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Krungsri Research

2024 Recap: Lagged cyclical recovery with fragile and uneven growth amid domestic political uncertainty

- We estimate the Thai economy would expand by 2.7% in 2024, improving from 1.9% in 2023. This would be driven by a stronger recovery in the tourism sector and continued domestic spending, further supported by year-end stimulus measures targeting vulnerable groups. Additionally, export growth is expected to turn positive, aided by the cyclical recovery in the electronics sector. However, private investment is projected to contract due domestic political uncertainty, delays in public investment, and structural problems in the manufacturing sector.
- The tourism sector has continued to improve and remained a key driver of the economy. Foreign tourist arrivals have been rising steadily, supported by visa-free program for over 90 countries, along with more flight routes and greater flight frequency. As a result, tourist arrivals are projected to reach 35.6 million in 2024, up from 28.2 million in 2023.
- Private consumption is expected to grow by 4.8% in 2024, slowing from 7.1% in 2023, driven by the recovering tourism sector and rising employment. This is further supported by government measures to reduce living costs and aid for vulnerable groups, such as the THB 10,000 cash distribution program implemented at the end of the year.
- Public spending has taken on a greater role in driving the economy since mid-2024, following significant disruptions in the first half due to delays in enacting the FY2024 Budget Act.
- Exports are expected to accelerate to +3.9% in 2024, recovering from -1.5% in 2023. This would be supported by specific factors, including cyclical recovery in electronics sector and higher demand for products benefiting from growth in the global services sector, including agriculture and food products.
- Private investment is projected to contract by 1.5% in 2024, reversing from 3.2% growth in 2023, due to concerns over policy continuity and delayed public spending after an unexpected change in the Prime Minister. Additionally, manufacturing production has also weakened because of structural problems and declining competitiveness.
- The Monetary Policy Committee (MPC) cut policy interest rate once in late Q3, from 2.50% to 2.25%, to support economic recovery and ease household debt burden without disrupting the debt reduction process amid slowing credit growth. Meanwhile, inflation rate is projected to fall below the target range of 1-3% in 2024, from 1.2% in 2023 to 0.4% in 2024.

2025 outlook: Normalized growth and a temporary rebound amid structural headwinds and policy uncertainty

- The Thai economy is on track to achieve normalized growth next year, estimated at 2.9%, driven by higher government spending and a record-high budget deficit at 4.5% of GDP, alongside recovering tourism activity to pre-pandemic levels. However, the growth momentum would be capped by domestic and external headwinds, such as high household debt and uncertainty over US trade policy.
- Normalized public spending will provide a transitory boost to overall economic growth in 2025. Public investment is projected to accelerate to 5.8% in 2025, driven by a 26.5% increase in FY2025 capital budget.
- Private investment is expected to rebound moderately, rise by 2.9% in 2025, supported by accelerated public investment and the relocation of production bases in certain industries. However, growth would remain constrained by structural challenges in key industrial sectors.
- Tourism activity is on track to recover to pre-pandemic levels, with international tourist arrivals expected to reach 40 million in 2025 driven by rising demand, increased supply, and visa-waiver programs.
- Private consumption is expected to expand by 3.0%, approaching normal levels and close to overall economic growth. While stimulus measures will support consumption, its expansion might be limited by high household debt and a possible decline in agricultural product prices.
- Exports are expected to grow at a moderate pace of 2.7% in 2025, supported by (i) a gradual global economic recovery, (ii) increasing demand in the electronics sector driven by the expanding digital economy, and (iii) expansion in the tourism and services sectors, which will boost exports of related goods such as food, beverage, and agricultural products. However, exports will continue to face challenges from structural issues and trade tensions between the U.S. and China, both of which are Thailand's key trading partners.
- Krungsri Research expects the MPC to cut policy rate to 2.0% by 1Q25, to ease financial strain and nurture economic recovery. Headline inflation is projected to rise to 1.0% in 2025, given improving domestic demand through private consumption, tourism, and government spending.
- Risks & Challenges: (i) Escalating trade tensions, uncertainty over US policies, and geopolitical risk; (ii) influx of Chinese imports; (iii) extreme climate change (risk of La Niña); (iv) structural problems such as high household debt and weaker competitiveness; and (v) policy uncertainty and political risk in Thailand.

Krungsri Research Forecasts for 2024-2025

Krungsri Research Forecast		2023	2024F	2025F
GDP growth	YoY (%)	1.9	2.7	2.9
Private Consumption Expenditure	YoY (%)	7.1	4.8	3.0
Government Consumption Expenditure	YoY (%)	-4.6	2.0	2.2
Private Investment	YoY (%)	3.2	-1.5	2.9
Public Investment	YoY (%)	-4.6	2.5	5.8
Nominal Exports in USD (f.o.b.)*	YoY (%)	-1.5	3.9	2.7
Nominal Imports in USD (f.o.b.)*	YoY (%)	-3.8	4.7	3.5
Current Account Balance	USD, bn	7.4	9.0	10.5
Tourist Arrivals	Mn, persons	28.2	35.6	40
Headline Inflation	YoY (%)	1.2	0.4	1.0
Policy Interest rate (end of period)	(%)	2.50	2.25	2.00
Dubai crude price - period average	USD/bbl	82	80	78

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

Thailand's economy is experiencing uneven recovery driven by tourism and domestic consumption, but recovery has started to be more balanced since 3Q24

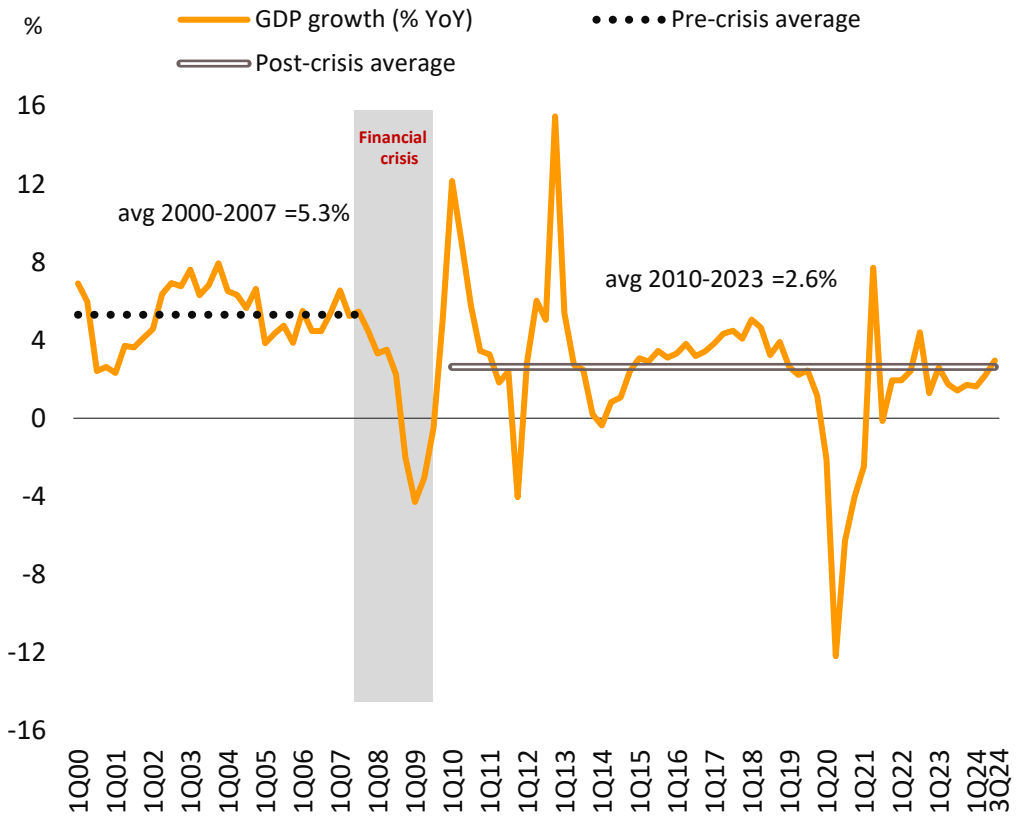


(% YoY)	Share 2023	2021				2022				2023				2024		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP growth	**100.0%**															
Demand-side data																
Private Consumption	59.1%															
Government Consumption	14.7%															
Gross Fixed Capital Formation	24.4%															
Private Investment	*18.3%*															
Public Investment	*6.0%*															
Exports of Goods & Services	69.2%															
Exports of Goods	*58.2%*															
Exports of Services	*11.7%*															
Imports of Goods & Services	66.1%															
Imports of Goods	*54.0%*															
Imports of Services	*12.0%*															
Supply-side data																
Agriculture	6.4%															
Manufacturing	25.6%															
Construction	2.7%															
Wholesale & Retail trade	*16.3%*															
Accommodation & Food Service	*6.0%*															
Transport & Storage	*5.5%*															
Financial & Insurance	*8.1%*															
Real Estate Activities	*4.3%*															

