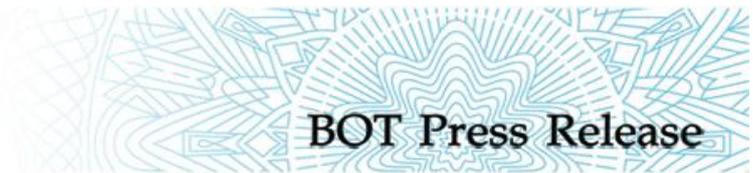




BANK OF THAILAND



Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

No.48/2015

Press Release on the Economic and Monetary Conditions for August 2015

Overall economic activities in August 2015 remained weak. Merchandise exports contracted further as a result of the slowdown in demand from China and ASEAN countries. Meanwhile, the number of foreign tourist arrivals decelerated. Private consumption slightly improved but in general still reflected households' cautious spending amidst falling household income especially those of non-farm households and fragile consumers' confidence. Private investment improved slightly following increases in imports of capital goods and sales of new commercial car models. Manufacturing production also edged up but it was due partly to temporary factors. Public spending continued to be disbursed although it slightly decreased after having accelerated in the preceding period.

On the stability front, headline inflation became more negative on the back of falling global oil prices. The unemployment rate was unchanged, with some labor moving back to the agricultural sector after favourable rainfall. Meanwhile, the current account continued to post a surplus owing to low merchandise imports.

Details of economic conditions are as follows.

Merchandise exports were sluggish as reflected by the export value excluding gold which contracted 9.5 percent from the same period last year. Almost all goods categories saw a greater decline from the previous month. Among the notables, exports of petroleum, chemical and petro-chemical products were affected by the slowdown in trading partners' demand, especially from China and ASEAN countries, together with declining global crude oil prices. Exports of agricultural products contracted on account of lower global demand for rice. Additionally, exports of cassava were constrained by limited supply during the end of harvesting period albeit high demand from China. Hard disk drive exports fell after solid state drives have become more popular following changes in global demand. Nevertheless, exports of some goods categories continued to expand such as automobiles, particularly eco cars and new commercial car models, as well as electronic parts which were intermediate products for new mobile phone and tablet models.

The **tourism** sector decelerated after the bombing incident in Bangkok and political turmoil in Malaysia. As a result, foreign tourist arrivals, particularly Asian tourists, dropped from the previous month. Nevertheless, the number of foreign tourists remained higher than the same period last year. Additionally, it has improved since mid-September and could return to normal within 2-3 months.

Private consumption indicators slightly improved but still reflected households' cautious spending. This was due to a drop in non-farm households' income, continued low farm income and weak consumers' confidence, coupled with financial institutions' cautious credit extension. As a result, purchases on high-valued durable goods such as cars remained low in line with the continuation of contraction of auto leasing loans. Spending on semi-durable items was flat while

spending on nondurable items, especially fuel, and services such as outlays for transportation and telecommunication expanded.

Subdued domestic and global demand as well as declines in businesses' confidence resulted in low **manufacturing production and private investment** albeit some improvement from last month which could be explained partly by temporary factors. Manufacturing production edged up as automobile manufacturers gradually resumed their production of new commercial car models after the adjustment of the new production lines. Additionally, production of alcoholic beverages increased as manufacturers built up inventories before launching new products. Private investment indicators edged up slightly from outlays for machinery and equipment investment following increases in imports of capital goods, particularly in telecommunication and generator equipment. This was coupled with higher sales in new commercial car models. Meanwhile, construction investment steadied as businesses awaited the recovery in consumer demand.

The value of **merchandise imports** this month contracted by 10.8 percent from the same period last year following crude oil imports as a result of lower oil prices. Although imports in some categories increased, overall merchandise imports remained at low level in line with economic activities.

Public spending continued to be disbursed well although it slightly declined after having accelerated in the earlier period. Disbursement on current expenditure increased owing mainly to higher employee salary expenses, together with outlays for goods and services. At the same time, disbursement on both budgetary and non-budgetary capital expenditure especially for small-scale transportation and irrigation projects remained well. Government revenue increased by 8.7 percent from the same period last year on account of higher excise tax rates on diesel and additional revenues received from state-owned enterprises following the Ministry of Finance's policy.

On the **stability** front, headline inflation became more negative on the back of falling global oil prices, coming in at -1.19 percent. Core inflation decelerated slightly to 0.89 percent on the back of lower public transportation fare in line with fuel cost. The unemployment rate remained stable compared with last month, with some labor moving back to the agricultural sector to cultivate in-season rice after more favourable rainfall. The current account registered a surplus of 2.6 billion U.S. dollars due to low merchandise imports. Meanwhile, the capital account posted a deficit on the back of foreign exchange position adjustments by financial institutions and outflows of foreign portfolio investments. Overall, the balance of payments recorded a deficit.

Bank of Thailand

30 September 2015

Contact: Macroeconomic Team

Tel: +66 (0) 2283 5647, +66 (0) 2283 5648

e-mail: MPGMacroEconomics@bot.or.th