

Q3/2024

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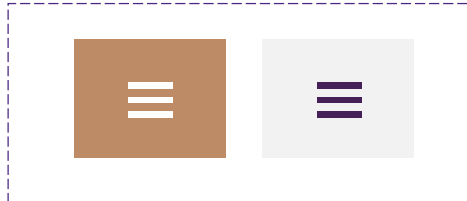
Outlook

Economic outlook 2024-2025
as of Q3/2024

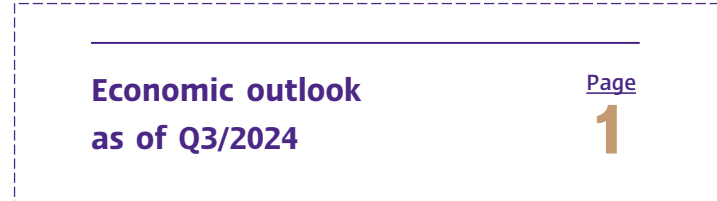
The Thai economy in 2025
with fading key growth drivers



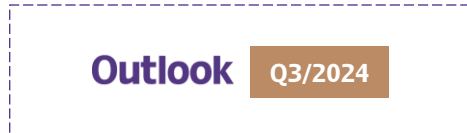
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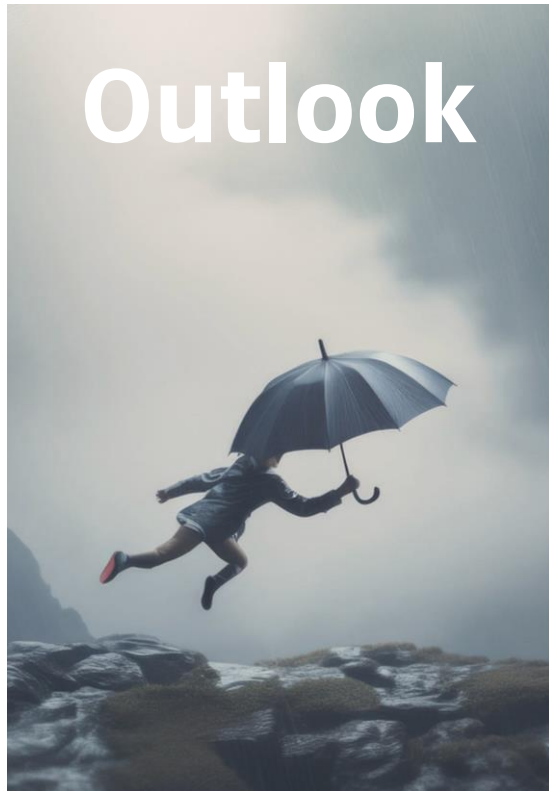
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Executive summary



The global economy is projected to slow down in the second half of 2024, in line with expectations, with annual growth reaching 2.7%. A soft landing is likely, with a slight acceleration in growth to 2.8% in 2025. Despite market concerns about the possibility of a global recession (hard landing), particularly in the US due to a sharp rise in unemployment that signals recession risks, SCB EIC believe the likelihood of a soft landing remains high. This outlook is supported by various reasons such as the strong momentum of major economies in the first half of 2024 and early indicators of continued expansion. The rise in US unemployment is partly due to an increase in labor supply, not just a decline in labor demand. Additionally, major central banks are expected to continue gradually cutting interest rates, supported by slowing economic growth and easing inflation. This monetary policy shift should help cushion the economy and reduce the risk of a global recession.

Nonetheless, geopolitical factors will continue to weigh on global economic growth, making it more vulnerable in the medium term. Prolonged geopolitical conflicts are expected to drive adjustments in global supply chains and trade, accompanied by an increase in protectionist measures between countries. These developments are likely to prevent inflation and policy interest rates in most major economies from returning to historically low levels. Additionally, the international policies of the United States following its general election later this year will play a crucial role in shaping the direction of global trade moving forward.



SCB EIC projects that Thailand's economy will grow modestly in 2024 and 2025, at rates of 2.5% and 2.6%, respectively. The tourism sector remains the primary driver of growth, with an estimated 39.4 million foreign tourists expected in 2025. However, the recovery in international tourist numbers will continue to face pressure, particularly from the slow return of Chinese group tours. Meanwhile, exports are expected to grow at a slower pace than in the past, partly due to declining competitiveness. Although industrial production is gradually recovering alongside slight improvements in exports, it remains under pressure from high inventory levels and weak domestic demand. **Private consumption is expected to weaken**, especially in durable goods, with continued contractions in car sales. In addition, agricultural income is likely to decline as key agricultural product prices fall next year. This will be exacerbated by a slowdown in consumer credit, driven by deteriorating credit quality, which aligns with low consumer confidence in Thailand's economy for 2024, as reflected in the SCB EIC Consumer Survey. **Consumers are expected to reduce spending on non-essential goods and services. Further government stimulus will be constrained by fiscal limitations**, with SCB EIC noting that the Digital Wallet scheme, although involving substantial funding, will only provide temporary and limited economic stimulus. As a result, Thailand's public debt may approach its ceiling by 2027.

SCB EIC expects the Monetary Policy Committee (MPC) to begin lowering the policy interest rate in December, continuing into early next year, with the rate projected to reach 2%. This move is driven by clear signs of weakening domestic demand, partly due to prolonged tight financial conditions. **Regarding the Thai baht, it has recently appreciated rapidly due to a weakening US dollar**, rising gold prices, and easing concerns over Thailand's political situation. In the short term, the baht may depreciate slightly due to factors from the US, but it is expected to return to a strengthening trend following the US's monetary easing cycle. SCB EIC forecasts the baht to be within the range of 34 to 34.5 per USD by the end of 2024 and 33 to 34 per USD by the end of 2025.



Thailand's business sector is facing structural challenges, which threaten its role as a key economic driver. Notably, two sectors stand out: **1) The automotive industry**, which risks losing approximately 40% of its domestic production capacity if car manufacturers fail to keep pace with shifting consumer trends. **2) SMEs, which are under pressure** from weak domestic purchasing power and further strained by competition from imported goods. These businesses are also hindered by outdated production and marketing processes. To enable sustainable growth for these sectors, a combination of short-term economic stimulus measures and long-term policies aimed at enhancing competitiveness is essential. Both strategies must be implemented in tandem to address these challenges effectively.

Thai Economy in 2024 and 2025

The outlook for Thailand's economy in 2025 as the key driving forces gradually diminish.

Key forecasts

(Previous forecast)



GDP
(%YOY)

2024F
2.5
(2.5)

2025F
2.6
(2.9)

SCB EIC forecasts low economic growth for Thailand in 2024 and 2025 at 2.5% and 2.6%, respectively, with tourism remaining the primary driving force. Exports are expected to grow at a slower pace than in the past due to declining competitiveness. Although industrial production will begin to recover gradually in line with some improvement in exports, it will continue to face pressure from high inventory levels and fragile domestic demand. Private consumption is expected to weaken significantly, driven by negative sentiment regarding the economy, the high cost of living, and elevated debt levels. Meanwhile, the government's ability to further stimulate the economy will be constrained by growing fiscal limitations.

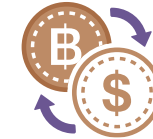


Policy rate (year-end)
(%)

2024F
2.25
(2.25)

2025F
2.0
(2.0)

SCB EIC estimates that the Monetary Policy Committee (MPC) will reduce the policy interest rate by 1% in December, followed by another cut early next year, bringing the rate down to 2%. This move reflects clearer signs of weakening domestic demand, partly as a result of prolonged tight financial conditions.



Exchange rate (year-end)
(THB/USD)

2024F
34-34.5

2025F
33-34

The Thai baht has appreciated rapidly recently due to a weakening U.S. dollar index, rising gold prices, and the easing of political concerns in Thailand. In the short term, the baht may depreciate slightly due to U.S. factors before returning to an appreciation trend following the U.S. economic easing cycle. By the end of 2024 and 2025, the baht is projected to range between 34–34.5 and 33–34 baht per U.S. dollar, respectively.

Thai Economy in 2024 and 2025

Positive factors



Tourism and the service sector have shown a strong recovery.



The export sector is gradually improving with continuous momentum.



Government economic stimulus measures are in place to further support the economy.

Negative factors



Higher household fragility is exerting pressure on consumption.



Private investment is expected to continue contracting, particularly in residential construction and vehicle investments, reflecting the declining demand in the housing and automobile markets amid rising loan defaults and higher credit rejection rates.

Risk factors



The global economy faces a hard landing due to the slow easing of monetary tightening policies.



Political instability in Thailand leads to inconsistent fiscal stimulus.



Tightened financial conditions and limited access to credit are increasingly impacting the real economy.

Global Economy in 2024 and 2025

The global economy is expected to slow down in the second half of 2024 but is likely to experience a soft landing in 2025, though with rising downside risks. In the medium term, global growth will be lower than in the past, partly due to geopolitical factors.



Economic growth



SCB EIC maintains its global economic growth forecast for 2024 at 2.7%. The economies of the Eurozone, India, and ASEAN-5 are expected to grow better than previously anticipated, while the outlook for the U.S., Japan, and China remains unchanged.

The global economy in 2025 is projected to grow by 2.8%, slightly better than previous forecasts due to modest improvements in the Eurozone, Japan, and China. Meanwhile, the outlook for the U.S., India, and ASEAN-5 remains unchanged.



Inflation rate



SCB EIC estimates that global inflation will gradually slow down in the second half of 2024 and throughout 2025, approaching the 2% target range set by most major central banks.



Monetary policy direction



Major central banks have begun gradually reducing policy interest rates in Q2 2024, with further cuts likely to continue throughout the remainder of 2024 and into 2025.

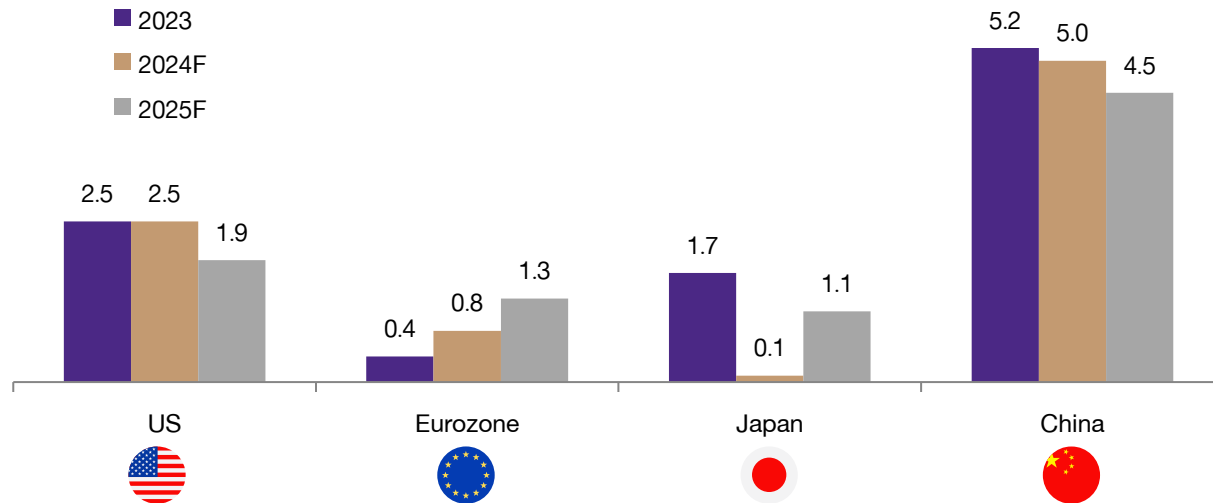
Although the monetary policy stance has begun to ease, real interest rates remain at elevated levels.

In contrast, the BOJ is likely to raise its policy interest rate again as early as the end of 2024, following an upward revision of its medium-term inflation forecast approaching the 2% target and rising wages.



Economic growth in 2023-2025

Unit: %YOY



Positive factors



Global inflation is slowing down.



Policy interest rates are expected to gradually decline, though they will remain elevated.



International trade is likely to improve in 2025.



The service sector continues to show potential for further expansion.



Fiscal measures may be implemented to provide short-term economic stimulus or enhance long-term economic potential.



There is growing momentum in investment and the adoption of AI and data centers.

Risk factors



Prolonged geopolitical conflicts are leading to disruptions in global supply chains and international trade.



Trade protectionism is increasing.



China's manufacturing overcapacity poses ongoing challenges.



The U.S. election and policy uncertainty, particularly if Trump wins, could result in global import tariff hikes.



Global financial markets volatility.

Global economic headwind & risk map in 2024 and 2025





Global Economy

Global economic growth will likely decelerate in the latter half of 2024 before making a soft landing in 2025, given lower policy rates and subsiding inflation. Yet, global economic risks have become increasingly negative, and medium-term growth is expected to fall behind the past readings, hampered by geopolitical tension.

Global economic growth will moderate in 2H24 and head towards a soft landing in 2025 amid higher negative risks. Medium-term growth is likely to lag behind previous levels partly due to geopolitical pressures.

SCB EIC's global economic growth projection

GDP Growth (%YOY)	2023	2024F		2025F	
		As of Jun 24	As of Sep 24	As of Jun 24	As of Sep 24
Global	2.7%	2.7%	2.7%	2.7%	2.8%
US	2.5%	2.5%	2.5%	1.9%	1.9%
Eurozone	0.4%	0.7%	0.8%	1.2%	1.3%
Japan	1.7%	0.1%	0.1%	1.0%	1.1%
China	5.2%	5.0%	5.0%	4.4%	4.5%
India	7.7%	7.1%	7.2%	6.8%	6.8%
ASEAN-5	4.3%	4.7%	4.9%	5.0%	5.0%

Factors supporting a soft landing in 2025



Cooling inflation paves the way for domestic demand globally.



Lower policy rates will ease global financial conditions.



Global trade is gaining momentum.



The labor market remains solid.

Geopolitical tensions will keep the global medium-term growth below its past readings.



Ongoing geopolitical conflicts are reshaping global trade and supply chain dynamics.



Protectionism intensifies and becomes more pervasive.



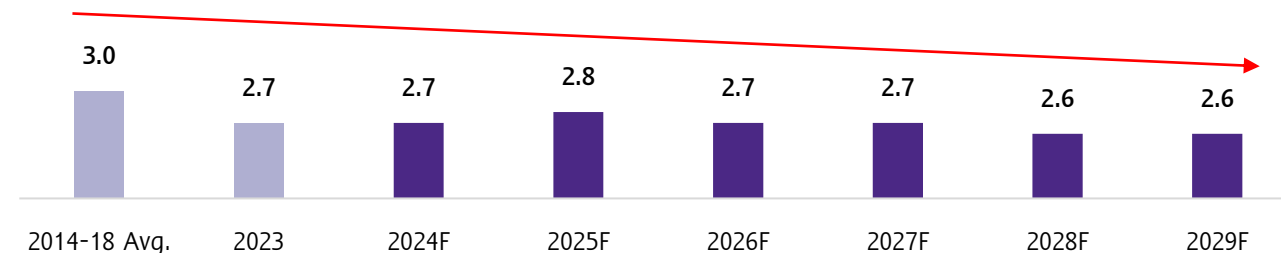
Global inflation will hover above the past average due to trade protectionism, with policy rate also likely hovering above pre-Covid level.



Rising policy uncertainties may exacerbate volatility in global financial markets.

SCB EIC's global economic growth forecast over the medium term

Unit: %YOY



Concerns over a hard landing resurface, particularly in the US, where a sudden surge in unemployment rate has triggered recession warning indicators.

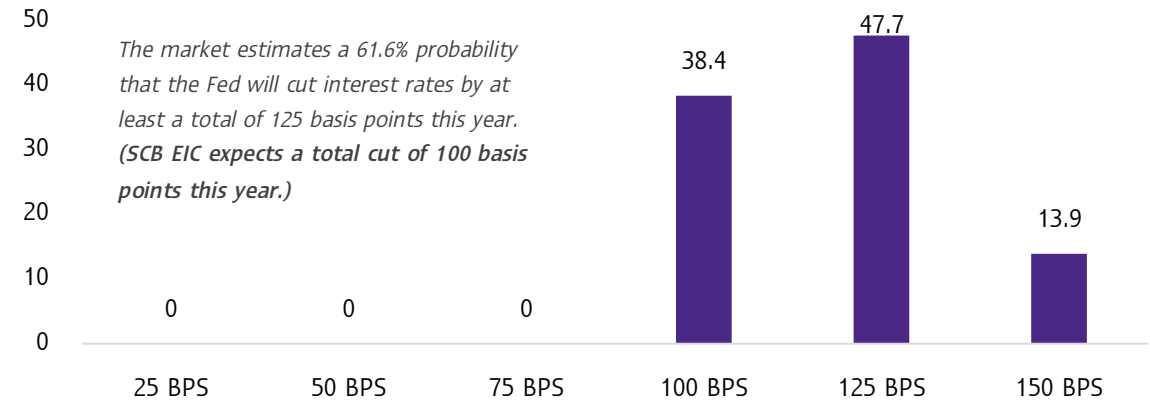
Google search for "Recession"

Unit: Index (0-100)



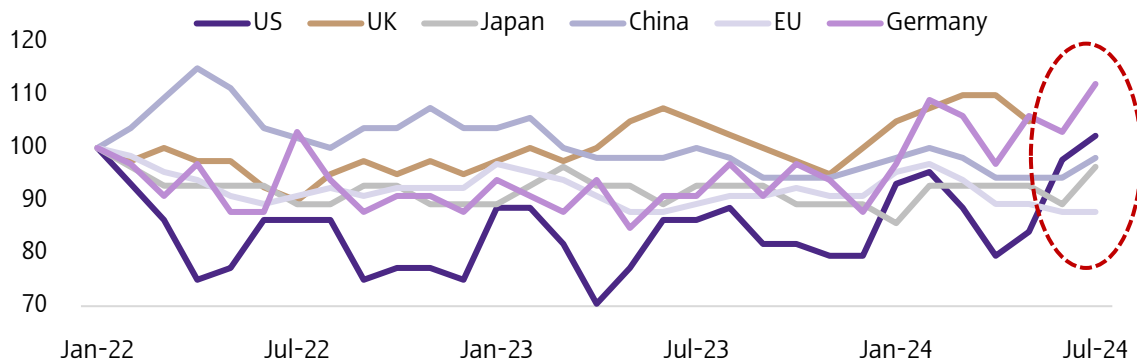
Federal Reserve's rate cut forecasts, 2024

Unit: % Probability and magnitude of a Fed rate cut in 2024, as of September 19, 2024.



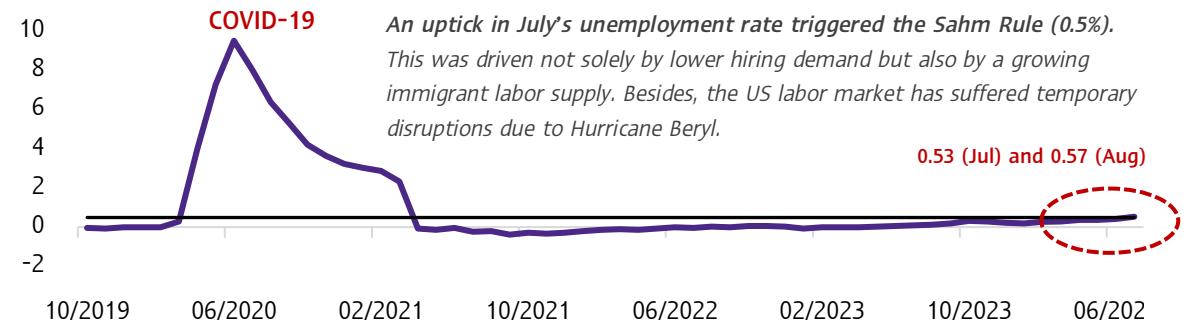
Rising unemployment rates in major economies, esp. the US, could constrain future consumption.

Unit: Index (Jan 2022 = 100)



US' Sahm Rule Recession Indicator

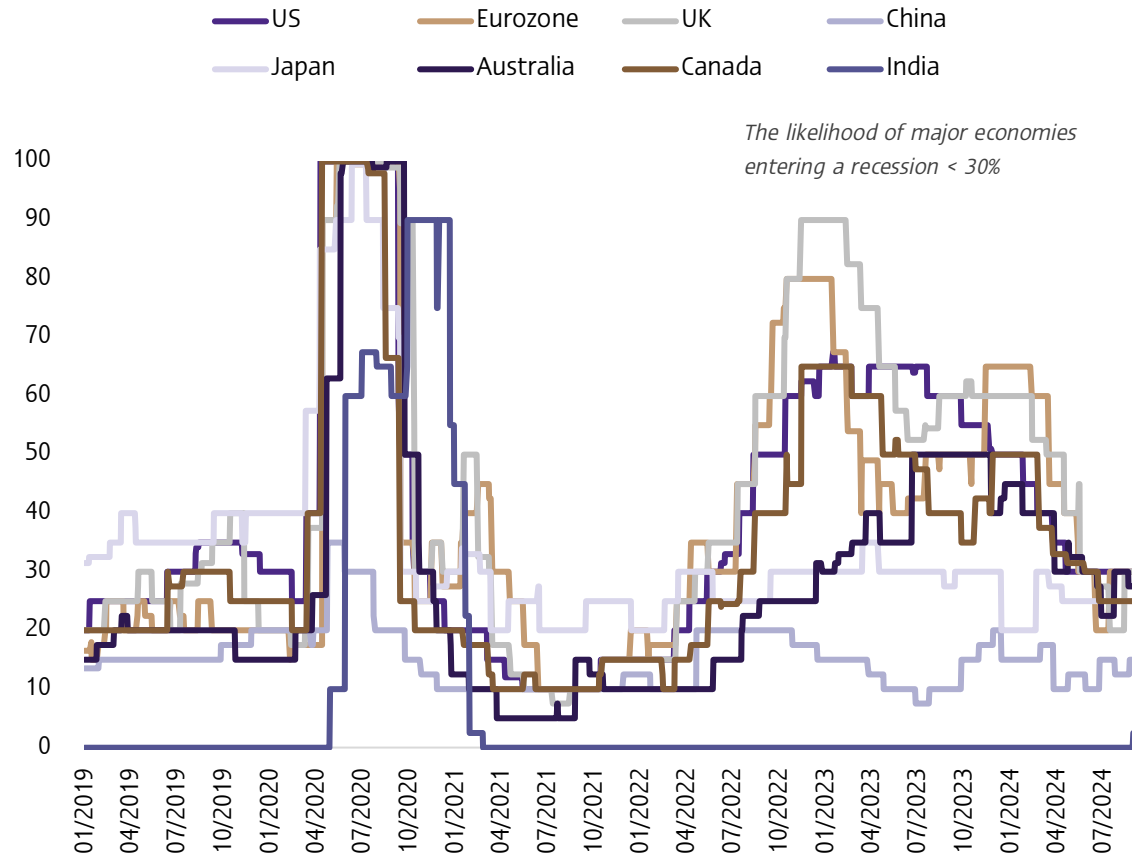
Unit: Difference between the 3-month moving average of the unemployment rate and the lowest 3-month average from the preceding 12 months, **Index > 0.5 signals the start of a recession**



The likelihood of a soft landing remains high, while the possibility of a hard landing is small but not negligible. A notable driver is the strong growth momentum from Q2.

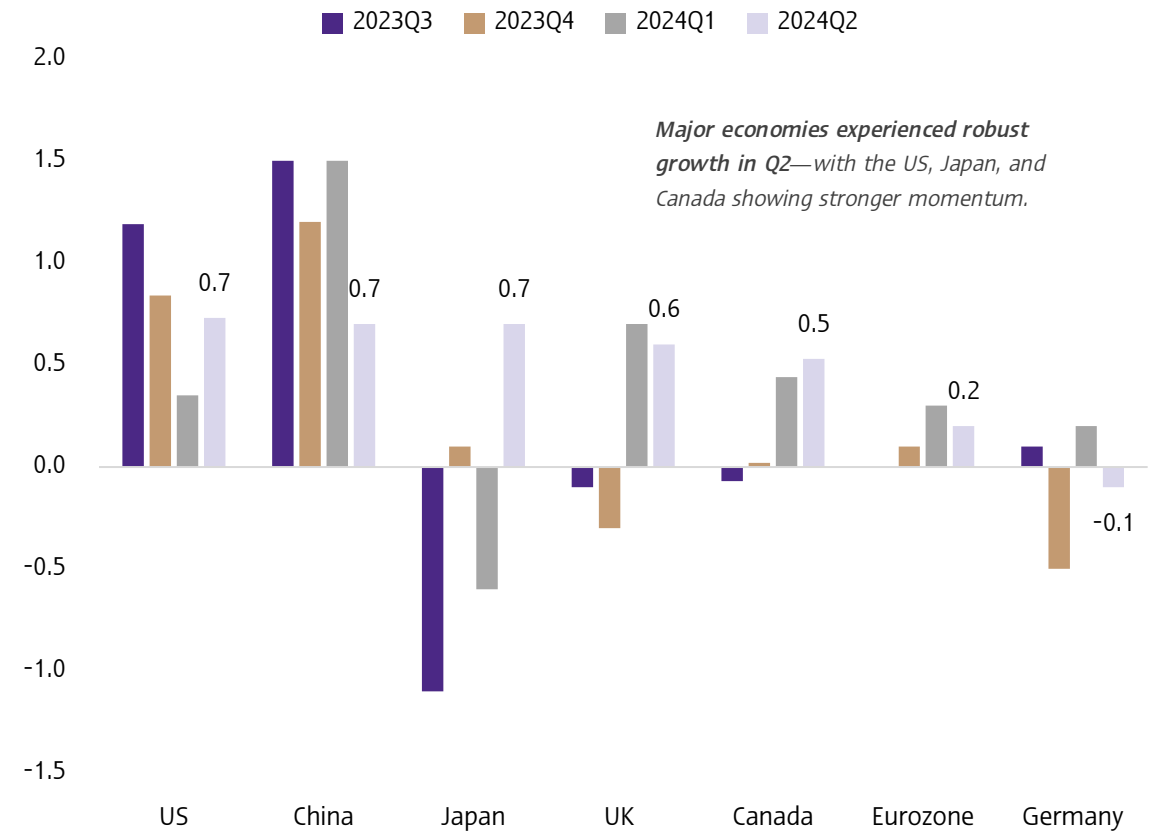
Probability of a recession over the next 12 months

Unit: %, data as of 6 Sep 2024



Quarterly economic growth of major countries

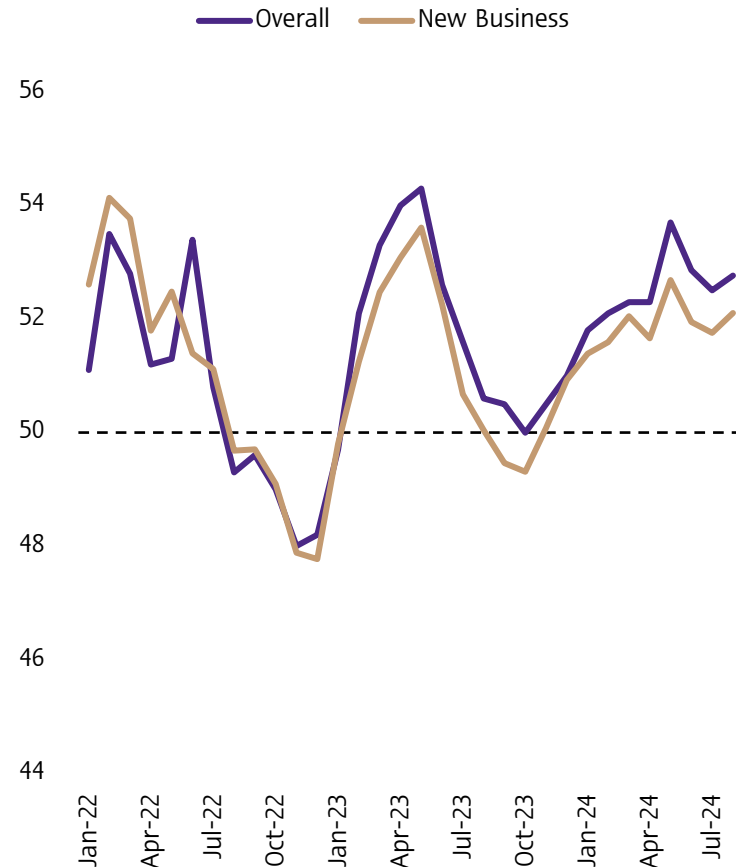
Unit: %QOQ_SA



The Global PMI continues to signal expansion both presently and in the months ahead, particularly in the service sector, contrasting with manufacturing trends.

