



NESDC ECONOMIC REPORT

Thai Economic Performance in Q1 and Outlook for 2023

Macroeconomic Strategy and Planning Division

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The Thai Economy in the first quarter of 2023 expanded by 2.7 percent (%YoY), accelerating from 1.4 percent in the previous quarter. After seasonally adjusted, the economy increased by 1.9 percent from the fourth quarter of 2022 (%QoQ sa).



On expenditure side, the economy was mainly driven by the robust growth of export of services and private consumption, along with the continual expansion of both private and public investment. Nonetheless, export of goods and government expenditure contracted.



On the production side, accommodation and food service activities sector, transportation and storage sector, wholesale and retail trade; repair of motor vehicles and motorcycles sector, construction sector, and agricultural sector grew at accelerated pace while manufacturing sector and electricity, gas, steam and air conditioning supply sector contracted.

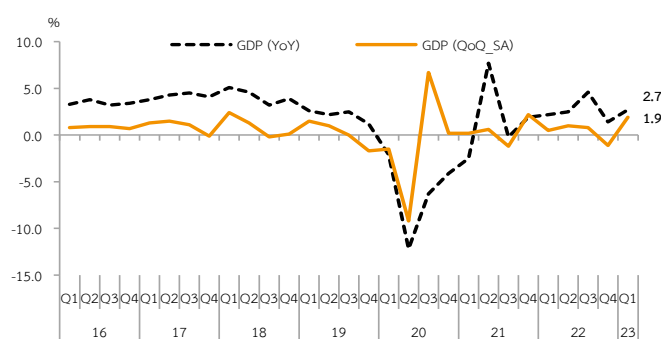
The Thai economy in 2023 is projected to expand in the range of 2.7 – 3.7 percent. Key supporting factors include: (1) the recovery of the tourism sector; (2) the favorable expansion of private consumption; and (3) the continual expansion in both private and public investments. Private consumption expenditure is expected to increase by 3.7 percent. Private and public investments are projected to increase by 1.9 percent and 2.7 percent, respectively. Meanwhile, export value of goods in US dollar terms is anticipated to decline by 1.6 percent. Headline inflation is estimated to be in the range of 2.5 – 3.5 percent and the current account is projected to record a surplus of 1.4 percent of GDP.

Economic Projection for 2023

(%YoY)	2021	2022		2023		
	Year	Year	Q3	Q4	Q1	Year(f)
GDP (CVM)	1.5	2.6	4.6	1.4	2.7	2.7 – 3.7
Investment ^{1/}	3.1	2.3	5.5	3.9	3.1	2.1
Private	3.0	5.1	11.2	4.5	2.6	1.9
Public	3.4	-4.9	-6.8	1.5	4.7	2.7
Private Consumption	0.6	6.3	9.1	5.6	5.4	3.7
Government Consumption	3.7	0.2	-1.5	-7.1	-6.2	-2.6
Export of Goods ^{2/}	19.2	5.5	6.7	-7.5	-4.6	-1.6
Volume ^{2/}	15.5	1.3	2.1	-10.3	-6.4	-1.1
Import of Goods ^{2/}	27.7	15.3	23.2	-0.3	1.3	-1.9
Volume ^{2/}	17.9	2.0	8.0	-9.2	-3.3	-0.4
Current Account to GDP (%)	-2.1	-3.5	-6.4	0.7	3.1	1.4
Inflation	1.2	6.1	7.3	5.8	3.9	2.5 – 3.5

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

Thai economy in Q1/2023



Source: NESDC

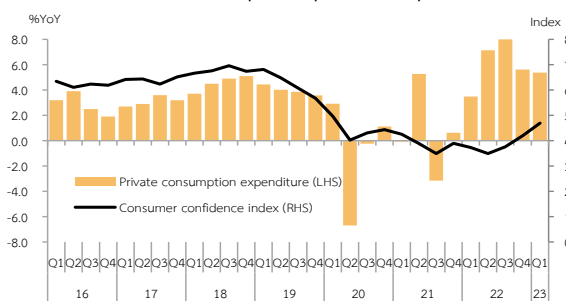
The economic management for the remaining of year 2023 needs to prioritize on following issues: (1) **Fostering export sector**, by: (i) boosting exports to major markets coupled with expanding to new potential markets; (ii) monitoring and surveilling closely on the situation and condition of global trade and financial market that could impact the export sector; (iii) encouraging the business sector to appropriately manage risk of exchange rate fluctuation; (iv) facilitating export procedure and lowering related costs; (v) utilizing benefits from the Regional Comprehensive Economic Partnership (RCEP), along with expediting the ongoing Free Trade Agreement negotiations; and (vi) enhancing the competitiveness of the export sectors. (2) **Stimulating private investment**, by: (i) speeding up projects already approved and obtained investment promotion certificates in 2020 - 2022 to start their actual investments, especially those in the targeted industries; (ii) solving difficulties and obstacles hindering investors and entrepreneurs from investing and doing business; (iii) implementing proactive investment promotions and facilitating investors in targeted industries; (iv) stimulating investments in the Eastern Economic Corridor (EEC) and other special economic zones; (v) supporting investment in the key economic areas and transport infrastructure; and (vi) enhancing high-skilled labors. (3) **Catalyzing the recovery in tourism and related service sector**, by: (i) solving difficulties and preparing the tourism sector to be ready for the resuming of foreign tourists; (ii) promoting the development of high-quality tourism; (iii) supporting the tourism promotion events and other related activities; and (iv) promoting domestic tourism. (4) **Supporting agricultural production and farmers' income** during the cultivation season 2023/24, together with preparing policies for cushioning the impact from climate variability as well as the rising agricultural material cost, and (5) **Maintaining the economic and political conditions after the general election**.

1. The Thai Economy in Q1/2023

Expenditure Side:

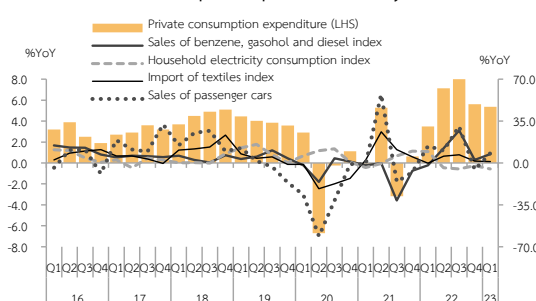
Private consumption expenditures expanded by 5.4 percent, continuing from 5.6 percent in the previous quarter. This was in line with a recovery in tourism sector, the rising of consumer confidence index, and continued improvement in labor market, thus leading to the expanded expenditures in all categories. **The expenditure in services** expanded at a favorable rate of 11.1 percent, following a high growth rate of restaurants & hotels at 108.1 percent. **The expenditure on durable goods** expanded by 2.4 percent, compared with a 1.0-percent drop in the previous quarter. This was in accordance with the purchase of vehicles increasing by 4.1 percent, compared with a 2.6-percent drop in the previous quarter. **The expenditure in non-durable goods** expanded by 2.3 percent, following an acceleration of spending on food and non-alcoholic; alcoholic beverages, tobacco and narcotic at 3.6 and 2.5 percent, respectively. Finally, **the expenditure in semi-durable goods** expanded by 1.6 percent, equivalent to the previous quarter, due to an acceleration of spending on the clothing & footwear while the spending on furnishings, household equipment & routine maintenance of the house declined. The consumer confidence index towards the economic situation increased to 46.9 from 42.0 in the previous quarter, remarked as the highest level in twelve 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 2.6 percent, decelerating from 4.5 percent in the previous quarter, following a deceleration of investment in the machinery and equipment as well as the construction. **The investment in machinery and equipment** expanded by 2.8 percent, decelerating from 5.1 percent in the previous quarter. This was in line with a deceleration in the domestic machinery sales by 1.6 percent, compared with 2.2 percent in the previous quarter. **The investment in construction** also expanded by 1.1 percent, decelerating from 1.9 percent in the previous quarter. This is due to dwellings grew by 2.7 percent, decelerating from 3.1 percent in the previous quarter and non-dwelling construction declined by 5.3 percent, compared with a 3.1-percent growth in the previous quarter in line with the decrease in construction on factories and commercial buildings after the acceleration of construction during the past year. The Business Sentiment Index (BSI) in this quarter increased to 51.1 from 48.5 in the previous quarter, higher than level of 50 for the first time in 16 quarters.

Private investment expanded



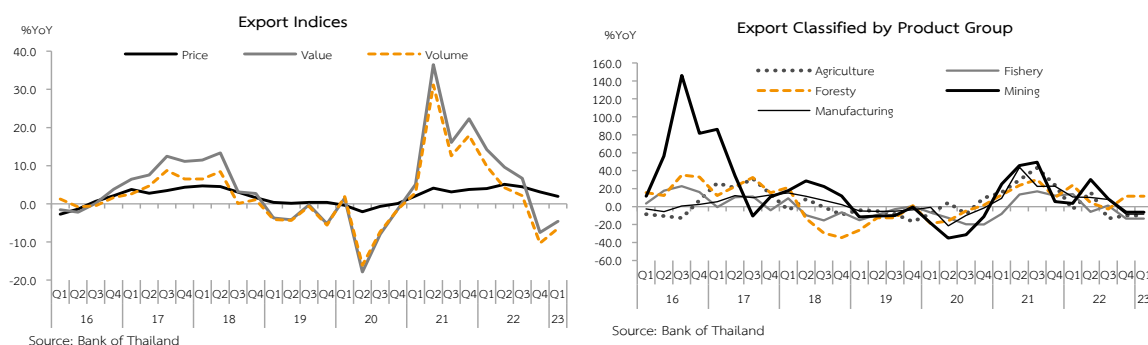
Source: NESDC

In the first quarter of 2023, private consumption expenditures and private investment expanded while export of goods continued to decline.

Private consumption expanded by 5.4 percent, continuing from 5.6 percent in the previous quarter which is in line with a recovery of the tourism sector and improvement in both the consumer confidence and the labor market.

Private investment expanded by 2.6 percent, decelerating from 4.5 percent in the previous quarter, following the deceleration of investment in both the machinery and equipment, and the construction.

Exports in US dollar terms continually declined from the previous quarter. This was in line with the economic slowdown in trading partners and partly due to the high export base in the same period last year. Export value in the first quarter of 2023 was recorded at 69.8 billion US dollars or fell by 4.6 percent, continued to a 7.5-percent decrease in the previous quarter. **The export volume index** declined by 6.4 percent, continuing to a 10.3-percent decrease in the previous quarter mainly due to the reduction of export volume of manufacturing and fishery products, while agricultural products yet grew. **The export price** increased by 2.0 percent, slowing down from a 3.1-percent rise in the previous quarter following the deceleration of export price of manufacturing and fishery product, while agricultural products accelerated in line with the growth in demand in key trading partners. Excluding unwrought gold, export value declined by 2.4 percent, compared with a 7.3-percent decrease in the previous quarter. **In Baht terms**, export value was recorded at 2,371 billion Baht, which has fell for the first time in nine quarters by 2.0 percent, compared with an 0.8-percent increase in the previous quarter.



Export value of agricultural commodities returned to expand by 6.9 percent. The export volume rose by 3.2 percent owing to a growth in export volume of rice and durian while export price grew by 3.7 percent due to an increase in export price of rice and sugar. **Export value of manufacturing products** declined by 3.3 percent, compared with an 8.3-percent decrease in the previous quarter. **Export value of fishery products** declined by 13.2 percent as a result of a decrease in export volume by 15.8 percent while export price rose by 3.1 percent. **Export value of other products** fell by 37.8 percent.

Export items with decreased value included chemicals & petrochemical products (21.6 percent), vehicle parts & accessories (8.2 percent), computer parts & accessories (24.9 percent), integrated circuits & parts (0.2 percent), rubber (37.7 percent), beverage (1.3 percent), and crustaceans (11.1 percent). On the other hand, **export items with increased value** included parts of electrical appliances (27.3 percent), passenger car (29.0 percent), pick up and trucks (5.5 percent), air conditioning machines (12.5 percent), toiletries and cosmetics (10.3 percent), rice (24.7 percent), durian (218.9 percent), and sugar (33.3 percent).

Export value in US dollar terms continually decreased by 4.6 percent, following the economic slowdown in trading partners and partly due to the high export base in the same period of the last year.

Export value excluding unwrought gold fell by 2.4 percent.

Export value of agricultural commodities increase according to a growth in exports of rice, durian and sugar.

Export value of manufacturing products fell.

Export value of fishery products declined.

Export Value of Major Product in US Dollar Term

%YoY	2021		2022				2023		Share Q1/23 (%)
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q1	
Agriculture	28.1	-1.7	-3.0	16.2	-13.2	-10.0	6.9	6.2	
Rice	-7.2	14.7	17.1	46.6	12.4	-2.2	24.7	1.6	
Rubber	58.6	-7.7	6.2	3.0	0.2	-36.9	-37.7	1.4	
Durian	68.3	-7.7	-48.3	9.8	-53.0	96.4	218.9	0.5	
Other fruits	27.2	-13.5	-13.4	45.4	-39.4	-26.0	23.5	0.7	
Manufacturing	23.5	4.8	10.6	10.2	7.9	-8.3	-3.3	88.7	
Food	7.4	20.6	28.2	32.2	26.1	-1.6	2.8	8.2	
Sugar	-8.9	92.0	181.8	116.8	121.4	-8.3	33.3	2.0	
Fish, canned, prepared, or preserved	-14.7	13.9	3.3	20.9	28.0	6.2	-2.3	1.0	
Tapioca & cassava starch	44.0	6.5	5.8	18.9	7.5	-3.2	-29.9	0.5	
Fruits & vegetables, canned, prepared, or preserved	8.3	10.8	9.4	30.2	20.5	-13.7	-21.4	0.3	
Beverages	3.6	5.2	4.6	0.5	14.5	2.2	-1.3	1.0	
Rubber products	19.1	-12.6	-25.0	-13.1	-8.0	0.2	0.3	2.4	
Animal food	23.5	15.8	26.3	21.6	22.0	-4.4	-20.5	0.8	
Electronics	18.9	3.8	17.0	2.5	5.1	-7.2	-8.0	11.2	
- Computer	47.1	0.6	67.6	-18.0	10.2	-31.5	19.2	0.4	
- Computer parts & accessories	20.9	-11.1	15.1	-10.1	-13.2	-31.2	-24.9	4.2	
- Integrated circuits & parts	19.0	9.4	17.7	9.4	11.6	0.5	-0.2	3.3	
Electrical appliances	19.9	2.8	7.5	-0.9	7.4	-2.8	4.6	10.4	
- Air conditioning machines	22.5	8.8	5.6	1.0	38.7	-1.6	12.5	2.9	
- Refrigerators	13.3	-7.1	6.8	-3.3	-1.4	-30.7	-18.8	0.7	
- Parts of electrical appliances	11.4	13.3	4.9	3.8	13.6	31.3	27.3	2.9	

Export Value of Major Product in US Dollar Term (Cont.)

%YoY	2021		2022				2023	Share Q1/23 (%)
	Year	Year	Q1	Q2	Q3	Q4	Q1	
Metal & steel	46.5	3.9	19.5	21.2	-3.4	-17.8	-14.3	5.1
Automotive	35.7	-1.6	-5.8	-3.7	8.4	-4.1	2.1	15.2
- Passenger car	6.7	-30.9	-50.3	-48.3	-7.2	-1.5	29.0	2.5
- Pick up and trucks	60.0	-10.7	-28.8	-9.5	12.8	-9.4	5.5	2.7
- Vehicle parts & accessories	30.0	-0.2	3.5	1.8	2.3	-8.4	-8.2	6.6
Machinery & equipment	20.1	5.2	5.7	6.9	10.3	-1.7	-0.1	8.4
Chemicals & Petro-chemical Products	37.6	-3.2	18.6	4.8	-8.8	-23.7	-21.6	7.4
Petroleum products	64.3	14.3	23.2	62.9	10.3	-25.6	3.5	3.1
Medicinal and surgical equipment and supplies	18.8	4.5	3.5	8.0	9.9	-2.9	-0.3	0.8
Toiletries and cosmetics	2.4	6.7	8.3	14.3	9.0	-4.0	10.3	1.2
Furniture and parts	20.2	0.4	17.9	5.7	0.9	-20.2	-25.4	0.5
Fishery	8.8	-2.1	13.9	-5.8	1.1	-13.5	-13.2	0.5
Crustaceans	15.8	-7.7	8.1	-12.0	-4.3	-16.8	-11.1	0.2
Fish	-0.3	0.1	14.7	-4.1	6.5	-14.3	-24.3	0.1
Other Exports	-71.5	78.0	557.7	7.9	24.1	-19.7	-37.8	3.3
Non-monetary gold (excl. articles of goldsmiths)	-70.7	81.1	681.8	-0.8	23.7	-22.9	-46.9	2.7
Total Exports (Customs basis)	17.4	5.5	14.7	10.7	6.6	-8.5	-4.5	100.0
Exports, f.o.b. (BOP basis)	19.2	5.5	14.2	9.6	6.7	-7.5	-4.6	99.3
Export Value (exclude gold)	24.9	4.4	9.4	9.8	6.4	-7.3	-2.4	96.6

Source: Bank of Thailand

Export markets: Exports to the main markets decreased whereas exports to the Middle East (15), India, and the United Kingdom expanded. Exports to the US have declined for two quarters consecutively by 3.9 percent, primarily attributed to a decrease in exports of automatic data processing machines, rubber products, and motor cars, and parts and accessories. **Exports to China** have fallen for four quarters consecutively by 7.4 percent mainly due to a reduction in exports of polymers of ethylene, automatic data processing machines, and rubber. **Exports to Japan** have dropped for three consecutive quarters by 0.2 percent, following a decrease in exports of prepared poultry, chemical products, and machinery & parts. **Exports to ASEAN (5)** have reduced for two quarters consecutively by 2.2 percent, as a result of a reduction in exports to Malaysia and Singapore. Exports to CLMV declined by 6.3 percent, in line with a decrease in exports to Vietnam, Cambodia, and Laos. **Exports to EU (27)** have decreased for two quarters consecutively by 2.2 percent, due to a decline in exports of automatic data processing machines, rubber product and motor cars, and parts and accessories. **Exports to Australia** have declined for the second consecutive quarter by 13.3 percent, in line with a decrease in exports of motor cars and parts, air conditioning machines, and polymers of ethylene. Meanwhile, **exports to the Middle East (15)** have increased for eight consecutive quarters by 9.6 percent, supporting by the growth in exports of motor cars and parts, rice, and air conditioning machines. **Exports to India** rose by 3.7 percent, in line with an increase in exports of animal or vegetable fats and oils, iron, steel and products, and air conditioning machines. **Exports to the United Kingdom** have expanded for three consecutive quarters by 2.8 percent, due to an increase in exports of motor cars, parts and accessories, prepared poultry, and machinery & parts.

Exports to the main markets declined whereas exports to Middle East, India, and the United Kingdom increased.

Export Value to Key Markets in US Dollar Term

%YOY	2021		2022				2023	Share Q1/23 (%)
	Year	Year	Q1	Q2	Q3	Q4	Q1	
Total Exports (Mil US\$) (Customs basis)	272,006	287,068	73,559	75,528	72,181	65,799	70,280	100.0
(%YoY)	17.4	5.5	14.7	10.7	6.6	-8.5	-4.5	
United States	21.9	13.4	23.1	17.8	15.8	-1.3	-3.9	16.3
Japan	9.6	-1.3	1.2	0.9	-0.2	-7.1	-0.2	9.2
EU (27)	22.8	5.2	5.6	5.7	15.0	-4.8	-2.2	8.2
United Kingdom	13.0	15.6	18.1	-2.1	33.3	16.5	2.8	1.5
China	25.0	-7.7	4.1	-1.9	-18.1	-13.4	-7.4	11.0
ASEAN (9)	17.5	10.3	16.8	19.0	19.2	-10.9	-3.9	24.4
- ASEAN (5)*	19.9	9.5	27.0	23.1	11.9	-17.6	-2.2	14.5
- CLMV**	14.5	11.5	4.9	14.0	30.1	-0.9	-6.3	9.9
Middle East (15)	20.5	21.0	16.5	29.1	31.9	9.1	9.6	3.9
Australia	11.5	1.8	-2.3	-3.4	17.8	-2.9	-13.3	3.6
Hong Kong	2.7	-13.0	5.0	-7.2	-22.6	-24.7	-3.4	3.6
India	56.0	22.5	33.1	60.3	13.6	-6.1	3.7	3.8
South Korea	38.8	8.4	23.2	14.0	7.8	-10.3	-0.4	2.3
Taiwan	23.1	0.8	9.7	8.1	-2.6	-11.3	-2.5	1.6

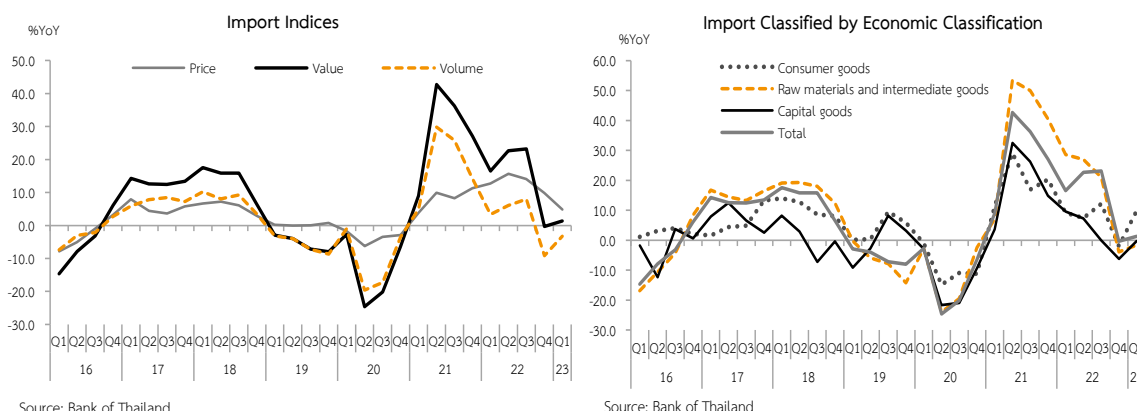
Note: * ASEAN (5) consist of Brunei, Indonesia, Malaysia, Philippines, and Singapore

** CLMV consist of Cambodia, Laos, Myanmar, and Vietnam

Source: Bank of Thailand

Import value in US dollar terms was recorded at 66.9 billion US dollars rose by 1.3 percent, compared with a 0.3 percent decline in the previous quarter. Import volume diminished by 3.3, compared with a 9.2 percent decrease in the previous quarter, while import price increased by 4.8 percent. Import values excluding the non-monetary gold (except for articles of goldsmiths) increased by 2.1 percent. **In Baht terms**, the import value stood at 2,267 billion Baht, increasing by 3.9 percent.

