



28 September 2009

# Monthly Economic Report (August 2009)

The Thai economy continued to show further reviving sign from previous month from expansion in domestic demand particularly from private consumption and private investment. Furthermore, external demand from export also showed revival sign following improving global economic situation. Economic stability improved from lower unemployment rate, in line with increasing employment situation in the production sector, while international reserves stood at high level.

1. Private consumption in August 2009 showed sign of continuous improvement. This was reflected in real-term value-added tax collection in August 2009 that contracted at a decelerated rate of -15.4 percent per year, improved slightly from contraction of -16.3 percent per year in July. Consistently, the import of consumer goods in August, contracted at a decelerated rate of -10.2 percent per year, also improved from previous month's contraction of -15.6 percent per year. This coincided with passenger car sales in August which contracted at -1.1 percent per year, improved from previous month contraction of -9.1 percent per year. This was also in tandem with leading private consumption indicator as measured by Consumer Confidence Index in August which rose to 67.4 points, an improvement in 3 successive months, reflecting the confidence of consumers towards the general state of the economy supported by positive sentiment from the government economic stimulus measures. Nevertheless, sign of private consumption revival remained fragile as reflected from worsening motorcycle sales to -13.8 percent per year partly due to deteriorating farm income that adversely affected farmers demand for motorcycle.

2. Private investment in July 2009 showed revitalizing signs. Private Investment indicator in machinery, represented by the volume of capital-goods import in August contracted at -7.6 percent per year, a significant improvement from the previous month which contracted at -21.0 percent per year. Indicators of the construction and real-estate sectors showed clear sign of improvement as measured by real-estate tax collection in August which only contracted at -0.9 percent per year compared to previous month's contraction of -13.3 percent per year. Domestic cement sales in July 2009 expanded at 2.9 percent per year, grew positively for second successive month and indicated sign of revival in the private investment indicator in construction.



3. Fiscal indicators in August 2009 showed that fiscal policy continued to support the Thai economy. Total government expenditures for August amounted to 142.2 billion Baht, increased by 14.1 percent per year. This was composed of current expenditure disbursement in August 2009 of 119.7 billion Baht, expanded at 11.0 percent per year; and capital expenditure disbursement of 17.2 billion Baht, expanded at high level of 36.7 percent per year. At the same time, net government revenue collection in August 2009 amounted to 199.4 billion Baht, expanded from the same month of previous year by 11.4 percent per year. Income-tax based expanded at high level by 11.4 percent per year due to half year profit in term of corporate income tax collection and excise fuel tax. Consumption-based tax showed sign of slower contraction of -16.1 percent per year, due to the reviving domestic VAT collection.

4. Exports began to show continued sign of revival in August 2009. Value of exports in term of USD in August amounted to USD 13.3 billion, increased from July which recorded at USD 12.9 billion but continued to contract at -18.4 percent per year 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 August expanded for the third successive month at 0.6 percent per month (seasonally adjusted). This reflected a clearer revival sign in the export sector, which resulted from diversification to the regional and emerging economies, namely China, Middle East, Vietnam and Australia. On the other hand, import value, in terms of USD, in August continued to contract compared to the high base in the same period in the previous year. Import value in August 2009 equated to USD 11.2 billion, contracted by -32.8 percent per year. However, in term of import items, it was found that import values of capital goods and consumer goods showed reviving signs, in accordance with the pick-up in domestic demand. As a result, larger import value contraction relative to export value contraction, trade balance was in surplus of USD 2.1 billion in August.

