



BANK OF THAILAND



BOT Press Release

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No. 70/2021

Press Release on the Economic and Monetary Conditions for August 2021

In August 2021, the Thai economy continued to be affected by the COVID-19 outbreak both in Thailand and abroad. Private consumption indicators declined despite supportive measures from the government. This was due to the weak household purchasing power and strict containment measures. Merchandise exports decreased in several categories as demand from trading partners softened after the outbreak situation abroad deteriorated. Private investment indicators and manufacturing production also fell following the weak demand while production in some sectors continued to be affected by the supply disruption. Foreign tourist figures declined as a result of the severe outbreak. Nevertheless, public spending continued to expand both in the transfer payments and the current expenditure.

On the economic stability front, headline inflation turned negative as a result of lower fresh food prices and the government's subsidies on tuition fee. Labor market became more vulnerable. The current account posted a larger deficit compared to the previous month mainly due to a smaller surplus in the trade balance.

Details of the economic conditions are as follows:

Private consumption indicators, after seasonal adjustment, continued to decline from the previous month in all spending categories due to the worsening situation of the COVID-19 outbreak and stricter containment measures. As a result, overall economic activities, household income, and consumer confidence deteriorated in spite of government measures which partially supported the household purchasing power.

The value of merchandise exports, after seasonal adjustment, decreased from the previous month due to lower demand from trading partners as the outbreak situation abroad became more severe, and the supply disruption such as a temporary shutdown of factories conforming to containment measures, logistic constraint, and the global shortages of semiconductor. Nevertheless, exports in some categories increased from the previous month such as petroleum-related products and steel. Weak domestic and external demand as well as the supply disruption caused **manufacturing production** to moderate in several categories compared to the previous month.

Private investment indicators, after seasonal adjustment, declined from the previous month in the machinery and equipment category due to low demand and weak business sentiment. However, investment in the construction slightly improved after the relaxation of containment measures in construction sites.

The number of foreign tourist arrivals, after seasonal adjustment, edged down from the previous month and remained low. This was due to the outbreak situation both in Thailand and abroad as well as international travel restrictions that remained in place.

The value of merchandise imports excluding gold, after seasonal adjustment, increased from the previous month. The increase was observed in raw material, intermediate goods, and capital goods categories which partly reflected the sign of recovery in production and exports going forward. However, imports in some categories declined including consumer goods which was consistent with weaker domestic demand while imports of auto parts fell in line with lower production in automotive sector.

Public spending expanded remarkably compared to the same period last year with a slight expansion if transfer payments were excluded. Current expenditures expanded from both compensations of employees and purchases of goods and services. However, capital expenditures continued to contract due to the high base effect from expedited disbursement of the central government last year.

On the stability front, headline inflation turned negative due to lower fresh food prices, which were driven by excessive supply of fruits and vegetables, as well as due to the government's subsidies on tuition fee. Labor market became more vulnerable. The current account posted a larger deficit compared to the previous month mainly from a smaller surplus in the trade balance as merchandise exports softened. On exchange rates, the baht against the US dollar depreciated by a larger degree than most trading partners' currencies due to the worsening situation of the COVID-19 outbreak and stricter containment measures in Thailand.

Bank of Thailand
30 September 2021

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