



30 January 2012

**Monthly Economic Report (December 2011 and Q4 2011)**

***“Thai economy in December 2011 exhibited a clear sign of recovery as reflected by the revival in private consumption and investment indicators after a 2-month contraction, while exports also showed a recovery sign.”***

Mr. Somchai Sujjapongse, Director-General of the Fiscal Policy Office, revealed that **“In December 2011, Thai economy showed a sign of recovery, particularly from private consumption and investment that rebounded. This was reflected by the real value-added-tax (VAT) collection that grew 9.8 percent per year, while import volume of capital goods expanded 13.0 percent. Likewise, export sector showed an improvement with the small contraction of -2.0 percent, compared to the -14.4 percent contraction in November. This reflected an improving production capacity in manufacturing exports amidst an uncertainty in the global economy from the European debt crisis. Supply-side indicators suggested a recovery in manufacturing sector after the severe flood disaster during the previous 2 months. Manufacturing Production Index in December showed a smaller contraction of -25.8 percent, compared to the sharp fall of -47.2 percent in the previous month. Still, this slight contraction was a result of a decline in automotive and electronics sectors. Meanwhile, agricultural production and service sector reflected by the number of inbound tourists also showed a sign of recovery in December 2011.”**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, further elaborated that **“Thai Economy in the 4<sup>th</sup> quarter of 2011 was severely affected by the major flood disaster, causing a contraction in the supply side. Manufacturing Production Index in the 4<sup>th</sup> quarter of 2011 declined -34.4 from a year earlier, while the number of inbound tourists fell -4.4 percent. Agricultural production, on the other hand, showed a slight expansion. All these signalled a considerable contraction of GDP growth in the last quarter of 2011. Nevertheless, improving economic indicators in December 2011 implied that bottom of Thai economy has already passed, and Thai economy should experience a rebound from the first quarter of 2012 onwards.”**

Director-General of the Fiscal Policy Office concluded that **“Going forward, the resolution of European debt crisis need to be closely monitored, as this crisis would have an impact on the overall global economy and sentiment. This would in turn affect exports and volatility in capital flows.”**

## **Monthly Economic Report (December and Q4 2011)**

***Thai economy in December 2011 started to exhibit a sign of recovery after the major flood disaster, as reflected by growing private consumption and investment after 2 months of contraction. Export sector, although impacted by an economic uncertainty in Europe, also pointed to an improvement.***

**1. Private consumption in December 2011 started to show a sign of recovery after the major flood disaster.** This was reflected by the real VAT collection in December 2011 that expanded 9.8 percent from last year, improved from the previous month contraction of -1.0 percent due to the impact from flood. This resulted in an expansion of 6.6 percent in the 4<sup>th</sup> quarter of 2011 for real VAT collection, a deceleration from 10.6 percent expansion in the previous quarter. This was consistent with import volume of consumer goods in December 2011 that grew 16.7 percent, faster than the previous month soft expansion of 3.9 percent, resulting in the growth rate of 8.8 percent in the 4<sup>th</sup> quarter, a slowdown from 15.2 percent growth in the previous quarter. Meanwhile, consumption of durable goods as reflected by the number of passenger car sales in December 2011 contracted -28.1 percent from last year. This resulted in a contraction of -42.3 percent from last year in the 4<sup>th</sup> quarter 2011. However, after taking seasonal factor into account, passenger car sales in December 2011 grew 82.1 percent from last month (%m-o-m SA). Nonetheless, the number of motorcycle sales in December 2011 still showed a sharp contraction of -21.7 percent from last year, a continual contraction consistent with last month contraction of -11.0 percent. This caused a -12.7 contraction in the 4<sup>th</sup> quarter of 2011, a sharp decline from the 3<sup>rd</sup> quarter with 13.0 percent growth. This was partly due to falling real farm income that declined -5.8 percent in the 4<sup>th</sup> quarter, from decreasing agricultural prices. Furthermore, Consumer Confidence Index in December 2011 slightly improved to stand at 63.1 points, higher than last month's 61.0 points figure. This first increase within the past 5 months was a result of resolved flood crisis coupled with the government's economic stimulus measures such as salary increase for government officials to be effective in January 2011, and post-flood restoration and rehabilitation measures.

