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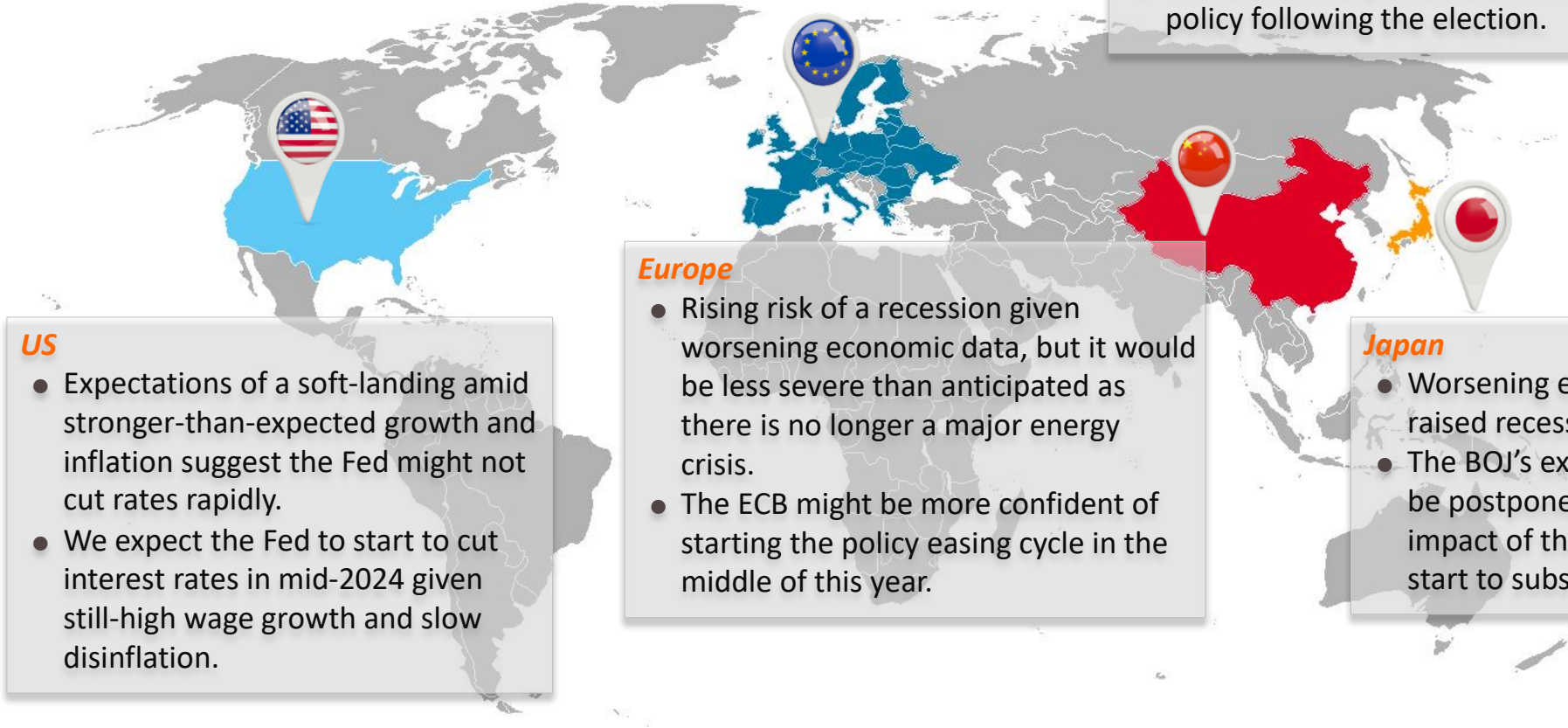
MONTHLY ECONOMIC BULLETIN

January 2024



Krungsri Research

Global: Ongoing debate over future policy directions



China

- Economic recovery remains slow dragged by the slump in the property sector
- There is unlikely to be a shift in Taiwan's cross-strait policy following the election.

US

- Expectations of a soft-landing amid stronger-than-expected growth and inflation suggest the Fed might not cut rates rapidly.
- We expect the Fed to start to cut interest rates in mid-2024 given still-high wage growth and slow disinflation.

Europe

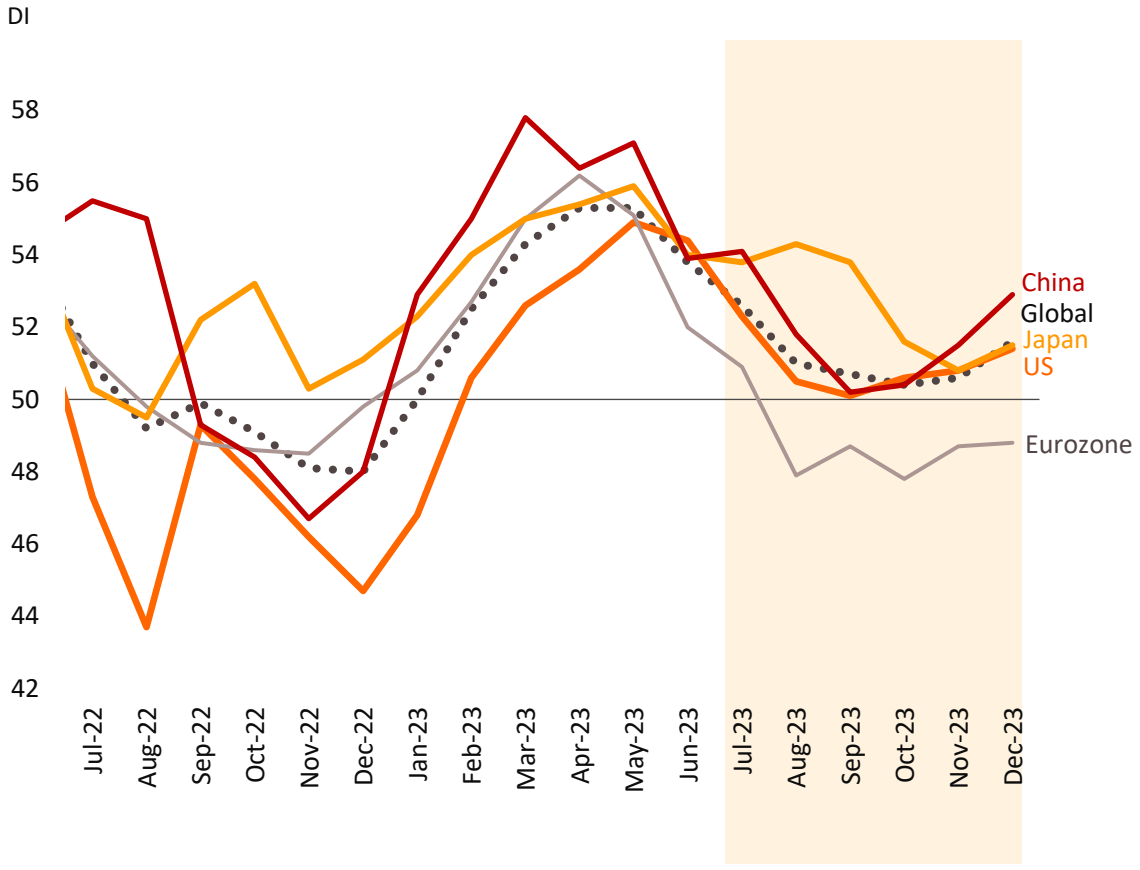
- Rising risk of a recession given worsening economic data, but it would be less severe than anticipated as there is no longer a major energy crisis.
- The ECB might be more confident of starting the policy easing cycle in the middle of this year.

Japan

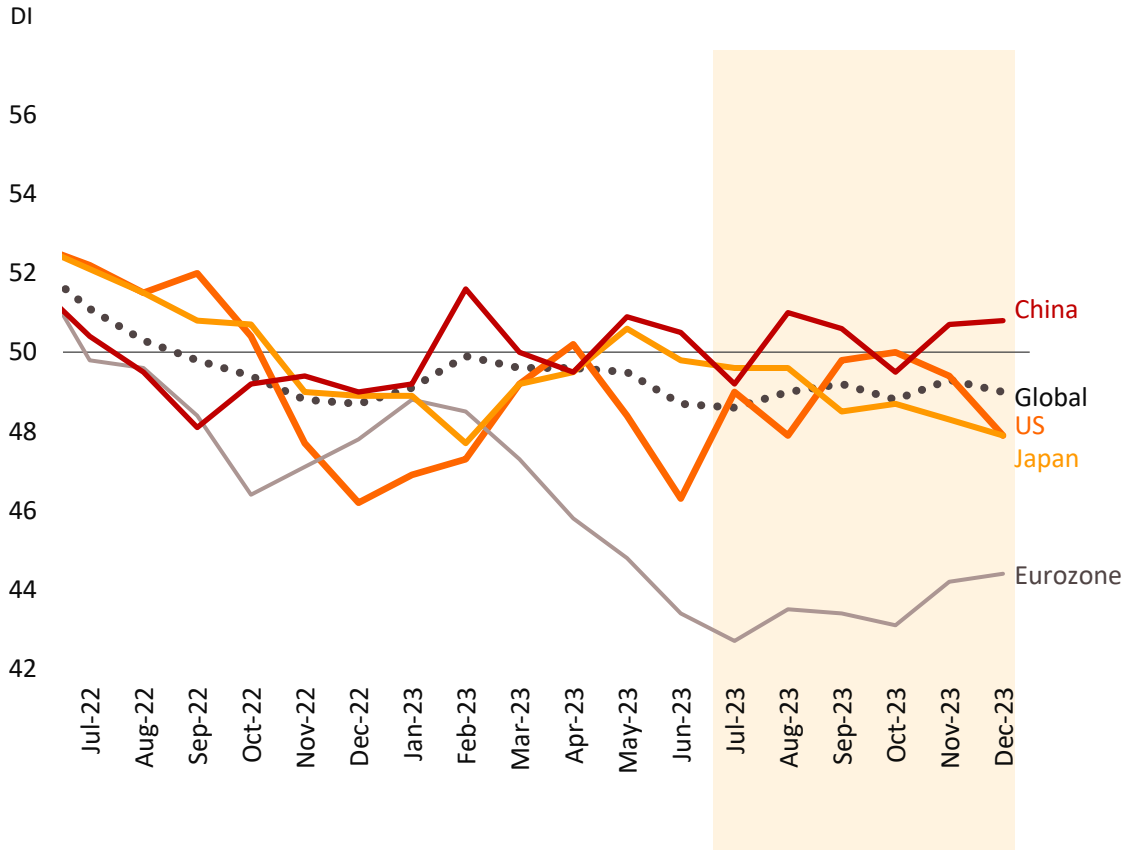
- Worsening economic data have raised recession risk.
- The BOJ's exit from easing might be postponed to Q2 after the impact of the recent earthquake start to subside.

Global data suggest further weakness ahead despite the slight improvement at end-2023; mild expansion in services sector to be offset by shrinking manufacturing activity

Global Services PMI



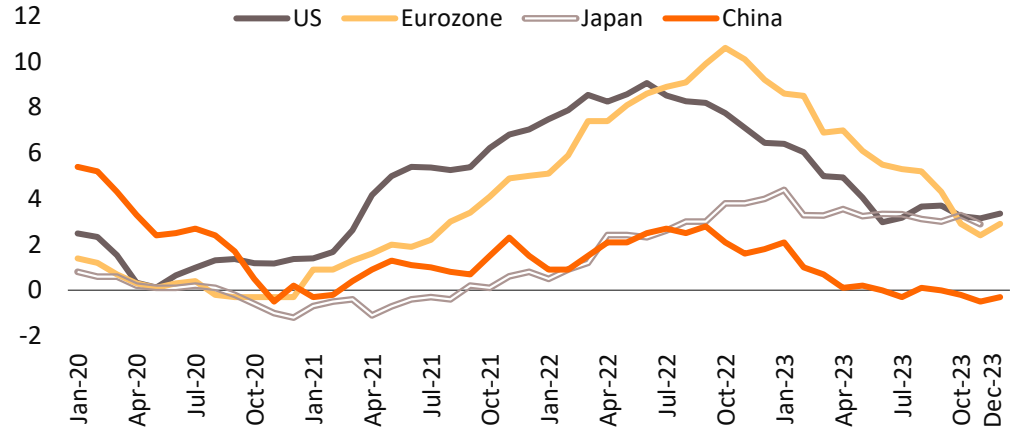
Global Manufacturing PMI



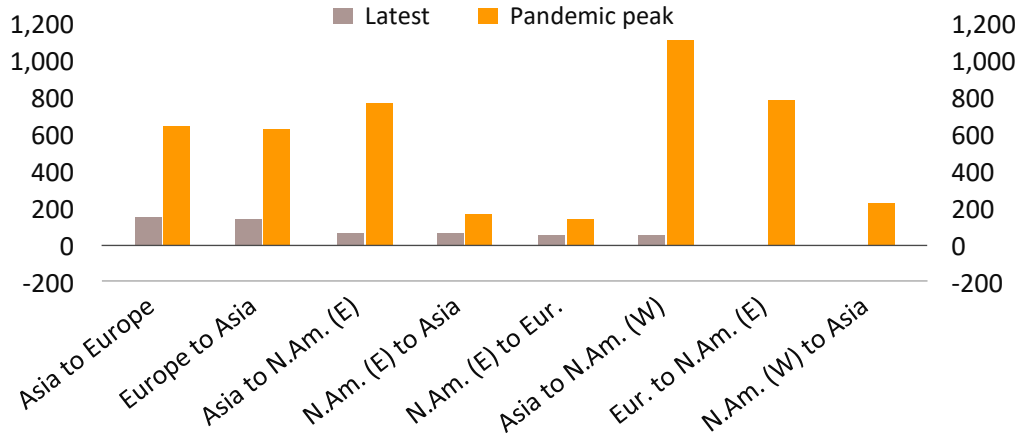
Source: S&P global, Bloomberg, Krungsri Research

