The Thai economy continued to recover from improving private consumption and exports of services. EIC anticipates a clouded recovery in 2023 due to slowing global economic growth and surmounting uncertainties.

21 November 2022

The Thai economy continued to recover from improving private consumption and exports of services. EIC anticipates a clouded recovery in 2023 due to slowing global economic growth and surmounting uncertainties.

KEY SUMMARY

The Thai economy continued to expand in Q3/2022.

The Thai economy continued to improve for the 4th consecutive quarter at 4.5% compared to the same period in the prior year. Such growth was partly supported by the base effect as economic conditions during Q3/2021 were hampered by strict COVID-19 curbs. In terms of the seasonally-adjusted quarter-on-quarter growth, economic conditions in Q3/2022 edged up by 1.2%(QOQ_sa), backed by better private consumption and private investment conditions, as well as robust tourism and service sector recovery prompted by the city and country re-openings. With such regards, during the first 9 months of 2022, the Thai economy enjoyed a 3.1% growth.

Regarding the production approach, economic activities in various sectors saw a strong recovery with notable growth from the industrial sector, which returned to an expansion after contracting in the previous quarter. Meanwhile, the service sector continued to improve following the growing numbers of foreign tourist arrivals and strengthening domestic consumption. However, conditions in the construction sector continued to weaken due to slowing public construction. The agriculture sector also contracted as agricultural production was damaged by floods.

The Thai economy should continue to recover in Q4/2022.

EIC views that during Q4/2022, the Thai economy should continue to recover from strong tourism recovery. In 2022, approximately 10.3 million foreign tourists should enter Thailand from pent-up travel demand catalysts and easing international travel measures in various countries. Tourism growth should see significant boosts in Q4/2022 as the period is a high season for foreigners living in harsh winter countries to travel to Thailand. Furthermore, the growth of Thai visitors should also increase, thus improving the service sector in the big picture, especially tourism-related services, such as hotels, restaurants, and logistics.

Improving service and tourism conditions should support robust private consumption growth as economic activities and labor market conditions increasingly return to normal. During the year-end, merchandise exports should benefit from easing container and raw material shortages, especially semiconductors. However, Thai exports should continue to stall according to slowing global economic conditions during the year-end. Meanwhile, economic stimulus from the government may weaken as disbursements of only THB 42,000 million remained from the THB 500 billion Emergency Decree, approved in full by the cabinet.

EIC views that slowing global economic conditions and surmounting uncertainties will undermine Thai economic recovery in 2023.

Looking ahead to 2023, EIC anticipates that various uncertainties may increasingly cloud the global economy, including economic risks, policy risks, and geopolitical risks, in which such risks should weaken global economic conditions and also undermine the Thai economy by hindering the once robust export sector. Key export destinations that should see the most impact include China, with multi-dimensional challenges, and Europe and the US, which could enter a recession from late 2022 (Europe) and after mid-2023 (the US). Such conditions would inevitably hamper industrial production and private investment, especially those that are highly dependent on foreign markets. Furthermore, support from government stimulus packages **may fade following fiscal limitations that will prompt the government to be more cautious about spending.**

In 2023, the Thai economy will see boosts from tourism and private consumption that will allow continual recovery amid surmounting global risks and uncertainties. However, the Thai economy would still face multi-faceted risks, including China's implementation of the Zero Covid strategy that may continue for a longer than previously anticipated period, resulting in lower numbers of Chinese tourists visiting Thailand with slower recovery, as well as extending the global supply chain disruption. Other notable risks include high domestic inflation conditions that may be prolonged as oil prices remained high, increasing interest rates that may impair the ability of households to service debt on a wide scale, especially vulnerable groups, and potential political uncertainties arising from the Thai House of Representatives election in early 2023.

