



25 June 2008

# Monthly Economic Report (May 2008)

Thai economy in May 2008 expanded well supported by strong external demand through buoyant export growth, while domestic demand continued to grow but at decelerated pace following rising price level. External economic stability remained robust while internal economic stability faced some risks from increasing inflationary pressure.

1. Export continued to expand well, while import grew at decelerated pace, leading to trade balance surplus in May. Export value of goods in USD terms in May was recorded at USD 15.5 billion, expanding by 21.4 percent (y-o-y) which came mainly from export price growth by 12.5 percent (y-o-y) and export volume growth of 7.9 percent (y-o-y). This high-level export growth can be attributed mainly to strong agro-manufacturing sector while other export sectors such as electronics, electrical appliances, automobiles and agriculture grew as well but at decelerated pace. In terms of Thailand's trading partners, export to major markets (U.S., E.U. and Japan) grew at a slower pace while export value to emerging markets and regional markets continued to expand well with the exceptions of Vietnam, Taiwan and South Korea. **Import value in May 2008 grew at decelerated pace following rising prices of imported goods which negatively impacted demand for imported goods.** Import values in May was recorded at USD 14.2 billion, expanding by 15.7 percent (y-o-y), decelerated from exceptionally high growth of 44.4 percent (y-o-y) in April, leading to import value growth of 30.0 percent (y-o-y) in the first 2 months of second quarter of 2008. Import value growth came from import price growth at 17.4 percent (y-o-y) while import volume contracted by -1.4 percent (y-o-y). Negative import volume growth resulted from contracted import volume of fuel and energy products by -17.4 percent (y-o-y) due to continued rising oil price. Therefore, higher export value growth compared to import value growth led to a trade surplus worth USD 1.3 billion.

2. Private consumption indicators in May 2008 continued to expand well, but at slower pace compared to previous month. Consumption indicator from real-term value-added tax collection in May 2008 grew at 8.3 percent, compared to 12.2 percent growth (y-o-y) in April. This is consistent with import volume of consumer goods which continued to expand well at 17.4 percent (y-o-y), but slower than 34.0 percent growth in the previous month. Private consumption showed softening signs due to rising price level which negatively affected consumers' purchasing power and private consumption. Consumption at the grass root level slowed down as reflected by sales of motorcycles growing at 1.6 percent (y-o-y), slowing from previous month's growth of 7.6

percent (y-o-y). However, consumption indicator for durable goods as shown by passenger car sales grew strongly at 29.4 percent (y-o-y) in May, increasing from 13.7 percent (y-o-y) growth in the previous month which was partly due to the supportive measure initiated by the public sector to promote vehicles which can utilize alternative energy such as E20 fuel and NGV. In the near term, it is expected that passenger car sales may start to slow down due to rising retail prices of fuel and headline inflation as well as declining consumers' confidence.

**3. Private investment indicator in May 2008 expanded at decelerated pace.** Investment indicator for equipment and machinery measured from import value and volume of equipment and machinery expanded at 10.0 and 4.1 percent (y-o-y), respectively, decelerated from high growths of 25.1 and 8.4 percent (y-o-y), respectively, in the previous month. The main reason for the slow down in equipment and machinery investment came from rising retail fuel price which increased enterprises' production cost. However, indicator for construction-related investment as measured from real estate-tax collection in May continued to expand strongly at 20.4 percent (y-o-y), but decelerated from exceptionally high growth of 44.6 percent (y-o-y) in the previous month. Exceptionally high growth of real estate tax in April had been the result of real estate tax reduction measure that was effective starting in April to order to stimulate the real estate sector.

**4. Fiscal indicators in May 2008 showed increasing net government revenue collection of 273.3 billion baht, expanding at high level at 12.1 percent (y-o-y)** due mainly to strong growth in corporate income tax (CIT) collection for financial year 2007 at 23.4 percent reflecting good performance of Thai corporate sector last year. High CIT growth resulted in income-based tax grew at 21.5 percent, accelerating from 8.0 percent in the previous month. Consumption-based tax increased strongly by 14.4 percent. Overall, tax revenue collection from 3 tax departments which reflects the overall state of the economy amounted to 283.9 billion baht, expanding by 15.9 percent (y-o-y). Total government budget disbursement in May 2008 amounted to 126.8 billion baht, contracted by -7.5 percent (y-o-y), due to high base of government expenditure in May last year from high capital expenditure disbursement as transfer to local authorities at 30.2 billion baht. Capital expenditures contracted by -71.6 percent, while current expenditures continued to expand well at 19.9 percent (y-o-y) from disbursement of special spending items such as universal health care expenditure and education expenditure.

