



30 August 2010

## Monthly Economic Report (July 2010)

***“Thai economy in July 2010 continually expanded, supported by domestic spending which helped cushioned the impact from slower growth in exports as a result of global economic slowdown.”***

Mr. Satit Rungkasiri, Director-General of Fiscal Policy Office, revealed that **“Thai economy in July 2010 continually expanded, mainly supported by domestic spending which helped cushioned the impact from slower growth in the export sector. This was reflected by the passenger car sales’ high expansion of 64.1 percent per year and the real-term VAT’s growth at 12.9 percent per year. Private investment also improved substantially as reflected by 44.0 percent per year growth in commercial car sales as well as 25.4 percent per year growth in capital goods import. Nonetheless, export value in July 2010 expanded more slowly at 20.6 percent per year compared to 46.3 percent per year expansion in the previous month as the global economy grew more moderately.**

Dr. Ekniti Nitithanprapas, Director of Macroeconomic Policy Bureau and Ministry of Finance Spokesperson, further elaborated that **“July’s import value grew considerably at 36.1 percent per year indicating revival in domestic spending. Specifically, raw materials’ import value increased highly at 53.9 percent per year while capital and consumption goods’ import values expanded at 29.2 and 20.4 percent per year, respectively. In addition, expansionary fiscal policies during the first 10 months of Fiscal Year 2010 supported the strengthening of the country’s domestic spending.**

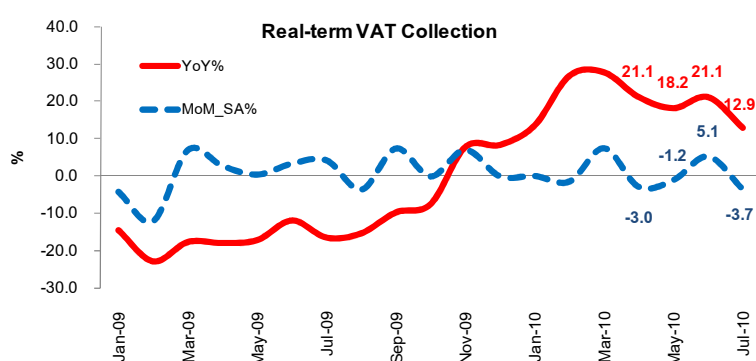
Director-General of Fiscal Policy Office concluded that **“It is expected that Thai economy in the third quarter of 2010 would continue to grow steadily from the second quarter of 2010. However, despite the signs of high expansion in domestic spending, export sector in the second half of 2010 may decelerate from the possible global economic slowdown. In any case, Fiscal Policy Office will review all relevant factors and revise the Thai economic projections to be announced publicly on 29 September 2010.”**

*Further details are as follows*

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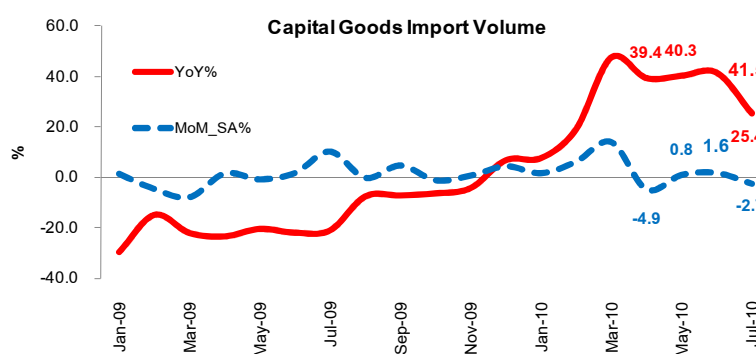
***Thai economy in July 2010 continually expanded, supported by domestic spending which helped cushioned the impact from slower growth in exports as a result of global economic slowdown.***

**1. Private consumption in July 2010 continued to improve progressively even though there were signs of a slight slowdown from the previous month.** This was reflected by the real-term VAT collection for July 2010 which grew at 12.9 percent per year decelerating from 21.1 percent per year growth in the previous month, in accordance with consumer



goods import that grew at 18.6 percent per year decelerating from 39.6 percent per year growth in the previous month. Durable goods import also improved as reflected by passenger car sales for July 2010 which expanded at 64.7 percent per year as well as by motorcycle sales for July 2010 which grew at 14.5 percent per year. Additionally, Consumer Confidence Index for July 2010 was at the level of 71.4 higher than that of the previous month which was partially attributable to the abating political situations as well as the continued economic improvement.