KEY POINTS

In Q3/2022, the Thai economy expanded by 4.5% compared to the same period in the prior year (YOY), accelerating from 2.5%YOY in the previous quarter. In terms of the seasonally adjusted quarter-on-quarter growth, the economy continued to expand from the previous quarter by 1.2%QOQ_sa, accelerating from 0.7%QOQ_sa in the preceeding quarter.

Regarding the expenditure approach, most components continued to expand, though with weakened momentum from the government sector.

- **Private consumption growth accelerated to a 39 quarters high at 9%,** with growth in all product categories. Such growth was supported by improving economic and labor market conditions compared to the same period in the prior year, growing numbers of visitors and foreign tourists, and strengthening consumer confidence compared to the previous quarter, as well as life increasingly returning to normal. However, higher product prices, especially fresh food, instant food, and energy, undermined growth.
- **Public investment shrank by -7.3%,** continuing from the -9% in the previous quarter. Such contraction was mainly due to a -11.8% decline in government investment amid a 1.1% growth from state-owned enterprise investment. During the quarter, government investment contracted following a -11.6% decline in machinery investments as a result of lower disdursement for various projects. Furthermore, various state-owned enterprises lowered machinery investments, including the Mass Rapid Transit Authority of Thailand, Airports of Thailand Public Company Limited, and the Metropolitan Waterworks Authority. Meanwhile, construction investment slowed to 5.9% from 6.6% in the previous quarter.
- **Private investment also grew to a 39 quarters high at 11%,** following machinery and equipment investment that expanded by 13.9%. The growth was particularly strong among automotive and office supplies (computers, peripherals, and electrical appliances within buildings). Meanwhile, construction investment reverted to a 2% expansion after contracting by -1.3% in the previous quarter as residential and non-residential construction growth continued.
- **Public consumption dropped by -0.6%** after experiencing stalling growth in the past 2 quarters. The contraction during the quarter followed a -7.8% reduction in goods and services expenditure, as well as social transfer in kind – purchased market production slowing to 9.9% from 17% in the previous quarter.
- **Merchandise export volume expanded by 2.7%.** Even though such a figure marked a 7 consecutive quarters growth, the rate was also at a 7 quarters low. Exports of industrial products improved from exports of sugar, integrated circuits, air conditioners, pick-ups and trucks, electrical appliance parts, and machinery. On the other hand, exports of agricultural products weakened following lower fruit exports, though exports of various other key agricultural products continued to grow.
- **Merchandise import volume grew by 8%, surpassed export growth and increasing from 7.1% in the previous quarter.** During the quarter, imports of consumer goods and raw materials improved following growing private consumption, exports, and industrial manufacturing. Imports of gold soared. However, imports of capital goods weakened during the quarter, especially machinery.

- **Exports of services accelerated by 87% from 54.3% in the previous quarter** following expanding tourism-related activities and other business services revenue. Meanwhile, imports of services expanded by 8.9% due to the same reason.
- **The value of inventories increased by THB 216,443 million** compared to the prior quarter. During this quarter, inventories of industrial products surged, particularly automotive that expanding its output following the economic recovery. Meanwhile, inventories of agricultural products and mining products dropped, especially paddy that was not in the harvesting period and milled rice with lower production amid growing domestic demand and increasing export volume.

Regarding the production approach, the Thai economy saw boosts from the service sector as well as returning growth in the industrial sector. However, the agriculture sector contracted.

- **Agricultural production shrank by -2.3% after expanding by 4.4%** in the previous quarter. The production of cassava, fruits (particularly durian and pineapples), and fisheries dragged growth. Such lower production was partly influenced by volatile weather conditions and floods in various areas. Meanwhile, the production of rice, palm oil, and livestock increased.
- **Industrial production returned to a 4.7% expansion**, reverting from the -1.8% contraction in the previous quarter. The industrial manufacturing sector surged by 6.3% following growing domestic and overseas demand. Meanwhile, the mining and quarrying sector continued to contract by -14.8%, following a-22.4% contraction in the previous quarter. The output of all key categories weakened, including minerals, crude oil, natural gas, stone, sand, and clay.
- **Services accelerated by 5.3%** from 4.5% in the prior quarter due to easing virus curbs, surging foreign tourist arrival numbers, as well as government measures to support tourism. Accommodations and food services soared to 53.6%, followed by transportation and storage at 9.9%, and information and communications at 4.9%. However, construction continued to shrink by -2.8%, despite improving from -4.5% in the previous quarter, following lower road, bridge, and office building constructions. On the other hand, private construction improved.

