

Thailand Watch

Slow recovery momentum in 4Q23

Muted recovery

The Thai economy in December 2023 showed a muted recovery. While spending on services remains positive and overall consumption growth is in positive territory, key domestic demand indicators remained weak as durable consumption and private investment contracted further. Supply-side indicators were weak, as was manufacturing production in key categories, including automobiles which contracted further.

Weak domestic demand

Private consumption in December increased slightly from last month (+0.1% MoMSA), but there was a huge divergence between services and durable consumption. A decline in durable consumption pointed to fragile consumers, likely due to falling household income, rising interest burdens, and the tightening of lending standards by commercial banks. Private investment fell 2.4% MoMSA in December, reflected by a sharp decline in the imports of capital goods (-14.7% MoMSA) and newly registered motor vehicles for investment (-2.6% MoMSA). The positive contributors that partially offset the negative impact were rising machinery sales and permitted construction areas.

Tourism revenue lags behind visitor increase

In December, the number of tourist arrivals in Thailand continued its upward trend, reaching 3.26 million and marking a +7.3% month-over-month seasonally adjusted (MoMSA) increase. However, the rise in tourism revenue was notably more modest, with a growth of only +2.5% MoMSA. This discrepancy can be partially attributed to the evolving mix of tourists visiting Thailand. Moreover, exports, excluding gold, fell -0.1% MoMSA, primarily due to significant decreases in the exports of agriculture products and machinery and equipment.

Current account surplus

Thailand's current account shifted to a surplus, standing at +US\$2.1bn, up from -US\$1.2bn in November. This improvement was driven by a trade balance (improving to +US\$2.3bn from -US\$0.2bn) from a decline in imports, most notably in raw materials, fuel, and consumer goods (primarily mobile phones and electric vehicles from China). Net services income and transfers improved to a deficit of US\$0.2bn from a deficit of US\$1.1bn. The current account balance in 4Q23 was -US\$1.5bn, compared to -US\$2.6bn in the third quarter.

Downside risk to 4Q23 forecast

The slow domestic demand recovery was largely in line with our expectation. This trend is expected to persist, given the anticipated slowdown in loan growth due to rising interest rates. Domestic private investment has begun to decelerate, as signaled by declining earnings per share (EPS) in listed companies. Considering the slow export recovery and contraction in manufacturing production, there is downside risk to our 4Q23 and 2023 GDP forecasts.

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MoMSA – Month over month
seasonally adjusted

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Exhibit 1: Domestic demand remained weak and production continued to fall in 4Q23

