

Economic and Financial Outlook

ttb analytics

Apr 2023

Global Economy

- **PMI March 2023 showed global economic activity's steady rebound**, led by tourism and recreation sector. However, there were softened activities in global production and employment.
- **Manufacturing activities in key Asian nations were led by India**, while China production was steady.
- **The upturn of US economy became softened** with cooling off labor market condition yet overall remained strong. With subsiding inflation pressure, real wage steadily edged up. However, demands subsided due to slowly improvement in purchasing power.
- **Eurozone economy slowly improved in the first three months of 2023** mainly driven by services sector, however production activity weakened. With tight labor market but high inflation, consumer confidence improved only slowly, and retail sales remained in contraction.
- **China recovered but not solid yet**
- **Pressure on global inflation in March 2023 subsided** due to continuously declines in energy price. However, Core inflation remained elevated.
- **Some nations reached the end of rate hike cycle**, while the others needed more rate hikes.

Domestic Economy

- **In Feb23, the Thai economy continued to improve from the previous month.** Private consumption indicators increased thanks to the tourism expenditure, while consumption of durable goods improved, following a pick-up in delivery of vehicles' backlog orders.
- Private investment indicators increased from the previous month from higher investment in machinery and equipment, which was in line with increases in imports of capital goods, domestic sales of machinery, and newly registered commercial vehicles.
- **The value of merchandise exports, gradually improved.** This included agricultural products such as sugar and crude palm oil, while supply from other major exporters slowed down.
- **Foreign tourists dropped slightly** in this month but remaining over 2 million persons. The major decrease came from short-haul groups, meanwhile, Chinese tourists improved significantly over 100k since pandemic.
- **Headline inflation in Mar23 eased to 15-month low** due to the further drop in food and energy prices, as well as the core inflation, which also declined to below 2%.

Financial Market

- **Major central banks around the world hike policy rate to curb rising inflation but with slower pace.** Market participants have pointed to possibilities of the Federal Reserve delivering 25-bps rate hike on 2-3 May meeting as inflation pressures are lowered.
- **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, signaling higher possibility of coming US economy recession. Meanwhile, 10y-2y yield spread for Thai government bond was still in positive territory.
- **USDTHB largely appreciated in March, ending 34.14 level.** It could be around 34.00-34.50 in April. US Dollar would depreciate in short-term as lessening US economic data lowers the likelihood of the Federal Reserve keeping on with its inflation-fighting interest rate hikes for longer.

PART 1

Global Economy



Global economic rebound mainly led by services, while manufacturing activity turned weaker

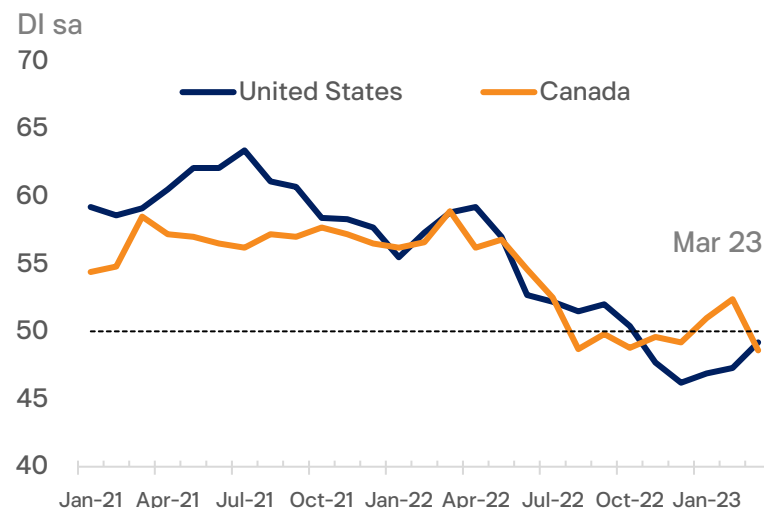
Global PMI: Manufacturing and Services



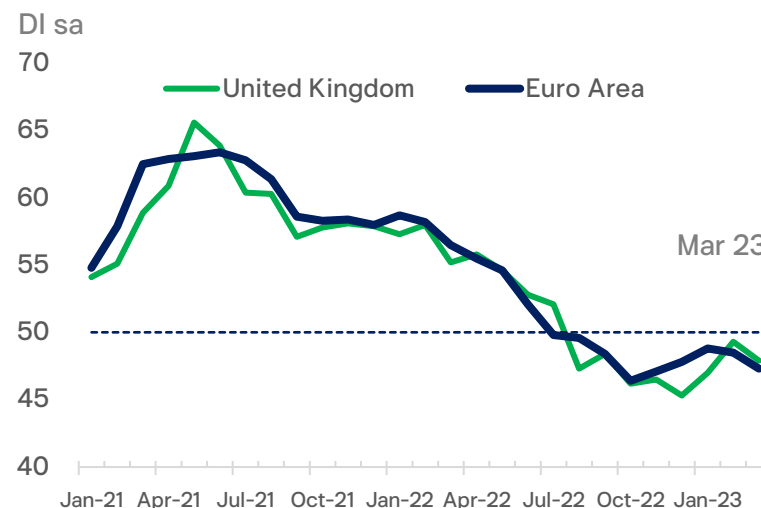
Global growth 2023 revised up to 2% (April23) from 1.7% (Jan 23)
Risk to growth 1) OPEC oil production cut 2) Banking stability

- **Global Composite PMI in March 2023 signaled global economic activity's steady rebound led by tourism and recreation sector.** In the meantime, Global manufacturing PMI dropped to 49.6 from 49.9 in previous month in line with slower activities in global production and employment. However, supply chain pressure continuously improved.
- Regarding manufacturing activity by country, **US saw smaller degree of contraction in production** due to lingering subdued demands. **Europe further contracted** mainly in Germany and France, while others registered an expansion.
- **Manufacturing activity's growth in key Asian nations was led by India, while China turned steady.** Only Japan and South Korean registered a continuous contraction.

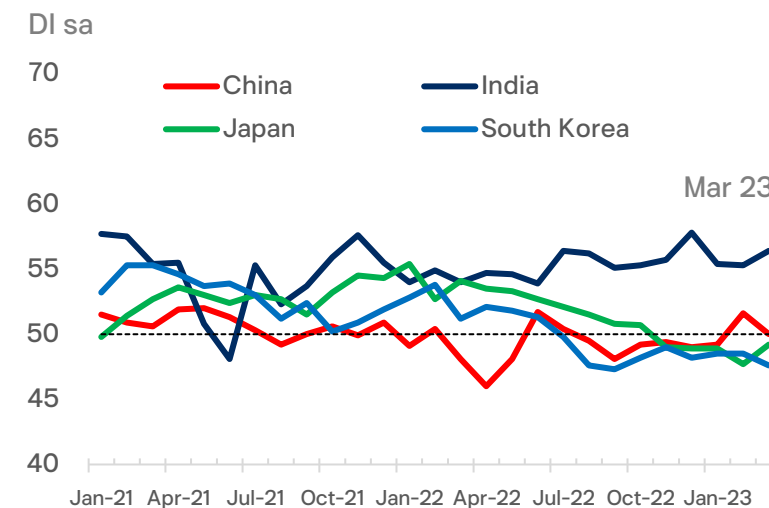
Manufacturing PMI - North America



Manufacturing PMI – Europe & UK

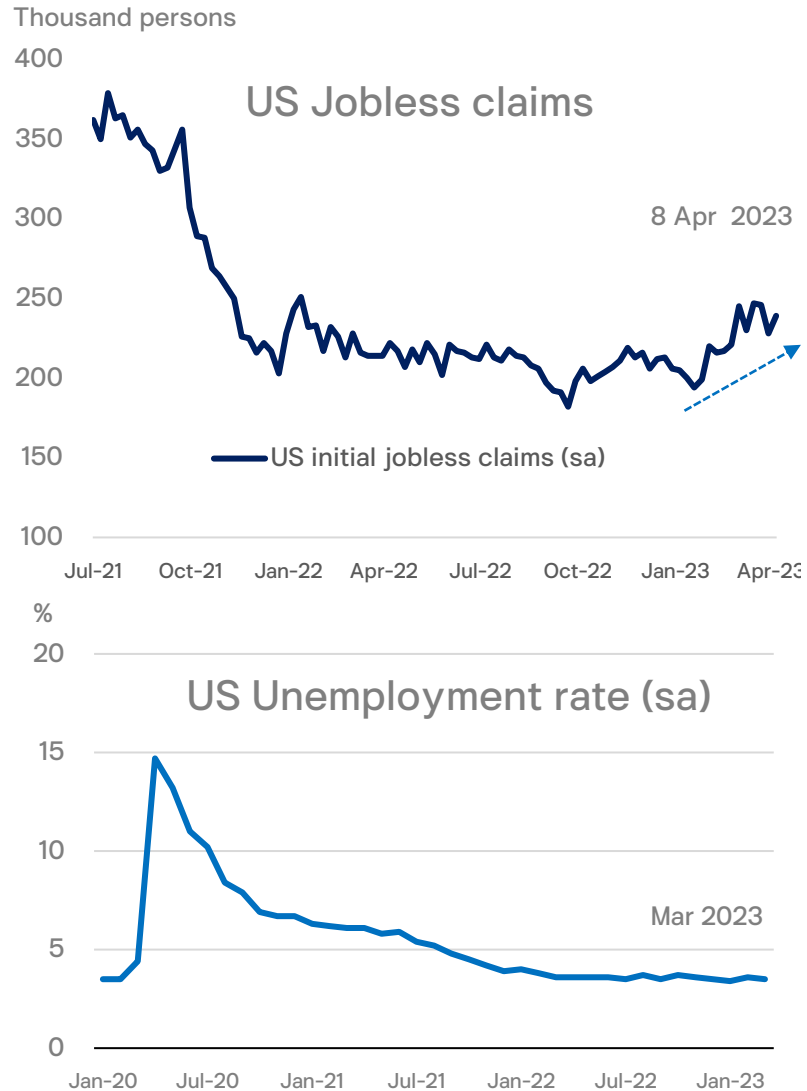


Manufacturing PMI - Asia

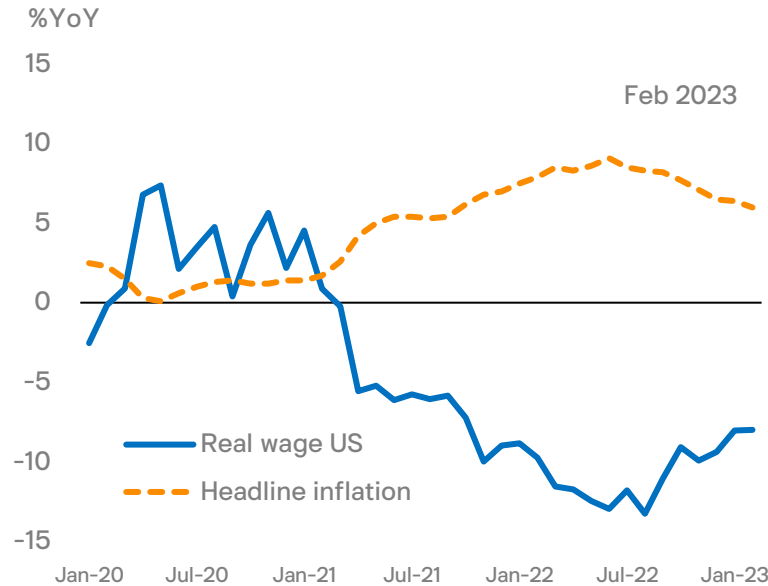


US economy softened due to cooling off labor market with softened demands and production

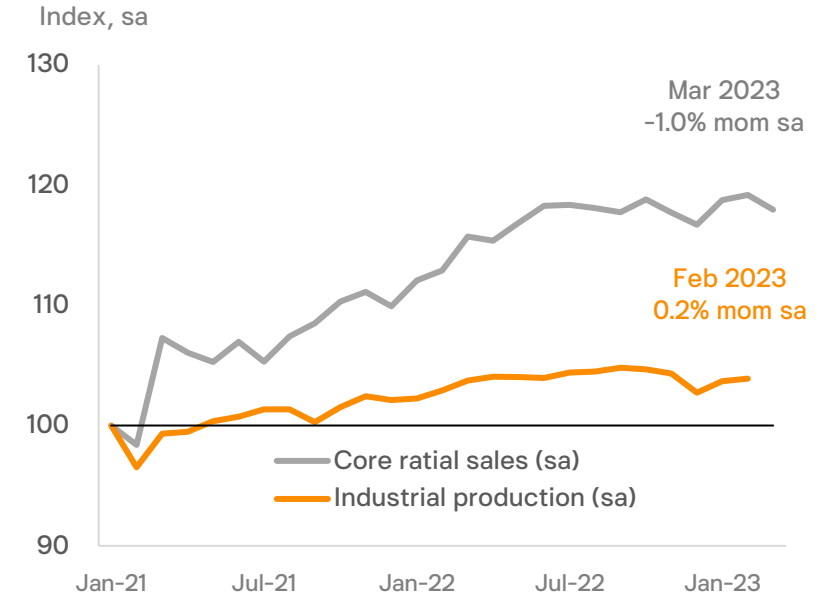
US labor market



US Real wage



US retail sales & industrial production

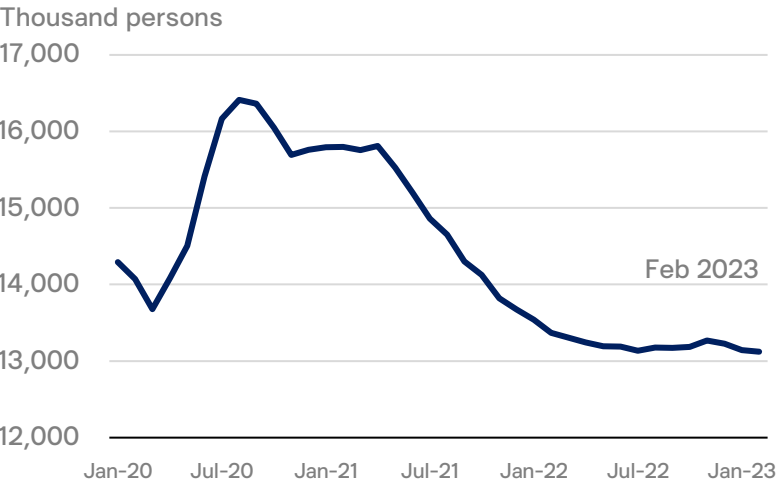


- US economy upturn continuously softened. Recent initial jobless claims showed a slightly increase as employers sought to reduce hiring costs. However, there is an overall strong condition in US labor market as shown by the level of recent unemployment insurance rate reached that of pre-covid crisis.
- As inflation pressure eased, real wage gradually improved.
- Domestic demands and international demands softened as elevating inflation continually weighed on purchasing powers. Industrial production turned stable at 0.3% yoy, slower from 1%yoy in January 2023.