IMPLICATIONS

The Thai economy continued to recover in Q3/2022 as economic activities returned to normal. During Q3/2022, the Thai economy continued to expand for the 4th consecutive quarter at 4.5% compared to the same period in the prior year, partly due to the base effect as economic conditions in Q3/2021 were hampered by COVID-19 with city and country lockdowns following strict virus curbs. In terms of the seasonally-adjusted quarter-on-quarter growth, the Thai economy improved by 1.2%, accelerating from 0.7% in the previous quarter. Such growth was backed by continually improving private consumption, private investment, and tourism conditions that once saw severe damages from the COVID-19 spread and virus curbs recovering from easing city and country lockdowns. During the first 9 months of 2022, the number of foreign tourists and Thai visitors in Thailand increased to as high as 5.7 million and 144.5 million persons compared to 85,000 and 40 million persons during the first 3 quarters of 2021, respectively. On the other hand, government stimulus that once supported growth during the prior periods significantly weakened from budget limitations.

Regarding the production approach, economic activities in various sectors saw a strong recovery with notable growth from the industrial sector, which returned to an expansion after contracting in the previous quarter. Meanwhile, the service sector also continued to improve following the growing numbers of foreign tourist arrivals and better domestic tourism trends. However, conditions in the construction sector continued to weaken due to slowing public construction. The agriculture sector also contracted as agricultural production was damaged by floods with a concurrent impact on harvest and logistics.

In Q4/2022, the Thai economy should continue to recover from strong tourism recovery. EIC estimates that foreign tourist arrivals in Thailand will reach 10.3 million persons following pent-up travel demand and easing international travel measures in various countries. Furthermore, the number of Thai visitors should increase to 202.4 million persons in 2022. Tourism growth should see significant boosts in Q4/22 as the period is a high season. Provinces in the northern and northeastern regions should be the main targets for visitors during the winter. As such, the service sector, especially regarding tourism-related services, such as hotels, restaurants, and logistics will continue to recover. Private consumption should also continue to improve as economic activities and labor market conditions increasingly return to normal.

Merchandise exports may benefit from easing container and raw material shortages, especially semiconductors. However, export growth in the big picture should stall following slowing global economic conditions. Meanwhile, only disbursements of THB 42,000 million are pending from the THB 500 billion Emergency Decree, approved in full by the cabinet.

EIC anticipates that global economic conditions should stall, levying surmounting uncertainties on Thai economic growth in 2023. Looking ahead to 2023, EIC views that various uncertainties could increasingly cloud the global economy, including economic risks, policy risks, and geopolitical risks, in which such risks should weaken global economic conditions (Figure 5) and also undermine the Thai economy by weakening the once robust export sector. Key export destinations that should see the most impact include China, with multi-faceted economic hindrances, including external challenges from slowing exports and internal challenges from the sluggish and slowly recovering real estate sector, as well as Europe and the US, which could enter a recession during late 2022 to mid-2023. Such conditions would inevitably hamper industrial production and private investment, especially those that are highly dependent on foreign markets. Furthermore, support from government stimulus may weaken following fiscal limitations that prompted the government to be more cautious about spending. Despite heightening economic uncertainties and risks from slowing global economic conditions, the Thai economy in 2023 should continue to recover from strengthening tourism and private consumption, though with risks lingering.

