NESDC ECONOMIC REPORT

Thai Economic Performance in Q3 and Outlook for 2023 - 2024

Macroeconomic Strategy and Planning Division Press Release 9.30 a.m. November 20, 2023

The Thai Economy in the third quarter expanded by 1.5 percent (%YoY), compared with a growth of 1.8 percent in the previous quarter. After seasonally adjusted, the economy increased by 0.8 percent from the second quarter (%QoQ sa). **In the first 9 months of 2023,** the Thai economy grew by 1.9 percent.

On expenditure side, private consumption expenditure showed a solid growth, while private investment continued to expand. Export of goods, government consumption and public investment contracted.

On the production side, accommodation and food service activities sector and transportation and storage sector showed strong expansions while agricultural sector, wholesale and retail trade; repair of moto vehicles and motorcycles sector, and construction sector expanded. On the other hand, manufacturing sector continued to contracted.

The Thai economy in 2023 is projected to expand by 2.5 percent, continuing from a 2.6-percent growth in 2022. Headline inflation is estimated to be at 1.4 percent and the current account is projected to record a surplus of 1.0 percent of GDP.

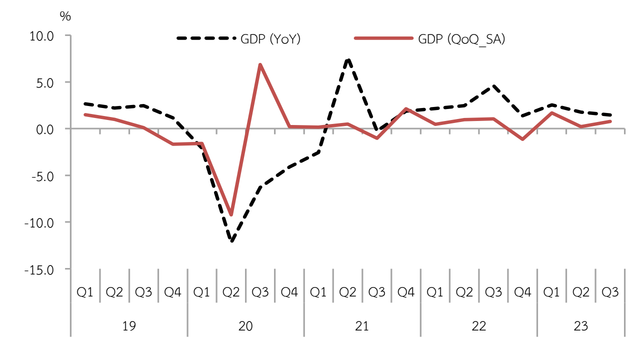
The Thai economy in 2024 is projected to expand in the range of 2.7 - 3.7 percent. Key supporting factors include: (1) the return-to-expansion of exports; (2) the favorable growth of private consumption and investment; and (3) the continual recovery of tourism sector. Hence, private consumption expenditure and private investment are expected to increase by 3.2 percent and 2.8 percent, respectively. Meanwhile, export value of goods in US dollar terms is anticipated to expand by 3.8 percent. Headline inflation is estimated to be in the range of 1.7 - 2.7 percent and the current account is projected to record a surplus of 1.5 percent of GDP.

Economic Projection for 2023 - 2024

(%YoY)	2022	2023			Projection	
	Year	Q1	Q2	Q3	2023	2024
GDP (CVM)	2.6	2.6	1.8	1.5	2.5	2.7 - 3.7
Investment[1/]	2.3	3.1	0.4	1.5	1.3	1.6
Private	5.1	2.6	1.0	3.1	2.0	2.8
Public	-4.9	4.7	-1.1	-2.6	-0.8	-1.8
Private Consumption	6.3	5.8	7.8	8.1	7.0	3.2
Government Consumption	0.2	-6.3	-4.3	-4.9	-4.2	2.2
Export of Goods[2/]	5.4	-4.5	-5.6	-2.0	-2.0	3.8
Volume[2/]	1.2	-6.4	-5.8	-3.1	-3.1	3.3
Import of goods[2/]	14.0	2.0	-5.0	-10.7	-2.7	4.7
Volume[2/]	1.2	-2.6	-4.0	-10.4	-3.9	3.7
Current Account to GDP (%)	-3.2	1.6	-2.0	2.7	1.0	1.5
Inflation	6.1	3.9	1.1	0.5	1.4	1.7 - 2.7

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

Thai economy in Q3/2023



Source: NESDC

The economic management for the remainder of the year 2023 and the year 2024 should be prioritized on; (1) Appropriately implementing the monetary and fiscal policy to be consistent with prevailing economic condition; (2) Preparing measures for addressing impacts from risks; (3) Fostering export sector to return to expansion, by (i) boosting exports to major markets with strong economic recovery coupled with expanding to new potential markets; (ii) promoting the export of potential products with rising demand in the global market; (iii) utilizing benefits from the Regional Comprehensive Economic Partnership (RCEP), and accelerating the ongoing Free Trade Agreement negotiations; (iv) facilitating export procedure and lowering related costs; (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; (vii) enhancing the competitiveness of the production; and (viii) expediting the industries related to the domestic raw materials and intermediate goods; **(4) Bolstering the business sentiment and stimulating private investment,** by: (i) fostering export sector to recover; (ii) speeding up projects already approved and obtained investment promotion certificates in 2021 - 2023 to start their actual investments; (iii) accelerating the manufacturers who have acquired the factory licenses to hastily start their operations; (iv) solving difficulties and obstacles hindering investors and entrepreneurs from investing and doing business; (v) implementing proactive investment promotions under the 5-year Investment Promotion Strategic Plan; (vi) stimulating investments in the Eastern Economic Corridor (EEC) as well as expediting other regional Special Economic Corridors; and (vii) supporting investment in the key economic areas and key infrastructure projects to be in accordance with the development plan; **(5) Catalyzing the recovery in tourism and related service sector,** by: (i) organizing the tourism promotion events along with actively promoting the Long-Term Residency (LTR) ; (ii) monitoring and evaluating the tourist visa exemption measures for expansion to additional nationalities; (iii) diversifying the tourism market; (iv) encouraging higher tourists spending; (v) promoting domestic tourism particularly in the secondary provinces; and (vi) promoting of high-quality tourism; **(6) Supporting agricultural production and farmers' income,** by (i) protecting and cushioning the impacts of drought; (ii) strengthening farmers' immunity through an crop insurance scheme; (iii) improving farmers' income share from the tertiary products; (iv) promoting innovation to raise value-added and productivity; and (v) encouraging farmers to be able to produce and utilize organic and bio fertilizers as well as local raw materials; and **(7) Maintaining the growth momentum from public expenditure and investment,** by (i) accelerating the disbursement of carry-over budget and SOEs' capital budget while the FY2024 annual budget bill that has not yet enacted, (ii) precipitating the disbursement procedure of FY2024, (iii) preparing the project under the FY2024 budget for prompt procurement and disbursement after enactment, and (iv) scrutinizing project achievements and closely monitoring for the budget disbursement.

1. The Thai Economy in Q3/2023

Expenditure Side:

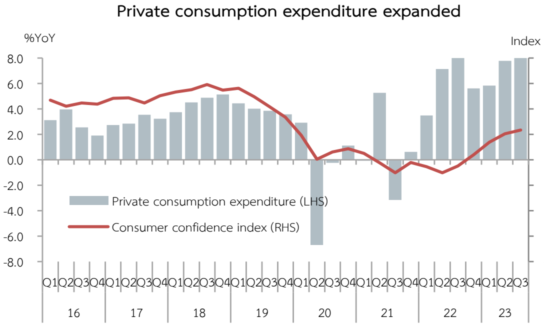
Private consumption expenditures expanded at a high rate of 8.1 percent, accelerating from 7.8-percent growth in the previous quarter following the continual growth in most spending categories. The growth in this quarter reached the highest rate in 4 consecutive quarters, and was in line with an improvement of employment and the consumer confidence index. **The expenditure in services** expanded by 15.5 percent, the highest rate in the past four quarters, improving from a 13.9-percent growth in the previous quarter, associated with 36.9-percent and 10.6-percent growths of the spending on restaurants & hotel and financial services. **The expenditure in non-durable goods** expanded by 4.2 percent, mainly due to an accelerated growth of spending on food and non-alcoholic. Moreover, **the expenditure in semi-durable goods** rose by 1.0 percent, continuing from an 0.7-percent expansion in the previous quarter, following a growth of spending on clothing & footwear of 3.0 percent. **The expenditure on durable goods** remained stable, compared with a 3.2-percent increase in the previous quarter. This is in accordance with the passenger car sales which increased by 10.1 percent, decelerating from 20.1-percent growth in the previous quarter as well as the reduction in commercial car sales which fell by 35.7 percent, compared with a 26.1-percent expansion in the previous quarter. The consumer confidence index towards the economic situation rose to 51.7 from 50.3 in the previous quarter, remarked as the highest level in fifteen quarters since the first quarter of 2020.

In the first nine months of 2023, private consumption expenditures expanded by 7.3 percent, accelerating from a 6.5-percent growth in the same period last year.

In the third quarter of 2023, private consumption expenditures expanded as the highest rate in 4 quarters and private investment accelerated, while export of goods declined for the fourth consecutive quarters.

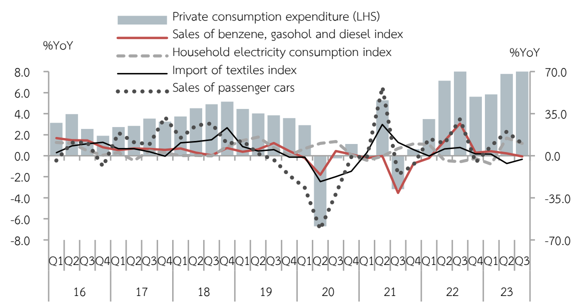
Private consumption expanded by 8.1 percent, accelerating from 7.8 percent in the previous quarter, and the highest in 4 quarters.

Private consumption expenditure expanded



Source: NESDC, University of the Thai Chamber of Commerce

Private consumption expenditure and key indicators



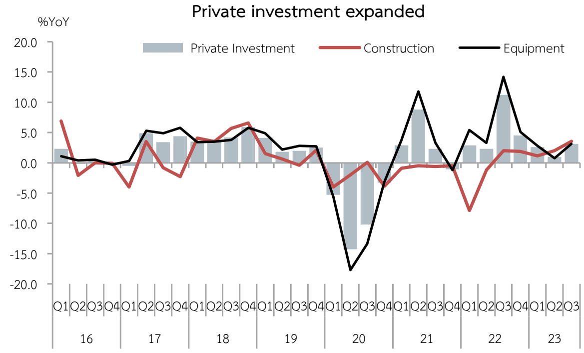
Source: NESDC, BOT, Department of Energy Business

Private investment expanded by 3.1 percent, accelerating from 1.0 percent in the previous quarter. The investment in equipment grew by 3.1 percent, compared with an 0.8-percent expansion in the previous quarter, following the 3.1-percent-growth of capital goods imports. Moreover, the investment in construction expanded by 3.6 percent, compared with a 2.0-percent growth in the previous quarter. This was mainly due to a surge in the non-dwelling construction which grew by 7.3 percent, improving from an 0.1-percent rise in the previous quarter, contributed by the expansion of industrial plant and commercial building construction. The dwelling construction gradually rose by 2.1 from 1.7 in the prior quarter, due to an increase in residential construction especially in municipality areas. The revival of the construction area permitted and construction material sales index also expanded by 8.7 percent and 1.1 percent, compared with a reduction of 5.7 percent and 1.9 percent, respectively. The Business Sentiment Index (BSI) in this quarter stood at 49.5, reduced from 50.3 in the previous quarter, below 50.0 for the first time in three quarters

In the first nine months of 2023, private investment expanded by 2.2 percent, comparing with a 5.3 percent growth in the same period of 2022.

Private investment expanded by 3.1 percent, accelerating from 1.0 percent in the prior quarter, following the acceleration of investment in the equipment and construction.

Private investment expanded



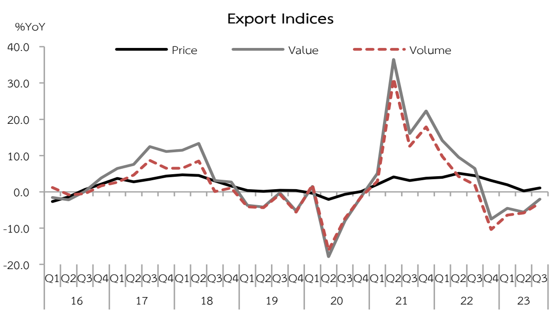
Source: NESDC

Exports in US dollar term declined at a slower pace than in the previous quarter, according to a recovery of exports in agricultural commodities and a slower decline in manufacturing products. Export value in the third quarter of 2023 recorded at 70.4 billion US dollars, with a decline of 2.0 percent, compared with a 5.6-percent decrease in the prior quarter. **The export volume index** declined by 3.1 percent compared with a 5.8-percent decrease in the previous quarter, mainly owing to the slow reduction in export volume of manufacturing products and the improvement of export volume of agricultural products. **The export price** increased by 1.1 percent, accelerating from an 0.3-percent increase in the previous quarter, following a soar of export price of agricultural goods. Excluding unwrought gold, export value declined by 1.8 percent, **In Baht terms,** export value was recorded at 2,478 billion Baht, consecutively falling for three quarters by 5.3 percent.

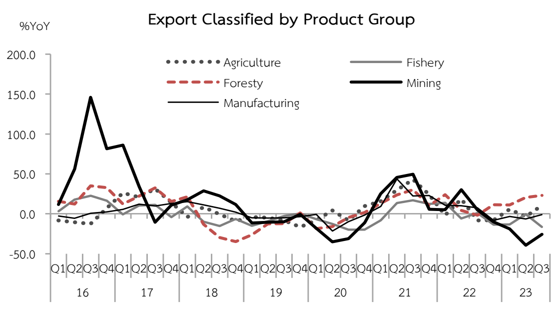
Export value in US dollar terms declined at a slower pace than the previous quarter by 2.0 percent, according to a recovery of agricultural commodities.

In the first nine months of 2023, export value stood at 210.5 billion US dollars, a 4.1- decrease compared with a 10.0-percent decrease in the same period last year. The export volume index declined by 5.1 percent while the export price grew by 1.1 percent. In Baht terms, the export value recorded at 7,273 billion Baht or fell by 4.3 percent, compared with a 20.8-percent increase in the first nine months of 2022.

Export value excluding unwrought gold fell by 1.8 percent.



Source: Bank of Thailand



Source: Bank of Thailand

Export value of agricultural commodities increased favorably by 10.6 percent in line with the growth of export volume and export price by 3.8 percent and 6.6 percent, respectively. Categorically, export value of durian skyrocketed by 87.8 percent, mainly to Chinese market, while export value of rice improved by 27.0 percent, mainly to South Africa, the US, and Malaysia. On the other hand, export value of rubber plunged by 33.8 percent despite the US as a main recipient market. **Export value of manufacturing** products fell by 1.0 percent compared with a 6.5-percent decrease in the previous quarter, followed by a reduction of export volume by 1.5 percent while export price grew by 0.6 percent. Export items with decreased value included petroleum products (-2.7 percent), metal products (-3.9 percent), and food (-6.2 percent), On the contrary, export items with increased value included parts of electrical appliances (40.6 percent), integrated circuits & parts (16.4 percent), and passenger car (20.9 percent). **Export value of fishery products** declined by 16.4 percent in line with a decrease in export volume by 17.2 percent while export price rose by 0.9 percent. Export items with decreased value included shrimp, crab, crayfish, and lobster (-19.6 percent). **Export value of other products** fell by 8.7 percent, due to a significant decrease in unwrought gold by 9.9 percent.

Export value of agricultural commodities improved according to an increase in exports of durian, and rice.

Export value of manufacturing products fell with a slower pace .

Export value of fishery products decreased.

Export Value of Major Product in US Dollar Term

%YoY	2022					2023			Share Q3/23 (%)
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Agriculture	**1.0**	**-1.8**	**18.6**	**-8.4**	**-8.0**	**5.6**	**-3.5**	**10.6**	**7.1**
Rice	14.9	17.3	46.8	12.5	-2.0	24.4	17.5	27.0	1.7
Rubber	-7.9	6.2	3.0	0.2	-37.5	-37.7	-40.2	-33.8	1.2
Durian	-7.7	-48.3	9.8	-53.1	96.4	218.9	19.6	87.8	1.3
Other fruits	8.9	-1.9	73.3	-8.8	-9.8	9.0	-7.6	42.3	1.3
Manufacturing	**4.8**	**10.7**	**10.2**	**7.7**	**-8.0**	**-3.3**	**-6.5**	**-1.0**	**89.4**
Food	18.0	27.4	29.3	21.5	-3.5	3.5	-8.9	-6.2	7.4
Sugar	92.4	184.2	116.8	121.2	-8.3	32.1	34.9	-3.7	1.3
Fish, canned, prepared, or preserved	14.0	3.3	20.9	28.0	6.2	-2.3	-10.8	-11.5	1.0
Tapioca & cassava starch	23.1	15.7	7.7	68.3	11.6	-5.8	-6.2	-11.2	1.0
Fruits & vegetables, canned, prepared, or preserved	6.5	5.8	18.9	7.5	-3.2	-29.9	-35.5	-2.3	0.6
Beverages	5.6	4.9	0.5	15.8	2.4	-1.5	3.9	-1.2	1.0
Rubber products	-12.6	-25.0	-13.1	-8.0	0.2	0.3	-12.3	-22.2	1.8
Animal food	15.8	26.3	21.6	22.0	-4.4	-20.4	-24.6	-10.3	0.9
Electronics	3.7	17.1	2.5	5.0	-7.2	-8.1	-6.1	-5.1	11.8
- Computer	0.6	67.6	-17.8	10.2	-31.4	19.2	205.5	51.6	0.6
- Computer parts & accessories	-11.1	15.1	-10.1	-13.2	-31.2	-24.9	-29.6	-32.7	3.5
- Integrated circuits & parts	9.3	17.7	9.4	11.0	0.5	-0.2	2.9	16.4	3.8
Electrical appliances	2.7	7.4	-0.9	7.4	-2.8	4.6	9.5	2.1	9.4
- Air conditioning machines	8.8	5.6	1.0	38.7	-1.6	12.6	-5.1	-33.0	1.4
- Refrigerators	-7.1	6.8	-3.3	-1.4	-30.7	-18.8	-19.0	-0.5	0.7
- Parts of electrical appliances	13.4	4.9	3.8	13.5	31.7	27.3	44.8	40.6	3.2
Metal & steel	3.9	19.6	21.4	-3.4	-17.9	-14.3	-19.0	-3.9	5.2

Export Value of Major Product in US Dollar Term

%YoY	2022					2023			Share Q3/23 (%)
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Automotive	-1.0	-5.8	-3.6	9.0	-2.3	2.1	3.8	13.5	16.3
- Passenger car	-29.8	-50.3	-48.3	-6.2	2.8	29.0	10.0	20.9	2.5
- Pick up and trucks	-8.9	-28.8	-9.5	15.1	-4.8	5.5	17.7	14.0	3.1
- Vehicle parts & accessories	-0.2	3.5	1.9	2.3	-8.4	-8.2	-3.3	6.3	7.0
Machinery & equipment	6.3	6.6	7.9	11.2	-0.1	-1.0	-1.5	0.8	8.7
Jewellery	31.6	39.6	41.3	50.6	3.6	21.9	3.7	11.5	3.3
Chemicals & Petro-chemical Products	-3.2	18.8	4.8	-8.7	-23.7	-21.7	-19.9	-12.7	7.3
Petroleum products	14.5	23.5	64.4	10.2	-25.8	3.3	-29.4	-2.7	3.7
Medicinal and surgical equipment and supplies	-2.9	-4.5	1.3	2.6	-10.6	8.0	3.7	1.5	0.7
Toiletries and cosmetics	16.0	18.5	24.2	18.2	4.1	0.8	0.7	-1.1	1.2
Fishery	-2.1	13.9	-5.8	1.1	-13.5	-13.2	-0.6	-16.4	0.5
Crustaceans	-7.7	8.1	-12.0	-4.3	-16.9	-11.2	8.7	-19.6	0.3
Fish	0.2	14.7	-4.1	6.6	-14.2	-24.3	-16.5	-13.6	0.1
Other Exports	73.3	548.6	4.3	20.2	-24.7	-36.9	-8.2	-8.7	1.9
Non-monetary gold (excl. articles of goldsmiths)	81.2	681.8	-0.8	24.1	-22.9	-46.9	-1.3	-9.9	1.9
Total Exports (Customs basis)	5.7	14.8	10.8	6.7	-8.2	-4.5	-6.2	-0.5	100.0
Exports, f.o.b. (BOP basis)	5.4	14.2	9.6	6.5	-7.5	-4.5	-5.6	-2.0	97.9
Export Value (exclude gold)	4.3	9.3	9.8	6.2	-7.3	-2.3	-5.7	-1.8	96.1

Source: Bank of Thailand

Export markets: Exports to the main markets revived, especially the US, China, Japan, Australia, and Hong Kong whereas exports to the markets such as ASEAN (9), the EU, Middle East, and South Korea decreased. Exports to the US returned to expand by 3.4 percent, following an increase in exports of rubber products, telephone and parts, and semiconductor devices, transistors and diodes. **Exports to China** returned to increase by 4.3 percent, mainly due to a growth in exports of fresh, frozen and dried fruit, and woods and wood products. **Exports to Japan** recovered by 2.9 percent, following a rise in exports of motor cars and parts, electronic integrated circuits, and plastic products. **Exports to Australia** expanded for two consecutive quarters by 9.0 percent, supported by an increase in exports of motor cars and parts, automatic data processing machines, and polymers of ethylene. **Exports to Hong Kong** returned to increase by 34.7 percent, in line with a growth in exports of precious stones and jewelry, telephone and parts, and spark-ignition reciprocating internal combustion piston. **Exports to South Africa** increased for three quarters consecutively by 48.8 percent, in line with a growth in exports of motor cars and parts, rice, and spark-ignition reciprocating internal combustion piston. **Exports to Saudi Arabia** rose for eight consecutive quarters by 35.1 percent, attributed to an increase in exports of motor cars and parts, air conditioning machine and parts, and prepared fish in airtight. On the other hand, **exports to ASEAN (5)** reduced for four quarters consecutively by 5.5 percent as a result of a reduction in exports to Malaysia and Indonesia. **Exports to CLMV** declined for four consecutive quarters by 22.0 percent, in line with a decrease in exports to Cambodia and Vietnam. **Exports to the EU (27)** consecutively decreased for four quarters by 9.2 percent, due to a decline in exports of automatic data processing machines, rubber products, and motor cars and parts. **Exports to the United Kingdom** turned back to decline by 0.4 percent, due to a decrease in exports of prepared poultry, motorcycles and parts, and parts of aircraft and accessories.

Exports to the main markets recovered especially, the US, China, Japan, Australia, and Hong Kong.

Export Value to Key Markets in US Dollar Term

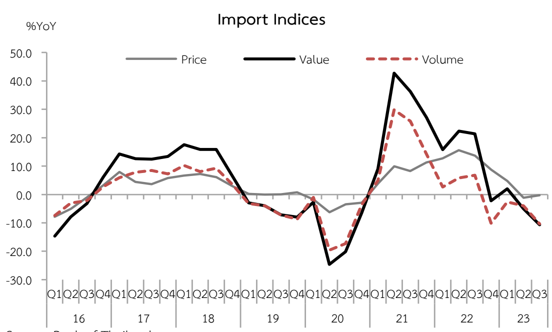
%YOY	2022					2023			Share Q3/23 (%)
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Total Exports (Mil US$) (Customs basis)	287,425	73,607	75,586	72,239	65,994	70,280	70,890	71,899	100.0
(%YoY)	5.7	14.8	10.8	6.7	-8.2	-4.5	-6.2	-0.5	
United States	13.4	23.1	17.8	15.9	-1.3	-3.9	-3.3	3.4	17.9
China	-7.6	4.1	-1.8	-17.7	-13.5	-7.4	-0.7	4.3	11.9
Japan	-1.4	1.3	0.9	-0.3	-7.3	-0.3	-2.3	2.9	8.8
ASEAN (9)	10.5	17.0	19.2	18.9	-10.4	-4.1	-15.4	-12.7	22.6
- ASEAN (5)*	9.7	27.4	23.3	11.8	-17.3	-2.5	-12.4	-5.5	13.7
- CLMV**	11.5	5.0	14.2	29.3	-0.3	-6.4	-19.3	-22.0	8.9
EU (27)	5.2	5.6	5.7	15.0	-4.7	-2.2	-2.6	-9.2	7.5
United Kingdom	15.6	18.1	-2.1	33.3	16.5	2.8	20.4	-0.4	1.4
Middle East (15)***	21.7	16.6	29.1	33.0	10.5	9.5	-10.7	-8.5	3.5
- Saudi Arabia	24.9	5.4	17.0	36.2	42.3	41.7	22.3	35.1	1.0
- United Arab Emirates	23.1	20.4	30.6	47.1	0.7	10.3	-17.3	-17.4	1.1
Australia	2.1	-2.3	-3.4	17.8	-1.8	-13.3	15.0	9.0	4.4
Hong Kong	-13.0	5.0	-7.2	-22.6	-24.7	-3.4	-9.6	34.7	4.4
India	22.6	33.0	60.1	14.0	-5.9	3.7	-19.4	1.6	3.7
South Korea	8.7	23.2	14.6	7.7	-9.7	-0.5	-10.4	-11.3	2.0
Taiwan	1.0	9.7	8.3	-1.9	-11.3	-2.6	-7.3	5.2	1.6
South Africa	-6.4	-4.5	6.9	-14.5	-11.1	27.1	15.8	48.8	1.4

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

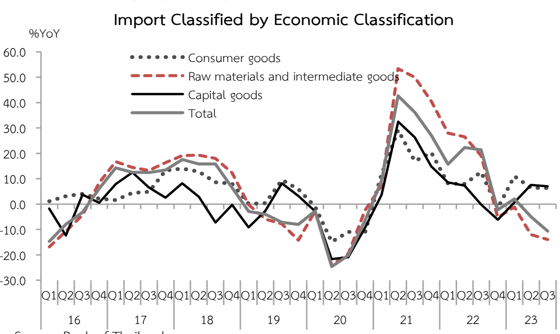
***Import value in US dollar terms decreased by 10.7 percent** compared with a 5.0-percent drop in the preceding quarter.*

Import value in US dollar term was recorded at 65.0 billion US dollars, continually declining by 10.7 percent compared with a 5.0-percent drop in the preceding quarter. This is in accordance with a reduction in industrial production and exports. Import volume contracted by 10.4 percent, compared with a 4.0-percent drop in the previous quarter, which declined for the fourth consecutive quarter. This results from a decrease in import volume of raw materials and intermediate goods decreasing by 10.7 percent, compared with a 6.6-percent drop in the previous quarter. Import price contracted by 0.3 percent, compared with a 1.1-percent drop in the previous quarter. Import values excluding the non-monetary gold (except for articles of goldsmiths) declined by 7.6 percent. **In Thai Baht term,** the import value stood at 2,286 billion Baht, decreasing by 13.7 percent, compared with a 4.9-percent drop the previous quarter.

In the first nine months of 2023, import value stood at 200 billion US dollars, decreasing by 4.8 percent. Import volume contracted by 5.7 percent while import price increased by 1.1 percent. **In Thai Bath terms,** import value was recorded at 6,901 billion Baht, decreasing by 5.3 percent.



Source: Bank of Thailand



Source: Bank of Thailand

By economic classification, the import value of raw materials and intermediate goods decreased by 14.0 percent, continually decreasing from 12.1 percent contraction in the previous quarter. This was in line with a decrease in import volume and price by 10.7 percent and 3.7 percent, accordingly. Import items with decreased value include crude oil, chemicals & petro-chemical products, and materials of base metal, etc. **The import value of capital goods** increased by 7.0 percent, continually increasing from 7.5 percent in the previous quarter, in line with an increase of private investment in the machinery and equipment. Import volume expanded by 6.9 percent while import price stood at 0.0 percent. Import items with increasing value included automotive, and computer, etc. **The import value of consumer goods** increased by 6.4 percent, equivalent to the preceding quarter, which was in line with a rapid increase of private consumption. Import volume and price rose by 4.2 percent and 2.1 percent, respectively. Import items with increased value included food, beverage & dairy products, and vehicles, etc. **Import value of other goods** declined by 47.7 percent, continually decreasing from 13.3 percent contraction in the previous quarter due to a decrease in imports of the non-monetary gold (excl. articles of goldsmiths) which declined by 55.5 percent, compared with a 15.2-percent drop in the second quarter.

