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No. 41/2018

Press Release on the Economic and Monetary Conditions for May 2018

In May 2018, the Thai economy continued to gain further traction. Merchandise exports expanded, consistent with the strong growth momentum in external demand and the continual increase in global crude oil prices. Domestic demand expanded solidly, led by private consumption which expanded in all categories. The expansion in external and domestic demand contributed to the growth of manufacturing production. Robust growth was also observed in public spending and private investment. Meanwhile, the tourism sector continued to expand albeit at a slower pace.

On the stability front, headline inflation accelerated due to increases in retail petroleum and liquefied petroleum gas (LPG) prices, coupled with the accelerated core inflation. The seasonally-adjusted unemployment rate slightly decreased from last month. The current account posted a smaller surplus, as net services, income and transfers balance registered a deficit due to the seasonal remittances of income and dividends by foreign businesses coupled with the slowdown in tourism receipts. However, trade balance continued to post a surplus as supported by growth in export value. The overall capital and financial accounts was somewhat balanced.

Details of the economic conditions are as follows:

The value of **merchandise exports** continued to expand with a growth of 13.1 percent from the same period last year. Excluding gold, the value of merchandise export grew by 12.2 percent, and expanded in most product groups mainly from continued improvement in external demand and increasing global crude oil prices. The overall expansion was on the back of: (1) increase in exports of petroleum-related and chemical products following the expansion in crude oil prices; (2) increase in exports of automotive and parts, particularly passenger and commercial cars, and automotive parts such as tires, gearboxes and engines; (3) increase in exports of agro-manufacturing products, particularly palm oil and rubber products, while export value of sugar contracted from the decline in sugar prices due to supply glut in the global market; and (4) increase in exports of electronic products, especially hard disk drives (HDD) in which their production capacity has recently been expanded, and electronic parts, particularly electrical control devices and wiring sets used in automobiles. However, export of agricultural products contracted, particularly rubber and fruits, due mainly to the high base effect from last year.

Private consumption indicators expanded from the same period last year in all spending categories as supported by increasing farm and non-farm incomes from the same period last year. The expansion in merchandise exports and private consumption contributed to the growth of **manufacturing production**, particularly the production of automotives, chemical products, and food and beverages.

Public spending, excluding transfers, expanded from the same period last year. The expansion in current spending was on the back of increased expenditure from The Office of the Basic Education Commission (OBEC) after disbursement was delayed in earlier periods, coupled with continual increase in the disbursement of compensation of civil servants. In addition, capital spending expanded following disbursement of the 2017 supplementary budget allocated to the provincial clusters and military hardware procurement.

Private investment indicators grew from the same period last year. Investment in machinery and equipment expanded from increased import of capital goods especially in telecommunication equipment, energy and computer sectors. Domestic machinery sales and number of newly registered motor vehicles for investment also continued to increase. Moreover, investment in construction expanded from the same period last year thanks to construction material sales. After seasonal adjustment, private investment indicators edged up from last month, mainly from import of capital goods.

The number of foreign tourist arrivals registered a 6.4 percent growth compared to the same period last year from Chinese and Hong Kong tourists. However, the number of Muslim tourists from Malaysia and Middle East declined, partly as a result of the shift in the Ramadan period which started earlier than last year. In addition, the number of Russian tourists also declined, partly due to postponement of travel ahead of the 2018 FIFA World Cup. After seasonal adjustment, the number of foreign tourists decreased by 1.5 percent from the previous month, from almost all nationalities except Chinese and Asian (excluding China and Malaysia) tourists.

The value of **merchandise imports** continued to grow by 12.7 percent from the same period last year in most product groups. Excluding gold, the value of merchandise imports expanded by 12.5 percent. The expansion was from the imports of: (1) raw and intermediate goods, as imports of fuel expanded mainly in terms of prices. Excluding fuel, imports of electronic parts expanded, consistent with increased production of such product; (2) capital goods continued to expand especially in telecommunication equipment, energy and computer sectors, in line with private investment; (3) consumer goods expanded in both durable and non-durable goods, in line with private consumption; and (4) automotive products expanded, in line with the improvement in automotive production and domestic sales.

On the stability front, headline inflation accelerated to 1.49 percent from 1.07 percent in the previous month. This was attributed to the acceleration of retail petroleum and liquefied petroleum gas (LPG) prices, coupled with core inflation which accelerated to 0.80 percent from 0.64 percent in the previous month. The seasonally-adjusted unemployment rate slightly decreased from last month. The current account posted a smaller surplus, as net services, income and transfers balance registered a deficit due to the seasonal remittances of income and dividend by foreign businesses, coupled with the slowdown in tourism receipts. However, trade balance continued to post a surplus as supported by growth in export value. The overall capital and financial accounts was somewhat balanced. On the financial assets side, inflow was from withdrawal of deposit abroad by Other Depository Corporation (ODC) and Foreign Investment Fund (FIF). On the liabilities side, outflow was from the net sell in both debt and equity securities by foreign investors, consistent with regional outflows.

Bank of Thailand

29 June 2018

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