Office of the National Economic and Social Development Council

Macroeconomic Strategy and Planning Office

Q1/2024 NESDC ECONOMIC REPORT

Thai Economic Performance in Q1 and Outlook for 2567

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Thai Economic Performance in Q1 and the Outlook for 2024

The Thai Economy in the first quarter expanded by 1.5 percent (%YoY), continuing from 1.7 percent in the previous quarter. After seasonally adjusted, the economy increased by 1.1 percent from the fourth quarter of 2023 (%QoQ sa).

On the expenditure side, export of services and private consumption showed a robust growth while private investment continually rose. However, export of goods, public investment and government consumption expenditure declined.

On the production side, accommodation and food service activities and transportation and storage sectors accelerated. Meanwhile, wholesale and retail trade; repair of motor vehicles sector continued to expand. Nonetheless, manufacturing, construction and agriculture, forestry, and fishing sectors contracted.

Economic Projection for 2024

(%YoY)	2022	2023			2024	
	Year	Year	Q3	Q4	Q1	Year(f)
GDP (CVM)	2.5	1.9	1.4	1.7	1.5	2.0-3.0
Investment[1/]	2.3	1.2	1.5	-0.4	-4.2	1.9
Private	4.7	3.2	3.5	5.0	4.6	3.2
Public	-3.9	-4.6	-3.4	-20.1	-27.7	-1.8
Private Consumption	6.2	7.1	7.9	7.4	6.9	4.5
Public Consumption	0.1	-4.6	-5.0	-3.0	-2.1	1.7
Exports of Goods[2/]	5.4	-1.7	-2.0	4.6	-1.0	2.0
Volume[2/]	1.2	-2.9	-3.1	3.2	-2.3	1.5
Import of Goods[2/]	14.0	-3.1	-10.7	6.1	3.2	4.6
Volume[2/]	1.2	-3.6	-10.4	5.3	4.5	3.6
Current Account to GDP (%)	-3.2	1.4	2.1	1.5	2.2	1.2
Inflation	6.1	1.2	0.5	-0.5	-0.8	0.1-1.1

Note: [1/] Investment means Gross Fixed Capital Formation
[2/] based on the Bank of Thailand's data

Thai Economic Outlook for 2024

The Thai economy in 2024 is projected to expand in the range of 2.0 – 3.0 percent (with the midpoint projection of 2.5 percent) gradually improving from a 1.9-percent growth in the previous year. Private consumption and investment are expected to grow by 4.5 percent and 3.2 percent, respectively. Export value of goods (USD) is anticipated to rebound to a 2.0-percent growth. Headline inflation is estimated to be in the range of 0.1 - 1.1 percent, and the current account is projected to record a surplus of 1.2 percent of GDP.

+ Supporting Factors

- The expected higher momentum from government expenditure and public investment over the remaining of the year.
- The continual recovery of tourism sector.
- The robust growth of private consumption particularly expenditure in service sector.
- The continuous expansion of private investment, in line with the expansion of imports of capital goods and value of applicants for investment promotion.

− Risk Factors

- High household and business debts amid rising interest rates have led to financial institutions to tightened their lending standard especially SME loans.
- The impacts from climate change on agricultural production.
- Risks from fluctuation in the global economic and trade system, escalating by the geopolitical tension, the longer-than-expected tighten monetary policy in major central banks as well as the Chinese economic slowdown.

The economic management for the remainder of 2024 should prioritize the following areas:

1. **Expediting the budget disbursement** to enable government expenditure to support the economy promptly.
2. **Maintaining adequate liquidity for the business sector, especially SMEs** with high potential but experiencing some difficulties in source of financing, along with enhancing potential production and empowering SMEs through innovation, technology and creativity.
3. **Supporting agricultural production and farmers' income by prioritized on;** (1) closely monitoring and planning on water resources management; (2) preparing for flood risks; (3) restoring the drought-affected agricultural sector; (4) supporting R&D for plant breeding; (5) bolstering farmers' resilience by efficiently supporting and developing crop insurance scheme for climate risk; and (6) monitoring, and suppressing illegal agricultural imports.
4. **Fostering the export sector and expediting the restructuring of the economy both manufacturing and service sectors by prioritized on;** (1) boosting productivity through the utilization of innovation and cutting-edge technology; (2) fostering confidence and create a conducive ecosystem to attract targeted-industry enterprise to invest in Thailand; (3) attracting potential tourists with high purchasing power.
5. **Monitoring and preparing measures to address risks arising from fluctuations in the global economic and financial system,** including escalating geopolitical tensions, trade measures, climate change, and volatility in the global financial market.

1. The Thai Economy in Q1/2024

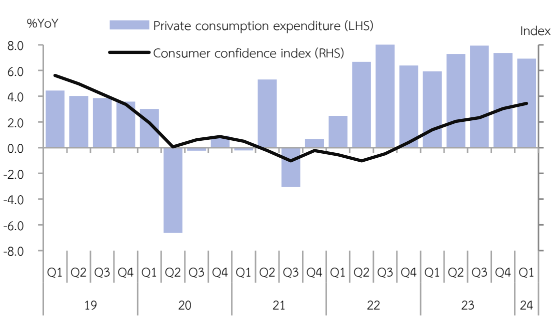
Expenditure Side:

Private consumption expenditures grew by 6.9 percent, following a 7.4 percent increase in the previous quarter. This growth aligns with improved spending in service activities, particularly in the tourism sector, and the highest consumer confidence index in eighteen quarters. **Service expenditures** rose significantly by 13.7 percent, driven by a 42.7 percent increase in spending on restaurants and hotels, and an 8.0 percent increase in financial services. **Non-durable goods expenditures** increased by 4.7 percent, the highest rate in forty-five quarters, primarily due to higher spending on food and beverages, and on electricity, gas, and other fuels, attributed to rising average temperatures. Additionally, **expenditures on semi-durable goods** expanded by 3.3 percent, accelerating from a 0.3 percent increase in the previous quarter, due to higher spending on clothing and footwear, as well as furnishings and household equipment. However, **expenditures on durable goods** declined by 6.8 percent, marking the largest contraction in ten quarters, corresponding with a 13.9 percent decrease in vehicle purchases. This decline was attributed to stricter lending standards and uncertainty about policies regarding electric vehicles and new model launches. The consumer confidence index regarding the economic situation rose to 57.2 from 55.2 in the previous quarter, reaching its highest level in eighteen quarters since the fourth quarter of 2019.

In the first quarter of 2024, private consumption expenditures grew significantly, private investment saw favorable expansion, while exports of goods declined.

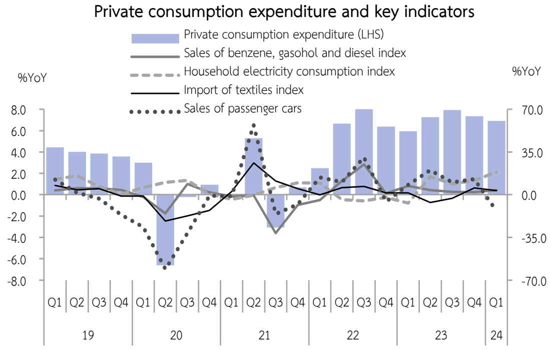
Private consumption grew by 6.9 percent, driven by increases in spending in most categories, except an expenditure on durable goods.

Private consumption expenditure continually expanded



Source: NESDC, University of the Thai Chamber of Commerce

Private consumption expenditure and key indicators

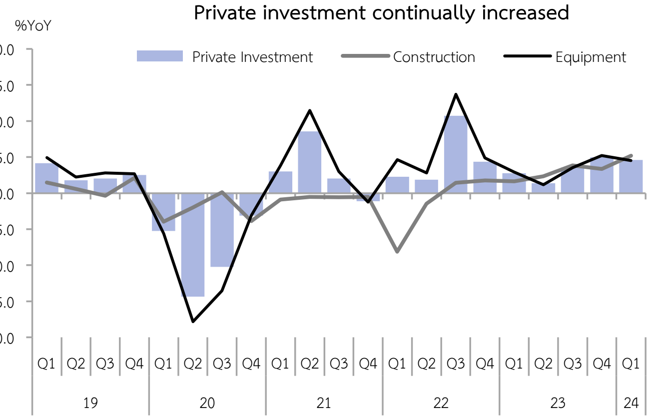


Source: NESDC, Bank of Thailand

Private investment expanded for nine consecutive quarters, growing by 4.6 percent, following a 5.0 percent increase in the previous quarter. This growth was driven by investments in equipment and construction. **Investment in equipment** grew by 4.5 percent, building on a 5.2 percent increase in the previous quarter, largely due to increased spending on computing machinery and related parts, software packages, and domestic appliances and parts. Additionally, **investment in construction** expanded by 5.2 percent, accelerating from a 3.4 percent growth in the previous quarter. This surge was mainly due to increased industrial plant construction, linked to a revival in the construction area permitted, which expanded by 10.2 percent compared to a 0.8 percent drop in the prior quarter. However, dwelling construction grew at a slower pace. The Business Sentiment Index (BSI) for this quarter stood at 48.8, down from 49.0 in the previous quarter, remaining below 50.0 for three consecutive quarters. Exports in US dollar terms continually declined from the previous quarter.

Private investment expanded by 4.6 percent, following a 5.0-percent increase in the prior quarter, led by investments in both equipment and construction.

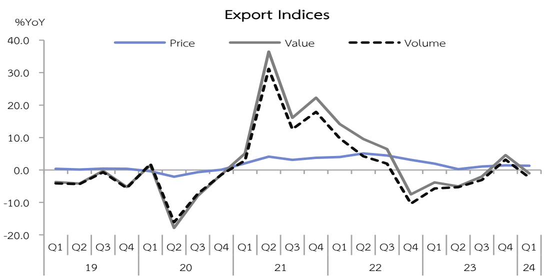
Private investment continually increased



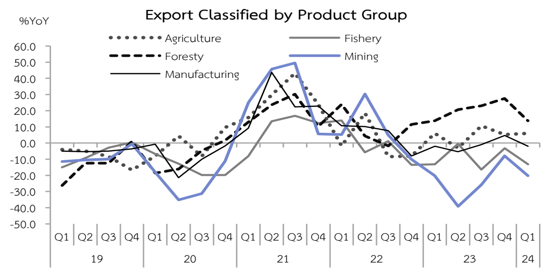
Source: NESDC

Exports in US dollar terms declined due to a drop in export volume, despite an increase in export prices. In the first quarter of 2024, export value was recorded at 69.6 billion US dollars, a decrease of 1.0 percent compared to a 4.6 percent increase in the previous quarter. **The export volume index** fell by 2.3 percent, driven by reductions in the export volumes of manufacturing and agricultural products. **Export prices,** however, continued to rise for the 14th consecutive quarter, increasing by 1.3 percent, with agricultural product prices soaring by 7.9 percent. **Excluding unwrought gold,** export value declined by 0.6 percent, but excluding unwrought gold, petroleum products, and arms and ammunition, export value rose by 0.4 percent. **In Baht terms,** export value was recorded at 2.483 million Baht, marking the second consecutive quarter increase by 3.9 percent.

Exports in US dollar terms declined by 0.1 percent due to a drop in the export volume index, despite an increase in the export price index.



Source: Bank of Thailand



Source: Bank of Thailand

The export value of agricultural commodities increased for three consecutive quarters by 4.5 percent, driven by a 7.9-percent rise in the export price index, despite a 3.2-percent decreased in the export volume index. This decline in volume was attributed to unstable weather affecting agricultural production. Notably, the export value of **rice** soared by 43.2 percent, due to a 19.9 percent increase in export price and a 19.4 percent increase in export volume, with major markets being Indonesia, the US, and the Philippines. The export value of **rubber** climbed by 24.9 percent, driven by an 8.3-percent increase in export volume and a 15.3 percent increase in export price, with China, the US, and Malaysia as major markets. Conversely, the export value of durian notably plummeted by 53.2 percent, due to a decline in export volume, although export prices increased, with China remaining the key market. **The export value of manufacturing products** grew by 0.4 percent compared to a 4.7 percent increase in the previous quarter, as export prices rose while export volumes declined. Items with increased export value included computers (172.5 percent), iron and steel (62.4 percent), and telecommunications equipment (24.3 percent). In contrast, items with decreased export value included sugar (-29.1 percent), rubber products (-19.2 percent), air conditioning machines (-15.4 percent), pickup trucks (-15.3 percent), integrated circuits and parts (-11.3 percent), and computer parts and accessories (-6.9 percent). **The export value of fishery products** increased by 16.8 percent, with higher values for crustaceans (17.3 percent) and fish (27.8 percent). However, **the export value of other products** fell by 25.2 percent, primarily due to a significant decrease in unwrought gold by 16.0 percent.

The export value of agricultural and manufacturing commodities increased due to a rise in export prices, despite a decline in export volumes.

Export Value of Major Product in US Dollar Term

%YoY	2022	2023					2024	Share
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1/24 (%)
Agriculture	1.0	3.8	6.0	-3.0	10.6	5.3	4.5	6.4
Rice	14.9	29.3	24.4	18.3	27.0	43.8	43.2	2.3
Rubber	-7.9	-29.2	-37.7	-40.2	-33.8	6.5	24.9	1.7
Durian	-7.7	28.1	218.9	19.6	87.8	-51.7	-53.2	0.2
Other Fruits	8.9	15.7	12.7	-7.4	42.3	18.5	11.7	0.7
Manufacturing	4.8	-1.1	-2.0	-5.4	-1.0	4.7	0.4	89.4
Food	18.0	-2.8	3.3	-8.9	-6.2	1.6	-7.2	7.6
- Sugar	92.4	20.6	32.4	34.9	-3.7	15.5	-29.1	1.4
- Crustaceans canned, prepared, or preserved	14.0	-7.2	-2.3	-10.8	-11.5	-3.7	9.0	1.1
- Meat of poultry, canned, prepared, or preserved	23.1	-6.3	-5.6	-6.2	-11.2	-1.7	2.2	1.0
Beverages	5.6	1.9	-1.5	3.9	-1.2	6.9	11.5	1.1
Rubber products	-12.6	-13.1	0.3	-12.3	-22.2	-18.9	-19.2	1.9
Animal food	15.8	-13.6	-20.9	-24.6	-10.3	4.0	20.3	1.0
Electronics	3.7	-3.7	-8.1	-6.1	-5.1	4.9	6.6	11.8
- Computer	0.6	97.8	19.2	205.5	51.6	185.3	172.5	1.2
- Computer parts & accessories	-11.1	-24.1	-24.9	-29.6	-32.7	-4.9	-6.9	3.8
- Integrated circuits & parts	9.3	4.1	-0.2	2.9	16.4	-2.7	-11.3	2.9
- Telecommunication equipment	40.4	12.9	17.7	14.0	11.7	9.9	24.3	3.5
Electrical appliances	2.7	4.0	4.6	9.3	2.1	-0.1	-4.5	9.9
Air conditioning machines	8.8	-11.9	12.5	-5.1	-33.0	-28.8	-15.4	2.4
Refrigerators	-7.1	-6.7	-18.8	-19.1	-0.5	23.3	7.0	0.7
Parts of electrical appliances	13.4	31.4	27.2	44.8	40.6	16.3	-0.7	2.8
Metal & steel	3.9	-7.0	-14.4	-19.1	-3.9	14.7	21.8	6.1
Iron & steel	5.9	-3.3	-10.0	-22.3	-3.6	32.6	62.4	2.1

Export Value of Major Product in US Dollar Term (Cont.)

%YoY	2022 Year	2023 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	Share Q1/24 (%)
Automotive	-1.0	7.6	10.3	5.3	13.5	1.5	-5.1	15.4
- Passenger car	-29.8	17.3	52.3	15.9	20.9	-7.3	-3.6	2.9
- Pick up and trucks	-8.9	17.5	36.4	22.2	14.0	1.6	-15.3	2.9
- Vehicle parts & accessories	-0.2	1.0	-8.3	-3.4	6.3	10.7	4.1	6.8
Machinery & equipment	6.3	-0.8	-0.6	-1.5	0.8	-1.8	-1.4	8.3
Aircrafts, ships, floating structures, and locomotive	63.4	4.9	9.8	-28.2	1.6	91.0	25.8	1.5
Jewellery	31.6	10.8	22.0	3.7	11.5	6.4	13.6	3.5
Petro-chemical products	-3.2	-14.9	-21.8	-19.9	-12.7	-2.0	-4.8	7.0
Petroleum products	14.5	0.2	3.1	-29.4	-2.7	52.2	-3.9	3.0
Fishery	**-2.1**	**-8.5**	**-13.2**	**-0.4**	**-16.4**	**-3.3**	**16.8**	**0.6**
Crustaceans	-7.7	-7.7	-11.2	8.7	-19.6	-7.4	17.3	0.3
Fish	0.2	-12.8	-24.3	-16.1	-13.6	4.8	27.8	0.2
Other Exports	**73.3**	**-11.5**	**-37.3**	**-8.0**	**-8.7**	**95.0**	**-25.2**	**2.4**
Non-monetary gold (excl. articles of goldsmiths)	81.2	-15.6	-46.9	-1.3	-9.9	98.0	-16.0	2.3
Total Exports (Customs basis)	**5.7**	**-1.0**	**-3.3**	**-5.2**	**-0.5**	**5.8**	**-0.2**	**100.0**
Exports, f.o.b. (BOP basis)	**5.4**	**-1.7**	**-3.8**	**-5.0**	**-2.0**	**4.6**	**-1.0**	**98.0**
Export Value (exclude gold)	**4.3**	**-1.4**	**-1.6**	**-5.1**	**-1.8**	**3.5**	**-0.6**	**95.8**

Source: Bank of Thailand

Exports to the main markets decreased, particularly to China, Japan, ASEAN (5), and India, while exports to the US, the EU (27) excluding the UK, and Australia increased. Exports to China dropped by 5.1 percent, mainly due to a decrease in exports of fresh, frozen, and dried fruit, rubber products, and polymers of ethylene. **Exports to Japan** decreased for the second consecutive quarter by 9.0 percent, driven by a fall in exports of machinery and parts, chemical products, and automatic data processing machines and parts. **Exports to ASEAN (5)** fell by 5.2 percent due to a reduction in exports to Malaysia and Indonesia. **Exports to India** decreased by 3.4 percent, despite growth in exports of polymers of ethylene, air conditioning machines and parts, and animal or vegetable fats and oils. In contrast, **exports to the US** increased for the fourth consecutive quarter by 9.9 percent, driven by exports of automatic data processing machines and parts, rubber products, and telephone sets and parts. **Exports to the EU (27) excluding the UK** recovered for the first time in six quarters, rising by 2.4 percent, due to increased exports of automatic data processing machines and parts, precious stones and jewelry, and motor cars and parts. **Exports to Australia** expanded for the fourth consecutive quarter by 24.8 percent, supported by increases in exports of motor cars and parts, iron and steel products, and automatic data processing machines and parts. **Exports to Saudi Arabia** rose for the tenth consecutive quarter by 4.3 percent, driven by increases in exports of motor cars and parts, wood and wood products, and refrigerators and parts. **Exports to CLMV countries** expanded by 6.5 percent, in line with increased exports to Cambodia and Laos.

Exports to China, Japan, ASEAN (5), and India decreased, while exports to the US, the EU (27) excluding the UK, and Australia increased.

Export Value to Key Markets in US Dollar Term

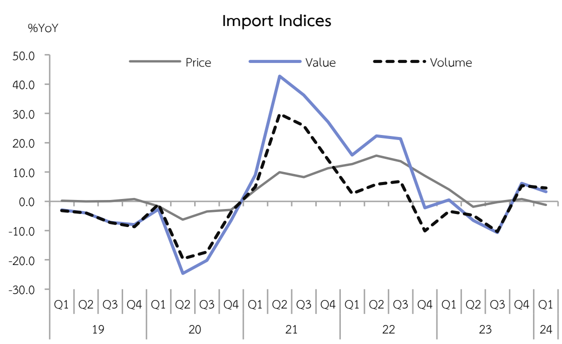
%YOY	2022 Year	2023 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	Share Q1/24 (%)
Total Exports (Mil US$) (Customs basis)	287,425	284,562	71,164	71,648	71,899	69,850	70,995	100.0
(%YoY)	5.7	-1.0	-3.3	-5.2	-0.5	5.8	-0.2	
United States	13.4	2.8	-3.7	1.7	3.4	10.2	9.9	17.8
China	-7.6	-0.8	-7.2	-0.5	4.3	0.4	-5.1	10.4
Japan	-1.4	0.1	-0.3	-2.4	2.9	-0.03	-9.0	8.3
ASEAN (9)	10.5	-7.1	-3.0	-15.2	-12.7	4.6	-0.5	24.4
- ASEAN (5)*	9.7	-1.7	-1.1	-12.2	-5.5	15.6	-5.2	13.8
- CLMV**	11.5	-14.3	-5.7	-19.2	-22.0	-8.9	6.5	10.5
EU (27) excluding UK	5.2	-4.2	-1.2	-2.2	-9.2	-4.0	2.4	8.4
United Kingdom (UK)	15.6	0.9	2.8	20.4	-0.4	-16.8	-10.5	1.3
Middle East (15)***	21.7	-2.9	14.4	-9.8	-8.5	-6.3	-3.5	3.9
- Saudi Arabia	24.9	29.3	47.8	22.7	35.1	15.4	4.3	1.0
- United Arab Emirates	23.1	-6.2	17.1	-16.8	-17.4	-4.4	0.1	1.3
Australia	2.1	8.2	-9.0	15.4	9.0	18.4	24.8	4.6
Hong Kong	-13.0	10.0	-3.3	-9.5	34.7	25.8	23.5	4.4
India	22.6	-3.9	3.9	-19.4	1.6	1.3	-3.4	3.6
South Korea	8.7	-5.2	-0.7	-10.4	-11.3	3.8	-7.5	2.1
Taiwan	1.0	1.6	-2.5	-7.3	5.2	13.6	-2.5	1.6

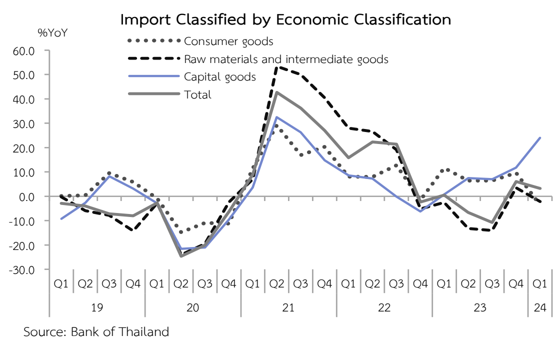
Note: * ASEAN (5) consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore
** CLMV consist of Cambodia, Laos, Myanmar, and Vietnam
*** Middle East (15) consist of United Arab Emirates, Bahrain, Egypt, Israel, Iraq, Iran, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, Yemen

Source: Bank of Thailand

The import value in US dollar terms was recorded at 68.0 billion US dollars, an expansion of 3.2 percent compared to a 6.1-percent growth in the previous quarter. This growth corresponded with a 4.5-percent increase in import volume, decelerating from a 5.3-percent growth in the previous quarter, while import prices decreased by 1.2 percent, compared to a 0.7 percent growth in the previous quarter. Excluding non-monetary gold (except for articles of goldsmiths), import values expanded by 1.2 percent, slowing down from a 6.3 percent growth in the previous quarter. **In Thai Baht terms,** the import value stood at 2.424 million Baht, an increase of 8.6 percent compared to a 4.1-percent growth in the previous quarter, aligning with the depreciation of the Thai Baht.

The import value in US dollar terms increased by 3.2 percent, driven by a rise in capital goods and other goods, particularly non-monetary gold (excluding articles of goldsmiths).





By category, the import value of materials, intermediate goods, and consumer goods decreased, while the import value of capital goods and other goods increased. **The import value of materials and intermediate goods** decreased by 2.2 percent, compared to a 3.5-percent growth in the previous quarter. Import volume increased by 0.5 percent, decelerating from a 5.7 percent growth in the previous quarter, while import prices decreased for the fourth consecutive quarter by 2.7 percent. Notable items with decreased import values included chemicals, petrochemical products, and base metal materials. The import value of consumer goods decreased by 3.6 percent, compared to a 9.6-percent growth in the previous quarter. This decline was in line with a 4.7-percent decrease in import volume, compared to a 7.6 percent growth in the previous quarter, while import prices increased by 1.2 percent. Items with decreased import values included vehicles, and medicinal and pharmaceutical products. The import value of capital goods increased by 24.0 percent, accelerating from an 11.8 percent growth in the previous quarter. Import volume expanded by 24.6 percent, while import prices decreased by 0.5 percent. Items with increased import values included computers, aircraft, ships, floating structures, and locomotives. The import value of other goods expanded at a high rate of 46.0 percent, accelerating from a 3.8 percent growth in the previous quarter. This surge was driven by a 95.3-percent increase in imports of non-monetary gold (excluding articles of goldsmiths).

Import Value of Major Product in US Dollar Term

%YoY	2022	2023					2024	Share
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1/24 (%)
Consumer goods	**6.5**	**8.5**	**11.6**	**6.4**	**6.4**	**9.6**	**-3.6**	**12.6**
- Exclude vehicles	5.3	1.1	3.8	-1.9	-0.8	3.3	-0.4	11.5
Food, beverage & dairy products	14.6	2.0	0.9	0.8	0.2	5.9	3.7	2.5
Cellular phone	-11.4	-5.1	-4.8	-25.0	-3.6	11.7	-0.0	1.4
Medicinal and pharmaceutical products	-6.9	-9.9	-19.3	-9.7	0.9	-8.1	-7.4	1.1
Vehicles	32.2	132.1	179.1	176.6	117.9	88.8	-28.6	1.0
Raw materials and intermediate goods	**16.4**	**-7.1**	**-2.5**	**-13.2**	**-14.0**	**3.5**	**-2.2**	**61.9**
- Exclude fuel	5.7	-5.7	-4.1	-11.7	-8.8	3.3	-1.3	45.1
Parts of electronics and electrical appliances	8.8	4.5	-0.8	-3.4	3.4	20.4	10.9	16.6
Crude oil	53.1	-7.8	3.8	-23.9	-18.4	15.4	3.5	11.4
Chemicals & petro-chemical products	6.6	-15.4	-10.5	-21.4	-20.6	-6.7	-4.1	8.5
Materials of base metal	-0.5	-16.7	-14.6	-26.6	-18.3	-2.5	-11.4	7.2
Capital goods	**2.1**	**6.7**	**0.8**	**7.5**	**7.0**	**11.8**	**24.0**	**20.8**
- Exclude computer	3.4	3.9	1.8	2.3	6.3	5.1	2.5	16.4
Other machinery and mechanical appliances & parts	2.1	-1.3	-4.1	1.4	-1.7	-0.8	-5.3	6.8
Computer	-15.7	56.2	-16.3	111.9	17.3	142.1	444.4	4.5
Aircrafts, ships, floating structures, and locomotive	11.3	19.5	18.5	-5.4	17.7	55.9	74.4	2.0
Transformers, generators, motors and accumulators	6.7	2.1	6.0	3.0	-0.2	-0.5	-0.4	1.8
Measuring, checking and precision instruments	-0.1	1.3	6.3	0.3	-1.6	0.7	-8.4	1.2

Import Value of Major Product in US Dollar Term (Cont.)

%YoY	2022 Year	2023 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	Share Q1/24 (%)
Other Imports	21.4	-22.5	-13.5	-13.3	-47.7	3.8	46.0	4.7
Non-monetary gold (excl. articles of goldsmiths)	32.0	-29.4	-24.2	-15.2	-55.5	2.5	95.3	3.7
Other imports, n.i.e.	-2.2	-1.7	7.4	-8.2	-12.3	7.5	-22.7	1.0
Total Imports (Customs basis)	12.8	-3.7	-0.7	-7.7	-10.7	5.8	3.8	100.0
Imports, f.o.b. (BOP basis)	14.0	-3.1	0.5	-6.6	-10.7	6.1	3.2	90.1
Import Value (exclude gold)	13.4	-2.0	1.2	-6.3	-7.6	6.3	1.2	86.4

Source: Bank of Thailand

Import Volume Indices by Economic Classification

Volume indices %YoY	2022 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Consumer goods	1.6	3.5	2.2	6.9	-5.3	5.7	7.0	4.0	4.2	7.6	-4.7
Raw materials and intermediate goods	1.3	7.9	6.0	3.8	-12.3	-4.6	-3.6	-7.9	-10.7	5.7	0.5
Capital goods	-0.7	5.0	3.4	-3.2	-7.2	6.3	-0.2	7.0	6.9	11.6	24.6
Total Imports	1.2	2.7	5.8	6.8	-10.1	-3.6	-3.5	-4.8	-10.4	5.3	4.5

Source: Bank of Thailand

Import Price Indices by Economic Classification

Price indices %YoY	2022 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Consumer goods	4.9	4.4	5.7	5.4	4.0	2.6	4.3	2.3	2.1	1.9	1.2
Raw materials and intermediate goods	15.0	18.6	19.4	14.7	8.0	-2.6	1.2	-5.8	-3.7	-2.1	-2.7
Capital goods	2.9	3.3	3.8	3.2	1.1	0.4	1.0	0.4	0.0	0.2	-0.5
Total Imports	12.7	12.8	15.6	13.7	8.8	0.6	4.1	-1.9	-0.3	0.7	-1.2

Source: Bank of Thailand

The terms of trade increased due to a 1.3-percent rise in export prices, primarily driven by higher prices for agricultural commodities, while import prices decreased by 1.2 percent. This decrease in import prices was consistent with a reduction in the prices of raw materials, intermediate goods, and capital goods. Consequently, the terms of trade reached 99.0, up from 96.5 in the same quarter of last year and 97.6 in the previous quarter.

