PMI™ by S&P Global

Week Ahead Economic Preview

Worldwide PMIs, US payrolls, plus RBA, RBNZ, RBI meetings

29 September 2023

The start of a new month brings global PMI data releases to help assess economic conditions across the world and across various sectors. This is while key releases such as US non-farm payrolls are awaited at the end of the week. More central bank meetings will also unfold in Australia, New Zealand and India, with potential for further interest rate hikes.

Next week's release of worldwide PMI data is set to add further insights on global developments both on the growth and inflation fronts. These surveys will be especially closely watched after prompting the recent heightening of concerns over the impact of higher-for-longer rates. As it is, flash PMI data from major developed economies have outlined the softness in economic conditions and pointed to still-elevated inflation (see special report). Any mirroring of these trends on a global scale may again remind the market of the impact on growth and earnings from restrictive monetary policy settings. This is especially if consumer services, which supported growth this year, were found to have further faltered after demand was shown to have fallen in August.

That said, one area that remained resilient in the PMI had been the US labor market. This was observed through the flash PMI figures showing employment growth having ticked higher at the end of the third quarter. Official non-farm payrolls readings will be scrutinised for such indications of labor market strength, with the consensus pointing to potentially lower unemployment rate in September. Any news of faster wage growth will also be a concern, given its contribution to keeping inflation elevated.

Finally, in APAC, central bank meetings in Australia, New Zealand and India are set to take place. The Reserve Bank of Australia (RBA) and Reserve Bank of New Zealand (RBNZ) have analysts at odds over whether another rate hike may be implemented at these meetings. This is amid policymakers' persistent battle with getting inflation under control. Softening economic and inflation conditions have invited some calls for interest rates to have peaked, though further hawkish tones should not be ruled out even if rates were to be kept unchanged next week. In India, we expected rates to be on hold as the RBI awaits September inflation data.

Global trade slump under scrutiny

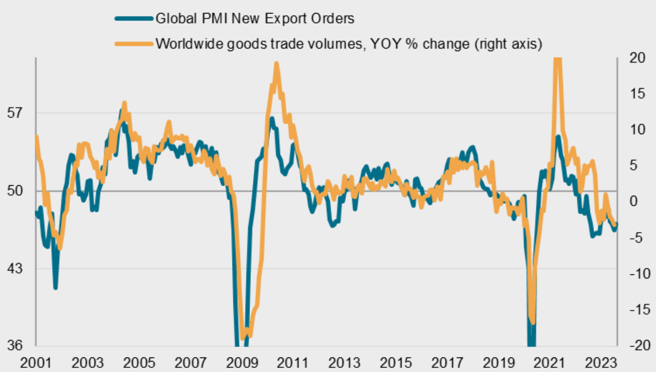
Slumping trade has been acting as a major drag on global growth, adding near-term risks to the economic outlook, so new data in the coming week will be important to watch.

Barring the first pandemic lockdown in 2020, when shipping collapsed, recent months have seen the steepest fall in worldwide goods trade since the global financial crisis. First, the Global PMI surveys showed new orders for goods falling in August at a rate only slightly less than the intense fall recorded in July. Excluding the early COVID-19-affected months of 2020, the past year has seen the sharpest contraction of goods exports since 2009. Official data, analysed by CPB, have since followed the PMI down. A 0.6% drop in worldwide trade volumes in July – the latest month available – took global goods trade 3.2% below levels of a year. That too was the steepest fall in trade since 2009 excluding the 2020 lockdowns.

According to PMI survey respondents, destocking, deglobalisation, weak demand from a disappointing mainland China recovery and a post-pandemic switch in demand from goods to services have all contributed to falling global trade flows this year.

While the PMI data up to August showing no real sign of respite, the coming week sees the September update to the PMI, and the fresh survey data will be important to watch for the developing path of global trade. A further slide lower will be bad news especially for many trade-focused APAC economies and Germany, though the US with its large domestic market may be better insulated. On the other hand, any signs of the trade drag moderating could mark a tentative positive turning point in the wider manufacturing cycle.

Global goods exports



Data compiled September 2023, PMI data updated to August 2023, CPB trade data to July 2023.
PMI (Purchasing Managers' Index) 50 = no change on prior month.
Sources: S&P Global PMI with J. P. Morgan, CPB trade data via S&P Global Market Intelligence.

