



27 November 2009

Monthly Economic Report (October 2009)

“Economic indicators in the first month of the 4th quarter showed that Thai economy continued to recover further from 3rd quarter from improving exports as well as domestic demand.

The Thai economy in the first month of the 4th quarter continued to revive following 3rd quarter, from both, improving exports and domestic demand. At the same time, economic stability in terms of unemployment, international reserves as well as fiscal position remained robust.

Dr. Ekniti Nitithanprapas, Director of Macroeconomic Policy Bureau and Ministry of Finance spokesperson pointed out that “Exports in October 2009 contracted marginally at -3.0 percent per year, compared to a large contraction of -17.7 percent per year during the 3rd quarter, while consumption indicators from real-term value added tax in October only contracted at -7.0 percent per year, compared to a larger contraction of -15.6 percent per year in 3rd quarter, indicating revivals in export sector and private consumption. Service sector from tourism and agricultural sector grew at a positive level in October, indicating improving trend in the first month of 4th quarter. Furthermore, unemployment remained low at 1.2 percent of the total labor force and international reserves stood at USD 135,000 million, reflecting strong economic stability.”

Dr. Ekniti also stressed “from these economic indicators, Fiscal Policy Office is confident that the Thai economy in the 4th quarter would expand better compared to 3rd quarter. In this regards, the Ministry of Finance will revise Thailand economic outlook for 2009 and 2010 and will announce to the public during the end of December 2009.”

Further details are as follows ;



Attached documents

Monthly Economic Report for September and 3rd quarter of 2009

Thai economy in October 2009 showed sign of continuous improvement as reflected by exports which showed clear sign of revival while domestic spending has also improved, particularly in private consumption. Economic stability continued to remained robust.

1. Private consumption in October 2009 showed sign of continuous improvement. This was reflected in real-term value-added tax collection in October 2009 which contracted at a decelerated rate of -7.4 percent per year, compared to a contraction of -9.6 percent per year in the previous month. Consistently, import of consumer goods contracted at -5.2 percent per year, also improved from the previous month. At the same time, passenger car sales in October expanded at a positive level for second successive month at 23.4 percent per year, reflecting consumer spending following successive economic revival. Nevertheless, private consumption indicator remained fragile as Consumer Confidence Index showed a first declined to the level of 68.0 from 68.4 in the previous month, after a consecutive increase for 4 successive months. This was due to concerned on trend of rising oil price and political uncertainty which could have slightly undermined consumer confidence.

2. Private investment in October 2009 yet showed more revitalizing signs compared to previous month. Private investment indicator in machinery, represented by the volume of capital-goods import in October contracted at -6.4 percent per year, slightly lowered from a contraction of -7.2 percent per year in the previous month. This was in tandem with the number of commercial car sales in October 2009 which grew at a positive level of 0.03 percent per year, after showing negative growth for the last 2 months. Indicators of the construction and real-estate sectors as measured by real-estate tax collection contracted at -4.6 percent per year, improved from the previous month's contraction of -5.1 percent per year, indicating improvement in real-estate sector activities. Domestic cement sales in September grew at 4.2 percent per year, improved from the previous month growth of 1.8 percent per year, showing positive level of growth for 4th successive months and indicated an improvement of investment indicator in construction.



3. **Fiscal indicators in October 2009** showed that total government expenditures amounted to 90.3 billion Baht, decreased by –3.6 percent per year. Low level of disbursement arose from delayed implementation of FY2010 Budget Act which was enacted on 22nd October 2009. Current expenditure disbursement amounted to 79.5 billion Baht, contracted at –6.1 percent per year; and capital expenditure disbursement amounted to 0.7 billion Baht, expanded at 19.5 percent per year from a low base of last year. Net government revenue collection (after deduction for Local Authority subsidy allocation) amounted to 111.1 billion Baht, increased from the same period of the previous year by 21.5 percent due to revival of the economy and excise tax rate increase from fuel, beer, tobacco and alcohol since May 2009. Income-based tax contracted at –2.5 percent compared to the same period of last year, improved from the previous month, this is consistent with risen employment. Consumption-based tax contracted at –7.0 percent per year, improving from the previous month's contraction of –10.0 percent per year, reflected an improved state of the economy.

