

The Deloitte logo is positioned in the top left corner. It features the word "Deloitte" in a white, bold, sans-serif font, followed by a small green dot. The background of the slide is a dark blue, futuristic scene with glowing orange and blue concentric circles and light trails, suggesting a high-tech or data-driven environment.

Deloitte.

Thailand's
Economic Outlook
3Q2024

Clients & Markets, September 2024



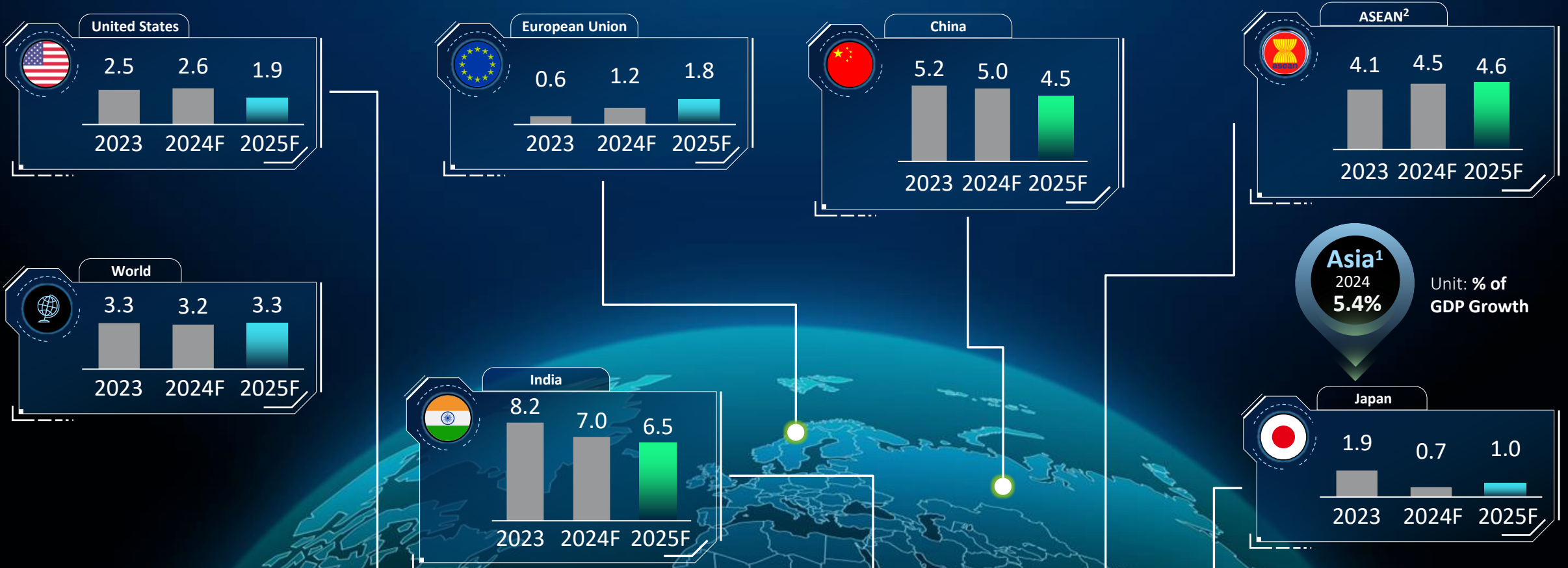


01

Global Economy

3Q2024

The global economic growth projection for 2025 has been upwardly revised to 3.3%. While economic activity has picked up in some regions, particularly in Asia and Europe, persistent inflation is complicating efforts to normalize interest rates. To maintain growth and stability, policymakers must carefully balance efforts to control inflation while supporting economic expansion.



Source: Deloitte Analysis, IMF WEO July 2024

Note:

1 Asia refers to Emerging and Developing Asia

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

Key Takeaways and Watchlist in 2024



US

Key Takeaway

- ↑ • Home prices in the top 20 cities in the US was up 6.5% YoY in June.
- 2Q2024 GDP grew at 2.8%, above the 2.1% forecast, boosted by strong consumer and government spending
- ↓ • Cooling inflation at 3% in June 2024 but still above the target of 2%.
- The slowdown in the job market and the rise in the unemployment rate (rose to 4.3% in July 2024).

Watchlist



Concerns over potential recession



US presidential election in November 2024



EU

Key Takeaway

- ↑ • The Eurozone economy grew modestly in the second quarter, with Spain performing exceptionally well with 0.8% real GDP growth in 2Q2024.
- Easing inflation, increased at 2.6% in July YoY
- ↓ • Germany's drop in business investment in equipment and structures
- Wage deceleration, 2Q2024 wages set through negotiations between employers and unions were up only 3.55% YoY.


Watchlist



To impose 46.3% tariff on Chinese EV imports



ECB's direction to lower interest rate in September amid lower inflation




Japan


Key Takeaway

- ↑ • Healthy job market, the number of employed hit a record high of 68.2 million – despite a decline in the number of working age people.
- Stronger Japanese household real income, the average case income increased 4.5% YoY in June 2024.
- ↓ • Japanese yen carry trade which also resulted in higher leverage volume.
- Plummeted equity prices in response to strengthen yen
- Declining real household spending

Watchlist



BoJ's plan to taper bond purchases to 3 trillion yen



Potential more interest rate hike despite declining inflation



China

Key Takeaway

- ↑ • The renminbi is gaining global influence with the rise usage in trade settlement, financial transactions, and use as a reserve currency by central banks.
- Higher usage of the renminbi via purchasing oil with Saudi Arabia .
- ↓ • Declining foreign direct investment into China, 29% decline in 6M2024 (YoY)
- Lower bank lending, 25% YoY lower new renminbi-denominated lending for in July 2024.

Watchlist



Intention to strengthen the US\$402 billion Social Security Fund to support aging population.

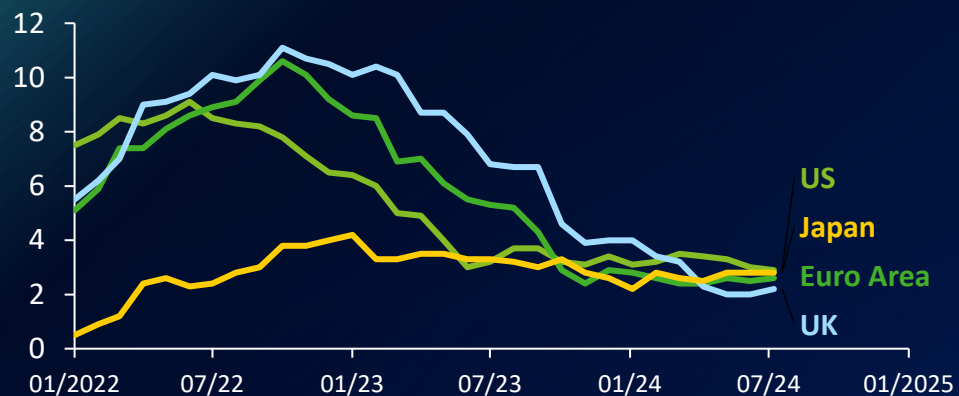


Trade tensions and potential restrictions deterring foreign investment

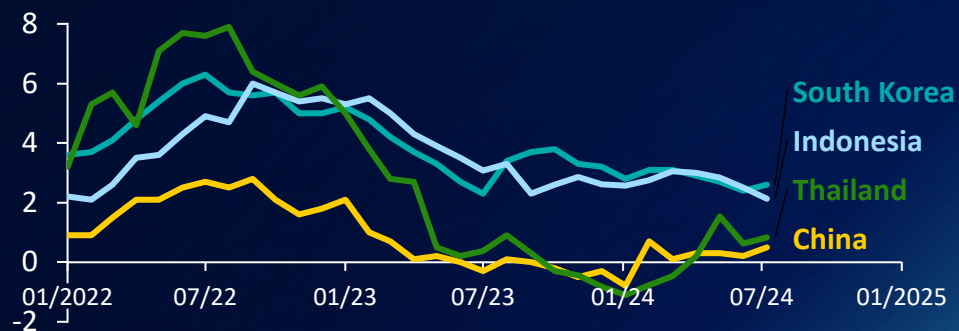
Inflation is easing in most parts of the world. Japan raised interest rates in July for the second time in 17 years, from 0%-0.1% to 0.25%.

