



BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for November 2018

In November 2018, the Thai economy continued to grow. Private consumption expanded, boosting manufacturing production. Private investment also continued to expand. The number of foreign tourists rebounded from the previous month, albeit the contraction in the number of Chinese tourists. Merchandise export growth remained relatively unchanged, while government spending slightly declined from the decrease in capital expenditure.

On the stability front, headline inflation decelerated due to the decline in retail petroleum prices and decelerated core inflation. The seasonally adjusted unemployment rate remained unchanged from last month. The current account registered a smaller surplus attributable to lower trade balance. The overall capital and financial accounts posted a deficit.

Details of the economic conditions are as follows:

**Private consumption indicator** grew from the same period last year in all spending categories, albeit at a slower pace. The fundamental factors supporting the overall purchasing power marginally contracted. Farm income declined from both agricultural prices and production, partly as a result of irregular rain pattern, particularly in areas for Jasmine rice cultivation. Non-farm income remained unchanged. The expanded private consumption also stimulated manufacturing production, particularly that of automotives and petroleum products, consistent with the increase in domestic car sales.

**Private investment indicator** expanded from the same period last year. Investment in machinery and equipment expanded from import of capital goods, particularly in the hard disk drive inspecting instruments, which was due to the relocation of production base to Thailand earlier this year. Additionally, domestic machinery sales and the number of newly registered motor vehicles for investment also expanded. Investment in construction contracted due mainly to the decline in the permitted construction area, despite the continued increase in construction material sales. After seasonal adjustment, private investment indicator expanded from last month as a result of the increase in investment in machinery and equipment.

**The number of foreign tourist arrivals** expanded at 4.5 percent compared to the same period last year, owing to the growth in the number of tourists of most nationalities. In particular, the increase in ASEAN tourists from Malaysia was partly due to the low base effect from the government's action against illegal coach operators during the same period last year. The number of tourists from Hong Kong and India also increased, following the launch of new flight routes to Thailand, coupled with the exemption of the visa on arrival fee, which commenced on the 15<sup>th</sup> of November 2018. Nonetheless, the number of tourists from China contracted. After seasonal adjustment, the number of foreign tourists increased from the previous month, especially those from Malaysia, India, and China. Moreover, the seasonally adjusted number of Chinese tourists turned positive for the first time in four months, signaling positive growth momentum.

The value of **merchandise exports** marginally expanded at 0.2 percent from the same period last year. Excluding gold, the value of merchandise exports declined by 0.6 percent. The contraction of some export products was the result of (1) high base effect for the export of hard disk drives of which production was at full capacity in the previous year; mobile phones, due to the shift in the timing of the launch of new phones; automotive and automotive parts from the accelerated export of passenger cars to Philippines, before the rise of excise tax in the early 2018; and agriculture products, particularly rice, which was exported to countries hit by drought last year. (2) The effect of protectionist trade policies between the US and China, coupled with the slowdown phase of electronic cycle and tapered demand for automotive in China, led to the contraction of the export of electronic products and export of rubber to China. Nevertheless, the export of petroleum-related products continued to expand, especially petroleum, chemical, and petrochemical products. Moreover, exports to the US accelerated for some products such as car tires, while some product groups expanded from the benefits of trade substitution away from Chinese products in the US.

The value of **merchandise imports** continued to expand at 16.2 percent from the same period last year. Excluding gold, the value of merchandise imports grew by 19.4 percent. The expansion stemmed from the imports of (1) raw and intermediate goods, from the imports of crude oil, chemical products, electronic parts, and metals; (2) capital goods, from imports of machinery and equipment, in line with the growth of private investment; (3) consumer goods, from both durable and non-durable goods, consistent with the expansion in private consumption; and (4) automotive products, particularly passenger cars and automotive parts, in line with the growth of domestic car sales.

**Public spending**, excluding transfers, slightly contracted. The decline in capital expenditure was attributed to the effect of high base; as the same period last year saw the disbursement by the Royal Thai Police for purchases of vehicles and disbursement by the Ministry of Public Health for the expenditure on hospital construction. Meanwhile, current spending rose from expenditures on goods and services.

**On the stability front**, headline inflation decelerated to 0.94 percent from 1.23 percent in the previous month, due to the decline in retail petroleum prices, in line with the fall in global crude oil price, coupled with the decelerated core inflation, from the decline in non-food prices. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account registered a smaller surplus as a result of lower trade balance. The overall capital and financial accounts posted a deficit from the assets position, attributable to (1) the deposit abroad by Other Depository Corporations (OCDs), in order to adjust their foreign currency positions, and investment in foreign debt securities; and (2) direct investment abroad by Thai corporates.

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