4. **Exports continued to show clear sign of improvement in October 2009.** Value of exports in term of USD in October amounted to USD 14.8 billion, lowered from the same period of the previous year by –3.0 percent per year, improved from the previous month's contraction of –8.3 percent per year, indicated clearer sign of export sector revival. Export of goods that showed improvement are mainly automobile, electrical appliances, electronics, electrical appliances, rubber and chemical products, thanks to a revival in the regional and emerging markets such as China, Hong Kong, Australia and Vietnam. **Import value, in terms of USD, continued to contract.** Import value in October 2009 equated to USD 13.0 billion, contracted by –17.5 percent per year. This was attributed to a contraction in import volume of –19.8 percent per year and contraction in import price of –2.8 percent per year. However, in term of import items, that import values of raw materials, capital and machinery showed small contraction while import of consumer goods and fuel continued to contract successively.



5. Supply-side sector indicators in October 2009 showed that service sector from tourism and agricultural sector began to revived while manufacturing sector declined slightly. Service sector from tourism began to improve as indicated from the number of in-bound tourists to Thailand in October was recorded at 1.2 million persons, grew by 10.5 percent per year and showed positive level of growth for 2 consecutive months, which could partly be attributed from revival of the global economy as the number of in-bound tourist from other Asian countries and Europe increased. Agricultural sector indicator measured from Agricultural Production Index (API) turned positive fore the first time in 6 months at 1.5 percent per year, compared to a contraction of -5.3 percent per year. Agricultural production increase came from production of grains, rice, major rice, and sugarcane. Agricultural price index contracted at -2.4 percent per year, which led to a lowered real farm income at -2.6 percent per year. At the same time, Manufacturing Production Index slightly contracted at -0.5 percent, from textile, garment and leather industries while food, electronics, and machinery expanded.

6. **Economic Stability remained robust.** Unemployment in September 2009 declined to 1.2 percent of total labor force. Headline inflation in October turned positive to 0.4 percent per year while core inflation contracted at a decelerated rate at -0.1 percent per year. Risen price level came from low base of last year from cost reduction in national utilities as a result of temporary 5 measures implemented by the government. Public debt to GDP at the end of September 2009 stood at 45.5 percent and 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 October 2009, which stood at 135.3 billion USD or more than 5 times the short-term external debt.

