



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for August 2019

In August 2019, the Thai economy expanded at a slower pace than the previous month. Private consumption indicators moderated from almost every spending category. The value of merchandise exports turned into contraction, consistent with the decrease in manufacturing production. Owing to the slowdown of economic activities, private investment indicators contracted. Moreover, public spending contracted from current expenditures, while capital expenditures expanded. The tourism sector continued to expand, partly due to the low base effect from the tour boat incident in Phuket last year.

On the stability front, headline inflation decelerated mainly on the back of the decrease in domestic retail petroleum and fresh food prices, while core inflation accelerated. The seasonally adjusted number of employed persons decreased from the previous month, consistent with the weakening economic activities. The current account registered a larger surplus, attributed mainly to the trade balance. The capital and financial accounts posted a deficit on both the assets and the liabilities positions.

Details of the economic conditions are as follows:

**Private consumption indicators** moderately expanded from the same period last year. Spending on durable goods significantly contracted following a decrease in every category of vehicle sales, partly due to weakening of income, together with credit tightening of financial institutions, after the credit quality showed a sign of deterioration. Spending on non-durable goods expanded at a softer pace mainly from a moderated fuel usage, in line with contracting domestic vehicle sales. In addition, spending on semi-durable goods was flat. However, spending on services expanded at a higher rate, attributed mainly to the expansion of expenditures on hotel and restaurants. The fundamental factors supporting the overall purchasing power remained weak. Non-farm income further contracted, while farm income increased mainly from agricultural prices. Consumer confidence continued to deteriorate for the sixth consecutive months.

The value of **merchandise exports** turned into contraction by 2.1 percent from the same period last year. Excluding gold, the value of merchandise exports continued to contract at 8.9 percent. The continual contraction for the tenth consecutive months can be attributed to weaker global demand as a result of slower economic growth in a number of major trading economies, the trade conflict between the US and China, the continued downturn in electronic cycle, the contraction of global crude oil prices, and a high base effect from front-load exports last year before the U.S. started imposing import tariffs on Chinese products. The contraction was mainly due to a decrease in exports of petroleum-related products from both prices and export volume and electronic products which continued to contract for the ninth month. However, hard disk drive exports showed a recovery sign, as the production of hard disk drive which were previously supported by the relocation of production base from Malaysia highly expanded this month. Moreover, exports in several categories further expanded, partly due to the substitution of Chinese and the American goods in the two markets, such as exports to the U.S. markets which continued to expand, including car tires, refrigerators, television set, and apparel and textiles; meanwhile exports to the Chinese markets in some products expanded

at a higher rate, such as high-end cars and motorcycles. However, the gains were not enough to offset the slowdown in other export markets.

**Private investment indicators** contracted from the same period last year. Investment in machinery and equipment turned into contraction mainly from the decline in import of capital goods and the number of newly registered motor vehicles for investment. Investment in construction contracted from both the continual decline in permitted construction area, except for area for manufacturing purposes which expanded, and construction material sales contracted following contraction of concrete pile and cement sales, consistent with the slowdown in real estate sector. After seasonal adjustment, private investment indicators decreased from the previous month.

**Public spending**, excluding transfers, turned into contraction from the same period last year due to current expenditures mainly on the back of spending on goods and service of the Royal Thai Armed Forces and the Royal Thai Police. However, capital expenditures slightly increased from disbursement of the Department of Highways, and additionally state enterprises' capital expenditures rebounded from disbursement of PTT Public Company Limited (PTT) and the Airports of Thailand Public Company Limited (AOT).

The value of **merchandise imports** sharply contracted by 15.5 percent from the same period last year. Excluding gold, the value of merchandise imports contracted by 8.0 percent. The contraction was attributable to the decrease in 1) imports of raw and intermediate goods, particularly material of base metal, consistent with the contraction of private construction and car production; electronic parts, consistent with the contraction of production and exports of this product; and imports of fuel which contracted as global crude oil prices declined; 2) imports of capital goods excluding aircrafts, ships, floating structures, and locomotive, particularly telecommunication equipment and machinery and equipment, consistent with the contraction of private investment indicators; 3) imports of consumer goods; and 4) imports of automotive and parts, consistent with the slowdown of private consumption.

**The number of foreign tourist arrivals** expanded by 7.4 percent from the same period last year, from 1) the low base effect from the tour boat incident in Phuket last year and 2) an increase in the number of tourists which benefitted from the exemption of the visa on arrival fee, particularly China, India, and Taiwan. Moreover, some Chinese tourists shifted their travel destination from Hong Kong to Thailand as a result of the political unrest. However, the number of European tourists from particularly Germany and Russia continued to decrease following the economic slowdown.

**On the stability front**, headline inflation decelerated to 0.52 percent from 0.98 percent last month, due mainly to a larger contraction in energy prices following a decrease in domestic retail petroleum prices as a result of a fall in global crude oil prices, coupled with a decrease in fresh food prices. Meanwhile, core inflation accelerated from the previous month. The seasonally-adjusted number of employed persons decreased from last month, mainly owing to a decline in non-farm employment. The seasonally-adjusted unemployment rate nearly unchanged from the last month. The current account registered a higher surplus due mainly to an increase in trade surplus. The overall capital and financial accounts registered a deficit from both the assets and liabilities positions.

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