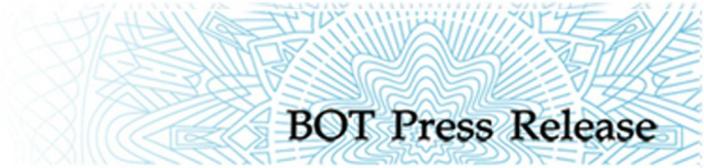




BANK OF THAILAND



Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

No. 40/2019

Press Release on the Economic and Monetary Conditions for June and the second quarter of 2019

In June 2019, the Thai economy moderated from the previous month from both domestic and external demand. Private consumption indicators expanded at a slower pace in almost all spending categories, while private investment indicators contracted. Public spending contracted in both current and capital expenditures. The value of merchandise exports continued to contract, consistent with the decrease in merchandise imports and manufacturing production. The tourism sector rebounded from the increase in the number of Indian tourists, while the number of Chinese tourists continued to contract.

On the stability front, headline inflation decelerated due to the fall in retail petroleum prices and the decline in core inflation. The seasonally adjusted unemployment rate remained unchanged from the previous month. The current account turned into a surplus due to an improvement in trade balance, primarily from the solid reduction of import value. The overall capital and financial accounts posted a deficit on the asset side.

Details of the economic conditions are as follows:

Private consumption indicators expanded at a moderate pace from the same period last year in almost all spending categories, particularly from the contraction of expenditure on durable goods due to the decline in domestic vehicle sales and the number of newly registered motorcycles. The fundamental factors supporting overall purchasing power posted a softer direction mainly from a softer increase in non-farm income, while farm income favorably expanded. However, the improvement in farm income was mainly contributed by the increase in agricultural prices of rubber and pineapple, while prices of other main crops continued to reduce. This reflects the disparity of the benefit gained from the increasing farm income, consistent with the Consumer Confidence Index that continued to decrease.

Private investment indicators contracted from the same period last year. Investment in construction contracted from the continual decline in permitted construction area, except for manufacturing purposes, while construction material sales expanded. Investment in machinery and equipment contracted in all categories. After seasonal adjustment, private investment indicators slightly decreased from the previous month from both investment in construction and investment in machinery and equipment.

Public spending, excluding transfers, contracted from the same period last year from both current and capital expenditures. Current spending contracted mainly from the use of goods and services, while compensation of civil servants slightly expanded. Capital spending contracted from the decrease in the budget framework allocated to the provincial clusters, and the contraction of the disbursement due to the constraint on investment efficiency after the reassessment and realignment of the investment projects to the master plan under the 20 year National Strategic Framework.

The value of **merchandise exports** contracted by 2.1 percent from the same period last year, and excluding gold, the value of merchandise exports declined by 9.1 percent. The continual contraction can be attributed to weaker global demand as a result of slower economic growth in a number of major trading economies, the protectionist trade policies between the US and China, the continued downturn in electronic cycle and the fall in global crude oil prices. The contraction was mainly due to the decrease in exports of 1) petroleum-related products from both prices and export volume; 2) electronic products, especially hard disk drive and integrated circuit; 3) agricultural products, especially rice; and 4) agro-manufacturing products, especially rubber-related products and sugar. However, exports in some categories continued to expand such as automotive and parts, particularly commercial vehicles and car tires.

The value of **merchandise imports** contracted by 9.6 percent from the same period last year, and excluding gold, the value of merchandise imports declined by 10.5 percent. The contraction was attributable to the decline in 1) imports of raw and intermediate goods, particularly crude oil from both prices and import volume, partly due to the shutdown of oil refineries for maintenance, and imports of electronic parts, in line with the continued contraction in exports of such products; 2) imports of capital goods excluding aircrafts, ships, floating structures, and locomotive, particularly the import of telecommunication equipment, and machinery used in manufacturing, consistent with the slowdown in private investment; 3) imports of consumer goods especially non-durable goods following a drop in tuna price from the same period last year; and 4) automotive and parts following mainly imports of automotive parts, consistent with the contraction of automotive production and domestic car sales. However, import value solidly reduced from the last month, contributing in increasing trade surplus.

The number of foreign tourist arrivals rebounded by 0.9 percent from the same period last year, mainly from the continual expansion in the number of Indian tourists, which partly benefited from the exemption of the visa on arrival fee. However, the number of Chinese tourists continued to contract as a result of the slowdown in Chinese economy and stronger competition from neighboring countries. Moreover, the number of Malaysian tourists reduced from the high base effect last year which was the result of the acceleration after the Malaysian 2018 general election. After seasonal adjustment, the number of foreign tourists increased from the previous month, mainly from Chinese tourists after the alleviation of the air pollution in the North of Thailand.

On the stability front, headline inflation decelerated to 0.87 percent from 1.15 percent last month, due mainly to the decelerated core inflation, coupled with the fall in domestic retail petroleum prices. However, fresh food prices accelerated from fruit and swine prices. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account turned into a surplus due mainly to an increasing in trade surplus, while services, income, and transfers balance registered a deficit, as a result of the remittance of profits and dividends by foreign businesses. The overall capital and financial accounts registered a deficit from the assets positions.

Overall economic activity in the second quarter of 2019 continued to moderately expand from the same period last year. Merchandise exports continued to contract, consistent with the decline in manufacturing production, while tourism sector also expanded at a slower rate mainly from the smaller number of Chinese tourists. However, overall domestic demand continued to expand, albeit at a softer

pace. Private consumption softened from almost all spending categories, except non-durable goods. Private investment contracted from both investment in machinery and equipment and investment in construction. Public spending declined in current expenditures, while capital expenditures continued to expand. On the stability front, headline inflation accelerated mainly from the increase in fresh food prices especially vegetables which were affected by high temperature. The seasonally-adjusted unemployment rate remained unchanged from the previous quarter. The current account continued to post a smaller surplus, attributed to a lower surplus in trade balance, and the deficit in services, income, and transfers balance, as a result of the seasonal remittance of profits and dividends by foreign businesses. The capital and financial accounts registered a deficit from the assets side.

Bank of Thailand

31 July 2019

For further information, please contact: Macroeconomic Team 1-2

Tel: +66 (0) 2283 5639, +66 (0) 2283 5647

E-mail: EPD-MacroEconomicsTeam1-2@bot.or.th