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## Monthly Economic Report (April 2011)

***“Thai economy in April 2011 continued to grow, despite the slight slowdown in domestic demand, after the previously high growth, combined with a constraint on automobile production as an aftermath of the Tsunami in Japan. Nonetheless, agriculture and service sectors continued to expand.*”**

Mr. Naris Chaiyasoot, Director-General of the Fiscal Policy Office, revealed that **“the Thai economy in April 2011 continued to grow. Private consumption, in particular, still expanded as indicated by the growth of real value-added tax of 11.5 percent from last year, slightly slower than the growth in previous month at 11.7 percent, in line with volume of import of consumption goods which grew 19.5 percent, slightly slower than last month’s growth at 22.4 percent. However, consumption of durable goods still continually expanded, albeit at a slower pace, as affected by the growth of automobile sales growth at 17.8 percent, softer than the previous month at 80.3 percent, partly attributed to production constraint as a result of the Tsunami in Japan. In addition, export still grew well, despite a slight slowdown after last month’s stellar growth, at 24.6 percent, slightly smaller than the growth rate last month of 30.9 percent. This slowdown owed to a decline in export of automobile.**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, further elaborated that **“Economic indicators of manufacturing sector subsided, while those of agriculture and service sectors continue to expand. Manufacturing Production Index in April 2011 contracted 7.8 percent, attributed to the contraction in production of automobile due to constraints in imports of parts from Japan. Meanwhile, Agricultural Production Index expanded at a high pace of 33.2 percent. Similarly, tourist arrival showed a continual expansion at 35.2 percent.”**

Director-General concluded that **“Thailand economic indicators in April 2011 indicated a continued expansion of domestic demand, albeit with a slower sign. This is partly due to production constraint, especially in automobile industry that has postponed the production, which is expected to resume during the second half of the year. The Ministry of Finance would revise and announce the economic projection in June 2011.”**

*Further details are as follows*

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**1. Private consumption in April 2011 continued to expand well, with a slight sign of slowdown.** As the real-term VAT collection in April 2011 grew at 11.5 percent from last year, slightly softer than last month of 11.7 percent. This is consistent with import volume of consumption goods in April 2011 that grew 19.5 percent, slower than March 2011 growth of 22.4. Similarly, consumption of durable goods still continued to grow, as indicated by automobile sales growth of 17.8 percent, slower than the exceptionally high growth of 80.3 percent in the previous month. Also, motorcycle sales in April 2011 still grew well at 11.2 percent, continued from the growth rate of 14.3 percent in March. This is partly due to high real farm income, as agricultural prices remained high coupled with low unemployment. Nevertheless, Consumer Confidence Index in April 2011 stood at 70.5 points, slightly less than the previous month, due to flood problem in the south, natural disasters including tsunami in Japan, the looming higher cost of living, and concerns over political situation.

**2. Private investment in April 2011 also continued to expand well, although slower than last month, especially investment in machinery.** This was reflected by imports of capital goods in April 2011 which expanded at 17.4 percent from last year, slightly slower than previous month's growth of 29.9 percent. This was consistent with the commercial car sales in April 2011 which grew 17.7 percent, from last month's growth rate of 28.5 percent. Private investment indicator in term of construction as measured by property tax collection growth for April 2011 rebounded to the normal rate of 55.1 percent, compared to last month's contraction of -17.8 percent. This mainly came from the low base effect, owing to an acceleration of property transactions due to the expectation of the expiration of tax incentives for real estate by the end of March 2010. This high growth reflected better situation for real estate transaction following better economic situation. However, cement sales contracted -1.0 percent, declined from last month's growth of 2.2 percent.



**3. Exports in April 2011 continued to expand.** Export value for April 2011 stood at USD 17.6 billion, expanded at 24.6 percent from last year, attributed to softer export volume growth of 16.9 percent per year, as well as softer export price growth of 6.7 percent from last year. The major cause of this slow downs stems from the slower growth of export value and volume of automobile, as a result of the Tsunami in Japan. Meanwhile, exports to other major trading partners, including the US, Japan, Eurozone, and ASEAN5, grew at a faster pace, while exports to Australia considerably shrank **Imports value in USD terms continued to expand well.** Import value in April 2011 amounted to USD 18.4 billion or expanding at 27.9 percent per year, slightly less than last month's growth of 28.4 percent. This was attributed to slower import volume growth of 15.2 percent, while import price growth accelerated to 11.0 percent, mainly due to an expansion in all sectors, especially in capital goods, raw materials and consumption goods. Higher import value as compared to export value caused a trade deficit in April 2011 of USD -0.8 billion.

**4. Fiscal indicators in April 2011 showed that fiscal policy continued to support the Thai economy as indicated by public sector's budget deficit.** In April 2011, budget balance showed a deficit of -2.5 billion Baht. In April 2011, budget disbursement amounted to 139.7 billion Baht, resulting in the first seven months of FY2011 (October 2010 – April 2011) budget disbursement of 1,298.9 billion baht. Moreover, under the Strong Thailand 2012 Program, there was a disbursement of 1.8 billion Baht in April 2011, which contributed to the accumulated disbursement of 274.8 billion Baht or 78.5 percent of the approved budget framework of 350 billion Baht. Net government revenue collection (net of local authorities' subsidy allocation) for April 2011 amounted to 127.5 billion Baht, contracting at 21.4 percent from last year. This resulted in the first seven months of FY2011 (October 2010 –March 2011) revenue collection of 917.5 billion Baht, or expanding at 7.3 percent, indicating economic recovery for Thailand.

**5. Supply-side sector indicators for April 2011 showed that Agricultural production and service sector exhibited a steady improvement, while manufacturing sector contracted.** Manufacturing Production Index (Preliminary) in April 2011 contracted -7.8 percent from last year, mainly due to a drop of production in automotive as a result of constraint in imports of parts from Japan that caused a delay in production. However, this production is expected to return to normal during the second half of the year. **Meanwhile, service sector as indicated by tourism sector in April 2011 showed a constant**



**expansion** as the number of inbound tourists was recorded at 1.5 million persons, expanded at a high rate of 35.2 percent, owing to the low base of last year as political unrest in Bangkok and surrounding area was at its peak. Nonetheless, this well-expanded growth can be seen in all country groups, particularly Asia, Europe, and the Middle-East that return to expansion after a contraction last month. **Furthermore, Agricultural sector indicator as measured by Agricultural Production Index (API) in April 2011 showed a strong growth**, partly from the low base of last year when the sector suffered drought and pests problems. API grew 33.2 percent from last year, accelerating from previous month growth of 27.5 percent per year, particularly due to an improvement from rice, rubber, sugar cane, and cassava productions. This was coherent with the Agricultural goods prices in April 2011 which continued to expand at a high rate of 22.3 percent from last year, and resulted in a strong growth of real farm income of 57.1 percent from last year.

**6. Economic stability remained robust.** Headline inflation in April 2011 grew at 4.0 percent per year, mainly from an increase in prices of fruits, vegetables, and transportation and fuel items, while core inflation grew 2.1 percent per year, albeit faster than last month's rate of 1.6 percent but still falls in the target range of 0.5 – 3.0 percent. Unemployment rate in February 2011 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 March 2011 stood at 41.3 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 April 2011 at USD 189.9 billion or approximately 3.5 times of short-term external debt.

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