



# Global & Thai Macro Economic Outlook for 2024

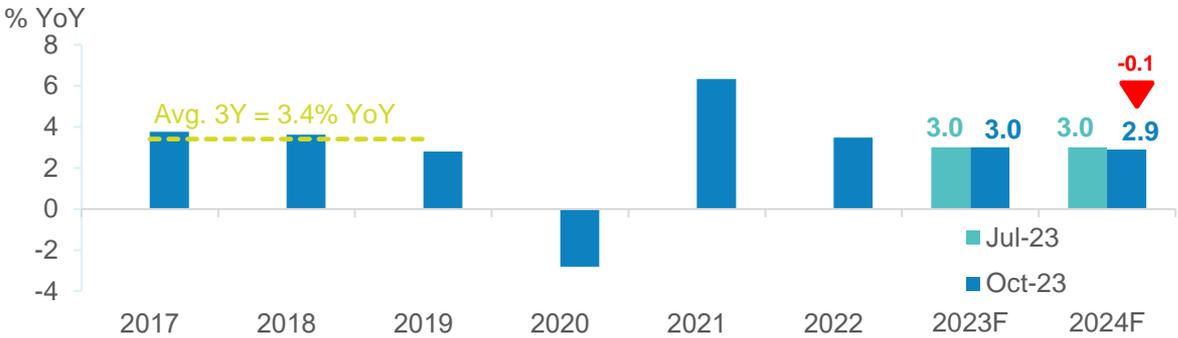
Business Research

November 2023

# Global Economic Outlook 2024

Global growth is expected to slow to 2.9% in 2024. The slowdown is driven by the euro area, which is weaker than expected, while emerging markets have a stronger economic outlook. The main risks to the global economy are the transmission of high policy rates, a sluggish Chinese economy and geopolitical tensions.

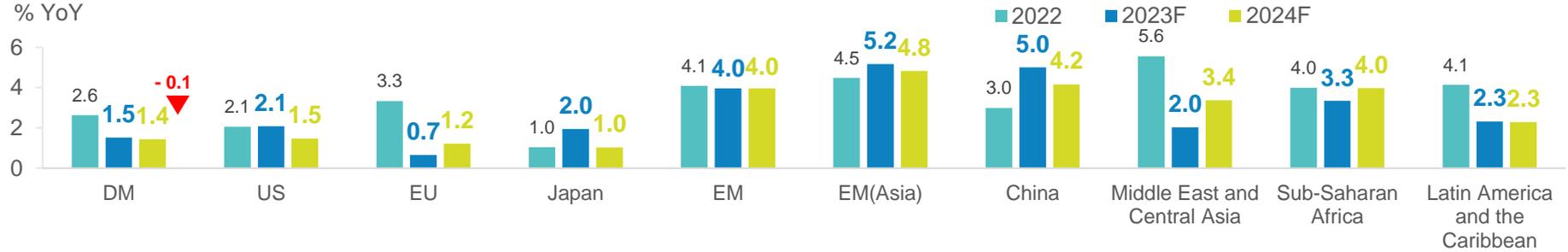
**IMF Global GDP Forecast (as of Oct 2023)**



**Key Challenges in Global Economic Outlook**

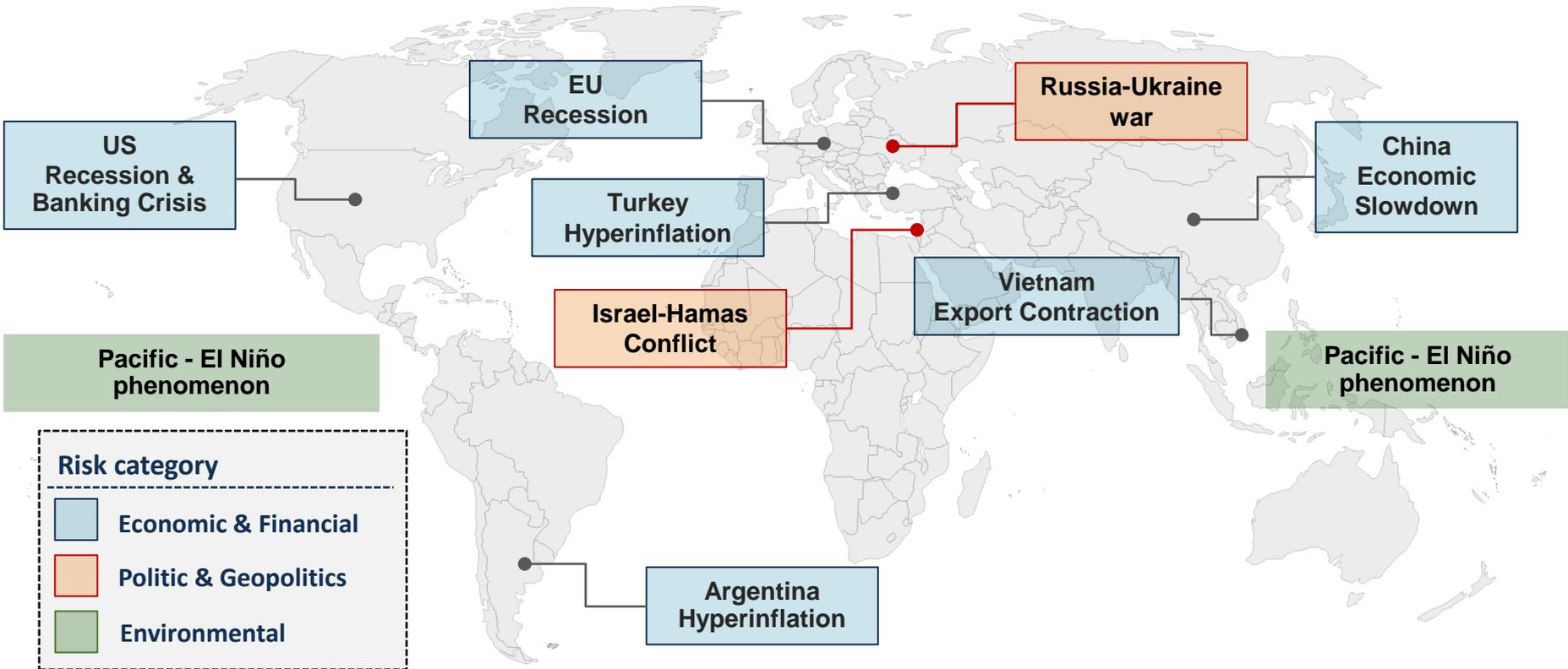
1. Tighter monetary policy starting to bite (Hawkish Fed, ECB, BOE)
2. China's real estate crisis could worsen
3. Commodity prices could become more volatile amid geopolitical tensions

**Fragile and Uneven Growth**



# The global outlook for 2024 is uncertain amid financial turmoil, high inflation, the lingering effects of the Russia-Ukraine and Israel-Hamas conflicts, and the impact of a prolonged El Niño on economic growth.

