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Monthly Economic Report (April 2008)

Thai economy in April 2008 continued to expand well driven by significantly improved domestic demand through both private consumption and private investment which was partly supported by the economic stimulation measure. At the same time, external demand in term of export continued to expand well while import also grew strongly following improving domestic demand and rising fuel prices which resulted in declining net export. External economic stability remained robust while internal economic stability has some risk from continued rising inflationary pressure.

1. Private consumption indicators in April 2008 continued to expand well. Consumption indicator from real-term value-added tax collection in April 2008 grew at 12.2 percent (y-o-y), improving from previous growth of 10.2 percent (y-o-y), due to rising farmer's income since the end of 2007. Sales of motorcycles expanded in 3 consecutive months at 7.6 percent (y-o-y). Import of consumer goods also expanded substantially at 34.0 percent (y-o-y) which was consistent with consumption indicator from durable goods from the passenger car sales which grew at 13.7 percent (y-o-y) in April. However, Consumers' Confidence Index (CCI) in April showed sign of declining sentiment following risk factors arising from increasing inflationary pressure and political uncertainty.

2. Private investment indicator in April 2008 expanded rapidly. Indicator for construction-related investment measured from real estate-tax collection in April expanded substantially at 44.6 percent (y-o-y), as a result of real-estate tax reduction measure to support the real estate sector, which had boosted transaction activities in real estate sector. Moreover, investment indicator for equipment and machinery measured from import value and volume of equipment and machinery expanded strongly at 25.1 and 18.4 percent (y-o-y), respectively, while commercial car sales grew at 8.2 percent.

3. Fiscal indicators in April 2008 showed increasing net government revenue collection of 127.1 billion baht, expanding at a high level at 48.4 percent (y-o-y) due mainly from low revenue based in the same period last year which was resulted from value added tax transfer to local authorities. At the same time, tax revenue collection from 3 tax departments which reflects the overall state of the economy amounted to 119.8 billion baht, expanding by 11.7 percent (y-o-y). Income-based tax increased by 7.9 percent (y-o-y), while consumption-based tax collection expanded by 17.0 percent (y-o-y), reflecting an improvement in private

consumption. Total budget disbursement in April 2008 amounted to 154.6 billion baht, expanded considerably at 33.5 percent (y-o-y), due to extraordinarily high growth level in capital expenditure disbursement of 233.3 percent (y-o-y) which resulted from capital transfer to local authorities. At the same time, current expenditure disbursement continued to expand well at 7.4 percent (y-o-y) as a result of public sector salaries increased. These high level of budget expenditure disbursements resulted in high growth level of 11.7 percent (y-o-y) for central government expenditure disbursement in the first 7 months in accumulation which reflected the continued strong role of fiscal policy to support economic stimulation.

4. Export in April 2008 expanded well but a more accelerated import growth has resulted in deterioration in trade balance. Export value of goods in USD terms in April was recorded at USD 13.8 billion, expanding by 27.0 percent (y-o-y) which came from an expansion of 14.7 percent (y-o-y) in export volume term and from an expansion of 10.7 percent (y-o-y) export price term. This improvement was resulted from all export sectors ,particularly export sectors such as electronics, electrical appliances, automobiles and agriculture as well as growth in all of the export market especially the emerging market and regional market such as China, Indonesia and Vietnam. **Import value in April 2008 improved substantially following revival of domestic demand and rising fuel prices.** Import values in April was recorded at USD 15.6 billion, expanding by 44.4 percent (y-o-y), which came from an expansion of 24.2 percent (y-o-y) in import volume term and from an expansion of 16.3 percent (y-o-y) in import price term. This high level of import value growth came as a result of a raw material imports which grew at 43.3 percent (y-o-y), import of capital goods which grew at 25.1 percent (y-o-y) and import of consumer goods which grew at 42.0 percent (y-o-y) reflecting the high level of production and continuous growth in domestic demand. Moreover, an increase in fuel prices had driven up the import values of fuel-related goods to grow at 88.1 percent (y-o-y). Therefore, a higher growth in import value than export value led to trade deficit of USD 1.8 billion.

5. On the supply side, economic indicators in April 2008 showed that production from manufacturing and service sectors from tourism continued to expand well while agricultural sector slowed down slightly. Indicator from manufacturing sector showed that import volume of raw material grew significantly at 29.0 percent (y-o-y) which was consistent with Manufacturing Production Index (Preliminary) in April 2008 which grew at 11.7 percent (y-o-y), accelerated from 9.1 percent (y-o-y) in the previous month. Service sector from tourism also continued to expand well with number of in-bound foreign tourists in April amounted to 1.26 million persons, increasing by 14.2 percent (y-o-y). Indicator from agricultural sector show sign of slow down as Agricultural Production Index (API) in April contracted at -1.7 percent (y-o-y), as a result of earlier than usual harvest period of major crops, particularly rice, following a high level of price in the previous period. Agricultural Price Index continued to grow at high level at 39.9 percent (y-o-y) following agricultural prices in the global market which continued to increased. This was partly reflected in a high level of farm's income expansion.

