BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for February 2018

In February 2018, the Thai economy continued to expand. Merchandise exports and tourism sectors grew solidly, consistent with the strong growth momentum in external demand. On the domestic front, robust growth was also observed in all components, namely private consumption, private investment, and public spending. The continued expansion in both external and domestic demand contributed to the growth of manufacturing production.

On the stability front, headline inflation softened due mainly to the deceleration of energy and fresh food prices. The seasonally-adjusted unemployment rate slightly edged up from last month. The current account posted a surplus as supported by growth in export value and the tourism sector. The capital and financial accounts registered a deficit from both the assets and liabilities positions.

Details of the economic conditions are as follows:

The value of **merchandise exports** continued to expand with a growth of 7.7 percent compared to the same period last year. Excluding gold, the value of merchandise export grew by 10.0 percent, and expanded in all major export destinations and most product groups. The expansion was on the back of: (1) increase in exports of automotive and parts, particularly passenger cars, commercial cars, and automotive parts such as tires, and diesel engines; (2) continued increase in crude oil prices which contributed to the increase in exports of petroleum-related and chemical products; (3) increase in exports of machinery and equipment in most categories; and (4) increase in exports of electronic products, especially telecommunication equipment such as mobile phones, and hard disk drives (HDD) in which their production capacity has recently been expanded. However, export value of agricultural products contracted, due mainly to the decline in rubber prices, partly as a result of the high base effect from last year’s flood in the Southern provinces.

The number of foreign tourist arrivals registered a 19.3 percent annual growth and continued to expand for almost all nationalities, consistent with the robust pickup in the global economy. In particular, the number of Chinese tourists substantially expanded from the Lunar New Year holiday and the increase in Malaysian tourists partly from tourism measures aimed at attracting new tourists from Malaysia’s secondary cities, coupled with the opening of new low-cost airline routes to Thailand. After seasonal adjustment, the number of foreign tourists increased by 2.7 percent from the previous month, mainly from Chinese tourists.

Private consumption indicators expanded from the same period last year in all categories, albeit at a slower pace due to accelerated growth in the earlier periods. However, fundamental factors supporting the overall household purchasing power remained soft, particularly in the low-income group, as both farm and non-farm income contracted from the same period last year. Nevertheless, the expansion in merchandise exports and private consumption contributed to the growth of **manufacturing production**, particularly the production of automotive, petroleum products, chemical products, and hard disk drives.

Private investment indicators grew from the same period last year due to the expansion in all categories from investment in machinery and equipment. However, investment in construction decreased in both permitted construction areas and construction material sales, especially cement and concrete sales. After seasonal adjustment, private investment indicators edged up from last month due to continual investment in machinery and equipment.

The value of **merchandise imports** continued to grow by 21.8 percent from the same period last year in most product groups. Excluding gold, the value of merchandise imports expanded by 20.0 percent. The expansion was from the imports of: (1) raw and intermediate materials, as imports of fuel expanded in both quantity and price, partly from the low base effect due to the closure of some refinery for inspection and maintenance last year. Excluding fuel, imports of electronic parts, metals, and chemical products expanded, consistent with an expansion in exports of such products; (2) consumer goods expanded following the increased imports in most categories. Imports of durable goods expanded from the import of furniture, textiles, and clothing. Non-durable goods expanded from the import of food and beverages, cosmetic, and tuna which is used in the production of canned tuna for exports; and (3) automotive products expanded specifically the import of automobiles and parts, in line with an improvement in automotive production and sales.

Public spending, excluding transfers, expanded in both current and capital spending. The increase in current spending followed an increase in civil servants' compensation and expenditures on goods and services. Capital spending expanded from higher disbursement of the Department of Highways, Central Fund, and 2017 supplementary budget allocated to the provincial clusters.

On the stability front, headline inflation decelerated to 0.42 percent from 0.68 percent in the previous month. This was attributed to the deceleration of retail petroleum prices coupled with the continued contraction of fresh food prices due to excess supply of agricultural products. Core inflation edged up slightly from the previous month to reach 0.63 percent. The seasonally-adjusted unemployment rate increased slightly from last month, but the overall level remained low. The current account continued to post a surplus as contributed from the growth in the value of merchandise exports and tourism receipts. The capital and financial accounts registered a deficit from both the assets and liabilities positions. On the financial assets side, outflow was from Thai Direct Investment (TDI), and from trade credit provided by Thai exporters to their respective trading partners. On the liabilities side, outflow was from net sell in both debt and equity securities by foreign investors, and the repayment of foreign loans by commercial banks to adjust their foreign currency position.

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