



Coin use signals tough times

Economists and business leaders joke that Mama instant noodles can be as reliable a gauge as any for economic trends - when times are bad, people cut back spending in favour of a classic, cheap Thai comfort food.

The Treasury Department, however, prefers a different proxy for consumer confidence. Officials say data on coin use show an increase in 10-baht coins in the market, signifying that people are breaking into their piggy banks and small savings in search of money for everyday spending.

Coin exchanges for banknotes have nearly doubled in recent months, with 7-8 million coins returned to the Treasury Department per month compared with 3-4 million in more ordinary economic times.

"People are bringing out their coin savings for everyday use, a sign of the troubling times," said one treasury official.

"Normally, people will throw their small change into a drawer or put it in a coin bank without a second thought. That we're seeing more use and coin exchanges shows how hard times are right now."

The Bank of Thailand on Friday cut its economic forecast for 2009 to a contraction ranging from 3% to 4.5% from last year, citing worse-than-expected economic data for the first quarter, when the economy contracted by 7.1% from a year earlier.

In any case, the fact that more coins are returning to the Treasury Department is good news for officials, as it cuts back the need to produce new coins for the overall economy.

The increase in copper and metal prices in recent months has cut returns for the Treasury Department for minting new coins.

Yet consumer behavior has not changed entirely. While 10-baht coins are seeing greater use in the market, use of the smallest denomination coins of 25 and 50 satang remains relatively low. Of the 10 million 25- and 50-satang coins pushed into the market each month by the Treasury Department, only one million come back for exchange.

According to the department, 17 billion coins are in circulation in the economy at any given time, with one-baht coins representing as much as 70% of the total coins outstanding.

One official said the Treasury Department had held discussions with the Bank of Thailand about introducing a 20-baht coin to substitute for 20-baht banknotes. Coins typically have a lifespan of 10 years in circulation, significantly longer than more fragile banknotes.