



# Thailand's Economic Outlook 4Q2023

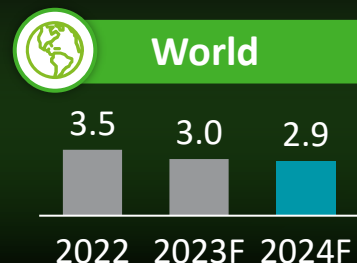
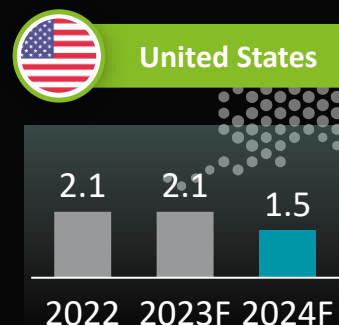
Clients & Markets, December 2023



The background features a dark green field with vertical columns of faint, light green numbers and a network of glowing green lines and dots on the left side, suggesting a digital or data theme.

# Global Economy 4Q2023

**The 2023 Global economy** continues to recover slowly and uneven from the challenges from pandemic, war in Ukraine, and the cost-of-living. Headline inflation is projected to be 5.9% this year and 4.8% in 2024. Projections are more consistent with a “soft landing” scenario, bringing inflation down without a major downturn in activity.



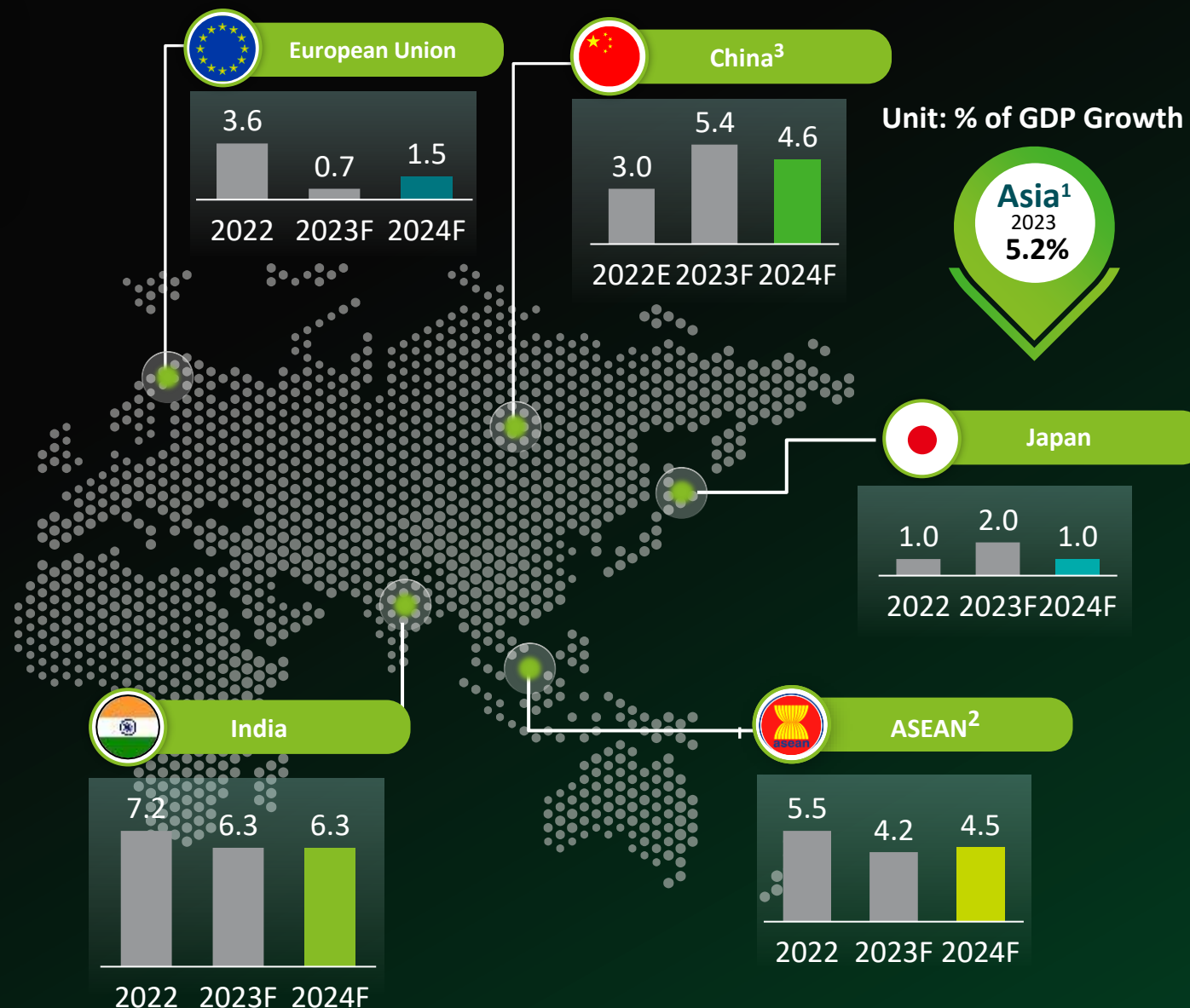
Source: Deloitte Analysis, IMF WEO Oct 2023

Note:

1 Asia refers to Emerging and Developing Asia

2 ASEAN refers to ASEAN-5; Indonesia, Malaysia, Philippines, Singapore, Thailand

3 IMF's upgrade China's growth forecast as of November 2023



# Key Takeaways and Watchlist in 2023





## US

### Key Takeaway

- + • US economy grew 5.2% in 3Q2023, faster than expected.
- Upgraded sentiments on business investment and residential investment
- Recovering personal income
- • Lower growth in consumer spending

### Watchlist

-  FED's direction on interest rate which signals pausing the increase, and might lower 0.75% in 2024
-  Bond yield movement





## EU

### Key Takeaway

- + • Easing inflation (2.4% in Nov 2023), the lowest rate of inflation since July 2021
- • Declining money supply and bank loans
- Stagnant retail sales

### Watchlist

-  ECB signaled on pausing interest rate increase and buying bonds.
-  EU's energy trade and resource amidst the war in Ukraine





## Japan

### Key Takeaway

- + • Increase in housing and education spending
- Growth in shipments of automobiles
- Recovering inbound tourism
- • Higher than target inflation
- Weak yen
- Falling household spending

### Watchlist

-  Impact of rising inflation on household financial stability
-  Bank of Japan's direction on policy amidst of softening consumption





## China

### Key Takeaway

- + • PBOC's encouraging banks to lend more to the private sector.
- • Global supply chains are reducing exposure to China
- Fragile property market
- Slowdown in inbound foreign direct investment (FDI) into China

### Watchlist

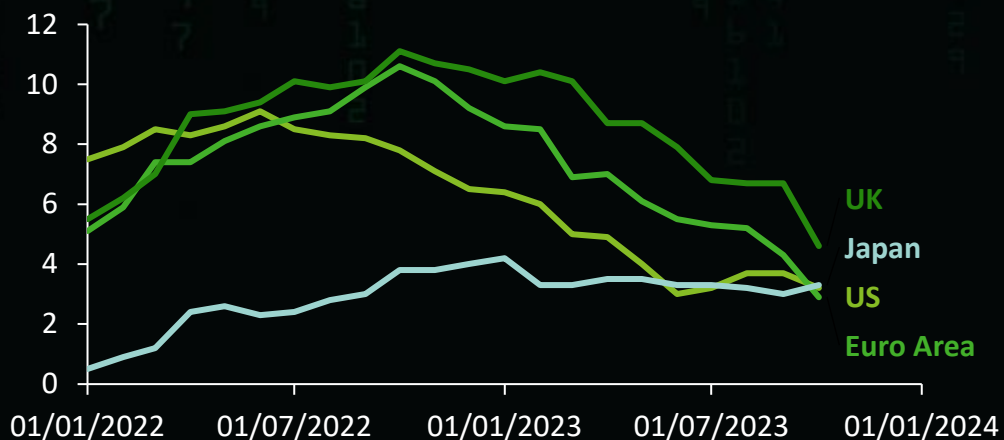
-  China's to approve a 1 trillion yuan sovereign bond issue
-  Default risks among real estate sector and wealth manager



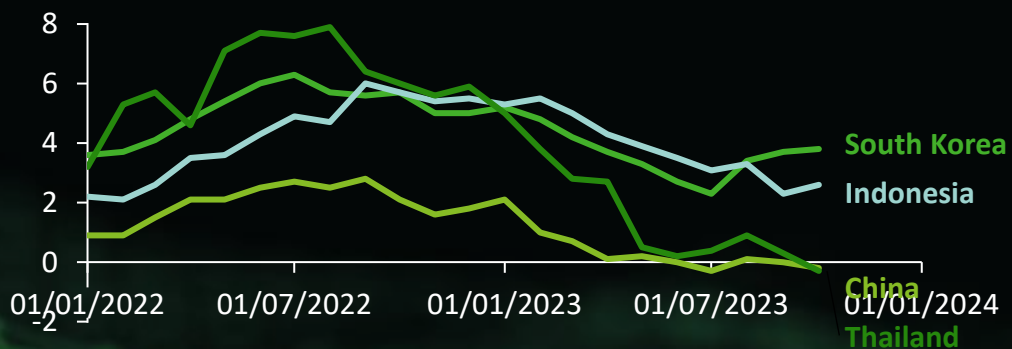
# Inflationary pressures alleviated in several areas and central banks are easing their interest increase.

