



BANK OF THAILAND NEWS

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Press Release on Economic and Monetary Conditions for October 2009

The Thai economy in October 2009 expanded at a decelerating rate after a considerable expansion in September. Overall manufacturing production remained close to the previous month. Export and domestic-oriented manufacturing production improved in several industries. Private investment continued to revive. However, domestic demand, especially private consumption, slowed down after acceleration in the earlier periods. Meanwhile, fiscal stimulus also decelerated, following the delay in both the implementation of the Annual Budget Act for Fiscal Year B.E. 2553 and the disbursement of the Strong Thailand economic stimulus package. Nonetheless, improvements in farm income, employment and tourism continued to be supportive of Thai economic recovery.

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

Overall production. The Manufacturing Production Index (preliminary) expanded 0.4 percent year-on-year (yoy), decelerating from 1.9 percent (yoy) in the previous month. This followed a slowdown in export-oriented manufacturing production, especially Hard Disk Drive which accelerated in the previous month. Improvement in manufacturing sector spread out to export and domestic-oriented production such as commercial cars, hot and cold-rolled sheets, which in turn were used in vehicles and electrical appliances industries.

Farm income from major crops continually improved from both production and price. Crop Production Index increased for the first time in eight months time, following paddy and oil palm production which benefited from favorable weather. Major crops' prices improved in line with an increase in prices of Hom Mali paddy, glutinous rice paddy and rubber.

October **foreign tourist arrivals** expanded 10.5 percent (yoy). The improvement in tourism sector was in line with economic recoveries of key traveler countries, especially Asian countries such as China, Hong Kong and Taiwan which began resuming trips to Thailand.

Private consumption slightly declined. Private Consumption Index (PCI) contracted 0.9 percent from the previous month, compared to an expansion of 4.5 percent in September. This was due to consumers' concern over injunction of the Map Ta Phut investment projects, decline in SET Index, and increases in retail oil prices. However, durable goods consumption continually increased from both import of durable goods and domestic car sales.

Private investment improved for the fifth consecutive month, following improvement in machinery and equipment indicators, especially import of machinery and equipment used in electronics, electrical appliances and vehicle industries. Meanwhile, construction indicators remained at low levels. However, most of the investment was for replenishment of depreciated machinery and equipment.

Fiscal Position. Fiscal stimulus decelerated, following a budget disbursement slowdown. This was due to the delay in implementation of the Annual Budget Act for Fiscal Year B.E. 2553 and the lagging budget disbursement of the Strong Thailand economic stimulus package. Meanwhile, the government's gross revenue collection increased mainly due to consumption-based taxes from both VAT and specific business tax, resulting in the government's cash balance surplus of 6.8 billion baht.

External sector. **Export** value, amounting 14,616 million US dollars, shrank 2.6 percent year (yoy), with improvement spreading out across all categories. On the other hand, **import** value contracted 19.0 percent (yoy), a rate close to September's contraction of 18.2 percent (yoy), in line with the direction of domestic demand. Consequently, the trade balance recorded a surplus of 1,688 million US dollars. When combined with a surplus of 490 million US dollars in services, income and transfers account due to an improvement in tourism, the current account was thus in a surplus of 2,178 million US dollars.

Capital account (preliminary) recorded a surplus of 684 million US dollars, mainly following the inflows to banking sector due to a decline in foreign assets as investors and exporters sold foreign currencies forward in order to hedge against exchange rate risk.

Financial system's liquidity remained close to the previous month. In October 2009, deposits of depository corporations expanded 6.7 percent (yoy), a slight slowdown from the previous month, while private credits expanded 0.2 percent (yoy). However, October's outstanding private credits exceeded that of September, increasing for the third consecutive month.

Internal and external stability remained sound. Headline inflation expanded 0.4 percent, the first increase since the beginning of 2009, following upward adjustments of raw food and energy prices. Unemployment rate remained low, at the same level as the previous month. On the external front, balance of payment recorded a surplus, attributed to both current account and net capital inflows.

Bank of Thailand
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