Inflation Rate

Developed countries

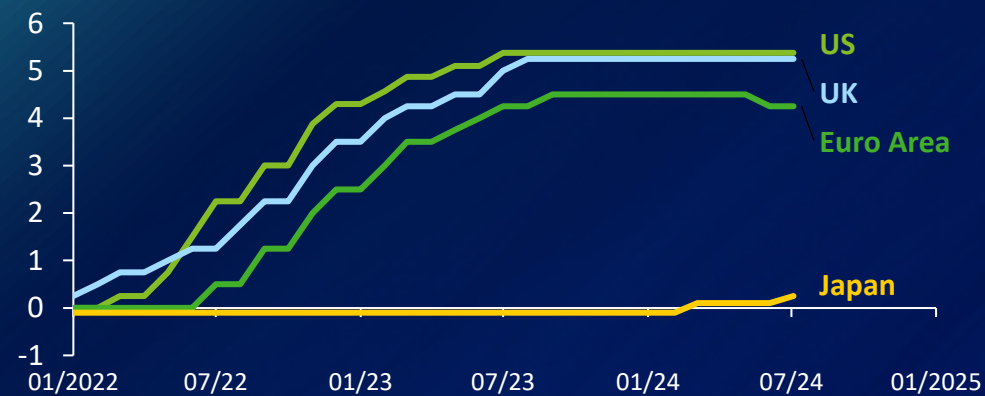


Developing countries & Emerging markets

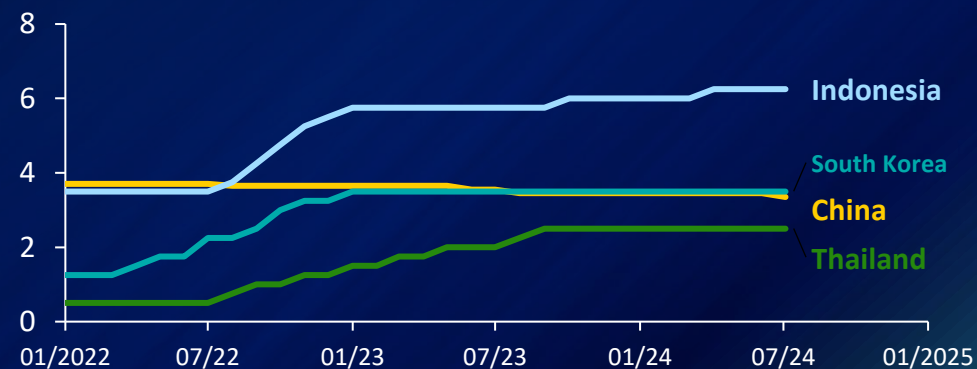


Policy Rate

Developed countries

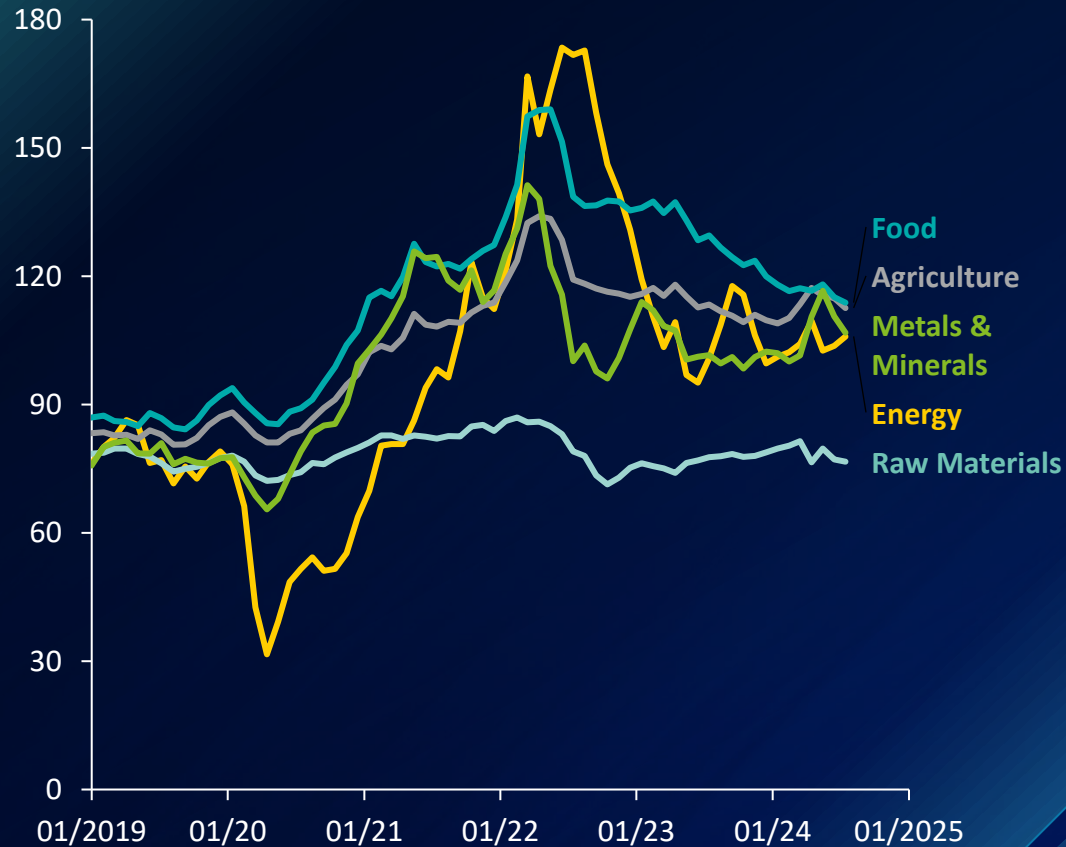


Developing countries & Emerging markets



According to World Bank, the overall commodity prices for 2024 and 2025 are forecast to decline slightly but remain about 38% above pre-pandemic (2015-19 average) levels. The energy price index is expected to gradually decrease by 3% this year and continue to fall by another 4% in 2025. This projected decline is based on the assumption that the prices of coal and natural gas will drop significantly in 2024.

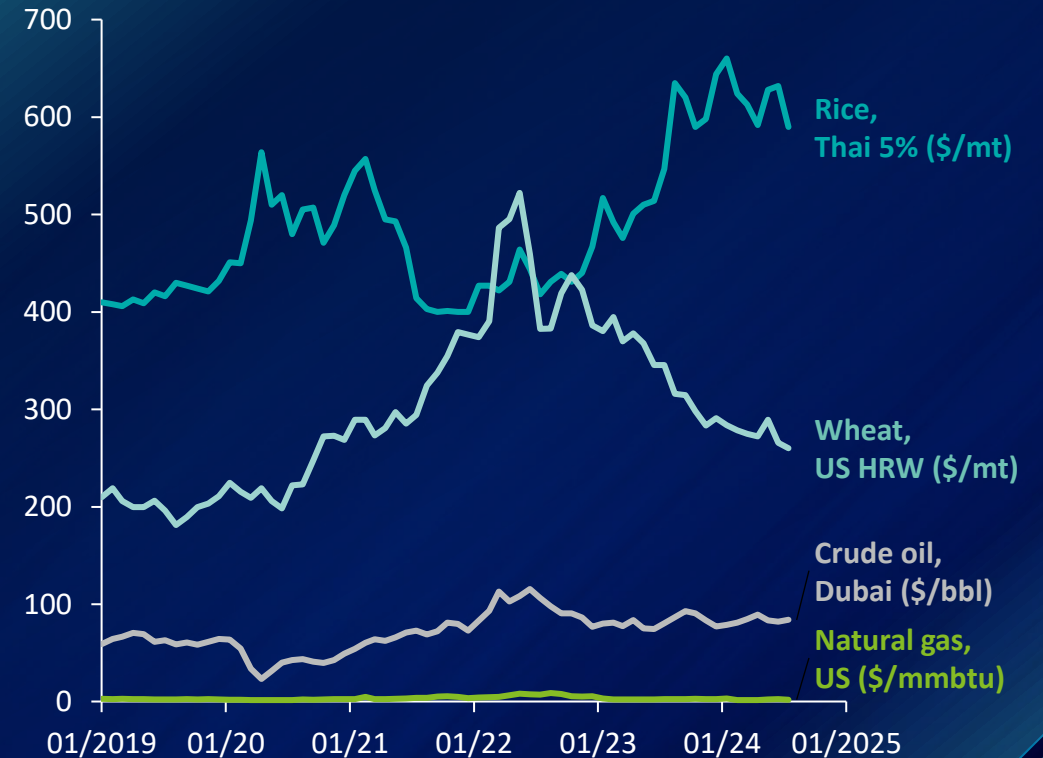
Commodities Price Index (2010=100)



Source: Deloitte Analysis, World Bank
 © 2024 Deloitte Touche Tohmatsu Jaiyos Co., Ltd.

Commodities Price

Unit: US dollars



2024 Crude oil, Dubai (\$/bbl) forecast

81.0 – 91.0

Source: Fiscal Policy Office



02

Thai Economy 3Q2024

Thailand's Economic Outlook

2024 GDP growth is projected to be mainly driven by the continuous expansion of domestic consumption, and the recovery of the tourism sector. However, high household debt would remain be the headwind of the domestic demand.



