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# Monthly Economic Report (January 2008)

Thailand's economic conditions in January 2008 showed a more balanced economic expansion driven by both domestic demand, as well as continued strong external demand. Private consumption and investment recovered in January, leading to buoyant import growth while export continued to expand strongly. Moreover, government spending continued to expand well, reflecting the crucial role of the government in supporting economic growth. Overall economic stability remained robust despite some risk from increasing inflationary pressure.

1. Fiscal indicators in January 2008 showed the government has played a vital role in supporting the Thai economy. Total budget disbursement in January 2008 amounted to 158.4 billion baht, or grew at 63.2 percent (y-o-y). Capital expenditures amounted to 53.0 billion baht, expanding substantially at 336.0 percent (y-o-y) while current expenditures amounted to 93.9 billion baht, expanding at 25.3 percent (y-o-y). These high growth figures indicated continued expansionary fiscal policy in supporting economic expansion as well as the low-base effect from delayed budget disbursement in the previous fiscal year. Tax collection, which reflects the overall state of the economy, amounted to 114.0 billion baht, expanding 8.8 percent (y-o-y). Income-based tax amounted to 34.6 billion baht, increased by 7.8 percent (y-o-y), reflecting that income in the private sector continued to grow well. Consumption-based tax collection amounted to 43.2 billion baht, expanding substantially by 16.4 percent (y-o-y), due to improving private consumption and rising import.

2. Private consumption indicators in January 2008 showed strong signs of recovery. Consumption indicator from real value-added tax in January grew at 12.4 percent (y-o-y), increasing from previous month which was 4.0 percent (y-o-y), due to rising farmers' income from increasing agricultural prices, increasing salaries in the public sector and improving consumers' confidence following clearer political situation. This was consistent with improving Consumers' Confidence Index (CCI) in the past three consecutive months, which reached 71.2 points in January. Consumption indicator from real import of consumer goods (real terms) in January 2008 expanded strongly at 52.5 percent (y-o-y). Indicators for durable goods consumption also showed positive signs of recovery as number of automobiles sold in January 2008 grew by 32.8 percent (y-o-y). This accelerated car sales was partly due to the government policy, effective in January 2008, to reduce excise tax for new energy saving E20-compatible automobiles. At the same time, motorcycle sales showed sign of improvement by displaying a smaller contraction of -5.0 percent (y-o-y) in January 2008, from a large

contraction of -17.7 percent (y-o-y) in December 2007. This indicated that private consumption at the grassroots may finally begin to recover.

**3. Private investment indicator in January 2008 also showed signs of significant improvement.** Import volume of capital goods, which is an indicator for investment in equipment and machinery expanded by 61.2 percent (y-o-y) in January 2008, this exceptional growth was due partly to import of special items such as two airplanes and an oil driller in January. However, import volume of capital goods excluding these special items still expanded at a high level at 27.1 percent (y-o-y). Also, an indicator for construction related investment showed signs of improvement as real estate-tax collection in January expanded at 8.8 percent (y-o-y), comparing to 7.2 percent (y-o-y) in December 2007. An investment indicator from commercial car sales in January increased substantially at 11.4 percent (y-o-y), a significant improvement from a contraction of -16.6 percent (y-o-y), in December 2007.

**4. Export in January 2008 grew robustly.** Export value of goods in January was at USD 14.0 billion, expanding by 33.3 percent (y-o-y). This was attributed to strong growth rate of export in all sectors, including automotives, electronics, agriculture, and jewelry. At the same time, export to new markets such as China, India, Australia, Vietnam and Middle-east countries showed strong export growth. **Import substantially improved following a revival of domestic demand.** Import values in January recorded at USD 14.6 billion, expanding by 49.1 percent (y-o-y), due mainly to accelerating investment and industrial production as indicated in high growth rates for capital goods and raw material imports. Moreover, import of energy products increased in line with increasing oil prices. Trade balance in January 2008 recorded deficit at USD 0.7 billion, the first time in the past 17 months.

