

Economic and Financial Outlook

tbb analytics

July 2022

Global Economy

- **June PMIs data showed deteriorating situation in the manufacturing sector in both Asian and European countries due to weak new orders.** Businesses noticed weaker future demands for new goods as inventories are loaded. Service sector improvement varied across countries.
- **U.S. inflation rose higher due to energy price, pressuring FED hike plan.** The CPI index in June displayed further increase in price level. U.S. inflation reached 9.1%, the highest level in 41 years. Inflation remained high due to high energy and grocery prices in the United States.
- **European Union retail sales contracted while inflation continued to spike** EU faces highest inflation in decades. Retail trade severely contracted in May, growing about 0.5%, due to rising prices that pressured purchasing powers. ECB decided to raise interest rate in July to combat high inflation.
- **China's economic activities continue to recover.** Retail sales returned to a positive territory along with growth in industrial productions. However, China's GDP in second quarter grew only 0.4%, lowest since March 2020

Domestic Economy

- **As of May2022,** Thai economy has steadily recovered in both domestic and external sectors. Services and agricultural products expanded, while Manufacturing dropped in Computer and Electronics, Electrical appliance, representing supply chain disruption.
- **External sectors grew** in line with continuous export recovery and a strong rebound in foreign tourists, which mainly came from ASEAN, East Asia and India. However, European tourists lost momentum.
- **Private consumption improved** after Omicron cases dropped and domestic tourism steadily resumed. Employment and farm incomes improved.
- **Investment rose** continuously especially machinery investment. Business sentiment improved but only product cost still posed a drag. Construction faced cost challenge. Real estate continuously improved both in low-rise and high-rise.
- **Government has less room of stimulus package left** for providing further support for Thai economy.
- **Inflation in May22** accelerated from last month due to energy cost push.

Financial Market

- **USDTHB remained in high level in July around 35.50 - 36.70 level. Dollar strengthened further from market expectations on faster rate hike from FED to combat US inflation.** Current Account remained in negative as trade balance collapsed and high importing costs.
- **Thai baht depreciated around 8.8% in 2022.** In July, Thai baht depreciated the most in Asia, due to low real interest rate. The Bank of Thailand still maintain its policy rate in the previous meeting. Japanese Yen led the depreciation of Asian currencies, dropping more than 19% since last year
- **DXY continued its long bullish run from last month,** extending its run to 109 before dropping down from risk-off sentiments on future recession
- **Market expect MPC to hike rate in August** to follow suit with other countries and to combat high inflation. In June, Thai inflation rose to 7.7%. Long term bond yield contracted due to market concerns on future recession
- **Federal reserves plans to hike another 75 bps while ECB try to combat inflation by rising interest rate and seek a measure to control bond yield spread among European countries**

PART 1

Global Economy

Manufacturing tumbled in June as new orders slowdown. China's service sector improved

Manufacturing PMI

	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Australia	59.2	57.7	55.1	57.0	57.7	58.8	55.7	56.2
China	49.9	50.9	49.1	50.4	48.1	46.0	48.1	51.7
India	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9
Indonesia	53.9	53.5	53.7	51.2	51.3	51.9	50.8	50.2
Japan	54.5	54.3	55.4	52.7	54.1	53.5	53.3	52.7
South Korea	50.9	51.9	52.8	53.8	51.2	52.1	51.8	51.3
Thailand	50.6	49.5	51.7	52.5	51.8	51.9	51.9	50.7
Canada	57.2	56.5	56.2	56.6	58.9	56.2	56.8	54.6
United States	58.3	57.7	55.5	57.3	58.8	59.2	57.0	52.7
Germany	57.4	57.4	59.8	58.4	56.9	54.6	54.8	52.0
France	55.9	55.6	55.5	57.2	54.7	55.7	54.6	51.4
Italy	62.8	62.0	58.3	58.3	55.8	54.5	51.9	50.9
United Kingdom	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8
Spain	57.1	56.2	56.2	56.9	54.2	53.3	53.8	52.6

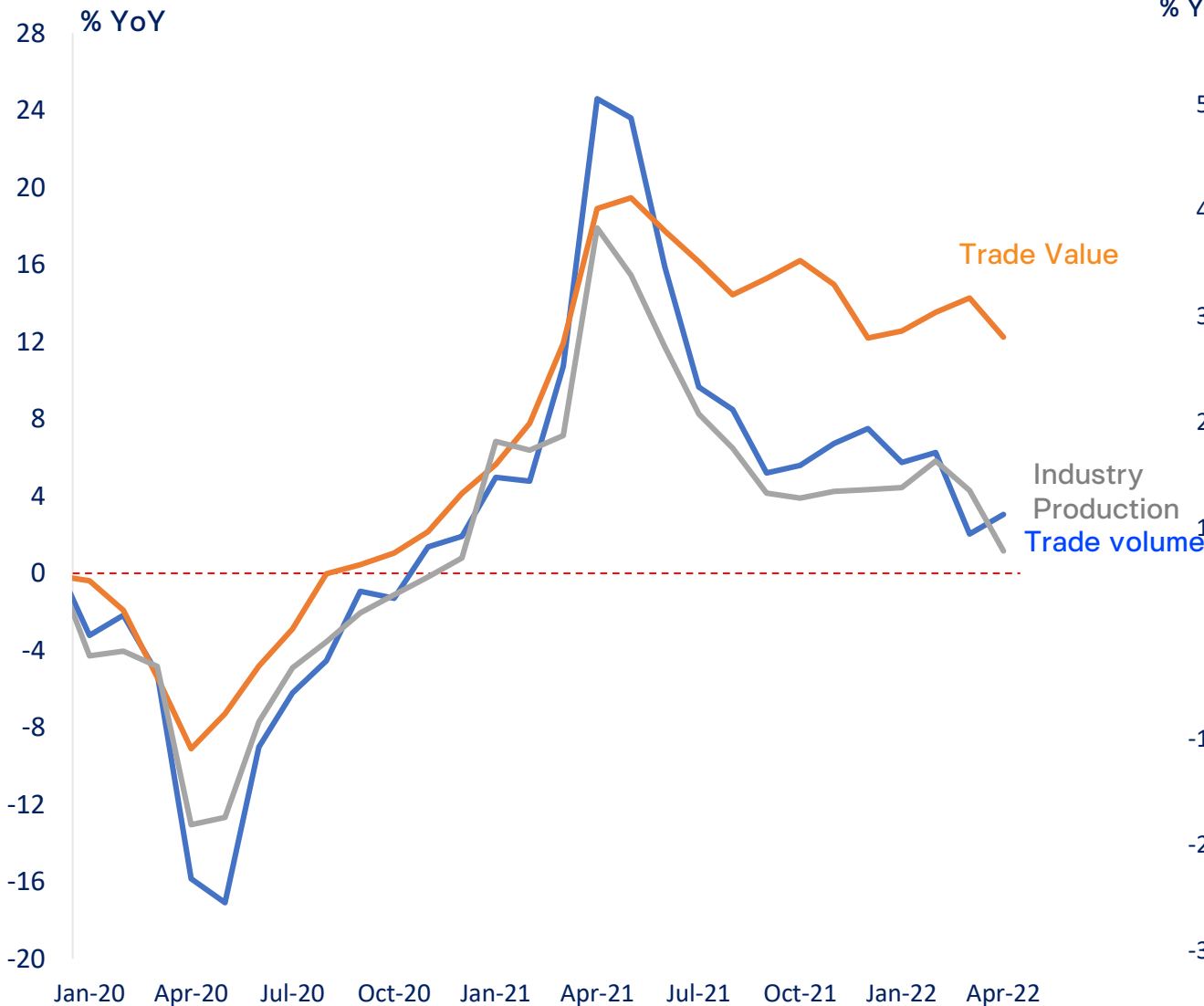
Service PMI

	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Australia	55.7	55.1	46.6	57.4	55.6	56.1	53.2	52.6
China	52.1	53.1	51.4	50.2	42.0	36.2	41.4	54.5
Japan	53.0	52.1	47.6	44.2	49.4	50.7	52.6	54.0
India	58.1	55.5	51.5	51.8	53.6	57.9	58.9	59.2
United States	58.0	57.6	51.2	56.5	58.0	55.6	53.4	53.0
Germany	52.7	48.7	52.2	55.8	56.1	57.6	55.0	52.4
France	57.4	57.0	53.1	55.5	57.4	58.9	58.3	53.9
Italy	55.9	53.0	48.5	52.8	52.1	55.7	53.7	51.6
United Kingdom	58.5	53.6	54.1	60.5	62.6	58.9	53.4	54.3
Spain	59.8	55.8	46.6	56.6	53.4	57.1	56.5	54.0

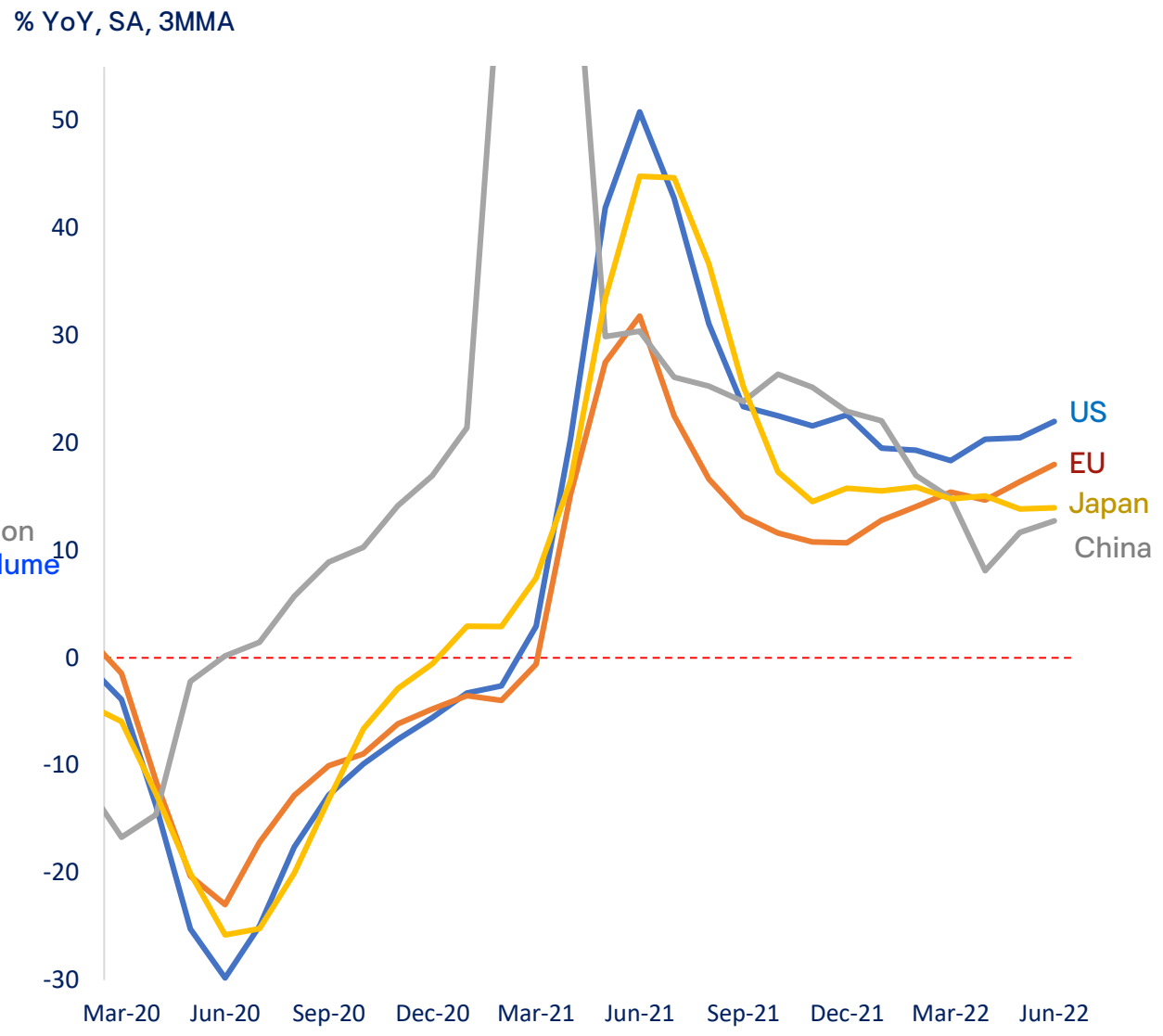
- PMIs which are early indicators for economic activities suggested that most countries have positive outlooks toward manufacturing and service sector in the expansion zone (above 50).
- June PMIs data showed deteriorating situation in the manufacturing sector in Asian and European countries as concerns for lower future demands. Businesses faced with low numbers of new orders due to high inventories and slow down in consumption. Service sector varied across economies. The situation in China has improved that its PMI advanced the most in this year



Global trade and industrial production contracted in March



Exports from China rebounded as economy reopened

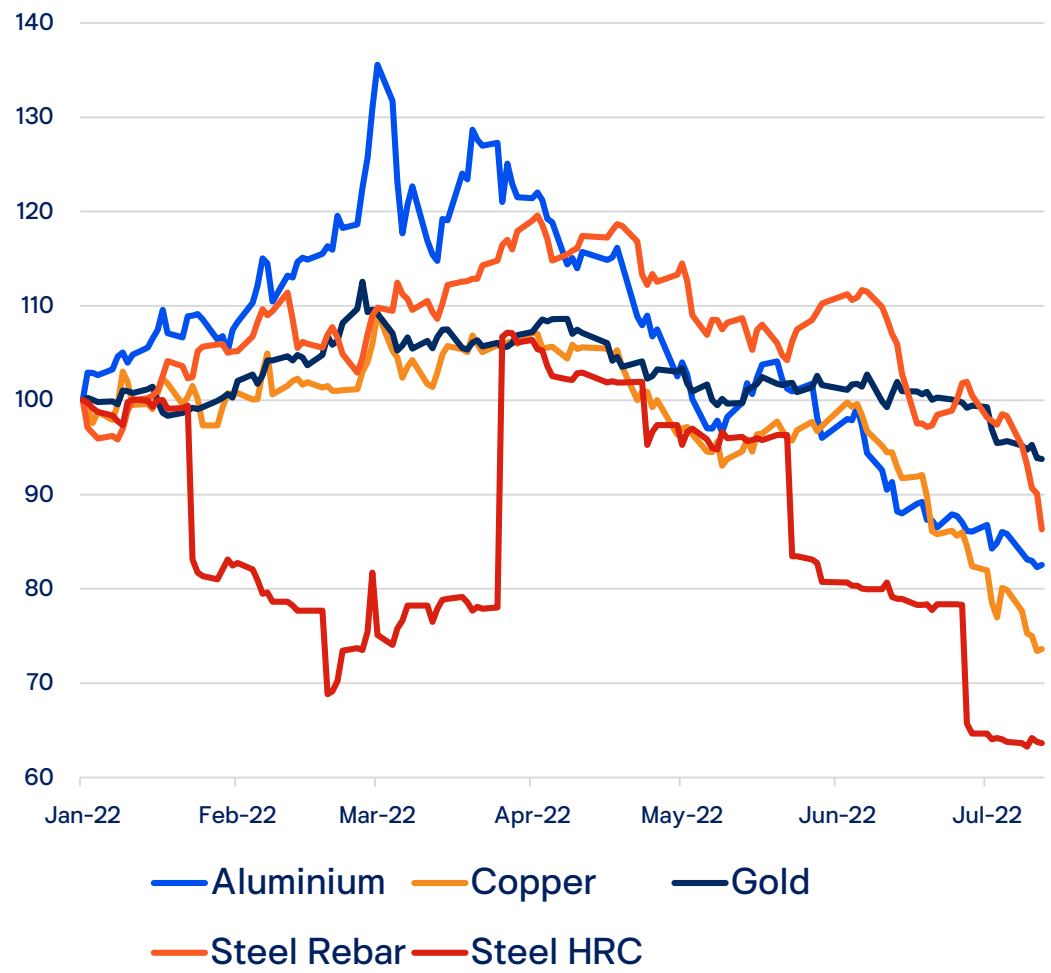


Source: CEIC and ttb analytics

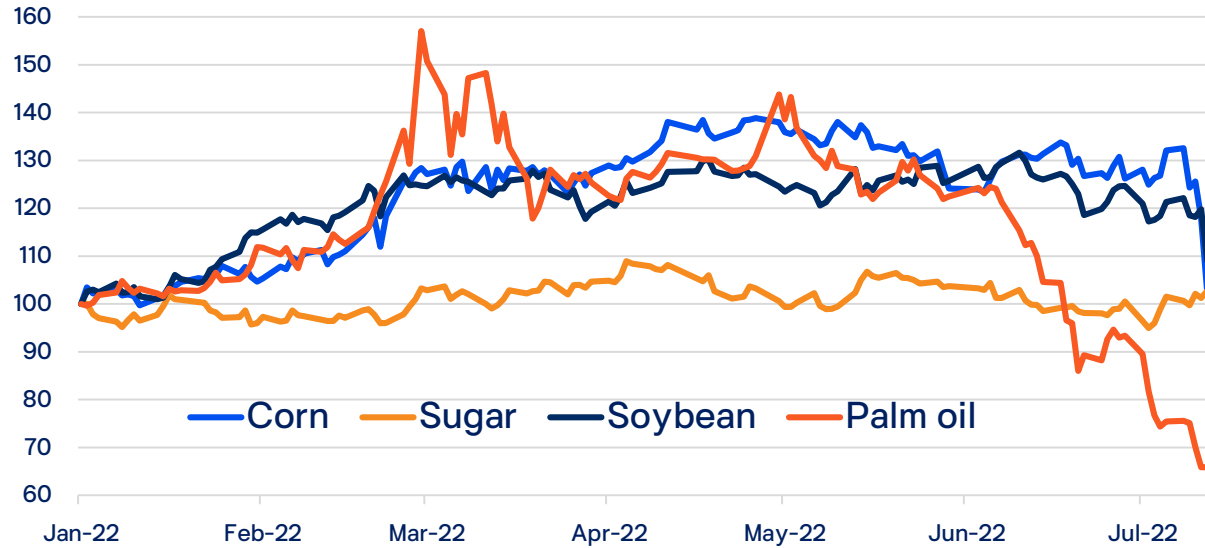
Commodity Price began to drop from recession concerns



