# Thailand Monthly Economic Monitor

*29 August 2024*

*Growth accelerated in Q2 to 2.3 percent, slightly above expectations, but the recovery continued to lag ASEAN peers. In June, data indicated a subdued recovery, with activity slowing and consumer confidence declining amid heightened political uncertainty. While manufacturing growth expanded modestly for the full quarter, June activity data shows a renewed decline, and the growth in tourist arrivals slowed. The trade deficit persisted, driven by lagging export recovery and rising imports, particularly from China. Inflation edged up slightly to 0.8 percent (y/y) but remained among the lowest in emerging markets. Fiscal spending accelerated despite political uncertainty; The Bank of Thailand maintained its policy rate while easing credit card repayment regulations to support households. The Thai baht appreciated, driven by expectations of the Federal Reserve's easing cycle and a persistent current account surplus.*

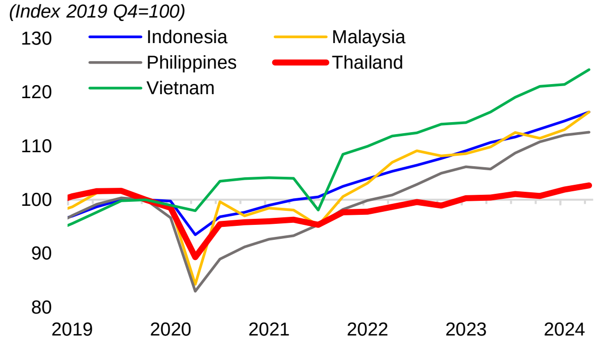
**Economic growth accelerated in Q2 and modestly surpassed expectation.** The economy expanded 2.3 percent (year-on-year), slightly higher than 1.6 percent in the previous quarter. On a quarterly basis, GDP increased by 0.8 percent (seasonally adjusted). Growth was boosted by sustained expansion in private consumption, and tourism recovery. Manufacturing output turned slightly positive for the first time in seven quarters. In contrast, private and public investment contracted sharply. There was a significant rundown of inventory amidst both external and domestic uncertainties. Goods exports recovery remained slow. Thailand's recovery continued to lag ASEAN peers (Fig. 1). However, the economy is expected to pick up in the remainder of 2024, driven by faster budget disbursement and support from private consumption and tourism.

**June high-frequency data suggest subdued momentum, marked by slowing activity and falling consumer confidence amid heightened political uncertainty.** In June, manufacturing production contracted by 1.7 percent year-on-year, marking two months of consecutive decline (Fig. 2). Services remained a key contributor to growth due to ongoing tourism recovery, but its pace is slowing. Tourist arrivals slowed from 30.3 percent year-on-year to 22.3 percent, reaching 89.8 percent of the pre-pandemic level. This slowdown was due to fewer visitors from China, ASEAN, India, and Korea (Fig. 3). Private consumption grew at a slower pace, in line with a decline in lending growth due to more stringent credit standards. Consumer confidence also declined for the fifth consecutive month in July due to concerns over high living costs, political uncertainty, and slow economic recovery. The removal of the Prime Minister and his cabinet are likely to impact the Digital Wallet program and budget execution, further clouding the domestic consumption and investment outlook.