## Inflation Rate

### Developed countries

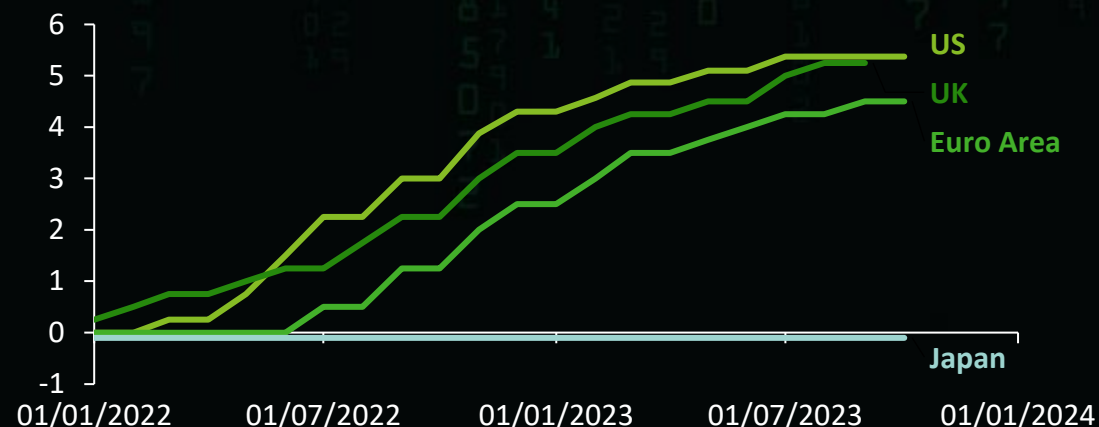


### Developing countries & Emerging markets

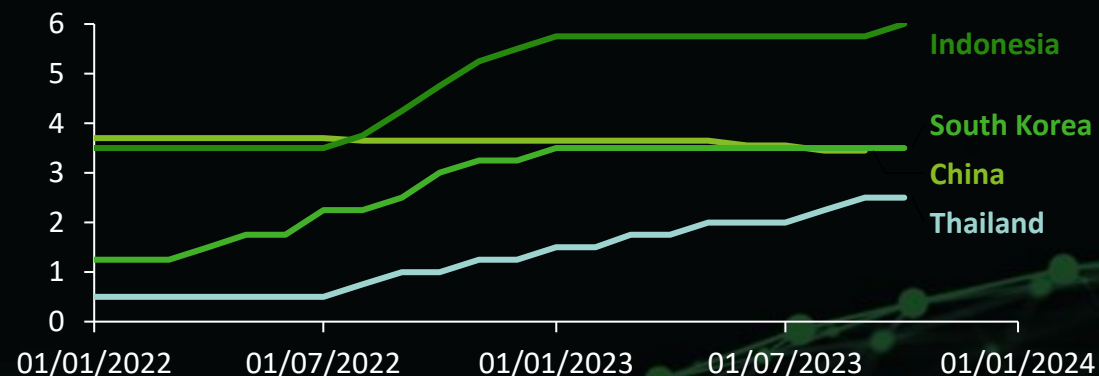


## Policy Rate

### Developed countries



### Developing countries & Emerging markets



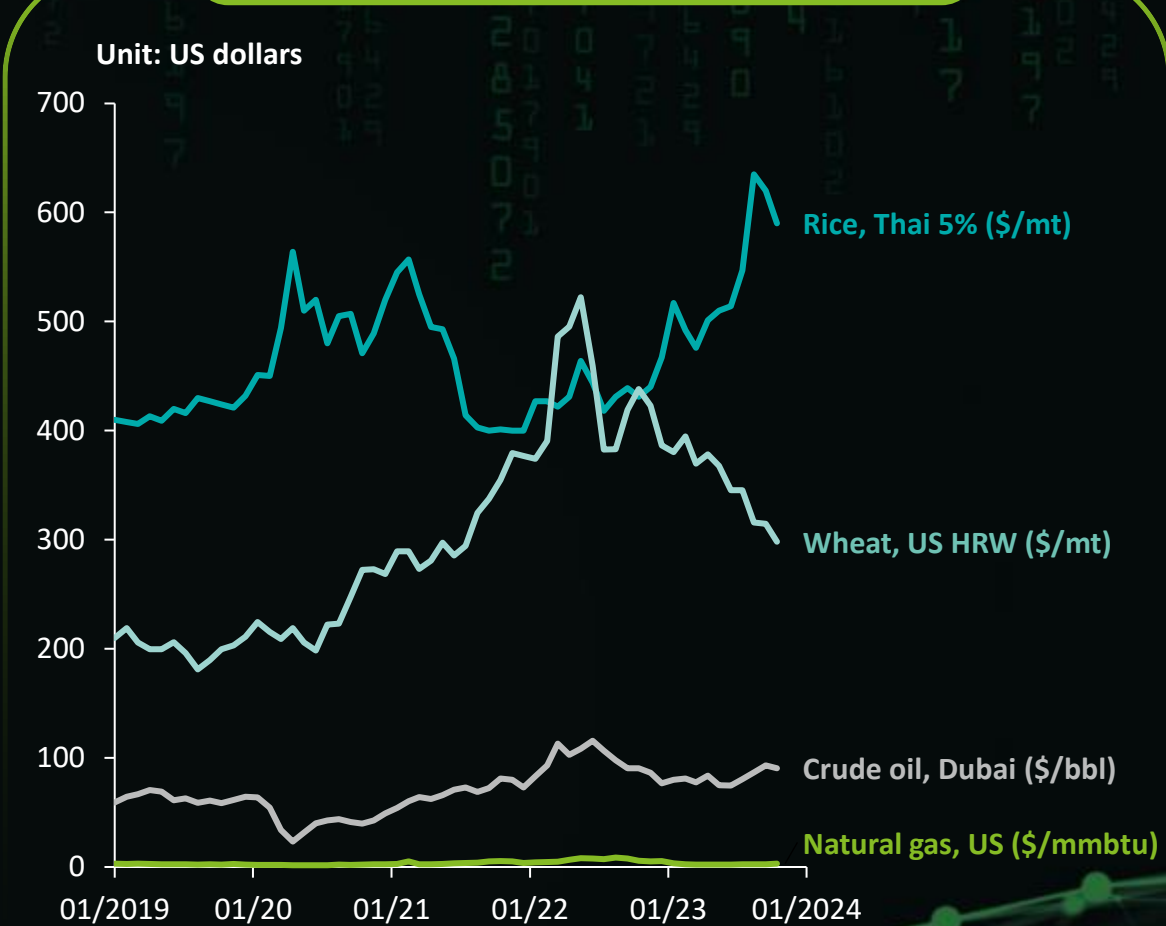
Source: Deloitte Analysis, NESDC

Commodities Price Index saw lower compared to previous months.

Commodities Price Index (2010=100)

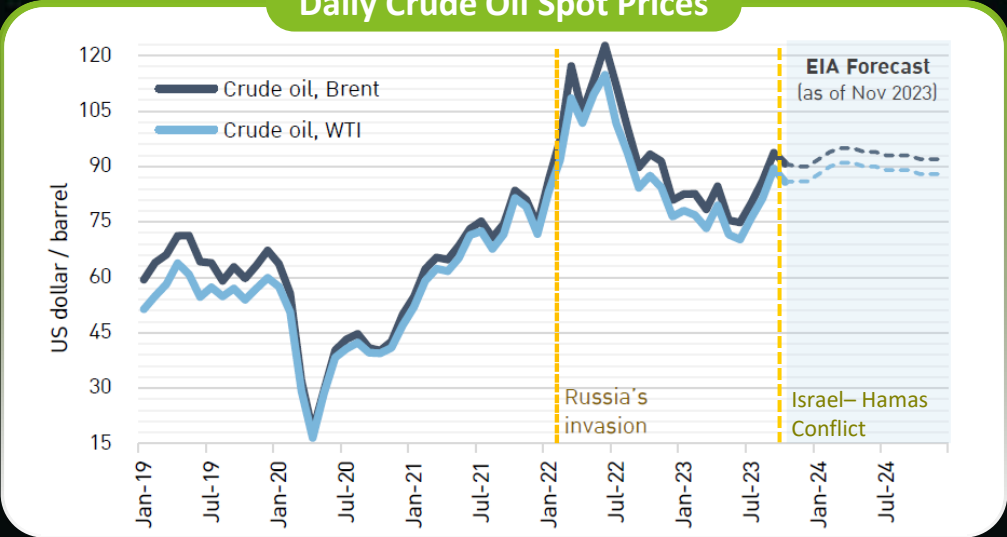


Commodities Price



# Oil Prices Trend and Stocking

Daily Crude Oil Spot Prices



Source: TDRI EIS

## Less de-stocking in 4Q2023 for Crude oil and Petro chemical in Thailand

The factors contributing to the below products' high inventory liquidation in 3Q2023 and increase stocking in 4Q2023.

Product	3Q2023 vs 2Q2023 (QoQ)	4Q2023 vs 3Q2023 (QoQ)	4Q2023 vs 4Q2022 (YoY)
Crude Oil	Petro products manufacturers delayed purchasing for raw material (due to higher crude oil price and weak baht) <span></span>	Holiday season and lower crude oil price resulting in higher stock <span></span>	Low base <span></span>
Petro Chemical	The export market was on a downward trend and had led to a decrease in demand for raw materials due to high price. <span></span>	High season, The inventory index is showing signs of recovery, and the plastic shipment index is beginning to improve. <span></span>	High base, accumulate inventory in preparation for a major factory maintenance-shutdown. <span></span>

Legends:  De-stocking  Less de-Stocking  Stocking

Source: SCB EIC

October 2023 average spot price of Brent crude oil was US\$91/barrel, down US\$3/barrel from September 2023. This was accompanied by a notable rise in oil price volatility.

On the other hand, global supply for petroleum and liquid fuels averaged 101.3 million barrels per day in 2023<sup>1</sup>, up 1.3% from 2022. Meanwhile, global demand of petroleum and liquid fuels averaged 100.9 million barrels per day in 2023, up 0.9% from 2022. As a result, **global petroleum and liquid fuel production remained higher than demand**. In 2024, demand and supply of petroleum and fuel production are projected in balance at 102.2 million barrels per day.