Import value in US dollar terms returned to expand by 1.3 percent.



By categories, most of the categories improved. **Import value of consumer goods** increased by 9.9 percent, compared with a 2.0-percent fall in the previous quarter. This was followed by a skyrocket in vehicles import by 179.1 percent partly resulting from an expansion of electric vehicles imports by 997.3 percent. **Import value of raw materials and intermediate goods** contracted by 1.6 percent, compared with a 3.9-percent decrease in the previous quarter. Import volume declined by 2.8 percent, compared with an 11.0-percent decrease in the previous quarter, while import price rose by 1.2 percent, slower than an 8.0 percent growth in the previous quarter. **Import value of capital goods** contracted by 0.3 percent, compared with a 6.2 percent decline in the previous quarter. Import volume decreased by 1.2 percent, compared with a 7.3-percent decline in the previous quarter. **Import value of other goods** dropped by 14.0 percent, compared with a 16.2-percent increase in the previous quarter, following by a downturn in imports of non-monetary gold.

Import Value of Major Product in US Dollar Term

%YoY	2021	2022				2023	Share Q1/23 (%)	
	Year	Year	Q1	Q2	Q3	Q4		Q1
Consumer goods	19.2	6.4	9.2	7.5	12.2	-2.0	9.9	13.3
- Exclude vehicles	19.2	5.2	10.4	8.2	8.9	-5.3	2.1	11.9
Food, beverage & dairy products	5.7	14.7	13.8	16.3	17.7	11.3	0.6	2.5
Vehicles	18.0	32.2	-12.2	-5.5	107.9	74.7	179.1	1.5
Cellular phone	39.0	-9.8	-12.3	8.1	35.4	-39.1	-10.7	1.4
Medicinal and pharmaceutical products	46.9	-6.9	52.9	10.3	-39.4	-21.9	-19.3	1.3
Animal & fishery products	24.0	5.9	9.3	-5.2	14.3	6.9	1.8	1.2
Raw materials and intermediate goods	36.2	17.5	28.6	27.0	21.0	-3.9	-1.6	66.0
- Exclude fuel	33.5	5.8	16.7	11.5	4.4	-8.3	-4.6	47.1
Parts of electronics and electrical appliances	20.4	8.9	20.4	14.9	7.7	-5.3	-1.2	15.4
Crude oil	45.7	59.1	71.0	97.9	72.6	11.7	11.2	12.2
Chemicals & petro-chemical products	39.1	6.7	19.0	14.3	5.6	-10.9	-10.8	9.1
Materials of base metal	60.9	-0.4	19.0	13.4	-8.6	-22.7	-15.1	8.4
Natural gas	43.7	109.4	262.0	113.8	233.3	-10.7	-1.1	3.7
Capital goods	18.4	2.4	9.6	7.3	0.03	-6.2	-0.3	17.3
Other machinery and mechanical appliances & parts	16.4	1.9	9.0	2.7	-0.8	-3.1	-5.1	7.4
Transformers, generators, motors and accumulators	20.9	7.0	8.5	9.9	7.3	2.6	4.8	1.9
Measuring, checking and precision instruments	16.8	0.7	-3.8	1.2	2.1	3.6	3.7	1.3

Import Value of Major Product in US Dollar Term (Cont.)

%YoY	2021		2022				2023	Share Q1/23 (%)
	Year	Year	Q1	Q2	Q3	Q4	Q1	
Aircrafts, ships, floating structures, and locomotive	20.4	11.4	27.1	68.4	9.1	-28.6	17.9	1.2
Computer	44.7	-15.6	21.5	-12.7	-19.8	-37.4	-16.4	0.8
Other Imports	19.7	22.8	-42.1	51.9	140.2	16.2	-14.0	3.4
Non-monetary gold (excl. articles of goldsmiths)	68.6	32.0	-54.1	103.6	245.8	23.4	-24.2	1.9
Other imports, n.i.e.	-27.5	2.3	14.4	-8.2	3.7	0.8	5.3	1.4
Total Imports (Customs basis)	29.5	13.6	17.0	21.8	20.2	-3.3	-0.5	100.0
Imports, f.o.b. (BOP basis)	27.7	15.3	16.5	22.7	23.2	-0.3	1.3	91.2
Import Value (exclude gold)	26.5	14.6	22.0	21.0	18.1	-1.0	2.1	89.2

Source: Bank of Thailand

Import Volume Indices by Economic Classification

Volume indices	2021					2022					2023
%YoY	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Consumer goods	14.8	8.3	24.0	12.6	15.2	1.5	4.5	1.7	6.5	-5.7	5.4
Raw materials and intermediate goods	16.1	-1.7	26.9	26.8	15.9	2.2	8.4	6.3	5.5	-11.0	-2.8
Capital goods	16.2	2.1	30.3	24.0	11.8	-0.4	6.1	3.3	-3.0	-7.3	-1.2
Total Imports	17.9	4.9	29.8	25.8	14.2	2.0	3.4	6.1	8.0	-9.2	-3.3

Source: Bank of Thailand

Import Price Indices by Economic Classification

Price indices	2021					2022					2023
%YoY	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Consumer goods	3.8	2.9	4.1	3.9	4.4	4.9	4.4	5.7	5.4	4.0	4.3
Raw materials and intermediate goods	17.3	9.0	20.9	18.3	21.2	15.0	18.6	19.4	14.7	8.0	1.2
Capital goods	1.9	1.5	1.7	1.8	2.7	2.9	3.3	3.8	3.2	1.1	1.0
Total Imports	8.3	3.9	9.9	8.3	11.3	13.0	12.7	15.7	14.0	9.8	4.8

Source: Bank of Thailand

Term of trade decreased as import price expanded by 4.8 percent, faster than the growth of export price which grew by only 2.0 percent. Thus, the term of trade this quarter stood at 95.8, decreasing from 98.5 in the same quarter last year and from 96.1 in the previous quarter. The term of trade has been recorded under 100 for five quarters consecutively.

Trade balance in the first quarter of 2023 was recorded a surplus of 2.9 billion US dollars, lower than a surplus of 3.0 billion US dollars in the previous quarter and a surplus of 7.2 billion US dollars in the same quarter of last year. **In Baht terms**, trade balance was recorded a surplus of 104.4 billion Baht, lower than a surplus of 108.8 billion Baht in the previous quarter and a surplus of 237.4 billion Baht in the same period of the previous year.

Term of trade declined.

Trade surplus was at 2.9 billion US dollars, lower than a surplus recording in the same quarter of the last year.

Term of trade

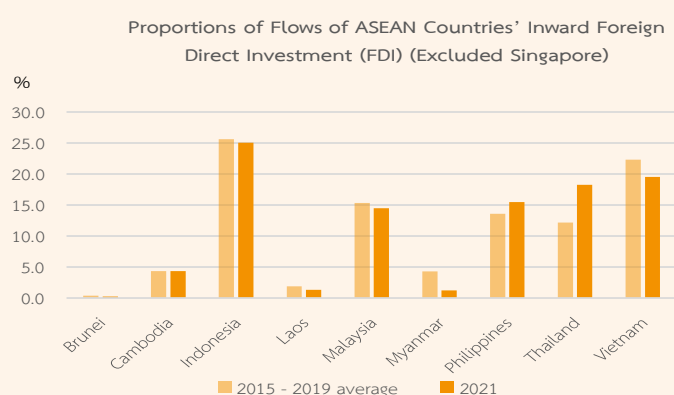
%YoY	2021					2022					2023
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Q1
Term of trade*	104.7	106.8	105.5	104.5	102.3	96.5	98.5	95.9	95.7	96.1	95.8
%YOY	-4.7	-1.8	-5.3	-4.8	-6.8	-7.8	-7.8	-9.1	-8.4	-6.1	-2.7

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.

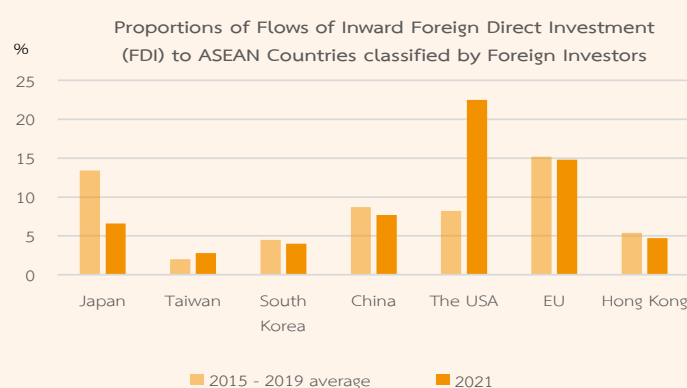
Source: Bank of Thailand

Changes in Structure of Investment and Trade

Direction of trade and investment has gradually changed over the decade. According to the data of the flows of Inward Foreign Direct Investment (FDI) into ASEAN Countries reported in ASEAN Investment report 2022 launched by Association of Southeast Asian Nations (ASEAN) and United Nations Conference on Trade and Development (UNCTAD), in 2021, Flows of Inward FDI recorded in ASEAN totaled 179.2 billion USD. The highest was from the US amounted 40.0 billion USD accounting for 22.5 percent from total amount of Flows of Inward FDI in ASEAN and increasing from 8.2 percent on average during 2015 - 2019 (Trade War period and before the Covid-19 pandemic). China's Flows of Inward FDI, on the other hand, was recorded at 14.0 billion USD accounting for 7.7 percent, decreased from 8.7 percent on average during 2015 - 2019. Except Singapore, ASEAN member receiving the highest amount of Flows of Inward FDI was Indonesia recorded at 20.1 billion USD, accounting for 25.1 percent from total amount (excl. Singapore Inward FDI), declining from 25.6 percent on average during 2015 - 2019. The second largest recipient was Vietnam recorded at 15.7 billion USD accounting for 19.5 percent, dropping from 22.3 percent on average during 2015 - 2019. Thailand, the third largest, received flows of Inward FDI recorded at 14.6 billion USD, accounting for 18.3 percent, increasing from 12.2 percent on average during 2015 - 2019



Source: Association of Southeast Asian Nations and UNCTAD



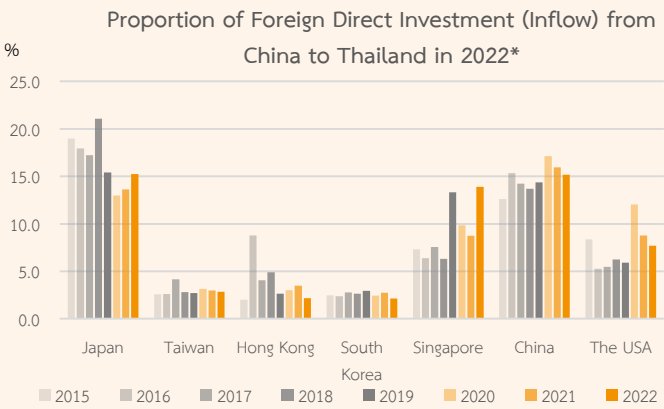
Source: Association of Southeast Asian Nations and UNCTAD

Meanwhile, Thailand FDI (Inflow) data from Bank of Thailand showed that the inflow of Foreign Direct Investment from China in 2022 was recorded at 10.08 billion USD, close to the inflow of Foreign Direct Investment from Japan and higher than the amount from US which both was recorded at 10.13 billion USD and 5.1 billion USD, respectively. Therefore, the proportion of inflow of Foreign Direct Investment from China to Thailand in 2022 stood at 15.2 percent from total FDI (Inflow) to Thailand, improving from 14.0 percent on average during 2015 - 2019. The proportion of US FDI toward Thailand was 7.7 percent, increasing from 6.3 percent on average during 2015 - 2019. On the other hand, the proportion of Japan FDI toward Thailand in 2022 was 15.3 percent, decreasing from 18.1 percent on average during 2015 - 2019. Structurally, considering only the amount of FDI (Inflow) enabling to be classified by sector, it could be seen that, the sector contained the highest amount of FDI from China was manufacturing, accounting for 42.0 percent of total amount of FDI from China (21.3 percent in manufacturing of rubber and plastic product and 9.5 percent in manufacturing in motor vehicle). The following largest sector were financial and insurance activities, electricity, gas, steam and air conditioning supply, and wholesale and retail trade; repair of motor vehicles and motorcycles, accounting for 12.2 percent, 6.7 percent, and 4.5 percent, accordingly. On the other hand, the sector with the highest amount of FDI from US was wholesale and retail trade; repair of motor vehicles and motorcycles, accounting for 46.6 percent of total amount of FDI from US. The second and third were manufacturing and real estate activities, accounting for 20.0 percent and 11.7 percent of total amount, respectively.

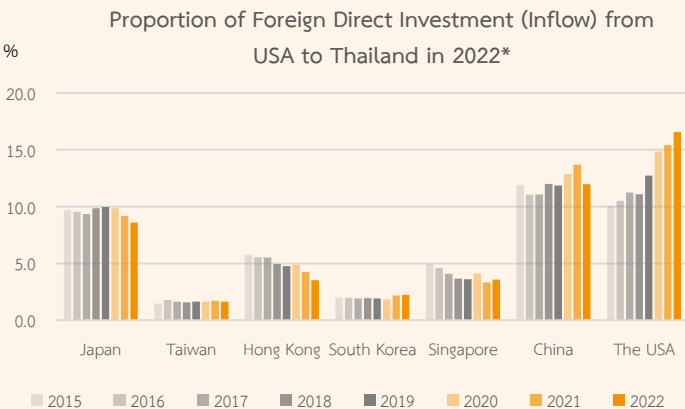
In term of international trade, according to Thai export data, US and China have gradually increased their significance in Thai export. The amount of Thai export to US in 2022 was the highest recorded at 47.5 billion USD, accounting for 16.6 percent of total Thai Export or increasing from 11.1 percent on average during 2015 - 2019. Important products in term of high growth rate included diode and transistor, electrical appliances and components, etc. Meanwhile, the amount of Thai export to China in 2022 was recorded as the second largest country at 34.4 billion USD, accounting for 12.0 percent of total Thai Export, increasing from 11.6 percent on average during 2015 - 2019. Important products in term of high growth rate such as rubber products and cassava product, etc.

Changes in Structure of Investment and Trade (Cont.)

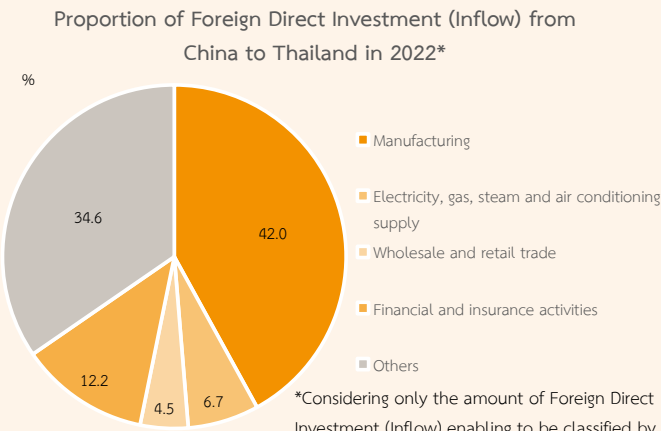
Amongst the tendency of a prolonged conflict that could lead to implementation of trade barrier measures as well as the competition in technology between the two great powers who are the important trade partners and investors of Thailand, Thai supply chain system would be affected avoidably. However, it can be both opportunities and challenges in the economy from the business relocations and new investment. Therefore, it is necessary that Thailand needs to implement policies attracting investments, especially the investments in strategic industries, along with collaborating an establishment of regional supply chain to be more impregnable, as well as driving and increasing competitiveness in international trade capability in both side of products and marketplaces, in order to create trade opportunities and reduce threats from any impacts from unpreferable situations.



Source: Bank of Thailand

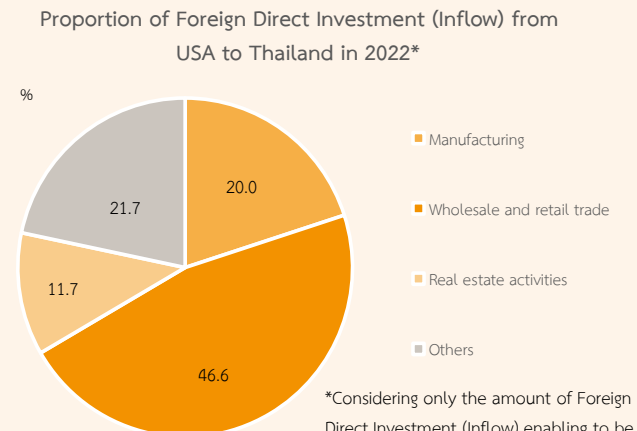


Source: Ministry of Commerce (Thailand)



Source: Bank of Thailand

*Considering only the amount of Foreign Direct Investment (Inflow) enabling to be classified by sector

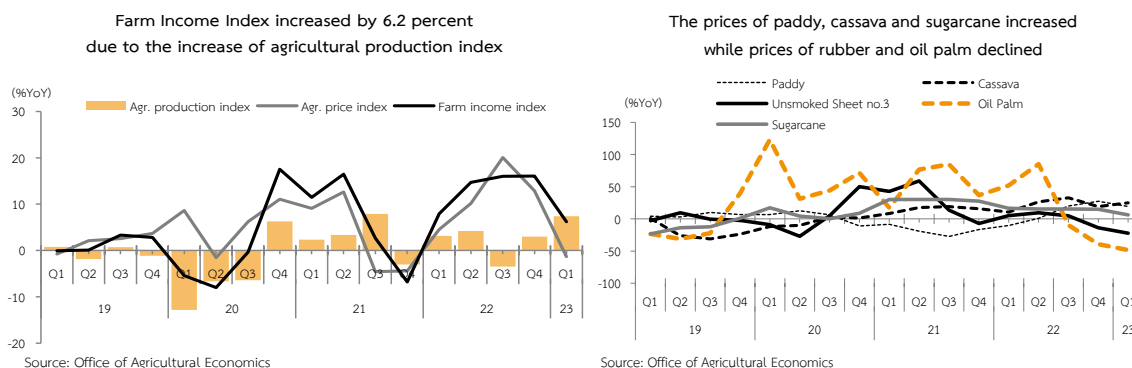


Source: Bank of Thailand

*Considering only the amount of Foreign Direct Investment (Inflow) enabling to be classified by sector

Production Side:

Agriculture, forestry, and fishing sector expanded by 7.2 percent, accelerating from a 3.4-percent expansion in the previous quarter. The expansion was supported by favorable weather conditions and sufficient water supply. This was in line with a growth of **Agricultural Production Index** of 7.4 percent, compared to a 3.0-percent growth in previous quarter. Major agricultural products with production expansion included: (i) **paddy** (20.4 percent), due to an increase in crop yields as a result of the price incentive enhanced farmers to expend plantation areas as well as a favorable weather condition, (ii) **fruits** (22.5 percent), especially durian (279.2 percent) following an increase in crop yields as a result of the favorable weather condition, (iii) **oil palm** (30.0 percent), owing to an increase in crop yields as a result of favorable weather condition, (iv) **sugarcane** (17.1 percent), due to the price incentive which caused farmers to expand plantation areas and the favorable weather condition which led to an improvement in crop yields, and (v) **poultry** (2.2 percent), owing to an increase in global market demand, particularly the UK and China. On the other hand, major agricultural products with production contraction included cassava (-3.7 percent), maize (-2.5 percent), and white shrimp (-2.5 percent), etc. **Agricultural Price Index** decreased for the first time in the four quarters with a 1.3-percent contraction, following a decrease in main agricultural products such as (i) **rubber** (-22.2 percent), owing to a decline in global rubber prices and an increase in domestic rubber production, (ii) **oil palm** (-48.4 percent), following a decline in global palm oil price and the high level of domestic palm oil stocks, and (iii) **white shrimp** (-10.6 percent), due to a decrease in global demands, particularly Japan and USA. However, several major agricultural price index with the increase included paddy (19.2 percent), cassava (25.0 percent), poultry (11.1 percent), maize (26.0 percent), and fruits (2.8 percent), etc. Rising in agricultural production indexes and several major agricultural price indexes thus led to **Farm Income Index** growing for the fifth consecutive quarter by 6.2 percent.



Manufacturing sector decreased by 3.1 percent, continuing from a 5.0-percent drop in the previous quarter, following a continuous decline in export of goods for the second consecutive quarter. This decline corresponds to a 3.9-percent decline in the Manufacturing Production Index (MPI), compared to a 6.0-percent decline in the previous quarter. **Manufacturing Production Index of the industries of the export-oriented industries (with export share more than 60 percent of total production)** decreased by 13.7 percent, continuing from a 14.8-percent decline in the previous quarter. The key production contraction included manufacture of computers and peripheral equipment, which decreased by 37.6 percent compared to a 42.5-percent drop in the previous quarter. In particular, the production of Hard Disk Drives (HDD) declined by 38.5 percent. Meanwhile, manufacture of furniture decreased by 48.9 percent due to the special orders from abroad that boosted the production last year, and China, the world number one furniture manufacturers, began to resume production and export of furniture. **Manufacturing Production Index of the domestic-oriented industries (with export share less than 30 percent of total production)** decreased by 1.9 percent but improved compared to a 5.1-percent decrease in the previous quarter. The key production contraction included synthetic rubber in primary forms 16.6 percent drop, which was an improvement compared to a 19.6-percent drop in the previous quarter according to the improved domestic demand for plastics and synthetic rubber. Moreover, the manufacture of basic iron and steel also decreased by 8.9 percent, which was an improvement compared to a 10.3-percent drop in the previous quarter. This could be attributed to some consumers switching back to use higher quality domestic steel instead of foreign steel. **Manufacturing Production Index, with export between 30 to 60 percent of total production**, increased for the third consecutive quarter by 1.7 percent, accelerated from a 1.4-percent increase in the previous quarter. The manufacture of motor vehicles increased by 7.2 percent, and manufacture of sugar increased by 10.5 percent, largely due to the rising demand from countries like Indonesia and South Korea.

Production side improved from the previous quarter at a higher pace following accommodation and food service activities, agricultural sectors, transportation and storage sectors, wholesale and retail trade sectors, and construction sector accelerating. However, manufacturing and electricity sector decreased.

Agriculture, forestry, and fishing sector expanded for the second consecutive quarter by 7.2 percent, accelerated from the previous quarter following to the increase in several major agricultural products.

The expansion was supported by favorable weather conditions and sufficient water supply. Besides, price of agricultural products declined. However, the increase in price several key agricultural products, thus led to Farm Income Index growing for the fifth consecutive quarter.