## Global Economic, Financial, Geopolitical and Environmental Risk Map (2023-2024)



**Risk category**

-  Economic & Financial
-  Politic & Geopolitics
-  Environmental

	 <b>Federal Reserve</b>	 <b>European Central Bank</b>	 <b>Bank of Japan</b>	 <b>People's Bank of China</b>
<b>Macro backdrop</b>	<ul style="list-style-type: none"> <li>• Tight job market</li> <li>• Resilient consumption and investment</li> <li>• Inflation exceeds target</li> </ul>	<ul style="list-style-type: none"> <li>• Robust labor market</li> <li>• Supporting fiscal policies such as EU recovery fund</li> </ul>	<ul style="list-style-type: none"> <li>• Stagnant consumer spending and aging society</li> <li>• Overshoot in inflation</li> </ul>	<ul style="list-style-type: none"> <li>• Weak consumer demand</li> <li>• Aging population</li> <li>• Slow productivity growth</li> </ul>
<b>Key Challenge</b>	<ul style="list-style-type: none"> <li>• Chance of a soft landing</li> <li>• Risk of escalating geopolitical tensions</li> </ul>	<ul style="list-style-type: none"> <li>• Inflation pressure is expected to remain sticky</li> <li>• Risk of recession</li> </ul>	<ul style="list-style-type: none"> <li>• Fiscal stimulus to cushion the impact of inflation, i.e. income tax cuts and low-income subsidies</li> <li>• The sharp depreciation of the Japanese yen</li> </ul>	<ul style="list-style-type: none"> <li>• Accommodative monetary and fiscal policy</li> <li>• Real estate crisis</li> <li>• Elevated debt and the risk of financial instability</li> </ul>
<b>Policy Stance</b>	<ul style="list-style-type: none"> <li>• <b>Fed's tightening monetary policy:</b> keeping the policy interest rate high</li> </ul>	<ul style="list-style-type: none"> <li>• <b>ECB's tightening monetary policy:</b> slowly pivoting despite stalling economy</li> </ul>	<ul style="list-style-type: none"> <li>• <b>BoJ will begin to pivot to tightening bias in 2024</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>PBOC's easing monetary policy</b> to deal with slowing economy</li> </ul>
<b>What to expect?</b>	<ul style="list-style-type: none"> <li>• Fed is expected to keep the policy rate at its peak of 5.25-5.50% in 1H24, with a possible first cut in 2H24.</li> </ul>	<ul style="list-style-type: none"> <li>• ECB is expected to keep the policy rate at its peak at 4.00% in 1H24 and deliver the possible first cut of the deposit facility rate in 4Q24.</li> </ul>	<ul style="list-style-type: none"> <li>• BoJ is poised to remove the yield curve control and negative interest rate in 2024.</li> </ul>	<ul style="list-style-type: none"> <li>• Chinese authorities likely to keep rolling out fiscal stimulus to bolster the economy.</li> </ul>

# Thai Economic Outlook 2024

# Thailand's economy is forecast to grow by 3.2-3.9%YoY in 2024 (up from below 3.0% in 2023), driven by both domestic and external demand amid external uncertainties.

Key Indicators	2022 (A)	1H23 (A)	2023F		2024F		
			NESDC (Nov-23)	LH Bank (Nov-23)	NESDC (Nov-23)	LH Bank <sup>1</sup> (Nov-23)	LH Bank <sup>2</sup> (Nov-23)
GDP (%YoY)	2.6	2.2	2.5	2.3	2.7-3.7	3.9	3.2
Private Consumption (%YoY)	6.3	6.8	7.0	7.2	3.2	4.0	3.0
Government Consumption (%YoY)	0.0	-5.3	-4.2	-5.1	2.2	1.5	1.7
Private Investment (%YoY)	5.1	1.8	2.0	2.2	2.8	3.3	2.6
Public Investment (%YoY)	-4.9	1.8	-0.8	-0.3	-1.8	3.4	2.2
Export of Goods (USD BOP) (%YoY)	5.5	-5.1	-2.0	-2.1	3.8	3.2	1.2
No. of Tourists (mn persons)	11.2	12.9	28.0	28.0	35.0	35.5	34.0
Headline Inflation (%YoY)	6.1	1.6*	1.4	1.6	1.7-2.7	2.1	2.4
Dubai Oil Price (USD/bbl)	97.1	82.3*	82.5	85.0	80.0-90.0	86.0	90.0
Policy Rate (%eop)	1.25	2.25	N.A.	2.5	N.A.	2.5	2.5
Exchange Rate (THB/USD)	34.6	36.0**	34.9	34.5-35.5	34.0-35.0	34.0-34.5	34.5-35.5



## Key Tailwinds:

- **Consumer spending** continues to grow, supported by various government stimulus measures as well as lower inflation, bolstering consumers' purchasing power.
- **A recovery in tourism is supporting activity in the services sector**, and rapid growth in ASEAN tourist arrivals is helping to offset slowing growth in Chinese tourist arrivals (due to the slowdown in China).



## Key Headwinds:

- **Large investment projects may be delayed** to wait for policy clarity after the transition, and there is a risk that the preparation of the 2024 budget may be delayed.
- **The household debt-to-GDP ratio of 90.6% in 1Q23** remains well above the BoT's settlement standard of 80%, which will discourage a recovery in spending.
- **Elevated global inflation and high policy rates among major trading partners**, especially the US and the EU, tightening global financial conditions.
- **China's economic growth is likely to slow** due to the real estate crisis, dampening exports to China.
- **Ongoing geopolitical risks (Russia-Ukraine, Israel-Hamas)** create uncertainty for energy prices and global demand.
- **A prolonged El Niño** could affect agricultural and aquatic products, leading to lower exports and fragile farm incomes.

