



# BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department

Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 9/2006

## Press Release on Economic and Monetary Conditions for February 2006

**In February 2006, economic indicators**, on overall, improved from the previous month. On the demand side, private investment and export value expanded especially with regards to export quantity which grew at an accelerated rate while import value grew at a slower rate. As a result, the trade deficit decreased. Nevertheless, private consumption decreased slightly from the same period of last year.

On the **supply side**, farm income continued to improve due to the significant rise in crop prices and the improved production of major crops from the previous month. Manufacturing production grew substantially due primarily to external demand. Regarding the services sector, the number of foreign tourists on overall increased considerably from the same period of last year, partly due to the low base following the tsunami.

**Overall economic stability remained satisfactory.** International reserves remained at a satisfactory level. The current account registered a continued surplus while the headline inflation rate decreased from the previous month in line with the decelerated growth of raw food prices. Nevertheless, the core inflation rate increased slightly from the previous month due to the upwards adjustment in the price of public transportation.

Details of the economic conditions **in February 2006** are as follows:

**1. Manufacturing Production.** In February 2006, the **Manufacturing Production Index (MPI with 76 product categories)** grew by 12.8 per cent year-on-year, accelerating from the previous month. Products that contributed significantly to the expansion included **electronics** and **vehicles and equipments** due to strong export growth and the introduction of new passenger car models. In addition, **beverages** continued to expand well while **textiles** expanded in line with clothing export growth. **Petroleum products** grew significantly due to the low base last year as a result of the closure of refineries for maintenance and the delay in the import of crude oil. The **capacity utilization rate (with 69 product categories)** of the manufacturing sector averaged at 72.3 per cent, decreasing from 73.4 per cent in the previous month due to the seasonally low number of work days in February. Controlling for this seasonal factor, the capacity utilization rate was found to have increased from the previous month.

**2. Domestic Spending.** The **Private Consumption Index (PCI)** decreased by 0.1 per cent year-on-year, as compared to 0.9 per cent growth in the previous month, due to the decline in the quantities of gasoline and gasohol consumed and the fall in the number of motorcycles sold. However, indicators of non-durable consumption continued to expand well. The **Private Investment Index (PII)** grew by 5.4 per cent year-on-year due primarily to increased **equipment investment** with the import volume of capital goods and the number of commercial cars sold increasing from the same period of last year. **Construction investment** continued to decline in line with the slowing real estate sector.

**3. Fiscal Position.** In February 2006, **government revenue collection** attained 113.7 billion baht, growing by 6.9 per cent year-on-year and increasing from the previous month primarily as a result of the income tax base which grew by 15.5 per cent in line with personal income tax collection. Personal income tax collection grew by 33.9 per cent due to salary increases and income bonuses in the private sector. In addition, non-tax revenue improved from the previous month due to increased income remittance by the Airports of Thailand Public Co. and the continuous income remittance by the Thailand Tobacco Monopoly. The government cash balance was in a deficit of 13.1 billion baht.

**4. External Sector.** In February 2006, the **trade balance** registered a deficit of 24 million US dollars, decreasing from the previous month's deficit of 388 million US dollars. **Export** value grew by 23.3 per cent year-on-year to attain 9,425 million US dollars due to increases in both export price and volume of manufactured products such as electronics, vehicles and parts, chemical products and petroleum

products. In addition, the export volume of agricultural products improved due to rubber and tapioca exports. Meanwhile, **import** value attained 9,449 million US dollars, expanding at a rate of 15.3 per cent year-on-year primarily due to crude oil import which rose mainly due to price increases. The **services and transfers account** recorded a surplus of 690 million US dollars, decreasing from the previous month's surplus of 893 million US dollars due to increased investment income payments, especially the remittance of profits and dividends. Consequently, the **current account** recorded a surplus of 666 million US dollars, increasing from the previous month's surplus of 504 million US dollars. The **balance of payments** was in surplus by 1,610 million US dollars, as compared to the previous month's surplus of 624 million US dollars. **International reserves** at end-February was at 54.4 billion US dollars, with a **net forward position** of 4.6 billion US dollars.

**5. Prices.** In the month of February, the **Consumer Price Index (CPI)** rose by 5.6 per cent year-on-year, decelerating slightly from the previous month's rate of 5.9 per cent. The slowdown was caused by the deceleration in the growth of raw food prices. This was due to the increased supply of produce which, in turn, led to a deceleration in the prices of vegetables and fruits and a drop in the price of eggs. **Core inflation** increased by 2.7 year-on-year, accelerating from the previous month's rate of 2.5 per cent due to the increase in the price of public transportation.

The **Producer Price Index (PPI)** increased by 9.0 per cent year-on-year, decelerating from the previous month's growth of 9.5 per cent, in line with the decelerated growth in the prices of agricultural products and petroleum products.

**6. Monetary Conditions.** In February, **commercial bank deposits** increased by 27.5 billion baht from the previous month while expanding by 10.1 per cent year-on-year partly due to the establishing of newly upgraded commercial banks. Excluding the changes in deposits due to the establishing of the newly upgraded commercial banks, commercial bank deposits in February would have risen by 6.1 percent year-on-year, accelerating from mid-2005. **Commercial bank credits to the private sector** (including holding of private securities) rose by 7.6 per cent year-on-year. Excluding the rise in credits due solely to the newly established commercial banks and adding back debt write-offs and net transfers to AMCs, commercial bank credits in February would have risen by 7.5 per cent year-on-year, decelerating slightly from January. This was caused by a decline in private securities holdings. Nevertheless, credit expanded at a rate comparable to that of the previous month.

In February 2006, **money base** grew by 3.6 per cent year-on-year while decreasing by 29.3 billion baht from the previous month. The decline was due to the high demand for cash during the Chinese New Year festival in January. **Broad money M2, M2a, and M3** grew by 10.1, 6.9, and 7.2 per cent year-on-year, respectively, comparable to January's expansion rates.

**Money market interest rates.** In February, **the 1-day repurchase rate** and **the overnight interbank rate** remained comparable to rates during late January following the Monetary Policy Committee meeting on 18 January 2006.

**7. Exchange Rate.** In February 2006, the baht averaged at 39.41 baht per US dollar, appreciating from the previous month's rate of 39.62 baht per US dollar due to the inflow of capital for the purchases of shares on the regional stock markets.

During the period of 1-23 March 2006, the baht averaged at 38.99 baht per US dollar, appreciating in line with regional currencies. The baht appreciation was a result of a weaker US dollar and the inflow of foreign capital for firm acquisition in the first half of this month.

Bank of Thailand  
31 March 2006

Contact person: Ms. Kuntip Trongthamakit  
Tel: +66 (0) 2283 6184  
e-mail: [kuntip@bot.or.th](mailto:kuntip@bot.or.th)