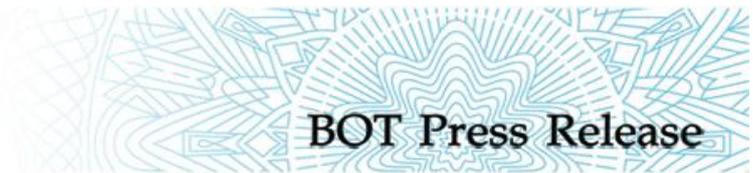




BANK OF THAILAND



Communications and Relations Office, Corporate Communications Department  
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

No. 19/2017

Press Release on the Economic and Monetary Conditions for March and the First quarter of 2017

**In March 2017, the Thai economy continued to expand.** Export of goods showed signs of broad-based improvements, consistent with the steady recovery of external demand. The tourism sector rebounded from the previous month. Private consumption gained traction, particularly for spending on durables, as supported by improved household income and greater consumer confidence. Public spending continued to drive the economy, especially in public investment. However, manufacturing production and private investment contracted from the same period last year.

**On the stability front,** headline inflation decelerated due mainly to lower prices of fresh food and energy. The seasonally-adjusted unemployment rate slightly increased from last month. The current account posted a surplus as supported by steady improvements in export value.

Details of the economic conditions are as follows.

The value of **merchandise exports** continuously expanded in most categories, with a growth of 10.8 percent compared to the same period last year. Excluding gold, the expansion was 12.1 percent thanks to growth in various products. (1) Export of electronics and optical appliances rose to meet demand for production of devices that support the Internet of Things (IoT), automotive parts and smart phones. (2) Export of petroleum-related products expanded from both price and quantity. Prices increased as crude oil prices were higher than the previous year. Export quantity of rubber, rubber products, and petroleum-related products continuously expanded thanks to higher demand from China and ASEAN. (3) Export of automotive, especially for commercial cars exported to Australia, benefited from a penetration to new markets in order to substitute for the declining Middle East market. In addition, export of big bikes to Europe and ASEAN expanded following increased production capacity by some major players in earlier periods. (4) Export of electrical appliances, especially air conditioners and solar panels, steadily grew on the back of capacity expansion and the relocation of production base to Thailand in previous periods. Despite improving export trends, **manufacturing production** contracted from the same period last year as export growth was partly a result of an inventory rundown, especially in the automotive sector.

**Tourism sector** improved with a rebound in the number of foreign tourists, registering a 2.0 percent annual growth. After seasonal adjustment, the number of foreign tourists increased by 3.3 percent from the previous month, mainly from China and Malaysia. However, tourists from Europe excluding Russia slowed down in March before the Easter holiday would take place in April this year.

**Private consumption indicators** expanded from increased spending on durable goods especially on passenger cars. This was supported by the improved household income, particularly farm income on the back of higher rubber price and rice production. Overall consumer confidence also edged up. In addition, financial institutions expect to slightly ease their credit standards for auto leasing. Meanwhile, spending on non-durable goods picked up slightly, attributed mainly to higher fuel consumption as a result of reduction in oil prices.

**Public spending**, excluding transfers, continued to be a driver of the economy. Public investment expanded by 11.9 percent compared to the same period last year, mainly due to construction projects by the Department of Highways. However, current spending contracted by 3.5 percent as a result of high base effect from last year's stimulus measures to promote living standards at the sub-district level.

**Private investment indicators** contracted from last year for both construction and investment in machinery and equipment investments. The decline followed an acceleration in earlier periods, especially that in the energy, services and export-related businesses, which in turn reflected the soft recovery of private investment. However, investment in commercial cars rose for four consecutive months thanks to public investment's infrastructure projects and increasing farm income.

The value of **merchandise imports** grew by 22.4 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 21.4 percent. In particular, import of raw and intermediate materials—particularly fuel and metals—grew on the back of higher global crude oil prices. Moreover, import of parts for electronics and electrical appliances expanded, consistent with an upward export trend of such products.

**On the stability front**, headline inflation decelerated to 0.76 percent from 1.44 percent in the previous month. This was due to a decrease in fresh food prices as their supply improved as well as the decline in domestic petroleum prices. The seasonally-adjusted unemployment rate slightly edged up to 1.2 from 1.1 last month, mainly in the manufacturing and construction sectors. The current account posted a surplus due to the trade surplus, as supported by steady improvements in exports. On the other hand, the capital and financial accounts registered a deficit due to: (1) portfolio investment abroad in both debt and equity securities, (2) Other Depository Corporations' increased deposits abroad and short-term loan repayment to adjust their foreign currency positions, and (3) direct investment abroad by Thai corporates.

**Overall economic activity in the first quarter of 2017** continued to expand, driven by export of goods which showed a more broad-based expansion. Private consumption accelerated thanks to an increase in spending on durable goods, as supported by higher farm income and greater overall consumer confidence. The tourism sector improved from the last quarter which was then affected by the government's regulation on illegal tour operators. Public spending continued to be a driver of the economy despite some slowdown. However, private investment contracted after having accelerated in earlier periods. On the stability front, headline inflation accelerated from the last quarter following rising domestic petroleum price. The seasonally-adjusted unemployment rate slightly increased but remained low. The current account continued to post a surplus driven mainly by trade surplus from the improvement in export value.

Bank of Thailand

28 April 2017

Contact: Macroeconomic Team

Tel: +66 (0) 2283 5648, +66 (0) 2283 5639

e-mail: [EPD-MacroEconomicsTeam1-2@bot.or.th](mailto:EPD-MacroEconomicsTeam1-2@bot.or.th)