**The goods trade deficit persisted, driven by lagging goods exports recovery, high commodity prices, and rising**

**Figure 1: Output Gradually Recover in the First Half of 2024**

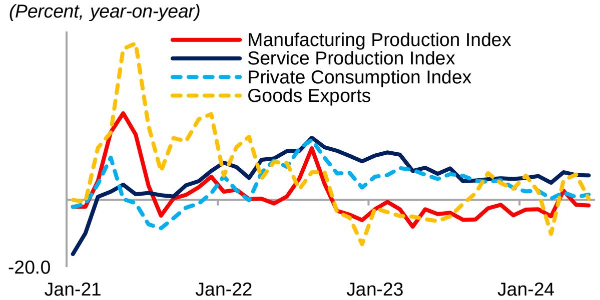
*(Index 2019 Q4=100)*




*Source:* CEIC; World Bank staff calculations

**Figure 2: High Frequency Data Indicate a Subdued Recovery**

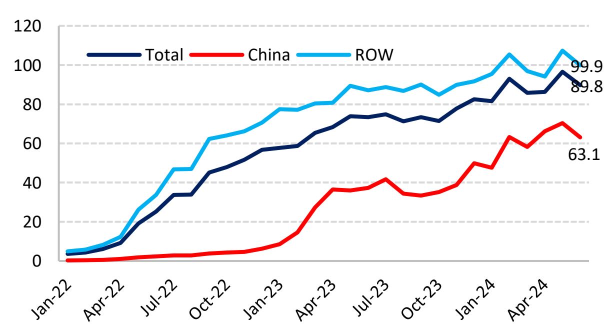
*(Percent, year-on-year)*




*Source: Haver Analytics*; CEIC; World Bank staff calculations.

**Figure 3: Tourism Recovery Remained Slow**

*(Tourist arrivals, percent of the 2019 level)*




*Source: CEIC;* World Bank staff calculations.

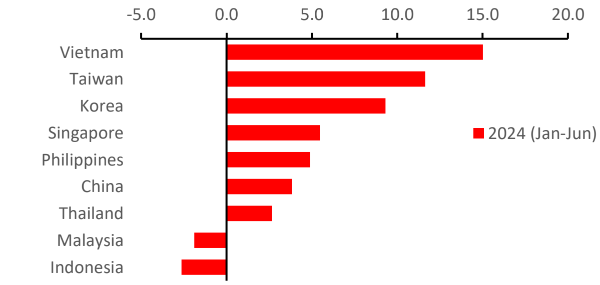
**imports from China.** In June, goods export growth slowed to 0.3 percent year-on-year hampered by declines in agricultural products, transport equipment, and electrical appliances, despite a third consecutive month of expansion in electronic exports. Overall, the recovery of goods exports in Thailand lagged behind most major Asian exporters (Fig. 4). The goods trade balance (customs basis) remained in deficit for the past three quarters. A rising trade deficit with China, driven by weak Chinese demand and increasing imports from China, contributed to the overall trade deficit but was partly offset by a higher trade surplus with the US, induced by trade diversion due the US-China tensions (Fig 5). The July Global Manufacturing Purchasing Index (PMI) contracted for the first time in seven months, signaling a pessimistic export outlook.

**Inflation edged higher but remained among the lowest in emerging markets due to weak domestic demand and price controls.** In July, headline inflation inched up from 0.6 percent year-on-year to 0.8 percent, marking the second lowest rate among emerging markets, trailing only behind China (Fig. 6). Energy price inflation rose in line with the global oil price. Fresh food inflation saw a slight uptick. Meanwhile, core inflation—which excludes energy and raw food—remained subdued at 0.5 percent, below the pre-pandemic average of 0.7 percent from 2016-2019, reflective of the lingering output gap. Inflation pressures were further contained by ongoing price controls. The government maintained the diesel price ceiling at THB 33 per liter and continued to subsidize electricity prices particularly for low-income households.

**Fiscal spending accelerated but political uncertainty increased.** In the third quarter of FY 24 (April-June), the central government's fiscal deficit on a GFS basis rose to 2.2 percent of GDP, the highest in the same period last three years. This increase followed a seven-month delay in budget approval, which led to accelerated current and capital expenditures, while revenue remained stable. Going forward, accelerated budget execution now faces uncertainty following the recent change in government. In June, public debt declined for the first time in six months, to reach 63.5 percent of GDP. This reduction was primarily due to the repayment of COVID-19-related borrowing and decreased budget financing needs.

