



BANK OF THAILAND NEWS

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Press Release on Economic and Monetary Conditions for December 2009 and Year 2009

The economic conditions in December 2009 continued to improve, and its expansion became more broad-based. Both domestic and external demand expanded in tandem with production side which improved in all sectors and resumed an expansion path, after a mild deceleration in the previous month. Meanwhile, improvements in employment, farm income and tourism income have supported domestic demand expansion, adding economic momentum for a notable recovery going forward.

Overall stability remained sound, though price pressure began to emerge following higher oil prices and tightened labor market in some industries.

Details of the economic conditions in **December 2009 and Year 2009** are as follows:

Overall demand, both domestic spending and export, continued to expand well. **Domestic spending** satisfactorily increased as reflected in an expansion of 3.9 percent year-on-year (yoy) in **Private Consumption Index (PCI)**. After seasonal adjustment, most private consumption indicators such as imports of consumer goods, household electricity usage and fuel consumption improved from the previous month. The expansion of private consumption was partly due to favorable farm income, lower unemployment rate and improved consumer confidence. **Fiscal position** remained supportive, following an increased budget disbursement. **Private investment** improved for the seventh consecutive month, though remaining low compared to the pre-crisis level and mostly for replacement of depreciated machinery and equipment. Looking forward, the positive outlook was observed for private investment in electronics and vehicles manufacturing. However, Business Sentiment Index continued to reflect investors' concerns over economic and political uncertainties, the Map Ta Phut problem, and volatile oil prices which would pose risks to employment and investment going forward.

Export value, amounting to 14,528 million US dollars, expanded 26.2 percent (yoy). Export value expanded across almost all categories, except labor-intensive. Meanwhile, **import** value also improved across the board in tandem with both domestic and external demand recovery. December's import value, amounting to 14,650 million US dollars, expanded 33.0 percent (yoy), of which 1,097 million US dollars was from imports of gold. Consequently, the **trade balance** recorded a deficit of 122 million US dollars. Nevertheless, excluding exports and imports of gold, the trade balance recorded a surplus of 919 million US dollars.

Production side improved in line with demand expansion. The **Manufacturing Production Index (MPI)**, after seasonal adjustment, expanded 10.4 percent from the previous month, across almost all categories. Particularly, electronics production hit a new high and continually received notable orders from abroad, while vehicle production also rose with introduction of new car models. The **capacity utilization rate** stood at 70.1 percent, a rate close to those of pre-crisis period. Similarly, **farm income from major crops** expanded 11.8 percent (yoy). This followed an accelerated crop prices across most categories due to unfavorable weather and planthopper outbreaks, causing a contraction in both domestic and external supply. In addition, the recovery of world demand, especially from China, drove up demand for Thai agricultural products for industrial production uses. Crop Production Index increased 0.7 percent (yoy), following rice and sugarcane production as favorable prices induced farmers to expand plantations. **Income from foreign tourists** continued to expand well. The number of foreign tourist arrivals in Thailand totaled 1.68 million persons, rising in line with economic conditions of key traveler countries, especially from Asian countries which obviously resumed growth.

Depository corporations' credits expanded 3.0 percent (yoy), following accelerated household credits, especially mortgage loans. Meanwhile, business credits kept an improving trend. Private credits accelerated in November and December 2009 due to (1) the government's Fast Track Scheme to accommodate specialized financial institutions' private credit expansion, (2) strengthened confidence in the economy, and (3) banks' less stringent credit standards compared with the beginning of the year.

Overall stability. International reserves remained high. Despite the trade balance deficit, services, income and transfers account was in a surplus, resulting in the continual current account surplus.

In **Year 2009**, the Thai economy was expected to contract 2.7 percent. During the second half of the year, Thai economy, however, showed improving signs in line with global economic recovery. Moreover, the eased monetary and fiscal policies helped shore up the economy as well as consumers and investors' confidence. Domestic demand, which markedly contracted in the first half, began to recover in the second half, especially private consumption which was bolstered by favorable farm and tourism income as well as growing employment numbers. In addition, export and import improved in line with manufacturing production expansion across almost all sectors, both productions for domestic uses and for export. Although private investment began to recover, it was still at a low level.

Overall stability remained sound. International reserves remained high, totaling 138.4 billion US dollars as of end-December 2009. In the year 2009, trade balance and current account recorded a surplus of 19,416 and 20,291 million US dollars, respectively. Inflation rate averaged at -0.9 percent. However, price pressure began to rise in the last quarter of the year, due to higher oil prices and tightened labor market in some industries.

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