

Thailand Economics

Weak inventory build



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Thailand's 4Q22 GDP growth figure disappointed us, up 1.4% y-y and down 1.5% q-q. The drags were weak inventory build and government consumption. But as the core drivers of consumption and tourism remain in the works with improving investment, the recovery continues.

Inventory adjustment hits 4Q22 GDP growth

Thailand's 4Q22 GDP was weak, growing 1.4% y-y and contracting by 1.5% q-q. This resulted in only 2.6% growth in 2022 vs. our 3.2% forecast. However, it was still an expansion from the 1.6% growth in 2021. Most of the disappointment in 4Q22 was from lower-than-expected inventory build, which shaved 0.4% off our 3.2% full-year GDP growth forecast. The other disappointing item was government consumption, which fell 8% y-y in 4Q22. Exports in US dollar terms were down sharply by 7.5% y-y (vs. our +1.0% forecast) in 4Q22, but this was offset by weak imports that fell 0.3% y-y (vs. our +16.0% forecast). Therefore, net exports weren't a key miss in our GDP growth projection.

Core items remain resilient

On the positive side, key underlying GDP items did very well in 4Q22 and confirmed the economic recovery pace. Consumption grew by 5.7% y-y (vs. our forecast of 4.0%) in 4Q22 and exports of services, mainly tourism income, rose by 107% y-y (vs. our 97% forecast). Private investment growth was relatively in line at 4.5% y-y in 4Q22 (vs. our 5.0% forecast). Public investment missed at 1.5% y-y growth (vs. our 5.0% forecast) but the item was relatively small in size and had a small impact on GDP growth.

We estimate 4.0% p.a. growth in 2023-24F

Although we still estimate 4.0% p.a. GDP growth in 2023-24F, this is from a lower-base 2022 number. Details of our assumption changes are in Exhibit 11. Key GDP growth drivers in 2023-24F are consumption, tourism (via the export of services), and private investment. We expect exports to be weak from advanced economies, but this should be offset by weaker imports, including of energy products, as well. The current account has turned to a surplus since 4Q22, and we expect a surplus of 1.3% of GDP in 2023F vs. a deficit of 3.4% in 2022. Please refer to our long-term view of the Thai economy in *Thailand Economics – Into a mid-cycle turnaround*, dated 23 November 2022.

Baht and interest rate outlook

We continue to forecast a strengthening baht trend but raise our assumptions for its value further after its faster-than-expected reversal in 4Q22. The stronger baht trend is because of the peaking of the Fed funds rate, the policy rate normalization at home, and the current account turning into a surplus. We now estimate the baht at Bt33.1/32.1/31.3 per US dollar in 2023-25F. We maintain our year-end policy rate projections of 1.75/2.00% in 2023-24F, assuming a full economic turnaround from tourism in 2024F.

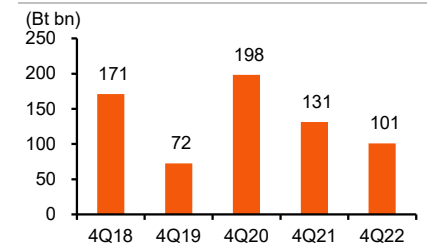
ECONOMIC MONITOR

GDP Growth Forecasts

(% growth)	22A	23F	24F	25F
GDP growth	2.6	4.0	4.0	3.4
Consumption	6.3	3.4	3.0	3.0
Private inv.	5.1	5.7	4.6	4.1
Govt inv.	(4.9)	(2.1)	1.7	2.0
Export - US\$	5.5	(3.8)	4.0	4.0
Import - US\$	15.3	(3.0)	4.0	4.0
Current acc./GDP	(3.4)	1.3	3.0	3.1
Bt/US\$ - avg	35.1	33.1	32.1	31.3

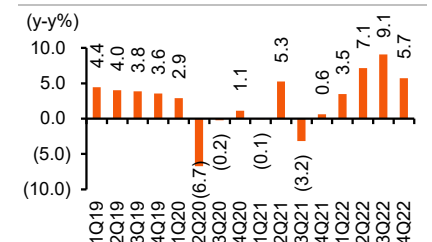
Sources: Bank of Thailand, NESDC,
 Thanachart estimates

