



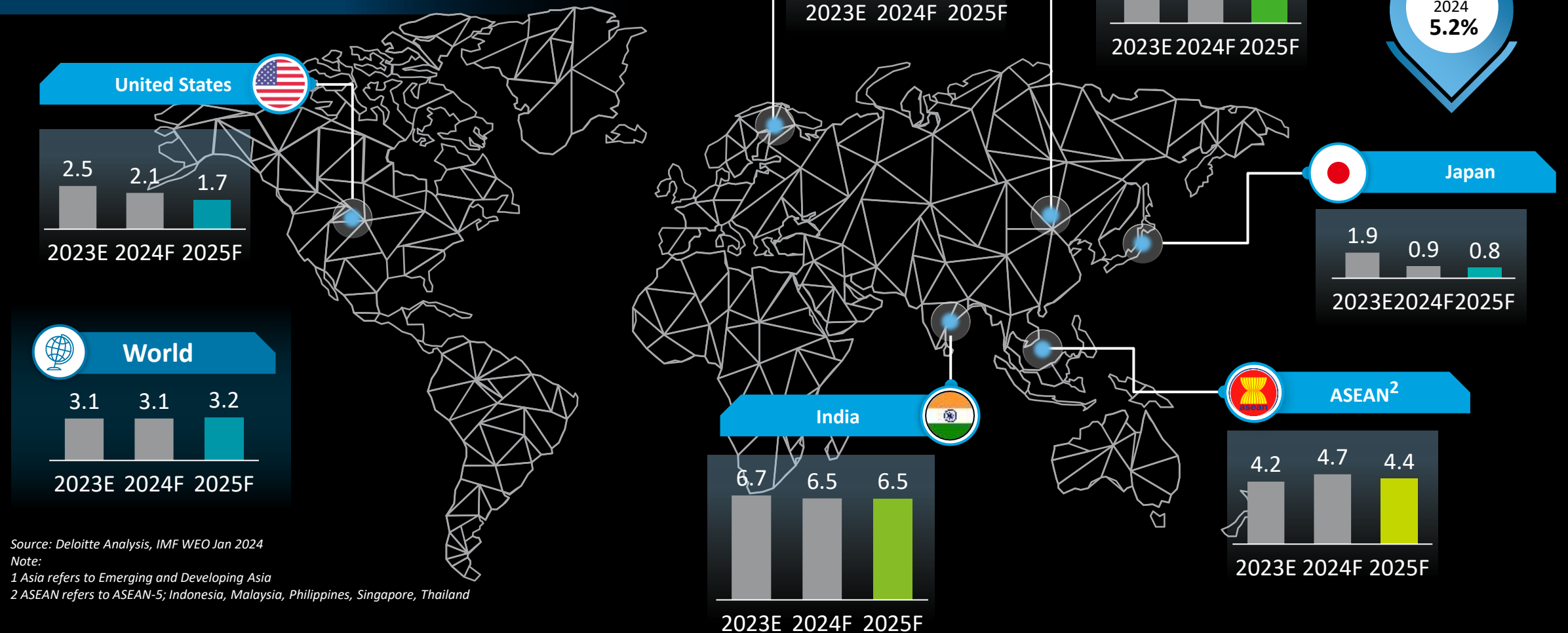
Thailand's Economic Outlook 1Q2024

Clients & Markets, March 2024



Global Economy 1Q2024

Global growth outlook is projected at 3.1% for 2024, thanks to surprises from more resilient US and emerging economies, plus China's fiscal support. Inflation is falling faster than expected, projected at 5.8% in 2024 and 4.4% in 2025, easing recession fears. However, tight monetary policy and geopolitical risks still cast shadows.



Source: Deloitte Analysis, IMF WEO Jan 2024

Note:

1 Asia refers to Emerging and Developing Asia

2 ASEAN refers to ASEAN-5; Indonesia, Malaysia, Philippines, Singapore, Thailand

Key Takeaways and Watchlist in 2024



US

Key Takeaway

- + • US economy grew 3.3% in 4Q2023, faster than expected.
- Growing employment
- • Higher-than-expected inflation (3.1% in Jan 24, above the target of 2%)

Watchlist



FED's direction when to cut the interest rate amid higher-than-expected inflation



US presidential election in November 2024



EU

Key Takeaway

- + • Easing inflation (3.1% in Jan 2024); however, services remain the most significant factor driving the price increase.
- • Germany's weak economy
- Stagnant retail sales
- Tight job market and wage increase

Watchlist



ECB signaled on remaining high interest rate until the second half of 2024.



EU's energy trade and resource amidst the war in Ukraine



Japan

Key Takeaway

- + • Increased immigration to maintain adequate economic growth
- Recovering exports, especially from China
- • Decline in business investment
- Falling consumer spending
- Their economic performance resulted in Japan no longer being the world's 3rd largest economy, which was replaced by Germany.

Watchlist



Impact of rising inflation on household financial stability



Bank of Japan's direction on policy amidst of softening consumption



China

Key Takeaway

- + • China's Lunar New Year spending rebounds, exceeding pre-pandemic levels.
- • Demographic shift, only 9 million live births in 2023
- Four consecutive months of annual deflation
- Fragile property market
- Weak labour market and declining wage

Watchlist



Pressure on pensions, healthcare, and other services for the elderly amid decline working age population

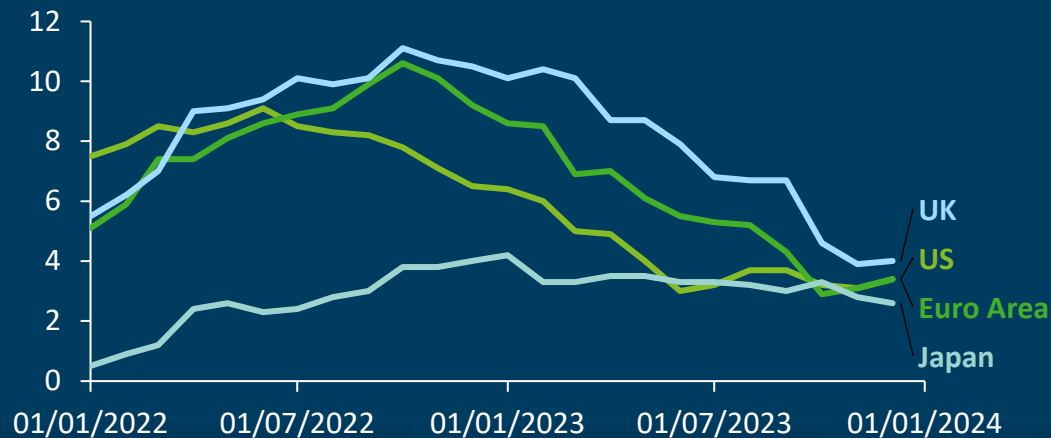


Default risks among real estate sector and wealth manager

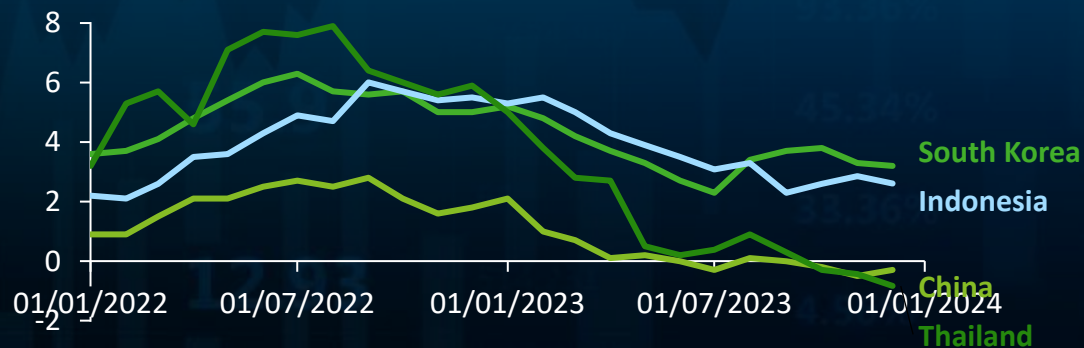
Inflation remains at low levels across most regions, but a rising trend is observed in developed countries, while emerging markets experience subdued inflation. Most of the regions have also maintained their policy rates.