**2. Private investment in December 2011 also showed a sign of recovery, especially machinery investment.** This was reflected by the import volume of capital goods in December 2011, which grew 13.0 percent from last year, an improvement from last month's contraction of -4.1 percent, resulting



in 5.0 percent growth in the 4<sup>th</sup> quarter of 2011. This was in line with commercial car sales in December 2011 that, despite a year-on-year contraction of -46.9 percent, after adjusting for seasonal factor, grew 87.1 percent from last month. Nonetheless, this caused a contraction of -53.4 percent in the 4<sup>th</sup> quarter 2011. **Private investment indicators of construction sector in December 2011**, as measured by property tax collection, grew 4.3 percent from last year, following the previous month's decrease of -14.4 percent, resulting in a -7.9 contraction in the 4<sup>th</sup> quarter of 2011, a decline from the previous quarter's expansion of 34.5 percent. This was due to the major flood disaster that affected both consumers' and businesses' sentiment, setting off a vacuum in the real estate market. Specifically, consumers delayed both home purchases and transfer of titles, while businesses postponed their construction and new projects. Cement sales in December 2011 increased 6.3 percent year-on-year, accelerating from the -0.3 contraction in the previous month, after the widespread flood reverted to normal, and construction business started to resume. This caused a 5.8 percent growth of cement sales in the 4<sup>th</sup> quarter of 2011, a slowdown from 12.0 percent growth in the previous quarter.

**3. Fiscal indicators in December 2011 showed an above-target revenue collection, while budget disbursement increased from the same period last year.** In December 2011, net government revenue collection (net of local authorities' allocation) amounted to 124.6 billion Baht, growing 0.1 percent from last year, or 5.8 billion baht higher than revenue estimation. This was due to revenue collection of (1) personal income tax (2.0 billion baht higher than estimation), (2) value-added tax (1.9 billion baht higher than estimation), and (3) import tax (1.2 billion baht higher than estimation) owing to the high imports of automotive and parts. This caused a revenue collection amount of 396.2 billion baht in the first quarter of FY2012, equivalent to 0.1 percent growth year-on-year, and 13.7 billion baht higher than revenue estimation. Budget disbursement in December 2011 recorded at 172.6 billion Baht, an expansion of 2.9 percent per year. This amount comprised of (1) Current year expenditure of 151.6 billion baht, contracted -0.3 percent per year (including a current expenditure of 137.4 billion baht, or a 2.8 percent year-on-year growth, and a capital expenditure of 14.2 billion Baht or a decline of -22.7 percent per year) and (2) Carry over budget of 21.0 billion Baht. The important budget disbursement items in December 2011 are (1) Department of Local Administration's expenses of 12.1 billion baht (2) Office of the Basic Education Commission expenses of 10.5 billion baht (3) Office of the Permanent Secretary, Ministry of Education expenses of 4.3 billion baht, and (4) Bangkok



Metropolitan Administration expenses of 1.3 billion baht. This caused a 489.8 billion baht disbursement in the first quarter of FY2012, equivalent to -18.1 percent year-on-year contraction, which comprised of Current Expenditure of 401.2 billion baht and Capital Expenditure of 38.1 billion baht. In addition, under the Strong Thailand 2012 Program, there was a disbursement of 2.6 billion Baht in December 2011, which contributed to the accumulated disbursement of 301.8 billion baht, equivalent to 86.2 percent of the approved budget framework of 350 billion Baht.

