



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions in January 2013

The overall economy in January 2013 expanded on the back of favourable private spending from both consumption and investment, strong growth in the tourism sector, and a continued recovery of merchandise exports. However, manufacturing production moderated slightly. Economic stability was well maintained, with easing inflation, low unemployment, and a balance of payments surplus.

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 due to the historical flood in 2011. Details of the economic conditions are as follows:

Private spending showed good traction. **The Private Consumption Index (PCI)** rose by 2 percent month-on-month (mom) from all components. VAT collection picked up in line with rising consumer goods imports and a high level of automobile purchases. **The Private Investment Index (PII)** also grew by 0.6 percent (mom), thanks to both investment in machinery and equipment to enhance productivity and expand production capacity and investment in construction.

Merchandise exports increased gradually along with a more stable global economy. **Merchandise export value** stood at 17,924 million US dollars, up slightly from the previous month, following an improvement almost across the board, especially in steel and metal, vehicles, and electrical appliances. At the same time, exports of agricultural products grew from rice and rubber. Robust domestic spending and recovering merchandise exports led to an increase in **merchandise import value** which reached 20,745 million US dollars. Excluding gold, the import value would be 18,035 million US dollars, rising still from imports of consumer goods, vehicles as well as raw materials and intermediate goods.

Despite better domestic and external demand, **the Manufacturing Production Index (MPI)** dropped slightly from the previous month following (1) a contraction in food and beverages production as a result of raw material constraint, particularly sugarcane; (2) a decline in hard disk drive (HDD) production as a result of an alteration in production management at some firms; and (3) subdued production of integrated circuits and parts as

global demand remained weak. Nevertheless, automobile production was sustained at a high level to accommodate the domestic order backlog from last year.

In the agricultural sector, **farm income** stayed high despite some decline from the previous month as a result of less output, particularly of rice which had already been harvested in advance due to fear of drought. Meanwhile, agricultural prices were broadly stable.

The **tourism** sector remained buoyant. Foreign tourist arrivals were recorded at 2.3 millions, owing mostly to high number of tourists from China, Japan, and South Korea.

On the **fiscal side**, government spending rose with fund transfers to educational institutions and local administrations, while capital expenditure moderated slightly after having accelerated in the previous period. At the same time, revenue collection from both consumption and income taxes grew in line with favourable domestic activity. Government spending that outpaced revenue collection led to a cash balance deficit of 53.9 billion baht.

Regarding **economic stability**, headline inflation stood at 3.39 percent (yoy), moderating from the previous month as last year's energy prices were high due to the reinstatement of contribution to the Oil Fund. Core inflation also moderated to 1.59 percent (yoy) as the price of prepared food decelerated. The unemployment rate remained modest at 0.5 percent. The balance of payments was in surplus owing mainly to an increase in non-resident portfolio investment.

Bank of Thailand
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