The Thai economy will see growing downside risks from external factors in the periods ahead, especially in 2023. Notable risks include (1) Various uncertainties could increasingly cloud the global economy including, policy risks and geopolitical risks, that could hamper Thai exports of goods and services, (2) China's implementation of the Zero Covid strategy may continue for a longer than previously anticipated period, resulting in lower numbers of Chinese tourists visiting Thailand with slower recovery, as well as extending the global supply chain disruption, (3) Domestic inflation conditions may be prolonged as oil prices remained high, (4) The damages from economic scars that were exacerbated by rising costs of living and higher inflation may impair the ability of households to service debt on a wide scale, especially vulnerable groups, and (5) Political uncertainties arising from the Thai House of Representatives election in early 2023, including heightening fiscal burden after the election from election campaign policies and widescale measures to support costs of living.

EIC will continue to monitor and analyze economic impacts in various dimensions before publishing the updated economic forecasts again in late November.

Figure 1: Thai Q3/2022 GDP growth strongest in 5 quarters.

Expenditure Approach

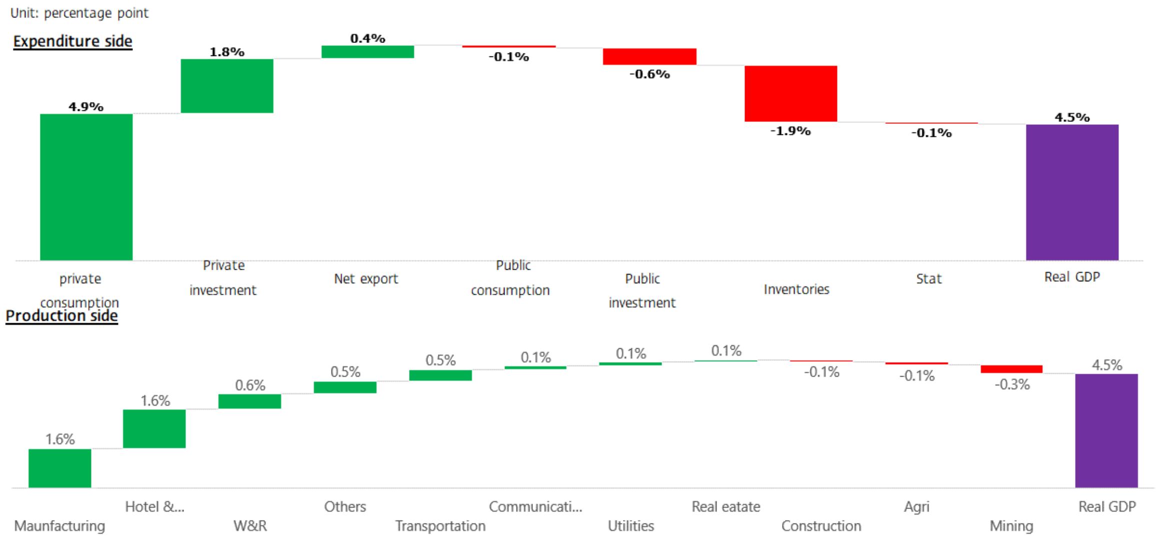
%YoY	% of GDP	2020	2021	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	YTD
RGDP	**100.0%**	**-6.2%**	**1.5%**	**-0.2%**	**1.8%**	**2.3%**	**2.5%**	**4.5%**	**3.1%**
Private Consumption	54.1%	-1.0%	0.3%	-3.2%	0.4%	3.5%	7.1%	9.0%	6.5%
Public Consumption	16.0%	1.4%	3.2%	1.5%	8.1%	7.2%	2.8%	-0.6%	2.9%
Total Investment	24.7%	-4.8%	3.4%	-0.4%	-0.2%	0.8%	-1.0%	5.2%	1.6%
Private Investment	17.8%	-8.2%	3.3%	2.6%	-0.8%	2.9%	2.3%	11.0%	5.3%
Public Investment	6.8%	5.1%	3.8%	-6.2%	1.7%	-4.7%	-9.0%	-7.3%	-7.0%
Export G&S	66.2%	-19.7%	10.4%	12.3%	17.6%	12.1%	8.5%	9.5%	10.0%
Export Goods	61.7%	-5.8%	14.9%	12.0%	16.6%	10.2%	4.6%	2.7%	5.8%
Export Services	5.3%	-61.3%	-23.1%	14.7%	28.8%	32.5%	54.5%	87.0%	57.9%
Import G&S	68.0%	-14.1%	17.9%	29.5%	16.4%	6.2%	9.5%	8.2%	8.0%
Import Goods	57.9%	-10.6%	18.3%	28.0%	14.0%	4.2%	7.1%	8.0%	6.5%
Import Services	10.5%	-27.8%	16.0%	37.1%	28.1%	13.7%	18.9%	8.9%	13.7%