Inflation Rate

Developed countries



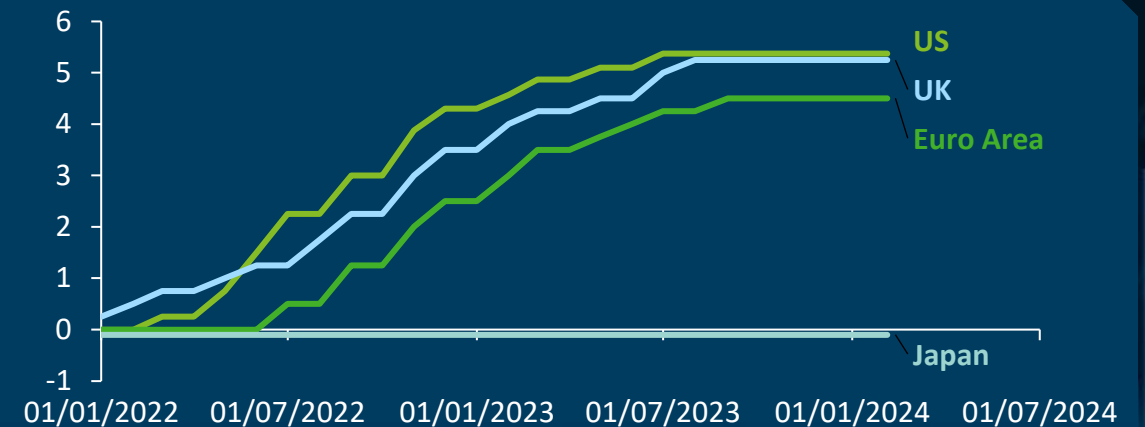
Developing countries & Emerging markets



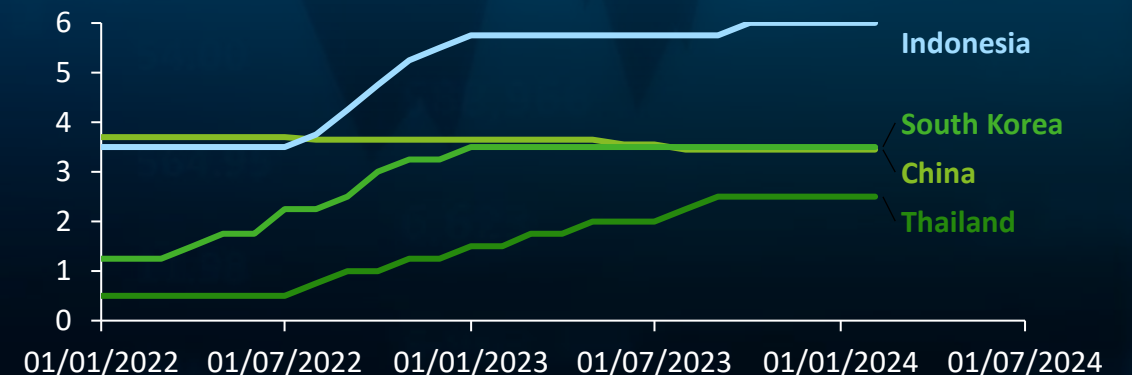
Source: Deloitte Analysis, NESDC

Policy Rate

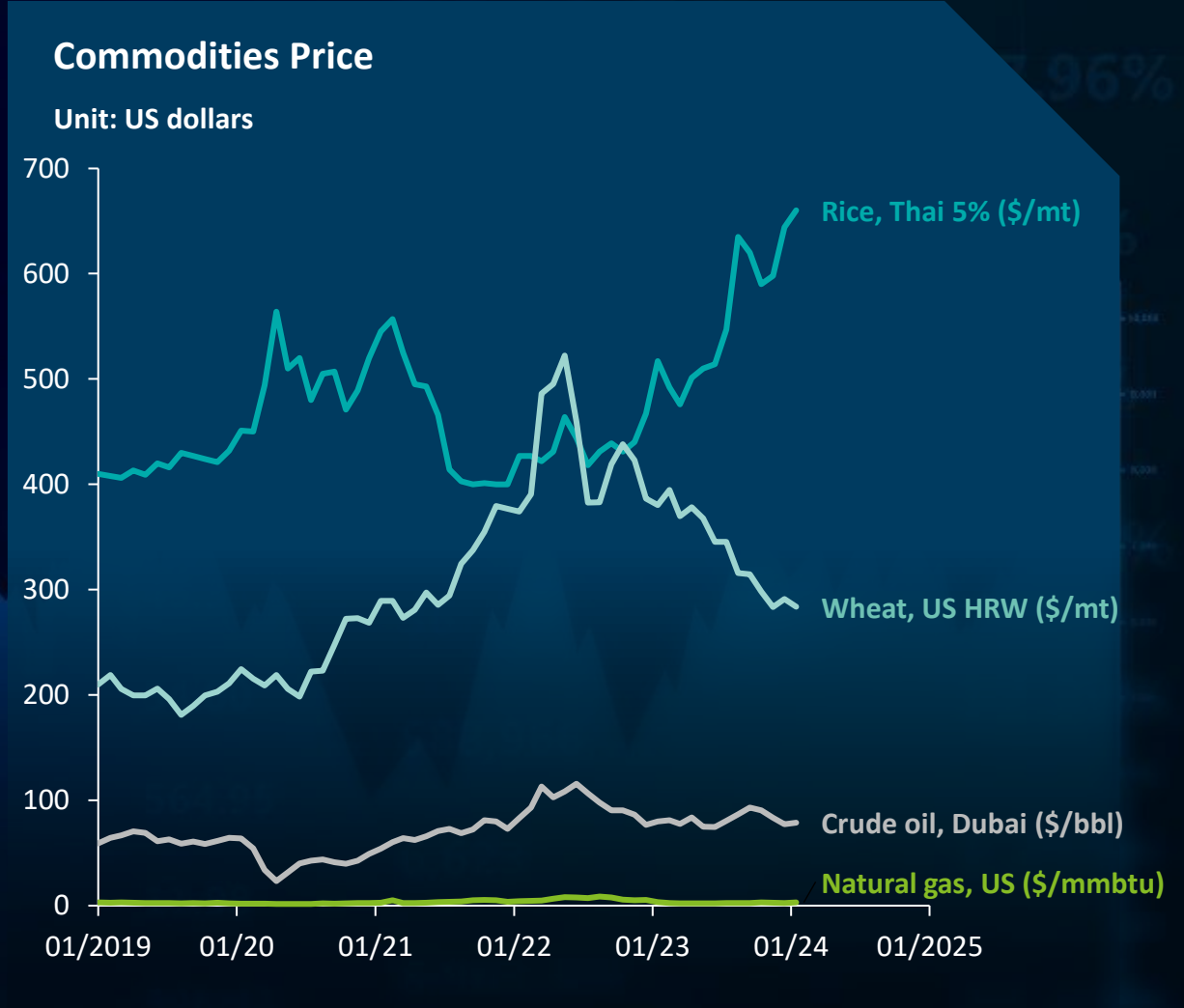
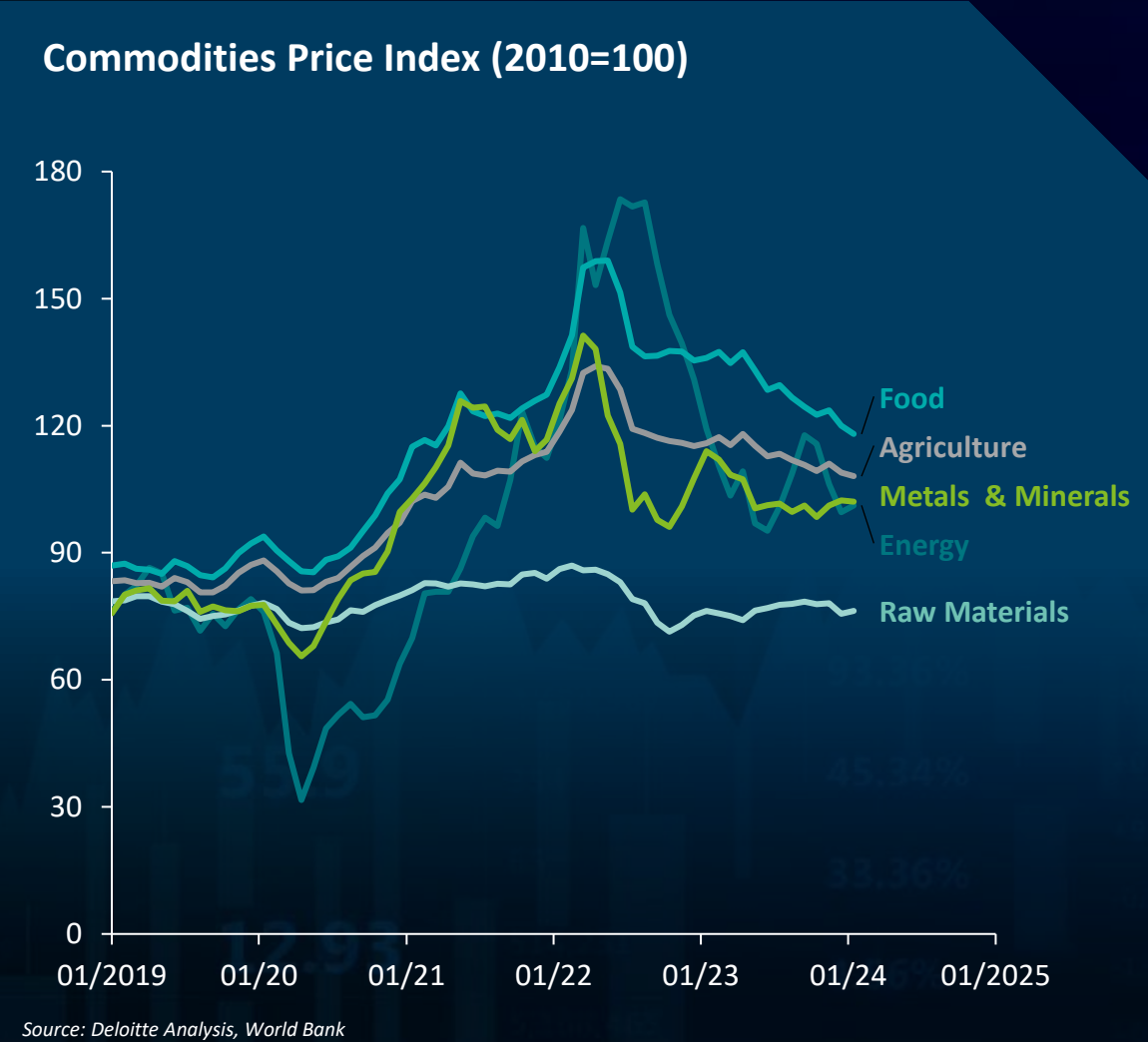
Developed countries



