



29 November 2012

Monthly Economic Report (October 2012)

“Thai economy in October 2012 showed a continued expansion in domestic spending, both in private consumption and investment, while export and manufacturing sectors showed an improving sign from previous month”

Mr. Somchai Sujjapongse, Director-General of the Fiscal Policy Office, revealed that **“Economic indicators in October 2012 suggested a continued expansion in domestic spending, both in private consumption and investment. Meanwhile, export showed an improving sign from the previous month, partly due to new markets, especially Hong Kong, Australia and the Middle-East and an economic recovery of The United States and Japan. Also, manufacturing sector showed a positive sign, this is the first expansion in 5 months from June 2012. Looking into detail, automobile and electronics showed a strong expansion.”**

Mr. Boonchai Charassangsomboon, Executive Director of Macroeconomic Policy Bureau, further elaborated that **“There was a continued expansion in domestic spending, both in private consumption and investment. This was reflected by the real VAT collection in October 2012, which grew by 19.4 percent from last year. And, the passenger car sales in October 2012 that increased 263.7 percent per year. This was mainly due to an increased in production of various carmakers to meet the demand for cars which continues to grow at an accelerated rate, also a higher demand from consumers and a fully recovery in production capacity from flooding crisis in late 2011. Export value in October 2012 stood at 19.5 billion USD, equivalent to an expansion of 15.6 percent from last year and 1.4 percent from last month after seasonally adjusted. An electronics, electrical appliances, automobile and parts showed a strong expansion. Manufacturing Production Index (MPI) in October 2012 increased 36.1 percent from a year earlier, accelerating from the previous month’s expansion of 4.9 percent, partly due to low base from last year’s flooding crisis which caused severe losses and damages in manufacturing area.”**

The Director-General of the Fiscal Policy Office concluded that **“According to Thai economic indicators in October 2012, it could be pointed out that Thai economy in the fourth quarter would show a continued expansion. Meanwhile, given all of the above economic indicators and trend, the**

Fiscal Policy Office will revise and announce the revised Thailand's economic forecast for 2012 and 2013 again at the end of December 2012"

Attachment



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Thai economy in November 2012 showed a continued expansion in domestic spending, both in private consumption and investment, while export and manufacturing showed an improving sign from previous month.

1. Private consumption in October 2012 continued to grow steadily.

This was reflected by the real VAT collection in October 2012, which grew by 19.4 percent from last year, decelerating from the previous month's expansion of 32.6 percent per year. Meanwhile, imports of consumer goods in October 2012 showed an expansion of 27.9 percent per year, increasing from the previous month's expansion of 0.9 percent per year. Likewise, durable goods consumption also showed a steady growth, as reflected by passenger car sales in October 2012 that increased 263.7 percent per year, as compared to the previous month expansion of 67.8 percent per year. This was mainly due to an increased in production of various carmakers to meet the demand for cars which continues to grow at an accelerated rate, also a higher demand from consumers. Meanwhile, motorcycle sales in October 2012 expanded 24.0 percent from a year earlier, increasing from the previous month's reduction of -1.3 percent per year. Looking into details, motorcycle sales in other regions and in Bangkok showed an expansion of 70.2 and 15.5 percent per year, which increased from the previous month's expansion of 0.9 and reduction of -1.9, respectively, due to low base of previous year from flooding crisis and to a stable household income, especially a farm income. Furthermore, Consumer Confidence Index in October 2012 stood at 68.1 points, a bit higher than previous month's level of 67.5 points, due to positive factors from an expansion of domestic economy, and also a continuity of domestic spending. Likewise, a global economy showed an improving sign since The United States has announced the QE3 which showed a positive sign for a global recovery.

