



# Thailand Monthly Economic Monitor

24 September 2024

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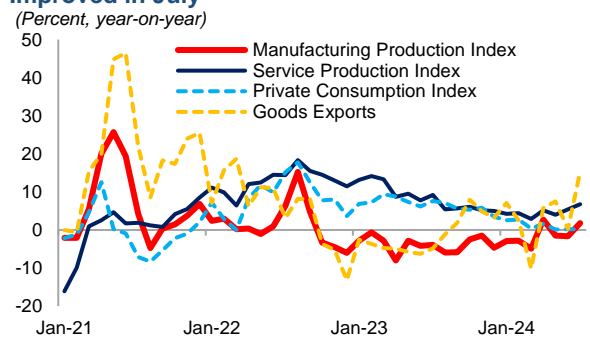
Economic activity improved, driven by external demand for exports and tourism. Manufacturing growth turned positive, supported by a surge in goods exports. However, internal drivers weighed on growth. Private consumption growth decelerated, impacted by stricter credit conditions. The acceleration of fiscal spending proved slower than expected, but a higher FY25 budget spending could support growth. The revised Digital Wallet is expected to boost GDP growth in the fourth quarter of 2024. The Thai baht appreciated driven by expectations of the Federal Reserve's easing cycle and a persistent current account surplus. Inflation remained among the lowest in emerging markets, falling to 0.4 percent, due to lower energy prices; core inflation remained subdued due to weak domestic demand.

**Economic activity improved due to stronger exports and tourism while private consumption slowed.** In July, manufacturing production turned positive for the first time in three months, growing by 1.8 percent year-on-year due to a strong pick up in goods exports (Fig. 1). Services remained a key contributor to growth due to ongoing tourism recovery. Tourist arrivals increased by 24.6 percent year-on-year, reaching 93.3 percent of the pre-pandemic levels. Visitors from China hit 70% of pre-pandemic numbers, and ASEAN visitors continued to rise since April (Fig. 2). However, private consumption remained weak, with consumer confidence in August falling to a 13-month low amid slow credit growth due to stricter credit standards. The slow economic recovery and recent flood concerns further weighed on consumer confidence.

**Goods exports growth accelerated as external demand, particularly from the US, remained robust.** In July, the goods trade surplus narrowed as import growth outpaced export growth. Goods exports expanded by 15.3 percent year-on-year, up from 0.3 percent previously, driven by electronics, machinery, agro-manufacturing, and petroleum products (Fig. 3). However, automobile exports fell sharply. Year-to-date, goods export growth averaged 4.5 percent, on par with China and the Philippines. However, the recent contraction in the global Manufacturing Purchasing Manager Index raises concerns about slowing export demand in the coming months (Fig. 4). Import growth surged by 13 percent year-on-year.

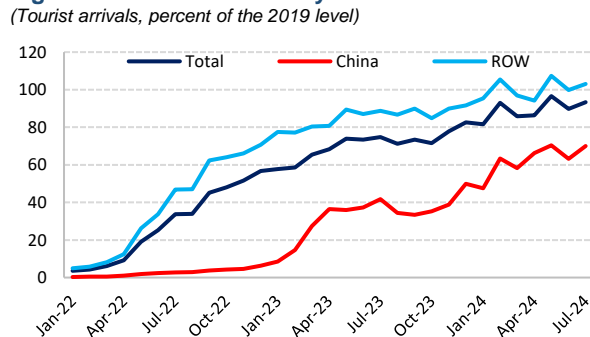
**Inflation declined due to falling energy prices.** In August, headline inflation fell from 0.8 percent to 0.4 percent year-on-year, the lowest rate among emerging markets (Fig. 5). Energy price inflation turned negative for the first time in four months, despite a partial removal of the diesel price subsidy. Dubai crude oil prices dropped by 7.1 percent to USD 78 per barrel due to concerns about weakening global demand, particularly from China. Fresh food inflation edged up slightly, while core inflation, excluding energy and raw food, remained subdued at 0.6 percent due to the persistent output gap. In August, the BOT kept