**4. Exports in December 2011 showed a sign of recovery from the previous month, despite a negative impact from the European economic crisis.** Export value in December 2011 stood at 17.0 billion USD, which is equivalent to a small contraction of -2.0 percent from last year, an improvement from last month's -12.4 percent decline. Seasonally adjusted, December 2011 export grew 12.1 percent from last month. Except for agricultural export that shrank -6.7 percent, an expansion was found in every export sector, especially fuel and minerals and manufacturing products that expanded 40.6 and 29.1 percent respectively. In terms of export destination, exports to ASEAN-5, as leading by Singapore and Indonesia, and India showed steady expansion, while export to major markets namely China, Japan, the US and Europe still contracted -2.8, -4.6, -3.5, and -15.0 percent year-on-year respectively. Exports in the 4<sup>th</sup> quarter of 2011 contracted -4.8 percent from a year earlier, a decline from 29.0 expansion in the 3<sup>rd</sup> quarter, due to the impact from flood that caused a halt in manufacturing sector and subsequently manufacturing exports during October – November 2011. **Imports value in USD terms rebounded,** with import value amounted to 19.1 billion USD in December 2011, expanding at 19.1 percent per year, accelerating from the previous month's contraction of -2.4 percent per year. This was due to an expansion in every import sector. Imports of raw materials, capital goods, consumer goods, and fuel increased 20.6, 14.5, 21.7, and 22.0 percent respectively. Imports in the 4<sup>th</sup> quarter thus grew 12.1 percent. As such, **the smaller export value compared to that of imports resulted in a trade deficit of -2.1 billion USD in December 2011, and -4.5 billion USD in the 4<sup>th</sup> quarter of 2011.**

**5. Supply-side indicators in December 2011 suggested a recovery sign.** Manufacturing Production Index (Preliminary) in December 2011 decline -25.8 percent from a year earlier, or grew 37.9 percent from last month with seasonal adjustment. This was mainly due to an increase in production index of food and beverages, jewellery, and chemicals. Consistently, Thai Industrial



Sentiment Index in December 2011 rebounded to 93.7 points, a big improvement from 87.5 points in November. This rebound was due to an overall improvement in purchase order, sales, production, and business performance, after the flood disaster had subsided. However, Manufacturing Production Index in the 4<sup>th</sup> quarter of 2011 declined -34.4 percent, a fall from the previous quarter's growth of 1.8 percent from a year earlier, reflecting the impact from the aforesaid major flood. **Meanwhile, agricultural sector's performance as measured by Agricultural Production Index (API) in December 2011 also rebounded.** API in December 2011 increased 4.8 percent from last year, an improvement from November's contraction of -3.2 percent. This was due to an increase in production of plants and livestock, in particular rubber, cassava, and swine, as a result of the climate suitable for production and harvest, with diseases subsided. Furthermore, agricultural price in December 2011 showed a continual decline of -4.3 percent from a year earlier, due to a fall in major agricultural prices namely rubber and cassava. This decline in price was a result of a drop in global demand following a slowdown in automotive and related industries, coupled with higher supply in the market. This caused a -4.3 percent contraction in real farm income, a steady decline from last month's -9.4 percent contraction year-on-year. **This was consistent with the service sector indicators as reflected by tourism indicators in December 2011 which started to show a sign of recovery.** The number of inbound tourists was recorded at 1.77 million persons, or contracted -2.5 percent from last year. However, with seasonal adjustment, the December figure grew 20.4 percent from the previous month, exhibiting a recovery from the flood disaster. In terms of countries, the number of tourists from Australia, Russia, and China expanded well at 29.7, 10.0, and 5.7 percent year-on-year respectively, while the number of tourists from Europe and Northeast Asia still decline, especially from Sweden, Finland, Taiwan, and Japan that contracted -36.8, -49.1 -45.4, and -10.3 percent respectively. The number of inbound tourists in the 4<sup>th</sup> quarter therefore contracted -4.4 percent from a year earlier, declining from the previous quarter's growth of 31.1 percent.

**6. Economic stability remained robust.** Headline inflation in December 2011 grew 3.5 percent from last year, owing to higher price of food and beverages. Core inflation remained at 2.7 percent per year, or showing a slight growth of 0.11 percent from the previous month. Unemployment rate in November 2011 stood at 0.8 percent of total labor force, an equivalent of 322,000 unemployed persons, higher than the previous month level of 103,000 unemployed persons. More specifically, unemployed persons mainly came from manufacturing, service and retail, and agricultural sectors of 89,000



persons, 86,000 persons, and 58,000 persons respectively. Public debt to GDP ratio at the end of November 2011 stood at 40.54 percent, well below the 60 percent public debt ceiling under the Fiscal Sustainability Framework. Likewise, external economic stability remained robust and resilient to the risk from volatilities in the global economy including European debt crisis, as indicated by the high-level of international reserves at the end of December 2011 at 175.1 billion USD or approximately 3.3 times of short-term external debt.