Source: Deloitte Analysis, SCB EIC, TDRI EIS, Fiscal Policy Office<sup>1</sup>

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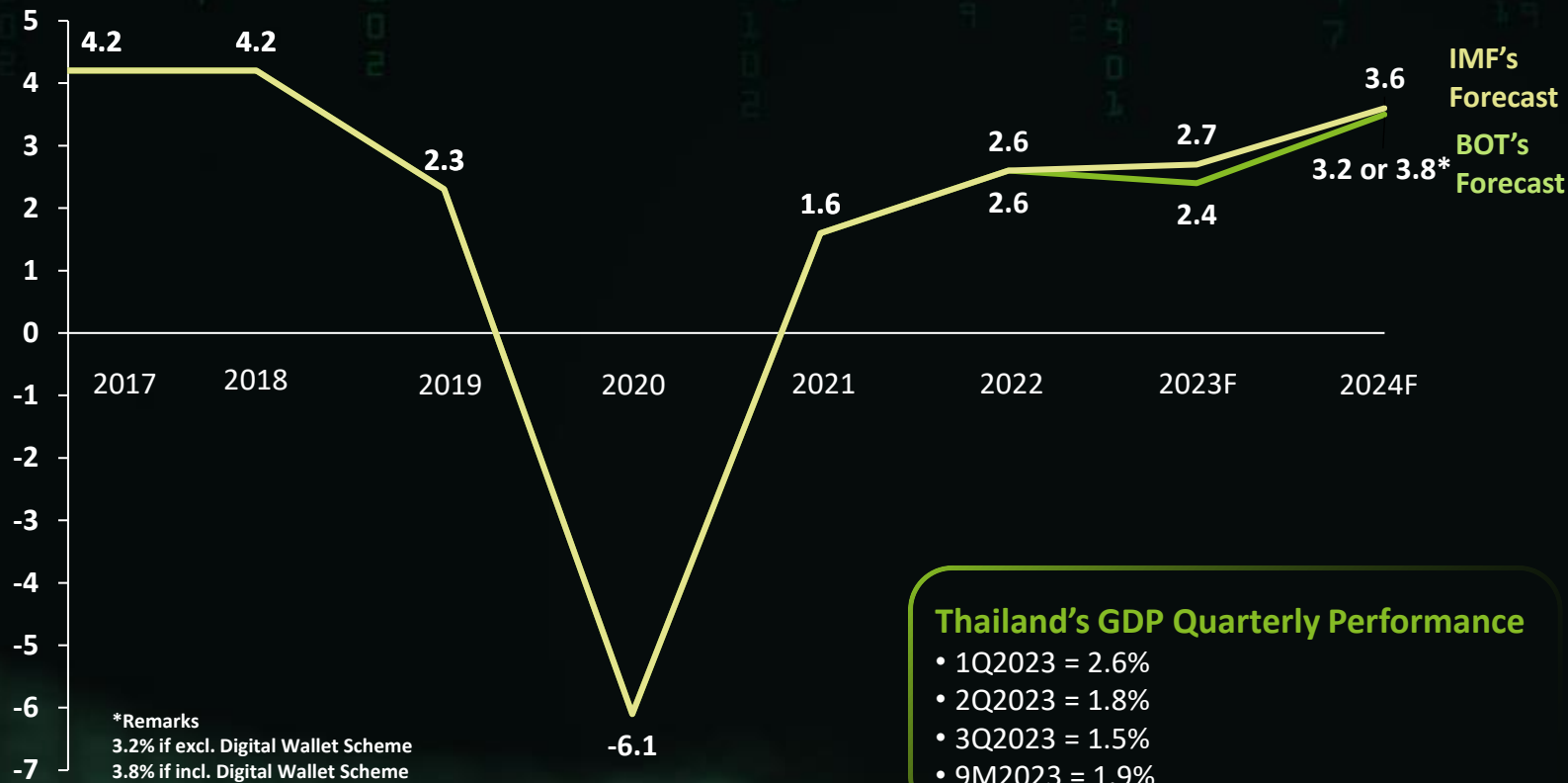
# Thai Economy 4Q2023



# Thailand's Economic Outlook

2023 GDP growth are mainly contributed by international tourism, household consumption, private investments, and slowdown in import.

## Real GDP Growth (%YoY)



## Key Factors to be Monitored

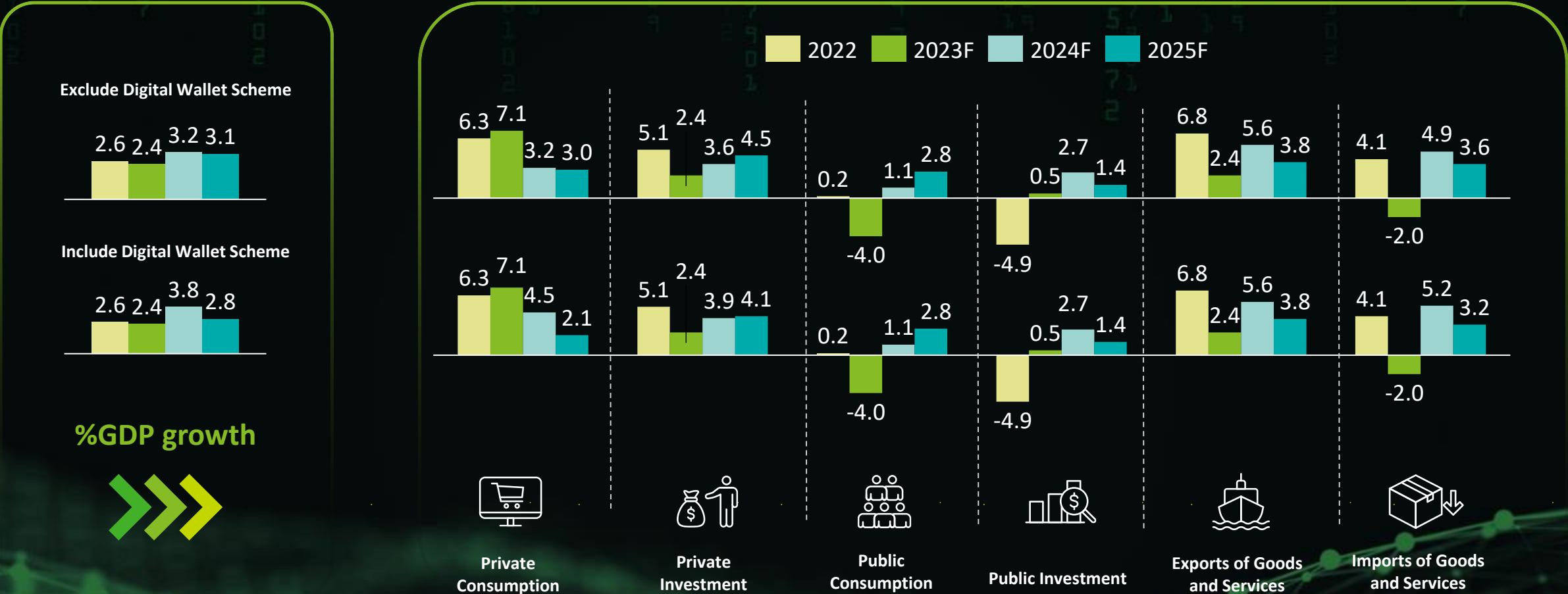


- + • Expanding private consumption
- + • Recovering tourism sector
- • High household debt
- • Impacts from geopolitical conflicts
- • Slow growth among other regions, especially China

Source: Deloitte Analysis, Bank of Thailand, IMF, TDRI EIS

# Thailand's Economic Outlook

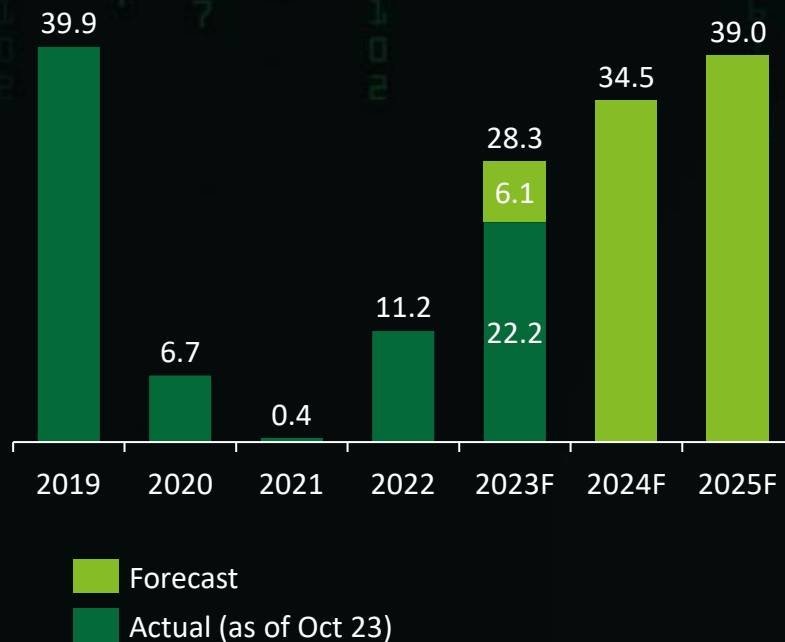
Merchandise exports and tourism have been recovering slower than expected from weak China's economy. 2024, the government investment spending and Digital Wallet stimulus might push the growth up to 3.8%.



# Tourism in Thailand is recovering from increased tourist arrivals.

## Foreign tourist arrivals Forecast

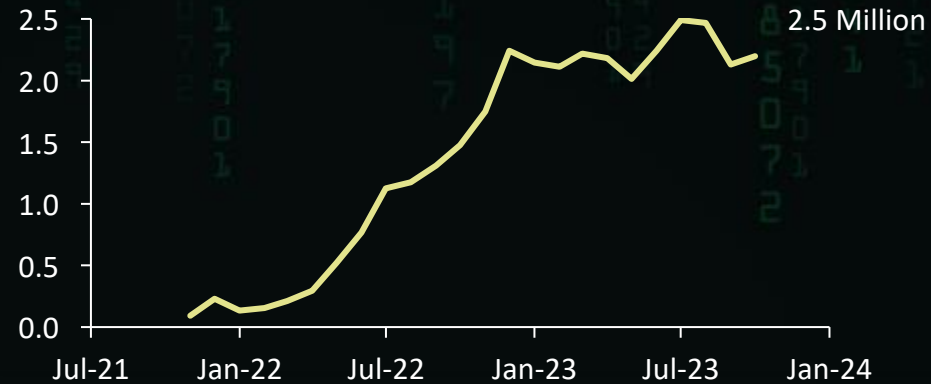
Unit: Million Persons



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

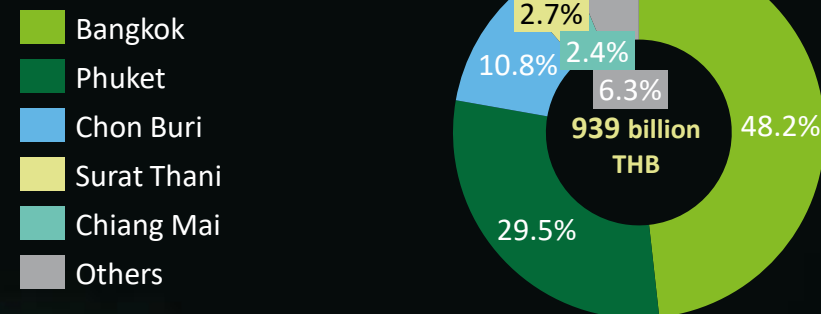
## Foreign tourist arrivals by Month

Unit: Million Persons



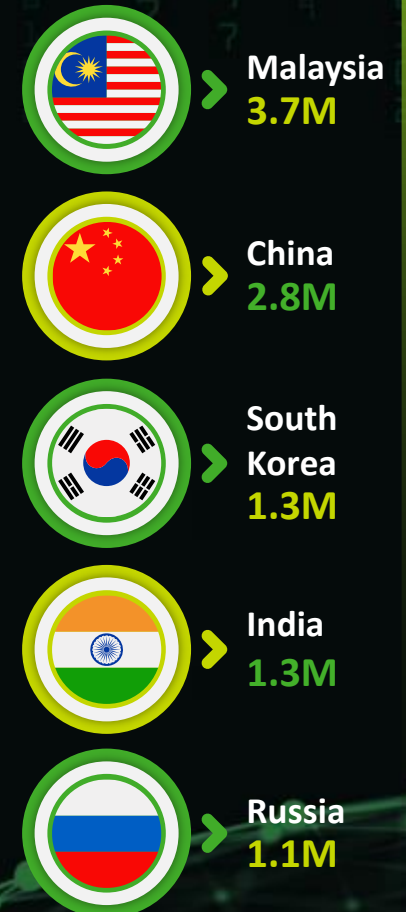
## Top 5 provinces received income from foreign visitors