Weak 4Q22 GDP On Inventory Change



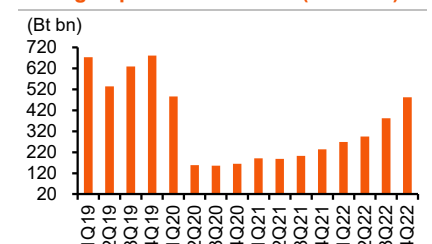
Source: NESDC

Resilient Private Consumption



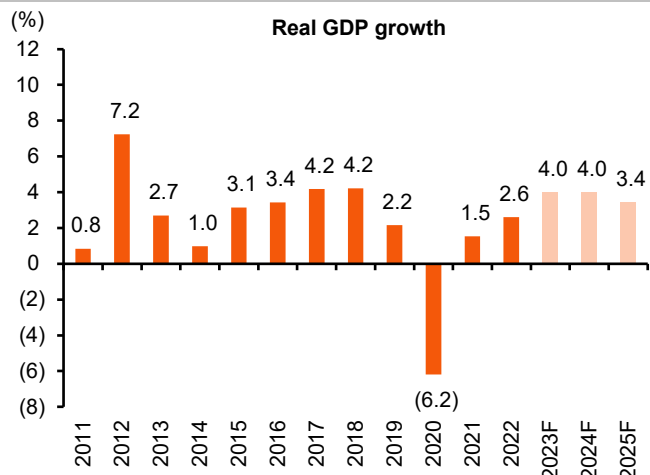
Source: NESDC

Strong Exports Of Services (Tourism)



