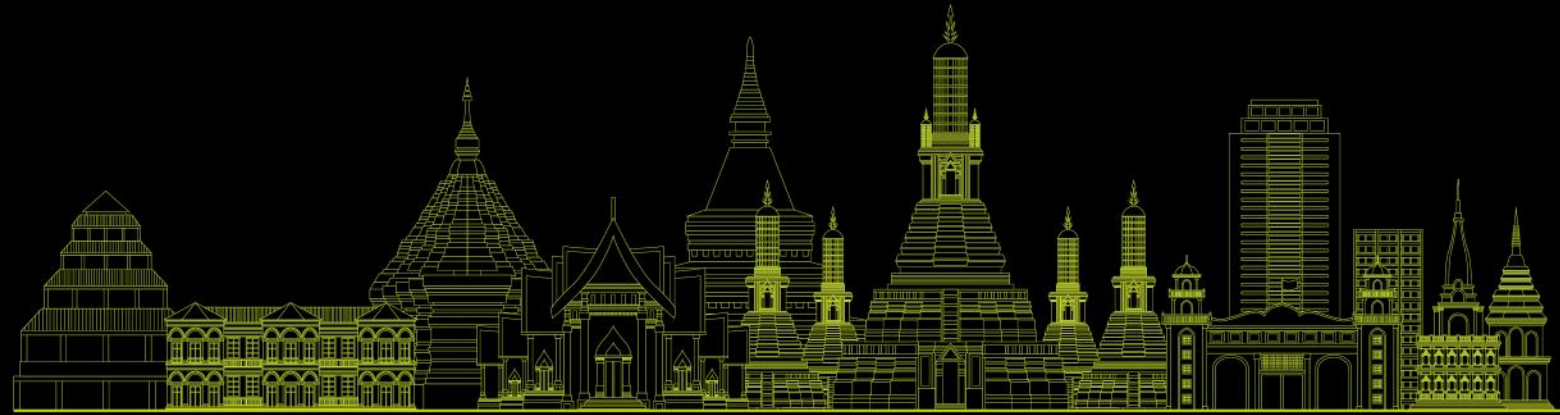




# Thailand's Economic Outlook 3Q2023

Clients & Markets, September 2023

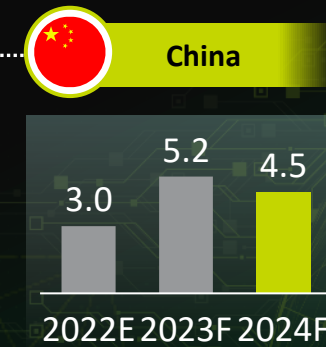
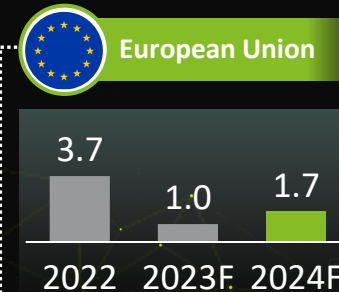
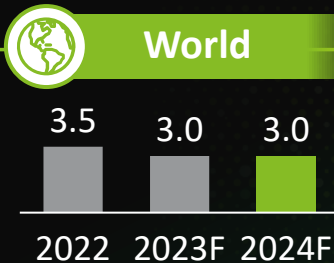
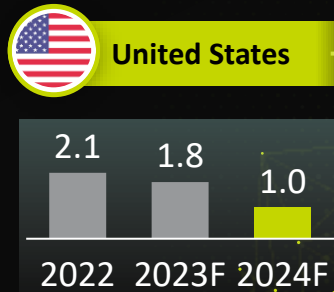




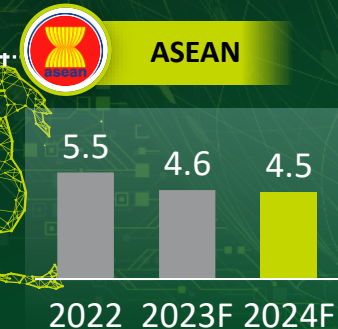
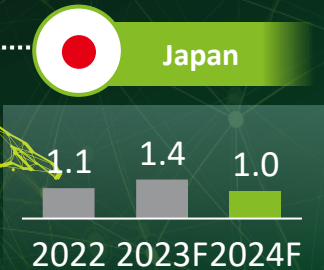
# Global Economy 3Q2023



**The 2023 Global economy** remains feeble by historical standards. The increase in central bank policy rates to combat inflation is still weighing on economic growth. Global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 and 5.2% in 2024.



Unit: %



Source: Deloitte Analysis, IMF WEO July 2023

Note:

<sup>1</sup> Asia refers to Emerging and Developing Asia

<sup>2</sup> ASEAN refers to ASEAN-5; Indonesia, Malaysia, Philippines, Singapore, Thailand

# Key Takeaways and Watchlist in 2023





US

## Key Takeaway

- + Retail sales continued to grow rapidly in July.
- + Housing surged in July.
- + US Treasury yields rose sharply after the Federal Reserve hinted at further rate hikes.
- Significant increase in defaults on junk (high yield) corporate loans

## Watchlist

-  FED's direction on interest rate: either tightening or pausing the increase
-  Abandoning trade liberalization





EU

## Key Takeaway

- + Declined core inflation in August
- High inflation (5.3% in Aug 23)
- Sharp rise in wages in Germany
- Weak euro
- Weakening credit markets

## Watchlist

-  Less certainty on ECB to further raise interest rate due to weak euro
-  EU's energy trade and resource amidst the war in Ukraine





Japan

## Key Takeaway

- + Accelerating household income
- + Growth in shipments of automobiles
- + Recovering inbound tourism
- Higher than target inflation (3.3% in Aug 23)
- The lowest value of yen since Nov 22
- Weak domestic demand

## Watchlist

-  Impact of rising inflation on household financial stability
-  Bank of Japan's signal to shift, tightening the monetary policy.



China

## Key Takeaway

- + PBOC's cut in foreign currency reserve required ratio for commercial banks to reduce downward pressure on renminbi value
- Suffered deflation in July for the first time since early 2021
- Private equity and venture capital funds ban from US in investing in certain Chinese technologies
- Weak trade to the rest of the world

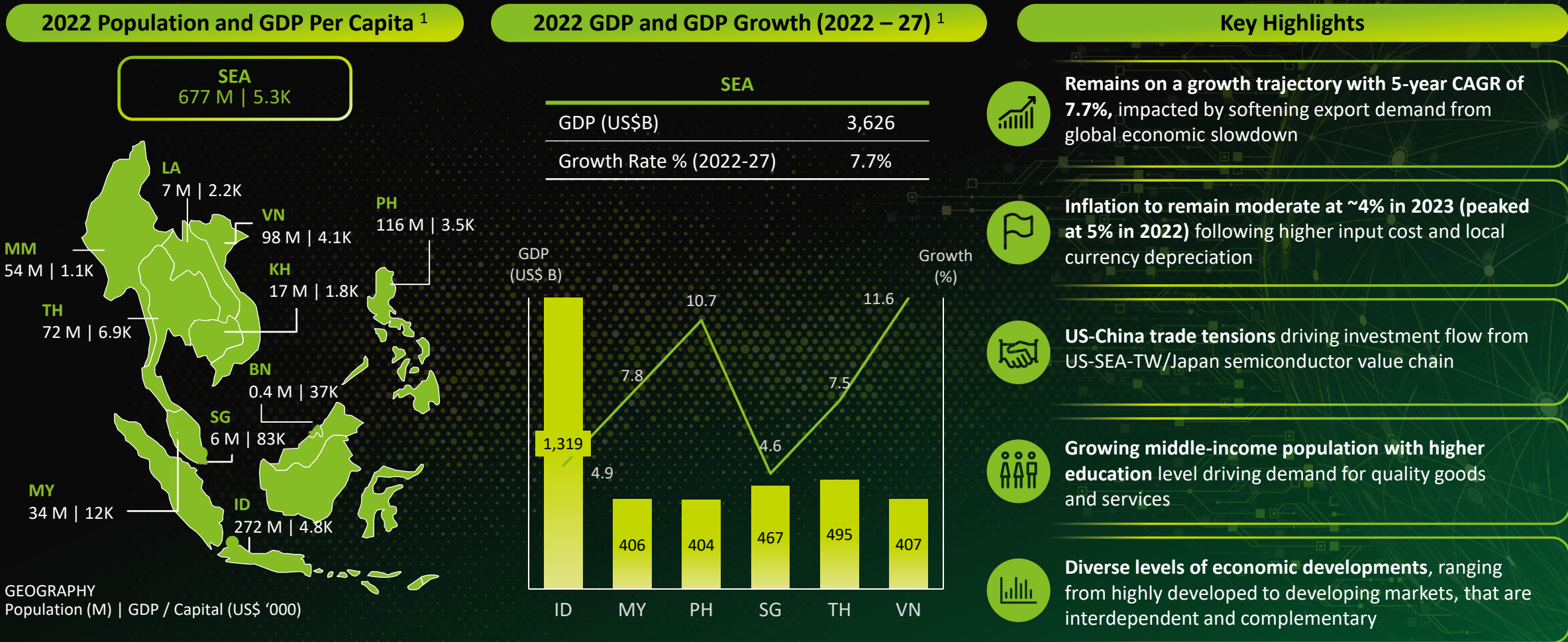
## Watchlist

-  China's central bank cut a key interest rate, signaling a shift in monetary policy
-  Fragile property market



# Southeast Asia overview and opportunities

Strong internal and external drivers are increasing the region's importance as a manufacturing and trading hub for both East and West developed nations.

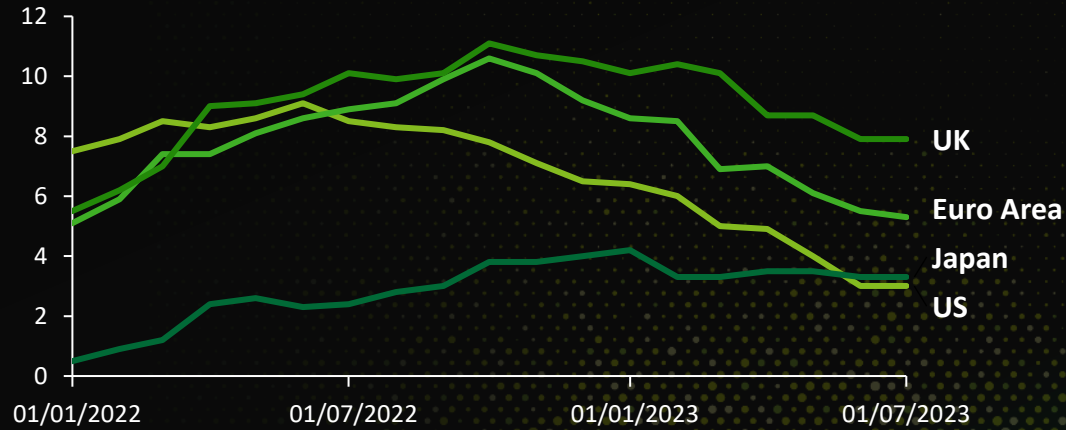


Sources: Deloitte Analysis, (1) EIU, ADB

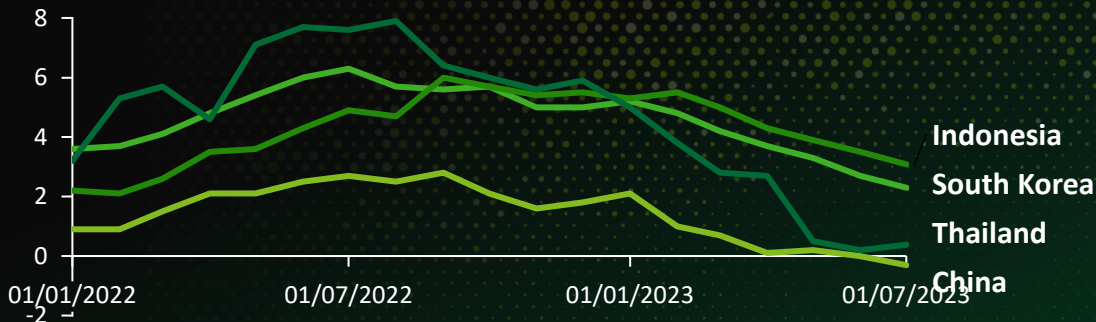
Inflationary pressures alleviated in several areas; however, central banks are still increasing interest rates to stifle the consequences.

