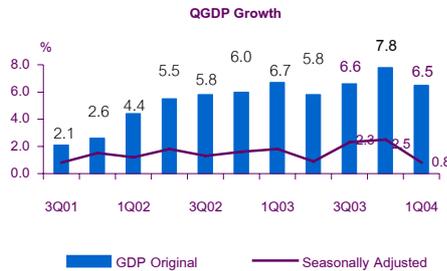




# ผลิตภัณฑ์มวลรวมในประเทศ ไตรมาสที่ 1/2547

## GROSS DOMESTIC PRODUCT: Q1/2004

# GDP QUARTERLY REPORT



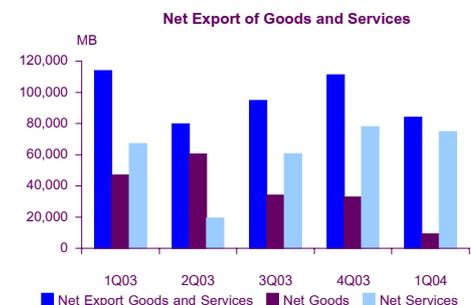
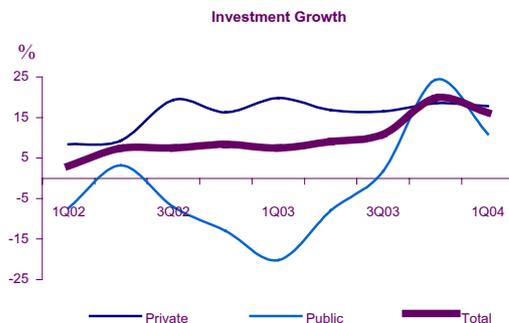
### HIGHLIGHT OF Q1

#### GDP GROWTH BY SECTOR (YoY)

	2003E	1Q03	2Q03	3Q03	4Q03	1Q04
Agriculture	6.9	10.0	4.2	6.6	6.5	-2.8
Non-agriculture	6.7	6.3	6.0	6.6	8.0	7.6
<b>GDP</b>	<b>6.8</b>	<b>6.7</b>	<b>5.8</b>	<b>6.6</b>	<b>7.8</b>	<b>6.5</b>

### GDP was impacted by Avian Influenza epidemics.

- GDP grew by 6.5%, slightly slowed down as compared to the annual growth of 2003, with seasonally adjusted 0.8% in Q1. The growth was lowered due mainly to the spread of Avian Influenza epidemics (Bird Flu) in chicken farms while the surge in world oil prices was not fully impacting cost of production except for the consumer confidence. The unrest in the three southern-most provinces also caused a reduction of raw rubber production. However, a strong growth could be seen in non-food industry, construction and transports.
- GDP in agricultural sector dropped by 2.8% due mainly to poultry production of which 26 million chicken were killed and reduction of some major crops production such as paddy, sugarcane, and raw rubber despite higher prices than last year. Fishery showed a strong growth due mainly to shrimp export before the announcement of result of anti-dumping investigation from the US and substitution of chicken consumption to other meats and fish.
- Non-agricultural sector continued to grow by 7.6%. With continued high capacity utilization, manufacturing expanded by 10.3% mainly in raw materials (chemicals, rubber and plastic products, metal and non-metallic), machinery and equipments, electronics, and automobile for exports. Food industry particularly chicken for export was halted by bird flu while animal feed industry received minimal impact. Services continued to expand except for small restaurants. The competition in low-cost airlines in this quarter had encouraged more passengers.

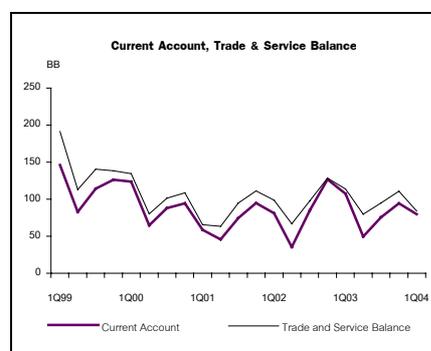
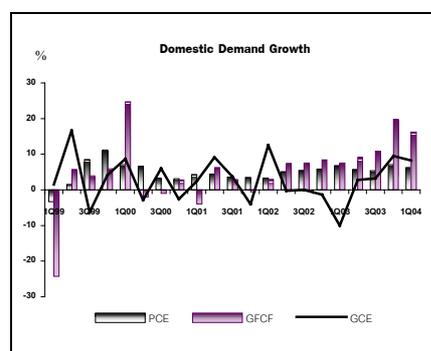
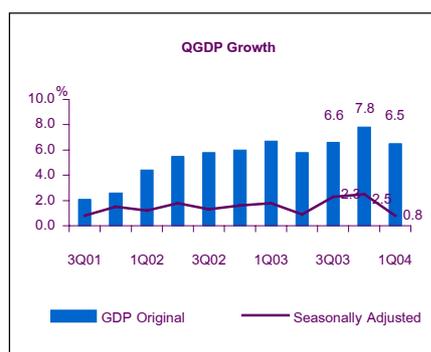


### Domestic demand remained strong despite a sign of slow-down in household consumption and private investment.

- Q1 economic growth was driven by strong demand from household consumption and private investment. Household spending increased by 6.3%, lower than Q4 of 2003 but was considered as high as the average of 2003. The lower growth of consumer spending was partly due to worry over Bird Flu and increase in oil prices despite the Government's subsidized domestic retail prices. The shift in food consumption was also seen in Q1 from chicken to other meats and fish.
- Public spending was also seen an increasing rate of growth of 8.2% in purchases of goods and services and mostly were disbursed by local administration. Private investment continued to show a strong growth of 17.7% as expansion of construction of housing and commercial buildings and equipments installation remained.
- External sector showed a sign of weakening as net exports of goods and services in quantity term was in negative, with minus 14.7% growth, for the second consecutive quarter due to higher increase in imports than exports. Imports of goods significantly increased in crude oil, raw materials for export industries, and capital goods. However, the surplus in net services receipts could not offset the deficit of trade balance.

# GROSS DOMESTIC PRODUCT (GDP) : Q1/2004

**6.5% growth of Gross Domestic Product in 1Q04 due to slowdown in domestic demand and contraction in external sector.**



## Outlook: Decelerated GDP growth in 1Q04 due to the epidemic of Avian Influenza

The Thai economy in 1Q04 measured by Gross Domestic Product (GDP) grew merely by 6.5 %, lower than 7.8% in 4Q03 due to adverse impact of the epidemic of Avian Influenza and external demand. The domestic demand growth was contributed by household, government consumptions, and investment by 6.3%, 8.2% and 16.2%, respectively. External demand still decreased owing to contraction in net export by 14.7%, compared to 9.6% decrease in 4Q03, due to higher growth of imports. The major imported categories were raw materials such as various kind of iron; capital goods and high technology such as machinery and equipment, especially for industrial use, and electrical machinery and apparatus in line with high investment in manufacturing sector. The net services showed 8.0%, higher than 6.7% in 4Q03.

The 6.5% growth of production was contributed by slowdown in agriculture by 2.8% due to the epidemic of Avian influenza and drought. Moreover, non-agriculture decelerated by 7.6%, lower than 8.0% in 4Q03 due to the slight expansion of manufacturing, construction, financial intermediation, and other services.