Developing countries & Emerging markets



Recent months have witnessed a decline in food prices, contrasting with the persistent upward trajectory of rice prices. However, India's possible removal of local rice export controls suggests potential for near-term price moderation.

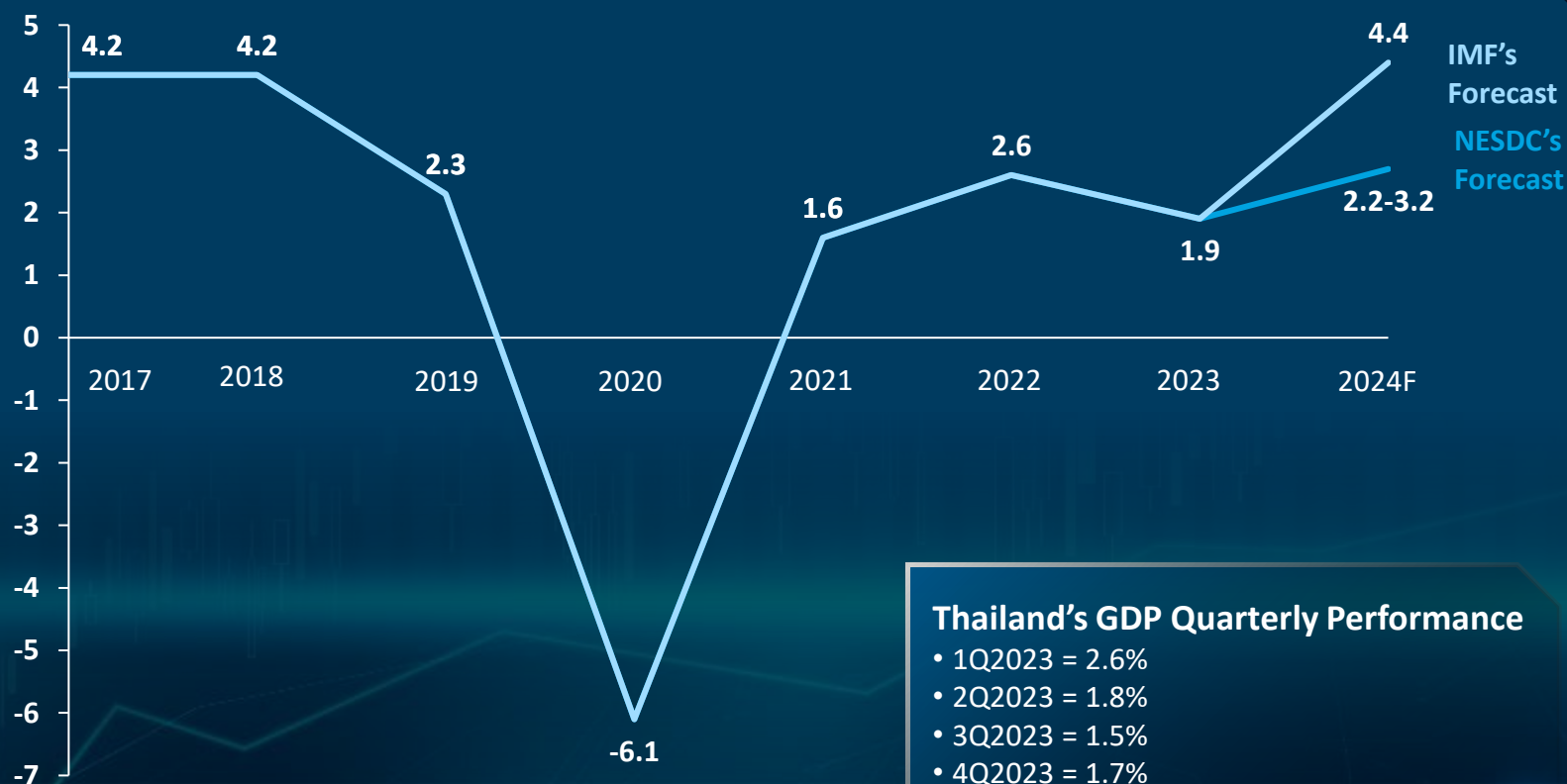


Thai Economy 1Q2024

Thailand's Economic Outlook

2024 GDP growth is projected to be mainly driven by the continuous expansion of domestic consumption, supported by the expected stabilization of inflation at a low level, increased consumer confidence, and the recovery of the tourism sector. This recovery is fueled by the increase in foreign tourist arrivals and the number of Thai tourists, particularly with the trend of travel spreading to secondary cities.

Real GDP Growth (%YoY)



