



BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for June and the second quarter of 2022

The Thai economy in June 2022 improved from the previous month. Service sector continued to perform well in line with increasing foreign tourist figures thanks to the relaxation of COVID-19 containment measures and international travel restrictions. Private investment indicators also increased in line with the recovery of manufacturing production. Public spending expanded mainly due to higher current expenditures. Nevertheless, private consumption indicators and value of merchandise exports slightly declined after accelerating in the preceding periods.

On the economic stability front, headline inflation increased due to rising energy prices and higher core inflation. Labor market gradually improved as the economy recovered. The current account registered a lower deficit owing to smaller deficit in the net service, income, and transfers balance.

Details of the economic conditions are as follows:

Private consumption indicators, after seasonal adjustment, remained at a similar level from the previous month. Consumption increased in almost all categories except for durable goods as deliveries of passenger cars were delayed due to shortages of production materials. Meanwhile, consumer confidence index picked up thanks to improving situation of the COVID-19 outbreak as well as less travel restrictions for foreign tourists.

Private investment indicators, after seasonal adjustment, continued to improve from the previous month in both categories: machinery and equipment, as well as construction. This was in line with the recovery of manufacturing sectors and the overall economy.

The number of foreign tourist arrivals, after seasonal adjustment, continued to increase from the previous month in almost all nationalities. This was a result of government's abolishment of the Test & Go entry scheme since May 1st 2022 in conjunction with less cross-border restrictions, while several other countries continued to relax their travel restrictions.

The value of merchandise exports, excluding gold and after seasonal adjustment, slightly declined from the previous month, particularly export of electrical appliances, which had accelerated in the preceding months. Exports of automotive and parts also slowed down due to shortages of production materials for passenger cars. Nevertheless, export of several other categories improved in line with trading partners' demands, including, agricultural products, metal, and petroleum related products.

Manufacturing production, after seasonal adjustment, picked up in several sectors such as automotives, food and beverages, and petroleum. This was due mainly to increases in commercial car production, ease of the COVID-19 containment measure which allowed alcoholic beverage consumption in the restaurants, and less travel restrictions to attract more foreign tourists. Nevertheless, production in integrated circuit and semiconductor diminished in line with the slowdown of integrated circuit export.

The value of merchandise imports, excluding gold and after seasonal adjustment, increased from the previous month in almost all categories, especially in raw materials and intermediate goods, which was due to high imports of fuel as well as other raw materials in line with improving manufacturing production.

Public spending, excluding transfer payment, expanded compared to the same period last year mainly from central budget spending on reimbursed expenses pertaining to the COVID-19 outbreak management. Expenditure of state-owned enterprises also expanded from disbursement in energy infrastructure projects. Meanwhile, capital expenditures contracted due to deaccelerated outlay of a transportation agency.

On the stability front, headline inflation accelerated from the previous month as energy prices increased on the back of rising domestic retail oil prices which was in line with the development of the global crude oil prices. Core inflation increased due mainly to higher prepared food prices as well as seasoning and condiment prices. Labor market improved gradually in line with the economic development. The current account registered a lower deficit as the net service, income, and transfers balance displayed a smaller deficit. On exchange rates, the baht against the US dollar continued to depreciate along with other regional currencies due to US dollar appreciation as the US Federal Reserve tightened their monetary policy.

The Thai economy in the second quarter of 2022 continued to improve from the previous quarter. Private consumption indicators increased mainly from spending on services category. Trade and service sectors recovered thanks to improving foreign tourist figures after the relaxation of the COVID-19 containment measures and international travel restrictions. Private investment indicators also improved in accordance with development of the economy. The value of merchandise exports increased in line with the improvement in trading partners' demands. Public spending expanded compared to the same period last year largely from current expenditures and transfer payment. Manufacturing production, however, declined and was affected by production material shortages. On the stability front, headline inflation increased considerably from rising energy and fresh food prices as well as core inflation, which increased from the prepared food prices. Labor market gradually improved as the economy recovered. The current account recorded a higher deficit due to a lower trade balance surplus as well as a higher deficit in the net service, income, and transfers balance. The latter was due to higher remittance of profits and dividends by foreign businesses.

Bank of Thailand

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