



Thailand's Economic Outlook 4Q2024

Clients & Markets, December 2024



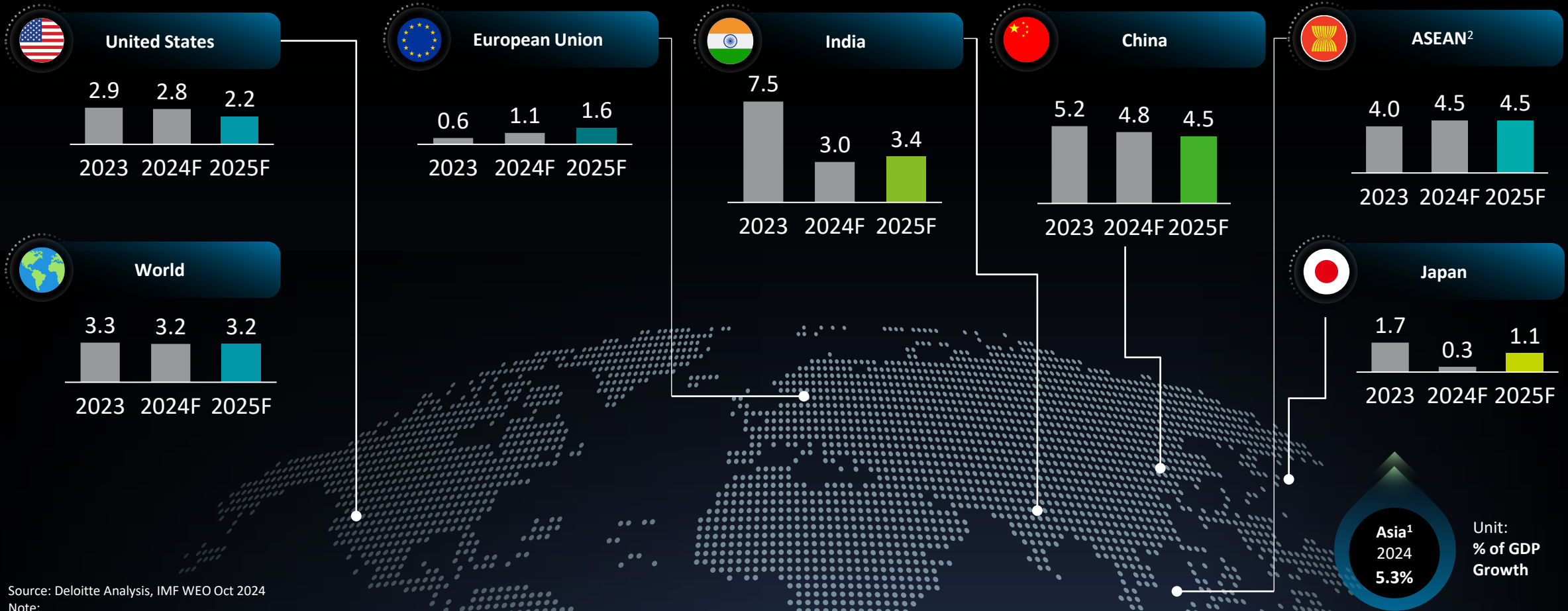


01. Global Economy

4Q2024







Global economic growth has remained surprisingly resilient despite tight interest across regions. The overall outlook projected to stay at 3.2% in 2024 and 2025 even though some developing countries have seen a downgraded growth revision. China faces significant challenges in achieving its annual GDP growth target of 5% in 2025, whereas Japan's 2024 GDP is forecast to exhibit a slight uptick of 0.3%.



Source: Deloitte Analysis, IMF WEO Oct 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 2024-2025

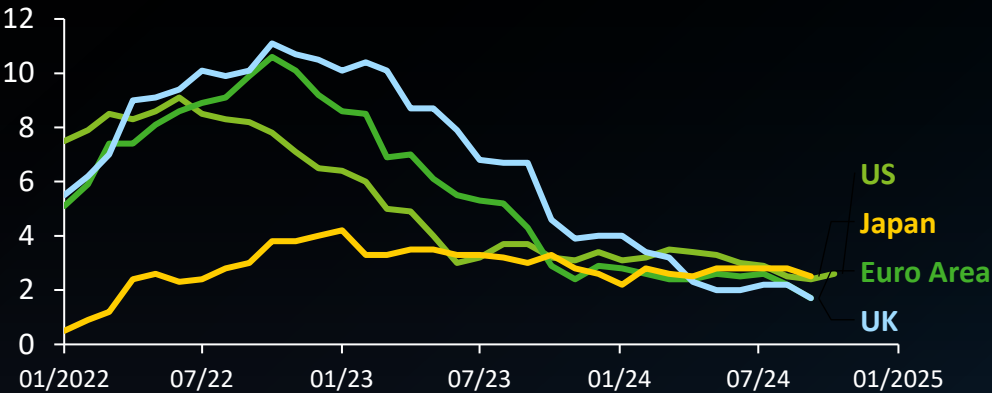
 US	 EU	 Japan	 China
Key Takeaway <ul style="list-style-type: none">US labor market remains strong and relatively tight with lower initial claims for unemployment insurance.US housing prices faced downward pressure. Housing prices in the top 20 US cities declined 0.3% in Sep, marking the second consecutive monthly decrease.US-Mexico relations are poised for significant changes in the coming year.	Key Takeaway <ul style="list-style-type: none">Favorable macroeconomic conditions, particularly in tourism, coupled with structural reforms, have positively impacted Southern Europe.Higher export tariff imposing by the USUndersea cable cuts in the Baltic SeaPolitical chaos in France, resulting borrowing costs hitting the same level as debt-ridden Greece's for the first timeGerman consumer confidence sank in Nov 24 to its lowest level since May due to income expectation plummeted.	Key Takeaway <ul style="list-style-type: none">Approved a ¥21.9 trillion (\$142 billion) stimulus package to cope with inflation and boost economic growthRise in export at 3.1% YoY in Oct 24, supported by China and the rest of Asia in chip-making equipmentHigher than expected inflationWeakening yen	Key Takeaway <ul style="list-style-type: none">Retail sales rebounded in October, surging 4.8% year-over-year, marking the strongest growth since February.Investment in manufacturing was up 9.3% YoY in Oct 24.Home prices in China's 70 largest cities continued to decline, falling 5.9% year-over-year, the steepest drop since 2015, as the troubled property sector worsened.Investment in property was down 10.3% YoY in Oct 24.
Watchlist <ul style="list-style-type: none">Imposing high import tariffs on foreign goods.Fed's signal on more gradual pace of policy easing than previously thought	Watchlist <ul style="list-style-type: none">Performance of Eurozone assets, including equities, credit and the euroECB's interest rate direction	Watchlist <ul style="list-style-type: none">Growing numbers of overseas companies are launching bids to acquire Japanese businesses.Direction of policy rate, either to increase to suppress inflation or to not tightening to avoid potential recession	Watchlist <ul style="list-style-type: none">Tariff threats from the impending Trump administrationMassive fiscal program to boost domestic demand, raising an additional 6 trillion yuan from special treasury bonds



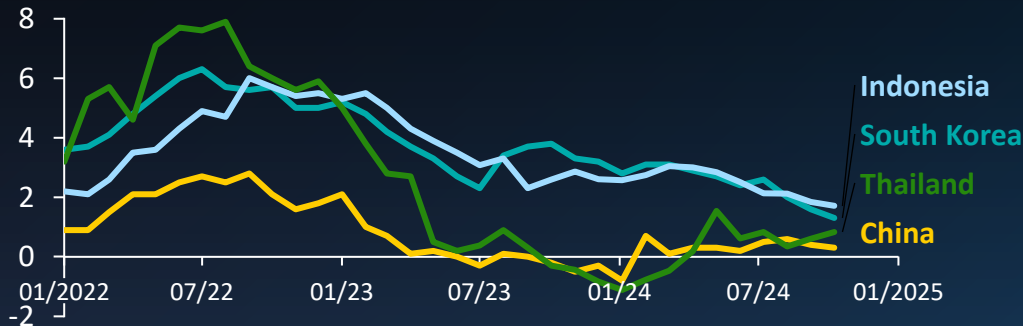
Starting in September or October, most regions depicted in the charts have initiated further reductions in their policy rates. However, the EU, China, and the UK began this trend earlier, in June, July, and August, respectively. In contrast, Japan took a divergent approach, raising its interest rates in July for the second time in seventeen years, from a range of 0% to 0.1% to 0.25%.