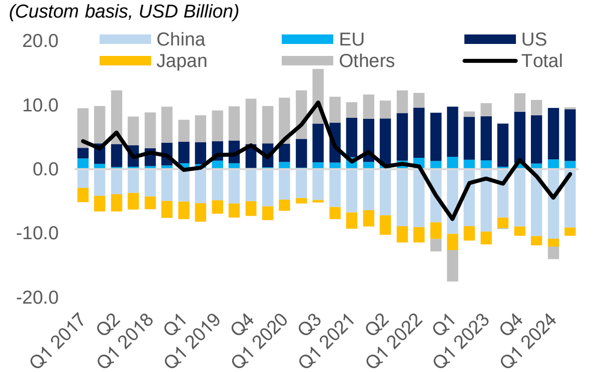
**The Bank of Thailand (BOT) maintained its policy rate while easing regulations on credit card debt repayment.** In the monetary policy meeting on June 12, the BOT assessed that the current policy rate of 2.5 percent remained appropriate for supporting economic and price stability, with inflation expected to normalize to its target by Q4. However, household debt remained as high as 90.8 percent of GDP in Q1 and NPL among SMEs has been rising. To mitigate financial pressures on households and SMEs, the BOT extended the reduced minimum monthly repayment rate for credit cards at 8 percent for an

**Figure 4: Exports Growth Lagged Major Asian Exporters**
*(Percent, year-on-year)*



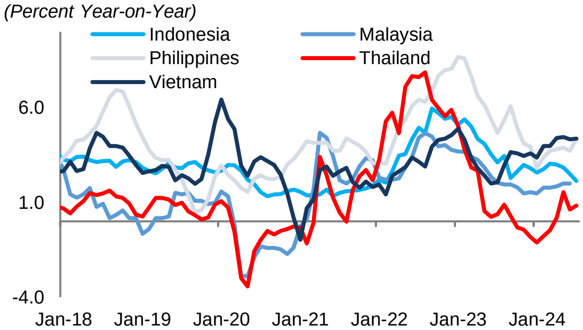

*Source: Haver Analytics*; World Bank staff calculations.

**Figure 5: The Goods Trade Deficit Continued due to Increasing Deficit with China**
*(Custom basis, USD Billion)*



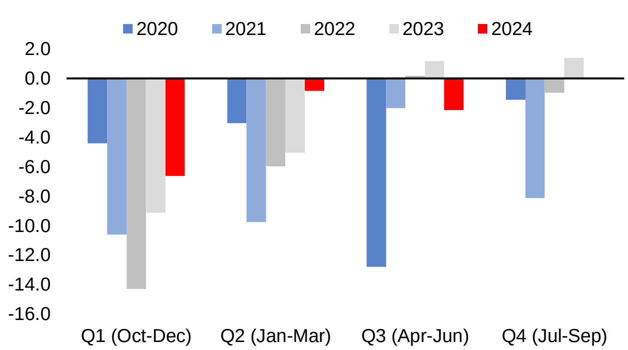

*Source:* CEIC; World Bank staff calculations.

**Figure 6: Inflation Was the Lowest Among Peers**
*(Percent Year-on-Year)*




*Source: CEIC;* World Bank staff calculations.

**Figure 7: Budget Deficit Increased in Q3 of FY24**
*(Percent of GDP)*

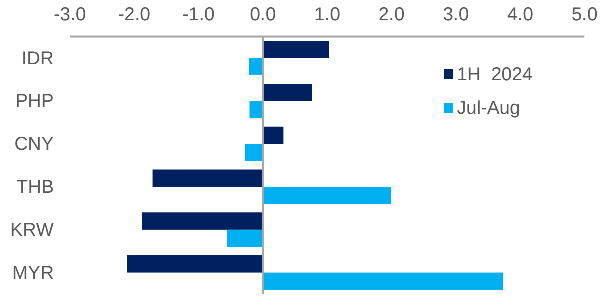



*Source: Haver Analytics*; World Bank staff calculations additional year. This rate is scheduled to revert to the pre-Covid level of 10 percent at the end of 2025.

**The Thai baht appreciated due to expectations of the Fed's easing cycle and a current account surplus.** In the first two weeks of August, the Thai baht NEER appreciated by 0.9 percent, mirroring movements in the Malaysian Ringgit, while other major Asian currencies depreciated (Fig 8). This appreciation was driven by expectations that the Federal Reserve may begin its easing cycle sooner than anticipated. Additionally, a surplus in the current account balance also supported the strength of the Thai baht. In July, Thailand witnessed portfolio investment inflows for the first time in nine months, driven by inflows to the sovereign bond market.