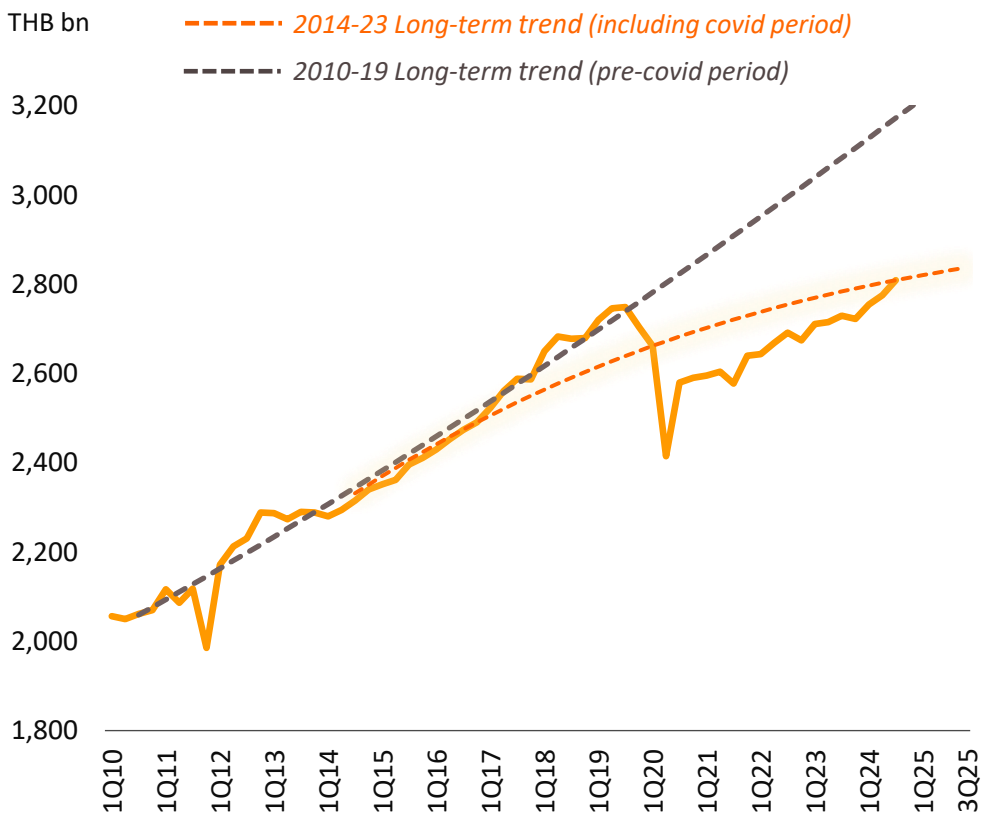
Source: NESDC, Krungsri Research

Thailand's economic growth is returning to 2010-2023 average level, but momentum might not be sustainable