**5. On the supply side, economic indicators in January 2008 showed that production from manufacturing, and service sectors continued to expand well while agricultural sector expanded moderately.** Indicator from Manufacturing Production Index (preliminary) in January continued to expand well at 12.1 percent (y-o-y), coincided with import value of raw materials which expanded substantially at 31.7 percent (y-o-y). Manufacturing Confidence Index in January 2008 increased to 86.0 points, from 79.8 points in December 2007 resulting from increasing orders from domestic and foreign markets. For the service sector, a tourism indicator continued to expand well as the number of foreign in-bound tourists in January 2008 recorded a figure of 1.45 million person, or expanded by 10.9 percent, due to improving political situation as well as low-based effect from last year. Agricultural sector in January 2008, however, expanded moderately. Agricultural Production Index (API) increased by 4.5 percent (y-o-y), decelerating from 13.4 percent (y-o-y) in December 2007. This slow down resulted from earlier than usual harvesting season of palm oil, and rice, while substantial level of rainfall in January led to decreasing rubber harvest. Agricultural prices continued to expand well at 10.2 percent (y-o-y), rising from 8.9 percent (y-o-y) in December 2007.

6. **Overall economic stability remained strong.** For external stability, international reserves at the end of January stood at USD 92.8 billion, which was more than three times over short-term external debts. **On the other hand, internal stability remained good despite some risk from increasing inflationary pressure.** Headline inflation in January 2008, increased to 4.3 percent (y-o-y), comparing to 3.2 percent (y-o-y) in December 2007, due to rising oil price and food-related prices. Energy price index increased by 28.0 percent (y-o-y), while food and beverages price index rose by 4.8 percent (y-o-y). Unemployment rate in December 2007 remained low at 0.8 percent of the total labor force. Public debt to GDP as of December 2007 was at 38.0 percent, declining slightly from the previous month, and remained well below the 50 percent ceiling limit under the Fiscal Sustainability Framework.

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Table 1 Monthly Economic Indicators

