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Economic Outlook and Recovery Prospects for 2024

22 November 2023



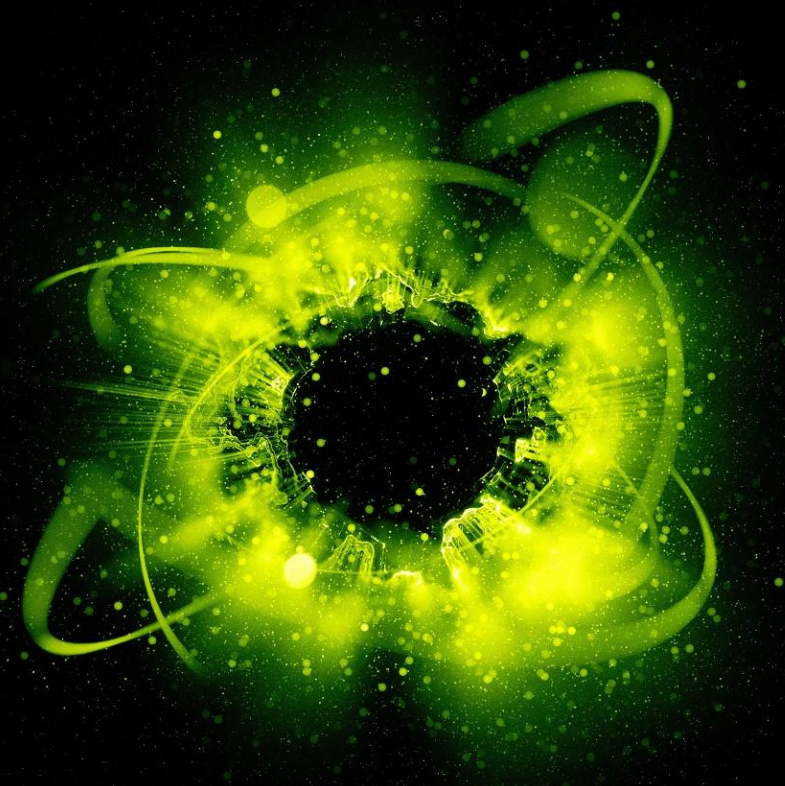
Economic Outlook and Recovery Prospects for 2024



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THAILAND ECONOMIC PROSPECTS 2024

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22 NOV 2023

TDRI·EIS

GLOBAL ECONOMY

GLOBAL ECONOMY WILL GROW SLOWLY AMID MANY UNCERTAINTIES

- The global economy continues to recover slowly from the COVID pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. Despite signs of economic resilience earlier this year and progress in reducing headline inflation, economic activity is still generally falling short of pre-COVID, especially in emerging market and developing economies.
- IMF expects global growth to fall to 3% this year and 2.9% next year. While global headline inflation is expected to steadily decline from its peak of 8.7% in 2022 to 6.9% in 2023 and 5.8% in 2024.
- Many uncertainties around rising food & energy inflation and interest rates, while supply chain disruptions continue to loom as geopolitical conflicts intensifies.

GDP Growth and Inflation forecasts by IMF

Region / Country	GDP growth (%)			Inflation (%)		
	2022	2023F	2024F	2022	2023F	2024F
World	3.5	3.0 ▼	2.9 ▼	8.7	6.9 ▼	5.8 ▼
Advanced Economies	2.6	1.5 ▼	1.4 ▼	7.3	4.6 ▼	3.0 ▼
United States	2.1	2.1 ▬	1.5 ▼	8.0	4.1 ▼	2.8 ▼
Euro Area	3.3	0.7 ▼	1.2 ▲	8.4	5.6 ▼	3.3 ▼
Japan	1.0	2.0 ▲	1.0 ▼	2.5	3.2 ▲	2.9 ▼
United Kingdom	4.1	0.5 ▼	0.6 ▲	9.1	7.7 ▼	3.7 ▼
Emerging Market and Developing Economies	4.1	4.0 ▼	4.0 ▬	9.8	8.5 ▼	7.8 ▼
China	3.0	5.0 ▲	4.2 ▼	1.9	0.7 ▼	1.7 ▲
India	7.2	6.3 ▼	6.3 ▬	6.7	5.5 ▼	4.6 ▼
ASEAN 5	5.5	4.2 ▼	4.5 ▲	4.8	3.6 ▼	2.5 ▼
Russia	-2.1	2.2 ▲	1.1 ▼	13.8	5.3 ▼	6.3 ▲
Latin America & the Caribbean	4.1	2.3 ▼	2.3 ▬	14.0	13.8 ▼	10.7 ▼
Middle East and Central Asia	5.6	2.0 ▼	3.4 ▲	14.0	18.0 ▲	15.2 ▼

Source: World Economic Outlook (October 2023), IMF

Note: ▲▼ shows increase/decrease compared to previous year, ASEAN 5 include Indonesia, Malaysia, the Philippines, Singapore, and Thailand

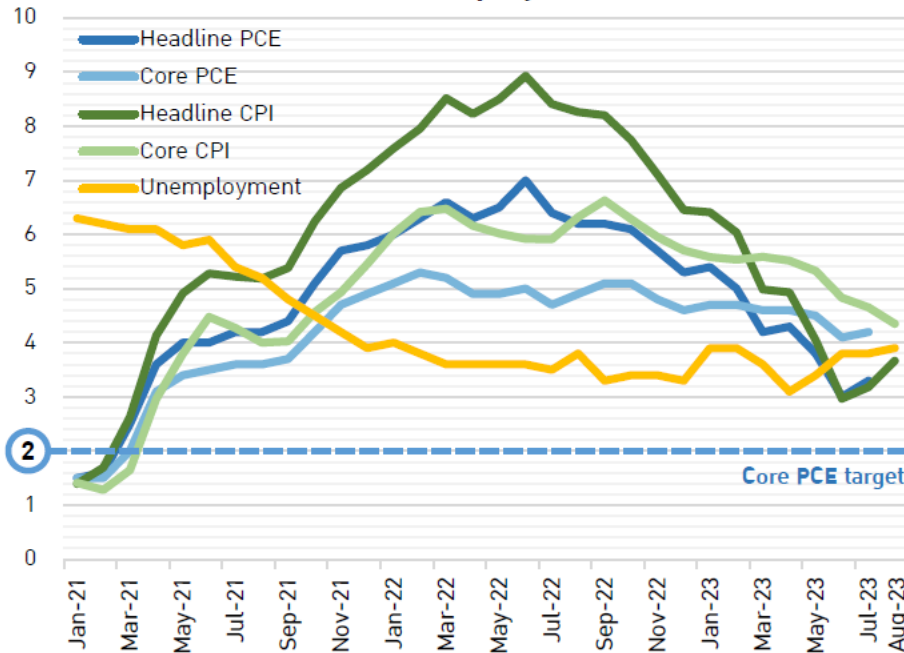
US FED RATE WILL NOT DECLINE UNTIL NEXT YEAR-END

September projection (Median, %)

Variable	2023	2024
GDP growth	2.1 (1.0)	1.5 (1.1)
Unemployment rate	3.8 (4.1)	4.1 (4.5)
PCE inflation	3.3 (3.2)	2.5 (2.5)
Core PCE inflation	3.7 (3.9)	2.6 (2.6)
Federal Funds Rate	5.6 (5.6)	5.1 (4.6)

Note: Number in () are June 2023 projections

Inflation & Unemployment Rate (%)



Source : Fed, FRED, BEA, BLS

- US economic growth this year has so far exceeded FED's projections. Unemployment remains low below 4%, while core PCE remains elevated above its 2% target.
- Dot plot in September indicates a terminal rate of 5.6% in 2023, suggesting that Fed is likely to increase rate by another 0.25% before year-end. In addition, Fed has continued to reducing the balance sheet by US\$95 billion per month.
- Fed projects the policy rate at 5.1% in 2024, up from its previous projection of 4.6%. This indicates that FED rate is expected to remain elevated next year before reductions in 2024Q4; this will slow down growth and inflation, while raising unemployment.
- However, should energy prices and inflation soar next year from the war in Israel, FED rate may be further hiked.

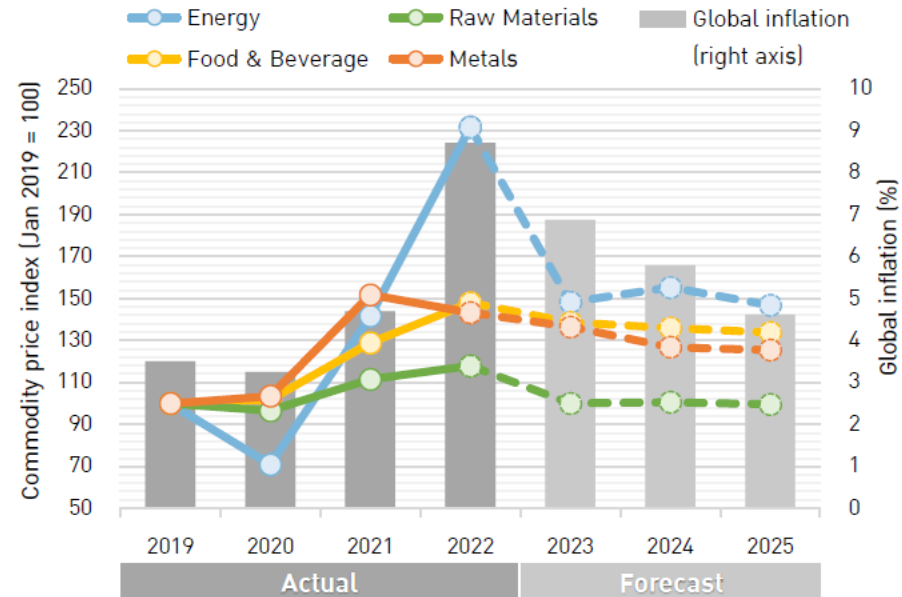
COMMODITY PRICES WILL CONTINUE TO BE HIGH

Commodities	%YoY growth of Commodity Price index							Thailand's Trade balance in 2019 (Mill.USD)	
	2022				2023				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Energy	82.4	87.9	66.6	18.8	-20.9	-38.5	-34.9	▲	
Crude oil	63.4	64.3	35.9	11.0	-17.7	-30.6	-12.6	▲	-20,535
Natural gas	400.6	260.2	255.4	14.6	-48.4	-64.2	-82.1	▼	-5,079
Agriculture	26.3	19.2	2.3	-3.4	-11.3	-16.4	-5.7	▲	8,562
Beverages	21.3	21.7	8.5	2.7	-7.0	-12.6	-4.9	▲	2,212
Food	30.9	23.5	12.3	-6.6	-7.3	-0.5	-1.1	▼	13,837
Rice	-21.6	-7.9	5.8	11.4	16.4	13.9	39.9	▲	4,192
Sugar	17.4	14.2	-5.1	-4.4	8.1	27.7	37.2	▲	3,137
Wheat	46.9	71.0	23.9	12.2	-8.5	-26.1	-17.6	▲	-62
Maize	24.8	18.8	20.1	28.4	-2.4	-19.7	-27.2	▼	-86
Raw Materials	24.7	26.6	12.2	8.8	-5.6	-15.0	-6.3	▲	
Rubber	-11.5	-5.8	-12.4	-22.0	-22.2	-25.1	-7.2	▲	4,140
Timber	-4.2	-11.4	-15.9	-14.6	-10.1	-1.6	4.9	▲	810
Fertilizers	135.4	122.5	48.5	-12.0	-30.3	-44.6	-34.4	▲	-1,472
Base Metals	18.8	27.6	19.2	19.9	-0.1	-15.8	-11.0	▲	
Aluminum	55.4	20.0	-11.0	-15.2	-26.0	-21.3	-8.3	▲	-37.36
Iron ore	-14.8	-31.4	-36.7	-11.4	-11.5	-18.7	8.9	▲	13.76
Gold	4.2	3.3	-3.5	-3.7	0.8	5.6	11.7	▲	731

Source: World bank Note: ▲▼ shows increase/decrease of growth from previous quarter and Green/Red show positive/negative for Thailand

- In Sep 2023, most commodity prices rose from Aug after energy prices has increased since June, but below that of Sep last year.
- IMF expect commodity prices in 2023-25 to be below their peaks in 2022 but remain high under renewed geopolitical tensions and disruptions linked to climate change.