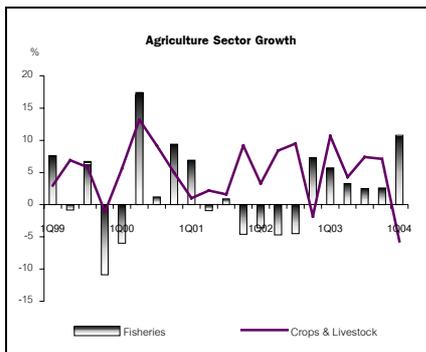
The seasonally adjusted GDP rose by 0.8 %, lower than 2.5 % in 4Q03.

	Growth Rate of Gross Domestic Product: Q1/2004 (%)					
	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
Agriculture	6.9	10.0	4.2	6.6	6.5	-2.8
Non agriculture	6.7	6.3	6.0	6.6	8.0	7.6
<b>GDP</b>	<b>6.8</b>	<b>6.7</b>	<b>5.8</b>	<b>6.6</b>	<b>7.8</b>	<b>6.5</b>
<b>GDP (Q/Q) (Seasonally Adjusted)</b>		<b>2.0</b>	<b>0.9</b>	<b>2.3</b>	<b>2.5</b>	<b>0.8</b>

- GDP in 1Q04 at current market prices valued at Baht 1,598.5 billion, and after deducted by net factor income from the rest of the world, Baht 15.0 billion, the Gross National Product (GNP) valued at Baht 1,583.5 billion, with an expansion of 6.5%.
- Trade and services balance was in surplus, Baht 83.9 billion. After included net factor income and transfer from the rest of the world, recorded a deficit at Baht 4.1 billion, the current account was in surplus, equivalent to Baht 79.8 billion, 5.0% of GDP compared to 6.0% in 4Q03.
- The GDP implicit price deflator grew by 2.4% compared to 1.9% in 4Q03. The producer price index and consumer price index increased by 2.5% and 1.9%, respectively.

*Production rose by 6.5% driven by non-agricultural production, 7.6% growth.*

*Agricultural production dropped by 2.8% due to the epidemic of Avian Influenza and long drought.*



*Manufacturing production grew by 10.3%, mainly driven by capital goods and high technology industries whereas light industries decelerated.*

## Production

The production decelerated from 7.8% in 4Q03 to 6.5% in 1Q04, due to the epidemic of the Avian Influenza. Moreover, the long drought caused the 2.8% decrease in the agricultural products. The adverse impact on agricultural production partly caused the growth of non-agricultural sectors, decelerating from 8.0% in 4Q03 to 7.6% in 1Q04.

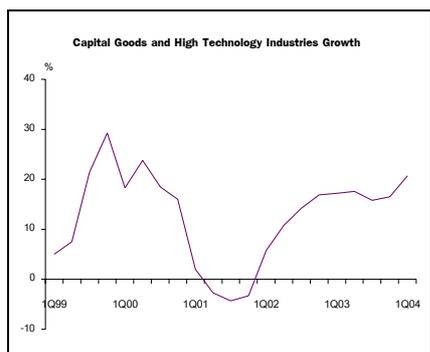
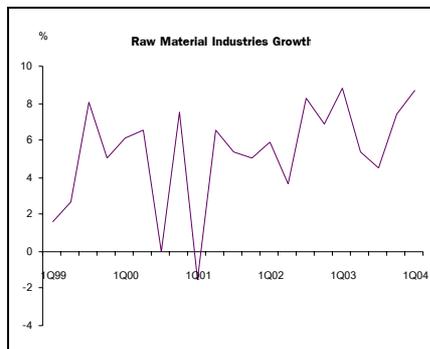
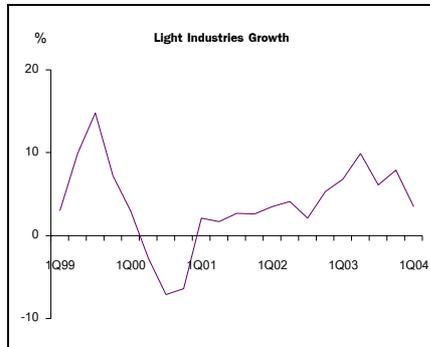
### Agriculture

Agricultural production dropped by 2.8% due to 20.7% decrease of livestock, affected by the Avian Influenza epidemic. Crops also decreased by 3.8% while fisheries rose by 13.7%

- **Crops** shrank by 3.8% due to a long drought at the beginning of the year. First crop paddy was slightly decreased. Falling season of rubber trees in the Upper Southern Region and Eastern Region caused less rubber products. Sugarcane production was smaller than last year.
- **Livestock** sharply dropped by 20.7% owing to the Avian Influenza epidemic. Twenty six million chicken were killed to control the disease. Even though swine product was increased according to higher demand, but could not be compensated the lost chicken in the short run.
- **Fishery** rose by 13.7% due to 35.7% increase of exported shrimp. This was a result of an acceleration of exporting frozen shrimp to the United States before the announcement of anti dumping measures.
- **Implicit price deflator of agricultural sector** increased by 10.0% mainly due to various items, such as paddy and rubber. Livestock prices increased sharply, especially swine and hen's egg because of higher demand for chicken substitution. Hen's egg price was very high as a result of fewer number of mother hens. In contrast, fishery price was dropped.

### Manufacturing

Manufacturing decelerated from 10.9% in 4Q03 to 10.3% in 1Q04 mainly due to a slowdown production in food industry, affected by Avian Influenza epidemic. Nevertheless, capital goods industry and high technology industry, and raw material industry were still growing. The expanded industries were construction material, machinery and equipment, electronic, and automobile.



Manufacturing Sector Growth		2003					2004
Industrial types	2003	2003				2004	
		Q1	Q2	Q3	Q4	Q1	
Light Industries	7.6	6.8	9.9	6.1	7.9	3.5	
Raw material	6.5	8.8	5.4	4.5	7.4	8.7	
Capital goods and high tech.	16.9	17.2	17.6	15.8	16.5	20.7	
<b>Total</b>	<b>10.3</b>	<b>10.3</b>	<b>11.1</b>	<b>8.9</b>	<b>10.9</b>	<b>10.3</b>	

**Light industries:** decelerated by 3.5%, compared to 7.8% in 4Q03, due to Avian Influenza effect to the food industry. Growth industries were:

- **Food and beverages** sharply decelerated by 4.1%, much lower than 14.9% in 4Q03. Avian Influenza affected both directly to chicken products industry that grew by only 1.2%, compared to 13.8% in 4Q03. Furthermore, there was an indirect effect to animal feed industry. Beverage production was also decelerated from 16.1% in 4Q03 to 10.8% in 1Q04.
- **Wood and wood products** continuously grew by 9.3%, higher than 7.6% in 4Q03, in line with higher construction.

**Raw material industries** continuously increased by 8.7%, higher than 7.4% in 4Q03. Growth industries were:

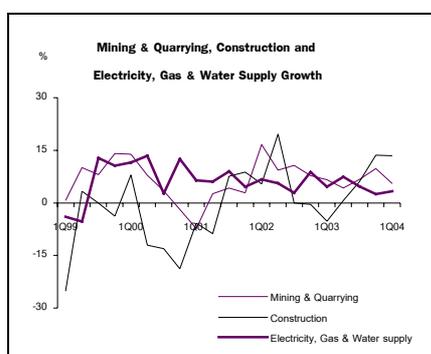
- **Chemical and chemical products** rose by 10.6% due to increase of petrochemical industry, especially polymer of ethylene, propylene, etc in primary form which were induced by high demand from the world market, particularly from China.
- **Rubber and plastic** grew by 10.5% in line with 15.7% increase of automobile and motorcycle tyre production.
- **Non-metallic products** grew by 11.5% owing to cement production rising by 14.0%, in line with construction industry.
- **Metallic products** expanded by 19.2% which was induced by both a high demand from construction in the country, and high price of iron in the world market. Therefore, the producers accelerated their production in order to accumulate the product inventory.

