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Press Release on the Economic and Monetary Conditions for March and the first quarter of 2018

In March 2018, the Thai economy continued to expand. Merchandise exports and tourism sectors grew solidly, consistent with the strong growth momentum in external demand. Private consumption expanded in most categories. The continued expansion in both external and domestic demand contributed to the growth of manufacturing production. However, private investment declined, partly as a result of the high base effect. Public spending contracted mainly from the decline in capital spending, while current spending slightly expanded.

On the stability front, headline inflation accelerated due mainly to the increase in retail petroleum prices. The seasonally-adjusted unemployment rate slightly decreased from last month. The current account posted a surplus as supported by growth in export value and the tourism sector. The capital and financial accounts registered a deficit from both the assets and liabilities positions.

Details of the economic conditions are as follows:

The value of **merchandise exports** continued to expand with a growth of 6.3 percent compared to the same period last year. Excluding gold, the value of merchandise export grew by 6.7 percent, and expanded in most product groups. The expansion was on the back of: (1) continued improvement in external demands for products such as chemical and petrochemical products, automotive and parts, electronic products especially air conditioners, mobile phones, and integrated circuit (IC); (2) continued increase in crude oil prices which contributed to the increase in exports of petroleum-related products, and (3) increase in exports from industries which recently expanded their production capacity contributed to the increase in exports of hard disk drives (HDD). However, export value of agricultural products contracted, due mainly to the decline in rubber prices and production, as a result of the high base effect from last year's flood in the Southern provinces, coupled with the measures from the International Tripartite Rubber Council (ITRC) restricting export quota.

The number of **foreign tourist arrivals** registered a 16.3 percent annual growth and continued to expand for almost all nationalities, especially Chinese tourists, consistent with the opening of new airline routes from China's secondary cities to Thailand. In addition, the number of European tourists expanded thanks to the Easter holidays, which this year is at end-March. After seasonal adjustment, the number of foreign tourists increased by 1.0 percent from the previous month, in almost all nationalities except Chinese tourists, which decreased after having accelerated last month.

Private consumption indicators expanded from the same period last year in almost all categories, except semi-durable goods which slightly contracted after having accelerated growth in earlier periods. However, fundamental factors supporting the overall household purchasing power remained soft, particularly in the low-income group, as farm income continued to contract from the same period last year, while the increased in non-farm income remains relatively weak. Nevertheless, the expansion in merchandise exports and private consumption contributed to the growth of **manufacturing production**, particularly the production of automotive, petroleum products, and chemical products.

Private investment indicators contracted from the same period last year due to the decline in investment in machinery and equipment, partly from the high base effect of last year's domestic machinery sales and import of capital goods, particularly aircrafts, ships, floating structures, and

locomotive for investment purpose. However, commercial cars registered for investment purpose continued to expand. After seasonal adjustment, private investment indicator decreased from last month mainly from investment in machinery and equipment.

The value of **merchandise imports** continued to grow by 6.7 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 2.6 percent. The expansion was from the imports of: (1) raw and intermediate materials, as imports of fuel expanded following the increase in global crude oil prices. Excluding fuel, imports of electronic parts, metals, and plastics expanded; (2) consumer goods expanded following the increased imports in non-durable goods, particularly cosmetics, medicines, and tuna which is used in the production of canned tuna for exports; and (3) automotive products expanded specifically the import of automobiles and parts, in line with an improvement in automotive production and sales. However, imports of capital goods slightly declined.

Public spending, excluding transfers, contracted from the same period last year due to decline in capital spending as a result of lower disbursement of the Department of Highways and high base effect from strong disbursement last year. However, current spending expanded mainly from an increase in civil servants' compensation.

On the stability front, headline inflation accelerated to 0.79 percent from 0.42 percent in the previous month. This was attributed to the acceleration of retail petroleum prices, coupled with lower contraction of fresh food prices. Core inflation remained the same as the previous month at 0.63 percent. The seasonally-adjusted unemployment rate decreased slightly from last month. The current account continued to post a surplus as contributed from the growth in the value of merchandise exports and tourism receipts. The capital and financial accounts registered a deficit from both the assets and liabilities positions. On the financial assets side, outflow was from (1) Thai Direct Investment (TDI); (2) trade credit provided by Thai exporters to their respective trading partners; and (3) portfolio investment abroad from Foreign Investment Funds (FIF). On the liabilities side, outflow was from net sell in both debt and equity securities by foreign investors, and the repayment of foreign loans by commercial banks to adjust their foreign currency position.

Overall economic activity in the first quarter of 2018 continued to expand from the previous quarter, driven mainly by the solid growth momentum of merchandise exports and tourism sector. Private consumption continued to improve from spending in all categories, consistent with the expansion of manufacturing production in both domestic and export-related. Public spending expanded mainly from current spending. However, private investment slightly soften from construction activities while import of capital goods and commercial cars registered for investment purpose continued to expand. On the stability front, headline inflation increased albeit at a decelerated pace from fresh food prices, particularly, meat, vegetables, and fruits, which contracted due to improved supply of agricultural products, coupled with the decelerated growth of retail petroleum and liquefied petroleum gas (LPG) prices. Core inflation remained unchanged from the previous quarter. The seasonally-adjusted unemployment rate slightly decreased from the previous quarter. The current account continued to post a surplus following continued growth in export value and the tourism sector, while the capital and financial accounts registered a deficit from both the assets and liabilities positions.

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