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Press Release on the Economic and Monetary Conditions for January 2023

In January 2023, the Thai economy improved from the previous month. Private consumption indicators increased on the back of government's stimulus measures. Meanwhile, the value of merchandise exports, excluding gold, performed slightly better, which was in line with development in the manufacturing production and private investment indicators. Activities in the service sector also improved due to domestic tourists despite a slight slowdown in foreign tourist arrivals. Public spending expanded from the same period last year from both current and capital expenditures of the central government.

On the economic stability front, headline inflation declined, following lower inflation rates in energy and fresh food categories, which were partly due to the high base last year. Core inflation also declined but remained elevated. Labor market gradually improved in line with the economic recovery. The current account registered a deficit mainly due to a deterioration in the trade balance despite having a larger surplus in the net service, income, and transfer balance.

Details of the economic conditions are as follows:

Private consumption indicators*, after seasonal adjustment, increased from the previous month in almost all categories. Consumption of services increased thanks to both foreign and domestic tourist expenditures, while consumption of durable goods improved, following a pick-up in delivery of vehicles' backlog orders, especially electric vehicles (EV). Spending on non-durable goods also edged up thanks partly to the government's stimulus measures, while spending on semi-durable goods slightly softened. Overall, household consumption continued to be supported by improving employment figures and consumer confidence.

Private investment indicators*, after seasonal adjustment, picked up from investment in machinery and equipment, following increases in import of capital goods and domestic sales of machinery. Investment in construction, however, declined from both permitted areas for construction and sales in construction material.

The value of merchandise exports, excluding gold and after seasonal adjustment, increased slightly from the previous month in line with improving activities in **the manufacturing**

* For January 2023, private consumption and investment indicators are constructed by using estimated imports data due to a delay in the official release of the international trade data.



sector. In particular, petroleum production resumed after a temporary shutdown of several oil refineries for maintenance in the preceding periods. Manufacturing of food also increased from palm oil thanks to favorable weather conditions. Production in construction material was, however, declined from lower concrete and cement outputs.

The number of foreign tourist arrivals, after seasonal adjustment, was slightly lower compared to the previous month. This was due to lower Indian tourists, which were affected by the Indian government's requirement of the RT-PCR test on those who came back from Thailand. The measure was temporary imposed from January 2023 up to the middle of February 2023. Nevertheless, Chinese tourists, picked up significantly after the Chinese government uplifted its quarantine measure since January 8th, 2023. Tourist figures from other nationalities also increased including tourists from Malaysia and Europe.

Public spending, excluding transfer payment, expanded from the same period last year. The current and capital expenditures expanded from disbursement of pension and medical expenses of public servants as well as spending on infrastructure projects. Investment of state-owned enterprises also expanded from disbursement of utility agencies.

On the stability front, headline inflation declined, following lower inflation rates in energy and fresh food categories, especially meat, which were partly due to the high base last year. Core inflation also fell mainly in prepared food items but remained elevated. Labor market gradually improved in line with the economic recovery as reflected by increases in the number of total contributors to the social security system, which almost reached the pre-COVID level. The current account registered a deficit due to the worsening trade balance, following higher imports of goods. Meanwhile, the net service, income, and transfers balance displayed a larger surplus thanks to improvement in the travel balance. On exchange rates, the baht against the US dollar, on average, appreciated, following a better investors' sentiment regarding the recovery of Thailand's tourism sector due to the faster-than-anticipated reopening of China.

Bank of Thailand

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For further information, please contact: Macroeconomic Unit

Tel: +66 (0) 2283 5639, +66 (0) 2283 5647

E-mail: macroeconomic-epd@bot.or.th