In the first quarter of 2024, the trade balance recorded a surplus of 1.6 billion US dollars, which was lower than the surplus of 3.5 billion US dollars in the previous quarter and 4.5 billion US dollars in the same quarter last year. **In Baht terms,** the trade balance recorded a surplus of 58.6 billion Baht, down from a surplus of 122.6 billion Baht in the previous quarter and 156.4 billion Baht in the same period last year.

Term of trade continually increased.

The trade surplus stood at 1.6 billion US dollars, lower than the surplus recorded in the previous quarter and the same period last year

Term of trade

%YoY	2022 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Term of trade*	96.8	98.5	96.0	96.0	97.0	97.4	96.5	98.0	97.4	97.6	99.0
%YOY	-7.8	-7.8	-9.1	-8.4	-6.1	0.6	-2.0	2.2	1.4	0.6	1.6

Note : *Term of trade : TOT represents the ratio between a country's export prices and its import prices. When Term of trade improves, it refers to a country that gains benefit from international trade due to export prices higher than import prices.

Source: Bank of Thailand

Thai export competitiveness: the challenges of production structure

Foreign Direct Investment (FDI) is a crucial factor in driving the production, investment, and export of goods, including the upgrading of production technology in FDI recipient countries. Thailand has benefited from the foreign direct investment through manufacturing and export sectors over the past several decades, being a middle and downstream production hub contracted for manufacturing and assembling export products for third countries. However, the changes in the global value chains and technology and digital in the present and the trend of product demand changing toward the High-Tech products or more capital-intensive products thus resulted in the fact that exporting countries in those groups gained from the expansion of exports and creating merely high the Domestic Value Added (DVA), compared with the such countries are still to be producing countries among the Medium-Tech ones, which are mostly to be the original equipment manufacturers (OEM) for exports to the third countries.

The growth rate of Real GDP, Private investment, and Export of goods between 1994 - 2023

%YoY	1994 - 1996	1997 - 1998	1999 - 2007	2008 - 2009	2010 - 2017	2018 - 2019	2020	2021 - 2023
	Pre AFC	AFC	Post AFC	Subprime	Post Subprime	Trade War	COVID-19	Post COVID-19
GDP	7.3	-5.2	5.2	0.5	3.8	3.2	-6.1	2.0
- Private Investment	7.5	-42.2	9.1	-5.6	4.6	3.5	-8.1	3.6
- Manufacturing sector	8.5	-3.7	6.5	-0.5	2.8	1.3	-5.3	0.7
Export Value in USD terms	15.0	-1.5	12.8	1.2	6.0	2.1	-6.5	7.6

Source: BOT, and NESDC

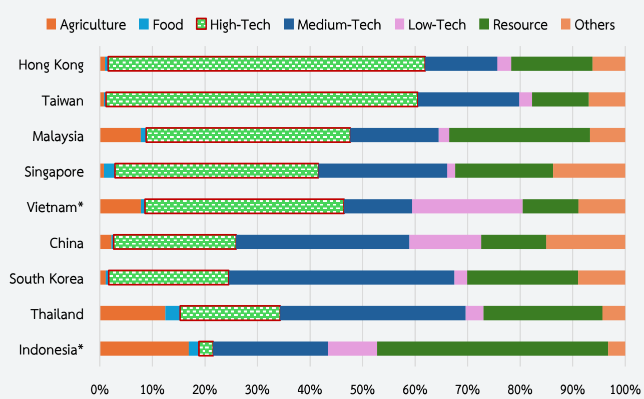
In 2023, Thai exports accounted for 54.5 percent of GDP, reflecting the key role in the economy over the past several decades. However, in the first quarter of 2024, the export value decreased by 1.0 percent, consistent with a decrease in the manufacturing production index, which decreased by 3.7 percent (declined for the sixth consecutive quarter), this was partly due to a decreased export in manufacturing product, especially automotive, computer parts & accessories, integrated circuit & parts, electrical appliances and air conditioning machines, while key agricultural products such as rice and rubber continued to expand at a favorable rate. Meanwhile, countries that rely on electronics exports, such as Hong Kong, South Korea, Taiwan, and Vietnam foresee their exports to continue to accelerate following the recovery of electronics sector cycles in line with the global demand. This situation reflects the potential for different exporting products. This is a result of the ability to upgrade industrial production technology in a way that can create the domestic value added in each country.

Export of goods growth of Key Economies between 2023 - 2024

Countries	Q1/2566	Q2/2566	Q3/2566	Q4/2566	Q1/2567
China	-1.9	-4.9	-9.9	-1.2	1.5
Hong Kong	-18.0	-13.3	-5.7	6.6	12.2
Indonesia	1.3	-17.8	-18.6	-8.3	-7.2
Malaysia	-1.6	-14.6	-17.8	-9.4	-5.0
South Korea	-12.8	-12.0	-9.7	5.7	8.3
Singapore	-5.2	-14.5	-12.6	3.0	3.9
Taiwan	-19.2	-17.0	-5.1	3.3	12.9
Vietnam	-11.6	-11.6	-2.4	6.9	16.8
Thailand	-3.8	-5.0	-2.0	4.6	-1.0

Source: CEIC

Exports Structure by country in 2023



Source: Trademap, International Trade Centre, calculated by NESDC

Note: *Latest data in 2022; Technology classification based on the grouping of the UN Comtrade Database using the Harmonized System (HS Code) 4 digits which covered 1,263 items, with agricultural products (Code 01-05), food products (Code 16-24), other products will be product groups that cannot be specified 156 items

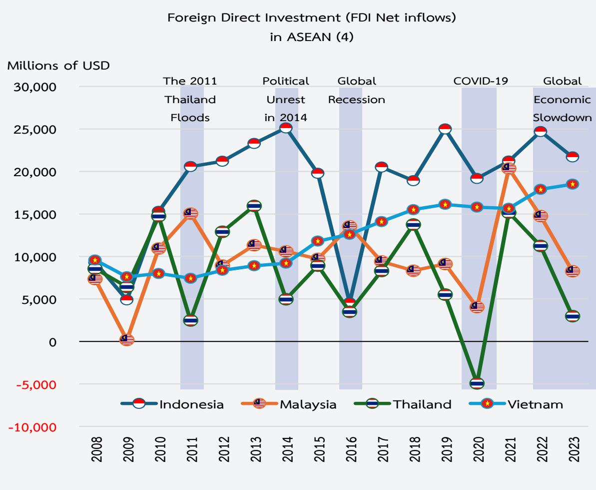
Regarding the export value of the export-oriented manufacturing industry with High-Tech, the export value in those countries continued to favorably expand, such as Hong Kong, South Korea, Singapore, Taiwan, and Vietnam which has benefited from being production bases for downstream industry, following the recovery in demand for products using advanced technology such as computers, semiconductors and smartphones. On the contrary, most of Thai electronics exports are still intermediate goods such as integrated circuits (IC) and printed circuit boards (PCB). Although those products can be related to the recovery cycle of world electronic products partially, they still face more competitive products in terms of price and technology. Also, those products can create less relatively in value added, partly due to the fact that it highly depends on a high import proportion of capital goods, and raw materials and intermediate goods. The input-output table of Thailand 2015 indicated that industrial products still rely on import contents accounting for 30.8 percent of gross output, consistent with data from the Multi-Regional Input Output Table (MRIOT), compiled by the Asian Development Bank (ADB), which reflects that over the past 20 years, The Thai industries that experienced the largest decline in domestic value added (DVA) were non-metallic mineral products, followed by petroleum and basic metals, and then machinery and electrical appliances, respectively, mainly due to rely on import contents in an increased proportion. At the same time, Thailand's key export products are still medium technology products. (Medium-Tech) which is not high in the domestic value added. Therefore, they do not fully benefit from the shifts in global product demand as much as they should.

Thai export competitiveness: the challenges of production structure (cont.)

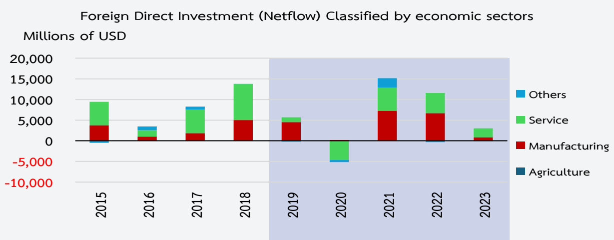
Moreover, although the ASEAN region has benefited from shifting production bases away from China in recent years to avoid the impact of a protectionist US trade policy, the investment value of foreign direct investment among the ASEAN-4, namely Indonesia, Malaysia, Vietnam, and Thailand, indicates that Thailand had the lowest level of FDI among other peer countries in 2023. Thailand's net foreign direct investment (FDI Net inflow) was only 2,969 million US dollars, lower than Indonesia, Vietnam, and Malaysia, which stood at 21,701 million US dollars, 18,500 million US dollars, and 8,255 million US dollars, respectively. and there is still a continuous downward trend. Meanwhile, investment in Thailand's traditional industries such as the petroleum industry has decreased significantly, which decreased for the first time in three years. This indicates the industries that once drove the Thai economy are now playing a reduced role in both the production sector and Thai exports.

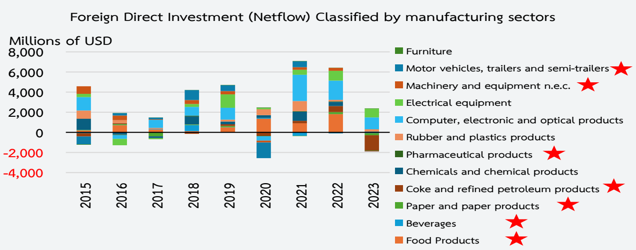
In the context of Thailand's foreign direct investment and export competitiveness relative to peer countries, therefore, it is imperative to create incentives and encourage entrepreneurs in the manufacturing sector to upgrade their production technology to produce products by utilizing the innovation and cutting-edge technology, coupled with the emphasize on development of industries related to the production of raw materials and intermediate goods within the country to replace imports. This includes manpower development and the enhancement of labor skills to meet the needs of the targeted industries. This will be an important driving force that will help the Thai manufacturing and export sectors maintain their competitiveness amidst a changing global landscape.

The diagram shows Foreign Direct Investment (Netflows) in the ASEAN-4
and Foreign direct investment (Netflow) classified by economic sector of Thailand.

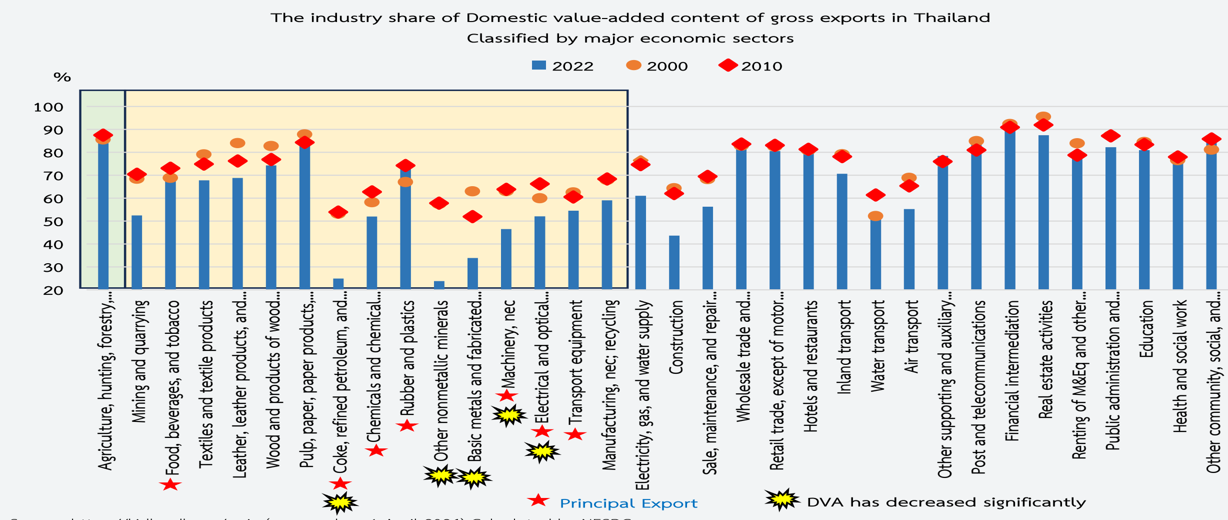


Source: CEIC and the Bank of Thailand





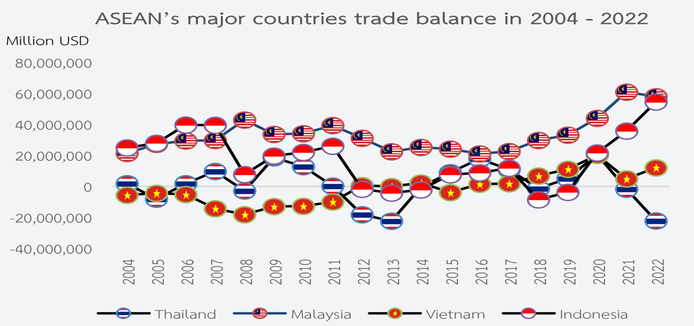
Source the Bank of Thailand; Note: decreased investment is higher than increased investment



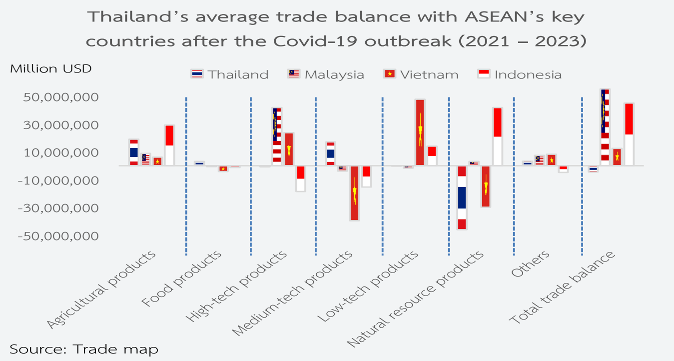
Source: https://kidb.adb.org/mrio (accessed on 1 April 2024) Calculated by NESDC

Earning capacity of goods export in major ASEAN countries over the past decade (2013-2023) through the average trade balance of each country[1]

The global economic landscape has experienced significant shifts amid the global economic uncertainty, particularly influenced by the prolonged US-China trade war since 2018. It is noteworthy how international trade has benefited or impacted each ASEAN country, particularly developing nations. In terms of the average trade balance during the post-COVID-19 (2021-2023) for major economies (Thailand, Malaysia, Vietnam, and Indonesia), Thailand experienced an average annual trade deficit of 4.5 trillion USD, making it the only country in the region with a deficit during this period. In contrast, Malaysia received a significant trade surplus of 55.4 trillion USD, followed by Indonesia with a surplus of 45.2 trillion USD, and Vietnam with a surplus of 12.4 trillion USD.



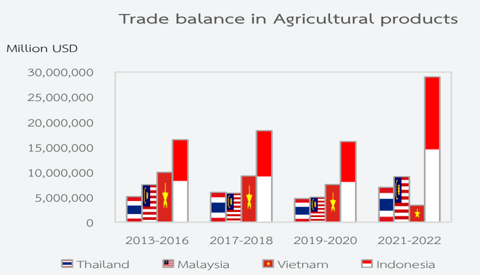
Source : Trade map



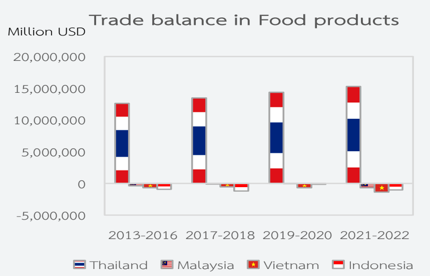
Source: Trade map

When examining the types of goods classified by technology[2], Thailand had a surplus in **agricultural products** (such as rice, vegetables, and fruits), **food products** (such as processed fish and meat, sugar, and processed fruits), and **medium-tech products** (such as automobiles and parts, plastics and related products, and air conditioners). However, Thailand had an average deficit of 0.8 trillion USD in **high-tech products** (including integrated circuits, pharmaceuticals, and advanced measuring equipment) and an average deficit of 0.4 trillion USD in **low-tech products** (such as paper and related products, ceramics, and textile fibers). Additionally, Thailand had an average deficit of 46.1 trillion USD in **natural resource products,** primarily due to deficits in petroleum products, copper, iron, and related products.

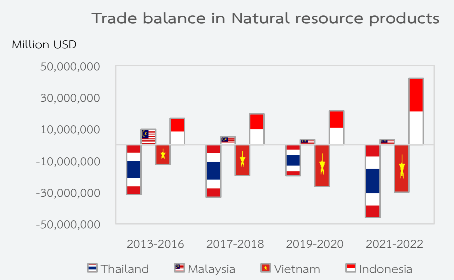
In terms of high-tech products in other countries, Malaysia, and Vietnam had the highest and second highest surpluses, respectively. Malaysia had an average surplus of 42.0 trillion USD, primarily from integrated circuits, semiconductors and components, and telephones and equipment. Vietnam followed with an average surplus of 23.8 trillion USD, mainly from telephones and equipment, electronic components, and semiconductors and components. For low-tech products, Vietnam had the highest average surplus at 48.0 trillion USD, mainly from footwear, clothing, and textile fibers, while Indonesia had a surplus of 14.1 trillion USD. Regarding natural resource products, Indonesia had an average surplus of 42.0 trillion USD, driven by coal, copper, and lignite, whereas Malaysia had an average surplus of 3.1 trillion USD, primarily from natural gas and aluminum.



Source : Trade map



Source : Trade map



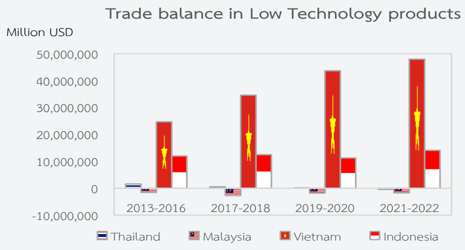
Source : Trade map

Additionally, when considering the trade divided into four periods: 2013-2016, 2017-2018, 2019-2020, and 2021-2023, the following trends were observed: For **agricultural products,** every country maintained an average trade surplus throughout all periods. Indonesia consistently ranked first in trade surplus, with Malaysia, Vietnam, and Thailand alternating between second, third, and fourth positions. For **food products,** Thailand was the only country with a continuously increasing average surplus, while the other three countries experienced continuous average deficits, with Vietnam showing a particularly notable and continuously increasing average deficit. For **natural resource products,** Indonesia and Malaysia consistently had average surpluses, while Thailand and Vietnam

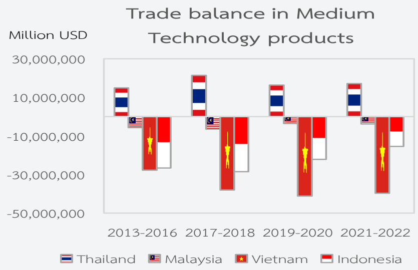
[1] The trade balance discussed in this article is derived from the customs system, calculated by the export value at FOB price - import value at CIF price. This method differs from the calculation used for the trade balance on the current account, which subtracts the import value at FOB price from the export value at FOB price. However, since the trade balance on the current account is not calculated by product, the customs system's trade balance is utilized here to compare the trade balances of Thailand and other countries by product. This approach is currently the most appropriate. All data in this article is sourced from www.trademap.org.

[2] The classification of goods into high-tech, medium-tech, low-tech, and natural resources is based on the SITC Rev.3.1 technology classification organized by the UN Comtrade Database and grouped with the HS Code at the 4-digit level (1263 Codes) according to Statistical Papers Series M No.34/Rev.3, which is a mapping of goods between the 2 widely used Codes. Agricultural products use HS Codes 01-15, while food products use HS Codes 16-24. Other products are those that cannot be grouped, totaling 156 types.

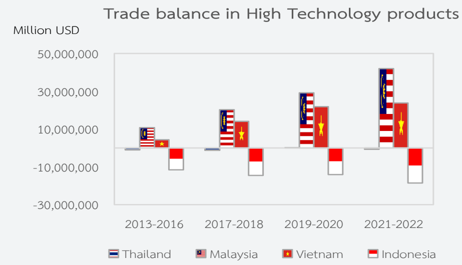
Earning capacity of goods export in major ASEAN countries over the past decade (2013-2023) through the average trade balance of each country (cont.)



Source : Trade map



Source: Trade map



Source: Trade map

exhibited an increasing trend of deficits in this category. For **low-tech products,** Vietnam had a high and continuously increasing average surplus. Indonesia maintained a stable average surplus, whereas Malaysia consistently faced a deficit. Thailand had a small average surplus from 2013-2020, but this turned into an average deficit during 2021-2023. For, **medium-tech products,** Thailand was the only country with an average surplus in this category, while the other three countries had continuous deficits. Indonesia and Malaysia showed a decreasing trend in their deficits, whereas Vietnam continued to have a high level of deficit in this product group. For **high-tech products,** from 2013-2023, Malaysia and Vietnam had a continuous increase in their average surpluses, ranking first and second, respectively. Indonesia's average deficit tended to increase, while Thailand, despite having a small average deficit, also showed a tendency for its deficit to grow.

Trade balance in Key ASEAN's countries divided by product categories over the pass 11 years (2013 - 2023)

Countries	Agricultural products	Food products	Natural resource products	Low - Tech products	Medium - Tech products	High - Tech products
Thailand	surplus	surplus	deficit	deficit	surplus	deficit
Malaysia	surplus	deficit	surplus	deficit	deficit	surplus
Vietnam	surplus	deficit	deficit	surplus	deficit	surplus
Indonesia	surplus	deficit	surplus	surplus	deficit	deficit

Source: Trade map

Top 10 Thailand's products divided by trade balance during 2013 - 2023

Surplus (generate income)	Deficit (loss)
Automotive (8703, 8704)	Crude oil (2709
Automatic data processing machine (8471)	Integrated circuit boards (8542)
Rubber and products (4001, 4011)	Gold (7108)
Air conditioner (8415)	Telephone and parts (8517)
Rice (1006)	Copper (7403)
Jewelry (7113)	Solid State recording disk (8523)
Polymer (3901)	Alloy steel plate (7210, 7207, 7208, 7326)
Processed fish (1604)	Fresh, chilled, and frozen fish (0303)
Sugar (1701)	Nuts (1201)
Fruit (0810)	Medicine (3004)

Note: () is Harmonize System Code (HS Code)
Source: Trade map

Top 10 Vietnam's products divided by trade balance during 2013 - 2023

Surplus (generate income)	Deficit (loss)
Telephone and parts (8517)	Integrated circuit boards (8542)
Fish fillets (0304)	Polymer (3901)
Shoes (6403, 6404)	Printed circuit boards (8534)
Furniture (9403)	Medicine (3004)
Electronics (8528, 8544, 8525)	Maize (1005)
Coffee (0901)	Alloy steel plate (7208)
Rice (1006)	Automotive (8703)
Clothes (6110, 6204)	Plastic and parts (3902, 3907, 3926)
Automatic data processing machine (8471)	Coal (2701)
Fruit (0810)	Capacitors (8532)

Note: () is Harmonize System Code (HS Code)
Source: Trade map

Top 10 Malaysia's products divided by trade balance during 2013 - 2023

Surplus (generate income)	Deficit (loss)
Natural gas (2711)	Coal (2701)
Integrated circuit boards (8542)	Gold (7108)
Palm oil (1511)	Petroleum (2710)
Semiconductor and parts (8541)	Steel products (7208)
Automatic data processing machine (8471)	Maize (1005)
Solid State recording disk (8523)	Chemical (3818)
Electrical measuring instrument (9030)	Nuts (1801)
Vegetable and animal fats (1516)	Electric motors and generators (8501)
Telephone and parts (8517)	Automotive parts (8708)
Air conditioner (8415)	Sugar (1701)

Note: () is Harmonize System Code (HS Code)
Source: Trade map

Top 10 Indonesia's products divided by trade balance during 2013 - 2023

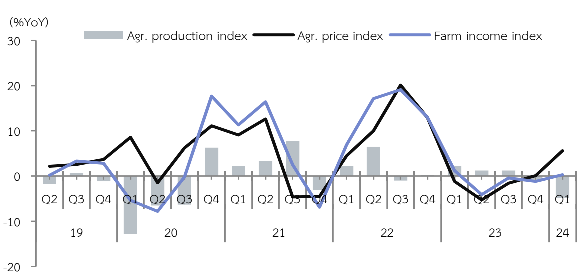
Surplus (generate income)	Deficit (loss)
Coal (2701)	Petroleum (2709, 2710)
Palm oil (1511)	Telephone and parts (8517)
Natural gas (2711)	Automatic data processing machine (8471)
Natural rubber (4001)	Cane or beet sugar (1701)
Copper (2603)	Polymer (3901)
Lignite (2702)	Automotive parts (8708)
Shoes (6403)	Cotton (5201)
Jewelry (7113)	Alloy steel plate (7207, 7225)
Wood products (4412)	Nuts (1201)
Automotive (8703)	Chemical fertilizer (3104)

Note: () is Harmonize System Code (HS Code)
Source: Trade map

Production Side:

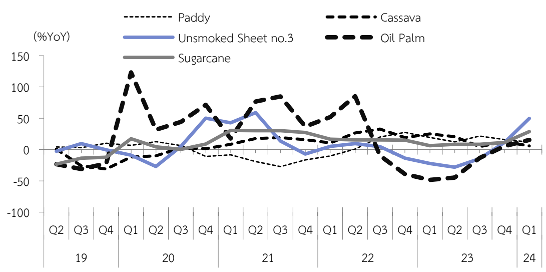
Agriculture, forestry, and the fishing sector continued to decline by 3.5 percent, compared to a 0.6 percent decrease in the previous quarter. This decline was due to hot weather conditions, a dry spell, and lower water levels in the dam compared to the same quarter last year. This trend was reflected in the **Agricultural Production Index,** which decreased by 4.9 percent, compared to a 1.0-percent decrease in the previous quarter. Major agricultural products continued to see reduced production for the second consecutive quarter, particularly oil palm, fruits, paddy, sugarcane, and cassava. In contrast, the livestock sector continued to expand for the seventh consecutive quarter, with significant increases in swine and cattle production. Additionally, the fishery sector returned to expansion for the first time in three quarters, driven primarily by increased shrimp production. The production contraction included: (i) **oil crops and food crops,** notably **oil palm** (-20.9 percent), **sugarcane** (-12.2 percent), and **cassava** (-9.0 percent) due to hot weather, dry spells, and plant disease outbreaks affecting per-area production; (ii) **fruits** (-6.8 percent), especially **durian** (-50.0 percent) as a result of unfavorable weather conditions; and (iii) **paddy** (-6.0 percent) due to drought, decreased water levels in the dam, and plant disease outbreaks. Conversely, there was production expansion in major agricultural products such as **swine** (4.0 percent), **cattle** (4.8 percent), **maize** (3.0 percent), shrimp (1.7 percent), and poultry (0.1 percent). Meanwhile, the **Agricultural Price Index** continued to rise for the second consecutive quarter, increasing by 5.6 percent compared to a 0.1-percent increase in the previous quarter. This increase was driven by higher prices for major agricultural products, including (i) **rubber** (49.8 percent), (ii) **paddy** (11.8 percent), (iii) **sugarcane** (28.9 percent), (iv) **palm oil** (15.4 percent), and (v) **cassava** (6.0 percent). However, prices for some major agricultural products declined, including **swine** (-29.5 percent), **fruits** (-7.0 percent), and **poultry** (-10.3 percent). The increase in the agricultural price index led to the **Farm Income Index** returning to expansion for the first time in four quarters, growing by 0.3 percent.

