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Press Release on the Economic and Monetary Conditions for September and the Third Quarter of 2024

In the third quarter, the Thai economy expanded from the previous quarter. However, in September, economic activities slowed down as exports of goods declined after a strong growth in the previous month. Private consumption also declined, particularly in durables, consistent with a decrease in manufacturing production, while private investment was stable. Nonetheless, foreign tourism receipts improved. Government spending also expanded, driven by both current and investment expenditures by the central government, while investment expenditures by state-owned enterprises contracted, primarily in rail transport projects.

On the economic stability front, in September, headline inflation increased across all major categories from the previous month. Energy inflation rose due to a low base effect from last year, which had benefited from government subsidies, while fresh food prices increased due to higher vegetable prices. Core inflation also increased, driven by higher prepared food prices. The current account surplus narrowed as the deficit in services, income, and transfers widened, primarily due to lower tourism revenue during the off-season and higher profit repatriation by foreign businesses, while the trade balance surplus remained unchanged. The labor market condition was stable from the previous month. Employment in tourism-related services improved, while the construction and trade sectors weakened, consistent with a slight increase in the ratio of unemployment claims to total insured persons.

Details of the economic conditions for September relative to the previous month are as follows:

The value of merchandise exports, excluding gold and after seasonal adjustment, declined in several categories, particularly in 1) automotive, with lower exports of passenger cars and pickup trucks to ASEAN and Australian markets, 2) agricultural and agro-manufacturing products, following strong exports in the previous month due to supply shortages in trading partner countries, especially rubber to India and sugar to Cambodia, and 3) chemicals and petrochemical products, driven by a continued decline in petrochemical exports to China. However, exports of electronic circuit boards increased, due to rising exports to ASEAN markets, following an improving trend in imports of electronic components.

The value of merchandise imports, excluding gold and after seasonal adjustment, increased in all major categories, including 1) raw materials and intermediate goods, driven by imports of electronic parts and electrical appliances from Taiwan, as well as imports of crude oil and petroleum products, 2) capital goods, excluding aircraft, mainly from computer imports from Taiwan, and 3) consumer goods, led by imports of mobile phones from China and pharmaceutical products.

Private consumption indicators, after seasonal adjustment, declined across several categories. Spending on durables contracted significantly, as reflected by lower sales of passenger cars and pickup trucks, partly due to vigilant lending by financial institutions for auto loans. Spending on non-durables also declined, primarily in fuel consumption. However, sales in consumer goods excluding alcoholic beverages increased, partly benefiting from the recent stimulus program (10,000-baht cash handouts). Meanwhile, spending in the services category remained stable. The consumer confidence index continued to decline due to concerns over the flood situation, high living costs, and subdued economic growth.

The manufacturing production index, after seasonal adjustment, decreased from the previous month, particularly due to lower production of passenger cars and pickup trucks for the domestic market. Food and beverages production also declined, following a reduction in palm oil production due to a shortage of raw materials, as well as lower production of animal feed due to slower demand from trading partners. However, petroleum production increased as inventories were restocked from a low level in the previous month.

Private investment indicators, after seasonal adjustment, remained stable from the previous month. Investment in machinery and equipment increased, driven by higher imports of capital goods, including mobile phones, computers, and general-purpose machinery. Domestic sales of machinery and equipment were stable, while commercial vehicle registrations slightly declined. Investment in construction, however, decreased primarily due to a lower permitted area for residential construction, while sales of construction materials increased, particularly in cement and sanitary ware products.

The number of foreign tourists, after seasonal adjustment, decreased from the previous month, mainly due to a slowdown in Chinese tourists, which deferred their travel in anticipation of the long Golden Week holiday. However, tourists from certain countries, such as Malaysia and South Korea, increased. **Tourism revenue**, after seasonal adjustment, increased, driven by higher spending per trip as long-haul visitor numbers increased.

Public spending, expanded from the same period last year due to both current and capital expenditures by the central government. Current expenditures increased, primarily due to disbursements for pensions, medical expenses of public servants, and compensation for state employees. Investment expenditures also rose, driven by disbursements for transportation and irrigation projects. However, state-owned enterprise's investment contracted, primarily in rail and public utility projects.

On the economic stability front, headline inflation increased in all major categories from the previous month. Energy inflation rose from a low base last year, due to the government subsidies, and fresh food inflation increased following higher vegetable prices. Core inflation also rose, mainly due to increased prepared food prices. The current account surplus narrowed as the deficit in services, income, and transfers widened, largely due to lower tourism revenue during the off-season and higher profit repatriation by foreign businesses, while the trade balance surplus remained unchanged. The labor market condition was stable. Employment in tourism-related services improved, while the construction and trade sectors weakened, which was consistent with a slight increase in the ratio of unemployment claims to total insured persons. In corporate financing, the outstanding amount of funding increased from the previous month across all channels, particularly in loans, which saw growth after previous declines. The growth was primarily driven by loans to the hotel and restaurant, transportation, and real estate sectors. However, loans to the petroleum and construction material sectors decreased. As for exchange rates, the baht against the U.S. dollar, on average, appreciated following policy rate cuts by the Federal Reserve, along with upward pressure from rising gold prices.

In the third quarter, the Thai economy improved from the previous quarter, supported by strong exports of goods following the recovery in the electronics cycle and temporary positive factors in certain product categories. Government spending expanded significantly in both current and capital expenditures after the Budget Act, B.E. 2567 was enacted, which helped improve private investment somewhat. However, tourism receipts and private consumption declined slightly. Manufacturing production also decreased, particularly in the automotive sector. On the economic stability front, headline inflation was lower than in the previous quarter, primarily due to lower energy inflation, following declines in global crude oil prices, combined with the high base effect from gasoline and electricity prices last year. However, core inflation increased, mainly due to higher prices of prepared food. The current account surplus increased from the previous quarter, primarily due to a narrower deficit in services, income, and transfers. Labor market continued to improve in line with higher employment in both the manufacturing and service sectors, which was consistent with a lower ratio of unemployment claims to total insured persons.

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