

Economic and Financial Outlook

ttb analytics

Jul 2023



Global Economy

- In May 2023, international tourists signaled a weakening momentum going forwards. Meantime, global trade softened in line with a decline of industrial productions in several nations. A recent Tech-War retaliation by China would pose some limited impacts on global supply chain clearly in short run.
- US economy has continuously softened both in merchandise exports and domestic demands, but labor market condition overall remained relatively strong. China's recovery has also softened with a PBOC's latest rate cut to spur domestic spendings. Most of ASEAN economies have turned weaker since the beginning of year 2023 mainly due to global trade drop. Recently there were diversifications in regional ASEAN central banks' monetary policy operations.

Thai Economy

- In May 2023, the Thai economy improved slightly during election period. Private consumption improved from non-durable good purchase. Private investment indicators boosted up as temporarily effect of large amount of import of computers and related equipment as well as aircrafts.
- Merchandise exports excluding gold improved from the previous month, which was mainly due to export of industrial products, while agriculture and agro-industry products were down. Moreover, exports to key markets mostly contracted, particularly in China and CLMV markets
- The number of foreign tourist arrivals declined slightly from the previous month. Tourist arrivals from India and Malaysia slightly declined, while the number of Chinese tourists remained flat.
- Headline inflation in June 2023 eased to 22-month low due to the high base effect in fresh food and energy price. The minister of commerce revised down headline inflation forecast to 1-2% this year.

Financial Markets

- Major central banks around the world hiked policy rate to curb rising inflation but with slower pace. Market participants have pointed to possibilities of the Federal Reserve holding the policy interest rate 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 depreciated in June, ending 35.60 level. It could be around 34.00-35.00 in July. US Dollar rebounded as investors consider probabilities of further rate hikes from the Federal Reserve (Fed) after the Fed pause its hike in June meeting.

PART 1

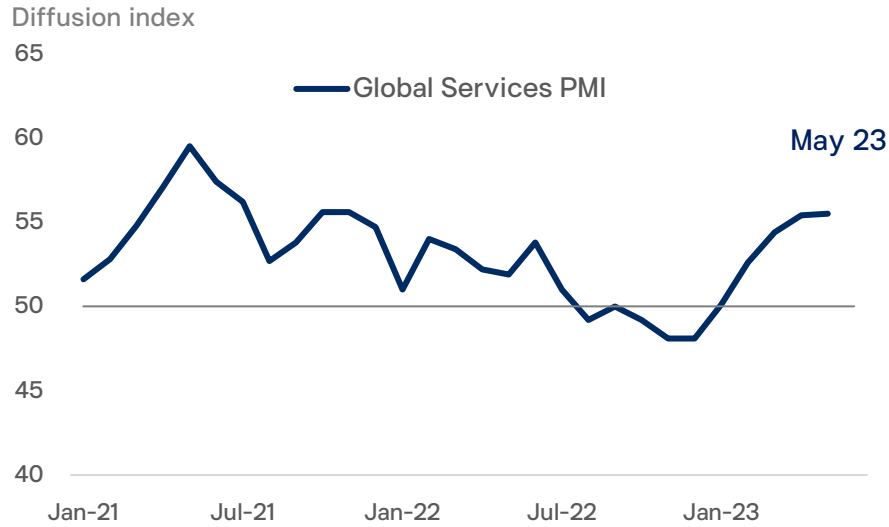
Global Economy



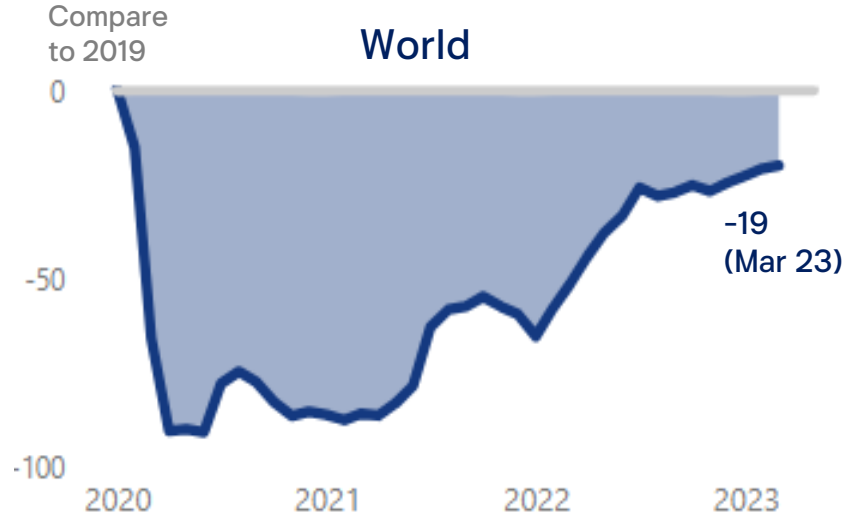
The recovery of global tourism activities signaled a weakening momentum going forwards



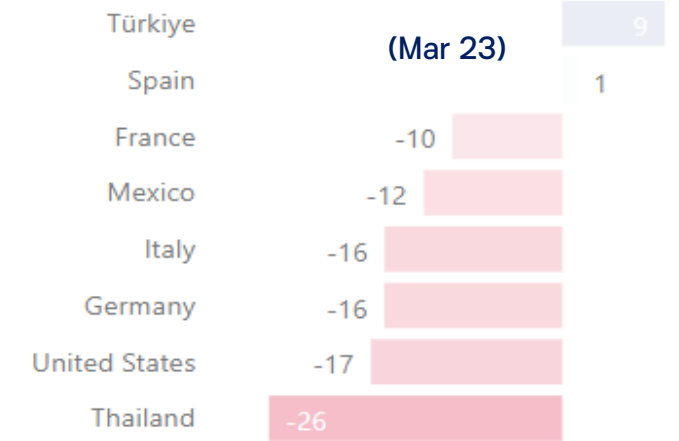
Global Services PMI



World International Tourist Arrivals

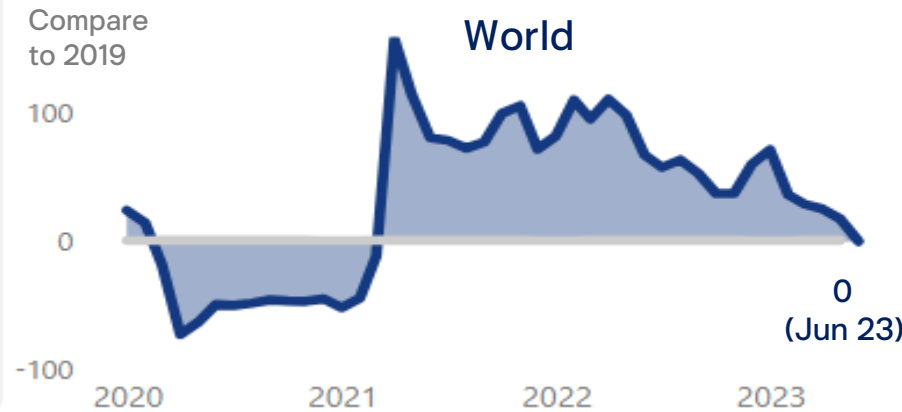


By nations

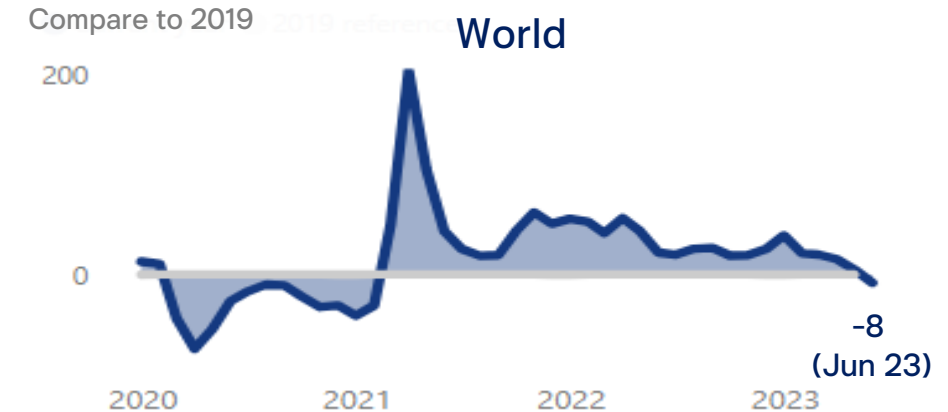


- **Global Services PMI in May23 reflected stable services activities.** Recently international tourists haven't reached Pre-COVID19 level yet, reaching around 80% of normal situation.
- Going forwards, world tourism activities tends to slow down as reflected by a drop in flight and accommodation search globally.

Travel Search - Flight



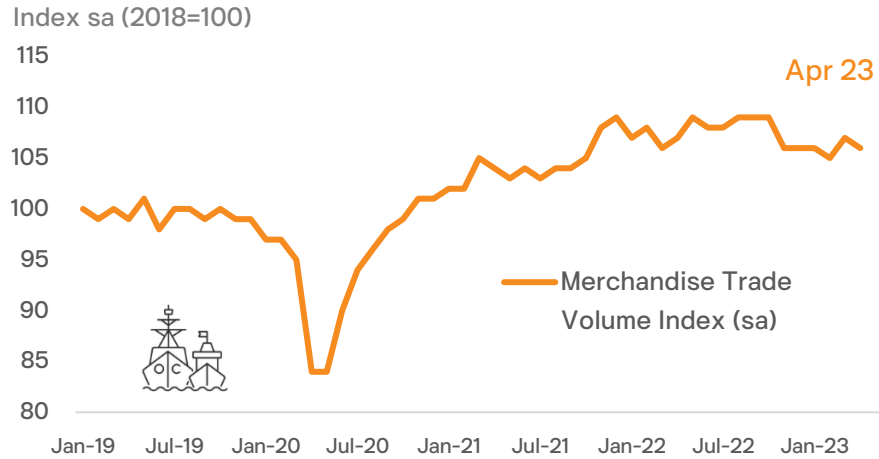
Travel Search - Accommodation



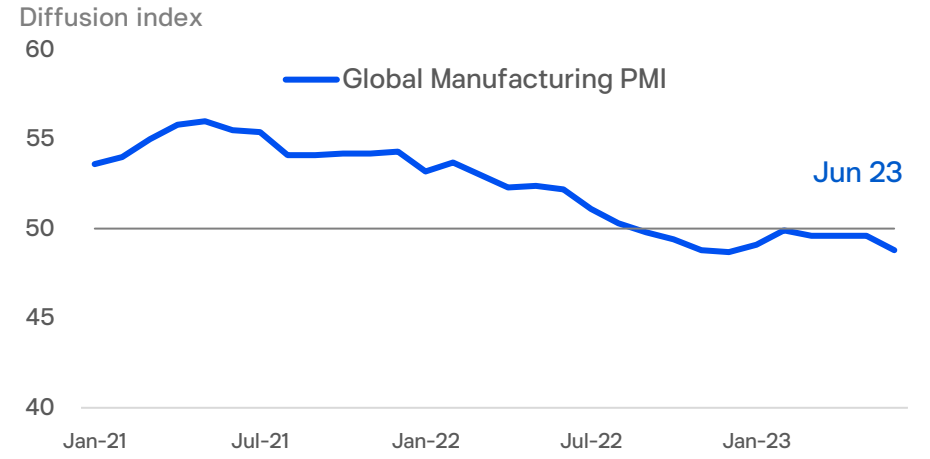
Global trade activities continued to weaken in line with declined productions in several nations



