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Press Release on Economic and Monetary Conditions for June and the Second Quarter of 2010

The economic conditions in June resumed its growth momentum after the political unrest has been subsided. The recovery signs in tourism sector became more apparent. Consumption expenditure grew satisfactorily after a slight softening in the previous period. Meanwhile, investment and export continued to expand on the back of the global economic recovery and the resilience of the private sector.

External stability remained sound. With regard to internal stability, headline inflation decelerated in line with oil prices whereas unemployment rate slightly rose mainly from the entry of new workforce into the labor market.

Details of the economic conditions are as follows:

After the political unrest has been subsided, the recovery signs in **tourism sector** became more noticeable. The number of foreign tourist arrivals in Thailand declined by only 0.2 percent year-on-year (yoy), but picked up by 14.8 percent from the previous month after a seasonal adjustment. Correspondingly, hotel occupancy rate rose to 37.0 percent from 34.3 percent in May due to an increase in hotel occupancy in the southern and central regions. Meanwhile, **private consumption** resumed its expansion path. Private Consumption Index (PCI) grew by 8.3 percent (yoy) or 2.7 percent from the previous month in response to expansions in all private consumption indicators, especially passenger car sales which reached a record high. Besides, commercial car and motorcycle sales as well as VAT collection and imports of consumer goods also expanded notably.

Investment continued to improve as Private Investment Index (PII) rose by 21.2 percent (yoy) or 0.8 percent from the previous month. This was supported by investment in machinery and equipment to accommodate future order bookings, especially in electronics, electrical appliance and vehicle industries. Concurrently, investment in construction also ameliorated from an expansion in residential and commercial construction, particularly in the Northeastern and Bangkok areas. Meanwhile, **fiscal stimulus** remained supportive from higher spending on projects under the Strong Thailand 2012 Project.

External demand continued to expand. **Export** value established a new high record at 17,878 million US dollars, growing by 47.1 percent (yoy) in line with favorable expansions in all export categories and markets. **Import** value, amounting to 15,342 million US dollars, rose across the board by 38.3 percent (yoy). Consequently, the **trade balance** continued to register a surplus of 2,536 million US dollars. Although the **services, income and transfers account** remained in deficit in response to rising investment income payments, the **current account** was still in a surplus of 681 million US dollars. Regarding **capital movements**, there were net capital inflows of 2,168 million US dollars. As a result, the **balance of payments** resumed a surplus of 2,166 million US dollars.

Production sector expanded markedly in line with both domestic and external demand. **Manufacturing Production Index** rose by 21.3 percent (yoy) or 5.3 percent from the previous month after a seasonal adjustment. Improvements were witnessed in both productions for export and for domestic uses such as electronics, electrical appliances and vehicles. **Agricultural sector** continued to grow favorably, both production and price. Crop productions rose by 7.5 percent (yoy) following increases in productions of oil palm, rubber and paddy due to an expansion of plantation area. Crop prices also edged up by 39.6 percent (yoy) in tandem with rising prices of vegetable, fruit, rubber, glutinous paddy and cassava due to strong world demand and supply shortage from drought and pest outbreak. Farm income therefore rose by 50.1 percent (yoy).

Depository corporations' deposits (including bill of exchange), although increasing by 6.4 percent (yoy), declined by 237 billion baht from the previous month partly owing to corporate income tax remittances to the treasury. **Depository corporations' credits** expanded by 8.3 percent (yoy), mainly due to accelerated mortgage loans to household before the expiration of the benefits from exemption of asset transfer and mortgage registration fee in June. Concurrently, credits extended to businesses continued to improve.

With regard to **internal stability**, headline inflation decelerated in line with oil prices. However, Producer Price Index increased from a substantial rise in agricultural product prices. Meanwhile, **external stability** remained sound.

The economic conditions in the second quarter of 2010 continued to expand satisfactorily from the first quarter, although decelerating due to the political uncertainty. Both domestic and external demand expanded well in tandem with production sector. Both internal and external stability remained sound.

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