Import Value of Major Product in US Dollar Term

%YoY	2022 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	Share Q3/23 (%)
Consumer goods	**6.5**	**8.1**	**8.0**	**12.7**	**-1.5**	**11.0**	**6.4**	**6.4**	**13.4**
- Exclude vehicles	5.3	9.3	8.7	9.4	-4.8	3.2	-1.9	-0.8	11.8
Food, beverage & dairy products	14.6	13.4	16.2	17.6	11.3	1.0	0.8	0.2	2.7
Vehicles	32.2	-12.2	-5.5	107.8	74.7	179.1	176.6	117.9	1.7
Cellular phone	-11.4	-17.7	8.1	35.4	-39.1	-4.8	-25.0	-3.6	1.5
Animal & fishery products	5.8	9.1	-5.2	14.2	6.9	1.9	-0.5	-12.7	1.1
Medicinal and pharmaceutical products	-6.9	52.8	10.3	-39.4	-22.0	-19.2	-9.6	0.9	1.1
Raw materials and intermediate goods	**16.4**	**28.0**	**26.6**	**19.1**	**-5.2**	**-1.2**	**-12.1**	**-14.0**	**63.7**
- Exclude fuel	5.7	16.0	11.5	4.3	-8.3	-4.1	-11.7	-8.8	46.7
Parts of electronics and electrical appliances	8.8	19.9	14.9	7.7	-5.3	-0.8	-3.4	3.4	16.8
Crude oil	53.1	70.4	94.7	61.0	4.7	11.6	-18.2	-18.4	10.7
Chemicals & Petro-chemical products	6.6	18.6	14.3	5.4	-11.0	-10.5	-21.4	-20.6	8.6
Materials of base metal	-0.5	18.3	13.5	-8.6	-22.6	-14.6	-26.8	-18.3	7.6
Natural gas	109.4	262.0	113.8	233.3	-10.7	-1.1	21.9	-41.0	3.5
Capital goods	**2.1**	**8.6**	**7.3**	**-0.1**	**-6.2**	**0.7**	**7.5**	**7.0**	**18.8**
Other machinery and mechanical appliances & parts	2.1	8.3	3.4	-0.7	-2.4	-4.4	1.4	-1.7	7.7
Transformers, generators, motors and accumulators	6.7	7.3	9.9	7.3	2.6	6.0	2.9	-0.2	1.9
Automotive	31.2	64.6	21.3	12.9	29.9	24.1	50.4	264.5	1.3
Computer	-15.7	21.3	-12.7	-19.8	-37.6	-16.3	111.9	17.3	1.3
Measuring, checking and precision instruments	-0.1	-6.1	1.0	1.7	3.5	6.3	0.3	-1.6	1.3
Other Imports	**21.4**	**-42.9**	**49.9**	**138.1**	**14.8**	**-12.8**	**-13.3**	**-47.7**	**4.1**
Non-monetary gold (excl. articles of goldsmiths)	32.0	-54.1	103.6	245.8	23.4	-24.2	-15.2	-55.5	2.9
Other imports, n.i.e.	-2.2	9.9	-12.4	-1.0	-3.7	9.6	-8.1	-12.3	1.2
Total Imports (Customs basis)	**12.8**	**16.3**	**21.5**	**18.9**	**-4.1**	**0.2**	**-6.9**	**-10.7**	**100.0**
Imports, f.o.b. (BOP basis)	**14.0**	**15.8**	**22.3**	**21.4**	**-2.3**	**2.0**	**-5.0**	**-10.7**	**91.0**
Import Value (excl. gold)	**13.4**	**21.2**	**20.7**	**16.3**	**-3.1**	**2.8**	**-4.7**	**-7.6**	**88.2**

Source: Bank of Thailand

Import Volume Indices by Economic Classification

Volume indices %YoY	2022 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
Consumer goods	1.6	3.5	2.2	6.9	-5.3	6.5	4.0	4.2
Raw materials and intermediate goods	1.3	7.9	6.0	3.8	-12.3	-2.3	-6.6	-10.7
Capital goods	-0.7	5.0	3.4	-3.2	-7.2	-0.3	7.0	6.9
Total Imports	**1.2**	**2.7**	**5.8**	**6.8**	**-10.1**	**-2.6**	**-4.0**	**-10.4**

Source: Bank of Thailand

Import Price Indices by Economic Classification

Price indices %YoY	2022 Year	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
Consumer goods	4.9	4.4	5.7	5.4	4.0	4.3	2.3	2.1
Raw materials and intermediate goods	15.0	18.6	19.4	14.7	8.0	1.2	-5.8	-3.7
Capital goods	2.9	3.3	3.8	3.2	1.1	1.0	0.4	0.0
Total Imports	**12.7**	**12.8**	**15.6**	**13.7**	**8.8**	**4.8**	**-1.1**	**-0.3**

Source: Bank of Thailand

Term of trade continually increased.

Term of trade increased for second quarters as export price expanded by 1.1 percent while import price declined by 0.3 percent. Thus, the term of trade was at 97.4, increasing from 96.0 in the same quarter of last year and 97.3 in the previous quarter, despite remaining below 100 for seventh consecutive quarter.

In the first nine months of 2023, term of trade stood at 96.8, remaining equivalent to the same period of last year due to export and import price increased by similar rate of 1.1 percent.

Trade balance in the third quarter of 2023 was recorded a surplus of 5.4 billion US dollars, higher than a surplus of 2.2 billion US dollars in the previous quarter and a deficit of 0.9 billion US dollars in the same quarter last year. **In Baht term**, trade balance recorded a surplus of 191.8 billion Baht, higher than a surplus of 75.1 billion Baht in the previous quarter and a deficit of 31.5 billion Baht in the same period last year .

In the first nine months of 2023, trade balance was recorded a surplus of 10.5 billion US dollars, higher than a surplus of 9.4 billion US dollars in the same period last year. **In Baht term,** trade balance was recorded a surplus of 371.3 billion Baht, lower than a surplus of 312.3 billion Baht in the same period last year.

Trade balance was recorded a surplus of 5.4 billion US dollars, *higher than a surplus in the previous quarter.*

Term of trade

%YoY	2022					2023		
	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Term of trade*	96.9	98.5	96.0	96.0	97.0	95.8	97.3	97.4
%YOY	-7.6	-7.8	-9.1	-8.1	-5.2	-2.7	1.4	1.4

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

Production Side:

Agriculture, forestry and fishery sector expanded by 0.9 percent, decelerating from 1.2 percent in the previous quarter following the decrease in production of major crops especially oil palm, cassava, rice paddy, and corn. Meanwhile, livestock and fishery sector slowed down from the previous quarter. This was in line with the **Agricultural Production Index** which increased by 0.7 percent, slowing down from 1.3 percent in the previous quarter. Major agricultural products with increased production included: (i) **fruits** (5.6 percent), specifically **mangosteen (**310.9 percent) due to the mangosteen tree's dormancy and the stored nutrients from the previous year, combined with favorable weather conditions, and **durian** (41.7 percent) as a result of price incentives, leading farmers to expand their cultivation areas; (ii) **swine** (10.3 percent) due to the government's strict monitoring on the outbreak of African Swine Fever (ASF) and the promotion on small-scale pig farming to farmers; (iii) **white shrimp** (4.6 percent) due to effective farm management. However, there are major agricultural products facing with decline in production due to unfavorable weather conditions for the cultivation, namely **oil palm** (-16.8 percent) and **paddy** (-3.2 percent). Additionally, some farmers have reduced the cultivation areas due to unfavorable weather conditions and increasing cost of production, resulting in dropping agricultural products, including **cassava** (-22.9 percent) and **maize** (-3.1 percent). Meanwhile, **Agricultural Price Index** continued to decline for the third consecutive quarter by 1.8 percent, following decreasing price index of major agricultural products, such as **swine** (-32.4 percent), **rubber** (-14.6 percent), **palm oil** (-13.2 percent) and **chicken** (-8.3 percent). Nonetheless, some major agricultural price index increased, such as **paddy** (21.6 percent), **fruits** (4.4 percent) and **sugarcane** (8.3 percent). A decline in the agricultural price index thus led **Farm Income Index** continued to decrease for the second consecutive quarter by 0.9 percent.

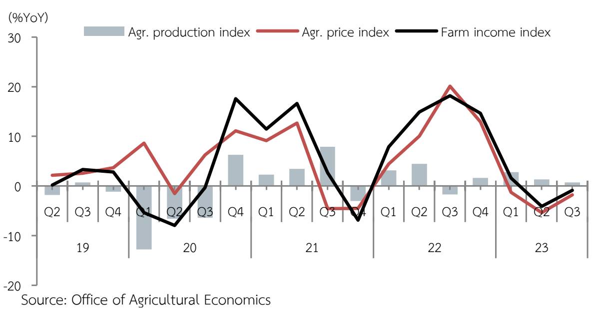
In the first nine months of 2023, agriculture, forestry, and fishing sector increased by 3.0 percent, compared with a 2.0-percent growth in the first nine months of 2022. Agricultural Production Index expanded by 1.6 percent. Agricultural Price Index decreased by 2.9 percent and Farm Income Index decreased by 1.0 percent

Accommodation and food service and transport and storage sector showed a solid growth. Agricultural, wholesale and retail trade and construction sectors expanded. Nonetheless, manufacturing sector continued to decline.

Agriculture, forestry, and fishing expanded by 0.9 percent, decelerating from the previous quarter following the decrease in production of major crops, especially oil palm, cassava, paddy rice and corn.

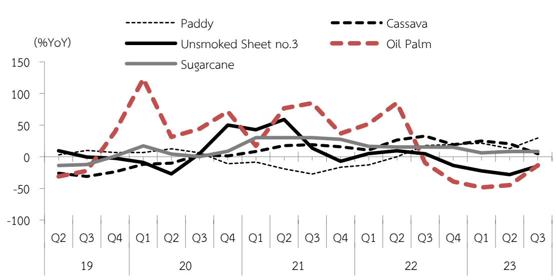
Agricultural Price Index declined, thus led Farmer Income index continued to contract for the second consecutive quarter.

Farm Income Index decreased by 0.9 percent due to the decrease of agricultural price index



Source: Office of Agricultural Economics

The prices of rubber and oil palm declined, while prices of paddy, sugarcane and cassava increased



Source: Office of Agricultural Economics

Manufacturing sector decreased for the fourth consecutive quarter by 4.0 percent, continuing from a decrease of 3.2 percent in the previous quarter. This is partly due to the high base growth in the same period last year, corresponding with a reduction across all production groups. Specifically, the export-oriented production sectors have been affected by the economic slowdown of key trading partners. This was in accordance with a decrease in the Manufacturing Production Index (MPI) of 6.2 percent. **Manufacturing Production Index of the industries of the export-oriented industries (with export share of more than 60 percent to total production)** contracted for the seventh consecutive quarter by 14.7 percent, following a 12.0-percent reduction in the previous quarter. The main industries with decreased production were manufacture of computers and peripheral equipment (-29.0 percent) following a decrease in Hard Disk Drive (HDD) production and manufacture of electronic components and boards (-14.9 percent). **Manufacturing Production Index of the industries (with 30 - 60 percent export share to total production)** continued to decrease for the second quarter by 6.5 percent, continuing from a 1.1-percent contraction in the previous quarter. The main production decreased from the previous quarter included manufacture of motor vehicles dropped for the first time in 12 quarters by 5.1 percent following a high production base in the same period last year. In particular, domestic production of commercial vehicles and passenger cars decreased by 29.8 percent and 0.2 percent, respectively, while manufacture of plastics articles for the packaging of goods decreased by 12.1 percent. Nevertheless, manufacture of sugar increased for the eleventh consecutive quarter by 36.6 percent owing to rising demand from abroad. **Manufacturing Production Index of the domestic-oriented industries (with export share of less than 30 percent to total production)** decreased for the fourth consecutive quarter by 1.0 percent, continuing from a decrease of 4.1 percent in the previous quarter. This was mainly due to the decrease in manufacture of soft drinks, mineral waters and other bottled waters by 5.5 percent and manufacture of palm oil by 7.7 percent. Whereas, manufacture of plastics and synthetic rubber in primary forms increased continuously for the second quarter by 3.2 percent. **The average capacity utilization rate** for the third quarter was at 58.01 percent, higher than 57.64 percent in the previous quarter but lower than 62.76 percent in the same quarter last year. Among the 30 important industries, there are 3 industries with capacity utilization higher than 80.00 percent, namely manufacture of plastics and synthetic rubber in primary forms (87.22 percent), slaughtering and packing of poultry (85.28 percent) and refined petroleum products (81.22 percent). On the other hand, there are 14 industries facing with capacity utilization below 50.00 percent, including manufacture of finished plastics products (48.62 percent), other general-purpose machinery (48.58 percent), and computers and peripheral equipment (44.98 percent), basic iron and steel (43.01 percent), and other rubber products (42.46 percent).

Manufacturing sector declined for the fourth consecutive quarter by 4.0 percent following a decline in all production groups.

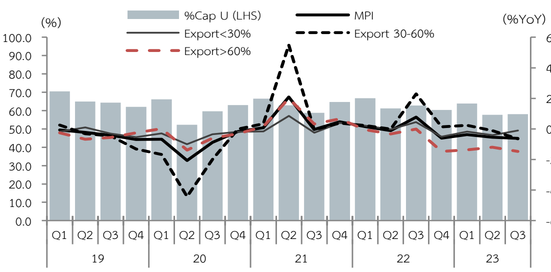
The average capacity utilization rate was 58.01 percent, higher than 57.64 percent in the previous quarter but lower than 62.76 percent in the same quarter of the previous year.

Manufacturing production index with negative growth included sugar (36.6 percent), other electronic and electric wires and cables (22.3 percent), plastics and synthetic rubber in primary forms (3.2 percent), malt liquors and malt (8.5 percent) and man-made fiber (18.7 percent), etc.

Manufacturing production index with positive growth included computers and peripherals equipment (-29.0 percent), electronic components and boards (-14.9 percent), motor vehicles (-5.1 percent), other rubber products (-15.3 percent) and wearing apparel, except tailoring and dressmaking (-28.7 percent), etc.

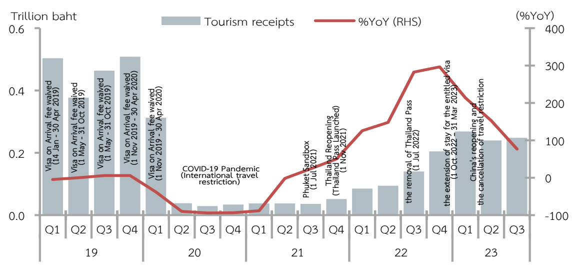
In the first nine months of 2023, manufacturing sector decreased by 3.4 percent, compared with an increase of 2.3 percent in the same period last year and the average capacity utilization rate was at 59.83 percent, compared with 63.57 percent in the same period last year.

Manufacturing Production Index decreased by 6.2 percent and the capacity utilization rate averaged at 58.01 percent.



Source : Office of Industrial Economics

Services receipts of Tourism for Q3/2023 Stood at 2.48 hundred billion baht or increase by 76.8 percent.



Source: Bank of Thailand

Accommodation and food service activities sector maintained continuous expansion at a high rate of 14.9 percent, continuing from a 15.1-percent expansion in the previous quarter. This growth aligns with the expansion of international and domestic tourists. In this quarter, **the number of foreign tourists stood at 7.089 million people** (shared of 76.96 percent of pre-COVID-19 outbreak period), or rose by 97.9 percent. The top three international arrivals were from Malaysia, China and Korea. This trend aligned an increase in the number of flights and routes offered by international airlines.

Accommodation and food service activities sector has expanded for the 10th consecutive quarter, with a growth rate of 14.9 percent, driven by a favorable growth in foreign tourist arrivals and domestic tourism.

The total amount of tourism revenue in this quarter stood at 4.38 hundred billion Baht which rose by 46.7 percent.

The average occupancy rate was 66.16 percent, which was lower than the 66.93 percent in the previous quarter but higher than the 49.96 percent in the same period last year.

International tourism receipts[1] **stood at 2.48 hundred billion Baht** (shared of 54.79 percent of pre-COVID-19 outbreak period), which has risen for the ninth consecutive quarter by 76.8 percent. **The top international arrivals by region in this quarter** mainly came from Asia and the Pacific for 5.491 million people (shared of 77.45 percent), rose by 105.7 percent, Europe for 1.073 million people (shared of 15.14 percent), rose by 72.9 percent, and Middle East for 0.249 million people (shared of 3.52 percent), rose by 97.2 percent, respectively. **For domestic tourism, Thai travelers have continuously increased at a significant rate of 18.2 percent,** supported several extended holidays and tourism promotion campaigns through festivals and annual events in each province. **Thai tourism receipts**[2] **stood at 1.89 hundred billion Baht,** rose by 19.9 percent. The top three most visited provinces (excluding Bangkok) by Thai tourists consisted of Kanchanaburi for 3.400 million people (shared of 5.72 percent), Chonburi for 3.307 million people (shared of 5.56 percent) and Phetchaburi for 2.512 million people (shared of 4.23 percent). An increase in both international and domestic tourism receipts has led to the **total amount of tourism revenue**[3] **in this quarter reaching 4.38 hundred billion Baht which rose by 46.7 percent. The average occupancy rate stood at 66.16 percent**, which is lower than the 66.93 percent in the previous quarter, but higher than the 49.96 percent in the same period last year.

In the first nine months of 2023, accommodation and food service activities sector expanded by 21.0 percent, compared with a 43.1-percent increase in the same period last year. The number of foreign tourists stood at 20.004 million people, increased by 255.0 percent. The total amount of tourism revenue was 1.329 trillion Baht, marking an increase of 71.2 percent. The average occupancy rate was 67.78 percent.

Wholesale and retail trade; repair of motor vehicles and motorcycles sector has consistently increased for the tenth quarter by 3.3 percent. This was in tandem with a favorable expansion of household spending and the continuing improvement of the tourism sector.

Wholesale and retail trade; repair of motor vehicles and motorcycles sector increased by 3.3 percent, continuing from 3.4 percent in the previous quarter. This growth was largely driven by the favorable expansion of household spending and the continuing improvement of the tourism sector. This was in line with an increase of Wholesale and Retail Sales, and Repair of Motor Vehicles Composite Index. In details, (i) **Wholesale Index (except motor vehicles and motorcycles)** increased by 5.2 percent, driven by increasing wholesale on a fee or contract basis, such as agricultural raw materials wholesale and food wholesale. Meanwhile, the wholesale of household goods, specifically furniture and the wholesale of electrical and electronic appliances continuously decreased; (ii) **Wholesale and Retail Sales, and Repair of Motor Vehicles Index** decreased by 12.4 percent due to a reduction in all categories, such as sales of motor vehicles and sales of motor vehicle parts and accessories; and (iii) **Retail Sales Index (except motor vehicles and motorcycles)** decreased by 1.1 percent due to a decrease in other retail sale in non-specialized stores, including general merchandise stores and food retail. However, the general merchandise stores showed a continuous increase, especially in discount stores/supercenters/hypermarkets, and convenience stores/minimarts.

In the first nine months of 2023, wholesale and retail trade, repair of motor vehicles and motorcycles sector increased by 3.3 percent, compared with 3.1 percent in the same period last year. Wholesales Index (except motor vehicles and motorcycles) increased by 5.2 percent, while Retail Sales Index (except motor vehicles and motorcycles) decreased by 1.1 percent and Wholesale and Retail Sales, and Repair of Motor Vehicles Index decreased by 12.2 percent.

Transportation and storage sector continued to grow for the eighth quarter by 6.8 percent, but decelerating from the previous quarter. This was in line with the slowdown in Air Transport Services.

Transportation and storage sector increased by 6.8 percent, decelerating from a high growth of 7.4 percent in the previous quarter. This was in line with the slowdown in Transportation Services Composite Index, attributed to (i) a 27.3-percent increase in Air Transport Services, decelerating from a 43.9-percent in the previous quarter, following the slowdown in the passenger air transportation volume index. Meanwhile, the volume of air freight transportation expanded for the first time in four quarters; (ii) a 6.9-percent increase in Land Transport and Transport via Pipelines Services, accelerating from 5.4 percent in the previous quarter. This was in line with the increase in the consumption of gasoline and liquefied petroleum gas; and (iii) a 0.9-percent increase in Water Transport Services, accelerating from 0.2-percent in the previous quarter, aligning with the increase in import volume by sea. Additionally, warehousing and support activities for transportation rose by 3.6 percent and postal and courier activities increased by 6.6 percent.

In the first nine months of 2023, transportation and storage sector increased by 8.9 percent, compared with a 6.1-percent increase in the same period of the previous year. Transport services rose by 9.0 percent, attributed to a 47.5-percent increase in Air Transport Services, an 8.1-percent increase in Land Transport and Transport via Pipelines Services and a 0.5-percent increase in Water Transport Services, respectively. Additionally, warehousing and support activities for transportation rose by 5.1 percent, while postal and courier activities expanded by 8.1 percent.

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

Construction sector continued to increase by 0.6 percent, continuing from a 0.4-percent growth in the previous quarter, following the expansion in private construction, while public construction decreased. In this quarter, **private construction** increased for the fifth consecutive quarter by 3.6 percent, accelerating from a 2.0-percent growth in the previous quarter, following the expansion of construction of non-residential construction, especially factory, commercial buildings and residential construction (such as condominiums and single detached houses). **Public construction** continued to decrease by 1.3 percent, compared to a 0.6-percent contraction in the previous quarter. This was due to a decline in government construction by 3.1 percent, in line with the decrease in disbursements by the Ministry of Transport. State enterprise construction increased for the sixth consecutive quarter by 2.2 percent. This was in accordance with the progress of major infrastructure developments such as the cooperation between the government of the Kingdom of Thailand and the government of the People's Republic of China for development of high-speed rail systems to connect regions Bangkok - Nong Khai Section (Phase 1, Bangkok - Nakhon Ratchasima) (SRT) and the MRT Purple Line Project, Tao Poon - Rat Burana Section (Kanchanaphisek Ring) (MRTA). Construction Material Price Index (CMI) continued to drop for the second quarter by 0.2 percent, following a decline in steel price index (-2.8 percent) and other construction materials price index such as asphalt and aluminum products (-2.3 percent), while concrete and cement price index increased by 0.9 percent and 1.1 percent, respectively.

Construction sector grew by 0.6 percent, following the expansion in private construction, while public construction decreased.

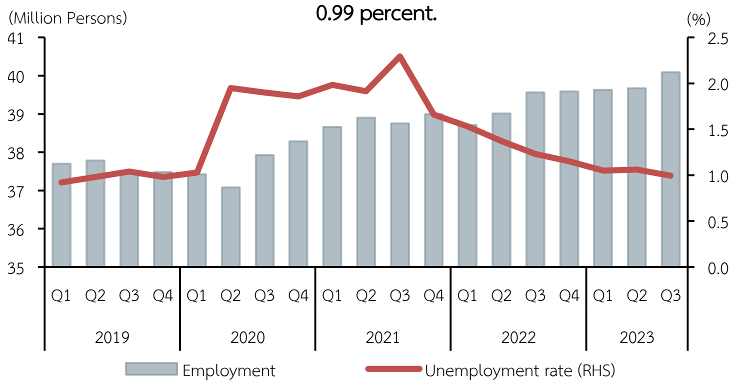
In the first nine month of 2023, construction sector grew by 1.6 percent, compared with a 4.0-percent contraction at the same period last year, with private construction increased by 2.3 percent and public construction rose by 1.3 percent.

Employment rose continuously for the thirteenth consecutive quarter, following an increase in both non-agricultural and agricultural employment. This was in accordance with the continual decline in the unemployment rate, reaching the lowest level in 15 quarters. In the third quarter of 2023, the number of employed persons amounted to 40.09 million people, an increase of 1.3 percent, compared with an increase of 1.7 percent in the previous quarter, which was classified as employed Thais of 37.50 million (93.53 percent share), an increase of 1.1 percent, and employed foreigners of 2.59 million people (6.47 percent share), an increase of 4.8 percent. **Non-agriculture employment** (68.46 percent share) continued to increase for the sixth consecutive quarter by 1.0 percent, in accordance with an increase in employment in accommodation and food service activities, construction and manufacturing sectors. **Agricultural employment** (31.54 percent share) expanded for the first time in 2 quarters by 2.0 percent. **The unemployment rate** in this quarter was at 0.99 percent, the lowest level in 15 quarters, lower than 1.06 percent in the previous quarter and 1.23 percent in the same quarter of the previous year. **The average number of unemployed people** recorded at 4.01 hundred thousand people, lower than the 4.29 hundred thousand unemployed in the previous quarter, and also lower than the unemployed number of 4.91 hundred thousand people in the same quarter last year.

Employment rose for the thirteenth consecutive quarter, following the sixth consecutive quarter of increase in non-agricultural

For the first nine months of 2023, employment increased by 1.9 percent, compared with a 0.8-percent increase in the same period last year. The average unemployment rate was at 1.03 percent.

Employment grew by 1.3 percent following an increase in agricultural sector, while unemployment rate remained low at 0.99 percent.

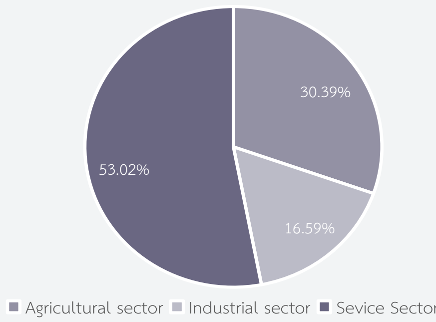


Source: National Statistical Office

Labor demand situation in service sector

Service sector was an important economic sector of the Thai economy. In 2022, **service sector had a value of 10.20 trillion baht (58.7 percent of GDP) and 20.80 million people are employed in the service sector (53.0 percent of total employment)** when each sector was examined, it was discovered that the following important fields with a high proportion of employment include: (i) **Accommodation and food service activities sector** had 2.91 million people employed (shared 13.98 percent of service sector employment), composed of employment under the social security system amounts to 1.51 million people (shared 51.9 percent) and employment outside the social security system amounts to 1.40 million people (shared 48.1 percent) and (ii) **Construction sector** had 2.20 million people employed (shared 10.60 percent of service sector employment), composed of employment under the social security system amounts to 1.16 million people (shared 52.7 percent) and employment outside the social security system, the number was 1.04 million people (shared 47.3 percent), respectively.

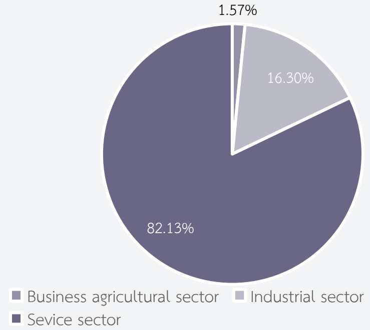
Employment in 2022



Source: National Statistical Office

Data from a survey of **the situation of labor demand in the workplace** by Ministry of Labor. In 2022, **service sector had a labor demand of 12.24 million people (78.6 percent of total labor demand)** when each sector was classification by sector, **Accommodation and food service activities sector** had demand for labor of 1.69 million people (shared 13.8 percent of demand for labor in the service sector). The top 5 provinces with the highest labor demand were the main cities of Tourism includes Bangkok (shared 28.91 percent), Chonburi (4.9 percent), Phuket (4.6 percent), Chiang Mai (4.0 percent), and Surat Thani (4.0 percent) respectively, while **Construction sector** had demand for labor of 1.32 million people (shared 10.76 percent of demand for labor in the service sector), with the top 5 provinces with the highest labor demand being Bangkok. (shared 29.76 percent), Chonburi (4.44 percent), Chiang Mai (2.38 percent), Nakhon Ratchasima (1.79 percent), and Songkhla (1.73 percent), respectively. Therefore, it still reflects the overall situation that although the service sector in particular. The tourism sector will begin to recover continuously, but the labor market is still unable to produce workers to keep up with demand, as a result, there is still a large demand for labor. Consequently, the government should give importance to manipulated adequate and support demand following the recovery of the tourism and service sectors related including in the construction sector.

Workplace in 2022



Source: Department of Business Development

Unit : thousand person	Labor demand in the workplace[1*]	Employed in Social Security[2**]	Excess Demand	Excess Demand per Employed[3] (%)	Entrepreneur (company)
Service sector	**12,244.90**	**9,936.19**	**2,308.71**	**23.24**	**2,614,586**
Accommodation and food service activities sector	1,692.55	1,511.93	180.62	11.95	425,777
Construction sector	1,317.90	1,164.78	153.12	13.15	140,558

source : * Ministry of labour calculated by NESDC

** Department of Business Development and Social Security Office

Table 1 The top 5 province with the highest labor demand of accommodation and food service activities sector

Unit : thousand person	Labor demand in the workplace[1*]	Employed in Social Security[2**]	Excess Demand	Entrepreneur (company)
Whole Kingdom	**1,692.55**	**1,511.93**	**180.62**	**425,777**
Bangkok	489.34	437.11	52.22	57,343
Phuket	77.49	69.22	8.27	9,604
Chonburi	83.01	74.15	8.86	17,663
Surat Thani	67.00	59.85	7.15	15,033
Chiang Mai	67.22	60.05	7.17	18,441

source : * Ministry of labour calculated by NESDC

** Department of Business Development and Social Security Office

Table 2 The top 5 province with the highest labor demand of construction sector

Unit : thousand person	Labor demand in the workplace[1*]	Employed in Social Security[2**]	Excess Demand	Entrepreneur (company)
Whole Kingdom	**1,317.90**	**1,164.78**	**153.12**	**140,558**
Bangkok	347.54	346.66	0.88	23,457
Chonburi	51.87	51.73	0.13	5,442
Nakhon Ratchasima	20.94	20.89	0.05	3,265
Chiang Mai	27.82	27.74	0.07	4,902
Songkhla	20.18	20.13	0.05	2,536

source : * Ministry of labour calculated by NESDC

** Department of Business Development and Social Security Office

[1] Labor demand in the workplace is labor that an establishment needs to operate a business.
[2] Employed in social security is labor that registered with the Social Security Office.
[3] Excess Demand per Employed is Excess Demand per Employed in Social Security.