Key economic indicators

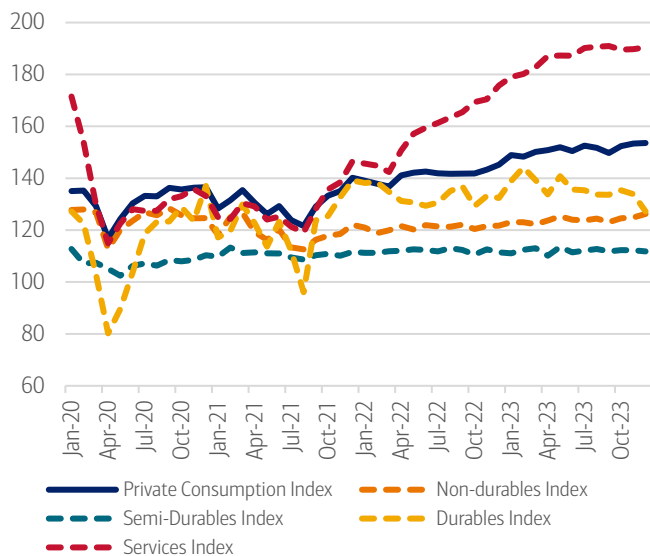
	1Q23	2Q23	3Q23	4Q23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Dec-23 % MoM (SA)	Nov-23 % MoM (SA)
Manufacturing Production Index (% YoY)	-3.7	-5.5	-6.3	-5.1	-4.7	-7.7	-6.3	-4.3	-4.6	-6.3	-1.0	-1.8
Capacity Utilization (SA)	63.8	57.7	58.0	56.7	60.0	58.7	58.4	57.4	58.1	55.2		
Private Consumption Index (% YoY)	7.2	7.1	7.3	6.8	7.9	7.6	6.5	7.3	7.3	5.9	0.1	0.8
Non-Durables Index (% YoY)	2.5	2.7	1.8	3.3	2.0	2.7	0.9	3.4	2.8	3.7	1.1	0.5
Semi-Durables Index (% YoY)	0.7	-0.5	-0.2	0.5	0.3	-0.3	-0.4	1.6	-0.4	0.4	-0.4	-0.1
Durables Index (% YoY)	2.6	4.5	-0.6	-0.3	2.9	-1.8	-2.6	3.9	0.2	-4.4	-5.0	-1.0
Service Index (% YoY)	25.1	20.3	16.6	10.4	17.8	16.6	15.3	11.9	11.3	8.3	0.4	0.1
Private Investment Index (% YoY)	0.1	-0.4	-3.5	-1.5	0.5	-5.4	-5.1	-3.1	0.3	-1.8	-2.4	1.8
Construction Material Sale Index (% YoY)	0.4	-1.9	1.0	-0.7	1.0	3.4	-1.5	-2.0	-3.7	-2.3	-2.1	-0.5
Real Imports of Capital Goods (% YoY)	-2.7	4.7	3.0	3.4	10.1	-1.7	1.5	6.0	17.3	2.0	-14.7	4.8
No. of Newly Registered Motor Vehicles for Investment Purpose (% YoY)	-14.6	-18.1	-23.8	-18.2	-10.5	-27.5	-30.8	-8.9	-19.1	-20.5	-2.6	-3.4
Government Cash Balance (Bt bn)	-232.3	174.0	-61.6	-274.2	-113.1	-43.7	95.2	-241.5	-29.2	-3.5		
Headline Inflation (% YoY)	3.88	1.14	0.52	-0.53	0.38	0.88	0.30	-0.31	-0.44	-0.83		
Core Inflation (% YoY)	2.23	1.51	0.76	0.60	0.86	0.79	0.63	0.66	0.58	0.58		
Number of Foreign Tourists (person mn)	6,478	6,437	7,089	8,095	2,491	2,468	2,131	2,197	2,637	3,261		
% Change YoY	1,227.0	311.4	97.9	49.1	119.5	107.7	69.2	49.7	53.2	45.5	7.3	7.3
EXTERNAL ACCOUNT												
Export growth (% YoY)	-3.8	-5.0	-2.0	4.6	-5.5	-1.8	1.0	7.0	3.9	3.0	0.7	-3.3
Import growth (% YoY)	0.5	-6.6	-10.7	6.1	-12.0	-11.9	-7.9	10.5	9.5	-1.7	-3.9	3.1
Current Account (US\$ bn.)	3.5	-1.1	2.6	1.5	-1.1	0.5	3.2	0.7	-1.2	2.1		
Balance of Payments (US\$ bn.)	2.7	-3.3	1.5	1.7	0.3	0.3	0.9	-0.4	1.6	0.5		
Official Reserves (US\$ bn.)	222.5	220.8	216.5	218.2	220.7	216.9	211.8	210.9	219.1	224.5		
MONEY & BANKING (% YoY)												
Monetary Base	2.8	3.6	4.1	3.6	4.3	6.8	4.1	5.5	5.3	3.6		
Broad Money	2.7	1.7	1.9	2.0	1.6	1.3	1.9	1.8	1.5	2.0		
Depository Corporations Deposits	3.1	2.1	1.7	1.4	1.7	1.3	1.7	1.2	0.9	1.4		
Private Credits	3.3	3.0	2.3	2.2	2.0	2.1	2.3	2.0	2.3	2.2		
Baht/US\$ (average)	33.92	34.48	35.16	35.64	34.60	35.04	35.85	36.50	35.47	-		

Source: BoT

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Exhibit 2: The durables index fell, while other goods remained flat

Private consumption index and its components (SA)

