

Economic and Financial Outlook

t**tt**b analytics

Sep 2023



Executive Summary



Global Economy

- In July 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 loosing sign. Japanese economy steadily rebounded from domestic demands and tourists. China's economy slowly rebounded.



Thai Economy

- In July 2023, the Thai economy continued to recover. Private spending increased in both consumption and investment with consumption being benefited from a long holiday this month. The number of foreign tourist arrivals reached its peak since pandemic thanks to the return of long-haul tourists.
- Merchandise export continued to contract for 10 months. Export of agricultural and agro-manufacturing products declined 3-consecutive month from rubber, seafood products and sugar, as well as export of industrial products e.g., oil-related products, computer and parts and aluminum products.
- Headline inflation slightly increased from energy inflation, following increases in global crude oil prices. Core inflation and fresh food prices decreased due to the high base last year.



Financial Markets

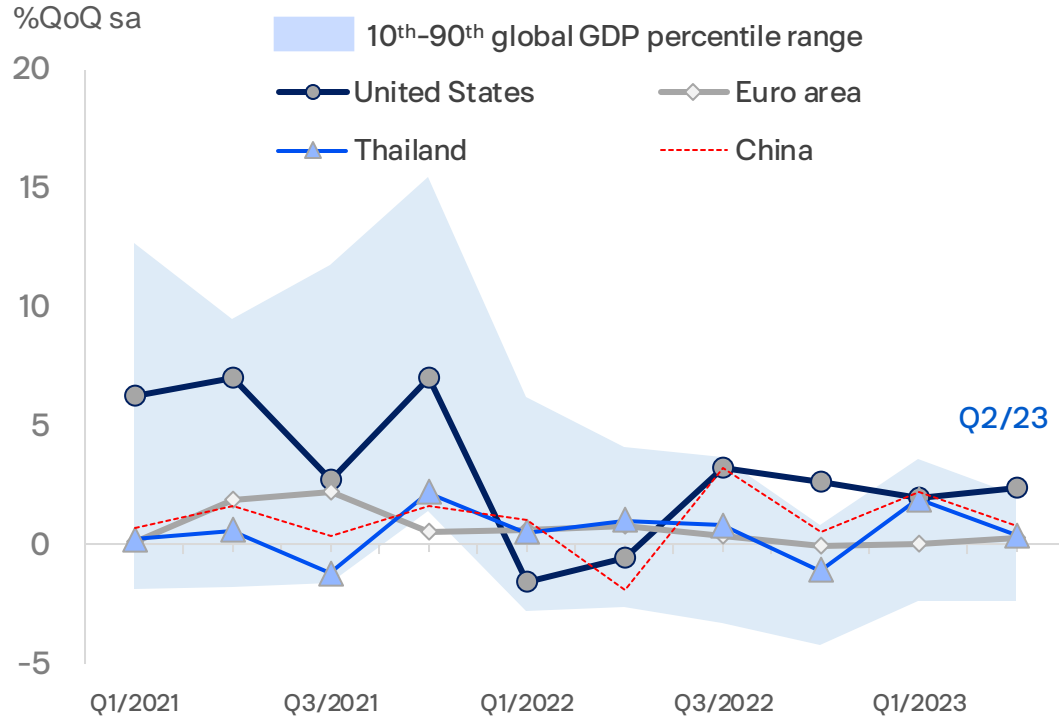
- Major central banks are near the end of their hiking cycle. However, market participants have pointed out possibilities that the Fed would continue with its rate hike again in November 2023 meeting after pausing for further hike in September 2023.
- Investors went into long term bond tenor, for both 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 August, ending 34.93 level. It could be around 35.00-36.50 in September. US Dollar edged higher following the market's bet on further policy rate hike over the rest of the 2023.

PART 1

Global Economy

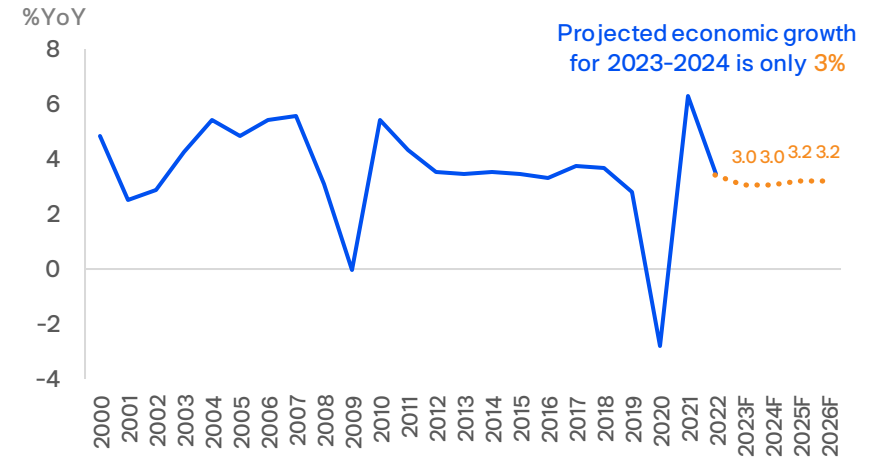


Global GDP Momentum

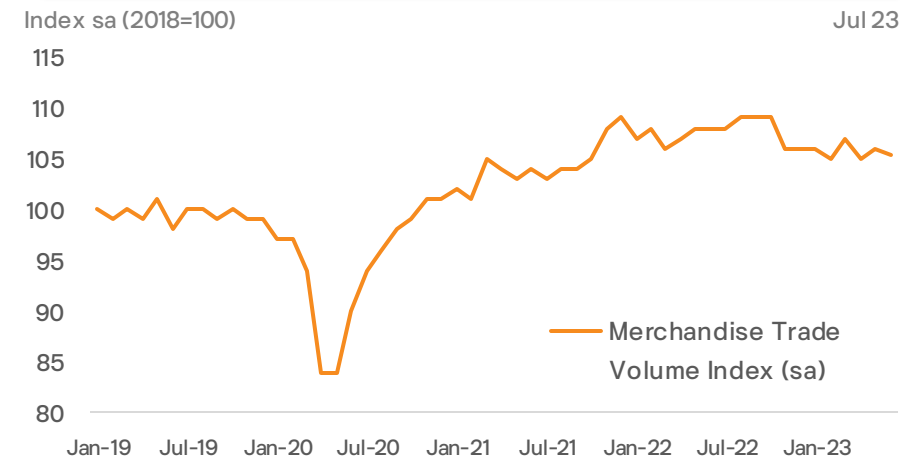


- Global economic momentum had been continuously softened in H1/2023. China reopening had missed the expectation of sustaining feeble global demand. This reflected the impacts of high interest rate environment and elevated living costs.
- IMF projected the global economic growth in 2023, and 2024 at only 3% with the rise in central bank policy rates to fight inflation continues to weigh on economic activity.

