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Press Release on Economic and Monetary Conditions for September and the Third Quarter of 2010

The overall economy in September continued to expand, particularly manufacturing production, tourism and export sectors. Meanwhile, domestic demand, both consumption and investment, slightly moderated after considerable expansion in the previous period.

Overall stability remained sound. Headline and core inflations decelerated from the previous month. The current account and the balance of payments remained in surpluses, and international reserves stood at high level.

Details of the economic conditions are as follows:

With respect to **supply side**, production level remained satisfactory, and the growth rate continued to moderate to the normal trend. **Manufacturing Production Index (MPI)** rose by 8.1 percent year-on-year (yoy), decelerating after a rapid surge in production in the earlier period. Production that expanded well such as hard disk drive, electronic parts and vehicle corresponded to high level of future order bookings. In particular, there remained a high level of backlog orders in vehicle sector. For agricultural sector, domestic supply declined from drought, resulting in a fall in oil palm and maize productions. Together with pest outbreak which caused lengthy and severe effect on cassava production, crop production therefore contracted by 3.1 percent (yoy). However, crop price continued to grow satisfactorily by 31.4 percent (yoy) in response to favorable world demand. As a result, **farm income** edged up by 27.3 percent (yoy).

External demand which continued to expand well, attributed to a new high of 17,955 million US dollars in **export** value. However, the growth rate, registering at 21.8 percent (yoy) from increases in both quantity and price, tended to moderate in tandem with supply side following the trend of global economic condition. Export grew satisfactorily in almost all categories, especially exports of agricultural and high-tech products. With regard to tourism sector, the **number of foreign tourist arrivals in Thailand** increased by 17.2 percent (yoy) following the rising number of tourists from almost all regions, particularly ASEAN countries, China and South Korea.

Domestic demand began to slow down after a marked expansion in the earlier period. **Private Consumption Index (PCI)** increased by 3.1 percent (yoy), decelerating from 6.7 percent (yoy) in August mainly due to a moderation in imports of capital goods and VAT collection. However, other private consumption indicators such as number of car sales as well as fuel and electricity usages remained expanding well. Factors supporting private consumption included favorable farm income, as well as improving employment condition and consumer confidence. **Private Investment Index (PII)** surged by 20.0 percent (yoy) mainly following an investment expansion in construction. In particular, permitted construction area in municipal zone, mostly the residential areas in Bangkok and in the northeast, accelerated from the previous month. As for **fiscal sector**, overall expenditure from both regular budget and loans under the Strong Thailand 2012 Project declined by 3.5 percent (yoy), owing to recapitalization of specialized financial institutions under the Strong Thailand 2012 Project in the previous fiscal year. Meanwhile, the government's revenue collection grew favorably from corporate income tax,

excise tax and VAT which expanded in line with improving economic conditions. Revenue rose by a greater extent than expenditure, resulting in the government's cash balance surplus of 67.4 billion baht. Public sector in fiscal year 2010 remained supportive in reviving the economy from the past fiscal year, reflecting in the government's cash balance deficit of 2.0 percent (yoy)

Import value, totaling 14,712 million US dollars, grew by 15.7 percent (yoy), moderating from the previous month in line with softening trends of production sector and domestic demand. This was partly due to last year's base effect. In addition, imports of energy fell sharply in response to this month's contraction in imports of crude oil which reached the highest level of the year during the same period last year.

Depository corporations' deposits (including bill of exchange) continued to expand in line with economic conditions by 9.9 percent (yoy). **Depository corporations' credits** increased further by 10.7 percent (yoy), mainly from household credit expansion, together with accelerating business credit extension from the previous period.

With regard to **internal stability**, headline and core inflations decelerated from the previous month in tandem with a moderation in food prices. Meanwhile, unemployment rate stood at low level. For **External stability**, the trade balance, the current account and the balance of payment continued to register surpluses from the past month, whereas international reserves remained at high level.

The economic conditions in the third quarter of 2010 continued to grow at a slower pace from the previous quarter. With respect to supply side, manufacturing production decelerated in line with export after a surge in production during the first half of the year. Meanwhile, farm income continued to expand favorably. Consumption and investment, albeit decelerating from the first half of the year, expanded satisfactorily and continued to be the main engine contributing to economic expansion in this quarter. With regard to the economic stability, core inflation rose from the first half of the year, while the current account and the balance of payment continuously recorded surpluses from the first half of the year.

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