



No. 03/2025

Press Release on the Economic and Monetary Conditions for December and the Fourth Quarter of 2024

The Thai economy slowed down from the previous month due to lower merchandise exports and manufacturing production, leading to a contraction in related service sectors such as freight transportation. Nevertheless, private investment remained stable, while tourism revenue increased due to a higher proportion of long-haul tourists. Private consumption also increased slightly from the previous month across most major categories, except non-durable goods, which slowed down after a good expansion previously as a result of the government's cash transfer program. Public spending continued to expand in both current and capital expenditures.

On the economic stability front, headline inflation increased from the previous month mainly due to energy inflation. This was partly a result of the low base effect from last year's government subsidies and rising benzene prices. Meanwhile, core inflation remained stable. The current account registered a higher surplus due to improvements in the services, income, and transfers balance, while the trade balance surplus remained similar to the previous month. The labor market condition remained unchanged in both the manufacturing and service sectors.

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

The value of merchandise exports, excluding gold and after seasonal adjustment, decreased from the previous month in several categories. These included 1) automotive, mainly from lower exports of passenger car, while exports of pickup truck increased, especially to ASEAN countries, 2) petroleum, due to lower exports to ASEAN and Bangladesh and 3) agricultural and agro-manufacturing products, due to a decline in exports of fruits, meat, and sugar. However, exports of some products increased, such as precious metals, computers, and air conditioners.

The manufacturing production index, after seasonal adjustment, decreased from the previous month due to lower production in fabricated metal, machinery and steel. Additionally, production of petroleum decreased from both lower domestic and external demand. However, production in some categories increased, such as chemicals from fertilizer production, as well as food and beverages from sugar production.

The number of foreign tourists, after seasonal adjustment, remained stable from the previous month, with increases in long-haul tourists, particularly from Russia and Australia, while short-haul tourists, such as tourists from China and Malaysia, decreased. Meanwhile, **tourism revenue** after seasonal adjustment, increased due to higher proportion of long-haul tourists.

Private investment indicators, after seasonal adjustment, remained stable compared to the previous month. Investment in machinery and equipment slightly increased, driven by higher domestic machinery sales of general-purpose machinery, computers and



peripherals, as well as higher imports of capital goods. Investment in vehicles also increased, in line with higher registrations of commercial vehicle, particularly trucks and taxis. However, investment in construction declined due to a decrease in permitted construction areas.

The value of merchandise imports, excluding gold and after seasonal adjustment, increased from the previous month. This was driven by higher imports of raw materials and intermediate goods, particularly electronic components from ASEAN and Taiwan, as well as higher imports of natural gas and crude oil. Nevertheless, imports of both durable and non-durable consumer goods decreased.

Private consumption indicators, after seasonal adjustment, slightly increased from the previous month across most categories. However, consumption in non-durable goods decreased due to lower sales of food and beverages and lower electricity consumption, following previous expansion due to government cash transfer measures. The consumer confidence index continued to increase thanks to government stimulus programs and improved tourism sector.

Public spending, excluding transfer payments, expanded compared to the same period last year. Current expenditures increased due to disbursements for pensions, gratuities, and medical expenses for government officials. Investment expenditures displayed a notable growth, driven by disbursements from public utility and transportation agencies. Meanwhile, investment expenditures by state enterprises also expanded in line with disbursements for infrastructure projects.

On the economic stability front, headline inflation increased from the previous month mainly due to energy inflation. This was partly a result of the low base effect from last year's government subsidies and rising benzene prices. However, inflation in fresh food category decreased due to the high base of last year's pork prices in conjunction with lower vegetable prices, following higher output thanks to favorable weather conditions. Core inflation remained stable from the previous month, with higher prices in prepared foods and cooking ingredients being offset by lower prices in cleaning equipment category due to promotional activities. The overall labor market condition remained unchanged in both the manufacturing and service sectors. The current account registered a higher surplus due to improvements in the services, income, and transfers, thanks to a higher surplus in tourism balance. Meanwhile, the trade surplus was close to the previous month. As for business financing, the outstanding amount of funding increased from the previous month, mainly through loans, particularly for business in trade, rubber and plastic, as well as food and beverage. Funding through the equity market also increased in medical and communication sectors, mainly for business expansion purposes. However, net financing through the bond market decreased, especially in the financial and real estate sectors. The average exchange rate of the Thai baht against the US dollar appreciated in December 2024, outperforming other regional currencies as the market concerns over the US-China trade policies and their impact on Thailand lessened. Additionally, the baht also strengthened seasonally due to increased tourism revenue.

In the fourth quarter, the Thai economy continued to expand from the previous quarter, driven by improving activities in the service sector, higher tourism revenue, as well as a good expansion in government investment. Merchandise exports, excluding gold, remained high and stable from the previous quarter, particularly for exports in technological products. Private consumption was also stable, partly benefiting from government cash transfer, despite a continued contraction in sales of vehicle. Private investment, however, declined in both vehicle and construction categories. On the economic stability front, headline inflation increased from the previous quarter, driven by higher core inflation and energy inflation. The former was due to increases in cost pass-through, while the latter was due to the low base effect of last year's energy prices, resulting from government subsidies. Employment remained stable from the previous quarter, with increased employment in the hotel and restaurant sectors, while employment in the construction sector declined. The current account surplus increased mainly due to improvements in services, income, and transfers.

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31 January 2025

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