**5. On the supply side, economic indicators in May 2008 showed that service sector from tourism and agricultural sector expanded well, while manufacturing sector slowed down from rising raw material costs.** Indicator from tourism sector expanded strongly with number of in-bound tourists to Thailand in May recorded at 1.18 million persons, growing by 18.7 percent per year. Indicators from agricultural sector showed strong growth from previous month. Agricultural Production Index (API) in May grew by 9.4 percent, improving from -1.6 percent contraction in April due to strong rice production while other crop products also grew well such as palm oil, rubber, and fruits. Agricultural Price Index grew strongly at 34.4 percent with major crop such as rice prices increased by 92.3

percent (y-o-y) in line with the world rice prices. This supported farmers' income to grow by 47.3 percent in May. However, indicators for the manufacturing sector showed signs of slowing down. Import volume of raw materials grew by 7.2 percent compared to the previous month's growth of 29.0 percent. This is consistent with Manufacturing Production Index (preliminary) in May expanded by 7.9 percent, slowing from 11.3 percent in the previous month due to increasing raw material costs.

**6. Overall economic stability remained strong.** For external stability, international reserves at the end of May stood at USD 108.9 billion, and more than four times over short-term external debts. **Internal stability is facing higher risks from increasing inflationary pressure.** Headline inflation in May 2008, increased to 7.6 percent (y-o-y), compared to 6.2 percent (y-o-y) in the previous month, due to continued rising oil price and food-related prices. Unemployment rate in April 2008 remained low at 1.5 percent of the total labor force, due to an increasing employment in service sector. Public debt to GDP as of March 2008 was at 36.9 percent, remained well below the 50 percent public debt ceiling under the Fiscal Sustainability Framework.

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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	May-08
<b>External Sector/</b>																		
- 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	118.7
- 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	2.25	2.00	2.00
<b>Fiscal sector/1</b>																		
- 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	125.2	273.3
(%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	8.4	46.2	12.1
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	113.4	119.8	119.8	283.9
(%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	8.6	8.7	11.7	15.9
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	156.0
(%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	14.1	14.6	8.0	21.5
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	40.7
(%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	14.4
- 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	126.8
(%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	-7.5
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	108.3
(%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	-28.5	-6.0	7.4	19.9
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	11.6
(%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	-71.6
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	6.8
(%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	17.8
<b>Supply-side indicators</b>																		
<b>Agricultural sector</b>																		
- 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	12.4	2.5	-1.6	9.4
- 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	40.5	37.4
- New employment in agricultural sector(%y-o-y) /3	0.3	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	-0.1	n.a.
<b>Industrial sector</b>																		
- 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	11.3	7.9*
- 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	23.2
- 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	68.2	66.0	68.3	60.1	65.9
- New employment in industrial sector(%y-o-y) /3	2.1	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	0.8	n.a.
<b>Service sector</b>																		
- 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	1.18
(%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	14.5	18.7
- New employment in service sector(%y-o-y) /3	2.0	5.11	1.27	1.10	5.46	1.32	3.46	5.01	2.62	0.81	5.56	4.02	0.01	3.9	0.1	3.7	5.3	n.a.
<b>Demand-side indicators</b>																		
<b>Private Consumption Indicators</b>																		
- 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	8.3
- 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	26.5
- 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	17.4
- 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	29.4
- 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	1.6
- 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	71.8
<b>Private Investment Indicators</b>																		
- 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	20.4
- 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	-2.3	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	10.0
- 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	4.1
- 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	-3.7
- 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	71.4
<b>International trade indicators/1</b>																		
- 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	15.5
(%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	21.4
- 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	9.1	9.8	10.2	10.7	12.5
- Export volume (%y-o-y)	11.2	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	7.9
- 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	14.2
(%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	15.7
- 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	17.4
- 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	-1.4
- 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	1.3
<b>External economic stability /2</b>																		
- 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	32.1
- 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	-1.7	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	108.9
<b>Internal economic stability /4</b>																		
- 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	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	15.6
- 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	7.6
- 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	2.8
- Public debt to GDP (%) /1	38.7	37.4	37.6	38.3	38.1	38.2	37.7	37.7	37.8	37.9	38.0	38.3	38.7	36.3	36.5	36.9	n.a.	n.a.

1/Data from Ministry of Finance