Key Factors to be Monitored

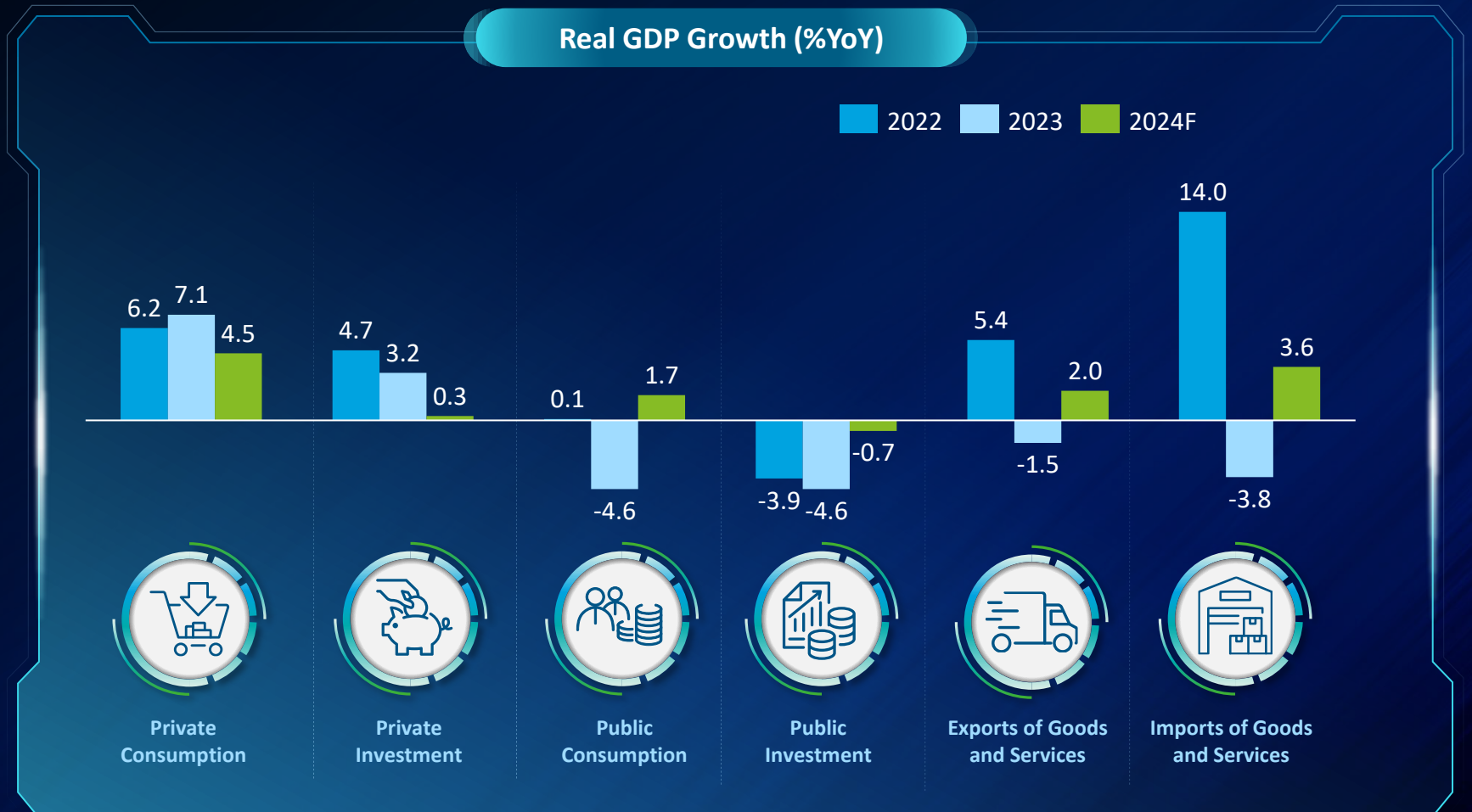
- Expanding domestic consumption and tourism
- Recovering export
- High household debt and tightened lending standards
- Volatilities in other economies
- Climate condition impacting lower crop yields

Thailand's Economic Outlook

The economy is expected to expand by 2.3% to 2.8% (with a median forecast of 2.55%). Private consumption and investment are expected to grow by 4.5% and 0.3%, respectively. The value of exports in US dollars is expected to grow by 2.0%. The average inflation rate is expected to be between 0.4% and 0.9%. And the current account balance is expected to have a surplus of 2.3% of GDP.



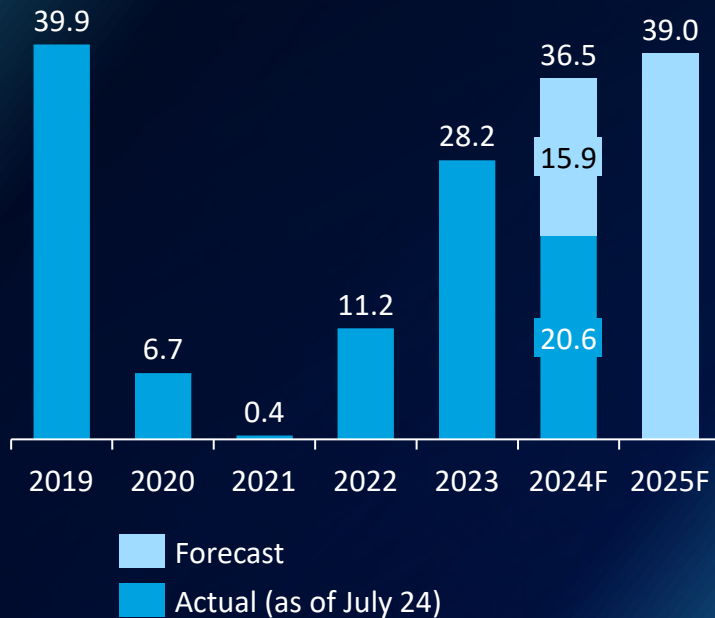
Source: Deloitte Analysis, NESDC



Tourism in Thailand is recovering. This year, the number of Chinese tourists has returned to the highest level compared to 2023.

Foreign tourist arrivals Forecast

Unit: Million Persons



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

Foreign tourist arrivals by Month

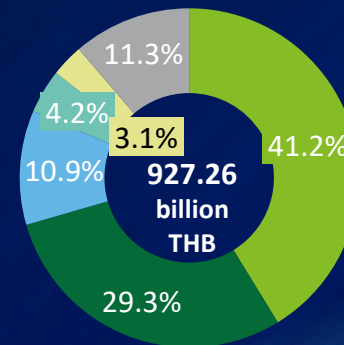
Unit: Million Persons



Top 5 provinces received income from foreign visitors

As of July 24

- Bangkok
- Phuket
- Chon Buri
- Surat Thani
- Krabi
- Others



Top 5 Tourist Arrivals to TH by Nationality

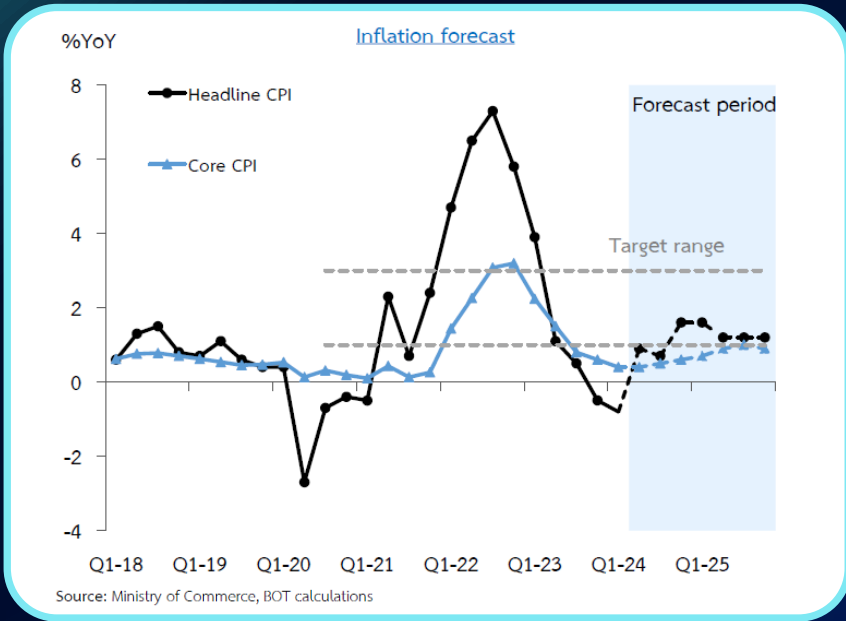
Unit: Person (as of July 24)



Inflation tends to be within the target range by the end of 2024.

Over the past 20 years, energy and raw food have been the most influential factors on Thailand's inflation variance.