Source: Deloitte Analysis, NESDC, IMF

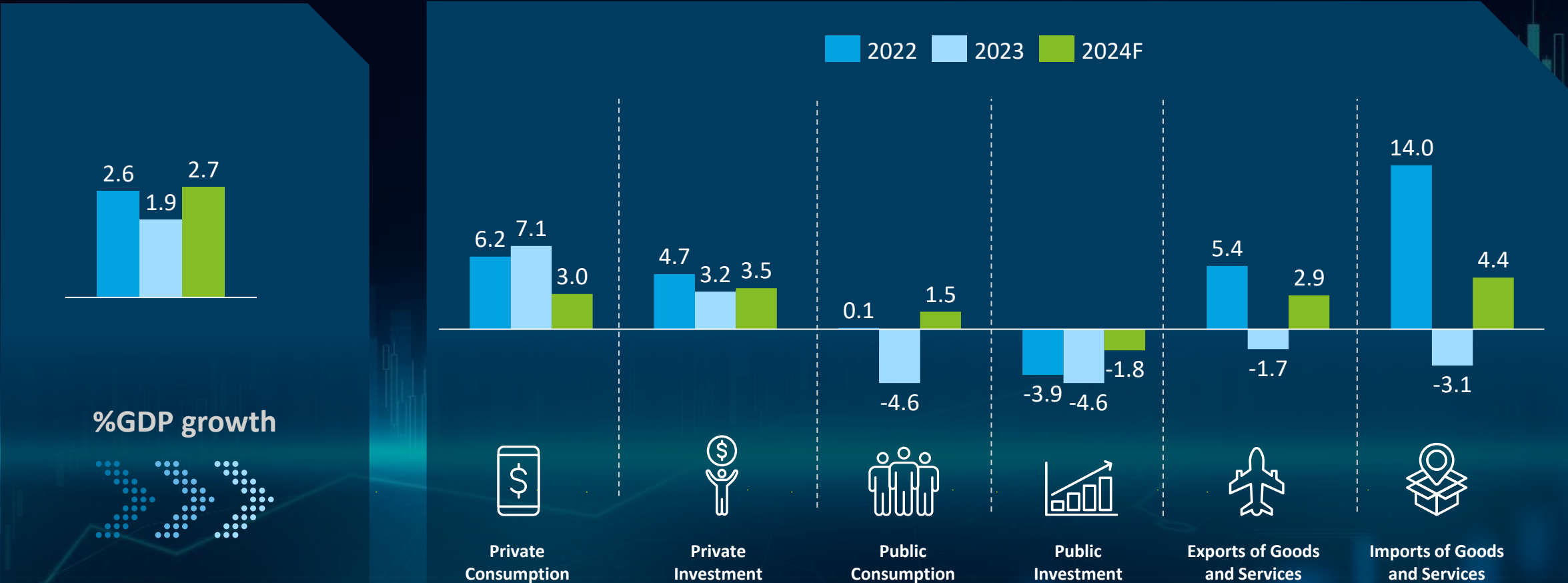
Key Factors to be Monitored



- +** • Expanding domestic demand
- Additional fiscal stimulus
- • High household debt
- Slow growth from exports and manufacturing activities amid subdued global demand and moderating growth in China

Thailand's Economic Outlook

The Thai economy in 2023 grew slower than expected, due to a continuous decline in the goods export sector, as well as a decrease in government spending and public investment. However, private consumption and private investment, as well as service exports, continued to expand at a good rate.

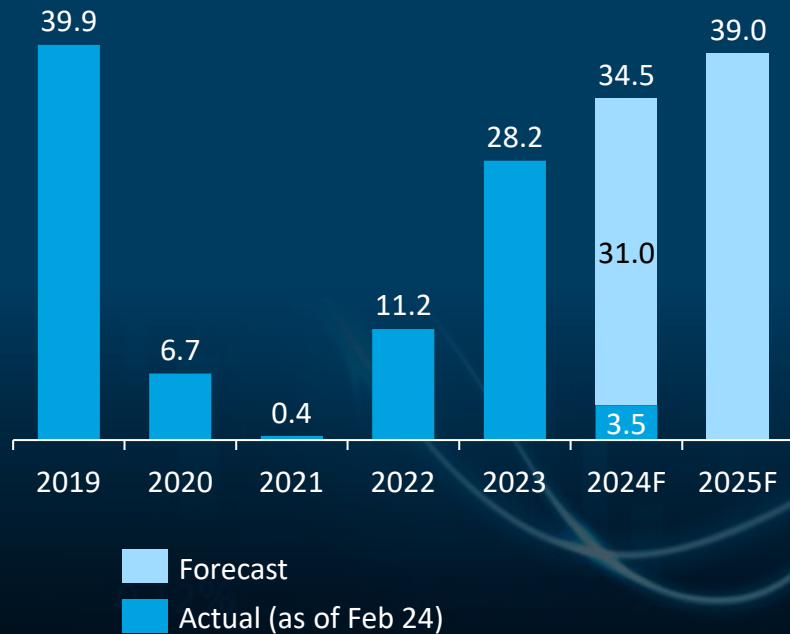


Source: Deloitte Analysis, NESDC

Tourism in Thailand is recovering from increased tourist arrivals.

Foreign tourist arrivals Forecast

Unit: Million Persons



Source: Deloitte Analysis, Bank of Thailand, MOTs, TAT, NESDC

Foreign tourist arrivals by Month

Unit: Million Persons



Top 5 provinces received income from foreign visitors

As of December 23



Top 5 Tourist Arrivals to TH by Nationality

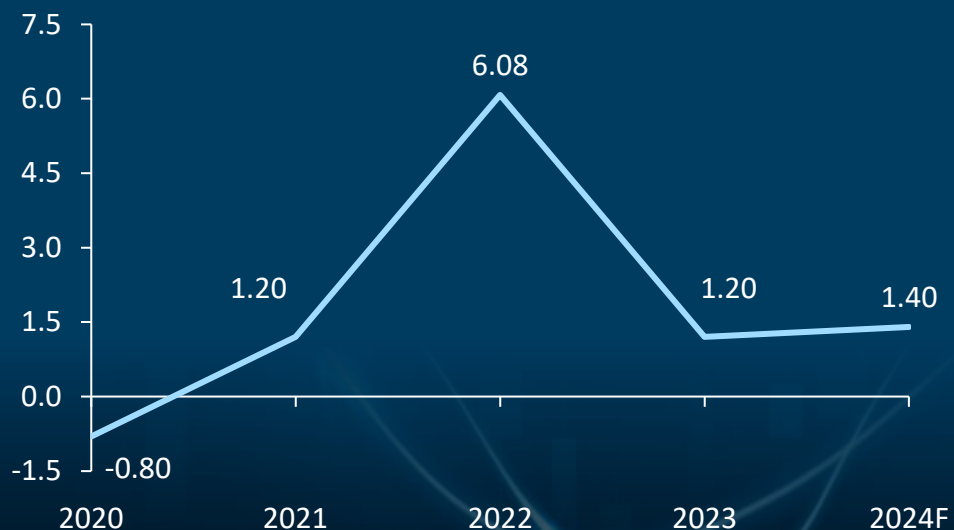
Unit: Person (as of Dec 23)



Inflationary indicators within Thailand have consistently remained at low levels.

Targeted government subsidies on the cost-of-living result in a short-term suppressing inflation.

Headline Inflation – Annually (%)

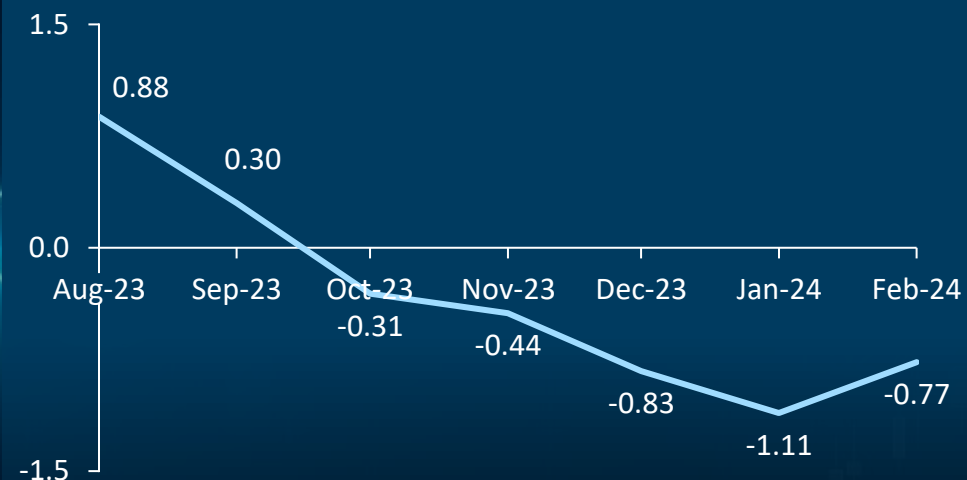


Inflation in February 24 = -0.77%

Easing inflation contributed by

- Lower food and energy prices
- High base from last year
- Cost-of-living subsidies from government

Headline Inflation – Monthly (%)