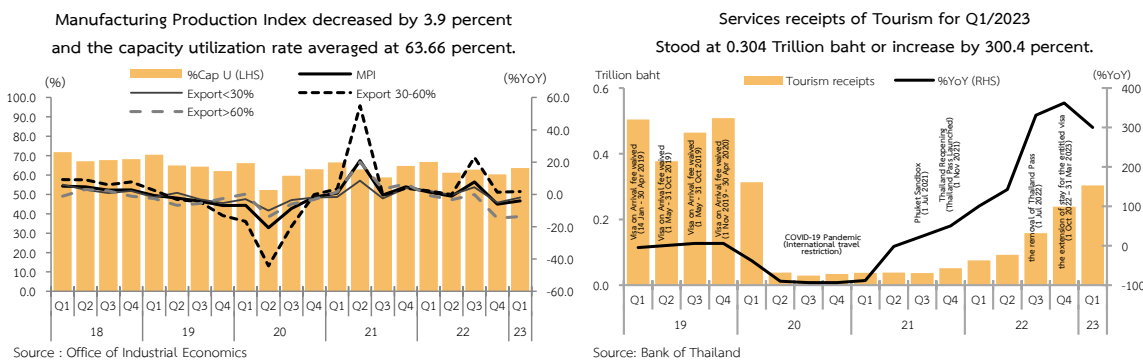
Manufacturing sector continued to decline for the 2nd consecutive quarter by 3.1 percent, in line with a decline in export of goods.

The export-oriented industries (with export share more than 60 percent of total production) and the domestic-oriented industries (export less than 30 percent of total production) declined while the manufacturing production of the industries with 30 - 60 percent export share to total production accelerated.

The average capacity utilization rate in this quarter was at 63.66 percent, higher than 60.32 percent in the previous quarter, but lower than 66.77 percent in the same quarter last year. In details, the 30 key manufacturers, there were five industries having capacity utilization above 80 percent, namely, sugar (104.29 percent), refined petroleum products (87.37 percent), slaughtering and packing of poultry (82.55 percent), plastics and synthetic rubber in primary forms (80.95 percent), and motor vehicles (80.46 percent).

Manufacturing production index with negative growth included computers and peripheral equipment (-37.6 percent), furniture (-48.9 percent), plastics and synthetic rubber in primary forms (-16.6 percent), wearing apparel, except tailoring and dressmaking (-27.9 percent), preserving of fruit and vegetables (-18.7 percent), basic iron and steel (-8.9 percent), fertilizers and nitrogen compounds (-37.9 percent), textiles (-28.9 percent), plastics articles for the packaging of goods (-12.5 percent), and electronic components and boards (-4.6 percent), etc.

Manufacturing production index with positive growth included motor vehicles (7.2 percent), refined petroleum products (7.5 percent), palm oil (37.6 percent), sugar (10.5 percent), motorcycles (16.7 percent), articles of concrete, cement and plaster (3.8 percent), basic pharmaceutical products and pharmaceutical preparations (10.0 percent), other electronic and electric wires and cables (12.8 percent), luggage, handbags and the like, saddlery and harness (26.8 percent), and slaughtering and packing of poultry (4.8 percent), etc.



Accommodation and food service activities sector increased by 34.3 percent, accelerating from a 30.6-percent growth in the previous quarter. The expansion was mainly driven by high levels of growth in foreign tourist arrivals and the continuing expansion of domestic tourism. In the first quarter of 2023, the number of foreign tourists stood at 6.478 million people (shared of 63.60 percent of pre-COVID-19 outbreak period). The top three international arrivals were (1) **Malaysia**: the ease of cross-border travel and the similarity in customs and culture, including cuisine and attire; (2) **Russia**: the resuming of international air routes, both scheduled and chartered flights; and (3) **China**: the country's reopening and the resuming of overseas traveling, including both Free Independent Traveler (FIT) and Group Inclusive Tour (GIT). The top international arrivals by region in this quarter mainly came from Asia and the Pacific (4.014 million people, rose by 2,868.7 percent, shared of 61.97 percent), Europe (2.005 million people, rose by 561.0 percent, shared of 30.96 percent), and The Americas (0.357 million people, rose by 794.9 percent, shared of 5.52 percent). **International tourism receipts¹ stood at 0.304 trillion Baht** which has risen for seven consecutive quarters by 300.4 percent. The domestic tourism by Thai travelers has continually increased due to the continual stimulus packages to boost domestic tourism such as "We Travel Together Phase 5" and "Amazing Thailand 365", as well as, festivals & annual province fairs. The top three most visited provinces (excluding Bangkok) by Thai tourists consisted of Kanchanaburi (3.651 million people, shared of 5.38 percent), Chonburi (3.579 million people, shared of 5.72 percent), and Prachuap Khiri-khan (2.900 million people, shared of 4.63 percent). **Thai tourism receipts² stood at 0.195 trillion Baht** which rose by 35.4 percent in the same period last year. The continual increase in both international and domestic tourism receipts results in the total amount of tourism revenue³ in this quarter standing at 0.499 trillion Baht which rose by 126.7 percent. **The average occupancy rate** was at 70.28 percent, increasing from 62.64 percent in the previous quarter and higher than 36.32 percent in the same period last year, the highest average occupancy rate among the 13 quarters.

The average capacity utilization rate was at 63.66 percent, higher than 60.32 percent in the previous quarter, but lower than 66.77 percent in the same quarter last year.

Accommodation and food service activities sector continued to expand with high levels of growth for the fifth consecutive quarter by 34.3 percent due to high levels of growth in foreign tourist arrivals and a continued increase in domestic tourism.

The total amount of tourism revenue in this quarter stood at 0.499 trillion Baht which rose by 126.7 percent.

The average occupancy rate was at 70.28 percent, the highest rate among the 13 quarters.

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.

Wholesale and retail trade; repair of motor vehicles and motorcycles sector increased by 3.3 percent, continuing from a 3.1-percent expansion 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) **Retail Sales Index (except motor vehicles and motorcycles)** increased by 1.8 percent as a result of an increase in retail sale in non-specialized stores such as other retail sale in non-specialized stores. (ii) **Wholesale Index (except motor vehicles and motorcycles)** increased by 1.1 percent mainly due to an expansion in other types of goods wholesale such as liquid fuel wholesale. (iii) **Wholesale and Retail Sales, and Repair of Motor Vehicles Index** decreased by 4.5 percent in tandem with a decline in sales of motor vehicles, especially for commercial vehicles, due to a decline in demand resulting from the rush to buy commercial vehicles in the previous period. This was also partly due to the high base last year.

Transportation and storage sector continued to increase by 12.4 percent, accelerating from a 9.8-percent growth in the previous quarter, following the high levels of expansion in air transport and the continual expansion of land transport and transport via pipelines. An expansion in transportation and storage sector was attributed to (i) a 76.3-percent increase in Air Transport Services, accelerating from a 60.2-percent increase in the previous quarter, owing to the acceleration in air passenger transport following the international & domestic tourism, (ii) a 11.2-percent increase in Land Transport and Transport via Pipelines Services, due to an expansion in number of electric train line passengers, natural gas consumption for vehicles, gasoline consumption, petroleum gas consumption, and number of registered trucks, and (iii) a 0.5-percent increase in Water Transport Services, following the acceleration in water passenger transport. Besides, warehousing and support activities for transportation rose by 4.4 percent, compared to a 3.0-percent growth in the previous quarter. Likewise, postal and courier activities increased by 9.0 percent, compared to a 4.0-percent growth in the previous quarter, in line with an expansion of entrepreneur revenue.

Electricity, gas, steam and air conditioning supply sector decreased by 4.2 percent, compared to a 0.1-percent expansion in the previous quarter, following a contraction in power generation activities together with natural gas production activities. This was mainly attributed to (i) the power generation index decreased for the first time in the eight quarters with a 0.4-percent contraction, following a decrease in electricity usage in household sector (-6.9 percent), and industrial sector (-1.8 percent), respectively, while electricity usage in business sector increased by 6.3 percent. And (ii) the natural gas production index continued to fall for the seventh consecutive quarter by 5.7 percent, in line with a decrease in natural gas production in the Gulf of Thailand, thus resulting in a decline in electricity and gas separation plant (GSP) production.

Construction sector continued to increase by 3.9 percent, accelerating from a 2.6-percent growth in the previous quarter, following the acceleration in public constructions together with the continuous increase in private constructions. In this quarter, **public construction** continued to increase for the second consecutive quarter by 5.8 percent, accelerating from a 3.3-percent growth in the previous quarter. This was attributed to an increase of 8.3 percent in government construction, accelerating from a 0.1-percent growth in the previous quarter, in line with an increase in the Ministry of Transport disbursements. And state enterprise construction increased by 1.3 percent, in line with the progress of major infrastructure development projects, such as, the construction of road via the expressway linking Rama III Road-Dao Khanong and the western Outer Ring Road of Expressway Authority of Thailand (EXAT), and the construction of water pipes via the 9th waterworks improvement master plan of the Metropolitan Waterworks Authority (MWA). **Private construction** continued to rise for the third consecutive quarter by 1.1 percent, comparing with a 1.9-percent growth in the previous quarter. The expansion was driven by residential construction (such as condominiums and detached houses), and other constructions increasing for the first time in the seven quarters. Meanwhile, non-residential construction (such as commercial buildings and factories) fell. **Construction Material Price Index (CMI)** increased for the tenth consecutive quarter by 2.2 percent, in line with a rise in price index of cement (4.5 percent) concrete products (2.3 percent) and other construction materials (3.1 percent), respectively.

Employment has increased for the eleventh consecutive quarter, following an increase in employment in both agricultural and non-agricultural sectors, whereas the unemployment rate was lower than the previous quarter and the same quarter last year. In the first quarter of 2023, the number of employed people amounted to 39.63 million, continuing to expand by 2.4 percent, accelerating from a 1.5-percent growth in the previous quarter. The figure can be classified as Thai employed of 36.89 million people (shared of 93.08 percent), rising by 1.4 percent, and foreigner employed of 2.74 million people (shared of 6.92 percent), rising by 16.8 percent. **Non-agriculture employment** (70.76 percent) has increased for the fourth consecutive quarter by 2.7 percent, following an increased in employment in accommodation and food service activities, wholesale and retail trade; repair of motor vehicles and motorcycles and manufacturing sector. **Agricultural employment** (29.24 percent) increased for the first time in the four

Wholesale and retail trade; repair of motor vehicles and motorcycles sector continued to increase for the 8th consecutive quarter by 3.3 percent, in tandem with a favorable expansion of household expenditure as well as a continued improvement of the tourism sector.

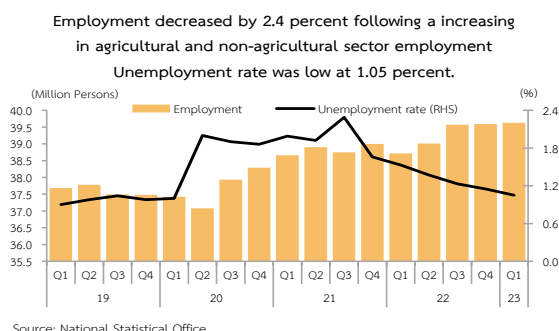
Transportation and storage sector continued to increase for the 6th consecutive quarter by 12.4 percent, following high levels of expansion in air transport and a continual expansion of land transport and transport via pipelines.

Electricity, gas, steam and air conditioning supply sectors decreased by 4.2 percent, following a contraction in power generation activities together with natural gas production activities.

Construction sector continued to increase for the 2nd consecutive quarter by 3.9 percent, accelerating from the previous quarter, following an acceleration in public constructions as well as private constructions.

Construction Material Price Index has risen for the 10th consecutive quarter.

quarters with a 1.6-percent growth, in tandem with an expansion in production of several key agricultural products such as paddy, fruit and palm oil, etc. **The unemployment rate** stood at 1.05 percent, lower than 1.15 percent in the previous quarter and 1.53 percent in the same quarter last year. **The average number of unemployed** was at 4.21 hundred thousand people, lower than the 4.62 hundred thousand unemployed in the previous quarter and 6.08 hundred thousand people in the same quarter last year.



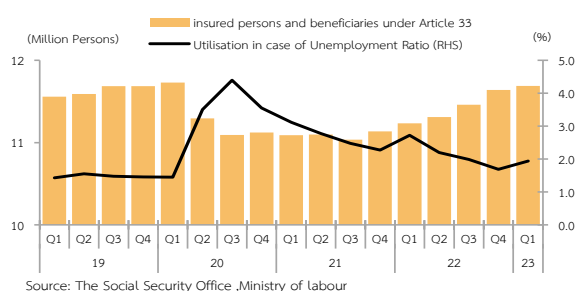
Employed Persons by Industry

%YOY	Share Q1/23	2021	2022				2023	
		Year	Year	Q1	Q2	Q3	Q4	Q1
Employed	100.00	3.0	1.0	0.1	0.3	2.1	1.5	2.4
- Agricultural	29.24	2.2	-1.2	2.4	-1.2	-2.4	-3.4	1.6
- Non-Agricultural	70.76	3.4	2.0	-0.8	0.9	4.3	3.9	2.7
Manufacturing	15.87	3.6	1.4	-1.6	1.5	1.4	4.4	0.4
Construction	5.94	2.4	-3.5	-4.2	-8.5	0.4	-1.0	-1.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	17.52	3.2	4.2	2.0	8.3	4.5	2.0	4.4
Accommodation and food service activities	7.86	0.5	0.5	-4.4	-6.1	8.3	6.6	8.2
Total labor force (Million persons)		39.81	39.90	39.62	39.76	40.09	40.14	40.28
Employed (Million persons)		38.83	39.22	38.72	39.01	39.57	39.59	39.63
Unemployment (Million persons)		0.78	0.53	0.61	0.55	0.49	0.46	0.42
Unemployment Rate (%)		1.96	1.33	1.53	1.37	1.23	1.15	1.05

Source : National Statistical Office (NSO)

Labor in the Social Security System: The total number of insured persons in the social security system continued to increase for the eighth consecutive quarter. Whereas, the unemployment rate among Insured persons under article 33 was higher than the previous quarter but lower than the same quarter of the previous year. In the first quarter of 2023, the total number of social security beneficiaries continued to increase for the eighth consecutive quarter by 2.3 percent. This was mainly attributed to (i) a continuing increase in compulsory insured person under article 33 by 4.1 percent, compared to a 4.5-percent growth in the previous quarter. This was in accordance with an increase in insured persons in the industrial and service sectors (such as accommodation and food service activities, wholesale and retail trade; repair of motor vehicles and motorcycles and manufacturing sector), and (ii) an increase in voluntarily insured persons under article 40 by 1.3 percent, comparing with a 2.0-percent increase in the previous quarter. Meanwhile, voluntarily insured persons under article 39 continued to decrease for the third consecutive quarter by 2.8 percent. **The unemployment rate among insured person under article 33** in this quarter was at 1.9 percent, higher than 1.7 percent in the previous quarter but lower than 2.7 percent in the same quarter last year. The average number of unemployed was at 227 thousand people, higher than 197 thousand people in the previous quarter but lower than 306 thousand people in the same quarter last year.

There are 11.7 million insured persons and beneficiaries under Article 33 and 1.9 percent of them are receiving unemployment benefits



Employment has risen for the 11th consecutive quarter following a continual increase for the 4th consecutive quarterly in non-agricultural employment together with an expansion for the first time in four quarters in agricultural employment.

The unemployment rate was 1.05 percent, lower than 1.15 percent in the previous quarter and 1.53 percent in the same quarter last year.

The number of insured persons in the social security system continued to increase for the 8th consecutive quarter by 2.3 percent.

This was in line with an increase in the compulsory insured person under article 33 and the voluntary insured person under article 40. On the contrary, the voluntary insured person under article 39 continued to decline for the third quarter.

The unemployment rate among insured person under article 33 was 1.9 percent, higher than 1.7 percent in the previous quarter but lower than 2.7 percent in the same quarter last year.

Number of social security beneficiaries

Registered Applicants (Thousand persons)	2021		2022				2023
	Year	Year	Q1	Q2	Q3	Q4	Q1
Insured Persons (article 33) ^{1/}	11,137	11,638	11,234	11,313	11,462	11,638	11,689
Insured Persons (article 39) ^{2/}	1,939	1,880	1,920	1,902	1,899	1,880	1,866
Insured Persons (article 40) ^{3/}	10,665	10,881	10,767	10,812	10,855	10,881	10,911
Total Insured Persons	23,741	24,399	23,920	24,027	24,216	24,399	24,466
Utilisation in case of Unemployment	253	197	306	245	228	197	227
Utilisation in case of Unemployment Ratio (%)	2.3	1.7	2.7	2.2	2.0	1.7	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 second quarter of the fiscal year 2023 (January – March 2023), the net government revenue collection stood at 523.7 billion Baht, which decreased by 1.1 percent compared with the same quarter last year due to: **(i) 15.0-percent decrease in revenue collection of the Excise Department** following the government measure to reduce the excise tax rate on diesel fuel by 5 Baht per liter from 21st January - 20th May 2023 along with the government measure to reduce the excise tax rate on jet fuel from 4.726 Baht per liter to 0.200 Baht per liter from 1st January - 30th June 2023. The measures were implemented to alleviate burdens for households affected by the rising of global crude oil prices, and **(ii) 26.1-percent increase in tax refund of the Revenue Department** consisting of VAT refunds and other taxes (personal income tax, corporate income tax, specific business tax, inheritance tax, and stamp duty). However, revenue collection of the Revenue Department increased by 6.3 percent from the same quarter last year following a rise in the collection of corporate income tax, personal income tax, and VAT. Moreover, revenue collection of the Customs Department increased by 11.3 percent from the same quarter last year because of the import duty collection's expansion.

For the first half of the fiscal year 2023, the net government revenue collection stood at 1,163.6 billion Baht, increasing by 6.9 percent compared with the same period last year, and was 8.9 percent higher than the revenue estimation stated in the 2023 annual budget expenditures. In detail, revenue collection of the Revenue Department, revenue submission from other government agencies, revenue submissions from state-owned enterprises (SOEs), and revenue collection of the Customs Department were higher than the estimation by 11.6 percent, 60.5 percent, 22.9 percent, and 27.7 percent, respectively. This was mainly due to: **(i) the collected revenue from the Revenue Department**, especially corporate income tax, VAT, and personal income tax were higher than estimated following the ongoing economic recovery; **(ii) the revenues from other government agencies** exceeded the estimation due to special revenues from the remittance of extra-budgetary fund's excess liquidity, cellular royalty, and income from the FM radio frequency licenses' auction; **(iii) the remittances from state-owned enterprises** were higher than estimated due to deferred remittances from the previous fiscal year; and **(iv) the revenue from the Customs Department** exceeded the target following imports growth as well as special revenue from additional import duties according to a court ruling. Meanwhile, the collected revenue from the Excise Department was lower than estimated as a result of a temporary tax cut on diesel to alleviate the household economic burden as the global crude oil price still remained at high levels.

However, excluding the special revenues of other government agencies and the Customs Department, the government's net revenue collection increased by 3.8 percent, higher than the same period last year and was 5.8 percent higher than the revenue estimation.

On the expenditure side, the total budget disbursement in the second quarter of the fiscal year 2023 was at 794.4 billion Baht⁴, decreasing by 4.1 percent from the same quarter last year. The government disbursements were as follows:

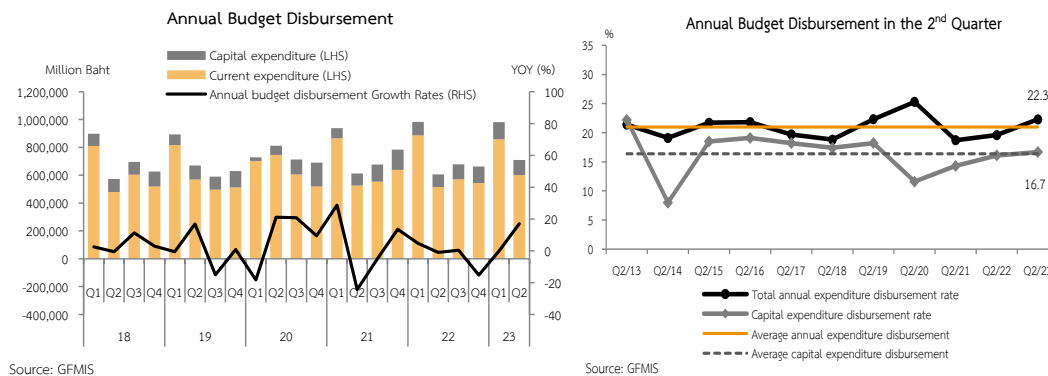
In Q2/FY2023, the net government revenue collection decreased by 1.1 percent following the government measure to reduce the excise tax rate on diesel together with increasing in tax refund of the Revenue Department.

For the first half of FY2023, the net government revenue collection was higher than the same period last year and the estimation stated in the 2023 annual budget by 6.9 percent and 8.9 percent, respectively.

In Q2/FY2023, the total budget disbursement decreased by 4.1 percent as a result of the COVID-19 loans disbursement, the carry-over budget, and the state-owned enterprises capital expenditure budget (excluding PTT).

⁴ The total budget disbursement includes the disbursement of (i) the grand total of annual budget, (ii) the carry-over budget, (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, and (iv) the COVID-19 loans (1.5-trillion-Baht). However, the 1.5-trillion Baht COVID-19 loan's disbursement in the second quarter of fiscal year 2023 were adjusted the disbursement amounted -2,652.1 million Baht.

(i) The 2023 annual budget disbursement stood at 709.7 billion Baht, increasing from the same quarter last year by 17.0 percent. The disbursement rate was at 22.3 percent. The current expenditure disbursement amounted to 600.5 billion Baht, increasing by 16.5 percent from the same quarter last year. The disbursement rate was at 23.7 percent, higher than 20.3 percent in the same quarter last year. Meanwhile, the capital expenditure disbursement was marked at 109.2 billion Baht, increasing from the same quarter last year by 19.9 percent. The disbursement rate was at 16.7, higher than 16.1 percent in the same quarter last year. However, the increase in current expenditures was mainly due to disbursements in general subsidies and other expenditure categories. Besides, the expansion in capital expenditure was mainly due to disbursements in the land and construction categories. (ii) the carry-over budget disbursement stood at 44.5 billion Baht, decreasing from the same quarter last year by 22.7 percent, the disbursement rate was at 23.4 percent. (iii) state-owned enterprises capital expenditure budget (excluding PTT) was disbursed for 54.4 billion Baht⁵, decreasing from the same quarter last year by 0.9 percent as a result of reduction in disbursements of, the State Railway of Thailand (SRT) and the Provincial Electricity Authority (PEA).



