



28 October 2008

# Monthly Economic Report (3rd Quarter of 2008)

Thai economy in 3rd quarter of 2008 continued to expand, but at decelerated pace due to softening external demand from slowing export volume following a global economic slowdown while the domestic demand through private investment also showed sign of slowing down as well. However, private consumption continued to grow at a moderate pace following a declining cost-of-living due to lower inflation and government economic stimulus measures to stimulate the domestic economy in the past months. Economic stability remained robust and resilience from lower inflation due to declining oil prices and the impact from six months government economic stimulus package (announced on 15 July 2008).

1. Private consumption in 3rd quarter of 2008 continued to expand moderately from the previous quarter. Consumption indicator from real-term value-added tax collection grew at 16.1 percent (y-o-y), accelerated from 9.4 percent (y-o-y) growth in the previous month, resulting from lowering living cost due to declining goods prices that resulted in higher consumers' purchasing power. This is consistent with consumption indicator from import volume of consumer goods which grew strongly at 29.8 percent (y-o-y), and also consistent with consumption indicator for durable goods as shown by the growth of motorcycles sales in 3rd quarter which expanded strongly at 5.4 percent (y-o-y), reflecting strong demand from the people in the region due to rising farm income following a high level of agricultural prices despite the recent decelerated trend of agricultural prices from the previous quarter. However, the consumption trend in the future may slow down as seen from the Consumer Confidence Index in the 3rd quarter, which is the leading consumption indicator, decreased to 70.6 points from 71.9 points in the 2nd quarter of 2008 due mainly to the effects of political instability and US financial crisis which could adversely affect the Thai economy.

2. Private investment in 3rd quarter 2008 showed sign of slowing down from the previous quarter. Indicator for equipment and machinery investment measured from import volume of equipment and machinery in 3rd quarter decelerated to 22.2 percent (y-o-y) from a growth of 29.3 percent (y-o-y) in the previous quarter. Consistently, investment indicator from domestic cement sales in the first 2 months of 3rd quarter contracted sharply from the previous quarter to -6.1 percent (y-o-y). For investment in capital good, import volume of capital goods increased by 13.1 percent in 3rd quarter, slightly higher than previous quarter due to extraordinary import growth from oil drillers import in July 2008, but in the past 2 month (August-September 2008) import volume of capital good declined significantly with 2 months-average of 6.0 percent. As for Investment indicator from

commercial car sales in 3rd quarter, it contracted sharply. For investment in capital growth, import volume of capital goods increased by 13.1 percent (y-o-y) in the 3rd quarter, slightly higher than previous quarter at -25.8 percent (y-o-y) due mainly from slow down in pick-ups and trucks sales.

**3. Fiscal indicators in 3rd quarter of 2008** showed government tax revenue collection continued to expand well at 12.4 percent (y-o-y) in the 3rd quarter, reflecting a continued economic expansion. Income-based tax grew at 17.4 percent (y-o-y) in the 3rd quarter, improving from the previous quarter which grew at 16.2 percent (y-o-y) reflecting a good performance in the corporate sector during the first half of 2008. Consumption-based tax (VAT) expanded strongly at 21.8 percent (y-o-y), in the 3rd quarter of 2008, continuing from the 2nd quarter which grew at 15.8 percent (y-o-y) from the consumption growth as well as increasing prices of goods and services. Total government expenditures in 3rd quarter amounted to 413.3 billion Baht, resulting in total expenditures disbursement for fiscal year 2008 (October 2007 - September 2008) at 1,663.4 billion Baht, expanding at 3.8 percent (y-o-y). Current fiscal year 2008 budget (excluding carry-over) was disbursed at 1,532.5 billion Baht, which is a disbursement rate of 92.3 percent from the FY2008 budget expenditure framework (1,660 billion Baht). As a result, fiscal cash balance (before financing) in FY2008 amounted to -78.7 billion Baht, reflecting the role of expansionary fiscal policy in supporting the economy.