**Figure 8: The Thai Baht NEER Appreciated in line with the Malaysian Ringgit NEER**

*(Percent)*




*Note: First 2 weeks of August*
*Source: Haver Analytics;* World Bank staff calculations

### News Highlights:

- New Thai prime minister scrutinizing THB500 billion cash handouts (Bangkok Post, Link).
- Only 45% of the government's investment budget was disbursed during the first 10 months of FY24 (Bangkok Post, Link).
- The NESDC now expects GDP growth of between 2.3% and 2.8% this year (Reuters, Link).

### Issues to Watch:

- Consumption: Will the government roll out Digital Wallet scheme or other cash transfer program in Q4?
- Inflation: Will the partial removal of energy subsidies put pressure on inflation?
- Fiscal: Will accelerated budget execution lead to stronger economy in H2?

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## Selected Economic and Financial Indicators

| | 2023 | 2023 Q3 | 2023 Q4 | 2024 Q1 | 2024 Q2 | 2024 Mar | 2024 Apr | 2024 May | 2024 Jun | 2024 Jul |
|---|---|---|---|---|---|---|---|---|---|---|
| **GDP and Inflation (%YoY)** | | | | | | | | | | |
| GDP growth (real) | 1.9 | 1.4 | 1.7 | 1.6 | 2.3 | | | | | |
| Contribution to GDP growth: | | | | | | | | | | |
| Private consumption | 4.0 | 4.7 | 4.0 | 3.7 | 2.4 | | | | | |
| General Government consumption | -0.7 | -0.9 | -0.4 | -0.3 | 0.0 | | | | | |
| Gross fixed capital formulation: Private | 0.6 | 0.7 | 0.9 | 0.8 | -1.2 | | | | | |
| Gross fixed capital formulation: Public | -0.3 | -0.3 | -1.0 | -1.8 | -0.3 | | | | | |
| Net Exports of goods and services | 3.0 | 7.9 | 0.7 | -1.6 | 3.1 | | | | | |
| Change in Inventory | 0.0 | -7.1 | -0.8 | 0.2 | -2.0 | | | | | |
| Residual and errors | -4.7 | -3.7 | -1.7 | 0.7 | 0.2 | | | | | |
| GDP, nominal (USD Billion) | 515 | 126 | 130 | 130 | 123 | | | | | |
| GDP, nominal (THB Billion) | 17,922 | 4,441 | 4,631 | 4,621 | 4,517 | | | | | |
| Consumer Prices Index: Headline | 1.3 | 0.5 | -0.5 | -0.8 | 0.8 | -0.5 | 0.2 | 1.5 | 0.6 | 0.8 |
| Consumer Prices Index: Core | 1.3 | 0.8 | 0.6 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |
| **Output Indicators** | | | | | | | | | | |
| Manufacturing Production Index (%YoY) | -3.8 | -5.2 | -2.9 | -3.5 | -0.2 | -4.9 | 2.7 | -1.5 | -1.7 | |
| Capacity Utilisation (%) | 59.6 | 58.4 | 57.4 | 60.4 | 57.8 | 62.3 | 55.5 | 59.5 | 58.4 | |
| Farm Production Index (%YoY) | 1.4 | 0.7 | 1.2 | -3.2 | -2.1 | -6.1 | -5.8 | 6.6 | -7.0 | |
| Service Index (%YoY) | 8.8 | 6.9 | 5.9 | 6.2 | 7.8 | 5.0 | 8.5 | 7.5 | 7.4 | |
| **Labor Market** | | | | | | | | | | |
| Unemployed workers (Thousand Persons) | 395.2 | 401.2 | 329.3 | 407.7 | - | | | | | |
| Unemployment rate (%) | 1.0 | 1.0 | 0.8 | 1.0 | - | | | | | |
| Underemployment/1 (Thousand Persons) | 202.1 | 166.9 | 210.9 | 191.5 | - | | | | | |
| Underemployment (%) | 0.5 | 0.4 | 0.5 | 0.5 | - | | | | | |
