



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for July 2018

In July 2018, the Thai economy continued to expand. Merchandise exports expanded, albeit at a slower pace, consistent with the growth momentum in external demand. Private consumption expanded solidly in all categories. The continued expansion in both external and domestic demand contributed to the growth of manufacturing production. Private investment and public spending expanded moderately. Meanwhile, the tourism sector expanded at a slower pace partly due to the recent tour boat incident in Phuket.

On the stability front, headline inflation accelerated due mainly to increased retail petroleum prices. Meanwhile, core inflation declined marginally from the previous month. The seasonally-adjusted unemployment rate decreased slightly from last month. The current account posted a smaller surplus as contributed from trade balance, while the overall capital and financial accounts registered a deficit.

Details of the economic conditions are as follows:

The value of **merchandise exports** expanded at a slower pace with a growth of 8.3 percent from the same period last year. Excluding gold, the value of merchandise export grew by 8.2 percent, and expanded in most product group especially industrial products. The overall expansion was on the back of: (1) continued increase in crude oil prices which contributed to the increase in exports of petroleum-related products in terms of both price and quantity, particularly petroleum products, chemical, and polyethylene resin; (2) exports of automotive and parts, particularly automotive parts such as tires and gearboxes, and passenger and commercial cars; (3) exports of agro-manufacturing products, particularly sugar and rubber products; and (4) exports of electronic products, especially hard disk drives (HDD) in which their production capacity has recently been expanded, and electronic parts, particularly electrical control devices and Integrated Circuit (IC). However, export of agricultural products contracted in terms of quantity, due partly to supply shortage of cassava.

Private consumption indicators expanded from the same period last year in all spending categories. In addition, fundamental factors supporting the overall household purchasing power remained favorable from both farm and non-farm income, coupled with the continued improvement in consumer confidence. The continued expansion in merchandise exports and private consumption contributed to the growth of **manufacturing production**, particularly the production of automotive, electronics, and petroleum and chemical products.

Private investment indicators grew at a slow pace from the same period last year. Investment in machinery and equipment expanded from domestic machinery sales and number of newly registered motor vehicles for investment, which continued to increase in most categories. Moreover, investment in construction expanded from the same period last year mainly from the growth in construction material sales. After seasonal adjustment, private investment indicators decreased from last month.

Public spending, excluding transfers, expanded in both capital and current spending. The expansion in current spending was on the back of increased disbursement of civil servants' compensation and expenditures on goods and services. In addition, capital spending expanded from disbursement for construction of the Royal Irrigation Department, and military hardware procurement.

The number of foreign tourist arrivals registered a moderated growth of 2.8 percent compared to the same period last year. This was mainly from the decline in the number of Chinese tourists due to the recent Phuket tour boat incident. Moreover, the number of Russian tourists declined, partly due to postponement of travel during the 2018 FIFA World Cup period and depreciation of the Russian ruble. However, the number of Hong Kong, Taiwanese, and Malaysian tourists continued to expand. After seasonal adjustment, the number of foreign tourists decreased by 8.0 percent from the previous month, mainly from the decline in the number of Chinese tourists.

The value of **merchandise imports** continued to grow by 12.4 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 15.3 percent. The expansion was from the imports of: (1) raw and intermediate goods, from the imports of fuel, electronic parts, and metals; (2) consumer goods expanded in both durable and non-durable goods, in line with the growth in private consumption; (3) capital goods excluding aircrafts, ships, floating structures, and locomotives expanded mainly from the imports of electric generators, plastic molding machines, and machinery used in construction, consistent with the growth in private investment; and (4) automotive and automotive parts, in line with the continued improvement in automotive production, exports and domestic sales.

On the stability front, headline inflation accelerated to 1.46 percent from 1.38 percent in the previous month, due mainly to an increase in retail petroleum prices. Meanwhile, core inflation declined marginally from the previous month. The seasonally-adjusted unemployment rate decreased slightly from last month. The current account posted a smaller surplus as contributed mainly from smaller trade balance. The overall capital and financial accounts registered a deficit from both the assets and liabilities positions. On the financial assets side, outflow was mainly from direct investment abroad by Thai corporates, and trade credits provided by Thai exporters. On the liabilities side, outflow was from the net sell in securities by foreign investors, and the repayment of trade credits of Thai importers.

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