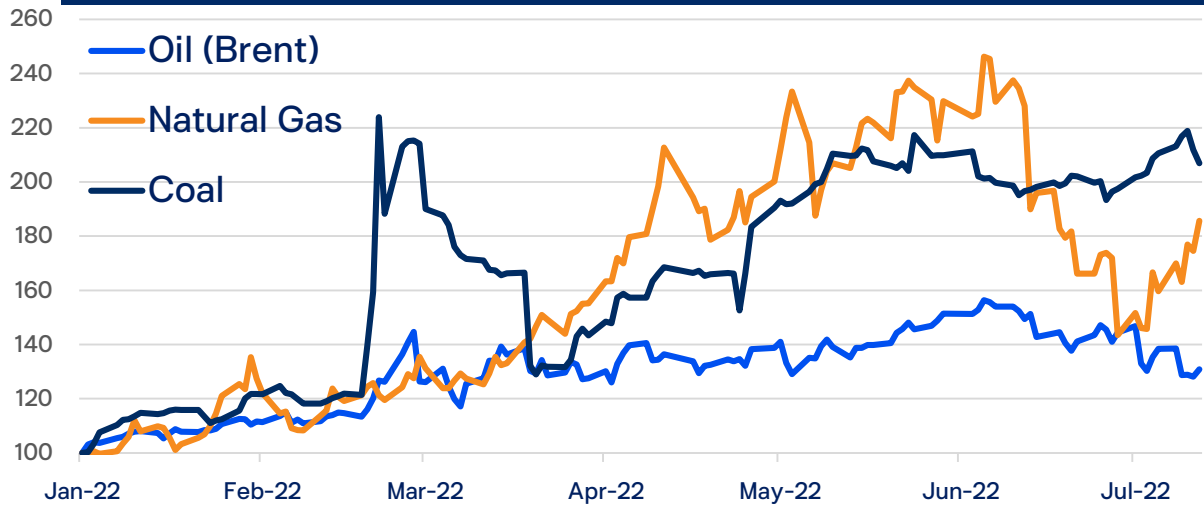
Manufacturing



Agriculture

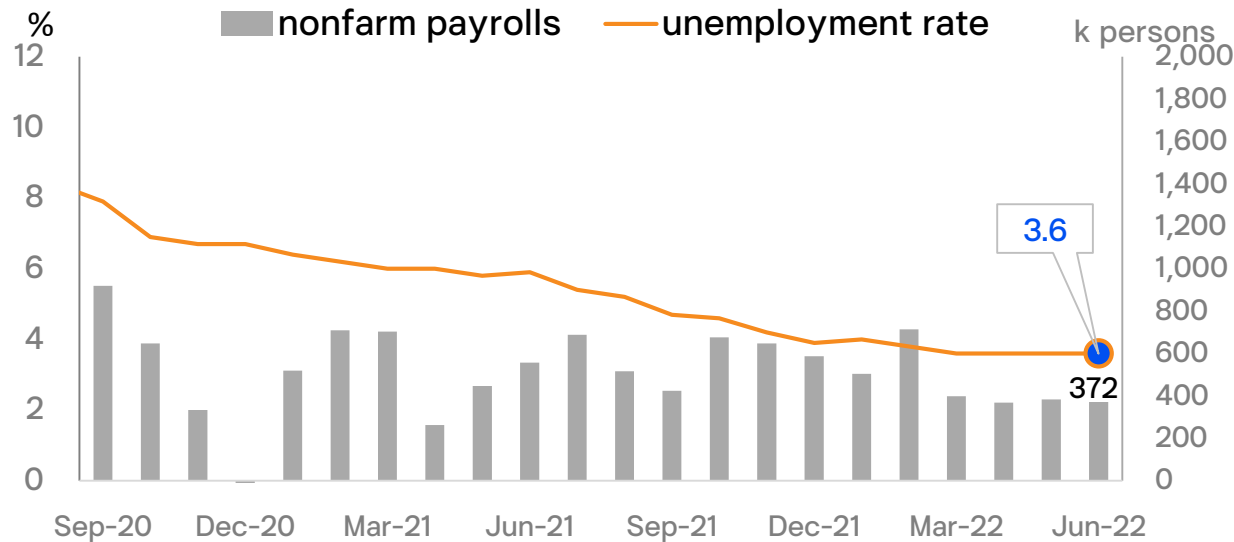


Energy

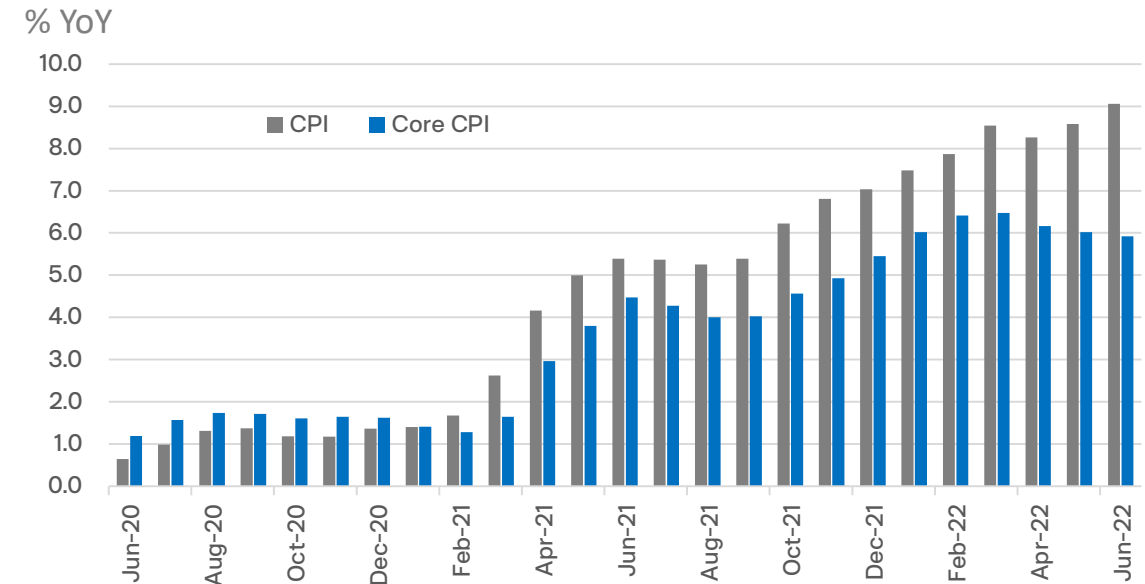


U.S. inflation remained high due to energy prices, retail sales remained strong in June

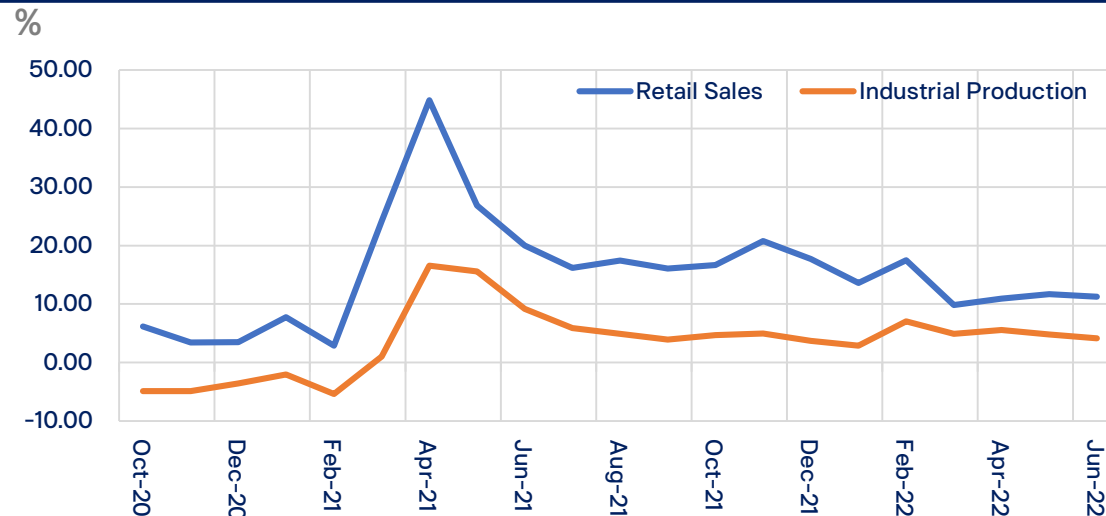
Nonfarm payrolls number remained strong in June



Inflation climbed due to rising prices of energy



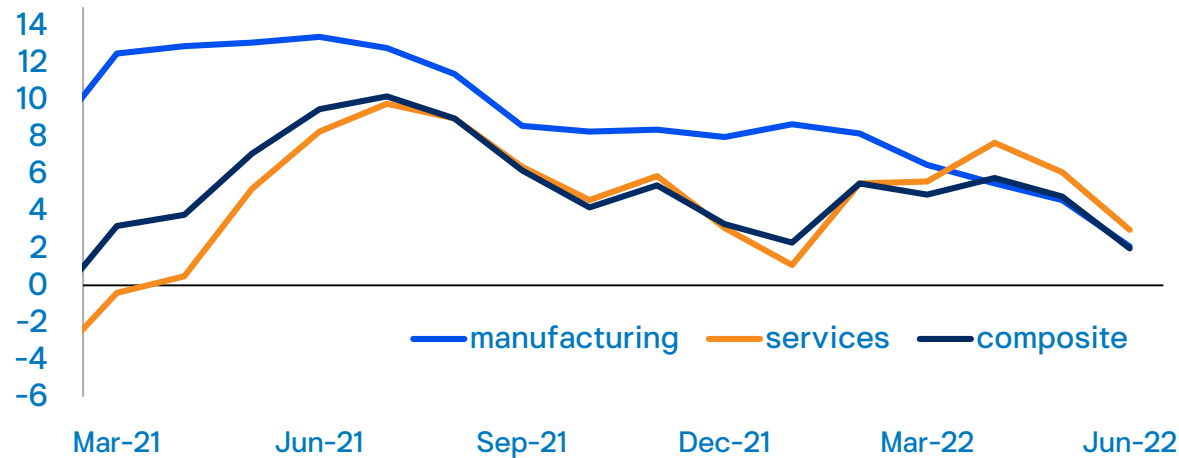
Retail sales growth continue to advance



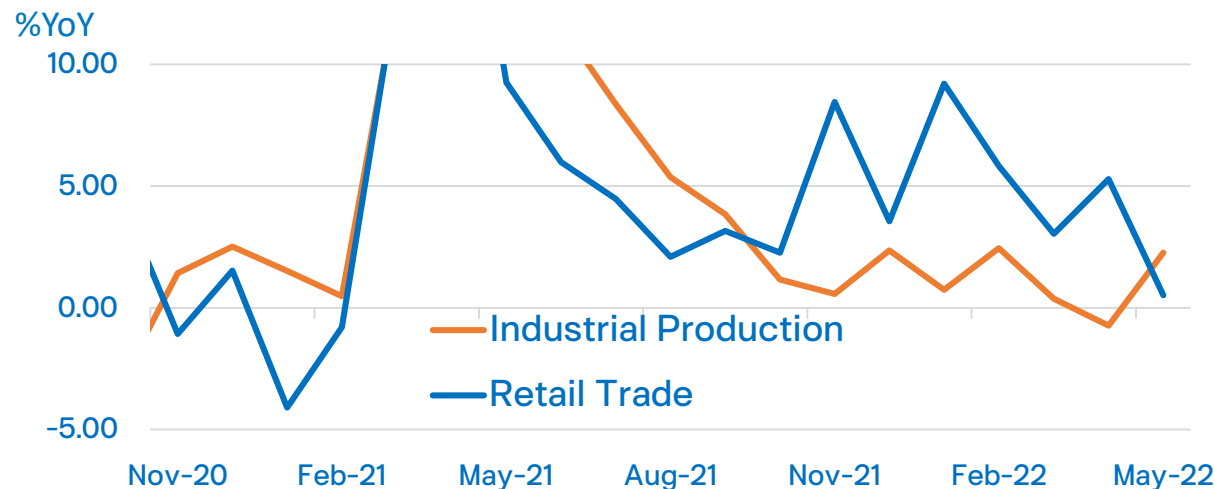
- In June, nonfarm payroll increased by 372,000 new jobs, exceeding market expectation. The numbers clearly showed strong improvement in U.S. labor market that would allow FED to aggressively hike in July. The unemployment rate remained at 3.6%
- Retail sales growth advanced in June, negating concerns regarding recession, due to solid consumption in durable goods. Rising prices also partially affected the growth in retail sales. Industrial production remained solid.
- Inflation still rise due to high energy. CPI index in June displayed further increase in price level. June CPI reached 9.1%, the highest level in 41 years. Core CPI, which excludes food and energy prices, in fact continue to drop for the fourth straight month