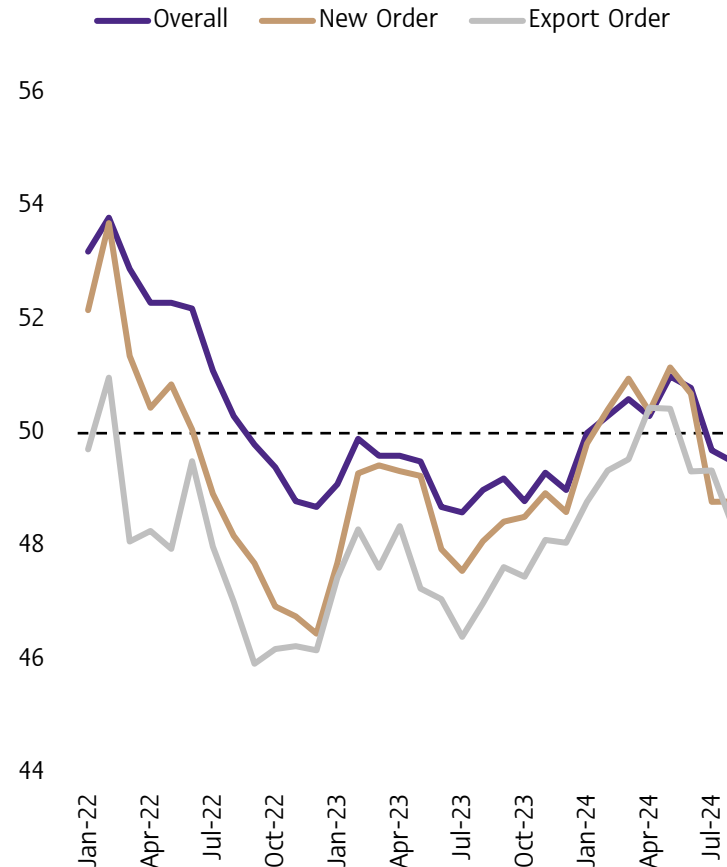
Global Composite PMI

Unit: Index > 50 = expansion



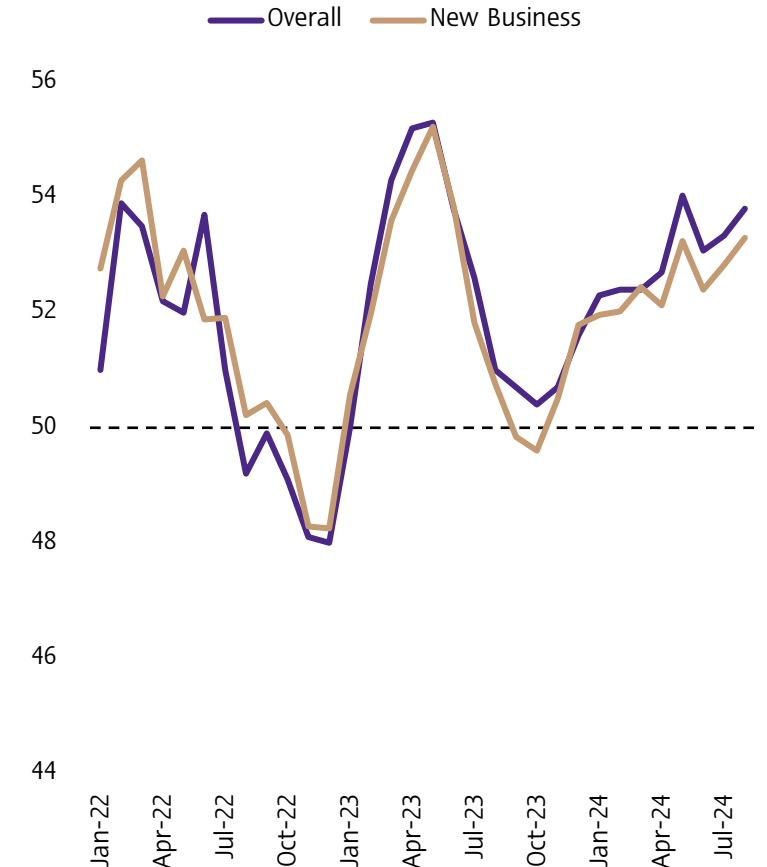
Global Manufacturing PMI

Unit: Index > 50 = expansion



Global Services PMI

Unit: Index > 50 = expansion

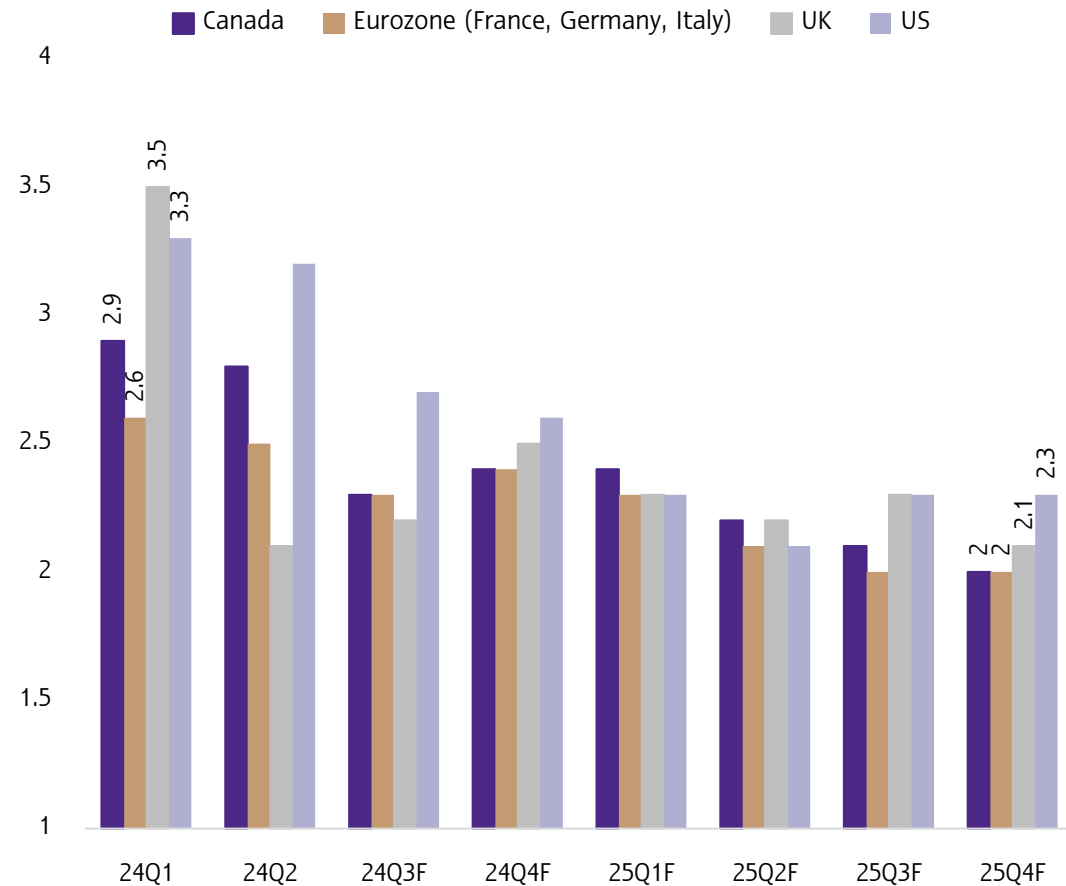


Note: Overall PMI reflects current economic climate; New Order and New Business indicate future conditions; Export Order tracks the number of orders from foreign countries and includes only manufacturing orders.
 Source: SCB EIC analysis based on data from S&P Global and JP Morgan.

Major central banks' rate cuts will continue into 2025 to shore up economic activities and mitigate recession risks, given the economic slowdown and subsiding inflation.

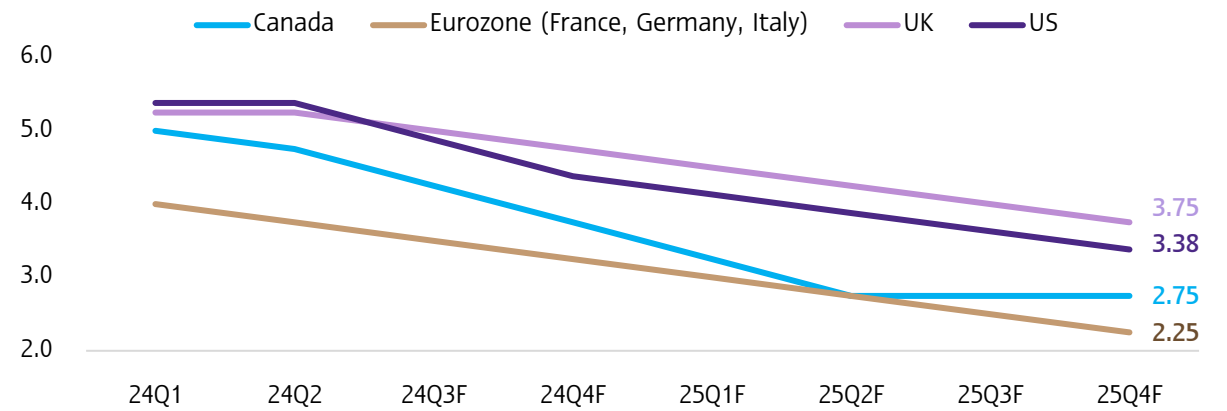
G7 inflation forecast (excl. Japan), Bloomberg Median

Unit: %YOY



G7 policy rate forecast (excl. Japan) by SCB EIC

Unit: %, mid-point



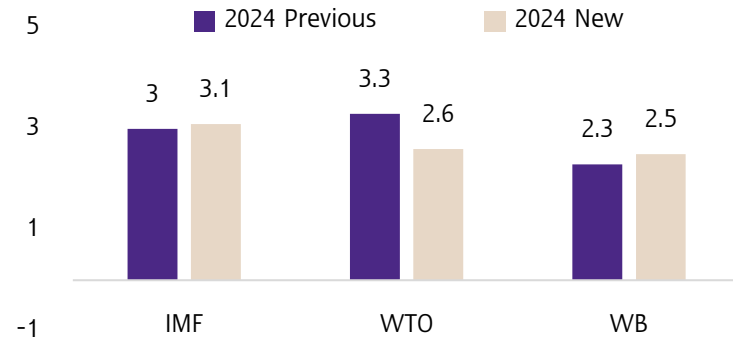
Country	2023	Current rate	2024F	2025F
BOC (Canada)	5	4.25	3.75	2.75
ECB (Eurozone)	4	3.75	3.25	2.25
Fed (US)	5.38	4.88	4.38	3.38
BOE (UK)	5.25	5	4.75	3.75
BOJ (Japan)	-0.05	0.25	0.5	0.75

Major central banks will lower their policy rates over the coming year given the economic slowdown and subsiding inflation. In contrast, the BOJ will gradually raise its policy rate toward the neutral rate over the next two years, after recovering from a decades-long deflation.

Global trade volume tends to expand in 2025, partly buoyed by declining inflation and interest rates. Yet, risks remain from potential surges of freight charges and trade protectionist measures.

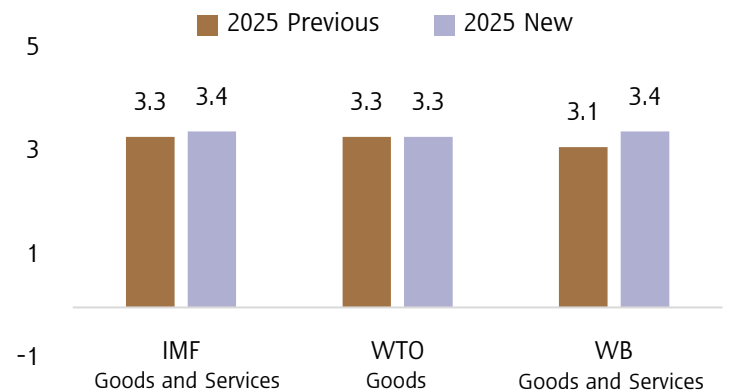
Global trade volume forecast, 2024

Unit: %YOY



Global trade volume forecast, 2025

Unit: %YOY



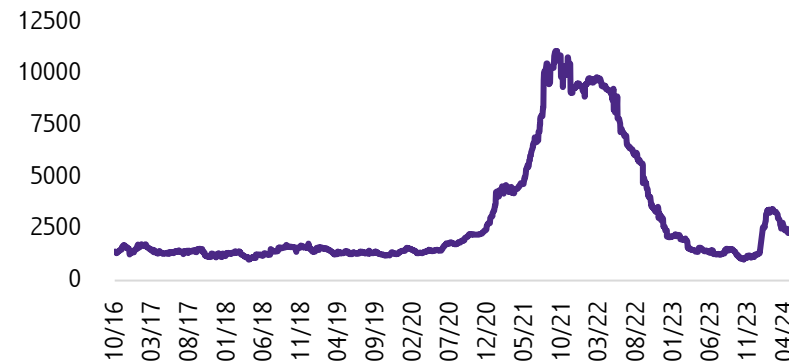
US-China trade shrank, but trade with allied nations increased

Unit: Index (June 2018 = 100)



Freightos: Global Container Freight Index (FBX00)

Unit: Index



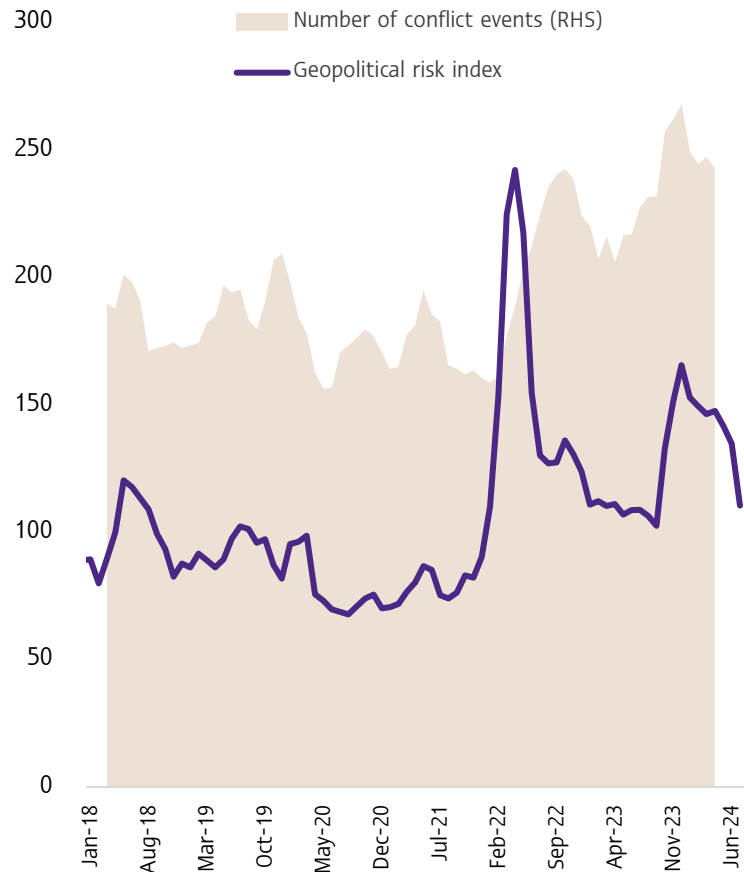
Outlook on global trade has been improving, but growth could fall below forecasts due to...

- **Geopolitical uncertainties and economic decoupling**, which resulted in growing intra-bloc trade, shrinking trade between conflicting blocs, and deteriorating global trade efficiency
- **Prolonging and escalating wars in many areas**, especially after Ukraine made its first invasion into Russia. Meanwhile, Iran's growing influence could lead to the regional escalation of the Israel-Hamas war.
- **Intensifying trade protectionism**, which could expand into more regions and disrupt global supply chains
- **Weaker-than-expected demand from leading importers due to domestic economic challenges**, such as stagnant demand in China and potential recession in the US
- **Possible surges in freight surcharges** from extreme weather or heightened trade barriers against Chinese imports, potentially triggering a short-term spike in demand for Chinese products to avoid higher tariffs
- **The US presidential election outcomes** in Nov that will determine future global trade direction

Medium-term risks are skewed to the downside. Persistent geopolitical tensions and escalating trade protectionism pose risks to global supply chains, trade, and inflation

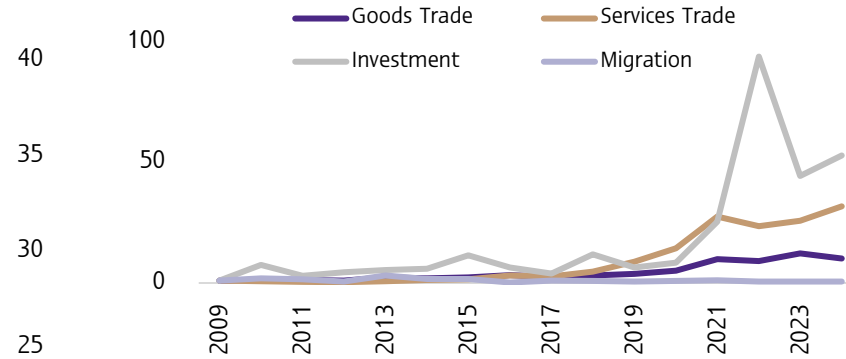
Geopolitical risks and number of conflicts remain high

Unit: Geopolitical Risk Index (LHS), number of conflict events per 1 million people (RHS)



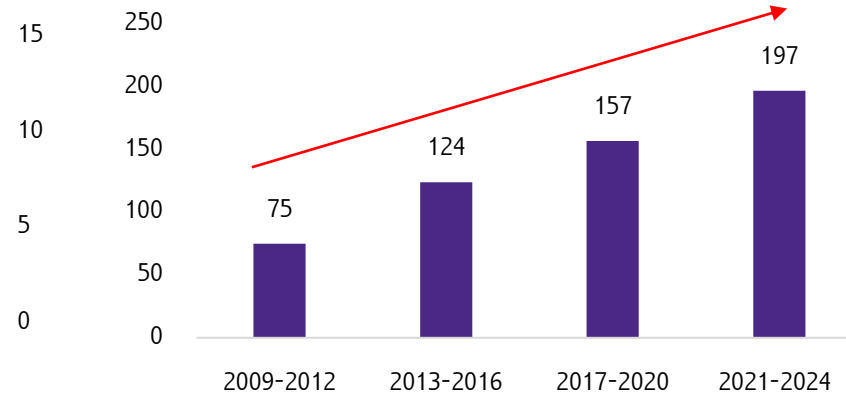
Global protectionist measures by categories

Unit: Index, 2009 = 1, YTD as of 5 Sep of each year



Protectionist measures on trade have become pervasive

Unit: Number of goods and services that are subject to 100+ measures



Outlook on geopolitical conflicts and protectionist measures

- **International relations become more fragile.** Without effective mechanisms for cooperation and fair distribution of benefits, the risk of severe conflicts remains high.
- **Wars and severe conflicts occur more frequently.** As global decoupling intensifies, sanctions and international negotiations will lose their effectiveness.
- **Besides economic factors, several countries emphasize national security and geopolitical stances.** Many will reduce trade with high-risk partners and increase trade with allied nations, even if they have lower productivity than previous partners. This shift could further disrupt global supply chains.
- **Trade protectionism will intensify with more stringent measures, broader coverage, and faster enforcement.** Regardless of global election outcomes, protectionism is likely to expand into investment and the service sector.
- **A wider range of goods and services will be subject to trade protectionism,** particularly those related to national strategies and security.
- **Global inflation will stay above its past averages and derail the global economy.** Highly trade-reliant countries are particularly exposed to rising import tariffs, which could heighten manufacturing costs, worsen international trade efficiency, and pressure domestic prices.



Thai Economy

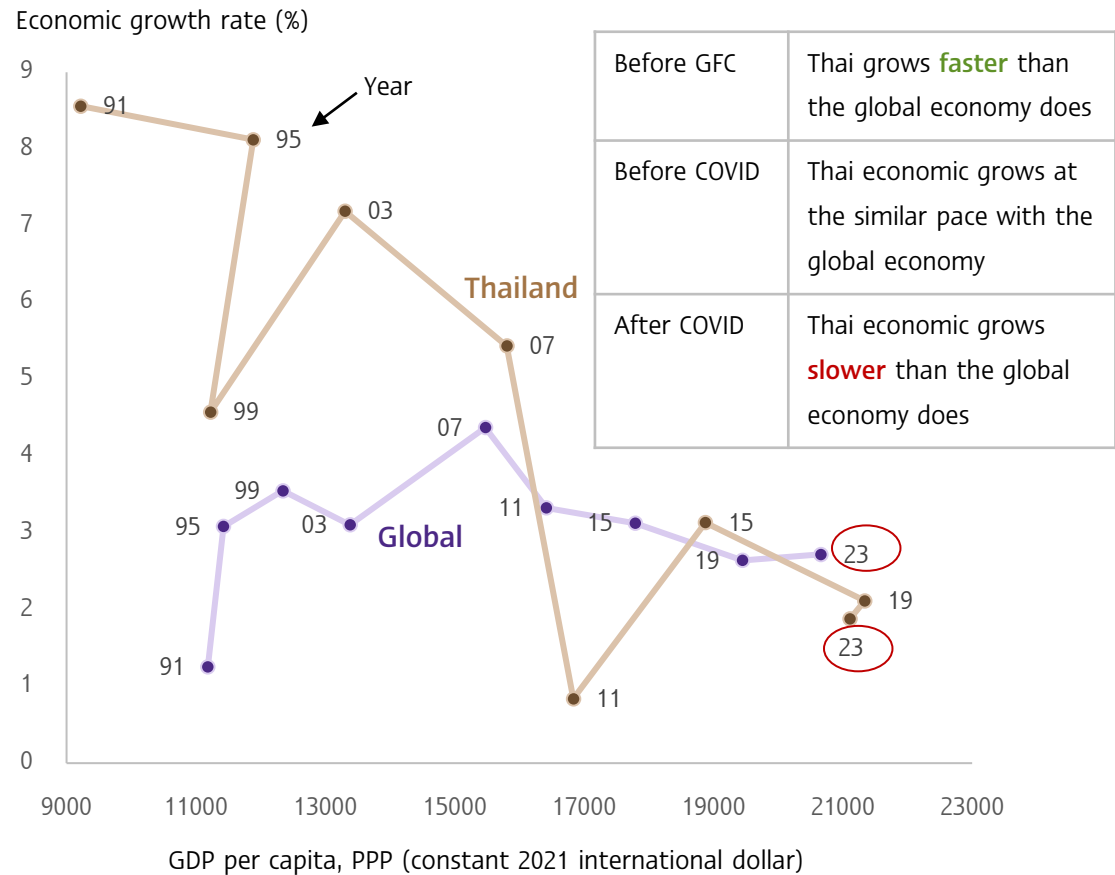
The economy begins to lose its momentum due to greater restrictions on economic growth

Thai economy is likely to expand at the slower pace than the global economy does with lower growth than that of most countries with comparable income level.