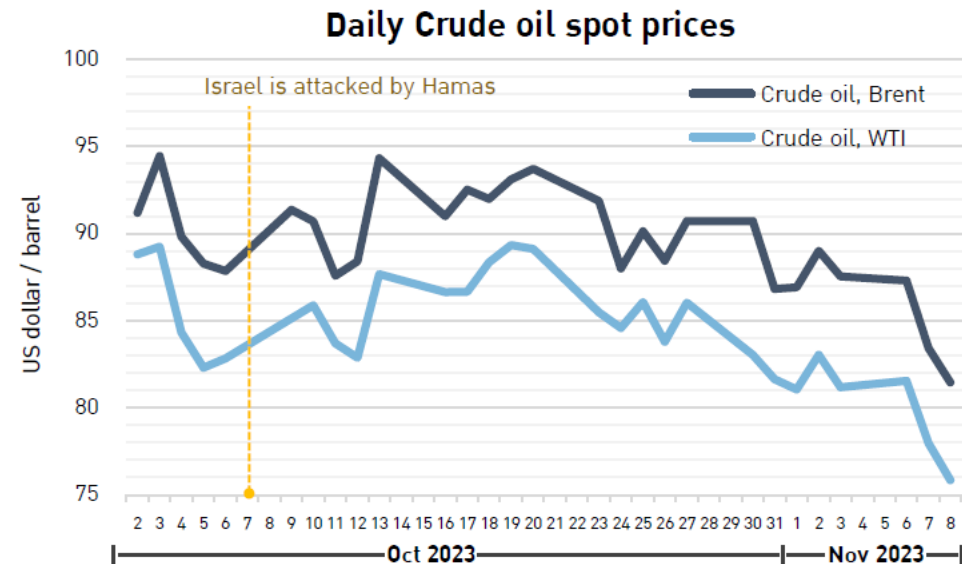
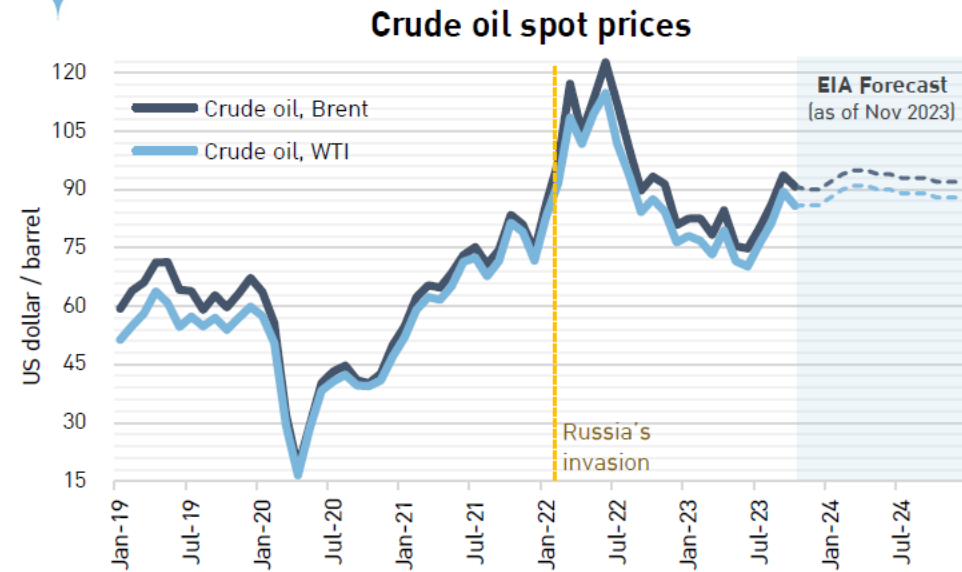
Commodity price index & Global inflation forecast



Source: World Economic Outlook (October 2023), IMF

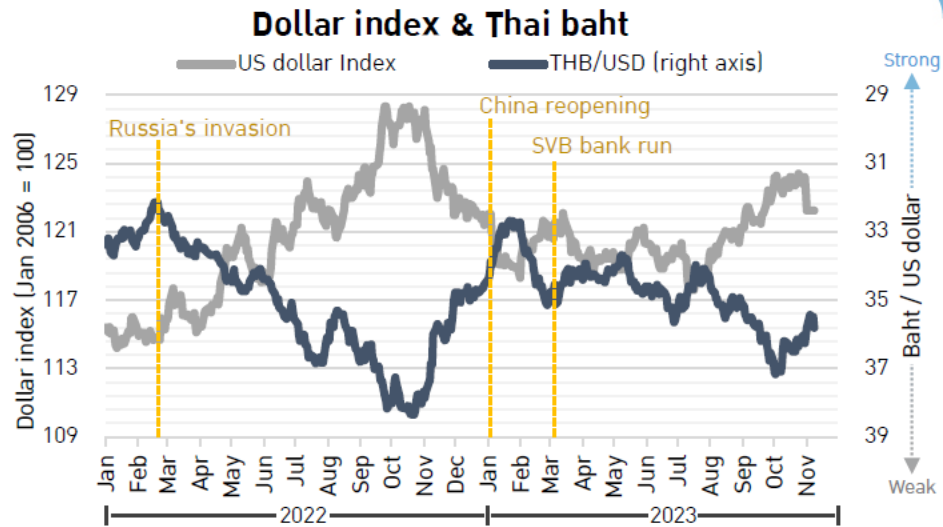
OIL PRICES WILL RISE IN Q42023 AND 2024

- The Brent crude oil spot price averaged US\$91/barrel in October, a decrease of \$3/b compared with September, accompanied by a significant increase in oil price volatility
- EIA forecast crude oil prices will rise in the coming months, as global oil markets tightens after Saudi Arabia extended its voluntary crude oil production cuts and Russia temporarily restricts oil exports; Brent will average US\$90.26/barrel in 2023Q4, US\$84.10/barrel in 2023 and US\$93.25 in 2024.
- The impact on oil markets from war in Israel is so far limited, unless it escalates into a regional war, a key uncertainty for next year.

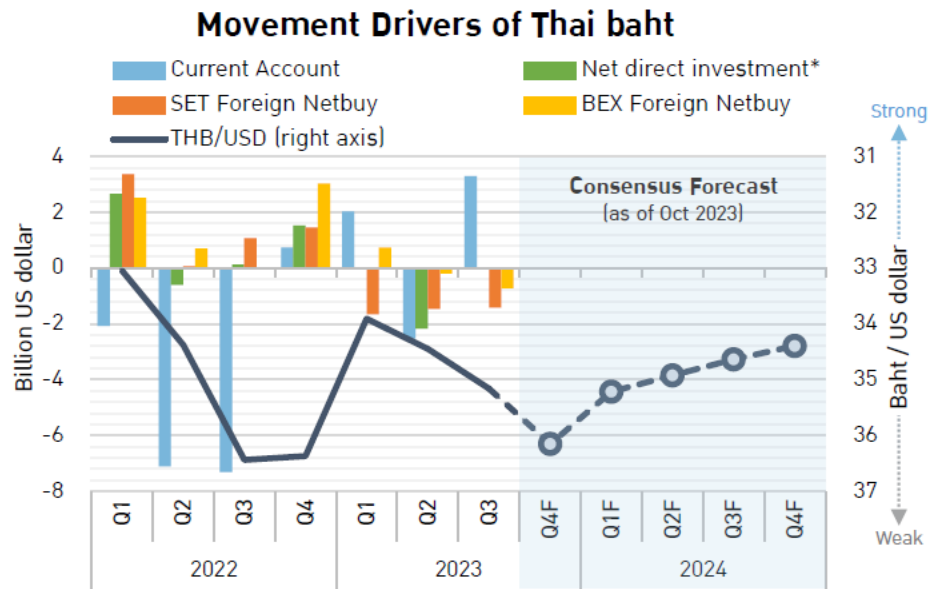


Source: EIA and Investing.com

BAHT WILL STRENGTHEN SLIGHTLY IN 2023Q4 AND NEXT YEAR

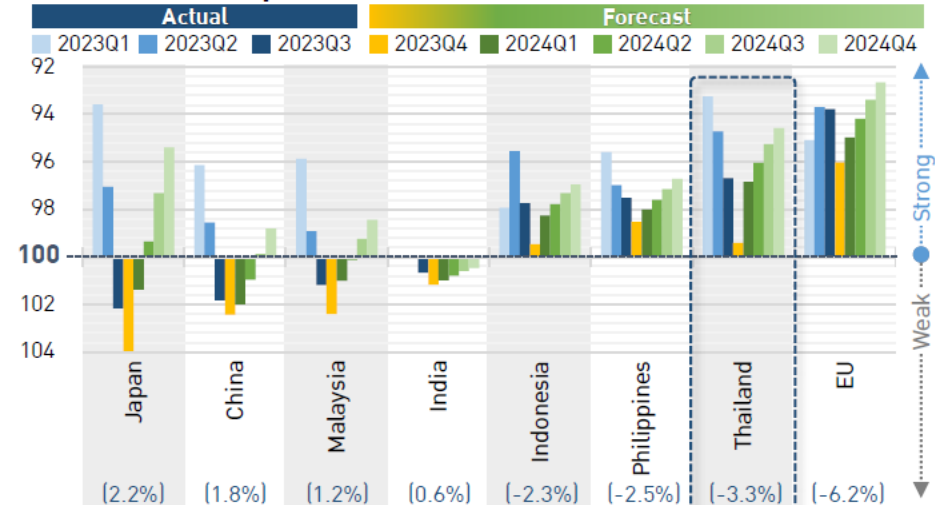


- Baht weakened to over 37/USD in the first half of Oct, weakest in 11 months, as the US dollar strengthens and current account deficits and capital outflows rose.
- Baht is projected to strengthen to 36.15 in 2023Q4 and average at 34.92 in 2023 (from 35.05 in 2022). It is forecasted at 33.95 in 2024, the strongest in the region.



Note: *Data for 2023Q3 has not been released

Index of Local Currencies to US dollar, compared to 2022Q4 (2022Q4 = 100)

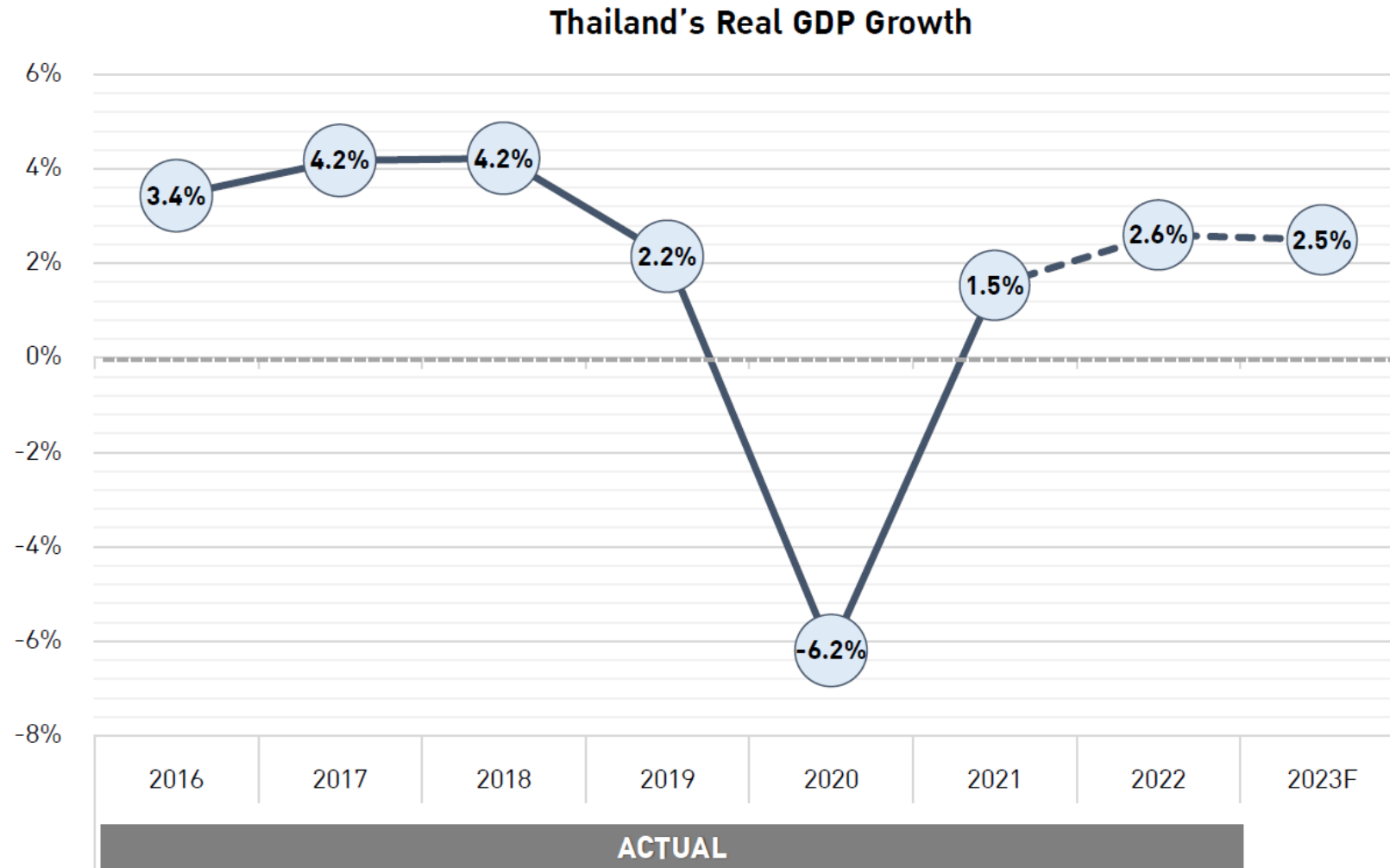


Note: () = %changes in 2023Q3 from 2022Q4: + is strengthens, - is weaken

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THAI ECONOMY

THAI REAL GDP WILL RETURN TO ITS 2019 VALUE ONLY IN 2023

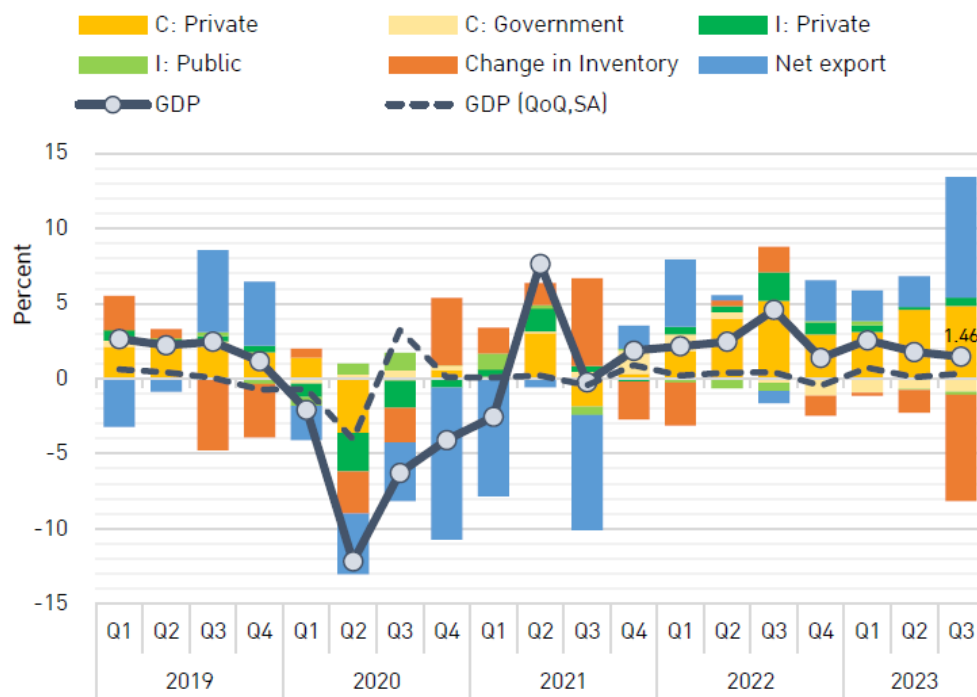


Source: National Economic and Social Development Council (NESDC) with TDRI calculation

