



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for November 2012

The overall economy in November 2012 continued to expand. Private spending, both consumption and investment, remained the key drivers of growth, while merchandise exports also picked up, all of which led to a noted improvement in manufacturing production. In addition, growth in the tourism sector remained robust. Regarding economic stability, unemployment was low and headline inflation moderated primarily from fresh food prices.

The analysis of this month's data is still based on a seasonally adjusted comparison with the previous month. This should reflect the economic momentum more accurately than year-on-year growth figures which are distorted by the low base effect due to last year's historical flood.

Details of the economic conditions are as follows:

Private spending in both consumption and investment continued to serve as the main thrust of growth. The **Private Consumption Index (PCI)** grew by 1.8 percent month-on-month (mom), accelerating mainly from a pickup in consumption based VAT collection as well as from growth in automobile purchases and the associated increase in fuel usage. The **Private Investment Index (PII)** also expanded by 1.8 percent (mom), accelerating from a surge in machinery and equipment spending to accommodate domestic demand growth.

Merchandise exports picked up from the previous month in response to a gradual recovery in global demand. Export value stood at 19,332 million US dollars, rising from the previous month by 6.7 percent. Excluding gold, exports grew by 7.8 percent (mom), reflecting better performance in the exports of electronics products, especially hard disk drives (HDD), and metal and steel products. Agricultural exports contracted, however, following an exceptional acceleration in rice exports last month.

Buoyant private domestic spending coupled with recovering merchandise exports led to an increase in manufacturing production and merchandise imports (excluding gold). The **Manufacturing Production Index (MPI)** grew by 9.6 percent (mom) notably from the production of HDD, petroleum, food and beverages, tobacco, integrated circuits and parts,

and automobile. **Merchandise import** value stood at 18,705 million US dollars, contracting from the previous month by 1.9 percent. However, imports excluding gold expanded by 5.2 percent (mom) from imports of capital goods, raw materials and intermediate goods.

In the agricultural sector, **farm income** rose by 0.2 percent (mom). Production of rice, rubber and oil palm expanded, thanks to favourable weather conditions, and helped to compensate for the decline in agricultural prices from the previous month.

The **tourism sector** continued to grow robustly. The number of foreign tourist arrivals reached 2.1 million, expanding by 6.3 percent (mom) from the strong increase in tourists from China, Japan and Malaysia. Correspondingly, hotel occupancy rate rose across all regions of the country.

On the **fiscal side**, government spending rose from both current expenditure, particularly transfers and employee compensation, and capital expenditure. At the same time, revenue collection rose from growth in VAT and excise tax collection, reflecting buoyant private consumption conditions which were in part a result of the tax rebate scheme for first-time car buyers. Government spending that outpaced revenue collection led to a cash balance deficit of 135 billion baht.

Regarding **economic stability**, the unemployment rate remained low. Headline inflation moderated to 2.74 percent (yoy) following a decline in the prices of fresh food, especially vegetables and fruits, as a result of abundant supply, while core inflation stabilised at 1.85 percent (yoy). On the external side, the balance of payments registered a surplus from net capital inflows, mainly from an increase in short-term loans by commercial banks' overseas branches for liquidity management of foreign exchange transactions, together with the current account surplus.

Bank of Thailand
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