Despite recent rise in shipping costs, improving supply chain conditions and softer labor demand could slow inflation and allow central banks to unwind policy tightening

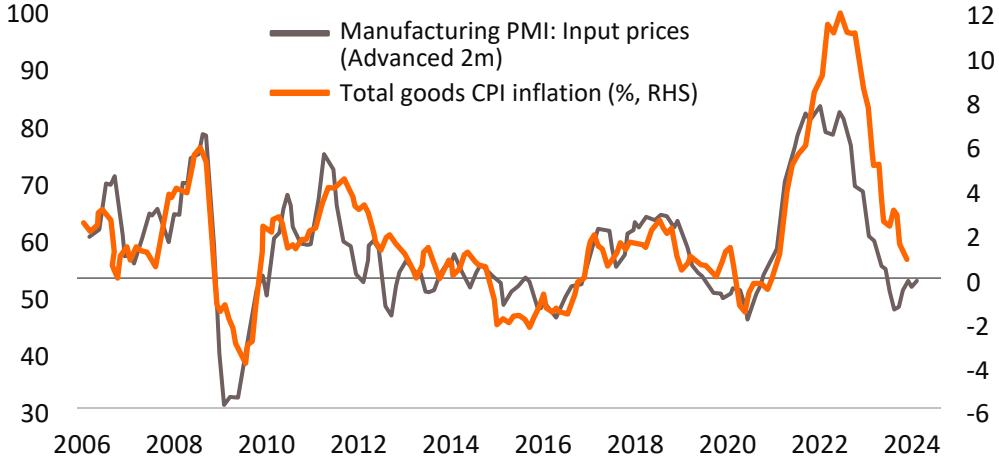
Headline inflation of the world's major countries (% YoY)



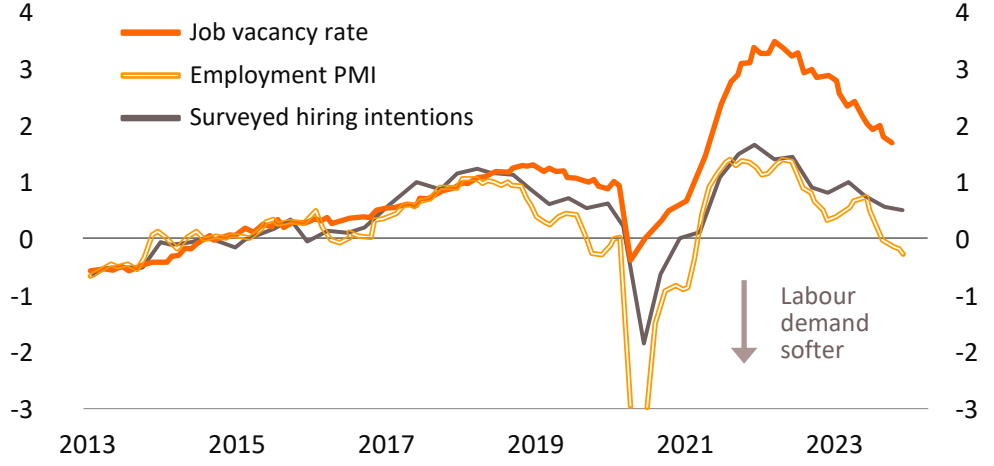
Spot container freight rates (%diff. from end-2023 level)



DM manufacturing input prices & total goods inflation



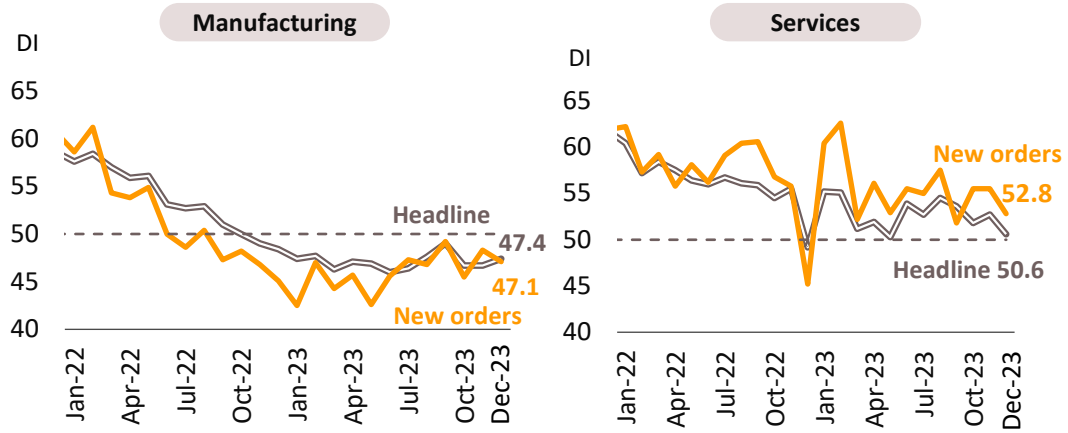
Labour demand indicators (Z-scores, G7 average)



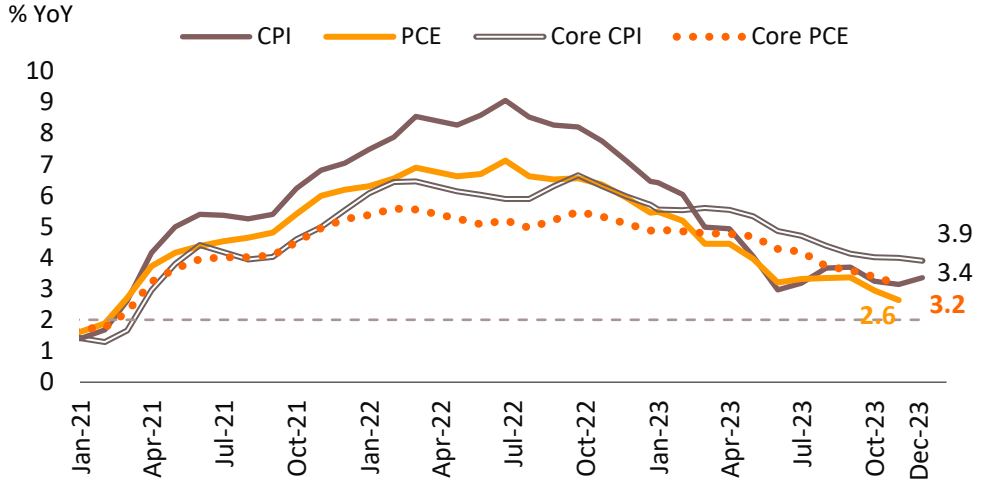
Source: S&P global, Capital Economics, Bloomberg, Krungsri Research

US: Expectations of a soft-landing amid stronger-than-expected growth and inflation prospects suggest the Fed might not cut rates rapidly

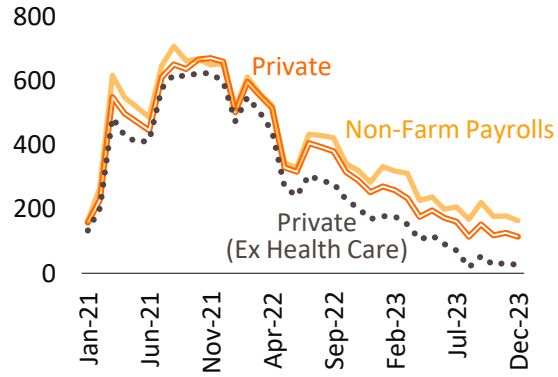
ISM Manufacturing and Services PMI



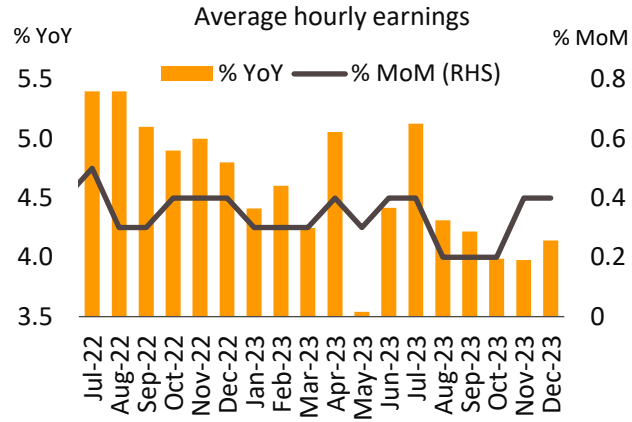
CPI, Core CPI, PCE, and Core PCE



Change in Non-Farm Payrolls (000s, 3-month average)



Wage Growth: %YoY and %MoM



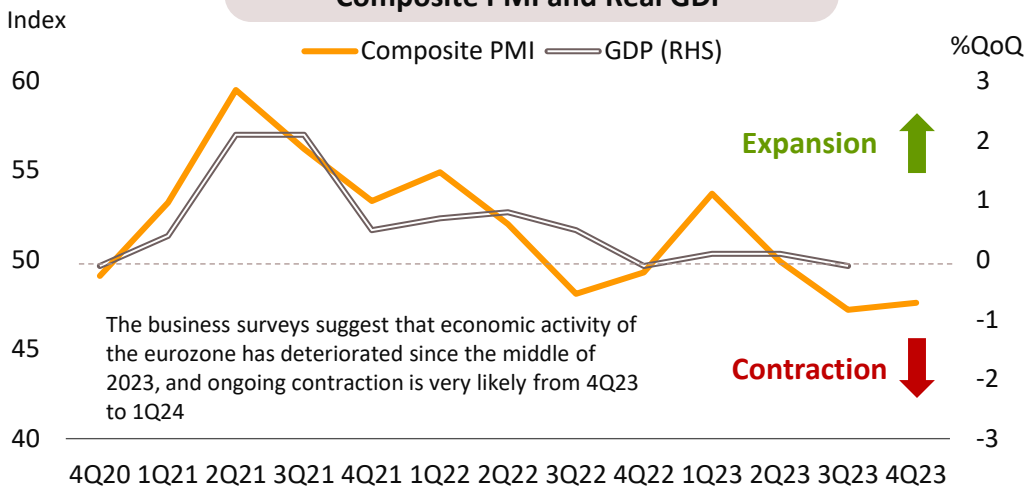
Source: Institute for Supply Management (ISM), Bureau of Labor Statistics (BLS), CEIC, Bloomberg, Krungsri Research

Krungsri Research's view

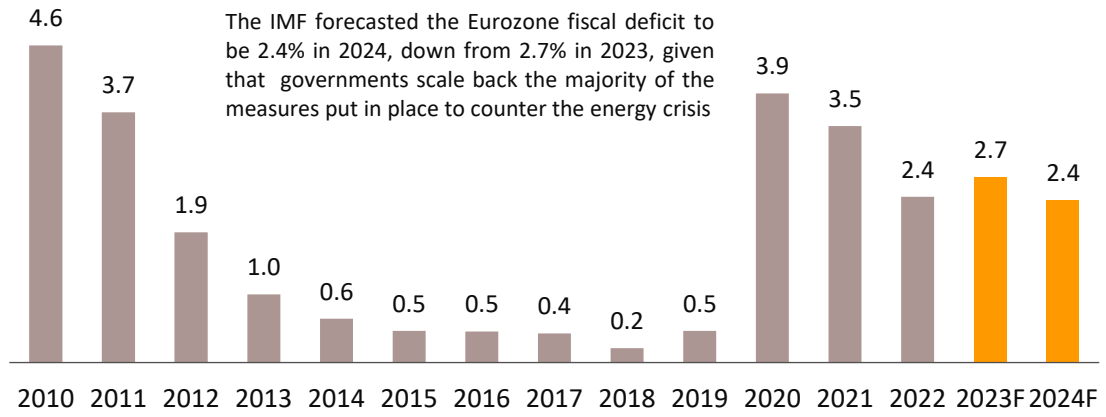
- **There is a divide between the market and the US central bank about the timing and pace of rate cuts this year. Markets expect six rate cuts this year while the Fed's latest Dot Plot suggests only three. Avoiding an economic recession would pave the way for a "soft landing", which means the US central bank is unlikely to rush to ease monetary policy.**
- **Despite signs of growth losing momentum, the US could avoid a recession. (i) The ISM Services Index indicates an economic slowdown rather than a contraction.** The index had dropped to a 7-month low in December but remains above-50. New Orders Index remained healthy at 52.8. **(ii) Labor market has been stronger-than-expected** with a 216,000 increase in non-farm payrolls in December, significantly higher than market expectation of +164,000 and +173,000 in November. Unemployment rate was steady at 3.7%, below 3.8% market expectation.
- **Despite signs of disinflation, the latest data and the Fed's recent comments could keep the central bank cautious about declaring victory in its fight against inflation.** Fed officials said *"they would need to see more evidence that inflation pressures were abating to become confident in a sustained return of inflation to 2%"*. Currently, we see slow progress in disinflation as (i) **average hourly wage had risen by** 4.1% YoY in December, beating 3.9% expectations, and (ii) **headline inflation** had risen to 3.4% YoY in December from 3.2% in November while core inflation remained high at 3.9% in December.
- **We expect the Fed to start to cut interest rates in mid-2024, earlier than that suggested by the latest dot plot, given slowing economic growth, softening underlying inflation, and positive real interest rates. However, there is lower probability of rapid rate cuts due to signs of a soft landing, still-high wage growth, and slow progress in disinflation and the bumpy road to return inflation to 2% target.**