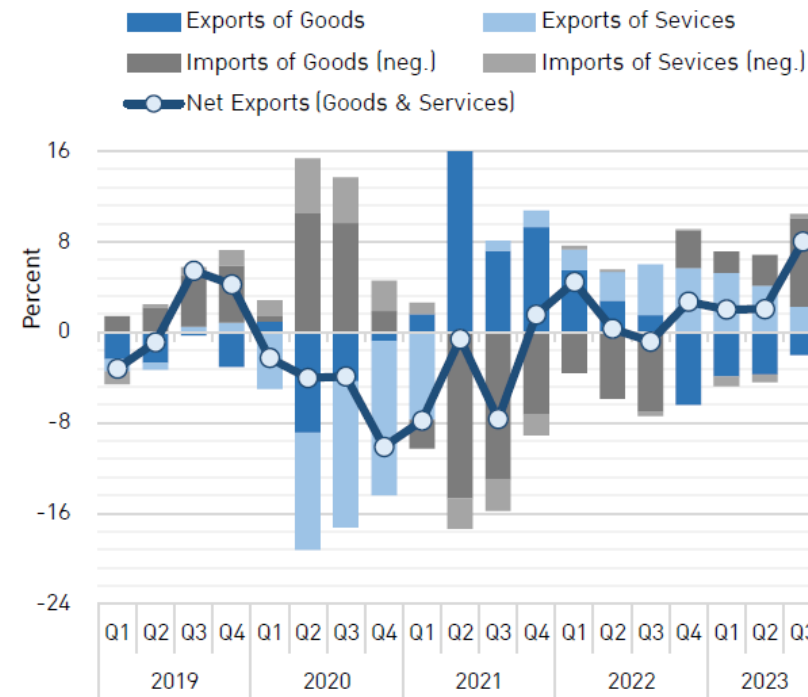
THAILAND'S REAL GDP COULD REACH 2.5% THIS YEAR AND 4.5% in 2024

- This year, the main drivers of growth are international tourism receipts, household consumption, private investments, and slowdown in imports, while and exports contract.
- Next year, Government investment spending and consumption stimulus, recovery in exports and tourism, and continued private investment growth could push growth up to 4.5%. Without the stimulus, growth would be around 3.5%.

GDP growth contribution (%YoY)



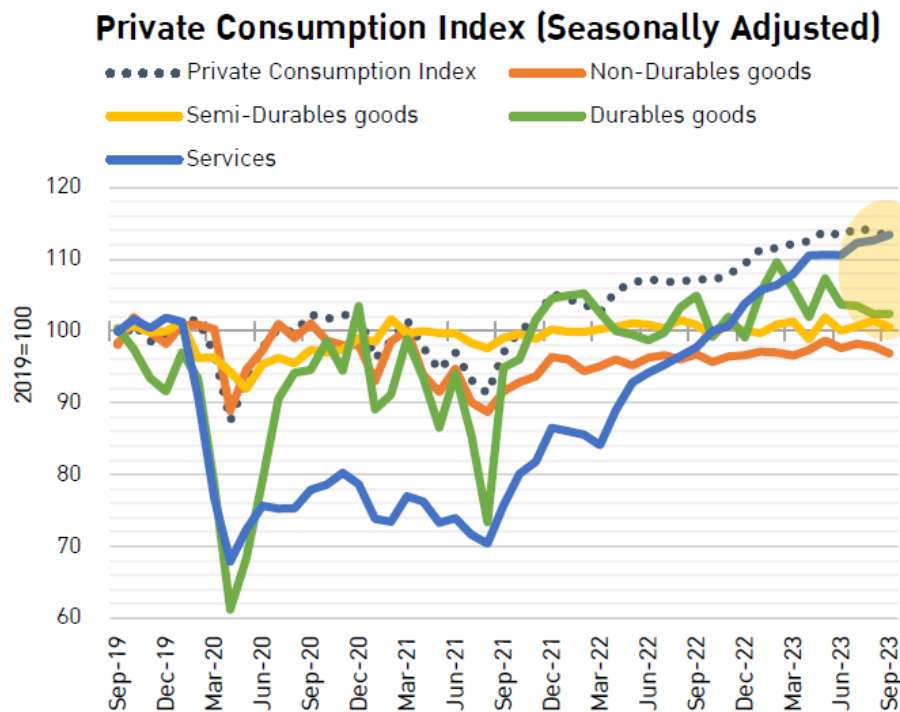
Growth contributions of net exports (%YoY)



Source: NESDC and with TDRI Calculation

PRIVATE CONSUMPTION WILL CONTINUE TO STRENGTHEN NEXT YEAR

- Consumption continues to recover, especially in services, in line with the recovery of tourism and incomes.
- Next year, consumption of low to middle-income households could rise if Government's cash handouts materialize.



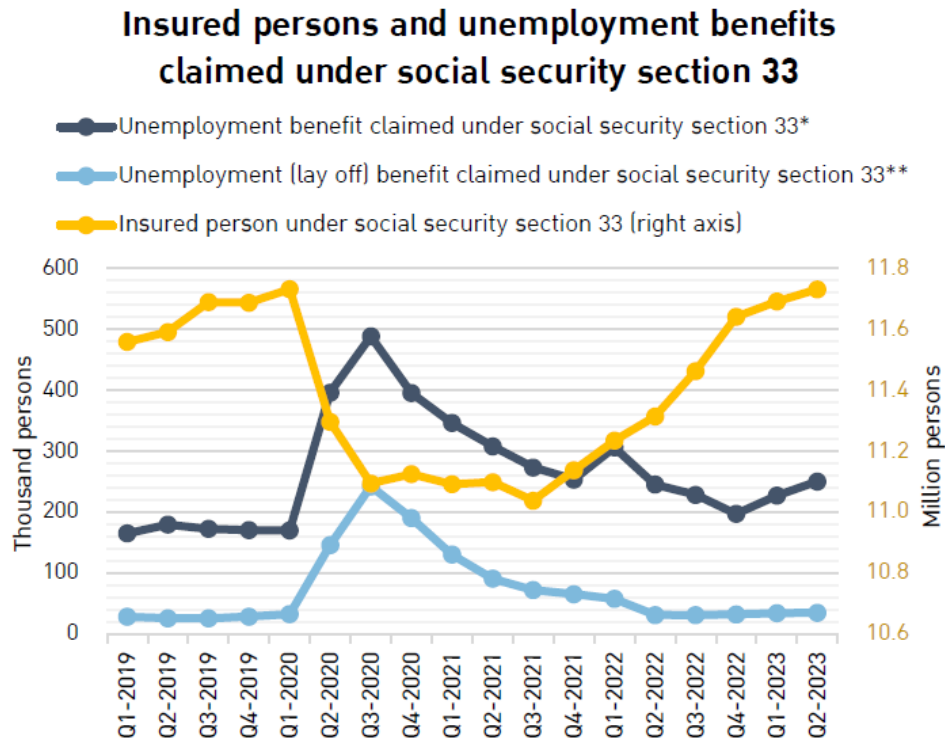
Retail sale index (%YoY growth)

	Q1-23	Q2-23	Jul-23	Aug-23	8M2023
Retail Sales Index	3.2%	1.1%	1.1%	-2.2%	1.5%
Non-durable Goods					
Food	-0.4%	-4.1%	-1.2%	-3.3%	-2.3%
Beverages	5.5%	8.3%	8.4%	1.7%	6.4%
Tabaco	-19.6%	-16.8%	-8.9%	3.2%	-14.7%
Medical Goods & Cosmetic	-3.6%	2.2%	6.7%	5.6%	0.9%
F&B in Department Stores	10.2%	10.1%	7.0%	6.2%	9.3%
Other Sale in Non-specialized Stores	9.5%	3.7%	7.3%	0.0%	5.8%
Maintenance of Motor Vehicles	-4.7%	-7.8%	-1.3%	-6.6%	-5.7%
Retail Sale of Automotive Fuel	7.8%	-5.5%	-7.1%	-2.7%	-0.6%
Semi-Durables goods					
Audio and Video Equipment	46.8%	32.1%	-1.4%	-12.7%	26.3%
Textiles	28.9%	-11.0%	6.0%	-6.9%	5.0%
Books and Stationary	8.1%	4.1%	-3.3%	-11.7%	2.1%
Clothing, Footwear, Leather Articles	23.3%	9.9%	3.1%	5.7%	13.2%
Durables goods					
Paints and Glass	-4.5%	-5.4%	2.8%	-3.0%	-3.8%
Carpets, Wall Floor Coverings	-13.7%	-14.7%	0.1%	-5.8%	-11.8%
Electrical Appliance, Furniture	-4.8%	-0.5%	-8.1%	-5.3%	-3.7%
Other Cultural and Recreation Goods	42.1%	46.2%	594.3%	533.6%	177.1%
Second-Hand Goods	-10.0%	-26.2%	-8.2%	-11.5%	-16.3%
Sale of Motor Vehicles	2.5%	5.0%	6.3%	-2.0%	3.3%
Motor Vehicle Parts and Accessories	5.0%	5.8%	6.1%	-3.5%	4.2%
Sale, Maintenance of Motorcycles	18.3%	15.9%	12.9%	0.3%	14.3%

Source: Bank of Thailand

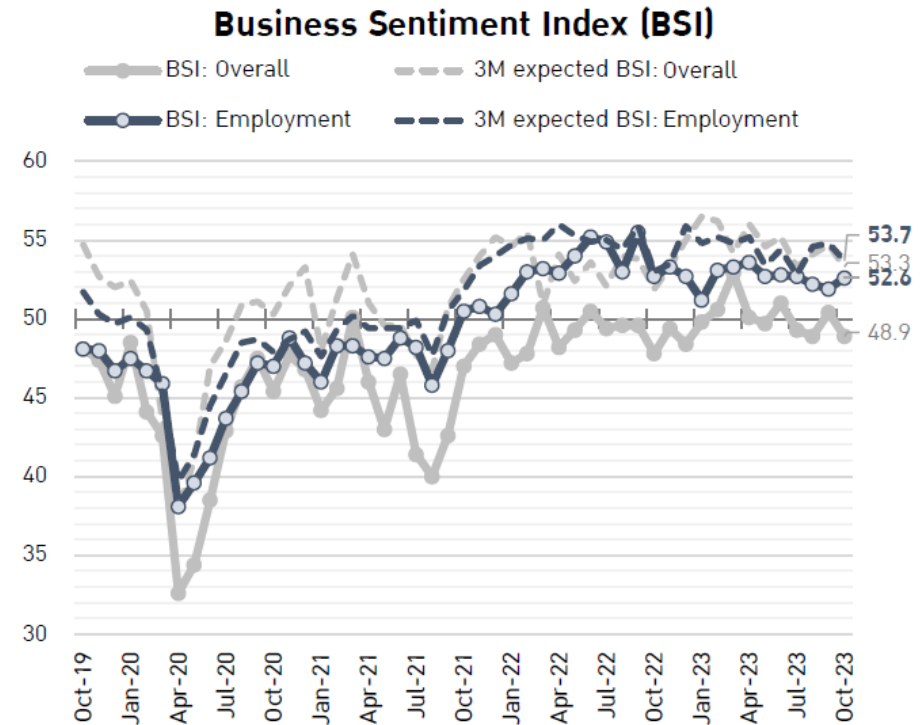
EMPLOYMENT TRENDS ARE POSITIVE

- Number of insured person under social security section 33 or employees (11.73 million in 2023Q2) rose sharply since 2021Q4. Although the number of unemployment benefit claims from Social Security (250,010 in 2023Q2) slightly increased from 2022Q2, those from being laid off have been relatively stable.
- Over the next 3 months, the overall Business Sentiment Index and expected employment are above the 50-threshold and exceed the pre-COVID level, suggesting improved confidence going forward.