## Inflation Rate

### Developed countries

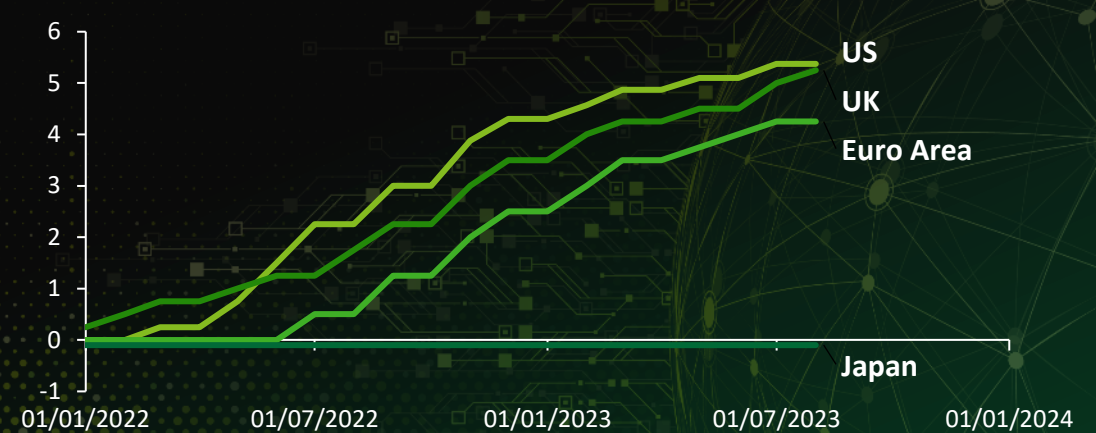


### Developing countries & Emerging markets

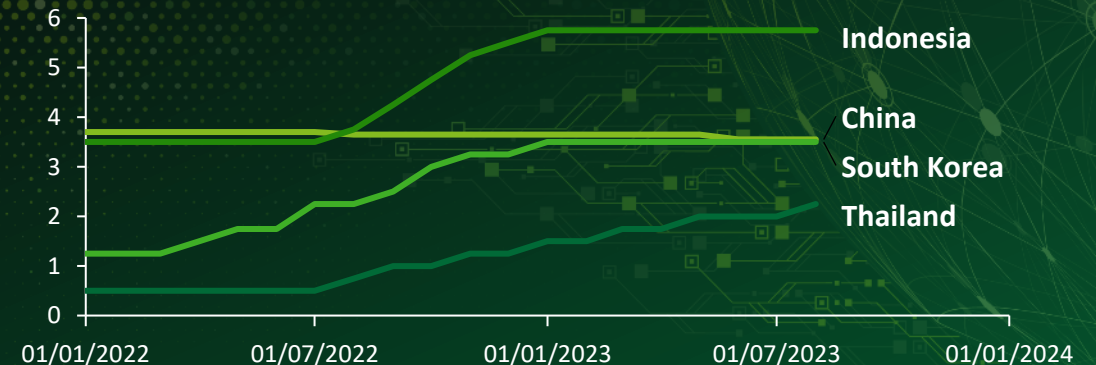


## Policy Rate

### Developed countries



### Developing countries & Emerging markets



Source: Deloitte Analysis, NESDC



# El Niño – onslaught on supply chains and inflation

Extreme weather, floods, heatwaves, water scarcity and wildfires will brew up potent new economic storm.

## El Nino, fears of fires and drought

- Happens when the surface temperature of the eastern and central Pacific Ocean is at least 0.5°C warmer than average, weakening or reversing the flow of the trade winds
- July 2023 was earth's hottest month ever, 1.8 °C above than average.
- The last strongest one to date was in 2016, at about 1.1 °C higher than the pre-industrial period



## Why does it matter?



- Lower crop yields such as rice and coffee beans, resulting in higher cost of food and thereby increase the cost-of-living.
- Dangerous early summer heat waves i.e. in Tokyo, Beijing, India, and Vietnam

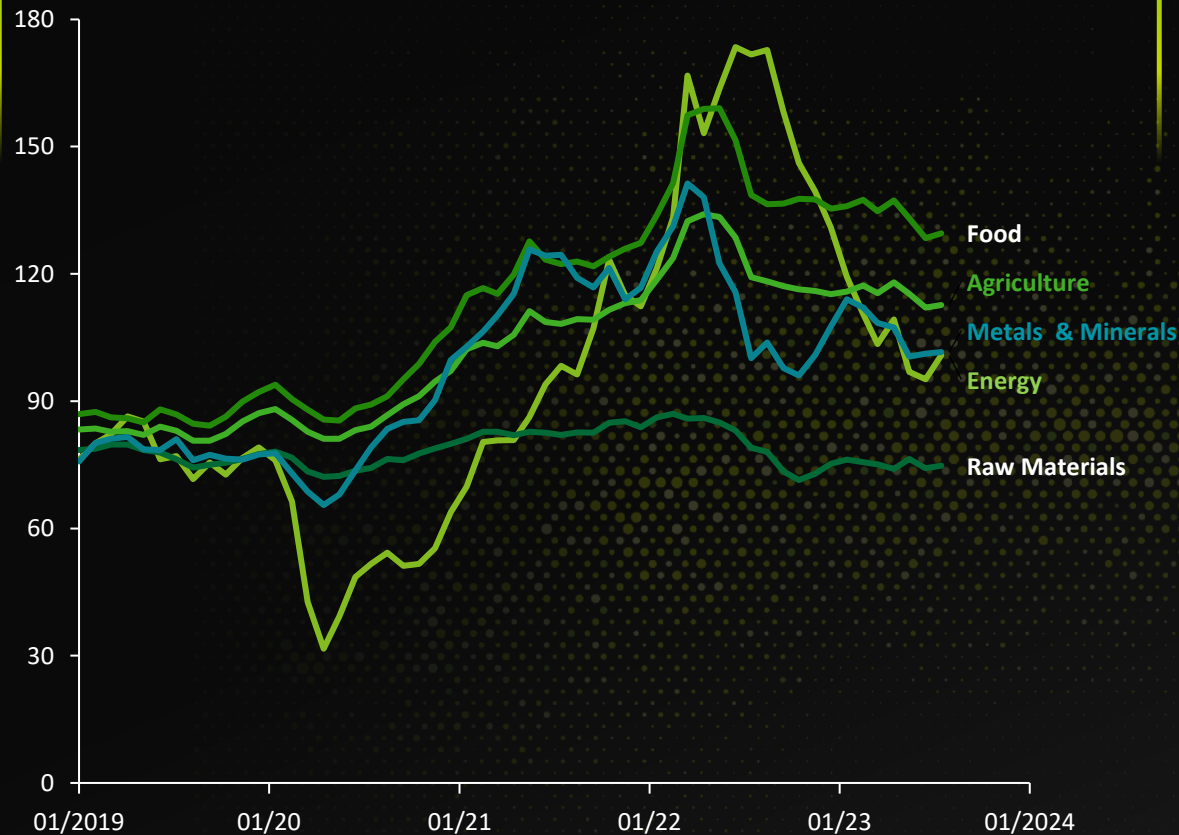


- Thailand's domestic **milled rice prices jumped** nearly 20% in the early of August 2023 to 21,000 baht (\$597) per tonne, up from around 17,000 baht.
- Estimated 53 billion THB **loss from drought** and 48 billion THB **damage in agricultural sector**<sup>1</sup>
- High chance of **lower export** level than expected in food and agricultural products

Source: Deloitte Analysis, Reuters, NASA, JSCCIB<sup>1</sup>, Thanettakij

Lower crop yields from El Nino and India's limit on rice exports have increased food price. Higher electricity demand has also raised energy prices.

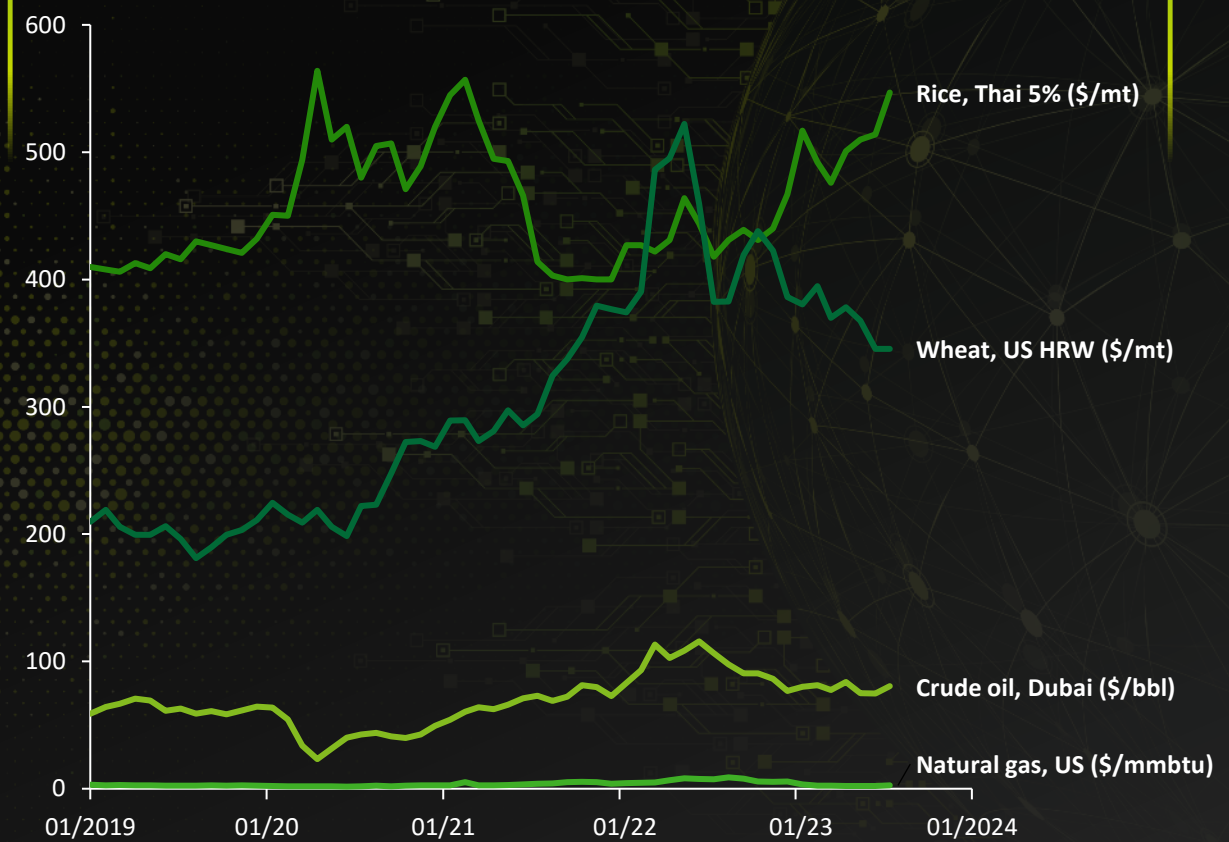
Commodities Price Index (2010=100)