**2. Private investment for July 2010 also improved significantly albeit with signs of slowing down from the previous month.** This was reflected

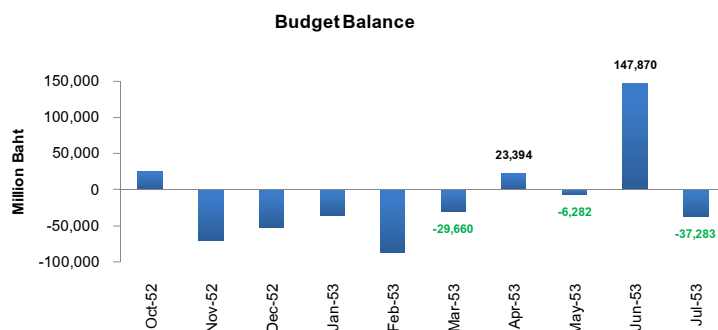


by capital goods import for July 2010 which increased at 25.4 percent, decelerating from 41.5 percent per year growth in the previous month. Commercial car sales for July grew at 44.0 percent per year, decelerating from 52.6 percent per year growth in the previous month. In construction



sector, property tax collection for July 2010 increased at 37.6 percent per year, a large decline from 158.1 percent per year expansion in the previous month with such extraordinary growth coming from the impact from the expiration of property transaction fee reduction measure, effective in the end of June 2010. Moreover, domestic cement sales in July 2010 expanded at 1.9 percent per year, slowing down from the 2.3 percent per year growth in the previous month due to high base. Nevertheless, the said expansion indicated a recovery in domestic investment in real-estate sector.

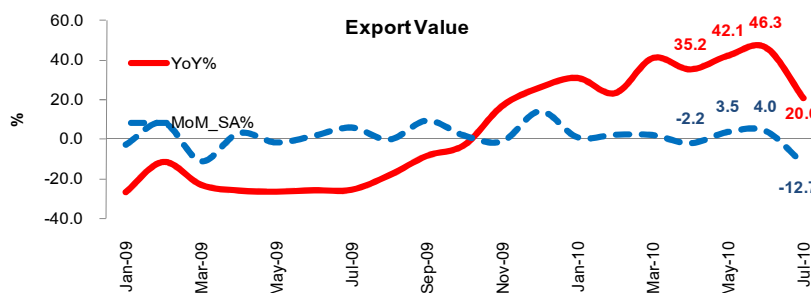
**3. Fiscal indicators in July 2010 showed that fiscal policies continuously supported the Thai economy.** In July 2010, there was a budget



deficit of 37.3 billion Baht while budget disbursement was of 142.6 billion Baht contributing to the accumulated disbursement of the first ten months of Fiscal Year 2010 (October 2009-July 2010) at 1,481.6 billion Baht which were

separated into (1) budget expenditure of 1,342.1 billion Baht for Fiscal Year 2010 or 78.9 percent of the 1,700 billion Baht budget framework, and (2) carried-over budget expenditure of 139.4 billion Baht. Furthermore, under the Strong Thailand 2012 Program, there was a disbursement of 20.7 billion Baht in July which contributed to the accumulated disbursement of 199.6 billion Baht or 57.0 percent of the approved budget framework of 350 billion Baht. Net government revenue collection (net of local authorities' subsidy allocation) for July amounted to 117.8 billion Baht, expanding at 16.9 percent per year reflecting the Thai economic recovery.