Outlook deteriorated across sectors

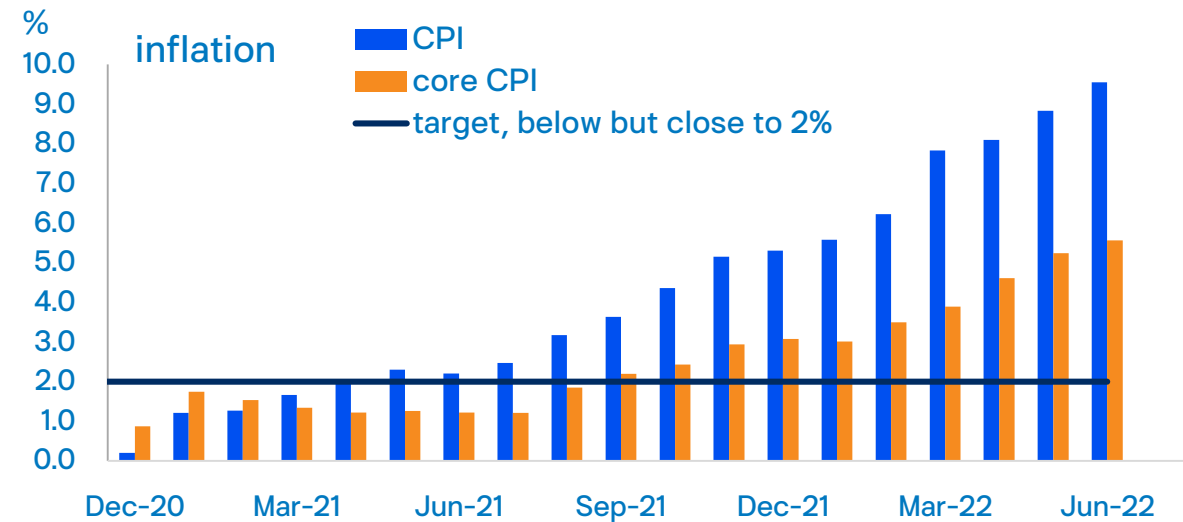
%MoM, deviations from 50, + expansion - contraction



Retail growth dropped lowest in 18 months



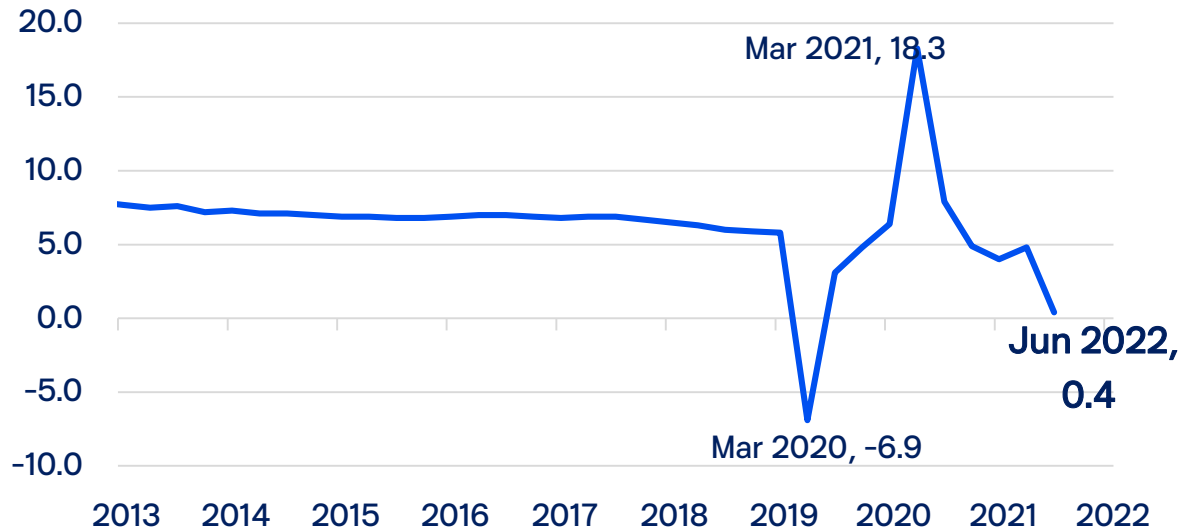
Inflation spiked to historic high



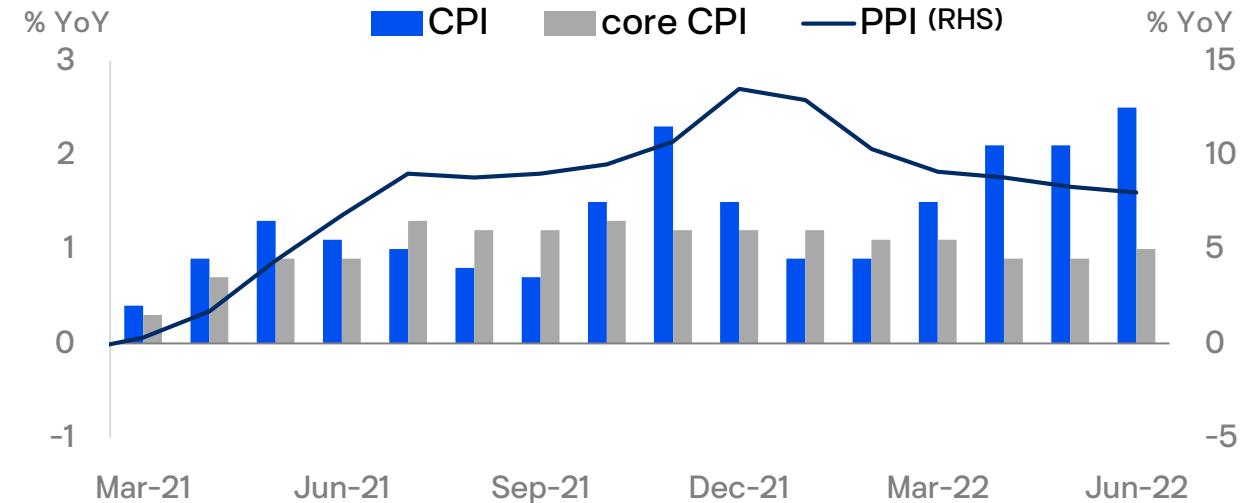
- In June, manufacturing sector faced higher pressure from supply chain disruption, higher energy cost, and weaker new orders. Service outlook decreased due to high prices of goods.
- European Union inflation continued to grow significantly 9.6% in June due to food and energy price. Core inflation increased from last month to 5.6%. EU faces highest inflation in decades. Half of the increase came from energy prices which remain a major risk from Russia. ECB raised interest rate for the first time in the decade by 0.50% in July to combat high inflation.
- Retail trade severely contracted in May, growing about 0.5%, due to rising prices that pressured purchasing powers. Industrial production advanced to 2.3%.

China's economy contracted in 2Q22 from lockdown, monthly data continued to improve

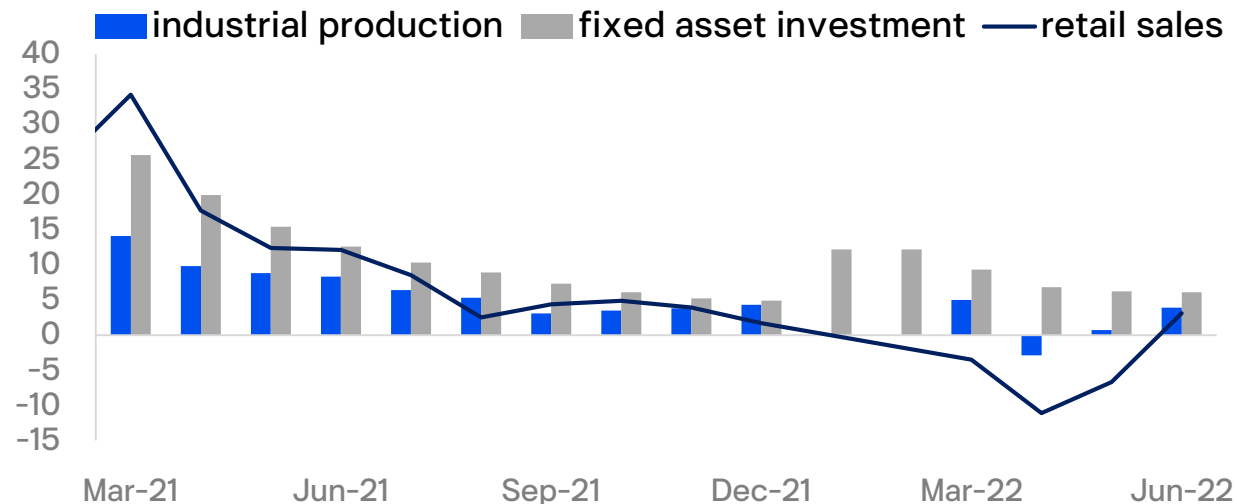
China 2Q22 GDP dropped lowest in two years



Inflation spiked in June from energy price



Retail sales returned to positive growth in June

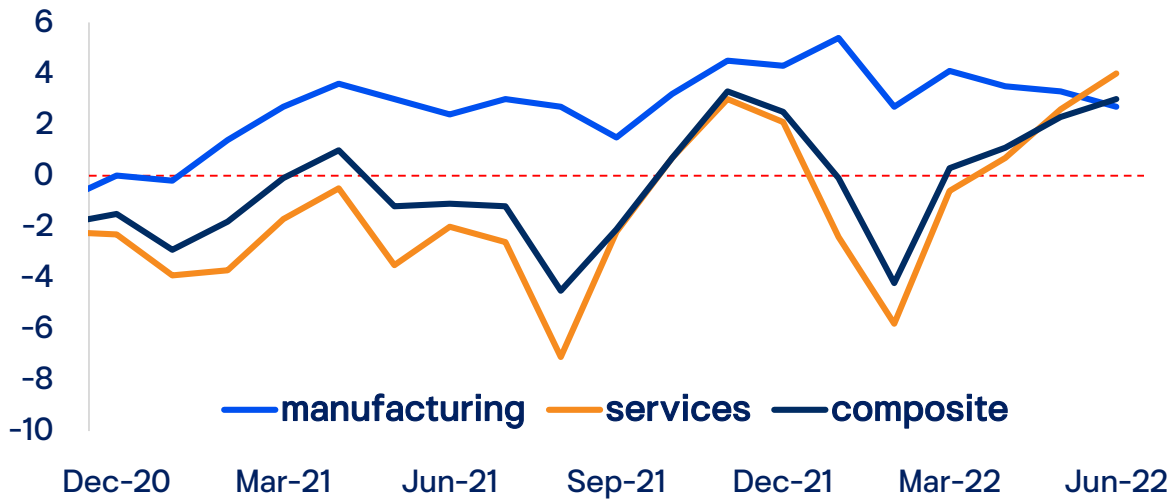


- Chinese GDP dropped lowest in two years in the second quarter. GDP grew only 0.4% due to severe COVID-19 lockdowns measures in April, causing economic contraction. The economy began to recover since the government relaxed those measures. Still, it may hurt overall growth for China this year.
- Overall economic activities continued to advance in June. Retail sales returned to a positive territory with 3.1% growth in June. Industrial production improved to expand at 3.9% while fixed asset investment remained closed to previous month at 6.1%
- Inflation in China advanced to 2.5% due to higher energy price. Chinese economy is likely to recover due to the government plans to roll out economic stimulus plan in the second half of the year.

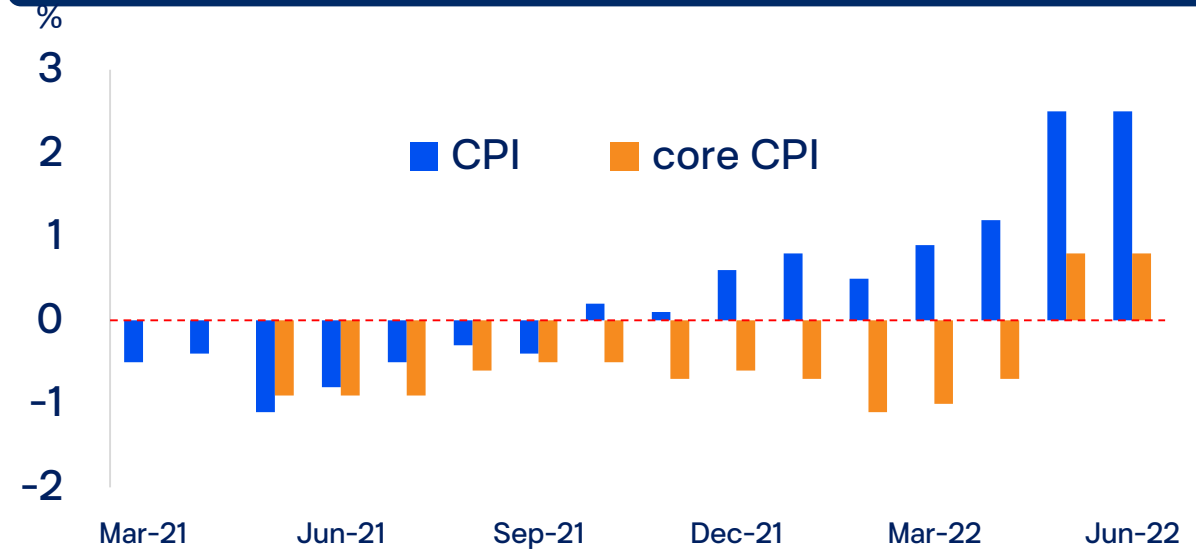
Japan's inflation spiked from imported energy prices, industrial production contracted

Service outlook continued to recover

%MoM, deviations from 50, + expansion - contraction

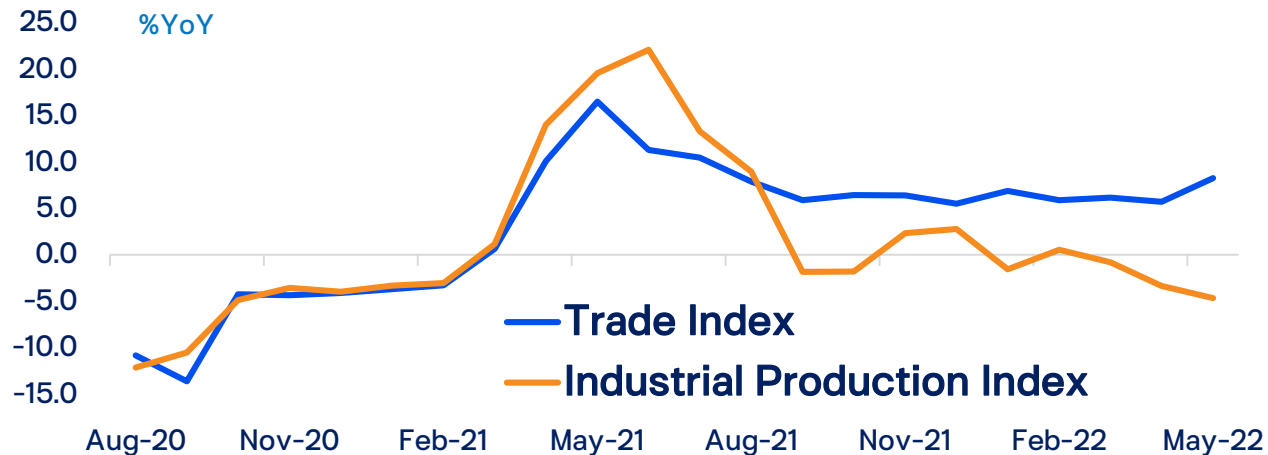


Japan's inflation spiked from energy price



Trade remained stable while production continued to shrink

%YoY



- Service outlooks rebounded further in June due to easing government measure. Impacts from supply chain disruption and higher material prices started to show in the manufacturing sector. The composite PMI continued to advance.
- Japan's inflation remained above 2% in June, reaching 2.5%. Core inflation remain positive. The impact mainly came from importing energy prices. The Bank of Japan remained a few central bank with ultra-loose monetary policy, citing necessary to support the economy.
- Trade improved from last month to 8.3%. However, industrial production continued to contract by 4.7% due to weak demand