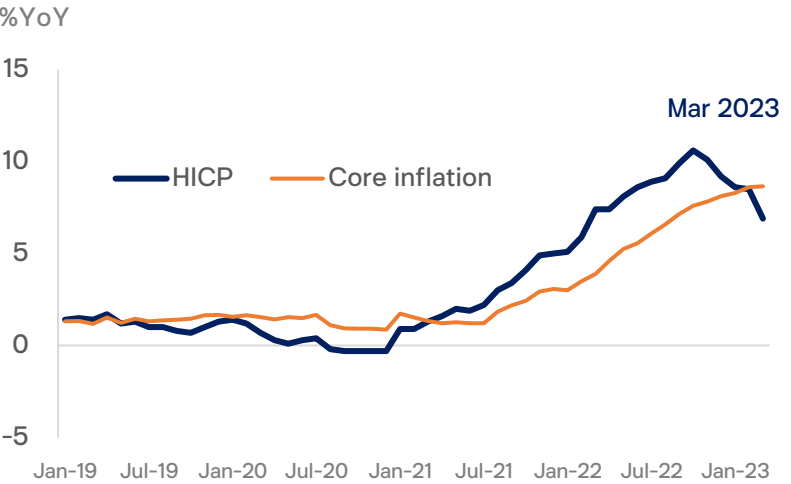
Europe economy slowly improved with healthier labor market condition and declining inflation



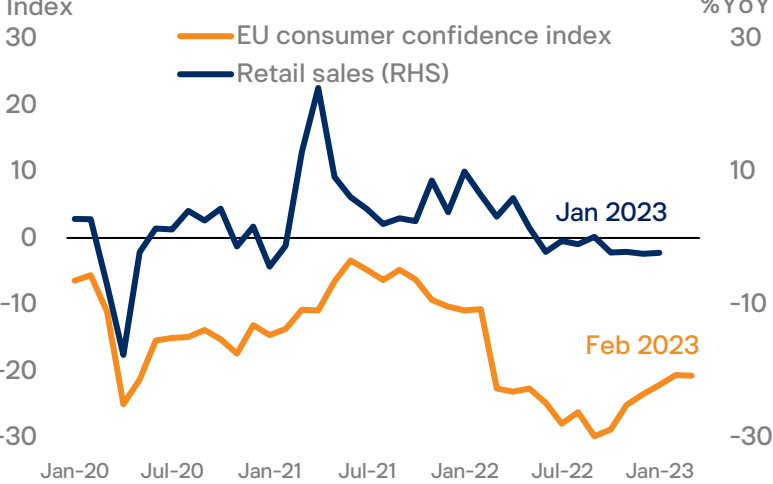
EU unemployed persons



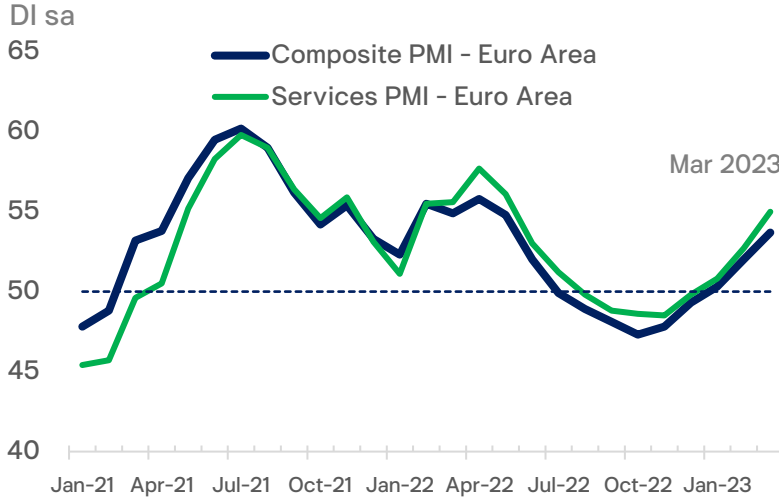
EU inflation



EU Consumer confidence



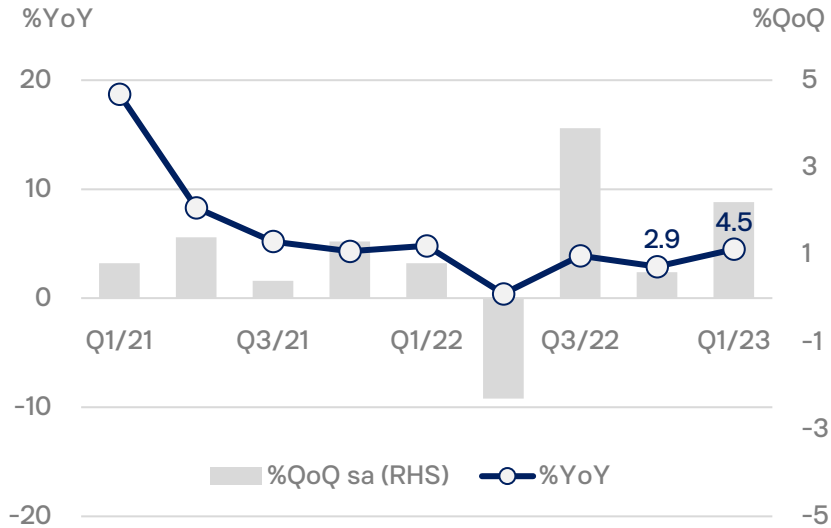
PMI business survey



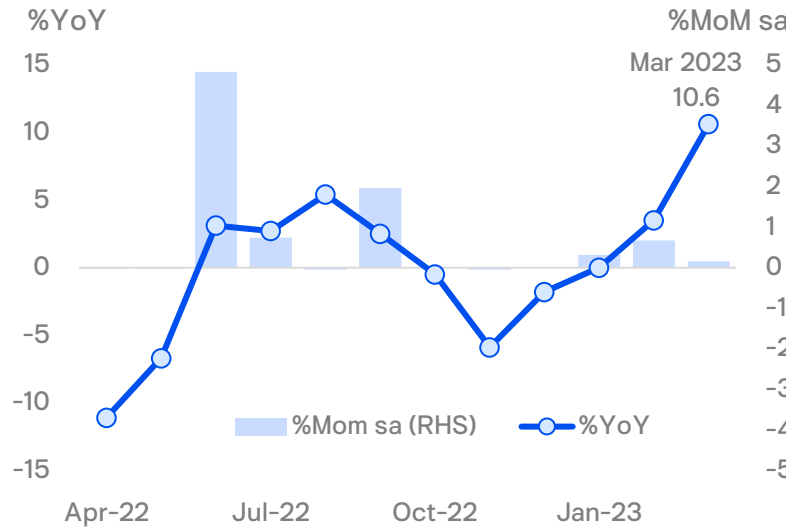
- **Eurozone economy slowly improved in the first quarter 2023** with a third consecutive monthly expansion in PMI private sector business activity. Services sector marked a noticeable improvement and led the economic expansion.
- **Labor market remained tight**, since businesses continue to hire additional workers. Meantime, there was a significant softening in price pressures as reflected by deceleration in headline inflation. However, core inflation hit a record high. This causes necessity for the ECB to restrict to tightening monetary policy to reach price stability goal.
- **Weakness in consumer confidence slowly improved** and recent retail sales remained in contraction.

Chinese economy rebounded but not solid, with improving signs in demands and productions

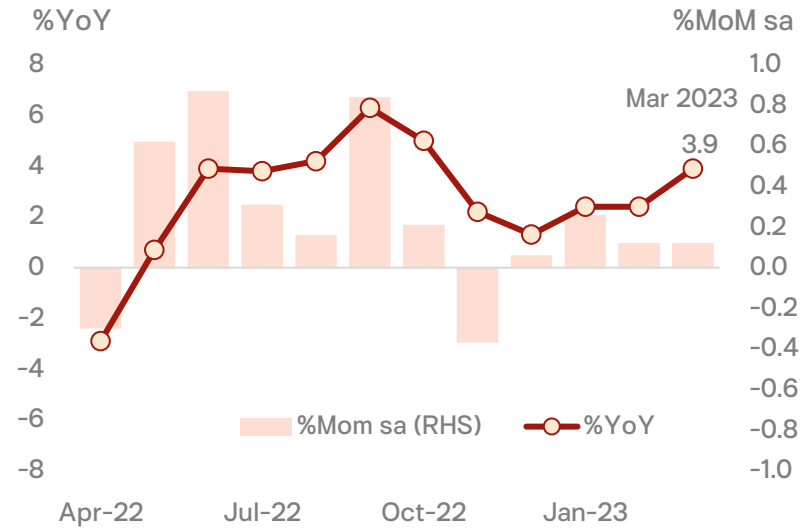
Gross domestic products



Retail sales

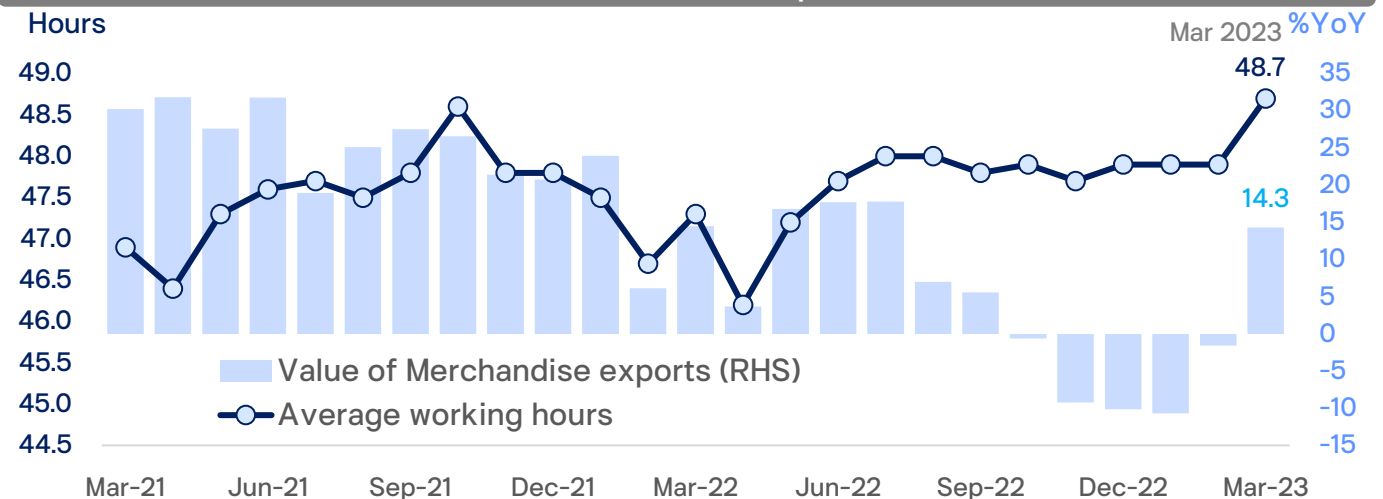


Industrial productions



- Chinese economy grew by 4.5% yoy in Q1/23, accelerating from Q4/22 amid efforts from Beijing to spur the post-pandemic recovery. For 2023, China set a modest GDP target of around 5%.
- Retail sales growth was at a near 2-year high in March in line with increasing weekly average working hours.
- Industrial output rose 3.9% with the improving sign in the expansion in merchandise export values from China.
- However, with uncertain global environment and insufficient domestic demand recovery mean the foundation for the China's recovery is now "not yet solid."

Fundamentals for China's Consumption and Production

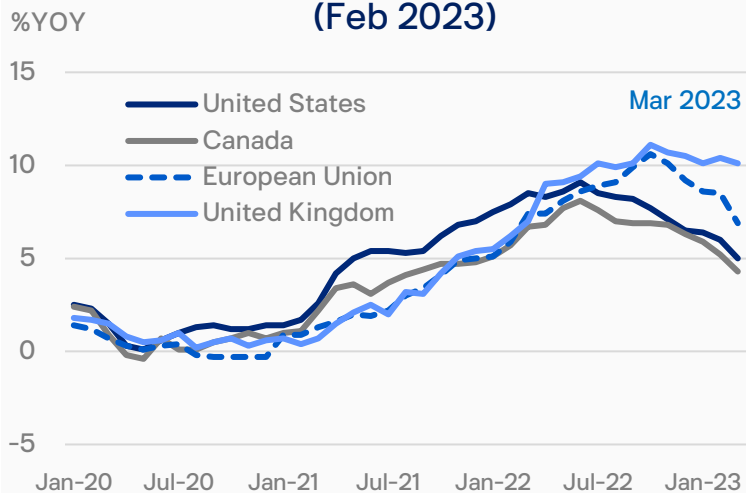


Global headline inflation pressure steadily dropped but core inflation stubbornly elevated

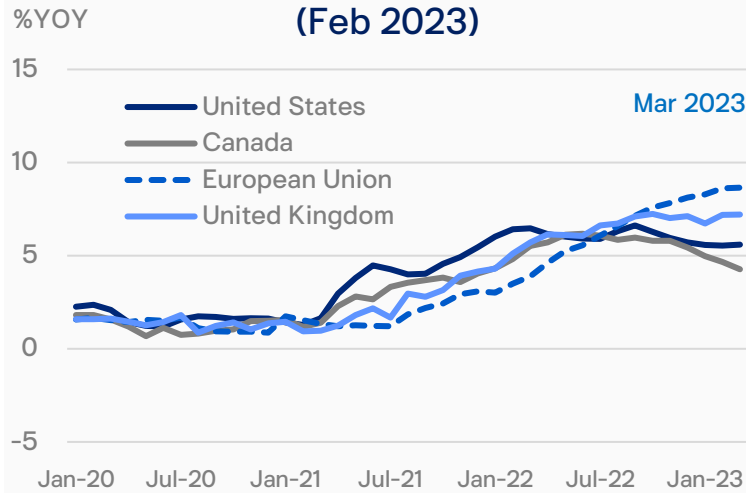


Global inflation

Headline inflation (Feb 2023)

