



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for April 2018

In April 2018, the Thai economy expanded solidly. Merchandise exports continued to grow, consistent with the strong growth momentum in external demand and the continual increase in global crude oil prices. Private consumption expanded in most categories. The continued expansion in both external and domestic demand contributed to the growth of manufacturing production. Private investment picked up mainly from increased investment in machinery and equipment. The tourism sector expanded albeit at a slower pace, partly from the effect of Easter holiday taking place at end-March. Meanwhile, public spending rebounded from last month, due mainly to the expansion in capital spending.

On the stability front, headline inflation accelerated due to increases in retail petroleum and fresh food prices. The seasonally-adjusted unemployment rate slightly decreased from last month. The current account posted a surplus as supported by growth in export value and the tourism sector. The capital and financial accounts registered a deficit from net sell in both debt and equity securities by foreign investors, consistent with regional investment trends.

Details of the economic conditions are as follows:

The value of **merchandise exports** continued to expand with a growth of 14.6 percent from the same period last year. Excluding gold, the value of merchandise export grew by 14.1 percent, and expanded in most product groups mainly from continued improvement in external demand and increasing global crude oil prices. The overall expansion was on the back of: (1) increase in exports of petroleum-related and chemical products, as a result of continued expansion in crude oil prices; (2) increase in exports of automotive and parts, particularly passenger cars, commercial cars, and automotive parts such as tires, and engines; (3) increase in exports of electronic products, especially hard disk drives (HDD) in which their production capacity has recently been expanded, and telecommunication equipment, particularly mobile phones, thanks to the relocation of production base to Thailand in previous periods; and (4) increase in agricultural products such as fruits, rice and cassava.

Private consumption indicators expanded from the same period last year in almost all spending categories, except spending on non-durable goods. Nevertheless, fundamental factors supporting the overall household purchasing power improved but not yet robust, as reflected by increasing non-farm income and lower contraction of farm income from the same period last year. The expansion in merchandise exports and private consumption contributed to the growth of **manufacturing production**, particularly the production of automotive, food and beverages, and chemical products.

Private investment indicators grew from the same period last year due to the expansion of investment in machinery and equipment. Import of capital goods expanded especially in

telecommunication equipment, energy and computer sectors. Domestic machinery sales grew partly from the last year's low base effect. Number of newly registered motor vehicles for investment also continued to increase in most categories. However, investment in construction remained unchanged from the same period last year. After seasonal adjustment, private investment indicators edged up from last month due mainly from import of capital goods.

The number of foreign tourist arrivals registered a 9.4 percent annual growth, particularly from Chinese and Russian tourists. However, European tourists excluding Russians, contracted partly from the effect of Easter holiday taking place at end-March coupled with the decline in number of Malaysian tourists, partly from the postponement of their travel prior to the Malaysian 2018 general election. After seasonal adjustment, the number of foreign tourists decreased by 2.1 percent from the previous month, from almost all nationalities.

Public spending, excluding transfers, rebounded from the previous month mainly from increased capital spending. The expansion was on the back of aircraft maintenance disbursement, military hardware purchasing and disbursement of Central Fund and budget allocated to the provincial clusters. In addition, current spending continued to expand following an increase in civil servants' compensation.

The value of **merchandise imports** continued to grow by 22.7 percent from the same period last year in most product groups. Excluding gold, the value of merchandise imports expanded by 22.8 percent. The expansion was from the imports of: (1) raw and intermediate materials, as imports of fuel expanded in both quantity and price. Excluding fuel, imports of metals, chemical products, and electronic parts expanded, consistent with an expanded production of such products; (2) consumer goods expanded in both durable and non-durable goods, in line with the expansion of private consumption; (3) automotive products expanded, in line with the improvement in domestic automotive production and sales; and (4) capital goods expanded in various categories, especially telecommunication equipment and energy sectors.

On the stability front, headline inflation accelerated to 1.07 percent from 0.79 percent in the previous month. This was attributed to the acceleration of retail petroleum prices coupled with the first expansion of fresh food prices in 14 months. Core inflation remained at 0.64 percent, unchanged from the previous month. The seasonally-adjusted unemployment rate slightly decreased from last month. The current account continued to post a surplus as contributed from the growth in the value of merchandise exports and tourism receipts. The capital and financial accounts registered a deficit from the liabilities position, mainly from the net sell in both debt and equity securities by foreign investors, consistent with regional investment trends.

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