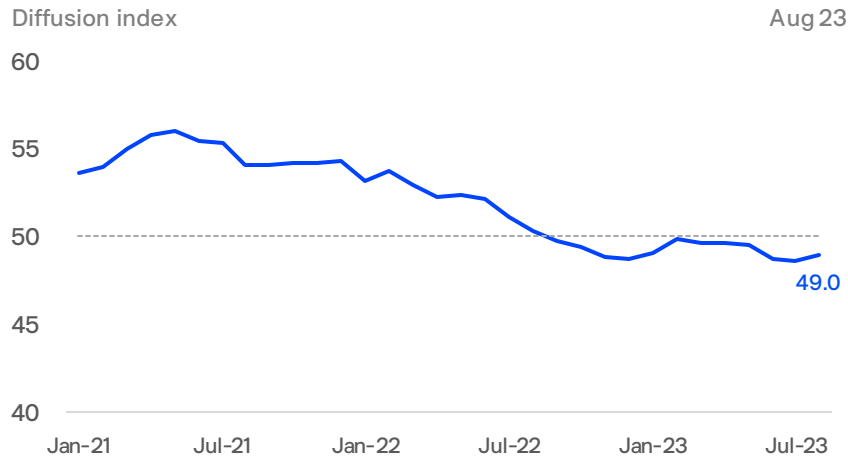
IMF World Economic Projection



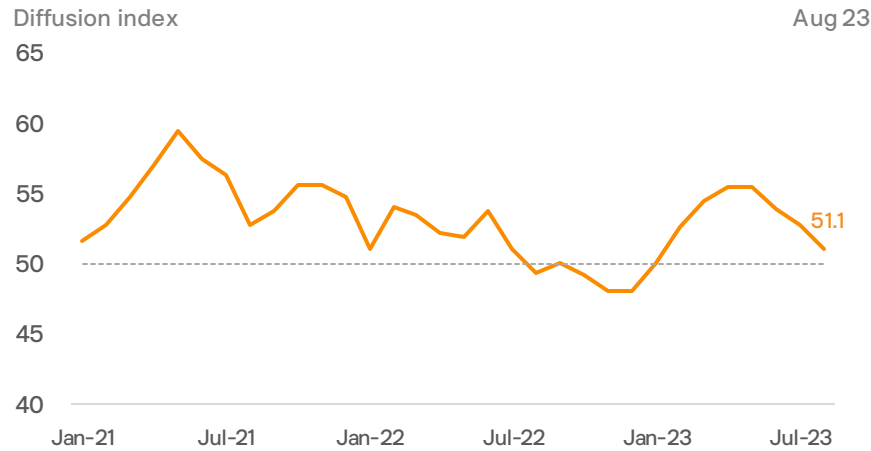
Merchandise Trade Volume Index



Global Manufacturing PMI



Global Service PMI



- The global economic expansion further decelerated midway into the third quarter of 2023.
- The expansion of output remained exclusive to the service sector as manufacturing output continuously contracted.
- The service sector remained in expansion, but the rate of growth continued to trend lower to the weakest since January 2023.

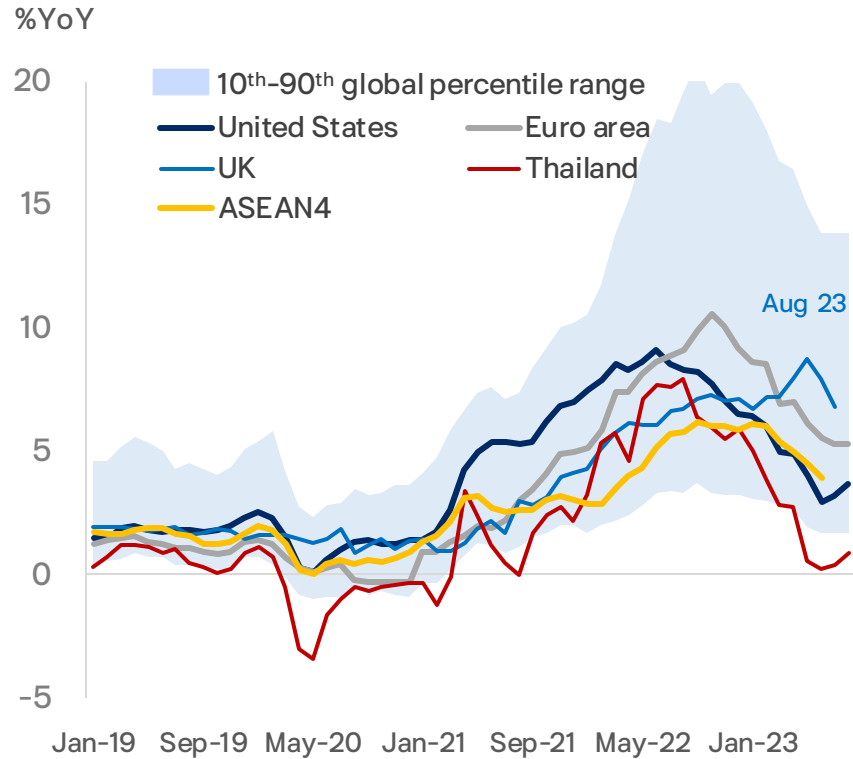
Manufacturing PMI by countries

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Global	53.0	52.2	49.8	48.7	49.6	49.6	49.5	48.7	48.7	49.0
US	58.8	52.7	52.0	46.2	49.2	50.2	48.4	46.3	49.0	47.9
UK	55.2	52.8	48.4	45.3	47.9	47.8	47.1	46.5	45.3	43.0
EU	56.3	51.6	48.1	47.5	47.3	45.8	44.9	43.4	42.7	43.5
Germany	56.9	52.0	47.8	47.1	44.7	44.5	43.2	40.6	38.8	39.1
France	54.7	51.4	47.7	49.2	47.3	45.6	45.7	46.0	45.1	46.0
Italy	55.8	50.9	48.3	48.5	51.1	46.8	45.9	43.8	44.5	45.4
Asia exc. China	53.0	52.3	50.9	50.2	50.5	51.1	51.2	50.7	50.8	51.0
China	48.1	51.7	48.1	49.0	50.0	49.5	50.9	50.5	49.2	51.0
Australia	57.7	56.2	53.5	50.2	49.1	48.0	48.4	48.2	49.6	49.6
India	54.0	53.9	55.1	57.8	56.4	57.2	58.7	57.8	57.7	58.6
Japan	54.1	52.7	50.8	48.9	49.2	49.5	50.6	49.8	49.6	49.6
S.Korea	51.2	51.3	47.3	48.2	47.6	48.1	48.4	47.8	49.4	48.9
Indonesia	51.3	50.2	53.7	50.9	51.9	52.7	50.3	52.5	53.3	53.9

