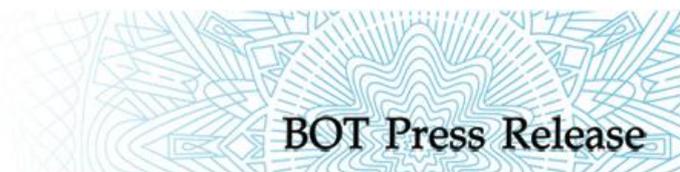




BANK OF THAILAND



BOT Press Release

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No.24/2015

Press Release on the Economic and Monetary Conditions for March and the First Quarter of 2015

In March 2015, several economic indicators declined from the previous month reflecting the fragility of the ongoing economic recovery. Households stayed cautious about consumption while businesses reduced their production and investment. Seasonally adjusted export values decreased almost across all major categories. Overall, the Thai economy in the first quarter was weak despite the fact that fiscal spending, particularly on capital expenditure, increased and the tourism sector expanded well. On the stability front, the unemployment rate edged up slightly. Meanwhile, low global oil prices and softened domestic demand led to the continuation of falling inflation and current account surplus.

Details of economic conditions are as follows.

Seasonally-adjusted **merchandise export values** broadly declined due to increasing effects of the slowdown in Chinese and ASEAN economies coupled with fragile economic recovery in Europe and Japan. Additionally, prices of several goods such as petroleum, rubber and chemical products stayed low in line with crude oil prices. Consequently, the value of merchandise exports in the first quarter this year contracted significantly compared to the same period last year.

Private consumption was weak. Households were cautious about consumption in light of decreased income and employment in export-oriented sectors, lower farm income from a drop in both agricultural outputs and prices, and continued declines in consumers' confidence. This was coupled with elevated household debt levels and cautious credit extension by financial institutions. As a result, spending on nondurable items excluding fuel, semi-durable goods and services decreased while spending on durable goods especially cars remained flat at the low level.

Businesses decreased their production and investment due to subdued domestic and foreign demand, albeit lower cost of funding as a result of the policy rate cut. **Manufacturing production** decreased in both domestic-oriented industries, such as food and beverages and construction materials, and export-oriented industries such as hard disk drives. **Private investment** also fell from outlays for machinery and equipment. Meanwhile, construction investment flattened as some businesses awaited a clearer recovery of the real estate sector. Weak economic activities contributed to a drop in **merchandise imports** from the previous month, particularly imports of capital goods, raw materials (excluding crude oil)

and consumer goods. This month's crude oil imports stabilized after sharp declines in the previous periods, in tandem with improving global oil prices.

Public spending and tourism revenues played a greater role in driving the economy this month. The former increased following the disbursement on purchases of goods and services as well as a continued increase in capital expenditure, particularly for transportation and irrigation. Meanwhile, government revenues rose from the same period last year on account of higher excise tax rates on diesel. At the same time, **the tourism sector** continued to expand well thanks mainly to Chinese and Malaysian tourists.

On the **stability** front, the unemployment rate edged up slightly. Meanwhile, low global oil prices and subdued domestic demand contributed to lower inflation and continuous surplus in the current account. The capital account registered a slight deficit from outflows of Thai investors' investment abroad, particularly direct investment, which outweighed inflows of foreign direct and portfolio investment. Overall, the balance of payments recorded a surplus.

Overall economic activity in the first quarter of 2015 was weak. Decreases in merchandise exports and private spending partly led to a slight increase in unemployment although fiscal spending, especially on capital expenditure, rose and the tourism sector continued to expand well. On the stability front, low global oil prices and weak economic conditions contributed to negative headline inflation and decelerating core inflation as well as continuous surplus in the current account. At the same time, the capital account continued to register a deficit owing mainly to outflows of Thai investors' investment abroad. Overall, the balance of payments posted a surplus and the ratio of international reserves to short-term external debt remained high.

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30 April 2015

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