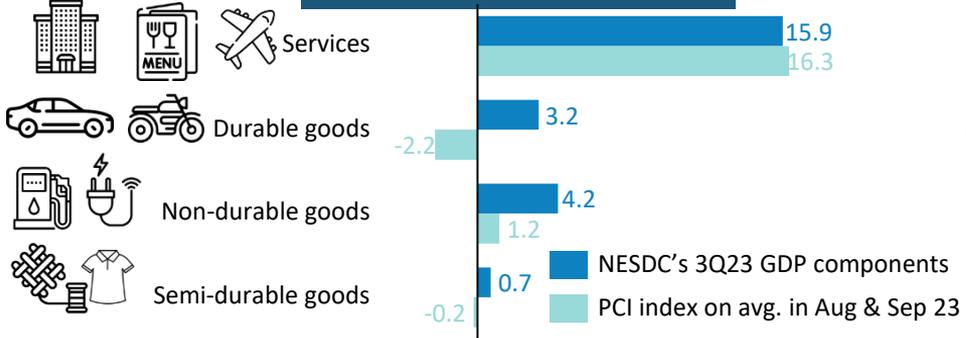
Note: <sup>1</sup>: Digital Wallet distributed to 56 million people with a budget of THB 560 bn (global & Thai optimistic scenario).

<sup>2</sup>: Digital Wallet distributed to less than 50 million people with a budget of less than THB 500 bn (base & pessimistic).

\*: data is avg from Jan-Oct, \*\*: data is end-period of Oct.

Private consumption is expected to expand further, mainly due to spending on services and fiscal stimulus, while private investment is expected to slow following sluggish exports before recovering from next year.

**Private Consumption Expenditure**



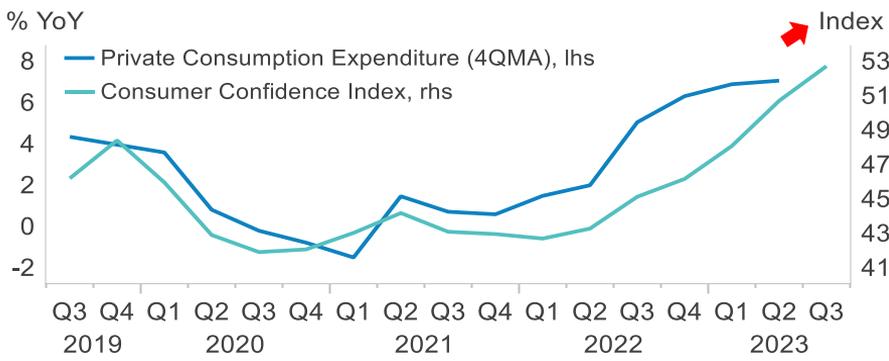
**Equipment**



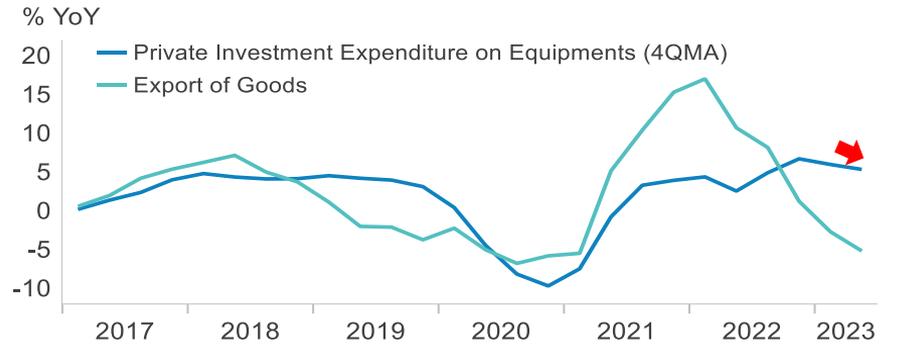
**Construction**



**Private Consumption Expenditure vs. Consumer Confidence Index**



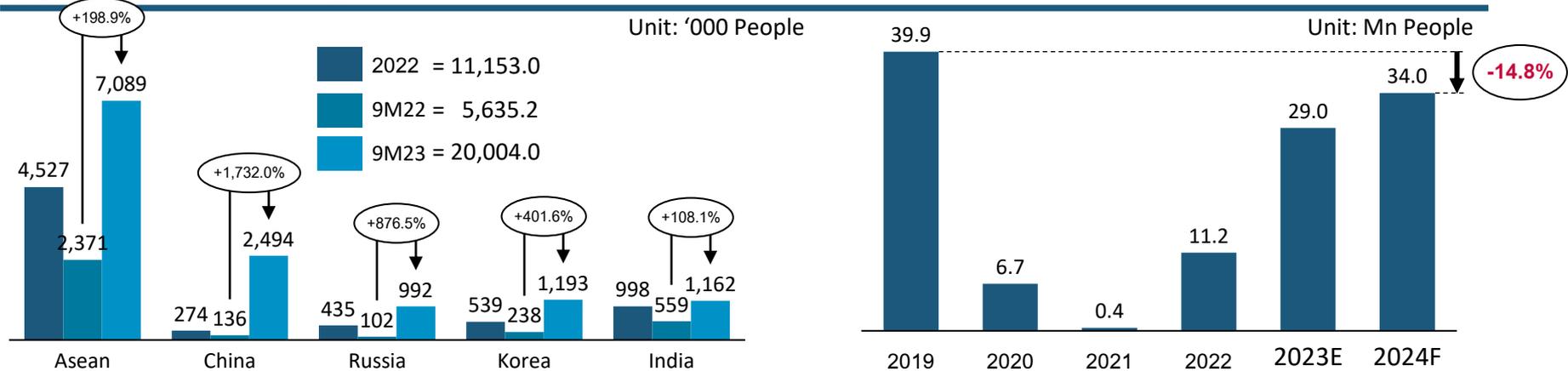
**Private Investment Expenditure on Equipment vs. Export of Goods**



Thailand's tourism sector is expected to recover significantly going forward, with a robust growth forecast in 2023-2024, supported by the easing of travel restrictions and China's reopening.

