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Thai Economic Performance in Q2 of 2023 and the Outlook for 2023

The Office of the National Economic and Social Development Council (NESDC) announced the Thai Gross Domestic Product (GDP) in the second quarter of 2023 and the economic projection for 2023 as follows:

The Thai Economy in Q2/2023

The Thai Economy in the second quarter of 2023 expanded by 1.8 percent (% YoY), continuing from 2.6 percent in the previous quarter. After seasonally adjusted, the economy increased by 0.2 percent from the first quarter of 2023 (% QoQ sa). **In the first half of 2023**, the economy grew by 2.2 percent.

On the expenditure side: The economy was mainly driven by the acceleration of private consumption despite the slowdown of private investment and export of services. Nonetheless, export of goods, public investment and government expenditure contracted. **Private consumption expenditures** increased by 7.8 percent, accelerating from a 5.8-percent expansion in the previous quarter in line with the expansion in all spending categories, consistent with improving labour market and income base from the non-agricultural sectors, specifically those tourism-related sectors, and the highest level of Consumer Confidence Index in 14 quarters. **The expenditure on services** increased favorably by 13.8 percent, accelerating from a 12.6-percent growth in the previous quarter, in line with the acceleration of spending on financial and healthcare services at 11.5 percent and 5.6 percent, respectively. Meanwhile, spending on hotels and restaurants increased favorably by 49.1 percent. **The expenditure on non-durable goods** grew by 4.2 percent, accelerating from a 2.3-percent expansion in the previous quarter in line with the acceleration of spending on food and non-alcoholic beverages at 4.0 percent, compared with a growth of 3.6 percent in the prior quarter. Meanwhile, the spending on electricity and gas grew by 11.8 percent, the first expansion in 5 quarters. **The expenditure on durable goods** increased by 3.2 percent, accelerating from a 2.4-percent expansion in the previous quarter in line with an increase in vehicles purchase at 10.8 percent, accelerating from a 4.1-percent expansion in the previous quarter. Meanwhile, **the expenditure on semi-durable goods** grew by 0.7 percent, slowing from 1.3 percent in the previous quarter, in line with a slowdown of spending on clothing and footwear, along with the continual decline in in furnishings and households' equipment spending. Stronger consumption growth was also in consistent with higher consumer confidence observed by highest level in 14 quarters of Consumer Confidence Index towards the economic situation of 50.3, increasing from 46.9 in the previous quarter. **Government consumption expenditure** declined by 4.3 percent, continuing from a 6.3-percent contraction in the previous quarter. Particularly, social transfers in kind for goods and services decreased by 25.1 percent, continuing from a 40.6-percent contraction in the previous quarter, while expenditure on goods and services decreased by 2.6 percent. Nevertheless, compensation of employees (wage and salary) grew by 0.3 percent. The disbursement rate of the current budget stood at 24.7 percent of total budget, (higher than

23.7 percent in the previous quarter and 22.5 percent in the same quarter of last year). **In the first half of 2023**, private consumption expenditures expanded by 6.8 percent and government consumption expenditure decreased by 5.3 percent. **Total investment** expanded by 0.4 percent, slowing down from a 3.1-percent in the previous quarter. This was mainly due to a softened **private investment** which 1.0 percent growth, compared with 2.6 percent in the previous quarter. The machinery and equipment investment increased by 0.8 percent slowing down from 2.8 percent in the previous quarter. Meanwhile, construction investment increased by 2.0 percent, accelerating from 1.1 percent in the previous quarter. Nevertheless, **public investment** decreased by 1.1 percent, compared with a 4.7-percent expansion in the previous quarter. The investment of state-owned enterprises (SOEs) decreased by 3.7 percent while the investment of the government grew by 0.5 percent. The disbursement rate of capital budget in this quarter was 17.8 percent of total budget, (higher than 16.7 percent in the previous quarter but lower than 19.2 percent in the same quarter of last year). **In the first half of 2022**, total investment grew by 1.8 percent, due to 1.8 percent growth of private investment and 1.9 percent growth of public investment.

