

Economic and Financial Outlook

tbb analytics

Aug 2023

Executive Summary



Global Economy

- In June 2023, Global economic momentum had been continuously softened with weak productions and services activities going forward. This is in accordance with muted global trade and demands. However, recently stable condition in geopolitics helped alleviating pressures on global productions.
- Global headline inflation pressure steadily dropped and there had been more signals of nearly approaching the end of global hiking cycle.
- US economic activity had been expanding at a moderate pace, while European demands had been dampened by high interest rate conditions. Both economies gained supports from resilient labor markets. UK economy had been steadily flat with softening sign in exports and domestic demands, while labor market signaled a loosening sign. Japanese economy steadily rebounded from domestic demands and tourists. China's economy slowly rebounded.



Thai Economy

- In June 2023, the Thai economy remained on track but declined slightly. Private consumption and private investment indicators slightly decreased from the previous month. Merchandise export, excluding gold, increased mainly from agricultural products, while export of manufacturing products became flat in tandem with manufacturing production, whereas agricultural production index remained.
- The number of foreign tourist arrivals improved to reach 6-month high thanks to the return of Malaysia and China during long holiday period. On the other hand, tourist arrivals from Europe and Middle East declined slightly after a good expansion in the previous period.
- Headline inflation in July 2023 increased slightly, which mainly due to the rise of retail oil price and food categories' price. While core inflation was down due to the high base effect.



Financial Markets

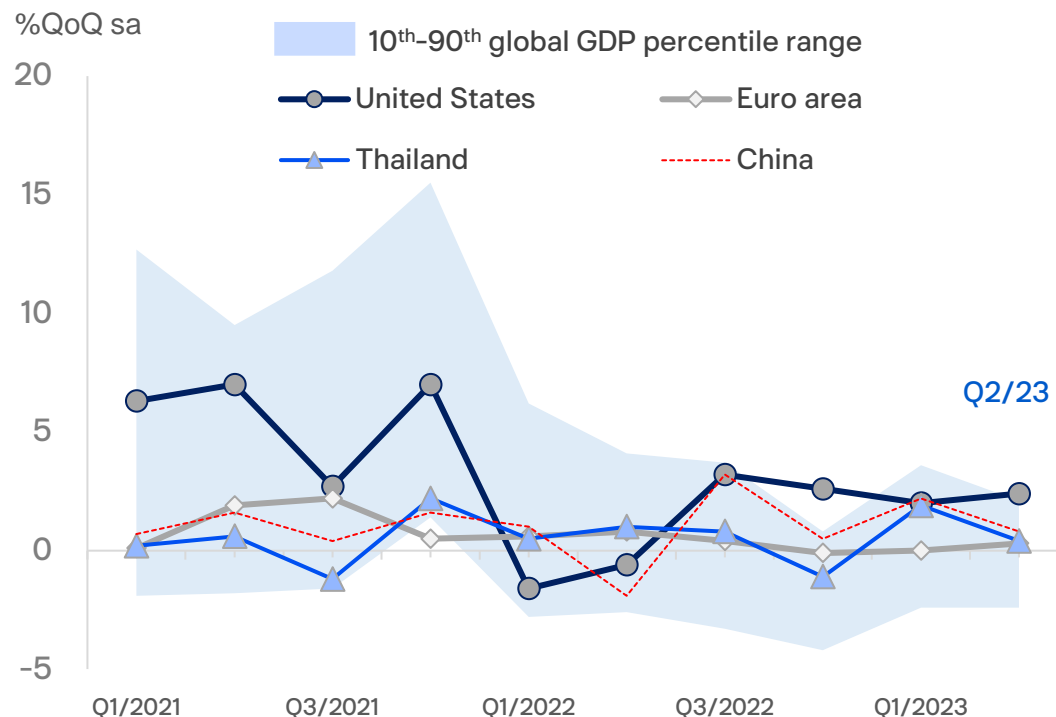
- Major central banks are near the end of their hiking cycle. Market participants have pointed out possibilities that the Fed would pause its rate hike again in September 2023 meeting.
- Investors went into long term bond tenor, for both US and Thai bond, due to recession concerns. Moreover, 10y-2y yield 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 July, ending 34.26 level. It could be around 34.50-35.00 in August. US Dollar edged lower as improved risk sentiment weighed on the safe haven.

PART 1

Global Economy

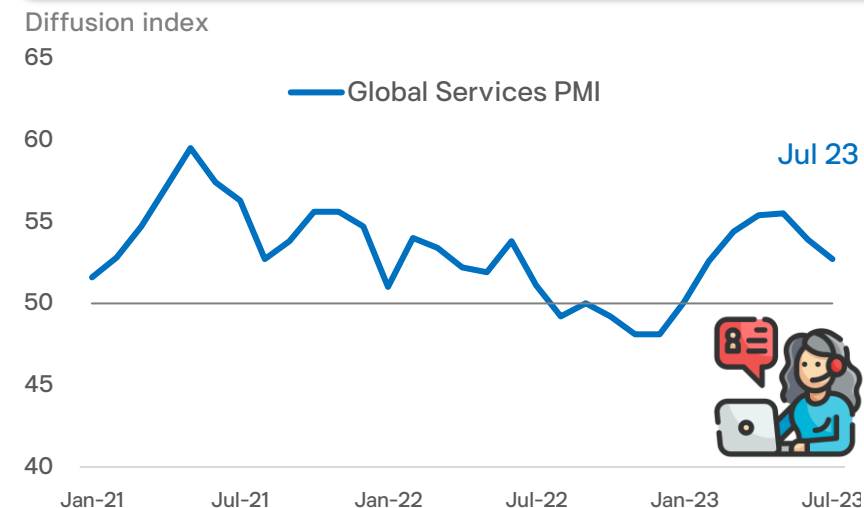


Global GDP Momentum

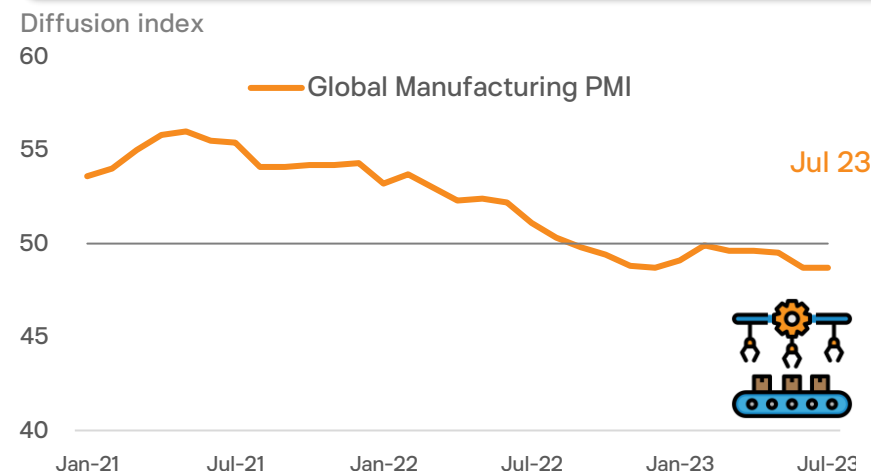


- Global economic momentum had been continuously softened in H1/2023. China reopening had missed the expectation of sustaining feeble global demands. This reflected the impacts of high interest rate environment and elevated living costs.
- In July 2023, PMI data expressed a fragile global manufacturing sector and a weakening boost from world services activities.

Global Services PMI

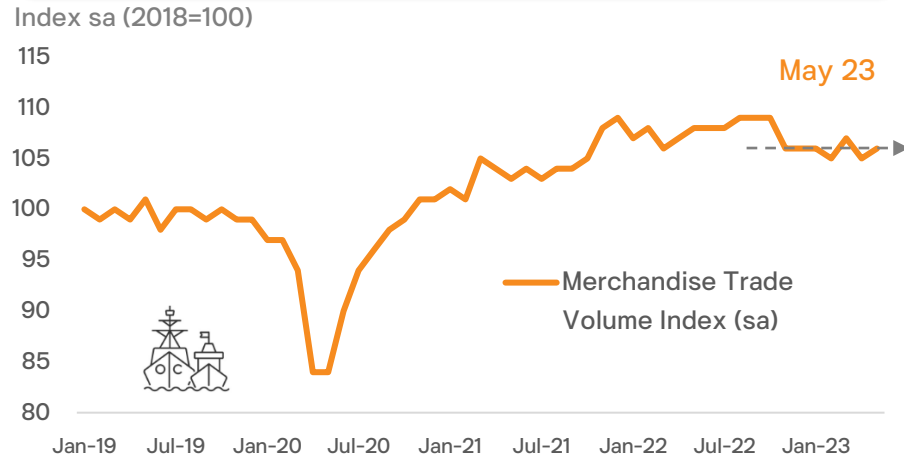


Global Manufacturing PMI

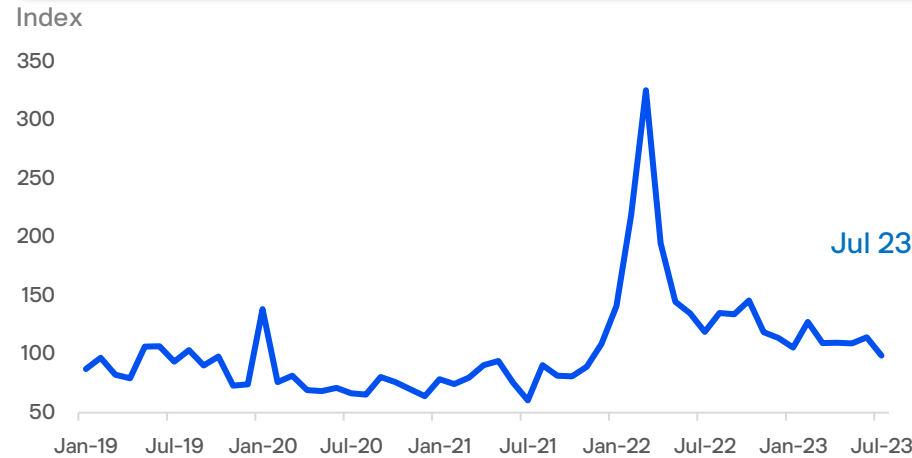


Global trade was muted with drops in production activities of key nations and stable geopolitics

Merchandise Trade Volume Index



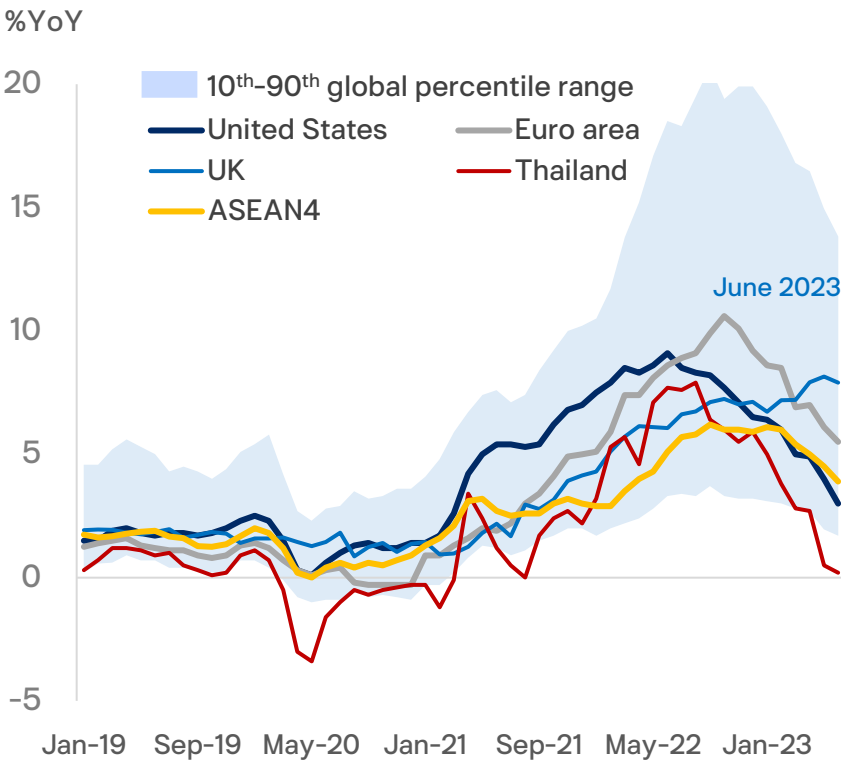
World Geopolitical Risk Index



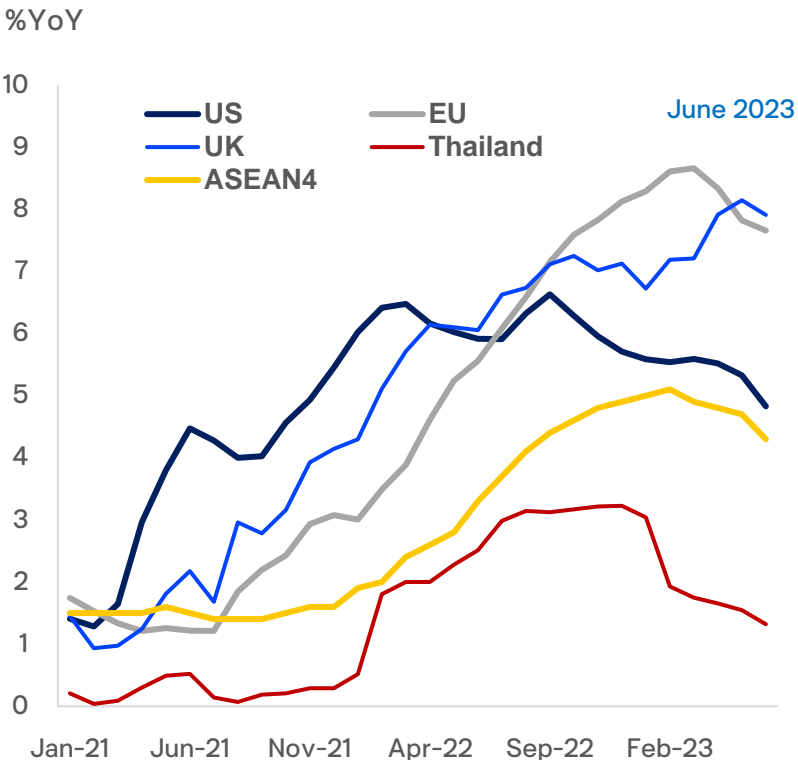
- Global merchandise trade has been muted recently. This led to a decline in productions activities of several nations especially, Europe and US. China's production was also in a weak condition.
- Recently stable situation in geopolitical conflicts has alleviated pressures on global productions amid weak world demands.