	2007	Jan 07	Feb 07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08
<b>External Sector/</b>														
- Dubai crude oil price (US\$/Barrel) /7	68.4	52.1	55.7	59.0	63.9	64.7	65.9	69.9	67.4	73.0	77.3	86.7	86.1	87.3
- Fed funds rate (%) /7	4.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	4.75	4.50	4.50	4.25	3.00
<b>Fiscal sector/1</b>														
- Net government revenue (Billion baht)	1,468.6	102.8	103.7	104.2	85.7	243.8	102.6	86.4	209.1	104.9	113.0	118.7	93.2	96.4
(%y-o-y)	6.8	3.5	3.3	-2.2	-25.0	8.1	33.4	11.4	7.0	32.1	5.1	19.8	-1.6	6.9
Tax collection from revenue, customs and excise departments	1,468.4	104.7	104.4	110.1	107.3	245.0	106.5	101.1	212.7	98.0	104.9	119.1	103.0	114.0
(%y-o-y)	6.7	4.5	4.6	3.1	6.6	4.5	6.0	4.3	2.1	3.2	4.2	10.2	4.6	8.8
Income-based tax (Billion baht)	588.1	32.1	28.4	37.7	35.0	128.4	32.6	31.8	133.6	28.0	30.8	41.5	28.1	34.6
(%y-o-y)	6.8	6.6	-5.1	3.6	12.2	7.0	15.1	12.9	1.6	10.5	8.2	13.8	12.5	7.8
Consumption-based tax (Billion baht)	444.4	37.1	35.5	35.0	37.8	35.6	36.6	35.3	38.3	36.4	38.8	39.3	38.8	43.2
(%y-o-y)	4.7	6.9	4.5	1.9	7.1	-2.6	-0.3	1.9	4.9	3.6	6.9	14.6	7.3	16.4
- Government expenditure (Billion baht)	1,668.1	97.1	200.3	139.9	115.8	137.1	164.4	146.6	122.8	150.9	155.4	127.0	110.9	158.4
(%y-o-y)	25.3	-16.9	78.1	9.8	15.9	54.0	40.1	48.7	5.4	-2.5	73.5	14.0	11.8	63.2
Current expenditure (Billion baht)	1,273.2	75.0	136.8	106.9	97.7	90.4	126.4	119.4	101.3	116.2	121.1	93.9	88.2	93.9
(%y-o-y)	27.4	-16.5	83.3	21.6	35.7	31.0	32.3	58.2	20.0	2.9	60.4	10.6	13.6	25.3
Capital expenditure (Billion baht)	297.7	12.2	54.4	21.0	13.5	40.9	32.2	23.3	17.3	28.1	26.8	18.3	9.7	53.0
(%y-o-y)	37.7	-40.2	107.4	-3.4	-43.9	208.0	112.8	38.6	-35.1	-12.5	367.8	113.0	76.5	336.0
Carry-over budget (Billion baht)	97.2	9.9	9.1	12.0	4.6	5.8	5.8	3.8	4.2	6.7	7.5	14.9	13.0	11.5
(%y-o-y)	15.4	48.0	-21.6	-32.6	20.3	-13.9	-13.2	-39.4	-23.0	-32.2	-10.1	-17.1	-18.9	15.6
<b>Supply-side indicators</b>														
<b>Agricultural sector</b>														
- Agricultural production index (%y-o-y) /6	3.8	11.8	0.6	-2.2	13.3	-0.1	-3.9	7.4	7.2	6.0	-7.6	-1.8	13.4	4.5
- Agricultural price index (%y-o-y) /6	-1.2	-7.1	-1.3	-4.6	-8.5	-9.5	-12.6	-6.4	1.4	9.4	9.4	15.3	8.9	10.2
- New employment in agricultural sector(%y-o-y) /3	0.6	0.4	2.6	3.5	1.2	-6.1	3.0	-0.5	0.2	1.8	0.3	-1.6	3.3	n.a.
<b>Industrial sector</b>														
- Manufacturing production index (%y-o-y) /10	8.1	7.7	6.2	2.4	5.7	3.7	5.9	7.2	9.7	10.3	11.2	13.1	13.6	12.1*
- Imports of raw materials in USD (%y-o-y) /1	14.8	18.5	13.3	14.1	21.9	11.3	6.7	11.3	17.2	9.9	20.5	25.8	10.3	31.7
- Capacity utilization (%) /10	66.1	65.1	62.5	68.7	60.4	67.5	66.6	66.3	66.9	67.4	68.0	68.0	66.0	68.1*
- New employment in industrial sector(%y-o-y) /3	2.2	5.5	1.7	-4.0	-0.2	-1.0	5.1	1.4	5.1	8.8	-1.6	4.2	3.8	n.a.
<b>Service sector</b>														
- No. of foreign tourists (Million persons) /11	14.3	1.31	1.27	1.22	1.09	0.98	1.02	1.15	1.20	1.04	1.15	1.36	1.52	1.45
(%y-o-y)	3.9	2.30	6.40	2.40	0.90	-0.36	-2.40	-0.70	1.40	7.50	11.70	10.60	6.70	10.9
- New employment in service sector(%y-o-y) /3	2.4	3.50	1.69	0.55	2.81	2.05	1.11	4.18	2.58	0.34	4.89	4.58	0.84	n.a.
<b>Demand-side indicators</b>														
<b>Private Consumption Indicators</b>														
- Value Added Tax at constant price (%y-o-y) /1	3.4	5.5	3.7	0.8	5.9	-3.3	-0.5	1.8	5.1	2.4	4.4	11.3	4.0	12.4
