



27 February 2012

Monthly Economic Report (January 2012)

“Thai economy in January 2012 continued to show a clear sign of recovery from the flood as reflected by the continuous revival in private consumption and investment indicators, while export sector (preliminary data) also showed a recovery sign.”

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, Fiscal Policy Office, revealed that **“In January 2012, Thai economy continued to show a sign of recovery, particularly from a rebound in private consumption and investment. This was reflected by the real value-added-tax (VAT) collection that grew 6.0 percent from year earlier. Likewise, passenger car sales showed a smaller contraction of -9.8 percent from a year earlier, an improvement from the previous month decrease of -28.1 percent. Meanwhile, private investment also showed an expansion, as indicated by commercial car sales that grew by 29.1 percent per year, a major improvement from the previous month contraction of -46.9 percent. Furthermore, export sector (Preliminary data) showed an improvement with an expansion of 1.2 percent from a year earlier, compared to the -2.0 percent contraction in December 2011. This reflected an improving production capacity in manufacturing exports. Also, supply-side indicators suggested a recovery in manufacturing sector after the severe flood disaster during the October-November 2011. Manufacturing Production Index in January 2012 showed a smaller contraction of -15.1 percent, compared to the sharp fall of -25.2 percent in the previous month. This was mainly due to an increase in production of petroleum, cement, electrical appliances and electronics goods. In addition, agricultural production continued to grow despite at a slower rate, while service sector as reflected by the number of inbound tourists in January 2012 pointed to an improvement.”**

Ms. Kulaya Tantitemit, Senior Expert on Macroeconomic Policy, further elaborated that **“Thai Economy in the 4th quarter of 2011 contracted -9.0 percent from the same period last year due to the major flood disaster, which resulted in the 0.1 percent of GDP growth for 2011. Nevertheless, improving economic indicators in January 2012 from both demand and supply perspectives implied that Thai economy should experience a rebound from the first quarter of 2012 onwards.”**

Executive Director of Macroeconomic Policy Bureau, Fiscal Policy Office concluded that **“Economic indicators in January 2012 reflected a continual recovery from the flood crisis. However, going forward, global economic situation needs to be closely monitored, especially the Eurozone economy**

regarding the resolution of the debt crisis, as well as the rise in oil price owing to the uncertainty in the Middle East. These issues could negatively impacted Thai economy in the future. Nevertheless, Thai economy in 2012 would benefit from the government policies aiming at supporting domestic consumption and investment and building up investor confidence. As such, the Fiscal Policy Office would revise the 2012 GDP forecast in March 2012 accordingly.



Monthly Economic Report (January 2012)

Thai economy in January 2012 continued to show a clear sign of recovery from the flood, as reflected by the continual revival in private consumption and investment indicators, while export sector (preliminary data) also showed a recovery sign.

1. Private consumption in January 2012 started to show a sign of recovery after the major flood disaster. This was reflected by the real VAT collection in January 2012 that stood at 48.1 billion Baht or expanded 6.0 percent from last year. Furthermore, consumption of durable goods as reflected by the number of passenger car sales in January 2012 contracted -9.8 percent from last year, an improvement from the previous month contraction of -28.1 percent. However, after taking seasonal factor into account, passenger car sales in January 2012 grew 44.1 percent from last month (%m-o-m SA). Meanwhile, the number of motorcycle sales in January 2012 showed a contraction of -7.1 percent from last year, a softer contraction from the previous month decrease of -21.7 percent. After taking seasonal factor into account, motorcycle sales grew by 15.6 percent from last month (%m-o-m SA). This reflected a reversion to the pre-flood pace. Furthermore, Consumer Confidence Index in January 2012 stood at 64.0 points, an improvement from last month's 63.1 points figure. This increase for the second consecutive month was a result of the restored confidence after the major flood disaster resolved coupled with the expectation towards the government's economic stimulus measures such as salary increase for government officials effective in January 2012, and post-flood restoration and rehabilitation measures. However, consumers still had concerns over the global economic slowdown from the debt crisis in the Euro area, as well as the rise in domestic oil price.

