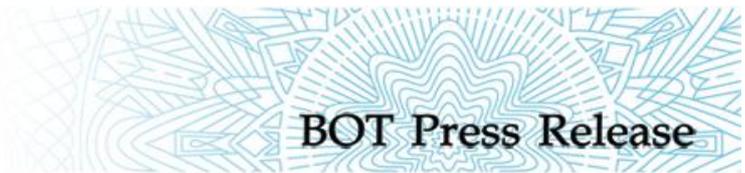




BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for April 2017

In April 2017, the Thai economy continued to expand. The main growth drivers were continued expansions in merchandise exports and tourism sector, consistent with the steady improvement in external demand. Private consumption gained traction, particularly for spending on the services sector. Private investment remained at a similar level as the previous month. However, manufacturing production contracted from the same period last year due mainly to slowdown in production in the automotive sector. Meanwhile, public spending contracted especially in capital spending, after having accelerated in earlier periods.

On the stability front, headline inflation continually decelerated due mainly to lower prices of fresh food. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a surplus as supported by steady improvements in export value and tourism sector.

Details of the economic conditions are as follows.

The value of **merchandise exports** continuously expanded in most categories, with a growth of 5.9 percent compared to the same period last year or 5.5 percent when excluding gold. This was due to increased crude oil prices, and export quantity growth in some products. Firstly, export of rubber products, sugar, and rice rose thanks to higher external demand. And secondly, export of telecommunication equipments, particularly mobile phones, gained from the relocation of production base from Japan to Thailand. However, export of automotive and integrated circuits declined after having accelerated in earlier periods. The export slowdown and inventory rundown in certain industry, mainly in the automotive sector, led to the contraction of overall **manufacturing production**.

Tourism sector showed a more robust sign of recovery as the number of foreign tourists registered a 7.0 percent annual growth. After seasonal adjustment, the number of foreign tourists increased by 0.9 percent from the previous month, mainly from Malaysia, Europe, and ASEAN, consistent with the expansion of the global economy.

Private consumption indicators continued to expand from increased spending on the services sector in line with the increase in number of both Thai and foreign tourists. Moreover, spending on durable goods especially on passenger cars continuously expanded, as supported by improved household income. In particular, farm income expanded with a more broad-based improvement across various crops, coupled with the low production during last year's drought. Nonetheless, income of non-farm households remained unchanged, reflecting that the overall purchasing power was still not yet robust.

Private investment indicators stayed flat relative to the preceding month, due primarily to stable investment in equipment and machinery. Investment in construction also softened attributed mainly to a decrease in permitted construction area of the services and transportation businesses

after an acceleration in earlier periods. However, investment in export-related and petroleum-related businesses continued to expand.

The value of **merchandise imports** grew by 10.1 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 8.8 percent. The increase was mainly from imports of raw and intermediate materials, particularly (1) fuel, grew on the back of higher global crude oil prices, and (2) electronic parts and electrical appliances, expanded consistent with an upward trend in exports of such products.

Public spending, excluding transfers, contracted in both capital and current spending. The decline in capital spending followed accelerated disbursements in earlier periods, specifically in constructions projects by the Department of Highways. Meanwhile, current spending contracted as a result of high base effect from last year's stimulus measures to promote living standards at the sub-district level.

On the stability front, headline inflation continually decelerated to 0.38 percent from 0.76 percent in the previous month. This was attributed to a decrease in fresh food prices, especially fruits and vegetables, as a result of high base effect from last year's drought. Moreover, their prices decreased as supply improved thanks to this year's favorable weather. Core inflation also slightly slowed down. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a surplus due to the trade surplus as supported by steady improvements in exports, coupled with surplus in the services, income and transfer accounts as the tourism sector continued to expand. The capital and financial accounts were broadly balanced thanks to an increase in portfolio investment abroad in both debt and equity securities as well as direct investment abroad by Thai corporates, whereas there was also an increase in foreign direct investment.

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