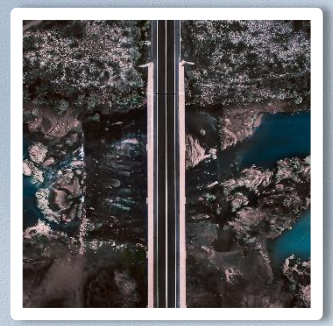
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MONTHLY ECONOMIC BULLETIN

SPECIAL EDITION

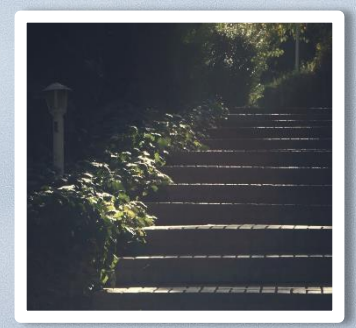
December 2022












2022 Recap: Thailand's economy has been recovering since mid-2022 full reopening but high inflation is a concern

- We project the Thai economy would expand by 3.2% in 2022, helped by the vaccination program and easing of the Covid-19 pandemic. Foreign tourist arrivals have recovered rapidly in 2H22. However, the global environment is fragile and the war in Ukraine and reintroduction of widespread lockdowns in China have again triggered disruptions in supply chains worldwide. This coincided with the post-pandemic acceleration in demand as economies worldwide surged back to life. As a result, the market pulling in opposite directions pushed up prices worldwide, including Thailand.
- Tourism sector has shown visible recovery since reopening. The sector has been revived by the lifting of domestic pandemic controls since mid-2022 and the move by almost all countries to reduce or remove restrictions on international travel.
- Export sector was a major driver of the economy in 2022 buoyed by the easing Covid-19 pandemic and resulting surge in demand. The disruptions in supply chains caused by the Ukraine-Russia war also reduced supply as well as stoked additional demand for food and commodities. The war is a cause higher global commodity prices which boosted income for some Thai exporters, but the softer economy at year-end also led to a slowdown in the export sector.
- Private consumption has surged thanks to the easing pandemic situation and successful vaccination program. Domestic expenditure and economic activity have returned to normal with a release of pent-up demand, although these were also helped by the government's move to extend stimulus packages (from 2021) and introduce new measures to help consumers weather the impact of higher energy costs.
- Private investment has been supported by rising exports despite supply chain bottlenecks in some industries and firming domestic demand driven by the recovery in the tourism sector and broad economy.
- Public spending has continued to support the economy though its role has been reduced by the improving pandemic situation. There is still a balance from two funds (emergency borrowings) earmarked to battle Covid-19 - THB 1 trillion and THB 500 billion.
- Thai baht has been volatile in 2022. For most of the year, the US Fed's stronger-than-expected rate hikes have been steadily weakening the baht. However, moving towards year-end, the Fed has softened its stance and Thailand's tourism sector has rebounded; these have improved the country's current account balance, and with it, a stronger baht.
- The Bank of Thailand (BOT) has raised policy interest rate from a record low of 0.50% to 1.25% by end-2022. This is supported by economic recovery along with a sharp increase in supply-side inflation which has, been particularly intense in commodity markets thanks to the Ukraine war. The commodity shock and pass-through effects are expected to push domestic headline inflation to a 24-year high of 6.1% in 2022.

2023 outlook: Domestic recovery will be driven by twin-engines - tourism and domestic consumption - but the global slowdown and external risks remain a threat

- 2023 will be the year the Thai economic activity finally returns to or exceeds its pre-pandemic level; full-year 2023 growth is projected at +3.6%. Tourist arrivals would surge in 2023 following reopening and after more than 2 quarters of varying degrees of lockdown in 2022. Higher employment would support household spending as pent-up demand fade. Business investment would gain momentum supported by recovering domestic activity and FDI. Thai exports would decelerate in line with the global slowdown but could see less impact than peers.
- Tourism, the key economic growth engine, will continue to recover albeit still below pre-pandemic level. The global economy will soften next year but the reopening of the country and relaxation of pandemic-era controls international travel will continue to boost short-haul arrivals from within the region. We see imminent signs of recovery in tourist arrivals from China from the middle of 2023.
- Private consumption will continue to rise driven by improving consumer sentiment and a strong labor market. The latter will be helped by the recovering domestic economy, especially the tourism sector. This will lift household income but low-income earners will have limited room to increase consumption because of high inflation. Their spending growth could be dragged by high levels of household debt, the current cycle of rate hikes, and the end of government stimulus spending.
- Private investment will benefit from improving domestic economic activity, infrastructure investment, foreign direction investment (FDI), and EEC promotion measures. However, upside will be capped by a combination of softening demand in the export sector and the impact of higher interest rates on financing cost.
- Thai export growth is projected to decelerate along with slower global economy and trade. Thailand is facing external challenges as economic growth in major countries is projected to slow down coupled with higher risk of recession, especially in the US and Eurozone. However, there are prospects for Thailand to increase exports to the ASEAN market where economic growth would be more favorable than other regions.
- Krungsri Research expects the MPC to raise policy interest rate gradually to 1.75% by end-1Q23 and keep it there for most of the year, premised on the following: (i) the Thai economy is in the early phase of post-pandemic recovery and tourism sector will take time to recover to pre-pandemic level; (ii) external headwinds could heighten in 2023 as the global economy is projected to slow down and advanced economies face recession risks; and (iii) headline inflation is easing and projected to return to the official target range of 1-3% in mid-2023.
- Risks & Challenges: (i) Extended and intensifying Russia-Ukraine crisis; (ii) tighter-than-expected financial conditions; (iii) uncertainty over the zero-covid policy and property crisis in China ; (iv) risk of a tech war amid rising geopolitical tension; and (v) political risks in Thailand.

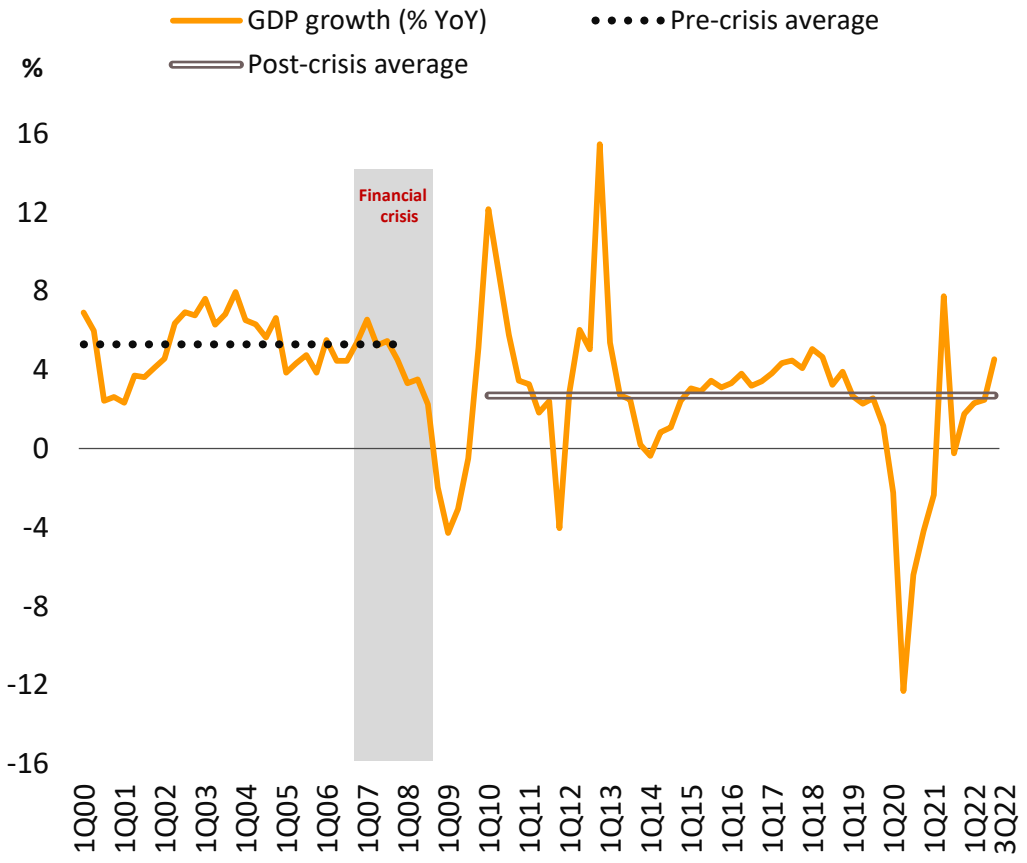
Thailand: Krungsri Research Forecasts for 2022-2023