Key diary events

Monday 2 Oct
China (Mainland), India, Hong Kong SAR Market Holiday
Worldwide Manufacturing PMIs, incl. global PMI* (Sep)
South Korea Industrial Production and Retail Sales (Aug)
Japan Tankan Large Manufacturers Index (Q3)
Japan BOJ Summary of Opinions (Sep)
Indonesia Inflation (Sep)
Eurozone Unemployment (Aug)
United States ISM Manufacturing PMI (Sep)

Tuesday 3 Oct
China (Mainland), South Korea Market Holiday
Australia Building Permits (Aug, prelim)
Australia RBA Interest Rate Decision
India S&P Global Manufacturing PMI* (Sep)
Switzerland Inflation (Sep)
Turkey Inflation (Sep)
Brazil Industrial Production (Aug)
United States JOLTs Job Openings (Aug)

Wednesday 4 Oct
China (Mainland) Market Holiday
Worldwide Services, Composite PMIs, inc. global PMI* (Sep)
New Zealand RBNZ Interest Rate Decision
Eurozone Retail Sales (Aug)
Eurozone PPI (Aug)
United States ADP Employment Change (Sep)
United States ISM Services PMI (Sep)
United States Factory Orders (Aug)

Thursday 5 Oct
China (Mainland) Market Holiday
South Korea Inflation (Sep)
Australia Trade (Aug)
Hong Kong SAR S&P Global PMI* (Sep)
Philippines Inflation (Sep)
Thailand Inflation (Sep)
India S&P Global Services and Composite PMI* (Sep)
Singapore Retail Sales (Aug)
Germany Trade (Aug)
Taiwan Inflation (Sep)
Canada Trade (Aug)
United States Trade (Aug)
S&P Global Sector PMI* (Sep)

Friday 6 Oct
China (Mainland) Market Holiday
India RBI Interest Rate Decision
Germany Factory Orders (Aug)
United Kingdom Halifax House Price Index* (Sep)
France Trade (Aug)
Taiwan Trade (Sep)
Canada Employment (Sep)
United States Non-farm Payrolls, Unemployment Rate, Average Hourly Earnings (Sep)
S&P Global Metal Users and Electronics PMI* (Sep)

* Access press releases of indices produced by S&P Global and relevant sponsors here.

What to watch

Worldwide manufacturing, services and detailed sector PMI releases

Monday sees the release of worldwide manufacturing PMIs, followed by services and composite data on Wednesday. Flash PMI from major developed economies offered early insights into September conditions, revealing that the G4 economies – US, UK, Eurozone and Japan – collectively contracting for a second month, albeit with some notable divergences *(see special report)*. Worryingly, prices were found to remain sticky among the G4 economies and the worldwide trend will likewise be studied for signs of still-elevated inflation.

Detailed sector PMI data will also be due through the week with the global picture updated on Thursday. Metal users PMI and electronics figures will round off the week on Friday.

Americas: US labour market report, PMI and ISM readings, Canada employment report

A further slowdown in new job additions is expected for the US in September as we await the non-farm payrolls release. Consensus expectations currently point to a smaller 150K addition for non-farm payrolls, down from 187K previously. Wage growth could accelerate to 0.3% month-on-month (m/m) but the unemployment rate is widely anticipated to slip to 3.7%. Flash PMI data by S&P Global showed employment growth ticking higher in September, adding to signs of labour market strength. ISM data are updated in the US alongside the final PMIs from S&P Global, as well as factory orders, trade data and job openings.

EMEA: Eurozone retail sales, Germany trade

Besides the PMI data, a series of tier-2 releases from Europe. These include eurozone PPI, unemployment and retail sales readings, German trade and factory orders data, UK house prices and Swiss inflation.

APAC: RBA, RBNZ, RBI meetings, Japan Tankan survey

Central bank meetings unfold in Australia, New Zealand and India with hikes not ruled out for the RBA and RBNZ. The RBI is perhaps the least likely to raise rates, awaiting news on inflation amid changing food and oil prices. Japan's Tankan survey and inflation readings across various APAC economies will also be key releases to study in addition to PMI readings. Finally, mainland China PMI figures will be updated over the weekend, ahead of the Golden Week holidays.

Special reports:

Flash PMI Signal Unwelcome Combination of Economic Contraction and Rising Prices | Chris Williamson | **page 4**

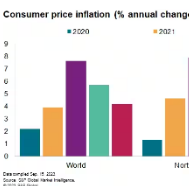
Thailand's Economy Faces Headwinds from Manufacturing Sector Downturn | Rajiv Biswas | **page 8**

Recent PMI and economic analysis from S&P Global

Global	Flash PMI signal unwelcome combination of economic contraction and rising prices	26-Sep	Chris Williamson
	PMI as a tool for sector rotation investment strategies	15-Sep	Joseph Hayes
	Emerging markets PMI signals encouraging resilience in August	14-Sep	Jingyi Pan
	Monthly PMI Bulletin: September 2023	8-Sep	Jingyi Pan
	Modest deterioration in global trade conditions persists in August	8-Sep	Jingyi Pan
	Renewed fall in demand for consumer services bodes ill for growth but will pull inflation lower	8-Sep	Chris Williamson
	Global PMI data hint at stubborn inflation amid resilient pricing power for consumer services	7-Sep	Chris Williamson
EMEA	Eurozone flash PMI fuels further downturn worries as demand weakness intensifies	22-Sep	Chris Williamson
	Flash PMI signals deepening UK economic downturn in September	22-Sep	Chris Williamson
US	US flash PMI points to slowing economy expansion amid stubborn price pressures	22-Sep	Chris Williamson
Asia-Pacific	Singapore economy continues to be hit by slumping exports	25-Sep	Rajiv Biswas
	Japan's growth momentum and inflation pressures ease in September	22-Sep	Jingyi Pan
Commodities	Weekly Pricing Pulse: Commodities up as supply concerns grow	24-Aug	Michael Dall

