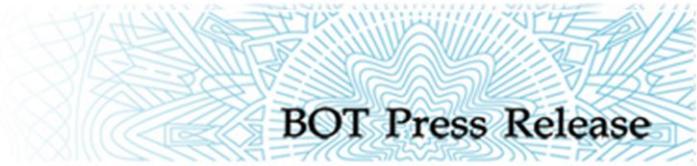




BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for July 2020

In July 2020, the Thai economy continued to improve driven by public spending and the relaxation of lockdown measures both in Thailand and abroad. Private consumption indicators, merchandise exports value, and manufacturing production exhibited lighter contractions. However, investment conditions remained vulnerable reflected by private investment indicators contracting deeper. Meanwhile, the tourism sector persistently experienced severe contraction due to travel restrictions on foreign tourist arrivals.

On the economic stability front, headline inflation recorded a softer negative, mainly from higher core inflation after some of the government's relief measures expired. Labor market somewhat improved consistent with the economic activities. Nonetheless, overall employment condition remained weak. The current account turned surplus mainly contributed by gold exports. Meanwhile, the capital and financial accounts were nearly balanced.

Details of the economic conditions are as follows:

Private consumption indicators marked softer contractions as compared to the previous month. Improvement in almost all spending categories were seen as lockdown measures were eased coupled with a temporary factor of extended weekends relatively more than last year partly due to the announcement of a substitute holiday for Songkran festival that was postponed from April. In addition, recovery in labor market, household income and consumer confidence motivated consumers to travel and spend more.

The value of merchandise exports contracted by 11.9 percent from the same period last year. Excluding gold, the value of merchandise exports contracted by 14.3 percent. Both numbers showed a lesser contraction relative to the previous month as exports in several categories improved such as automotive and parts, machinery and equipment and electronics, in line with the resumption of economic activities in trading partner countries after lockdown measures were eased in various parts of the world. **Manufacturing production** contracted at a lower rate in almost all categories, aligning with the uptick in merchandise exports and private consumption.

Private investment indicators contracted at a higher rate as compared to the previous month from investment in machinery and equipment; weighed down by imports of capital goods, the number of newly registered motor vehicles, as well as domestic machinery and equipment sales. The weakening was a result of domestic and external demand still in the early stage of recovery, significant excess production capacity, and high economic uncertainty. However, investment in construction expanded slightly due to construction material sales, reversing the contraction last month.

The value of merchandise imports contracted by 25.4 percent from the same period last year, sharper contractions in all categories of products as compared to the previous month. This was partly due to a discontinuity of low base effect last year for crude oil and capital imports. Though firmed up recently, subdued domestic and external demand still undermined imports.

The number of foreign tourist arrivals continued to contract severely at 100 percent from the same period last year. Thailand received no foreign tourist arrivals for the fourth consecutive months as international travel restrictions remained in place.

Public spending, excluding transfers, continued to expand from the same period last year, attributed by marked expansion in capital expenditures both from the central government and state enterprises. However, current expenditures contracted slightly due to purchases on goods and services.

Overall economic stability headline inflation recorded a softer negative, mainly from higher core inflation after some of the government's relief measures expired. Labor market somewhat improved, reflected by a decline in the number of workers registered for the temporary suspension of business (section 75), consistent with the recovery in economic activities. Nonetheless, overall employment condition remained weak. The current account turned surplus attributed to a larger surplus in trade balance led by gold exports value. Meanwhile, the capital and financial accounts were close to being balanced.

Bank of Thailand

31 August 2020

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