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Press Release on the Economic and Monetary Conditions for September and the third quarter of 2017

In September 2017, the Thai economy continued to gain further traction. Merchandise exports and tourism sectors expanded substantially, consistent with the continued improvement in external demand. The continued expansion in external trade and tourism coupled with the expansion in private consumption and private investment helped boost manufacturing production. However, public spending contracted particularly in current spending due to high base effect from last year's accelerated spending.

On the stability front, inflation accelerated both for headline and core inflation. The seasonally-adjusted unemployment rate edged up slightly from last month. The current account posted a surplus as supported by improvements in export value and the tourism sector.

Details of the economic conditions are as follows.

The value of **merchandise exports** continued to expand in all major export destinations and most product groups, with a growth of 13.4 percent compared to the same period last year, or 8.9 percent when excluding gold. The expansion was on the back of (1) continued increase in exports of petroleum-related products from both price and quantity, especially petroleum products; (2) increase in exports of agro-manufacturing products, particularly rubber products and sugar; (3) continued improvement in exports of electronics and optical appliances, especially mobile phones and electric control modules; (4) exports of automotive and parts, particularly tires and engines. In addition, export of pickup trucks to Australia and Middle East recovered for the first time in several months and (5) exports of agricultural products, particularly rice and rubbers.

The number of **foreign tourists** registered a 5.7 percent annual growth mainly from the growth in the number of Chinese tourists, partly from the low base effect from the government's regulation on illegal tour operators in the same period last year, coupled with the increased number of South Korean tourists, partly due to the shift in travel destination from China to Thailand following the tensions on Korean peninsula. However, after seasonal adjustment, the number of foreign tourists decreased by 1.1 percent from the previous month, mainly from Malaysian tourists which declined after having accelerated from the Malaysian National Day and the Hari Raya Haji holiday in the previous month.

Private consumption indicators exhibited stronger and more broad-based expansion. Spending on durables goods increased, particularly on commercial and passenger car sales. Moreover, spending on non-durables goods picked up, especially on consumer products. However, fundamental factors supporting the overall household purchasing power although significantly improved but remained weak. Farm income gradually recovered, while non-farm income remained unchanged from last month. Improved private consumption and exports propelled a relative increase in **manufacturing production**, particularly in the production of automotives, rubbers, food and beverages, and electronics.

Private investment indicators gained traction from the previous month due to improve investments in equipment and machinery as reflected by the increase in import of capital goods,

domestic machinery sales and commercial car sales. Additionally, investments in construction steadily grew reflected by increasing construction material sales in line with increased supply of condominiums.

The value of **merchandise imports** grew by 6.5 percent from the same period last year. Excluding gold, the value of merchandise imports slightly softened to 5.3 percent as import of crude oil declined after having accelerated in the previous periods. Nevertheless, imports of raw and intermediate materials excluding fuel continued to expand, particularly metals, chemical products, computer parts and integrated circuits, consistent with a continued increase in export of such products. Moreover, Imports of consumer and capital goods excluding aircrafts, ships, floating structures and locomotives expanded at a slower pace from the same period last year.

Public spending, excluding transfers, contracted due mainly to current spending as a result of high base effect of (1) increased expenditure on compensation of civil servants of the Office of the Basic Education Commission and (2) expenditure on goods and services from the payment of initial subscriptions to the Asian Infrastructure Investment Bank. Excluding high base effect, current spending slightly expanded. However, capital spending expanded from increased disbursement on a telecommunication infrastructure project by Ministry of Digital Economy and Society and provincial development budget.

On the stability front, headline inflation accelerated to 0.86 percent from 0.32 percent in the previous month. This was attributed to an increase in retail petroleum price following the increase in global crude oil price coupled with slower deceleration of fresh food prices. Core inflation slightly increased at 0.53 percent from 0.46 percent in the previous month. The seasonally-adjusted unemployment rate edged up slightly from last month. The current account continued to post a surplus due mainly to higher trade surplus. The capital and financial accounts registered a deficit due to: (1) increase in deposits abroad by commercial banks to adjust their foreign currency position; (2) direct investment abroad by Thai corporates; and (3) portfolio investment abroad by Thai investors. Meanwhile, there were also portfolio investment inflow by foreign investors, particularly in debt securities in line with regional investment trends.

Overall economic activity in the third quarter of 2017 accelerated from the previous quarter, driven mainly by export of goods which showed strong growth both in terms of products and export destinations, and the tourism sector which continued to expand steadily. The strong expansion of merchandise exports led to the acceleration of overall manufacturing production albeit a modest growth in private consumption and private investment, which improved slightly but still lingered at a low level. Nonetheless, public spending recovered in both current and capital spending. On the stability front, headline inflation accelerated from the previous quarter, mainly from increased energy prices. Core inflation stayed flat relative to the preceding quarter, reflecting the modest recovery and somewhat concentrated domestic demand. The seasonally-adjusted unemployment rate slightly increased from the previous quarter. The current account continued to post a surplus following continued growth in export value and the tourism sector.

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