



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

No. 71/2019

Press Release on the Economic and Monetary Conditions for October 2019

In October 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 manufacturing production and private investment indicators. Public spending contracted, after last month expansion, from capital expenditures. However, private consumption indicators expanded at a higher pace compared with the previous month after temporarily benefiting from the government's economic stimulus measures. The tourism sector also continued to expand well.

On the stability front, headline inflation edged lower on the back of falling energy prices while core inflation held steady. The seasonally adjusted unemployment rate slightly decreased, in line with the rising number of employed persons in agricultural sector. The current account registered a smaller surplus from trade balance. 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**, both including and excluding gold, dropped by 5.0 percent compared with the same period last year. The contraction of exports in several categories was due to 1) the economic slowdown of trading partners; 2) the continued downturn in electronic cycle without clear sign of recovery; and 3) the contraction of global crude oil prices, coupled with the temporary maintenance shutdown of oil refineries, leading to the contraction of petroleum-related products exports, both in terms of prices and quantity. Nevertheless, the value of exports in some categories, including agro-manufacturing products, electrical appliances, and automotive and parts, continued to expand, partly as substitution for Chinese products in the US market. In addition, the exports of hard disk drive grew for the first time in 12 months, thanks to the relocation of production base to Thailand. As a consequence of the merchandise exports contraction, **manufacturing production** continued to decline.

Private investment indicators continued to deteriorate from the same period last year, in line with weak domestic and external demand. 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 in almost every purpose, consistent with subdued construction activities. Nevertheless, the permitted construction area for manufacturing purposes continued to grow.

The value of **merchandise imports** contracted by 9.2 percent from the same period last year in almost every category, consistent with softening economic activities. The contraction was attributable to the decrease in imports of raw materials and intermediate goods, particularly in 1) crude oil, due to the maintenance shutdown of oil refineries; and 2) electronic parts, partly owing to the high base effect in the previous year as well as the contraction in the exports of electronic products. In addition, after last month expansion, imports of consumer goods contracted from seafood imports, mainly from the high base effect in the previous year. However, imports of capital goods accelerated due to imports of aircrafts,

ships, floating structures, and locomotive, though mostly in form of operational leasing. Excluding the category, the imports of capital goods continued to contract.

Public spending, excluding transfers, contracted due to 1) central government's capital expenditures, as the FY2020 budget has yet to be enforced; and 2) state enterprises' capital expenditures, particularly in the disbursement of the State Railway of Thailand (SRT). Meanwhile, current expenditures continued to grow owing to the compensation of civil servants and purchases of goods and services.

Private consumption indicators expanded at a higher pace compared with the previous month but continued to be on a decelerating trend. In this month, the improved private consumption indicators temporarily benefited from the government's economic stimulus measures, boosting spending on non-durable goods and services. On the other hand, spending on semi-durable and durable goods contracted, especially on vehicles, in line with weakening supporting factors, namely continued contraction in non-farm income, softer farm income growth, and lower consumer confidence, together with financial institutions' tightening of credit standards for auto-leasing loans after credit quality deteriorated.

The number of foreign tourist arrivals continued to expand well at 12.5 percent compared with the same period last year. This was driven by 1) the low base effect from the tour boat incident in Phuket; and 2) the exemption of the visa on arrival fee, encouraging more visitors from China, India, and Taiwan. Additionally, the number of tourists from other Asian countries continued to grow such as those from South Korea, Japan, and Laos. The number of Malaysian visitors also rebounded from a temporary factor as Deepavali Holiday was celebrated at the end of October this year.

On the stability front, headline inflation stood at 0.11 percent, decelerating from last month on the back of higher contraction in energy prices due to the lower domestic retail petroleum prices, while core inflation remained unchanged. The seasonally-adjusted unemployment rate slightly dropped, consistent with higher number of employed persons in agricultural sector. The current account surplus narrowed from trade balance as a result of the increase in merchandise imports value compared with the previous month. The overall capital and financial accounts registered a deficit from the asset position following the increase in Thai Other Depository Corporations' (ODCs) deposits and Thai portfolio investment abroad.

Bank of Thailand
29 November 2019

For further information, please contact: Macroeconomic Team 1-2

Tel: +66 (0) 2283 5639, +66 (0) 2283 5647

E-mail: EPD-MacroEconomicsTeam1-2@bot.or.th