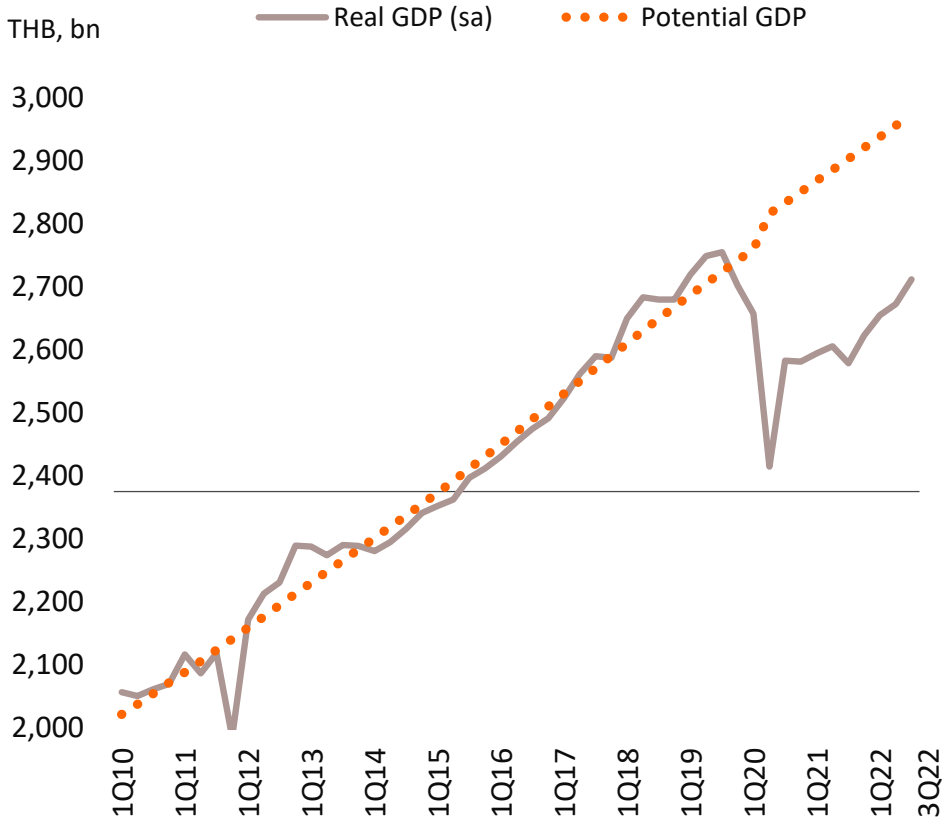
Krungsri Research Forecast		2021	2022F	2023F
GDP growth	YoY (%)	1.5	3.2	3.6
Private Consumption Expenditure	YoY (%)	0.3	5.2	3.4
Government Consumption Expenditure	YoY (%)	3.2	-0.5	0.6
Private Investment	YoY (%)	3.3	3.0	3.8
Public Investment	YoY (%)	3.8	-1.0	3.0
Nominal Exports in USD (f.o.b.)*	YoY (%)	19.2	7.5	3.5
Nominal Imports in USD (f.o.b.)*	YoY (%)	23.9	18.0	6.0
Current Account Balance	USD, bn	-11.0	-17.5	6.0
Tourist Arrivals	Mn, persons	0.4	10.4	22.7
Headline Inflation	YoY (%)	1.2	6.1	2.5
Policy Interest rate (end of period)	(%)	0.50	1.25	1.75
Dubai crude price - period average	USD/bbl	69.0	98.0	82.0

Note: * Based on BOT data

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

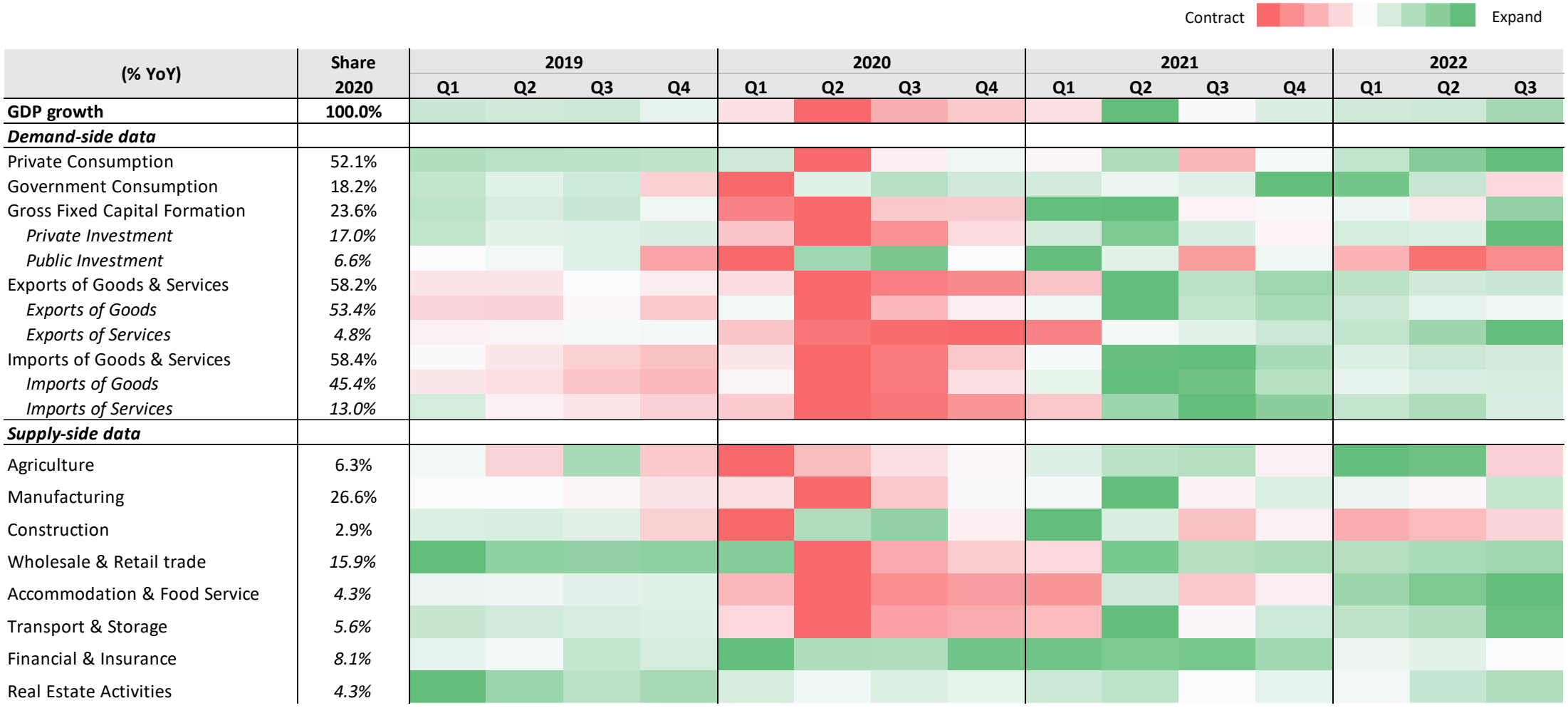
Economic activity is projected to exceed pre-pandemic level in 2023 but recovery is still in the early phase