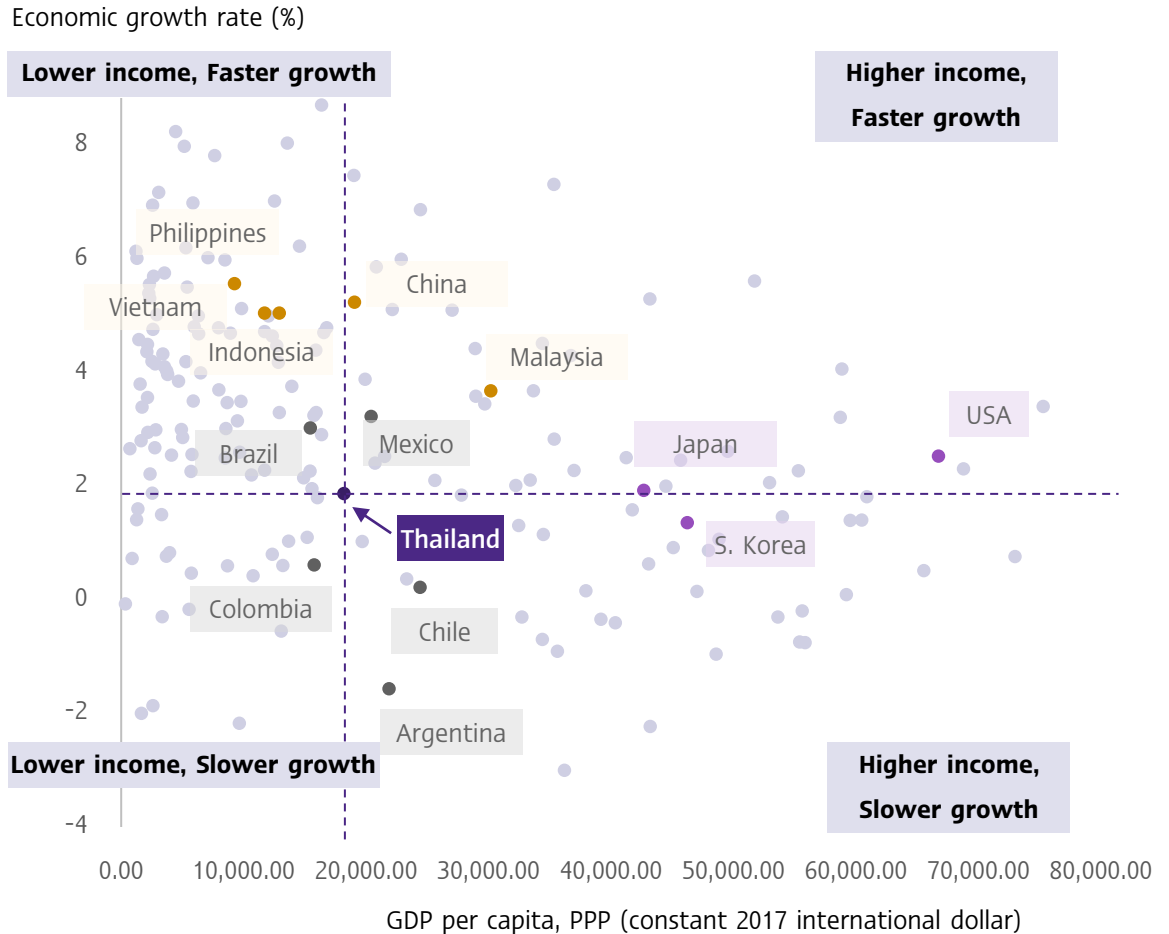
Thai economy has not only been expanding slowly but also begun to grow more slowly than the global economy does

Thai economy's income per capita level and economic growth have become progressively worse, beginning to deviate from the regional countries while approaching LATAM countries

The development of economic growth and GDP per capita of the global and Thai economy



Economic growth and GDP per capita of several countries in 2023



Note: Data regarding economic growth and GDP per capita in 2023 is partly from IMF's projection (WEO April 2024). Source: SCB EIC analysis based on data from IMF and World Bank.

SCB EIC expects Thai economy to have subdued growth in 2024 and 2025 as the economy's main components lose their momentums as well as greater downside risks from domestic and international uncertainties.

SCB EIC's Thai's economic medium-term projections

Thailand's Economic Forecast (Base case)	Unit	2024F		2025F	
		As of Jun 24	As of Sep 24	As of Jun 24	As of Sep 24
GDP	%YOY	2.5	2.5	2.9	2.6
Private consumption	%YOY	3.2	3.7	2.9	2.4
Public consumption	%YOY	1.4	1.4	3.7	3.7
Private investment	%YOY	3.6	-0.4	4.8	3.8
Public investment	%YOY	-0.5	-0.5	4.2	4.2
Goods exports value	%YOY, USD BOP	2.6	2.6	2.6	2.8
Goods imports value	%YOY, USD BOP	3.8	3.1	3.6	3.6
Foreign tourist arrivals	Million persons	36.2	36.2	40.4	39.4
Headline inflation	%YOY	0.8	0.6	1.0	1.0
Core inflation	%YOY	0.6	0.5	0.9	0.9
Crude Oil Price (Brent)	USD/Bbl.	85.3	83.1	80.1	79.2
Policy rate (Year-end)	%	2.25	2.25	2.00	2.00
Current account balance	% of GDP	1.2	1.8	1.5	2.0
Exchange rate (average)	THB/USD	36	35.2	34	33.4

SCB EIC's 2025 GDP and Thai policy rate projections (worst-case)

Worse case scenario:		
<p>Global economy is headed for a hard landing, with US recession resulting from delayed monetary policy tightening</p> <ul style="list-style-type: none"> Thai exports may grow slower than this year while Thai investment possibly doesn't return to expansion 		
<p>Thai politics lacks stability whereas fiscal stimulation is inconsistent</p> <ul style="list-style-type: none"> Thai economy lacks economic stimulating policy, and the budget disbursement is delayed 		
<p>Monetary sector is highly tightening, causing difficult loan access, which poses greater challenges on the real economy</p> <ul style="list-style-type: none"> Consumption slows down significantly, while investment becomes sluggish, causing recovery to potentially last several years 		
2025F	Real GDP (%YOY)	Policy rate (% End-year)
Worse	1.9	1.5

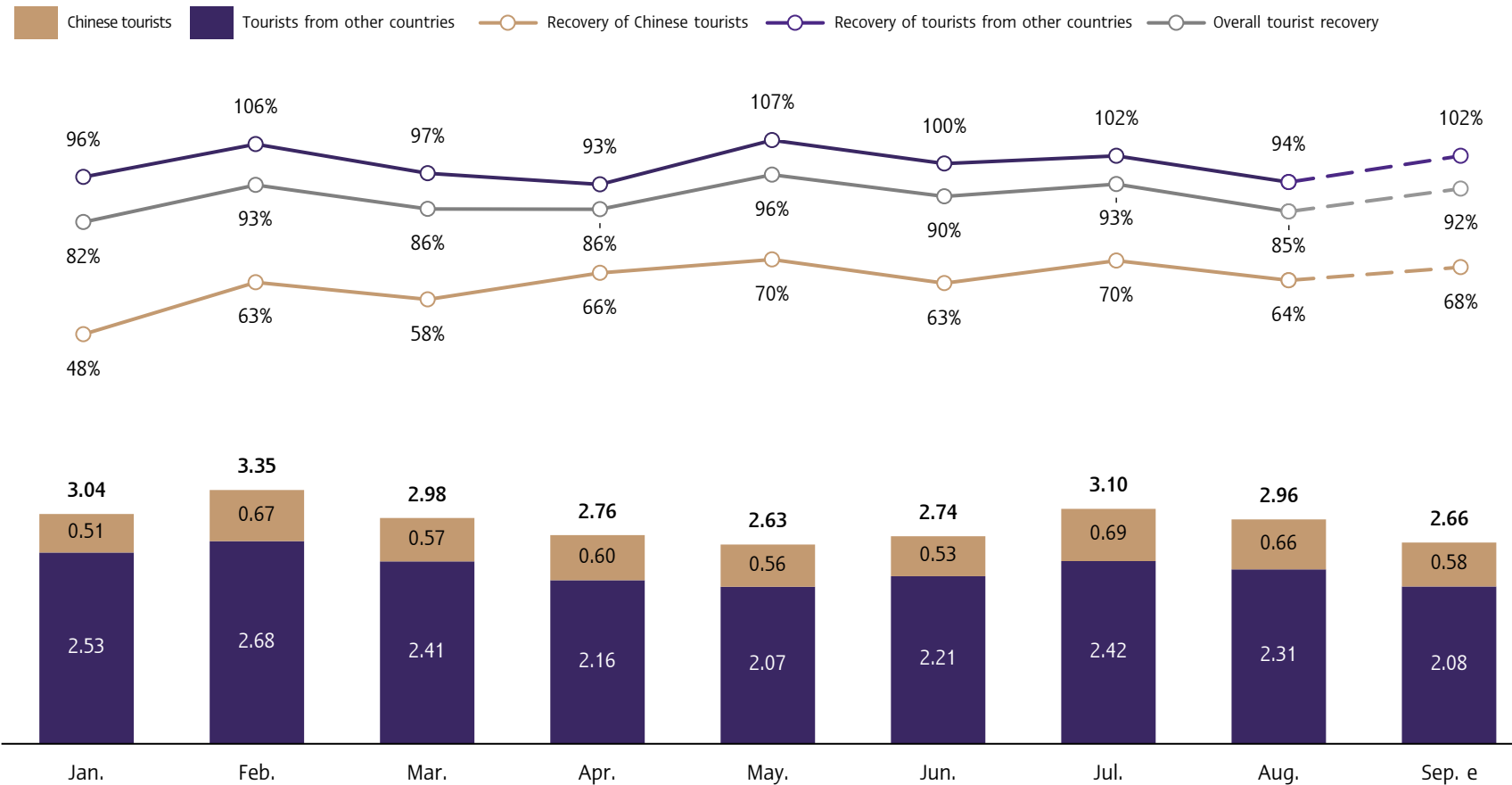
The Thai economy in July received a boost from the service sector, driven by the recovery in tourism. Additionally, exports showed strong growth, which contributed to a modest improvement in the manufacturing sector that had been sluggish for an extended period.

Lagging indicator		Unit	2022	2023	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Coincident economic index (CEI)		2019=100, SA	97.8	99.6	99.1	99.7	99.4	98.8	99.5	99.6	100.3	100.7	99.7	101.0	101.8	100.6	101.7	101.9	101.4	103.3	
Consumption	Private consumption index	2010=100, SA	141.8	151.1	150.8	152.4	151.4	152.4	152.1	150.4	151.6	152.5	152.2	152.9	152.7	151.3	152.4	152.3	151.3	151.8	
	Unemployment compensation	% insured person	2.1%	1.9%	1.9%	2.1%	2.1%	2.1%	2.1%	1.9%	1.9%	1.9%	1.7%	1.8%	1.7%	1.8%	1.9%	1.9%	1.9%		
	Unemployment rate	% labor force	1.3%	1.0%	1.1%			0.99%			0.81%			1.00%			1.07%				
Investment	Private investment index	2010=100, SA	142.2	138.9	133.8	145.0	141.7	141.2	139.2	137.1	136.0	139.7	132.3	139.8	143.2	140.6	143.6	140.2	138.1	146.3	
Export (Custom basis)	Exports ex. Gold	%YoY	4.6%	-0.4%	-9.1%	-3.9%	-4.9%	-4.5%	4.4%	1.6%	7.6%	5.5%	2.9%	8.5%	1.2%	-7.1%	9.5%	5.6%	-1.7%	11.0%	
		%MoM, SA	4.6%	-0.4%	-5.2%	0.9%	2.1%	-1.5%	3.2%	0.6%	-0.9%	-0.3%	0.1%	-0.8%	-1.0%	0.4%	3.7%	-1.2%	-0.2%	2.3%	
Agriculture	Agriculture production index	2005=100, SA	144.2	146.1	157.9	136.2	149.8	144.2	145.0	146.5	145.0	146.3	143.0	145.4	142.7	138.5	148.0	144.6	138.8	142.3	
Manufacturing	PMI : Manufacturing	50 = Stable	52.3	51.8	60.4	58.2	53.2	50.7	48.9	47.8	47.5	47.6	45.1	46.7	45.3	49.1	48.6	50.3	51.7	52.8	52.0
	Manufacturing production index	2016=100, SA	101.4	97.6	95.9	99.2	99.0	98.2	97.7	97.9	95.6	95.4	94.1	95.9	97.3	95.1	97.9	97.3	96.9	99.3	
	Capacity utilization rate	%, SA	63.6	59.6	59.0	60.4	60.5	59.9	59.3	58.7	57.9	58.1	57.0	57.7	58.4	57.2	59.9	58.9	58.7	60.3	
Service	Service production index	2016=100, SA	111.2	120.6	119.3	121.0	120.7	121.8	121.0	120.9	121.9	121.1	121.7	123.1	124.7	123.8	125.4	125.8	127.3	130.1	
	Foreign tourist arrivals	thousands	11093.3	28099.3	2182.1	2013.9	2241.2	2490.6	2468.0	2130.6	2197.0	2637.1	3261.3	3035.3	3352.3	2982.7	2757.1	2633.5	2740.4	3103.4	
	Hotel occupancy rate	%	47.2	69.2	70.1	65.5	65.1	66.7	67.5	64.3	66.1	71.7	82.8	77.4	76.7	71.7	73.5	68.8	67.5	69.8	

Although the recovery of foreign tourists slowed slightly in Q3 2024 due to the green season, foreign tourist numbers are expected to improve in Q4 2024, primarily driven by tourists from Europe and the Americas.

In 2024, Thailand already welcomed approximately 23.6 million foreign tourists, generating revenue of over 1.1 trillion baht (data as of September 1, 2024).

Unit: million persons, % compared to the same period in 2019



Top foreign tourists visiting Thailand From January 1 – August 31, 2024

	Number	% Recovery
China	4.7 million	62%
Malaysia	3.3 million	122%
India	1.4 million	104%
South Korea	1.3 million	100%
Russia	1.1 million	118%

Foreign tourists are expected to travel to Thailand significantly more in Q4 2024.*

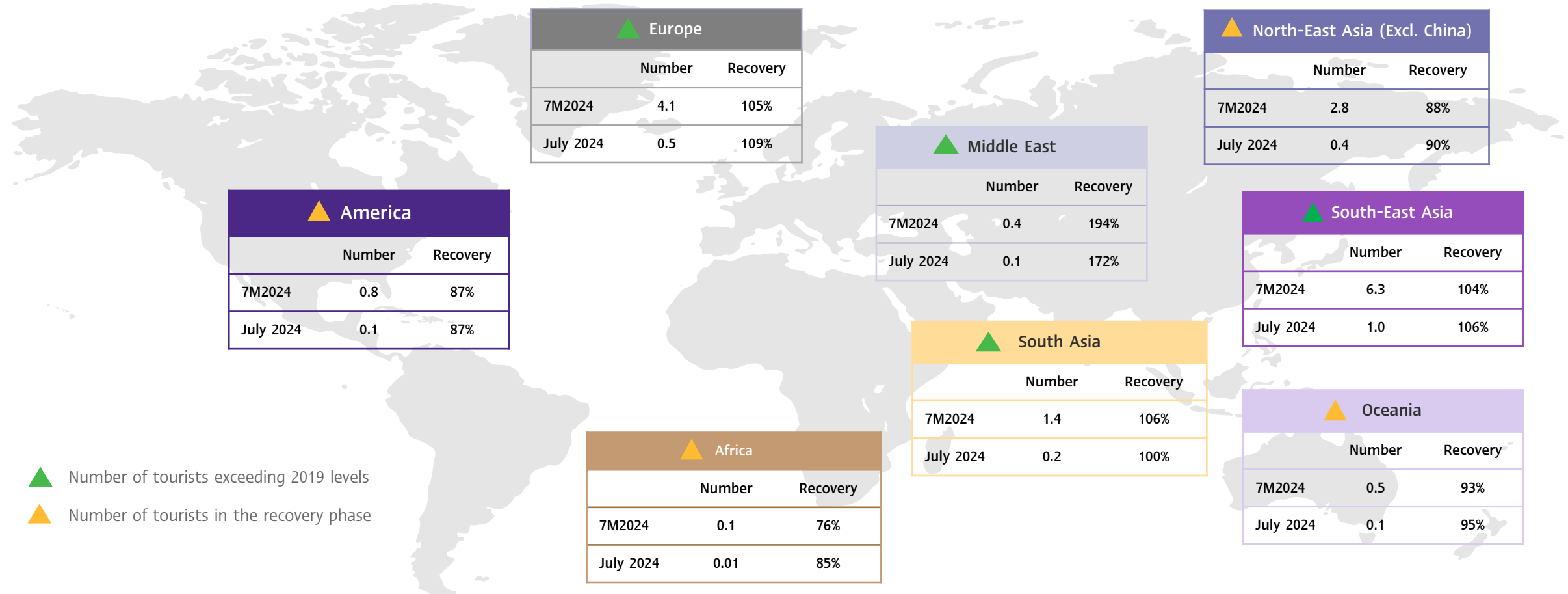
	4Q23 vs 3Q23	Monthly Average:
Russia	145%	1.64 persons
Singapore	33%	1.06 persons
USA	55%	0.95 persons
UK	59%	0.84 persons
Germany	100%	0.82 persons

Note: The number of visitors to Thailand in September is based on preliminary data from the Economics Tourism and Sports Division.
Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports.

Tourists from other countries traveling to Thailand have grown well, particularly from ASEAN, Europe, and South Asia, while tourists from the Middle East are considered a high-potential group with significant growth.

Foreign tourists traveling to Thailand by region

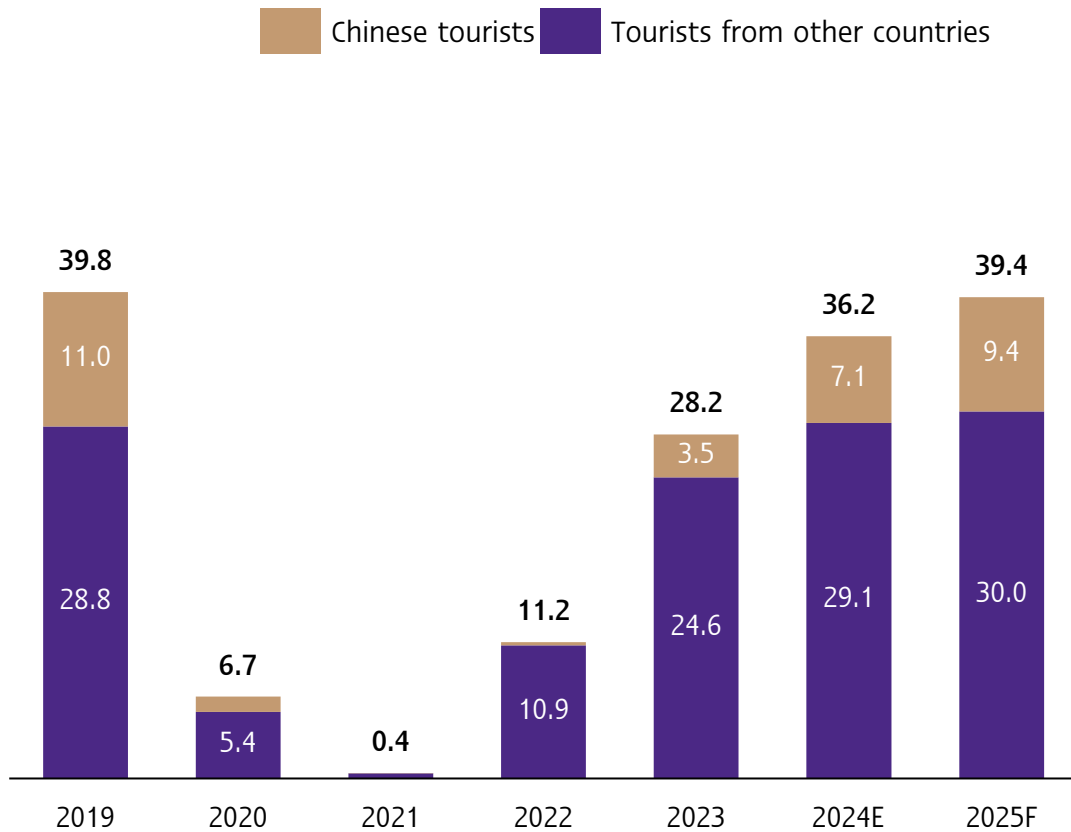
Unit: million persons, % compared to the same period in 2019



SCB EIC estimates the number of foreign tourists in 2025 at 39.4 million, with the growth of foreign tourist numbers still pressured by the gradual return of Chinese group tours.

Forecast for foreign tourists traveling to Thailand in 2025

Unit: million persons



Tourists from other countries

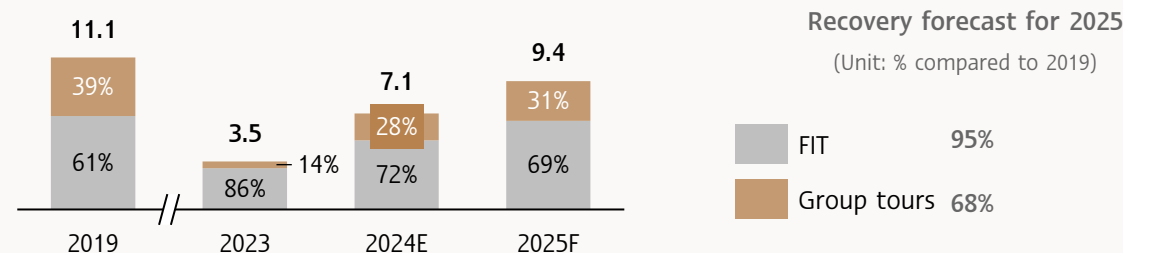
- Foreign tourist numbers are expected to continue growing, particularly from targeting high-potential markets such as the Middle East, Israel, and India.

		% Recovery (YTD)	7M2024	Average spending per trip*
	Saudi Arabia	720%	131,000 persons	109,905 baht/person
	UAE	134%	95,000 persons	93,198 baht/person
	Israel	130%	137,000 persons	79,684 baht/person
	India	105%	1.2 million persons	39,509 baht/person

Chinese tourists

- The gradual recovery of group tours is ongoing, as economic factors still affect tourism spending, while FIT (Free Independent Travelers) tourists have almost fully recovered to 2019 levels.

(Unit: million persons)



Note: *Tourist spending data is based on a survey of over 30,000 foreign tourists from 40 countries conducted in Q1 2024 by the Tourism Authority of Thailand.

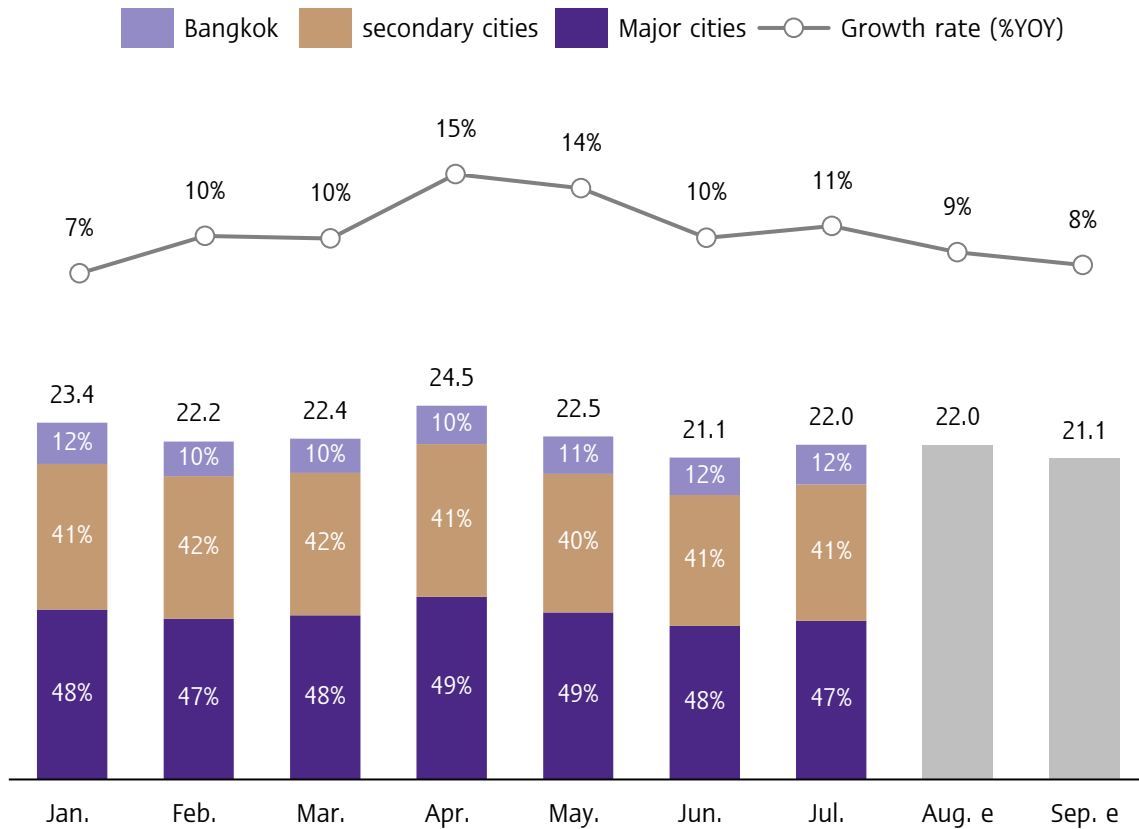
Source: SCB EIC analysis based on data from the Ministry of Tourism and Sports and various news agencies.

Domestic tourism continues to grow, driven by ongoing government measures to stimulate travel.

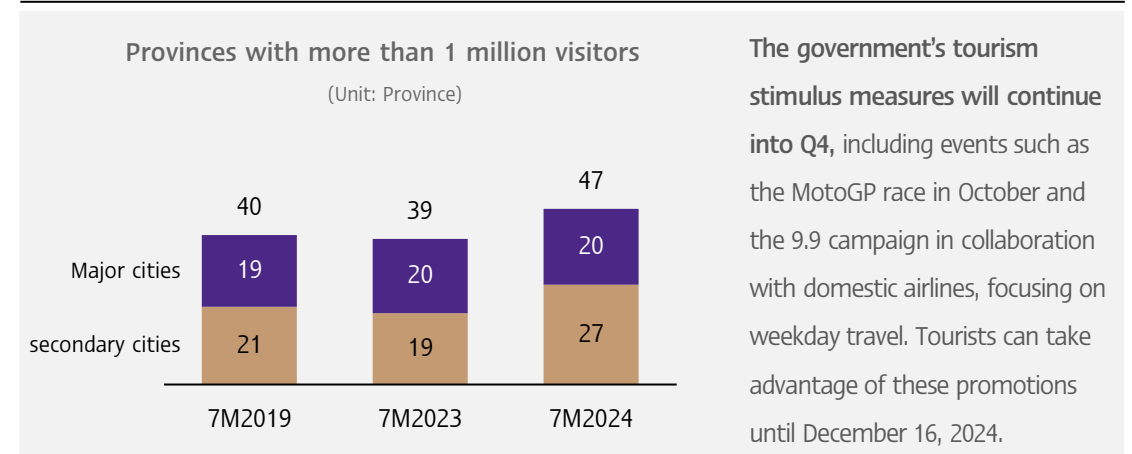
Thai tourists are showing a clear trend towards visiting more secondary cities.

Number of Thai visitors

Unit: million persons, %YOY



Thai tourists are increasingly interested in visiting secondary cities.



The government's tourism stimulus measures will continue into Q4, including events such as the MotoGP race in October and the 9.9 campaign in collaboration with domestic airlines, focusing on weekday travel. Tourists can take advantage of these promotions until December 16, 2024.