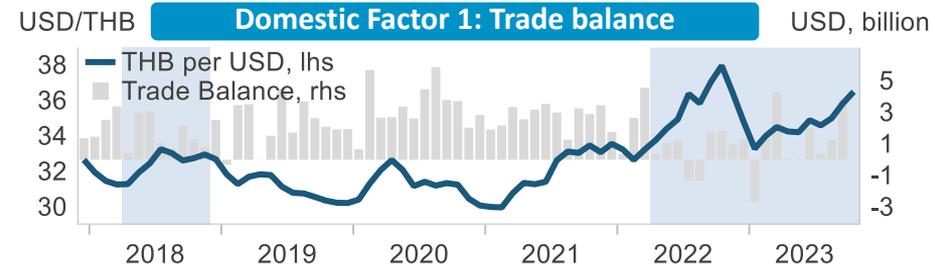


## Number of Foreign Tourists and the Tourism Outlook



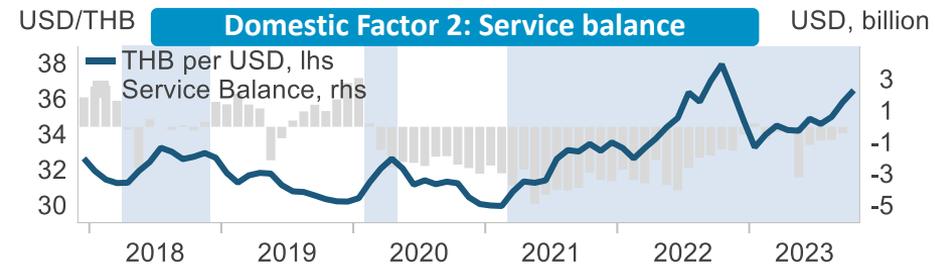
- In 9M2023, the number of foreign tourists increased to 20 million persons or +255%YoY, led by Chinese, Russian and Korean tourists, which recorded remarkable growth. Meanwhile, Asian and Indian tourists are also growing.
- Although Chinese tourist arrivals in 2023E may be below target at 5 million due to the economic slowdown, **foreign tourist arrivals are expected to reach our forecast of 29 million in 2023 (~75% of pre-COVID levels)**, supported by the easing of international travel restrictions in several countries.
- **By 2024F, foreign tourist arrivals are expected to increase to 34 million people, mainly supported by the government's free visa policy and the recovering global economy.** However, fluctuations in fuel costs and the exchange rate are the key headwinds.

# The THB is estimated to roll around 34.5 to 35.5 baht/USD at the end of 2024 amid an improving current account balance, a widening interest rate differential between the US and Thailand, and prolonged geopolitical risks.(1/2)



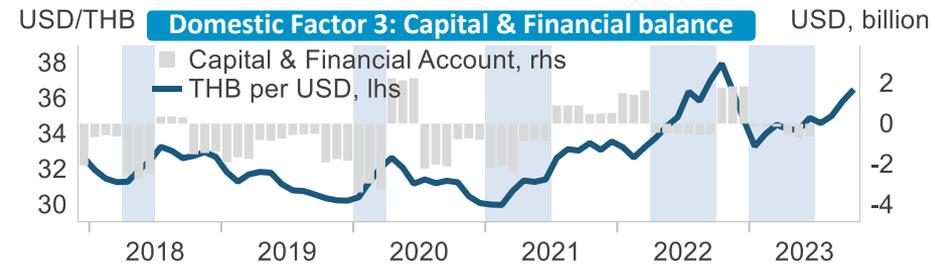
### Trade balance is expected to improve slightly

- For 9M23, Thailand's export value declined by -4.1%YoY, while imports contracted by -4.8%YoY, resulting in a trade surplus of USD 10.5 bn (+12% YoY).
- The trade balance is expected to improve moderately in 2024, as the export value is projected to turn slightly positive, and the higher oil price pushes up the import value.



### Services balance is still on a recovery path

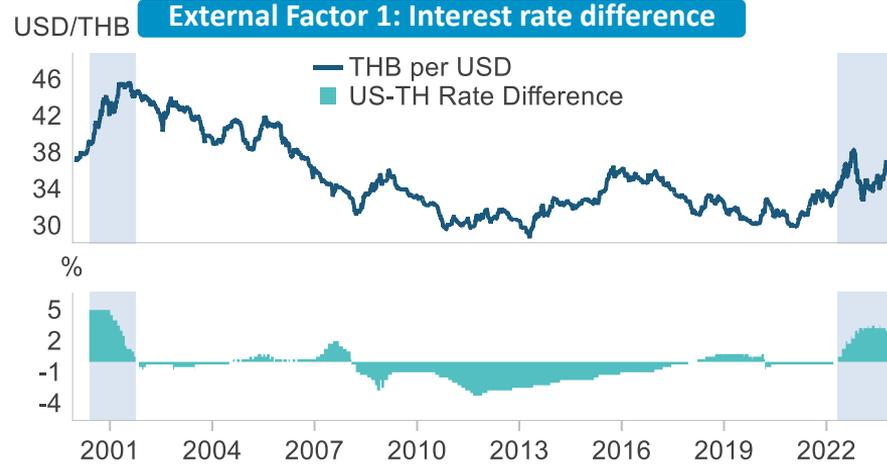
- For 9M23, foreign tourist arrivals increased to 20 million persons (+255%YoY) thanks to the improving situation in COVID-19. The services balance recorded a smaller contraction.
- The services balance is expected to recover due to the accelerating trend of foreign tourists; we expect 34 million people by 2024, with Chinese tourists recovering slowly.



### Capital & financial balance face challenge

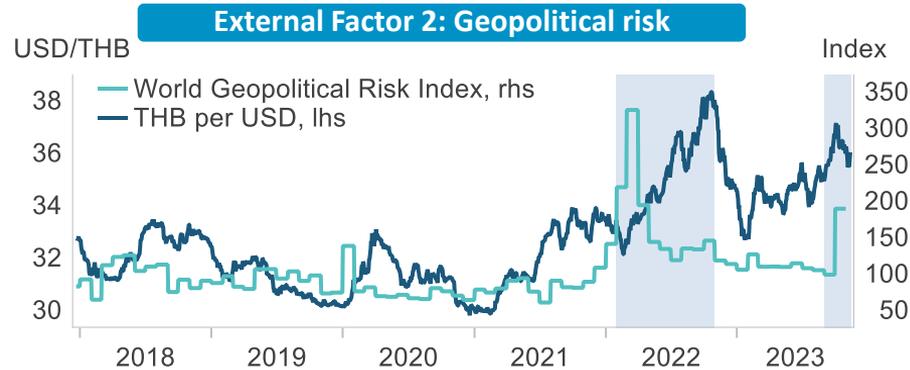
- Both FDI and portfolio investment decreased in 1H23, partly due to policy uncertainty during the government transition and higher financing costs.
- Clearer government policies will help improve the capital and financial account balances. However, high financing costs and energy prices may hamper investment in 2024.

