

Thailand Economics

3Q23 GDP not all bad reads

3Q23 GDP came in at a disappointing 1.5% y-y and 0.8% q-q growth. However, that was mainly due to a large inventory adjustment. Readings of key drivers weren't at all bad with a large consumption beat, in-line tourism, investment growth and exports.



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Large inventory adjustment hits 3Q23 GDP

Thai real GDP in 3Q23 came in surprisingly low at 1.5% y-y and 0.8% q-q growth. However, the big miss only pertains to one item, the change in inventory, which contracted in real terms by Bt98bn vs. a Bt82bn increase in 3Q22. This implies a negative impact of 1.6% to the GDP. Readings elsewhere were not at all bad. Private consumption beat expectations, accelerating further to 8.1% y-y in 3Q23 while exports of services, which included tourism income, grew in line by 32% y-y. Exports outperformed the region, falling only 2% y-y, while imports fell more than expected at 11% y-y. Investments were relatively flat and in line with expectations, but government consumption fell more than expected at 5% y-y.

Strong services but not manufacturing

We believe two explanations for the inventory adjustment against decent readings of GDP drivers are the continued weak outlook for exports and the economy being driven more by the services sector than manufacturing, which has a weak recovery momentum. This is in a way in line with the global trend of post-COVID recovery of the services sector while the demand for goods has softened. We still see this trend continuing into next year with weak global demand keeping Thai exports weak and that the economy will have to rely more on the extent of the tourism recovery.

GDP revisions

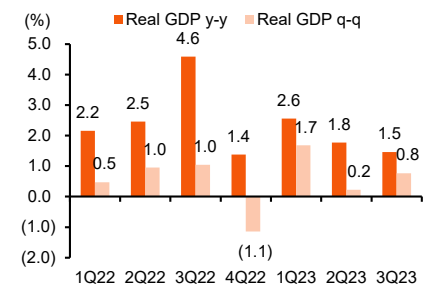
We cut our GDP forecast to only 2.2% (from 2.9%) in 2023F but maintain the growth rate from a lower base at 3.5% p.a. in 2024-25F. The cuts are more on inventory adjustments while changes in key driving items are more like fine-tuning. Please see Exhibit 1 for details. The overall outlook for the Thai economy in 2024F in our view is a continued tourism recovery, continued weak exports, falling imports, including raw materials and energy, and better support from the government's stimulus policy. We see an improving trend of private investment but are not excited about the government investment, which has much lower weight in GDP than private investment.

Digital wallet is highly uncertain

We believe the possibility of implementing the Bt500bn digital wallet policy is much less than before, following the government's latest plan to move the policy out of the normal 2024F budget into a new bill that requires a parliamentary vote. This is because the bill is likely to have important legal challenges; one among them is to prove an emergency need for the policy. In our view, this policy is not at all an emergency for the economy. We leave this policy out of our GDP projections for now but are still of the view that the government, under the scope of the 2024F budget, can still come up with many measures to stimulate the economy as compared to the limited measures seen in 2023.

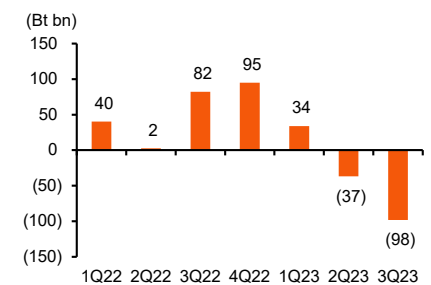
ECONOMIC MONITOR

Quarterly GDP



Source: NESDC

Change In Inventory (Real Terms)



Source: NESDC

Key Item Readings

(y-y%)	1Q23	2Q23	3Q23
Real GDP	2.6	1.8	1.5
Private consumption	5.8	7.8	8.1
Private investment	2.6	1.0	3.1
Gov't consumption	(6.3)	(4.3)	(4.9)
Gov't investment	4.7	(1.1)	(2.6)
Exports in US\$	(4.5)	(5.6)	(2.0)
Imports in US\$	2.0	(5.0)	(10.7)
Exports of services	89.7	59.7	32.0
Chg in inventory (Bt bn)	33.9	(36.8)	(98.4)
Current account(US\$ bn)	2.0	(2.5)	3.3

Sources: NESDC, Bank of Thailand

Ex 1: GDP Revisions

% growth	2020	2021	2022	2023F		2024F		2025F	
				New	Old	New	Old	New	Old
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Real GDP growth	(6.1)	1.5	2.6	2.2	2.9	3.5	3.5	3.5	3.5
Private consumption	(0.8)	0.6	6.3	7.0	5.8	2.5	3.0	2.3	2.3
Private investment	(8.1)	3.0	5.1	3.0	2.7	6.3	6.3	5.0	5.0
Government investment	5.1	3.4	(4.9)	0.3	0.4	(2.6)	(2.6)	3.0	3.0
Export (nominal USD growth)	(6.5)	19.2	5.4	(2.1)	(3.1)	(1.0)	(1.4)	2.8	2.8
Import (nominal USD growth)	(13.8)	28.0	14.0	(2.3)	(1.5)	(0.1)	(0.1)	2.7	2.5
Export of services (nominal baht growth)	(61.7)	(15.6)	75.4	43.4	44.8	11.7	13.7	8.9	8.9
Import of services (nominal baht growth)	(18.8)	45.5	5.4	0.8	1.9	2.0	2.0	3.0	3.0
Current account (% to GDP)	4.2	(2.0)	(3.2)	1.2	0.3	2.6	1.6	3.4	2.4
Headline CPI	(0.8)	1.2	6.1	1.4	1.6	1.0	1.4	1.7	1.7
Bt/USD – average	31.3	32.0	35.1	34.8	34.9	34.7	35.5	33.7	34.5
Policy rate	0.50	0.50	1.25	2.50	2.50	2.50	2.50	2.50	2.50

Sources: NESDC, Bank of Thailand, Bloomberg, Thanachart estimates

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