



No. 02/2024

Press Release on the Economic and Monetary Conditions for December and the Fourth Quarter of 2023

The Thai economy slowed down from the previous quarter. Tourist expenditures and the value of merchandise exports, excluding gold, softened due to the subdued global demand together with structural factors, which negatively affected manufacturing production and private investment. Public spending also contracted from capital expenditures of the central government as well as investment from state-owned enterprises. Nevertheless, private consumption and activities in the service sector continued to improve and remained to be the key driver of the Thai economy.

On the economic stability front, headline inflation declined thanks to government's subsidy on benzene prices as well as lower global crude oil prices. Fresh food prices also declined due to higher output, while core inflation remained at a similar level. Although, the overall labor market conditions continued to improve from the previous quarter, a weaker sign in manufacturing employment was observed. The current account balance registered a lower surplus compared to the previous quarter, mainly from a smaller surplus in the trade balance.

Details of the economic conditions for December relative to the previous month are as follows:

The value of merchandise exports, excluding gold and after seasonal adjustment, remained stable from the previous month. Several export categories decreased due to the subdued global demand, structural factors and the impact from drought. Exports of white rice to Indonesia and South Africa declined, following a lower rice output. Exports of machinery and equipment to Japan and the U.S. also deteriorated. Meanwhile, exports of chemical and petrochemical products continued to decrease as China shifted towards more domestic production as well as due to lower demand from ASEAN countries. Nevertheless, export of some categories improved, including both passenger and commercial vehicles to Australia, diesel to ASEAN, as well as hard disk drives (HDDs) to Hong Kong and China, owing to its delivery cycle.

Manufacturing production index, after seasonal adjustment, continued to decrease in several categories, especially in automotives as financial institutions remained vigilant in providing auto loans as well as due to higher demands for imported electric vehicles. Production in petroleum products and hard disk drives also declined due to a gradual drawdown of inventory. Nevertheless, production of food and beverages increased, thanks to higher sugar production.

Private investment indicators, after seasonal adjustment, decreased from the previous month and were consistent with development in the manufacturing production and merchandise exports. Investment in machinery and equipment softened from lower imports of capital as well as lower numbers of registered commercial cars. Sales of domestic machinery and equipment, however, increased. Investment in construction also edged downward, following lower sales of construction materials, despite a higher outturn of permitted area for construction.



The value of merchandise imports, excluding gold and after seasonal adjustment, declined from the previous month in all major categories, especially in 1) raw materials and intermediate goods, excluding fuel, due to lower imports of electronic parts from Taiwan, 2) fuels from lower imports of crude oil and 3) consumer goods from lower imports of mobile phones and electric vehicles from China, after being accelerated in the preceding period to accommodate the Motor Expo Exhibition 2023.

Private consumption indicators, after seasonal adjustment, were stable from the previous month. Spending in non-durable goods and services increased, which benefited from the government's measures on lower costs of living. Spending in durable goods, however, decreased, especially from sale of passenger cars. Meanwhile, factors supporting household spending continued to improve as reflected by increases in consumer confidence.

The number of foreign tourist arrivals, after seasonal adjustment, increased from the previous month, following a higher number of Asian tourists, especially Chinese tourists, which partly benefited from the visa exemption scheme. However, tourist arrivals from some countries, including tourists from Europe and the U.S., slightly slowed down after a good expansion in the preceding month. **Tourist expenditures** after seasonal adjusted, increased in line with the higher number of foreign tourists.

Public spending, excluding transfer payments, contracted from the same period last year from lower capital expenditures of the central government and lower investments by state-owned enterprises. The former was due to the delay in the disbursement of the 2024 fiscal budget, while the latter was due to a lower disbursement in energy and utility projects. Current expenditures, however, expanded from disbursement by educational agencies as well as spending on pension and medical expenses of public servants.

On the stability front, headline inflation declined from lower fresh food prices as production increased together with lower energy prices thanks to a decline in the global crude oil prices, while core inflation remained at a similar level. The labor market conditions remained stable, but a weaker sign of employment in the manufacturing sector was observed. The current account registered a surplus as trade balance improved, while the net services, income and transfers displayed a smaller deficit. As for exchange rates, the baht against the U.S. dollar, on average, appreciated as the market expected an end to the hiking interest rate cycle of the U.S. Federal Reserve.

Bank of Thailand
31 January 2024

For further information, please contact: Macroeconomic Unit
Tel. +66 (0) 2283 5639, +66 (0) 2283 5647
E-mail: macroeconomic-epd@bot.or.th