PART 2

Thai Economy

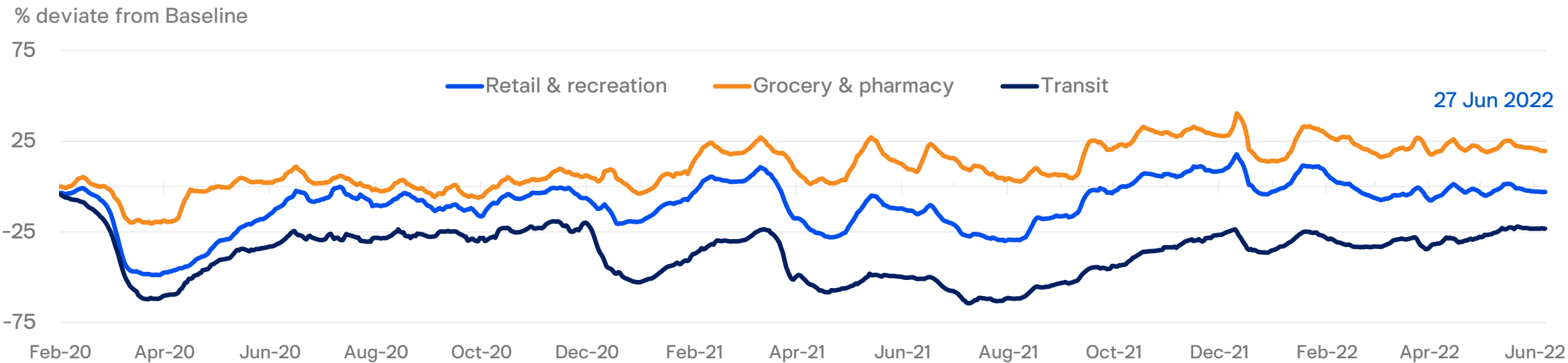


May22: Thai economy steadily recovered from both domestic demands and external demands

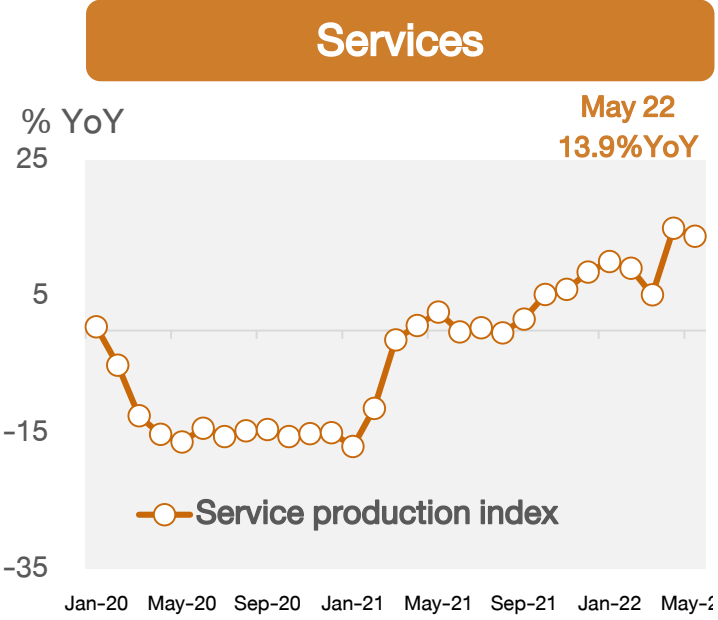
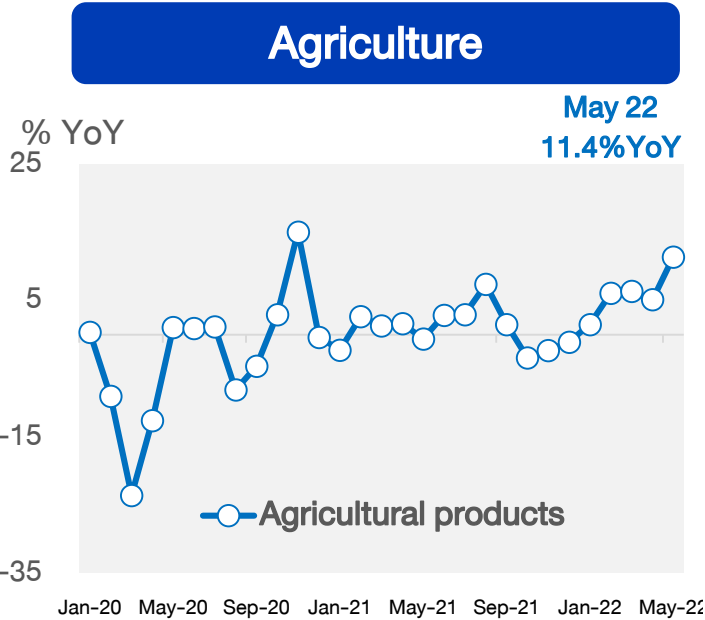
Coincident Economic Index (sa)

		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Production	Coincident Economic Index (sa)	98.1	99.8	100.1	99.2	99.9	99.9	98.9	98.0	99.0	99.9	100.5	100.8	100.7	100.9	100.9	100.5	100.3
	Import Volume index (exclude Gold)	94.5	104.0	102.5	103.1	107.6	103.2	103.8	109.0	102.1	104.3	99.8	115.9	104.9	107.9	112.5	109.6	109.2
	Manufacturing Production Index	97.6	97.1	99.3	98.9	99.0	99.3	93.3	89.0	96.3	98.5	99.8	102.5	99.5	99.6	99.3	98.9	97.1
	Gross Value Added Tax at 2000 price (Million baht)	43,528	57,539	58,633	51,079	54,217	55,279	54,009	54,648	52,842	55,047	61,594	57,139	56,930	58,144	58,511	57,467	56,777
C	Sales Benzene, Gasohol & Diesel Index	81.8	99.9	107.3	88.7	80.7	87.3	74.7	70.3	79.9	86.6	91.8	102.8	98.4	95.7	89.2	96.9	97.8
	VAT Hotel & Restaurant Index	26.9	36.5	38.3	20.2	18.9	28.2	21.5	21.1	29.2	36.9	45.1	48.1	38.2	48.8	48.7	53.7	56.0
I	Imports of Capital Goods at 2010 price (Million USD)	3,611.5	4,089.9	3,943.3	3,904.6	3,703.2	3,910.5	3,905.9	3,959.5	3,863.7	3,812.8	3,807.0	3,878.4	3,926.9	3,851.8	3,853.0	3,767.0	3,943.3
	Domestic Machinery Sales at 2010 price (Million THB)	79,548	80,832	85,332	87,277	87,579	89,786	86,640	81,628	88,249	88,945	90,303	90,123	91,033	92,003	87,812	92,390	91,711

Google Mobility Report



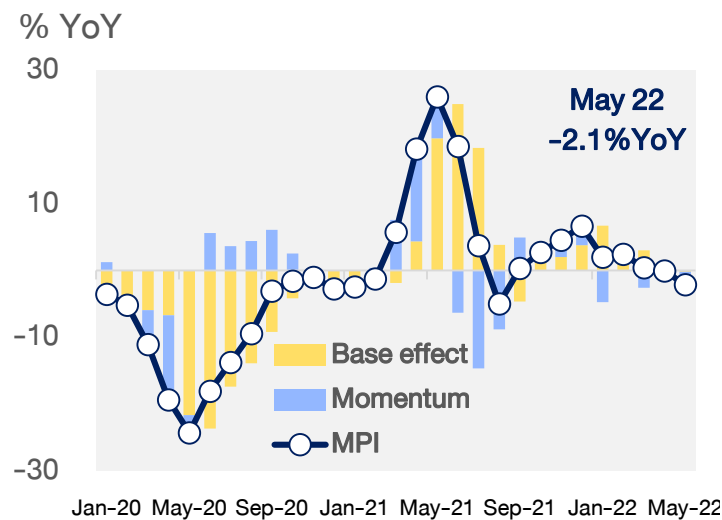
Agricultural production and services activities continuously expanded



Service Production Index

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Service Production Index	90.7	90.8	92.5	92.8	94.5	95.6	94.8	93.6	95.4	97.7	99.5	100.6	102.0	103.3	105.3	104.0	103.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	62.6	64.0	70.4	63.2	64.2	64.4	61.8	60.2	62.4	63.4	65.3	70.3	67.9	66.9	72.2	70.4	74.5
Transportation and storage	11.4	14.8	17.9	11.7	2.4	2.2	1.8	1.7	3.8	8.0	20.2	30.4	27.9	28.0	29.1	32.7	35.4
Accommodation and food service activities	100.1	87.6	114.2	99.6	108.4	102.7	95.8	110.3	116.3	98.8	108.7	121.4	112.8	99.8	116.9	103.0	115.2
Information and communication	112.8	113.1	117.0	110.4	113.5	115.6	114.2	115.3	114.9	111.5	113.1	115.5	102.2	101.5	102.2	118.8	120.3
Financial and insurance activities	105.0	101.2	102.0	93.5	97.4	99.3	116.7	116.4	121.3	121.1	128.1	133.9	123.3	122.3	128.7	120.6	122.0
Real estate activities	97.6	94.7	113.9	102.3	101.8	106.1	102.7	97.9	105.4	111.4	113.0	125.1	120.1	107.4	126.1	120.1	118.4
Professional, scientific and technical activities	72.2	72.3	83.7	76.8	76.6	79.2	86.7	71.1	80.4	73.6	81.1	85.1	82.0	76.7	89.3	79.2	77.3
Administrative and support service activities	101.1	97.8	107.0	103.4	102.0	99.2	102.6	107.6	113.5	105.8	101.0	106.5	102.1	97.6	92.1	116.1	105.1
Public administration and defence; compulsory social security	83.8	82.9	88.8	84.3	84.6	84.9	85.6	86.0	89.2	88.1	91.1	95.9	92.3	90.5	93.5	97.0	96.3

Manufacturing



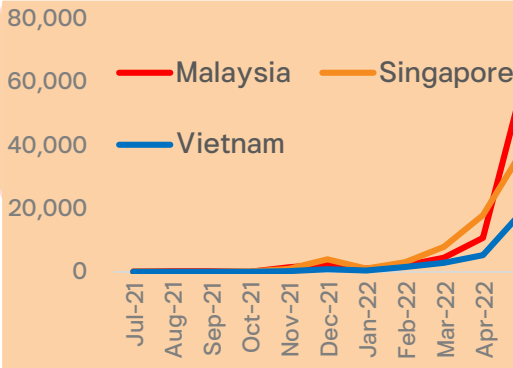
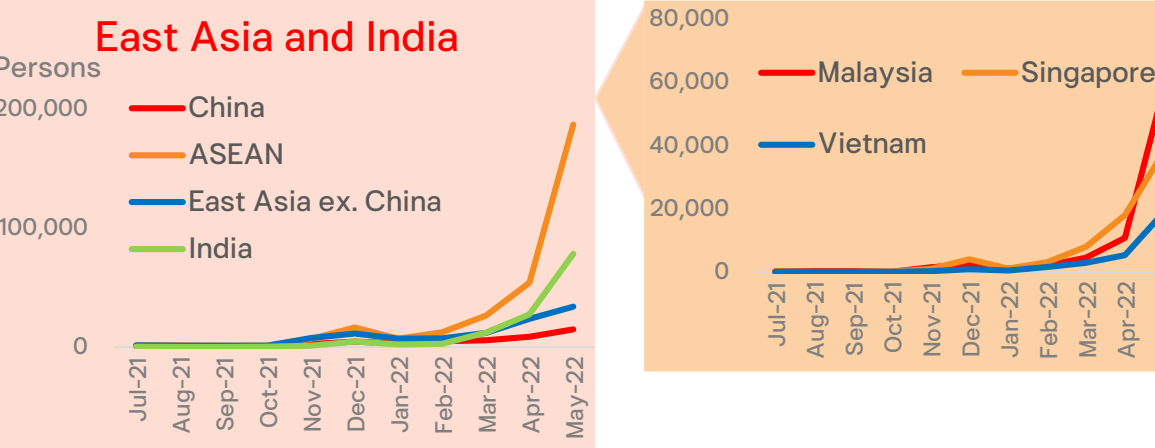
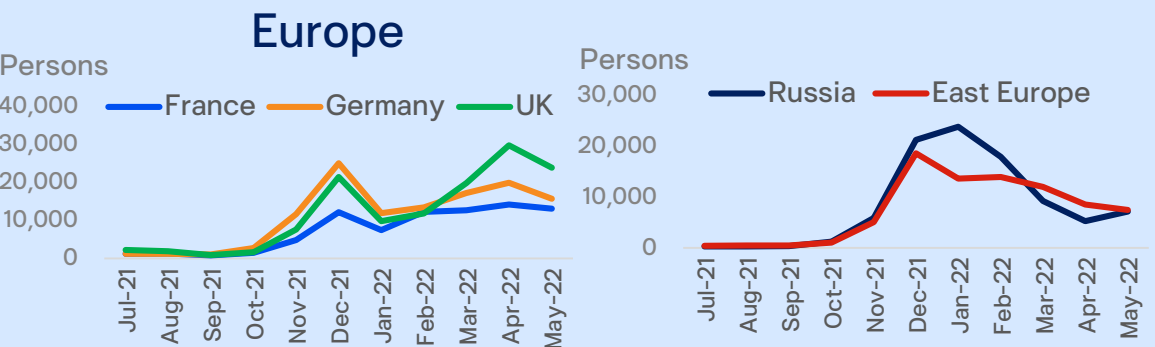
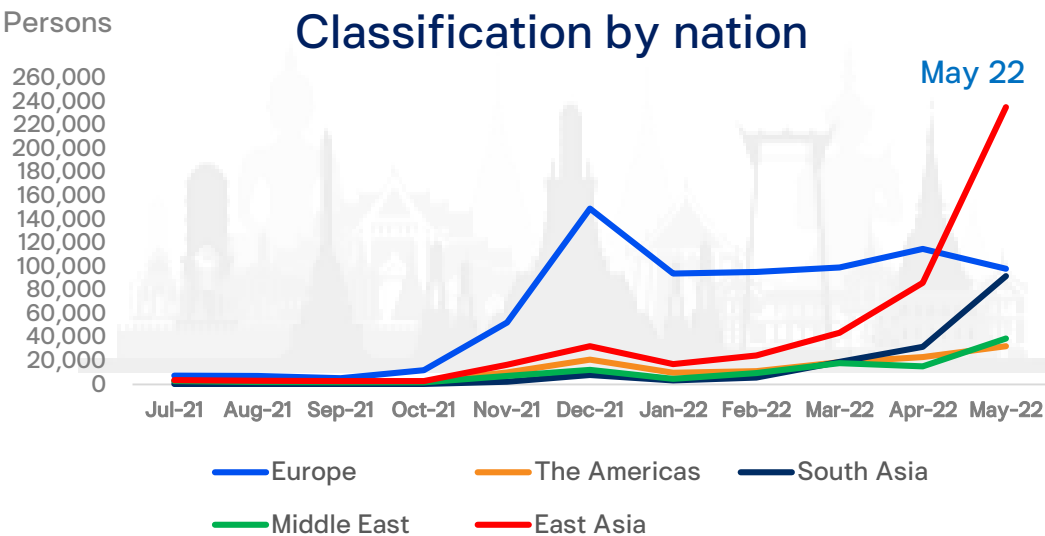
Manufacturing Production Index

Contribution	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Food products (16.2%)																	
Beverages (3.8%)																	
Tobacco products (0.5%)																	
Textiles (1.6%)																	
Wearing apparel (1.9%)																	
Leather products (0.9%)																	
Paper products (2.9%)																	
Coke and refined petroleum products (9.6%)																	
Chemicals (8%)																	
Pharmaceutical products (1.2%)																	
Rubber and plastics products (8.9%)																	
Other non-metallic mineral products (5.5%)																	
Basic metals (3.6%)																	
Fabricated metal products (1.9%)																	
Computer and electronic products (8.9%)																	
Electrical equipment (3%)																	
Machinery and equipment (2.7%)																	
Motor vehicles (13.9%)																	
Other transport equipment (1.1%)																	
Furniture (1.5%)																	
Others (2.4%)																	
MPI (%YoY)	-2.4	-1.2	5.8	18.2	26.0	18.6	3.7	-4.9	0.4	2.7	4.6	6.7	2.0	2.5	0.4	0.0	-2.1

