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Press Release on the Economic and Monetary Conditions for August 2024

The overall Thai economic activity remained at a similar level compared to the previous month. Private consumption slightly increased, mainly in non-durables. Merchandise exports improved across several categories, although some of these improvements were temporary. Government spending expanded, driven by both current and investment expenditures from the central government, as well as investments by state-owned enterprises. However, the tourism sector slowed down due to a decrease in foreign tourist arrivals, following a period of good expansion. Meanwhile, private investment declined, particularly in machinery and equipment. Industrial production also contracted, partly due to accelerated activity in the previous period and high inventory levels across several categories.

On the economic stability front, headline inflation decreased from the previous month, mainly due to lower energy inflation, driven by both the high base effect from last year and the decline in gasoline prices in line with global oil prices. However, core inflation increased, primarily due to higher prices of prepared food. The current account registered a larger surplus from an improvement in the trade balance as a result of lower imports, while the deficit in the services, income, and transfers slightly widened from the previous month. Labor market conditions improved overall, supported by higher employment in both the manufacturing and services sectors.

Details of the economic conditions in August 2024 compared to the previous month are as follows:

Private consumption indicators, after seasonal adjustment, slightly increased from the previous month, driven by higher spending on non-durables, particularly fuel as gasoline prices declined. Spending on durable goods contracted, as reflected by lower sales of passenger cars and pickup trucks, as well as fewer new motorcycle registrations. Spending in the service category also slightly decreased, consistent with the decline in the number of tourists. Consumer confidence continued to decline, reflecting concerns over high living costs, sluggish economic growth, and the flood situation.

The value of merchandise exports, excluding gold and after seasonal adjustment, increased from the previous month across several categories. This improvement was partly due to accelerated exports of agricultural and agro-manufacturing products to trading partners experiencing supply shortages, particularly rubber and sugars, which saw higher exports to India and Cambodia, respectively. Additionally, automotive exports to the Middle East accelerated due to the delivery cycle of some exporters. However, exports in certain categories declined from the previous month, including solar cells to the U.S., which were impacted by trade retaliation measures, and petroleum to China, following a surge in the previous period.

Government spending, excluding transfers, expanded from the same period last year, driven by both current and investment expenditures by the central government. Current expenditures increased due to disbursements for pensions, medical expenses, and compensation of public servants. Investment spending expanded due to disbursements for



transportation and irrigation infrastructure projects. Investment by state-owned enterprises also increased, mainly driven by infrastructure and transportation projects.

The number of foreign tourists, after seasonal adjustment, decreased from the previous month, particularly those from China and Malaysia, following strong arrivals in previous periods. However, the number of tourists from certain countries, such as Japan and India, increased. Tourism revenue, after seasonal adjustment, remained stable from the previous month, primarily due to higher spending per trip.

Private investment indicators, after seasonal adjustment, decreased, particularly in machinery and equipment, as reflected by lower imports of capital goods, a decline in sales of domestic machinery and equipment, and fewer registrations of commercial vehicles. Construction investment, however, increased slightly due to higher sales of construction materials, particularly concrete blocks and precast concrete slabs, while the permitted area for residential construction decreased. Business confidence in investment remained stable from the previous month.

The value of merchandise imports, excluding gold and after seasonal adjustment, decreased from the previous month across all major categories. This included lower imports of 1) raw materials and intermediate goods, particularly fuel and electronic components from Taiwan, 2) capital goods excluding aircraft, mainly computer imports from Taiwan after a strong import in the previous period, and 3) consumer goods, notably mobile phones from China and Vietnam as well as pharmaceutical products, which had accelerated in the previous month.

The manufacturing production index, after seasonal adjustment, contracted from the previous month, driven by declines in 1) the automotive sector, especially the production of pickup trucks and passenger cars for the domestic market, 2) the rubber and plastic sector, particularly rubber gloves, which had accelerated in the previous month, and 3) the electrical appliance sector, following a period of good expansion due to hot weather. In addition, inventory levels in several product categories remained high. Nevertheless, production of certain goods, such as canned fish and sugar, increased from the previous month, mainly for export.

Regarding economic stability, headline inflation decreased from the previous month, largely due to lower energy inflation, driven by both the high base effect from last year and lower gasoline prices in line with global oil prices. However, core inflation increased, particularly in food category, as prices of prepared food continued to rise. Labor market conditions improved overall, with higher employment in both the manufacturing and service sectors, in line with a decline in the ratio of jobless claims to total insured persons in the social security system. The current account registered a larger surplus due to an improvement in the trade balance resulting from lower imports, while the deficit in services, income, and transfers widened slightly from the previous month, driven by higher intellectual property-related expenses. As for private sector financing, the outstanding amount of business funding decreased from the previous month due to lower bond issuance in the petrochemical and construction sectors, following a large issuance in the preceding period, and as businesses awaited clarity on the direction of interest rate. Meanwhile, net business loans declined, particularly in the manufacturing, utilities, and construction sectors. However, business financing through the equity market increased slightly, particularly for large corporates in the

transportation and construction sectors. As for exchange rates, the baht appreciated against the U.S. dollar on average, due to 1) an upward adjustment in market expectations for policy rate cuts by the U.S. Federal Reserve, owing to weaker-than-expected U.S. economic and inflation data, 2) the appreciation of regional currencies, particularly the Japanese yen, following a higher-than-expected interest rate hike by the Bank of Japan, and 3) upward pressures from rising gold prices.

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