



BANK OF THAILAND

BOT Press Release

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No. 61/2012

Press Release on the Economic and Monetary Conditions for October 2012

The overall economy in October 2012 expanded on the back of private spending as both consumption and investment grew favourably along with production in domestic-oriented industries. Tourism also expanded robustly, but merchandise exports continued to be weighed down by weak global demand. Economic stability remained sound overall, with unemployment rate staying low and inflation moderating slightly from food prices.

The analysis of this month's data is based on a comparison with the previous month, as it can reflect the economic momentum better than year-on-year growth figures. In particular, year-on-year growth would be exceptionally high and distorted by the low base effect from last October when the economy was hit by the historical flood.

Details of the economic conditions are as follows:

Private spending in both consumption and investment showed favourable traction. The **Private Consumption Index (PCI)** rose by 0.4 percent month-on-month (mom), close to its normal growth trend. This was attributable to an acceleration in imports of consumer goods, particularly food and beverages, and spending on automobile. Meanwhile, the **Private Investment Index (PII)** expanded by 0.9 percent (mom), with a surge in spending on machinery and equipment as indicated by the pickup in imports of machinery across almost all industries. This was in part for the on-going reconstruction after the flood and in part to accommodate the expansion in domestic demand. At the same time, investment in construction also rose, mainly from residential and commercial construction.

Buoyant private domestic spending led to an expansion in manufacturing production. The **Manufacturing Production Index (MPI)** grew by 5.4 percent (mom), with a particularly strong rise in production in domestic-oriented industries, especially food and beverages, cement, and construction materials. Production in export-oriented industries expanded slightly from production of apparels and electrical appliances. However, production of integrated circuits and parts as well as of hard disk drives continued to contract as a result of weak global demand. In the agricultural sector, **farm income** stabilised as higher farm prices compensated for slightly lower production.

Expanding private spending and manufacturing production led to a substantial increase in **imports**, which reached 19,274 million US dollars this month. Excluding gold, the import value expanded by 8.5 percent (mom) following a pickup in imports of raw materials, capital goods, and consumer goods.

Tourism continued to expand robustly. Foreign tourist arrivals of 1.7 millions reflected an increase in the number of tourists from almost every region, especially China and Malaysia. Nevertheless, the number of Middle East tourists declined due to political events in that region.

Merchandise exports continued to be affected by weak global demand. The **export value** stood at 19,128 million US dollars this month, declining from the previous month by 3.5 percent. However, exports excluding gold grew by 2.4 percent following an increase in exports of agricultural products, especially rice, and slight improvement in exports of most key manufacturing products.

On the **fiscal side**, government spending increased mainly from transfers to the Bank for Agriculture and Agricultural Cooperatives (BAAC) for the operation of agricultural products pledging schemes and transfers to the National Health Security Fund. At the same time, revenue collection remained high from strong growth in excise tax collection, especially excise tax on automobile sales. Spending that outpaced revenue collection nonetheless led to a cash balance deficit of 162 billion baht.

Economic stability remained sound overall. Unemployment rate continued to be low, and headline inflation declined slightly to 3.32 percent (yoy) as fresh prices inflation eased due to the high base effect from last year when fruit and vegetables were particularly damaged by the flood. Meanwhile, core inflation moderated to 1.83 percent (yoy) in tandem with slowing food inflation. On the external side, the balance of payments registered a deficit from a combination of current account deficit and net capital outflows. The current account deficit was mainly a result of accelerating imports, while net capital outflows were mainly attributable to Thai Direct Investment, Thai investors' portfolio investment overseas, and repayment of maturing short-term loans by commercial banks.

Bank of Thailand
30 November 2012

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