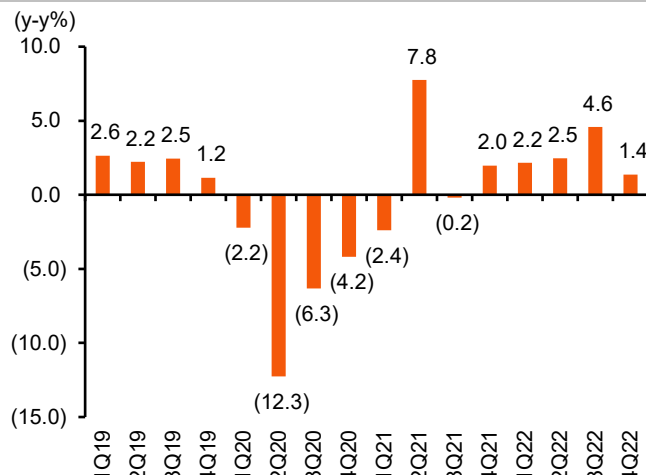
Source: Bank of Thailand

Ex 1: Recovering GDP Growth Post-COVID



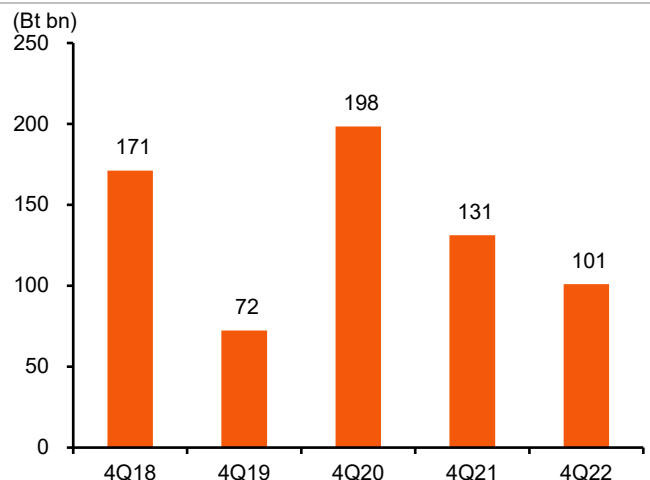
Sources: NESDC; Thanachart estimates

Ex 2: Weak Inventory Build Hit 4Q22 GDP



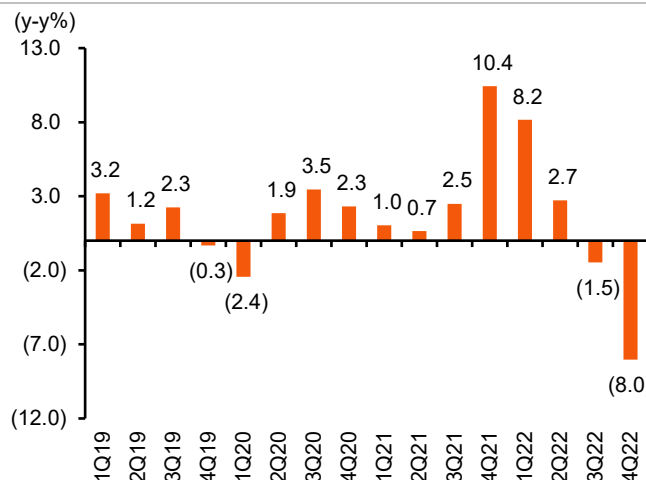
Source: NESDC

Ex 3: Change In Real-term Inventory In 4Q Period



Source: NESDC

Ex 4: Weak Govt Consumption In 4Q22



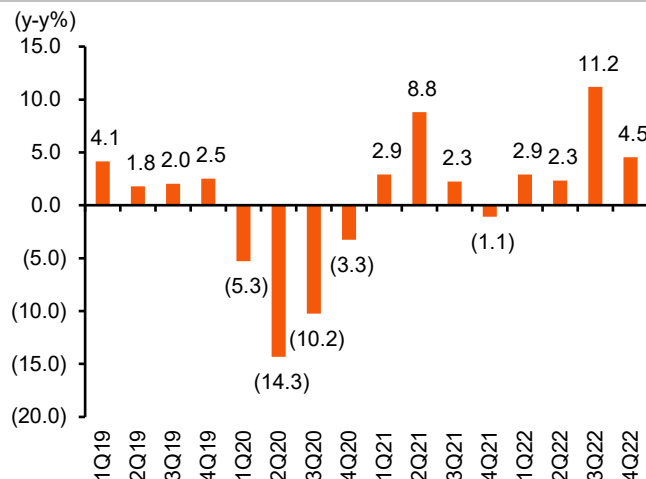
Source: NESDC

Ex 5: Very Strong Consumption



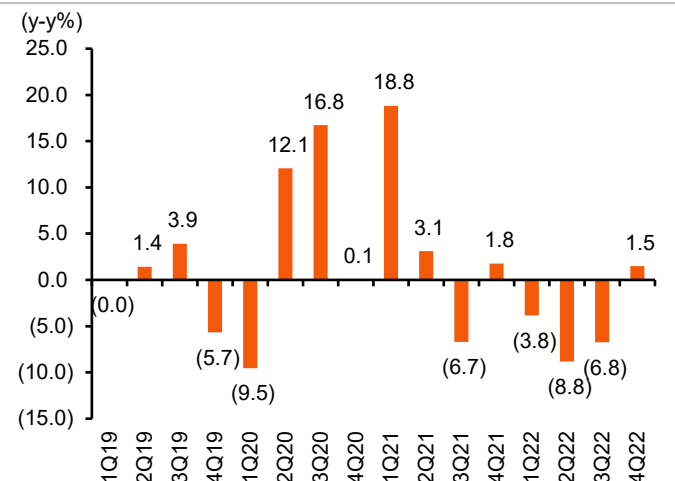
Source: NESDC

Ex 6: Signs Of Life In Private Investment



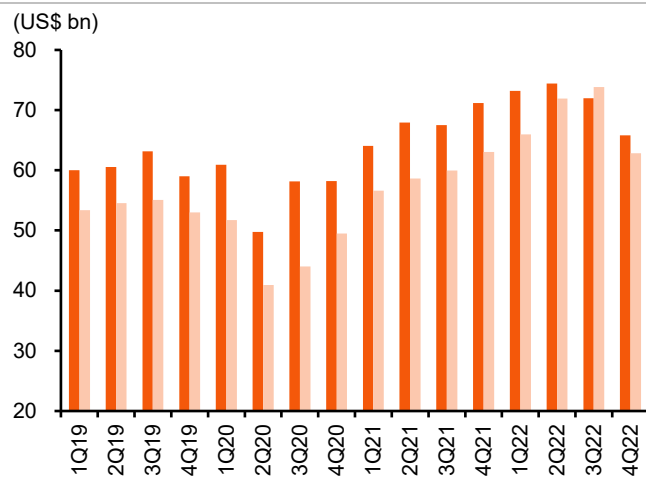
Source: NESDC

Ex 7: Govt Investment Remains Weak



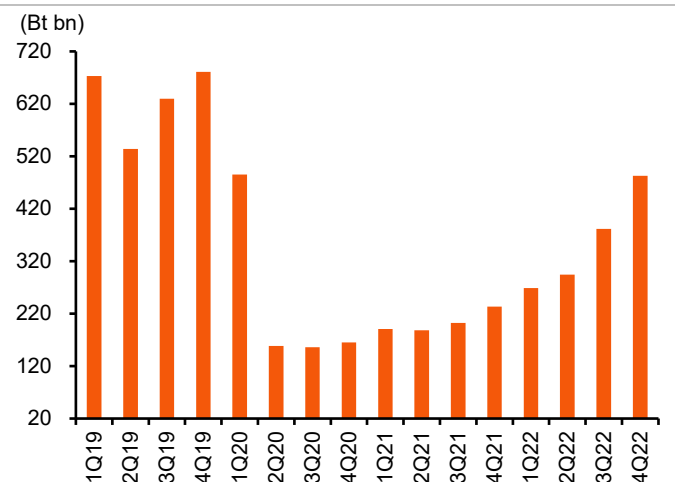
Source: NESDB

Ex 8: Exports Come Down With Imports



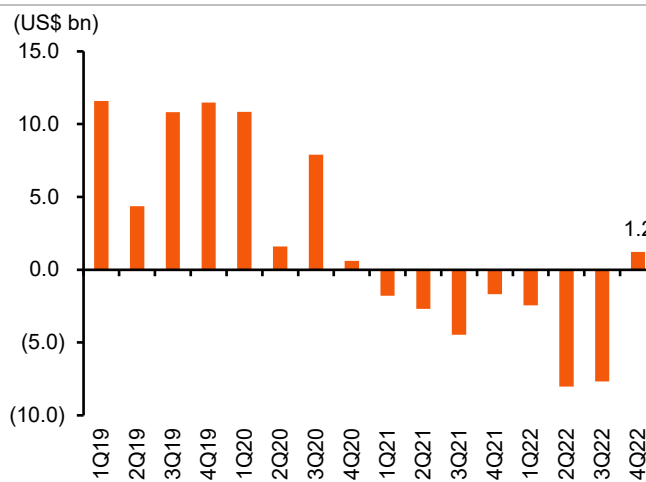
Source: Bank of Thailand

Ex 9: Strong Exports Of Services (Mainly Tourism)



Source: Bank of Thailand

Ex 10: Current Account Back In Surplus



Source: Bank of Thailand

