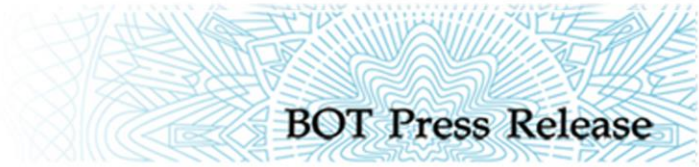




BANK OF THAILAND



BOT Press Release

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No. 65/2021

Press Release on the Economic and Monetary Conditions for July 2021

In July 2021, the impact of the COVID-19 outbreak on the Thai economy became more **apparent**. Private consumption indicators declined as a result of weak household purchasing power and stricter containment measures. Merchandise exports slightly decreased as trading partner's demand softened from a deteriorated outbreak situation in some countries. Private investment indicators and manufacturing production were also affected by lower demand while the impact from supply disruption on production became more apparent in some sectors. Foreign tourist figures slightly improved owing to the Phuket Sandbox. Public spending, including transfer payments, continued to play a role in supporting the economy.

On the economic stability front, headline inflation declined as the low base effect last year diminished and from having the government's subsidies on electricity and water bills this month. Labor market became more vulnerable. The current account posted a smaller deficit compared to the previous month due to a lower deficit in the net services, income and transfers.

Details of the economic conditions are as follows:

Private consumption indicators, after seasonal adjustment, declined from the previous month across 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, slightly decreased from the previous month due to 1) lower demand from trading partners as the outbreak situation abroad became more severe, 2) the global shortages of semiconductor which affected exports in electrical appliances, and 3) clusters of outbreak in the factories which affected agro-manufacturing exports. Nevertheless, exports in some categories continued to increase such as agricultural products, electronic products, and steel.

Private investment indicators, after seasonal adjustment, softened from the previous month in both the machinery and equipment and the construction categories due to lower demand, weaker business sentiment as well as stricter containment measures in construction sites.

Manufacturing production, after seasonal adjustment, dropped from the previous month in several categories especially automotive, petroleum, and construction material following a weak demand. In addition, the global shortages of shipping containers and semiconductor, together with a temporary shutdown of factories conforming to containment measures, continued to affect production in several sectors.

The value of merchandise imports excluding gold, after seasonal adjustment, maintained its level close to the previous month. Imports in some categories increased such as fuels and medical products while some categories declined such as imported vehicles in particular, consistent with weaker domestic demand.

The number of foreign tourist arrivals slightly improved from the previous month owing to the Phuket Sandbox that started this month. However, the foreign tourist figures remained low compared to the normal condition as restrictions in international travel continued.

Public spending expanded compared to the same period last year but remained flat if transfer payments were excluded. Current expenditures expanded from compensation of employees and purchases of goods and services. Meanwhile, capital expenditures contracted due to the high base effect from expedited disbursement of the central government in the same period last year.

On the stability front, headline inflation declined as the low base effect last year diminished and from having the government's subsidies on electricity and water bills this month. Labor market became more vulnerable. The current account posted a smaller deficit compared to the previous month due to a lower deficit in the net services, income and transfers. The trade balance also registered a smaller surplus as merchandise exports softened. On exchange rates, the baht against the US dollar depreciated by a larger degree than most trading partners' currencies as a result of the prolonged COVID-19 outbreak in Thailand.

Bank of Thailand
31 August 2021

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