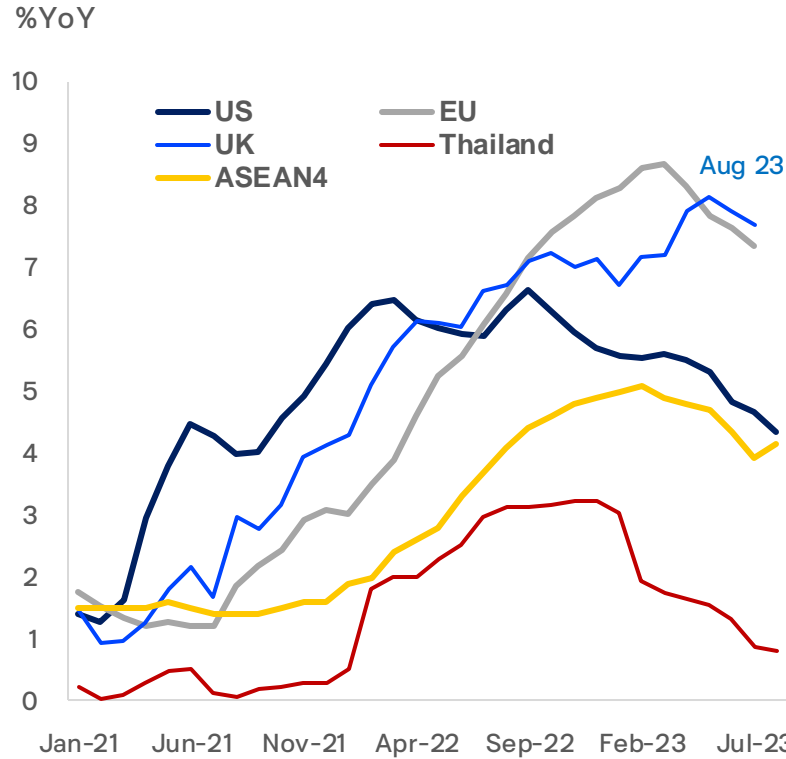
Service PMI by countries

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Global	53.4	53.8	50.0	48.1	54.4	55.4	55.5	53.9	52.7	51.1
US	58.0	52.7	49.3	44.7	52.6	53.6	54.9	54.4	52.3	47.7
UK	62.6	54.3	50.0	49.9	52.9	55.9	55.2	53.7	51.5	47.4
EU	55.6	53.0	48.8	49.8	55.0	56.2	55.1	52.0	50.9	47.9
Germany	56.1	52.4	45.0	49.2	53.7	56.0	57.2	54.1	52.3	47.3
France	57.4	53.9	52.9	49.5	53.9	54.6	52.5	48.0	47.1	46.0
Italy	52.1	51.6	48.8	49.9	55.7	57.6	54.0	52.2	51.5	49.8
Asia exc. China	49.8	55.6	52.6	53.0	55.9	57.4	56.8	55.2	55.6	55.6
China	42.0	54.5	49.3	48.0	57.8	56.4	57.1	53.9	54.1	51.8
Australia	55.6	52.6	50.6	47.3	48.6	53.7	52.1	50.3	47.9	47.8
India	53.6	59.2	54.3	58.5	57.8	62	61.2	58.5	62.3	60.1
Japan	49.4	54	52.2	51.1	55	55.4	55.9	54	53.8	54.3

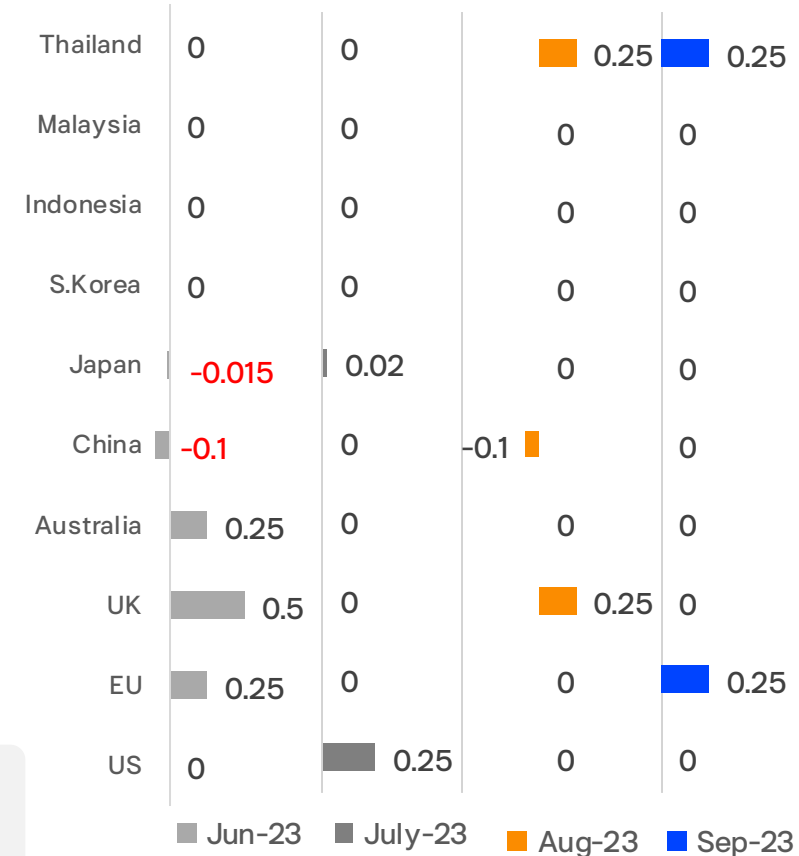
Global Headline Inflation



Global Core Inflation



Recent policy rate decision

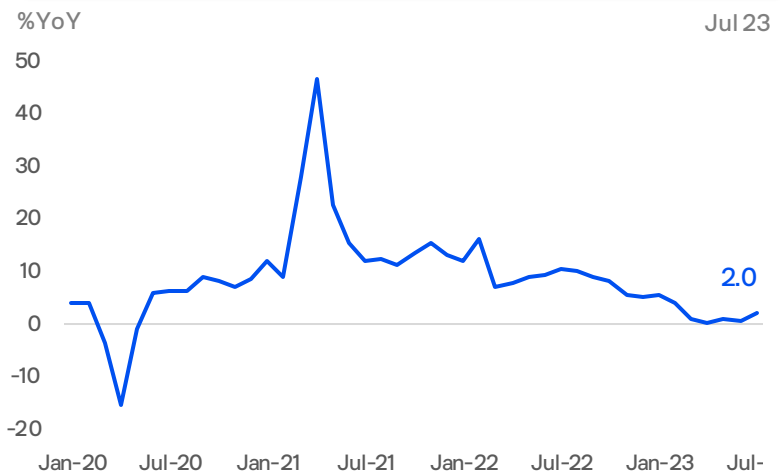


- Global headline inflation steadily dropped, thanks to a decline in energy prices and high base effect last year. However, the slight uptick in recent global oil price due to production cuts and weather condition would be additional risks that would impact inflation outlook and monetary policy course. 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.

