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Monthly Economic Report (November 2007)

Thailand's overall economy in November 2007 continued to expand well given strong export performance as well as accelerated private-sector expenditures particularly private consumption. At the same time, government expenditures continued to support Thailand's economic growth at the time when private spending has not yet fully recovered. Both internal and external economic stabilities remained strong although inflation started to pick up due mainly to rising oil prices.

1. Fiscal indicators showed that government's budget disbursement in November 2007 still played a vital role in supporting the Thai economy. In November 2007, total budget disbursement amounted to 127.0 billion Baht, expanding by 14.0 percent (y-o-y), in which current and capital expenditures grew by 10.6 percent and 113.0 percent (y-o-y), respectively. These high growth figures reflected crucial role of expansionary fiscal policy in supporting continued economic expansion as well as the low-based effect from low budget disbursement during the same period last year as a result of delayed FY2007 budget approval. Net revenue collection in November 2007 was 111.4 billion Baht, expanded by 12.3 percent (y-o-y). Income-based tax and consumption-based tax collection in November 2007 expanded by 13.5 percent and 14.6 percent (y-o-y), respectively, which reflected Thailand's good employment condition and increased consumption.

2. **Export sector in November 2007 expanded very robustly.** Export value recorded at USD 14.7 billion, which is the historically highest recorded export value for Thailand, and grew by 24.4 percent (y-o-y). High level export growth was attributed to strong performance in most sectors, especially in agricultural products such as rice, rubber, tapioca and poultry, as well as industrial products such as automobiles, gems and jewelry sectors. **Import sector in November 2007 improved following the revival of domestic spending and rising oil prices.** Import value in November was recorded at USD 12.8 billion, or expanded by 17.4 percent (y-o-y). Main sources of expansion came from imports of fuel products, capital, raw materials, consumer goods. **Trade balance in November continued to remain in surplus at USD 1.9 billion,** improving from the previous month where the surplus was recorded at USD 1.5 billion. This reflected strong growth in export while import grew at slower pace.

3. Private consumption indicators in November 2007 showed a positive sign of recovery. Indicator from Value Added Tax (VAT) collection in real terms in November expanded by 11.3 percent (y-o-y), improving from the 4.5 percent growth last month. This is consistent with rising import value of consumption goods in USD term that grew at 48.9 percent (y-o-y) in November 2007. The Consumer Confidence Index (CCI), the leading indicator for private consumption, showed an improvement for the first time in 13 months to level at 69.3 points. Major factors contributing to this improving consumer confidence included clearer political situation and increasing wages and salaries. However, durable-goods consumption indicator from passenger cars sales showed negative growth of -14.9 percent (y-o-y), after a positive growth of 3.0 percent (y-o-y), in the previous month. This temporary slow down was caused by consumers' expectation of automotive sale campaigns to be taken place in December, thus delaying their decision to purchase new automobiles in November.

4. Private investment indicators showed signs of moderate growth in November 2007. Although import value of capital goods in November 2007 contracted by -11.7 percent (y-o-y), due mainly to a high base effect resulted from importation of aircrafts in November 2006; if this anomaly is excluded, the import value of capital goods excluding the aircraft imports would have expanded by 7.4 percent. Commercial cars sales in November 2007 expanded at 5.5 percent, growing consecutively for the third month after a continual contraction since the beginning of the year. Investment in construction sector slowed down slightly, as the growth rate of real-estate tax collection in November decelerated to 3.6 percent (y-o-y) after accelerating consecutive growths in the previous 3 months. Manufacturing Confidence Index continued to improve from the previous month, recording at 82.3 points in November 2007, as a result of stronger confidence among the large scale manufacturing enterprises, which received more orders from both domestic and external demand.

5. On the supply side, manufacturing production and service sector from tourism continued to expand well, while agricultural production improved in November 2007. The Manufacturing Production Index (preliminary) expanded at 13.0 percent (y-o-y), improving from the previous month's growth of 11.3 percent (y-o-y). This resulted from expansion in major export-oriented industries such as electronics, electrical appliances and automobiles as well as in domestic-oriented industries. This was also consistent with accelerated import of raw materials in November. On the service sector, the number of in-bound foreign tourists in November 2007 recorded at 1.35 million persons, or expanded at 9.8 percent (y-o-y). Agricultural sector in November showed signs of improvement with Agricultural Production Index (API) declined by -1.6 percent (y-o-y), improving from previous month's contraction of -7.3 percent (y-o-y). This improvement was attributed to increased demand for alternative-energy products which led to rising demand for raw materials needed for bio-fuel production such as cassava and oil palm. However, other agricultural products, especially rice, remained contracted in November due to the high base last year where harvest floods had caused farmers to make early harvest the rice in the same period last year.