Employed Persons by Industry

%YOY	Share	2022					2023		
	Q3/23	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Employed	100.00	1.0	0.1	0.3	2.1	1.5	2.4	1.7	1.3
- Agricultural	31.54	-1.2	2.4	-1.2	-2.4	-3.4	1.6	-0.2	2.0
- Non-Agricultural	68.46	2.0	-0.8	0.9	4.3	3.9	2.7	2.5	1.0
Manufacturing	15.65	1.4	-1.6	1.5	1.4	4.4	0.4	0.3	0.6
Construction	5.34	-3.5	-4.2	-8.5	0.4	-1.0	-1.8	6.0	2.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.86	4.2	2.0	8.3	4.5	2.0	4.4	0.5	-0.2
Accommodation and food service activities	7.92	0.5	-4.4	-6.1	8.3	6.6	8.2	11.7	8.3
Total labor force (Million persons)		39.90	39.62	39.76	40.09	40.14	40.28	40.31	40.53
Employed (Million persons)		39.22	38.72	39.01	39.57	39.59	39.63	39.68	40.09
Unemployment (Million persons)		0.53	0.61	0.55	0.49	0.46	0.42	0.43	0.40
Unemployment Rate (%)		1.33	1.53	1.37	1.23	1.15	1.05	1.06	0.99

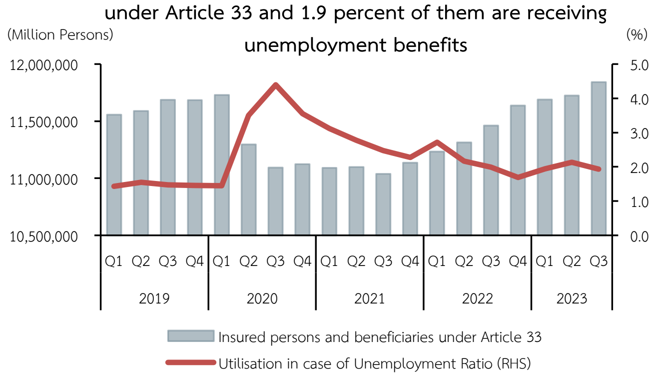
Source : National Statistical Office (NSO)

Labor in the Social Security System: The number of insured people in the social security system continued to increase for the tenth consecutive quarter. The unemployment rate among insured persons under article 33 decreased from the previous quarter, and lower than the same quarter last year. In the third quarter of 2023, the total number of social security beneficiaries increased for the tenth consecutive quarter by 1.7 percent. This consisted of compulsory insurers under article 33 which continuously increased for the eighth quarter by 3.3 percent, in line with an increase in insured persons in the manufacturing and service sectors (such as construction, accommodation and food service activities, and manufacturing sector), and voluntarily insured persons under article 40 which increased by 0.9 percent. Nevertheless, voluntarily insured persons under article 39 continued to decline for the fifth quarter by 3.9 percent. **The unemployment rate among insured person under article 33** in this quarter was 1.93 percent, lower than 2.13 percent in the previous quarter and lower than 1.99 percent in the same quarter last year. The average number of unemployed was 2.29 hundred thousand people, lower than 2.50 hundred thousand in the previous quarter but higher than the number of 2.28 hundred thousand people in the same quarter last year.

The number of insured persons in the social security system increased for the tenth consecutive quarter by 1.7 percent. This was in line with the increase in the compulsory insured person under article 33 and the voluntary insured person under article 40, while the voluntary person under article 39 continued to decline for the fifth quarter.

The unemployment rate among insured person under article 33 in this quarter was 1.93 percent, lower than 2.13 percent in the previous quarter and lower than 1.99 percent in the same quarter last year.

There are 11.8 million insured persons and beneficiaries under Article 33 and 1.9 percent of them are receiving unemployment benefits



Source: The Social Security Office ,Ministry of labour

Number of social security beneficiaries

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

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

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

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

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

Fiscal Conditions:

On the revenue side, in the fourth quarter of the fiscal year 2023 (July - September 2023), the net government revenue collection stood at 709.0 billion Baht, increasing by 5.5 percent compared with the same quarter of the previous year. The growth was contributed by the following factors: **(i) A 75.7-percent rise in revenue from oil and oil products excise tax,** which resulted from the cessation of the excise tax rate on diesel fuel was reduced by 5 Baht per liter, and the excise tax rate on jet fuel was decreased. **(ii) A 57.1-percent rise in revenue from other government agencies** due to the remittance of surplus loans under the Emergency Decree Authorising the Ministry of Finance to Raise Loans to Solve Raise Loans to Solve Problems, to Remedy and Restore the Economy and Society as Affected by the Coronavirus Disease Pandemic, B.E. 2563 (2020) and revenue submission from the conversion of the petroleum concession system to the Production Sharing Contract (PSC) system by the Department of Mineral Fuels. **(iii) A 3.9-percent increase in personal income tax** reflects an improvement in economic activities. **(iv) A 10.8-percent increase in specific business tax** in line with an increase in the policy interest rate.

__In Q4/FY2023, the net government revenue collection increased by 5.5 percent__ due to an increase in revenue from oil and oil products excise tax, other government agencies, personal income tax, and specific business tax

However, **the collection of VAT and petroleum income tax decreased by 7.1 percent and 43.4 percent, respectively, compared to the same quarter of the previous year** due to a reduction in the value of imported goods and the conversion of the petroleum concession system to the Production Sharing Contract (PSC) system by the Department of Mineral Fuels.

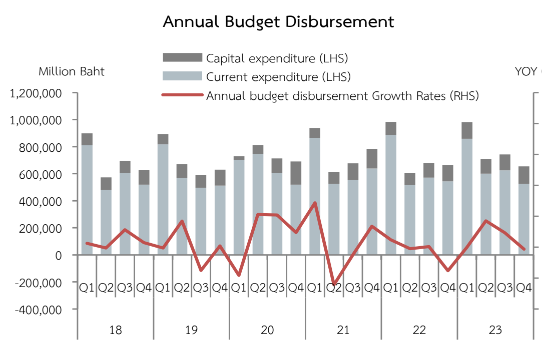
For the fiscal year 2023, the net government revenue collection amounted to 2,664.7 billion Baht, increasing by 5.3 percent from the same period last year, and was 7.0 percent above the revenue estimation stated in the 2023 annual budget, mainly due to the following factors: **(i) Revenue collections from the Revenue Department**, especially from corporate income tax, VAT, and personal income tax, were higher than anticipated. **(ii) Revenues from other government agencies** surpassed estimations due to special revenues from the remittance of extra-budgetary fund's excess liquidity, excess proceeds from the sale of debentures issued to compensate for budget deficits, the remittance of surplus loans under the Emergency Decree Authorising the Ministry of Finance to Raise Loans to Solve Raise Loans to Solve Problems, to Remedy and Restore the Economy and Society as Affected by the Coronavirus Disease Pandemic, B.E. 2563 (2020), and cellular royalty. **(iii) The revenue from the Customs Department** exceeded the target following the growth in imports and particular revenue from additional import duties arising from the adjudication of the import tax dispute case related to auto parts. However, **the revenue collected by the Excise Department** was lower than the projection due to the reduced excise tax rate on diesel fuel to mitigate the impact on populace's cost of living.

__For the FY2023,__ the net government revenue collection was higher than the same period last year and exceeded the estimation stated in the 2023 annual budget by 5.3 percent and 7.0 percent, respectively.

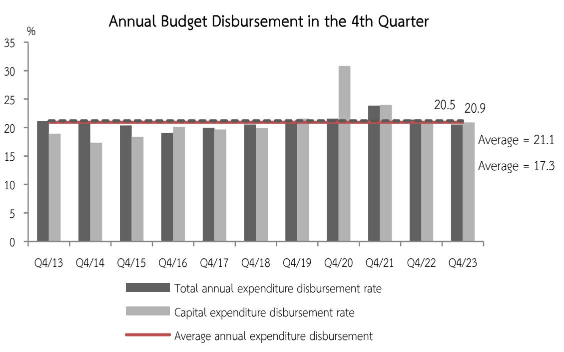
On the expenditure side, the total budget disbursement in the fourth quarter of the fiscal year 2023 stood at 751.4 billion Baht[4], reflecting a decrease of 10.6 percent from the same quarter last year. The government disbursements were as follows: **(i) The 2023 annual budget disbursement** stood at 654.2 billion Baht, decreasing from the same quarter last year by 1.4 percent. The disbursement rate was at 20.5, lower than 21.4 percent in the same quarter last year. **The current expenditure disbursement** amounted to 525.5 billion Baht, decreasing by 3.4 percent from the same quarter last year. This is mainly due to disbursements of other expenses categories, regular services, and compensation. The disbursement rate was at 20.5 percent, lower than 21.4 percent in the same quarter last year. **the capital expenditure disbursement** was marked at 128.7 billion Baht, increasing from the same quarter last year by 7.7 percent. This is mainly due to disbursements in construction categories and specified grants. The disbursement rate was at 20.9, lower than 21.2 percent in the same quarter last year. (ii) **The carry-over budget disbursement** stood at 42.5 billion Baht, decreasing from the same quarter last year by 12.7

__In Q4/FY2023, the total budget disbursement__ decreased by 10.6 percent as a result of the annual budget, the carry-over budget, and the State-owned enterprises' capital expenditure budget disbursement.

__The 2023 annual budget disbursement rate was at 20.5 percent__ in which the rate of current and capital expenditure disbursement stood at 20.5 and 20.9 percent, respectively.



Source: GFMIS



Source: GFMIS

[4] The total budget disbursement includes the disbursement of (i) the grand total of annual budget, (ii) the carry-over budget, and (iii) the State-owned enterprises' capital expenditure budget allocated by the State Enterprise Policy Office (excluding PTT) and the State-owned enterprise's capital expenditure allocated from the annual budget and the carry-over budget.

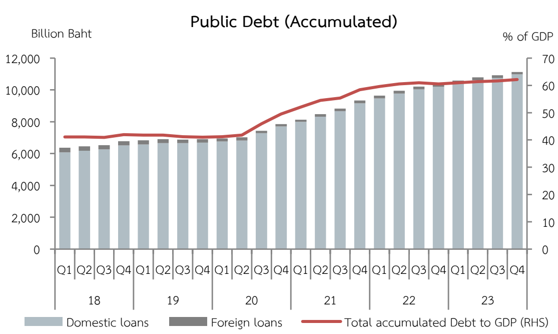
percent, the disbursement rate was at 22.3, higher than 20.5 percent in the same quarter last year. **(iii) the State-owned enterprises' capital expenditure budget (excluding PTT)** was disbursed for 67.7 billion Baht[5], decreasing from the same quarter last year by 9.6 percent, primarily due to reduction in disbursements of the Mass Rapid Transit Authority of Thailand (MRTA) and the Industrial Estate Authority of Thailand (IEAT).

For the fiscal year 2023, the total budget disbursement was at 3,499.8 billion Baht, marking a 6.8 percent decrease from the same period last year, with the allowing details **(i) The 2023 annual budget disbursement** stood at 3,088.4 billion Baht, the disbursement rate was at 97.0 percent, higher than 94.6 percent in the same period last year. This total comprised 2,610.2 billion Baht for current expenditure which had a disbursement rate of 101.6 percent (higher than 99.2 percent in the same period last year), and 478.2 billion Baht for capital expenditure with a disbursement rate of 77.7 percent (higher than 73.7 percent in the same period last year). **(ii) The disbursement of the carry-over budget** stood at 173.9 billion Baht, with its disbursement rate being 91.3 percent (higher than 90.1 percent in the same period last year). **(iii) The State-owned enterprises' capital expenditure budget (excluding PTT)** was disbursed by 228.6 million Baht[6] in which the top five SOEs that disbursed the highest capital expenditure included were the State Railway of Thailand (SRT), the Provincial Electricity Authority (PEA), the Electricity Generating Authority of Thailand (EAT), the Metropolitan Electricity Authority (MEA) and the Mass Rapid Transit Authority of Thailand (MRTA). **(iv) The COVID-19 loan B.E. 2563 - 2564 (1.5-trillion-Baht)** was disbursed by 47.8 billion Baht.

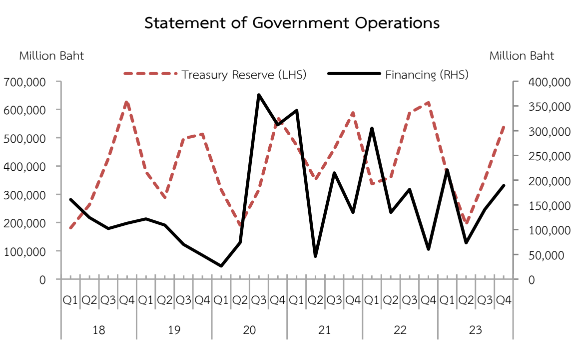
Public Debt: at the end of September 2023, public debt was accumulated at 11.1 trillion Baht, equivalent to 62.1 percent of GDP, and remained under the fiscal disciplinary framework. The total public debt comprised 11.0 trillion Baht of domestic loans (98.6 percent of public debt), and 158.2 billion Baht of foreign loans (1.4 percent of public debt).

Fiscal Balance: in the fourth quarter of fiscal year 2023, the budgetary balance recorded a surplus of 9.2 billion Baht while non-budgetary balance recorded a deficit of 12.4 billion Baht. In the meantime, the government conducted a cash balance management through the borrowing of 189.4 billion Baht. Therefore, the cash balance after debt financing recorded a net surplus of 186.2 billion Baht. In addition, the treasury reserve at the end of the third quarter of the fiscal year 2023 stood at 352.8 billion Baht, thus the fiscal balance at the end of September 2023 equaled to 539.1 billion Baht.

For the fiscal year 2023, the budgetary balance and the non-budgetary balance recorded a deficit of 599.1 billion Baht, and 110.5 billion Baht, respectively. In addition, the government conducted a cash balance management through the borrowing of 624.6 billion Baht. Therefore, the cash balance after debt financing recorded a net deficit of 85.0 billion Baht.



Source: Public Debt Management Office



Source: Ministry of Finance

***For the fiscal year, the total budget disbursement** declined by 6.8 percent. The contraction was caused by the disbursement of the carry-over budget, the State-owned enterprises' capital expenditure budget, and the 1.5-trillion Baht COVID-19 loan disbursement.*

***For the fiscal year, the 2023 annual budget disbursement rate was at 97.0 percent** in which the rate of current and capital expenditure disbursement stood at 101.6 and 77.7 percent, respectively.*

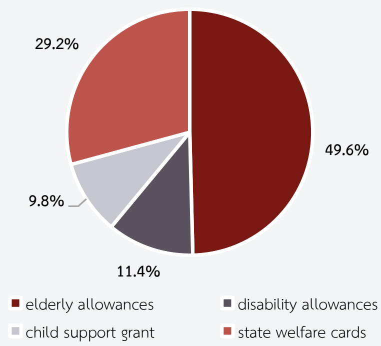
***At the end of September 2023, the government fiscal statement remained at a** strong **level** where the fiscal balance stood at 539.1 billion Baht*

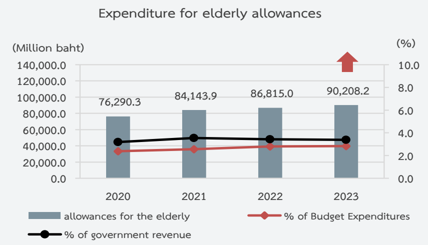
5 The number was included the 13.4 billion Baht of the capital spending allocated from the annual budget and the carry-over budget.
6 The number was included the 38.9 billion Baht of the capital spending allocated from the annual budget and the carry-over budget.

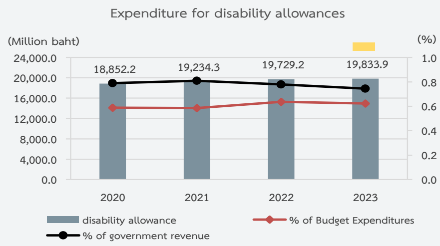
Social Welfare Policy and its Medium-Term Implications for Government Expenditure

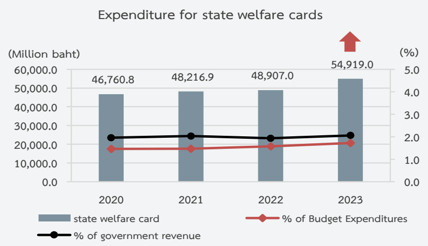
Social welfare policy plays a crucial role in the government's commitment to safeguarding vulnerable populations, particularly in a growing economy like Thailand. For the fiscal years 2020 to 2023, the government allocated an average of 170,087.5 million Baht[1] annually (equivalent to 1.0 percent of GDP) to support diverse age groups, income brackets, and vulnerable communities. This comprehensive expenditure encompasses 84,364.4 million Baht for elderly allowances, 49,700.9 million Baht for state welfare cards, constituting 49.4 percent and 29.1 percent of the key social welfare expenses, respectively. Additionally, allocations of 19,412.4 million Baht for disability allowances and 16,609.8 million Baht for the Child Support Grant represent 11.4 percent and 9.7 percent of these expenditures, respectively. Notably, the Country' social welfare expenses show a consistent upward trend on an annual basis.

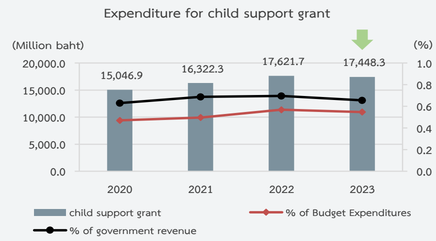
The average expenditure ratio for elderly allowances, disability allowances, child support grant, and state welfare cards for social welfare expenses for a period of 4 years (2020 - 2023)







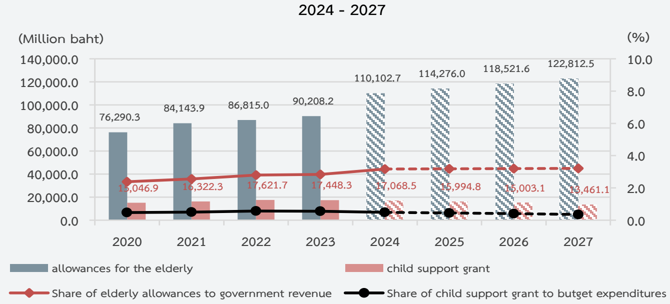




Source : Department of Local Administration, Bangkok Metropolitan Administration, Pattaya City, Department of Children and Youth, The Comptroller General's Department, calculated by NESDC

Considering the trend of expenditure burdens in the future, based on the demographic structure data of Thailand estimated by the National Economic and Social Development Council (NESDC)[2], it is anticipated that in the medium term (2024 - 2027), the state will experience increased expenditures on elderly allowances, averaging 32,063.9 million Baht per year, a 38 percent increase compared to the base period (2020 - 2023). Concurrently, expenditures on child support grants are expected to decrease by an average of 1,227.9 million Baht annually, reflecting a 7.4 percent reduction compared to the base period. These changes result from shifts in demographic structure as Thailand fully transitions into an aged society, leading to higher elderly allowances and creating fiscal pressure from increased spending. Therefore, future macroeconomic fiscal policy administration should prioritize fiscal consolidation, with a specific focus on accelerating the enhancement of the government's revenue-raising capabilities. This approach aims to support the continuously increasing expenses associated with elderly social welfare policies while also ensuring comprehensive and appropriate care for other welfare aspects and social protection for various population groups.

Expenditure projection for elderly allowances and child support grant 2024 - 2027



Source : Expenditure projection for Thailand's child support grant for 2024 - 2027 by Department of Children and Youth, calculated by NESDC

[1] Key expenditures include the Elderly Allowance Program, The Child Support Grant scheme for [newborn], the State Welfare Card Program, and the Disability Allowance.

[2] Between 2024 to 2028, Thailand's population is projected to increase from 66.92 million to 67.19 million people, and then decrease to 65.37 million by 2040. The number of children and working-age population is expected to continuously decrease, from 10.86 million and 42.26 million in 2023 to just 8.36 million and 36.50 million by 2040, respectively. Meanwhile, the elderly population is anticipated to continuously rise from 13.50 million in 2023 to 20.51 million in 2040.

Financial Conditions:

The BOT continuously raised the policy interest rate in line with major central banks, while many countries in Asia began to keep their policy rates

In the third quarter of 2023, the policy interest rate was at 2.50 percent per annum, increased from 2.00 percent in the previous quarter. In the meeting on 2nd August 2023 and 27th September 2023, the Monetary Policy Committee (MPC) voted unanimously to raise the policy interest rate by 25 basis points at each meeting. Consequently, the policy interest rate increased from 2.00 percent per annum to 2.50 percent per annum. The decision was based on the MPC's views that a gradual interest rate increase was appropriate for Thailand's economic growth and inflation rate. The MPC also assessed that the Thai economy is continually recovering despite the delayed recovery of global demand. Additionally, headline Inflation is projected to be within the target. However, there are upside risks to the future inflation rate pressured by government stimulus packages and the possible increase of food prices due to the El Niño. **The monetary policy stance of Thailand was in line with major central banks.** For example, the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England (BOE) increased their policy rates to 5.25 – 5.50 percent, 4.50 percent, and 5.25 percent per annum, respectively. Those decisions were made to address their inflation rates, which, although decelerating, but still exceeded their target ranges. Likewise, Banks of Canada raised policy rate to 5.00 percent per annum since domestic demand is growing at a high rate. Central Bank of Russia, similarly, increased the policy rate to 13.0 percent per annum to cope with the rebounded inflation. In contrast, central bank of Japan, Philippines, Indonesia, South Korea, India, Australia, New Zealand, Vietnam and Malaysia, decided to keep their policy rates unchanged at -0.10 percent, 6.75 percent, 5.75 percent, 3.50 percent, 6.50 percent, 4.10 percent, 5.50 percent, 3.00 percent and 3.00 percent respectively. Those decisions were made because the earlier policy rate hikes had started to stall their economies. On the other hand, the People's Bank of China cut its policy rate to 3.45 percent per annum in order to drive credit demands. Similarly, the central bank of Brazil decided to lower its policy rate to 12.75 percent per annum as its inflation rate was back to the target range.

In October 2023, Bank Indonesia raised its policy rates for the second time in 2023, to 6.00 percent per annum, aiming to stabilize the exchange rate. The Central Bank of the Philippines also increased its policy rate to address raising inflation**.**

In November 2023, the Fed held policy rates steady at 5.25 - 5.50 percent per annum but signaled that policy rates could be tighten, especially if inflationary pressure increase in the future. Also, the BOE maintained its policy rate at 5.25 percent per annum after assessing that former tightening of monetary policy has started to affect domestic demand and the labor market, amid a remaining high level of inflation.

Policy Interest Rate

(%) At the end of period	2021	2022					2023							
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Jul.	Aug.	Sep.	Oct.	Nov.
USA	0.00-0.25	4.25-4.50	0.25-0.50	1.50-1.75	3.00-3.25	4.25-4.50	4.75-5.00	5.00-5.25	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50
EU	0.00	2.50	0.00	0.00	1.25	2.50	3.50	4.00	4.50	4.25	4.25	4.50	4.50	4.50
England	0.25	3.50	0.75	1.25	2.25	3.50	4.25	5.00	5.25	5.00	5.25	5.25	5.25	5.25
Canada	0.25	4.25	0.50	1.50	3.25	4.25	4.50	4.75	5.00	5.00	5.00	5.00	5.00	5.00
Thailand	0.50	1.25	0.50	0.50	1.00	1.25	1.75	2.00	2.50	2.00	2.25	2.50	2.50	2.50
Russia	8.50	7.50	20.00	9.50	7.50	7.50	7.50	7.50	13.00	8.50	12.00	13.00	15.00	15.00
Indonesia	3.50	5.50	3.50	3.50	4.25	5.50	5.75	5.75	5.75	5.75	5.75	5.75	6.00	6.00
China	3.80	3.65	3.70	3.70	3.65	3.65	3.65	3.55	3.45	3.55	3.45	3.45	3.45	3.45
Brazil	9.25	13.75	11.75	13.25	13.75	13.75	13.75	13.75	12.75	13.75	13.25	12.75	12.75	12.25
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Philippines	2.50	6.00	2.50	3.00	4.25	6.00	6.75	6.75	6.75	6.75	6.75	6.75	7.00	7.00
Korea, South	1.00	3.25	1.25	1.75	2.50	3.25	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
India	4.00	6.25	4.00	4.90	5.90	6.25	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Australia	0.10	3.10	0.10	0.85	2.35	3.10	3.60	4.10	4.10	4.10	4.10	4.10	4.10	4.35
New Zealand	0.75	4.25	1.00	2.00	3.00	4.25	4.75	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Vietnam	2.50	4.50	2.50	2.50	3.50	4.50	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Malaysia	1.75	2.75	1.75	2.00	2.50	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00

Source: Collected by NESDC

Large-size commercial banks and specialized financial institutions (SFIs) continuously raised their deposit and lending rates following the monetary policy stance of the Bank of Thailand (BOT). Large-sized commercial banks and SFIs raised their 12-Month fixed deposit rates to 1.49 percent and 1.55 percent per year, comparing with their rates in the previous quarter at 1.40, and 1.45 percent per year, respectively. They also raised their Minimum Loan Rates (MLR) to 7.04 percent and 6.84 percent per year, comparing with their rates in the previous quarter at 7.00, and 6.76 percent per year respectively. Meanwhile, medium-sized commercial banks increased their deposit rates from 1.00 percent to 1.18 percent per year, but kept the MLR unchanged at 8.05 percent per year. Additionally, real deposit rates increased from 1.09 percent in the previous quarter to 1.13 percent per year in this quarter due to a surplus in average deposit rates over inflation. In contrast, the real lending rate slightly declined from 6.89 percent in the previous quarter to 6.87 percent in this quarter, as medium-sized commercial banks kept their lending rates unchanged, resulting in the inflation rate being higher than the average lending rates.

Large-size commercial banks and specialized financial institutions (SFIs) raised their deposit and lending rates following the monetary policy stance of the BOT, while medium-sized commercial banks raised their deposit rates but kept the lending rates unchanged

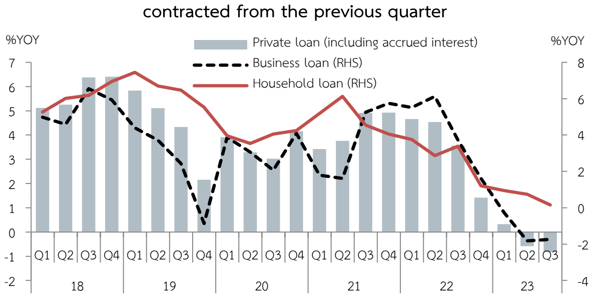
In October 2023, deposit and lending rates of commercial banks were increased compared to the third quarter of 2023. The average of deposit and lending rates of large-sized commercial banks rose to 1.65 percent per year and 7.25 percent per year respectively. Similarly, medium-sized commercial banks increased their deposit and lending rate to 1.58 percent per year and 8.30 percent per year respectively. However, SFIs increased their deposit rates to 1.68 percent, while keeping lending rates steady at 6.46 percent per year.

Private loans outstanding of depository institutions expanded by 1.0 percent, which was the same rate as in the previous quarter. Additionally, private loans outstanding of commercial banks consecutively contracted from the previous quarter. At the end of the third quarter of 2023, private loans outstanding of commercial banks contracted by 0.8 percent, compared to a 0.6 percent contraction in the previous quarter. **In detail, business loans declined by 1.7 percent**, compared to a decline of 1.8 percent in the previous quarter. The contraction in business loan was caused by a deceleration of loan to large enterprises and a contraction of loan to Small-Medium enterprises (SMEs), which was because; (i) large entrepreneurs, partly, issuing bonds and repaying their loans to lower their funding costs; (ii) a decrease in loan demand as a result of a continuously decrease of export; (iii) commercial banks further tighten credit standards, especially for SMEs borrowers, since higher interest rate affected to their repayment capacity; and (iv) debt repayment of soft loans extended during the Covid-19 crisis. **In addition, major sectors causing business loan contraction, included** (i) Manufacturing loan, especially loan for food products, loan for rubber and plastics products, and loan for motor vehicles, trailers and semi-trailers. (ii) Wholesale and retail trade; repair of motor vehicles and motorcycles loan, especially loan for wholesale trade (except of motor vehicles and motorcycles), and loan for retail trade (except of motor vehicles and motorcycles) **Additionally, household loan decelerated from a 0.7 percent expansion in the previous quarter to 0.2 percent expansion in this quarter**, following by a slowdown in all major loan purposes including; (i) housing loan (ii) hire purchase loan and (iii) personal consumption loan.

Private loans outstanding of depository institutions expanded, accompanied by the accelerated loan in SFIs. Meanwhile, loan from commercial banks decreased compared to the growth rate in previous quarter, attributed to a contraction in business loans.

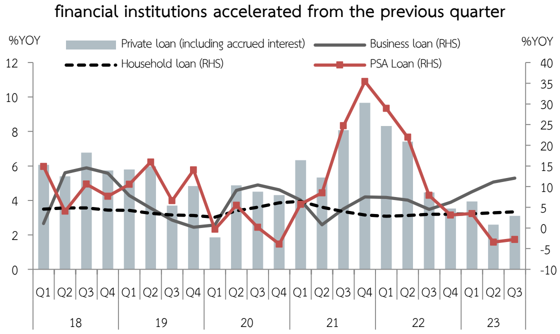
Private loans outstanding of Specialized Financial Institutions (SFIs) during the third quarter of 2023, expanded by 3.1 percent, accelerating from a 2.6 percent growth in the previous quarter. In addition, household loan expanded by 3.9 percent, increasing from a 3.7 percent growth in the previous quarter. This was similar to the growth of business loan, which grew at a high rate of 12.1 percent, close to the pace in previous quarter. This was partially because SFIs' lending rates are lower than rates from commercial banks.