Inflation Rate

Developed countries

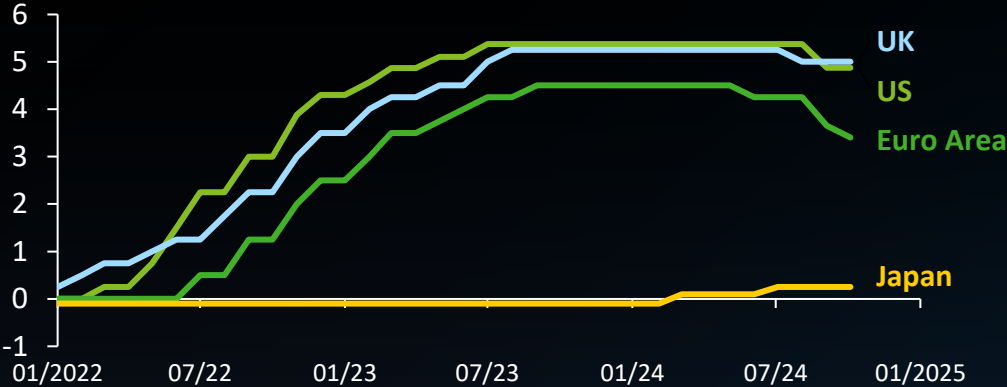


Developing countries & Emerging markets

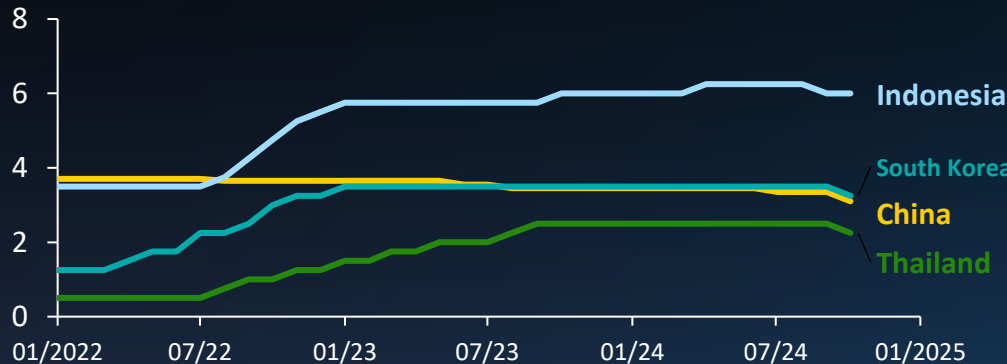


Policy Rate

Developed countries



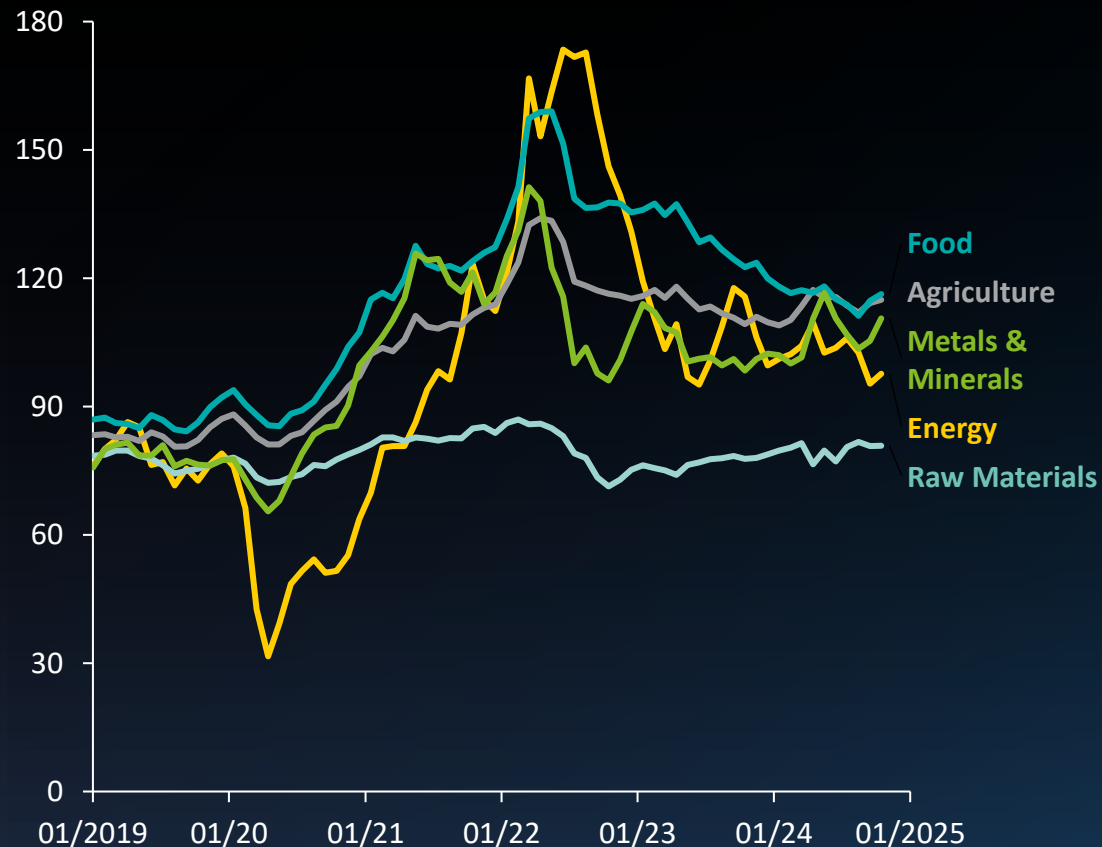
Developing countries & Emerging markets





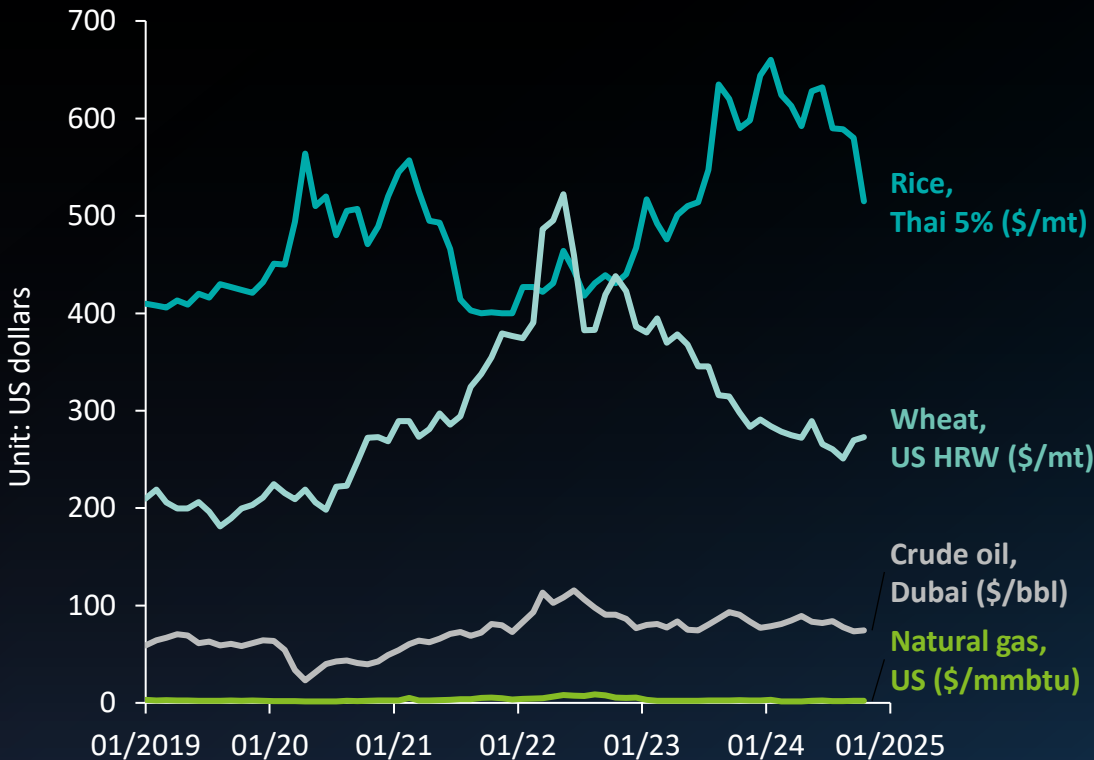
According to World Bank, following a projected 3% decline this year, commodity prices are projected to further decrease by 5% in 2025 and 2% in 2026, reaching their lowest levels since 2020. This downward trend is primarily driven by falling oil prices, while price increases in natural gas and stable outlooks for metals and agricultural raw materials are expected to temper the overall decline.

Commodities Price Index (2010=100)



Source: Deloitte Analysis, World Bank

Commodities Price



Crude oil, Dubai (\$/bbl) forecast

2024 81.0 2025 78.0

Source: Fiscal Policy Office

The background of the slide features a dark blue night sky filled with numerous white stars of varying sizes. A large, light gray, semi-circular moon dominates the upper half of the frame. Below the moon, a dark silhouette of a city skyline is visible, including several tall buildings and a prominent spire. In the foreground, there are dark, jagged silhouettes of trees or bushes. Four golden, stylized Thai sun or flower motifs are scattered across the sky. The title text is centered over the moon.