		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	Jul-23
Manufacturing PMI	Global	53.2	53.7	53.0	52.3	52.4	52.2	51.1	50.3	49.8	49.4	48.8	48.7	49.1	49.9	49.6	49.6	49.5	48.7	48.7
	US	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	50.2	48.4	46.3	49.0
	UK	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	45.3
	EU	58.5	57.9	56.3	55.3	54.2	51.6	49.3	49.1	48.1	46.1	46.7	47.5	48.6	48.3	47.3	45.8	44.9	43.4	42.7
	Euro Zone	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	42.7
	Germany	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	38.8
	France	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	45.1
	Italy	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	44.5
	Spain	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	47.8
	Asia exc. China	54.1	53.3	53.0	53.2	52.8	52.3	51.9	51.2	50.9	50.6	49.9	50.2	50.1	50.1	50.5	51.1	51.2	50.7	50.8
	China	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	49.2
	Australia	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	49.6
	India	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	57.7
	Japan	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	49.6
	S.Korea	52.8	53.8	51.2	52.1	51.8	51.3	49.8	47.6	47.3	48.2	49	48.2	48.5	48.5	47.6	48.1	48.4	47.8	49.4
	Indonesia	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	53.3

Global Headline Inflation



Global Core Inflation



Recent policy rate decision

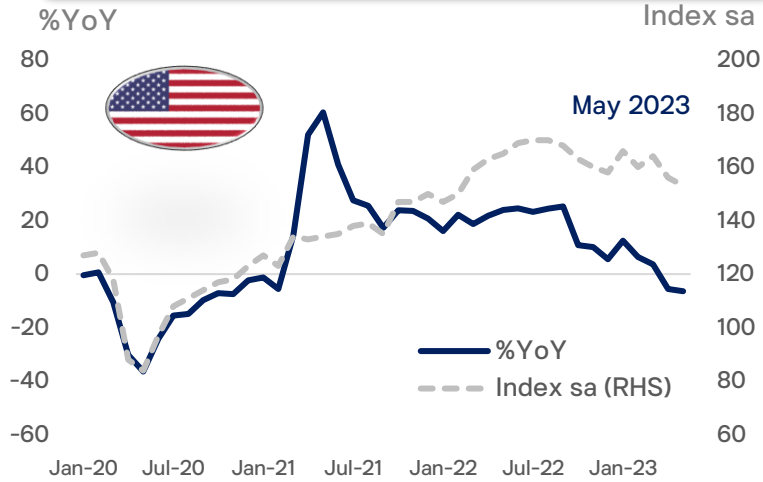
Thailand	0.25	0	0	0.25
Malaysia	0.25	0	0	0
Indonesia	0	0	0	0
S.Korea	0	0	0	0
Japan	-0.036	-0.015	0.02	0
China	0	-0.1	0	0
Australia	0.25	0.25	0	0
UK	0.25	0.5	0	0.25
EU	0.25	0.25	0	0
US	0.25	0	0.25	0

■ May-23 ■ Jun-23 ■ July-23 ■ Aug-23

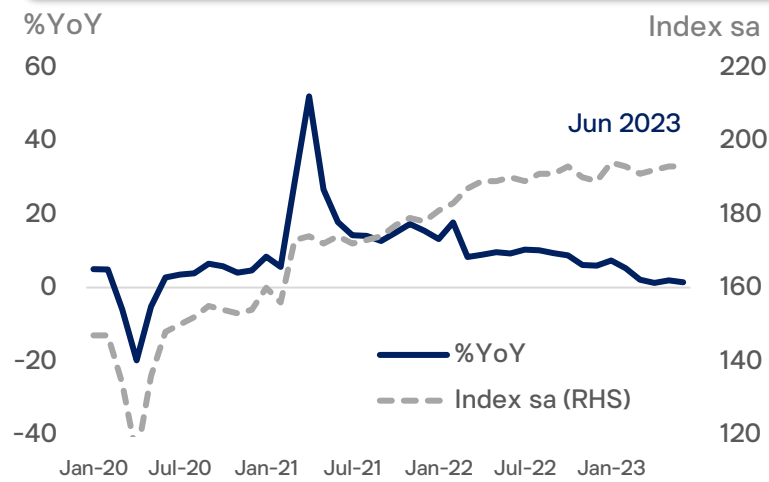
- **Global headline inflation steadily dropped**, thanks to a decline in energy prices and high base effect last year. However, the slight uptick in recent global oil price due to production cuts and weather condition would be additional risks that would impact inflation outlook and monetary policy course. **Core inflation decelerated but overall remained elevated.**
- **More signals of nearly approaching the end of global hiking cycle.** While several central banks have already terminated the hiking, some reducing the size of recent rate hiking decision and signaling to monitor economic outlook for its next policy decision.

Both moderate US economy and muted eurozone economy gained support from strong labor markets

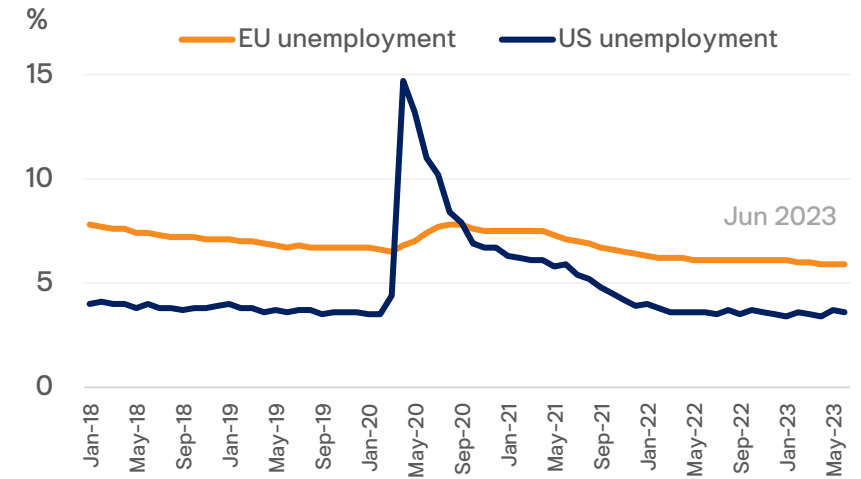
US Merchandise exports



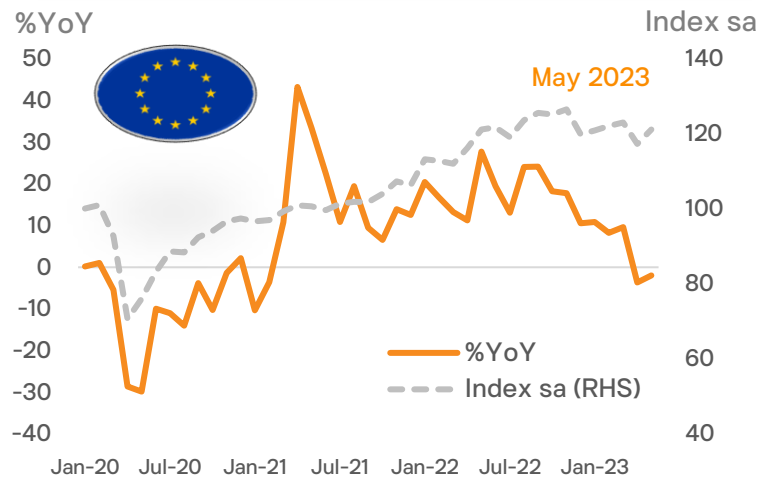
US Retail sales



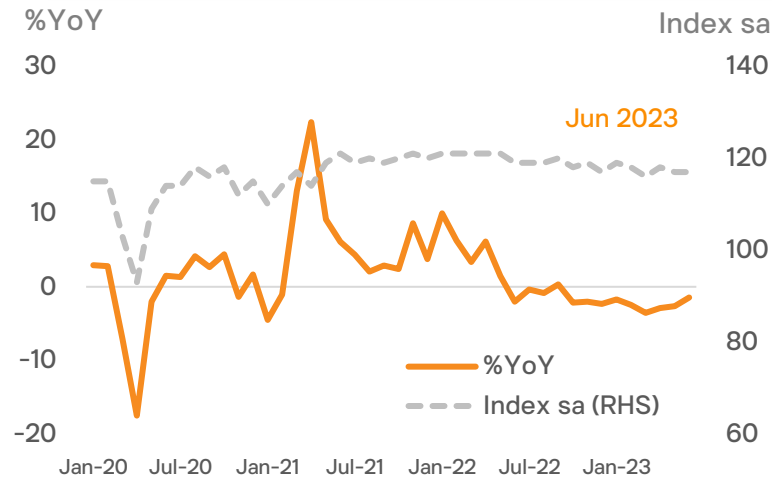
Unemployment



EU Merchandise exports



EU Retail sales

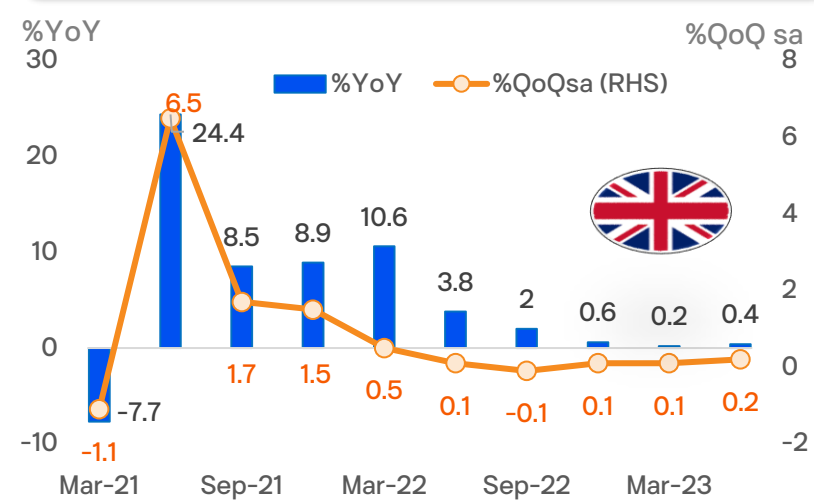


- US economic activity had been expanding at a moderate pace. Exports of goods had dropped. Meantime, domestic demands were stable but relatively strong. This was supported by strong labor market as reflected by a recent unemployment of 3.5% in Jun 2023, much below the long-term average of 5.7%.
- EU economy grew by 0.3% qoq sa in Q2 from no growth in Q1. Domestic demands had been dampened by high interest rate but supported by strong labor market. Goods exports softened. Inflation decelerated but would be above the target for extended periods.

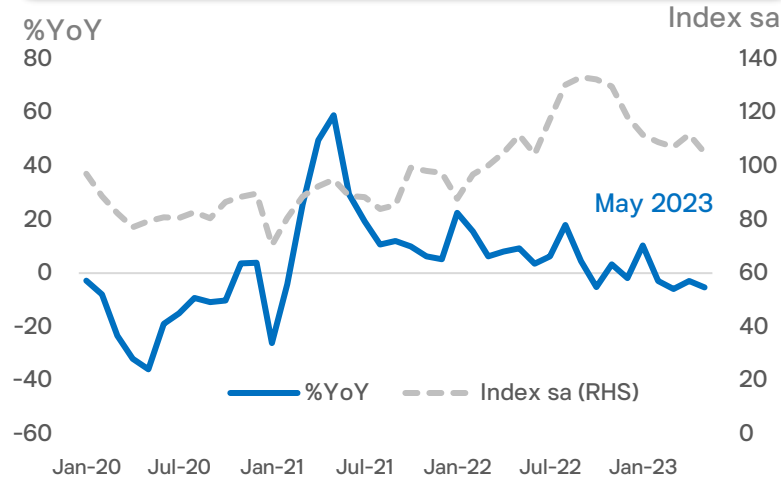
UK economy had been steadily flat with softening sign in exports, demands and labor market



UK GDP

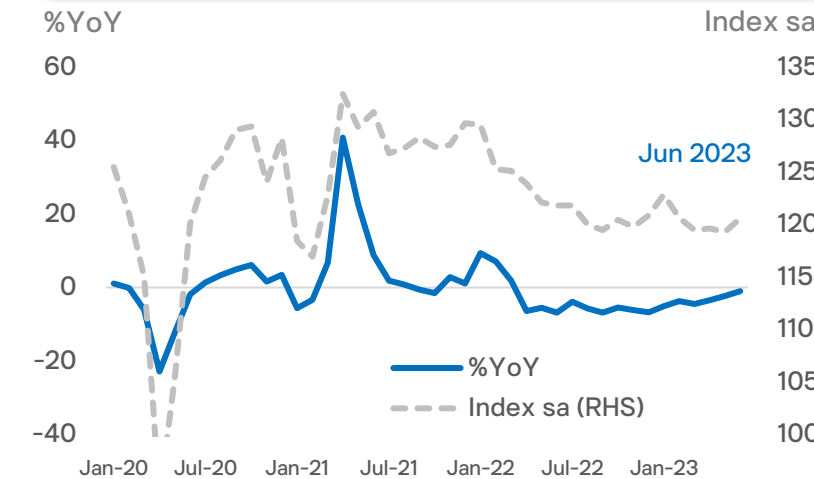


UK Merchandise exports

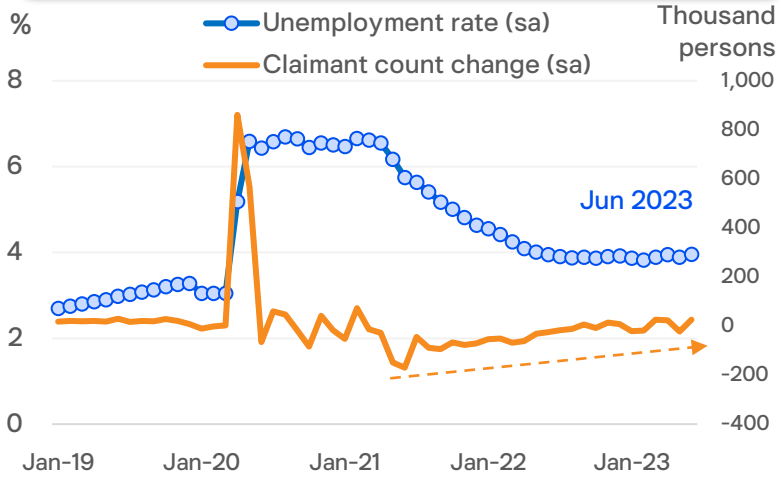


- UK economic momentum had been muted in H1/2023. This came with an additional sign of weakening production by UK PMI, in line with fragile merchandise exports.
- Domestic demands were to be in soft condition as shown by marginally edging up in retail sales.
- Recent labor market showed a loosening sign as claimant counts steadily increased and fragile real average weekly earnings, missing previous expectation of better outlook.

