



27 November 2007

Monthly Economic Report (October 2007)

Thailand's overall economic conditions in October 2007 showed positive signs of recovery given strong growth in the export sector as well as improving private sector expenditures in both consumption and investment. At the same time, government expenditures continued to support Thailand's economic growth. Both internal and external economic stabilities remained robust although inflation started to pick up due to rising oil prices in the world markets.

1. Fiscal indicators showed that government's budget disbursement in October 2007 continued to play a vital role in supporting the Thai economy. In October 2007, which is the first month of the Fiscal Year (FY) 2008, total budget disbursement amounted to 155.4 billion Baht, expanding by 73.5 percent (y-o-y), in which current and capital expenditure disbursements grew by 60.3 percent and 367.3 percent (y-o-y), respectively. These high growth figures reflected crucial role of expansionary fiscal policy in supporting continued economic expansion as well as the low-based effect from low budget disbursement during the first quarter of the previous FY as a result of delayed FY2007 budget approval. Net revenue collection in October 2007 was 116.1 billion Baht, expanded by 8.0 percent (y-o-y), Income-based tax collection in October 2007 expanded by 8.1 percent (y-o-y), which reflected Thailand's good employment condition. Consumption-based tax collection showed improving consumption by growing at 6.8 percent (y-o-y).

2. **Export sector in October 2007 expanded very robustly.** Export value recorded at USD 14.5 billion, growing at 26.7 percent (y-o-y), which is the highest growth record level in the past 10 years. High level export growth was attributed to strong growth in all sectors, including electronics, automobiles, gems and jewelry sectors. **Import sector in October 2007 improved following the revival of domestic spending.** Import value in October was recorded at USD 13.0 billion, expanded by 20.2 percent (y-o-y). Main sources of expansion came from imports of capital goods, raw materials, and consumption goods. This rising import was consistent with the revival of domestic spending. **Trade balance in October continued to remain in surplus at USD 1.5 billion**, continuing trade surplus from the previous month where the surplus was recorded at USD 2.0 billion.

3. **Private consumption indicators in October 2007 showed a positive signs of recovery.** Indicator from Value Added Tax (VAT) collection in real terms in October expanded by 4.5 percent (y-o-y), improving from the previous month which grew at 2.4 percent (y-o-y). Import value of consumption goods in USD term in October

2007 accelerated by growing at 42.2 percent (y-o-y), from the growth of 28.8 percent (y-o-y) in September. At the same time, durable-goods consumption indicator from passenger cars sales showed positive growth of 3.0 percent (y-o-y), improving from a negative growth of -2.1 percent (y-o-y), in the previous month. Consumer Confidence Index in October, however, lowered slightly to 68.6 points from 69.2 points in September due to consumers' concerns over rising oil prices and floods in many provinces in September.

4. Private investment indicators in October 2007 also showed signs of improvement. Investment in equipment and machinery improved as indicated by import value of capital goods in October 2007 expanded by 22.0 percent (y-o-y), accelerating from the growth of 10.9 percent (y-o-y), in the previous month, contributed largely from expanding imports of industrial equipment and machinery. Commercial cars sales in October expanded at 16.5 percent (y-o-y), further improving from previous month's growth of 13.3 percent (y-o-y). Investment in construction sector also showed improvement as real-estate tax collection in October grew for the 5th consecutive months at 11.8 percent (y-o-y). Manufacturing Confidence Index (preliminary) recorded at 81.9 points in October 2007, improving from the previous month.

5. On the supply side, manufacturing production and service sector from tourism continued to expand well in October 2007. Indicators from Manufacturing Production Index (preliminary) expanded at 11.4 percent (y-o-y) improving from the previous month's growth of 10.3 percent (y-o-y), resulting from expansion in major export-oriented industries such as electronics, electrical appliances and automobiles. as well as domestic-oriented industries. Capital utilization rate in October increased to 68.1 percent improving from 67.4 percent in previous month. On the service sector, the number of in-bound foreign tourists during October 2007 recorded at 1.15 million persons, expanded at 11.7 percent (y-o-y), which represents the highest growth level this year. High growth in the number of tourists is partly due to the low based effect from October 2006 in which tourist number was negatively affected by the political development in September 2006. Agricultural sector in October showed signs of slow-down with Agricultural Production Index (API) declined by -6.8 percent (y-o-y), as a result of decreases in major crops such as rice, cassava and rubber following a high-based in the previous year as well as heavy rainfall in October which negatively affected harvesting of many crops including rubber. However, Agricultural Price Index continued to increase at 9.4 percent (y-o-y), due mainly to price increases of major agricultural products, especially those used as raw materials for alternative energy such as cassava and oil palm.