Merchandise Trade Volume Index



Global Manufacturing PMI



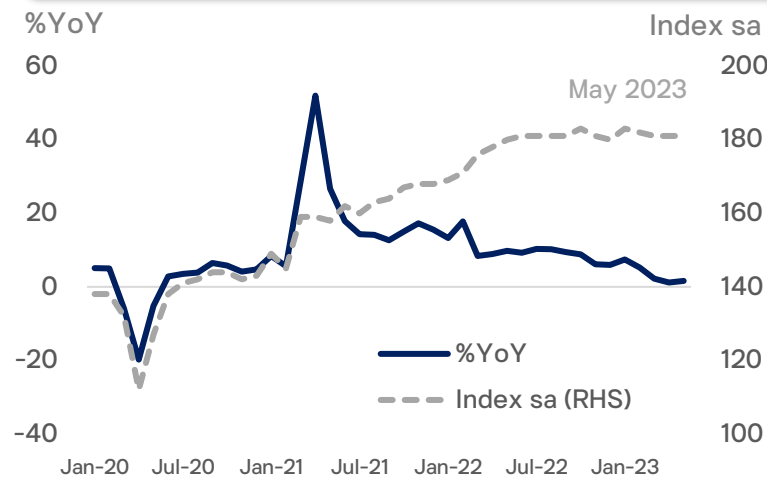
Manufacturing PMI	Global Manufacturing PMI																							
	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Australia	56.9	52.0	56.8	58.2	59.2	57.7	55.1	57.0	57.7	58.8	55.7	56.2	55.7	53.8	53.5	52.7	51.3	50.2	50.0	50.5	49.1	48.0	48.4	48.2
China	50.3	49.2	50.0	50.6	49.9	50.9	49.1	50.4	48.1	46.0	48.1	51.7	50.4	49.5	48.1	49.2	49.4	49.0	49.2	51.6	50.0	49.5	50.9	50.5
India	55.3	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8
Japan	53.0	52.7	51.5	53.2	54.5	54.3	55.4	52.7	54.1	53.5	53.3	52.7	52.1	51.5	50.8	50.7	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8
South Korea	53.0	51.2	52.4	50.2	50.9	51.9	52.8	53.8	51.2	52.1	51.8	51.3	49.8	47.6	47.3	48.2	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8
Indonesia	40.1	43.7	52.2	57.2	53.9	53.5	53.7	51.2	51.3	51.9	50.8	50.2	51.3	51.7	53.7	51.8	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5
Thailand	48.7	48.3	48.9	50.9	50.6	49.5	51.7	52.5	51.8	51.9	51.9	50.7	52.4	53.7	55.7	51.6	51.1	52.5	54.5	54.8	53.1	60.4	58.2	53.2
United States	63.4	61.1	60.7	58.4	58.3	57.7	55.5	57.3	58.8	59.2	57.0	52.7	52.2	51.5	52.0	50.4	47.7	46.2	46.9	47.3	49.2	48.4	46.3	48.8
Canada	56.2	57.2	57.0	57.7	57.2	56.5	56.2	56.6	58.9	56.2	56.8	54.6	52.5	48.7	49.8	48.8	49.6	49.2	51.0	52.4	48.6	50.2	49.0	48.8
United Kingdom	60.4	60.3	57.1	57.8	58.1	57.9	57.3	58.0	55.2	55.8	54.6	52.8	52.1	47.3	48.4	46.2	46.5	45.3	47.0	49.3	47.9	47.8	47.1	46.5
Germany	65.9	62.6	58.4	57.8	57.4	57.4	59.8	58.4	56.9	54.6	54.8	52.0	49.3	49.1	47.8	45.1	46.2	47.1	47.3	46.3	44.7	44.5	43.2	40.6
France	58.0	57.5	55.0	53.6	55.9	55.6	55.5	57.2	54.7	55.7	54.6	51.4	49.5	50.6	47.7	47.2	48.3	49.2	50.5	47.4	47.3	45.6	45.7	46.0
Italy	60.3	60.9	59.7	61.1	62.8	62.0	58.3	58.3	55.8	54.5	51.9	50.9	48.5	48.0	48.3	46.5	48.4	48.5	50.4	52.0	51.1	46.8	45.9	43.8
Spain	59.0	59.5	58.1	57.4	57.1	56.2	56.2	56.9	54.2	53.3	53.8	52.6	48.7	49.9	49.0	44.7	45.7	46.4	48.4	50.7	51.3	49.0	48.4	48.0
Euro Area	62.8	61.4	58.6	58.3	58.4	58	58.7	58.2	56.5	55.5	54.6	52.1	49.8	49.6	48.4	46.4	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.4

Source: Markit PMI, JP Morgan Global PMI, CEIC and ttb analytics

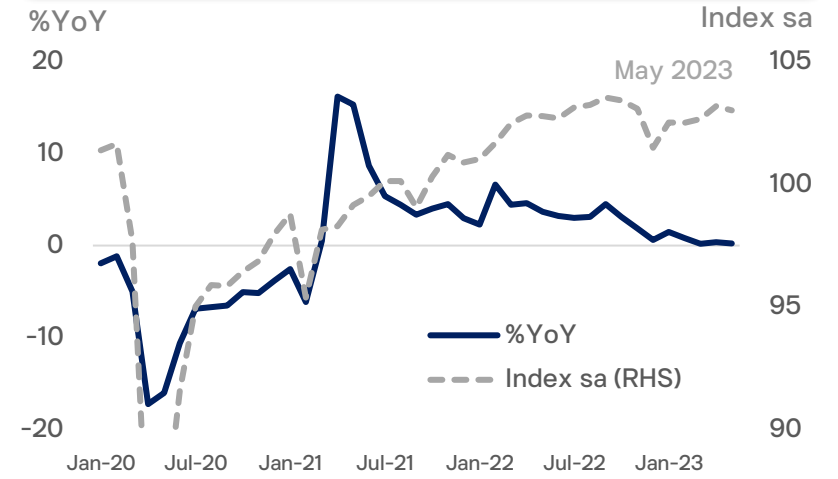
Merchandise exports



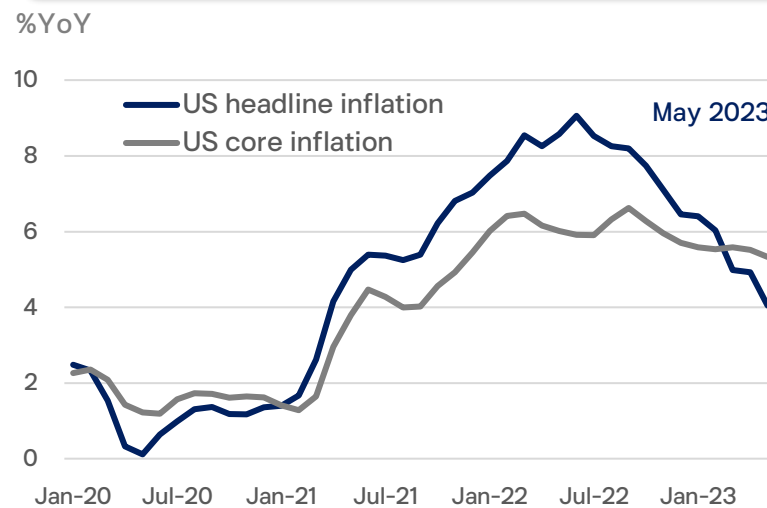
Retail sales



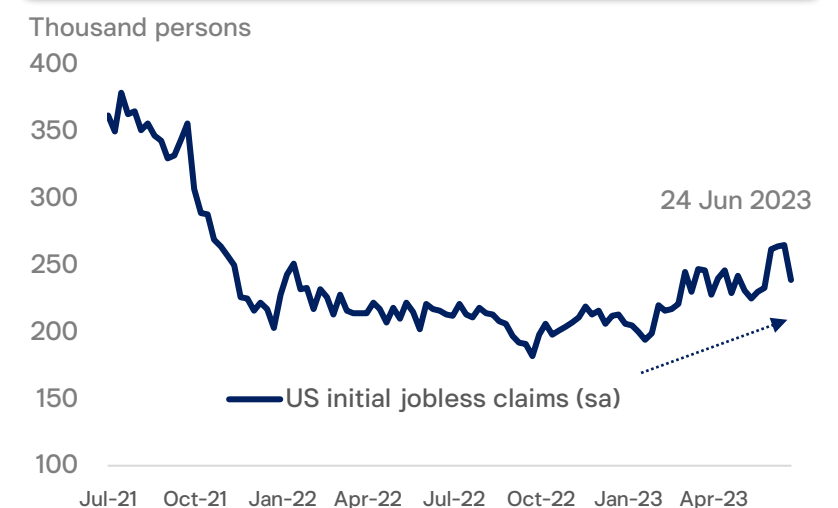
Industrial production



Inflation

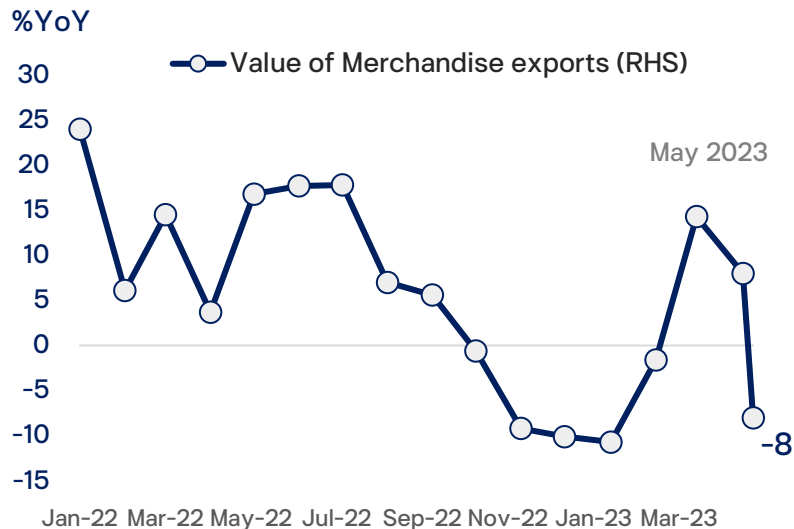


Labor market

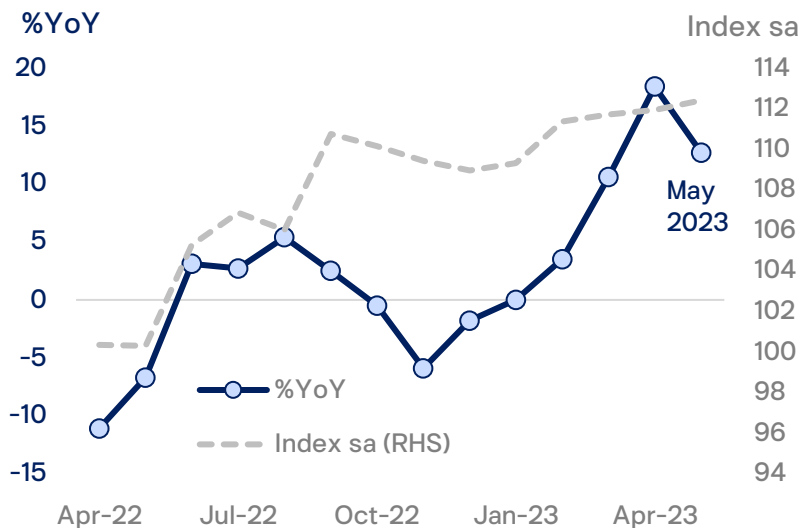


- **US economy softened.** While retail sales slightly declined from last month, merchandise exports decreased, leading to a recently softened industrial production.
- An increase in initial jobless claims reflected a slight weakness in labor market in line with a recent increase in unemployment rate to be at 3.7% from 3.4% last month. However, overall condition remained strong.
- Inflation steadily eased but elevated at high level.

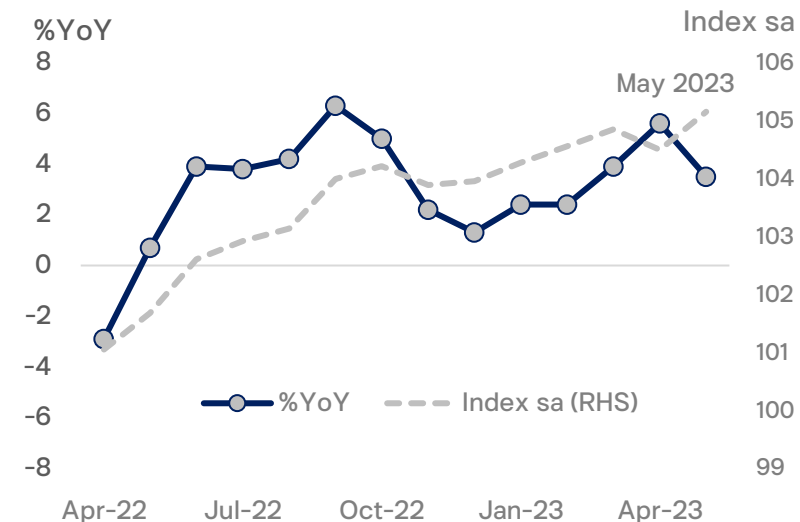
Merchandise Exports



Retail sales

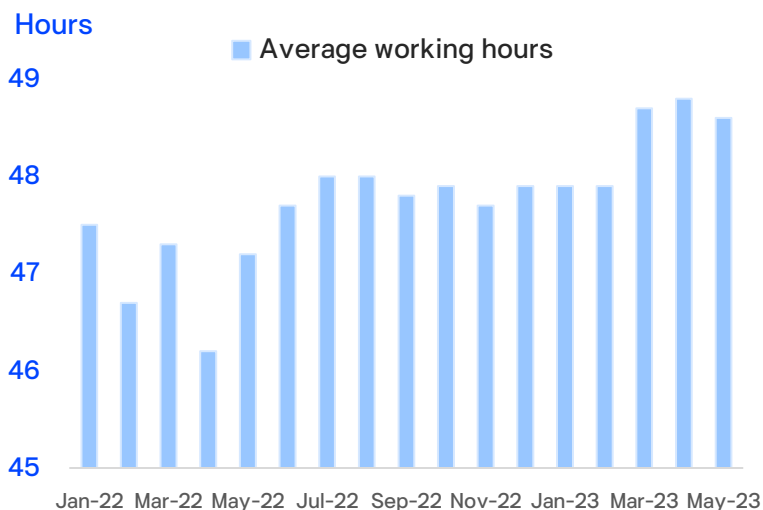


Industrial productions

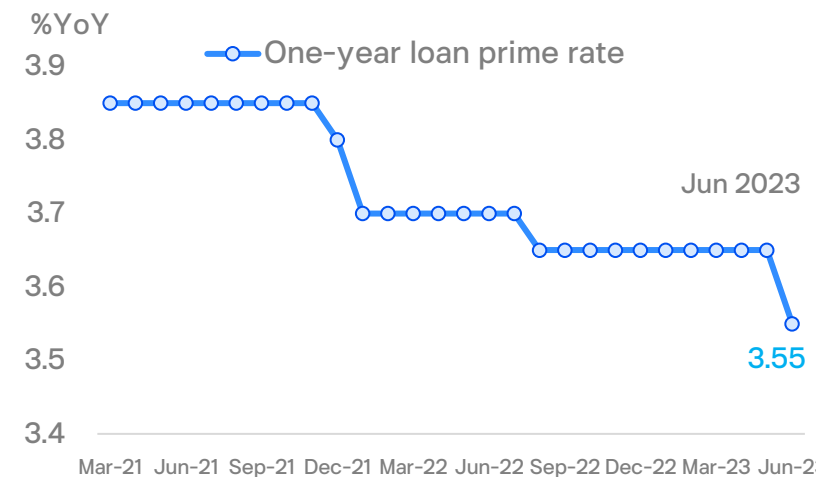


- China's post-pandemic recovery momentum has softened. Exports shrank 8%yoy as global demand was insufficient to sustain a recovery in outbound shipments. By destination, exports to the US plunged by 18.2% yoy, while EU slumped by 26.6%. Accordingly industrial production eased.
- PBoC lowered the one-year loan prime rate in Jun 23 by 10 basis points to 3.55% after the last cut in Aug 22 in order to spur domestic investment and consumption.