For the first half of the fiscal year 2023, the total budget disbursement was at 1,936.5 billion Baht, decreasing by 8.8 percent from the same period last year, with the allowing details (i) The 2023 annual budget disbursement stood at 1,691.9 million Baht, the disbursement rate was at 53.1 percent, greater than 51.3 percent in the same period last year, including 1,459.2 billion Baht in a disbursement of current expenditure (a disbursement rate was at 57.7 percent, higher than 55.3 percent in the same period last year), and 232.7 billion Baht in a disbursement of capital expenditure (a disbursement rate was at 35.5 percent, higher than 33.3 percent in the same period last year). (ii) The disbursement of the carry-over budget stood at 103.4 billion Baht, equivalent to the disbursement rate of 54.3 percent. (iii) State-owned enterprises' capital expenditure budget (excluding PTT) was disbursed by 110.7 million Baht⁶ in which the top five SOEs that disbursed the highest capital expenditure included the State Railway of Thailand (SRT), the Provincial Electricity Authority (PEA), the Electricity Generating Authority of Thailand (EGAT), 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 48.7 billion Baht.

Public Debt: at the end of March 2023, public debt was accumulated at 10.8 trillion Baht, equivalent to 61.2 percent of GDP, and remained under the fiscal disciplinary framework. The total public debt comprised 10.6 trillion Baht of domestic loans (60.2 percent of GDP), and 175.6 billion Baht of foreign loans (1.0 percent of GDP).

Fiscal Balance: in the second quarter of fiscal year 2023, the budgetary balance recorded a deficit of 227.5 billion Baht, a deficit of 24.5 billion Baht on non-budgetary balance, and the government conducted a cash balance management through the borrowing of 73.4 billion Baht. Altogether, the cash balance after debt financing recorded a net deficit of 178.5 billion Baht. When combined with the treasury reserve at the end of the first quarter of fiscal year 2023 stood at 372.1 billion Baht, thus the fiscal balance at the end of March 2023 equaled to 193.6 billion Baht.

For the first half of the fiscal year 2023, the budgetary balance recorded a deficit of 629.1 billion Baht combined with a deficit of 95.9 billion Baht on non-budgetary balance. In addition, the government conducted a cash balance management through the borrowing of 294.5 billion Baht. Therefore, the cash balance after debt financing recorded a net deficit of 430.4 billion Baht.

In Q2/FY2023, the 2023 annual budget disbursement rate was at 22.3 percent in which the rate of current and capital expenditure disbursement stood at 23.7 and 16.7 percent, respectively.

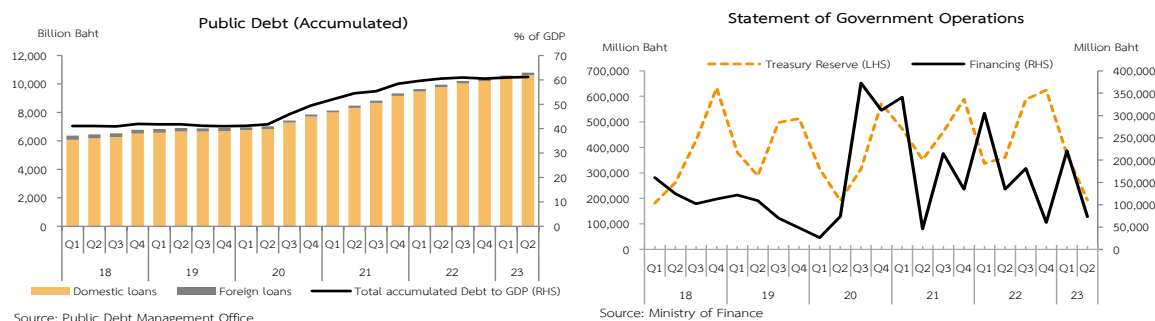
For the first half of FY2023, the total budget disbursement decreasing by 8.8 percent. The contraction was caused by the carry-over budget, state-owned enterprises capital expenditure budget (excluding PTT) and the 1.5-trillion Baht COVID-19 loan disbursement.

For the first half of FY2023, the 2023 annual budget disbursement rate was at 53.1 percent in which the rate of current and capital expenditure disbursement stood at 57.7 and 35.5 percent, respectively.

At the end of March 2023, the government's fiscal statement remained at a strong level where the fiscal balance stood at 193.6 billion Baht.

⁵ The number was included the 11.6 billion Baht of the capital spending allocated from the annual budget and the carry-over budget.

⁶ The number was included the 18.2 billion Baht of the capital spending allocated from the annual budget and the carry-over budget.



Financial Conditions:

In the first quarter of 2023, the policy interest rate stood at 1.75 percent per annum increased from 1.25 percent in the previous quarter. In both meetings on 25th January 2023 and 29th February 2023, the Monetary Policy Committee (MPC) decided to increase the policy rate by 25 basis points for each meeting. Therefore, the policy rate increased from 1.25 percent per annum to 1.75 percent per annum. The MPC assessed that the Thai economy is expected to continue expanding due to (i) an increase in number of foreign tourist arrivals, (ii) a recovery in private consumption supported by improving employment and labor income, and (iii) positive momentum of export sector expected for the second half of 2023. However, the uncertainties in global economy which due to persistently high inflation and banking stresses in some advanced economies could be downside risks to Thailand's economic growth. Headline inflation would likely return to the target range by mid-2023. Meanwhile, core inflation is projected to remain stable at high levels as higher cost passthrough. The monetary policy stance of Thailand was in line with major central banks and some Asian central banks. These included, for example, the Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England increased their policy rates at a slower pace by 50 basis points, 100 basis points, and 75 basis points respectively. In addition, the central banks in India, Canada, South Korea, Australia, Indonesia, Philippines, and New Zealand raised the policy rates by 25 basis points, 25 basis points, 25 basis points, 50 basis points, 25 basis points, 75 basis points, and 50 basis points respectively. Meanwhile, the central banks in Japan, China, Russia, and Malaysia kept their policy rates unchanged at -0.10 percent, 3.65 percent, 7.50 percent, and 2.75 percent respectively. The central bank of Vietnam cut its policy rate by 100 basis points.

In April 2023, the central bank of New Zealand rose its policy rate by 50 basis points.

Recently, in May 2023, the Fed, the ECB, and the center bank of Australia increased the policy rates at the same pace by 25 basis points.

The BOT continued to raise the policy rate in tandem with the rate hikes by major central banks and some Asian central banks.

Policy Interest Rate

(%)	2021		2022				2023					
	Year	Year	Q1	Q2	Q3	Q4	Q1	Jan.	Feb.	Mar.	Apr.	May.
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	4.25-4.50	4.50-4.75	4.75-5.00	4.75-5.00	5.00-5.25
EU	0.00	2.50	0.00	0.00	1.25	2.50	3.50	2.50	3.00	3.50	3.50	3.75
England	0.25	3.50	0.75	1.25	2.25	3.50	4.25	3.50	4.00	4.25	4.25	4.25
India	4.00	6.25	4.00	4.90	5.90	6.25	6.50	6.25	6.50	6.50	6.50	6.50
Canada	0.25	4.25	0.50	1.50	3.25	4.25	4.50	4.50	4.50	4.50	4.50	4.50
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
Brazil	9.25	13.75	11.75	13.25	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Australia	0.10	3.10	0.10	0.85	2.35	3.10	3.60	3.10	3.35	3.60	3.60	3.85
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
Thailand	0.50	1.25	0.50	0.50	1.00	1.25	1.75	1.50	1.50	1.75	1.75	1.75
Philippines	2.50	6.00	2.50	3.00	4.25	6.00	6.75	6.00	6.50	6.75	6.75	6.75
Malaysia	1.75	2.75	1.75	2.00	2.50	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Vietnam	2.50	4.50	2.50	2.50	3.50	4.50	3.50	4.50	4.50	3.50	3.50	3.50
New Zealand	0.75	4.25	1.00	2.00	3.00	4.25	4.75	4.25	4.75	4.75	5.25	5.25
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
China	3.80	3.65	3.70	3.70	3.65	3.65	3.65*	3.65	3.65	3.65	3.65	3.65
Russia	8.50	7.50	20.00	9.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50

Source: Collected by NESDC

Large-size and medium-sized commercial banks as well as specialized financial institutions (SFIs) raised their deposit and lending rates following the monetary policy stance of the BOT. Large-size and medium-sized commercial banks as well as SFIs raised their 12-Month fixed deposit rates to 1.15, 0.83, and 1.15 percent per year, comparing with their rates in the previous quarter at 0.98, 0.73, and 1.05 percent per year, respectively. In addition, they increased their Minimum Loan Rates (MLR) to 6.56, 7.70 and 5.84 percent per year, comparing with their rates in the previous quarter at 6.00, 7.00 and 5.59 percent per year, respectively. Likewise, real deposit and lending rates increased from the previous quarter stemming from both rising nominal rates and a slowdown in headline inflation.

In April 2023, commercial banks and SFIs continued to raise their deposit and lending rates. Thus, the deposit and lending rates of large-size commercial banks were at 1.31 and 6.80 percent per year, the rates of medium-size commercial banks were at 1.22 and 7.83 percent per year; and the rates of SFIs were at 1.32 and 6.09 percent per year, respectively.

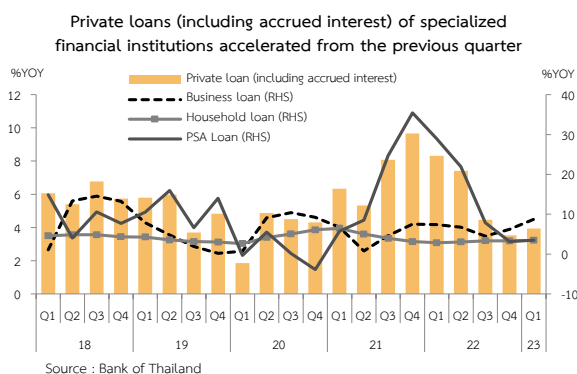
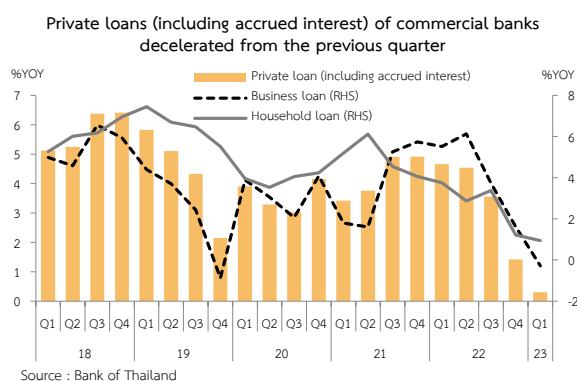
Private loans outstanding of commercial banks slowed down from the previous quarter. At the end of the first quarter of 2023, private loans outstanding of commercial banks expanded by 0.3 percent, decelerated from 1.4 percent in the previous quarter. This was due to a decline in business loans by 0.3 percent, compared to a 1.6 percent growth in the previous quarter. The contraction partly because of (i) a loan repayment from several large firms, (ii) a slowdown in manufacturing activities due to lower demand from trading partners, and (iii) entrepreneurs postponed investment among the uncertainties in the global economy and awaiting clarity in economic policies from a new government. Additionally, there were a contraction of business loan from major sectors, which were (i) manufacturing loan, especially loan for chemicals and chemical products, loan for soft drinks (mineral waters and other bottled waters), loan for basic metals, and loan for motor vehicles, trailers and semi-trailers, (ii) loan for accommodation and food service activities, and (iii) loan for wholesale and retail trade; repair of motor vehicles and motorcycles. In contrast, loan for food products, real estate activities, constructions, and loan for electricity, gas, steam and air conditioning supply accelerated from the previous quarter.

In addition, household loans expanded by 0.9 percent, decelerating from 1.2 percent in previous quarter. This was mainly due to the slowdown of auto-leasing and housing loans. These could partly explain by increasing financial cost and expiring of easing loan-to-value (LTV) regulations.

Private loans outstanding of SFIs during the first quarter of 2023 expanded by 3.9 percent, accelerated from a 3.5 percent in the previous quarter. This was mainly due to an acceleration of business loans, household loans, and public service account loans, which grew by 8.7, 3.5, and 3.5 percent, respectively, comparing with the expansion in the previous quarter at 6.2, 3.3, and 3.1 percent, respectively. Partly, it was because SFIs raised their lending rates slower than commercial banks.

Commercial banks and SFIs raised their lending and deposit rates following the monetary policy stance of the BOT.

Private loans outstanding of commercial banks slowed down while private loans outstanding of SFIs accelerated.



Thai Baht against US dollar appreciated from the previous quarter. In the first quarter of 2023, an average exchange rate was at 33.92 Baht per US dollar, appreciating by 6.63 percent from the previous quarter. The movement of Thai Baht was in response to a depreciation of US dollar against other currencies, the average US dollar index stood at 103.39, decreasing from 108.16 in the previous quarter. The main factors of the US dollar's devaluation were caused by the signal from the Federal Reserve (Fed) to potentially pause its rate hikes together with the recovery in domestic economic activities as a result of sooner-than-expected reopening of the Chinese economy. When comparing with trading partner/competitors, Thai Baht appreciated, reflecting by an increase in average of Nominal Effective Exchange Rate (NEER) by 3.96 percent from previous quarter (an average of 120.34).

The appreciation of Thai Baht was correlated with other regional currencies such as the Japanese Yen, South Korea Won, Philippine Peso, Singapore dollar, Malaysian Ringgit, Chinese Yuan, Taiwanese dollar, and Indonesian Rupiah. In contrast, the Hong Kong dollar and Indian Rupees depreciated from the previous quarter.

In April 2023, the monthly average of Thai Baht was at 34.28 Baht per US dollar, appreciated by 0.64 percent from the previous month, according to the U.S. recession warning sign among the recent banking stresses. Those impacted the investors to anticipate that the Fed might halt its rate hikes in the next meeting on 2nd-3rd May 2023, or lower the policy rate in the second half of the year.

SET Index decreased from the previous quarter. In the first quarter of 2023, SET index closed at 1,609.2 points, decreased by 3.6 percent from the previous quarter. This was mainly caused by (i) recent banking stresses in some advanced economies including the US and Europe, (ii) the Fed continued to raise its policy rate at the FOMC meeting in February and March 2023, and (iii) the higher capital outflows in Thai equity market, foreign investors were the net sale position of 56.9 Billion Baht, compared to the net buy position of 52.5 Billion Baht in the previous quarter. Industrial groups with negative growth were industrials (-9.9 percent), resource (-9.3 percent), financials (-7.2 percent), and agro and food industry (-5.8 percent). The movement of SET index was in contrast with other regional stock markets as the majority of Asian stock markets increased such as Taiwan (12.2 percent), South Korea (10.8 percent), China (4.6 percent), and Vietnam (5.7 percent). Meanwhile, other regional stock markets with contraction was Malaysia (-4.9 percent), India (-3.0 percent), and Philippines (-1.0 percent).

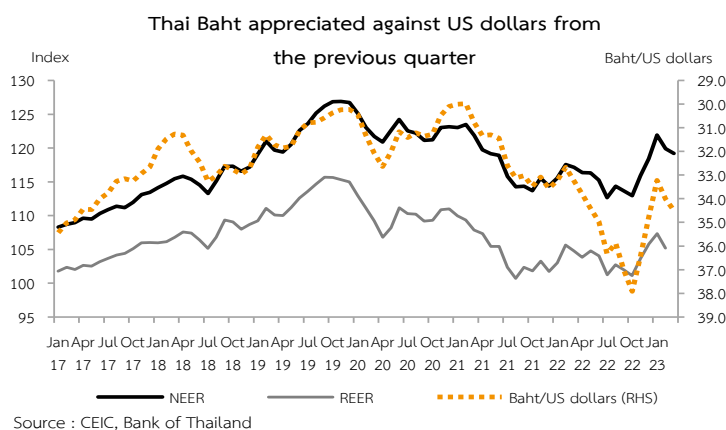
In April 2023, SET index decreased by 5.0 percent to 1,529.1 points from the end of March 2023. This was mainly due to the announcement of the financial performance of listed companies on the Stock Exchange of Thailand (SET) which was lower than expected, and concerns over the COVID-19 outbreak (the new Omicron sub-variant XBB.1.16) after the Songkran festival.

Short-term government bond yields shifted upward. Meanwhile, long-term government bond yields shifted downward. In the first quarter of 2023, short-term government bond yields rose following the tightening monetary policy of the Bank of Thailand (BOT). On the one hand, long-term government bond yields declined in line with the increase in the clean price index along with the decrease in the US government bond yields as a result of investors seeking safe haven assets during the periods of banking stresses in the US and Europe. At the end of the first quarter of 2023, 2-year government bond yield was at 1.81 percent, increasing from 1.63 percent at the end of the previous quarter. Nevertheless, 10-year government bond yield dropped to 2.41 percent, compared to 2.64 percent at the end of the previous quarter. For net trading position, foreign investors registered a net sell of 23.0 billion Baht, compared to a net buy with 79.2 billion Baht in the previous quarter. Total new registered corporate bond was at 527.7 billion Baht, mainly attributed to property development, finance and securities, and energy.

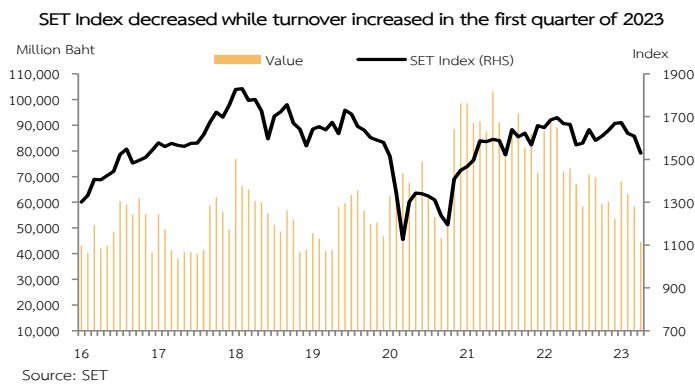
Thai Baht against the US dollar appreciated compared to the previous quarter which was driven by the ongoing economic recovery and market expectations about the Fed's monetary policy.

SET Index declined from the preceding quarter as a consequence of banking stresses in the US and Europe.

Short-term government bond yields increased following the policy rate hike by the BOT. Meanwhile, long-term government bond yields decreased, moving in tandem with the US Treasury yields as investors seeking safe haven assets.

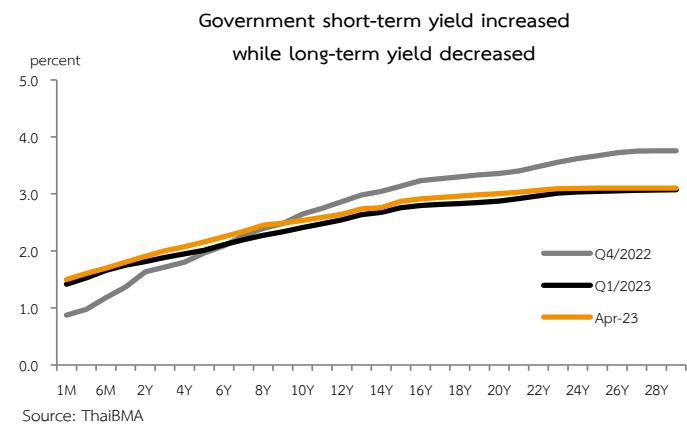


In April 2023, both short-term and long-term government bond yields rose from the previous month, as the Fed is still pursuing monetary tightening given that inflation remains elevated. As a consequence, 2-year and 10-year government bond yields stood at 1.90 percent and 2.54 percent respectively. In detail, foreign investors recorded a net sell of 37.7 billion Baht, compared to a net buy of 16.6 billion Baht in the previous month.



Capital and financial account recorded a net inflow of 2.1 billion US dollars in the fourth quarter of 2022, comparing with a 3.5 billion US dollars outflow in the previous quarter. This was mainly driven by a net inflow of foreign investor in term of both direct and portfolio investments. However, there was a continued net outflow in term of direct investment of Thai investor.

Capital and financial account record a net inflow, following an inflow in term of direct and portfolio investments of foreign investor.



Capital Flow

(Billion USD)	2022					2023				
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4
- Direct Investment	-4.5	2.3	-1.4	-1.4	-4.0	1.8	2.0	-0.4	0.1	0.1
Thai investor	-19.2	-3.5	-3.0	-4.6	-8.0	-8.2	-3.7	-1.2	-2.0	-1.3
Foreign investor	14.6	5.8	1.6	3.2	4.0	10.0	5.7	0.9	2.1	1.5
- Portfolio Investments	-11.9	-10.0	-3.7	0.0	1.9	5.8	2.6	1.9	-0.8	2.0
Thai investor	-16.8	-10.5	-3.7	-0.2	-2.5	-2.5	-1.3	1.0	-0.3	-1.9
Foreign investor	4.9	0.4	-0.1	0.2	4.4	8.2	3.9	0.9	-0.4	3.8
Others	10.4	1.0	2.5	4.0	2.9	-5.4	-0.9	-1.7	-2.8	0.1
Capital and financial account	-6.0	-6.7	-2.7	2.6	0.8	2.2	3.7	-0.2	-3.5	2.1

Source: BOT

The impact of the US and Europe banking stresses on Thailand's financial institutions have limited.

Since Silicon Valley Bank (SVB), Signature Bank, First Republic Bank, Credit Suisse bank had been dealing with stability and liquidity issues in March 2023, there were effects not only on the confidence among depositors but also on global financial market volatility, especially those who are related with banking sector. The supportive evidences were (i) contraction of the banking sector stocks index, (ii) declined demand for risky assets. However, the situation has eased following a sudden response from the relevant authorities as reflected by implementing measures to address those issues. In detail, the US Federal Reserve (Fed) took emergency measures to protect all deposits, depositors' confidence has increased. Besides, the Fed implemented the Bank Term Funding Program (BTFP) to provide liquidity to commercial banks and in order to lower effects on other banks. In addition, Swiss National Bank provided loans to Credit Suisse Bank to maintain stability and liquidity in banking system.

The impact on Thailand's financial sector remains limited. It was partly due to financial institutions and businesses have relatively low linkages with the troubled banks. Furthermore, capital funds and capital reserves of Thai commercial banks remain at high levels. As Bank of Thailand (BOT) requires commercial banks to (i) maintain minimum capital funds following Basel III criteria, (ii) maintain capital buffer to absorb losses during crisis (Conservation buffer) and to mitigate systemic risks during economic downturn (Countercyclical buffer). Thus, the total capital adequacy ratio is at least 11.0 percent of risky assets. According to the record, Thai commercial banks has been maintaining their capital funds higher than the minimum requirement. At the end of the first quarter of 2023, capital adequacy ratio (BIS Ratio) of Thai commercial banks recorded at 18.93 percent, comparing with the minimum requirement at 8.5 percent. This could elaborate that Thai commercial banks are able to deal with risks and volatility beyond the standard setting. In addition, Thai commercial banks also maintain a Liquidity Coverage Ratio: (LCR) to support estimated net cash-outflow within 30 days at 190.53 percent, higher than the minimum requirement. Additionally, their NPL coverage ratio was at 171.9 percent (as of the end of 2022). However, the incident of the banking problem in the US and Europe remains uncertain and needs to be closely monitored, especially the impact on global financial volatility as well as the impact on US and Europe economies. These could be risk factors for the Thai economy going forward.