FPO Monthly Report

by Fiscal Policy Office



Table 1 Monthly Economic Indicators

	2008	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
External Sector/											
- Dubai crude oil price (US\$/Barrel) /7	93.5	43.7	42.2	44.4	48.7	56.8	68.0	65.4	71.8	67.7	73.0
- Fed funds rate (%) /7	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	0-0.25	0-0.25
Fiscal sector/1											
- Net government revenue (Billion baht)	1,497.6	94.0	85.8	105.9	94.6	220.7	144.7	100.7	203.7	80.9	111.1
(%y-o-y)	1.9	3.3	-26.3	11.3	-24.5	-20.3	49.7	6.7	13.8	-36.2	21.5
- Tax collection from revenue, customs and excise departments	1,634.7	98.0	91.4	117.4	104.2	213.8	156.8	105.6	209.6	104.7	111.4
(%y-o-y)	7.7	14.7	-20.0	2.1	-13.0	-24.7	42.0	8.8	15.7	-36.9	5.6
- Income-based tax (Billion baht)	666.0	36.5	31.9	39.1	32.4	101.3	59.8	29.7	131.0	27.4	30.7
(%y-o-y)	13.2	5.7	-1.6	9.6	-14.1	-35.1	76.6	-14.2	25.1	-68.7	2.5
- Consumption-based tax (Billion baht)	501.7	36.1	30.1	32.5	35.7	32.5	35.7	37.5	36.6	39.0	39.4
(%y-o-y)	12.7	-18.3	-25.2	-18.8	-19.4	-20.0	-15.8	-20.4	-15.9	-10.0	7.0
- Government expenditure (Billion baht)	1,644.5	192.4	179.7	195.3	141.7	161.0	139.5	164.1	142.2	196.9	90.3
(%y-o-y)	-1.4	21.5	51.4	56.1	8.4	27.0	-2.6	18.2	14.1	31.4	-3.6
- Current expenditure (Billion baht)	1,296.1	126.0	132.7	164.3	117.2	114.8	110.8	128.6	119.7	159.6	79.5
(%y-o-y)	1.8	34.1	35.5	63.6	11.7	5.9	3.3	11.0	11.0	27.4	-6.1
- Capital expenditure (Billion baht)	240.8	52.0	33.8	14.2	20.0	40.0	20.2	30.1	17.2	27.3	0.7
(%y-o-y)	-19.1	1.8	217.0	8.5	-55.7	244.4	-32.1	61.6	36.7	49.8	19.5
- Carry-over budget (Billion baht)	107.6	14.4	13.1	16.9	4.5	6.3	8.5	5.4	5.2	10.0	10.2
(%y-o-y)	10.7	25.5	30.8	45.3	-2.6	-8.0	38.7	24.1	24.8	57.2	19.6
Supply-side indicators											
Agricultural sector											
- Agricultural production index (%y-o-y) /6	3.9	7.2	7.3	2.0	-0.6	-8.4	-2.0	-3.4	-3.5	-5.3	1.5
- Agricultural price index (%y-o-y) /6	25.1	0.2	-2.5	-11.0	-17.2	-18.4	-18.7	-19.6	-16.0	-12.9	-2.4
- Real farm income (%y-o-y) /14	19.3	4.3	2.6	-13.6	-20.0	-22.2	-17.6	-20.0	-20.2	-18.5	-2.6
- New employment in agricultural sector(%y-o-y) /3	2.0	0.1	0.1	1.6	1.2	2.7	3.0	-0.6	-0.2	-1.9	n.a.
Industrial sector											
- Manufacturing production index (%y-o-y) /10	3.9	-25.5	-23.2	-17.5	-13.3	-12.2	-6.8	-8.9	-8.6	0.8	-0.5
- Imports of raw materials in USD (%y-o-y) /1	29.7	-41.9	-48.8	-43.2	-34.7	-45.6	-31.8	-33.8	-38.7	-33.3	-26.2
- Capacity utilization (%) /10	62.6	51.7	50.0	54.7	51.0	55.0	55.7	56.8	56.9	60.0	60.8
- New employment in industrial sector(%y-o-y) /3	-3.1	-8.3	-2.5	-3.5	-9.3	-2.6	-2.2	0.2	0.4	3.5	n.a.
Service sector											
- No. of foreign tourists (Million persons) /11	14.6	1.3	1.1	1.2	1.1	0.9	1.0	1.1	1.1	1.0	1.2
(%y-o-y)	0.8	-11.9	-23.2	-12.1	-11.2	-21.2	-17.3	-14.2	-5.4	16.9	10.5
