



25 August 2009

Monthly Economic Report (July 2009)

The Thai economy continued to show further sign of improvement, partly owing to successive expansionary fiscal policy in supporting the economy. This was reflected in an improvement of domestic consumption and investment compared to the previous month. Concurrently, export sector also show sign of recovery following revival in the global economy. Economic stability improves from lowered unemployment rate, which coincide with rising employment in the production sector; while international reserves stood at high level.

1. Fiscal indicators in July 2009 show that fiscal policy has continued to played a significant role in supporting the Thai economy. Total government expenditures for July amounted to 164.1 billion Baht, increased from the corresponding period of last year by 18.2 percent per year. This was resulted from relatively high level of capital expenditure disbursement. Current expenditure disbursement in July amounted to 128.6 billion Baht, increased from the same month of previous year by 11.0 percent per year. Capital expenditure disbursement in July amounted to 30.1 billion Baht, increased from the same month of previous year at a high level of 61.6 percent per year. On the other hand. net government revenue collection in July 2009 amounted to 98.1 billion Baht, contracted from the same month of previous year by -9.1 percent per year. Income-tax based contracted by -14.5 percent per year compared to the same month of previous year while consumption tax-based contracted at -20.4 percent per year compared to the same month of previous year. The declined in revenue collection during the recent period of economic slow down reflects the role of an automatic stabilizer instrument of fiscal sector in supporting the economy.

2. Private consumption in July 2009 continue to contract at a decelerated rate. This was reflected in real-term value-added tax collection in July 2009 that, despite greater contraction of -11.4 percent per year compared to a contraction of -9.7 percent per year in the previous month, however, on a month-on-month basis, real-term VAT have expanded by 7.3 percent compared to previous month (seasonally adjusted). Similarly, the number of passenger car sales contracted at -9.1 percent per year, but when considered on a month-on-month basis, it was found that the number of passenger car sales expanded from the previous month by 2.4 percent (seasonally adjusted). This is in tandem with the improvement of the import volume of consumer goods in July 2009, which contracted at a slower rate of -15.6 percent per year, from the previous month 's contraction of -19.3 percent per year. Consumer confidence index in July 2009 rose to 66.3 points, an improvement in 2



successive months, reflected increasing consumer confidence towards the Thai economy. This is due to positive factor from the government economic stimulus measures. Nevertheless, sign of private consumption revival remained vulnerable as reflected from a worsening contraction of motorcycle sales to -13.3 percent per year as a result of deteriorating farm income .

3. Private investment in July 2009 show an improvement sign from the previous month. Private Investment indicator in machinery, represented by the volume of capital-goods import in July contracted at -21.0 percent per year, a slight improvement from the previous month. Commercial car sales have also improved, displaying an expansion of 0.5 percent per year. Indicators of the construction and real-estate sectors as measured by real-estate tax collection in July 2009 still contracted at -15.7 percent per year. Nevertheless, domestic cement sales in June 2009 began to expand at 5.5 percent per year. This implies that, although private investment show signs of improvement, the condition remained fragile. Therefore, fiscal policy remained a crucial role, particularly a stimulus from the medium-term infrastructure stimulus package (SP2) which could induced the private sector to crowd-in investment for a more sustainable growth.

4. Export sector began to show continuous sign of revival in June. Value of exports in term of USD in July amounted to USD 12.9 billion, contracting by -25.7 percent compared to the same period of last year. Nevertheless, when considered in term of monthly basis, it was found that value of export growth in July expanded at 2.3 percent per month (seasonally adjusted). This reflected a clearer revival sign in the export sector, especially manufacturing goods including electronics, electrical appliances, garment and plastic as a result of revivals in the regional and emerging economies, namely Japan, Malaysia, India and Taiwan. On the other hand, import value, in terms of USD, in July continued to contract compared to the same period in the previous year. Import value in July 2009 equated to USD 12.2 billion, contracted by -32.5 percent per year. This is due to a contraction in import volume of -26.8 percent per year and a price contraction of -7.8 percent per year. In term of items, it was found that import value contracted in almost all sectors of import goods, except capital goods, where the contraction rate starts to decelerate. As a result of larger import value contraction relative to export value contraction, trade balance was in surplus of USD 0.7 billion in July.