Agricultural production index decreased by 4.9 percent while Agricultural price index increased by 5.6 percent led to Farm Income Index returned to expand for the first time in fourth quarters by 0.3 percent



Source: Office of Agricultural Economics

The agricultural prices of all products increased



Source: Office of Agricultural Economics

The manufacturing sector decreased for the sixth consecutive quarter by 3.0 percent, continuing from a 2.4-percent decrease in the previous quarter, following a decline in every production group. This decline was particularly notable in industries with a 30-60 percent export share of total production and export-oriented industries (with more than 60 percent export share). This trend was in line with a 3.7 percent decline in the Manufacturing Production Index (MPI), compared to a 2.9-percent decrease in the previous quarter. **The Manufacturing Production Index of industries with a 30-60 percent export share of total production** continuously decreased for the fourth quarter, by 7.5 percent in the previous quarter. Major industries with decreased production included the manufacture of motor vehicles, which declined by 16.7 percent, following a 9.9-percent decrease in the previous quarter. This was due to decreased domestic demand and exports, with domestic production of commercial vehicles decreasing by 47.3 percent and passenger cars by 24.0 percent. The manufacture of sugar decreased by 7.8 percent, compared to a 15.6-percent decrease in the previous quarter, due to the early closure of 55 factories out of 57 factories (as of March 31st, 2024). **The Manufacturing Production Index of export-oriented industries (with more than 60 percent export share)** decreased continuously for the sixth quarter by 5.3 percent, compared to a 10.1-percent decrease in the previous quarter. This slowdown was mainly attributed to the manufacture of electronic components and boards, which continued to decline for the sixth consecutive quarter by 17.2 percent, compared to a 19.0-percent decrease in the previous quarter. This was in line with decreased demand from abroad, including Hong Kong (down 13.92 percent), Singapore (down 13.36 percent), and China (down 17.14 percent). The manufacture of computers and peripheral equipment also continuously decreased for the tenth quarter by 16.7 percent, compared to an 18.5-percent decline in the previous quarter. This was primarily due to reduced production of hard disk drives (HDD) and printers. **The Manufacturing Production Index of domestic-oriented industries (with less than 30 percent export share)** decreased for the first time in three quarters by 0.4 percent,

Accommodation and food service activities, and transportation and storage sectors accelerated. Meanwhile, wholesale and retail trade, and the repair of motor vehicles sector continued to expand. However, the manufacturing, construction, and agriculture, forestry, and fishing sectors contracted.

Agriculture, forestry, and fishing continued to decrease for the second consecutive quarter by 3.5 percent, following a decline in oil palm, fruits, paddy, sugarcane, and cassava. Meanwhile, the Agricultural Price Index continued to expand for the second consecutive quarter, leading to an increase in the Farmer Income Index, which returned to expansion for the first time in four quarters.

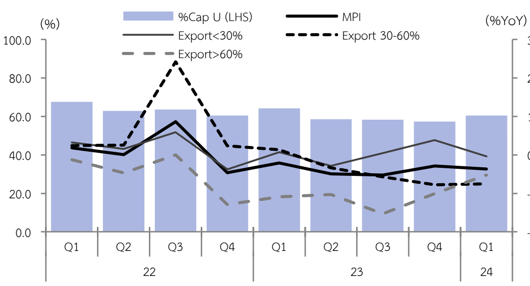
The manufacturing sector decreased for the sixth consecutive quarter by 3.0 percent, following a decline in all manufacturing production groups. This decline was especially notable in industries with a 30-60 percent export share of total production and in export-oriented industries (with an export share of more than 60 percent of total production).

compared to a 3.9-percent increase in the previous quarter. This slowdown was mainly attributed to a 20.6-percent decrease in the manufacture of palm oil, following a decline in oil palm production due to unstable weather conditions. Additionally, the manufacture of basic iron and steel decreased by 6.8 percent, as operators reduced steel production capacity, opting to import steel from countries such as Japan (up 5.1 percent) and Germany (up 1.6 percent).

The average capacity utilization rate was 60.45 percent, higher than the 57.38 percent in the previous quarter but lower than the 64.19 percent in the same quarter last year.

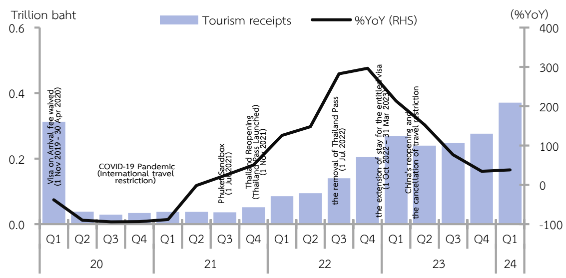
The average capacity utilization rate in this quarter was 60.45 percent, higher than 57.38 percent in the previous quarter but lower than 64.19 percent in the same quarter of the previous year. Among the 30 important industries, two had a capacity utilization higher than 80.00 percent: the manufacture of sugar (93.56 percent) and the manufacture of refined petroleum products (86.14 percent). Meanwhile, 11 industries had a capacity utilization lower than 50.00 percent, including the manufacture of plastic articles for the packaging of goods (49.81 percent), the manufacture of computers and peripheral equipment (45.53 percent), and the manufacture of basic iron and steel (45.09 percent).

Manufacturing Production Index decreased by 3.7 percent and the capacity utilization rate averaged at 60.45 percent.



Source : Office of Industrial Economics

Services receipts of Tourism for Q1/2024 Stood at 3.71 hundred billion Baht baht or increase by 38.3 percent.



Source: Bank of Thailand

The accommodation and food service activities sector has expanded for the ninth consecutive quarter by 11.8 percent, driven by favorable growth in foreign tourist arrivals and continual expansion of domestic tourism (Thai Teaw Thai).

The total amount of tourism revenue in this quarter stood at 6.03 hundred billion Baht, which rose by 26.0 percent.

The average occupancy rate was 75.27 percent, higher than the 73.55 percent in the previous quarter and 70.24 percent in the same period last year.

The accommodation and food service activities sector expanded at a high rate of 11.8 percent, continuing from a 9.8 percent increase in the previous quarter. This growth was driven by an increase in international tourist arrivals and domestic tourism (Thai Teaw Thai). In this quarter, **the number of foreign tourists stood at 9.37 million** (92.01 percent of pre-COVID-19 levels), **reflecting a 43.5 percent growth compared to the same quarter of the previous year.** The top five sources of international arrivals were China (1.756 million, 18.74 percent), Malaysia (1.169 million, 12.47 percent), Russia (0.623 million, 6.65 percent), Korea (0.559 million, 5.96 percent), and India (0.473 million, 5.05 percent). This increase was a result of the government's proactive measures to promote travel to Thailand, such as the exemption of travel visas for Chinese and Kazakhstani tourists to stay in Thailand up to 30 days (from 25th September 2023 to 29th February 2024). Moreover, the measure was extended to a permanent visa exemption for Chinese tourists from 1st March 2024 onwards. Additionally, there was an increase in the number of flights and routes offered by international airlines. **International tourism receipts[1] stood at 3.71 hundred billion Baht** (74.40 percent of pre-COVID-19 levels), rising for the eleventh consecutive quarter by 38.3 percent. **Domestic tourism by Thai travelers (Thai Teaw Thai) numbered 67.99 million people-times, expanding continuously by 8.6 percent.** This growth was driven by extended holidays and tourism promotion measures through festivals and annual events in each province. The top five most visited provinces (excluding Bangkok) by Thai tourists were Kanchanaburi (3.559 million people-times, 5.24 percent), Chonburi (3.078 million people-times, 4.53 percent), Phetchaburi (2.921 million people-times, 4.30 percent), Prachuap Khiri Khan (2.861 million people-times, 4.21 percent), and Phra Nakhon Si Ayutthaya (2.380 million people-times, 3.50 percent). **Thai tourism receipts[2] stood at 2.32 hundred billion Baht,** rising for the ninth consecutive quarter by 10.2 percent, compared to a 26.4 percent expansion in the previous quarter. The top five provinces by Thai tourist real income (excluding Bangkok) were Chonburi (8.45 percent), Chiang Mai (7.48 percent), Prachuap Khiri Khan (5.00 percent), Chiang Rai (4.86 percent), and Phetchaburi (3.91 percent). The increase in both international and domestic tourism receipts led to **total tourism revenue[3] in this quarter reaching 6.03 hundred billion Baht, rising by 26.0 percent. The average occupancy rate stood at 75.27 percent,** higher than the 70.24 percent in the same period last year and the highest in 20 quarters since the second quarter of 2019.

1 International tourism receipts refer to Service receipt of Tourism from the balance of payment table. (source: Bank of Thailand)
2 Thai tourism receipts refer to Domestic Tourism Statistic. (source: Ministry of Tourism & Sports)
3 The total amount of tourism revenue refers to an aggregation of the international tourism receipts and Thai tourism receipts.

The wholesale and retail trade, repair of motor vehicle and motorcycle sector increased by 4.3 percent, decelerating from a 5.1 percent expansion in the previous quarter due to a slowdown in household spending. This deceleration was reflected in the Wholesale and Retail Sales, and Repair of Motor Vehicles Composite Index. (1) **The Retail Sales Index (excluding motor vehicles and motorcycles)** still expanded at a high rate of 10.7 percent but slowed from a 17.9-percent expansion in the previous quarter. This slowdown was evident in various retail stores, such as jewelry stores, cosmetics shops, and retail stores for flowers, plants, and related equipment, as well as general stores, particularly discount stores/supercenters/hypermarkets. (2) **The Wholesale and Retail Sales, and Repair of Motor Vehicles Index** decreased by 16.9 percent, compared to a 12.2-percent decrease in the previous quarter, following declines in categories like automotive sales and sales of automotive parts and accessories. Additionally, (3) **the Wholesale Index (excluding motor vehicles and motorcycles)** decreased by 0.8 percent, compared to a 3.9-percent decrease in the previous quarter, due to declines in general merchandise wholesale and wholesale of specific products such as paints, varnishes, lacquers, and industrial chemicals. However, categories such as food, beverages, tobacco, and household items saw increases.

The wholesale and retail trade, repair of motor vehicle and motorcycle sector increased by 4.3 percent, slowing down from the previous quarter, following a slowdown in household spending. Meanwhile, spending by foreign tourists has continued to increase.

The transportation and storage sector increased by 9.4 percent, accelerating from 7.0 percent in the previous quarter, following the expansion of the tourism sector. This was in line with the accelerated expansion of all categories of Transport Service Index, attributed to (i) a 5.7 percent increase in land transport and transport via pipeline services, accelerating from a 3.0-percent expansion in the previous quarter, driven by an increase in the volume of diesel fuel and gasoline consumption for vehicles, the number of metropolitan train (BTS/MRT) passengers, land transport, and liquefied petroleum gas consumption. However, the volume of natural gas consumption and public transport users decreased. (ii) A 24.1-percent increase in air transport services, accelerating from a 15.9-percent increase in the previous quarter, followed an increase in number of air transportation passenger and air freight transportation. (iii) A 5.4-percent increase in water transport services, accelerating from 2.6 percent in the previous quarter, aligned with the increase in the container volume index, the volume of international shipping on Thai water transport, and the water passenger volume index. Additionally, warehousing and support activities for transportation rose by 9.9 percent, decelerating from 12.3 percent in the previous quarter, and postal and courier activities increased by 15.8 percent, accelerating from 11.8 percent in the previous quarter.

The transportation and storage sector continued to grow for the tenth consecutive quarter by 9.4 percent, supported by the expansion of the tourism sector. This growth was in line with the increase in cargo transportation services across various modes of transportation, including land, pipelines, air, and water.

The construction sector decreased by 17.3 percent, continuing from an 8.8-percent decrease in the previous quarter, attributed to a decline in public construction, especially the government projects. Meanwhile, private construction continued to increase for the seventh consecutive quarter. Public construction decreased by 30.1 percent in this quarter, compared to an 18.4 percent decline in the previous quarter. Government construction specifically fell by 47.2 percent, compared to a 30.9 percent decline in the previous quarter, due to delayed of the FY 2024 budgetary process, leading to significantly decreased in capital expenditures. However, construction by SOEs still increased for the eighth consecutive quarter by 2.2 percent, supported by ongoing investments in key infrastructure projects such as the high-speed rail project (Bangkok to Nong Khai section, Phase 1: Bangkok to Nakhon Ratchasima section) and the 9th Master Plan for water supply business improvement, particularly the expansion of water production capacity at the Mahasawat Water Treatment Plant. Nevertheless, **Private construction** continuously increased for the seventh consecutive quarter by 5.2 percent, accelerating from 3.4 percent in the previous quarter, driven by the expansion of non-residential building construction, particularly factory and commercial buildings. However, residential construction, including condominiums and single-detached houses, decelerated from the previous quarter. Other construction projects continued to decline. **The Construction Material Price Index (CMI)** continued to decline for the fourth consecutive quarter by 1.1 percent, driven by decreases in the prices of steel (-3.7 percent) and other construction materials (-4.4 percent), such as asphalt, concrete products, and aluminum. Conversely, prices for several key construction material categories increased, including wood and wood products (5.0 percent), concrete products (1.1 percent), electrical and plumbing equipment (0.8 percent), and cement (0.3 percent).

The construction sector continued to decline for the second quarter by 17.3 percent, in line with a decrease in public construction, especially government projects. Meanwhile, private construction continued to increase for the seventh consecutive quarter.

The Construction Material Price Index (CMI) declined for the fourth quarter by 1.1 percent, mainly due to the decrease in steel prices.

Employment decreased for the first time in fifteen quarters, following a decline in agricultural employment. Meanwhile, non-agricultural employment continued to increase for eight consecutive quarter. The unemployment rate was higher than the previous quarter but lower than the same quarter last year. In the first quarter of 2024, the number of employed persons amounted to 39.58 million, a 0.1-percent decrease compared to a 1.7-percent increase in the previous quarter. This included 36.27 million Thai employed persons (91.46 percent share), a decrease of 1.6 percent, and 3.31 million foreign employed persons (8.36 percent share), an increase of 20.8 percent. **Agricultural employment,** which accounts for 27.61 percent of total employment, declined for the first time in three quarters by 1.5 percent, in line with decreased agricultural production, especially in palm oil, sugarcane, fruits, and paddy.

Employment decreased for the first time in fifteen quarters, following a decline in agricultural employment, following a decline in agricultural employment.

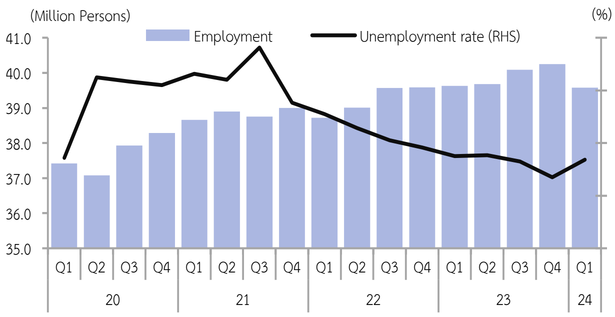
Non-agricultural employment, making up 72.39 percent of total employment, continued to increase for the eighth consecutive quarter by 2.2 percent. This increase was driven by higher employment in accommodation and food service activities, construction, and manufacturing. However, employment in the wholesale and retail trade, repair of motor vehicles and motorcycles sectors declined for the first time in two quarters. **The unemployment rate** in this quarter was 1.01 percent, higher than the 0.81 percent in the previous quarter but lower than the 1.05 percent in the same quarter last year. **The average number of unemployed people** was 408,000, higher than the 329,000 unemployed in the previous quarter but lower than the 421,000 unemployed in the same quarter last year.

Meanwhile, non-agricultural employment continued to increase for the eighth consecutive quarter.

The unemployment rate stood at 1.01 percent, higher than the 0.81 percent in the previous quarter

Employment decreased by 0.1 percent following a decreased in agricultural sector employment

Unemployment rate was low at 1.01 percent.



Source: National Statistical Office

Employed Persons by Industry

%YOY	Share Q1/24	2022 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Year	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Employed	100.00	3.9	0.1	0.3	2.1	1.5	1.8	2.4	1.7	1.3	1.7	-0.1
- Agricultural	27.61	-0.9	2.40	-1.2	-2.4	-3.4	1.1	1.6	-0.2	2.0	1.0	-5.7
- Non-Agricultural	72.39	6.1	-0.8	0.9	4.3	3.9	2.1	2.7	2.5	1.0	2.0	2.2
Manufacturing	16.01	6.0	-1.6	1.5	1.4	4.4	-0.3	0.4	0.3	0.6	-2.3	0.7
Construction	6.25	-0.2	-4.2	-8.5	0.4	-1.0	2.5	-1.6	6.0	2.9	3.1	5.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.48	7.9	2.0	8.3	4.5	2.0	2.1	4.4	0.5	-0.2	3.8	-0.4
Accommodation and food service activities	8.70	4.5	-4.4	-6.1	8.3	6.6	9.1	8.2	11.7	8.3	8.0	10.6
Total labor force (Million persons)		39.90	39.62	39.76	40.09	40.14	40.45	40.28	40.30	40.53	40.67	40.23
Employed (Million persons)		39.22	38.72	39.01	39.57	39.59	39.91	39.63	39.68	40.09	40.25	39.58
Unemployment (Million persons)		0.53	0.61	0.55	0.49	0.46	0.395	0.42	0.43	0.40	0.33	0.41
Unemployment Rate (%)		1.32	1.53	1.37	1.23	1.15	0.98	1.05	1.06	0.99	0.81	1.01

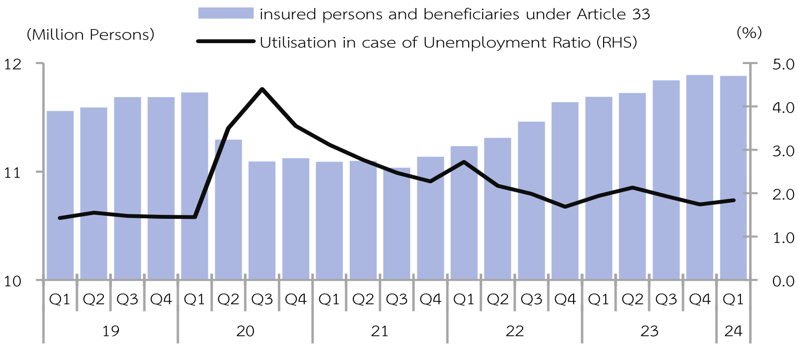
Source : National Statistical Office (NSO)

Labor in the Social Security Fund: The number of insured people in the social security system continued to increase for the twelfth consecutive quarter. The unemployment rate among insured persons under Article 33 was higher than in the previous quarter but lower than in the same quarter last year. In the first quarter of 2024, the total number of social security beneficiaries increased by 0.7 percent, slowing down from a 1.0-percent increase in the previous quarter. This consists of compulsory insurers under Article 33, which increased by 1.7 percent compared to a 2.2-percent increase in the previous quarter, and voluntarily insured persons under Article 40, which increased by 0.6 percent compared to a 0.7-percent rise in the previous quarter. Meanwhile, voluntarily insured persons under Article 39 illustrated the seventh consecutive quarter contraction by 5.1 percent, continued from a 4.4-percent decline in the previous quarter. **The unemployment rate among insured persons under Article 33** was at 1.84 percent in the first quarter, higher than 1.74 percent in the previous quarter but lower than 1.94 percent in the same quarter of the last year. **The average number of unemployed** was 218,000 persons, higher than 207,000 persons in the previous quarter but lower than 227,000 persons in the same quarter last year.

The number of insured persons in the social security system increased for the twelfth consecutive quarter by 0.7 percent. This increase was driven by the growth in compulsory insured persons under Article 33 and voluntary insured persons under Article 40, while the number of voluntary insured persons under Article 39 continued to decline for the seventh quarter.

The unemployment rate among insured persons under Article 33 in this quarter was 1.84 percent, higher than the 1.74 percent in the previous quarter but lower than the 1.94 percent in the same quarter last year.

There are 11.9 million insured persons and beneficiaries under Article 33 and 1.8 percent of them are receiving unemployment benefits



Source: The Social Security Office ,Ministry of labour

Number of social security beneficiaries

Registered Applicants (Thousand persons)	2022					2023					2024
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Insured Persons (article 33)[1/]	11,638	11,234	11,313	11,462	11,638	11,891	11,689	11,725	11,842	11,891	11,883
Insured Persons (article 39)[2/]	1,880	1,920	1,902	1,899	1,880	1,798	1,866	1,850	1,826	1,798	1,770
Insured Persons (article 40)[3/]	10,881	10,767	10,812	10,855	10,881	10,958	10,911	10,935	10,957	10,958	10,980
Total Insured Persons	**24,399**	**23,920**	**24,027**	**24,216**	**24,399**	**24,647**	**24,466**	**24,511**	**24,625**	**24,647**	**24,634**
Utilisation in case of Unemployment	197	306	245	228	197	207	227	250	229	207	218
Utilisation in case of Unemployment Ratio (%)	1.7	2.7	2.2	2.0	1.7	1.7	1.9	2.1	1.9	1.7	1.8

Source : Social Security Office (SSO) , Ministry of labour

Note: [1/] Insured Persons (article 33) are employees of private enterprises that employ at least 1 employee. Those Insured Persons must be over 15 years of age, but under 60 years of age

[2/] Insured Persons (article 39) are individuals who resigned from private enterprises (previously insured persons under article 33) but wants to maintain social security rights. Therefore, they voluntarily applied for social security rights under article 39

[3/] Insured Persons (article 40) are neither persons who are currently employed by private enterprises (article 33) nor has never applied to be an insured person under article 39. Insured persons under article 40 must be an self-employed person or informal workers age who must be over 15 years of age, but under 60 years of age.

Number of employed person and working hours in manufacturing

In the first quarter of 2024, data from the Labor Force Survey indicated that 6.37 million individuals were employed in the Manufacturing sector, representing 16.28 percent of total workforce, which marks a 0.7-percent increase. The number of private sector employees rose to 5.08 million, reflecting a 1.0-percent increase compared to the same period of the last year. Although the number of individuals employed in manufacturing has risen, the average number of hours worked per person per week has diminished. In the first quarter, the average working hours was 45.31 hours per person per week, declining from 45.76 hours per person per week, representing a 1.0-percent decrease from the same quarter of the last year. Meanwhile, averaged working hours of overall labor force was 41.00 hours per person per week. This reduction in working hour in manufacturing sector aligned with the prolonged contraction in manufacturing production and low capacity utilization rate.

TSIC	Sector	2024 Q1				Growth (%YoY)			
		Employee (person)*	Working hour per week	CapU	MPI	Employee	Working hour per week	CapU	MPI
C	Manufacturing	5,078,459	45.31	60.45	100.85	1.0	-1.0	-5.8	-3.7
	Manufacturing of domestic raw material	**1,994,506**	**45.23**	**58.92**	**109.48**	**-0.7**	**-1.0**	**-0.5**	**-0.2**
10	Production of food products	1,061,321	45.52	59.54	117.45	-2.9	-0.3	-0.7	-0.2
22	Manufacture of rubber and plastics products	356,595	46.07	56.96	103.10	-7.3	-4.6	-3.2	-0.5
23	Manufacture of other non-metallic mineral products	243,053	43.75	56.60	97.92	32.8	1.2	-3.2	-7.1
11	Manufacture of beverages	147,324	45.60	56.33	113.31	-10.3	-0.0	6.6	6.5
17	Manufacture of pulp, paper and paperboard	114,410	43.43	73.16	95.55	16.8	-0.8	7.5	6.5
18	Painting and reproduction of recorded media	71,803	43.78	n.a.	n.a.	-0.7	-1.0	n.a.	n.a.
	Manufacturing of labor intensive	**1,051,277**	**44.44**	**42.79**	**84.21**	**12.2**	**-0.3**	**-9.4**	**-4.7**
14	Manufacture of wearing apparel	282,253	43.84	38.70	67.92	10.9	-0.9	-10.2	-11.6
32	Other manufacturing	219,673	43.37	44.40	101.79	7.5	-0.6	-20.2	5.3
13	Manufacture of textiles	150,916	46.49	39.99	78.99	33.9	-0.9	-3.7	-10.9
16	Manufacture of wood and of products of wood and cork, except furniture: manufacture of articles of straw and plaiting materials	145,639	43.88	61.57	100.61	9.9	-2.7	4.1	3.2
31	Manufacture of furniture	104,883	44.07	38.43	57.15	1.3	3.9	16.8	11.1
33	Repair and installation of machinery and equipment	84,729	47.98	n.a.	n.a.	29.6	3.1	n.a.	n.a.
15	Manufacture of leather and related products	58,686	42.75	47.92	106.67	-2.2	-5.3	-8.4	-12.6
12	Manufacture of tobacco products	4,497	47.58	42.29	77.94	18.6	-1.5	-14.7	-14.7
	Manufacturing of technology intensive	**2,032,677**	**45.83**	**64.35**	**97.64**	**-2.9**	**-1.0**	**-8.5**	**-6.0**
29	Manufacture of motor vehicles, trailers and semi-trailers	444,712	47.20	61.37	104.49	0.1	2.5	-22.8	-16.3
26	Manufacture of computer, electronic and optical products	435,460	46.18	52.61	63.15	-8.2	-2.5	-13.6	-17.0
25	Manufacture of fabricated metal products, except machinery and equipment	283,854	44.87	53.48	86.39	-6.4	-2.4	-0.0	-0.2
20	Manufacture of chemicals and chemical products	208,318	45.52	68.00	93.14	-3.0	-1.2	-0.9	3.5
27	Manufacture of electrical equipment	181,102	46.95	56.63	86.76	3.2	0.4	5.2	-0.1
28	Manufacture of machinery and equipment not elsewhere classified	171,644	44.25	67.04	117.27	-6.3	-3.3	-4.2	0.6
24	Manufacture of basic metals	143,428	44.97	45.09	86.47	-0.3	-1.3	-8.1	-6.8
30	Manufacture of other transport equipment	80,861	44.14	65.11	112.23	5.0	3.1	-7.0	-7.0
21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	49,453	40.25	47.81	103.58	25.4	-14.1	-14.8	-12.9
19	Manufacture of coke and refined petroleum products	33,845	51.35	86.14	124.65	-8.3	4.2	-1.4	2.1

Source: The National Statistical Office and the office of Industrial Economics calculated by NESDC
Note: *Only private employee

Number of employed person and working hours in manufacturing (cont.)

The manufacturing sector analysis, categorized by innovation in production groups, revealed the following insights:

1. Domestic resource-dependent manufacturing employed 1.99 million individuals, constituting a 39.27 percent of the workforce in manufacturing. This figure represented a decrease of 0.2 percent from the same quarter of the last year. Workers in this group had an average of 45.23 hours per person per week, a reduction of 1.1 percent from the previous year. This decrease aligned with the Manufacturing Production Index (MPI), which dropped by 0.2 percent, and the capacity utilization rate, which fell by 0.5 percent to 58.92 percent. Key sectors within this category include the production of food products, employing 1.06 million people, and the manufacture of rubber and plastics products, employing 357,000 people. Both sectors observed decline in employment and average working hours, corresponding with decreasing in the MPI and capacity utilization rates.

2. The labor-intensive manufacturing employed 1.05 million individuals, representing a 20.70 percent share of the workforce in manufacturing, and a significant increase of 12.2 percent from the same quarter last year. Despite this rise in employment, workers in this group had an average of 44.44 hours per person per week, a slight decrease of 0.3 percent from the previous year. Similarly, MPI also declined by 4.7 percent, and the capacity utilization rate dropped by 9.4 percent to 42.79 percent. A notable product within this category is the manufacture of wearing apparel, employing 282,000 individuals. While the number of employed persons increased, their average working hours decreased, consistent with the declines in MPI and capacity utilization rates.

3. The technology-intensive manufacturing employed 2.03 million individuals were employed, accounting for 40.03 percent of the workforce, but this represents a decrease of 2.9 percent from the same quarter last year. Workers in this category had an average of 45.83 hours per person per week, a decrease of 1.0 percent from the previous year. The MPI in this group decreased by 6.0 percent, and the capacity utilization rate dropped by 8.5 percent to 64.35 percent. Key sectors include the manufacture of motor vehicles, trailers, and semi-trailers, employing 445,000 individuals, with increases in both employment and working hours. In contrast, the manufacture of computers, electronic, and optical products employed 435,000 people, experiencing decreases in all categories. These declines reflect reduced MPI and capacity utilization rates, partly due to the transition to higher skill levels required by new technologies.

Overall, the manufacturing sector experiences numerous challenges, including domestic factors such as an aging population, technological disruptions, as well as external factors like geopolitical tensions, exchange rate fluctuations, and changing direction of monetary policy. These challenges necessitate that entrepreneurs and workers in the manufacturing sector have to adapt to address the changing environment by improving efficiency in both capital and labor, and by upgrading technology and innovation to enhance the sectoral potential.

