



BANK OF THAILAND



Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

No. 18/2019

Press Release on the Economic and Monetary Conditions for February 2019

In February 2019, the Thai economy continued to gain momentum from the previous month. Private consumption indicators continued to expand in all spending categories and public spending expanded from current spending. However, private investment indicators contracted from investment in construction. The tourism sector remained unchanged from the same period last year. The value of merchandise exports contracted, consistent with the decline in manufacturing production.

On the stability front, headline inflation accelerated due to the increase in retail petroleum and fresh food prices. The seasonally adjusted unemployment rate decreased from the previous month. The current account registered higher surplus attributed mainly to trade balance. 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. The fundamental factors supporting the overall purchasing power remained favourable from the continual improvement in both farm and non-farm income, in line with the improved consumer confidence index. Farm income continued to expand from the increase in agricultural production, especially oil palm, rubber, and white rice, coupled with the rebound in agricultural prices mainly from the increase in the price of swine. Non-farm income continued to expand solidly.

Public spending, excluding transfers, expanded from current spending following continual expansion in expenditures on goods and services, and compensation of civil servants. However, overall current spending grew at a slower pace from accelerated disbursement in the previous month. Capital spending contracted from the high base effect of the 2018 supplementary budget allocated to the provincial clusters.

Private investment indicators slightly contracted from the same period last year, due mainly to the continual decrease in permitted construction area. However, investment in machinery and equipment continued to expand from domestic machinery sales and the number of newly registered motor vehicles for investment.

The number of foreign tourist arrivals registered an unchanged growth from the same period last year, at 0.2 percent. This was mainly from the decline in the number of Chinese tourists from the high base effect last year, which was the result of the overlap in 2019 Lunar New Year holiday which started in early February encouraging Chinese tourists to travel ahead of the holiday period. However, the number of tourists from major nationalities continued to expand, including Malaysian, South Korean, Japanese, Indian, and Taiwanese tourists. After seasonal adjustment, the number of foreign tourists declined from the previous month, mainly from Chinese tourists.

The value of **merchandise exports** contracted by 1.7 percent, and excluding gold, the value shrank by 3.0 percent. The contraction can be attributed to weaker global demand as a result of slower economic growth in a number of major trading economies, coupled with the protectionist trade policies between the US and China, and the continued downturn in electronic cycle. The contraction was mainly from the decrease in exports of: (1) automotive and parts, particularly passenger cars, while exports of parts expanded, especially exports of car tires to the US; (2) electronic products, particularly hard disk drives (HDD) and integrated circuits (IC) as importers lowered their inventories; (3) agricultural products, particularly rice and rubber, partly as a result of increased competition from other trading countries; and (4) petroleum-related products, partly from the contraction in global crude oil prices, while the export volume of such products continued to expand.

The slowdown in merchandise exports contributed to the contraction of **manufacturing production**, as the production for exports such as the production of hard disk drives, and rubber and plastics contracted mainly from the continual slowdown in export orders. However, the production for the domestic market such as the production of automotive, food and beverages, and petroleum products expanded in line with the continued expansion in domestic demand.

The value of **merchandise imports** contracted at 7.3 percent from the same period last year. Excluding gold, the value of merchandise imports shrank by 4.8 percent. The contraction was mainly from the decrease in imports of: (1) raw and intermediate goods, particularly electronic parts, in line with the continued contraction in exports of such products; (2) capital goods excluding aircrafts, ships, floating structures, and locomotive, mainly from the decrease in imports of telecommunication equipment especially mobile phones, and electrical machines and apparatus; and (3) consumer goods, particularly electrical appliances and furniture, while imports of automotive and parts expanded, consistent with the continued expansion of the production of automotive and domestic car sales.

On the stability front, headline inflation accelerated to 0.73 percent from 0.27 percent last month, due mainly to the increase in retail petroleum prices, in line with the rise in global crude oil prices, coupled with the increase in fresh food prices, particularly meat. Core inflation decelerated from last month. The seasonally-adjusted unemployment rate decreased from last month. The current account registered higher surplus attributed to trade balance, as a result of sharp decline in the value of merchandise imports. The overall capital and financial accounts registered a deficit from the assets position, due mainly to the increase in Thai Direct Investment (TDI).

Bank of Thailand
29 March 2019

For further information, please contact: Macroeconomic Team 1-2
Tel: +66 (0) 2283 5639, +66 (0) 2283 5647
E-mail: EPD-MacroEconomicsTeam1-2@bot.or.th