# The THB is estimated to roll around 34.5 to 35.5 baht/USD at the end of 2024 amid an improving current account balance, a widening interest rate differential between the US and Thailand, and prolonged geopolitical risks.(2/2)



**The widening gap between US and Thai policy rates could lead to fund outflows**

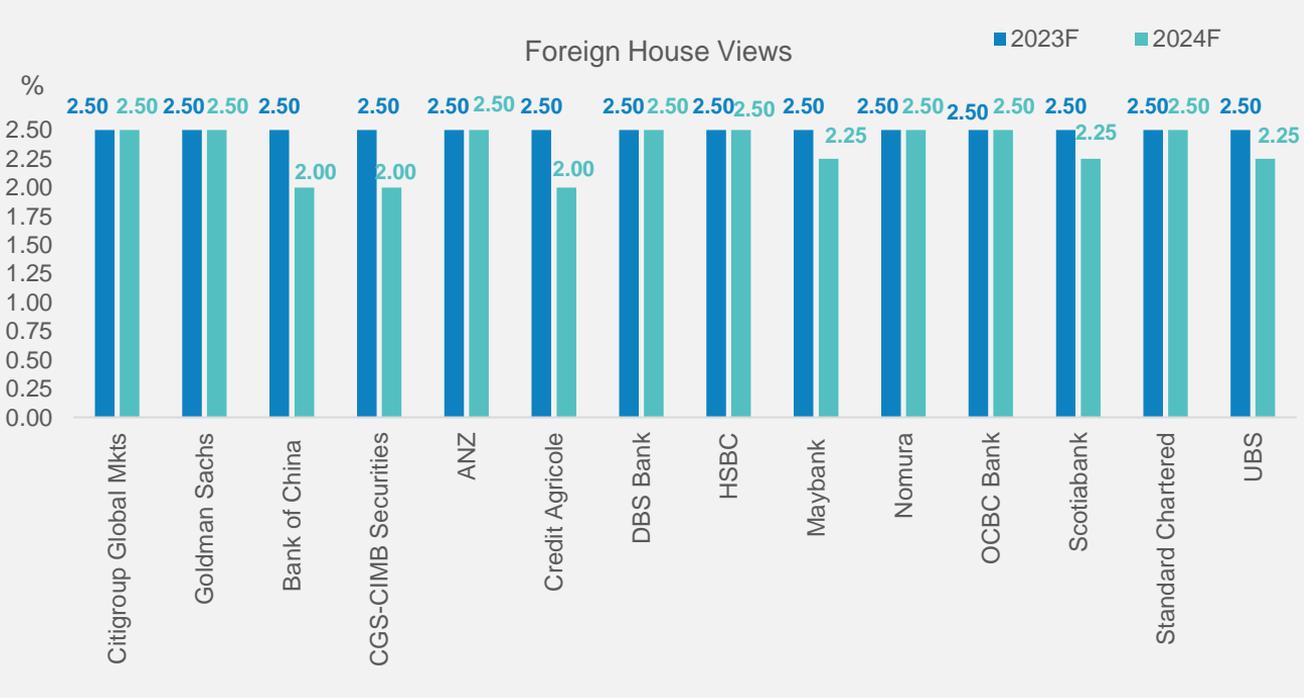
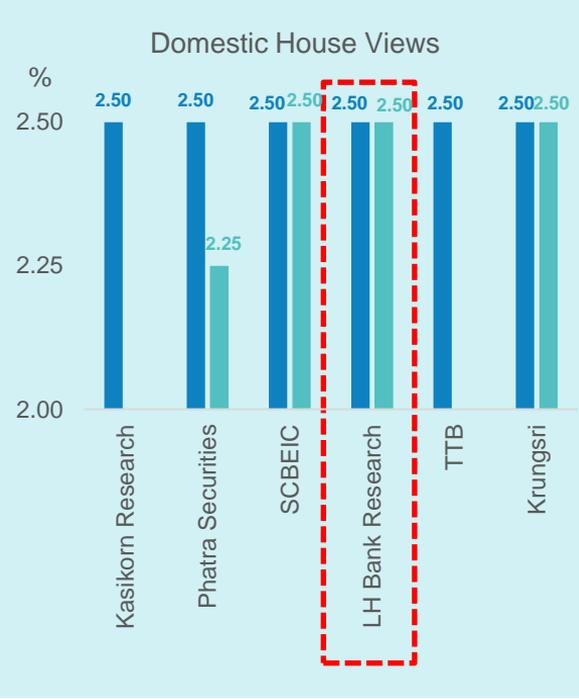
- Fed hikes interest rate to 22-year high of 5.25-5.50% to fight surging inflation, while Bank of Thailand also raises policy rate to 10-year high of 2.50%, bringing the gap between US and Thai policy rate to around 3.0%.
- The widening gap between US and Thai policy rates could lead to an outflow of funds from both fixed income and equity markets.
- We expect the Fed to keep rates on hold until at least the middle of next year, and the latest dot plot indicates a 50bp cut in 2024. Meanwhile, the MPC will maintain the policy rate throughout 2024. As a result, the outflow of funds could possibly continue into 2024.



**Geopolitical risks remain uncertain**

- Rising global geopolitical risks, i.e. the Russia-Ukraine war and the Israel-Hamas conflict, led to an appreciation of the safe-haven US dollar and a depreciation of other currencies.
- In our base case, geopolitical risk could be prolonged. However, we do not expect it to escalate significantly in 2024.

The BoT raises policy rate to 10-year high to contain potential inflationary pressure from government stimulus measures. Most of the global and local houses expect the Thai MPC to keep the policy rate unchanged at 2.50% through 2023-2024, as headline inflation returns to the BoT's 1-3% inflation target and economic growth continues to recover gradually.



# Thematic Issues: Digital Money 10,000 Update

## The latest Digital Wallet Scheme has changed its conditions compared to the time of the election campaign.



Who is eligible to receive 10,000 baht?