Fiscal Conditions:

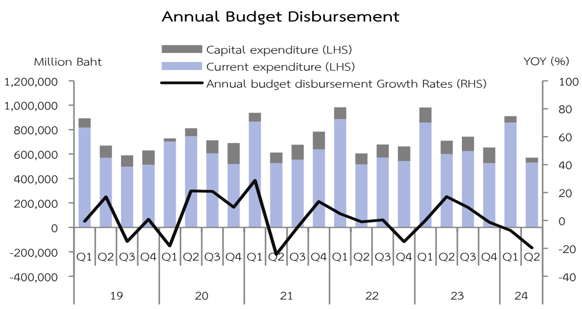
On the revenue side, in the second quarter of the fiscal year 2024 (January - March 2024), the net government revenue collection stood at 545.4 billion Baht, an increase of 4.7 percent compared to the same quarter last year. This increase was contributed by the following factors: **(i) A 99.9-percent rise in revenue from oil and oil products excise tax,** which resulted from the adjustment of the excise tax rate on diesel fuel from 5 Baht per liter to 1 Baht per liter. **(ii) A 4.6-percent increase in personal income tax,** in line with the expansion of economic activities. **(iii) A 7.9-percent rise in revenue remittances from other government agencies** due to revenue submission from the conversion of the petroleum concession system to the Production Sharing Contract (PSC) system by the Department of Mineral Fuels. **(iv) A 13.8-percent increase in beverages tax** according to the change in the third phase of the sugar tax[4]. **(v) A 0.3-percent increase in VAT,** in line with the expansion of domestic consumption.

However, **the excise tax on cars and tobacco** decreased by 35.0 percent and 15.0 percent, respectively, compared to the same quarter last year, in line with the decrease in vehicle orders and tobacco sales volume.

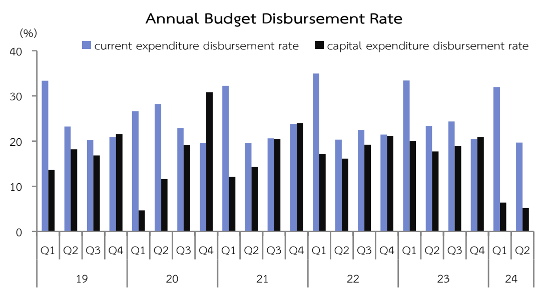
For the first half of the fiscal year 2024, net government revenue collection stood at 1,168.9 billion Baht, increasing by 0.7 percent compared to the same period last year, and was 2.3 percent lower than the revenue estimation stated in the 2023 annual budget expenditures. In detail, the revenue collection of the Excise Department was lower than estimated due to decreases in the collection of taxes on diesel and gasoline, as well as taxes on cars, following government measures to reduce the excise tax rate on diesel and gasoline and to support electric vehicles. However, revenue collected by the Revenue Department and the remittances from state-owned enterprises were higher than estimated due to VAT collection and the overlapping income remittances from some state-owned enterprises. Meanwhile, excluding a special collection amount of 39.1 billion Baht in the same period of the previous year, net government revenue collection increased by 4.2 percent compared to the same period of the previous year.

On the expenditure side, in the second quarter of fiscal year 2024, the government had total budget disbursement of 671.9 billion Baht[5], reflecting a 17.7 percent decrease from the same quarter of the previous year in which total budget disbursement consisted of:

(i) The 2024 annual budget disbursement, amounting to 570.7 billion Baht, a decrease of 19.6 percent from the same quarter last year. The disbursement rate was 16.4 percent, lower than the 22.3 percent in the same quarter last year. **The current expenditure disbursement** amounted to 529.5 billion Baht, decreasing by 11.8 percent from the same quarter last year. The disbursement rate was 19.7 percent, lower than the 23.4 percent in the same quarter last year. **The capital expenditure disbursement** was marked at 41.2 billion Baht, decreasing from the same quarter last year by 62.2 percent. This decrease is mainly due to the delay of the Fiscal Year 2024 Budget Bill. The disbursement rate was 5.2 percent, lower than the 17.7 percent in the same quarter last year.



Source: GFMIS at 29th April 2024



Source: GFMIS at 29th April 2024

(ii) **The carry-over budget disbursement** stood at 36.4 billion Baht, decreasing from the same quarter last year by 18.2 percent. The disbursement rate was 22.8 percent, lower than the 23.4 percent in the same quarter last year.

(iii) **State-owned enterprises' capital expenditure budget** was disbursed for 76.2 billion Baht[6], reflecting stability change from the same quarter last year.

For the first half of the fiscal year 2024, the total budget disbursement was 1,722.9 billion Baht, decreasing by 13.6 percent from the same period last year, with the following details:

In Q2/FY2024, net government revenue collection increased by 4.7 percent compared to the same quarter of the previous year.

For the first half of FY2024, net government revenue collection was higher than the same period last year by 0.7 percent and lower than the estimation stated in the 2023 annual budget by 2.3 percent.

In Q2/FY2024, the total budget disbursement decreased by 17.7 percent due to the delay of the Fiscal Year 2024 Budget Bill, while the disbursement of the state-owned enterprises' capital expenditure increased by 0.3 percent.

In Q2/FY2024, the 2024 annual budget disbursement rate was at 16.4 percent which is the lowest in 66 quarters. The rate of current expenditure disbursement stood at 19.7, while the capital expenditure disbursement was at 5.2 percent.

4 The third phase of the sugar tax (effective from April 1st, 2023 - March 31st, 2025) has the following rates: sugar amount 6-8 grams, tax rate 0.3 baht per liter, sugar amount 8-10 grams, tax rate 1 baht per liter, sugar amount 10-14 grams, tax rate 3 baht per liter, sugar amount 14-18 grams, tax rate 5 baht per liter, and sugar content from 18 grams, tax rate 5 baht per liter.

5 The total budget disbursement includes the disbursement of (i) the grand total of annual budget, (ii) the carry-over budget, and (iii) the State-owned enterprises' capital expenditure budget allocated by the State Enterprise Policy Office including PTT and affiliated companies' domestic investment and the State-owned enterprise's capital expenditure allocated from the annual budget and the carry-over budget.

6 The number was included the 11.5 billion Baht of the capital spending allocated from the annual budget and the carry-over budget.

(i) The 2024 annual budget disbursement stood at 1,480.9 million Baht. The disbursement rate was 42.6 percent, lower than 53.1 percent in the same period last year. This included 1,388.6 billion Baht in a disbursement of current expenditure (with a disbursement rate of 51.7 percent, lower than 56.8 percent in the same period of last year), and 92.3 billion Baht in a disbursement of capital expenditure (with a disbursement rate of 11.6 percent, lower than 37.8 percent in the same period last year).

(ii) The disbursement of the carry-over budget stood at 90.1 billion Baht, equivalent to the disbursement rate of 56.2 percent.

(iii) State-owned enterprises' capital expenditure budget was disbursed by 169.5 billion Baht[7]. Five SOEs with the highest capital expenditure included PTT Public Company Limited and affiliated companies, the Provincial Electricity Authority (PEA), the State Railway of Thailand (SRT), the Electricity Generating Authority of Thailand (EGAT), and the Mass Rapid Transit Authority of Thailand (MRTA).

For the first half of FY2024, total budget disbursement decreased by 13.6 percent due to reductions in both 2024 annual budget and carry-over budget.

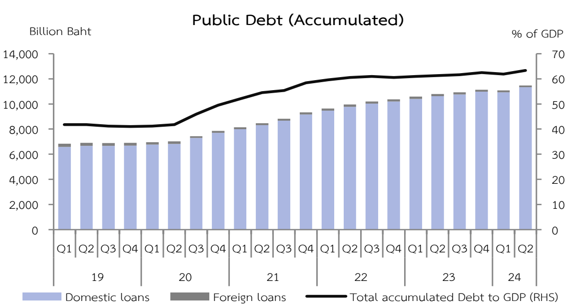
For the first half of FY2024, the 2024 annual budget disbursement rate was at 42.6 percent in which the rate of current and capital expenditure disbursement stood at 51.7 and 11.6 percent, respectively.

Public Debt: As of the end of March 2024, public debt was accumulated at 11.5 trillion Baht, equivalent to 63.4 percent of GDP, and remained under the fiscal disciplinary framework. The total public debt comprised 11.3 trillion Baht of domestic loans (98.8 percent of Public Debt) and 141.4 billion Baht of foreign loans (1.2 percent of Public Debt).

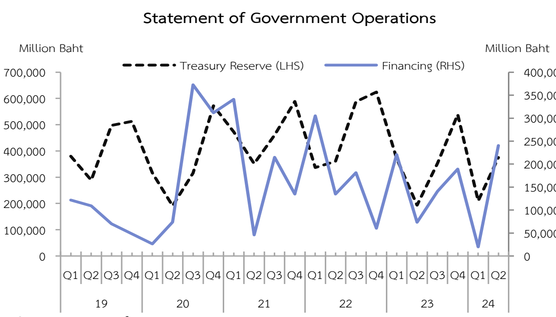
Fiscal Balance: In the second quarter of fiscal year 2024, the budgetary balance recorded a deficit of 60.8 billion Baht, combined with a deficit of 14.4 billion Baht on the non-budgetary balance. In addition, the government conducted a cash balance management through the borrowing of 240.4 billion Baht. Therefore, the cash balance after debt financing recorded a net deficit of 165.1 billion Baht. The treasury reserve at the end of the first quarter of fiscal year 2024 stood at 209.6 billion Baht, resulting in a fiscal balance at the end of March 2024 of 374.7 billion Baht.

At the end of March 2024, the government's fiscal statement remained at a strong level where the fiscal balance stood at 374.7 billion Baht.

For the first half of the fiscal year 2024, the budgetary balance recorded a deficit of 400.2 billion Baht, combined with a deficit of 24.5 billion Baht on the non-budgetary balance. In addition, the government conducted a cash balance management through the borrowing of 260.4 billion Baht. Therefore, the cash balance after debt financing recorded a net deficit of 164.3 billion Baht.



Source: Public Debt Management Office



Source: Ministry of Finance

Financial Conditions:

The policy interest rate was kept unchanged at 2.50 percent per annum

The BOT decided to keep the policy rate unchanged in line with other central banks. Meanwhile, the Bank of the Japan (BOJ) raised its policy rate for the first time in 17 years

In the first quarter of 2024, the Monetary Policy Committee (MPC) voted to maintain the policy interest rate at 2.50 percent per annum during the meeting on 7th February 2024. This decision was based on the MPC's assessment that the current policy rate remained consistent with economic and inflation outlook. Additionally, the MPC projected that the Thai economy will expand at a higher rate in 2024 compared to 2023, supported by private consumption, tourism, an increase in government expenditure in the latter year, and a gradual recovery in exports. Meanwhile, Inflation remained at a low level because of supply-side factors and an extension of government subsidies in energy prices. However, inflation is projected to move into the target by the end of 2024. **Thailand's monetary policy stance was in line with major central banks.** For instance, the Federal Reserve (Fed), the Bank of Canada, the European Central Bank (ECB), and the Bank of England (BOE), opted to maintain their interest rates at high levels to steer inflation toward their targets. Similarly, many central banks in Asian region, including central bank of South Korea, India, Vietnam, Malaysia, Indonesia, and Philippines, decided to keep their rates unchanged to lower inflationary pressures and maintain exchange rate stability. Meanwhile, the People's Bank of China (PBOC) maintained its key interest rate, but reduced commercial banks' reserve ratio requirements (RRR) to boost liquidity into the banking system. Additionally, PBOC lowered the loan prime rate (LPR), which is used as a mortgage reference rate, to lower borrowing costs and stimulate new housing loan. On the other hand, the Bank of the Japan (BOJ) raised its policy rate for the first time in 17 years, and announced plan to gradually reduce other easing policies.

[7] The number was included the 17.6 billion Baht of the capital spending allocated from the annual budget and the carry-over budget.

In April 2024, Bank Indonesia (BI) increased its policy rate by 25 bps. to 6.25 percent to alleviate the depreciation of the Indonesian Rupiah. Meanwhile, the MPC kept its policy rate unchanged at 2.50 percent per annum during the meeting on 10th April 2024. The majority of the MPC deemed that the current policy rate is consistent with Thai economic growth and financial stability.

Policy Interest Rate

(%) At the end of period	2022					2023					2024				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.	Apr.
USA	4.25-4.50	0.25-0.50	1.50-1.75	3.00-3.25	4.25-4.50	5.25-5.50	4.75-5.00	5.00-5.25	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50
EU	2.50	0.00	0.00	1.25	2.50	4.50	3.50	4.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50
England	3.50	0.75	1.25	2.25	3.50	5.25	4.25	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Canada	4.25	0.50	1.50	3.25	4.25	5.00	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Thailand	1.25	0.50	0.50	1.00	1.25	2.50	1.75	2.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Russia	7.50	20.00	9.50	7.50	7.50	16.00	7.50	7.50	13.00	16.00	16.00	16.00	16.00	16.00	16.00
Indonesia	5.50	3.50	3.50	4.25	5.50	6.00	5.75	5.75	5.75	6.00	6.00	6.00	6.00	6.00	6.25
China	3.65	3.70	3.70	3.65	3.65	3.45	3.65	3.55	3.45	3.45	3.45	3.45	3.45	3.45	3.45
Brazil	13.75	11.75	13.25	13.75	13.75	11.75	13.75	13.75	12.75	11.75	10.75	11.75	11.25	10.75	10.75
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0.10	-0.10	-0.10	0.10	0.10
Philippines	6.00	2.50	3.00	4.25	6.00	7.00	6.75	6.75	6.75	7.00	7.00	7.00	7.00	7.00	7.00
Korea, South	3.25	1.25	1.75	2.50	3.25	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
India	6.25	4.00	4.90	5.90	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Australia	3.10	0.10	0.85	2.35	3.10	4.35	3.60	4.10	4.10	4.35	4.35	4.35	4.35	4.35	4.35
New Zealand	4.25	1.00	2.00	3.00	4.25	5.50	4.75	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Vietnam	4.50	2.50	2.50	3.50	4.50	3.00	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Malaysia	2.75	1.75	2.00	2.50	2.75	3.00	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

Source: Collected by NESDC

Large-size and medium-size commercial banks kept their deposit and lending rates unchanged. On the other hand, specialized financial institutions (SFIs) held their leading rate steady, but increased their deposit rates. In the first quarter of 2024, large-size and medium-sized commercial banks maintained their 12-month fixed deposit rates at 1.65 and 1.58 percent per year, and their Minimum Loan Rates (MLR) at 7.25 and 8.30 percent per year, respectively. Meanwhile, SFIs kept their 12-month fixed deposit rates unchanged from the previous quarter at 1.78 percent per year, but raised their Minimum Loan Rates (MLR) from 6.43 percent per year to 6.59 percent per year. As a result, real deposit and lending rates averaged at 2.45 and 8.04 percent per year respectively, increased from the previous quarter at the average of 2.20 and 7.74 percent per year.

Commercial banks kept their deposit, and lending rates unchanged, while SFIs raised their lending rate.

In April 2024, Commercial banks and SFIs kept their 12-month deposit rates and loan rates (Minimum Loan Rate: MLR) at the same level as the previous month. However, they reduced their Minimum Retail Rate (MRR) to support vulnerable borrowers, including individuals and small and medium enterprise (SMEs).

At the end of first quarter of 2024, the private loan outstanding of depository institutions expanded by 1.46 percent, slightly decelerating from a 1.55-percent expansion in the previous quarter. This deceleration was due to a slowdown in household loans.

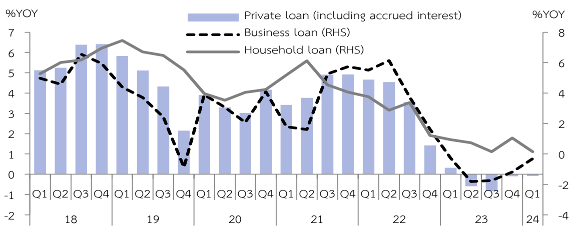
Private loans outstanding of depository institutions slowed down.

Private loans outstanding of commercial banks contracted by 0.09 percent, similar to a 0.10-percent decrease in the previous quarter. In addition, **business loans** contracted by 0.32 percent, improving from a 1.19-percent contraction in the previous quarter. **Loans to small medium enterprises (SMEs)** contracted by 4.77 percent, improving from a 5.73-percent contraction in the previous quarter. This was because of the improvement of loans for wholesale and retail trade; repair of motor vehicles and motorcycles, and loans for manufacturing. However, the contraction continued in loans for real estate activities, and loans for accommodation and food service activities. **Meanwhile, loans to large enterprises** decreased by 1.97 percent for the first time since the second quarter of 2019 This was mainly caused by a decrease of 5.11 percent in loans for financial and insurance activities, partly due to high base effect and deterioration in household loan quality. In contrast, manufacturing loans reverted to expand by 0.64 percent after continually declining since the first quarter of last year. **In the first quarter of 2024,** banks tightened their credit standards for SMEs and large enterprises, including applied stricter loan covenants and additional collateral requirements. **Household loans expanded by 1.12 percent, decelerating from a 2.30-percent expansion in the previous quarter.** This slowdown aligned with a loan contraction in all categories, including loans for real estate purchase, loans for vehicle purchase or hire purchase, and loans for other personal consumption. This was due to; (i) elevated household debt, which resulting to borrowers' creditworthiness, and (ii) deteriorating of loan quality, which caused banks to tighten their credit standards.

Private loans outstanding of specialized financial institutions (SFIs) expanded by 4.47 percent, decelerating from a 5.10-percent expansion in the previous quarter. This was caused by a deceleration in business and household loans. Household loans, in particular, began to slow down after expanded continuously in the earlier years. This was partly the result of high level of household debt and deteriorating credit quality.

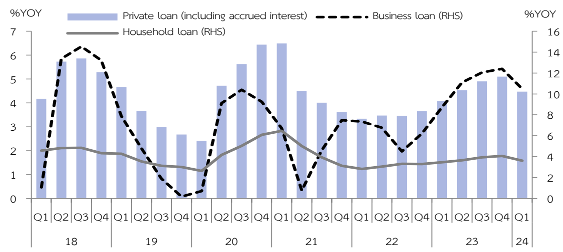
Financial performance of commercial banks. In the first quarter of 2024, commercial banks' income increased by 13.74 percent, compared to an increase of 20.50 percent in the previous quarter. Likewise, their expenses increased by 14.35 percent, compared to a 23.73-percent increase in the previous quarter. Therefore, the Net Interest Margin (NIM) was at 3.23 percent; slightly increased from 3.20 percent in the previous quarter, and 3.00 percent in the first quarter of 2022.

Private loans (including accrued interest) of commercial banks decelerated from the previous quarter



Source : Bank of Thailand

Private loans (including accrued interest) of specialized financial institutions decelerated from the previous quarter



Source : Bank of Thailand

Commercial banks outstanding loans classified by types of business

(%YoY)	2019	2020	2021	2022				2023				2024
	Year	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1. Loan to large enterprises	3.83	47.28	8.29	4.97	4.31	6.66	4.02	4.69	1.98	2.69	3.03	-1.97
1.1 Financial and Insurance Activities (46.71%)	12.20	47.63	4.40	-2.32	-0.47	9.50	12.64	16.29	11.26	11.25	9.21	-5.11
1.2 Manufacturing (16.57%)	-3.29	21.62	10.48	10.40	14.28	8.87	1.35	-1.66	-4.74	-5.51	-3.61	0.64
1.3 Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (11.36%)	-2.99	64.28	14.86	15.53	20.39	21.49	11.80	10.51	1.91	-4.45	0.26	0.33
2. Loan to SMEs Credits	-0.74	-35.29	5.49	6.59	4.29	0.31	0.36	-3.53	-4.61	-5.20	-5.73	-4.77
2.1 Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (31.73%)	-1.89	-24.35	2.72	3.98	1.37	-0.99	-1.95	-4.78	-4.73	-4.91	-5.68	-5.22
2.2 Manufacturing (17.81%)	-7.70	-31.15	4.56	6.81	1.79	-3.19	-5.15	-11.13	-12.38	-12.32	-10.18	-8.63
2.3 Real Estate Activities (11.79%)	2.99	-25.19	-1.77	3.27	0.16	-2.16	-1.17	-1.74	-0.12	-0.21	1.22	-0.40

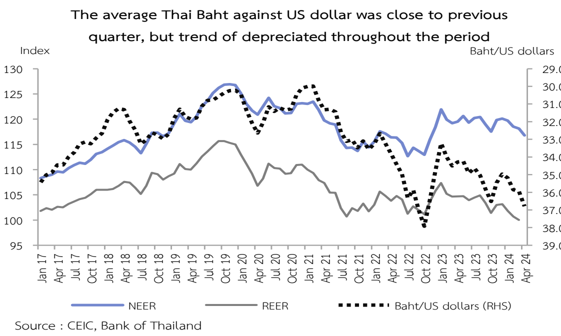
Source: Bank of Thailand

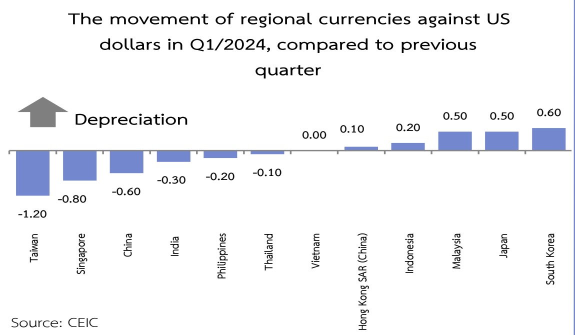
An average value of the Thai Baht against the US dollar was close to the previous quarter's average.

An average of Thai Baht against US dollar in the first quarter of 2024 was close to the previous quarter. In the first quarter of 2024, the exchange rate averaged at 35.65 Baht per US dollar, which was similar to an average of 35.67 Baht per US dollar in the previous quarter. However, the Thai Baht depreciated throughout the quarter, in line with other regional currencies and the appreciation of the Dollar Index. This was the consequence of the delay in the Federal Reserve policy rate cut. In addition, Thai Baht faced internal factors pressuring the currency to depreciate, including (i) downside risks to the Thai economy; and (ii) ongoing net outflows of portfolio investment. In addition, Thai Baht against major trading partners/competitors depreciated from the previous quarter, as the Nominal Effective Exchange Rate (NEER) decreased by 0.36 percent from the previous quarter.

The depreciation of Thai Baht was in line with other regional currencies such as South Korea Won, Japanese Yen, Malaysian Ringgit, Indonesian Rupiah, and Hong Kong dollar. In contrast, the currencies of Taiwanese dollar, Singapore dollar, Chinese Yuan, Indian Rupees, and Philippine Peso appreciated from the previous quarter.

In April 2024, the exchange rate averaged at 36.79 Baht per US dollar, depreciated by 2.33 percent from the previous month. This depreciation was consistent with a 1.69-percent increase of the Dollar Index from the previous month (the average of Dollar Index was 103.66 in March and 105.42 in April 2024). The strengthening of the US Dollar was the result of raising economic growth and inflation in the US economy, which may delay a policy rate cut. In addition, investors increased demand for US dollar because of the conflict between Iran and Israel. In the first four months of 2024, Thai Baht averaged 35.94 per US dollar, depreciating by 5.03 percent from the end of 2023.

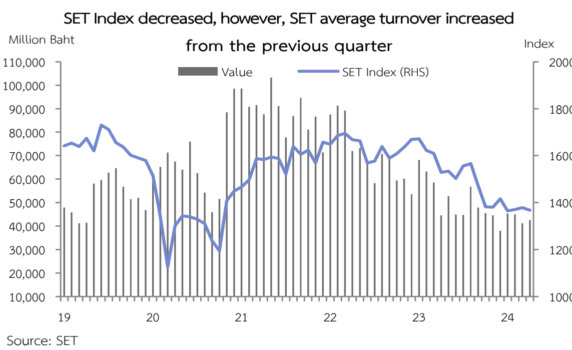


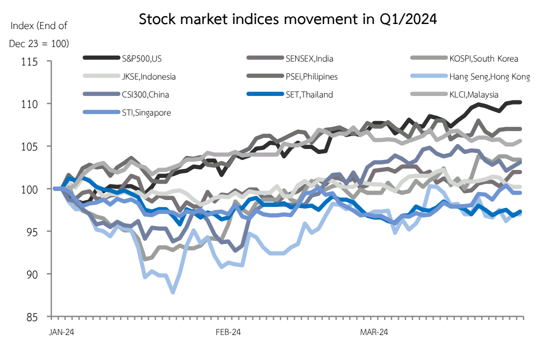


The SET Index declined from the previous quarter.

SET Index declined from the previous quarter. At the end of the first quarter of 2024, the SET index closed at 1,377.9 points, decreased by 2.7 percent from the previous quarter. This decline was caused by (i) the delay of the Federal Reserve's (Fed) policy rate cut, given strong economic data while inflation persistently elevated above its target level. These conditions put downward pressure on risky assets; and (ii) the slower-than-expected growth of the Thai economy, as various agencies revising down Thailand's economic growth for 2024. In this quarter, foreign investors had a net selling position for five consecutive quarters, with a net sell of 69.3 billion Baht, the highest amount in five quarters. A negative change in index was seen in these industry groups; technology (-15.4 percent), industrials (-10.9 percent), property and construction (-10.9 percent), and agro and food Industry (-4.8 percent). However, the decline of SET index contrasted with the increase of stock market indices in advanced and regional countries, except for the indices in Hong Kong and Singapore, which declined from the previous quarter by 3.0 and 0.5 percent, respectively.

In April 2024, the SET index closed at 1,368.0 points, falling by 0.7 percent from the previous month, in line with global stock market indices. This was attributed to the expectation of Fed delaying its policy rate cut, and geopolitical tensions between Iran and Israel. Thus, risky assets were less attractive.

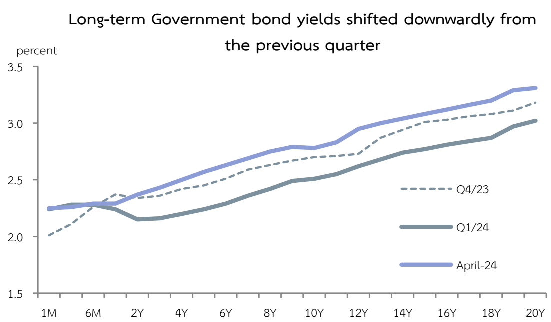




Long-term Government bond yield curve shifted downward from the previous quarter.

Long-term Government bond yield curve shifted downward from the previous quarter. In the first quarter of 2024, long-term government bond yields (maturities of more than one year) dropped from the previous quarter, consistent with an increase in the government bond price index. However, the 10-year US Treasury yield increased from the previous quarter as the Fed's interest rate cut was postponed. The decrease of Thai government bond yields was mainly the result of internal factor such as the announcement that two of seven members of the Monetary Policy Committee (MPC) voted to cut the policy rate, while various agencies downgraded the Thai economic outlook in 2024. As a result, at the end of the first quarter of 2024, the 2-year government bond yield was at 2.15 percent per year, declining from 2.34 percent per year in the previous quarter. Meanwhile, the 10-year government bond yield stood at 2.51 percent per year, decreasing from 2.70 percent per year in the previous quarter. Foreign investors recorded a net sell of 34.5 billion Baht, compared to a net buy of 3.7 billion Baht in the previous quarter. Total new registered corporate bonds accounted for 410.7 billion Baht. The issuers were mostly from the finance and securities sector, the property development sector, and the agricultural sectors.

In April 2024, the long-term government bond yield curve shifted upward from the previous month, aligning with a decrease in the government bond price index. The upward curve was in line with an increase in US Treasury yield. This was due to (i) the MPC's decision to keep policy rate unchanged, and (ii) the delay of Fed's policy rate cut given stubborn inflation and robust US economic growth. Therefore, 2-year and 10-year government bond yields rose to 2.37 percent per year and 2.78 percent per year, respectively. Foreign investors recorded net outflows in short-term and long-term bonds, totaling 25.5 billion Baht.



Source: ThaiBMA

Capital and financial account recorded a net outflow of 4.5 billion US dollars in the fourth quarter of 2023, compared to an outflow of 4.7 billion US dollars in the previous quarter. This was attributed to direct investment and portfolio investment outflows. In this quarter, the capital and financial account recorded a smaller outflow than in the previous quarter, due to a decrease in portfolio investment outflows.

Capital and financial account recorded a net outflow.

In 2023, Capital and financial account had a net outflow of 14.3 billion US dollar. This was due to a net sell of foreign investors in Thai equity market, and a net outflow of Thai investors in terms of direct investments.

