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Press Release on the Economic and Monetary Conditions for October of 2023

In October 2023, the Thai economy continued to recover on the back of **domestic demand**, driven by private consumption and investment. However, activities in service sector slowed down, following lower numbers of both Thai and foreign tourists. In addition, the value of merchandise exports, excluding gold, declined after a good expansion in the preceding period and was in line with the manufacturing production. Meanwhile, public spending contracted from lower capital expenditures.

**On the economic stability front**, headline inflation declined from lower energy and fresh food prices due to government subsidies on diesel, lower benzene prices as well as the high base last year in fresh food prices. Meanwhile, core inflation remained stable from the previous month. The labor market conditions continued to improve. The current account registered a lower surplus, following a smaller 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 categories, except spending in services, which softened from lower spending in the hotel and restaurant category. This was in line with the lower number of Thai and foreign tourists. Nevertheless, increases in consumption continued to be supported by improvement in employment and consumer confidence.

**Private investment indicators**, after seasonal adjustment, improved from the previous month. Investment in machinery and equipment increased from higher sales of domestic machinery as well as higher imports of capital, while registrations of commercial vehicle remained flat from the previous month. Investment in construction also improved from increases in both permitted area for construction and sales of construction materials.

**The number of foreign tourist arrivals**, after seasonal adjustment, decreased from the previous month from lower Russian tourists after a good expansion in the preceding periods, while Malaysian tourists postponed their trips to November as additional holidays were announced for that month. Nevertheless, tourist arrivals from several nationalities continued to increase, including tourists from China, partly due to visa exemption scheme, and tourists from Europe, especially the UK and Germany. **Tourist expenditures** softened and were consistent with lower numbers of tourist and the occupancy rate.

**The value of merchandise exports**, excluding gold and after seasonal adjustment, decreased from the previous month in several categories. These included 1) jewelry exports to Hong Kong, which accelerated last month due to jewelry exhibition, 2) electronics products due to lower exports of hard disk drive, following its delivery cycle, as well as lower exports of



integrated circuit to the U.S. and Hong Kong, and 3) agricultural products, due to lower fruit exports to China. Nevertheless, export of some categories improved such as automobiles to Australia and petroleum to ASEAN.

**The value of merchandise imports**, excluding gold and after seasonal adjustment, decreased from the previous month in several categories, especially 1) fuels from lower imports of crude oil, 2) consumer goods from lower imports of electric vehicle and 3) capital goods due to lower imports of computers after a good expansion in the preceding period. Import of raw material and intermediate goods, however, continued to increase from the previous month from electronic parts.

**Manufacturing production index**, after seasonal adjustment, decreased in several categories after an edge up in the preceding period. These included 1) food and beverages due to lower sugar production, 2) hard disk drive, owing to its delivery cycle and 3) chemical products, following a lower production in plastic and synthetic rubber. Production of petroleum, however, increased from the previous month thanks to the resumed production after a temporary shutdown of oil refineries for maintenance in the preceding periods.

**Public spending**, excluding transfer payments, contracted from the same period last year mainly from capital expenditures of central government due to the delay in revision of 2024 fiscal budget. Meanwhile, current expenditures expanded from disbursement of pension and medical expenses of public servants as well as spending of educational agencies. Investments by state-owned enterprises also expanded due to higher disbursement in transportation and utility projects.

**On the stability front**, headline inflation declined from lower energy and fresh food prices. The former was due to government subsidies for diesel prices as well as lower benzene prices, following the lower global crude oil prices. The latter was due to the high base last year in vegetable prices. Core inflation remained at a similar level from the previous month. The labor market conditions continued to improve, as reflected by increases in the number of insured persons in the social security system. The current account registered a smaller surplus mainly due to a lower surplus in the trade balance. As for exchange rates, the baht against the US dollar, on average, depreciated due to adjustment of the market expectation that the US interest rate will likely stay high for a certain period as well as the uncertainty of the impact from the conflict between Israel and Hamas.

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