**4. Export in 3rd quarter of 2008 expanded at a decelerated pace.** Export volume in the 3rd quarter expanded at 8.9 percent (y-o-y), decelerated from previous quarter which grew at 11.3 percent (y-o-y) due mainly to a contraction in the electronic export at -3.4 percent (y-o-y) in the 3rd quarter. However, export value growth continued to expand well at 25.2 percent (y-o-y), equaling to the growth in the previous quarter, resulting from the higher export prices increasing by 15.0 percent (y-o-y) in the 3rd quarter, accelerated from the previous quarter which grew at 12.5 percent (y-o-y), particularly export in the agricultural sector which expanded at 52.2 percent (y-o-y) in the 3rd quarter. Moreover, export by destinations, showed that export to the new markets such as the Middle east countries and Australia continued to expand well while export to the main export markets such as the U.S., Europe, and China have expanded at slower paces. **Import in 3rd quarter of 2008 continued to expand strongly.** This is mainly due to high level of import volume growth in the 3rd quarter which grew at 20.5 percent (y-o-y), accelerating from 2nd quarter which grew at 10.2 percent (y-o-y) particularly the volume of raw material imports which grew at 31.2 percent (y-o-y) in the 3rd quarter. On the other hand, import price level expanded at a decelerated pace at 16.0 percent (y-o-y) mainly contributed by decreasing oil prices in particular. Higher import value compared to export value resulted in trade balance deficit of -1.7 billion USD in 3rd quarter.

**5. On the supply side, economic indicators in 3rd quarter of 2008 showed that agricultural, manufacturing and service sectors from tourism expanded well but showed some signs of slowing down slightly.** Agricultural Production Index (API) in 3rd quarter expanded at 9.4 percent (y-o-y), decelerated from the previous quarter which



grew at 12.2 percent (y-o-y). Agricultural price index increased at a decelerated pace at 35.5 percent (y-o-y) in the 3rd quarter from a high growth level of 38.2 percent (y-o-y) in the 2nd quarter following a descending in agricultural price index. Service sector from tourism in 3rd quarter contracted as the number of in-bound tourists in 3rd quarter of was recorded at 3.34 million persons, contracted by -3.1 percent (y-o-y) from the same period last year due mainly to the lack of confidence among foreign tourists regarding the political uncertainty. Manufacturing Production Index (Preliminary) in the 3rd quarter expanded at 6.1 percent (y-o-y), decelerated from the previous quarter which grew at 9.4 percent (y-o-y). Manufacturing sector which showed sign of slow down included oil refinery, automobile, and leather goods which showed signs of slow down following a global slow down.

**6. Overall economic stability improved.** Internal stability improved following declining inflation. Headline inflation in 3rd quarter decreased to 7.2 percent (y-o-y), from 7.6 percent (y-o-y) in the previous quarter, due to declining oil and food-related prices and the positive impact from the six months economic stimulus package. Unemployment rate in the first 2 months of 3rd quarter remained low at 1.3 percent of the total labor force. Public debt to GDP as of August was at 35.5 percent, remained well below the 50 percent public debt ceiling under the Fiscal Sustainability Framework. External stability remained robust and resilient to increasing risks from global financial crisis as reflected by high-level of international reserves at the end of September which stood at 102.4 billion USD, which was more than 4.0 times of short-term external debt.