02. Thai Economy

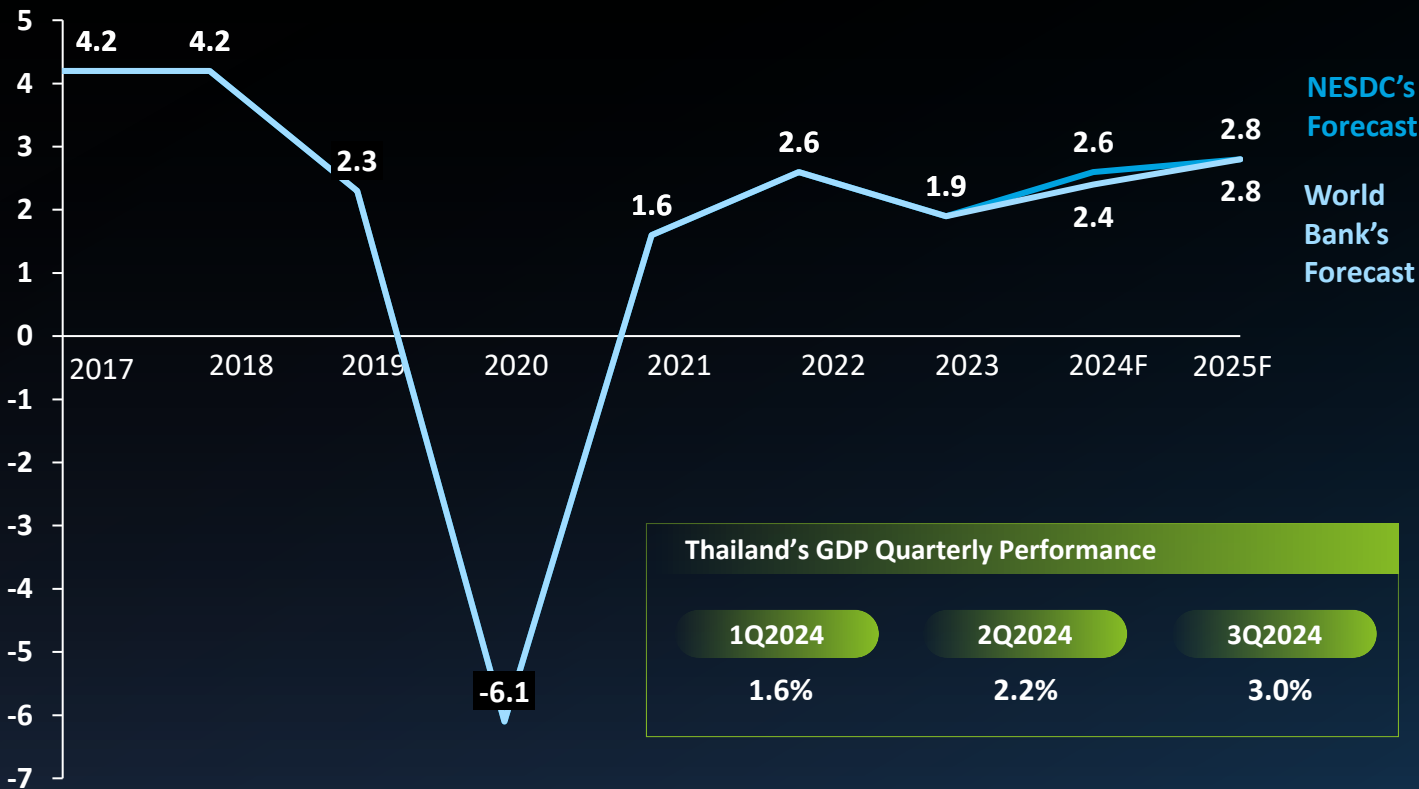
4Q2024

Thailand's Economic Outlook

The Thai economy is anticipated to expand as projected. Key drivers of this growth include tourism and private consumption, further bolstered by government stimulus measures. Nevertheless, the recovery is uneven across sectors, and the persistence of global trade wars and geopolitical tensions, combined with Thailand's elevated household debt, poses a significant risk that warrants close monitoring.



Real GDP Growth (%YoY)



Source: Deloitte Analysis, Bank of Thailand, NESDC, World Bank

Key Factors to be Monitored



- Expanding domestic consumption and tourism
- Increased in public investment
- Recovering export
- High household debt
- Damage from the floods in the north
- Spill over effects from tightening trade war
- Volatility in agricultural yields and prices

Thailand's Economic Outlook

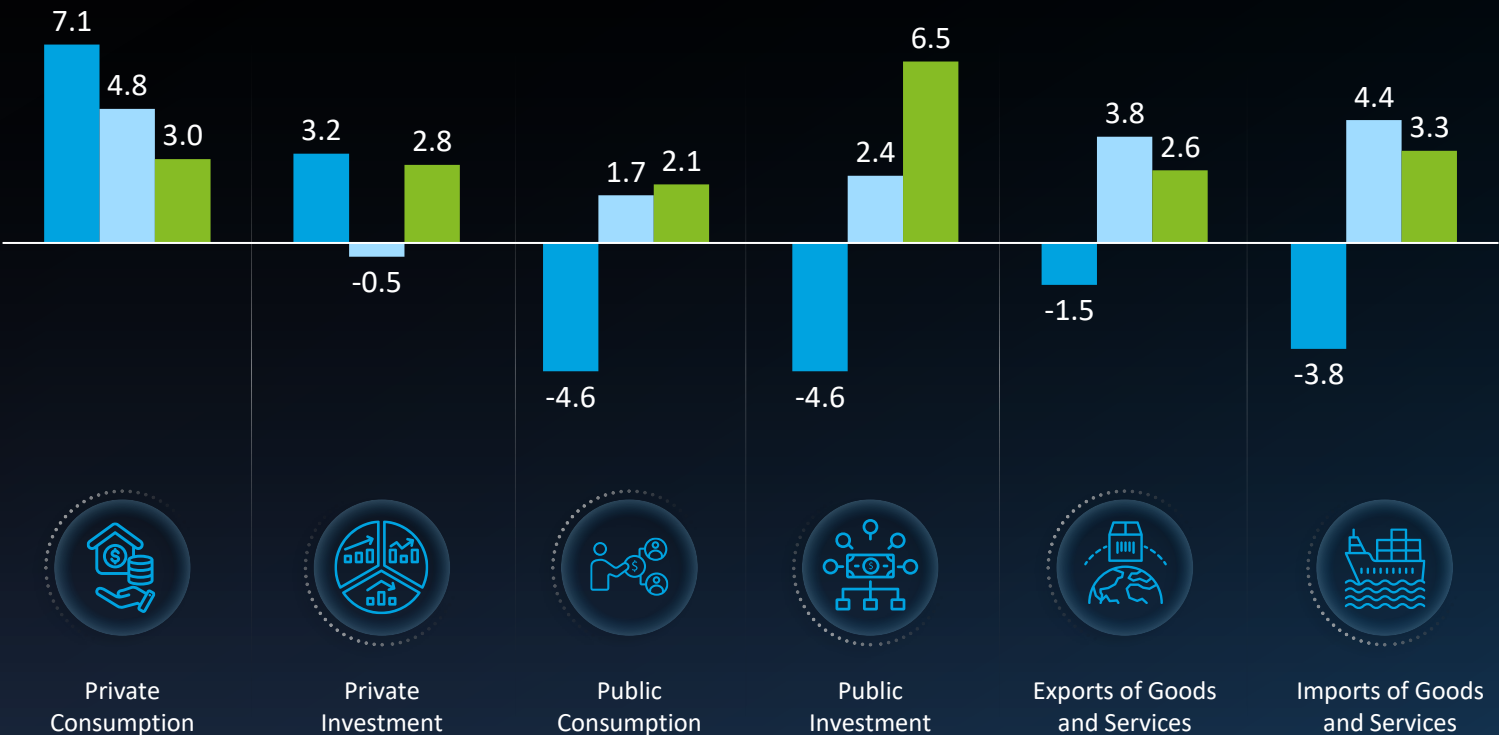
2024 GDP growth is expected to be primarily driven by private consumption and exports. However, public investment is forecast to be the silver lining of 2025 GDP growth, supported by a recovery in private investment facilitated by less stringent lending criteria.

Real GDP Growth (%YoY)



Annual Percentage Change (%YoY)

2023 2024F 2025F



Source: Deloitte Analysis, NESDC

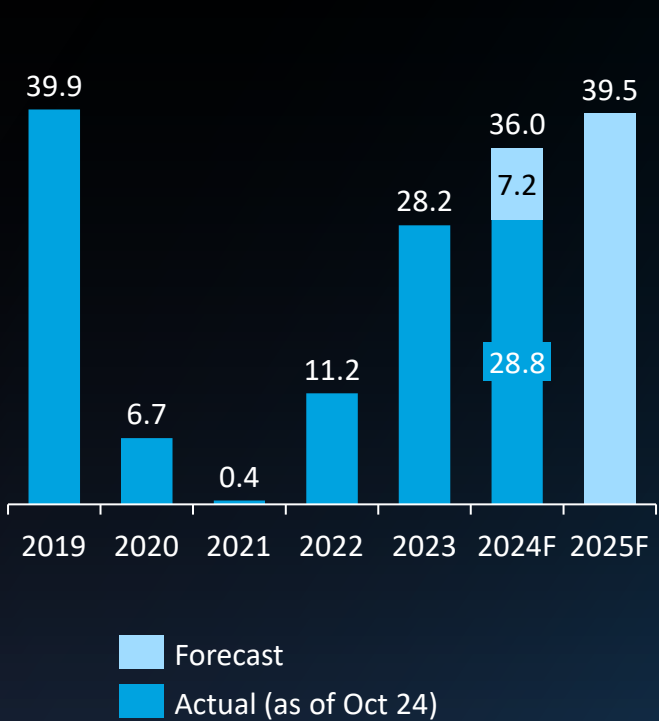


Tourist arrivals are showing a marked increase and are approaching pre-pandemic levels. This year, tourist arrivals from China, Malaysia, India, South Korea, and Russia have exhibited a substantial increase compared to the corresponding period of the previous year.