**Figure 1: High Frequency Economic Indicators Improved in July**



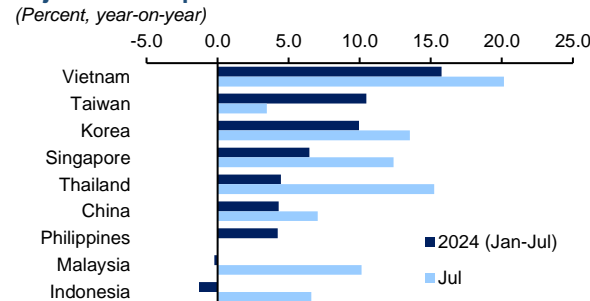
Source: Haver Analytics; CEIC; World Bank staff calculations.

**Figure 2: Tourism Recovery Remained Slow**



Source: CEIC; World Bank staff calculations.

**Figure 3: Exports Growth Accelerated in line with Major Asian Exporters**



Source: Haver Analytics; World Bank staff calculations.

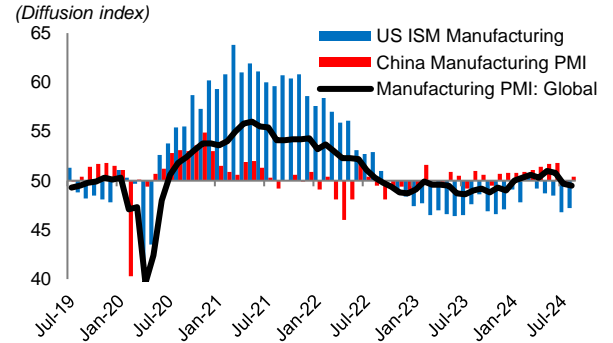
the policy rate at 2.5 percent, with inflation expected to normalize to its target by Q4.

**The pace of fiscal expenditure has remained slow, but the approved larger budget spending for FY25 could support growth, going forward.** In July, the central government's fiscal deficit (GFS basis) was 1.4 percent of GDP, the lowest in four years, while revenue remained relatively stable. In the first 10 months of FY24, only 42 percent of the government's investment budget was disbursed—well below the 75 percent target—due to a seven-month delay in implementing the FY24 Budget (Fig. 6). In July, public debt reached 63.7 percent of GDP. Economic growth for the remainder of 2024 will in large part depend on the pace of budget execution. For FY25, the parliament approved budget spending of THB 3.75 trillion (about 19 percent of GDP), a 7.8 percent increase from FY24, including an additional THB 153 billion (0.8% of GDP) for economic stimulus measures (Table 1). The government expects the fiscal deficit to widen to 4.4% of GDP due to higher spending, while revenue as a percentage of GDP is forecast to remain relatively stable. However, it remains uncertain if the stimulus will also include the anticipated digital wallet program.

**The government adjusted the timing and scope of the digital wallet program.** The planned THB 10,000 universal digital money transfer for 45 million Thais is likely to be phased. For the initial phase in September, lower-income and vulnerable groups with Social Welfare Cards will receive the cash transfer, costing in total THB 145 billion (0.8% of GDP). This rollout is expected to boost GDP growth in Q4. The World Bank's preliminary estimates forecast that transfers could raise GDP growth by 0.3 percentage points this year. The [fiscal multiplier](#) for transfer payments targeted at low-income households could be larger than that for universal transfers, as lower-income groups tend to consume a higher proportion of their earnings. Meanwhile, the implementation of the remaining THB 300 billion (about 1.6% of GDP) remains uncertain.