Source: Bank of Thailand

Note: Claim period: *max=90days, **max=180 days



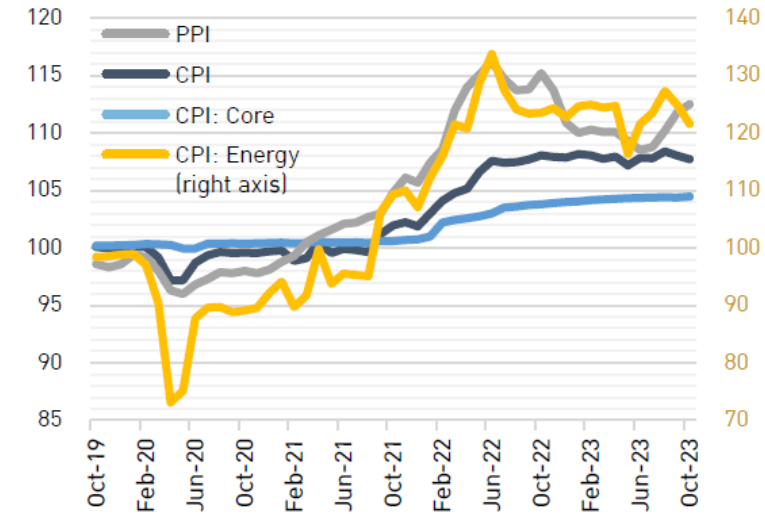
Source: Bank of Thailand

Note: Index=50=stable, >50=improved from previous month, <50=deteriorated from previous month

INFLATION TO DROP TO < 1% IN 2023Q4 BEFORE RISING TO >2.5% NEXT YEAR

- Headline inflation is significantly slowing down and projected to be below 1% in 2023Q4 due to Government price subsidies, averaging at 1.6% in 2023.
- There are upward inflationary pressures for 2024, including
 - Producer costs being continually passed on to consumers as a result of demand-side recovery
 - Possible increase of raw food price from 2023Q4 due to El Nino impacts
 - Minimum wage hike to Bt400/day in Dec 2023 by almost 20%
 - Large Government consumption stimulus and spending

Producer & Consumer Price Indices (2019=100)



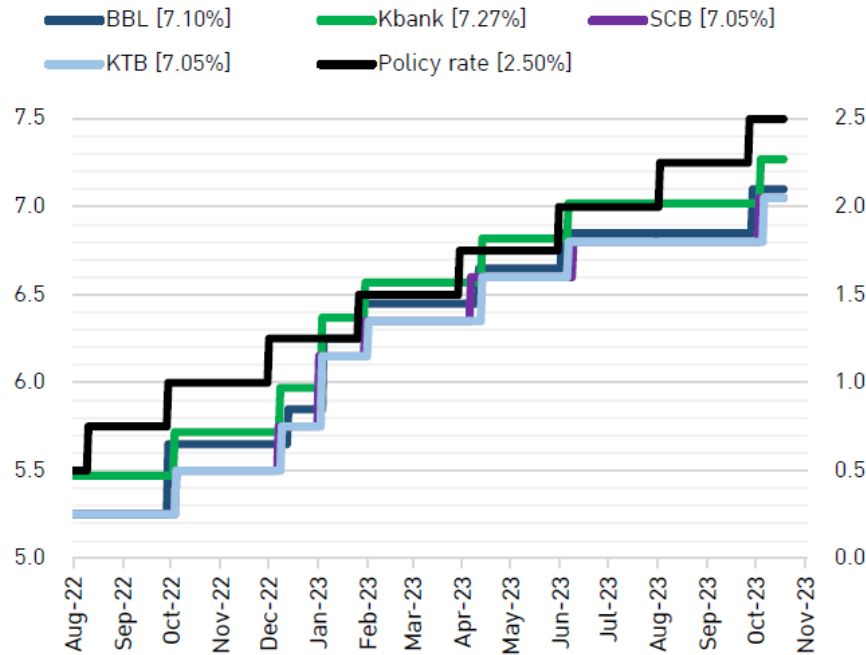
Consumer price	%YoY growth					% growth from previous period					Weight
	2023H1	Jul-23	Aug-23	Sep-23	Oct-23	2023H1	Jul-23	Aug-23	Sep-23	Oct-23	
Headline inflation	2.49%	0.38%	0.88%	0.30%	-0.31%	0.09%	-0.01%	0.55%	-0.36%	-0.28%	100.0%
Raw Food	5.86%	1.37%	0.00%	-1.30%	-2.45%	-0.21%	-1.23%	0.47%	-0.31%	0.20%	20.6%
Energy	0.53%	-3.12%	2.58%	1.21%	-1.55%	-1.20%	1.59%	3.05%	-1.90%	-2.59%	12.4%
Core inflation	1.87%	0.86%	0.79%	0.63%	0.66%	0.47%	0.04%	0.02%	-0.03%	0.08%	67.1%
Shelter	0.29%	0.28%	0.28%	0.27%	0.24%	0.14%	0.02%	0.01%	0.01%	0.00%	15.5%
Fuel & repair of vehicles	-1.97%	-4.80%	0.14%	2.23%	-0.19%	-1.47%	1.40%	2.67%	-0.04%	-2.25%	15.2%
Meats, Poultry & Fish	1.68%	-4.67%	-6.06%	-6.37%	-7.26%	-2.22%	-1.25%	-0.97%	-0.20%	-1.10%	8.9%
Prepared Food: at Home	5.03%	2.15%	1.96%	1.49%	1.67%	1.28%	0.09%	0.01%	-0.08%	0.33%	8.7%
Prepared Food: not at Home	4.47%	1.52%	1.49%	1.12%	1.13%	0.92%	0.00%	0.03%	0.01%	0.06%	6.7%
Medical & Personal Care	1.92%	1.80%	1.41%	1.17%	1.27%	0.78%	0.16%	-0.01%	-0.06%	0.22%	5.7%
Electricity, Fuel, Water Supply	7.97%	6.91%	6.62%	-3.13%	-3.15%	1.39%	0.00%	0.03%	-4.69%	0.00%	5.5%
Vegetables and Fruits	14.25%	8.89%	5.90%	0.46%	-2.38%	1.65%	-3.37%	2.38%	-2.36%	1.77%	5.5%
Recreation	1.32%	0.61%	0.60%	0.61%	0.56%	0.28%	0.09%	0.01%	0.03%	0.02%	4.5%

Source: Minister of Commerce, Bank of Thailand, and TDRI's calculation

TDRI·EIS THAI POLICY RATE IS NORMALIZED TO 2.5% THIS YEAR AND COULD BE HIKED AGAIN NEXT YEAR

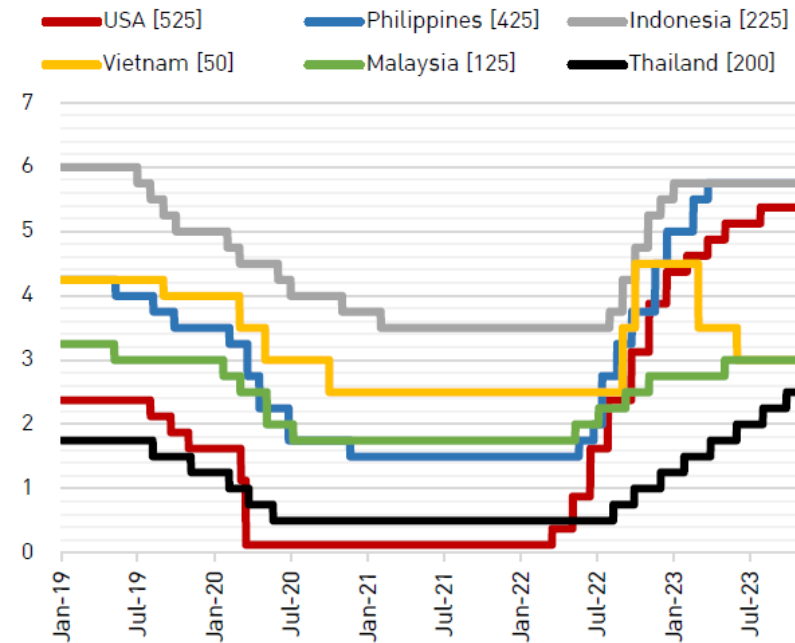
- Policy rate was hiked by 0.25% for 8 times since August 2022 and now stands at 2.50%, while big commercial banks have followed with a lag.
- Thai policy rate could rise further next year should inflation rise from large consumer spending.
- Thailand's policy rate has been the lowest among peers this year.

Policy rate & 4 large commercial bank's MLR (%)



Note: Number in [] are latest rate (Oct 18, 2023)

Policy Rate in Selected Countries (%)

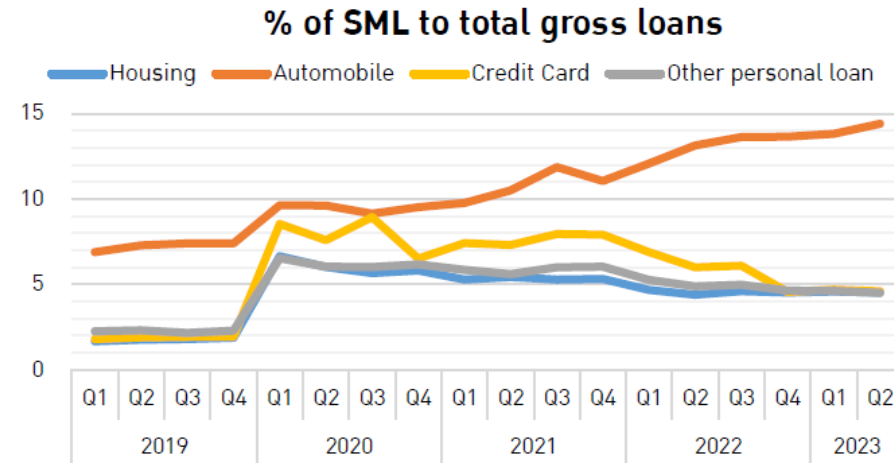
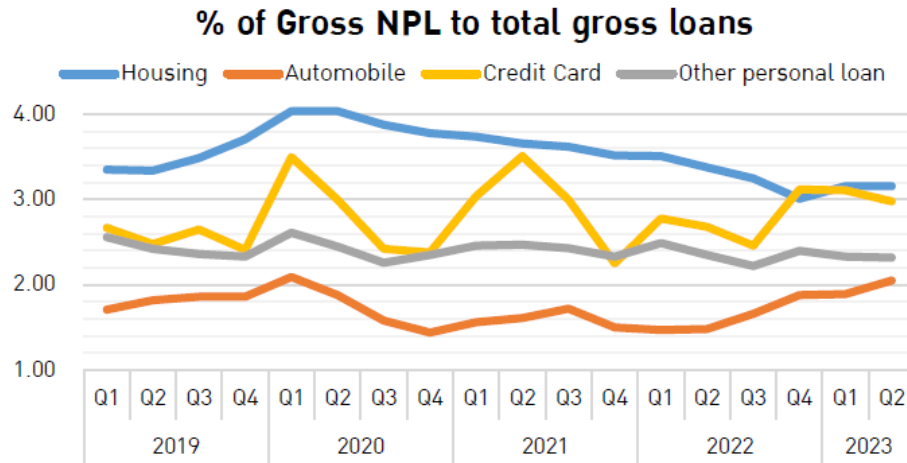
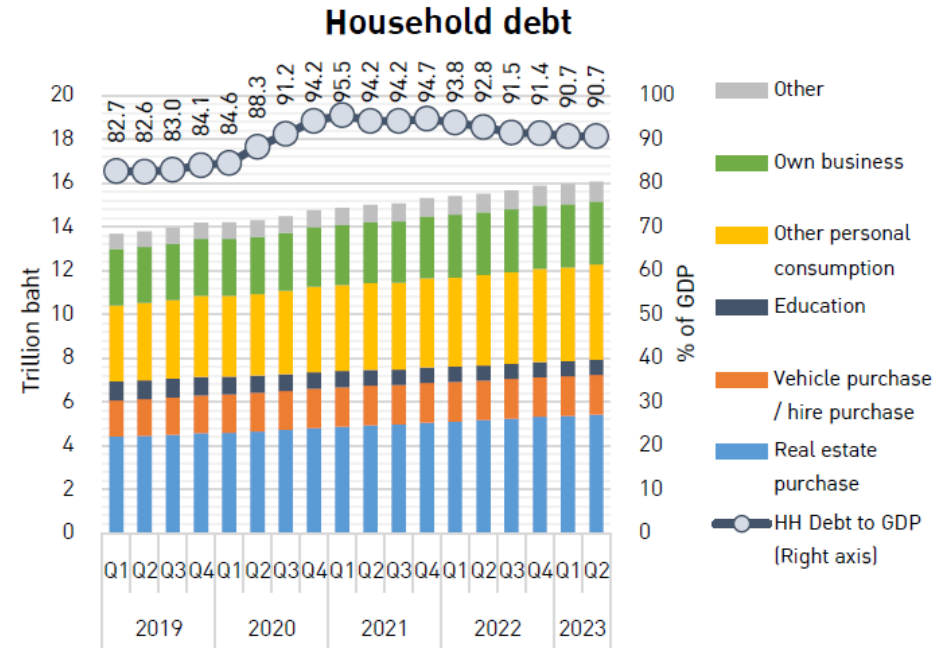


Note: Number in [] represent change in current tightening cycle (bps)

Source: CEIC and Bank of Thailand

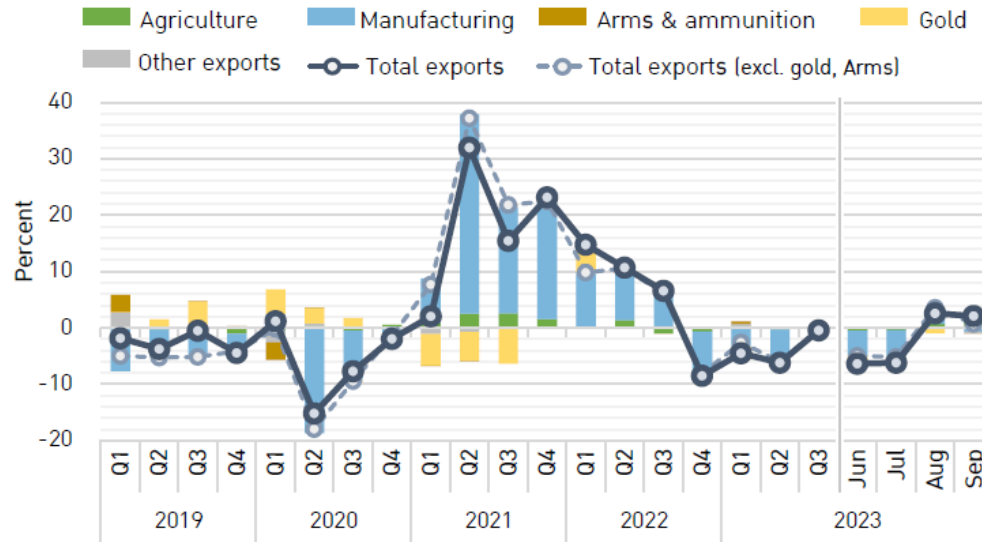
HOUSEHOLD DEBT WILL LIMIT FUTURE PURCHASING POWER

- In 2023Q2, formal household debt stood at 90.2% of GDP, 9.8 percentage-pts higher than that in 2019Q2.
- The highest increase in household debt from 2023Q2 from 2019Q2 was for personal consumption (23.1% growth), real estate purchase (21.8%) and own business (12.7%), while education debt declined (-20%).
- Increasing of % NPL of housing loans and % SML of auto loans from 2022Q4 reflects difficulties in loan repayment by households amid rising interest rates.