As of October 23



## Top 5 Tourist Arrivals to TH by Nationality

Unit: Person (as of Oct 23)





# Thailand's Tourism Situation

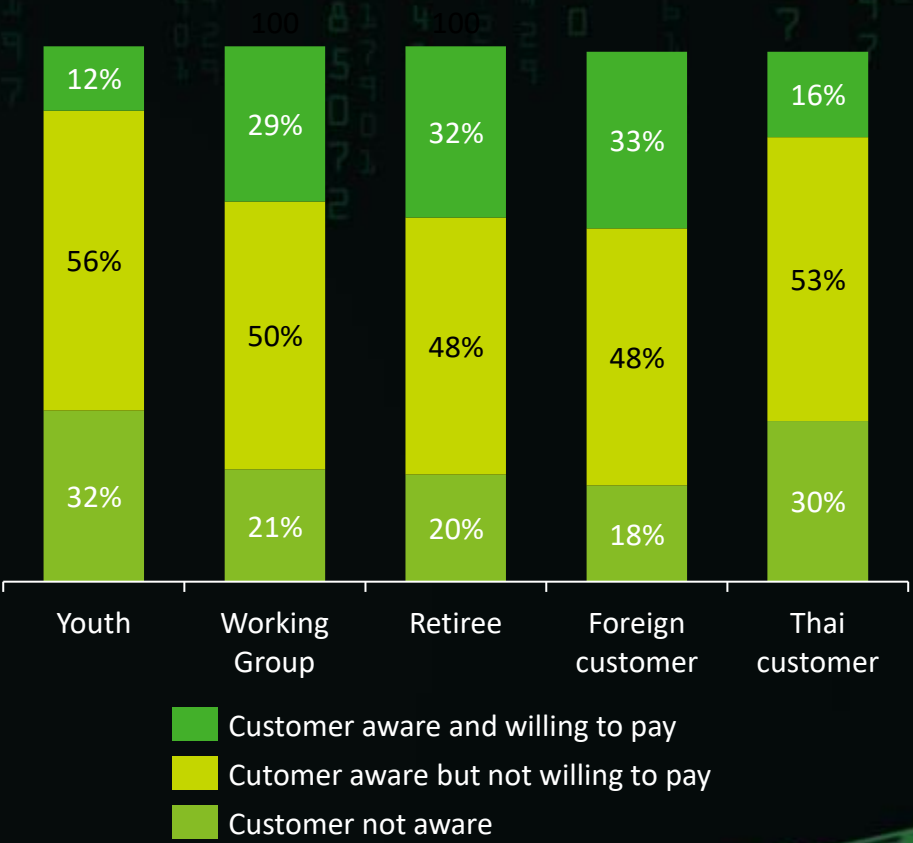
**Occupancy rate** increased in October due to entering to travel season. Despite widespread awareness of green tourism initiatives among hotel customers, a significant portion remains unwilling to pay a premium for environmentally friendly accommodations.



Source: Deloitte Analysis, Bank of Thailand

## Awareness of green tourism

Unit: % of hotel classified by customers who are environmentally conscious

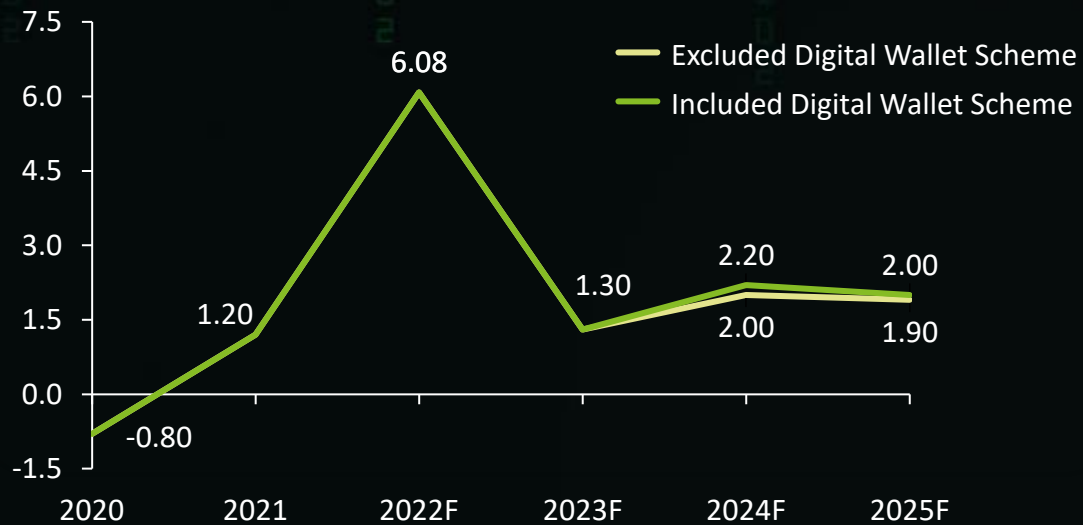




# Inflation eases in Thailand.

Government subsidies on the cost-of-living result in a short-term curbing of inflation.

Headline Inflation (%)



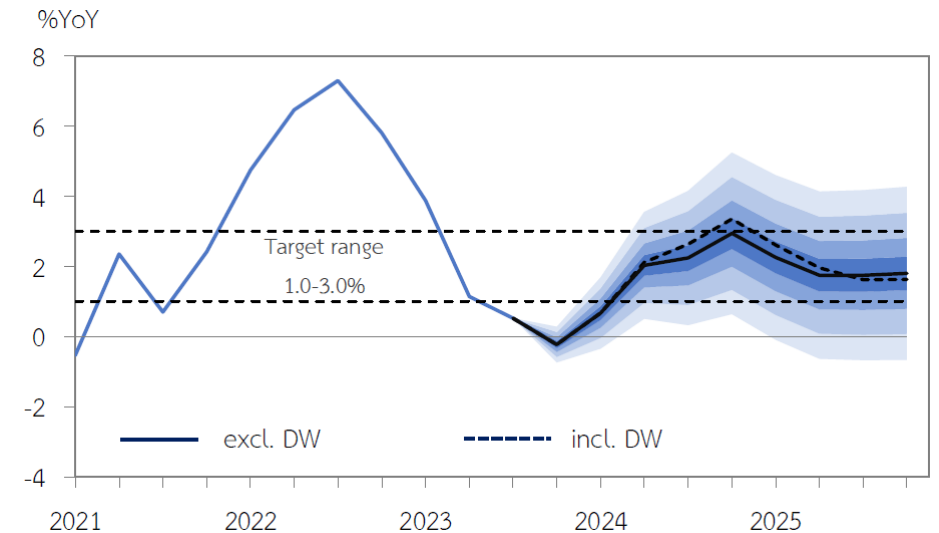
Inflation in November 23 = -0.44%

Easing inflation contributed by

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

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

Headline Inflation Forecast (%)



