



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for November 2013

**Overall economic activities in November 2013** softened from the previous month owing to contraction in private consumption and investment. Production in export-oriented industries, however, expanded from the preceding month thanks to a gradual improvement in merchandise exports. The tourism sector continued to expand despite China's new tourism law and Thailand's political protests.

On the stability front, inflation rose on the back of increased pass-through of higher costs to prepared food prices. The current account registered a surplus thanks to an improvement in the trade balance as well as the services, income, and transfers balance. The capital account registered a deficit owing mainly to outflows of foreign portfolio investment. Overall, the balance of payments recorded a deficit.

Details of the economic conditions are as follows.

Private consumption dropped from the previous month as households remained cautious on spending given their previous debt accumulation and weakening confidence. The **Private Consumption Index** (PCI) fell by 2.4 percent year-on-year (yoy). This softening in spending was owed primarily to a contraction in purchases of durable goods—particularly automobiles on account of last year's high base and a decline in new orders. Imports of consumer goods, especially durable items, also fell. Meanwhile, spending on nondurable goods, such as imported food and beverages and fuel, only rose at a slower pace.

Private investment edged down slightly from the previous month. However, compared with the year-earlier level, the **Private Investment index** (PII) dropped by 7.8 percent on account of a decline in commercial car sales as well as machinery and equipment imports. Some businesses continued to postpone their investment awaiting clearer signs of a recovery in the economic outlook. Meanwhile, construction investment grew at a moderated pace.

Exports of agriculture and manufactured products—in particular, processed agricultural products, electrical appliances, and petrochemical products—advanced gradually along with improving global demand. However, some merchandise exports continued to face supply-side constraints, particularly fishery products following the shrimp disease outbreak. Meanwhile, exports of electronics and parts increased only slightly due to limited production capability to take full advantage of the increasing global demand for high-technology equipment. In addition, steel and metal exports continued to fall from a high base last year. As a result, this month's overall export value fell to 18,569 million US dollars, down 4 percent (yoy).

Manufacturing production, particularly in export-oriented industries, posted a modest increase from the previous month in tandem with a slight improvement in exports of merchandise goods. However, if compared with its level a year ago, the **Manufacturing Production Index** (MPI) dropped by 10.6 percent mainly on account of the following factors. First, having been accelerated last year, automobile production continued to fall despite a rise in foreign orders. Second, frozen shrimp production decreased because of the disease outbreak. Third, production of hard disk drives dropped as a result of changes in consumer preferences and also on account of last year's elevated level due to improved foreign orders.

**Merchandise imports** registered 17,055 million US dollars, down 9.3 percent (yoy). This month's imports were held down by declines in almost all categories except fuel in line with softening economic activity.

**Farm income** rose by 5.8 percent (yoy) thanks primarily to an increase in agricultural output—in particular, rice and rubber production respectively on the back of favorable weather conditions and the previous expansion of planting area. However, the ongoing shrimp disease outbreak continued to affect production. Farm prices slightly increased on account of rising prices of shrimp and livestock given a limited supply. Meanwhile, rice prices continued to decline in tandem with falling global prices following good harvest in major producing countries. Rubber prices also fell owing to excess supply despite an increase in foreign orders, particularly from China.

The **tourism** sector expanded this month with 2.4 million foreign tourist arrivals, up 11.9 percent (yoy). The number of tourists from all regions rose despite Thailand's political protests and the implementation of China's new tourism law since October 2013.

**Fiscal spending** contracted from the same period last year. This was attributable to last year's high base owing to the expedited off-budget fund transfers as well as last year's accelerated government investment. The contraction in fiscal spending was also attributable to some investment outlays that were delayed due to political protests. Meanwhile, government cash receipts fell following declines in excise tax, VAT, and import duty revenues in line with an economic slowdown. The government's cash balance this month registered a deficit of 118 billion baht.

On the **stability** front, headline inflation edged up to 1.92 percent following increases in fresh food and energy prices. Core inflation increased slightly to 0.85 percent on the back of increased pass-through of higher costs to prepared food prices. The current account posted a surplus thanks to a positive trade balance, an increase in tourist receipts, and a fall in repatriation of profits and dividends. The capital account recorded a deficit mainly because of outflows of foreign portfolio investment. Overall, the balance of payments posted a deficit.

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