Production Approach

%YoY	% of GDP	2020	2021	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	YTD
RGDP	**100.0%**	**-6.2%**	**1.5%**	**-0.2%**	**1.8%**	**2.3%**	**2.5%**	**4.5%**	**3.1%**
Agriculture	6.3%	-3.5%	1.0%	2.2%	-0.6%	4.7%	4.4%	-2.3%	2.7%
Industrial	32.5%	-5.9%	3.4%	-1.7%	2.6%	0.6%	-1.8%	4.7%	1.1%
Mining	1.9%	-8.9%	-7.1%	-11.4%	-13.4%	-18.5%	-22.4%	-14.8%	-18.7%
Manufacturing	27.4%	-5.6%	4.9%	-0.9%	3.8%	2.0%	-0.5%	6.3%	2.5%
Electricity, gas	2.7%	-8.0%	-2.5%	-2.4%	2.1%	2.1%	1.4%	5.8%	3.0%
Services	62.3%	-6.7%	0.7%	0.3%	1.7%	2.9%	4.5%	5.3%	4.2%
Construction	2.9%	1.3%	2.7%	-4.2%	-0.8%	-5.5%	-4.5%	-2.8%	-4.3%
Wholesale & Retail	15.9%	-3.2%	1.7%	2.7%	3.0%	2.8%	3.1%	3.5%	3.1%
Transport & Storage	5.3%	-22.9%	-2.9%	-1.4%	3.2%	4.2%	5.2%	9.9%	6.4%
Hotel & Restaurant	3.6%	-37.5%	-14.4%	-19.0%	-4.9%	33.5%	44.9%	53.6%	43.7%
Info & Communication	6.2%	1.1%	5.6%	6.8%	5.3%	5.7%	6.3%	4.9%	5.6%
Finance	8.4%	5.1%	5.7%	6.1%	4.4%	1.3%	1.6%	0.5%	1.1%
Real Estate	4.3%	1.5%	1.8%	0.7%	1.5%	1.0%	2.4%	3.0%	2.1%
Public	5.2%	1.6%	0.6%	0.1%	0.1%	-3.2%	0.2%	0.8%	-0.7%
Education	3.3%	1.3%	0.6%	0.5%	0.8%	0.8%	1.7%	3.1%	1.8%