**4. Export in July 2010 continued to expand highly although there were signs of a slowdown from the previous month.** Export value for July 2010

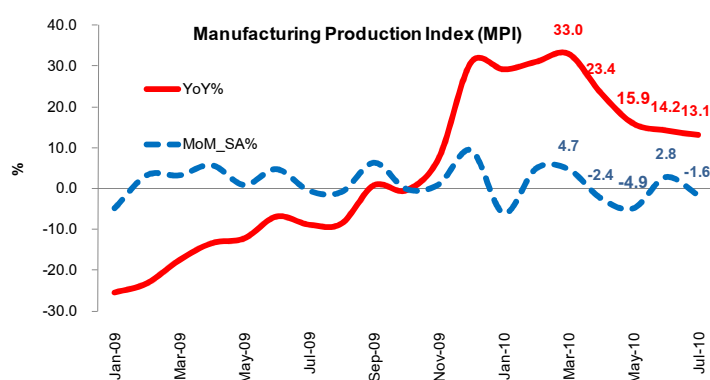


amounted to USD 15.6 billion, expanding moderately at 20.6 percent per year from 46.3 percent per year in the previous month, owing to the growth of export volume 11.4



percent per year which decelerated from 35.2 percent per year in the previous month. This decelerated expansion can be observed in almost all categories of export goods and all export destinations. **Import value in USD terms still increased steadily but with signs of a slight slowdown from the previous month.** In July 2010, import value amounted to USD 16.5 billion with 36.1 percent per year growth rate, decreasing from 37.9 percent per year growth rate in the previous month. This import value can be broken down to 27.5 percent per year growth of import volume, slowing down from 30.0 percent per year growth in the previous month, while import price grew 6.7 percent per year. In terms of import items, this strong import expansion was due to growth in raw materials. As for trade balance, there was a trade deficit of USD 0.9 billion.

**5. Supply-side sector indicators for July showed continued progress in manufacturing sector even though with signs of slight slowdown from the previous month. The service sector from tourism started to recover conspicuously while agricultural sector contracted moderately.** Preliminary



Manufacturing Production Index (MPI) in July 2010 increased at 13.1 percent per year lowering from the 14.2 percent per year growth in the previous month. On the other hand, the Thai Industries Sentiment Index (TISI) for July 2010 rose from the previous month to the

level of 108.6 reflecting an improvement in market orders and confidence in industrial sector. As service sector indicator, the number of in-bound tourists in July 2010 amounted to 1.25 million increasing at 14.2 percent per year reflecting that the tourism sector had returned to normal. As agricultural sector indicator, Agricultural Production Index (API) in July 2010 decreased slightly at -2.4 percent per year from the positive growth of 1.0 percent per year in the previous month. The decrease was mainly from out-of-season rice and tapioca as a result of plant disease epidemics and drought. Agricultural price in July 2010 still expanded progressively at 32.9 percent per year contributing to continued strong growth of real farm income for its ninth consecutive month at 21.2 percent per year.



**6. Economic stability remained robust.** Headline inflation in July 2010 grew at 3.4 percent per year mainly from increased prices of fresh foods particularly vegetables and fruits, while core inflation grew at 1.2 percent per year. Unemployment rate in June 2010 was at 1.2 percent of total labour force decreasing from 1.5 percent of total labour force in the previous month. This equated to 460 thousands unemployed persons. Public debt to GDP ratio at the end of May 2010 stood at 42.6 well below the 60 percent public debt ceiling under Fiscal Sustainability Framework. Likewise, external economic stability remained robust and resilient to risk from volatilities that could arise from world economy as indicated by high-level international reserves at USD 151.2 billion or approximately 4.7 times of short-term external debt.

