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Press Release on the Economic and Monetary Conditions for July of 2023

In July 2023, the Thai economy continued to recover. Private spending increased in both consumption and investment with consumption being benefited from a long holiday this month. The numbers of foreign tourists, after seasonal adjustment, continued to increase, which supported activities in the service sector. Public spending also expanded from higher capital expenditures. The value of merchandise exports, however, declined mainly from electronics and agricultural products, partly due to weaker trading partners' demands.

On the economic stability front, headline inflation slightly increased from energy inflation, following increases in global crude oil prices. Core inflation and fresh food prices decreased due to the high base last year. The overall labor market condition continued to improve, while the current account turned into a deficit due to a smaller trade surplus.

Details of the economic conditions are as follows:

The number of foreign tourist arrivals, after seasonal adjustment, increased from the previous month in several nationalities, including tourists from Russia, China, Japan, and US. In particular, increases in the number of flights were observed between Thailand and Russia. Nevertheless, tourists from some nationalities such as Australia, Singapore, and Europe, decreased slightly.

Private consumption indicators, after seasonal adjustment, increased from the previous month, especially consumption of services and non-durable goods. Spending on hotels and restaurants, transportation, as well as consumer goods increased in tandem with the higher number of tourists thanks to a long holiday period this month. The factor supporting household spending continued to improve in terms of employment, while consumer confidence decreased slightly as a result of the delay in forming the government coalition.

Private investment indicators, after seasonal adjustment, increased from the previous month. Investment in construction increased following higher sales of construction materials as well as higher permitted area for construction. Investment in machinery and equipment also increased, mainly thanks to higher sales of domestic machinery together with a higher number of registered commercial cars.

Public spending, excluding transfer payments, expanded from the same period last year, mainly due to higher capital expenditures in transportation projects. Current expenditures, on the other hand, stabilized from the same period last year with expansion in expenses of goods and services, while disbursement of compensation for public servants became lowered after being



front-loaded in the preceding period. Investments by state-owned enterprises also contracted due to the high base last year in regard to disbursements of the transportation projects.

The value of merchandise exports, excluding gold and after seasonal adjustment, declined from the previous month, especially in 1) hard-disk drive (HDDs) to Hongkong and US, 2) durian to China after the end of seasonal period, and 3) chemical products to China and ASEAN. However, exports of automotive product increased as the supply constraint abated, while exports of canned food to Euro area and animal feed to China also increased.

Manufacturing production, after seasonal adjustment, increased from the previous month. The production of 1) food and beverages increased due to higher sugar production, 2) automotive increased from commercial cars, and 3) rubber and plastics picked up as tire production started to recover after being subdued in the previous period. Some categories, however, decreased from the previous month, including HDDs, which decreased in line with their delivery cycle, and electrical appliances, which decreased after a good expansion in the preceding period.

The value of merchandise imports, excluding gold and after seasonal adjustment, decreased from the previous month due to lower imports of fuel, especially natural gas, after a rapid expansion in the previous month. Import of raw materials and intermediate goods, excluding fuel, however, increased following a higher import of electronic parts.

On the stability front, headline inflation slightly increased from energy inflation, following increases in global crude oil prices. Meanwhile, fresh food prices declined due to both the high base last year and falling pork and vegetable prices. Core inflation also declined due to the high base of prepared food prices last year. The labor market continued to improve, especially in the service sector, as reflected by increases in the number of insured people in the social security system. The current account registered a deficit with a lower trade surplus due to weak exports of merchandise. In addition, the services, income, and transfers balance also registered a slight deficit. As for exchange rates, the baht against the US dollar, on average, appreciated as the market lowered its expectations of an additional interest rate increase from the US Federal Reserve, while certainties regarding the forming of the Thai government coalition became more apparent towards the end of this month.

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