| **Balance of Payments (USD million)** | | | | | | | | | | |
| Current account | 9,605 | 3,800 | 3,655 | 2,613 | 2,553 | 337 | -45 | 647 | 1,950 | |
| Current account (% of GDP) | 1.9 | 3.0 | 2.8 | 2.0 | 2.1 | 0.8 | -0.1 | 1.5 | 4.6 | |
| Trade Balance | 19,379 | 6,707 | 4,900 | 1,610 | 5,539 | 975 | 265 | 2,825 | 2,449 | |
| Exports of goods (%YoY) | -1.4 | -1.3 | 5.4 | -1.1 | 4.5 | -10.2 | 5.8 | 7.5 | 0.3 | |
| Imports of goods (%YoY) | -3.4 | -11.8 | 4.6 | 3.3 | 1.2 | 5.4 | 6.4 | -2.2 | -0.1 | |
| Service, primary and secondary Income | -9,774 | -2,906 | -1,245 | 1,003 | -2,986 | -638 | -309 | -2,178 | -499 | |
| Tourist Arrivals (Thousand Persons) | 28,150 | 7,089 | 8,095 | 9,370 | 8,131 | 2,983 | 2,757 | 2,633 | 2,740 | |
| Financial account | -13,929 | -4720.0 | -4056.0 | -3980.9 | - | | | | | |
| Financial account (% of GDP) | -2.7 | -3.7 | -3.1 | -3.1 | - | | | | | |
| Foreign direct Investment, net | -7,205 | -1,140 | -3,802 | 408 | - | | | | | |
| Portfolio flows | -13,080 | -3,978 | -1,909 | -4,269 | - | | | | | |
| Others Investments | 6,427 | 585 | 1,692 | 3 | - | | | | | |
| **Central Government Budget (Fiscal Year, THB billion)/2** | | | | | | | | | | |
| Revenue | 3,224 | 912 | 717 | 698 | 957 | 250 | 256 | 318 | 383 | |
| Expenditure | 3,745 | 850 | 1,019 | 738 | 1,054 | 259 | 256 | 454 | 345 | |
| Central Government balance | -522 | 62 | -302 | -40 | -98 | -9 | 1 | -136 | 38 | |
| Central Government balance (% of GDP) | -2.9 | 1.4 | -6.5 | -0.9 | -2.2 | | | | | |
| Public debt (% of GDP) | 62.4 | 62.4 | 61.9 | 188.4 | 191.6 | 63.4 | 63.8 | 64.3 | 63.5 | |
| **Financial Markets Indicators** | | | | | | | | | | |
| Policy rate (%) | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| M2 (%YoY) | 1.79 | 1.1 | 1.4 | 1.7 | 2.4 | 1.7 | 2.1 | 2.6 | 2.6 | - |
| Household Debt (% of GDP) | 91.4 | 91.0 | 91.4 | 90.8 | | | | | | |
| SET Index | 1,416 | 1,471 | 1,416 | 1,378 | 1,301 | 1,378 | 1,368 | 1,346 | 1,301 | 1,321 |
| Thai government bond yield, 10 year (%) | 2.67 | 3.16 | 2.67 | 2.50 | 2.66 | 2.50 | 2.79 | 2.79 | 2.66 | 2.59 |
| Foreign exchange reserve and FX forward position (USD billion) | 255 | 242 | 255 | 253 | 253 | 253 | 249 | 253 | 253 | 258 |
| USD/THB, end of period | 34.22 | 36.56 | 34.22 | 36.47 | 36.85 | 36.47 | 37.06 | 36.73 | 36.85 | 35.76 |
| THB NEER, average | 119.8 | 119.9 | 119.2 | 118.8 | 117.2 | 118.1 | 116.8 | 117.2 | 117.6 | 118.8 |

1/ Underemployment accounts for workers who are occupied less than 35 hours per week and are available for additional work (defined by BOT).
2/ Fiscal Year 2024 begins in October 2023 and ends in September 2024, Fiscal Balance according to GFS.

Source: Office of the National Economic and Social Development Council, Bank of Thailand, Office of Industrial Economics, Ministry of Industry National Statistical Office of Thailand, Fiscal Policy Office, Public Debt Management Office, Haver Analytics.