6. **Overall economic stability remained strong.** For external stability, international reserves at the end of April stood at USD 109.8 billion, and more than four times over short-term external debts. **On the other hand, internal stability is subjected to risk from increasing inflationary pressure.** Headline inflation in April 2008, increased to 6.2 percent (y-o-y), compared to 5.3 percent (y-o-y) in the previous month, due to rising oil price and food-related prices. Unemployment rate in March 2008 remained low at 1.5 percent of the total labor force, due to an increasing employment in service and manufacturing sectors. Public debt to GDP as of March 2008 was at 36.9 percent, 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	Mar-08	Apr-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	96.2	103.4
- 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	2.25	2.00
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	113.3	119.0	93.9	97.2	116.5	95.4	127.1
(%y-o-y)	6.6	3.5	3.3	-2.2	-25.0	8.1	33.4	11.4	7.0	32.1	5.5	20.0	-0.8	5.4	12.4	8.5	48.4
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	119.2	103.8	115.0	114.3	119.8	119.8
(%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	5.4	9.8	9.5	8.7	11.7
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	28.3	34.6	32.4	43.2	37.8
(%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	13.4	7.8	14.0	14.5	7.9
Consumption-based tax (Billion baht)	445.2	37.1	35.5	35.0	37.8	35.6	36.6	35.3	38.3	36.4	38.8	39.3	39.6	44.2	40.3	40.0	44.3
(%y-o-y)	4.9	6.9	4.5	1.9	7.1	-2.6	-0.3	1.9	4.9	3.6	6.9	14.7	9.3	19.1	13.3	14.6	17.0
- 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	125.1	154.6
(%y-o-y)	25.1	-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	-10.5	33.5
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	100.4	104.9
(%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	-6.0	7.4
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	13.1	45.1
(%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	-37.5	233.3
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	11.6	4.6
(%y-o-y)	17.0	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	3.4	0.2
Supply-side indicators																	
Agricultural sector																	
- Agricultural production index (%y-o-y) /6	2.2	5.3	1.0	-0.2	13.8	-1.8	-3.0	1.2	-1.0	-2.1	-5.1	-0.6	13.7	6.6	10.9	3.0	-1.7
- Agricultural price index (%y-o-y) /6	1.2	-1.3	-1.5	-2.6	-3.4	-2.3	-5.2	-3.0	1.0	7.4	6.3	12.1	9.6	10.4	16.1	28.1	39.9
- 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	2.1	1.1	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	13.5	12.2	9.1	11.7*
- Imports of raw materials in USD (%y-o-y) /1	14.8	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	30.1	43.3
- 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	68.2	66.0	68.3	61.1*
- 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	1.2	1.2	n.a.
Service sector																	
- No. of foreign tourists (Million persons) /11	14.5	1.31	1.28	1.23	1.10	0.99	1.03	1.17	1.23	1.06	1.17	1.37	1.52	1.45	1.49	1.41	1.26
(%y-o-y)	4.7	4.05	8.49	4.85	2.33	0.93	-1.95	0.20	0.67	8.15	11.37	10.48	5.59	10.3	15.7	13.9	14.2
- 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	-0.4	3.0	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	5.0	2.4	4.5	11.4	6.0	15.0	9.1	10.2	12.2
- Imports value of consumer goods in USD (%y-o-y) /1	24.6	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	29.6	42.0
- 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	18.5	45.3	23.1	23.0	34.0
- 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	39.2	13.7
- 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	8.9	7.6
- 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	73.8	73.0
Private Investment Indicators																	
- Total taxes collected from real estate transaction (%y-o-y) /1	2.9	-10.2	-1.3	-2.8	-5.7	-8.5	6.6	1.8	4.0	9.8	19.5	9.7	7.2	8.8	15.9	-27.1	44.6
- Domestic cement sales (%y-o-y) /2	-5.0	-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	-1.7	-8.5	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	24.5	25.1
- 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	58.6	17.9	18.3	18.4
- Sales of commercial cars (%y-o-y)	-6.0	-27.8	-18.0	-14.7	-2.5	-9.2	-5.6	-0.5	-0.4	13.3	16.5	5.5	-16.5	11.4	1.3	10.3	8.2
- 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	83.2	78.8
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	14.8	13.8
(%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	14.4	27.0
- 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	9.1	9.8	10.2	10.7
- 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	21.4	6.0	3.8	14.7
- 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	14.6	15.6
(%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	32.7	44.4
- 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	14.8	15.4	16.5	16.3
- 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	29.9	15.3	13.9	24.2
- 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	0.2	-1.8
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	31.4	31.6
- 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	0.8	0.9	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	110.0	109.8
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	1.5	1.5	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	11.1	12.7
- 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	5.3	6.2
- 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	1.7	2.1
- Public debt to GDP (%) /1	38.7	38.6	38.7	39.2	39.0	39.1	38.6	38.5	38.7	38.7	38.7	39.0	38.7	36.3	36.4	36.9	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