6. Overall internal and external economic stabilities remained robust, despite rising headline inflation in November 2007, due to rising oil price. However, headline inflation accelerated by 3 percent (y-o-y) in November from 2.5 percent (y-o-y) in October, but the core inflation increased by 1.1 percent (y-o-y) in November, slightly up from 1 percent last month. Unemployment rate in October was at low level of 1.4 percent. Public debt to GDP as of September 2007 was at 37.8%, well below the 50% ceiling limit under the Fiscal Sustainability Framework. **External stability remained strong** with international reserves stood at USD 84.6 billion at the end of November, which is more than three times over Thailand's short-term foreign debts.

Table 1 Monthly Economic Indicators

	2006	Jan 07	Feb 07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07
External Sector/												
- Dubai crude oil price (US\$/Barrel) /7	61.6	52.1	55.7	59.0	63.9	64.7	65.9	69.9	67.4	73.0	77.3	86.7
- Fed funds rate (%) /7	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	4.75	4.50	4.50
Fiscal sector/1												
- Net government revenue (Billion baht)	1376.6	104.3	103.1	103.3	89.0	241.4	99.4	87.1	210.1	106.0	116.1	111.4
(%y-o-y)	8.6	5.1	2.8	-3.0	-22.1	7.1	29.2	12.2	7.6	33.4	8.0	12.3
Tax collection from revenue, customs and excise departments	1449.3	104.9	104.3	110.2	107.2	244.8	106.6	101.1	212.7	98.0	10.7	118.9
(%y-o-y)	8.1	4.7	4.6	3.1	6.5	4.4	6.1	4.3	2.1	3.2	4.0	10.0
Income-based tax (Billion baht)	551.0	32.1	28.3	37.7	34.9	128.3	32.6	31.8	133.6	28.0	30.7	41.4
(%y-o-y)	12.4	6.9	-5.2	3.6	12.0	7.0	15.0	12.8	1.6	10.4	8.1	13.5
Consumption-based tax (Billion baht)	424.7	37.1	35.5	35.0	37.8	35.6	36.6	35.3	38.3	36.4	38.8	39.2
(%y-o-y)	19.8	6.9	4.6	1.9	7.1	-2.6	-0.3	1.9	4.9	3.6	6.8	14.6
- Government expenditure (Billion baht)	1,330.8	97.1	200.4	139.9	115.8	137.1	164.4	146.2	122.8	150.9	155.4	127.0
(%y-o-y)	2.9	-16.9	78.2	9.8	15.9	54.0	40.1	48.2	5.4	-1.1	73.4	14.0
Current expenditure (Billion baht)	999.7	75.0	137.0	106.9	97.7	90.4	126.4	119.4	101.3	116.2	121.1	93.9
(%y-o-y)	6.1	8.7	43.4	41.5	15.6	31.0	32.3	58.2	20.0	2.9	60.3	10.6
Capital expenditure (Billion baht)	216.1	12.2	54.4	21.0	13.5	40.9	32.2	23.3	17.3	28.1	26.8	18.8
(%y-o-y)	-16.7	-8.5	107.1	-3.4	-43.9	208.0	112.8	38.6	-35.1	-12.5	367.3	113.0
Carry-over budget (Billion baht)	114.9	9.9	9.0	12.0	4.6	5.8	5.8	3.4	4.2	6.7	7.5	14.9
(%y-o-y)	25.3	48.1	35.8	93.3	-14.8	-13.9	-13.2	-45.8	-23.0	-12.4	-10.4	-17.1
Supply-side indicators												
Agricultural sector												
- Agricultural production index (%y-o-y) /6	5.8	11.7	2.4	-0.2	17.5	1.5	-0.1	6.6	7.4	5.8	-7.3	-1.6
- Agricultural price index (%y-o-y) /6	8.0	-7.1	-1.3	-4.6	-8.5	-9.5	-12.6	-6.4	1.4	9.4	9.4	15.3
- New employment in agricultural sector(%y-o-y) /3	3.4	0.4	2.6	3.5	1.2	-6.1	3.0	-0.8	0.2	1.8	0.3	n.a.
Industrial sector												
- Manufacturing production index (%y-o-y) /10	6.4	7.7	6.2	2.4	5.7	3.8	5.9	7.2	9.7	10.3	11.3	13.0*
- Imports of raw materials in USD (%y-o-y) /1	4.3	18.5	13.3	14.1	21.9	11.3	6.7	11.3	17.2	9.9	20.5	21.5
- Capacity utilization (%) /10	67.8	65.0	63.0	68.7	60.4	67.1	66.6	66.3	66.9	67.4	68.0	68.3*
