



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for August 2018

In August 2018, the Thai economy continued to gain further traction from both **domestic and external demand**. Private consumption expanded in most categories, while merchandise exports expanded albeit at a slower pace. The continued expansion in both external and domestic demand contributed to the growth of manufacturing production. Private investment and public spending expanded continually. Meanwhile, the tourism sector moderately expanded, despite the decline in the number of Chinese tourists.

On the stability front, headline inflation accelerated due mainly to increased retail petroleum prices. Meanwhile, core inflation declined marginally from the previous month. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a smaller surplus as contributed from trade balance, while the overall capital and financial accounts registered a deficit from the asset position.

Details of the economic conditions are as follows:

Private consumption indicators expanded from the same period last year in most spending categories. However, spending on non-durable goods was unchanged largely due to last year's high base effect stemming from accelerated spending on alcoholic beverages and tobacco before the increase in excise tax. Fundamental factors supporting the overall purchasing power remained favorable from the continued improvement in household income.

The value of **merchandise exports** expanded at a moderate pace with a growth of 5.8 percent from the same period last year. Excluding gold, the value of merchandise exports grew by 9.6 percent, and expanded in most product group. The overall expansion was on the back of continued increase in exports of; (1) automotive and parts, particularly tires and safety airbags, passenger and commercial cars; (2) petroleum-related products, from both price and quantity, especially petroleum and petrochemical products, particularly polyethylene resin, and chemical products; (3) machinery and equipment, especially machinery used in construction; (4) electronic products, such as hard disk drives and electronic parts, particularly electrical control devices, automobile wire sets, and telecommunication equipment. However, export of fishery products continued to contract, particularly shrimps, due to shortage of supply. In addition, export of electrical appliances, particularly washing machine and solar cell slightly decreased, partly from last year's high base effect from accelerated exports of such product. The continued expansion in private consumption and merchandise exports contributed to the growth of **manufacturing production**, particularly the production of electronics, petroleum products, and electrical appliances especially air conditions.

Private investment indicators grew from the same period last year. Investment in machinery and equipment expanded from domestic machinery sales, number of newly registered motor vehicles for investment, and import of capital goods. Moreover, investment in construction also expanded. After seasonal adjustment, private investment indicators increased from last month, mainly from investment in machinery and equipment.

Public spending, excluding transfers, expanded in both capital and current spending. Capital spending expanded from disbursement for construction and purchase of machinery by the Royal Irrigation Department and Department of Rural Roads. In addition, current spending slightly expanded from increased expenditure on goods and services and civil servants' compensation.

The number of foreign tourist arrivals registered a moderate growth of 3.0 percent compared to the same period last year. This was mainly from the increase in the number of Malaysian tourists due to the Hari Raya Haji long holiday. Moreover, the number of Hong Kong, Japanese, and Indian tourists continued to expand. However, the number of Chinese tourists contracted, due to the Phuket tour boat incident. Meanwhile, the number of Russian tourists declined, due partly to the impact of US sanction which led to the depreciation of the Russian ruble. After seasonal adjustment, the number of foreign tourists decreased by 0.2 percent from the previous month, mainly from the decline in the number of Chinese tourists.

The value of **merchandise imports** continued to grow by 24.2 percent from the same period last year, mainly from the import of gold. Excluding gold, the value of merchandise imports expanded by 14.6 percent. The expansion was from the imports of: (1) raw and intermediate goods, from the imports of crude oil, petroleum products, metals, and electronic parts; (2) consumer goods expanded in both durable and non-durable goods, in line with the growth in private consumption; (3) capital goods excluding aircrafts, ships, floating structures, and locomotives continued to expand mainly from the imports of machinery and equipment and telecommunication equipment.

On the stability front, headline inflation accelerated to 1.62 percent from 1.46 percent in the previous month, due mainly to an increase in retail petroleum prices. Meanwhile, core inflation declined marginally from the previous month. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a smaller surplus as contributed mainly from smaller trade balance. The overall capital and financial accounts registered a deficit from the asset position. This was mainly from deposits abroad by Foreign Investment Funds (FIF), direct investment abroad by Thai corporates, and portfolio investment abroad by Thai investors.

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