On foreign trade, **export value** was recorded at 70.2 billion US dollars, accounting to a 5.6-percent contraction, continuing from a 4.5-percent contraction in the previous quarter. The exports volume dropped by 5.8 percent, continuing from a 6.4-percent contraction in the previous quarter, while the export price expanded by 0.3 percent, slowing down from 2.0 percent in the previous quarter. **Export items with decreased value** included machinery & equipment (-1.5 percent), vehicle parts (-3.3 percent), animal food (-24.6 percent), rubber (-40.2 percent), metal & steel (-19.0 percent), computer parts (-29.6 percent), and chemical & petro-chemical products (-19.9 percent). On the other hand, **export items with increased value** included part of electrical appliance (44.8 percent), durian (19.6 percent), sugar (34.9 percent), pick up & trucks (17.7 percent), rice (17.5 percent), and passenger car (10.0 percent). Exports to the main markets mostly decreased, whereas exports to Australia, United Kingdom, South Africa, and Saudi Arabia expanded. Excluding unwrought gold, export value contracted by 5.7 percent. Meanwhile, export value in Baht terms decreased by 5.4 percent. **Import value** was recorded at 68.1 billion US dollars, which declined by 5.0 percent compared with a 2.0-percent expansion in the preceding quarter, in line with a decrease in industrial production and exports. Import volume and prices contracted by 4.0 percent and 1.1 percent, respectively. Consequently, trade balance recorded a surplus of 2.2 billion US dollars (or 75.1 billion Baht). **In the first half of 2023**, export value stood at 140.0 billion US dollars, a 5.1-percent contraction, while import value was recorded at 135.0 billion US dollars, a 1.7-percent contraction. Consequently, trade balance recorded a surplus of 5.1 billion US dollars (or 179.4 billion baht).

Real GDP and Exports of Key Economies

(YoY%)			GDP					Exports of Goods (USD)						
	2020	2021		2022		2023		2020	2021	2022			2023	
	Year	Year	Year	Q3	Q4	Q1	Q2	Year	Year	Year	Q3	Q4	Q1	Q2
US	-2.8	5.9	2.1	1.9	0.9	1.8	2.6	-13.3	23.0	18.4	24.4	8.8	7.2	-6.6
Eurozone	-6.1	5.3	3.5	2.4	1.7	1.1	0.6	-9.1	14.3	18.0	20.2	14.9	8.6	
United Kingdom	-11.0	7.6	4.1	2.0	0.6	0.2	0.4	-11.3	13.6	11.5	20.4	5.0	6.1	2.8
Australia	-1.9	5.2	3.7	5.8	2.7	2.5		-7.3	37.2	19.7	14.7	15.0	3.9	-16.0
Japan	-4.3	2.1	1.0	1.5	0.4	2.0	2.0	-9.1	17.9	-1.2	-2.0	-4.6	-8.0	-4.0
China	2.2	8.4	3.0	3.9	2.9	4.5	6.3	4.0	29.7	7.0	10.0	-6.9	0.1	-5.4
India	-6.0	8.9	6.7	6.2	4.5	6.1		-14.7	43.0	14.6	7.8	-2.1	-2.0	-14.1
South Korea	-0.7	4.3	2.6	3.2	1.4	0.9	0.9	-5.5	25.7	6.1	5.8	-10.0	-12.7	-12.0
Taiwan	3.4	6.5	2.4	3.6	-0.8	-2.9	1.5	4.9	29.3	7.4	3.4	-8.7	-19.2	-17.0
Hong Kong	-6.5	6.4	-3.5	-4.6	-4.2	2.9	1.5	-0.5	26.0	-9.3	-11.6	-22.0	-18.0	-13.3
Singapore	-3.9	8.9	3.6	4.0	2.1	0.4	0.5	-4.1	22.1	12.7	19.5	-4.4	-5.2	-14.5
Indonesia	-2.1	3.7	5.3	5.7	5.0	5.0	5.2	-2.7	41.9	26.1	27.2	8.0	1.4	-17.8
Malaysia	-5.5	3.3	8.7	14.1	7.1	5.6	2.9	-2.3	27.5	17.6	29.5	2.4	-1.6	-14.6
Philippines	-9.5	5.7	7.6	7.7	7.1	6.4	4.3	-8.1	14.5	5.7	0.6	8.6	-13.2	-5.6
Vietnam	2.9	2.6	8.0	13.7	5.9	3.3	4.1	6.9	18.9	10.6	16.4	-6.9	-11.8	-12.2
Thailand	-6.1	1.5	2.6	4.6	1.4	2.6	1.8	-6.5	19.2	5.4	6.5	-7.5	-4.5	-5.6