Exports and Working hours

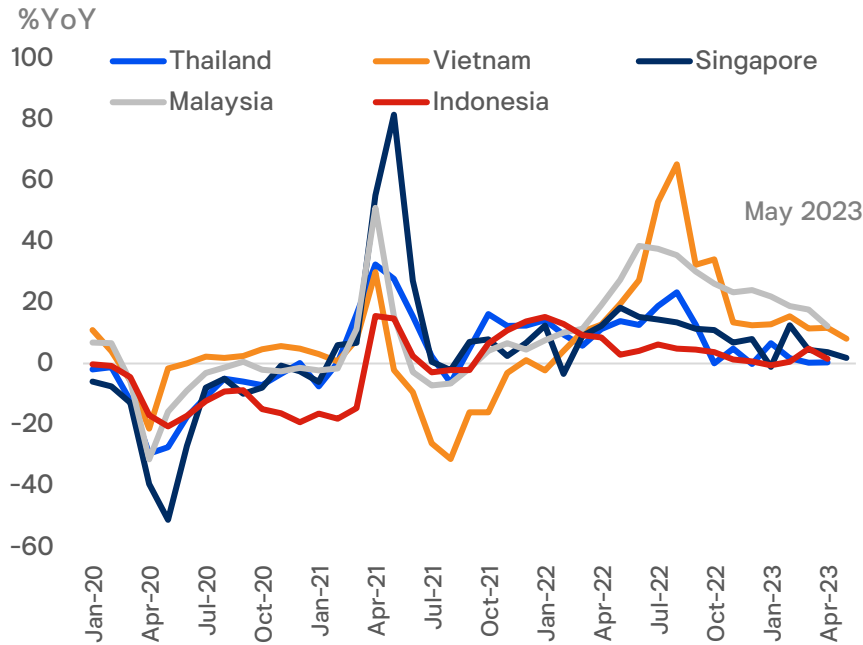


Loan prime rate

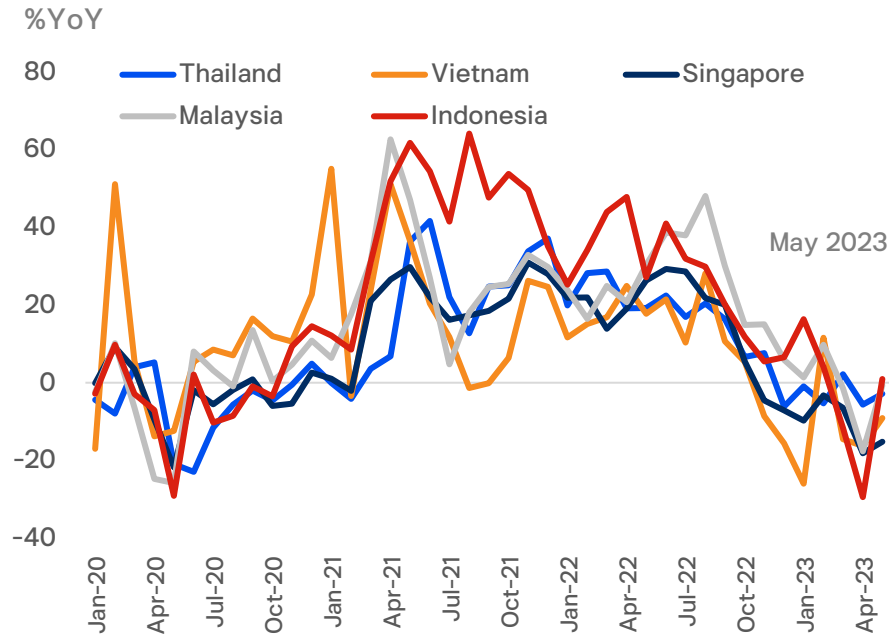


The growths of ASEAN nations have been softening amidst weakening global demands

Retail sales of ASEAN nations

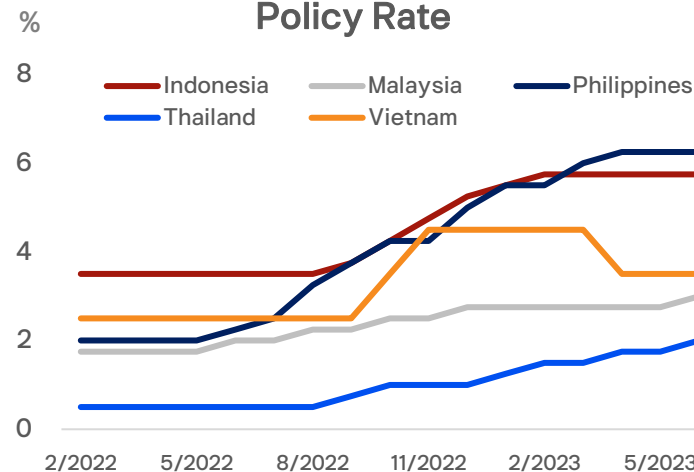


Merchandise exports of ASEAN nations

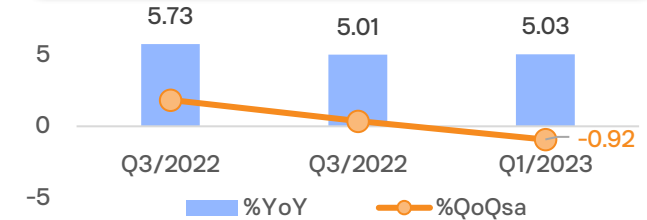


- Most of ASEAN economies have turned weaker since the beginning of year 2023, while some nations lost growth momentum. Regarding external front, foreign trades dropped across nations, mainly due to weakening global demands. However, domestic demands remained in positive territory with softer momentum.
- Recently, there have been diversifications in regional central banks' monetary policy operations.