**Capital goods and high technology industries** were the major drivers of growth in manufacturing sector. It grew by 20.7%, compared to 17.0% in 4Q03. High growth sectors were:

- **Machinery and equipment** increased by 22.2% owing to higher production of air conditioners for export demand.
- **Electrical machinery and apparatus** rose by 30.3% to support the 25.3% increase of export on integrated circuits.
- **Motor vehicles** accelerate by 28.9%, higher than 23.0% in 4Q03, particularly 40.7% expansion of commercial cars. Moreover, production for domestic personal cars and for exports grew by 23.5% and 43.1%, respectively.

**Electricity, gas and water supply** accelerated by 3.3%, compared to 2.0% in 4Q03. Electricity, accounting for 85.7%, expanded by 2.1%. It was in line with 7.6% increase of electricity demand; particularly large scale industries, 42.0% of total electricity demand, grew by 12.6%. In contrast, household consumption continuously decelerated by 5.1% owing to higher fuel transfer tax (FT) charge in February that brought the price per unit up from 2.51 Baht to 2.63 Baht. Water supply grew by 9.6% while gas refinery decelerated by 8.1% in line with slowdown in natural gas production.

*High electricity consumption in large scale industries but decelerated in households.*



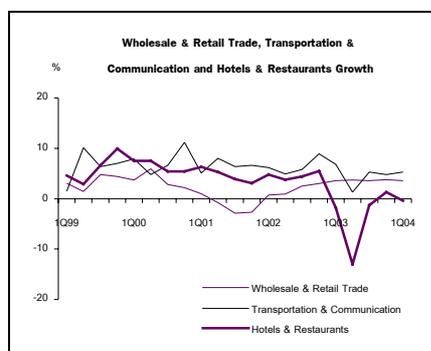
Industrial types	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
Residential	6.2	6.7	7.0	5.7	5.5	5.1
<i>Ratio</i>	22.4	21.6	23.8	22.3	21.7	21.1
Small Ent.	6.1	7.4	6.1	5.4	5.6	5.1
<i>Ratio</i>	9.9	9.8	10.3	9.9	9.8	9.6
Medium Ent.	4.9	4.8	2.8	4.9	7.1	3.1
<i>Ratio</i>	19.2	19.2	18.8	19.4	19.5	18.4
Large Ent.	8.4	9.5	8.1	6.6	9.5	12.6
<i>Ratio</i>	39.5	40.1	38.2	39.5	40.4	42.0
Special Ent.	1.8	5.8	-1.3	0.6	2.4	4.1
<i>Ratio</i>	3.1	3.2	3.1	3.0	3.1	3.1
Public Sector	1.8	3.3	1.9	4.1	-2.1	4.3
<i>Ratio</i>	3.6	3.4	3.5	3.8	3.4	3.3
Others	34.4	97.6	37.8	30.4	-0.9	2.9
<i>Ratio</i>	2.3	2.6	2.2	2.1	2.2	2.5
<b>Total</b>	<b>7.0</b>	<b>8.7</b>	<b>6.6</b>	<b>6.1</b>	<b>6.9</b>	<b>7.6</b>

Sources : MEA and PEA

*Non-metallic mineral production expanded, whereas natural gas production decelerated and slowdown in crude oil production.*

*The construction expanded by 13.4% due to higher private construction.*

*Land transport decelerated while air transport favorably increased.*



**Mining and quarrying** decelerated by 5.5%, lower than 9.8% in 4Q03 due to 17.8% drop of crude oil production from Benjamas, Sirikit, Platong, Surat and Yala fields. Moreover, Platong, Surat and Yala fields had been temporarily closed for 2 weeks in order to expand the production capacity in the future. Meanwhile, lignite and iron mining decreased by 15.4% and 94.6% respectively. However, natural gas and liquid natural gas, with the proportion of 52.0% of this sector, rose by 9.7%. The overall mineral production increased by 8.4%; limestone for industrial use, granite and gypsum growing by 32.0%; and non-metallic mineral growing by 11.2% in accordance with construction

**Construction** expanded by 13.4% due to a high continuous growth of private construction at 21.0%; particularly residential construction in the municipal area and village area, and commercial building construction that still increased by 21.4%. Public construction rose by 6.7% owing to 17.4% increase of both central government and local authority construction.

**Transportation and communication** accelerated by 5.5%. This was mainly from 10.2% increase in telecommunication services. Transportation decelerated by 3.0% because of 0.3% deceleration of land transport. Nevertheless, air transportation continuously expanded by 7.4%; Thai Airways International Public Company Limited had a good performance. In addition, the private air transport companies had occupied greater market share in this quarter by various marketing strategies, such as low cost air line accompanied with other policies which stimulated higher number of passengers.

**Selected Transport and Communication Items Growth (%)**

	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
<b>Transport</b>	-1.1	1.7	-8.3	-1.6	3.6	3.0
Land Transport	2.8	1.8	5.9	-0.6	4.2	0.3
Passenger	0.2	-5.2	1.7	1.6	2.6	3.7
Cargo	5.0	7.6	9.2	-2.3	5.6	-2.2
<b>Telecommunication</b>						
Local Calls	9.1	7.6	8.6	10.9	9.1	3.4
Long Distance Calls	12.2	16.8	13.1	9.7	9.6	9.0

Sources: TOT Corporation PCL, and CAT Telecom Public Co., Ltd

**Wholesale and retail trade** slightly decelerated by 3.6% compared to 3.8% in 4Q03 as a result of both lower domestic production and imports.

*The growth of hotels and restaurants showed unfavorable.*

**Hotels and restaurants** contracted by 0.4% compared to 1.3% increase in 4Q03, especially 2.0% decrease of restaurant mainly as a result from many people did not consume food outside in order to avoid Avian Influenza contamination. However, hotel business slowed down by only 2.8% even though number of tourists slightly increased by 0.5% but the domestic tourism still grew up due to effective domestic tourism promotion measures in this year.

