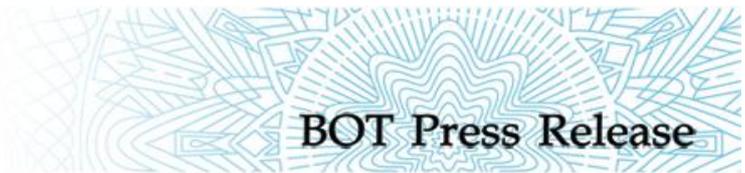




BANK OF THAILAND



Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

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Press Release on the Economic and Monetary Conditions for November 2017

In November 2017, the Thai economy continued to expand. The main growth drivers were continued expansion of merchandise exports and the tourism sector, consistent with the steady improvement in external demand. Private consumption and private investment also improved, which led to the rebounding growth of manufacturing production. Meanwhile, public spending expanded in both current and capital spending.

On the stability front, inflation accelerated both for headline and core inflation. The seasonally-adjusted unemployment rate decreased slightly from the previous month. The current account posted a surplus as supported by the continued expansion in both export value and the tourism sector.

Details of the economic conditions are as follows.

The value of **merchandise exports** continuously expanded in all major export destinations and most product categories, with a growth of 12.3 percent compared to the same period last year. Excluding gold, the value of merchandise export expanded by 14.4 percent. The expansion was due to (1) continued improvement in external demand for products such as rice, rubber, fruits, electronic parts, and automotive and parts; (2) continued increase in crude oil price contributed to the increase in export of petroleum-related products; and (3) relocation of production base to Thailand, coupled with the capacity expansion in some industries in earlier periods such as telecommunication devices and hard disk drives (HDD).

The number of **foreign tourists** posted a 23.2 percent annual growth, owing to the growth in the number of tourists for almost all nationalities, particularly Chinese tourists. The expansion was on the back of low base effect of the government's regulation on illegal tour operators in the same period last year, coupled with the increase in Russian tourists as a result of the opening of new direct flights to Thailand. After seasonal adjustment, the number of foreign tourists remained unchanged from the previous month due to the accelerated influx of Chinese tourists in earlier periods.

Private consumption indicators continued to expand in most categories, specifically spending on durable goods, partly from the low base effect from postponement of automotive delivery last year, coupled with the launch of several new car models this month. The uptick in private consumption is consistent with the increase in overall seasonally-adjusted consumer confidence, especially non-farm household. However, fundamental factors supporting the overall household purchasing power was not sufficiently strong. Farm income continued to contract from both decreased agricultural prices and production, while non-farm income remained relatively stable. Nevertheless, the expansion in merchandise exports value and private consumption overall contributed to the rebounding growth of **manufacturing production** this month, especially in food and automotive manufacturing.

Private investment indicators edged up from last month due mainly to improved investments in equipment and machinery as reflected by the increase in domestic machinery sales and import of

capital goods, particularly telecommunication and energy. Investments in construction also rose slightly from the increase in permitted construction areas, particularly construction of dwelling in Central and Northern areas, and construction of the commercial sector in Southern area.

Public spending, excluding transfers, expanded in both current and capital spending. Capital spending expanded, particularly from higher disbursement of provincial development budget. Current spending also expanded following higher disbursement on compensation of civil servants.

The value of **merchandise imports** grew by 11.9 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 10.5 percent, thanks to growth in most product categories. In particular (1) raw and intermediate materials, particularly fuel, due mainly to increased oil price. Excluding fuel, import of computer parts and metals improved consistent with the favourable merchandise exports; (2) capital goods excluding aircraft expanded following the increased import of machinery and equipment in the telecommunication sector; (3) consumer goods due mainly to increased import of non-durables goods in all categories; and (4) automotive, specifically parts and passenger cars, consistent with the improved automotive production and sales, respectively.

On the stability front, headline inflation accelerated to 0.99 percent from 0.86 percent in the previous month. This was attributed to an increase in retail petroleum price following the increase in global crude oil price. However, fresh food prices decelerated due to the improved supply of agricultural products. Core inflation increased to 0.61 percent from 0.58 percent in the previous month. The seasonally-adjusted unemployment decreased slightly from last month. The current account continued to post a surplus from the steady improvement in exports and continued expansion of the tourism sector. The capital and financial accounts registered a deficit, mainly from the asset side, due to (1) portfolio investment abroad from Foreign Investment Funds (FIF) and Pension Funds; (2) direct investment abroad by Thai corporates; and (3) trade credits provided to Thai exporters in line with the continued expansion of export value.

Bank of Thailand

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Contact: Macroeconomic Team 1-2

Tel: +66 (0) 2283 5639, +66 (0) 2283 5647

E-mail: EPD-MacroEconomicsTeam1-2@bot.or.th