

Thailand Watch

Recovery continued

Economic rebound from temporary factors

The Thai economy rebounded in May, with private consumption (+1.5%), private investment (+5.4%), and merchandise exports excluding gold (+0.6%) all improving on a month-on-month seasonally-adjusted basis (MoMSA). The rebound is, however, mostly due to several temporary factors. Excluding such special factors, overall economic recovery may not be as strong as the number suggested and is still driven mainly by tourism recovery.

Consumption benefited from election

Private consumption in May improved from last month mainly from the non-durable component. This is, however, due to temporary factors including increased economic activity during the election period, increased electricity use given the hotter weather than usual, and a long holiday period this month. Spending on durable goods also increased, a correction after falling last month, partly due to increased car transfers following the Bangkok motor show. Meanwhile, service-related consumption is improving but at a slower pace than before.

Improvement in exports

Exports of goods (excluding gold) on the balance of payment (BOP) basis expanded slightly 0.6% from last month, mainly from automotive, agro-manufacturing products, and electrical appliances. This is in line with the manufacturing production index which increased 3.1% from last month mainly on the back of food and beverages as well as electrical appliances. Private investment also increased 5.4% from last month mainly from investment in machinery and equipment.

Current account still in deficit

The current account recorded a deficit of US\$2.8 billion in May, a larger deficit than last month. This is due to a more negative net services, income, and transfer balance from seasonal factors including dividend repatriation. Trade balance on the BoP basis remained flat at US\$0.1 billion, largely unchanged from last month. Imports excluding gold slightly declined from last month as the declining imports of raw materials and intermediate goods were partially offset by the increasing imports of capital goods.

Recovery with risks

Most indicators in May pointed to continued improvements, with tourism recovery being the main engine of growth, although some improvements were due to temporary factors. The key risks to the recovery include disrupted and supply-constrained tourism recovery, high debt problem, rising rates, as well as political uncertainty, which may stall consumption and investment decisions in the private and public sectors.

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Exhibit 1: Most of the indicators point to some improvement on a monthly basis

Key economic indicators

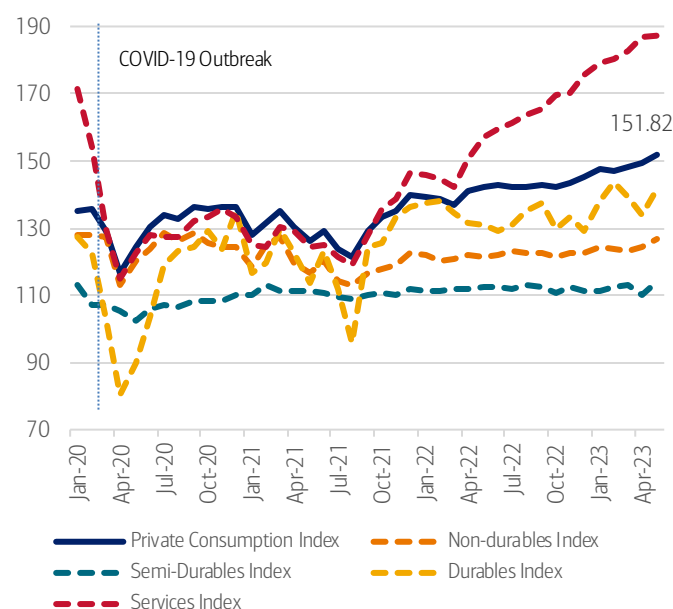
	1Q22	2Q22	3Q22	4Q22	1Q23	Apr-23	May-23	May-23 % MoM (SA)
Manufacturing Production Index (% YoY)	1.4	-1.1	7.7	-6.0	-3.7	-8.7	-3.1	3.1
Capacity Utilization (Non-SA)	69.6	62.6	63.6	59.6	66.5	53.6	60.2	
Private Consumption Index (% YoY)	4.1	10.3	14.6	5.2	5.5	8.0	7.3	1.5
Non-Durables Index (% YoY)	-2.2	2.5	6.9	1.9	2.6	1.8	4.5	1.7
Semi-Durables Index (% YoY)	0.1	1.1	2.6	0.6	0.6	-1.6	1.4	3.4
Durables Index (% YoY)	8.0	5.4	20.8	-1.2	2.6	1.3	7.9	5.5
Service Index (% YoY)	13.8	23.1	32.7	22.4	25.1	24.0	19.1	0.1
Private Investment Index (% YoY)	3.8	2.9	6.3	-1.8	-0.6	-2.4	2.2	5.4
Construction Material Sale Index (% YoY)	-2.4	2.0	10.3	4.8	0.4	-7.6	1.5	3.0
Real Imports of Capital Goods (% YoY)	-0.3	0.2	-1.6	-9.1	-4.6	-3.7	13.8	21.8
No. of Newly Registered Motor Vehicles for Investment Purpose (% YoY)	5.5	5.0	21.5	-7.7	-14.6	-17.8	-16.5	1.5
Government Cash Balance (Bt bn)	-254.2	52.5	-141.9	-381.5	-232.3	105.6	82.6	
Headline Inflation (% YoY)	4.74	6.46	7.29	5.81	3.88	2.67	0.53	
Core Inflation (% YoY)	1.44	2.26	3.08	3.21	2.23	1.66	1.55	
Number of Foreign Tourists (person mn)	0.498	1.582	3.608	5.465	6.478	2.182	2.014	
% Change YoY	2,367.2	7,704.0	7,847.7	1,497.8	1,201.5	643.9	286.2	286.2
EXTERNAL ACCOUNT (US\$ bn)	0.0	0.0	0.0	0.0	0.0			
Export growth (% YoY)	14.2	9.6	6.7	-7.5	-4.6	-4.9	-5.9	-1.9
Import growth (% YoY)	16.5	22.7	23.2	-0.3	1.3	-3.7	-2.3	1.6
Current Account	-2.1	-7.8	-7.9	0.4	3.5	-0.6	-2.8	
Balance of Payments	2.0	-9.3	-8.2	5.3	2.7	-1.7	1.0	
Official Reserves	243.4	227.0	211.5	209.7	222.5	223.4	220.8	
MONEY & BANKING (% YoY)								
Monetary Base	6.8	4.5	1.0	-1.3	2.8	5.0	0.6	
Broad Money	6.3	6.3	4.5	3.9	2.7	2.3	1.9	
Depository Corporations Deposits	6.1	6.0	5.1	4.6	3.0	2.7	2.0	
Private Credits	5.1	4.6	4.5	4.1	3.3	3.4	3.2	
Baht/US\$ (average)	33.05	34.43	36.42	36.32	33.92	34.26	34.78	

