



BANK OF THAILAND

BOT Press Release

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Press Release on the Economic and Monetary Conditions for October 2020

In October 2020, the Thai economy contracted at a higher rate as compared to the previous month, due to the fading of the temporary factor and the high base effect last year. Private consumption indicators became contracted after experiencing a marginal expansion in the previous month, as the temporary factor of special long holidays terminated. Merchandise exports value excluding gold continued to rise from the previous month, but contracted at a higher rate as compared to the same period last year partly from the high base effect last year. Likewise, private investment indicators exhibited a higher contraction. Meanwhile, public spending became contracted as a result of the delayed disbursement of current expenditures. The tourism sector, however, persistently experienced a severe contraction due to travel restrictions on foreign tourist arrivals.

On the economic stability front, headline inflation was less negative mainly driven by an increase in energy prices. Labor market continued to improve but remained vulnerable. The current account surplus decreased due to a higher deficit of net services, income and transfers.

Details of the economic conditions are as follows:

Private consumption indicators became contracted after experiencing a marginal expansion in the previous month, due to the decline in almost all spending categories. After the temporary factor of special long holidays terminated coupled with the high base effect last year in which the government implemented the economic stimulus measures, spending on non-durable goods and services softened. However, the overall private consumption remained being on a recovery path, consistent with a gradual improvement of factors supporting consumer purchasing power including employment, farm and non-farm income as well as consumer confidence, together with new economic stimulus packages launched by the government.

The value of merchandise exports contracted by 5.6 percent from the same period last year. Excluding gold, the value of merchandise exports contracted by 5.0 percent, slightly worse than the previous month. The higher contraction was exhibited in some categories, particularly petroleum-related products, agricultural products, and agro-manufacturing products influenced by the high base effect last year. On the other hand, exports of some categories continued to improve, for instance, electrical appliances, machinery and equipment, electronics and automotive and parts. However, **manufacturing production** experienced a lower contraction, mainly driven by automotive and petroleum sectors partly due to the low base effect last year.

Private investment indicators higher contracted as compared to the previous month, led by investment in machinery and equipment, and construction. Investment in machinery and equipment contracted at a higher rate mainly due to imports of capital goods. Meanwhile, investment in construction became slightly contracted from the number of permitted contraction areas, in line with a drop in residential construction activities.

Public spending, excluding transfers, became contracted after continuously expanding in preceding periods, as a result of the delayed disbursement of current expenditures. Nevertheless, capital expenditures of central government and state enterprises continued to expand and support the economic recovery.

The value of merchandise imports dropped by 12.1 percent from the same period last year. Excluding gold, the value of merchandise imports contracted by 9.9 percent. In comparison to the previous month, a higher contraction was observed in almost all categories including fuel, consumer products and capital goods, consistent with the contraction of domestic spending.

The number of foreign tourist arrivals continued to highly contract from the same period last year as travel restrictions remained in place. Although the government started to allow foreigners who hold the Special Tourists Visa (STV) to visit Thailand, the number of foreign tourist arrivals was still small.

On the overall economic stability, headline inflation was less negative mainly due to an increase in energy prices. Core inflation decreased partly due to the sales promotion offered by entrepreneurs. Labor market continued to improve, in terms of both employment and income, but remained vulnerable. This was partially reflected by high unemployment rate and the elevated number of jobless claims in the social security system. The current account surplus decreased due to a higher deficit of net services, income and transfers while a surplus of trade balance being nearly the same.

Bank of Thailand
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