

Thailand

20 May 2024

1Q24 GDP Growth Beats Estimates But Still Subdued

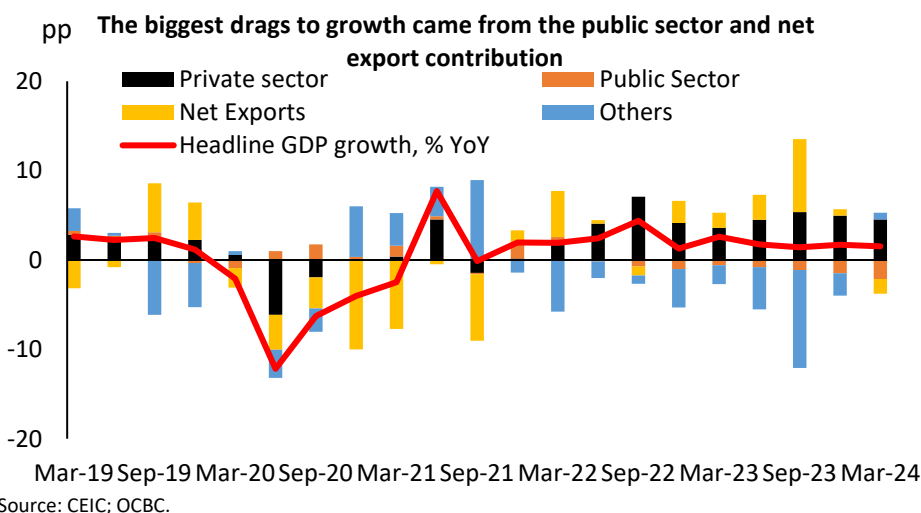
- The economy grew 1.5% YoY in 1Q24 versus 1.7% in 4Q23. Although the print was better-than-expected, growth remained quite subdued in 1Q24.
- We maintain our 2024 GDP growth forecast of 2.8%, with the balance of risks skewed to the downside.
- The 1Q24 GDP print was broadly in line with BOT’s expectations. We remain of the view that BOT is unlikely to cut its policy rate this year.

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GDP growth slowed modestly to 1.5% YoY in 1Q24 versus 1.7% in 4Q23, beating expectations (OCBC: 0.5%; Consensus: 0.8%). On a sequential basis, the economy grew 1.1% QoQ SA after contracting 0.4% in 4Q23.

The biggest drivers of 1Q24 growth were private consumption and tourism. Private consumption rose by 6.9% YoY in 1Q24 versus 7.4% in 4Q23, supported by spending on semi-durable and non-durables, while durables remained weak. While the details are consistent with the monthly private consumption index (PCI), the degree of slowdown was more pronounced in the PCI (0.8% YoY versus 4.9% in 4Q23) than private consumption spending. This also accounts for much of the miss to our forecasts.

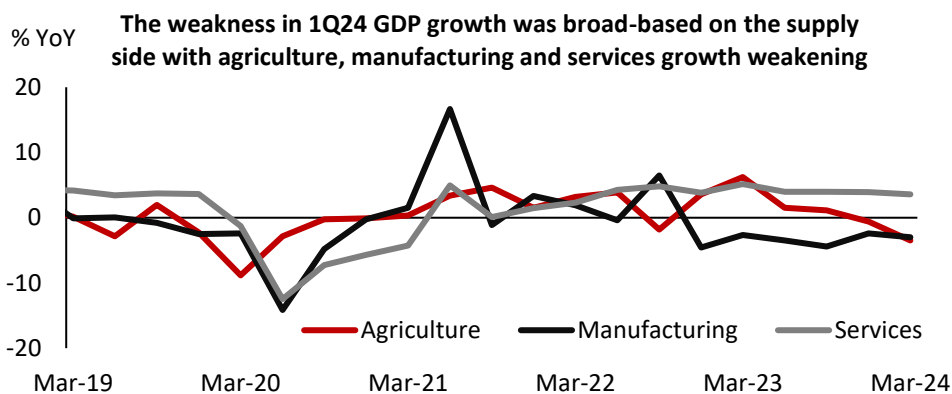


Meanwhile, the contraction in investment spending deepened to -4.2% YoY in 1Q24 versus -0.4% in 4Q23, with weak public investment (-27% YoY in 1Q24) more than offsetting stronger private sector spending (4.6% YoY). This mainly reflects delays to the legislative process regarding the FY23/24 budget, which started in October

2023¹. Similarly, government consumption spending dropped by 2.1% YoY in 1Q24 (4Q23: -3.0%).

Goods exports remained weak (-2.0% YoY versus 3.4% in 4Q23) but services exports, underscoring strong tourism inflows, picked up in 1Q24 (24.8% YoY versus 14.7% in 4Q23). Import growth (goods & services) picked up to 5.3% YoY in 1Q24 versus 3.9% in 4Q23. This resulted in net exports shaving off 3.3 percentage points from headline GDP growth.

On the supply side, the picture was weak. Growth slowed across all key sectors including services (3.6% YoY versus 3.9% in 4Q23), agriculture (-3.5% versus -0.6%) and manufacturing (-3.0% versus -2.4%) sectors in 1Q24 versus 4Q23.



Source: CEIC, OCBC

We maintain our 2024 GDP growth forecast of 2.8% YoY based on better growth in the coming quarters due to a few factors. First, the drag from government spending will likely reverse from May onwards as the budget for FY23/24 was approved in April 2024; second, our house view that the global electronics cycle will bottom by 1H24 will support Thai electronics export to some degree (albeit lesser than regional peers given the electronics export mix); third, consumption support from government policies remains in the pipeline from potentially higher minimum wages and the implementation of the digital wallet program. Admittedly, the balance of risk to our forecast is skewed to the downside.

The 1Q24 GDP print was broadly in line with BOT’s expectations (i.e., 1% YoY growth)². This, to us, implies that the need for near-term monetary policy easing from BOT is unlikely to be viewed as urgent. With growth expected to improve materially from 2Q24, we continue to expect no changes in the policy rate from BOT this year. The risk is that growth disappoints, mainly in 2H24, which prompts BOT to shift to a clearer easing bias in the latter part of this year.

¹ Thailand’s fiscal year runs from October to September. For example, FY23-24 is from October 2023 to September 2024.

² *BANK OF THAILAND EXPECTS 1Q GDP TO EXPAND BY 1% FROM A YEAR AGO, Bloomberg, 30 April 2024.

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