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

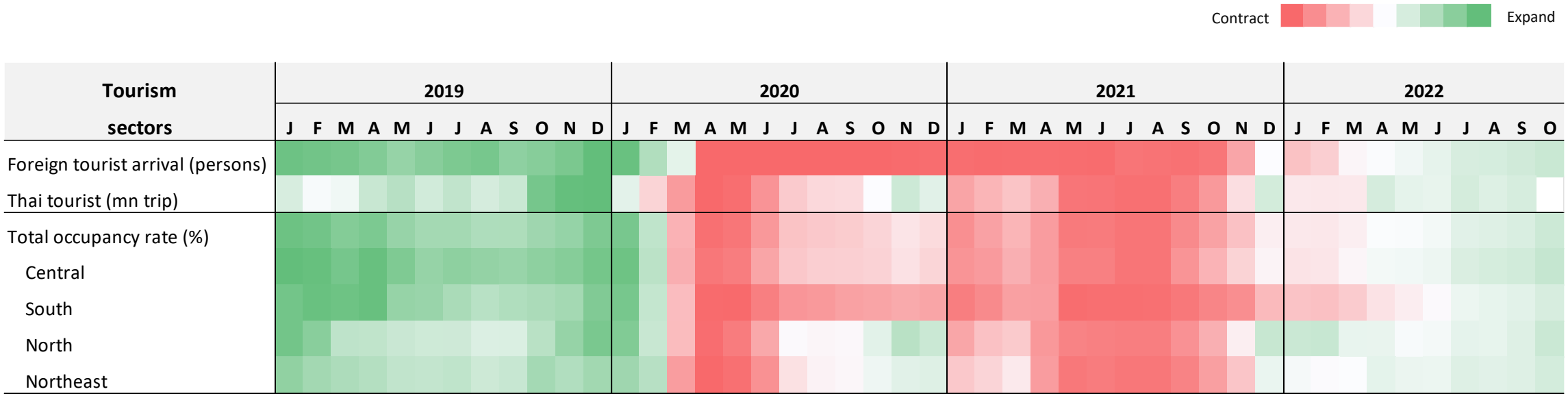
Reopening in many countries has boosted domestic and external demands in 2022



(% YoY)	Share 2020	2019				2020				2021				2022		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GDP growth	**100.0%**															
Demand-side data																
Private Consumption	52.1%															
Government Consumption	18.2%															
Gross Fixed Capital Formation	23.6%															
Private Investment	*17.0%*															
Public Investment	*6.6%*															
Exports of Goods & Services	58.2%															
Exports of Goods	*53.4%*															
Exports of Services	*4.8%*															
Imports of Goods & Services	58.4%															
Imports of Goods	*45.4%*															
Imports of Services	*13.0%*															
Supply-side data																
Agriculture	6.3%															
Manufacturing	26.6%															
Construction	2.9%															
Wholesale & Retail trade	*15.9%*															
Accommodation & Food Service	*4.3%*															
Transport & Storage	*5.6%*															
Financial & Insurance	*8.1%*															
Real Estate Activities	*4.3%*															

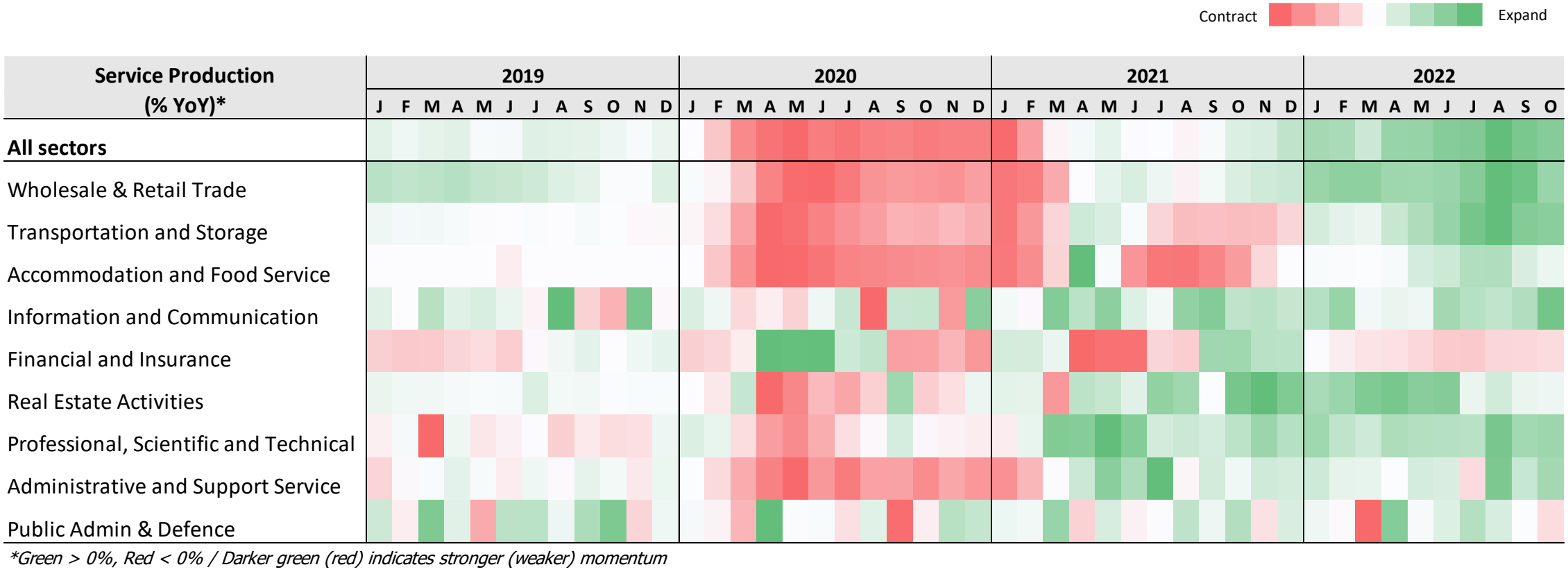
Source: NESDC, Krungsri Research

Tourism sector has recovered significantly since mid-2022 and will be a key economic driver in 2023



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

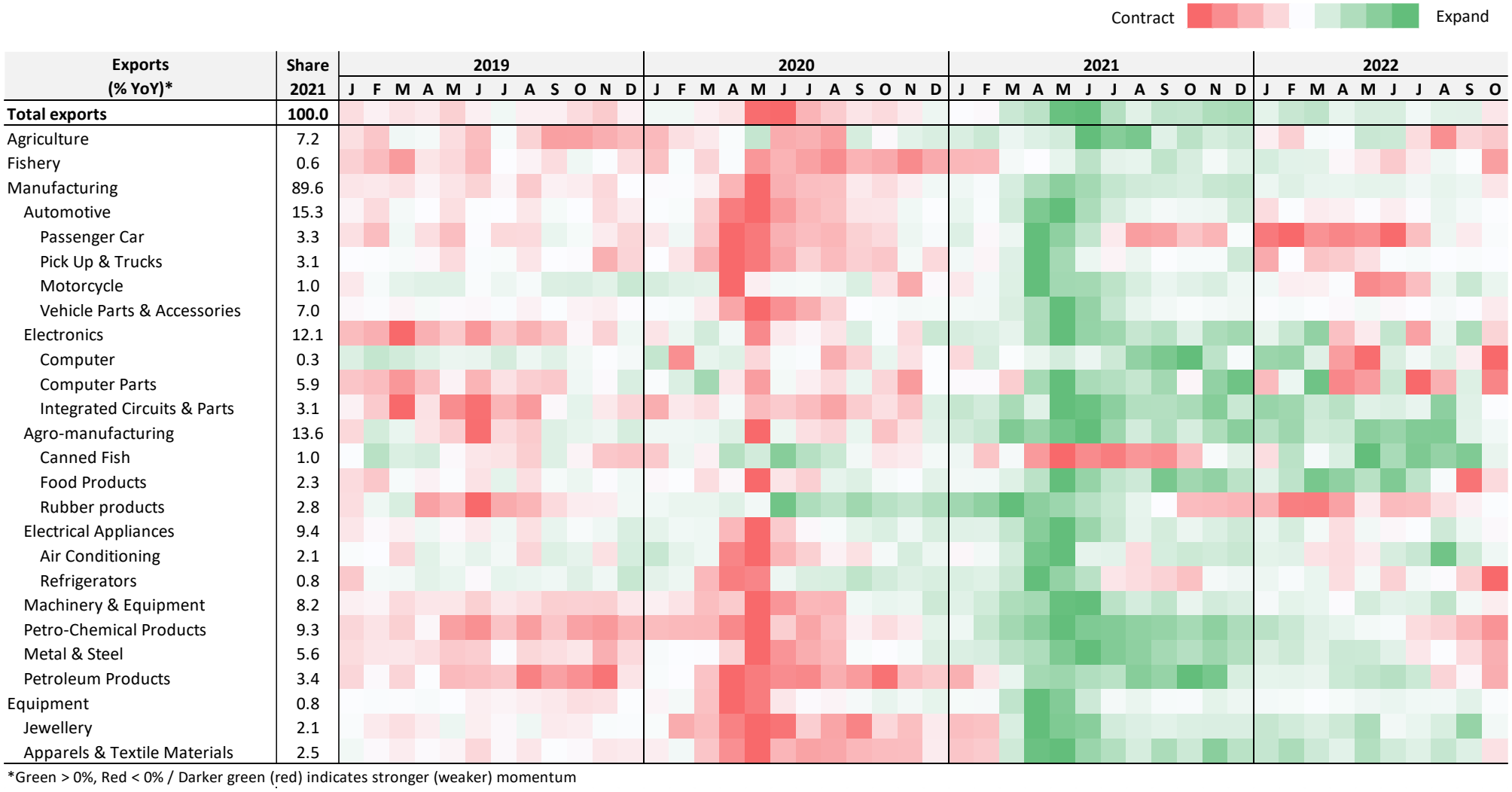
Services sector is improving along with the recovery in tourism-related economic and business activities