Thailand's GDP in 2000-3Q2024

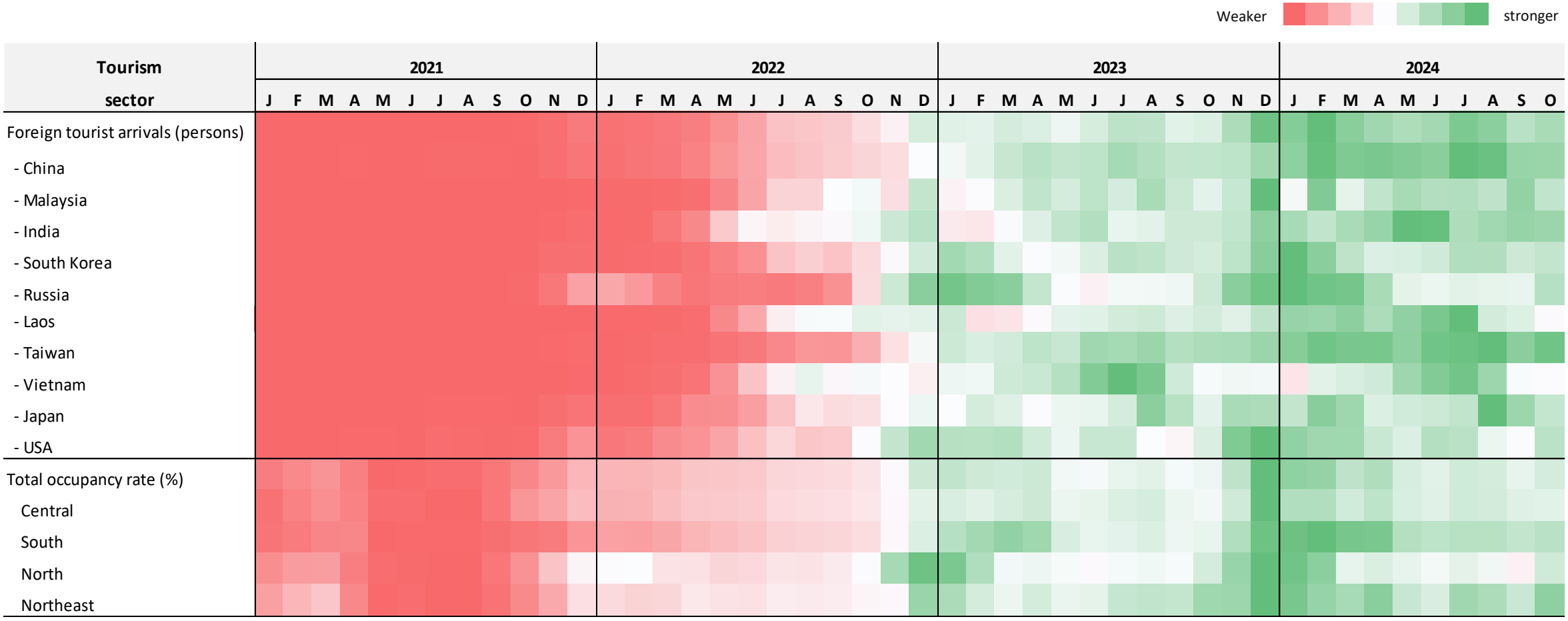


Thailand's GDP Trends



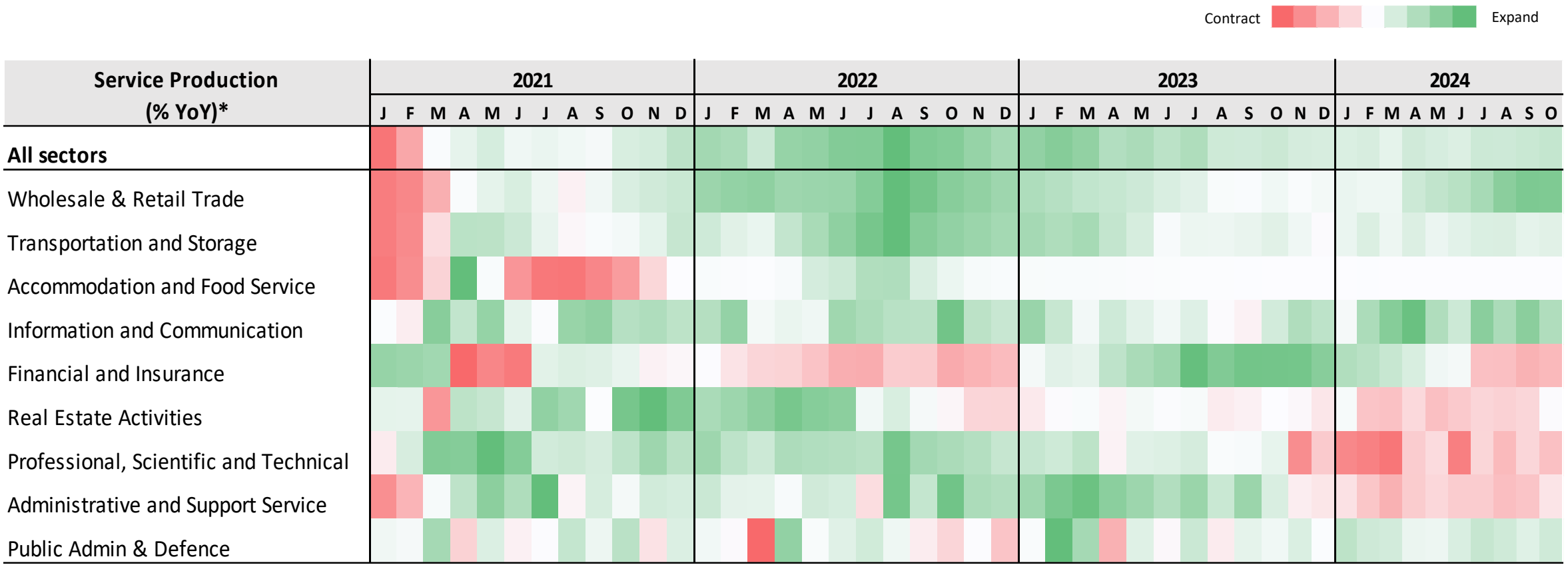
Source: Office of the National Economics and Social Development Council (NESDC), Krungsri Research

Tourism sector recovered strongly in 2024 and will remain the key driver of Thailand's economy in 2025 supported by visa-free program



Source: Ministry of Tourism and Sports (MOTS), Krungsri Research

Services sector continued to grow, especially tourism and related industries; other sub-sectors weakened



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

Source: BOT, Krungsri Research

In 2024, exports were mainly driven by specific factors, especially recovering demand for electronics products; might face challenges from uncertain US trade policy in 2025



Exports (% YoY)*	Share 2023	2021												2022												2023												2024									
		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	J	F	M	A	M	J	J	A	S	O
Total exports	**100.0**																																														
Agriculture	7.2																																													
Fishery	0.5																																													
Manufacturing	88.8																																													
Automotive	15.9																																													
Passenger Car	2.8																																													
Pick Up & Trucks	3.3																																													
Motorcycle	1.0																																													
Vehicle Parts & Accessories	6.7																																												
Electronics	11.6																																												
Computer	0.6																																													
Computer Parts	3.8																																													
Integrated Circuits & Parts	3.4																																													
Agro-manufacturing	13.3																																												
Canned Fish	1.0																																												
Food Products	2.3																																												
Rubber products	2.0																																													
Electrical Appliances	9.6																																													
Air Conditioning	1.9																																												
Refrigerators	0.7																																												
Machinery & Equipment	8.3																																													
Petro-Chemical Products	7.3																																													
Metal & Steel	5.2																																												
Petroleum Products	3.7																																													
Medicinal and Surgical	0.7																																													
Jewellery	3.0																																												
Apparels & Textile Materials	2.2																																													

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

Source: MOC, Krungsri Research

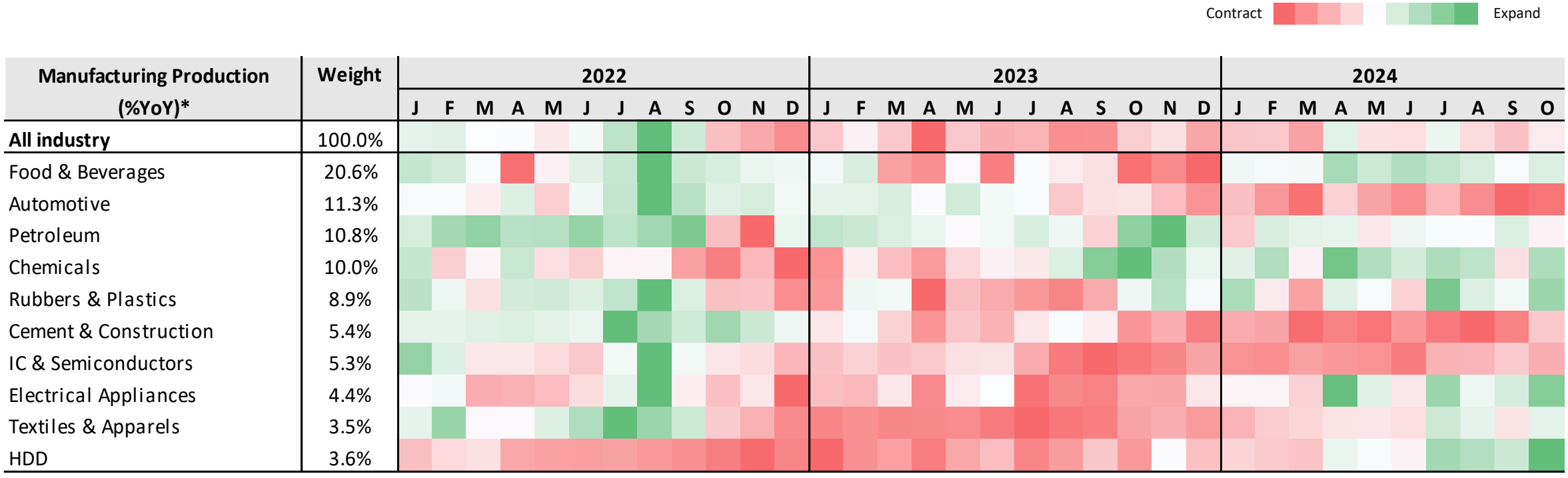
Exports grew only to some major markets, such as the US, EU, and CLMV; imports improved, driven by demand for capital goods, particularly computers, parts & accessories, and consumer goods



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

Source: Ministry of Commerce (MOC), Krungsri Research

Manufacturing production is projected to remain weak, but some industries are seeing growth driven by recovering tourism activity

