



24 December 2008

Monthly Economic Report (November 2008)

Thai economy in November 2008 showed continued signs of deceleration following from previous month due to slowing external demand from lower export volume following global economic slowdown while domestic demand through private consumption and private investment also showed signs of slowing down as well. Economic stability remained strong with lower inflation trend.

1. Private consumption in November 2008 showed signs of deceleration. Real-term value-added tax (VAT) collection contracted at -4.6 percent (y-o-y), decelerated from 8.4 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 consumers to be cautious in their spending. This is also consistent with indicator from import volume of consumer goods which contracted at -11.1 percent (y-o-y) decelerated from a growth of 9.9 percent (y-o-y) in the previous month. Sales of motorcycles in November contracted at -3.3 percent (y-o-y), decelerated from the previous month which grew at 9.9 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 November continued to expanded strongly at 33.2 percent (y-o-y) following from the previous month growth of 20.4 percent (y-o-y) thanks to the sales promotion from the Motor Expo event and decreasing oil prices. Consumer Confidence Index decreased to 67.1 points from previous level of 68.6 points recorded in the previous month, displaying sign of slow down in consumption in the future.

2. Private investment in November 2008 showed signs of slowing down from the previous month. Indicator for construction and real-estate measured from real estate tax collection in November contracted at -6.4 percent (y-o-y) from a growth of 13.2 percent (y-o-y) in the previous month, reflecting a slow down in real-estate market following a deteriorating economic condition and increasing uncertainty, 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 7.1 percent (y-o-y), increasing from the previous month growth of 2.0 percent (y-o-y). However, import volume of capital goods excluding special items (air planes, oil-drillers, trains and gold) grew at low level of 1.6 percent (y-o-y). Investment indicator from commercial car sales in November continued to remain in contraction of -36.7 percent (y-o-y) following the previous month due mainly from contractions in pick-ups and two-tonnes weighed trucks sales.

3. Fiscal indicators in November 2008 showed government tax revenue collection from 3 departments amounted to 108.0 billion Baht, contracting by –8.7 percent (y-o-y) as a result of slow down in domestic economy and excise tax reduction measures. Income-based tax grew at a low level of 3.7 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) contracted at –6.6 percent (y-o-y), reflecting a deteriorating level of consumption from the previous month. Total government expenditures in November 2008 amounted to 165.2 billion Baht, expanding by 30.1 percent (y-o-y) due to an accelerated budget disbursement in order to compensate for low budget disbursement due to delayed budgetary implementation in the previous month. Current expenditure disbursement was amounted to 131.3 billion Baht, expanding at a high level of 39.9 percent (y-o-y), and capital expenditure disbursement was at 18.0 million Baht, contracting by –1.3 percent due to high-based factor of capital expenditure disbursement in the same period last year.

4. Export in November 2008 contracted following a slow down in major trading partner's economies and the obstacle for export caused by the closed down of Bangkok international airport. Export value in USD term in November recorded at USD 11.9 billion, contracting at a high rate of –18.6 percent (y-o-y). If considering in term of export value, it is founded that export value contracted by –21.7 percent (y-o-y), which is the fourth successive months of slowing export growth 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 processing such as China, Singapore, Vietnam, Hong Kong, and Taiwan contracted sharply. **Import in November 2008 also showed sign of slow down.** Import value amounted to USD 13.1 billion, and grew at a low rate at 2.0 percent (y-o-y). This figure represent is an import volume growth at a low level of 0.2 percent (y-o-y) and decelerated from the previous month growth of 13.9 percent (y-o-y), due to deceleration in import, particularly all goods in fuel sector, raw materials and semi-finished products, which 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. **As a result, higher import value compared to export value led to a trade balance deficit of –1.2 billion USD in November.**

5. On the supply side, economic indicators in November 2008 showed that agricultural, manufacturing and service sectors from tourism all showed signs of slowing down. Agricultural Production Index (API) in November grew at low level of 3.9 percent (y-o-y), following a contraction in the previous month of –7.2 percent (y-o-y) thanks to a growth in main crops such as major rices, which being in a harvest season while rubber production has decreased due to inclement weather and heavy rain. Agricultural Price Index in November 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 Manufacturing Production Index (Preliminary), contracted at



–8.6 percent (y-o-y) reflecting the impact the manufacturing has been negatively affected from export slow down caused by global economic crisis. This is consistent for import volume of raw material in November which contracted at –0.1 percent, decelerating from a growth of 24.3 percent (y-o-y) in the previous month, marking the first month of contraction in 2008 and reflecting a slow down in the manufacturing sector following a global economic slow down. Service sector from tourism in November continued to contract further as the number of in-bound tourists in November was recorded at 1.1 million persons, contracted by –18.9 percent (y-o-y) following from a previous month of contraction of –6.4 percent (y-o-y) due to the adverse effect of political factor, particularly the closed down of the airport towards the end of November 2008.

