



30 August 2011

Monthly Economic Report (July 2011)

"In July 2011, Thai economy continued to grow from exports sector that exhibited higher-than-expected growth coupled with private investment that continued to expand well, while private consumption showed signs of slowdown"

Mr. Naris Chaikasoot, Director-General of the Fiscal Policy Office, revealed that **"In July 2011, the Thai economy continued to show a strong expansion, attributed mainly from a higher-than-expected export sector, which a record high export value of 21.5 billion USD, expanding at 38.3 percent from last year. Thai exports were well-expanded in almost all sectors and markets, especially China, ASEAN 5, and EU. Likewise, private investment continued to expand well, as reflected by a number of imported capital goods which increased 14.2 from last year. This was consistent with sales of commercial cars which expanded at 10.1 from last year, after a contraction for two consecutive months. Meanwhile, private consumption showed signs of slowdown as reflected by the real term value-added-tax (VAT) collection which grew at 4.5 percent per year, slower than the previous month increase of 12.0 percent. This was in tandem with consumption of durable goods as indicated by number of motorcycle sales, which expanded at 11.6 percent from last year, slower than the previous month increase of 18.2 percent.**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, further elaborated that **"Economic indicators in manufacturing sector decelerated as indicated by Manufacturing Production Index (MPI) in July 2011 which showed a contraction of -1.1 percent per year, mainly due to a decrease in production of garment, textile and television accessories. This was consistent with a contraction of -7.3 percent per year in agricultural production such as rice and rubber, which was mainly due to climate change problem. Meanwhile, service sector as indicated by number of inbound tourists continued to expand well at 18.8 per year in July 2011.**

Director-General of the Fiscal Policy Office concluded that **"Thailand economic indicators in July 2011 indicated that exports showed a strong growth, and domestic spending continued to grow well, while manufacturing sectors showed signs of slowdown. As such, the Ministry of Finance will review the Thai economy forecast for the year 2011 in September 2011."** Further details are as follows

Monthly Economic Report (July 2011)

In July 2011, Thai economy - continued to grow from exports sector that exhibited higher-than-expected growth coupled with private investment that continued to expand well, while private consumption showed signs of slowdown

1. Private consumption in July 2011 continued to grow with some signs of slowdown. This was reflected by the real-term VAT collection in July 2011 that grew 4.5 percent from last year, slower than the previous month growth of 12.2 percent per year. Import volume of consumption goods in July 2011 grew at 14.0 percent, accelerating from the previous month increase of 2.7 percent. Meanwhile, consumption of durable goods as measured by number of passenger car sales in July 2011 grew at 12.2 percent from last year, an improvement from -0.5 percent contraction in the previous month. While motorcycle sales grew at 11.6 percent in July 2011, slower than the previous month expansion of 18.2 percent. This was mainly due to a contraction for two consecutive months of real farm income which showed a contraction of -8.3 percent from last year in July 2011, following the previous month contraction of -1.7 percent. Nevertheless, Consumer Confidence Index in July 2011 was at 74.4 points, an improvement from 72.3 points in the previous month, partly due to a positive expectation of new government's stimulus economic policies.

2. Private investment in July 2011 also continued to expand well, from both investment in machinery and construction. This was reflected by imports of capital goods in July 2011 which expanded at 14.2 percent from last year, following the previous month growth of 17.4 percent. This was consistent with commercial car sales which showed an expansion of 10.1 percent, accelerating from the previous month contraction at -0.3 percent. This was partly due to a recovery in an automobile sector's capacity which after the Tsunami incidence in Japan. **Private investment indicator in terms of construction in July 2011 steadily grew** as measured by property tax collection in July 2011 which showed an expansion of 43.5 percent from last year, an acceleration from the previous month contraction of -11.1 percent. This was consistent with cement sales in July 2011 which grew at 8.6 percent, a continuous expansion from the previous month increase of 4.0 percent.