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# Table 1: Monthly Economic Indicators

	2009	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	YTD
<b>External sector</b>														
- Dubai crude oil price (US\$/Barrel) /7	61.3	92.6	99.9	108.5	115.6	108.1	107.2	110.3	104.7	105.2	103.2	106.8	104.6	105.6
- 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
<b>Fiscal sector</b>														
- Net government revenue (Billion baht) /1	1,482.7	139.6	123.7	122.5	138.4	355.0	107.9	84.5	300.3	102.4	133.7	137.8	124.6	1,870.4
(%y-o-y) /1	-1.0	22.0	26.8	-1.5	-18.6	26.9	8.3	-30.8	18.4	9.0	7.1	-5.7	0.1	6.8
- Tax collection from revenue, customs and excise dept.	1,558.0	141.2	135.6	149.9	139.8	356.9	129.7	122.2	310.7	133.3	123.4	133.1	132.0	2,007.8
(%y-o-y) /14	-4.7	15.6	21.4	5.7	13.5	29.3	3.0	-3.3	18.0	10.2	3.3	-9.0	-1.0	10.9
- Income-based tax (Billion baht) /1	591.3	44.4	38.2	46.1	37.9	200.9	42.0	37.8	208.3	38.2	37.6	48.4	34.6	814.4
(%y-o-y) /1	-11.2	21.9	23.6	3.1	18.9	39.2	18.7	4.8	24.1	15.0	10.8	-6.5	12.1	20.2
- Consumption-based tax (Billion baht) /1	437.0	47.5	43.8	48.5	50.5	55.3	50.8	46.6	51.9	49.6	47.8	45.7	52.0	590.1
(%y-o-y) /1	-12.9	11.7	12.2	14.0	14.3	40.5	15.7	8.4	17.8	17.1	14.4	1.7	12.2	14.8
- Government expenditure (Billion baht) /1	1,964.0	235.2	154.7	170.9	139.7	211.4	187.6	143.0	143.5	193.4	167.0	150.2	172.6	2,069.3
(%y-o-y) /1	19.4	56.8	-15.4	14.0	-4.0	70.6	38.5	0.3	30.4	0.4	-19.5	-32.7	2.9	7.1
- Current expenditure (Billion baht) /1	1,526.2	146.3	122.8	141.4	120.9	188.7	161.5	120.3	113.0	152.1	136.6	127.2	137.4	1,668.1
(%y-o-y) /1	17.8	14.0	4.1	17.8	-3.9	71.1	44.8	-3.6	22.2	-5.6	-28.1	-35.2	2.8	3.5
- Capital expenditure (Billion baht) /1	298.5	74.4	16.7	15.6	14.2	16.5	19.8	18.1	22.4	32.6	19.3	4.7	14.2	268.5
(%y-o-y) /1	24.0	1,211.6	-67.6	61.7	32.1	112.2	68.9	76.1	107.1	52.9	364.2	-56.7	-22.7	55.4
- Carry-over budget (Billion baht) /1	139.3	14.5	15.2	13.9	4.6	6.2	6.3	4.6	8.1	8.8	11.0	18.4	21.0	132.8
(%y-o-y) /1	29.5	-9.3	13.0	-31.6	-48.3	5.3	-48.3	-38.4	18.8	-14.9	-17.2	15.2	33.5	-9.4
- Budgetary Balance (Billion baht) /1	-474.5	-105.3	-28.0	-43.4	1.7	-83.3	154.7	-43.7	-17.5	82.2	-33.2	-25.5	-28.3	-169.5
<b>Supply-side indicators</b>														
<b>Agricultural sector</b>														
- Agricultural Production Index (%y-o-y) /6	0.8	9.3	7.1	24.4	28.7	1.4	-0.3	-3.1	2.4	0.8	1.0	-3.2	4.8	5.1
- Agricultural Price Index (%y-o-y) /6	-9.4	27.0	32.0	18.6	22.2	18.7	13.0	4.9	8.9	9.4	4.1	-1.5	-4.3	12.2
