



BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for October 2018

In October 2018, the Thai economy expanded from both domestic and external demand. Private consumption expanded substantially while private investment and merchandise exports re-gained their positive momentum, in line with manufacturing production. The number of foreign tourists slightly contracted, mainly from the decline in the number of Chinese tourists. Public spending declined slightly, following the decrease in current expenditure.

On the stability front, headline inflation decelerated due mainly to fresh food prices and the decelerated core inflation. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account registered a smaller surplus attributed to lower trade balance. The overall capital and financial accounts registered a deficit.

Details of the economic conditions are as follows:

Private consumption indicators significantly expanded from the same period last year in all spending categories. The fundamental factors supporting the overall purchasing power continued to improve. Non-farm income rose in all sectors, with the exception of services sector which remained unchanged. Farm income rebounded mainly from increased agricultural production, while agricultural prices continued to contract, although at a softer pace.

Private investment indicators expanded from the same period last year. Investment in machinery and equipment expanded from import of capital goods, domestic machinery sales, and newly registered motor vehicles for investment. Investment in construction expanded from construction material sales. After seasonal adjustment, private investment indicators rose from last month from an increase in construction material sales.

Public spending, excluding transfers, marginally contracted from the same period last year. The decline in current spending was a result of reduced spending on goods and services, and lower disbursement of civil servants' compensation. Meanwhile, capital expenditure expanded following the disbursement of the Department of Highway, and the disbursement by the Royal Thai Police for expenditures on repair of aircrafts and purchases of vehicles.

The value of **merchandise exports** expanded at 8.4 percent from the same period last year. Excluding gold, the value of merchandise exports grew by 7.0 percent. The rebounded growth was the result of dissipated temporary factors in major trading partners, particularly in Japan, which contributed to the rebounded growth in export of electronic products. In addition, as the details of the US trade policy toward imports from China became more certain, the export of goods to China accelerated before the tariff imposition, particularly chemical products and rubber. Furthermore, merchandise exports expanded in many product groups and expanded in major destinations. These included (1) petroleum-related products, mainly from the increase in prices, particularly petroleum and petrochemical products; (2) agricultural products, from the continued external demand for rice; (3) agro-manufacturing products,

mainly due to export of sugar, and (4) machinery and equipment, particularly machinery used in agricultural sector. The continued expansion in private consumption and the rebounded growth in export led to the growth of **manufacturing production**, especially the production of automotive, food and beverages, in particular the production of sugar, and petroleum-related products.

The number of foreign tourist arrivals contracted marginally at 0.5 percent compared to the same period last year mainly from the decline in the number of Chinese tourists which contracted significantly by 19.8 percent. The decline could be attributed to weaker confidence in the tourism industry, after the Phuket tour boat incident, coupled with weaker outlook for the Chinese economy. Nevertheless, the number of tourists from Malaysia, Japan, South Korea, and India continued to expand. After seasonal adjustment, the number of foreign tourists declined from the previous month due to the decrease in the number of Chinese and Malaysian tourists.

The value of **merchandise imports** both including and excluding gold expanded at 13.3 percent from the same period last year. The expansion was from the imports of a number of categories, including (1) raw and intermediate goods, from the imports of crude oil, petroleum products, electronic parts, and metals; (2) consumer goods, from both durable and non-durable goods, in line with the expansion in private consumption; (3) automotive products, particularly passenger cars and automotive parts, consistent with the continued increase in domestic car sales and (4) capital goods, mainly from telecommunication and energy sector, in line with the growth of private investment.

On the stability front, headline inflation decelerated to 1.23 percent from 1.33 percent in the previous month, due mainly to the decline fresh food prices, together with a deceleration of core inflation that was partly due to the high base effect before the increase of tobacco excise tax last year. Meanwhile, the seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a smaller surplus as contributed mainly from lower trade balance. The overall capital and financial accounts registered a deficit from both the assets and liabilities position. On the assets side, the net outflow was from Thai Direct Investment (TDI) and the investment in foreign equity by Thai corporates. On the liability side, the net outflow was a result of the sale of equity by foreign investors, in line with the global trend, and the repayment of short-term loans of other depository corporations (ODC).

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