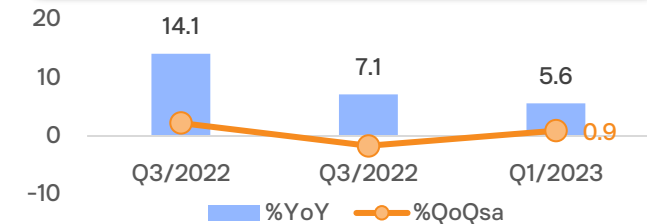
Policy Rate



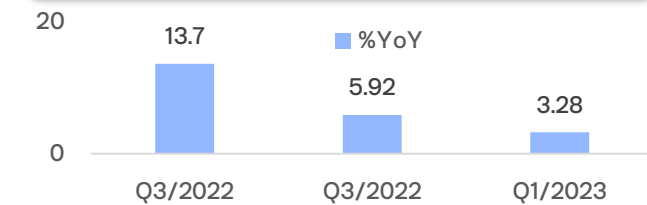
Indonesia



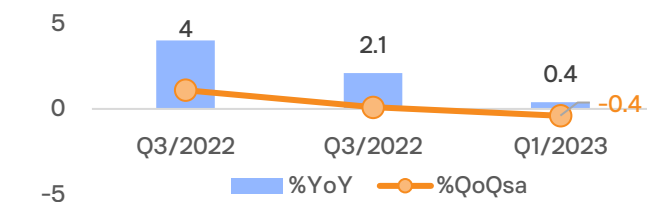
Malaysia



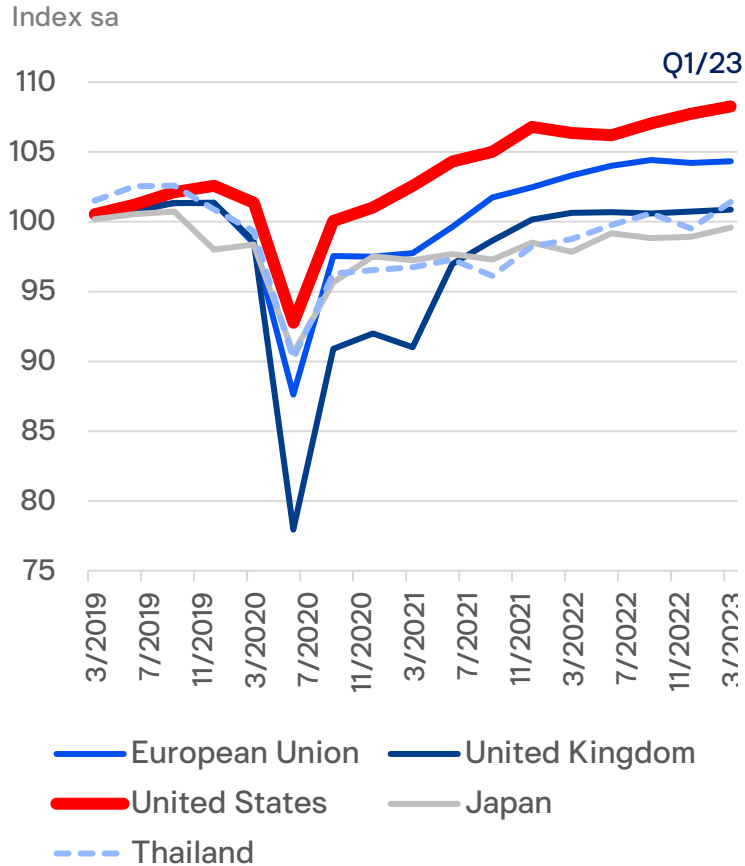
Vietnam



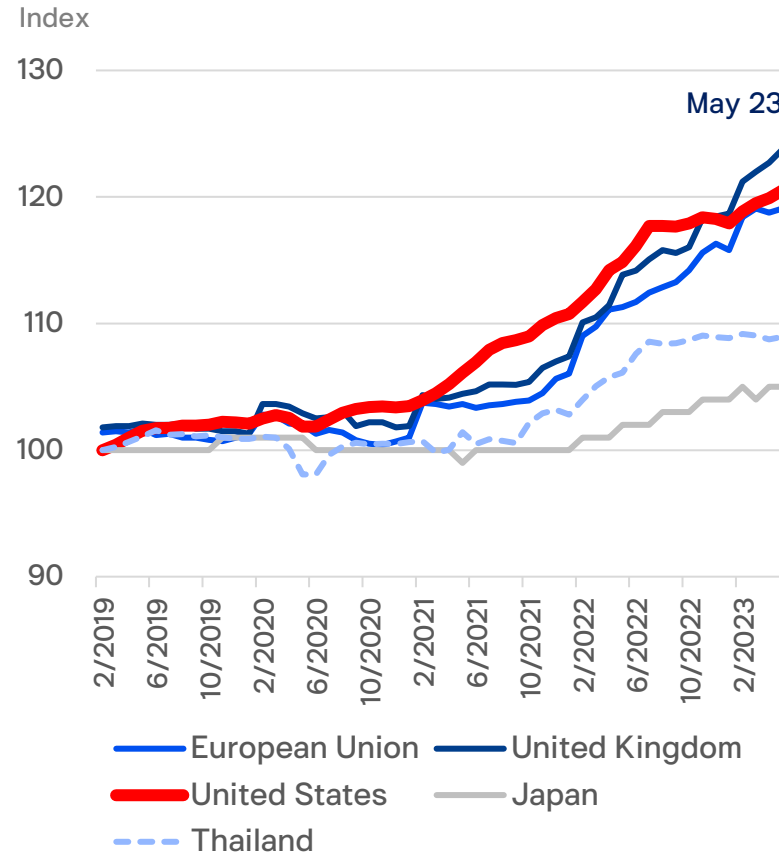
Singapore



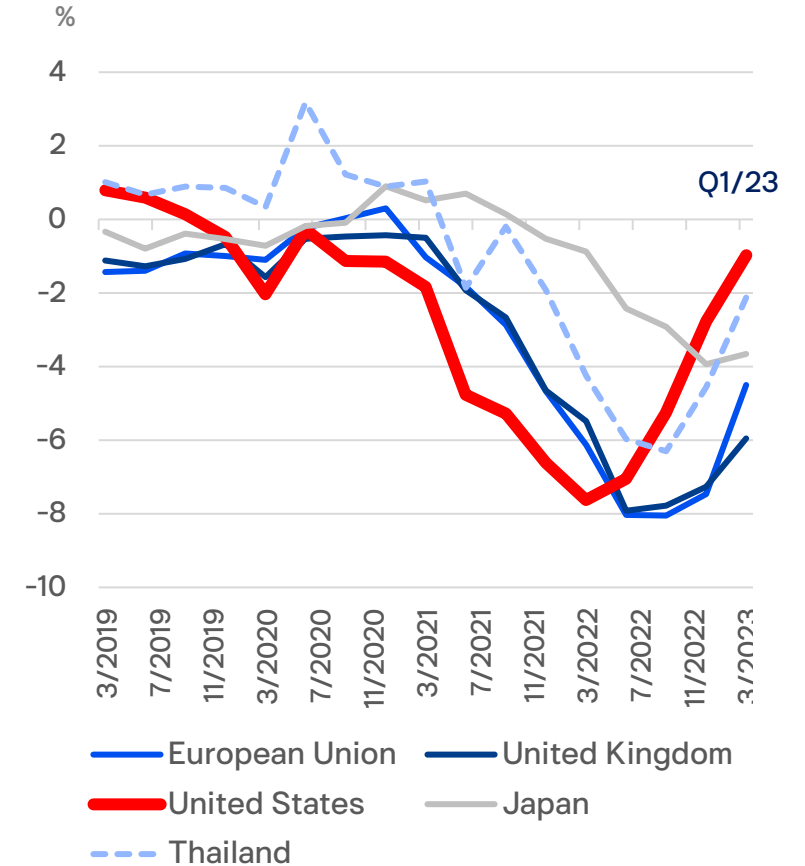
Real Global GDP



Headline Inflation Index



Real Policy Rate



PART 2

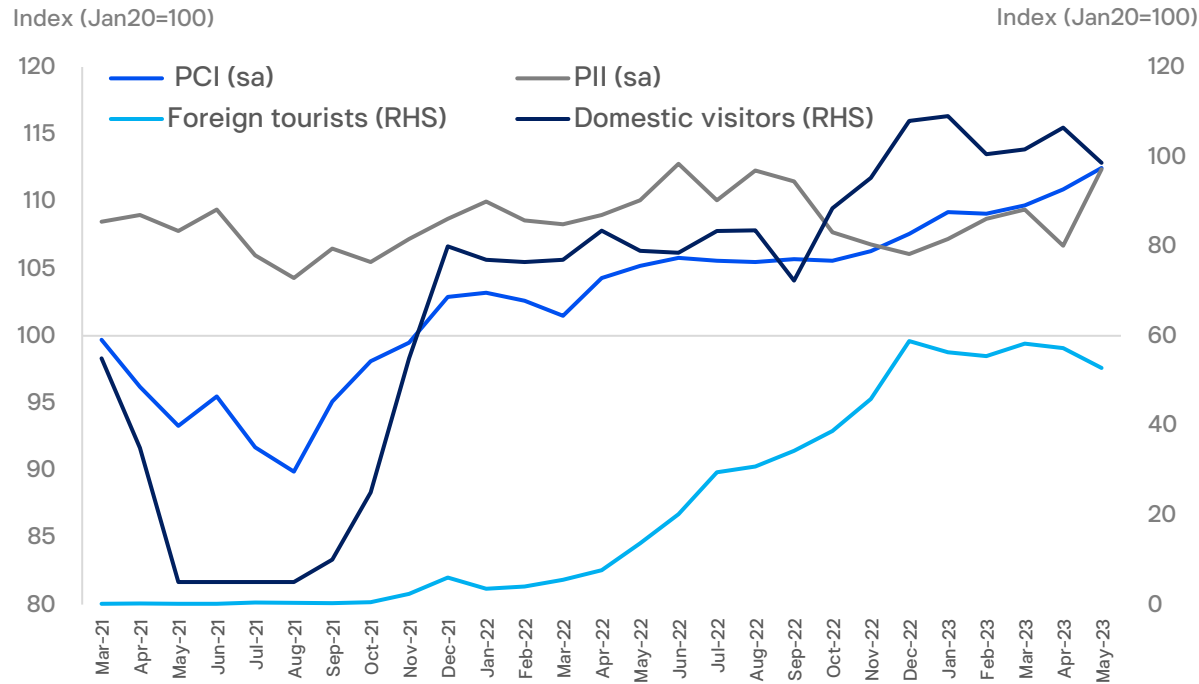
Thai Economy



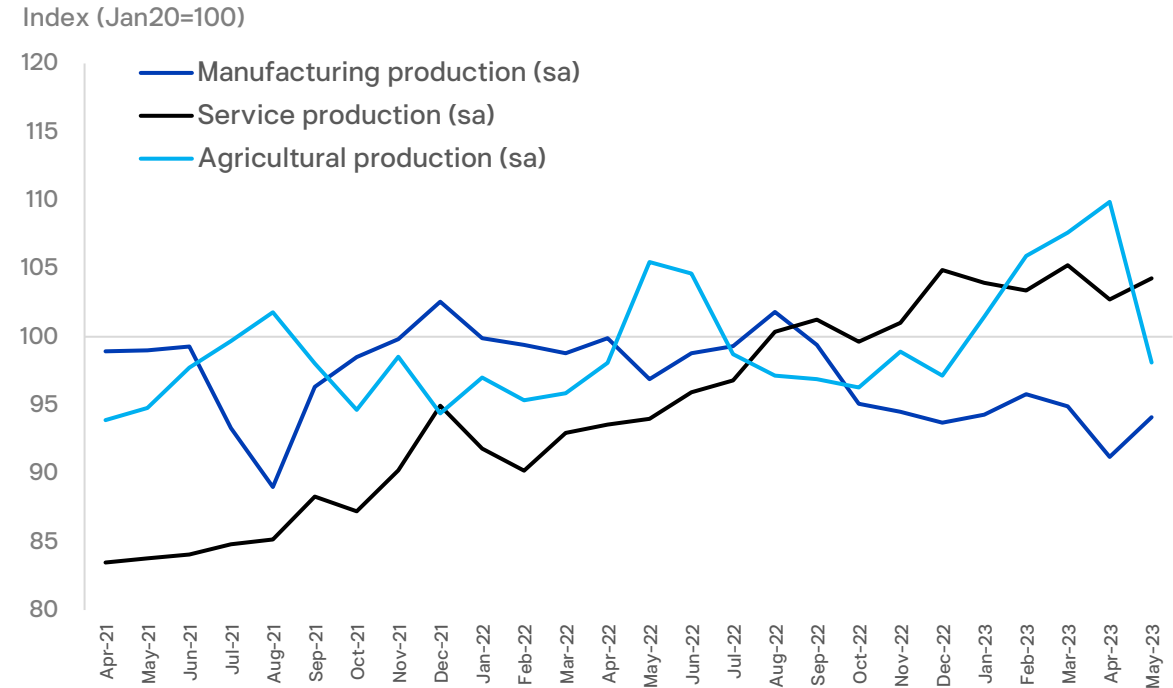
External factors subdued regarding to global economic downturn, while domestic consumption improved slightly during election month



Demand-side indicators



Supply-side indicators

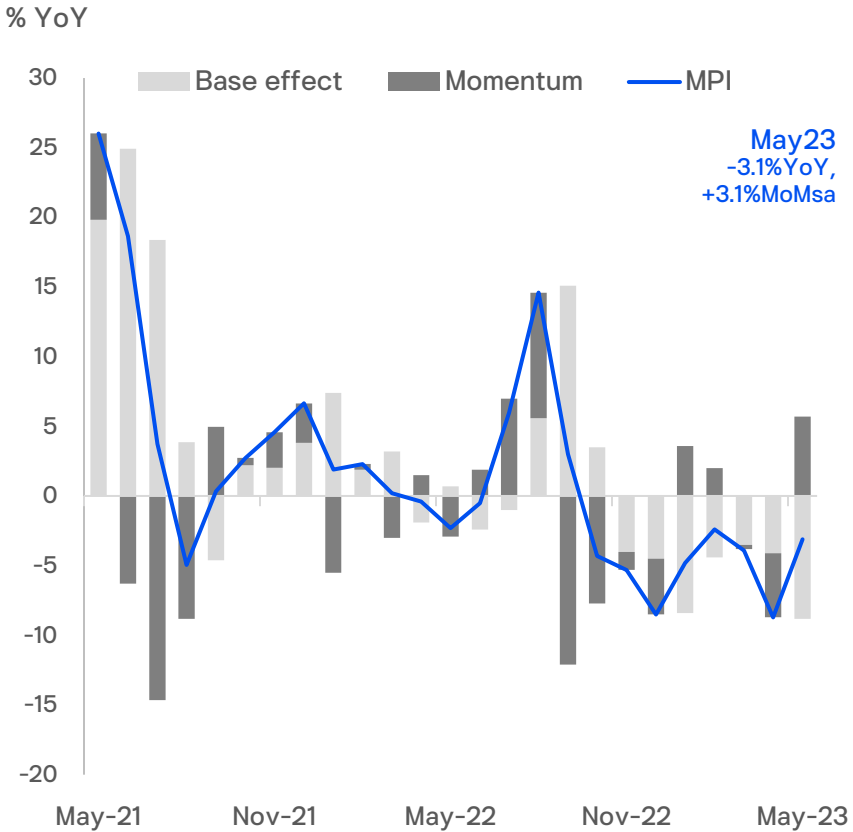


Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
Authorized Capital of Newly Registered Companies (Million Baht)	119.0	167.0	139.9	113.6	197.9	114.7	120.8	118.7	109.1	1,710.5	119.4	163.4
Construction Areas Permitted (1000 sq. m)	100.8	78.6	112.0	112.6	78.8	100.3	103.6	86.9	97.5	104.5	95.2	96.8
Export Volume index (exclude Gold)	117.4	114.8	110.2	114.0	107.4	106.6	107.0	107.4	110.7	110.2	108.6	109.5
Business Sentiment Index (3 months) (>50=improved)	54.42	53.50	53.94	53.64	51.98	52.60	53.31	54.94	54.98	56.04	56.04	55.87
SET index	103.6	104.1	108.2	105.0	106.2	108.0	110.2	110.4	107.1	106.3	101.0	100.0
Oil Price Inverse Index (Dubai)	0.9	1.0	1.0	1.1	1.1	1.2	1.3	1.2	1.2	1.3	1.2	1.3

Manufacturing Production Index (MPI)

MPI by sector (Base Jan 2020=100)



Contribution	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-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)	-2.3	-0.5	6.0	14.6	3.0	-4.3	-5.3	-8.5	-4.8	-2.4	-3.9	-8.7	-3.1

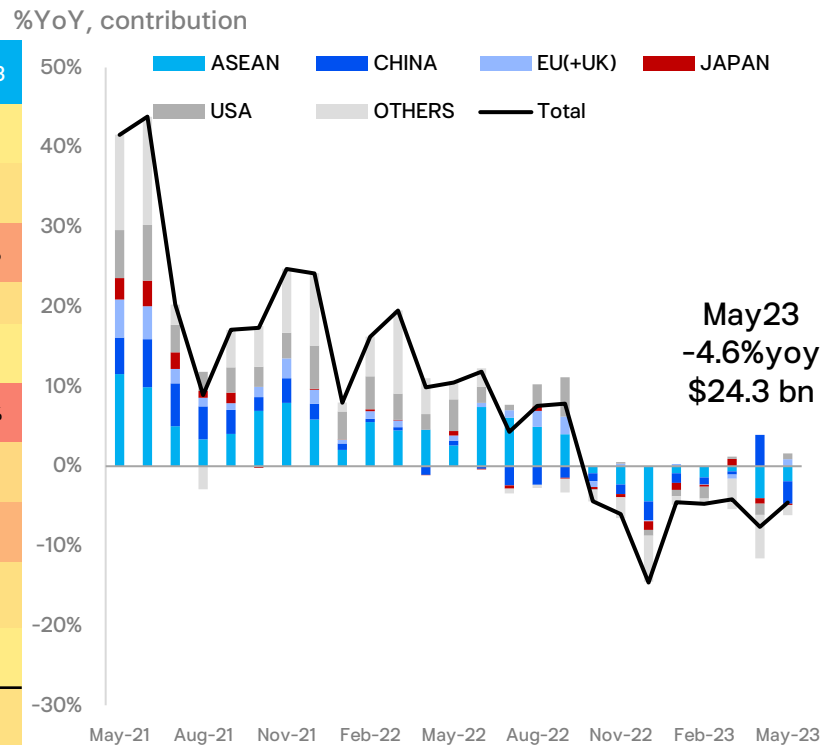
- As of May23, Manufacturing Production Index (MPI) was contracted at 3.1%YoY, better than previous month at 8.7%YoY contraction, which parallel with an improve of industrial capital utilization. The better momentum was in food products and electrical appliances, however, refinery petroleum, motor vehicle and cyclical production declined in this month.