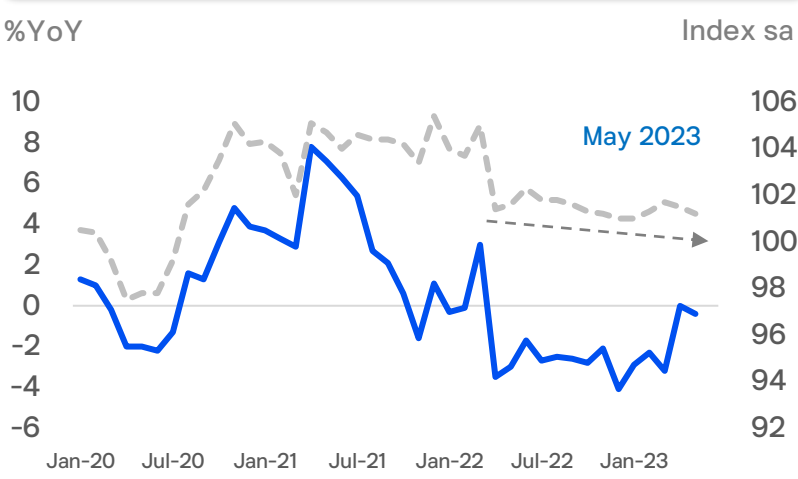
UK Retail sales



UK Claimant count (sa)

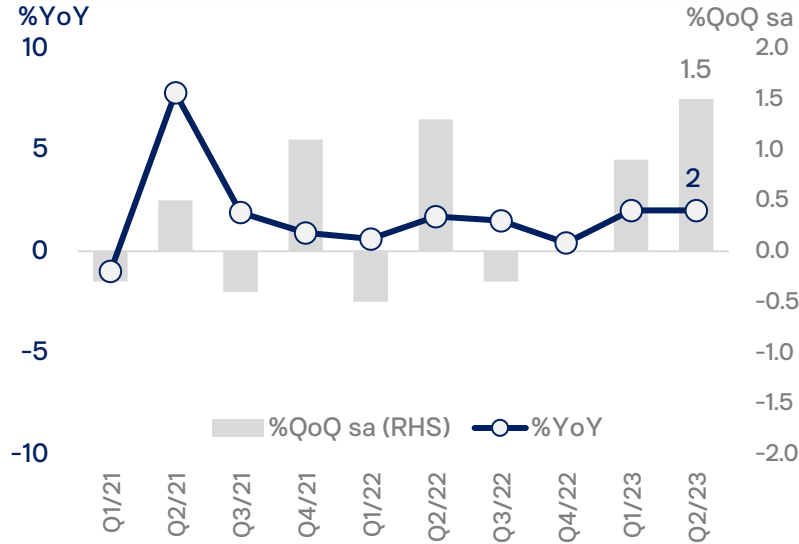


UK Real Average Weekly Earnings

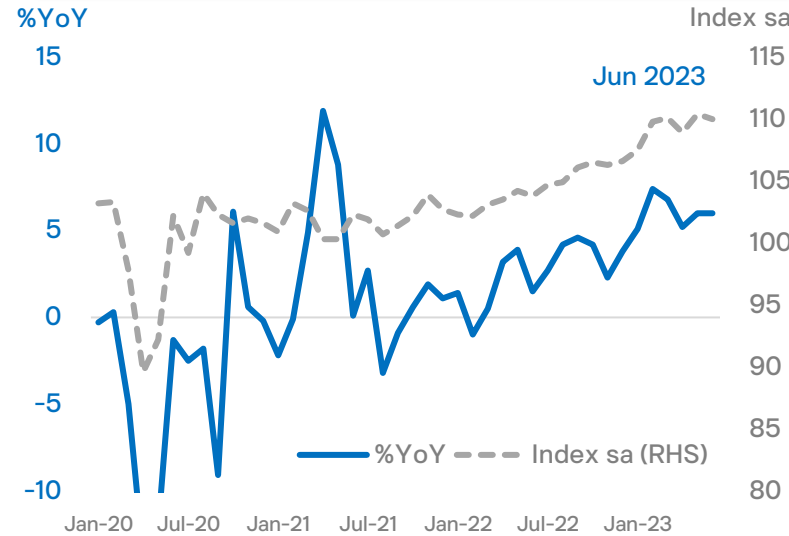


Japan was mainly driven by domestic demands and services with improving labor market

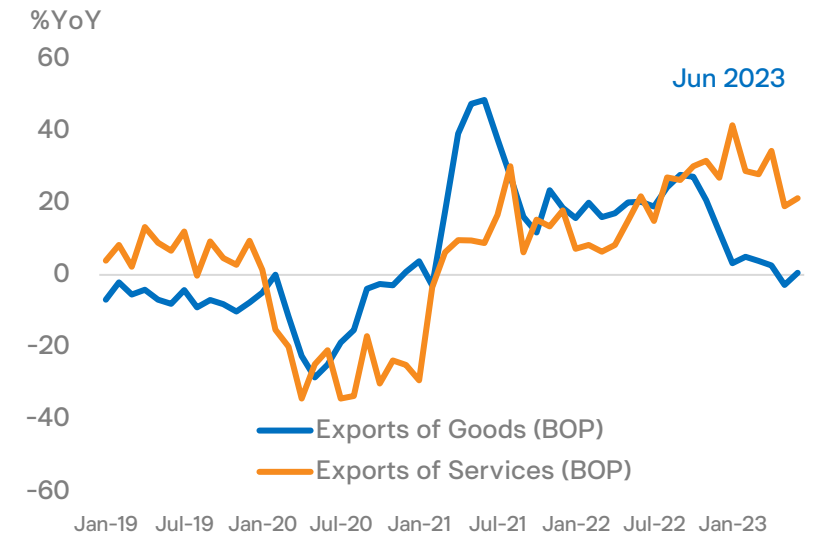
Japan GDP



JP Retail sales

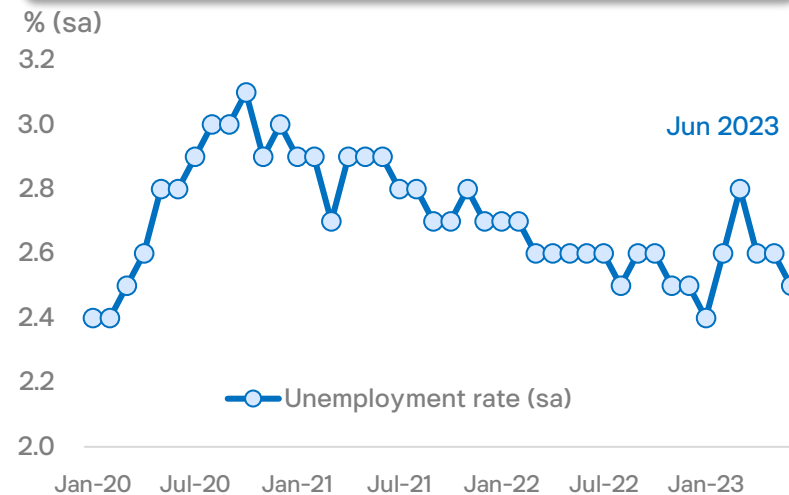


JP Exports of Goods & Services

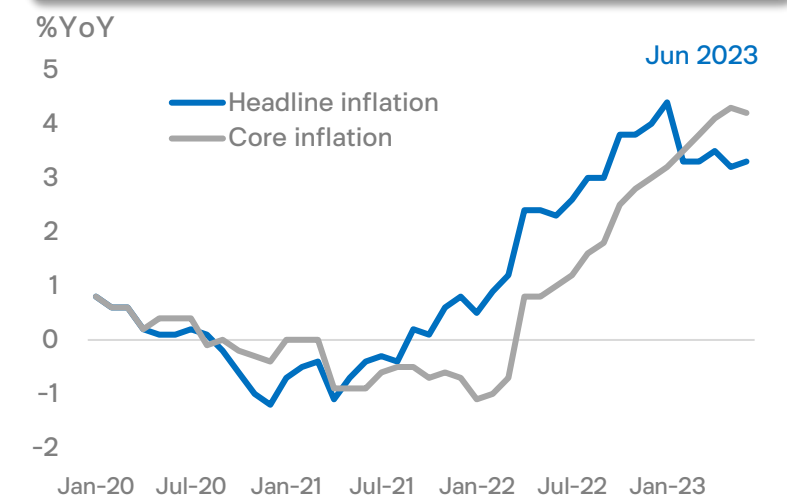


- **Japanese economy had steadily rebounded.** Key driver was a strong domestic demands as shown by elevated retail sales and improving labor market.
- **Foreign tourists sustained export of services amidst a deterioration in merchandise exports.**
- **Headline inflation had been softened to 3.3% yoy in Jun 2023 from an average of 3.9% in last quarter of last year. In the meantime, core inflation was at 4.2%yoy recently.**

JP Unemployment rate

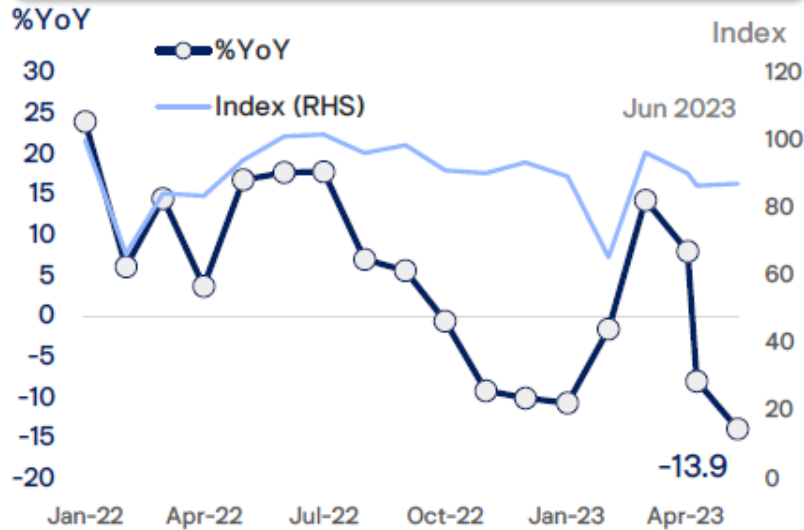


JP Inflation

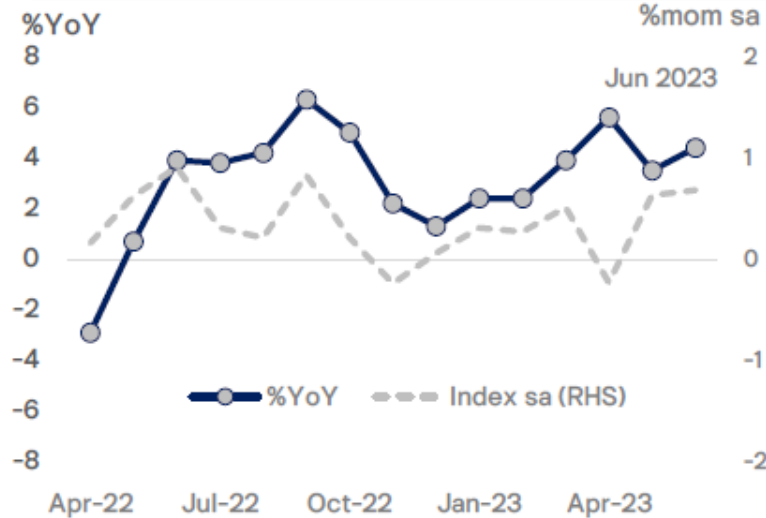


Chinese economy slowly recovered with moderate domestic demands and fragile exports

CN Merchandise Exports

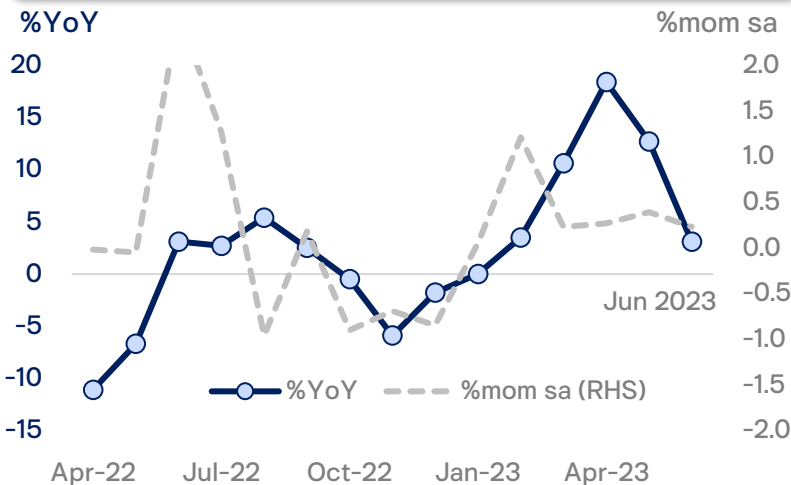


CN Industrial Productions

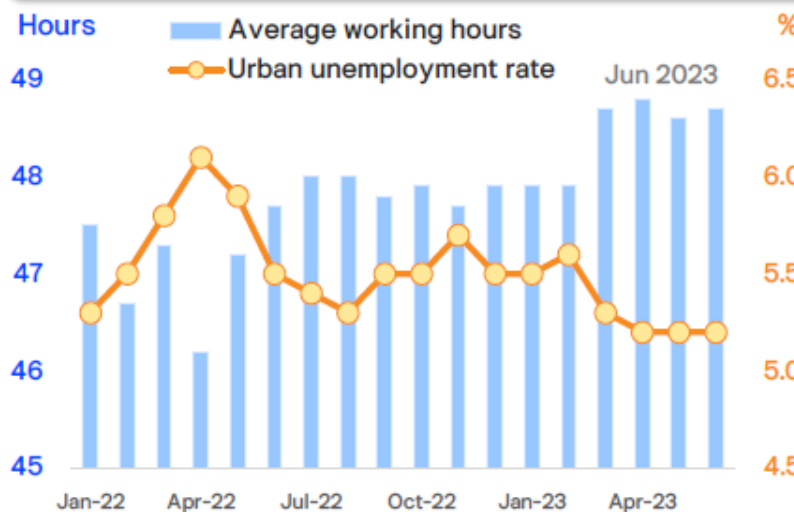


- China had rebounded slowly after fully border reopening in an early 2023. Merchandise exports were fragile and shrank by 13.9% yoy in Jun 2023 in line with moderate productions.
- Domestic demands expanded slowly as shown by moderate retail sales. However, improving working hours and lower unemployment rate helped sustaining household spendings. Housing sector remained in fragility.
- PBoC maintained lending rates at the July 2023 meeting despite further signs of stalling economic recovery that calls for more stimulus.

