

Thailand Watch

A mixed picture of recovery

A mixed bag of data in October

The Thai economic recovery in October witnessed a mixed performance. The improvement was observed in private consumption indicators, which showed an increase in various categories, as well as private investment indicators. On the other hand, spending in services softened in line with the observed decrease in both Thai and foreign tourists. Merchandise exports also fell from last month in line with weak manufacturing production.

Improving domestic demand

Private consumption in October increased from last month (+1.7%MoMSA) and demonstrated resilience, with most categories experiencing growth. However, the service sector, especially in hospitality, slowed due to reduced tourist activities. Investment also rose (+1.4%MoMSA), thanks to increased investment in machinery and equipment, reflecting higher sales of domestic machinery and capital imports. The construction sector showed signs of improvement, buoyed by increased permits and material sales, although commercial vehicle registrations remained unchanged.

Slowing tourism and exports

Tourist arrivals in October slowed (-1.4%MoMSA), affecting overall tourist spending. However, it is expected to improve as the high season for European tourism begins. Merchandise exports, excluding gold, declined from last month (-1.4%MoMSA), facing a downturn in various categories, notably in electronics and agricultural products and also due to a high base from one-time jewelry exports to Hong Kong last month.

Small current account surplus

October's imports decreased across various categories, including fuels, consumer goods, and capital goods. The current account showed a smaller surplus of US\$+0.7 billion, mainly due to a lower trade balance surplus, as last month's increase in exports, especially in jewelry to Hong Kong, was temporary. Net services, income, and transfers remained stable, in line with steady tourism.

Challenging outlook

We take note on the overall better-than-expected economic outcome in October. However, we still anticipate domestic headwinds down the road due to increasing debt burdens and loan growth slowdown amid higher interest rates. Various other indicators suggest a weakening in domestic demand, including reduced domestic car and home sales, declining EPS of listed companies, and slower-than-expected tourism from China. Despite a rebound in the tourism sector and gradual improvements in exports, we expect the recovery to continue being weak in months ahead.

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GEM Economics
Asia | Thailand

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Exhibit 1: The Thai economy in October witnessed a mixed performance with improving domestic demand while tourism and exports slowed from the last month