- Thai citizens aged 16 and older.
- Income not exceeding 70,000 baht/month and a deposit not exceeding 500,000 baht.
- **\*An estimated 50 million people are eligible.**



### During the election campaign

- No borrowing money to finance the scheme.
- Give to all Thai citizens aged 16 and older.
- Payments will begin on February 1, 2024.
- Pay all in one payment.
- Use blockchain technology.
- Can be spent within 4km of the address listed on the house registration.



### After forming a government

- Need to borrow money to finance the scheme.
- Add the characteristics of the recipient so that not just anyone can get the money.
- Payment will be postponed until May 2024.
- It is unclear if payment will be one-time or split into installments.
- Uses existing technology as a PAOTANG application.
- Expand the spending area to the district area according to house registration.

## What can digital wallet be used to buy?

**YES**

The handout can be used to **buy food and consumer goods only.**

**NO**

**It cannot be used to buy...**



✗ Goods online and services



✗ Utilities bills and fuel



✗ Pay off debts



✗ Educational expenses



✗ Valuables as diamonds, gems or gold



✗ Converted into cash or digital asset



✗ Sin products such as cigarettes, cannabis and liquor

## Where can digital wallet be used ?



Purchases could be made only at **the stores listed in the district where the recipient's home is registered.**

**There is no need to register in the tax system** for all shops, grocery stores, hawkers, stalls and also shops that are in the Pao Tang app.



**It cannot be transferred to other people.**

**Shops are required to register to join the scheme** and they must be in the tax system if they want to convert digital money to cash.





# Does the law on loan authorization contravene any existing laws?

The government has proposed legislation to borrow 500 billion baht in order to finance the 10,000-baht digital wallet, potentially be achieved through a **loan authorization law**.

## The related laws must be considered...

1

### Constitutional Law of 2017

**Section 140:** The payment of State funds shall be made only by the authority of the law on appropriations, **the law on budgetary procedure, the law on transfer of appropriations, the law on treasury reserves or the law on financial and fiscal discipline of the State, except that it may be advanced in the case of urgent necessity under the rules and procedure prescribed by law.**

2

### Public Debt Management Act of 2005

**Section 20:** The Ministry of Finance shall raise a loan only for any of the following purposes:

- 1) to finance the budget **in case of budget deficit** or where the expenditure exceeds the revenue
- 2) to **promote economic and social development**
- 3) to **restructure public debt**
- 4) to **on-lend it to another agency**
- 5) to **develop the domestic debt instrument market**

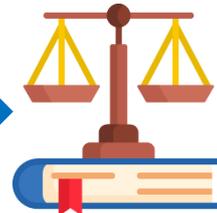
3

### The State Fiscal and Financial Discipline Act of 2018

**Section 53:** ... virtue of the law specifically enacted and only in the case where there occurs a need for action to be taken **urgently and continually for resolving critical problems** of the country, where **annual appropriations cannot be fixed in due time...**

## Final Dispute Resolution

Petitioning the Constitutional Court for a ruling...



## “e-REFUND 2024”, new measures will stimulate consumption, encouraging people to spend more. However, the number of businesses that benefit may decrease compared to the past scheme (Shop Dee Mee Kuen).

- To receive tax refunds from purchases of goods and services totaling no more than 50,000 baht from shops in the tax system and issuing electronic invoice only.



### Participants:

- All taxpayers
- Those who are eligible to receive 10,000 THB digital money can also participate.

### Covering



#### Goods

Excludes:  
Alcohol, Tabasco,  
Car, Motorcycle,  
Books



#### Service

Excludes:  
Hotel, Travel  
package, Insurance,  
Utilities, Subscription  
services



#### Fuels

(Refer to Shop Dee Mee Kuen 2023)

### Comparison

e-REFUND 2024	Shop Dee Mee Kuen 2023
MAX: 50,000 THB	MAX: 40,000 THB
e-tax invoice only	Paper invoice 30,000 THB e-tax invoice 10,000 THB
Start Jan 1,2024 To be confirmed	Jan 1– Feb 15,2023 45 Days <small>(*only 2020 = 70 days)</small>
Registered in e-Tax 1,653 businesses (Nov 10, 2023)	Up to 1,800,000 businesses



# Thai Civil Servant’s Salary Adjustment Policy

## Civil Servant’s Salary Increase Policy

- The government is currently considering ways to adjust salaries and improve accounts. It is **expected to be presented to the Cabinet in November 2023**.
- In the first phase, the proposed approach is to implement salary increases gradually, **focusing on increasing the salaries of primary skills**.



Estimated Budget for Civil Servant’s Salary Base Adjustment



Voluntarily

**Adjust payment -> 2 times per month**

(from 1 Jan 2024)

**The increase in civil servants' salaries is likely to have a positive effect on public sector consumption.** As a result, the expenditure of ordinary civil servants will increase, and has a positive effect on the private sector in the production and distribution of various goods and services.

## Current CIVIL SERVANT SALARY BASE

THB

Level	Min	Max
C1 - C5	4,870	26,900
C6 - C7	15,050	43,600
C8	26,660	59,500
C9	32,850	74,320
C10 – C11	56,380	76,800

Source : Act civil service regulations (no. 2) 2015



**Adjust the salary base** for civil servants, which was last adjusted in 2015 during the Prayut Chan-o-cha government, **with a base adjustment of up to 8%.**

Thailand's living expenses in 2015 was up 16% from 2008.

# Thematic Issues: Israel-Hamas war rages as crisis in Gaza deepens

# Israel-Hamas conflict has limited impact on Thailand's trade, tourism and investment, but may push up oil and commodity prices and heighten global financial volatility in the short term.

## Direct effect on Thai economy



- **In terms of trade**, it is not expected to have a significant impact on Thailand's total exports because Israel and Palestine are not Thailand's major trading partners.
- **In terms of tourism**, the share of Israeli tourists is very small, and the per capita expenditure is not very high. Therefore, it should not have a major impact on the overall picture of Thai tourism.

- Israel is Thailand's 38<sup>th</sup> export market, valued at US\$850.2mn in 2022, accounting for **0.3% of Thailand's total exports**.
- Major exports to Israel include automobiles and parts, canned and processed seafood, gems and accessories, refrigerators and parts, rice, machinery and parts.

- Palestine is Thailand's 169<sup>th</sup> export market, valued at USD5.0mn in 2022, accounting for **0.002% of Thailand's total exports**.
- Major exports to Palestine include automobiles and parts, canned and processed seafood, paper and paper products, and beverages.