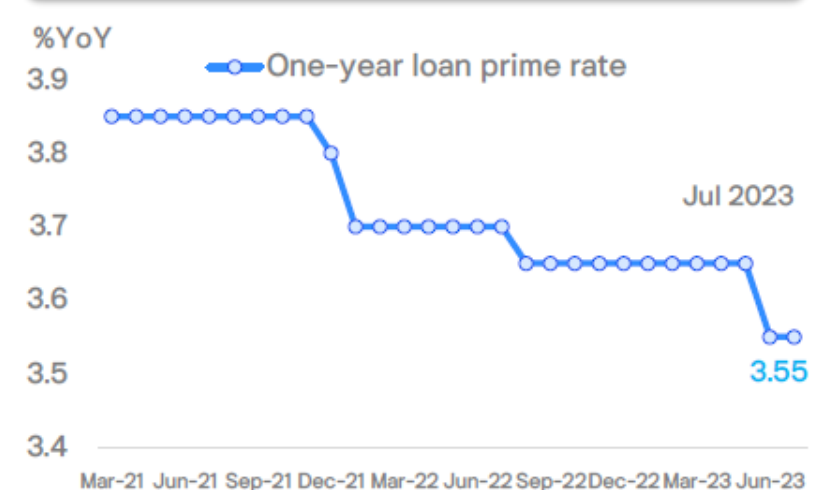
CN Retail sales



CN Working hours and Unemployment



CN Loan prime rate



PART 2

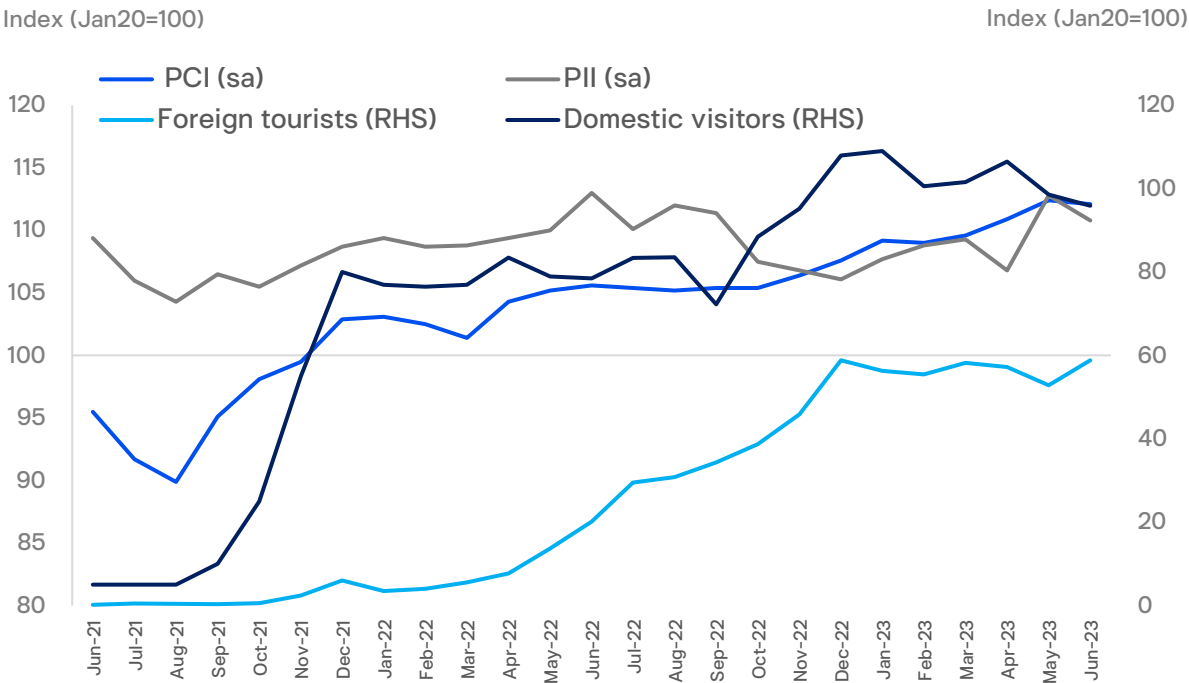
Thai Economy



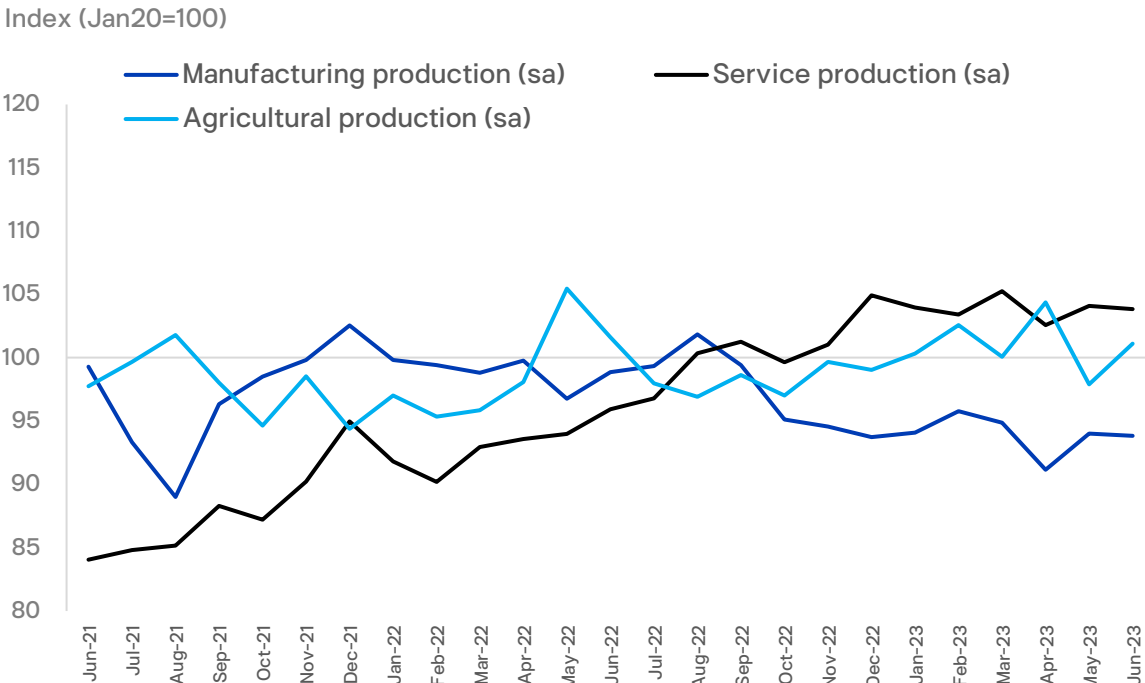
In June 2023, domestic consumption slightly dropped, while tourism rebounded



Demand-side indicators



Supply-side indicators



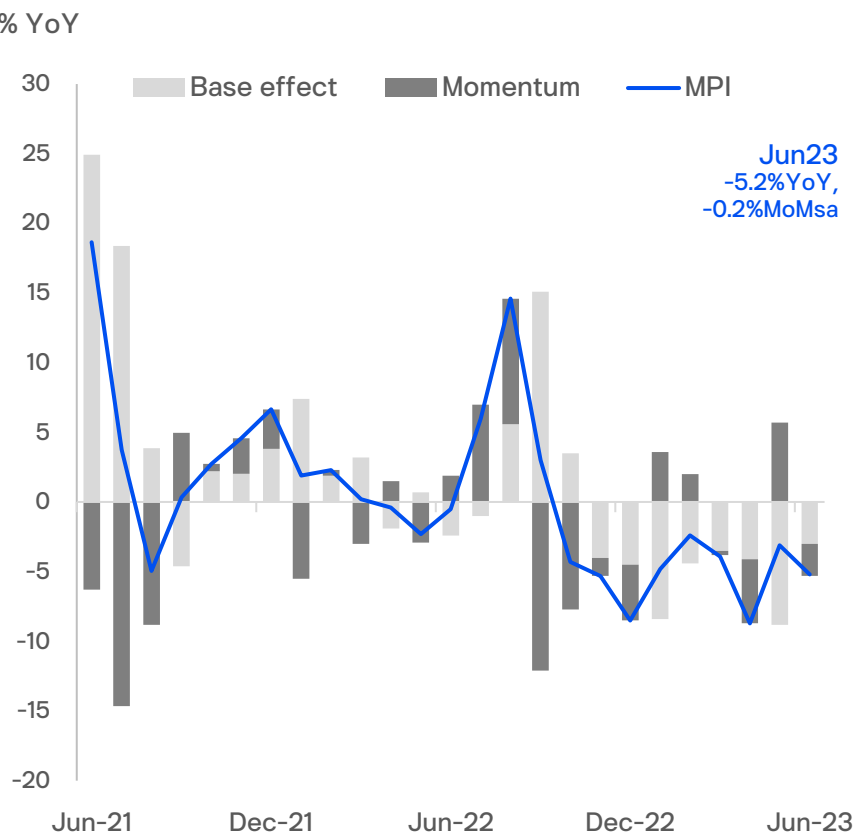
Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Authorized Capital of Newly Registered Companies (Million Baht)	167.1	140.0	113.7	198.0	114.7	120.8	118.6	109.1	1,709.2	119.2	163.2	227.5
Construction Areas Permitted (1000 sq. m)	78.6	112.0	112.6	78.8	100.3	103.6	86.9	97.5	104.5	95.2	100.8	103.1
Export Volume index (exclude Gold)	114.5	110.1	113.6	107.4	106.9	106.7	107.6	110.9	110.7	108.9	109.8	112.7
Business Sentiment Index (3 months)	104.2	105.0	104.5	101.2	102.4	103.8	107.0	107.0	109.1	109.1	109.5	107.8
SET index	104.1	108.2	105.0	106.2	108.0	110.2	110.4	107.1	106.3	101.0	101.3	99.3
Oil Price Inverse Index (Dubai)	1.0	1.0	1.1	1.1	1.2	1.3	1.2	1.2	1.3	1.2	1.3	1.3

Manufacturing production activities contracted further following global slowdown



Manufacturing Production Index (MPI)



MPI by sector (Base Jan 2020=100)

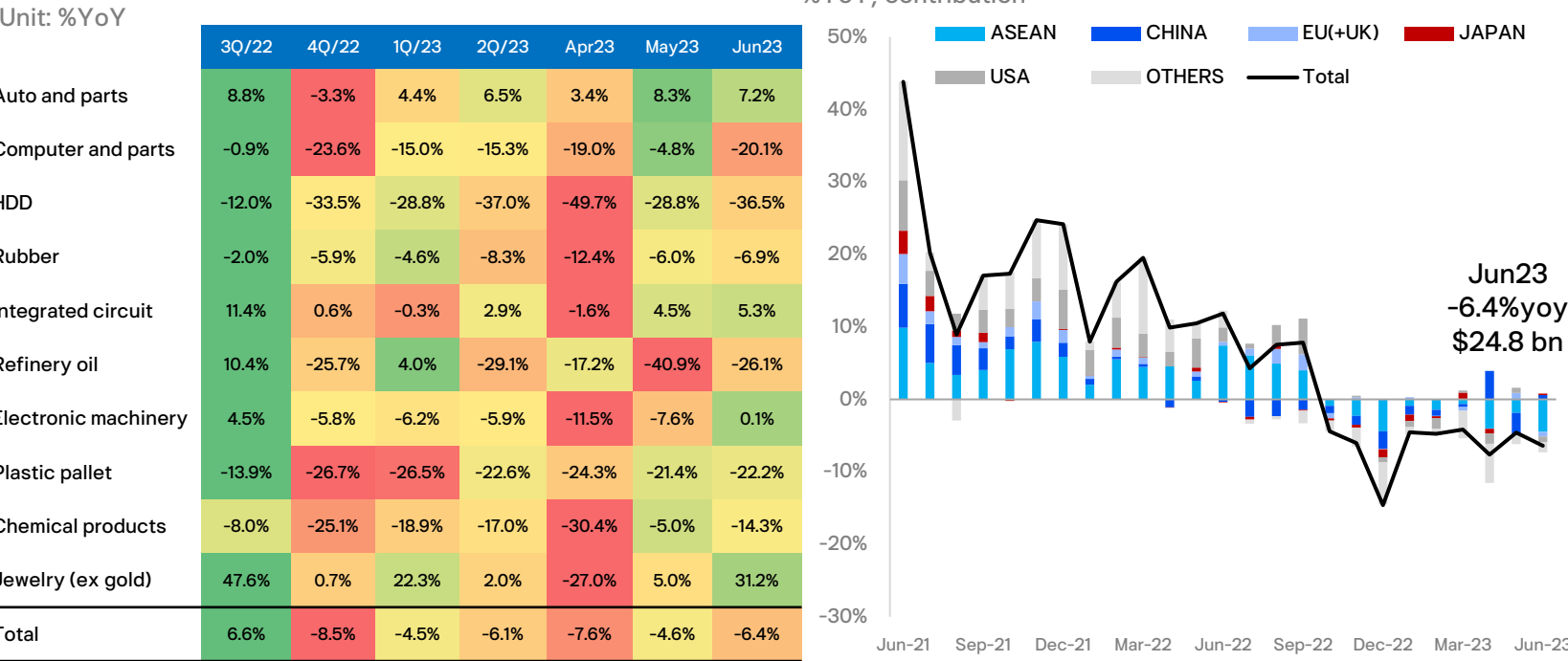
Contribution	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Food products (16.2%)														
Beverages (3.8%)														
Tobacco products (0.5%)														
Textiles (1.6%)														
Wearing apparel (1.9%)														
Leather products (0.9%)														
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	-3.0	-5.2

- As of Jun23, Manufacturing Production Index (MPI) was contracted at 5.2%YoY, after seasonal adjustment, remained at a similar level from the previous month. The production of petroleum products increased as production resumed after a temporarily closure of an oil refinery for maintenance. Production of metal also increased as metal imports from China became lower. However, the production in several categories decreased due to the slowdown in trading partner's demand, including sugar and rubber product.