Capital Flow

(Billion USD)	2021					2022					2023				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
- Direct Investment	-4.5	2.3	-1.4	-1.4	-4.0	3.7	2.7	-0.6	0.1	1.5	-5.7	0.0	-2.2	-1.1	-2.4
Thai investor	-19.1	-3.5	-3.0	-4.6	-8.0	-7.5	-3.8	-1.1	-1.9	-0.7	-8.6	-2.8	-2.4	-1.9	-1.5
Foreign investor	14.6	5.8	1.6	3.2	4.0	11.2	6.5	0.5	2.0	2.2	2.9	2.8	0.2	0.8	-0.9
- Portfolio Investments	-11.9	-10.0	-3.8	0.0	1.9	5.8	2.6	1.8	-0.7	2.0	-13.2	-5.8	-1.4	-4.0	-2.0
Thai investor	-16.8	-10.4	-3.7	-0.2	-2.5	-2.4	-1.3	1.0	-0.3	-1.8	-2.7	-3.0	1.7	-0.5	-0.9
Foreign investor	4.9	0.4	-0.1	0.2	4.4	8.2	3.9	0.8	-0.4	3.8	-10.5	-2.8	-3.1	-3.5	-1.1
Others	10.4	1.0	2.5	4.0	2.9	-2.9	-0.7	-2.6	-1.3	1.8	4.6	5.0	-0.7	0.4	-0.1
Capital and financial account	-6.0	-6.7	-2.7	2.6	0.8	6.6	4.6	-1.4	-1.9	5.3	-14.3	-0.8	-4.3	-4.7	-4.5

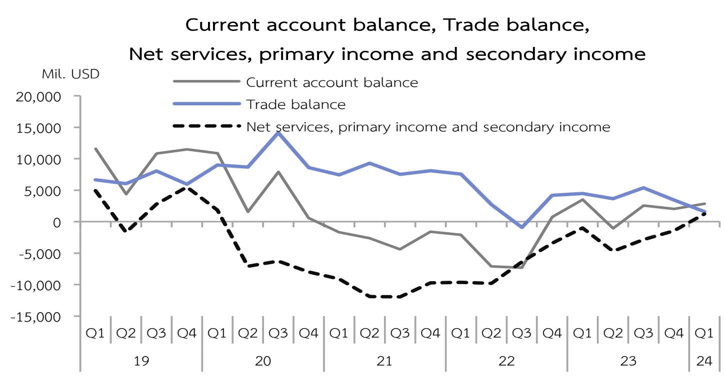
Source: BOT

In the first quarter of 2024, the current account registered a surplus of 2.9 billion US dollars (102.7 billion Baht), higher than the surplus of 2.0 billion US dollars (71.2 billion Baht) in the previous quarter but lower than the surplus of 3.5 billion US dollars (122.7 billion Baht) in the same period last year. This result was driven by a trade surplus of 1.6 billion US dollars, which was lower than the 4.5 billion US dollars surplus recorded in the same period last year. Additionally, services, primary, and secondary income recorded a surplus for the first time in 16 quarters, amounting to 1.2 billion US dollars. This marks an improvement from a deficit of 1.4 billion US dollars in the previous quarter and a deficit of 1.0 billion US dollars in the same quarter last year.

The current account continued to show a surplus, driven by a trade surplus, while net services turned to a surplus for the first time in 16 quarters.

At the end of March 2024, international reserves stood at 223.4 billion US dollars, down from 224.5 billion US dollars at the end of March 2023. **In Baht terms,** international reserves at the end of March 2024 were 8.14 million Baht, higher than the 7.65 million Baht recorded at the end of March 2023.

The international reserve at the end of March 2024 stood at 223.4 billion US dollars.

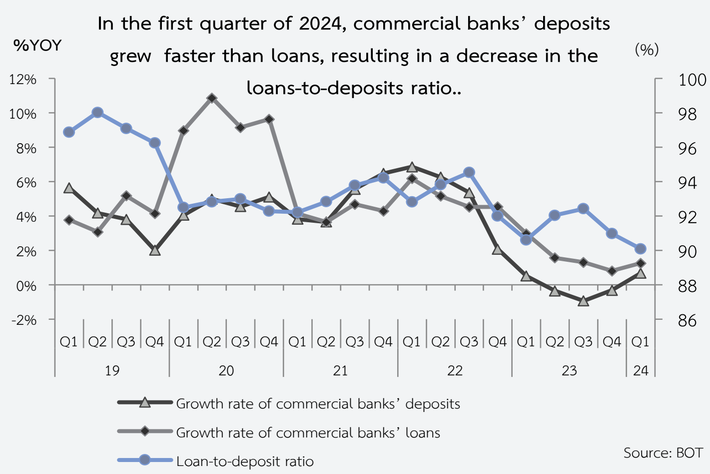


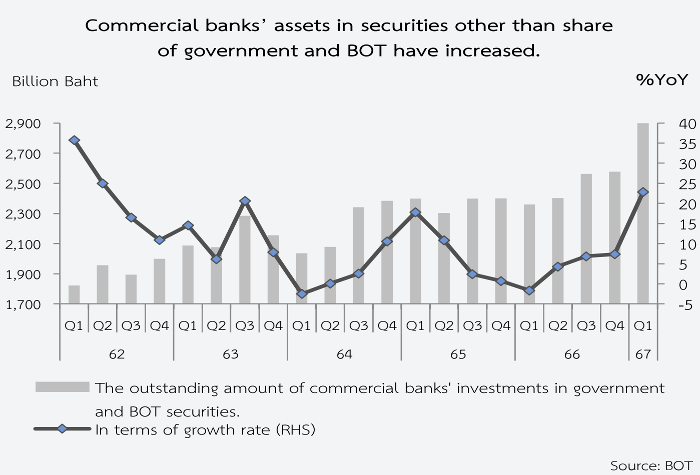
Source: Bank of Thailand

Financial institutions raised their credit standards for both business and household loans

The increases in business and household debt during the COVID-19 pandemic, together with the rise in interest rates, have caused some groups of business and households to experience liquidity problems since their incomes have not yet recovered. This has affected their loan repayments. Credit standards for business and household loans were thus tightened due to concerns over risks to the economic outlook and credit quality. **According to the Senior Loan Officer Survey conducted by the Bank of Thailand (BOT)[1]**, credit standards in the first quarter of 2024 were tightened from the previous quarter due to a decelerating economic outlook, especially in some business sectors. As a result, credit standards for large corporates and Small and Medium Enterprises (SMEs) were further tightened. Similarly, credit standards for household loans were tightened due to heightened risks to economic outlook, declining borrowers' creditworthiness, and deteriorating credit quality.

The tightening credit standards were in line with the declining loan-to-deposit ratio. In the first quarter of 2024, the loan-to-deposit ratio (excluding interbank) of commercial banks stood at 90.09 percent, down from 90.61 percent in the first quarter of 2023, and significantly down from 96.88 percent in the first quarter of 2019 (pre-COVID-19). On the other hand, commercial banks' assets, especially securities other than shares of government and BOT, have increased, especially in the first quarter of 2024. This could point out that commercial banks were highly cautious in lending credits to private sector due to deteriorating credit quality. Therefore, credit conditions should be closely monitored as economic outlook is expected to improve in the latter half of this year.





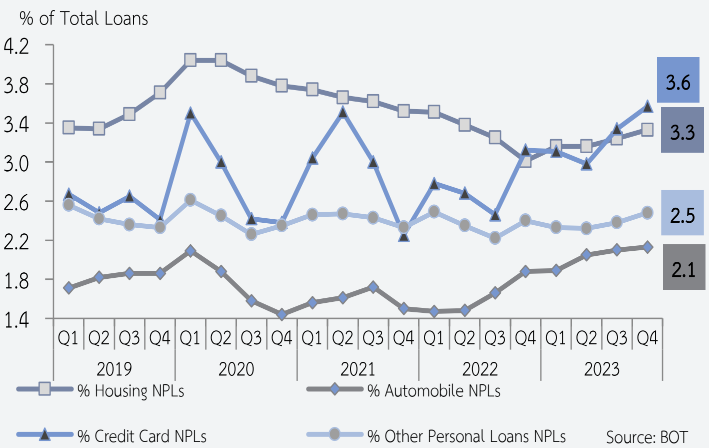
[1] The Credit Conditions Report for the first quarter of 2024, conducted and published by the Bank of Thailand (BOT), reviews the opinions of senior loan officers from financial institutions, credit card companies, and personal loan companies under supervision (non-banks), covering 96 percent of all loans.

Household credit quality deteriorated.

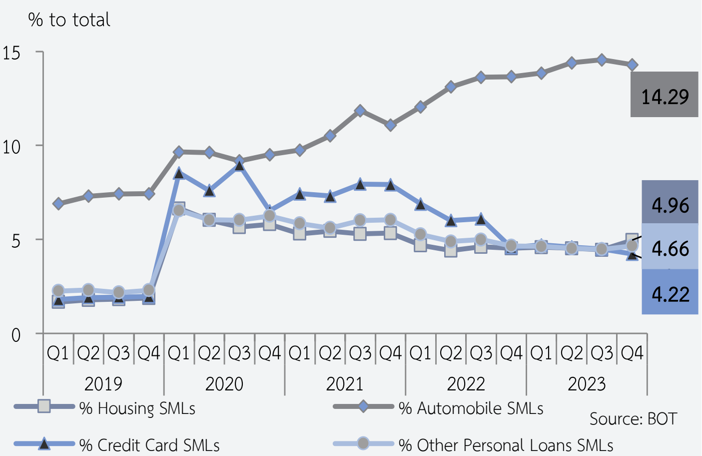
According to credit data published by the Bank of Thailand (BOT), the outstanding of personal consumption loans in the first quarter of 2024 grew by 1.1 percent, decelerating from a 2.3-percent growth in the previous quarter and a 2.1-percent growth in the same quarter of last year. This was due to decrease and deceleration in the following loan categories: **(i) loans for hire purchases and leasing of automobiles and motorcycles,** with an outstanding amount of 1.16 trillion Baht, decreased by 3.0 percent, compared to a 0.4-percent decrease in the previous quarter; **(ii) other personal consumption loans,** with an outstanding amount of 1.33 trillion Baht, expanded by 5.5 percent, decelerated from a 7.1-percent expansion in the previous quarter; **(iii) loans for real estate purchases,** with an outstanding amount of 2.68 trillion Baht, expanded by 1.1 percent, decelerated from a 1.4-percent growth in the previous quarter; and **(iv) credit card loans,** with an outstanding of 0.21 trillion Baht, grew by 0.2 percent, compared to a 2.6-expansion in the previous quarter. **This loan slowdown was partly due to financial institutions tightened their credit standards in respond to a high debt burden and declining credit quality.** In the fourth quarter of 2023, the Non-Performing Loans (NPLs)[1] ratio for personal consumption loans was 2.88 percent, increased from 2.79 percent in the previous quarter, and 2.62 percent in the same quarter of last year. This indicated that households' credit quality has worsened across all loan purposes, especially credit card and automobile loans. In details, the NPLs ratio for credit card loans was 3.57 percent, increased from 3.34 percent in the previous quarter, and 3.12 percent in the same quarter of last year. Meanwhile, the NPLs ratio for vehicle purchase or hire purchase loans was 2.13 percent, increased from 2.10 percent in the previous quarter and 1.88 percent in the same quarter of last year.

Furthermore, the Special Mention Loans (SMLs)[2] ratio of household loans in the fourth quarter of 2023 was 6.86 percent, increased from 6.66 percent in the previous quarter, and 6.58 percent in the same quarter of last year. Specifically, the SM ratio for housing loans was at 4.96 percent, increased from 4.45 percent in the previous quarter and 1.88 percent at end of 2019 (pre-COVID-19). Similarly, the SM ratio for automobiles loans was 14.29 percent, compared to 14.55 percent in the previous quarter, and 7.43 percent at the end of 2019 (pre-COVID-19). Therefore, the credit quality of these two loan categories is expected to continue deteriorating in the next period.

The NPLs ratio for household loans.



The SM ratio for household loans.



[1] NPLs refer to loans over 3 months past due since the contract expiration date.

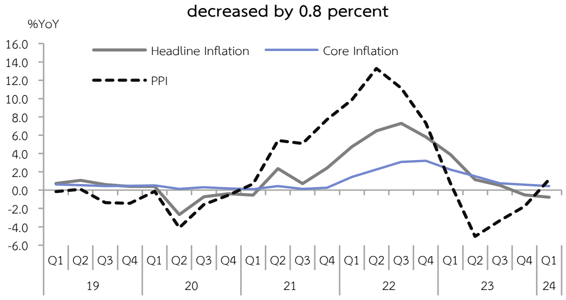
[2] SMLs refer to loans that are over 1 months but not over 3 months past due, and there is a significant increase in credit risk according to TFRS9, which provide information on loans before becoming non-performing loan.

Headline Inflation: In the first quarter of 2024, headline inflation dropped by 0.8 percent, marking a decline for two consecutive quarters, compared to a 0.5-percent decrease in the previous quarter. The **food and beverage** price index fell by 0.9 percent, mainly due to a decrease in the prices of meat, vegetables, and fruits, which reduced by 14.1 percent and 3.3 percent, respectively, due to excess supply in the market. The **non-food and beverage** price index decreased by 0.7 percent, aligning with a 3.7-percent reduction in energy prices. This decline was influenced by the government's energy cost-of-living measures, including reduced excise taxes on diesel and gasoline, as well as lower electricity costs. However, **core inflation** increased by 0.4 percent, down from 0.6 percent in the previous quarter. This was partly due to a high price base in the first quarter of 2023 and a reduction in the prices of apparel and footwear, and cleaning supplies. Conversely, the price indices for medical and personal care, tobacco and alcoholic beverages, seasoning and condiments, and prepared food continued to grow.

Headline inflation declined by 0.8 percent, marking a reduction for two consecutive quarters. This decline was associated with decreases in both the food and beverage, and non-food and beverage categories, in line with falling energy prices.

In April 2024, headline inflation slightly increased by 0.2 percent, resuming the first expansion in seven months. This rise was driven by escalating world crude oil prices, the end of the government's cost of living reduction measures, and an acceleration in the price index of vegetables and fruits due to lower production volumes. Besides, core inflation was averaged at 0.4 percent.

Headline inflation in the first quarter of 2024 decreased by 0.8 percent



Source: Ministry of Commerce

Producer Price Index (PPI): In the first quarter of 2024, the PPI increased by 1.2 percent, marking the first growth in four quarters, compared to a 1.8 percent decrease in the previous quarter. This increase was driven by a 1.8-percent rise in the **price of manufactured products,** due to higher prices for rubber and plastic products, food products, machinery and equipment, and petroleum products, which increased by 6.0 percent, 3.1 percent, 3.0 percent, and 3.0 percent, respectively. The **price of agricultural and fishery products** grew by 5.3 percent. Conversely, the **price of mining products** dropped by 21.0 percent, associated with a 23.7-percent contraction in the price of petroleum and natural gas.

The Producer Price Index (PPI) escalated by 1.2 percent, marking its first increase in four quarters.

In April 2024, the Producer Price Index rose by 3.4 percent, driven by increases in the prices of manufactured products as well as agricultural and fishery products, while the prices of mining products declined.

2. Crude Oil price in Q1 of 2024

The crude oil price in the global market increased compared to the same period last year but declined from the previous quarter.

The crude oil price in the global market increased compared to the same period last year but decreased from the previous quarter. In the first quarter of 2024, the average crude oil price in four major markets (WTI, Brent, Dubai, and Oman) stood at 80.3 US dollars per barrel, a decline of 2.6 percent from 82.4 US dollars per barrel in the previous quarter. However, it increased by 0.7 percent from the 79.7 US dollars per barrel during the same period of the last year. These changes were influenced by (i) the impact of geopolitical conflicts, particularly the conflict between Israel and Hamas in the Gaza Strip, including prolonged attacks on merchant ships in the Red Sea, and the conflict between Russia and Ukraine; (ii) the extension of OPEC+ production cuts until the second quarter of 2024; and (iii) the reduction in US commercial crude oil inventories in the first quarter of 2024, which averaged 439 million barrels, a decrease of 5.9 percent from 466 million barrels in the same period last year.

In April 2024, the average crude oil price escalated to its highest level in six months due to the prospect of intensifying conflict between Israel and Iran.

Crude oil price

Year		USD per Barrel					(%YoY)				
		WTI	BRENT	DUBAI	OMAN	Average	WTI	BRENT	DUBAI	OMAN	Average
2020	Year	39.6	43.4	42.4	41.8	42.0	-30.4	-32.2	-33.0	-34.2	-32.3
2021	Year	68.1	70.9	69.5	69.3	69.4	72.1	63.4	63.8	65.5	65.4
2022	Year	94.2	98.8	96.2	96.5	96.5	38.4	39.4	38.4	39.4	38.9
	Q1	94.7	97.9	96.1	96.4	96.2	63.3	59.8	59.4	63.3	61.3
	Q2	109.0	112.3	108.5	105.4	108.8	63.9	61.9	60.7	56.2	60.6
	Q3	91.4	97.5	96.5	100.7	96.5	29.6	33.2	34.3	40.0	34.3
	Q4	82.6	88.6	84.7	84.7	85.1	7.1	11.1	8.0	8.0	8.6
2023	Year	77.4	82.1	81.8	81.9	80.8	-17.8	-16.9	-15.0	-15.2	-16.2
	Q1	76.0	82.1	80.2	80.4	79.7	-19.7	-16.1	-16.5	-16.6	-17.2
	Q2	73.1	77.3	76.9	76.9	76.0	-33.0	-31.2	-29.1	-27.0	-30.1
	Q3	82.1	86.0	86.6	86.6	85.3	-10.2	-11.8	-10.3	-14.0	-11.6
	Q4	78.8	83.0	83.8	83.8	82.4	-4.6	-6.2	-1.0	-1.1	-3.2
2024	Q1	76.9	81.8	81.1	81.0	80.3	1.2	-0.4	1.2	0.8	0.7
	Jan.	73.9	79.1	78.9	79.0	77.8	-5.5	-5.7	-2.0	-2.2	-3.9
	Feb.	76.6	81.7	80.7	80.7	80.0	-0.3	-2.2	-1.6	-1.8	-1.4
	Mar.	80.4	84.7	84.0	83.9	83.3	9.6	6.9	7.2	7.0	7.6
	Apr.	84.2	88.7	88.9	89.1	87.7	6.8	7.2	7.6	7.7	7.3
	4M	78.5	83.3	82.8	82.8	81.9	2.6	1.2	2.6	2.4	2.2

Source: Thaioil Plc and EPPO.

3. The World Economy in Q1 of 2024

The world economy in the first quarter of 2024 continued its growth momentum from the previous quarter, driven by economic recovery across several countries. Major economies, including the US and Eurozone, observed positive growth due to increasing domestic demand, the recovery of international trade, and the satisfactory expansion of the service sector. This aligned with the Purchasing Managers' Index (PMI), which remained above 50 and registered the highest level since the second half of 2023 when the global economy was affected by the Middle East conflict. The Chinese economy also showed improvement with a rebound in industrial production and exports. However, domestic demand remained subdued due to the high debt burden in the real estate sector and persistent deflationary pressures. The recovery of major economies, coupled with the normalization of global supply chains, led to a rebound in merchandized trade volumes. Consequently, production and exports in the Newly Industrialized Economies (NIEs) and ASEAN countries reached the highest growth in several quarters[8]. Nonetheless, the economic recovery and tight labor markets have pushed core inflation in major economies above monetary policy targets, thus major central banks maintained high policy interest rates.

The U.S. economy expanded by 3.0 percent (Advance Estimate), continuing from 3.1 percent in the previous quarter. The growth is attributed to the continual expansion of private consumption, in line with higher consumer confidence levels and a robust labor market. For labor market, unemployment rate for this quarter stood at 3.7 percent, lower than 4.0 percent for 9 consecutive quarters, while nonfarm employment increased by 161 million positions from the previous quarter. Meanwhile, the average hourly wage was at 34.58 US dollars, the highest level in history. Likewise, residential investment accelerated and manufacturing sectors continued its favorable growth. The manufacturing PMI was at 51.6, above 50 for the first time in six quarters, while the services PMI was at 52.2, increasing from 50.8 in the previous quarter, marking the fifth consecutive quarter above 50. Nonetheless, the driving force from the export sector decreased, mainly due to the decline in merchandise exports, especially natural gas. Additionally, the inflation rate (PCE Price Index) was at 2.6 percent, slowing down from 2.8 percent in the previous quarter, aligning with decreasing prices of energy and durable goods. However, the inflation rate was still higher than the monetary policy target of 2.0 percent. Correspondingly, the US Federal Reserve's Monetary Policy Committee (FOMC) decided to maintain its policy rate[9].

The Eurozone economy grew by 0.4 percent, compared to 0.1 percent in the previous quarter, with improvements seen in most member countries[10]. This growth aligns with the recovery in economic activity, as evidenced by the increase in purchasing managers' indexes for both the manufacturing and service sectors to averages of 46.4 and 50.0, up from the previous quarter's levels of 43.9 and 48.4, alongside the consumer confidence index reaching its highest level in eight quarters. However, Germany's economy, the largest among all member states, continued to decline for the third consecutive quarter, diminishing by 0.2 percent following a similar decrease of 0.2 percent in the previous quarter. Meanwhile, despite the overall inflation rate falling to 2.6 percent from 2.7 percent, it remained above the monetary policy target. Moreover, the core inflation stood at 3.1 percent, partly due to rising wage. Consequently, the European Central Bank (ECB) continued to maintain its policy interest rate at a high level[11].

The Japanese economy dropped by 0.2 percent, compared with a 1.2-percent growth in the preceding quarter. This was mainly due to a decline in the manufacturing sector, especially the automotive sector from production halts due to problem in complying with the safety and engine output standard. Henceforth, new automobile sales fell by 13.6 percent and the manufacturing PMI stood at 47.8, below 50.0 for the sixth consecutive quarter. Similarly, the export value in the first quarter declined by 3.0 percent, continuing the eighth consecutive quarter of decrease from a 0.7-percent drop in the previous quarter. Furthermore, private consumption and investment has been affected by the great earthquake in January. Nevertheless, the economy still received support from an increase in government expenditure due to a FY2023 supplementary budget. Meanwhile, the inflation rate averaged 2.6 percent, remaining above the inflation target. Correspondingly, the Bank of Japan's Monetary Policy Meeting has resolved to end negative interest rate policy by raising the Tokyo Overnight Average Rate (TONAR) to 0.0 - 0.1 percent from 0.0 percent, marking the first policy rate increase in 17 years since February 2007. Additionally, the Yield Curve Control has been terminated. However, Japan's exchange rate continues to depreciate, with an average of 148.5 yen per US dollar in the first quarter, depreciated by 5.3 percent, compared to the level of 141.0 yen per US dollar at the end of 2023.

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[8] The South Korean, Taiwanese, Singaporean, Indonesian, and Malaysian economies experienced the highest expansions in the 9 quarters, 11 quarters, 6 quarters, 3 quarters, and 4 quarters, respectively.

[9] According to the FOMC meeting on 30th–31st January 2024 and 19th – 20th March 2024, the committee decided to keep its policy rate at 5.25 - 5.50 percent since June 2023, the highest level in 22 years. Additionally, the FOMC decided to continue its expansionary monetary policy to accommodate the inflation to achieve the monetary policy target of 2.0 percent and to restore full employment.

[10] Economies of Spain, France, Hungary and Czechia expanded by 2.4 percent, 1.1 percent, 1.7 percent, and 0.4 percent, accelerating from 2.1 percent, 0.8 percent, 0.5 percent, and 0.2 percent, respectively.

[11] The European Central Bank (ECB) Monetary Policy Committee, at its meetings on 25th January and 7th March 2024, decided to maintain the policy interest rate on both occasions. As a result, refinancing operations rate, marginal lending facilities rate and deposits facility rate were at 4.50 percent, 4.75 percent, and 4.00 percent, respectively. Meanwhile, to mitigate the impact of high interest rates, the ECB continues to enhance liquidity under the Pandemic Emergency Purchase Program (PEPP) until the end of 2024. At the same time, the ECB is using the Transmission Protection Instrument (TPI) to purchase assets, especially government bonds from member countries facing financial market fluctuations, to reduce economic risks.

The Chinese economy expanded by 5.3 percent, accelerating from 5.2 percent in the previous quarter, marking the highest growth in three quarters. The robust growth was driven by the ongoing revitalization of the industrial sector and exports. The value of exports rebounded by 1.5 percent, the first expansion in six quarters, in line with the manufacturing PMI of 50.9, the highest level in five quarters. Nevertheless, private consumption and investment continued to slow down due to prolonged deflationary pressures and the indebted property sector. Retail sales were at a 3.1-percent growth, down from an 8.3-percent expansion in the previous quarter, the lowest growth in five quarters, aligning with the consumer confidence index falling below 100 points for the eighth consecutive quarter. Additionally, the labor market was not fully recovered as reflected by the 5.2 percent unemployment rate, up from 5.0 percent in the preceding quarter. Meanwhile, private investment has been grappling with a continued slump in real estate investment. Consequently, the headline inflation rate in the first quarter was at 0.0 percent, compared with (-0.3) percent in the prior quarter. Amidst the sluggishness in domestic demand and deflationary pressures, the People's Bank of China (PBOC) maintained its expansionary monetary policy aiming to inject liquidity into the economy[12], in tandem with increasing the quota of local government special-purpose bonds issuance to support regional infrastructure investment[13].

The Newly Industrialized Economies (NIEs) showed positive growth in the first quarter. The expansion was primarily driven by the increase in exports due to the revival of global trade and the upward tendency of electronic cycle, particularly in semiconductor products. This was aligned with the improvement of the industrial manufacturing sector, coupled with a recovery of the tourism sector. South Korea, Taiwan, and Singapore's economies grew by 3.4 percent, 6.5 percent, and 2.7 percent, up from 2.2 percent, 4.9 percent, and 2.2 percent in the preceding quarter, the highest growth in 9 quarters, 11 quarters, and 6 quarters, respectively. Hong Kong's economy expanded by 2.7 percent, down from 4.3 percent in the prior quarter, marking the lowest growth in three quarters due to a slowdown in domestic demand. Nonetheless, inflationary pressures continued to decline due to decrease in prices of food and energy, but remained above monetary policy targets[14]. Consequently, most central banks maintained their policy interest rates, except for Taiwan's central bank, which raised its rate from 1.875 percent to 2.0 percent aiming to alleviate high inflationary pressures since its inflation rate increased to 3.1 percent in February 2024, the highest rate in 19 months.

The ASEAN economies continued to expand following private consumption and the recovery of the export of goods. The economies of Indonesia, Malaysia, and the Philippines expanded by 5.1 percent, 4.2 percent, and 5.7 percent, accelerating from 5.0 percent, 2.9 percent, and 5.5 percent in the previous quarter, respectively. On the other hand, the Vietnamese economy expanded by 5.7 percent, compared to 6.7 percent in the previous quarter. Meanwhile, inflationary pressures in most countries have eased and returned to the monetary policy target level[15]. As a result, the central banks of most countries have maintained their policy interest rates.

GDP and Export growths in several key economies

(%YoY)	GDP						Export Value								
	2021	2022	2023			2024	2021	2022	2023			2024			
	Year	Year	Q3	Q4	Year	Q1	Year	Year	Q3	Q4	Year	Q1	Jan.	Feb.	Mar.
USA	5.8	1.9	2.9	3.1	2.5	3.0	23.0	18.7	-5.7	-0.9	-1.8	-1.2	-3.3	4.2	-3.9
Euro Area	5.9	3.5	0.1	0.1	0.5	0.4	18.1	5.1	2.6	0.6	2.1	-2.1	1.7	0.9	-7.9
UK	8.7	4.3	0.2	-0.2	0.1	0.2	15.8	10.8	1.2	-1.7	4.4	2.0	1.6	2.8	1.6
Australia	5.5	3.9	2.4	1.3	2.0		37.0	19.9	-14.7	-10.2	-9.9	-12.0	-13.1	-9.0	-13.6
Japan	2.6	1.0	1.6	1.2	1.9	-0.2	17.9	-1.2	-3.1	-0.7	-4.0	-3.0	-0.2	-4.2	-4.2
China	8.4	3.0	4.9	5.2	5.2	5.3	29.6	5.6	-9.9	-1.3	-4.7	1.5	8.1	5.4	-7.5
India	9.4	6.5	8.1	8.4	7.7		43.0	14.6	-3.2	1.0	-4.8	4.9	4.3	11.9	-0.6
South Korea	4.3	2.6	1.4	2.2	1.4	3.4	25.7	6.1	-9.7	5.7	-7.5	8.3	18.2	4.8	3.1
Taiwan	6.6	2.6	2.1	4.9	1.3	6.5	29.3	7.4	-5.1	3.3	-9.8	12.9	17.7	1.3	18.8
Hong Kong	6.5	-3.7	4.2	4.3	3.3	2.7	26.0	-9.3	-5.7	6.6	-7.8	12.2	33.7	-0.4	5.1
Singapore	9.7	3.8	1.0	2.2	1.1	2.7	22.1	12.7	-12.6	3.0	-7.7	3.9	15.6	0.7	-3.4
Indonesia	3.7	5.3	4.9	5.0	5.0	5.1	41.9	26.0	-18.6	-8.3	-11.3	-7.1	-8.2	-9.6	-3.7
Malaysia	3.3	8.9	3.1	2.9	3.6	4.2	27.5	17.6	-17.8	-9.4	-11.2	-5.1	0.2	-9.2	-6.1
Philippines	5.7	7.6	6.0	5.5	5.5	5.7	14.5	6.5	-1.2	-10.7	-7.6	4.8	9.2	15.8	-7.3
Vietnam	2.6	8.1	5.5	6.7	5.0	5.7	18.9	10.6	-2.2	7.1	-4.6	16.7	46.0	-5.5	13.0

Source: CEIC , Collected by NESDC

[12] On January 24th, 2024, the People's Bank of China (PBOC) decided to cut the Required Reserve Ratio (RRR) from 7.4 percent to 7.0 percent. Furthermore, on February 20th, 2024, the PBOC lowered the five-year Loan Prime Rate (LPR) from 4.20 percent to a historical low of 3.95 percent, the first cut since June 2023, and also injected 0.5 trillion Yuan of liquidity into the banking system. This measure has been effective since February 5th, 2024.