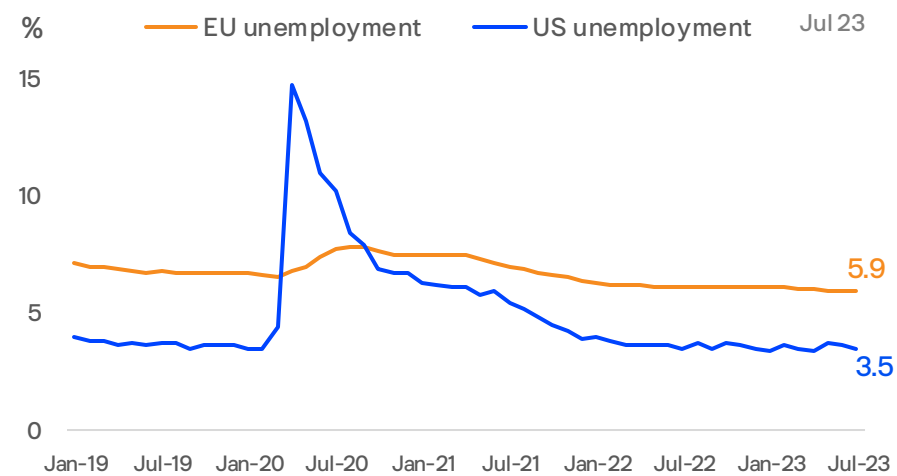
US Merchandise exports



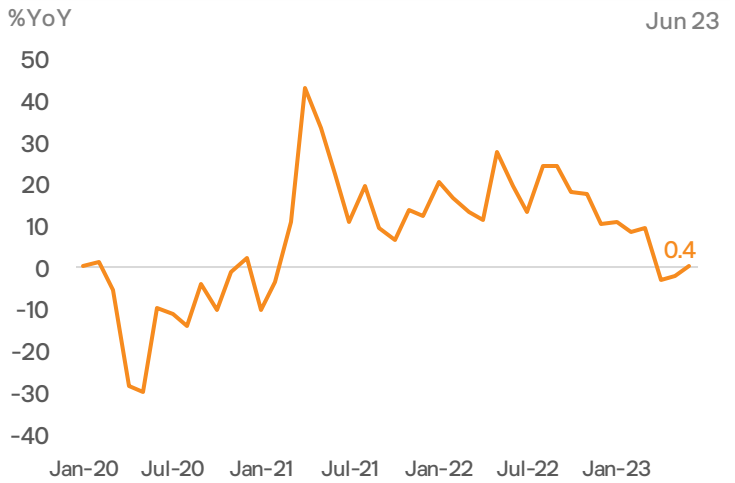
US Retail sales



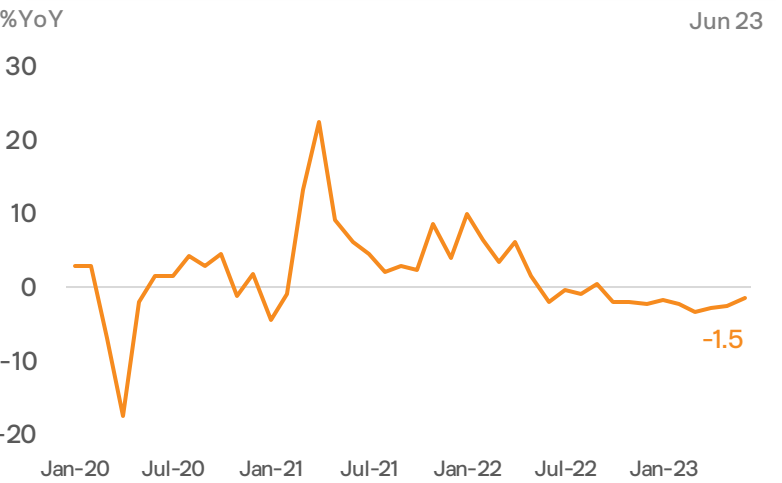
US and EU Unemployment



EU Merchandise exports

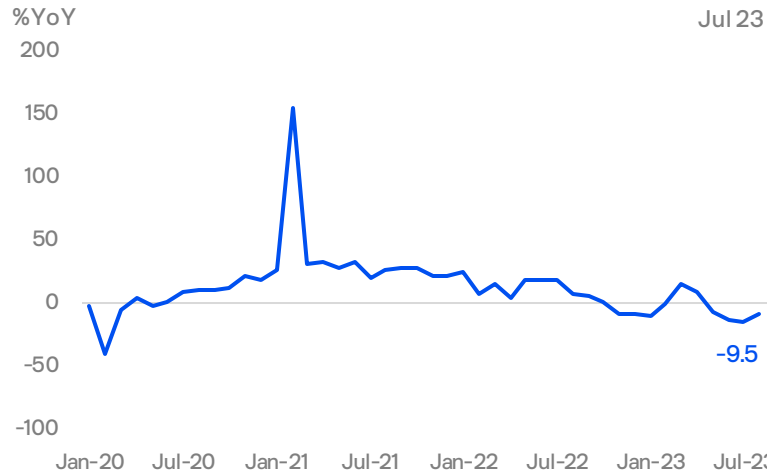


EU Retail sales



- 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 July 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.

China Merchandise exports

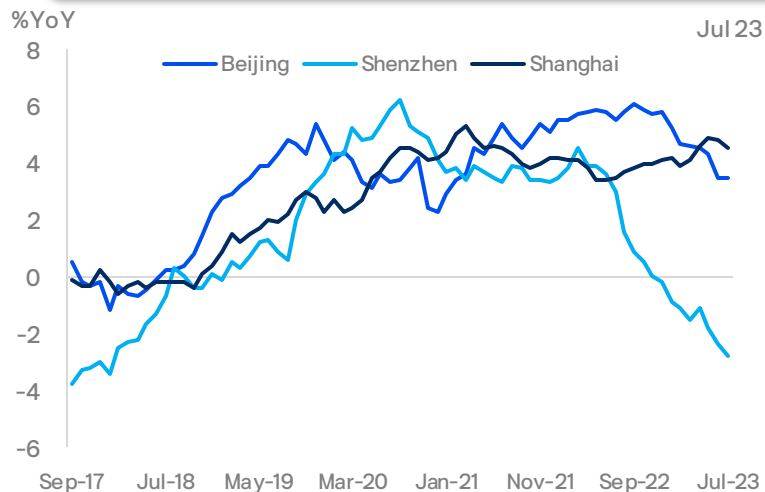


China Manufacturing PMI

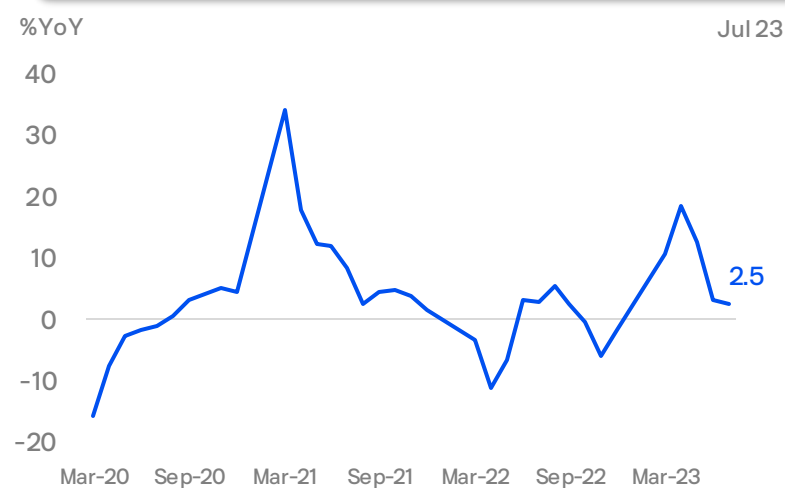


- China had rebounded slowly after fully border reopening in an early 2023. Merchandise exports were fragile and shrank by 9.5% yoy in Jul 2023 in line with moderate productions.
- Housing prices in main cities continued to drop, reflecting fragility in real estate sector.
- Weakness in domestic demand was shown in retail sales continuing to edge lower.
- PBoC lowered lending rates at the July 2023 meeting despite further signs of stalling economic recovery that calls for more stimulus.

