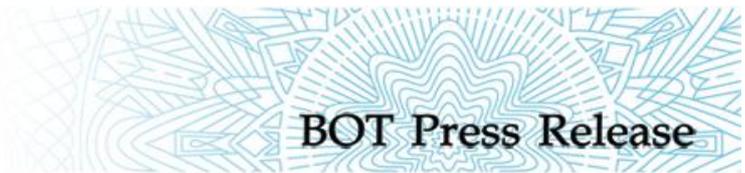




BANK OF THAILAND



**BOT Press Release**

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Press Release on the Economic and Monetary Conditions for December and the fourth quarter of 2017

The overall economy in December 2017 continued to expand. Merchandise exports and tourism sectors gained further traction, consistent with the continued improvement in external demand. The continued expansion in external trade helped boost export-related manufacturing production. Private consumption continued to improve. However, private investment remained at the same level relative to last month, while public spending contracted particularly in capital spending.

On the stability front, headline inflation decelerated due mainly to the deceleration of energy and fresh food prices. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a surplus as supported by improvements in export value and the tourism sector.

Details of the economic conditions are as follows:

The value of **merchandise exports** continued to expand in all major export destinations and most product groups, with a growth of 9.3 percent compared to the same period last year, or 10.0 percent when excluding gold. The expansion was on the back of (1) continued improvement in external demand for products such as rice, rubber products, telecommunication equipments, electronic parts, and automotive and parts; (2) continued increase in crude oil price contributed to the increase in export of petroleum-related products; and (3) increase in exports from industries which recently expanded their production capacity such as hard disk drives (HDD). Steady-improved export trends also contributed to the growth of export-related **manufacturing production**, especially automotive, rubber products, and petrochemical products.

The number of **foreign tourist arrivals** registered a 15.5 percent annual growth and continued to expand for almost all nationalities. In particular, the number of Chinese tourists substantially expanded, partly from the low base effect from the government's regulation on illegal tour operators in the same period last year. An uptrend in the number of Russian tourists was also recorded, following the recovery of Russia's economy. After seasonal adjustment, the number of foreign tourist arrivals increased by 3.2 percent from the previous month, mainly from Chinese and Malaysian tourists.

**Private consumption indicators** expanded at a slower pace due to decelerated spending in the services sector. Meanwhile, spending on non-durable and semi-durable goods contracted, partly from the high base effect from last year's government stimulus measures, particularly the tax deductions for spending on goods and services. Fundamental factors supporting the overall household purchasing power was not yet robust as farm income contracted from the same period last year and non-farm income slightly decreased from the previous month.

**Private investment indicators** stayed unchanged from the previous month, as the increase in import of capital goods and domestic machinery sales were offset by the decrease in commercial car sales for investment purposes. Additionally, investments in construction remained unchanged from last month in both permitted construction areas and construction material sales.

The value of **merchandise imports** grew by 15.4 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 10.6 percent. The increase was from imports of (1) raw and intermediate materials, as imports of fuel expanded in both quantity and price. Excluding fuel, imports of metals and electronic parts expanded, particularly parts of hard disk drives (HDD), consistent with an expansion in exports of such products; (2) consumer goods expanded following the increase in overall non-durable goods; (3) automotive parts expanded, in line with an improvement in automotive production and sales; and (4) capital goods excluding aircrafts, ships, floating structures, and locomotives expanded mainly from imports of telecommunication equipments.

**Public spending**, excluding transfers, contracted from the same period last year, due to decline in capital spending as a result of high base effect of last year's measures to accelerate small-scale investments, coupled with disbursement delay of some major offices. Current spending also declined following a decreased expenditure from The Office of the Basic Education Commission (OBEC). However, disbursement on compensation of civil servants was slightly expanded.

**On the stability front**, headline inflation decelerated to 0.78 percent from 0.99 percent in the previous month. This was attributed to the deceleration of retail petroleum prices following the high base effect of global crude oil prices which started to rise at the end of last year. In addition, fresh food prices especially vegetables, fruits, and meat, continued to contract due to improved supply of agricultural products. Core inflation remained flat at 0.62 percent on the back of gradually improved domestic demand. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account continued to post a surplus as contributed from improved value of exports and tourism receipts. The capital and financial accounts registered a deficit due to: (1) direct investment abroad by Thai corporates, especially food and beverage industry; (2) increase in deposits abroad by commercial banks to adjust their foreign currency position; and (3) trade credits provided by Thai exporters to trading partners in line with the continued expansion of export value.

**Overall economic activity in the fourth quarter of 2017** continued to expand from the previous quarter, driven mainly by export of goods which showed strong growth both in terms of products and export destinations, and the tourism sector which continued to expand steadily. Private consumption expanded mainly from spending on durable goods and services sector. The strong expansion of merchandise exports and continued growth in private consumption led to the expansion of overall manufacturing production. Private investment also slightly improved. However, public spending contracted mainly from capital spending. On the stability front, both headline and core inflation accelerated from the previous quarter. Headline inflation accelerated mainly from increased energy prices and smaller negative contribution of fresh food prices. Core inflation slightly accelerated following an increase in excise tax on tobacco and alcohol beverages. The seasonally-adjusted unemployment rate slightly increased from the previous quarter. The current account continued to post a surplus following continued growth in export value and the tourism sector.

Bank of Thailand

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