5. Supply-side sector indicators in August 2009 showed improvement in service sector from tourism, manufacturing and agricultural sectors. Agricultural sector indicator measured from Agricultural Production Index (API) in August began to grow at 0.8 percent per year compared to a contraction of previous year at -2.6 percent following an increased in major crops production such as major rice and fruit. This was further supported by favorable weather for harvesting which in turn reduced the contraction of the farm income from -19.1 percent per year in the previous month. Service sector from tourism began to improve as indicated from the number of in-bound tourists to Thailand in August was recorded at 1.1 million persons, contracted by -1.0



percent per year, improved from previous month's contraction at -14.2 percent per year. Nevertheless, when considered on a monthly basis, it was found that the number of in-bound tourism expanded at 4.2 percent per month (seasonally adjusted), expanded from the previous month which expanded at 1.6 percent per month (seasonally adjusted). This was partly contributed from improved global economy which led to the increasing in the number of in-bound tourists from Europe and South Asia. Meanwhile, manufacturing sector measured from Manufacturing Production Index (MPI) in August contracted at a decelerated rate at -8.6 percent per year, slightly improved from a contraction of -8.9 percent per year in the previous month. This was mainly owing to the decelerated contraction in food and garment industries. Capital Utilization level continued to improved for the fifth successive month at 57.3 percent of an overall level.

**6. Economic Stability continued to improve.** On the internal stability, unemployment in July 2009 declined to 1.2 percent of total labor force. Headline inflation and core inflation in August contracted at a decelerated rate at -1.0 and -1.2 percent per year, respectively, due to rising prices of domestic retail fuel and food. 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 August 2009, which stood at 127.3 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 | Aug-09 |
|--|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>External Sector/</b>  |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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   | 71.8   |
| - 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 | 0-0.25 | 0.00   |
| <b>Fiscal sector/1</b>   |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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   | 220.7  | 144.7  | 100.8  | 199.4  |
| (%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   | 6.6    | 11.4   |
| - 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  | 105.7  | 209.4  |
| (%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   | 8.7    | 15.6   |
| - 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  | 59.8   | 29.7   | 130.9  |
| (%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   | 76.6   | 14.2   | 25.0   |
| - 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   | 35.7   | 37.5   | 36.5   |
| (%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   | 15.8   | 20.4   | 16.1   |
| - 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  | 142.2  |
| (%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   | 14.1   |
| - 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  | 119.7  |
| (%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   | 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   | 17.2   |
| (%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   | 36.7   |
| - 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    | 5.2    |
| (%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   | 24.8   |
| <b>Supply-side indicators</b>                                    |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| <b>Agricultural sector</b>                                       |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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   | 0.8    |
| - 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  | -16.0  |
| - 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  | -19.1  | -15.8  |
| - 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    | -0.6   | n.a.   |
| <b>Industrial sector</b>   |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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   | -8.9   | -8.6   |
| - 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  | -38.7  |
| - 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   | 56.8   | 57.3   |
| - 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   | 0.2    | n.a.   |
| <b>Service sector</b>  |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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    | 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  | -21.2  | -15.9  | -14.2  | -1.0   |
| - 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    | 4.1    | n.a.   |
| <b>Demand-side indicators</b>                                    |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| <b>Private Consumption Indicators</b>                            |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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  | -11.7  | -16.3  | -15.4  |
| - 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  | -10.0  |
| - 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  | -10.2  |
| - 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   | -1.1   |
| - 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  | -13.8  |
| - 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   | 67.4   |
| <b>Private Investment Indicators</b>                             |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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  | -9.5   |
| - 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  | -7.6   |
| - 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    | -12.6  |
| - 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  | -13.3  | -0.9   |
| - 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    | 2.9    | 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   | 88.0   |
| <b>International trade indicators/1</b>                          |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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   | 13.3   |
| (%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  | -18.4  |
| - 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   | -2.1   |
| - 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  | -16.6  |
| - 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   | 11.2   |
| (%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  | -26.7  | -29.9  |
| - 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   | -7.9   | -4.2   |
| - 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  | -26.7  | -29.9  |
| - 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    | 2.1    |
| <b>External economic stability /2</b>                            |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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   | 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    | 0.4    | 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  | 127.3  |
| <b>Internal economic stability /4</b>                            |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| - 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    | 1.2    | 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  | -10.4  |
| - 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   | -1.0   |
| - 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   | -0.2   |
| - 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.   | 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