Total Foreign Tourist Inbounds



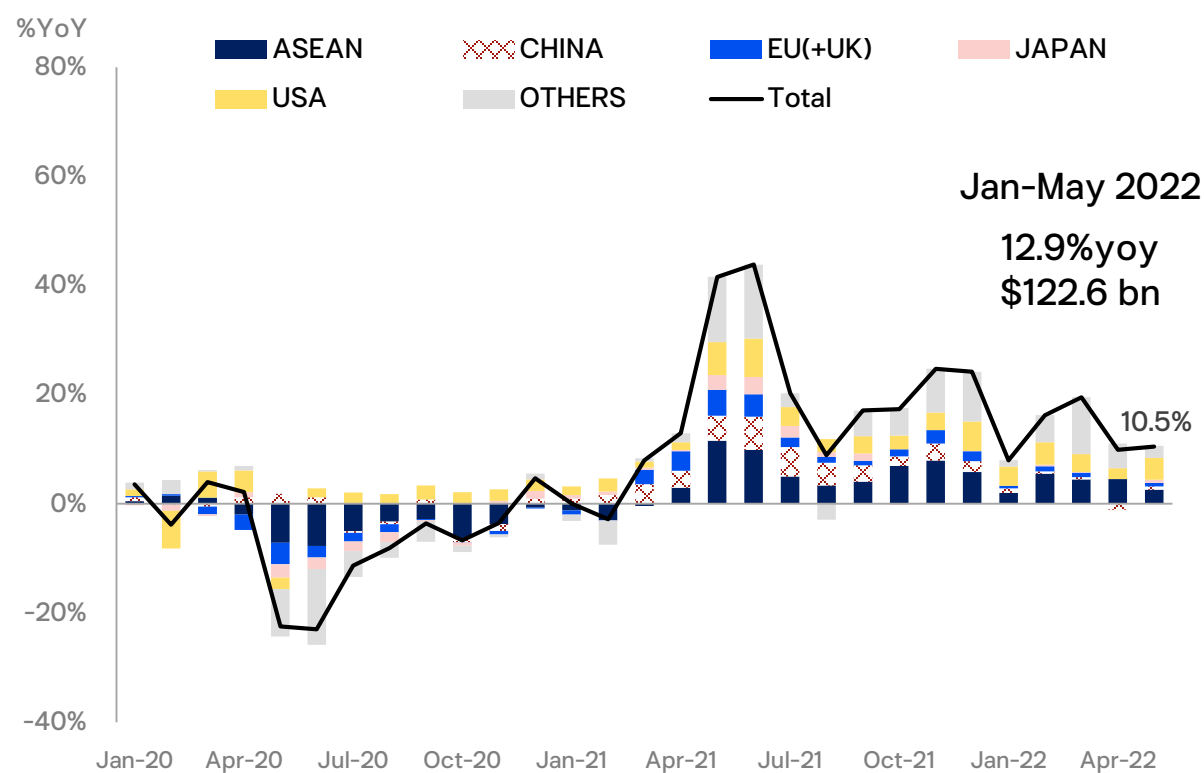
- As of May22, foreign tourist significantly increased from last month after both Thailand and several foreign nations have eased travelling restrictions. The leading groups came from East Asia, of which China and Asean were the majority. Within Asean, Malaysia Singapore and Vietnam led the inbound figures. Significant recovery of India could also be seen. However, European group started to see its decline in all nations.



Export growth is expected to grow more than 5% in H2-22 despite high inflation pressure

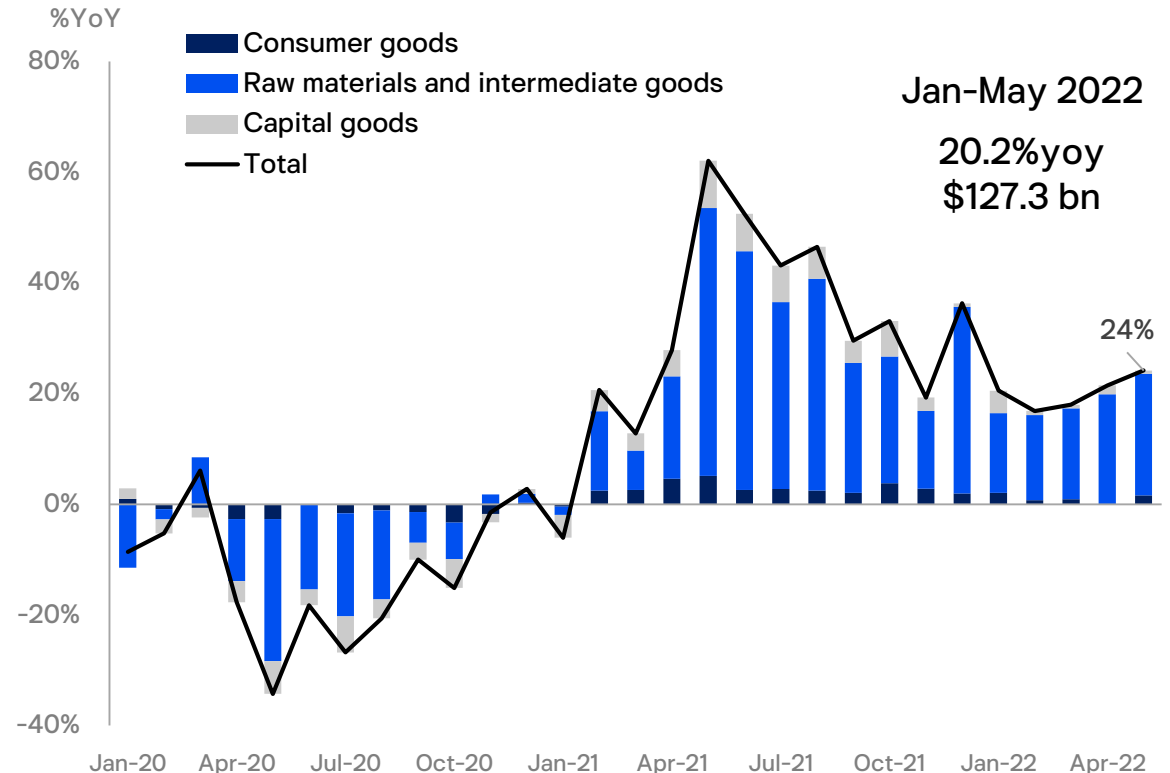
- Jan-May 2022, Exports of industrial products exhibited growth indicating that demand from major trading partners still grew despite the impact of the prolonged Russia-Ukraine conflict, inflation concerns and lockdowns in some Chinese cities.

Exports value by destination*



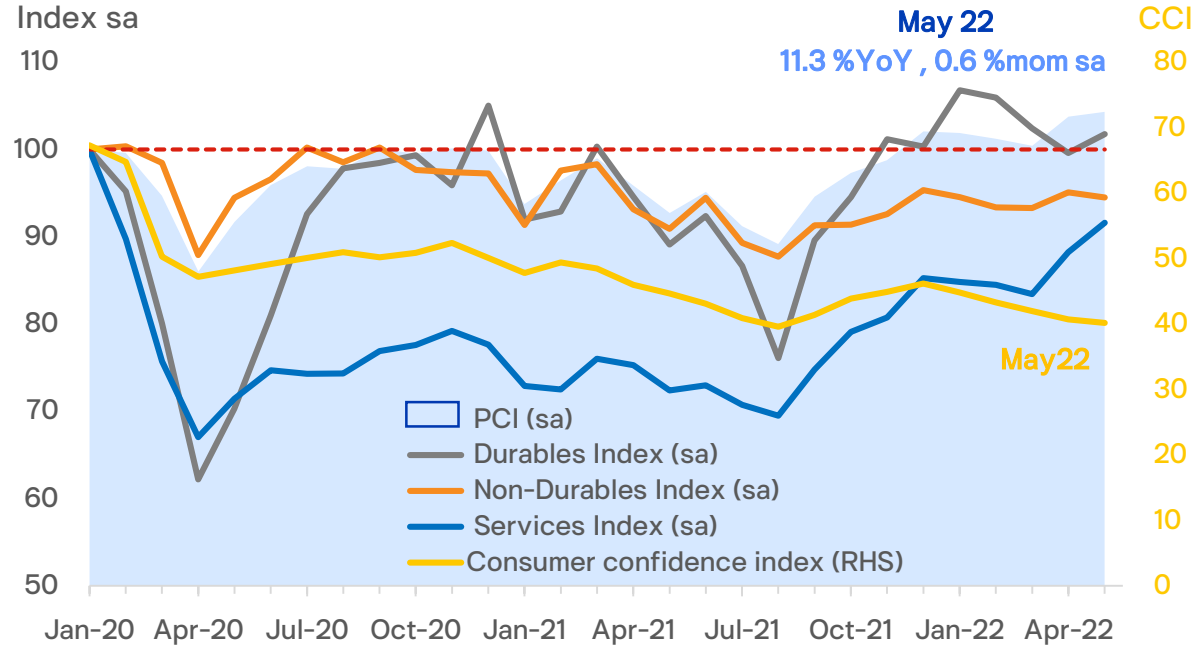
	2019	2020	2021	2022F
Total export growth	-2.6% \$246 bn	-5.9% \$232 bn	17.1% \$271 bn	7.0% \$291 bn

Imports value by groups*



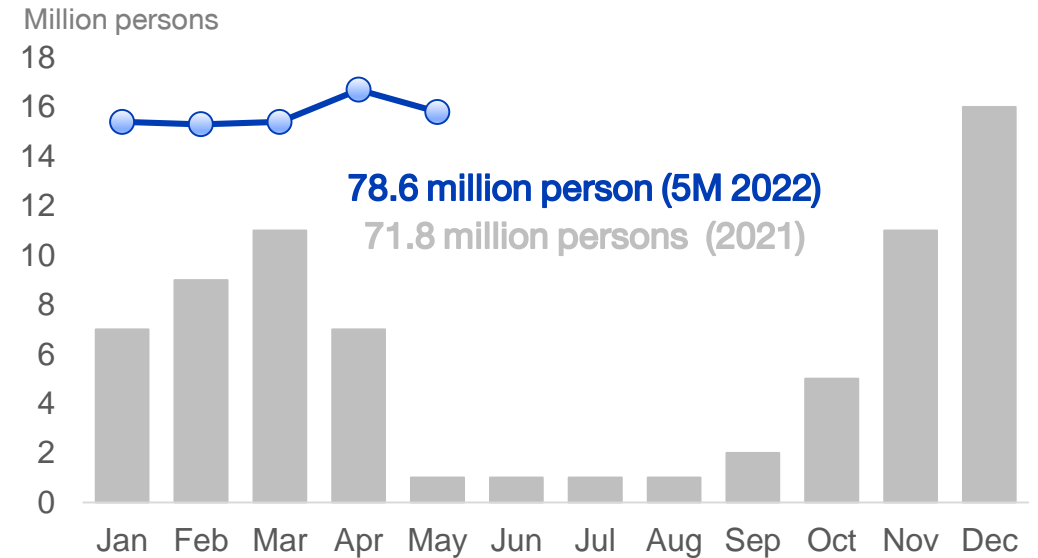
	2019	2020	2021	2022F
Total import growth	-4.8% \$236 bn	-12.7% \$206 bn	29.8% \$268 bn	11.0% \$287 bn

Private Consumption (SA)

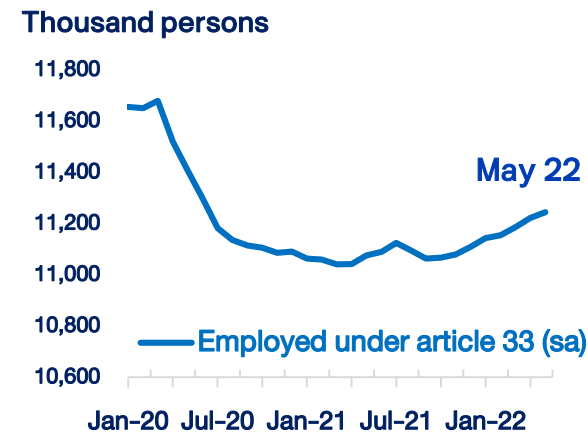


- Private consumption in May22 steadily improved in all categories, mainly due to the rebound in services sector after the strong recovery of domestic tourism activities. Durables' recovery remained robust.
- Overall concerns over Omicron-variant outbreak declined but that over high living costs increased, pressuring ongoing consumer confidence.
- Employment condition and farm incomes improved.

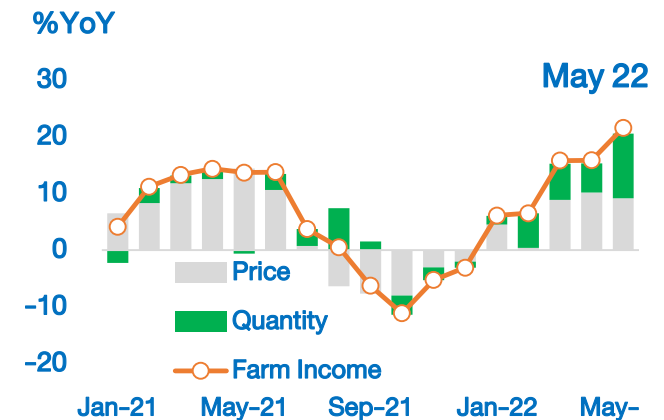
Thai domestic tourism visitors



Employment M33

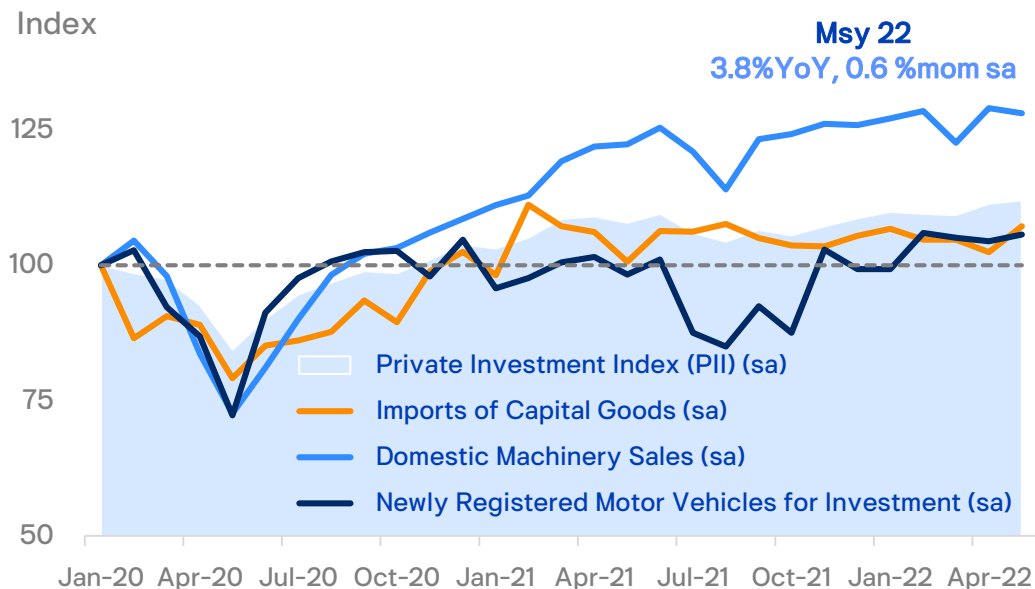


Farm Incomes



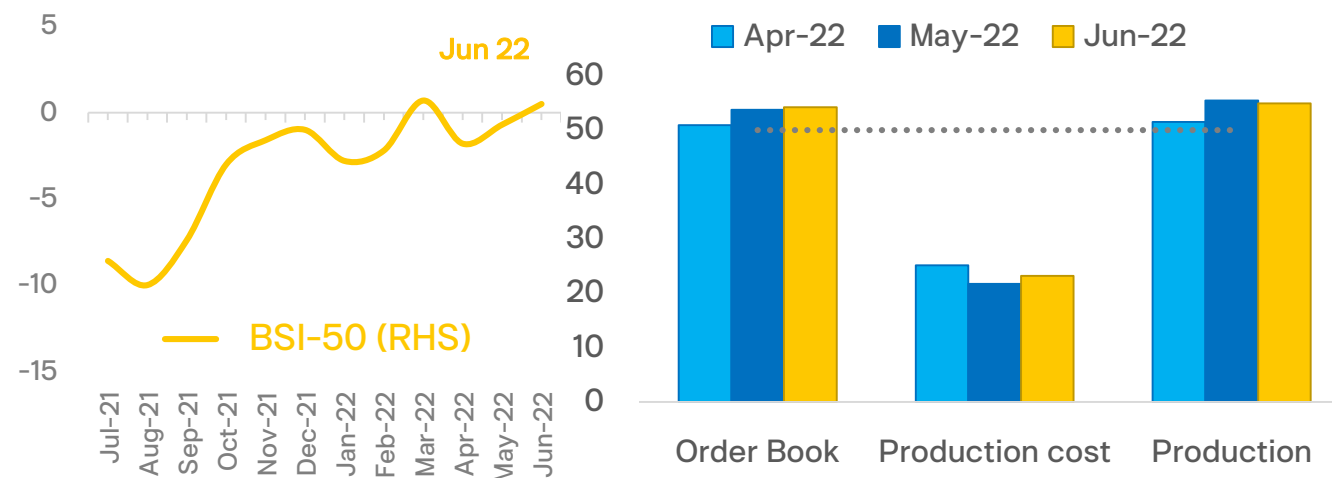
Private investment marginally increased in line with imports of capital goods

