



No. 38/2016

Press Release on the Economic and Monetary Conditions for May 2016

In May 2016, the Thai economy expanded steadily from the previous month. The tourism sector continued spearheading the growth driver with the support of slightly improved domestic demand. Private consumption picked up drawn particularly from higher spending on durable goods reflecting gradually improved income of farm households who benefited from rising agricultural prices and alleviated drought conditions. Moreover, public investment regained growth momentum. However, the value of merchandise exports remained contracted. As a result, overall manufacturing production and investment lingered at low level.

**On the stability front**, headline inflation remained positive thanks to increased prices of raw food and energy. The unemployment rate slightly edged up but stayed at a low level. The current account posted a surplus attributable to large tourism receipts and low level of imports.

Details of the economic conditions are as follows.

**Tourism sector** continued to expand well and act as an important growth driver. The number of foreign arrivals expanded across the board, and in total grew by 7.6 percent from the same period last year. In particular, Russian tourists showed a strong growth for the fourth consecutive month.

**Private consumption** improved from last month. Spending on consumer goods and services continued to grow whereas spending on durable goods also recovered. While this was partly motivated by promotional campaigns and the launch of new car models, household income also gradually improved, particularly farm households who benefited from rising agricultural prices and recovered production after the drought conditions began to alleviate. Consumer confidence among farm households therefore increased. Meanwhile, non-farm households spending continued to support overall private consumption stemming from higher employment in both manufacturing and service sectors.

**Public spending** regained its contribution as a growth driver in this month. Public investment expanded well after some slowdown in earlier periods, especially in transportation and irrigation projects. Current spending steadily increased due to higher salaries of civil servants and spending on goods and services.

The value of **merchandise exports** contracted by 3.7 percent from the same period last year. Excluding gold exports that again accelerated this month, the value of exports registered a minus of 5.6 percent, a lower rate compared to the previous month owing partly to a low level of vehicle exports last year. In addition, exports of certain products increased, especially exports of air-conditioners to ASEAN countries thanks to the growing real estate market in Vietnam, and those exported to the EU benefited from the warmer-than-usual weather. However, exports of most products declined as recoveries of major trading partners' economies remained weak.

**Manufacturing production** slightly expanded from the same period last year due to the low base effect along with improved domestic and external demand in certain products. Production of vehicles markedly expanded from last year when production was halted during changes in the

assembly lines. In addition, higher demand for Pick-Up Passenger Vehicles (PPVs) and that for air-conditioners continued to grow due to the unusually warm weather. However, production of many industries still contracted from the same period last year owing to weak external demand and structural problems such as the capability to meet the fast changing consumer preferences on electronic products.

The value of **merchandise imports** slightly contracted by 0.2 percent from the same period last year. Excluding gold, imports declined by 1.9 percent. The lower rate of contraction than the previous month was due to the low base effect and improved imports of intermediate goods and raw materials owing mainly to the increase in crude oil price. Moreover, imports of capital goods improved moderately but mostly were equipments in telecommunication and alternative energy sector. This reflected an uneven recovery of **private investment** that was still concentrated in certain sectors. Meanwhile, investment in other sectors stayed at a low level in line with remaining gaps of capacity utilization in the manufacturing sector. This was consistent with a slower growth in total financing of businesses for real investment, after deducting the effect of this month's merging and acquisition deal.

On the **stability** front, headline inflation remained positive at 0.46 percent due to increased prices of raw food and energy. The unemployment rate slightly increased but remained at a low level. The current account registered a surplus of 2.2 billion US dollars thanks to consistently high tourism receipts and low level of imports. The financial account posted a deficit of 0.8 billion US dollars due to 1) Thai direct investment in retail business in Vietnam, and 2) sale of securities by foreign investors in anticipation of a policy rate increase by the Fed.

Bank of Thailand

30 June 2016

Contact: Macroeconomic Team

Tel: +66 (0) 2283 5647, +66 (0) 2283 5648

e-mail: [MPGMacroEconomics@bot.or.th](mailto:MPGMacroEconomics@bot.or.th)