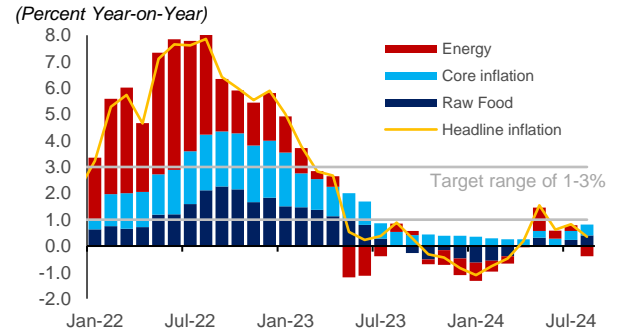
**The Thai baht appreciated due to expectations of the Fed's easing cycle and a current account surplus.** In Q3, the Thai baht NEER appreciated by 3.1 percent, reaching the strongest level since 2020 and mirroring movements in the Malaysian Ringgit (Fig. 7). This appreciation was fueled by expectations of the Federal Reserve beginning its easing cycle, a current account surplus, and stable policy outlook following a successful cabinet formation. In the first two weeks of September, portfolio investments recorded net inflows for the third consecutive month, driven by both sovereign bond and stock market investments.

**Figure 4: Global Manufacturing PMI Contracted for the Second Month**



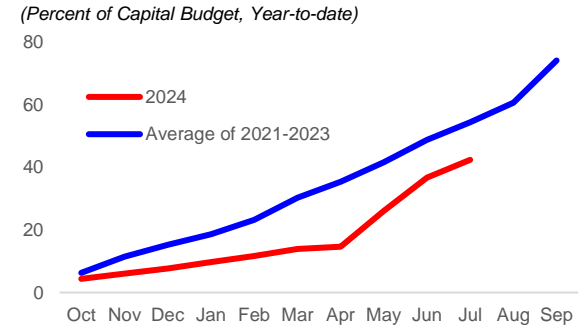
Source: CEIC; World Bank staff calculations.

**Figure 5: Inflation Was Dragged by Falling Energy Prices**



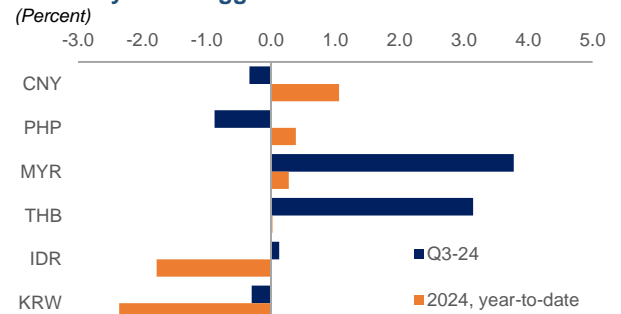
Source: CEIC; World Bank staff calculations.

**Figure 6: Public Investment Budget Execution was at its Lowest in Three Years**



Source: CEIC; World Bank staff calculations

**Figure 7: The Thai Baht NEER Appreciated in line with the Malaysian Ringgit NEER**



Note: Q3 includes the first 2 weeks of September

Source: Haver Analytics; World Bank staff calculations

**Table 1: Budget Structure***(THB million; Percent of GDP in parenthesis)*

	FY 2023		FY 2024	FY 2025
	Budget	Actual	Budget	Budget
<b>Total Revenues</b>	<b>2,490,000</b> [14]	<b>2,665,671</b> [15]	<b>2,787,000</b> [14.9]	<b>2,887,000</b> [14.8]
<b>Total Expenditures</b>	<b>3,185,000</b> [17.9]	<b>3,262,393</b> [18.3]	<b>3,480,000</b> [18.7]	<b>3,752,700</b> [19.2]
Current expenditures	2,402,540 [13.5]	2,610,244 [14.6]	2,540,469 [13.6]	2,704,575 [13.8]
Capital expenditures	689,480 [3.9]	478,191 [2.7]	710,081 [3.8]	908,224 [4.6]
<b>Fiscal Surplus/Deficit</b>	<b>-695,000</b> [-3.9]	<b>-596,722</b> [-3.3]	<b>-693,000</b> [-3.7]	<b>-865,700</b> [-4.4]

**News Highlights:**

- New Thai prime minister will prioritise stimulating a sluggish economy and tackling stubborn debt problems (Reuters, [Link](#)).
- Thailand expects less than 40m to join handout scheme (Bangkok Post, [Link](#)).
- The floods, which occurred between August 16 and yesterday, impacted 30 provinces (The Thaiger, [Link](#)).