Eurozone: Rising risk of a recession amid worsening economic data, but it would be less severe than anticipated as there is no longer an energy crisis

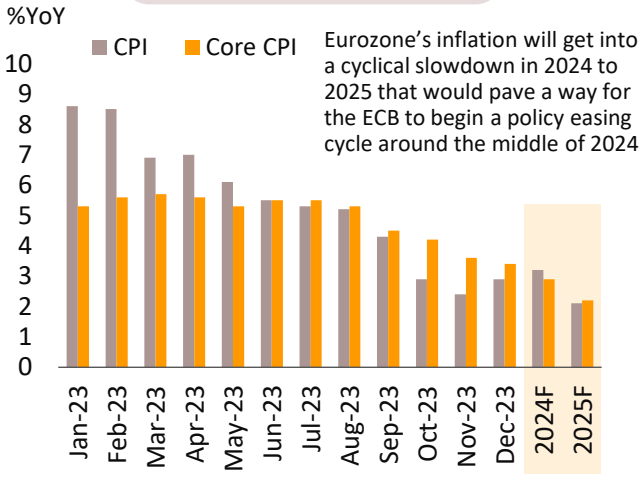
Composite PMI and Real GDP



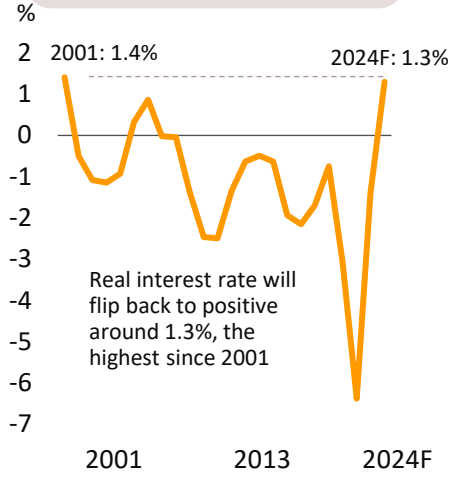
Government Fiscal Deficit (% to GDP)



CPI and Core CPI



Real Interest Rate



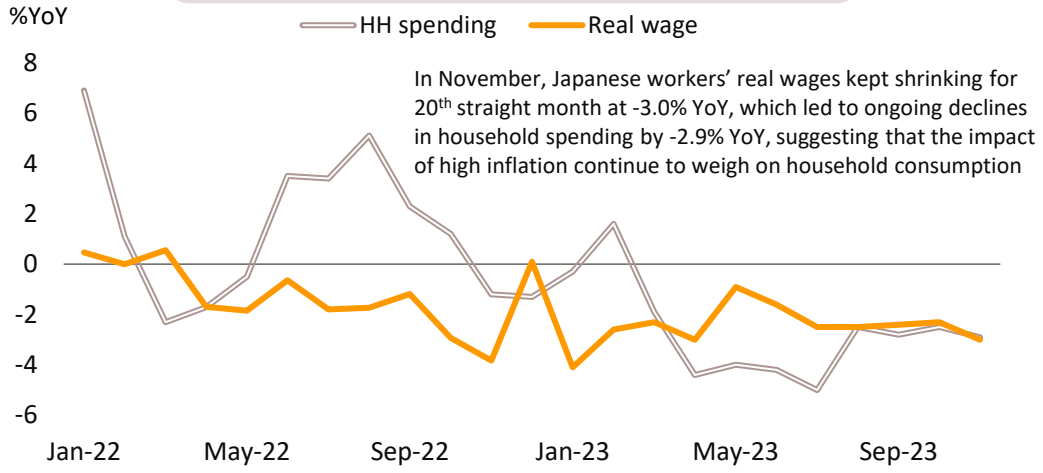
Source: ECB, CEIC, BLS, investing.com, Eurostat, Bloomberg, Krungsri Research

Krungsri Research's view

- **Eurozone GDP could contract in 4Q23 and possible in 1Q24, dragged by the impact of high interest rates and tightening fiscal policy, which could be more visible in 2024**. Despite lower inflationary pressures and still-tight labor market, private consumption and investment will continue to stagnate in 1H24 given (i) worsening economic conditions, (ii) rising cost of credit, (iii) weak outlook for eurozone's trading partners' economies, and (iv) recent increase in household savings. And, as it phases out energy-related measures, Eurozone might tighten its fiscal policy, which could be another drag on economic growth this year.
  - At its December meeting, the ECB had revised down 2023 GDP growth forecast by 0.1 ppt to 0.6%, and 2024 growth by 0.2 ppt to 0.8%.
- **Nevertheless, in the absence of a major energy crisis, the recession in Europe would not be severe.** With larger gas storage capacity than any country in the EU, Ukraine is now playing a key role in Europe's gas supply security this winter, by offering incentives such as cheap storage rates and custom duty exemptions for three years. This allows gas to be easily reimported to the EU and help Europe to keep its domestic stockpiles high at nearly 90% of storage levels in late-December 2023. This should keep gas prices low and help Europe to avert an energy crisis in 2024.
- **As the eurozone economy and inflation start to get into a cyclical slowdown in 2024, the ECB will be more confident to start policy easing cycle in the middle of this year**. Headline inflation is projected to move towards the ECB's 2.0% target by end-2024. Core inflation should also keep dropping given sub-par economic growth and easing inflation.
  - The ECB expected headline inflation to drop from 5.4% in 2023 to an average of 2.7% in 2024, and 2.1% in 2025. That suggests inflation would meet the ECB's 2% inflation target in the medium-term.

Japan: Weaker economic data have increased recession risk; harder to abolish negative interest rate policy in Q1 this year after the recent earthquake

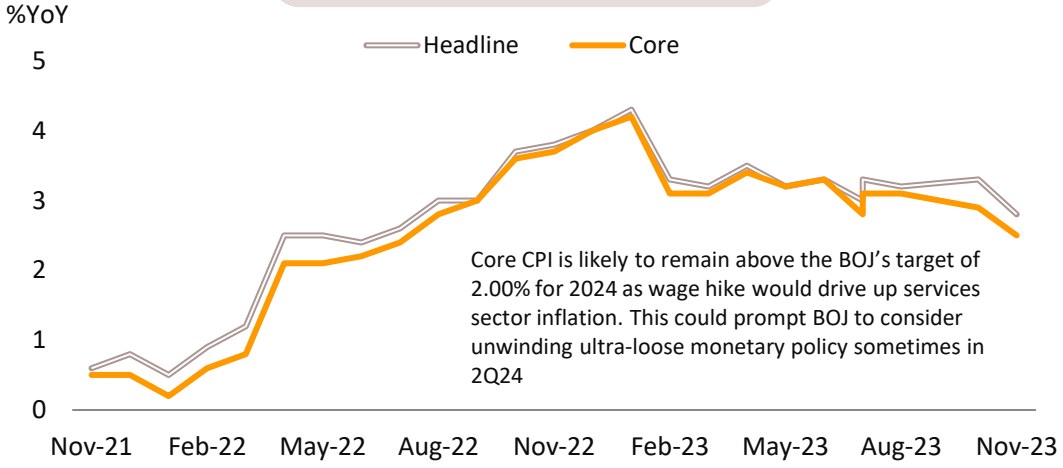
Real Wage Growth & Household Spending



Export Growth



National CPI and Core CPI



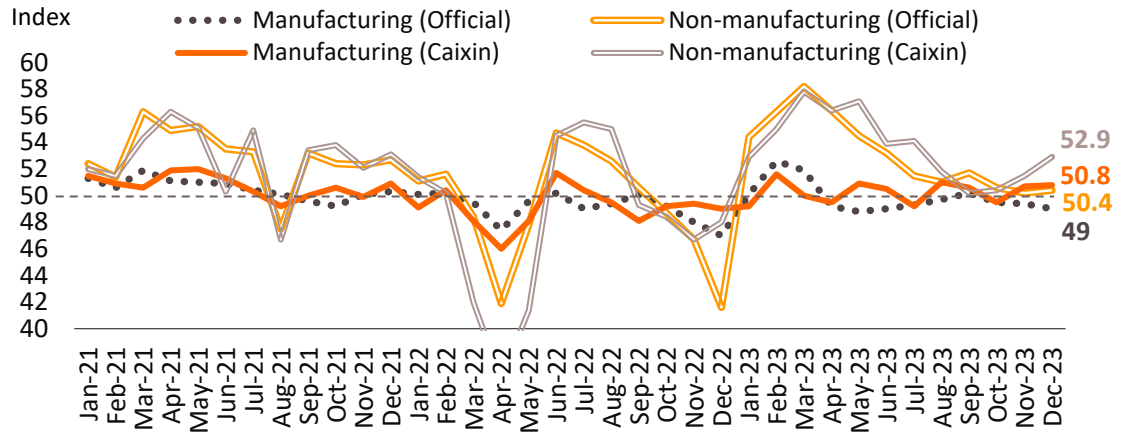
Source: ECB, CEIC, BLS, investing.com, Eurostat, Bloomberg, Krungsri Research

Krungsri Research's view

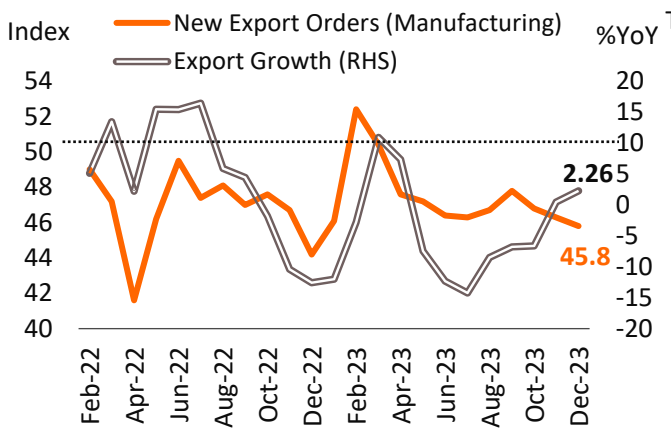
- **Latest data suggest Japan's economy would remain sluggish as high inflation would continue to dampen household consumption and investment, increasing recession risk in 4Q23.** With the economy contracting by 0.5% QoQ in 3Q23, there is a risk Japan could slip into a recession in 4Q23 as the economy continues to be pressured by the following: (i) inflation outpacing wage growth, and softer domestic purchasing power as real income drop; (ii) decelerating economies at Japan's export markets, which would cap income in the export sector; and (iii) slowing momentum in the manufacturing and services sectors.
- **The earthquake on New Year's day might trigger aftershocks that could hurt manufacturing activity and infrastructure in the country's west coast (about 0.8% of Japan's GDP) in the next few months.** To accelerate support and improve the situation in quake-hit areas, Japan has approved JPY4.74bn (USD33m) spending from the reserve budget for earthquake recovery. However, the impact is expected to be milder than that after the 2016 Kumamoto earthquake, and from the 2011 quake in East Japan which had triggered the meltdown at the Fukushima nuclear plant.
- **The BOJ would have to assess the impact of the earthquake on the economy, which could make it harder to move away from its negative interest rate policy in Q1**. The yen has fallen more than 3.50% against the US dollar since the New Year, amid speculation the BOJ will not rush to unwind ultra-low interest rates in Q1 before assessing the impact of the earthquake on Japan's economy. From this angle, the BOJ might postpone its exit from easing to Q2 when the impact of the quake starts to subside, and inflation and wage growth are sustainable.

