



# BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department

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## Press Release on Economic and Monetary Conditions for August 2011

The economy in August 2011 improved from the previous month. Manufacturing and agricultural production resumed growth after prior period's contraction. Meanwhile, domestic and external demand expanded continuously. Inflation, both Consumer Price Index and Producer Price Index, accelerated while inflation expectations moderated, albeit remaining at a high level.

Details of the economic conditions are as follows:

Regarding the **supply side**, **Manufacturing Production Index (MPI)** grew by 7.0 percent year-on-year (yoy) following increased production in several industries. In particular, hard disk drive production expanded in response to a rise in demand from China. Concurrently, automobile production continued to grow after Japan's supply disruption had been resolved. Meanwhile, sugar and canned pineapple production expanded from an increase in the supply of raw materials. Moreover, production of petroleum products rose from accelerated oil refining before the commissioning period in September-October 2011 and from an expected increase in demand resulting from the government's measure to reduce oil prices. Nevertheless, garment and textile production contracted continuously due to moderated demand from the U.S. and Europe. **Agricultural production** turned positive by 3.5 percent (yoy) after last month's contraction of 7.1 percent (yoy) as rice production resumed normal growth. Moreover, cassava production rose as farmers expanded plantation areas, and pest outbreak began to subside. Concurrently, **agricultural price** grew by 9.0 percent (yoy), mainly from accelerated rice and livestock prices, while rubber price remained at a high level. As a result, **farm income** resumed growth of 12.8 percent (yoy) after contracting by 2.7 percent (yoy) in the previous month.

Rising farm income and low unemployment rate led to a continued rise of domestic demand. **Private Consumption Index (PCI)** grew by 5.4 percent (yoy) from an expansion in all consumption indicators. Notably, VAT increased mainly from rising import while continued demand for vehicles resulted in a continuous growth of domestic sales. Meanwhile, fuel consumption, especially benzene and diesel consumption, accelerated as oil prices decreased following the government's suspension of fuel sale contribution to the Oil Fund, effective from 27 August 2011. Likewise, **Private Investment Index (PII)** expanded by 8.3 percent (yoy) from both construction investment, as well as investment in machinery and equipment. This was reflected by a continued acceleration of commercial car sales and a rise in imports of capital goods especially machinery for automobile, electronics, and electrical appliances industries.

Furthermore, the construction area permitted in municipal areas and domestic cement sales continued to increase. Regarding **Fiscal sector**, fiscal revenue expanded well for all tax categories, particularly Corporate Income Tax. However, accelerated disbursement before the end of the fiscal year resulted in a cash balance deficit of 9.8 billion baht.

**External demand**, both export and tourism sectors, expanded favorably. **Export value** amounted to 20,940 million US dollars, growing across all product categories by 28.4 percent (yoy). This was due mainly to a surge in exports of agricultural products, including rice export to Nigeria, the Middle East, and ASEAN, as well as a continuous rise in rubber export in line with the recovery of global automobile production. Meanwhile, exports of manufacturing products rose satisfactorily, especially petroleum product, plastic product, chemicals, electrical appliances, prepared food, and rubber product. Regarding **tourism sector**, the number of foreign tourist arrivals in Thailand totaled 1.7 million people, growing by 35.7 percent (yoy), owing mainly to the rising number of tourists from Asia. Flooding in several areas did not have a significant impact on the tourism industry as affected areas were not the main tourist destinations.

Favorable expansion in the production sector, together with buoyant domestic and external demand, led the **import value** to accelerate across all product categories by 45.9 percent (yoy). Notably, fuel import surged to accommodate the accelerated oil refining before the commissioning period. In addition, imports of capital goods hiked from imports of high-value machinery for oil drilling.

For **internal stability**, inflation accelerated. The headline and core inflations stood at 4.29 and 2.85 percent (yoy), respectively. Meanwhile, Inflation expectations moderated, albeit remaining at a high level.

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