Table 1 Monthly Economic Indicators

	2007	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
<b>External Sector/</b>										
- Dubai crude oil price (US\$/Barrel) /7	68.4	87.3	89.7	96.2	103.4	118.7	128.0	131.2	113.0	96.2
- Fed funds rate (%) /7	4.25	3.00	3.00	2.25	2.00	2.00	2.00	2.00	2.00	2.00
<b>Fiscal sector/1</b>										
- Net government revenue (Billion baht)	1,470.2	97.2	116.5	95.2	125.3	277.0	96.6	107.9	178.7	126.2
(%y-o-y)	6.8	6.2	12.4	8.7	46.2	13.7	5.8	24.9	14.5	20.3
Tax collection from revenue, customs and excise departments	1,517.6	115.0	114.3	119.8	119.7	284.0	110.5	115.8	181.2	165.9
(%y-o-y)	4.7	9.8	9.5	8.8	11.6	15.9	3.7	14.6	14.8	69.3
Income-based tax (Billion baht)	588.1	34.6	32.4	43.2	37.8	156.1	33.8	34.7	104.5	87.7
(%y-o-y)	6.8	7.8	14.1	14.6	8.0	21.6	3.8	8.6	21.8	212.8
Consumption-based tax (Billion baht)	445.2	44.2	40.3	40.1	44.3	40.7	42.4	47.1	43.5	43.3
(%y-o-y)	4.9	19.1	13.3	14.6	17.0	14.4	16.0	33.3	13.7	19.1
- Government expenditure (Billion baht)	1,668.1	158.4	118.7	125.1	154.6	126.8	143.2	138.8	124.6	149.6
(%y-o-y)	25.1	63.2	-40.8	-10.5	33.5	-7.5	12.9	5.3	1.5	0.9
Current expenditure (Billion baht)	1,273.2	93.9	98.0	100.4	104.9	108.4	107.3	115.9	107.8	124.7
(%y-o-y)	27.4	25.3	-28.4	-6.0	7.4	19.6	14.5	3.0	6.4	7.4
Capital expenditure (Billion baht)	297.7	53.0	10.7	13.1	45.1	11.6	29.8	18.6	12.6	18.2
(%y-o-y)	37.7	336.0	-80.4	-37.5	233.3	-71.6	7.5	20.2	27.0	35.0
Carry-over budget (Billion baht)	97.2	11.5	10.0	11.6	4.6	6.8	6.1	4.3	4.2	6.6
(%y-o-y)	17.0	15.7	10.3	3.4	0.2	17.8	5.7	15.1	1.4	1.3
<b>Supply-side indicators</b>										
<b>Agricultural sector</b>										
- Agricultural production index (%y-o-y) /6	2.1	-0.3	1.9	-2.8	5.5	19.0	12.7	13.5	6.4	8.9
- Agricultural price index (%y-o-y) /6	1.2	10.4	16.1	28.1	40.5	37.9	36.4	40.9	34.7	31.1
- New employment in agricultural sector(%y-o-y) /3	1.0	-1.5	2.1	1.1	-0.1	3.9	3.9	5.6	-0.4	n.a.
<b>Industrial sector</b>										
- Manufacturing production index (%y-o-y) /10	8.1	13.5	12.2	9.1	11.3	8.2	8.8	10.2	5.3	3.0*
- Imports of raw materials in USD (%y-o-y) /1	14.8	31.7	27.2	30.1	43.3	23.2	27.6	52.9	34.9	59.2
- Capacity utilization (%) /10	66.1	68.2	66.0	68.3	60.9	66.0	64.4	65.2	61.7	61.4
- New employment in industrial sector(%y-o-y) /3	2.1	-1.0	1.2	1.2	0.8	-0.3	-5.3	-11.2	-5.0	n.a.
<b>Service sector</b>										
- No. of foreign tourists (Million persons) /11	14.5	1.4	1.5	1.4	1.3	1.2	1.2	1.3	1.2	0.9
(%y-o-y)	4.7	10.3	15.7	13.9	14.5	18.7	11.7	9.3	-3.8	-15.9
- New employment in service sector(%y-o-y) /3	2.0	3.9	0.1	3.7	5.3	6.7	3.2	2.9	5.8	n.a.
<b>Demand-side indicators</b>										
<b>Private Consumption Indicators</b>										