EXPORTS WOULD CONTRACT BY 2% THIS YEAR AND EXPAND SLIGHTLY NEXT YEAR

YoY Growth of Thai export (in USD) by Major Products

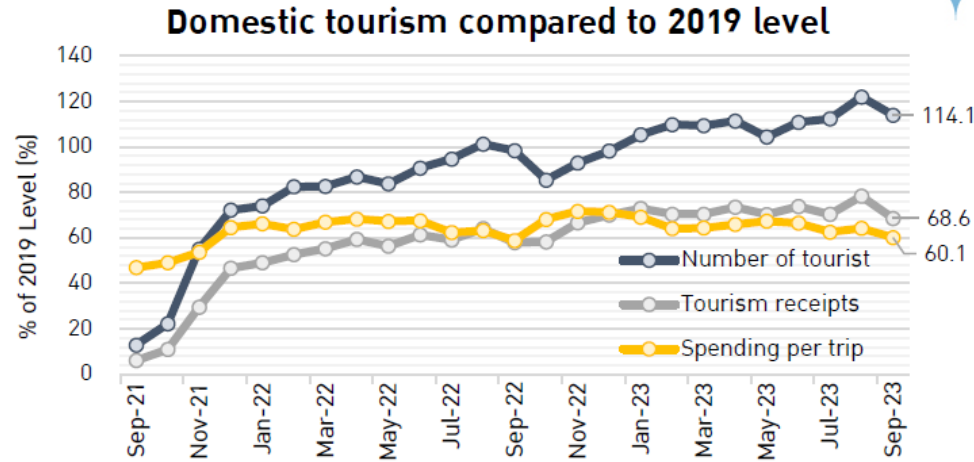


- In 9M2023, Thai exports fell by 3.8%YoY from last year’s high base and global slowdown, especially for industrial products e.g. computer parts, chemicals, vehicle parts, iron & steel and apparels & textile materials. Meanwhile, export products that are still expanding are electrical appliances parts, durian, telecommunication equipment and pick-up trucks.
- However, Thai exports this year have contracted less than those of most countries in Asia.
- Asia’s exports, particularly of electronics, should gradually recover in 2023Q4 as electronics global stock declines and China’s demand recovers.
- Export value will likely contract by 2.5-3% this year and expand slightly next year, with geopolitical conflicts remaining the major risk for global trade.

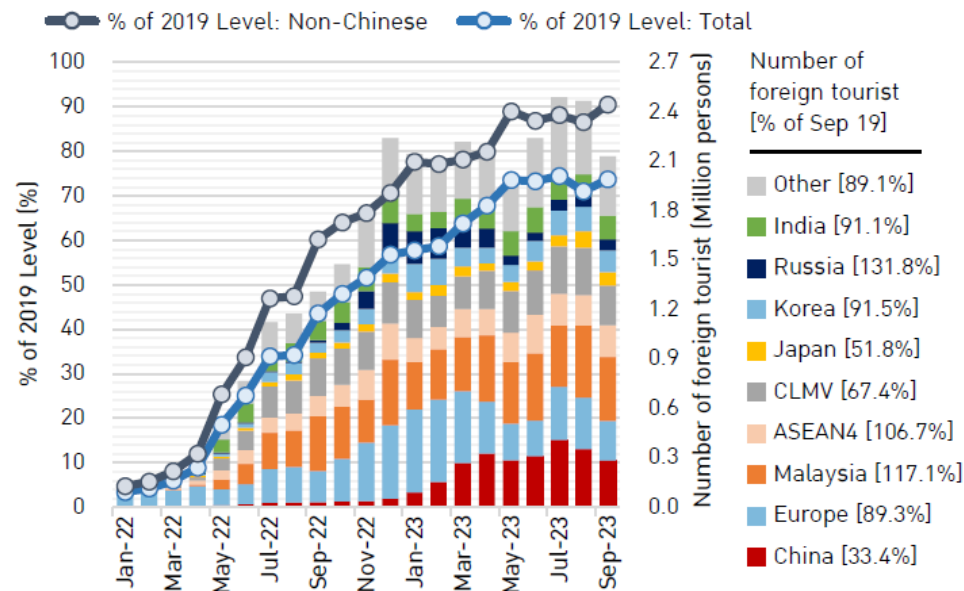
Destination	%YoY Growth of Thai export value in USD				%Share 9M2023
	Q3-23	Aug-23	Sep-23	9M2023	
Japan	2.9	15.7	-5.0	0.1	8.9
EU 28	-7.9	-8.5	-10.2	-3.0	9.3
ASEAN	-12.7	-10.3	-5.8	-10.9	23.4
ASEAN-5	-5.5	-1.5	4.1	-6.9	14.0
CLMV	-22.0	-21.3	-18.1	-16.2	9.4
USA	3.4	21.7	-10.0	-1.2	16.9
Middle East	-8.5	-18.9	-8.7	-3.6	3.6
Australia	9.0	26.9	-2.0	3.1	4.0
China	4.3	1.9	14.4	-1.3	12.4
Total exports	-0.5	2.6	2.1	-3.8	100.0
Total exports excl. Gold, Arm	-0.3	3.6	0.7	-3.1	97.7

Source: Bank of Thailand with TDRI calculation

TOURISM IS RECOVERING STEADILY AMID SUPPLY CONSTRAINTS



Number of foreign tourist & compared to 2019 level



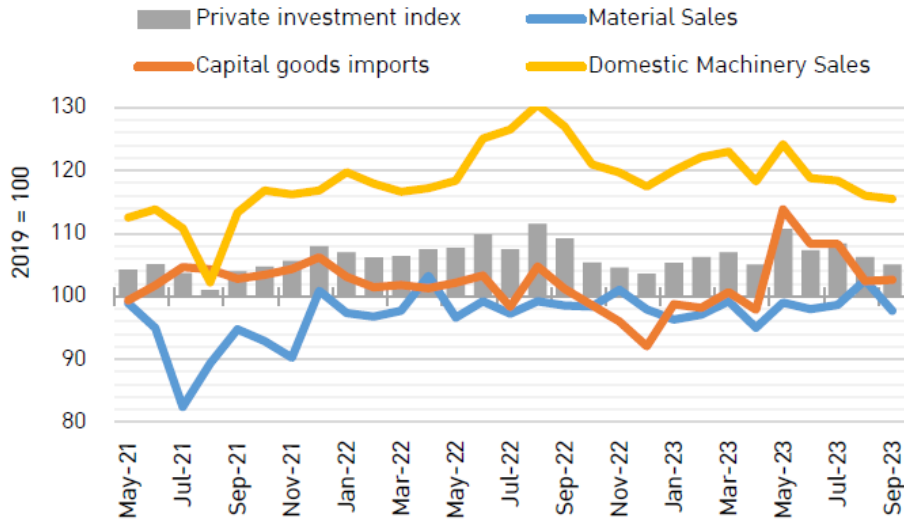
Note: ASEAN4 include Brunei, Indonesia, Philippines and Singapore

Source: Ministry of tourism and sports, Tourism Authority of Thailand

- In Sep 2023, number of domestic tourists was 14% higher than its pre-COVID level, but spending per tourist is still recovering.
- From Jan to Sep 2023, there were 20.3 million international tourists; non-Chinese tourist arrivals are almost 90% of its pre-COVID level, while Chinese tourists are at only 33%.
- International tourist arrivals could reach 28 million this year. Bank of Thailand forecasts 35 million next year, supported by the recovery of Chinese tourists from visa-free policy, increased flights, and recovery in China.
- Limited capacity in many hotels due to labor shortages and limited number of flights will affect tourism until next year.

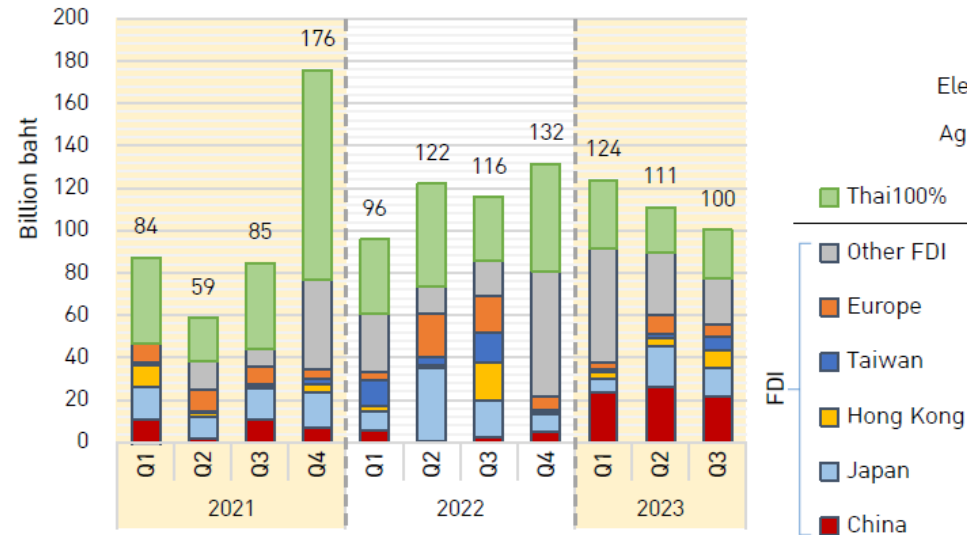
PRIVATE INVESTMENT CONTINUES TO BE STRONG

Private investment index (Seasonal Adjusted)



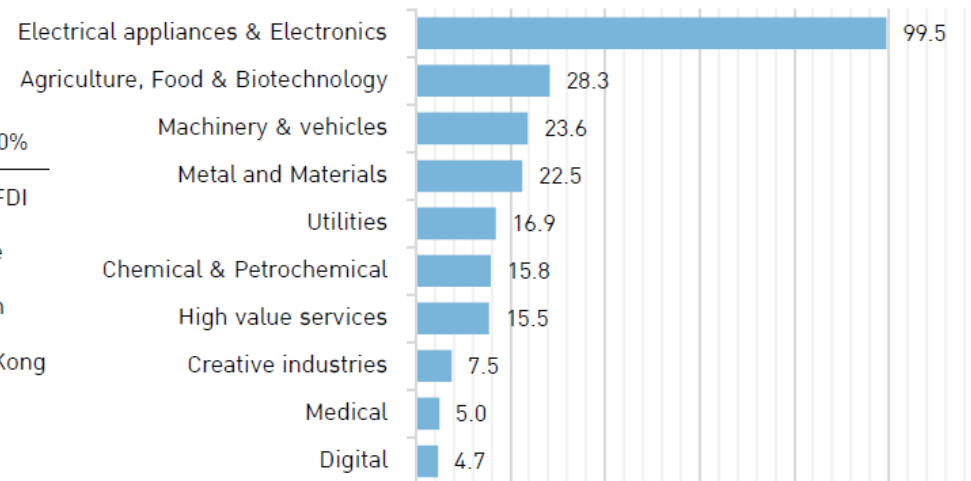
- In Sep 2023, private investment slightly declined from July but continues to remain above pre-COVID level.
- In 9M2023, the value of BOI certificates issued increased by 0.4% yoy, with FDI rising by 17% yoy, especially from Japan and China amid geopolitical tensions. This is a positive sign for a rise in investment in the next 12 months, mostly in electronics sectors (e.g. HDD, solar panels, printed circuit board) follow by Food, Machinery and Automotive parts e.g. battery for EV) .

BOI Certificates issued



Source: Bank of Thailand and Board of investment

BOI Certificates issued by sector (2023H1, Billion baht)



Source: Board of investment

THAILAND IS BENEFITTING FROM GLOBAL SUPPLY CHAIN RECONFIGURATION

IN CHINA, FOR CHINA



- Cytiva, medical tech company, invest Rmb 60 million and localize production for certain products, as it considers China’s biological industry a big market.
- GE Healthcare will produce medical scanners in China for the Chinese market next year.