Top 5 secondary cities with the highest number of visitors.

secondary cities	7M2024	%YOY
Suphan Buri	3.93 million persons	2%
Samut Songkhram	3.85 million persons	3%
Chiang Rai	3.26 million persons	4%
Chanthaburi	2.87 million persons	-3%
Lopburi	2.64 million persons	15%

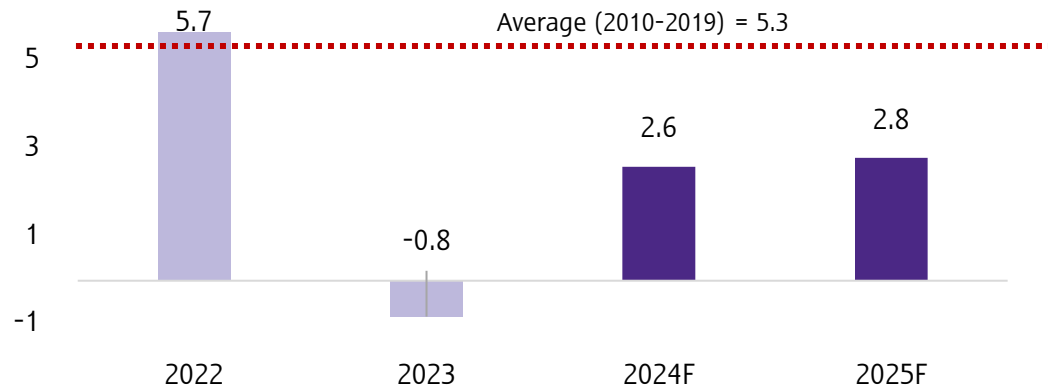
Note: The number of visitors to Thailand in August and September is based on preliminary data from the Economics Tourism and Sports Division.

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

SCB EIC estimates that 2025 exports values should experience higher growth although at the slower pace than the growth in the past, partly due to diminishing competitiveness.

Thai exports values growth forecast by SCB EIC.

Unit: YOY%



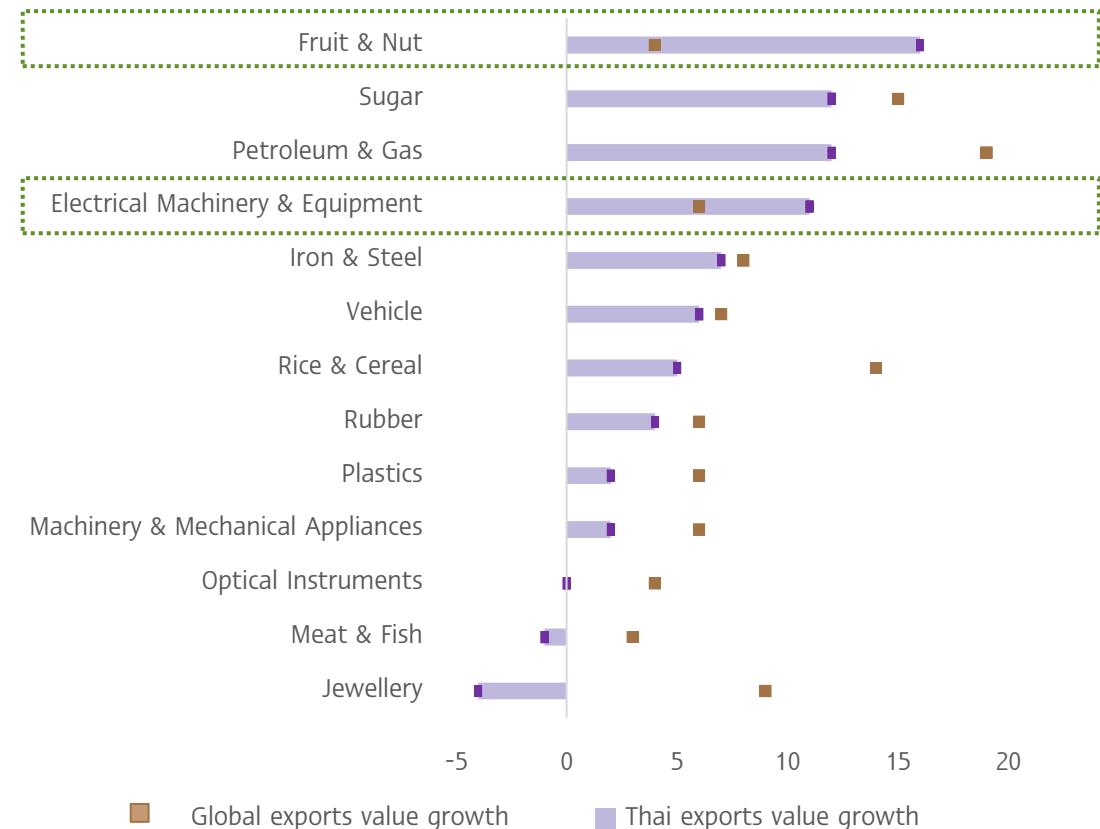
SCB EIC's view: Thai exports is likely to improve gradually, following the recovery of Thai economy and global trade. Nevertheless, several factors which may impact Thai exports should be monitored

- Thailand's involvement in global supply chain of electronics and electrical appliances declines from the past, which may prevent Thailand from benefiting from upward cycles of these products
- Thailand is likely to experience La Nina phenomenon, which precipitates heavy rains or floods, endangering agricultural areas and yields
- Risks regarding the economy and global trade such as geopolitics uncertainties, changes in monetary policy stance of major countries, which may affect exchange rates, and uncertainties towards trade policies of several countries

Every product (except electronics and fruits) demonstrate challenges in trade competition.

Thai exports value growth of each product compared with global exports value

Unit: YOY%, 2019 – 2013 average with category according to the Harmonized Code 2 Digit

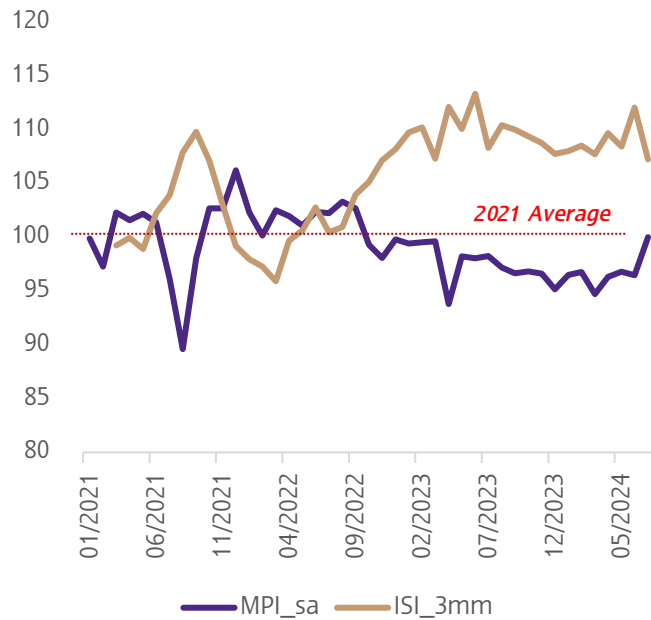


The manufacturing sector gradually regains its momentum alongside improving goods exports although high inventory level and vulnerable domestic demand still remain challenges.

Manufacturing activity has regained its momentum although inventory level compared to shipment remains high

Manufacturing production index (MPI) and Inventory – shipment index (I-S Index)

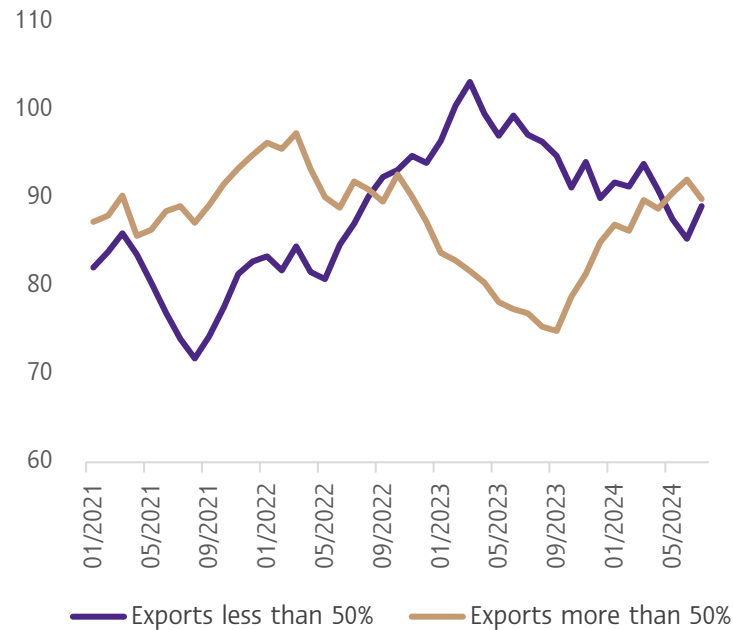
Unit: MPI Index, sa และ I-S Index, 3MMA



Thai industries sentiment of the sectors focusing on export sales rises to the higher level than sectors focusing on domestic sales

Thai Industries Sentiment Index

Unit: Diffusion index (100 = unchanged)



Manufacturing production by products

Unit: %YOY

	%YOY	Q1/2024	Q2/2024	Jul-24	YTD
MPI	-4%	0%	2%	-1%	
Machinery & Equip	1%	10%	27%	7%	
Paper & Paper Products	7%	8%	5%	7%	
Beverages	7%	8%	-2%	6%	
Electrical Equipment	-1%	9%	15%	5%	
Chemicals & Chemical Products	4%	5%	5%	4%	
Food Products	0%	7%	8%	4%	
Coke & Refined Petroleum	2%	2%	1%	2%	
Rubber & Plastic	-1%	0%	7%	1%	
Fabricated Metal	0%	-4%	8%	-1%	
Basic Metal	-5%	4%	-1%	-1%	
Wearing Apparel	-10%	-4%	17%	-4%	
Other Non-Metallic	-7%	-8%	-8%	-8%	
Pharmaceutical Products	-13%	-4%	-2%	-8%	
Computer & Electronic	-17%	-13%	-4%	-14%	
Motor Vehicles	-16%	-13%	-11%	-14%	

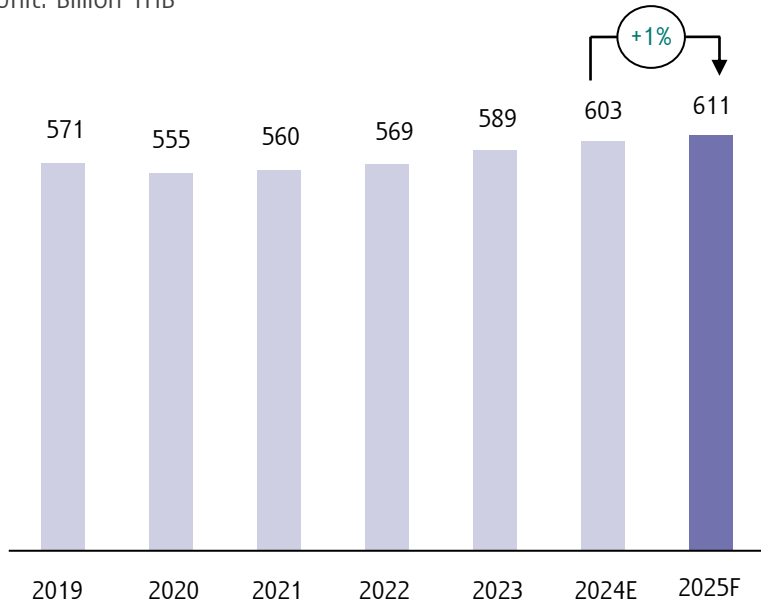
Looking ahead, signals of consumer confidence and short-term private investment continue to weaken.

Leading indicator		Unit	2022	2023	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Leading economic index (LEI)		2000=100, SA	158.4	159.5	158.8	160.1	160.5	159.6	158.6	159.7	158.9	159.0	159.3	160.1	159.4	159.8	159.1	159.1	159.3	159.3	
Consumption	CCI : Future	100 = Stable	51.1	64.2	62.5	63.1	63.9	62.8	64.2	66.3	68.0	68.7	69.9	70.9	71.9	71.2	70.2	68.4	66.7	65.4	
Export	Global PMI : Manu export orders	50 = Stable	47.8	47.6	48.4	47.3	47.1	46.4	47.0	47.6	47.5	48.1	48.1	48.8	49.3	49.5	50.4	50.4	49.3	49.3	48.4
	Korea exports : First 25 days	2021=100, SA	106.8	92.9	91.4	99.8	96.8	91.8	96.4	109.4	100.6	104.6	107.9	95.7	87.8	95.7	103.9	94.7	99.1	102.8	91.0
	Korea exports	2021=100, SA	106.2	92.4	90.2	96.3	100.6	93.4	98.6	99.9	103.0	102.6	102.5	100.6	99.4	95.5	101.5	98.2	98.7	98.5	100.6
	China exports	2021=100, SA	105.7	95.4	100.7	100.0	97.5	96.7	97.9	99.6	98.0	99.8	100.0	102.2	104.5	102.7	101.7	100.0	100.1	96.5	
	China imports from Thailand	2021=100, SA	92.1	90.3	89.0	82.3	87.6	81.4	78.3	79.1	86.7	77.3	83.7	74.4	73.5	73.3	77.1	92.5	76.1	80.9	
Investment - Near term	BSI : Expectation	50 = Stable	53.4	54.6	56.0	54.6	55.2	53.3	54.1	54.7	53.3	52.6	53.9	53.9	53.5	51.9	52.4	52.9	51.9	50.1	
	Construction area permitted	2000=0.1, SA	6.3	6.2	5.6	6.0	6.0	6.6	6.3	6.4	6.6	6.3	6.4	6.6	6.5	6.7	6.7	6.5	6.2	6.4	
	Net business open Value	THB billions	302.8	402.4	15.7	20.2	33.4	9.1	17.9	6.9	18.3	7.9	-36.7	22.2	17.2	16.6	22.2	-32.9	23.1	14.9	
Investment - Longer term	BOI : Cert. issued Value	%YoY	15.4%	5.5%	-9.1%			-13.6%			18.2%			107.2%			64.1%				
	BOI : Approved Value	%YoY	19.6%	22.5%	-53.2%			24.0%			98.4%			5.9%			64.7%				
	BOI : Application Value	%YoY	25.3%	41.1%	50.7%			-15.5%			89.7%			30.9%			39.2%				
Manufacturing	TISI : Expectation	100 = Stable	98.2	100.6	105.0	104.3	102.1	100.2	99.5	97.3	94.5	97.3	96.2	98.4	100.0	100.8	98.3	95.7	93.4	95.2	

Private construction value in 2025 is projected to grow by only +1%YOY, as the slow recovery of the residential market and the risk of oversupply in the commercial real estate sector remain key concerns.

Private construction value

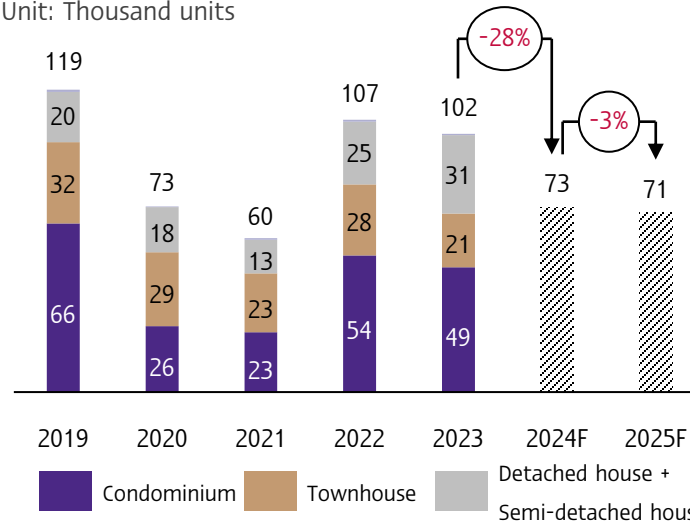
Unit: Billion THB



Residential construction faces pressure from the slow recovery of the housing market.

Newly launched residential units in Bangkok and Vicinities

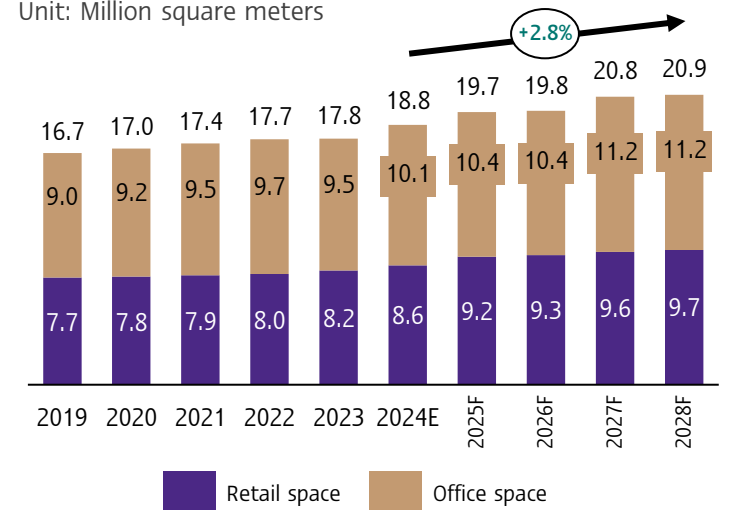
Unit: Thousand units



Commercial real estate projects are likely to face an oversupply situation.

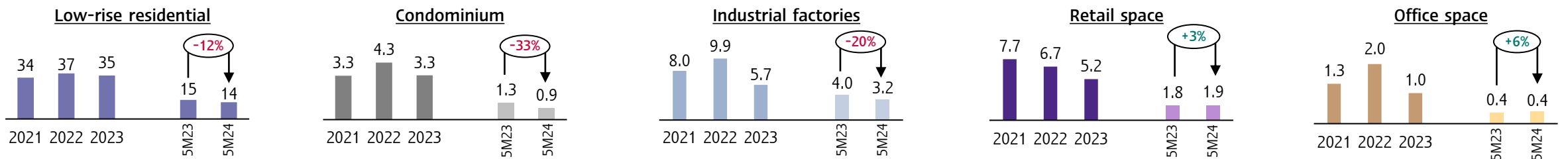
Supply of office and retail rental spaces in Bangkok

Unit: Million square meters



Construction area permitted nationwide

Unit: Million square meters

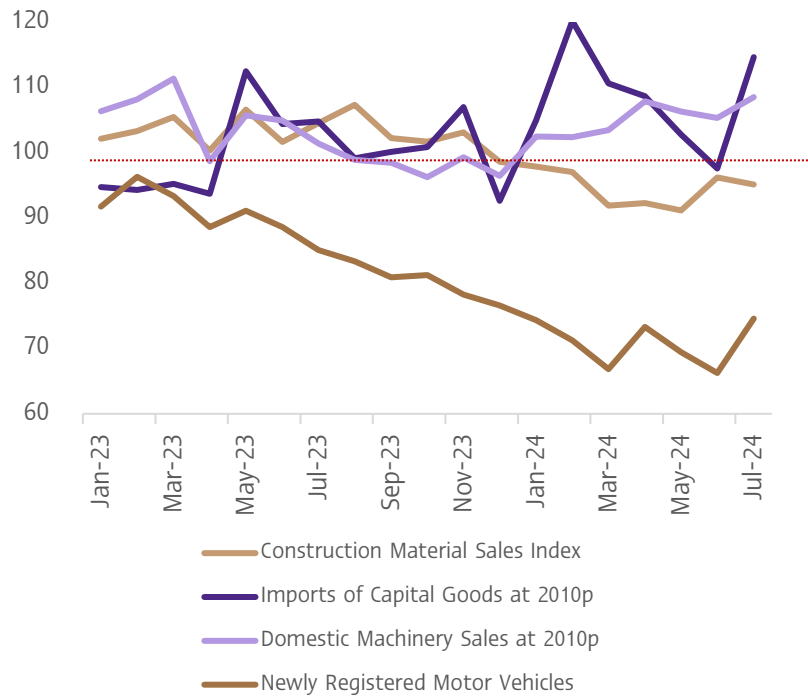


Source: SCB EIC analysis based on data from the Office of the National Economic and Social Development Council, REIC, CBRE, and AREA.

Private investment is expected to decline this year, but it should return to expansion within next year, thanks to higher value of investment promotion certificates issued by Board of Investment (BOI).

Components of Private Investment Index by BOT

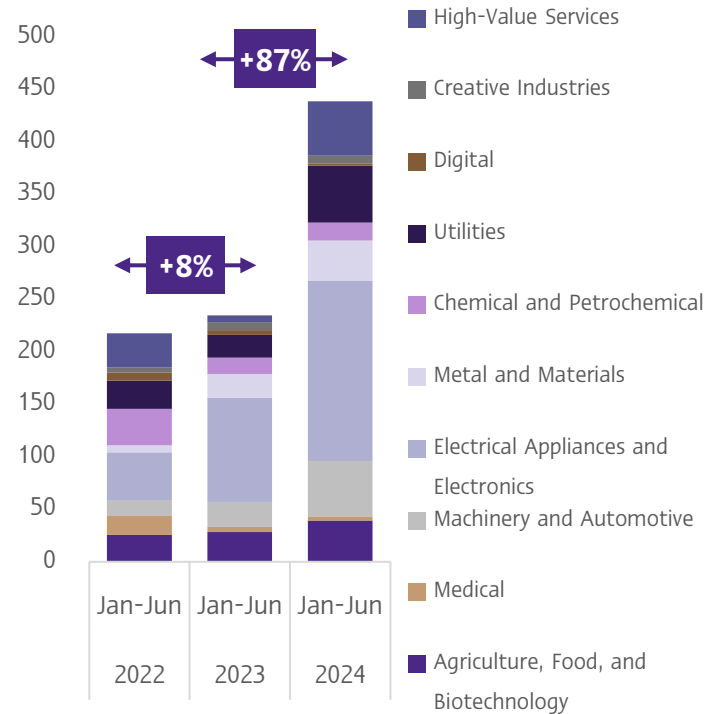
Unit: Index (Avg 2021 = 100), SA



In the past, private investment declined from construction and motor vehicles for commercial sales due to vulnerable domestic demand whereas capital goods imports and domestic machinery continue to improve

Values of investment promotion certificates issued by BOI

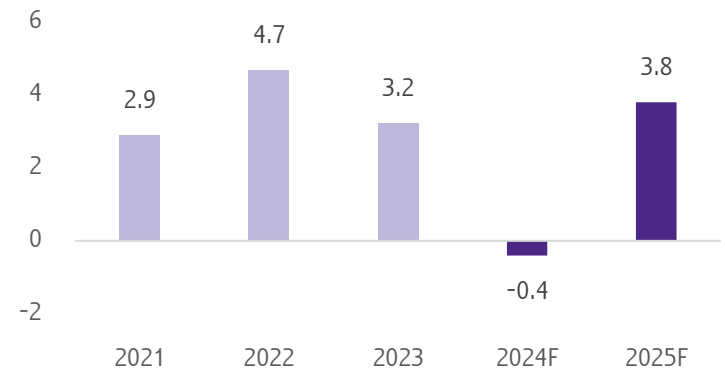
Unit: Billion Baht



The value of investment promotion certificates issued by BOT increases significantly, especially from electrical appliances and electronics, partly due to the expansion of production base in Thailand in order to avoid trade restrictions measures

SCB EIC's Private investment growth projections

Unit: %YOY



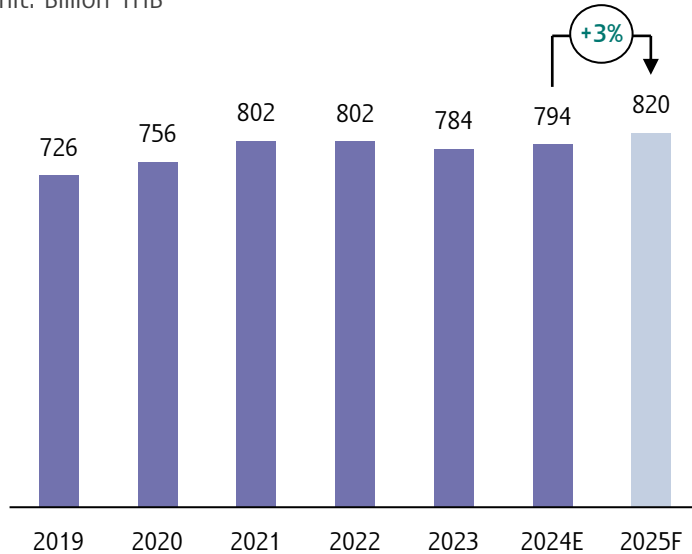
In 2024, SCB EIC projects private investment to contract slightly.
The recovery in the second half of the year will not compensate for the contraction in the first half of the year.

In 2025, SCB EIC expects private investment to return to expansion following the value of investment promotion certificates issued by BOI which is reflected in imports of capital goods. Nevertheless, the overall picture of investment may improve moderately, due to the subdued expansion of the construction sector

Public construction value in 2025 is expected to grow by +3%YOY, with the 2025 budget proceeding on time or with minimal delays. However, political volatility remains a potential risk in the near term.

Public construction value

Unit: Billion THB



- The 2025 budget is expected to be completed on time and enacted by September, or with minimal delays, allowing for accelerated disbursement.
- There remains a risk of political volatility in the near future, leading to policy uncertainty and potential delays in the bidding process for new mega projects.