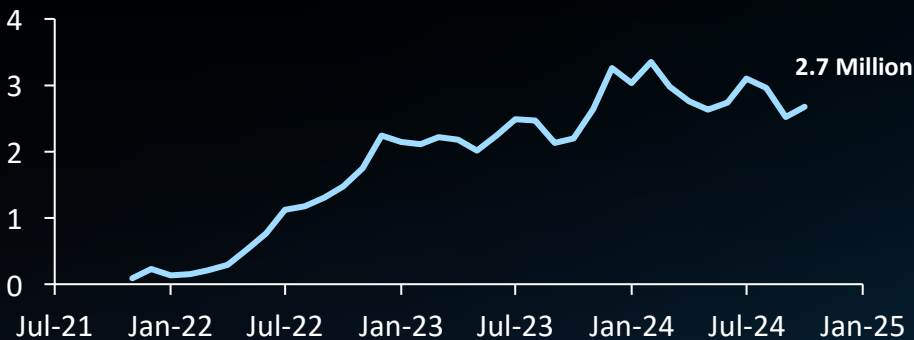
Foreign tourist arrivals Forecast

Unit: Million Persons



Foreign tourist arrivals by Month

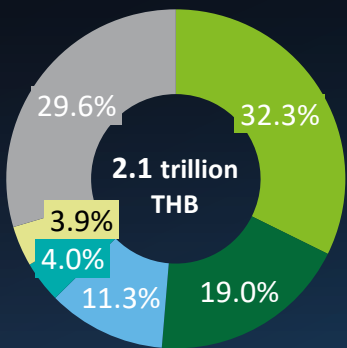
Unit: Million Persons



Top 5 provinces received income from foreign visitors

As of Oct 24

- Bangkok
- Phuket
- Chon Buri
- Surat Thani
- Chiang Mai
- Others



Top 5 Tourist Arrivals to TH by Nationality

Unit: Person (as of Oct 24)



China
5.7M



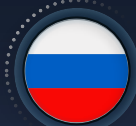
Malaysia
4.1M



India
1.7M



South Korea
1.5M



Russia
1.3M

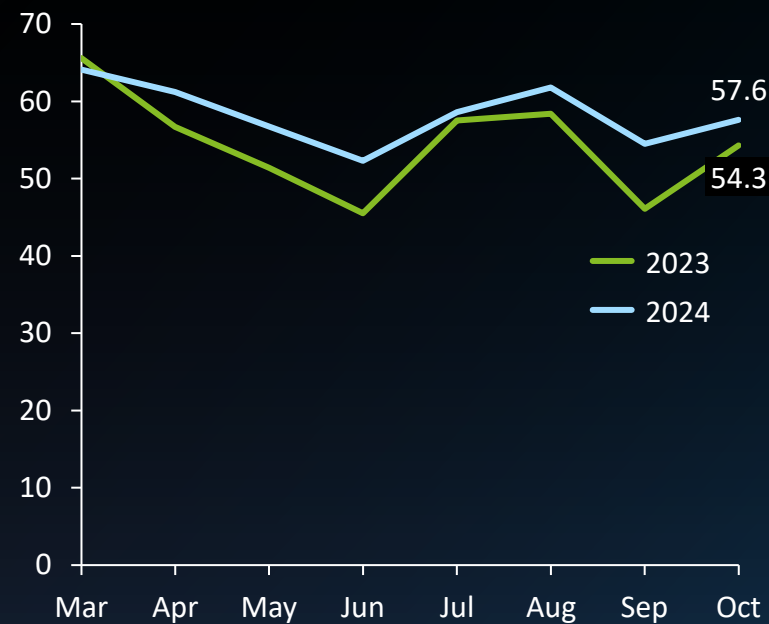
Source: Deloitte Analysis, Bank of Thailand, MOTs, TAT, NESDC

Occupancy rate saw increasing in October in response to approaching high season.



Occupancy Rate (%)

Overall, the occupancy rate in 2024 has shown improvement compared to the previous year, 2023.



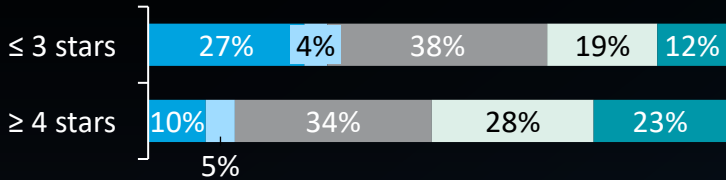
Source: Deloitte Analysis, Bank of Thailand



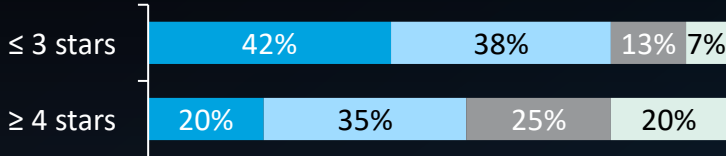
Forecasted guest arrivals for 4Q2024

Hotels rated four stars and above anticipated a higher influx of guests across all categories compared to those rated three stars or below. Additionally, hotels rated three stars or below predicted a decrease in Chinese tourist arrivals relative to the fourth quarter of 2023.

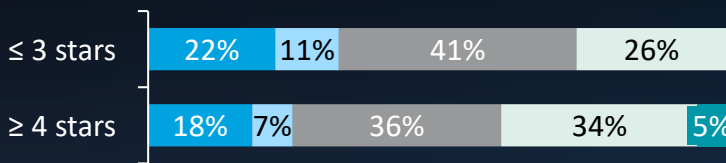
Foreign guest (excluded Chinese)



Chinese



Thai



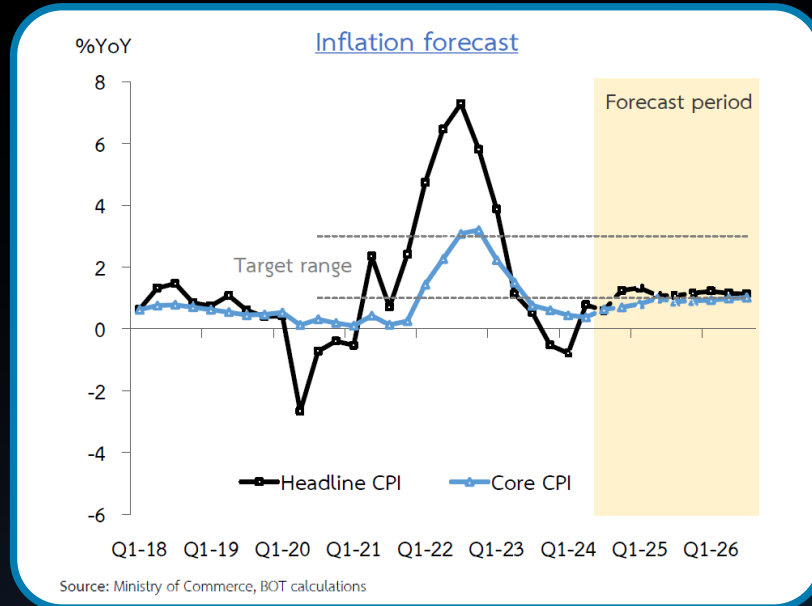
- Decline > 10%
- Decline ≤ 10%
- Similar to 4Q23
- Rise ≤ 10%
- Rise > 10%

Inflation tends to be within the target range by the end of 2024

Over the past 20 years, energy and raw food have been the most influential factors on Thailand's inflation variance



Core and Headline Inflation – Annually (%)



Inflation in Oct 24 = 0.83%

Increased in Q3 inflation contributed by

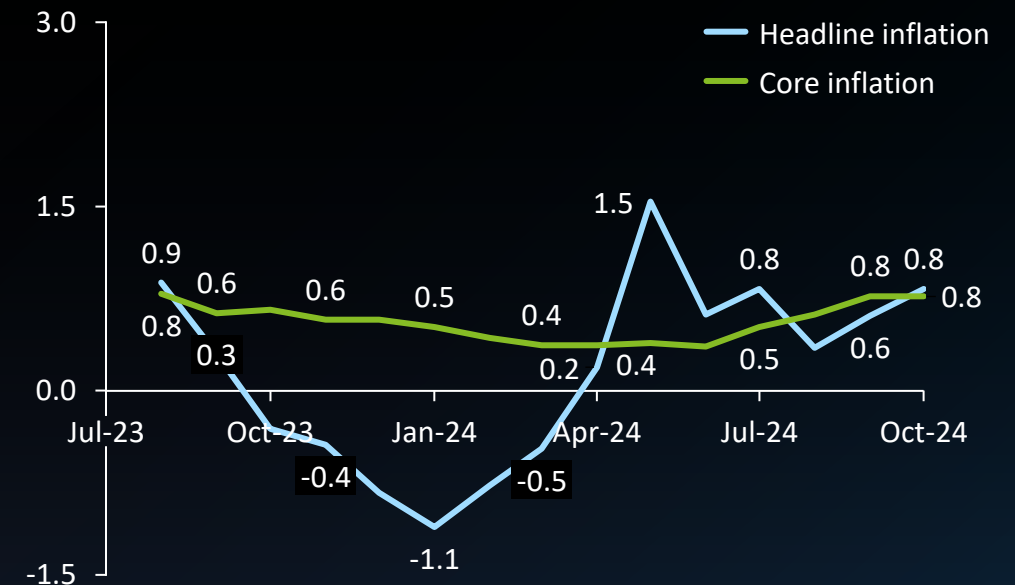
- Increase in the food price index, particularly for vegetables, fruits, processed foods, and eggs and dairy products
- The lower base price of electricity in the previous year

