



BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for January 2021

In January 2021, the Thai economy was more obviously affected by the new wave of the COVID-19 outbreak, contributing the economic recovery to be more uneven. However, the overall impact was less severe than the first outbreak. Private consumption indicators dropped from all spending categories due to the deterioration in consumer confidence and household purchasing power, and containment measures strictly implemented in some areas and activities. The tourism sector persistently experienced a severe contraction due to travel restrictions on foreign tourist arrivals. Nevertheless, merchandise exports value, excluding gold, expanded at a faster pace in line with trading partners' demand. Public spending continued to expand, but at a slower pace from capital expenditures. Private investment indicators expanded at a softer pace, following the weakening of business sentiment.

On the economic stability front, headline inflation was more negative due to a decline in fresh food prices, while core inflation increased slightly. Labor market was weakened by the new wave of the outbreak. The current account registered a small deficit close to the previous month.

Details of the economic conditions are as follows:

Private consumption indicators turned to contract compared with the same period last year, from a decline in all spending categories as result of the new wave of outbreak. Factors supporting household purchasing power, including employment, income, and confidence were affected. Economic activities shrank, especially in the areas where containment measures strictly implemented. However, the impact of the recent outbreak on private consumption was limited compared to the first outbreak. **Manufacturing production** contracted at a rate close to the previous month. The contraction was mainly due to the production of petroleum, food and beverages, and automotive and parts.

The number of foreign tourist arrivals continued to severely contract from the same period last year as travel restrictions remained in place. Coupled with the new wave of the outbreak in Thailand, the number of foreign tourist arrivals remained small although the government had gradually relaxed some travel restriction measures in the preceding periods.

The value of merchandise exports slightly contracted by 0.3 percent from the same period last year. Excluding gold exports which contracted due to the high base effect last year, exports value expanded at 5.5 percent, improving from the previous month in line with trading partners' demand. Exports continued to expand in several categories, especially automotive and parts, electrical appliances, and agro-manufacturing products which accelerated. Moreover, exports of electronics products benefited from the recovery in the global electronics cycle. Overall, the impact of the new wave of the outbreak to the Thai economy was less severe than the first outbreak last year thanks to the continued recovery in merchandise exports.

The value of **merchandise imports** turned to contract at 6.9 percent from the same period last year. Excluding the expansion of gold imports, the value of merchandise imports contracted by 11.1 percent, from the high contraction in almost all major categories mainly due to the high base effect last year. However, the seasonally adjusted imports value increased in almost all categories as compared with the previous month.

Public spending, excluding transfers, continued to expand from the same period last year. Current expenditures turned to expand from purchases of goods and services. Capital expenditures expand at a slower rate, mainly due to the disbursement of the central government. Meanwhile, the state enterprises' capital expenditures rebounded.

Private investment indicators expanded at a slower pace from the same period last year, as investment in machinery and equipment deteriorated in all components. The weakening was consistent with business sentiment affected by the new wave of the outbreak. However, investment in constructions contracted at a softer pace from the rebound of construction material sales partly due to the low base effect last year.

On the stability front, headline inflation was more negative due to a decline in fresh food prices. Core inflation increased slightly. Labor market was weakened by the new wave of the outbreak, as partially reflected by an increase in the number of new jobless claims in social security system. The current account registered a small deficit close to the previous month. This was due to a smaller surplus in trade balance from an increase in gold imports offset by a smaller deficit in net services, income and transfers.

Bank of Thailand
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