Source: Bank of Thailand, Kiatnakin Phatra Securities

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Exhibit 2: Consumption continued to improve from the tourism turnaround

Private Consumption Index (SA)

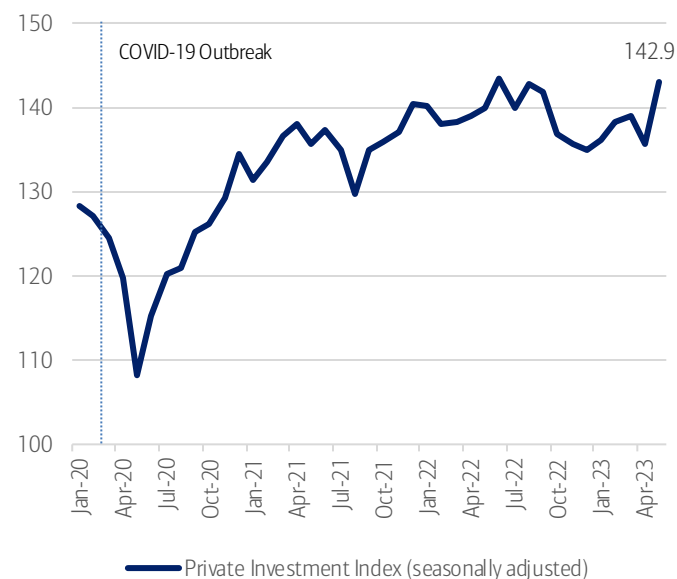


Source: BoT, Kiatnakin Phatra Securities

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Exhibit 3: Investment showed signs of improvement

Private Investment Index (SA)

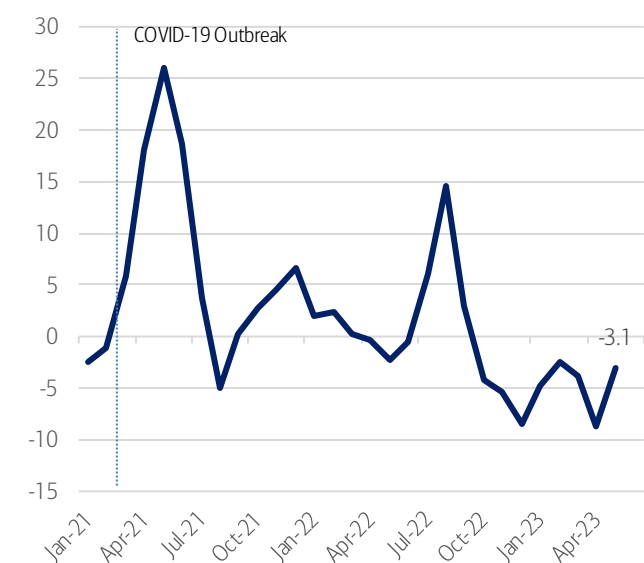


Source: BoT, Kiatnakin Phatra Securities

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Exhibit 4: Manufacturing improved, but remained in contraction

Manufacturing Production Index (%YoY)

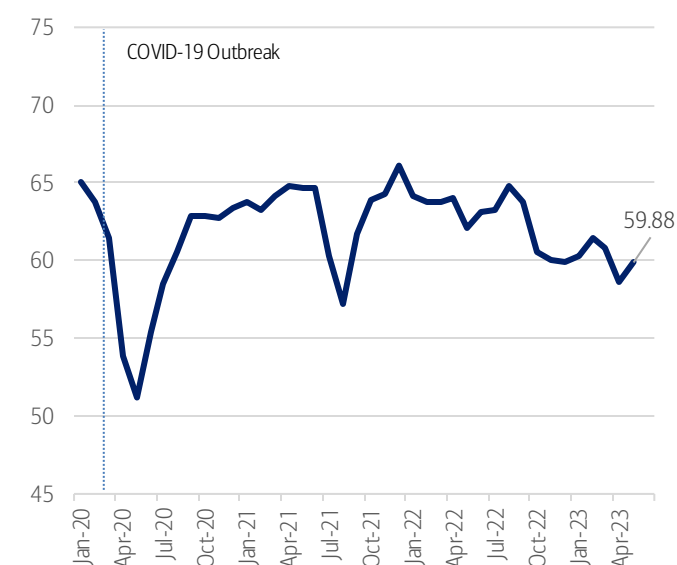


Source: BoT, Kiatnakin Phatra Securities

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Exhibit 5: Capacity utilization also improved as production and industrial exports picked up

Capacity Utilization (seasonally adjusted) (%)



Source: BoT Kiatnakin Phatra Securities

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