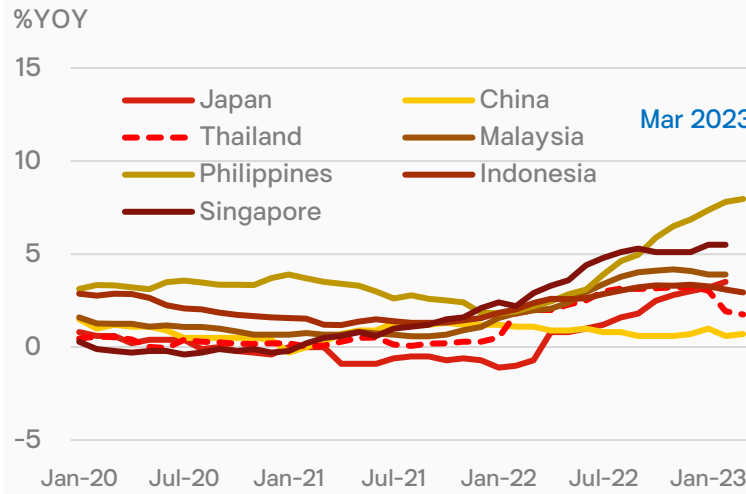
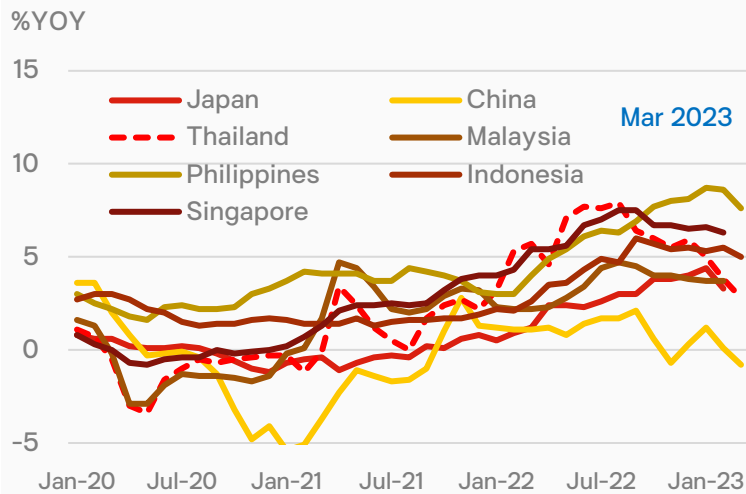


Core inflation (Feb 2023)

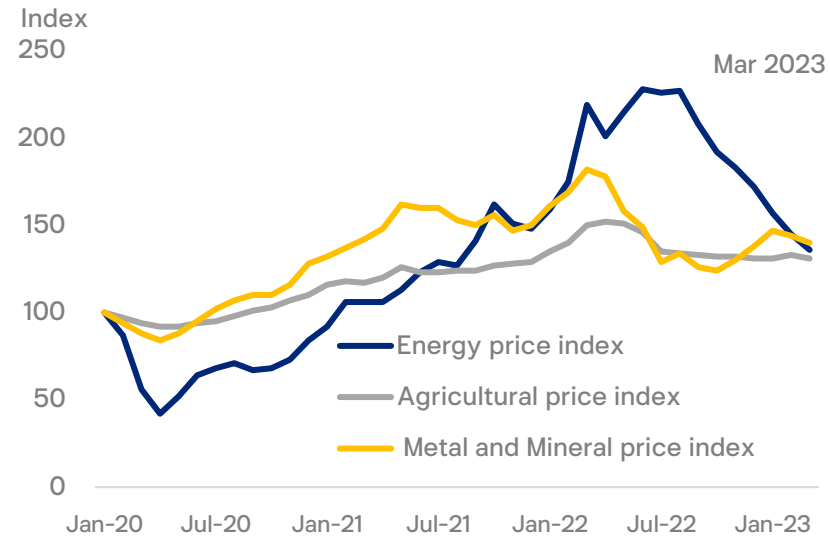


G3

ASIA

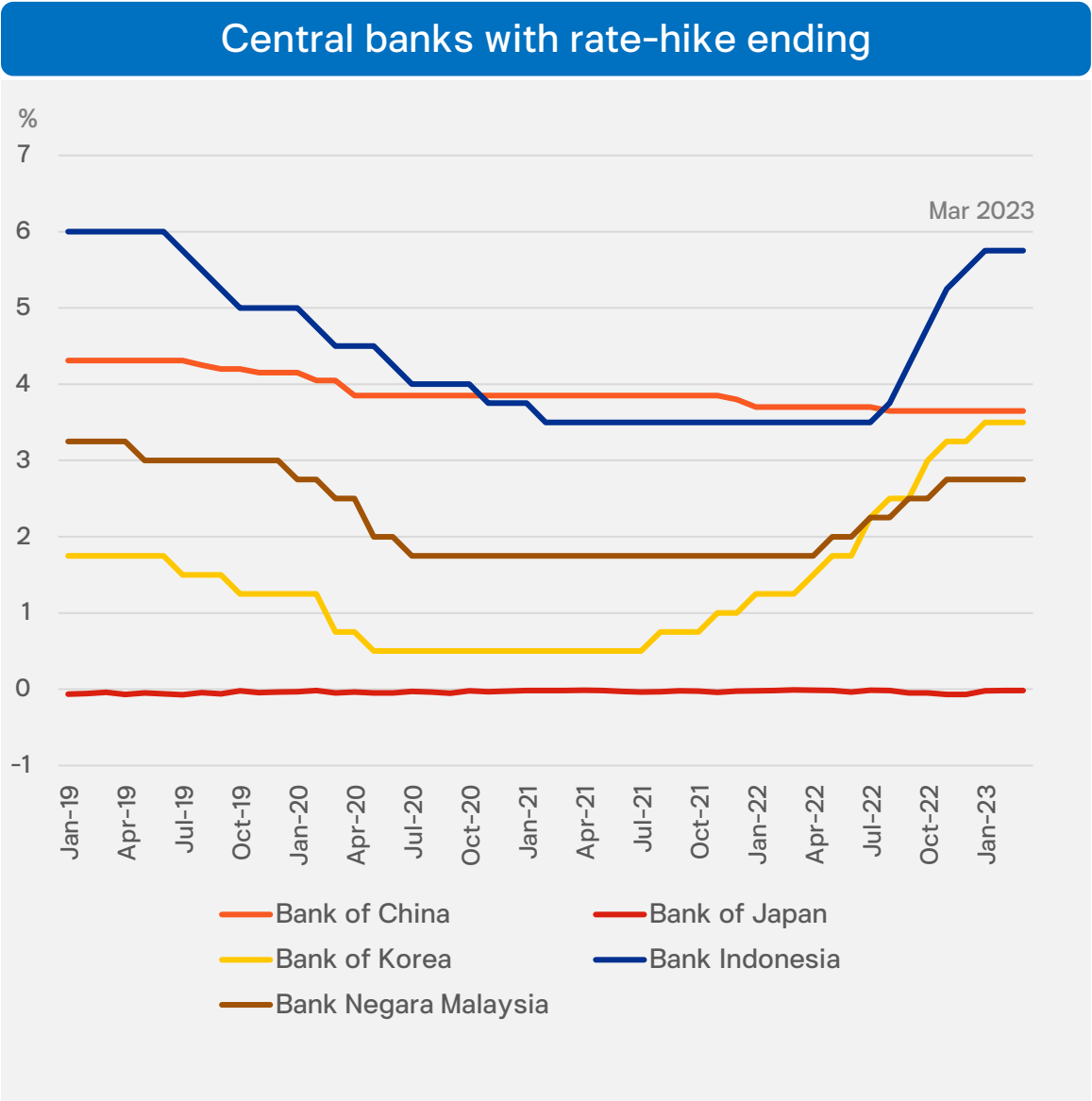
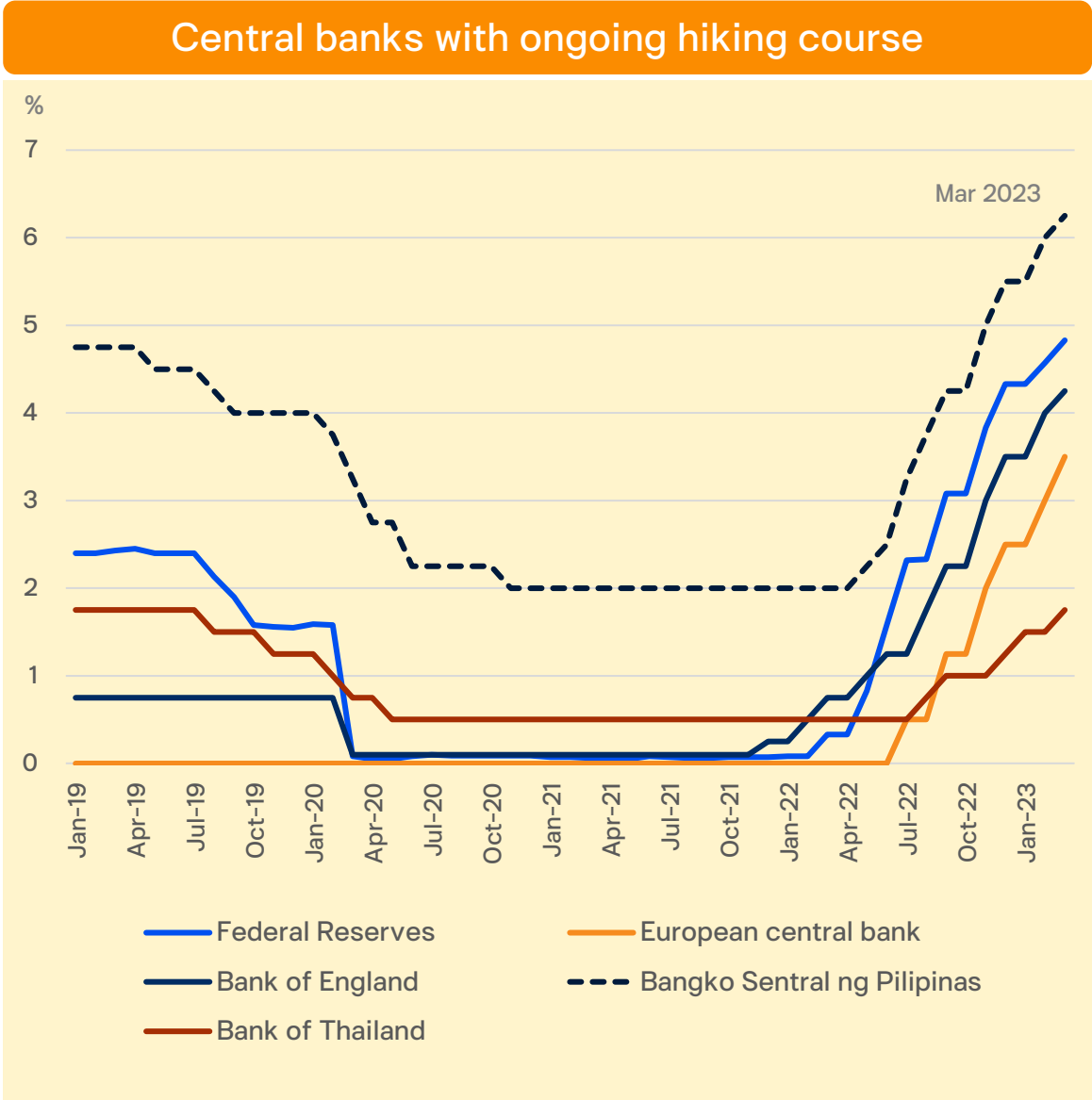


Commodity Price Index



- **Pressure on global inflation in March 2023 subsided** due to continuously declines in energy price. Meantime, global delivery times from producers decreased leading to alleviation in supply chain pressure.
- **Therefore, global headline inflation obviously decelerated.** However, core inflation remained stubbornly elevated.

Some central banks reached the end of rate hike cycle, while the others needed more rate hikes to address lingering high inflation as banking instability dissipated



PART 2

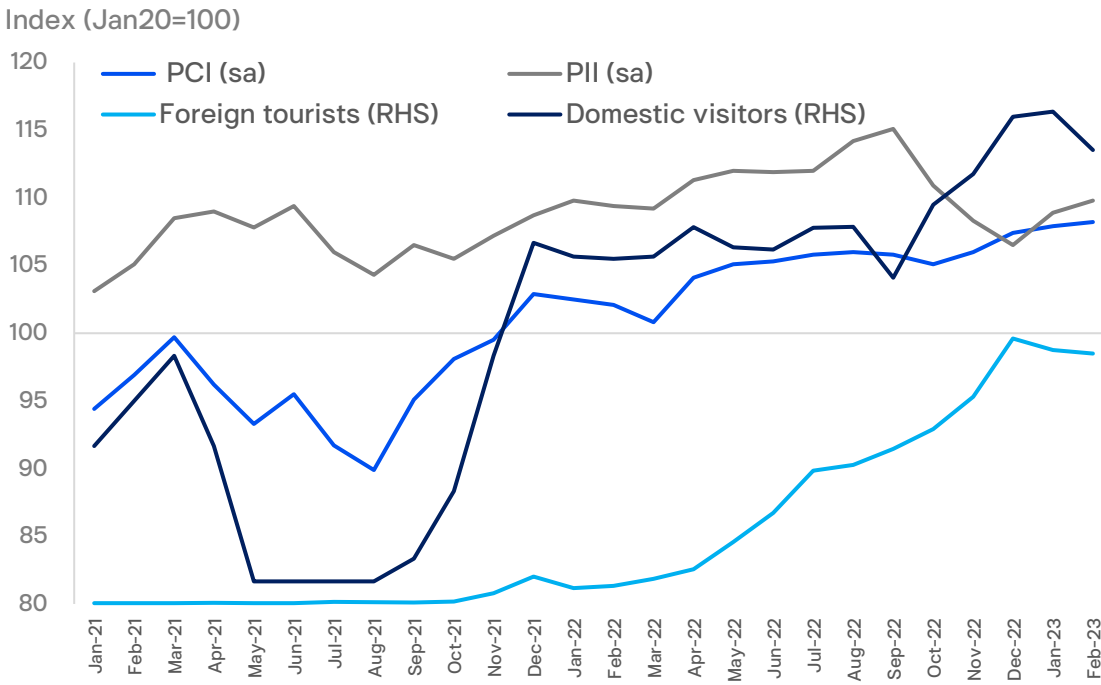
Thai Economy



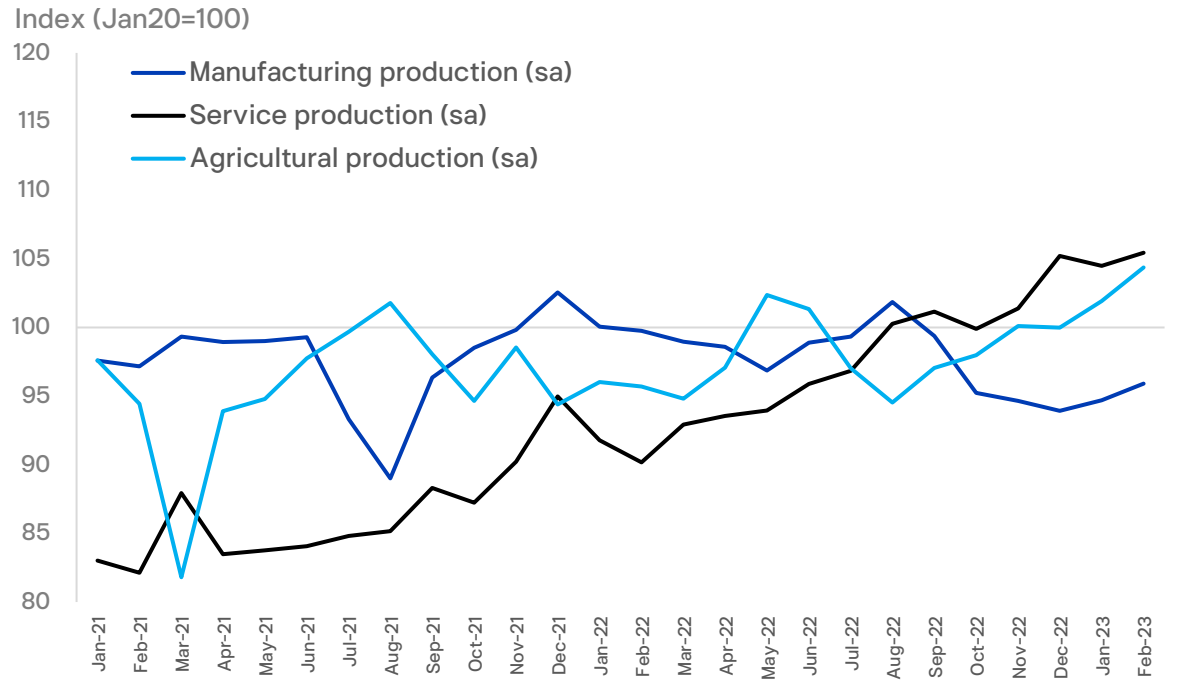
Thai economy continued to expand from the previous month, manufacturing production also improved



