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# Monthly Economic Report (January 2009)

Thai economy in January 2009 showed significant and continuous deterioration especially from domestic demand from private consumption and private investment resulting in substantial contraction in import. Despite considerable export contraction, import deteriorated to a greater extent which resulted in improving net export and trade balance. On the other hand, public spending showed increasing role in stimulating economic activities during the time of private expenditure slowdown. On the economic stability, inflation showed lowering trend in line with declining oil prices, while international reserves remained at high level.

1. Private consumption in January 2009 continued to slow down. Consumption indicator from real-term Value-Added Tax (VAT) growth dropped at -6.4 percent (y-o-y), contracted stronger than previous month of -3.4 percent (y-o-y), reflecting slowing in private consumption. This is consistent with consumption indicator from import volume of consumer goods which contracted at -20.4 percent (y-o-y), and passenger car sales which contracted at -10.0 percent (y-o-y). Meanwhile, private consumption indicator for rural sector as showed by motorcycles sales deeply contracted at -21.6 percent (y-o-y), contrasting with the previous month which grew at 14.1 percent (y-o-y). This decline could be attributed to declining farm income following lower agricultural prices, which affected purchasing power of the people living in the rural area.

2. Private investment in January 2009 showed contracting signs. Machinery investment indicator, measured from the volume of capital goods import, shrank at -29.8 percent (y-o-y), coincided with commercial car sales which continuously dropped at -39.5 percent (y-o-y), as a result of the contractions in pick-up and two-tones truck sales at -39.6 percent (y-o-y) and -37.6 percent (y-o-y), respectively. These indicators reflected continuous decline in machinery investment. On the other hand, construction investment indicator as measured from real estate tax collection, grew slightly at 1.6 percent (y-o-y), improving from the previous month contraction of -17.7 percent (y-o-y). This was partly due to lower base effect from the same period of last year as well as government measure to lower real estate taxes to promote the real estate and construction sectors.

3. Fiscal indicators in January 2009 showed net government revenue collection in January 2009 amounted to 88.6 billion baht, contracted by -8.6 percent (y-o-y), which was partly due to slow down in domestic economic activities in line with the global economic slowdown, declining price level, as well as government stimulus measure to reduce excise tax for gasoline. Consumption-based tax collection in January 2009 contracted by -

18.3 percent (y-o-y), reflecting weaker private consumption. Income-based tax grew moderately at 6.3 percent (y-o-y), reflecting good performance in business sector as well as labor market condition not yet affected by the declining global economic condition. On expenditure side, total government spending in January 2009 amounted to 192.4 billion Baht, expanding from the same period of the previous year by 21.5 percent. This figure can be broken into current expenditures which was disbursed at 126.0 billion baht or expanding at 34.1 percent (y-o-y) while capital expenditure was disbursed at 52.0 billion baht or contracted by -1.8 percent (y-o-y) due to high-base effect from the same period of the previous year. Nevertheless, high disbursement of government expenditures reflected increasingly important role of fiscal policy to support the Thai economy during the period of slowdown in private demand.

**4. Export in January 2009 contracted as a result of impact from global economic crisis.** Export value in January 2009 amounted to 10.5 billion USD, contracting at the rate of -26.5 percent (y-o-y), and representing 3 consecutive months of export value contraction. In this connection, export value growth can be decomposed into export volume contraction of -27.1 percent (y-o-y) and export price growth at 0.9 percent (y-o-y). Export showed contractions in every major types of export goods, especially electronics, electrical appliances and automobile due to the negative impact from global economic downturn. On the other hand, import value of goods in January 2009 amounted to 9.1 billion USD, contracted by -37.6 percent (y-o-y). This can be divided into import volume contraction at -35.3 percent (y-o-y), and import price decline by -3.5 percent (y-o-y), reflecting declines in both demand-side and production-side of the economy. Lower import value compared to export value resulted in trade balance in January in surplus of 1.4 billion USD.