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

Source: Bank of Thailand (BOT), Krungsri Research

Exports have slowed down in 4Q22 due to weaker demand from major trading partners despite gains in automotive, frozen/processed chicken, and pet food segments

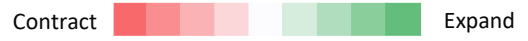


Exports (% YoY)*	Share 2021	2019												2020												2021												2022									
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O
Total exports	**100.0**																																														
Agriculture	7.2																																														
Fishery	0.6																																														
Manufacturing	89.6																																														
Automotive	15.3																																														
Passenger Car	3.3																																														
Pick Up & Trucks	3.1																																														
Motorcycle	1.0																																														
Vehicle Parts & Accessories	7.0																																														
Electronics	12.1																																														
Computer	0.3																																														
Computer Parts	5.9																																														
Integrated Circuits & Parts	3.1																																														
Agro-manufacturing	13.6																																														
Canned Fish	1.0																																														
Food Products	2.3																																														
Rubber products	2.8																																														
Electrical Appliances	9.4																																														
Air Conditioning	2.1																																													
Refrigerators	0.8																																														
Machinery & Equipment	8.2																																														
Petro-Chemical Products	9.3																																														
Metal & Steel	5.6																																														
Petroleum Products	3.4																																														
Equipment	0.8																																														
Jewellery	2.1																																														
Apparels & Textile Materials	2.5																																														

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

Source: MOC, Krungsri Research

Slower exports to major economies but still favorable demand from CLMV and Middle East; imports have decelerated following weaker exports and lower commodity prices



Exports by major destinations (% YoY)*	Share 2021	2019												2020												2021												2022								
		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
US	15.4																																														
China	13.7																																														
Japan	9.2																																														
ASEAN5	13.7																																														
CLMV	10.3																																														
EU27	8.0																																														
Middle East	3.3																																														
Africa	2.6																																														

Imports by type (% YoY)*	Share 2021	2019												2020												2021												2022								
		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 import	100.0																																														
Fuel	14.7																																														
Capital goods	24.4																																														
Raw materials (excl. gold)	40.4																																														
Consumer goods	11.8																																														
Automotive	5.4																																														

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

Source: Ministry of Commerce (MOC), Krungsri Research

Manufacturing production may be hit by slowing exports but downside would be supported by improving domestic economic activity and tourism



Manufacturing Production (%YoY)*	Weight	2019												2020												2021												2022									
		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	100.0%																																														
Food & Beverages	20.3%																																													
Automotive	13.8%																																													
Petroleum	9.5%																																													
Chemicals	9.1%																																													
Rubbers & Plastics	8.8%																																													
Cement & Construction	5.5%																																													
IC & Semiconductors	5.5%																																													
Electrical Appliances	3.8%																																													
Textiles & Apparels	3.5%																																													
HDD	3.4%																																													

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

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

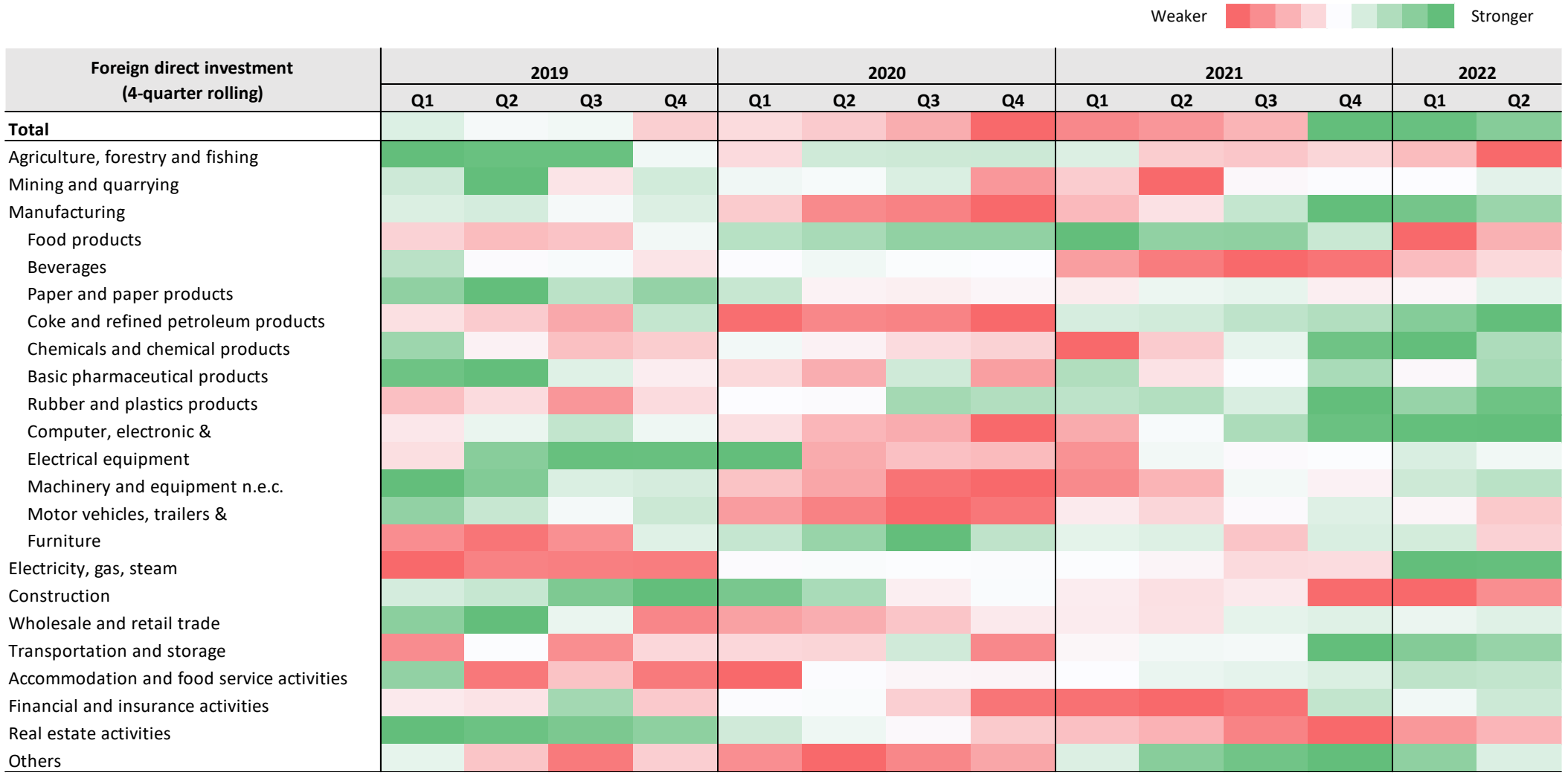
Capacity utilization in several sectors has weakened following slowing exports



Capacity utilization	Share	2019												2020												2021												2022								
		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	20.3																																														
Automotive	13.8																																														
Petroleum	9.5																																														
Rubbers & Plastics	8.8																																														
Chemicals	8.0																																														
Non ferrous material	5.5																																														
IC & Semiconductors	5.5																																														
Ferrous material	3.6																																														
Textiles & Apparels	3.5																																														
HDD	3.4																																														
Electrical Appliances	3.0																																														
Machinery	2.7																																														