Source: CEIC, compiled by Office of the National Economic and Social Development Council

On the production side, wholesale and retail trade; repair of motor vehicles and motorcycles sector accelerated. In the meantime, electricity, gas, steam and air conditioning supply sector returned to expansion while accommodation and food service activities sector, transportation and storage sector, construction sector, and agricultural sector decelerated. On the other hand, manufacturing sector contracted. **Agriculture, forestry, and fishing sector** increased by 0.5 percent, decelerating from 6.2 percent in the previous sector. This is mainly due to a plunge in major crop production, particularly, sugar cane and fruits. Major agricultural products with production expansion included paddy (17.5 percent), maize (25.1 percent), swine (7.4 percent), white shrimp (14.4 percent), and poultry (1.0 percent). On the contrary, major agricultural products with production contraction included sugar cane (-66.2 percent), fruits (-10.5 percent), oil palm (-5.3 percent), cassava (-4.1 percent), and rubber (-0.4 percent). Agricultural Price Index continued to decrease for the second consecutive quarter by 5.4 percent following a decline in prices of main agricultural products e.g., rubber (-28.3 percent), oil palm (-44.7 percent), swine (-14.6 percent), and white shrimp (-15.2 percent). Nevertheless, some major agricultural products with increased prices included paddy (12.3 percent), fruits (8.8 percent), cassava (20.7 percent), poultry (6.1 percent), and sugar cane (8.3 percent). Consequently, the contraction in agricultural price index has led to a decline in farmer income index for the first time in six quarters by 4.9 percent. For the first half of 2023, agriculture, forestry, and fishing sector improved by 3.4 percent.

Manufacturing sector continued to decline for the third consecutive quarter by 3.3 percent, continuing from a 3.0-percent contraction in the previous quarter. This was due to a decline in production of all types of industries, especially export-oriented industries following economic downturn in major economies. This is in accordance with a 5.6-percent drop in the Manufacturing Production Index. Categorically, the manufacturing production Index of export-oriented industries (with export share of more than 60 percent to total production) dropped by 12.2 percent, continuing from a 13.7-percent downfall in the previous quarter,

while manufacturing production Index of the domestic-oriented industries (with export share of less than 30 percent to total production) has consecutively decreased for three quarters by 4.1 percent, compared with a 1.8-percent contraction in the previous quarter. Correspondingly, manufacturing production index of the industries with 30 - 60 percent export share to total production has shrunk for the first time in four quarters by 1.1 percent, from a 2.3-percent expansion in the previous quarter. Meanwhile, the average capacity utilization rate for this quarter was at 57.64 percent, lower than 63.81 percent in the previous quarter and 61.20 percent in the same quarter of the previous year. Manufacturing production index with negative growth included computer and peripheral equipment (-29.4 percent), basic iron and steel (-21.1 percent), and wearing apparel, except tailoring and dressmaking (-29.8 percent). On the other hand, manufacturing production index with positive growth included motor vehicles (6.2 percent), sugar (19.0 percent), and motorcycle (17.3 percent) For the first half of 2023, manufacturing sector fell by 3.2 percent, with the average capacity utilization rate standing at 60.72 percent.