	<b>Number of Foreign Tourists</b> (1000 Persons)					
	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
Asian	6,063	1,624	836	1,743	1,860	1,686
European	2,319	803	343	414	759	688
American	611	183	97	123	208	188
Others	1,012	240	173	302	297	269
<b>Total</b>	<b>10,005</b>	<b>2,850</b>	<b>1,449</b>	<b>2,582</b>	<b>3,124</b>	<b>2,831</b>
Included Thais	10,082	2,868	1,467	2,602	3,145	2,883
Growth Rate (YoY)	-7.3	-1.7	-40.1	0.6	7.6	0.5

Sources : Tourism Authority of Thailand and Bank of Thailand

Remark: 1Q2004 estimated by NESDB

*Commercial banks showed good performance.*

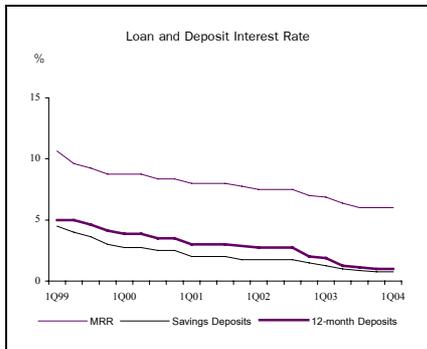
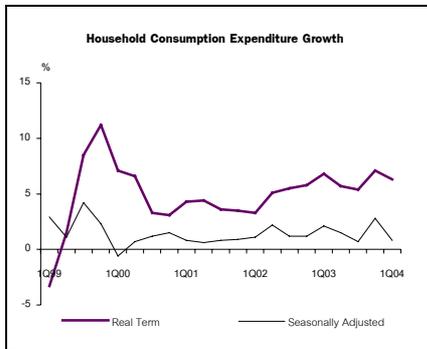
**Financial intermediation** expanded by 11.7%, decelerating from 17.8% in 4Q03. Commercial banks exhibited sound performance attributed to an increase in net interest receipt, which continued to expand more compared to previous year. However, service charges and fees of commercial banks worsen. In addition, the Government Saving Bank showed better performance owing to an increase in government's scheme loan.

#### **Other services**

*Other services' growth expanded as a result of higher revenue from government lottery, and special lottery and advertisement.*

- Overall other services slightly increased by 7.9% compared 7.8% in 4Q03. Government lottery and special lottery sharply increased by 45.9% because extra amount of government lottery for general people and the handicap has been started to launch in this quarter. Moreover, the new government lottery earned Baht 4,637 million in this quarter, Baht 8,698 million sales minus winning prizes.
- Radio and television continuously increased by 17.8% due to better economic condition.

*Avian Influenza affected on a decrease in consumer's confidence which caused a deceleration in household consumption by 6.3%.*



Consumer Confidence Index (CCI)

	2003					2004
	Q1	Q2	Q3	Q4	Q1	
CCI	98.7	92.3	92.1	100.4	109.9	107.5
Growth Rate	17.3	21.7	10.8	13.3	23.6	16.5

Source : The Center of Economic and Business Forecasting, UTCC

	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
Television	47,978	10,781	12,183	11,757	13,257	13,232
Radio	5,235	1,172	1,353	1,290	1,420	1,262
Others	17,005	3,728	3,971	4,245	5,061	4,771
<b>Total</b>	<b>70,218</b>	<b>15,681</b>	<b>17,507</b>	<b>17,292</b>	<b>19,738</b>	<b>19,265</b>
Growth Y-o-Y	14.4	14.1	11.7	13.4	17.9	14.1

Source : Media Data Resources Co., Ltd.

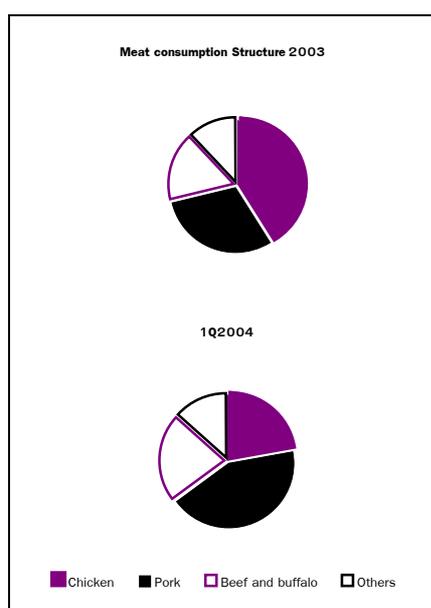
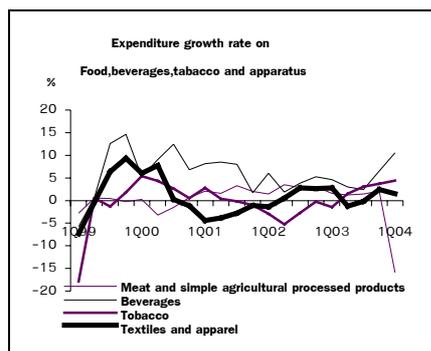
## Expenditure

### Household consumption expenditure

- Household consumption expenditure decelerated by 6.3%, compared to 7.1% in 4Q03 and the seasonally adjusted value increased at the rate of 0.8%.
- There were major consumption stimulators despite of deceleration of consumption compared to the previous quarter such as an increase in farm income resulting from a rise in agricultural products prices, higher employment in non-agricultural sector, low interest rate and higher expansion of personal loans of financial institutions other than commercial banks.
- Nevertheless, an anxiety about Avian Influenza and unrest in the south led to a deceleration of consumption expenditure especially poultry and poultry's products, motor vehicles, electrical appliances and mobile phones. The expenditure in the same quarter of last year, the comparison base, was rather high according to good economic situation. Therefore, the household consumption seemed to be low in this quarter even though the Baht 4,637 million of net purchase of government lottery was added.

### Household Consumption Expenditure Growth (%)

	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
PCE in domestic market	5.2	5.6	3.5	4.6	7.0	5.7
less : expenditure of non-residents in the country	-5.6	-2.0	-27.9	-3.1	6.4	1.9
<b>PCE excluding expenditure of non-residents in the country</b>	<b>6.4</b>	<b>6.5</b>	<b>6.5</b>	<b>5.5</b>	<b>7.1</b>	<b>6.2</b>
plus : expenditure of residents abroad	2.1	14.6	-13.2	5.4	6.8	9.3
<b>PCE</b>	<b>6.3</b>	<b>6.8</b>	<b>5.7</b>	<b>5.4</b>	<b>7.1</b>	<b>6.3</b>



**Agriculture** decreased by 1.5%. Owing to Avian Influenza, hen egg and duck egg contracted by 35.9%, while vegetable and fruit rose by 3.2% in accordance with supplies of crops in the market. Whereas fisheries consumption increased by 6.3% in order to substitute chicken consumption which was almost disappeared from the market.

**Food, beverages, tobacco and textiles** decelerated by 1.8% due to consumption of meat and agricultural processed products decreasing by 15.9%. This was a result of a decrease in consumption of poultry. Consumption of other meat especially pork could not be perfectly substituted due to 25.8% increasing price according to an excess demand situation, whereas consumption of other protein such as milk increased by 7.9%. Nevertheless, beverage, tobacco and apparel consumption grew by 10.5%, 4.4% and 1.5%, respectively.

**Transport equipments** decelerated by 21.8%, lower than 31.6% in 4Q03, especially a 19.3% deceleration of personal cars due to a high sales volume last year as well as some people delaying to purchase new cars as a result of the Motor Expo held by the end of March that had launched various new models and had the competitive strategies. Whereas new registered pickup markedly increased by 37.9%

#### Transport Equipment Sales

	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
Personal car (units)	179,418	44,010	42,365	42,139	50,904	52,512
Percentage change	42.0	80.0	27.2	23.6	47.6	19.3
Commercial car (units)	354,037	75,181	84,952	90,839	103,065	95,073
Percentage change	25.1	27.0	31.3	25.1	19.1	26.5
Motorcycle (thousand units)	1,687	449	433	386	419	507
Percentage change	28.2	56.5	53.3	13.8	2.8	13.0

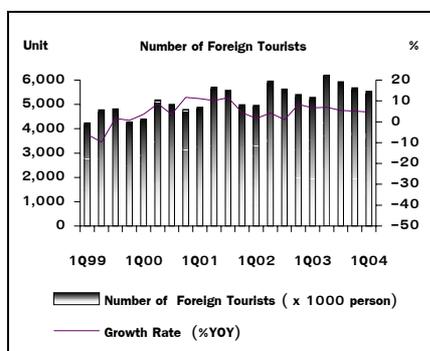
Sources : Thailand Automotive Institute and the Bank of Thailand

**Transport and communication services** decelerated by 6.6%, compared to 11.1% in 4Q03 due to 4.0% and 11.0% growth of transportation and telecommunication services, respectively. This was a result of a continual competitive strategies in telecommunication services markets such as reducing the services fee for long-time call in postpaid system, decreasing the value of refill card in prepaid system and increasing the advertisement via various medias.

