



BANK OF THAILAND

**BOT Press Release**

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Press Release on the Economic and Monetary Conditions in April 2013

The overall economy moderated on the back of softening domestic spending, while exports and export-oriented manufacturing recovered slowly in line with the gradual global economic recovery. Manufacturing production was further dampened by temporary factors: the reduction of production by some industries in response to the government's request for less energy use during this month and raw material shortage. As a result, overall manufacturing production contracted, but tourism continued to expand robustly.

On the stability front, inflation eased and unemployment was low. The trade and current accounts recorded deficits while the capital account was in surplus from short-term borrowings by financial institutions to manage liquidity in the foreign exchange swap market and non-resident portfolio inflows.

Data analysis from this month onward is based on a comparison with the same period last year as the impact of the floods had much subsided and economic activities had largely returned to normal by April 2012. Details of the economic conditions are as follows:

Private spending decelerated. The **Private Investment Index** (PII) declined by 1.1 percent year-on-year (yoy) from machinery and equipment investment which had previously picked up strongly in the post-flood reconstruction period. With a delay in global economic recovery, some export-oriented businesses also postponed their investment. At the same time, construction investment slowed down after a period of acceleration. The **Private Consumption Index** (PCI) expanded by 1.7 percent (yoy), softening slightly from last month's growth rate in line with decelerated car purchases that owed partly to the high base effect as a major car manufacturer fully resumed production after being hit by the floods and accelerated delivery a year ago. Nevertheless, overall consumption continued to have momentum with support from favorable non-farm employment and income. As a result, VAT collection and imports of consumer goods expanded.

Some moderation in private consumption growth was attributable to **farm income** that declined by 7.7 percent (yoy) from both price and output factors. Agricultural output contracted from paddy rice and cassava as a result of unfavorable water supply and weather conditions. Agricultural prices fell in line with reduced rubber demand from China whose rubber inventory level remained high.

**Merchandise export value** stood at 17,251 million US dollars, up by 3.7 percent (yoy) as manufacturing exports slowly improved along with foreign demand. However, exports of rice and rubber declined from a slowdown in orders while exports of frozen prawn contracted as a result of supply shortage due to prawn disease. Meanwhile, the tourism sector grew robustly, with 2.1 million foreign tourist arrivals or an expansion of 21.6 percent (yoy) due to growth in the number of tourists from almost all regions, notably China and Russia.

Temporary deceleration of production in some industries to conserve energy, raw material shortage, and a slow recovery of exports contributed to a contraction in overall manufacturing production. The **Manufacturing Production Index** (MPI) thus declined by 3.8 percent (yoy), owing largely to lower production of hard disk drives (HDD), integrated circuits and parts, and frozen processed food. Meanwhile, automobile production expanded at a slower pace compared to the previous month.

During this month, imports of raw material and intermediate goods picked up, owing mainly to fuel imports in preparation of production speeding up to compensate for the period of shortage of natural gas supply from Myanmar. Coupled with expanding private consumption and a state enterprise's import of aircrafts, this led to **merchandise imports** of 18,871 million US dollars, up by 8.5 percent (yoy).

On the **fiscal side**, government spending rose from fund transfers to local administrations, transfers to the National Health Security Fund, and capital expenditure for irrigation and transportation projects. At the same time, government revenue grew from VAT collection on domestic consumption and corporate income tax on profit remittances by Japanese companies. Government spending that outpaced revenue collection led to a cash balance deficit of 47.1 billion baht.

On the **stability** front, the unemployment rate was low, and headline inflation moderated to 2.42 percent (yoy), thanks to softening energy prices. The current account registered a deficit from both a trade balance deficit and accelerated transfers of profits and dividends. Meanwhile, the capital account recorded a surplus of 4,166 million US dollars from short-term borrowings by financial institutions to manage liquidity in the foreign exchange swap market and non-resident portfolio inflows. The overall balance of payments was in a slight surplus.

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