



No. 17/2024

Press Release on the Economic and Monetary Conditions for March and the First Quarter of 2024

The Thai economy slowed down in March 2024 as domestic demands and tourism sectors softened after expanding well in the preceding periods and partly because the benefits from the Easy E-Receipt campaign dissipated. **Despite this slowdown, the economy showed signs of improvement in the first quarter compared to the previous one. But the overall growth was likely to remain low on a year-on-year basis.** The tourism sectors continued to be the main driver of economic activity within the service sectors, leading to increased employment. Private investment also increased, particularly in new industries and services. On the other hand, exports and manufacturing production remained stagnant due to weak global demand and structural factors that suppressed production. Private consumption declined, particularly in durable goods, despite an improvement in non-durable goods. Government spending also contracted due to the delay of the 2024 budget.

On the economic stability front, in March, headline inflation was less negative due to higher fresh food inflation, as the high base effect diminished in conjunction with increases in vegetable and fruit prices. Energy inflation also increased, following increases in benzene prices in line with the global crude oil prices. Meanwhile, core inflation decreased due to a high base effect and a decline in personal goods prices due to several promotional campaigns. The current account showed a smaller surplus due to a lower trade surplus. The labor market slightly improved, but employment in the manufacturing sector warranted close monitoring. **On a quarterly basis, headline inflation in the first quarter** declined from both fresh food and energy categories. The current account registered a higher surplus thanks to higher travel receipts. The labor market condition slightly deteriorated, mainly due to lower employment in the manufacturing sector.

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

The number of foreign tourist arrivals and tourism revenue, after seasonal adjustment, decreased due to lower Muslim tourists, particularly tourists from Malaysia and the Middle East, after entering the Ramadan fasting season. In addition, Chinese tourists also declined after a notable influx during the Chinese New Year festival in the previous month.

Private consumption indicators, after seasonal adjustment, decreased from the previous month after expanding well in the preceding periods. Particularly, spending on non-durable goods softened as the Easy E-Receipt campaign came to an end. Spending on durable goods, especially vehicles, deteriorated partly due to a vigilant lending by financial institutions. Spending on services also declined following acceleration in the preceding periods. At the same time, consumer confidence continued its recovery, but concerns about the living cost escalated in line with higher benzene prices.



Private investment indicators, after seasonal adjustment, decreased from the previous month. Investment in machinery and equipment declined, due to lower capital goods imports and numbers of registered commercial vehicles. Investment in construction continued to decrease, attributed to lower sales of construction materials. Permitted areas for construction, however, increased in all categories, especially permitted areas for industries and factories, as well as commercial buildings.

The manufacturing production index, after seasonal adjustment, decreased in several categories. Automotive and construction material production continued to decline due to subdued domestic demand. Sugar production fell because of the draught led to a lower sugarcane harvest. Moreover, several products decreased after an acceleration in the previous periods. These included dairy products, which increased production ahead of a price rise, and chemical fertilizers. However, production of electronic circuits and components was steady compared to the previous month.

The value of merchandise exports, excluding gold, after seasonal adjustment, picked up after declining in the previous month in several categories, particularly: 1) vehicle and parts, due to exports of commercial vehicles to Australia and the Middle East as well as exports of tires to the U.S., 2) petroleum exports to Vietnam and Malaysia, and 3) chemical and petro-chemical products exports to India and China. Nevertheless, exports of metal to Australia, Philippines, and Singapore declined after performing well in the previous month.

The value of merchandise imports, excluding gold and after seasonal adjustment, increased from the previous month, following an increase in the import of raw materials and intermediate goods, including crude oil, natural gas, and electronic parts. The import of computers was also contributed to a higher import of capital goods. However, imports of consumer products declined, mainly due to lower imports of jewelry and furniture.

Public spending, excluding transfer payments, contracted from the same period last year. Capital expenditure of the central government contracted sharply due to the delay of the 2024 budget. Current expenditure also contracted as the budget allocated to educational agencies was delayed, together with a high base effect from spending related to the 2023 general election. Investments by state-owned enterprises also contracted owing to lower disbursement in transportation and infrastructure projects.

On the economic stability front, headline inflation was less negative due to higher fresh food inflation, as the high base effect diminished in conjunction with increases in vegetable and fruit prices. Energy inflation also increased, following increases in benzene prices in line with the global crude oil prices. Meanwhile, core inflation decreased due to a high base effect and a decline in personal goods prices due to several promotional campaigns. Prices of some food items, however, increased such as non-alcoholic beverages and food away from home. The labor market conditions improved in both manufacturing and service sectors. The current account registered a smaller surplus mainly due to a lower trade surplus, while the services, income, and transfers recorded a small surplus, close to the previous month. In terms of private sector financing, the outstanding of business funding declined from previous month mainly due to lower corporate bond funding in the food and beverage businesses as many of their bonds reached maturity and part of them had been previously financed. As for exchange

rates, the baht against the U.S. dollar, on average, depreciated as the market anticipated that the U.S. Federal Reserve would leave the interest unchanged for longer. Moreover, the exchange rate was also affected by the geopolitical concerns in the Middle East and the lower-than-expected economic performance of Thailand.

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30 April 2024

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