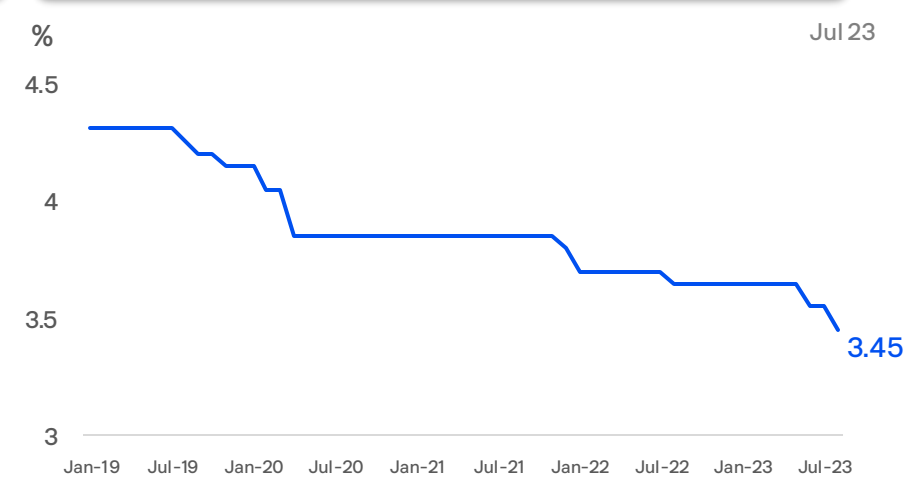
China Housing price



China Retail sales



China Loan Prime Rate



PART 2

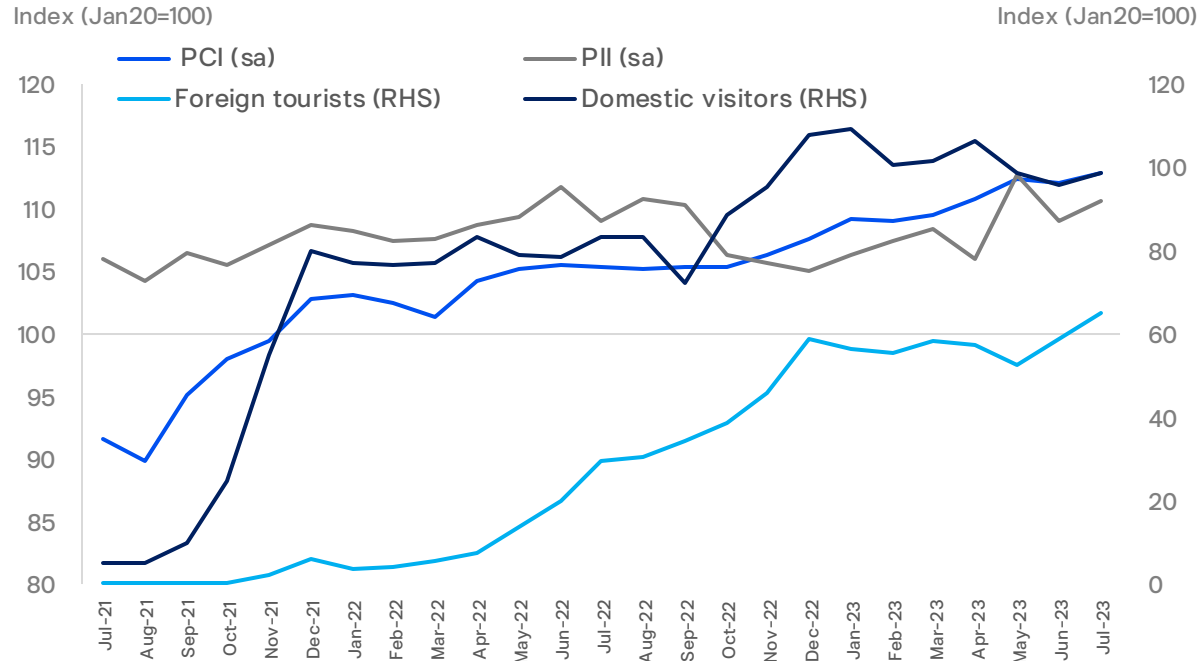
Thai Economy



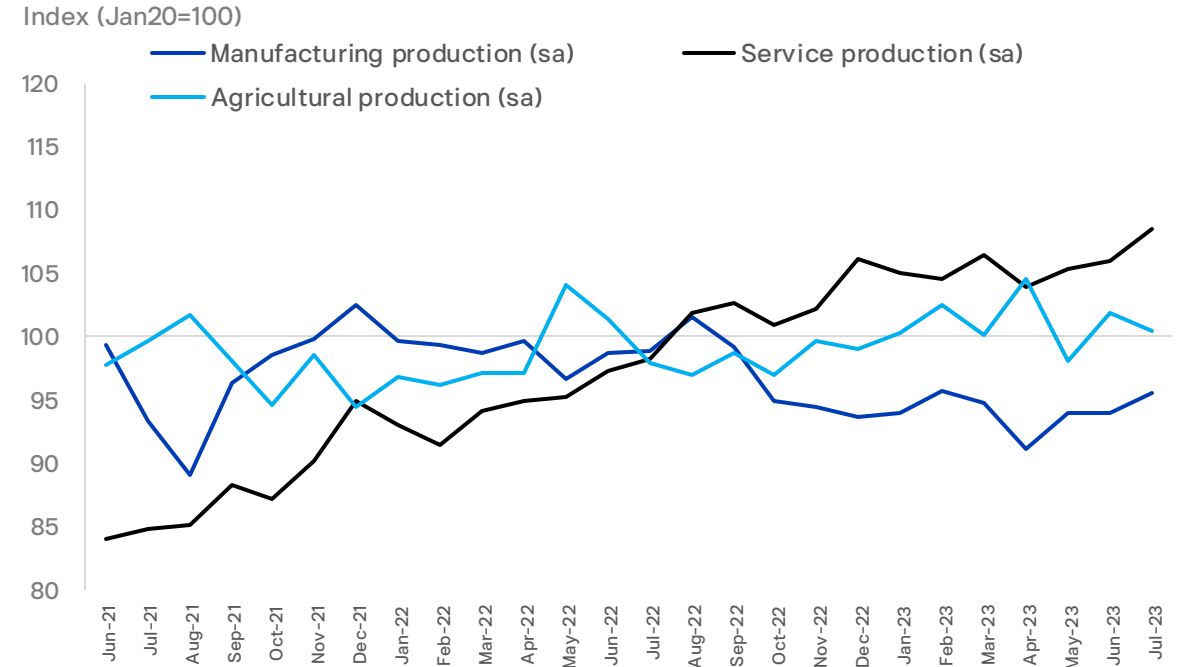
In July, domestic consumption and tourism rebounded, while export subdued