3. Exports in July 2011 continued to expand well. Export value for July 2011 showed a record high level of 21.5 billion USD, expanded at 38.3 percent from last year, accelerating from the previous month growth of 16.8 percent, due to the 29.1 percent expansion of export volume and 7.1 percent growth of export price. This growth was particularly attributed to well-expanded growth in all sectors and markets, especially China, ASEAN-5 and Eurozone. **Imports value in USD terms continued to expand well.** Import value in July 2011 amounted to 18.7 billion USD or expanded at 13.5 percent per year, slower than the previous month expansion of 26.1 percent. This was due to 1.2 percent growth in import volume, a slowdown from the previous month increase of 12.9 percent and 12.1 growth in import price, an acceleration from the previous month growth of 11.8 percent. This was mainly due to an expansion in imports of fuel, capital goods, machinery, and consumption goods; while imports of raw materials showed the first contraction in almost 20 months of -3.7 percent. **This resulted in trade surplus of 2.8 billion USD in July 2011.**

4. Fiscal indicators in July 2011 showed that fiscal policy continued to support the Thai economy as indicated by government expenditure. In July 2011, budget disbursement amounted to 143.0 billion Baht, expanding at 0.3 percent per year. This resulted in accumulated disbursement of 1,840.9 billion baht for the first ten months of FY2011 (October 2010 – July 2011), expanded at 28.9 percent from the same period of last year, or 79.7 percent of the budget framework (2,170.0 billion Baht). The total disbursement in July 2011 was composed of 1) Current expenditure of 1,421.9 billion Baht, expanded at 27.8 percent per year 2) Capital expenditure of 208.6 billion Baht, or increase at 38.1 percent and 3) Carry over budget of 110.5 billion Baht. Furthermore, in July 2011, 2.7 billion Baht was disbursed under the Strong Thailand 2012 Program, resulting in the accumulated disbursement of 286.6 billion Baht or 81.9 percent of the approved budget framework of 350 billion Baht. Net government revenue collection (net of local authorities' subsidy allocation) for July 2011 amounted to 104.1 billion Baht, contracted at -14.9 percent from last year and 2.3 billion Baht lower than target. This was mainly due to 6.2 billion Baht lower excise tax collection following diesel excise tax rate reduction measure (from 5.310 Baht per litre to 0.005 Baht per litre). This resulted in the first ten months of FY2011 (October 2010 – July 2011) revenue collection (net of local authorities' subsidy allocation) of 1,490.8 billion Baht, expanded at 13.7 percent from last year, or 179.2 billion Baht higher than revenue estimated.



This caused budget deficit of -41.4 billion Baht in July 2011, contributing to budget deficit of -348.5 billion Baht during the first 10 months of FY2011.

5. Supply-side sector indicators for July 2011 showed a contraction in industrial and agricultural production while service sector continued to expand well. Manufacturing production index in July 2011 contracted -1.1 percent per year, after the last month expansion of 3.8 percent. This was mainly due to a decrease in the production of garment and textile from a continuous high cost of raw material, particularly cotton wool. While a decline in the production of television parts and accessories was fundamentally from supply shortage of components for creating its integrated circuits. This was consistent with capacity utilization index, which stood at 63.0 points in July 2011, decreased modestly from the previous month level of 64.1 points. **Meanwhile, agricultural sector's performance as measured by Agricultural Production Index (API) in July 2011 showed a decrease of -7.3 percent from last year,** following the last month contraction of -8.1 percent. This was mainly due to a decrease in major crops production such as rice and rubber, as the climate was not in favor of production and harvest. While the API in July 2011 grow at 4.8 percent, a slight slowdown from the previous month growth of 12.7 percent, partly due to a high base effect from strong global demand, which caused an acceleration in agricultural prices. This resulted in -8.3 percent per year contraction of real farm income in July 2011. **Nevertheless, service sector indicated by tourism indicators in July 2011 continued to expand well.** The number of inbound tourists was recorded at 1.5 million persons, expanded at 18.8 percent from last year. This well-expanded growth can be seen in Asian country groups, particularly China, Vietnam, and Japan.

6. Economic stability remained robust. Headline inflation in July 2011 grew by 4.1 percent per year, mainly from an increase in prices of processed food, fresh fruits and transportation and fuel items. Core inflation grew at the same pace as previous month by 2.6 percent per year. While unemployment rate in June 2011 was at 0.4 percent of total labour force, an equivalent of 163 thousands unemployed persons. Public debt to GDP ratio at the end of June 2011 stood at 40.7 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 July 2011 at USD 187.6 billion or approximately 3.6 times of short-term external debt.