[13] The second session of the 14th National People's Congress (NPC), held on March 5th, 2024, the quota of local government special-purpose bonds was set at 3.9 trillion yuan, an increase from 3.8 trillion yuan in the previous year

[14] Inflation rates in the first quarter of 2024 in South Korea, Taiwan, Hong Kong, and Singapore were at 3.0 percent, 2.3 percent, 1.9 percent, and 3.0 percent, decelerating from 3.4 percent, 2.9 percent, 2.6 percent, and 4.0 percent in the previous quarters, respectively.

[15] Headline inflation in the first quarter of 2024 in Indonesia, Malaysia, the Philippines and Vietnam were at 2.8 percent, 1.7 percent, 3.3 percent and 3.8 percent, compared with 2.7 percent, 1.6 percent, 4.4 percent and 3.5 percent in the previous quarter, accordingly

4. The World Economic Outlook for 2024

In 2024, the world economy is expected to maintain its growth momentum from the latter half of the last year, mainly driven by the recovery of the manufacturing sector and international trade, alongside the continual expansion of domestic demand. This reflects the resilient economic rebound from geopolitical conflicts and strict monetary policies aimed at reducing inflationary pressures, particularly in the US, Newly Industrialized Economies (NIEs), and ASEAN countries. On the other hand, the Japanese economy is expected to slow down due to a decline in the production and export sectors, while private consumption is expected to exert downward pressure from currency depreciation. Similarly, the Chinese economy is anticipated to decelerate due to weak domestic demand, stemming from liquidity problems in the real estate sector and low consumer confidence. Global trade recovery remains constrained by the increased enforcement of trade and investment protectionist measures and ongoing geopolitical conflicts that disrupt international logistics.

Inflation pressures in major economies have eased but still remain above monetary policy targets as reflected by sticky core inflation from rising prices in services and wages. Consequently, central banks in major economies are likely to maintain policy interest rates higher for longer than anticipated. This will continue to exert pressure on exchange rates in developing countries and emerging markets, leading to currency depreciation. Thus, central banks in major economies are expected to move towards reducing policy interest rates in the second half of the year after the inflation rates significantly decrease and align with monetary policy targets.

Under the base case, the geopolitical conflicts across many regions are expected to remain contained and not escalate to levels of causing significant disruptions to supply chains that could then severely impact the global economy, trade, and financial market. **The world economy and global trade volume in 2024 are projected to grow by 2.9 percent and 2.8 percent, respectively,** compared with the growths of 3.1 percent and 0.3 percent in 2023. Prospects on key economies are as follows:

The US economy is expected to expand by 2.4 percent, continuing from 2.5 percent in 2023, and revise upward from 1.8 percent in the previous estimation. This aligns with the favorable economic growth in the first quarter. Nevertheless, the economy for the remainder of the year is expected to face constraints due to the ongoing pressure from the tightening monetary policy amid rising household and corporate debt levels. The Manufacturing and Services Purchasing Managers' Indexes (PMIs) in April 2024 are at 50.0 and 51.3 down from 51.9 and 51.7 in the previous month. Similarly, non-farm employment in April 2024 shows its lowest growth in six months, in line with jobless claims reaching their highest level in eight months since August 2023. The Consumer Sentiment Index decreases to its lowest level in six months. Likewise, the momentum from government spending is expected to decline due to constraint from the Fiscal Responsibility Act, which limits the increase in government spending for the remainder of the year. This is compounded by policy uncertainty ahead of the presidential election in November 2024, during which trade and investment barriers against China are expected to continue[16]. Meanwhile, inflation is anticipated to decelerate, thus in the baseline scenario, the Federal Reserve is likely to decrease the policy interest rate twice in the second half of 2024, alongside continually reducing the size of its balance sheet[17].

The Eurozone economy is expected to grow by 0.6 percent in 2024, the same as the previous projection, gradually recovering from the 0.5 percent growth in 2023. Among member countries, those with a high proportion of the service sector, such as Spain and France, are anticipated to expand more rapidly. In contrast, those relying more heavily on the manufacturing sector, such as Germany and the Netherlands, are likely to experience slower growth. This is reflected in the Manufacturing PMI, which stood at 45.7 in April 2024, remaining below 50.0 for the 22nd consecutive month. Conversely, the Service PMI Index reached 53.3 in April 2024, the highest level in 11 months. Nonetheless, fiscal sector would be further supported by the long-term Multiannual Financial Frameworks (MFF) for 2021-2027, worth 1.216 trillion euros, and the Next Generation EU economic recovery plan, worth 806.9 billion euros[18]. Although inflationary pressure has begun to ease, it still remains high. The headline and core inflation rates were at 2.4 percent and 2.7 percent, respectively, in April 2024. Consequently, the European Central Bank is likely to maintain a strict stance until inflation reaches its medium-term target of 2.0 percent.

The Japanese economy is anticipated to expand by 0.8 percent in 2024, equivalent to the previous estimation and a slowdown from 1.9 percent in 2023. This follows a decline in the momentum of the tourism sector recovery after lifting the pandemic control measures in the early 2023. In addition, domestic consumption remains restrained due to higher inflationary pressure, attributed in part to the depreciation of the exchange rate and an increase in the cost of energy imports, alongside the BOJ's tighter monetary policy[19]. However, the economy is likely to be supported by an increase in workers' compensation after the Spring Wage Offensive. As a result, wages increased by 5.2 percent, the highest increase in 33 years, compared to 3.6 percent in the previous year. This is also complemented with support from government spending after the government announced new comprehensive economic measures to prevent deflation in November 2023.

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16 Details in Box: US trade and investment protection measures against China.

17 According to the FOMC meeting on 30th April – 1st May 2024, the committee decided to keep its policy rate at 5.25 - 5.50 percent for the sixth time since June 2023, though marking the highest level in 22 years. Additionally, the FOMC decided to implement quantitative tightening by reducing its holdings of U.S. government bonds (by not reinvesting in bonds that mature) at a rate of 25 billion US dollar per month, down from the previous rate of 60 billion US dollar per month. This will begin in June 2024. Meanwhile, it will continue to reduce mortgage-backed securities at the current rate of 35 billion US dollar per month.

18 As of April 22nd, 2024, a total of 232 billion euros has been approved, consisting of 148 billion euros in grants and 84.1 billion euros in loans.

19 The Bank of Japan, at its meeting on 25th - 26th April 2024, still decided to maintain the policy interest rate (TONAR) at 0.0 - 0.1 percent, after raising it for the first time in 17 years at the previous meeting in March.

The Chinese economy is expected to grow by 4.5 percent in 2024, slowing from 5.2 percent in 2023, an upward revision from 4.3 percent in the previous projection. This expansion is primarily attributed to a resurgence of the industrial manufacturing sector and exports, reflecting in the manufacturing PMI in April 2024 at a level of 51.4, up from a level of 51.1 in the previous month, marking the highest level in 14 months, as well as exports remaining on the path to recovery[20]. However, the Chinese economy in the latter half of the year is anticipated to slow, leading the annual growth to expand below the government's target of 5.0 percent[21]. The slowdown is due to a persistent deceleration in real estate investment as the real estate sector has been continuously affected by a high debt burden, while the number of new home sales for commercial and office buildings remains low. Meanwhile, domestic consumption is expected to shrink in line with weak consumer confidence and a low employment rate, coupled with deflationary pressures as reflected by the inflation rate and the producer price index in April 2024 standing at 0.3 percent, and (-2.5) percent, compared with 0.1 percent, and (-2.8) percent in the prior month, respectively. In addition, the Chinese economy continues to confront trade protectionist measures imposed by major economies[22] and the risk of a fiscal cliff due to a high level of local government debt. Henceforth, the People's Bank of China (PBOC) is expected to maintain its expansionary monetary policy to continuously support liquidity into the economy[23].

The Newly Industrialized Economies (NIEs) are expected to improve from moderate growth in the previous year. This upward trajectory is attributed to the improvement of the industrial manufacturing sector and the rebound in exports due to the recovery of global trade and the rebound of electronic products cycle. Additionally, the domestic demand is likely to benefit from the decreasing inflationary pressures and the ongoing recovery of the service sector, particularly in tourism. Thus, South Korea, Taiwan, and Singapore’s economies in 2024 are projected to expand by 2.4 percent, 3.2 percent, and 2.2 percent, accelerating from growth rates of 1.4 percent, 1.3 percent, and 1.1 percent in 2023, respectively. Whereas, the Hong Kong economy is expected to grow by 2.8 percent in 2024, a slowdown from the robust growth of 3.2 percent in the previous year when pandemic control measures were eased.

The ASEAN economies are expected to expand following the return to expansion of the exports of goods, in line with the recovery trend of global trade and the continual recovery of the tourism sector, coupled with robust domestic consumption. As a result, the economies of Indonesia, Malaysia, the Philippines, and Vietnam are estimated to expand by 5.0 percent, 4.2 percent, 5.8 percent, and 5.6 percent, improving from 5.0 percent, 3.6 percent, 5.5 percent, and 5.0 percent in 2023, respectively. In the meantime, inflation in most countries is likely to begin returning to the monetary policy target. Hence, most central banks are likely to maintain their policy interest rates. This could create pressure from depreciation of exchange rates. Consequently, some central banks have decided to increase policy interest rates in order to maintain currency stability[24].

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20 The value of exports in April 2024 expanded by 1.5 percent, rebounding from a 7.5-percent decline in the prior month. However, the value of exports to the United States and the European Union continued to decrease by 2.8 percent, and 3.6 percent, compared with a 15.9-percent decline, and 14.9-percent drop in the preceding month, respectively.

21 In the second session of the 14th National People's Congress (NPC), held on March 5th, 2024, the NPC set economic targets and development plans for 2024. These targets include an unchanged GDP growth target of not less than 5 percent for 2024. Additionally, the fiscal deficit ratio in 2024 has been set at 3.0 percent of GDP, declining from the realized deficit of 3.8 percent in 2023.

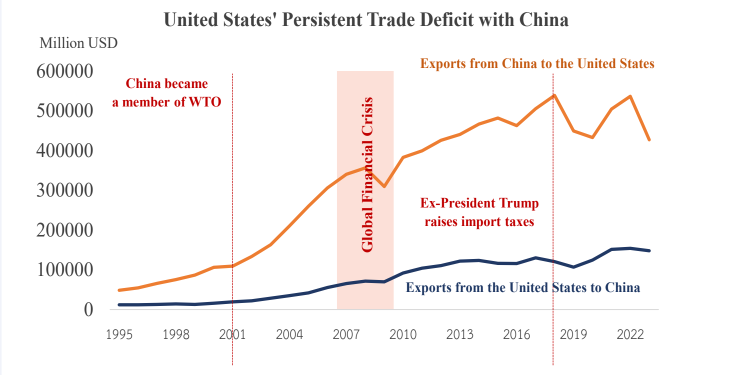
22 In particular, trade protectionist measures on products in which China holds dominant positions in the global supply chain, such as iron and steel, semiconductors, and electric vehicles (EVs). Recently, the U.S. government is poised to raise tariffs on imports of Chinese EVs from 25 percent to 100 percent, intending to safeguard its domestic automotive industry against Chinese dumping. Meanwhile, the European Commission is conducting an anti-subsidy investigation into the Chinese electric vehicle industry to determine whether to impose tariffs on imported Chinese EVs. The measures are expected to take effect in July 2024.

23 On April 22th, 2024, the People’s Bank of China (PBOC) decided to maintain the one-year Loan Prime Rate (LPR) at 3.45 percent and five-year LPR at 3.95 percent, respectively, aiming to support the economic recovery.

24 The central bank of Indonesia at its meeting on 23rd - 24th April 2024 decided to raise the policy interest rate from 6.0 percent to 6.25 percent.

United States Trade and Investment Restriction Measures on China

The US Government continues to impose trade and investment measures against China to address unfair trade practices which primarily target key industries, including electronic components and appliances, steel, and medical products. They also aim to curtail the transfer of technology and innovation, prevent intellectual property infringements, and mitigate the impact of Chinese industrial overcapacity, which often results in dumping practices. Likewise, these measures are intended to reduce the trade deficit between the two countries. The key measures in the first five months of 2024 include:



Measure	Detail
April 24th, 2024	
The Enactment of the Security Supplemental Bill	The U.S. government has implemented the Security Supplemental Bill, which includes provisions requiring the Chinese company Bytedance, owner of the TikTok application, to sell all shares of TikTok within a one-year period. Failure to comply will result in the prohibition of TikTok services within the United States. This action is driven by concerns that personal user data may be compromised and shared with the Chinese government.
May 8th, 2024	
Revocation of U.S. Semiconductor Export Licenses to China	The U.S. Department of Commerce has revoked semiconductor export licenses from Intel and Qualcomm to China's Huawei. This measure aims to protect trade interests and national security. The U.S. government has also accused Chinese technology companies, including Huawei, of involvement in cyber espionage.
May 14th, 2024	

In accordance with Section 301 of the U.S. Trade Act (Trade Act of 1974), the United States will be raising tariffs on imports from China for selected key products. The details are as follows:

List of products with increased import tariffs from China under Section 301 of the Trade Act of 1974

Products	Effective year	Import tax rate As of 15th May 2024	New import tax rate	Value of imports from China in 2023 (million US dollars)	Proportion of imports from China in 2023
Battery Parts 2024	2024	7.5 percent	25 percent	2,285	32 percent
Electric Vehicles (EVs)	2024	25 percent	100 percent	378	1 percent
Face Masks	2024	0-7.5 percent	25 percent	50	36 percent
Lithium-Ion EV Batteries	2024	7.5 percent	25 percent	2,287	65 percent
Solar Cells	2024	25 percent	50 percent	12	0 percent
Steel and Aluminum	2024	0-7.5 percent	25 percent	1,878	3 percent
Syringes And Needles	2024	0 percent	50 percent	550	6 percent
Ship-To-Shore Cranes	2024	0 percent	25 percent	91	4 percent
Critical Minerals	2024	0 percent	25 percent	1,660	7 percent
Semiconductors	2025	25 percent	50 percent	2,365	6 percent
Lithium-Ion Non-Ev Batteries	2026	7.5 percent	25 percent	10,835	70 percent
Medical And Surgical Gloves	2026	7.5 percent	25 percent	137	95 percent
Natural Graphite	2026	0 percent	25 percent	110	70 percent
Permanent Magnets	2026	0 percent	25 percent	490	77 percent

Source: The White House and US International Trade Commission, compiled by NESDC

5. The Thai Economic Outlook 2024

The Thai economy in 2024 is expected to recover gradually, primarily driven by increased public spending and investment, the recovery of the tourism and related service sectors, robust domestic demand for both consumption and investment, and a favorable expansion of exports in line with the global trade recovery. However, the economic recovery faces crucial risks and limitations that could result in slower-than-expected growth, including high levels of household and business debts, the impact of flooding on agricultural products, and increased volatility in the global economy and financial system.

Supporting factors for the economic growth:

1) **The increase in support from government spending and investment** for the remainder of the year following the enactment of the FY2024 Budget Act on April 26th, 2024. Consequently, for the second half of FY2024 (April to September 2024), total budget disbursements are expected to reach 1.65 trillion baht. In detail, the FY2024's annual budget disbursements are expected to be at 1.60 trillion baht, a 14.6-percent increase from the previous fiscal year (the disbursement rate of 46.0 percent), including the disbursement of a current budget of 1.217 trillion baht and a capital budget of 384 billion baht, representing increases of 5.7 percent and 56.4 percent, respectively. Additionally, there is further support from the increased budget framework for FY2025, totaling 3.7527 trillion baht, a 7.8-percent increase from the previous budget framework. Therefore, the budget disbursements in the first quarter of FY2025 (October to December 2024) are expected to amount to 987.5 billion baht, an 8.5-percent increase from FY2024, and the carry-over budget disbursements are projected to increase by 31.0 percent.

2) **The continual recovery of the tourism sector,** following the increase in the number of inbound tourists which is expected to return to a pre-pandemic level, illustrated by the data on the number of tourists from most countries of origin[25]. In the first quarter of 2024, there were a total of 9.4 million foreign tourists, generating income of 0.37 trillion baht, an increase of 43.5 percent and 38.3 percent, respectively. Consequently, the tourism expenditure per capita in the first quarter was at 39,625 baht per person per trip, increasing from 34,322 baht in the previous quarter. Moreover, in April 2024, the number of foreign tourists reached 2.8 million, resulting in a total of 12.1 million people in the first 4 months, increasing by 39.0 percent from the previous year. In addition, domestic tourists will continue to expand in the first quarter, totaling 68.0 million person-times and generating total income of 232 billion baht, increasing by 8.6 percent and by 10.2 percent, respectively. This significant growth was supported by several factors including permanent visa exemptions for Chinese tourists and temporary visa exemptions for other major countries, namely India, Russia, and Taiwan. Additionally, the government implemented additional tourism promotion measures, coupled with a steady increase in international flights to Thailand[26]. As a result, the recovery of the tourism sector has supported favorable expansion in related service industries, including transportation, as well as retail and wholesale trade sectors.

3) **The favorable growth in domestic consumption,** particularly in services and non-durable goods. This aligns with the recovery of the tourism sector and an improving consumer confidence index regarding the economic situation. At the same time, the labor market remains strong, as shown by increased employment, particularly in the non-agricultural sector. The unemployment rate and the number of unemployment benefits claims under the Social Security Fund are low. Additionally, consumption has been supported by low inflation and rising incomes, both in the agricultural sector due to higher agricultural product prices, and from non-agricultural sources, particularly the recovering tourism sector and the increase in the minimum wage.

4) **The continual expansion of private investment,** supported by several key factors including: (1) The growth in imports in the first quarter of 2024, with both the value and volume of imports increasing by 3.2 percent and 4.5 percent, respectively, continuing from the previous quarter's growth. This includes a 24.6-percent increase in the import volume of capital goods and a 0.5-percent increase in raw materials and intermediate goods; (2) The ongoing increase in the number of applications for investment promotion, approvals, and issuance of promotion certificates in the first quarter of 2024, which rose by 31 percent, 6 percent, and 107 percent respectively. Most of this investment is in the electrical and electronics, automotive and parts, and the petrochemical industries, in line with the increase in foreign direct investment, totaling 169.3 billion baht; and (3) The expansion of industrial estate areas, reflected in the sales or leasing of industrial estate land in the first half of FY2024 (October 2023 – March 2024), which amounted to 3,946 rai, an increase of 32.6 percent from the same period of the last year. This includes 3,472 rai in the Eastern Economic Corridor (EEC) and 474 rai outside the EEC, with a total investment value of 158.4 billion baht. Similarly, the construction permits (average over the past 4 months) in the first quarter of 2024 increasing by 10.2 percent, the first expansion in four quarters, indicating a positive trend for future investment growth.

5) **The gradual improvement in good exports aligned with the recovery in global trade,** as reflected in the Manufacturing Purchasing Managers' Index, which showed improvements across all countries in the first quarter of 2024. Additionally, new orders indicators in major industrialized economies have increased, suggesting a potential increase in manufacturing sales. This positive trend is expected to boost Thailand's exports and industrial production, thereby contributing to overall economic growth.

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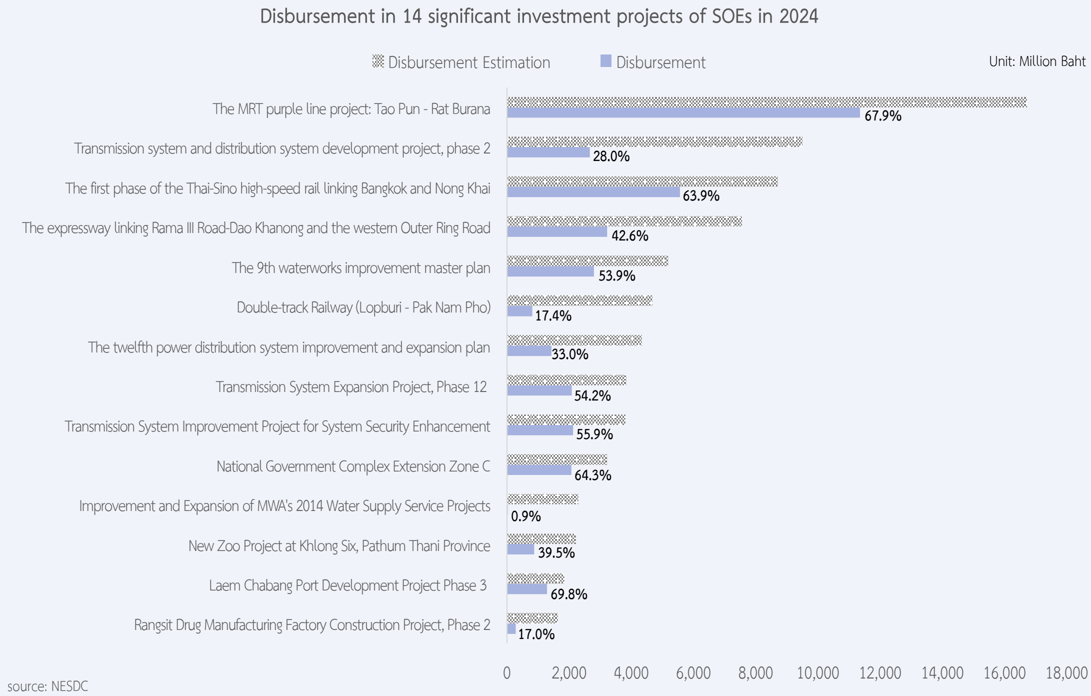
[25] The figure of tourist arrivals in the first quarter of 2024 from Malaysia, Russia, South Korea, and India were 1.17 million, 0.62 million, 0.56 million, and 0.47 million, accounting for 127.6 percent, 101.2 percent, 104.1 percent, and 105.0 percent compared to the same period of 2019, which was before the outbreak of COVID-19, respectively.

[26] The number of international flights arriving at Suvarnabhumi Airport, Don Mueang Airport, and Phuket Airport in the first quarter of 2024 increased by 31.0 percent, 47.0 percent, and 38.1 percent compared to the previous year. However, they were still lower than the same period of 2019 at 12.0 percent, 20.6 percent, and 15.5 percent, respectively.

Accelerating the Disbursement of State-owned Enterprise Investment Budgets to Drive the Thai Economy for the Remainder of 2024

In the first half of the fiscal year 2024, state-owned enterprises' capital expenditure budget was disbursed by 171.0 billion Baht, decreasing from the same period last year by 3.0 percent. This consisted of: (i) the fiscal year SOEs' capital expenditure budget, which was disbursed by 53.7 billion Baht, with a disbursement rate of 19.7 percent, and (ii) the calendar year SOEs' capital expenditure budget, which was disbursed by 117.3 billion Baht, with a disbursement rate of 26.1 percent. Furthermore, state-owned enterprises' disbursements were lower than the same period last year, primarily due to lower disbursements by State Railway of Thailand, PTT Public Company Limited, EGAT International Company Limited, Electricity Generating Authority of Thailand, Provincial Electricity Authority, and the Provincial Waterworks Authority. However, the disbursement primarily came from the capital expenditure of 14 major investment projects, amounting to 36.6 billion Baht, which represents a disbursement rate of 48.4 percent of the budget for major investment projects of SOEs in 2024.



source: NESDC

The budget framework for capital expenditure disbursement of state-owned enterprises, including those of five public limited companies and subsidiaries, in 2024 has a total budget limit of 380.1 billion Baht. This represents a decrease of 1.9 percent from the previous year and is lower than the average budget framework for SOEs' capital expenditure from 2020 to 2023, which was 396.1 billion Baht per year (a decrease of 4.0 percent). The budget will be disbursed from the following sources: (i) state-owned enterprises' revenue of 70.6 billion Baht (33.8 percent of total SOEs' capital expenditure), (ii) the annual budget of 62.9 billion Baht (30.1 percent of total SOEs' capital expenditure), (iii) domestic loans of 69.2 billion Baht (33.1 percent of total SOEs' capital expenditure), and (iv) foreign loans and other sources amounting to 6.3 billion Baht (3.0 percent of total SOEs' capital expenditure). However, the projects of the State Railway of Thailand and the Mass Rapid Transit Authority of Thailand will disburse 47.0 billion Baht from the annual budget for 2024, which is equivalent to 74.6 percent of SOEs' capital expenditure from the annual budget. It is necessary to prepare and expedite the signing of the contract quickly after the enactment of the 2024 Budget Bill.

To sustain the momentum of public investment and support economic growth for the remainder of 2024, it is crucial to accelerate the signing of contracts for state-owned enterprises investment projects funded by the annual budget. Public investment in the first half of the year was significantly constrained by the delay in the enactment of the 2024 Budget Act.

Budget framework for SOEs' capital expenditure (Classified by investment source)

	Revenue	Annual Budget	Domestic loans	Foreign loans	Other	Total
State-owned enterprises investment budget (Excluding public limited companies and affiliated companies)	70,561.19	62,925.05	69,224.36	3.58	6,270.91	208,985.09
Share (%)	33.8	30.1	33.1	0.0	3.0	100.0

Source: NESDC

Risks and limitations to economic growth:

1) **High levels of household and corporate debts amidst rising interest rates,** where the ratio of Non-Performing Loans (NPLs) and Special Mention Loans (SMLs) to total loans of small and medium enterprises (SMEs) in the fourth quarter of 2023 remained high at 7.2 percent and 11.7 percent, respectively. However, the figures remained above pre-pandemic levels at 4.6 percent and 3.5 percent in the same quarter of 2019, respectively. Thus, the rising interest rates might be a constraint on the repayment capacity of SMEs. Similarly, the ratio of household debt to GDP in the fourth quarter of 2023 stood at 91.3 percent, anchoring from 91.4 percent in the same quarter last year, though remaining high compared to the pre-pandemic level at 84.1 percent in the same quarter of 2019. Hence, the deterioration in loan quality has led financial institutions to increase their loan standard. This includes adding more conditions to loan agreements and requiring additional collateral, which undermines the ability to access liquidity for SMEs and low-income households.

2) **Impacts from climate change**[27] resulting in decreased agricultural production. In the first quarter of 2024, the average temperature across the country rose by 0.5 degrees Celsius above the past 5-year average, while the average rainfall was 68.9 millimeters, lower than the normal average of 41.7[28] percent. At the same time, the actual usable water in dams throughout the country at the end of the first quarter of 2024 was at a low level of 23,872 million cubic meters, representing a decrease of 9.1 percent and 2.5 percent compared to the same period in 2023 and 2022, respectively. Under these unfavorable circumstances, major agricultural productions deteriorated, including oil palm, durian, rice, sugarcane, cassava and rubber. Meanwhile, there are a possibility of a La Niña condition from July 2024, which could result in heavy rains and severe floods, potentially affecting agricultural areas and further decreasing agricultural production.

3) **The lower-than-expected world economic growth and trade volume** with certain risks need to be closely monitored and assessed including: **(1) Geopolitical conflicts,** particularly the ongoing conflicts in the Middle East, the prolonged Russia-Ukraine war, and trade protectionism measures between the US and China which could directly impact global supply chains and the world economy, as well as the volatility in the global financial market and energy and commodity prices; **(2) Inflation rates in major economies remaining higher than monetary policy targets, which delays the expected easing in policy interest rates.** The core inflation continues to remain high (Sticky Core Inflation) due to the tight labor market, resulting in rising service prices and wage rates. In addition, there remains uncertainty from maritime transportation costs due to the impact of Middle East conflicts affecting transportation through the Red sea, while the impacts of climate change on the Panama Canal also add to inflationary pressures. Consequently, major central banks are likely to maintain high policy interest rates (Higher-for-Longer), affecting global economic recovery and limiting monetary policy flexibility in developing and emerging economies. Thus, those countries may face exchange rate fluctuations and high inflationary pressures, halting domestic consumption and investment growth; **(3) the Chinese economy is experiencing a more significant slowdown than expected,** attributed to decreased real estate investment due to debt issues, slowing domestic consumption amid deflation, and high local government debt burdens; **(4) The economic and trade policies in major countries** remains uncertain and depends on the outcomes of upcoming elections,[29] and the potential for more severe trade and investment protectionism policies before the elections.

