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## **Press Release on Economic and Monetary Conditions for July 2010**

**The economy in July** grew at a decelerating pace from the previous month in line with softening private consumption, export and production sectors due partly to temporary factors and recorded-high economic activities in June. However, tourism sector continued to expand particularly from resuming trips of tourists from ASEAN countries and China. Meanwhile, private investment improved constantly.

The growth momentum from the first half of 2010, the resilience of the Thai economic fundamentals and improving consumer and investor confidence will be the supporting factors to economic expansion during the second half of the year.

Overall stability remained sound. Headline inflation moderately increased from rising prices of raw food, vegetable and fruit.

Details of the economic conditions are as follows:

**Tourism sector** continued to expand after the political unrest has been subsided. The number of foreign tourist arrivals in Thailand, totaling 1,258,000 persons, grew by 14.9 percent year-on-year (yoy) in response to rising number of tourists from ASEAN countries and China. Correspondingly, hotel occupancy rate rose to 46.9 percent from 37.3 percent in June, owing to increases in hotel occupancy in all regions, especially in the south. Likewise, **investment** continued to improve as Private Investment Index (PII) surged by 22.1 percent (yoy) following an investment expansion in machinery and equipment to accommodate expected domestic and external demand, especially in electronics, electrical appliance and vehicle industries. Concurrently, investment in construction also ameliorated from an expansion in residential and commercial construction, particularly in Bangkok.

**Private consumption** remained favorable. Private Consumption Index (PCI) increased by 5.1 percent (yoy), moderating from a noticeable acceleration last month. All private consumption indicators grew satisfactorily, especially vehicle sale which rose further in tandem with economic expansion and order bookings pending delivery. Besides, VAT collection and imports of consumer goods expanded well.

External demand grew moderately. **Export** value, amounting to 15,475 million US dollars, increased by 21.2 percent (yoy), but decelerating from a growth of 47.1 percent (yoy) in June. Nevertheless, export expanded satisfactorily in all categories. However, agricultural sector whose overall expansion mainly came from rising price contracted in term of export volume, especially rice, due to intense competition from Vietnam. **Import** value, totaling 16,266 million US dollars, rose across the board by 36.5 percent (yoy), particularly from imports of vehicles and parts as well as raw materials to be partly used for export production going forward.

**Production sector** expanded at a slower pace in line with private consumption and export. Manufacturing Production Index rose by 16.3 percent (yoy), decelerating from last month's expansion of 21.9 percent (yoy) due partly to accelerated production in the earlier period, factory maintenance shutdowns in petroleum and chemical industries, as well as shortage of raw materials in food industry. **Agricultural sector** continued to grow favorably mainly from price. Crop prices edged up by 44.5 percent (yoy) in tandem with rising prices of vegetable, rubber, fruit, glutinous paddy and cassava due to strong world demand and supply shortage from drought and pest outbreak. Crop production grew by 1.1 percent (yoy) following increases in production of oil palm and rubber, owing to an expansion of plantation area. Farm income therefore surged by 46.1 percent (yoy).

With regard to **fiscal position**, the government's expenditure, including disbursement of projects under the Strong Thailand 2012 Project, was higher than the government's revenue collection, causing the deficit of cash balance of 56.3 billion baht. This reflected the continuous support of fiscal stimulus to the economy.

**Depository corporations' deposits** (including bill of exchange) expanded by 8.4 percent (yoy), accelerating from the previous month mainly due to an increase in bill of exchange to accommodate rising demand for credit. **Depository corporations' credits** increased further by 8.9 percent (yoy) mainly from household credit expansion. Concurrently, credits extended to businesses continued to expand for the third consecutive month, compared to the same period last year.

With regard to **internal stability**, headline inflation rose from the previous month in line with raw food prices. Meanwhile, core inflation accelerated from rising prices of condiments and cleaning supplies. Unemployment rate declined from the previous month in response to improving employment in manufacturing and trade sectors. **External stability** remained sound. Although the trade balance and the current account were in deficits, the balance of payments registered a surplus, and international reserves remained at a high level.

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