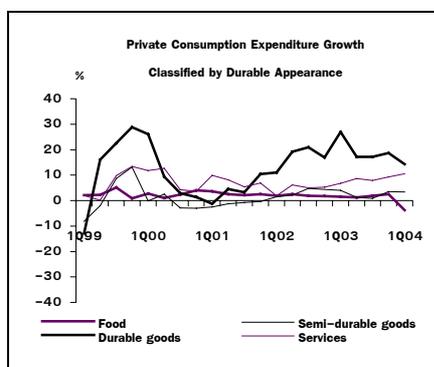
**Fuel Quantity and retail prices**

	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
<b>Quantity (Million litre)</b>						
<b>Diesel (HSD)</b>	17,450.5	4,302.7	4,387.8	4,205.1	4,554.9	4,832.5
(%YOY)	9.3	7.8	9.0	7.9	12.7	12.3
<b>Diesel (LSD)</b>	99.4	24.7	23.4	27.0	24.3	26.2
(%YOY)	-11.9	-17.7	-18.5	-1.8	-9.0	6.1
<b>Benzine (91)</b>	4,550.3	1,122.6	1,138.2	1,118.8	1,170.7	1,157.9
(%YOY)	4.9	7.4	5.6	5.0	2.0	3.1
<b>Benzine (95)</b>	3,085.0	751.9	766.7	760.2	806.2	804.8
(%YOY)	3.4	3.1	4.5	1.9	4.0	7.0
<b>Price (Baht/litre)</b>						
<b>Diesel (HSD)</b>	13.9	14.8	13.8	13.4	13.8	14.6
(%YOY)	8.9	24.2	4.3	1.7	-2.3	-1.3
<b>Diesel (LSD)</b>	13.7	14.4	13.6	13.2	13.5	14.4
(%YOY)	4.2	23.2	5.4	1.9	-2.6	-0.2
<b>Benzine (91)</b>	15.5	15.9	15.2	15.7	15.4	16.2
(%YOY)	8.6	21.2	2.6	9.2	3.7	1.8
<b>Benzine (95)</b>	16.5	16.9	16.2	16.7	16.3	17.0
(%YOY)	8.1	19.7	2.4	9.0	2.8	0.5
<b>Crude Oil Price (US\$/BBL)</b>						
	28.01	29.92	25.46	27.68	28.99	30.85
(%YOY)	14.6	45.7	2.5	5.8	10.4	3.1

Source : PTT PCL., EPPO



Sources : TOT Corporation PCL, and the Communications Authority of Thailand



**Subscribers of Telephone Numbers**

(End of period)	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
<b>Basic telephone (thousand units)</b>	6,305	6,564	6,555	6,118	6,305	6,338
<b>Population to registered number</b>	10.2	9.7	9.8	10.5	10.2	10.2
<b>Mobile phone (thousand units)</b>	22,194	18,883	19,672	20,843	22,194	23,573
Prepaid System	17,854	14,744	15,835	16,845	17,854	18,967
Postpaid System	4,340	4,139	3,837	3,998	4,340	4,607
<b>Structure</b>	100.0	100.0	100.0	100.0	100.0	100.0
Prepaid System	80.4	78.1	80.5	80.8	80.4	80.5
Postpaid System	19.6	21.9	19.5	19.2	19.6	19.5
<b>Population to registered number</b>	2.9	3.4	3.3	3.1	2.9	2.7

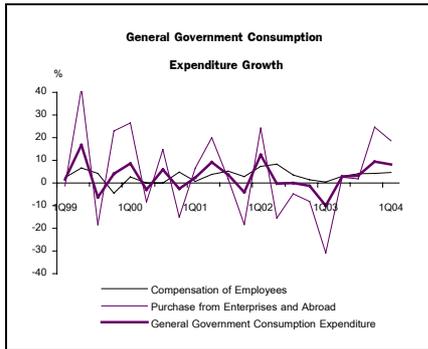
Sources : TOT Corporation PCL, and the Communications Authority of Thailand

**Hotels and restaurants** decreased by 0.5% owing to expenditure for restaurant services contracting by 2.0% as a result of the epidemic of Avian Influenza which caused people avoid to have food outside. Furthermore, the government's measure to reduce crime and drug problem by closing entertainment places earlier than normal also affected the lower consumption. Nevertheless, expenditure for hotel services rose by 2.8% in line with expenditure of both domestic and foreign tourists as a result of a cooperation of public and private sector to promote tourism such as campaign to promote package tours on weekday in special prices.

When the durability was considered, the expenditure on food contracted by 3.8%; non-durable goods (excluding food) such as beverage, electricity and water supply, medicine and household utensils expanded by 8.2%; semi-durable goods consisting of clothing, footwear and household equipments rose by 3.4%; durable goods such as vehicles, furniture, electrical appliances, computers, radios and televisions decelerated by 14.2%; and expenditure on services comprising hotels and restaurants, recreation and entertainment, education, remedy and net tourists expenditure continually increased by 10.5%.

**Private Consumption Expenditure Growth Classified by Durable Appearance (%)**

	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
<b>Private Consumption Expenditure</b>	6.3	6.8	5.7	5.4	7.1	6.3
Food	1.8	1.5	1.2	1.9	2.5	-3.8
Other than food	7.4	8.3	6.8	6.4	8.2	9.0
Non-durable products (excluding food)	4.7	5.3	3.9	3.6	5.8	8.2
Semi-durable products	2.4	4.0	1.2	0.8	3.5	3.4
Durable products	19.8	26.9	17.2	17.2	18.7	14.2
Services	8.2	6.8	8.7	7.9	9.3	10.5



### Government consumption expenditure (GCE)

- Government consumption expenditure was recorded at Baht 158,154 million, increased by 9.6%. Compensation of employees was Baht 123,798 million, increased by 7.3% whereas net purchases from enterprises and abroad was Baht 34,356 million, increased by 19.0%.
- In 1Q04, the second quarter of fiscal year, the disbursement increased by 22.3%. The 87.8% of total GCE arose from government budget whereas the other 12.2% arose from local and non budgetary.
- GCE increased by 8.2% in real term. This was a result of an increase in both compensation of employees and net purchase from enterprises and abroad by 4.6% and 18.5% respectively.