**5. On the supply side, economic indicators in January 2009 showed that manufacturing sector showed signs of strong contraction, while service sectors, represented by tourism, contracted moderately. Agricultural sector, on the other hand, was able to expand moderately.** Manufacturing indicator as measured by Manufacturing Production Index (MPI) declined consecutively for 4 months at -25.6 percent (y-o-y). This contraction was mainly due to lower export-oriented manufacturing such as electronics, electrical appliances and automobile, as well as food and beverage industry following declining domestic consumption. This was also consistent with import volume of raw materials which declined considerably at -43.4 percent (y-o-y), while capital utilization rate fell extensively as well. On the service sector from tourism in January 2009, the number of in-bound tourists also showed considerable slowdown, recording at 1.3 million in-bound tourists, or contracted by -10.9 percent (y-o-y). This was largely due to the global economic crisis which also negatively affected tourism sector. Agricultural Production Index (API) in January 2009, on the other hand, still expanded moderately by 3.7 percent (y-o-y), and improved from last month contraction of -0.5 percent (y-o-y). This was due to the production growth in major crops especially tapioca. In addition, Agricultural Price Index increased at a slower pace at 0.2 percent (y-o-y), consistent with declining world agriculture prices.



**6. Overall economic stability remained strong.** Headline inflation in January 2009 dropped at  $-0.4$  percent (y-o-y). This negative growth was due to falling energy and foods prices from high level of the previous year. Unemployment rate in December 2008 remained low at 1.4 percent of the total labor force. Public debt to GDP as of December 2008 was at 38.1 percent, expanding from the previous month due to new borrowings to finance Fiscal Year (FY) 2009 budget deficit, but still remained well below the 50 percent public debt ceiling under the Fiscal Sustainability Framework. External stability remained robust and resilient to increasing risks from volatile global economy global financial crisis as reflected by high-level of international reserves at the end of January 2009 which stood at 110.7 billion USD, which was more than 4 times of short-term external debt.

