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Press Release on Economic and Monetary Conditions for April 2012

The Thai economy continued to recover in April 2012 thanks to the sustained improvement in manufacturing production, which in turn upheld exports of manufacturing products, as well as private consumption and investment. Concurrently, the tourism sector grew robustly in spite of the bombing incidents and natural disasters. Regarding economic stability, inflation moderated from food and energy prices, while unemployment remained at a low level.

Details of the economic conditions are as follows:

Manufacturing production continued its recovery path, the **Manufacturing Production Index (MPI)** expanded by 0.5 percent year-on-year (yoy) after five consecutive months of contraction in the aftermaths of the floods. This was partly due to last year's low base effect as a result of Japan's natural disaster, as well as accelerated production in automobile, petroleum, beer and electrical appliance industries in response to robust domestic demand. Meanwhile, **agricultural production** decreased by 0.3 percent (yoy) from contracted rice production, attributable largely to last year's high base effect as a result of early rice harvest. Nonetheless, production of other major agricultural products especially rubber, cassava, broiler, and egg continued to expand well. **Agricultural price** dropped continuously by 13.2 percent (yoy) mainly due to last year's high base effect and softened rubber demand from China. Consequently, **farm income** contracted by 13.5 percent (yoy).

Exports of manufacturing products, especially automobile and parts as well as computer and parts, picked up as recovery in manufacturing production gained traction. Nonetheless, total **export value** continued to drop by 3.5 percent (yoy), mainly from a contraction in exports of agricultural products. This was due to a decline in rice exports as a result of deteriorated price competitiveness, coupled with decreased rubber export price. Meanwhile, the **tourism sector** grew robustly as evidenced by a 8.2 percent (yoy) growth in the number of foreign tourist arrivals, totaling 7 million people. This was mainly from a rising number of tourists from China, Sweden, and Russia, reflecting sound tourist confidence regarding travel safety in Thailand despite the earthquake and Tsunami warnings in the South this month.

Private consumption moderated to its normal trend after registering a marked acceleration in the preceding period. **The Private Consumption Index (PCI)** grew by 3.3

percent (yoy) from VAT collection, which expanded at a slower pace from a drop in VAT on imports. Meanwhile, fuel consumption declined due to rising domestic retail oil prices. Concurrently, private investment rose continuously as reflected by a surge in **the Private Investment Index (PII)** of 12.5 percent (yoy), owing mainly to rising investment in commercial cars, as well as an increase in imports of capital goods in several industries including electronics, electrical appliances, automobile, metal, and machinery and equipment. In addition, construction investment expanded from investment in commercial and residential construction, particularly in Bangkok and the South.

Continued economic recovery, both domestic demand and production, led the **import value** to expand by 9 percent (yoy) from rising imports of automobile and parts, as well as capital goods. Nonetheless, imports of consumer goods decelerated after local manufacturers were able to resume their production to accommodate households' demand.

The fiscal sector remained stimulative as reflected by expanding government expenditures, albeit at a slower pace due to accelerated disbursement in the previous period following the enactment of the Budget Act Fiscal Year 2012. Meanwhile, the government's revenue rose from personal income tax (PIT) and duty on imports in tandem with rising imports of automobile and parts. However, excise tax collection continued to contract mainly due to the postponement to reimpose diesel excise tax. Higher expenditures relative to revenue, therefore, resulted in a cash balance deficit of 43.9 billion baht.

Regarding **overall economic stability**, external debts rose mainly from short-term borrowing of commercial banks following continued increases in Thai investors' foreign exchange hedging transaction, which required banks to close their foreign exchange exposures.

Concurrently, unemployment rate remained at a low level. Headline inflation moderated to 2.47 percent (yoy), following decelerating raw food prices as a result of last year's high base effect as well as increased supply of several agricultural products. In addition, energy prices moderated in line with the global oil prices. Core inflation stood at 2.13 percent (yoy), moderating from the previous month from decelerated food and beverage prices.

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