



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 2019

In March 2019, the Thai economy moderated from the previous month. External demand contracted from both the value of merchandise exports and the number of foreign tourist arrivals. On the domestic front, private consumption indicators expanded at a slower pace as spending on non-durable goods contracted, while spending on other categories continued to expand. Public spending slightly contracted after having accelerated disbursement of current expenditures in earlier periods. Private investment indicators contracted from both investment in construction and in machinery and equipment.

On the stability front, headline inflation accelerated due to the increase in retail petroleum prices, in line with the rise in global crude oil prices, and increase in fresh food prices. The seasonally adjusted unemployment rate remained the same from the previous month. The current account continued to register a high surplus. The overall capital and financial accounts registered a deficit.

Details of the economic conditions are as follows:

The value of **merchandise exports** contracted by 4.2 percent, and excluding gold, the value declined to a similar rate of 4.3 percent. The contraction can be attributed to weaker global demand as a result of slower economic growth in a number of major trading economies, coupled with the protectionist trade policies between the US and China, the continued downturn in electronic cycle and high base effect from the same period last year for some products. The contraction was mainly from the decrease in exports of electronic products, petroleum-related products which contracted from both prices and export volume, and electrical appliances. However, exports in some categories continued to expand such as automotive and parts, agro-manufacturing products and synthetic rubber products. In addition, exports of agricultural products rebounded particularly from the export of fruits and rubber, which expanded for first time in 16 months due mainly to the low base effect and some improvement in Chinese demand.

The number of **foreign tourist arrivals** contracted marginally at 0.7 percent compared to the same period last year. This was mainly from the decline in the number of European tourists as a result of the shift in the Easter holidays which started at mid-April, thus led to the slowdown in travel in March. Moreover, the number of Chinese tourists contracted from the high base effect last year, which recovered after the government's regulation on illegal tour operators. However, the number of tourists from other major nationalities continued to expand, including Indian, Malaysian and Japanese tourists. After seasonal adjustment, the number of foreign tourists increased from the previous month, mainly from Chinese tourists.

Private consumption indicators expanded at a slower pace from the same period last year as spending on non-durable goods contracted from lower fuel usage due mainly to high base effect from the previous year, coupled with the increase in retail petroleum prices, in line with the rise in global crude oil prices, while other spending categories continued to expand. The fundamental factors supporting the overall purchasing power remained unchanged. Although non-farm income continued to improve, farm income contracted from both agricultural prices and production. In addition, the consumer confidence

index declined for the first time in 3 months. The slowdown in private consumption coupled with the contraction in the value of merchandise exports contributed to the decline in **manufacturing production**.

Public spending, excluding transfers, slightly contracted from current expenditures, particularly expenditure on civil servants' compensation which contracted due to the overlap in disbursement period to earlier this year. However, expenditures on goods and services continued to expand. Capital expenditures expanded mainly from higher disbursement of the Department of Highways, the Royal Irrigation Department and the Royal Thai Police.

Private investment indicators contracted from the same period last year. Investment in construction contracted from the continual decline in permitted construction area, except for permitted construction area for manufacturing purposes, and the decline of construction material sales after having accelerated in earlier periods, in line with decline in the supply of new real estate for sale. Investment in machinery and equipment contracted particularly from domestic machinery sales. However, import of capital goods rebounded in most categories.

The value of **merchandise imports** contracted at 5.8 percent from the same period last year. Excluding gold, the value of merchandise imports contracted marginally at 0.4 percent, from most major categories. The contraction was on the back of imports of raw and intermediate goods, particularly electronic parts, in line with the continued contraction in exports of such products, and consumer goods, particularly non-durable goods especially fish and other meat. However, imports of capital goods excluding aircrafts, ships, floating structures, and locomotive, expanded from most categories, particularly mobile phones and other machinery used in manufacturing. In addition, imports of automotive and parts expanded, consistent with the continued expansion of the domestic car sales.

On the stability front, headline inflation accelerated to 1.24 percent from 0.73 percent last month, due mainly to the increase in retail petroleum prices, coupled with the increase in fresh food prices. Core inflation decelerated from last month due mainly to the decrease in house rent and apparel prices. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account continued to register a high surplus. The overall capital and financial accounts registered a deficit from both the assets and liabilities positions.

Overall economic activity in the first quarter of 2019 moderated from the previous quarter. The value of merchandise exports contracted in most categories due mainly to softened external demand, which also contributed to the decline in manufacturing production. The tourism sector grew at a slower pace, partly from the high base effect last year, particularly from Chinese tourists. However, domestic demand continued to expand. Private consumption indicators expanded in all spending categories and public spending expanded from current expenditures. However, private investment indicators slightly contracted. On the stability front, headline inflation decelerated from the previous quarter, following the decelerated core inflation and contraction in retail petroleum prices. The seasonally-adjusted unemployment rate slightly decreased from last quarter. The current account continued to post a higher surplus from both trade balance and services, income, and transfers balance, while the capital and financial account registered a deficit, particularly from the assets position.

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