Source: Deloitte Analysis, Bank of Thailand, NESDC

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Core and Headline Inflation – Monthly (%)



Watchlist

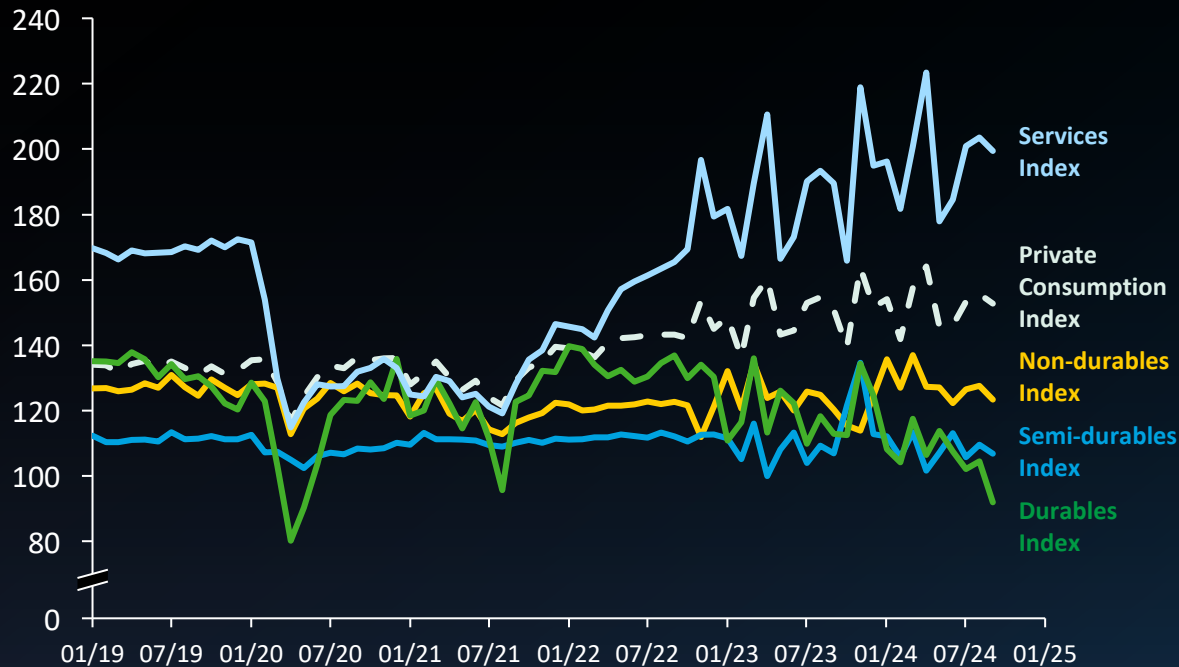
- Variation of energy and raw food prices
- Geopolitical tension and uncertainty



The upward adjustment of the Consumer Confidence Index is attributed to government policies aimed at addressing economic and social issues, particularly the economic stimulus measures (10,000 baht digital wallet), strong export growth driven by increased demand for agricultural products and food, and gradual reductions in commercial bank interest rates in line with the policy interest rate, easing financial concerns for the public.



Private Consumption Index (Seasonally Adjusted)



Source: Deloitte Analysis, Bank of Thailand, TPSO



Consumer Confidence Index (CCI)

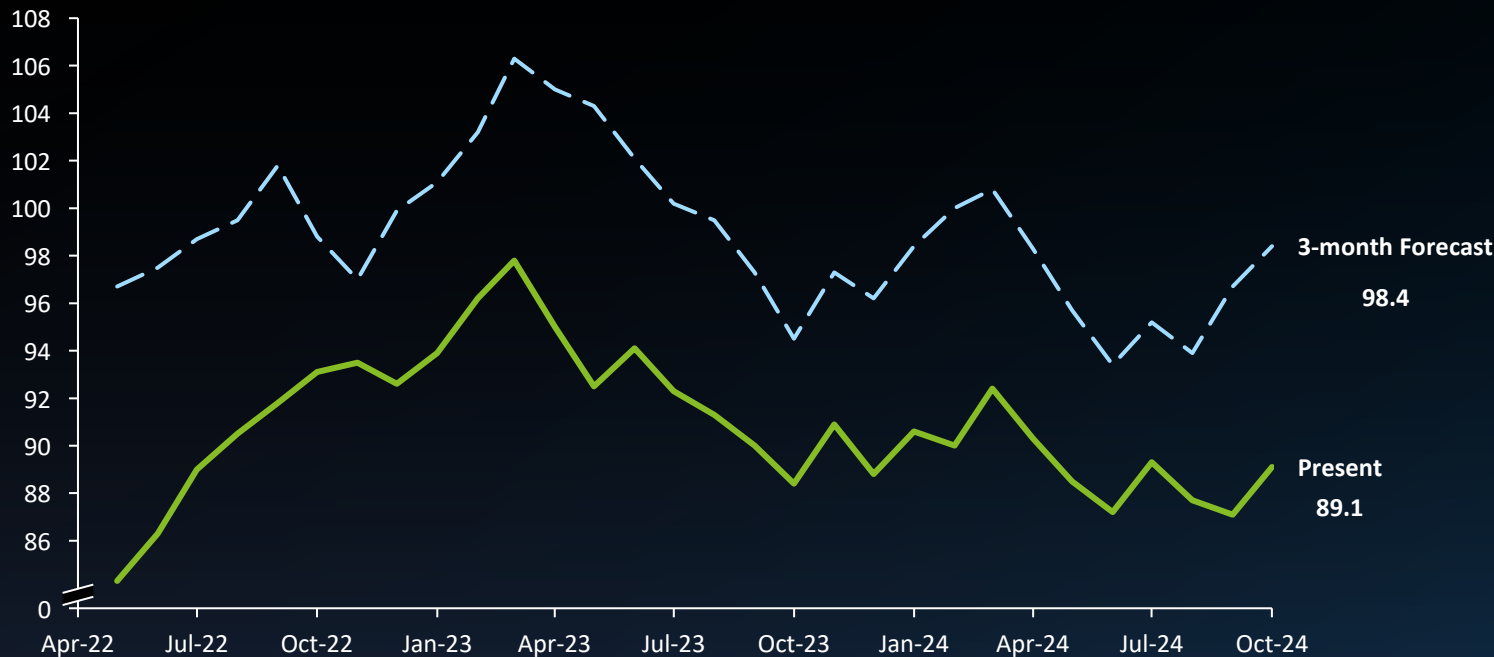




Thai Industries Sentiment Index (TISI) for October 2024 increased for the first time in 3 months.



Thai Industries Sentiment Index



Source: Deloitte Analysis, FTI

Positive Factors

- Easing the situation caused by flood damage in the northern region
- Improved consumer spending due to the government's stimulus measure of distributing 10,000 baht to vulnerable groups
- Commercial banks have gradually lowered loan interest rates
- Lower freight rates on crucial routes

Negative Factors

- Weakened purchasing power due to high household debt
- Slowdown in the construction material goods sector due to a slowdown in the real estate sector
- The influx of cheaper products from abroad
- Geopolitical tension

3-month Forecast watchlist

- Impact of government economic stimulus measures
- Economic policy changes following the election of the new US president

Thai Industries Sentiment Index by Performance

In October 2024, TISI exhibited improvement compared to the previous month, particularly in the electricity and air conditioning sectors. Conversely, the rubber and biotechnology sectors experienced declines.



Note: As of 2024
Source: Deloitte Analysis, FTI

Policy Rate

The Monetary Policy Committee (MPC) voted 5 to 2 to cut the policy rate by 0.25%, from 2.50% to 2.25%.



Policy Rate



Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 5/2024

MPC's Perspective



- **The Thai economy is on track for projected growth** and inflation is expected to ease by 2024. To alleviate the debt burden on borrowers, the policy rate was reduced by 0.25 percentage point, which is seen as supportive of economic potential and consistent with ongoing debt reduction efforts.
- Still, business loan growth, particularly for SMEs and vulnerable borrowers, declined, and credit quality deteriorated. In addition to BOT's debt restructuring efforts to aid household deleveraging, **monitoring the impact of these trends on funding costs, credit growth, and overall economic activity is crucial.**

Exchange Rate

Thai Baht weakened in earlier December 2024 following a drop in global gold prices and a general weakening of Asian currencies amid concerns over signs that President-elect Donald Trump is ready to move forward with trade protectionist measures.

