



BANK OF THAILAND



BOT Press Release

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Press Release on the Economic and Monetary Conditions for September and the third quarter of 2021

In September 2021, the Thai economy began to edge up from the previous month thanks to the relaxation of the COVID-19 containment measures. As a result, private consumption and private investment indicators improved. Merchandise exports slightly increased as demand from trading partners recovered. Manufacturing production increased in several sectors due to improvement in both the domestic and external demands while the supply disruption problems such as a temporary shutdown of factories began to resolve. Public spending continued to support the economy through current expenditure and transfer payment. Nevertheless, foreign tourist figures remained low.

On the economic stability front, headline inflation increased as the government's subsidies on electrical and water bills came to an end, together with the price increase in domestic retail oil prices following the rising trend of global crude oil prices. Labor market slightly improved in line with the economic activities, but remained vulnerable. The current account registered a smaller deficit compared to the previous month mainly due to a larger surplus in the trade balance.

Details of the economic conditions are as follows:

Private consumption indicators, after seasonal adjustment, increased from the previous month in almost all spending categories due to 1) the gradual relaxation of the containment measures and a good progress on vaccination which helped boost the overall economic activities, household income, and consumer confidence, 2) the pent-up demand, and 3) government measures which continued to support household purchasing power.

Private investment indicators, after seasonal adjustment, increased from the previous month. Investment in the machinery and equipment increased in line with the improved demand and business sentiment. Meanwhile, investment in the construction continued to increase after the relaxation of containment measures in construction sites since the end of July 2021.

The value of merchandise exports, after seasonal adjustment, slightly increased from the previous month in several categories. This was due to the recovery of trading partners' demand after the outbreak situation abroad subsided while manufacturing production in Thailand resumed from the previous setback.

Manufacturing production, after seasonal adjustment, increased from the previous month in almost all categories due to the recovery in demand while problems of temporary shutdown of factories began to resolve. Nevertheless, the global shortages of semiconductor and shipping containers continued to affect manufacturing production, particularly in automotive, electrical appliances, and food and beverages sectors.

The value of merchandise imports, after seasonal adjustment, declined from the previous month after accelerating in the preceding periods, especially for imports of raw material and intermediate

goods. Moreover, imports in some categories decreased such as machinery and equipment as well as auto parts.

Public spending continued to play a role in supporting the economy. Current expenditure continued to expand compared to the same period last year from compensations of employees and purchases of goods and services. However, capital expenditures contracted due to the high base effect which resulted from expedited disbursement of the central government last year.

The number of foreign tourist arrivals, after seasonal adjustment, declined from the previous month and stayed low as the outbreak situation both in Thailand and abroad remained uncertain. Also, international travel restrictions in many countries remained in place.

On the stability front, headline inflation increased as the government's subsidies on electrical and water bills came to an end, together with the price increase in domestic retail oil prices following the rising trend of global crude oil prices. Labor market remained vulnerable but showed signs of improvement in line with the overall economic activities. This was reflected by labor movement to industrial areas along with improvement in sentiment of the self-employed group. The current account registered a smaller deficit compared to the previous month mainly due to a larger surplus in the trade balance. On exchange rates, the baht against the US dollar, on average, was flat from the previous month.

The Thai economy in the third quarter of 2021 was severely affected by the COVID-19 outbreak and strict containment measures. After seasonal adjustment, private consumption indicators declined from the previous quarter due to weak household purchasing power, despite supports from the government measures. Merchandise exports decreased due to the intensified outbreak situation abroad which undermined demand from trading partners. Meanwhile, private investment indicators and manufacturing production declined due to weak demand while production in some sectors were affected by the supply disruption problem. Nevertheless, foreign tourist figures increased after the opening of tourism sandbox scheme in July 2021. Public spending expanded compared to the same period last year. On the stability front, headline inflation declined as the low base effect last year of energy prices diminished. Labor market became more vulnerable. The current account registered a deficit at a level close to the previous quarter.

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