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## Monthly Economic Report (February 2012)

***“Thai economy in February 2012 continued to show a clear sign of recovery as reflected by the continual revival in private consumption and investment indicators, while inflation remained at manageable level, however, the rise in global crude oil price should be monitored continuously onward.”***

Mr. Somchai Sujjapongse, Director-General of the Fiscal Policy Office, revealed that **“In February 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 19.3 percent from a year earlier. Likewise, the number of passenger car sales showed a softer contraction of -4.0 percent from a year earlier, an improvement from last month’s contraction of -9.8 percent, or a growth of 13.2 percent from January (seasonally adjusted). Meanwhile, private investment also showed an improvement, as indicated by commercial car sales that grew by 29.1 percent per year. Furthermore, supply-side indicators suggested a continual recovery in manufacturing sector, especially in the production of automobile, truck, and motorcycle that showed a relentless recovery. In addition, agricultural production rebounded to grow at 0.5 percent from a year earlier, better than the -0.5 percent contraction last month. This was due to the higher production of rubber, sugar cane, and oil palm. Service sector as reflected by the number of inbound tourists in February 2012 also pointed to an improvement.”**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, further elaborated that **“the recent economic indicators suggest that Thai Economy in the 1<sup>st</sup> quarter of 2012 should be able to expand after a sharp decline of -9.0 percent in the 4<sup>th</sup> quarter of 2011.”**

Director-General of the Fiscal Policy Office concluded that **“Economic indicators in February 2012 reflected a continual recovery after the flood disaster. However, going forward, the rise in oil price and global economic situation need to be closely monitored, as these issues could negatively impact Thai economy during the rest of the year. Nevertheless, Thai economy would benefit from the government policies aiming at supporting domestic consumption and investment that would boost investor confidence. As such, Thai economy should be able to grow as forecasted in March 2012.”**

## **Monthly Economic Report (February 2012)**

***Thai economy in February 2012 continued to show a clear sign of recovery as reflected by the continuous revival in private consumption and investment indicators, while inflation expanded at its normal pace, however, the rise in global crude oil price should be monitored continuously onward.***

**1. Private consumption in February 2012 continued to show a sign of recovery from the major flood disaster.** This was reflected by the real VAT collection in February 2012 that expanded 19.3 percent from last year, accelerating from the 6.0 percent growth in the previous month. After taking seasonal factor into account, real VAT grew by 13.2 percent from January 2012, indicating a rebound in private consumption. Furthermore, consumption of durable goods as reflected by the number of passenger car sales in February 2012 contracted -4.0 percent from last year, an improvement from the previous month contraction of -9.8 percent. However, after taking seasonal factor into account, passenger car sales in February 2012 grew 6.4 percent from the previous month (%m-o-m SA), owing to the production capacity in the automotive sector getting back on track. As such, the automobile producer could deliver more cars to consumers. Meanwhile, the number of motorcycle sales in February 2012 showed an expansion of 6.3 percent from last year, an improvement from the previous month decrease of -7.1 percent. After taking seasonal factor into account, motorcycle sales grew 21.0 percent from last month (%m-o-m SA). Looking into details, the regional motorcycle sales (accounted for 80 percent of total motorcycle sales) grew 4.0 percent from a year earlier, improving from the previous month decrease of -9.1 percent, while the motorcycle sales in Bangkok showed an expansion of 16.1 percent from last year, accelerating from the previous month growth of 1.4 percent. This reflected a reversion to the pre-flood pace. Furthermore, Consumer Confidence Index in February 2012 stood at 65.5 points, an improvement from last month's 64.0 points figure. This increase for the third consecutive month was partly owing to 1) the Constitutional Court's approval of the two Emergency Decrees, namely Emergency Decree Empowering the Ministry of Finance to Borrow Money for Constructing the System for Managing Water and Building Country's Future in 2012 totaling 350 billion Baht and (2) the compliance with the Constitution of the Emergency Decree for FIDF Debt Management Reform in 2012. The latter improves the political stability, which would enable the government to implement the planned flood relief measures



and to restore the economy after the flood disaster. This will be the key factors to boost Thai economy to grow as forecasted.

