



BANK OF THAILAND

BOT Press Release

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Press Release on Economic and Monetary Conditions for October 2011

The economy in October 2011 was adversely affected by the flooding and a slowdown of the global economy. Production and exports in major manufacturing industries contracted, particularly in the automobile, electronics, and electrical appliances industries. However, exports of other product categories, which were not affected by the flooding, continued to expand. Domestic demand softened mainly due to disruptions in the production and transportation network. Meanwhile, inflation remained at a high level.

Details of the economic conditions are as follows:

The severe and widespread flooding in the Central region, particularly in the Phra Nakhon Si Ayutthaya and Pathum Thani provinces, where 7 industrial estates as well as important rice plantation areas are located, adversely affected production and exports. This was reflected by a broad-based contraction of the **Manufacturing Production Index (MPI)** by 35.8 percent year-on-year (yoy), mainly from a temporary shut-down of production due to direct and indirect supply disruptions from the flooding. Significantly affected industries included the hard disk drive, automobile, integrated circuit and parts, and electrical appliances industries. As a result, exports in those industries also contracted. However, exports of other product categories such as rubber products, sugar and prepared food, continued to expand in response to continued external demand. Overall, total **export value** dropped by 0.1 percent (yoy), amounting to 17,019 million US dollars. Meanwhile, **import value** grew by 20.6 percent (yoy). Excluding gold, import value moderated across almost all product categories to 8.7 percent (yoy). This was due to the flood-affected decline in production which resulted in lower demand for capital goods and raw materials. In addition, imports of electronic parts and computers for export-oriented production moderated following a slowdown of the global demand.

With regard to the agricultural sector, **agricultural production** increased by 7.4 percent (yoy), moderating from the previous month mainly from decreased rice production. This was due to early harvests in the prior month to avoid damages from the flooding, together with direct damages from the flooding to this month's production. On the other hand, rubber and oil palm production continued to expand. Meanwhile, **agricultural price** decelerated mainly following a decline in rubber price. This was a result of decreased

derived demand as production of several automobile manufacturers was halted from flooding. Consequently, **farm income** moderated to 11.8 percent (yoy) compared to last month's growth of 22.2 percent (yoy).

For domestic demand, **private consumption** grew at a slower pace as the flooding affected the production and transportation network, as well as consumers' income in several provinces. This was reflected by a moderation of the Private Consumption Index (PCI) to 2.2 percent (yoy). Likewise, **private investment** softened due to the impact from flooding and its prior period's acceleration. This was reflected by a deceleration of Private Investment Index (PII) by 6.3 percent (yoy), particularly from a decline in investment in machinery and equipment. Regarding the **fiscal sector**, spending decreased from the same period last year as the Budget Act Fiscal Year 2012 was not yet enacted. Meanwhile, revenue collection rose at a slower rate as the impact from the flooding materialized. In addition, the government extended the period for the suspension of fuel sales' contribution to the Oil Fund to the end of December 2011. Lower revenue with respect to spending, therefore, resulted in a cash balance deficit of 64.9 billion baht.

The **tourism sector** was also affected by the flooding. Travel warnings of several countries caused foreign tourists to postpone their travel plans. As a result, the number of foreign tourist arrivals totaled 1.4 million people, moderating to 7.5 percent (yoy) compared to last month's growth of 23.5 percent (yoy). However, the hotel occupancy rate increased from the previous month in response to temporary residential evacuation due to flooding, especially in the Central region.

With regard to **internal stability**, inflation remained at a high level. Headline inflation accelerated to 4.19 percent (yoy), mainly from a surge in raw food prices following the flooding in several areas. Meanwhile, core inflation remained relatively stable from the previous month at 2.89 percent (yoy). **External stability** remained sound, as reflected by high international reserves relative to short-term external debts as well as to imports.

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