6. Overall economic stability improved. Internal stability improved following declining inflation. Headline inflation in November decreased to 2.2 percent (y-o-y), from 3.9 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 November also grew at 2.0 percent (y-o-y), lowered from the previous month of 2.4 percent (y-o-y). Unemployment rate in October 2008 remained low at 1.2 percent of the total labor force. Public debt to GDP as of October was at 36.9 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 November which stood at 106.3 billion USD, which was more than 4.1 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	Nov-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	50.0
- 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	0.25
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	111.4
(%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	6.3
- 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	105.0	108.8
(%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	8.7
- 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	43.0
(%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	3.7
- 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	36.7
(%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	6.6
- 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	165.2
(%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	30.1
- 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	131.3
(%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	39.9
- 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	18.0
(%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	1.3
- 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	15.9
(%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	6.7
Supply-side indicators												
Agricultural sector												
- Agricultural production index (%y-o-y) /6	2.1	0.1	2.3	-2.3	5.7	19.2	12.2	11.9	6.1	9.1	-7.2	3.9
- 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	14.5	7.9
- New employment in agricultural sector(%y-o-y) /3	1.0	-1.5	-0.6	1.2	-0.1	3.9	3.9	5.6	-0.4	4.7	4.2	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	5.4	2.2	-0.9	-8.6
- Imports of raw materials in USD (%y-o-y) /1	14.8	31.7	27.0	29.4	40.9	23.2	27.6	52.9	34.9	59.2	34.7	6.3
- Capacity utilization (%) /10	66.1	68.2	66.0	68.3	60.9	66.0	64.4	65.2	61.8	61.1	60.7	56.1
- New employment in industrial sector(%y-o-y) /3	2.1	-1.0	1.4	2.2	0.8	-0.3	-5.3	-11.2	-5.0	-6.4	-4.5	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	1.1
(%y-o-y)	4.7	10.3	15.7	13.9	14.5	18.7	11.7	9.3	-3.8	-15.6	-6.4	-18.9
- New employment in service sector(%y-o-y) /3	2.0	4.3	1.3	3.5	5.1	5.6	2.7	4.0	5.3	2.3	4.7	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	-4.6
- 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	-8.0
- 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	-11.1
- 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	33.2
- 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	-3.3
- 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	67.1
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	-6.4
- 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	-16.0	n.a.
- Imports value of capital goods in USD (%y-o-y) /1	0.8	65.5	23.4	24.6	24.3	10.0	15.0	36.3	6.1	14.2	5.8	10.0
- Imports volume of capital goods in USD (%y-o-y) /1	-1.2	58.6	17.9	18.3	17.6	4.0	8.5	28.4	1.8	10.1	2.0	7.1
- 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	-28.3	-36.7
- 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	71.8
International trade indicators/1												
- Exports (Billion USD): custom basis	152.1	14.3	13.2	15.0	14.1	15.9	16.7	17.4	16.3	16.3	15.3	11.9
(%y-o-y)/4	17.2	36.3	18.8	16.5	30.2	24.7	30.4	47.4	17.7	22.6	5.2	-18.6
- Export price (%y-o-y)/4	5.7	9.8	9.8	10.2	10.7	12.5	14.3	15.9	15.6	13.5	8.0	4.0
- Export volume (%y-o-y)	10.9	24.1	8.2	5.7	17.5	10.8	14.1	27.2	1.8	8.0	-2.6	-21.7
- Imports (Billion USD): custom basis	140.0	14.6	13.7	14.6	15.4	14.2	15.6	18.0	16.7	15.7	15.8	13.1
(%y-o-y)/4	8.7	49.1	33.3	32.4	43.2	15.7	30.7	55.1	26.9	39.4	21.7	2.0
- Import price (%y-o-y)	5.4	14.8	15.4	16.5	16.3	17.4	19.4	19.1	16.6	12.3	6.9	1.8
- Import volume (%y-o-y)	3.2	29.9	15.4	13.6	23.1	-1.4	9.4	30.2	8.8	24.1	13.9	0.2
- Trade balance (Billion USD): custom basis	12.1	-0.3	-0.4	0.4	-1.3	1.7	1.0	-0.6	-0.4	0.6	-0.6	-1.2
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	35.1
- Current account (Billion USD)	14.0	1.3	0.6	0.8	-1.9	0.5	0.3	-0.9	-0.9	-0.7	-1.1	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	106.3
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	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	8.5	1.9
- 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	2.2
- 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	2.0
- Public debt to GDP (%) /1	38.7	36.1	36.2	36.6	36.8	36.8	35.9	36.1	36.4	36.9	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 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