Accommodation and food service activities sector continued to increase with a high growth of 15.0 percent, though decelerating from 34.3 percent in the previous quarter. The number of international tourist arrivals stood at 6.437 million tourists. This led to international tourism receipts of about 240 billion baht, increasing for the eighth consecutive quarter by 150.4 percent. For domestic tourism, the number of domestic tourists stood at 60.22 persons-time, improving for six quarters by 24.7 percent. As a result, the domestic tourism receipts reached 188 billion baht, increasing by 22.6 percent for the sixth consecutive quarter. Overall, the total tourism receipts amounted 428 billion baht or increasing by 71.7 percent from the same quarter of the last year. The average occupancy rate was at 66.93 percent, seasonally decreasing from an average of 70.24 percent in the previous quarter, but higher than 42.80 percent in the same period of the previous year. For the first half of 2023, accommodation and food service activities sector soared by 23.9 percent, with the number of international tourist arrivals standing at 12.92 tourists. **Wholesale and retail trade; repair of motor vehicles and motorcycles sector**, grew by 3.4 percent for the ninth consecutive quarter, accelerating from 3.3 percent in the previous quarter. This is in tandem with an improvement in domestic consumption as well as recovery in tourism-related service sector. For the first half of 2023, wholesale and retail trade; repair of motor vehicles and motorcycles sector, expanded by 3.4 percent. **Transportation and storage sector** expanded for seven consecutive quarters by 7.5 percent, yet lower than 12.1 percent in the preceding quarter. For the first half of this year, transportation and storage sector increased by 10.0 percent. **Electricity, gas, steam and air conditioning supply sector** returned to expand by 5.7 percent, an improvement from a 4.3-percent decline in the previous quarter. For the first half of 2023, electricity, gas, steam and air conditioning supply sector improved by 0.8 percent.

On economic stability, the unemployment rate stood at 1.06 percent, compared with 1.05 percent in the preceding quarter, and was lower than 1.37 percent in the same quarter of 2022. The headline and core inflations were at 1.1 percent and 1.5 percent, declining from 3.9 percent and 2.2 percent in the previous quarter, respectively. The current account recorded a deficit of 1.9 billion US dollars (64 billion baht). At the end of June 2023, the international reserves stood at 220 billion US dollars and the public debt was at 10.92 trillion baht, accounted for 61.1 percent of GDP.

Thai Economic Outlook for 2023

The Thai economy in 2023 is projected to expand in the range of 2.5 – 3.0 percent. Key supporting factors include: (1) the favorable growth of private consumption; (2) the continual recovery of tourism sector; and (3) the continual expansion in both private and public investments. Consumption and expenditure are expected to increase by 5.0 percent and 1.6 percent, respectively. Headline inflation is estimated to be in the range of 1.7 – 2.2 percent and the current account is projected to record a surplus of 1.2 percent of GDP.

Key growth components are as follows:

1. Total consumption: (1) **Private consumption expenditure** is expected to increase by 5.0 percent, continuing from a 6.3-percent growth in 2022 and an upward revision from a 3.7-percent in the previous estimation, owing to the improvement in labor market and income base from the non-agricultural sectors, particularly those related to tourism, together with a favorably high level of consumer confidence index. (2) **Government consumption expenditure** is projected to decline by 3.1 percent, compared with a 0.2-percent expansion in 2022 and a downward revision from a 2.6-percent reduction in the previous estimation. This was in accordance with the downward revision of disbursement rate assumption of the current budget under the FY2024 annual budget.

2. Total investment is expected to increase by 1.6 percent, continuing from a 2.3-percent in 2022, but a downward revision from a 2.1-percent expansion in previous estimation. (1) **Private investment** is estimated to increase by 1.5 percent, slowing down from a 5.1-percent growth in 2022, and a downward revision from a 1.9-percent growth in previous estimation. This was in accordance with the declines in export and import of goods in line with the slowdown in the global trade volume and a low-capacity utilization rate. (2) **Public investment** is anticipated to grow by 2.0 percent, continuing from a 4.9-percent decrease in the previous year, and a downward revision from a 2.7-percent growth in previous estimation. This was in accordance with the downward revision of disbursement rate assumption of the capital budget under FY2024 and State-Owned Enterprises' investment budget.

3. Export value of goods in US dollar term is anticipated to decrease by 1.8 percent, compared with a 5.4-percent growth in 2022, and a downward revision from a 1.6-percent reduction in previous estimation. The export volume in 2023 is expected to decrease by 1.8 percent, compared with a 1.1-percent decline in the previous estimation. Meanwhile, the export price assumption is upwardly revised from (-1.0) – 0.0 percent to (-0.5) – 0.5 percentage growth. Together with the downwardly revised assumptions on the revenues from inbound tourists, it is expected that the export quantity of goods and services will continue to increase by 5.0 percent, downwardly revised from a 6.9-percent in previous estimation, slowing down from a 6.8-percent growth in 2022.