Demand-side indicators



Supply-side indicators



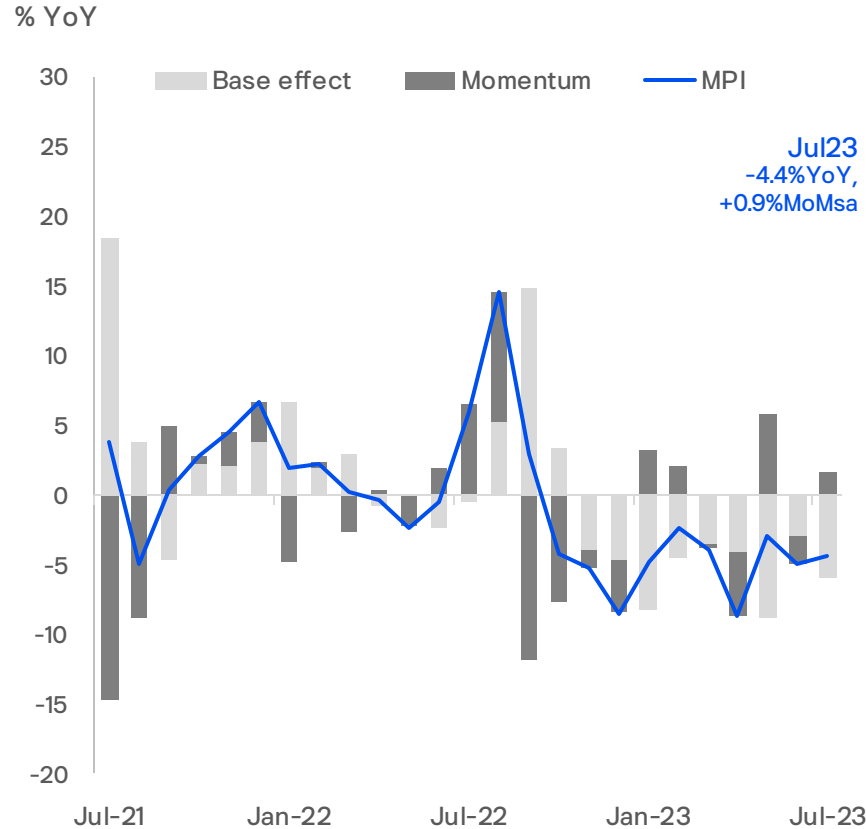
Leading Economic Index (sa) (Jan2020=100)

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	Jun-23	Jul-23
Authorized Capital of Newly Registered Companies (Million Baht)	119.0	167.1	140.0	113.7	197.9	114.7	120.8	118.6	109.0	1,708.6	119.2	163.2	227.5	95.2
Construction Areas Permitted (1000 sq. m)	100.2	78.2	111.4	112.0	78.3	99.7	103.0	86.4	96.9	103.9	94.7	98.2	102.5	103.1
Export Volume index (exclude Gold)	115.7	112.8	109.6	112.2	106.4	106.3	105.5	106.8	110.2	109.4	108.0	110.3	111.3	109.2
Business Sentiment Index (3 months)	105.6	104.5	105.5	104.8	101.5	102.7	104.0	107.2	107.1	109.1	109.0	108.6	108.5	106.7
SET index	103.6	104.1	108.2	105.0	106.2	108.0	110.2	110.4	107.1	106.3	101.0	101.3	99.3	102.8
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	1.3	1.3

Manufacturing production activities improved slightly in July

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	Jul-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	-5.0	-4.4

- As of Jul23, Manufacturing Production Index (MPI) was contracted at 4.4%YoY, better figure compared to the previous month. Food and beverage, automobile and rubber production were mainly improved after being subdued earlier. However, the production in several categories decreased, including HDD and electrical appliances.

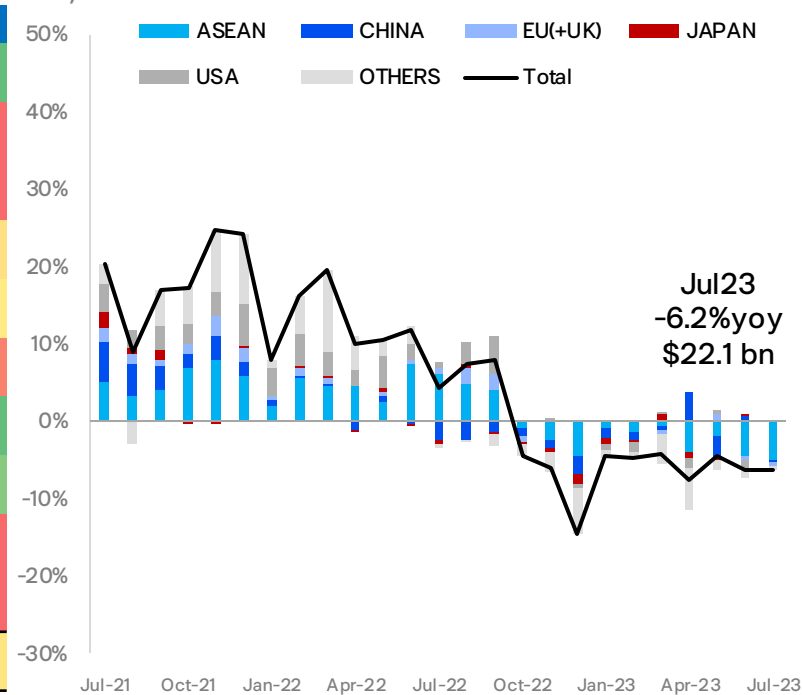
Export value contracted for ten-consecutive month in July

Exports value by product and destination*

Unit: %YoY

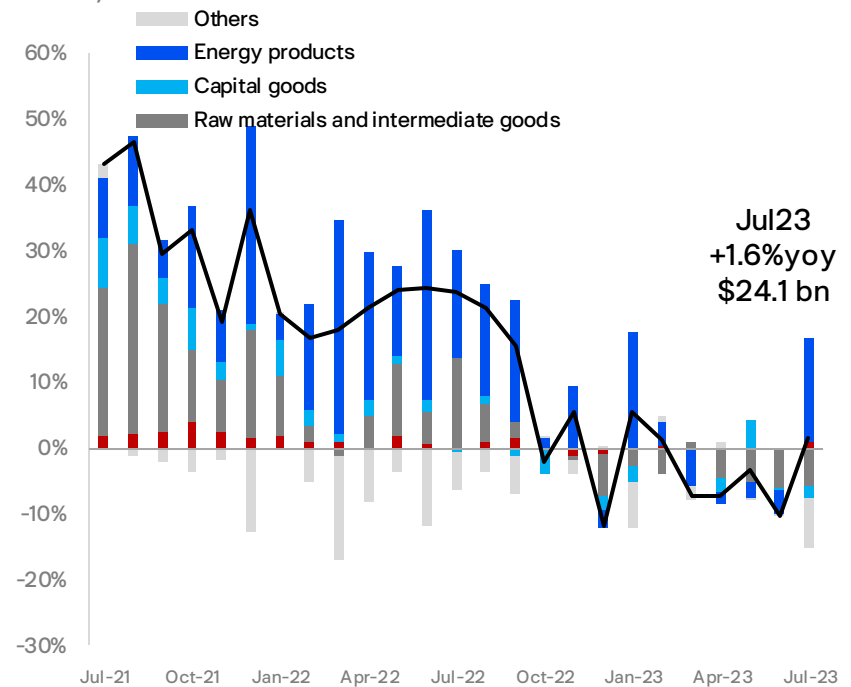
%YoY, contribution

	3Q/22	4Q/22	1Q/23	2Q/23	May-23	Jun-23	Jul-23
Auto and parts	8.8%	-3.3%	4.4%	6.5%	8.3%	7.2%	24.6%
Computer and parts	-0.9%	-23.6%	-15.0%	-15.3%	-4.8%	-20.1%	-24.2%
HDD	-12.0%	-33.5%	-28.8%	-37.0%	-28.8%	-36.5%	-46.3%
Rubber	-2.0%	-5.9%	-4.6%	-8.3%	-6.0%	-6.9%	-6.2%
Integrated circuit	11.4%	0.6%	-0.3%	2.9%	4.5%	5.3%	3.2%
Refinery oil	10.4%	-25.7%	4.0%	-29.1%	-40.9%	-26.1%	-38.0%
Electronic machinery	4.5%	-5.8%	-6.2%	-5.9%	-7.6%	0.1%	6.0%
Plastic pallet	-13.9%	-26.7%	-26.5%	-22.6%	-21.4%	-22.2%	-15.8%
Chemical products	-8.0%	-25.1%	-18.9%	-17.0%	-5.0%	-14.3%	-30.6%
Jewelry (ex gold)	47.6%	0.7%	22.3%	2.0%	5.0%	31.2%	-2.8%
Total	6.6%	-8.5%	-4.5%	-6.1%	-4.6%	-6.4%	-6.2%