Table 1: Monthly Economic Indicators

Table 1 Monthly Economic Indicators	2009	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	YTD
External sector																					
- Dubai crude oil price (US\$/Barrel) /7	61.3	76.6	73.5	77.9	83.4	76.7	74.1	72.8	74.6	75.3	80.4	83.5	89.0	92.6	99.9	108.5	115.6	108.1	107.2	110.3	106.1
- 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	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25	0-0.25
Fiscal sector																					
- Net government revenue (Billion baht) /1	1,482.7	114.5	97.6	124.3	162.2	279.6	103.8	118.0	245.4	84.7	124.9	146.1	124.5	128.3	136.7	128.8	131.2	356.2	110.0	104.1	1,095.3
(%y-o-y) /1	-1.0	21.7	13.7	17.3	75.7	26.7	-25.5	17.1	20.3	1.2	7.9	13.2	19.5	12.1	40.1	3.6	-19.1	27.4	10.5	-14.9	9.5
Tax collection from revenue, customs and excise dept.	1,558.0	122.1	111.7	141.6	123.4	275.9	125.9	126.4	263.3	120.9	119.5	146.3	133.3	141.2	135.6	149.9	139.8	356.9	129.7	122.0	1,175.1
(%y-o-y) /14	-4.7	24.6	22.2	20.6	18.4	29.0	-19.7	19.7	25.5	15.2	7.3	14.3	13.8	15.6	21.4	5.9	13.3	29.4	3.0	-3.4	14.4
Income-based tax (Billion baht) /1	591.3	36.4	30.8	44.6	32.1	144.3	35.4	36.1	167.8	33.2	34.0	51.7	30.9	44.4	38.2	46.1	37.9	200.9	42.0	37.7	447.2
(%y-o-y) /1	-11.2	-0.3	-3.2	14.1	-1.1	42.4	-40.9	21.5	28.1	21.2	10.5	22.6	5.7	21.9	23.7	3.4	18.2	39.2	18.7	4.5	24.3
Consumption-based tax (Billion baht) /1	437.0	42.5	39.1	42.5	44.2	39.4	43.9	43.0	44.1	42.4	41.8	45.0	46.4	47.5	43.8	48.5	50.5	55.3	50.8	46.5	343.0
(%y-o-y) /1	-12.9	17.8	29.9	30.8	23.8	21.0	22.8	14.6	19.9	8.2	6.0	11.0	12.3	11.7	12.2	14.0	14.3	40.5	15.7	8.3	16.5
- Government expenditure (Billion baht) /1	1,964.0	150.0	182.9	150.0	145.5	124.0	135.5	142.6	110.1	192.7	207.5	223.2	167.8	235.2	154.7	170.9	139.7	211.4	187.6	143.0	1,242.6
(%y-o-y) /1	19.4	-22.0	1.8	-23.2	2.7	-23.0	-2.9	-13.1	-22.5	-2.1	129.6	18.3	-2.6	56.8	-15.4	14.0	-4.0	70.6	38.5	0.3	20.6
Current expenditure (Billion baht) /1	1,526.2	128.3	117.9	120.0	125.8	110.3	111.5	124.9	92.5	161.1	190.0	196.4	133.7	146.3	122.8	141.4	120.9	188.7	161.5	120.3	1,001.8
(%y-o-y) /1	17.8	1.9	-11.2	-26.9	7.3	-3.9	0.6	-2.9	-22.7	1.0	139.0	22.2	19.1	14.0	4.1	17.8	-3.9	71.1	44.8	-3.6	19.5
Capital expenditure (Billion baht) /1	298.5	5.7	51.5	9.7	10.8	7.8	11.7	10.3	10.8	21.3	4.2	10.8	18.3	74.4	16.7	15.6	14.2	16.5	19.8	18.1	175.3
(%y-o-y) /1	24.0	-89.1	52.2	-32.0	-46.1	-80.5	-42.2	-65.9	-37.1	-22.1	518.4	101.7	-51.3	1,211.6	-67.6	61.7	32.1	112.2	68.9	76.1	63.3
Carry-over budget (Billion baht) /1	139.3	16.0	13.5	20.3	8.9	5.9	12.3	7.5	6.8	10.3	13.3	16.0	15.8	14.5	15.2	13.9	4.6	6.2	6.3	4.6	65.5
(%y-o-y) /1	29.5	11.1	2.7	20.5	99.2	-5.6	44.7	39.2	29.5	3.1	30.8	-29.1	-29.4	-9.3	13.0	-31.6	-48.3	5.3	-48.3	-38.4	-22.4