Financial ratio of commercial banks (Average)

(Average of 14 commercial banks)	Minimum requirement	2020	2021	2022				2023
		Year	Year	Q1	Q2	Q3	Q4	Q1
Capital Funds Common Equity Tier 1 (percent of risk assets)	7.0-9.5	16.36	15.84	15.77	15.48	15.23	15.31	N.A.
Capital Funds Tier 1 (percent of risk assets)	8.5	15.84	16.40	16.19	15.89	15.60	15.78	15.88
Capital Adequacy Ratio (BIS Ratio)	11.0	18.92	19.46	19.28	19.15	18.80	18.83	18.93
Liquidity Coverage Ratio (LCR)	More than 100%	193.88	198.83	191.58	184.82	181.89	192.66	190.53
Loan to Deposit Ratio (L/D Ratio)	Less than 100%	106.34	108.34	107.43	107.88	107.11	106.62	107.71
Non-Performing Loan Ratio (NPL Ratio)		3.27	3.26	3.10	3.07	2.95	2.88	2.84
Net interest income to Average interest earning assets (times per year) (NIM)		2.87	2.58	2.61	2.66	2.74	2.81	3.00

Source: Bank of Thailand

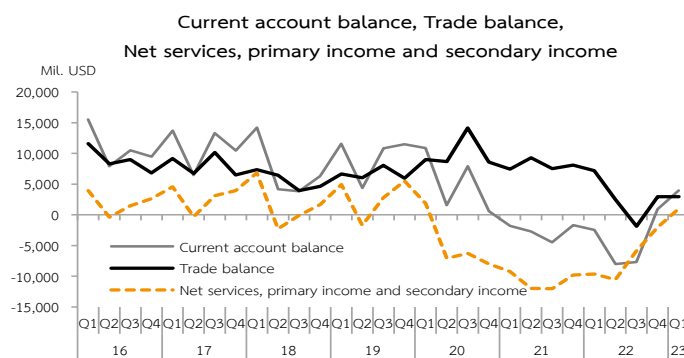
Major commercial banks' earning

Unit : Million Baht	2021	2022	2023
	Year	Year	Q1
Kasikorn Bank	38,052	35,769	10,741
Siam Commercial Bank	35,589	37,546	10,995
Bangkok Bank	26,507	29,305	10,129
Krungthai Bank	21,588	33,697	10,067
Bank of Ayudhya	33,794	30,712	8,676
TMB Thanachart Bank	10,474	14,195	4,295

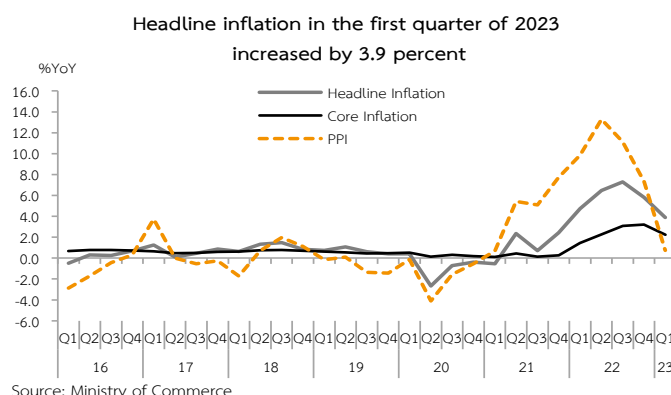
Source: SET

Current account in the first quarter of 2023 was registered a surplus of 4.0 billion US dollars (138.8 billion Baht), compared to a 2.4 billion US dollars deficit (80.8 billion Baht) in the same quarter last year and an 0.9 billion US dollars surplus (33.0 billion Baht) in the previous quarter. This was a result of a surplus of 2.9 billion US dollars in trade balance recorded lower than a 7.2 billion US dollars surplus in the same quarter last year. Furthermore, services, and primary and secondary income registered a surplus of 1.0 billion US dollars, a surplus for the first time in twelve quarters compared with a 9.6 billion US dollars deficit in the same period last year.

International reserve at the end of March 2023 stood at 224.5 billion US dollars, decreasing from 242.4 billion US dollars at the end of March 2022. **In Baht terms**, international reserve at the end of March 2023 stood at 7,653.7 billion Baht, lower than 8,074.1 billion Baht at the end of March 2022.



Headline inflation: In the first quarter of 2023, headline inflation was averaged at 3.9 percent, decelerating from 5.8 percent in the previous quarter. **Food-and-beverage** price index increased by 6.2 percent, slowing down from 8.9 percent in the previous quarter. **Non-food and beverage** price index increased by 2.3 percent, slower than a 3.7-percent increase in the previous quarter, followed by a deceleration in the price of energy. **Core inflation** was averaged at 2.2 percent, compared with a 3.2-percent increase in the previous quarter.⁷



Producer Price Index (PPI): In the first quarter of 2023, PPI increased by 0.7 percent, decelerating from a 7.3 percent rise in the previous quarter. **The price of manufactured products** expanded by 0.3 percent, slower than a 5.3 percent increase in the previous quarter following the slowing-down price of petroleum products. **The price of agricultural & fishery products** increased by 1.7 percent, compared with a 6.3-percent increase in the previous quarter, associated with a delay in the price of agricultural products and fisheries product. **The price of mining products** increased by 6.8 percent, compared with an increase of 58.2 percent in the previous quarter, followed by the deceleration in the price of petroleum & natural gas which rose by 8.1 percent, compared with a 71.8-percent increase in the previous quarter.⁸

International reserve at the end of March 2023 stood at 224.5 billion US dollars, decreasing from the same period last year.

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Headline inflation was averaged at 3.9 percent, lower than 5.8 percent in the previous quarter, associated with a deceleration in foods and energy price.

Producer Price Index (PPI) increased by 0.7 percent, lower than the previous quarter.

⁷ In April 2023, headline and core inflation was at 2.7 percent and 1.7 percent, respectively.

⁸ In April 2023, Producer Price Index (PPI) dropped by 3.4 percent.

2. Crude oil price in Q1 of 2023

The crude oil price in the global market declined from the previous quarter and the same period last year. In the first quarter of 2023, the average crude oil price in four major markets (WTI, Brent, Dubai, and Oman) stood at 79.7 US dollars per barrel, decreased by 6.4 percent from the 85.1 US dollars per barrel on average recorded in the previous quarter and the price fell by 17.2 percent from 96.2 US dollars per barrel recorded in the same period of the previous year.

Key reasons leading to a decrease in the global crude oil price in this quarter were (i) investors' concern about the policy rate hike of the Fed and main-economic countries that would affect the expansion of the world economy and oil market demand, (ii) an increase in the US commercial crude oil inventories in the first quarter of 2023 (the first quarter of the inventories was average at 466 million barrels, increasing by 12.7 percent compared with 413 million barrels in the same period last year), and (iii) investors' negative attitude toward financial sectors crisis in the US and EU that would impact a wide area to the world economy.

The crude oil price in the global market decreased from the previous quarter and the same period of the last year.

Crude oil price											
Year		USD per Barrel					(%YoY)				
		OMAN	DUBAI	BRENT	WTI	Average	OMAN	DUBAI	BRENT	WTI	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
	Q1	58.0	61.2	60.3	59.0	59.6	25.6	20.1	18.7	19.0	20.0
	Q2	66.5	69.4	67.5	67.5	67.7	135.9	107.0	118.3	119.3	119.5
	Q3	70.5	73.2	71.8	71.9	71.9	72.5	69.0	67.0	67.8	69.1
	Q4	77.1	79.7	78.4	78.5	78.4	80.8	76.6	75.6	75.7	77.2
2022	Year	94.2	98.8	96.2	96.5	96.5	38.4	39.4	38.4	39.4	38.9
	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
	Jan.	78.2	83.9	80.6	80.7	80.9	-5.4	-1.5	-3.3	-3.2	-3.3
	Feb.	76.8	83.5	81.9	82.2	81.1	-16.1	-11.3	-11.0	-10.0	-12.3
	Mar.	73.4	79.2	78.3	78.4	77.3	-32.2	-29.6	-29.5	-29.5	-30.1
	Apr.	79.0	83.0	82.8	82.9	81.9	-21.8	-21.1	-19.2	-19.8	-20.5

Source: Thaioil Plc and EPPO.

3. The World Economy in Q1 of 2023

The world economy in the first quarter of 2023 continued to expand, mainly contributed by private consumption and service sector recovery, especially in major economies such as the US, the Eurozone, and Japan. Meanwhile, the Chinese economy accelerated after the relaxation of the zero-COVID policy and the border reopening. However, several countries experienced some slowdowns, following declines in manufacturing productions in both major industrialized economies and emerging and developing economies, reflected by the manufacturing Purchasing Managers' Index (PMI) dropping to below 50, together with export declines in most emerging Asian economies. Amid above-target inflation, most central banks decided to continue raising their policy rates but at a slower pace in line with cooling inflationary pressure, due to declining food and energy prices. Nonetheless, the global financial system experienced with tightened condition at the end of the first quarter as a result of the banking system instability in major advanced economies.

The US economy expanded by 1.6 percent (Advance Estimate), accelerating from a 0.9-percent increase in the last quarter. After seasonal adjustment, the US economy expanded by 1.4 percent, slowing from a 6.9-percent growth in the previous quarter (%QoQ saar.). The growth was due to the acceleration of private consumption in durable goods, especially motor cars and parts. In addition, the government expenditure continually grew and was the highest rate in 11 quarters, led by the wage growth of both state and local government. Meanwhile, the exports, especially motor vehicles, aircraft and petroleum products, improved. Similarly, the labor market remained strong as the unemployment rate stood at 3.6 percent, the lowest rate in 12 quarters. Likewise, nonfarm employment was at 0.885 million persons, compared with 0.853 million persons in the previous quarter. Correspondingly, nonfarm employment in March 2023 was at 155.4 million persons, highest level in history. Meanwhile, the inflation rate (PCE Price Index) was at an average of 4.9 percent, slowing from an average of 5.7 percent in the previous quarter. Hence, the Federal Reserve's Monetary Policy Committee (FOMC) decided to scale back the pace of interest rate hike after its consecutive increases since early 2022⁹. However, the continuous interest rate hike effected market liquidity and financial stability¹⁰. Hence, the Federal Reserve took measures to increase liquidity for financial institutions through the Bank Term Funding Program and a 25,000-million-USD fund to restore confidence in the US banking system.

The Eurozone economy expanded by 1.3 percent, decelerating from 1.8 percent in the previous quarter and was the slowest growth in eight quarters, where the German economy, the largest economy of all member states, fell 0.1 percent, comparing with a 0.8-percent expansion in the previous quarter and was the first decline in seven quarters, owing to a deterioration in the industrial sector as affected by high energy prices. This is reflected in Germany's industrial PMI of 46.1 in the first quarter, decreasing from 58.4 in the same quarter of last year. While other major economies were accelerated for the first time in six quarters¹¹, supported by a recovery in the service sector, as reflected in the service PMI, which rose to an average of 52.8 from 49.0 in the previous quarter. This was in line with the Consumer Confidence Index at (-19.6), improving from (-24.4) in the previous quarter and was the highest level in three quarters. On the other hand, the manufacturing sector continued to decline, reflected by the manufacturing PMI at an average of 48.2, below 50 for the third consecutive quarter. The average inflation rate was at 8.0 percent, decelerated from 10.0 percent in the previous quarter. Nonetheless, the core inflation accelerated to the record high of 5.5 percent from 5.1 percent in the previous quarter. As a result, the European Central Bank (ECB) monetary policy committee continued to raise the policy rate and reduce the size of liquidity support measures¹². Besides, the EU continued its fiscal measures to cushion the impact from high energy prices.¹³

⁹ At both meetings on January 31st - February 1st and March 21st -22nd, 2023, the committee decided to hike its benchmark rate by 0.25 percent, slowing down from 0.50 percent in the previous meeting. This was the ninth consecutive increase, bringing the policy rate to the range of 4.75 - 5.00 percent, the highest rate since September 2007.

¹⁰ Several US financial institutions experienced liquidity pressure in the first quarter of 2023. Especially, Silvergate Bank, Silicon Valley Bank and Signature Bank were bankrupted in March 2023 mainly due to lack of liquidity from losses in long-term government bonds, and significantly lower deposits.

¹¹ The French, Italian and Spanish economies grew by 0.8 percent, 1.8 percent and 3.8 percent, accelerating from 0.4 percent, 1.4 percent and 2.9 percent in the previous quarter, respectively.

¹² At the meeting on February 2nd and March 16th, 2023, the ECB raised the policy rate by 0.50 percent. Consequently, at the end of the first quarter, refinancing operations rate, marginal lending facilities rate and deposits facility rate were at 3.50 percent, 3.75 percent and 3.00 percent respectively. At the same time, the ECB has continued to enhance liquidity under the Pandemic Emergency Purchase Programme (PEPP). While the ECB also lowered liquidity from the Asset Purchase Program (APP) project and the targeted longer-term refinancing operations Round 3 (TLTROs III). In addition, the ECB continues to use mechanisms to mitigate the effects of policy rate hikes. (Transmission Protection Instrument: TPI) by purchasing assets, especially government bonds of member countries that face volatility in the financial market, in order to reduce risks to member countries' economies.

¹³ The major measures include the reduction of energy taxes and VAT, adjustment of rules for setting retail and wholesale prices of energy products, measures to help households affected by high energy prices, including vulnerable groups. In addition, there is also measures to reduce dependency on Russian natural gas and crude oil by providing financial support, including loans, to the companies developing alternative energy sources.

The Japanese economy accelerated in the first quarter, supported by the recovery of domestic demand and the tourism sector, in line with service PMI standing at 53.8, increasing from 51.5 in the preceding quarter. Nevertheless, manufacturing and export sectors were affected by the global economic slowdown. Hence, the manufacturing PMI decreased to an average of 48.6 from 49.5 in the previous quarter and below 50 for the second consecutive quarter, while the merchandise exports continued to decline by 8.0 percent, the fourth consecutive quarterly contraction. Meanwhile, the inflation rate dropped to 3.6 percent from 3.8 percent in the previous quarter, the highest level in 31 years. However, the Bank of Japan (BOJ) decided to maintain its expansionary monetary policy.¹⁴

The Chinese economy expanded by 4.5 percent, accelerating from 2.9 percent in the previous quarter, and was the highest growth in 4 quarters. The economic recovery was mainly supported by lifting a strict zero-COVID policy and border reopening. As a result, domestic demand improved, reflected by a 10.6-percent growth in retail sales, recovering from a 2.7-percent decline in the previous quarter. Likewise, the service PMI rose to 55.2 from 47.7 in the last quarter, the highest level in 9 quarters. Similarly, the consumer confidence index increased to 93.6, the highest level in 4 quarters. At the same time, manufacturing productions and exports were still affected by the global economic slowdown and the US policy restriction on semiconductor-related industry. Hence, the economic recovery was still constrained as reflected in export value, which grew by 0.1 percent, compared with a 6.9-percent contraction in the prior quarter, while manufacturing PMI rose to 50.3 from 49.2 in the previous quarter. In addition, China's private investment continued to suffer from liquidity problem and high debt burden in the real estate sector, thus the investment in fixed assets continually shrank, owing to the decline in real estate investment.¹⁵ Therefore, the People's Bank of China (PBOC) decided to continue its expansionary monetary stance¹⁶ as well as maintained fiscal stimulus measures by expanding the budget deficit target to support domestic spending and private investment together with facilitating the implementation of local government projects.¹⁷

The Newly industrialized economies (NIEs) decelerated following a contraction in manufacturing productions and exports of goods in line with the global economic slowdown.¹⁸ South Korea and Singapore's economies expanded by 0.8 percent and 0.1 percent, decelerating from 1.3 percent and 2.1 percent in the previous quarter, respectively. Taiwan's economy contracted by 3.0 percent, continuing from a 0.4-percent reduction in the last quarter. Meanwhile, Hong Kong's economy grew by 2.7 percent, recovering from a 4.2-percent drop in the previous quarter, the first expansion in 5 quarters. The growth was mainly contributed by the recovery of service sector following the relaxation of pandemic containment measures and China's border reopening. While inflationary pressures remained high despite a slowdown from the prior period.¹⁹ Hence, the central banks of NIEs countries decided to maintain their tightening policy stance.²⁰

The ASEAN economies decelerated following the economic slowdown of key trading partners which resulted in a decline in merchandise exports²¹. The economies of the Philippines, Malaysia, and Vietnam grew by 6.4 percent, 5.6 percent, 3.3 percent, decelerating from 7.1 percent, 7.1 percent, 5.9 percent in the previous quarter, respectively, while the Indonesian economy remained growing at 5.0 percent as the preceding quarter. Meanwhile, inflation rates still exceeded the target range, still decelerating from the previous period. As a result, along with the instability in the global financial market, some ASEAN central banks halted their policy rate hike.²²

¹⁴ The monetary policy committee of BOJ on January 17th, and March 18th, 2023, decided to maintain its ultra-low policy rate at (-0.1) percent as well as control government bond yields at 0 percent (Yield Curve Control). The Bank will offer to purchase 10-year JGBs at 0.5 percent every business day within the range of ± 0.5 percentage points (fixed-rate purchase operations).

¹⁵ Fixed assets investment in the first quarter of 2023 grew by 2.3 percent, decelerating from a 5.1-percent growth in the previous quarter and was the lowest growth in 6 quarters. Meanwhile, investment in real estate fell by 6.5 percent, compared with a 10.0-percent contraction, which had been declining for the fourth consecutive quarter.

¹⁶ The People's Bank of China (PBOC) decided to lower the Required Reserve Ratio (RRR) from 7.8 percent to 7.6 percent on March 27th, 2023, and maintained the one-year Loan Prime Rate (LPR) at 3.65 percent.

¹⁷ According to the National People's Congress (NPC) of China held on March 5th, 2023, the Chinese government announced the economic stimulus measures to boost domestic consumption and private investment in 2023 by expanding the budget deficit target to 3.0 percent of GDP, an increase from 2.8 percent of GDP in the previous year. Likewise, the budget allocation from the central government to local governments has been scaled up to 10.06 trillion yuan, a 3.6-percent increase from the last year. Moreover, the quota of local government special-purpose bonds has been appropriately expanded to a historical high of 3.8 trillion yuan to support investment in infrastructure projects and projects that will benefit the well-being of the people.

¹⁸ The export values of Singapore, South Korea, and Taiwan in the first quarter of 2023 fell for the second consecutive quarter by 5.1 percent, 12.7 percent, and 19.2 percent, respectively. Meanwhile, the export value of Hong Kong declined by 18.0 percent, which had been declining for the fourth consecutive quarter.

¹⁹ The inflation rates of Singapore, South Korea, Taiwan, and Hong Kong in the first quarter of 2023 stood at 6.2 percent, 4.7 percent, 2.6 percent, and 1.9 percent, compared with 6.6 percent, 5.2 percent, 2.6 percent, and 1.8 percent in the previous quarter, respectively.

²⁰ On February 23rd, 2023, the Bank of Korea decided to maintain its policy rate at 3.50 percent for the first time after the continuous policy rate hikes since February 2022. However, the rate remained at the highest level since November 2008.

²¹ The export values of Malaysia, Philippines, and Vietnam in the first quarter of 2023 declined by 1.7 percent, 13.2 percent, and 11.7 percent, compared with a 2.4-percent growth, an 8.6-percent expansion, and a 7.1-percent drop in the previous quarter, respectively. Meanwhile, the export value of Indonesia grew by 1.6 percent, decelerating from an 8.0-percent in the prior quarter.

²² Bank Indonesia and Malaysian central bank decided to maintain their policy rates at 5.75 percent and 2.75 percent in their meeting on March 16th, and March 9th, 2023, while central bank of the Philippines still decided to raise the interest rate from 6.0 percent to 6.25 percent in the meeting on March 23rd, 2023, after the inflation rate has peaked at 8.3 percent in the first quarter, the highest since the third quarter in 2018.