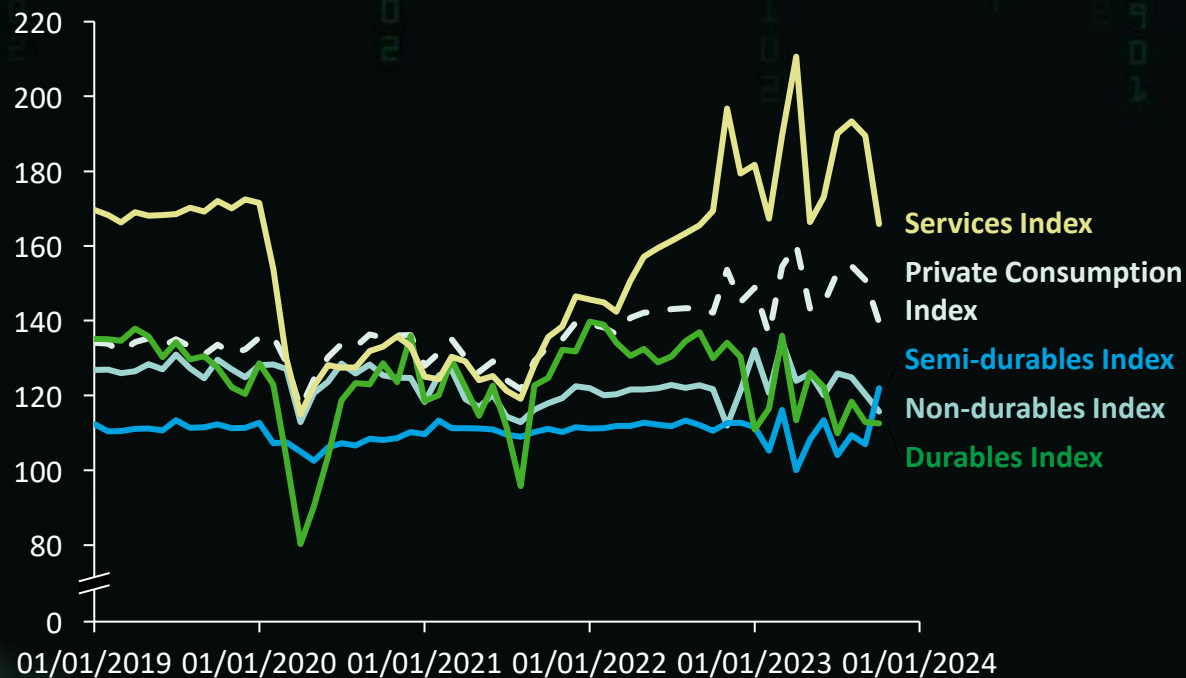
Source: Bank of Thailand

## Watchlist

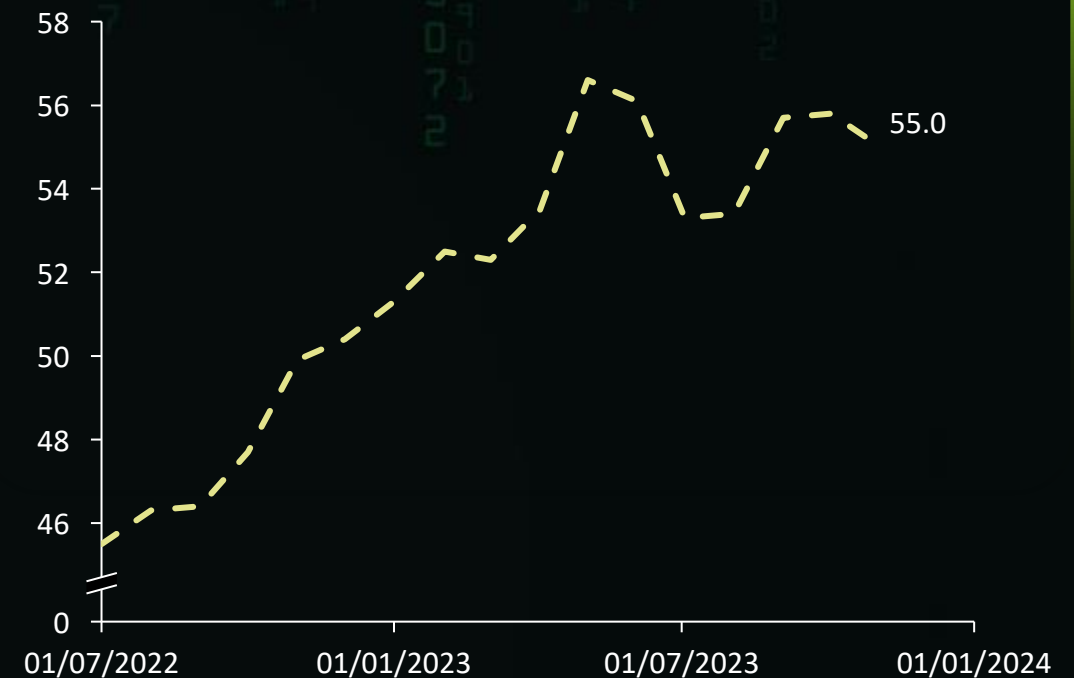
- Direction of government economic policies
- Global food and energy prices

Lower economic recovery than expected, higher interest rates leading to increased debt burden for specific groups, and falling prices of some agricultural products all contributed to a decline in the Consumer Confidence Index in November.

Private Consumption Index (Seasonally Adjusted)

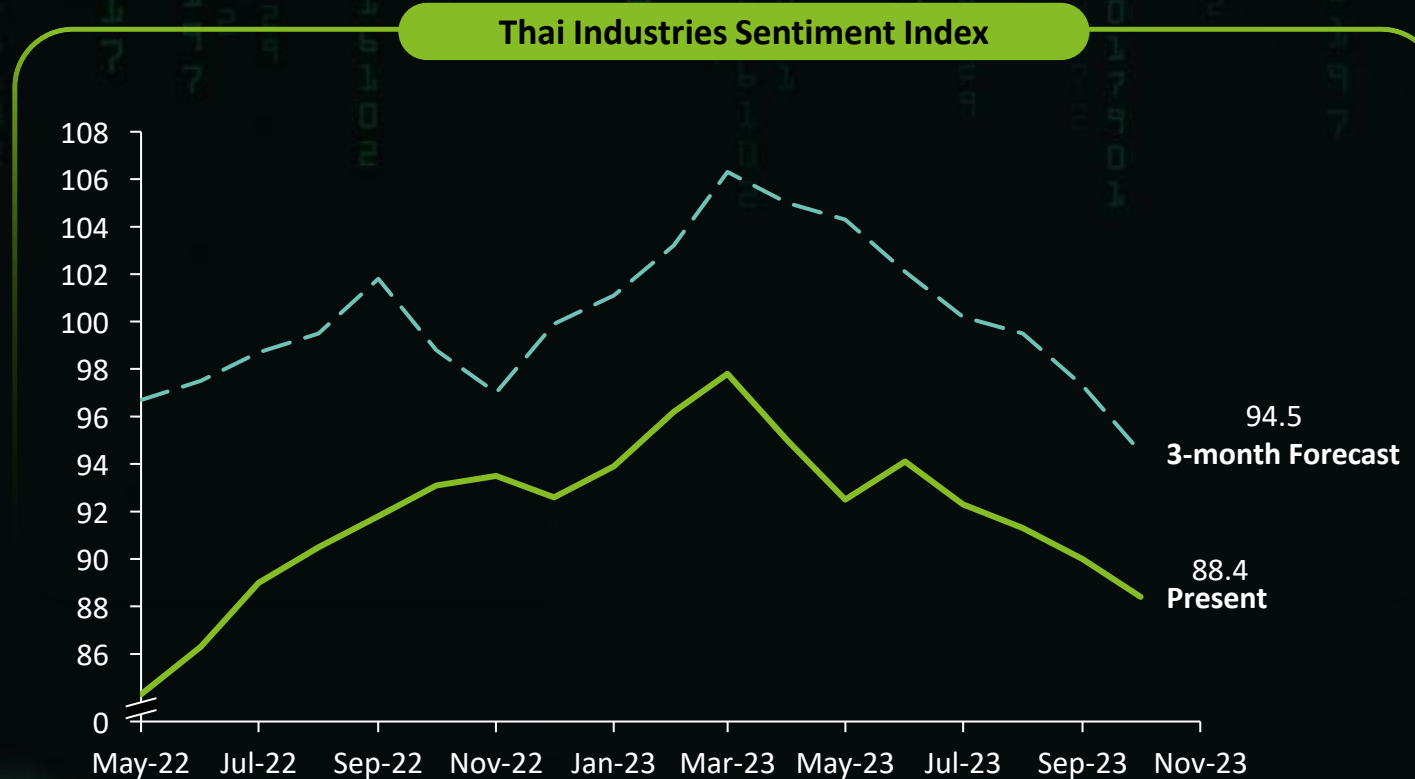


Consumer Confidence Index (CCI)



Source: Deloitte Analysis, Bank of Thailand, TPSO

# Thai Industries Sentiment Index in October 2023 has decreased continuously for the fourth month, fell to 88.4.



## + Positive Factors

Foreign demand is gradually recovering and visa-free policy

Government-imposed measures to reduce electricity costs and diesel prices

## - Negative Factors

The domestic economy is still recovering slowly due to weak purchasing power

Loan interest rates are in an upward direction

The depreciation of Thai Baht

Demand for industrial products and the manufacturing sector has slowed down

## 3-month Forecast Watchlist

Uncertainty of the domestic and global economy

Various geopolitical conflicts, especially between Israel and Hamas

Source: Deloitte Analysis, FTI



# Thai Industries Sentiment Index by Performance

October 2023 TISI saw declined in various industries and stood below 100. Compared to last month, petroleum refinery and air conditioner saw had a higher sentiment index whilst herb, glass, and boat maintenance saw decline in sentiment.



100



## Declined TISI

### Tightrope

- Pharmaceutical
- Electricity
- Medical equipment manufacturer

Declined  
TISI but  
above 100

### Red Flag

- |                      |                        |                            |
|----------------------|------------------------|----------------------------|
| • Textile            | • Furniture            | • Herb                     |
| • Apparel            | • Granite and marble   | • Petrochemical            |
| • Leather            | • Glass                | • Chemical                 |
| • Shoes              | • Ceramic              | • Rubber                   |
| • Metal              | • Machine              | • Plastic                  |
| • Cement             | • Agricultural machine | • Environmental management |
| • Roof and equipment | • Electronics          | • Palm Oil                 |
|                      | • Boat maintenance     | • Dairy supplement         |

Declined  
TISI and  
below 100

## Increased TISI

### Rising Star

- |                    |                      |
|--------------------|----------------------|
| • Automotive parts | • Petroleum refinery |
| • Automotive       | • Renewable energy   |
| • Air conditioner  | • Packaging          |
| • Food & Beverage  | • Aluminum           |
| • Digital          | • Cosmetics          |

Increased  
TISI and  
above 100

### Mastering

- |                    |                  |
|--------------------|------------------|
| • Jewelry          | • Creative craft |
| • Sawmill          | • Biotechnology  |
| • Wood and plywood | • Metal casting  |
| • Sugar            |                  |
| • Gas              |                  |
| • Paper            |                  |