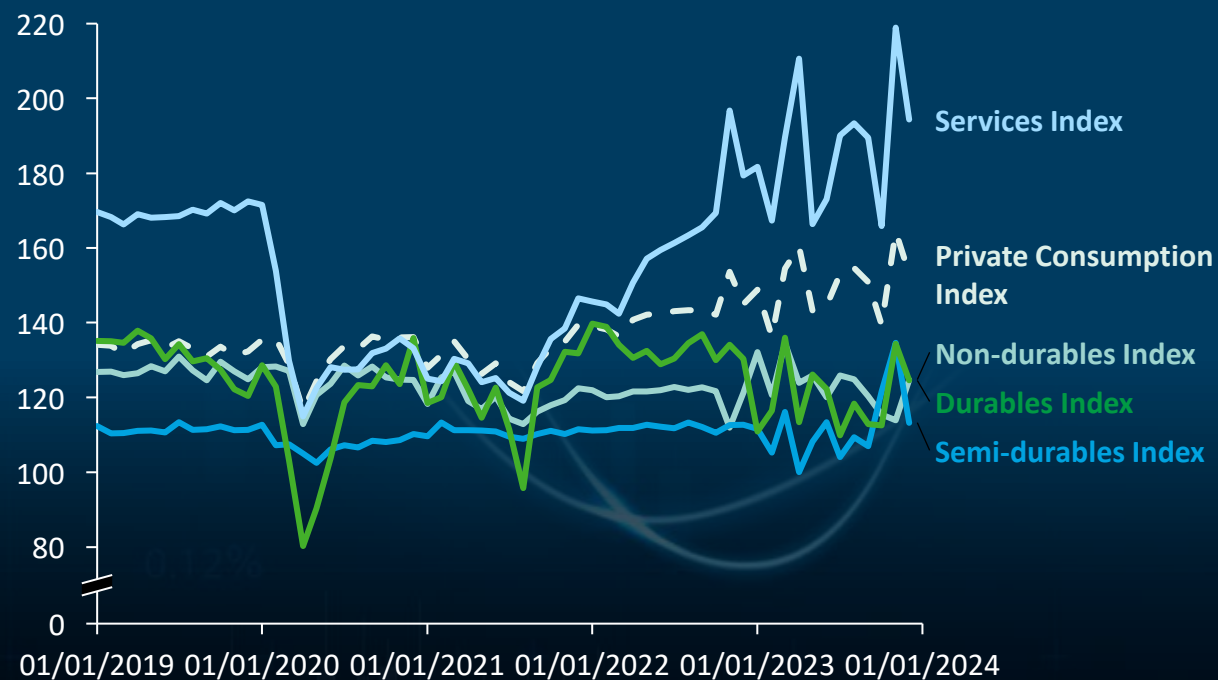
Watchlist

- Direction of government economic policies
- Global food and energy prices

Source: Deloitte Analysis, Bank of Thailand, NESDC, Fiscal Policy Office

Concern on high household debt and high cost of living mainly contributed to a decline in the Consumer Confidence Index in January. Still, agricultural prices such as palm oil and rubber have improved.

Private Consumption Index (Seasonally Adjusted)



Source: Deloitte Analysis, Bank of Thailand, TPSO

Consumer Confidence Index (CCI)



Thai Industries Sentiment Index in January 2024 increased to 90.6, up from 88.8 in the previous month.

Thai Industries Sentiment Index



Source: Deloitte Analysis, FTI

+ Positive Factors

- Recovering tourism sector, especially from Visa-Free policy
- Recovering export demand especially from the US, the middle east, and India
- Increased domestic demand, further boosted by Easy e-receipt measure

- Negative Factors

- The adjustment to increase minimum wages
- High household debt, NPL, and interest rate resulting in financial institution more cautious to approve loans
- Higher freight rate and shipping delays from geopolitical conflicts

3-month Forecast watchlist

- Chinese economy's moderate growth
- Uncertainty of geopolitical conflicts
- Informal debt relief measures for SMEs

Thai Industries Sentiment Index by Performance

The January 2024 TISI rose across several industries, though it remained below 100. Compared to December 2023, rubber, air conditioners, and petroleum refineries saw higher sentiment, while textiles and ceramics experienced a decline.



100



Declined TISI

Tightrope

- Pharmaceutical
- Medical equipment manufacturer
- Automotive parts
- Automotive
- Packaging

Declined
TISI but
above 100

Red Flag

- Textile
- Cement
- Gas
- Petrochemical
- Glass
- Ceramic
- Boat maintenance
- Herb
- Chemical
- Dairy supplement
- Creative craft

Declined
TISI and
below 100

Increased TISI

Rising Star

- Air conditioner
- Food & Beverage
- Digital
- Petroleum refinery
- Renewable energy
- Electricity
- Aluminum
- Cosmetics

Increased
TISI and
above 100

Mastering

- Apparel
- Leather
- Shoes
- Metal
- Jewelry
- Roof and equipment
- Sawmill
- Wood and plywood
- Agricultural machine
- Biotechnology
- Metal casting
- Palm Oil
- LPG Exploration and Production
- Granite and marble
- Furniture
- Machine
- Environmental management
- Electronics
- Paper
- Sugar
- Rubber
- Plastic

Increased
TISI but
below 100

Note: As of January 2024
Source: Deloitte Analysis, FTI

Policy Rate

The Monetary Policy Committee (MPC) voted 5 to 2 to maintain the policy rate at 2.50%, with 2 members favoring a 0.25% cut.

Policy Rate



Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 1/2024

MPC's Perspective:

- **Thailand's 2024 economy projected slowdown** stems from weak exports and manufacturing due to global demand cool-down and China's growth moderation. Domestic demand shines as the lone bright spot, though structural challenges hamper tourism and exports more than anticipated.
- The Committee viewed **the decision emphasizes long-term stability**, despite concerns expressed by two members about potential lower growth stemming from structural challenges. These members favored a modest rate reduction of 0.25%.

Exchange Rate

A weakened Thai economy and delayed US rate cuts weigh heavily on the baht. In addition, year-over-year values in all 7 regions below depreciated in response to the strong US dollar.

Exchange Rate (Unit: THB/USD)



Source: Deloitte Analysis, Bank of Thailand, Federal Reserve, Fiscal Policy Office

The Change of Currencies against USD (%)



Factors influencing Thai baht

Appreciation

- Expected recovery from tourism
- Weaker USD

Depreciation

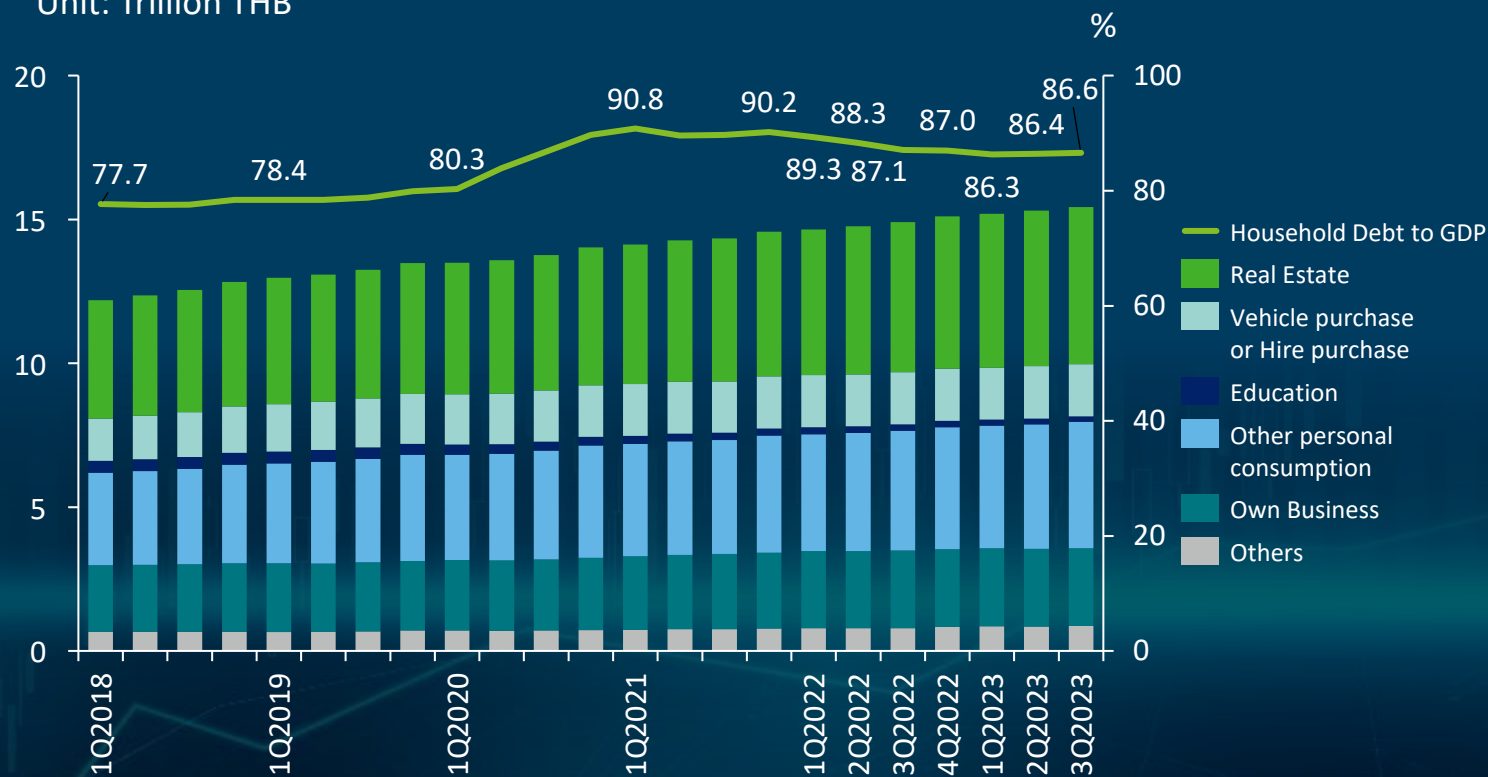
- Weak economy
- Delay in US interest rate cut

Household debt remains high at 86.6% to GDP. (90.9% at adjusted rate)

Non-productive loan such as Other Personal Consumption significantly contributed to total household debt. Besides, non-performing loans (NPLs) reached 1.04 trillion THB in December 2023, a 6.6% increase year-over-year (YoY).