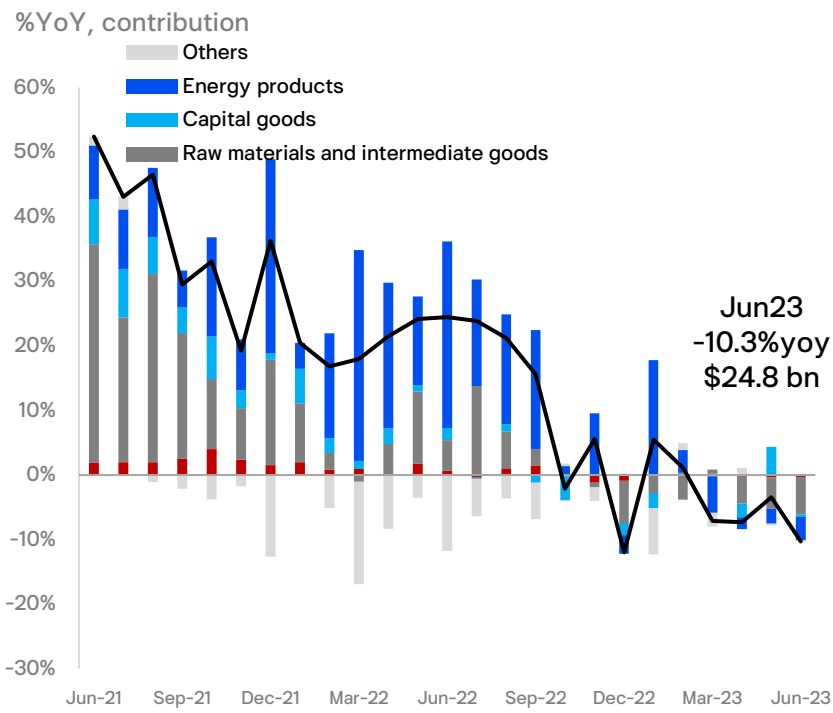
Export value contracted for nine-consecutive month in June



Exports value by product and destination*



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	-5.4% \$141.2 bn
Total import	-4.8% \$236 bn	-12.7% \$206 bn	29.8% \$267 bn	13.6% \$303 bn	-3.5% \$147.5 bn

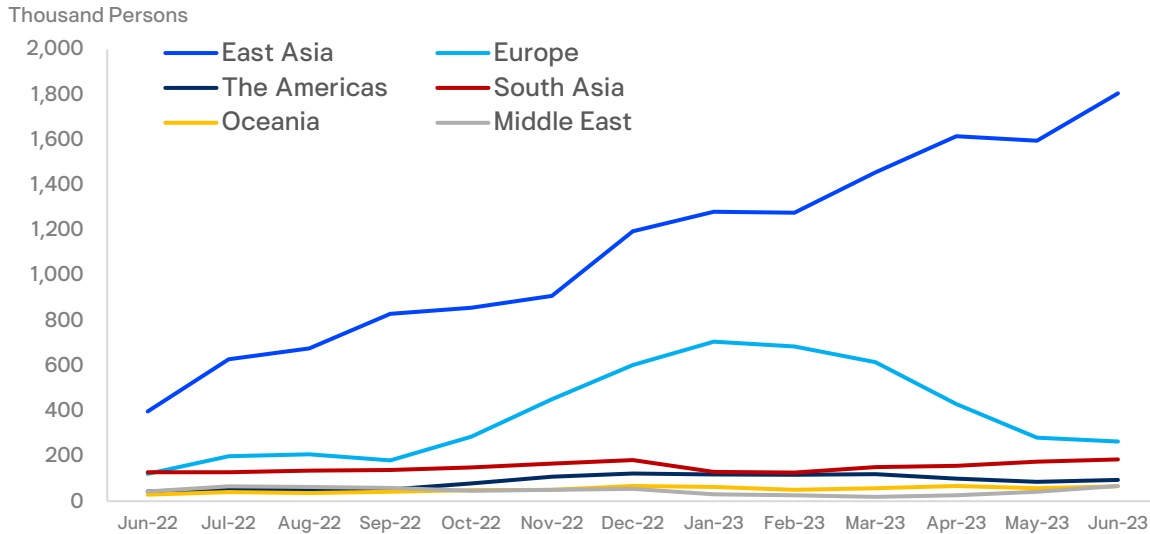
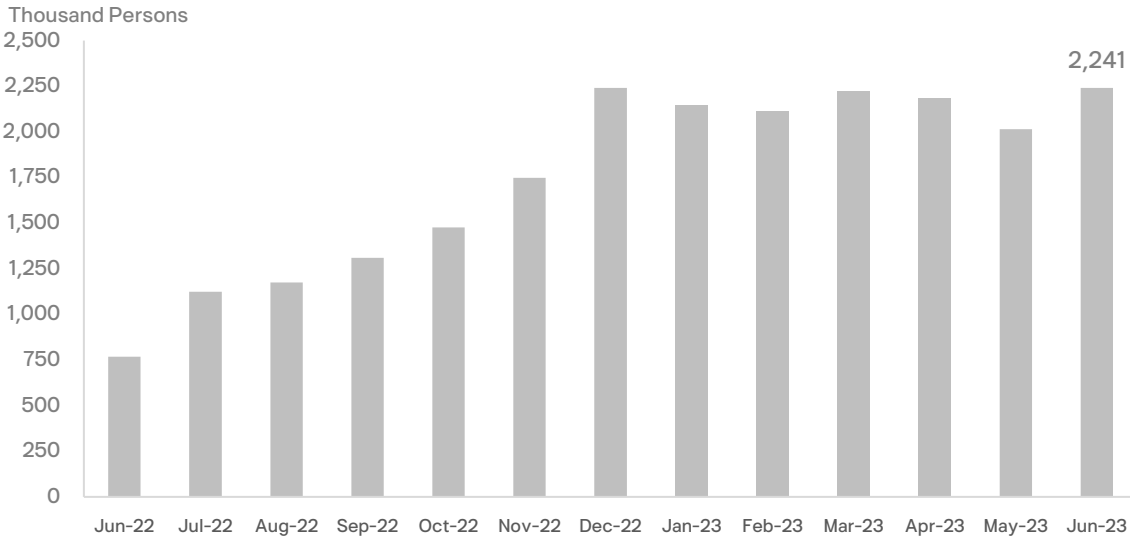
- Export value in Jun23 contracted 6.4%YoY, compared to the contraction of 4.6%YoY in the previous month. Export of agro-manufacturing products decreased from lower palm oil exports to India, while export of electrical appliances also declined after accelerated in preceding period.
- On the other hand, imports dropped by 10.3YoY, worse than previous month at -3.4%YoY, following a lower import of capital goods, metal and consumer goods.

Source: Ministry of Commerce, Bank of Thailand and ttb analytics
Remark: Custom basis

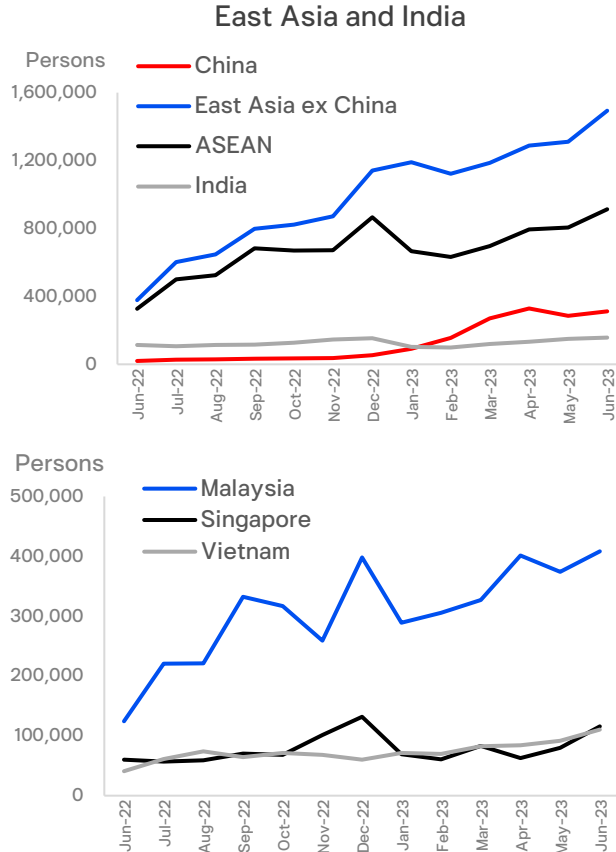
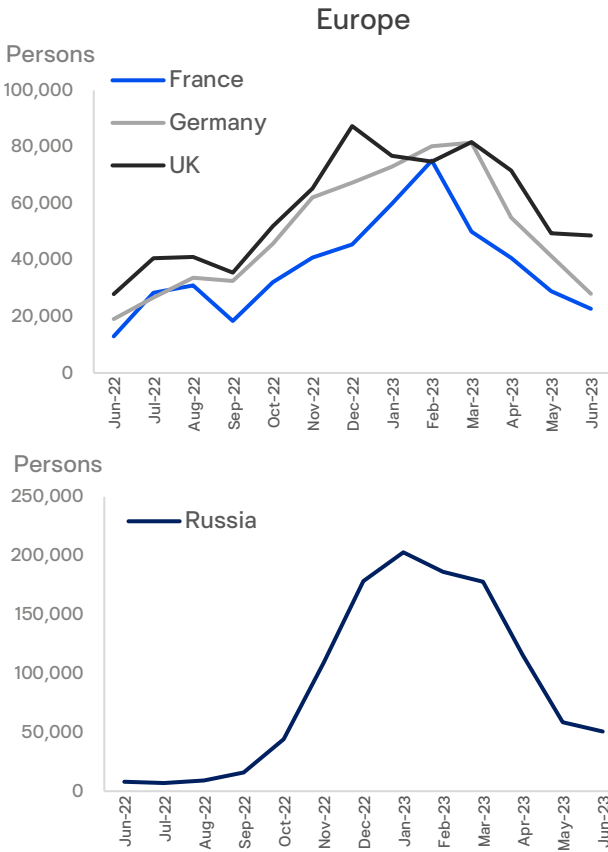
Foreign arrivals rebounded to reach 6-month high, thanks mainly to the return of Malaysia and China



Total Foreign Tourist Inbounds



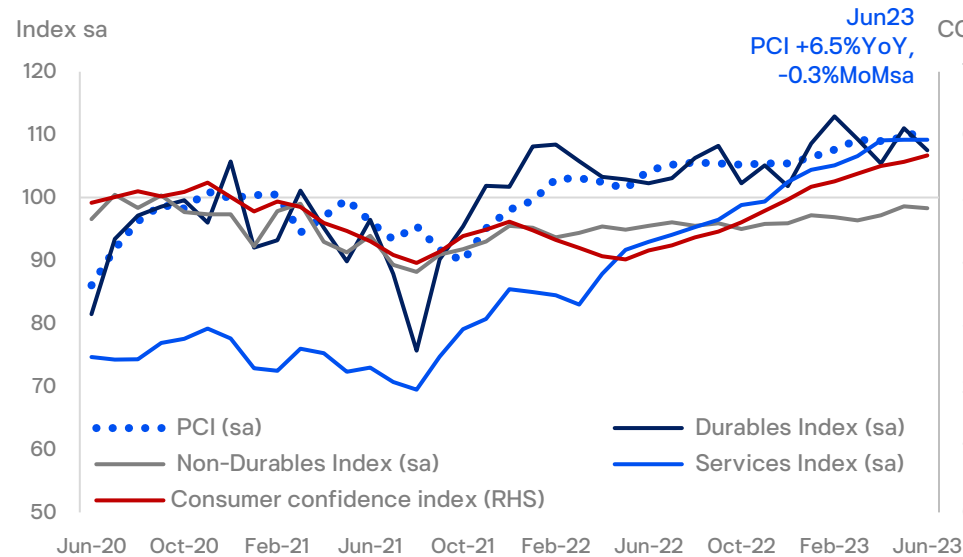
Foreign Tourist Inbounds by key regions



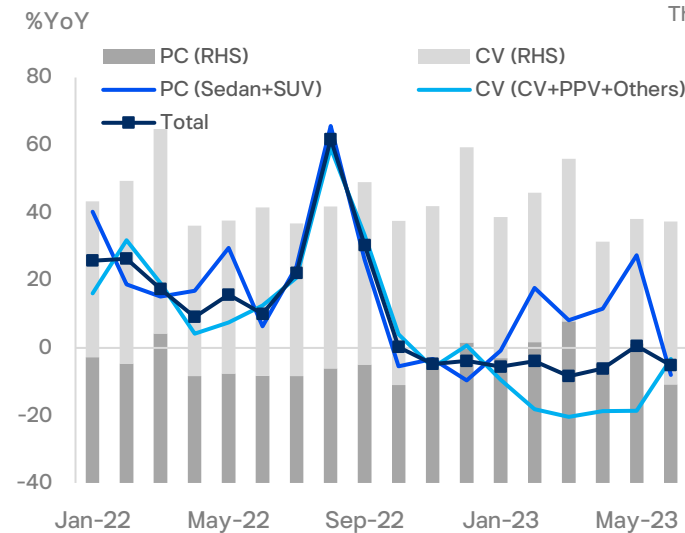
As of Jun23, foreign tourists reached 2.24 million, increased from the previous month in several nationalities, especially tourists from Malaysia and China due to a long holiday in both countries. Nonetheless, tourist arrivals from Europe and Middle East declined slightly after a good expansion in the previous period

Private consumption decreased slightly in almost all categories

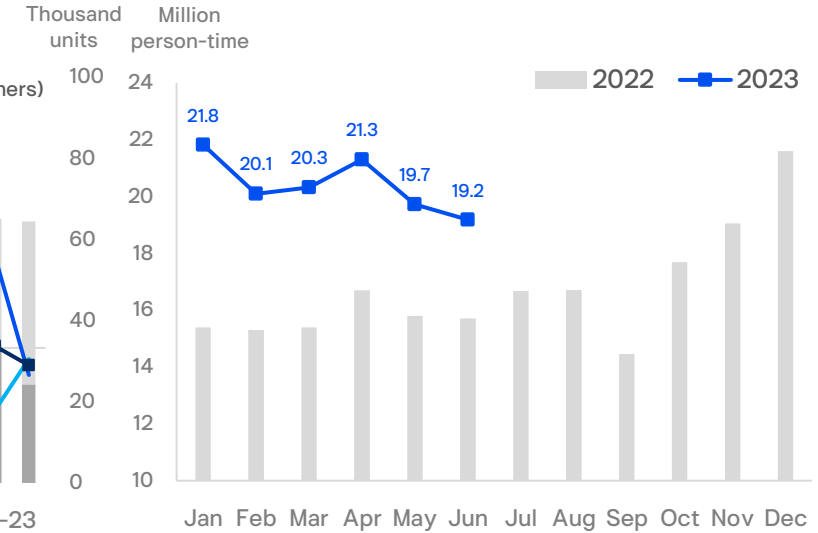
Private Consumption Indicators (SA)



Domestic car sales

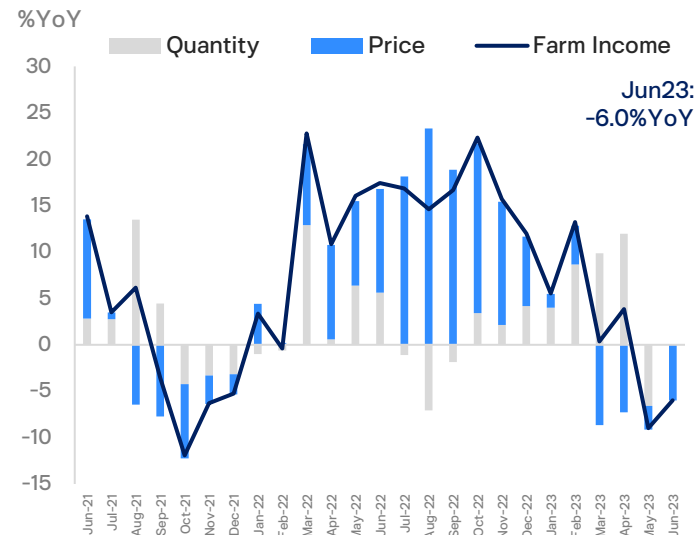


Thai domestic visitors

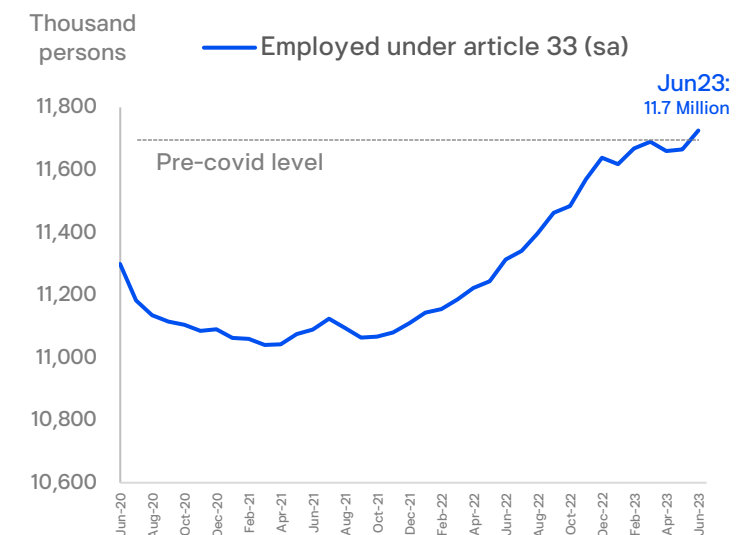


- Private consumption indicators, after seasonal adjustment, slightly decreased from the previous month in almost all categories. Spending on durable goods declined due to lower sales of passenger cars after a good expansion in the preceding period.
- The factors supporting household spending continued to improve both in terms of employment and consumer confidence, despite elevated living costs which continued to exert downward pressure on consumption.