Disbursement rate of government agencies with high investment budgets

Unit: % cumulative from the beginning of the fiscal year

Agencies with high investment budget	End of Sep.					End of Aug.
	2019	2020	2021	2022	2023	2024
Department of Highways	74%	77%	86%	90%	96%	62%
Department of Rural Roads	87%	82%	89%	91%	90%	42%
Royal Irrigation Department	81%	81%	82%	83%	89%	57%
Department of Public Works and Town and Country Planning	66%	65%	62%	47%	42%	36%

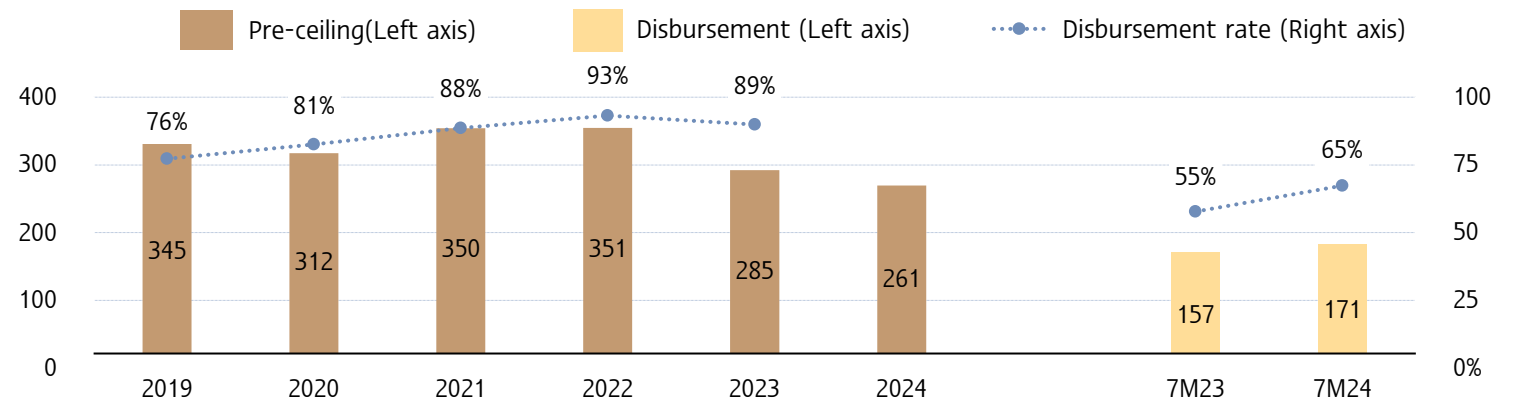
Examples of mega projects expected to open for bidding in 2024 and 2025:

Project value(Unit: Billion THB)

Motorway No. 5 Elevated Extension (Rangsit – Bang Pa-in)	31.0
Double-Track Railway Phase 2 (Khon Kaen – Nong Khai)	28.7
Red Line Suburban Railway (Rangsit – Thammasat University and Siriraj – Taling Chan – Salaya)	21.0
Phuket Expressway Phase 1 (Kathu – Patong)	16.2

Pre-ceiling, disbursement, and disbursement rate of state-owned enterprises

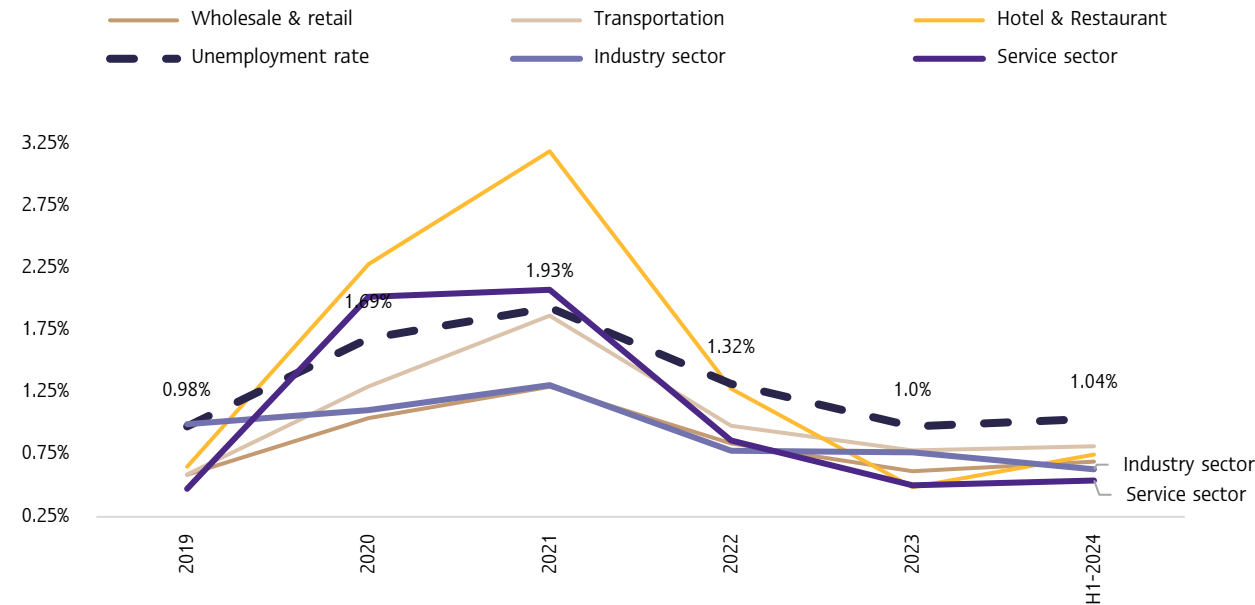
Unit: Billion THB, %



Thai unemployment rate increases moderately in the first half of 2024 especially in transportation service and wholesale and retail service sectors. Real wage index continue to decline in industry and service sectors which are affected by slowing demand.

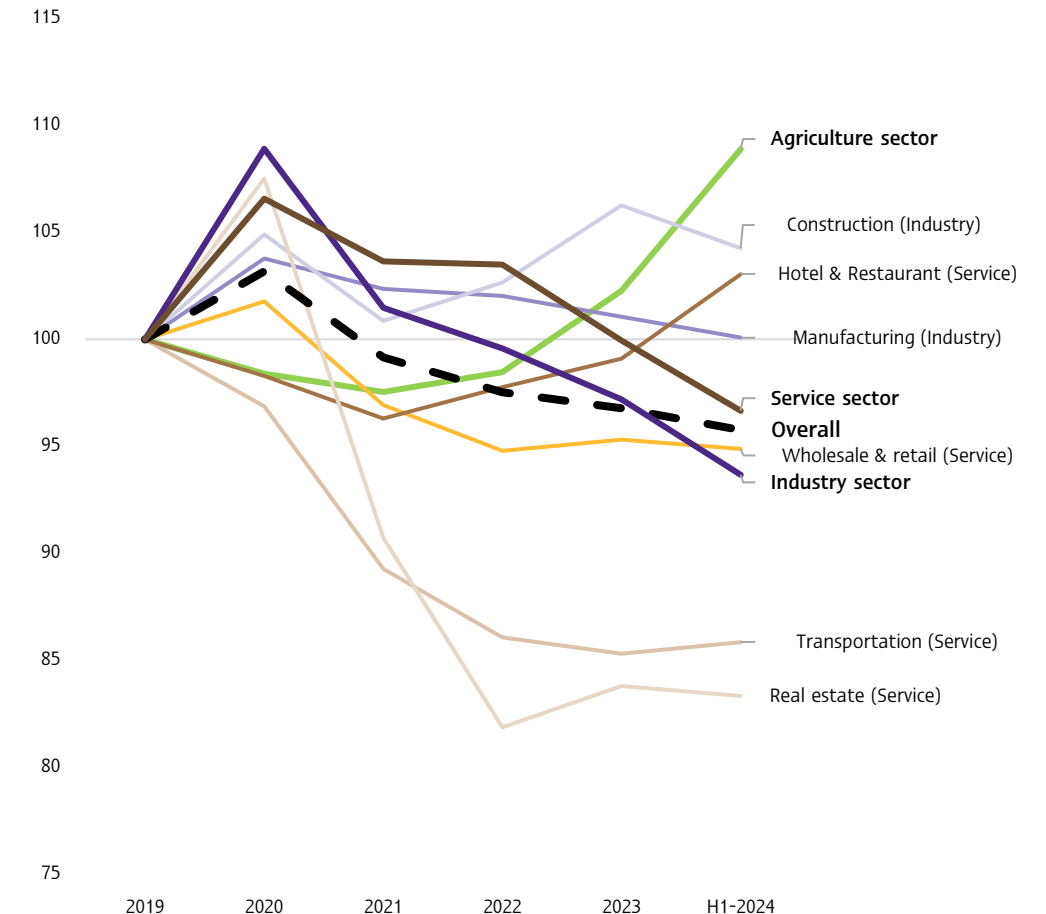
Thai unemployment rate by significant sector

Unit: % of labor force in each sector



Real wage recovery index by significant manufacturing sectors

Unit: Index 2019=100



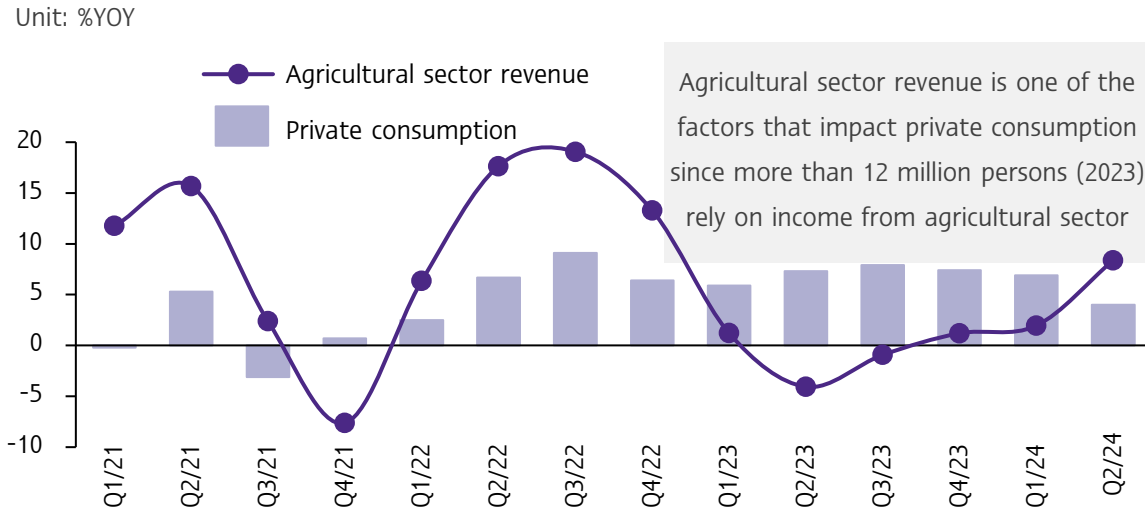
- Unemployment rate increases moderately to 1.04% during the first half of the year. The service sector begins to show a sign of higher unemployment rate, especially transportation, wholesale and retail, and hotel & restaurant.
- Overall, real wage recovery index continues to decline, especially 1) manufacturing sector e.g. industrial production and construction 2) service sector e.g. real estate service, transportation, wholesale and retail while real wage in agricultural sector and hotel & restaurant sector have been improving thanks to the agricultural workers' increasing income and steady recovery of Thai tourism sector

Note: Average wage compose of public employees, state enterprise employees, and private employees.

Source: SCB EIC analysis based on data from the Office of National Statistics, the Office of the National Economic and Social Development Council (NESDC) and CEIC.

Agricultural sector revenue should revert to contraction in 2025 due to declining prices of important agricultural products, preventing it from becoming a supporting factor for 2025 private consumption.

Quarterly private consumption and agricultural sector revenue



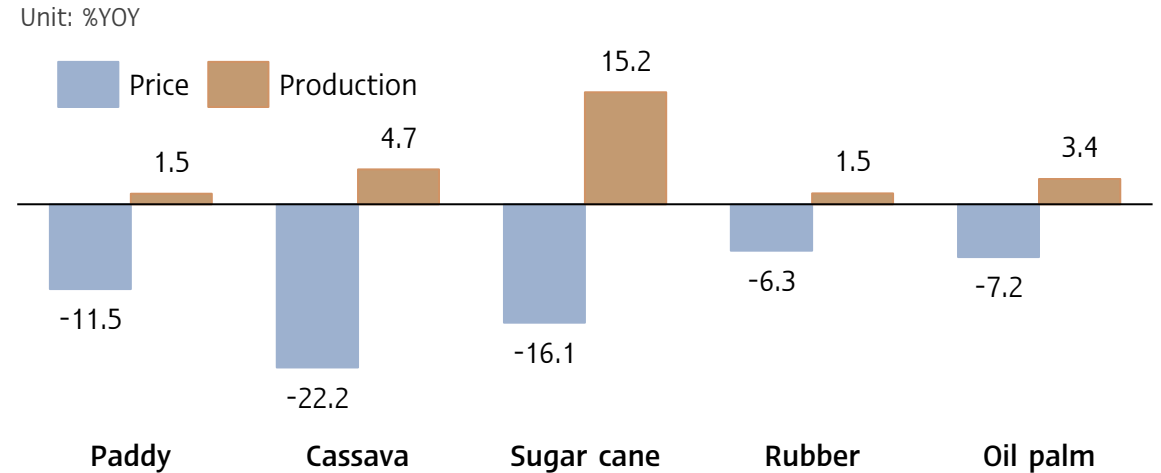
2025 agricultural sector revenue growth forecast

Unit: %YOY

Year	2023	2024E	2025F
Revenue index	-0.7	3.1	-1.3
Price index	-2.1	4.9	-3.0
Production index	1.4	-1.7	1.7

Agricultural sector revenue may decline in 2025 Mainly, agricultural product prices are expected to decrease while the production level should recover

2025 agricultural production level and selling price forecast

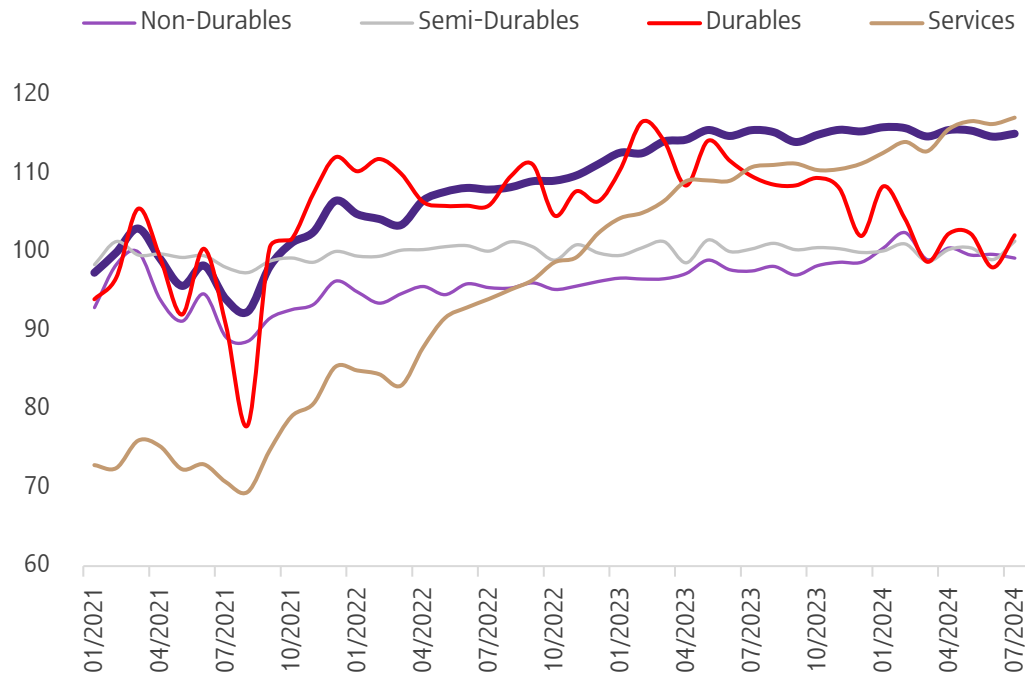


Supporting factor for production	Risk factors for price	Risks factors
<ul style="list-style-type: none"> Drought issues has diminished allowing the production of rice, cassava, sugar cane, rubber and oil palm to increase. Water level in dams increases from last year, helping production of crops which normally cultivated in drought season, such as off-season rice, to increase. The outbreak of crop diseases has been alleviated, such as Cassava Mosaic Disease and the new Rubber Leaf Fall Disease, which enables cassava and rubber production to improve. 	<ul style="list-style-type: none"> Potential Chinese and US economic slowdown, causing prices of the agricultural products that depend on demand in the global markets, namely casava, rubber, and sugar cane, to decline. The global rice inventory level is likely to rise, and Indian government may loosen its rice exports policies, causing rice price to decrease. Oil price is likely to decline from last year, resulting in the prices of energy crops, such as sugar cane and oil palm, declining accordingly. 	<ul style="list-style-type: none"> Uncertainties in global economy Crop diseases outbreak Geopolitical risks Changes in agricultural policies of competitors Climate variability La nina phenomenon

Private consumption level remain unchanged, mainly from the service sector while durables consumption, especially automobile sales, continue to contract.

Private Consumption Index by BOT

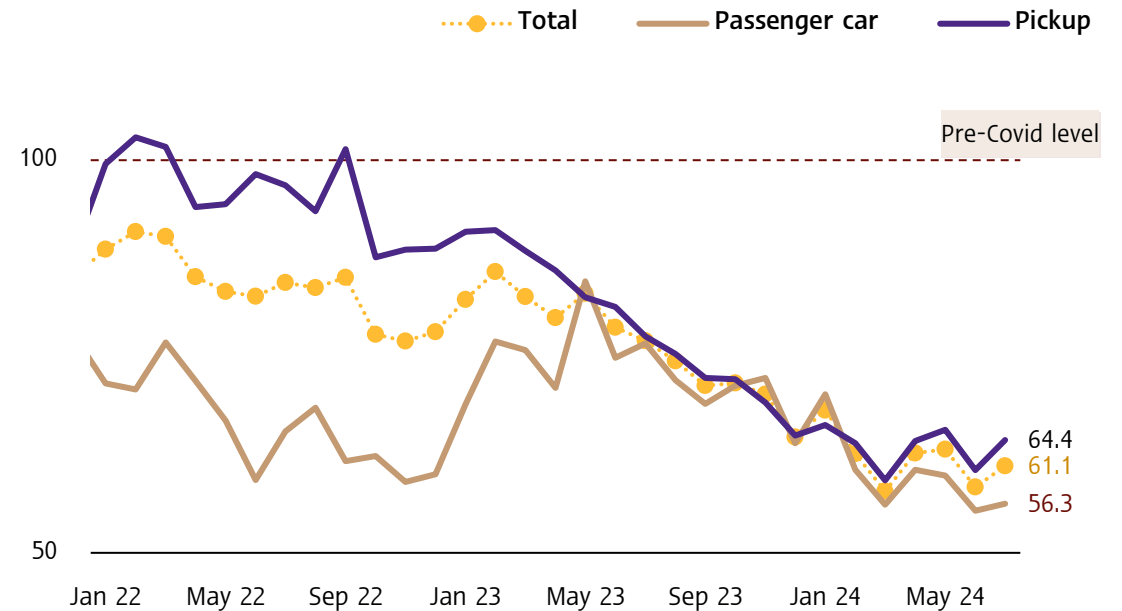
Unit: Index (2019Q4 = 100), sa



Private consumption in July remains unchanged from last month with service consumption continuing to expand while durables consumption increases after contracting last month. Nevertheless, durables consumption has still contracted considerably from last year, reflected by declining automobile sales.

Automobile domestic sales index

Unit: Index sa average 2019 = 100

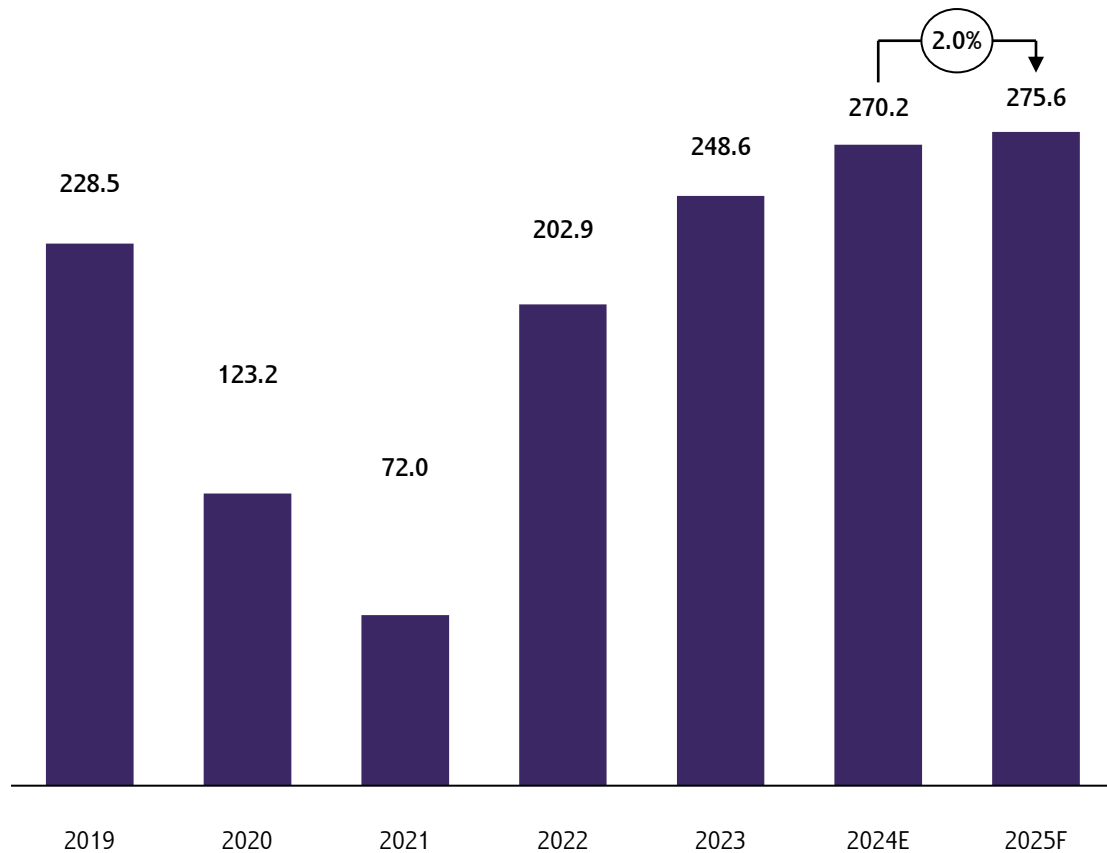


Jan - Jul 2024	% share in 2023	Units	%YTD
Total	100	354,421	-23.7
Pickup	62	218,524	-20.3
Passenger car	38	135,897	-25.7

The number of Thai visitors in 2025 is expected to reach 275.6 million, showing slight growth despite the pressures from Thailand's still fragile economy and the increasing number of high-purchasing-power Thais traveling abroad.

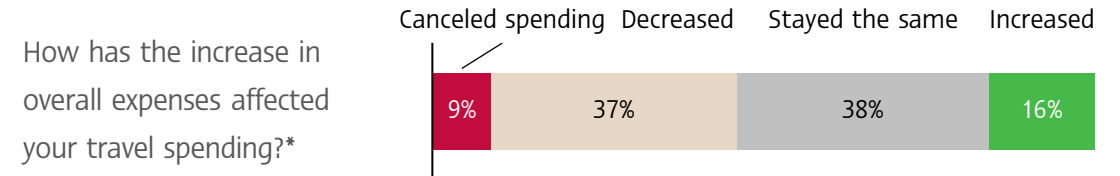
The forecast for Thai visitors in 2025 continues to show growth.

Unit: million persons



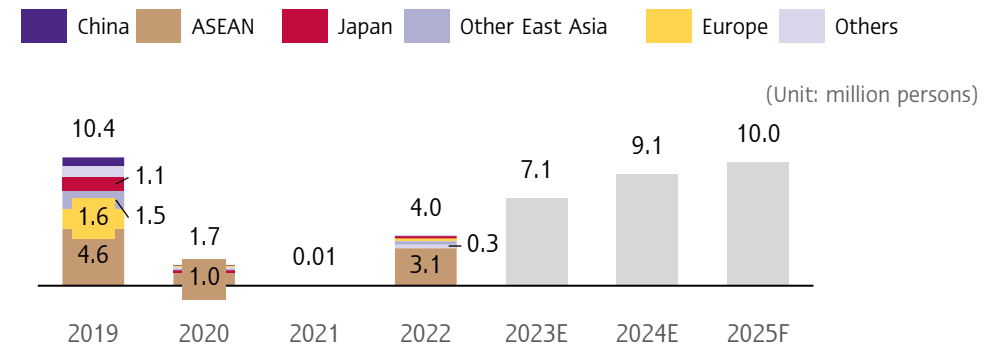
The fragility of Thailand's economy continues to impact travel spending.

- Nearly half of Thai tourists have reduced or canceled domestic travel as their overall expenses have increased.



Thai outbound tourism

- Thai outbound travel is expected to recover to near 2019 levels, driven by visa-free measures and affordable travel packages that are encouraging Thai tourists to travel abroad.



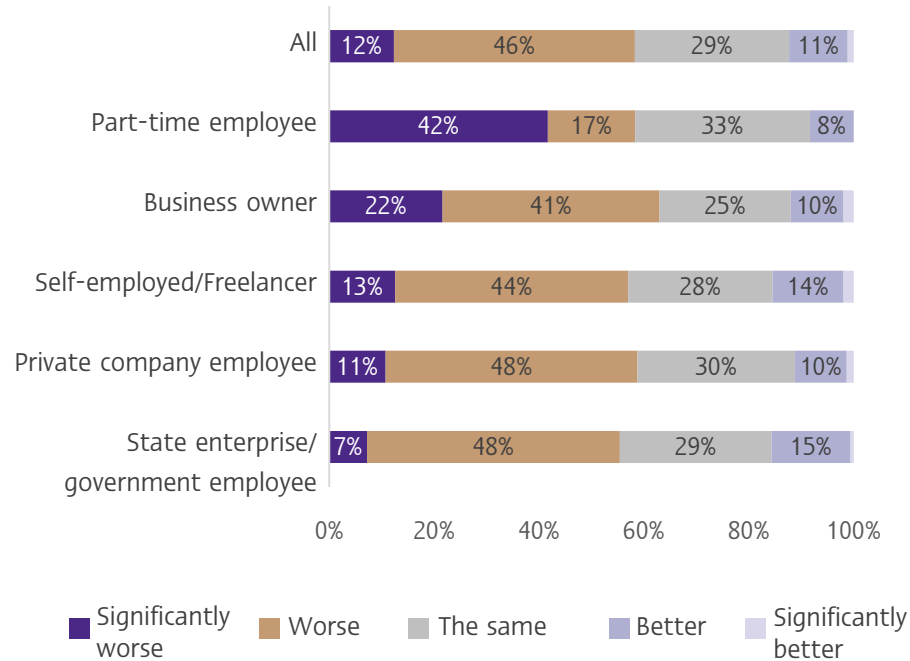
Note: *Data from the consumer survey on the Thai economy conducted from August 14–22, 2024.

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

Consumer confidence towards Thai economy next year remains low which prevents consumers to from spending on unnecessary goods and services.

How do you expect Thai economy in the next year, compared to this year?

