



BANK OF THAILAND NEWS

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Press Release on Economic and Monetary Conditions for April 2008

Overall economy in April 2008 continued to expand. Particularly, on the supply side, the production of major crops resumed its growth, while prices continued to rise. This led to an acceleration of farm income from major crops as compared to the previous month. Manufacturing production and the tourism sector continued to expand well. On the demand side, private consumption and export growth remained satisfactory, while private investment slowed down somewhat.

External stability remained sound, with international reserves remaining at a high level. Nevertheless, trade balance and current account registered deficits due to import acceleration, though export continued to expand well. In terms of internal stability, both headline and core inflation accelerated significantly from the previous month.

Details of the economic conditions **in April 2008** are as follows:

1. Manufacturing Production. The **Manufacturing Production Index** (preliminary) expanded by 10.1 percent year-on-year (yoy), accelerating from 9.3 percent (yoy) in the previous month. The production of **electronics, vehicles, and electrical appliances** expanded well in line with external demand. Additionally, the **beverages** category expanded due to an increase in beer production as retailers rushed to accumulate inventories prior to price adjustments.

The capacity utilization rate in April 2008 was at 69.1 percent, decreasing from the previous month due to seasonal factors.

2. Domestic Demand. Private Consumption Index (PCI) expanded by 7.8 percent (yoy). Both **import of** consumer goods at constant prices and VAT at constant prices registered high growth rates, while the Car Index continued to expand well. **Private Investment Index (PII)** (estimated) grew by 5.6 percent (yoy), decelerating from the previous month. This was due to the overall deceleration of the indicators in the machinery and equipments category despite a high growth rate for the import of capital goods at constant prices.

3. Fiscal Position. The government's gross revenue collection was 145.8 billion baht, increasing by 21.2 percent (yoy) from both tax and non-tax revenue. Tax revenue increased by 11.7 percent (yoy) in all bases. Income tax increased in line with corporate income tax while the increase in consumption tax was primarily due to an increase in VAT collected on imports. However, specific business tax contracted significantly as a result of the measure to reduce specific business tax on property transactions which came into effect on 29 March 2008.

The government's **cash balance** registered a deficit of 26.3 billion baht, and the treasury cash balance at the end of April 2008 was at 67.7 billion baht, increasing by 13.2 billion baht from the previous month.

4. External Sector. The **trade balance** recorded a deficit of 1,768 million US dollars due to the acceleration of import particularly in the energy category, though export also accelerated from the previous month. **Export value** was 13,631 million US dollars, increasing by 27.7 percent (yoy). This growth was attributed to the acceleration in most categories. Exports of agriculture products expanded well in line with favorable prices. Meanwhile, exports of manufacturing products accelerated primarily in terms of quantity. Particularly, the labor intensive industry observed an acceleration in line with exports of textiles and footwear, while high-tech industry accelerated in line with exports of computers, vehicles, iron products, and petroleum. **Import value** was 15,399 million US dollars, increasing by 41.5 percent (yoy). This acceleration was due to the expansion of both price and quantity especially in the energy category which saw a significant increase in prices in line with the global market. Additionally, there was an increase in the import of gold, due partly to the decrease of the gold price in the global market. After combining **services, income, and transfer accounts** which recorded a surplus of 107 million US dollars, the current

account recorded a deficit of 1,661 million US dollars while the **balance of payments** recorded a surplus of 1,338 million US dollars. International reserves at the end of April 2008 stood at 109.8 billion US dollars with a net forward position of 20.4 billion US dollars.

As the balance of payments was in surplus, the **net capital flow**^{1/} for April 2008 was expected to register a surplus following inflows in the non-bank sector as well as the banking sector mainly from the decrease in their foreign assets.

5. Headline inflation was at 6.2 percent (yoy), accelerating notably from the previous month. Although energy prices increased at a similar rate, raw food prices accelerated significantly from the previous month. This caused the transmission into the prices of the non raw-food-and-energy category, namely, prepared food at home and food away from home. Consequently, **core inflation** accelerated from the previous month to 2.1 percent (yoy). The **Producer Price Index (PPI)** rose by 12.7 percent (yoy), increasing from the previous month. This was primarily due to the price increase in the agricultural products category.

6. Monetary Conditions. Deposits of depository corporations^{2/} expanded by 2.5 percent (yoy). With the Bills of Exchange included, the deposits grew by 7.6 percent (yoy), representing a slight deceleration from the previous month. **Private credits** increased by 7.0 percent, accelerating continually from the preceding month in line with the recovery of credits extended to the business sector, particularly working capital.

The **monetary base**, at the end of April 2008, grew by 8.9 percent (yoy), while **broad money** expanded by 2.1 percent (yoy). Nonetheless, the growth rate of broad money did not account for the Bills of Exchange issued by commercial banks which were similar to deposits. When including the Bills of Exchange, broad money increased by 4.2 percent (yoy).

Money market interest rates. The policy rate remained stable at 3.25 percent per annum, resulting in insignificant change in money market interest rates. The overnight inter-bank rate averaged at 3.22 and 3.20 percent per annum during April 2008 and 2-23 May 2008, respectively.

7. Exchange Rate and Nominal Effective Exchange Rate (NEER). In April 2008, the baht averaged at 31.59 baht per US dollar, depreciating slightly from the March's average of 31.46 baht per US dollar. During the period of 2-23 May 2008, the baht continued to depreciate with the average exchange rate at 32.04 baht per US dollar. This was primarily due to the improved confidence in the US dollar and increased US dollar forward contracts by importers while the US dollar sold by exporters subsided. Since the baht had depreciated relatively to other currencies, the **Nominal Effective Exchange Rate (NEER)** decreased from 79.97 in the previous month to 79.57.

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**

^{1/} Data of net capital flow in April was preliminary and subject to revision.

^{2/} 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.