Source: Deloitte Analysis, World Bank

Commodities Price

Unit: US dollars

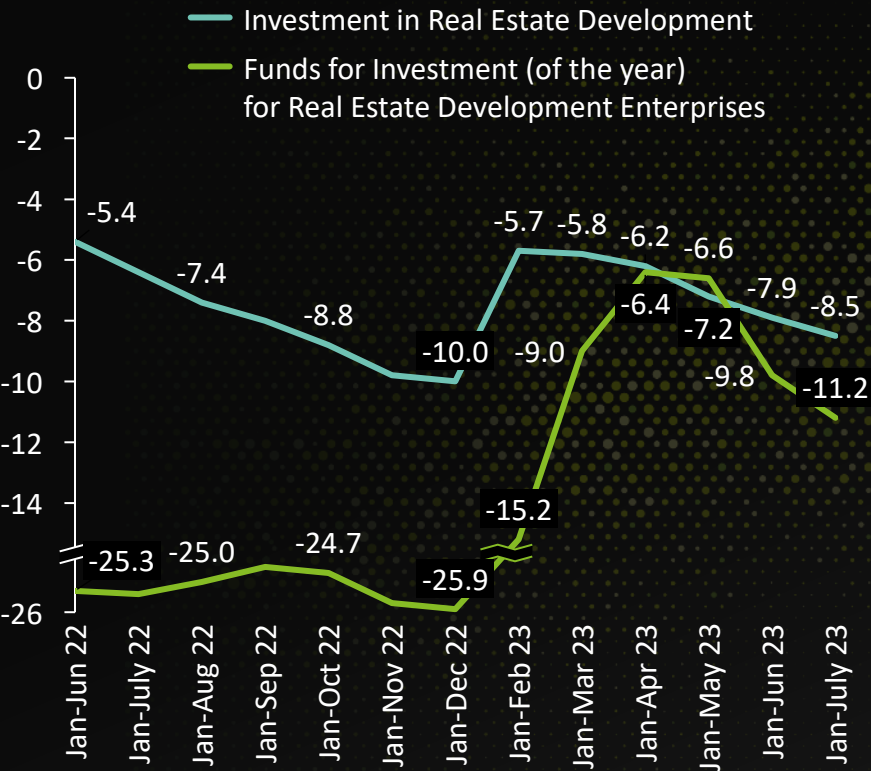




# China's property crisis continues. Evergrande filed for chapter 15 bankruptcy protection in New York, and Country Garden's risk of default are deepening the crisis.

## Growth Rates of Investment in Real Estate Development, and Funds for Investment This Year for Real Estate Development Enterprises

Unit: %



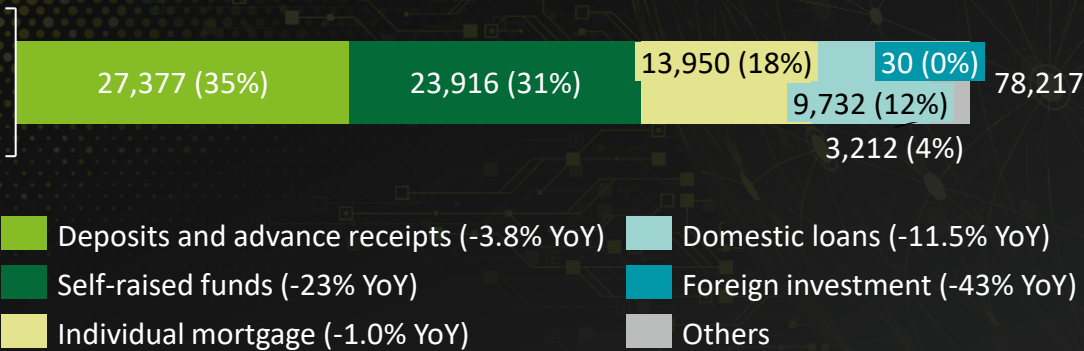
Source: Deloitte Analysis, National Bureau of Statistics of China

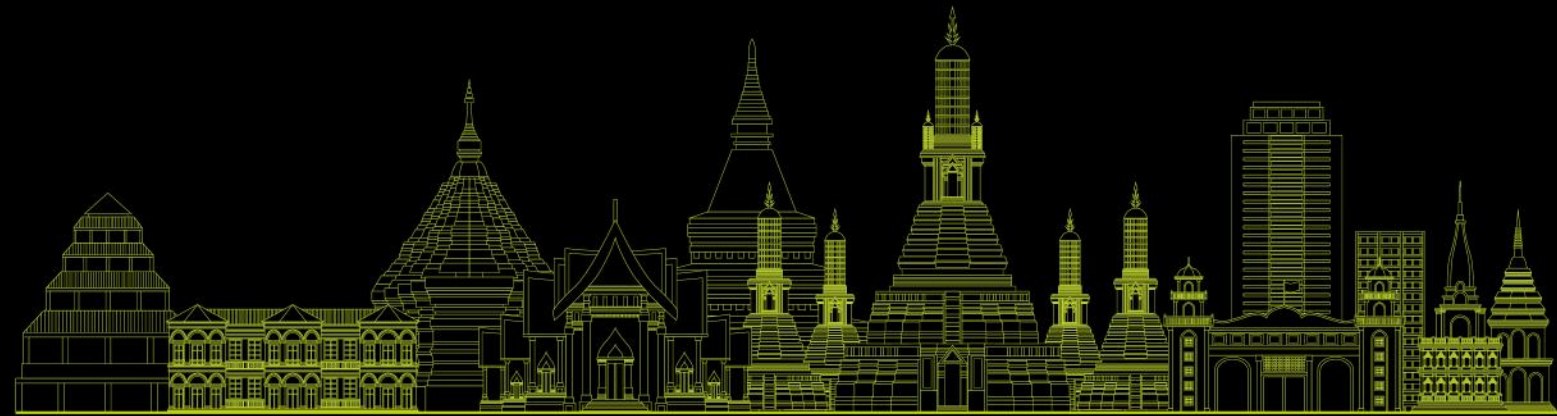
For Jan-Jul 2023, the investment in real estate development stood at 6.77 billion yuan (-8.5% YoY), of which, the investment in residential buildings was 5.14 billion yuan (-7.6% YoY), and office buildings indicated as 0.26 billion yuan (-8.1%).

For Jan-Jul 2023, the funds for investment for real estate were 7.8 billion yuan (-11.2%), of which the utilized foreign investment saw the most plummeted.

## Funds for Investment This Year for Real Estate Development Enterprises - Breakdown

Unit: 100 million yuan



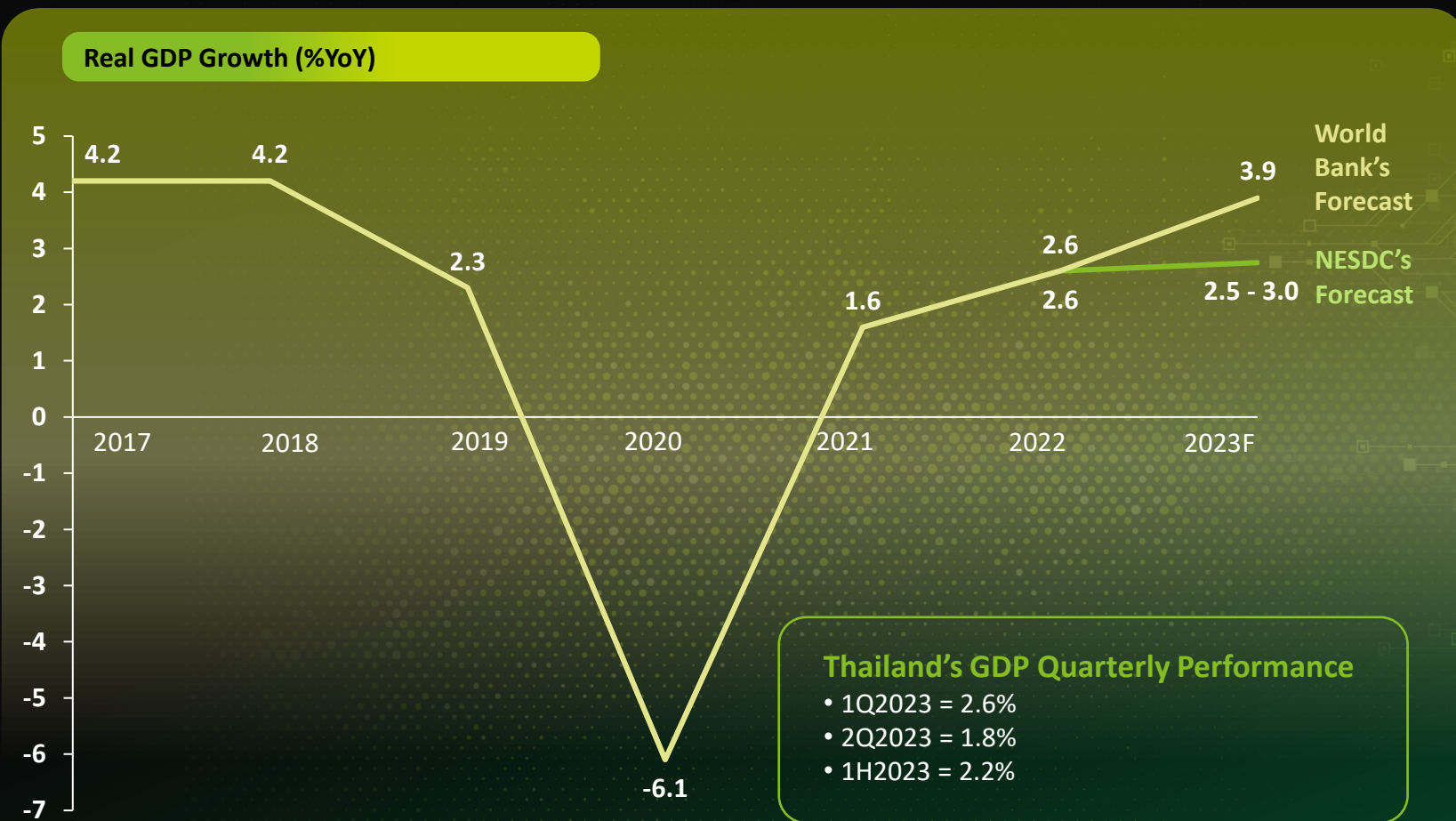


# Thai Economy 3Q2023



# Thailand's Economic Outlook

2023 GDP growth rate is likely to be lower than expected, due to low tourism spending and China's tourist arrivals missing the target.