- Real farm income (%y-o-y) /14	-9.5	34.1	37.0	42.8	51.4	14.8	7.4	-3.7	5.9	5.2	-0.2	-9.4	-4.3	11.0
- New employment in agricultural sector(%y-o-y) /3	-0.2	3.4	4.2	0.0	1.4	11.4	8.8	10.2	1.3	-9.8	-0.5	2.3	n.a.	2.7
<b>Industrial sector</b>														
- Manufacturing Production Index (%y-o-y) /10	-7.2	4.1	-3.0	-6.7	-8.1	-3.7	3.8	-0.7	6.8	-0.4	-30.1	-47.2	*-25.8	-9.3
- Import value of raw materials in USD (%y-o-y) /1	-30.7	36.6	6.4	17.5	22.5	47.6	38.3	-3.7	41.2	69.2	31.3	-2.7	20.6	25.8
- Import volume of raw materials in USD (%y-o-y) /1	-30.2	28.1	-0.3	10.2	14.0	36.8	28.9	-10.4	30.3	57.0	22.7	-8.1	14.9	17.5
- Capacity utilization (%) /10	56.1	62.3	59.5	66.1	54.4	58.8	64.1	63.1	65.0	65.5	46.5	40.5	52.3	58.2
- New employment in industrial sector(%y-o-y) /3	-0.5	-0.6	-4.7	4.5	-1.3	-2.8	-6.3	0.6	4.2	2.9	1.0	-2.0	n.a.	-0.5
- Thai Industrial Sentiment Index (Index) /9	85.9	112.7	108.2	102.3	106.6	108.3	107.4	105.2	102.5	90.7	89.0	87.5	93.7	101.2
<b>Service sector</b>														
- No. of foreign tourists (Million persons) /11	14.14	1.8	1.8	1.7	1.5	1.4	1.5	1.5	1.7	1.5	1.4	1.2	1.8	19.1
(%y-o-y)/14	-3.0	12.5	11.6	18.3	35.2	65.6	53.9	18.8	35.4	22.7	7.0	-17.9	-2.5	19.8
- New employment in service sector(%y-o-y) /3	5.2	-0.07	-0.92	-1.10	0.30	-2.20	0.10	-2.90	1.30	7.90	2.10	3.90	n.a.	0.70
<b>Demand-side indicators</b>														
<b>Private consumption indicators</b>														
- Value added tax at constant price (%y-o-y) /1	-11.4	9.8	10.1	11.7	11.5	36.3	12.0	4.5	13.8	13.3	11.3	-1.0	9.8	11.7
- Import volume of consumer goods in USD (%y-o-y) /1	-9.5	14.8	33.7	22.5	19.5	15.5	2.7	14.0	18.7	12.9	6.0	3.9	16.7	14.5
- Sales of passenger cars (%y-o-y)/14	1.4	49.6	49.6	80.3	17.8	-15.2	-0.5	12.2	26.4	29.6	-38.8	-62.1	-28.1	4.6
- Sales of motorcycles (%y-o-y)/13	-8.9	5.3	15.7	13.1	11.0	23.8	20.3	11.6	15.9	11.4	-4.3	-11.0	-21.7	7.9
- Consumer Confidence Index (Index) /5	67.2	72.6	72.2	71.0	70.5	71.1	72.3	74.4	73.8	72.2	62.8	61.0	63.1	69.8
<b>Private investment indicators</b>														
- Import volume of capital goods in USD (%y-o-y) /1	-14.7	31.2	26.7	29.9	17.4	8.2	17.4	14.2	33.7	6.1	6.8	-4.1	13.0	16.5
- Sales of commercial cars (%y-o-y)/14	-17.9	29.7	37.6	28.5	17.7	-6.2	-0.3	10.1	15.7	25.7	-41.8	-71.5	-46.9	-4.4
- Total taxes collected from real estate transaction (%y-o-y)	-11.1	76.4	55.5	-17.0	57.9	8.0	-11.1	46.5	48.3	16.5	-19.1	-14.4	4.3	11.6