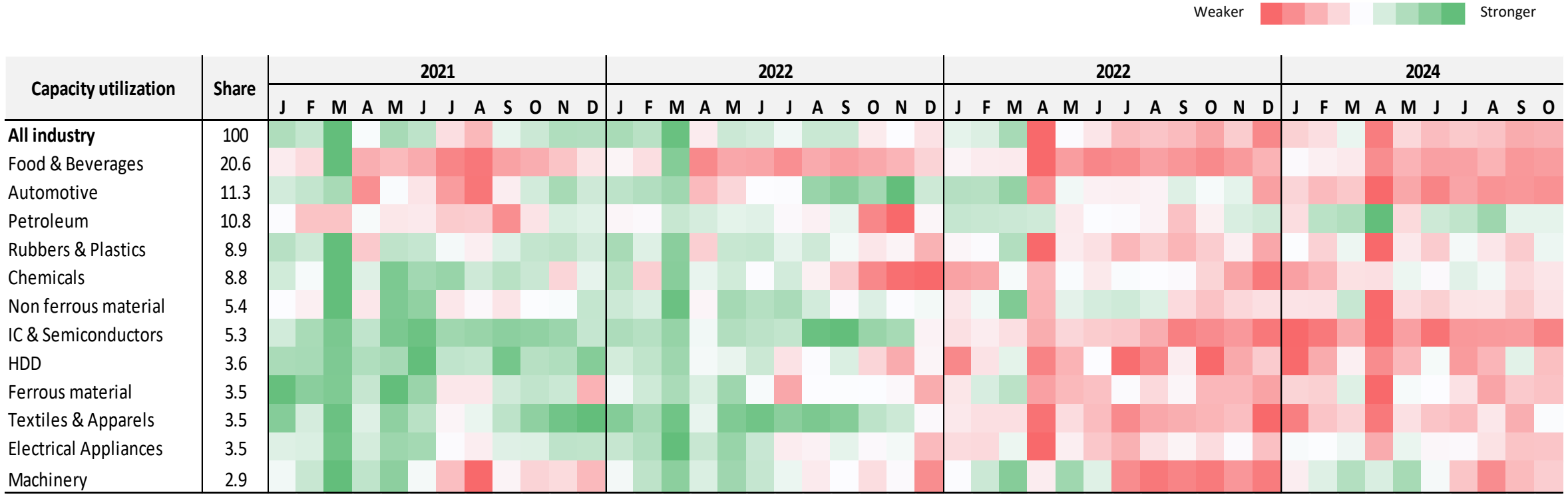


Manufacturing Production (%YoY)*	Weight	2022												2023												2024									
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
All industry	100.0%																																		
Food & Beverages	20.6%																																		
Automotive	11.3%																																		
Petroleum	10.8%																																		
Chemicals	10.0%																																		
Rubbers & Plastics	8.9%																																		
Cement & Construction	5.4%																																		
IC & Semiconductors	5.3%																																		
Electrical Appliances	4.4%																																		
Textiles & Apparels	3.5%																																		
HDD	3.6%																																		

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

Source: Office of Industrial Economics (OIE), Krungsri Research

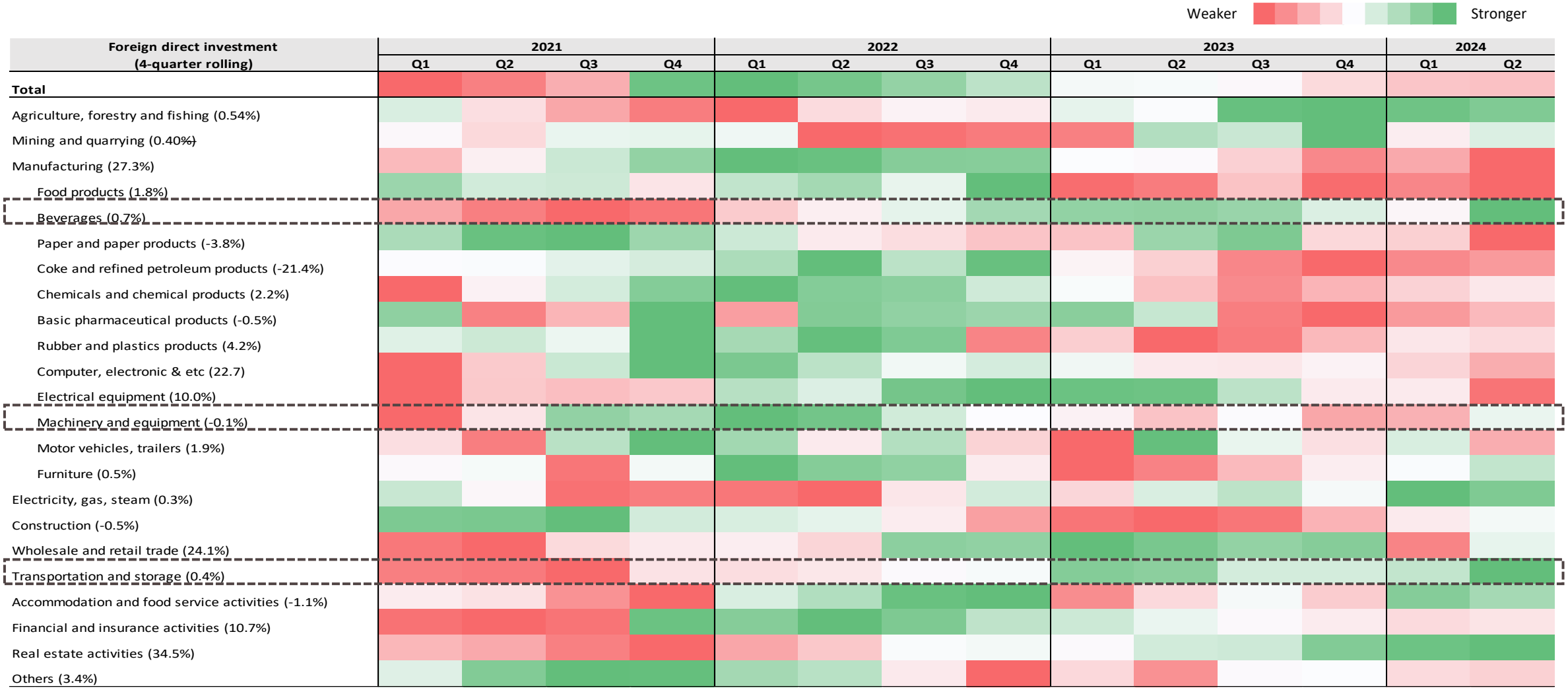
Capacity utilization rates remain low in several industries, in line with weak manufacturing production



Capacity utilization	Share	2021												2022												2022												2024								
		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	J	F	M	A	M	J	J	A	S	O
All industry	100																																															
Food & Beverages	20.6																																														
Automotive	11.3																																														
Petroleum	10.8																																														
Rubbers & Plastics	8.9																																														
Chemicals	8.8																																														
Non ferrous material	5.4																																														
IC & Semiconductors	5.3																																														
HDD	3.6																																														
Ferrous material	3.5																																														
Textiles & Apparels	3.5																																														
Electrical Appliances	3.5																																														
Machinery	2.9																																														

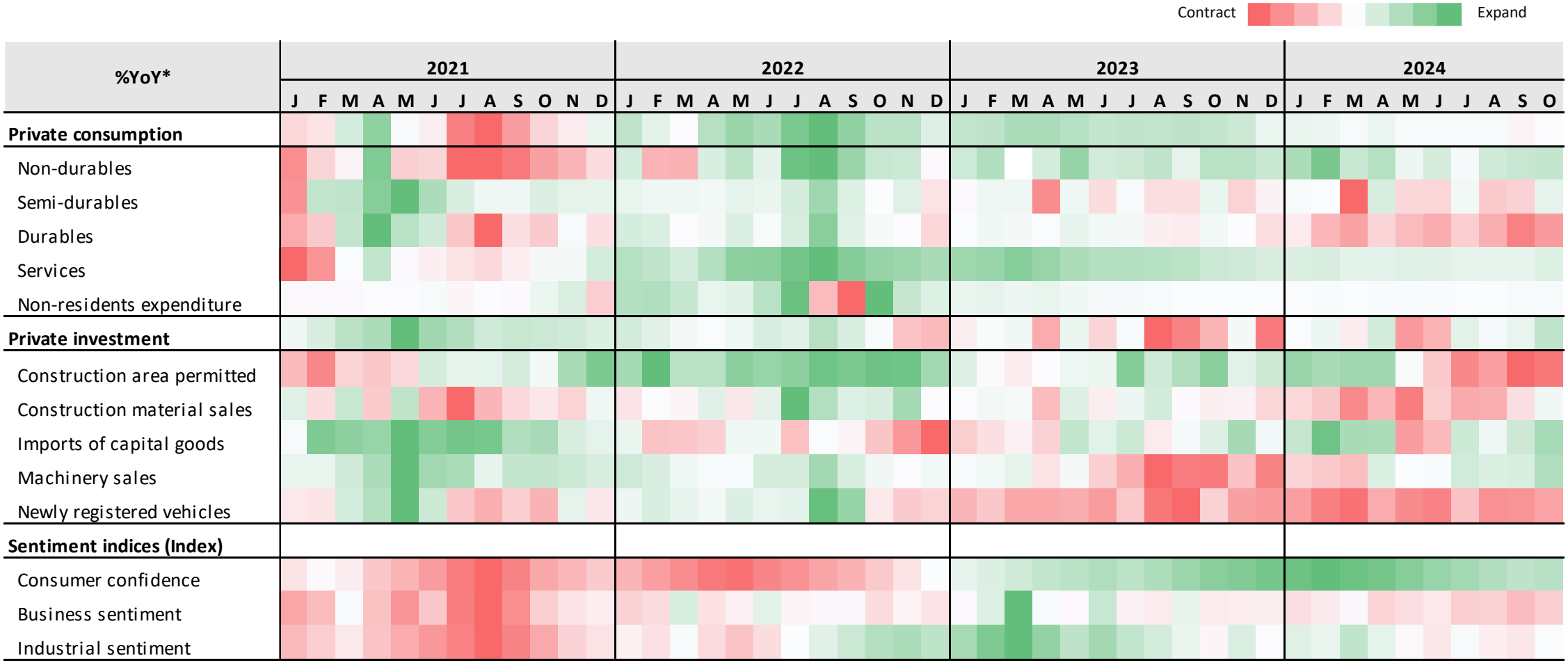
Source: OIE, Krungsri Research

FDI slowed in 1H24 but could improve following clearer domestic political direction in 2H; latest FDI led by Beverage, Machinery & Equipment, and Transportation & Storage



