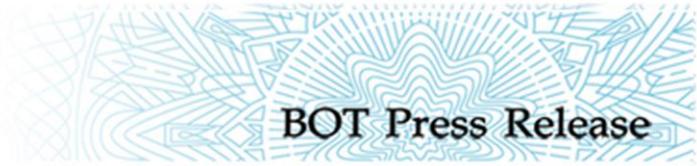




BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for March and the first quarter of 2021

In March 2021, the Thai economy gradually improved after the second wave of the COVID-19 outbreak subsided. Private consumption indicators continued to recover thanks to improvement in economic activities and stimulus measures from the government. Merchandise export value, excluding gold, expanded at a higher rate consistent with trading partners' demand and subsequently supported a continued expansion of private investment indicators. Public spending contracted as a result of the high base last year due to the expedited disbursement after the FY 2020 budget was enforced. However, contraction in the tourism sector remained high due to travel restrictions on foreign tourist arrivals.

On the economic stability front, headline inflation rate became less negative, primarily due to an increase in energy prices. Labor market remained vulnerable. The current account registered a slight deficit.

Details of the economic conditions are as follows:

Private consumption indicators turned to expand from the same period last year due to 1) improvement in economic activities after the second wave of the COVID-19 outbreak subsided and the government stimulus measures which continuously helped support the recovery of household consumption in all spending categories, and 2) the low base from the first wave of the pandemic in the same period last year.

The value of merchandise exports expanded remarkably by 15.8 percent from the same period last year. Excluding gold, export value expanded at 22.1 percent, accelerating from the previous month due to 1) the recovery of trading partners' demand which improved exports in many categories, 2) the increase in global crude oil prices, which caused the export value of petroleum-related products to rise, and 3) the low base from the first wave of the pandemic in the same period last year. Moreover, exports of electronic products continued to benefit from the upward trend of the global electronics cycle and grew though at a slower pace. Thus, **manufacturing production** improved in accordance with domestic and external demand.

Private investment indicators continued to expand compared to the same period last year from the machinery and equipment category, consistent with the recovery path of exports. Nevertheless, investment in construction continued to contract, reflecting subdued activities in the real estate and construction sector.

The value of merchandise imports expanded by 15.1 percent from the same period last year. The high expansion was observed in almost all main categories as a result of economic recovery and the low base last year.

Public spending, excluding transfers, contracted compared to the same period last year, from both current and capital expenditures. The contraction was a result of the high base last year due to the

expedited disbursement after the FY 2020 budget was enforced. However, overall public spending remained above the past 5-year average level.

The number of foreign tourist arrivals continued to contract sharply from the same period last year as travel restrictions remained, which resulted in a small number of foreign tourist arrivals.

On the stability front, headline inflation rate was less negative, mainly due to an increase in energy prices. Labor market remained vulnerable, as reflected by the ratio of initial jobless claims to total contributors in the social security system that remained high. The current account registered a slight deficit from the net services, income and transfer balance. Meanwhile, the baht against the US dollar depreciated by a larger degree than most trading partner currencies.

The Thai economic recovery in the first quarter of 2021 was disrupted by the second wave of the COVID-19 outbreak. As a result, private consumption indicators softened despite stimulus measures and income support schemes from the government to those affected by the COVID-19. Meanwhile, the tourism sector continued to contract sharply due to travel restrictions on foreign tourist arrivals. However, merchandise exports, excluding gold, turned to expand remarkably in many categories, and subsequently caused manufacturing production and private investment indicators to rise. Public spending, excluding transfers, was stable. On the stability front, headline inflation rate became more negative owing to a decline in fresh food prices and the government measures that reduced costs of living by subsidizing electricity and water bill. Labor market remained vulnerable. The current account registered a higher deficit than the previous quarter as the trade balance posted a smaller surplus due mainly to gold imports. On exchange rates, the baht against the US dollar, on average, slightly appreciated during the first quarter of 2021 from the previous quarter as the US dollar weakened. However, the Nominal Effective Exchange Rate (NEER) was stable as the appreciation in the baht was in line with the trading partner's currencies.

Bank of Thailand
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