



Monthly Economic Report (February 2011)

***“Thai economic indicators in February 2011 continued to show a strong expansion, attributed mainly to a better-than-expected growth in export, while private consumption and investment continued to expand well.*”**

Mr. Naris Chaiyasoot, Director-General of the Fiscal Policy Office, revealed that **“Thai economy in February 2011 continued to show a strong expansion, attributed mainly to a better-than-expected growth in export as reflected by the record high value of export in USD terms of USD 18.9 billion, expanded at 31.0 percent from last year, thanks to well-expanded growth amongst all sectors and markets, especially China, Japan and the US. Moreover, private consumption continued to expand well as shown by real term value added tax collection growth of 10.1 percent from last year. This was consistent with indicators in durable goods consumption as reflected by sales of passenger cars increase of 49.6 percent per year. Furthermore, private investment also continued to grow as measured by import of capital goods expansion of 26.8 percent per year. This was in tandem with sales of commercial cars expansion of 37.6 percent from last year.**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau further elaborated that **“Economic indicators for industrial production decelerated as reflected by Manufacturing Production Index (MPI) contraction of -3.4 percent per year, particularly in term of petroleum and jewelry. Moreover, the Agricultural Production Index (API) grew by 2.8 percent per year, thanks to higher rice and rubber productions, while the number of in-bound tourist continued to grow at 11.8 percent per year.**

Director-General of the Fiscal Policy Office concluded that **“From Thailand economic indicators in February 2011, it can be shown that both export and domestic spending expand strongly and will continue to show an upward trend during the rest of the year. Thus, this would enable the Thai economy to grow within the forecasted range.”**

Further details are as follows

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Thai economic indicators in February 2011 continued to show a strong expansion, attributed mainly to a better-than-expected growth in export, while private consumption and investment continued to expand well.

1. Exports in February 2011 expanded at a better-than-expected pace. Export for February 2011 was at a record high value of USD 18.9 billion, expanded at 31.0 percent from last year, better than the previous month growth of 22.3 percent per year. Such strong export value growth was attributed to export volume growth of 22.6 percent per year, and export price growth of 6.6 percent from last year, thanks to well-expanded growth amongst all sectors and markets, especially China, Japan and the US. **Import value in USD terms continued to expand well, though showed sign of deceleration from previous month.** Import value in February 2011 amounted to USD 17.1 billion or expanding at 22.5 percent per year, a deceleration from previous quarter growth of 33.3 percent from last year. This growth in import value was attributed to import volume growth of 12.5 percent, slowdown from previous month growth of 23.8 percent per year, and import price growth of 7.7 percent. From higher export value as compared to import value, trade balance in February 2011 was in surplus at USD 1.8 billion, from the previous month trade balance deficit of USD -0.9 billion.

2. Private consumption in February 2011 continued to expand well, as the real-term VAT collection in February grew at 10.1 percent from last year, an increase from the previous month growth of 9.8 percent per year. This was consistent with strong growth of durable goods consumption as the sales of passenger cars in February 2011 grew at 49.6 percent per year. This was in tandem with motorcycle sales in February 2011 which grew at 15.9 percent per year improved from the previous month growth of 5.8 percent per year, thanks to continued expansion in real farm income and employment. However, Consumer Confidence Index in February stood at 72.2 points, slightly decreased from 72.4 points in the previous month, mainly due to the upward trend in oil price and political uncertainty.

3. Private investment in February 2011 also continued to expand well, both from indicators in term of machinery investment and construction.



The improvement in machinery investment was reflected by imports of capital goods in February 2011 which expanded at 26.8 percent from last year. This was consistent with the number of commercial car sales in February which grew at 37.6 percent per year. **Private investment indicator in term of construction grew continuously** as measured by property tax collection in February which expanded at 49.8 percent from last year, reflecting increase in real-estate activities following an improvement in the domestic economy. This was also in tandem with cement sales expansion of 1.3 percent per year accelerating from the previous month growth of 0.9 percent per year.

4. Fiscal indicators in February 2011 showed that fiscal policy continued to support the Thai economy as indicated by public sector budget deficit of -34.6 billion baht. In February, budget disbursement was at 154.7 billion Baht, contracted -15.4 percent per year. This was due to current expenditure disbursement of 122.8 billion baht or expanded at 4.1 percent per year and capital expenditure disbursement of 16.7 billion baht or contracted at -67.6 percent per year, partly due to high base effect from accelerated local government subsidy budget disbursement in February 2010. Moreover, under the Strong Thailand 2012 Program, there was a disbursement of 2.1 billion Baht in February 2011 which contributed to the accumulated disbursement of 265.4 billion Baht or 75.8 percent of the approved budget framework of 350 billion Baht. Net government revenue collection (net of local authorities' subsidy allocation) for February amounted to 129.9 billion Baht or expanding at 33.1 percent from last year, thanks to high level of corporate Income and personal income tax revenue following the economic expansion.

5. Supply-side sector indicators for February 2011 showed that Agricultural production and service sector continued to expand well although manufacturing sector decelerated. Manufacturing Production Index (Preliminary) in February contracted at -3.4 percent from last year, decelerating from the 4.1 percent growth in the previous month, particularly from a contraction in petroleum, food and jewelry. This was in tandem with the Thai Industries Sentiment Index (TISI) which decreased to the level of 108.2 from previous month level of 112.7, mainly due to concern on higher cost of production from a continuous surge in oil price. Nevertheless, as TISI level surpassed 100.0 benchmark, it can be shown that entrepreneurial confidence remained strong. Furthermore, **Agricultural sector indicator as measured from**



agricultural Production Index (API) in February expanded for three consecutive months at 2.8 percent from last year decrease from the previous month expansion of 3.4 percent per year, particularly due to an improvement from rice and rubber productions. Agricultural goods prices in February 2011 continued to expand well at 32.4 percent from last year and resulted in an improvement in real farm income growth of 31.8 percent from last year. **Service sector indicators as reflected by the number of in-bound tourists continued to expand.** In February 2011, the number of in-bound tourists into Thailand was recorded at 1.8 million persons, expanded at 11.8 percent per year, thanks to well-expanded growth amongst tourists from all regions, particularly from the Eurozone area and ASEAN, reflecting a continuous revival in the tourism sector.

6. Economic stability remained robust. Headline inflation in February 2011 grew at 2.9 percent per year, mainly from an increased in prices in vegetables, fruits, transportation and fuel items, while core inflation grew at 1.5 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 January 2011 stood at 41.9 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 February 2011 at USD 179.4 billion or approximately 3.6 times of short-term external debt.