S&P Global Market Intelligence highlights

The outlook for inflation? It's sticky



The near-term outlook for inflation has deteriorated. S&P Global Market Intelligence's September forecasts for global consumer price inflation have been revised higher in both 2023 and 2024. Sticky core inflation rates, particularly for services, are a prime concern given generally tight labor market conditions and elevated wage and unit labor cost growth.

Click here to read our research and analysis

PMI Insights: Extreme weather impact

2023 has delivered some extreme weather, from extreme heat in Southern Europe to a dry spell that affected crop yields in Southeast Asia and Australia, often with tragic human consequences. Extreme weather events like droughts and floods also present risks to economies and supply chains.

Click here to listen to this podcast by S&P Global Market Intelligence

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Special Focus

Flash PMI Signal Unwelcome Combination of Economic Contraction and Rising Prices

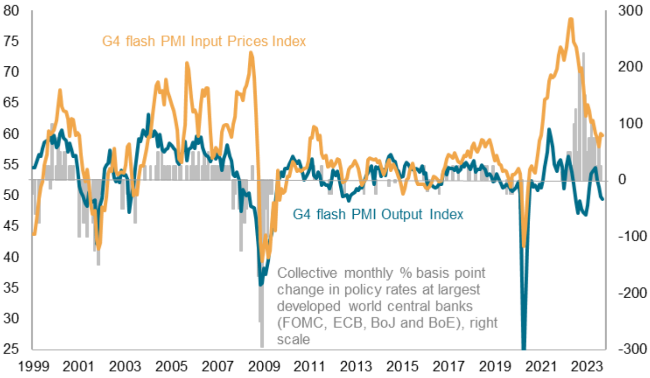
Early PMI survey data for September from S&P Global showed the major developed economies collectively contracting for a second month. Falling business activity in the Eurozone and a deepening downturn in the UK was accompanied by a second month of near-stalled business activity in the US, leaving Japan as the only major developed economy which continued to enjoy robust growth.

A key divergence between the four economies was the performance of the service sectors, which were especially hard hit in the eurozone and UK and to a lesser extent the US. In contrast, Japan's services economy remained resilient. Much of this divergence therefore likely reflects the varying monetary policy stances seen in the four economies on these interest-rate sensitive services economies. Forward-looking order book data suggest these divergences could widen further in the coming months, especially in relation to rising recession risks in Europe.

Price pressures meanwhile showed further signs of worrying stickiness, primarily in the service sector, adding to concerns that the battle to get inflation down to 2% remains a challenge to policymakers. Worryingly, a renewed rise in manufacturing input costs, linked to higher oil prices, poses an additional upside risk to inflation in the months ahead.

Overall, therefore, the survey data paint a concerning picture of rising recession risks in Europe alongside a potential sluggish growth profile in the US as we head towards the end of the year, while at the same time inflation pressures remain somewhat elevated by historical standards. These trends clearly represent a challenging environment for the world's major central banks to navigate.

G4 flash PMI output and prices vs. monetary policy



Data compiled September 22, 2023.
PMI (50 = no change on prior month) covers manufacturing and services in the US, Eurozone, UK and Japan.
Sources: S&P Global PMI, S&P Global Market Intelligence.
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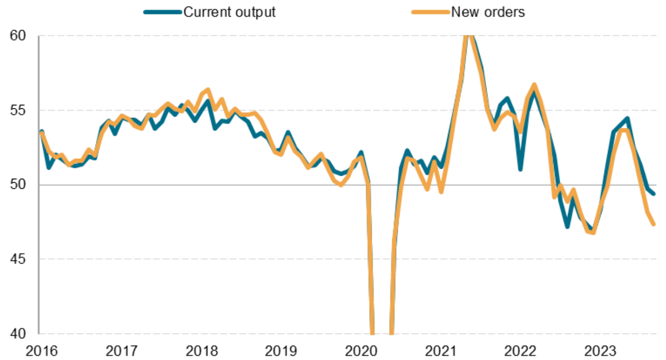
Major developed economies contract as orders slump

Business activity across the four largest developed world economies (the "G4") fell for a second successive month in September, according to the provisional 'flash' PMI data compiled by S&P Global Market Intelligence, suggesting a renewed weakening of the developed world economy in the third quarter after a solid second quarter.