Source: OIE, Krungsri Research

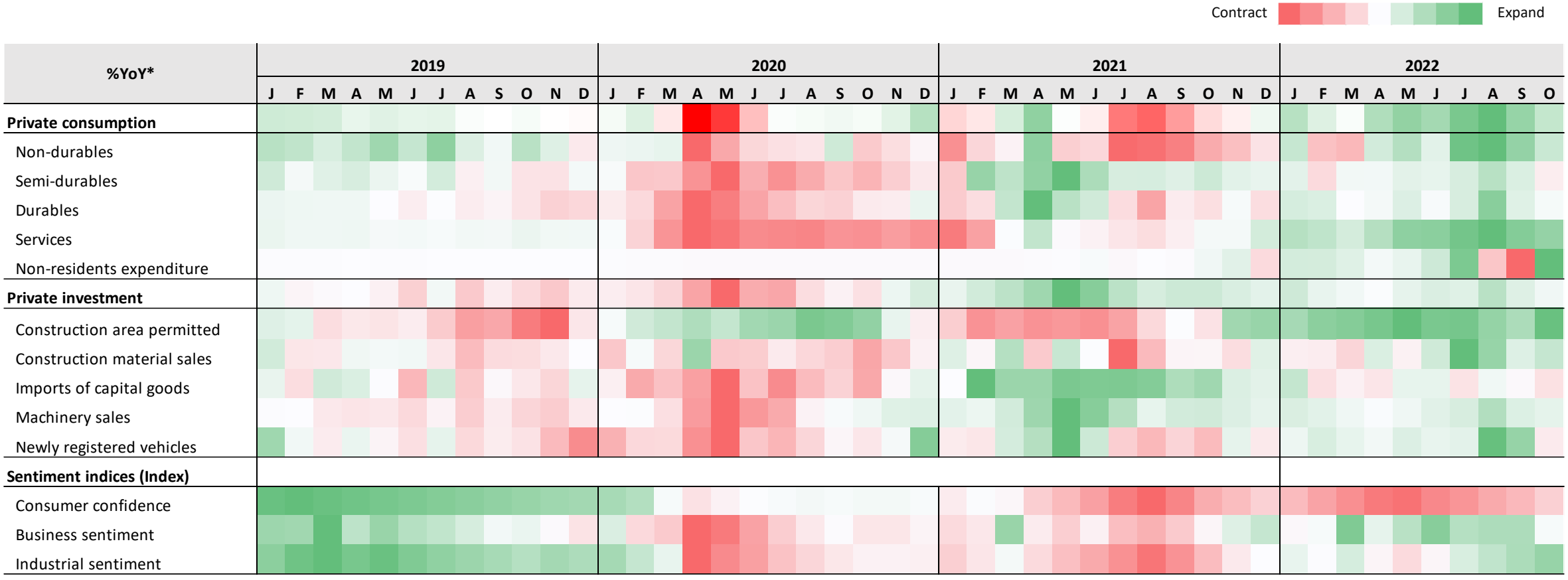
FDI is positive with net inflows in several industries led by computer, electronics & parts, refined petroleum product, and rubber & plastic products



Foreign direct investment (4-quarter rolling)	2019				2020				2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total														
Agriculture, forestry and fishing														
Mining and quarrying														
Manufacturing														
Food products														
Beverages														
Paper and paper products														
Coke and refined petroleum products														
Chemicals and chemical products														
Basic pharmaceutical products														
Rubber and plastics products														
Computer, electronic &														
Electrical equipment														
Machinery and equipment n.e.c.														
Motor vehicles, trailers &														
Furniture														
Electricity, gas, steam														
Construction														
Wholesale and retail trade														
Transportation and storage														
Accommodation and food service activities														
Financial and insurance activities														
Real estate activities														
Others														

Source: BOT, Krungsri Research

Domestic economy has been improving along with easing pandemic impact and more relief measures; consumption will continue to recover on the back of improving incomes amid a stronger labor market



**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

Non-farm income improved in most sectors supported by a recovery in domestic economic activity and tourism

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



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

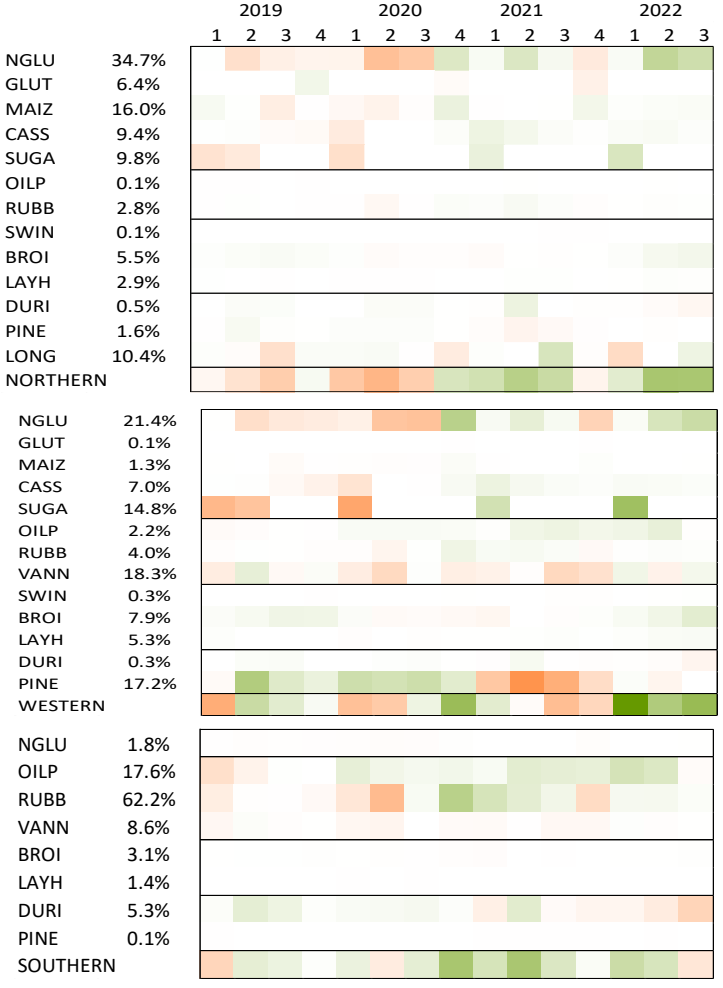
Source: BOT, National Statistical Office of Thailand (NSO), Krungsri Research

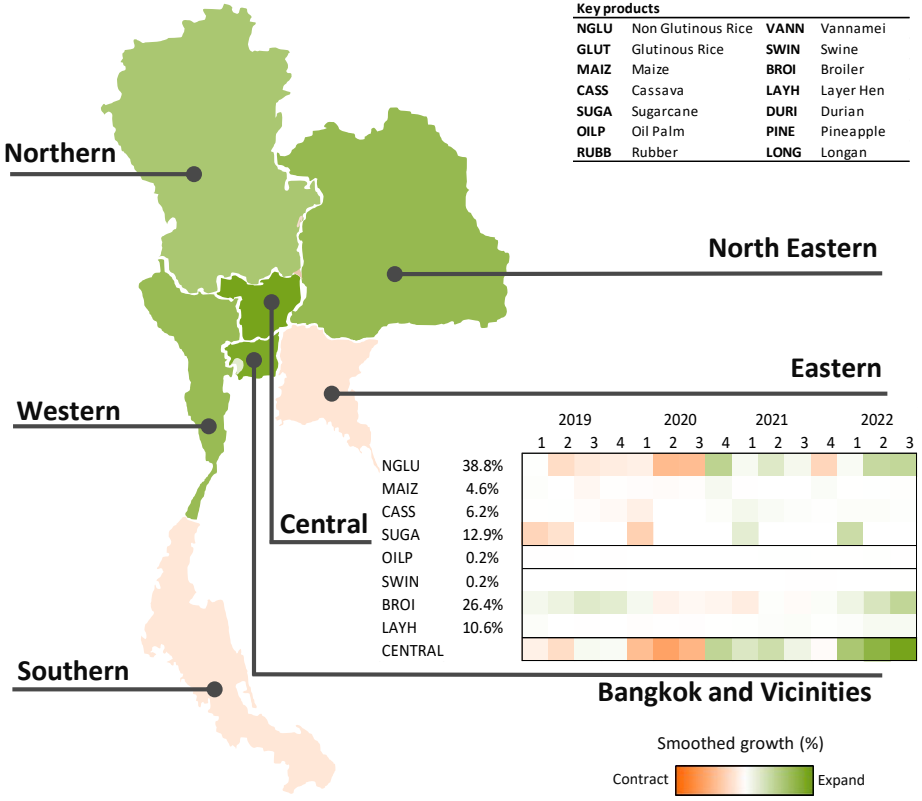
Farmers will benefit from high agricultural product prices, larger output (favorable weather) and recovering domestic demand