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



Source : Bank of Thailand

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



Source : Bank of Thailand

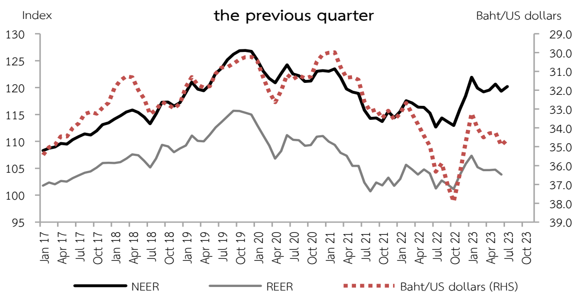
Thai Baht against US dollar depreciated from the previous quarter. In the third quarter of 2023, the exchange rate was averaged at 35.18 Baht per US dollar, depreciating by 1.97 percent from the previous quarter. The movement of the Thai Bath corresponded with the US dollar strengthening, as indicated by an average of US dollar index of 103.26, rising from an average of 102.57 in the previous quarter. The appreciation of the US dollar was driven by the expectation that the Fed would maintain its high level of policy rate for an extended period amid the strong growth of the US economy. This expectation resulted in a surge in US 10-year Treasury yield. Additionally, the depreciation of the Thai Baht was also influenced by the depreciation of the Chinese Yuan, pressured by the expected slowdown in the Chinese economy caused by the debt burden in the real estate sector.

The Thai Baht against the US dollar depreciated from the previous quarter, in tandem with the appreciation of the US dollar.

The depreciation of Thai Baht was in line with other regional currencies, such as the Japanese Yen, Taiwanese dollar, Indonesian Rupiah, Chinese Yuan, Malaysian Ringgit, Vietnamese Dong, Singapore dollar, Indonesian Rupiah and Philippine Peso. Partly, this depreciation was due to capital outflows in both debt and equity markets, as the US Treasury yields had higher returns than regional investments. Nevertheless, other regional currencies, such as South Korean won, Hong Kong dollar, appreciated from the previous quarter. Furthermore, comparing with major trading partners/competitors, Thai Baht slightly depreciated, as reflected by the Nominal Effective Exchange Rate (NEER), which was averaged at 119.85, decreasing by 0.03 percent from the previous quarter

In October 2023, the monthly average of Thai Baht was at 36.52 Baht per US dollar, depreciating by 1.93 percent from the previous month. This depreciation corresponded with the US dollar's appreciation, driven by concern over Israel-Hamas war. As a result, investors shifted their investment towards a risk-off sentiment, which was also supported by high yield of US Treasury.

Thai Baht depreciated against US dollars from the previous quarter



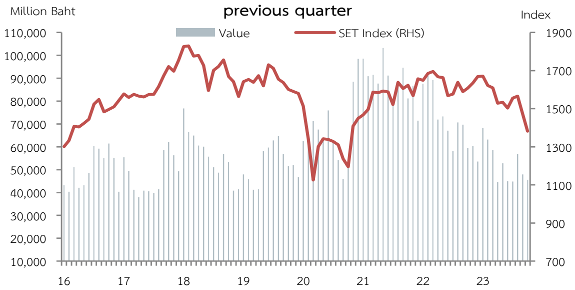
Source : CEIC, Bank of Thailand

SET Index decreased from the previous quarter. In the third quarter of 2023, the SET index closed at 1,471.4 points, decreased by 2.1 percent from the previous quarter. The movement of SET Index was in line with most advanced and emerging economies, which was mainly caused by; (i) the expectation that the Fed's policy rate would be kept unchanged at a high level for longer than previously forecasted, given that its inflation rate remained higher than the target while US economy experienced robust growth; (ii) Selling off positions in regional currencies to invest in higher-yield-return assets such as US government bonds, resulting in capital outflow, especially in stock markets where the investment risk is higher than the bond market; and (iii) slower-than-expected recovery of Chinese economy. Altogether, foreign investors had a net sell position of 50.0 billion Baht, compared to a net sell position of 50.3 billion Baht in the previous quarter. Industrial groups with negative growth were industrials (-8.0 percent), property and construction (-5.2 percent), services (-2.7 percent), resources (-1.1 percent), technology (-0.7 percent) and financials (-0.5 percent). The decline of SET index was consistent with other regional stock markets such as Hong Kong (-5.9 percent), Japan (-4.0 percent), China (-4.0 percent), South Korea (-3.9 percent), Taiwan (-3.3 percent) and Philippines (-2.3 percent). Meanwhile, several regional stock markets experienced an increase in stock market indices, including; Indonesia (4.2 percent), Malaysia (3.4 percent), India (1.7 percent), and Singapore (0.4 percent).

SET Index declined from the previous quarter, corresponding with most regional stock markets

In October 2023, SET index closed at 1,381.8 points, decreased by 6.1 percent from the end of September 2023. This was attributed to concerns about escalated violence and the widening conflict between Israel and Hamas, coupled with the high level of US government bond yield.

SET Index decreased, however, SET average turnover increased from the previous quarter



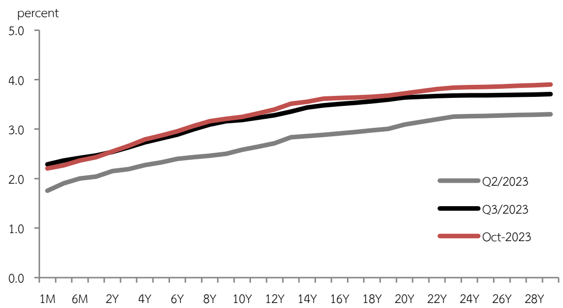
Source: SET

Government bond yields increased. In the third quarter of 2023, government bond yields had shifted upward in all maturities, consistent with a decrease in bond price index and a net sell position of foreign investors. In addition, short-term government bond yields rose as a result of the BOT's policy interest rate increase. Likewise, long-term government bond yields rose in correlation with US government bond yields as well as the expected increase of bond's supply issued by government in fiscal year 2024. Consequently, foreign investors had a net sell position of 66.9 billion Baht, partly because Thai government bond yields were lower than those in major economies. Thus, bond price index was pressured and recorded a declined compared with the previous quarter. As a result, at the end of the third quarter of 2023, 2-year and 10-year government bond yields increased from 2.15 percent and 2.58 percent per year in the previous quarter to 2.54 percent and 3.18 percent per year, respectively. Total new registered corporate bonds accounted for 429.3 billion Baht, decreasing from the previous quarter. Those new bonds were mainly attributed to finance and securities sector, property development sector, and energy sector.

Short-term and long-term government bond yields shifted upward in all maturities following by the increase of BOT's policy interest rate and the US government bond yield.

In October 2023, Short-term government bond yields slightly decreased from the previous month. Similarly, long-term government bond yields increased in correlation with long-term US government bond yields.

Government short-term yield and long-term yield increased



Source: ThaiBMA

Capital and financial account recorded a net outflow of 2.5 billion US dollars in the second quarter of 2023, comparing with the outflow of 0.7 billion US dollars in the previous quarter. This was contributed by a net outflow by Thai investors in terms of direct investments and a net sell position in equity and bond market by foreign investors. However, in the second quarter of 2023, direct investments by foreign investors was recorded as a surplus of 0.2 billion US dollars, decreasing from a 2.8 billion US dollars surplus in the first quarter.

Capital and financial account recorded a net outflow due to an outflow of Thai investors in terms of direct investments and a net sell position in portfolio investment by foreign investors.

Capital Flow

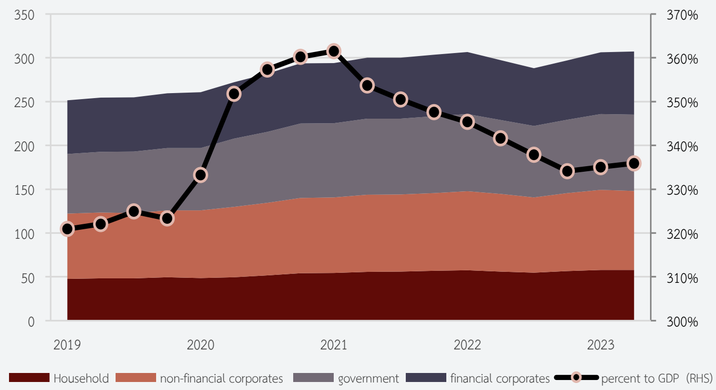
(Billion USD)	2021					2022					2023	
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1	Q2
- Direct Investment	-4.5	2.3	-1.4	-1.4	-4.0	3.7	2.7	-0.6	0.1	1.5	0.0	-2.2
Thai investors	-19.1	-3.5	-3.0	-4.6	-8.0	-7.5	-3.8	-1.1	-1.9	-0.7	-2.8	-2.4
Foreign investors	14.6	5.8	1.6	3.2	4.0	11.2	6.5	0.5	2.0	2.2	2.8	0.2
- Portfolio Investments	-11.9	-10.0	-3.8	0.0	1.9	5.8	2.6	1.8	-0.7	2.0	-5.8	-1.4
Thai investors	-16.8	-10.4	-3.7	-0.2	-2.5	-2.4	-1.3	1.0	-0.3	-1.8	-3.0	1.7
Foreign investors	4.9	0.4	-0.1	0.2	4.4	8.2	3.9	0.8	-0.4	3.8	-2.8	-3.1
Others	10.4	1.0	2.5	4.0	2.9	-2.9	-0.7	-2.6	-1.3	1.8	5.1	1.1
Capital and financial account	-6.0	-6.7	-2.7	2.6	0.8	6.6	4.6	-1.4	-1.9	5.3	-0.7	-2.5

Source: BOT

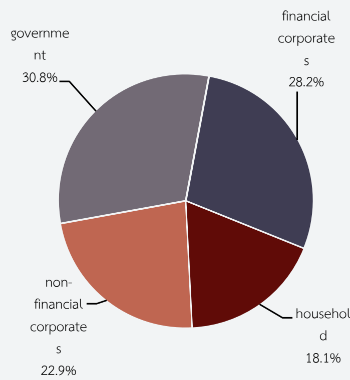
The global debt situation and the current debt levels of businesses in Thailand.

According to the Global Debt Monitor data from the Institute of International Finance, at the end of the second quarter of 2023, global debt reached an all-time high of 307.1 trillion US dollars, equivalent to 335.9 percent of GDP. The surge in global debt was largely driven by an increase borrowing during the COVID-19 pandemic in 2020. Specifically, a majority of the debt in advanced countries is held by the government (29.5 percent) and financial corporates (27.9 percent). Meanwhile, in emerging countries in Asia, a majority of the debt is held by non-financial corporates (42.8 percent), the remainder is held by the government (24.2 percent), household (18.9 percent), and financial corporates (14.2 percent).

Countries' debt has significantly increased during the Covid-19 pandemic.

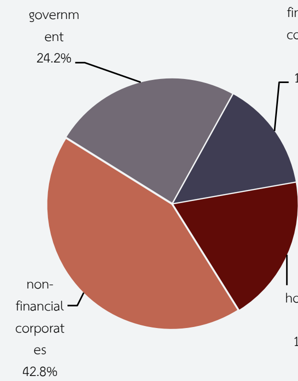


Debt structure of advanced economies



Source: IIF

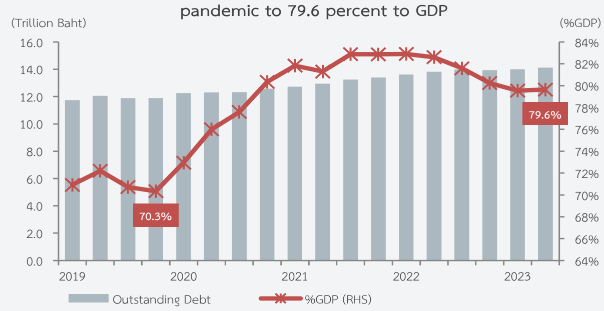
Debt structure of developing economies



Source: IIF

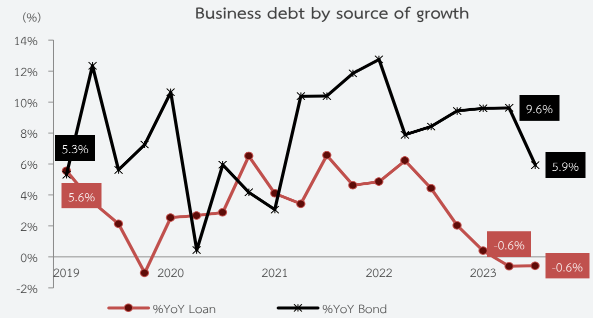
In the case of Thailand, according to the data from the Bank of Thailand, business debt has increased from 70.3 percent of GDP in the pre-Covid-19 period to 79.6 percent of GDP at the end of the second quarter of 2023. In addition, the expansion of loans and bond to businesses, comparing the periods before and after the Covid-19 pandemic, indicated a continuous increase in business fundraising. However, the issuance of bond is increasing while loan borrowing is consistently declining, partly because funding by issuing bond has lower financial cost. However, default payments from several bond issuers, resulting from governance and liquidity issues, have directly impacted investor's confident. Thus, businesses that are usually funded by issuing bond will face higher risks for their fundraising. Furthermore, loans to large enterprises are continuously expanding, while loans to small and medium-sized enterprises (SMEs) have been declining since the first quarter of 2023. This was due to limited funding for SME's because of high level of Non-Performing Loan (NPLs) and high risks of repayment capacity; especially those SMEs who are having increasing costs while their recovering have not fully yet.

Thailand's businesses debt have increased during the Covid-19 pandemic to 79.6 percent to GDP



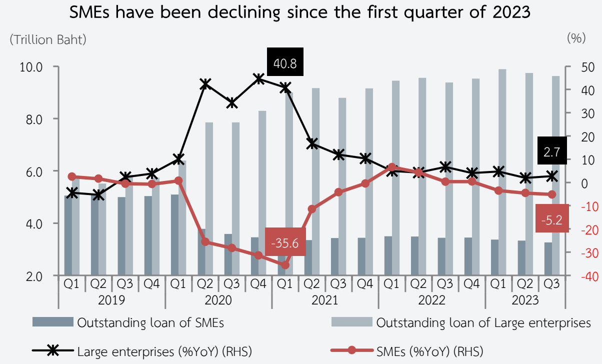
Source: Bank of Thailand

Business debt by source of growth

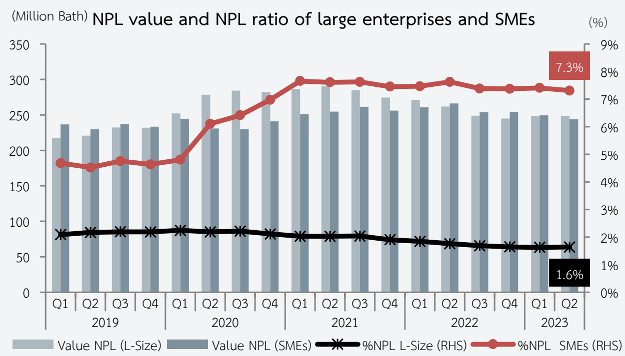


Source: Bank of Thailand

loans to large enterprises are continuously expanding, while loans to SMEs have been declining since the first quarter of 2023



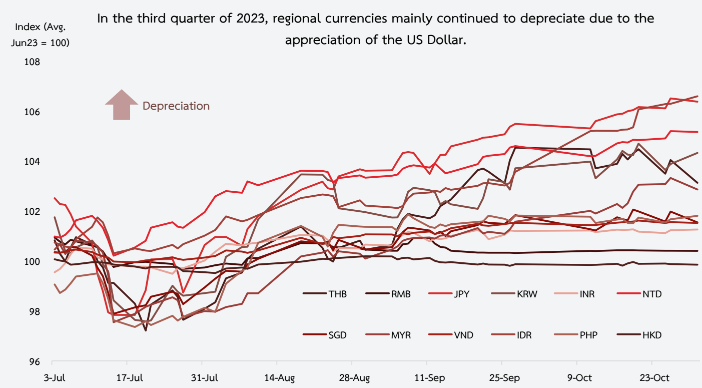
NPL value and NPL ratio of large enterprises and SMEs

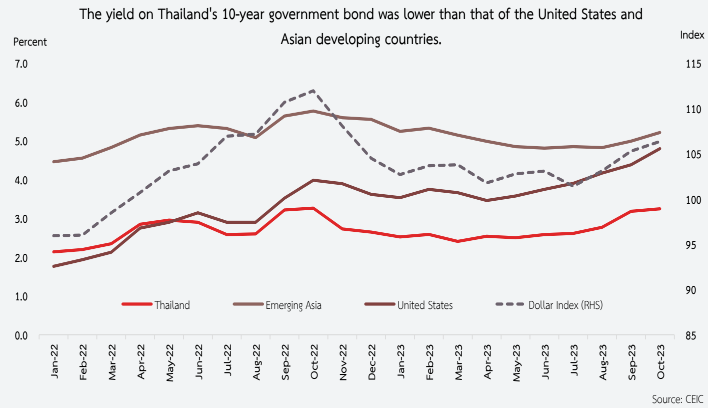


Source: Bank of Thailand

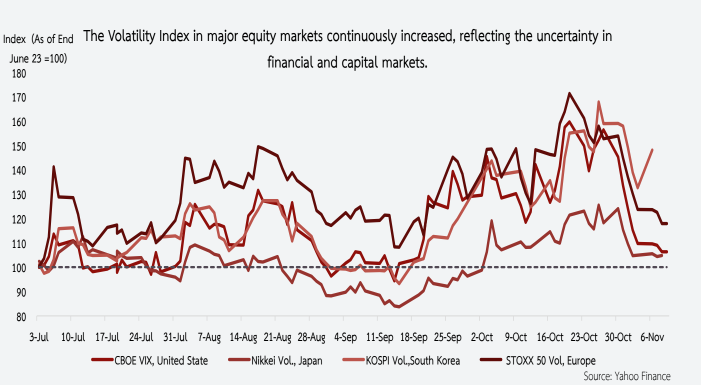
The rise in yields of US Treasuries not only puts pressure on Asian currencies but also cre-

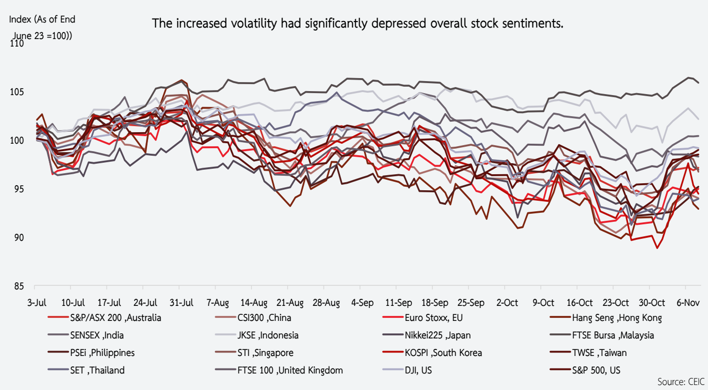
Recently, the US economic growth showed a better-than-expected outlook, while inflation rates remained above the target. Thus, the Federal Reserve is expected to maintain its policy rate longer than investor previously forecasted. As a result, the 10-year US Treasury yield spiked to 4.67 percent on September 27th, 2023, the highest level in a 16-years period. This caused capital flow movement across various assets in global financial market, leading to increased market volatility. Consequently, Asian countries were affected by regional outflow, causing currencies depreciation including the Thai Baht.





Simultaneously, the increase in US treasury yields has prompted investors to search for yields in low-risk assets such as US treasuries, causing market volatility as reflexed in the increasing Volatility Index[1] of major economies' stock market. As a result, stock indices of regional countries decreased, comparing with the indices in first half of 2023 (except for the Sensex exchange in India and Kuala Lumpur Stock Exchange (KLSE) in Malaysia) Furthermore, Thailand's financial market has been pressured not only by those external factors but also by various internal factors, including; (i) stock market incident that raised concerns over corporate governance issues; (ii) default payments from bond issuers in the bond market; and (iii) the expected increase of government bonds supply. Altogether, Thailand's stock market and bond market experienced a net outflow of 2,136.20 million dollars in the third quarter of 2023. **However, in October 2023, especially after Hamas' attack, the capital outflow from Thailand's stock market was diminished in contrast to the inflow in the bond market.** These inflows were supported by; (i) the strong fundamentals of the Thai Baht, as well as the Thai bond market, and (ii) the September 2023 announcement of Thai exports, which showed continued improvement. As a result, on October 31st, 2023, the Thai Baht was at 36.00 Baht per US dollar, appreciating from 36.78 Baht per US dollar on September 29th, 2023, while other regional currencies recorded depreciation.





Net Equity Flows (Million USD)								
Period	China	Korea	Thailand	Indonesia	Philippines	Vietnam	Malaysia	India
2023	18,082.5	-9,665.0	5,960.3	4,267.2	-505.1	966.0	1,095.8	-17,016.2
H1-23	28,243.9	7,944.3	-3,106.8	1,090.2	767.2	-31.9	-929.3	1,090.2
Q3-23	-11,629.0	-1,635.9	-1,419.8	-1,399.8	-261.8	-233.7	487.8	-1,399.8
Oct-23	-7,472.8	-2,497.5	-430.8	-496.3	-170.8	-65.4	-460.6	-2,656.7

Net Debt Flows (Million USD)					
China	Indonesia	Thailand	Korea	Malaysia	India
-76,654.0	-7,069.7	6,227.2	24,846.2	-2,102.6	-2,011.8
-55,852.0	4,982.7	433.9	16,830.9	4,682.7	2,136.1
-19,885.7	-1,038.4	-716.4	-266.3	454.1	1,499.1
-6,703.4	-804.8	458.5			759.5

Source: Institute of International Finance

[1] The CBOE VIX (Chicago Board Options Exchange Volatility Index) measures the volatility of the US stock market, reflecting investor sentiment on the S&P 500 index during a specific period. Similarly, the Nikkei, KOSPI, and STOXX 50 indices are utilized to gauge stock market volatilities in Japan, South Korea, and Europe, respectively.

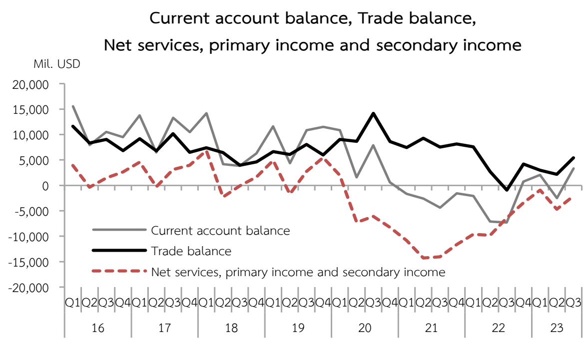
Current account in the second quarter of 2023 was registered a deficit of 1.9 billion US dollars (64.1 billion Baht), compared with a 7.6 billion US dollars deficit (262.4 billion Baht) in the same quarter last year and a 3.5 billion US dollars surplus (121.7 billion Baht) in the previous quarter. This was a result of a surplus of 2.2 billion US dollars in trade balance recorded lower than a 2.7 billion US dollars surplus in the same quarter last year. However, services, and primary and secondary income registered a deficit of 4.1 billion US dollars, compared with a 10.3 billion US dollars deficit in the same period last year.

Current account returned to surplus due to an increase in trade balance, while net services remained a deficit.

In the first nine months of 2023, current account was recorded a surplus of 2.8 billion US dollars (105.2 billion Baht), compared with a deficit of 16.5 billion US dollars (577.6 billion Baht) in the same period last year.

International reserve at the end of September 2023 stood at 211.8 billion US dollars, increasing from 199.4 billion US dollars at the end of September 2022. In Baht terms, international reserve at the end of September 2023 stood at 7,736.5 billion Baht, lower than 7,561.9 billion Baht at the end of September 2022.

International reserve at the end of September 2023 stood at 211.8 billion US dollars.

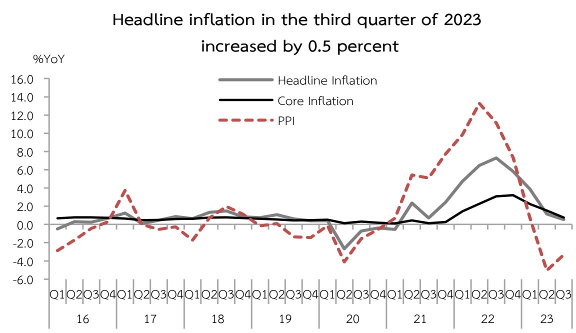


Source: Bank of Thailand

Headline inflation: In the third quarter of 2023, headline inflation was averaged at 0.5 percent which decelerated for four consecutive quarters. **Food-and-beverage** price index rose by 0.7 percent, slowing down from 4.0 percent in the previous quarter, following a slow increase in the price index of vegetables and fruits, and prepared food which grew by 5.0 percent and 1.7 percent, respectively. This coupled with a 15.4-percent decline in price index of meats. **Non-food and beverage** price index increased by 0.4 percent, compared with a 0.8-percent reduction in the previous quarter, in line with the growth in the price index of energy which rose by 0.2 percent. **Core inflation** was averaged at 0.8 percent, decelerating from 1.5-percent in the previous quarter[7].

Headline inflation was averaged at 0.5 percent, decelerated for four consecutive quarters, associated with a slowdown in food-and-beverage whereas non-food and beverage grew according to energy price.

In the first nine months of 2023, Headline and core inflation was averaged at 1.8 percent and 1.5 percent, compared with 6.2 percent and 2.3 percent, respectively in the same period last year.



Source: Ministry of Commerce

Producer Price Index (PPI): In the third quarter of 2023, PPI decreased by 3.3 percent which declined for two consecutive quarters, compared with a 5.0-percent drop in the previous quarter in line with a drop in all categories. **The price of manufactured products** fell by 2.2 percent, according to a decline in the price of petroleum products, chemicals and chemical products by 14.4 percent and 9.3 percent, respectively. Moreover, rubber and plastic products and basic metal product declined by 4.0 percent and 3.2 percent, respectively. **The price of agricultural & fishery products** diminished by 0.7 percent. **The price of mining products** dropped by 27.4 percent, associated with the contraction in the price of petroleum & natural gas which fell by 31.5 percent[8].

Producer Price Index (PPI) decreased by 3.3 percent, which was declined for two consecutive quarters.

In the first nine months of 2023, Producer Price Index reduced by 2.6 percent, compared with a 11.4-percent growth in the same period last year.

[7] **In October 2023**, Headline inflation fell by 0.3 percent, and core inflation was at 0.7 percent. In the average of 10M 2023, headline and core inflation was at 1.6 percent and 1.4 percent, respectively.

[8] **In October 2023**, Producer Price Index (PPI) dropped by 2.3 percent, decreasing for eight consecutive. In the average of 10M 2023, Producer Price Index reduced by 2.6 percent, compared with a 11.4-percent growth in the same period last year.

2. Crude Oil price in Q3 of 2023

The crude oil price in the global market declined from the same period last year yet expanded from the previous quarter. In the third quarter of 2023, the average crude oil price in four major markets (WTI, Brent, Dubai, and Oman) stood at 85.3 US dollars per barrel, decreasing by 11.6 percent from the 96.5 US dollars per barrel on average recorded in the same period last year but the price rose by 12.2 percent from 76.0 US dollars per barrel recorded in the previous quarter.

Key reasons leading to a decrease in the global crude oil price when compared with the third quarter of 2022 were (i) concern about the China's economic slowdown which might affecting global oil market demand. (ii) the maintaining policy rate of central banks in major economies leading to the decelerating economic activities as well as global oil demand, and (iii) the growth in the US commercial crude oil inventories in the third quarter of 2023 which was average at 434 million barrels, rose by 1.7 percent from 426 million barrels in the same period last year. In contrast, the average crude oil price increased compared with the previous quarter, especially in September which was at the highest rate in 13 consecutive months mainly due to (i) the extension of the crude oil production cut of Saudi Arabia and Russia which totaling 1.3 million barrel per day until the end of 2023, and (ii) Russia temporarily suspending gasoline and diesel exports to maintain the stability of domestic fuel market.

In the first nine months of 2023, the average crude oil price in four major markets (Dubai, Oman, Brent, and WTI) stood at 80.3 US dollars per barrel, falling by 19.8 percent from the average at 100.2 US dollars per barrel recorded at the same period last year.

The crude oil price in the global market contracted from the same period last year whereas increased from the previous quarter.

Crude oil price

Year		USD per Barrel					(%YoY)				
		WTI	BRENT	DUBAI	OMAN	Average	WTI	BRENT	DUBAI	OMAN	Average
2020	Year	39.6	43.4	42.4	41.8	42.0	-30.4	-32.2	-33.0	-34.2	-32.3
2021	Year	68.1	70.9	69.5	69.3	69.4	72.1	63.4	63.8	65.5	65.4
2022	Year	94.2	98.8	96.2	96.5	96.5	38.4	39.4	38.4	39.4	38.9
	H1	101.4	104.7	101.9	100.8	102.1	63.5	60.7	60.0	59.7	60.8
	H2	87.2	93.2	90.7	92.9	91.0	18.1	21.9	20.9	23.6	21.1
	Q1	94.7	97.9	96.1	96.4	96.2	63.3	59.8	59.4	63.3	61.3
	Q2	109.0	112.3	108.5	105.4	108.8	63.9	61.9	60.7	56.2	60.6
	Q3	91.4	97.5	96.5	100.7	96.5	29.6	33.2	34.3	40.0	34.3
	Q4	82.6	88.6	84.7	84.7	85.1	7.1	11.1	8.0	8.0	8.6
2023	Q1	76.0	82.1	80.2	80.4	79.7	-19.7	-16.1	-16.5	-16.6	-17.2
	Q2	73.1	77.3	76.9	76.9	76.0	-33.0	-31.2	-29.1	-27.0	-30.1
	Q3	82.1	86.0	86.6	86.6	85.3	-10.2	-11.8	-10.3	-14.0	-11.6
	Jul.	75.2	79.7	79.8	79.9	78.6	-24.9	-24.4	-22.6	-24.6	-24.1
	Aug.	81.2	85.0	86.3	86.4	84.8	-11.1	-12.9	-10.5	-18.4	-13.4
	Sep.	89.2	92.6	92.9	92.9	91.9	6.3	2.2	2.3	2.3	3.2
	9M	77.0	81.8	81.2	81.3	80.3	-21.4	-20.0	-18.8	-19.3	-19.8
	Oct.	85.4	88.7	89.6	89.6	88.3	-1.9	-5.3	-1.5	-1.5	-2.6
	10M	77.9	82.5	82.0	82.1	81.1	-19.7	-18.7	-17.3	-17.7	-18.3

Source: Thaioil Plc and EPPO.

