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Monthly Economic Report (January 2011)

***“Thai economy in January 2011 continued to expand, attributed mainly to strong growth in private consumption and export. At the same time, manufacturing and agricultural production showed signs of improvement.*”**

Dr. Naris Chaiyasoot, Director-General of the Fiscal Policy Office, revealed that **“Thai economy in January 2011 continued to expand *attributed mainly to strong growth in private consumption* as reflected by real term value added tax collection growth of 9.8 percent from last year. This was consistent with import of consumer goods grew at 28.6 percent. Furthermore, consumption of durable goods showed a high level of expansion as reflected by the number of consumer cars sales which increased by 49.6 percent per year, partly due to a continued expansion of real farm income and employment. Moreover, export continued to expand well as shown by the value of export growth of 22.3 percent, particularly in term of electrical appliances, vehicles and agricultural products which have shown strong expansion.**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau further elaborated that **“Economic indicators in term of Manufacturing and Agricultural sectors in January also showed signs of improvement. This was reflected by Manufacturing Production Index in January 2011 which grew at 1.8 percent per year. Also in tandem with it, was the imports of raw material growth of 28.1 percent per year. At the same time, Agricultural Production Index grew at 3.4 percent per year, improved from previous month growth of 1.5 percent while the number of in-bound tourists continued to grow strongly at 11.6 percent.”**

Director-General of the Fiscal Policy Office concluded that **“From Thailand economic indicators in January 2011, it can be shown that continuous improvement in domestic expenditures and productions has resulted in a high growth of imports at 23.8 percent per year. It is expected that the Thai economy in 2011 will maintain its growth momentum from 2010, and in terms of both domestic and external drivers.**

Further details are as follows

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Thai economy in January 2011 continues to grow robustly, attributed to strong growth in private consumption and exports. At the same time, Manufacturing and Agricultural sectors showed sign of improvement.

1. Private consumption in January 2011 continued to grow well, thanks to an increase in real-farm income. This was reflected by the real-term VAT collection which grew at 9.8 percent from last year. This was consistent with the imports of consumption goods which grew at 28.6 percent from last year. Meanwhile, growth of durable goods consumption returned to high level as the sales of passenger cars which grew by 49.6 percent from last year, improved from previous month's growth of 28.2 percent. This was partly due to an improvement in real farm income and employment in the economy. Meanwhile, the number of motorcycle sales grew by 5.8 percent from last year, slightly decelerated from previous month's growth of 9.5 percent, partly due to last year base adjusted to normal level. Moreover, Consumer Confidence Index in January 2011 stood at 71.9 points, slightly increased from previous month level of 71.9 points as consumer had more confidence towards the state of the economy while real farm income remained at high level and employment continued to improve.

2. Private investment in January 2011 continued to expand well, particularly in terms of machinery investment. This was reflected by imports of capital goods in January which expanded at 31.2 percent from last year, compared to 9.9 percent. This was also consistent with the number of commercial car sales which grew at 29.7 percent from last year. Private investment indicator in term of construction as measured from property tax collection for January expanded at 70.9 percent from last year. Although this show a slight deceleration from previous month growth of 91.0 percent but high level of growth continue to reflect increase real-estate activities following an improvement in the domestic economy.

3. Fiscal indicators in January 2011 showed that fiscal policy continued to support the Thai economy as indicated by public sector expenditures. In January, budget disbursement amounted to 235.2 billion Baht, increased from January 2010 budget disbursement by 56.8 percent. This was consist of 1) Current expenditure disbursement of 146.3 billion Baht, an



increase of 14.0 percent from last year and 2) Capital expenditure disbursement of 74.4 billion Baht, an increase of 1,211.6 percent from last year due to subsidy expenditures disbursement from Local Administration Department in January 2011. Moreover, under the Strong Thailand 2012 Program, there was a disbursement of 3.7 billion Baht in January which contributed to the accumulated disbursement of 260.8 billion Baht or 74.5 percent of the approved budget framework of 350 billion Baht. Net government revenue collection (net of local authorities' subsidy allocation) for January amounted to 125.8 billion Baht or expanding at 9.9 percent from last year, thanks to high level of tax collection from Corporate Income tax, Value-added tax, Excise fuel and Automobile taxes. As a result, higher budget expenditure in comparison to net government revenue led to a budget deficit of -108.0 billion Baht, reflecting supportive fiscal policy instrument towards the revival of the Thai economy.

4. Exports in January 2011 expanded continuously. Export value for January was recorded at USD 16.7 billion, expanded at 22.3 percent from last year, accelerated from previous month's growth of 18.8 percent. This was attributed to export volume growth of 14.7 percent per year, and export price growth of 6.6 percent from last year, thanks to well-expanded growth in electrical appliances, automobile, and agricultural products while electronics sector showed contraction for the first time in 15 months at -2.9 percent as main export markets reduced their electronic goods stock. **Import value in USD accelerated in most sectors including raw materials, capital and consumer goods.** Import value in January amounted to USD 17.6 billion or expanding at 33.3 percent per year, improved from previous month growth of 11.5 percent. This mainly was contributed from import volume which accelerated at 23.8 percent while import price grew at 7.7 percent. From higher import value as compared to export value, trade balance in January registered a deficit of -0.9 billion for the first time in 6 months.

5. Supply-side sector indicators for January 2011 showed an improvement in both Agricultural and Manufacturing sector while tourism continued to improve. Agricultural sector indicator as measured from agricultural Production Index (API) in January 2011 expanded for second successive month at 3.4 percent from last year, following on from 1.5 percent growth in the previous month, thanks to an improvement from major rices and chicken productions. Agricultural goods prices continued to grow well at 26.3 percent which has led to an increase in real farm income growth of 25.6 percent from last year, acceleration from previous month growth of 19.1



percent. **Manufacturing sector returned to positive growth after previous month contraction.** Production Index (Preliminary) in January expanded at 3.7 percent from last year, improved from previous month contraction of -3.4 percent. This was consistent with the Thai Industries Sentiment Index (TISI) which increased to the level of 112.7 from previous month level of 109.7. As TISI level surpassed 100.0 benchmark for second successive months, it can be shown that entrepreneurial confidence remained strong. **Service sector from tourism continued to show robust growth.** In January 2011 showed that number of in-bound tourists into Thailand was recorded at 1.8 million persons, expanded at 11.6 percent per year and reflecting a continuous revival in the tourism sector from all regions.

6. Economic stability remained robust. Headline inflation in January 2011 grew at 3.0 percent per year, mainly from an increased in prices in fruits, vegetables, transportation and fuel items, while core inflation grew at 1.3 percent per year. Unemployment rate in December was at 0.7 percent of total labour force, an equivalent of 268 thousands unemployed persons. Public debt to GDP ratio at the end of December 2010 stood at 42.5 percent well below the 60 percent public debt ceiling under Fiscal Sustainability Framework. Likewise, external economic stability remained robust and resilient to risk from volatilities in the global economy as indicated by high-level international reserves at the end of January 2011 at USD 174.0 billion or approximately 3.7 times of short-term external debt.