Source: BOT, Krungsri Research

Domestic economy: Recovery is slow amid weak confidence; *Private consumption* mainly driven by services sector, spending on durable goods contracted*; Private investment* has been sluggish due to structural issues and domestic political uncertainty



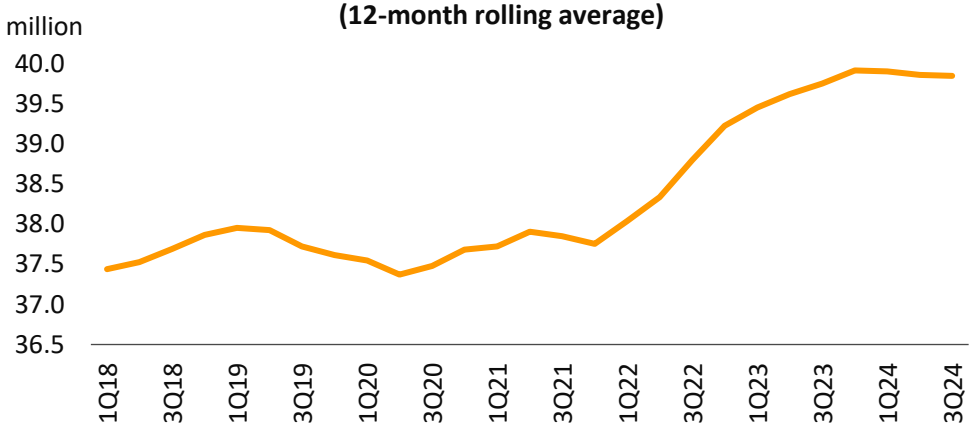
**Green >0%, Red <0% / Darker green (red) indicates stronger (weaker) momentum*

Source: BOT, University of the Thai Chamber of Commerce (UTCC), Federation of Thai Industries (FTI), Krungsri Research

Overall employment conditions are improving but at different pace across sectors

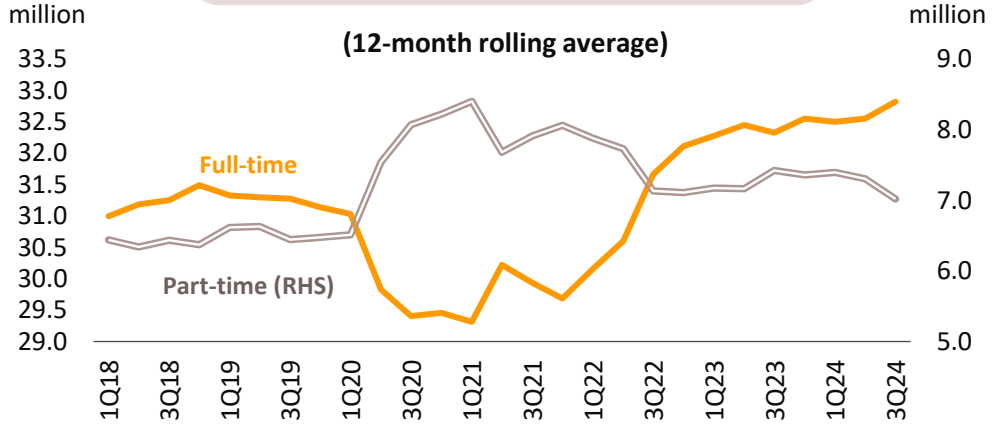
Employment

(12-month rolling average)

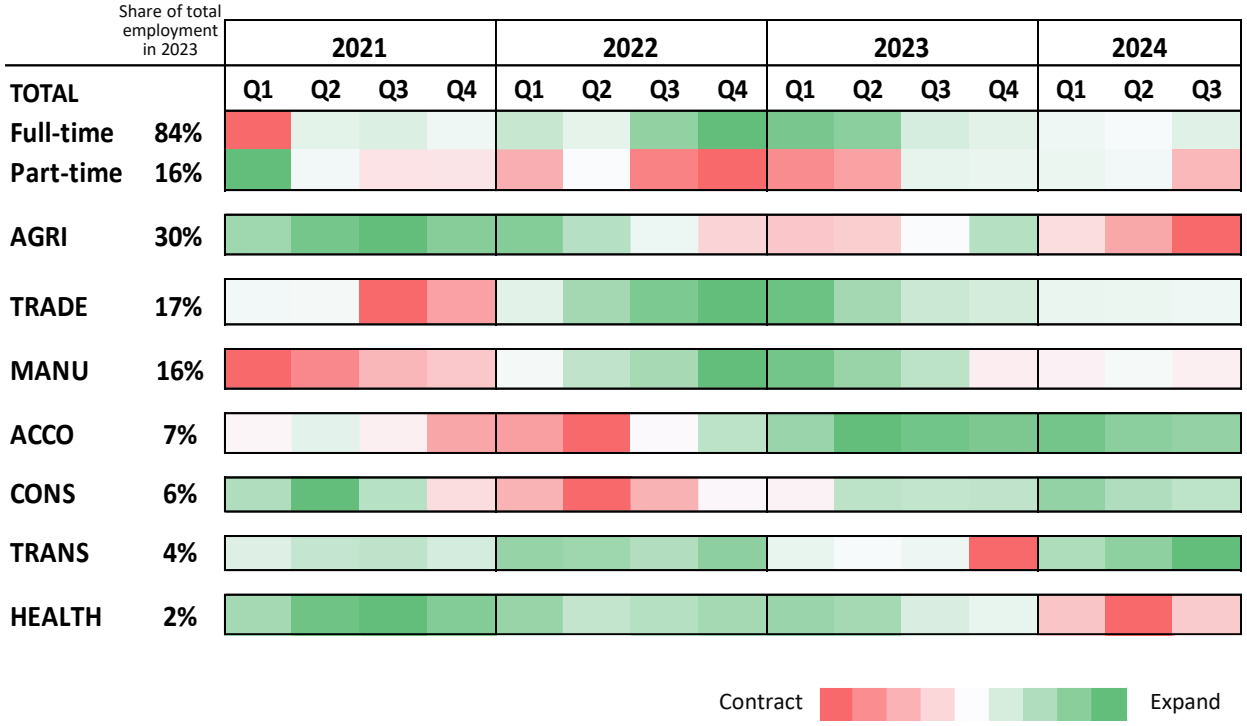


Full-time and part-time* employment

(12-month rolling average)



Sector employment (%YoY, 12-month rolling average)



