



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 2018

In December 2018, the Thai economy continued to expand from the previous month. Private consumption indicators suggested expansion in all spending categories, albeit at a slower pace due partly to the high base effect. Manufacturing production and private investment indicators suggested continued expansion. The number of foreign tourists continued to increase. Nonetheless, the value of merchandise exports and public spending contracted, particularly in capital expenditure.

**On the stability front**, headline inflation decelerated due to the decrease in retail petroleum prices and the decline in fresh food prices. The seasonally adjusted unemployment rate slightly increased from the previous month. The current account continued to post a surplus while the overall capital and financial accounts registered a deficit.

Details of the economic conditions are as follows:

**Private consumption indicators** continued to expand from the same period last year in all spending categories, albeit at a slower pace. This was partially due to the high base effect in the previous year from accelerated spending in the services and durables categories. The fundamental factors supporting the overall purchasing power remained favourable, as farm income rebounded from the increase in agricultural production, particularly white rice, and non-farm income remained high. The growth in private consumption contributed to the increase in **manufacturing production**, particularly the production of automotives and petroleum products, in line with the growth in domestic car sales.

**Private investment indicators** expanded from the same period last year. Investment in machinery and equipment expanded, driven by domestic machinery sales which continued to expand in a number of categories. The number of newly registered motor vehicles for investment also expanded. However, investment in construction remained subdued, particularly permitted construction area although construction material sales continued to expand.

**The number of foreign tourist arrivals** expanded at 7.7 percent compared to the same period last year, owing to the growth in the number of tourists of major nationalities, including Malaysia, India, South Korea, Japan and Russia. Moreover, the number of tourists from China expanded for the first time in five months after the Phuket tour boat incident, exhibiting a positive momentum. The growth was attributable to the launch of new direct flight routes to Thailand, together with the exemption of the visa on arrival fee, which commenced on the 15<sup>th</sup> of November 2018. After seasonal adjustment, the number of foreign tourists increased from the previous month, especially those from China and India.

The value of **merchandise exports** contracted by 1.6 percent, and excluding gold, the value shrank by 2.0 percent. The contraction can be attributed to (1) the high base effect in several products such as hard disk drives, mobile phones, agricultural and agro-manufacturing products, especially rice and palm oil, and electrical appliances, in particular solar panels and washing machines, and (2) weaker global demand as a result of the protectionist trade policies between the US and China and slower economic growth in a number of major trading economies, coupled with the downturn in electronic cycle. Consequently, the export of electronic products, rubber and rubber products declined. Nonetheless,

exports of petroleum-related products expanded, in terms of quantity, and automotive and automotive parts, following the export of tires to the US, as a substitute to Chinese export.

The value of **merchandise imports** contracted at 6.7 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 2.5 percent. The expansion was attributable to the growth in imports of (1) raw and intermediate goods, from the imports of crude oil, from both quantity and price; (2) consumer goods, from semi-durable goods, in line with the growth in private consumption; (3) automotive products, particularly passenger cars and automotive parts, consistent with the continued expansion of domestic car sales.

**Public spending**, excluding transfers, marginally contracted. The decline in capital expenditure was the result of delayed disbursement in order to reassess and align investment projects to the master plan under the 20 year National Strategic Framework. Meanwhile, current spending rose from expenditure on civil servants' compensation.

**On the stability front**, headline inflation decelerated to 0.36 percent from 0.94 percent last month, due to the decline in retail petroleum prices in line with the fall in global crude oil prices, and the decline in fresh food prices, particularly those of vegetables and fruits. The core inflation remained unchanged. The seasonally-adjusted unemployment rate slightly increased from last month. The current account posted a surplus from both trade and services balances. The overall capital and financial accounts registered a deficit from the assets position, attributable to deposits abroad by the Other Depository Corporations (ODCs), in order to adjust their foreign currency positions and the provision of loans to foreign private businesses, and Thai Direct Investment (TDI) abroad particularly loans to affiliated companies.

**Overall economic activity in the fourth quarter of 2018** continued to gain further traction from the previous quarter. On the domestic front, private consumption indicators suggested expansion in all spending categories, boosting manufacturing production. Private investment indicators also signified growth, particularly in machinery and equipment. Nevertheless, public spending declined mainly from the contraction in capital expenditure. However, external demand softened as the value of merchandise exports grew at a slower pace. The tourism sector recorded substantial growth, despite the decline in the number of Chinese tourists. The continued expansion was partly driven by government's tourism promotion measures. On the stability front, headline inflation decelerated from the previous quarter, following the decline in retail petroleum prices and decelerated core inflation. The seasonally-adjusted unemployment rate remained unchanged. The current account continued to post a surplus while the capital and financial account registered a deficit.

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