Export value contracted for eight-consecutive month in May

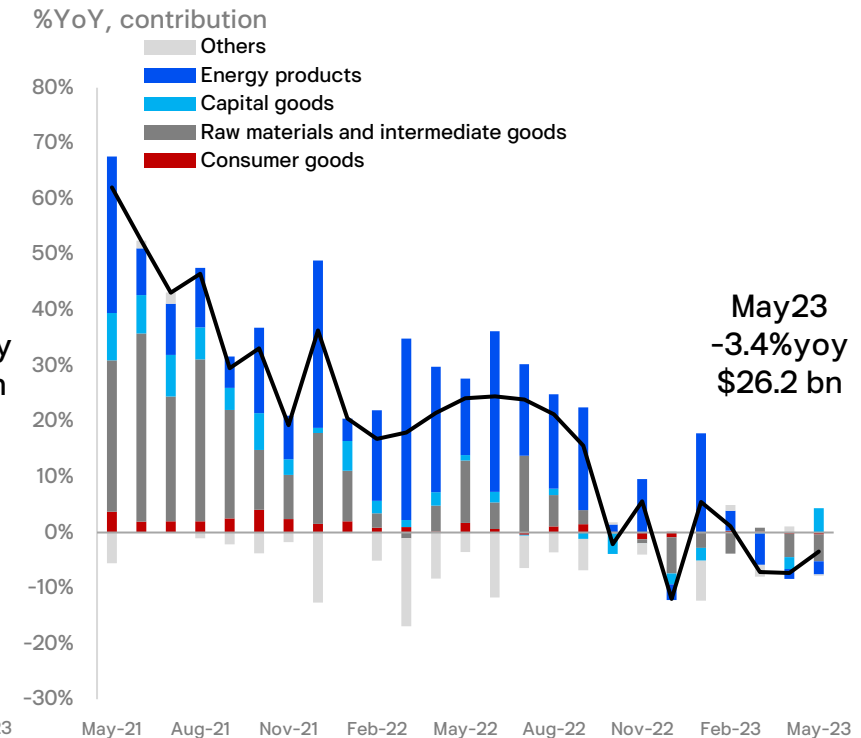


Exports value by product and destination*

	2Q22	3Q22	4Q22	1Q23	Mar23	Apr23	May23
Auto and parts	-6.0%	8.8%	-3.3%	4.4%	1.4%	3.4%	8.3%
Computer and parts	-6.7%	-0.9%	-23.6%	-15.0%	-6.0%	-19.0%	-4.8%
HDD	-11.4%	-12.0%	-33.5%	-28.8%	-13.8%	-49.7%	-28.8%
Rubber	-0.4%	-2.0%	-5.9%	-4.6%	-2.4%	-12.4%	-6.0%
Integrated circuit	9.4%	11.4%	0.6%	-0.3%	-1.3%	-1.6%	4.5%
Refinery oil	63.7%	10.4%	-25.7%	4.0%	1.1%	-17.2%	-40.9%
Electronic machinery	14.0%	4.5%	-5.8%	-6.2%	-13.7%	-11.5%	-7.6%
Plastic pallet	4.7%	-13.9%	-26.7%	-26.5%	-20.7%	-24.3%	-21.4%
Chemical products	3.6%	-8.0%	-25.1%	-18.9%	-19.3%	-30.4%	-5.0%
Jewelry	20.4%	37.5%	-7.3%	-22.8%	-33.1%	16.8%	2.8%
Total (%yoy)	10.7%	6.6%	-8.5%	-4.5%	-4.2%	-7.6%	-4.6%



Imports value by groups*

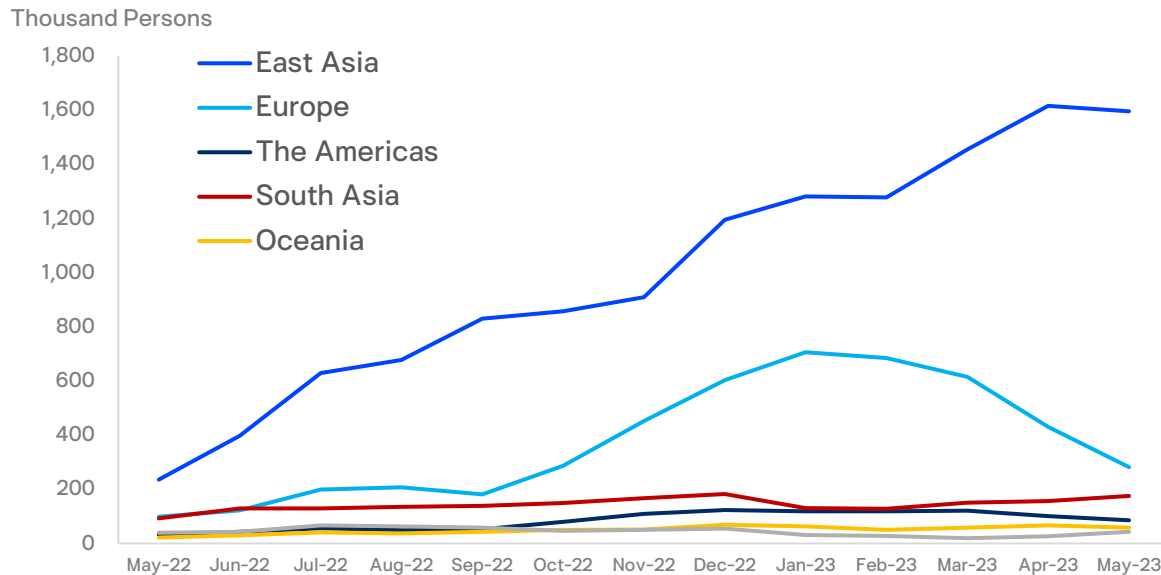
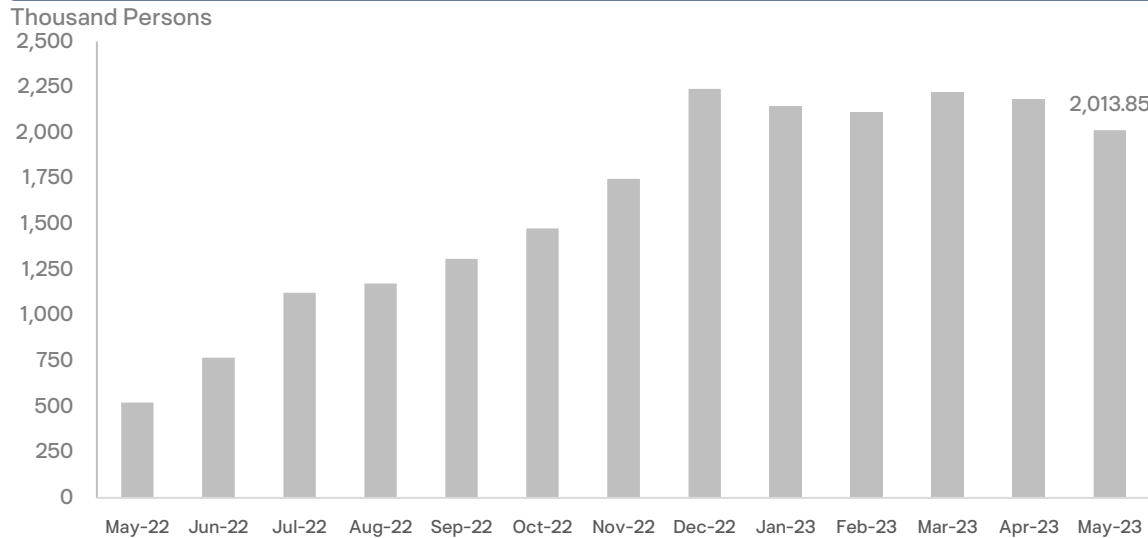


%yoy, value	2019	2020	2021	2022	2023YTD
Total export	-2.6% \$246 bn	-5.9% \$232 bn	17.1% \$272 bn	5.5% \$287 bn	-5.9% \$116.3 bn
Total import	-4.8% \$236 bn	-12.7% \$206 bn	29.8% \$267 bn	13.6% \$303 bn	-2.5% \$122.7 bn

- Export value in May23 contracted 4.6%YoY (or 1.4% contraction excluded gold). Exports of agri and agro-industrial products contracted for the first time in four months, while industrial products went up in 8 months, which led by automobiles, equipment, and parts and air conditioners and components. Moreover, exports to key markets mostly contracted, particularly in China and CLMV markets.
- On the other hand, imports dropped by 3.4YoY, better than previous month, resulting from import of vehicle and transports as well as arms.

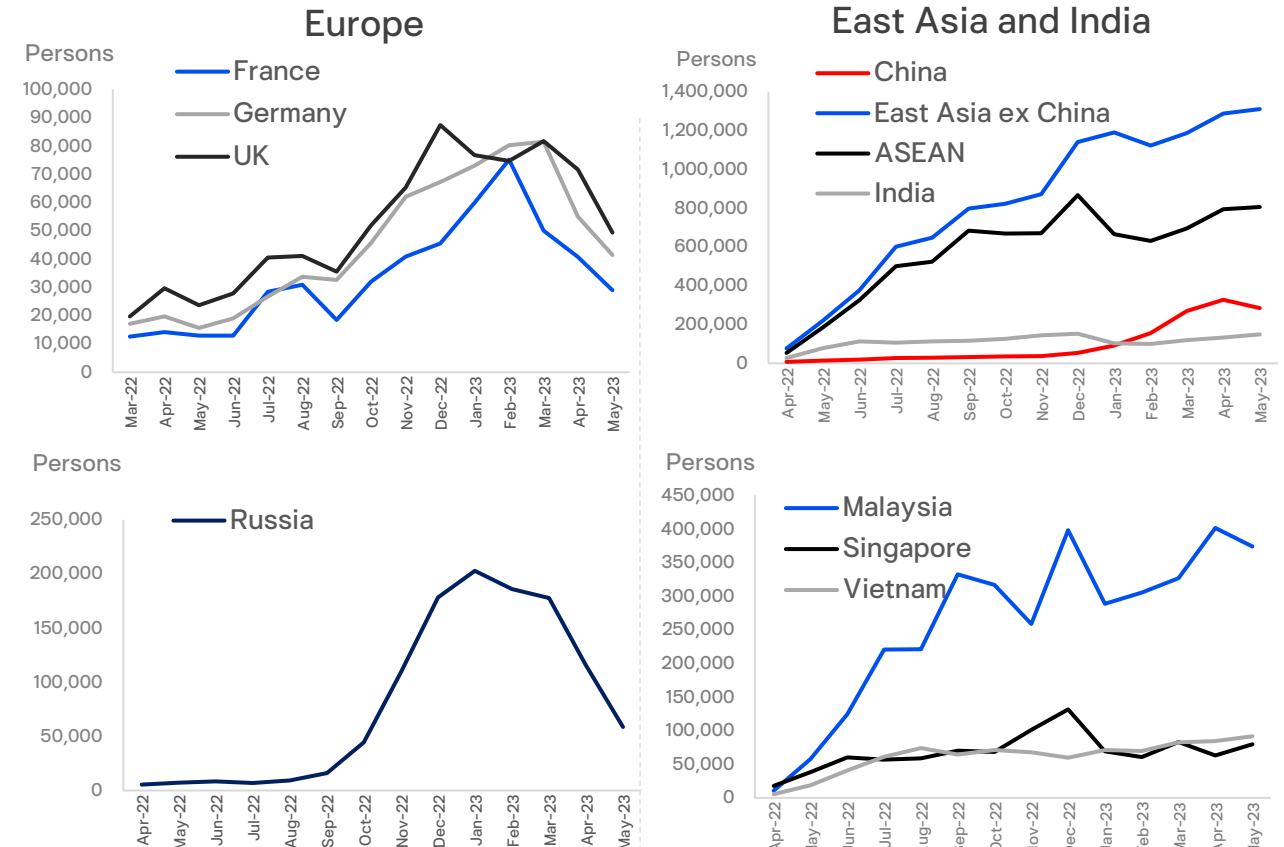
Foreign arrivals in May slumped to 6-month low

Total Foreign Tourist Inbounds



- As of May23, foreign tourists dropped slightly to 2.01 million dropped for second-consecutive month. This was due to Europe, Russian and middle east tourists dropped further in this month. Meanwhile, East Asia excluding China remained.

