



BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for May 2017

In May 2017, the Thai economy continued to expand. The main growth drivers were continued expansions in merchandise exports and tourism sector, consistent with the steady improvement in external demand. Manufacturing production slightly expanded from the same period last year. Private consumption gained traction, particularly for spending on the services sector. However, public spending contracted especially in capital spending, after having accelerated in earlier periods. Meanwhile, private investment still lingered at a low level.

On the stability front, headline inflation continually decelerated due mainly to lower prices of fresh food. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account continued to post 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 10.6 percent compared to the same period last year, or 14.1 percent when excluding gold, thanks to growth in various categories. (1) Export of electronics and optical appliances rose to meet demand for production of devices that support the Internet of Things (IoT). In addition, export of mobile phones also gained from the relocation of production base from Japan to Thailand coupled with the launching of new smartphone models. (2) Export of petroleum-related products expanded as their export quantity continued to increase due to higher demand from China and ASEAN. (3) Export of agro-manufacturing products expanded as a result of higher demand of rubber products from China, and sugar from Indonesia. (4) Export of machinery and equipment, particularly electrical appliances, compressors, and air-conditioners rose thanks to higher external demand. (5) Export of automotive expanded in commercial cars, motorcycles, and automotive parts, although export of passenger cars continued to decline. Improving export trends, albeit inventory rundown and low-based effect in certain categories, led to the expansion of overall **manufacturing production**.

**Tourism sector** continued to expand as the number of foreign tourists registered a 4.6 percent annual growth. After seasonal adjustment, the number of foreign tourists increased by 1.5 percent from the previous month. In particular, Chinese tourists reverted to the level of pre-illegitimate tour operator crackdown.

**Private consumption indicators** continued to expand from increased spending on the services sector in line with the increase in number of both Thai and foreign tourists. Moreover, spending on durable goods, especially on motorcycles expanded, as supported by improved confidence and income of farm households. Nonetheless, income of non-farm households remained unchanged, reflecting that the overall spending was not yet robust and broad based.

**Public spending**, excluding transfers, slightly contracted due to capital spending. The decline in capital spending followed accelerated disbursements in earlier periods, specifically in constructions

projects by the Department of Highways. However, current spending expanded due to expenditure on compensation of civil servants.

**Private investment indicators** still lingered at a low level, due primarily to a continual decline in construction activities as reflected by a drop in permitted construction area and construction material sales, consistent with lower number of new projects launched on low-rise residences. However, investment in machinery and equipment slightly expanded, particularly in telecommunication and energy sectors.

The value of **merchandise imports** grew by 18.2 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 17.9 percent. The increase was mainly from imports of raw and intermediate materials, particularly for electronic parts used in the production of smartphones and electrical appliances parts. Import of fuel grew on the back of both prices due to higher global crude oil prices and quantity in line with the economic recovery. Moreover, imports of capital goods excluding aircrafts, ships, floating structures, and locomotive expanded following the increased import of machinery and equipment in the telecommunication sector, consistent with an increased investment in this sector.

**On the stability front**, headline inflation continually decelerated to -0.04 percent from 0.38 percent in the previous month. This was attributed to a decrease in fresh food prices, especially fruits and vegetables, as a result of this year's improved supply and high base effect from last year's drought. Core inflation also slightly slowed down. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a surplus due mainly to the trade surplus supported by steady improvements in exports. The capital and financial accounts registered a deficit due to: (1) portfolio investment abroad in both debt and equity securities, (2) deposits abroad by commercial banks to adjust their foreign currency position, and foreign investment funds (FIF), and (3) direct investment abroad by Thai corporates.

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