**2. Private investment in February 2012 also showed a sign of recovery, especially in machinery investment.** This was reflected by commercial car sales in February 2012, which grew 33.4 percent from last year, an expansion for the second consecutive month. Furthermore, after adjusting for seasonal factor, commercial car sales in February 2012 increased 6.4 percent from the previous month (%m-o-m SA), thanks to an acceleration of 1-ton truck sales of 36.2 percent due to higher demand. **Private investment indicators of construction sector in February 2012**, as measured by cement sales in February 2012 increased 4.5 percent year-on-year, following the previous month growth of 7.1 percent, after the widespread flood subsided and construction business started to resume its normal operation. Moreover, property tax collection in February 2012 expanded 9.1 percent from last year, as compared to the previous month contraction of -16.0 percent, or after seasonal adjustment, property tax collection expanded 27.3 percent from the previous month (%m-o-m SA). This was mainly due to higher confidence among home buyers on the overall economy.

**3. Fiscal indicators in February 2012 showed an increase in revenue collection and budget disbursement from the same period last year.** In February 2012, net government revenue collection (net of local authorities' allocation) amounted to 139.0 billion Baht, increasing 1.7 percent from last year, an improvement from the previous month contraction of -4.5 percent. Budget disbursement in February 2012 recorded at 259.1 billion Baht, an expansion of 67.5 percent per year, accelerating from the previous month contraction of -36.0 percent. This amount comprised of (1) current year expenditure of 244.1 billion baht, which grew by 75.0 percent per year (including a current expenditure of 235.1 billion baht, or a 91.5 percent year-on-year expansion, and a capital expenditure of 9.0 billion Baht or a decline of -46.4 percent year-on-year) and (2) carry-over budget of 15.0 billion Baht, which declined -1.6 percent per year. This acceleration in budget disbursement was mainly due to the recent enactment of the Budget Act for FY2012. As a result, higher budget expenditure in comparison to net government revenue led to a budget deficit of -131.2 billion Baht, reflecting supportive fiscal policy instrument towards the revival of the Thai economy.

**4. Supply-side indicators in February 2012 also suggested a recovery sign.** Manufacturing Production Index (Preliminary) in February 2012 declined -3.4 percent from a year earlier, improving from the previous month



contraction of -15.0 percent. With seasonal adjustment, February 2012 MPI grew 8.9 percent from last month. This was mainly due to an increase in production of food and beverages, petroleum, jewelry, automobile, cement, and chemical products. Consistently, Thai Industrial Sentiment Index (TISI) in February 2012 rose for the third consecutive month to 100.9 points, from 99.6 points in January 2012. This increase of the TISI above 100.0 points for the first time in 6 months was mainly due to a gain in confidence after the flood disaster had subsided. **Meanwhile, agricultural sector's performance as measured by Agricultural Production Index (API) in February 2012 showed an improvement.** API in February 2012 increased 0.5 percent from last year, compared to the previous month's decrease of -0.5 percent. This was due to an increase in production of plants and livestock, particularly rubber, sugar cane, and swine during the harvest season. Furthermore, agricultural price in February 2012 showed a decline of -16.2 percent from a year earlier, following the previous month contraction of -12.2 percent, due to a fall in major agricultural prices especially rubber and tapioca. This decline in price was a result of the high base and a drop in global demand as automotive and related industries have not fully recovered. Meanwhile, **Service sector indicators as reflected by tourism indicators in February 2012 showed a sign of slowdown.** The number of inbound tourists was recorded at 1.84 million persons, or increased 2.0 percent from last year, decelerating from the previous month growth of 7.7 percent. With seasonal adjustment, the February figure contracted -5.0 percent from the previous month, due to the bombing incident in Bangkok as well as the smog problem in the Northern part of Thailand. This caused a decrease of inbound tourists from ASEAN, and Northeast Asia, while inbound tourists from Europe, the US, and Australia continued to grow well with an expansion of 5.2, 14.6, and 15.8 percent year-on-year, respectively.

