



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for April 2015

In April 2015, the Thai economic recovery continued to be slow and fragile. Households and businesses were cautious about spending. Merchandise exports were sluggish in line with subdued regional trade caused by the slowdown in the Chinese economy. Nevertheless, the tourism sector and fiscal spending on capital expenditure continued to support the economy. On the stability front, the unemployment rate decreased slightly. Inflation declined and the current account continued to post a surplus.

Details of economic conditions are as follows.

Households and businesses stayed cautious about spending. Most of key **private consumption indicators** declined from the previous month as non-farm households' income moderated and farm income was pressured by low agricultural prices and fewer outputs as a result of last year's drought. Adding on top of poor income was a continued decline in consumers' confidence partly caused by economic uncertainties. As a result, spending on durable goods fell while spending on nondurable items was flat. Meanwhile, the increases in consumption of semi-durable goods and service, particularly those reflected by VAT collection from hotels and restaurants, mainly came from foreign tourist spending.

Private investment indicators decreased slightly from last month despite lower costs of funding following the policy rate cut, especially those of bond issuance. This was due to the fact that businesses felt no need to expand production capacity in light of weak domestic and foreign demand. As a result, imports of machinery and equipment declined. At the same time, construction investment was flat as some businesses awaited government's investment plan on infrastructure and a clearer sign of recovery in the real estate sector.

Merchandise exports continued to contract. The main culprit was the ASEAN market which felt more impact from the slowdown in the Chinese economy. Additionally, slow economic recovery in major trading partners, especially the US, Japan and Europe, and low prices of several goods related to crude oil prices helped contribute to the fourth consecutive month of export contraction in major goods categories.

Manufacturing production and merchandise imports moderated from the previous month, in line with weak domestic and foreign demand. Manufacturing production decreased in both export-oriented industries, such as hard disk drives and electrical appliances, and domestic-oriented industries such as apparels. Meanwhile, merchandise imports declined on

the back of lower imports of capital goods and raw materials excluding crude oil. Crude oil imports edged up slightly in tandem with improving global oil prices while imports of consumer goods were flat.

The tourism sector and public spending continued to play an important role in supporting the economy. The former continued to expand well thanks to Chinese and Malaysian tourists. **Public spending**, particularly on capital expenditure for transportation and irrigation, continued to disburse well despite a slight decline after last month's acceleration. Meanwhile, government revenues increased significantly from the same period last year. However, this might not reflect well-expanded economic activities because it was a result of carried-over revenues from state-owned enterprises and higher excise tax rates on diesel.

On the **stability** front, the unemployment rate declined slightly from improving employment in the production sector after a continuing drop since the beginning of the year. Inflation decreased on the back of domestic retail oil prices following the lower government's oil-fund levy and lower prices of meat and eggs resulted from over supply and a slow recovery in domestic demand. The current account registered a surplus mainly from import contraction. The capital account also registered a surplus from inflows of foreign direct investment, particularly in business consultancy, and financial institutions to manage their foreign exchange position. Overall, the balance of payments continued to record a surplus and the ratio of international reserves to short-term external debt remained high.

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