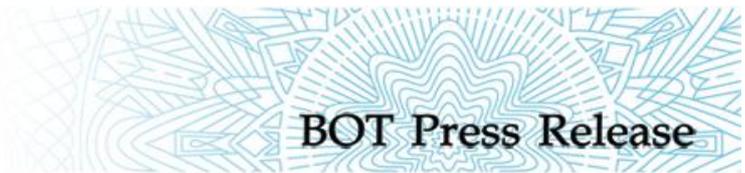




BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for October 2016

In October 2016, the Thai economy expanded at a slower pace than last month. Public spending remained an important growth driver. However, tourism sector decelerated as the number of both foreign and Thai tourists fell, resulting in a lower growth in tourism-related private consumption. The value of merchandise exports contracted. Exports to major destinations and some products, nonetheless, were expected to continue recovering as reflected by expansions in production of export-oriented industries and imported raw materials and intermediate goods. Meanwhile, private investment contracted due to a decline in investment on equipment and machinery and a continued contraction in the construction sector.

On the stability front, headline inflation decreased as prices of raw food lowered after the drought subsided. The unemployment rate slightly increased because employment in the agricultural sector declined. The current account remained in a surplus.

Details of the economic conditions are as follows.

Public spending continued to expand well and remained an important growth driver, partly thanks to measures to boost disbursement efficiency. Current spending expanded due to larger pension expenditure for civil servants and expenditure on goods and services. Capital spending grew on the back of construction in projects on educational institutions and transportation projects. **Government revenue collection** expanded from the same period last year mainly due to non-tax revenue. In particular, this was a realization of premium following an auction of government bonds, coupled with a low base level when revenue from some state-owned enterprises had been received in the preceding month last year. On the other hand, tax-based revenue expanded at a lower rate as VAT revenue slowed down in line with a declining growth in private consumption this month.

The tourism sector decelerated due to foreign and Thai tourists. After seasonal adjustment, the number of foreign tourists fell by 10.1 percent from previous month, partly due to the impact from measures to curb illegitimate tour operators and a higher visa-on-arrival fee. Additionally, fewer travels of Thai tourists led to a lower growth in tourism-related **private consumption**, especially spending on hotel and restaurant, transportation and fuel. In fact, supporting factors for overall consumption remained soft. Farm income expanded but remained at a low level. While agricultural production expanded, especially corn, fruits and livestock; price contracted mainly due to a falling price of jasmine rice. This led to a decrease in consumer confidence of farm households. Nonetheless, non-farm income and employment stayed unchanged.

The value of **merchandise exports** contracted by 4.3 percent from last year, or 3.6 percent when excluding gold. The contraction was broad-based and partly due to an uneven recovery of demand across markets. In particular, export of vehicles to the Middle East contracted following their economic slowdown and export of agro-manufacturing products fell due to a shortage of raw materials following the drought in earlier periods. However, export to major markets and some

products were expected to continue recovering as indicated by expanding production in some export-oriented sectors, especially integrated circuits (IC) and electrical appliances.

The value of **merchandise imports** grew by 7.4 percent from last year, or 2.6 percent when excluding gold. The expansion came from larger imported raw materials and intermediate goods. In particular, import of fuel expanded on the back of both quantity and price. A greater quantity of crude oil was imported in line with increasing production of petroleum products. Global crude oil prices registered a positive growth for the first time since August 2014. Import of metals expanded to serve increasing production of metal products. Moreover, import of IC and parts and electrical parts expanded, reflecting an expected improvement in 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. Contractions in imported capital goods, commercial car sales and construction sector reflected a weak recovery sign of overall **private investment**.

On the stability front, headline inflation slightly decreased from last month. Prices of fresh food, especially fruits and vegetables, steadily declined after the drought conditions subsided. Core inflation however stabilized due to unchanged overall costs and a gradual domestic demand recovery. The unemployment rate slightly increased from the previous month due to a lower employment in the agricultural sector. In particular, workers in rubber plantations in the southern region were affected by unfavorable weather. The current account continued to post a surplus on the back of trade surplus with a low import level and the surplus in the service, income and transfer accounts. Tourism receipts still contributed to the surplus despite tepid growth in the number of foreign tourists. The capital and financial accounts registered a deficit as Other Depository Corporations (ODC) induced outflows in deposits and short-term loan repayment to adjust their foreign exchange positions. Moreover, foreign investors were net sellers of securities in both debt and equity markets, consistent with investment fund flows in the region.

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