



28 November 2011

## Monthly Economic Report (October 2011)

***“Thai economy in October 2011 signalled an economic slowdown as an aftermath of the flood disaster.”***

Mr. Somchai Sujjapongse, Director-General of the Fiscal Policy Office, revealed that **“In October 2011, the Thai economy started to show a contraction. This was mainly due to the impact of the flood which negatively affected manufacturing sector, while domestic spending as well as exports were also decelerated. The slowdown in domestic spending can be reflected by the real term value-added-tax (VAT) collection which grew at 11.3 percent per year, as compared to the previous month increase of 13.3 percent per year, while number of passenger car sales showed a contraction of -38.8 percent per year, as compared to the previous month growth of 29.6 percent per year, mainly due to the closure of the of the automotive parts producers situated in the affected areas. Furthermore, private investment also showed a contraction as indicated by number of commercial car sales which decreased at -41.8 percent per year, as compared to the previous month growth of 25.7 percent per year. Meanwhile, exports sector in October slowed down considerably with export value of 17.2 billion USD, or a slight expansion of 0.3 percent from last year and the sector which still continued to show an expansion were agricultural and agro-industrial sectors.**”

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, further elaborated that **“Economic indicators in October 2011 indicated that negative effect from the flood significantly slowed down agricultural and service sectors, while manufacturing sector declined considerably as indicated by Manufacturing Production Index (Preliminary) which contracted at -35.8 percent per year as compared to the previous month decline of -0.4 percent per year. Agricultural sector indicators still showed an expansion of 7.4 percent per year, particularly due to an increase in rubber and tapioca. Furthermore, service sector indicators also showed an expansion as reflected by number of inbound tourists of 1.41 million, an increase of 7.0 percent per year, decelerated noticeably from the previous month growth of 22.7 per year.**”

Director-General of the Fiscal Policy Office concluded that **“Thailand economic indicators in October 2011 indicated a clear signs of decline, mainly from the flood effect which limited the production process in almost every sector, especially manufacturing sector. As such, the Fiscal Policy Office will adjust the economic forecast again in December 2011.”**

## **Monthly Economic Report (October 2011)**

***Thai economy in October 2011 signalled an economic slowdown as an aftermath of the flood disaster.***

**1. Private consumption in October 2011 showed a sign of contraction.** This was reflected by the real-term VAT collection in October 2011 that grew 11.3 percent from last year, slower than the previous month growth of 13.3 percent. Nonetheless, after adjusted for seasonal factor, real-term VAT collection contracted -1.9 from last month. This is consistent with import volume of consumption goods in October 2011 that grew 6.0 percent, decelerating from the previous month increase of 12.9 percent, and contracted -0.6 percent from the previous month after seasonal adjustment. Meanwhile, consumption of durable goods showed a sharp contraction. This is partly reflected by the number of passenger car sales in October 2011 which contracted -38.8 percent from last year, from 29.6 percent expansion in the previous month. This is due to the disruption in automobile manufacturing affected by the flood and hence inability to meet the demand. Furthermore, motorcycle sales shrank -4.6 percent in October 2011, lower than the previous month expansion of 11.4 percent. In addition, Consumer Confidence Index in October 2011, decreasing for the third consecutive months, stood at 62.8 points, the lowest in a decade, mainly due to the flood disaster.

**2. Private investment in October 2011 also showed a sign of contraction.** This is indicated by the contraction in commercial car sales in October 2011 of -41.8 percent from last year, from the previous month expansion of 25.7 percent. Imports of capital goods in October 2011 expanded at 6.8 percent from last year, accelerating from the previous month growth of 6.1 percent per year. However, looking into details, several special items such as airplanes and drilling platforms and floating structures were imported. After taken these into account, import volume excluding special items showed a decline of -2.0 percent from last year, from last month expansion of 4.9 percent. **Private investment indicator in terms of construction in October 2011 also exhibited a sign of contraction** as measured by property tax collection in October 2011 which fell -17.0 percent from last year, following the previous month growth of 16.5 percent. This was consistent with a slow down in cement sales in October 2011 that grew at 11.7 percent from a year earlier, or a -9.2 percent contraction from last month after seasonal adjustment, as a result of the widespread flood disaster that covered several provinces that

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halted the construction industry coupled with higher construction material prices.