China: Economic recovery remains slow dragged by slump in property sector; Taiwan unlikely to shift its cross-strait policy following the election

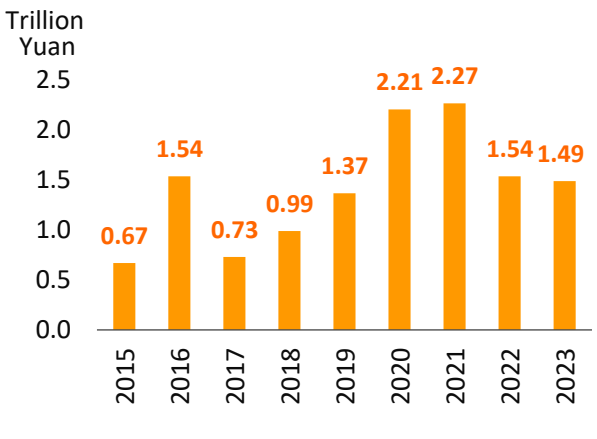
Purchasing Managers' Index (PMI)



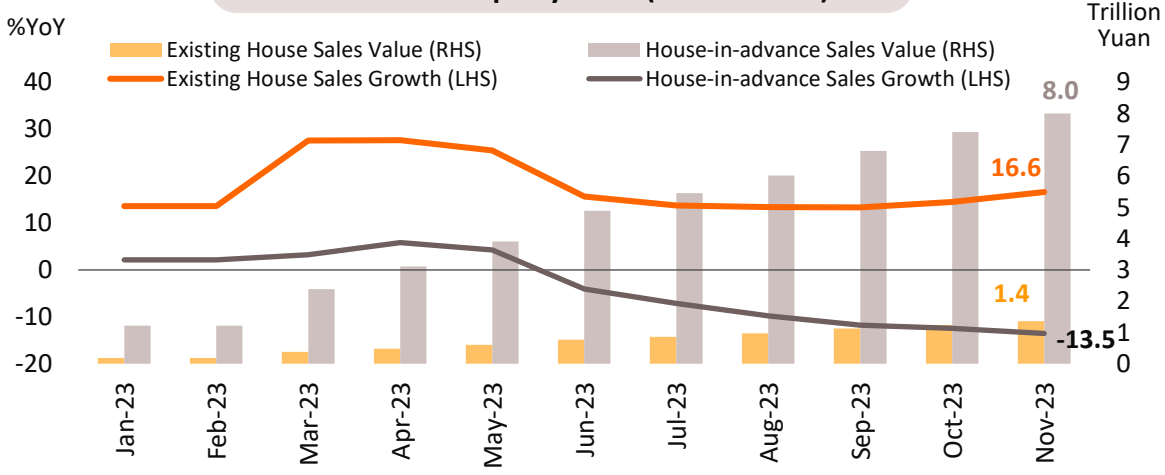
New Export Orders and Export Growth



Net Bond Issuances by LGFVs



Residential Property Sales (Year-to-date)



Notes: 1) Existing House refers to completed houses and unsold houses.
2) House in Advance refers to houses under construction but are available for sale.
Source: National Bureau of Statistics, CEIC, Bloomberg, Morgan Stanley, Nikkei Asia, and Krungsri Research

Krungsri Research's view

- **Economic recovery is expected to continue in 2024, but at a slower pace due to weak housing market and export demand.** Consumption would remain the primary growth engine, especially in non-manufacturing sectors. Goods export is expected to register mild-positive growth at best despite exporters reducing prices to expand market share in recent months. Furthermore, the expected increase in central government spending would likely be offset by restrictions in local government bond issuances, which could cause a 5-7% drop in real estate fixed-asset investment in 2024, according to Bloomberg's survey. **Hence, we project GDP would grow by 4.6% this year, slower than the estimated 5.2% in 2023.**
- **Although the existing residential housing segment shows signs of improvement, the more important house-in-advance segment remains weak** despite measures to stimulate demand and improve developers' liquidity since late 2022. Furthermore, the 12-month cumulative volume (by area) of new real estate projects had dropped to just 0.7 billion m^2 in November 2023 , less than half that in November 2021, suggesting a further slowdown in supply. **Hence, we expect the property market to continue to deteriorate in 2024, exerting greater negative pressure on the economy.**
- **Despite winning the January 13 presidential election, the DPP failed to secure a Legislative Yuan majority.** This suggests the ongoing political and economic tensions with China will persist. However, the new government might face challenges in reaching a legislative consensus on the cross-strait policy with the KMT and TPP, potentially hinder the current administration's efforts to reduce economic reliance on China. One example of this challenge is the opposing stances on the trade agreement with China.

Thailand: Tourism sector and private spending to drive growth in early 2024

- In early 2024, growth has been driven by the tourism sector and private spending in the absence of major public spending stimulus due to delays in approving the annual Budget Bill. For the whole of 2024, Krungsri Research expects Thailand's economic growth to improve to 3.4% from an estimated 2.5% in 2023, with a lagged cyclical recovery. Stronger tourism activity from here on and higher public spending from Q2 onwards would fuel growth but the positive effects could be capped by the drought impact, high debt levels, and external risks.
- **Tourism sector: Positive momentum has spilled over to this year.** China and Thailand have agreed to a permanent visa-free policy starting March 2024.
- **Private consumption: To benefit from government's assistance measures, recovering tourism sector and strong employment.** The government has committed to helping borrowers while **high household debt could deter consumption.** The Council of State also warned that borrowing to fund the Digital Wallet program must comply strictly with the law, which suggests uncertainty over policy direction.
- **Private investment: To be boosted by stronger services activity and public spending** but constrained by external challenges and sluggish manufacturing growth.
- **Export growth: Mild recovery amid external uncertainties**. Exports is forecast to grow by 2.5% in 2024 vs -1.5% in 2023. Exports will receive a boost from the easing of supply chain disruptions and specific factors. The headwinds will remain weak global demand and geopolitical tensions.
- **Inflation could still be negative in early 2024** but could rise later towards the BOT's target range.
- **BOT's latest views** on further economic recovery and a temporary drop in inflation with targeted measures for fragile groups suggest the central bank would keep policy rate at 2.50%.

Krungsri Research Forecasts for 2023-2024

Krungsri Research Forecast		2022	2023F	2024F**
GDP growth	YoY (%)	2.6	2.5	3.4
Private Consumption Expenditure	YoY (%)	6.3	7.1	3.3
Government Consumption Expenditure	YoY (%)	0.2	-4.3	1.5
Private Investment	YoY (%)	5.1	2.0	3.5
Public Investment	YoY (%)	-4.9	-1.0	3.0
Nominal Exports in USD (f.o.b.)*	YoY (%)	5.4	-1.5	2.5
Nominal Imports in USD (f.o.b.)*	YoY (%)	14.0	-2.1	4.5
Current Account Balance	USD, bn	-14.7	5.5	7.8
Tourist Arrivals	Mn, persons	11.2	28.0	35.6
Headline Inflation	YoY (%)	6.1	1.2	2.0
Policy Interest rate (end of period)	(%)	1.25	2.50	2.50
Dubai crude price - period average	USD/bbl	96	82	87

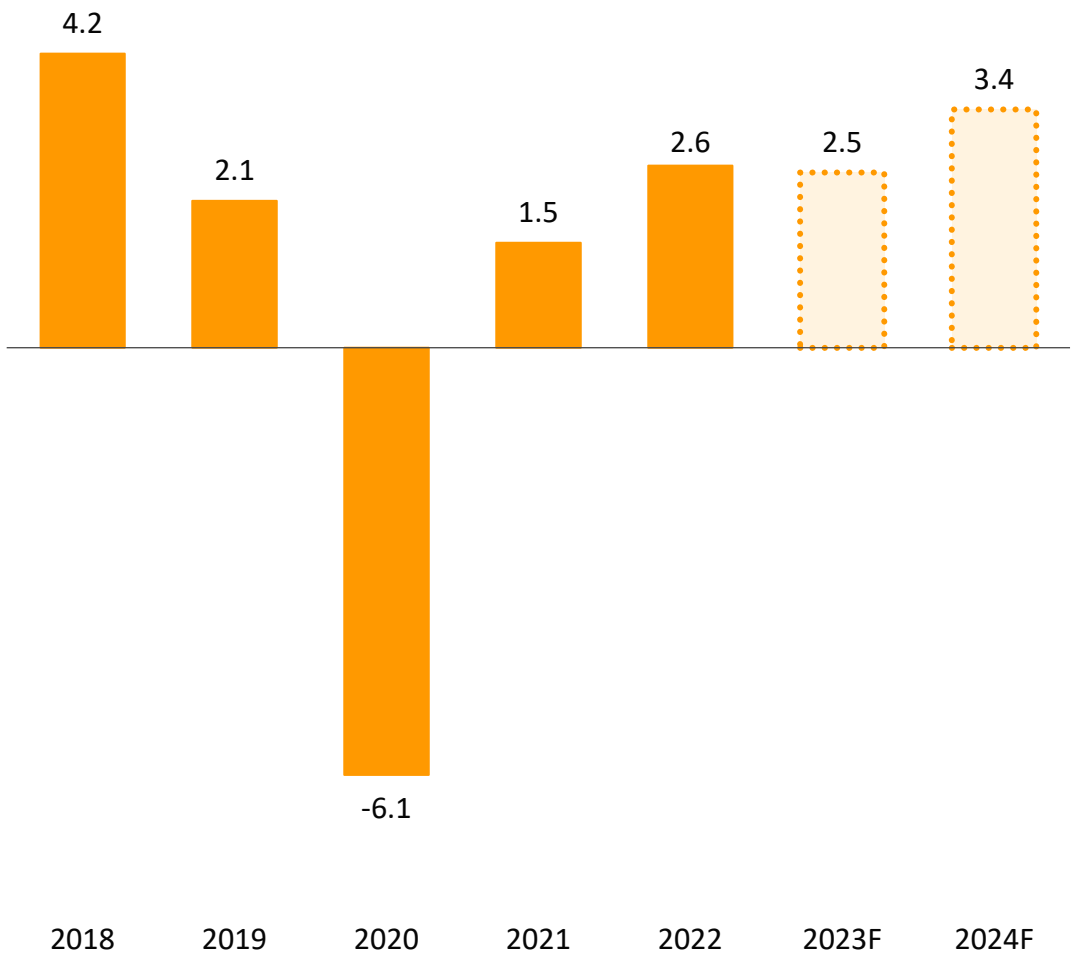
** 2024 projection excluding Digital Wallet Scheme

Note: * Based on BOT data

Source: NESDC, BOT, MOC, MOTS, Bloomberg, Krungsri Research

2024 Thai economic outlook: Lagged cyclical recovery with uneven and uncertain growth

Thailand's GDP growth and forecast (%)



Upside

- Recovery in tourism activity and employment
- Higher public spending and greater policy supports
- Easing supply chain disruption and softening inflation
- Food security and gains in agricultural sector
- Regionalization, ASEAN dynamism, FDI
- Possible rate cuts in major countries from mid-2024
- Thailand's sound economic fundamentals

Downside

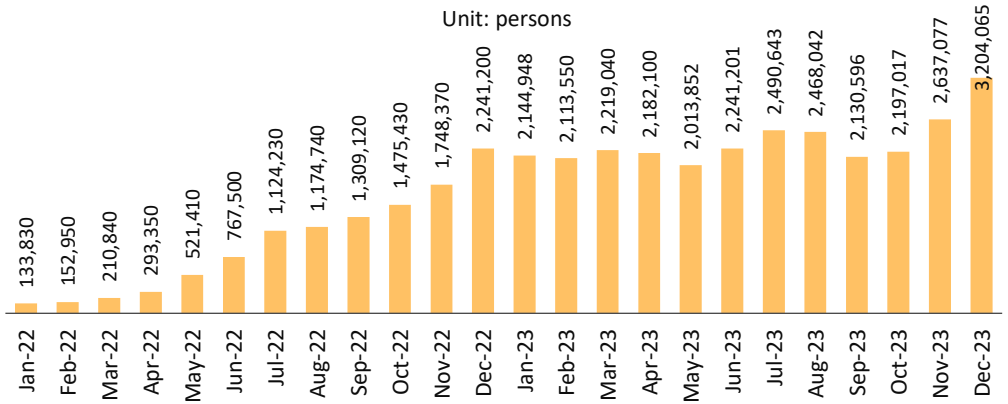
- Weak global growth and volatile financial market with tight financial conditions in 1H24
- Geopolitical tensions and US-China decoupling
- China's fading reopening tailwinds and property sector risks
- El Nino impact
- Higher borrowing costs amid high household debt
- Uncertainty over domestic political and policy direction
- Structural problems, e.g. demographics, labor shortage, competitiveness, climate change

Source: NESDC, Projection by Krungsri Research

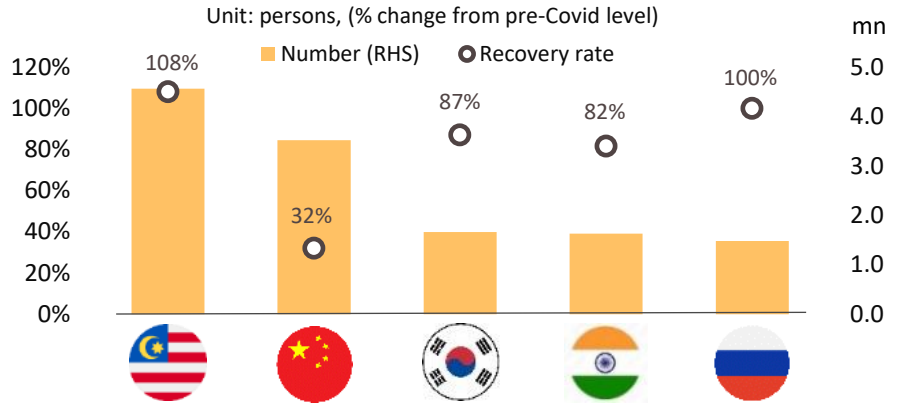
Tourism sector: Positive momentum to continue into this year; China and Thailand agreed to a permanent visa-free policy effective March

