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Communications and Relations Office, Management Assistance Department

Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

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Press Release on Economic and Monetary Conditions for March and the First Quarter of 2011

The economy in March 2011 expanded on the back of robust domestic demand, both private consumption and investment, as flooding in the South had limited impact on the economy. Concurrently, external demand continued to grow markedly from both export and tourism sectors. Nevertheless, manufacturing production contracted from the same period last year. This was partly due to high base effect and materialized impact from natural disaster in Japan, especially in automobile industry.

With regard to **overall stability**, price pressure persisted from rising inflation expectations and tightened labor market.

Details of the economic conditions are as follows:

Domestic demand, both private consumption and investment, grew at a faster pace from the previous month. **Private Consumption Index (PCI)** rose by 4.8 percent year-on-year (yoy) following an expansion in most consumption indicators. In particular, passenger car sales grew sharply in response to a shift in consumers' preference towards small passenger and eco cars. Likewise, imports of consumer goods, especially electrical appliances, increased substantially. Concurrently, **Private Investment Index (PII)** expanded by 13.2 percent (yoy) mainly from an expansion in investment in machinery and equipment. Imports of capital goods rose notably in response to capacity expansion in petroleum, electrical appliances, and automobile industries. In addition, commercial car sales continued to grow well whereas investment in construction sector remained stable from last month. Meanwhile, **fiscal sector** continued to be supportive, reflected in accelerated disbursement from the previous month, especially capital expenditure. As a result, the government's cash balance registered a deficit of 58.0 billion baht.

External demand, both export and tourism sectors, continued to expand markedly. **Export value** amounted to 21,072 million US dollars, increasing across all product categories by 31.0 percent (yoy). In particular, export value of agricultural products continued to grow favorably in response to high rubber price, whereas export quantity expanded mainly from an increased volume of rice export and strong growth in rubber export following demand from China. Meanwhile, exports of manufacturing products expanded favorably from exports of plastic products, electrical appliances, and automobile. **Tourism sector** continued to grow satisfactorily despite natural disaster in Japan and flooding in the South of Thailand. The number of foreign tourist arrivals in Thailand totaled 1.8 million people, expanding by 22.6 percent (yoy) mainly due to rising number of tourists from Asia and Europe. Correspondingly, the hotel occupancy rate edged up to 63.0 percent from 57.2 percent in the same period last year.

Strong domestic demand was partly attributable to high purchasing power in agricultural sector. **Farm income** expanded by 47.6 percent (yoy) from both quantity and price. **Agricultural production** increased significantly by 24.9 percent (yoy) from unusually high volume of rice harvest as a result of early

plantation after flooding subsided. Meanwhile, agricultural price surged by 18.2 percent (yoy) despite some moderation due to last year's high base effect, falling futures commodity prices such as rubber from the impact of natural disaster in Japan, and the improving oil palm shortage situation.

Production sector continued to contract from the previous month. **Manufacturing Production Index (MPI)** dropped by 6.7 percent (yoy) partly due to a contraction in hard disk drive production as a result of last year's high base effect and high inventory level. In addition, production in garment industry decreased partly due to raw material shortage while a continued reduction of petroleum production was a result of a temporary shut-down for maintenance of large oil refineries from February to the beginning of March. Moreover, production in automobile industry began to moderate from the materialized impact of the Tsunami in Japan. Nevertheless, production in electrical appliances and electronics tube and parts continued to expand satisfactorily.

Buoyant expansion in domestic and external demand induced **import value** to reach 19,180 million US dollars, growing across all product categories by 27.2 percent (yoy), especially imports of raw materials, intermediate products, and capital goods. This reflected an upward trend of production and export going forward. However, this month's higher export value with respect to import value resulted in a continued trade balance surplus of 1.9 billion US dollars.

Depository corporations' private credits grew in line with economic growth by 14.9 percent (yoy) from an expansion in credits extended to household and corporate sectors. Meanwhile, **depository corporations' deposits (including bill of exchange)** grew by 12.6 percent (yoy) due to deposit mobilization by financial institutions to accommodate rising demand for private credits and to maintain deposit customer base under the rising interest rate trend.

For **internal stability**, price pressure persisted from rising inflation expectations and tightened labor market whereas **external stability** remained sound. The balance of payments continued to register a surplus, and international reserves stood at a solid level.

The economy in the first quarter of 2011 expanded continuously from the last quarter of 2010 on the back of robust domestic and external demand. This was supported by strong income in both agricultural and non-agricultural sectors. However, manufacturing production contracted from last year's high base effect, a temporary shut-down for maintenance of large oil refineries, and natural disaster in Japan. With regard to internal stability, inflationary pressure became apparent and persistent whereas external stability remained satisfactory.

Bank of Thailand
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Contact: Macroeconomic Team
Tel: +66 (0)-2283-5647, +66 (0)-2283-5648
e-mail: MPGMacroeconomicsTeam@bot.or.th

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