- Imports value of consumer goods in USD (%y-o-y) /1	24.7	11.3	22.8	15.0	23.9	20.0	16.7	15.2	25.0	28.8	42.0	48.9	25.2	55.1
- Imports volume of consumer goods in USD (%y-o-y) /1	20.1	10.1	20.8	11.8	20.8	17.1	14.4	10.9	19.3	22.6	34.8	40.4	18.6	52.5
- Sales of passenger cars (%y-o-y)	-11.3	-9.8	-19.0	-16.8	-18.2	-4.7	-0.7	4.7	4.7	-2.1	3.0	-14.9	-45.1	32.8
- Sales of motorcycles (%y-o-y)	-21.2	-11.8	-31.1	-31.6	-18.0	-30.1	-19.0	-19.7	-23.5	-26.4	-13.1	-18.9	-17.7	-5.0
- Consumer confident index (Index) /5	71.0	74.2	73.4	72.8	72.1	71.4	71.0	70.0	69.5	69.2	68.6	69.3	70.4	71.2
<b>Private Investment Indicators</b>														
- Total taxes collected from real estate transaction (%y-o-y) /1	3.2	-10.2	-0.6	-0.1	-5.7	-8.5	6.6	1.8	4.0	9.8	19.5	9.7	7.2	8.8
- Domestic cement sales (%y-o-y) /2	-4.9	-0.5	-4.6	-3.8	-11.0	-7.2	-5.2	-3.5	-1.2	-4.3	-1.2	-0.5	-16.6	n.a.
- Imports value of capital goods in USD (%y-o-y) /1	0.9	-6.8	-10.4	-9.7	4.9	2.4	4.5	-3.3	7.1	10.9	22.0	-11.7	4.5	65.5
- Imports volume of capital goods in USD (%y-o-y) /1	-1.2	-8.2	-11.7	-11.2	3.0	0.3	3.3	-4.6	4.7	8.0	19.1	-14.3	1.8	61.2
- Sales of commercial cars (%y-o-y)	-6.0	-27.8	-18.0	-14.7	-2.5	-9.2	-5.6	-0.5	-0.4	13.3	16.5	5.5	-16.5	11.4
- Industrial Confidence Index (%y-o-y) /9	80.9	83.6	82.7	86.8	77.0	86.1	80.9	72.7	76.0	81.0	81.9	82.3	79.8	86.0
<b>International trade indicators/1</b>														
- Exports (Billion USD): custom basis	152.5	10.5	11.2	12.9	10.8	12.7	12.9	11.8	13.9	13.3	14.5	14.7	13.3	14.0
(%y-o-y)/4	17.5	17.6	17.7	16.6	18.2	18.0	17.7	6.3	17.9	10.4	26.7	24.4	19.0	33.3
- Export price (%y-o-y)/4	5.8	4.2	4.8	5.0	5.7	5.3	4.3	3.6	4.2	5.8	7.3	9.3	8.9	8.4
- Export volume (%y-o-y)	11.1	13.0	13.0	12.8	12.1	14.8	12.8	2.6	13.1	4.3	18.0	13.8	9.3	24.9
- Imports (Billion USD): custom basis	140.0	9.8	10.3	11.0	10.8	12.2	12.0	11.6	13.1	11.3	13.0	12.8	12.0	14.6
(%y-o-y)/4	8.7	4.4	4.8	2.2	10.6	6.7	5.1	2.4	14.0	7.4	20.2	17.4	8.8	49.1
- Import price (%y-o-y)	5.3	3.3	3.6	3.3	3.8	3.1	3.2	4.2	3.5	4.7	8.6	10.7	12.0	12.3
- Import volume (%y-o-y)	3.2	-0.8	-0.4	-2.6	4.8	3.5	1.9	-1.7	10.1	2.6	10.7	6.1	-2.8	36.8
- Trade balance (Billion USD): custom basis	12.5	0.7	0.9	1.9	0.1	0.5	0.9	0.2	0.8	2.0	1.5	1.9	1.2	-0.7
<b>External economic stability /2</b>														
- Average exchange rate (Baht/USD)	34.5	36.0	35.7	35.1	34.9	34.6	34.6	33.7	34.2	34.2	34.1	33.9	33.7	33.2
- Current account (Billion USD)	14.9	1.3	1.4	1.9	-0.1	0.0	1.2	0.4	0.7	1.8	1.9	2.6	1.7	n.a.
- International reserve (Billion USD)	87.5	66.8	68.2	70.9	71.1	71.1	73.0	74.0	74.4	80.7	82.4	84.6	87.5	92.8
<b>Internal economic stability /4</b>														
- Unemployment rate (%) /3	1.4	1.6	1.5	1.6	1.7	1.6	1.4	1.2	1.2	1.2	1.4	1.1	0.8	n.a.
- Producer price index (%yoy)	3.3	2.1	2.9	2.7	1.8	1.8	1.8	1.2	0.3	3.1	4.4	7.9	8.7	10.0
- Headline inflation (%yoy)	2.3	3.0	2.3	2.0	1.8	1.9	1.9	1.7	1.1	2.1	2.5	3.0	3.2	4.3
- Core inflation (%yoy)	1.1	1.6	1.4	1.3	1.2	0.7	0.7	0.8	0.7	0.8	1.0	1.1	1.2	1.2
- Public debt to GDP (%) /1	38.0	37.4	37.6	38.1	38.1	38.2	37.7	37.7	37.9	37.9	38.0	38.3	38.0	n.a.

1/Data from Ministry of Finance

6/Data from Office of Agricultural Economics

2/Data from Bank of Thailand

7/Data from Reuters

3/Data from National Statistic Office

8/Data from Tourism Authority of Thailand

4/Data from Ministry of Commerce

9/Data from Board of Investment

5/Data from University of Thai Chamber of Commerce

10/Data from Office of Industrial Economics

11/ Data from Immigration Office