3. The World Economy in Q3 of 2023

The global economy experienced moderate growth in the third quarter, primarily due to a deceleration in merchandise exports and manufacturing production. Major economies observed continual declines in the value of good exports, while the Manufacturing Purchasing Manager's Index dropped below 50 in several economies[9]. Nonetheless, a robust recovery in the labor market, marked by historically low unemployment rates[10] in numerous countries, has led to a modest recovery in domestic demand, evident in improving retail sales globally[11]. Meanwhile, emerging markets and developing economies experienced subdued growth due to the slowdown in global trade. Despite high inflation rates in many countries, a slowdown is apparent following decreasing energy prices. Consequently, major central banks have either delayed raising or maintained policy interest rates[12].

The U.S. economy expanded by 2.9 percent (Advance Estimate), accelerating from 2.4 percent in the previous quarter, the highest growth in six quarters. After seasonal adjustment, the U.S. economy grew by 2.9 percent, accelerating from the 2.1-percent growth in the preceding quarter (%QoQ saar), and the highest growth in seven quarters. The accelerating growth is attributed to the continual expansion of private consumption, especially in durable goods and services, which grew by 4.9 percent and 2.4 percent, compared with 3.2 percent and 2.2 percent in the previous quarter, respectively. This aligns with the robust recovery of the labor market[13] along with the consumer confidence index of 108.6, the highest level in seven quarters. Meanwhile, non-residential investment continued to expand by 3.7 percent, compared with 4.9 percent in the preceding quarter. Nevertheless, residential investment declined for seven consecutive quarters by 7.8 percent, continuing from a 15.4-percent decrease in the previous quarter, primarily attributed to a continual increase in policy rates and real estate prices. Similarly, the inflation rate (PCE Price Index) was at 3.4 percent, slowing down from 3.9 percent in the previous quarter, aligning with decreasing prices of durable goods. Correspondingly, the US Federal Reserve's Monetary Policy Committee (FOMC) decided to maintain its expansionary monetary policy to accommodate inflation to achieve the monetary policy target of 2.0 percent[14]. Meanwhile, following the policy interest rate hike, regional banks encountered liquidity risks. Consequently, credit rating agencies S&P and Moody's downgraded the credit rating of these banks in August 2023[15]. Similarly, the US government is facing concerns about its public debt, largely stemming from the continuous rise in the overall budget deficit. Additionally, concerns about the public debt prompted a downgrade in the US Long-Term Foreign Currency Issuer Default Rating by Fitch credit rating agency from AAA to AA+ on August 1st, 2023.

The Eurozone economy expanded by 0.1 percent, slowing down from 0.5 percent in the previous quarter, marking its lowest rate in 10 quarters. Particularly, Germany, the largest economy in the Eurozone, experienced a 0.4-percent contraction, comparing with the previous quarter's 0.1-percent expansion, bearing its lowest contraction in the past 10 quarters. Similarly, other major member countries also experienced sluggish expansions[16] due to the impact of the European Central Bank's (ECB) stringent monetary policy, leading to contraction in Manufacturing and Purchasing Managers' Index (PMI) of 43.2, indicating a contraction (below 50.0) for the fifth consecutive quarter. The Services PMI also dropped to 49.2, below 50.0 for the first time in three quarters. Additionally, the Economic Sentiment Index reached its lowest level in 11 quarters at 93.9, while the Consumer Confidence Index improved slightly from (-17.0) in the previous quarter to (-16.3) in this quarter. Headline inflation rate continually declined to 5.0 percent, compared with 6.2 percent in the previous quarter. However, the core inflation rate remained high at 5.1 percent, comparing with 5.5 percent in the previous quarter. This was partly due to wage inflationary pressure caused by higher tension in labor market, where the unemployment rate registered a record-low level of 6.5 percent. This led the ECB's monetary policy committee to raise interest rates and gradually reduce the size of continuous supports[17]. Meanwhile, the European Union continued its large-scale recovery project, Next Generation EU,

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9 Value of good exports in the third quarter of the US, Australia, Japan and China decreased by 5.7 percent, 14.2 percent, 3.1 percent and 10.8 percent, respectively. This was in line with the Manufacturing Purchasing Manager's Index registered below 50 since the fourth quarter of 2022 in several countries, namely the US, Eurozone, the UK and South Korea.

10 The seasonally adjusted unemployment rates of the US, Eurozone and Japan during the third quarter were at 3.7 percent, 6.0 percent and 2.7 percent, close to 3.6 percent, 6.0 percent and 2.6 percent in the prior quarter, respectively.

11 The retail sales/index of the US, the UK and Japan in the third quarter expanded by 2.0 percent, 3.0 percent and 6.6 percent, continuing from 0.5 percent, 3.8 percent and 5.5 percent in the previous quarter, respectively.

12 Major central banks such as the US Federal Reserve, Bank of England and the Bank of Japan maintained their policy interest rates at the meetings on 19th - 20th September, 20th September and 22nd September 2023, respectively.

13 Nonfarm employment increased by 936,000 positions from the previous quarter, while the unemployment rate for this quarter stood at 3.7 percent, remaining lower than 4.0 percent for seven consecutive quarters.

14 According to the FOMC meeting on 19th – 20th September 2023, the committee decided to keep its policy rate at 5.25 - 5.50 percent after its eleventh consecutive increase since March 2022. Additionally, the FOMC decided to maintain its policy rate in order to assess the current economic situation and trajectory while continuing its expansionary monetary policy to accommodate the inflation to achieve the monetary policy target of 2.0 percent and to restore full employment.

15 In August 2023, Moody's downgraded 11 regional banks, including Capital One, Citizen Financial, and Fifth Third Bancorp, from stable to negative. Similarly, S&P downgraded S&T Bank and River City Bank from stable to negative in the same month.

16 The French, Italian and Spanish economies expanded by 0.7 percent, 0.0 percent and 1.8 percent, compared with expansions of 1.1 percent, 0.3 percent and 2.0 percent in the previous quarter, respectively.

17 In the meetings held on July 27th and September 14th, 2023, the European Central Bank (ECB) increased its policy rate by 0.25 percent on both occasions. This led to the Refinancing Operations Rate, the Marginal Lending Facility Rate, and the Deposit Facility Rate, each being set at 4.50 percent, 4.75 percent, and 4.00 percent, respectively, at the end of the third quarter. Simultaneously, in order to mitigate the impact of the ECB's interest rate hikes, the ECB continued to implement measures under the Pandemic Emergency Purchase Programme (PEPP) until 2024. Additionally, there was an acceleration in the repayment of loans received through the Targeted Longer-Term Refinancing Operations (TLTROs III) credit facility, which occurred earlier than scheduled. Nevertheless, the ECB continued to utilize instruments such as the Transmission Protection Instrument (TPI) to minimize the repercussions of interest rate increases. This involved specifically purchasing securities, such as government bonds from member countries facing market fluctuations, as to reduce the risks affecting the economies of these member countries.

aimed at revitalizing the economy and making structural adjustments particularly to reduce energy dependence[18].

The Japanese economy in the third quarter of 2023 expanded by 1.2 percent, decreasing from 1.7 percent in the previous quarter, following the slowdown of the global economy which detrimentally affected the manufacturing sector, private investment, and export sector. This is reflected by the Manufacturing PMI at 49.2, a decrease from 50.0 in the previous quarter. Similarly, the private machinery new orders (except vessel and electricity) decreased by an average of 10.4 percent in the third quarter, compared with a 6.7-percent decline in the second quarter and a 1.8-percent expansion in the first quarter. Meanwhile, export of goods continued to decline for the sixth consecutive quarter at 3.1 percent, compared to 4.0 percent in the previous quarter. In addition, domestic demand began to slow down. In particular, domestic consumption contracted by 0.2 percent from an expansion of 0.0-percent in the previous quarter. This followed a decline in consumption of semi-durable and non-durable goods. However, the main support for the Japanese economy was still from the recovery of the service sector. This is reflected in the Service PMI, which remains at a high level of 54.0, higher than 50.0 for the sixth consecutive quarter. Notably, export of services expanded by 24.2 percent, continuing from a 29.1-percent increase in the second quarter, mainly due to the recovery of the tourism sector. Moreover, the labor market is still continuously recovering, reflected by the unemployment rate in the third quarter standing at 2.6 percent, similar to 2.7 percent in the previous quarter. In the meantime, headline inflation in the third quarter was at 3.1 percent, continually decreasing from 3.4 percent in the previous quarter owing to a decrease in energy price[19] according to the comprehensive measures from the government. Nevertheless, the Bank of Japan continued its expansionary monetary policy stance to achieve a 2.0 percent core inflation rate[20].

The Chinese economy expanded by 4.9 percent, decelerating from 6.3 percent in the previous quarter. The slowdown was attributed to the high-base effect in the same quarter last year and the continual deceleration of private investment, especially in the real estate sector, which was continuously affected by liquidity shortages and a high debt burden[21]. Meanwhile, manufacturing productions and exports still face limitations due to the slowdown in trading partners and the US trade restrictions. Hence, the economic recovery was constrained as reflected in a decline in export value by 10.8 percent, continuing from a 5.4-percent contraction in the prior quarter, the lowest level in 14 quarters, while the manufacturing PMI stood at 50.3, remaining the same as the previous quarter. Likewise, domestic consumption faltered as reflected by a 4.2-percent growth in retail sales, decelerating from a 10.7-percent increase in the previous quarter, in line with the consumer confidence index decreasing to a historical low of 86.7 from 87.2 in the last quarter. Therefore, the sluggish domestic demand has caused the inflation rate of China in the third quarter of 2023 to fall by 0.1 percent, down from a 0.1-percent growth in the preceding quarter, the lowest level in 56 quarters, and raised the risk of the economy slipping into deflation. Consequently, the People's Bank of China (PBOC) decided to continue its expansionary monetary stance[22] and fiscal stimulus measures to support the economic recovery.

The Newly industrialized economies (NIEs) showed a positive growth in the third quarter, albeit at a modest pace. The growth was primarily driven by the continuous expansion of the service sector, particularly in tourism. However, the export sector faced challenges due to the slowdown in global trade[23]. **Singapore's economy** grew by 0.7 percent, up from 0.5 percent in the preceding quarter. **South Korea's economy** expanded by 1.4 percent, compared with 0.9 percent in the previous quarter. **Hong Kong's economy** grew by 4.1 percent, up from 1.5 percent in the previous quarter marking the third consecutive quarter of growth after a contraction in the previous year. Meanwhile, **Taiwan's economy** expanded by 2.3 percent, up from 1.4 percent in the previous quarter. Nonetheless, inflationary pressures started to subsided[24], leading the central banks to maintain their policy interest rates.

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[18] The Next Generation EU (NGEU) project has set up the budget framework for member states to propose projects aligning with the main objectives of the project to apply for funding through Recovery and Resilience Facility (RRF), which is the main tool for pushing various projects under the NGEU. The total budget that all member states can request through the RFF is up to 7,238 billion euros, divided into 3,858 billion euros in loans and 3,380 billion euros in subsidies, during the year 2021 - 2026. Moreover, to let member countries realize the importance of green and digital transitions, projects receiving the proposed budget must have a minimum allocation of 37 percent for environmental aspects and 20 percent for digital aspects. As of September 19th, 2023, the European Commission Implementing Decision has received 34 payment requests from 21 member states, however, the commission has approved budget disbursements for support and loans totaling only 1.53 trillion euros.

[19] Inflation rate of fuel, light, and water charge was at (-12.1) percent in the third quarter, continuing to decline from (-6.2) percent in the preceding quarter.

[20] In the Monetary Policy Meeting in July 27th - 28th and September 21st - 22nd, 2023, the BOJ decided to maintain its short-term and long-term policy rate at -0.1 percent and 0.0 percent respectively, together with purchase of 10-year JGBs at 0.5 percent every business day through fixed-rate purchase in the range of ± 0.5 percent (Yield Curve Control: YCC), as well as purchase of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) as necessary with upper limits of about 12 trillion yen and about 180 billion yen (Quantitative and Qualitative easing: QQE).

[21] Fixed assets investment in the third quarter of 2023 declined by 11.0 percent, continuing from a 10.4-percent reduction in the previous quarter and was the lowest growth in 14 quarters. Meanwhile, investment in real estate fell by 15.7 percent, compared with a 14.3-percent contraction, which had been declining for the sixth consecutive quarter.

[22] On September 1st, 2023, the People's Bank of China (PBOC) decided to cut its one-year Medium-term Lending Facility (MLF) rate from 2.65 percent to a historical low of 2.50 percent. On August 15th, 2023, the PBOC also cut its seven-day reverse repurchase rate from 1.90 percent to 1.80 percent. Furthermore, On August 21st, 2023, the PBOC decided to lower the one-year Loan Prime Rate (LPR) from 3.55 percent to 3.45 percent as well as cut the Required Reserve Ratio (RRR) from 7.6 percent to 7.4 percent and maintained the five-year LPR at 4.2 percent.

[23] The export value in US dollar terms in the third quarter of 2023 of South Korea, Taiwan, Hong Kong, and Singapore decreased by 9.7 percent, 5.1 percent, 5.7 percent, and 12.5 percent, continuing from declines of 12.0 percent and 17.0 percent. 13.3 percent and 14.5 percent in the previous quarter, respectively, marking the fourth consecutive quarter of contraction in all economies except for Hong Kong, which decreased for six consecutive quarters.

[24] Inflation rates in the third quarter of 2023 in South Korea, Hong Kong, and Singapore were at 3.1 percent, 1.9 percent, and 4.1 percent, decelerating from 3.2 percent, 2.0 percent, and 5.1 percent in the previous quarters, respectively. Meanwhile, the inflation rate of Taiwan stood at 2.4 percent, up from 2.0 percent in the previous quarter, mainly due to the increase in prices of food, housing, and transportation and communications.

The ASEAN economies still continued to expand in line with private consumption with Indonesia, the Philippines, Malaysia, and Vietnam recording growth rates at 4.9 percent, 5.9 percent, 3.3 percent, and 5.3 percent, continuing from 5.2 percent, 4.3 percent, 2.9 percent, and 4.1 percent in the previous quarter, subsequently. Notwithstanding, a slowdown of major trade partners led to a plunge in exports[25]. Meanwhile, inflation in many countries has begun to return to the monetary policy target, as well as improving of global financial market stability, resulting in central banks of all countries in the region maintaining their policy interest rates throughout the third quarter[26].

Real GDP and Exports of Key Economies

(%YoY)	GDP						Exports of Goods (USD)									
	2020	2021	2022	2023			2020	2021	2022	2023						
	Year	Year	Year	Q1	Q2	Q3	Year	Year	Year	Q1	Q2	Q3	Jul.	Aug.	Sep.	Oct.
US	-2.2	5.8	1.9	1.7	2.4	**2.9**	-13.3	23.0	18.7	7.2	-6.6	**-5.7**	-8.6	-5.9	-2.6	
Eurozone	-6.2	5.9	3.4	1.2	0.5	**0.1**	-7.1	18.1	5.2	3.8	0.3	**2.0**	5.5	3.0	-2.3	
United Kingdom	-10.4	8.7	4.3	0.5	0.6	**0.6**	-11.1	15.8	10.3	10.3	8.0	**1.7**	9.7	-2.2	-2.0	
Australia	-1.9	5.2	3.7	2.7	2.3		-7.5	37.0	19.9	3.9	-16.7	**-14.2**	-10.5	-14.0	-17.8	
Japan	-4.2	2.2	0.9	2.0	1.7	**1.2**	-9.1	17.9	-1.2	-8.0	-4.0	**-3.1**	-3.3	-7.3	1.1	-0.1
China	2.2	8.4	3.0	4.5	6.3	**4.9**	4.0	29.7	7.0	0.1	-5.4	**-10.8**	-15.4	-9.6	-7.3	-7.9
India	-6.0	8.9	6.7	6.1	7.8		-14.7	43.0	14.6	-1.9	-14.1	**-3.1**	-10.0	3.8	-2.7	6.2
South Korea	-0.7	4.3	2.6	0.9	0.9	**1.4**	-5.5	25.7	6.1	-12.8	-12.0	**-9.7**	-16.2	-8.1	-4.4	5.1
Taiwan	3.4	6.5	2.4	-3.3	1.4	**2.3**	4.9	29.3	7.4	-19.2	-17.0	**-5.1**	-10.4	-7.3	3.4	-4.5
Hong Kong	-6.5	6.4	-3.5	2.9	1.5	**4.1**	-0.5	26.0	-9.3	-18.0	-13.3	**-5.7**	-8.7	-3.4	-5.1	1.7
Singapore	-3.9	8.9	3.6	0.4	0.5	**0.7**	-4.1	22.1	12.7	-5.2	-14.5	**-12.5**	-14.6	-13.3	-9.6	6.9
Indonesia	-2.1	3.7	5.3	5.0	5.2	**4.9**	-2.7	41.9	26.0	1.4	-17.8	**-18.6**	-18.1	-21.2	-16.2	-10.4
Malaysia	-5.5	3.3	8.7	5.6	2.9	**3.3**	-2.3	27.5	17.6	-1.6	-14.6	**-17.8**	-15.8	-21.3		-5.4
Philippines	-9.5	5.7	7.6	6.4	4.3	**5.9**	-8.1	14.5	5.7	-13.2	-5.4	**-1.2**	-0.9	4.2	-6.3	
Vietnam	2.9	2.6	8.0	3.3	4.1	**5.3**	6.9	18.9	10.6	-11.6	-11.6	**-2.4**	-2.2	-6.5	2.1	5.7

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

25 The export value of Indonesia, the Philippines, Malaysia, and Vietnam declined by 18.6 percent, 1.2 percent, 17.8 percent, and 2.4 percent, continuing from a shrunk of 17.8 percent, 5.4 percent, 14.6 percent, and 11.6 percent in the second quarter, accordingly.

26 The headline inflation of Indonesia in the third quarter is at 2.9 percent, declining from 3.9 percent in the preceding quarter, retaining within its policy target at 2.0 - 4.0 percent. Hence, the central bank of Indonesia decided to maintain its policy rate at 5.75 percent in the meeting on September 21, 2023. Meanwhile, the headline inflation of Malaysia in the third quarter was 2.0 percent, declining from 2.8 percent in the previous quarter, below its policy target at 2.5 - 3.5 percent. As a result, the central bank of Malaysia maintained its policy rate at 3.0 percent in the meeting on September 7th, 2023. Meanwhile, the Philippine's inflation rate was 5.4 percent, although down from 6.0 percent in the previous quarter, still higher than the inflation target of 2.0 - 4.0 percent. Nevertheless, the central bank of the Philippines, at its meeting on September 21st, 2023, still resolved to maintain the policy interest rate at 6.25 percent. Vietnam's inflation rate is at 2.9 percent. Despite an increase from 2.4 percent in the previous quarter, it is still below the policy target of 4.5 percent, resulting in the State Bank of Vietnam maintaining the interest rate at 3.0 percent continuously from the second quarter.

4. The World Economic Outlook for 2024

The world economic trajectory for 2024 is anticipated to exhibit sustained growth, despite at a decelerated pace compared to the preceding year, marked by divergent trajectories. The major economies, led by the US, are projected to encounter a slowdown attributed to decelerated domestic demand, particularly in residential investment, coupled with constraints stemming from government expenditure. The Eurozone and the United Kingdom are anticipated to show gradual expansion following a subdued performance in the previous year. For the Emerging markets and developing economies in Asia, the Chinese economy is expected to slow down, due to the debt problem within the real estate sector. The NIEs are anticipated to witness improvement from a relatively low base growth in the prior year. Similarly, ASEAN economies are expected to grow, following the increasing domestic demand and a resurgence in export activities. This aligns with the anticipated recovery in global trade volumes from 2023, signaling a rebound from 14-year low growth rates, excluding the COVID-19 outbreak in 2020. Supporting evidence is derived from the positive figures on the New Orders' Manufacturing PMI across the world. Additionally, a discernible sign of improvement in the electronic product cycle has been pronounced since the latter half of 2023.

The inflation outlook for 2024 is expected to show a continual decrease from its peak observed in late 2022. This decline is attributed, in part, to proactive monetary policy involving increases in policy interest rates and their maintenance at elevated levels. In response to the fragile recovery and decelerated trajectory in 2024, coupled with the downturn of inflation, major economies are expected to adopt more easing monetary policy by gradually reducing policy interest rates.

However, the global economy is still expected to face some downside risks that could result in a lower-than-expected expansion and increase volatility in the global financial system, especially from: (i) the uncertainty surrounding geopolitical conflicts, such as the ongoing war between Israel and Hamas and the prolonged conflict between Russia and Ukraine, the escalating trade protectionist measures between the US and China which may intensify geo-economic fragmentation. This could affect the world economy and world trade volume, contributing to heightened volatility in money and capital markets; (ii) the more-than-expected Chinese economic slowdown, influenced by real estate sector debt issues and dropping domestic consumption, poses a deflationary risk; (iii) fluctuations in energy and commodity prices amid geopolitical conflicts, including the war in Israel, may exert upward inflationary pressure and prompt central banks to reimplement tightening monetary policies; and (iv) the reduction in fiscal space in many countries, particularly those with high levels of debt amid high interest rates.

Nevertheless, under the base-case scenario, the conflict in the Middle East is expected to be contained between the conflicting parties, with no substantial impact on the economy and financial system[27]. **The world economy in 2024 is expected to expand by 2.7 percent slowing from 2.8 percent in 2023, while the world trade volume is anticipated to grow by 3.2 percent, recovering from 2.1 percent in 2023.** Prospects on key economies are as follows:

The US economy is expected to expand by 1.4 percent, slowing down from a 1.7-percent growth in 2023, in accordance with the continual decline in private investment, especially in residential investment, mainly affected by high interest rate and real estate prices in the previous period. Meanwhile, private consumption tends to slow owing to inflationary pressure, the high policy rate[28], and the resume of student loan payments[29] in October 2023. The economic slowdown is expected to manifest in reduced employment in the next period[30], thereby imposing constraints on the growth of domestic demand. Similarly, government spending momentum is likely to subside, reflected by a reduction in the fiscal deficit. According to projections from the Congress Budget Office, the fiscal deficit is expected to decrease from 6.3 percent of GDP in 2023 to 5.6 percent in 2024. Additionally, the looming political uncertainty preceding the 2024 presidential election heightens the risk of a government shutdown[31]. Likewise, from 2024 onward, the Federal Reserve will likely ease policy rate hikes in response to declining inflation as it approaches the monetary policy target.

27 Under the base case, the conflict is confined primarily to the Israeli area. Military confrontation is expected to spread into Lebanon and Syria but will not affect other countries in the region, and have no impact on oil and goods transportation through the Strait of Hormuz.

28 According to the FOMC meeting on 31st October - 1st November 2023, the committee decided to raise the policy rate (Federal funds rate) to a range of 5.25 - 5.50 percent, remaining unchanged for the 2nd consecutive time. Nevertheless, the FOMC will raise its rate hike again before the end of 2023 and maintain its tight monetary policy for financial institutions and economic activities. The monetary policy will be adjusted as needed in accordance with the economic situation and risk to promote full employment and achieve a 2.0-percent inflation target.

29 On June 30th, 2023, the US Supreme Court blocked Biden's 430 billion USD student loan forgiveness program, prompting borrowers to begin repayments on October 1st, 2023, following a 3-year moratorium due to COVID-19.

30 In October, the unemployment rate increased to 3.9 percent, compared with 3.8 percent in the previous month, the highest level in 20 months. At the same time, the non-farm payrolls in October increased to 150.0 million, compared with 297.0 million in the previous month.

31 President Joe Biden signed a temporary funding bill on September 30th, 2023, averting a government shutdown until November 17th, 2023. Following this, Congress approved a temporary budget on November 15th, 2023, extending the deadline to January 19th, 2024, for federal agencies and February 2nd, 2024, for other agencies. The upcoming government spending will be supported through major investment programs under the Inflation Reduction Act of 2022, specifically projects to support energy security and climate change, and the CHIPS and Science Act, worth of 248 billion US dollars, which focuses on supporting scientific research and development and semiconductor industry in the US, along with Bipartisan Infrastructure Law, totaling more than 1 trillion US dollars, which prioritizes investment in transportation, energy, and national infrastructure.

The Eurozone economy is expected to expand by 0.9 percent in 2024, accelerating from 0.6 percent in 2023. This trajectory aligns with the broader global trend of trade recovery, stimulating manufacturing production within the Eurozone. Domestically, demand is expected to recover after the inflationary pressure has eased, facilitated partly by a reduction in energy[32] imports from Russia and an increase in the availability of renewable energy. Moreover, there are supportive factors from a strong recovery in labor market, including also backing from substantial fiscal measures by the European Union[33]. While, it is anticipated that the ECB is inclined to cease interest rate hikes after a sustained slowdown in inflation, there is still a tendency to keep the policy rate at an elevated level until inflation gradually decreases to the medium-term target level[34].

The Japanese economy is anticipated to expand by 0.8 percent in 2024, slowing down from 1.5 percent in 2023. This deceleration is attributed to a slowdown in private consumption, indicative of a waning pent-up demand. This trend is consistent with a gradual decrease in real wages, compounded by persistent pressure from elevated inflation, primarily influenced by the depreciation of the Japanese Yen. However, the economy would be supported by government spending due to new comprehensive economic measures, along with the current budget framework[35] which is more than FY2023. Besides, the service sector is likely to expand, especially due to the recovery of the tourism sector. In the meantime, the implementation of accommodative monetary measures by the Bank of Japan has implemented alternative expansionary monetary policy at the meeting on 30th - 31st October 2023 to adjust the conduction of Yield Curve Control measures to create more flexibility for policy space[36]. Due to the underlying lower-than-anticipated economic slowdown and inflation in 2024, the Bank of Japan (BOJ) is likely to keep policy rates low until it can achieve core inflation at 2.0 percent in the long run.

The Chinese economy is expected to grow by 4.3 percent in 2024, decelerating from 4.9 percent in 2023. This deceleration is primarily attributed to a slowdown in private investment, particularly within the real estate sector, which has persistently grappled with liquidity shortages and a burdensome debt load, manifesting in a decrease in the number of new housing loans. Meanwhile, manufacturing productions and exports are likely to be affected by additional US protectionism trade measures[37]. Consequently, the manufacturing PMI in October 2023 decreased to 49.5, the lowest level in three months, and the value of export in October 2023 also fell by 7.9 percent, which has been declining for the sixth consecutive month, and the industrial inventory has maintained an elevated level. Simultaneously, domestic spending is expected to shrink in line with deflationary pressures as reflected by the inflation rate falling to (-0.2) percent in October 2023[38]. In addition, the Chinese economy is subject to the risk of high levels of debt in both the government and business sectors, which will limit the expansion of investment in both sectors. Notwithstanding, there's a likelihood that the Chinese economy will receive support from fiscal measures to stimulate the economy by issuing additional government bonds for infrastructure development projects to enhance investor confidence and reduce local government debt risks[39], coupled with the continued expansionary monetary policy aiming to serve economic expansion[40].

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32 In the third quarter of 2023, the European Union imported natural gas from Russia at an average volume of 604 million cubic meters per month, indicating a decrease of 18.6 percent and 78.0 percent, compared with the same periods in 2022 and 2021, respectively. Meanwhile, the reserve capacity for natural gas in the third quarter of 2023 accounted for 88.5 percent of the total storage capacity, compared to 74.7 percent in 2022 and 61.9 percent in 2021.

33 According to the Multiannual Financial Frameworks (MFF) of the European Union for the period 2021-2027, the total budget is 1.216 trillion euros, including additional funds from the Next Generation EU economic recovery plan with a budget of 0.8069 trillion euros. As of October 9, 2023, funding under the Recovery and Resilience Facility (RRF) has been approved for a total of 0.275 trillion euros out of the overall 7.238 trillion euros, comprising 0.118 trillion euros for support and 0.057 trillion euros in loans. Additionally, when combined with the budget for temporary measures to revive and stimulate the economy, the total allocated budget at present amounts to 0.202 trillion euros.

34 In the meeting on October 26th, 2023, the Monetary Policy Committee of the European Central Bank decided to maintain the Refinancing Operations Rate, the Marginal Lending Facility Rate, and the Deposit Facility Rate at 4.25 percent, 4.50 percent, and 3.75 percent, respectively. This decision comes after a series of consecutive interest rate hikes in the previous nine meetings. However, there is still a reinvestment of principal in the Pandemic Emergency Purchase Programme (PEPP) until the end of 2024. As of October 2023, the inflation rate is at 2.9 percent, a decrease from 4.3 percent in the previous month, reaching its lowest point since July 2021 but still above the monetary policy target of 2.0 percent.