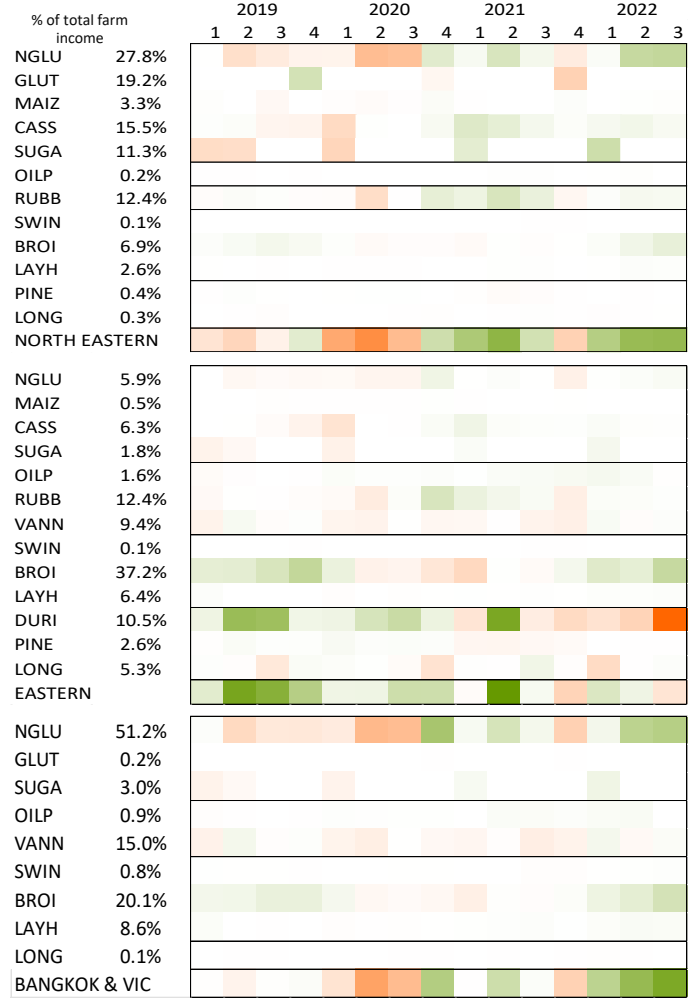
Farm income growth (% YoY)

In the first 10 months of 2022, agricultural product prices rose 11.9% YoY and output increased by 4.1%, causing farm income to surge 16.5%. Price and volume of agricultural output will continue to benefit from (i) rising global demand and substitution effect as a result of Russia-Ukraine war, (ii) favorable rainfall and weather.

Regional Box: Color intensity indicates relevance of product, measured by share of total regional farm income.

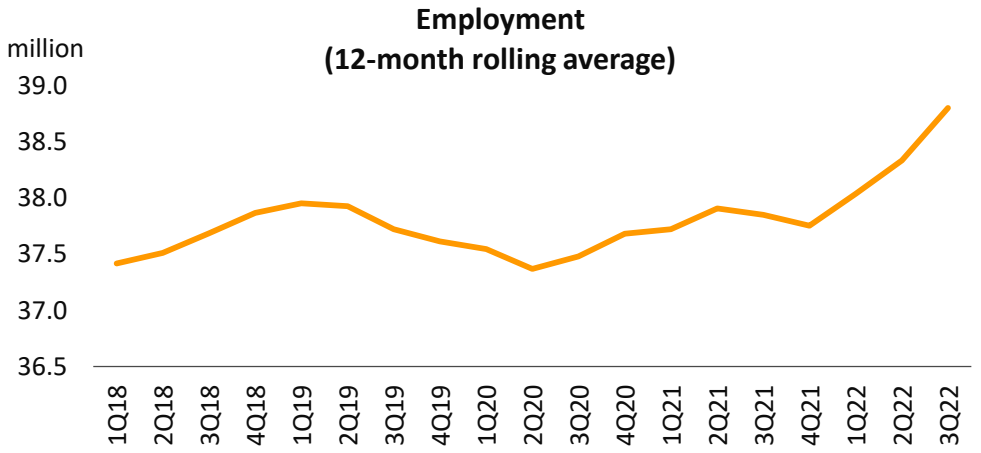


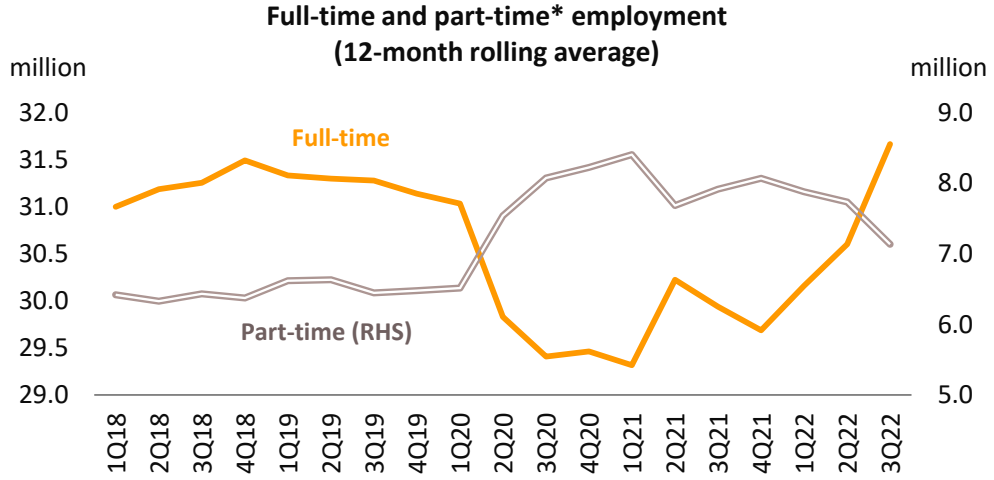


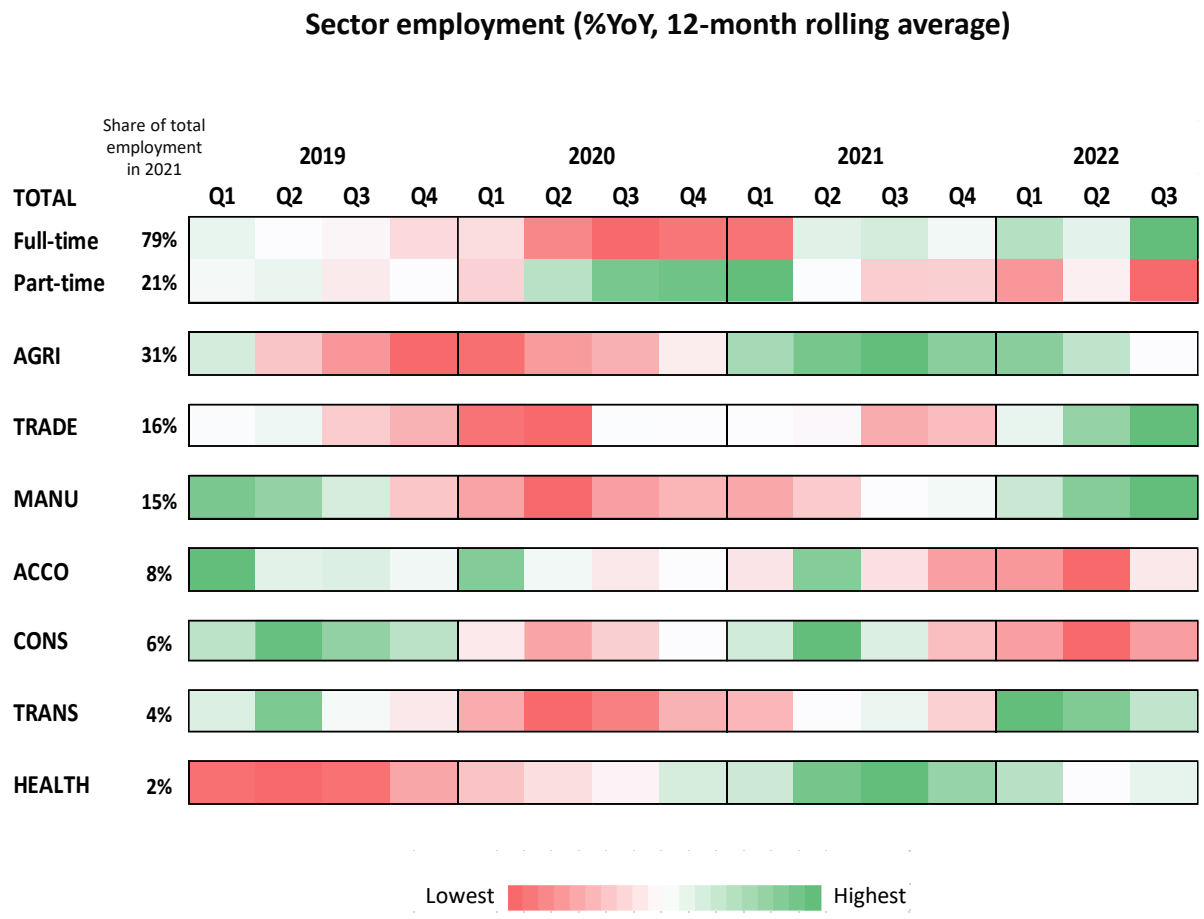


Source: Office of Agricultural Economics (OAE), Krungsri Research

Overall employment conditions have recovered to pre-pandemic levels led by full-time employment; broad-based improvement in many sectors







