



No. 27/2024

Press Release on the Economic and Monetary Conditions for May 2024

The Thai economy continued to expand despite slowing down from a good expansion in the previous month. The slowdown was attributed to decreased exports of goods, manufacturing production and private investment. However, activities in tourism sector continued to increase from the previous month together with a slight increase in private consumption. Government spending also expanded from the same period last year in both current and capital expenditure after the Budget Act, B.E. 2567 was enacted. In addition, investment from state-owned enterprises expanded thanks to the disbursement of infrastructure projects.

On the economic stability front, headline inflation increased from energy and raw food inflation due to the low base effect from electricity subsidies by the government last year, as well as higher diesel prices due to the gradual uplift of government's subsidies. In addition, prices of meat and vegetable increased due to lower supply in the market. Meanwhile, core inflation slightly increased from the previous month. The current account registered a surplus mainly from improvement in trade balance, while service, income and transfer account registered a deficit. The labor market improved from higher employment in both the service sector and manufacturing sector.

Details of the economic conditions for May 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, particularly in 1) automotive from lower exports of commercial vehicles to Australia, 2) electrical appliances due to lower exports of solar cells and air conditioners to Europe and the U.S., and 3) agro-manufacturing products, following higher exports of sugar to ASEAN. Nevertheless, some export products increased from the previous month, including agricultural products, especially durian as well as chemicals and chemical products to China.

The value of merchandise imports, excluding gold and after seasonal adjustment, increased from the previous month from imports of fuel due to higher imports of crude oil and natural gas. However, imports of capital goods, excluding aircrafts, as well as raw material and intermediate goods, excluding fuel, continued to decline. Imports of consumer goods also declined, especially imports of electric vehicles as demand slowed down.

The manufacturing production index, after seasonal adjustment, slightly decreased in several categories, particularly in 1) petroleum due to a temporary shutdown of a refinery for maintenance, 2) automotive, especially production of commercial vehicles, and 3) electrical appliances, which were in line with lower exports of electrical appliances after a good expansion in the preceding periods. However, production in some categories increased from the preceding month such as food and beverages from higher production of palm oil and animal feed.

Private investment indicators, after seasonal adjustment, decreased from the previous month from both investment in machinery and equipment as well as investment in



construction. The decline was due to lower domestic machinery sales and lower imports of computers. Permitted area for construction also declined, especially areas for industries and factories. Nevertheless, construction materials sales increased from sanitary wares and tiles.

The number of foreign tourist arrivals and tourism revenue, after seasonal adjustment, increased due to higher number of short-haul tourists, especially from Malaysia and China, partly owing to several supportive measures such as visa exemptions and document exemption for land immigration checkpoints.

Private consumption indicators, after seasonal adjustment, slightly increased from the previous month from spending on services in line with activities in tourism sector. Spending on durables and non-durables remained stable after a good expansion in sales of passenger cars and consumer goods. However, consumers' confidence became lower due to higher living costs as fuel prices became higher as well as concerns of a slow economic recovery.

Public spending, excluding transfer payments, significantly expanded from the same period last year from both current and capital expenditures after the Budget Act, B.E. 2567 was enacted towards the end of April. Current expenditure of the central government expanded well from the disbursement of pension, medical expenses of public servants as well as from educational agencies. Capital expenditure also expanded due to the disbursement of educational agencies and the Department of Public Works and Town & Country Planning, as well as investment in infrastructure projects by the state-owned enterprises.

On the economic stability front, headline inflation increased from energy and raw food inflation due to the low base effect from electricity subsidies by the government last year, as well as higher diesel prices due to the gradual uplift of government's subsidies. In addition, meat and vegetable prices increased, following lower output. Core inflation also slightly increased from the previous month. The labor market improved from higher employment in the service and manufacturing sectors. The current account registered a surplus mainly from improvement in trade balance, while service, income, and transfers account registered a deficit. In terms of private sector financing, the outstanding of business funding increased from the previous month mainly from funding in corporate bonds in several sectors, including businesses in finance and securities, information communication and technology (ICT) as well as food and beverages. Equity financing slightly increased in businesses in real estates, ICT and healthcare. However, business credit decreased in trade, energy and utilities sector. As for exchange rates, the baht against the U.S. dollar, on average, slightly appreciated due to the outturn of U.S. economic data and inflation, which turned out weaker than the market expectation. In addition, the exchange rate was also affected by domestic factors such as higher-than-expected economic growth. However, the baht against the U.S. dollar gradually depreciated in the second half of May, following the hawkish tone from the U.S. Federal Reserve, which caused the market to adjust their expectations that the U.S. interest rate will likely stay high for a certain period.

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28 June 2024

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