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Press Release on Economic and Monetary Conditions for April 2011

The economy in April 2011 expanded at a slower pace partly due to the impact from the natural disasters in Japan, causing both production and exports of automobile industry to contract from the previous month. However, the overall export and domestic demand continued to expand on the back of strong supporting factors, including high farm income and improving employment condition.

With regard to **overall stability**, price pressure continued to build up, both from the gradual pass-through of production costs into goods prices, as well as rising demand.

Details of the economic conditions are as follows:

Production sector contracted as reflected in the **Manufacturing Production Index (MPI)**, which dropped by 7.8 percent year-on-year (yoy). This was partly due to the impact from the natural disasters in Japan affecting the production of automobile and parts industry, as well as a reduction in hard disk drive production as a result of high inventory level. In addition, production in garment and textile industries decreased following customers' order postponement to assess the pricing condition of raw materials. Nevertheless, production of food and beverages, electrical appliances, and electronics tube and parts continued to expand.

Regarding **External demand**, export grew satisfactorily despite a contraction in automobile export. April's export value increased in both quantity and price, amounting to 17,243 million US dollars or rose by 24.7 percent (yoy). Export quantity expanded in tandem with rising global demand, especially for export of agricultural products, notably rice and rubber. Likewise, exports of manufacturing products grew from plastic products, chemicals, and electrical appliances. At the same time, export price rose in line with high prices of agricultural products in the world market such as rubber, sugar, as well as a rise in electronics price resulting from concerns of raw material shortage due to the natural disasters in Japan. Furthermore, **tourism sector** grew continuously. The number of foreign tourist arrivals in Thailand totaled 1.5 million people, expanding by 35.9 percent (yoy), mainly from the rising number of tourists from East Asia and Europe. The natural disasters in Japan did not have significant impact on the tourism sector, reflected by this month's 24.6 percent (yoy) expansion of Japanese tourist arrivals in Thailand. Correspondingly, the hotel occupancy rate edged up to 55.1 percent from 46.0 percent in the same period last year, partly due to the low base effect from last year's political unrest.

Domestic demand continued to expand. **Private Consumption Index (PCI)** grew by 4.5 percent, a slower pace from the previous month. This was attributable to a decline in domestic vehicle sales, partly as a result of supply disruption in automobile industry from the natural disasters in Japan. Meanwhile, household electricity consumption contracted due to lower average temperature compared to the same period last year. Nevertheless, VAT and fuel consumption increased satisfactorily. Concurrently, **Private**

Investment Index (PII) expanded by 12.8 percent (yoy), moderating from last month mainly from decelerated imports of machinery and equipment. In particular, imports of capital goods slowed down after last month's acceleration from the high value of imports of oil drilling platform. Moreover, commercial car sales grew at a slower pace following decreased automobile production as a result of the natural disasters in Japan. However, investment in the construction sector continued to expand from the previous month. The construction area permitted in municipal areas increased mainly from rising residential and commercial construction projects in Bangkok. Likewise, domestic cement sales grew in response to the increased number of industrial construction projects. **Fiscal sector** continued to be supportive as reflected in a cash balance deficit of 5.5 billion baht.

Continued expansion in domestic demand was underpinned by strong supporting factors, including high farm income and improving employment condition. **Farm income** edged up by 62.9 percent (yoy) from both production and price. In particular, **agricultural production** increased by 33.2 percent (yoy) from unusually high volume of rice harvest as a result of early plantation after flooding situation during the end of last year subsided. In addition, the Farm Income Guarantee Scheme motivated farmers to expand their plantations. Meanwhile, **agricultural price** accelerated from the previous month by 22.3 percent (yoy), mainly due to an increase in rubber price as a result of rising external demand, as well as a decrease in rubber stock during low yield season. **Employment** condition in March continued to improve, resulting in a low unemployment rate of 0.7 percent.

Expansion in domestic and external demand led to **import value** of 17,720 million US dollars, growing across all product categories by 26.3 percent (yoy), except for imports of vehicles and parts, which decelerated from the previous month due to the natural disasters in Japan.

Depository corporations' private credits rose by 15.3 percent (yoy) from an expansion in credits extended to household and corporate sectors in line with continuous economic expansion. Meanwhile, **depository corporations' deposits (including bill of exchange)** grew by 14.1 percent (yoy) due to accelerated deposit accumulation to accommodate rising demand for private credits and to manage the cost of funding amid an upward interest rate cycle.

For **internal stability**, price pressure continued to build up, both from the gradual pass-through of production costs into goods prices, as well as rising demand. The headline and core inflation stood at 4.04 and 2.07 percent, respectively, accelerating from the previous month mainly from an increase in food and energy prices, which were passed on to the condiments and prepared food prices. **External stability** remained sound. The balance of payments continued to register a surplus, and international reserves stood at a solid level.

Bank of Thailand
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