DIVERSIFICATION



ONSHORING and **FRIENDSHORING**
of strategic products

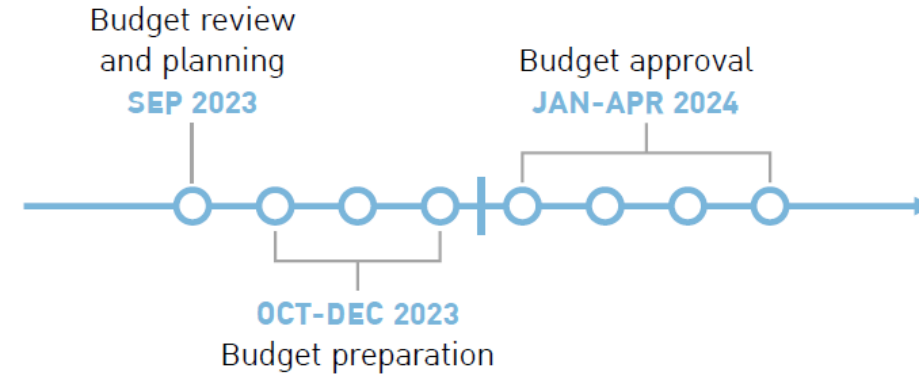
RELOCATION
of non-strategic products

- Apple has reduced its suppliers in China from 35% of total facilities in 2020 to 29% in 2021.
- Sony Semiconductor Solutions is moving its production of image sensor used in cars from Japan to Thailand amounting to a US\$70.7 million investment in Thailand; production will start in 2025.
- BYD, Great Wall Motors, and Chang-An from China expanded EV production to Thailand
- Many Japanese manufactures have shifted production from China to Japan and elsewhere recently.
 - Iris Ohyama, household appliances maker based in Sendai, has started shifting its manufacturing of around 50 plastic products from China to Japan
 - Murata, the world’s largest capacitor maker and an iPhone parts supplier, moved its production from China to Thailand; production is expected to start in 2023.

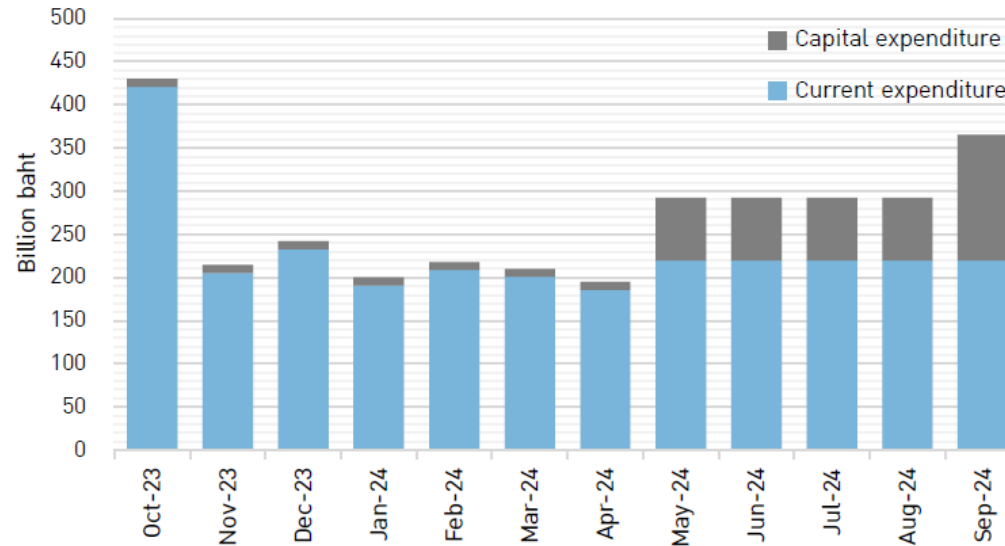
FY2024 BUDGET DISBURSEMENT WILL ACCELERATE ONLY IN MAY 2024

- FY2024 will likely be approved in April 2024
- From Oct 2023 to April 2024, disbursements will be for regular and committed tasks, using the FY2023 budget framework.
- Expenditures, especially for investment, will increase sharply in May to Sep 2024.

Timeline for preparation of FY2024 budget



Estimated Government Expenditure, FY2024



Source: Fiscal Policy Office, Ministry of Finance

an be disbursed at 99% and capital

Government Budget, FY2024

FY2024	Million baht	%YoY growth
Current expenditure	2,619,791	+9.04%
Capital expenditure	717,200	+4.02%
Expenditure for replenishment of treasury account balance	33,759	+100.00%
Principal repayment	118,320	+18.32%
Budget expenditure	3,480,000	+9.26%
Revenues	2,787,000	+11.93%
Domestic borrowing	693,000	-0.29%

Source: Budget Bureau

KEY SHORT-TERM GOV. MEASURES COULD COST MORE THAN BT 1.1 TRILLION NEXT YEAR

MEASURES	TIMELINE	SOURCES OF MONEY	VALUE
Bt10,000 Digital wallet for Thais 16+ years old who earn <Bt70,000/month or have <Bt500,000 savings	Expected to start May 2024	Central Government borrowing	Bt500 billion (one time)
Reduce electricity charges to Bt3.99/unit	Sep – Dec 2023	EGAT borrow to subsidize	Bt5 billion/month
Reduce diesel fuel prices to no more than Bt30/liter	20 Sep – Dec 2023	Reduce excise tax by Bt2.5/liter + Oil Fund will borrow for the subsidy	Bt16.8 billion/month
Cap the price of cooking gas (LPG) (423b/15kg)	Sep – Dec 2023	Oil Fund will borrow for the subsidy	Bt0.5 billion/month
Reduce gasoline price	Nov 2023 - Jan 2024	Oil Fund will borrow for the subsidy	>Bt4 billion/month
Debt moratorium for 2.7 million farmers (for clients with no more than Bt300,000 total loans) + Develop potential for 300,000 farmers	Oct 2023 – Sep 2026	Government budget	Compensation of interest amounting to Bt11.1 billion/year + Development potential of Bt1 billion/3 year
Bt20 per ride for Red suburban rail line & Purple MRT line	16 Oct 2023 – 15 Oct 2024	Government budget + Reduction in MRT’s remittance to Government from MRT Blue Line’s revenue	Bt267 million/year
Increase the minimum	Expected to start Dec	Private sector	

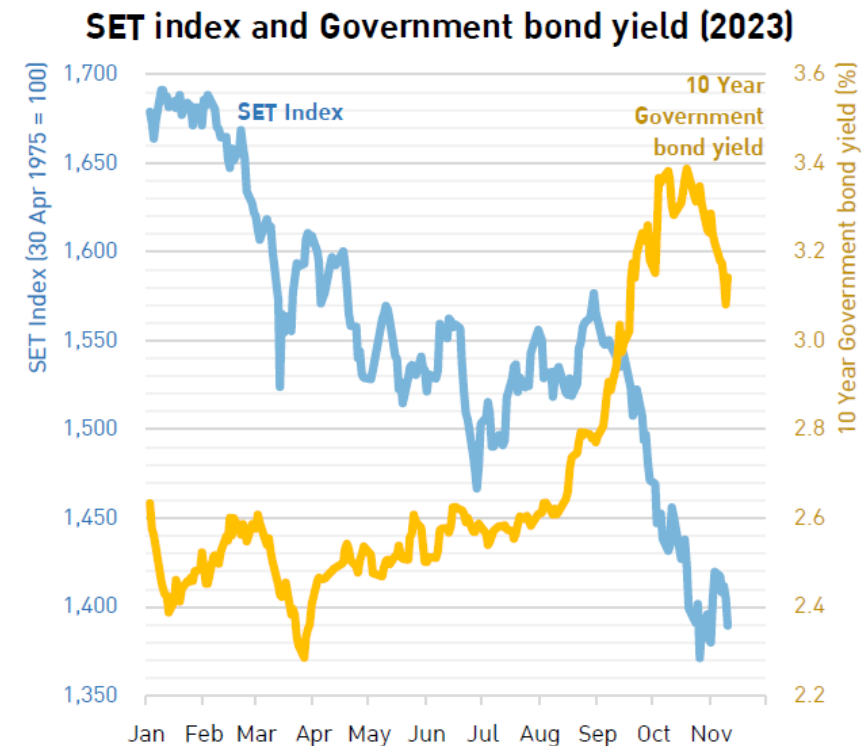
RISKS FROM GOVERNMENT'S KEY SHORT-TERM MEASURES

Thailand's weaker fiscal position lower investor confidence and could raise funding cost and taxes

- The huge amount of funds needed for the cash transfer and subsidy programs in 2024 (> Bt1.1 billion or 6.5% of GDP) result in higher public debt amid rising interest rates which affects spending on other needed government expenditures in the future.
- Thailand's potential weaker fiscal position amid looming global economic uncertainties, has resulted in
 - drop in portfolio investors' confidence, hence a sharp divestment from Thailand in recent months
 - possible downgrading by international rating agencies from BBB+, which could lead to higher cost of funds for Thailand
 - higher tax collection efforts in the future.

Rise in inflation and policy rate hikes

- Implementation of consumption stimulus and minimum wage hike will likely raise prices and inflation, leading to higher policy rates.



Source: SET and Thai BMA

CONCLUSION

- The global economy next year will continue to grow at a similar pace as this year, but more downside risks loom with the war in Israel that just started.
 - Growths in US, China, and Japan will be lower next year, while those of EU and ASEAN rise.
 - Impacts of the Israel-Hamas war could elevate if war spreads across the Middle East, raising energy prices while lowering global production, trade and tourism.
- Global prices and interest rates will remain high, while exchange rates remain volatile. The FED is expected to hike rates once more this year and hold until 2024Q4.
- The Thai economy could grow up to 3% this year with robust employment and consumption. Growth could reach 4.5% next year supported by the large fiscal stimulus and recovery in exports and tourism.

CONCLUSION

- High costs & demand next year could push up inflation to more than 2.5% (1.6% this year). Hence policy rate which is now at 2.5%, the lowest in ASEAN, may be hiked next year. The baht could strengthen slightly to an average of Bt34/USD next year.
- Government's large stimulus policies through cash handouts and subsidies that will start next year pose risks for future growth, as higher public debt amid rising interest rates will weaken Thailand's fiscal stance, which
 - limits future Government spending on needed investments and ability to weather future economic crises
 - raises the cost of funding for the government and businesses as investor confidence falls.

TDRI·EIS

APPENDIX

TOP 20 THAI EXPORTS

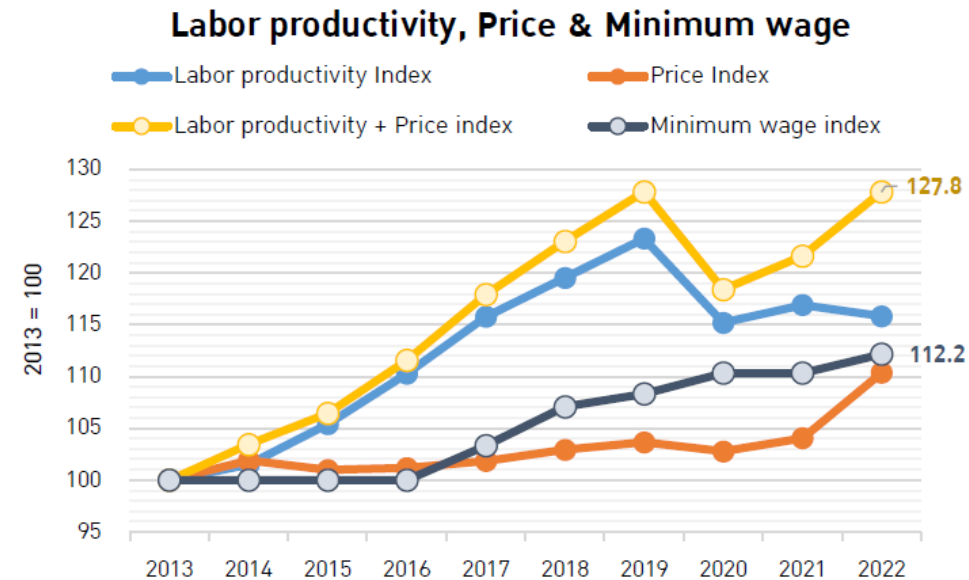
Exports of Top 20 Products	%YoY Growth of Thai Exports										Share
	Q4-22	Q1-23	Q2-23	Q3-23	Jul-23	Aug-23	Sep-23	2021	2022	2023YTD	2023YTD
High Growth in 2023YTD	15.5	34.2	26.5	29.8	23.6	24.7	44.5	13.4	-2.0	29.7	9.1
Durian	96.4	218.9	19.6	87.8	8.5	263.7	1103.0	68.3	-7.7	39.3	1.8
Electrical Appliances Parts	31.7	27.3	44.8	40.6	47.8	50.4	25.3	11.4	13.4	37.6	3.1
Sugar	-8.3	32.1	34.9	-3.7	-20.2	-9.4	54.7	-8.9	92.4	21.5	1.8
Passenger Car	2.8	29.0	10.0	20.9	52.6	-10.5	22.9	6.7	-29.8	20.1	2.4
Positive Growth in 2023YTD	9.8	10.3	8.9	13.4	11.4	18.7	10.7	28.3	15.0	11.0	12.5
Telecommunication Equipments	49.0	17.7	13.9	11.7	17.0	13.5	6.8	9.2	40.4	14.2	3.1
Pick Up and Trucks	-4.8	5.5	17.7	14.0	23.6	21.6	-2.8	60.0	-8.9	12.3	2.8
Jewellery	3.6	21.9	3.7	11.5	2.3	-6.9	28.0	29.4	31.6	12.2	3.1
Integrated Circuits & Parts	0.5	-0.2	2.9	16.4	3.2	39.8	5.0	19.0	9.3	6.4	3.5
Negative Growth in 2023YTD	-7.9	-2.5	-12.1	-4.5	-11.0	-1.6	-0.8	29.1	4.6	-6.5	29.8
Machinery & Equipment	-0.1	-1.0	-1.5	0.8	-1.3	2.8	0.7	20.1	6.3	-0.5	8.4
Vehicle Parts & Accessories	-8.4	-8.2	-3.3	6.3	5.9	6.3	6.8	30.0	-0.2	-1.8	6.7
Air Conditioning	-1.6	12.6	-5.1	-33.0	-32.6	-32.0	-34.4	22.5	8.8	-7.1	2.1
Food Products	-1.8	8.2	-26.8	-6.4	-18.7	-6.6	6.8	24.9	14.5	-10.0	2.3
Rubber products	0.2	0.3	-12.3	-22.2	-18.2	-22.2	-26.2	19.1	-12.6	-11.2	2.1
Petroleum Products	-25.8	3.3	-29.4	-2.7	-38.2	19.0	25.6	64.3	14.5	-12.3	3.5
Copper	-14.7	-14.3	-19.9	-2.2	0.1	1.0	-7.5	59.8	4.2	-12.5	1.2
Iron & Steel	-19.7	-11.0	-22.3	-3.6	1.4	-12.8	2.7	75.0	5.9	-13.2	1.3
Apparels and Textile Materials	-11.3	-14.5	-13.1	-14.0	-15.2	-12.5	-14.3	13.4	5.5	-13.9	2.2
High Negative Growth in 2023YTD	-28.0	-24.8	-25.3	-22.0	-26.2	-18.7	-21.3	33.4	-6.5	-24.1	12.5
Chemicals & Petro-chemical Products	-23.7	-21.7	-19.9	-12.7	-20.7	-6.6	-10.8	37.6	-3.2	-18.3	7.4
Computer Parts	-31.2	-24.9	-29.6	-32.7	-33.0	-36.3	-30.6	20.9	-11.1	-29.0	3.8
Rubber	-37.5	-37.7	-40.2	-33.8	-37.8	-32.9	-30.3	58.6	-7.9	-37.2	1.2
Top 20 Product group	-8.0	-3.0	-7.2	-1.9	-6.4	0.7	-0.1	28.1	2.6	-4.1	63.8
Non-Top 20 Product group	-8.7	-7.1	-4.5	2.1	-5.9	5.8	6.2	1.0	11.6	-3.3	36.2
<i>Total Export ex Gold, Arm</i>	<i>-8.0</i>	<i>-2.8</i>	<i>-6.2</i>	<i>-0.3</i>	<i>-5.3</i>	<i>3.6</i>	<i>0.7</i>	<i>22.9</i>	<i>4.5</i>	<i>-3.1</i>	<i>97.7</i>
Total Export	-8.2	-4.5	-6.2	-0.5	-6.2	2.6	2.1	17.4	5.7	-3.8	100.0

