

Thailand Watch

Recovery continues at a slow pace

Continued recovery

The Thai economy in January continued to gain momentum mainly from tourism and private investment. Exports also picked up in line with external demand while private consumption remained largely unchanged. Most demand indicators increased or stabilized from the last month, but such an improvement has not yet been fully translated into production. As a result, the manufacturing production index improved only slightly on a YoY basis but remained in contraction.

Improving external demand

The tourism sector saw improvement both in terms of the number of arrivals (+1.5%MoMSA) and revenue (+17.1%MoMSA) which increased significantly from the increasing long-haul tourists. The export sector also saw improvement in January (excluding gold, +0.7%MoMSA), driven by an uptrend in the electronics cycle and increasing rice exports following India's restriction on rice exports. The current account registered a small deficit of US\$0.2bn as the import of capital accelerated in tandem with an improving outlook for global demand and increasing private investment (+2.6%MoMSA). Net services, income and transfers turned positive at US\$0.9bn.

Manufacturing still weak

The manufacturing production index in January (only YoY growth available this month) remained negative at -2.9% compared to the last year, a slight improvement from the last month of -4.7%. Despite the export recovery, the manufacturing sector remained weak because some industries, such as automotives, are facing high inventory levels, slow improvement in external demand from certain countries, or competitiveness issues.

Sluggish domestic demand

The weak manufacturing sector is reflected in a weaker labor market which saw a declining employment in the export-related sectors. This is in line with private consumption (less tourist spending) which remained stable (0.0%MoMSA) despite the government's measures such as the tax refund and the electricity subsidy scheme. Spending on durable goods increased significantly (+7.0%MoMSA) but this probably corrected the large decline of -5.0%MoMSA in December. Meanwhile, other components also increased (non-durable +2.5%MoMSA, services +1.5%MoMSA) but these probably reflected the strong increase in foreign tourist spending.

Steady but slowly

Looking ahead, we anticipate the Thai economy will further improve, driven by the expected acceleration in the government's spending from 2Q24 onwards, the latter stages of tourism recovery and enhanced export performance, thanks to increasing external demand. Nonetheless, the pace of Thailand's economic recovery may remain slow, owing to structural obstacles in competitiveness in manufacturing sectors and internal challenges such as elevated household debt levels and gradual increases in household income.

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Exhibit 1: The Thai economy in January continued to gain momentum

