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Press Release on Economic and Monetary Conditions for March and the First Quarter of 2010

The Thai economy in March 2010 steadily grew from expansions in both domestic and external demand, as well as in production side. Global economic recovery, improving employment and favorable farm income were the main factors contributing to the economic expansion. Meanwhile, the number of foreign tourist arrivals in Thailand declined from the previous month due to seasonal factors and tourists' concern over domestic political situation.

External stability remained favorable as reflected in current account surplus and high level of international reserves. With regard to internal stability, core inflation rate rose but remained at low level.

Details of the economic conditions are as follows:

Domestic demand including private consumption, private investment and government spending satisfactorily expanded. **Private Consumption Index (PCI)** grew by 8.7 percent year-on-year (yoy) or 1.7 percent from the previous month due to favorable farm income and improving employment. Likewise, **Private Investment Index (PII)** continued to improve and stood above the pre-crisis level, increasing by 18.2 percent (yoy) or 3.1 percent from the previous month, the highest growth rate in the 10-month period. This was mainly from imports of industrial machineries used in export-oriented industries such as electronic, vehicle and electrical appliance industries. Meanwhile, **fiscal stimulus** remained supportive owing to both budget disbursement and loan disbursement of projects under the Strong Thailand 2012 Project such as irrigation management and development as well as capital injection for specialized financial institutions (SFIs).

Regarding external demand, export continued to register a marked expansion in line with the global economic recovery. **Export** value, amounting to 16,094 million US dollars, rose by 41.0 percent (yoy). In particular, exports of agricultural and high-tech products continued to register high growth rates. Export value of agricultural products rose in response to increasing rubber and cassava prices, while that of high-tech products expanded following exports of vehicles, electrical appliances and petroleum products.

Improvement in demand led to a 62.0 percent (yoy) expansion in **import** value, amounting to 15,004 million US dollars. Moreover, expansions were witnessed in imports of consumer and capital goods, as well as raw materials.

Production side also expanded in tandem with external and domestic demand. **Manufacturing Production Index (MPI)** rose by 32.6 percent (yoy). After seasonal adjustment, MPI considerably grew by 4.2 percent from the previous month, especially export-oriented productions. As a result, seasonally-adjusted capacity utilization rate rose from 68.3 percent in February to 69.7 percent this month. For **agricultural sector**, crop productions expanded by 2.3 percent (yoy) in response to increases in oil palm, sugar cane and rubber plantations. Meanwhile, crop prices increased by 18.8 percent (yoy), contributing to a 21.5 percent (yoy) growth in farm income.

Although the economic conditions in March continued to expand satisfactorily, both consumers' and 3-month expected businesses' confidence declined due to concerns over political situation.

Headline inflation rate decelerated from the previous month following energy and raw food prices. **Core inflation rate** rose from the earlier month, but remained low at 0.4 percent (yoy). Meanwhile, **Producer Price Index (PPI)** grew by 12.6 percent (yoy), increasing from the previous month in line with world commodity prices.

Depository corporations' deposits (including bill of exchange) expanded by 5.7 percent (yoy), accelerating from 4.7 percent (yoy) in the previous month due to financial institutions' accelerating deposit mobilization, especially SFIs to partly accommodate demand for credits during the economic recovery going forward. Meanwhile, **depository corporations' credits** continued to expand by 6.0 percent (yoy) mainly from household credit expansion.

External stability including international reserves, current account and external debts remained favorable. With regard to **internal stability**, unemployment and inflation rates remained low.

Economic conditions in the first quarter of 2010, both expenditures and productions, improved from the last quarter of 2009. Private consumption was higher than the pre-crisis level, while private investment continued to improve, especially investment in export-oriented industries. Meanwhile, export and production sectors substantially expanded, especially high-tech sector.

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