MINIMUM WAGE HIKE NEXT YEAR COULD ADD TO INFLATION

- **To match with the rise in labor productivity and prices from 2013 to 2022, daily minimum wage should be Bt383.**
 - From 2013 to 2022, while minimum wage rose nation-wide from Bt300/day to an average of **Bt336/day** or a 12.2% increase, while labor productivity and prices combined rose by 27.8%
 - If minimum wage were to match with labor productivity and price increases, it would be **Bt383/day** in 2022.

- **Possible economic impacts of nation-wide minimum wage increase to Bt400 in Jan 2024**

- If minimum wage is hiked from Bt336/day in 2022 to Bt400 (+19% increase), production costs will rise in labor-intensive industries e.g., textile and garment, and trade and service.
- Adoption of automation and hiring of higher skilled workers will rise.
- Employment by SMEs will be reduced, especially in lagging provinces, thus moving labor to the informal sector.
- Inflation could rise by 1%-point in 2024.



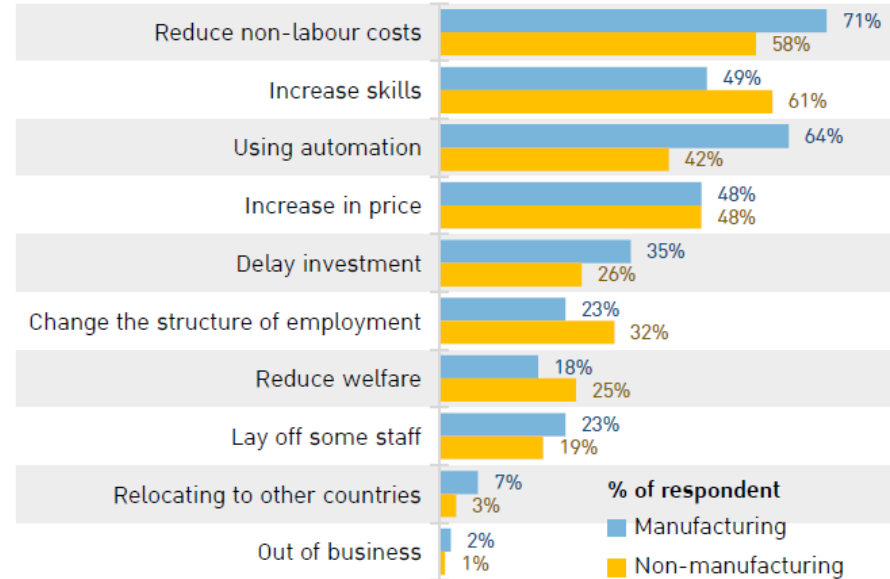
Source: Bank of Thailand and Ministry of Labor

Note: Average minimum wage in 2022 was Bt336/day

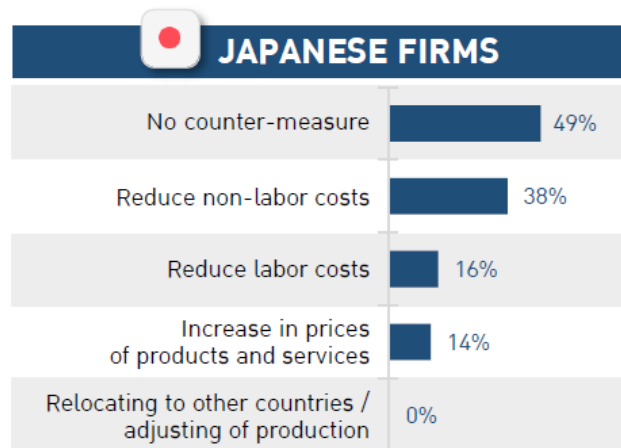
TDRI·EIS WITH MINIMUM WAGE HIKE, BUSINESSES WILL REDUCE COSTS AND RAISE SKILL LEVEL AND PRICES

- In response to the minimum wage hike, more than half of business report that they will reduce non-labor costs, hire more skillful staff, and adopt more automation.
- Around 1/2 of the firms surveyed will raise prices.
- Around 1/5 will reduce staff welfare and lay off some staff.

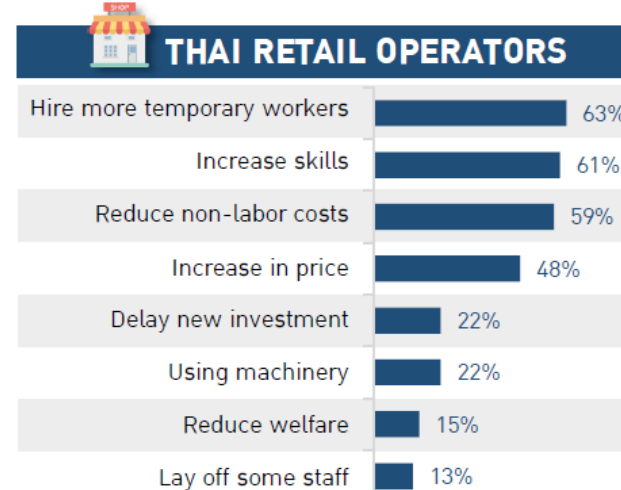
Response of business if the minimum wage increase



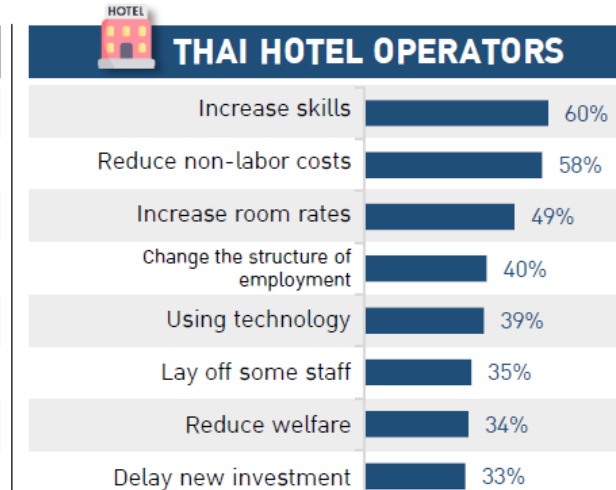
Source: Business Sentiment Index (Jun 2023), Bank of Thailand



Source: JETRO Survey (Jun 2023)

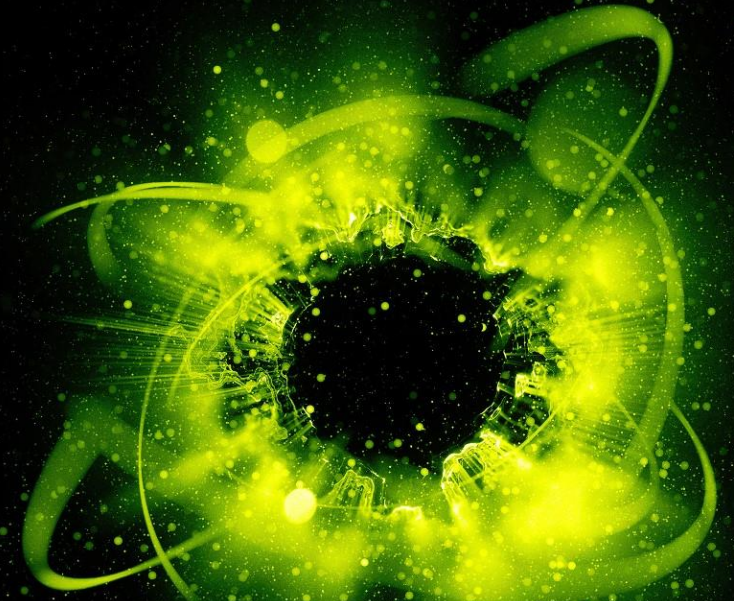


Source: Retail Sentiment survey (Jun 2023), Thai Retailer Association & BOT



Source: Hotel business operator Sentiment survey (Jun 2023), Thai Hotels Association & BOT

Key Industry Outlook

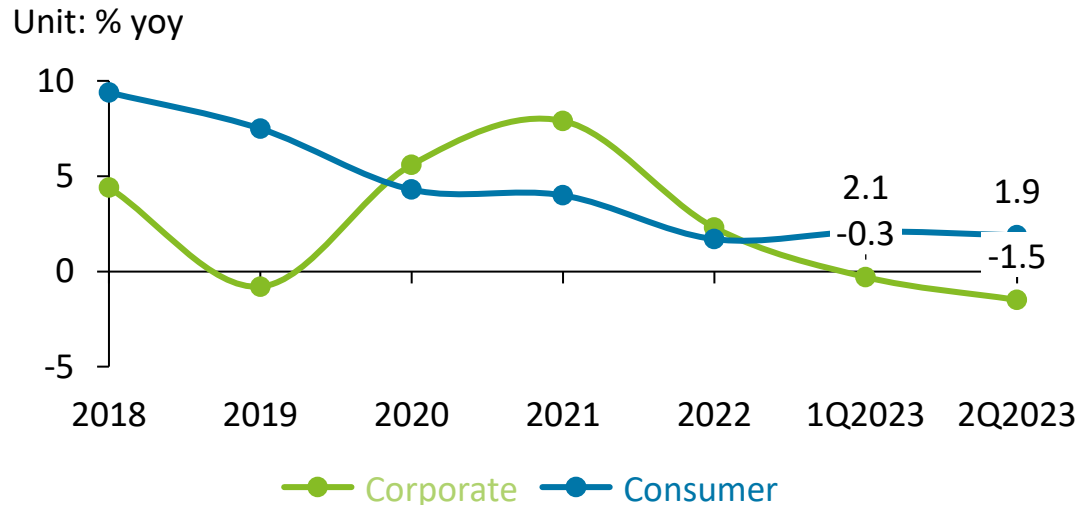


Financial service

Banking & Capital Markets

- Bank loans experienced a slight reduction as businesses, especially small and medium-sized enterprises (SMEs) and government entities, gradually repaid their loans, including those under soft loan facilities.
- Additionally, major corporations shifted their funds to bond issuance, and banks engaged in portfolio management.

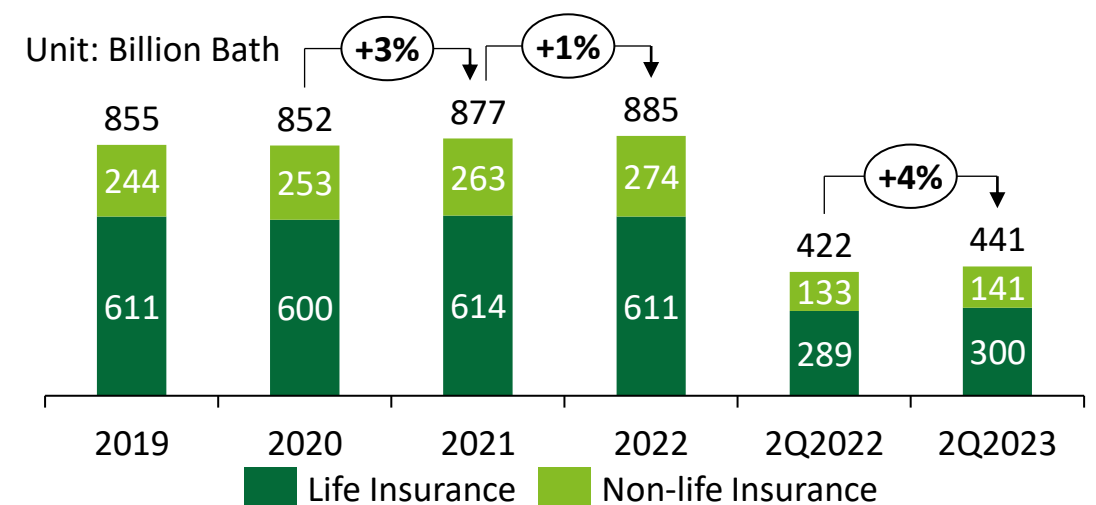
Loan growth classified by loan portfolios



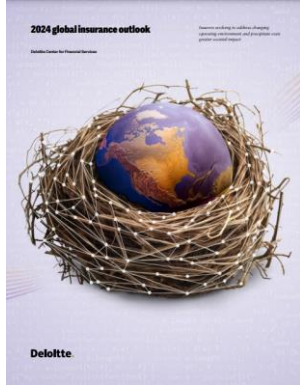
Insurance

- The business trends in the insurance industry have the potential for continuous expansion in the dimension of insurance premiums.
- This is driven by key supporting factors such as the economic recovery and intensified price competition.
- For life insurance products that gained popularity in the first half of the year 2023 and experienced significant growth, these include supplementary health insurance policies and critical illness coverage.

