

Economic and Financial Outlook

tbb analytics

August 2022

Global Economy

- **Jul PMIs data showed deteriorating situation** in the manufacturing sector in Asia, Europe and America as concerns from lower global demands in upcoming period. Service PMI also lower across economies.
- **Commodity prices dropped due to global recession concerns.** Only a rise in EU natural gas price observed, which energy crisis put EU economy at risk in coming winter.
- **Global growth 2022 and 2023 revised down** to 3.2% and 2.9% respectively according to rising living costs and negative spillover from regional conflict.
- **US labor market fundamental remains strong.** Consumption's solid from durable products. Headline inflation slowed down after energy costs eased.
- **Euro zone business activity unexpectedly contracted**. Inflation across the eurozone has reached a new all-time high of food and industrial products. Retail sales dropped significantly.
- **Chinese economy in Q2/22 showed the softest expansion since COVID19 crisis.** China's annual inflation rate rose to 2.7% in July due to a surge in food prices. China's retail trade rose by 2.7% yoy in July 2022, missing expectation.

Domestic Economy

- In Jun 22, Thai economy improved from the previous month as service sector continued to perform well in line with increasing foreign tourist figures.
- Total export grew steadily, led by agricultural and agro-industry products but the industrial products showing slower demand. The major growth contributors are ASEAN and the US
- Private consumption indicators slightly declined after accelerating in the preceding periods in accordance with high inflation concerns
- Inflation in Jun22 continuing accelerated highest in nearly 40-year level from last month due to energy cost-push and more cost-transmitted effects
- Private investment continuously rose in all categories. The import of capital goods rose dramatically in computer and parts, transformer and generator, more importantly, domestic machinery sales rose consecutively. Business sentiment improved with better order book and production.
- Government has less room of stimulus package left for providing further support for Thai economy.

Financial Market

- **Major central banks around the world hiked policy rate to curb rising inflation.** Federal reserve hike 75 bps on 26-27 July as expected, of which the size of next rate decision is in spotlight after decelerating recent headline inflation.
- **Investors went into long term bond tenor, for both US and Thai bond, due to recession concerns.** Moreover, 10y-2y yield spread for US government bond dropped below zero, negative yield curve signal higher possibility of coming US economy recession. Meanwhile, 10y-2y yield spread for Thai government bond has declined but was still in positive territory.
- **USDTHB remained in high level in July, ending 36.3 level.** It could be around 35.30-36.00 in August. Dollar would strengthen further from market expectations on faster rate hike from FED to combat US inflation. The strong dollar put pressure on Asian currencies together with negative real interest rate.

PART 1

Global Economy

In July, Manufacturing PMI dropped across nations. China's service sector improved significantly

Manufacturing PMI

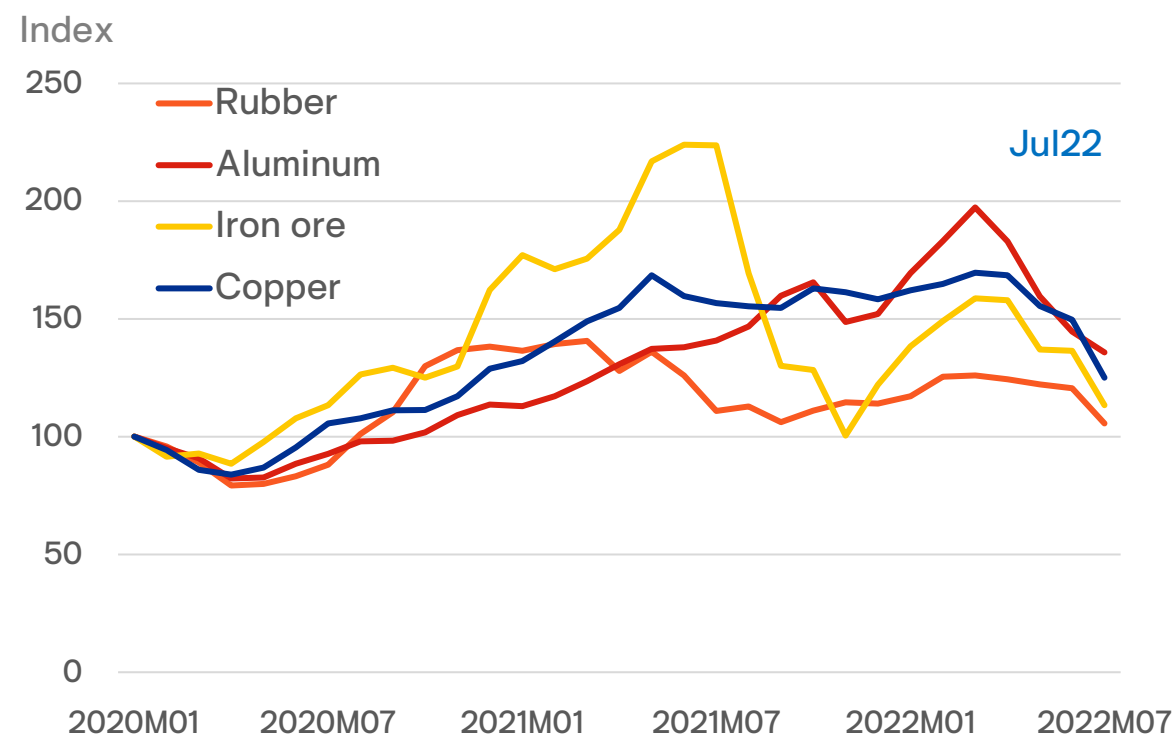
	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Australia	58.2	59.2	57.7	55.1	57.0	57.7	58.8	55.7	56.2	55.7
China	50.6	49.9	50.9	49.1	50.4	48.1	46.0	48.1	51.7	50.4
India	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4
Indonesia	57.2	53.9	53.5	53.7	51.2	51.3	51.9	50.8	50.2	51.3
Japan	53.2	54.5	54.3	55.4	52.7	54.1	53.5	53.3	52.7	52.1
South Korea	50.2	50.9	51.9	52.8	53.8	51.2	52.1	51.8	51.3	49.8
Thailand	50.9	50.6	49.5	51.7	52.5	51.8	51.9	51.9	50.7	52.4
Canada	57.7	57.2	56.5	56.2	56.6	58.9	56.2	56.8	54.6	54.0
United States	58.4	58.3	57.7	55.5	57.3	58.8	59.2	57.0	52.7	52.2
Germany	57.8	57.4	57.4	59.8	58.4	56.9	54.6	54.8	52.0	49.3
France	53.6	55.9	55.6	55.5	57.2	54.7	55.7	54.6	51.4	49.5
Italy	61.1	62.8	62.0	58.3	58.3	55.8	54.5	51.9	50.9	48.5
UK	57.8	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8	52.1
Spain	57.4	57.1	56.2	56.2	56.9	54.2	53.3	53.8	52.6	48.7

Services PMI

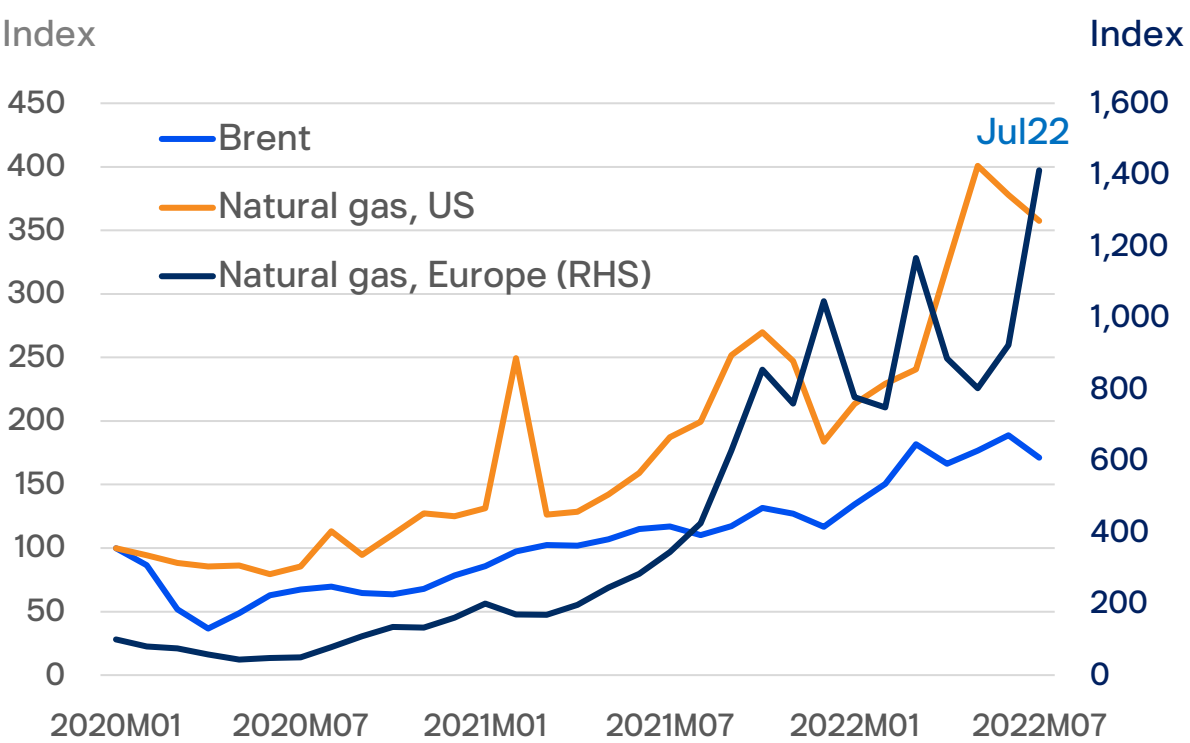
	Oct-21	Nov-21	Dec-21	Jan-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Australia	51.8	55.7	55.1	46.6	57.4	55.6	56.1	53.2	52.6
China	53.8	52.1	53.1	51.4	50.2	42.0	36.2	41.4	54.5
India	58.4	58.1	55.5	51.5	51.8	53.6	57.9	58.9	59.2
Japan	50.7	53.0	52.1	47.6	44.2	49.4	50.7	52.6	54.0
United States	58.7	58.0	57.6	51.2	56.5	58.0	55.6	53.4	52.7
Germany	52.4	52.7	48.7	52.2	55.8	56.1	57.6	55.0	52.4
France	56.6	57.4	57.0	53.1	55.5	57.4	58.9	58.3	53.9
Italy	52.4	55.9	53.0	48.5	52.8	52.1	55.7	53.7	51.6
UK	59.1	58.5	53.6	54.1	60.5	62.6	58.9	53.4	54.3
Spain	56.6	59.8	55.8	46.6	56.6	53.4	57.1	56.5	54.0

- Jul PMIs data showed deteriorating situation in the manufacturing sector in Asia, Europe and America as concerns from lower global demands in upcoming period. Businesses faced lower numbers of new orders due to high inventories and slow down in consumption.
- Service PMI also lower across economies. This is except for China which situation has improved after easing COVID19 curb.

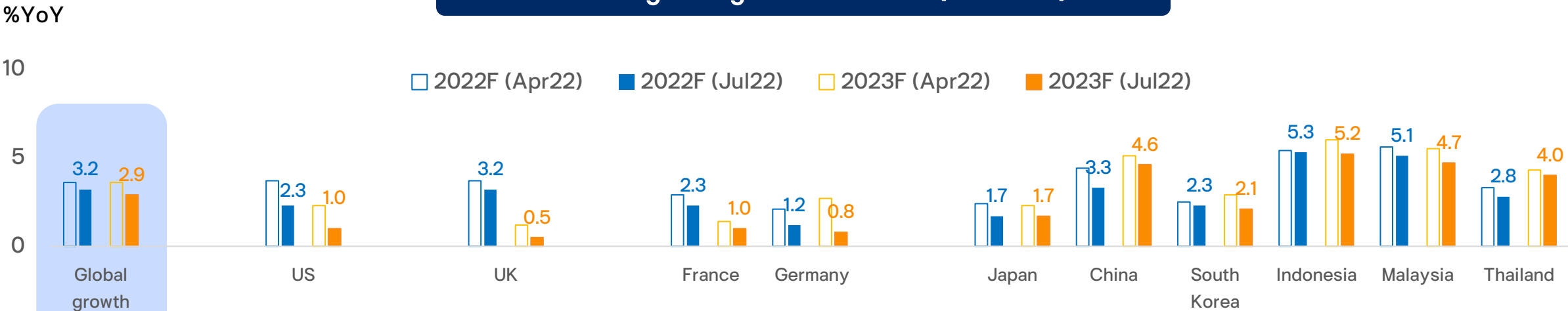
Manufacturing commodity



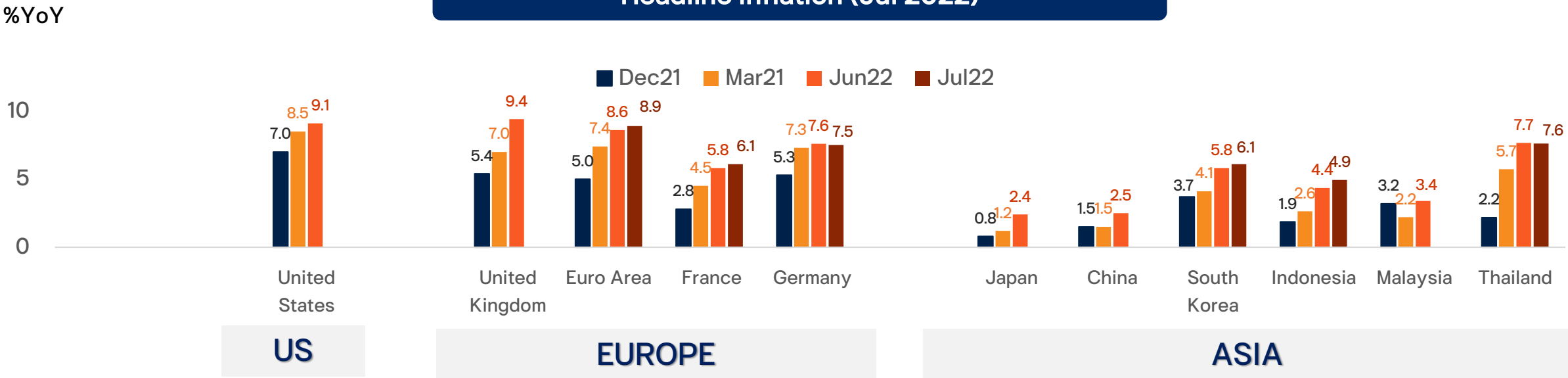
Energy



IMF real global growth forecast (Jul 2022)