Source: Deloitte Analysis, Bank of Thailand, World Bank (as of June 2023), NESDC

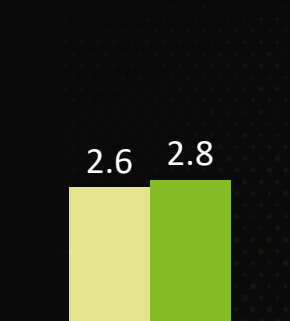


## Key Factors to be Monitored

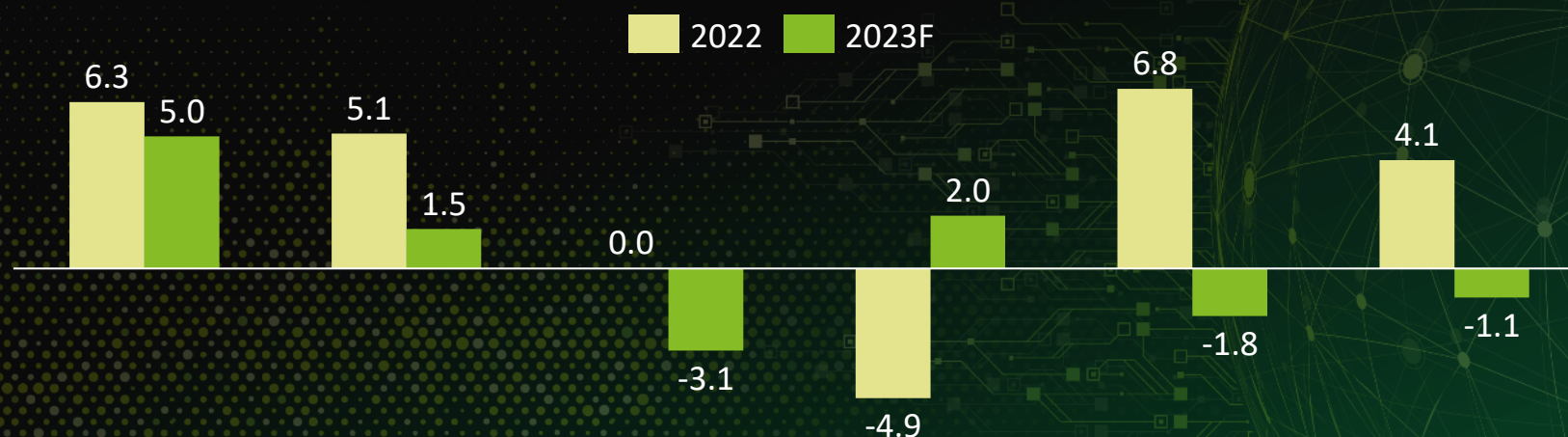
- +** • Expanding private consumption
- Recovering tourism sector
- • High household debt and inflation
- Rising policy rate results in higher cost of loan
- Impacts from Russia-Ukraine war
- Slow growth among other regions

# Thailand's Economic Outlook

Thailand's economic recovery is mainly attributed to increasing tourism activities and private consumption, driven by spending of medium and high-income consumers. However, 2023 merchandise exports are projected to contract, weighed by subdued Chinese demand, global electronic cycle, and a severe El Niño episode.



GDP growth



Private Consumption



Private Investment



Public Consumption



Public Investment



Exports of Goods and Services



Imports of Goods and Services

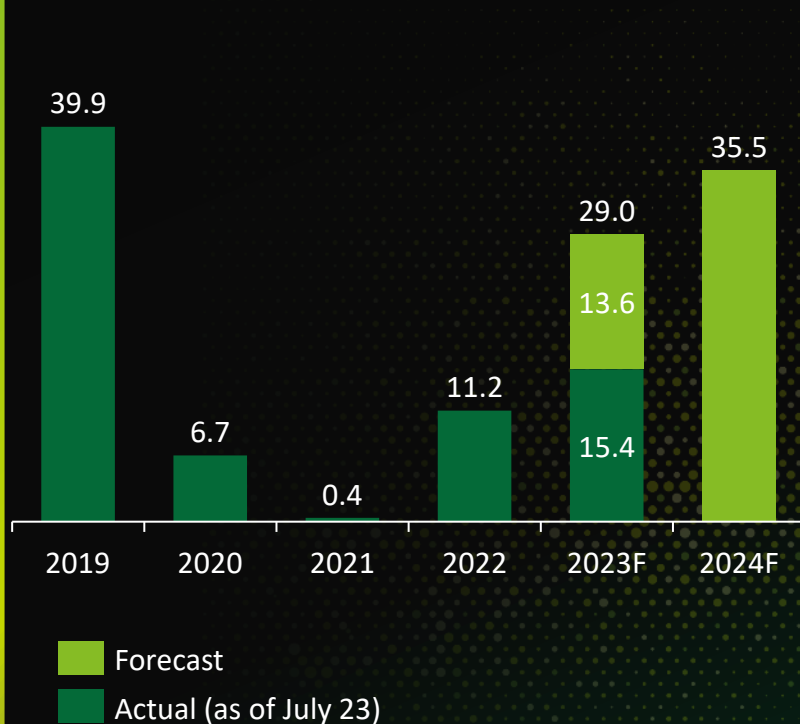
Source: Deloitte Analysis, NESDC



# Tourism in Thailand is recovering from increased tourist arrivals.

## Foreign tourist arrivals Forecast

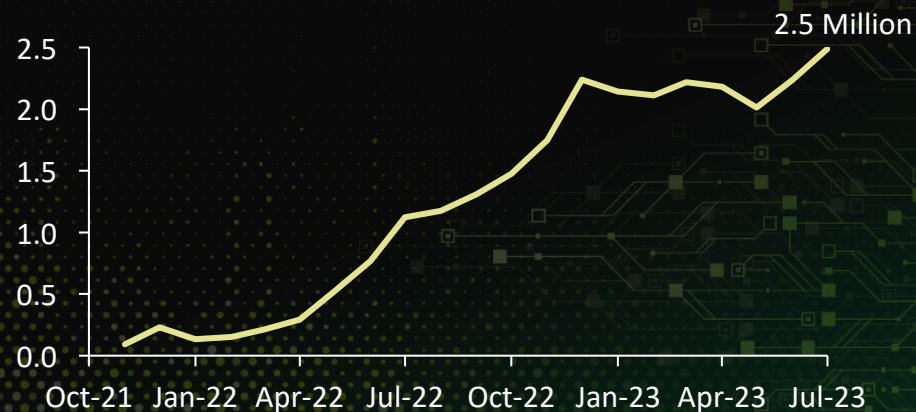
Unit: Million Persons



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

## Foreign tourist arrivals by Month

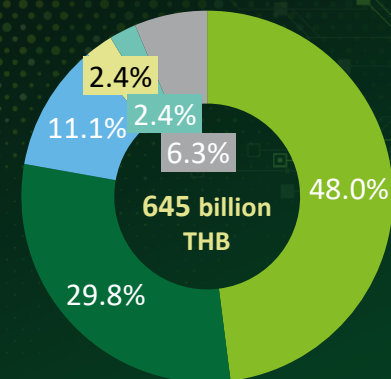
Unit: Million Persons



## Top 5 provinces received income from foreign visitors

As of July 23

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



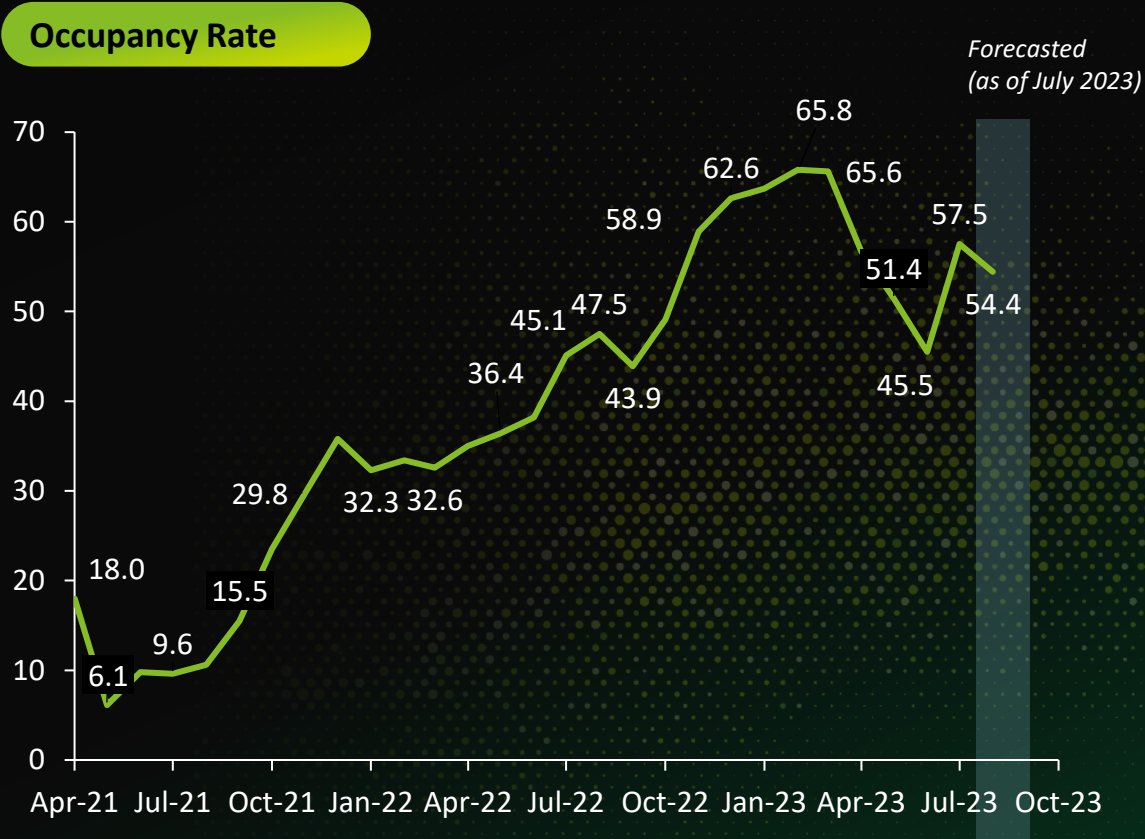
## Top 5 Tourist Arrivals to TH by Nationality

Unit: Person  
(as of July 23)



# Thailand's Tourism Situation

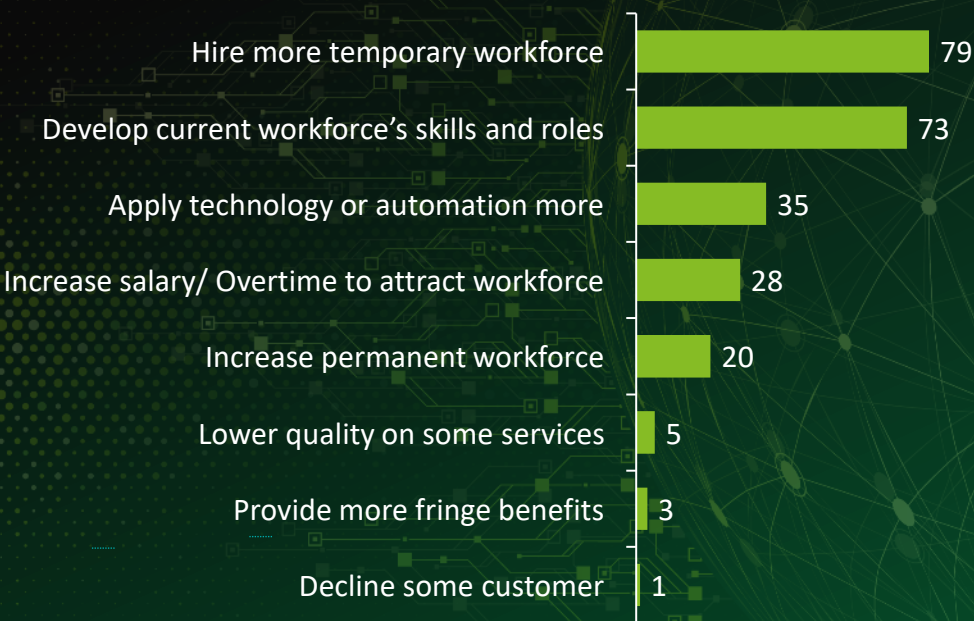
**Occupancy rate** increased in July due to school break in some regions/countries. However, about 88% of surveyed hotels would have lack of workforce for the upcoming high season which majority would hire casual/temporary workforce for the period.



