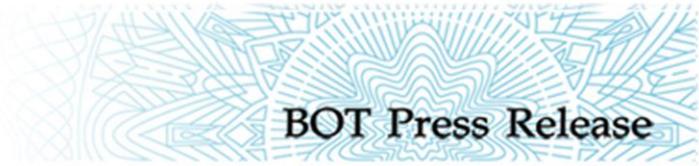




BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for May 2021

In May 2021, the impacts from the third wave of the COVID-19 outbreak on the Thai economy became more apparent. Indicators of private consumption and private investment continued to decline from the previous month while the tourism sector has not recovered as international travel restrictions remained. Merchandise exports, however, continued to improve in line with trading partners' demand which subsequently supported production in the manufacturing sector. Public spending continued to play a role in supporting the economy with expansions in both the current and the capital expenditures from the same period last year.

On the economic stability front, headline inflation rate declined due to lower inflation in energy category which was a result of the government's subsidies on electricity bills. Labor market remained vulnerable. The current account posted a higher deficit compared to the previous month as the net services, income and transfers exhibited a larger deficit.

Details of the economic conditions are as follows:

Private consumption indicators, after seasonal adjustment, continued to decline from the previous month in all spending categories due to the third wave of the COVID-19 outbreak and strict containment measures. As a result, economic activities, household income, and consumer confidence deteriorated in spite of government measures which partially supported the household purchasing power.

Private investment indicators, after seasonal adjustment, fell consecutively from the previous month following a decline in investment in the machinery and equipment category as well as the construction category. This was in line with domestic demand and business sentiment which was affected by the third wave of the COVID-19 outbreak.

The value of merchandise exports, after seasonal adjustment, continued to increase from the previous month, particularly 1) agricultural products which improved in line with the recovery of trading partners' demand, 2) petroleum-related products which increased following higher global oil prices, and 3) electronic products which continued to increase on the back of the upward trend of the global electronics cycle. The recovery of exports subsequently supported **manufacturing production** amid weak domestic demand. However, the global shortages of shipping container and semiconductor began to affect manufacturing production and exports, especially in the food processing and electrical appliances sectors.

The value of merchandise imports excluding gold, after seasonal adjustment, increased from the previous month mainly due to imports of raw materials and intermediate goods, consistent with the recovery of exports.

Public spending, excluding transfers, expanded compared to the same period last year from both current and capital expenditures, reflecting the role in supporting the economy. Current expenditure

expanded from purchases of goods and services and compensation of employees while capital expenditure grew in line with the disbursement from the transportation and irrigation agencies.

The number of foreign tourist arrivals stayed low as international travel restrictions remained.

On the stability front, headline inflation rate became lower mainly due to lower inflation in energy category which was a result of the government's subsidies on electricity bills. Core inflation accelerated due to the low base last year, owing to government's subsidies on water bills. Labor market remained vulnerable and was affected by the third wave of the COVID-19 outbreak, especially the self-employed group. The current account posted a higher deficit than the previous month despite registering a higher trade balance surplus from improved export value. This was due to a larger deficit in the net services, income and transfers. On exchange rates, the baht against the US dollar slightly appreciated due to the US dollar depreciation. Nevertheless, the baht depreciated relative to most trading partner currencies.

Bank of Thailand

30 June 2021

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