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

Bank lending continue to expand; loan growth for tourism-oriented SMEs was supported by relief measures while personal loans grew in line with recovering consumption



Commercial bank loans (% YoY)	Share (2021)	2019				2020				2021				2022		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total	**100.0%**															
SMEs	22.6%															
Manufacturing	4.6%															
Electricity, gas and air conditioni	0.8%															
Wholesale and retail trade	7.5%															
Accommodation	1.9%															
Real estate	2.6%															
Large corporate	42.2%															
Manufacturing	10.3%															
Electricity, gas and air conditioni	4.1%															
Wholesale and retail trade	6.2%															
Accommodation	1.6%															
Real estate	2.6%															
Household credits	35.2%															
Mortgage	17.2%															
Hire purchase	8.0%															
Personal Loan	9.6%															

Source: BOT, Krungsri Research

Inflation reached the highest in more than a decade in August because of the energy and commodity price crises triggered by the Russia-Ukraine war and recovering global demand, but it has peaked and could ease towards the BOT's target range in mid-2023

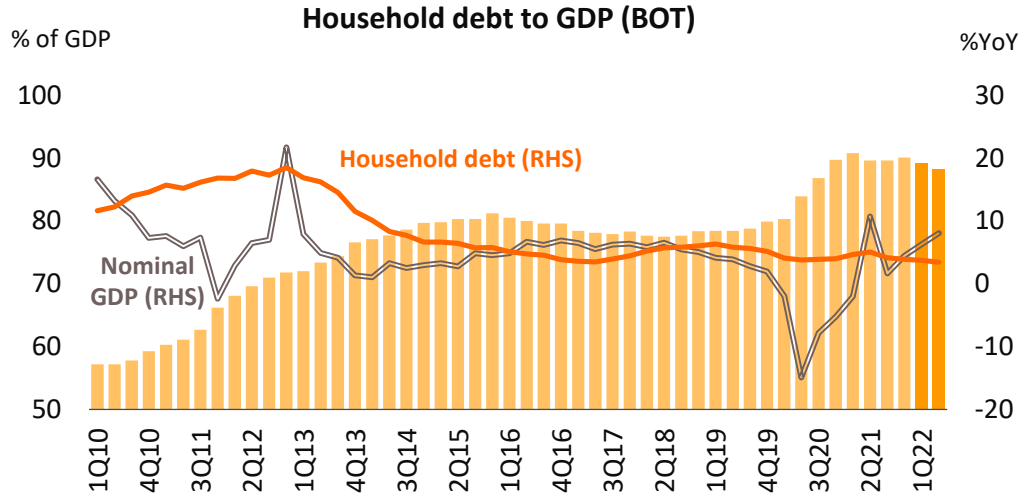


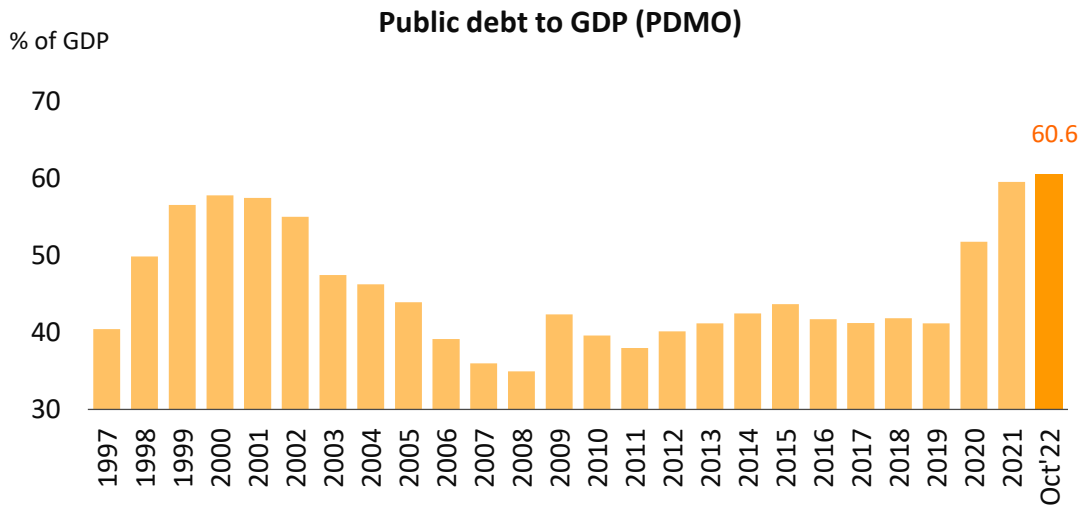
Consumer Price Index (% YoY)*	Weight	2019												2020												2021												2022										
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
Headline CPI	**100.00%**																																															
Food & beverages	41.55%																																														
Apparel & footwears	2.07%																																														
Housing & furnishing	22.14%																																														
Medical & personal care	5.39%																																														
Transportation & communication	23.34%																																														
Recreation & education	4.19%																																														
Tobacco & alcoholic beverages	1.32%																																														
Raw food	21.18%																																														
Energy	14.28%																																														
Core CPI	**64.54%**																																														

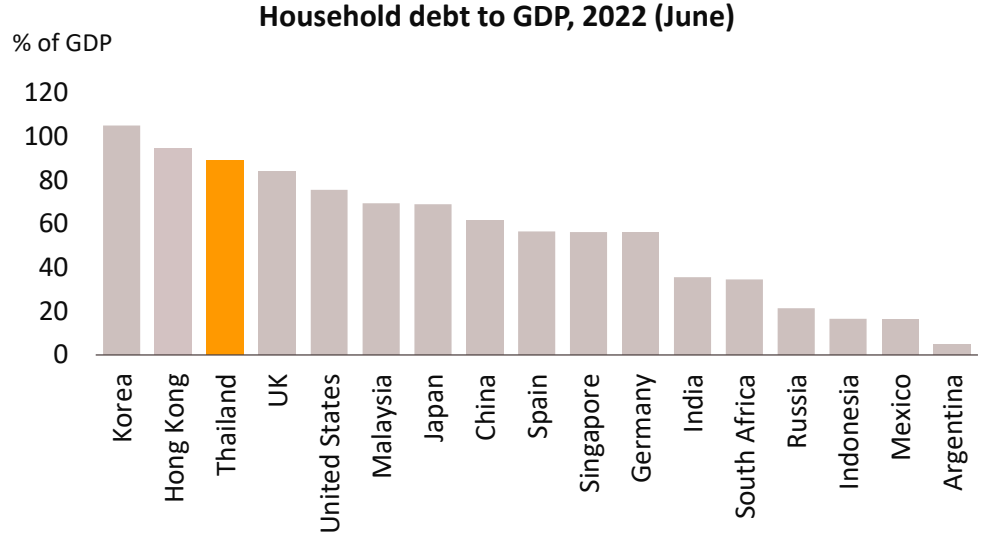
** Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