- The number of Israeli tourists visiting Thailand in 2022 was 146,292 persons, accounting for **1.3% of the total number of foreign tourists in Thailand**.

- **There has been no Israel investment in Thailand in the last three years.** According to Board of Investment (BOI), 11 Israeli investment projects have applied for investment promotion in 2020-2022, with a total investment value of approximately 186 million baht. However, none of the projects have been approved yet.

## Indirect effect on Thai economy

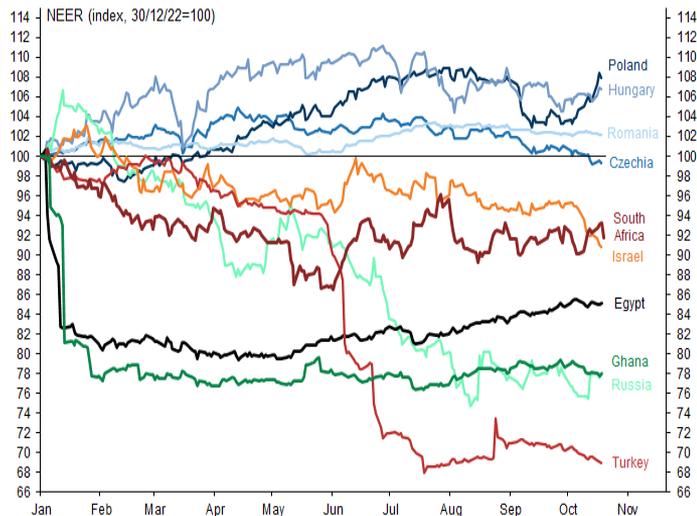
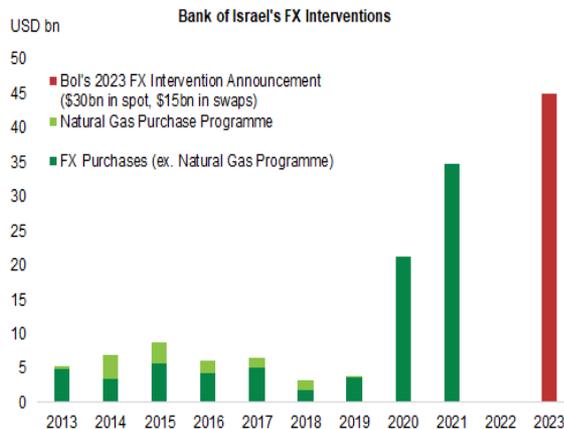
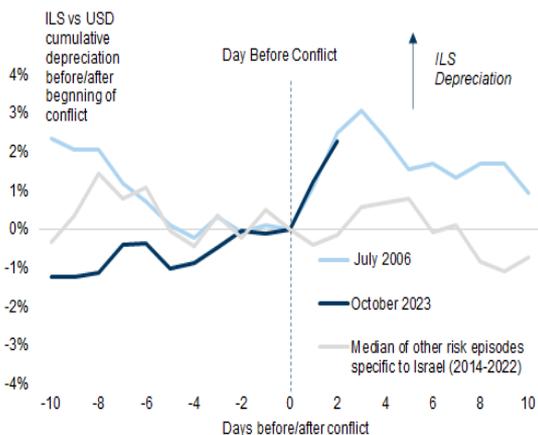


- **The crude oil market tends to fluctuate in an upward direction.** Following the fighting, the price of crude oil on the world market rose above USD 4 per barrel on 9 October. This was due to concerns that the unrest could trigger instability in the region and affect oil production and transportation in the Middle East.
- **However, if the conflict does not escalate further, it is unlikely to raise world oil prices much, as Israel and Palestine are not major oil exporters on the world market.**

## Middle East – Major regional risks from conflict and implications to the market

- From a market perspective, the main concern is of an escalation in hostilities beyond the current conflict zone and, in particular, the risk that Iran could be drawn into the conflict (either directly or, more likely, indirectly via its regional proxies, such as Hezbollah in Lebanon).
- The situation remains highly fluid, but the rise in attacks along Israel's northern border with Lebanon, the recent attacks on US military assets in Syria and Iraq, and the interception of drones directed towards Israel by the Houthis in Yemen speak to the breadth and depth of the current security threat.
- The implications of an escalation in hostilities for oil markets would be significant. GS commodities research team estimates that, in a scenario where tighter scrutiny of Iranian oil exports constrict supply by 0.4mb/d (back to last year's levels), the implied upside to oil prices would be in the order of \$5/bbl. Should Iranian supply be constricted further, or should concerns arise regarding broader regional supply, the upside to oil prices could be significantly greater.