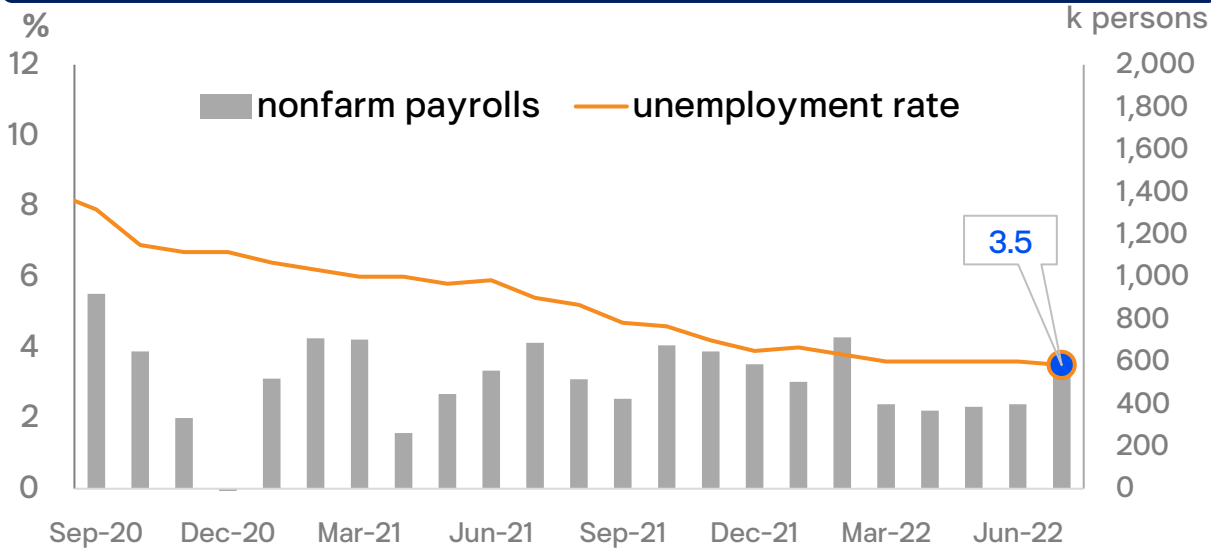


Headline inflation (Jul 2022)

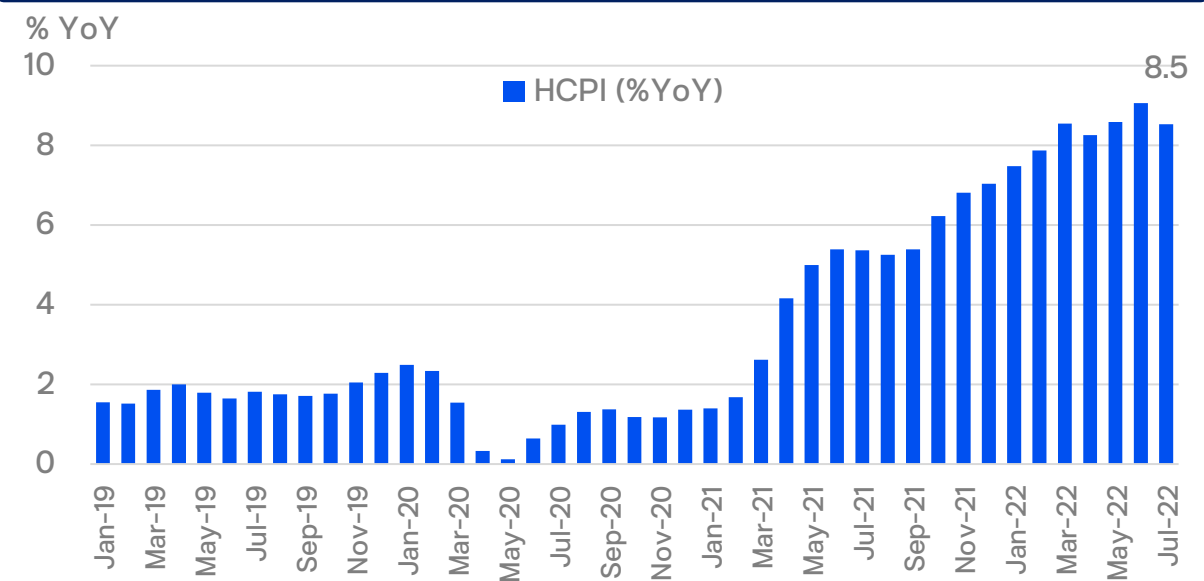


U.S. consumption robust with strong labor market fundamentals, inflation decelerated

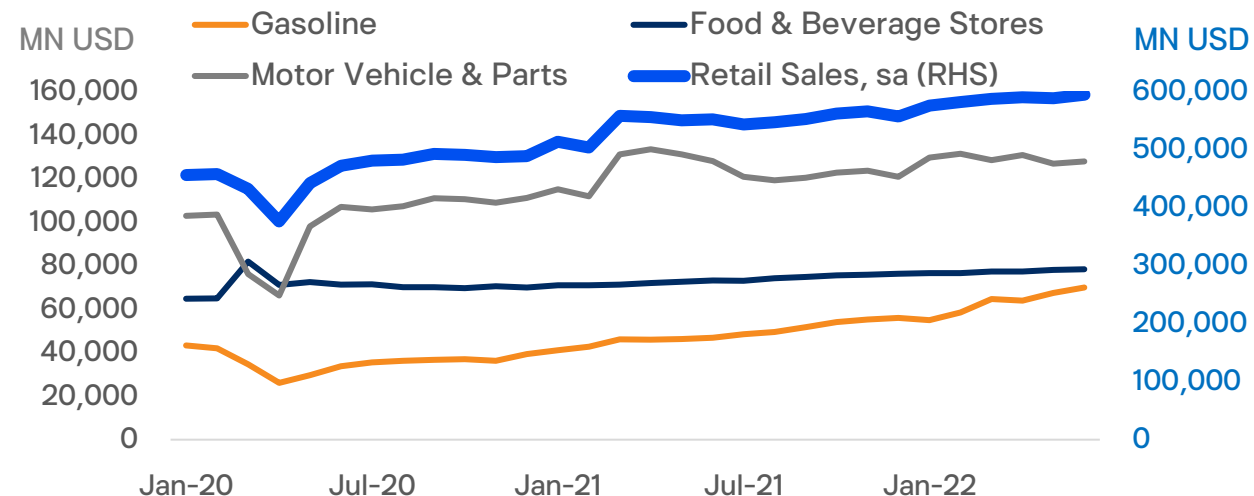
Nonfarm payrolls number remained strong in Jul



Headline inflation declined in July

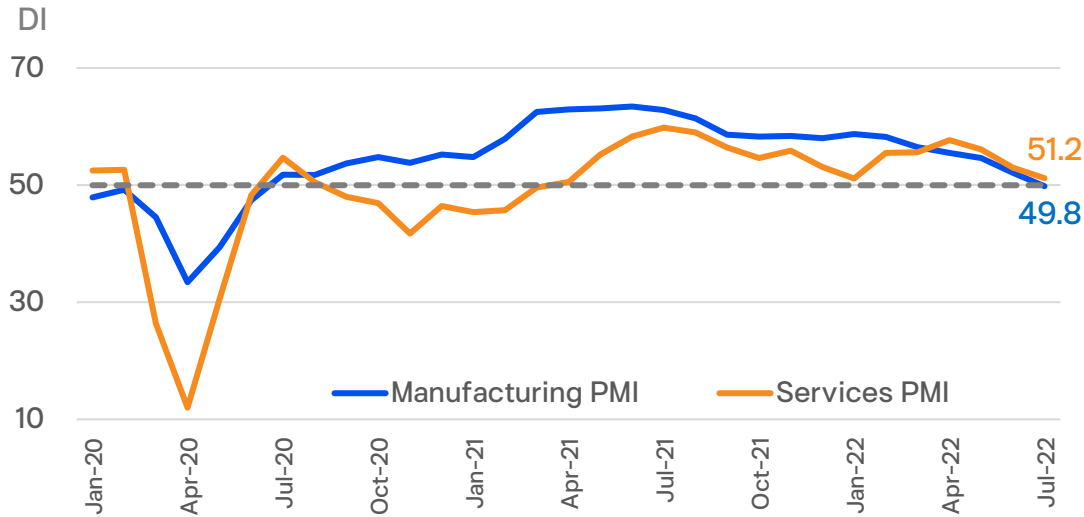


Retail sales growth continue to advance



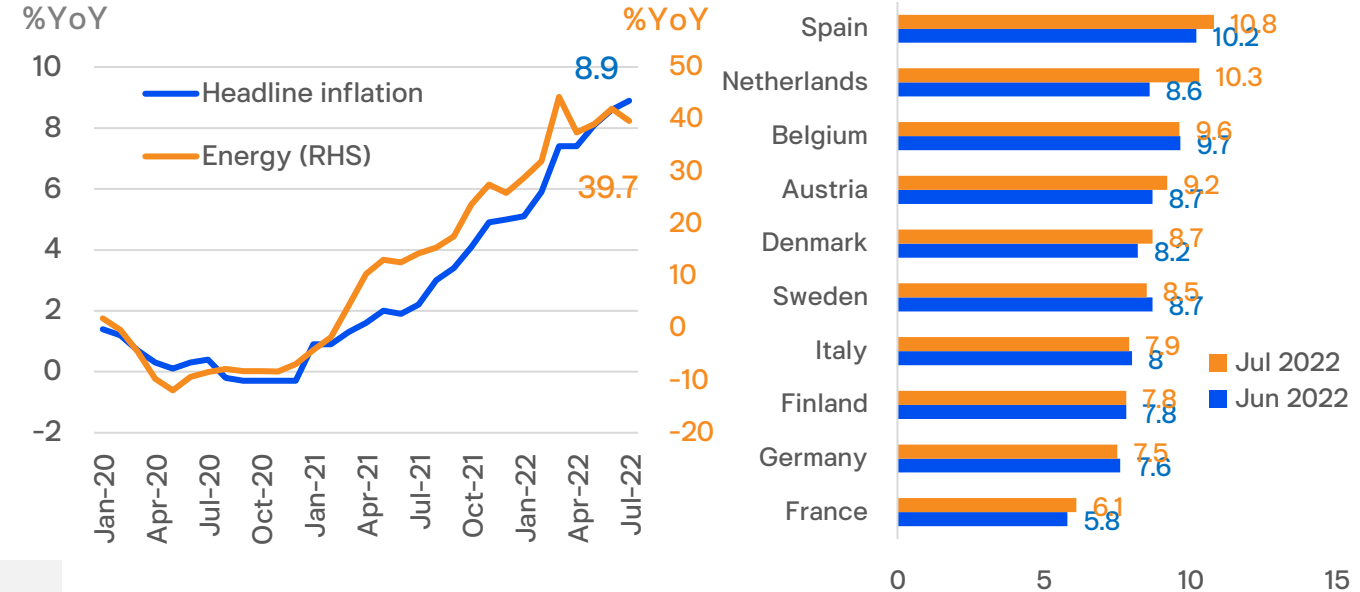
- In July, nonfarm payroll continuously increased by 528K units, greater from previous figure. Moreover, unemployment rate was at 3.5%, dropped from 3.6% in the previous month. This shows that the fundamental of labor market remains strong despite an increase in initial jobless claim in Aug6 at 260K units, rising from 248K units in previous period.
- Retail sales continued to advance in July due to solid consumption of durable goods and rising cost of gasoline.
- The pace of Inflation dipped in July as gas prices eased, bringing down the annual rate of inflation to 8.5%, less than expected but still close to a multi-decade high.

Outlook worsened across sectors

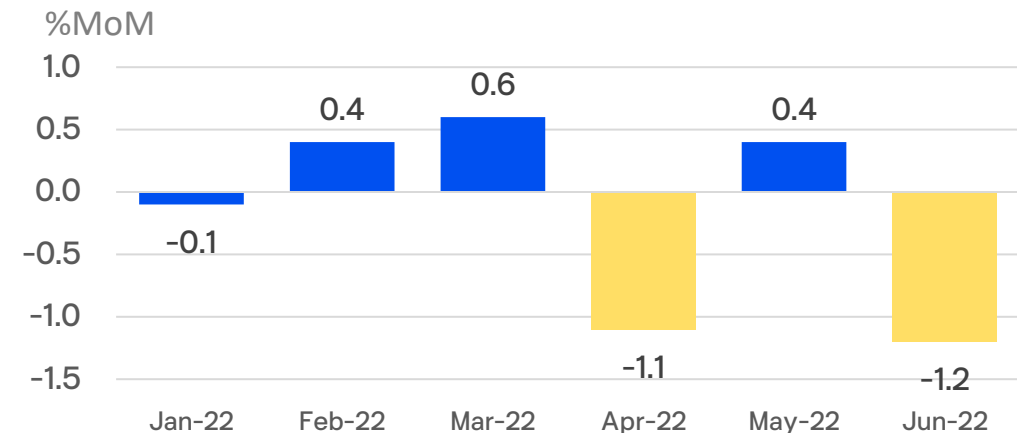


- In July, Euro zone business activity unexpectedly contracted this month due to an accelerating downturn in manufacturing and a near-stalling of service sector growth.
- Inflation across the eurozone has reached a new all-time high of 8.9% in July, up from 8.6% in June, beat expectation, due to a price acceleration in food and non-energy industrial goods.
- Retail sales in the Euro Area sank 1.2 %mom in June as high consumer prices, borrowing costs and low confidence weigh on consumer spending. Sales fell for both food, drinks and tobacco (-0.4) and non-food (-2.6%), with auto fuel -1.1%.