Private Consumption Indicators	2012					
	Q1	Q2	Q3	Sep	Oct	YTD
Real Value Added Tax Collection (%yoy)	12.0	6.3	20.2	32.6	19.4	13.3
Imports of Consumer Goods (%yoy)	14.1	7.5	3.3	0.9	27.9	10.0
Passenger Car Sales (%yoy)	-5.4	77.0	78.6	67.8	263.7	61.9
Motorcycle Sales (%yoy)	-0.6	4.4	0.4	-1.3	24.0	2.9
Consumer Confidence Index	65.3	67.7	68.4	67.5	68.1	67.1



2. Private investment in October 2012 also showed a steady expansion, especially in machinery investment. This was reflected by import value of capital goods in October 2012 increasing at 46.5 percent per year, growing at higher rate than previous month's expansion of 24.5 percent per year. Meanwhile, commercial car sales in October 2012 showed a continued expansion of 206.8 percent per year, as compared to the previous month's increase of 39.4 percent from last year, owing to higher demand, a return to normal pace of automotive production capacity, and an accelerate production to delivery to customers. **For private investment indicators of construction sector,** as measured by real estate tax collection in October 2012 expanded 78.8 percent per year, accelerating from the previous month's growth of 6.6 percent year-on-year, partly due to a low base from last year and to a tendency of higher demand for housing. This was in tandem with an increase in supply of real estate which was revealed by number of new housing in Bangkok and its vicinities, especially townhouse. Meanwhile, cement sales in October 2012 grew 30.9 percent from a year earlier, accelerating from the previous month's expansion of 11.4 percent from last year. Finally, a steady growth in investment on construction sector was supported by an expansion of Thai economy, especially a higher demand in real estate.

Private Investment Indicators	2012					
	Q1	Q2	Q3	Sep	Oct	YTD
<u>Machinery sector</u>						
Imports of Capital Goods (%yoy)	11.0	22.0	18.3	24.5	46.5	19.5
Commercial Car Sales (%yoy)	33.5	62.3	53.5	39.4	206.8	58.1
<u>Construction sector</u>						
Real Estate tax Collection (%yoy)	4.7	23.7	7.2	6.6	78.8	17.3
Cement Sales (%yoy)	5.3	5.2	12.1	11.4	30.9	9.6

3. Fiscal indicators in October 2012 showed higher government spending which stimulated economic activities. In October 2012, the budget disbursement recorded at 312.2 billion baht, a rise of 87.0 percent per year, accelerating from the previous month's growth of 17.5 percent year-on-year. This amount comprised of (1) current year expenditure of 290.6 billion baht, which increased 86.4 percent per year (including a current expenditure of 286.7 billion baht, or a 109.9 percent year-on-year escalation, and a capital expenditure of 4.0 billion baht or an decrease of -79.5 percent year-on-year) and (2) carry-over budget of 21.5 billion Baht, which expanded 94.9 percent from a year earlier. Meanwhile, net government revenue collection (net of



local authorities' allocation) in October 2012 amounted to 148.0 billion baht or an increase of 11.3 percent from last year, decreasing from the previous month's expansion of 18.5 percent per year. As for fiscal position, budget balance in October 2012 showed a deficit of -162.1 billion baht.

Fiscal Sector Indicators	FY2012						FY2013	
	FY2012	Q1/FY12	Q2/FY12	Q3/FY12	Q4/FY12	Sep	Oct	YTD
Net Government Revenue (net of local authorities' allocation)	1977.5	398.4	412.8	620.3	545.7	122.8	148.0	148
(%y-o-y)	4.5	0.7	4.8	3.8	8.0	18.5	11.3	11.3
Expenditure	2295.3	489.8	779.5	459.9	566.1	227.3	312.2	312.2
(%y-o-y)	5.4	-18.1	39.0	-14.6	17.9	17.5	87.0	87.0
Budget Balance	-314.7	-84.7	-372.3	169.4	-26.9	28.6	-162.1	-162.1