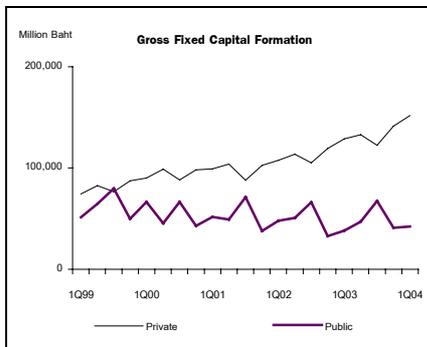
### Disburse of government budget

(Baht in Billion)

Expenditure items	Since the 1 <sup>st</sup> Quarter of FY			Jan. – Mar.		
	2003	2004	%Δ	2003	2004	%Δ
Wages and Salaries	144.4	150.6	4.3	72.9	76.2	4.7
Remuneration and Utilities	23.2	25.3	9.2	14.4	15.3	6.1
Equipment and Construction	21.9	18.3	-16.7	13.8	13.2	-5.0
Subsidies	51.3	71.7	39.8	19.9	36.9	86.1
Others	74.7	82.4	10.3	31.9	37.2	16.5
Funds and Revolving Funds	29.5	48.3	64.1	0.1	15.6	19,234.4
Central Funded	61.3	98.7	60.9	34.0	34.3	0.8
<b>Total</b>	<b>406.4</b>	<b>495.4</b>	<b>21.9</b>	<b>187.0</b>	<b>228.7</b>	<b>22.3</b>
Disbursement rate	40.6	48.2		18.7	22.3	

Source: Ministry of Finance

**Investment grew by 16.2% decelerating both public and private investments.**



### Gross fixed capital formation (GFCF)

GFCF continually expanded by 16.2% in 1Q04.

- **Private investment** rose by 17.8%, slightly lower than 18.5% in 4Q03 owing to lower rate of growth in construction, while private machinery and equipments maintained in the same level of the previous quarter.
- **Public investment** increased by 10.9%, lower than 24.3% in 4Q03 due to the decelerated private investment in both construction, and machinery and equipments.

	<b>Gross Fixed Capital Formation Growth</b>					<b>(%)</b>
	<b>2003</b>	<b>2003</b>				<b>2004</b>
		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>
<b>Construction</b>	<b>5.1</b>	<b>-4.4</b>	<b>1.8</b>	<b>7.9</b>	<b>16.9</b>	<b>15.0</b>
Private	18.1	16.3	15.2	20.1	20.7	18.9
Public	-5.2	-19.7	-8.6	0.2	12.0	10.8
<b>Equipments</b>	<b>15.9</b>	<b>15.3</b>	<b>13.8</b>	<b>13.1</b>	<b>21.2</b>	<b>16.9</b>
Private	17.8	21.0	17.3	15.2	17.8	17.4
Public	4.8	-21.5	-6.1	5.2	49.2	11.2
<b>Total GFCF</b>	<b>11.7</b>	<b>7.5</b>	<b>9.1</b>	<b>10.8</b>	<b>19.8</b>	<b>16.2</b>
Private	17.9	19.8	16.8	16.5	18.5	17.8
Public	-2.3	-20.2	-7.9	1.7	24.3	10.9

**Private Construction Growth**

	<b>(%)</b>	<b>2003</b>				<b>2004</b>
		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>
Residential	20.8	21.3	17.2	23.8	21.0	26.5
Factory	1.9	1.2	4.4	1.4	0.8	-2.6
Commercial	30.7	25.4	26.5	37.9	32.6	21.4
Others	20.7	14.5	14.5	20.6	33.8	15.3
<b>Total</b>	<b>18.1</b>	<b>16.3</b>	<b>15.2</b>	<b>20.1</b>	<b>20.7</b>	<b>18.9</b>

**Private construction**

Private construction rose by 18.9% due to a continual growth of residential building by 26.5% in accordance with a higher demand, and an expansion of commercial building and other building by 21.4% and 15.3%, respectively. Nevertheless, factory building decreased by 2.6% as a result that the construction in the previous period had been completed in this quarter.

**Public construction**

Public construction rose by 10.8% owing to a continual increase of central government and local authority constructions by 15.4% as a result of decentralization policy. In contrast, state enterprise constructions decelerated by 3.9%, lower than 9.1% in 4Q04 as a result that the mega projects of the transport and communication infrastructure had already been completed in the previous quarters. Therefore, the growth rate in this quarter was rather low.

**Private machinery and equipments**

Private investment in machinery and equipments grew by 17.4% as a result of investment in machinery continually increasing, especially transport equipments machinery, mechanical machinery, electrical machinery, electronics and printing machinery rising by 18.0%; while investment in motor vehicles and office equipments continually increased by 23.5% and 10.1%, respectively.

**Public machinery and equipments**

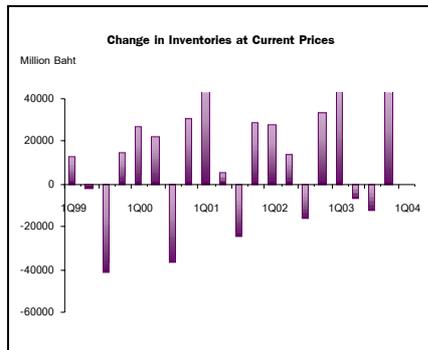
Public machinery and equipments decelerated by 11.2%, lower than 49.2% in 4Q03 due to the state enterprise investment decelerated by 0.2% compared to 64.8% in 4Q03 as a result of imports of two aircrafts at Baht 12,222 million in 4Q03. However, central authority and local authority investment rose by 33.8% as a result of government reformation which caused the demand for additional office equipments.

**Imported commercial aircraft**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Unit	8	2	-	2	-
Value (MB)	45,455	15,868	-	12,222	-

Source: Thai Airways International Public Company Limited

## Change in inventories



**Change in inventories** increased by Baht 58,103 million due to a deceleration of the economy. The major stock was from manufacturing goods such as chicken contained products which affected by the epidemic of Avian Influenza led to a decrease in both domestic consumption and exports. It was also indirectly affected the animals feed products, especially for chicken. Furthermore, there was beverage inventory preparing for high demand during summer and Songkran Festival. Iron and steel stock increased as a result that it was expected that the raw material; slap, billet and scrap; prices would be increased. Therefore, the producers accelerated their production. The high competition on electrical appliance products with imported Chinese products caused an increased stock in the country.

## External Sectors

### Exports

**Merchandise exports** continued on the pace of growth with 10.8%, mounted at Baht 860,302 million, mainly fueled by the integration of intra-regional supply chain production, especially electrical appliance and electronic component. This is supported by robust economic growth in East Asia and ASEAN countries as well as the expansion of emerging export destination, particularly Eastern Europe and Middle East. In addition, electrical appliance, vehicle, rice, integrated circuits and plastic topped the export growth list in this quarter.

**Services receipts** grew by 7.2%, accounted for Baht 186,892 million. Hotel occupancy rate picked up 68.3%, despite of the negative sentiment on the unrest in the South and the outbreak of the Avian Influenza.

### Imports

**Merchandise imports** boosted markedly by 16.6%, posted with Baht 851,222 million. The ongoing extraordinary surge in import reflected the rising private investment in line with high demand for imported capital goods, intermediate products and raw materials. The most dynamic import categories were iron and steel, computer components, vehicles and parts, integrated circuits components and jewellery.