Increased  
TISI but  
below 100

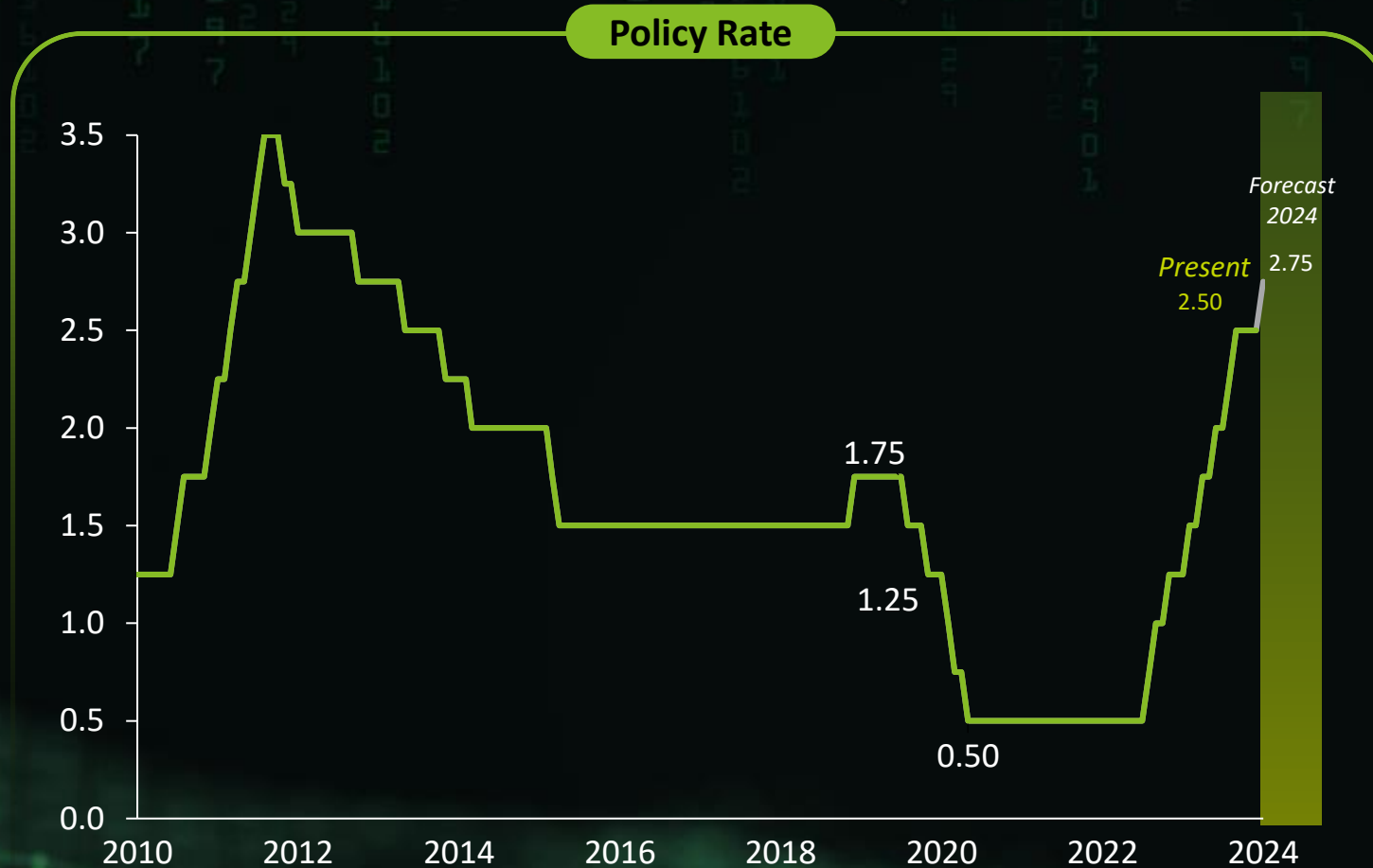
Note: As of Oct 2023

Source: Deloitte Analysis, FTI



# Policy Rate

The Monetary Policy Committee (MPC) unanimously voted to maintain the policy rate at 2.50 percent.



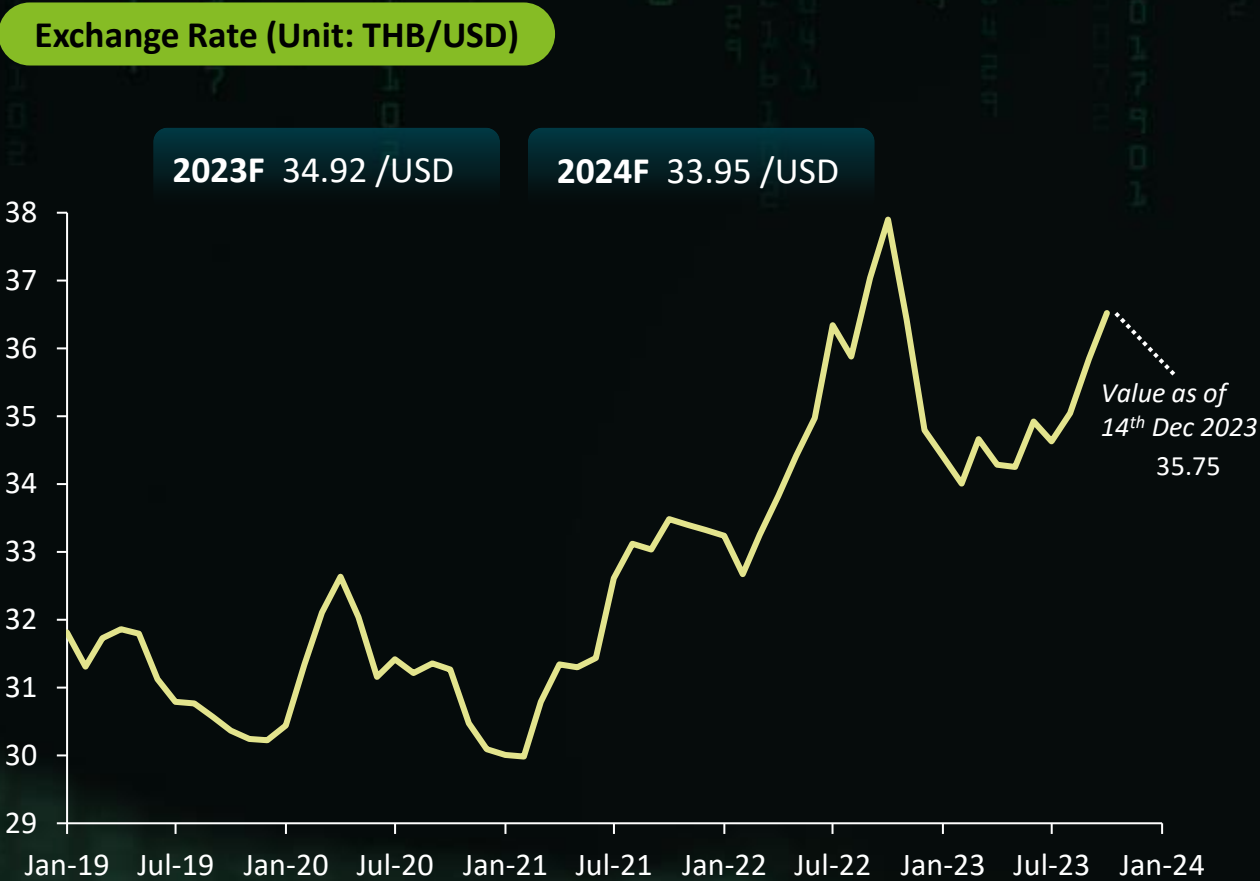
Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 6/2023, TDRI EIS

## MPC's Perspective:

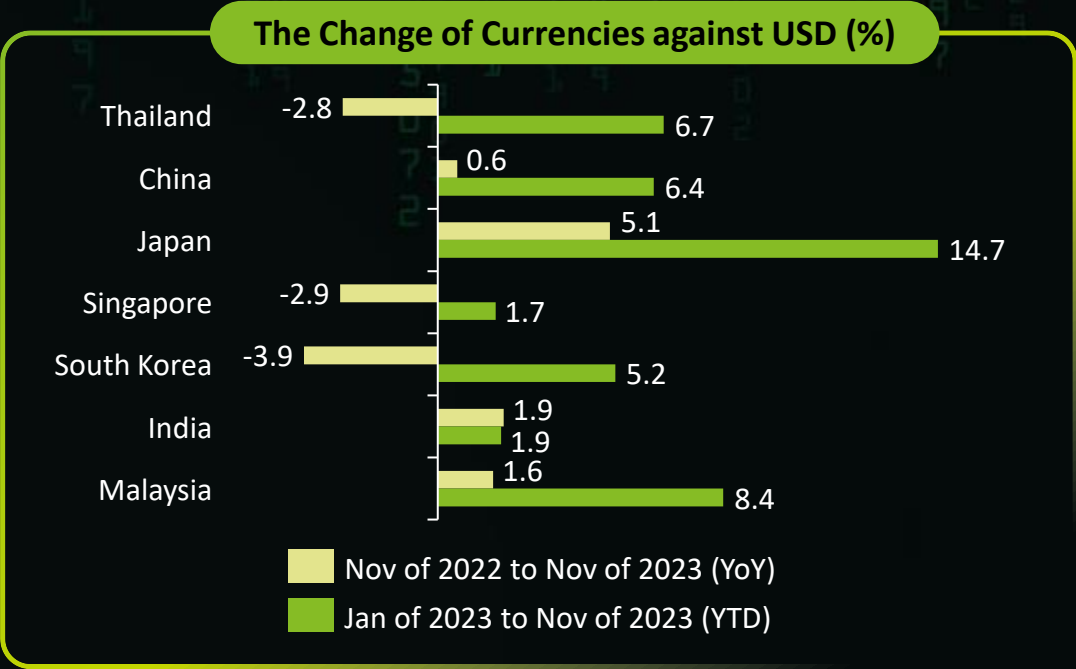
- **Thai economy overall continued to recover.** Growth is expected to be more balanced in 2024 and 2025, supported by domestic demand, tourism sector, and a recovery in merchandise exports.
- **Merchandise exports and tourism** have been **recovering more slowly than expected**, due to subdued growth in China and a delayed turnaround in global electronic demand.
- Maintaining the policy interest rate saw appropriate for **supporting long-term sustainable growth and preserving financial stability.**

# Exchange Rate

Thai baht saw weaker in response to strengthening USD. Still, FED’s signal on lowering policy rate in 2024 might result in stronger THB.