Core and Headline Inflation – Annually (%)

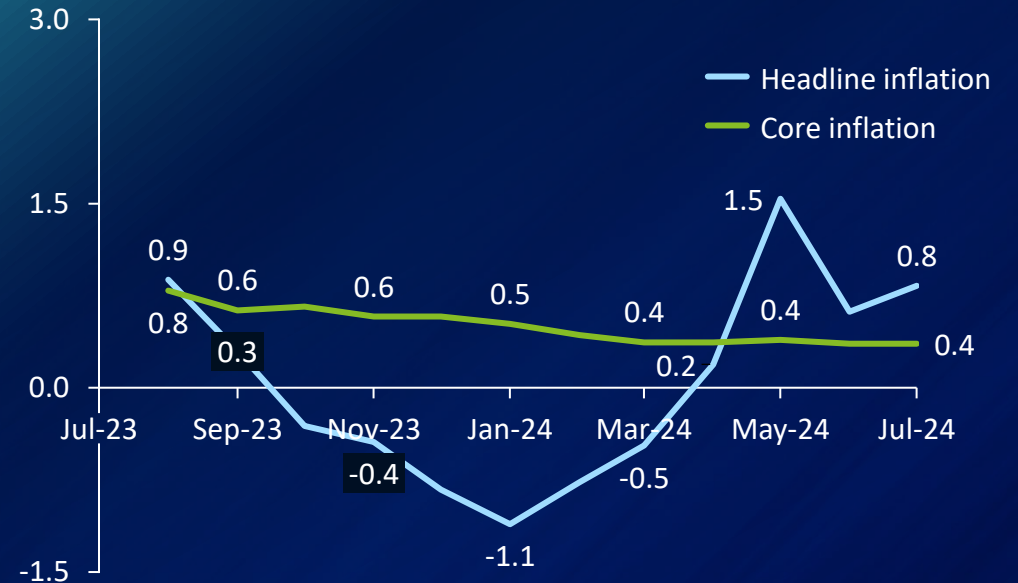


Inflation in July 24 = 0.83%

Easing inflation contributed by

- Decline growth rate of raw food prices from both globally and domestically
- Lower Dubai crude oil price

Core and Headline Inflation – Monthly (%)



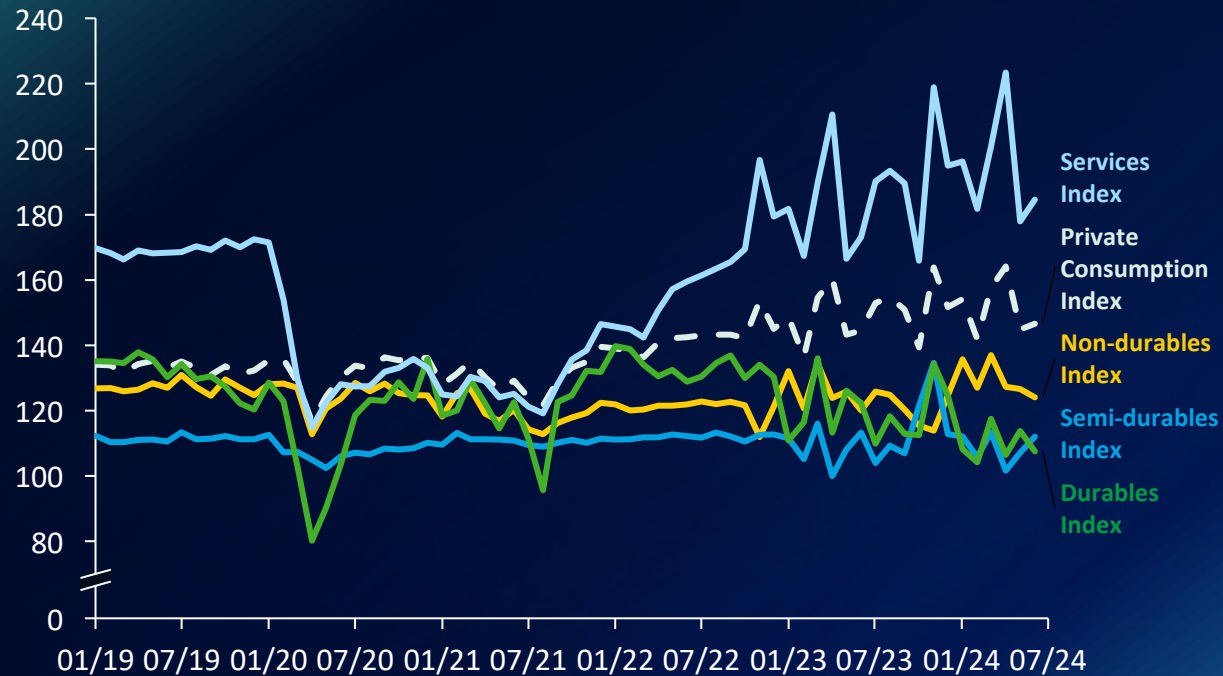
Watchlist

- Variation of energy and raw food prices
- Geopolitical uncertainty

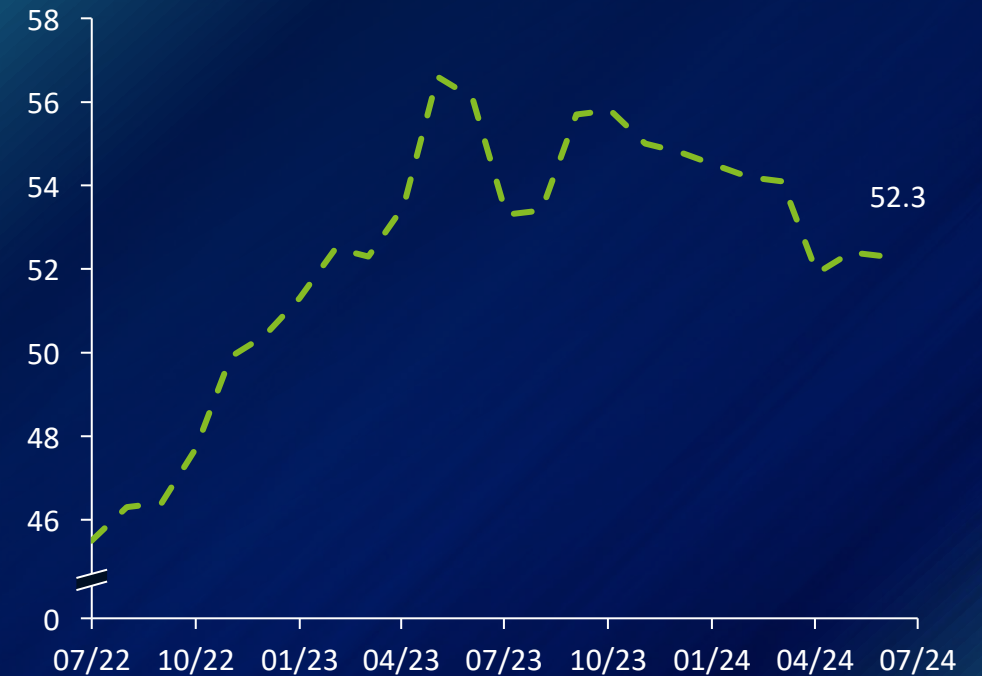
Source: Deloitte Analysis, Bank of Thailand, NESDC

Concern over the Thai economy's uneven recovery, the tightening of banks' lending standards due to high household debt levels, contributed to a decline in the Consumer Confidence Index to 52.3 in June.

Private Consumption Index (Seasonally Adjusted)

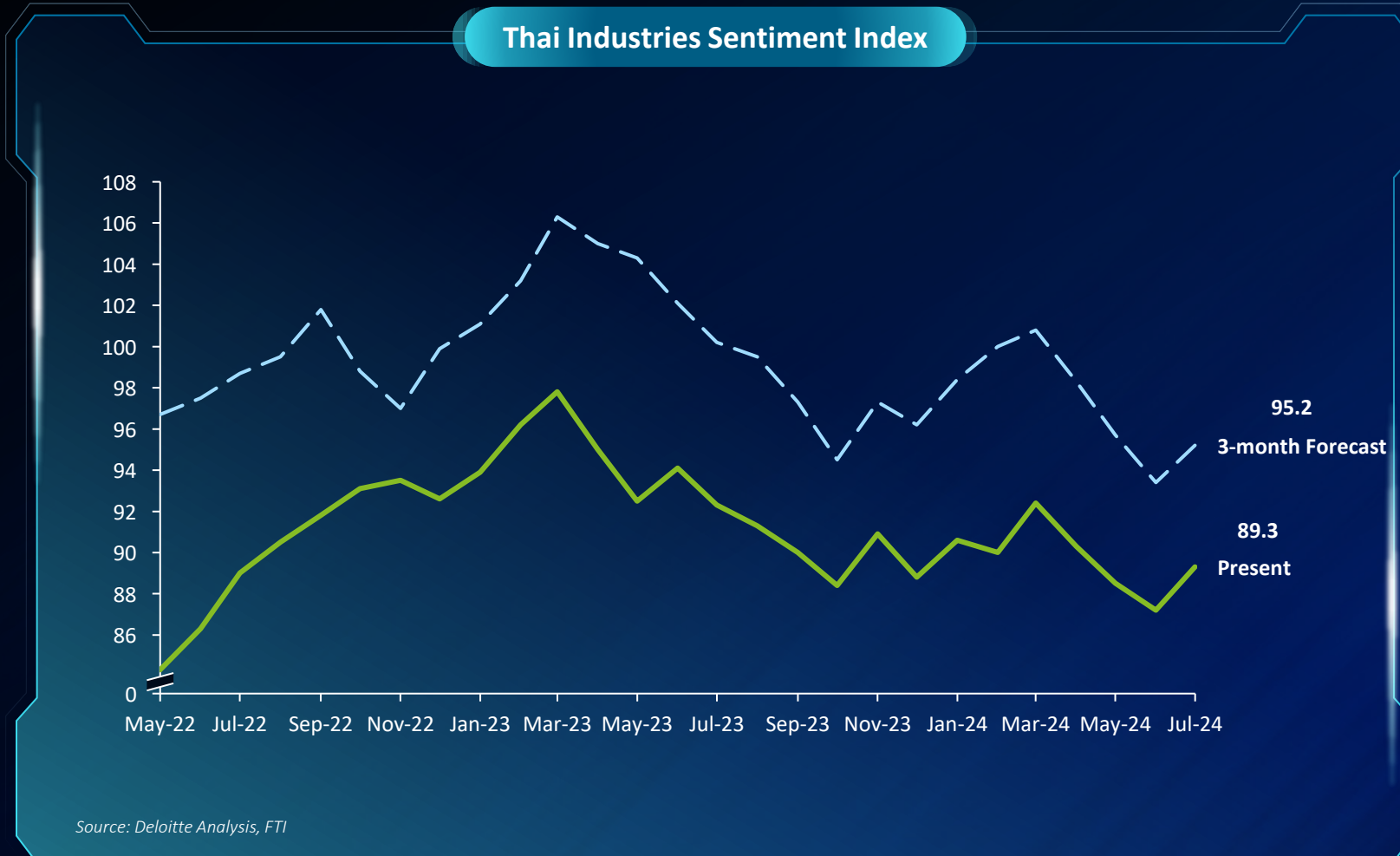


Consumer Confidence Index (CCI)



Source: Deloitte Analysis, Bank of Thailand, TPSO

Thai Industries Sentiment Index (TISI) for July 2024 increased for the first time in 4 months.