**3. Exports in October 2011 slowed down censurably from the flood effect.** Export value for October 2011 stood at 17.2 billion USD, an expansion of 0.3 percent from last year, decelerating from the previous month growth of 19.1 percent per year or contracted at -16.0 percent from the previous month (seasonally adjusted), due to the -3.2 percent contraction of export volume, while export price grew at a decelerated pace at 3.6 percent per year. Furthermore, comparing with the previous month data, every exports market contracted, except for China, while almost every export sectors declined especially electronics, electrical appliances and vehicles, while agricultural and agro-industrial sector continued to show an expansion. **Imports value in USD terms showed a slower pace expansion.** Import value in October 2011 amounted at 18.2 billion USD, an increase of 21.5 percent per year, decelerating from the previous month expansion of 41.9 percent per year or resulting in a contraction of -8.7 percent from the previous month (seasonally adjusted). This was due to a slowdown in import volume and import price which grew by 11.1 and 9.3, respectively. As such, **the smaller exports value as compared to that of imports resulted in trade deficit of -1.0 billion USD in October 2011.**

**4. Fiscal indicators in October 2011 showed that revenue collection slowed down but still higher than the estimation, while budget disbursement contracted from the same period last year.** In October 2011, net government revenue collection (net of local authorities' subsidy allocation) for October 2011 amounted to 128.3 billion Baht, expanded at 2.7 percent per year or 2.7 billion baht higher than revenue estimation. This was mainly due to higher than estimated revenue collection of (1) corporate income tax (1.5 billion baht higher than estimation) (2) value added tax (1.3 billion baht higher than estimation) and (3) excised tax collection (1.6 billion baht higher than estimation). Budget disbursement in October 2011 recorded at 167.0 billion Baht, a contraction of -19.5 percent per year. This amount was composed of (1) Current year expenditure of 155.9 billion Baht, contracted at -19.7 percent per year (comprising a current expenditure of 136.6 billion Baht, or a decrease of -28.1 percent per year and a capital expenditure of 19.3 billion Baht or an increase of 364.2 percent per year) and (2) Carry over budget of 11.0 billion Baht. The important budget disbursement items in October 2011 are (1) National Health Security Office expenses of 33.7 billion Baht (2) department of local administration expenses of 18.9 billion Baht (3) Public Debt Management



office debt repayment expenses of 4.6 billion Baht and (4) Courts of Justice expenses of 3.2 billion baht. Furthermore, in October 2011, 2.0 billion Baht was disbursed under the Strong Thailand 2012 Program, resulting in the accumulated disbursement of 297.2 billion Baht or 84.9 percent of the approved budget framework of 350 billion Baht.

**5. Supply-side sector indicators for October 2011 indicated that negative effect from the flood significantly slowed down agricultural and service sectors, while manufacturing sector declined considerably.** The Manufacturing Production Index (Preliminary) in October 2011 contracted at -35.8 percent per year, following the previous month decline of -0.4 percent per year, mainly due to a decrease in every manufacturing index. This was consistent with the Thai Industrial Sentiment Index in October 2011 which declined five consecutive months to record at the lowest level in 26 months at 89.0 points. **Meanwhile, agricultural sector's performance as measured by Agricultural Production Index (Preliminary) in October 2011 showed a increase of 7.4 percent from last year,** decelerating from the previous month expansion of 12.4 percent from last year, while the seasonally adjusted data showed a contraction -8.3 percent from the previous month and the agricultural sectors which continued to show an expansion were rubber and tapioca. Meanwhile, agricultural price in October 2011 continued to grow at a slower pace at 4.8 percent per year, as compared to the previous month growth of 10.1 percent per year, resulting in a slowdown in real farm income in October 2011 which showed an increase of 7.3 percent per year, as compared to the previous month growth of 18.7 percent per year. **This was consistent with the service sector indicators as reflected by tourism indicators in October 2011 which also slowed down.** The number of inbound tourists was recorded at 1.41 million persons, an increase of 7.0 percent from last year, as compared to the previous month increase of 22.7 percent per year, or showing a contraction of -13.2 percent from the previous month (seasonally adjusted).

**6. Economic stability remained robust.** Headline inflation in October 2011 grew by 4.2 percent from last year, faster than 4.0 percent inflation in September, mainly from higher processed food, and fresh food prices as the flood disaster damaged the food manufacturing base and disrupted the transportation system. Core inflation remained at 2.9 percent per year. Unemployment rate in August 2011 stood at 0.7 percent of total labor force, an equivalent of 270 thousand unemployed persons. Public debt to GDP ratio at the end of August 2011 stood at 40.2 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 October 2011 at USD 182.0 billion or approximately 3.3 times of short-term external debt.

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