Demand-side indicators



Supply-side indicators



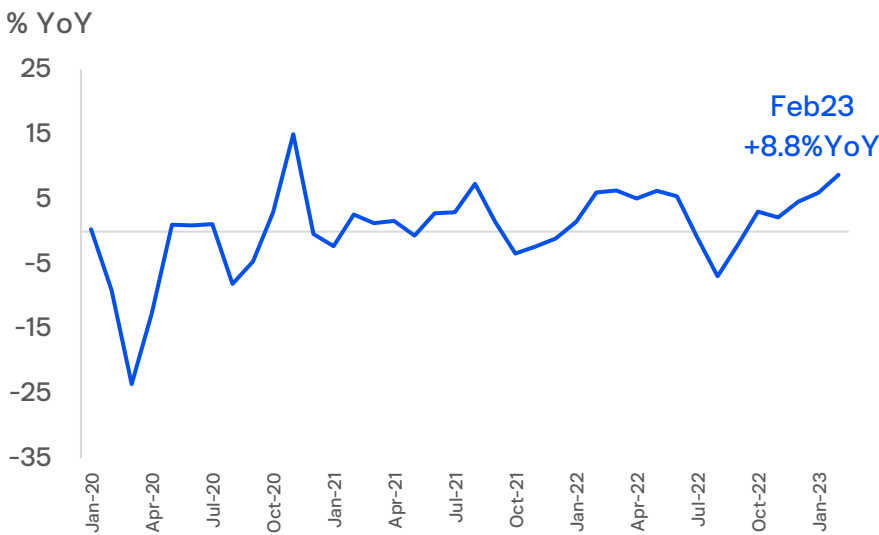
Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Authorized Capital of Newly Registered Companies (Million Baht)	122.3	152.1	1,000.9	217.7	115.7	167.3	139.9	113.8	83.1	114.7	104.2	118.5	108.9
Construction Areas Permitted (1000 sq. m)	107.2	128.7	88.6	94.0	98.8	100.0	99.7	103.5	98.2	98.4	98.4	86.9	96.5
Export Volume index (exclude Gold)	115.3	116.1	116.7	120.3	118.5	116.4	110.9	107.5	111.8	106.4	106.8	107.6	110.6
Business Sentiment Index (3 months)	106.1	103.3	105.7	104.5	106.4	104.1	109.6	104.4	104.4	101.8	103.3	106.7	106.8
SET index	111.3	112.0	110.8	109.9	103.6	104.1	108.2	105.0	109.9	108.0	110.2	110.4	107.1
Oil Price Inverse Index (Dubai)	1.1	0.9	1.0	0.9	0.9	1.0	1.0	1.1	0.9	1.2	1.3	1.2	1.3

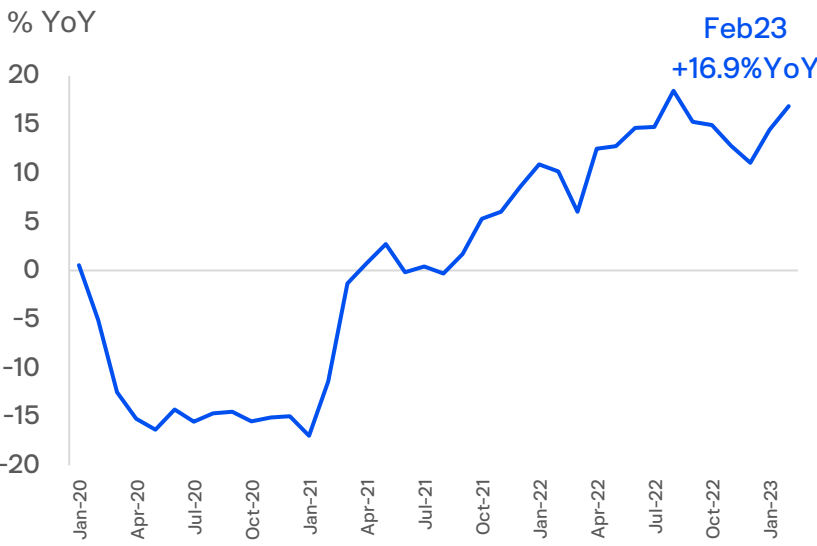
Agriculture Production and Services activities continued to expand



Agriculture Production Index



Services Production Index



As of Feb23, Agricultural Production Index was expanded at 8.8%YoY, compared to 6.0%YoY in preceding month. This was mainly due to the higher production of rubber, durian, palm oil and broiler. In Service Production Index (SPI) showed up by 16.9%YoY in line with the business service related to tourism. However, service production regarding to commerce activities declined slightly as mainly due to some of government stimulus ceased.

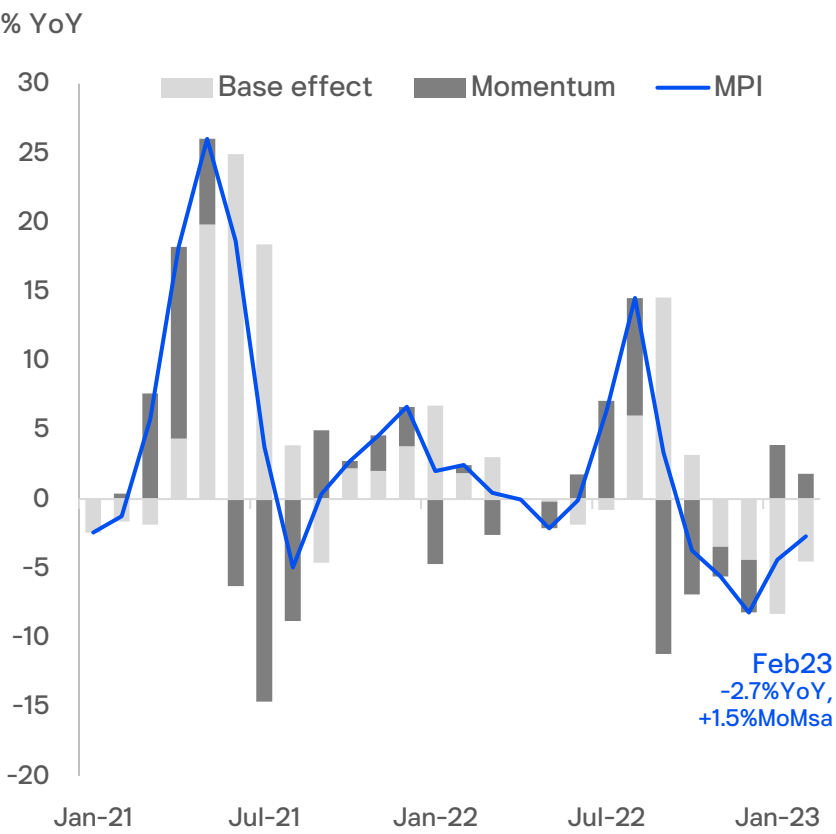
Service Production Index (Base Jan 2020=100)

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Wholesale and retail trade; repair of motor vehicles and motorcycles	100.1	101.5	103.4	102.0	103.7	105.0	106.2	108.4	109.0	109.1	109.8	109.8	109.6	109.7
Transportation and storage	68.9	68.1	73.8	71.9	76.8	80.9	82.8	83.5	81.8	81.7	82.6	87.2	83.6	82.4
Accommodation and food service activities	27.9	28.0	29.1	32.7	35.4	39.5	47.4	48.3	50.9	55.2	62.3	75.2	73.8	73.6
Information and communication	111.3	102.1	115.3	101.9	109.1	117.6	107.0	121.3	127.3	122.7	121.6	135.3	130.7	119.0
Financial and insurance activities	112.8	110.9	113.3	106.7	108.3	108.3	106.8	109.7	109.1	106.2	109.0	110.8	115.5	118.0
Real estate activities	123.3	121.6	125.9	119.6	121.6	122.9	119.6	125.4	123.2	120.2	124.8	130.8	130.2	130.0
Professional, scientific and technical activities	118.1	107.9	126.1	120.4	118.6	123.0	118.5	127.2	126.3	131.5	130.9	141.0	134.4	127.1
Administrative and support service activities	80.2	76.3	88.2	77.8	83.3	85.1	79.7	89.9	89.0	93.5	93.2	99.0	96.2	91.8
Public administration and defence; compulsory social security	102.1	97.6	92.1	112.9	102.4	101.6	106.5	109.0	111.9	102.2	101.2	101.2	104.5	112.7
Service Production Index	92.7	91.0	93.8	94.5	94.9	96.8	97.8	101.2	102.1	100.9	102.4	106.2	106.1	106.5

Source: Bank of Thailand and ttb analytics.

Manufacturing production in February improved gradually

Manufacturing Production Index (MPI)



MPI by sector (Base Jan 2020=100)

Contribution	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
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)	1.9	2.3	0.2	-0.4	-2.3	-0.5	6.0	14.6	3.0	-4.3	-5.3	-8.5	-4.8	-2.7

- As of Feb23, Manufacturing Production Index (MPI) was contracted at 2.7%YoY, which increased from the previous month in several categories, especially in chemical products, petroleum, and HDD. Nevertheless, production of vehicle declined, especially pickup trucks, after a good expansion in the preceding period.

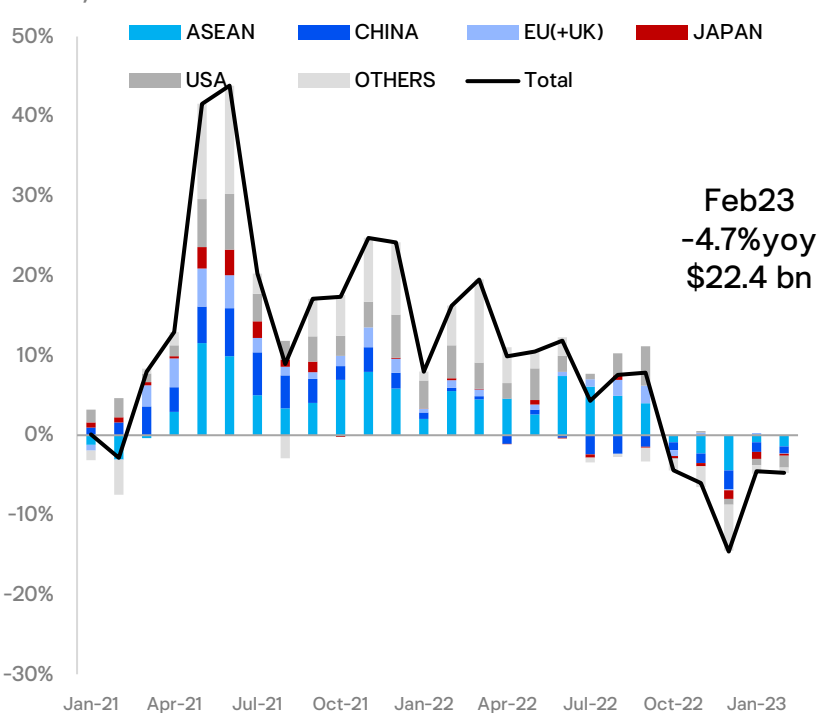
Thailand's export still contracted for the fifth consecutive month



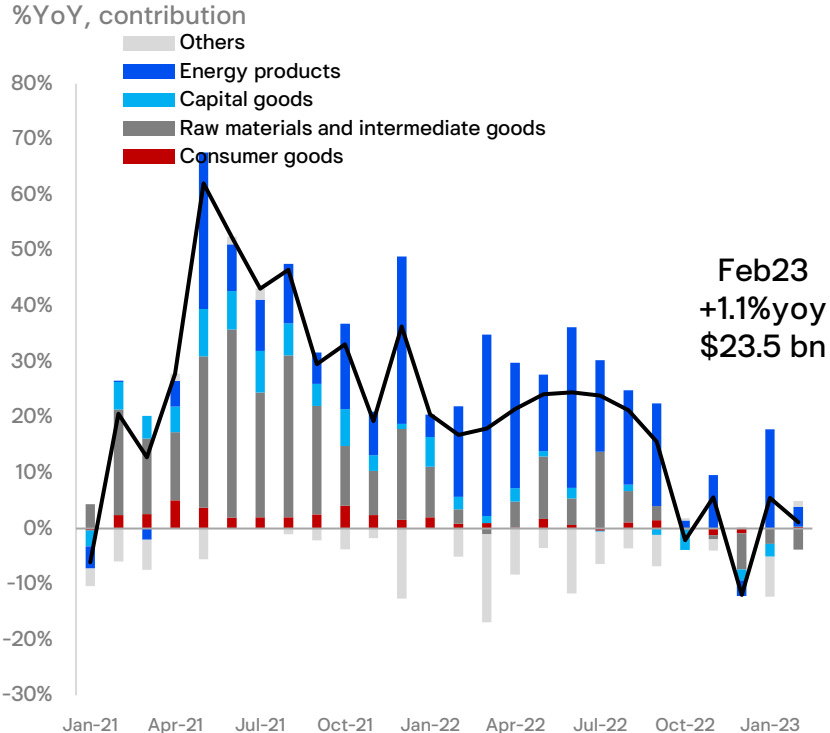
Exports value by product and destination*