Farm Incomes

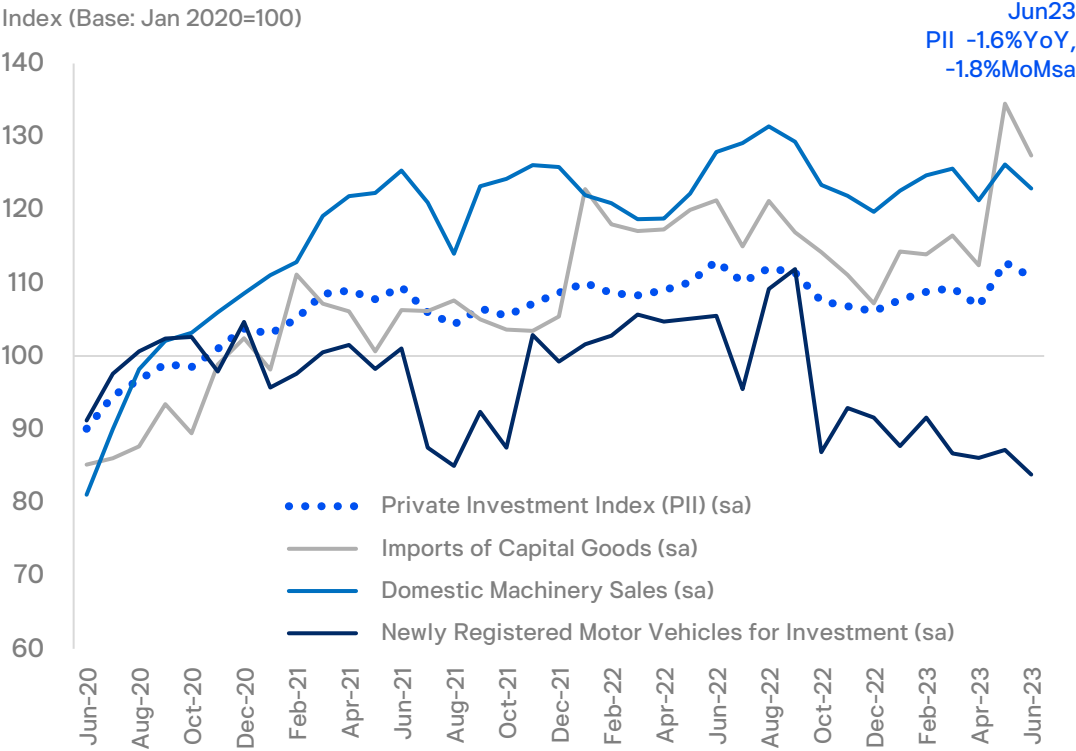


Employment M33



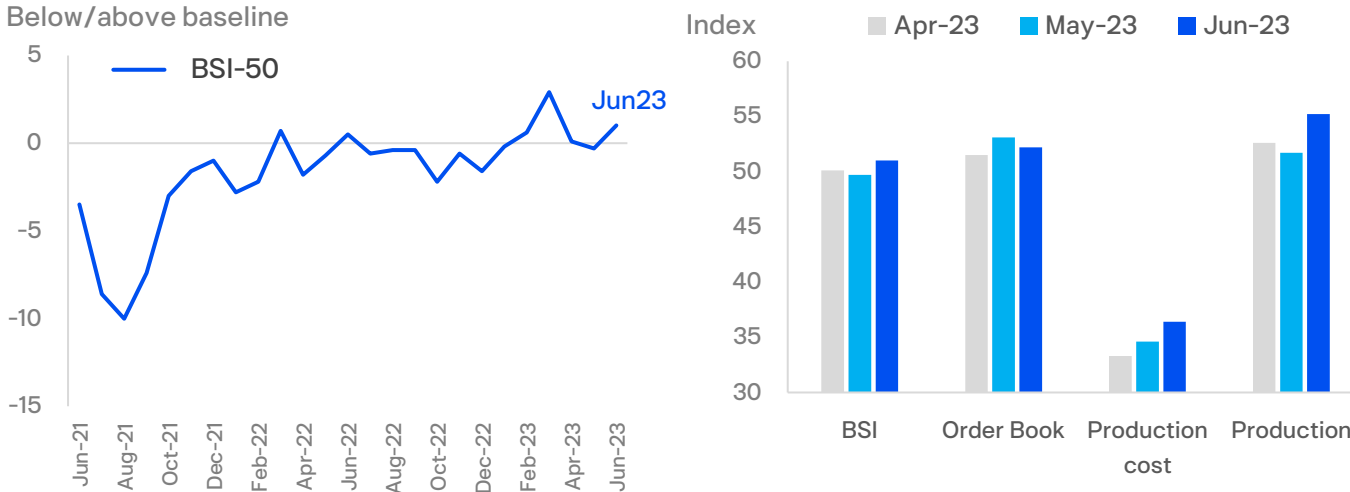
Private investment dropped remarkably in June

Private Investment Indicators (SA)

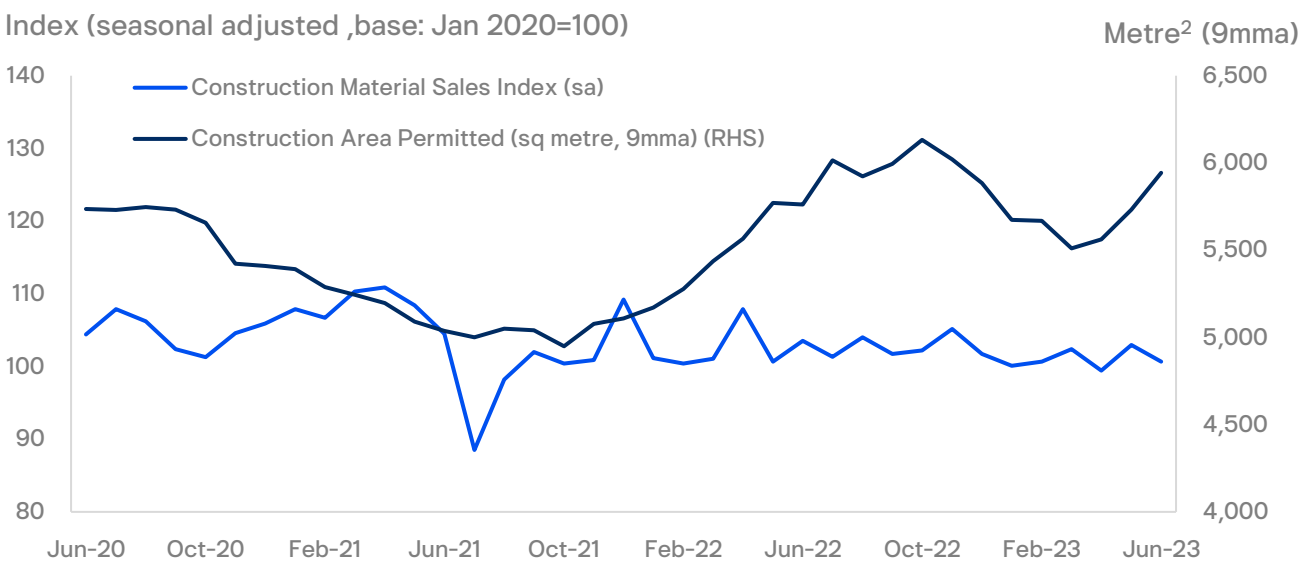


- Private investment indicators, after seasonal adjustment, declined from the previous month. Investment in machinery and equipment dropped after import of capital accelerated in the previous month, while investment in construction also decreased, following lower sales of construction materials. Permitted area for construction, however, increased mainly from area for manufacturing purposes.

Business Sentiment Index



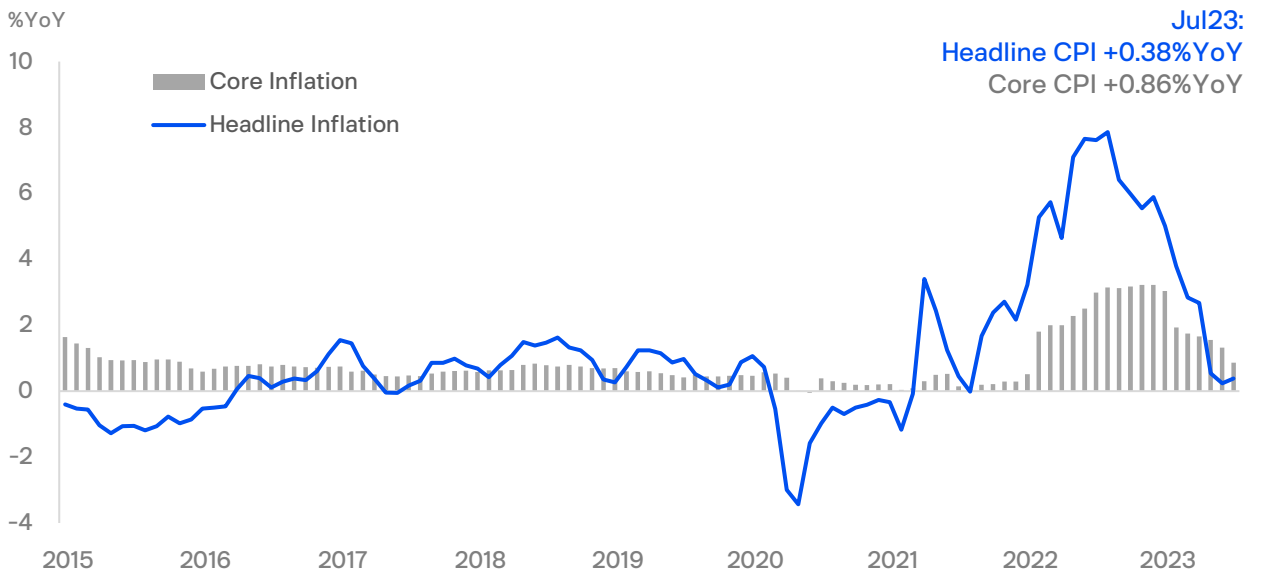
Construction sector (SA)



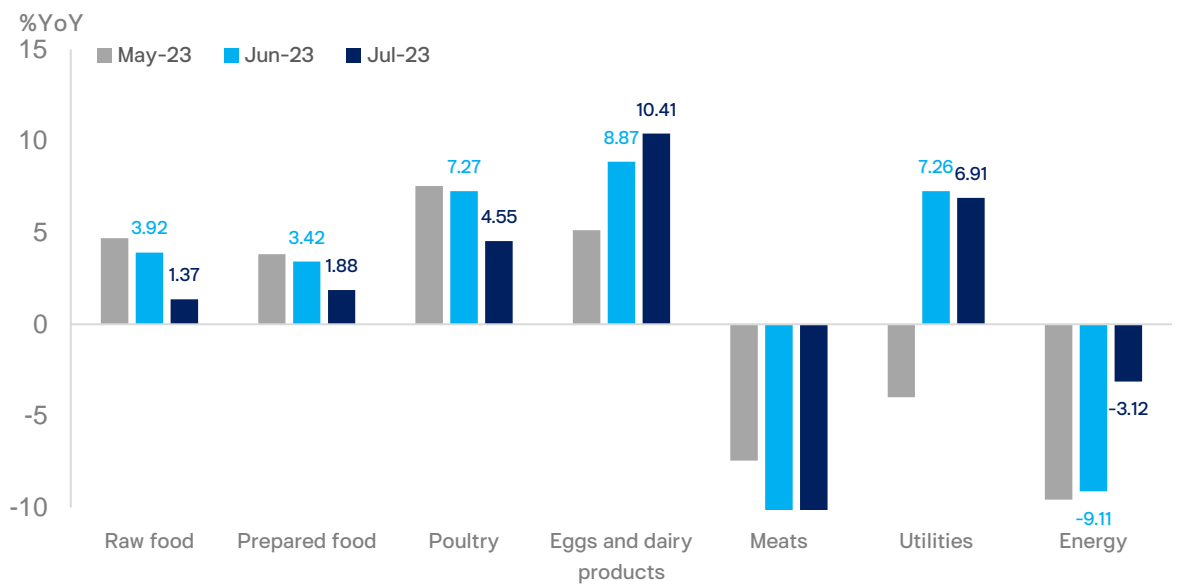
Headline inflation in July increased slightly due to higher retail oil price