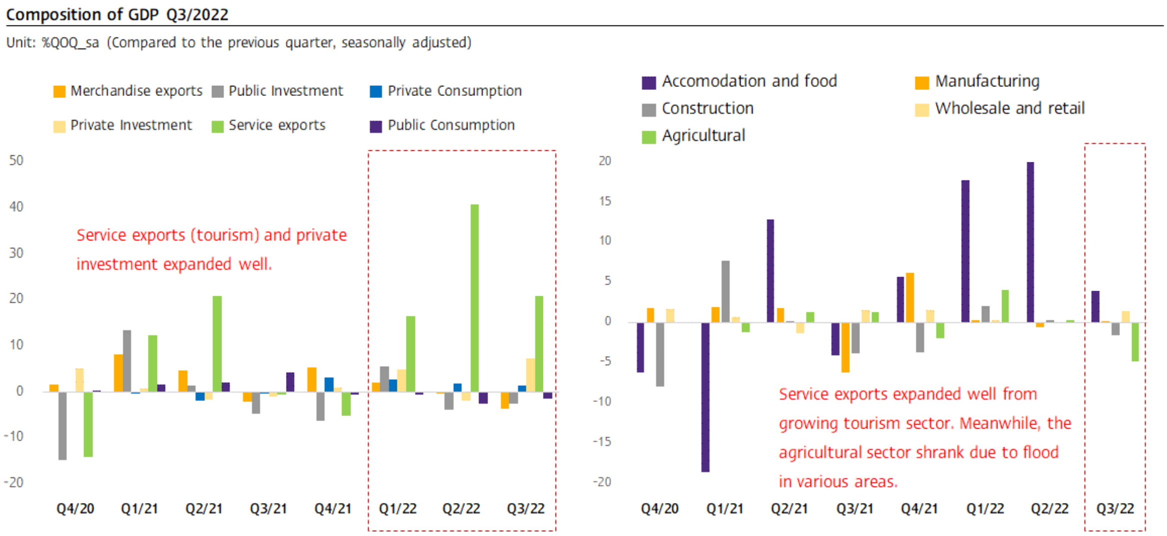
Source: EIC analysis based on data from the National Economic and Social Development Council

Figure 2: Contribution to growth of Real GDP in Q3/2022



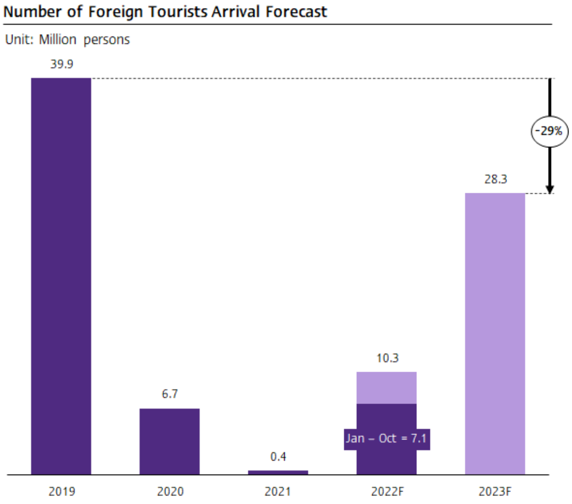
Source: EIC analysis based on data from the National Economic and Social Development Council

Figure 3: Economic activities increasingly recover from COVID-19 casualties amid weakening support from the government.



Source: EIC analysis based on data from the National Economic and Social Development Council

Figure 4: The service sector, especially tourism, stepped up to be Thailand's key economic driver in place of the stalling export sector.