Table 1 Monthly Economic Indicators

	2008	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
<b>External Sector/</b>														
- Dubai crude oil price (US\$/Barrel) /7	93.6	87.3	89.7	96.2	103.4	118.7	128.0	131.2	113.0	96.2	69.0	50.0	40.0	43.7
- Fed funds rate (%) /7	0-0.25	3.00	3.00	2.25	2.00	2.00	2.00	2.00	2.00	2.00	1.00	0-0.25	0-0.25	0-0.25
<b>Fiscal sector/1</b>														
- Net government revenue (Billion baht)	1,495.8	96.9	116.5	95.2	125.3	277.0	96.6	107.9	178.7	126.2	90.5	106.2	78.4	88.6
(%y-o-y)	1.7	- 6.2	12.4	- 8.7	46.2	13.7	- 5.8	24.9	- 14.5	20.3	- 20.2	- 10.9	- 16.5	- 8.6
Tax collection from revenue, customs and excise departments	1,633.2	115.0	114.3	119.8	119.7	284.0	110.5	115.8	181.2	165.9	105.0	108.8	93.1	97.9
(%y-o-y)	7.6	9.8	9.5	8.8	11.6	15.9	3.7	14.6	- 14.8	69.3	0.1	- 8.6	- 10.2	- 14.9
Income-based tax (Billion baht)	665.9	34.6	32.4	43.2	37.8	156.1	33.8	34.7	104.7	87.7	31.4	43.0	26.4	36.8
(%y-o-y)	13.2	7.8	14.1	14.6	8.0	21.6	3.9	9.1	- 21.6	212.6	2.3	3.9	- 6.5	6.3
Consumption-based tax (Billion baht)	501.7	44.2	40.3	40.1	44.3	40.7	42.4	47.1	43.5	43.3	42.4	36.7	36.8	36.1
(%y-o-y)	12.7	19.1	13.3	14.6	17.0	14.4	16.0	33.3	13.7	19.1	9.2	- 6.6	- 6.9	- 18.3
- Government expenditure (Billion baht)	1,644.4	158.4	118.7	125.1	154.6	126.8	143.2	138.8	124.6	149.9	93.7	165.2	145.4	192.4
(%y-o-y)	- 0.3	63.2	- 40.8	- 10.5	33.5	- 7.5	- 12.9	- 5.3	1.5	- 0.7	- 39.7	30.1	31.2	21.5
Current expenditure (Billion baht)	1,296.1	93.9	98.0	100.4	104.9	108.4	107.3	115.9	107.8	125.2	84.6	131.3	118.4	126.0
(%y-o-y)	3.3	25.3	- 28.4	- 6.0	7.4	19.6	- 15.1	- 3.0	6.4	7.8	- 30.1	39.9	34.2	34.1
Capital expenditure (Billion baht)	240.9	53.0	10.7	13.1	45.1	11.6	29.8	18.6	12.6	18.3	0.6	18.0	9.5	52.0
(%y-o-y)	- 19.1	336.0	- 80.4	- 37.5	233.3	- 71.6	- 7.5	- 20.2	- 27.0	- 35.0	- 97.9	- 1.3	- 2.0	- 1.8
Carry-over budget (Billion baht)	107.5	11.5	10.0	11.6	4.6	6.8	6.1	4.3	4.2	6.4	8.5	15.9	17.6	14.4
(%y-o-y)	10.7	15.7	10.3	- 3.4	- 0.2	17.8	5.7	15.1	0.9	- 4.5	14.4	6.7	35.1	25.5
<b>Supply-side indicators</b>														
<b>Agricultural sector</b>														
- Agricultural production index (%y-o-y) /6	4.0	0.0	2.1	-2.5	5.5	19.0	12.0	11.8	6.8	9.8	-6.1	3.6	-0.5	3.7
- Agricultural price index (%y-o-y) /6	25.1	10.4	16.1	28.1	40.5	37.9	36.3	40.9	34.7	31.1	14.5	7.9	5.0	0.2
- New employment in agricultural sector(%y-o-y) /3	1.8	-1.5	-0.6	1.2	-0.1	3.9	3.9	5.6	-0.4	4.7	4.2	-0.6	2.4	n.a.
<b>Industrial sector</b>														
- Manufacturing production index (%y-o-y) /10	3.9	13.5	12.2	9.1	11.3	8.2	8.8	10.2	5.4	2.2	-0.9	-8.6	-19.7	-25.6
- Imports of raw materials in USD (%y-o-y) /1	29.3	31.7	27.0	29.4	40.9	23.2	27.6	52.9	34.9	59.2	34.7	6.3	-15.2	-41.9
- Capacity utilization (%) /10	62.6	68.2	66.0	68.3	60.9	66.0	64.4	65.2	61.8	61.1	60.7	56.1	53.0	51.5
- New employment in industrial sector(%y-o-y) /3	-3.0	-1.0	1.4	2.2	0.8	-0.3	-5.3	-11.2	-5.0	-6.4	-4.5	-3.3	-5.8	n.a.
<b>Service sector</b>														
- No. of foreign tourists (Million persons) /11	14.6	1.4	1.5	1.4	1.3	1.2	1.2	1.3	1.2	0.9	1.1	1.1	1.2	1.3
(%y-o-y)	1.1	10.3	15.7	13.9	14.5	18.7	11.7	9.3	-3.8	-15.6	-6.4	-20.5	-23.5	-10.9
- New employment in service sector(%y-o-y) /3	3.8	4.2	1.5	3.5	5.0	5.5	2.7	4.0	5.3	2.5	4.6	3.7	3.0	n.a.
<b>Demand-side indicators</b>														