2. Private investment in January 2012 also showed a sign of recovery, especially in machinery investment. This was reflected by commercial car sales in January 2012, which grew 29.1 percent from last year, accelerating from the previous month contraction of -46.9 percent, or, after adjusting for seasonal factor, increased 68.0 percent from the previous month (%m-o-m SA). **Private investment indicators of construction sector in January 2012 also showed an improvement,** as measured by cement sales in January 2012 that increased 7.1 percent year-on-year, accelerating from the 6.3 percent growth in the previous month, after the widespread flood subsided and construction business started to resume its normal operation. However,



property tax collection contracted -15.3 percent from last year, as compared to the previous month growth of 10.7 percent. This was mainly due to a delay in consumers' home purchasing decision after the flood.

3. Fiscal indicators in January 2012 showed a decrease in revenue collection and budget disbursement from the same period last year. In January 2012, net government revenue collection (net of local authorities' allocation) amounted to 126.4 billion Baht, decreasing -9.5 percent from last year. This was due to a drop in the revenue collection of (1) excise tax on fuel which dropped -59.8 percent from last year, owing to an extension of the reduction in diesel excise tax rate to 0.005 percent (as previously expected that the rate would gradually increase starting January 2012) (2) excise tax on automotive which showed a contraction of -21.5 percent from last year, as some of the automotive factories have not yet fully recovered from the flood disaster and (3) corporate income tax which contracted -11.5 percent per year. Budget disbursement in January 2012 recorded at 150.5 billion Baht, a drop of -36.0 percent per year, as compared to the previous month increase of 2.9 percent. This amount comprised of (1) current year expenditure of 135.6 billion baht, which contracted -38.5 percent per year (including a current expenditure of 131.4 billion baht, or a -10.2 percent year-on-year contraction, and a capital expenditure of 4.2 billion Baht or a decline of -94.3 percent year-on-year) and (2) carry-over budget of 14.9 billion Baht, which expanded 2.2 percent per year. As a result, higher budget expenditure in comparison to net government revenue led to a budget deficit of -20.0 billion Baht, reflecting supportive fiscal policy instrument towards the revival of the Thai economy.

4. Exports in January 2012 (preliminary data) showed a sign of recovery from the previous month. Export value in January 2012 stood at 16.9 billion USD, equivalent to an expansion of 1.2 percent from last year. This was an improvement from last month's -2.0 percent decline, and consistent with a sharp expansion of manufacturing production index for export-oriented goods, especially electrical appliances, electronics, automobile, and radio and television parts. **Meanwhile, imports value in USD terms (preliminary data) showed a small contraction,** with import value amounted to 17.6 billion USD in January 2012, decreasing -0.2 percent per year, as compared to the previous month increase of 19.1 percent from high base effect. As such, **the smaller export value compared to that of imports resulted in a trade deficit of -626.2 million USD in January 2012.**

5. Supply-side indicators in January 2012 also suggested a recovery sign. Manufacturing Production Index (Preliminary) in January 2012 declined



-15.1 percent from a year earlier, showing an improvement from the previous month contraction of -25.2 percent and growing 19.1 percent from last month with seasonal adjustment. This was mainly due to an increase in production of petroleum, cement, electrical appliances, and electronics goods. Consistently, Thai Industrial Sentiment Index in January 2012 rebounded for the second consecutive month to 99.6 points, from 93.7 points in December 2011. This rebound was due to an overall improvement after the flood disaster had subsided, indicating economic activities that have returned to normal.

Meanwhile, agricultural sector's performance as measured by Agricultural Production Index (API) in January 2012 showed a slowdown. API in January 2012 increased 0.9 percent from last year, as compared to the previous month growth of 3.9 percent. This was due to a decrease in production of plants, in particular rubber, owing to the impact from unsuitable climate for rubber harvesting in the South. Furthermore, agricultural price in January showed a decline of -12.0 percent from a year earlier, following the previous month contraction of -4.3 percent, due to a fall in major agricultural prices especially rubber and tapioca. This decline in price was a result of a drop in global demand following a slowdown in automotive and related industries. This caused a -15.1 percent contraction in real farm income, as compared to last month's -5.2 percent year-on-year contraction. Meanwhile, **Service sector indicators as reflected by tourism indicators in January 2012 continued to show a sign of recovery.** The number of inbound tourists was recorded at 1.94 million persons, or increased 7.7 percent from last year. With seasonal adjustment, the January figure grew 12.8 percent from the previous month. This was mainly due to a rebound of inbound tourists from Europe, ASEAN, and Northeast Asia, with an expansion of 8.1, 10.9, and 7.5 percent year-on-year respectively, after a contraction for two consecutive months, indicating a recovery after the flood disaster.