Headline vs core inflation



Price change in top categories



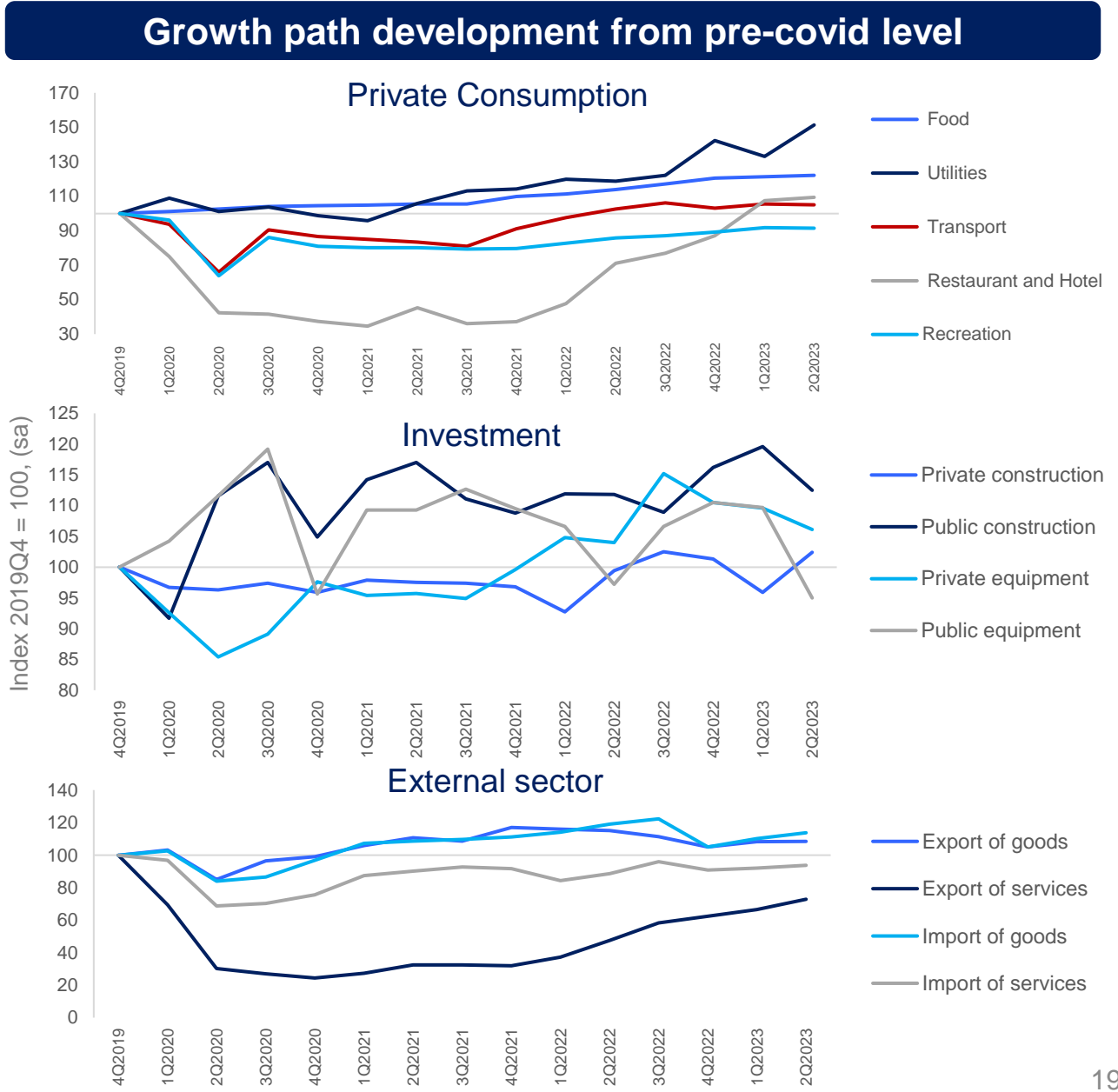
Historical Thai Inflation (%yoy)

%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	2.19
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	4.55
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	2.23
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	-1.37
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	1.73

- The headline inflation (CPI) increase slightly to 0.38%YoY in July 23, below market expectation. This was mainly due to the rise of retail oil price and food categories' price (e.g., egg and dairy products) while core inflation was down to 0.86%YoY from high base effect last year.
- During Jan-July, headline and core inflation was 2.19% and 1.73% respectively.

GDP growth composition (%yoy)								
% compared to previous year	2021	2022	2022				2023	
			Q1	Q2	Q3	Q4	Q1r	Q2
GDP	1.5	2.7	2.3	2.6	4.6	1.4	2.6	1.8
Private consumption (59%)	0.6	6.3	3.5	7.1	9.1	5.6	5.8	7.8
Private investment (18%)	3.0	5.1	2.9	2.3	11.2	4.5	2.6	1.0
Government consumption (17%)	3.7	0.2	8.2	2.7	-1.5	-7.1	-6.3	-4.3
Public investment (8%)	3.4	-4.9	-3.8	-8.8	-6.8	1.5	4.7	-1.1
Export of goods (54%)	15.3	1.3	9.7	4.3	2.3	-10.5	-6.4	-5.7
Import of goods (50%)	18.2	5.4	6.6	9.9	11.2	-5.9	-3.3	-4.3
Export of Service (5%)	-19.9	65.8	35.5	47.7	79.2	94.9	78.2	54.6
Import of Service (9%)	16.0	-0.6	-3.3	-1.9	3.7	-0.9	9.2	5.4

Source: NESDC, ttb analytics
Remark: (.) indicates share to GDP



PART 3

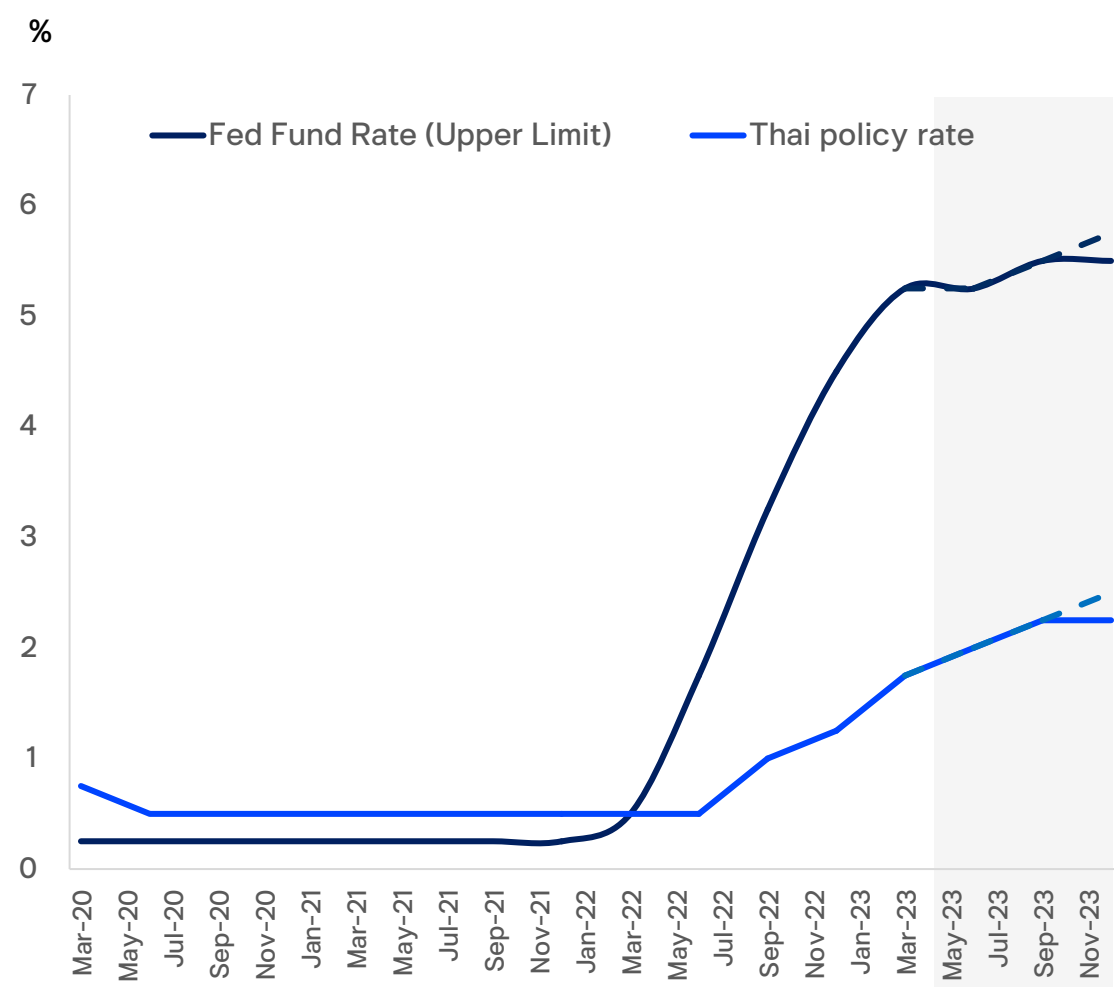
Financial Market



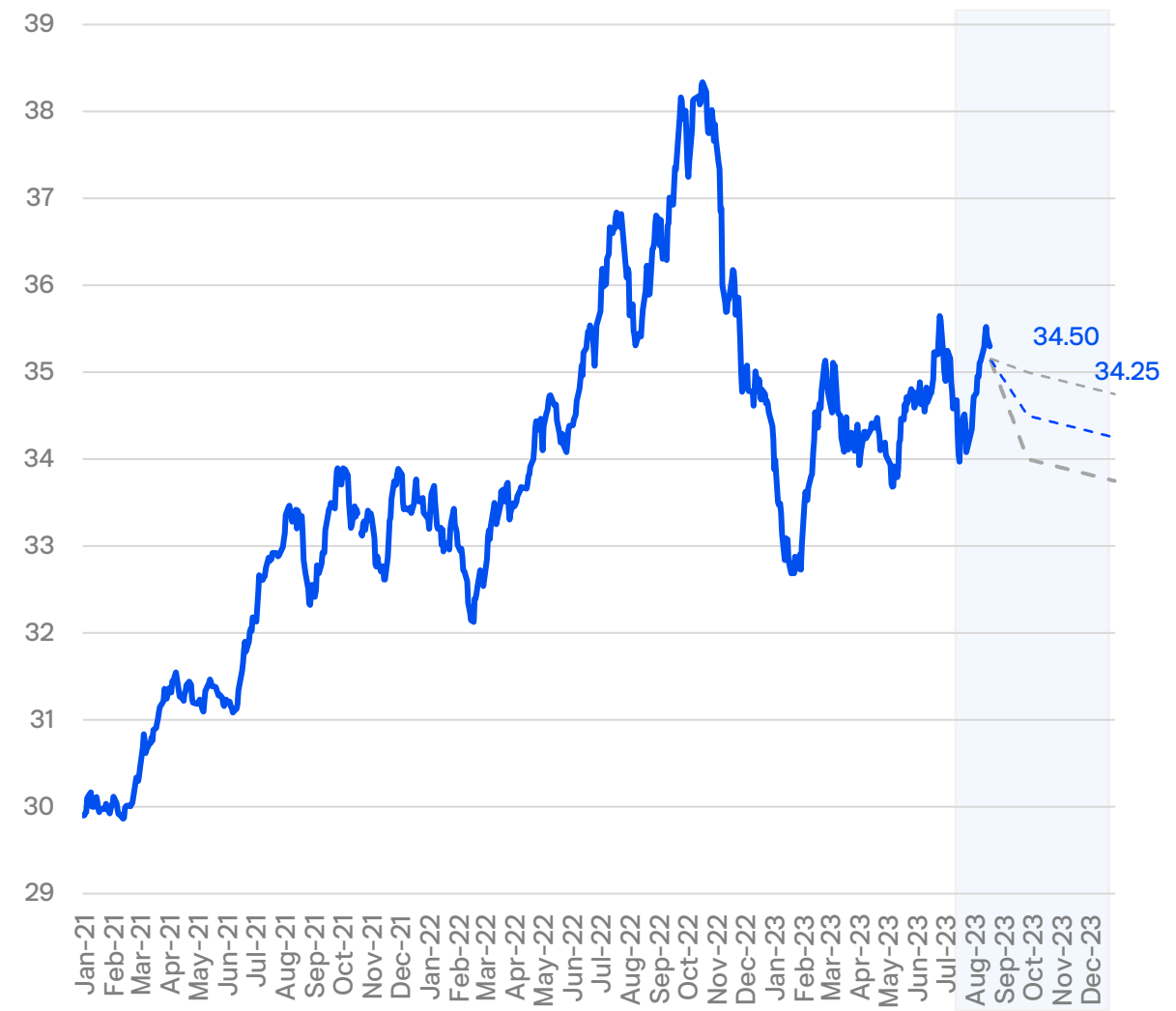
Thai policy rate will be in the range of 2.25% to 2.50% until the end of 2023



FED-BOT policy rate forecast



USDTHB Projection

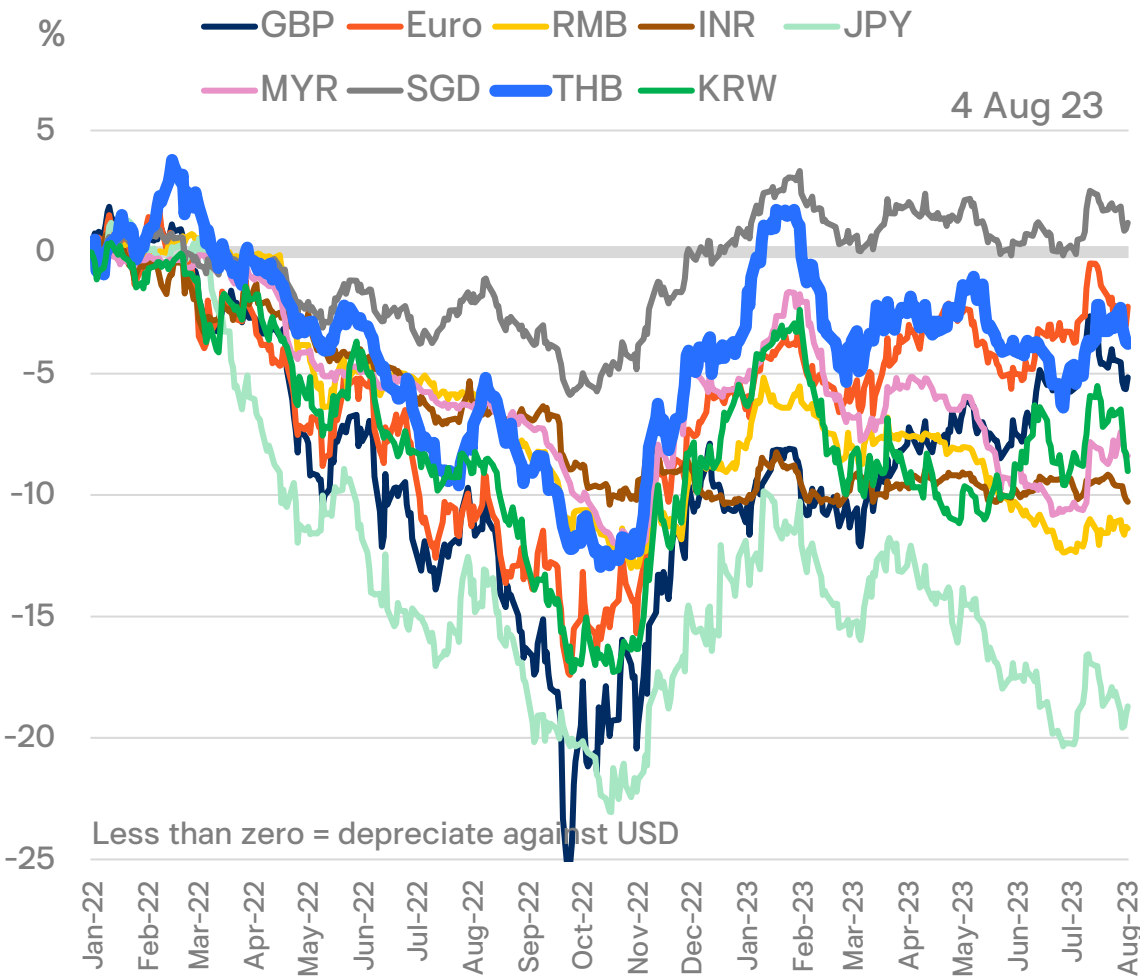


Source: Ministry of Commerce and ttb analytics.

