



BANK OF THAILAND

**BOT Press Release**

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Press Release on the Economic and Monetary Conditions in February 2013

In February 2013, domestic spending, exports, and manufacturing production moderated from the previous month after having expanded strongly. This was partly due to temporary factors such as fewer working days than normal and raw material constraints. Nevertheless, tourism thrived while overall economic stability was well maintained, with low unemployment, easing inflation and a surplus in the balance of payments.

The analysis of this month's data is still based on a seasonally adjusted comparison with the previous month. This can reflect the economic momentum more accurately than year-on-year growth figures which are distorted by the flood that took place in late 2011. Details of the economic conditions are as follows:

Private spending decelerated following a marked pickup in the preceding period. **The Private Consumption Index (PCI)** in February contracted by 0.5 percent month-on-month (mom) along with a decline in imports of consumer goods, both durable and non-durable, and the associated drop in imports-based VAT collection. Nonetheless, overall VAT collection still expanded, and automobile purchases remained at an exceptionally high level. **The Private Investment Index (PII)** meanwhile declined by 2.4 percent (mom) from lower capital imports and permitted commercial construction areas. However, investment in domestic machinery and commercial cars continued to grow.

**Merchandise export value** stood at 17,766 million US dollars, dropping by 3.4 percent (mom). Agricultural exports suffered from supply constraints, in particular prawn disease, while electronics exports continued to be affected by weak global demand and automobile exports moderated as automakers gave priority to domestic market. Nevertheless, exports of electrical appliances, particularly air conditioner, rose as a result of stronger demand from ASEAN countries and the Middle East. Tourism was also buoyant, with 2.3 million foreign tourist arrivals during this month, mainly from China, Malaysia and Russia.

Moderated domestic demand and merchandise exports corresponded to declines in manufacturing production and merchandise imports. **The Manufacturing Production Index (MPI)** dropped by 1.4 percent (mom). Food and beverages production contracted from raw material constraints, especially sugarcane and prawn. Despite full capacity

utilization, automobile production dropped due to fewer working days, while production of integrated circuits and parts continued to be subdued as global demand remained weak. **Merchandise import value** for this month totalled 17,191 million US dollars, declining by 8.9 percent (mom) from all product categories but in particular fuels and capital goods.

Even though private spending moderated, household income remained strong, thanks in part to expanding employment. Furthermore, **farm income** stayed a high level despite some decline from the previous month as a result of lower prices, particularly of rubber which was affected by easing demand from China after having already built up inventory in the period leading up to the Chinese New Year. Agricultural production rose from the previous month, however, on the back of increased rubber production following an expansion in planting area over the past few years.

On the **fiscal side**, government spending moderated because much of the extra-budgetary funds had already been transferred in the previous months. Meanwhile, revenue collection decelerated in tandem with a slowdown in overall economic activity. Government spending above revenue collection led to a budget deficit. However, there was a surplus in the non-budgetary balance, so the cash balance registered an overall surplus of 1.5 billion baht.

**Economic stability** remained sound. Unemployment was low, and headline inflation moderated from the previous month to 3.23 percent (yoy), thanks to a decline in energy prices as well as fresh food prices as a result of increased supply of vegetables and fruits. The balance of payments was in surplus from net capital inflows, mainly as a result of short-term loans by financial institutions for foreign exchange swap transactions, together with a current account surplus.

Bank of Thailand  
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