



BANK OF THAILAND



BOT Press Release

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No. 53/2022

Press Release on the Economic and Monetary Conditions for August 2022

In August 2022, the Thai economy continued to recover. Private consumption indicators remained close to the previous month while private investment indicators increased in line with manufacturing production. Foreign tourists continued to increase along with public spending which expanded from higher current and capital expenditure. Nevertheless, merchandise exports declined on the back of softened external demand and were additionally affected by temporary supply-side factors.

On the economic stability front, headline inflation slightly rose from the previous month, mainly from fresh food and core inflation. Meanwhile energy inflation slowed down in tandem with global crude oil prices. Labor market gradually improved in line with the economic recovery. The current account registered a lower deficit due to improved net service, income, and transfers balance, while trade balance registered a larger deficit mainly from higher import of fuel.

Details of the economic conditions are as follows:

**Private consumption indicators**, after seasonal adjustment, remained close to the previous month thanks to increased spending in almost all categories except the non-durable goods. Several fundamental factors supporting household consumption gradually improved especially employment and consumer confidence. However, the elevated living costs still weighed down on consumption.

**Private investment indicators**, after seasonal adjustment, improved from the previous month. Investment in machinery and equipment increased from import of capital and higher registration of commercial vehicle. Investment in construction gradually improved as reflected by increases in construction materials and permitted areas for construction, especially for dwelling and manufacturing purposes.

**Manufacturing production**, after seasonal adjustment, increased from the previous month in several categories especially the automotives as producers continued to receive production parts. Additionally, production in food and beverage increased due to higher domestic demand and continued recovery in the tourism sector. Nevertheless, manufacturing production declined in some categories, including production in chemical products as well as rubber and plastic.

**The number of foreign tourist arrivals**, after seasonal adjustment, slightly increased from the previous month in almost all nationalities thanks to the continued relaxation of international travel restrictions.

**Public spending**, excluding transfer payment, expanded from the same period last year from expansion in both the current and capital expenditure of the central government. Capital expenditure of state-owned enterprises also expanded mainly from investment in energy related projects.

**The value of merchandise exports**, excluding gold and after seasonal adjustment, decreased from the previous month in line with the slowdown in trading partners' demand, especially to China which saw the exports of agro-manufacturing products and metals fell noticeably. In addition, declining export of petroleum products was observed due to a temporary supply side factor related to inventory management, while export of agricultural products was also temporary affected by unfavorable weather conditions. Nonetheless, some exports categories performed well which included electronics, electrical appliances and automotives.

**The value of merchandise imports**, excluding gold and after seasonal adjustment, improved from the previous month. This was due to higher import of fuel, both crude oil and natural gas, as well as import of consumer goods, especially durable goods. Nevertheless, other raw materials and intermediate goods decreased after accelerating in the preceding month.

**On the stability front**, headline inflation slightly rose from the previous month mainly due to fresh food inflation, which was driven by higher vegetable and fruit prices. In addition, core inflation increased from both food and non-food items. Meanwhile energy inflation slowed down in tandem with global crude oil prices. Labor market gradually improved in line with the economic development as reflected by increases in number of total contributors in the social security system. The current account registered a lower deficit due to improved net service, income, and transfers balance, while the trade balance registered a larger deficit mainly from higher import of fuel. On exchange rates, the baht against the US dollar appreciated as markets, in August, expected a less tightening monetary policy stance from the US Federal Reserve with a better recovery prospect on tourism sector in Thailand.

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30 September 2022

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