%YoY	1Q22	2Q22	3Q22	4Q22	Jan23	Feb23
Auto and parts	-11.7%	-6.0%	8.8%	-3.3%	9.2%	3.6%
Computer and parts	8.6%	-6.7%	-0.9%	-23.6%	-21.2%	-22.9%
HDD	22.4%	-11.4%	-12.0%	-33.5%	-42.0%	-45.1%
Rubber	-8.2%	-0.4%	-2.0%	-5.9%	-8.2%	-3.6%
Integrated circuit	17.7%	9.4%	11.4%	0.6%	-3.3%	4.1%
Refinery oil	21.8%	63.7%	10.4%	-25.7%	16.2%	-3.7%
Electronic machinery	17.6%	14.0%	4.5%	-5.8%	-2.1%	-1.0%
Plastic pallet	19.4%	4.7%	-13.9%	-26.7%	-30.0%	-29.2%
Chemical products	24.6%	3.6%	-8.0%	-25.1%	-17.6%	-19.7%
Jewelry	205.1%	20.4%	37.5%	-7.3%	-6.4%	-5.8%
Total	14.7%	10.7%	6.6%	-8.5%	-4.5%	-4.7%

%YoY, contribution



Imports value by groups*

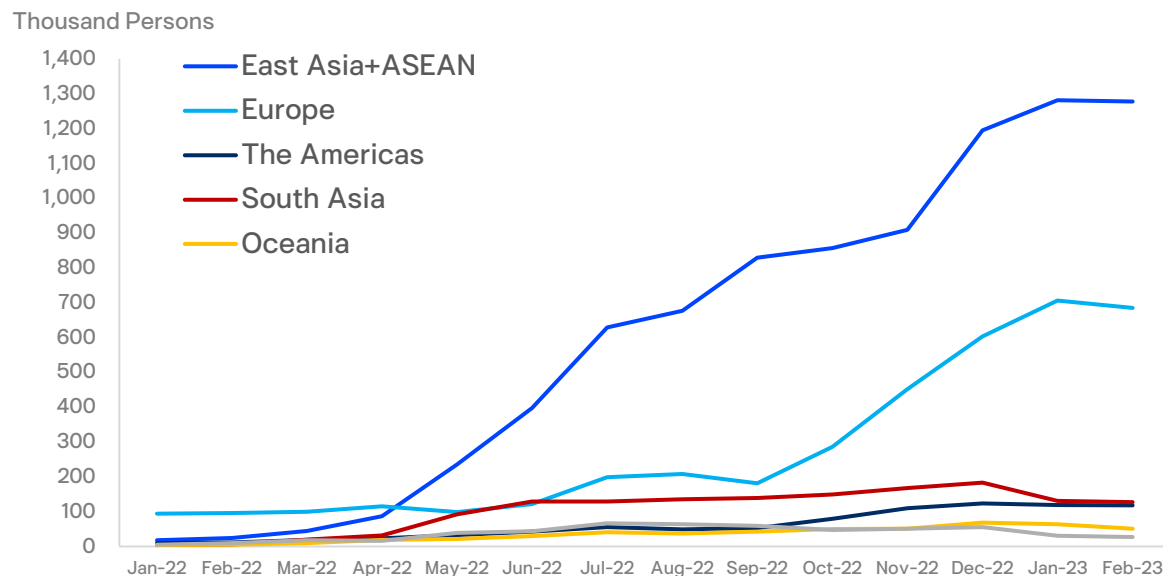
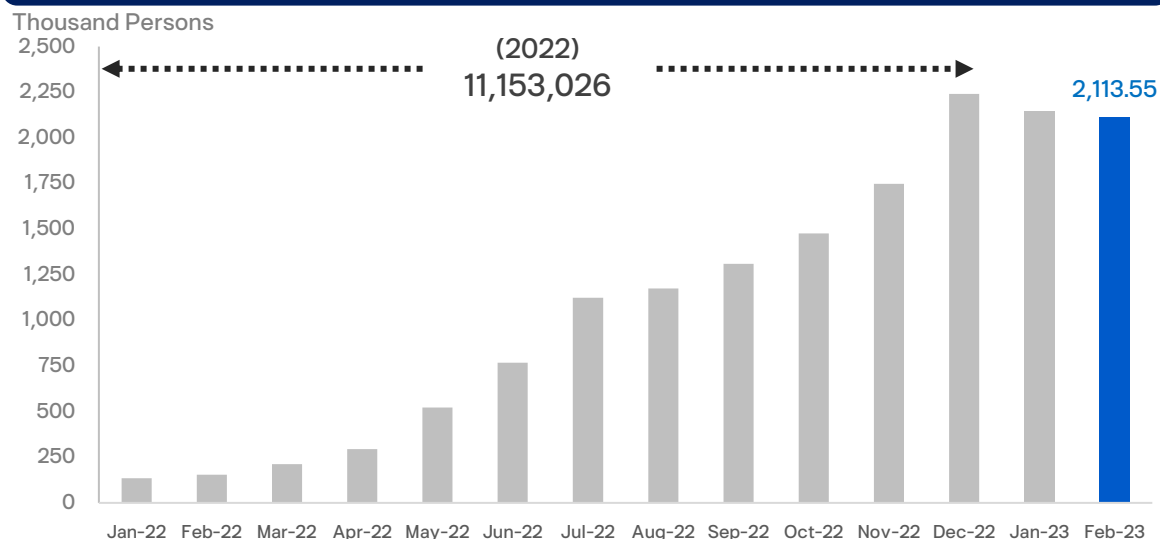


%yoy,value	2019	2020	2021	2022	2023YTD
Total export	-2.6% \$246 bn	-5.9% \$232 bn	17.1% \$272 bn	5.5% \$287 bn	-4.6% \$42.6 bn
Total import	-4.8% \$236 bn	-12.7% \$206 bn	29.8% \$267 bn	13.6% \$303 bn	3.3% \$48.4 bn

- Export value in Feb23 contracted by 4.7%YoY, comparing to the contraction of 4.5% in the month earlier. Exports of major products declined, particularly in computers and parts, HDD and auto and parts and refinery oil. The export to the US and ASEAN also dropped further.
- On the other hand, imports grew by 1.1%YoY, slower compared to the previous month resulting from the energy products declined remarkably.

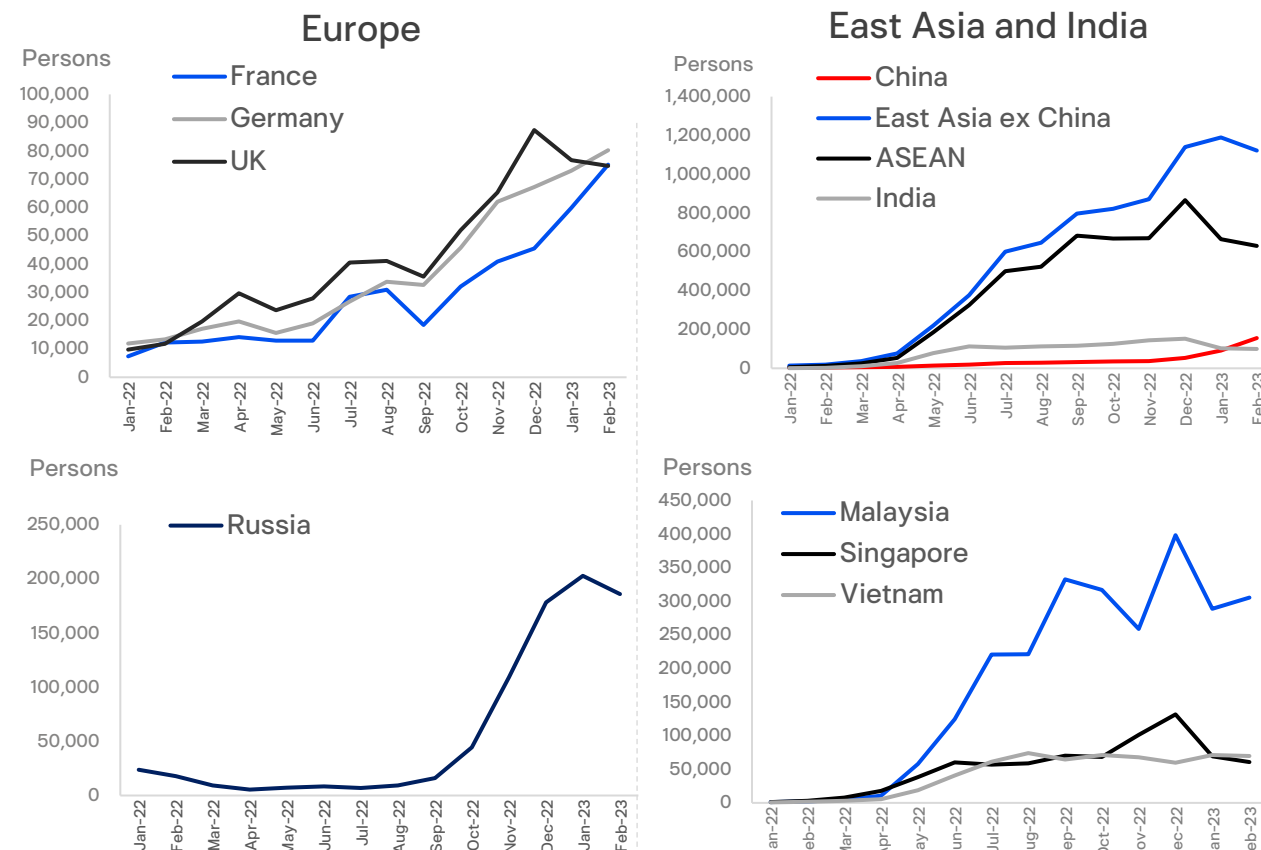
Foreign arrivals slightly declined for second consecutive month

Total Foreign Tourist Inbounds



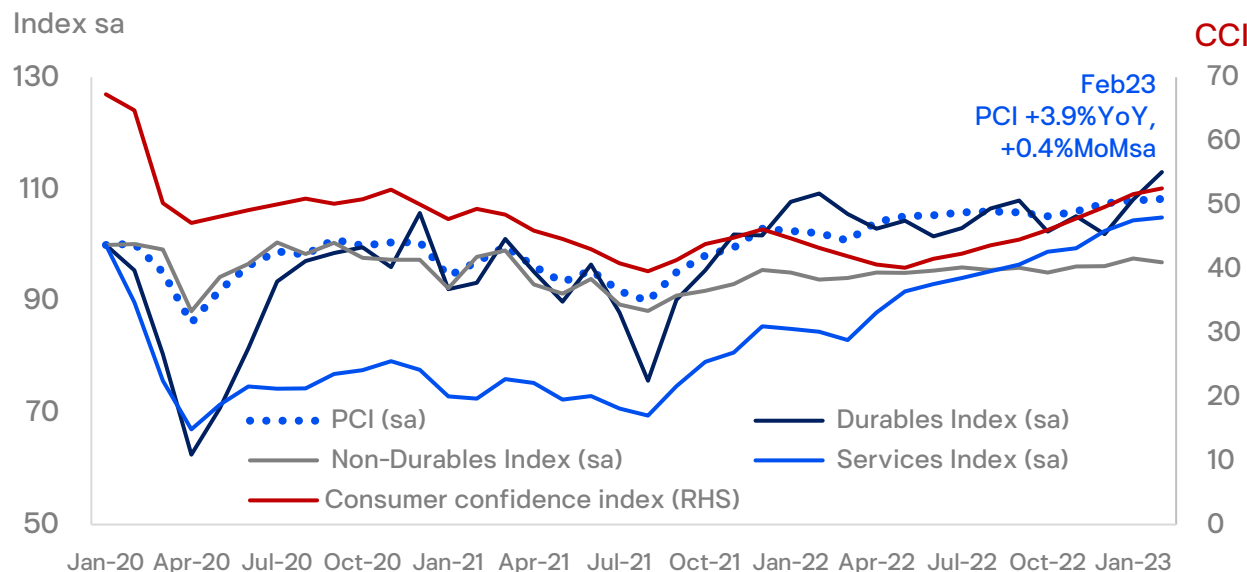
- As of Feb23, foreign tourists dropped slightly to 2.11 million, dropped slightly for second consecutive month. This was due to the short-haul tourists decreased following reopening policies in other countries particularly in ASEAN tourists, as well as Russia and the UK.

