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Press Release on Economic and Monetary Conditions for September and the Third Quarter of 2009

The economic conditions in September 2009 continued to improve from the previous month in tandem with increased private and public spending as well as the pickup in external demand and world economy. Exports though still contracted, but at a continually decelerating rate. Correspondingly, manufacturing production increased, both for domestic and overseas markets. Meanwhile, private investment, though improving, remained low as producers' excess production capacity could accommodate for the increase in demand.

Overall stability was upheld by a current account surplus as well as a high level of international reserves. Inflation rates remained low, while employment conditions improved particularly in the manufacturing sector.

Details of the economic conditions in **September and the third quarter of 2009** are as follows:

Private consumption improvement reflected in Private Consumption Index (PCI) which increased 4.5 percent from the previous month. When compared to the same period last year, the index declined 1.1 percent, decelerating from 4.4 percent in August. Particularly, expenditures on durable goods rose, such as those on cars and electrical appliances as well as durable consumer good imports. Domestic spending was bolstered by the government's disbursement acceleration, favorable farm income, lower unemployment, as well as the strengthened consumer confidence.

Export value, amounting 14,749 million US dollars, shrank 8.3 percent year-on-year (yoy), markedly gaining compared to the previous month's contraction of 17.9 percent (yoy). This was due partly to gold exports which recorded at 1,013 million US dollars in this month. However, export excluding gold still continually increased, particularly in agriculture and manufacturing categories. These included the exports of electronics, electrical appliances, as well as vehicles which saw the return of external orders. On the other hand, **import** registered smaller contractions across the board, namely, imports for consumption, investment, and production. September's import value contracted 18.2 percent (yoy) to 12,701 million US dollars, decelerating compared to August's contraction rate of 33.8 percent (yoy).

Foreign tourists began resuming trips to Thailand. September foreign tourist arrivals totaled 1.05 million, up 6.2 percent from the previous month. Occupancy rate, after seasonal adjustment, also increased to 48.6 percent, compared to 48.0 percent in August. The improvement in tourism sector was in line with the economic recoveries of key traveler countries.

More fortified purchasing power, both domestically and overseas, also induced an improvement on the **production side**, particularly with the increase in Manufacturing Production Index (MPI) both for domestic and external markets. September's electronics production climbed to approximately the same level as pre-global-financial-crisis period, and orders of electronics products continued at least until the forth quarter of this year. **Private investment** began to revive, apparent in the gradual improvement in Private Investment Index (PII), though remaining low compared to pre-crisis period. This largely corresponded to machinery and equipment investment in electronics, electrical appliances, and vehicle industries. The continual upward adjustment in both current and expected business sentiment indices helped reaffirm the recovering of private investment.

Financial system's liquidity slightly increased from the previous month. In September 2009, deposits of depository corporations expanded 7.4 percent (yoy), a rate close to that of August, while private credits slightly decelerated to 0.4 percent (yoy). However, September's outstanding private credits exceeded that of August by 39.4 billion baht, increasing for the second consecutive month.

Internal and external stability. Inflation rates began registering smaller contractions following gradual improvement in both domestic and external demands as well as energy prices which adjusted upward. Unemployment rate slightly lowered from the previous month. On the external front, balance of payment recorded a surplus, attributed to both current account and net capital inflows.

In the third quarter of 2009, economic indicators continued to improve from the previous quarter, on both spending and production sides. Private investment improved somewhat, but remained low compared to the pre-crisis level. Export in the third quarter notably improved in manufacturing category, particularly high-tech industry, while agriculture and labor-intensive industries slightly picked up.

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