### The Shekel depreciated sharply but the move has slowed from the FX intervention by Bank of Israel.

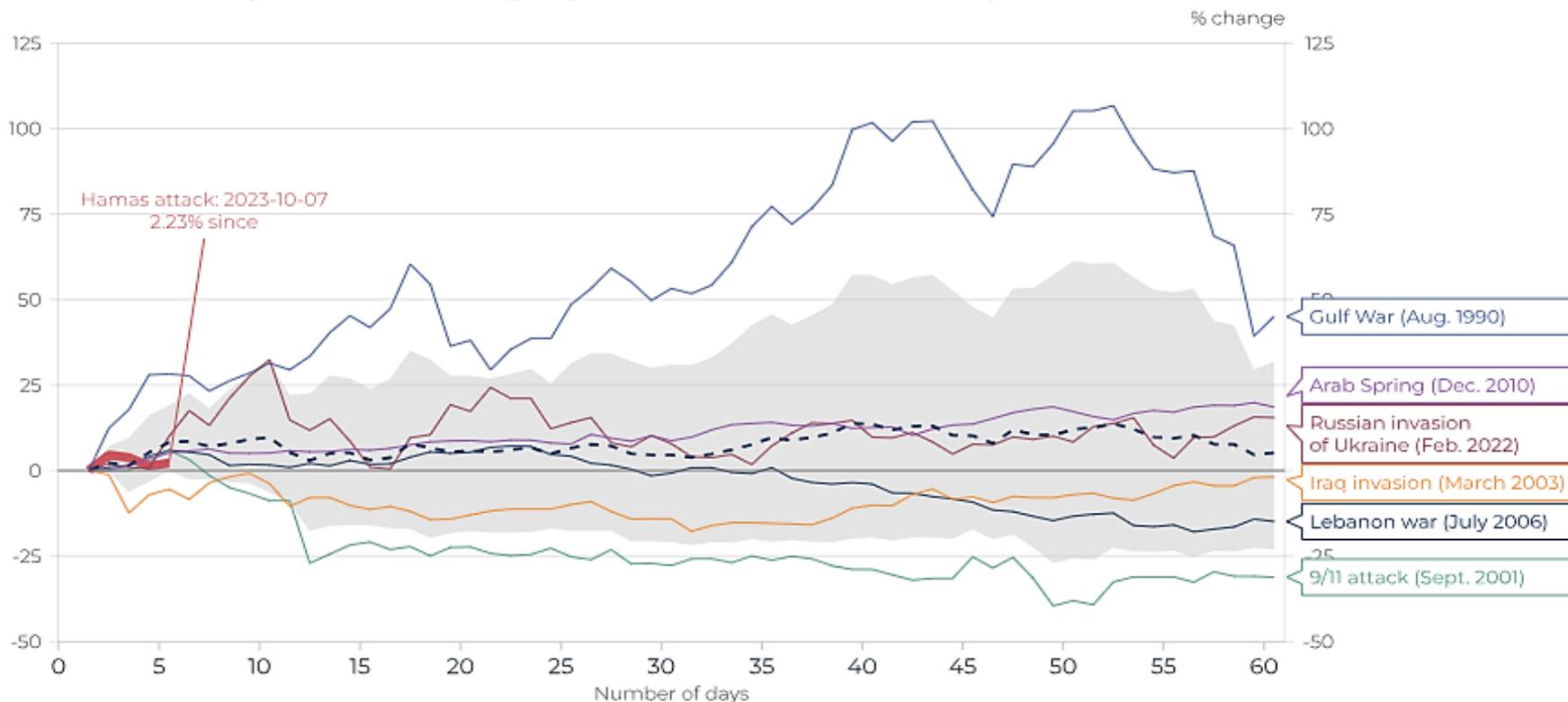


Source: LH Bank Business Research analysis based on data from Goldman Sachs Global Investment Research

## Geopolitical events and oil prices

- **Will the pattern repeat itself this time?** The current oil-price spike was fading. Traders will be considering the interplay between a weaker global economy alongside the specter of a wider conflict – as well as OPEC's determination to cut production.

### Short-term impact of various geopolitical events on Brent prices



Source: LH Bank Business Research analysis based on data from Macrobond, ICE

# Business and Industry Outlook 2024

# Corporate Industry Outlook for 2024

## Key Drivers

- **Continued recovery of the tourism sector and private consumption**
- **Continued recovery in employment and labor income**
- **Accommodative Thai monetary policy** (a gradual increase in interest rate compared to other countries)
- Progress of key infrastructure projects and Thai targeted industries
- **10,000 THB digital wallet scheme** to citizens over 16 years of age

## Key Risks

- **Weak purchasing power, high household debt, high interest rates**, strained financial positions, particularly among low-income households and SMEs
- **Government budget disbursement in 2024 may be delayed** to Q1 of 2024
- **El Niño** phenomenon affecting agricultural output in the 2023/24 crop year
- **Moderate growth in exports** due to uncertain global economic conditions
- **Continued international conflicts** between Russia-Ukraine, US-China tensions (geopolitical risks), Israel-Hamas
- **High inflation, commodity price volatility, minimum wages 600 THB/day**
- **Aggressive DM monetary tightening** (especially Fed, ECB and BOE)
- **Currency fluctuation** (especially USDTHB and other Asian currencies)

## Trends

- **Digitalization:** Digital Banking, Automation, and Cloud Services, Generative AI
- **Sustainability:** ESG, Green Economy, Climate Change, EVs, Solar Cell
- **Aging Society:** Generational Handover & Aging Population
- **Localism:** Consumers demanding the traceability of raw materials and more transparency

## Industries with strong growth in 2024

- Tourism and Related Sectors (Both Domestic and Foreign Tourists)
  - Hotel, Resort, Other Accommodation, Restaurant
  - Airline, Car Rental, Travel Agency
  - Private Hospital, Wellness and Healthcare
- Real Estate (Low-Rise and Condominium, Serviced Apartment)
- Food and Beverage, Agriculture (Poultry, Sugar), Prepared Meals and Dishes
- Prepared Animal Feeds (Swine)
- Entertainment and Recreation
- Leasing, Pawnshop
- Automobile (Production), Sale of Motor Vehicles, Motorcycles (Dealers)
- Industrial Estate, Warehousing and Storage, Retail Space for Rent
- E-Commerce, ICT, Solar Cell, Software
- Construction, Construction Materials, Steel
- Electrical and Electronic Equipment, Machinery and Equipment
- Electric Power Generation, Transmission, and Distribution,
- Banking, Asset Management, Insurance, Fund Management, Securities Brokerage
- Employment Agencies, Residential Care

## Industries with slow growth in 2024

- Office Space for Rent
- Paper and Packaging, Wired Telecommunication Activities
- Plastic, Refinery
- Freight (Air/Sea/Road), Transport via Buses
- Cooperative
- Agriculture (Palm Oil, Rubber, Starches),
- Sports Activities
- Television Program Activities
- Coal and Lignite
- Publishing Activities
- Textiles, Apparels, and Leather Goods

# End of Presentation

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## Disclaimer

ข้อมูล บทวิเคราะห์ และการแสดงความคิดเห็นต่างๆที่ปรากฏอยู่ในรายงานฉบับนี้ ได้จัดทำขึ้นบนพื้นฐานของแหล่งข้อมูลที่ได้รับมาจากแหล่งข้อมูลที่เชื่อถือได้ เพื่อใช้ประกอบการวิเคราะห์ภาวะเศรษฐกิจและอุตสาหกรรมซึ่งเป็นเอกสารภายในของธนาคารแลนด์ แอนด์ เฮ้าส์ จำกัด (มหาชน) เท่านั้น ทั้งนี้ธนาคารฯ จะไม่รับผิดชอบความเสียหายใดๆทั้งปวงที่เกิดขึ้นจากการนำข้อมูล บทวิเคราะห์ การคาดหมาย และความคิดเห็นต่างๆ ที่ปรากฏในรายงานฉบับนี้ไปใช้ โดยผู้ที่ประสงค์จะนำไปใช้ต้องยอมรับความเสี่ยง และความเสียหายที่อาจเกิดขึ้นเองโดยลำพัง