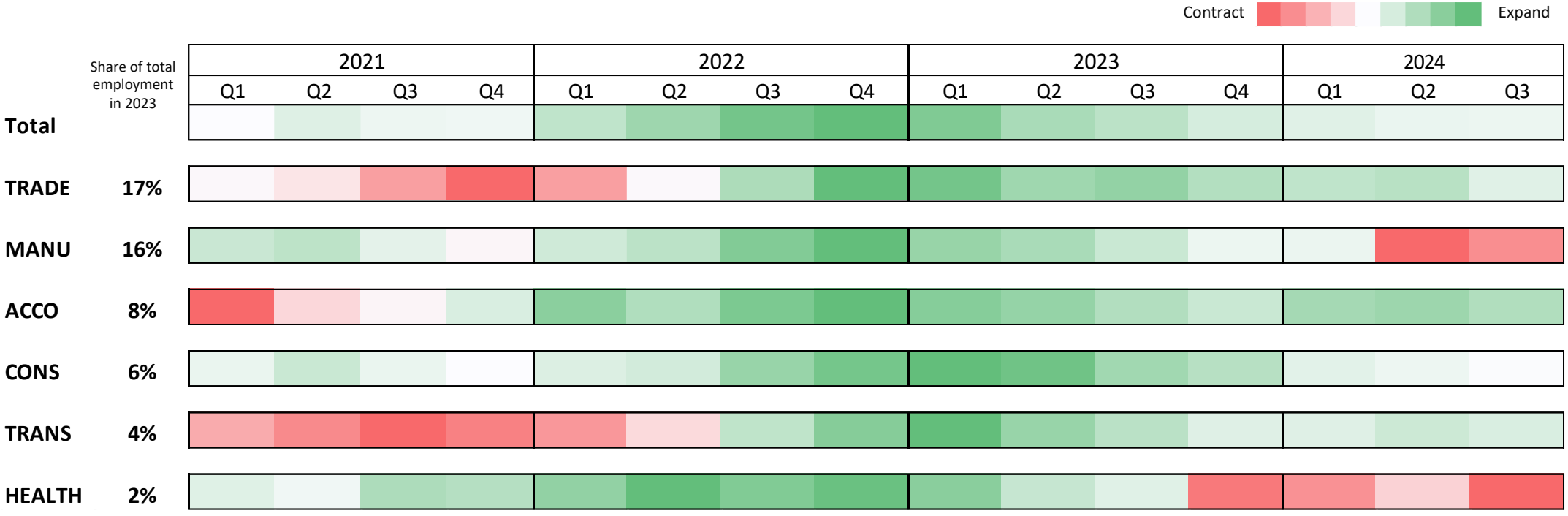
Note: Sectoral code: AGRI= Agriculture, TRADE = Wholesale and retail trade, MANU = Manufacturing, ACCO = Accommodation and food service activities, CONS = Construction TRANS = Transportation and HEALTH = Human health

* Part-time job is defined by those who work less than 34 hours a week. Full time job is defined by those who work more than 34 hours a week

Source: BOT, National Statistical Office of Thailand (NSO), Krungsri Research

Non-farm income in manufacturing sector is falling, while income in other sectors is recovering slowly

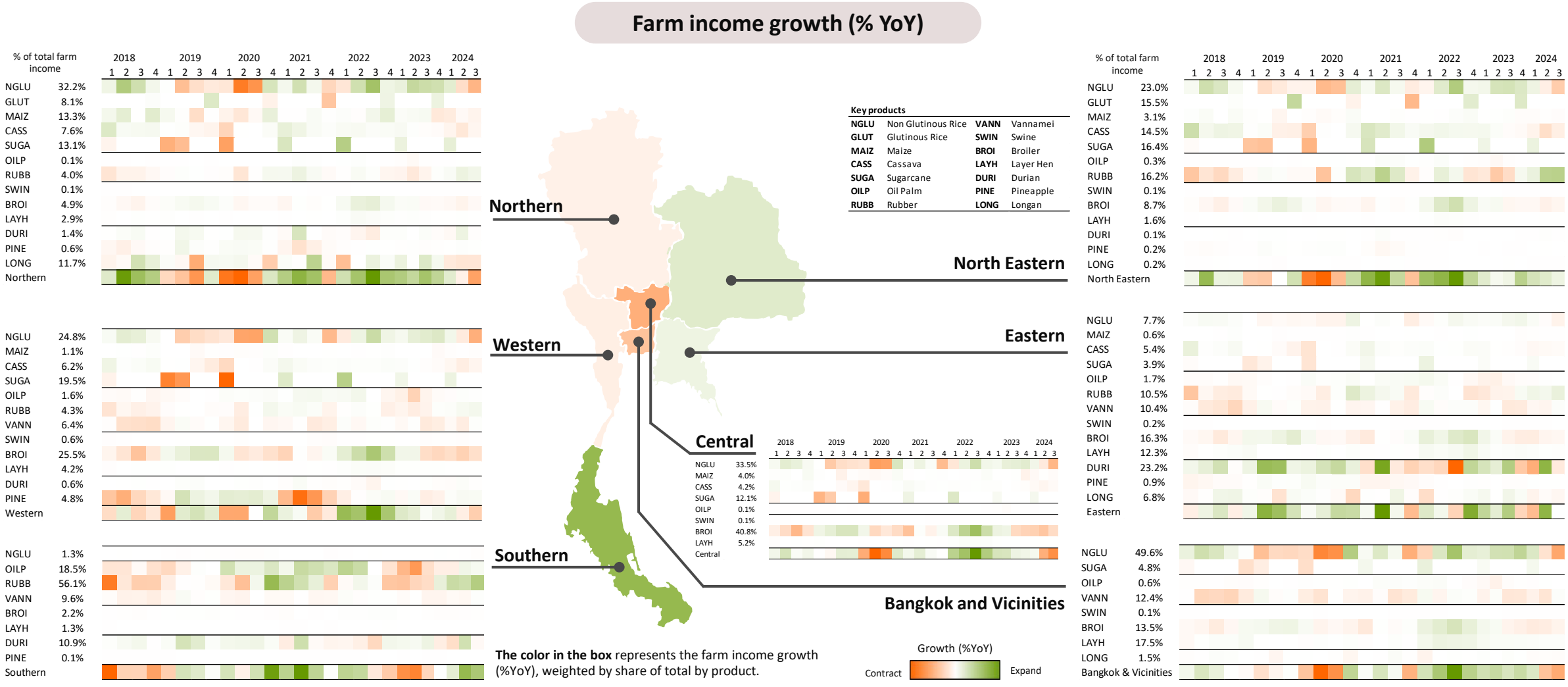
Nominal wage growth (12-month rolling average % YoY)



Note: Sectoral code: TRADE = Wholesale and retail trade, MANU = Manufacturing, ACCO = Accommodation and food service activities, CONS = Construction, TRANS = Transportation and HEALTH = Human health

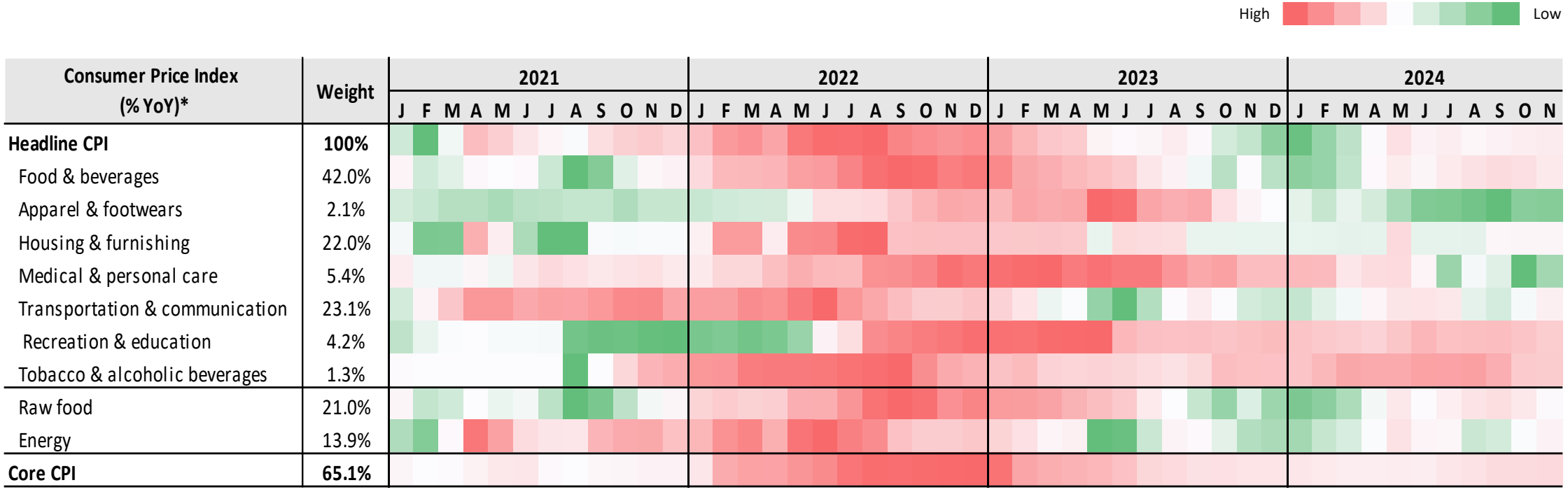
Source: BOT, National Statistical Office of Thailand (NSO), Krungsri Research

