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Press Release on Economic and Monetary Conditions for November 2008

In November 2008, the overall economy notably decelerated. Despite the acceleration in crop production which led to improvement in farm income, crop prices continued to decelerate. The number of tourists declined markedly due to the political conflict which led to the closure of the two international airports towards the end of this month. At the same time, both manufacturing production and export value registered the first contraction in several years. Private consumption also contracted due to worsening sentiment from growing concerns over economic and political conditions. Correspondingly, import volume also registered a contraction.

Despite trade and current account deficits, external stability was upheld by high international reserves, while internal stability improved with further decline in inflation in line with world oil prices.

Detailed economic conditions for **November 2008** are as follows:

1. Manufacturing Production Index (preliminary) dropped 6.6 percent from the same period last year, contracting across most categories including electronics, food, and electrical appliances, in line with softened external demand. However, vehicle category grew, though at a decelerated rate, from mini passenger car production, while petroleum category expanded from the low base as some plants were closed for maintenance last year. **Capacity utilization rate** lowered from last month to 61.2 percent.

2. Private Consumption Index (PCI) registered a contraction of 1.6 percent year-on-year (yoy), along with declining VAT at constant price, fuel index and real imports of consumer goods, as well as weakening vehicle sales. **Private Investment Index (PII)** (estimated) rose 1.2 percent (yoy), decelerating primarily from imports of capital goods at constant prices.

3. For fiscal position in November 2008, government revenue fell 5.1 percent (yoy) to 126.5 billion baht. **Tax revenues** declined 8.7 percent (yoy) from a reduction in consumption based taxes, including VAT, excise tax, and specific business tax, as a consequence of the government's stimulus measures. **Non-tax revenue**, on the other hand, expanded from the same period last year, owing partly to an increase in petroleum royalty following high crude oil prices in earlier period. On overall **cash balance, the government** registered a 86.1 billion baht deficit which, coupled with the net debt repayment of 3.4 billion baht, brought the overall treasury cash balance down by 89.5 billion baht to 91.0 billion baht at the end of the month.

4. Externally, export value contracted by 17.7 percent (yoy) to 11,759 million US dollar – the first contraction since March 2002. This was corresponded with the contraction across all categories except for resource based manufacturing and fishery exports which saw a slight expansion, largely from price. Export volume, however, contracted across all categories. **Import value**, on the other hand, expanded only 0.2 percent (yoy) to 12,655 million US dollars, decelerating markedly in line with imports of raw materials. Consequently, the **trade balance** recorded a deficit of 896 million US dollar. When accounting for the net **services, income, and transfers** deficit of 39 million US dollars from lower tourist receipts, the **current account** balance registered a deficit of 935 million US dollars. **Net capital account**^{1/} was in a deficit of 214 million US dollars, primarily from banks' debt repayment outflows. Overall, **balance of payments** posted a surplus of 2,212 million US dollars, bringing **international reserves** up to 106.3 billion US dollars, with the BOT net forward position of 6.5 billion US dollars.

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

5. Headline inflation moderated further to 2.2 percent (yoy), due mostly to falling oil prices, while **core inflation** declined to 2.0 percent (yoy), following the cuts in public transport prices since October. **Producer Price Index (PPI)** slowed down sharply from last month to 1.9 percent (yoy) in line with petroleum and mining product prices.

6. As of end-November 2008, **monetary base**^{2/} rose 8.6 percent (yoy), while **broad money** rose 7.3 percent (yoy). **Deposits of depository corporations** grew by 4.5 percent (yoy), accelerating notably from earlier period due to an increase in household deposits (6.7 percent (yoy) if include Bills of Exchange). **Private credits** expanded 10.2 percent (yoy), signaling a deceleration after 10 months of continual acceleration.

Short term interest rates stayed close to those of the previous month's levels as the policy rate was kept unchanged throughout November. The 1-day repurchase rate and the overnight interbank rate both averaged at 3.75 percent per annum. **During 1-25 December 2008**, both rates averaged 2.87 percent per annum, decreasing in tandem with the MPC's policy rate cut on 3 December 2008.

7.Exchange Rate and Nominal Effective Exchange Rate (NEER). In November 2008, exchange rate averaged 35.09 baht per US dollar, depreciating from last month. Particularly towards the end of month, the baht weakened rapidly against the US dollar, breaking 21 month record, due to mounting political conflict which led to the closure of the two airports as well as coup rumors. Nevertheless, the NEER, which also compared to the regional currencies, remained relatively unchanged.

Between 1-25 December 2008, average exchange rate stood at 35.05 baht per US dollar, remaining close to November's average due to prolonged political turbulence into the beginning of December. However, the baht appreciated against the US dollar during the second half of December as a result of concerns over the US economic recession and the more solidified formation of Thailand's new government.

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

^{2/} Since October 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 Bill of Exchange.