Imports value by groups*

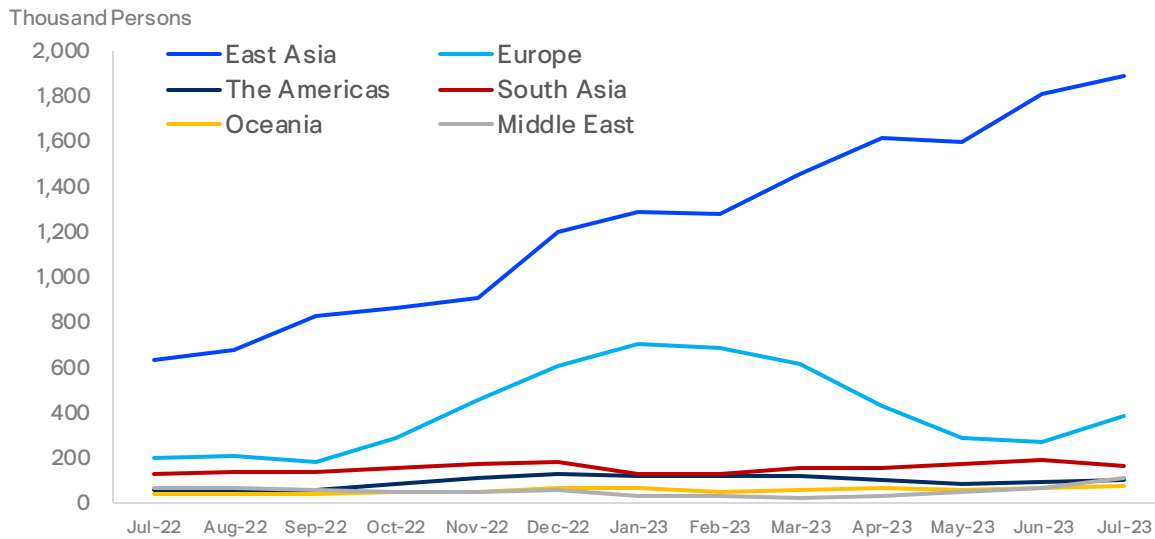
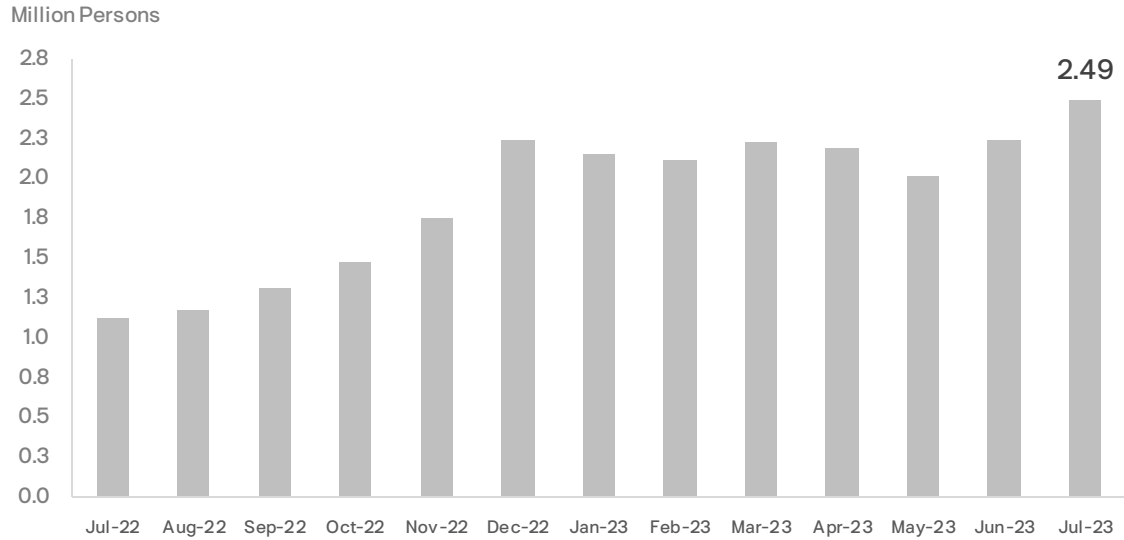
%YoY, contribution



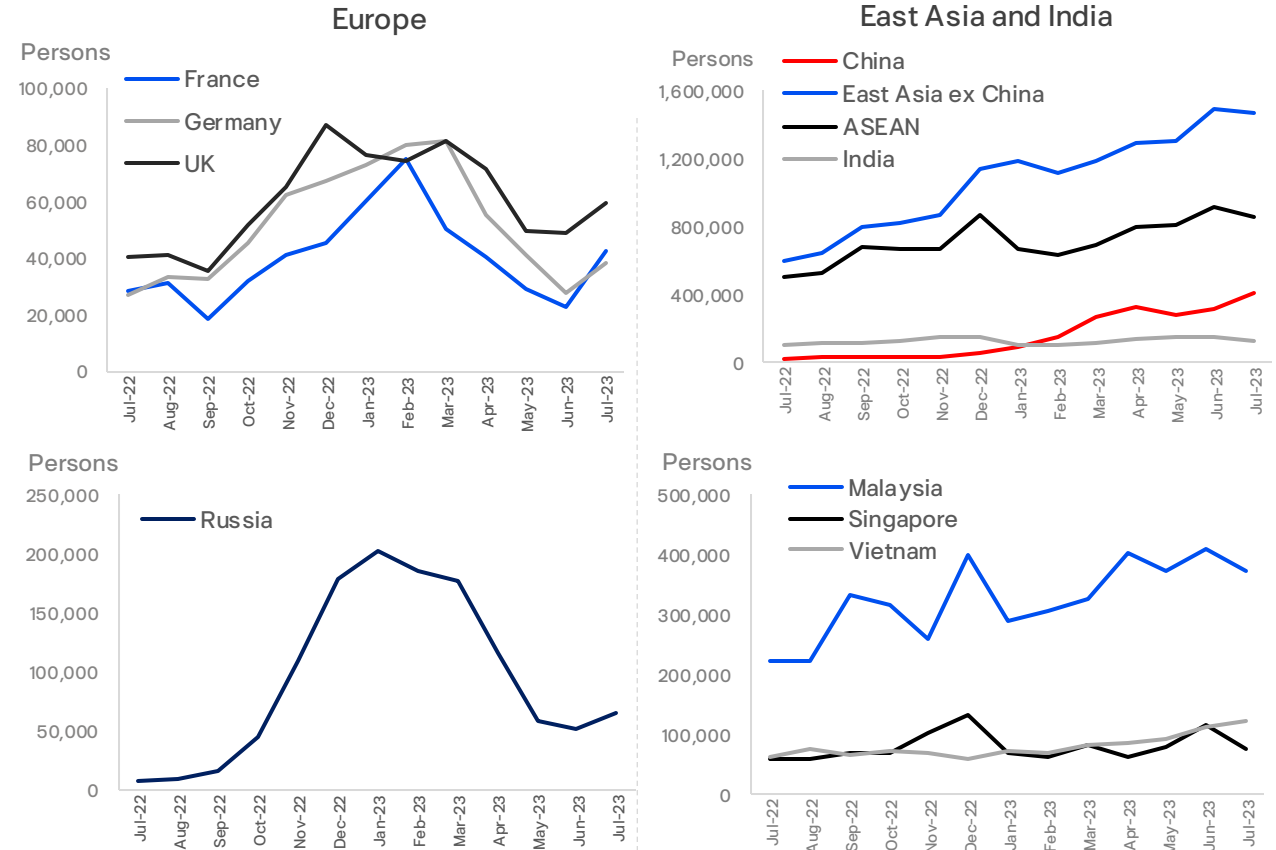
%yoy,value	2019	2020	2021	2022	2023YTD
Total export	-2.6% \$246 bn	-5.9% \$232 bn	17.1% \$272 bn	5.5% \$287 bn	-5.5% \$163.3 bn
Total import	-4.8% \$236 bn	-12.7% \$206 bn	29.8% \$267 bn	13.6% \$303 bn	-4.7% \$171.6 bn