Real GDP and Exports of Key Economies

(%YoY)	GDP						Exports of Goods (USD)								
	2020	2021	2022		2023		2020	2021	2022		2023				
	Year	Year	Q3	Q4	Year	Q1	Year	Year	Q3	Q4	Year	Q1	Jan	Feb	Mar
US	-2.8	5.9	1.9	0.9	2.1	1.6	-13.3	23.0	23.7	9.1	18.4	6.9	13.7	5.5	2.7
Eurozone	-6.1	5.3	2.5	1.8	3.5	1.3	-7.2	18.1	2.5	2.4	5.0				
United Kingdom	-11.0	7.6	2.0	0.6	4.1	0.2	-11.3	13.6	20.4	5.0	11.5		11.4	2.1	
Australia	-1.9	5.2	5.8	2.7	3.6		-7.3	37.2	14.7	14.6	19.7	4.3	9.8	2.7	0.7
Japan	-4.3	2.1	1.5	0.4	1.0		-9.1	17.9	-2.0	-4.6	-1.2	-8.0	-8.9	-7.7	-7.5
China	2.2	8.4	3.9	2.9	3.0	4.5	4.0	29.7	10.0	-6.9	7.0	0.1	-10.7	-1.6	14.3
India	-6.0	8.9	6.3	4.4	6.7		-14.7	43.0	7.8	-2.1	14.6	-5.0	1.6	-0.4	-13.9
South Korea	-0.7	4.1	3.1	1.3	2.6	0.8	-5.5	25.7	5.8	-10.0	6.1	-12.7	-16.4	-7.6	-13.8
Taiwan	3.4	6.5	3.6	-0.4	2.5	-3.0	4.9	29.3	3.4	-8.7	7.4	-19.2	-21.2	-17.1	-19.1
Hong Kong	-6.5	6.4	-4.6	-4.2	-3.5	2.7	-0.5	26.0	-11.6	-22.0	-9.3	-18.0	-36.9	-9.3	-1.8
Singapore	-3.9	8.9	4.0	2.1	3.6	0.1	-4.1	22.1	19.5	-4.4	12.7	-5.1	-7.9	-2.2	-5.2
Indonesia	-2.1	3.7	5.7	5.0	5.3	5.0	-2.7	41.9	27.3	8.0	26.1	1.6	16.4	4.4	-11.3
Malaysia	-5.5	3.3	14.1	7.1	8.7	5.6	-2.3	27.5	29.4	2.4	17.7	-1.7	-1.7	5.3	-7.3
Philippines	-9.5	5.7	7.7	7.1	7.6	6.4	-8.1	14.5	0.6	8.6	5.7	-13.2	-13.1	-18.1	-9.1
Vietnam	2.9	2.6	13.7	5.9	8.0	3.3	6.9	18.9	15.8	-7.1	10.3	-11.7	-25.9	11.7	-14.4

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

4. The World Economic Outlook for 2023

The world economy in 2023 is expected to grow at a slower pace compared to 2022, following the slowdowns in major economies as well as in emerging and developing economies. This is mainly due to continuous of policy rates hikes which is likely to weigh on the recovery of domestic demand. Meanwhile, emerging and developing economies are projected to slow down in accordance with the declining trend of manufacturing production and exports, in line with the slowdown in the global economy and trade volume due to the uncertain and prolonged geopolitical conflict between the US and China, China and Taiwan, and Russia and Ukraine. However, it is expected that the world economy in the second half of the year will be supported by a decelerated pace of interest-rate hikes after inflationary pressure has eased as well as the recovery of the tourism sector, especially the Chinese economy after relaxing the Covid-19 control measures and the border reopening. **Under this baseline scenario, the global economy and trade volume in 2023 are projected to expand by 2.7 percent and 2.1 percent, slowing down from the 3.4 percent and 5.1 percent growths in 2022, respectively.**

The US economy is expected to expand by 0.9 percent, slowing down from a 2.1-percent in 2022 in line with the reduction in manufacturing production, reflected by the manufacturing PMI in April 2023 falling to 50.3 from 59.2 in the same period last year. Meanwhile, private investment is projected to slow down due to the continual policy rate hikes, especially residential investment that continually declined, reflecting in decreases in number of home sales and housing loans. Likewise, the economic recovery is facing limitations due to stability of financial institutions and uncertainty of public debt ceiling negotiation.²³ However, the economy is supported by the expansion of domestic demand in accordance with the robust labor market and lower pace of interest-rate hikes, following easing of the US inflationary pressure.²⁴ Hence, in the baseline scenario, the Fed will continue to soften its rate hike in the first half of the year and then remain unchanged till the end of 2023.

The Eurozone economy is expected to expand by 0.5 percent, decelerating from 3.5 percent in 2022, following a slowdown in manufacturing productions and exports, in line with the global economic slowdown as well as the impacts on energy security from the protracted conflict between Russia and Ukraine, as illustrated by a declined industrial purchasing managers' index in April 2023 of 45.8, the lowest in 36 months. Similarly, a recovery of domestic demand is constrained by hawkish monetary policy which decreases lending and liquidity, thus escalating risks of financial institution instability. However, the Eurozone economy is likely to be supported by a recovery of service sector, as reflected from the service PMI in April 2023, which rose to 56.2, the highest level in 12 months. In addition, the many member countries tend to reduce their dependence on Russian energy. Finally, there are also supports from implementing medium-term large-scale fiscal stimulus measures by the EU.²⁵ In the baseline scenario, the ECB is expected to raise its policy rate continuously until the end of 2023 or until the inflation rate can be curbed to the target level, together with implementing other financial measures to mitigate the impact of rising interest rates.²⁶

The Japanese economy is expected to grow by 1.5 percent in 2023, compared with 1.0 percent in 2022. The economy will be mainly supported by the pent-up demand after the relieved restriction measures as well as lifting of the international travel ban. This is coupled with investment promotion to restructure the economy along with government spending expansion. However, the Japanese economy will face significant risks from the global economic slowdown and the Yen depreciation tendency amid policy interest rate hikes by major economies' central banks. This will increase the cost of imports, which will put more pressure on inflation and cause the trade balance to further deficit. Nevertheless, the BOJ began to slow down its expansionary monetary policy by expanding the range of the long-term interest rate for purchasing the 10-year government bonds. Despite the long-term interest rate range expanding, in the baseline scenario, it is expected that the BOJ will continue its expansionary monetary policy.

²³ US public debt as of May 4th, 2023 was 31.45 trillion US dollars and averaged at 31.44 trillion US dollars in the first quarter of 2023, accounting for 155.3 percent of gross domestic product (GDP). The US public debt has been at the same level as the debt ceiling, set at 31.38 trillion US dollars since January 2023. Correspondingly, the federal government has to take extraordinary measures to avoid the government shutdown. However, if the debt limit is not lifted by June 2023, there will be no budget to finance the federal government's operations and increase the risk of debt default, affecting credibility and financial stability of the nation. The U.S. Department of the Treasury and the Congressional Budget Office assess that the impact of US default debt could lead to a 0.6-percent decrease in the US economy and an increase of 500,000 people on unemployment.

²⁴ According to the FOMC meeting on 2nd-3rd May 2023, the committee decided to raise the policy rate (Federal funds rate) by 0.25 percent, to a range of 5.00 – 5.25 percent.

²⁵ According to the EU's long-term expenditure budget for the period 2021 - 2027, with the total budget of 1.21 trillion euros, including additional budget from the economic recovery plan, Next Generation EU, a budget of 807 billion euros, of which 102 billion euros have been disbursed as of April 27th, 2023. In addition, when combined with the budget for temporary measures to revitalize and stimulate the economy, the total budget allocated now amounts to 2.02 trillion euros, the biggest stimulus budget in history.

²⁶ After the meeting of Monetary Policy Committee (MPC) on May 4th, 2023, the ECB decided to raise the policy rate by 0.25 percent, such that interest rates on refinancing operations, the marginal lending facility and deposits facility increased to 3.75 percent, 4.00 percent and 3.25 percent, respectively. This was the seventh consecutive hike and reached the highest rates since the 2008 financial crisis. The ECB has also lowered money supply by holding back reinvest all of the principal payments from maturing securities under the Asset Purchase Programme (APP) from March – June 2023, with the amount of 15 billion Euros per month on average until the end of the second quarter and its subsequent pace will be determined over time.

The Chinese economy is expected to grow by 4.9 percent in 2023, accelerating from 3.0 percent in 2022. The economic recovery is contributed by the relaxation of epidemic containment measures since the end of 2022 and the border reopening on January 8th, 2023. As a result, the economic activities and domestic spending, especially in the service sector, tend to rebound steadily as reflected by the service PMI in April 2023 increasing to 56.4 from 36.2 in the same period last year. Moreover, the recovery of domestic demand will be further supported by the continued expansionary monetary policy aiming to accommodate liquidity for the economy together with the government fiscal stimulus measures.²⁷ Nevertheless, manufacturing productions and exports are likely to be severely impacted by the US trade restricted policies, especially those under the US's CHIPS and Science Act., reflected by the manufacturing PMI in April 2023 falling to 49.5, the first time in 3 months to be lower than 50 level. Meanwhile, private investment remains affected by liquidity shortage and high debt burden in the real estate sector, reflecting in the number of home sales that remains low.

The Newly Industrialized Economies (NIEs) are expected to decelerate due to the contraction in exports and manufacturing production. This is in line with a slowdown in the global economy and trade volume. At the same time, the recovery of domestic consumption and private investment is still facing limitations due to the impact of interest-rate hikes amidst the continuous high-level inflationary pressures. However, the economies of NIEs will be supported by the recovery of the service sector following the relaxation of pandemic containment measures and China's border reopening. Nevertheless, Taiwan and Singapore's economies in 2023 tend to expand by 1.8 percent and 1.8 percent, decelerating from 2.5 percent and 3.6 percent in the previous year. South Korea's economy is projected to grow by 1.7 percent, decelerated from 2.6 percent in the prior year. Meanwhile, Hong Kong's economy is likely to increase by 3.3 percent, recovering from a 3.5-percent contraction in the last year.

The ASEAN economy tends to slow down in line with the economies of major trading partners. Notwithstanding, the economies will be supported by the ease of international travel restriction, especially China's border reopening. Meanwhile, the ASEAN central banks start to halt their interest rate hikes after inflationary pressure has decelerated.²⁸ Thus, in 2023, the economies of Indonesia, Malaysia, the Philippines, and Vietnam are expected to expand by 4.5 percent, 4.2 percent, 5.0 percent, and 5.2 percent, decelerating from 5.3 percent, 8.7 percent, 7.6 percent, and 8.0 percent in 2022, respectively.

²⁷ According to the China Two Sessions meeting held on March 4th-13th, 2023, the Chinese government announced the key economic goals and development plans, focusing on stimulating the economy through domestic consumption and investment, particularly investment in science and technology advancements, rural revitalization, and environmental protection. This is in line with the dual circulation strategy that emphasizes relying on the domestic markets while reducing dependence on foreign markets, in order to resolve foreign trade barriers, especially in the technology sector. In addition, China plans to restructure its Ministry of Science and Technology by allocating 6.5 billion yuan for scientific and technological advancement at the local level and major projects under the Sci-Tech Innovation 2030 agenda together with implementing tax and fees reduction policies for businesses that align with those objectives. Furthermore, the Chinese government will continue its measures to alleviate financial constraints for households by increasing the role of social security and also supporting affected businesses, especially micro and small businesses (MSBs) and real estate-related businesses.

²⁸ The Bank Indonesia decided to maintain its policy rate at 5.75 percent in the meeting on April 18th, 2023, while the central bank of Vietnam lowered its policy rate from 6.0 percent to 5.5 percent in the meeting on March 31st, 2023.

Banking Crisis in the US and Europe

March 8th, 2023

Silicon Valley Bank (SVB) loss approximately 1.8 billion US dollar after sold 21 billion US dollar of US government bonds and 2.25 billion US dollar of bank stocks. Likewise, **Silvergate Bank** declared bankruptcy due to the collapse of crypto exchange and rising interest rates.

March 10th, 2023

Silicon Valley Bank declared bankruptcy with deposits worth 1.8 billion US dollar transferred to the Deposit Insurance National Bank of Santa Clara (DINB) regulated under **Federal Deposit Insurance Corporation (FDIC)**.

March 12th, 2023

Signature Bank declared bankruptcy mainly due to a lack of liquidity from losses in long-term government bonds under rising interest rates. **The Federal Reserve** announced its measure to increase liquidity for financial institutions through the Bank Term Funding Program by offering a one-year loan to commercial banks, depository institutions, credit unions, and other financial institutions. The financial institutions eligible to receive such loans had to submit collateral, including government bonds, debt instruments and mortgage-backed securities. **U.S. Department of the Treasury** also allocated around 25 billion US dollar from the Exchange Stabilization Fund to support the Bank Term Funding Program to prevent panic spreading through the US financial system.

March 13th, 2023

Silicon Valley Bank depositors insured by DINB were able to access to their deposits of 250,000 US dollar per account. The interest will also be prepaid to unsecured depositors within a week.

March 15th, 2023

Credit Suisse Bank's stock price sharply fell to the lowest record in history largely due to defaults on large borrowers such as Archegos fund and Greensill Capital. **Swiss Financial Market Supervisory Authority (FINMA)**, along with the **Swiss National Bank (SNB)**, had jointly announced that they will monitor the situation of Credit Suisse closely, as well as granting a loan to the bank in the amount of 54 billion US dollar.

March 19th, 2023

Union Bank of Switzerland (UBS), the largest bank in Switzerland, agreed to acquire Credit Suisse Bank at around 3 billion US dollar.

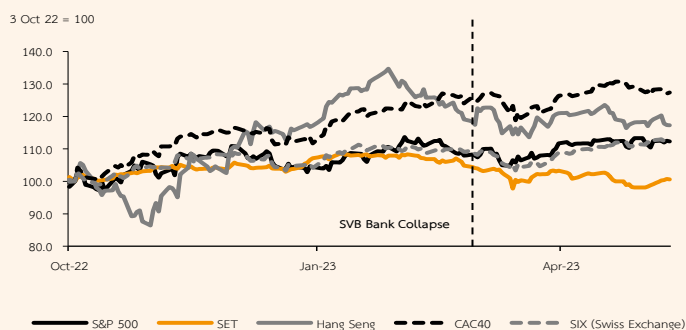
March 16th, 2023

First Republic Bank (FRC) has faced the liquidity crisis such that the US Treasury Department had to request other 11 commercial banks, including JPMorgan Chase, Bank of America, Wells Fargo, and Citigroup, to inject liquidity to First Republic Bank by depositing money with a total value of 30 billion US dollar. Besides, the Monetary Policy Committee of the **European Central Bank (ECB)** decided to utilize data-dependent approach in determining the direction of monetary policy after financial instability in the US and Europe.

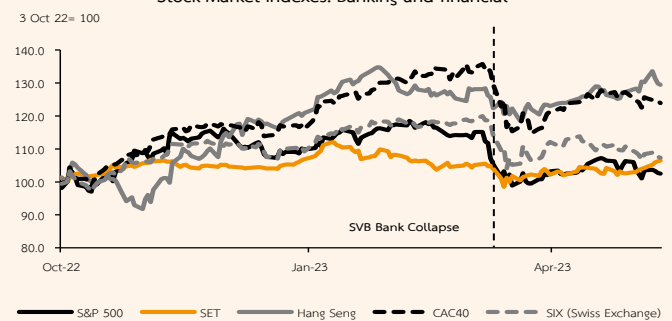
May 1st, 2023

After **FRC Bank** declared bankruptcy, the **Federal Deposit Insurance Corporation (FDIC)** took over FRC Bank and sold all 84 FRC branches to JPMorgan Chase Bank.

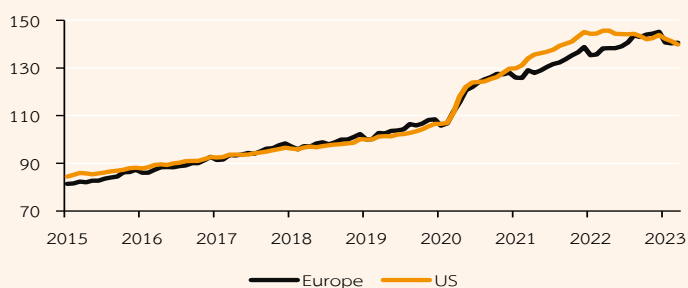
Stock Market Indexes



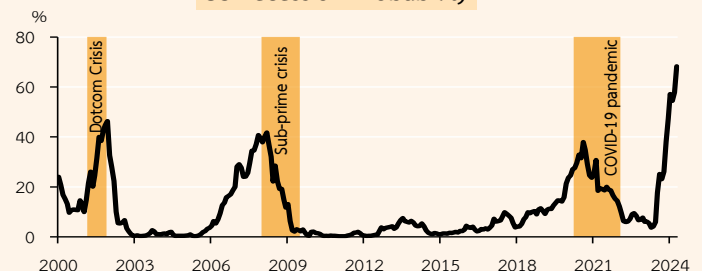
Stock Market Indexes: Banking and financial



Total Deposit (2019 = 100)



US Recession Probability



Source: New York Fed

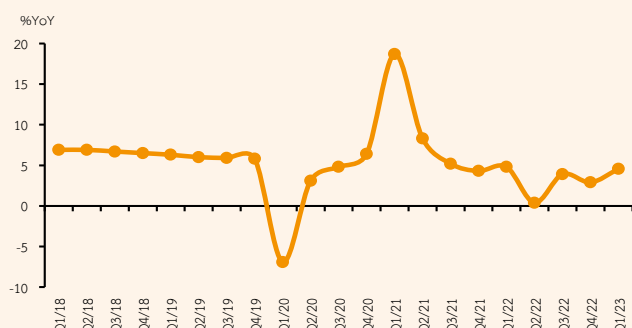
Note: US Recession probability is mainly estimated from US government bond yield.

China's Economic Recovery Outlook Still Faces Limitations

The Chinese economy has been experiencing continuous recovery since the government announced the lifting of the zero-COVID Policy at the end of the fourth quarter of 2022 and the border reopening since January 8th, 2023. Hence, the domestic economic activities have rebounded steadily as reflected by the Chinese economy in the first quarter of 2023 expanding by 4.5 percent, the highest rate in 4 quarters. The economic growth was mainly contributed by domestic consumption and the recovery of service sector. This was in line with the composite Caixin's PMI remaining above 50 in the first quarter, the highest level in 9 quarters, particularly the service Caixin's PMI increasing to the highest level in 9 quarters. Moreover, China's retail sales continued to expand in line with the Consumer Confidence Index in March 2023, which rose to 94.9, the highest level in 12 months. Likewise, domestic travel also improved, reflected by the number of domestic flights and the number of passengers on domestic routes increasing close to the pre-pandemic levels.

However, Chinese economic recovery over the next period will face significant limitations including (i) private investment remains low due to the impact of liquidity problems and a high debt burden in the real estate sector, despite the numbers of home sales, mortgage, and residential property price began to recover gradually in the fourth quarter of 2022, but expanded only at the slower paces and remained below pre-pandemic levels. (ii) manufacturing production and exports are still facing limitations due to the US trade restricted policies, especially those affected by the US's CHIPS and Science Act, reflected by the manufacturing PMI and export value that remains sluggish. (iii) the unemployment rate for young workers remains high, despite the unemployment rate in urban areas decreasing close to the pre-pandemic levels. Nevertheless, the unemployment rate for young workers aged between 16 to 24 continues to increase, reflecting the limitations of the economy in generating additional job opportunities to accommodate new workers.

Real GDP Growth



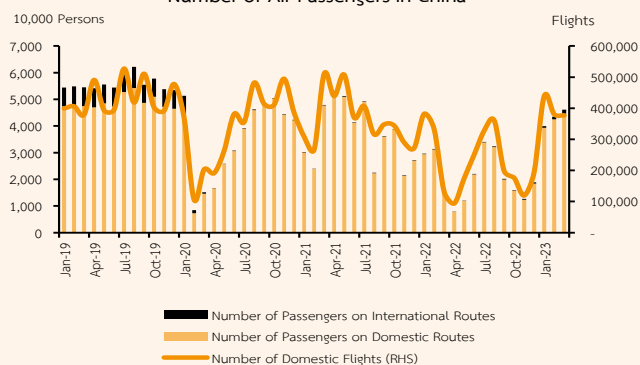
Source: CEIC as of 10 May 2023

Fixed Assets Investment



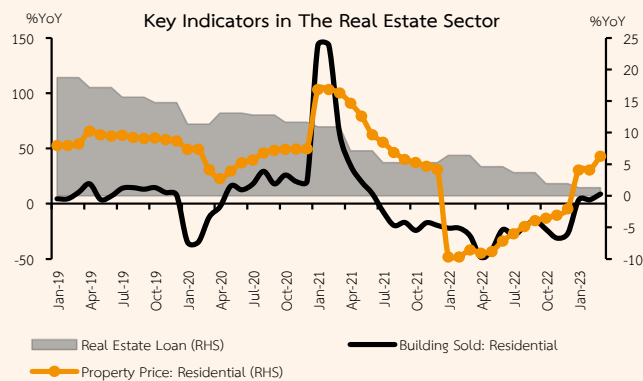
Source: CEIC as of 10 May 2023

Number of Air Passengers in China



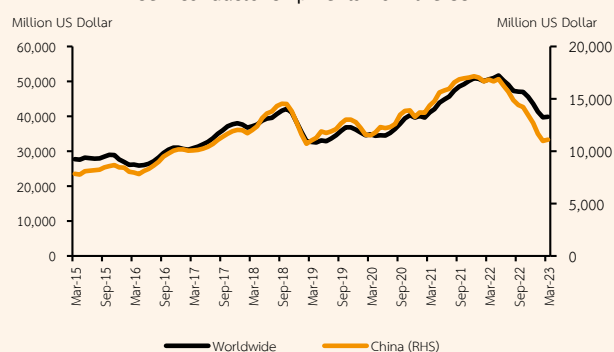
Source: CEIC as of 10 May 2023

Key Indicators in The Real Estate Sector



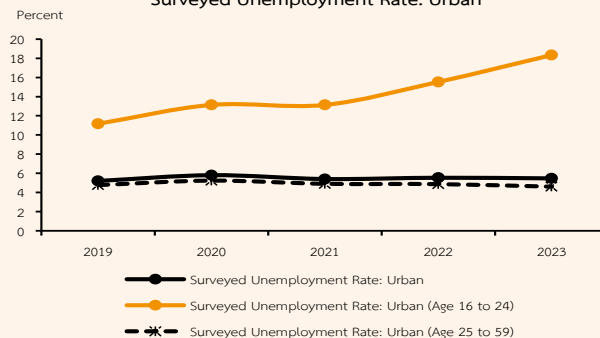
Source: CEIC as of 10 May 2023

Semiconductor Shipments from the US



Source: CEIC as of 10 May 2023

Surveyed Unemployment Rate: Urban



Source: CEIC as of 10 May 2023

5. Thai Economic Outlook for 2023

The Thai economy in 2023 is expected to accelerate from 2022, supported mainly by the recovery of the tourism sector, favorable growth of private consumption and the continued expansion of both private and public investment. However, the economy during the remaining of 2023 is likely to face significant limitations and risks stemming from slower-than-expected global economy amid a protracted geopolitical conflict and volatility in global financial markets, which will hurt Thai exports and manufacturing sectors. In addition, financial conditions of households and businesses continued to constrain a recovery of domestic demand, especially during the interest rates uptrend. Moreover, risks from climate variability may hinder agricultural production, while the political and economic conditions after the general election could affect economic confidence and delay of the FY2024 government annual budgetary process.

