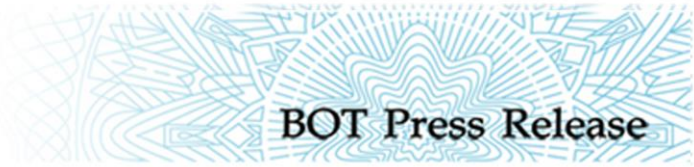




BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for December and the Fourth Quarter of 2022

In December 2022, the Thai economic recovery maintained its traction despite the slowdown in the global economy. The service sector continued to be the main driver of growth thanks to a good outturn in foreign tourist arrivals, which also benefited private consumption. Meanwhile, the value of merchandise exports slightly increased but contracted on a year-on-year basis, following a slowdown in trading partners' demand, which in turn exerted downward pressures on manufacturing production and private investment. Public spending was at a similar level compared to the same period last year.

On the economic stability front, headline inflation increased from the previous month due to higher fresh food and energy prices, while core inflation remained close to the previous month. Developments in the labor market was in line with the economic recovery. The current account became a surplus as trade balance improved, while the net service, income, and transfer balance also exhibited a slight surplus thanks to higher tourism income.

Details of the economic conditions are as follows:

The number of foreign tourist arrivals, after seasonal adjustment, increased from the previous month in several nationalities, especially tourists from Malaysia and Russia. Positive effects of easing restrictions in international travel continued to persist and benefited Thailand's service sector, particularly among the tourism-related businesses.

Private consumption indicators, after seasonal adjustment, increased from the previous month mainly from spending in the service sector on the back of increasing foreign tourist arrivals. Several fundamental factors supporting household consumption continued to improve, especially in employment and consumer confidence. Nevertheless, the elevated living costs as well as a slowdown in farm income growth in some regions still weighed down on private consumption.

The value of merchandise exports, excluding gold and after seasonal adjustment, slightly increased from the previous month but remained contracted on a year-on-year basis due to the slowdown in trading partners' demand. Major export categories which saw improvements were (1) agricultural products such as cassava and durian (2) automotives, following an improvement in shortages of production materials and (3) electronics, which increased slightly due to its delivery cycle.

Manufacturing production, after seasonal adjustment, decreased from the previous month, especially the production of electrical appliances and chemical products, following a slowdown in the global demand. Production of automotives also declined after performing well in the preceding period. However, production of petroleum products picked up after the major shutdown of oil refineries for maintenance in the preceding periods.

Private investment indicators, after seasonal adjustment, decreased from the previous month in all categories. Lower investment in machinery and equipment was in line with the slowdown in manufacturing production, while investment in construction edged downward due to lower sales of construction materials as well as lower permitted areas for construction.

The value of merchandise imports, excluding gold and after seasonal adjustment, increased from the previous month in several categories, especially imports of crude oil after the reopening of oil refineries. Imports of consumer goods also increased from higher imports of smartphones and electric vehicles.

Public spending, excluding transfer payments, was at a similar level compared to the same period last year. Current expenditures expanded from a good disbursement of pension and medical expenses of public servants. Capital expenditures of state-owned enterprises also expanded, following a higher disbursement in energy and utility projects. Capital expenditures of the central government, however, contracted due mainly to a high base last year.

On the stability front, headline inflation increased due to the low base effects in both fresh food and energy prices. In addition, sluggish output of vegetable also added upward pressure on fresh food prices. Core inflation, however, was close to the previous month. Labor market gradually improved in line with the economic recovery as reflected by the numbers of total contributors to the social security system, which remained high near the pre-COVID level, while positive sentiments among the self-employed continued to be observed. The current account became a surplus as trade balance improved, while the net service, income, and transfer balance exhibited a slight surplus thanks to higher tourism income. On exchange rates, the baht against the US dollar appreciated, following the faster-than-expected reopening of China, which caused positive sentiments on the outlook of tourism industry in Thailand. Meanwhile, the market expectation on the slower pace of monetary tightening from the US Federal Reserve also added appreciation pressure on the Thai baht.

The Thai economy in the fourth quarter of 2022 continued to improve from the previous quarter on the back of increasing foreign tourist arrivals, which bolstered services and private consumption growth. However, the value of merchandise export deteriorated due to a slowdown in trading partners' demand and exerted downward pressures on manufacturing production and private investment. Spending of the central government expanded mainly from current expenditures, while capital expenditures of state-owned enterprises also expanded from a good disbursement in energy and utility projects. On the economic stability front, headline inflation decreased, following a lower energy inflation, while core inflation increased due mainly to higher prepared food prices. Labor market gradually improved in line with the economic recovery. The current account became a surplus as trade balance improved, while deficits in the net service, income, and transfer balance moderated.

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