Source: Deloitte Analysis, Bank of Thailand

## Expected solution to solve on hotels' lack of workforce during high season

Unit: % of 91 respondents (more than one answer is allowed)

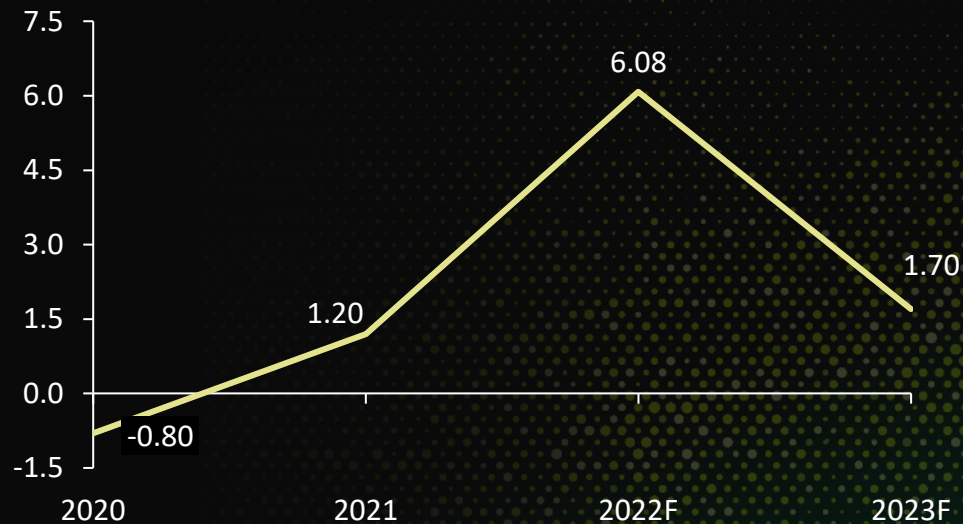




# Inflation eases in Thailand.

Headline inflation saw modest from August 2022's high base and government's subsidies on cost-of-living. However, global impact and current high food prices are creating challenges in lowering Thailand's inflation rate.

Headline Inflation (%)

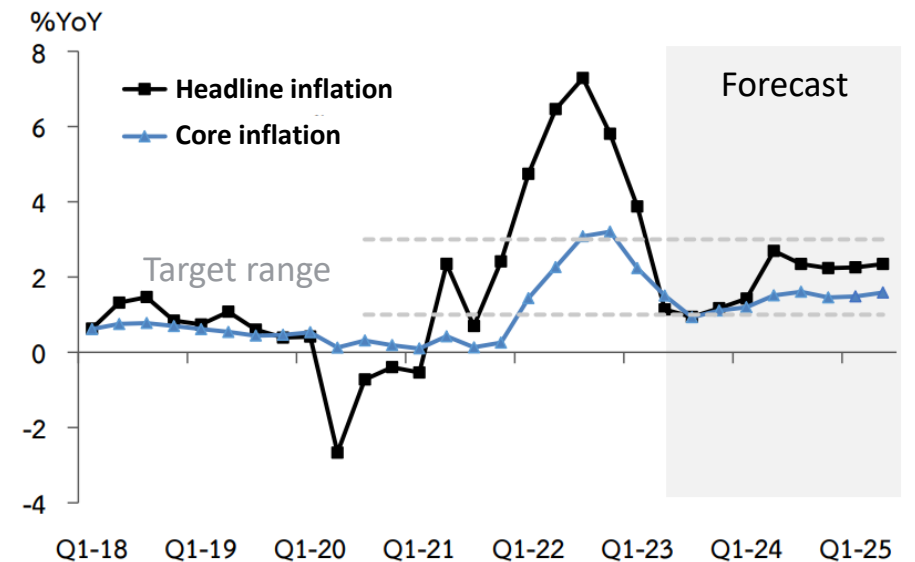


**Inflation in August 23 = 0.88%**

Easing inflation contributed by

- Recovering domestic demand from tourism sector
- High base from last year
- Cost-of-living subsidies from government

Inflation forecast (%)



Source: Bank of Thailand

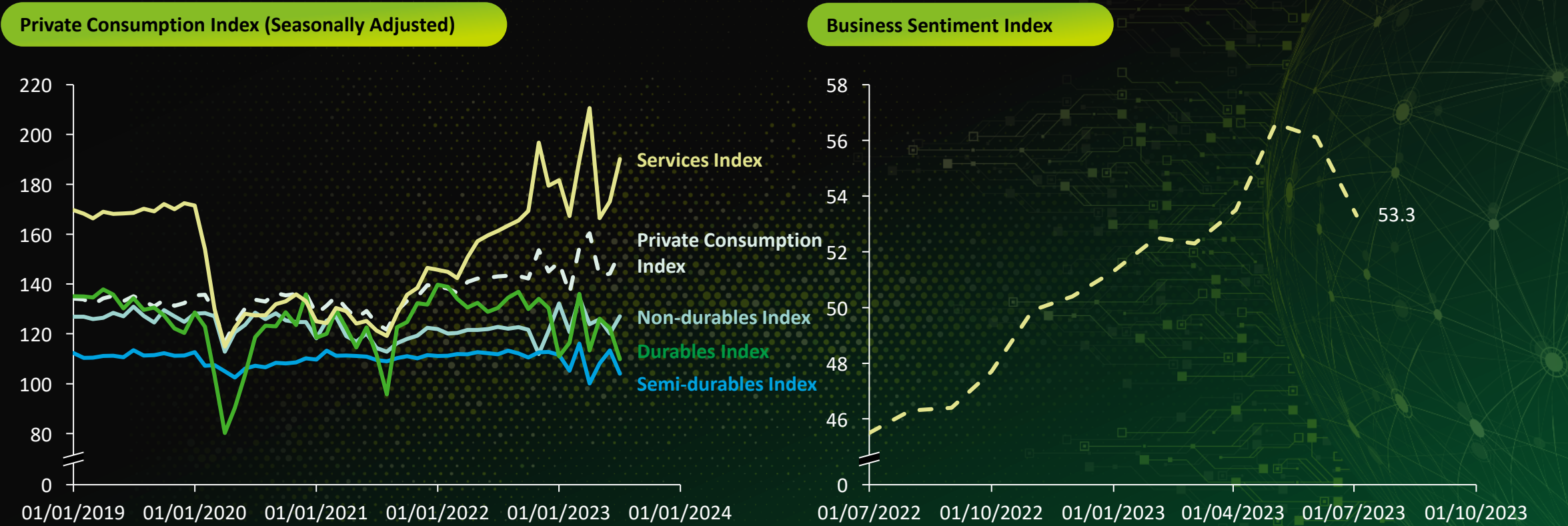
## Watchlist

- Direction of government economic policies
- Global food and energy prices
- Global economies and financial situations

Source: Deloitte Analysis, Bank of Thailand, NESDC, TPSO, Fiscal Policy Office

Most consumption levels saw improvements, especially in services, due to a recovering tourism sector. However, declining passenger car sales yielded a lower durable index.

Still, lower-than-expected economic recovery, political uncertainty in June-July 2023, and increase in fuel prices resulted in lower business sentiment in July 2023.

