



BANK OF THAILAND



**BOT Press Release**

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Press Release on the Economic and Monetary Conditions for August 2017

**In August 2017, the Thai economy steadily expanded.** Merchandise exports and tourism sector continued to gain further traction in line with the steady improvement in external demand. Private consumption expanded moderately. Public spending expanded especially in current spending. Manufacturing production increased from the same period last year, both production for exports and production to serve the domestic market. Meanwhile, private investment stayed unchanged from last month.

**On the stability front,** headline inflation edged up slightly but still lingered at a low level. 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 the tourism sector.

Details of the economic conditions are as follows.

The value of **merchandise exports** surged with a growth of 15.8 percent compared to the same period last year. Excluding gold, the value of merchandise exports expanded by 12.7 percent. The expansion was on the back of (1) a continued increase in export of petroleum-related products from both price and quantity; (2) an increase in the export of agro-manufacturing products, especially rubber products and sugar; (3) a continued improvement in external demand for electronic devices, particularly electric control modules, fiberglass cables and audio and video transceivers; and (4) a continued growth of agricultural products, following the increased export of rice, rubbers and fruits. The export trend was consistent with the expansion in **manufacturing production** for exports. Moreover, manufacturing production for domestic market also expanded, particularly in the production of automobiles, due to higher domestic demand, and the production of food and beverages, as a result of temporary accelerated production before the imposition of new excise tax, leading to the increase in overall manufacturing production for the second consecutive month.

**The number of foreign tourists** registered an 8.7 percent annual growth. After seasonal adjustment, the number of foreign tourists remained at a similar level as the previous month with growth observed in most nationalities. The number of Chinese and ASEAN tourists, especially Malaysian tourists, continued to expand thanks to the Malaysian National Day and the Hari Raya Haji holiday, coupled with the low base effect of the bombing in the 7 southern provinces of Thailand in the previous year. Moreover, the number of South Korean and Japanese tourists increased as they shifted their travel destination from China to Thailand.

**Private consumption indicators** expanded from increased spending on services and semi-durables, especially on clothing and apparels. Spending on durables picked up at a slower pace, particularly on passenger car sales and motorcycle registrations. However, fundamental factors supporting the overall household purchasing power was not sufficiently strong. Non-farm income slightly increased, while farm income remained subdued from decreased agricultural price despite high agricultural production.

The value of **merchandise imports** grew by 14.3 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 12.5 percent. The increase was mainly from (1) imports of raw and intermediate materials, particularly metals because of an accelerated import before global price increases. Moreover, import of electronic parts expanded, consistent with the expansion in exports of such products; (2) import of capital goods excluding aircrafts, ships, floating structures, and locomotive expanded following the increased import of machinery and equipment in the telecommunication sector; (3) import of consumer goods rose as the imports of food and beverages grew; and (4) import of automotive sector grew due mainly to the increased import of trucks, motorcycles and automotive parts, consistent with the production and domestic sales of motor vehicles.

**Public spending**, excluding transfers, expanded mainly from current spending as a result of increased expenditure on goods and services as well as education of the Office of the Basic Education Commission. However, capital spending contracted following accelerated disbursements in earlier periods and lower rate disbursements of certain government offices.

**Private investment indicators** stayed flat relative to the preceding month. Investment in construction rose reflected by the increase in construction material sales. Overall permitted construction area declined, except those in the commercial sector in Bangkok and the Northeast region. Investment in machinery and equipment slightly soften from the previous month.

**On the stability front**, headline inflation accelerated to 0.32 percent from 0.17 percent in the previous month. This was attributed to an increase in retail petroleum price following the increase in global crude oil price. Fresh food prices, especially vegetables and fruits, continued to decrease caused by supply glut as a result of favorable weather condition. Core inflation stabilized at 0.46 percent from 0.48 percent in the previous month. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account continued to post a surplus due mainly to higher trade surplus. The capital and financial accounts registered a surplus due to: (1) portfolio investment in debt securities by foreign investors; (2) short-term loan by commercial banks to adjust their foreign currency position; and (3) foreign direct investment from Singapore, Hong Kong and Germany. Meanwhile, there were also direct investment abroad and portfolio outflow by Thai investors.

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