Economic Management for the remainder of Year 2023

The economic management for the remaining of year 2023 needs to prioritize on key following issues: **(1) Maintaining the favorable economic and political environment as well as ensuring the economic stability** and cushioning the impact from uncertain global financial markets and economy; **(2) Maintaining the growth momentum from public expenditure and investment**, by (i) accelerating the disbursement of carry-over budget and SOEs' budget during the FY2024 annual budget bill has not yet enacted, (ii) precipitating the disbursement procedure of FY2024, (iii) preparing the project under the FY2024 budget to be ready for a disbursement, and (iv) scrutinizing the project achievement and monitoring for efficiency; **(3) Catalyzing the recovery in tourism and related service sector**, by: (i) organizing the tourism promotion events along with promoting the Long-Term Resident VISA (LTR) to attract high potential foreign visitors particularly long-stay group; (ii) promoting domestic tourism especially in the potential secondary provinces that have not fully recovered; and (iii) promoting the development of high-quality tourism; **(4) Supporting agricultural production and farmers' income**, by (i) protecting and cushioning the impacts of climate change, in particular, the water management to be sufficient for the cultivation; (ii) distributing additional income share of agricultural products to the farmers; (iii) supporting the measures to mitigate the farmer's risks under the efficient crop insurance scheme from the climate change; and (iv) cushioning the impact from the rising agricultural material cost; **(5) Fostering export growth**, by: (i) facilitating export procedure and lowering related costs; (ii) boosting exports to major markets with strong economic recovery coupled with expanding to new potential markets with high purchasing power; (iii) stimulating the export of goods that become beneficial from trade barrier measure; (iv) utilizing benefits from the Regional Comprehensive Economic Partnership (RCEP); along with expediting the ongoing Free Trade Agreement negotiations and exploring for new trade partners; (v) protecting and rectifying problems risen from trade barriers especially non-tariff measures from the major trade partners; (vi) encouraging the business sector to appropriately manage risk of exchange rate fluctuation; and (vii) enhancing the competitiveness of the export sectors; and **(6) Stimulating private investment**, by: (i) speeding up projects already approved and obtained investment promotion certificates in 2020 - 2022 to start their actual investments; (ii) solving difficulties and obstacles hindering investors and entrepreneurs from investing and doing business including labor shortages in manufacturing sector as well as enhancing high-skilled labors to be brace the new targeted industries; (iii) implementing proactive investment promotions and facilitating investors in targeted industries; (iv) stimulating investments in the Eastern Economic Corridor (EEC) and Special Economic Corridors; (v) supporting investment in the key economic areas and transportation projects to be in accordance with the development plan.

Table 1 GDP, Production Side

%YoY	2022							2023		
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Agriculture	2.4	3.7	1.2	3.4	4.0	-2.2	3.4	3.4	6.2	0.5
Non-Agriculture	2.6	2.2	3.1	2.0	2.3	5.1	1.2	2.1	2.2	1.9
Manufacturing	0.4	0.6	0.1	2.0	-0.8	6.0	-5.0	-3.2	-3.0	-3.3
Service	4.3	3.7	4.9	2.8	4.7	5.5	4.3	4.7	5.2	4.1
Construction	-2.7	-4.7	-0.4	-5.1	-4.4	-2.6	2.6	2.1	3.9	0.4
Wholesale and Retail Trade	3.1	2.9	3.3	2.7	3.2	3.5	3.1	3.4	3.3	3.4
Transportation and Storage	7.1	4.2	9.9	3.5	5.0	10.1	9.8	10.0	12.1	7.5
Accommodation and Food Service Activities	39.3	38.6	39.9	32.2	44.7	53.2	30.6	23.9	34.3	15.0
Information and Communication	5.1	6.0	4.3	5.7	6.3	4.7	3.9	3.5	3.4	3.6
Financial and Insurance Activities	1.0	1.2	0.8	1.0	1.4	1.0	0.5	2.5	1.2	3.8
GDP	2.6	2.3	2.9	2.2	2.5	4.6	1.4	2.2	2.6	1.8
GDP_SA (QoQ)				0.5	0.9	0.8	-1.0		1.7	0.2