6. Economic stability remained robust. Headline inflation in January 2012 grew 3.4 percent from last year, owing to higher retail oil, electricity and processed food prices. However, headline inflation dropped from the previous month rate of 3.5 percent, due to decreases in egg and fresh vegetable prices, owing to the recovery after the flood crisis that enabled greater fresh food supply to the market. Meanwhile, core inflation grew 2.8 percent per year, accelerating from the previous month rate of 2.7 percent. Unemployment rate in December 2011 stood at 0.4 percent of total labor force, an equivalent of 170,000 unemployed persons, lower than the previous month level of 270,000 unemployed persons. Public debt to GDP ratio at the end of December 2011 stood at 40.3 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 January 2012 at 178.6 billion USD, or approximately 3.6 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	Jan-12	YTD
External sector															
- 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	109.3	109.3
- 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
Fiscal sector															
- 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	133.6	138.1	125.3	126.4	126.4
(%y-o-y) /1	-1.0	22.0	26.8	-1.5	-18.6	26.9	8.3	-30.8	18.4	9.0	7.0	-5.5	0.6	-9.5	-9.5
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	133.2	132.4	136.9	136.9
(%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	-8.9	-0.7	-3.0	-3.0
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	37.5	48.5	34.7	43.9	43.9
(%y-o-y) /1	-11.2	21.9	23.6	3.1	18.9	39.2	18.7	4.8	24.1	15.0	10.5	-6.3	12.4	-1.3	-1.3
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	51.7	51.7
(%y-o-y) /1	-12.9	11.7	12.2	14.0	14.3	40.5	15.7	8.4	17.8	17.1	14.5	1.6	12.2	8.8	8.8
- 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	150.5	150.5
(%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	-36.0	-36.0
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	131.4	131.4
(%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	-10.2	-10.2
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	4.2	4.2
(%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	-94.3	-94.3
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	14.9	14.9
(%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	2.2	2.2
- 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	-32.9	-25.9	-27.2	-20.0	-20.0
Supply-side indicators															
Agricultural sector															
- Agricultural Production Index (%y-o-y) /6	0.8	7.6	5.8	23.2	26.8	0.4	-1.7	-4.7	0.9	-1.0	-0.6	-4.0	3.9	0.9	0.0
- 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	9.3	4.1	-1.5	-4.3	-12.0	0.0
- Real farm income (%y-o-y) /14	-9.5	31.9	35.3	41.4	49.2	13.6	5.7	-5.5	4.2	3.2	-1.9	-10.2	-5.2	-15.1	0.0
- 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	-0.9	n.a.	0.0
Industrial sector															
- 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	-25.2	-15.1*	0.0
- 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	n.a.	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	n.a.	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	40.5	40.5	52.0	58.5*	0.0
- 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	0.9	n.a.	0.0
- 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	99.6	99.6
Service sector															
- 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	1.9	1.9
(%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	7.7	7.7
- 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	2.60	n.a.	0.00
Demand-side indicators															
Private consumption indicators															
- 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	6.0	6.0
- 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	n.a.	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	-9.8	-9.8
- Sales of motorcycles (%y-o-y)/13	-8.9	5.3	15.7	13.1	11.0	23.8	20.3	4.3	15.9	11.4	-4.3	-11.0	-21.7	-7.1	-7.1
- 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	64.0	64.0
Private investment indicators															
- 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	n.a.	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	29.1	-9.8
- 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	-19.2	-13.2	10.7	-15.3	-15.3
- 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	7.1	7.1
International trade indicators															
- 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	16.9*	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	1.2*	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	n.a.	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	n.a.	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	17.6*	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	-0.2*	24.9
- Import price (%y-o-y)/4	-2.6	7.7	8.8	10.2	11.0	11.8	11.8	12.1	11.8	11.1	9.3	8.5	7.0	n.a.	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	n.a.	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	-0.6*	0.3
External economic stability															
- 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	31.5	31.5
- 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	1.9	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	178.6	179.2
Internal economic stability															
- 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	0.4	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	3.6	3.6
- 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	3.4	3.4
- 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	2.8	2.8
- 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	40.3	n.a.	40.3
1/Data from Ministry of Finance															
2/Data from Bank of Thailand															
3/Data from National Statistic Office															
4/Data from Ministry of Commerce															
5/Data from University of Thai Chamber of Commerce															
6/Data from Office of Agricultural Economics															
7/Data from Reuters															
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															