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Press Release on the Economic and Monetary Conditions for January 2018

In January 2018, the Thai economy continued to expand. Merchandise exports and tourism sectors grew solidly, consistent with the strong growth momentum in external demand. Private consumption expanded in all categories. The continued expansion in both external and domestic demand contributed to the growth of manufacturing production. Public spending expanded from the growth in capital spending. Meanwhile, private investment improved slightly from the previous month.

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

Details of the economic conditions are as follows:

The value of **merchandise exports** surged with a growth of 16.7 percent compared to the same period last year, the highest growth seen in 62 months. Excluding gold, the value of merchandise export grew by 18.1 percent, and expanded in all major export destinations and most product groups. The expansion was on the back of: (1) continued increase in crude oil price which contributed to the increase in export of petroleum-related and chemical products; (2) increase in exports of automotive and parts, particularly tires; (3) increase in exports from industries which recently expanded their production capacity such as hard disk drives (HDD); and (4) continued improvement in external demand for agro-manufacturing products such as rice, rubber products, sugar, and cassava. Additionally, the effect of the Chinese New Year holiday, which this year was in February, contributed to increased international trade activities in January.

The number of foreign tourist arrivals registered an entrenched growth of 10.9 percent compared to the same period last year, albeit the moderated impact of the low base year effect from government's regulation on illegal tour operators. The number of foreign tourist arrival continued to expand for almost all nationalities, consistent with the robust pickup in the global economy.

Private consumption indicators expanded from the same period last year in all categories. However, fundamental factors supporting the overall household purchasing power was not yet robust, particularly in the low-income group. Non-farm income slightly increased, while farm income remained subdue from decreased agricultural prices despite increased agricultural production. Nevertheless, the expansion in merchandise exports value and private consumption contributed to the growth of **manufacturing production** this month, particularly the production of automotive and chemical products.

Private investment indicators slightly increased from the previous month and continued to pose a gradual increasing trend. Investment in construction rose slightly reflected by the increase in construction material sales, while investments in machinery and equipment remained unchanged from last month.

The value of **merchandise imports** continued to grow by 22.5 percent from the same period last year in most product groups. Excluding gold, the value of merchandise imports expanded by 28.6 percent. The expansion was partly from the low base effect of the Chinese New Year which was in January last year and from the imports of: (1) raw and intermediate materials, as imports of fuel expanded in both quantity and price. Excluding fuel, imports of metals, chemical products, and electronic parts expanded, consistent with an expansion in exports of such products; (2) consumer goods expanded following the increased imports of non-durable goods; (3) automotive sector expanded specifically parts and passenger cars, in line with an improvement in automotive production and sales; and (4) capital goods excluding aircrafts, ships, floating structures, and locomotives expanded mainly from machinery and parts, in line with the improving investment trend.

Public spending, excluding transfers, expanded from capital spending as a result of accelerated disbursements from major offices. However, current spending slightly declined following a decreased expenditure from The Office of the Basic Education Commission (OBEC).

On the stability front, headline inflation decelerated to 0.68 percent from 0.78 percent in the previous month. This was attributed to the deceleration of retail petroleum prices following the high base effect of global crude oil prices last year. In addition, fresh food prices especially meat continued to contract due to excessive supply of agricultural products. Core inflation remained flat at 0.58 percent on the back of steady improvement in domestic demand. The seasonally-adjusted unemployment rate remained unchanged from last month. 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 surplus from both the assets and liabilities positions. On the financial assets side, inflow was from the withdrawal of deposit abroad and matured debt securities by Foreign Investment Fund (FIF). On the liabilities side, inflow was from (1) net increase of foreign investment especially in debt securities, consistent with the capital flow trend in emerging markets, (2) increase in foreign direct investment of the real estate sector, and (3) trade credit provided to importers in line with the uptrend in merchandise imports.

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