



BANK OF THAILAND

BOT Press Release

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Press Release on Economic and Monetary Conditions for September
and the Third Quarter of 2011

The economy in September 2011 expanded at a slower pace following the weakening global economy. In addition, flooding in several areas began to affect activities in certain sectors. Meanwhile, inflation as well as inflation expectations remained at a high level.

Details of the economic conditions are as follows:

Export value decelerated to 18.4 percent year-on-year (yoy), following a slowdown in the major industrialized economies, especially exports of electronics to Europe and Japan, as well as exports of garments to the U.S. However, exports to ASEAN and China remained robust, particularly exports of rubber, petroleum products, automobiles, plastics and electrical appliances.

With regard to **the production sector**, Manufacturing Production Index (MPI) dropped by 0.5 percent (yoy). Production in export-oriented industries decreased in response to a moderation in exports, especially hard disk drive, garment and textile, and integrated circuits and parts production. Nevertheless, production in other industries such as food and beverages, as well as automobiles, continued to expand well.

Consumption and the tourism sector began to soften due to the impact from flooding. **Private Consumption Index (PCI)** moderated from the previous month as reflected by lower VAT collection, domestic motorcycle sales, and household electricity consumption. Regarding the **tourism sector**, the number of foreign tourist arrivals in Thailand grew by 23.5 percent (yoy), slowing down from the previous month as some foreign tourists postponed their travel plans due to flooding in the Northern and Central areas.

Nevertheless, the agricultural sector was still not significantly affected by flooding. **Agricultural production** grew slightly by 1.1 percent (yoy), mainly from cassava, rubber, and oil palm production. Meanwhile, **agricultural price** rose by 9.4 percent (yoy) due to

the implementation of the paddy mortgage scheme at high intervention prices, together with strong rubber and livestock prices. **As a result, farm income** expanded by 10.6 percent (yoy).

Private Investment Index (PII) registered 8.5 percent growth (yoy), remaining unchanged from the previous month. Commercial car sales accelerated while construction area permitted in municipal zone and imports of capital goods, particularly in automobile, electronics, and electrical appliances industries, moderated after the prior period's acceleration. Concurrently, the government collected higher-than-expected revenue in the fiscal year 2011 in tandem with economic expansion. Meanwhile, a higher disbursement rate also supported the economic activities.

A slowdown in the economy caused the **import** value (excluding gold) to decelerate to 20.7 percent (yoy) after registering 41.2 percent growth (yoy) in the previous month. In particular, imports of intermediate and capital goods softened following a deceleration of production in the export-oriented industries. In addition, imports of crude oil temporarily declined during the commissioning period in September-October 2011.

With regard to **internal stability**, headline inflation moderated mainly from declining oil prices. However, core inflation continued to accelerate from the ongoing pass-through of production costs into prepared food and condiments prices. Meanwhile, both expected inflation and expected production costs remained at a high level.

Overall, **the economy in the third quarter of 2011** improved from the previous quarter as the production and the export sectors improved in response to resolved Japan's supply disruption. Meanwhile, domestic demand stabilized from the previous quarter due to consumers' wait-and-see attitudes for the government's stimulus packages, as well as the effect from flooding during the end of the quarter.

Going forward, a slowdown in the global economy, coupled with flooding, are expected to significantly affect the production sector. This was reflected by declining confidence of consumers and businesses, with regard to rising concern of economic uncertainties, as well as domestic and external demand.

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