



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for April 2014

Overall economic activities in April 2014 were mostly unchanged from the previous month. Manufacturing production continued to be sluggish in line with subdued spending as households and businesses remained concerned over prolonged economic and political uncertainties. Merchandise exports recovered slowly. Although exports of manufactured products gained some traction, exports of agricultural products were held down by falling commodity prices and weakened demand from China. The tourism sector picked up this month after the termination of the state of emergency in Bangkok and surrounding areas.

On the stability front, unemployment remained low. Inflation edged higher, driven by increases in prepared food and retail energy prices. The trade balance recorded a surplus. However, the current account registered a deficit due mainly to repatriation of profits and dividends by foreign companies. The capital account posted a surplus thanks to both foreign direct investment and foreign portfolio investment. Overall, the balance of payments registered a surplus.

Details of economic conditions are as follows.

Overall economic activities were mostly unchanged from the previous month as reflected in the slow pace of private-sector spending and manufacturing production. Compared with the level a year ago, however, the **Manufacturing Production Index** (MPI) contracted 3.9 percent due to the following factors. First, automobile production, which had accelerated last year, remained sluggish; increases in foreign orders could not compensate for decreases in domestic orders. Second, beer production declined as businesses pared down inventories in response to softened demand. Third, production of frozen shrimp continued to be restrained by the shrimp disease outbreak.

Private-sector spending was largely flat in April compared with the previous month as ongoing economic and political uncertainties continued to weigh on sentiments. Private consumption, when measured on a year-on-year basis, remained in contraction, with the **Private Consumption Index** (PCI) falling 0.8 percent from its year-earlier level on account of declining consumer outlays on durable items and subdued spending on nondurable items. Households with elevated debt levels remained cautious in spending. In addition, a sustained economic slowdown and depressed agricultural prices caused income shortfalls. The **Private Investment Index** (PII) decreased 4.7 percent from the level a year ago as businesses continued to defer investments awaiting a better economic outlook and clearer signs of political resolution. Consequently, outlays for machinery and equipment remained in contraction, especially in automobile, electronic, and electrical appliance industries. Meanwhile, construction spending slowed down in line with the softening economic conditions.

Overall **merchandise exports** recovered slowly. Although exports of manufactured products gained some traction this month, exports of agricultural products were restrained by a decline in global commodity prices and a slowdown in demand from China. The total value of exports was 17,092 million U.S. dollars—a slight drop from the previous month but a 0.9 percent decrease from

the same period last year. Exports of agricultural products and processed agricultural products decreased on account of falling rubber prices and declining orders from China. Meanwhile, exports of electronics contracted following a slowdown in demand, particularly from China and ASEAN countries. Exports of petroleum ticked down owing to temporary plant shutdowns for maintenance. However, exports in certain industries—for example, machinery and equipment, petrochemical products, and automobiles—were increasingly firming along with improving demand from advanced economies.

Subdued economic activities brought merchandise imports to be roughly unchanged from the previous month. However, **merchandise imports value**, totaling 16,533 million U.S. dollars, were down 13.8 percent compared with the level a year ago, mainly attributable to the contraction in imports of capital goods, raw materials, and intermediate goods.

The **tourism** sector picked up in April relative to the previous month, thanks partly to the termination of the state of emergency announced on March 19 which helped restore foreign tourist confidence and partly to tourism promotion geared toward the Songkran festival. Tourist arrivals, totaling 2 million, were however 1.7 percent lower than the level observed last year, as tourists from China, Malaysia, Russia, and Japan declined.

Farm income registered lower on both the month-on-month and year-on-year bases mainly because of depressed agricultural prices. Rice prices fell significantly following the recent offloading of government stockpiles and the termination of the rice pledging scheme. Rubber prices declined as a result of softened demand from, and together with the elevated inventory levels in, China. However, overall farm output increased from the same period last year. Rice production rose thanks to favorable water supply. Oil palm production increased following expansion of planting area in preceding years.

Fiscal spending was slightly higher than its year-earlier level as wages and salary expenses, together with outlays for goods and services, could be disbursed as normal. On the other hand, only part of outlays for investment could be disbursed. Government cash receipts increased relative to its year-earlier level, in part because of last year's low base on account of overdue VAT refunds to local administrations that had been delayed from March 2013. Overall revenue collection declined on account of lower income tax revenues, consumption tax revenues, and import duty revenues consistent with the economic slowdown. With expenditures outpacing revenues, the government's cash balance registered a deficit of 42 billion baht.

On the **stability** front, unemployment remained low. Inflation edged up on the back of cost pass-through to prices of prepared food and retail energy prices. The trade balance registered a surplus on the back of import contraction. The current account was in a deficit due mainly to repatriation of profits and dividends by foreign companies. The capital account recorded a surplus thanks to both foreign direct investment and foreign portfolio investment. Overall, the balance of payments posted a surplus.

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