BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for May 2019

In May 2019, the Thai economy moderated from the previous month from both domestic and external demand. Private consumption remained the main growth driver, while both private investment indicators and public spending contracted. The value of merchandise exports continued to contract, consistent with the decrease in manufacturing production. The tourism sector contracted from the decrease in Chinese and European tourists.

On the stability front, headline inflation decelerated due to decline in core inflation and the decrease in retail petroleum prices. The seasonally adjusted unemployment rate remained unchanged from the previous month. The current account posted a small deficit due to lower surplus in trade balance and the deficit in the services, income, and transfers balance, as a result of the seasonal remittance of profits and dividends by foreign businesses. The overall capital and financial accounts were somewhat balanced.

Details of the economic conditions are as follows:

Private consumption indicators continued to expand from the same period last year in all spending categories, except durable goods which remained unchanged. The fundamental factors supporting overall purchasing power remained favorable, supported by the improvement in farm income from both agricultural production and prices, while non-farm income remained unchanged.

Private investment indicators contracted from the same period last year. Investment in construction contracted from both the continual decline in permitted construction area, except for manufacturing purposes, and the decline of construction material sales after having accelerated in earlier periods. Investment in machinery and equipment contracted particularly from domestic machinery sales and the number of newly registered motor vehicles for investment, partly from the high base effect last year. However, after seasonal adjustment, private investment indicators slightly increased from the previous month.

Public spending, excluding transfers, contracted from current spending due to the high base effect of last year's accelerated disbursement of the Office of the Basic Education Commission (OBEC) after experiencing changes in disbursement approach, coupled with the back pay disbursement of inpatient expenditures. However, capital expenditures expanded from continual disbursement of the Department of Highways, the Department of Rural Roads and the Royal Irrigation Department after the reassessment and realignment of the investment projects to the master plan under the 20 year National Strategic Framework.

The value of **merchandise exports** contracted by 7.2 percent, and excluding gold, the value declined by 6.1 percent. The continual contraction can be attributed to weaker global demand as a result of slower economic growth in a number of major trading economies, the protectionist trade policies between the US and China, the continued downturn in electronic cycle and decreased global crude oil prices. The contraction was mainly from the decrease in exports of petroleum-related products, automotive and parts especially passenger and commercial vehicles, electronic products, agricultural products especially rice and rubber, and agro-manufacturing products, particularly rubber products and sugar. However, exports in some categories continued to expand such as electrical appliances, particularly air-conditioner and television set, agricultural products, particularly fruits, and automotive and parts, particularly the export of motorcycle and car tires.

The value of **merchandise imports** slightly contracted by 0.2 percent from the same period last year due mainly to the sharp contraction of gold. Excluding gold, the value of merchandise imports expanded by 1.1 percent. The expansion was attributable to the growth in imports of raw and intermediate goods, particularly crude oil, due to the low base effect last year which an oil refinery shutdown for maintenance. However, imports of capital goods excluding aircrafts, ships, floating structures, and locomotive, contracted from the import of telecommunication equipment and parts, and machinery used in manufacturing, consistent with the slowdown in private investment.

The number of foreign tourist arrivals contracted by 1.0 percent from the same period last year, mainly from the decline in the number of Chinese tourists as a result of the slowdown in Chinese economy and stronger competition from neighboring countries. Moreover, the number of European tourists especially German and Russian tourists contracted, partly from the economic slowdown in their respective countries. However, the number of tourists from other major nationalities continued to expand, including Malaysian tourists expanded from the low base effect last year which was the result of travel deceleration prior to the Malaysian 2018 general election, and Indian tourists continued to expand, partly benefited from the exemption of the visa on arrival fee. After seasonal adjustment, the number of foreign tourists declined from the previous month, mainly from Indian tourists as a result of the delay in travel prior to the Indian 2019 general election.

On the stability front, headline inflation decelerated to 1.15 percent from 1.23 percent last month, due mainly to the decelerated core inflation, coupled with the decrease in retail petroleum prices, in line with the fall in global crude oil prices. However, fresh food prices accelerated from vegetables prices. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account registered a small deficit attributed to lower surplus in trade balance and the deficit in services, income, and transfers balance, as a result of the seasonal remittance of profits and dividends by foreign businesses. The overall capital and financial accounts were somewhat balanced.

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