Farm income is projected to dip slightly in 2025 along with lower farm prices, despite improving output due to higher water levels following La Niña



Source: Office of Agricultural Economics (OAE), Krungsri Research

Inflation should remain low in 2024 at 0.4%; projected to rise towards target range (1-3%) in 1H25, full-year average to be closer to lower end of range

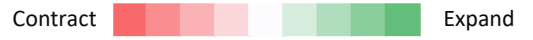


Consumer Price Index (% YoY)*	Weight	2021												2022												2023												2024										
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
Headline CPI	**100%**																																															
Food & beverages	42.0%																																														
Apparel & footwears	2.1%																																														
Housing & furnishing	22.0%																																														
Medical & personal care	5.4%																																														
Transportation & communication	23.1%																																														
Recreation & education	4.2%																																														
Tobacco & alcoholic beverages	1.3%																																														
Raw food	21.0%																																														
Energy	13.9%																																														
Core CPI	**65.1%**																																														

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

Source: MOC, Krungsri Research

Bank lending has declined due to slow recovery in income, high debt burden at SMEs and households, as well as structural issues and lower competitiveness in certain businesses



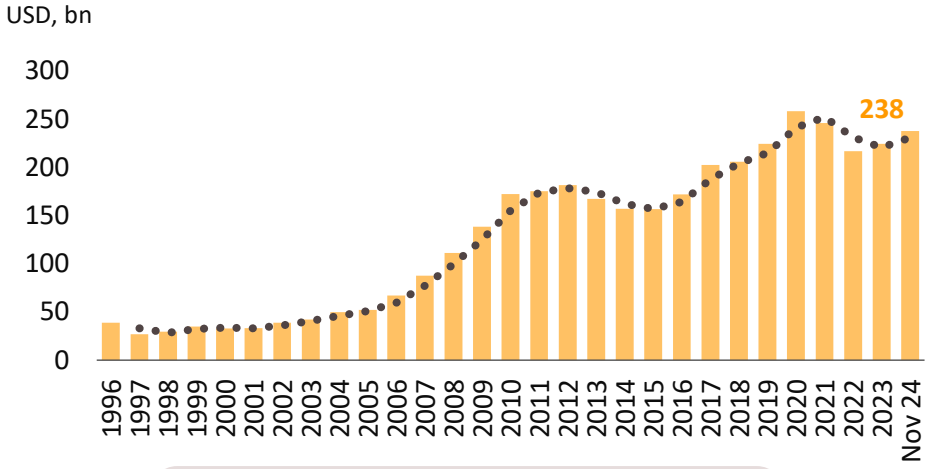
Commercial bank loans* (% YoY)	Share (2023)	2021				2022				2023				2024		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total	**100.0%**															
SMEs	21.0%															
Manufacturing	3.9%															
Electricity, gas and air conditio	0.8%															
Wholesale and retail trade	6.8%															
Accommodation	1.9%															
Real estate	2.5%															
Large corporate	43.8%															
Manufacturing	10.2%															
Electricity, gas and air conditio	3.9%															
Wholesale and retail trade	7.1%															
Accommodation	1.2%															
Real estate	2.4%															
Household credits	35.2%															
Mortgage	17.3%															
Hire purchase	7.7%															
Personal Loan	9.8%															

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

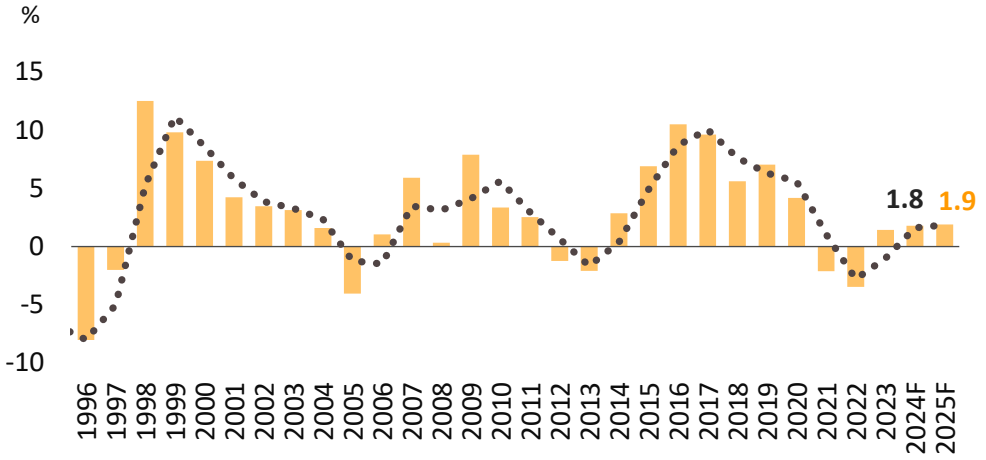
Source: BOT, Krungsri Research

External stability remains sound with high foreign reserves; recovering tourism activity to further support the current account surplus

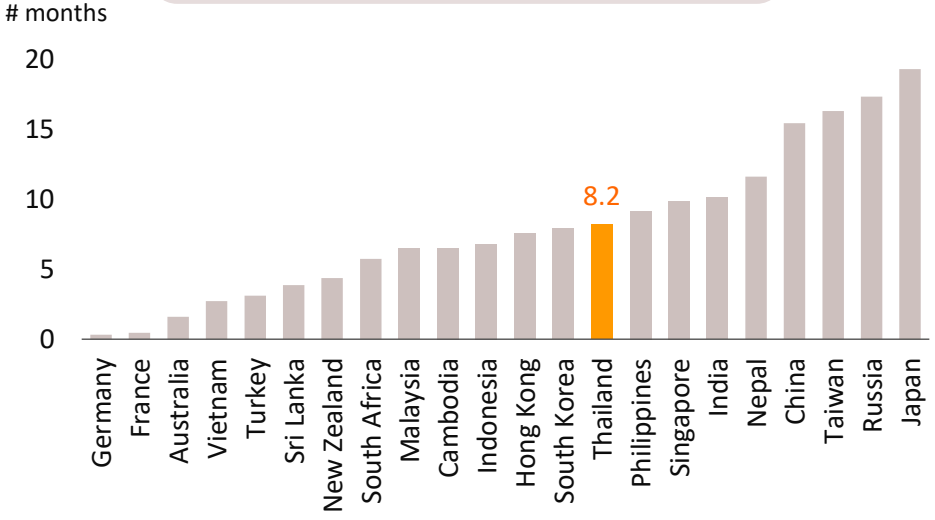
Foreign reserves



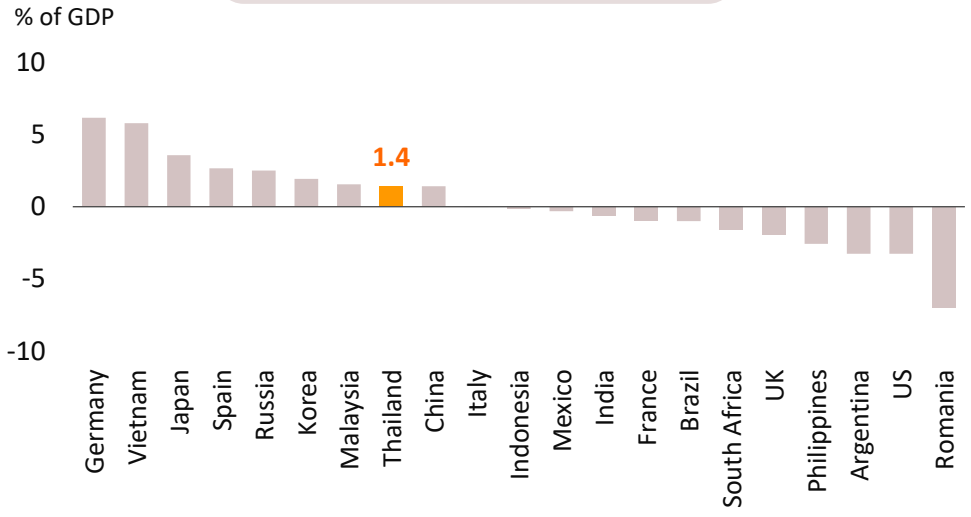
Thailand's current account balance



FX reserves, months of imports (Jun-24)