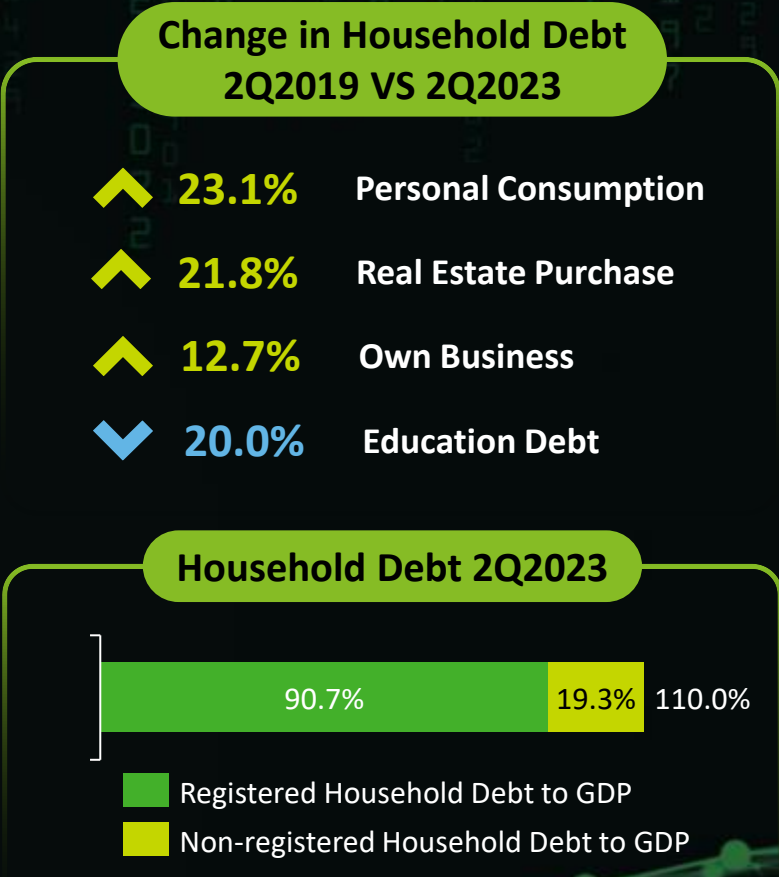
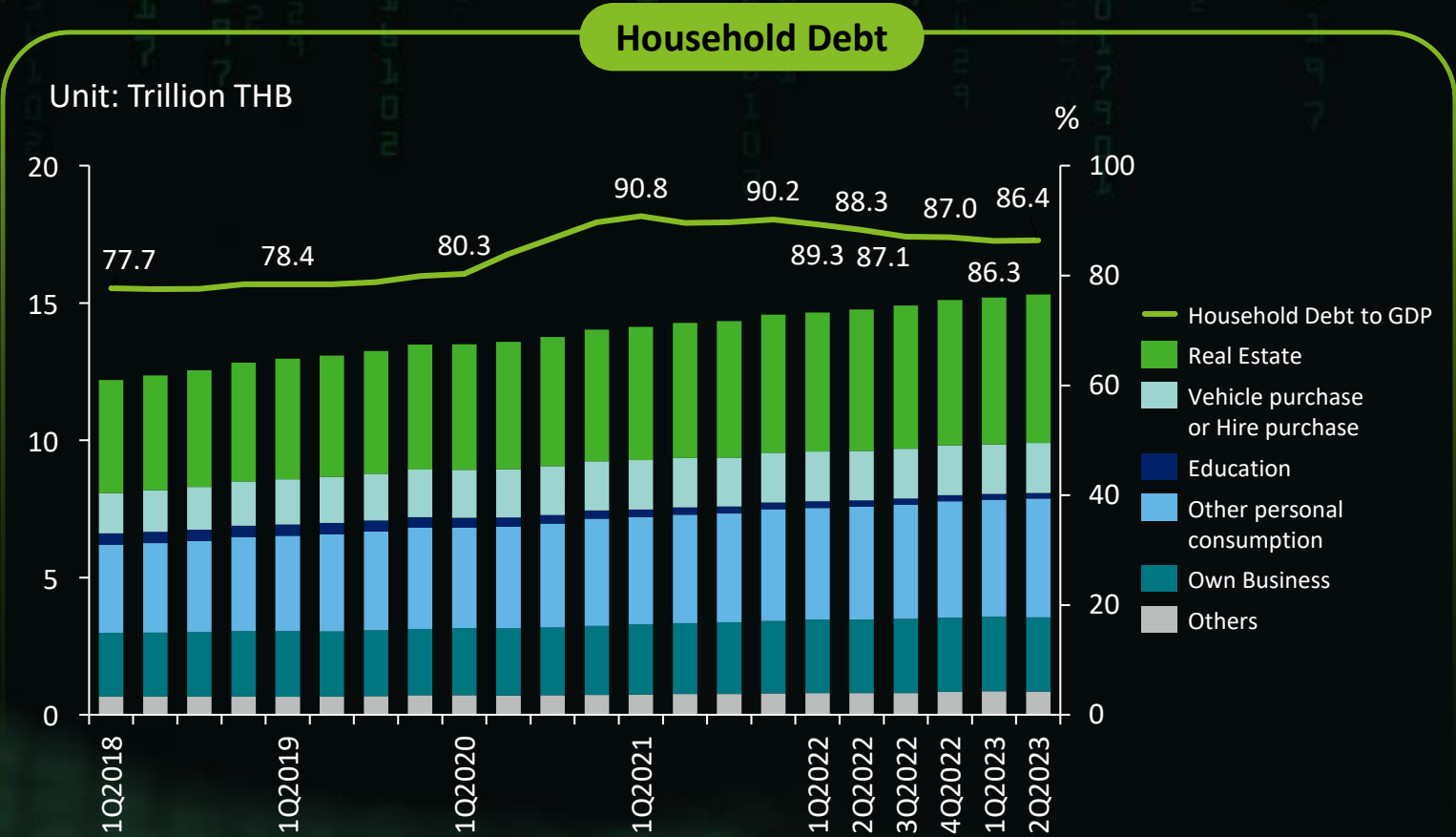


Source: Deloitte Analysis, Bank of Thailand, TDRI EIS, Fiscal Policy Office



# Household debt remains high at 86.4% to GDP. (90.7% at adjusted rate)

Non-productive loan such as Other Personal Consumption significantly contributed to total household debt. Besides, Auto loan defaults are over 200 billion baht<sup>1</sup> or up 20.9% in the 3Q2023.

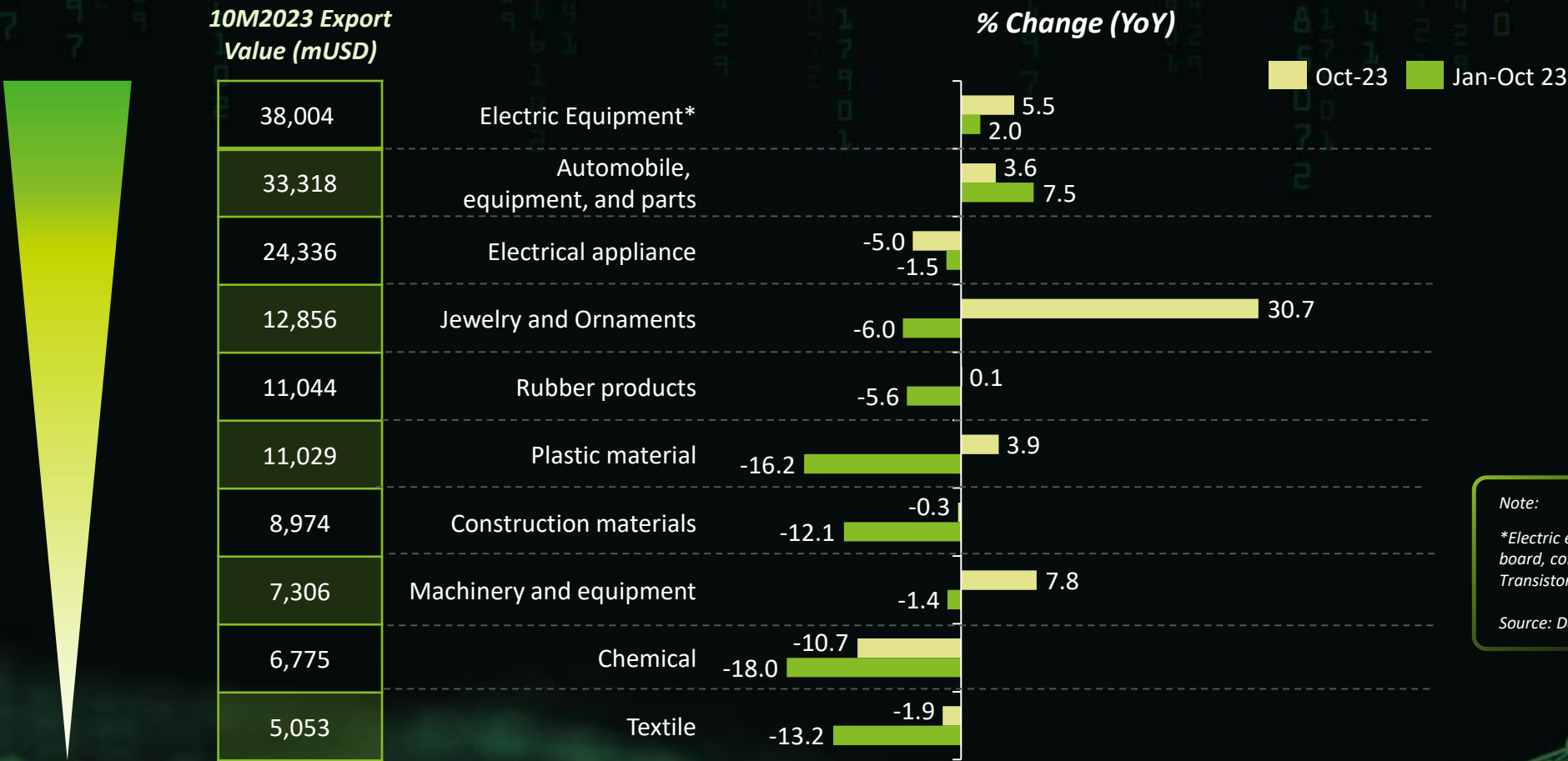


Source: Deloitte Analysis, TDRI EIS, Bank of Thailand, KTB, National Credit Bureau<sup>1</sup>



# 10 Key Industrial Exports for 10M2023

Industrial export grew 5.4% in October 2023 and contracted 2.8% for 10M2023. Automobile-equipment-and-parts mainly expanded in Australia, Philippines, Japan, Saudi Arabia, and Malaysia markets. Significant growth in Jewelry and Ornaments was mainly contributed by rise in gold export.



Note:  
\*Electric equipment comprises circuit board, computer and equipment & parts, Transistor, and other electronics.  
Source: Deloitte Analysis, TPSO



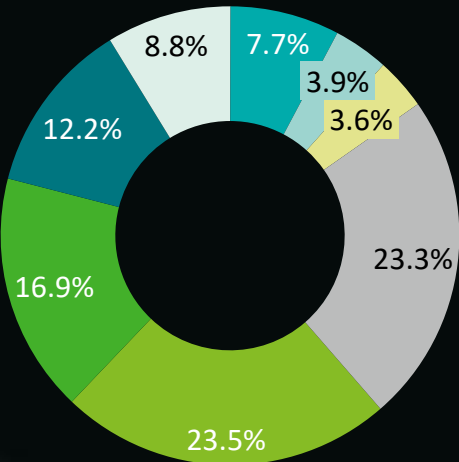
# Thailand's Export Destinations

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. October 2023 export rose 8.0% (YoY); however, for 10M2023, the total export value declined 2.7% (YoY).