<b>Private Consumption Indicators</b>														
- Value Added Tax at constant price (%y-o-y) /1	9.1	15.0	9.1	10.2	12.2	8.3	7.6	23.3	9.5	16.0	8.4	-4.6	-3.4	-6.4
- Imports value of consumer goods in USD (%y-o-y) /1	26.7	55.1	30.9	29.6	42.0	26.5	44.0	48.3	19.7	41.6	15.3	-8.0	-2.5	-17.9
- Imports volume of consumer goods in USD (%y-o-y) /1	20.1	45.3	23.1	23.0	34.0	17.4	34.2	40.7	14.8	35.7	9.9	-11.1	-5.9	-20.4
- Sales of passenger cars (%y-o-y)	32.7	32.8	44.9	39.2	13.7	29.4	29.3	27.5	20.3	19.1	20.4	33.2	98.2	-10.0
- Sales of motorcycles (%y-o-y)	7.9	-3.8	8.6	0.7	8.1	2.9	8.2	17.8	5.4	27.0	13.8	-2.5	14.1	-21.6
- Consumer confident index (Index) /5	70.7	71.2	72.6	73.8	73.0	71.8	70.8	71.8	70.5	69.5	68.6	67.1	67.5	68.3
<b>Private Investment Indicators</b>														
- Total taxes collected from real estate transaction (%y-o-y) /1	7.7	7.3	15.9	-27.1	44.6	20.4	25.9	43.0	7.8	19.2	13.2	-6.4	-17.7	1.6
- Domestic cement sales (%y-o-y) /2	-10.3	-7.0	-1.7	-8.5	-2.3	3.5	-16.7	-15.0	-17.1	-17.3	-16.0	-22.4	-2.1	n.a.
- Imports value of capital goods in USD (%y-o-y) /1	18.0	65.5	23.4	24.6	24.3	10.0	15.0	36.3	6.1	14.2	5.8	10.0	-4.9	-29.5
- Imports volume of capital goods in USD (%y-o-y) /1	12.9	58.6	17.9	18.3	17.6	4.0	8.5	28.4	1.8	10.1	2.0	7.1	-7.0	-29.8
- Sales of commercial cars (%y-o-y)	-15.8	11.4	1.3	10.3	8.2	-3.7	-20.9	-29.3	-25.7	-22.8	-28.3	-36.7	-32.8	-39.5
- Industrial Confidence Index (%y-o-y) /9	77.3	86.0	83.0	83.2	78.8	71.4	73.6	76.9	83.0	81.1	75.5	71.8	62.9	64.1
<b>International trade indicators/1</b>														
- Exports (Billion USD): custom basis	177.8	14.3	13.2	15.0	14.1	15.9	16.7	17.4	16.3	16.3	15.3	11.9	11.6	10.5
(%y-o-y)/4	15.6	36.2	18.6	16.3	30.0	24.5	30.2	45.1	15.9	20.0	3.0	-20.5	-14.6	-26.5
- Export price (%y-o-y)/4	10.5	9.8	9.8	10.2	10.7	12.5	14.3	15.9	15.6	13.5	8.0	4.0	1.7	0.9
- Export volume (%y-o-y)	4.4	24.0	8.1	5.6	17.4	10.7	13.9	25.2	0.2	5.7	-4.7	-23.5	-16.0	-27.1
- Imports (Billion USD): custom basis	178.7	14.6	13.7	14.6	15.4	14.2	15.6	18.0	16.7	15.7	15.8	13.1	11.3	9.1
(%y-o-y)/4	27.6	49.1	33.3	32.4	43.2	15.7	30.7	55.1	26.9	39.4	21.7	2.0	-6.5	-37.6
- Import price (%y-o-y)	12.6	14.8	15.4	16.5	16.3	17.4	19.4	19.1	16.6	12.3	6.9	1.8	-2.3	-3.5
- Import volume (%y-o-y)	13.1	29.9	15.4	13.6	23.1	-1.4	9.4	30.2	8.8	24.1	13.9	0.2	-4.3	-35.3
- Trade balance (Billion USD): custom basis	-0.8	-0.3	-0.4	0.4	-1.3	1.7	1.0	-0.6	-0.4	0.6	-0.6	-1.2	0.3	1.4
<b>External economic stability /2</b>														
- Average exchange rate (Baht/USD)	33.4	33.2	32.6	31.4	31.6	32.1	33.2	33.5	33.8	34.3	34.4	35.1	35.0	34.9
- Current account (Billion USD)	-0.2	1.3	0.8	1.0	-1.5	0.9	0.7	-0.5	-0.6	-0.3	-1.1	-0.9	0.1	n.a.
- International reserve (Billion USD)	111.0	92.8	100.5	110.0	109.8	108.9	105.7	104.8	101.2	102.4	103.2	106.3	111.0	110.7
<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	1.1	1.2	1.4	1.4	n.a.
- Producer price index (%yoy)	12.5	10.0	11.2	11.1	12.7	15.6	18.6	21.2	21.6	19.0	8.5	1.9	-1.7	-2.5
- Headline inflation (%yoy)	5.5	4.3	5.4	5.3	6.2	7.6	8.9	9.2	6.4	6.0	3.9	2.2	0.4	-0.4
- Core inflation (%yoy)	2.4	1.2	1.5	1.7	2.1	2.8	3.6	3.7	2.7	2.6	2.4	2.0	1.8	1.6
- Public debt to GDP (%) /1	38.1	36.1	36.2	36.6	36.8	36.8	35.9	36.1	36.4	36.9	36.9	37.6	38.1	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