4. Exports in October 2012 showed an improving sign due to a new market. Export value in October 2012 stood at 19.5 billion USD, equivalent to an expansion of 15.6 percent from last year, accelerating from the previous month's expansion of 0.2 percent, regarding to a recovery in the manufacturing sector from a flooding crisis last year. This was also owing to an expansion of exports to new markets, such as Thai export to Hong Kong increased 55.9 percent from last year, to Australia 46.7 percent and to The United States 17.0 percent. Looking into details, export products that showed a strong expansion are electronics increased 23.0 percent from a year earlier, electrical appliances increased 25.2 percent and automobile and parts increased 53.4 percent. Meanwhile, import value amounted to 22.0 billion USD in October 2012, increasing 21.6 percent from a year earlier, expanded from the previous month's contraction of -7.5 percent. In particular, import of fuel increased 35.6 percent from a year earlier, capital goods expanded 48.3 percent and electrical machinery increased 86.2 percent. This is due to the fact that manufacturing and transportation sectors needed more fuels and global crude oil price gained and to the import of hi-technology machinery. As such, **the smaller export value compared to that of import resulted in a trade deficit of -2.5 billion USD in October 2012.**

Major Exports Market (Exports Share)	2012					
	Q1	Q2	Q3	Sep	Oct	YTD
Total Exports Value (%yoy)	-1.4	2.0	-3.8	0.2	15.6	0.3
1. China (11.8%)	1.4	13.7	-11.8	-14.7	-7.7	-0.6
2. Japan (10.7%)	-6.3	-1.2	-6.3	-3.1	10.2	-3.3
3. US (9.8%)	2.1	4.6	-1.2	-1.0	17.0	3.1
4. Europe (9.7%)	-16.9	-7.5	-19.2	-12.9	9.6	-12.8
5. Hong Kong (5.4%)	-6.5	-8.3	9.8	8.6	55.9	2.5
6. Singapore (5.1%)	2.7	1.0	-25.4	-11.1	30.9	-5.6
7. Australia (4.2%)	-6.6	21.9	21.1	48.0	46.7	15.0
8. ASEAN-9 (17.4%)	9.2	7.2	-9.0	-11.7	14.0	3.0

5. Supply-side indicators in October 2012 suggested a recovery in agricultural and service sectors, while manufacturing sector indicators showed an improving sign. Manufacturing Production Index (MPI) in October 2012 increased 36.1 percent from a year earlier, accelerating from the previous month's expansion of 4.9 percent. This is the first expansion in 5 months from June to September 2012, partly due to low base from last year's flooding crisis which caused severe losses and damages in manufacturing area more than 3 months such as electronics, automobile and parts, plastics, metal, foods and chemical products. Furthermore, the industry in automobile increased 387.3 percent from a year earlier, food and beverages grew by 22.5 percent, electrical appliances such as air-condition, refrigerator and fan increased 85.8 percent, radio and television 26.2 percent and garments increased 10.0 percent etc. This expansion is due to partly from a low base from last year, also to an expansion in domestic spending, both in private consumption and investment. Consistently, Thai Industrial Sentiment Index (TISI) in October 2012 stood at 93.0 points, falling from 94.1 points in the previous month, and the Index stood below 100.0 points for the fourth consecutive month. The level was the lowest in 10 months, mainly due to an uncertainty from the manufacturers to an increase in production cost such as raw material, wages, electrics cost and a global economic slowdown which affected on Thai economy, particularly in export and lack of workers in some industries. **Meanwhile, agricultural sector's performance as measured by Agricultural Production Index (API) in October 2012 showed an increase** of 5.4 percent from last year, decelerating from the previous month's expansion of 8.3 percent. This was mainly due to a decline of crops especially potatoes and palm oil due to a high base from last year at accelerated rate. Meanwhile, rice and rubber products showed a steady



growth. In addition, production of livestock grew from higher production of swine and poultry. **Service sector indicators as reflected by tourism indicators in October 2012 still showed a positive sign.** The number of inbound tourists was recorded at 1.7 million persons in October 2012, or increased 20.5 percent from last year, following from the previous month's expansion of 7.9 percent. This expansion was owing to inbound tourists from all regions. On the contrary, inbound tourists from the Middle-East contracted by -5.4 percent from last year because of their inner instability.