6. Overall internal and external economic stabilities remained robust although headline inflation picked up slightly from 2.1 percent (y-o-y), in September to 2.5 percent (y-o-y) in October as a result of increasing oil prices and rising prices of food-related items, Moreover, unemployment rate in September remained low level at 1.2 percent for the third consecutive month. Public debt to GDP as of September 2007 stood at 37.8 percent, well below the 50 percent ceiling limit under the Ministry of Finance's Fiscal Sustainability Framework. **External stability also re-**

6. Overall internal and external economic stability remained robust. Despite a rising oil and food-related prices, headline inflation in September and in the 3rd quarter of 2007 remained low at 2.1% (y-o-y) and 1.6% (y-o-y), respectively. Unemployment rate in August was at low level of 1.2%. Public debt to GDP as of August 2007 was at 37.9%, well below the 50% ceiling limit under the Fiscal Sustainability Framework. **External stability also remained strong** with international reserves at the end of September increased to USD 80.7 billion, increasing from previous month of USD 74.4 billion, which is more than 3.5 times over Thailand's short-term foreign debts.

Table 1 Monthly Economic Indicators

	2006	Jan 07	Feb 07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07
External Sector/											
- Dubai crude oil price (US\$/Barrel) /7	61.6	52.1	55.7	59.0	63.9	64.7	65.9	69.9	67.4	73.0	77.3
- Fed funds rate (%) /7	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	4.75	4.50
Fiscal sector/1											
- Net government revenue (Billion baht)	1376.6	104.3	103.1	103.3	89.0	241.4	99.4	87.1	210.1	106.0	116.1
(%y-o-y)	8.6	5.1	2.8	-3.0	-22.1	7.1	29.2	12.2	7.6	33.4	8.0
Tax collection from revenue, customs and excise departments	1449.3	104.9	104.3	110.2	107.2	244.8	106.6	101.1	212.4	98.0	104.7
(%y-o-y)	8.1	4.7	4.6	3.1	6.5	4.4	6.1	4.3	1.9	3.2	4.0
Income-base tax (Billion baht)	551.0	32.1	28.3	37.7	34.9	128.3	32.6	31.8	133.5	28.0	30.7
(%y-o-y)	12.4	6.9	-5.2	3.6	12.0	7.0	15.0	12.8	1.5	10.4	8.1
Consumption-base tax (Billion baht)	424.7	37.1	35.5	35.0	37.8	35.6	36.6	35.3	38.3	36.4	38.8
(%y-o-y)	19.8	6.9	4.6	1.9	7.1	-2.6	-0.3	1.9	4.9	3.6	6.8
- Government expenditure (Billion baht)	1,330.8	97.1	200.4	139.9	115.8	137.1	164.4	146.2	122.8	150.9	155.4
(%y-o-y)	2.9	-16.9	78.2	9.8	15.9	54.0	40.1	48.2	5.4	-1.1	73.5
Current expenditure (Billion baht)	999.7	75.0	137.0	106.9	97.7	90.4	126.4	119.4	101.3	116.2	121.1
(%y-o-y)	6.1	8.7	43.4	41.5	15.6	31.0	32.3	58.2	20.0	2.9	60.3
Capital expenditure (Billion baht)	216.1	12.2	54.4	21.0	13.5	40.9	32.2	23.3	17.3	28.1	26.8
(%y-o-y)	-16.7	-8.5	107.1	-3.4	-43.9	208.0	112.8	38.6	-35.1	-12.5	367.3
Carry-over budget (Billion baht)	114.9	9.9	9.0	12.0	4.6	5.8	5.8	3.4	4.2	6.7	7.5
(%y-o-y)	25.3	48.1	35.8	93.3	-14.8	-13.9	-13.2	-45.8	-23.0	-12.4	-10.4
Supply-side indicators											
Agricultural sector											
- Agricultural production index (%y-o-y) /6	5.8	11.7	2.4	-0.2	17.5	1.5	-0.1	6.6	7.9	6.0	-6.8
- Agricultural price index (%y-o-y) /6	8.0	-7.1	-1.3	-4.6	-8.5	-9.5	-12.6	-6.4	1.4	9.4	9.4
- New employment in agricultural sector(%y-o-y) /3	3.4	0.4	2.6	3.5	1.2	-6.1	3.0	-0.5	0.2	1.8	n.a.
Industrial sector											