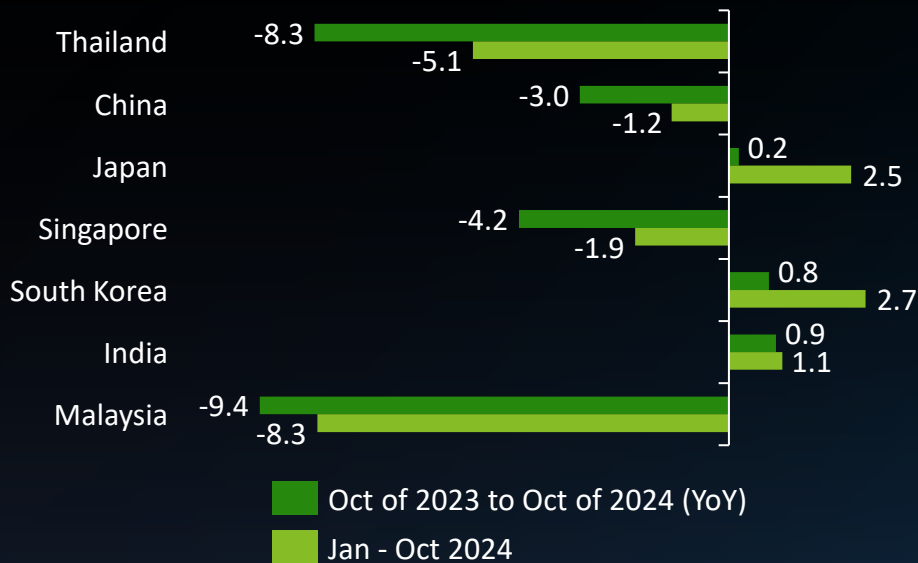


Exchange Rate (Unit: THB/USD)



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
- If the USD weakens as reflected by US economic data

Depreciation

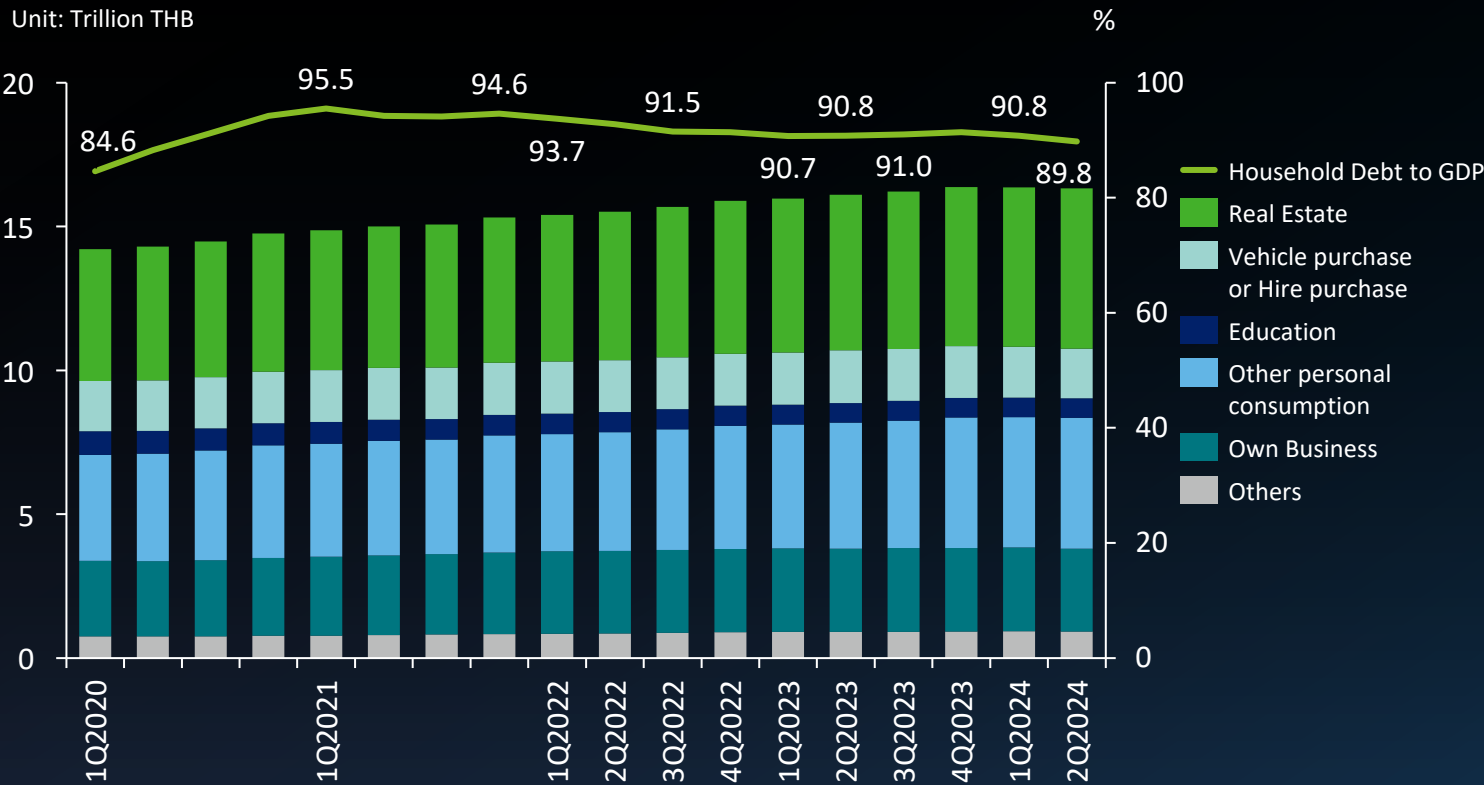
- Weak economy
- If facing increased trade tariff

Household debt remains high at 89.8%

Real estate loans remain the largest component of 2Q2024 household debt, accounting for approximately 34%. However, non-productive loans, such as other personal consumption, also contributed significantly, representing around 28% of total household debt. Furthermore, non-performing loans (NPLs) surged to 1.2 trillion THB in September 2024, with significant year-over-year increases in housing loan NPLs (28%) and automotive loan NPLs (23%).

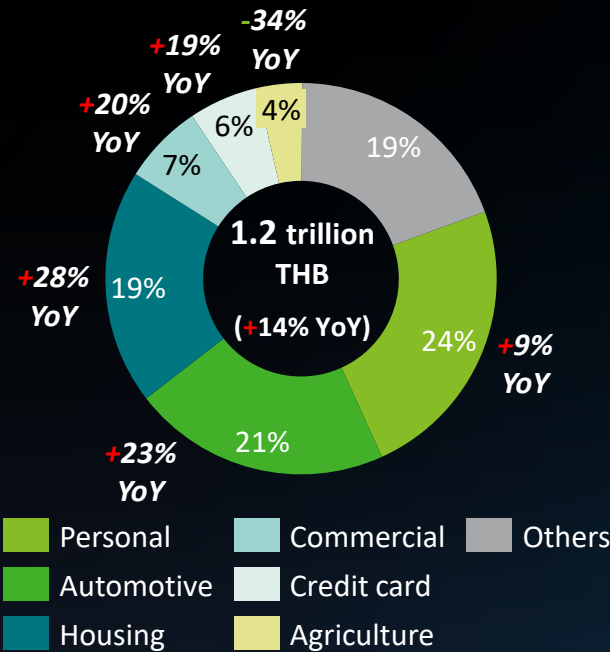


Household Debt (adjusted rate)

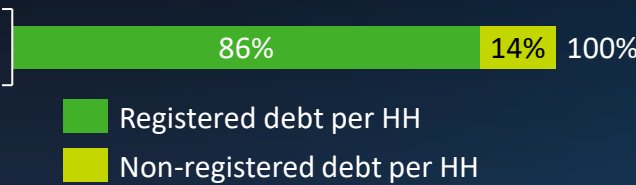


Source: Deloitte Analysis, Bank of Thailand, National Credit Bureau, Krungthai Compass and Faculty of Economics - Chulalongkorn University