Although the overall decline was only modest, worse looks set to come as demand is falling faster than output, meaning production capacity is likely to be curbed further in coming months. New orders for goods and services fell across the four economies for a second consecutive month in September, the pace of decline exceeded the rate of output deterioration to a degree seen only once since comparable data were available in 2009. The prior larger fall was witnessed in June of last year, just before output experienced a seven-month spell of contraction.

Flash PMI output and new orders, G4 economies



Data compiled September 22, 2023.
PMI covers manufacturing and services. 50 = no change on prior month.
Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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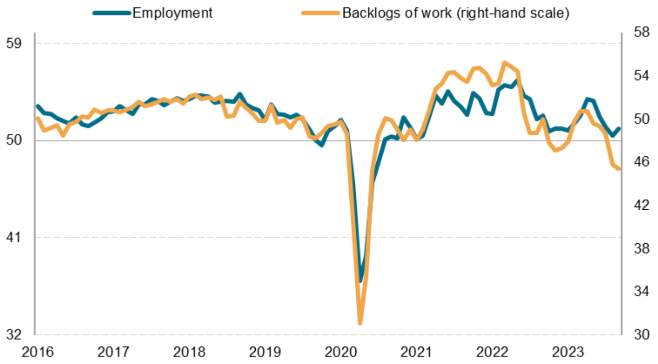
The spread between output and new orders growth resulted in an increasingly sharp depletion of firms' backlogs of work. In the absence of new orders, firms are occupying their workforces by fulfilling orders placed in prior months (in many cases, these are orders received during the pandemic). However, the increasingly severe depletion of these backlogs – which fell across the G4 in September at the steepest rate since data were available in 2009 barring only the initial pandemic lockdown months in early 2020 – suggest companies may soon need to reduce operating capacity.

Flash PMI employment & backlogs, G4 economies



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Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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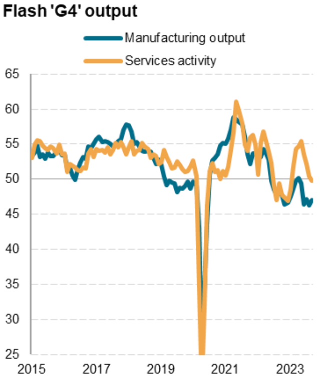
New orders fell faster than output in both manufacturing and services, driving backlogs of work down sharply again to hint at sustained downturns in both sectors as we head into the fourth quarter. Output has now declined in manufacturing across the G4 for 14 of the past 15 months, the rate of decline remaining steep in September – albeit easing slightly on August.

Service sector activity meanwhile contracted over the G4 for the first time since January, representing a notable faltering of a recent key area of support to the global economy. As with manufacturing, a steeper loss of new business relative to output growth resulted in an increasingly marked drop in backlogs of work across the G4 service sector.

Flash 'G4' output



Data compiled September 22, 2023.
Source: S&P Global PMI.
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Flash 'G4' new orders

Data compiled September 22, 2023.
Source: S&P Global PMI.
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Europe leads slowdown

The economic weakness was again most evident in Europe. Both the Eurozone and the UK reported falling output in September, the former reporting a fourth monthly decline and the latter seeing a second monthly fall.

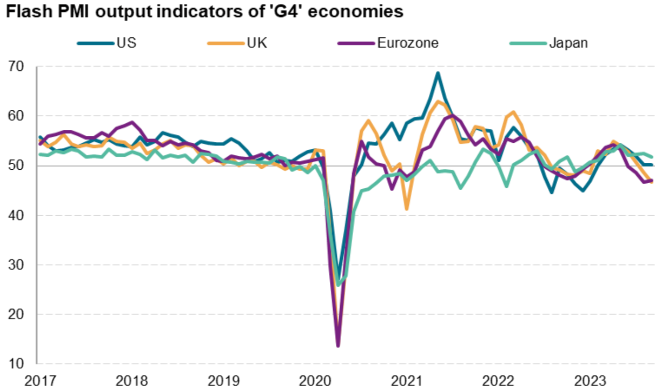
The **UK**'s contraction was the steepest since the height of the global financial crisis in early 2009 barring only the pandemic lockdown months. The steep fall in output signalled by the flash PMI data is consistent with GDP contracting at a quarterly rate of over 0.4%, with a manufacturing downturn increasingly spreading to the services economy.

While the **eurozone** contracted at slightly weaker rate than seen in August, the pace of decline was among the steepest seen since the debt crisis of 2021 and remained consistent with GDP falling at a quarterly rate of approximately 0.3%. Moreover, a steepening loss of new business, notably in the service sector, pointed to a broad-based decline persisting into the fourth quarter.

The **US** fared better than Europe, though nevertheless the flash US PMI signaled a broad-based stagnation of the private sector economy for a second month in a row. The low PMI readings in August and September point to a more subdued picture of the US economy in recent months than the robust expansion seen in the second quarter. The data are indicative of a moderation of annualized GDP growth from approximately 2% to 1% between the second and third quarters.