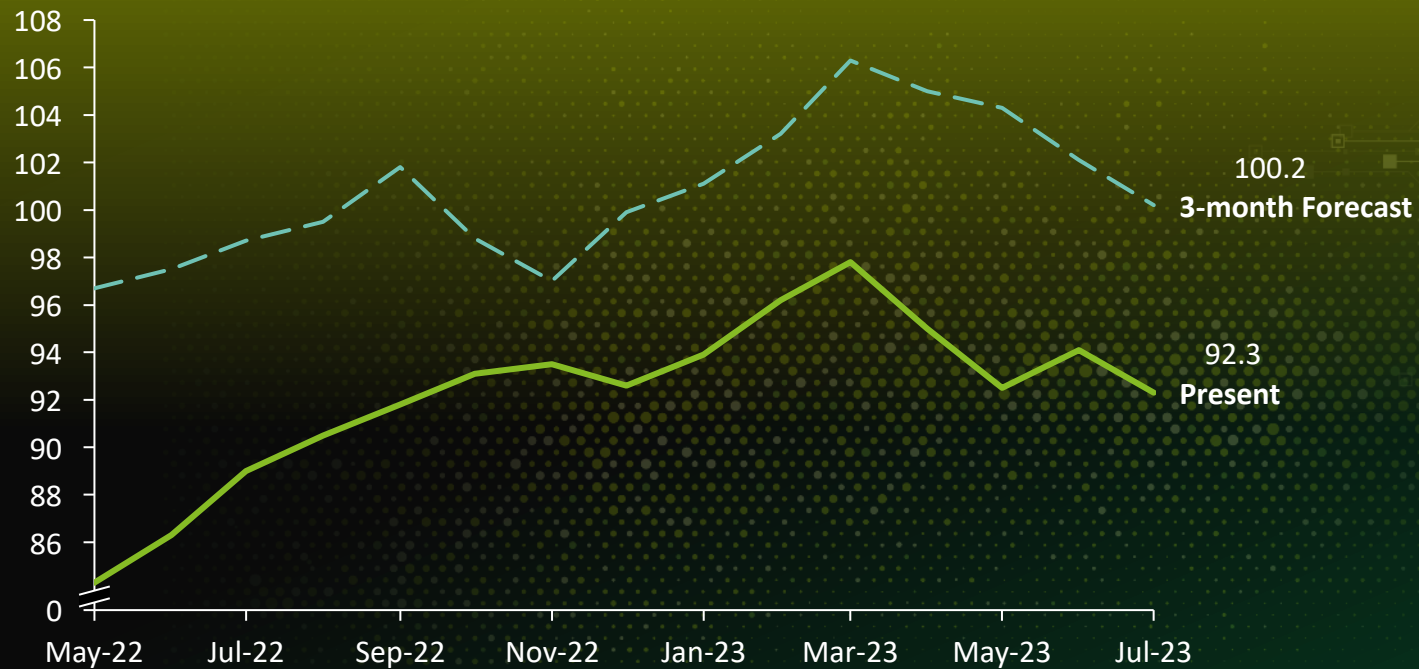


Source: Deloitte Analysis, Bank of Thailand, TPSO



# Thai Industries Sentiment Index in July 2023 fell to a 10-month low.

## Thai Industries Sentiment Index



Source: Deloitte Analysis, FTI

### + Positive Factors

Rise in tourism yields to hold up domestic consumption and spending

### - Negative Factors

Deceleration in manufacturing and demand of goods

Household debt burden and high living expenses

Increasing interest rate

Global fragility due to decreased market demand

Lower expansion of Chinese economy than expected

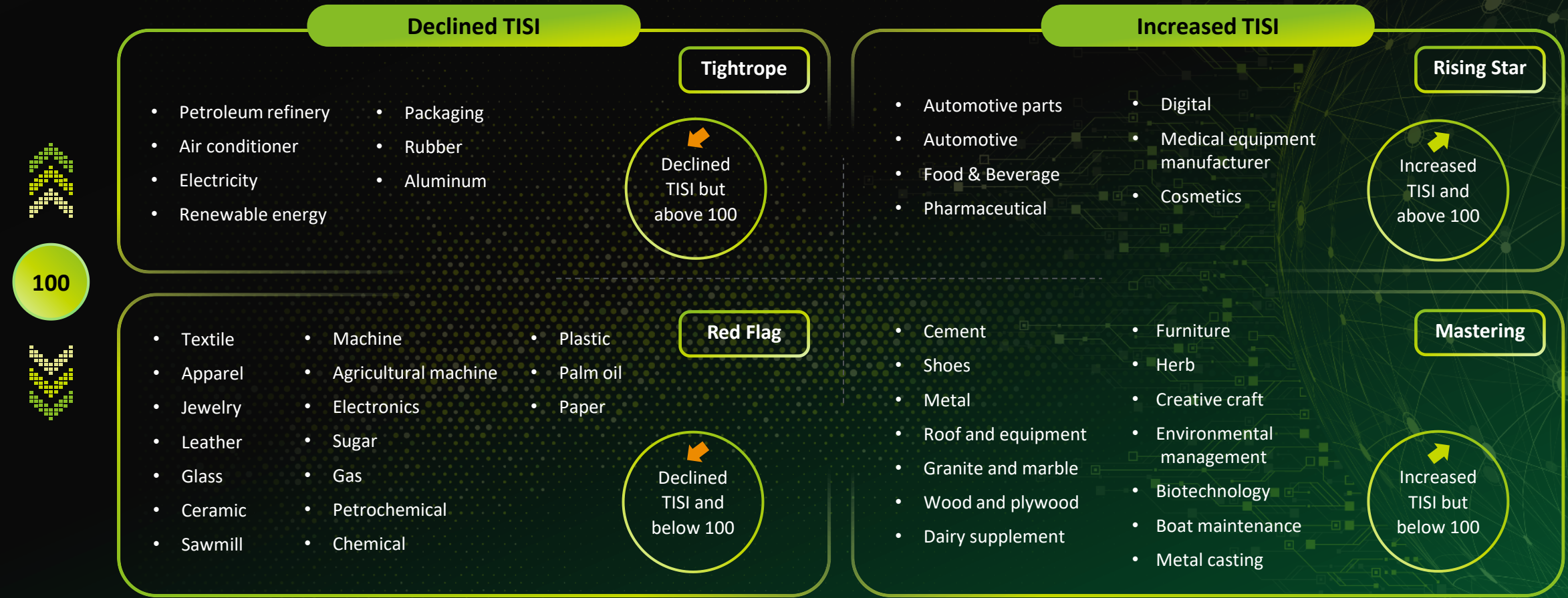
### 3-month Forecast watchlist

Increasing production costs trend

High uncertainty of global economy

# Thai Industries Sentiment Index by Performance

Compared to last month, automotive and automotive parts saw had a higher sentiment index whilst petrochemical, glass, and electronics saw decline in sentiment.



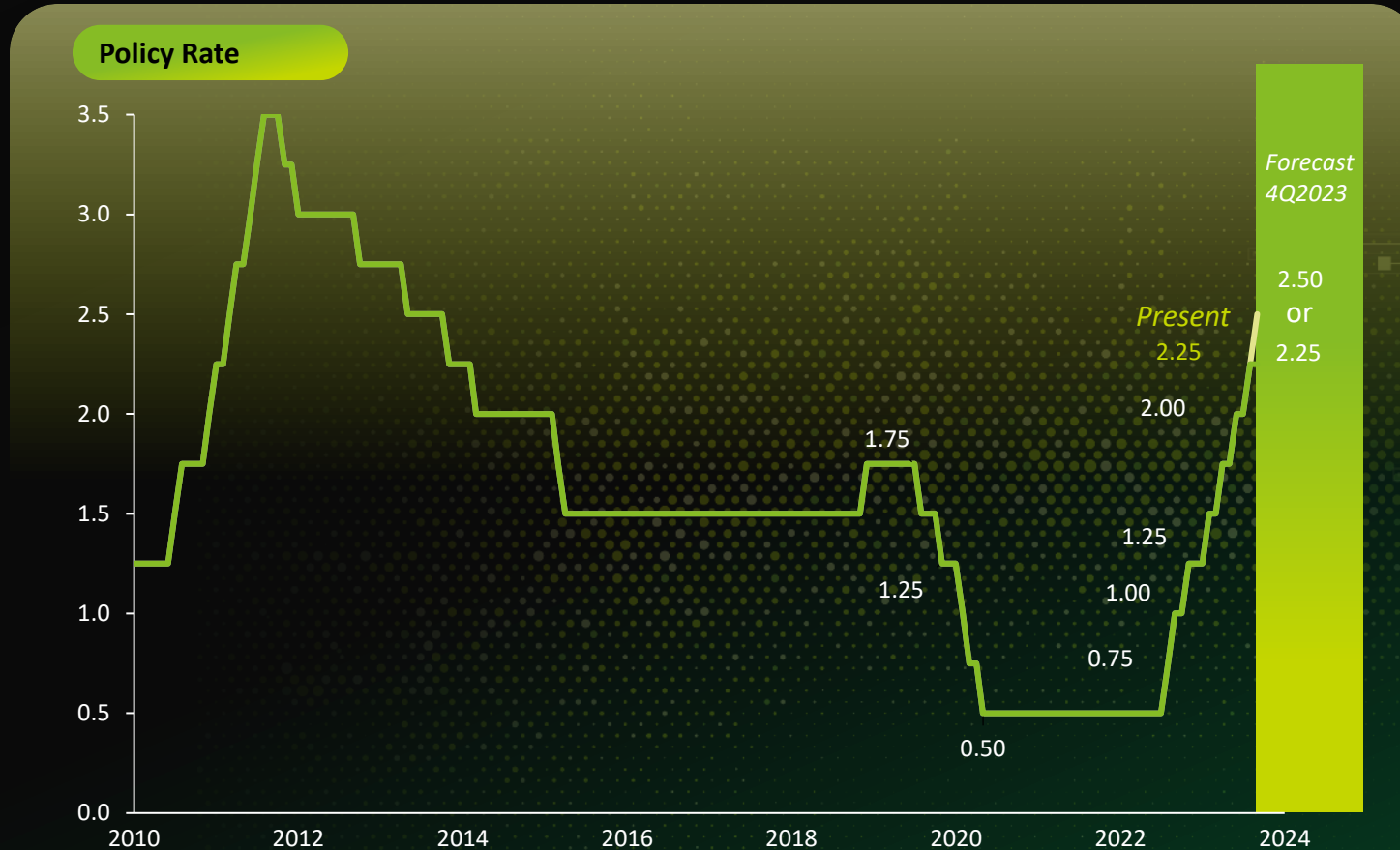
Note: As of July 2023

Source: Deloitte Analysis, FTI



# Policy Rate

The Monetary Policy Committee (MPC) unanimously voted to raise the policy rate by 0.25 percentage point, from 2.00 to 2.25 percent.



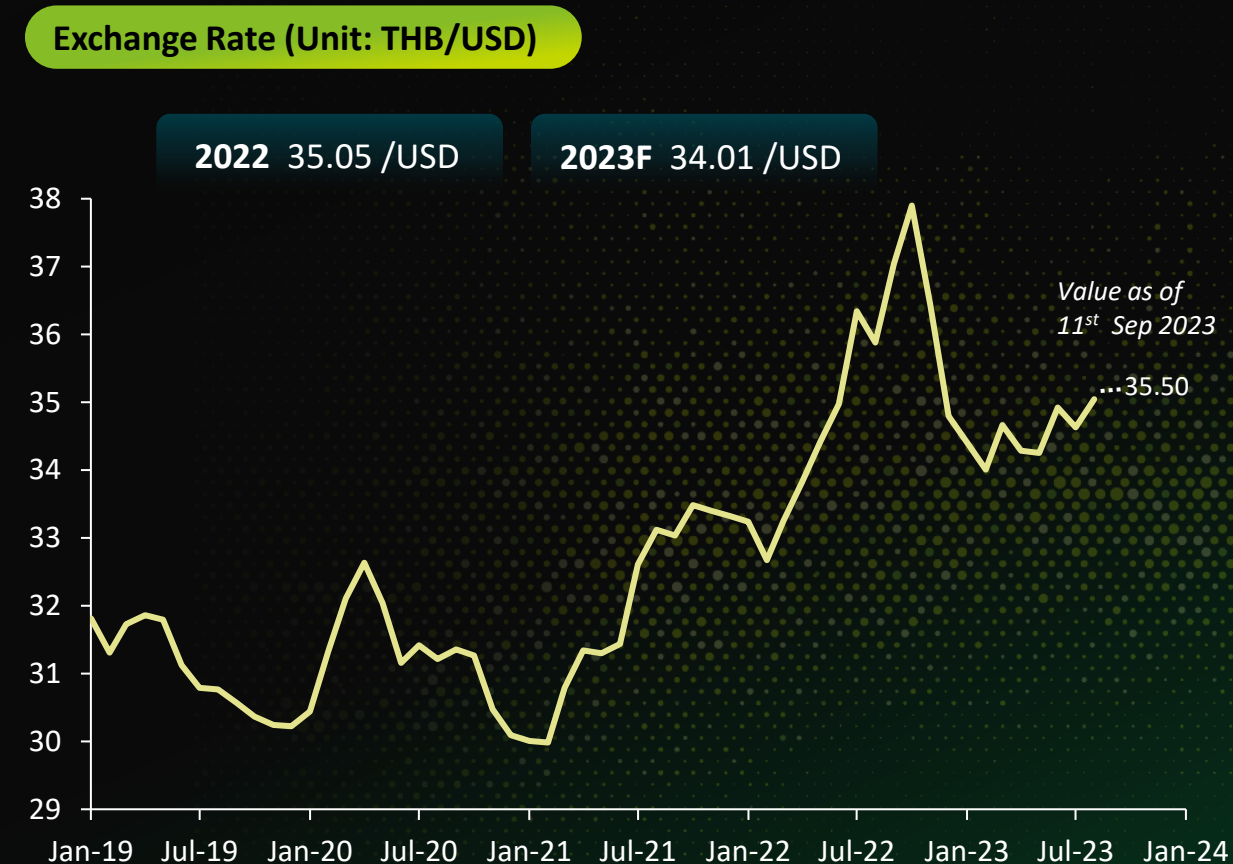
## MPC's Perspectives:

- **Thai economy overall continued to recover.** External demand softened somewhat in the near term, but is expected to gradually recover looking ahead.
- **A higher interest rate would add buffer to monetary policy and the financial system,** enhancing the capability to respond to negative shocks.
- The present context of sustained economic expansion should provide an opportunity for **building up policy space in readiness for uncertainties** looking forward.

