



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for February 2015

In February 2015, the Thai economy continued to recover at a slow pace. Domestic private spending was flat as consumers and businesses remained cautious about spending. Fiscal spending was also flat while merchandise exports were affected by weak demand from China and ASEAN countries. Nevertheless, the tourism sector continued to expand well and was the main driver of the economy. On the stability front, low global oil prices led to negative inflation and the current account surplus for the second and the fifth consecutive month, respectively.

Details of economic conditions are as follows.

Domestic spending of household, business and public sectors was largely unchanged from the previous month. On **private consumption**, low farm households' purchasing power following depressed agricultural prices particularly rice and rubber, flat non-farm households' income, elevated household debt levels, and decreased households' confidence resulting from slow economic recovery were negative factors. Nondurable spending (excluding fuel) slowed down slightly while spending on durable goods remained low. Only fuel and services consumption increased. Nevertheless, the growth of the latter was partly due to foreign tourists' spending.

Private investment, as reflected by machinery, equipment and construction indicators, remained flat. Slow recovery in both global and domestic economies had led to excess capacity. In addition, businesses awaiting clarity on government's projects have not yet invested despite favorable financial conditions as government's investment on infrastructure was still at an early stage.

Fiscal spending flattened from the preceding month. Although disbursement on capital expenditure increased particularly for transportation and irrigation, purchases of goods and services declined after having accelerated in the previous periods. Meanwhile, government revenue decreased slightly following a drop in revenues from government agencies and VAT compared with the same period last year, reflecting soft recovery in economic activities.

Merchandise exports were weak, particularly exports to China and ASEAN countries due to their economic slowdown, coupled with the effect of the Chinese New Year in this month. Meanwhile, exports to Europe dropped after having accelerated in the previous periods prior to the expiration of Thailand's benefit from the Generalized Scheme of

Preferences (GSP). However, exports to the U.S. and CLMV countries expanded well. The value of merchandise exports continued to decrease partly due to declining prices of several oil-related goods following a substantial fall of oil prices since the end of 2014. At the same time, **merchandise imports** declined from the previous month following a continued decrease in crude oil imports. The drop was a result of reduced import volumes by refineries as they expected a continuing price fall. Nevertheless, imports of consumer goods, capital goods and raw materials increased slightly, in line with the slow economic recovery.

The tourism sector continued to expand well owing to Chinese and Malaysian tourists especially during the Chinese New Year period. Nevertheless, the number of tourists from Europe has not recovered particularly Russian tourists which were hurt by their economic conditions.

Overall manufacturing production increased from the previous month as manufacturers built up their inventories after successive de-stocking in the preceding periods. Also contributing to the buildup was acceleration in hard disk drive production to compensate for an upcoming maintenance shutdown in March.

Economic stability on both domestic and external fronts was well maintained. The unemployment rate was stable from the previous month and low global oil prices contributed to negative headline inflation for the second consecutive month despite continuing positive core inflation. The current account posted a surplus for the fifth consecutive month which put appreciation pressure on the baht compared to trading partners' currencies. Meanwhile, the capital account registered a deficit from short-term loans repayment by financial institutions to manage their foreign exchange position coupled with outflows of Thai investors' investment abroad. Overall, the balance of payments recorded a surplus and the ratio of international reserves to short-term external debt remained high.

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