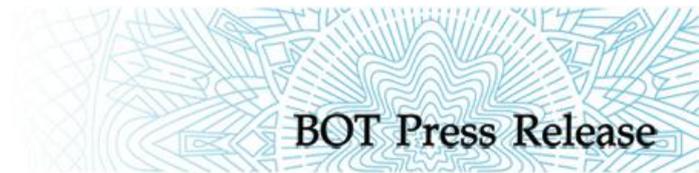




BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for January 2015

In January 2015, the Thai economy continued to recover at a slow pace, with **the tourism sector being the main driver**. Domestic private spending was flat as consumers remained cautious about spending and businesses still awaited clarity on economic recovery and government's infrastructure investment. Meanwhile, fiscal spending tapered off after the disbursement was expedited in the previous month. Merchandise exports dropped due to weak demand from China and ASEAN countries and the declining export prices of oil-related goods. In addition, the decline in global oil prices led to negative inflation and the current account surplus for the fourth consecutive month.

Details of economic conditions are as follows.

**The tourism sector** continued to be the main driver of the economy as Chinese and Malaysian tourists regard Thailand as one of their top destinations. Additionally, the Chinese authority has gradually relaxed their measures on outbound tourism. Thus, the slowdown in the Chinese economy did not largely affect the tourists' travel plans.

The recovery of private spending remained sluggish. The level of **private consumption** was mostly unchanged from the previous month as households stayed cautious about consumption spending. Depressed agricultural prices, particularly for rubber, and elevated household debt levels continued to weigh heavily on household spending decisions. As a result, the lower global oil prices have not yet benefited private consumption.

**Private investment** in machinery, equipment and construction remained unchanged. Despite lower production costs from declining oil prices and favorable financial conditions, private investment remained dull as economic recovery was slow and government's investment on infrastructure was at an early stage. Additionally, most businesses still held excess capacity as **manufacturing production** levels remained low.

The public sector continued to play a role in stimulating the economy. However, **fiscal spending** tapered off after the disbursement in the previous month was expedited on purchases of goods and services as well as capital expenditure. Meanwhile, government revenue expanded on account of higher excise tax rates on diesel. Nonetheless, the revenue collected from corporate income tax and VAT dropped slightly from the same period last year.

The value of **merchandise exports** decreased from the preceding month due to (1) declining prices of several oil-related goods such as petroleum, rubber, and chemical products (2) the slowdown of trading partner economies, particularly China and ASEAN countries, and (3) the expiration of Thailand's benefit from the Generalized Scheme of Preferences (GSP) of all goods exported to the euro area. The U.S. and CLMV were the only two major markets where exports continued to expand well. The value of **merchandise imports** declined from last month, particularly for crude oil imports. The decline was a result of falling global oil prices and reduced import volumes by refineries as they expected a continuing price decline. Imports of consumer goods, capital goods and raw materials were broadly unchanged, in line with the slow economic recovery.

**Economic stability on both domestic and external fronts was sound.** Despite a slight increase, the unemployment rate remained low. The significant drop in global oil prices contributed to negative inflation, yet not a sign of deflation. The current account recorded a surplus for the fourth consecutive month which strengthened the baht. The capital account posted a deficit due to both higher overseas deposits by financial institutions to manage their foreign exchange positions, and outflows of both Thai and foreign portfolio investment. Overall, the balance of payment posted a surplus and the ratio of international reserves to short-term external debt remained high.

Bank of Thailand

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