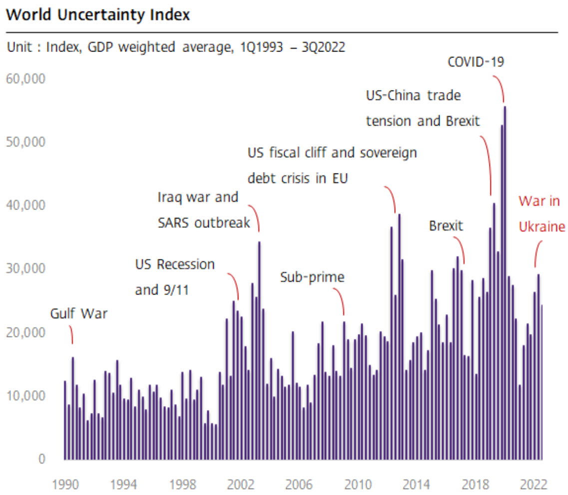
Thai Exports by Key Destinations

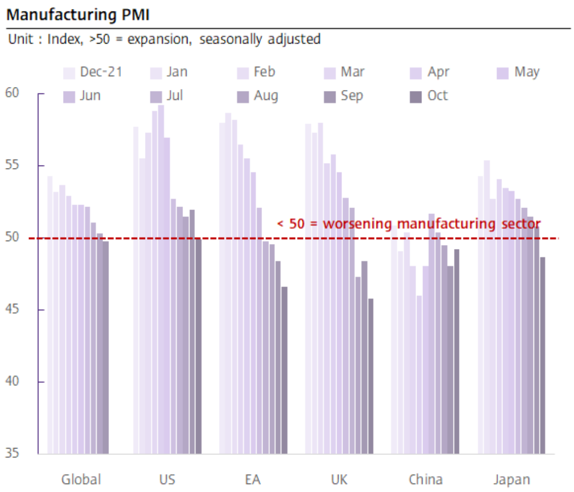
Unit: %YOY (2021 share), customs basis

	2021	2021Q4	2022Q1	2022Q2	Jul-22	Aug-22	Sep-22
Total Exports	17.4%	23.1%	14.8%	10.8%	4.3%	7.5%	7.8%
U.S. (15.4%)	21.9%	25.2%	23.3%	17.8%	4.7%	16.3%	26.1%
China (13.7%)	25.0%	17.8%	4.2%	-1.9%	-20.6%	-20.1%	-13.2%
ASEAN5 (13.7%)	19.9%	44.1%	26.9%	23.1%	21.3%	5.8%	9.0%
CLMV (10.3%)	14.5%	13.6%	5.5%	14.1%	24.2%	41.1%	26.3%
Japan (9.2%)	9.6%	-0.2%	1.2%	1.6%	-4.7%	6.6%	-1.7%
EU28 (9.3%)	21.3%	20.3%	7.5%	4.5%	9.3%	20.7%	22.2%
Hong Kong (4.3%)	2.7%	9.1%	5.0%	-7.3%	-31.3%	-18.1%	-17.9%
Australia (4%)	11.5%	16.9%	-2.4%	-3.3%	19.9%	21.3%	12.7%
Middle East (3.3%)	22.2%	37.2%	14.9%	28.9%	26.8%	38.5%	47.4%
India (3.2%)	56.0%	50.6%	33.1%	60.4%	33.3%	18.0%	-3.4%

Source: EIC analysis based on data from the Ministry of Tourism and Sports and Ministry of Commerce

Figure 5: Uncertainties may increasingly cloud the global economy, including economic risks, policy risks, and geopolitical risks, amid more widespread indications of slowdowns in global economic activities.





Source: EIC analysis based on data from the World Uncertainty Index (Ahir et al. 2018) and CEIC

Author

POONYAWAT SREESING, Ph.D. (poonyawat.sreesing@scb.co.th)

SENIOR ECONOMIST

VISHAL GULATI (vishal.gulati@scb.co.th)

ANALYST

ECONOMIC AND FINANCIAL MARKET RESEARCH

SOMPRAWIN MANPRASERT, Ph.D.

First Executive Vice President, Chief Economist at Economic Intelligence Center (EIC), Siam Commercial Bank and FEVP, Chief Strategy Officer at Siam Commercial Bank.

THITIMA CHUCHERD, Ph.D.

HEAD OF ECONOMIC AND FINANCIAL MARKET RESEARCH

WACHIRAWAT BANCHUEN

SENIOR ECONOMIST

POONYAWAT SREESING, Ph.D.

SENIOR ECONOMIST

ASAMA LIAMMUKDA, Ph.D.

ANALYST

JONGRAK KONGKUMCHAI

ANALYST

NICHANAN LOGEWITOOL

ANALYST

PUNN PATTANASIRI

ANALYST

VISHAL GULATI

ANALYST

SCB | EIC

"Economic and business intelligence for effective decision making"

ECONOMIC INTELLIGENCE CENTER

Siam Commercial Bank

In-depth:
Economics Indicators

Impact:
Business Briefs

Update:
Stories that Matter

Stay connected

Find us at

LINE @scbeic

www.scbeic.com