



27 November 2008

Monthly Economic Report (October 2008)

Thai economy in October 2008 continued to expand but showed sign of deceleration following from previous month due to softening external demand from slowing export volume following a global economic slowdown while the domestic demand through private consumption and private investment also showed sign of slowing down as well. Economic stability remained robust and resilience from lower inflation.

1. Private consumption in October 2008 continued to expand but showed signs of decelerated growth. Consumption indicator from real-term value-added tax (VAT) collection grew at 8.4 percent (y-o-y), decelerated from 16.0 percent (y-o-y) growth in the previous month, resulting from increasing concerns from slowing economic condition following the financial crisis in the U.S. and Europe and on-going political uncertainty which led the consumer to be cautious in their spending. This is also consistent with indicator from import volume of consumer goods which grew at 9.9 percent (y-o-y) decelerated from 35.7 percent (y-o-y) growth in the previous month. Sales of motorcycles in October expanded at 9.9 percent (y-o-y), decelerated from the previous month which grew at 25.9 percent (y-o-y), reflecting a slow down in demand in the rural area which was partly due to declining agricultural prices which negatively affected farmers' income and overall purchasing power in the rural area. However, passenger car sales in October continued to expanded strongly at 20.4 percent (y-o-y) following from the previous month growth of 19.1 percent (y-o-y) thanks to the introduction of the new car models which are compatible with the alternative energy as well as decreasing oil prices. Consumer Confidence Index decreased to 68.6 points from previous level of 69.5 points recorded in the previous month, displaying sign of slow down in consumption in the future.

2. Private investment in October 2008 showed sign of slowing down from the previous month. Indicator for construction and real-estate measured from real estate tax collection in October decelerated to 13.2 percent (y-o-y) from a growth of 19.2 percent (y-o-y) in the previous month, reflecting a slow down in real-estate market following a deteriorating economic condition, which played a major role in the purchasing decision in the real-estate market. Investment in the construction as measured by import volume of capital goods grew at 2.0 percent (y-o-y), decreasing sharply from the previous month growth of 10.1 percent (y-o-y). Investment indicator from commercial car sales in October continued to remain in contraction of -28.3 percent (y-o-y) following the previous month due mainly from contractions in large and small pick-ups and trucks sales.

3. Fiscal indicators in October 2008 showed government tax revenue collection amounted to 105.0 billion Baht, expand at 0.1 percent (y-o-y) as a result of fuel excise tax reduction measure and slow down in domestic economy. Income-based tax grew at 2.1 percent (y-o-y), reflecting a weaker performance in the corporate sector and people income as a result of a slow down in the economy. Consumption-based tax (VAT) expanded at 9.2 percent (y-o-y), reflecting a decent level of consumption despite a slow down from the previous month. Total government expenditures in October 2008, which is the first month of Fiscal Year 2009, amounted to 93.7 billion Baht, contracting by -39.7 percent (y-o-y) due to delayed FY2009 budgetary implementation which resulted in a low level of current expenditure disbursement at 84.6 billion Baht, contracting by -30.1 percent (y-o-y), and capital expenditure disbursement at 563.0 million Baht, contracting by -97.9 percent.

4. Export in October 2008 showed sign of slow down. Export value in USD term in October recorded at USD 15.3 billion, expanding at a low rate of 5.2 percent (y-o-y) If considering in term of export value, it is founded that export value contracted by -2.6 percent (y-o-y), which is the third successive month of slow expansion due mainly from deceleration and contraction in the main export sectors, particularly export in the electronic and electrical appliances as a result of economic slowdown among Thailand's major trading partners. When considering export by destinations, it is shown that export to countries which imported mostly intermediate goods from Thailand for further production such as Singapore, Vietnam, Hong Kong, Philippines and Taiwan contracted sharply. **Import in October 2008** amounted to USD 15.8 billion, and grew at a decelerated pace at 13.9 percent (y-o-y), decelerated from the previous month which grew at 24.1 percent (y-o-y). This contraction in all goods sector, particularly raw materials indicated that domestic production has slowed down while import of capital and consumer goods have also grew at a decelerated pace, reflecting a slow down in domestic demand. However, import of fuel related goods grew at 18.4 percent (y-o-y), increasing from the previous month which grew at 11.8 percent (y-o-y) as a result of lower crude oil prices which resulted in an increase of fuel import. Higher import value compared to export value resulted in trade balance deficit of -0.6 billion USD in October.

5. On the supply side, economic indicators in October 2008 showed that agricultural, manufacturing and service sectors from tourism all showed signs of slowing down. Agricultural Production Index (API) in October contracted sharply by -6.9 percent (y-o-y), decelerated from the previous month which grew at 8.7 percent (y-o-y) due to a deceleration in major crop productions, particularly major rice which production slowed down due to the damage sustained from flooding in September- October 2008. Rubber production decreased due to inclement weather and heavy rain. Agricultural Price Index in October decreased sharply particularly rice, and rubber prices due to weaker global demand and declining world agricultural prices. In term of indicator from manufacturing sector, it is found that import volume of raw material in October grew at 24.3 percent (y-o-y), decreasing from the previous month which grew at 42.2 percent (y-o-y) indicating that manufacturing sector slowed down its production in anticipating softening demand trend following global economic slowdown. Service sector from tourism in October

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by Fiscal Policy Office



continued to contracted further as the number of in-bound tourists in October was recorded at 1.1 million persons, contracted by –6.4 percent (y-o-y) from the same period last year due mainly to the lack of confidence among foreign tourists regarding the political situation.