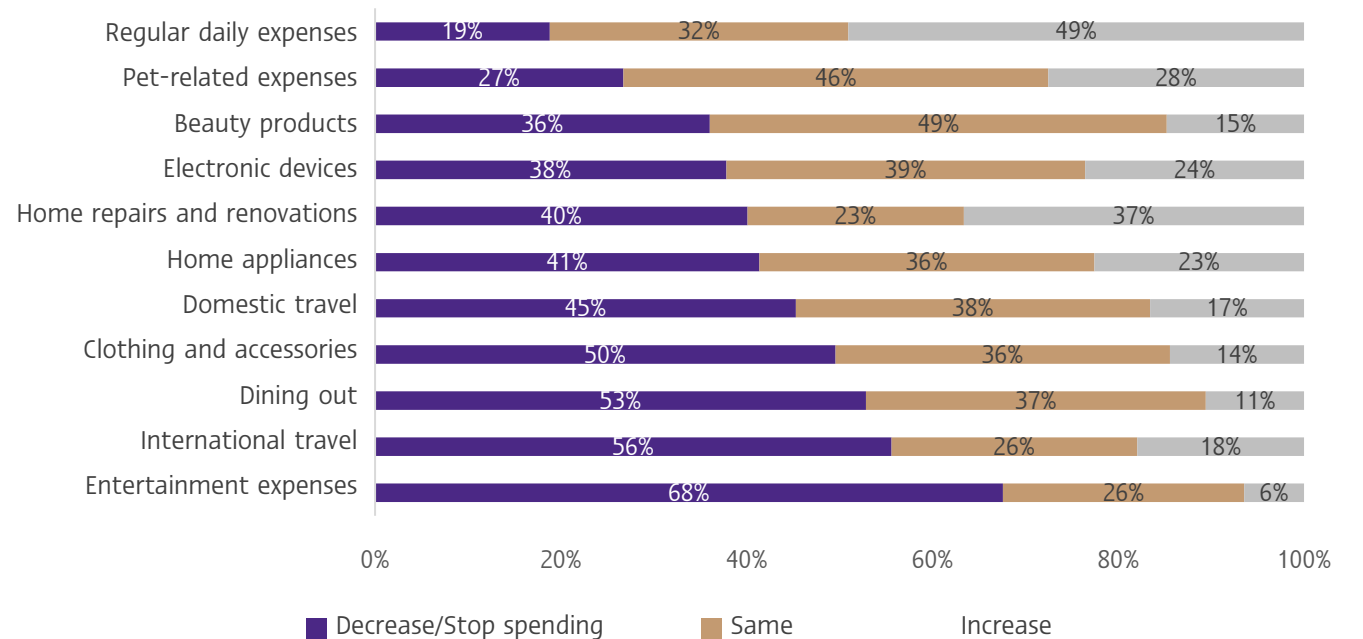
Unit: %



Almost three fifths of the respondents view that Thai economy in 2025 may become worse
 Part-time employees, entrepreneur, and freelance has negative views towards Thai economy more than full-time employees, especially employees in public sector, do.

How would you expect your spending in the next year, compared to this year

Unit: %



Consumers are likely to reduce spending on unnecessary goods and services in 2025

- More than half of the respondents is likely to reduce expenses in apparels, such as accessories, bags, and shoes, dining out, including social gathering, overseas travels and entertainment, such as cinemas and concerts
- This is partly due to potentially higher cost of living in the next year, reflected by everyday living expenses, such as foods and travel, which may increase, according to almost half of the respondents. Therefore, the respondents limit their spending to not increase significantly.

In the future, private consumption may be impaired by the contraction of loans for consumer goods from worsening loan quality.

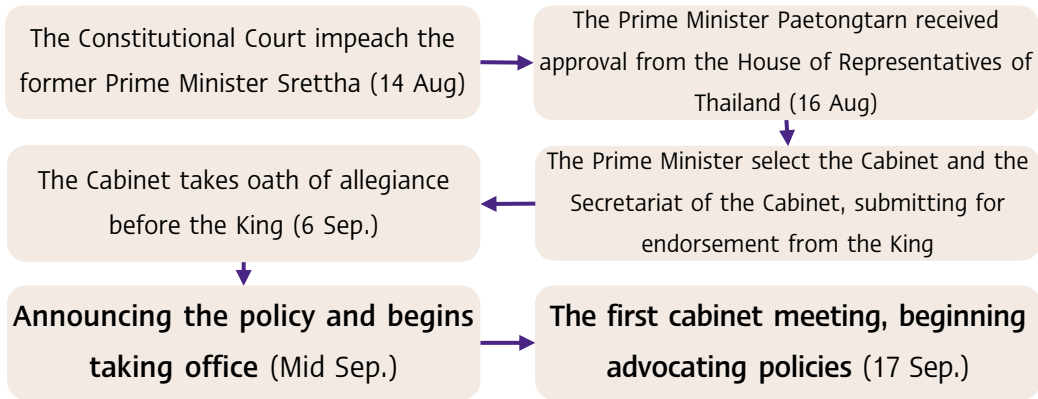


	Residential estate		Hire purchase		Credit cards		Personal	
	Q1-24	Q2-24	Q1-24	Q2-24	Q1-24	Q2-24	Q1-24	Q2-24
Loan growth (%YOY)	1.0	0.8 ↓	-1.5	-4.8 ↓	1.4	-0.2 ↓	7.3	5.8 ↓
Proportion of Stage 2 (%)	5.1	5.3 ↑	14.1	14.7 ↑	5.7	5.9 ↑	5.8	6.2 ↑
Proportion of NPL (%)	3.5	3.7 ↑	2.2	2.3 ↑	3.2	3.5 ↑	2.7	2.7

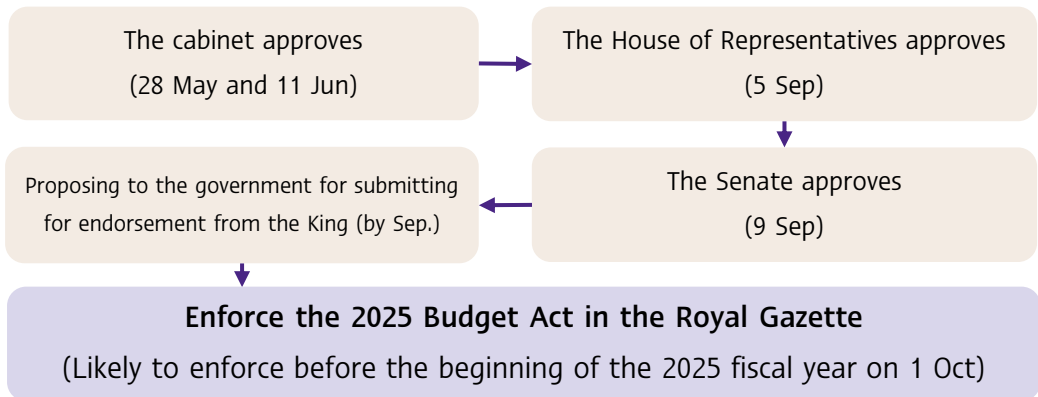
- **Loan for consumer goods is likely to contract.** According to credit conditions survey conducted by BOT in the second quarter, private financial institutions have stricter standards regarding loan issuance for every type of loans, due to concerns regarding overall economic outturns and debt repayment ability of the borrowers.
- **The quality of household loans worsens in every type of loans,** reflected by the increasing proportion of Stage 2 and NPL, corresponding with the vulnerability of households which faces slow income recovery amid greater increase in living expenses.

SCB EIC notes increased Thai fiscal constraints, with public debt likely reaching its limit a year early due to lower GDP forecasts and substantial costs for the Digital Wallet scheme, which provides limited economic benefits.

Changes of government lasts less than one month, causing limited impact

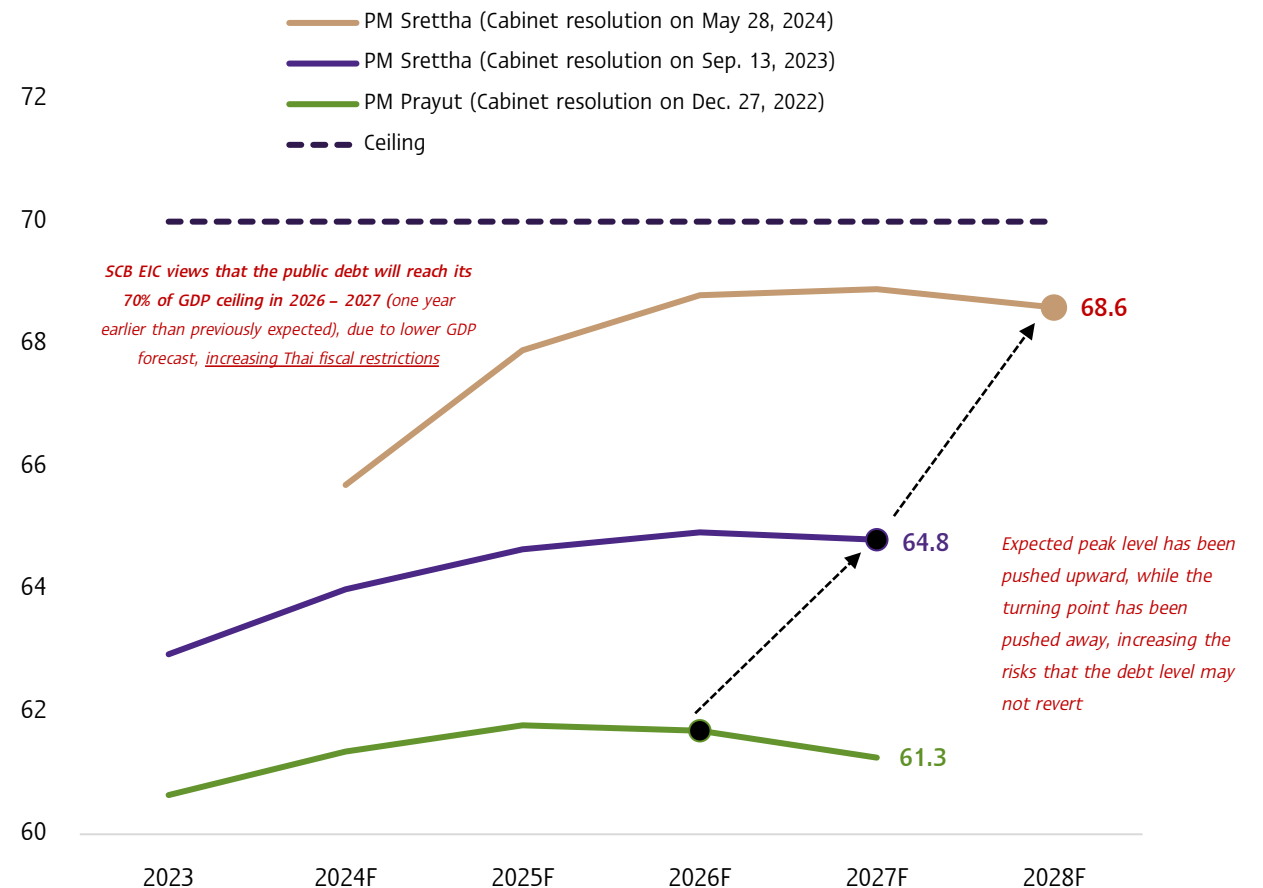


2025 Budget Act should be enforced as planned



Public debt forecast according to the Budget by the Ministry of Finance

Unit: % Nominal GDP, fiscal year



Urgent economic policies of the new cabinet continues from the policies of the previous cabinet, focusing on vulnerable households and businesses.

Comparison of urgent economic policies in the statement by different cabinet

Srettha's government	Paetongtarn's government
Digital Wallet 10,000 Baht in one payment	Digital Wallet Prioritizing vulnerable individuals
Reduce burden on energy expenses Electricity, LPG, and Bensil	Lower energy and utilities prices Including skytrain and subway fares
Address debt problems in every aspects, including suspending agricultural employees' debts	Advocating systematic debt restructuring mainly households, especially house and automobile loans
Promoting tourism Focusing on convenience and MICE	Promoting tourism Expand on existing policies, develop additional tourist attractions, including Entertainment Complex
Additional urgent policies Some of those include adapting medium-term policies of the previous cabinet as the urgent policies	Supporting SMEs Ensuring fair competition from overseas and addressing debt issues
	Enhance modern agricultural sector Increase value for agricultural products and crop prices
	Implement Informal and Underground economy into tax system



Prioritize households in order to sustain consumption level

Prioritize business that are important to the majority of households

Progress on the Digital Wallet Scheme (as of 9 Sep 2024)

Details	Phase 1	Phase 2
Recipients	Vulnerable individuals, disabled individuals, and social welfare card holders	The eligible registrant
Method	Directly transfer or via application	Digital wallet (subjected to change)
Received by	Second half of Sep 2024	Jan – Mar 2025
450,000 million baht budget	145,000 million baht from 2024 budget (including additional budget)	305,000 million baht from 2025 budget

SCB EIC views that if the government can implement Digital Wallet scheme by allocating budget into 2 phases according to the latest plan, the Digital Wallet scheme will improve GDP by 0.5 – 0.7% from the base case

2025F	Real GDP (%YOY)	Policy rate (% End-year)
Baseline	2.6	2.0
Upside from Digital Wallet	3.3	2.0

Source: SCB EIC analysis based on data from Ministry of Finance the Office of the National Economic and Social Development Council (NESDC), the Office of Secretariat of the Cabinet, Pheu Thai Party, and other news outlets.

In short-term: Economic stimulus policy of the government should benefit businesses which relates to consumption, tourism, and agriculture, while the businesses that have high proportion of basic labor may be affected by high costs. Energy businesses' income may also be affected.

	Stimulating economy/Maintaining cost of living	Promoting tourism	Promoting agriculture
<ul style="list-style-type: none"> Positively impacted businesses Negatively impacted businesses 	<ul style="list-style-type: none"> Digital Wallet Lower energy and utilities prices* Minimum wage Systematic debt restructuring 	<ul style="list-style-type: none"> VISA Free for high potential tourists such as MICE group and Digital Nomad Increase tourist attractions, Man-made destinations such as amusement park, convenience store, Entertainment Complex Organize concerts festival international sports competition Promote tourism in tourism cities 	<ul style="list-style-type: none"> Increase values of agricultural products and crop prices Medical-purposed marijuana Increase productivity and variability Precision Farming
Wholesale and retail		Stores in the tourist attraction	
Food and beverages		Food souvenir	
Restaurant	Every type of restaurants, especially those focusing on Thai customers	Restaurant in the tourist attraction	
Tourism		Hotel, tour companies, MICE business	
Construction and real estate	Construction contractor (Increase minimum wage)		
Energy	Gas Station, Petrochemicals (Increase gas buying prices)		
Transportation	Public transportation: Single-price transportation, Goods delivery	Airlines, Car rental companies	
Electricity	IU power plant, SPP&VSPP		
Agriculture			

Note: If the Ft rate is reduced by deferring outstanding costs to EGAT.

Source: SCB EIC analysis.

Medium-term: Competitiveness enhancing policies will positively impact business related to infrastructure, industries which conforms with global trends, and industries of the future, but environmental policies remains challenges and opportunities for many businesses to adjust accordingly.

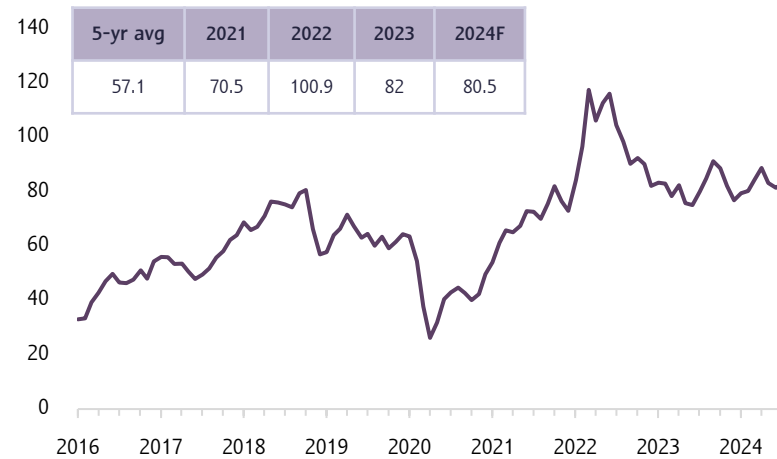
	Enhancing competitiveness	Environmental policies
<ul style="list-style-type: none"> Positively impacted businesses Negatively impacted businesses 	<ul style="list-style-type: none"> Invest in transportation system Promote industries/services of the future Continue developing digital economy Open trading, promote FTA Care and Wellness economy Endorse Creative economy/Soft power Restructure Thai energy cost system* 	<ul style="list-style-type: none"> Continue on Carbon neutrality Promote renewable energy (e.g., Direct PPA**, Solar rooftop) Restore environment/ Address PM2.5 Develop carbon credit market
Transportation	Cold Chain, Ports, Aviation Hub, Logistics Hub, HSR	Vehicles with combustion engines
Construction/Construction materials	Mega projects including railroads, roads, water transportation and air transportation	
Telecom	Data center, Satellite, AI	
Industrial estate	FDI in modern industries such as chips, Semiconductor, AI including manufacturing for exports	
Electronics	Upstream electronics industries	
Tourism	Tourism industries relates to soft power trends	
Automobile	EV	ICE
Electricity	IPP&SPP electricity plants that use gas	RE power plants , Solar PV
Food and beverage	Thai food, Community liquor, Food tech, Halal food	Coal power plants
Agriculture		Agricultural products for renewable energy
Energy	Gas station which only offers refilling services	Manufacturing involving incineration (Sugar, Animal foods)
Healthcare	Hospital, Wellness center, Thai traditional medicine, Health tech, Biotechnology, Telemedicine	Bio-petrochemical and biorefinery
		Refinery, Petrochemicals, Plastic product

Note: *Negotiations regarding OCA with Cambodia will reduce energy costs, especially power plants that use natural gases for production ** Direct PPA
 Source: SCB EIC analysis.

Global oil prices dropped amid China's economic uncertainties and progress in Gaza Strip negotiations. However, LPG/LNG prices should increase due to seasonal demand as reserves are stocked for winter.

Brent crude oil price

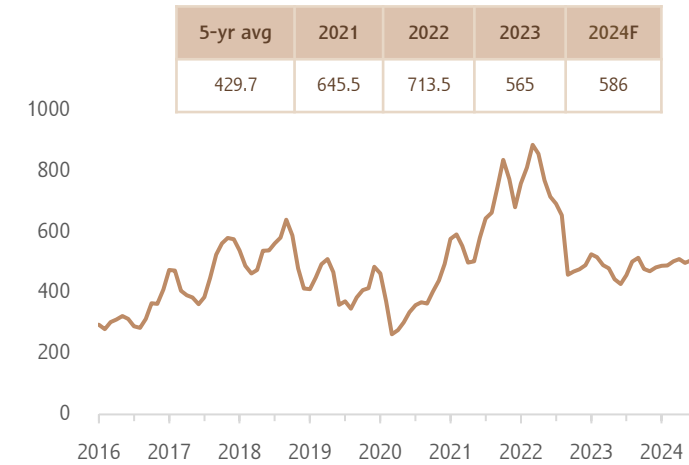
Unit: USD/Barrel



- **Supply** : Previously, OPEC+ cut its production by a total of 5.86 million barrels per day (5.7% of global demand) – 3.66 million barrels per day from OPEC+ members, and a voluntary cut of 2.2 million barrels per day from 8 OPEC+ members. Later, on 2 Jun, OPEC+ members agreed to extend the 3.66 million barrels per day cut until the end of 2025, while the voluntary cut of 2.2 million barrels per day will gradually ease starting this October.
- **Demand** : Oil demand growth slowed in Q2, increasing by only 710,000 barrels per day, the weakest growth since Q4/2023, as consumption in China dropped. As such, global oil demand is expected to grow by less than 1 million barrels per day in 2024, with notable impacts from slower economic growth, improved efficiency, and the ongoing shift toward electric vehicles.
- **Risk** : The recent assassinations of Hamas leaders raise concerns about retaliatory violence, potentially spreading unrest across the broader Middle East.

Aramco Liquefied Petroleum Gas (LPG) price

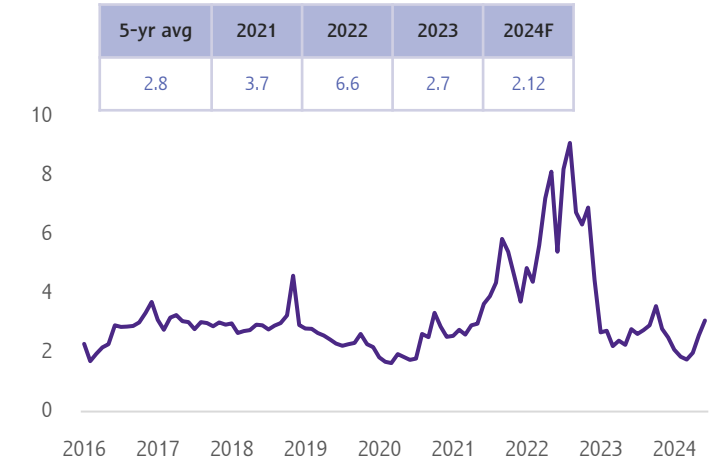
Unit: USD/Ton



- **Demand for LPG is expected to increase** as countries stock gas supplies ahead of festivals and the winter season, from Sep until the end of the year.
- **The start-up of Propane Dehydrogenation (PDH) plants in China** will increase propane demand, pushing LPG prices higher.
- However, notable economic pressures from China persist as **China's Manufacturing PMI in July dropped below 50** again to 49.8 — the lowest level in a year.

Henry Hub natural gas price

Unit: USD/MMBtu



- Unfavorable weathers prompted by **climate change** : Heatwaves across Asia are increasing natural gas consumption, with higher-than-average temperatures expected in South Korea, Japan, and major Chinese cities such as Beijing and Shanghai, further increasing natural gas demand.
Moreover, **natural gas prices may climb further due to seasonal demand ahead of winter.**
- **Risk** : The Russia-Ukraine conflict continues to intensify as Ukraine pushes to reclaim territory from Russia. Violent responses could disrupt peace talks and extend sanctions on Russia.

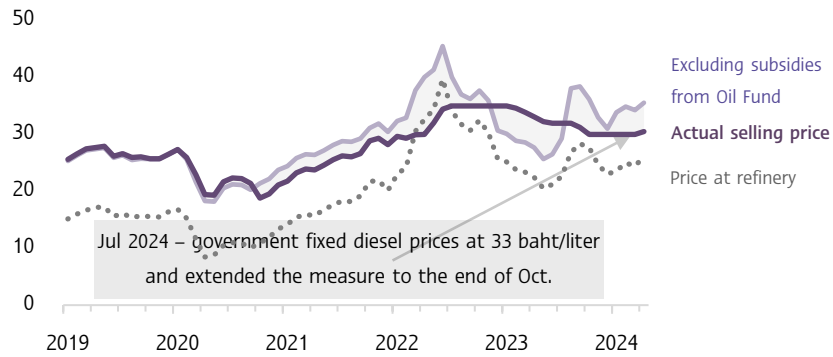
Note: 5-year period = 2015-2019; data and analysis based on the situation as of Apr 2024.

Source: SCB EIC analysis based on data from Bloomberg, TradingView, Goldman Sachs, US EIA, JP Morgan, and various news agencies.

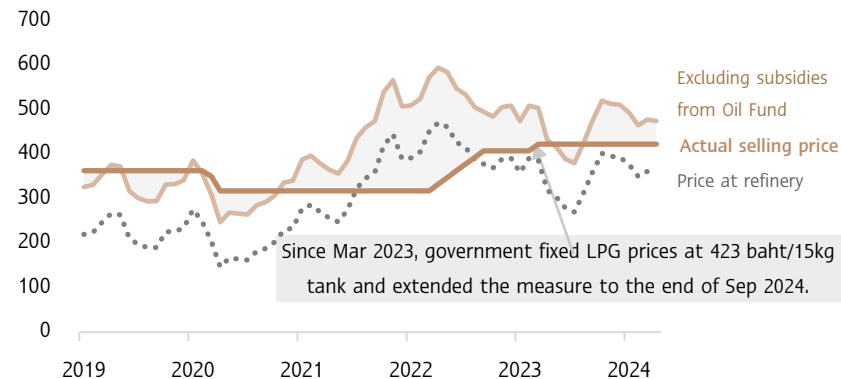
The second extension of the diesel price cap at 33 baht/ liter goes through Oct, with the LPG price fix extending through Sep amid considerations of Oil Fund ceiling contributions revisions.

