



BANK OF THAILAND

BOT Press Release

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No.37/2014

Press Release on the Economic and Monetary Conditions for July of 2014

**Overall economic activities in July 2014** were roughly unchanged from the previous month. Domestic demand expanded as private consumption and investment benefited from steadily increasing confidence and support to households' purchasing power from non-farm income. Government spending increased and played a greater role in driving the economy. Meanwhile, the tourism sector continued to pick up after improving political situation alleviated concerns of foreign tourists. However, merchandise exports recovered at a slow pace, slipping back into slight negative growth, while manufacturing production was flat as manufacturers continued running down inventories.

On the stability front, unemployment remained low. Inflation declined on the back of falling fresh food and energy prices. Meanwhile, external stability remained sound. The current account recorded a deficit owing mainly to repatriation of profits and dividends by foreign companies. The capital account posted a surplus as foreign investors returned to invest in government debt securities after gaining more confidence in the Thai economy. Overall, the balance of payments registered a surplus.

Details of economic conditions are as follows.

Overall economic activities were mostly unchanged from the previous month as improving domestic spending was offset by slow merchandise exports recovery. Higher households' and businesses' confidence on the economic and political situation together with supportive households' purchasing power helped **private consumption** to edge up from the previous month. Consumer outlays on certain nondurable items such as fuel, food and beverages, and household goods grew while expenditures on durable items remained flat. Overall, private consumption started to expand comparing to the level a year ago. **Private investment** slightly improved from last month, particularly construction in non-municipal areas, on account of rising in overall private confidence. In addition, some businesses started to invest after receiving approvals of investment projects and factory permits (Ror Ngor 4) which had been held up in the preceding period. Nevertheless, private investment remained in contraction compared with the same period last year.

**Merchandise exports value**, totaling 18,700 million U.S. dollars, contracted on both month-on-month and year-on-year basis, led by exports of chemical products, petroleum, rubber, and electronics due to the following factors. First, demand from Asian economies continued to soften. Second, rubber prices dropped markedly. Third, a couple of refineries were closed for temporary maintenance. Lastly, Thai producers continued to suffer from limited production capability in response to the increasing global demand toward high-technology items.

Given high inventory levels, **manufacturing sector** ran down stocks and maintained its production levels. Imports of raw materials and intermediate goods, as a result, remained low. In addition, a temporary maintenance shutdown of refineries and a drop in food and beverages production after an accelerated production in the previous period contributed to flat manufacturing production from the previous month. **Merchandise imports value**, which stood at 17,249 million U.S. dollars, rose from last month mainly because of an increase in imports of capital goods. Nonetheless, overall merchandise imports remained low.

The **tourism** sector continued to pick up from the end of last month after the uncertainty with regards to political situation declined significantly. Tourist arrivals from Asia, as a result, edged up relative to the previous month. Nevertheless, several countries still maintained their travel warning levels. The number of foreign tourist, hence, remained below its normal trend and dropped 10.9 percent compared to the level a year ago.

**Farm income** was flat compared to the previous month. But compared with its year-earlier level, farm income contracted due to a decline in farm prices, particularly those of rice and rubber following their elevated inventory levels and weakened demand from China. However, farm prices were not likely to drop further as a result of a slowdown in the recent offloading of government stockpiles and lower supply of rice as well as rising global demand for oil palm. Overall farm output expanded from its level last year, especially rubber and oil palm production on account of expansion of planting area in preceding years. Nevertheless, compared with its level a month ago, farm output was mostly flat.

**Fiscal spending** increased from the same period last year as a result of disbursement to specialised financial institutions to assist natural disaster victims and disbursement of educational expenses. Nevertheless, disbursement of capital expenditure was delayed. Government cash receipts declined slightly from its level a year earlier following reduced collection of excise tax and import duty consistent with the decline in automobile sales and foreign trade. With expenditures outpacing revenues, the government's cash balance registered a deficit of 36 billion baht.

On the **stability** front, unemployment remained low. Inflation declined on the back of falling fresh food and energy prices. In addition, cost pass-through of liquefied petroleum gas (LPG) to prepared food prices subsided given that businesses had gradually adjusted their prices in the prior periods. Meanwhile, external stability remained sound. The trade balance continued to register a surplus. The current account, however, recorded a deficit due mainly to seasonal repatriation of profits and dividends by foreign companies. The capital account posted a surplus as foreign investors returned to invest in government debt securities after gaining more optimism in the Thai economy. Overall, the balance of payments registered a surplus.

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29 August 2014

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