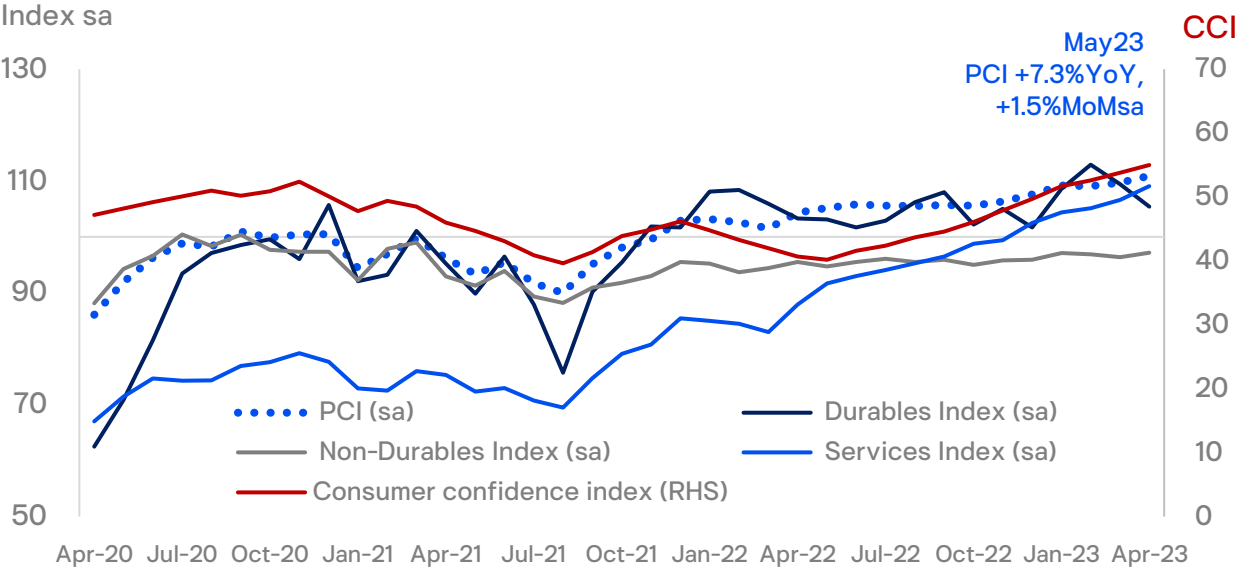
Foreign Tourist Inbounds by key regions



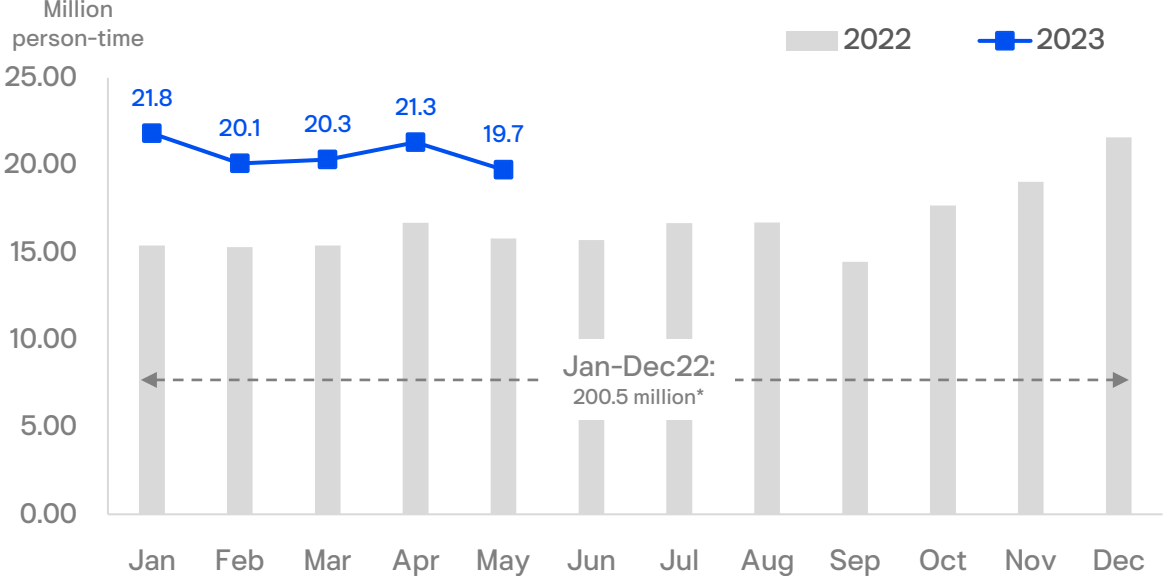
Private consumption continued to improve during national election period



Private Consumption Indicators (SA)

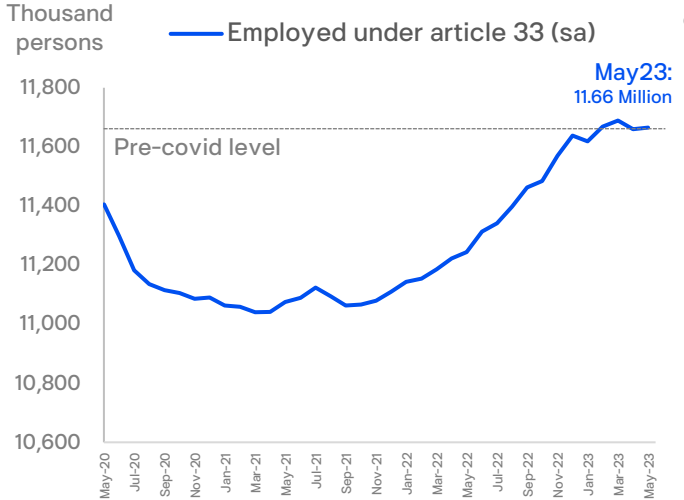


Thai domestic visitors

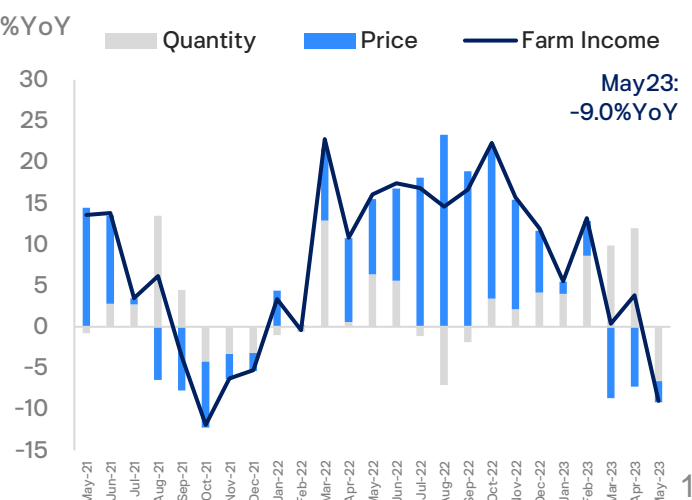


- Private consumption indicators continued to increase from the previous month mainly from spending on non-durable goods, especially in consumer goods. This was partly owing to temporary factors such as activities during the election period.
- Nevertheless, several fundamental factors supporting household spending continued to improve both in terms of employment and consumer confidence.

Employment M33



Farm Incomes

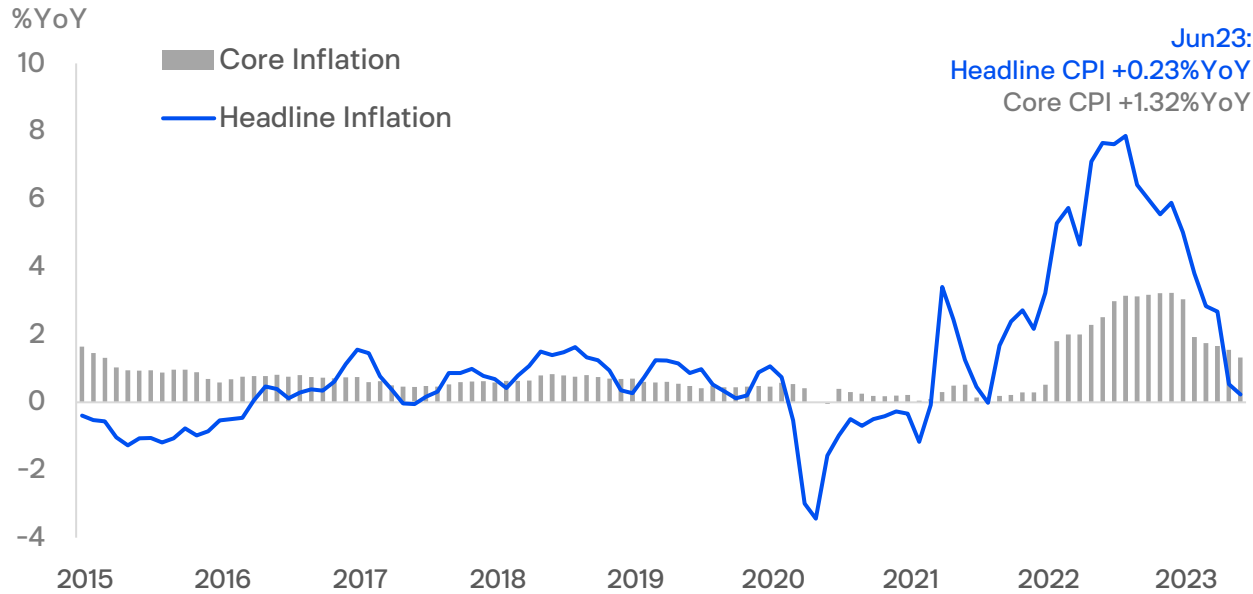


Source: Bank of Thailand, CEIC and ttb analytics
 Remark: *Data not include replication in number of visitors

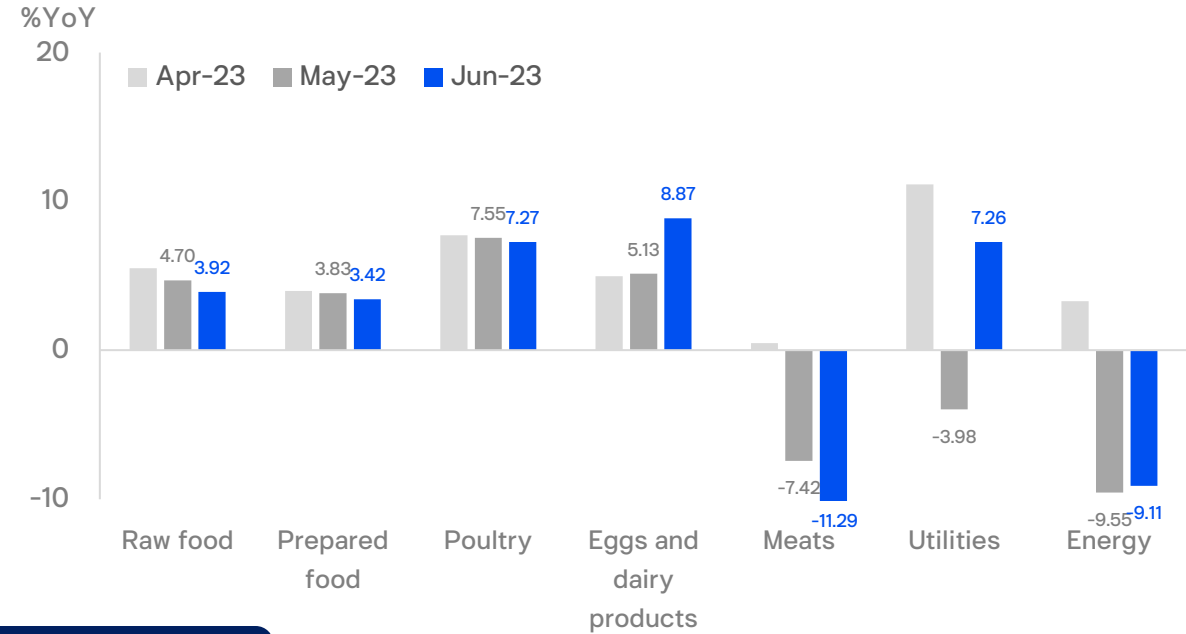
Inflation to ease further to its lowest level since 2021 in June as food and fuel price fell



Headline vs core inflation



Price change in top categories



Historical Thai Inflation (%yoy)

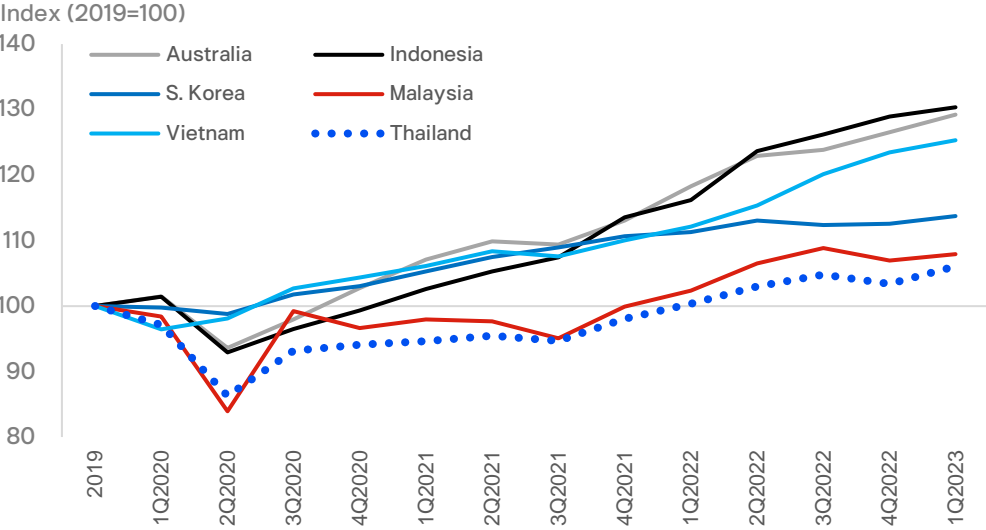
%YoY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HCPI	2.17	5.19	-0.83	3.3	3.81	3.01	2.19	1.9	-0.9	0.19	0.67	1.07	0.71	-0.84	1.24	6.08	2.49
Food	4.08	11.56	4.54	5.43	7.94	4.89	3.41	3.94	1.14	1.6	0.01	0.41	2.32	1.23	-0.12	6.91	5.07
Housing	0.13	-3.19	-1.55	2.03	1.31	2.73	1.9	1.41	0.59	-0.99	0.17	1.03	0.42	-1.02	-1.69	4.81	2.29
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	-1.05
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	1.87

- The headline consumer price index (CPI) dropped further to 0.23%YoY in June 23, easing to 22-month low. This was mainly due to the dramatically decline in food and energy prices, as well as the high-base effect.
- The core inflation was also below the 2% territory to 1.32%YoY.
- The commerce ministry revised down headline inflation 1-2% this year, from 1.7-2.7% predicted previously.

