BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for November 2019

In November 2019, the Thai economy continued to be on a decelerating trend. The value of merchandise exports continued to contract, mainly due to the economic slowdown of trading partners, consistent with deterioration in merchandise imports, manufacturing production and private investment indicators. Public spending also contracted from both current and capital expenditures. Meanwhile, private consumption indicators continued to decelerate amid supports from the government's economic stimulus measures. The tourism sector continued to expand.

On the stability front, headline inflation edged up from the previous month on the back of higher core inflation and lower contraction in energy prices. The seasonally adjusted unemployment rate slightly increased while the number of employed persons was unchanged. The current account remained surplus. The capital and financial accounts posted a deficit from the asset position.

Details of the economic conditions are as follows:

The value of **merchandise exports** contracted by 7.7 percent from the same period last year, nearly the same as exports value excluding gold. The contraction of exports in almost all categories was due to 1) the economic slowdown of trading partners; 2) the non-obvious recovery in electronic cycle; and 3) the contraction of global crude oil prices, coupled with the temporary maintenance shutdown of some oil refineries, leading to the contraction of petroleum-related products exports, both in terms of prices and quantity. Additionally, structural changes in production and global trade as a result of trade tensions caused some Thai export products to be replaced by Chinese products in ASEAN markets. However, exports of agro-manufacturing products continued to expand. As a consequence of the merchandise exports contraction, **manufacturing production** continued to decline.

The value of **merchandise imports** contracted by 13.9 percent from the same period last year, and excluding gold, imports value contracted by 15.4 percent. The contraction of imports in almost all categories, consistent with softening economic activities, was attributable to 1) imports of raw materials and intermediate goods especially in crude oil, partly due to the maintenance shutdown of some oil refineries; 2) imports of capital goods mainly from turbo-jets and telecommunication equipment; and 3) imports of consumer goods particularly in fishery products due to the high base effect last year.

Private investment indicators continued to deteriorate from the same period last year. This was a result of weak domestic and external demand and the low rate of capacity utilization in manufacturing sector, making businesses delay their investment. Consequently, investment in machinery and equipment continued to contract from imports of capital goods, domestic machinery sales, and the number of newly registered motor vehicles. Meanwhile, investment in construction declined from permitted construction area for residential purposes, consistent with subdued activities in the real estate sector. However, the permitted construction area for manufacturing purposes continued to grow while the permitted construction area for commercial and other purposes turned into expansion this month.

Public spending, excluding transfers, contracted from both current and capital expenditures. Current expenditures contracted due to purchases on goods and services from disbursement of some national security authority. Meanwhile, central government's capital expenditures continued to contract as the FY2020 budget has yet to be enforced. State enterprise's capital expenditures slightly contracted mainly from energy-related agencies.

Private consumption indicators expanded at a slightly higher pace from the same period last year but continued to be on a decelerating trend relative to the first half of the year, in line with softening non-farm income and consumer confidence, together with financial institutions' tightening of credit standards for auto-leasing loans after credit quality deteriorated. Meanwhile, the government's economic stimulus measures continued to somewhat support household purchasing power. In this month, spending on non-durable goods and services decelerated, after accelerating in the previous month due to the government's economic stimulus measures. Nevertheless, spending on semi-durable and durable goods continued to contract especially on vehicle sales.

The number of foreign tourist arrivals continued to expand at 5.9 percent compared with the same period last year from 1) the exemption of the visa on arrival fee, encouraging more visitors from China, India, and Taiwan; 2) the recovery of the Russian economy and an increase in airline route from Russia to Thailand, supporting more Russian tourists; and 3) the continued expansion of other Asian tourists such as those from Laos and Japan. However, the number of foreign tourist grew at a softer pace from the previous month as the low base effect from the tour boat incident in Phuket last year faded out.

On the stability front, headline inflation stood at 0.21 percent, accelerating from last month on the back of lower contraction in energy prices, due to higher domestic retail petroleum prices from the previous month, and a slightly increase in core inflation. The seasonally-adjusted unemployment rate slightly increased while the number of employed persons was unchanged. The current account remained surplus. The overall capital and financial accounts registered a deficit from the asset position as a result of Thai Direct Investment (TDI) especially in equity, and portfolio investment in debt securities of Thai investors.

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