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# Table 1: Monthly Economic Indicators

	2009	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	YTD
<b>External sector</b>															
- Dubai crude oil price (US\$/Barrel) /7	61.3	65.4	71.8	67.7	73.0	77.1	75.0	76.6	73.5	77.9	83.4	76.7	74.1	72.8	76.5
- Fed funds rate (%) /7	4.3	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	0-0.25	0-0.25	0-0.25
<b>Fiscal sector</b>															
- Net government revenue (Billion baht) /1	1,482.7	100.7	203.7	80.9	115.7	129.1	104.2	114.5	97.6	124.3	166.3	279.6	107.8	117.8	1,007.8
(%y-o-y) /1	-1.0	-6.7	13.8	-36.2	26.6	20.9	32.0	21.7	13.7	17.3	75.7	26.7	-25.5	16.9	19.0
- Tax collection from revenue, customs and excise dept. /12	1,558.0	105.6	209.6	104.7	111.4	127.9	117.2	122.1	111.7	141.6	123.4	275.9	125.8	126.2	1,026.7
(%y-o-y) /14	-4.7	-8.8	15.7	-36.9	5.6	17.0	25.1	24.6	22.2	20.7	18.4	29.0	-19.7	19.5	15.7
- Income-based tax (Billion baht) /1	591.3	29.7	131.0	27.4	30.7	42.2	29.2	36.4	30.8	44.6	32.1	144.3	35.4	36.1	359.7
(%y-o-y) /1	-11.2	-14.2	25.1	-68.7	-2.5	-2.1	10.4	-0.3	-3.2	14.1	-1.1	42.4	-40.9	21.2	8.7
- Consumption-based tax (Billion baht) /1	437.0	37.5	36.6	39.0	39.4	40.5	41.3	42.5	39.1	42.5	44.2	39.4	43.9	43.0	294.5
(%y-o-y) /1	-12.9	-20.4	-15.9	-10.0	-7.0	10.4	12.0	17.8	29.9	30.8	23.8	21.0	22.8	14.6	22.6
- Government expenditure (Billion baht) /1	1,964.0	164.1	142.2	196.9	90.3	188.6	172.2	150.0	182.9	150.0	145.5	124.0	135.5	142.6	1,030.4
(%y-o-y) /1	19.4	18.2	14.1	31.4	-3.6	14.2	18.4	-22.0	1.8	-23.2	2.7	-23.0	-2.9	-13.1	-12.2
- Current expenditure (Billion baht) /1	1,526.2	128.6	119.7	159.6	79.5	160.8	112.3	128.3	117.9	120.0	125.8	110.3	111.5	124.9	838.6
(%y-o-y) /1	17.8	11.0	11.0	27.4	-6.1	22.5	-5.1	1.9	-11.2	-26.9	7.3	-3.9	0.6	-2.9	-6.2
- Capital expenditure (Billion baht) /1	298.5	30.1	17.2	27.3	0.7	5.3	37.6	5.7	51.5	9.7	10.8	7.8	11.7	10.3	107.4
(%y-o-y) /1	24.0	61.6	36.7	49.8	19.5	-70.4	297.2	-89.1	52.2	-32.0	-46.1	-80.5	-42.2	-65.9	-49.0
- Carry-over budget (Billion baht) /1	139.3	5.4	5.2	10.0	10.2	22.5	22.3	16.0	13.5	20.3	8.9	5.9	12.3	7.5	84.4
(%y-o-y) /1	29.5	24.1	24.8	57.2	19.6	41.5	26.9	11.1	2.7	20.5	99.2	-5.6	44.7	39.2	22.3
- Budgetary Balance (Billion baht) /1	-474.5	-63.4	-36.8	-19.9	25.5	-70.5	-53.1	-34.6	-87.6	-29.7	23.4	-6.3	147.9	-37.3	-24.1
<b>Supply-side indicators</b>															
<b>Agricultural sector</b>															
- Agricultural Production Index (%y-o-y) /6	-0.4	0.2	2.3	-7.3	-1.1	-1.3	-5.0	-6.1	-4.1	-3.7	-7.6	-1.2	1.0	-2.4	-3.7