Private Investment (SA)

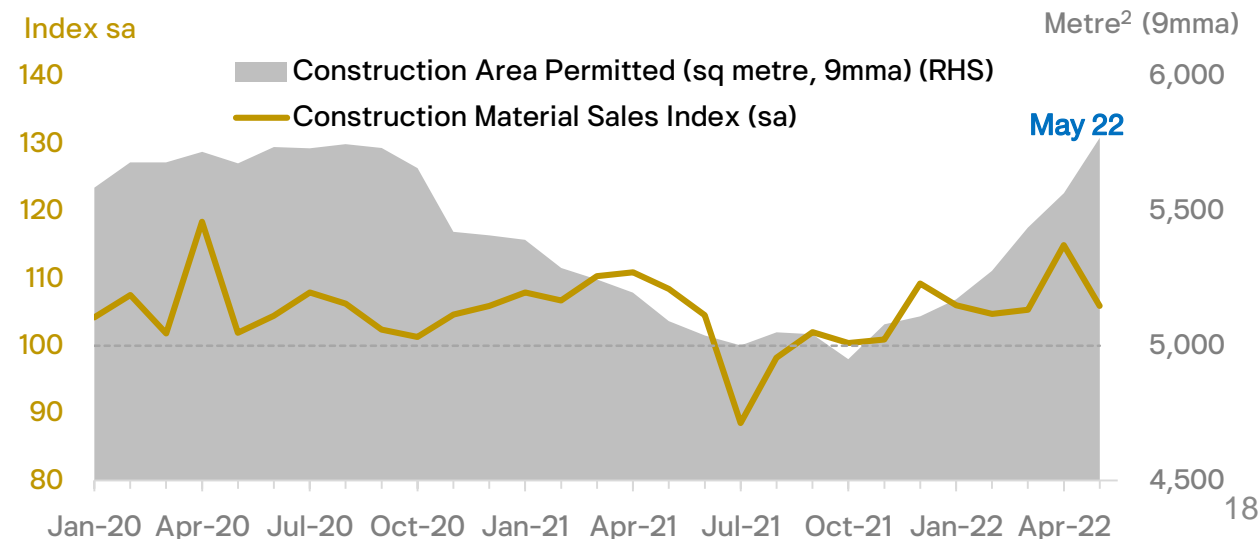


- Private investment continuously rose in all categories, especially import of capital goods which registered a clear increasing momentum. This is in line with merchandise export outlook and necessary for enhancing production capacity. Business sentiment improved with better order book and production.
- Construction material sales dropped from last period but permitted construction areas rose considerably. Regarding real estate, apartment and condominium in Bangkok and vicinity have been in a recovery.

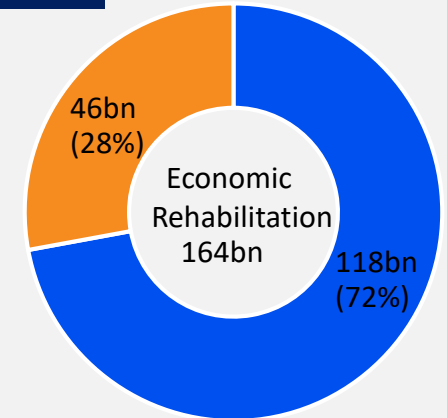
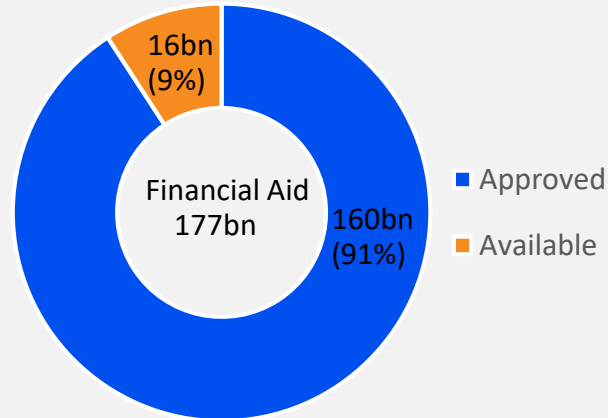
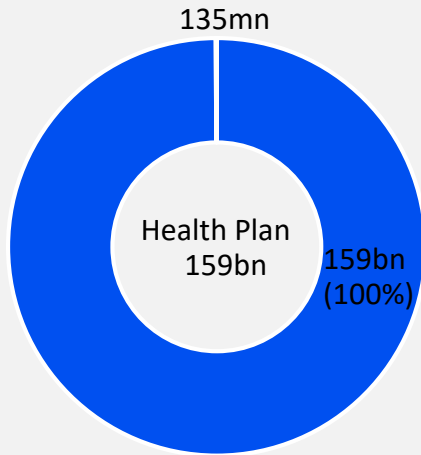
Business Sentiment Index



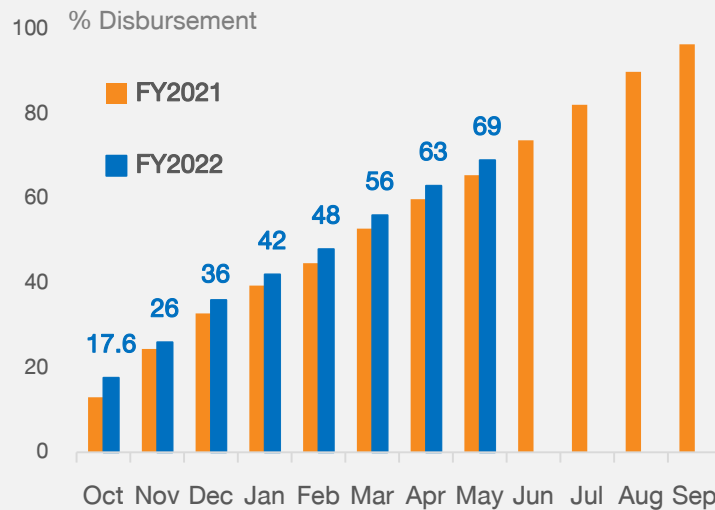
Construction sector (SA)



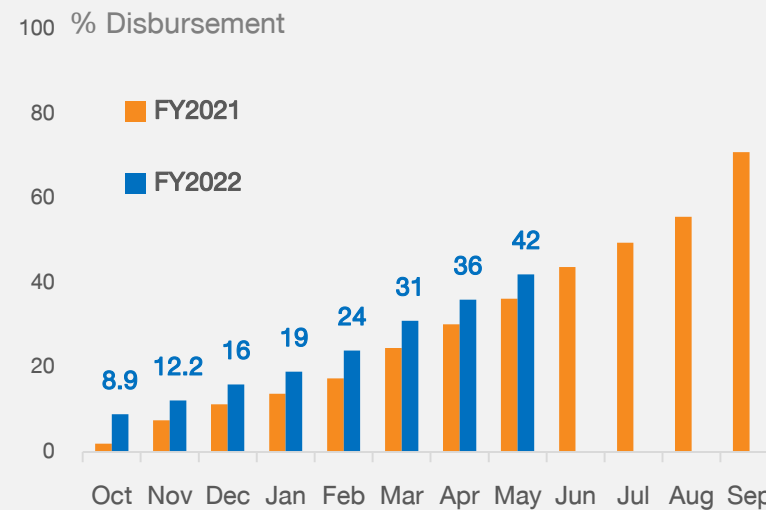
Progress on 500 billion Worth of Covid Stimulus Package by Purpose (as of Jun 2022)



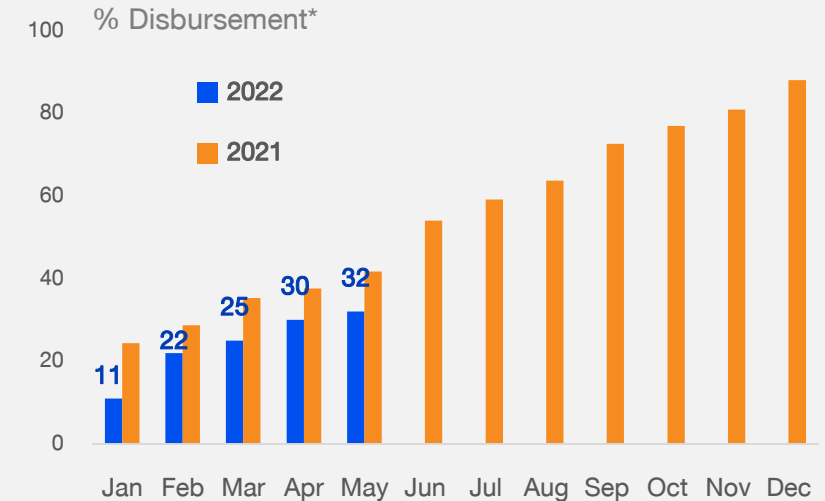
Current Expenditures(8MFY22) : 1,706bn



Public Investment Expenditures(8MFY22) : 256bn



SOE Investment : 112bn (as of May 2022)



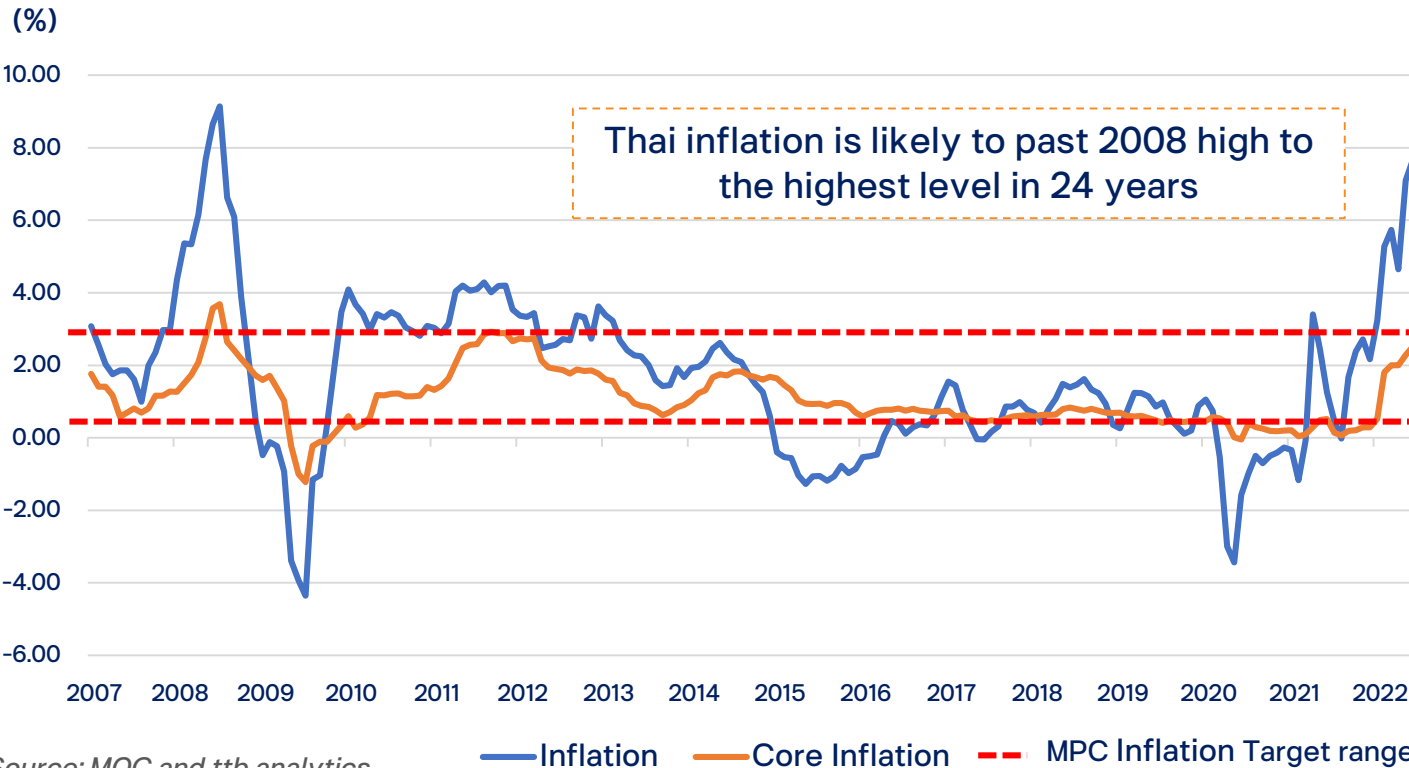
June inflation rose 7.66%, Inflation should spike up in 3Q22 from low base



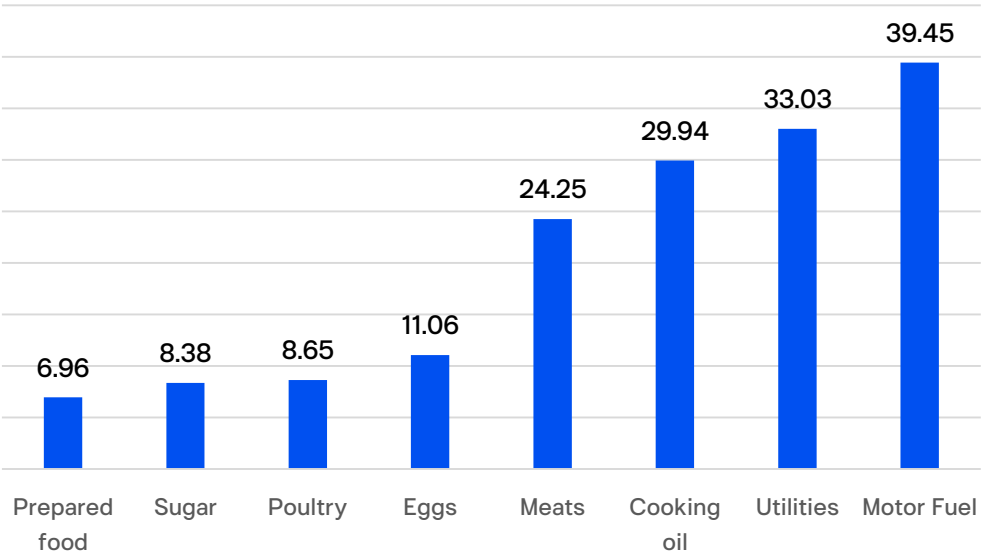
Historical Thai Inflation

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
CPI	2.17	5.19	-0.83	3.3	3.81	3.01	2.19	1.9	-0.9	0.19	0.67	1.07	0.71	-0.84	1.24	5.61
Food	4.08	11.56	4.54	5.43	7.94	4.89	3.41	3.94	1.14	1.6	0.01	0.41	2.32	1.23	-0.12	4.81
Housing	0.13	-3.19	-1.55	2.03	1.31	2.73	1.9	1.41	0.59	-0.99	0.17	1.03	0.42	-1.02	-1.69	4.33
Transport	2.72	6.38	-9.41	3.81	1.73	1.58	1.34	0.09	-6.52	-1.75	2.37	2.31	-1.14	-4.53	7.81	11.46

*Jan-Jun22



%YoY price Change in top catagories (Jun 22)



