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Press Release on the Economic and Monetary Conditions for March and the First Quarter of 2023

In March 2023, the Thai economy slowed down compared to the previous month. The value of merchandise exports excluding gold declined from the previous month, which was in line with weaker manufacturing production and private investment. Private consumption remained stable after durable goods had a good expansion in the preceding period. However, activities in the service sector continued to improve, following a good outturn in the number of Thai and foreign tourists. Spending of the central government also expanded from both current and investment expenditures.

On the economic stability front, headline and core inflation declined due to the high base last year together with lower domestic retail oil prices which moved in line with the global oil prices. Fresh food prices also declined due to increased supply. The labor market improved consistent with the economic recovery, while the current account registered a larger surplus thanks mainly to improvement in the trade balance.

Details of the economic conditions are as follows:

The value of merchandise exports, excluding gold and after seasonal adjustment, decreased from the previous month in several categories, especially exports of agro-manufacturing products and machinery to the US. Export in some categories, however, continued to increase, such as electronic products and agricultural products. The former was due to exports of hard disk drives (HDDs) to the US, which picked up in line with its production and delivery cycle. The latter was due to a good export in durian to China.

Manufacturing production, after seasonal adjustment, also declined from the previous month in several categories, especially in food and beverages after expanding well in the preceding period. Production in electronics component also reduced due to weaker trading partners' demands and inventories remained high. Nevertheless, production in some categories increased such as pickup truck, as well as hard disk drive, which saw a good production in larger types of storage and was in line with increasing exports.

The value of merchandise imports, excluding gold and after seasonal adjustment, decreased due to lower imports of crude oil after a surge in the previous period. Import value of natural gas also declined mainly due to lower price. Meanwhile, imports of consumer goods, raw materials, and intermediate goods increased compared to the previous month.



Private investment indicators, after seasonal adjustment, decreased from the previous month. Investment in machinery and equipment softened mainly due to lower sales of domestic machinery and a decline in registered commercial cars. Investment in construction also decreased following a lower outturn of permitted area for construction, despite higher sales of construction materials. This was in line with subdued demand in both high-rise and low-rise residential buildings.

Private consumption indicators, after seasonal adjustment, was stable from the previous month. Spending in service sectors continued to increase in line with increasing numbers of Thai and foreign tourists. However, consumption of durable goods declined due to lower sales of passenger cars after a good performance in the preceding period. Nonetheless, factors supporting household spending continued to improve both in terms of employment and consumer confidence.

The number of foreign tourist arrivals, after seasonal adjustment, increased from the previous month mainly due to the recovery of Chinese tourists after China allowed group tours to travel to Thailand. Tourists from Europe (excluding Russia) and Malaysia continued to pick up, while tourists from some countries decreased, especially those from the Middle East, due to the Ramadan period.

Public spending, excluding transfer payments, expanded from the same period last year from both current and capital expenditures by the central government. The current expenditures expanded from disbursement of compensation for public servants and expenses related to election management, while the capital expenditures expanded mainly from disbursement in transportation projects. For state-owned enterprises, investment expenditures contracted due to the high base last year.

On the stability front, headline inflation declined in both energy and raw food categories due to the high base last year, as well as a decrease in raw food prices, following increased supply. Core inflation also decreased especially in processed food category due to the high base last year. Labor market continued to improve to a level close to the pre-COVID-19 pandemic, as reflected by increasing number of insured persons in the social security system. The current account registered a surplus thanks to improvement in the trade balance, while the net services, income, and transfers account registered a smaller surplus. In terms of exchange rates, the baht against the US dollar, on average, depreciated, following a shift in market expectations towards a tighter monetary policy by the US Federal Reserve in early March. During the second half of the month, however, the baht against the US dollar became volatile due to concerns over financial institution problems in the US and Europe.

In the first quarter of 2023, the Thai economy continued to improve from the previous quarter, mainly driven by improvement in both foreign and Thai tourists which bolstered services and private consumption. The value of merchandise export increased in line with manufacturing production and private investment. Public expenditure also expanded from the previous year from both current and capital expenditures, while investment expenditures of state-owned enterprises contracted from the same period last year. On the economic stability front, headline and core inflation decreased mainly due to the high base effect from last year. Labor market improved in line with the economic recovery. The current account recorded higher surplus due to an increase in tourism revenue, while surplus in the trade balance remained close to the previous quarter.

Bank of Thailand

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For further information, please contact: Macroeconomic Unit

Tel. +66 (0) 2283 5639, +66 (0) 2283 5647

E-mail: macroeconomic-epd@bot.or.th