NPL as of September 2024



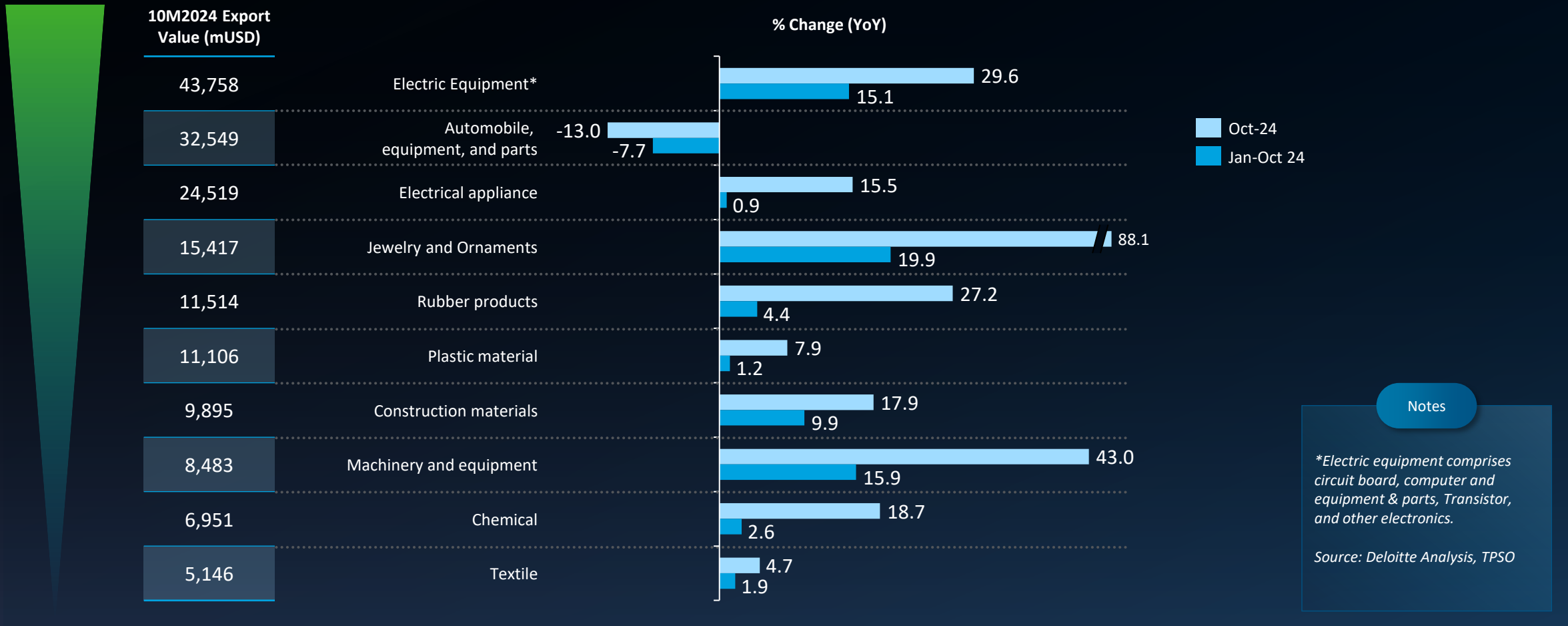
Surveyed Debt per household as of November 2024



10 Key Industrial Exports for Oct 2024

Industrial export grew by 18.7% in Oct 2024. Key drivers included the export of technology products, specifically computers, equipment, and parts.

Thailand's overall export in October 2024 rose by 14.6% YoY, the highest in the last 19 months, while exports of real sector (excluding gold, oil-related products, and weaponry) increased by 10.7%.



10M2024 Thailand's Export Destinations

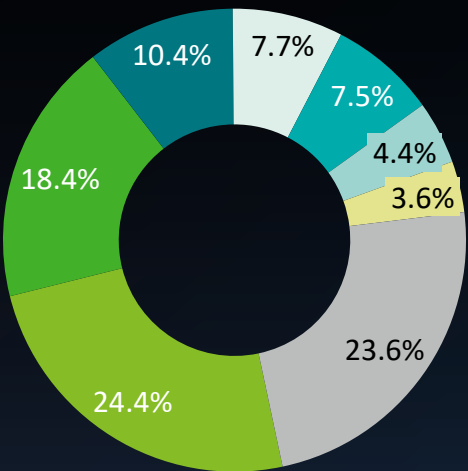
Exports to most major markets have expanded significantly, following the overall improvement in our trading partners' economies. Export to key markets such as the United States, ASEAN, and the European Union have experienced growth, while exports to China and Hong Kong have shown slight increases. Conversely, exports to Japan have declined.



Percentage Contribution

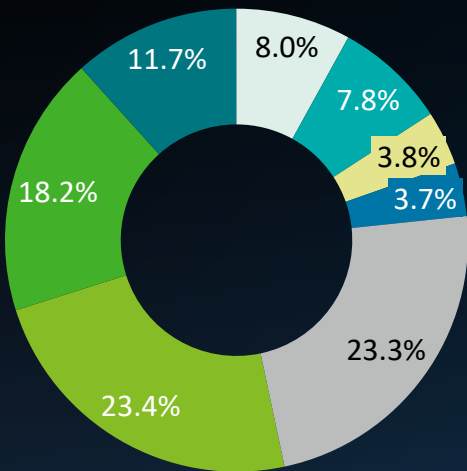


October 2024



Total Export Value
27,222 mUSD

Jan-Oct 2024



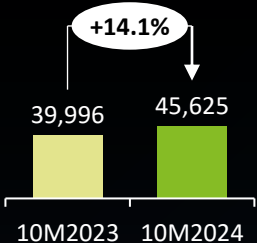
Total Export Value
250,398 mUSD

10M2024 Percentage Change (YoY)

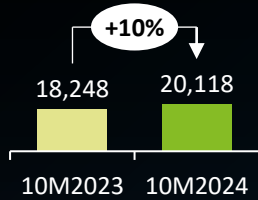
Unit: mUSD



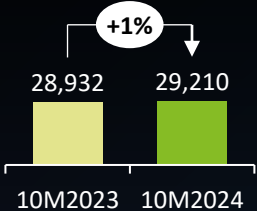
US



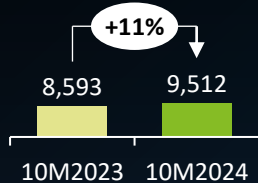
EU



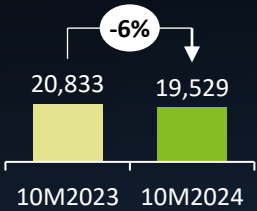
China



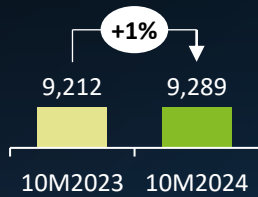
India



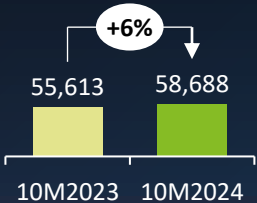
Japan



Hong Kong



ASEAN



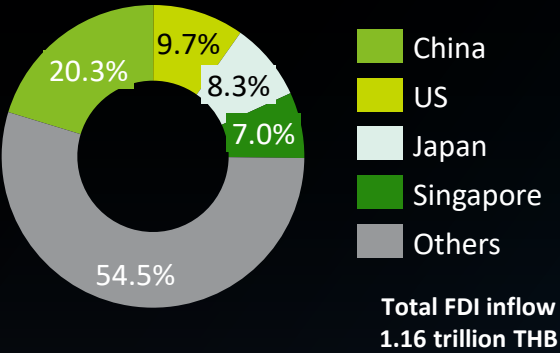
10M2024 Total Export Value
+4.9% (YoY)



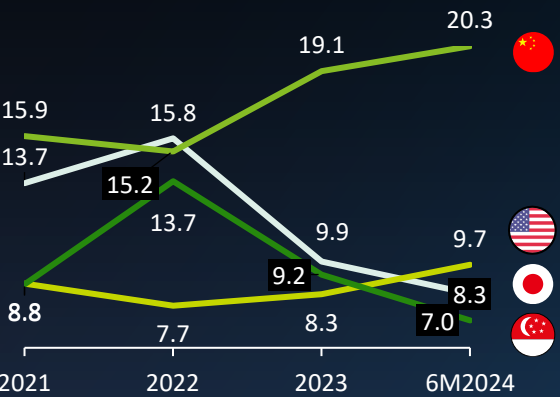
6M2024 FDI inflow had been mostly contributed by Manufacturing sector, followed by Financial Service, Insurance, and Real Estate sectors. China's manufacturing top FDI inflow are rubber and plastics products.

Compared to previous years, China's contribution to Thailand's FDI inflows has increased.

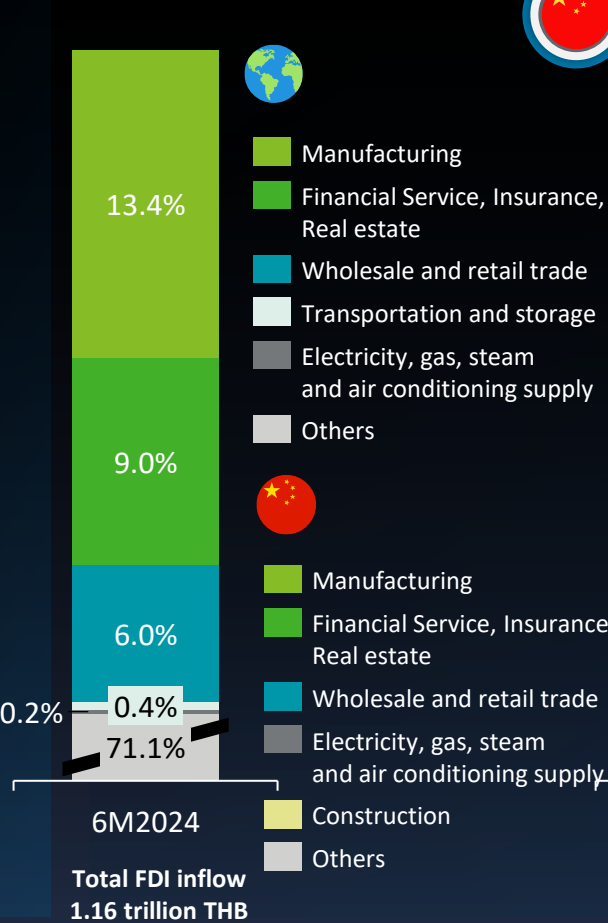
6M2024 FDI inflow to TH by Countries (%)