5. Production sector indicators in July 2009 show sign of revival in the service sector while manufacturing and agricultural sectors remained highly venerable. Service sector from tourism showed an improve sign as indicated from the number of in-bound tourist to Thailand in July was recorded at 1.1 million persons, contracted by -12.5 percent per year. Nevertheless, this figure displayed a decelerated contraction when consider on monthly basis,



which was expanded at 1.7 percent per month (seasonally adjusted). This could partly be contributed to a revival in the global economy which drove the number of tourist from Europe and South East Asia. Manufacturing sector indicator as measured from the Manufacturing Production Index in July still remained contract at -9.1 percent per year, mainly owing to the contractions in Manufacturing of electrical appliances and automobiles. Agricultural sector indicator measured from Agricultural Production Index (API) contracted at -2.6 percent per year following lowered production in main crops, namely tapioca. This was resulted from end of season harvest and lowered price level which drove down the incentive of production. Furthermore, major rice production continued to contract and such contraction was aggravated by high base level of the same month in the previous year when high price level of rice motivated the farmers to increased production. Agricultural price index continued to contract at -19.6 percent per year, and drove down the price of real farm income to contract at -18.9 percent per year.

6. Economic Stability continued to improve. On the internal stability, unemployment in June 2009 declined to 1.4 percent of total labor force. Headline inflation and core inflation in July continued to contract further at -4.4 and -1.2 percent per year, respectively, due to high level of oil price in the corresponding period of last year. Public debt to GDP increased to 43.4 percent in June 2009 but remained well below the 50 percent public debt ceiling under the Fiscal Sustainability Framework. Likewise, external economic stability remained robust and resilient to risk from volatility that could arise from global financial crisis as indicated by high-levels of international reserves at the end of July 2009, which stood at 123.4 billion USD or more than 5.0 times the short-term external debt.

