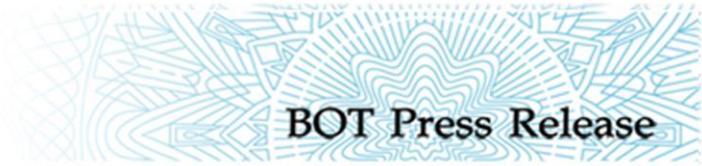




BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for June and the second quarter of 2021

In June 2021, the Thai economy continued to be affected by the third wave of the COVID-19 outbreak. Private consumption remained weak despite a slight improvement following the relaxation of containment measures. The tourism sector has not recovered as international travel restrictions remained. Merchandise exports, however, continued to perform well in line with trading partners' demand which subsequently supported manufacturing production and private investment. Meanwhile, public spending continued to play a role in supporting the economy with expansions in both the current and the capital expenditures from the same period last year.

On the economic stability front, headline inflation declined as the low base effect from energy prices gradually abated while core inflation was stable. Labor market remained vulnerable. The current account posted a smaller deficit compared to the previous month due to a lower deficit in the net services, income and transfers while trade balance improved in line with exports' performance.

Details of the economic conditions are as follows:

Private consumption indicators, after seasonal adjustment, increased slightly from the previous month as the government gradually relaxed containment measures since the mid of May 2021. Nevertheless, overall private consumption indicators remained weak as household income and consumer confidence were affected by the COVID-19 outbreak.

The value of merchandise exports, after seasonal adjustment, continued to increase from the previous month. The recovery of trading partners' demand and the upward trend of the global electronics cycle supported exports' performance in several categories particularly agro-manufacturing, electrical appliances, and electronics exports. In addition, exports of steel accelerated as firms shifted to export market during weak domestic demand.

Private investment indicators, after seasonal adjustment, maintained its level close to the previous month. Investment in the machinery and equipment increased slightly in line with merchandise exports while investment in the construction continued to decline due to weak domestic demand as well as the containment measures in construction sites.

Manufacturing production declined slightly from the previous month as production in automotive, petroleum, and construction materials dropped in line with the weak domestic demand. Moreover, the global shortages of shipping container and semiconductor continued to affect production, especially in the food processing, electrical appliances, and automotive sectors.

The value of merchandise imports, after seasonal adjustment, decreased from the previous month, particularly in fuel and consumer product categories, which was in line with the weak domestic demand. Nevertheless, imports of raw materials and intermediate goods continued to increase on the back of exports' recovery.

Public spending, excluding transfers, expanded compared to the same period last year from both current and capital expenditures, reflecting the role in supporting the economy. Current expenditure expanded mainly from compensation of employees while capital expenditure grew mainly as a result of the disbursement from the transportation projects.

The number of foreign tourist arrivals stayed low as international travel restrictions remained.

On the stability front, headline inflation declined as the low base effect from energy prices gradually abated while core inflation was stable. Labor market remained vulnerable. The current account posted a smaller deficit compared to the previous month due to a lower deficit in the net services, income and transfers while trade balance improved in line with exports' performance. On exchange rates, the baht depreciated slightly relative to most trading partner currencies, partly due to the prolonged COVID-19 outbreak in Thailand.

The Thai economy in the second quarter of 2021 was affected by the third wave of the COVID-19 outbreak. Private consumption indicators declined from the previous quarter despite government measures which partially support household purchasing power. Meanwhile, the tourism sector remained weak. Merchandise exports, however, continued to improve which subsequently supported manufacturing production and private investment. Public spending, excluding transfers, expanded from the same period last year, reflecting the role of the government in supporting the economy. On the stability front, headline inflation rate turned positive mainly from inflation in energy category. This was due to both the increase in domestic retail oil prices in line with the global oil prices and the low base of energy prices last year. Labor market became more fragile. The current account registered a higher deficit than the previous quarter as the net services, income and transfers exhibited a larger deficit.

Bank of Thailand
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