



BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for March and the First Quarter of 2016

In March 2016, the Thai economy stabilized from the previous month. The tourism sector and public spending maintained their roles as major drivers of economic growth. Private consumption remained stable. Household spending on durable goods improved slightly. Nonetheless, the household sector's purchasing power was dragged by a decrease in the manufacturing sector's total working hours and a decline in farm income due to the drought, of which the consequence became more evident. The overall manufacturing production has recovered somewhat, particularly in the automobile sector while private investment improved slightly but remained concentrated in certain sectors. The value of merchandise exports excluding gold contracted continually following the continued slowdown in major trading partners' economies and the contraction in export prices in line with global oil prices.

**On the stability front**, headline inflation remained negative due to the decline in oil prices. The unemployment rate remained at low level, but employment in some sectors decreased marginally. The current account remained in surplus consequent of high tourism receipts and low level of imports.

Details of the economic conditions are as follows.

**Tourism sector** continued to expand well and the recovery was more broad-based. The number of foreign tourists increased by 15.4 percent from the previous year from continued robust growth in Chinese tourists and a pickup in ASEAN and European tourists.

Well-disbursed **public spending** continued to play an important role in supporting economic growth. Current spending has expanded well owing to spending on goods and services in the operation of Subdistrict Investment Project. Meanwhile, the capital expenditure slightly weakened after the expedited disbursement in the previous periods. Revenue collection increased by 13.4 percent in line with revenue from the 4G auction and the state-owned enterprises.

**Private consumption** indicators were relatively stable from the previous month. Spending on durable goods increased slightly due to a modest increase in Pick-Up Passenger Vehicles (PPVs) and large motorcycles, but overall spending remained at low level. Meanwhile, spending on non-durable goods slowed down as households became more cautious, particularly in the case of farm households whose purchasing power was adversely affected by the drought.

The value of **merchandise exports** contracted slightly at 1.0 percent from the previous year. However, after subtracting gold exports, the value of merchandise exports would decline by 3.4 percent due to contraction of exports in several categories, for instance, petroleum, chemical and petrochemical products in line with a low level of crude oil prices, a slowdown in Chinese and ASEAN economies as well as a temporary maintenance shutdown of a refinery plant. However, the exports of machinery registered positive growth due to exports of oil drilling equipment to Brazil. At the same time, exports of processed agricultural products, particularly sugar and canned pineapples, continued to expand following a rise in demand.

The value of **merchandise imports** contracted by 9.1 percent compared to the same period last year. Imports of raw materials and intermediate goods excluding energy declined in line with sluggish merchandise exports. At the same time, the imports of energy products declined owing partly to 1) lower crude oil prices compared to the same period last year and 2) temporary maintenance shutdown of a refinery plant. However, the value of telecommunication imports picked up on the back of an increase in the imports of new models of smart phones. In addition, telecommunication investment to support an expansion of 4G system together with alternative energy investment continued to expand. The overall **private investment** has stabilized from the previous month in line with economic conditions and sufficient production capacity. This was consistent with a decline in new corporate loan while corporate debt issuance remained stable.

**Manufacturing production** improved modestly from the previous year due to an increase in the production of automobiles driven by a rise in domestic and external demand for PPVs. Moreover, the production of electrical appliances, particularly air conditioners, increased as a consequence of unusually warm weather. Nonetheless, the production of textiles and apparels as well as Hard Disk Drives (HDDs) declined owing to a deceleration of external demand.

On the **stability** front, headline inflation remained negative at -0.46 percent, a rate comparable to the previous month, because of low energy prices. The unemployment rate remained at low level, despite a slight decline in employment in certain sectors. The current account posted a surplus of 5.0 billion US dollars due to high revenue from the tourism sector and a low value of merchandise imports. The capital account registered a deficit of 2.3 billion US dollars due to 1) the withdrawal of foreign investment in a retail firm 2) an increase in trade credits extended by Thai exporters, and 3) the acceleration of Thai direct investment abroad.

**The economic momentum in the first quarter of 2016** slightly softened. Private consumption expanded at a slower pace after an acceleration in the previous quarter due to temporary factors. The value of merchandise exports excluding gold continued to contract as a result of the economic slowdown in Chinese and ASEAN countries as well as lower prices of exports of petroleum-related products, which contributed to a decline in manufacturing production. Private investment expanded marginally, with a slight expansion in telecommunication investment. Robust growth in public spending and tourism sector played an important role in supporting the economy. On the stability front, headline inflation became less negative as the high-base effect of oil prices gradually waned off. The unemployment rate declined slightly due to a rise in employment in service sector. The current account registered a surplus owing to gold exports, high tourism income and contraction in the value of merchandise imports.

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