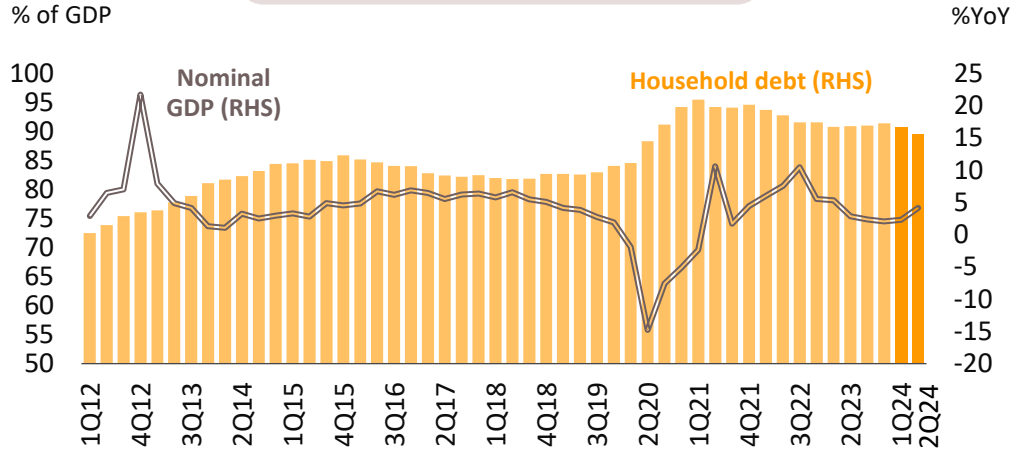
Current account balance, 2023



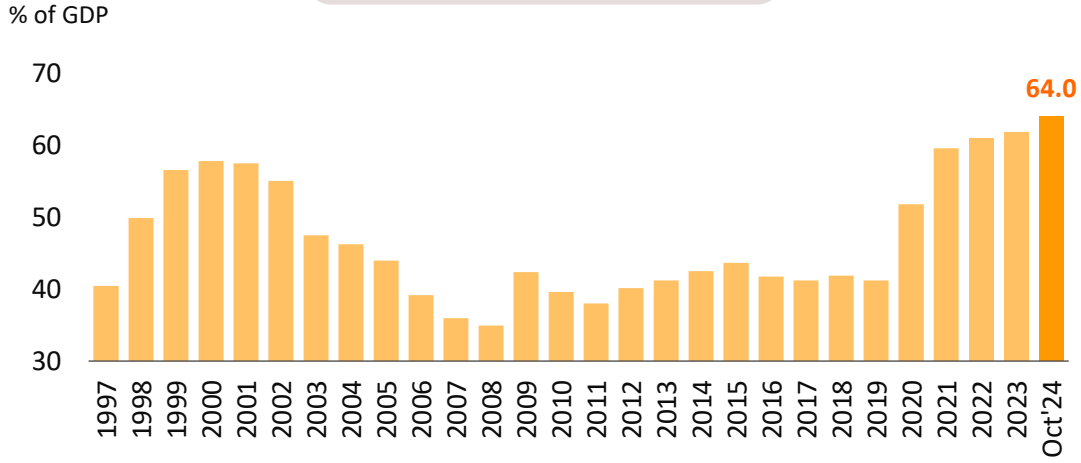
Source: BOT, IMF, World Bank, Krungsri Research

Debt levels remain high: Public debt could rise following more stimulus measures, but household debt burden could ease temporarily with *Khun Soo, Rao Chuay (You Fight, We Help)* debt relief program

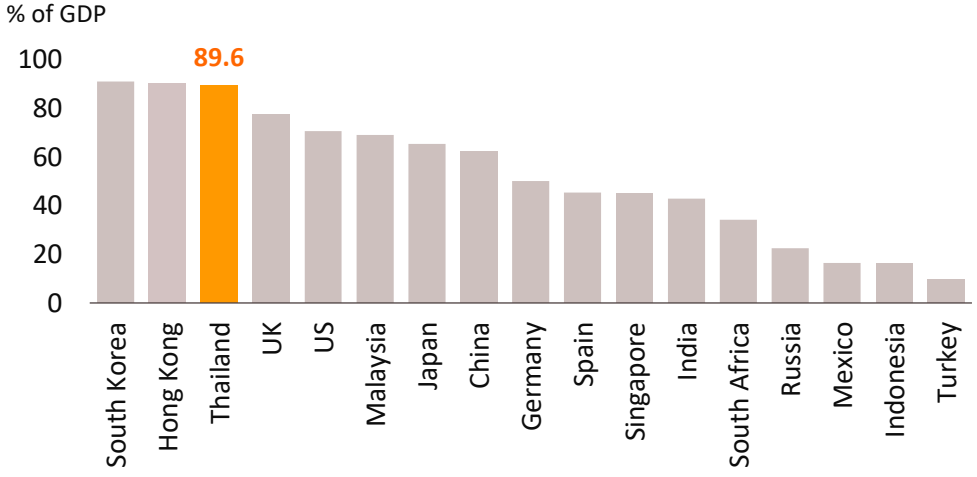
Household debt to GDP (BOT)



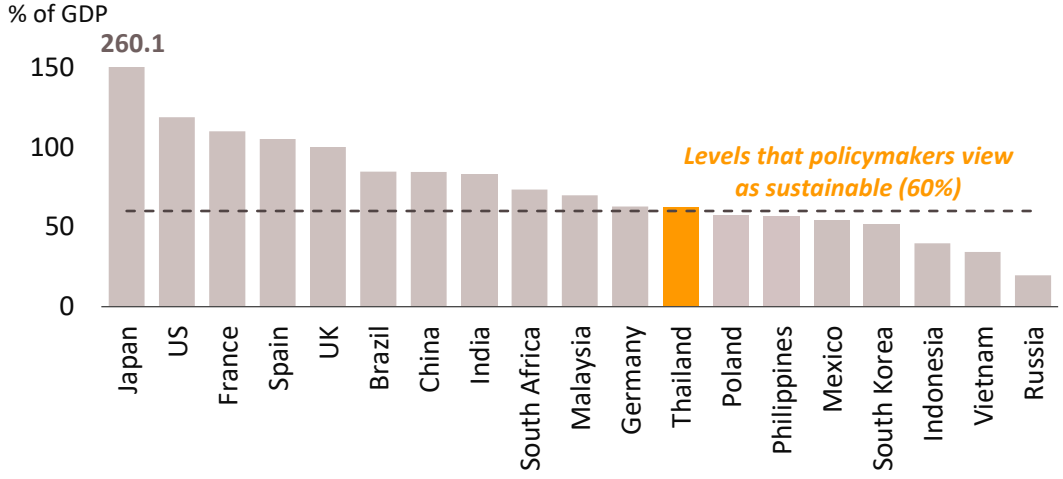
Public debt to GDP (PDMO)



Household debt to GDP, 2024 (June)



Public debt to GDP, 2023 (IMF)



Source: Bank for International Settlements (BIS), BOT, CEIC, Public Debt Management Office (PDMO), Krungsri Research

KRUNGSRI RESEARCH

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