In December 2023, Thailand welcomed 3.2mn foreign arrivals, the highest monthly total since the country reopened. This took total arrivals to over 28m in 2023 (72% of pre-Covid level), up sharply from 11.2mn in 2022, and generated THB1.2 trn receipts (63% of pre-Covid level). Arrivals from Malaysia, Russia, South Korea and India reached 82-108% of pre-pandemic levels. Chinese tourists are returning slowly, at only 32% of pre-Covid level. ***We expect the positive momentum to continue into 2024***, and the recent agreement between the Thai and Chinese governments to allow visa-free travel for citizens of the two countries will boost Thailand-China tourism industry. This agreement is expected to come into force on 1 March, 2024, after the temporary visa-free scheme for Chinese arrivals expires at the end of February. The new visa regulations will attract more Chinese tourists to Thailand. ***Hence, we estimate foreign tourist arrivals will reach 35.6mn in 2024 (89% of pre-Covid level).***

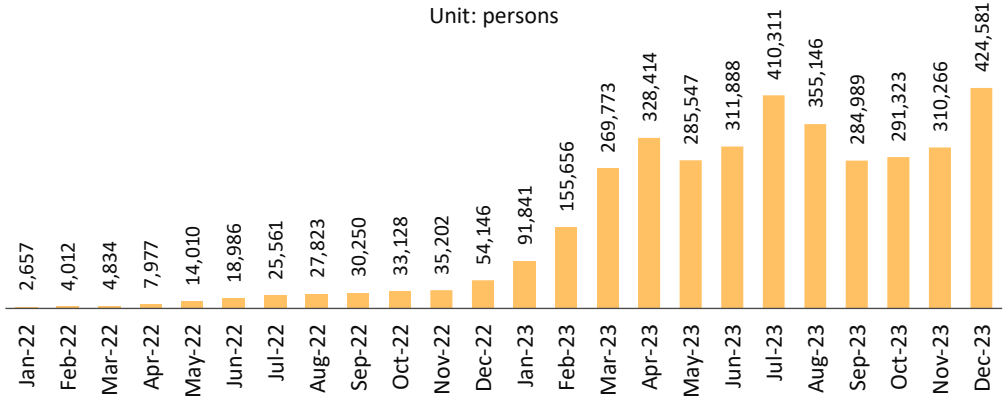
Foreign tourist arrivals reached 28 mn in 2023



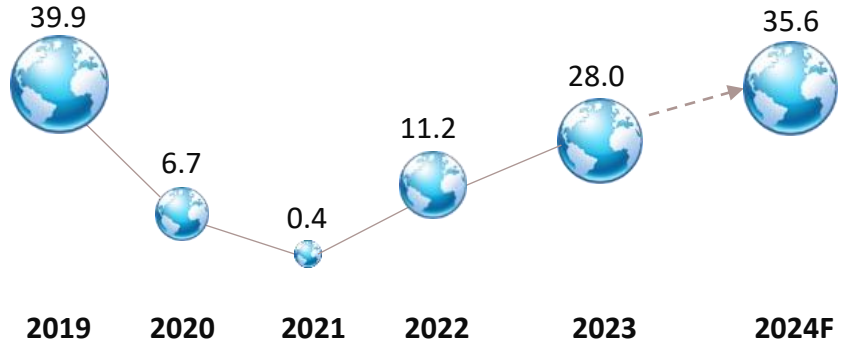
Top 5 tourist arrivals by country (2023)



Recovery in Chinese tourist arrivals remains slow



Forecast for foreign tourist arrivals (mn persons)

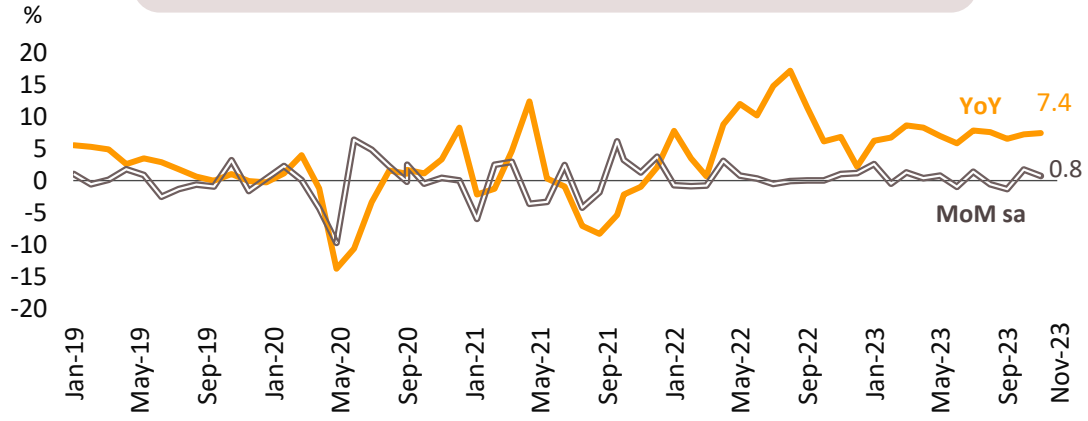


Note: Dec-23 Preliminary data
Source: MOTS, CEIC, Krungsri Research

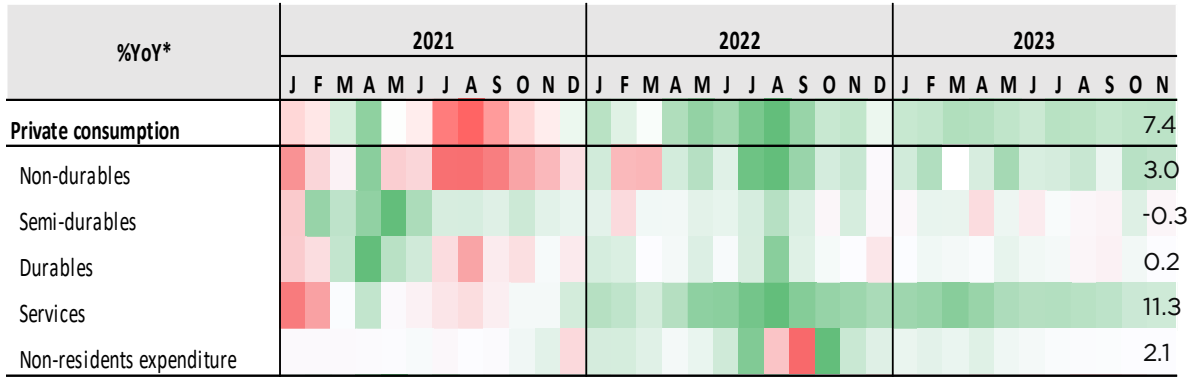
Private consumption will benefit from stimulus measures, recovering tourism activity, and strong employment

In November 2023, the Private Consumption Index rose 7.4% YoY and 0.8% MoM, driven by (i) rising spending on services following higher foreign tourist arrivals; and (ii) spending on non-durable goods, supported by measures to reduce household energy bills. **In early 2024, we expect purchasing power to improve,** supported by rising consumer confidence, continued recovery in the tourism sector, higher employment, measures to boost spending via Easy-E-Receipt program (personal income tax deduction for spending on eligible goods or services worth up to THB 50,000, valid from 1 January to 15 February this year), and measures to reduce household energy bills.

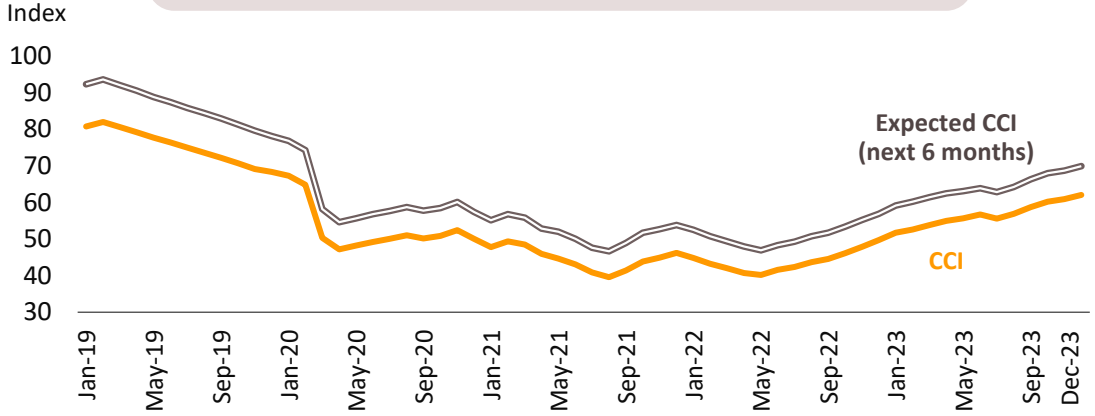
Private consumption rose slightly from previous month



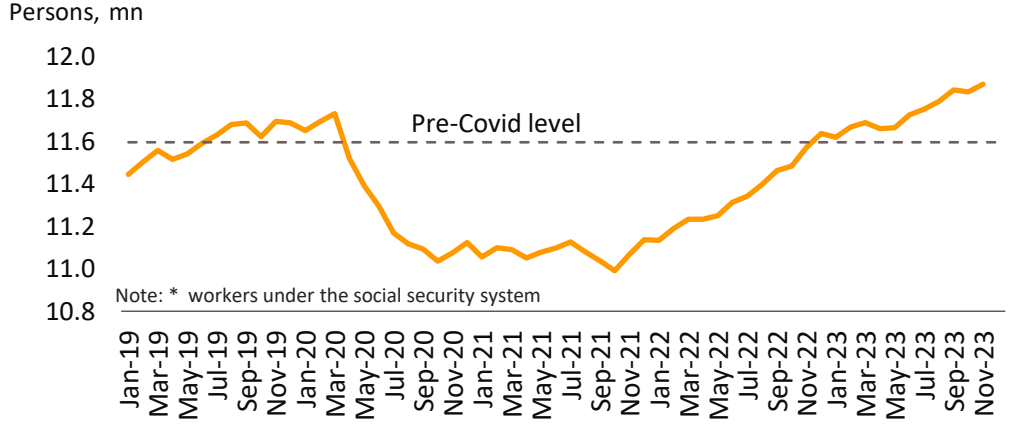
Private Consumption by category



Consumer Confidence Index reached a 46-month high



Employees under Section 33*

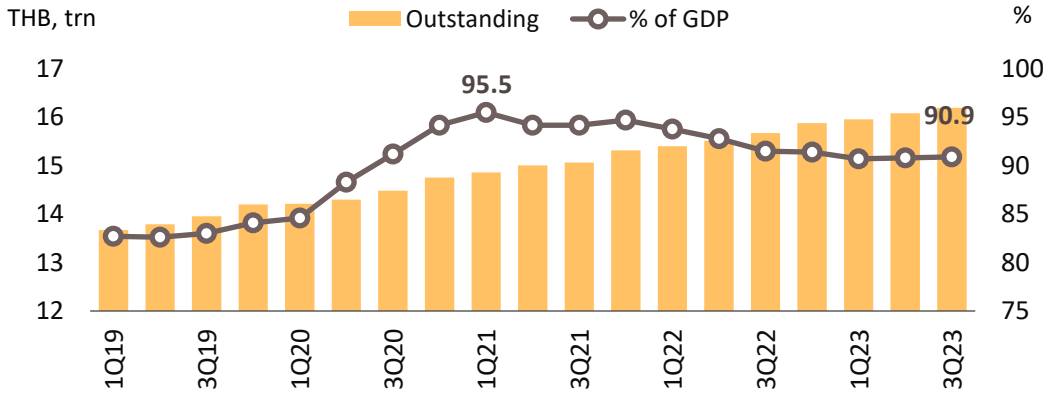


Source: CEIC, BOT, University of the Thai Chamber of Commerce (UTCC), Social Security Office (SSO), Krungsri Research

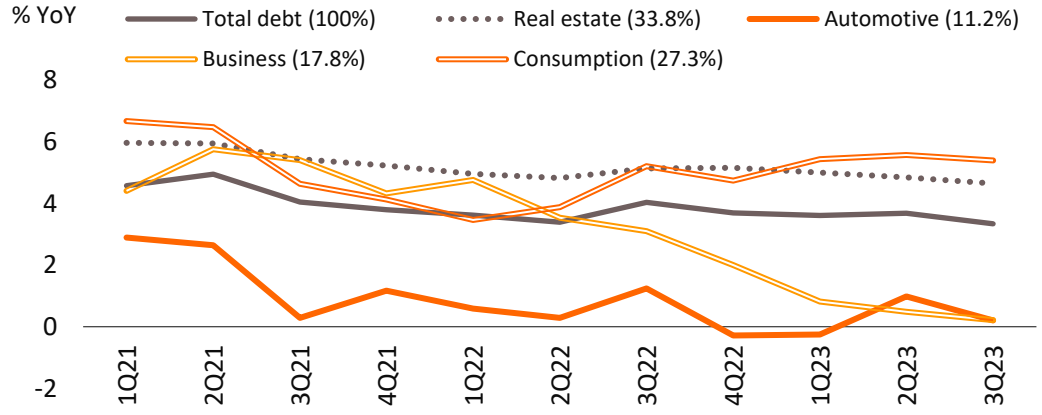
High household debt could cap consumption; government is committed to help debtors

Household debt stood at THB16.2 trillion at the end of 3Q 2023, an increase of 3.3% YoY. The ratio of household debt to GDP remained high at 90.9% compared to 90.8% in the previous quarter, led by consumer loans. However, household debt has become a structural problem that authorities are trying to resolve. This prompted the BOT to introduce the "Responsible Lending" guideline which will be effective from January 1, 2024. The government also recently announced guidelines to try to resolve debt in the entire system and has made that a national agenda.

