



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for March and the First Quarter of 2013

In March 2013, the overall economy moderated from domestic spending, both consumption and investment. However, merchandise exports picked up in tandem with production in export-oriented manufacturing industries. Tourism continued to expand robustly. Economic stability was well maintained overall, with low unemployment, easing inflation, and a slight deficit 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 after a marked pickup in the preceding period. The **Private Consumption Index** (PCI) contracted by 1.1 percent month-on-month (mom) from a decline in VAT collection as well as imports of consumer goods, especially durables such as electrical appliances and furniture. Nonetheless, automobile purchases continued to expand well as a result of order backlog and marketing promotions by car manufacturers. At the same time, the **Private Investment Index** (PII) declined by 0.7 percent (mom) along with a slowdown in machinery and equipment investment after a period of acceleration. However, investment in commercial cars increased, and construction investment expanded with rising permitted construction areas for both commercial and residential purposes.

**Merchandise export value** totalled 20,491 million US dollars, up by 4.9 percent (mom) from a recovery in global demand for electronics and automobile, particularly commercial cars. Exports of agricultural products also improved from a pickup in rice exports, while rubber exports levelled off as the rubber inventory of China, a major importer country, remained high. Nevertheless, fishery exports contracted for the fourth consecutive months as prawn disease continued to cripple supply. Meanwhile, tourism grew robustly, with 2.3 million foreign tourist arrivals due to an increase in the number of visitors from many countries, notably China and Russia. Tourists from Malaysia dropped, however, as a result of tension in the three southern provinces.

Recovering merchandise exports coupled with a temporary acceleration of production in some industries to ease electricity demand in April led to an expansion in manufacturing production during this month. The **Manufacturing Production Index** (MPI) grew by 4.1 percent (mom) as automobile production remained strong to address order backlog, food and beverages industries replenished inventory, and electronics production accelerated. As a result, imports of raw material and intermediate goods rose. However, imports of consumer goods and automobile declined after having accelerated earlier. Altogether, **merchandise imports** dropped slightly by 0.4 percent (mom), with import value totalling 18,466 million US dollars.

Despite some moderation, domestic spending showed good traction with continued support from rising household income and employment. Nevertheless, **farm income** fell slightly as subdued global demand tamed the price of rubber, while domestic rice price declined temporarily before the government approved this year's second crop rice pledging scheme toward the end of the month. Meanwhile, agricultural output rose, particularly rubber due to the expansion in planting area over the past few years and cassava in response to higher demand for ethanol production.

On the **fiscal side**, government spending increased but mostly in the form of fund transfers to local administrations. At the same time, government revenue grew from more personal income tax collection in line with rising household income. Government spending that outpaced revenue collection led to a cash balance deficit of 57.3 billion baht.

**Economic stability** was well maintained overall. The unemployment rate was low. Headline inflation moderated to 2.69 percent (yoy), thanks to softening prices of energy and prepared food. The balance of payments was in slight deficit, mainly from capital outflows in the form of portfolio and direct investment by Thai investors and firms.

**For the first quarter of 2013 as a whole**, the economy stabilized at a level comparable to the previous quarter. Private spending continued to be the key driver of economic activities, and tourism was buoyant. Meanwhile, merchandise exports gradually recovered in line with a stabilizing global economy. On the stability front, unemployment was kept low, and inflation moderated. The currency appreciated from a surplus in the current account coupled with strong capital inflows in the form of direct investment and debt security investment by non-residents.

Bank of Thailand

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