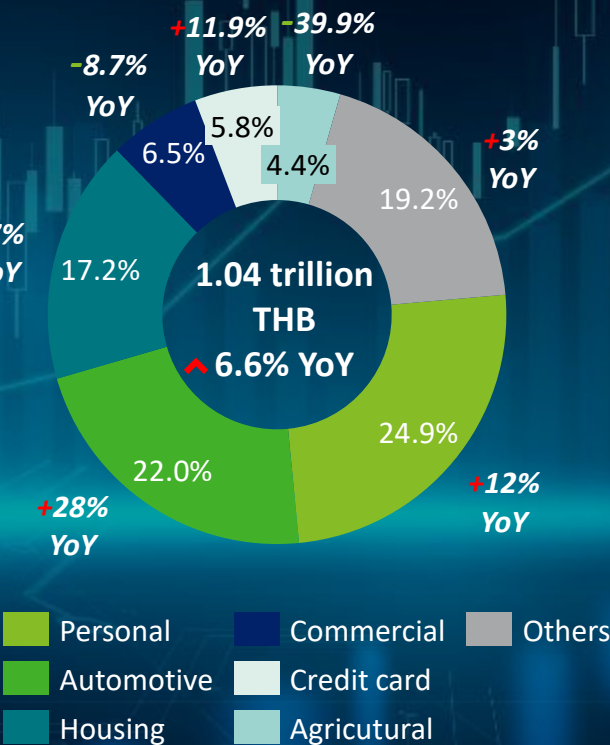
Household Debt

Unit: Trillion THB



NPL as of December 2023

Auto loans that have surged by 28%, reaching 230.6 billion THB, need to be closely monitored.

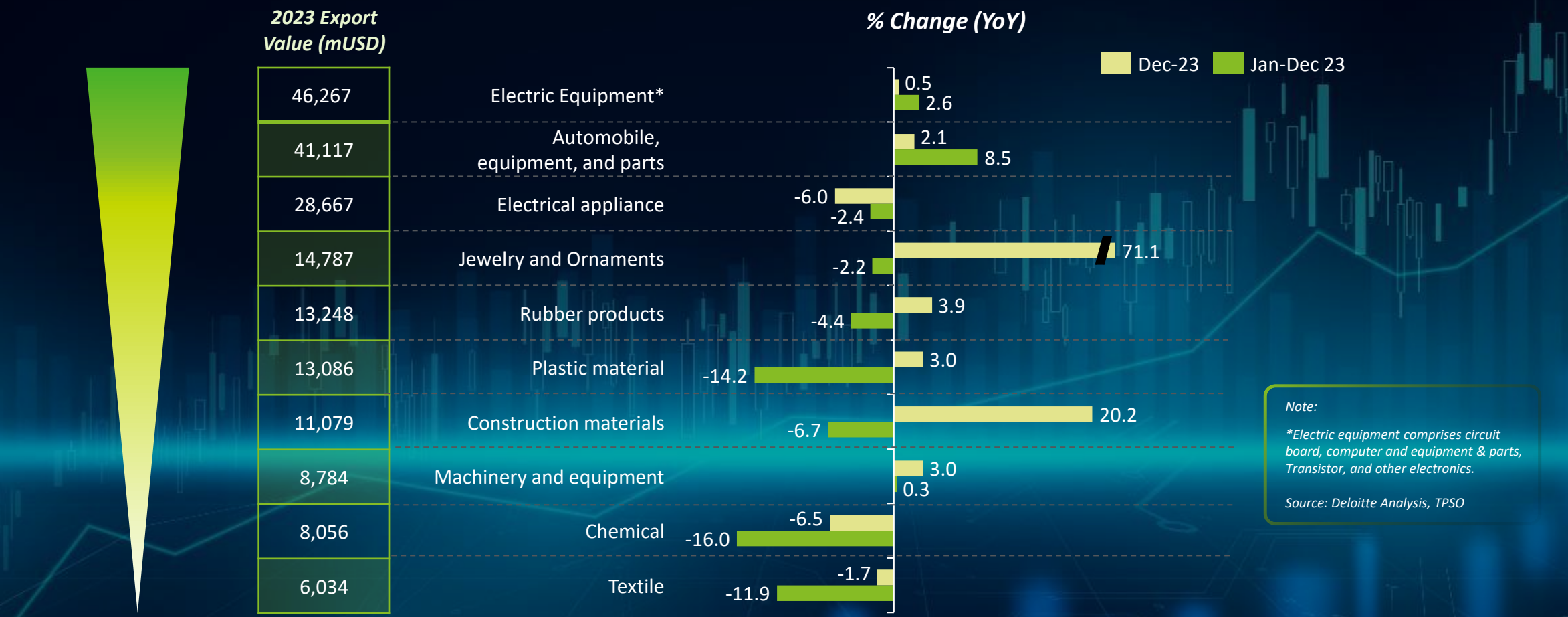


Source: Deloitte Analysis, Bank of Thailand, National Credit Bureau

10 Key Industrial Exports for 2023

Industrial export grew 5.0% in December 2023 and contracted 1.0% for the entire year of 2023. Significant growth in Jewelry and Ornaments was mainly contributed by rise in gold export.

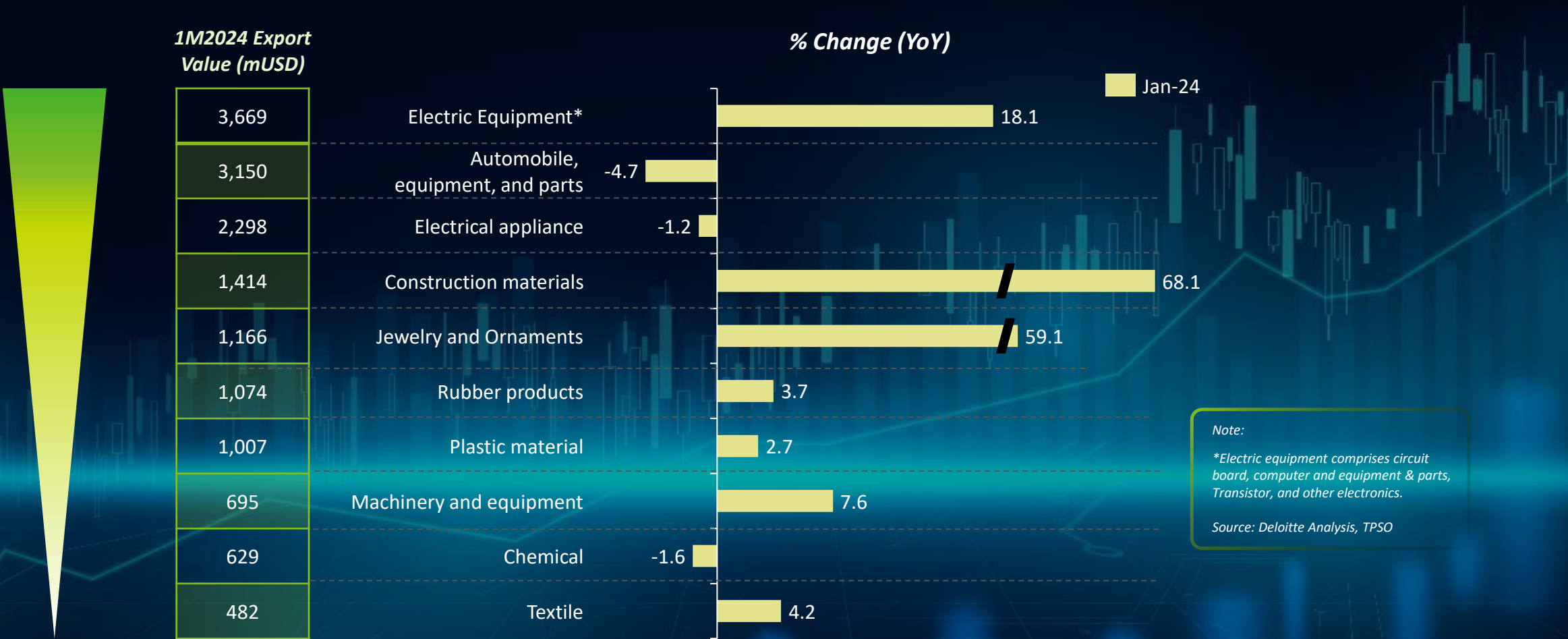
Thailand's **overall export** contracted by 1.0% while exports of real sector (excluding gold, oil-related products, and weaponry) increased by 0.6%, and Thai **overall export** in December 2023 increased by 4.7%.