A common thread across Europe and the US was one of demand coming under pressure from the increased cost of living and higher interest rates, which have dampened service sector growth in particular after robust growth seen earlier in the summer. In contrast, **Japan's** overall expansion meanwhile remained relatively robust, losing only slight momentum compared to August, thanks to as ongoing expansion of service sector activity, which helped offset a sustained manufacturing downturn. The latest composite output index is Japan is broadly consistent with GDP growing at a solid annual rate of just under 2%.

Flash PMI output indicators of 'G4' economies



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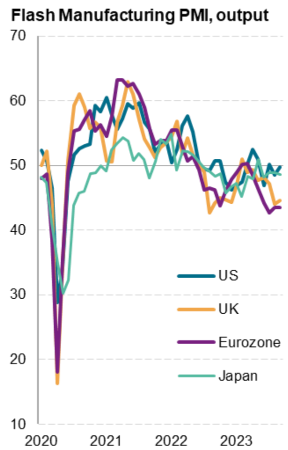

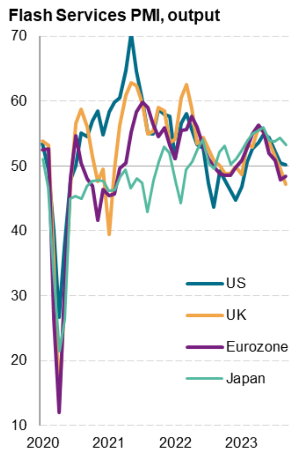

Data compiled September 22, 2023.
PMI 50 = no change on prior month.
Source: S&P Global Market Intelligence with HCOB, au Jibun Bank, CIPS
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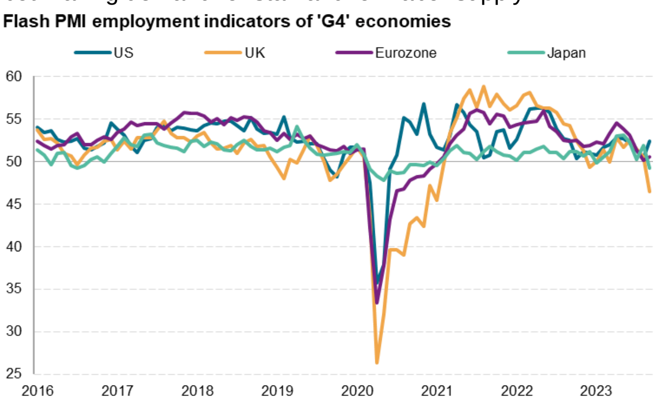
UK labor market slides into contraction

Employment trends also diverged markedly among the major economies, in part due to labor supply issues. In Japan, the tight labor market contributed to a fall in employment as firms struggled to source workers. In the US, in contrast, companies reported an increased ability to fill vacancies, leading to an upturn in employment growth. The eurozone job market meanwhile remained largely stalled, primarily due to a lack of demand for staff. In the UK, however, a marked drop in employment was recorded due to a combination of both falling demand for staff and low labor supply.



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Sources: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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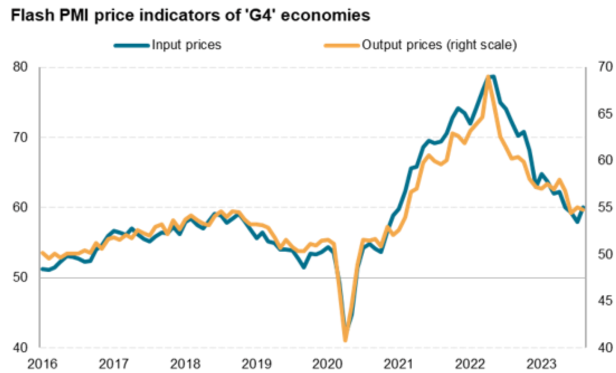
Inflation stickiness persists

On the inflation front, the surveys again signalled some stickiness of both input costs and average selling price inflation across the G4 on average. Although in both cases rates of increase remained substantially below the strong rates seen over the two years prior to mid-2023, rates remained higher by pre-pandemic standards, commonly linked to higher wage costs and recent upward pressure from increased oil prices.



Data compiled September 23, 2023
PMI covers manufacturing and services. 50 = no change on prior month.
Source: S&P Global PMI with HCOB, CIPS and au Jibun Bank.
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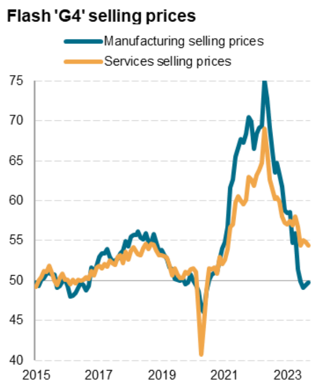
The service sector continued to see the strongest inflationary pressures, though input costs in manufacturing ticked higher across the G4 on average for the first time in five months, often due to higher fuel prices.