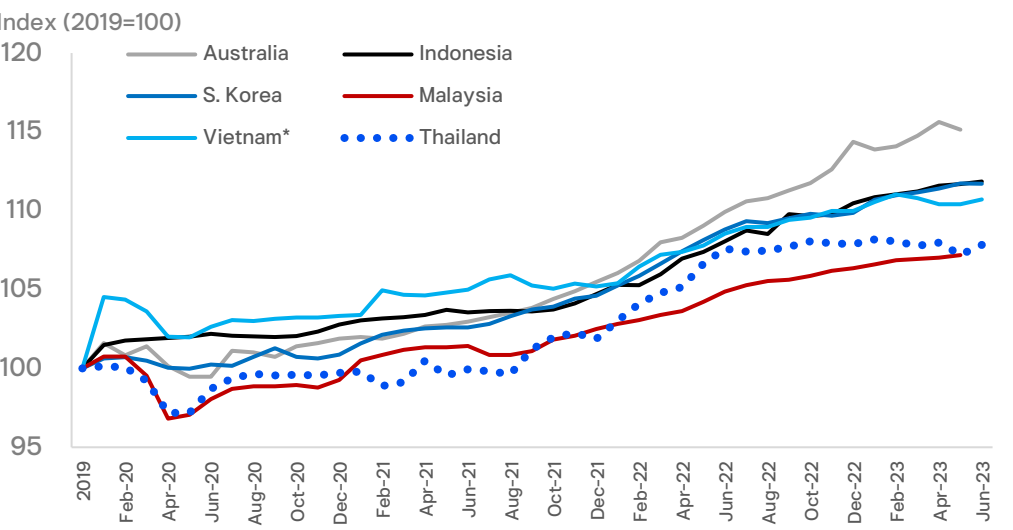
Peers' economic growth recovering at different speeds amid policies tightening challenge



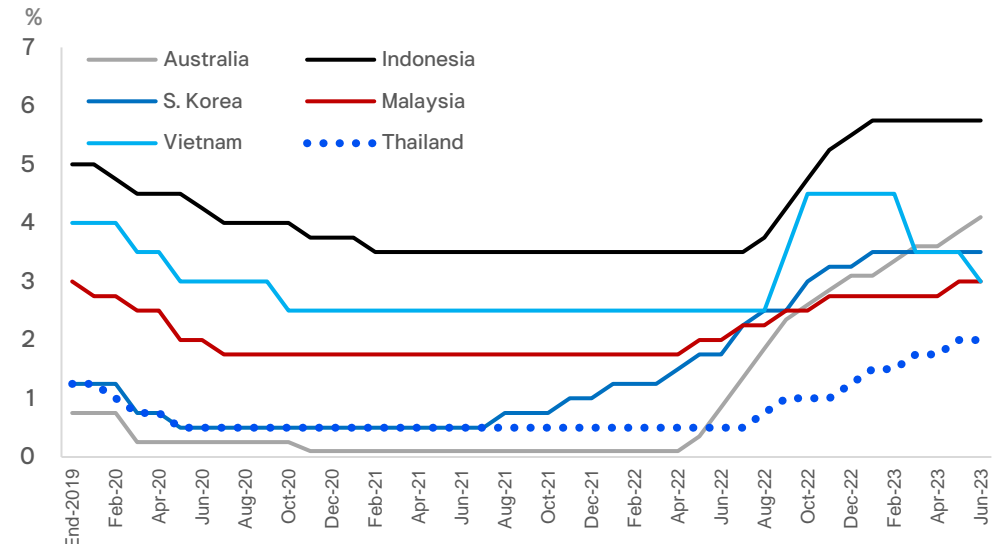
GDP level (sa)



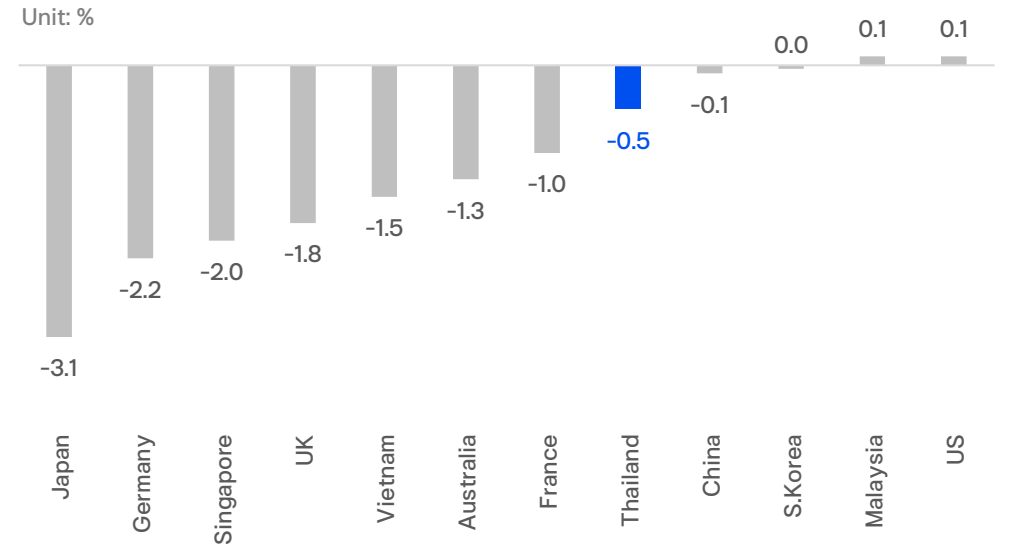
Headline inflation



Policy rate



Current real interest rate



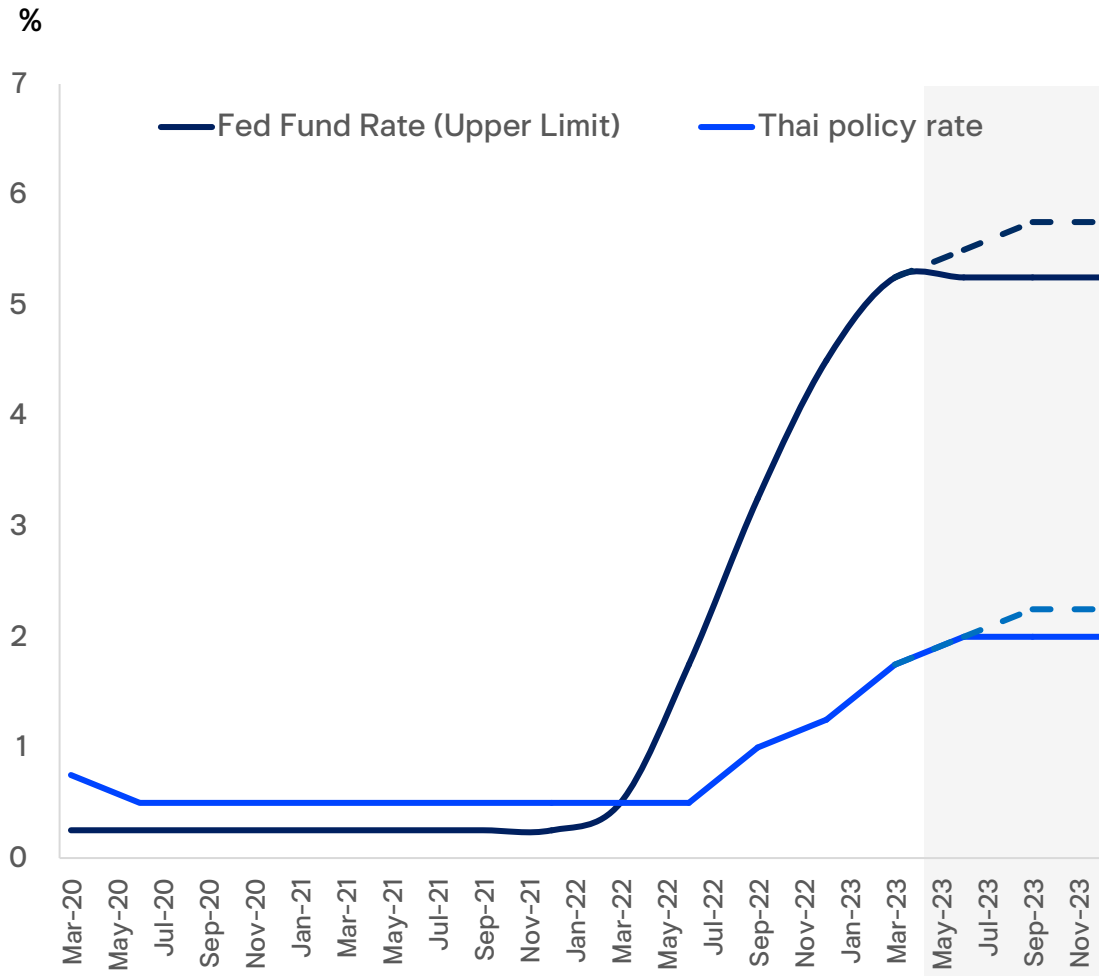
Source: CEIC and ttb analytics
 Remark: *data 2020 rebased and not publicly revised on their historical data

PART 3

Financial Market



FED-BOT policy rate forecast



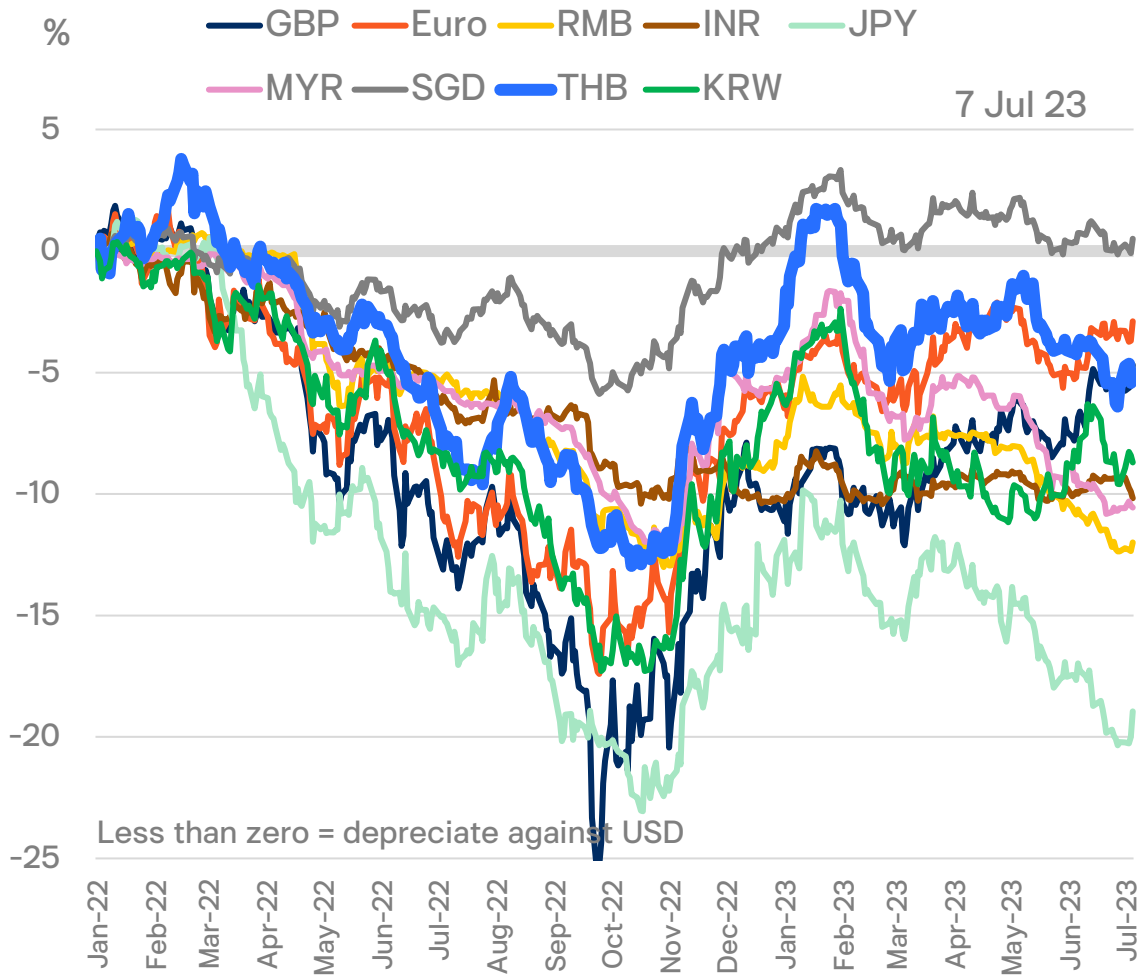
USDTHB Projection



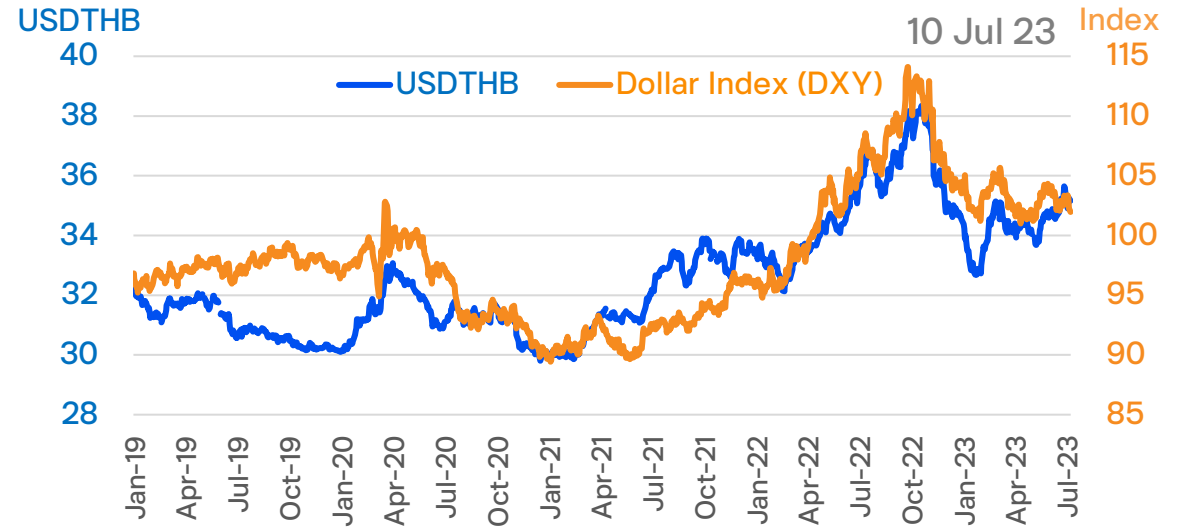
US dollar swung as inflation outlook weakened