35 As of September 5th, 2023, FY2024 has a total of 114.4 trillion yen in the regular budget requested from all agencies, which is higher than FY2023 of 106.0 trillion, the highest amount on record.

36 Previously, the BOJ set their long-term interest rate (10-year JGB bond yield) at 0 percent within the range of ± 0.5 percent. This means that BOJ would nimbly conduct market operations if the long-term rate exceeded 0.5 percent or fell behind -0.5 percent. Nevertheless, The BOJ would strictly cap long term yields by fixed-rate purchase operations if the yield surpassed the level of 1 percent. As a result, the monetary policy committee voted 8 to 1 to change the upper bound of long-term interest rates to 1.0 percent instead of the range to give the BOJ more flexibility in implementing policy under the upward trend of long-term interest rates.

37 In addition to the US protectionism trade measures. On October 20th, 2023, the Ministry of Commerce of the People's Republic of China (MOFCOM) and the General Administration of Customs China (GACC) announced export control measures on graphite, a rare material used in the electric vehicle (EV) battery industry and the manufacturing of automotive brake equipment. This will officially take effect from December 1st, 2023. Exporters of material or products containing such material have to require an export license. This is the countermeasures in response to the US government that has continuously implemented export controls on AI Chips to China in order to limit the country's access to advanced technology.

38 Food prices in October 2023 declined by 40.3 percent, compared with a 28.6-percent drop in the previous month. This was due to the small farmers piling into the market, which led to oversupply and triggered pork price falls, forcing the Chinese economy to enter a period of deflation.

39 The issuance of an additional 1 trillion yuan of government bonds in the fourth quarter of 2023 is aimed to facilitate infrastructure development by expanding the budget deficit target to 3.8 percent of GDP, an increase from 3.0 percent of GDP in the first quarter of 2023. Moreover, the quota of local government special-purpose bonds has been appropriately pre-determined to enhance confidence and resolve local government debt risks.

40 According to the Central Financial Work Conference held on October 30th - 31st, 2023, the Chinese government announced the importance of setting up long-term economic policies for the financial sector in the next five years and reiterated centralized supervision for the financial sector and the necessity of addressing risks more systematically across the financial system to manage local debt risk and optimizing both central and local government debt structures. The policies also included rejuvenating the country's fractured property market to enhance the stability of financial institutions and the economic recovery.

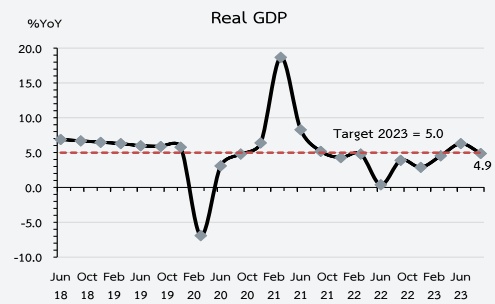
The Newly Industrialized Economies (NIEs) are expected to improve from a moderate growth in the previous year. This upturn is attributed to the expansion of domestic demand, amidst decreasing inflationary pressures, and the ongoing recovery of the service sector, particularly in tourism. Additionally, the export sector is expected to benefit from the recovery in world trade and the positive electronic products cycle. South Korean, Taiwan, and Singapore's economies in 2024 are projected to expand by 2.0 percent, 2.9 percent and 2.0 percent, accelerating from growth rates of 1.1 percent, 0.8 percent and 1.0 percent in 2023, respectively. Whereas, the Hong Kong economy is expected to grow by 2.5 percent in 2024, a slight deceleration from the 3.2 percent in the previous year.

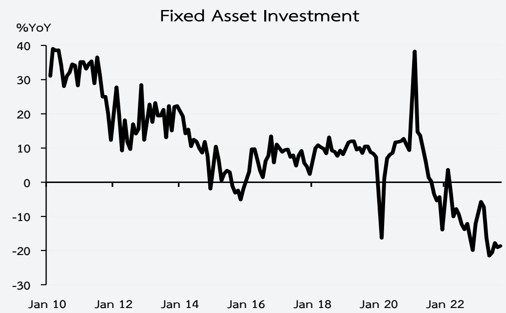
The ASEAN economies in 2024 are expected to expand at an accelerated pace following the return to expansion of export of goods in line with the recovery trend of global trade, coupled with the continual recovery of the tourism sector. Meanwhile, inflations in Indonesia and the Philippines remain high such that the central banks increased their policy rates in October 2023[41]. As a result, the economies of Indonesia, Malaysia, the Philippines, and Vietnam are estimated to expand by 4.8 percent, 4.0 percent. to 5.5 and 5.4 percent in 2024, accelerating from 4.7 percent, 3.8 percent, 5.0 percent, and 4.6 percent in 2023, respectively.

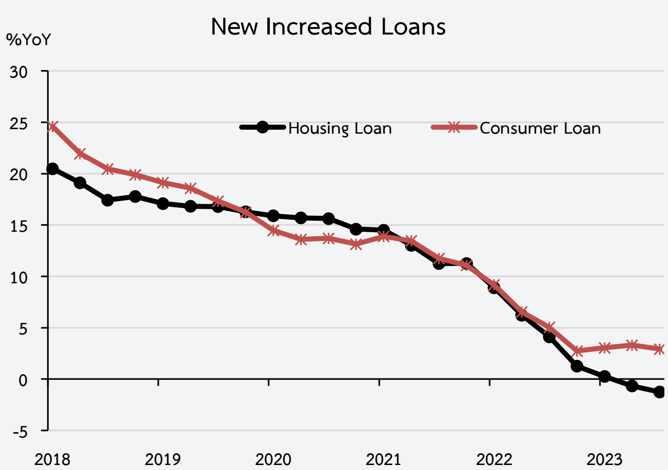
[41] The Central Bank of Indonesia decided to increase the policy rate by 0.25 percentage points to 6.00 percent at its meeting on October 19th, 2023. Similarly, the Central Bank of the Philippines decided to increase the policy rate by 0.25 percentage points to 6.5 percent at its meeting on October 10th, 2023.

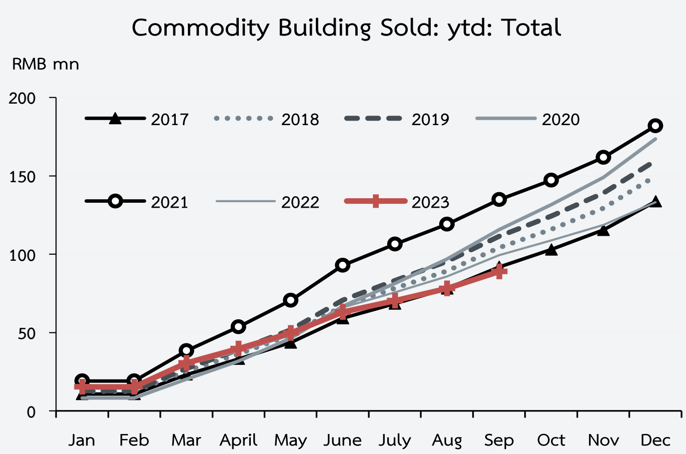
The Slowdown of the Chinese Economy

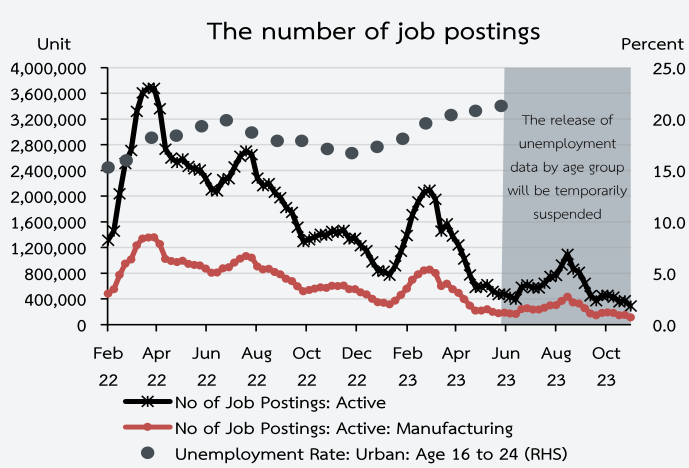
The recovery of the Chinese economy shows signs of slowing down since the economy in the third quarter of 2023 grew by 4.9 percent, decelerating from 6.3 percent in the previous quarter, and the latest data in October 2023 indicated that the manufacturing PMI decreased to 49.5, the lowest level in 3 months, together with the continued deceleration of the value of export. Consequently, the Chinese economy in 2023 is anticipated to expand at a level below the government's target of 5.0 percent and is expected to slow down continuously in 2024. Thus, the Chinese economic recovery over the next period is likely to face significant limitations including **(i) Private investment remains low** due to the impact of liquidity shortages and a high debt burden in the real estate sector, while consumers still lack confidence in purchasing new real estate projects due to the risk that developers may not be able to deliver the completed housing projects on time, which has led to continued decreases in the number of home sales and new housing loans as well as the gross output value of construction. **(ii) The weakening domestic consumption** as the effect of pent-up demand faltered, in line with the consumer confidence index that remains low. Therefore, the sluggish domestic demand coupled with the decrease in the price level of commodities has caused the inflation rate of China in October 2023 to fall by 0.2 percent, and raised the risk of the economy slipping into deflation. **(iii) The Labor market remains weak** as the unemployment rate for young workers aged between 16 to 24 hit a record high of 21.3 percent in June 20231, forcing the National Bureau of Statistics of China to temporarily suspend the release of youth unemployment data aiming to boost confidence to the economy. Meanwhile, the latest data in October 2023 showed that the number of job postings was 2.08 million positions, decreasing from 2.29 million positions in the previous month, reflecting the limitations of the economy in generating additional job opportunities to accommodate new workers.





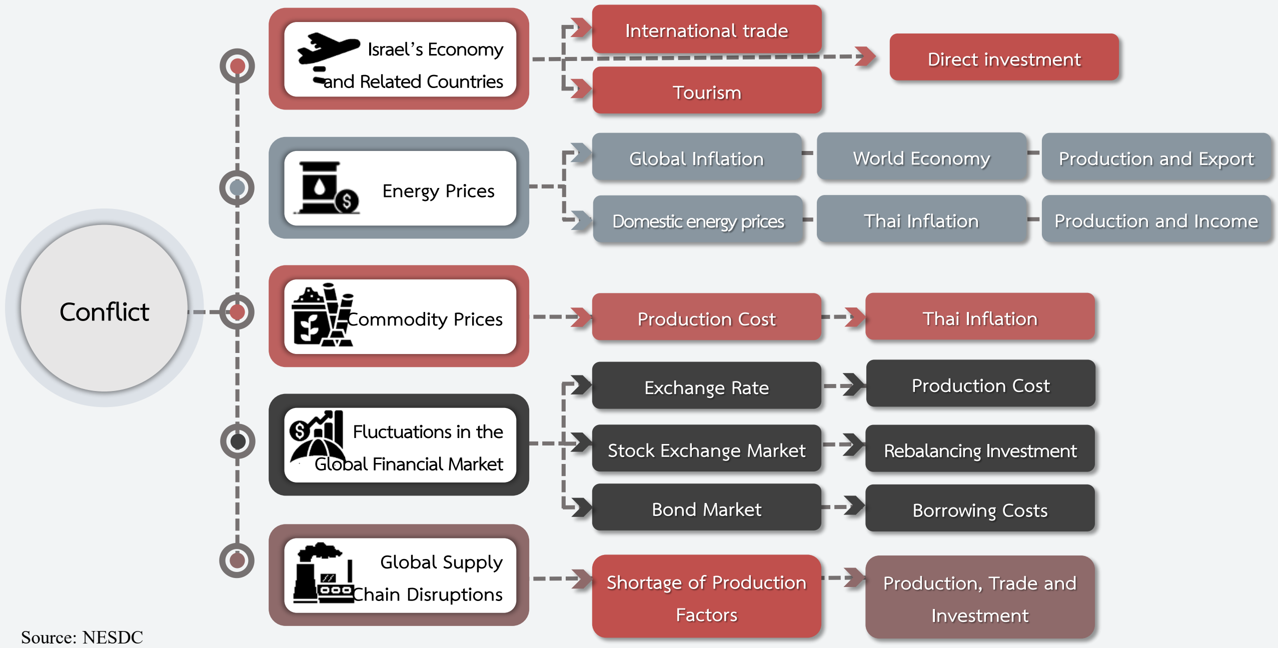






Source: CEIC

The Transmission Mechanism of the Middle East Conflict on the Thai Economy



Source: NESDC

The ongoing conflict between Israel and the Hamas remains highly uncertain and could impact the Thai economy. Key transmission mechanism of the impact includes:

(1) Direct impacts from the Israel's economy and related countries: (i) International trade: Thai exports to the conflict area (Israel, Palestine, Egypt, Jordan, Lebanon, and Syria) were at 2,313 million USD in 2022, accounting for 0.8 percent of total exports, while the imports from these countries were 797 million USD, or 0.3 percent of total imports. However, if the military operations escalate into a regional conflict, the impact on Thailand's international trade could be more severe, given the significant trade ties with key Middle Eastern nations[1], accounting for 2.8 percent of exports and 10.7 percent of imports which mainly involves crude oil, refined oil, and natural gas; **(ii) Direct investment:** The impact on direct investment from the Middle East into Thailand is expected to be limited due to the low proportion of net foreign direct investment from the region; **(iii) Tourism:** The number of tourists from Israel and other Middle Eastern countries represented 2.3 percent of total tourists in the first nine months of 2023. The decline in Middle Eastern tourists may not have a significant impact on numbers, but their higher spending levels could affect foreign tourist income.

(2) Impact from increased energy prices demonstrates as the indirect impact to the Thai economy through rising oil prices, LPG prices, and commodity prices, affecting domestic product prices and production costs: **(i) Oil prices:** The prolong conflict may contribute to further increases in crude oil prices. Nonetheless, the oil prices in Thailand, particularly Diesel, are subsidized by the Oil Fuel Fund, while the supporting capacity is limited and tend to decrease. This will impact the sectors highly reliant on energy, such as transportation, manufacturing, and electricity; **(ii) LPG prices:** The escalated situation may lead to higher LPG prices, amid inadequate support from Oil Fuel Fund, notably affecting the transportation and household sectors.

(3) Impact of increased commodity prices: **(i) Fertilizer prices:** Thailand imports fertilizer from Israel for 64.7 million USD or 2.1 percent of total fertilizer imports. A widespread conflict may result in higher world fertilizer prices, impacting domestic agricultural product prices. Moreover, Thailand also imports fertilizer from Qatar around 7.0 percent of total fertilizer; **(ii) Steel and copper prices:** The conflict has not significantly affected steel and copper prices.

(4) Impact from fluctuations in the global financial market: The conflict can affect investor confidence on global economy and financial market, leading to a rebalance of investment. This could result in a sell-off of risky assets, increased volatility and a drop in major stock exchanges, including the Stock Exchange of Thailand. Therefore, international investment moves outward from developing and emerging economies. Investors may shift towards investing in low-risk assets, impacting increasing gold prices and appreciated US dollar. For short-term, Thailand and other countries in the region may experience fluctuations in money and capital markets from rebalancing investment and capital outflow.

(5) Impact of global supply chain disruptions, particularly if the conflict disrupts energy transport through the Strait of Hormuz, which is located between Iran and Oman, connecting the Persian Gulf and Indian ocean, and considered as a crucial logistic point for transporting crude oil and natural gas from the Persian Gulf.

[1] Including Saudi Arabia, United Arab Emirates, Iran, Oman, Iraq, Bahrain, Kuwait and Qatar.

5. Thai Economic Outlook for 2023

The Thai economy in 2023 is expected to expand by 2.5 percent, continuing from a 2.6-percent growth in 2022. The average headline inflation is anticipated to be at 1.4 percent, and the current account will register a surplus of 1.0 percent of GDP.

In the November 20th 2023, press release, the NESDC forecasted that the Thai economy is expected to expand by 2.5 percent, which is the lower bound of the range of 2.5 - 3.0 percent in the previous projection, released on August 21st, 2023, together with the revision in key growth components to be consistent with actual data and revised assumptions as follows.

1) **The downward revision of net export;** export volume of goods in 2023 is expected to decrease by 3.1 percent, down from a 1.8-percent contraction in the last projection. The adjustment was in line with the deceleration of economic growth of the key trading partners and to be in tandem with the below-than- expected actual data in the third quarter.
2) **The downward revision of public investment** from a 2.0-percent growth in the previous anticipation to contraction of 0.8 percent due to (i) the change in capital budget framework under the FY2023, from 491 billion baht in the previous estimation to 478 billion baht, and (ii) the capital budget framework under the FY2024, approved by the cabinet on 26 September 2023 for 209 billion baht, which is lower than previously anticipated and led to a lower-than-expected disbursed amount of capital budget during the last quarter of 2023 (the first quarter of FY2024).
3) **The downward revision of government consumption** to 4.2 percent, compared with 3.1 percent in the previous assumption. This is in line with the actual disbursement of the current budget under FY2023 during the third quarter which is lower than previously anticipated.
4) **The upward revision in private consumption,** from 5.0 percent in the previous estimation to 7.0 percent, to be consistent with the better than-expected 8.1 percent growth in the third quarter. There is also a pickup in economic activity attributable to a strong labor market, recovery of consumer confidence, as well as decreasing inflationary pressure.

6. The Thai economic outlook 2024

The Thai economy in 2024 is expected to improve continually from 2023, mainly supported by a rebound of exports, a favorable expansion of private investment both in consumption and private investment, and the continued recovery of the tourism sector. However, economic recovery still has crucial risks and limitations that may cause the Thai economy to expand lower than expected, including the diminishing impetus from fiscal support, a high debt burden of households and businesses, impacts from the drought on agricultural production, and the lower-than-expected economic growth of trading partners, amid risks from geopolitical conflicts and high volatility in global economic and financial system.

Key components of Economic growth;

1) **Rebound of Exports**; in September 2023, the recent data indicated a resurgence in exports, showing a growth of 1.0 percent. This marks the first expansion in the 12 months, reaching a total export value of 23,195 million dollars, the highest level in the past six months. In addition, it is observed that the export volume index in September showed a deceleration in the decline. While, the product categories that had satisfactory expansions include electronic appliances, passenger cars, pickup trucks, telecommunications equipment, rice, and fruits. Simultaneously, exports to major markets, especially the United States, China, and Japan, are starting to expand again. Therefore, it is anticipated that the trend of export expansion will gradually resume, aligning with the ongoing global economic recovery. Together with the global trade volume in 2024, which is projected to exhibit a positive recovery, as reflected in the improvement of PMI for Manufacturing New Orders in several countries and the upward trajectory of the electronics product cycle that have become more pronounced since the latter half of 2023. Besides, part of this recovery is attributed to the comparably low expansion base in the previous year.
2) **Favorable expansion of private investment**, which consists of: (1) a consistent rise in both investment promotion application and certificate issuance from 2021 to the initial three quarters of 2023. The cumulative value of investment applications and issuances for the years 2021, 2022, and the aforementioned quarters of 2023 stands at 472 billion baht, 593 billion baht, and 517 billion baht, exhibiting continuous increases of 22.3 percent, 25.6 percent, and 21.9 percent from the preceding year, respectively. The increase was mainly attributed to the electrical appliances and electronics, agricultural and food processing, and automotive and auto parts industries, respectively; (2) government efforts to promote investment, particularly in targeted industries under the 5-year investment promotion strategy, including measures to upgrade the automotive industry and to support electric vehicle adoption, Phase 2 or EV 3.5 measures (2024 - 2027); (3) the expansion of the industrial estate areas, reflected in the areas sold or rented by the industrial estate in fiscal year 2023, increased to 5,693 Raise, growing by 182.0 percent from the same period of last year. In particular, those in the Eastern Economic Corridor (EEC) extended to 4,753 Raise while those outside EEC was 939 rai; and (4) the progression of projects under the public-private partnership (PPP). In fiscal year 2023, approved PPP projects totaled 98.799 billion Baht[42], a 112.7 percent increase from the 46.450 billion Baht in fiscal year 2022.
3) **The continuous expansion of domestic consumer spending**, is underpinned by several key factors including: (i) The inflation rate is expected to be stabilized at a low level under the inflation-targeting framework. This expectation is likely to engender a relaxation of the monetary policy, particularly following a sequence of interest rate adjustments implemented since August 2022. (ii) Improvement in labor market conditions, as seen in the sustained increase in non-agricultural employment, particularly in the tourism-related service sector, such as the transportation and accommodation and food services categories. This tendency aligns with a low unemployment rate, comparable to the pre-COVID-19 period, and (iii) Consumer confidence has risen significantly, with the Consumer Confidence Index reaching 60.2 points in October 2023, marking the highest level in 44 months.

[42] Key projects include the Intercity Special Highway Project No. 9, Bangkok Outer Ring Road, western side on Bang Khun Thian - Bang Bua Thong Section and the Intercity Special Highway Project No. 5, Uttaraphimuk extension on Rangsit - Bang Pa-in Section.

4) **Recovery of the tourism sector** following the acceleration of the influx of foreign tourists since the latter half of 2022 continuing into 2023 and it is expected that the tourism sector will regain a semblance of normalcy in 2024. This sentiment is substantiated by data illustrating tourist numbers from various countries of origin approaching pre-COVID-19 levels[43]. Contributing significantly to this resurgence are key supporting measures, notably: (i) visa exemption measures for Chinese and Kazakhstan tourists, effective from September 25th, 2023, to February 29th, 2024, visa exemption measures for Russians to be able to travel in Thailand for 30 days, effective from November 1st, 2023, to April 30, 2024, and visa exemption measures for Indians and Taiwanese to travel in Thailand for 30 days, effective from November 10th, 2023, to May 10th, 2024, which is expected to help encourage foreign tourists to travel more, and (ii) government's measures to promote tourism, such as the Unseen New Series project by the Tourism Authority of Thailand that focuses on promoting tourism in secondary cities, or the Amazing Thailand NFTs project to support tourism using digital assets which will support domestic tourism to continue to improve.

Risk and limitations to economic growth;

1) **The diminishing impetus from fiscal support**, resulting from the following major limitations: (i) The anticipated delay in budget process for FY2024, which is expected that regular annual budget expenditures will commence disbursement in May 2024. This seven-months lag compared to the normal schedule, is likely to result in the infusion of budgetary funds into the economic system during the third and fourth quarters of FY2024. As a consequence, it is expected that the disbursement of budgetary expenditures, especially for public investment in FY2024, will be lower than the preceding fiscal year. In the base scenario, the disbursement from capital expenditure is projected to be 0.572 trillion baht compared to 0.608 trillion baht in the FY2023, and (ii) declining fiscal space has been observed following the outbreak of COVID-19, where the government had to implement measures to mitigate the outbreak impacts, provide relief, and stimulate economic recovery, have contributed to an elevated in public debt ratio from 41.2 percent of GDP at the end of 2022 to 63.8 percent of GDP at the end of the third quarter of 2023. Simultaneously, the government's income has consistently decreased with the government revenue-to-GDP[44] ratio expected to be 14.6 percent in the fiscal year 2024, in comparison to 15.2 percent in the FY2019. These conditions collectively contribute to a reduction in fiscal space, thereby limiting the capacity for future risk management.

2) **High levels of household and corporate debts** amidst rising interest rates, where the ratio of Non-Performing Loans (NPLs) and Special Mention Loans (SMLs) to total loans of small and medium enterprises (SMEs) remained high at 7.3 percent and 12.1 percent in the second quarter of 2023, compared with 7.6 percent and 11.7 percent in the last quarter, respectively. However, the ratio remained above pre-pandemic levels at 4.5 percent and 3.2 percent in the same quarter of 2019, respectively. Similarly, the ratio of household debt to GDP in the second quarter of 2023 stood at 90.7 percent, the same as the prior quarter, though remaining high compared to the pre-pandemic level at 82.6 percent in the same quarter of 2019. Thus, the high debt burden in business and household sectors might constrain the recovery of domestic demand and overall economic growth, especially in low-income households and SMEs as well as those debtors in the agricultural sector.

3) **The impact of the drought on agricultural production**, according to the report of the World Meteorological Organization (WMO) on November 8th, 2023, the El Niño phenomenon is predicted to occur during July 2023 - April 2024[45]. This phenomenon is expected to result in diminished rainfall levels below the normal average. Notably, cumulative rainfall data for the first 10 months of 2023 amounts to 1,161 millimeters, indicating a lower than 30-year average rainfall, from 1993 to 2022, of 1,361 millimeters. Consequently, the usable water quantity in the major Chao Phraya River[46] basin reservoirs in October 2023 is 6,419 million cubic meters, accounting for 25.8 percent of the total storage capacity. This is lower than the 5-year historical average during the same period, which is 7,831 million cubic meters or 31.5 percent of the total storage capacity. This decline in water supply raises concerns, particularly if future rainfall remains below the average, posing a potential risk to agricultural production, especially for the cultivation of rain-fed rice in the 2024 planting season and the off-season rice in the 2024/2025 planting season.

4) **The lower-than-expected world economic growth and trade volume** which certain risks need to be closely monitored and assessed including: (i) the uncertainty surrounding geopolitical conflicts, such as the ongoing war between Israel and Hamas, the prolonged conflict between Russia and Ukraine and the escalating trade protectionist measures between the US and China. These geopolitical tensions may exacerbate geo-economic fragmentation, impacting the world economy, global trade volume, and contributing to increased volatility in money and capital markets; (ii) the Chinese economic is experiencing a more significant slowdown than expected, attributed to issues in the real estate sector and a stagnated domestic consumption, which could escalate the deflation risk; (iii) the fluctuation of energy and commodity prices amid geopolitical conflicts like the Israel and Hamas war, can exert upward inflationary pressure and may prompt central banks to reimplement tightening monetary policies; and (iv) the reduction in fiscal space in many countries, particularly those with high levels of debt amid high interest rates.

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43 Accumulated number of tourists in the first 9 months of 2023 from Malaysia, South Korea, India, and Russia were 3.30 million, 1.19 million, 1.16 million, and 0.99 million people, representing 111.5 percent, 85.2 percent, 79.0 percent, and 102.2 percent, compared to the same period of 2019 before the outbreak, respectively.

44 The Revised Medium-Term Fiscal Framework (MTFF) for FY 2024-2027.

45 The impacts include the average sea surface temperature in October 2023 reaching 20.8 degrees Celsius, the historical high and was the highest monthly average temperature for the fifth consecutive month. For Thailand, the average maximum temperature in October 2023 was 27.9 degrees Celsius, 0.8 degrees Celsius higher than the normal average.

46 Including Sirikit Dam, Bhumibol Dam, Kwai Noi Bamrung Daen Dam and Pa Sak Jolasid Dam with a combined capacity of 24,871 million cubic meters.

Investment promotion: Key driver for private investment in 2024

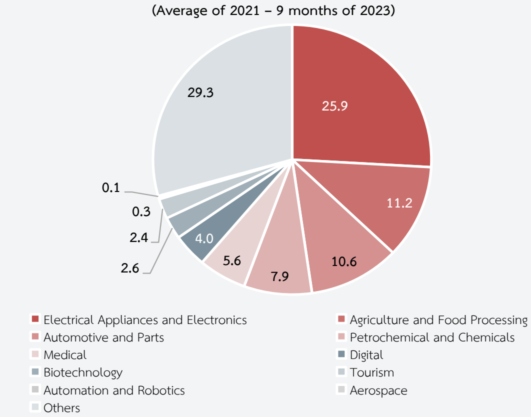
Since the post-pandemic era, applications for investment promotion through the Board of Investment (BOI) have increased continuously. In 2021, the value of applications for investment promotion was at an additional 470 billion baht, increasing from 590 billion baht in 2022 which was considered the highest level in 5 years. And in the first 9 months of 2023, the total value was recorded at 520 billion baht, representing a high expansion of 21.9 percent. The value of applications for promotion according to Target industry groups accounted for an average of 70 percent of the total investment value. The top 5 targeted industries were (1) electrical appliances and electronic (Total value of application from 2021 - first 9 months of 2023 was 410 billion-baht, accounting for 25.8 percent of total value) (2) Agriculture and food processing (180 billion-baht, 11.2 percent) (3) Automotive vehicles and parts (170 billion-baht, 10.6 percent), (4) petrochemicals and chemicals (120 billion-baht, 7.9 percent) and (5) medical (90 billion-baht, 5.6 percent), respectively. In addition, during the first 9 months of 2023, there were important multinational corporates receiving investment promotion approval in each industry as follows (1) **Electric vehicle industry** such as Changan Automobile Company Limited, Foton CP Motor Company Limited, and GAC AION New Energy Automobile Company Limited, (2) **Electronic components** such as Murata Electronics (Thailand) Company Limited, and Toshiba Semiconductor (Thailand) Co., Ltd. (3) **Electricity from biomass**, such as C&G Environmental Protection Co., Ltd. (Thailand), Newsky Energy Co., Ltd. (Bangkok) Co., Ltd. and (4) **The food processing industry**, such as New Kwang Soonlee Sugar Factory Co., Ltd., etc. If these projects that have been approved to promote investment are expedited to be invested, this will help support domestic investment throughout 2024.