+ **Positive Factors**

- Domestic consumption of consumer products, especially food, pharmaceutical, and cosmetics, has been on the rise.
- Expanding applications for investment promotion
- Growth of the tourism sector supported by government measurements.

- **Negative Factors**

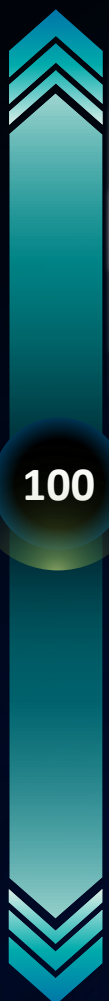
- High household debt and NPL pressuring domestic consumption
- Decline of domestic car sales (-24%) and export (-1.9%) YoY in 6M2024
- Slowdown in real estate sector due to weak purchasing power
- Rise of transportation costs such as freight

📝 **3-month Forecast watchlist**

- Expedited government spending and investment
- Increase in manufacturing costs, with the rise of the minimum wage to 400 THB per day

Thai Industries Sentiment Index by Performance

The July 2024 TISI improved across several industries even though these were still below 100. Compared to June 2024, machine and palm oil saw higher sentiment, while aluminum experienced a decline.



Declined TISI

Tightrope

- Automotive parts
- Automotive
- Aluminum
- Air conditioner
- Electricity



Red Flag

- Apparel
- Textile
- Shoes
- Jewelry
- Petrochemical
- Ceramic
- Metal casting
- Sawmill
- Wood and plywood
- Furniture
- Electronics
- Rubber



Note: As of July 2024
Source: Deloitte Analysis, FTI

Increased TISI

Rising Star

- Food & Beverage
- Digital
- Pharmaceutical
- Medical equipment manufacturer
- Palm Oil
- Petroleum refinery
- Renewable energy
- Cosmetics
- Packaging
- Paper



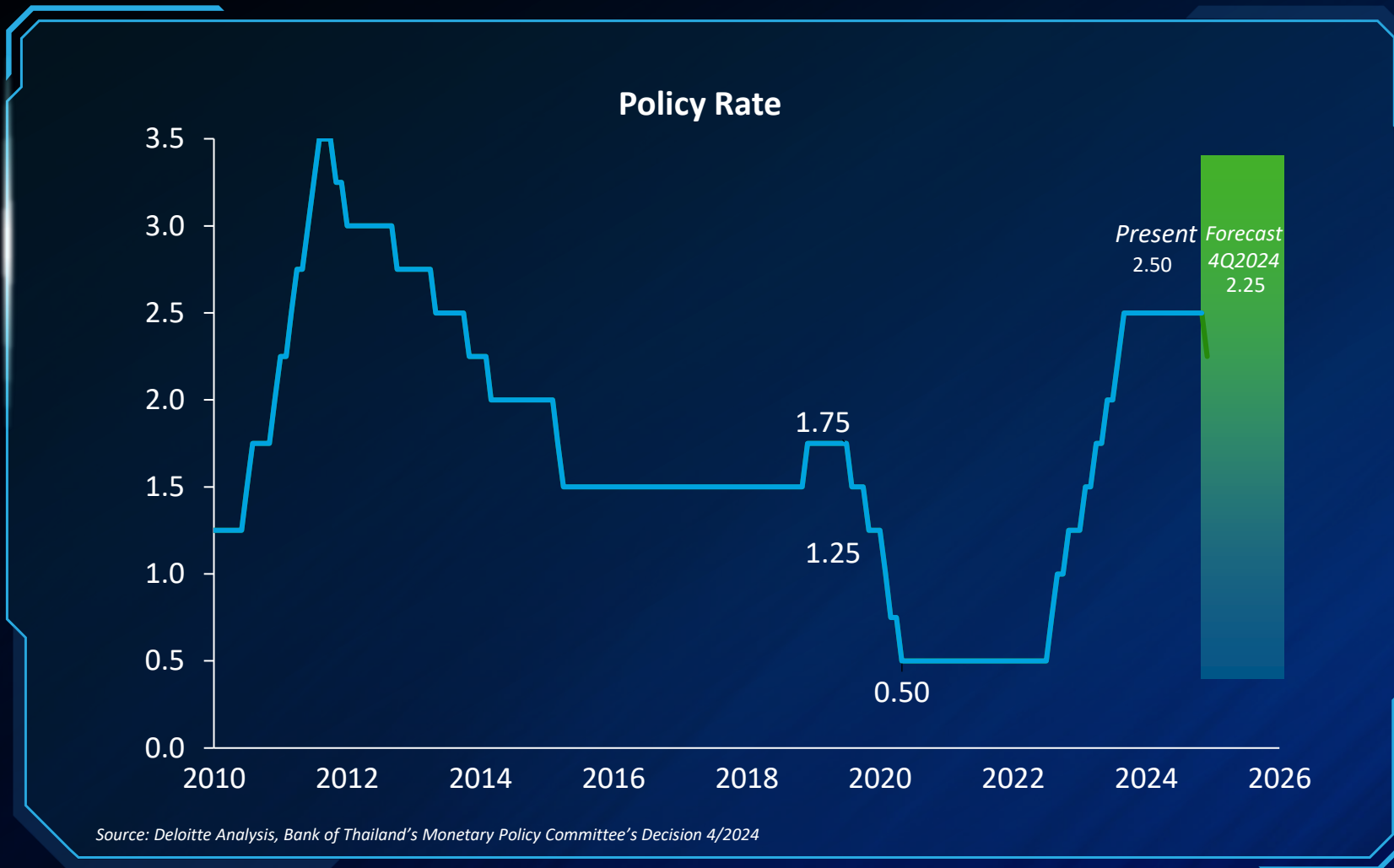
Mastering

- Leather
- Agricultural machine
- Gas
- Cement
- Roof and equipment
- Creative craft
- Plastic
- Boat maintenance
- Machine
- Glass
- Sugar
- Herb
- Chemical
- Dairy supplement
- Environmental management
- Biotechnology
- LPG Exploration and Production
- Granite and marble
- Metal



Policy Rate

The Monetary Policy Committee (MPC) voted 6 to 1 to maintain the policy rate at 2.50%, with 1 member favoring a 0.25% cut.



MPC's Perspective:



- Thailand's economy is expected to expand thanks to domestic spending and tourism while the overall exports are gradually recovering. The majority of the Committee sees the current interest rate aligns with the economy's potential and helps prevent financial instability.
- Still, the economic recovery has been uneven, with manufacturing and self-employed workers lagging behind. It's crucial to monitor potential risks to private investment and consumption.

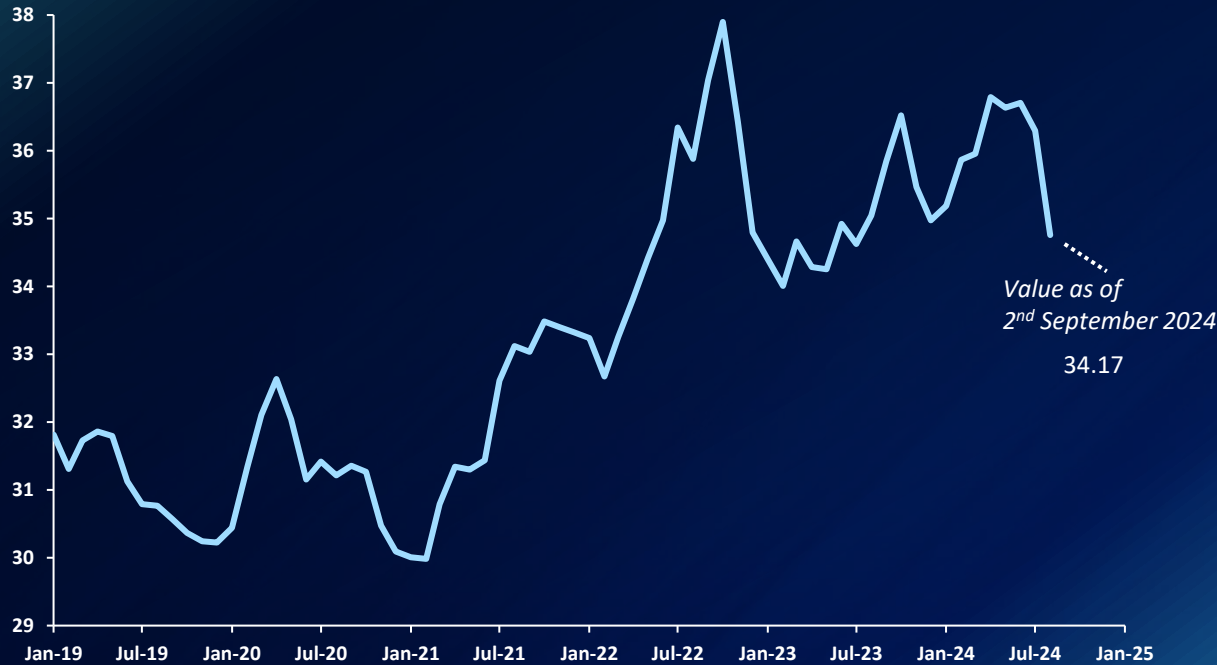
Exchange Rate

Thai Baht earlier weakened against more than other currencies in the chart due to capital outflows in both the equity and debt markets, resulting in the Thai Baht's overall depreciation in 2024. However, the Thai Baht is expected to appreciate in the fourth quarter, supported by FED's perspective to lower the interest rate, Thailand's clearer political situations planned disbursement of 2025 fiscal year budget, and recovering global market supporting Thailand's tourism sector.

