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Press Release on the Economic and Monetary Conditions for January 2024

The Thai economy showed signs of improvement from the previous month, but the overall economic expansion remained slow. The value of merchandise exports, excluding gold, increased after contracting from the previous month. Manufacturing production contracted at a lower rate on the year-on-year basis but production in several industries remained sluggish, following a subdued recovery in the global demand, high level of inventory as well as structural factors, which suppressed production. As for domestic demand, private investment gradually improved, while private consumption and activities in the service sector continued to expand thanks to an improvement in tourism revenue. Government spending, however, contracted due to lower expenditures of the central government.

On the economic stability front, headline inflation decreased in all major categories, especially fresh food prices, following lower prices in fruits and vegetables as a result of higher output. Energy prices also decreased due to the high base last year. In addition, core inflation slightly decreased from the high base effect of prepared food last year. The labor market deteriorated with lower employment in the manufacturing sector, especially those related to exports, and in some service sectors. The current account registered a deficit as trade balance deteriorated despite having a surplus in the services, income, and transfers.

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

The value of merchandise exports, excluding gold, after seasonal adjustment, increased from the previous month in several categories, especially 1) agricultural products, following a higher export of white rice to Indonesia, which partly benefited from export restriction of rice in India, 2) electronic products, from a higher export of communication equipment to Hong Kong and the European Union, and 3) chemical products and chemicals, following a higher export to India and Japan, despite a lower petrochemical export to China. Exports in some categories, however, declined which included passenger cars and commercial vehicles to ASEAN countries, particularly to Vietnam and Malaysia. Similarly, exports of diesel to ASEAN and components of solar cell to the United States also declined.

The manufacturing production index displayed a lower contraction rate on the year-on-year basis. Production in automotive contracted but saw some improvement in delivery of passenger car, while production in petroleum was affected by a temporary shutdown of a refinery for maintenance. Nevertheless, production in some categories expanded on the year-on-year basis, including food and beverages with higher sales of non-alcohol beverages, as well as rubber and plastics, which saw inventories of trading's partner ran down.

Private investment indicators, after seasonal adjustment, increased after contracting in the previous month. Investment in machinery and equipment expands from higher imports of capital, while investment in construction increased from both permitted areas for



construction and sales of construction materials. In particular, the increases were driven by areas for industries and factories, which reflected a continuous demand for investment.

**The value of merchandise imports**, excluding gold and after seasonal adjustment, continued to decline from the previous month, following a decrease in fuel imports, especially natural gas, both in terms of quantity and price. Imports of consumer products also declined due to lower imports of medical supplies, fruits, and vegetables as well as electric cars from China.

**Private consumption indicators**, after seasonal adjustment, were stable from the previous month. Spending on services and non-durable goods were partially supported by government measures, including subsidies in energy prices and a tax rebate program. Meanwhile, spending on durable goods also increased from higher sales of passenger cars. Overall consumer confidence continued to increase thanks partly to government measures.

**The number of foreign tourist arrivals**, after seasonal adjustment, continued to increase especially from Laos, Europe excluding Russia, and India. However, tourists from China and Malaysia slightly slowed down, partly in anticipation of travelling during the Chinese New Year festival in February. **Tourism revenue**, after seasonal adjustment, also increased significantly compared to the previous month thanks to higher headcounts, and improvement in the average length of stay which was in line with a higher portion of long-haul to short-haul tourists.

**Public spending**, excluding transfers, contracted from the same period last year from lower capital expenditures of the central government, following the delay of the 2024 budget, and from lower current expenditures due to lower disbursement of educational agencies compared to last year. Nevertheless, investments by the state-owned enterprises expanded, and were driven by disbursements in transportation and energy projects.

**On the economic stability front**, headline inflation decreased in all major categories, especially fresh food prices, following lower prices in fruits and vegetables as their output increased, as well as lower prices in chicken eggs and rice. Energy prices also decreased due to the high base last year. In addition, core inflation slightly decreased from the high base effect of prepared food last year even though the prices of prepared food and personal care items increased from the previous month. The labor market deteriorated with lower employment in the manufacturing sector, especially those related to exports, and in some service sectors. The current account registered a deficit as trade balance deteriorated despite having a surplus in the services, income, and transfers. As for exchange rates, the baht against the US dollar, on average, depreciated as the market adjusted their expectations for a delay in accommodative stance by the US Federal Reserve after a better outturn in the US economic performance.

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