Source: Office of the National Economic and Social Development Council

Table 2 GDP, Expenditure Side

%YoY	2022							2023		
	Year	H1	H2	Q1	Q2	Q3	Q4	H1	Q1	Q2
Private Consumption	6.3	5.3	7.3	3.5	7.1	9.1	5.6	6.8	5.8	7.8
Government Consumption	0.2	5.4	-4.2	8.2	2.7	-1.5	-7.1	-5.3	-6.3	-4.3
Investment*	2.3	0.1	4.7	1.0	-0.9	5.5	3.9	1.8	3.1	0.4
Private	5.1	2.6	7.6	2.9	2.3	11.2	4.5	1.8	2.6	1.0
Public	-4.9	-6.3	-3.3	-3.8	-8.8	-6.8	1.5	1.9	4.7	-1.1
Exports	6.8	9.8	3.9	11.9	7.8	8.7	-0.7	1.4	2.1	0.7
Goods	1.3	6.9	-4.3	9.7	4.3	2.3	-10.5	-6.0	-6.4	-5.7
Services	65.8	41.6	87.7	35.5	47.7	79.2	94.9	66.1	78.2	54.6
Imports	4.1	5.9	2.3	4.4	7.3	9.5	-4.8	-1.7	-0.9	-2.4
Goods	5.4	8.3	2.6	6.6	9.9	11.2	-5.9	-3.8	-3.3	-4.3
Services	-0.6	-2.6	1.3	-3.3	-1.9	3.7	-0.9	7.3	9.2	5.4
GDP	2.6	2.3	2.9	2.2	2.5	4.6	1.4	2.2	2.6	1.8

Source: Office of the National Economic and Social Development Council

Note: * Investment means Gross Fixed Capital Formation

Table 3 Economic Projection for 2023^{1/}

	Actual Data			Projection for 2023	
	2020	2021	2022	May 15 th , 2023	Aug 21 st , 2023
GDP (at current prices: Bil. Baht)	15,661.1	16,166.6	17,370.2	18,395.1	18,169.3
GDP per capita (Baht per year)	225,311.4	231,986.1	248,677.2	262,633.3	259,409.3
GDP (at current prices: Bil. USD)	500.5	505.5	495.3	552.4	534.4
GDP per capita (USD per year)	7,200.7	7,254.1	7,090.9	7,886.9	7,629.7
GDP Growth (CVM, %)	-6.1	1.5	2.6	2.7 – 3.7	2.5 – 3.0
Investment (CVM, %) ^{2/}	-4.8	3.1	2.3	2.1	1.6
Private (CVM, %)	-8.1	3.0	5.1	1.9	1.5
Public (CVM, %)	5.1	3.4	-4.9	2.7	2.0
Private Consumption (CVM, %)	-0.8	0.6	6.3	3.7	5.0
Government Consumption (CVM, %)	1.4	3.7	0.2	-2.6	-3.1
Export volume of goods & services (%)	-19.7	11.1	6.8	6.9	5.0
Export value of goods (Bil. USD)	227.0	270.6	285.2	280.8	280.1
Growth rate (%) ^{3/}	-6.5	19.2	5.4	-1.6	-1.8
Growth rate (Volume, %) ^{3/}	-5.8	15.5	1.2	-1.1	-1.8
Import volume of goods & services (%)	-13.9	17.8	4.1	1.6	1.1
Import value of goods (Bil. USD)	186.6	238.2	271.6	269.4	268.5
Growth rate (%) ^{3/}	-13.6	27.7	14.0	-1.9	-1.1
Growth rate (Volume, %) ^{3/}	-10.5	17.9	1.2	-0.4	-0.6
Trade balance (Bil. USD)	40.4	32.4	13.5	11.4	11.6
Current account balance (Bil. USD)	20.9	-10.6	-14.7	7.9	6.6
Current account to GDP (%)	4.2	-2.1	-3.0	1.4	1.2
Inflation (%)					
CPI	-0.8	1.2	6.1	2.5 - 3.5	1.7 – 2.2
GDP Deflator	-1.3	1.7	4.7	2.2 – 3.2	1.5 – 2.0

Source: Office of the National Economic and Social Development Council, 21st August 2023

Note: ^{1/} Data were calculated based on new National Accounts Office's series, published on www.nesdc.go.th.

^{2/} Investment means Gross Fixed Capital Formation.

^{3/} Export and import is based on the Bank of Thailand's data.