- Value Added Tax at constant price (%y-o-y) /1	3.6	15.0	9.1	10.2	12.2	8.3	7.6	23.3	9.5	16.0
- Imports value of consumer goods in USD (%y-o-y) /1	24.6	55.1	30.9	29.6	42.0	26.5	44.0	48.3	19.7	41.6
- Imports volume of consumer goods in USD (%y-o-y) /1	20.3	45.3	23.1	23.0	34.0	17.4	34.2	40.7	14.8	35.7
- Sales of passenger cars (%y-o-y)	-11.3	32.8	44.9	39.2	13.7	29.4	29.3	27.5	20.3	19.1
- Sales of motorcycles (%y-o-y)	-17.2	-5.0	5.6	8.9	7.6	1.6	7.1	16.3	4.6	25.9
- Consumer confident index (Index) /5	71.0	71.2	72.6	73.8	73.0	71.8	70.8	71.8	70.5	69.5
<b>Private Investment Indicators</b>										
- Total taxes collected from real estate transaction (%y-o-y) /1	2.9	8.8	15.9	-27.1	44.6	20.4	25.9	43.0	7.8	19.2
- Domestic cement sales (%y-o-y) /2	-5.0	-7.0	-1.7	-8.5	-2.3	3.5	-16.7	-15.0	-17.1	n.a.
- Imports value of capital goods in USD (%y-o-y) /1	0.8	65.5	23.4	24.5	25.1	10.0	15.0	36.3	6.1	14.2
- Imports volume of capital goods in USD (%y-o-y) /1	-1.2	58.6	17.9	18.3	18.4	4.1	8.4	28.4	1.8	10.1
- Sales of commercial cars (%y-o-y)	-6.0	11.4	1.3	10.3	8.2	-3.7	-20.9	-29.3	-25.7	-22.8
- Industrial Confidence Index (%y-o-y) /9	80.9	86.0	83.0	83.2	78.8	71.4	73.6	76.9	83.0	81.1
<b>International trade indicators/1</b>										
- Exports (Billion USD): custom basis	152.1	14.0	13.0	14.8	13.8	15.5	16.3	17.0	15.9	15.9
(%y-o-y)/4	17.2	33.3	16.6	14.5	27.0	21.4	27.4	43.9	14.9	19.4
- Export price (%y-o-y)/4	5.8	9.8	9.8	10.2	10.7	12.5	14.3	15.9	15.6	13.5
- Export volume (%y-o-y)	10.9	21.4	6.2	3.9	14.7	7.9	11.5	24.2	-0.6	5.2
- Imports (Billion USD): custom basis	140.0	14.6	13.7	14.6	15.6	14.2	15.6	18.0	16.7	15.7
(%y-o-y)/4	8.7	49.1	33.3	32.7	44.4	15.7	30.7	55.1	26.9	39.4
- Import price (%y-o-y)	5.3	14.8	15.4	16.5	16.3	17.4	19.4	19.1	16.6	12.2
- Import volume (%y-o-y)	3.2	29.9	15.5	13.9	24.2	-1.4	9.4	30.2	8.8	24.1
- Trade balance (Billion USD): custom basis	12.1	-0.7	-0.7	0.2	-1.8	1.3	0.6	-1.0	-0.8	0.1
<b>External economic stability /2</b>										
- Average exchange rate (Baht/USD)	34.5	33.2	32.6	31.4	31.6	32.1	33.2	33.5	33.8	34.3
- Current account (Billion USD)	14.0	1.3	0.6	0.8	-1.9	0.5	0.3	-0.9	-0.9	n.a.
- International reserve (Billion USD)	87.5	92.8	100.5	110.0	109.8	108.9	105.7	104.8	101.2	102.4
<b>Internal economic stability /4</b>										
- Unemployment rate (%) /3	1.4	1.7	1.5	1.5	1.5	1.5	1.2	1.3	1.2	n.a.
- Producer price index (%yoy)	3.3	10.0	11.2	11.1	12.7	15.6	18.6	21.2	21.6	19.0
- Headline inflation (%yoy)	2.3	4.3	5.4	5.3	6.2	7.6	8.9	9.2	6.4	6.0
- Core inflation (%yoy)	1.1	1.2	1.5	1.7	2.1	2.8	3.6	3.7	2.7	2.6
- Public debt to GDP (%) /1	37.6	35.4	35.5	35.8	36.1	36.1	35.9	35.4	35.5	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 Reuters