**Services payments** rose by 4.3%, stood at Baht 112,038 million due to 10% increase in outbound travel payments.

*Current account surplus worsen due to import surge while ongoing robust export growth.*

	Exports and Imports (Unit: Billions of Baht)					
	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
<b>At current Market Prices</b>						
1. Export Goods	3,246	777	796	814	860	860
Growth Rate	13.2	18.8	15.3	8.9	10.8	10.8
2. Import Goods	3,072	730	735	780	827	851
Growth Rate	12.9	16.7	10.6	9.8	14.9	16.6
3. Trade Balance	174	47	60	34	33	9
<b>At 1988 Prices</b>						
4. Export Goods	1,833	435	449	464	484	460
Growth Rate	8.8	14.6	9.5	4.3	7.8	5.7
5. Import Goods	1,466	346	350	376	394	393
Growth Rate	8.8	13.2	3.3	4.1	15.3	13.7
6. Exchange Rate (Baht / US \$)	41.5	42.8	42.2	41.3	39.8	39.2

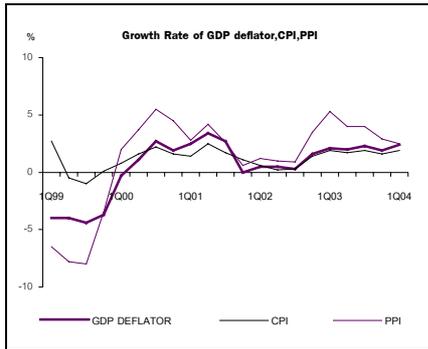
Source: Bank of Thailand

	Current Account Balance (at current market price)					
	2003	2003				2004
		Q1	Q2	Q3	Q4	Q1
<b>Current Account</b>	7.9	2.5	1.2	1.8	2.4	2.0
Billions of US \$						
<b>Current Account</b>	327.2	107.5	49.7	75.5	94.5	79.8
Billions of Baht						
<b>Percentage to GDP</b>	5.5	7.3	3.5	5.1	6.0	5.0

Source: Bank of Thailand

### Current account balance and exchange rate

The remarkable boom in import caused current account surplus deterioration. Trade balance surplus recorded with only Baht 9,080 million, decrease significantly by 80.6%, accompany with service balance surplus totaled Baht 74,854 million. Current account surplus narrowed with Baht 79,782 million, worsen by 25.8%. As for currency position, the Baht appreciated against the US Dollar with 39.2 Baht per US Dollar on average, grew up by 8.4%.



### GDP implicit price deflator

The GDP implicit price deflator increased by 2.4% in 1Q04. Consumer price index and producer price index rose 1.9% and 2.5%, respectively.

**Table 1 Gross Domestic Product (GDP) and Gross National Product (GNP)**

Unit : Billions of Baht

	2003	2002				2003				2004
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP Nominal Prices (Billions of Baht)	5,938.9	1,346.0	1,332.0	1,348.4	1,425.5	1,465.5	1,437.3	1,469.5	1,566.6	1,598.5
GDP 1988 Prices (Billions of Baht)	3,457.7	811.4	783.7	789.8	854.1	865.6	829.3	841.6	921.1	921.8
Growth Rate of Real GDP (% y.o.y.)	6.8	4.4	5.5	5.8	6.0	6.7	5.8	6.6	7.8	6.5
GNP Nominal Prices (Billions of Baht)	5,834.3	1,322.4	1,294.1	1,329.7	1,416.1	1,451.5	1,400.7	1,442.2	1,540.0	1,583.5
GNP 1988 Prices (Billions of Baht)	3,415.5	802.1	766.6	784.5	855.0	862.1	813.5	830.0	909.9	917.7
Growth Rate of Real GNP (% y.o.y.)	6.5	3.2	4.2	6.5	7.0	7.5	6.1	5.8	6.4	6.5

p = preliminary based on annual figure

p1 = without annual figure

**Table 2 Growth Rate of Real GDP Classified by ISIC (year on year basis)**

Unit: Percent

	2003	2002				2003				2004
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Agriculture</b>	<b>6.9</b>	<b>2.2</b>	<b>6.2</b>	<b>6.8</b>	<b>-0.6</b>	<b>10.0</b>	<b>4.2</b>	<b>6.6</b>	<b>6.5</b>	<b>-2.8</b>
Agriculture, Hunting & Forestry	7.5	3.3	8.4	9.5	-1.8	10.7	4.3	7.4	7.1	-5.7
Fishing	3.6	-3.6	-4.7	-4.5	7.3	5.7	3.3	2.5	2.6	13.7
<b>Non-Agriculture</b>	<b>6.7</b>	<b>4.7</b>	<b>5.4</b>	<b>5.7</b>	<b>7.0</b>	<b>6.3</b>	<b>6.0</b>	<b>6.6</b>	<b>8.0</b>	<b>7.6</b>
Mining & Quarrying	6.8	16.6	9.3	10.7	7.8	6.6	4.2	6.7	9.8	5.5
Manufacturing	10.3	4.6	5.8	7.6	9.3	10.3	11.1	8.9	10.9	10.3
Electricity, Gas & Water supply	4.7	6.7	5.6	2.9	8.8	4.6	7.4	4.7	2.0	3.3
Construction	3.4	5.4	19.6	0.0	-0.4	-5.2	0.7	6.1	13.6	13.4
Wholesale & Retail Trade, Repairs	3.7	0.7	0.9	2.5	3.0	3.6	3.7	3.6	3.8	3.6
Hotel & Restaurants	-3.5	4.8	3.8	4.4	5.5	-1.8	-13.0	-1.3	1.3	-0.4
Transport, Storage & Communication	4.6	6.2	4.9	5.8	8.9	6.8	1.3	5.3	4.8	5.5
Financial Intermediation	12.4	6.4	7.7	9.0	13.3	9.3	10.1	12.7	17.8	11.7
Real Estate, Renting & Business Activities	5.5	4.3	5.5	5.6	5.0	4.9	4.9	4.9	7.4	6.5
Public Administration & Defense etc.	5.0	10.6	11.0	5.9	5.7	1.2	3.5	8.4	7.3	3.5
Education	2.2	2.8	5.3	1.5	1.0	2.7	5.1	0.3	0.8	4.5
Health & Social Work	-1.3	5.8	2.6	1.8	-6.4	-5.6	-4.4	1.0	3.3	7.5
Other Community, Social & Personal Services	11.3	5.0	7.8	8.7	8.4	5.3	4.9	12.6	21.8	23.5
Private Household with Employed Persons	3.0	1.3	-1.5	-0.9	2.5	0.4	3.2	4.5	4.0	3.2
<b>GDP</b>	<b>6.8</b>	<b>4.4</b>	<b>5.5</b>	<b>5.8</b>	<b>6.0</b>	<b>6.7</b>	<b>5.8</b>	<b>6.6</b>	<b>7.8</b>	<b>6.5</b>

**Table 3 Growth Rate of Real Gross Domestic Expenditure (year on year basis)**

Unit: Percent

	2003	2002				2003				2004
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Private Consumption Expenditure	6.3	3.3	5.1	5.5	5.8	6.8	5.7	5.4	7.1	6.3
Government Consumption Expenditure	1.1	12.5	-0.3	0.0	-1.3	-10.0	2.8	3.2	9.5	8.2
Gross Capital Formation	12.4	-2.7	10.2	9.7	11.1	10.3	2.2	15.3	22.1	20.9
Gross Fixed Capital Formation	11.7	3.0	7.4	7.5	8.4	7.5	9.1	10.8	19.8	16.2
Private	17.9	8.4	9.3	19.3	16.3	19.8	16.8	16.5	18.5	17.8
Public	-2.3	-7.3	3.2	-7.1	-13.0	-20.2	-7.9	1.7	24.3	10.9
Change in Inventories	25.3	-33.1	146.1	14.4	32.5	32.6	-145.0	46.0	37.4	52.3
Exports of Goods and Services	6.6	6.0	12.6	15.8	13.7	12.1	4.3	3.7	6.6	5.6
Goods	8.8	4.3	14.1	16.2	13.7	14.6	9.5	4.3	7.8	5.7
Services	-2.8	12.5	6.2	14.0	13.7	2.9	-19.1	1.0	1.7	4.8
Imports of Goods and Services	7.5	3.3	15.6	19.1	16.3	12.4	2.0	3.7	12.5	11.9
Goods	8.8	1.0	15.1	20.3	16.3	13.2	3.3	4.1	15.3	13.7
Services	0.7	16.4	18.5	12.9	16.5	8.6	-4.9	1.3	-1.4	2.9
<b>Gross Domestic Expenditure</b>	<b>6.7</b>	<b>4.3</b>	<b>5.2</b>	<b>5.7</b>	<b>6.5</b>	<b>6.6</b>	<b>5.7</b>	<b>6.9</b>	<b>7.4</b>	<b>6.5</b>