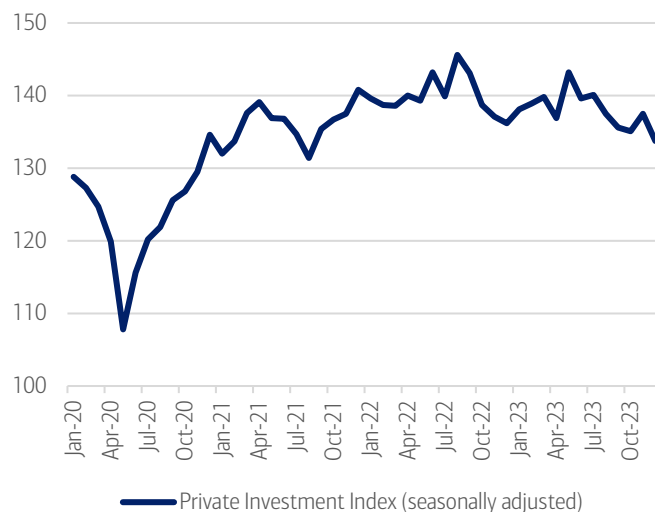


Source: BoT

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Exhibit 3: Private investment declined from the previous month due to lower imports of capital goods

Private investment index (SA)

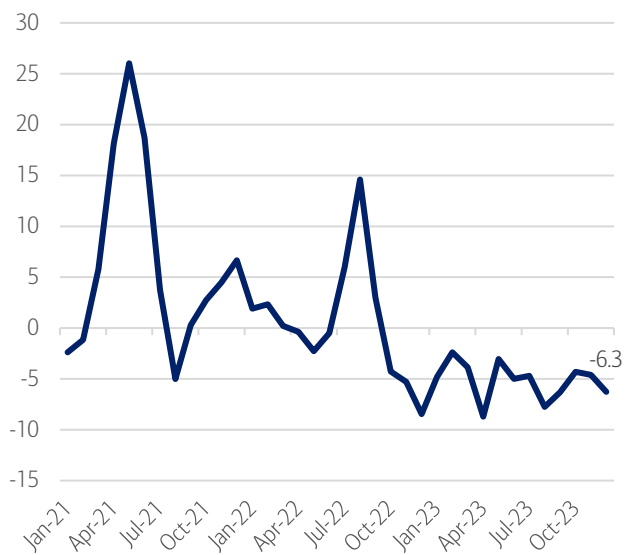


Source: BoT

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Exhibit 4: MPI growth remained in negative territory

Manufacturing Production Index (MPI, %YoY)

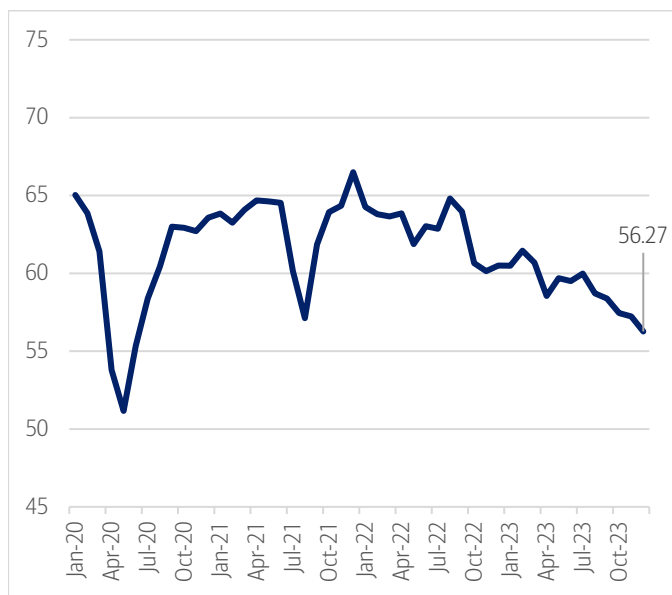


Source: BoT

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Exhibit 5: The capacity utilization rate was running well below 60% for 5 consecutive months

Capacity utilization (seasonally adjusted) (%)



Source: BoT

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