**5. Economic stability remained robust.** Headline inflation in January 2012 grew 3.4 percent from last year, same rate as the previous month. This was mainly due to the rise in retail oil, processed food, rice, egg, and vegetable prices, while livestock prices dropped. Meanwhile, core inflation rate rose 2.7 percent per year, decelerating from the previous month rate of 2.8 percent. Unemployment rate in January 2011 stood at 0.8 percent of total labor force, an equivalent of 315,000 unemployed persons, higher than the previous month level of 172,000 unemployed persons. Public debt to GDP ratio at the end of December 2011 stood at 40.3 percent, well below the 60 percent level 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 February 2012 at 180.4 billion USD, or approximately 3.4 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	Feb-12	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	109.3	116.2	112.7
- 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
<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	133.6	138.1	126.6	133.4	139.0	272.3
(%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	1.7	3.9	1.7	2.8
- Tax collection from revenue, customs and excise dept. (Billion baht) /14	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	132.5	136.9	153.5	290.4
(%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	-0.6	-3.1	13.2	4.9
- 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	37.5	48.5	34.8	43.8	47.8	91.6
(%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	12.6	-1.4	25.1	10.9
- 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	53.8	105.5
(%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	22.7	15.5
- 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	259.1	409.5
(%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	67.5	5.0
- 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	235.1	366.5
(%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	91.5	36.2
- 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	9.0	13.2
(%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	-46.4	-85.5
- 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	15.0	29.8
(%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	2.2	-1.6	0.3
- 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	-12.9	-131.2	-144.1
<b>Supply-side indicators</b>																
<b>Agricultural sector</b>																
- Agricultural Production Index (%y-o-y) /6	0.8	9.1	6.9	23.7	27.1	0.8	-1.0	-3.8	1.8	0.0	3.4	-3.4	4.8	-0.5	0.5	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	-12.2	-16.2	-14.3
- Real farm income (%y-o-y) /14	-9.5	33.8	36.7	42.0	49.6	14.1	6.6	-4.5	5.1	4.3	2.3	-9.6	-4.2	-16.6	-19.3	-18.0
- 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	0.3	n.a.	0.3
<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	-25.2	-15.0	n.a.	-15.0
- 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	-13.6	n.a.	-13.6
- 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	-17.6	n.a.	-17.6
- 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	52.0	58.5	n.a.	58.5
- 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	1.6	n.a.	1.6
- 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	100.9	99.6
<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	1.9	1.8	3.8
(%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	2.0	4.8
- 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	2.60	2.10	n.a.	2.10
<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	6.0	19.3	12.4
- 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	12.9	n.a.	12.9
- 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	-4.0	-6.8
- 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	-7.1	6.3	-0.3
- 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	65.5	64.8
<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	-2.1	n.a.	-2.1
- 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	33.4	31.4
- 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	-13.2	12.8	-16.0	9.1	-3.6
- 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	7.1	4.5	5.8
<b>International trade indicators</b>																
- Exports (Billion USD): custom basis (%y-o-y) /4	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	15.7	n.a.	15.7
- Export price (%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	-6.0	n.a.	-6.0
- Export volume (%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	1.2	1.1	1.1
- 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	-7.1	n.a.	-7.1
- Imports (Billion USD): custom basis (%y-o-y) /4	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	16.9	n.a.	16.9
- Import price (%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	-4.2	n.a.	-4.2
- Import volume (%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	6.4	6.1	6.3
- 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	-10.0	n.a.	-10.0
- 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	-1.1	n.a.	-1.1
<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	31.5	30.7	31.1
- 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	0.8	n.a.	0.8
- 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	180.4	178.6*
<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	0.4	0.8	n.a.	0.8
- 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	1.8	2.7
- 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	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	2.7	2.7
- 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.	n.a.	40.3
<i>1/Data from Ministry of Finance</i>																
<i>2/Data from Bank of Thailand</i>																
<i>3/Data from National Statistic Office</i>																
<i>4/Data from Ministry of Commerce</i>																
<i>5/Data from University of Thai Chamber of Commerce</i>																
<i>6/Data from Office of Agricultural Economics</i>																
<i>7/Data from Reuters</i>																
<i>8/Data from Tourism Authority of Thailand</i>																
<i>9/Data from Federation of Thai Industries</i>																
<i>10/Data from Office of Industrial Economics</i>																
<i>11/Data from Immigration Office</i>																
<i>12/ Data from Revenue Department, Excise Department and Customs Department</i>																
<i>13/ Data from Department of Land Transport</i>																
<i>14/ Computed by Fiscal Policy Office</i>																