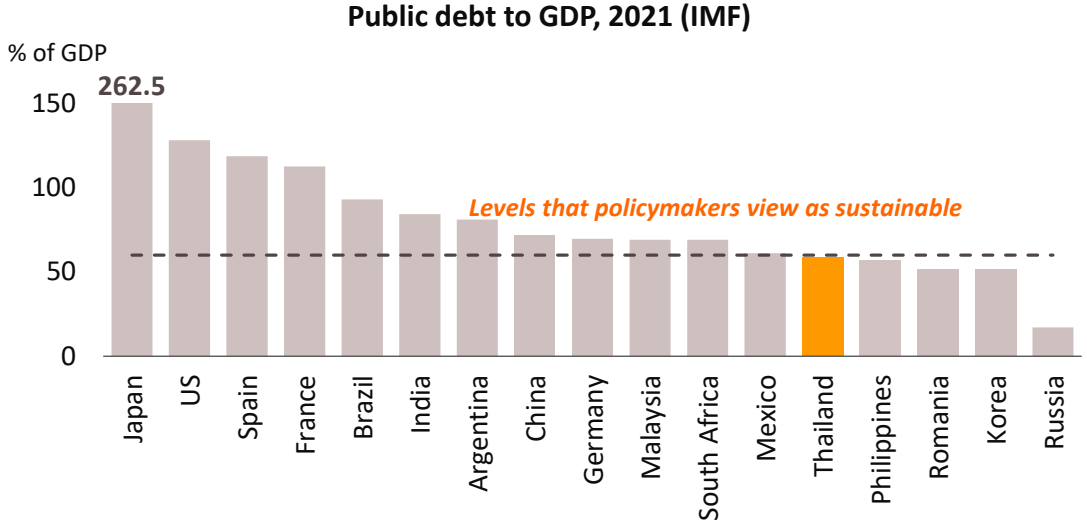
Source: MOC, Krungsri Research

Debt levels: Covid-19 crisis resulted in a jump in public and household debt but debt ratios could fall as the economic activity (or GDP) is recovering



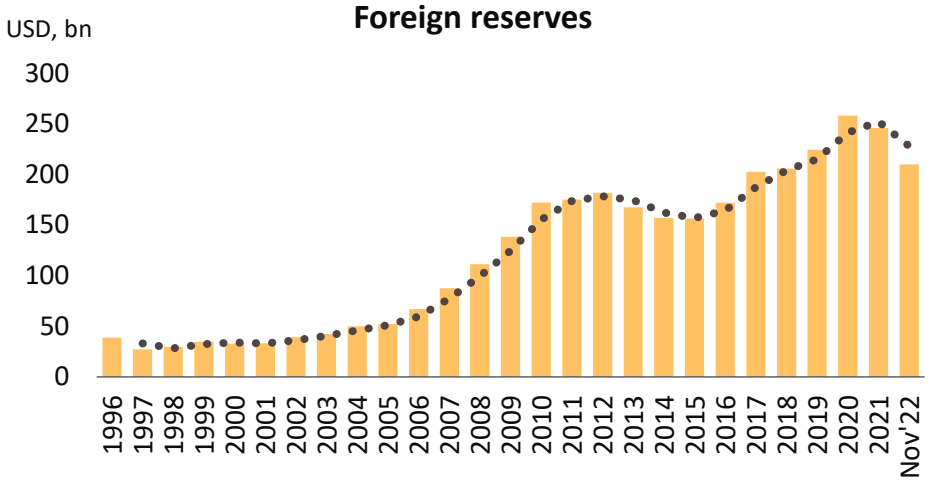


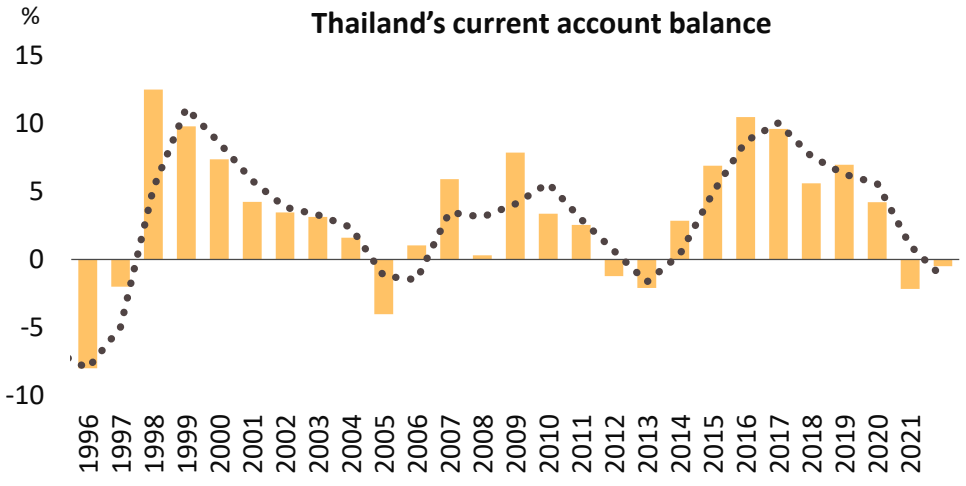


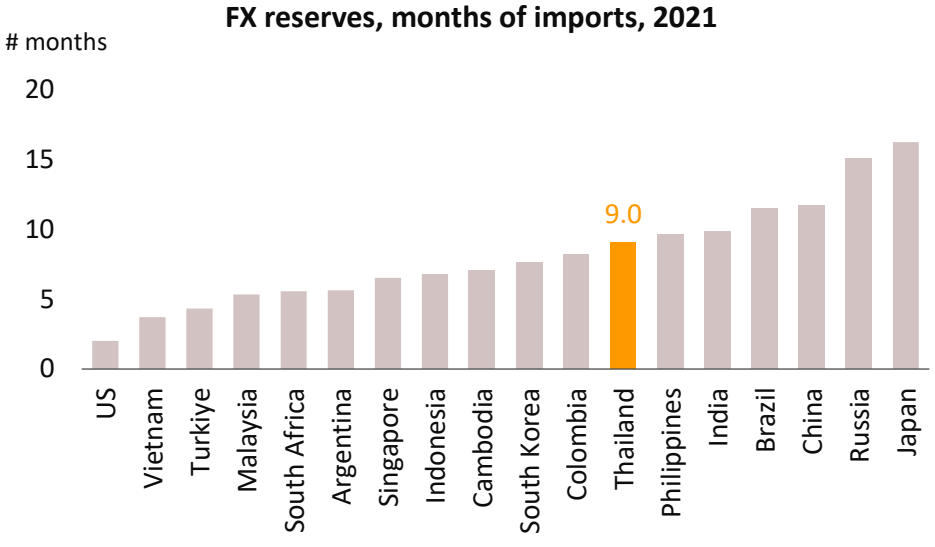


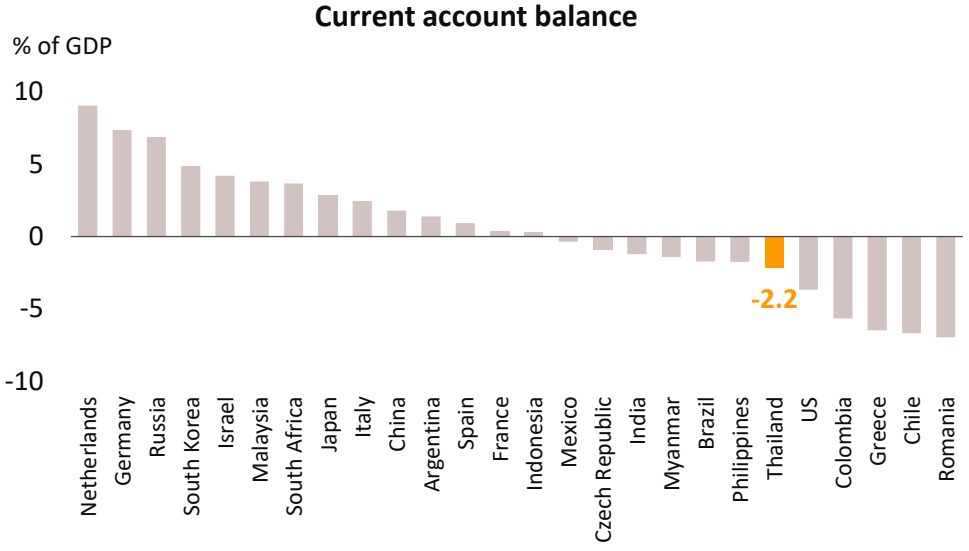
Source: Bank for International Settlements (BIS), BOT, CEIC, Public Debt Management Office (PDMO), Krungsri Research

External stability remains sound with high foreign reserves; Thailand posted a current account deficit for second consecutive year in 2022 but it is likely to turn to a surplus in 2023 driven by recovering inbound tourism









Source: BOT, IMF, World Bank, Krungsri Research

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