



# BANK OF THAILAND NEWS

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## Press Release on Economic and Monetary Conditions for August 2010

**The economy in August continued to expand satisfactorily** although some sectors, particularly production and export sectors began to slow down to normal trends. Meanwhile, private consumption, private investment and tourism sector improved constantly.

Supported by resilient economic fundamentals and the growth momentum from the first half of 2010, the economy would continue to expand but at a slower pace towards the end of the year.

Overall stability, both internal and external, remained sound. Headline inflation moderated from the previous month, while international reserves registered at a high level.

Details of the economic conditions are as follows:

**Production sector** grew moderately after considerable acceleration in the earlier period. **Manufacturing Production Index (MPI)** rose by 8.7 percent year-on-year (yoy), decelerating from 13.1 percent (yoy) in July, especially in export-oriented productions. For instance, hard disk drive declined from the same period last year due to high base effect and rapid surge in production in the previous months. Likewise, agricultural sector increased moderately in response to falling crop production from drought and pest outbreak which severely affected cassava production. This resulted in a 6.7 percent (yoy) contraction in crop production. Nevertheless, crop prices continued to rise favorably by 38.0 percent (yoy) in line with global demand. **Farm income** therefore edged up by 28.8 percent (yoy).

The trend of external demand began to slow down after surging in the previous period. **Export** value, amounting to 16,292 million US dollars, rose by 23.6 percent (yoy) with a broad-based expansion. With regard to tourism sector, the **number of foreign tourist arrivals in Thailand** increased by 10.3 percent (yoy) in response to rising number of tourists from ASEAN countries and China.

For domestic demand, private consumption grew favorably. **Private Consumption Index (PCI)** increased by 6.7 percent (yoy) due to favorable farm income, as well as improving employment condition and consumer confidence. Similarly, private investment continued to rise as **Private Investment Index (PII)** surged by 22.0 percent (yoy) following an investment expansion in machinery and equipment. In particular, domestic commercial car sales expanded well in line with economic condition and financial institutions' credit expansion. In addition, imports of industrial machinery also increased to accommodate future order bookings. Meanwhile, **the public sector** remained supportive, partly from disbursement of projects under the Strong Thailand 2012 Project such as education support and teacher development program, as well as irrigation management and development.

**Import** value, totaling 15,440 million US dollars, rose substantially across the board by 41.8 percent (yoy) in line with both domestic and external demand, especially imports of vehicles and parts, as well as oil and raw materials.

**Depository corporations' deposits** expanded by 6.7 percent (yoy), decelerating from 7.6 percent (yoy) growth last month. However, deposits including bill of exchange grew by 8.5 percent (yoy), reflecting a shift from deposits towards bill of exchange which offered higher return. **Depository corporations' credits** increased further by 9.7 percent (yoy) in both household and business credits.

With regard to **internal stability**, headline inflation decelerated from the previous month in tandem with a moderate increase in energy prices. Meanwhile, unemployment rate fell and stood at a low level. **External stability** remained sound as the trade balance and the current account were in surpluses, and international reserves registered at a high level.

Bank of Thailand  
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