10 Key Industrial Exports for Jan 2024

Industrial export grew 10.3% in January 2024. Significant growth in Jewelry and Ornaments was mainly contributed by rise in gold export, whereas the recent increase in construction material exports was primarily driven by exports of iron, steel, and related products.

Thailand's **overall export** rose by 10% while exports of real sector (excluding gold, oil-related products, and weaponry) increased by 9%.



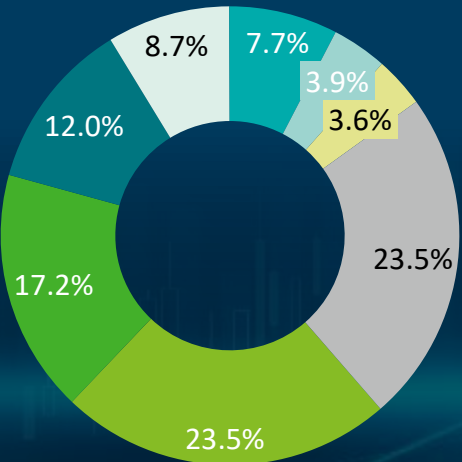
2023 Thailand's Export Destinations

United States, China, and Japan were the top 3 countries for TH's 2023 export. ASEAN economies contributed to about a quarter of total export; however, the 2023 value contracted 1% compared to 2022.

Percentage Contribution

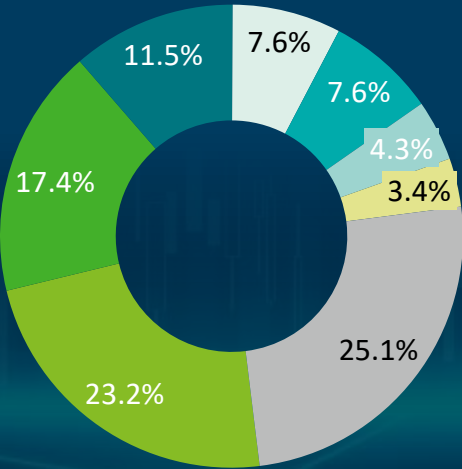


2023



Total Export Value
284,562 mUSD

December 2023



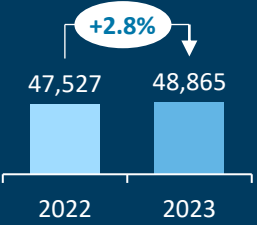
Total Export Value
22,792 mUSD

2023 Percentage Change (YoY)

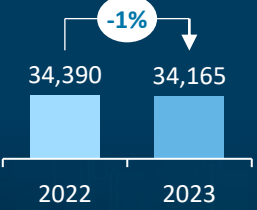
Unit: mUSD



US



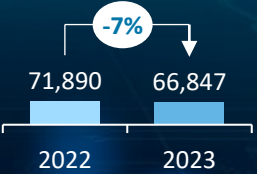
China



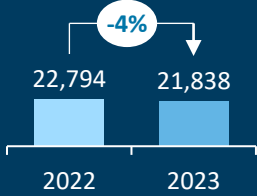
Japan



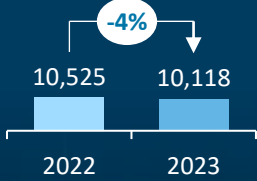
ASEAN



EU



India



Hong Kong



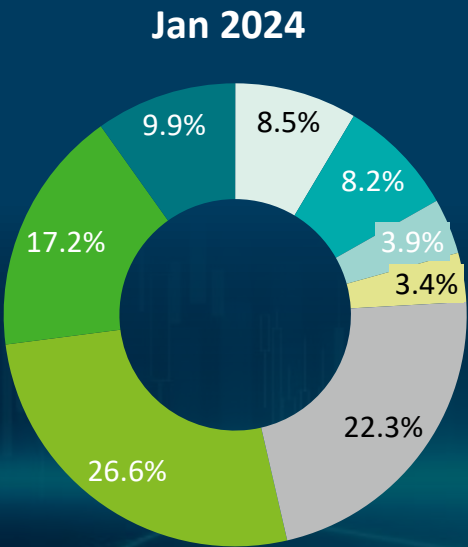
2023 Total Export Value
-1% (YoY)

Source: Deloitte Analysis, TPSO

1M2024 Thailand's Export Destinations

Thailand's exports in various regions expanded in Jan 2024, in line with the global trade recovery from inflation. Other contributing factors include the low export base value in the same period of the previous year, the recovery of the electronics cycle, and the continued high growth of agricultural and food exports.

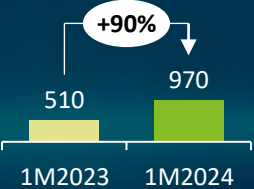
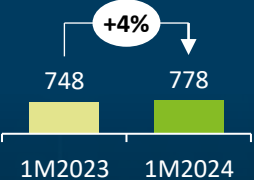
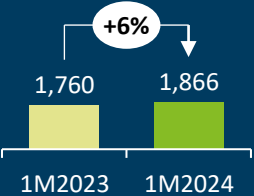
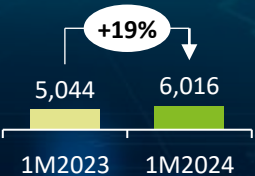
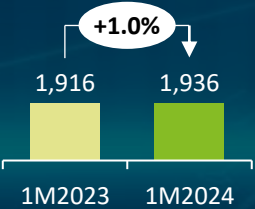
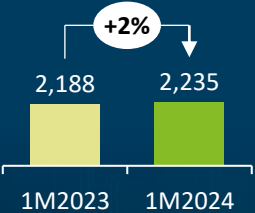
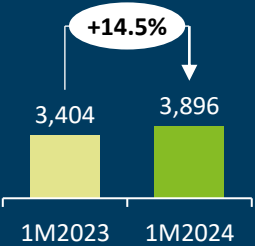
Percentage Contribution



Total Export Value
22,650 mUSD

1M2024 Percentage Change (YoY)