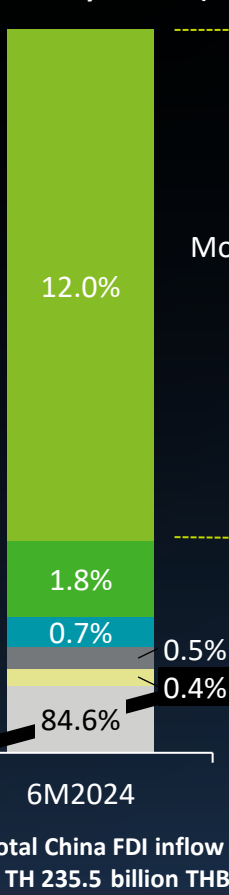
Historical 2021-6M2024 by Top Countries' Percent Contribution to TH FDI inflow



6M2024 FDI inflow to TH by sectors (%)



6M2024 China FDI inflow to TH by sectors (%)



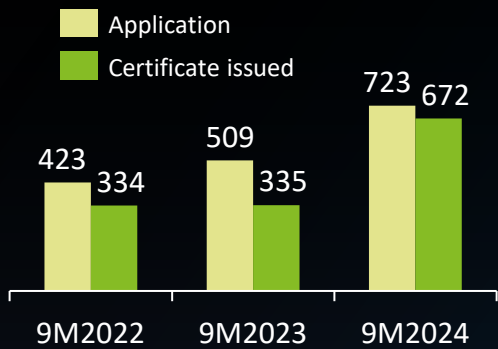
6M2024 China FDI inflow to TH by sectors - Manufacturing Top 5 (million THB)



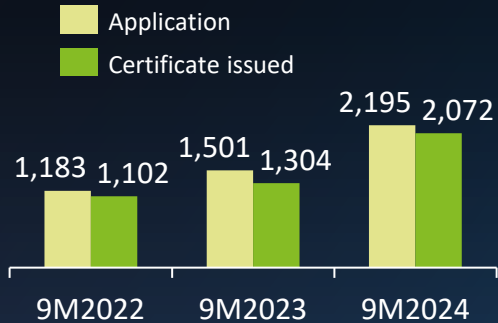
9M2024 Foreign Direct Investment in Thailand is on the rise.

In 9M2024, FDI applications reached 2,195, representing a 46% increase from the previous year, and an increase of 42% in combined investment value to 722.53 billion THB, with the highest magnitude from electrical appliance & electronics.

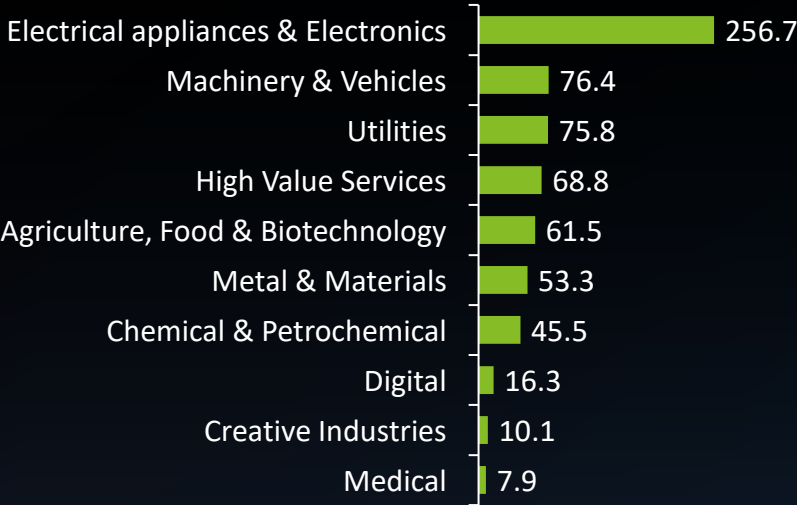
9M2022-9M2024 BOI FDI application and promotion certificate issued – by Value
Unit: Billion THB



9M2022-9M2024 BOI FDI application and promotion certificate issued – by Volume
Unit: number of projects



9M2024 BOI FDI Promotion Certificate Issued by Sector
Unit: Billion THB

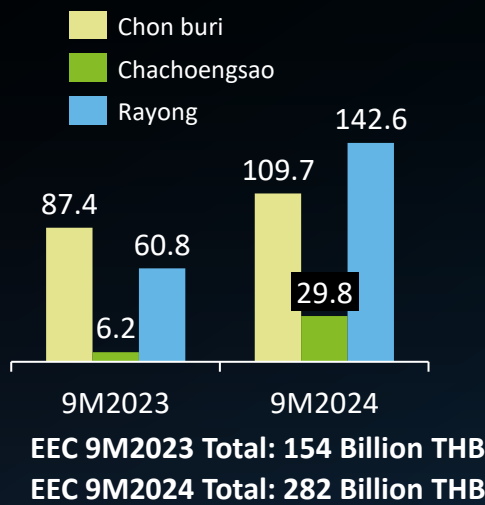


9M2024 Total: 672 Billion THB (101% YoY)

- Remarks
- Sample of Creative Industries: Manufacture of technical fiber or functional fiber, garments and household textiles, film, manufacture of musical instrument ,etc.
 - Sample of High Value Services: Trade and investment support office, human resource development, tourism, logistics, etc.

Source: Deloitte Analysis, BOI

9M2023 – 9M2024 BOI FDI Promotion Certificate Issued in EEC
Unit: Billion THB



The consequences of the widespread flooding in 2024 on agricultural production

The 2024 flood-affected area covers 3.54 million rai, or 1% of Thailand, spanning 52 provinces. When comparing the affected area and the damage, it is less severe than in 2011. However, the duration of flooding has increased and there is a higher likelihood of 'rain bombs'.

Estimated damages in agricultural sector

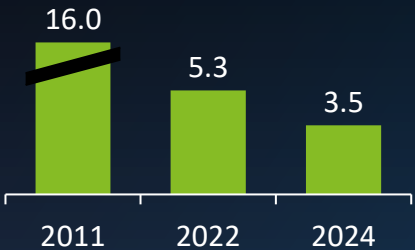
2,061 mTHB

5 provinces most severely damaged by floods

- Chiang Rai 328.59 mTHB
- Nong Khai 201.17 mTHB
- Nakhon Phanom 144.90 mTHB
- Phayao 130.21 mTHB
- Sakon Nakhon 110.85 mTHB

Estimated damages in flood-affected area

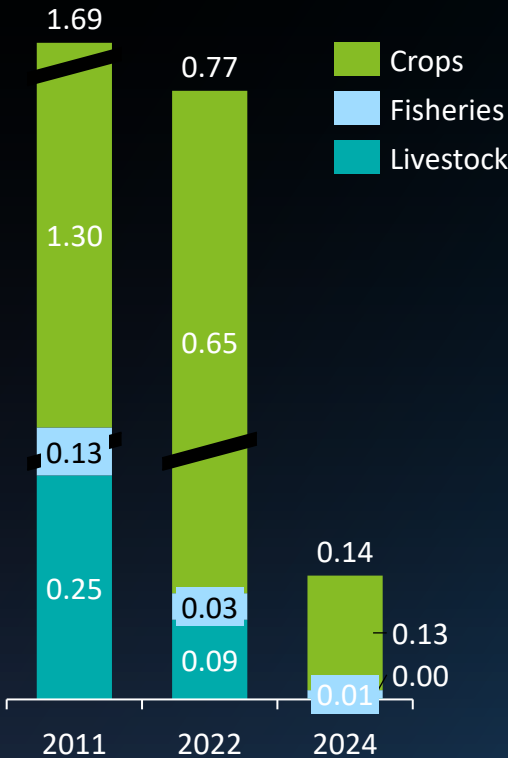
Unit: Million Rai



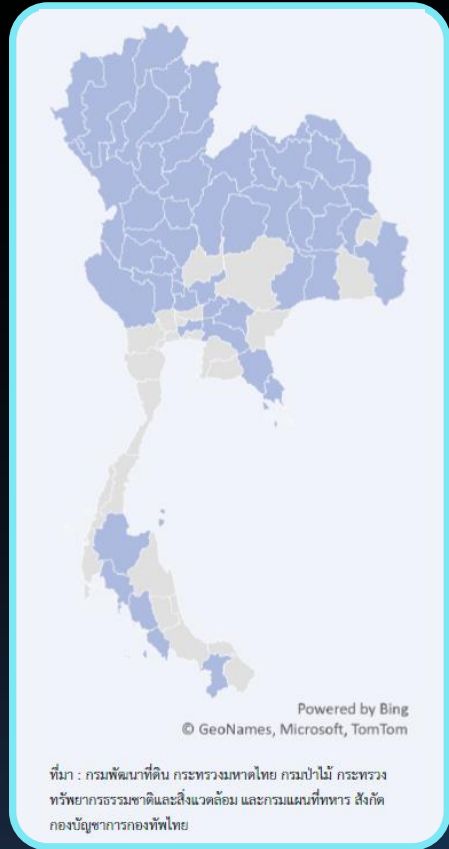
Source: Deloitte Analysis, NESDC

The number of farmers affected by the flood – by type of agriculture

Unit: Million Persons



The 52 provinces hit by the floods (As of 11 November 2024)



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