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

Table 2 Quarterly Economic Indicators

External Sector/ - Dubai crude oil price (US\$/Barrel) /7 - Fed funds rate (%) /7	2006	2007				2008		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
	68.4	55.5	64.8	69.9	83.3	91.1	116.5	103.9
	4.3	5.3	5.3	4.8	4.3	2.3	2.0	2.0
Fiscal sector/1								
- Net government revenue (Billion baht)	1,470.2	311.4	432.1	400.4	326.5	308.8	499.0	412.9
(%y-o-y)	6.8	1.7	3.7	13.6	8.6	-0.8	15.5	3.1
Tax collection from revenue, customs and excise departments	1,517.6	319.3	458.8	411.7	327.8	349.1	514.2	462.9
(%y-o-y)	4.7	4.1	5.3	2.9	6.7	9.3	12.1	12.4
Income-base tax (Billion baht)	588.1	98.2	195.9	193.5	110.2	110.2	227.7	227.1
(%y-o-y)	6.8	1.8	9.2	4.5	12.2	12.2	16.2	17.4
Consumption-base tax (Billion baht)	445.2	107.6	109.9	110.0	124.5	124.5	127.4	133.9
(%y-o-y)	4.9	4.5	1.3	3.5	15.7	15.7	15.8	21.8
- Government expenditure (Billion baht)	1,668.1	437.3	417.3	420.2	393.3	402.2	424.9	413.3
(%y-o-y)	25.1	22.6	36.3	13.6	31.1	-8.0	1.8	-1.6
Current expenditure (Billion baht)	1,273.2	318.6	314.5	336.9	303.2	292.3	321.1	348.4
(%y-o-y)	27.4	26.3	33.0	23.5	27.3	-8.3	2.1	3.4
Capital expenditure (Billion baht)	297.7	87.6	86.7	68.7	54.7	76.8	86.5	49.5
(%y-o-y)	37.7	28.3	65.0	-9.1	176.7	-12.3	-0.2	-28.0
Carry-over budget (Billion baht)	97.2	31.0	16.2	14.2	35.4	33.1	17.2	15.1
(%y-o-y)	-17.0	-14.0	-6.0	-32.0	-16.4	6.9	6.9	6.6
Supply-side indicators								
Agricultural sector								
- Agricultural production index (%y-o-y) /6	2.1	-5.4	6.4	-2.5	4.0	-0.3	12.2	9.4
- Agricultural price index (%y-o-y) /6	1.2	-4.3	-10.2	1.7	9.3	18.2	38.2	35.5
- New employment in agricultural sector(%y-o-y) /3	1.0	2.8	-0.5	1.2	0.6	0.4	3.6	2.6**
Industrial sector								
- Manufacturing production index (%y-o-y) /10	8.1	5.3	5.1	9.1	12.6	11.6	9.4	6.1*
- Imports of raw materials in USD (%y-o-y) /1	14.8	15.1	12.6	12.9	18.8	29.7	30.8	48.3
- Capacity utilization (%) /10	66.1	65.5	64.8	66.9	67.3	67.5	63.7	62.8
- New employment in industrial sector(%y-o-y) /3	2.1	0.2	1.3	5.4	1.7	0.4	-2.2	-8.1**
Service sector								
- No. of foreign tourists (Million persons) /11	14.5	3.8	3.1	3.5	4.1	4.3	3.6	3.4
(%y-o-y)	4.7	5.8	0.4	2.7	8.8	13.3	14.9	-3.0
- New employment in service sector(%y-o-y) /3	2.0	1.6	1.5	2.0	2.8	2.9	4.5	4.3**
Demand-side indicators								
Private Consumption Indicators								
- Value Added Tax at constant price (%y-o-y) /1	3.6	3.3	0.7	3.1	7.2	11.5	9.4	16.1
- Imports of consumer goods in USD (%y-o-y) /1	24.6	16.3	20.0	22.9	38.2	37.7	37.4	35.8
- Sales of passenger cars (%y-o-y)	-11.3	-15.6	-7.9	2.3	-22.4	39.1	24.8	22.3
- Sales of motorcycles (%y-o-y)	-17.2	-13.6	-17.2	-21.3	-16.7	3.0	5.4	15.0
- Consumer confident index (Index) /5	71.0	73.5	71.5	69.7	69.4	72.5	71.9	70.6
Private Investment Indicators								
- Total taxes collected from real estate transaction (%y-o-y) /1	2.9	-4.7	-2.2	5.3	11.5	-3.4	29.3	22.2
- Domestic cement sales (%y-o-y) /2	-5.0	-3.0	-7.7	-3.0	-6.3	-5.9	-5.3	-16.1**
- Imports of capital goods in USD (%y-o-y) /1	0.8	-9.0	3.9	4.6	3.5	37.6	16.5	18.4
- Sales of commercial cars (%y-o-y)	-6.0	-19.7	-5.8	3.8	-1.4	7.7	-5.6	-25.8
- Industrial Confidence Index (%y-o-y) /9	80.9	84.4	81.3	76.6	81.2	84.1	74.6	80.3
International trade indicators/1								
- Exports (Billion USD): custom basis	152.1	34.5	36.3	38.9	42.3	41.7	45.5	48.7
(%y-o-y)/4	17.2	17.2	17.7	11.3	23.0	20.9	25.2	25.2
- Export price (%y-o-y)/4	5.8	4.7	5.1	4.5	8.5	9.9	12.5	15.0
- Export volume (%y-o-y)	10.9	11.9	11.9	6.5	13.3	10.0	11.3	8.9
- Imports (Billion USD): custom basis	140.0	31.1	35.0	36.0	37.9	42.9	45.4	50.4
(%y-o-y)/4	8.7	3.7	7.3	7.9	15.4	38.1	29.7	39.9
- Import price (%y-o-y)	5.3	3.4	3.4	4.1	10.5	15.6	17.7	16.0
- Import volume (%y-o-y)	3.2	0.3	3.8	3.6	4.5	19.5	10.2	20.5
- Trade balance (Billion USD): custom basis	12.1	3.4	1.3	2.9	4.5	-1.2	0.1	-1.7
External economic stability /2								
- Average exchange rate (Baht/USD)	34.5	35.6	34.7	34.0	33.9	32.4	32.3	34.1
- Current account (Billion USD)	14.0	4.3	0.8	2.8	6.2	2.7	-1.0	n.a.
- International reserve (Billion USD)	87.5	70.9	73.0	80.7	87.5	110.0	105.7	102.4
Internal economic stability /4								
- Unemployment rate (%) /3	1.4	1.6	1.6	1.2	1.1	1.7	1.4	1.3**
- Producer price index (%yoy)	3.3	2.6	1.8	1.5	7.0	10.8	15.6	20.6
- Headline inflation (%yoy)	2.3	2.4	1.9	1.6	2.9	5.0	7.6	7.2
- Core inflation (%yoy)	1.1	1.4	0.9	0.8	1.1	1.5	2.8	3.0
- Public debt to GDP (%) /1	37.6	38.0	37.4	37.6	37.7	35.8	35.9	35.5**

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 Reuters

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