**Table 4 Exports, Imports and Current Accounts (at current market prices)**

Unit: Billions of Baht

	2003	2002				2003				2004
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Exports of Goods and Services	3,899	820	837	912	957	951	918	983	1,047	1,047
Rate of Growth (% y.o.y.)	10.6	-2.1	-0.9	6.0	13.3	16.0	9.6	7.8	9.4	10.1
Imports of Goods and Services	3,500	721	770	814	828	837	838	888	936	963
Rate of Growth (% y.o.y.)	11.7	-6.5	-1.4	6.4	13.0	16.0	8.8	9.1	13.0	15.1
<b>Trade and Services Balance</b>	<b>399</b>	<b>98.7</b>	<b>66.9</b>	<b>97.8</b>	<b>128.6</b>	<b>113.9</b>	<b>79.8</b>	<b>94.8</b>	<b>110.8</b>	<b>83.9</b>
<b>Percentage to GDP (%)</b>	<b>6.7</b>	<b>7.3</b>	<b>5.0</b>	<b>7.3</b>	<b>9.0</b>	<b>7.8</b>	<b>5.5</b>	<b>6.4</b>	<b>7.1</b>	<b>5.3</b>
Factor Income From Abroad , Net	-105	-24	-38	-19	-9	-14	-37	-27	-27	-15
Current Transfers From Abroad , Net	33	6	6	6	8	8	7	8	10	11
<b>Current Account Balance</b>	<b>327</b>	<b>80.9</b>	<b>35.2</b>	<b>85.1</b>	<b>126.9</b>	<b>107.5</b>	<b>49.7</b>	<b>75.5</b>	<b>94.4</b>	<b>79.8</b>
<b>Percentage to GDP (%)</b>	<b>5.5</b>	<b>6.0</b>	<b>2.6</b>	<b>6.3</b>	<b>8.9</b>	<b>7.3</b>	<b>3.5</b>	<b>5.1</b>	<b>6.0</b>	<b>5.0</b>

**Table 5 Growth Rate of GDP Deflator, Consumer Price Index and Producer Price Index (1988 = 100) (year on year basis)**

Unit: Percent

	2003	2002				2003				2004
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GDP Implicit Price Deflator	2.0	0.5	0.5	0.3	1.6	2.1	2.0	2.3	1.9	2.4
Consumer Price Index	1.8	0.6	0.2	0.3	1.4	1.9	1.7	1.9	1.6	1.9
Producer Price Index	4.0	1.2	1.0	0.9	3.5	5.3	4.0	4.0	2.9	2.5

**Table 6 Contribution to Growth of Real GDP (1988 = 100)**

Unit: Percent

	2003	2002				2003				2004
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Demand Side (Expenditure)</b>	<b>6.6</b>	<b>4.2</b>	<b>5.2</b>	<b>5.7</b>	<b>6.4</b>	<b>6.5</b>	<b>5.6</b>	<b>7.0</b>	<b>7.4</b>	<b>6.4</b>
Domestic Demand	5.8	3.4	4.4	4.6	4.5	4.1	5.4	5.7	8.0	7.1
Private Consumption Expenditure	3.4	1.8	2.9	3.0	3.1	3.6	3.2	3.0	3.8	3.3
Government Consumption Expenditure	0.1	1.1	0.0	0.0	-0.1	-0.9	0.3	0.3	0.7	0.6
Gross Fixed Capital Formation	2.3	0.6	1.5	1.6	1.5	1.4	1.9	2.3	3.5	3.1
Net Exports	0.5	2.0	0.2	0.8	1.2	1.6	1.7	0.6	-1.7	-2.2
Exports of Goods and Services	4.2	3.5	7.5	10.0	8.4	7.2	2.7	2.6	4.3	3.5
Imports of Goods and Services	3.7	1.5	7.4	9.2	7.1	5.6	1.0	2.0	6.0	5.7
Change in Inventories	0.3	-1.2	0.6	0.3	0.7	0.8	-1.4	0.7	1.0	1.5
<b>Supply Side (Production)</b>	<b>6.8</b>	<b>4.4</b>	<b>5.5</b>	<b>5.8</b>	<b>6.0</b>	<b>6.7</b>	<b>5.8</b>	<b>6.6</b>	<b>7.8</b>	<b>6.5</b>
Agriculture	0.7	0.2	0.6	0.6	-0.1	1.0	0.4	0.5	0.8	-0.3
Manufacturing	3.8	1.7	2.1	2.8	3.3	3.7	4.0	3.3	4.0	3.9
Construction	0.1	0.1	0.5	0.0	0.0	-0.1	0.0	0.2	0.3	0.3
Services and Others	2.2	2.4	2.3	2.4	2.8	2.0	1.4	2.5	2.8	2.6

Note: Total in demand side does not be equal to supply side due to statistical discrepancy.

**Table 7 Growth Rate of Major Items of Real GDP and GDE, Quarter on Quarter Basis (1988 = 100)**  
(Seasonally Adjusted Figures)

Unit: Percent

	2002				2003				2004
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Demand Side (Expenditure)</b>									
Private Consumption Expenditure	0.8	2.5	1.2	1.3	1.6	1.8	0.7	2.8	0.8
Government Consumption Expenditure	17.0	-10.7	-0.2	-4.7	3.2	4.5	0.3	2.7	0.9
Gross Fixed Capital Formation	4.8	1.0	2.5	-1.4	4.9	2.3	6.0	4.6	2.2
Exports of Goods and Services	5.0	4.8	3.4	0.1	3.4	-2.9	3.1	3.1	2.1
Imports of Goods and Services	6.1	8.5	1.9	-0.8	2.4	-1.6	3.7	7.7	1.9
<b>Supply Side (Production)</b>									
Agriculture	-3.7	5.7	0.5	-2.6	6.3	-0.2	3.1	-2.8	-2.8
Manufacturing	1.7	1.8	2.7	2.7	2.8	2.4	0.9	4.3	2.3
Construction	5.9	-0.2	-4.7	-0.7	0.8	4.5	1.9	5.6	1.0
Services and Others	2.0	1.1	0.9	1.2	0.7	-0.3	3.2	2.0	0.4
<b>Gross Domestic Product</b>	<b>1.4</b>	<b>1.8</b>	<b>1.4</b>	<b>1.3</b>	<b>2.1</b>	<b>0.9</b>	<b>2.3</b>	<b>2.5</b>	<b>0.8</b>