- Budgetary Balance (Billion baht) /1	-474.5	-34.6	-87.5	-29.7	19.3	-6.3	143.9	-36.8	-10.6	39.6	-82.6	-97.7	-23.1	-105.3	-28.0	-43.4	1.7	-83.3	154.6	-41.4	-145.1
Supply-side indicators																					
Agricultural sector																					
- Agricultural Production Index (%y-o-y) /6	0.8	-8.1	-3.9	-5.5	-1.8	6.2	5.1	-2.7	-9.9	-0.5	-4.9	0.4	-1.2	7.5	4.4	32.3	39.0	-5.8	-8.1	*-7.3	8.1
- Agricultural Price Index (%y-o-y) /6	-9.4	22.2	19.8	20.3	20.5	21.3	27.3	31.2	29.9	25.5	29.3	24.6	20.9	26.7	31.7	18.0	22.0	18.4	12.7	4.8	19.0
- Real farm income (%y-o-y) /14	-9.5	6.0	8.0	9.4	15.7	23.4	28.2	22.0	11.7	19.6	18.0	19.9	15.2	31.5	33.2	51.4	63.6	6.0	-1.7	-8.3	23.2
- New employment in agricultural sector(%y-o-y) /3	-0.2	3.5	0.4	4.4	1.2	-10.8	-9.0	-8.4	2.4	12.5	4.7	0.8	6.0	3.4	4.2	0.0	1.4	8.8	n.a.	4.9	4.9
Industrial sector																					
- Manufacturing Production Index (%y-o-y) /10	-7.2	29.1	31.1	33.0	23.4	15.9	14.2	13.1	8.4	8.1	6.0	5.7	-3.4	4.1	-3.0	-6.7	-8.1	-3.7	3.8	-1.1	-2.2
- Import value of raw materials in USD (%y-o-y) /1	-30.7	77.1	131.0	85.2	42.1	57.7	34.4	53.9	39.4	23.6	20.3	34.1	6.5	36.7	6.4	17.5	22.6	47.6	38.3	-3.7	22.1
- Import volume of raw materials in USD (%y-o-y) /1	-30.2	71.3	124.8	80.3	36.4	49.5	26.6	45.5	31.4	16.2	12.1	24.7	-0.5	28.1	-0.3	10.2	14.1	36.8	28.9	-10.4	14.0
- Capacity utilization (%) /10	56.1	60.0	60.3	68.2	58.0	63.9	65.2	64.6	63.6	64.4	63.9	63.6	62.4	62.3	59.5	66.1	54.4	58.8	64.1	63.0	61.2
- New employment in industrial sector(%y-o-y) /3	-0.5	-1.5	-0.4	-1.1	0.9	2.1	5.5	0.0	-3.9	-4.2	-3.5	-3.1	-3.0	-0.6	-4.7	4.5	-1.3	-2.8	-6.3	n.a.	-1.9
- Thai Industrial Sentiment Index (Index) /9	85.9	115.4	114.5	101.6	99.3	94.7	103.3	108.6	102.4	100.8	98.7	99.7	109.7	112.7	108.2	102.3	106.6	108.3	107.4	105.2	107.2
Service sector																					
- No. of foreign tourists (Million persons) /11	14.14	1.61	1.61	1.44	1.11	0.8	1.0	1.3	1.3	1.2	1.3	1.5	1.8	1.8	1.8	1.7	1.5	1.4	1.5	1.5	11.2
(%y-o-y) /14	-3.0	26.4	41.9	16.3	2.1	-10.5	1.1	14.2	10.6	14.5	8.9	8.6	8.0	11.6	11.8	20.6	35.2	65.6	53.9	18.8	26.5
- New employment in service sector(%y-o-y) /3	5.2	3.5	6.0	3.7	-0.2	5.39	5.06	6.83	2.29	-1.31	-0.33	-0.19	-0.56	-0.07	-0.92	-1.10	0.30	1.00	n.a.	-0.50	-0.50
Demand-side indicators																					
Private consumption indicators																					
- Value added tax at constant price (%y-o-y) /1	-11.4	13.6	26.8	27.7	21.1	18.2	21.1	12.9	19.4	7.1	4.6	9.7	10.4	9.8	10.1	11.7	11.5	36.3	12.0	4.5	13.4
- Import volume of consumer goods in USD (%y-o-y) /1	-9.5	23.8	43.7	28.5	27.4	35.3	39.6	18.6	31.5	13.9	15.4	17.8	15.9	28.6	7.8	22.4	19.5	15.5	2.7	14.0	15.4