- Domestic cement sales (%y-o-y) /2	-0.4	0.9	1.3	2.2	-1.0	-5.8	4.0	8.6	15.3	12.3	11.7	-0.3	6.3	4.3
<b>International trade indicators</b>														
- Exports (Billion USD): custom basis	152.4	16.7	18.9	21.3	17.6	19.4	20.6	21.5	21.6	21.5	17.2	15.5	17.0	228.8
(%y-o-y)/4	-14.3	22.3	31.0	30.6	25.0	17.4	14.5	38.3	31.1	19.1	0.3	-12.4	-2.0	17.2
- Export price (%y-o-y)/4	0.3	6.6	6.6	6.8	7.1	6.8	7.0	7.1	6.7	5.3	3.6	2.5	1.4	5.6
- Export volume (%y-o-y)/14	-14.5	14.7	22.9	22.3	16.7	10.0	7.0	29.1	22.8	13.1	-3.2	-14.6	-3.4	11.0
- Imports (Billion USD): custom basis	133.7	17.6	17.1	19.5	18.4	19.2	19.8	18.7	22.8	21.3	18.2	16.9	19.1	228.5
(%y-o-y)/4	-25.4	33.3	22.2	25.7	26.3	33.8	26.1	13.5	44.0	41.9	21.5	-2.4	19.1	24.9
- Import price (%y-o-y)/4	-2.6	7.7	8.8	10.2	11.0	11.8	12.1	11.8	11.1	9.3	8.5	7.0	10.1	10.1
- Import volume (%y-o-y) /14	-23.5	23.8	12.3	14.1	13.6	19.6	12.9	1.2	28.9	27.7	11.1	-10.1	11.4	13.5
- Trade balance (Billion USD): custom basis/4	18.8	-0.9	1.8	1.8	-0.8	0.3	0.8	2.8	-1.2	0.2	-1.0	-1.4	-2.1	0.3
<b>External economic stability</b>														
- Average exchange rate (Baht/USD) /2	34.3	30.5	30.7	30.3	30.0	30.2	30.5	30.1	29.9	30.4	30.9	30.9	31.2	30.5
- Current account (Billion USD)/2	21.9	1.1	3.2	1.7	-0.3	-0.7	2.0	3.4	-0.7	0.4	0.0	-0.1	n.a.	9.9
- International reserves (Billion USD)/2	138.4	174.0	179.5	181.6	189.9	185.5	184.9	187.6	188.3	180.1	182.0	178.3	175.1	174.4
<b>Internal economic stability</b>														
- Unemployment rate (%) /3	1.5	1.0	0.7	0.7	0.8	0.5	0.4	0.5	0.7	0.8	0.6	0.8	n.a.	0.7
- Producer Price Index (%yoy)/4	-3.8	6.0	7.4	5.9	6.6	6.2	4.5	5.2	6.0	5.6	4.2	3.5	4.5	5.5
- Headline inflation (%yoy)/4	-0.9	3.0	2.9	3.1	4.0	4.2	4.1	4.1	4.3	4.0	4.2	4.2	3.5	3.8
- Core inflation (%yoy)/4	0.3	1.3	1.5	1.6	2.1	2.5	2.6	2.6	2.9	2.9	2.9	2.9	2.7	2.4
- Public debt to GDP (%) /1	43.8	42.0	41.8	41.5	41.3	41.4	41.1	41.0	40.8	42.3	41.0	40.5	n.a.	40.5
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6/Data from Office of Agricultural Economics														
7/Data from Rueters														
8/Data from Tourism Authority of Thailand														
9/Data from Federation of Thai Industries														
10/Data from Office of Industrial Economics														
11/ Data from Immigration Office														
12/ Data from Revenue Department, Excise Department and Customs Department														
13/ Data from Department of Land Transport														
14/ Computed by Fiscal Policy Office														