Household debt remained high at 90.9% of GDP in 3Q23



Debt growth by sector



Source: BOT, CEIC, Krungsri Research

Government's debt resolution plan

Group	Target Group	Assistance	No. Affected (millions)
1	1.1) Retail borrowers	Provide assistance through SFIs*	1.1
	1.2) SMEs	SFIs will assist by restructuring debts and offering a 1-year debt holiday (pending cabinet approval)	> 0.1
2	2.1) Civil servants, teachers, police, and soldiers	- Consolidate debts and cut interest rates - Adjust deductions at source to ensure income is sufficient to cover regular expenses	n.a.
	2.2) Credit card debt	Restructure debts through a 'debt clinic' and reduce interest rates from 16-25% to 3-5%	
3	3.1) Farmers	Provide a 3-year debt holiday (already in operation)	1.5
	3.2) Student loans	- Restructure debts - Cut interest rates and fines - Adjust debt repayments - Release guarantors from their obligations	2.3
	3.2) Auto loans	Make automobile and motorcycle loans 'controlled contracts'	n.a.
4	Chronic bad debts	Transfer these debts to a debt management agency so they can be restructured.	3

Note: SFIs, or specialized financial institutions, include the Government Savings Bank and the Bank for Agriculture and Agricultural Cooperatives.

Source: Data collated by Krungsri Research

Digital Wallet scheme: Council of State has warned borrowing to fund the scheme must comply strictly with the law, implying policy uncertainty ahead

This is a key stimulus which will give THB10,000 in digital money to Thai nationals aged 16 and older who earn less than THB70,000 per month or have less than THB500,000 in bank deposits. This program is expected to benefit an estimated 50 million people and cost the government THB500 bn. It has been through the Office of the Council of State which warned borrowing to fund the program must comply with the prevailing laws. It is now uncertain how the Digital Wallet Committee will respond to the Council of State's comment. In addition, the legislation required for the additional borrowing needs to be reviewed by the MPs and senators, and potentially considered by the Constitutional Court.

Timeline to approve THB500bn loan bill

- On November 13, 2023, an activist (petitioner Srisuwan Janya) asked the Ombudsman to seek **a Constitutional Court ruling on the legality of the government's plan to borrow THB500bn** to fund the Digital Wallet program, which is seen as a campaign promise. He claims the Constitution and State Fiscal & Financial Disciplines Act **prohibited the government from passing a law for any borrowing for political gain, or for any non-urgent issue.**
- On January 6, 2024, the Secretary General of the Council said plans to borrow THB 500bn to finance this scheme must abide by **sections 53, 6, 7 and 9 of the State Fiscal & Financial Disciplines Act of B.E.2561 (2018).**

By early 2024	**Submission for consideration by Parliament before the law is enacted, must pass through both houses and include three readings, and may involve the Constitutional Court.** **Possible legal challenges: The bill may be invalidated by the Constitutional Court on the basis the scheme is not urgent to justify such a huge loan.**
May 2024	**Publication in the Royal Gazette, effective date**

The State Fiscal and Financial Disciplines Act of B.E.2561 (2018)

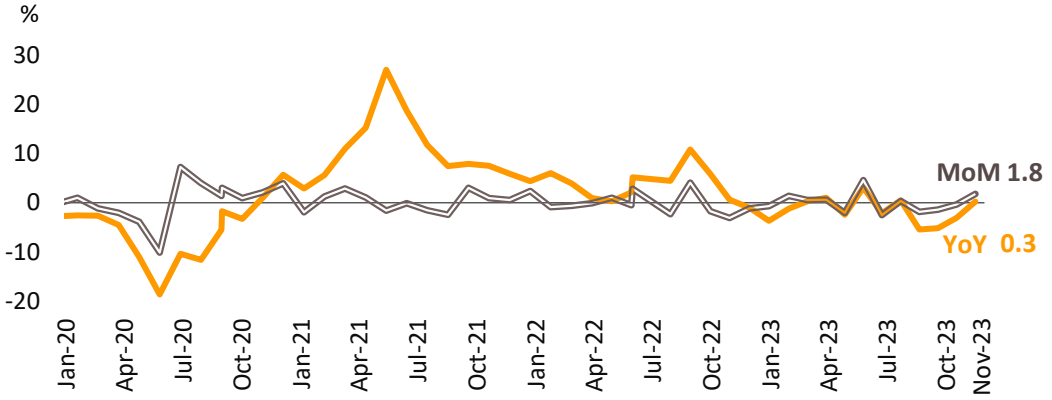
Section 53	*"The making of loans by the Government otherwise than provided in the law on public debt administration is permissible, provided that the Ministry of Finance shall do so only by virtue of the law specifically enacted and **only in the case where there occurs a need for action to be taken urgently and continually for resolving critical problems of the country**, where annual appropriations cannot be fixed in due time"*
Section 6	*"The State shall pursue financial policies, preparation of budgets, procurement of incomes, expenditure, fiscal and financial administration and debt creation in an efficient, transparent and accountable manner, in accordance with the principle of economic stability maintenance and sustainable economic development as well as the principle of social justice and **shall strictly maintain fiscal and financial disciplines as provided in this Act and under other relevant laws."***
Section 7	*"The conclusion of loans, the placement of investment, the enactment of law, the issuance of by-laws or any operations of the State which binds State property or creates fiscal and financial burdens on the State **shall be conducted by taking into account value for money, costs and benefits, economic and social stability and security and financial sustainability of the State."***
Section 9	*"The Council of Ministers must strictly maintain disciplines in affairs concerning State money under this Act. In considering matters concerning financial policies, preparation of budgets, procurement of incomes, expenditure, fiscal and financial administration and debt creation, the Council of Ministers must meticulously take into account benefits to be derived by the State or public at large, value for money, fiscal and financial burdens to be caused to the State and risks as well as loss likely to be caused to State fiscal and financial affairs. The Council of Ministers **must not carry out the administration of State affairs in a manner concentrating upon the creation of political popularity likely to prejudice the national economic system and the public at large in a long term."***

Source: State Audit Office of the Kingdom of Thailand, Local Media, Krungsri Research

Private investment: To be boosted by stronger services activity and public spending (from Q2), but constrained by external challenges and sluggish manufacturing growth

Private investment is projected to improve in 2024, supported by (i) recovering tourism and domestic activities, reflected by rising Services Production Index (SPI); (ii) measures to boost investment in targeted industries, such as initiatives to enhance the EV (electric vehicle) industry in Phase II (EV 3.5) in 2024-2027; and (iii) accelerating infrastructure investment, covering both existing and new projects which could start after the annual Budget Bill is approved in Q2. The Ministry of Transport plans to push infrastructure investment in 7 projects in 2024, with a total investment of over THB133 bn. They include the Red Line electric train extension, expressway project (Kathu-Patong) in Phuket Province, Intercity Motorway Project No. 5 (M5), Uttaraphimuk (section of Rangsit-Bang Pa-in) and Intercity Motorway No. 9 (M9) Western Bangkok Outer Ring Road (Bang Khun Thian - Bang Bua Thong). **However, parts of the private investment could be capped by** weak business sentiment and sluggish industrial production influenced by slow global manufacturing activity.

Private Investment Index

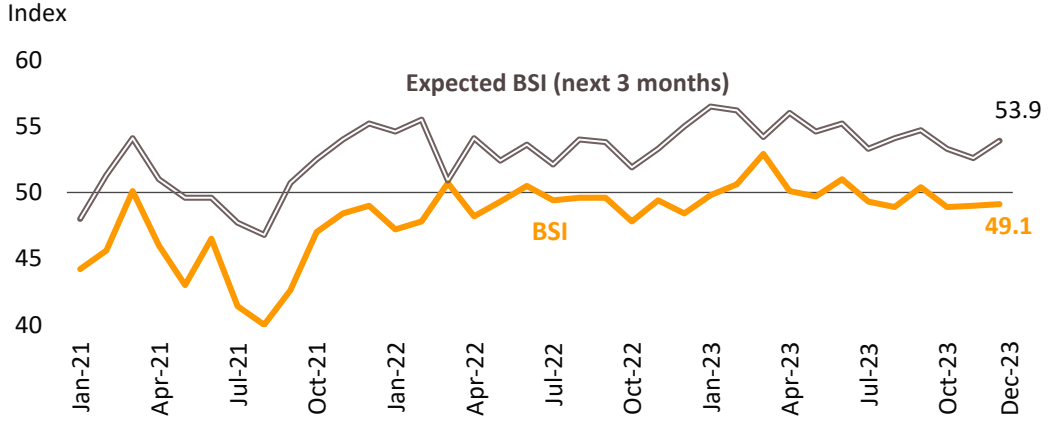


Private Investment by category

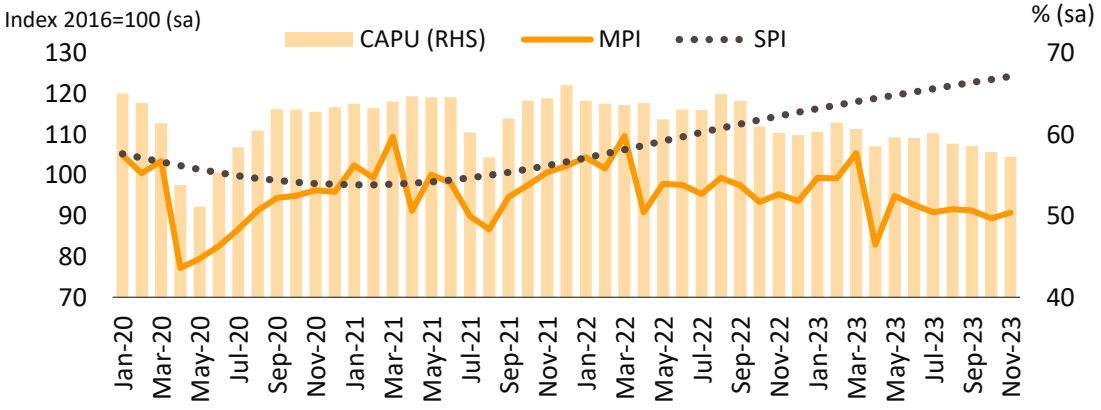
%YoY*	2021												2022												2023										
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
Private investment																																			0.3
Construction area permitted																																			-4.8
Construction material sales																																			-3.7
Imports of capital goods																																			17.3
Machinery sales																																			-7.0
Newly registered vehicles																																			-19.1

**Green >0%, Red <0% / Darker green (red) indicates stronger (weaker) momentum*

Business Sentiment Index still showing signs of weakness



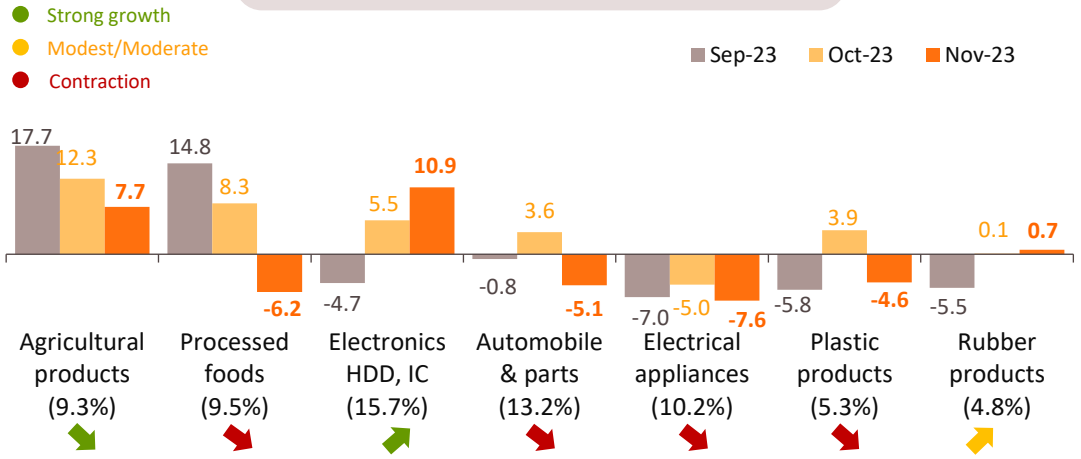
Services Production Index (SPI), Manufacturing Production Index (MPI) and Capacity Utilization (CapU)



