



No. 42/2016

Press Release on the Economic and Monetary Conditions for June and the Second Quarter of 2016

In June 2016, the Thai economy slightly moderated from the previous month. Public spending continued to be disbursed well. The tourism sector maintained its robust growth even though the number of seasonally adjusted foreign arrivals decreased somewhat from last month due to a temporary factor. Private consumption slightly weakened after car sales had accelerated thanks to promotional offers and the launch of new car models in the previous month. The slowdown reflected a moderate on-going recovery in purchasing power of both farm and non-farm households. The value of merchandise exports excluding gold remained subdued due to slowly recovering demand of trading partners and persisting structural problems. As a result, manufacturing production and private investment lingered at low level.

On the stability front, headline inflation slightly slowed down due to decreasing prices of raw food after drought conditions had alleviated. The unemployment rate stabilized from last month. The current account posted a surplus as imports remained subdued.

Details of the economic conditions are as follows.

Tourism sector continued to expand. The number of foreign arrivals grew 7.2 percent from the same period last year. The seasonally adjusted number of foreign arrivals however decreased from last month due to a temporary factor of Ramadan observed by tourists from Malaysia, Indonesia and the Middle East. Nonetheless, Chinese tourists increased from last month after having dropped for 2 consecutive months. The robust growth in tourism remained a supporting factor for the related service sector.

Private consumption slightly decreased from last month when spending in durable goods such as vehicles had accelerated during promotional campaigns and the launch of new car models. Meanwhile, spending of consumer goods remained stable. This was consistent with a moderate on-going recovery in purchasing power of both farm and non-farm households. While farm income has gradually improved, agricultural production of certain plants such as perennials remained affected by drought conditions. Nonetheless, non-farm income gradually expanded and partly supported overall consumption growth.

The value of **merchandise exports** registered a 1.9 percent growth from the same period last year due to an increase in gold exports as the global gold price hiked after the Brexit referendum showed support for the United Kingdom to leave the EU. Exports excluding gold, however, fell by 1.6 percent. The smaller contraction in this month was a result of the low level of exported automobile and rubber products last year. On the one hand, a wide range of exported goods still suffered from slowly recovering economies of trading partners, persistent structural problems and contracting export prices of petroleum-related products. On the other hand, exports of air-conditioners and solar cell panels expanded. Moreover, exports of integrated circuits (IC) and parts picked up after contracting in earlier periods as they benefited from the acceleration of trading partners' demand for imported raw materials for new smart-phone models to be launched in September. In fact, this trend was

consistent with exports of some countries in North Asia. As a result, the slowdown in exports excluding gold and private consumption dragged manufacturing production in this month.

The value of **merchandise imports** contracted by 9.3 percent from the same period last year. Imports excluding gold contracted across the board, and in total decreased by 9.7 percent. Imported intermediate goods and raw materials contracted as an oil refinery had been temporarily closed for maintenance. Imported capital goods and machineries continued to decrease, consistent with low **private investment**.

Public spending showed a steady growth and proved to be a key driver of the Thai economy. Current expenditure expanded well due to spending in village capability enhancement projects (the Pracharat Project) which began disbursement in this month, coupled with higher civil servants' salaries. Capital expenditure posted a high growth for the second consecutive month, especially for public investment in transport infrastructure and irrigation, after some decline in earlier periods.

On the **stability** front, headline inflation rate slightly slowed down due to decreasing prices of raw food after drought conditions had alleviated. The unemployment rate stabilized from last month. The current account registered a surplus of 3 billion US dollars as imports remained subdued. Meanwhile, the financial account posted a deficit due to Thai direct investment abroad, while capital inflows into the portfolio investment in both equity and debt markets were largely in line with investment trends in the region.

The Thai economy in the second quarter of 2016 expanded at a gradual pace. Public spending and tourism continually thrived despite at a slower pace than the previous quarter. Private consumption improved as farm income registered a positive growth after the drought conditions had alleviated and confidence picked up. However, the value of exports excluding gold remained contracted due to a slow recovery in trading partners' economies, persisting structural problems, and contracting export prices, notwithstanding some recent improvement in global crude oil prices. This resulted in low levels of manufacturing production and private investment. On the stability front, headline inflation turned positive thanks to higher prices of raw food during the drought. The unemployment rate marginally increased as employment in agriculture decreased. The current account posted a surplus due to consistently high tourism receipts and low level of imports.

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29 July 2016

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