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Press Release on the Economic and Monetary Conditions for February 2024

The Thai economy expanded at a slow pace, supported by the service sector which saw a large improvement in both the number of tourists and tourism revenue. Private investment and manufacturing production also improved in some sectors, while private consumption remained stable. Nevertheless, the value of merchandise exports, excluding gold, declined from the previous month as exports in several industries remained sluggish, following a subdued recovery in global demand, a high level of inventory, as well as Thailand's structural factors. Government spending also contracted due to lower both current and investment expenditures.

On the economic stability front, headline inflation became less negative from higher energy prices as benzene prices increased in line with the global crude oil prices. Meanwhile, core inflation slightly decreased from the high base effect of prepared food last year. The labor market remained stable whereby lower manufacturing employment was offset by higher employment in the service sector. In terms of private sector financing, funding from business credits, corporate bonds, and equity increased from the previous month. The current account registered a surplus due mainly to a surplus in trade balance.

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

The number of foreign tourist arrivals and tourism revenue, after seasonal adjustment, continued to increase, especially in number of tourists from 1) China thanks to the exemption of visa requirements and the Chinese New Year festival, 2) Malaysia, which benefited from increases in traveling before fasting activities in the Ramadan period and 3) Japan, which picked up after the previous slow down, together with a long holiday period in Japan.

Private investment indicators, after seasonal adjustment, increased from the previous month. Investment in machinery and equipment expands from higher imports of capital, especially in computers and related machinery. Investment in construction decreased from sales of construction materials. Permitted areas for construction remained stable despite increases in areas for industries and factories, following a higher investment in the industrial estate areas.

The manufacturing production index, after seasonal adjustment, increased from the previous month, partly due to an accelerated production of petroleum after a temporary shutdown of a refinery for maintenance last month. The production of chemicals also increased from rubber and plastics in line with higher exports to China, while the production of food and beverages continued to increase, as well as the output of pet food and alcoholic beverages. Nonetheless, production of automotive contracted in both passenger and commercial cars.

Private consumption indicators, after seasonal adjustment, were stable from the previous month. Spending on services and non-durable goods was partially supported by government measures, including subsidies on energy prices and a tax rebate program. Meanwhile,



spending on durable goods decreased especially in passenger cars category. Overall, consumer confidence continued to increase, thanks partly to the government measures.

The value of merchandise exports, excluding gold, after seasonal adjustment, decreased from the previous month in several categories, especially in 1) electronic products, which saw a lower export in communication equipment to the United States as well as export of integrated circuits and hard disk drives to China and Hong Kong, 2) vehicles from a lower export of commercial vehicles to Australia, and 3) petroleum due to a lower export to ASEAN countries. Nevertheless, exports in some categories improved, which included exports of sugar to ASEAN, solar cells to the United States, and air conditioners to Europe.

The value of merchandise imports, excluding gold and after seasonal adjustment, increased from the previous month, following an increase in the import of capital products, especially computers from Taiwan and machinery from Europe. Additionally, consumer products also increased due to higher imports of textiles and apparel, medical supplies, cosmetics, and foods.

Public spending, excluding transfer payments, contracted from the same period last year from both lower capital and current expenditures by the central government. The former was affected by the delay of the 2024 budget, while the latter was due to the high base last year from the advance disbursement of educational agencies together with disbursement related to electricity cost reduction measures as well as tourism stimulus projects. Investments by state-owned enterprises also contracted due to the high base last year from disbursements in transportation projects.

On the economic stability front, headline inflation became less negative from higher energy prices as benzene prices increased in line with the global crude oil prices. Meanwhile, core inflation slightly decreased from the high base effect of prepared food last year despite a month-on-month increase in some items such as non-alcoholic beverages and food away from home category. The labor market remained stable whereby lower manufacturing employment was offset by higher employment in the service sector. The current account registered a surplus mainly due to a surplus in trade balance. In terms of private sector financing, funding from business credits, corporate bonds, and equity increased from the previous month, which were used for working capital, business expansion and debt repayment. As for exchange rates, the baht against the US dollar, on average, depreciated as the market adjusted their expectations for a delay in lowering interest rate by the US Federal Reserve after the US economic data came out better than expected, while the Thai economic performance was weaker than expected.

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