Foreign Tourist Inbounds by key regions

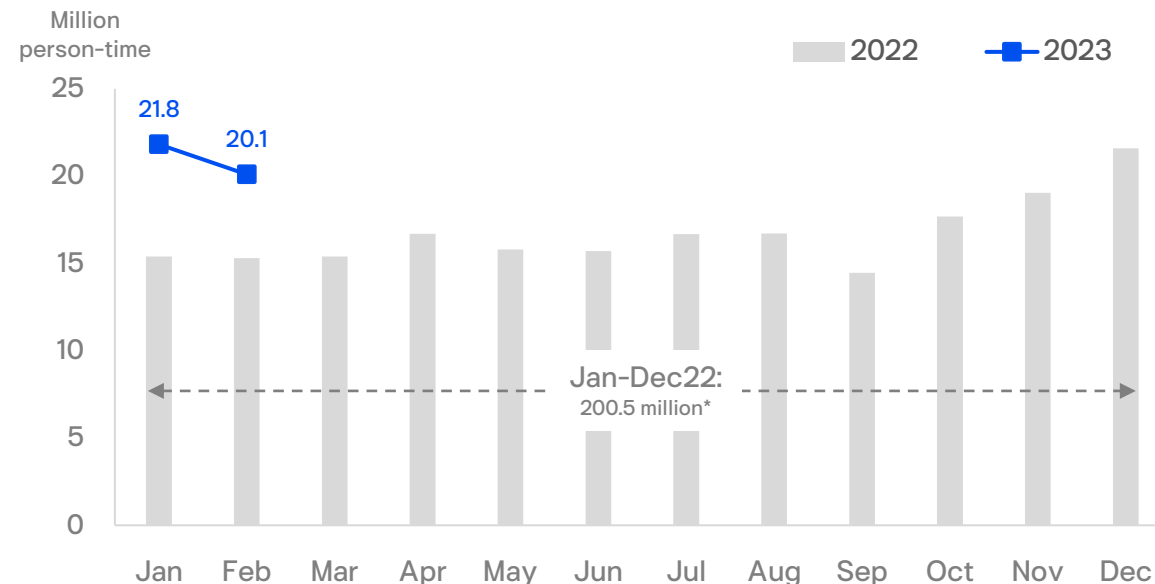


Private consumption increased as mainly due to EV purchase

Private Consumption Indicators (SA)

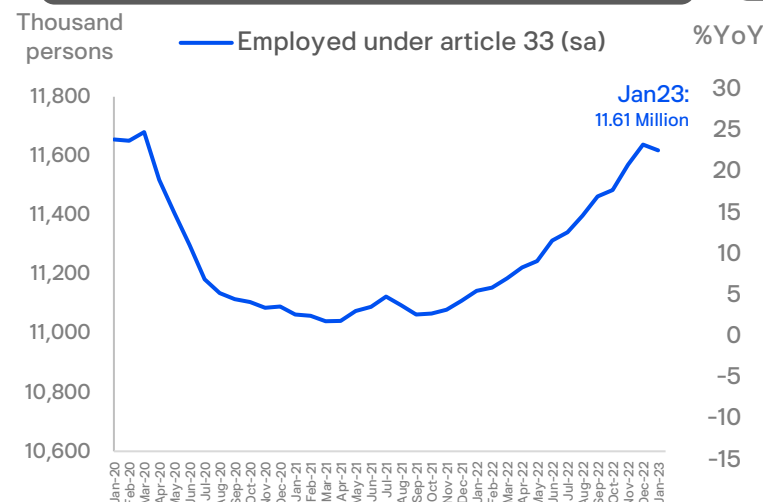


Thai domestic visitors

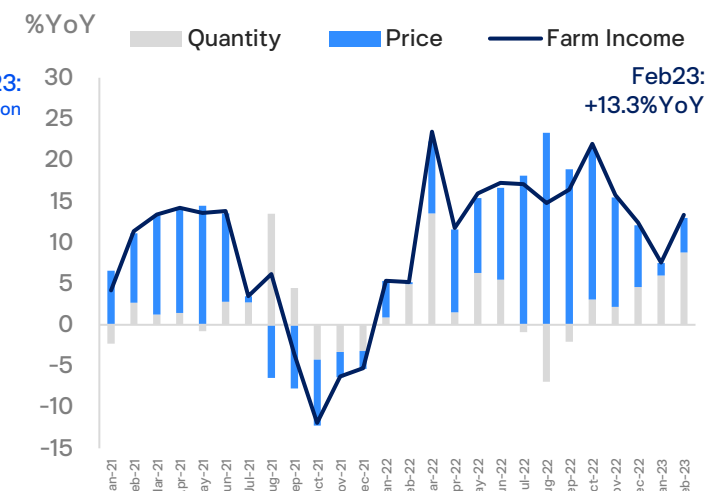


- Private consumption indicators in Feb23 improved from the previous month in line with economic recovery.
- Spending on durable goods rose as mainly from EV backlog order and number of registered vehicle on motorcycles, while non-durable goods demand slightly soften.
- Thai domestic visitors dropped slightly due to pent-up demand in the month earlier and the side-effect of air pollution in northern Thailand.

Employment M33



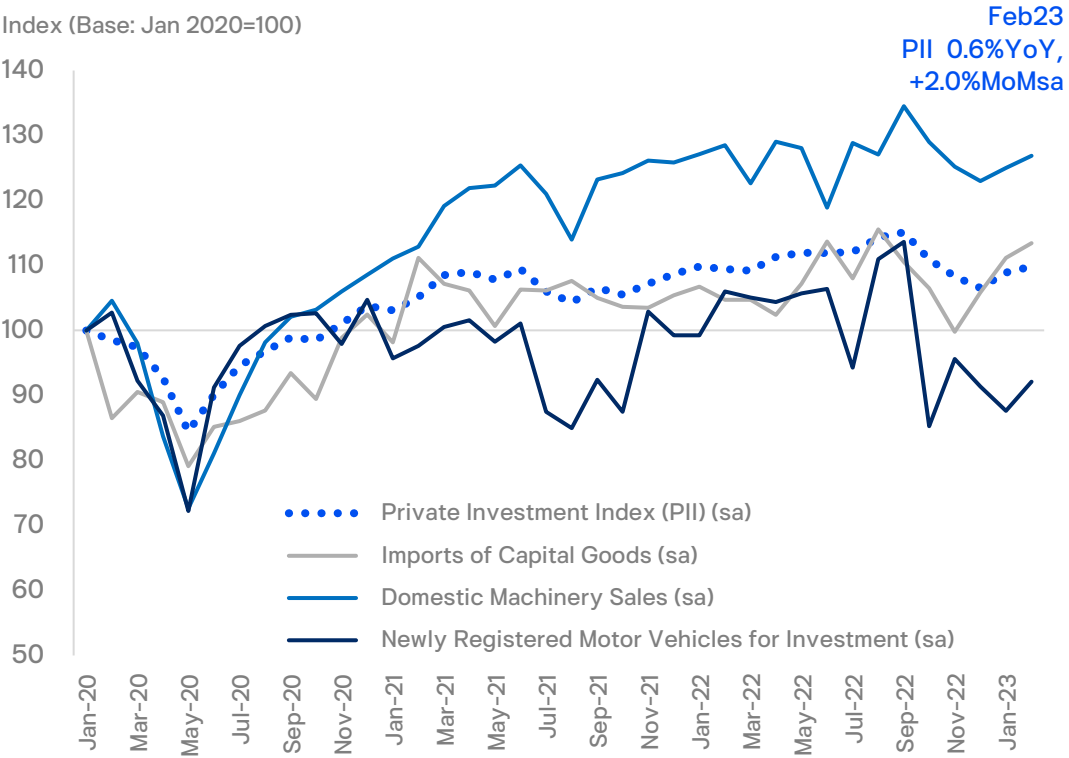
Farm Incomes



Private investment continued to improve from investment in machinery and equipment

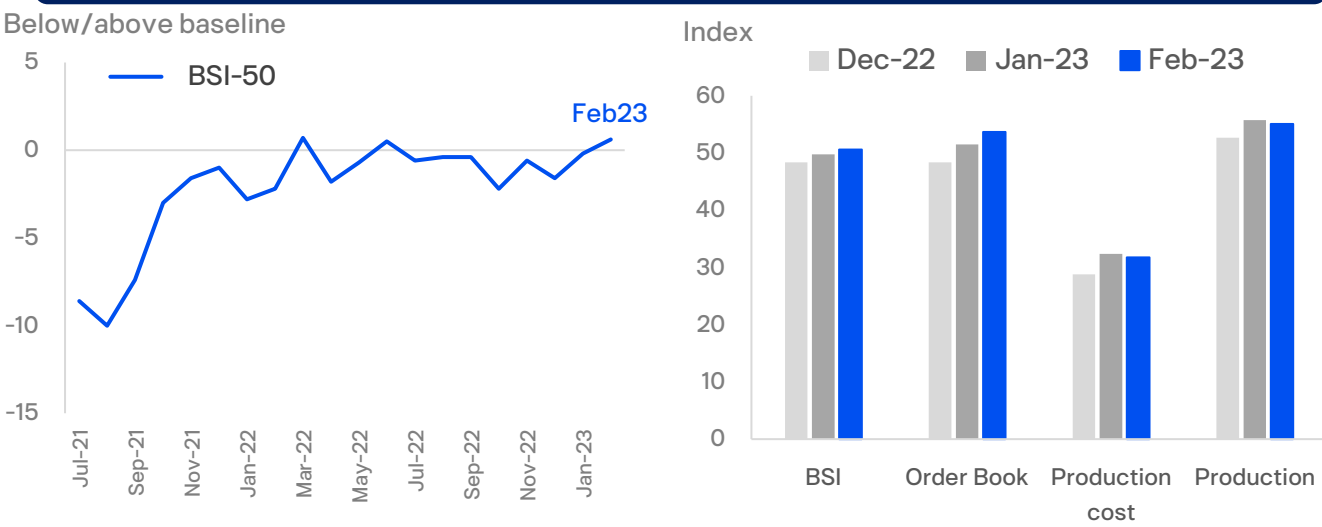


Private Investment Indicators (SA)

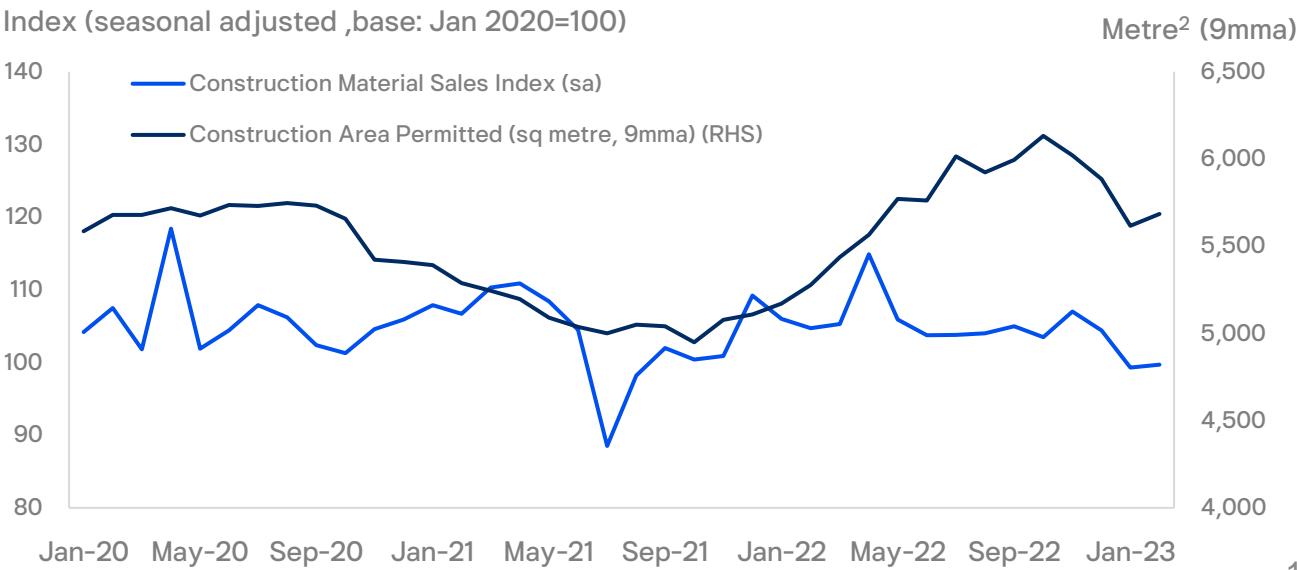


- Indicators on private investment in Feb23 picked up from investment in machinery and equipment, following increases in import of capital goods and domestic sales of machinery, however, investment in construction remained subdued
- Business sentiment Index improved over the 50-baseline in eight months in almost all categories except investment and cost.

Business Sentiment Index



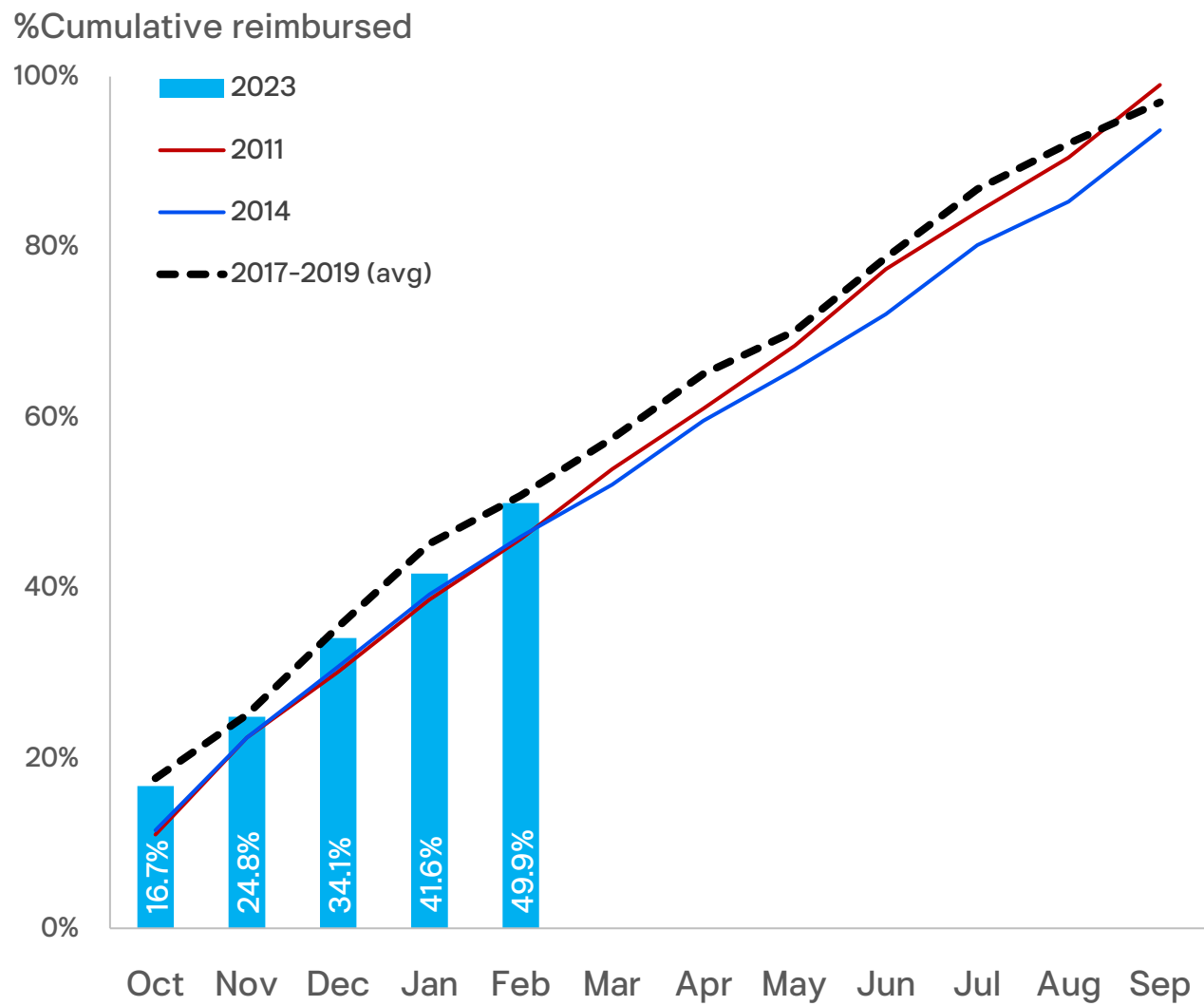
Construction sector (SA)