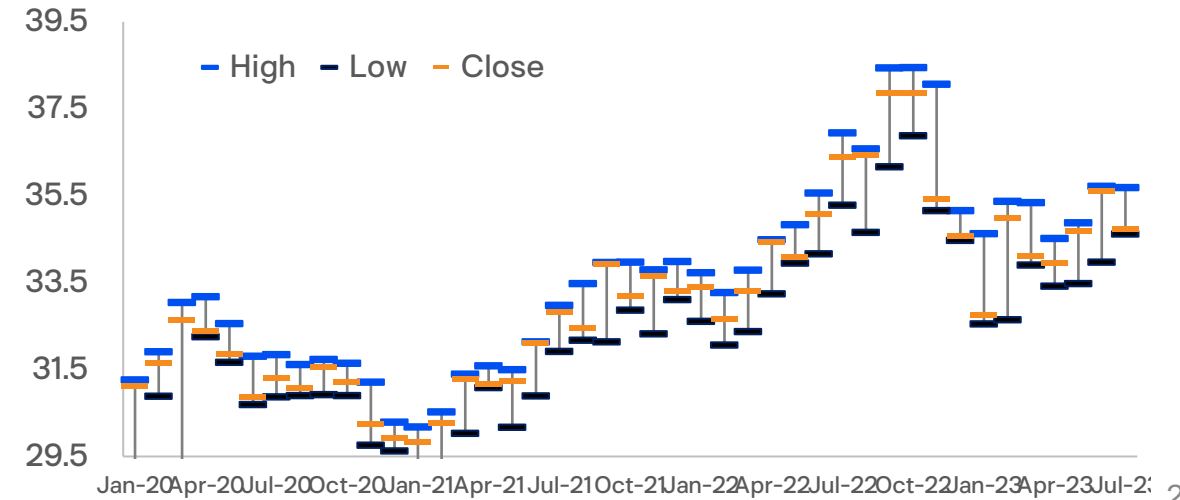
Major Asian currencies against USD

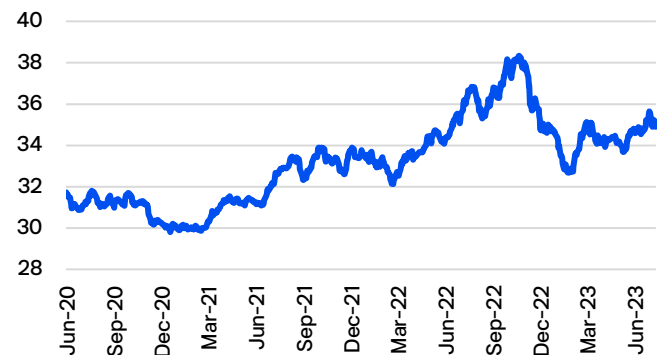


Dollar Index / USDTHB



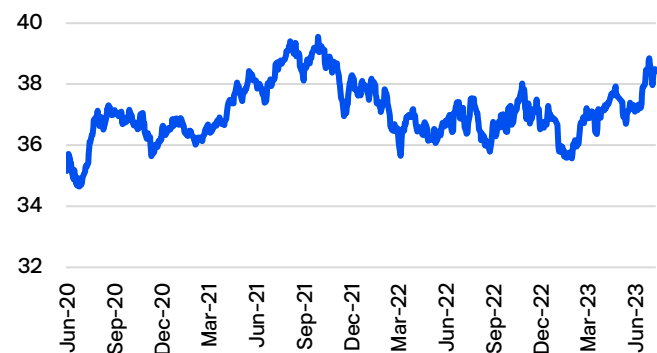
Average daily range of USDTHB





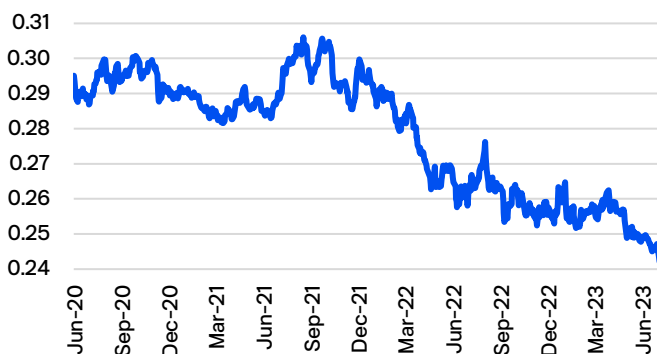
USDTHB

- USDTHB ending 35.60 level in June and is hovered around 34.00 – 35.00 in July 2023.
- The US dollar dropped to its lowest level in more than a year after the data showed the rise in US consumer prices moderated in June. Consumer Price Index (CPI) increased by 3.0% annually, down from 4.0% in May and lower than expectation of 3.1%. Meanwhile, core CPI cooled down to 4.8% yearly and 0.2% monthly. Stickier core figures have fueled speculation that the central bank will raise interest rates later this month after pushing pause on its hiking cycle in June.



EURTHB

- EURTHB ending 38.65 level in April and is hovered around 38.00 – 38.50 in July 2023.
- Euro appreciated against the US dollar as Germany Consumer Price Index rose 6.4% YoY in June from 6.1% in the prior month, interrupting a steady decline since the start of the year.
- Meanwhile, German industrial production fell 0.2% in May indicating that the industrial sector in the Eurozone's largest economy and manufacturing powerhouse continues to struggle. Yet, the European Central Bank (ECB) has signaled that another increase in interest rates later this month is virtually done.



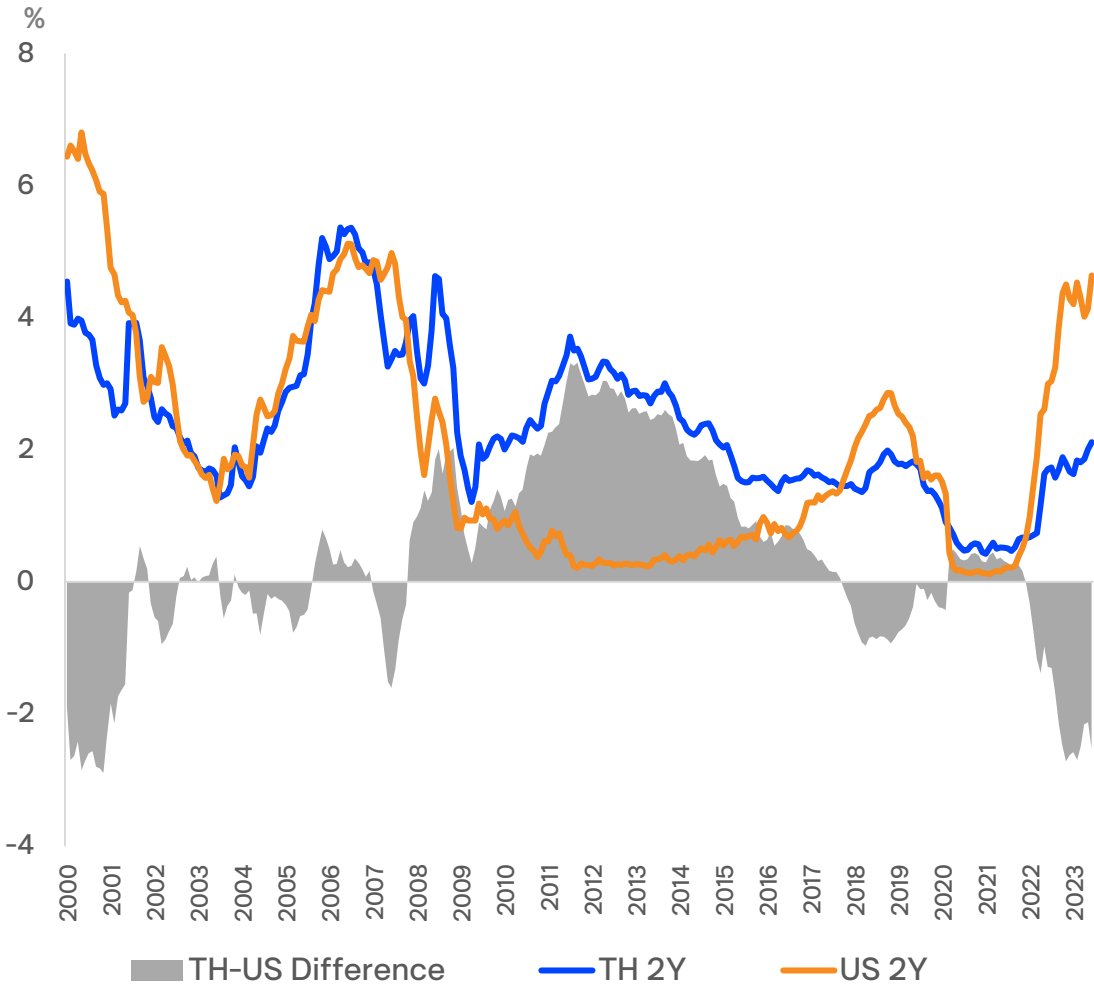
JPYTHB

- JPYTHB ending 0.246 level in March and is hovered around 0.241 – 0.246 in July 2023.
- Japanese households' inflation expectations rose to average 10.5% a year from now, as shown in June survey, down from the 11.1% in the previous survey but well above the Bank of Japan's 2% target.
- While the Japanese yen saw no direct intervention, it also pulled back from the key 145 level against the dollar, amid a slew of verbal warnings from Japanese officials on betting against the yen.
- But the outlook for the yen appeared bleak, especially as the Bank of Japan reiterated its plans to keep policy loose.

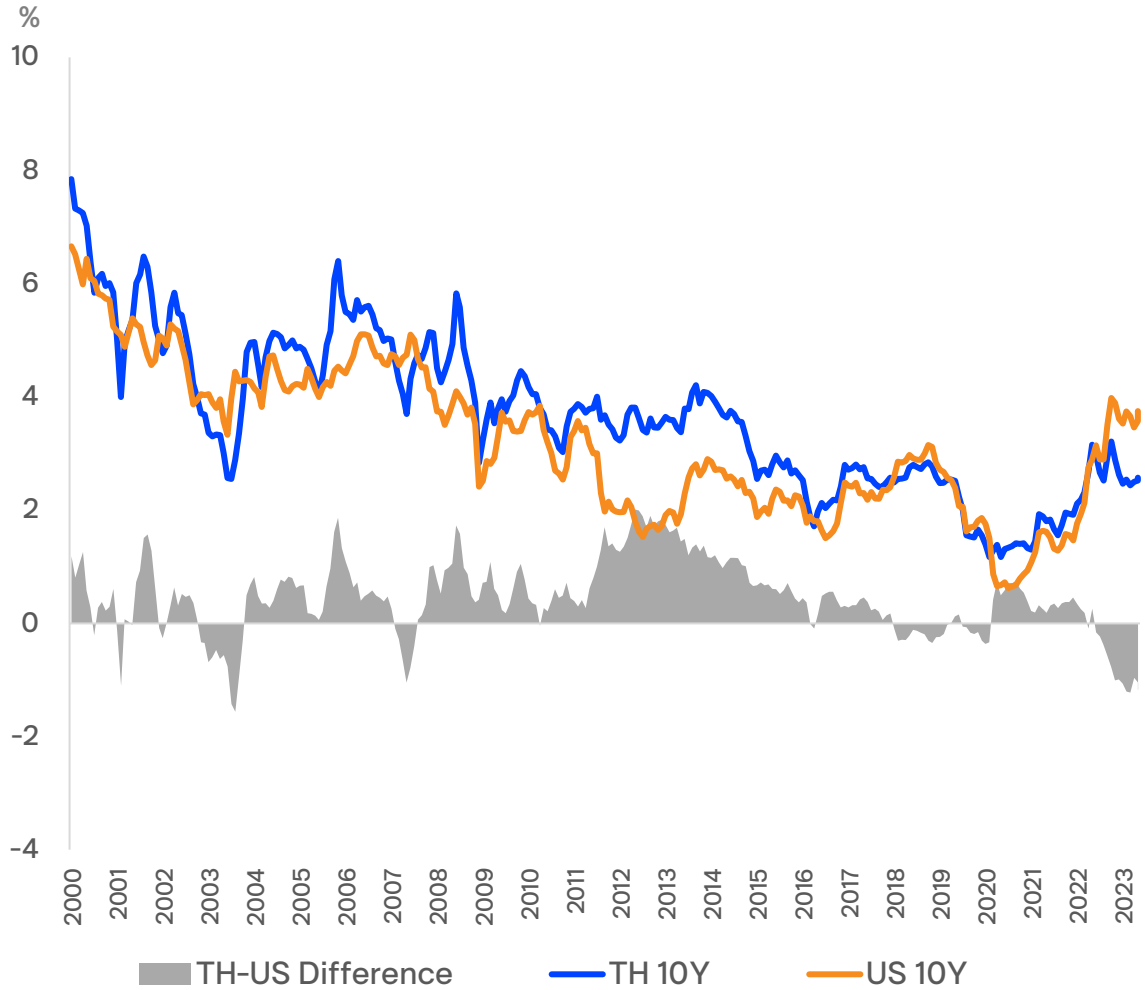
Moreover, greater divergence observed in the short tenure, while the long one aligned



2Y bond yield gap and comparison



10Y bond yield gap and comparison



Source : CEiC and ttb analytics

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 'ttb' 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 between each letter.