



BANK OF THAILAND



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Press Release on the Economic and Monetary Conditions for September and the third quarter of 2020

In September 2020, the Thai economy improved from the previous month. This was due to the improvement of economic activities that were close to normal in several sectors and partly from the temporary factor of special long holidays. Moreover, public spending continued to be the main driver of the economy with greater expansion owing to both current and capital expenditures. Private consumption indicators became flat as compared to the same period last year after experiencing contraction in the preceding period. Merchandise exports value excluding gold and private investment indicators exhibited lighter contractions, consistent with the improvement in manufacturing production. Nonetheless, the tourism sector persistently experienced severe contraction due to travel restrictions on foreign tourist arrivals.

On the economic stability front, headline inflation was more negative mainly driven by energy prices. Labor market somewhat improved but remained vulnerable. The current account surplus decreased from gold exports.

Details of the economic conditions are as follows:

Public spending, excluding transfers, expanded at a faster pace from both current and capital expenditures, partly due to expedited disbursement prior to the end of fiscal year. Current expenditures returned to expansion after contracting for two months from purchases of goods and services. Capital expenditures surged from disbursement of both the central government and state-owned enterprises

Private consumption indicators became flat as compared to the same period last year after recording negative growth for six consecutive months. This was due to the announcement of special long holidays to substitute for Songkran festival that was postponed from April, together with a gradual improvement in factors supporting consumer purchasing power from both farm and non-farm income. As a result, spending on non-durable goods bounced into a positive growth while spending on other categories marked smaller contraction, especially durable goods partly influenced by low base effect last year.

The value of merchandise exports declined by 4.2 percent from the same period last year. Excluding gold, the value of merchandise exports contracted by 3.7 percent, significantly improving as compared to a contraction at 13.6 percent in the previous month. Exports improved in almost all categories consistent with a recovery of demand in trading partner countries. In particular, electrical appliances continued to expand whereas electronics and machinery and equipment returned to expansion. In addition, exports of automotive and parts recorded lesser contraction. **Manufacturing production** less contracted following the improvement in exports and domestic spending, together with the low base effect last year that occurred in automotive and petroleum sectors.

Private investment indicators contracted at a slower pace as compared to the previous month, led by investment in machinery and equipment. This was attributed by the gradual recovery of domestic

and external demand as well as the upturn trend in business sentiment. Investment in construction, however, less expanded as construction material sales declined.

The value of merchandise imports dropped by 8.1 percent from the same period last year. Excluding gold, the value of merchandise imports contracted by 6.7 percent. In comparison to the previous month, a smaller contraction was observed in all categories, particularly raw materials, intermediate goods and consumer products, consistent with improvement in overall economic activities.

The number of foreign tourist arrivals continued to severely contract from the same period last year. Thailand received no foreign tourist arrivals for the sixth consecutive months as international travel restrictions remained in place.

On the overall economic stability, headline inflation was more negative mainly due to energy prices from a decrease in domestic retail petroleum prices. Core inflation slightly declined. Labor market somewhat improved but remained vulnerable, as reflected by falling number of workers registered for the temporary suspension of business (section 75), but the number of jobless claims in social security system has remained high. The current account surplus was smaller, compared to the previous month, as gold exports value decreased.

Overall economic activity in the third quarter of 2020 recovered from the previous quarter. The relaxation of lockdown measures in both Thailand and abroad led several economic activities to reactivate. Private consumption indicators bounced back close to the same period last year level after contracted severely in the previous quarter, partly due to the announcement of special long holidays to substitute for Songkran festival that was postponed from April, together with the improvement in household income and consumer confidence. Meanwhile, merchandise exports value excluding gold, private investment indicators and manufacturing production showed lesser contraction. Public spending continued to expand and play an important role in supporting the Thai economy. Nonetheless, the tourism sector contracted sharply due to travel restrictions on foreign tourist arrivals. On the stability front, headline inflation was less negative mainly due to energy prices. Labor market slightly improved but remained vulnerable. The current account registered a surplus mainly from gold exports.

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