



BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for April 2016

In April 2016, the Thai economy expanded at a gradual pace. Service sector was the main engine of growth. Meanwhile, manufacturing sector expanded at low level as merchandise exports continued to contract in line with the slowdown in major trading partners' economies, and domestic purchasing power weakened as a consequence of the drought. As a result, private investment had yet to show a clear sign of recovery. Public spending weakened slightly after having accelerated in the previous periods.

On the stability front, headline inflation turned slightly positive due to an increase in the prices of raw food and energy. The unemployment rate remained stable from the previous month. The current account registered a surplus thanks to low level of imports and high tourism receipts.

Details of the economic conditions are as follows.

**Tourism sector** continued to be a main growth driver. The number of foreign tourists grew by 9.8 percent from the same period last year, owing partly to an expansion of international routes by low cost airlines. Such robust growth in the tourism sector also benefited related service sectors including wholesale and retail trade as well as transportation.

**Manufacturing production** slightly improved from the same period last year. Production of vehicles expanded substantially to meet higher demand for a new model of Pick-Up Passenger Vehicles (PPVs), coupled with a low base in the previous year due to the modified production lines. In addition, production of electrical appliances, especially air-conditioners, continued to grow due to the unusually warm weather. Production of petroleum expanded after closing periods for maintenance of oil refinery plants, supported by the domestic demand for petrol as oil prices remained low. However, overall production for exports continued to contract in line with a slowdown in major trading partners' economies such as China and ASEAN countries, while some industrials continued to face structural constraints both from domestic factors and changes in the global trade structure.

The value of **merchandise exports** contracted by 7.6 percent from the same period last year. The contraction in several product categories was due to a slow recovery in trading partner's economies, particularly China and ASEAN countries. In addition, the positive impact of temporary factors, namely exports of gold and exports of oil drilling equipment to Brazil in the earlier period, has waned off. Moreover, exports of vehicle parts contracted as some automotive factories in Japan temporarily halted production following the earthquakes. However, exports of electrical appliances to ASEAN countries expanded well, particularly air-conditioners, thanks to the warmer-than-usual weather, together with the growing real estate market in Vietnam.

Regarding the domestic demand, **private consumption** indicators were relatively stable from the previous month. While spending on non-durable goods slightly improved, households were still cautious in their spending owing partly to fragile consumer confidence and subdued purchasing power. Moreover, farm income remained at low level as a consequence of the drought, despite some improvement in rubber prices from last month. Spending on durable goods, therefore, continued to contract from the previous month.

**Public spending** continued to support the economic growth despite a slight deceleration. Both budget and non-budget capital expenditures slowed down after an expedited disbursement in earlier periods for transportation and irrigation projects. However, current spending excluding transfers grew owing to upward adjustments in salaries of civil servants.

The value of **merchandise imports** contracted by 13.4 percent from the same period last year. The decline was broad-based across all categories. Imports of intermediate goods and raw materials contracted in line with the weak export sector and slowly recovering domestic demand. Meanwhile, imports of capital goods contracted reflecting subdued private investment due to sufficient capacity in manufacturing production. This was consistent with a low level of overall corporate funding, despite a slight improvement this month.

On the **stability** front, headline inflation turned slightly positive at 0.07 percent as a result of increased prices of raw food and energy. The unemployment rate remained stable from the previous month. However, there was a sign of increased underemployment, especially in the agricultural sector. The current account registered a surplus of 3.2 billion US dollars thanks to continued growth in tourism receipts and low level of imports' value. The capital account posted a deficit of 0.5 billion US dollars due to 1) sale of securities by foreign investors, 2) repayment of short-term loans at maturity by Other Depository Corporations (ODCs), and 3) Thai direct investment abroad.

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