Data compiled September 22, 2023.
Source: S&P Global PMI.
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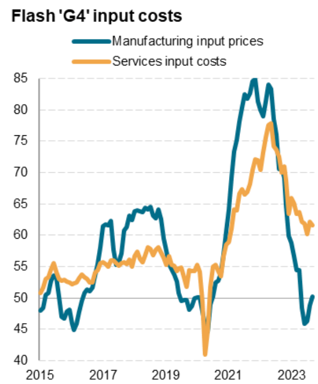

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Source: S&P Global PMI.
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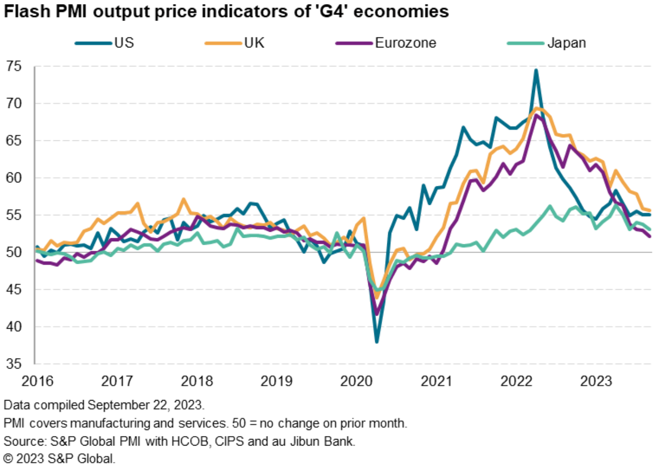
Looking at average selling prices for goods and services, the weakest inflationary pressure was recorded in the eurozone, where prices rose at the slowest rate since February 2021. Price pressures also remained relatively muted in Japan, rising at the joint-slowest rate in one-and-a-half years. Selling price inflation remained more stubborn in the US and especially the UK, albeit the latter showing further signs of moderating.

In the US an annual CPI rate of around 3% is being indicated for the coming few months, while the eurozone looks set to see inflation also dip closer to 3% by the early months of 2024. The latest increase in UK average selling prices for goods and services is meanwhile broadly indicative of consumer price inflation dipping below 4% at the turn of the year, given the survey's approximate six-month lead on annual percent changes in consumer prices. In Japan, inflation is signalled to run just below the 2% mark.



Access the press releases for the Eurozone, Japan, UK and the US.

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Special Focus

Thailand’s Economy Faces Headwinds from Manufacturing Sector Downturn

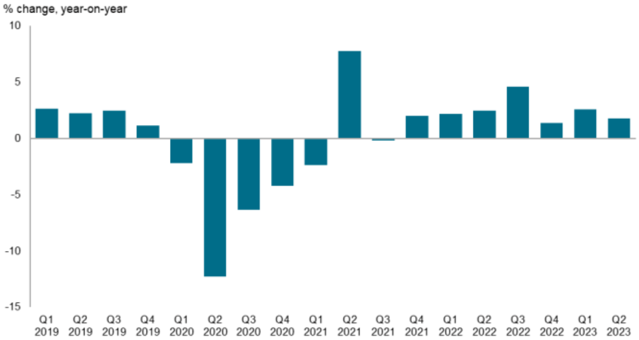
Thailand showed a gradual economic recovery from the COVID-19 pandemic during 2022, with real GDP growth having risen from 1.5% in 2021 to 2.6% in 2022. However, the manufacturing sector has experienced weakening conditions due to declining exports. The S&P Global Thailand Manufacturing PMI survey results for August signalled the first contraction of the manufacturing sector in 20 months. The Bank of Thailand has also tightened monetary policy by a cumulative total of 200 basis points (bps) since August 2022, in order to constrain potential inflationary pressures.

These headwinds have been mitigated by the rebound in international tourism inflows evident during the first eight months of 2023, which has helped to support GDP growth in 2023.

Thailand’s economic recovery from pandemic

The Thai economy has shown positive economic growth momentum in the first half of 2023, with GDP growth of 2.2% year-over-year (y/y). First quarter GDP growth was up by 2.6% y/y, followed by expansion at a pace of 1.8% y/y in the second quarter of 2023. This compared with 1.4% y/y growth in the fourth quarter of 2022.

Thailand GDP growth
% change, year-on-year



Source: S&P Global Market Intelligence.
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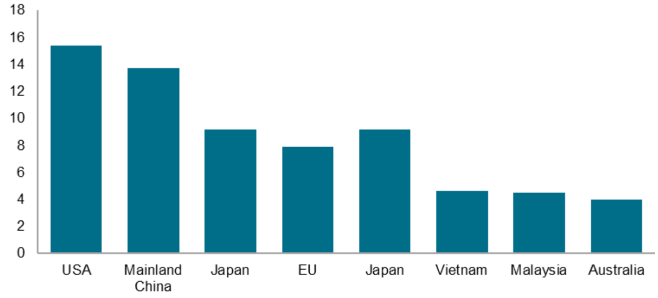
The positive GDP growth rate in the first half of 2023 was underpinned by rapid growth in private consumption, which rose by 6.8% y/y, helped by surging international tourism arrivals. This compared with private consumption growth of 6.3% in the 2022 calendar year. However, government consumption contracted by 5.3% y/y in the first half of 2023, after declining by 4.2% y/y in the second half of 2022.

