



BANK OF THAILAND

BOT Press Release

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Press Release on Economic and Monetary Conditions for February 2012

**The Thai economy improved continuously in February 2012.** Private consumption and investment surpassed pre-flood levels in tandem with acceleration in imports of consumer and capital goods and a steady improvement in the production sector. Meanwhile, exports showed signs of recovery albeit with still small year-on-year growth. Overall economic stability remained sound as employment conditions improved while inflation remained relatively stable from the previous month.

Details of the economic conditions are as follows:

Private consumption and investment recovered markedly and surpassed pre-flood levels as the floods' impact subsided. **The Private Consumption Index (PCI)** expanded by 6.6 percent year-on-year (yoy) on the back of strong consumer demand. This was reflected by a broad-based expansion of consumption indicators, especially VAT collection, which rose from both domestic consumption and import bases. Meanwhile, domestic vehicle sales resumed accelerated growth following a rapid increase in production to accommodate large pent-up demand. Likewise, fuel consumption rose across all components. Concurrently, **the Private Investment Index (PII)** surged by 8.8 percent (yoy) as restored business confidence led investors to resume their investment plans and increased investment for repair work and replacement.

**The manufacturing production index (MPI)** contracted by 3.4 percent (yoy), edging up across all industries from last month's contraction of 15 percent (yoy). Marked improvements were observed in the automobile, hard disk drive, electrical appliances, as well as integrated circuit and parts industries as flood-affected producers were able to increase their production following resolved supply chain disruption. Consequently, the capacity utilization rate rose to 62.3 percent from 58.5 percent in the previous month. **Agricultural production** expanded by 0.5 percent (yoy) upheld by a continuous rise in rubber, oil palm, sugar cane, cassava, and livestock production while rice production still contracted due to the impact from floods. However, **agricultural price** dropped by 16.1 percent (yoy) following a marked contraction in rubber price due to last year's record high price. **Farm income**, therefore, decreased by 15.7 percent (yoy).

Improvement in private consumption, investment, and manufacturing production, induced the **import value** to increase by 8.2 percent (yoy), especially imports of consumer and capital goods. The recovery in the production sector also led **export value** to resume growth of 1.2 percent (yoy) as flood-affected exports registered gradual recovery while exports of agro-manufacturing products continued to grow well. Exports of petroleum product also increased due to rising global crude oil prices. However, exports of agricultural product contracted due to a reduction in rubber price following last year's high base effect.

The **tourism sector**, which had already recovered in January, moderated from temporary factors. The number of foreign tourist arrivals totaled 1.8 million people, growing slightly by 2.4 percent (yoy). This was attributable to the postponement of travel plans of tourists from East Asia, especially China, Hong Kong, and Taiwan due to concerns over bombing incidents in Bangkok, as well as last year's high base effect associated with the Chinese New Year which fell in February. However, the combined number of foreign tourists for January and February which eliminated the Chinese New Year effect still expanded by 5.2 percent (yoy).

**The fiscal stimulus** increased as the enactment of the Budget Act Fiscal Year 2012 on the 8<sup>th</sup> February 2012 resulted in accelerated disbursement of both current and capital expenditures especially transfer payment to local government and extra-budgetary funds. Meanwhile, the government's revenue rose in tandem with economic recovery, with an exception of excise tax collection due to the postponement to lift diesel price subsidy. Higher expenditures relative to revenue, therefore, resulted in a cash balance deficit of 119.4 billion baht.

**Overall economic stability remained sound.** Employment conditions improved in line with continual recovery in the production sector. Headline inflation remained stable from the previous month at 3.35 percent (yoy) as the rise in energy prices following rising global oil price and the reintroduction of contributions to the oil fund was offset by softening raw food prices due to an oversupply. Core inflation remained unchanged from the previous month. External stability remained sound, with surplus in the balance of payment arisen from both trade surplus and net capital inflows.

Bank of Thailand  
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