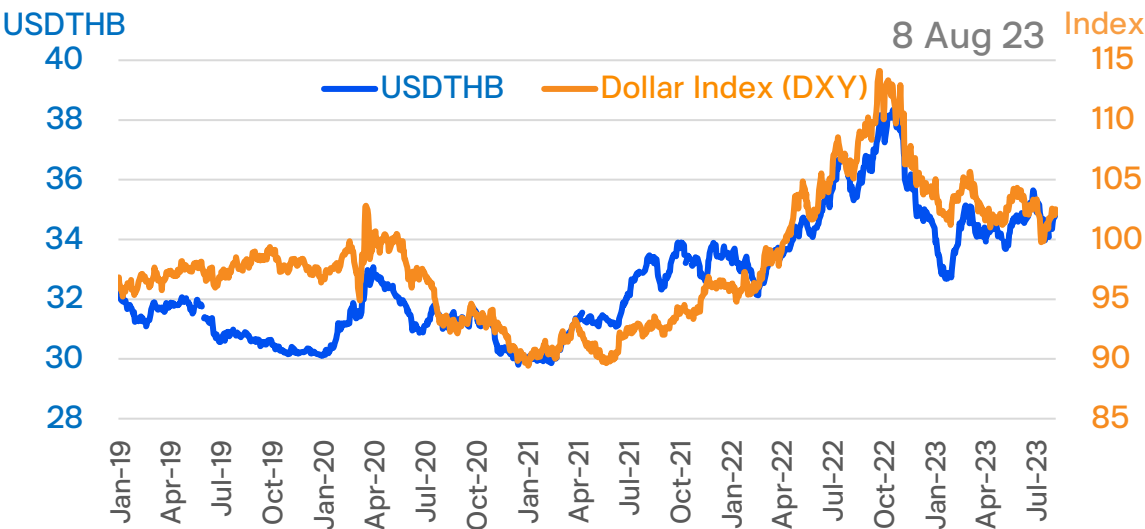
US dollar edged lower as improved risk sentiment weighed on the safe haven



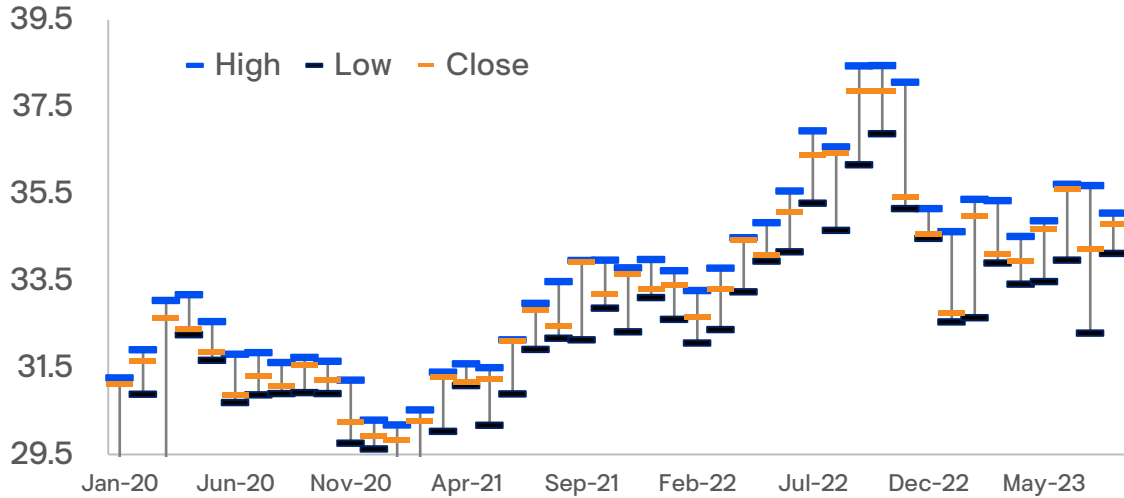
Major Asian currencies against USD



Dollar Index / USDTHB



Average daily range of USDTHB

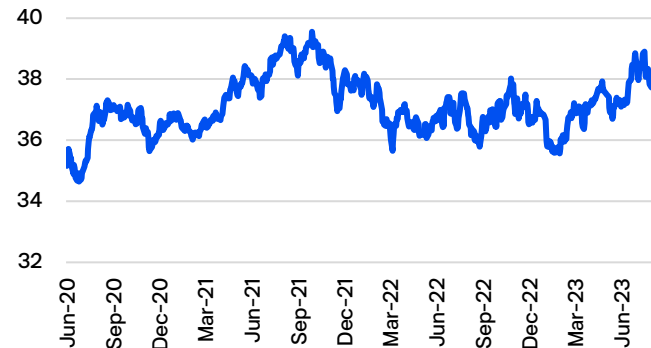


Major currency moved by anticipation of monetary policy stance



USDTHB

- USDTHB ending 34.26 level in July and is hovered around 34.50 – 35.00 in August 2023.
- The US dollar edged lower as improved risk sentiment weighed on the safe haven despite recent signs of Chinese economic weakness and Moody's downgrade of U.S. banks. This coupled with dovish signals from Fed officials suggesting interest rates are high enough while Fed Chair Jerome Powell emphasized that the central bank was data-dependent for its September's Fed meeting. Previously, slowing US jobs growth in July encouraged hopes for a soft economic landing despite higher wages growth.



EURTHB

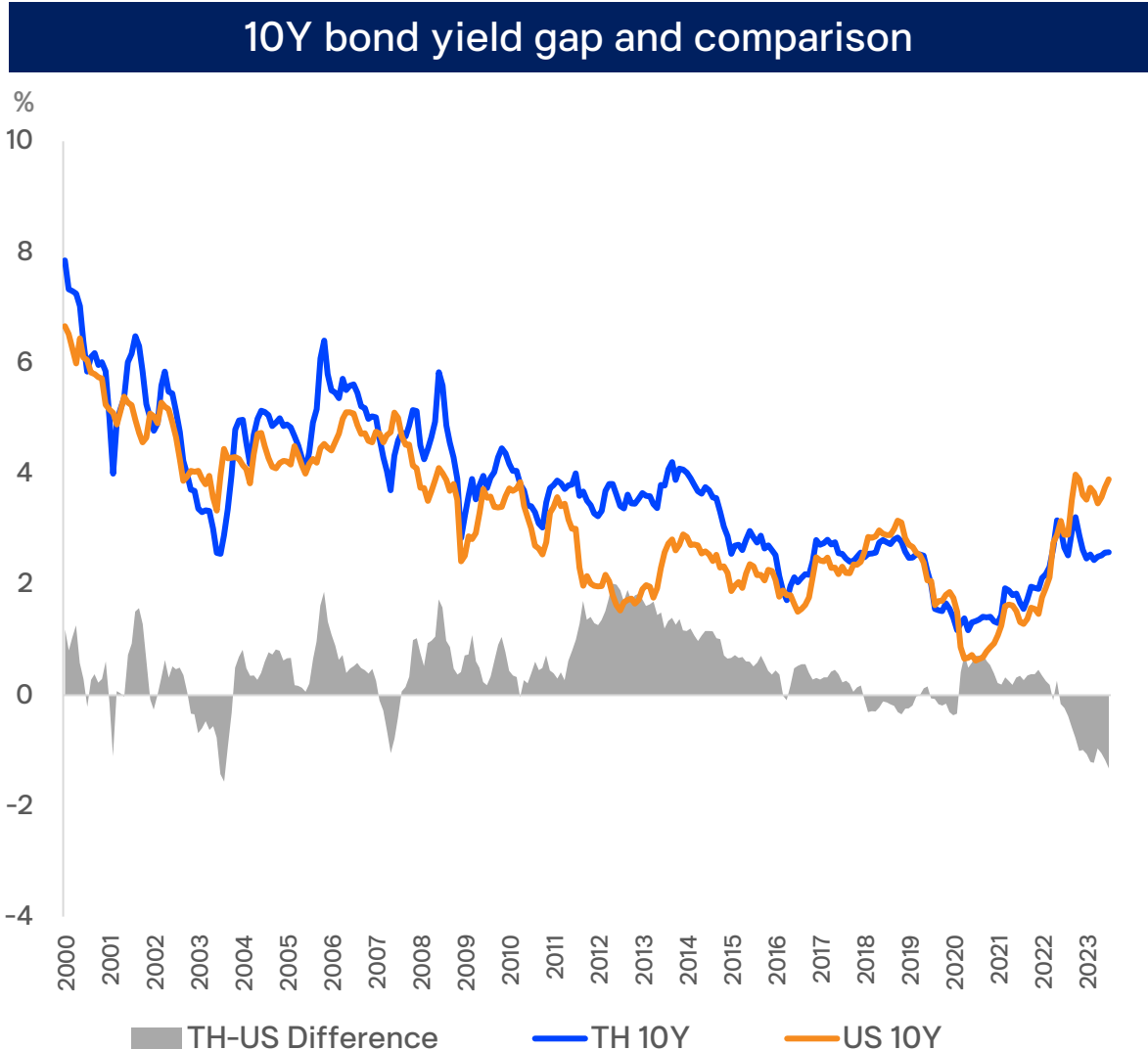
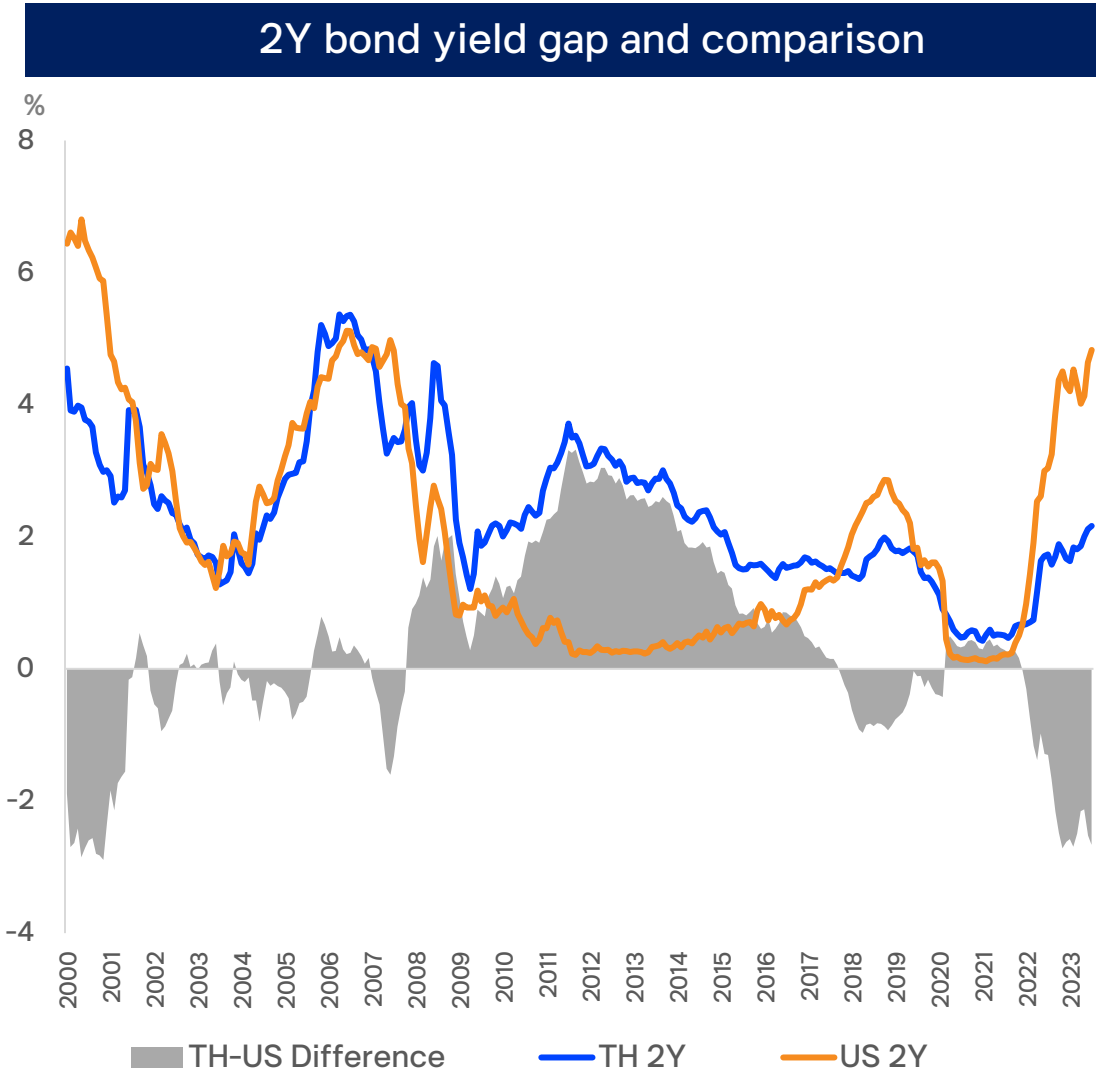
- EURTHB ending 37.72 level in July and is hovered around 37.80 – 38.50 in August 2023.
- Euro fell against the US dollar as German inflation eased in July with annualized rise of 6.2%, below than 6.4% increase in the previous month.
- Meanwhile, German industrial production dropped more than expected in June, contracting by -1.5% compared to -0.5% forecasted and -0.1% in the May. This, with signs that inflation is moderating in the eurozone's largest economy could persuade the European Central Bank to pause its rate-hiking cycle.



JPYTHB

- JPYTHB ending 0.242 level in July and is hovered around 0.241 – 0.245 in August 2023.
- Japanese Yen dropped sharply before rebounding amid growing uncertainty over the Bank of Japan (BOJ)'s plans for monetary policy.
- Wage growth for Japanese employees rose more than expected in June with 2.3% increase, higher than the forecast of 1.6% albeit being lower than 2.9% in the previous month. This also pushed up possibilities that the BOJ will tighten policy this year.

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



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