Private investment grew at a modest pace of just 1.8% y/y in the first half of 2023, while public investment grew by 1.9% y/y.

Thailand's major merchandise export markets
% of total exports



Source: EC, S&P Global Market Intelligence.
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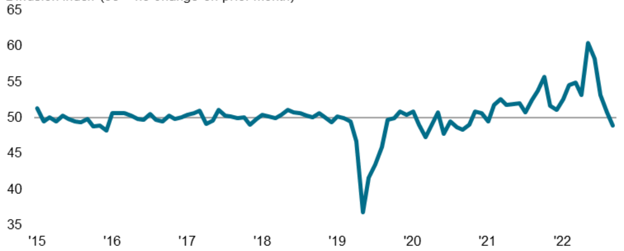
Due to the significant contribution of international tourism to Thailand’s GDP, an important factor that constrained the rate of recovery of the Thai economy in 2022 was the slow pace of reopening of international tourism, although this gathered momentum in the second half of 2022. Weak tourism exports due to the pandemic were a key factor contributing to large current account deficits of USD 10.6 billion in 2021 and USD 14.7 billion in 2022, compared with a pre-pandemic current account surplus of 38.3 billion. However, the gradual recovery of international tourism flows has resulted in a significant improvement in the current account, which returned to a small surplus of USD 1.6 billion in the first half of 2023, compared with a deficit of USD 5.5 billion in the second half of 2022.

However, the manufacturing sector has been weak, contracting by 3.2% y/y in the first half of 2023, following a modest decline of 0.8% y/y in the second half of 2022. The overall export sector performance in the first half of 2023 reflected the sharp contrast in the performance of manufacturing exports compared to services exports. While exports of goods contracted by 6.0% y/y in the first half of 2023, exports of services surged, rising by 66.1% y/y. Manufacturing exports declined by 4.9% y/y in value terms in the first half of 2023, with electronics exports down by 7.1% y/y, while exports of petroleum related products fell by 19.7% y/y in value terms.

The latest S&P Thailand Manufacturing PMI survey results for August reflected the weakness of manufacturing exports. The headline S&P Global Thailand Manufacturing PMI fell from 50.7 in July to 48.9 in August. The rate of decline was the fastest since September 2021. New work placed at Thai manufacturers declined for a second consecutive month in August on the back of deteriorating economic conditions.

S&P Global Thailand Manufacturing PMI

S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)



Source: S&P Global Market Intelligence, S&P Global PMI surveys
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Thailand PMI new orders and new export orders

S&P Global PMI (Purchasing Managers' Index) Index
Diffusion index (50 = no change on prior month)

Source: S&P Global Market Intelligence, S&P Global PMI surveys
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Monetary policy tightening has continued during 2023

While supply conditions remained largely unchanged in August, some vendors offered discounts in August to retain customers, thus leading to another fall in average manufacturing sector input costs. The rate of decline was marginal, but this marked only a second time that average prices have fallen in nearly three years. However, rising cost burdens from past hikes in shipping prices and wages led to firms raising their selling prices at a marked pace in August.

Thailand's headline CPI inflation rate rose by 0.9% year-on-year in August 2023, compared with 0.4% y/y in July 2023 and a recent high of 7.9% y/y in August 2022. The Monetary Policy Committee (MPC) of the Bank of Thailand decided to raise the policy rate by 0.25% from 2.25% to 2.50% at their Monetary Policy meeting on 27 September 2023, bringing total cumulative tightening to 200 bps since August 2022. Five tightening steps in 2023 have followed three 25bp rate hikes by the MPC in 2022. In their September 2023 monetary policy meeting, the MPC assessed that average CPI inflation would decline to 1.6% in 2023, rising to 2.6% in 2024.

Recovery of international tourism sector

International tourism was a key part of Thailand's GDP prior to the COVID-19 pandemic, contributing an estimated 11.5% of GDP in 2019. However, foreign tourism visits collapsed after April 2020 as many international borders worldwide were closed, including Thailand's own restrictions on foreign visitors.