Unit: mUSD

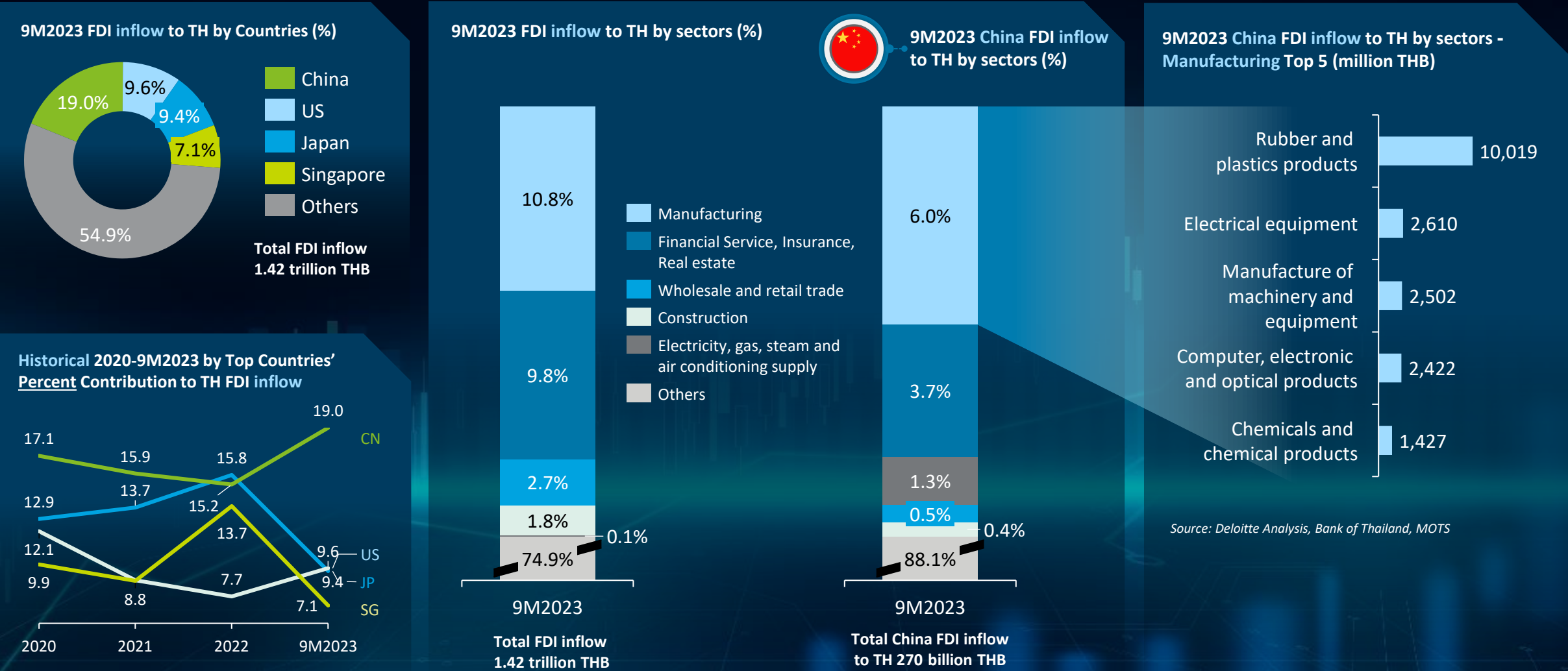


1M2024 Total Export Value
+10% (YoY)

Source: Deloitte Analysis, TPSO

9M2023 FDI inflow had been mostly contributed by Manufacturing sector, followed by Financial Service, Insurance, and Real Estate sectors. China's manufacturing top FDI inflow are Rubber and plastic products.

Compared to previous years, China's contribution to Thailand's FDI inflows is rapidly growing.

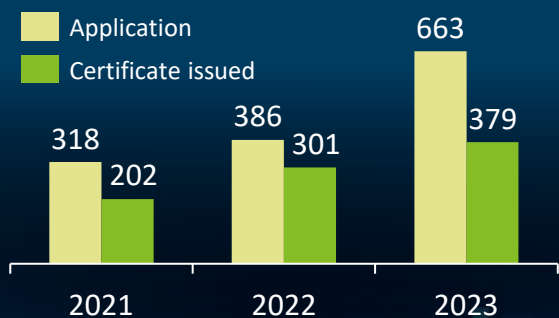


Source: Deloitte Analysis, Bank of Thailand, MOTs

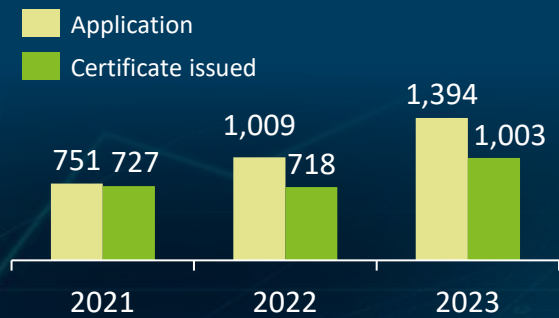
2023 Foreign Direct Investment in Thailand surged, with the boost of large projects.

In 2023, FDI applications reached 1,394, representing a 38% increase from the previous year, and an increase of 72% in combined investment value to 663.24 billion THB, driven by large-scale projects.

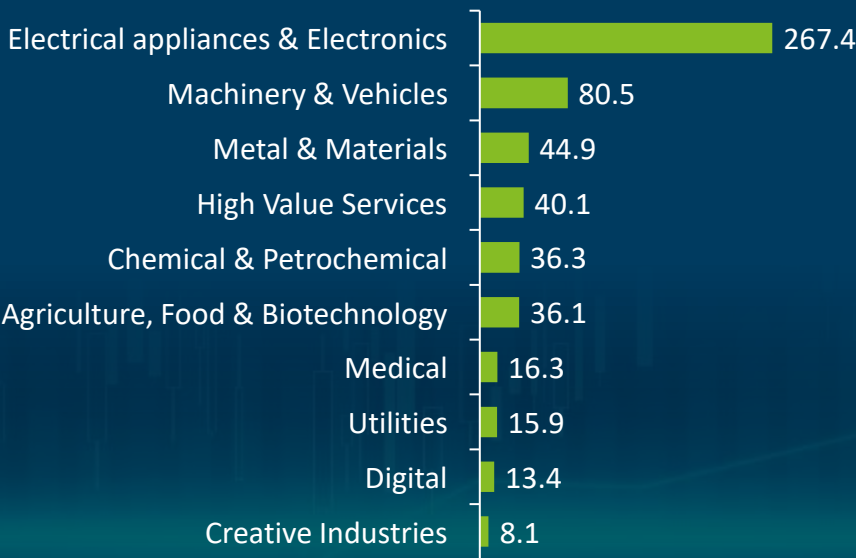
2021-2023 BOI FDI application and promotion certificate issued – by Value
Unit: Billion THB



2021-2023 BOI FDI application and promotion certificate issued – by Volume
Unit: number of projects



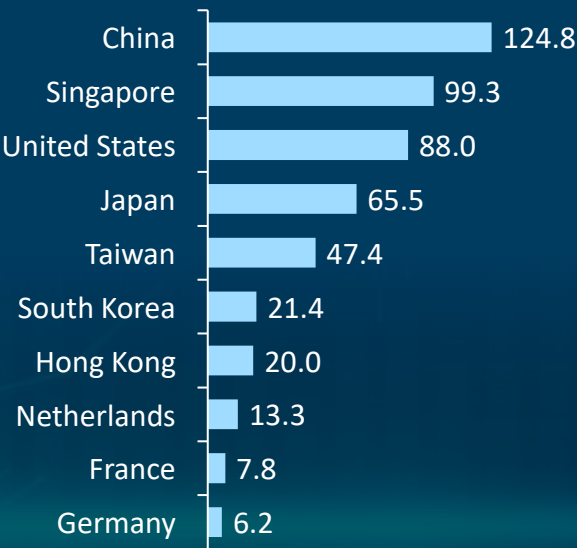
2023 BOI FDI Approved applications by Sector
Unit: Billion THB



2023 Total: 559 Billion THB (78% YoY)

Source: Deloitte Analysis, BOI

Top 10 2023 BOI FDI Approved applications by area
Unit: Billion THB



Top 10 Total: 494 Billion THB

Thailand's Steel Market Under Pressure: Challenge from low-priced import

The Thai steel industry starts from midstream which mainly import steel for further processing, that puts it at a cost disadvantage and allows foreign steel to flood the market.

Situation in Thailand

Thai billet manufacturers and electric arc furnace users are losing competitive advantage from China's high-value-added products exports, such as hot-rolled steel sheet, cold-rolled steel sheet, and hot-dip galvanized steel sheet. However, some of Chinese producers use induction furnace which causes environmental concerns in Thailand.



Thai hot-rolled coil also remains 15-20% higher price compared to that of China.



China's steel export to TH rose about 60% YoY in 9M2023.



Thailand's steel capacity utilization rate has continuously decreased to approximately 30% of the country's total maximum steel capacity.



75 Thai steel businesses closed in 10M2023.

Source: Deloitte Analysis, SCB EIC, DBD, ISIT, Prachachat, NikkeiAsia

Why China increases steel exports heavily

China's slumping internal demand for steel especially due to slowdown in property sector, causing diverting the surplus abroad, especially in Southeast Asia.

What Thailand has been responded to steel dumping

Anti-dumping measures (AD): to protect and respond to trade and prevent the Thai industry from being damaged by dumping. For instance, AD imposes tariffs on imported goods.

Opportunities and challenges for Thailand's steel market

- Transition to green steel production
- Expanding or shifting to higher value-added products



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