Supply Side Indicators	2012					
	Q1	Q2	Q3	Sep	Oct	YTD
Manufacturing Production Index (%yoy)	-6.8	-1.5	-11.3	-16.8	36.1	-3.6
Agricultural Production Index (%yoy)	3.6	3.4	14.2	8.9	5.4	6.7
Number of In-Bound Tourists (%yoy)	7.1	8.2	8.4	7.9	20.5	9.7

6. Economic stability remained robust. Headline inflation in October 2012 was at 3.3 percent from last year, and slightly decreased by last month's growth at 3.4 percent, mainly due to a decline in livestock, egg, rent and housing garments prices. However, there was a strong growth in vegetable price due to a Vegetarian Festival. Meanwhile, core inflation rate was at 1.8 percent, slightly higher than last month's rate at 1.9 percent. Unemployment rate in September 2012 stood at 0.6 percent of total labor force, or equivalent to 240,000 unemployed persons. Public debt to GDP ratio at the end of September 2012 stood at 43.9 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, as indicated by the high-level of international reserves at the end of October 2012 at 181.4 billion USD, or approximately 3.1 times of short-term external debt.



Macroeconomic Stability Indicators	2012					
	Q1	Q2	Q3	Sep	Oct	YTD
<u>Internal Stability</u>						
Headline Inflation (%yoy)	3.4	2.5	2.9	3.4	3.3	3.0
Core Inflation (%yoy)	2.7	2.0	1.8	1.9	1.8	2.2
Unemployment rate (% of total labor force)	0.7	0.9	0.6	0.6	n.a.	0.7
<u>External Stability</u>						
Current Account Balance (Billion USD)	1.4	-2.4	2.7	1.8	n.a.	1.8
International Reserves (Billion USD)	179.2	174.7	183.6	183.6	181.4	181.4