- Sales of passenger cars (%y-o-y) /14	1.4	53.2	57.3	42.8	64.4	60.2	75.7	64.1	58.0	46.6	42.7	39.7	28.2	49.6	49.6	80.3	17.8	-15.2	-0.5	12.2	24.0
- Sales of motorcycles (%y-o-y) /13	-8.9	38.8	26.3	33.5	28.3	11.3	17.4	15.1	33.7	19.4	15.3	10.8	10.0	5.3	15.7	13.1	11.0	23.8	18.2	11.6	14.2
- Consumer Confidence Index (Index) /5	67.2	71.9	70.9	69.8	67.2	67.6	69.1	71.4	72.8	73.5	71.6	70.3	71.9	72.6	72.2	71.0	70.5	71.1	72.3	74.4	72.0
Private investment indicators																					
- Import volume of capital goods in USD (%y-o-y) /1	-14.7	7.7	19.2	47.6	39.4	40.3	41.5	25.4	34.2	24.1	11.2	19.8	9.9	31.2	26.7	29.9	17.4	8.2	17.4	14.2	20.5
- Sales of commercial cars (%y-o-y) /14	-17.9	55.4	58.0	58.9	30.0	48.4	52.6	44.0	47.7	35.4	29.6	37.3	29.9	29.7	37.6	28.5	17.7	-6.2	-0.3	10.1	16.2
- Total taxes collected from real estate transaction (%y-o-y) /1	-11.1	27.0	42.5	136.8	4.0	78.7	161.7	44.3	45.2	85.1	62.4	90.4	92.3	76.4	55.5	-17.0	57.9	8.0	-11.1	43.5	16.3
- Domestic cement sales (%y-o-y) /2	-0.4	4.0	6.9	9.0	10.6	17.5	5.1	5.8	-1.5	4.9	-7.8	-2.5	2.7	0.9	1.3	2.2	-1.0	-5.8	4.0	8.6	1.3
International trade indicators																					
- Exports (Billion USD): custom basis	152.4	13.7	14.4	16.3	14.1	16.6	18.0	15.6	16.5	18.1	17.1	17.7	17.4	16.7	18.9	21.3	17.6	19.5	21.1	21.5	136.5
(%y-o-y) /4	-14.3	30.6	23.1	41.2	34.8	42.1	46.3	20.6	23.9	21.2	15.7	28.5	18.8	22.3	31.0	30.6	25.0	17.6	16.8	38.3	25.7
- Export price (%y-o-y) /4	0.3	11.2	12.0	13.1	12.1	9.9	8.2	8.2	6.5	7.4	7.5	7.5	6.7	6.6	6.6	6.8	7.1	6.7	7.0	7.1	6.8
- Export volume (%y-o-y) /14	-14.5	17.5	9.9	24.9	20.3	29.3	35.2	11.4	16.3	12.8	7.6	19.5	11.3	14.7	22.9	22.3	16.7	10.1	9.2	29.1	17.6
- Imports (Billion USD): custom basis	133.7	13.2	14.0	15.2	14.4	14.3	15.7	16.5	15.8	15.0	15.0	17.3	16.1	17.6	17.1	19.5	18.4	19.2	19.8	18.7	130.3
(%y-o-y) /4	-25.4	44.8	71.5	60.4	46.9	55.0	37.8	36.1	41.1	16.0	14.8	35.3	11.4	33.3	22.2	28.4	27.9	33.8	26.1	13.5	26.1
- Import price (%y-o-y) /4	-2.6	10.5	11.2	11.2	11.8	9.4	6.1	6.7	5.5	5.8	6.5	6.1	7.0	7.7	8.8	10.2	11.0	11.8	11.8	12.1	10.5
- Import volume (%y-o-y) /14	-23.5	31.1	54.2	44.3	31.4	41.7	29.9	27.5	33.8	9.7	7.8	27.5	4.1	23.8	12.3	16.6	15.2	19.6	12.9	1.2	14.1
- Trade balance (Billion USD): custom basis/4	18.8	0.5	0.4	1.1	-0.3	2.2	2.3	-0.9	0.6	3.1	2.2	0.4	1.3	-0.9	1.8	1.8	-0.8	0.3	1.3	2.8	6.2
External economic stability																					
- Average exchange rate (Baht/USD) /2	34.3	33.0	33.1	32.5	32.3	32.4	32.4	32.1	31.7	30.8	29.9	29.9	30.1	30.5	30.7	30.3	30.0	30.2	30.5	30.1	30.3
- Current account (Billion USD) /2	21.9	2.1	1.7	1.9	-0.3	1.2	0.8	-1.0	0.3	2.8	2.7	1.0	1.8	1.1	3.8	1.9	-0.2	-0.5	2.5	n.a.	8.6
- International reserves (Billion USD) /2	138.4	142.4	141.8	144.1	147.6	143.5	146.8	151.5	155.2	163.2	171.1	168.0	172.1	174.0	17						