Inflation accelerated in July

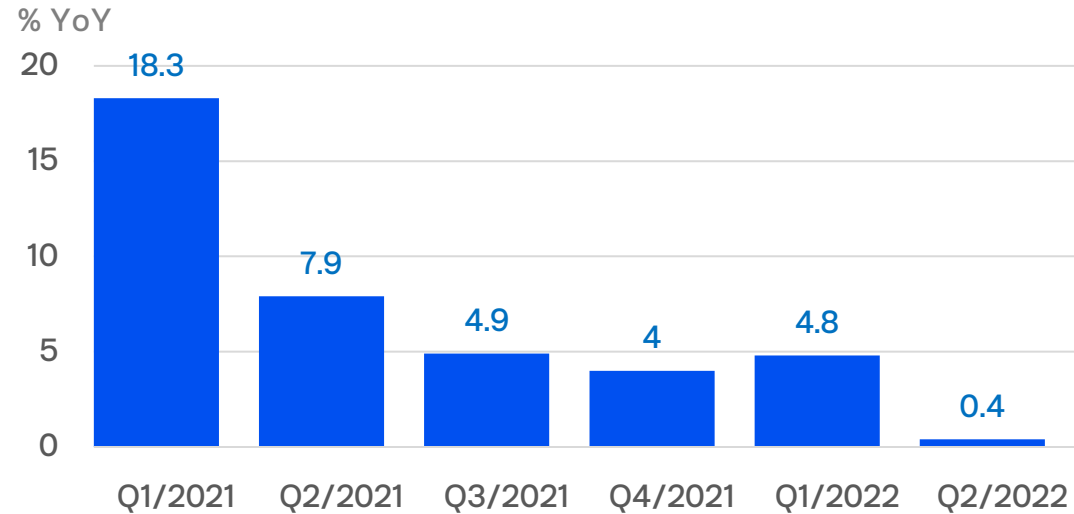


Retail dropped

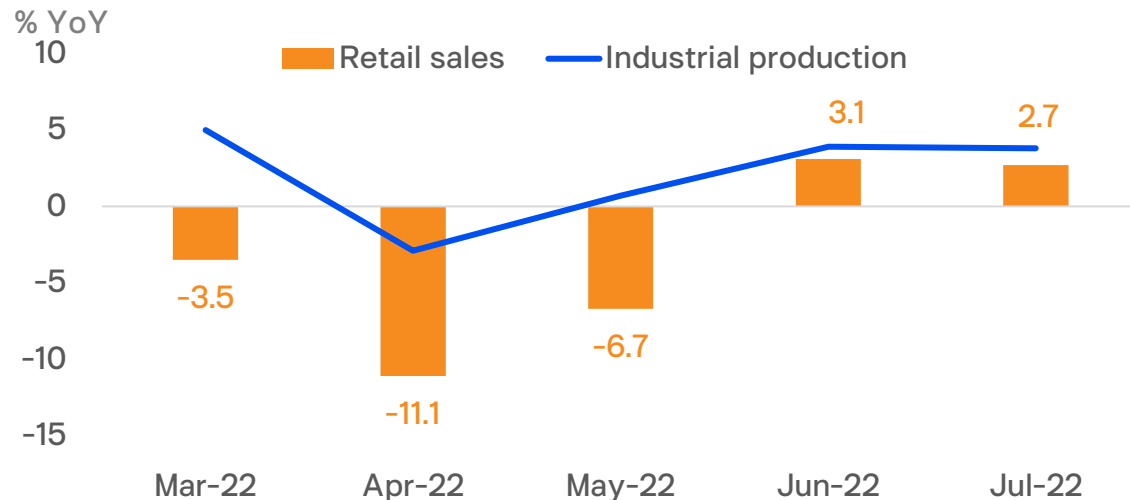


China's economy had a shaky recovery due to its domestic policies and global risk

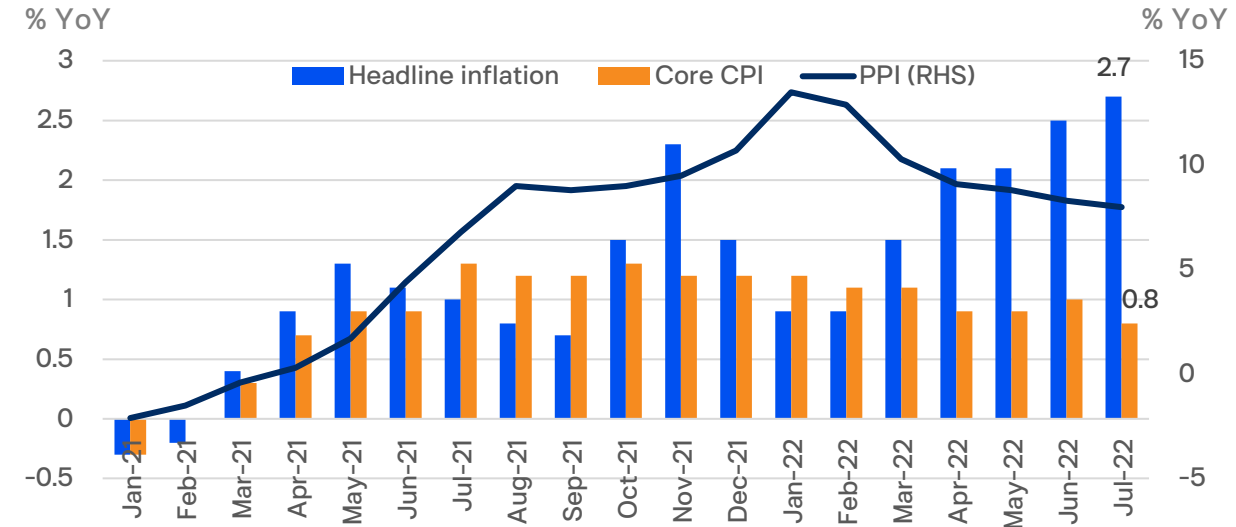
China 2Q22 GDP dropped lowest in two years



Retail sales and Production continued to grow in Jul



Inflation accelerated in July



- The Chinese economy advanced 0.4% yoy in Q2 of 2022, missing market consensus of 1.0% and slowing sharply from a 4.8% growth in Q1. The latest figure was the softest pace of expansion since a contraction in Q1 2020
- China's annual inflation rate rose to 2.7% in July 2022 from 2.5% in June and compared with market forecasts of 2.9%. This was due to a surge in food prices with cost of pork bouncing back sharply after a cut in production capacity and a strong demand recovery.
- China's retail trade rose by 2.7% yoy in July 2022, missing market estimates of 5% and after a 3.1% growth a month earlier. While marking the second straight month of increase in retail sales, the latest print highlighted a shaky recovery due to zero-covid policy.

PART 2

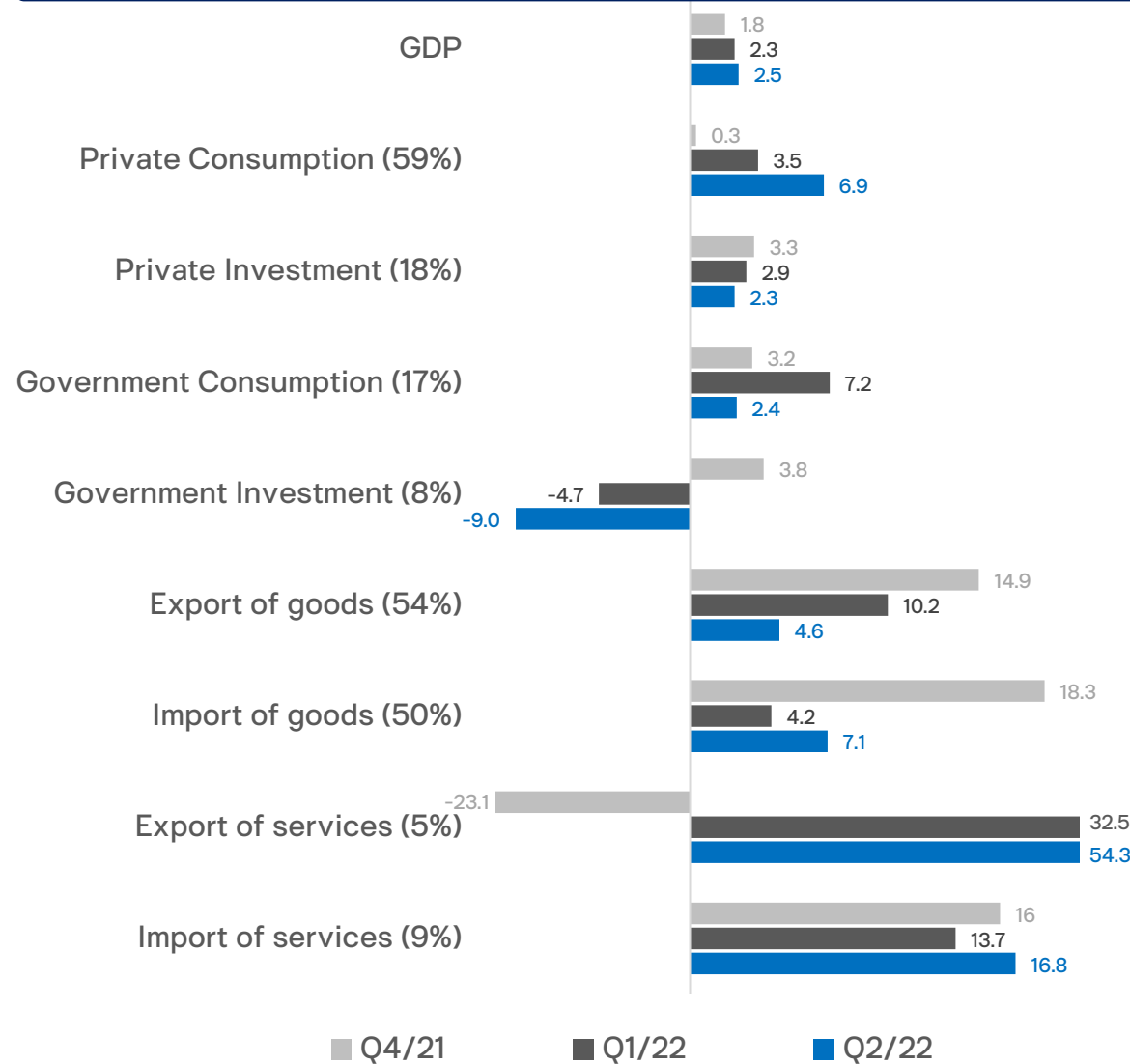
Thai Economy



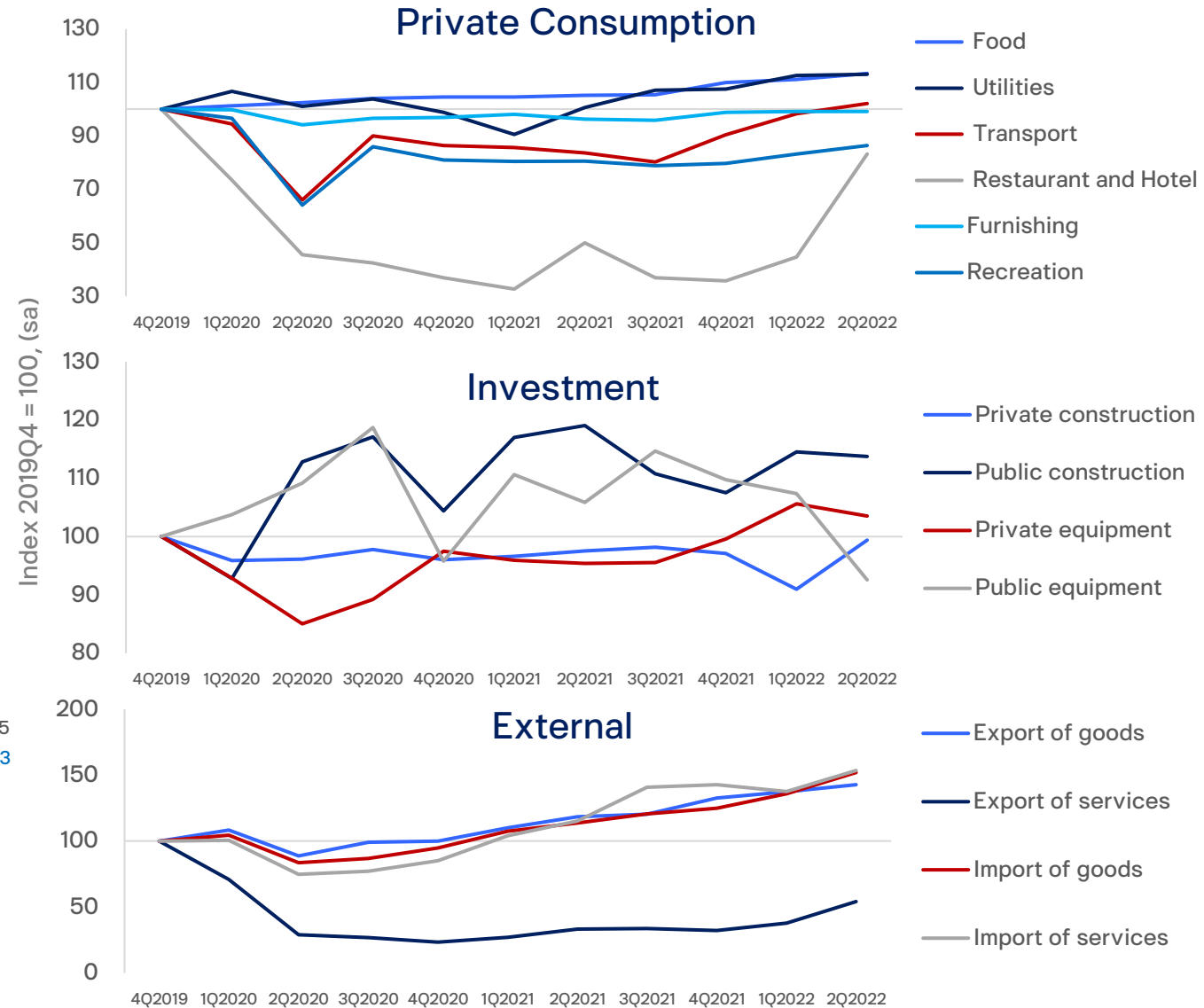
Thai GDP Q2/2022 expanded 2.5%yoy, private consumption and tourism supported its recovery



GDP growth composition (%yoy)



Growth path development from pre-covid level



(.) indicates share to GDP

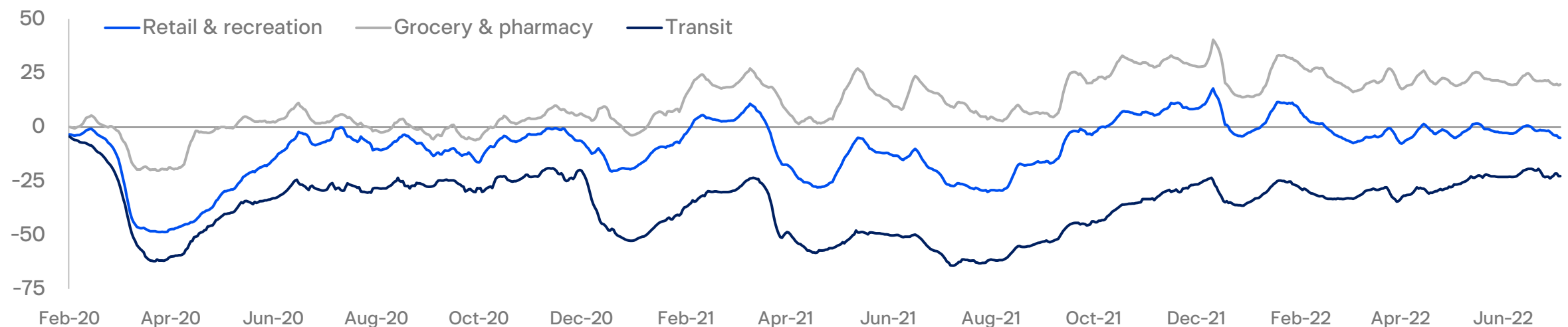
Sources: NESDC, ttb analytics

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	Jun-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	100.6
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	109.4
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	99.1
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	58,146
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	92.8
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	58.3
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	4,181.3
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	85,131