Table: Project Value of investment applications since 2019 – 9 months of 2023

(Hundred billion baht)	2019	2020	2021	2022	2023 (9 months)
Total value of applications	5.8	3.9	4.7	5.9	5.2
%YoY	19.9	-33.5	22.3	25.6	21.9
- Targeted Industries	2.5	1.9	3.3	4.2	3.7
%YoY	-34.4	-23.6	77.0	24.7	26.2
Structure (%)	42.7	49.0	70.9	70.4	70.9
- Others	3.3	2.0	1.4	1.8	1.5
%YoY	213.7	-40.8	-30.3	28.0	12.6
Structure (%)	57.3	51.0	29.1	29.6	29.1

Source: Thailand Board of Investment (BOI), calculated by NESDC

Figure: Structure of investment applications in targeted industries (Average of 2021 – 9 months of 2023)



Source: Thailand Board of Investment (BOI), calculated by NESDC

Concerning extensive government investment promotion measures other than the framework measures under the 5-year investment promotion strategy (2023-2027) of the Thailand Board of Investment which has been effective since January 3rd, 2023, at the end of the year, BOI also announced 2 additional investment promotion measures on as follow; **(1) Measures to enhance the automotive industry (November 9th, 2023)** consisting of (i) Establishment of additional overseas investment and economic offices (ii) Investment promotion measures to enhance the automotive industry (iii) Cooperation and improvement on criteria and efficiency to facilitate and reduce barriers to investment (Ease of Investment) and **(2) Measures for the EV promotion phase II** (2024 - 2027) known as EV3.5 measure (November 1st, 2023) for the 4-year period conditioning as reducing import duties by no more than 40% for imports of Completely Built Up vehicles (CBU) during the first 2 years (2024 - 2025) in case of electric cars priced not exceeding 2 million baht, as well as reducing the excise tax rate from 8% to 2% for electric cars priced not exceeding 7 million baht, under the conditions set to stimulate investment within the country such that those who receiving allowance need to produce for import substitution at a ratio of 1 : 2 (1 imported car to 2 domestically produced cars) within 2026 and will increase the ratio to 1 : 3 by 2027. These measures were expected to encourage both domestic and foreign investors considering to more apply for investment promotions, particularly, the promotion to stimulate investment in target industries and to be a key driver to speed up private investment in 2024.

Additional Investment Policies and Promotional Measures

		A1+	A1	A2	A3	A4	B
Basic Incentives	Exemption of corporate income tax	10 - 13 years no cap	8 years no cap	8 years	5 years	3 years	-
	Exemption of import duties on machinery	√	√	√	√	√	√
	Exemption of import duties on raw materials used in R&D	√	√	√	√	√	√
	Exemption of import duties on raw materials used in production for export	√	√	√	√	√	√
	Non-tax incentives	√	√	√	√	√	√
Additional Incentives	**Measures for Competitiveness Enhancement**						
	Additional corporate income tax exemption	1 - 3 years	1 - 5 years	1 - 5 years	1 - 5 years	1 - 5 years	1 - 5 years
	Additional corporate income tax exemption	3 years	-	-	3 years	3 years	3 years
	Additional 50% reduction of corporate income tax for 5 years	-	√	√	-	-	-
	Deduction of expense	√	√	√	√	√	√
	Additional Incentives for Area-based Promotion: BOI-promoted industrial estates or zones						
	Additional corporate income tax exemption	1 year	-	-	1 year	1 year	-
	Additional Incentives for Science and Technology Zone						
		Target Core Technology Development Activities				Other Target Activities	
	Additional corporate income tax exemption	2 years				-	
	Additional 50% reduction of corporate income tax for 5 years	-				√	
	Investment Promotion Measures in the Eastern Special Development Zone (Eastern Economic Corridor: EEC)						
		In case of human resources development / R&D					
	Additional corporate income tax exemption	2 years	-	-	-	-	-
	Additional 50% reduction of corporate income tax	-	3 years	3 years	3 years	3 years	-
	In case of projects located in specific areas	EECi / EECd / EECa / EECmd / EECg / EECtp					
	Additional corporate income tax exemption	1 year	-	-	-	-	-
	Additional 50% reduction of corporate income tax	-	2 years	2 years	2 years	2 years	-
	or	Industrial Estates / Industrial Zones					
	Additional corporate income tax exemption	1 year	-	-	1 year	1 year	-
	Additional 50% reduction of corporate income tax	-	-	-	-	-	-
	Investment Promotion Measure in the Economic Corridor						
		In case of human resources development / R&D					
	Additional corporate income tax exemption	2 years	-	-	-	-	-
	Additional 50% reduction of corporate income tax	-	3 years	3 years	3 years	3 years	-

Source: The Board of Investment of Thailand

Additional Investment Policies and Promotional Measures (Cont.)

Additional Incentives

	Activity Group					
	A1+	A1	A2	A3	A4	B
Investment Promotion Measure in the Economic Corridor (Con.)						
In case of projects located in specific areas	Science and Technology Zones					
Additional corporate income tax exemption	2 years	-	-	-	-	-
Additional 50% reduction of corporate income tax	-	5 years	5 years	5 years	5 years	-
or	Industrial Estates / Industrial Zones					
Additional corporate income tax exemption	1 year	-	-	1 year	1 year	-

Investment Promotion Measure in Special Border Economic Zones (SEZ)	Targeted Activities	General Activities
Additional corporate income tax exemption	8-year of CIT with cap according to investment capital (13 targeted activities, and 5 special activities in SEZ)	Additional 3-year CIT exemption (not exceeding 8 years in total) with a cap according to investment capital
Additional 50% reduction of corporate income tax	a cap according to investment capital (only for 13 targeted activities)	If the project is already granted 8-year CIT exemption, it is eligible for additional 50% reduction of CIT for a period of 5 years
Exemption of import duties on machinery	√	√
Exemption of import duties on raw materials used in production for export	√	√
10-year double deductions on the costs of transportation, electricity and water supply	√	√
25% deduction on the costs of installation or construction of facilities	√	√
Non-tax incentives	√	√

Investment Promotion Measure in the Southern Border Provinces and Investment Promotion Measure in Model City Project in the Southern Border Provinces	Investment Promotion Measure in the Southern Border Provinces	Investment Promotion Measure in Model City Project in the Southern Border Provinces
	For new investment projects both in general case and special case	
Exemption of import duties on machinery	√	
Additional corporate income tax exemption	8 years (without corporate income tax cap)	
Additional 50% reduction of corporate income tax for 5 years	√	
Double deductions on the costs of transportation, electricity and water supply	15 years	20 years
Deduction of the costs of installation or construction of facilities for 25% of investment capital	√	
Exemption of import duties on raw and essential materials used in manufacturing for export	5 years	10 years
90% reduction of import duties on raw and essential materials used in manufacturing for domestic sale	5 years	10 years
Non-tax incentives	√	
	For existing projects in special case	
Additional corporate income tax exemption	Exemption of CIT for a period of 3 years with cap not exceeding 100% of the investment capital of the new investment projects in the Southern Border Provinces (excluding cost of land and working capital)	Exemption of corporate income tax for a period o f 5 years with cap not exceeding 100% of the investment capital of the new investment projects in the Southern Border Provinces (excluding cost of land and working capital)
	For investment projects in industrial estates or industrial zones and activities located in industrial estates or industrial zones in the Southern Border Provinces	
First project investment and Investment in expansion project	The same incentives as new projects in general case and special case	-

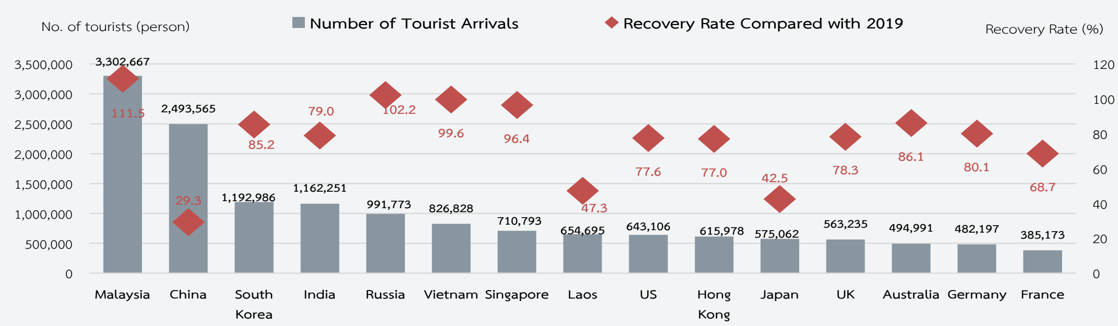
Source: The Board of Investment of Thailand

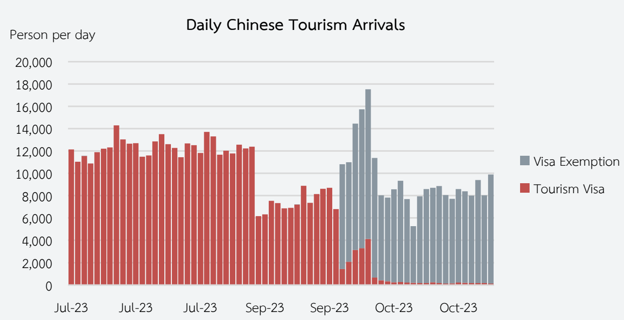
The Recovery of Thai Tourism Sector

Number of foreign tourists in Thailand, despite a quick recovery throughout 2023, remains low compared to pre-pandemic levels. During the first three quarters of 2023, the number of tourists accounted for only 67.9 percent compared to the same period of 2019. Besides, if considered by nationality, tourists of many nationalities began to return to normal levels or higher than before the period, especially in the Southeast Asian region (91.4 percent compared to the same period of 2019), such as Malaysia (111.5 percent), Vietnam (99.6 percent), or Singapore (96.4 percent), as well as tourists from the European region (percent 82.3), especially Russia (102.2 percent). However, the recovery of tourists of some nationalities still lagged behind, particularly from China (29.3 percent), and Japan (42.5 percent) This results of delays in the lift of containment measure, together with China's economic slowdown and Japanese Yen depreciation.

However, the rate of recovery of foreign tourists in Thailand was still slower than other peer countries. The number of foreign tourists in September 2023 accounted for only 57.3 percent of January 2019, compared to South Korea, Indonesia, Japan, Vietnam and Singapore at 100.5 percent, 89.1 percent, 81.2 percent, 70.2 percent, and 63.8 percent, respectively, partly due to the faltering recovery of Chinese tourist arrivals. The number of Chinese tourists in September 2023 was only 26.6 percent compared with January 2019, a slower recovery rate than other peer countries such as South Korea (67.2 percent), Indonesia (50.0 percent), and Vietnam. (46.2 percent), Singapore (42.3 percent) and Japan (43.1 percent), reflecting the declining popularity of traveling to Thailand among Chinese tourists. To be precise, the figure of Chinese tourists traveling Thailand in October 2023 is approximately at 230 thousand people per day or averagely 7,400 people per day, lower than average of approximately 13,000 people per day and 35,000 people per day in July 2023 and January 2019, respectively, in spite of measures such as visa exemption for Chinese tourists.

In order to continue the recovery of the tourism sector, not only should measures be necessity to build confidence and attract more Chinese tourists to return to travel in Thailand, but also promoting new markets with potential need to be urged to diversify and compensate for the decline in Chinese tourists in the future.

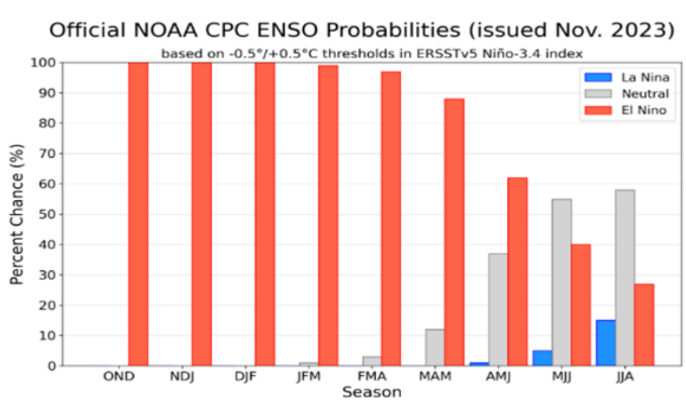




Source: Ministry of Tourism & Sports

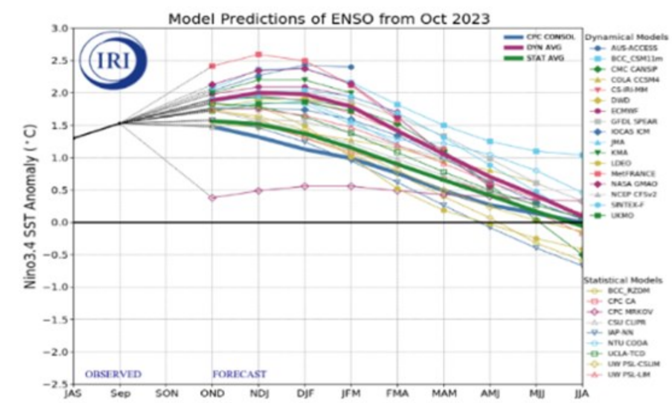
Trends of El Niño Phenomenon[1] and Its Impacts on Internal Water Quantities within the Country.

Based on the ENSO[2] phenomenon forecast, there is an indication of a persistent trend towards a Strong El Niño phase until March 2024, followed by a gradual weakening leading to a Weak El Niño state. There is a tendency to transition to a Neutral phase in June 2024. Concerning the anticipated impacts on Thailand from November 2023 to March 2024, temperatures across the country are expected to be **higher than normal value**[3], averaging between 26.2 - 29.9 degrees Celsius, with a mean of 27.6 degrees Celsius (normal value: 24.7 - 28.4 degrees Celsius, mean: 26.1 degrees Celsius). This, coupled with heatwaves during this period, may lead to natural disasters such as wildfires and contribute to issues like PM 2.5 pollution and haze, causing damage to agricultural crops. Furthermore, nationwide rainfall amounts are projected to be lower than normal value, with an average ranging from 11.3 - 95.7 millimeters and a mean of 43.3 millimeters (normal value: 20.6 - 92.8 millimeters, mean: 51.1 millimeters). This could result in challenges related to the decreased replenishment of natural water sources, particularly in non-irrigated agricultural areas, which constitute up to 75.0 percent of the country's total agricultural land, predominantly in the northeastern region. Additionally, decreased water levels in reservoirs and dams nationwide may lead to insufficient usable water supply compared to useable water demand, posing an increased risk of severe drought for Thailand. Therefore, the proper allocation of water resources is of paramount importance, especially for agricultural production, which accounts for over 80 percent of the country's total water usage. In contrast, the service and industrial sectors contribute 12.0 percent and 8.0 percent, respectively, to overall water consumption.



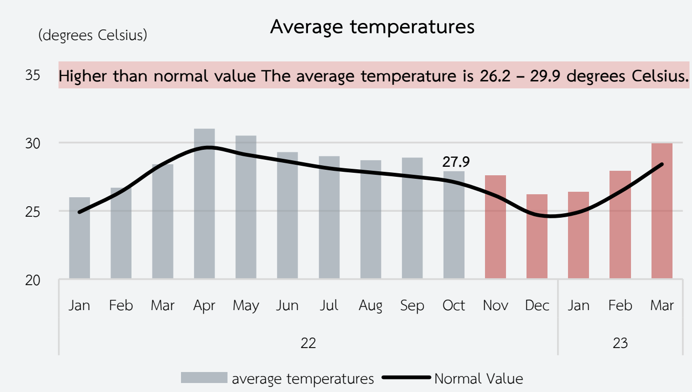
Results of monitoring and forecasting sea temperature in the central equatorial Pacific Ocean (SST) in the Nino 3.4 area (latitude 5 degrees north -5 degrees south and longitude 120 degrees west - 170 degrees west), information as of October 19, 2023 by the International Research Institute for Climate and Society (IRI)

Source: National Weather Service; Climate Prediction Centre (NOAA)

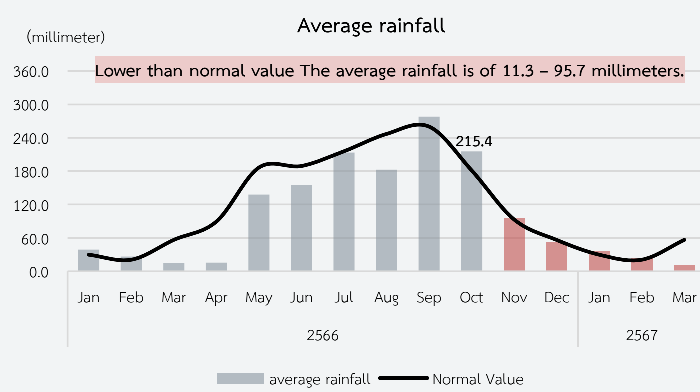


Results of the 3-month forecast of the ENSO phenomenon between November 2023 and July 2024. Sea surface temperature index in the Nino 3.4 area (latitude 5 degrees north -5 degrees south and longitude 120 degrees west -170 degrees west), data as of the 9th November 2023 (NOAA)

Source: National Weather Service; Climate Prediction Centre (NOAA)



Source: Thai Meteorological Department processed by the Office of the National Economic and Social Development Council.

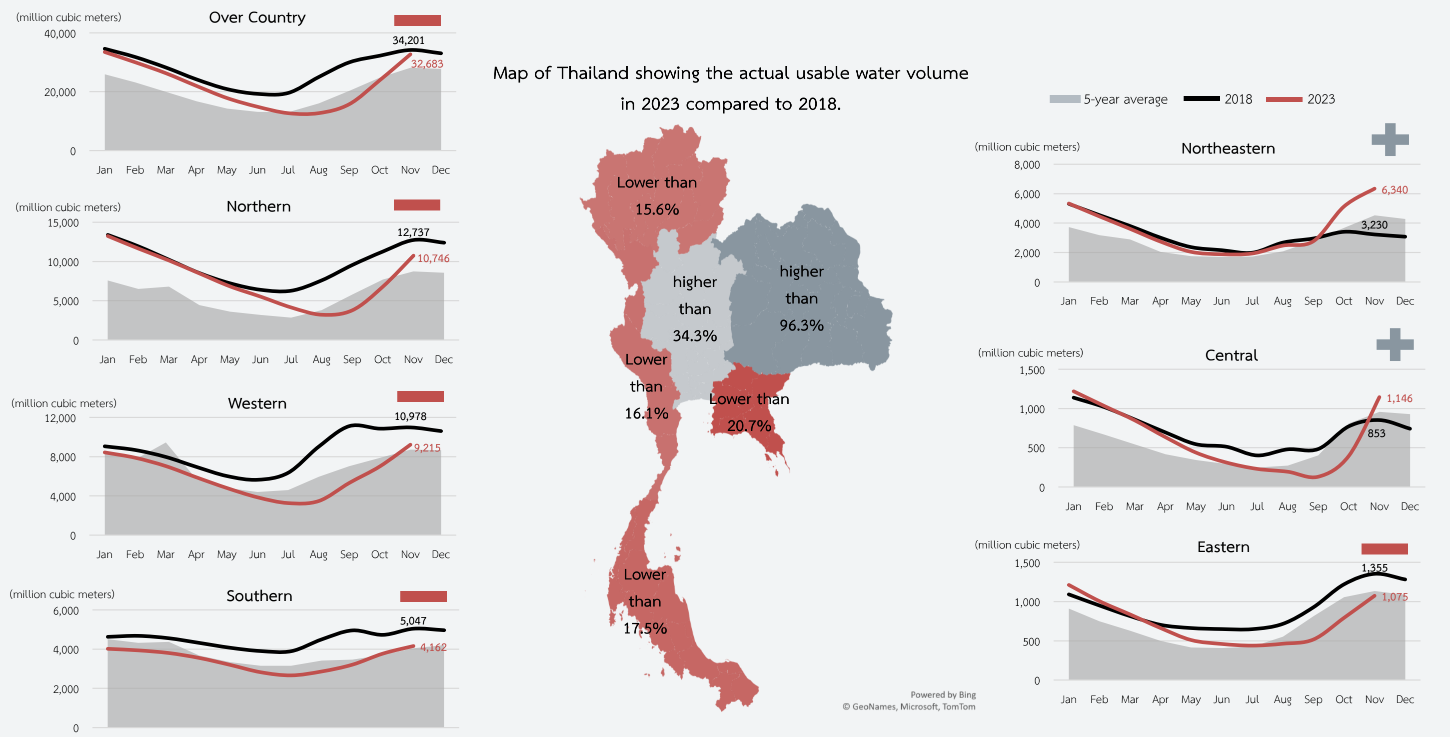


Source: Thai Meteorological Department processed by the Office of the National Economic and Social Development Council.

1 El Niño occurs when the winds weaken and change direction, blowing from the east side of the Pacific Ocean towards the west side of the Pacific. This causes warm ocean currents to flow towards the southern parts of the Americas. As a result, the eastern and southeastern regions of Asia, as well as Australia, experience the reduction of rainfall and drought conditions, while the southern coast of the America receives increase of rainfall.

2 Information from the National Weather Service; Climate Prediction Center (NOAA), November 9th, 2023 edition. The normal values of average temperature and average rainfall refer to the monthly average temperature and monthly rainfall of Thailand over a 30-year period (1991 - 2020).

Trends of El Niño Phenomenon and Its Impacts on Internal Water Quantities within the Country (Cont.)



Source: Hydro – Informatics Institute processed by the Office of the National Economic and Social Development Council.

The data on Useable Water Supply, indicated a continuous decline. As of October 31st, 2023, the volume of water in reservoirs and dams nationwide stood at 56,220 million cubic meters (equivalent to 79.26 percent of the storage capacity), which is lower than the levels observed in 2018 (prior to the drought in 2019), where the volume was 57,743 million cubic meters (81.41percent of the storage capacity). Additionally, the actual usable water supply throughout the country as of October 31st, 2023, is at 46.08 percent of the total water usage capacity, which is lower than the 48.22 percent observed in 2018.

When considering regional landscapes, it is evident that there are areas with actual usable water quantities lower than those in 2018, comprising four regions. Eastern, the actual usable water quantity is 1,075 million cubic meters (equivalent to 70.96 percent of the actual water usage capacity), lower than the 89.44 percent observed in 2018. Southern, the actual usable water quantity is 4,162 million cubic meters (50.79 percent of the actual water usage capacity), lower than the 61.59 percent in 2018. Western, the actual usable water quantity is 9,215 million cubic meters (34.64 percent of the actual water usage capacity), lower than the 41.26 percent in 2018 and Northern, the actual usable water quantity is 10,746 million cubic meters (43.29 percent of the actual water usage capacity), lower than the 51.31 percent in 2018. Nevertheless, there are areas where the actual usable water quantities exceed those of 2018 due to heavy rainfall and flooding in several provinces in recent times. Northeastern, the actual usable water quantity is 6,340 million cubic meters (75.76 percent of the actual water usage capacity), higher than the 38.59 percent in 2018 and Central, the actual usable water quantity is 1,146 million cubic meters (80.76 percent of the actual water usage capacity), higher than the 60.11 percent in 2018. Therefore, the government should closely monitor the situation and water quantity data to manage and allocate water resources appropriately to meet the needs of agriculture nationwide. This proactive approach aims to prevent and mitigate the impacts of drought, including the implementation of disaster warning systems in drought-prone areas.

Key assumptions for 2023 and 2024 economic projection

World Economic Projection and Other Key Assumptions

	Actual Data		Projection		
			2023		2024
	2021	2022	Aug 21st, 2023	Nov 20th, 2023	Nov 20th, 2023
World Economic Growth (%)[1/]	5.8	3.5	2.8	2.8	2.7
US	5.8	1.9	1.2	1.7	1.4
Eurozone	5.9	3.4	0.8	0.6	0.9
Japan	2.2	0.9	1.5	1.5	0.8
China	8.4	3.0	4.9	4.9	4.3
Global Trade Volume (%)	10.9	5.1	2.1	2.1	3.2
Exchange Rate (Baht/US Dollar)	32.0	35.1	33.5 – 34.5	34.9	34.0 – 35.0
Dubai Crude Oil (US Dollar/Barrel)	68.8	97.0	77.0 - 87.0	82.5	80.0 – 90.0
Export Price (US Dollar) (%)	3.3	4.2	(-0.5) – 0.5	1.1	0.0 – 1.0
Import Price (US Dollar) (%)	8.3	12.7	(-1.0) – 0.0	1.2	0.5 – 1.5
Number of foreign tourists (Million persons)	0.4	11.2	28.0	28.0	35.0
Income from Tourism (Trillion Baht)[2/]	0.09	0.46	1.03	1.03	1.30

Notes: [1/] World economic growth is a trade-weighted average of key economic partners in 2019 (15 economies)
[2/] based on the Bank of Thailand's balance of payment data and forecasted by the NESDC.

Source: NESDC as of 20th November 2023

1) **The world economy and global trade volume in 2024 are projected to grow by 2.7 percent and 3.2 percent**, compared with the growths of 2.8 percent and 2.1 percent in 2023, respectively. The major economies, led by the US and Japan, are projected to experience a slowdown due to decelerated domestic demand. The Eurozone is anticipated to show gradual expansion after a subdued growth in the previous year. The Chinese economy is expected to slow down, due to the debt problem in the real estate sector. Meanwhile, the NIEs are anticipated to improve from relatively low base growth in the prior year. Similarly, the ASEAN economies are expected to grow continually, following the increase in domestic demand and a pickup in export activities. This aligns with the anticipated recovery in global trade volumes to grow by 3.2 percent in 2024 from 2.1 percent in 2023 which also marked the 14-year lowest growth rate, excluding the COVID-19 outbreak in 2020.

2) **The average of Thai Baht in 2024 is expected to be within the range of 34.0 - 35.0 Baht per US dollar, appreciating from an average of 34.9 Baht per US dollars in 2023**. The Baht has shown signs of strengthening by standing at 35.6 baht per US dollar as of November 16th, 2023 notably appreciating from an average of 36.5 Baht per US dollars in October 2023. The currency is anticipated to gradually appreciate throughout 2024, aligning with the rebound of export and tourism income. Additionally, the Thai Baht is supported by the ongoing depreciation of the US dollar, as the Federal Reserve is likely to maintain its policy rate, with a potential reduction in the policy interest rate in the latter half of 2024.

3) **The average price of crude oil in the year 2024 is expected to be in the range of 80.0 - 90.0 dollars per barrel, increasing from the average of 82.5 dollars per barrel in the year 2023.** Several factors may contribute to the upward trend in oil prices, including (1) the persisting conflicts in the Middle East pose an uncertain and potentially broad impact, (2) production constraints resulting from continuous production cuts by the OPEC+ , (3) the net crude oil inventory of the United States is expected to remain at a low level due to reduced drilling activities, and (4) the weakening trend of the US dollar. However, certain factors may impede a rapid increase in oil price including: the delayed recovery of the global economy, especially the slowdown in the Chinese economy, and the relaxation of import controls on crude oil from Venezuela by the United States and China's agreement to import crude oil from Saudi Arabia.

4) **The export and import prices in terms of US dollars in 2024 are expected to increase by 0.0 - 1.0 percent and 0.5 - 1.5 percent**, decelerating from 1.1 percent and 1.2 percent in 2023, respectively, aligning with the assumptions regarding crude oil prices and the global economic slowdown.

5) **Income from foreign tourists in 2024 is expected to be 1.30 trillion baht, increasing from 1.03 trillion baht in 2023**, following an increase in expected number of foreign of 35 million, compared to 28 million in 2023. This trend is attributed to the return to normal tourist levels for various nationalities, including those from Malaysia, Singapore, South Korea, and Russia. Additionally, supportive factors contributing to this growth include visa exemption measures implemented for tourists in several countries.

6) **The budget disbursement** is expected to be as follows: (i) the FY2024 annual budget disbursement rate of 90.4 percent of the total budget, compared with a 97.0 percent in FY 2023. In detail, the current budget is expected to be disbursed at 97.0 percent, compared with 101.6 percent in the previous fiscal year. Similarly, the capital budget is expected to be at 65.0 percent, compared with 77.7 percent in the previous fiscal year. Furthermore, in the baseline scenario, for the FY2024's annual budget bill, there is risk of a delay of 7 months in approving and implementing the budget, which is scheduled for initial disbursement in the third quarter of FY2024; (ii) the carry-over budget disbursement rate of 82.5 percent, compared with 91.3 percent in FY2023 in which the disbursement of current budget by 95.0 percent and capital budget by 80.0 percent and (iii) the state-owned enterprises' capital budget disbursement (15 months from October 2023 - December 2024)) of approximately 405 billion baht, compared with 441 billion baht in the same period last year.

The Thai economic outlook for 2024

In November 20th, 2023's press release, the NESDC estimated that the Thai economy in 2024 will expand by 2.7 - 3.7 percent. with a midpoint projection of 3.2 percent, accelerating from 2.5 percent in 2023. Meanwhile, the headline inflation is expected to be in a range of 1.7 - 2.7 percent, compared with a 1.4 percent in 2023. The current account is anticipated to register a surplus of 1.5 percent of GDP, compared with a surplus of 1.0 percent in the previous year.