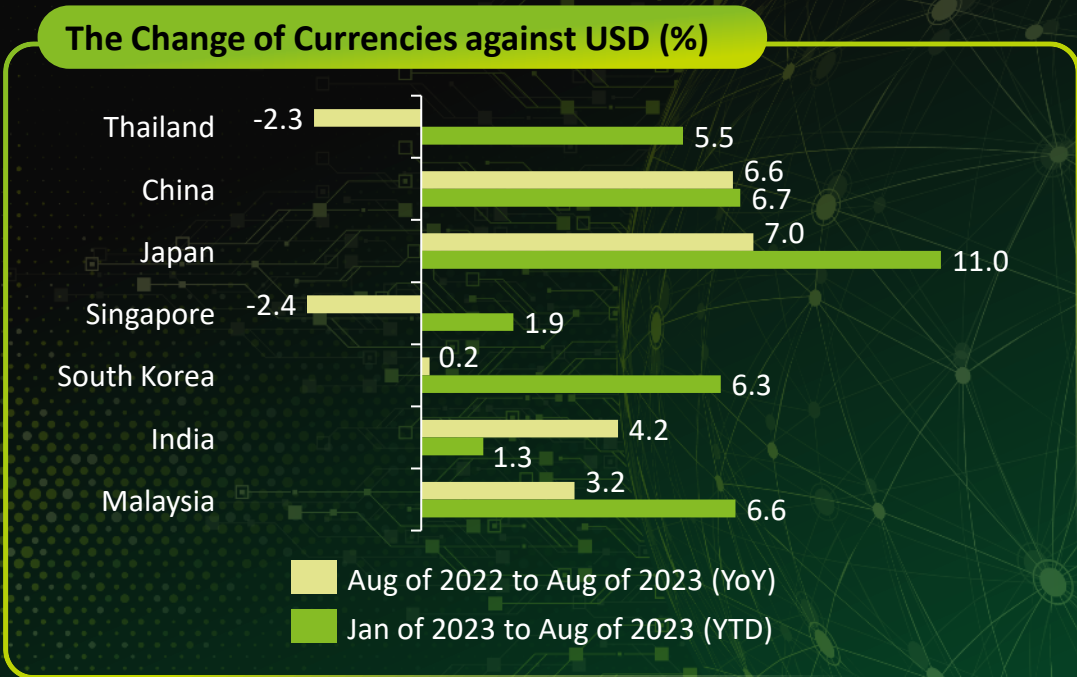
Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 4/2023

# Exchange Rate

Thai baht saw more volatile in response to FED’s interest rate increase and Yuan’s weakening value.



Source: Deloitte Analysis, Bank of Thailand, TDRI EIS, Fiscal Policy Office



**Factors influencing Thai baht**

**Appreciation**

- Expected recovery from tourism

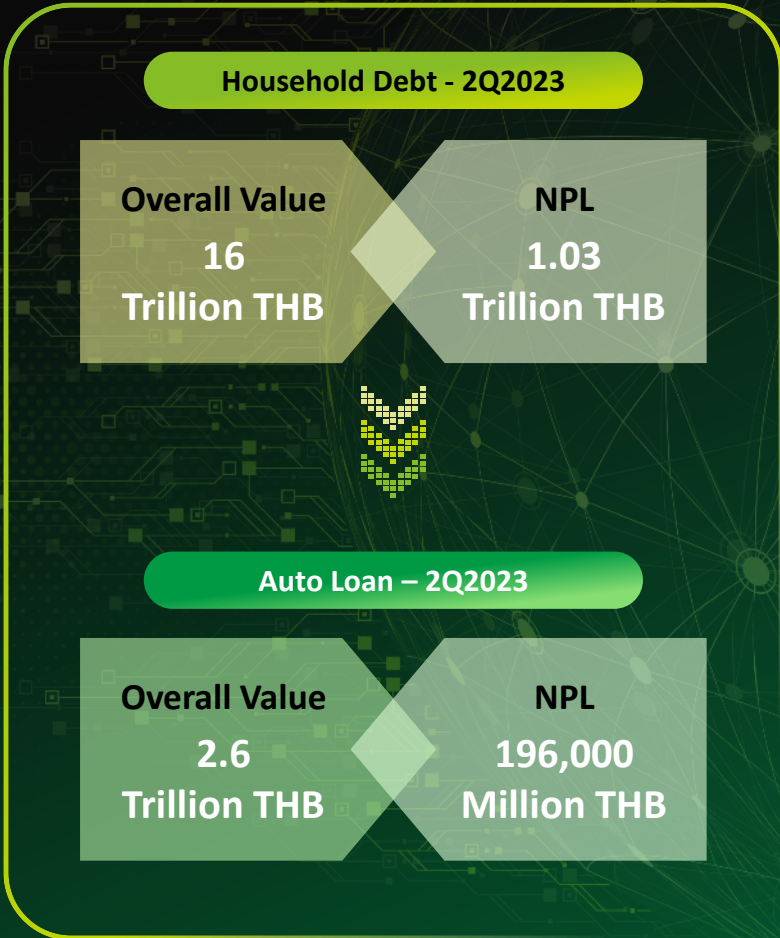
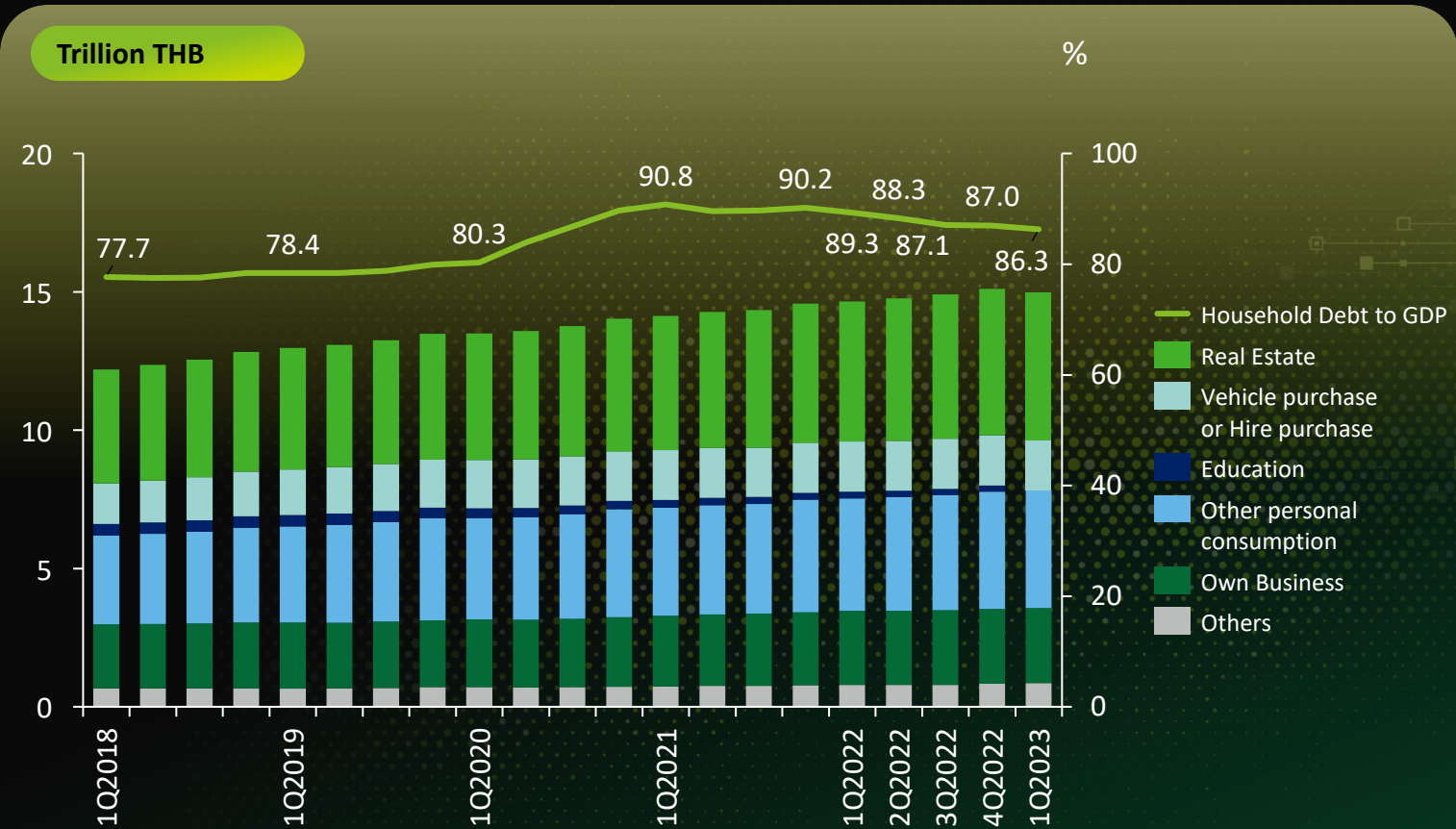
**Depreciation**

- FED’s more increases in interest rate in 2023
- Impact from geopolitical conflicts



# Household debt remains high at 86.3% to GDP. (90.6% at adjusted rate)

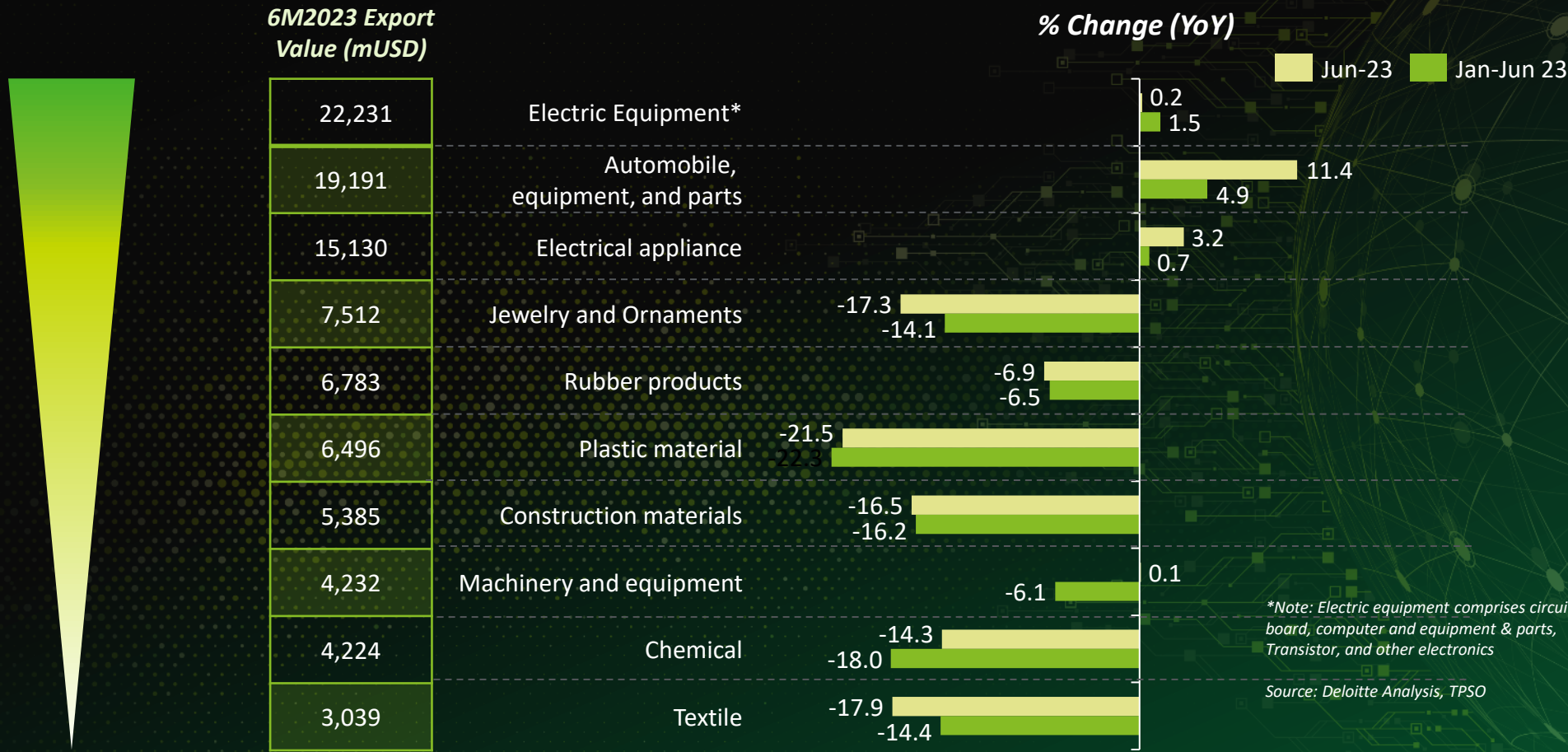
Non-productive loan such as Other Personal Consumption significantly contributed to total household debt. Surge in delinquent auto loans is a cause for concern.



