



28 October 2011

Monthly Economic Report (Sep 2011)

“Thai economy in September 2011 continued to grow well, attributed mainly to domestic spending from both private consumption and investment, while exports showed a sign of slowdown after high growth in the previous period”

Mr. Somchai Sujjapongse, Director-General of the Fiscal Policy Office, revealed that **“In September 2011, Thai economy continued to show a strong growth, mainly attributed to the steady expansion of domestic demand. This was reflected by the real term value-added-tax (VAT) collection that grew at 13.3 percent per year, following the previous month expansion of 13.8 percent per year. This was consistent with number of passenger car sales, which showed an expansion of 29.6 percent per year, faster than the previous month growth of 26.4 percent per year, indicating the recovery in automotive sector which was negatively affected by the Tsunami in Japan causing a contraction in the sector during the second quarter of this year. Furthermore, private investment also continued to expand well, as indicated by the number of commercial car sales which expanded at 25.7 percent per year, an improvement from the previous month growth of 15.7 percent per year. Meanwhile, exports sector in September 2011 showed a continual expansion with an export value of 21.5 billion USD, an expansion of 19.1 percent from last year. This was mainly due to well-expanded growth in rubber, electrical appliances and vehicle export.**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, further elaborated that **“Economic indicators in September 2011 continued to grow well, mainly from the steady growth in service sector as indicated by number of inbound tourists recorded at 1.5 million persons, or expanded at 22.7 percent per year. This well-expanded growth was mainly due to an increase in number of tourists from China, Japan and South Korea. Meanwhile, manufacturing sector showed a sign of deceleration. Indeed, Manufacturing Production Index in September 2011 has been forecasted to slightly slow down following negative impact from fragility in the European and US economies.”**

Director-General of the Fiscal Policy Office, Spokesman of Ministry of Finance, explicated impact from the flooding problem to Thai economy that **“The flooding situation has affected Thai economy in a large scale, both to domestic spending and production. The negative effect would cause a**

slowdown in private consumption due to spending halt in the affected area, especially spending for food and drinks as well as for hotels and restaurants items. These items are important private consumption components as their value accounted for 32.0 and 9.3 percent of total private consumption respectively. Furthermore, the recent flood disaster has also caused a fall in income of labours working in the affected area as well as income loss for farmers from the damage of agricultural output during the flood. The aforementioned issues are main factors that would slow down private consumption sector as a whole. Meanwhile, private investment has also been affected by the inundation as industrial sector both inside and outside industrial estates are negatively affected. Nevertheless, it has been predicted that private investment would rebound to show acceleration after the flooding situation recovered as both public and private sectors have to reconstruct streets, buildings, and dwellings. Furthermore, further investment in capital goods and other materials has been expected, especially for those damaged during the flood.”

Director-General of the Fiscal Policy Office, Spokesman of Ministry of Finance, forecasted negative impact to the industrial sector in detail that **“The industrial production would slow down, especially for the industrial estates situated in Ayudhya and Pathum-Thani provinces. Manufacturing plants in the aforementioned provinces were the major producers of vehicle components, electronics and electrical appliances, which could disrupt the supply chain of other industries involved. Furthermore, this will decelerate manufacturing exports, which were directly affected by the perforce halt in the production. Accordingly, it was predicted that the flooding would reduce the exports value of 77,172 million baht (2,489 million USD), resulting in total exports value of 234,411 million USD or an expansion of 21.0 percent per year in 2011. Furthermore, the flood has also damaged the agricultural and service sectors. Consequently, the Fiscal Policy Office forecasted a decrease in Thai GDP as the total damages from the flooding was predicted to stand at 189,822 million Baht, or -1.80 reduction in GDP growth from the previous pre-flood forecast of 4.50 percent (as of June 2011). Therefore, GDP growth for 2011 will be 2.72 percent, while inflation would be higher from the previous forecast of 3.8 percent per year, to 4.0 percent per year as a short-term hike in food prices such as vegetables, fruits and meat is envisaged.”**