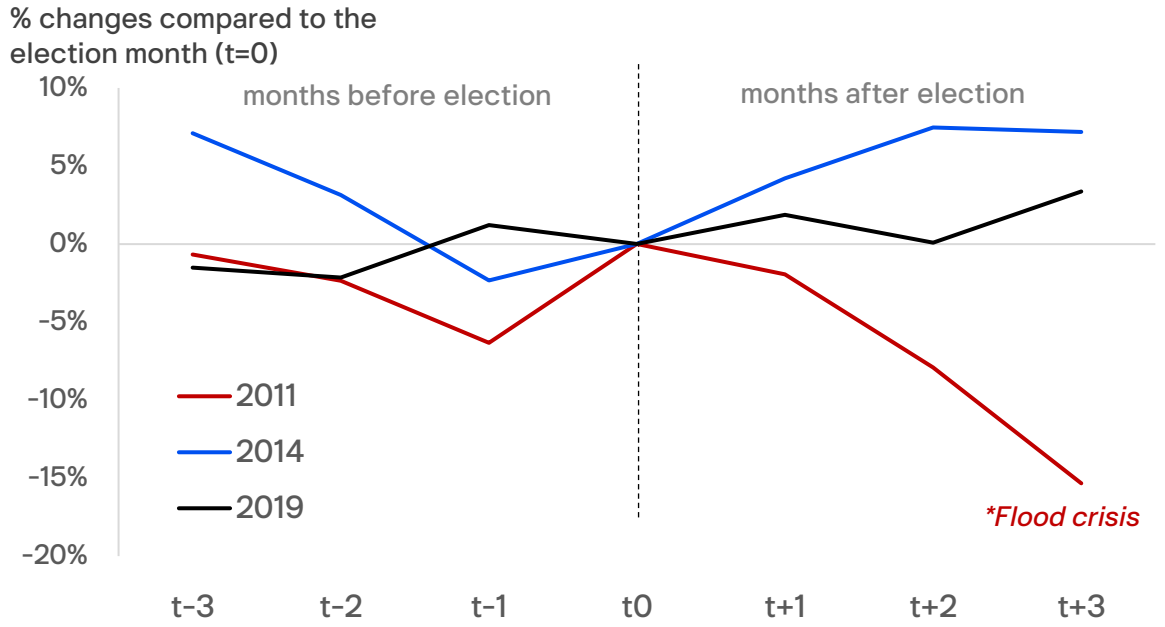
Historically, govt investment disbursement dropped at least 1% during political uncertainty period, which typically linked to private investment sentiment



Budget reimbursement on government investment



SET Index during election year

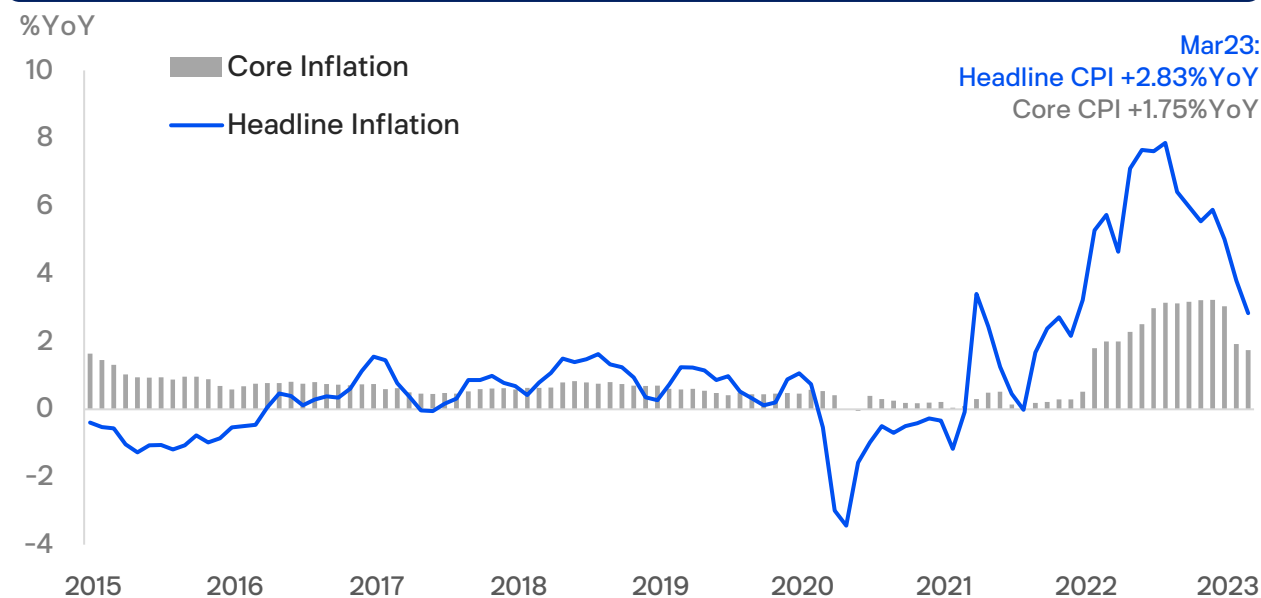


- Degree of disbursement on government investment budget during 2011 and 2014, or political uncertainty years, were declined approx. 1-5% comparing to baseline (2017-2019 average).
- Government investment is typically linked to private investment sentiment which also indicating the total investment growth
- SET Index during election year were likely to drop the month before election month, and then improved gradually on months after, depending on the result vote.

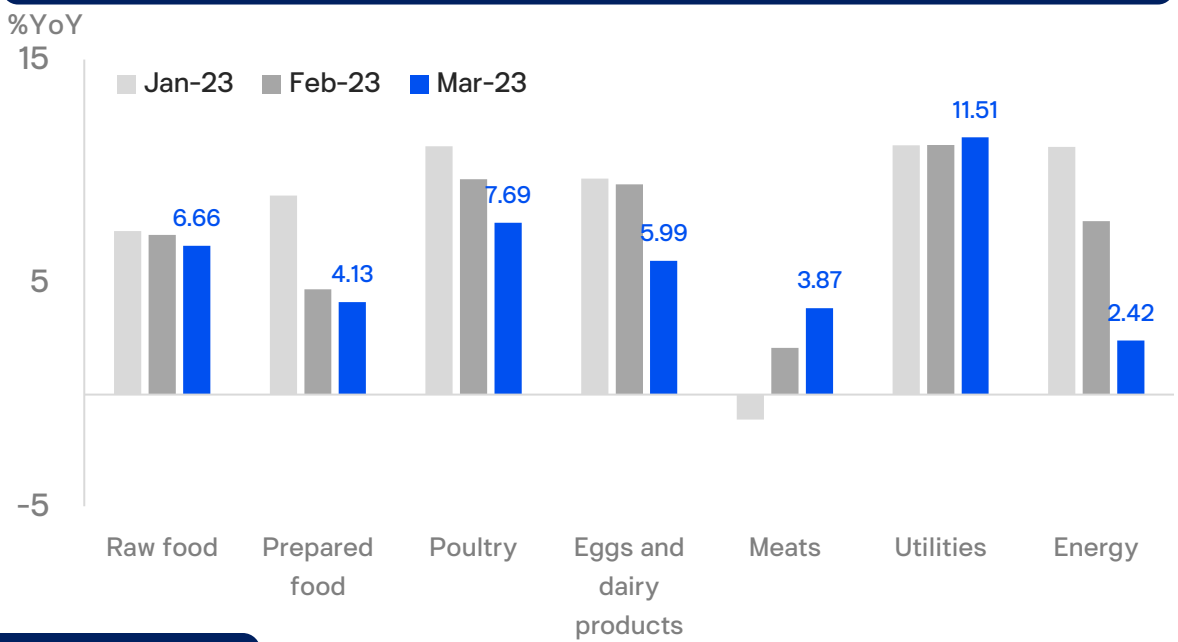
Headline inflation in March continued easing to 2.83%



Headline vs core inflation



Price change in top categories

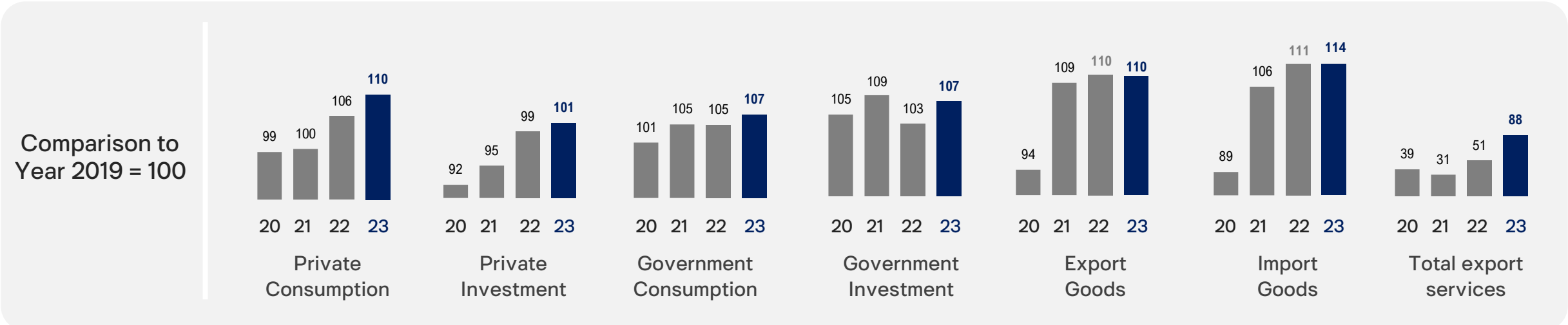
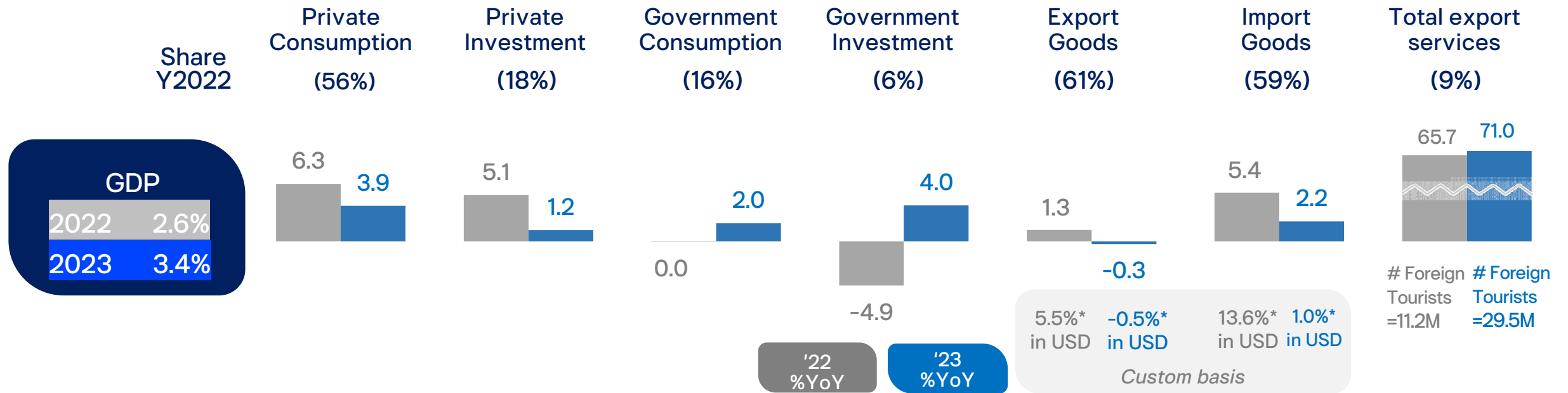


Historical Thai Inflation (%yoy)

%YoY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HCPI	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	6.08	3.88
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	6.91	6.21
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	4.81	3.12
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	9.10	1.97
Core CPI	1.08	2.29	0.27	0.95	2.36	2.10	1.01	1.59	1.05	0.74	0.55	0.71	0.52	0.29	0.24	2.50	2.24

- The headline consumer price index (CPI) dropped to 2.83%YoY in Mar23, compared to 3.79%YoY in previous month. This was due to the continued easing of energy and food prices in many categories. The core inflation was also below the 3% territory to 1.75%YoY.
- The commerce ministry revised down headline inflation from 2.5% to 2.2% this year (mid range of forecast).

GDP 2022-2023: Forecast and Contribution (Feb 2023)