Key Indicators

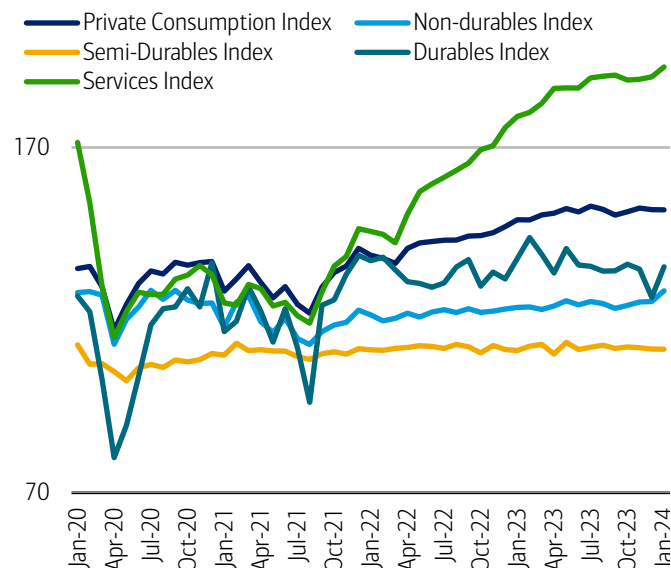
	1Q 23	2Q 23	3Q 23	4Q 23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Manufacturing Production Index (% YoY)	-2.1	-4.9	-5.3	-2.9	-8.0	-2.8	-4.2	-3.9	-5.9	-5.9	-2.5	-1.5	-4.7	-2.9
Capacity Utilization (SA)	64.2	58.6	58.4	57.4	59.1	59.6	59.9	59.8	58.3	57.8	57.5	59.0	55.9	59.4
Private Consumption Index (% YoY)	7.9	7.4	6.5	4.4	8.7	7.1	6.1	7.5	6.8	5.2	4.7	5.4	3.1	1.5
Non-Durables Index (% YoY)	2.6	2.6	1.5	1.8	1.9	4.1	1.8	2.0	2.2	0.1	1.7	2.1	1.7	3.7
Semi-Durables Index (% YoY)	0.7	-0.5	-0.1	0.3	-1.7	0.9	-0.8	0.3	-0.2	-0.4	1.6	-0.6	0.2	0.2
Durables Index (% YoY)	2.6	4.5	-0.6	-0.3	1.3	7.9	4.2	2.9	-1.8	-2.6	3.9	0.2	-4.4	-2.4
Service Index (% YoY)	25.1	20.3	16.6	10.4	24.0	19.1	17.3	17.8	16.6	15.3	11.9	11.3	8.3	8.0
Private Investment Index (% YoY)	0.1	-0.4	-3.4	-1.5	-2.4	3.2	-2.1	0.5	-5.4	-5.1	-3.0	0.4	-1.8	-1.8
Construction Material Sale Index (% YoY)	0.8	-1.6	2.0	-2.6	-7.5	3.8	-1.8	2.0	4.6	-0.8	-1.3	-1.8	-2.3	-2.3
Real Imports of Capital Goods (% YoY)	-2.7	4.7	3.0	8.7	-3.8	11.6	5.4	10.1	-1.7	1.5	6.0	17.3	2.0	2.0
No. of Newly Registered Motor Vehicles for Investment Purpose (% YoY)	-14.6	-18.1	-23.8	-16.2	-17.8	-16.5	-20.0	-10.5	-27.5	-30.8	-8.9	-19.1	-20.5	-20.5
Government Cash Balance (Bt bn)	-232.3	174.0	-61.6	-274.2	82.6	82.6	8.8	-113.1	-43.7	95.2	-241.5	-29.2	-3.5	-143.6
Headline Inflation (% YoY)	3.9	1.1	0.5	-0.5	2.67	0.53	0.23	0.38	0.88	0.30	-0.31	-0.44	-0.83	-1.11
Core Inflation (% YoY)	2.2	1.5	0.8	0.6	1.66	1.55	1.32	0.86	0.79	0.63	0.66	0.58	0.58	0.52
Number of Foreign Tourists (person mn)	6.53	6.44	7.09	8.10	2.18	2.01	2.24	2.49	2.47	2.13	2.20	2.64	3.26	3.04
% Change YoY	1,237.4	311.4	97.9	49.1	659.0	296.3	191.5	119.5	107.7	69.2	49.7	53.2	45.5	41.5
EXTERNAL ACCOUNT (US\$ bn)														
Export growth (% YoY)	-3.8	-5.0	-2.0	4.6	-5.0	-6.0	-4.2	-5.5	-1.8	1.0	7.0	3.9	3.0	7.2
Import growth (% YoY)	0.5	-6.6	-10.7	6.1	-5.0	-3.5	-11.0	-12.0	-11.9	-7.9	10.5	9.5	-1.7	1.5
Current Account	3.5	-1.1	2.6	1.5	0.1	-2.8	1.7	-1.1	0.5	3.2	0.7	-1.2	2.1	-0.2
Total Capital Inflows														
Balance of Payments	2.7	-3.3	1.5	1.7	-1.7	1.0	-2.7	0.3	0.3	0.9	-0.4	1.6	0.5	0.8
Official Reserves	222.5	220.8	216.5	218.2	223.4	220.8	218.2	220.7	216.9	211.8	210.9	219.1	224.5	221.6
MONEY & BANKING (% YoY)														
Monetary Base	2.8	3.6	4.1	3.6	5.0	0.6	3.6	4.3	6.8	4.1	5.5	5.3	3.6	3.5
Broad Money	2.7	1.7	1.9	2.0	2.3	1.9	1.7	1.6	1.3	1.9	1.8	1.5	2.0	2.3
Depository Corporations Deposits	3.1	2.1	1.7	1.4	2.7	2.0	2.1	1.7	1.3	1.7	1.2	0.9	1.4	1.4
Private Credits	3.3	3.0	2.3	2.2	3.2	3.1	3.0	2.0	2.1	2.3	2.0	2.3	2.2	2.2
Baht/US\$ (average)	33.92	34.48	35.16	35.64	34.26	34.25	34.92	34.60	35.04	35.85	36.50	35.47	34.94	35.20

Source: KKP Securities

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Exhibit 2: Service consumption continued to lead the recovery

Private consumption and its component

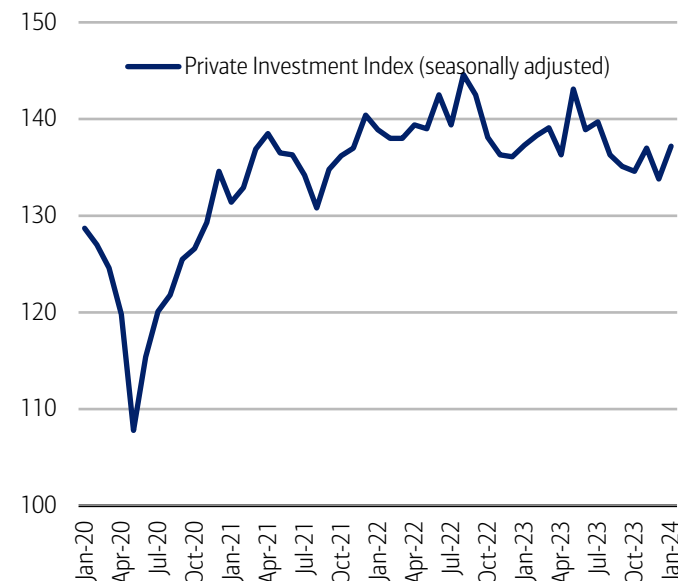


Source: Kiatnakin Phatra Securities

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Exhibit 3: Private investment remained weak

Private Investment (Seasonally adjusted)



Source: Kiatnakin Phatra Securities

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