Exchange Rate (Unit: THB/USD)

2023 34.81 /USD

2024F 36.20 /USD



Source: Deloitte Analysis, Bank of Thailand, Federal Reserve, Fiscal Policy Office

The Change of Currencies against USD (%)



Factors influencing Thai baht

Appreciation

- Expected recovery from tourism
- Weaker USD

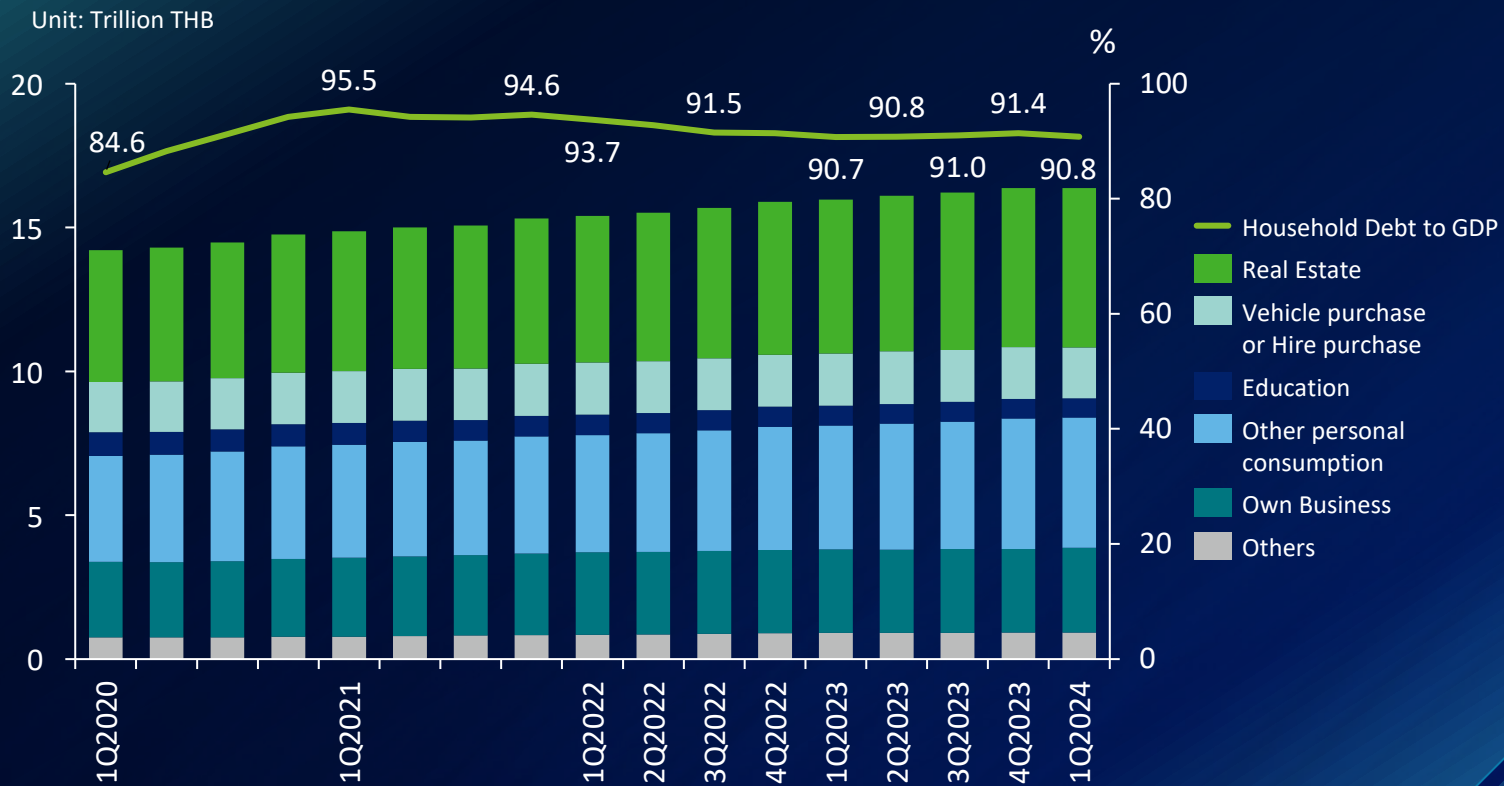
Depreciation

- Weak economy
- Delay in US interest rate cut

Household debt remains high at 90.8%

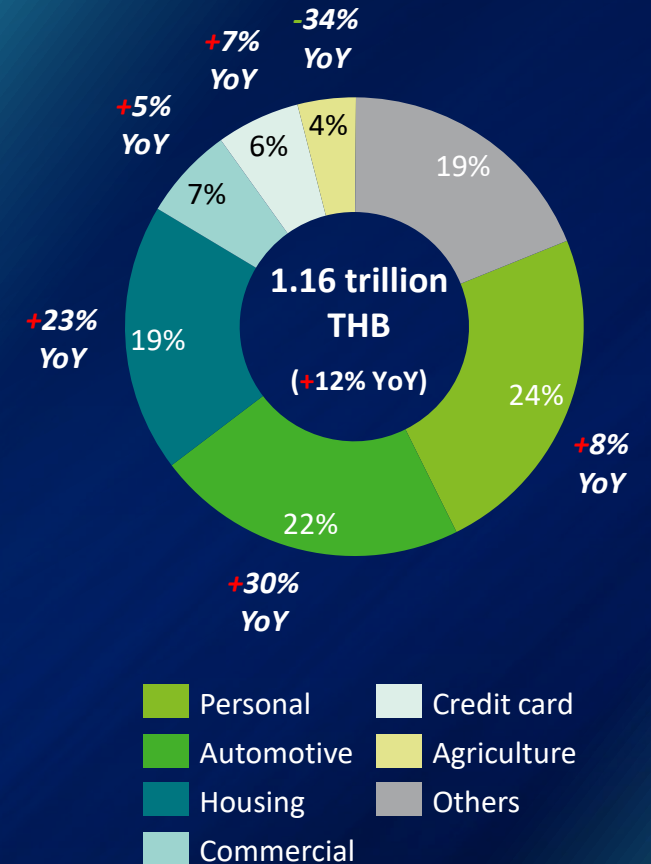
Non-productive loan such as Other Personal Consumption significantly contributed to total household debt. Besides, non-performing loans (NPLs) reached 1.16 trillion THB in June 2024.

Household Debt (adjusted rate)



Source: Deloitte Analysis, Bank of Thailand, National Credit Bureau, The Standard