Table 1: Monthly Economic Indicators

Table 1 Monthly Economic Indicators	2011	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	YTD
External sector												
- Dubai crude oil price (US\$/Barrel) /7	105.6	109.3	116.2	122.5	117.7	94.5	94.5	99.1	108.6	111.2	108.8	109.4
- Fed funds rate (%) /7	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	1,895.1	134.6	138.2	140.1	140.5	346.2	133.8	126.9	295.9	122.8	148.0	1579.1
(%y-o-y) /1	8.2	4.9	1.1	8.8	7.1	-2.8	21.5	25.1	-1.5	18.5	11.3	5.5
Tax collection from revenue, customs and excise dept. /12	2,008.4	136.9	153.7	159.4	148.6	360.3	154.5	144.7	310.0	157.7	154.5	1725.7
(%y-o-y) /14	11.0	-3.1	13.3	6.3	6.3	1.0	19.1	18.4	-0.2	18.3	25.2	6.6
Income-based tax (Billion baht) /1	814.5	43.8	47.9	49.3	44.8	184.1	49.6	39.6	189.1	41.6	42.8	689.8
(%y-o-y) /1	20.3	-1.4	25.4	7.0	18.1	-8.4	18.0	4.7	-9.2	8.8	14.0	-0.6
Consumption-based tax (Billion baht) /1	590.1	51.7	53.8	55.6	56.7	56.3	57.0	56.4	58.2	68.1	58.9	513.7
(%y-o-y) /1	14.8	8.8	22.7	14.6	12.1	1.7	12.3	21.0	12.1	37.2	23.3	15.6
- Government expenditure (Billion baht) /1	2,069.3	150.5	259.1	370.0	157.6	144.9	157.4	179.2	159.5	227.3	312.2	1805.5
(%y-o-y) /1	7.1	-36.0	67.5	116.5	12.8	-31.5	-16.1	25.3	11.1	17.5	87.0	14.3
- Budget expenditure (Billion baht) /1	1,936.6	135.6	244.1	351.9	150.3	135.1	150.4	171.2	153.0	217.6	290.6	1709.1
(%y-o-y) /1	8.5	-38.5	75.0	124.1	11.3	-34.2	-17.0	23.7	12.9	17.9	86.4	14.2
Current expenditure (Billion baht) /1	1,668.1	131.4	235.1	283.3	135.2	113.2	127.8	146.8	125.7	173.3	286.7	1471.8
(%y-o-y) /1	3.5	-10.2	91.5	100.4	11.9	-40.0	-20.9	22.0	11.2	13.9	109.9	16.2
Capital expenditure (Billion baht) /1	268.5	4.2	9.0	68.6	15.0	21.8	22.6	24.5	27.2	44.4	4.0	237.3
(%y-o-y) /1	55.4	-94.3	-46.4	338.7	5.8	31.9	14.4	35.1	21.4	36.2	-79.5	3.0
- Carry-over budget (Billion baht) /1	132.8	14.9	15.0	18.1	7.3	9.9	7.0	8.0	6.5	9.7	21.5	96.4
(%y-o-y) /1	-9.4	2.2	-1.6	30.2	57.6	58.6	10.9	73.3	-18.9	10.7	94.9	17.1
- Budgetary Balance (Billion baht) /1	-168.6	-12.9	-131.0	-228.5	-21.2	41.1	149.5	-51.9	-3.6	28.6	-162.1	-229.9
Supply-side indicators												
Agricultural sector												
- Agricultural Production Index (%y-o-y) /6	5.2	2.3	5.2	0.7	-3.3	5.3	5.7	15.3	18.9	8.9	5.4	6.8
- Agricultural Price Index (%y-o-y) /6	12.1	-11.8	-15.9	-8.3	-13.2	-10.8	-11.8	-7.5	-12.7	-11.0	-6.2	-11.3
- Real farm income (%y-o-y) /14	10.6	-13.7	-15.0	-10.8	-18.0	-8.5	-7.7	4.4	1.5	-6.0	-4.1	-2.7
- New employment in agricultural sector(%y-o-y) /3	2.4	0.3	4.0	3.4	7.2	5.6	3.3	14.3	16.5	6.3	n.a.	14.7
Industrial sector												
- Manufacturing Production Index (%y-o-y) /10	-9.3	-15.0	-3.2	-2.7	0.0	6.1	-9.5	-5.5	-11.2	-15.9	36.1	-6.3
- Import value of raw materials in USD (%y-o-y) /1	25.8	-13.6	-5.7	17.6	2.2	8.9	-17.2	2.7	-16.8	-36.3	-5.0	-7.8
- Import volume of raw materials in USD (%y-o-y) /1	17.5	-17.6	-9.9	12.6	0.0	7.7	-17.3	3.5	-14.7	-34.7	-2.6	-8.8
- Capacity utilization (%) /10	58.1	58.3	62.3	67.2	58.8	68.7	65.8	66.5	65.4	62.2	67.9	63.8
- New employment in industrial sector(%y-o-y) /3	-0.4	1.6	5.2	4.0	2.9	-1.3	5.7	-3.6	8.2	8.4	n.a.	8.5
- Thai Industrial Sentiment Index (Index) /9	101.2	99.6	100.9	102.1	104.0	106.0	102.7	98.7	98.5	94.1	93.0	105.2