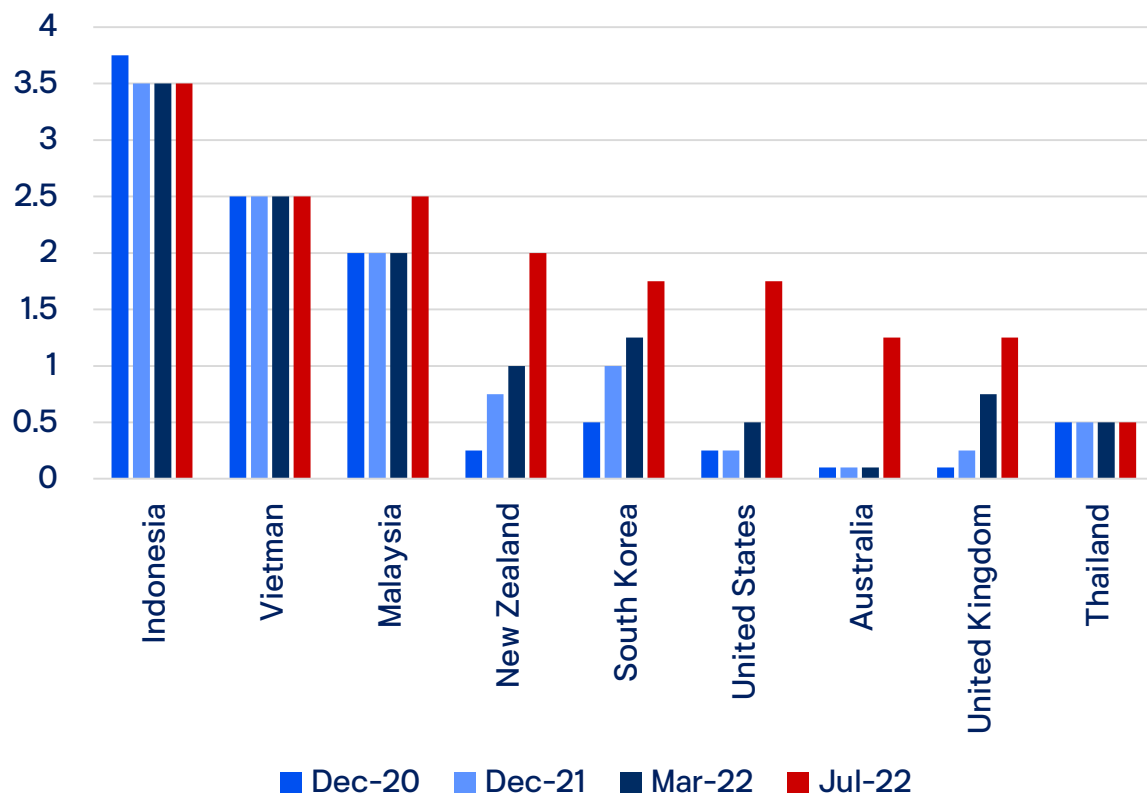
PART 3

Financial Market

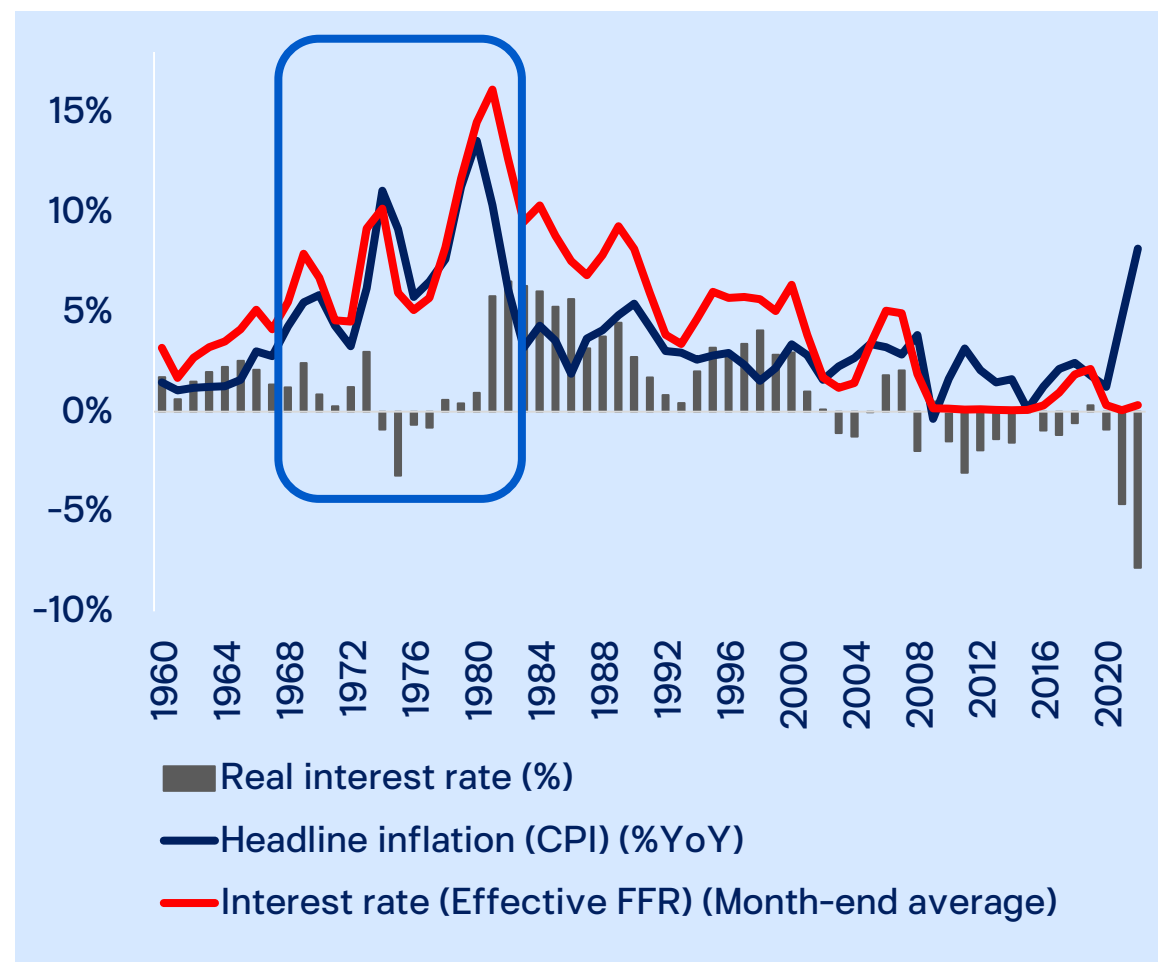


Rising global inflation induced many countries to hike rates

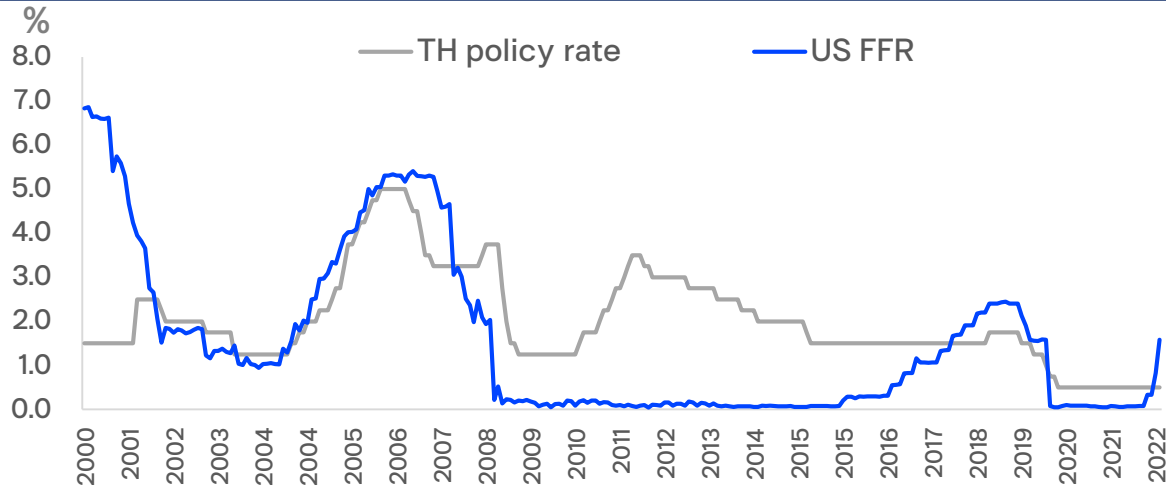
Most central bank began to increase policy rate in 2022



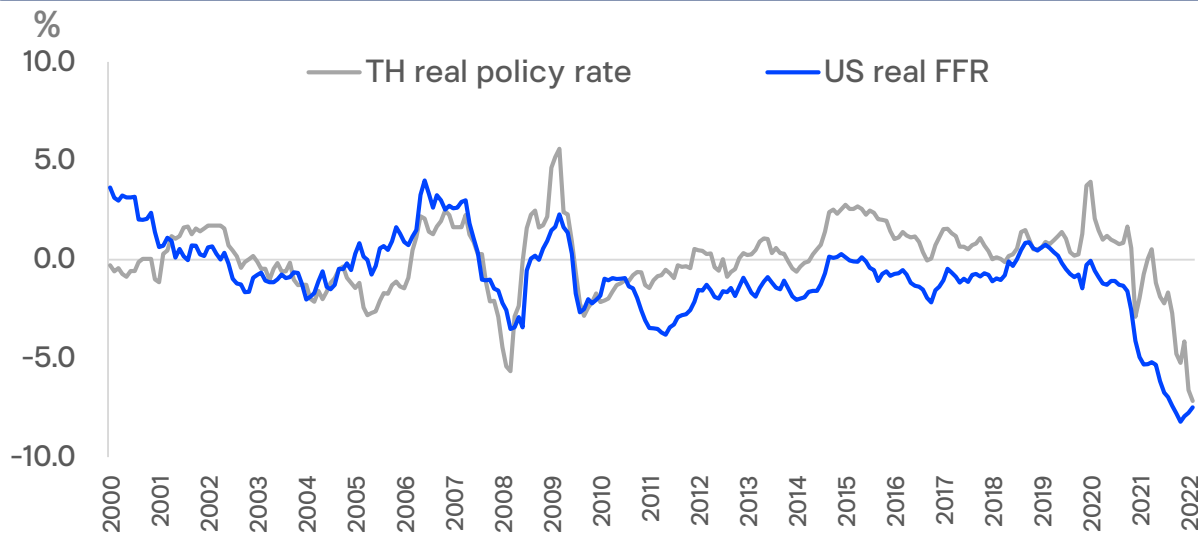
Central banks try to avoid Stagflation era like in 1970s



FED-BOT Policy rate Historical (Nominal rate)

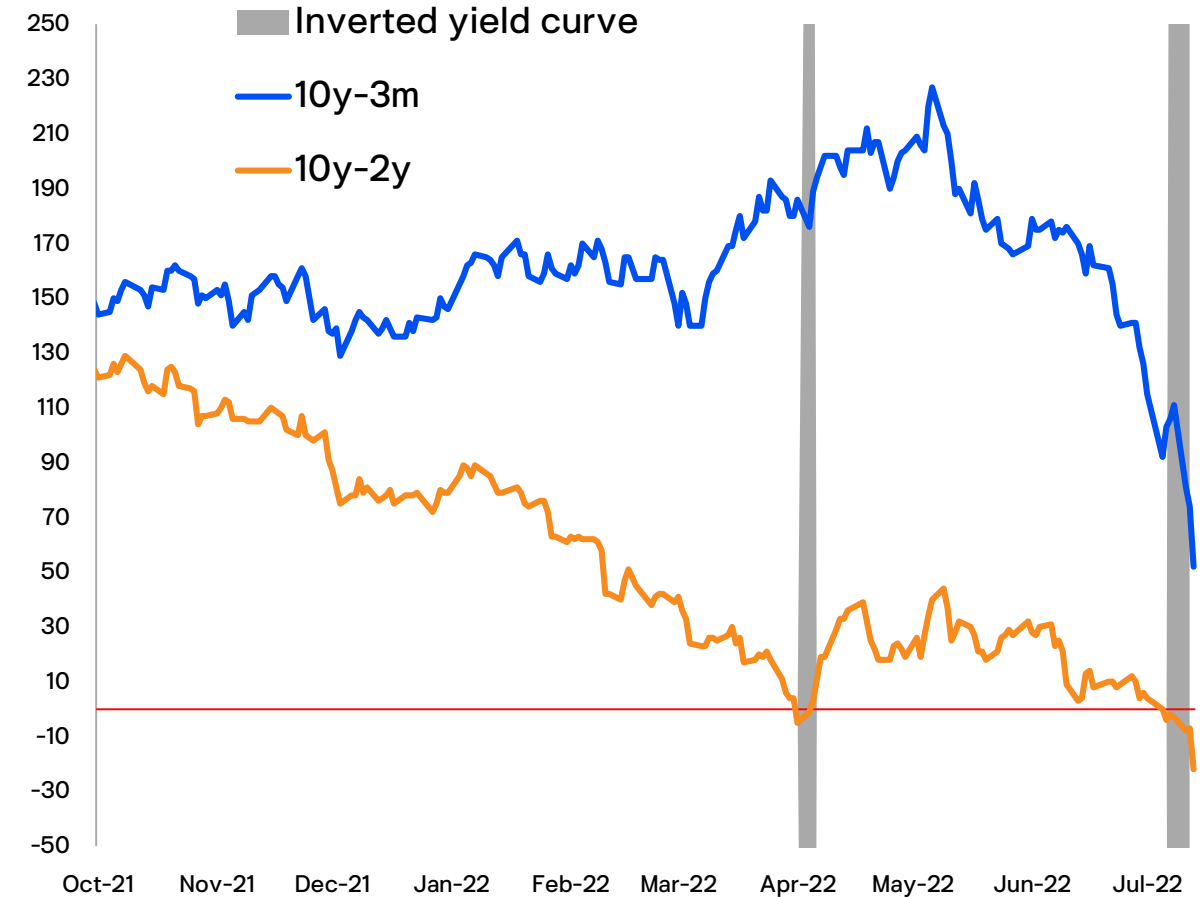


FED-BOT Policy rate Historical (real rate)

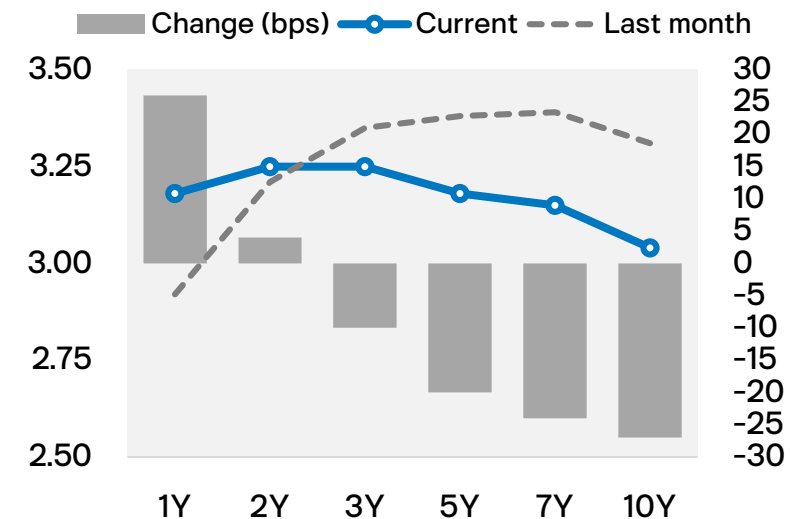


10-year to 2-year Treasury yield curve

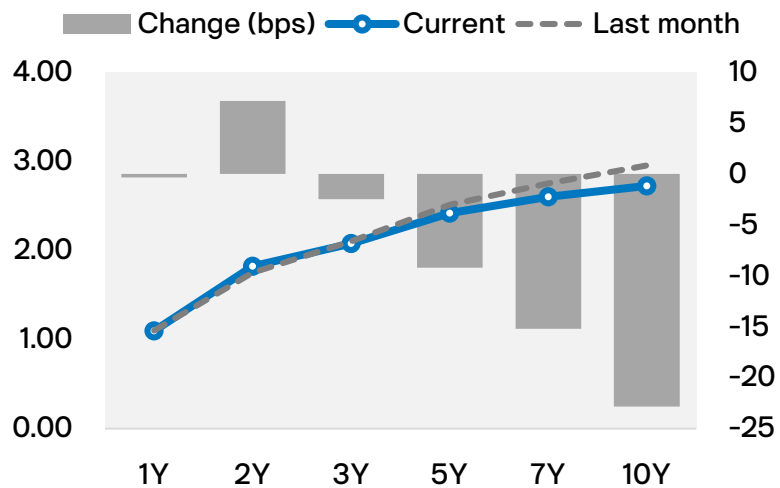
Bond markets flash economic recession as key part of the yield curve inverts