Retail prices and costs of oil, diesel, and LPG (15 kg)

Diesel price (baht/liter)

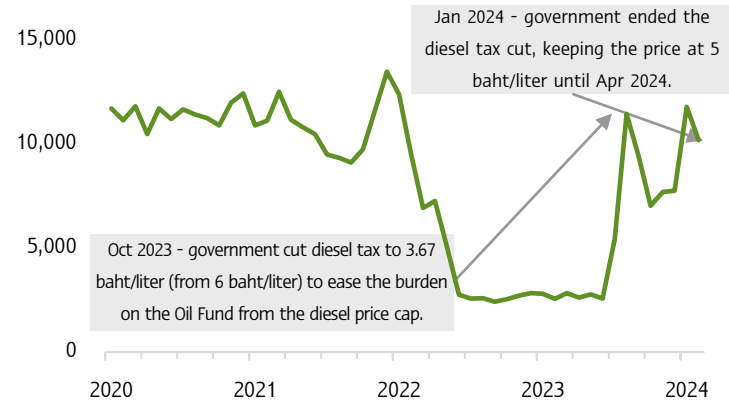


15 kg LPG tank price (baht/15kg)

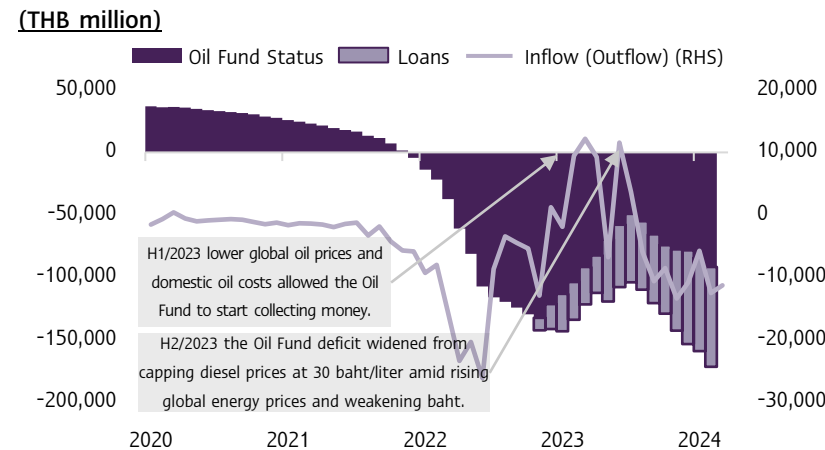


Revenue from diesel excise tax collection and Oil Fund status

Monthly revenue from diesel excise tax collection (THB million/month)



Oil Fund status at the end of the month, inflows-outflows, and loans

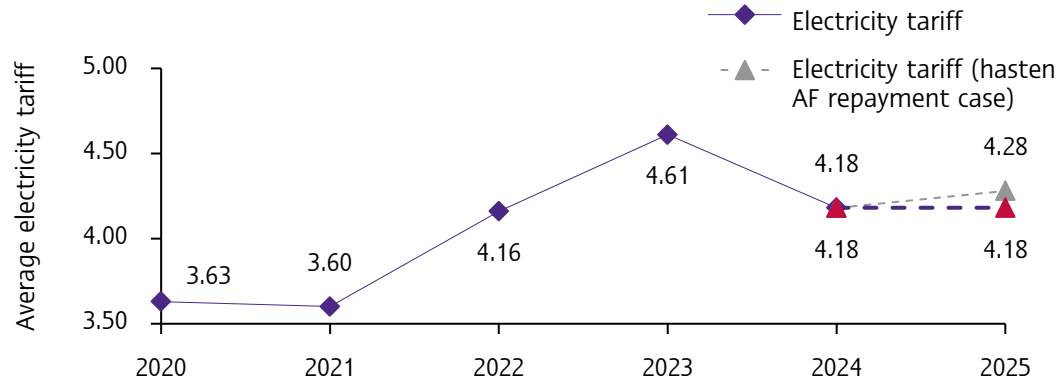


- As of 25 Aug 2024, the Oil Fuel Fund was running at a deficit of 108,559 THB million, with oil at a deficit of 61,003 THB million and LPG at a deficit of 47,556 THB million.
- On 23 July, the Cabinet approved the second extension of the diesel price cap at 33 baht/liter through 31 Oct, funded by the Oil Fund.
- The Oil Fuel Fund Office is considering its ceiling balance revision, currently set at 40 THB billion, with a borrowing limit of 20 THB billion at a time. The public demands separate fund contribution accounts according to fuel type, with a clear fund contribution ceiling to prevent benzene users from subsidizing diesel users; currently, benzene users contribute as much as 10.78 baht/liter to the fund.
- Additionally, the Oil Fund is scheduled to repay the first principal installment of 30 THB billion in Nov, putting further pressure on the Oil Fund to hasten its liquidity management.
- LPG prices: The government has extended the retail LPG price fix at 423 baht/ 15kg tank until 30 Sep.

SCB EIC views that electricity tariffs in 2025 will remain at 2024 levels at 4.1–4.2 baht per unit, following the government’s price fix to ease the cost of living and support from steady natural gas import costs.

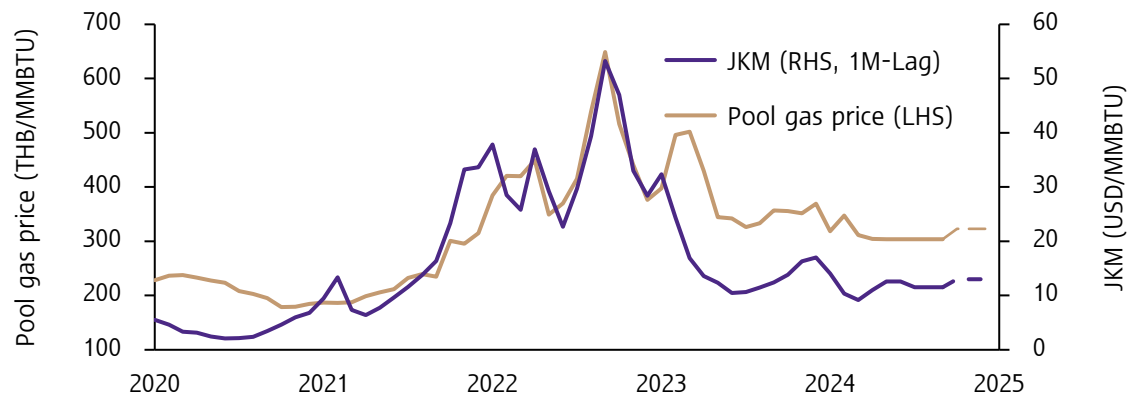
Electricity tariffs in 2020-2024 and estimation for 2025

Unit: baht/ unit



Global JKM natural gas price and Thai pool gas price

Global natural gas price: JKM (USD/mmBTU, monthly average) and Pool gas price (THB/MBTU)



- SCB EIC forecasts that electricity tariffs in 2025 should remain close to 2024 levels at 4.1–4.2 baht per unit, as 1) Paetongtarn’s government policy aims to lower the cost of living and energy prices, thereby should fix electricity tariffs in line with 2024, or not exceeding 4.18 baht per unit, 2) Domestic Pool gas costs are estimated to range between 310–320 baht per MMBTU, and 3) The government should be able to gradually pay back accumulated energy adjustment charge or Accumulated Factor (AF) to EGAT and PTT, ranging from 5-20 satang per unit.
- In 2024, the average electricity tariff was at 4.18 baht per unit (down by 10% YOY), with retail Ft at 0.393 baht per unit (-52% YOY), of which 0.343 baht per unit was for Fuel Adjustment Cost (FAC) and 0.05 baht per unit for Accumulated Factor (AF). Lower Ft rates aligned with government policies to cap electricity prices at 4.18 baht per unit. Moreover, support from stabilizing JKM natural gas prices and a stronger baht helped keep gas import costs within manageable limits for the government and EGAT without increasing debt burdens.

SCB EIC estimates that inflation will gradually return to target range in early Q4 and continue to increase within the range. Although there are measures addressing high cost of living, especially energy costs, price level is expected to rise from last year.

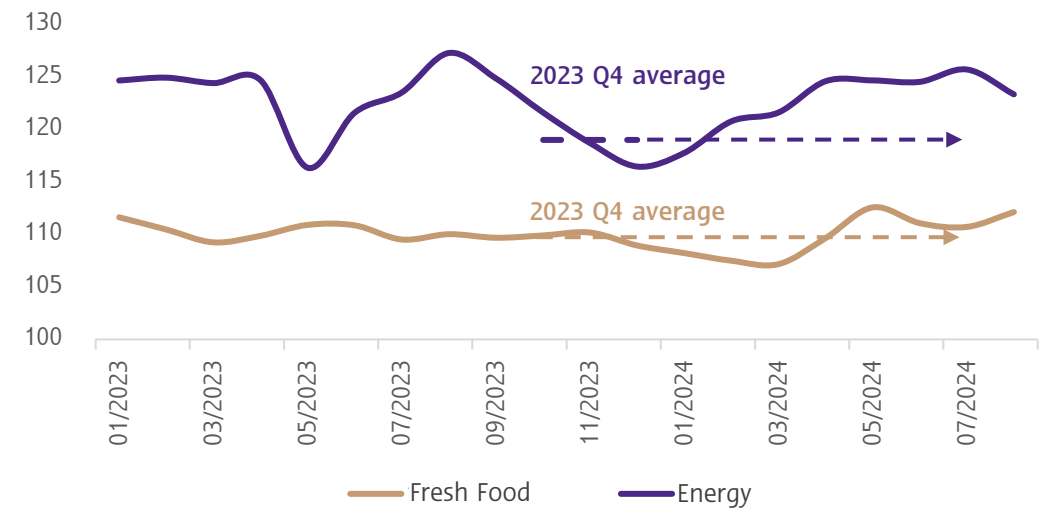
Headline inflation (by product category)

Unit: %

%YOY	Apr-24	May-24	Jun-24	Jul-24	Aug-24	YTD
Headline consumer price index	0.2%	1.5%	0.6%	0.8%	0.4%	0.1%
Food and non-alcoholic beverages	0.3%	1.1%	0.5%	1.3%	1.8%	0.3%
Fresh produce	-0.2%	1.5%	0.2%	1.1%	1.9%	-0.4%
Meat	-11.3%	-8.1%	-7.2%	-5.2%	-2.9%	-9.8%
Food – at home consumption	0.7%	0.7%	0.7%	1.5%	1.9%	1.1%
Food – away from home	0.5%	0.5%	0.6%	1.6%	1.7%	0.8%
Apparel and footwear	-0.2%	-0.4%	-0.5%	-0.5%	-0.6%	-0.3%
Residences	-0.8%	2.1%	-0.8%	-0.8%	-0.9%	-0.5%
Electricity, fuel, water, and lighting	-3.4%	8.4%	-3.3%	-3.3%	-3.3%	-2.0%
Medical and personal care	0.4%	0.5%	0.1%	-0.4%	0.0%	0.3%
Transportation and communications	0.9%	2.4%	2.4%	2.0%	-1.0%	0.3%
Recreation, education, and religion	0.4%	0.6%	0.7%	0.6%	0.6%	0.6%
Tobacco and alcoholic beverages	1.4%	1.4%	1.5%	1.5%	1.6%	1.4%
Core consumer price index	0.4%	0.4%	0.4%	0.5%	0.6%	0.4%

Thai consumer price index (Energy and Fresh Food categories)

Unit: Index (2019 = 100)



Looking forward, Thai inflation will continue to increase

- **The remaining of this year:** Although the measures which address high costs of living, especially energy costs (such as electricity prices, oil prices, and LPG prices) should be extended until the end of the year, the price level is expected to rise from last year
- SCB EIC estimates that inflation will return to target range and possibly increase by more than 1% from October
- In 2025, inflation is likely to increase faster within the target range: especially during H1/2025 from meat and fresh food such as vegetables and fruits, which may become higher than last year

SCB EIC views that MPC is likely to cut policy rates in December, as a sign of slowing domestic demand is increasingly apparent, partly due to prolonged tightening financial conditions.

MPC is likely to cut policy rate for the first time in December

	MPC Oct24	MPC Dec24	MPC Q125	MPC Q225
Policy rate forecast	2.5%	2.25% ↓	2.0% ↓	2.0%

Target	Short-term (Present)	Medium-term (2 years)	Long-term (>2 years)
GDP growth	Economy expands as expected despite domestic demand stalling and investment declining	Vulnerable households and businesses put pressure on domestic demand.	Decreasing potential of the economy
Inflation	Inflation is lower than the lower bound of the target range	Inflation is likely to maintain near the lower bound of the target range	Inflation expectation is at 2%
Financial system stability	Vulnerable households and businesses are facing tightening financial conditions with lower loan quality	Credits grow at a slower rate than the past given tighter lending standards	Current policy rate is above the long-term equilibrium interest rate or neutral rate.

Factors for holding policy rates Factors for cutting policy rates

During the August's meeting, MPC begins to convey placing importance on monitoring connection between economy and financial conditions

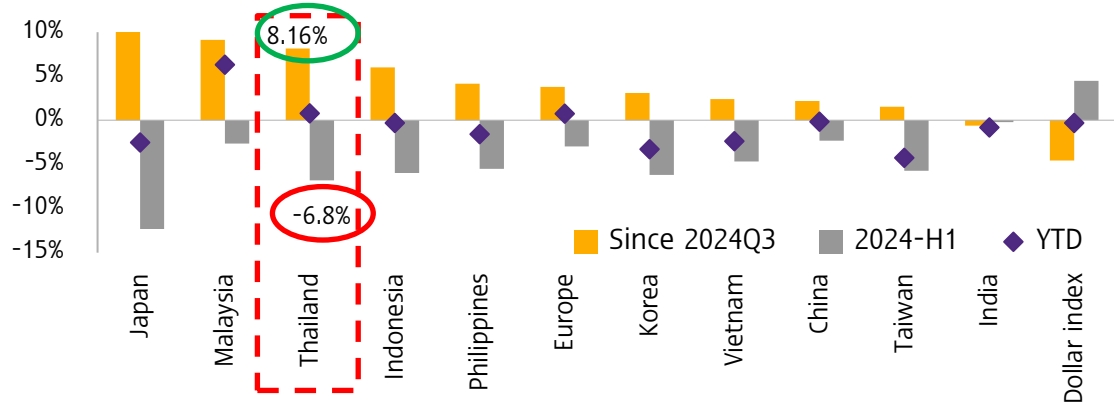
Factors on which MPC has convey placing importance (according to Press statement)

MPC #1 – Feb24	<p>Economy (Structural issues)</p> <p>“...The Committee nonetheless notes heightened uncertainties associated with cyclical and structural factors...”</p>
MPC #2 – Apr24	<p>Economy (Exports and public sector)</p> <p>“...uncertainties on the Thai economy remain high, particularly from export recovery, government budget disbursement, and fiscal stimulus measures The Committee will closely monitor...”</p>
MPC #3 – Jun24	<p>Economy (Exports and public sector)</p> <p>“...monitor economic developments, especially the recovery of exports and government measures...”</p>
MPC #4 – Aug24	<p>Economy and financial conditions</p> <p>“...The Committee will closely monitor macroeconomic and financial developments, as well as the interlinkages between them...”</p>

Thai baht is expected to appreciate rapidly due to declining dollar index, higher gold prices, and diminishing political concerns. Looking ahead, Thai Baht may depreciate temporarily before rising, following the Easing cycle in the US.

Change in currency value against USD

Unit: % (Data as of 29 Aug 2024)



Factors causing the baht to appreciate in the previous period

- Dollar index declining following lower US Treasury yields due to weaker economic outturns.
- Rising gold price towards All-time high.
- Diminishing concerns regarding Thai politics after timely appointment of the prime minister.

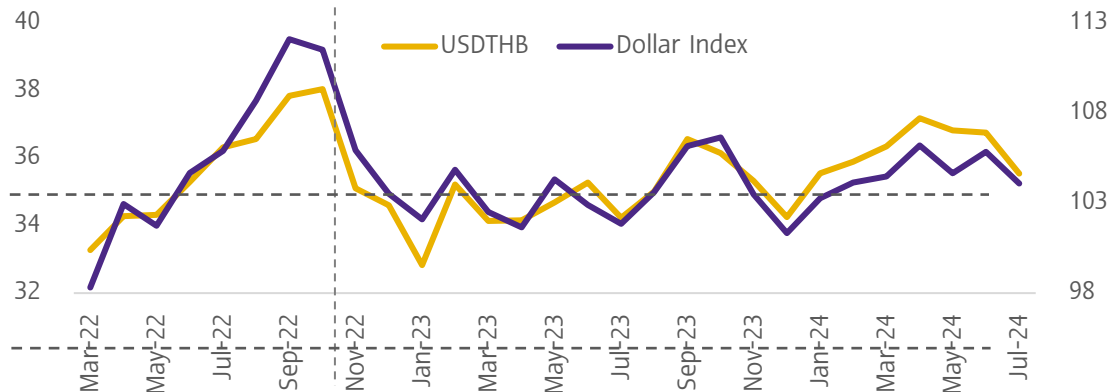
SCB FM estimates Thai baht to be 33.90-34.40 baht per USD in a short term before gradually appreciating until next year

- Within this 1 – 2 months, it is unlikely that Thai baht will depreciate slightly since 1) the market may have somewhat priced out the rate cuts as the US economy is not in the critical state yet. Thus, Fed may cut policy rate less than 50 BPS, 2) US election and risks resulting from trade protectionism may cause USD to appreciate.
- In medium- and long-term, Thai baht will gradually appreciate following the Easing cycle in the US, which will cause USD to continue to depreciate. Thai current account balance may also be in higher surplus.

Dollar index and Thai Baht

Unit: Baht to USD

Unit: Index



Thai baht forecast by SCB FM

	End-2024	End-2025
USDTHB	34.00 - 34.50	33.00 - 34.00

Structural Challenges Hindering Thai Business Sectors



During the first 7 months of 2024, Thai automotive industry indicators signaled broad-based contraction, driven by sluggish domestic demand, while export volumes continued to slow.

Thai Automotive Industry Indicators

Unit: %YOY

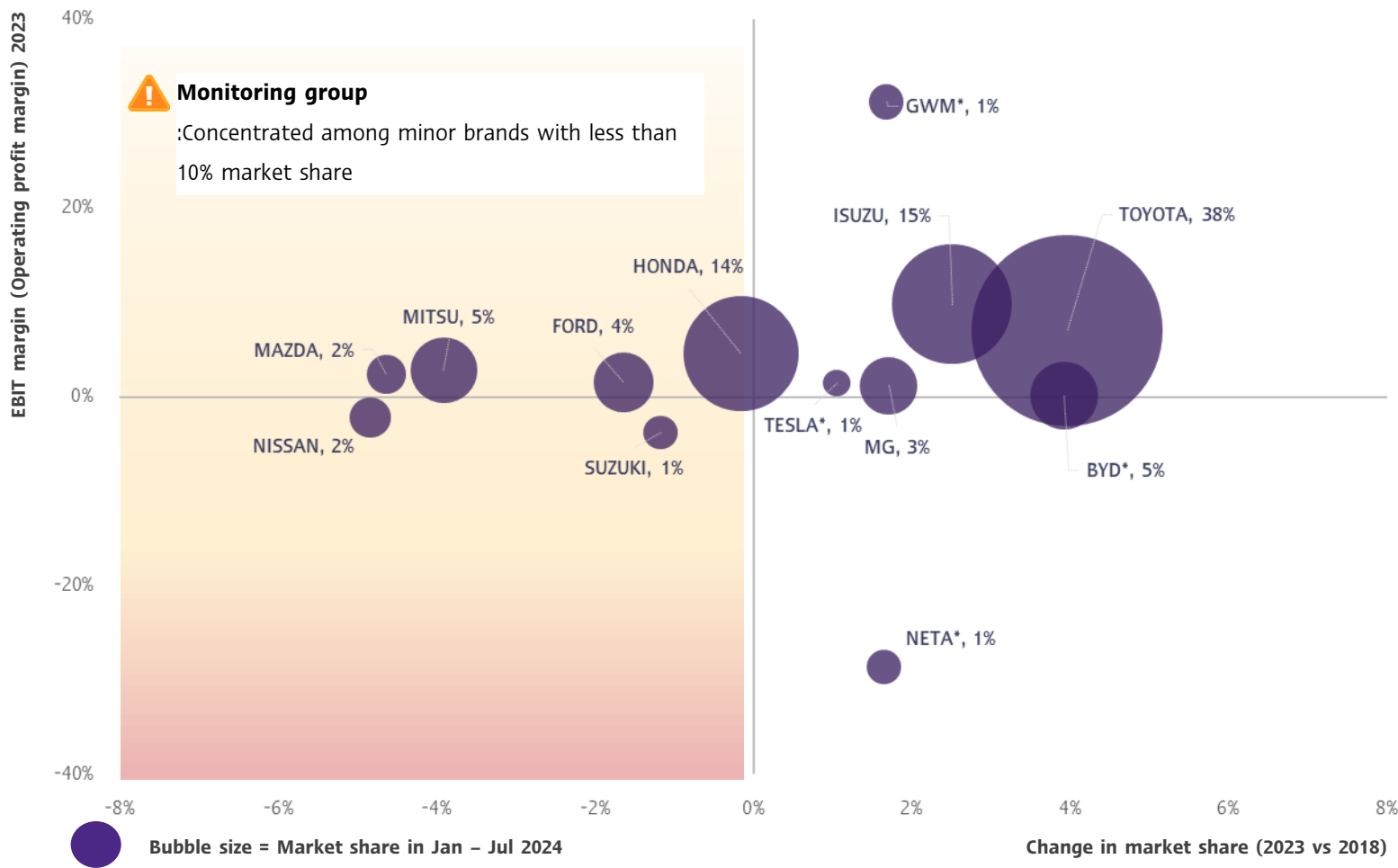
Thai auto industry indicators		Q1 24	Q2 24	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	2022	2023	2024F	2025F
Supply side	Auto production	-18.3%	-15.8%	-12.5%	-19.3%	-23.1%	-11.0%	-16.2%	-20.1%	-16.6%	11.7%	-2.2%	-12.3%	2.2%
	Production index	-16.1%	-12.9%	-9.8%	-16.3%	-22.1%	-6.7%	-14.2%	-18.0%	-10.8%	10.1%	-0.8%		
	Capacity utilization*	56.88	60.70	59.90	56.25	54.47	64.63	58.84	58.64	62.54	0.11	69.40		
	Inventory	17.4%	-7.0%	39.3%	15.6%	-2.8%	6.4%	-7.3%	-20.1%	-1.5%	-10.2%	47.6%		
	Employment	2.3%									1.1%	1.6%		
	Average employee wage	-5.1%									10.1%	-1.4%		
Demand side	Domestic car sale	-24.1%	-23.6%	-16.4%	-26.1%	-29.8%	-21.5%	-23.4%	-26.0%	-20.6%	11.9%	-8.7%	-15.8%	2.5%
	Passenger car sale	-14.3%	-23.2%	2.4%	-20.1%	-25.1%	-14.4%	-28.1%	-27.1%	-26.4%	5.3%	10.3%	-10.6%	3.1%
	Commercial car sale	-29.5%	-23.6%	-26.5%	-29.4%	-32.6%	-25.1%	-20.2%	-25.4%	-16.9%	15.2%	-17.3%	-19.0%	2.0%
	EV registration	98.7%	-8.6%	354.8%	-34.7%	-23.9%	4.9%	-5.1%	-25.5%	8.2%	382.1%	708.1%	10.3%	9.8%
	Used car registration	-19.4%	-13.8%	-15.0%	-17.3%	-19.5%	-17.3%	-16.3%	-17.0%	-14.9%	-28.2%	5.1%	-17.6%	0.5%
	Export (CBU)	-1.1%	-2.8%	-0.1%	0.2%	-3.3%	-12.2%	3.4%	0.5%	-17.6%	4.3%	11.7%	-0.7%	1.4%

Note: *Production capacity utilization is shown as a percentage of total available capacity.

Source: SCB EIC analysis based on data from the Thailand Automotive Institute, Department of Land Transport, Bank of Thailand, The Federation of Thai Industries, and CEIC.

While major automaker brands managed to maintain a strong competitive edge, **minor automaker brands grappled with shrinking sales and dwindling profits.**

Risk assessment of car production and sales operations by brand



	Production capacity (vehicle/year)		Number of factories	
	2023	2025+	2023	2025+
TOYOTA	770,000		3	
HONDA	270,000	120,000	2	1
ISUZU	385,000		2	
FORD	100,000		1	
MITSU	400,000		1	
MAZDA	130,000		1	
NISSAN	220,000		1	
SUZUKI	6,500	0	1	0
Total	2.3 ล้าน	2.1 ล้าน	12	10
Change	-6.9%		-2 ครัว	

Monitoring group:
accounts for 40% of total production capacity, with a combined capacity of **850,000 vehicles.**

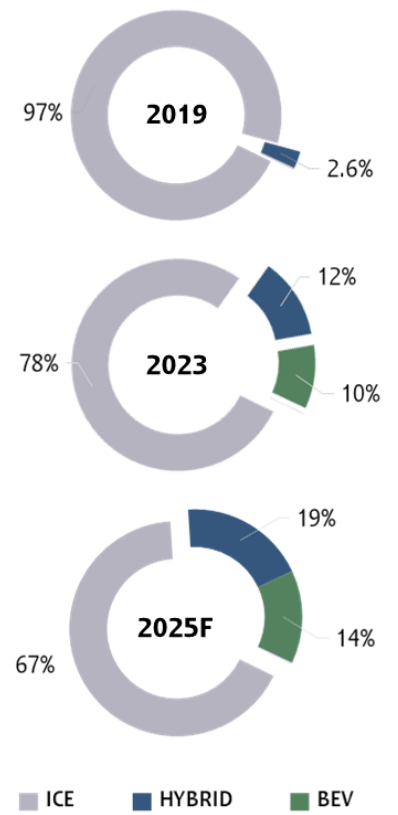
Note: *EBIT margin is calculated from automotive dealership data, while other brands are assessed based on their automotive manufacturing profitability.

Source: SCB EIC analysis based on data from Thailand Automotive Institute, Department of Land Transport, The Board of Investment Office, Department of Business Development, and the Federation of Thai Industries.

Looking ahead, EV production, including both Hybrid and BEV, is poised to play a greater role in Thailand's automotive industry, fueled by growing consumer demand, government policies, and investment trends among various automakers.

Proportion of EV sales (Hybrid + BEV)

Unit: % of domestic cars sales



Hybrid vehicle market structure as of 2024		
	Hybrid market share	Hybrid sale ratio
	42%	33%
	40%	62%
	3%	20%
	3%	100%
	3%	40%
	2%	31%
	2%	22%
	1%	7%

SCB EIC views that the Hybrid vehicle industry will generate value-add domestically, benefiting the auto parts sector directly, especially as Japanese automaker brands, which dominate the market, still rely heavily on domestic supply chains.

EV factories starting production/ construction as of 2024

Brand	Location	Capacity	Inv value	
		(car/year)	(million baht)	
Start/ set to start production in 2024				
	BYD (Rêver)	Rayong	150,000	17,900
	MG (SAIC Motor + CP)	Chonburi	100,000	10,000
	GWM	Rayong	100,000	22,600
	HORIZON PLUS	Chonburi	50,000	36,100
	Absolute Assembly (NEX+EA)	Chachoengsao	9,000	
Total production capacity			409,000	
In factory construction negotiation process				
	ChangAn*	Rayong	100,000	8,862
	GAC		100,000	6,400
	NETA	Bangkok	20,000	
Total production capacity			220,000	



Year	BEV Production (units)
2022*	9,451
2023*	15,013
Jan – Jul 2024	5,502

Thai SMEs Under Pressure:

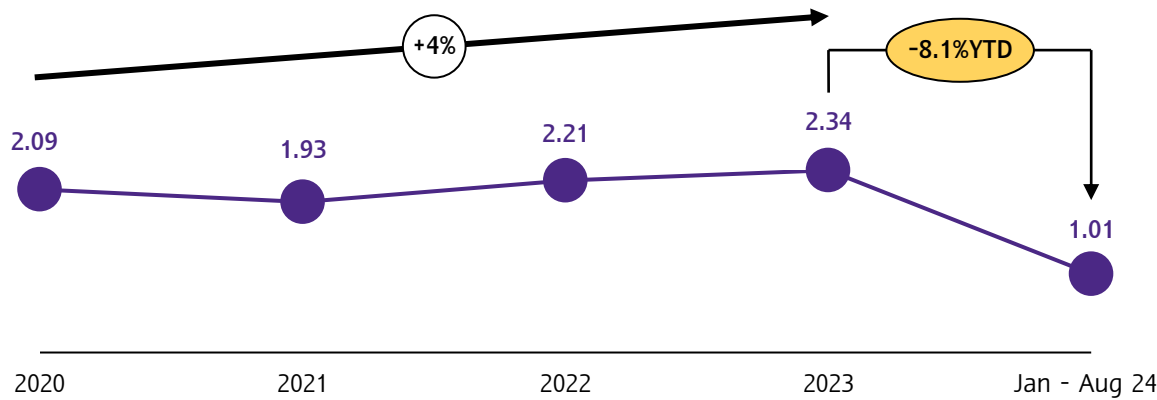
The struggle against economic conditions, rising competition, and structural changes.



