467.8	102.8	103.7	104.2	85.7	243.8	102.6	86.4	209.1	104.9	113.0	118.8	92.9	95.9	113.5
(%y-o-y)	6.6	3.5	3.3	-2.2	-25.0	8.1	33.4	11.4	7.0	32.1	5.2	19.8	-1.9	6.7	9.5
Tax collection from revenue, customs and excise departments	1,468.4	104.7	104.4	110.1	107.3	245.0	106.5	101.1	212.7	98.0	104.9	119.1	103.0	114.0	113.4
(%y-o-y)	6.7	4.5	4.6	3.1	6.6	4.5	6.0	4.3	2.1	3.2	4.2	10.2	4.6	8.8	8.6
Income-based tax (Billion baht)	588.1	32.1	28.4	37.7	35.0	128.4	32.6	31.8	133.6	28.0	30.8	41.5	28.1	34.6	32.3
(%y-o-y)	6.8	6.6	-5.1	3.6	12.2	7.0	15.1	12.9	1.6	10.5	8.2	13.9	13.3	7.8	14.0
Consumption-based tax (Billion baht)	444.4	37.1	35.5	35.0	37.8	35.6	36.6	35.3	38.3	36.4	38.8	39.3	38.8	43.2	39.4
(%y-o-y)	4.7	6.9	4.5	1.9	7.1	-2.6	-0.3	1.9	4.9	3.6	6.8	14.7	7.3	16.4	11.0
- Government expenditure (Billion baht)	1,668.1	97.1	200.3	139.9	115.8	137.1	164.4	146.6	122.8	150.9	155.4	127.0	110.9	158.4	118.7
(%y-o-y)	25.3	-16.9	78.1	9.8	15.9	54.0	40.1	48.7	5.4	-2.5	73.5	14.0	11.8	63.2	-40.8
Current expenditure (Billion baht)	1,273.2	75.0	136.8	106.9	97.7	90.4	126.4	119.4	101.3	116.2	121.1	93.9	88.2	93.9	98.0
(%y-o-y)	27.4	-16.5	83.3	21.6	35.7	31.0	32.3	58.2	20.0	2.9	60.4	10.6	13.6	25.3	-28.4
Capital expenditure (Billion baht)	297.7	12.2	54.4	21.0	13.5	40.9	32.2	23.3	17.3	28.1	26.8	18.3	9.7	53.0	10.7
(%y-o-y)	37.7	-40.2	107.4	-3.4	-43.9	208.0	112.8	38.6	-35.1	-12.5	367.8	113.0	76.5	336.0	-80.4
Carry-over budget (Billion baht)	97.2	9.9	9.1	12.0	4.6	5.8	5.8	3.8	4.2	6.7	7.5	14.9	13.0	11.5	10.0
(%y-o-y)	15.4	48.0	-21.6	-32.6	20.3	-13.9	-13.2	-39.4	-23.0	-32.2	-10.1	-17.1	-18.9	15.7	10.3
Supply-side indicators															
Agricultural sector															
- Agricultural production index (%y-o-y) /6	2.7	5.7	1.5	0.2	14.3	-1.4	-2.5	1.8	-0.6	-1.7	-4.7	-0.4	14.6	6.4	12.4
- Agricultural price index (%y-o-y) /6	-1.2	-7.1	-1.3	-4.6	-8.5	-9.5	-12.6	-5.7	1.4	9.4	9.4	15.3	8.9	10.2	11.6
- New employment in agricultural sector(%y-o-y) /3	0.6	0.4	2.6	3.5	1.2	-6.1	3.0	-0.5	0.2	1.8	0.3	-1.6	3.3	-1.5	n.a.
Industrial sector															
- Manufacturing production index (%y-o-y) /10	8.1	7.7	6.2	2.4	5.7	3.7	5.9	7.2	9.7	10.3	11.2	13.1	13.6	12.1	n.a.
- Imports of raw materials in USD (%y-o-y) /1	14.9	18.2	13.3	14.1	21.8	11.3	6.7	11.3	17.2	9.9	20.5	25.8	10.3	31.7	27.2
- Capacity utilization (%) /10	66.1	65.1	62.5	68.7	60.4	67.5	66.6	66.3	66.9	67.4	68.0	68.0	66.0	68.1	n.a.
- New employment in industrial sector(%y-o-y) /3	2.4	5.5	1.7	-4.0	-0.2	-1.0	5.1	1.4	5.1	8.8	-1.6	4.2	3.8	-1.0	n.a.
Service sector															
- No. of foreign tourists (Million persons) /11	14.3	1.31	1.27	1.22	1.09	0.98	1.03	1.16	1.20	1.04	1.15	1.36	1.52	1.45	1.49
(%y-o-y)	3.9	2.30	6.40	2.40	0.90	-0.36	-2.40	-0.70	1.40	7.50	11.70	10.60	6.70	10.9	17.4
- New employment in service sector(%y-o-y) /3	2.4	3.50	1.69	0.55	2.81	2.05	1.11	4.18	2.58	0.34	4.89	4.58	0.84	4.3	n.a.
Demand-side indicators															
Private Consumption Indicators															
- Value Added Tax at constant price (%y-o-y) /1	3.4	5.5	3.7	0.8	5.9	-3.3	-0.5	1.8	5.1	2.4	4.4	11.3	4.0	12.4	6.9
- Imports value of consumer goods in USD (%y-o-y) /1	24.7	11.3	22.8	15.0	23.9	20.0	16.7	15.2	25.0	28.8	42.0	48.9	25.2	55.1	30.9
- Imports volume of consumer goods in USD (%y-o-y) /1	20.1	10.1	20.8	11.8	20.8	17.1	14.4	10.9	19.3	22.6	34.8	40.4	18.6	52.5	n.a.
