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Press Release on Economic and Monetary Conditions for April 2009

The economy in April 2009 still contracted from the same period last year. Nevertheless, when seasonally adjusted, improving signs were observed in the month-on-month expansions of manufacturing production, exports and imports, as well as Private Consumption Index, despite of their contractions when compared to the same period last year. However, major crop production and prices continued to fall, which, together with the high base last year, resulted in a larger contraction in farm income. Meanwhile, tourism sector was affected by the political unrest during the Songkran festival, whereas Private Investment Index still registered a notable contraction in line with weak sentiment.

External stability remained sound from current account surplus and high level of international reserves. Regarding internal stability, inflation rates remained low while unemployment rate began to stabilize.

Details of the economic conditions in **April 2009** are as follows:

1. The Manufacturing Production Index (preliminary) fell 9.7 percent year-on-year (yoy), contracting at a steadily slower rate and, when seasonally adjusted, expanded 7.6 percent from the previous month. Improvements were observed in most categories especially export-oriented productions – in particular, electronics and electrical appliances – following a pick up in export orders. Correspondingly, the seasonally-adjusted **capacity utilization rate** was at 59.7 percent, increasing from 58.5 percent in the previous month.

2. Private Consumption Index (PCI) shrank 5.3 percent (yoy), but expanded 0.7 percent when compared to the previous month. The month-on-month increases were observed in Car and Fuel Indices as well as VAT at constant prices. **Private Investment Index** (PII) (estimate) contracted 16.4 percent (yoy), a rate close to that of the previous month. Equipment and machinery as well as construction categories contracted in tandem with the economic downturn, low capacity utilization rate, and declining confidence.

3. Fiscal Position. The government's gross revenue collection declined 19.0 percent (yoy) to 118.1 billion baht, from both tax and non-tax revenues. **Tax revenues** fell 13.2 percent (yoy) across all bases. Income-based tax contracted from both personal and corporate income tax collections, while consumption-based tax decreased mainly in tandem with VAT collection. Nevertheless, specific business tax expanded from temporary condition as the specific business tax on real estate transactions was temporarily resumed at 3 percent, before the extension of the measure reducing the specific business tax on real estate transactions was published in the royal government gazette. Excise tax also expanded in line with the increase in oil excise tax since 1 February 2009 as well as tobacco tax collection which rose significantly from hoarding production following the news of tobacco excise tax increase and low inventory. **Non-tax revenues** shrank 45.5 percent (yoy) from lower remittance by state enterprises.

The government's **cash balance** registered a 36.1 billion baht deficit, which was financed by the net borrowing of 83.0 billion baht. Consequently, the treasury cash balance increased from 51.2 billion baht in the previous month to 98.2 billion baht in April.

4. External Sector. Export value shrank 25.2 percent (yoy) to 10,279 million US dollars, mainly following export volume. The export contraction was across the board, particularly in the high-technology category such as vehicles, computers, and electrical appliances. Nonetheless, when seasonally adjusted, export volume increased 2.6 percent from the previous month. **Import value** also contracted across the board by 36.4 percent (yoy) to 9,660 million US dollars. When seasonally adjusted, import volume also increased 5.0 percent from the previous month. Consequently, the **trade balance** recorded a surplus of 619 million US dollars. Together with a 193 million US dollar

deficit in **services, income, and transfers account** as a result of lower tourist receipts, the **current account** registered a surplus of 426 million US dollars. **Net capital account**^{1/} recorded a 751 million US dollar outflow from non-bank outflows – particularly securities investment abroad, trade credit repayments, Thai direct investment, as well as overseas deposit buildup by institution investors. Nevertheless, the banking sector recorded a net inflow from an increase in hedging activities through forward sales of foreign currencies by foreign investment funds as well as purchases of banking sector shares in the stock market, while some outflows occurred as exporters reduced hedging activities. Overall, the **balance of payments** registered a 645 million US dollar surplus. At end-April 2009, **International reserves** stood at 116.8 billion US dollars, besides the **BOT net forward position** of 3.6 billion US dollars.

5. Headline inflation continued to contract at 0.9 percent (yoy) in line with low energy prices compared to the same period last year, whereas raw food prices increased at a slower pace. With the high base effect in prepared food prices, together with the lowered subsidy on water supply fees in some provinces, **core inflation** decelerated from the previous month to 1.0 percent (yoy). The **Producer Price Index (PPI)** continued to contract by 3.0 percent (yoy), corresponding to the declining prices of mining and manufactured products.

6. Monetary Conditions^{2/}. As of end-April 2009, **monetary base** expanded 8.7 percent (yoy), while **broad money** rose 8.8 percent (yoy). **Deposits at depository corporations** remained close to the previous month, expanding 6.0 percent (yoy). When included Bills of Exchange, the deposits grew by 8.7 percent (yoy). **Private credits** expanded 5.8 percent (yoy), continually decelerating mainly from a slowdown in credits extended to business sectors, in line with the economic conditions.

Short term interest rates. As of end-April 2009, the 1-day repurchase rate and the overnight interbank rate averaged lower to 1.31 and 1.23 percent per annum, respectively, in tandem with the MPC's policy rate cut of 0.25 percent, on 8 April 2009, from 1.50 to 1.25 percent per annum.

During 1-26 May 2009, the 1-day repurchase rate remained stable at 1.25 percent per annum, as the MPC decided to maintain the policy rate on 20 May 2009. However, the overnight interbank rate declined to an average of 1.15 percent per annum.

7. Exchange Rate and Nominal Effective Exchange Rate (NEER). In April 2009, the baht's movement was fairly stable on the back of thin transaction volume. The **NEER** slightly weakened from 77.63 in the previous month to 77.32. This reflected the baht's smaller appreciation against the US dollar relative to regional currencies, from the March's average of 35.78 to 35.46 baht per US dollar.

During 1-26 May 2009, the baht continued to appreciate in tandem with regional currency trend, strengthening from the April's average to 34.61 baht per US dollar. This was due to investors becoming more confident in the stabilizing process of the world economy. Consequently, capital flows into several regions increased and drove down the demand for the US dollar.

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the resilience of the Thai economy against shock and instability***

^{1/} This data is preliminary which will be revised in the following month.

^{2/} Since September 2008, BOT has extended the coverage of broad money, deposits and private credits to include data from the Thrift and Credit Cooperatives and Money Market Mutual Funds. The broad money series is also adjusted to include Bills of Exchange.