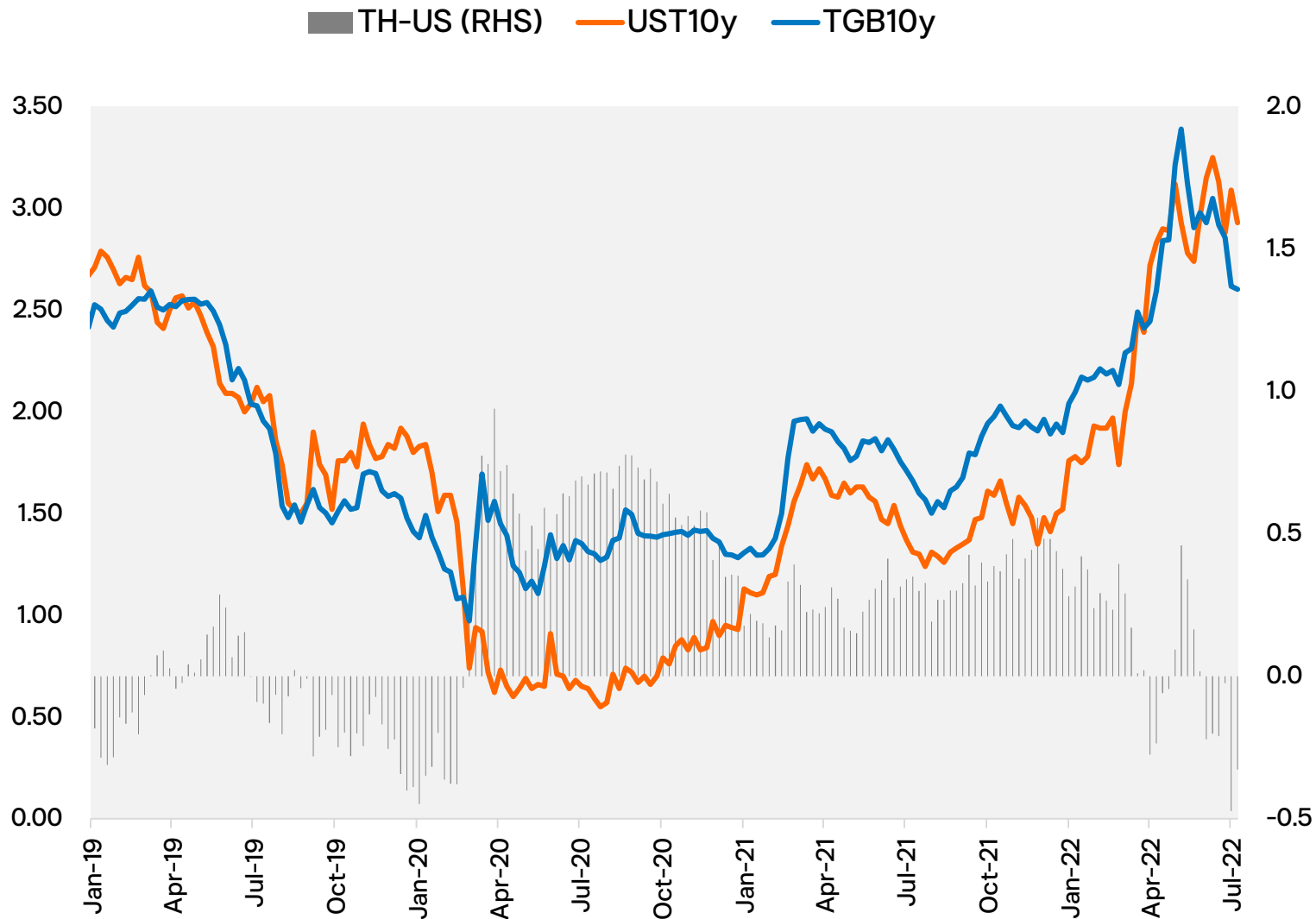
UST yield curve



TGB yield curve



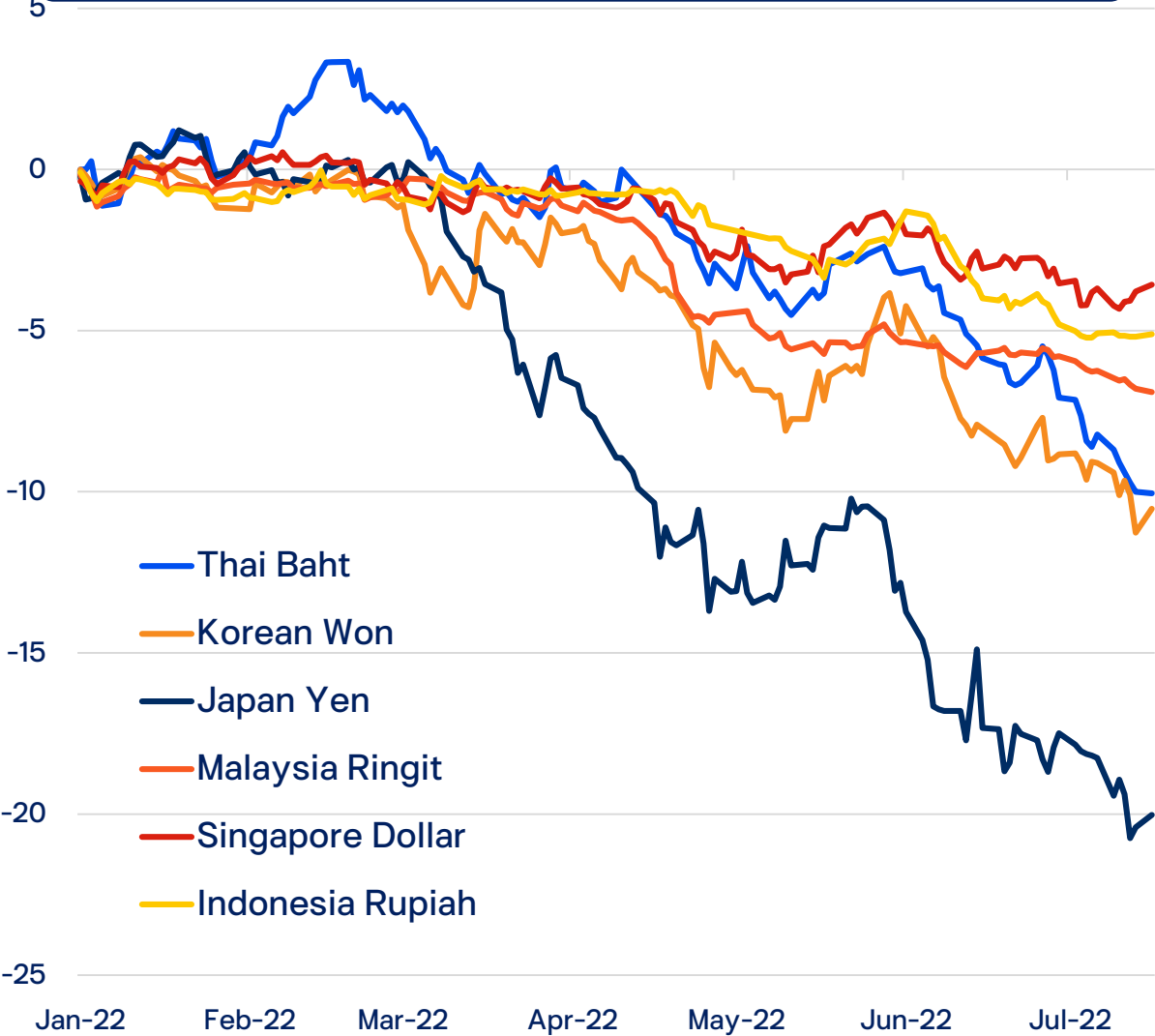
UST-TGB 10 year yield curve



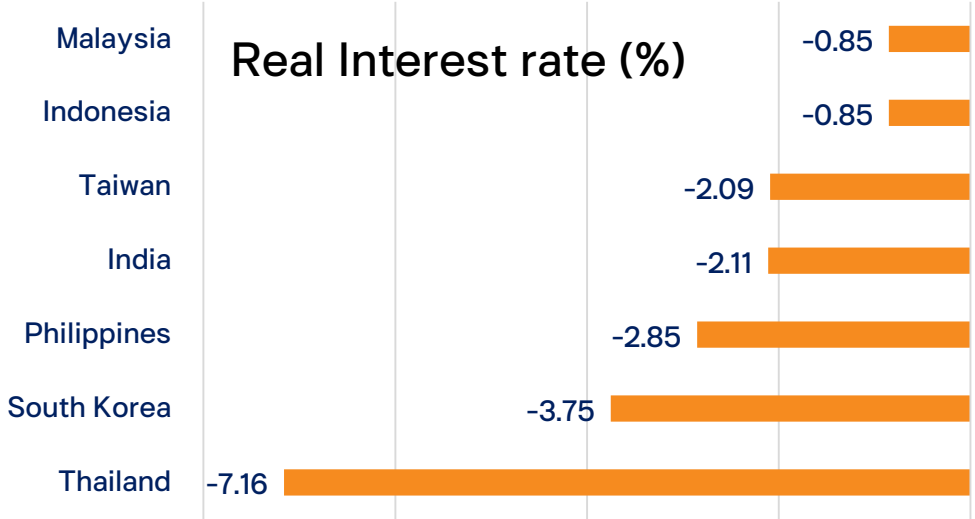
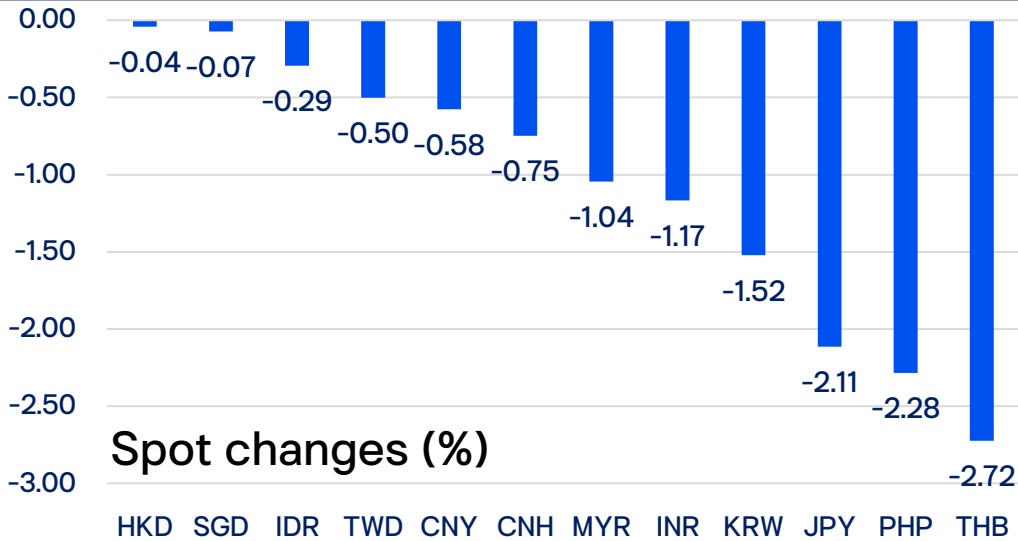
Strong dollar put pressure on Asian currencies, No special moves from BOT yet



All major Asian currencies depreciated against U.S. Dollar in 2022

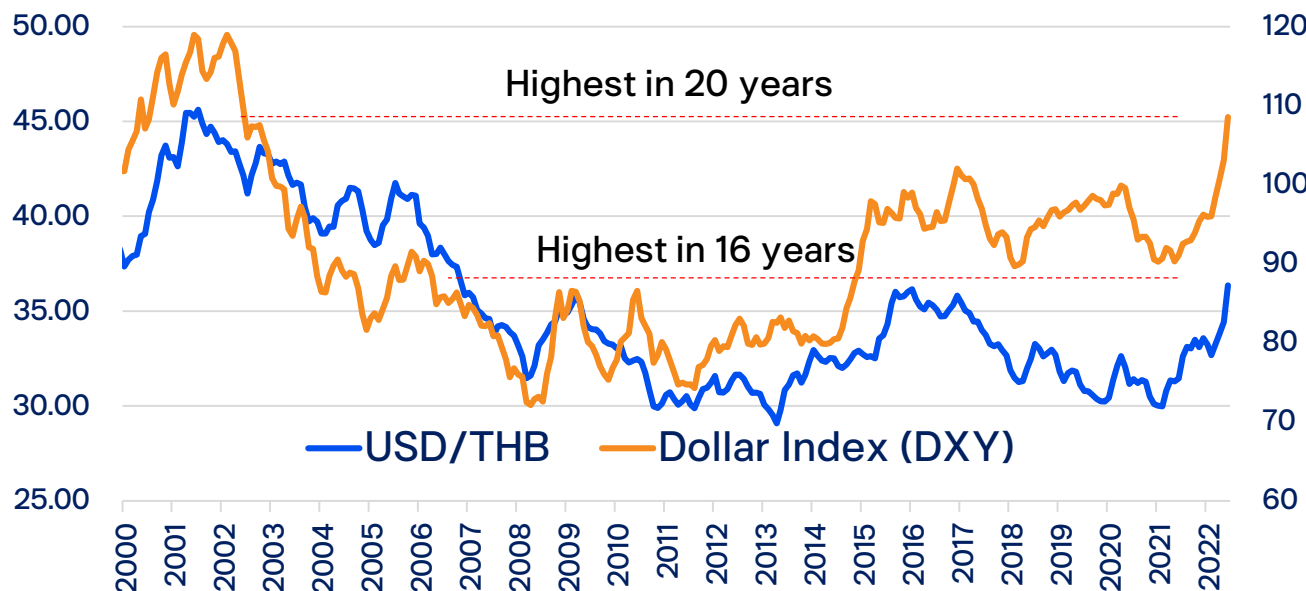


Thai baht is the weakest currency in July-22, pressured by low real interest rate



THB weakened the most in 16 years due to internal and external factors

Stronger USD plays significant role to weaken THB



- USDTHB advanced to 16 years high in July around 35.50 - 36.70 level. Dollar strengthened further as higher US inflation pushed higher demand for dollar. DXY reached 109, highest in 20 years.
- Thai baht also faced negative current account as net service receipt remained negative. Balance of payment remained negative for the second month in May.
- Thai baht depreciated the most in July at 2.7%, partly due to ultra-loose monetary policy from the Bank of Thailand. Thai baht depreciated 8.8% in 2022

Factors affecting Thai Baht

Stronger USD trend

Demands for dollar grew during policy rate hike cycle

BOT's slow monetary policy tightening

In contrast with other central banks, Bank of Thailand held the rate constant while others have aggressively raised interest rate to combat inflation

Continuous Negative current account

Despite a pickup from tourism, high imports and freight costs may keep Thai current account in the negative zone

Foreign demands for THB in Q4

Returning tourists in Q4 should bring in more demands for THB. Also, foreign fund flows should return once MPC hike the rate

The logo features the lowercase letters 'ttb' in a bold, sans-serif font. The first 't' is blue, the second 't' is orange, and the 'b' is dark blue. To the right of the letters is a vertical line, followed by the word 'a.n.a.l.y.t.i.c.s' in a dark blue, sans-serif font, with dots separating each letter.