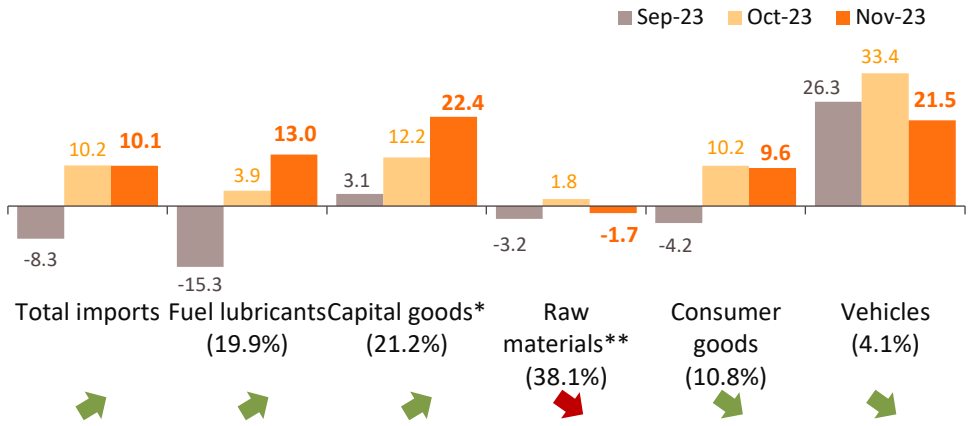
Source: BOT, CEIC, Krungsri Research

Export growth: Mild recovery amid external uncertainties; we expect exports to grow by 2.5% in 2024 vs -1.5% in 2023

Exports by major product (%YoY)

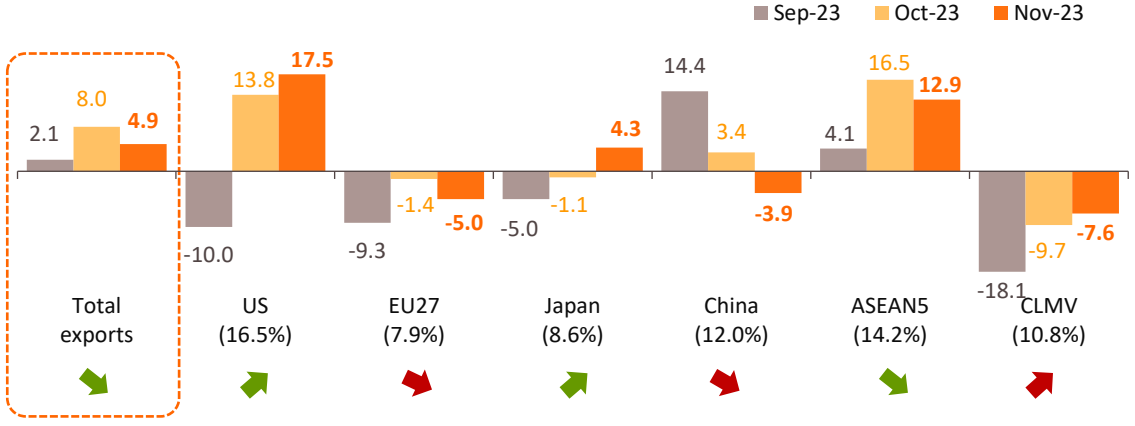


Imports by major product (%YoY)



* Capital goods excl. aircraft, ship ** Raw materials exclude gold

Exports by major destination (%YoY)



Krungsri Research's view

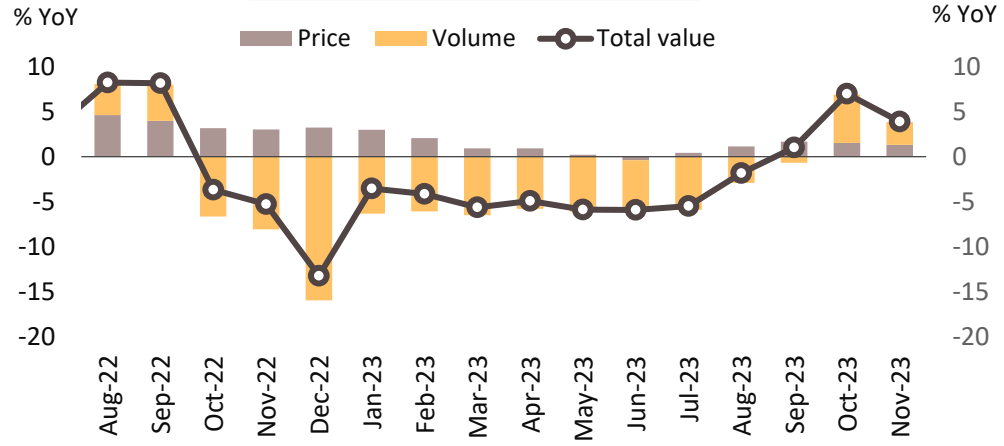
- **In November, merchandise export value expanded for the fourth straight month, by 4.9% YoY to USD23.5 bn.** Excluding oil, gold and weapons, exports rose 4.0%, with expansion observed across all product categories. Particularly noteworthy was growth in the agricultural product category, while industrial products continued to rise in tandem with the cyclical recovery in demand for electronic products. Additionally, there was positive influence from increased spending before the year-end festivities, prompting entrepreneurs in many countries to accelerate imports. There were notable improvements in Thai exports to the United States, ASEAN5, and Japan.
- **Thai exports is expected to grow by a modest 2.5% in 2024, compared to -1.5% in 2023.** We expect the momentum to continue into 2024, in line with a pick-up in world trade volume, and rising demand for Electrical & Electronic (E&E) products starting in the second half of 2023 supported by the growing importance of the digital world. However, sluggish imports of raw material suggest exports will remain weak for some industries.

Note: A number in parentheses represents share to total exports or total imports
Source: MOC, Krungsri Research

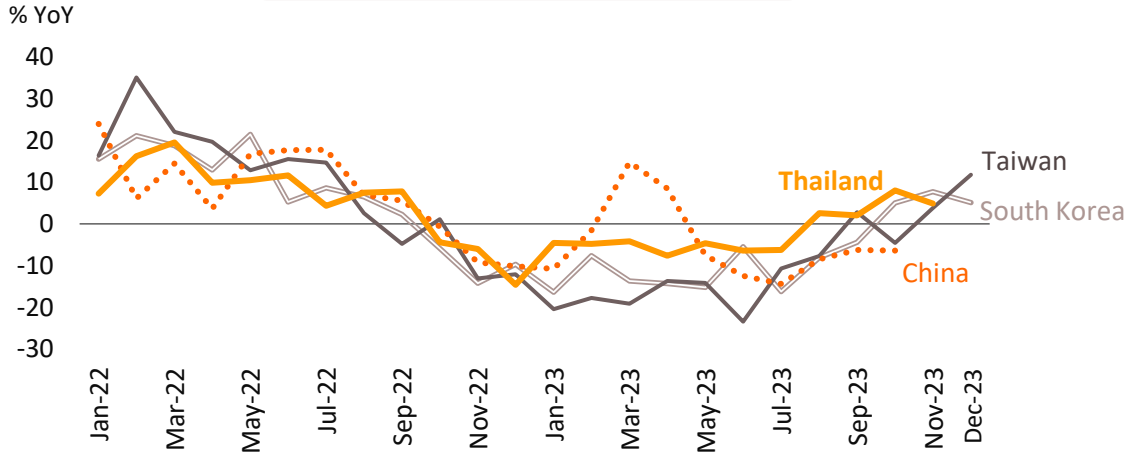
Exports will receive a boost from easing supply chain disruptions and specific factors, weak global demand and geopolitical tensions will remain headwinds

Exports continued to expand towards the end of 2023 driven by both rising product prices and expanding export volumes. The improvement in Thai exports is in line with export trends in many Asian countries. This was driven partly by easing supply chain disruptions, food security, and cyclical recovery in demand for electrical & electronic products. However, still-weak global demand would limit export growth and risks of wider geopolitical tensions could push up transportation costs for exports.

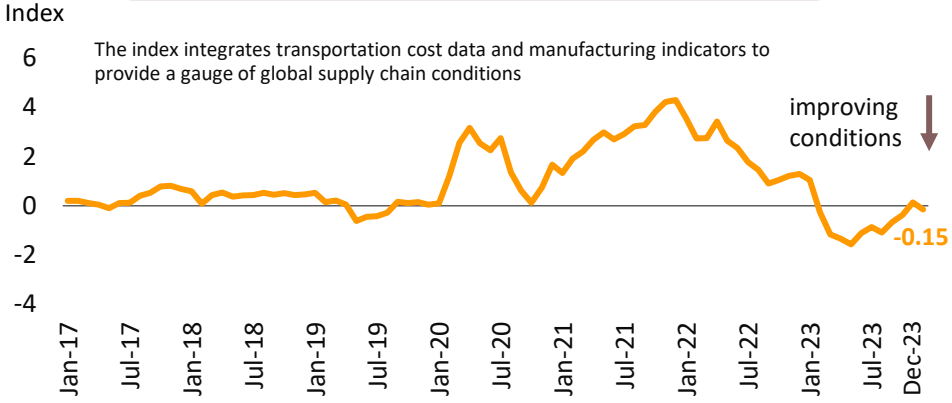
Thailand's export growth



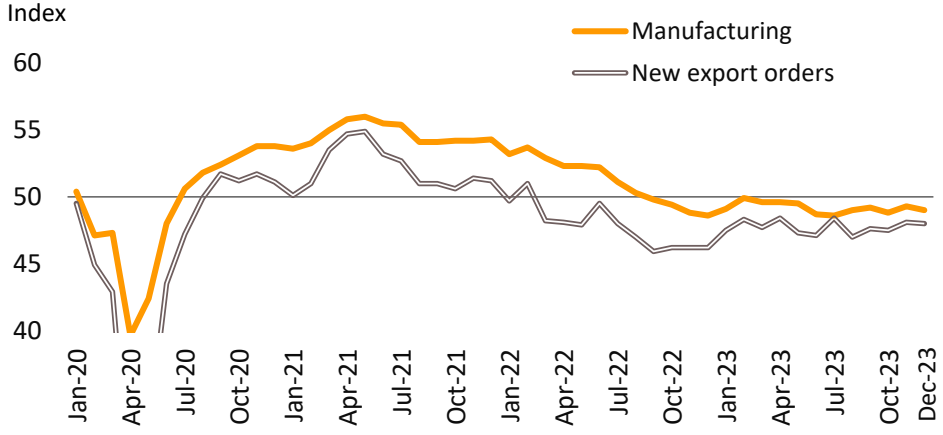
Major Asian Countries' Exports



Global Supply Chain Pressure Index (GSCPI)



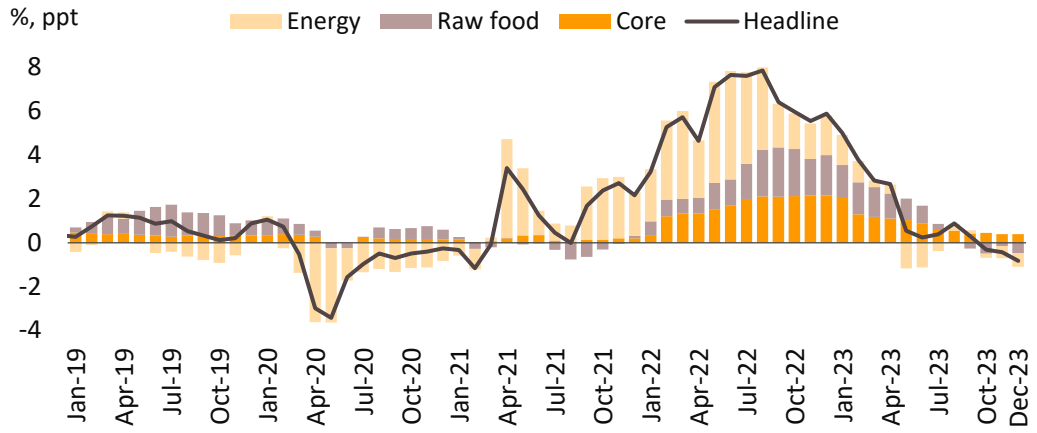
Global Manufacturing PMI and New Export Orders