Source: Deloitte Analysis, TDRI EIS, PIER, National Credit Bureau, Bank of Thailand, Bangkok BizNews

# 10 Key Industrial Exports for 6M2023

Majority of industrial exports plummeted during 6M2023, except electronic equipment, automobile-equipment-and-parts, and electrical appliances.

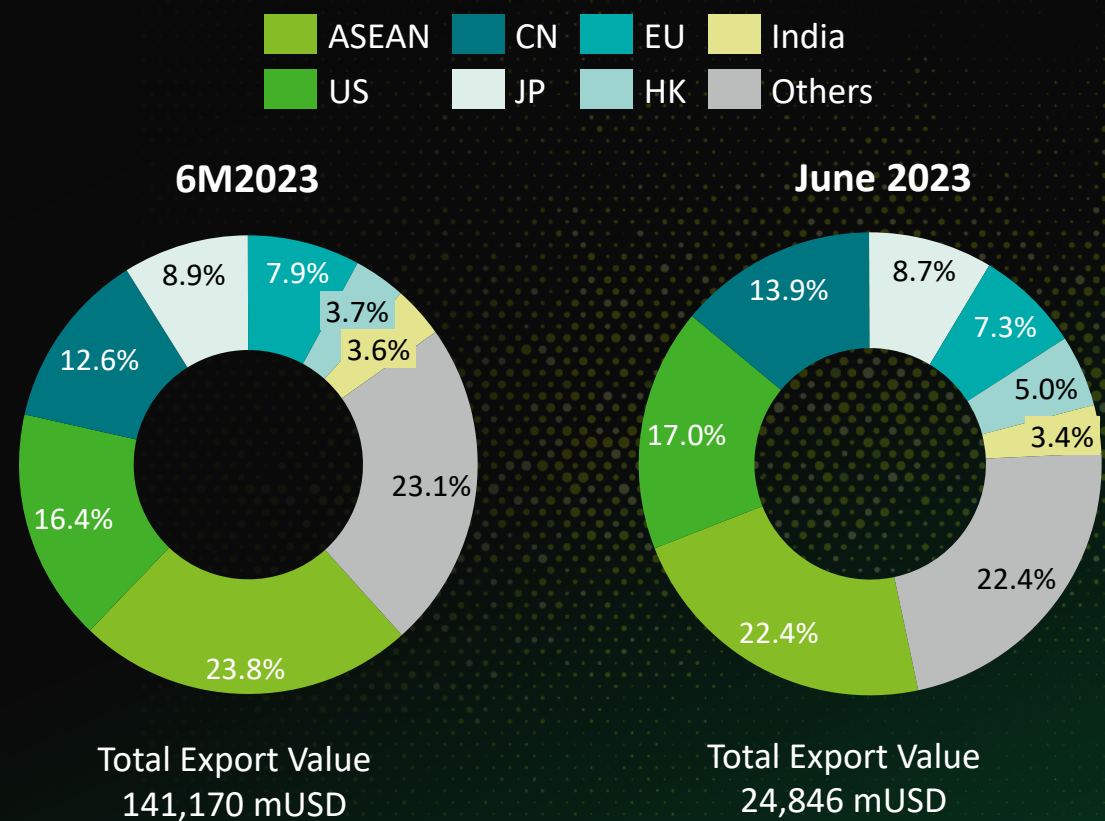




# Thailand's Export Destinations

United States, China, and Japan are the top 3 countries for TH's export. ASEAN economies also contributed to about a quarter of total export. However, in 6M2023, the total export value declined 5.4% (YoY).

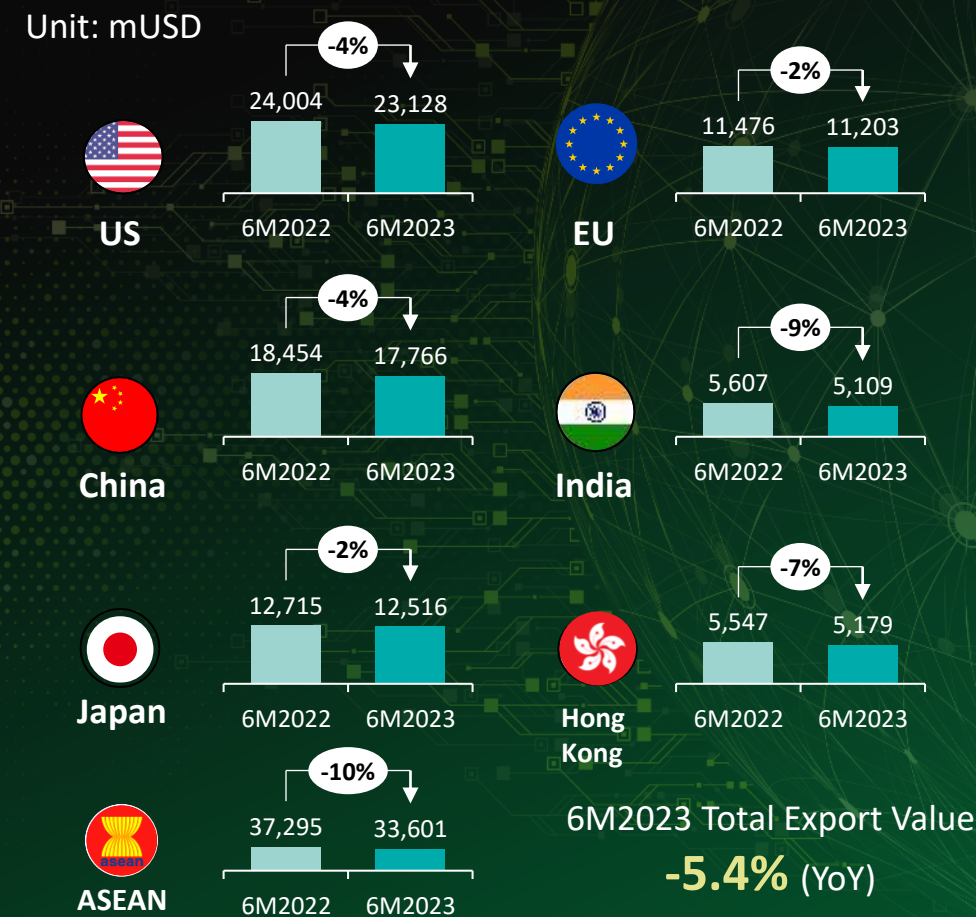
## Percentage Contribution



Source: Deloitte Analysis, TPSO

## 6M2023 Percentage Change (YoY)

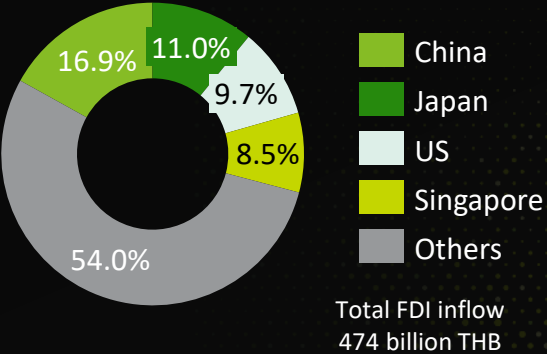
Unit: mUSD



# 1Q2023 FDI inflow had been mostly contributed by Financial Service, Insurance, and Real Estate sectors, followed by Manufacturing, in which China has been a lead investor.

However, FDI inflow in 2022 was led by Japan. Singapore also saw becoming a major player for Thai market.

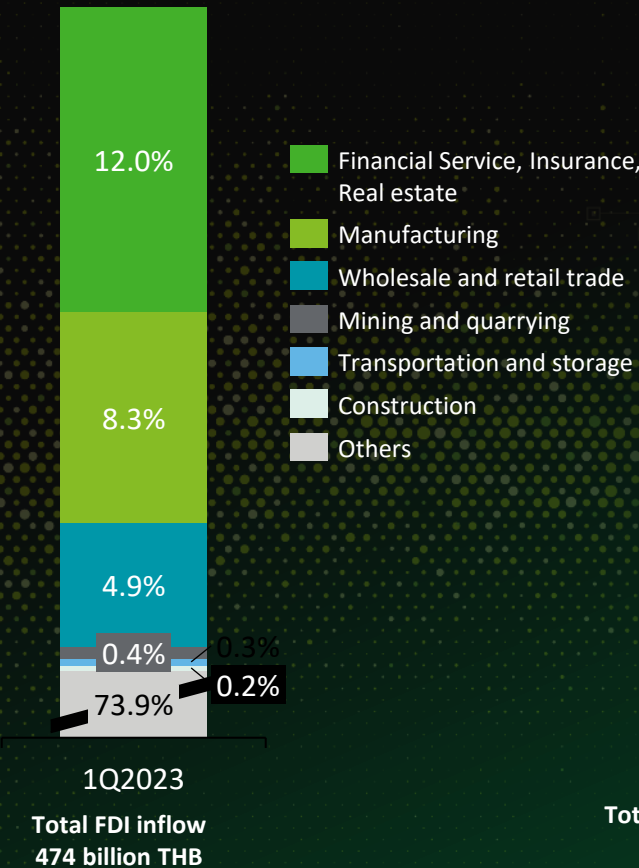
1Q2023 FDI inflow to TH by Countries (%)



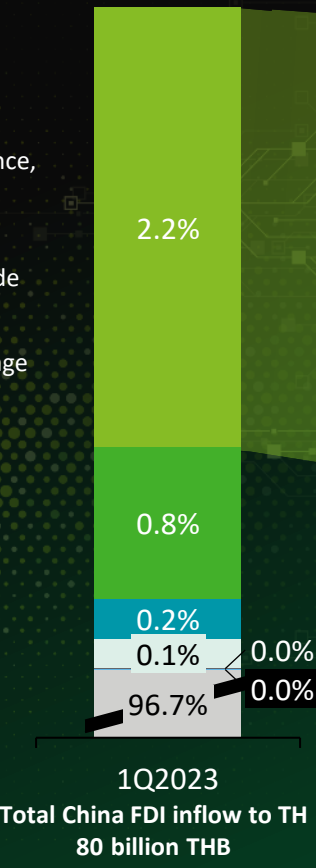
Historical 2020-1Q2023 by Top Countries' Percent Contribution to TH FDI inflow



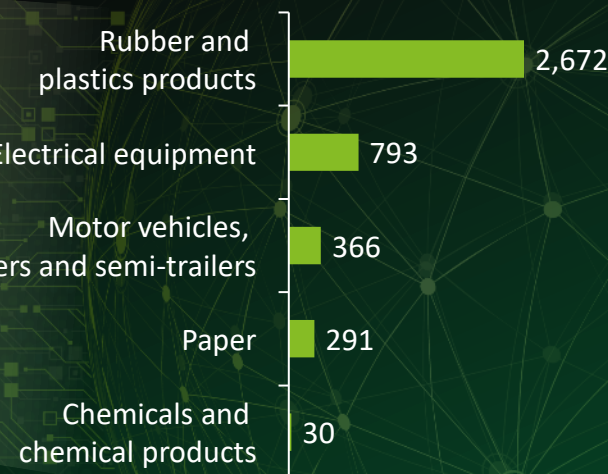
1Q2023 FDI inflow to TH by sectors (%)



1Q2023 China FDI inflow to TH by sectors (%)



1Q2023 China FDI inflow to TH by sectors - Manufacturing Top 5 (million THB)



Source: Deloitte Analysis, Bank of Thailand, MOTs



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