



BANK OF THAILAND

BOT Press Release

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Press Release on Economic and Monetary Conditions for September and the Third Quarter of 2012

The economy continued to be weighed down by the weakening global economy. Manufacturing production in export-oriented industries exhibited a continued contraction, in tandem with deteriorating exports in these industries. On the other hand, production in domestic-oriented industries, the tourism sector, and private spending continued to expand. Regarding overall economic stability, the unemployment rate remained at a low level while headline inflation rose largely as a result of a base effect from energy prices.

Details of the economic conditions are as follows:

The global economic slowdown continued to weigh on merchandise exports. Eventhough **overall export value** decreased slightly by 0.1 percent year-on-year (yoy) in this month, export value of goods excluding gold exports declined by 7.9 percent (yoy) with contraction in almost all product categories. Exports of agricultural products contracted from declining rubber prices and declining rice export quantity as a result of higher price relative to competitors. Meanwhile, exports of manufacturing products contracted particularly exports of electronics and food products. Nevertheless, exports of steel, metal, and automobile especially commercial cars exhibited favorable growth. Meanwhile, imports decreased by 7.2 percent (yoy) mainly from declining imports of gold and raw material and intermediate goods used in export-oriented industries.

Deteriorating exports led to a continued decline in manufacturing production as the **Manufacturing Production Index** (MPI) decreased by 13.7 percent (yoy) following contracted production in export-oriented industries, especially hard disk drive, integrated circuit and parts, apparels, and electrical appliances. Meanwhile, production in industries which produced for both domestic and foreign markets registered a substantial growth, especially accelerated automobile production to accommodate backlog orders.

**Agricultural production** expanded by 8.9 percent (yoy) thanks to increased production of rice rubber, oil palm and livestock. However, **agricultural price** remained contracted by 11 percent (yoy) following declining rubber prices as a result of weakening global demand and last year's high base effect. In addition, price of swine, chicken and egg decreased from over supply to the market. This led to a contraction in **farm income** of 3.1 percent (yoy).

As for the **tourism sector**, the number of foreign tourist arrivals in Thailand recorded at 1.6 million, rising by 8.5 percent (yoy), largely attributable to the increased number of foreign tourists from China, Vietnam and Laos. Meanwhile, the number of tourists from Malaysia declined against the backdrop of the unrest in the southern border provinces, coupled with the Hajj rituals which came earlier this year.

Domestic spending continued to expand. **The Private Consumption Index (PCI)** grew by 4.7 percent (yoy), driven by both durable and non-durable goods spending as reflected in VAT collection, particularly from the domestic consumption base, as well as robust automobile sales. Concurrently, imports of consumer goods expanded at a slower pace after registering acceleration in the preceding period. Meanwhile, private investment moderated to its normal trend. **The Private Investment Index (PII)** grew at a slower pace at 12 percent (yoy) as machinery and equipment investment moderated.

**As for the fiscal sector**, revenue collection rose from the previous month primarily from VAT collection, in line with expanding domestic consumption. Meanwhile, government expenditures increased from capital expenditures for irrigation and transportation. Nevertheless, this month's revenue collection was higher than expenditures, resulting in a cash balance surplus of 71.9 billion baht.

Regarding **overall economic stability**, the unemployment rate remained at a low level while headline inflation rose from the previous month to 3.38 percent (yoy), owing to last year's decline in energy prices following the government's suspension of oil fund contributions. Meanwhile, core inflation increased slightly from the preceding month to 1.89 percent (yoy) on the back of increasing excise taxes for liquor and cigarettes. On external stability, the balance of payments recorded a surplus following a trade surplus from declining imports, together with net capital inflows from foreign investors' purchases of bonds as well as Thai commercial banks' long-term borrowings.

Overall, **the economy in the third quarter of 2012** expanded from the previous quarter, but at a slower pace. This was attributable to the impact of the global economic slowdown on exports and production of export-oriented industries, coupled with the decline in flood-damaged replacement and repair expenditures. On back of the latter, private investment moderated to its normal trend towards the quarter end. Meanwhile, the tourism sector continued to expand. Regarding overall economic stability, the unemployment rate remained at a low level while headline inflation increased from the previous quarter.

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