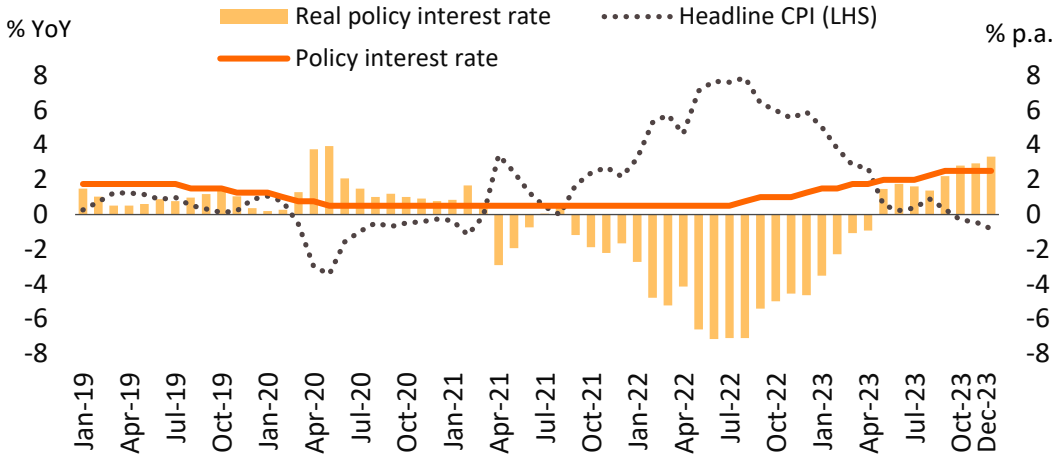
Source: S&P global, MOC, CEIC, Krungsri Research

Inflation could still be negative in early 2024 but rise later towards BOT's target range

Contributors to inflation



Real policy interest rate



Source: MOC, BOT, Krungsri Research

Consumer Price Index: Major categories

Consumer Price Index (% YoY)*	Weight	2021												2022												2023											
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Headline CPI	**100%**																																				
Food & beverages	41.8%																																				
Apparel & footwears	2.1%																																				
Housing & furnishing	22.2%																																				
Medical & personal care	5.5%																																				
Transportation & communication	22.9%																																				
Recreation & education	4.3%																																				
Tobacco & alcoholic beverages	1.4%																																				
Raw food	21.0%																																				
Energy	13.5%																																				
Core CPI	**65.5%**																																				

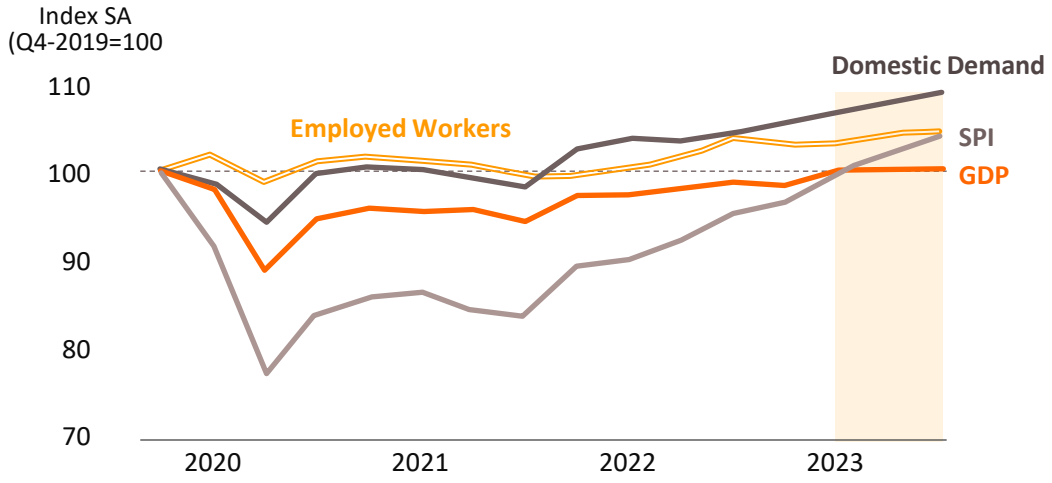
** Red > 0%, Green < 0% / Darker colors indicate stronger momentum*

Krungsri Research's view

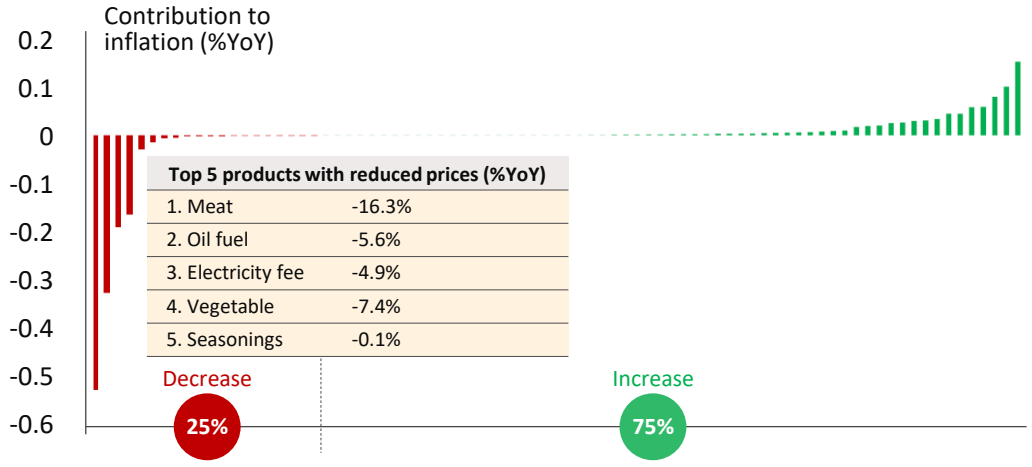
- **In December, headline inflation registered sharpest rate in 34 months, marking the third consecutive month of negative growth, at -0.83% YoY.** This is attributed to government measures to address rising cost of living by reducing household energy bills (i.e., transport fuel and electricity), as well as softer prices for fresh vegetables, meat, and cooking appliances. Core inflation, which excludes more volatile raw food and energy prices, was unchanged at 0.58%. In 2023, headline and core inflation averaged 1.23% and 1.27%, respectively, down from 2022 averages of 6.08% and 2.51%.
- The government has extended several measures to end-March, including to cap diesel price at THB 30/liter and subsidize electricity bills for January to April for households which use less than 300 units/month. **On this note, we expect inflation to remain negative at the start of 2024. However, it could rise towards the BOT's target range by the middle of the year, attributed** to: (i) an uptick in economic activity and stronger domestic demand; (ii) lower subsidies for energy costs; and (iii) increasing cost pressures resulting from a rise in minimum wage and possibly volatile commodity prices as a result of worsening drought conditions and geopolitical risks.

BOT's latest views on further economic recovery and temporary drop in inflation with targeted measures for fragile groups suggest it might keep policy rate at 2.50%

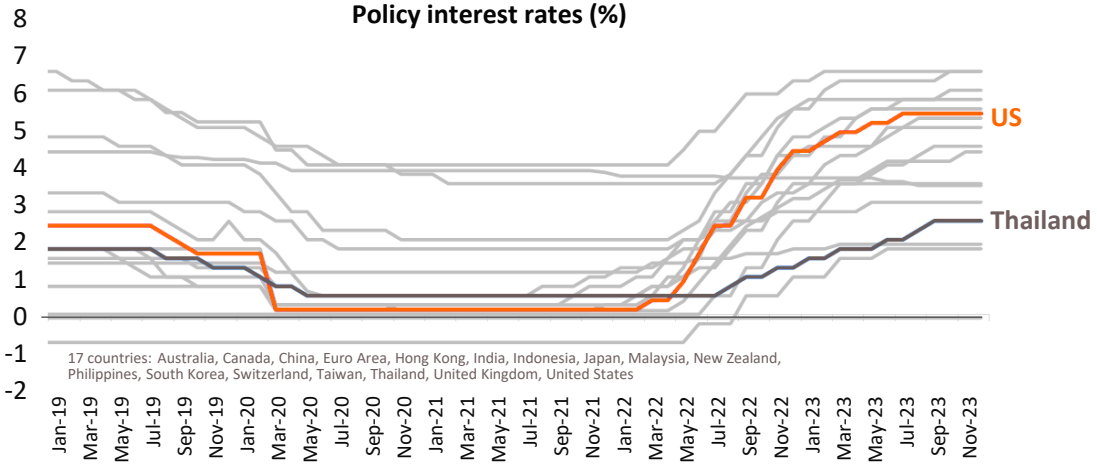
Thai economy has recovered on several fronts



Inflation is slowing but has not been broad-based



Thai policy interest rate is among the lowest in the world

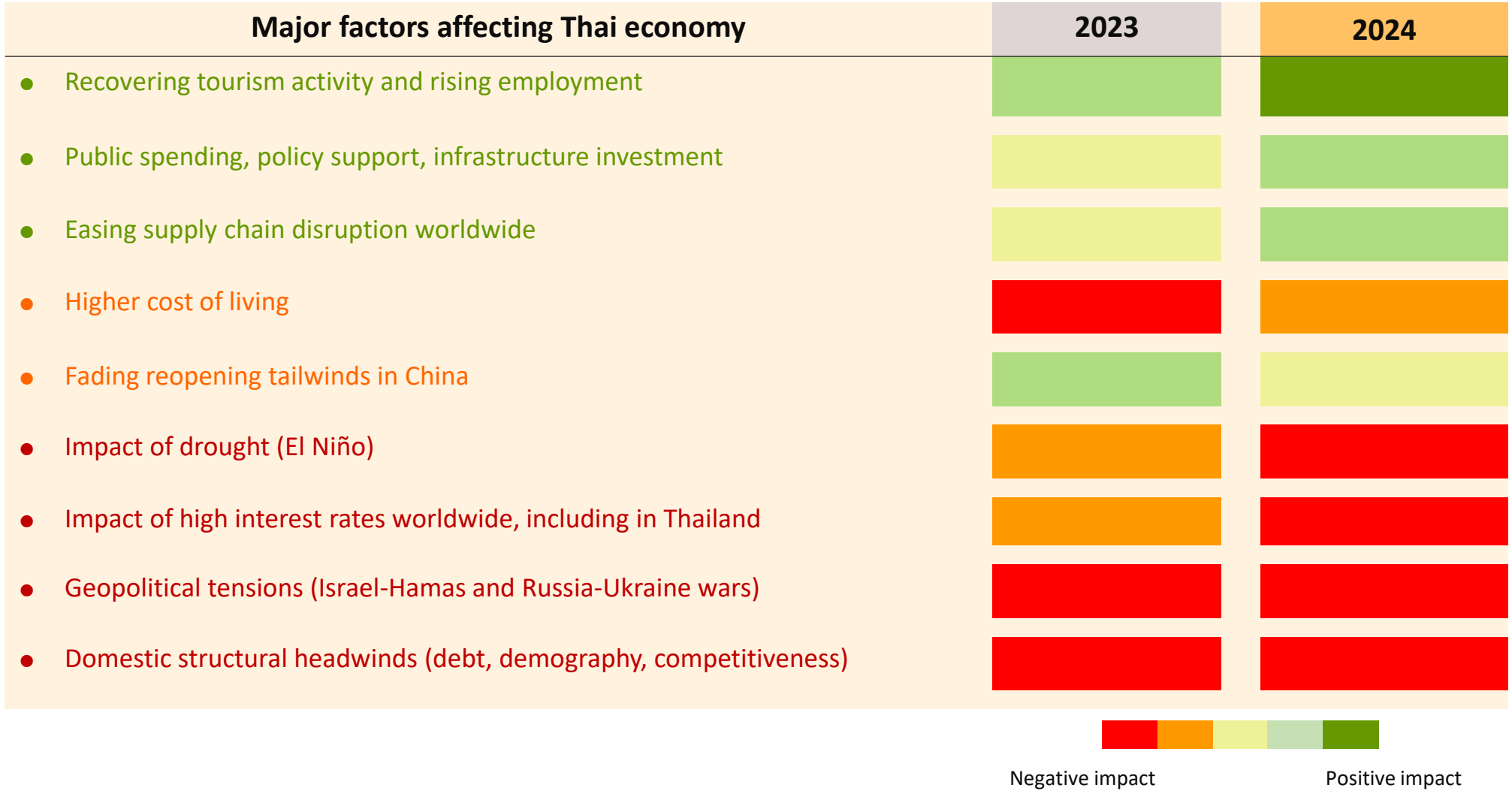


Source: BOT, Krungsri Research

Krungsri Research's view

- **At a policy briefing on January 15, BOT officials said the current policy interest rate is appropriate, citing three key points:**
  - **(i) The Thai economy has recovered on several fronts,** with significant improvement in domestic demand, services sector, and employment. **The recent drop in inflation was not broad-based** partly due to government subsidy and assistance measures. **Thai policy interest rate remains low** and below that in most other countries.
  - **(ii) Lending conditions are improving** with an increase in new loans and corporate bond issuance with limited rollover risk.
  - **(iii)** Despite higher interest rates, **targeted measures** are still in place to help fragile groups. The *Responsible Lending* guidelines are expected to relieve some of the burden faced by debtors in repaying loans and interest.
- BOT officials also said rate cuts are not a quick fix for a sluggish economy, citing the major headwinds to growth are structural. **Coupled with the BOT's view of a further economic recovery, temporary drop in inflation, and targeted policy to help vulnerable groups, the MPC is expected to hold policy rate at 2.50% at its next meeting on 7 February and possibly throughout 2024.**

Key factors in 2024: Growth would be fueled by stronger recovery in tourism activity and higher public spending, but impact could be capped by drought, debt, and external risks



Source: Krungsri Research

KRUNGSRI RESEARCH

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