Percentage Contribution

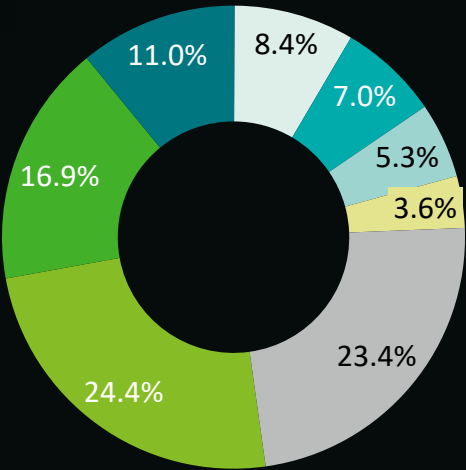


10M2023



Total Export Value  
236,648 mUSD

October 2023



Total Export Value  
23,579 mUSD

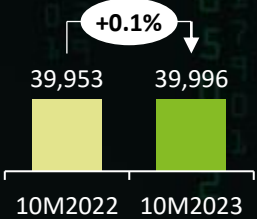
Source: Deloitte Analysis, TPSO

10M2023 Percentage Change (YoY)

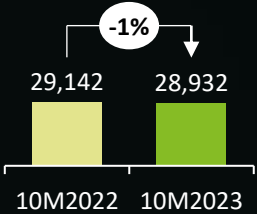
Unit: mUSD



US



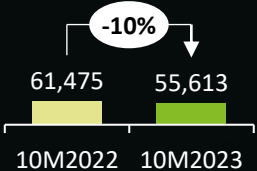
China



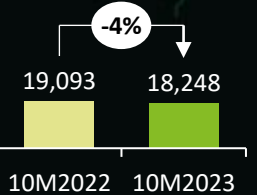
Japan



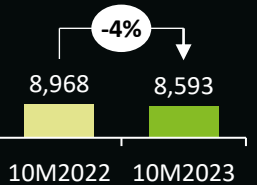
ASEAN



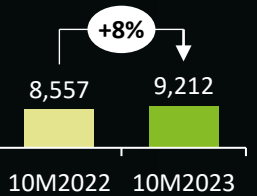
EU



India



Hong Kong

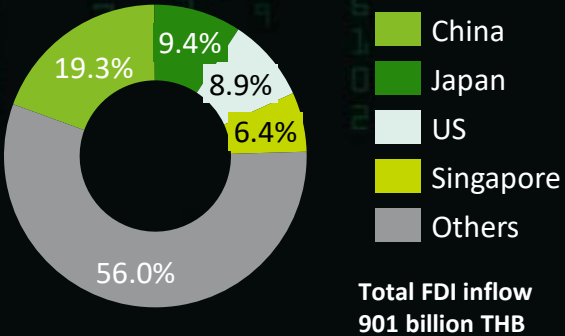


10M2023 Total Export Value  
**-2.7%** (YoY)

6M2023 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.

Compared to previous years, China's contribution to Thailand's FDI inflows is rapidly growing.

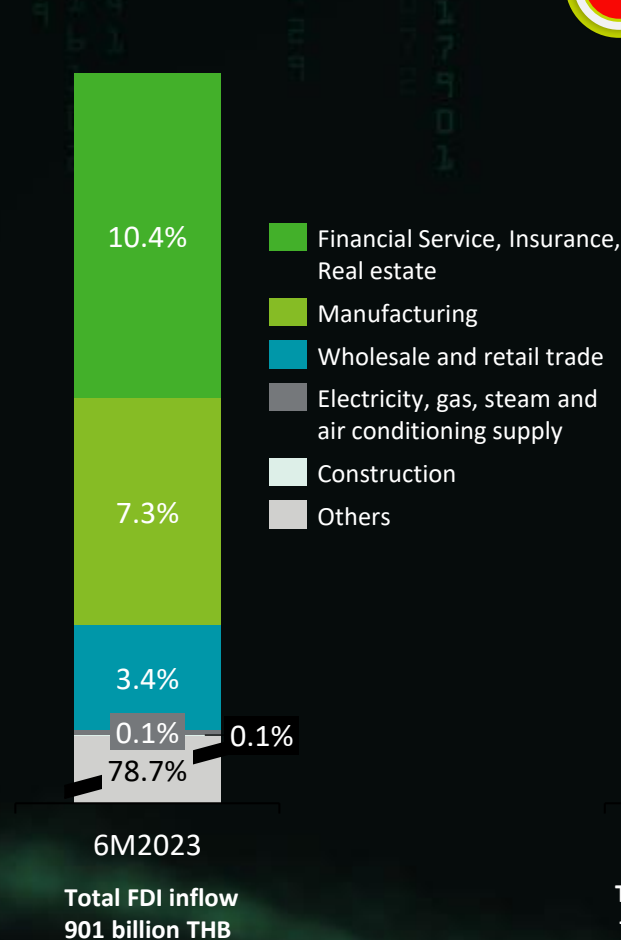
6M2023 FDI inflow to TH by Countries (%)



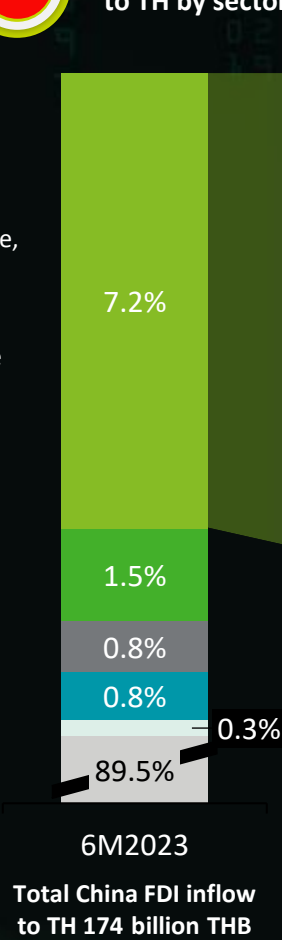
Historical 2020-6M2023 by Top Countries' Percent Contribution to TH FDI inflow



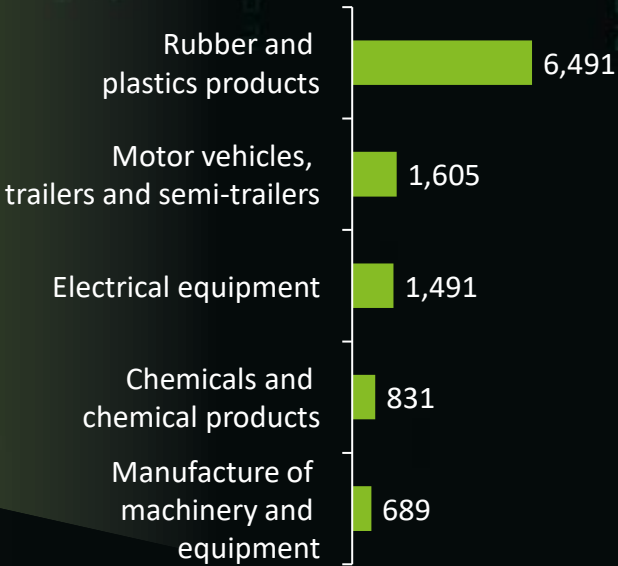
6M2023 FDI inflow to TH by sectors (%)



6M2023 China FDI inflow to TH by sectors (%)



6M2023 China FDI inflow to TH by sectors - Manufacturing Top 5 (million THB)

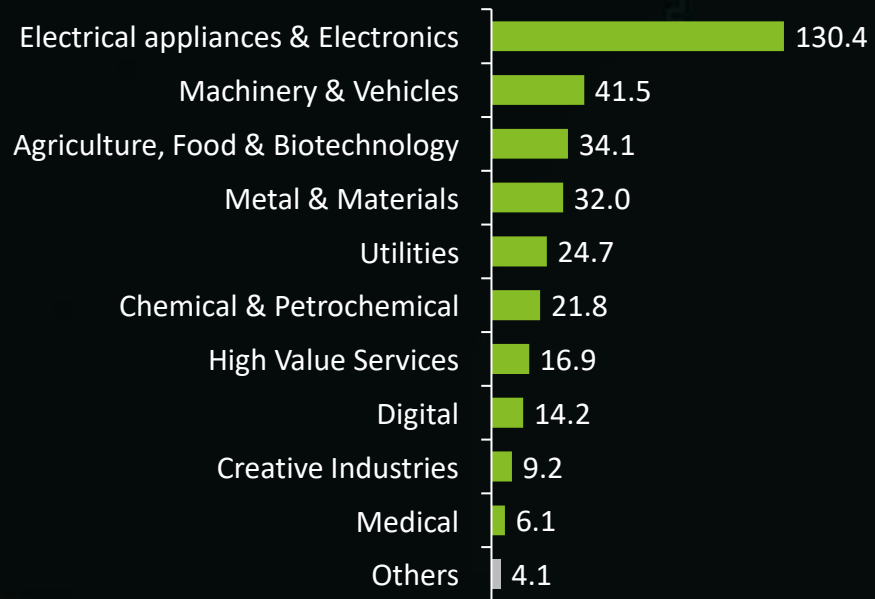


Source: Deloitte Analysis, Bank of Thailand, MOTs

# Improving Investment Application in Thailand

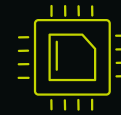
9M2023 BOI certificates issued value rose 0.4% YoY with the major contribution from Japan and China amid geopolitical tensions. In addition, BOI certificates applications value also increased 22% YoY.

## 9M2023 BOI Certificates Issued by Sector (Billion THB)



**9M2023 Total 334.9 Billion THB (0.4% YoY)**

## Opportunities for Thailand



**Sony Semiconductor Solution:** 70.7 mUSD investment in a semiconductor plant in Thailand which will begin operating in 2025



Changan (Deepal), GAC (AION), GWM (Haval and Ora), and Rever (BYD) from China invested EV production in Thailand



Chery International, China's state-owned automobile manufacturer, plans to apply for BOI privileges to set up EV plant in Thailand.



Murata, the world's largest capacitor producer and a leading iPhone parts supplier, moved its production from China to Thailand and started production in November 2023.



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