Google Mobility Report

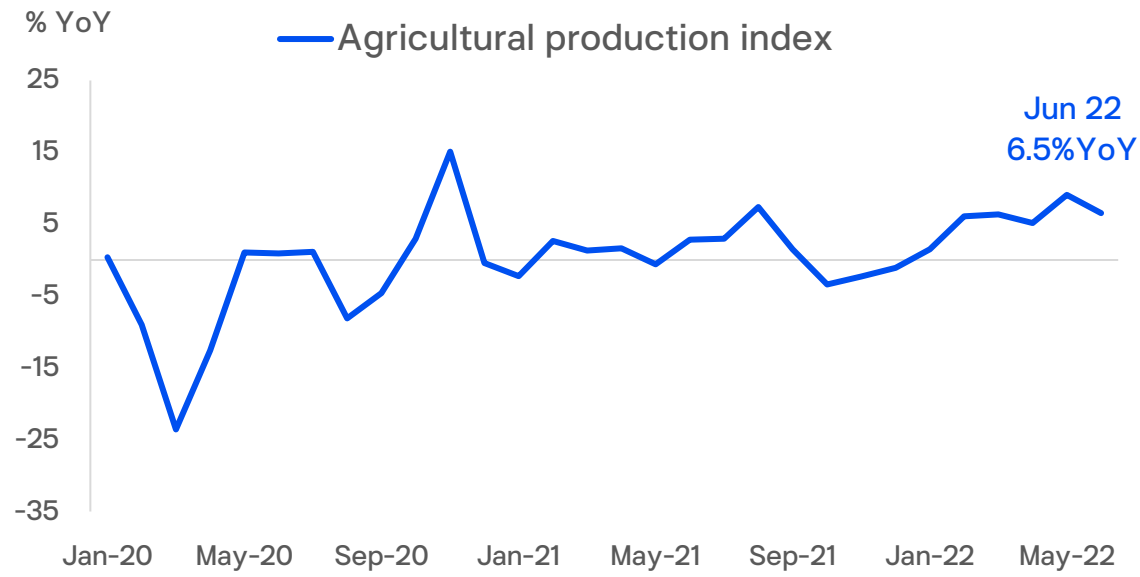
% deviate from Baseline



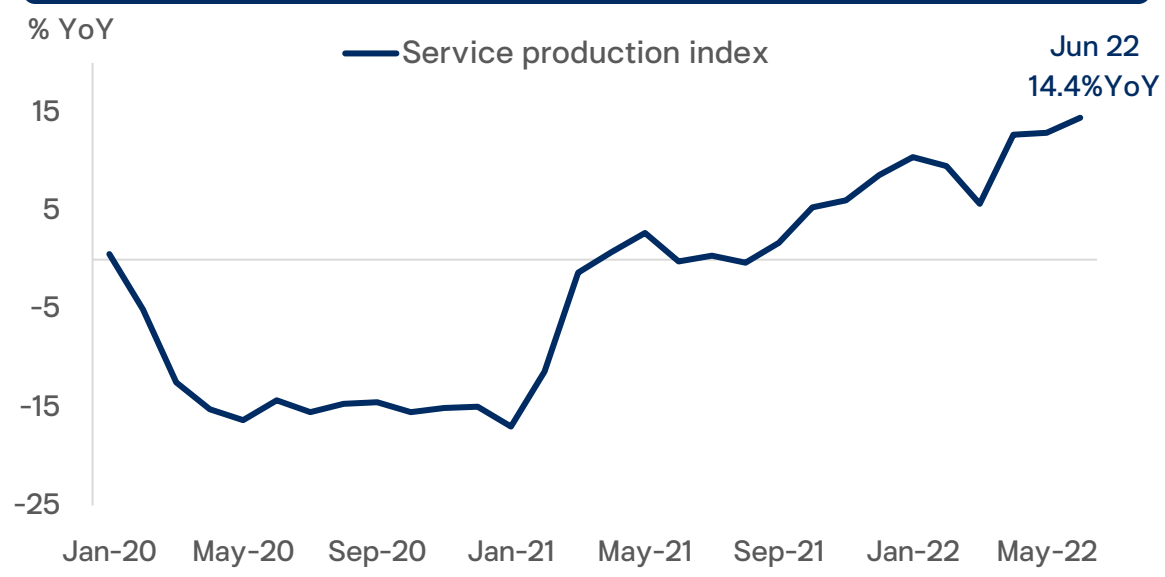
Agricultural production dropped, while services activities continuously expanded



Agriculture



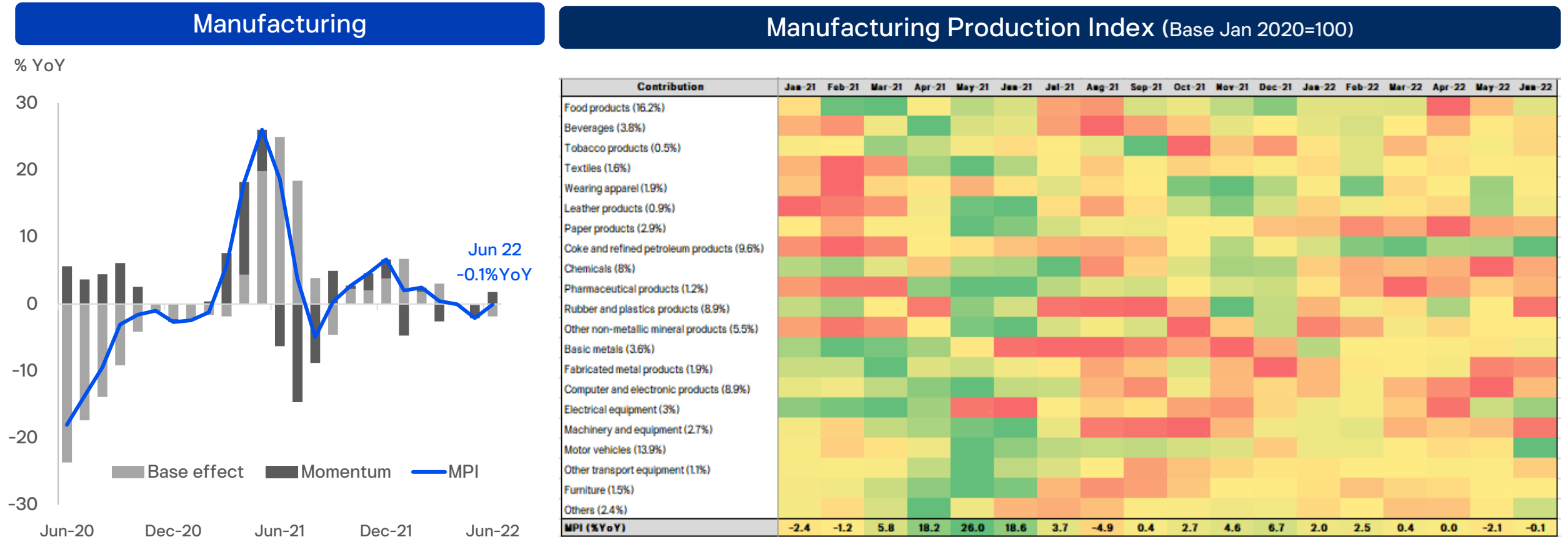
Services



Service Production Index (Base Jan 2020=100)

	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	Jun-22
Wholesale and retail trade; repair of motor vehicles and motorcycles	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	103.6
Transportation and storage	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	77.9
Accommodation and food service activities	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	39.5
Information and communication	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	117.3
Financial and insurance activities	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	111.3
Real estate 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	123.8
Professional, scientific and technical 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	129.2
Administrative and support service 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	85.7
Public administration and defence; compulsory social security	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	104.4
Service Production Index	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	97.1

Source: Bank of Thailand and ttb analytics

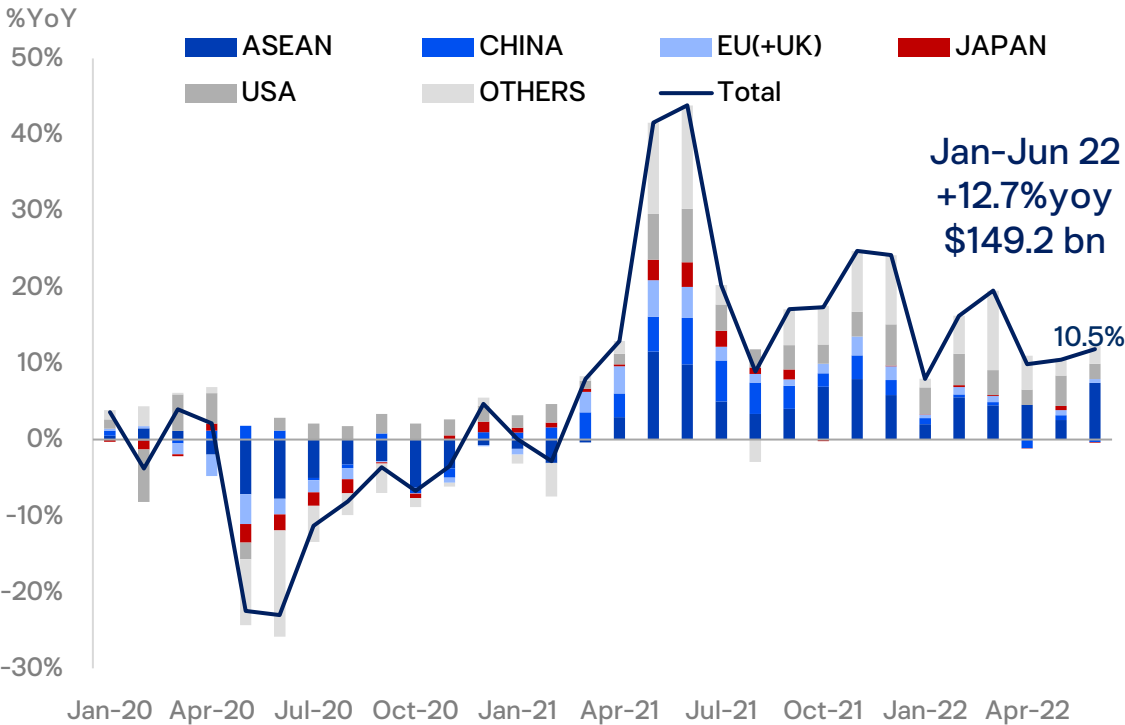


As of Jun22, Manufacturing Production Index (MPI) slightly dropped at 0.1%YoY compared to a decrease 2.1%YoY in previous month. The better momentum were mainly from coke and refined petroleum products and electrical equipment. However, machinery and equipment seem worse in accordance with slower investment sentiment ahead. During 1H2022, MPI expanded 0.5%YoY cause indirect impact from reopening country and the price effect of higher crude price.

1H2022 Total export grew 12.7%YoY, during H2-22 export could be grow over 5% despite high inflation pressure

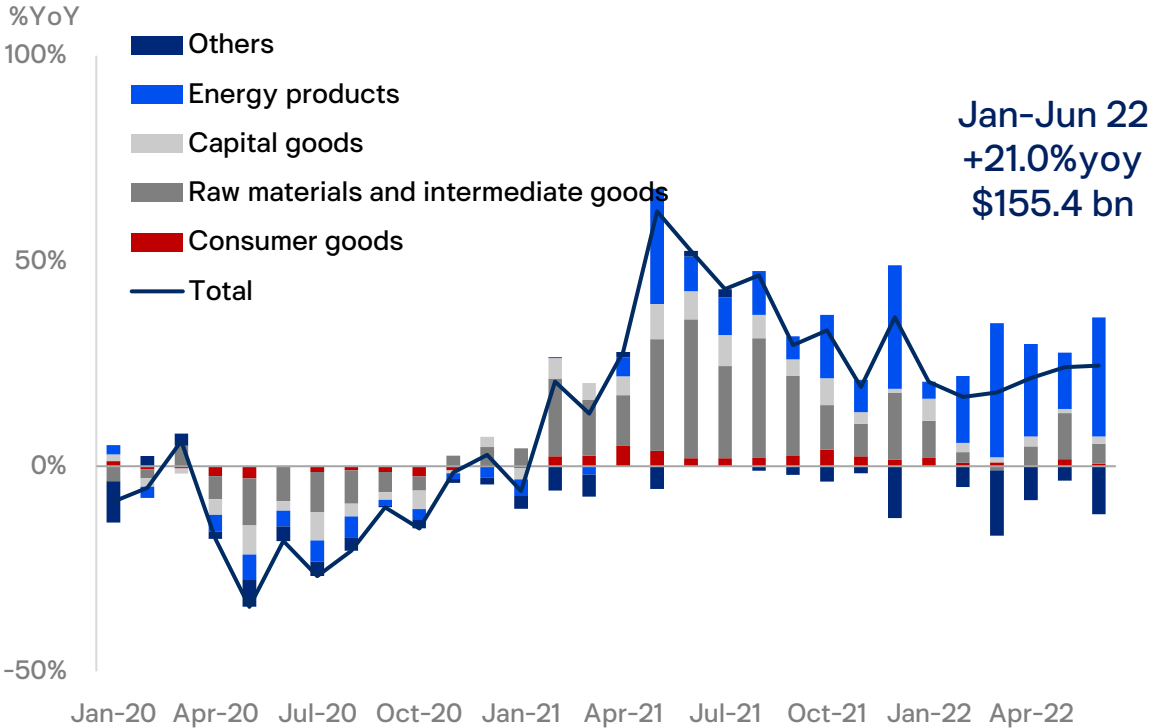


Exports value by destination*



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

Imports value by groups*



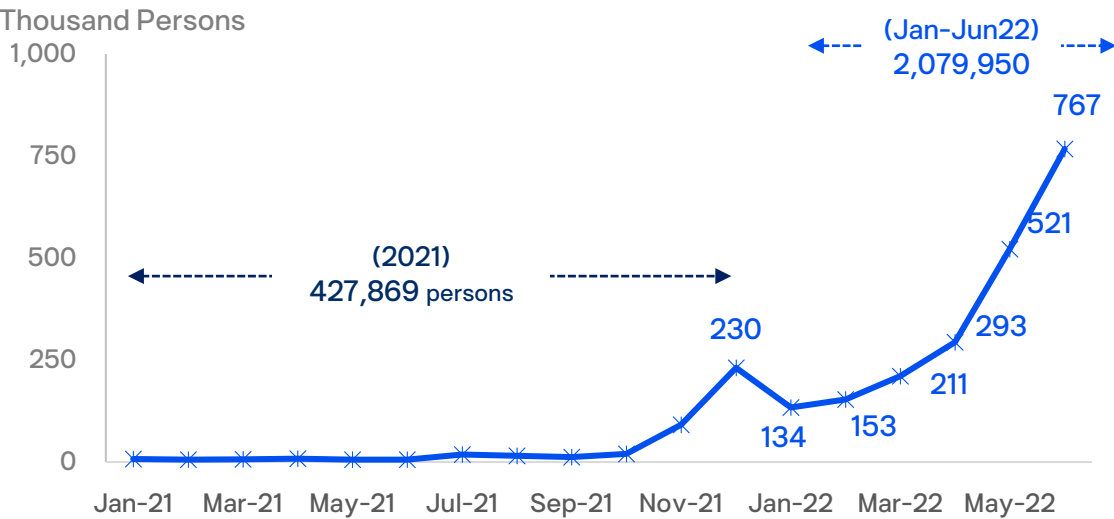
	2019	2020	2021	2022F
Total import growth	-4.8%	-12.7%	29.8%	11.0%
	\$236 bn	\$206 bn	\$268 bn	\$287 bn

- As of Jun 22, total exports grew 11.9%YoY, led by the export of agricultural and agro-industry products (eg. fruits, canned foods, rubber). On the other hand, the industrial products contributed slower demand in auto and parts and motorcycles, showing the impact of the prolonged Russia-Ukraine conflict, inflation concerns and lockdowns in some Chinese cities.