- Sales of passenger cars (%y-o-y)	-11.3	-9.8	-19.0	-16.8	-18.2	-4.7	-0.7	4.7	4.7	-2.1	3.0	-14.9	-45.1	32.8	44.9
- Sales of motorcycles (%y-o-y)	-21.2	-11.8	-31.1	-31.6	-18.0	-30.1	-19.0	-19.7	-23.5	-26.4	-13.1	-18.9	-17.7	-5.0	5.6
- Consumer confident index (Index) /5	71.0	74.2	73.4	72.8	72.1	71.4	71.0	70.0	69.5	69.2	68.6	69.3	70.4	71.2	72.6
Private Investment Indicators															
- Total taxes collected from real estate transaction (%y-o-y) /1	3.2	-10.2	-0.6	-0.1	-5.7	-8.5	6.6	1.8	4.0	9.8	19.5	9.7	7.2	8.8	15.9
- Domestic cement sales (%y-o-y) /2	-4.9	-0.5	-4.6	-3.8	-11.0	-7.2	-5.2	-3.5	-1.2	-4.3	-1.2	-0.5	-16.6	-7.0	n.a.
- Imports value of capital goods in USD (%y-o-y) /1	0.9	-6.8	-10.4	-9.7	4.9	2.4	4.5	-3.3	7.1	10.9	22.0	-11.7	4.5	65.5	23.4
- Imports volume of capital goods in USD (%y-o-y) /1	-1.2	-8.2	-11.7	-11.2	3.0	0.3	3.3	-4.6	4.7	8.0	19.1	-14.3	1.8	61.2	n.a.
- Sales of commercial cars (%y-o-y)	-6.0	-27.8	-18.0	-14.7	-2.5	-9.2	-5.6	-0.4	13.3	16.5	5.5	-16.5	11.4	1.3	
- Industrial Confidence Index (%y-o-y) /9	80.9	83.6	82.7	86.8	77.0	86.1	80.9	72.7	76.0	81.0	81.9	82.3	79.8	86.0	83.0
International trade indicators/1															
- Exports (Billion USD): custom basis	152.5	10.5	11.2	12.9	10.8	12.7	12.9	11.8	13.9	13.3	14.5	14.7	13.3	14.0	13.0
(%y-o-y)/4	17.5	17.6	17.7	16.6	18.2	18.0	17.7	6.3	17.9	10.4	26.7	24.4	19.0	33.3	16.4
- Export price (%y-o-y)/4	5.8	4.2	4.8	5.0	5.7	5.3	4.3	3.6	4.2	5.8	7.3	9.3	8.9	8.4	n.a.
- Export volume (%y-o-y)	11.1	13.0	13.0	12.8	12.1	14.8	12.8	2.6	13.1	4.3	18.0	13.8	9.3	24.9	n.a.
- Imports (Billion USD): custom basis	140.0	9.8	10.3	11.0	10.8	12.2	12.0	11.6	13.1	11.3	13.0	12.8	12.0	14.6	13.7
(%y-o-y)/4	8.7	4.4	4.9	2.2	10.6	6.7	5.1	2.4	14.0	7.4	20.3	17.4	8.9	49.1	33.1
- Import price (%y-o-y)	5.3	3.3	3.6	3.3	3.8	3.1	3.2	4.2	3.5	4.7	8.6	10.7	12.0	12.3	n.a.
- Import volume (%y-o-y)	3.2	-0.8	-0.4	-2.6	4.8	3.5	1.9	-1.7	10.1	2.6	10.7	6.1	-2.8	36.8	n.a.
- Trade balance (Billion USD): custom basis	12.5	0.7	0.9	1.9	0.1	0.5	0.9	0.2	0.8	2.0	1.5	1.9	1.2	-0.7	-0.7
External economic stability /2															
- Average exchange rate (Baht/USD)	34.5	36.0	35.7	35.1	34.9	34.6	34.6	33.7	34.2	34.2	34.1	33.9	33.7	33.2	32.6
- Current account (Billion USD)	14.9	1.3	1.4	1.9	-0.1	0.0	1.2	0.4	0.7	1.8	1.9	2.6	1.7	1.4	n.a.
- International reserve (Billion USD)	87.5	66.8	68.2	70.9	71.1	71.1	73.0	74.0	74.4	80.7	82.4	84.6	87.5	92.8	100.5
Internal economic stability /4															
- Unemployment rate (%) /3	1.4	1.6	1.5	1.6	1.7	1.6	1.4	1.2	1.2	1.2	1.4	1.1	0.8	1.7	n.a.
- Producer price index (%yoy)	3.3	2.1	2.9	2.7	1.8	1.8	1.8	1.2	0.3	3.1	4.4	7.9	8.7	10.0	11.2
- Headline inflation (%yoy)	2.3	3.0	2.3	2.0	1.8	1.9	1.9	1.7	1.1	2.1	2.5	3.0	3.2	4.3	5.4
- Core inflation (%yoy)	1.1	1.6	1.4	1.3	1.2	0.7	0.7	0.8	0.7	0.8	1.0	1.1	1.2	1.2	1.5
- Public debt to GDP (%) /1	38.0	37.4	37.6	38.1	38.1	38.2	37.7	37.7	37.9	37.9	38.0	38.3	38.7	36.3	n.a.

1/Data from Ministry of Finance

2/Data from Bank of Thailand

3/Data from National Statistic Office

4/Data from Ministry of Commerce

5/Data from University of Thai Chamber of Commerce

6/Data from Office of Agricultural Economics

7/Data from Rueters

8/Data from Tourism Authority of Thailand

9/Data from Board of Investment

10/Data from Office of Industrial Economics

11/ Data from Immigration Office