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Press Release on the Economic and Monetary Conditions for September and the Third Quarter of 2023

**In September 2023, the Thai economy continued to recover.** Activities in the tourism sector continued to increase in line with the numbers of foreign tourists, while merchandise exports, excluding gold, also increased in several categories. Manufacturing production, however, remained at a similar level. Private spending softened in both consumption and investment after a good expansion in the preceding period. Public spending also contracted from both current and capital expenditures.

**On the economic stability front,** headline inflation declined in all major categories. Fresh food prices decreased due to lower fruit, vegetable, and meat prices as supply increased. Energy inflation also declined thanks to the government subsidies, which reduced electricity and diesel prices. Core inflation decreased from lower prepared food prices. The labor market conditions continued to improve, while the current account registered a surplus mainly due to an improvement in the trade balance.

Details of the economic conditions are as follows:

**The number of foreign tourist arrivals,** after seasonal adjustment, increased from the previous month in almost all nationalities, especially tourists from 1) South Korea and India, which had long public holidays, 2) Middle East and Europe, which increased after a slowdown in the previous period, and 3) China, which partly benefited from the visa exemption scheme towards the end of the month. **Tourist expenditures** continued to increase, which were consistent with higher numbers of tourist and the occupancy rate.

**The value of merchandise exports,** excluding gold and after seasonal adjustment, increased from the previous month in several categories. These included 1) jewelry exports to Hong Kong, which benefited from the jewelry exhibition, 2) agricultural products, following an increase in rice exports to South Africa and Benin, and 3) agro-manufacturing products, due to an improvement in palm oil exports to India as well as tapioca starch exports to China. Nevertheless, export of some categories declined such as automobiles and electrical appliances.



**The value of merchandise imports**, excluding gold and after seasonal adjustment, increased from the previous month in all major categories, especially 1) raw materials and intermediate goods from fuels, electronic parts, and metals, 2) capital goods from computer imports to support demand in the digital industry and 3) consumer goods from imports of mobile phones and electric vehicles, after the launch of new products.

**Manufacturing production index**, after seasonal adjustment, remained at a similar level. Food and beverages improved in line with sugar production from higher sugar prices. Hard disk drives increased in line with the delivery cycle. Rubber and plastic increased following a higher production in rubber blocks and rubber bands. However, production of automobiles decreased from a lower output in pickup truck as financial institutions remained vigilant in providing auto loans. Petroleum production also decreased due to the temporary shutdown of refinery maintenance.

**Private investment indicators**, after seasonal adjustment, decreased from the previous month. Investment in machinery and equipment decreased from lower pickup truck registrations and lower sales of domestic machinery. The former was in line with the subdued activities in the manufacturing sector, while the latter was due to lower sales of the electric motor and power-generating machine. In addition, investment in construction also declined from lower sales of construction materials as well as lower permitted area for construction, especially areas for housing and commercial purposes.

**Private consumption indicators**, after seasonal adjustment, declined from the previous month from lower spending in non-durable goods such as consumer products and fuels, after expanding well in the previous period. Service consumption, however, continued to increase, notably in the hotel and restaurant categories, which was in line with increases in number of foreign tourists. Factors supporting household spending continued to improve as reflected by improvement in employment and consumer confidence.

**Public spending**, excluding transfer payments, contracted from the same period last year from both current and capital expenditures. The former was in line with lower disbursements in purchasing goods and services, while the latter was due to lower disbursements from transportation agencies, which had already front-loaded its spending in the earlier period. Investments by state-owned enterprises also contracted due to lower disbursement in transportation projects.

**On the stability front,** headline inflation declined in all major categories. Fresh food prices decreased from vegetable, fruit, and meat prices as supply increased. Energy inflation also declined thanks to government subsidies, which reduced electricity and diesel prices. Core inflation slightly decreased due to lower prepared food prices. The labor market conditions continued to improve, as reflected by increases in the number of insured people in the social security system in both the service and manufacturing sectors. The current account registered a surplus as trade balance improved, while the deficits in the services, income, and transfer balance became smaller, following a decline in the intellectual properties payments. As for exchange rates, the baht against the US dollar, on average, depreciated due to 1) adjustment of the market expectation that the US interest rate will likely stay high for a certain period, 2) the depreciation of Chinese Yuan as the Chinese economy remained weak and 3) market participants awaiting for details on government stimulus measures.

**In the third quarter of 2023,** the Thai economy continued to expand from the previous quarter on the back of private consumption as well as recovery in the service sector, which improved in line with the number of Thai and foreign tourists. The merchandise exports, excluding gold, slightly increased from automobile and petroleum exports, which were consistent with activities in the manufacturing sector. However, private investment decreased from lower investment in machinery and equipment, after accelerating in the preceding period. Public spending also contracted in both current and capital expenditures. On the economic stability front, headline inflation decreased from lower fresh food prices and lower core inflation, while energy inflation increased due to higher benzine prices. The labor market continued to improve. The current account registered a surplus thanks to an improvement in the trade balance and lower deficit in the net service, income, and transfer balance, following a lower profit remittances and service payments.

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