1H2022 foreign tourist arrivals reached 2M, led by Asian nations

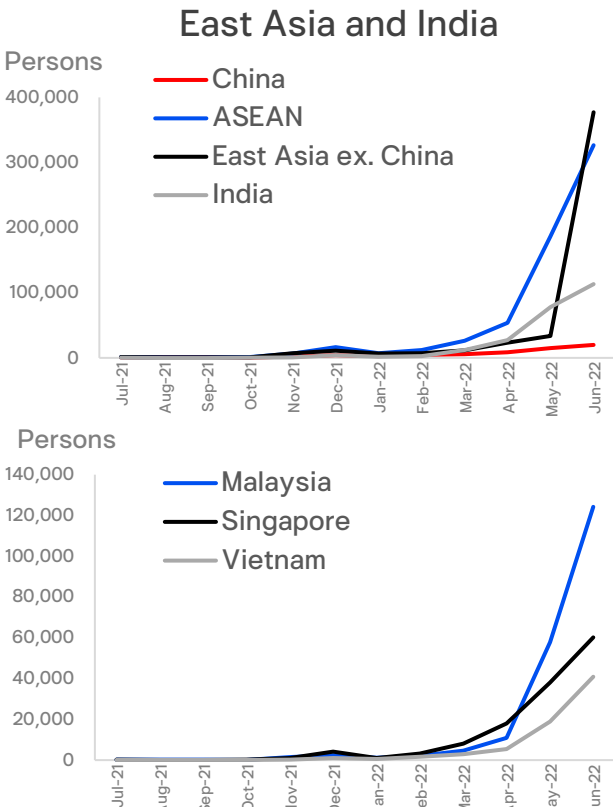
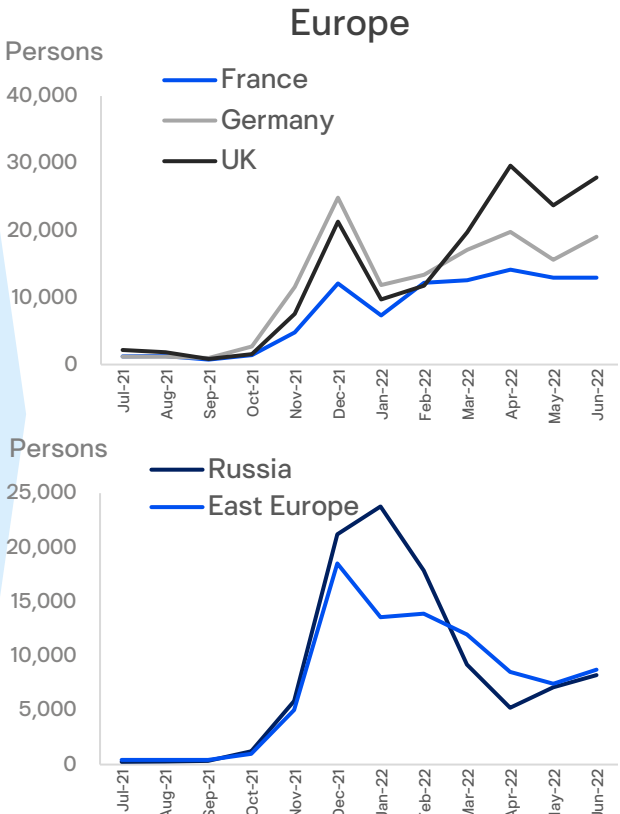
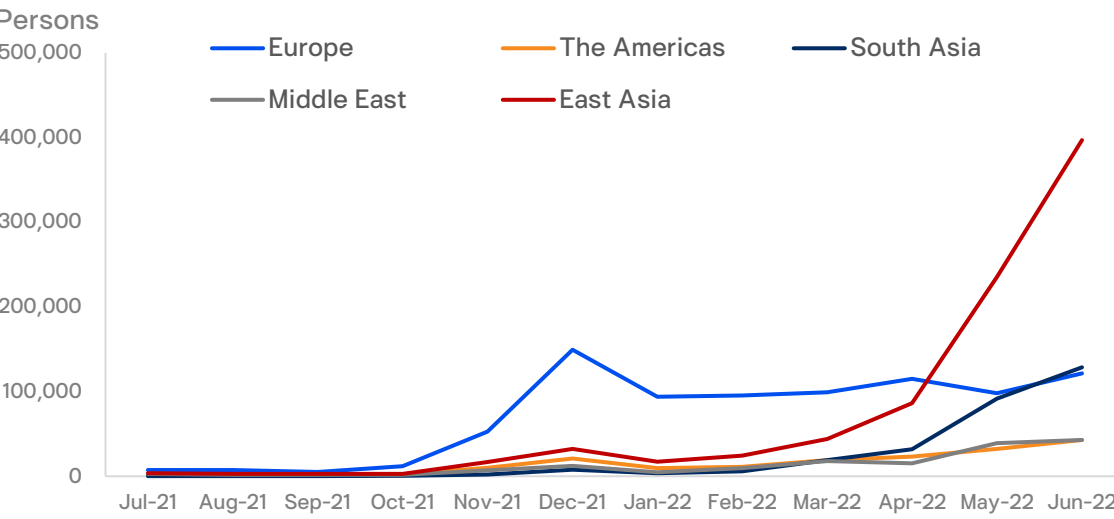


Total Foreign Tourist Inbounds



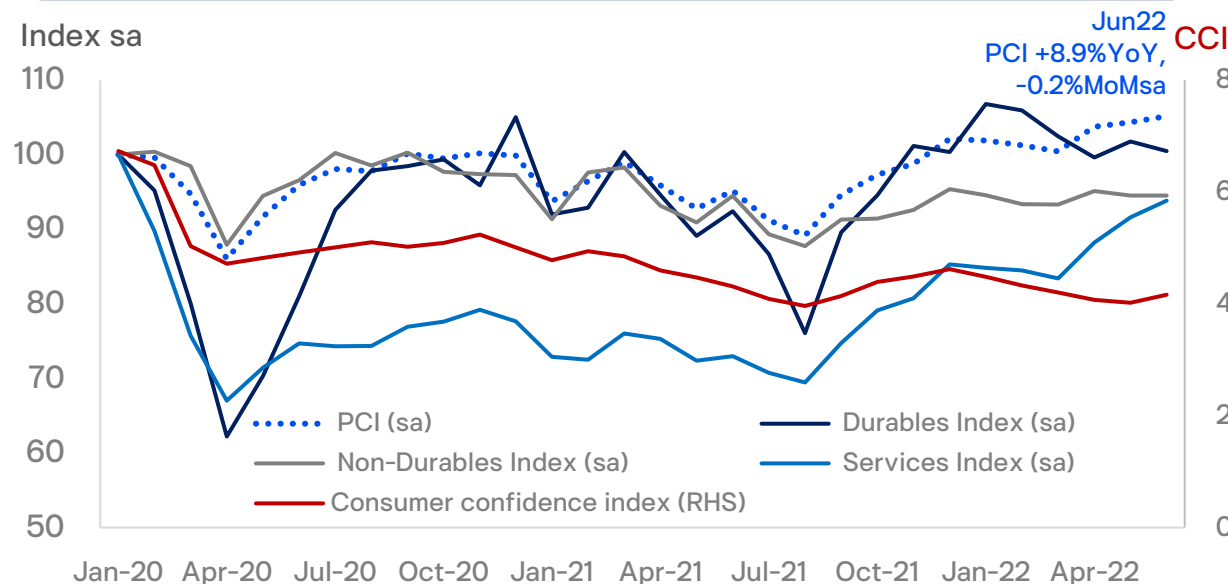
- As of Jun22, foreign tourist increased consecutively from last month after both Thailand and several foreign nations have eased travelling restrictions. The major groups came from East Asia, led by Malaysia. Significant recovery of India could also be seen. However, European and Russian group continued to decline as economic subdued from geopolitical conflict.

Classification by nation

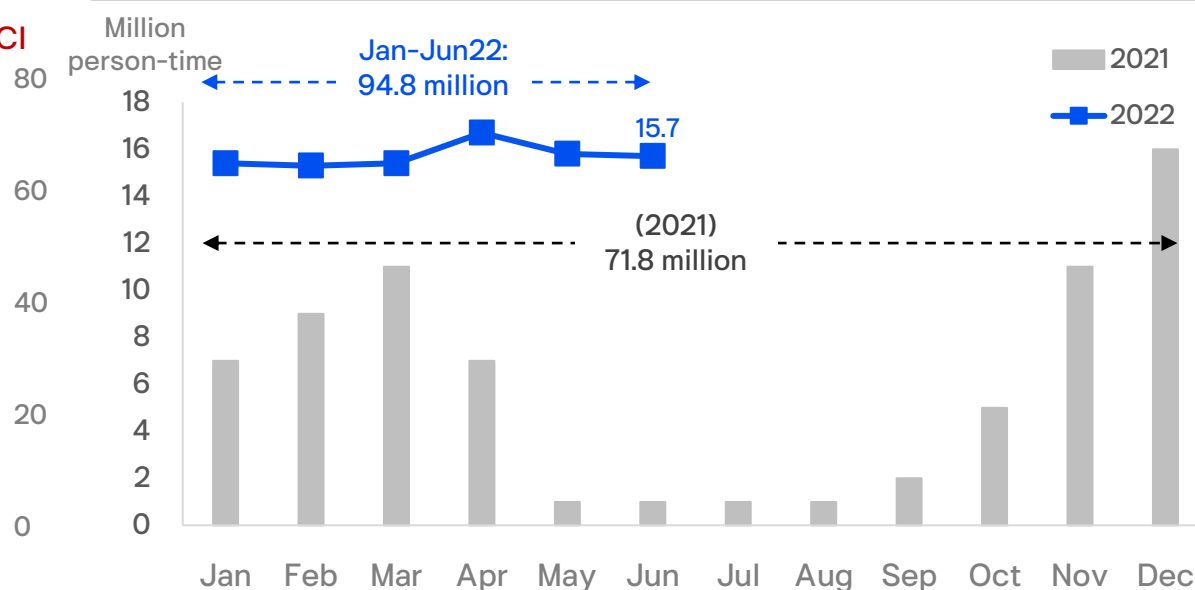


Private consumption steadily improved and Thai tourist rebounded

Private Consumption (SA)

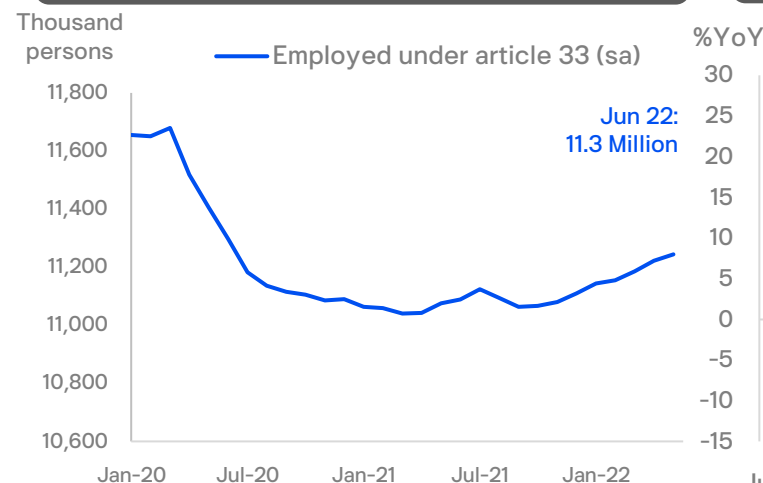


Thai domestic tourism visitors

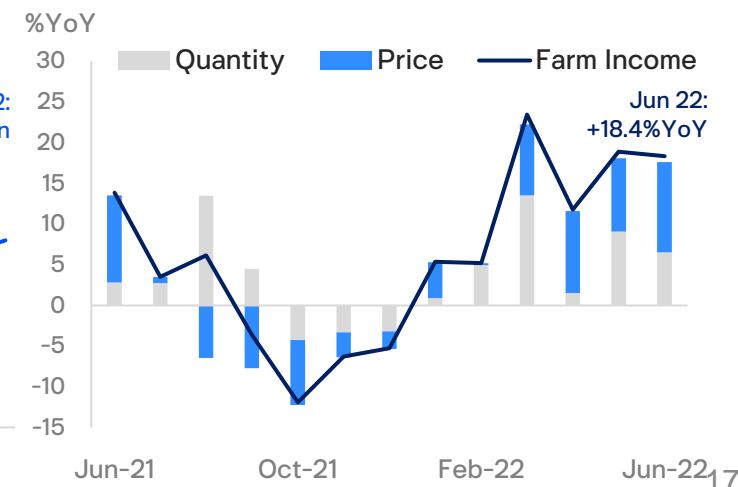


- Private consumption in Jun22 improved in almost categories, mainly due to the rebound in services sector. However, durables' goods subdued as chip shortage and supply chain disruption.
- Overall concerns over high living costs increased, pressuring ongoing consumer confidence.
- Farm incomes improved in the slower pace compared to the year earlier in accordance with the reduction in output, but the better agriculture prices boosting over income