FPO Monthly Report

by Fiscal Policy Office



Table 1 Monthly Economic Indicators

	2008	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
External Sector/														
- Dubai crude oil price (US\$/Barrel) /7	93.5	131.2	113.0	96.2	69.0	50.0	40.0	43.7	42.2	44.4	48.7	56.8	68.0	65.4
- Fed funds rate (%) /7	0-0.25	2.00	2.00	2.00	1.00	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0.00
Fiscal sector/1														
- Net government revenue (Billion baht)	1,495.6	107.9	178.7	126.2	90.9	106.3	78.4	94.0	85.8	105.9	94.7	220.6	144.7	98.1
(%y-o-y)	1.7	24.9	-14.5	20.3	-19.9	-10.8	-16.6	-3.3	-26.3	11.3	-24.4	-20.4	49.7	9.1
Tax collection from revenue, customs and excise departments	1,633.3	115.8	181.2	165.9	105.0	108.9	93.2	98.0	91.4	117.4	104.1	213.8	156.8	105.5
(%y-o-y)	7.6	14.6	-14.8	69.3	0.1	-8.6	-10.2	-14.7	-20.0	2.1	-13.0	-24.7	42.0	8.9
Income-based tax (Billion baht)	666.0	34.7	104.7	87.7	31.5	43.1	26.5	36.5	31.9	39.1	32.4	101.3	59.7	29.7
(%y-o-y)	13.2	9.1	-21.6	212.6	2.4	3.9	6.4	5.7	-1.6	9.6	-14.1	-35.1	76.4	-14.5
Consumption-based tax (Billion baht)	501.7	47.1	43.5	43.3	42.4	36.7	36.9	36.1	30.1	32.5	35.7	32.5	35.8	37.5
(%y-o-y)	12.7	33.3	13.7	19.1	9.2	-6.6	-6.9	-18.3	-25.2	-18.8	-19.4	-20.0	-15.6	-20.4
- Government expenditure (Billion baht)	1,644.5	138.8	124.6	149.9	93.7	165.2	145.4	192.4	179.7	195.3	141.7	161.0	139.5	164.1
(%y-o-y)	-0.3	-5.3	1.5	-0.7	-39.7	30.1	31.2	21.5	51.4	56.1	-8.4	27.0	-2.6	18.2
Current expenditure (Billion baht)	1,296.1	115.9	107.8	125.2	84.6	131.3	118.4	126.0	132.7	164.3	117.2	114.8	110.8	128.6
(%y-o-y)	3.3	-3.0	6.4	7.8	-30.1	39.9	34.2	34.1	35.5	63.6	11.7	5.9	3.3	11.0
Capital expenditure (Billion baht)	240.8	18.6	12.6	18.3	0.6	18.0	9.5	52.0	33.8	14.2	20.0	40.0	20.2	30.1
(%y-o-y)	-19.1	-20.2	-27.0	-35.0	-97.9	-1.3	2.0	1.8	217.0	8.5	-55.7	244.4	-32.1	61.6
Carry-over budget (Billion baht)	107.6	4.3	4.2	6.4	8.5	15.9	17.6	14.4	13.1	16.9	4.5	6.3	8.5	5.4
(%y-o-y)	10.7	15.1	0.9	-4.5	14.4	6.7	35.1	25.5	30.8	45.3	-2.6	-8.0	38.7	24.1
Supply-side indicators														
Agricultural sector														
- Agricultural production index (%y-o-y) /6	3.9	10.1	5.0	15.2	6.3	3.0	2.0	7.5	6.4	3.6	-3.7	-6.1	1.6	-2.6
- Agricultural price index (%y-o-y) /6	25.1	40.9	34.7	31.1	14.5	7.9	5.1	0.2	-2.5	-11.0	-17.2	-18.4	-18.7	-19.6
- Real farm income (%y-o-y) /14	19.3	37.2	29.1	36.3	12.9	3.5	2.9	4.6	1.7	-12.0	-23.1	-19.9	-14.0	-18.9
- New employment in agricultural sector(%y-o-y) /3	2.0	5.6	-0.4	4.7	4.2	-0.6	2.4	0.1	0.1	1.6	1.2	2.7	3.0	n.a.
Industrial sector														
- Manufacturing production index (%y-o-y) /10	3.9	10.2	5.4	2.2	-0.4	-8.7	-19.7	-25.5	-23.2	-17.5	-13.3	-12.2	-6.8	-9.1
- Imports of raw materials in USD (%y-o-y) /1	29.7	52.9	34.9	59.2	34.7	6.3	-15.2	-41.9	-48.8	-43.2	-34.7	-45.6	-31.8	-33.8
- Capacity utilization (%) /10	62.6	65.2	61.8	61.1	60.8	55.8	53.0	51.7	50.0	54.7	51.0	55.0	55.7	56.9
- New employment in industrial sector(%y-o-y) /3	-3.1	-10.8	-4.7	-6.9	-4.2	-3.9	-6.2	-8.3	-2.5	-3.5	-9.3	-2.6	-2.2	n.a.
Service sector														
- No. of foreign tourists (Million persons) /11	14.5	1.3	1.2	0.9	1.1	1.1	1.2	1.3	1.1	1.2	1.1	0.9	1.0	1.1
(%y-o-y)	0.5	9.4	-4.8	-16.0	-6.5	-21.2	-24.0	-11.9	-23.2	-12.1	-11.2	-19.7	-15.9	-12.5
- New employment in service sector(%y-o-y) /3	3.8	3.9	5.3	2.5	4.6	3.7	3.0	4.7	6.1	4.5	6.2	3.9	4.0	n.a.
Demand-side indicators														