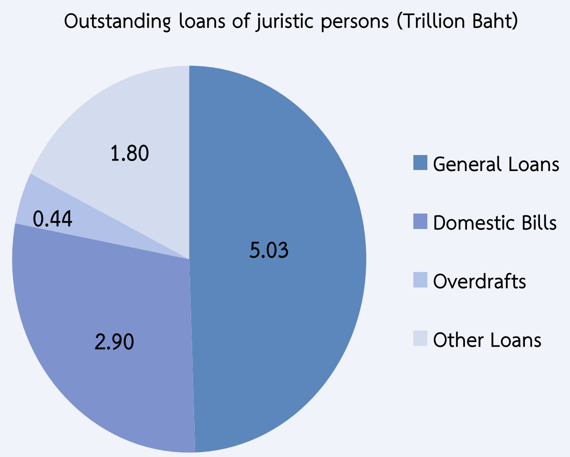
27 Thailand has been experiencing El Niño from July 2023 to April 2024. Meanwhile, the U.S. National Weather Service's Climate Prediction Center expects global climate conditions to reach a neutral state during May to June 2024, and then there is approximately a 70 percent chance of a La Niña occurring between July and September 2024.

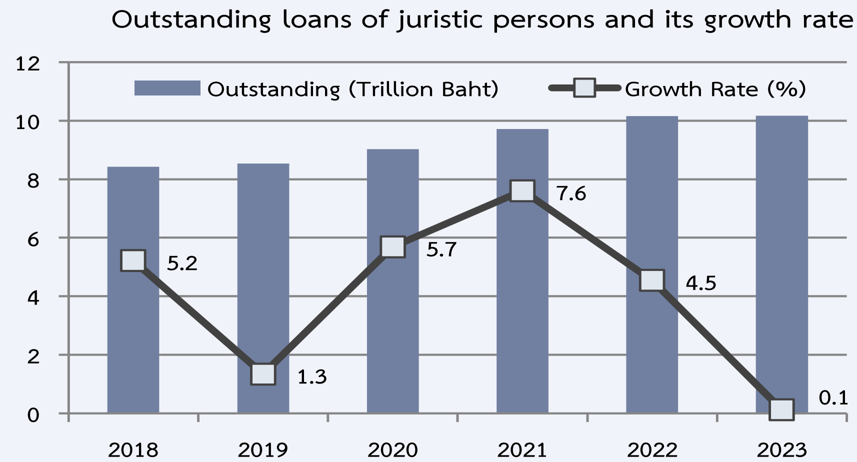
28 30 year average from 1991 to 2020

29 The US elections are in November, the EU and Mexico elections are in June, and the Indian elections are in April-June.

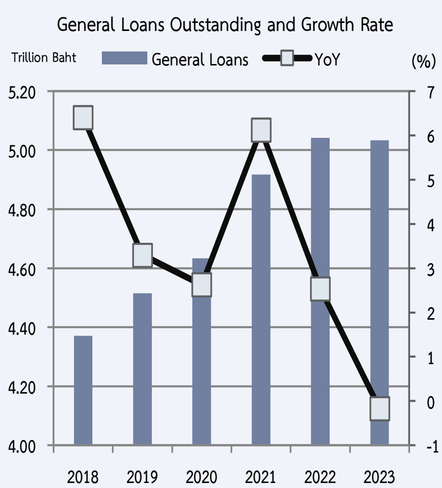
Credit to juristic persons slowed down, especially in general loans and domestic bills

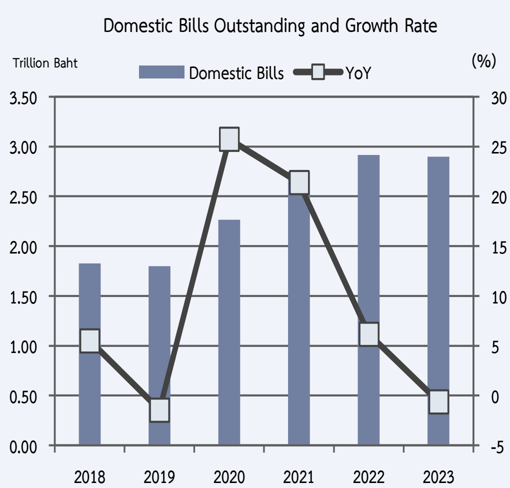
At the end of 2023, credit data of juristic persons from the National Credit Bureau (NCB) were 1.7 million accounts, with an outstanding loan of 10.17 trillion Baht. It grew by 0.1 percent from the outstanding loan of 10.17 trillion Baht at the end of 2022, which slowed from a 4.5-percent expansion in 2022. However, the outstanding loan in 2019 (Pre COVID-19) was 8.54 trillion Baht, which increased to 9.03 trillion Baht in 2020 and 9.71 trillion Baht in 2021. The growth rate of outstanding loans from 2019 to 2023 was high at 19.0 percent. The composition of loans for juristic persons in 2023 was as follows: **(i) general loans,** accounted for 5.03 trillion Baht (49.5 percent of total loans), **(ii) short-term loans,** such as domestic bills, accounted for 2.90 billion Baht (28.5 percent of total loans), and overdrafts loans, accounted for 0.44 billion Baht (4.3 percent of total loans); and **(iii) other loans[1],** accounted for 1.80 billion Baht (17.7 percent of total loans).

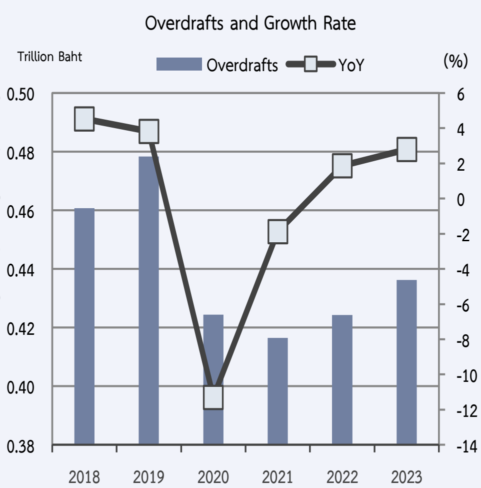




The outstanding loans of juristic persons in major categories, including general loans, domestic bills, and overdrafts, represented 82.2 percent of total loans. The data indicated that, in 2023, outstanding of general loans and domestic bills decreased from 2022. Despite the increase in demand for general loans, financial institutions have raised their credit standards. This indicated that financial institutions were further cautious about lending to businesses. However, short-term loans such as overdraft loans, which are accessible to businesses with a good credit profiles or those borrowing long-term loans with financial institutions, recorded an outstanding amount of 0.44 trillion Baht in 2023, grew by 2.80 percent from the outstanding of 0.42 trillion Baht in 2022. This showed that loans used for new investments or business expansions have declined over the past years, while only short-term loans used as working capitals have continued to expand. This was partly due to high loan growth during the COVID-19. Meanwhile, Thailand's economic recovery has been slower-than-expected, resulting in lower revenues and sales of businesses. Consequently, financial institutions and businesses have become more cautious about their investments.





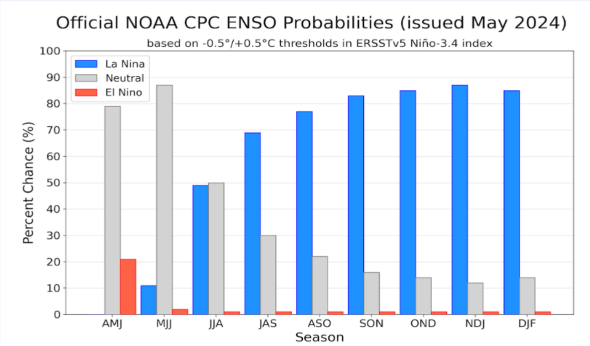


Source: The National Credit Bureau (NCB)

[1] Other types of loans, such as trust receipts, leasing, foreign bills, or letters of credit, etc.

The Climate Transitions: Impact on economic value of agriculture sector

Since 2023, Thailand has experienced irregular climate conditions, such as drought, predominantly attributed to the El Niño phenomenon[1]. Consequently, the average temperature from late 2023 to early 2024 has been elevated by 0.5 degrees Celsius (°C) above the normal average[2]. Moreover, a prediction regarding the ENSO[3] suggests that by mid-2024, the climate condition is likely to revert to Neutral status. However, from the early of the third quarter of 2024 to early 2025, Thailand is anticipated to encounter the La Niña phenomenon[4], resulting in heavy precipitation, floods, and widespread water overflow. However, such rapid change rarely occurs.



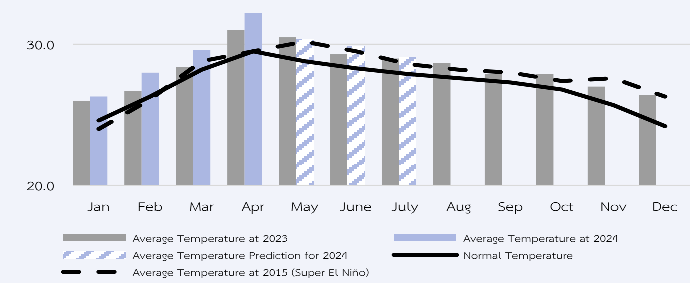
Source: National Weather Service; Climate Prediction Centre (NOAA) as of 9 May 2024

The deviation of rainfall volume prediction from its normal level between May and August 2024 (in percent).

Regions	May	June	July	August	September	October
Northern	-20%	0	-10%	0	5%	5%
Northeastern	-20%	0	-10%	0	5%	5%
Central	-20%	10%	10%	0	5%	10%
Eastern (Gulf of Thailand)	-20%	10%	10%	0	5%	10%
South, West Coast (The Andaman Sea)	-10%	10%	0	-5%	-5%	10%
Bangkok and surrounding areas	-20%	10%	10%	0%	5%	10%

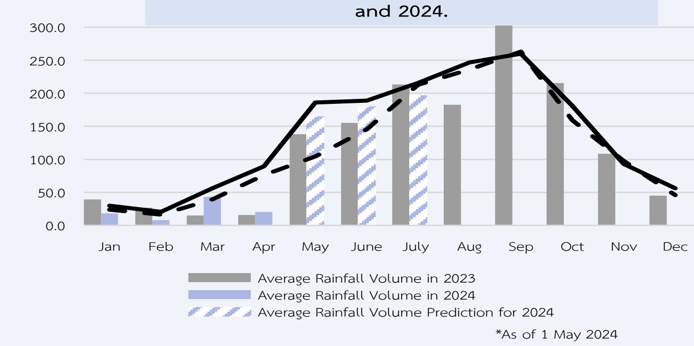
Source: Meteorological Department,

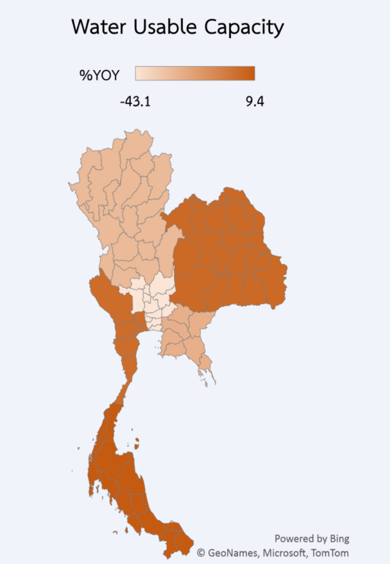
Comparison of average temperatures during the Super El Niño in 2015 with the El Niño years of 2023 and 2024.



Source: Meteorological Department, calculated by NESDC

Comparison of average rainfall volume during the Super El Niño in 2015 with the El Niño years of 2023 and 2024.





Source: National Hydroinformatics Data Center as of 31st March 2024

Usable water volume of large reservoirs

(Million cubic meters)	Year	Water storage (Million cubic meters)	% of Full Reservoir	Usable Water (Million cubic meters)	% of Usable Water Capacity	Water Availability (Much or Less than previous year)
Northern	2024	12,931	52.09	6,186	34.21	Less
Water Availability : 18,080	2023	15,216	61.29	8,471	46.85	2,285
Northeastern	2024	4,496	53.72	2,844	42.33	Much
Water Availability : 6,718	2023	4,389	52.44	2,739	40.77	105
Central	2024	421	29.67	361	26.56	Less
Water Availability : 1,359	2023	695	48.98	635	46.73	274
Western	2024	19,306	72.57	6,029	45.24	Much
Water Availability: 13,328	2023	19,169	72.05	5,892	44.21	137
Eastern	2024	604	39.87	509	35.85	Less
Water Availability : 1,420	2023	757	49.97	663	46.69	154
Southern	2024	5,597	68.31	3,887	59.95	Much
Water Availability : 6,484	2023	5,263	64.23	3,553	54.80	334
Total	2024	43,354	61.12	19,816	41.82	Less
Water Availability : 47,389	2023	45,489	64.13	21,952	46.32	2,136

Source: National Hydroinformatics Data Center as of 31st March 2024

1 El Niño occurs when weak and shifting winds blow from the eastern to the western side of the Pacific Ocean, resulting in warm currents flowing toward South America. Consequently, Southeast Asia and Australia face decreased rainfall and increased drought conditions, while the coast of South America experiences heavy rain.

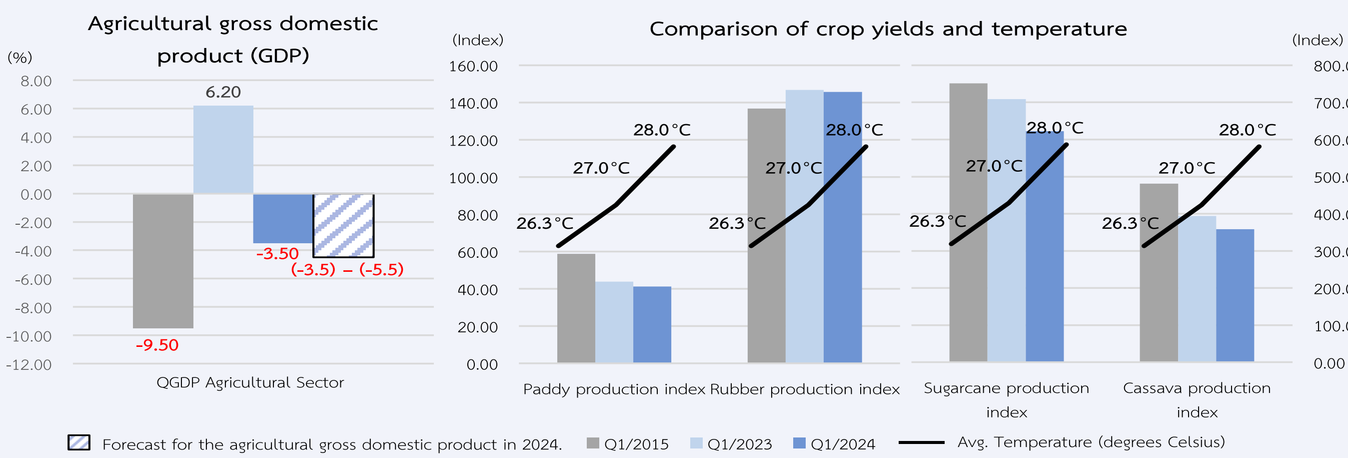
2 The average temperature and average rainfall are calculated based on the monthly temperature and rainfall data in Thailand over a 30-year period (1991 - 2020).

3 The forecasting report published by National Weather Service; Climate Prediction Centre (NOAA) as of 9th May 2024.

4 La Niña occurs when stronger-than-usual winds blow from the eastern to the western side of the Pacific Ocean. This intensified wind pattern results in warm currents flowing more towards Southeast Asia, leading to higher sea levels in Southeast Asia and Australia and causing heavier-than-usual rainfall in these regions.

The Climate Transitions: Impact on economic value of agriculture sector (Continued)

Furthermore, the low rainfall has led to a reduction in water storage in dams to fall below normal levels. In fact, at the end of the first quarter of 2024, the total water volume in dams across the country was 43,354 million cubic meters, constituting 61.12 percent of the usable capacity. This volume decreased from 45,489 million cubic meters in the previous year but increased from 39,019 million cubic meters in 2015, particularly in the northern region. However, the climate condition is becoming more severe, with higher-than-normal temperatures and low rainfall. These adverse conditions have impacted major agricultural production to decline in the first quarter of 2024 comparing to the same period in 2023 and even comparing to the severe El Niño period in 2015. In particular: **(i) Paddy production,** accounting for 14.85 percent of total output, decreased by 6.0 percent and 29.8 percent compare to the previous year and to 2015, respectively. **(ii) Sugarcane production,** making up 6.25 percent of total output, declined by 12.2 percent and 17.2 percent, respectively. **(iii) Cassava production,** representing 5.80 percent of total output, dropped by 9.0 percent and 25.5 percent, respectively. These reductions significantly impacted agricultural GDP in the first quarter of 2024, decreasing by 3.5 percent from the previous year and by 9.5 percent compared to 2015. Additionally, it is also anticipated that the La Niña phenomenon, characterized by heavy rainfall, could further impact agricultural production, especially in the second half of this year.



Source: : Office of Agricultural Economics and Meteorological Department, calculated by NESDC

Therefore, amidst the fluctuating climate conditions, the government should prioritize the surveillance, monitoring, and assessment of water resource management plans closely and proactively. This approach will support the mitigation of natural disasters and the enhancement of water infrastructure to prepare for rapid climate changes and potential disasters. Measures such as water diversion, drainage, and resource distribution should be implemented to ensure adequate water supply for the agricultural sector. Additionally, it is crucial to enhance farmers' knowledge and capabilities regarding climate transitions, enabling them to understand and apply principles of efficient water use accurately. Furthermore, the government should promote both water management and crop variety measures. Initially, farmers should diversify their crops to mitigate risks by cultivating a variety of crops and resilient plants that can withstand both drought and flood conditions. In the subsequent phase, support should be provided for the development of plant species resistant to increasingly unstable weather conditions. These measures will help mitigate the economic impact of climate transitions, benefiting not only the agricultural sector but also the overall economy.

Key assumptions for 2024 economic projection:

World Economic Projection and Other Key Assumptions

	Actual Data			Projection 2024	
	2021	2022	2023	Feb 19, 2024	May 20, 2024
World Economic Growth (%)[1/]	5.8	3.4	3.1	2.7	2.9
US	5.8	1.9	2.5	1.8	2.4
Eurozone	5.9	3.5	0.5	0.6	0.6
Japan	2.6	1.0	1.9	0.8	0.8
China	8.4	3.0	5.2	4.3	4.5
Global Trade Volume (%)	11.0	5.6	0.3	3.0	2.8
Exchange Rate (Baht/US Dollar)	32.0	35.1	34.8	34.3 - 35.3	35.5 – 36.5
Dubai Crude Oil (US Dollar/Barrel)	68.8	97.0	82.0	80.0 - 90.0	80.0 – 90.0
Export Price (US Dollar) (%)	3.3	4.2	1.2	0.0 - 1.0	0.0 – 1.0
Import Price (US Dollar) (%)	8.3	12.7	0.6	0.7 - 1.7	0.5 – 1.5
Income from Tourism (Trillion Baht)[2/]	0.16	0.53	1.03	1.22	1.38

Source: NESDC as of 20th May 2024

Notes: [1/] World economic growth is a trade-weighted average of key economic partners in 2019 (15 economies)

[2/] based on the Bank of Thailand's balance of payment data and forecasted by the NESDC

1) **The world economy in 2024 is expected to expand by 2.9 percent, decelerating from 3.1 percent in 2023,** but revise upward from the previous projection of 2.7 percent. The adjustment aligns with the economic growth in both the US and China in the first quarter of 2024, driven by the expansion of domestic demand, signs of recovery in the manufacturing sector, and continuous growth in the service sector. Nevertheless, there is a significant risk of disruption to global supply chains, particularly due to uncertainty arising from geopolitical conflicts in the Middle East, the ongoing conflict between Russia and Ukraine, and trade tensions between the US and China. Additionally, inflationary pressures in major economies may delay an easing phase of monetary policy and thus weaken domestic demand. Despite these challenges, the global trade volume is anticipated to grow by 2.8 percent, improving from 0.3 percent in 2023, though down from the previous estimation of 3.0 percent. This downward adjustment is attributed to additional trade protectionism measures by major economies, especially the US and China, and the prolonged geopolitical conflicts affecting international maritime logistics.

2) **The average of the Thai Baht in 2024 is expected to be within the range of 35.5 - 36.5 Baht per US dollar, depreciating from an average of 34.8 Baht per US dollar in 2023** and revised from 34.3 – 35.3 in the previous assumption. This adjustment aligns with the depreciation of the Baht in the first quarter of 2024, averaging at 35.7 Baht per US dollar, and standing at 36.3 baht per US dollar as of May 16th, 2024. This weakening is a result of the remarkable appreciation tendency of the US dollar, attributed to the US Federal Reserve's decision on maintaining high interest rates for longer than expected due to persistently high core inflation (Higher-for-longer). Additionally, geopolitical uncertainties, particularly in the Middle East, have led investors towards a risk-off sentiment and hence allocate investment to more secure assets. However, the Baht is expected to gradually appreciate in the second half of 2024, following the ongoing recovery of the tourism and export sectors, bolstering Thailand's current account surplus. Meanwhile, there is potential for a reduction in the US Federal Reserve in the latter half of 2024.

3) **The average price of Dubai crude oil in 2024 is expected to be in the range of 80.0 - 90.0 US dollars per barrel,** aligning with the previous projection and up from an average of 82.0 dollars per barrel last year. This estimate is consistent with the actual data from January 1st to May 15th, 2024, with an average of 83.4 dollars per barrel. The price is anticipated to rise further throughout the year due to ongoing uncertainties in the Middle East along with continuous production cuts by OPEC+, further straining crude oil supply. However, a slowing Chinese economy may dampen oil demand as the U.S. Energy Information Administration (EIA) predicts global oil demand will grow by only 0.9 percent in 2024, down from 2.0 percent in 2023. Additionally, the strengthening US dollar is expected to reduce oil demand since it is primarily traded in dollars, making it more expensive in other local currencies.

4) **The export and import prices in US dollar terms in 2024 are expected to increase by 0.0 - 1.0 percent and 0.5 - 1.5 percent,** decelerating from 1.2 percent and 0.6 percent in the previous year, respectively. Export price assumption remains unchanged from the previous estimation. However, the import price assumption is revised down from the previous forecast of 0.7 - 1.7 percent, to be in line with actual data from the first quarter of 2024 and the decline in natural gas prices compared to the previous year.

5) **Income from foreign tourists in 2024** is expected to stand at 1.38 trillion baht, increasing from 1.03 trillion baht in 2023 and an upward revision from the previous estimate of 1.22 trillion baht. This projection is based on higher per-capita spending and an increased estimate of foreign tourists in 2024, now totaling 36.5 million people, up from 35.0 million in the previous estimation. This recovery aligns with the return to pre-pandemic levels of tourists from major origin countries, including Malaysia, Singapore, South Korea, and Russia.

6) **The budget disbursement** is expected to be as follows: (i) the FY2024 annual budget disbursement rate of 88.6 percent of the total budget of 3.48 trillion baht, declining from 90.4 percent in the previous projection, and compared with a 97.0 percent in FY 2023. In detail, the current budget is expected to be disbursed at 97.0 percent, compared with 101.6 percent in the previous fiscal year. Similarly, the capital budget is expected to be at 60.0 percent, declining from 65.0 percent in the previous projection, and compared with 77.7 percent in the previous fiscal year, in line with the delay in the disbursement process in the first half of the fiscal year, with only 11.6 percent of the total budget spent. For the FY2025's annual budget, the disbursement rate is expected to be at 92.7 percent of the total budget of 3.75 trillion baht, including the disbursement of the current budget by 98.0 percent and the capital budget by 75.0 percent; (ii) the carry-over budget disbursement rate of 86.7 percent, compared with 91.3 percent in FY2023, with the disbursement rates of the current budget at 95.0 percent and the capital budget at 85.0 percent; and (iii) the state-owned enterprises' capital budget disbursement (15 months from October 2023 - December 2024) of approximately 272 billion baht, compared with 344 billion baht in the same period last year.

The recovery rate of Chinese and Japanese tourist arrivals remains below the pre-pandemic level

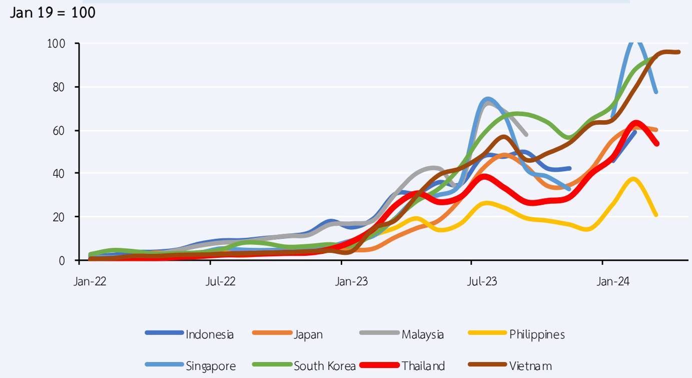
The figure of tourism arrival in Thailand in the first quarter of 2024, compared with the first quarter of 2019

Country of Origin	2019 (1)	2024 (2)	Recovery Rate (Percent) (2) / (1)
China	3,119,825	1,756,337	56.3
Malaysia	915,697	1,168,574	127.6
Russia	615,548	622,813	101.2
South Korea	537,088	558,873	104.1
India	450,224	472,952	105.0
Germany	302,393	315,033	104.2
Laos	425,122	308,097	72.5
United Kingdom	281,038	290,486	103.4
United States	322,576	280,248	86.9
Japan	474,677	271,427	57.2
France	283,305	256,033	90.4
Singapore	230,719	215,091	93.2
Vietnam	214,604	209,326	97.5
Hong Kong SAR	215,302	193,572	89.9
Australia	177,774	172,122	96.8
Total	10,795,246	9,370,319	86.8

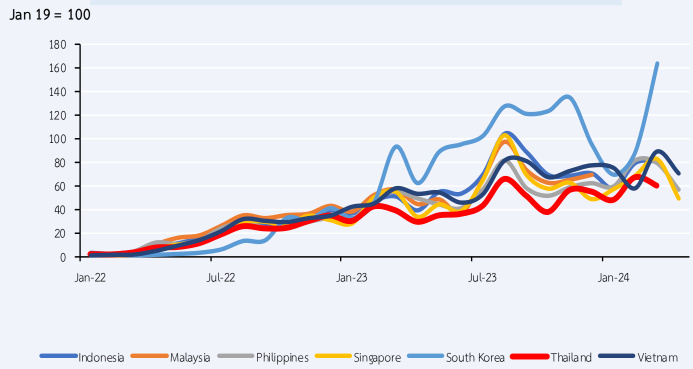
Source: Ministry of Tourism and Sport

Overall, Thai tourism is steadily recovering illustrated by the number of tourists in the first quarter of 2024, which nearly reached the pre-COVID figures from the same period in 2019. Tourists from most countries have returned to levels close to those seen before the pandemic. However, only inbound tourists from China and Japan are still recovering slowly, with a total of 1,756,337 people and 271,427 people, respectively, accounting for only 56.3 percent and 57.2 percent when compared to the pre-epidemic levels. Regarding the number of tourists from both countries traveling to key destinations, although it remains lower than during the epidemic, it is starting to show signs of significant recovery. On the other hand, tourist arrivals from both countries to Thailand are recovering more slowly than many other peers. Therefore, to ensure the continued recovery of the Thai tourism sector, priority must be put on proactive marketing strategies aimed at attracting high-potential, high-spending tourists, particularly from China and Japan. This should be coupled with preparations of physical environmental factors, solving the problem of insufficient number of flights to Thailand, as well as maintaining safety standards for tourists, to support their return and raise the potential of the tourism sector towards quality and sustainability.

Chinese outbound tourist arrivals sorted by destination



Japanese outbound tourist arrivals sorted by destination



The recovery rate of Chinese and Japanese outbound tourists in Q1/2024, compared with the same period of 2019

Country of Destination	China	Japan
Singapore	81.8	62.6
South Korea	74.4	83.8
Vietnam	69.5	76.7
Malaysia*	66.0	66.6
Thailand	56.3	57.2
Indonesia	51.5	61.5
Philippines	23.6	59.3
Average	59.9	66.1

Note: The Malaysian figure is recorded at the fourth quarter of 2023, compared with the same period of 2018
Source: CEIC

The Thai economic outlook 2024

The Thai economy in 2024 is projected to expand in the range of 2.0 – 3.0 percent (with the midpoint of 2.5 percent), compared to 1.9 percent in 2023. Headline inflation is estimated to range from 0.1 - 1.1 percent and the current account is projected to record a surplus of 1.2 percent of GDP.