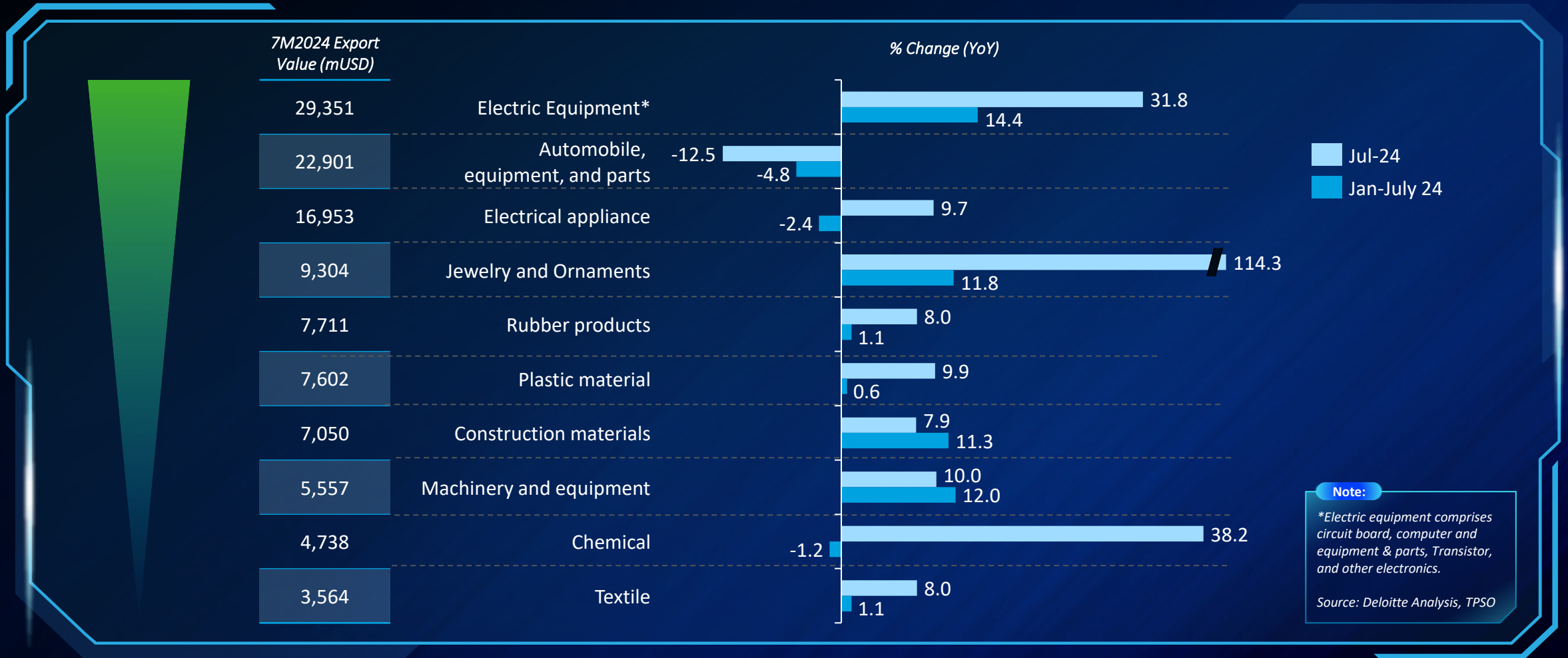
NPL as of 2Q2024



10 Key Industrial Exports for July 2024

Industrial export grew by 15.6% in July 2024. Significant growth in electric equipment was driven by computers, equipment, and components from the US, China, the Netherlands, Hong Kong, and Germany.

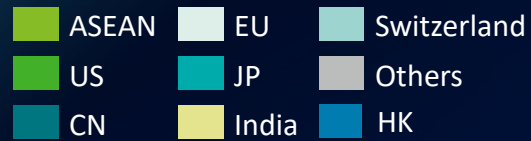
Thailand's **overall export** rose by 15.2%, the highest in the last 28 months, while exports of real sector (excluding gold, oil-related products, and weaponry) increased by 9.3%.



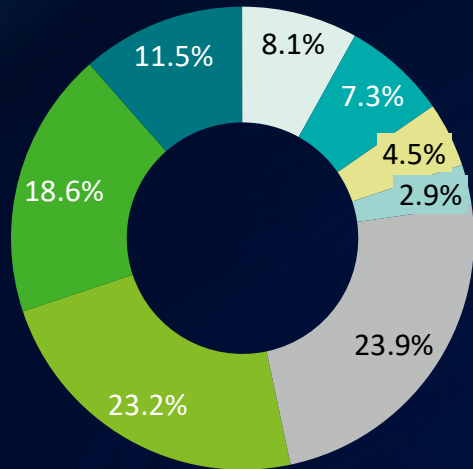
7M2024 Thailand's Export Destinations

Exports to most major markets have expanded significantly, following the overall improvement in our trading partners' economies. Notably, exports to key markets such as the United States, China, ASEAN, and the European Union have seen growth.

Percentage Contribution

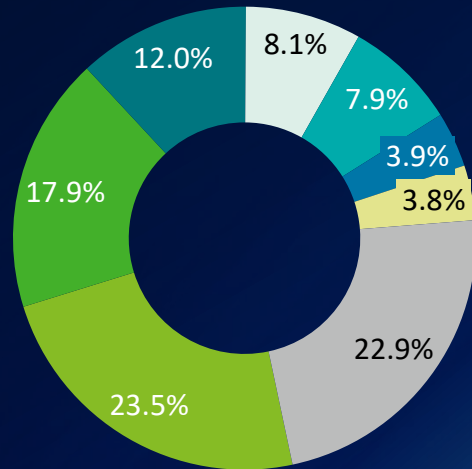


July 2024



Total Export Value
25,721 mUSD

Jan-July 2024

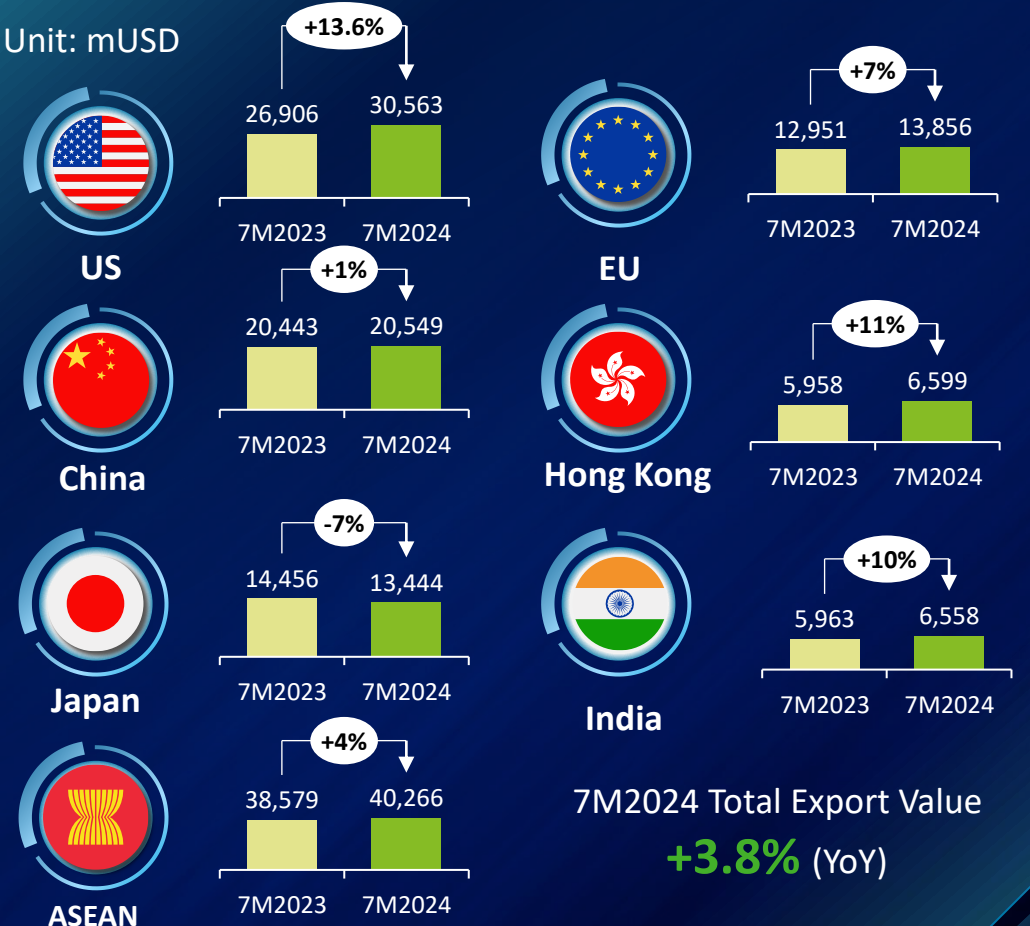


Total Export Value
171,011 mUSD

Source: Deloitte Analysis, TPSO

7M2024 Percentage Change (YoY)