Private Consumption Indicators														
- Value Added Tax at constant price (%y-o-y) /1	9.0	19.0	13.8	16.1	8.4	-4.5	-1.5	-13.2	-21.5	-16.3	-16.5	-15.5	-9.7	-11.4
- Imports value of consumer goods in USD (%y-o-y) /1	27.4	49.1	19.7	41.5	15.4	-8.0	-2.5	-17.9	-21.0	-13.3	-22.9	-15.8	-19.9	-15.8
- Imports volume of consumer goods in USD (%y-o-y) /1	20.8	41.5	14.8	35.7	9.9	-11.1	-5.9	-20.5	-22.1	-12.7	-21.9	-14.3	-19.3	-15.6
- Sales of passenger cars (%y-o-y)	32.7	27.5	20.3	19.1	20.4	33.2	98.2	-10.0	-16.6	-23.4	4.2	-18.3	-8.9	-9.1
- Sales of motorcycles (%y-o-y)	7.9	17.8	5.4	27.0	13.8	-2.5	14.1	-21.6	-16.7	-10.9	-17.7	-9.2	-2.9	-13.3
- Consumer confident index (Index) /5	70.7	71.8	70.5	69.5	68.6	67.1	67.5	68.3	67.2	66.0	65.1	64.3	65.4	66.3
Private Investment Indicators														
- Imports value of capital goods in USD (%y-o-y) /1	18.4	37.4	6.1	14.2	5.8	10.0	-4.9	-29.5	-16.1	-24.7	-26.8	-23.3	-24.3	-23.4
- Imports volume of capital goods in USD (%y-o-y) /1	13.3	29.5	1.8	10.1	2.0	7.1	-7.0	-29.8	-14.9	-22.0	-23.4	-20.4	-21.9	-21.0
- Sales of commercial cars (%y-o-y)	-15.8	-29.3	-25.7	-22.8	-28.3	-36.7	-32.8	-39.5	-38.1	-44.5	-39.7	-31.1	-16.5	0.5
- Total taxes collected from real estate transaction (%y-o-y) /1	12.0	45.0	6.3	21.3	15.7	-5.5	-16.7	0.8	-13.9	52.3	-52.1	-20.5	-14.6	-15.7
- Domestic cement sales (%y-o-y) /2	-10.3	-15.0	-17.1	-17.3	-16.0	-22.4	-2.1	-11.9	-13.8	-11.7	-11.0	-13.0	5.5	n.a.
- Industrial Confidence Index (%y-o-y) /9	77.3	76.9	83.0	81.1	75.5	71.8	62.9	64.1	63.0	69.4	76.3	78.5	83.5	89.9
International trade indicators/1														
- Exports (Billion USD): custom basis	177.8	17.4	16.3	16.3	15.3	11.8	11.6	10.5	11.7	11.6	10.4	11.7	12.3	12.9
(%y-o-y)/4	15.5	45.1	15.9	20.0	3.0	-20.9	-14.6	-26.4	-11.3	-23.1	-26.1	-26.6	-25.9	-25.7
- Export price (%y-o-y)/4	10.5	15.9	15.6	13.5	8.0	4.0	1.7	0.9	-0.3	-2.1	-3.1	-3.1	-3.1	-3.9
- Export volume (%y-o-y)	4.4	25.2	0.2	5.7	-4.6	-23.9	-16.0	-27.1	-11.1	-21.4	-23.7	-24.2	-23.6	-22.7
- Imports (Billion USD): custom basis	179.2	15.1	14.2	13.8	14.3	12.1	10.7	8.7	7.8	9.0	9.3	8.6	10.3	12.2
(%y-o-y)/4	28.1	30.9	8.8	24.1	13.9	0.2	-4.3	-35.3	-37.0	-30.8	-31.4	-29.9	-24.6	-26.8
- Import price (%y-o-y)	12.6	19.1	16.6	12.3	6.9	1.8	-2.3	-3.5	-5.3	-6.3	-7.2	-6.8	-6.2	-7.8
- Import volume (%y-o-y)	13.4	30.9	8.8	24.1	13.9	0.2	-4.3	-35.3	-37.0	-30.8	-31.4	-29.9	-24.6	-26.8
- Trade balance (Billion USD): custom basis	-1.4	-0.7	-0.4	0.6	-0.6	-1.3	0.3	1.4	3.6	2.1	0.6	2.4	0.9	0.7
External economic stability /2														
- Average exchange rate (Baht/USD)	33.4	33.5	33.8	34.3	34.4	35.1	35.0	34.9	35.3	35.8	35.4	34.6	34.1	34.0
- Current account (Billion USD)	-0.2	-0.5	-0.6	-0.3	-1.1	-0.9	0.1	2.3	4.4	2.4	0.4	1.4	0.5	n.a.
- International reserve (Billion USD)	111.0	104.8	101.2	102.4	103.2	106.3	111.0	110.7	113.3	116.2	116.8	121.6	120.8	123.4
Internal economic stability /4														
- Unemployment rate (%) /3	1.4	1.3	1.2	1.1	1.2	1.4	1.4	2.4	1.9	1.9	2.1	1.7	1.4	n.a.
- Producer price index (%yoy)	12.5	21.2	21.6	19.0	8.5	1.9	-1.7	-2.5	-4.0	-4.0	-3.0	-7.2	-10.5	-12.9
- Headline inflation (%yoy)	5.5	9.2	6.4	6.0	3.9	2.2	0.4	-0.4	-0.1	-0.2	-0.9	-3.3	-4.0	-4.4
- Core inflation (%yoy)	2.4	3.7	2.7	2.6	2.4	2.0	1.8	1.6	1.8	1.5	1.0	-0.3	-1.0	-1.2
- Public debt to GDP (%) /1	38.1	36.6	36.9	37.4	37.4	37.6	38.1	39.9	40.9	42.0	43.0	43.4	43.4	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