- Manufacturing production index (%y-o-y) /10	6.4	7.7	6.2	2.4	5.7	3.8	5.9	7.2	9.7	10.3	11.4*
- Imports of raw materials in USD (%y-o-y) /1	4.3	18.5	13.3	14.1	21.9	11.3	6.7	11.3	17.2	9.9	20.5
- Capacity utilization (%) /10	67.8	65.0	63.0	68.7	60.4	67.1	66.6	66.3	66.9	67.4	68.1*
- New employment in industrial sector(%y-o-y) /3	-1.5	5.5	1.7	-4.2	0.0	-1.0	4.6	1.6	4.9	8.8	n.a.
Service sector											
- No. of foreign tourists (Million persons) /11	13.8	1.31	1.27	1.22	1.09	0.98	1.02	1.15	1.20	1.04	1.15
(%y-o-y)	21.9	2.3	6.4	2.4	0.9	-0.4	-2.4	-0.7	1.4	7.5	11.7
- New employment in service sector(%y-o-y) /3	-0.2	3.5	1.8	0.7	2.7	2.1	1.3	4.1	2.6	0.3	n.a.
Demand-side indicators											
Private Consumption Indicators											
- Value Added Tax at constant price (%y-o-y) /1	6.8	5.5	3.7	0.8	5.9	-3.3	-0.5	1.8	5.1	2.4	4.5
- Imports of consumer goods in USD (%y-o-y) /1	14.2	11.3	22.8	15.0	23.9	20.0	16.7	15.2	25.0	28.8	42.0
- Sales of passenger cars (%y-o-y)	2.6	-9.8	-19.0	-16.8	-18.2	-4.7	-0.7	4.7	4.7	-2.1	3.0
- Sales of motorcycles (%y-o-y)	-2.0	-11.8	-31.1	-31.6	-18.0	-30.1	-19.0	-19.7	-23.5	-26.4	-13.1
- Consumer Confidence Index /5	76.7	74.2	73.4	72.8	72.1	71.4	71.0	70.0	69.5	69.2	68.6
Private Investment Indicators											
- Total taxes collected from real estate transactions (%y-o-y) /1	6.0	-5.4	-0.6	-0.1	-5.7	-8.5	6.6	1.8	4.0	9.8	11.8
- Domestic cement sales (%y-o-y) /2	0.7	-0.5	-4.6	-3.8	-11.0	-7.2	-5.2	-3.5	-1.2	-4.3	n.a.
- Imports of capital goods in USD (%y-o-y) /1	3.9	-6.8	-10.4	-9.7	4.9	2.4	4.5	-3.3	7.1	10.9	22.0
- Sales of commercial cars (%y-o-y)	-5.2	-27.8	-18.0	-14.7	-2.5	-9.2	-5.6	-0.5	-0.4	13.3	16.5
- Industrial Confidence Index (%y-o-y) /9	93.8	83.6	82.7	86.8	77.0	86.1	80.9	72.7	76.0	81.0	81.9
International trade indicators/1											
- Exports (Billion USD): custom basis	129.7	10.5	11.2	13.1	10.9	13.0	12.9	11.8	13.9	13.3	14.5
(%y-o-y)/4	16.9	17.7	18.4	18.4	18.5	20.9	17.7	6.3	17.9	10.4	26.7
- Export price (%y-o-y)/4	5.2	4.2	4.8	5.0	5.7	5.3	4.3	3.6	4.2	5.8	7.3
- Export volume (%y-o-y)	11.6	13.0	13.0	12.8	12.1	14.8	12.8	2.6	13.1	4.3	18.0
- Imports (Billion USD): custom basis	126.8	9.6	10.1	10.8	10.6	12.2	12.0	11.6	13.1	11.3	13.0
(%y-o-y)/4	7.3	2.4	3.1	0.6	8.9	6.7	5.2	2.4	14.0	7.4	20.2
- Import price (%y-o-y) /4	6.5	3.3	3.6	3.3	3.8	3.1	3.2	4.2	3.5	4.7	8.6
- Import volume (%y-o-y)	0.5	-0.8	-0.4	-2.6	4.8	3.5	1.9	-1.7	10.1	2.6	10.7
- Trade balance (Billion USD): custom basis	2.9	0.9	1.1	2.3	0.3	0.8	0.9	0.2	0.8	2.0	1.5
External economic stability /2											
- Average exchange rate (Baht/USD)	37.9	36.0	35.7	35.1	34.9	34.6	34.6	33.7	34.2	34.2	34.1
- Current account balance(Billion USD)	3.2	1.5	1.7	2.3	-0.1	0.2	1.2	0.3	0.7	1.8	n.a.
- International reserve (Billion USD)	67.0	66.8	68.2	70.9	71.1	71.1	73.0	74.0	74.4	80.7	82.4
Internal economic stability /4											
- Unemployment rate (%) /3	1.5	1.6	1.5	1.6	1.7	1.6	1.4	1.2	1.2	1.2	n.a.
- Producer price index (%yoy)/4	7.0	2.1	2.9	2.7	1.8	1.8	1.8	1.2	0.3	3.1	4.4
- Headline inflation (%yoy)/4	4.7	3.0	2.3	2.0	1.8	1.9	1.9	1.7	1.1	2.1	2.5
- Core inflation (%yoy)/4	2.3	1.6	1.4	1.3	1.2	0.7	0.7	0.8	0.7	0.8	1.0
- Public debt to GDP (%) /1	41.4	37.4	37.6	38.1	37.9	38.1	37.7	37.7	37.8	37.8	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