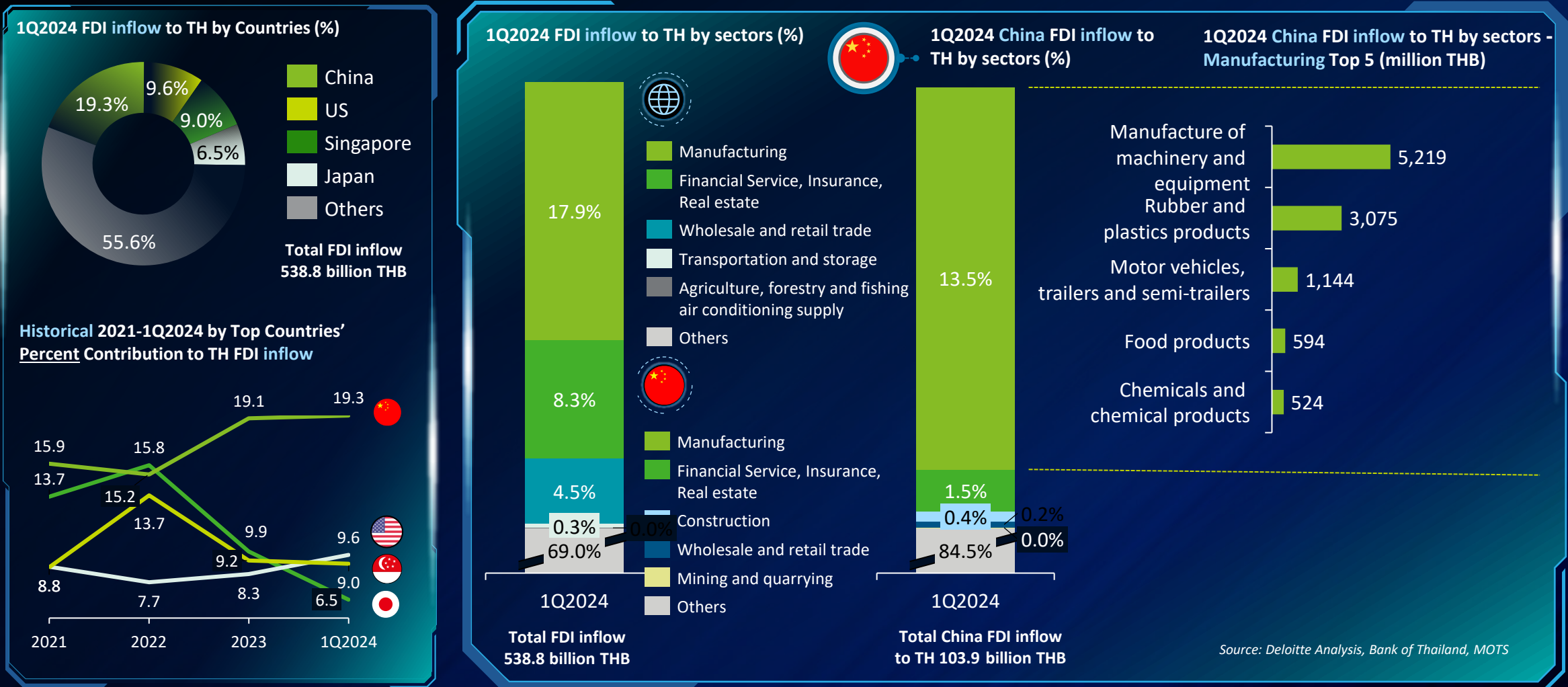
Unit: mUSD



7M2024 Total Export Value
+3.8% (YoY)

1Q2024 FDI inflow had been mostly contributed by Manufacturing sector, followed by Financial Service, Insurance, and Real Estate sectors. China's manufacturing top FDI inflow are Manufacture of electrical equipment.

Compared to previous years, China's contribution to Thailand's FDI inflows has increased.

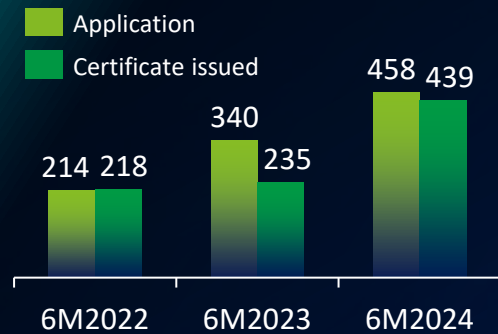


6M2024 Foreign Direct Investment in Thailand is on the rise.

In 6M2024, FDI applications reached 1,412, representing a 64% increase from the previous year, and an increase of 35% in combined investment value to 458.36 billion THB, with the highest magnitude from electrical appliance & electronics.

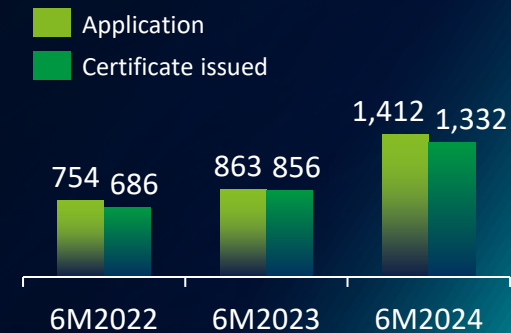
6M2022-6M2024 BOI FDI application and promotion certificate issued – by Value

Unit: Billion THB



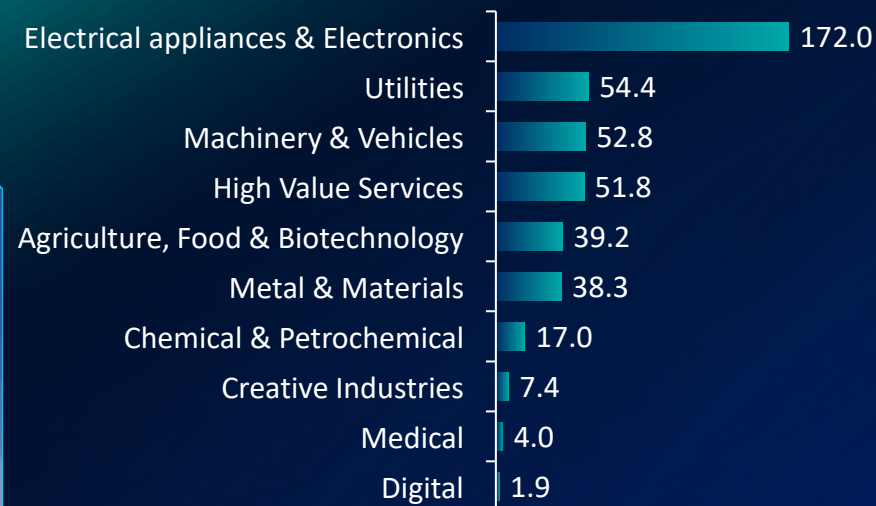
6M2022-6M2024 BOI FDI application and promotion certificate issued – by Volume

Unit: number of projects



6M2024 BOI FDI Promotion Certificate Issued by Sector

Unit: Billion THB



6M2024 Total: 439 Billion THB (87% YoY)

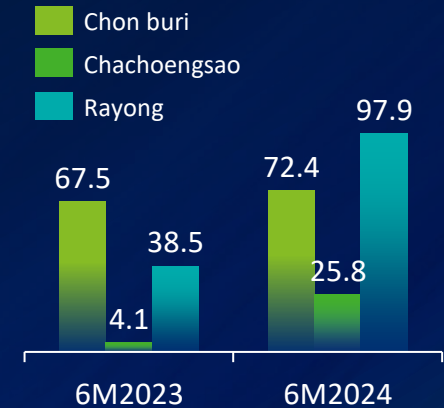
Remarks

- *Sample of Creative Industries: Manufacture of technical fiber or functional fiber, garments and household textiles, film, manufacture of musical instrument, etc.*
- *Sample of High Value Services: Trade and investment support office, human resource development, tourism, logistics, etc.*

Source: Deloitte Analysis, BOI

6M2023 – 6M2024 BOI FDI Promotion Certificate Issued in EEC

Unit: Billion THB



EEC 6M2023 Total: 110 Billion THB

EEC 6M2024 Total: 196 Billion THB

Economic recovery across sectors is still uneven.

Tourism and service sectors has the highest pace of recovery which also contribute to about 60% of Thailand's GDP. However, approximately half of all Thai labor force is in the moderate recovery area.



Source: Deloitte Analysis, Bank of Thailand

Thailand's housing market in 2Q2024 is experiencing a decline.

Overall, the first half of 2024 witnessed a slower market compared to the COVID-19 period. Developers are now focusing on building fewer, but more expensive houses, while buyers face tighter lending standards, limiting their purchasing power. Debt consolidation to relax the Loan-to-Value (LTV) ratio might modestly support demand.

Supply Side

The decrease in the number of new unit launches, coupled with a significant increase in their overall value, implies developers have focused on producing higher-priced housing.

2Q2024 new launches housing in Bangkok and vicinity
16,442 units (-27% YoY)
184,790 mTHB (+44% YoY)

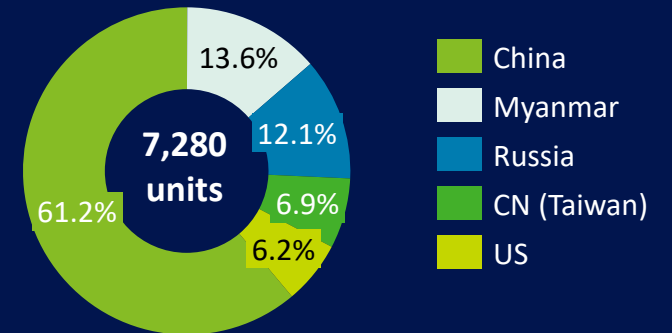
Demand Side

The value and volume of housing units transferred nationwide in 2Q2024 declined which was likely due to financial institutions continuing to tighten lending standards under high household debt and weak purchasing power.

2Q2024 number of housing units transferred
86,998 units (-4.5% YoY)
243,404 mTHB (-5.7% YoY)

2Q2024 new residential loans
144,115 mTHB (-10.1% YoY)

2Q2024 Transfer of condominium ownership by foreigners – by unit volume



Financial Measurement

Debt Consolidation of Housing Loans and Personal Loans

Consolidating housing loans and personal loans to reduce debtor's burden through relaxing the loan-to-value (LTV) ratio requirements, allowing the LTV ratio to exceed the specified ceiling.

Contributors



Narain Chutijirawong, Ph.D.

Executive Director
Clients & Markets
nchutijirawong@deloitte.com



Tasada Sangmanacharoen

Senior Consultant
Clients & Markets
tsangmanacharoen@deloitte.com



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Thailand

In Thailand, services are provided by Deloitte Touche Tohmatsu Jaiyos Co., Ltd. and its subsidiaries and affiliates.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.