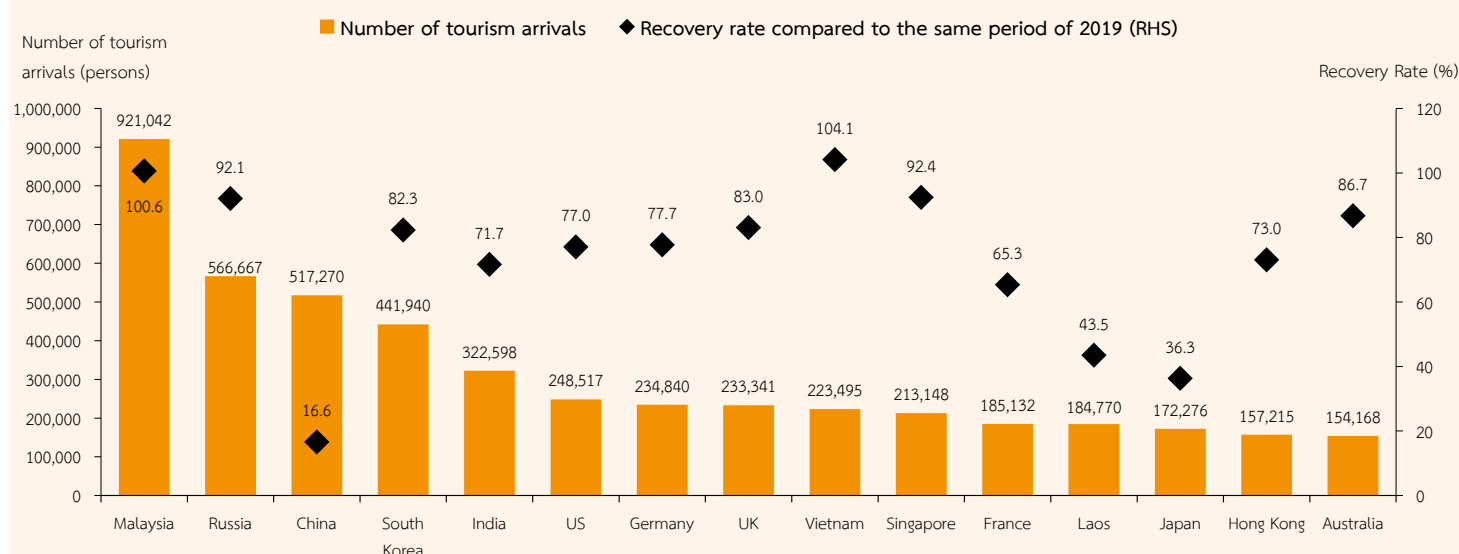
Supporting factors for the economic growth:

- 1) **The recovery of the tourism sector** due to a continuously increasing number of both international and domestic tourists, specifically Chinese tourists after the border reopening since January 8th, 2023. This resulted in an influx of Chinese tourists up to 328,375 persons in April 2023, or a 3,662.3-percent improvement from the same period of last year. In total, the number of Chinese tourists during January – April 2023 reached 845,645 persons, in line with resurging outbound Chinese tourists, and the fact that Thailand is the top destinations for Chinese tourists. Hence, the number of Chinese tourists is expected to increase significantly in the latter half of 2023. This is also coupled with an increasing number of foreign tourists from other countries of origin including India, South Korea, and Russia, which has nearly reached the pre-pandemic level, as well as normalizing trend of ASEAN tourists. Meanwhile, a recovery of inbound tourists is also in accordance with an upward trend of international flights. The figure of international flight during the first quarter of 2023 is 80,919 flights, compared with 26,554 flights in the same period of 2022. This is consistent with the projection of the United Nations World Tourism Organization (UNWTO) that the number of global tourists in 2023 will be approximately 1 billion persons, increasing by 71 percent compared to the previous year. In terms of domestic tourism, the number of Thai tourists continues to increase, illustrated by the figure in the first quarter of 2023 that reached 62,588,050 persons-times, compared with 46,047,025 persons-time in the same period last year. Moreover, the tourism sector over the rest of the year will be driven by key government's stimulus package i.e., 'We Travel Together Phase 5' during March 7th – April 30th, 2023, and "Unseen New Series" from the Tourism Authority of Thailand aiming to support secondary provinces.
- 2) **The continued expansion of domestic consumption**, consistent with resumption of economic activities and household consumption, together with the strong rebound of tourism sector. As a result, the consumer confidence index, regarding the overall economy, in April 2023, rose to 49.4 point, the highest level in 38 months. In addition, domestic consumption would also be supported by strong labor market that has recovered to the pre-pandemic level, with the unemployment rate, in the first quarter of 2023, of 1.05 percent, comparing with 1.15 percent in the previous quarter, which was the lowest level in 12 quarters and close to 0.99 percent in the same quarter of 2019. Domestic consumption will also be supported by the continuous expansion of farm income owing to continual growing agricultural products.
- 3) **The continual expansion of investment in both private and public.** Private investment in 2023 is likely to expand continuously, reflected by the amount of applications for investment promotion in 2022 that reach the historic high of total investment value of 664 billion baht, with a 38.8-percent increase from last year. Moreover, the areas of land allocated for industrial estate in the first quarter of 2023 increased to 190,150 Rais, growing by 5.6 percent from the same period of last year. In particular, areas in the Eastern Economic Corridor (EEC) was 146,666 Rais, increasing by 6.9 percent from the same period of last year.²⁹ In addition, private investment is also likely to be supported by the progress of public-private partnership (PPP) projects. For public investment in 2023, it is likely to expand according to the FY2023's capital budget framework, with total 655 billion baht, compared to 564 billion baht in the FY2022, increasing by 16.1 percent. Furthermore, there will be supporting factors from continual progress of the state-owned enterprises investment in major infrastructure investment projects in 2023.

²⁹ In 2022, the application projects for investment promotion total 2,119 projects, expanding by 41.4 percent from last year. Similarly, the amount of applications for investment promotion that have been approved and issued certificates in 2022 total 619 billion baht and 489 billion baht, representing an increase of 20.8 percent and 20.3 percent compared to the same period of the previous year, respectively.

A Recovery of Foreign Tourists

The number of international tourism arrivals from many origin countries has nearly reached the pre-pandemic level, in particular, Malaysia, Vietnam, Russia, and Australia. Meanwhile, there are still some origin that still has low recovery rate, including China and Japan. This is due to the delay of lifting of international travel ban in the recipient countries. Nevertheless, it is expected that the number of Chinese and Japanese tourists will increase significantly for the rest of 2023.



Source: Economic Tourism and Sport Division, Ministry of Tourism and Sport, computed by NESDC

Tendency in an increasing number of Chinese tourists: Supporting factor for the growth of Thailand's tourism industry

Thailand's tourism sector has shown a clear recovery, in line with a continuous upward trend in the number of international tourist arrivals, especially Chinese tourists due to China's border re-opening on January 8th, 2023. Thus, the number of Chinese tourists visiting Thailand in April 2023 reached 328,375, increasing by 21.7 percent compared to 269,773 tourists in March 2023, and increasing by 3,662.3 percent compared to 8,728 tourists in April 2022. In the first four months of 2023, a total of 845,645 Chinese tourists visited Thailand, marking an increase of 3,664.1 percent compared to the same period of the previous year. These figures align with an increase in Chinese outbound and indicate a continuous upward trend, particularly during the final quarter of 2023, which includes important holidays such as the National Day Holiday (Golden Week) in October and the New Year's Eve Holiday in December.

According to the data of Chinese tourist before the pandemic (in 2019), the total number of Chinese outbound was 154.63¹ million people. The top five destinations were Hong Kong, Macau, and Taiwan, with a combined total of 74.41 million people (shared of 48.12 percent), followed by Thailand with 11.00 million people (shared of 7.11 percent), Japan with 9.59 million people (shared of 6.20 percent), South Korea with 6.02 million people (shared of 3.90 percent), and Vietnam with 5.81 million people (shared of 3.76 percent). The number of Chinese outbound in 2023 is projected to account for two-thirds of the number of Chinese outbound in 2019 (103.09 million people)², with approximately 4.25 million Chinese tourists expected to visit Thailand.³ (shared of 4.13 percent of the projected number of Chinese outbound in 2023, and 38.69 percent of the Chinese tourist arrivals in Thailand in 2019 prior to the COVID-19 pandemic)

¹ Number of Chinese outbound in 2019 (Source: CEIC)

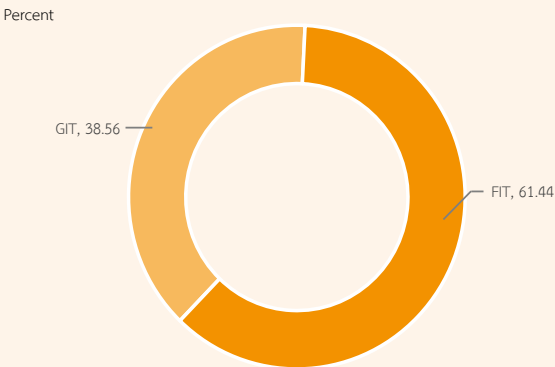
² Forecasted Chinese outbound in 2023 (Source: China Outbound Tourism Research Institute European Travel Commission)

³ Forecasted Chinese tourist arrivals in Thailand in 2023 as of May, 2023 (Source: NESDC)

Tendency in an increasing number of Chinese tourists: Supporting factor for the growth of Thailand's tourism industry

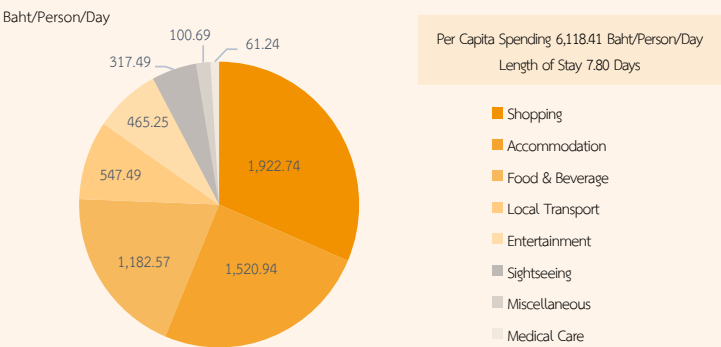
The important supporting factors that contribute to Chinese tourists traveling to Thailand as projected include Thailand being selected by the Chinese government as one of the twenty leading countries eligible for Group Inclusive Tour (GIT), along with the data⁴ indicated that since the Chinese government's official announcement of country's re-opening and self-guided international travel authorization, as well as during the recent major Chinese holidays (Lunar New Year and Labor Day), the top international destinations (excluding Hong Kong, Macau, and Taiwan) were Thailand (Bangkok, Chiang Mai, and Phuket) followed by South Korea (Seoul) and Japan (Tokyo and Osaka).

Type of Chinese tourist traveling in Thailand in 2019



Source : National Statistical Office and Ministry of Tourism and Sports

Chinese tourist: per capita spending by expenditure item in 2019



Source : National Statistical Office and Ministry of Tourism and Sports

When analyzing in the details of the behaviors and situations of Chinese tourists, the patterns have changed since the COVID-19 pandemic. Particularly, the younger and working-age groups (aged 18-40) which account for 70 percent of all Chinese tourists, have a growing preference in Free Independent Travel (FIT) or small-group Tailor Made Tours. They are more interested in tourism that offer new experiences and are able to experience local lifestyles and cuisine, as well as visiting popular destinations in online communities (Online Celebrity Cities). Additionally, they tend to extend length of stay to make the expensive airfare more cost-effective. Prior to the COVID-19 outbreak (in 2019), the average length of stay for Chinese tourists in Thailand was 7.80 days, with an average expenditure of 47,723.60 Baht/person/trip⁵.

Therefore, it is crucial to strategically promote tourism measures aiming at addressing the needs of the targeted Chinese tourists, which include: (i) Organizing tourism promotional events in major cities in China, especially during China's long holidays such as the Summer Holidays in July until late August and the National Day Holiday (Golden Week) in October; (ii) Implementing Specialized marketing campaigns to attract specific tourist groups, such as Historical tourism, Community-based tourism, and Gastronomy tourism; and (iii) Utilizing online platforms and social medias in Thailand and China to promote tourism of both primary and secondary cities while also creating opportunities for income distribution to local communities.

⁴ The data as of May, 2023 (Source: Trip.com group)
⁵ Length of stay and expenditure of Chinese tourists (Source: Tourism and Sports statistics of National Statistical Office and Ministry of Tourism and Sports)

Maintaining Growth Momentum from Public Investment

Public investment is expected to be an essential driver for Thailand's economic growth in 2023. Maintaining adequate level of the momentum, it is important to monitor the disbursement of the government's capital budget, the effective implementation and disbursement of capital budget in the key investment projects by state-owned enterprises, and the promotion of Public-Private Partnership (PPP) initiatives. Taking into consideration those key areas, one can ensure that public investment will continue to be the main economic driver throughout the year, in which the total public investment budget for the FY2023 is amounted to 1,242.8 billion Baht, increasing by 3.5 percent from the FY2022. This was mainly driven by expansion in the annual budget's capital expenditure budget, rose by 16.1 percent. Meanwhile, the capital expenditure budget in carry-over budget and state-owned enterprise's investment budget decreased by 14.2 percent and 5.4 percent, respectively.

	Value (million Baht)			%YoY		
	2021	2022	2023	2021	2022	2023
Total state investment budget	1,214,954.6	1,201,329.4	1,242,785.5	-2.9	-1.1	3.5
1. Capital expenditure budget in annual budget	604,308.2	564,318.5	655,183.0	8.9	-6.6	16.1
2. Capital expenditure budget in carry-over budget	177,709.3	168,177.9	144,251.5	-11.7	-5.4	-14.2
3. State-owned enterprise's investment budget	432,937.0	468,833.0	443,351.0	-12.5	8.3	-5.4

Source: GFMIS (as of April 24, 2023), NESDC

For FY2023, state-owned enterprises are anticipated to allocate a total investment budget of 443.35 billion Baht. Among the 65 significant projects earmarked for disbursement, the top 10 are expected to receive the highest allocation, with an estimated disbursement of 83.95 billion Baht, accounting for 59.5 percent of the total disbursement. In detail, top 10 projects comprised of investments in transport sector (5 projects), energy sector (3 projects), commerce and services sector (1 project), and public utility sector (1 project). As of the second quarter of FY2023, the disbursement of the top 10 projects amounted to 24.9 billion Baht, which indicated 29.71 percent of the total budget. Besides, for the first half of the fiscal year 2023, the disbursement of the top 10 projects amounted to 30.3 billion Baht, which indicated 36.08 percent of the total budget.

Therefore, maintaining public investment as a main factor for Thailand's economic growth in the period ahead, the government should prioritize the disbursement of the projects that have already been committed as along with accelerating the investment projects that have been approved for expenditure in order to meet the target.

Top 10 of state-owned enterprises significant investment projects of 2023

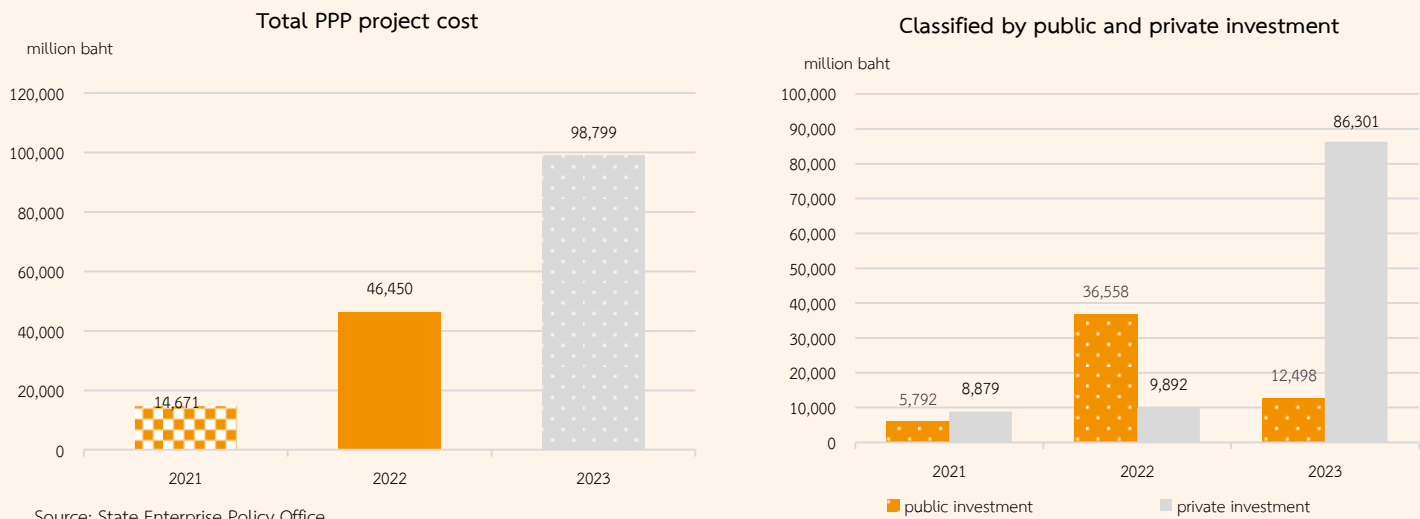
Project	SOEs	Sector	Operational approval limit	Estimated Disbursement of Investment Budget	Disbursement Q1/FY2023	Disbursement Q2/FY2023	%Disbursement rate H1/FY2023
The first phase of the Thai-Sino high-speed rail linking Bangkok and Nong Khai (Bangkok-Nakhon Ratchasima section)	SRT	transport sector	143,280.94	18,138.21	757.39	10,133.78	60.05
The MRT purple line project: Tao Pun - Rat Burana	MRT	transport sector	91,974.00	10,646.56	1,145.19	6,775.95	74.40
Transmission system and distribution system development project, phase 2	PEA	energy sector	28,585.93	10,552.04	-	1,388.49	13.16
The expressway linking Rama III Road-Dao Khanong and the western Outer Ring Road	EXAT	transport sector	20,767.34	8,608.31	1,518.19	2,277.50	44.09
Railway construction project: Ban Phai - Maha Sarakham - Roi Et - Mukdahan - Nakhon Phanom	SRT	transport sector	61,273.31	7,498.62	129.93	507.70	8.50
The government complex: Zone C area	DAD	commerce and services sector	17,343.86	6,129.02	-	827.64	13.50
The twelfth power distribution system improvement and expansion plan, Year 2017 - 2021	MEA	energy sector	15,493.84	5,863.73	-	690.05	11.77
Railway construction project: Den Chai - Chiang Rai - Chiang Khong	SRT	transport sector	76,368.66	5,752.88	932.88	962.55	32.95
The 9 th waterworks improvement master plan	MWA	public utility sector	28,142.50	5,459.68	866.38	1,372.61	41.01
Mae Moh power plant units 8-9 replacement project	EGAT	energy sector	42,557.14	5,296.06	-	3.08	0.06

source: NESDC

Maintaining Growth Momentum from Public Investment (Cont.)

In FY2023, the Public-Private Partnership Policy Committee approved 4 projects, amounting to 98.80 billion Baht, of which the government agency invested approximately 12.50 billion Baht and private funding of approximately 86.30 billion Baht. These projects including (i) Western Bangkok Outer Ring Road Intercity Motorway M9 (Bang Khun Thian - Bang Bua Thong segment), (ii) Ground Support Equipment (GSE) Maintenance Complex at Suvarnabhumi Airport (New Vendor), (iii) Cargo Warehouse at Suvarnabhumi Airport (New Vendor), and (iv) Extension of the Utraphimuk Elevated Tollway, Rangsit - Bang Pa-in Intercity Motorway.

The public Private Partnership projects



Risks and limitations to economic growth:

- 1) **Global economic slowdown and volatilities in the global financial market** as a result of key risk factors that need to be closely monitored and assessed including: (i) **a slower-than-expected global economy** due to remaining-high inflationary pressure, resulting in a continuation of interest rate hikes implemented by major central banks which has led to tightening financial market and higher borrowing cost that could weigh on growths in major economies; (ii) **instability risk of financial institutions in major economies** especially the US and EU which faced with the liquidity shortage, leading to more volatility and fragility in financial markets, particularly in banking sector. With a mounting anxiety from the depositors and investors, this could consequently affect banking deposits and lead to risk-on environment; (iii) **prolonged geopolitical conflicts** which hamper international trade and investment as well as overall global economic recovery. In particular, the tension between the US and China might lead to implementation of trade and investment protection measures along with technological competition, and thus worsen the global supply chain disruption. Moreover, the dispute between Russia and Ukraine is still highly uncertain and likely to be protracted; and (iv) **the uncertainty of the US public debt ceiling negotiation** that could lead to a default of US government bonds and thus affect investors' confidence and the US economy³⁰ which could impact the global economy and the financial market, as well as the economic stability of countries with high proportion of US government bonds holding.
- 2) **Remaining 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 7.4 percent and 12.1 percent in the fourth quarter of 2022. However, the ratio remained above pre-pandemic levels at 4.6 percent and 3.5 percent in the same quarter of 2019, respectively. Similarly, the ratio of household debt to GDP in the fourth quarter of 2022 stood at 86.9 percent, slightly decreasing from 87.0 percent in the prior quarter, though remaining high compared to the pre-pandemic level at 79.9 percent in the same quarter of 2019. Thus, the high debt burden in business and household sectors might constrain the recovery of both domestic demand and debt servicing ability amid the rising interest rates, especially SMEs and low-income households as well as those debtors in the agricultural sector who have been under the debt moratorium measure, which just ended³¹, and also vulnerable debtors of specialized financial institutions (SFIs) and non-banks who have not yet fully recovered from the impact of COVID-19.
- 3) **Climate variability that may affect the agricultural production.** According to the National Oceanic and Atmospheric Administration (NOAA), there is a 62 percent possibility that the Asia and Pacific region would enter the El Niño condition during May to December 2023 and is likely to continue until February 2024. For Thailand, it is thus expected that the amount of rainfall tends to decrease below a normal level.³² In addition, the rainfall forecasted by the Meteorological Department for the second quarter of 2023 tends to be 133.6 millimeters, less than an average of 154.8 millimeters, while an expected average temperature in the second quarter could reach 30.3 degree Celsius, higher than the normal average of 29.1 degree Celsius. Under such circumstances, the agricultural production is likely to be affected.
- 4) **Political sentiment, policy directions after government formation, and FY2020 budgetary process.** Under the baseline scenario, it is expected that the formation of the new government will be held smoothly. Nevertheless, there remains uncertainty in the political situation and the next government's policy directions, which may affect the overall economic sentiment and investors' confidence. In addition, the FY2024's government annual budget is likely to be delayed for 2-4 months under the baseline scenario, which will affect the approvals of new investment projects to be slower than expected.