Employment M33



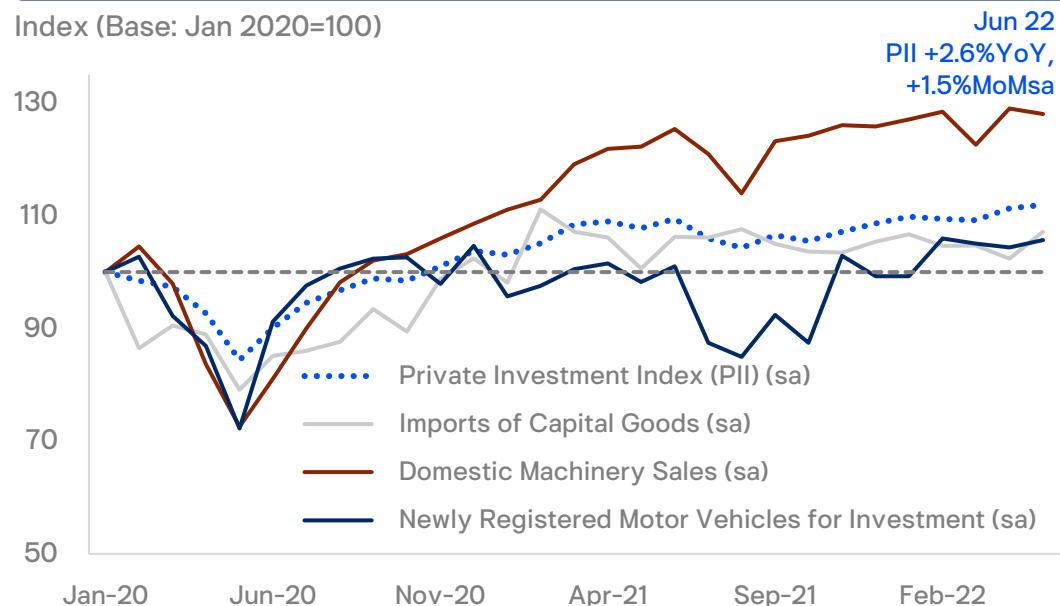
Farm Incomes



Private investment increased in line with rising in imports of capital goods

Private Investment (SA)

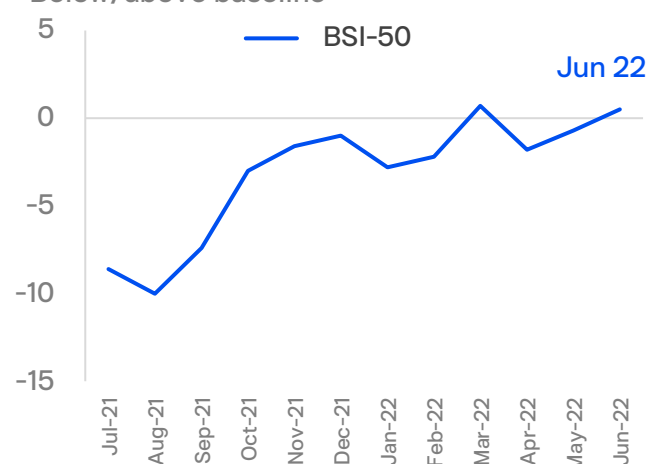
Index (Base: Jan 2020=100)



- Private investment in Jun 22 continuously rose in all categories. The import of capital goods rose dramatically as increase demand on computer and parts, transformer and generator, more importantly, domestic machinery sales rose consecutively. 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

Below/above baseline

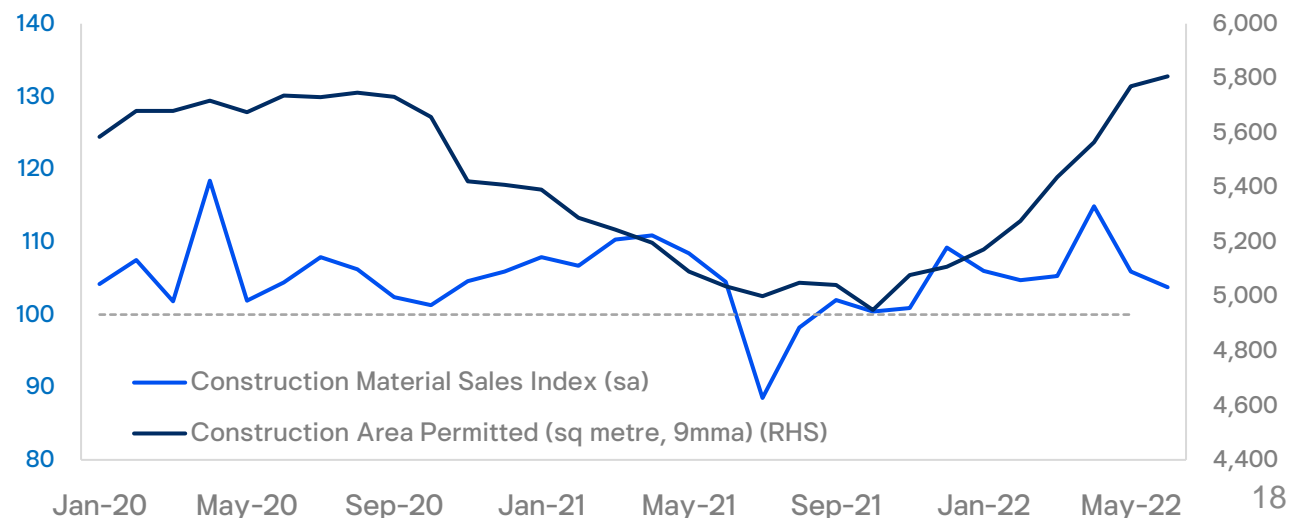


Index



Construction sector (SA)

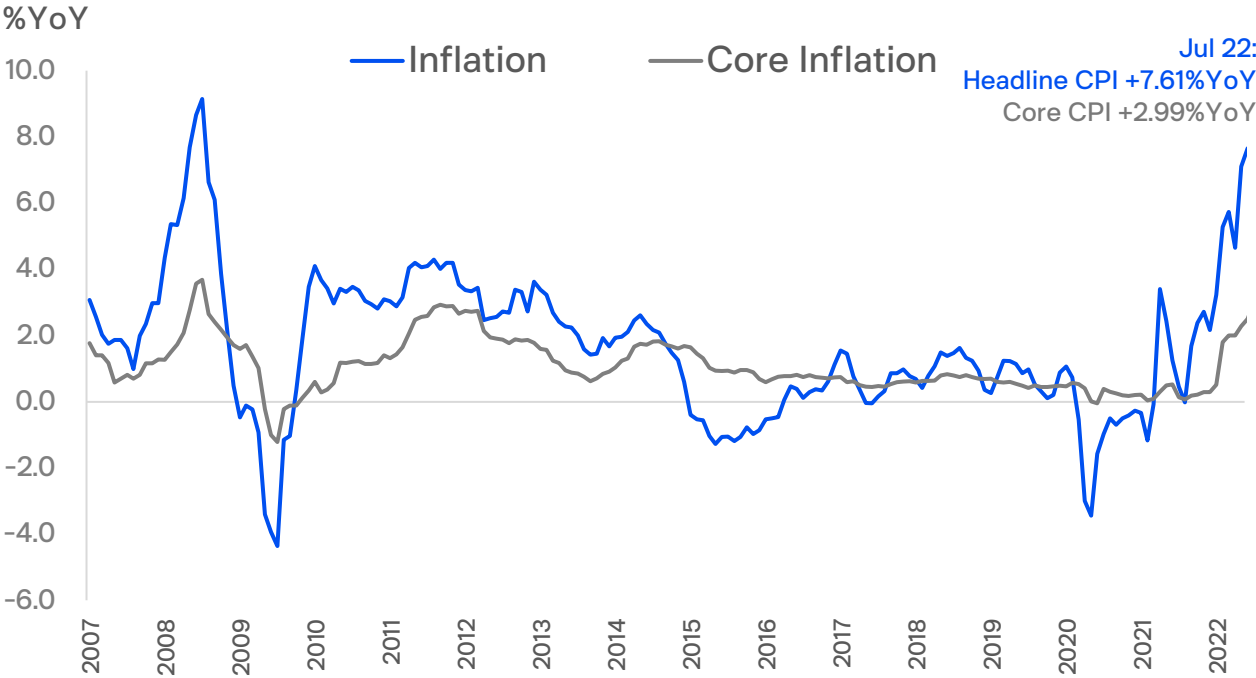
Index (seasonal adjusted ,base: Jan 2020=100)



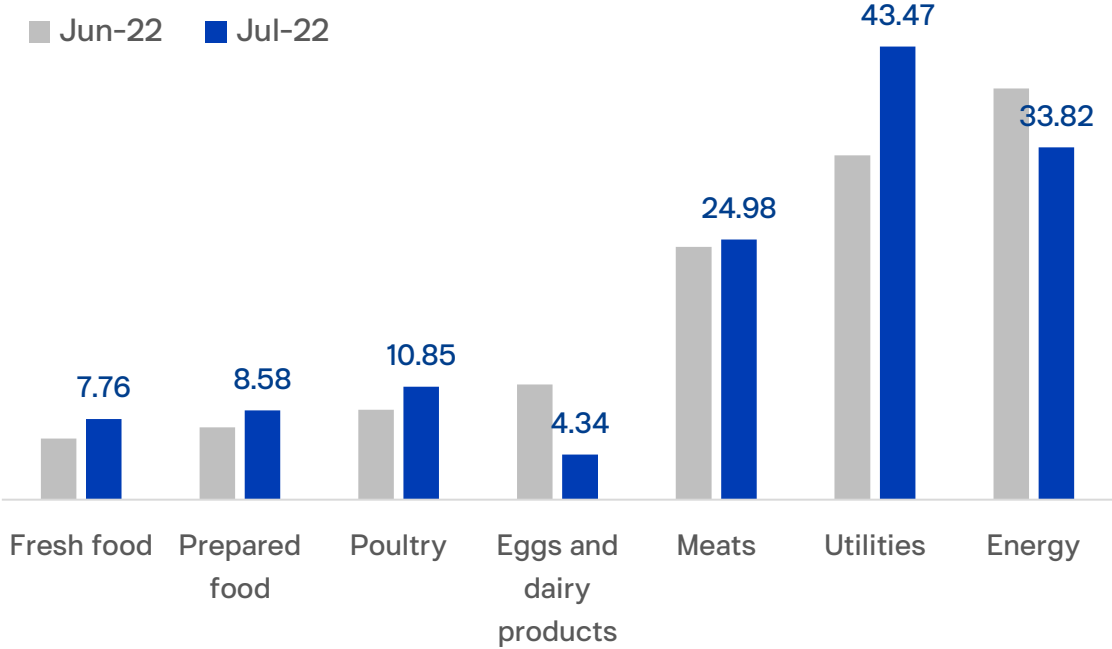
July inflation rose 7.61%, slight dropped from month earlier



Headline vs core inflation



%YoY price change in top categories (Jul22)



Historical Thai Inflation (%yoy)																
%YoY	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	5.89
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	5.27
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	4.94
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	11.30

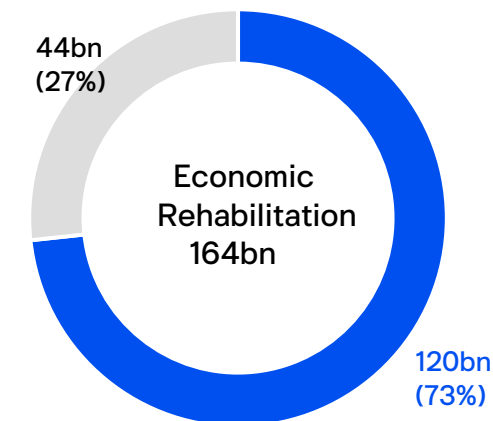
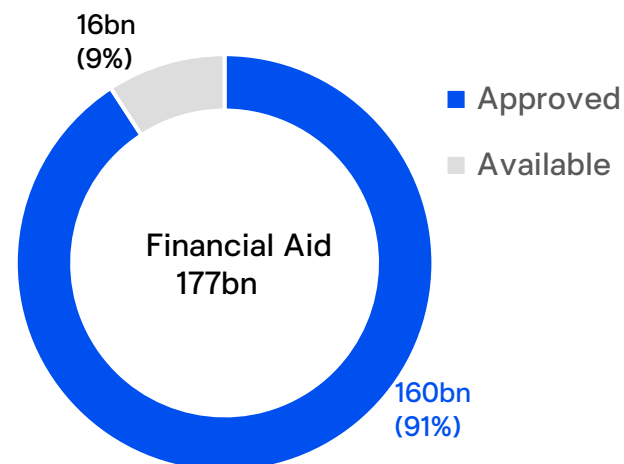
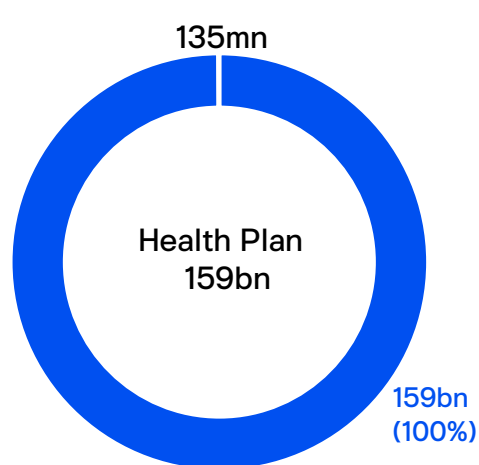
*Jan-Jul22

Summary of approved stimulus package in 2H2022

Type of subsidies	Detail	Eligible persons (Million)	Period
Purchasing power	• Extend 'half-half copayment' scheme (phase 5) with another 800 THB	26.5	1 Sep – 31 Oct 22
	• Increase the limit in the state-welfare card and special assistance groups 200 THB/month	15.5	1 Sep – 31 Oct 22
	• Reduce electricity cost and water supply cost for state-welfare card holders (must registered in PEA or MEA, PWA website to be eligible)	n/a	Oct 21 – Sep 22
Domestic tourism	• Extend 'We-Travel-Together' scheme (phase 4-extension)	1.5	1 Jul - 31 Oct 22
	• Initiate 'Govt-around-Thailand' for any government officials, counting vacation leave as normal business days	2.5	1 Jul – 31 Dec 22
	• Tax deducted for legal entities in events- or seminar-related expense occurred in main cities (1.5x) and sub-cities (2x)	n/a	1 Jul – 31 Dec 22
Energy	• Maintain LPG retail price to 408 THB/15 kg and provide discount LPG price eligible for state-welfare card holders	n/a	Jul – Sep 22
	• Discount 50%-off in case of Diesel retail price above 35 THB/liter and maintain marketing price not over 1.4 THB/liter	n/a	Jul – Sep 22
	• Maintain NGV retail price to 13.62 THB/kg for taxi drivers	n/a	15 Jun – 15 Sep 22

