



BANK OF THAILAND

BOT Press Release

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No. 64/2019

Press Release on the Economic and Monetary Conditions for September and the third quarter of 2019

In September 2019, the Thai economy continued to be on a decelerating trend. The value of merchandise exports continued to contract, consistent with the economic slowdown of trading partners. Manufacturing production and private investment indicators deteriorated. Private consumption indicators expanded at a similar pace compared with the previous month. Nonetheless, public spending rebounded from capital expenditures. The tourism sector also continued to expand mainly thanks to an increase in the number of Chinese and Indian tourists.

On the stability front, headline inflation edged lower on the back of falling energy prices and core inflation. The seasonally adjusted unemployment rate remained unchanged; however, the number of employed persons continued to decrease. 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** dropped by 1.5 percent from the same period last year. Excluding gold, the value of merchandise exports continued to contract for the eleventh consecutive month at 3.3 percent. This was a result of 1) the economic slowdown of trading partners; 2) the continued downturn in electronic cycle; and 3) the contraction of global crude oil prices. Nevertheless, the value of exports expanded in some categories, including automotive and parts, agro-manufacturing products, and electrical appliances, due to the low base effect and the benefits of substituting exports to the US and China, as well as the relocation of production base to Thailand.

Private investment indicators continued to deteriorate from the same period last year. Investment in machinery and equipment continued to decrease from imports of capital goods, domestic machinery sales, and the number of newly registered motor vehicles for investment. This partly reflected that businesses had sufficient production capacity to accommodate future demand. Meanwhile, investment in construction declined from permitted construction area in almost every purposes, consistent with subdued construction and real estate activities.

Private consumption indicators moderately expanded at a similar pace compared with the previous month, although the government launched the economic stimulus measures to support the purchasing power this month. Spending on services and semi-durable goods grew at a faster pace, offsetting softer growth of spending on non-durable goods and further contraction in spending on durable goods due to lower domestic vehicle sales. Softened spending was in line with weakening fundamental factors from continued contraction in non-farm income, lower consumer confidence, and financial institutions' tightening of credit standards for auto-leasing loans after credit quality deteriorated. **Manufacturing production** consistently contracted following softer domestic and external demand.

Public spending, excluding transfers, slightly rebounded due to the central government's capital expenditures for transportation projects. However, current expenditures fell from purchases on goods and

services. Also, state enterprises' capital expenditures contracted from the disbursement of the Mass Rapid Transit Authority of Thailand (MRTA) and PTT Public Company Limited (PTT).

The value of **merchandise imports** contracted by 4.5 percent from the same period last year. Excluding gold, the value of merchandise imports declined by 3.5 percent due to the contraction of 1) imports of raw materials and intermediate goods, particularly electronic parts consistent with lower production and exports, and crude oil which contracted in both price and volume partly due to the oil refinery shutdown for maintenance and 2) imports of capital goods excluding aircrafts, ships, floating structures, and locomotive, particularly telecommunication equipment and machinery and electric generating sets, in line with private investment indicators. Nonetheless, imports of consumer goods rebounded partly due to the low base effect.

The number of foreign tourist arrivals accelerated to 10.1 percent compared with the same period last year. This was driven by 1) the low base effect from the tour boat incident in Phuket; 2) the exemption of the visa on arrival fee, encouraging more visitors from China, India, and Taiwan; and 3) the political unrest in Hong Kong, persuading some tourists to shift their destination to Thailand. Moreover, tourists from other Asian countries continued to grow such as Laos, Japan, and South Korea.

On the stability front, headline inflation was at 0.32 percent, decelerating from last month on the back of higher contraction in energy prices from the high base effect last year and the deceleration of core inflation following a decline in processed food prices. The seasonally-adjusted unemployment rate was flat; however, the number of employed persons in all non-farm sectors continued to decrease. The current account surplus narrowed, attributed to the smaller trade balance surplus as a result of a decrease in the value of gold exports. The overall capital and financial accounts registered a deficit from the asset position due to investment in short-term debt securities in Japan by the Other Depository Corporations (ODCs) and outward foreign direct investment of Thai investors, particularly in the form of direct loans extended to affiliated companies.

Overall economic activities in the third quarter of 2019 were on the decelerating trend. The value of merchandise exports excluding gold which continued to contract had more impacts on domestic economic activities. Private consumption indicators grew at a slower pace in almost all categories. Consequently, manufacturing production and private investment indicators contracted. Only public spending and the tourism sector continued to expand well, partly due to the low base effect from the tour boat incident in Phuket last year. On the stability front, headline inflation declined on the back of lower domestic retail petroleum prices consistent with global crude oil prices, and the deceleration of core inflation. The seasonally-adjusted unemployment rate slightly increased from the previous quarter from a decline in the number of employed persons. The current account registered higher surplus attributed to trade balance due to an increase in gold exports and high contraction of merchandise imports value. The capital and financial accounts recorded a surplus from the liability position.

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31 October 2019

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