Service sector												
- No. of foreign tourists (Million persons) /11	19.1	2.0	1.9	1.9	1.7	1.5	1.6	1.8	1.9	1.6	1.7	16.0
(%y-o-y)/14	19.8	10.3	2.8	11.4	8.6	9.9	10.8	4.6	11.5	7.9	20.5	8.7
- New employment in service sector(%y-o-y) /3	0.9	2.1	-2.8	-2.6	-2.5	-1.3	-2.0	-5.2	14.9	-6.1	n.a.	15.4
Demand-side indicators												87
Private consumption indicators												
- Value added tax at constant price (%y-o-y) /1	11.7	6.0	19.3	11.3	9.5	-0.2	10.1	18.8	9.5	32.6	19.4	12.7
- Import volume of consumer goods in USD (%y-o-y) /1	14.5	13.0	29.9	2.7	4.5	13.9	4.1	11.2	-1.3	0.9	27.9	8.2
- Sales of passenger cars (%y-o-y)/14	4.6	-9.8	-4.0	-3.3	23.4	137.5	84.2	99.6	71.7	67.8	263.7	48.6
- Sales of motorcycles (%y-o-y)/13	7.9	-7.1	6.3	-1.2	4.2	14.7	-4.2	6.1	-5.7	-1.3	24.0	1.2
- Consumer Confidence Index (Index) /5	69.8	64.0	65.5	66.5	67.5	67.1	68.5	68.2	68.4	67.5	68.1	67.0
Private investment indicators												
- Import volume of capital goods in USD (%y-o-y) /1	16.5	-2.1	18.3	16.2	21.3	38.9	6.4	34.1	0.9	24.5	46.5	17.1
- Sales of commercial cars (%y-o-y)/14	-4.4	29.1	33.4	36.7	35.2	85.8	68.3	65.5	57.4	39.4	206.8	48.9
- Total taxes collected from real estate transaction (%y-o-y) /1	12.5	-17.0	12.3	13.8	4.2	21.5	45.6	7.8	7.3	6.6	78.8	12.6
- Domestic cement sales (%y-o-y) /2	4.3	7.1	4.5	4.6	4.7	3.1	7.7	12.9	11.9	11.4	30.9	7.5
International trade indicators												
- Exports (Billion USD): custom basis	228.8	15.7	19.0	19.9	16.9	20.9	19.8	19.5	19.8	20.8	19.5	172.3
(%y-o-y)/4	14.0	-2.6	3.7	-4.8	-2.0	10.2	-2.3	-4.5	-6.9	0.2	15.6	-1.1
- Export price (%y-o-y)/4	5.6	1.2	1.1	1.1	0.7	0.6	-0.2	-0.2	-0.2	0.2	0.6	0.5
- Export volume (%y-o-y)/14	8.0	-3.8	2.6	-5.9	-2.6	9.5	-2.2	-4.2	-6.7	0.0	14.8	-1.6
- Imports (Billion USD): custom basis	228.5	16.9	18.5	24.5	19.8	22.7	20.2	21.3	20.8	19.6	22.0	184.3
(%y-o-y)/4	24.9	-4.2	8.2	25.6	7.9	18.2	1.9	13.7	-8.8	-7.7	21.6	5.8
- Import price (%y-o-y)/4	10.1	6.4	6.1	5.2	2.8	1.7	0.3	-0.3	-0.9	-0.2	-0.1	2.3
- Import volume (%y-o-y) /14	13.5	-10.0	2.0	19.5	4.9	16.1	1.6	14.1	-7.9	-7.5	21.7	3.5
- Trade balance (Billion USD): custom basis/4	0.3	-1.1	0.5	-4.6	-2.9	-1.7	-0.4	-1.7	-1.0	1.2	-2.5	-12.0
External economic stability												
- Average exchange rate (Baht/USD) /2	30.5	31.5	30.7	30.7	30.9	31.3	31.6	31.6	31.4	31.0	30.7	31.2
- Current account (Billion USD)/2	11.9	1.0	1.1	-1.5	-1.5	-1.5	0.6	0.1	0.9	1.8	n.a.	0.0
- International reserves (Billion USD)/2	175.1	178.6	180.4	179.2	179.0	171.7	174.7	175.4	179.2	183.6	181.4	183.6
Internal economic stability												
- Unemployment rate (%) /3	0.7	0.8	0.7	0.7	1.0	0.9	0.7	0.6	0.6	0.6	n.a.	0.7
- Producer Price Index (%yoy)/4	5.5	3.6	1.8	1.8	0.8	1.2	-0.4	0.7	0.1	0.1	1.1	1.1
- Headline inflation (%yoy)/4	3.8	3.4	3.4	3.5	2.5	2.5	2.6	2.7	2.7	3.4	3.3	2.9
- Core inflation (%yoy)/4	2.4	2.8	2.7	2.8	2.1	2.0	1.9	1.9	1.8	1.9	1.8	2.2
- Public debt to GDP (%) /1	40.8	41.1	40.7	41.5	42.5	42.7	43.5	44.3	45.1	43.9	n.a.	41.4
1/ Data from Ministry of Finance												
2/ Data from Bank of Thailand												
3/ Data from National Statistical Office												
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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												