6. Overall economic stability improved. Internal stability improved following declining inflation. Headline inflation in October decreased to 3.9 percent (y-o-y), from 6.0 percent (y-o-y) in the previous month, due to declining oil price and the positive impact from the six months economic stimulus package. Core inflation in October also grew at 2.4 percent (y-o-y), lowered from the previous month of 2.6 percent (y-o-y). Unemployment rate in September 2008 remained low at 1.1 percent of the total labor force. Public debt to GDP as of September was at 36.2 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 October which stood at 103.2 billion USD, which was more than 4 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	Oct-08
External Sector/											
- 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	69.0
- Fed funds rate (%) /7	4.25	3.00	3.00	2.25	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Fiscal sector/1											
- 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	92.0
(%y-o-y)	6.8	- 6.2	12.4	- 8.7	46.2	13.7	- 5.8	24.9	- 14.5	20.3	- 18.4
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	105.0
(%y-o-y)	4.7	9.8	9.5	8.8	11.6	15.9	3.7	14.6	- 14.8	69.3	0.1
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	31.4
(%y-o-y)	6.8	7.8	14.1	14.6	8.0	21.6	3.8	8.6	- 21.8	212.8	2.1
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	42.4
(%y-o-y)	4.9	19.1	13.3	14.6	17.0	14.4	16.0	33.3	13.7	19.1	9.2
- 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	93.7
(%y-o-y)	25.1	63.2	-40.8	-10.5	33.5	-7.5	- 12.9	- 5.3	1.5	- 0.9	- 39.7
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	84.6
(%y-o-y)	27.4	25.3	-28.4	-6.0	7.4	19.6	- 14.5	- 3.0	6.4	7.4	- 30.1
Capital expenditure (Billion baht)	297.7	53.0	10.7	13.1	45.1	11.6	29.8	18.6	12.6	18.2	0.6
(%y-o-y)	37.7	336.0	-80.4	-37.5	233.3	-71.6	7.5	- 20.2	- 27.0	- 35.0	- 97.9
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	8.5
(%y-o-y)	- 17.0	15.7	10.3	- 3.4	- 0.2	17.8	5.7	15.1	1.4	- 1.3	14.4
Supply-side indicators											
Agricultural sector											
- Agricultural production index (%y-o-y) /6	2.1	-0.1	2.4	1.7	2.2	9.9	5.7	8.7	3.8	8.7	-6.9
- Agricultural price index (%y-o-y) /6	1.2	10.4	16.1	28.1	40.5	37.9	36.3	40.9	34.7	31.1	14.2
- 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	4.7	n.a.
Industrial sector											
- 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	2.2	-1.0
- 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	19.4
- Capacity utilization (%) /10	66.1	68.2	66.0	68.3	60.9	66.0	64.4	65.2	61.8	61.1	60.6
- 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	-6.4	n.a.
Service sector											
- 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	1.1
(%y-o-y)	4.7	10.3	15.7	13.9	14.5	18.7	11.7	9.3	-3.8	-15.9	-6.4
- 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	2.40	n.a.
Demand-side indicators											
Private Consumption Indicators											
- 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	8.4
- 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	15.3
- 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	9.9
- 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	20.4
- 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	9.9
- 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	68.6
Private Investment Indicators											
- Total taxes collected from real estate transaction (%y-o-y) /1	0.8	7.3	15.9	-27.1	44.6	20.4	25.9	43.0	7.8	19.2	13.2
- 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	-17.3	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	5.8
- 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	2.0
- 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	-28.3
- 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	75.5
International trade indicators/1											
- 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	15.3
(%y-o-y)/4	17.2	33.3	16.6	14.5	27.0	21.4	27.4	43.9	14.9	19.4	5.2
- 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	8.0
- 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	-2.6
- 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	15.8
(%y-o-y)/4	8.7	49.1	33.3	32.7	44.4	15.7	30.7	55.1	26.9	39.4	21.7
- Import price (%y-o-y)	5.3	14.8	15.4	16.5	16.3	17.4	19.4	19.1	16.6	12.3	6.9
- 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	13.9
- 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	-0.6
External economic stability /2											
- 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	34.4
- Current account (Billion USD)	14.0	1.3	0.6	0.8	-1.9	0.5	0.3	-0.9	-0.9	-0.7	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	103.2
Internal economic stability /4											
- Unemployment rate (%) /3	1.4	1.7	1.5	1.5	1.5	1.5	1.2	1.3	1.2	1.1	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	8.5
- Headline inflation (%yoy)	2.3	4.3	5.4	5.3	6.2	7.6	8.9	9.2	6.4	6.0	3.9
- Core inflation (%yoy)	1.1	1.2	1.5	1.7	2.1	2.8	3.6	3.7	2.7	2.6	2.4
- Public debt to GDP (%) /1	37.6	35.4	35.5	35.8	36.1	36.1	35.9	35.4	35.7	36.2	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