- New employment in industrial sector(%y-o-y) /3	-1.5	5.5	1.7	-4.2	0.0	-1.0	4.6	1.6	4.9	8.8	n.a.	n.a.
Service sector												
- No. of foreign tourists (Million persons) /11	13.8	1.31	1.27	1.22	1.09	0.98	1.02	1.18	1.20	1.04	1.15	1.35*
(%y-o-y)	21.9	2.3	6.4	2.4	0.9	-0.4	-2.4	-0.7	1.4	7.5	11.7	9.8*
- New employment in service sector(%y-o-y) /3	-0.2	3.5	1.8	0.7	2.7	2.1	1.3	4.1	2.6	0.3	4.6	n.a.
Demand-side indicators												
Private Consumption Indicators												
- Value Added Tax at constant price (%y-o-y) /1	6.8	5.5	3.7	0.8	5.9	-3.3	-0.5	1.8	5.1	2.4	4.5	11.3
- Imports of consumer goods in USD (%y-o-y) /1	14.2	11.3	22.8	15.0	23.9	20.0	16.7	15.2	25.0	28.8	42.0	48.9
- Sales of passenger cars (%y-o-y)	2.6	-9.8	-19.0	-16.8	-18.2	-4.7	-0.7	4.7	4.7	-2.1	3.0	-14.9
- Sales of motorcycles (%y-o-y)	-2.0	-11.8	-31.1	-31.6	-18.0	-30.1	-19.0	-19.7	-23.5	-26.4	-13.1	n.a.
- Consumer confident index (Index) /5	76.7	74.2	73.4	72.8	72.1	71.4	71.0	70.0	69.5	69.2	68.6	69.3
Private Investment Indicators												
- Total taxes collected from real estate transaction (%y-o-y) /1	6.0	-5.4	-0.6	-0.1	-5.7	-8.5	6.6	1.8	4.0	9.8	11.3	3.5
- Domestic cement sales (%y-o-y) /2	0.7	-0.5	-4.6	-3.8	-11.0	-7.2	-5.2	-3.5	-1.2	-4.3	-1.2	n.a.
- Imports of capital goods in USD (%y-o-y) /1	3.9	-6.8	-10.4	-9.7	4.9	2.4	4.5	-3.3	7.1	10.9	22.0	-11.7
- Sales of commercial cars (%y-o-y)	-5.2	-27.8	-18.0	-14.7	-2.5	-9.2	-5.6	-0.8	-0.4	13.3	16.5	5.5
- Industrial Confidence Index (%y-o-y) /9	93.8	83.6	82.7	86.8	77.0	86.1	80.9	72.7	76.0	81.0	81.9	82.3
International trade indicators/1												
- Exports (Billion USD): custom basis	129.7	10.5	11.2	13.1	10.9	13.0	12.9	11.8	13.9	13.3	14.5	14.7
(%y-o-y)/4	16.9	-17.7	18.4	18.4	18.5	20.9	17.7	6.3	17.9	10.4	26.7	24.4
- Export price (%y-o-y)/4	5.2	4.2	4.8	5.0	5.7	5.3	4.3	3.6	4.2	5.8	7.3	9.3
- Export volume (%y-o-y)	11.6	13.0	13.0	12.8	12.1	14.8	12.8	2.6	13.1	4.3	18.0	13.8
- Imports (Billion USD): custom basis	126.8	9.6	10.1	10.8	10.6	12.2	12.0	11.6	13.1	11.3	13.0	12.8
(%y-o-y)/4	7.3	2.4	3.1	0.6	8.9	6.7	5.2	2.4	14.0	7.4	20.2	17.4
- Import price (%y-o-y)	6.5	3.3	3.6	3.3	3.8	3.1	3.2	4.2	3.5	4.7	8.6	10.7
- Import volume (%y-o-y)	0.5	-0.8	-0.4	-2.6	4.8	3.5	1.9	-1.7	10.1	2.6	10.7	6.1
- Trade balance (Billion USD): custom basis	2.9	0.9	1.1	2.3	0.3	0.8	0.9	0.2	0.8	2.0	1.5	1.9
External economic stability /2												
- Average exchange rate (Baht/USD)	37.9	36.0	35.7	35.1	34.9	34.6	34.6	33.7	34.2	34.2	34.1	33.9
- Current account (Billion USD)	3.2	1.4	1.5	2.1	-0.1	0.3	1.2	0.4	0.7	1.8	1.9	n.a.
- International reserve (Billion USD)	67.0	66.8	68.2	70.9	71.1	71.1	73.0	74.0	74.4	80.7	82.4	84.6
Internal economic stability /4												
- Unemployment rate (%) /3	1.5	1.6	1.5	1.6	1.7	1.6	1.4	1.2	1.2	1.2	1.4	n.a.
- Producer price index (%yoy)	7.0	2.1	2.9	2.7	1.8	1.8	1.8	1.2	0.3	3.1	4.4	7.9
- Headline inflation (%yoy)	4.7	3.0	2.3	2.0	1.8	1.9	1.9	1.7	1.1	2.1	2.5	3.0
- Core inflation (%yoy)	2.3	1.6	1.4	1.3	1.2	0.7	0.7	0.8	0.7	0.8	1.0	1.1
- Public debt to GDP (%) /1	41.3	37.4	37.6	38.3	38.1	38.2	37.7	37.7	37.9	37.8	n.a.	n.a.

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 Board of Investment

10/Data from Office of Industrial Economics

11/ Data from Immigration Office