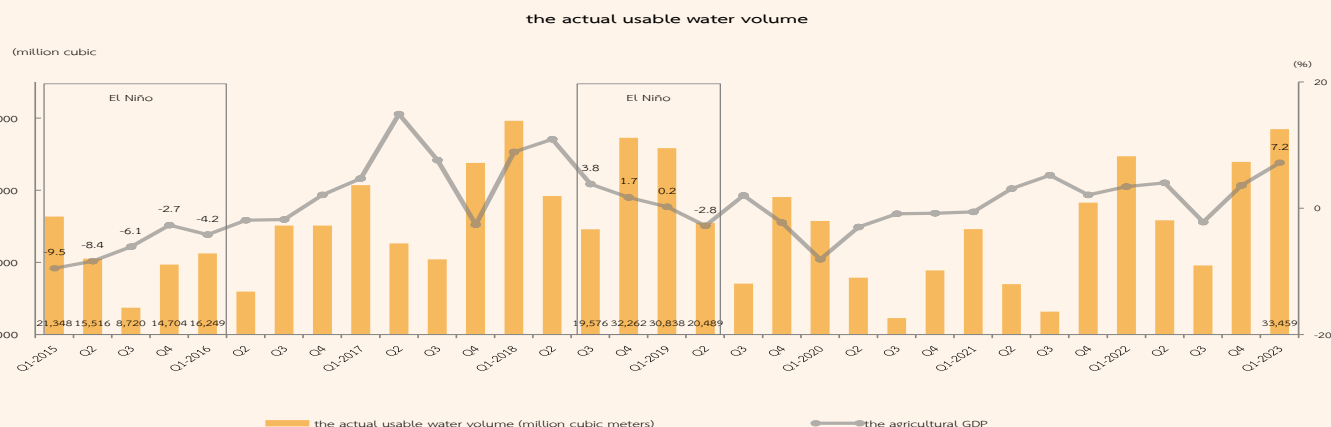
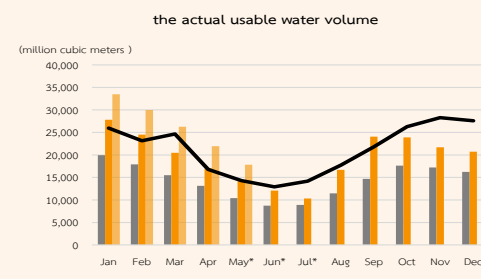
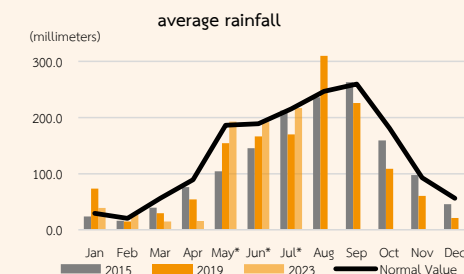
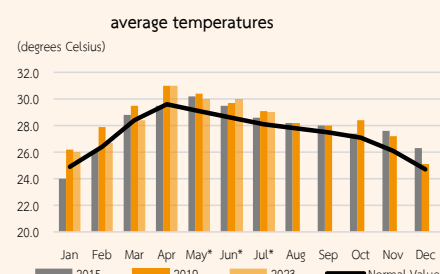
³⁰ Janet Yellen, US treasury secretary, reiterated on May 1st, 2023, that the United States might run out of measures to pay its debt obligations and become default as soon as June 1st, 2023 if the Congress has not acted to raise or suspend the debt limit.

³¹ The debt moratorium measure ended on April 9th, 2023, while the loan rehabilitation program has been extended for another year and will be ended on April 9th, 2024.

³² The normal average level is the monthly average of temperature and rainfall in Thailand during the 30 years period (1981 – 2010)

The risk in the agricultural sector among the uncertainty of weather condition.

According to the National Weather Service and the Climate Prediction Center (NOAA), it is predicted that the chance of entering an El Niño¹ phase from May 2023 to July 2023 is 62.0 percent, and will be continuing until December 2023 to February 2024. Additionally, the Meteorological Department forecasts that Thailand will experience a lower-than-normal rainfall level, approximately 5 percent². (the normal value was 196.9 millimeters), and the temperatures in this period is expected to be higher than normal value within the range of 25 - 34 degrees Celsius (normal value of 28.6 degrees Celsius). However, when considering the water levels in the large reservoir of the Chao Phraya River valley³, on May 10th, 2023, the actual usable water volume is approximately 6,050 million cubic meters (accounted for 24.33 percent of the reservoir's capacity and 36.12 percent of the nationwide usable water volume) This is higher than the level of 3,540 million cubic meters during the same period the previous year and the volume of 2,029 million cubic meters during the drought period in 2015 and 3,733 million cubic meters in 2019.



Note: * May, June and July 2023 are forecast data using climate models and statistical methods. by Thai Meteorological Department

In the past, Thailand has suffered from the drought issues due to severe El Niño conditions in 2015 and 2019, which was the most recent El Niño episodes. During this period, there was a relatively low cumulative rainfall and above-average temperature level almost every month. Meanwhile, the actual usable water volume in the large reservoir remained lower than the 5-year average. These circumstances significantly impacted the overall agricultural sector, leading to a substantial decline in the agricultural Gross Domestic Product (GDP) by 6.5 percent in 2015 and 1.0 percent in 2019, respectively.

Therefore, under the pattern of entering an El Niño phase, Thailand should prepare by actively monitoring, tracking, and evaluating the situation comprehensively, and use the information to analyze the data and implement the appropriate and timely management measures to cope with any circumstances, particularly in terms of water resource allocation, agricultural cultivation areas aligned with water availability, identified the source of reserve water, and ensuring the readiness of machinery for efficient operations. Concurrently, it is crucial to closely manage agricultural productions that may be impacted from the variability of weather conditions, which can deteriorate output yields and product quality, thus leading to the reduction of agricultural income. Additionally, it is essential to address the issue of high production costs in agricultural sector.

¹ El Niño occurs the winds weaken and changed 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 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).

³ The large reservoirs in the Chao Phraya River basin consist of four dams: the Bhumibol Dam, the Sirikit Dam, the Kwa Noi Bmrung Daen Dam, and the Pasak Chonlasit Dam.

Key assumptions for 2023 economic projection:

	Actual Data			Projections for 2023	
	2020	2021	2022	Feb 17 th , 2023	May 15 th , 2023
World Economic Growth (%) ^{1/}	-2.8	5.6	3.4	2.6	2.7
US	-2.8	5.9	2.1	0.7	0.9
Eurozone	-6.1	5.3	3.5	0.3	0.5
Japan	-4.3	2.1	1.0	1.5	1.5
China	2.2	8.4	3.0	4.7	4.9
Global Trade Volume (%)	-7.8	10.6	5.1	2.0	2.1
Exchange Rate (Baht/US Dollar)	31.3	32.0	35.1	32.3 – 33.2	32.8 – 33.8
Dubai Crude Oil (US Dollar/Barrel)	42.4	69.5	96.2	80.0 – 90.0	80.0 – 90.0
Export Price (US Dollar) (%)	-0.8	3.3	4.2	(-1.5) – (-0.5)	(-1.0) – (0.0)
Import Price (US Dollar) (%)	-3.6	8.3	13.0	(-3.0) – (-2.0)	(-2.0) – (-1.0)
Income from Tourism (Trillion Baht) ^{2/}	0.42	0.15	0.58	1.31	1.27
Number of foreign tourists (Million persons)	6.7	0.4	11.2	28.0	28.0

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 15th May 2023

- 1) The world economy and global trade volume in 2023 are projected to grow by 2.7 percent and 2.1 percent**, slowing from 3.4 percent and 5.1 percent in 2022, and upwardly revised from the growths of 2.6 percent and 2.0 percent in the previous estimation. The adjustments are in accordance with the revision of economic growth in the US and the Eurozone economies which are expected to grow by 0.9 percent and 0.5 percent, compared with 0.7 percent and 0.3 percent in the previous projection, due to the higher than anticipated growth in the first quarter. Similarly, the upward adjustment of the Chinese economic growth of 4.9 percent from 4.7 percent in line with the continual economic recovery after lifting the zero-COVID containment measures and border reopening. However, the world economy is expected to slowdown from previous period mainly due to the continual policy rate hikes made by major central banks.
- 2) The average value of Thai Baht in 2023 is expected to be within the range of 32.8 - 33.8 Baht per US dollars**, appreciating from an average of 35.1 Baht per US dollars in 2022 and from 32.3 – 33.3 Baht per US dollars in the previous estimation. The adjustment is due to the appreciation trend of Thai Baht during February – April 2023 with an average of 34.30 Baht per US dollars, compared with an average of 33.23 Baht per US dollars in January 2023. This is in accordance with the appreciation of the US Dollar due to concerns over the impacts of the economic slowdown and uncertainty on financial institution's stability, causing investors to reallocate their investment toward low-risk assets. Additionally, the US Fed continually implements the tightening monetary policy to curb inflation pressure, which remains above the inflation target. Nonetheless, Thai Baht throughout 2023 is expected to appreciate gradually in line with improving current account due to increases in foreign tourism receipts and reduction of sea freight cost, coupled with the US dollar depreciation trend after the US Fed tend to halt its policy interest rate hike particularly in the latter half of 2023.
- 3) The average Dubai crude oil price in 2023 is expected to be in the range of 80.0 - 90.0 US dollars per barrel**, remaining the same as the previous projection and, however, declining from an average of 96.2 US dollars per barrel in 2022, attributable to the global economic slowdown. As of May 11th, 2023, Dubai crude oil price was at 75.6 US dollars per barrel, resulting in the average Dubai crude oil price during January 1st - May 11th, 2023 of 80.4 US dollars per barrel. However, it is expected that, during the rest of the year, oil price would be increasing mainly due to the production cuts of the Oil Producing Countries and Allies (OPEC+)³³, together with the number of rigs drilling worldwide and crude oil inventories that are still lower than before the epidemic levels.³⁴ Nonetheless, the economic recovery in China will result in higher oil demand. In addition, there are still other uncertainties particularly a protracted conflicts between Russia and Ukraine that may affect energy price level and energy security in the European region that has to restock energy for the next winter that could result in higher energy price.

³³ The OPEC+ meeting held on 3rd April 2023 confirmed to cut 2 million barrels per day of crude oil production until the end of 2023, according to the agreement reached in October 2022,. In addition, there are member countries that have voluntarily cut additional production totaling 1.56 million barrels per day. As a result, the OPEC+ group will reduce production by a total of 3.66 million barrels per day.

³⁴ The average number of operative oil rigs worldwide in the first three months was 1,448 rigs, compared with 1,785 in 2019. The US crude oil inventories for the first three months in 2023 was an average of 838.3 million barrels, compared with 1,102.3 million barrels in 2019.

- 4) **The export and import prices in terms of US dollars in 2023** are expected to increase by (-1.0) - (0.0) percent and (-2.0) - (-1.0) percent, slowing down from 4.2 percent and 13.0 percent in 2022, respectively, and increasing from the assumptions in the previous projection of (-1.5) - (-0.5) percent and (-3.0) - (-2.0) percent, respectively. This adjustment is in line with the actual export and import prices in the first quarter, which grew by 2.0 percent and 4.8 percent, respectively.
- 5) **The revenue from foreign tourists in 2023** is expected to be at 1.27 trillion baht, an increase from 0.58 trillion baht in 2022 but a downward revision from the assumption of 1.31 trillion baht in the previous projection according to the lower-than-expected per-head expenditure of foreign tourists. This is due to the increasing proportion of tourists traveling from short-haul countries where the spending per person per trip is lower than long-haul travelers. As a result, the overall expenditure per capita of tourists is lower than in the previous projection. Meanwhile, the number of foreign tourists in 2023 is expected to total 28.0 million persons, equivalent to the previous estimation and an increase from 11.2 million persons in 2022. In the first quarter of 2023, the total number of foreign tourists was 6.5 million persons, close to the forecast. It is expected that there will be more foreign tourists coming at a continuous pace during the rest of the year, in particular, Chinese tourists that are expected to reach 4.2 million persons this year.
- 6) **The budget disbursement** is expected to be as follows: (i) the FY2023's annual budget disbursement rate of 92.5 percent of the overall budget, compared with 93.0 percent in the previous projection. In detail, the current budget is expected to be disbursed at 97.0 percent, adjusted from the previous assumptions of 98.0 percent and compared with 99.2 percent in the previous fiscal year. Similarly, the capital budget is expected to be at 75.0 percent, equivalent to the previous assumptions. For the FY2024's annual budget bill, there is risk of a delay of 2-4 months in approving and implementing the budget, which is scheduled for disbursement in the second quarter of FY 2024; (ii) the carry-over budget disbursement rate of 86.2 percent, the same level as in the previous estimation, and compared with 90.1 percent in FY2022 (the disbursement rate consisted of current and capital budget at 90.0 and 85.0 percent, equivalent to the previous projection, respectively); and (iii) the state-owned enterprises' capital budget disbursement of 70.0 percent of total budget, equivalent to the previous projection, or approximately 345 billion baht.

The Thai economic outlook 2023

The Thai economy in 2023 is projected to expand by 2.7 - 3.7 percent (with a midpoint average of 3.2 percent), accelerating from a 2.6-percent growth in 2022. Headline inflation is expected to be within a range of 2.5 - 3.5 percent and the current account is projected to record a surplus of 1.4 percent of GDP, compared with a deficit of 3.5 percent in 2022.

In the press release dated on May 15th, 2023, the NESDC estimated that the Thai economy in 2023 is expected to expand by 2.7 - 3.7 percent, with the midpoint forecast of 3.2 percent, remaining unchanged from the previous projection released on February 17th, 2023. However, there are corresponding revisions in some key growth components to be consistent with changing conditions and revised assumptions as follows:

- 1) **An upward revision of domestic consumption**, due to higher-than-expected expansion of private consumption in the first quarter of 2023 at 5.4 percent. In particular, an expenditure on durable goods in the category of vehicle has returned to grow. As a result, private consumption is expected to expand by 3.7 percent in 2023, upwardly revised from 3.2 percent in the previous estimation.
- 2) **A downward revision of government consumption**, to be in accordance with a downward revision of current budget disbursement rate of FY2023 which is expected to be at 97.0 percent of total budget, downwardly revised from 98.0 percent in the previous estimation. Consequently, the government consumption is expected to grow at 2.6 percent, a downward revision from 1.5 percent in the previous estimation.
- 3) **A downward revision of private investment**, due to lower-than-expected growth of private investment in the first quarter of 2023 at 2.6 percent. The revision is also in line with a downward trend of export and import of goods, particularly, raw materials and intermediate goods. This is coupled with decline in average capacity utilization in the first quarter to 63.7 percent from 66.8 percent in the same period of the preceding year. Thus, private investment is expected to increase by 1.9 percent, a downward revision from 2.1 percent in the previous quarter.

Key components of Economic growth;

- 1) **Total consumption:** (1) **Private consumption expenditure** is expected to increase by 3.7 percent, continuing from a 6.3-percent growth in 2022 and an upward revision from a 3.2-percent in the previous estimation, owing to the expansion of income base from the tourism and agricultural sectors, together with the continual recovery of labor market, and (2) **Government consumption expenditure** is projected to decline by 2.6 percent, compared with a 0.2-percent decrease in 2022 and a downward revision from a 1.5-percent reduction in the previous estimation. This was in accordance with the downward revision of disbursement rate assumption of the current budget under the FY2023 annual budget as well as a lower current budget framework in the FY2023 compared to the previous fiscal year.
- 2) **Total investment** is expected to increase by 2.1 percent, continuing from a 2.3-percent in 2022. (1) **Private investment** is estimated to increase by 1.9 percent, compared with a 5.1-percent growth in 2022, and a downward revision from a 2.1-percent growth in previous estimation. This was in accordance with expected decline in export and import. (2) **Public investment** is expected to grow by 2.7 percent, compared with a 4.9-percent decrease in the previous year, and remaining unchanged from previous estimation. This was in accordance with the FY2023 capital budget framework of 655.2 billion Baht, increasing by 16.1 percent from 564.3 billion Baht in FY2022.
- 3) **Export value of goods in US dollar term** is anticipated to decrease by 1.6 percent, compared with a 5.5-percent growth in 2022, and remaining unchanged from previous estimation. The export volume in 2023 is expected to decrease by 1.1 percent, compared with a 0.6-percent decline in the previous estimation. Meanwhile, the export price assumption is upwardly revised from (-1.5) – (-0.5) percent to (-1.0) – (0.0) percent. Together with the notable growth of export of services, it is expected that the export quantity of goods and services will continue to increase by 6.9 percent, compared with a 6.8-percent growth in 2022 and a downward revision from a 7.4-percent in previous estimation.
- 4) **Import value of goods in US dollar term** is expected to contract by 1.9 percent, compared with a 15.3-percent growth in 2022, and revised from a 2.1-percent contraction in the previous estimation. The import volume is forecasted to decline by 0.4 percent, compared with a 0.4-percent growth in the previous estimation, and in line with a slower pace of export of goods and private investment. Meanwhile, the import price assumption is upwardly revised from (-3.0) – (-2.0) percent to (-2.0) – (-1.0) percent to be consistent with the actual data in the first quarter. Therefore, it is expected that the import quantity of goods and services will increase by 1.6 percent, compared with a 4.1-percent growth in 2022, and a downward revision from a 2.6-percent in previous estimation.
- 5) **Trade balance** is estimated to register a surplus of 11.4 billion US dollars, compared with a surplus of 10.8 billion US dollars in 2022, and downwardly revised from a surplus of 12.1 billion US dollars in the previous estimation. This is in line with the upward revision in import value of goods projection. Meanwhile, service account is anticipated to register a surplus due to the increasing revenues from inbound tourists. Consequently, the current account is expected to register a surplus of 7.9 billion US dollars (1.4 percent of GDP) in 2023, compared with a deficit of 17.2 billion US dollars (3.5 percent of GDP) in 2022.
- 6) **Economic stability:** headline inflation is expected to be in the range of 2.5 – 3.5 percent, unchanged from the previous projection, while softening from 6.1 percent in 2022.

6. Economic Management for the Year 2023

Economic management for the rest of 2023 should prioritize on the following issues;

- 1) **Maintaining momentum from export sector**, by emphasizing on: (i) boosting exports to major markets with strong economic recovery coupled with expanding to new markets for high purchasing power markets e.g. Middle East, South Asia, or ASEAN, as well as solving the cross-border trade complication to facilitate the economic integration with CLMV; (ii) Monitoring, scrutinizing, and preparing for the volatilities from global economy and financial condition due to prolonged geopolitical conflicts and stabilization issues in advanced economies' financial institution under the tendency of rising interest rates in the global financial market; (iii) encouraging the business sector to appropriately manage risk of exchange rate fluctuation; (iv) facilitating export and lowering related costs; (v) utilizing benefits from the Regional Comprehensive Economic Partnership (RCEP), along with expediting the ongoing Free Trade Agreement negotiations and endeavoring for future negotiations with new potential trading partners, as well as inspecting trade barrier measurements of major markets both tariff and non-tariff especially environmental, health, and intellectual property issues; and (vi) enhancing the competitiveness by improving quality of agricultural, food, and manufacturing products to achieve international requirement and standard, along with restructuring the manufacturing sector, along with restructuring manufacturing sectors by utilizing cutting-edge innovation and technology to boost the productivity.
- 2) **Stimulating private investment**, by prioritizing: (i) speeding up projects already approved and obtained investment promotion certificates in 2020 - 2022 to start their actual investments, especially those in the targeted industries; (ii) solving difficulties and obstacles hindering investors and entrepreneurs from investing and conducting businesses, including labor shortages in manufacturing sector; (iii) implementing proactive investment promotions and facilitating investors in targeted industries to invest in Thailand as well as new investors with high potential; (iv) stimulating investments in the Eastern Economic Corridor (EEC), other special economic zones, as well as the regional economic corridors; (v) supporting investment in the key economic areas and transport infrastructure to be in accordance with the prospected plan; and (vi) enhancing high-skilled labors to brace the growth of technology-and-innovation-intensive industries, particularly the new targeted industries.
- 3) **Catalyzing the recovery in tourism and related service sector**, by prioritizing: (i) preparing and assisting the tourism sector to be ready for the resuming of foreign tourists such as inbound flight availability, sufficient labor supply for tourism and related service sectors, along with accommodating liquidity for business sector to be able to resume business, especially small-size entrepreneur; (ii) promoting the development of high-quality tourism, and enhancing potential, to achieve sustainable tourism. In particular, the emphasis should be placed on enhancing facilities and infrastructure, improving area and environmental management, and ensuring safety of tourists; (iii) continually supporting the tourism promoting events to attract long-term residents with high potential and high purchasing power; and (iv) promoting domestic tourism particularly to attract Thai tourists who generally prefer traveling abroad to travel domestically instead.
- 4) **Supporting agricultural production and farmers' income**, by preparing policy to support agricultural products during the cultivation season 2023/24, along with preparing and mitigating the impact from the climate change, as well as alleviating the problem from the rising agricultural material cost, particularly, encouraging farmers and community enterprises to be able to produce organic and bio fertilizers locally and less relying on imported fertilizers.
- 5) **Maintaining the domestic economic and political climate** after the general election in order to maintain the consumer and business confidences, together with expediting budget disbursement process in FY2024.

Economic Projection for 2023^{1/}

	Actual Data			Projection for 2023	
	2020	2021	2022	Feb 17 th , 2023	May 15 th , 2023
GDP (at current prices: Bil. Baht)	15,661.1	16,166.6	17,370.2	18,444.1	18,395.1
GDP per capita (Baht per year)	225,311.4	231,986.1	248,677.2	263,332.9	262,633.3
GDP (at current prices: Bil. USD)	500.5	505.5	495.3	562.3	552.4
GDP per capita (USD per year)	7,200.7	7,254.1	7,090.9	8,028.4	7,886.9
GDP Growth (CVM, %)	-6.1	1.5	2.6	2.7 – 3.7	2.7 – 3.7
Investment (CVM, %) ^{2/}	-4.8	3.1	2.3	2.2	2.1
Private (CVM, %)	-8.1	3.0	5.1	2.1	1.9
Public (CVM, %)	5.1	3.4	-4.9	2.7	2.7
Private Consumption (CVM, %)	-0.8	0.6	6.3	3.2	3.7
Government Consumption (CVM, %)	1.4	3.7	0.2	-1.5	-2.6
Export volume of goods & services (%)	-19.7	11.1	6.8	7.4	6.9
Export value of goods (Bil. USD)	227.0	270.6	285.4	280.9	280.8
Growth rate (%) ^{3/}	-6.5	19.2	5.5	-1.6	-1.6
Growth rate (Volume, %) ^{3/}	-5.8	15.5	1.3	-0.6	-1.1
Import volume of goods & services (%)	-13.9	17.8	4.1	2.6	1.6
Import value of goods (Bil. USD)	186.6	238.2	274.6	268.8	269.4
Growth rate (%) ^{3/}	-13.6	27.7	15.3	-2.1	-1.9
Growth rate (Volume, %) ^{3/}	-10.5	17.9	2.0	0.4	-0.4
Trade balance (Bil. USD)	40.4	32.4	10.8	12.1	11.4
Current account balance (Bil. USD)	20.9	-10.6	-17.2	8.6	7.9
Current account to GDP (%)	4.2	-2.1	-3.5	1.5	1.4
Inflation (%)					
CPI	-0.8	1.2	6.1	2.5 – 3.5	2.5 – 3.5
GDP Deflator	-1.3	1.7	4.7	2.5 – 3.5	2.2 – 3.2

Source: Office of the National Economic and Social Development Council, 15th May 2023

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

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

^{3/} Export and import is based on the Bank of Thailand's data, which follows the Balance of Payment system.



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