Key growth components include as follows:

1) **Total consumption**: (i) Private consumption expenditure is expected to increase by 3.2 percent, continuing from a high growth base at 7.0 percent in 2023, owing to the improvement in labor market and an escalated level of consumer confidence index together with diminish inflationary pressures. (ii) Government consumption expenditure is projected to increase by 2.2 percent, compared with a 4.2-percent contraction in 2023. This was in accordance with the higher current budget framework under the FY2024 annual budget, which is 2.76 trillion Baht, increasing by 7.5 percent from 2.57 trillion Baht in FY2023.
2) **Total investment** is expected to increase by 1.6 percent, continuing from a 1.3-percent in 2023. (i) Private investment is estimated to increase by 2.8 percent, accelerating from a 2.0-percent growth in 2023. This was in accordance with the recovery of export of goods and manufacturing production along with a continuous increase in the value of investment promotion application and certificate issuance. (ii) Public investment is anticipated to decrease by 1.8 percent, continuing from a 0.8-percent detraction in 2023, owing to a delay in the FY2024 annual budgetary process.
3) **Export value of goods in US dollar** term is anticipated to increase by 3.8 percent, compared with a 2.0-percent contraction in 2023. The export volume in 2024 is expected to increase by 3.3 percent, compared with a 3.1-percent decline in 2023. Meanwhile, the export price assumption is expected to be in the range of 0.0 - 1.0 percent, compared with a 1.1-percent expansion in 2023. Together with the export of services, thus, in 2024, the export of goods and services is estimated to increase by 6.2 percent, compared with a 2.9-percent expansion in 2023.
4) **Import value of goods in US dollar** term is expected to expand by 4.7 percent, compared with a 2.7-percent contraction in 2023. The import volume in 2024 is anticipated to increase by 3.7 percent, compared with a 3.9-percent reduction in 2023, aligning with an improvement of export of goods and private investment. Meanwhile, the import price assumption is expected to be in the range of 0.5 - 1.5 percent, compared with a 1.2-percent expansion in 2023. Together with the import of services, thus, in 2024, the import of goods and services is estimated to increase by 6.3 percent, compared with a 2.2-percent decline in 2023.
5) **Trade balance is anticipated to register a surplus** of 13.5 billion US dollars, compared with a surplus of 15.4 billion US dollars in 2023. Together with the service account, thus, in 2024, the current account is expected to register a surplus of 8.5 billion US dollars (1.5 percent of GDP) in 2024, compared with a surplus of 5.4 billion US dollars (1.0 percent of GDP) in 2023.
6) **Economic stability**, headline inflation in 2024 is estimated to be in the range of 1.7 - 2.7 (with the midpoint projection of 2.2 percent), increasing from 1.4 percent in 2023. This is in accordance with crude oil price assumption together with a gradual expansion of domestic consumption.

7. Economic Management for the Remainder of 2023 and the Year 2024

The economic management for the remainder of the year 2023 and the year 2024 should be prioritized on;

1) **Appropriately implementing the monetary and fiscal policy to be consistent with prevailing economic condition under the economic recovery amidst heightened volatility and notable pressure on economic stability** by ensuring ample policy space to manage potential future risks and gradually normalizing the implementation of both monetary and fiscal policies. **(i) Monetary policy** should prioritize the implementation of appropriate monetary policy to maintain price stability in accordance with the monetary policy target, as well as ensuring the continuity of economic growth while maintaining financial stability. This includes the preparation to address and mitigate risks that have potential to impact the effectiveness of policy to achieve the target. At the same time, the policy should also focus should be on debt restructuring and sustainable solutions for household debt management. **(ii) Fiscal policy** should put the emphasis on fiscal consolidation by prioritizing necessitation of government spending along with enhancing the efficiency of revenue collection in order to offset the fiscal deficit and increase the fiscal space to support essential policy implementation amid potential risks in the upcoming period.
2) **Preparing measures for addressing impacts from risks arising from geopolitical tensions, climate change, global economic slowdown, and global financial market fluctuations**, particular attention is directed towards mitigating the effects of the ongoing Middle East conflict on crucial economic facets such as labor, energy, commodity prices, and agricultural sector costs. Hence, the strategic focus involves prioritizing measures including **(i) Labor measures** should facilitate the return of workers from Israel and potentially affected areas, together with measures to utilize the potential of returning workers for the better use. Simultaneously, efforts should also be directed at incentivizing workers to contribute domestically, alleviating any labor shortage predicaments.; **(ii) Energy-related measures** should be constantly urged towards expeditiously restoring natural gas production capacity in the Gulf of Thailand to normal level, to prepare for potential uncertain situation that may affect energy imports, as well as managing adequate

energy reserves in the event of escalating geopolitical conflicts. Furthermore, adherence to market mechanisms and global dynamics in oil pricing is crucial to facilitate consumer's adaptation to energy price fluctuations, preventing heightened burdens on the Oil Fuel Fund in the future. Besides, the policy should also focus on campaign for active and energy saving and continuous energy-saving campaigns, along with the promotion of biofuels and increasing the proportion of alternative or renewable energy.

3) **Fostering export sector to return to expansion**, in order to support the expansion of industrial production and stimulate new investment in production capacity by; (i) boosting exports to major markets with robust economic recovery coupled with expanding to new potential markets, for example, South Asia, ASEAN, and cross-border trade; (ii) promoting the export of goods witnessing heightened global demand, such as health-related and eco-friendly products, as well as those strategically positioned to benefit from geopolitical conflicts and trade barriers between the US and China, such as food and agricultural products, telephone and its periphery, and semiconductor; (iii) utilizing benefits from the Regional Comprehensive Economic Partnership (RCEP), along with expediting the ongoing Free Trade Agreement negotiations and exploring for new trade partners; (iv) facilitating export procedure and lowering related costs; (v) addressing trade barriers, especially non-tariff measures from major trade partners, in particular, European Carbon Border Adjustment Mechanism (CBAM), and US Clean competition act and Foreign Pollution Fee Act; (vi) encouraging business sector to appropriately manage exchange rate fluctuation risk; (vii) enhancing production competitiveness by improving the quality of agricultural, food, and manufacturing products to align with international requirement and standard, particularly issues related to the environment, consumer health and safety such as product labeling, and shelf-life extension, along with restructuring the manufacturing sector through innovation and technology intensive production which require more R&D to boost the production of high-value merchandise that exceed price competition; and (viii) expediting the industries related to the domestic raw materials and intermediate goods to be proficient with the expansion of S-curve industries, especially the SMEs.

4) **Bolstering the business sentiment and stimulating private investment**, by: (i) fostering export sector to facilitate production capacity expansion; (ii) speeding up projects already approved and obtained investment promotion certificates in 2021 - 2023 to start their actual investments; (iii) accelerating the manufacturers who have acquired the factory licenses to hastily start their operations, especially the SMEs, to increase production capacity and employment, and induce new investment; (iv) solving difficulties and obstacles hindering investors and entrepreneurs from investing and doing business including procedure, regulations and laws, and labor shortages in the manufacturing sector, as well as enhancing labors to be brace the new targeted industries; (v) implementing proactive investment promotions and facilitating investors in targeted industries under the 5-year Investment Promotion Strategic Plan (2023 - 2027) to attracted the investors in S-curve industries; (vi) stimulating investments in the Eastern Economic Corridor (EEC) and ongoing Special Economic Corridors, and expediting other regional Special Economic Corridors; and (vii) supporting investment in the key economic areas and transportation projects aligned with the development plan.

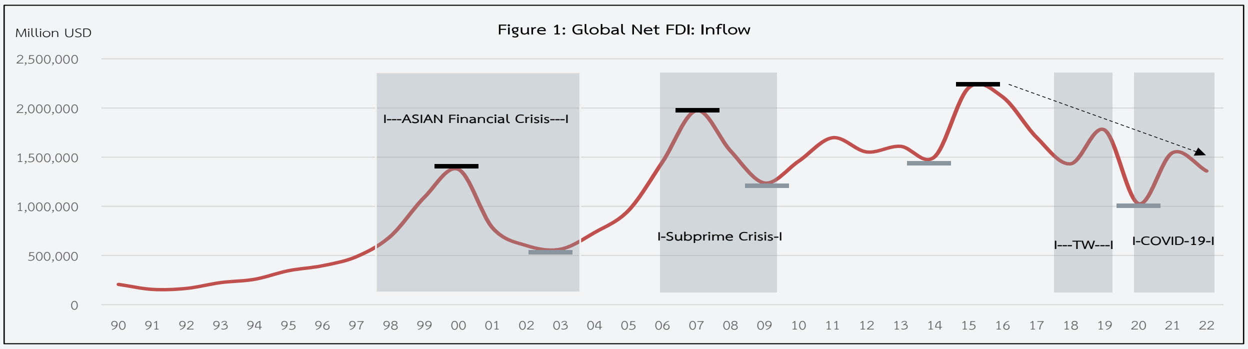
5) **Facilitating the resurgence of tourism and related service sector**, by: (i) organizing the tourism promotion events along with promoting the Long-Term Resident VISA (LTR) to attract foreign visitors with high potential and high purchasing power, particularly those considering long-term stays; (ii) conducting ongoing assessments of the efficacy of tourist visa exemption measures with consideration to expansion to additional nationalities; (iii) diversifying the tourism market to be more balanced to alleviate the impact from the slowdown of Chinese tourist arrivals; (iv) encouraging the tourists to spend more especially Asian, European and North American tourists; (v) promoting domestic tourism especially in the potential secondary provinces that have not fully recovered; and (vi) advocating for the development of high-quality tourism, as well as enhancing and recovering toward high quality and sustainable tourism.

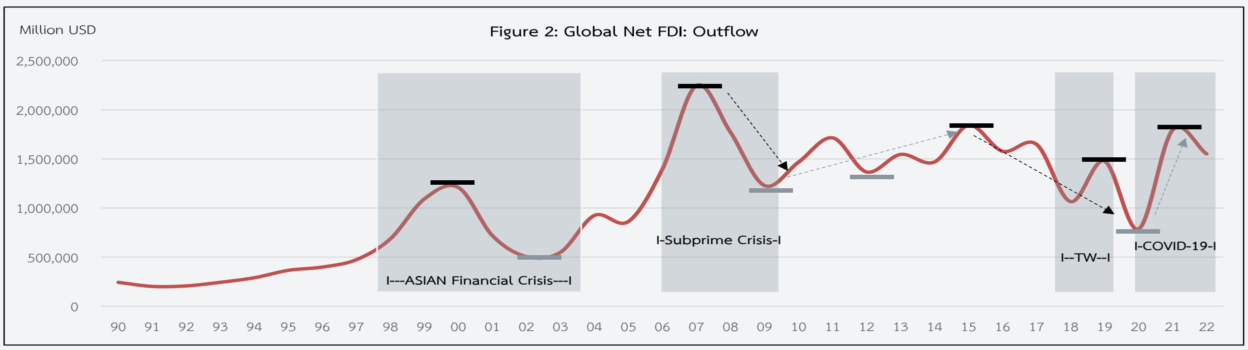
6) **Supporting agricultural production and farmers income**, by (i) protecting and cushioning the impacts of climate change, with a specific focus on ensuring adequate water management for cultivation and pre-emptive measures within areas susceptible to drought; (ii) carrying out measures to strengthen farmers' resilience through promoting and developing an efficient crop insurance scheme to cushion the climate risks; (iii) improving farmers' income share from the tertiary products, as well as encouraging farmers to cultivate and use appropriate methods according to the terrain and alternate to high value-added production; (iv) promoting innovation to raise value-added and productivity in production, proper diversification of production risks, and competitiveness enhancement; and (v) encouraging production of organic and local bio-fertilizers to reduce the cost and dependence on imports, along with international trade negotiation to facilitate the exchange and provision of additional raw materials.

7) **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 that has not yet enacted, (ii) precipitating the disbursement procedure of FY2024, (iii) preparing the project under the FY2024 budget to be ready for a procurement and disbursement after FY2024 annual budget bill is enacted, and (iv) scrutinizing the project achievement and monitoring for the fact that the FY2024 budget will be disbursed at least not less than 90.4 percent, consisting of current budget of 97.0 percent, and capital budget of 65.0 percent, respectively.

Situation of net foreign direct investment in the world

According to the United Nations Conference on Trade and Development (UNCTAD), the value of net investment flows from abroad around the world (Global Net FDI: Inflow) has risen since 1990 to its highest level in 2015 with a total value of 2.2 trillion US dollars before continued to decline until 2020 that COVID-19 pandemic has been occurred, which valued a value of 1.0. trillion US dollars considering as the lowest point in 15 years from 2005 onwards. In 2021, the Global Net FDI (inflow) increased to 1.5 trillion US dollars but turned to reduce to 1.3 trillion US dollars. It reflected that many countries' potential to attract foreign direct investment has decreased over the past decade. Meanwhile, respecting the overall value of net investment flows abroad around the world (Global Net FDI: Outflow), the value had already passed its peak in 2007 with a value of 2.2 trillion US dollars and dropped to a level of 1.2 trillion US dollars in 2009, which was during the Subprime Crisis. However, since then, the value had continued to increase. In 2021, during the COVID-19 crisis, Global Net FDI (Outflow) decreased to the level of 790 billion US dollars yet it rebounded to 1.8 trillion US dollars, the highest in 6 years in 2022. The value still decreased to the level of 1.6 trillion US dollars in 2022. Furthermore, when considering its trend, Global net foreign investment had bottomed out.



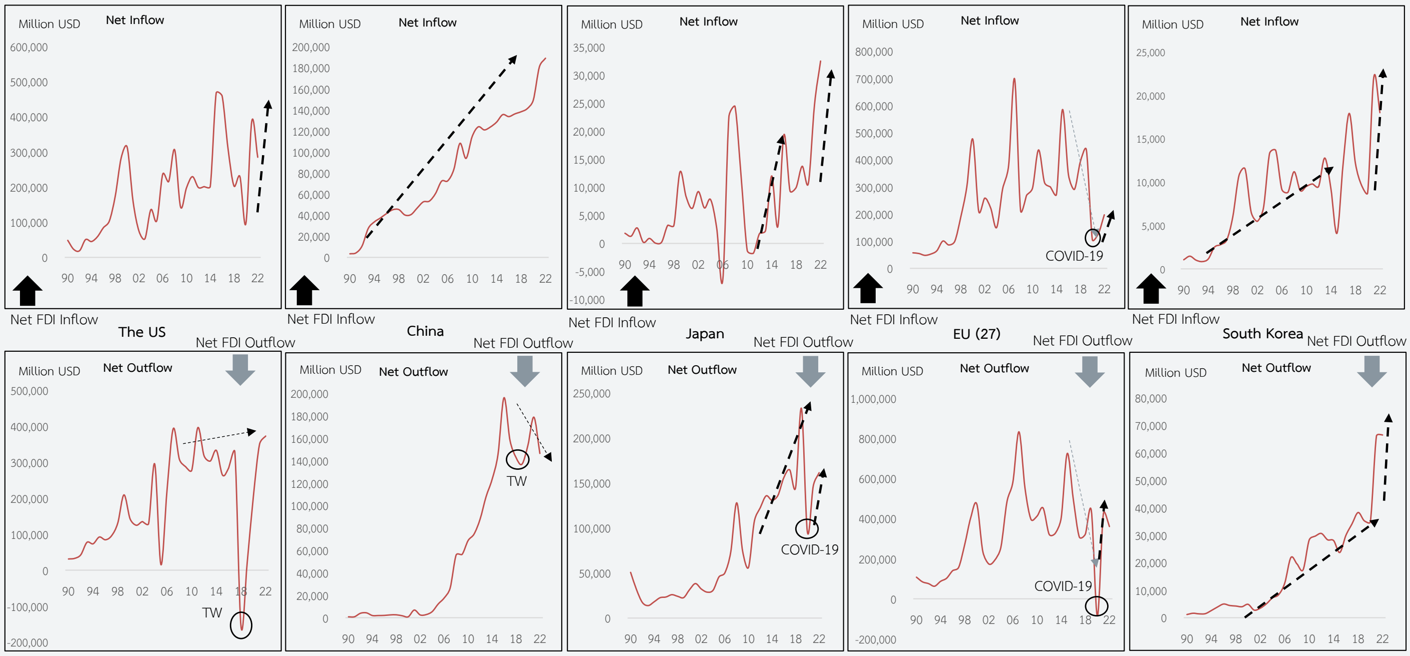


Source: UNCTAD

When considering the net foreign direct investment of major economies, namely the United States, Japan, China, and South Korea, it was found that Net FDI Inflow and Outflow in almost of these countries still tended to increase, especially after the COVID-19 crisis resolved, while Net FDI Outflow of China decreased due to the impact of the trade war between China and the United States. Obviously, South Korea's net capital inflows and outflows accelerated significantly. For the overall of foreign direct investment of economies in the Asian region including ASEAN, many newly industrialized economic countries' Net FDI Inflow tended to increase, except Hong Kong's net capital inflows which tended to reduce. For ASEAN countries, Vietnam's Net FDI Inflow greatly increased as being seen that it increased from 1,289 million USD in 2000 to 8,000 million USD in 2010 and to 15,800 million USD in 2020. Meanwhile, the trend of Thailand's Net FDI Inflow fluctuated and tended to slightly decrease. According to Bank of Thailand, in 2021 and 2022, Thailand's Net FDI Inflow value was recorded at 14,641 and 10,034 million US dollars, respectively, which increased from the COVID-19 period but slowed down compared to the pre-COVID-19 period in 2018 and 2013 recording 13,752 and 15,946 million US dollars, respectively.

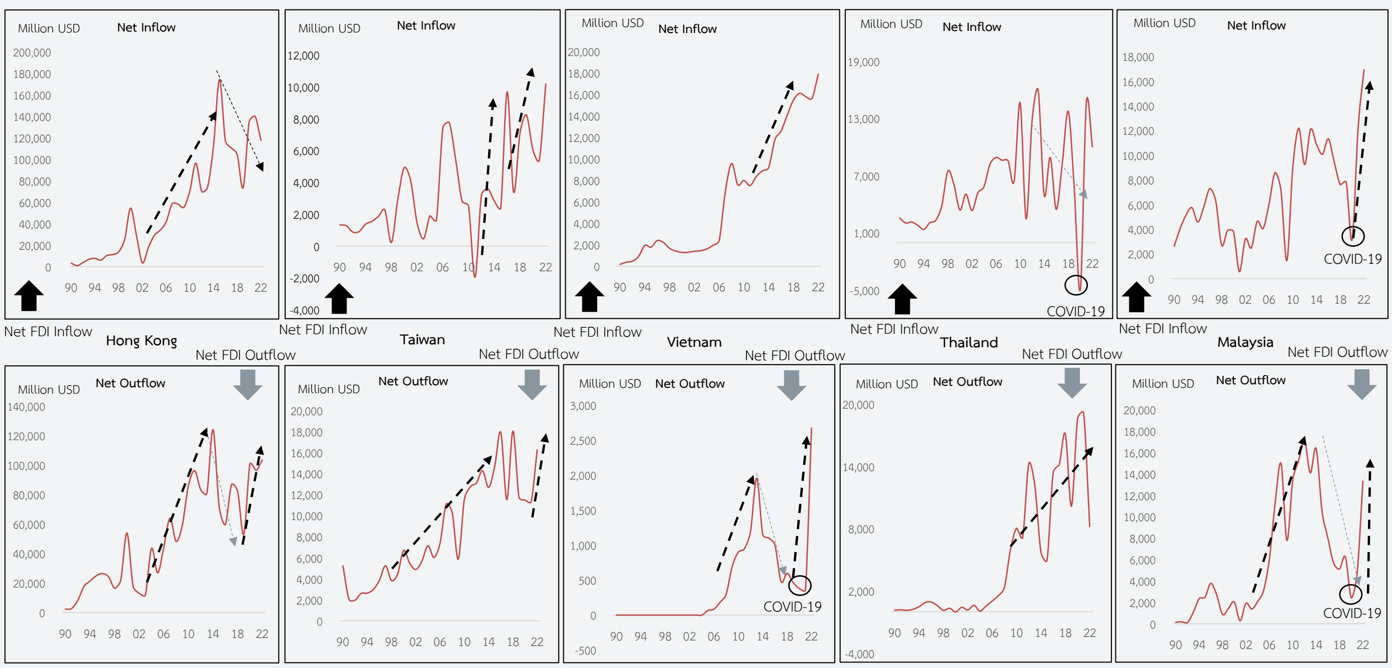
Situation of net foreign direct investment in the world

Figure 3: Net FDI: Outflow and Inflow of main-economy countries



Source: UNCTAD

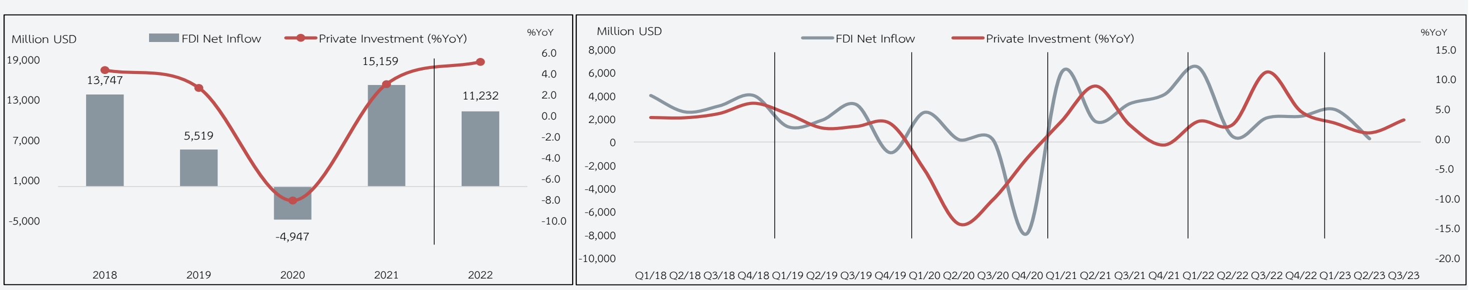
Figure 4: Net FDI: Outflow and Inflow of newly-industrialized economies and main-developing countries



ที่มา: UNCTAD

When comparing Thailand's net FDI Inflow to the growth rate of private investment, the trends were quite consistent, showing that Thai private investment quite correlated with net FDI Inflow.

Figure 5: Net FDI Inflow of Thailand

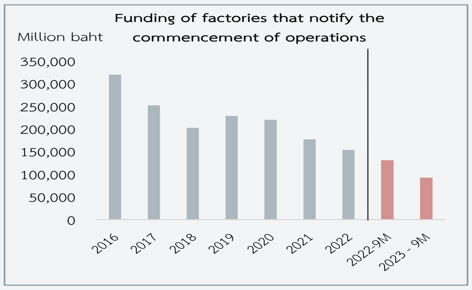


Source: BOT and NESDC

Notification of factories starting operations: an indicator reflecting new investment and employment of industrial enterprises

One of the indicators reflecting the investment and production of industrial enterprises is **Notification of factories starting operations** compiled by the Department of Industrial Works, Ministry of Industry. The factories have to inform the Department of Industrial Works that it has started operating a factory after receiving a factory license from the Department. This can reflect the actual money of investment and real number of employments that will enter the economy.

From 2016 and forth, the trend of the number of factories reporting to start business has decreased continuously. To be precise, the number of factories reporting starting business after receiving a factory license was 3,213 factories in 2016 and then decreased to 1,661 factories in 2022 and 980 factories in the first 9 months of 2023 (decreased by 24.0 percent compared to the same period in 2022). This resulted in the fact that real new investment along with new employment in actual number of factories reporting to start operations decreased during 2016 and 2022. The actual new investment decreased from 320 billion baht in 2016 to only 150 billion baht in 2022 and to 92 billion baht in the first 9 months of 2023 (decreased by 29.6 percent from the same period last year). The number of workers decreased from 103,000 people in 2016 to 47,000 people in 2022 and only 29,000 people in the first 9 months of 2023 (decreased by 26.4 percent from the same period last year). In another word, both actual amount of investment and employment were in a continuous downward trend.



Source: Department of Industrial Works

In addition, most of new investment and new employment of factories in the country were still concentratedly allocated in only a few provinces. In the first 9 months of 2023, provinces in the EEC area had new investment and new employment amounted to 31.2 billion baht (accounting for 34.1 percent of total new investment from factories that had started operations) and 9,392 people (accounting for 32.1 percent of new employment from factories that had started operations). The province with the highest amount of new investment and new employment was Chachoengsao recorded new investment funds at 20 billion baht (accounting for 22.1 percent of total new investment from factories that had started operations) and new employment at 4,214 people (accounting for 14.5 percent of new employment from factories that had started operations). As for other provinces outside the EEC area, there was new investment of 60 billion baht (representing 65.9 percent of total new investment from factories that had started operations) and new employment of 19,682 people (representing 67.9 percent of new employment from factories that had started operations). Noteworthy provinces outside the EEC area reported high level of Notification of factories starting operations included Pathum Thani, Samut Prakan and Ayutthaya.

Regarding the average time for factories to operate after receiving business permission, the average time for factories to start operations after receiving business permission in the first 9 months of 2023 was 309 days, faster than in 2022 which was 349 days on average. When considering the size of the factory measured by the amount of investment, the factories in the small group (0 - 30 million baht for amount of investment) operated faster on average. On the other hand, factories in the medium and large groups (30 million baht - more than 10,000 million baht) operated slower (Except for factories with an investment size of 50 million baht - 100 million baht and an investment size of 1,000 million baht - 5,000 million baht that operated faster after receiving a business license).

Therefore, in order to encourage new investment and new employment to enter the economy faster, measures to expedite factories operating after receiving factory business licenses should be scrutinized, in particular, factories that have medium and large sizes of investment.

Table 1: Factory, funding, and employment of factories that notify the commencement of operations in main provinces during 9 months of 2023

	Real funding (Million baht)	(Percent)	Employment (Person)	(Percent)
Chachoengsao (EEC)	20,253	22.1	4,214	14.5
Pathum Thani	9,900	10.8	999	3.4
Samut Prakan	6,767	7.4	4,172	14.4
Rayong (EEC)	5,808	6.3	1,982	6.8
Ayutthaya	5,598	6.1	1,606	5.5
Chon Buri (EEC)	5,148	5.6	3,097	10.7
EEC	**31,209**	**34.1**	**9,392**	**32.1**
6 provinces	**53,476**	**58.3**	**16,070**	**55.5**
Others (70 provinces)	38,175	41.7	12,905	44.5
Total	**91,652**	**100.0**	**28,975**	**100.0**

Source: Department of Industrial Works

Table 2: Average day to begin manufacturing after receiving factory license, categorized by size of funds

Size of funds (baht)	Average day to begin manufacturing		Increase / Decrease (+,-)
	2022	2023	
Above 10,000,000,000	375		
5,000,000,001 - 10,000,000,000	7	79	72
1,000,000,001 - 5,000,000,000	577	371	-206
500,000,001 - 1,000,000,000	328	360	32
100,000,001 - 500,000,000	267	410	144
50,000,001-100,000,000	431	420	-11
30,000,001 - 50,000,000	297	344	47
15,000,001 - 30,000,000	337	250	-87
10,000,001 - 15,000,000	417	366	-51
5,000,001-10,000,000	331	228	-103
0-5,000,000	341	271	-70
Average	**349**	**309**	**-40**

Source: Department of Industrial Works

Projection for 2023 and 2024[1/]

	Actual Data		Projection		
			2023		2024
	2021	2022	Aug 21, 2023	Nov 20, 2023	Nov 20, 2023
GDP (at current prices: Bil. Baht)	16,166.6	17,370.2	18,169.3	18,047.7	19,022.2
GDP per capita (Baht per year)	231,986.1	248,677.2	259,409.3	257,673.3	270,921.8
GDP (at current prices: Bil. USD)	505.5	495.3	534.4	517.1	551.4
GDP per capita (USD per year)	7,254.1	7,090.9	7,629.7	7,383.2	7,852.8
GDP Growth (CVM, %)	1.5	2.6	2.5 - 3.0	2.5	2.7 - 3.7
Investment (CVM, %)[2/]	3.1	2.3	1.6	1.3	1.6
Private (CVM, %)	3.0	5.1	1.5	2.0	2.8
Public (CVM, %)	3.4	-4.9	2.0	-0.8	-1.8
Private Consumption (CVM, %)	0.6	6.3	5.0	7.0	3.2
Government Consumption (CVM, %)	3.7	0.2	-3.1	-4.2	2.2
Export volume of goods & services (%)	11.1	6.8	5.0	2.9	6.2
Export value of goods (Bil. USD)	270.6	285.2	280.1	279.6	290.2
Growth rate (%)[3/]	19.2	5.4	-1.8	-2.0	3.8
Growth rate (Volume, %)[3/]	15.5	1.2	-1.8	-3.1	3.3
Import volume of goods & services (%)	17.8	4.1	1.1	-2.2	6.3
Import value of goods (Bil. USD)	238.2	271.6	268.5	264.2	276.7
Growth rate (%)[3/]	27.7	14.0	-1.1	-2.7	4.7
Growth rate (Volume, %)[3/]	17.9	1.2	-0.6	-3.9	3.7
Trade balance (Bil. USD)	32.4	13.5	11.6	15.4	13.5
Current account balance (Bil. USD)	-10.3	-15.7	6.6	5.4	8.5
Current account to GDP (%)	-2.0	-3.2	1.2	1.0	1.5
Inflation (%)					
CPI	1.2	6.1	1.7 - 2.2	1.4	1.7 - 2.7
GDP Deflator	1.7	4.7	1.5 - 2.0	1.4	1.7 - 2.7

Source: Office of the National Economic and Social Development Council, 20th November 2023

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

[2/] Investment means Gross Fixed Capital Formation

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

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