**Issues to Watch:**

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

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## Selected Economic and Financial Indicators

	2023	2023		2024		2024				
		Q3	Q4	Q1	Q2	Apr	May	Jun	Jul	Aug
<b>GDP and Inflation (%YoY)</b>										
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	0.2	1.5	0.6	0.8	0.4
Consumer Prices Index: Core	1.3	0.8	0.6	0.4	0.4	0.4	0.4	0.4	0.5	0.6
<b>Output Indicators</b>										
Manufacturing Production Index (%YoY)	-3.8	-5.2	-2.9	-3.5	-0.1	2.7	-1.5	-1.6	1.8	
Capacity Utilisation (%)	59.6	58.4	57.4	60.4	57.7	55.5	59.5	58.3	58.8	
Farm Production Index (%YoY)	1.4	0.7	1.2	-3.2	-2.1	-5.8	6.6	-7.0	-1.4	
Service Index (%YoY)	8.6	6.9	5.1	3.9	5.0	5.3	4.1	5.6	6.9	
<b>Labor Market</b>										
Unemployed workers (Thousand Persons)	395.2	401.2	329.3	407.7	429.1					
Unemployment rate (%)	1.0	1.0	0.8	1.0	1.1					
Underemployment/1 (Thousand Persons)	202.1	166.9	210.9	191.5	162.4					
Underemployment (%)	0.5	0.4	0.5	0.5	0.4					
<b>Balance of Payments (USD million)</b>										
Current account	9,605	3,800	3,655	2,613	2,553	-45	647	1,950	270	
Current account (% of GDP)	1.9	3.0	2.8	2.0	2.1	-0.1	1.5	4.6	0.6	
Trade Balance	19,379	6,707	4,900	1,610	5,539	265	2,825	2,449	861	
Exports of goods (%YoY)	-1.4	-1.3	5.4	-1.1	4.5	5.8	7.5	0.3	15.3	
Imports of goods (%YoY)	-3.4	-11.8	4.6	3.3	1.2	6.4	-2.2	-0.1	15.8	
Service, primary and secondary Income	-9,774	-2,906	-1,245	1,003	-2,986	-309	-2,178	-499	-591	
Tourist Arrivals (Thousand Persons)	28,150	7,089	8,095	9,370	8,131	2,757	2,633	2,740	3,103	
Financial account	-13,929	-4,720.0	-4,056.0	-3,980.9	-					
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	-					
<b>Central Government Budget (Fiscal Year, THB billion)/2</b>										
Revenue	3,224	912	717	698	963	261	317	385	248	
Expenditure	3,745	850	1,019	738	1,054	256	454	345	269	
Central Government balance	-522	62	-302	-40	-91	5	-137	40	-21	
Central Government balance (% of GDP)	-2.9	1.4	-6.5	-0.9	-2.0					
Public debt (% of GDP)	62.4	62.4	61.9	188.6	191.3	63.7	64.2	63.4	63.7	
<b>Financial Markets Indicators</b>										
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	2.1	2.6	2.6	3.1	-
Household Debt (% of GDP)	91.4	91.0	91.4	90.8						
SET Index	1,416	1,471	1,416	1,378	1,301	1,368	1,346	1,301	1,321	1,359
Thai government bond yield, 10 year (%)	2.67	3.16	2.67	2.50	2.66	2.79	2.79	2.66	2.59	2.55
Foreign exchange reserve and FX forward position (USD billion)	255	242	255	253	253	249	253	253	258	262
USD/THB, end of period	34.22	36.56	34.22	36.47	36.85	37.06	36.73	36.85	35.76	33.97
THB NEER, average	119.8	119.9	119.2	118.8	117.2	116.8	117.2	117.6	118.8	121.5

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.