Insurance's market size by type



Deloitte's Point of View



2024 global insurance outlook

- The rising occurrence and gravity of global risks, spanning issues like climate change and cybercrime, are prompting increased scrutiny of the insurance sector's capability and readiness to act as essential "financial safety nets" for society.
- Most insurers are realizing that reacting to risks may not be good enough and are undertaking transformation efforts aimed at preventing losses from happening in the first place.
- The transition to a customer-centric business model is expected to necessitate the adoption of advanced technology and a shift in company culture.

[Read more](#)



2024 banking and capital markets outlook

- A slowing global economy, coupled with a divergent economic landscape, will challenge the banking industry in 2024.
- Multiple disruptive forces are reshaping the foundational architecture of the banking and capital markets industry.
- The exponential pace of new technologies, and the confluence of multiple trends, are influencing how banks operate and serve customer needs.

[Read more](#)



2024 investment management outlook

- Firms will likely have to invest in technology and associated controls even amid weak performance and margin pressures, failing which they will likely fall short of client expectations and internal efficiency goals.
- Theme-driven portfolio construction is emerging as a vector for product development even though the age-old classification of investment strategies into scales of growth versus value, large cap versus small cap, and by industry sector are not going away.

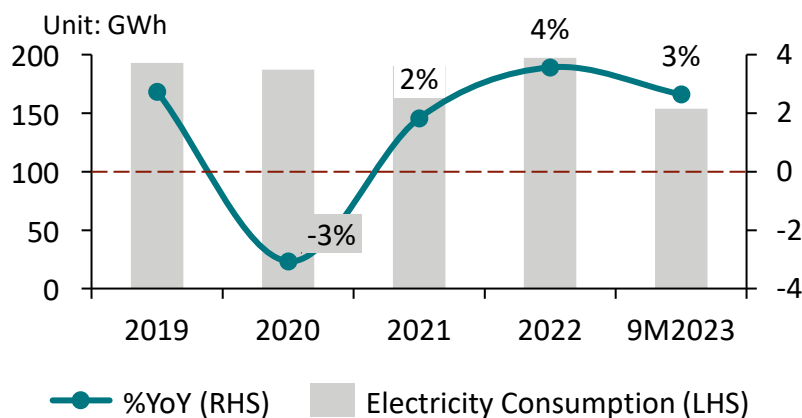
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Energy, Resources & Industrials

Energy & Chemical

- In 2024, the power plant business is anticipated to expand in response to the growing demand for electricity in the country.
- This expansion occurs amid challenges in energy policy and the cost of Ft
- The demand for electricity in Thailand continues to grow in tandem with the overall economic expansion. Meanwhile, there is a noticeable trend of an increasing proportion of off-grid electricity, partly driven by self-consumption in electricity production.

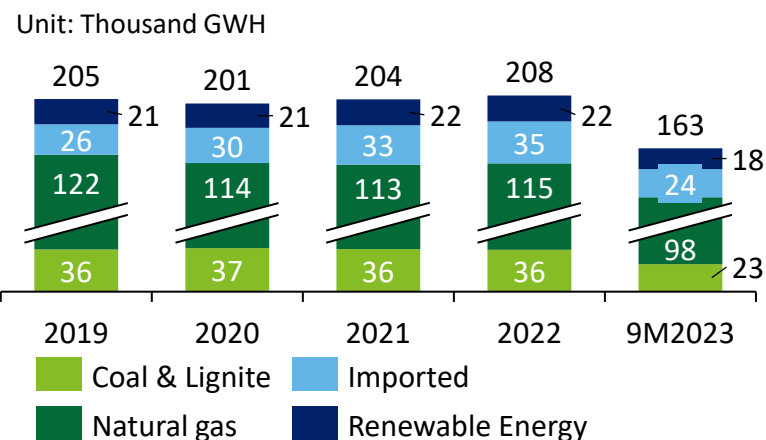
Electricity consumption



Power & Utilities & Renewables

- The Israel-Hamas conflict has resulted in a spike in global crude oil prices.
- For the key plans of the Ministry of Energy in the year 2023, the focus is on clean energy to address the needs of a carbon-neutral society.
- The planned initiatives and projects are structured into four dimensions are energy for resilience towards a low-carbon society, Energy for economic enhancement, energy for reducing disparities and improving quality of life and organizational development for better service.

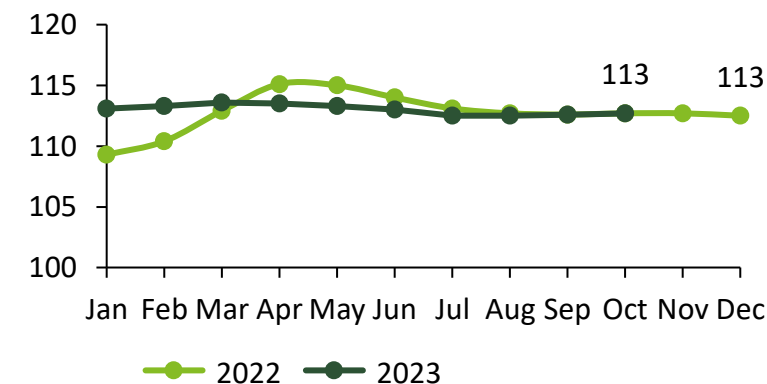
Power Generation Classified by Fuel Type



Industrial Product and Construction

- From 2023 to 2025, there is anticipated growth in the demand for construction materials, aligning with the increased investments in the construction sector.
- Projections suggest that the construction sector is poised to expand by 1.5-2.0% in 2023, followed by an average annual growth of 3.5-4.0% in both 2024 and 2025.

Construction Material Price Index



Deloitte's Point of View



2024 manufacturing industry outlook

Generative AI is poised to revolutionize product design, aftermarket services, and supply chain management, offering significant cost reductions for manufacturing organizations. It also presents a valuable tool for addressing challenges in the labor market. The technology's vast scope is evident in its diverse applications across these trends.

1. Navigation persistent talent obstacles
2. Smart factory and the journey toward the industrial metaverse
3. Supply chain digitalization for enhancing performance and resilience
4. Aftermarket services as a potential differentiator

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2024 chemical industry outlook

Five chemical industry trends to watch

1. Demand drivers: Energy transition drives chemical demand
2. Regional dynamics: Regional competition heats up, driven by commodity prices, policies, and supply chain concerns
3. Digital and artificial intelligence: Data is becoming an important feedstock for chemicals excellence
4. Circular economy: Companies continue to develop supply chains to support circular investments
5. Sustainability and trust: Data and digitalization can improve brand transparency and trust

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2024 engineering and construction industry outlook

Five power and utilities industry trends to watch

1. E&C firms strive to balance sustainability and efficiency
2. E&C firms to unlock new value by leveraging digitalization and adopting generative AI
3. E&C firms to navigate the varied effects of ongoing economic uncertainty
4. E&C firms likely to be more strategic to navigate persistent cost volatility
5. E&C firms likely to adapt to new work and workforce norms

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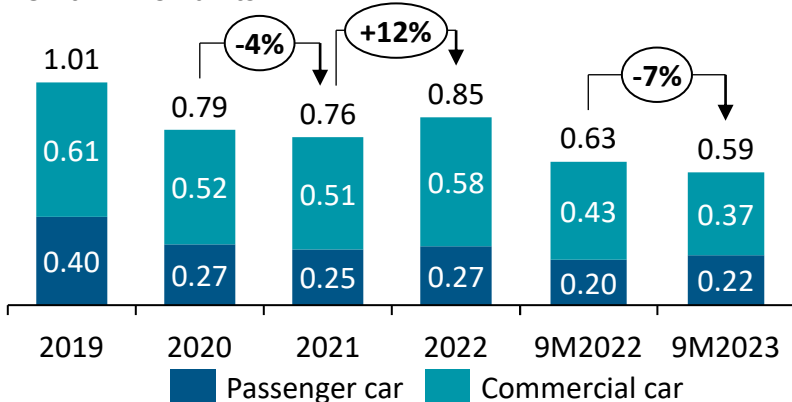
Consumer Industry

Automotive

- Auto manufacturers anticipate revenue growth in both domestic and international markets from 2023 to 2025, driven by the following factors:
 - Economic recovery and improved purchasing power, coupled with milder inflationary pressures.
 - Despite ongoing US-China conflicts over technology access leading to intermittent chip shortages in 2023, increased investments in production capacity in the US, Germany, and Japan are expected to result in higher output..
 - Government initiatives to promote demand for battery electric vehicles

Thailand's automotive sales by unit

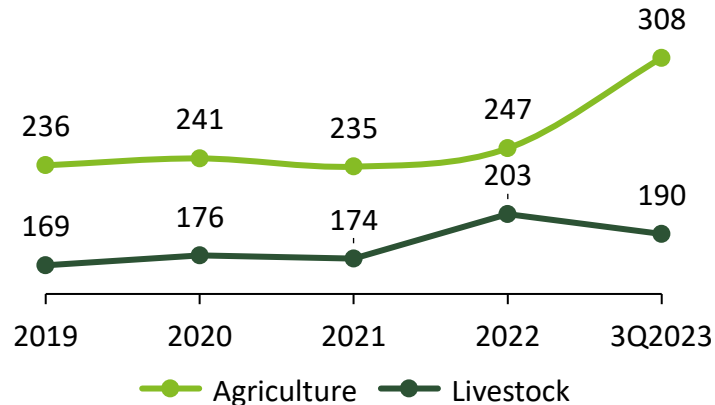
Unit: Million units



Consumer product

- Between 2023 and 2025, the Thai seafood processing industry is expected to experience an annual decrease in both production and exports, driven by reduced output resulting from official catch size quotas and rising input costs, particularly for animal feed and trawler fuel.
- From 2023 to 2025, Thailand's chicken product production is projected to grow annually by 2.5-3.5%. The complete reopening of the country is fostering a quick recovery in domestic tourist arrivals. This, coupled with a broader economic revival, is expected to boost demand for chicken from restaurants and food processors.

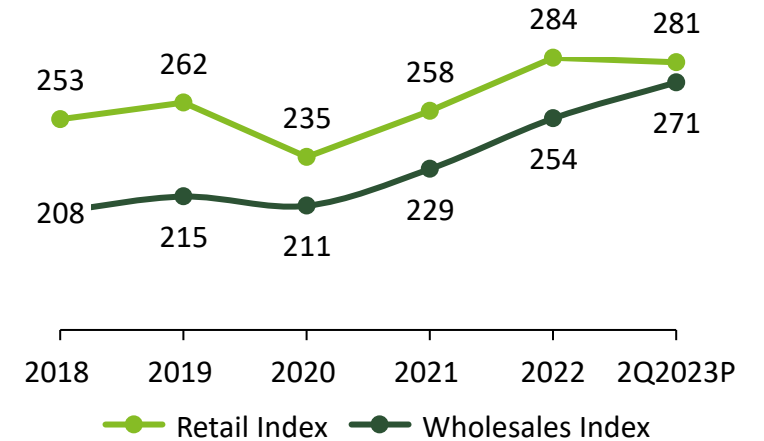
Price Index of agriculture and livestock



Retail, Wholesale & Distribution

- The retail sector, especially in essential establishments like CVS and supermarkets, has consistently demonstrated a robust recovery, with the market value of these outlets returning to pre-COVID-19 levels in 2023.
- Outlets have expanded to enhance consumer accessibility.
- The Health & Beauty segment benefits from the increasing focus on preventive health, while the Home & Garden industry sees growth driven by factors such as renovations in residences, stores, and restaurants, supported by the recovering tourism market.

Wholesales and retail index



Deloitte's Point of View



2023 Global Automotive Consumer Study

Based on the study, there are key trends continued to emerge:

1. The shift to EVs is happening, but is it moving fast enough in some markets?
2. There's one unintended benefit of the vehicle inventory crisis
3. Dealers engender the most trust among consumers
4. Subscriptions to connected vehicle services could be a challenge

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2023 consumer products industry outlook

2023 consumer products
industry outlook

Pursuit of profitable growth in challenging times

Profitable companies focused on growth strategically distribute their attention and financial resources, unveiling a discernible pattern. Observing their priorities and investment choices highlights significant differences across five key areas

1. Embracing the changing consumer
2. Going for market share
3. Creatively transforming
4. Driving data through supply chains
5. Prioritizing ESG

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2023 retail industry outlook

2023 retail
industry outlook

Resiliency in bulk quantity: a retail industry overview

Change can be good, but constant change can be daunting. Retailers today are feeling the hangover of such volatility occurring in the most condensed time frame of any recent business cycle.

Three retail industry trends and priorities

1. Supply chain: Last-mile capabilities
2. Omnichannel: Reverse logistics
3. Digital: Social commerce

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