Key indicators

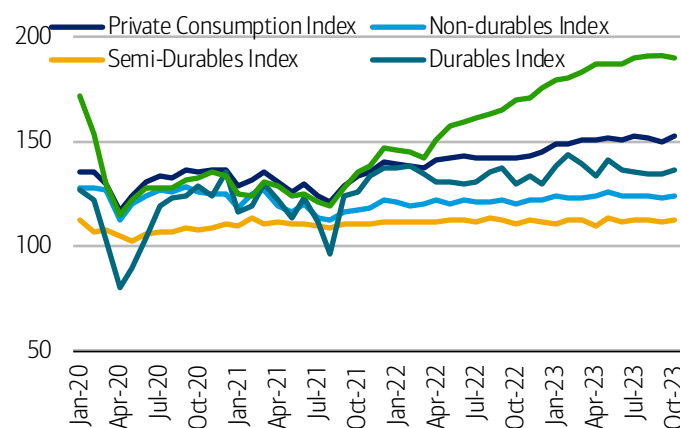
	1Q 23	2Q 23	3Q 23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Oct-23 % MoM (SA)
Manufacturing Production Index (% YoY)	-3.7	-5.5	-6.3	-5.0	-4.7	-7.7	-6.3	-4.3	-2.1
Capacity Utilization (SA)	63.8	57.7	58.0	59.6	60.2	58.9	58.6	57.8	
Private Consumption Index (% YoY)	7.2	7.1	7.3	5.8	7.8	7.6	6.6	7.3	1.7
Non-Durables Index (% YoY)	2.5	2.6	1.8	1.7	1.9	2.6	0.9	3.5	1.1
Semi-Durables Index (% YoY)	0.7	-0.5	-0.1	-0.9	0.3	-0.3	-0.3	1.9	0.6
Durables Index (% YoY)	2.6	4.5	-0.6	4.2	2.9	-1.8	-2.6	3.9	1.4
Service Index (% YoY)	25.1	20.3	16.6	17.3	17.8	16.6	15.3	11.9	-0.7
Private Investment Index (% YoY)	-0.2	-0.3	-2.9	-1.8	1.0	-4.9	-4.5	-0.1	1.4
Construction Material Sale Index (% YoY)	0.4	-1.9	1.0	-1.3	1.0	3.4	-1.5	-1.8	0.4
Real Imports of Capital Goods (% YoY)	-2.7	4.7	3.0	5.4	10.1	-1.7	1.5	6.0	1.5
No. of Newly Registered Motor Vehicles for Investment Purpose (% YoY)	-14.6	-18.1	-23.8	-20.0	-10.5	-27.5	-30.8	-8.9	0.3
Government Cash Balance (Bt bn)	-232.3	174.0	-61.6	8.8	-113.1	-43.7	95.2	-241.5	
Headline Inflation (% YoY)	3.88	1.14	0.52	0.23	0.38	0.88	0.30	-0.31	
Core Inflation (% YoY)	2.23	1.51	0.76	1.32	0.86	0.79	0.63	0.66	
Number of Foreign Tourists (person mn)	6,478	6,437	7,089	2,241	2,491	2,468	2,131	2,197	
% Change YoY	1,227.0	311.4	95.2	191.5	119.5	107.7	62.8	48.9	-1.4
EXTERNAL ACCOUNT									
Export growth (% YoY)	-4.5	-5.6	-2.0	-5.9	-5.5	-1.8	1.0	7.0	-1.5
Import growth (% YoY)	2.0	-5.0	-10.7	-9.3	-12.0	-11.9	-7.9	10.5	0.3
Current Account (US\$ bn.)	2.0	-2.5	3.3	0.9	-0.5	0.4	3.4	0.7	
Balance of Payments (US\$ bn.)	2.7	-3.3	1.5	-2.7	0.3	0.3	0.9	-0.4	
Official Reserves (US\$ bn.)	222.5	220.8	216.5	218.2	220.7	216.9	211.8	210.9	
MONEY & BANKING (% YoY)									
Monetary Base	2.8	3.6	4.1	3.6	4.3	6.8	4.1	5.5	
Broad Money	2.7	1.7	1.9	1.7	1.6	1.3	1.9	1.8	
Depository Corporations Deposits	3.1	2.1	1.6	2.1	1.7	1.3	1.7	1.2	
Private Credits	3.3	2.9	2.3	2.9	2.0	2.0	2.2	1.8	
Baht/US\$ (average)	33.92	34.48	35.16	34.92	34.60	35.04	35.85	36.50	

Source: BoT

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Exhibit 2: Ex-service consumption increased from the last month

Private consumption index and its components (SA)

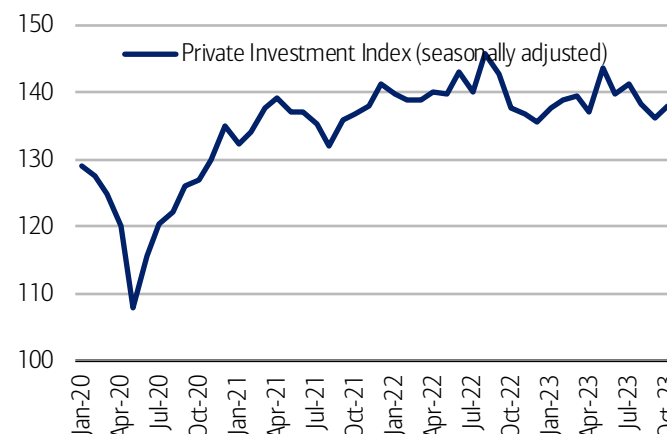


Source: BoT

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Exhibit 3: Private investment improved from the previous month

Private investment index (SA)



Source: BoT

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