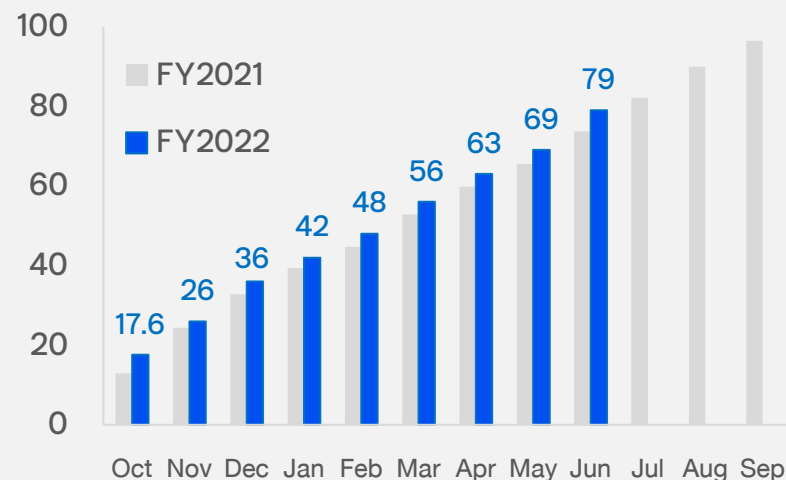
THB60bn (12%) is the leftover liquidity from THB500bn emergency loan decree to support economy in 2H2022

Progress on 500 billion Worth of Covid Stimulus Package by Purpose (as of Jul2022)



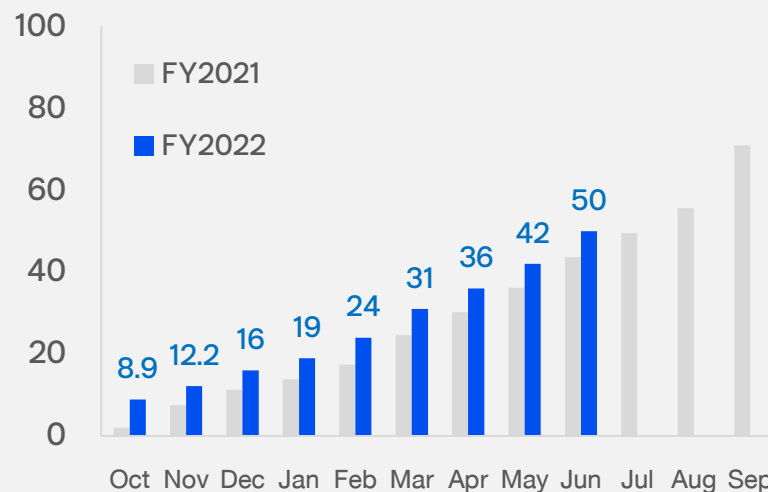
Current Expenditures(9MFY22) : 1,962bn

% Disbursement



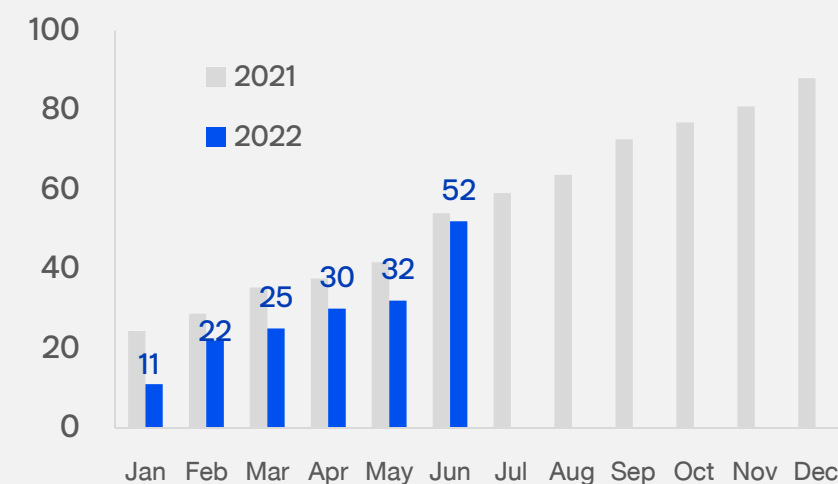
Public Investment Expenditures(9MFY22) : 300bn

% Disbursement



SOE Investment : 182bn (as of Jun2022)

% Disbursement*



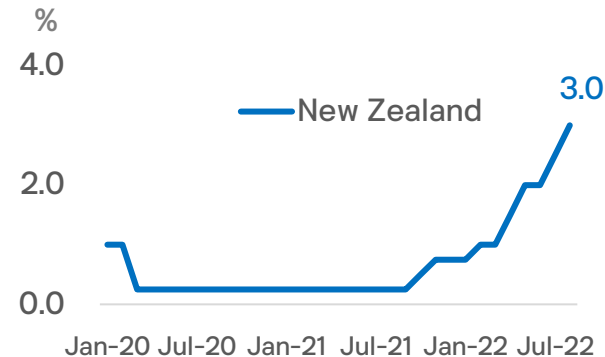
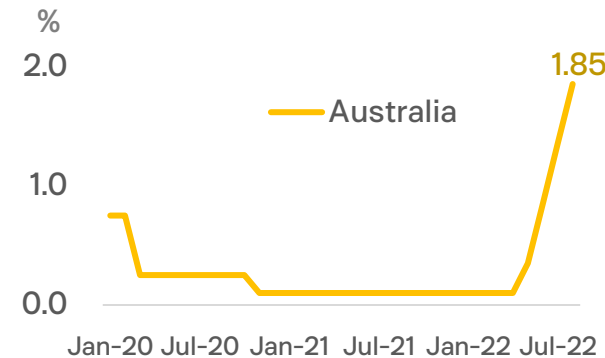
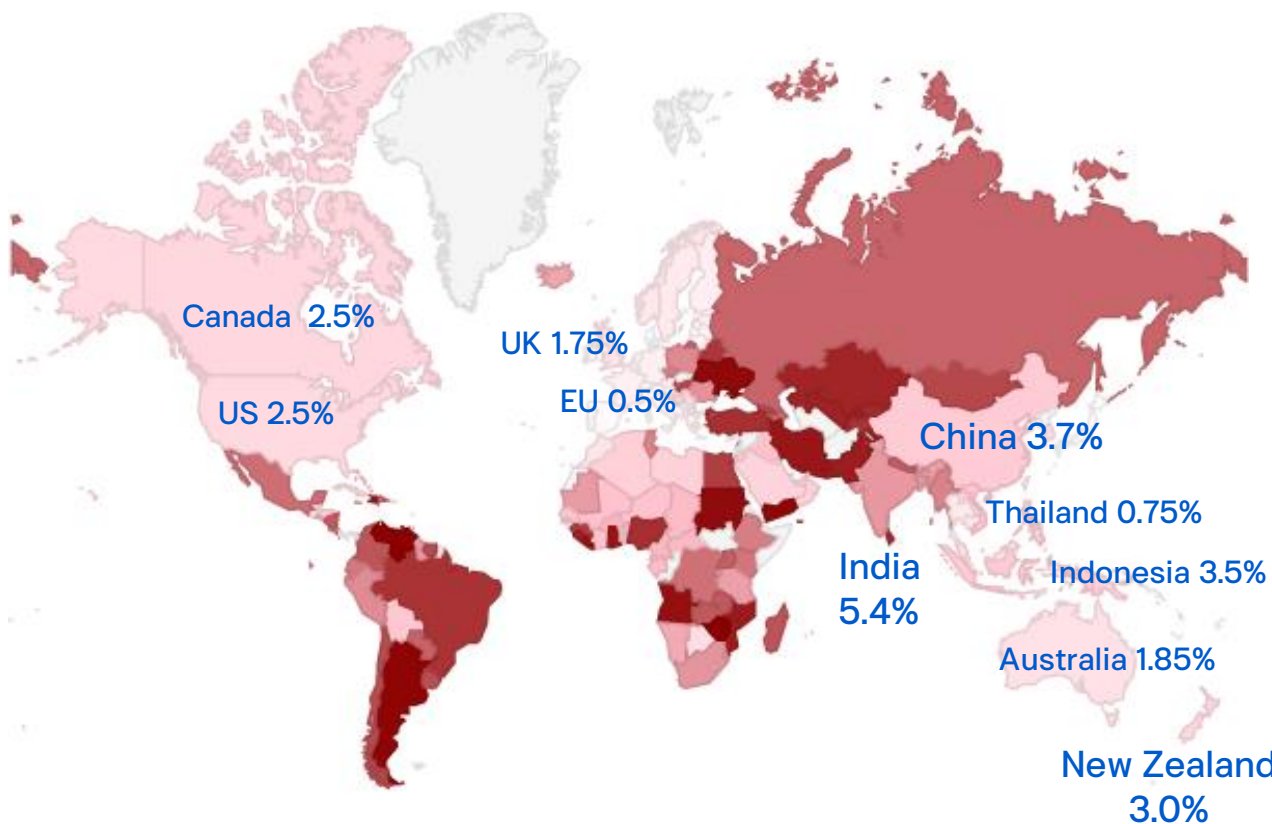
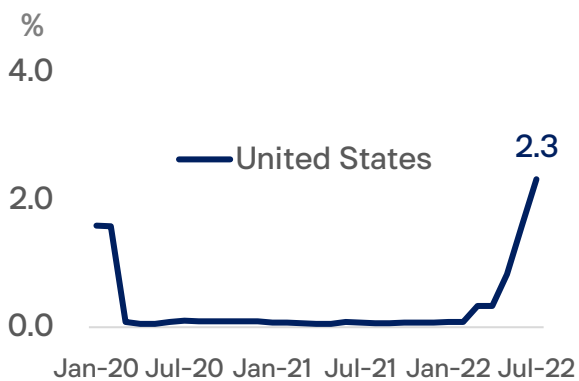
PART 3

Financial Market

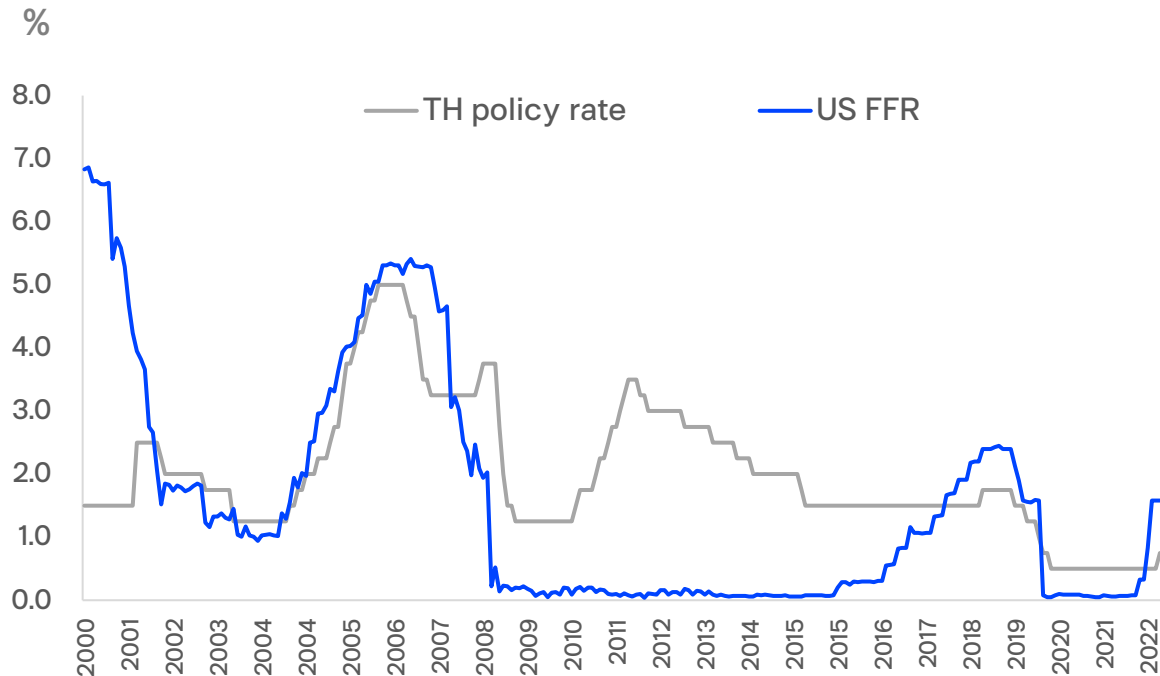


Rising global inflation induced major central banks to hike rates

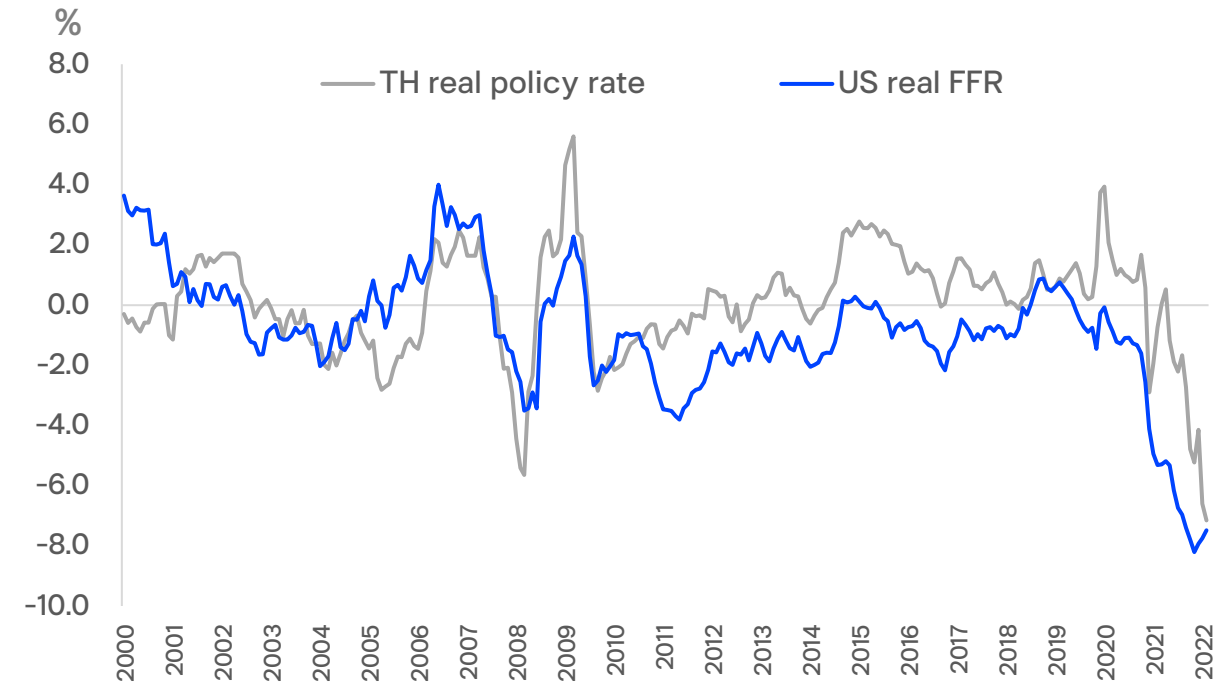
Most central banks start the course of rate hiking to fight inflation in 2022



