



BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for November 2016

In November 2016, the Thai economy expanded at a greater pace than last month. Exports significantly rose as reflected by improvements in both production of export-oriented industries and imports of raw materials and intermediate goods, especially for electronic parts. Public spending—both government consumption and investment—continued to expand well and remained an important economic growth driver. However, the tourism sector was affected by fewer foreign tourists as well as a slowdown of the number of Thai tourists. Private consumption growth slowed down for two consecutive months and private investment still contracted.

On the stability front, headline inflation increased from the previous month as prices of fresh food and domestic petroleum price increased. The seasonally-adjusted unemployment rate decreased from last month due to improved farm employment. The current account continued to post a surplus.

Details of the economic conditions are as follows.

The value of **merchandise exports** surged by 10.1 percent from the same period last year following a contraction of 4.3 percent in the previous month. The expansion was due to: 1) a low base level of exports last year; 2) temporary factors from China's accelerated import of agricultural products and high-value export of oil drilling equipment to Brazil; 3) a continued improvement of external demand for certain products. Export of integrated circuits (IC) expanded following an increase in production capacity in earlier periods. Export of electrical appliances rose, especially for solar-cell panel exports to the U.S., after a shift of production base from China. In addition, export of machinery and equipment expanded, for example, exports of printers to the U.S. and Japan and compressor parts to China; and 4) an increase in export of petroleum-related products that picked up in both price and quantity terms after crude oil prices had contracted for a while. In fact, the expansion of exports was also reflected by an increasing in related-manufacturing production.

The value of **merchandise imports** improved by 2.5 percent from the same period last year thanks to imported raw materials and intermediate goods. In particular, import of fuel expanded on the back of a low level of quantity last year and recovering oil prices. Import of metals expanded to serve increasing production of steel plates. Moreover, import of electronic parts expanded, consistent with an upward trend for exports of such products. However, import of capital goods contracted from a high level last year during which telecommunication equipment was imported for 4G investment.

Public spending, excluding transfer, continued to expand well and remained an important economic growth driver, partly thanks to measures to boost disbursement efficiency. Current spending expanded due to expenditure on goods and services. Moreover, capital spending expanded on the back of transportation projects and compensation expenses for land expropriation by the Department of Highways. Meanwhile, government revenue contracted after receipts of petroleum income taxes had been accelerated in the previous month.

The number of foreign tourists contracted from last year. After seasonal adjustment, the number of foreign tourists also fell from previous month, especially those from China and Malaysia. However, the number of tourists from Europe, Russia and the U.S. steadily expanded. Meanwhile, fewer travels of Thai tourists and subdued spending on consumer goods led to a slowdown in **private consumption** for the second consecutive month. In fact, supporting factors for overall consumption remained soft. Non-farm income fell particularly in the trade sector. Moreover, the recovery of **farm income** only concentrated in certain crops and turned negative this month. The decline mainly came from falling production of wet-season rice whose harvest was postponed to next month. On the other hand, agricultural price expanded mainly for rubber. As a result, consumer confidence of both farm and non-farm households remained low. However, spending on motorcycles continued to expand as supported by a better income outlook of rubber farmers and increasing popularity for big bikes.

Private investment showed some sign of improvement, but remained contracted from last year and concentrated in certain businesses. For example, investment in alternative energy expanded thanks to government supports, as reflected by greater imported capital goods and corporate credits to this sector. Investment in some service sectors improved such as trade and restaurant, as reflected by increased sales of freezers and construction areas for service and transportation sectors. In addition, the construction sector picked up. Improved sales of construction materials were in line with some increase in the supply of low-rise residences.

On the stability front, headline inflation increased to 0.60 from 0.34 percent last month as prices of fresh food and domestic petroleum increased. Core inflation, however, stabilized due to unchanged overall costs and a gradual recovery of domestic demand. The seasonally-adjusted unemployment rate decreased from the previous month due to an improvement in farm employment. The current account continued to post a surplus as improved value of exports contributed to the trade surplus. Moreover, tourism receipts still expanded and supported the surplus in the service, income and transfer accounts, despite a contraction in the number of foreign tourists. The capital and financial accounts registered a deficit due to: 1) a net selling of securities by foreign investors in both debt and equity markets, consistent with investment fund flows in the region; and 2) Thai direct investment abroad and portfolio outflows by commercial banks and foreign investment funds (FIF). Nonetheless, foreign direct investment was a net inflow due to a larger portion of foreign shareholders in a Thai telecommunication company.

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