In the May 20th, 2024 press release, NESDC estimated that the Thai economy in 2024 will expand by 2.0 - 3.0 percent (with the midpoint of 2.5 percent). This marks a downward adjustment from the February 19th, 2024 forecast of 2.2 - 3.2 percent (with the midpoint of 2.7 percent). Together with the revision in key growth components to align with actual data, the revised assumptions are as follows :

1) **The downward revision of net export due to downward export and upward import projections.** The downward export projection is to align with the lower-than-expected actual data in the first quarter, showing a decrease of export values and volumes by 1.0 percent and 2.3 percent, compared to the increases of 4.6 percent and 3.2 percent in the previous quarter, respectively. This adjustment correlates with a reduction in the estimated global trade volume growth from 3.0 percent to 2.8 percent. Despite the current decline, exports are anticipated to recover gradually throughout the rest of 2024, in line with global trade trends. The export value and volume growth for 2024 are projected to increase by 2.0 percent and 1.5 percent, respectively, down from the previous forecast of 2.9 percent and 2.4 percent. Conversely, import values and volumes are expected to increase by 4.6 percent and 3.6 percent, up from the previous estimates of 4.4 percent and 3.2 percent. Meanwhile, the downward revision of private consumption, from 3.5 percent in the previous projection to 3.2 percent, is in line with the revised export assumption.

2) **The upward revision of private consumption,** from 3.0 percent in the previous estimation to 4.5 percent, bolstered by strong growth in the first quarter of 2024 (6.9 percent), continuing strong momentum from a 7.4-percent growth in the fourth quarter of 2023. The adjustment was in line with the continual expansion of tourism sector services, especially the spending on restaurants and hotels, by 13.7 percent, alongside the robust growth in the consumption of non-durable goods, especially the spending on food and non-alcoholic beverages and utility which is particularly due to higher average temperatures. Meanwhile, the private consumption is expected to continually expand, bolstered by the recovery of the tourism sector. The number of international tourist arrivals is projected to reach 36.5 million visitors, up from the previous estimate of 35.0 million visitors, generating revenue of 1.38 trillion Baht, compared to the previous forecast of 1.22 trillion Baht.

Key components of Economic growth;

1) **Total consumption: (1) Private consumption** is expected to increase by 4.5 percent, continuing from a solid growth of 7.1 percent in 2023, and an upward revision from 3.0 percent in the previous estimation, supported by improving income base, as well as a robust labor market, low inflationary pressures, and higher consumer confidence; **(2) Government consumption expenditure** is projected to expand by 1.7 percent, improving from a 4.6-percent reduction in 2023, and an upward revision from a 1.5-percent growth in the previous estimation. The adjustment aligns with the disbursement of government expenditure after the enactment of the FY2024 government budget on April 26th, 2024 and an upward revision in the FY2025 government budget framework.

2) **Total investment** is expected to increase by 1.9 percent, accelerating from a 1.2-percent growth in 2023. (1) Private investment is estimated to increase by 3.2 percent, consistent with the previous year's growth. This was in accordance with the continuous growth of investment promotion application and certificate issuance. Nevertheless, this was a downward revision from a 3.5-percent growth in the previous estimation in accordance with the remaining low-capacity utilization rate and downward revision of exports. (2) Public investment is anticipated to decline by 1.8 percent, consistent with the previous estimation, and continuing from a 4.6-percent decrease in the previous year, including a delay in the FY2024 budgetary process and a decrease in the State-Owned Enterprises' investment budget framework.

3) **Export value of goods in US dollar term** is anticipated to rebound to 2.0 percent growth, compared with a 1.7-percent reduction in 2023, though a downward revision from a 2.9-percent growth in the previous estimation. The export volume in 2024 is expected to increase by 1.5 percent, compared with a 2.9-percent decline in the previous year, and a downward revision from a 2.4-percent growth in the previous forecast. The revision is due to a decline in export volume in the first quarter of 2024 and the downward revision of the world trade volume growth forecast. Together with the continual increase in export of services due to higher-than expected inbound tourists, thus, in 2024, it is expected that the export quantity of goods and services will continue to increase by 4.7 percent, accelerating from a 2.1-percent growth in 2023, but a downward revision from a 5.0-percent growth in the previous estimation.

4) **Import value of goods in US dollar terms** is expected to expand by 4.6 percent, compared with a 3.1-percent contraction in 2023, though an upward revision from a 4.4-percent growth in the previous estimation. The import volume in 2024 is anticipated to increase by 3.6 percent, compared with a 3.6-percent reduction in 2023, and an upward revision from the previous forecast. The revision is in line with the higher-than-expected expansion of 4.5 percent in export volume in the first quarter. Meanwhile, the import price assumption is expected to be in the range of 0.5 - 1.5 percent, declining from a 0.6-percent expansion in 2023, and a downward revision from the range of 0.7 - 1.7 percent growth in the previous forecast. The revision is in accordance with a decrease of 1.2 percent in import prices in the first quarter. Together with the import of services, thus, in 2024, the import of goods and services is estimated to increase by 4.1 percent, compared with a 2.2-percent decline in 2023, and an upward revision from a 3.0-percent growth in the previous estimation.

5) **Trade balance** is anticipated to register a surplus of 10.5 billion US dollars, compared with a surplus of 17.0 billion US dollars in 2023. Together with the service account, thus, in 2024, the current account is expected to register a surplus of 6.0 billion US dollars (1.2 percent of GDP) in 2024, compared with a surplus of 7.0 billion US dollars (1.4 percent of GDP) in 2023.

6) **Economic stability:** Headline inflation in 2024 is estimated to be in the range of 0.1 – 1.1 percent (with the midpoint projection of 0.6 percent), a downfall from the 1.2 percent in 2023 and a downward revision from 0.9 – 1.9 percent (with the midpoint projection of 1.4 percent). This revision is mainly attributed to decelerated inflationary pressure due to government measures to relieve living-cost and a decline in raw food price, along with the adjustment of the import price assumption.

6. Economic Management for the Year 2024

The economic management for the remainder of year 2024 should prioritize on;

1) **Expediting the budget disbursement** in order to enable government expenditure to support the economy promptly. The FY2024 budget disbursement target should be no less than 90.0 percent of the total budget, with the current expenditure budget disbursed at a rate of 97.0 percent and the capital expenditure budget at 60.0 percent. This includes accelerating the disbursement of carry-over budget and SOEs budget to reach at least 90.0 percent and 75.0 percent, respectively. In the meantime, there should be a preparation of the FY2025 budgetary process to prevent further delays.

2) **Maintaining adequate liquidity for the business sector, especially SMEs** with high potential but experiencing some difficulties in source of financing. This can be executed through the loan guarantee program, boosting awareness and encouraging SME business operators to utilize digital factoring loans as an alternative to accessing funding sources, encouraging relevant sectors to take advantage of the e-Secured system, along with enhancing potential production and empowering SMEs through the use of innovation, technology, and creativity to increase value and uniqueness of products to meet market demands and catch up with changes in consumer behavior. This also includes taking advantage of the technological advancement to increase efficiency in business operations. This will help support better access to funding sources. In addition, measures should be taken to solve the problem of persistent debtors at risk of defaulting.

3) **Supporting agricultural production and farmers' income** by prioritizing on; (1) closely monitoring and planning on water resource management guidelines; (2) preparing for the prevention, relief, and resolution of flood risks; (3) restoring the drought-affected agricultural sector for prompt recovery; (4) supporting research and development for plant breeding to improve resistance to weather conditions and diseases, and ensuring suitability for local conditions; (5) bolstering farmers' resilience by efficiently supporting and developing crop insurance scheme for climate risk; and (6) surveilling, monitoring, and suppressing illegal imports of agricultural products.

4) **Fostering the export sector as well as expediting the restructuring of the economy in both manufacturing and service sectors** by prioritizing on; **(1) promoting the export of potential and global-demand goods,** such as health-related and eco-friendly products, as well as those strategically positioned to benefit from geopolitical conflicts and trade barriers; **(2) boosting productivity through the utilization of innovation and cutting-edge technology to promote the production of high-value goods** that surpass price competition and align with major importers' standard, along with developing industries related to raw materials and intermediate goods to support the growth of target industries and integrate domestic products into the global supply chain; **(3) fostering confidence and create a conducive ecosystem to attract targeted-industry enterprise to invest in Thailand,** especially the next-generation automotive industry and electronics sectors, along with expediting the implementation of projects that have received investment promotion certificates to start their actual investments. Moreover, there should also be a focus on solving difficulties and obstacles hindering investors and entrepreneurs from investing and doing business including procedural, regulations and laws, and labor shortages in the manufacturing sector, as well as enhancing the labor force for the new targeted industries; and **(4) attracting potential tourists with high purchasing power,** particularly those considering long-term stays through actively promoting the Long-Term Resident visa (LTR visa) program, together with encouraging the tourists to increase spending especially Asian, European and North American tourists. Moreover, this can be coupled with preparing and assisting the tourism sector to be ready for the return of foreign tourists such as airport and inbound flight availability, immigration procedures, infrastructure and facilitation, spatial and environmental management, as well as sustaining high standards of safety for tourists to encourage their return and enhance the tourism sector's potential, quality, and sustainability.

5) **Monitoring and preparing measures to address risks arising from fluctuations in the global economic and financial system,** including escalating geopolitical tensions, trade barriers, climate change, and volatility in the global financial market.

Trade War and the Change in Trade Structure of Thailand and ASEAN

The prolonged trade conflict between the US and China since 2016, saw a significant development on May 14th, 2024, when the US announced new protective measures for American businesses and labor by imposing additional tariffs on Chinese imports. This led to a substantial decline in bilateral trade between the US and China. As a result, both countries began to increase imports from other nations, including ASEAN countries and Thailand, particularly in electronics and electronic appliance products. The data of the share of US import from ASEAN (excluding Thailand) (Table: 1) showed that: **1) Semiconductor and parts** increased from 25.40 percent (before Trade War) to 46.11 percent (after Covid-19); **2) Telephone and parts** rose from 9.02 percent (pre-trade War) to 21.80 percent (post COVID-19). Nonetheless, the proportion of US imports from ASEAN countries (excluding Thailand) for many products increased more significantly than from Thailand when comparing the Trade War period with the post-COVID-19 period, such as Telephone and parts, Automatic data processing machine, and Electrical transformers. Meanwhile, Thailand's imports from China also increased, such as **1) Semiconductor and parts** which spiked up to 8.59 percent (after Covid-19) from 2.93 percent (before Trade War), **2) Air conditioning machines** which grew up to 13.83 percent (after Covid-19) from 4.37 percent (before Trade War) and **3) Telephone and parts** which raised to 12.68 percent (after Covid-19) from 10.99 percent (before Trade War).

Table 1: The import of US from China and ASEAN, categorized by major products from Thailand

HS Code: Product	Share of US import in 2023	US import from China Share				US import from ASEAN* Share			
		Before Trade War (13-16)	Trade War (17-18)	COVID-19 (19-20)	After COVID-19 (21-23)	Before Trade War (13-16)	Trade War (17-18)	COVID-19 (19-20)	After COVID-19 (21-23)
8541: Semiconductor and parts	7.61	27.27	18.16	8.27	5.08	25.40	31.25	47.75	46.11
8542: Integrated circuit boards	3.13	6.79	8.70	5.21	5.57	41.73	51.95	59.27	45.37
8415: Air conditioning machines	2.64	33.07	35.22	27.63	24.31	0.40	0.52	1.21	2.07
8517: Telephone and parts	10.35	60.44	64.84	57.62	50.89	9.02	10.13	17.87	21.80
8471: Automatic data processing machine	10.18	64.07	58.09	50.54	45.34	4.75	3.92	3.99	7.24
8504 Electrical transformers	3.61	40.18	41.44	30.11	21.13	6.11	6.33	9.04	12.53
8443: Printing machinery	2.25	43.84	36.27	25.03	15.81	17.59	22.74	29.67	35.58
8525: Transmission apparatus	2.24	43.08	50.69	42.91	27.98	8.80	6.53	11.72	22.78
4011: New pneumatic tyres o	6.06	24.02	15.43	7.81	6.51	7.03	9.98	11.62	15.44
7113: Jwellery and parts	1.99	15.59	13.72	7.90	3.68	2.88	3.90	8.22	6.36

Source: Trade map, Remark: * Excluding Thailand

Table 2: The import of US from Thailand and the import of Thailand from China

HS Code: Product	US import from Thailand Share				Thailand import from China Share			
	Before Trade War (13-16)	Trade War (17-18)	COVID-19 (19-20)	After COVID-19 (21-23)	Before Trade War (13-16)	Trade War (17-18)	COVID-19 (19-20)	After COVID-19 (21-23)
8541: Semiconductor and parts	2.10	4.86	8.92	12.56	2.93	2.97	3.22	8.59
8542: Integrated circuit boards	2.51	2.63	2.76	4.33	0.72	0.64	0.69	1.03
8415: Air conditioning machines	4.94	3.78	6.37	10.87	4.37	6.28	9.52	13.83
8517: Telephone and parts	2.80	2.96	2.85	4.10	10.99	10.16	9.50	12.68
8471: Automatic data processing	5.5	4.97	5.39	6.51	21.56	21.97	19.02	20.04
8504 Electrical transformers	1.92	2.52	3.98	6.22	9.75	9.15	8.31	13.5
8443: Printing machinery	4.04	5.97	6.99	8.24	5.93	5.40	6.13	6.67
8525: Transmission apparatus	6.30	5.67	6.55	9.67	3.95	8.01	12.72	14.96
4011: New pneumatic tyres	7.89	14.78	20.37	18.98	1.21	1.29	1.99	2.70
7113: Jwellery and parts	15.19	9.92	9.38	9.38	0.15	0.23	0.59	2.12

Source: Trade map

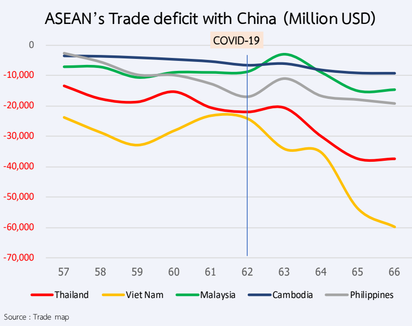
Thailand is more important in US

Thailand is less important while ASEAN is more important

Thailand is more important but less than ASEAN

Trade War and the Change in Trade Structure of Thailand and ASEAN (Continued)

Moreover, in terms of trade balance between the US and China, most ASEAN countries have a trade deficit from China while having a trade surplus with the US, and this trend has accelerated after the COVID-19 period. The trade balance values in 2023 reveal that: **(1) Vietnam** had a trade deficit with China of 59,973 million USD, primarily due to imports of Telephone and part and Flat-rolled steel. In contrast, Vietnam had a trade surplus with the US of 94,982 million USD, driven by exports of Telephone and parts and Semiconductor and parts; **(2) Thailand** faced a trade deficit with China of 37,305 million USD, mainly from imports of Telephone and parts, Automotive, and Semiconductor and parts. However, Thailand had a trade surplus with the US of 27,992 million USD, primarily from exports of Telephone and parts, Automatic data processing machine, and New pneumatic tires; **(3) Malaysia** had a trade deficit with China of 14,584 million USD, largely due to imports of Petroleum, Telephone and parts, and Automatic data processing machine. Conversely, Malaysia enjoyed a trade surplus with the US of 15,982 million USD, driven by exports of Integrated circuit boards, Telephone and parts, and Semiconductor and parts. **When comparing the US-China trade balances** of these three countries in 2023, Vietnam and Malaysia both had a net trade surplus. Specifically, Vietnam's and Malaysia's trade surplus from the United States exceeded their trade deficits with China by 35,009 million USD, and 1,344 million USD, respectively. In contrast, Thailand's trade deficit with China was greater than its surplus with the United States by 9,313 million USD. This indicates that Vietnam and Malaysia benefited more from the trade diversion between China and the U.S. compared to Thailand.



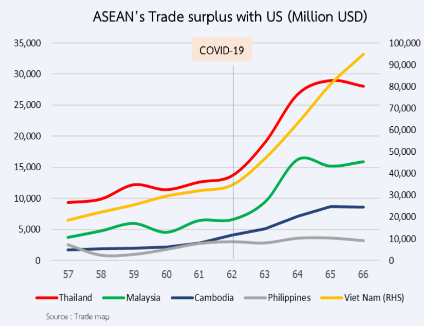


Table comparing the gains or losses from trade with the US and China by considering trade deficit or surplus from both countries in 2023

	Trade deficit with China	Trade surplus with the US	Gain/Loss Benefit
Vietnam	-59,973	94,982	35,009
Thailand	-37,305	27,992	-9,313
Malaysia	-14,584	15,928	1,344

Source: calculated from Trade map data as calculation base

Overall, the trade diversion between China and the US can benefit ASEAN countries, especially when the U.S. reduces imports from China, particularly in electronic products. Specifically, Thailand has gained more benefits in certain categories where the U.S. import share from Thailand has increased, such as Semiconductors and parts, Integrated circuit boards, and Air conditioning machines. However, there are products where ASEAN as a whole has benefited more than Thailand, with a faster growth of the US import share from ASEAN compared to Thailand. These products include Telephones and parts, Automatic data processing machines, and Electrical transformers. Additionally, there are products where Thailand's benefit has been reduced while ASEAN's benefit has increased, such as New pneumatic tires. Even though Thailand has a trade surplus with the US, it still has a higher trade deficit with China. One main reason is that Thailand's trade surplus with China is primarily in low-valued agricultural products, while its trade deficit is in high-valued manufactured products. To maximize the benefits from the trade diversion between the US and China, Thailand should focus on increasing its competitiveness in both the agriculture and manufacturing sectors. This includes absorbing advanced technology, enhancing knowledge and incentivizing private sector investment. This could help Thailand develop its capacity to export high-valued agricultural products and advanced technology manufacturing products, thereby reaping greater benefits from the shifting global trade dynamics.

Table: Top 10 products which Thailand has trade surplus / deficit value with China in 2023

Trade surplus goods	Trade deficit goods
0810: Fruit (durian)	8517: Telephone and parts
4002: Synthetic rubber	8703: Automotive
4001: Natural rubber	8541: Semiconductor and parts
3901: Polymer	8471: Automatic data processing machine
4407: Sawn Wood	7326: Alloy steel plate
0714: Manioc	3818: Chemical
1108: Starches and inulin	7210: Plated or coated flat-rolled steel
1702: Other sugars	8542: Integrated circuit boards
0811: Nuts	8708: Automotive parts
4706: Pulps of fibres	8504: Electrical transformers

Source: Ministry of Commerce

Table: Top 10 products which Malaysia has trade surplus / deficit value with China in 2023

Trade surplus goods	Trade deficit goods
8542: Integrated circuit boards	2710: Petroleum
2711: Natural gas	8517: Telephone and parts
8523: Solid State recording disk	8471: Automatic data processing machine
7601: Aluminium	8534: Printed circuit boards
9030: Electrical measuring instrument	3818: Chemical
2601: Iron ores and concentrates	8504: Electrical transformers
1511: Palm oil	8541: Semiconductor and parts
3901: Polymer	8708: Automotive parts
4805: Paper and paperboard	8544: Wire and cable
1516: Vegetable and animal fats	8473: Office machine parts and accessories

Source: Trade Map

Table: Top 10 products which Viet Nam has trade surplus / deficit value with China in 2023

Trade surplus goods	Trade deficit goods
8524: Flat panel display modules	8517: Telephone and parts
8529: Television , radio, projector parts	7208: Flat-rolled steel
8542: Integrated circuit boards	8507: Electric accumulators
9999: Others	5407: Woven fabrics
8471: Automatic data processing machine	6006: Other Knitted fabrics
0810: Fruit (durian)	8479: Machines and mechanical appliances
4002: Synthetic rubber	6004: Knitted fabrics
5205: Cotton yarn	8534: Printed circuit boards
4401: Fuel Wood	8504: Electrical transformers
8473: Office machine parts and accessories	3818: Chemical

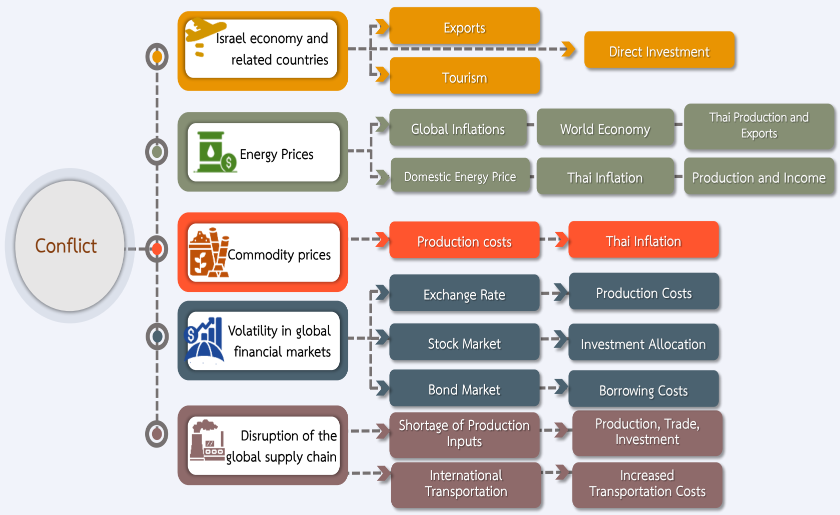
Source: Trade Map

Manufacturing products by advanced technology which ASEAN countries have a trade surplus from China

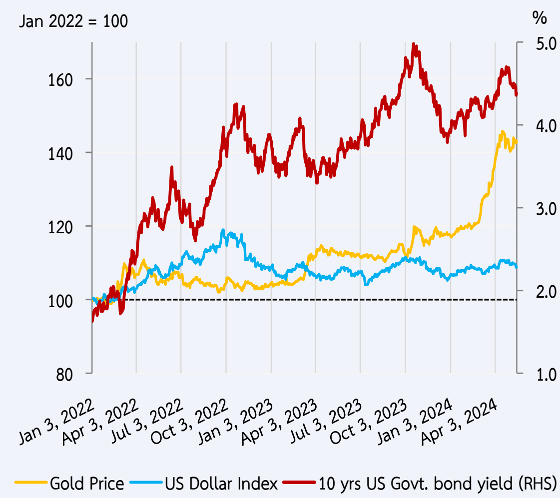
Impact of the conflict situation in the Middle East region on the Thai economy

Conflict tension in the Middle East could impact the Thai economy through several key channels: **(1) Direct impact on international trade, tourism, and investment:** Thailand has low economic linkage with the conflicted countries (Israel and Iran) and, therefore, the impacts through this channel is limited. **(2) Energy prices:** The Middle East region is a major producer and exporter of crude oil, thus conflicts in the region would significantly affect global crude oil prices. Since Thailand imports more than 50 percent of crude oil from this region, this will be the main channel for a significant impact on the Thai economy. **(3) Commodity prices:** The impact through this channel would be limited as the rise in prices of agricultural raw materials and important minerals after October 2023 have been moderate and less than those of the Russia-Ukraine war, since the Middle East countries are not major producer of these commodities. **(4) Global financial market volatility:** Intensifying conflict could lead to increased investment in low-risk assets (safe havens) particularly gold and US government bonds, causing currencies of developing and emerging economies to weaken and capital markets likely to experience short-term volatility, and **(5) Disruptions to global supply chains:** Attacks on shipping vessels in the Red Sea by the Houthis in Yemen have impacted maritime transportation through the Red Sea and Suez Canal, thus increasing international trade costs and affecting Thai import and export costs.

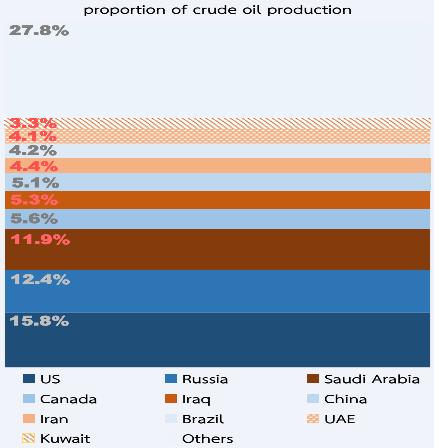
Mechanisms for Transmitting Key Economic Impacts from Conflict Situations



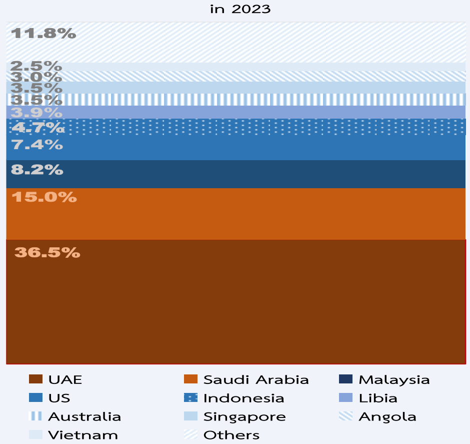
Risks from the Middle East situation



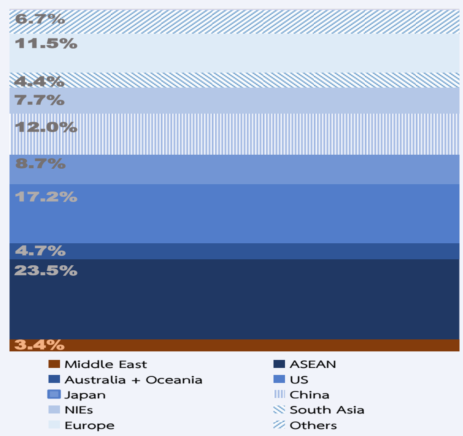
Top 10 countries in the world with the highest proportion of crude oil production



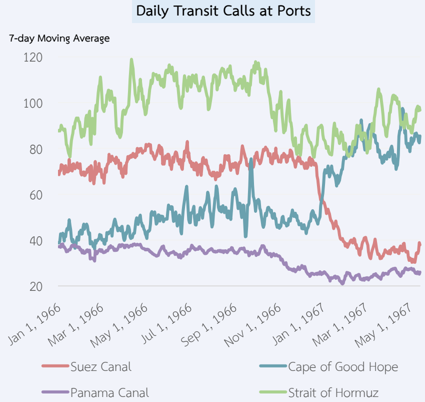
Top 10 countries that Thailand will import crude oil in 2023



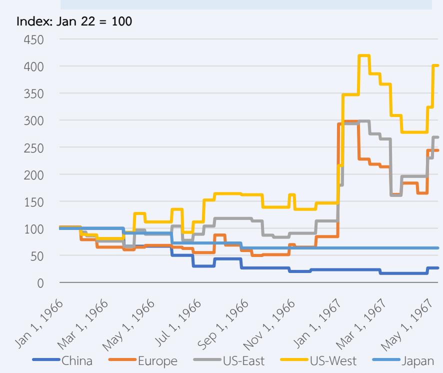
Proportion of Thai export value in 2023



Daily Transit Calls at Ports



Cost of shipping a 20 foot container from Thailand



Projection for 2024[1/]

	Actual Data			Projection for 2024	
	2021	2022	2023	Feb 19, 2024	May 20, 2024
GDP (at current prices: Bil. Baht)	16,188.6	17,378.0	17,922.0	18,656.0	18,513.5
GDP per capita (Baht per year)	231,986.1	248,788.6	255,867.7	265,705.3	263,675.5
GDP (at current prices: Bil. USD)	505.9	495.1	514.8	540.8	514.3
GDP per capita (USD per year)	7,249.6	7,094.1	7,349.6	7,701.6	7,324.3
GDP Growth (CVM, %)	1.6	2.5	1.9	2.2 - 3.2	2.0 - 3.0
Investment (CVM, %)[2/]	3.1	2.3	1.2	2.1	1.9
Private (CVM, %)	2.9	4.7	3.2	3.5	3.2
Public (CVM, %)	3.5	-3.9	-4.6	-1.8	-1.8
Private Consumption (CVM, %)	0.6	6.2	7.1	3.0	4.5
Government Consumption (CVM, %)	3.7	0.1	-4.6	1.5	1.7
Export volume of goods & services (%)	11.1	6.1	2.1	5.0	4.7
Export value of goods (Bil. USD)	270.6	285.2	280.2	288.3	285.7
Growth rate (%)[3/]	19.2	5.4	-1.7	2.9	2.0
Growth rate (Volume, %)[3/]	15.5	1.2	-2.9	2.4	1.5
Import volume of goods & services (%)	17.8	3.6	-2.2	3.0	4.4
Import value of goods (Bil. USD)	238.2	271.6	263.2	274.9	275.3
Growth rate (%)[3/]	27.7	14.0	-3.1	4.4	4.6
Growth rate (Volume, %)[3/]	17.9	1.2	-3.6	3.2	3.6
Trade balance (Bil. USD)	32.4	13.5	17.0	13.4	10.5
Current account balance (Bil. USD)	-10.3	-15.7	7.0	7.4	6.0
Current account to GDP (%)	-2.0	-3.2	1.4	1.4	1.2
Inflation (%)					
CPI	1.2	6.1	1.2	0.9 - 1.9	0.1 – 1.1
GDP Deflator	1.8	4.8	1.2	0.9 - 1.9	0.3 – 1.3

Source: Office of the National Economic and Social Development Council, 20th May 2024

Note: [1/] Data was calculated based on new National Accounts Office's Series, published on www.nesdc.go.th

[2/] Investment means Gross Fixed Capital Formation

[3/] Export and import base on the Bank of Thailand's data

www.nesdc.go.th