- Agricultural Price Index (%y-o-y) /6	-8.7	-19.6	-16.0	-12.9	-2.4	6.8	18.7	20.8	19.4	19.5	20.1	21.4	26.6	32.9	24.6
- Real farm income (%y-o-y) /14	-10.5	-16.4	-14.7	-19.7	-5.2	3.2	7.0	7.1	7.4	10.8	8.3	14.6	22.3	21.2	12.7
- New employment in agricultural sector(%y-o-y) /3	-0.2	-0.6	-0.2	-1.9	-1.8	-0.4	-4.6	3.5	0.4	4.4	1.2	-10.8	-9.0	n.a.	-2.2
<b>Industrial sector</b>															
- Manufacturing Production Index (%y-o-y) /10	-7.2	-8.9	-8.6	0.8	-0.4	7.5	30.9	29.1	31.1	33.0	23.4	15.9	14.2	13.1*	22.4
- Import value of raw materials in USD (%y-o-y) /1	-30.7	-34.7	-38.7	-33.3	-26.2	-9.0	51.9	77.1	130.1	85.2	42.1	57.7	34.7	53.9	64.4
- Import volume of raw materials in USD (%y-o-y) /1	-30.2	-30.9	-36.5	-31.8	-25.9	-9.8	47.4	71.3	124.0	80.3	36.4	49.5	26.8	45.5	57.5
- Capacity utilization (%) /10	56.2	56.8	56.9	60.0	60.9	60.6	61.1	60.3	60.6	68.6	58.3	64.3	65.4	62.4	62.8
- New employment in industrial sector(%y-o-y) /3	-0.5	-0.7	0.3	3.8	-2.2	0.2	6.6	-1.7	-0.2	-1.1	0.8	2.7	6.5	n.a.	1.1
- Thai Industrial Sentiment Index (Index) /9	85.9	89.9	88.0	95.9	104.3	104.7	113.6	115.4	114.5	101.6	99.3	94.7	103.3	108.6	105.3
<b>Service sector</b>															
- No. of foreign tourists (Million persons) /11	14.14	1.09	1.15	1.04	1.21	1.36	1.68	1.60	1.61	1.44	1.11	0.80	0.94	1.25	8.77
(%y-o-y)/14	-3.0	-14.2	-5.4	16.9	10.5	26.5	45.6	26.3	41.9	16.3	2.1	-12.93	-1.14	14.20	13.80
- New employment in service sector(%y-o-y) /3	5.2	5.3	2.8	4.1	6.4	7.0	6.1	3.6	5.7	3.7	-0.2	5.00	4.50	n.a.	3.70
<b>Demand-side indicators</b>															
<b>Private consumption indicators</b>															
- Value added tax at constant price (%y-o-y) /1	-11.4	-16.3	-15.2	-9.6	-7.4	7.8	8.4	13.6	26.8	27.7	21.1	18.2	21.1	12.9	19.9
- Import volume of consumer goods in USD (%y-o-y) /1	-9.5	-15.6	-10.2	-4.5	-5.2	19.6	21.6	23.8	43.7	28.5	27.4	35.3	39.6	18.6	30.7
- Sales of passenger cars (%y-o-y)/14	1.4	-9.1	-1.1	14.7	23.4	32.3	27.7	53.2	57.3	42.8	64.4	60.2	75.7	64.1	60.3
- Sales of motorcycles (%y-o-y)/13	-8.9	-13.3	-13.8	-11.5	-13.6	6.1	24.4	37.2	26.0	32.1	28.1	7.8	17.3	14.5	22.4
- Consumer Confidence Index (Index) /5	67.2	66.3	67.4	68.4	68.0	69.1	70.4	71.9	70.9	69.8	67.2	67.6	69.1	71.4	69.7
<b>Private investment indicators</b>															
- Import volume of capital goods in USD (%y-o-y) /1	-14.7	-21.0	-7.6	-7.2	-6.4	-4.2	6.8	7.7	19.1	47.6	39.4	40.3	41.5	25.4	31.1
- Sales of commercial cars (%y-o-y)/14	-17.9	0.5	-12.6	-6.8	0.0	18.2	18.4	55.4	58.0	58.9	30.0	48.4	52.6	44.0	49.3
