



# BANK OF THAILAND NEWS

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## Press Release on Economic and Monetary Conditions for October 2007

**Overall economy in October 2007** continued to improve from the previous month. Domestic demand steadily strengthened, corresponding with the import expansion, while exports also saw elevated growth. On the supply side, manufacturing production accelerated and tourism expanded well. However, a slowdown in farm income index was due to a deceleration in major crop price index, as well as a contraction in major crop production index. This was caused by the high base last year where major floods had caused farmers to hasten paddy harvest. Overall economic stability remained strong. Current account registered a surplus and international reserves stayed at a high level, though inflation rates rose slightly following oil price increases.

Details of the economic conditions **in October 2007** are as follows:

**1. Manufacturing Production.** The **Manufacturing Production Index** (preliminary) increased by 12.2 per cent from the same period last year, accelerating from the previous month in line with export expansion and recovery of domestic spending. Major growth was seen in the production of **electronics** and **vehicle**. The **beverages** category also benefited from increased beer production to accommodate for the demand during the festive year-end period and the plan for new product introduction. The capacity utilization rate was 77.6 per cent, rising from 76.3 per cent in the previous month.

**2. Domestic Demand. Private Consumption Index (PCI)** grew by 2.6 per cent year-on-year. Durable good consumption picked up following the increased passenger car sales, while motorcycle sales registered a smaller contraction compared with earlier periods. All non-durable good consumption indicators also increased from the same period last year. In particular, imports of consumer goods at constant price accelerated notably and benzene and gasohol consumption still expanded despite increasing retail oil prices. **Private Investment Index (PII)** (preliminary) expanded by 2.0 per cent year-on-year, an improvement after a continual contraction since the beginning of this year. The expansion stemmed primarily from the acceleration in imports of capital goods at constant price and the high growth of commercial car sales.

**3. Fiscal Position. In October 2007**, the government's gross revenue collection totaled 132.0 billion baht, increasing by 9.1 per cent from the same period last year. Tax revenue grew by 4.0 per cent, due mainly to income tax expansion. Consumption tax also rose in line with the increased collection of VAT from imports and domestic demand. Nonetheless, excise tax continued to drop, following the decline in tax collected on liquor and tobacco as there were hoarding productions before the excise tax increase. Non-tax revenue drove up in line with the profit remittance by the state enterprises. The government's **cash balance** registered a deficit of 39.8 billion baht, and the treasury cash balance at end-October was 94.5 billion baht, a reduction of 48.3 billion baht from the previous month.

**4. External Sector. In October 2007**, the **trade balance** recorded a surplus of 1,440 million US dollars. **Export** value totaled 14,477 million US dollars, rising by 27.9 per cent year-on-year. The accelerated growth occurred in most export categories, particularly electronics, vehicle, chemical products, petroleum products, metal products, plastic products, and electrical generators. Export of agricultural products also expanded well, particularly rice, rubber, and tapioca. Meanwhile, **import** value totaled 13,037 million US dollars, rising by 22.2 per cent year-on-year. This resulted from the acceleration in imports of consumer goods and raw materials in line with exports. Imports of capital goods also rose following imports of machinery, computer parts, one aircraft, and airport-link trains, while fuel and petroleum product imports also increased mainly from imports of benzene and natural gas. **Services, income, and transfers account** registered a surplus of 435 million US dollars, due to the increased surplus in tourism and the decline in profit and dividend transfers. Consequently, the **current account** was in a surplus of 1,876 million US dollars and the **balance of payments** registered a surplus of 1,231 million US dollars. International reserves as of end-October 2007 stood at 82.4 billion US dollars, with a net forward position of 16.8 billion US dollars.

**5. In October 2007, headline inflation** accelerated from the previous month to 2.5 per cent, due mainly to the price increases in the energy category. During this month, benzene and diesel prices increased in total by 1.20 and 0.80 baht, respectively. Meanwhile, raw food prices slowed down. **Core inflation** was at 1.0 per cent, slightly up from the preceding month due to the price increases in food away from home, non-alcoholic beverages, public transportation services, and vehicles and vehicle operation. The **Producer Price Index (PPI)** increased by 4.4 per cent, accelerating considerably from the previous month. This was owing to the increase in prices of manufacturing products, especially oil prices.

**6. Monetary Conditions. In October 2007, deposits of depository corporations<sup>1/</sup>** increased by 3.5 per cent year-on-year, still on a decelerating trend compared with the beginning of the year. Private credits grew at 2.4 per cent in line with household credit expansion, whereas credits extended to business sector decreased from the same period last year.

**Monetary base. At end-October 2007, the monetary base** expanded by 5.6 per cent while **broad money** rose by 3.3 per cent from the same period last year.

**Money market interest rates. In October 2007, the 1-day repurchase rate and the overnight interbank rate** remained unchanged since August 2007 at an average of 3.25 per cent per annum. This corresponded with the MPC's decision, on October 10<sup>th</sup>, 2007, to continue to maintain the policy rate.

**7. Exchange Rate and Nominal Effective Exchange Rate (NEER). In October 2007, the baht** averaged at 34.17 baht per US dollar, slightly appreciating in line with the weakened US dollar. Nonetheless, in general the baht depreciated against regional currencies and some major currencies such as Euro. As a result, the **NEER in October 2007** was 77.47, depreciating from 78.28 in the previous month.

**During 1-26 November 2007, the baht** appreciated slightly and moved in a narrow range, averaging at 33.90 baht per US dollars.

Bank of Thailand  
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***Vision : A forward-looking organization with competent staff dedicated to ensuring  
the resilience of the Thai economy against shock and instability***

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<sup>1/</sup> Depository Corporations comprises of all depository corporations excluding the Bank of Thailand, namely, domestically-registered commercial banks, branches of foreign banks, international banking facilities, finance companies, specialized banks, thrift and credit cooperatives, and money market mutual funds.