FED-BOT Policy rate Historical (Nominal rate)



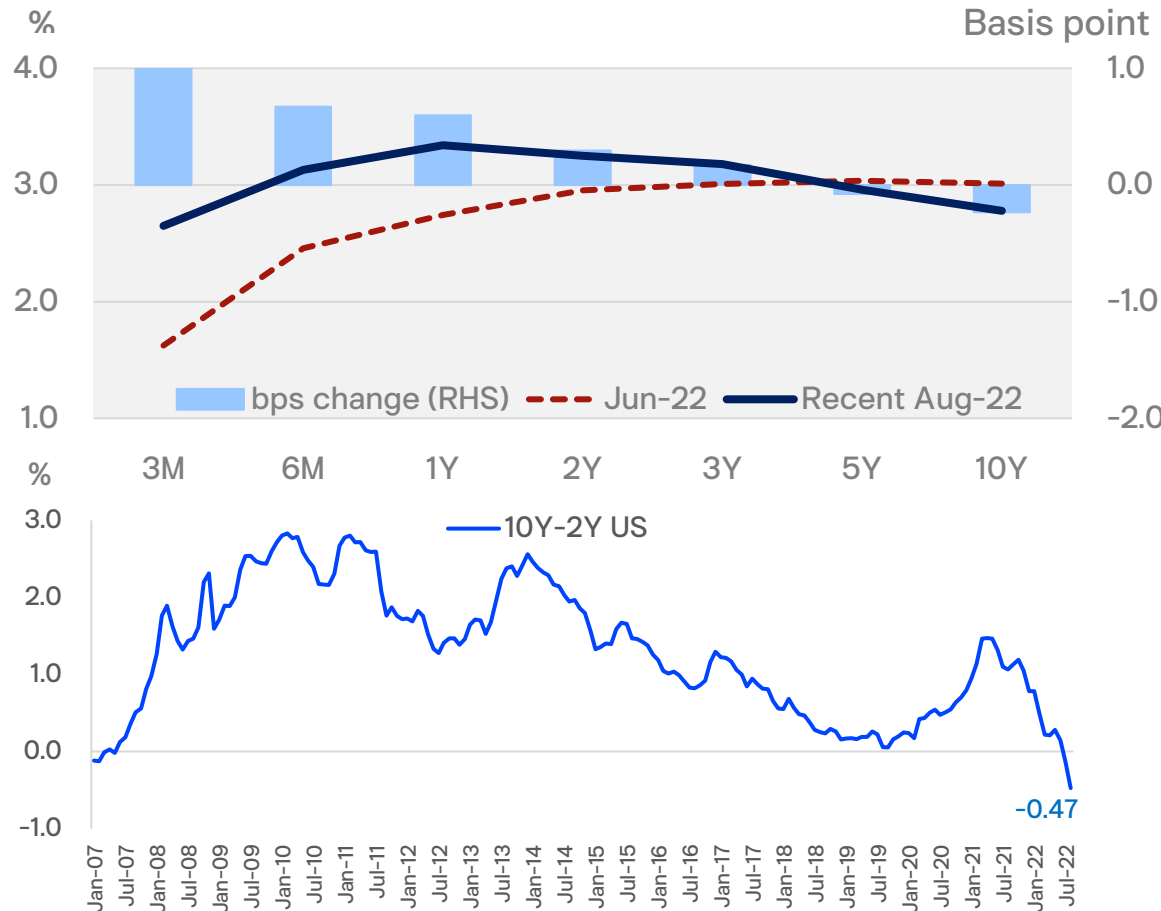
FED-BOT Policy rate Historical (real rate)



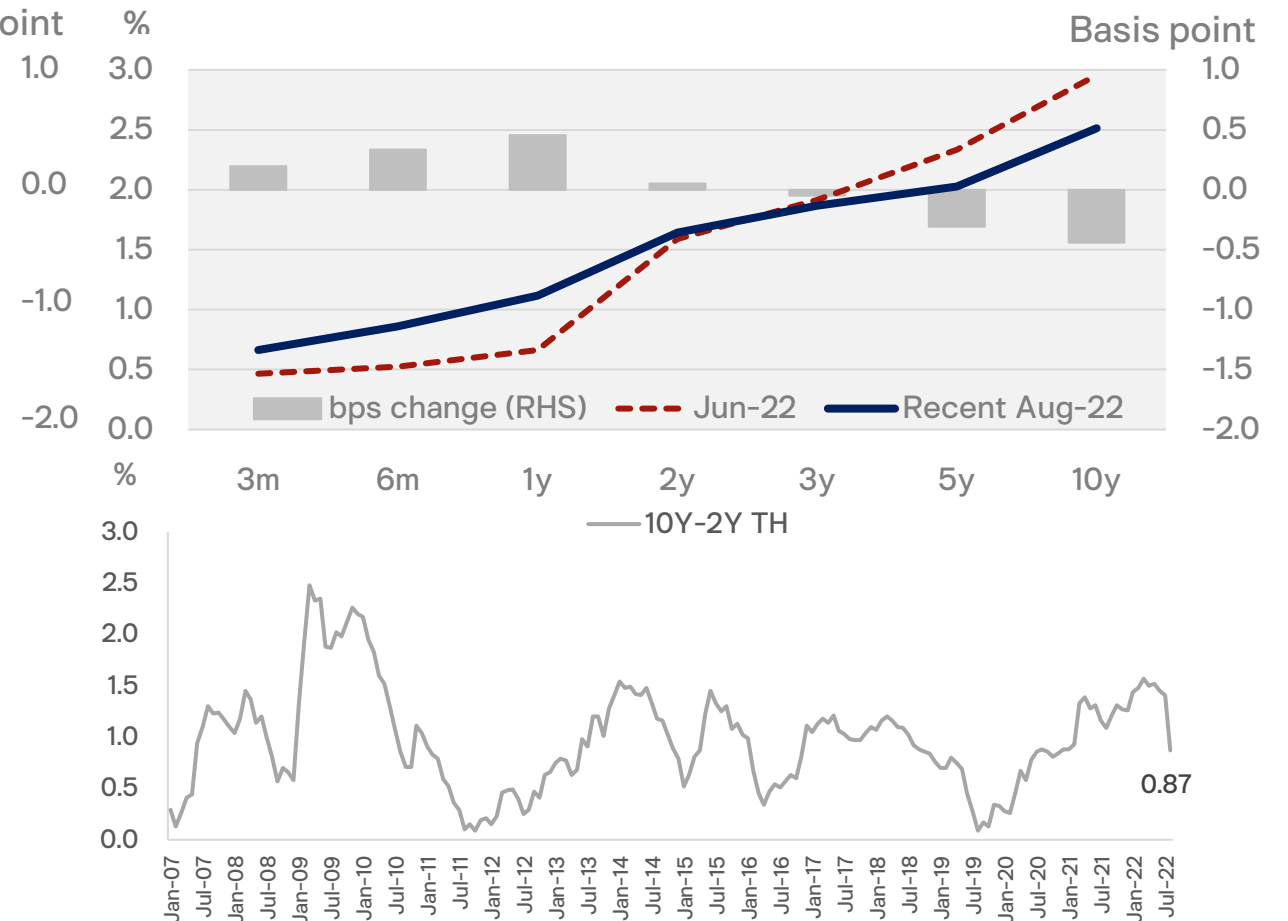
- The gap between US and Thai policy rate turns narrow, with the current Fed's target range is 2.25-2.50 and Thai policy rate 0.75%
- According to high inflation rate, real policy rate of both US and Thai remained in negative territory.

Investors enter long-term tenors due to global recession fear

US government yields



Thai government yield curve

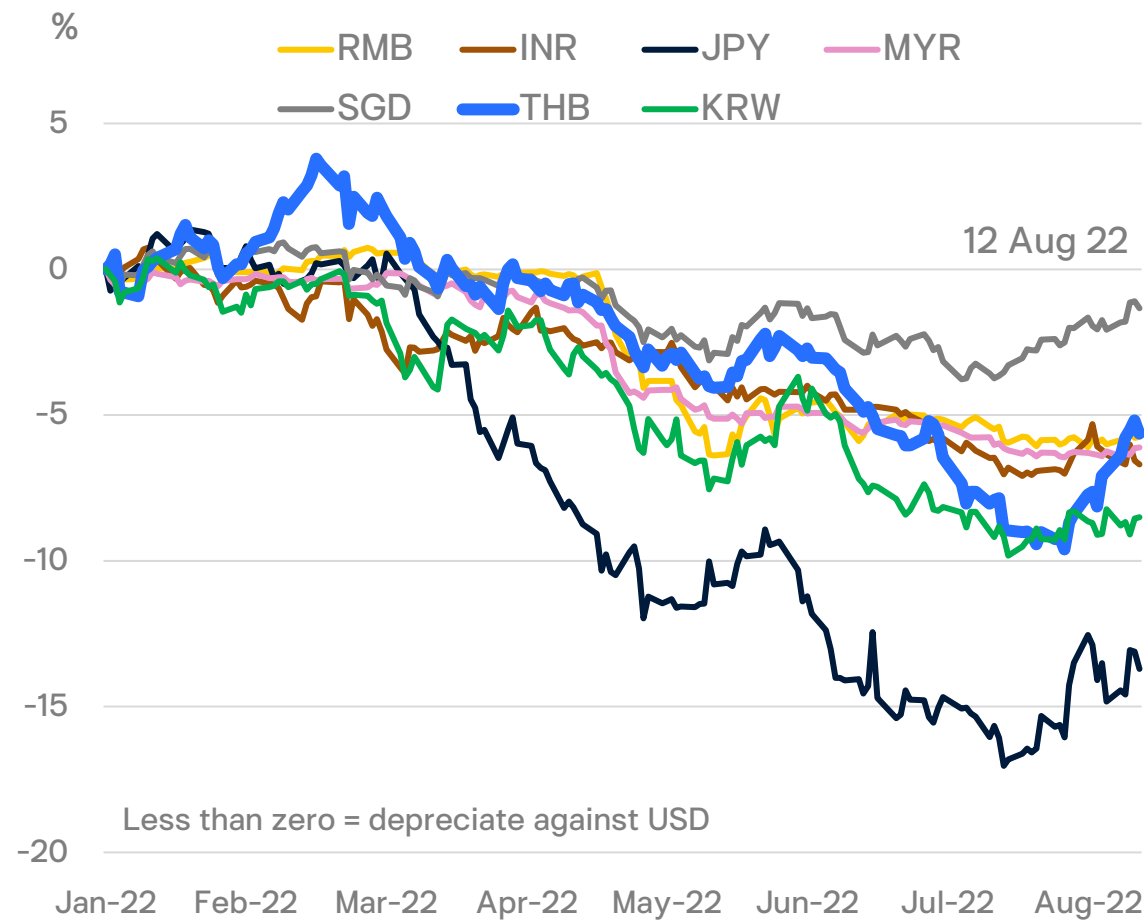


- For both US and TH government bond, Investors went into long term tenor due to recession concerns. Moreover, 10y/2y yield spread for US government bond dropped below zero, signaling approaching recession in US. Meantime, 10y/2y yield spread for Thai government bond also declined but above zero.

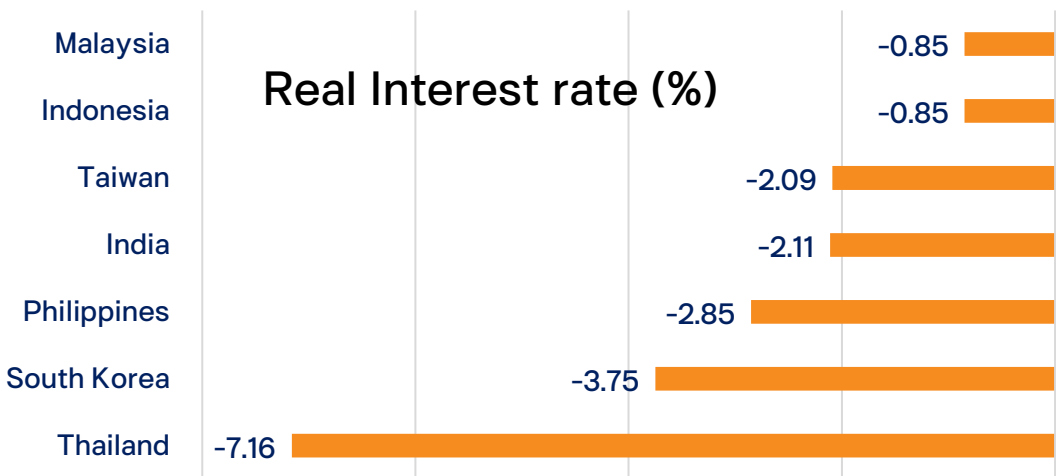
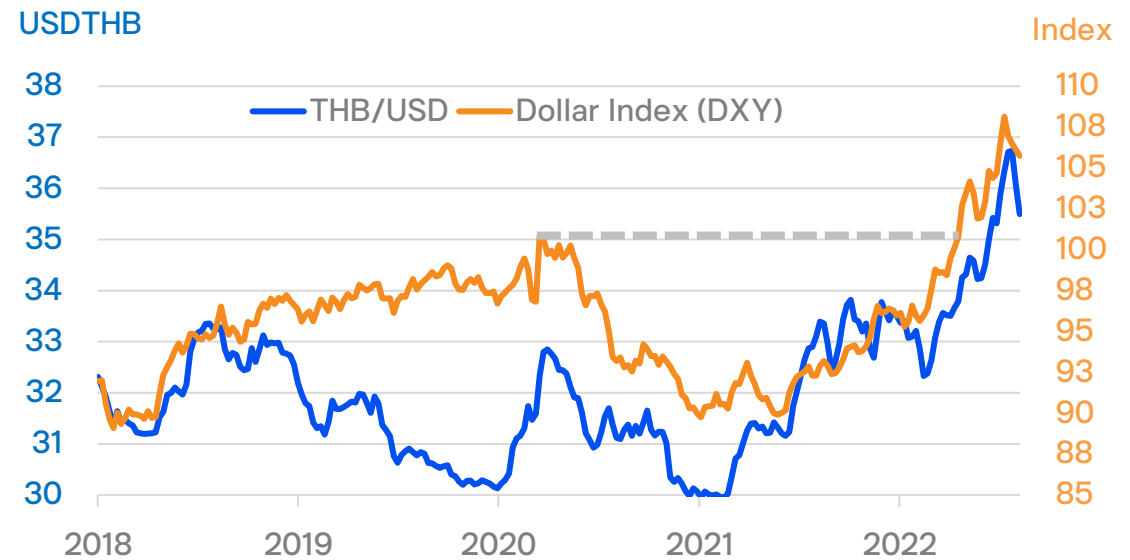
Strong dollar put pressure on Asian currencies together with negative real interest rate



Major Asian currencies against USD



Dollar Index / USDTHB



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