- Total taxes collected from real estate transaction (%y-o-y) /1	-11.2	-13.0	-0.9	-5.1	-1.4	6.4	18.1	26.9	42.5	136.3	3.9	78.7	158.1	37.6	73.8
- Domestic cement sales (%y-o-y) /2	-0.4	5.0	1.4	3.6	3.4	13.5	5.4	4.0	6.9	9.0	12.8	14.1	2.3	1.9	7.2
<b>International trade indicators</b>															
- Exports (Billion USD): custom basis	152.4	12.9	13.3	14.9	14.8	13.8	14.6	13.7	14.4	16.3	14.1	16.6	18.0	15.6	108.6
(%y-o-y)/4	-14.3	-25.7	-18.4	-8.5	-3.0	16.7	26.0	30.8	23.1	40.9	35.2	42.1	46.3	20.6	34.1
- Export price (%y-o-y)/4	0.3	-3.9	-2.1	-0.6	4.2	7.4	11.0	11.2	12.0	13.1	12.1	9.9	8.2	8.2	10.6
- Export volume (%y-o-y)/14	-14.5	-22.7	-16.6	-8.0	-6.9	8.6	13.5	17.7	9.9	24.6	20.6	29.3	35.2	11.4	21.2
- Imports (Billion USD): custom basis	133.7	12.1	11.2	12.9	13.0	12.8	14.4	13.2	14.0	15.1	14.4	14.3	15.7	16.5	103.2
(%y-o-y)/4	-25.4	-32.9	-32.8	-17.9	-17.5	-2.2	28.2	44.8	71.2	59.7	46.9	55.1	37.9	36.1	48.9
- Import price (%y-o-y)/4	-2.6	-7.9	-4.2	-1.1	2.8	6.8	10.3	10.5	11.2	11.2	11.8	9.4	6.1	6.7	9.5
- Import volume (%y-o-y) /14	-23.5	-26.7	-29.9	-16.9	-19.8	-8.4	17.3	31.1	53.9	43.6	31.4	41.8	30.0	27.5	36.3
- Trade balance (Billion USD): custom basis/4	18.8	0.8	2.1	2.0	1.8	1.0	0.2	0.5	0.4	1.2	-0.3	2.2	2.3	-0.9	5.4
<b>External economic stability</b>															
- Average exchange rate (Baht/USD) /2	34.3	34.0	34.0	33.8	33.4	33.3	33.2	33.0	33.1	32.5	32.3	32.4	32.4	32.1	32.6
- Current account (Billion USD)/2	20.3	0.5	1.9	1.3	2.2	1.3	0.8	2.0	1.5	1.7	-0.4	1.0	0.7	n.a.	5.9
- International reserves (Billion USD)/2	138.4	123.4	127.3	131.8	135.3	139.8	138.4	142.4	141.8	144.1	147.6	143.5	146.8	151.5	152.7
<b>Internal economic stability</b>															
- Unemployment rate (%) /3	1.5	1.2	1.2	1.2	1.1	1.0	0.9	1.4	1.0	1.0	1.2	1.5	1.2	n.a.	1.2
- Producer Price Index (%yoy)/4	-3.8	-12.9	-10.4	-7.2	2.6	7.8	10.0	11.5	11.8	12.6	8.5	8.0	11.5	11.1	10.7
- Headline inflation (%yoy)/4	-0.9	-4.4	-1.0	-1.0	0.4	1.9	3.5	4.1	3.7	3.4	3.0	3.5	3.3	3.4	3.5
- Core inflation (%yoy)/4	0.3	-1.2	-0.2	-0.1	-0.1	0.1	0.2	0.6	0.3	0.4	0.5	1.2	1.1	1.2	0.8
- Public debt to GDP (%) /1	43.8	44.0	44.4	44.2	44.1	43.9	43.8	41.2	41.9	42.4	42.2	42.6	n.a.	n.a.	42.6

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 Federation of Thai Industries

10/Data from Office of Industrial Economics

11/ Data from Immigration Office

12/ Data from Revenue Department, Excise Department and Customs Department

13/ Data from Department of Land Transport

14/ Computed by Fiscal Policy Office