Ex 11: GDP Growth Forecast Revisions

% growth	2020	2021	2022	2023F		2024F		2025F
				New	Old	New	Old	New
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Real GDP growth	(6.2)	1.6	2.6	4.0	4.0	4.0	4.0	3.4
Private consumption	(0.8)	0.6	6.3	3.4	3.1	3.0	3.1	3.0
Private investment	(8.1)	3.0	5.1	5.7	5.2	4.6	4.6	4.1
Government investment	5.1	3.4	(4.9)	(2.1)	1.0	1.7	1.6	2.0
Export (nominal USD growth)	(6.5)	19.2	5.5	(3.8)	(1.5)	4.0	1.1	4.0
Import (nominal USD growth)	(13.8)	28.0	15.3	(3.0)	(0.6)	4.0	2.2	4.0
Export of services (nominal baht growth)	(61.7)	(15.6)	75.3	38.4	39.9	17.3	19.9	9.0
Import of services (nominal baht growth)	(18.8)	45.5	5.6	2.4	(1.6)	5.0	3.0	4.0
Current account (% to GDP)	4.2	(2.1)	(3.4)	1.3	0.9	3.0	3.3	3.1
Headline CPI	(0.8)	1.2	6.1	3.9	3.6	2.5	2.5	2.0
Bt/USD - average	31.3	32.0	35.1	33.1	34.3	32.1	33.0	31.3
Policy rate	0.50	0.50	1.25	1.75	1.75	2.00	2.00	2.00

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

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