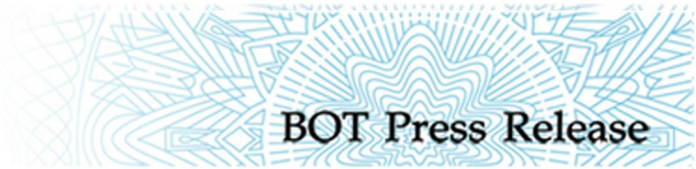




BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for September and the third quarter of 2018

In September 2018, the Thai economy expanded at a slower pace from the previous month. Domestic demand grew from private consumption, which expanded in most categories, and public spending, while private investment remained unchanged. External demand weakened following the contraction in merchandise exports, in line with the decline in manufacturing production. Meanwhile, the tourism sector slightly expanded mainly from ASEAN tourists.

On the stability front, headline inflation decelerated due mainly to fresh food prices. Core inflation accelerated from the previous month. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account registered a higher surplus attributed to the decline in import of gold. The overall capital and financial accounts registered a surplus.

Details of the economic conditions are as follows:

Private consumption indicators exhibited continual expansion, although at a slightly softer pace compared to the surge in the previous month. The expansion was on the back of increased spending in all categories except non-durable goods, particularly alcoholic beverages and tobacco which contracted due to last year's high base effect stemming from accelerated spending of such products before the increase in excise tax. Moreover, fundamental factors supporting the overall purchasing power slightly improved from more broad-based improvement in non-farm income, while farm income contracted from decreased agricultural prices.

Public spending, excluding transfers, expanded from the same period last year. The expansion in current spending was on the back of increased expenditure on goods and services and disbursement of civil servants' compensation. However, capital spending contracted from lower disbursement of the Central Fund and high base effect from strong disbursement of the 2017 supplementary budget allocated to the provincial clusters.

Private investment indicators remained unchanged from the same period last year. Investment in machinery and equipment slightly expanded from domestic machinery sales, while investment in construction contracted from permitted construction area. After seasonal adjustment, private investment indicators declined from last month from investments in both construction and machinery and equipment.

The value of **merchandise exports** contracted at 5.5 percent from the same period last year. Excluding gold, the value of merchandise exports declined by 1.0 percent. The overall contraction was due mainly to accelerated exports of automotive to Australia in earlier periods and the temporary disruption to the transportation of goods to trading partner countries from natural disasters, particularly Japan, Philippines and Hong Kong. In addition, there was a high base effect stemming from last year's surge in the export of mobile phones from the launch of new models; and accelerated export of solar cells and washing machines before the US safeguard measures was put into place. However, export of

other product group continued to expand such as petroleum-related products, jewelry and fashion accessories, machinery and equipment, and agricultural products. The contraction in merchandised exports contributed to the decline in **manufacturing production**, particularly the production of automotive, and rubber and plastics.

The number of foreign tourist arrivals registered a moderate growth of 2.1 percent compared to the same period last year. This was mainly from the increase in the number of Malaysian tourists, partly from the improved economic confidence after the Malaysian 2018 general election and the low base effect from last year's overlap in a holiday period, coupled with the continual increase in the number of Hong Kong, Taiwanese, and Indian tourists. However, the number of Chinese, English, and Russian tourists continued to contract. After seasonal adjustment, the number of foreign tourists remained unchanged from the previous month as the increase in the number of ASEAN tourists was offset by the decline in the number of Chinese tourists.

The value of **merchandise imports** expanded at a moderate pace with a growth of 14.3 percent from the same period last year, mainly from the slowdown in the import of gold. Excluding gold, the value of merchandise imports grew by 12.5 percent. The expansion was from the imports of: (1) raw and intermediate goods, from the imports of crude oil, petroleum products, metals, and electronic parts; (2) consumer goods, mainly from textile and apparel, while import of non-durable goods remained unchanged; and (3) automotive products, particularly passenger cars and automotive parts, in line with the continued improvement in domestic sales.

On the stability front, headline inflation decelerated to 1.33 percent from 1.62 percent in the previous month, due mainly to the decrease in vegetable and fruit prices. Meanwhile, core inflation increased from the previous month. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a larger surplus as contributed mainly from the decreased import of gold. The overall capital and financial accounts registered a surplus from the liabilities position. This inflow was mainly from foreign investment, particularly in long term government debt securities, short term loans by depository corporations, and Foreign Direct Investment (FDI) in real estate sector.

Overall economic activity in the third quarter of 2018 continued to gain traction from domestic demand. Private consumption expanded solidly with growth momentum in most spending categories. Public and Private investment continued to improved. However, external demand weaken as the tourism sector suffered from the Phuket tour boat incident, while merchandise exports also grew at a softer pace, in line with the decline in manufacturing production. On the stability front, headline inflation accelerated mainly from the increase in retail petroleum prices, while core inflation remained unchanged. The seasonally-adjusted unemployment rate slightly decreased from the previous quarter. The current account continued to post a surplus as contributed mainly from trade balance, while the capital and financial accounts registered a deficit.

Bank of Thailand

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