- New employment in service sector(%y-o-y) /3	3.8	4.7	6.1	4.5	6.2	3.9	4.0	4.1	2.5	4.2	n.a.
Demand-side indicators											
Private Consumption Indicators											
- Value Added Tax at constant price (%y-o-y) /1	9.0	-14.3	-22.6	-17.5	-17.7	-17.0	-11.7	-16.3	-15.2	-9.6	-7.4
- Imports volume of consumer goods in USD (%y-o-y) /1	20.8	-20.5	-22.1	-12.7	-21.9	-14.3	-19.3	-15.6	-10.2	-4.5	-5.2
- Sales of passenger cars (%y-o-y)	33.3	-10.0	-16.6	-23.4	4.2	-18.3	-8.9	-9.1	-1.1	14.7	23.4
- Sales of motorcycles (%y-o-y)	7.9	-21.6	-16.7	-10.9	-17.7	-9.2	-2.9	-13.3	-13.8	-11.5	-13.6
- Consumer confident index (Index) /5	70.7	68.3	67.2	66.0	65.1	64.3	65.4	66.3	67.4	68.4	68.0
Private Investment Indicators											
- Imports volume of capital goods in USD (%y-o-y) /1	13.3	-29.8	-14.9	-22.0	-23.4	-20.4	-21.9	-21.0	-7.6	-7.2	-6.4
- Sales of commercial cars (%y-o-y)	-15.8	-39.5	-38.1	-44.5	-39.7	-31.1	-16.5	0.5	-12.6	-6.8	0.0
- Total taxes collected from real estate transaction (%y-o-y) /1	12.0	0.8	-13.9	52.5	-52.1	-20.4	-13.9	-13.0	-0.9	-5.1	-4.6
- Domestic cement sales (%y-o-y) /2	-10.3	-11.9	-13.8	-11.7	-11.0	-13.0	5.5	2.9	1.8	4.2	n.a.
- Industrial Confidence Index (%y-o-y) /9	77.3	64.1	63.0	69.4	76.3	78.5	83.5	89.9	88.0	95.9	104.3
International trade indicators/1											
- Exports (Billion USD): custom basis	177.8	10.5	11.7	11.6	10.4	11.7	12.3	12.9	13.3	14.9	14.8
(%y-o-y)/4	15.5	-26.4	-11.3	-23.1	-26.1	-26.6	-25.9	-25.7	-18.4	-8.5	-3.0
- Export price (%y-o-y)/4	10.5	0.9	-0.3	-2.1	-3.1	-3.1	-3.1	-3.9	-2.1	-0.6	4.2
- Export volume (%y-o-y)	4.4	-27.1	-11.1	-21.4	-23.7	-24.2	-23.6	-22.7	-16.6	-8.0	-6.9
- Imports (Billion USD): custom basis	179.2	8.7	7.8	9.0	9.3	8.6	10.3	12.2	11.2	12.9	13.0
(%y-o-y)/4	28.1	-37.6	-40.3	-35.1	-36.3	-34.7	-29.3	-32.5	-32.8	-17.9	-17.5
- Import price (%y-o-y)	12.6	-3.5	-5.3	-6.3	-7.2	-6.8	-6.2	-7.9	-4.2	-1.1	2.8
- Import volume (%y-o-y)	13.4	-35.3	-37.0	-30.8	-31.4	-29.9	-24.6	-26.7	-29.9	-16.9	-19.8
- Trade balance (Billion USD): custom basis	-1.4	1.4	3.6	2.1	0.6	2.4	0.9	0.7	2.1	2.0	1.8
External economic stability /2											
- Average exchange rate (Baht/USD)	33.4	34.9	35.3	35.8	35.4	34.6	34.1	34.0	34.0	33.8	33.4
- Current account (Billion USD)	1.6	2.5	4.6	2.6	0.6	1.6	0.6	0.5	1.9	1.3	n.a.
- International reserve (Billion USD)	111.0	110.7	113.3	116.2	116.8	121.6	120.8	123.4	127.3	131.8	135.3
Internal economic stability /4											
- Unemployment rate (%) /3	1.4	2.4	1.9	1.9	2.1	1.7	1.4	1.2	1.2	1.2	n.a.
- Producer price index (%yoy)	12.5	-2.5	-4.0	-4.0	-3.0	-7.2	-10.5	-12.9	-10.4	-7.2	2.6
- Headline inflation (%yoy)	5.5	-0.4	-0.1	-0.2	-0.9	-3.3	-4.0	-4.4	-1.0	-1.0	0.4
- Core inflation (%yoy)	2.4	1.6	1.8	1.5	1.0	-0.3	-1.0	-1.2	-0.2	-0.1	-0.1
- Public debt to GDP (%) /1	38.1	40.1	41.1	42.2	43.2	43.6	43.6	45.3	45.7	45.5	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