BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for January 2019

In January 2019, the Thai economy continued to expand from the previous month, with domestic demand as the main growth driver. Private consumption indicators continued to expand in all spending categories. Private investment indicators expanded from investment in machinery and equipment and construction material sales. Public spending rebounded from both current and capital expenditures. However, the tourism sector moderated due mainly to the decline in the number of Malaysian tourists. The value of merchandise exports contracted, consistent with the decline in manufacturing production for exports, while production for domestic market continued to expand.

On the stability front, headline inflation decelerated due to the decrease in retail petroleum prices in line with the fall in global crude oil prices. The seasonally adjusted unemployment rate slightly decreased from the previous month. The current account registered a smaller surplus attributed to lower trade balance. The overall capital and financial accounts registered a surplus.

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. Farm income continued to grow from the increase in agricultural production while agricultural prices contracted at a softer pace. Non-farm income expanded solidly in all sectors. The increase in overall purchasing power was consistent with the improved consumer confidence index.

Private investment indicators expanded from the same period last year. Investment in machinery and equipment expanded, driven by the strong growth in the number of newly registered motor vehicles for investment and the rebounded import of capital goods in private sector, which expanded in most categories. However, investment in construction remained subdued, particularly permitted construction area although construction material sales expanded solidly.

Public spending, excluding transfers, rebounded from both current and capital expenditures. The expansion in current spending was on the back of spending on goods and services, partly from the low base effect in the previous year, and expenditure on civil servants' compensation which expanded significantly due to the overlap in payment period this year from March to January. Capital expenditure expanded following the accelerated disbursement of small projects from some departments after the reassessment and realignment of the projects to the master plan under the 20 year National Strategic Framework has been completed.

The number of foreign tourist arrivals expanded at 4.9 percent compared to the same period last year, and moderated from the previous month following the decline in the number of Malaysian tourists, while the number of Chinese, Indian and Taiwanese tourists continued to expand. The growth was partly attributable to the exemption of the visa on arrival fee and the launch of new direct flight routes between Thailand-China and Thailand-India. In addition, the number of Japanese and South Korean tourists continued to expand solidly. After seasonal adjustment, the number of foreign tourists declined from the previous month, mainly from Malaysian tourists.

The value of **merchandise exports** contracted by 4.7 percent, and excluding gold, the value shrank by 3.9 percent. The contraction can be attributed to (1) 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. Consequently, the export of rubber and rubber products, as well as hard disk drives (HDD) declined since importers lowered their inventories; (2) downturn in electronic cycle which led to decreased exports of various electronic products; and (3) the fall of global crude oil prices contributed to the decline in exports of petroleum-related products such as petroleum products, petrochemical products, and chemical products.

The manufacturing production remained unchanged from the same period last year. The production for serving domestic market such as the production of automotive, electrical appliances, and petroleum products expanded in line with the expansion in domestic demand. However, the production for exports such as the production of hard disk drives, rubber and plastics contracted mainly from the slowdown in export orders.

The value of **merchandise imports** expanded at 4.2 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 4.5 percent. The expansion was attributable to the growth in imports of (1) raw and intermediate goods, from the imports of soybeans from the US, and the import of fuel particularly natural gas which expanded from the increase in prices; (2) capital goods excluding aircrafts, ships, floating structures, and locomotive, from the import of machinery and equipment sectors, consistent with the expansion in private investment; and (3) consumer goods, from both non-durable and durable goods, in line with the solid growth of private consumption.

On the stability front, headline inflation decelerated to 0.27 percent from 0.36 percent last month, due mainly to the continual decline in retail petroleum prices, in line with the fall in global crude oil prices, albeit the increase in fresh food prices, particularly meat. The core inflation remained unchanged. The seasonally-adjusted unemployment rate slightly decreased from last month. The current account posted a smaller surplus as contributed mainly from lower trade balance. The overall capital and financial accounts registered a surplus from both the assets and liabilities position.

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