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

In August 2023, the Thai economy continued to recover on the back of tourist expenditures. Domestic demands, both private consumption and investment, slightly softened after a good expansion in the preceding period. The value of merchandise exports, excluding gold, also declined partly due to the slowdown in trading partners' demands. Manufacturing production remained at a similar level, while public spending expanded from higher current expenditures.

On the economic stability front, headline inflation increased from energy inflation, following an increase in domestic benzene prices. Core inflation and fresh food prices decreased due to lower prepared food and meat prices as supply in the market increased. The labor market condition continued to improve, while the current account registered a surplus from an improvement in the trade balance.

Details of the economic conditions are as follows:

Private consumption indicators, after seasonal adjustment, declined from the previous month mainly from non-durable goods in fuel consumption, after expanding well in the preceding period. Service consumption, however, continued to increase, notably in the hotel and restaurant categories, following an increase in tourist spending from both Thai and foreign tourists. Factors supporting household spending continued to improve as reflected by higher non-agricultural employment as well as improving consumer confidence since the forming of the government coalition became apparent.

Private investment indicators, after seasonal adjustment, decreased from the previous month due to lower investment in machinery and equipment on the back of lower import of capital goods. Nevertheless, investment in construction increased from higher sales of construction materials, while the permitted area for construction declined after expanding well in the previous month.

The value of merchandise exports, excluding gold and after seasonal adjustment, declined from the previous month from lower exports of both agro-manufacturing products and agricultural products. The former was affected by weak trading partner demands, while the latter was due to lower Durian export to China as cultivation period has ended. Nevertheless, export of some categories improved, including petroleum-related products as well as electric appliances.

The value of merchandise imports, excluding gold and after seasonal adjustment, declined from the previous month, following lower imports of raw materials, intermediate goods,



and fuel, especially for electronic parts and crude oil. Imports of consumer goods, however, increased from higher import of electric vehicle (EV) from China.

Manufacturing production, after seasonal adjustment, remained at a similar level. Sectors that exhibited improvement were 1) food and beverages, thanks to higher sugar production, 2) hard disk drives, which was in line with the delivery cycle, and 3) chemical products, from higher fertilizer production. However, production of automobiles became lower in both passenger and commercial cars after being accelerated in the preceding period.

The number of foreign tourist arrivals, after seasonal adjustment, decreased from the previous month mainly due to lower number of Chinese tourists. Nevertheless, tourist arrivals from several nationalities continued to increase, including tourists from Japan, Malaysia, Germany, and Australia. **Tourist expenditure** continued to increase despite lower number of tourist headcount this month, possibly due to higher length of stay of foreign tourists.

Public spending, excluding transfer payments, expanded from the same period last year from higher current expenditures on compensation, pension, and medical expenses for public servants. Capital expenditures, however, contracted due to lower spending from transportation agency, as their disbursement was front-loaded in the preceding period. Investments by state-owned enterprises also contracted due to the high base last year with respect to disbursement of infrastructure and utility projects.

On the stability front, headline inflation increased from energy inflation, following an increase in domestic benzene prices. Core inflation and fresh food prices decreased due to lower prepared food and pork meat prices as supply in the market increased. The labor market condition 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 surplus as trade balance improved, while the deficits in the services, income, and transfers balance remained similar to the previous month. As for exchange rates, the baht against the US dollar, on average, depreciated due to 1) the market expectations of an additional interest rate hike from the US Federal Reserve, 2) depreciation of the Chinese Yuan, following a lower-than-expected of the Chinese economic performance, and 3) lower-than-expected of the Thai economic growth.

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