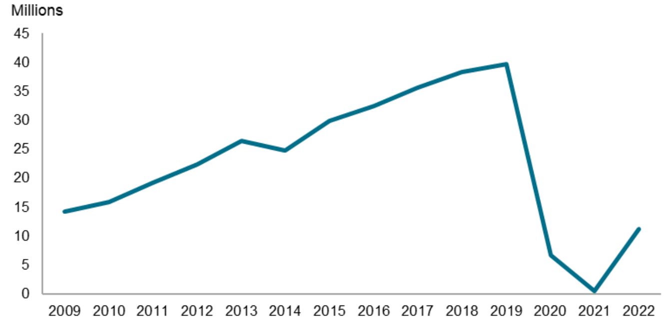
As COVID-19 border restrictions were gradually relaxed in Thailand and also in many of Thailand's largest tourism source countries during 2022, international tourism showed a significant improvement during the second half of the year. The number of international tourist arrivals reached 11.15 million in 2022, compared with just 430,000 in 2021. However, the total number of visits was still far below the 2019 peak of 39.8 million, indicating considerable scope for further rapid growth in the tourism sector during 2023.

International tourism arrivals in the first seven months of 2023 surged to a cumulative total of 15 million visitors, which was more than the total number of international tourist visits in calendar 2022. Total tourism receipts in the first seven months for both domestic and international tourism spending was estimated at 1.08 trillion baht. The Tourism Authority of Thailand has increased its estimated target for international tourism visits in 2023 to 25 million, which is more than double the total number of international tourism arrivals in 2022. In August, monthly international tourist arrivals were estimated at 2.5 million, remaining on track for the government's targeted annual tourism arrivals for 2023.

Prior to the COVID-19 pandemic, mainland Chinese tourism arrivals accounted for an estimated 27.9% of total international tourist visitors in 2019. However, the mainland Chinese tourism market has shown a relatively slow pace of recovery during 2023, albeit arrivals from mainland China did rise to 926,000 in the second quarter of 2023, significantly higher than the figure of 517,000 for the first quarter of 2023. The lifting of visa requirements for Chinese visitors from 25th September 2023 should help the further recovery of Chinese tourist arrivals during the remainder of 2023 and into early 2024.

Thailand international tourism visitors

Millions



Source: Thai Ministry of Tourism via S&P Global Market Intelligence.
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Thailand economic outlook

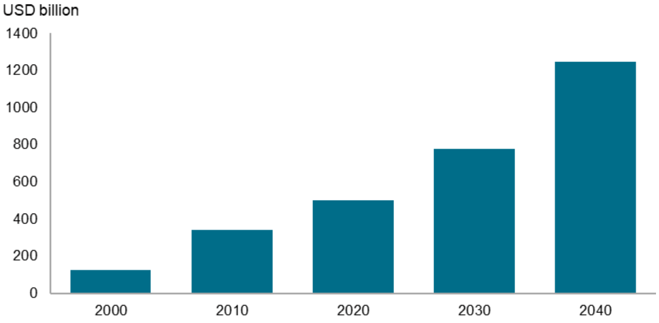
Despite the upturn in private consumption and international tourism arrivals in 2022, the overall pace of economic expansion was relatively moderate, at just 2.6%. Easing of pandemic-related travel restrictions during 2022 has also allowed a gradual reopening of domestic and international tourism travel, which gathered momentum in the second half of 2022.

With the continued recovery of the international tourism sector helping to mitigate the impact of declining manufacturing exports, GDP growth for 2023 is expected to be at a similar pace to 2022. In their September 2023 Monetary Policy decision, the Monetary Policy Committee of the Bank of Thailand projected GDP growth to be 2.8 and 4.4 percent in 2023 and 2024, respectively, driven mainly by private consumption.

Over the next decade Thailand's economy is forecast to continue to grow at a steady pace, with total GDP increasing from USD 500 billion in 2022 to USD 860 billion in 2032. A key driver will be rapid growth in private consumption spending, buoyed by rapidly rising urban household incomes.

The international tourism sector will continue to be a dynamic part of Thailand economy, buoyed by rapidly rising tourism arrivals the populous Asian emerging markets, notably mainland China, India and Indonesia.

Thailand GDP



Source: S&P Global Market Intelligence.
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By 2036, Thailand is forecast to become one of the Asia-Pacific region's one trillion-dollar economies, joining mainland China, Japan, India, South Korea, Australia, Taiwan, Philippines and Indonesia in this grouping of the largest economies in APAC. The substantial expansion in the size of Thailand's economy is also expected to drive rapidly rising per capita GDP, from USD 6,900 in 2022 to USD 11,900 by 2032. This will help to underpin the growth of Thailand's domestic consumer market, supporting the expansion of the manufacturing and service sector industries.

However, rising per capita GDP levels will also put pressures on Thailand's competitiveness in certain segments of its manufacturing export industry. Therefore, an important policy priority for nation will be to continue to transform manufacturing export industries towards higher value-added processing in advanced manufacturing industries.

One of the key economic and social challenges facing Thailand is its rapidly ageing population, which will result in a rising burden of health care and social welfare costs over the next two decades. This will be a drag on Thailand's long-term potential growth rate, making investment in technology and innovation increasingly important to mitigate the economic impact of demographic ageing.

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