Thai SMEs are under mounting pressure from all angles, leading to the dissolution of businesses that are slow to adapt — notably fisheries, steel production, chemicals, and printing houses.

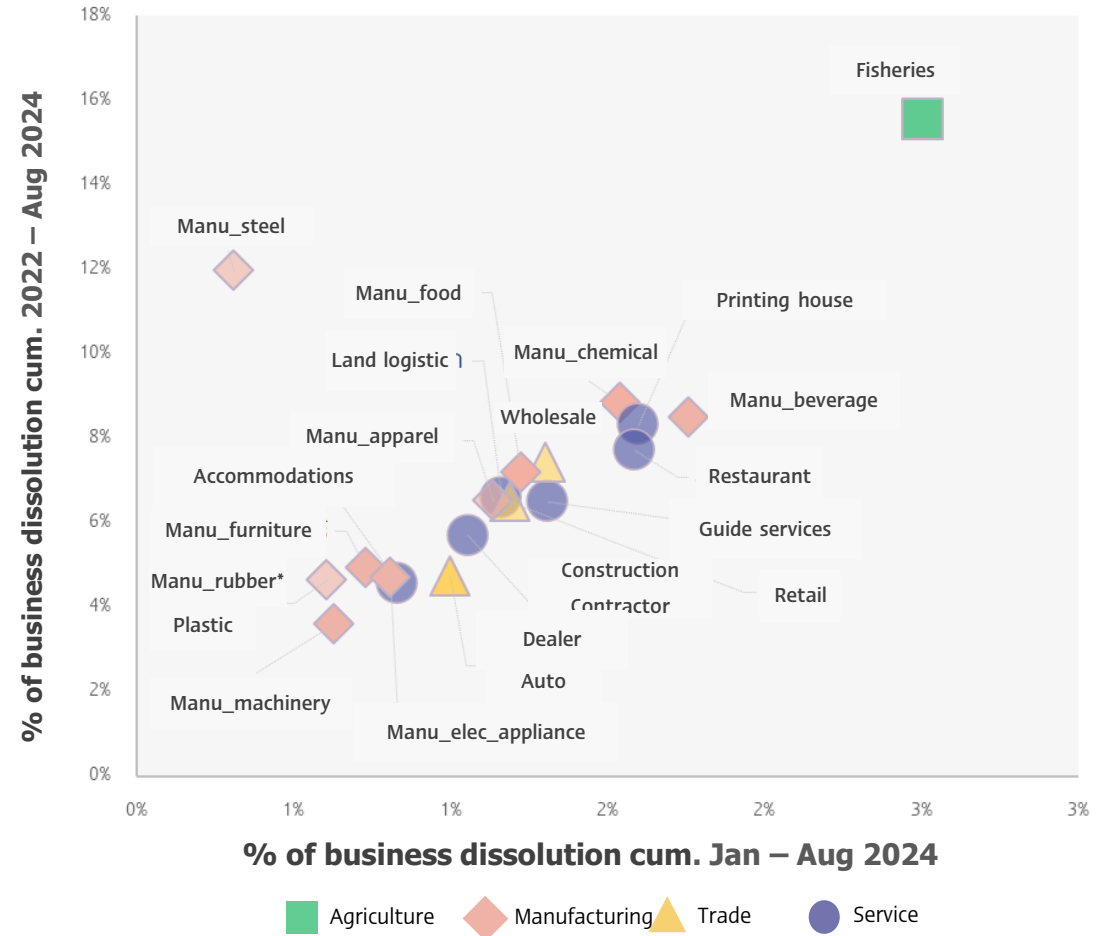
Number of “dissolved” juristic persons

Unit: Tens of thousands nationwide



Proportion of business dissolution by industry (cumulative data from 2022 – Jul 2024)

Unit: % of total juristic persons as of 2023

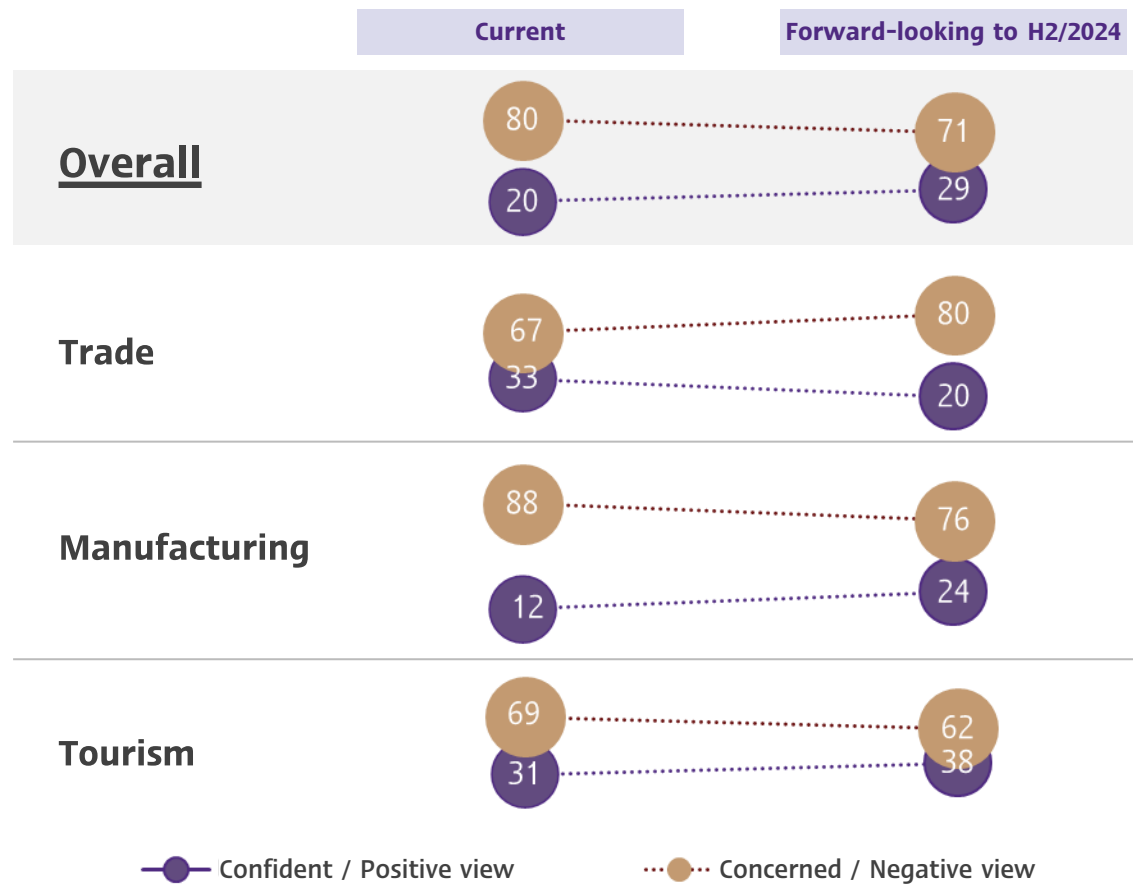


	% of SMEs to total businesses nationwide	% of business dissolution to total businesses in each region
Nationwide		1.2%
Bangkok	37%	1.0%
Central	25%	0.8%
Eastern	11%	1.1%
Northeastern	9%	1.8%
Southern	9%	1.0%
Northern	9%	2.1%

SMEs hold a pessimistic outlook on Thailand's economic recovery. Many view domestic purchasing power as fragile and express concern over persistently high household debt levels.

SMEs confidence in Thailand's economy in H2/2024

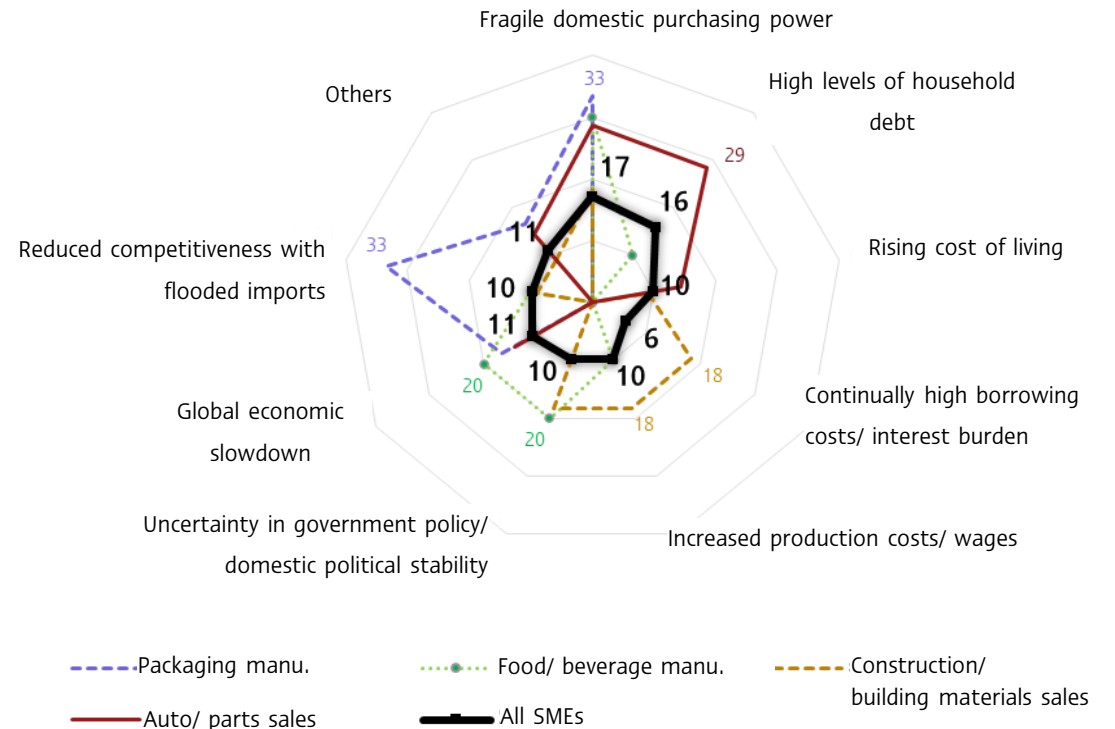
Unit: % of SME survey respondents by industry



Examples of factors undermining SME confidence by sector

Unit: % % of SME survey respondents by industry

SME confidence is weighed down by weak economic conditions and domestic purchasing power. Some sectors are also facing compounded challenges from the global economic slowdown and competition from imported goods.



SMEs are grappling with high operational costs, compounded by limitations in product development and sales strategies, as well as inability to upgrade production to keep up with trends and technologies.

8 challenges hindering Thai SME operations

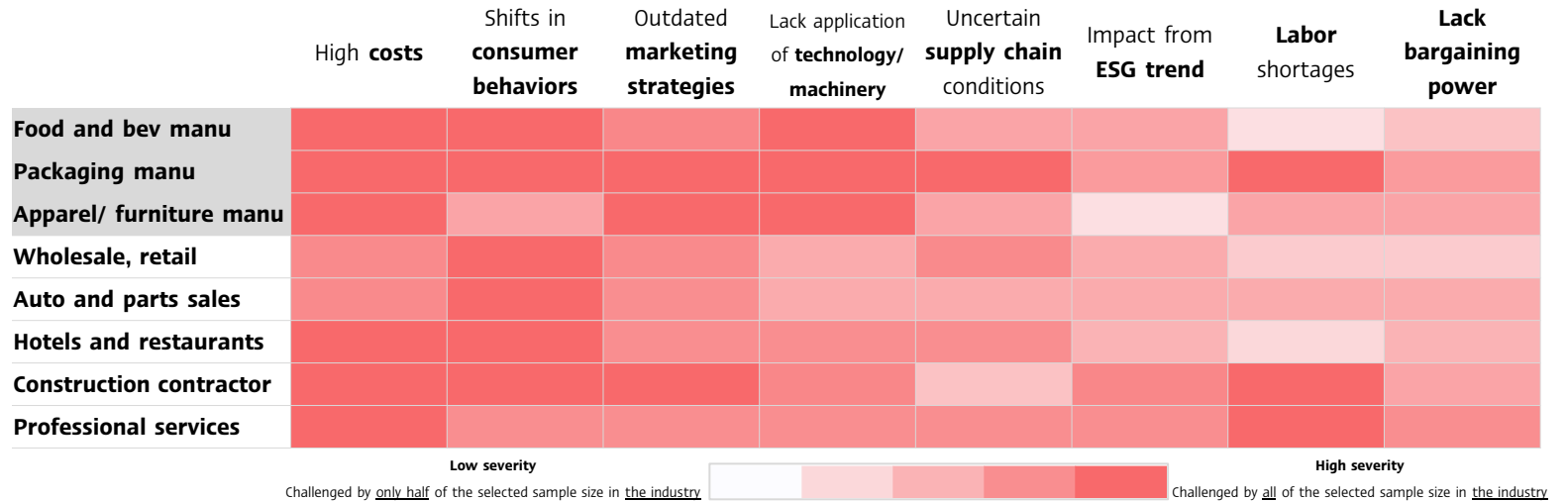
Unit: % of SME respondents facing challenges



Quarterly growth rate of major countries

Unit: %QOQ_SA

The growth potential of SMEs in the manufacturing sector is constrained by limited access and application of technology or machinery to replace manual labor. This issue is particularly severe in the “packaging production” and “construction contractor” sectors.



Key challenges for business operations in H2/2024

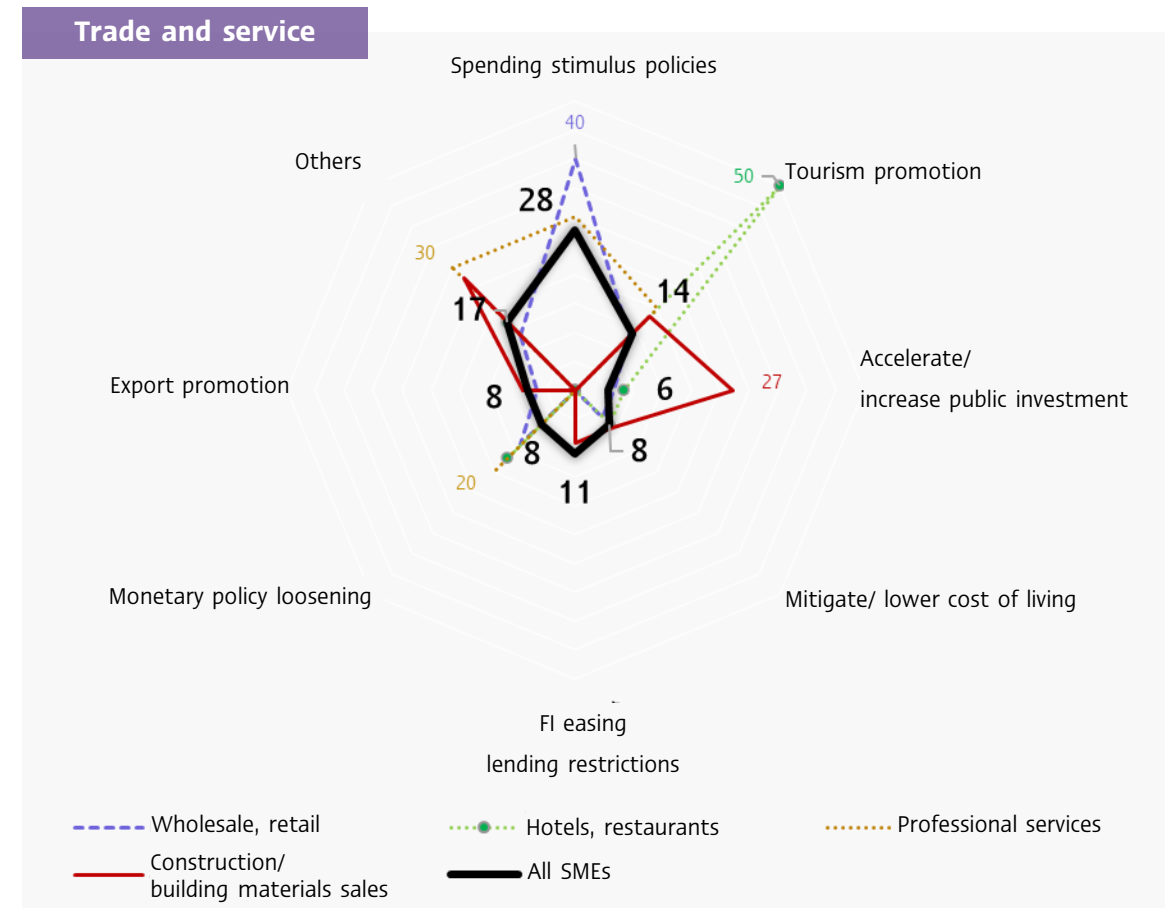
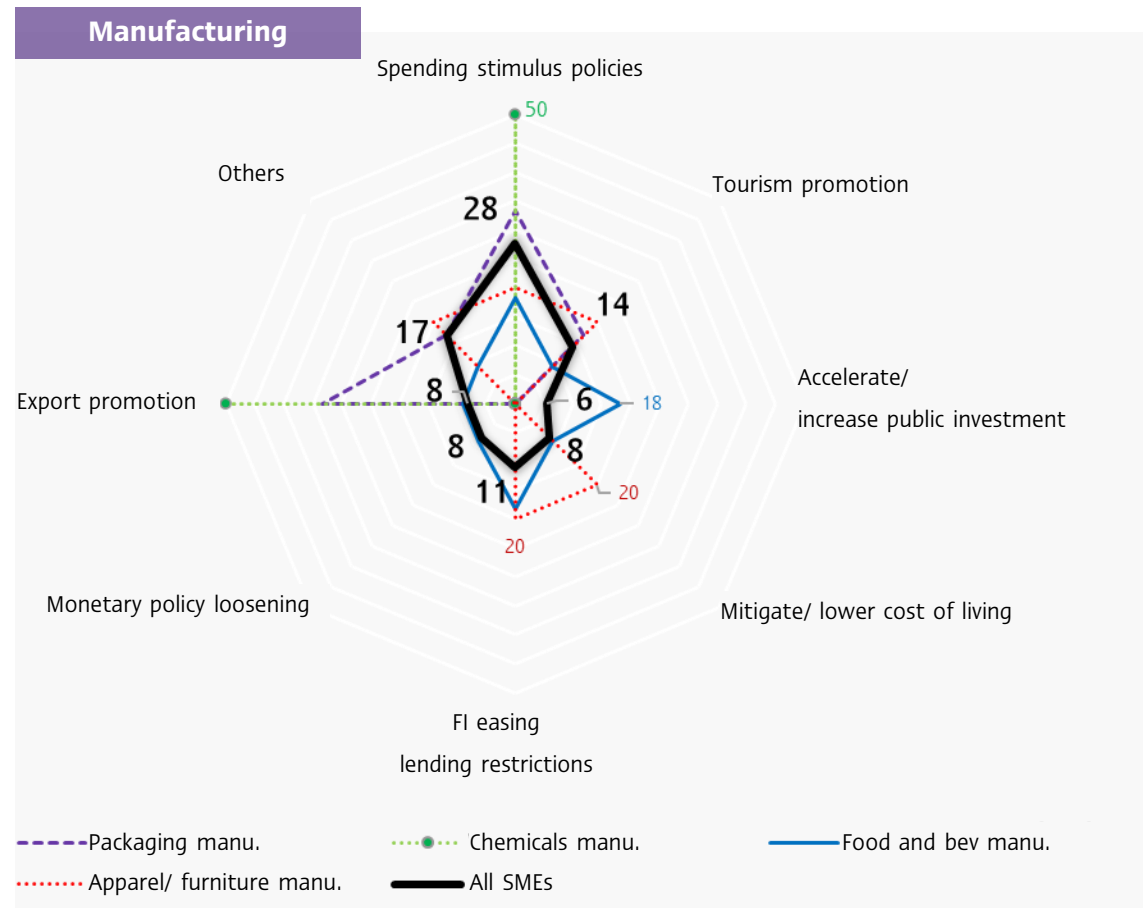
Unit : % of total respondents



SMEs' confidence could rebound if the government and financial sectors are more active in stimulating the economy through fiscal measures, easing lending restrictions, and loosening monetary policies.

Factors driving Thai economy recovery in H2/2024 (SME view)

Unit: % of SME survey respondents by industry



Economic stimulus from both the government and financial sectors must go hand in hand with policies that enhance competitiveness to ensure robust and sustainable SME growth.

Policy recommendation

To enhance competitiveness, SMEs should focus on leveraging technology, improving workforce skills with sufficient quality and quantity, developing high-quality products and services that meet market demands, and expanding customer bases into new domestic and international markets. These efforts require targeted policies and support through collaboration between the public and private sectors, as well as the financial industry.



Procurement quotas for local SMEs' goods and services



Tax deductions for machinery purchases and training expenses



Loan guarantee programs for product and service quality development



Expanding training projects to second-tier provinces

Policy recommendations

Empowering Thai SMEs for sustainable growth

Contributors



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 macroeconomics research

✉ thitima.chucherd@scb.co.th



Pranida Syamananda

Head of industry analysis

✉ pranida.syamananda@scb.co.th



Poonyawat Sreesing, Ph.D.

Senior economist

✉ poonyawat.sreesing@scb.co.th

Contributors



Chotika Chummee

Manager agriculture and manufacturing industries

✉ chotika.chummee@scb.co.th



Kamonmarn Jaenglom, Ph.D

Senior analyst

✉ kamonmarn.jaenglom@scb.co.th



Kanyarat Kanjanavisut

Senior analyst

✉ kanyarat.kanjanavisut@scb.co.th



Kaitisak Kumse, Ph.D.

Senior analyst

✉ kaittisak.kumse@scb.co.th



Nattanan Apinunwattanakul

Senior analyst

✉ nattanan.apinunwattanakul@scb.co.th



Tita Phekanonth

Senior analyst

✉ tita.phekanonth@scb.co.th



Chetthawat Songprasert

Senior analyst

✉ chetthawat.songprasert@scb.co.th



Jirawut Imrat

Senior analyst

✉ jirawut.imrat@scb.co.th

Contributors



Nond Prueksiri

Senior economist

✉ nond.prueksiri@scb.co.th



Punyapob Tantipidok

Senior analyst

✉ punyapob.tantipidok@scb.co.th



Vishal Gulati

Senior economist

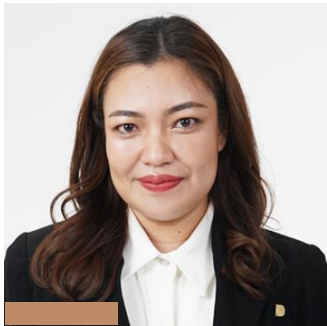
✉ vishal.gulati@scb.co.th



Wachirawat Banchuen

Senior market strategist

✉ wachirawat.banchuen@scb.co.th



Chayanit Somsuk

Analyst

✉ chayanit.somsuk@scb.co.th



Jirapa Boonpasuk

Analyst

✉ jirapa.boonpasuk@scb.co.th



Keeratiya Krongkaew

Analyst

✉ keeratiya.krongkaew@scb.co.th



Wannakomol Supachart

Analyst

✉ wannakomol.supachart@scb.co.th

Contributors



Nathapong Tuntichiranon

Economist

✉ nathapong.tuntichiranon@scb.co.th



Punn Pattanasiri

Economist

✉ punn.pattanasiri@scb.co.th



Pawat Sawaengsat

Economist

✉ pawat.sawaengsat@scb.co.th

Economic Intelligence Center (SCB EIC)

E-mail : eic@scb.co.th Tel.: +66 (2) 544 2953

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.
somprawin.manprasert@scb.co.th

Macroeconomics Research

THITIMA CHUCHERD, PH.D.
thitima.chucherd@scb.co.th

POONYAWAT SREESING, PH.D
poonyawat.sreesing@scb.co.th

NOND PRUEKSIRI
nond.prueksiri@scb.co.th

VISHAL GULATI
vishal.gulati@scb.co.th

NATHAPONG TUNTICHIRANON
nathapong.tuntichiranon@scb.co.th

PUNN PATTANASIRI
punn.pattanasiri@scb.co.th

PAWAT SAWAENGSAK
pawat.sawaengsat@scb.co.th

Industry Analysis

PRANIDA SYAMANANDA
pranida.syamananda@scb.co.th

CHOTIKA CHUMMEE
chotika.chummee@scb.co.th

KAMONMARN JAENGLOM, PH.D.
kamonmarn.jaenglom@scb.co.th

KANYARAT KANJANAVISUT
kanyarat.kanjjanavisut@scb.co.th

KAITTISAK KUMSE, Ph.D.
kaittisak.kumse@scb.co.th

NATTANAN APINUNWATTANAKUL
nattanan.apinunwattanakul@scb.co.th

TITA PHEKANONTH
tita.phekanonth@scb.co.th

CHETTHAWAT SONGPRASERT
chetthawat.songprasert@scb.co.th

JIRAWUT IMRAT
jirawut.imrat@scb.co.th

PUNYAPOB TANTIPIDOK
punyapob.tantipidok@scb.co.th

CHAYANIT SOMSUK
chayanit.somsuk@scb.co.th

JIRAPA BOONPASUK
jirapa.boonpasuk@scb.co.th

KEERATIYA KRONGKAEW
keeratiya.krongkaew@scb.co.th

WANNAKOMOL SUPACHART
wannakomol.supachart@scb.co.th

Knowledge Management And Networking

PHANUMARD LUEANGARAM
phanumard.lueangaram@scb.co.th

KRILERK VALLOPSIRI
krilerk.vallopsiri@scb.co.th

MAYURA LEETRAKUL
mayura.leetrakul@scb.co.th

WANITCHA NATEESUWAN
wanitcha.nateesuwana@scb.co.th

PIYANUCH PHIOLUEANG
piyanuch.phiolueang@scb.co.th

POOMISAK KUMPRASERT
poomisak.kumprasert@scb.co.th

WORAWAN WANNAPRAPAN
worawan.wannaprapan@scb.co.th

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