PART 3

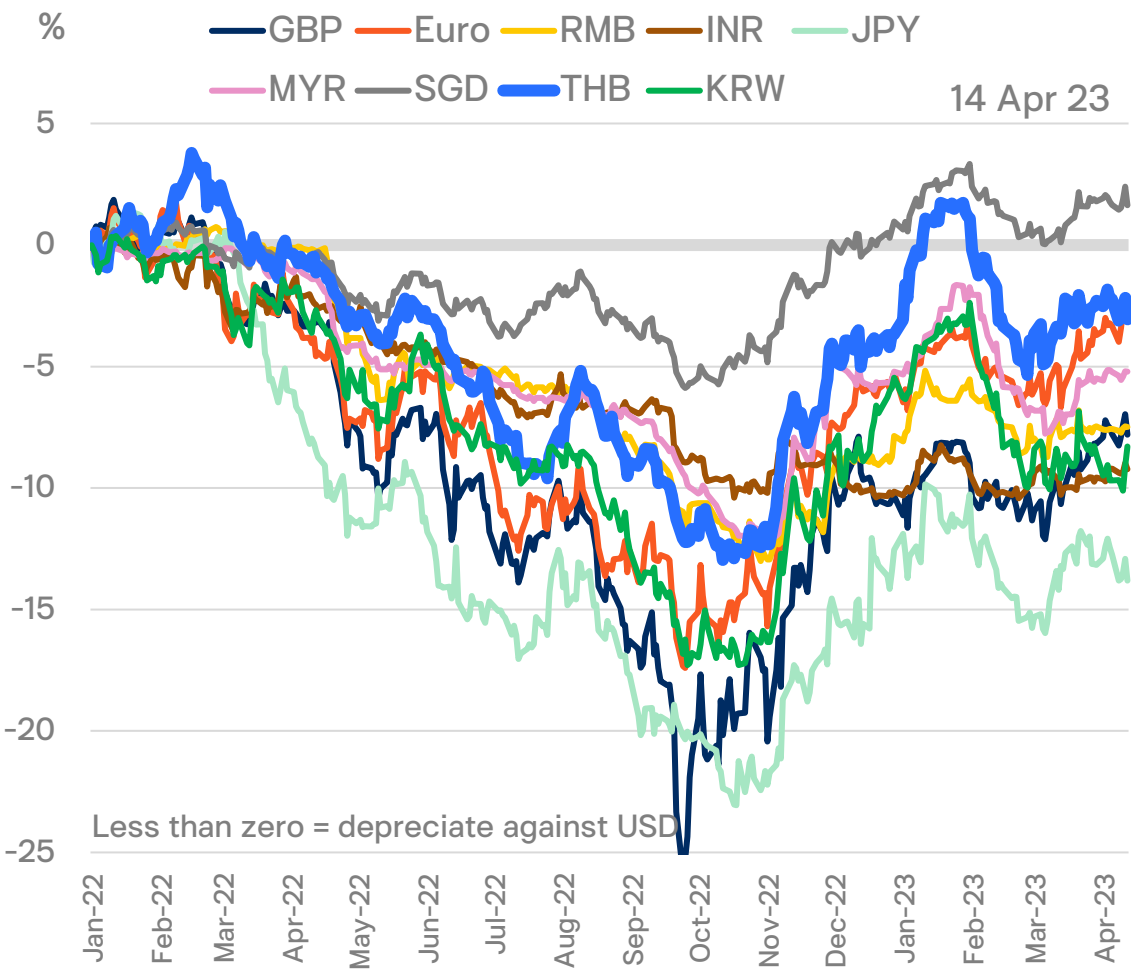
Financial Market



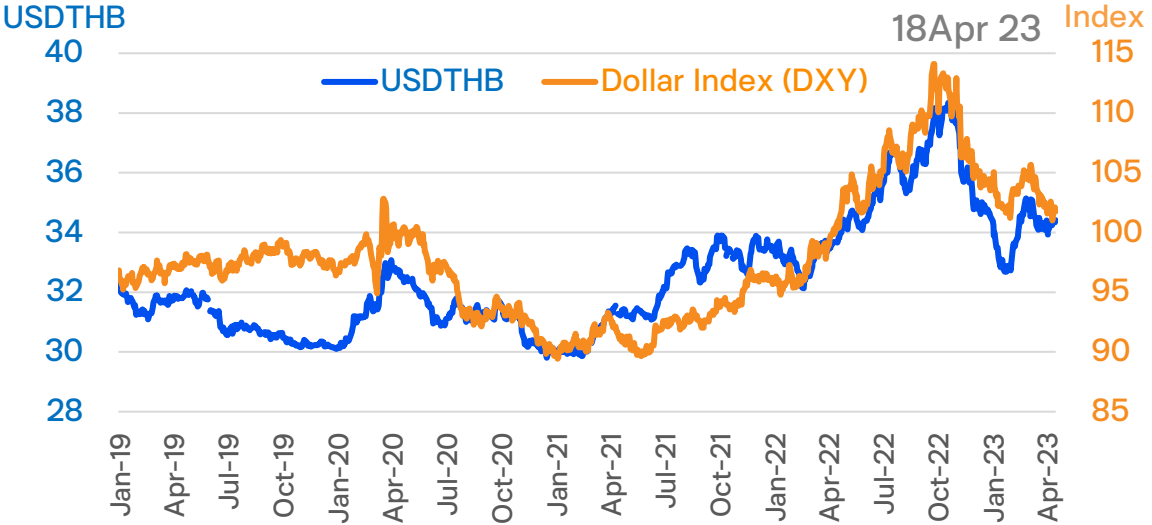
US dollar stepped lower as a result of lessening economic data



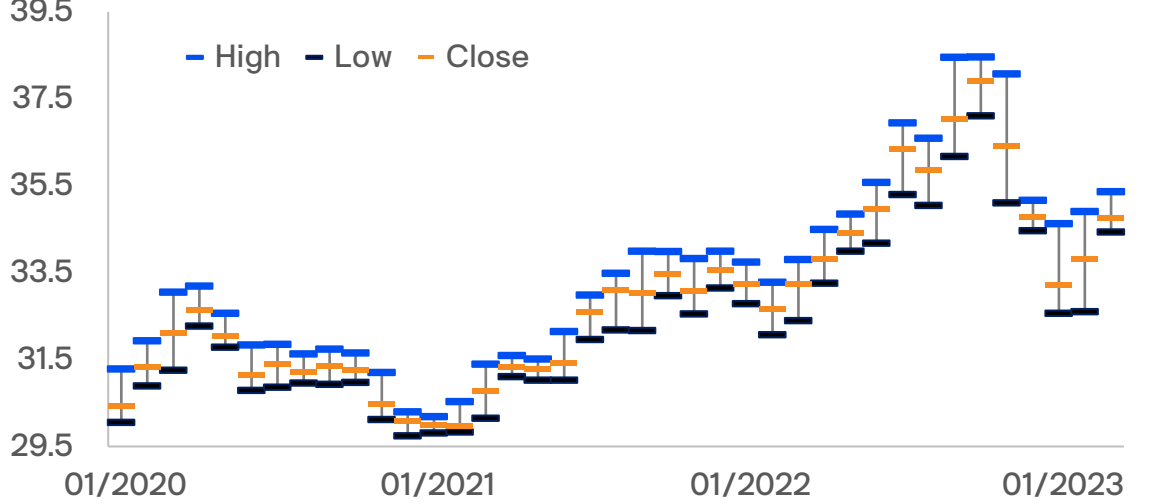
Major Asian currencies against USD



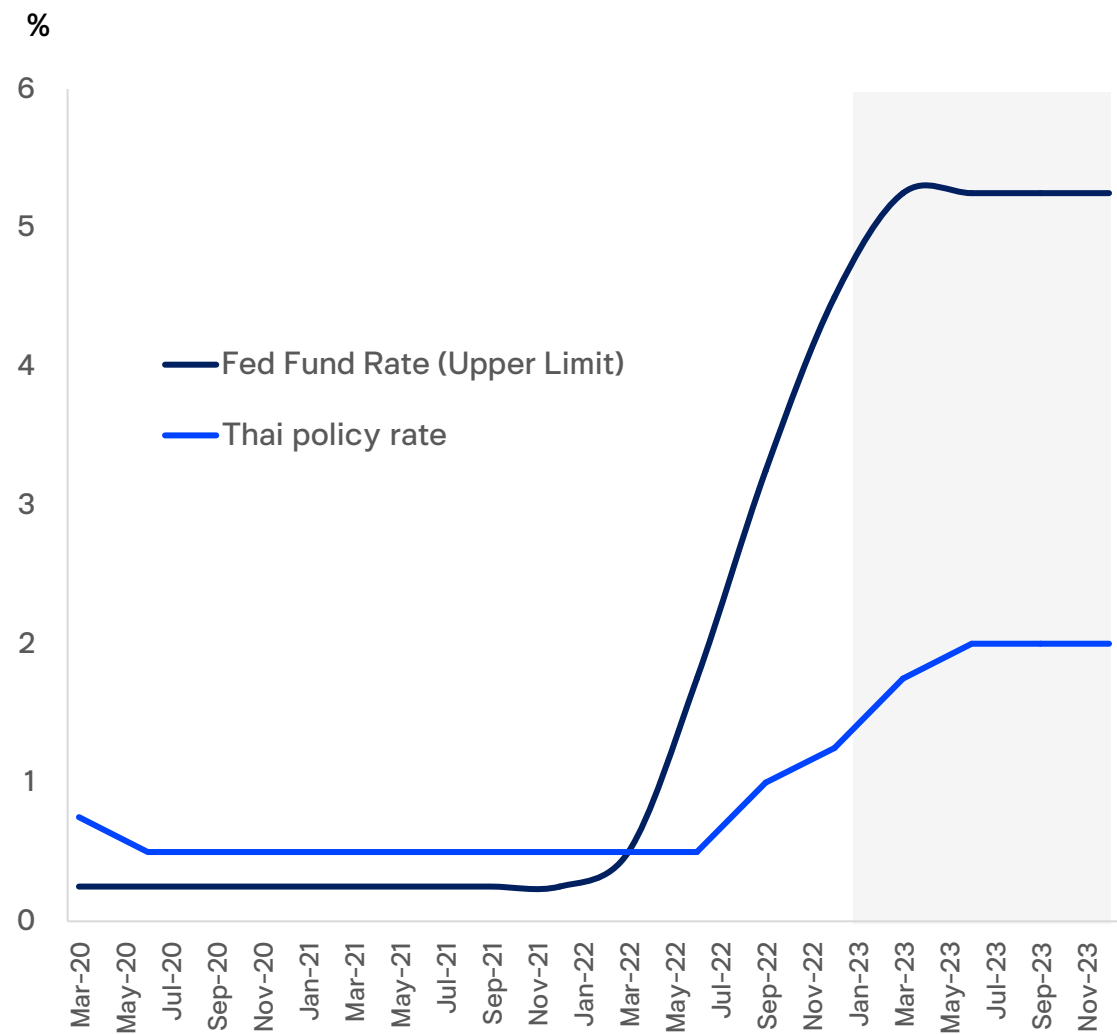
Dollar Index / USDTHB



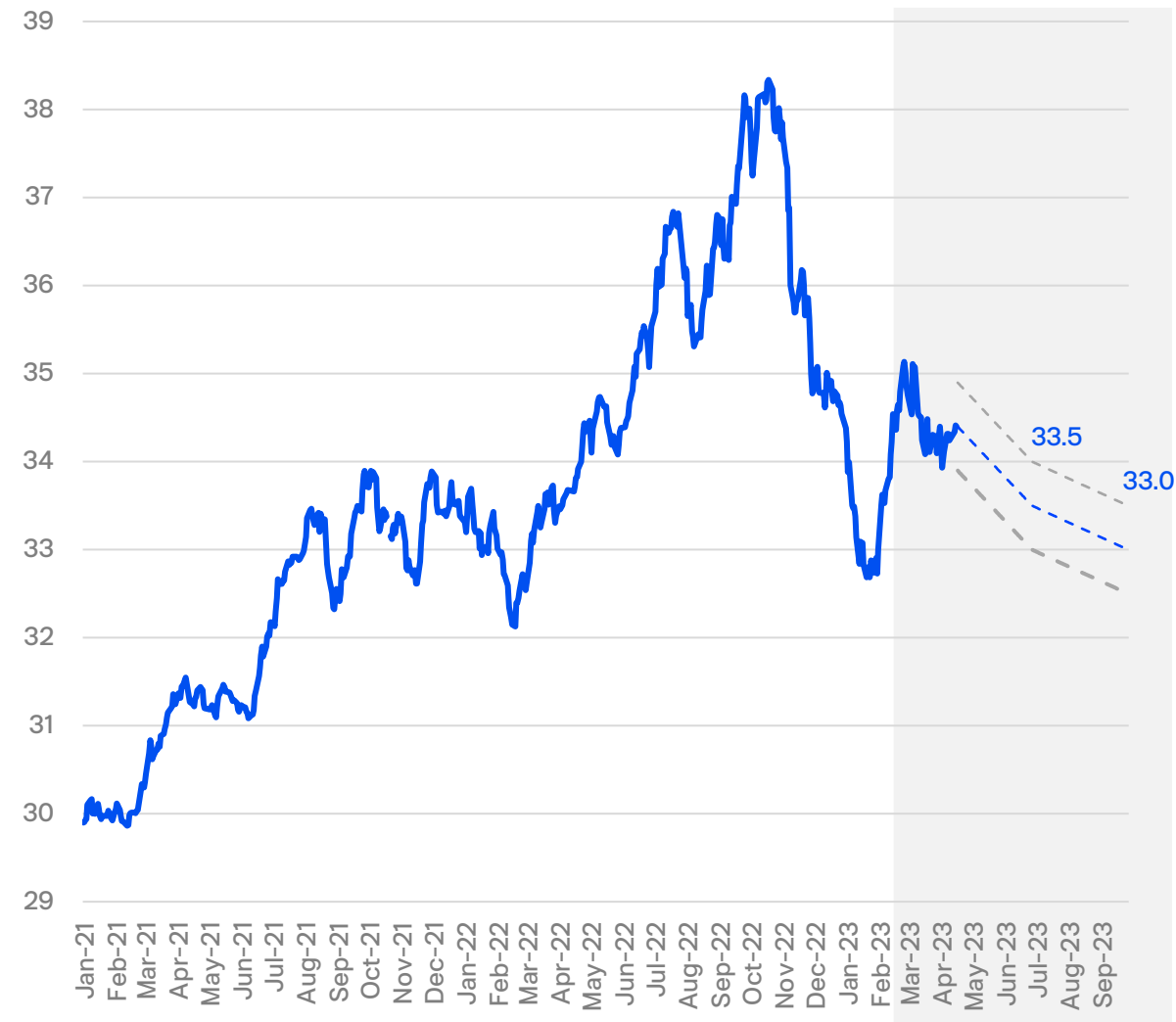
Average daily range of USDTHB



FED-BOT policy rate forecast



USDTHB Projection





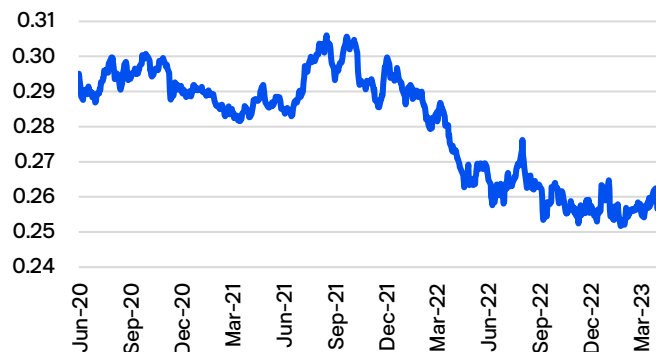
USDTHB

- USDTHB ending 34.01 level in March and is hovered around 34.00 – 34.50 in April 2023.
- The US annual consumer price index for March dipped to 5.0% from 6.0% in February, below the economists' estimate of 5.2%. However, the core number edged up slightly to 5.6% in March from 5.5% in the previous month, on an annual basis.
- According to CME's FedWatch Tool, futures pricing shows an 85.7% chance that the Fed will hike rates 25 bps on 2-3 May meeting. Market participants view that the May hike will be the last one for 2023.



EURTHB

- EURTHB ending 37.18 level in March and is hovered around 37.20 – 37.80 in April 2023.
- The euro, which traded below \$1 in September, a two-decade low, is now worth around \$1.10, close to its highest in more than a year.
- Driving the momentum, and likely future strength, is the view that U.S. interest rates are close to peaking, while borrowing costs in Europe - where inflation is stickier - have further to climb. Markets expect another 75 bps of European Central Bank rate hikes.



JPYTHB

- JPYTHB ending 0.256 level in March and is hovered around 0.255 – 0.260 in April 2023.
- The JPY is under renewed pressure as new Bank of Japan Governor Kazuo Ueda reiterated that the central bank would maintain its ultra-loose monetary policy.
- Worsening local economic conditions also weighed on the yen, with focus turning to key nationwide inflation data where in February showing slowing trend of 3.1% growth compared to 4.1% in the previous month.

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