- Export value in Jul23 contracted 6.2%YoY, which was the 10-month contraction. Export of agricultural and agro-manufacturing products declined 3-consecutive month from rubber, seafood products and sugar, as well as export of industrial products e.g., oil-related products, computer and parts and aluminum products.
- On the other hand, imports value turned expansion by 1.6%YoY, better than previous month, from import of energy products while the others continued to drop.

Total Foreign Tourist Inbounds



Foreign Tourist Inbounds by key regions

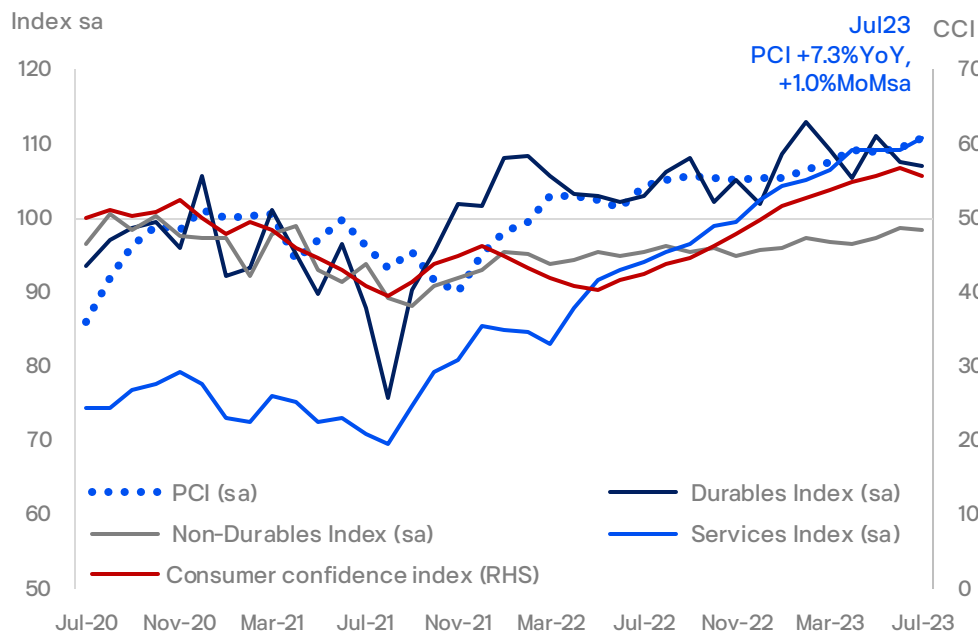


- As of Jul23, foreign tourists reached 2.49 million, increased from the previous month in several nationalities, especially tourists from long-haul destination e.g., Russia, Europe and Middle East while tourists from Malaysia and China also continued to recover but slower pace compared to previous months.

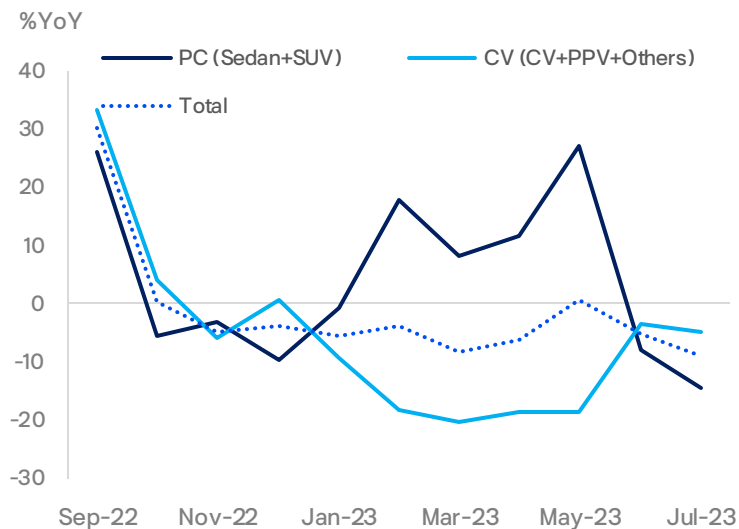
Private consumption improved thanks mainly to service activities



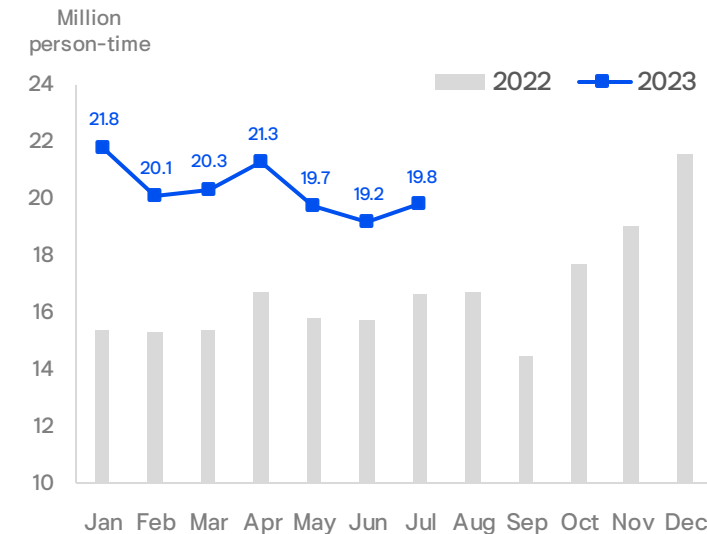
Private Consumption Indicators (SA)



Domestic car sales

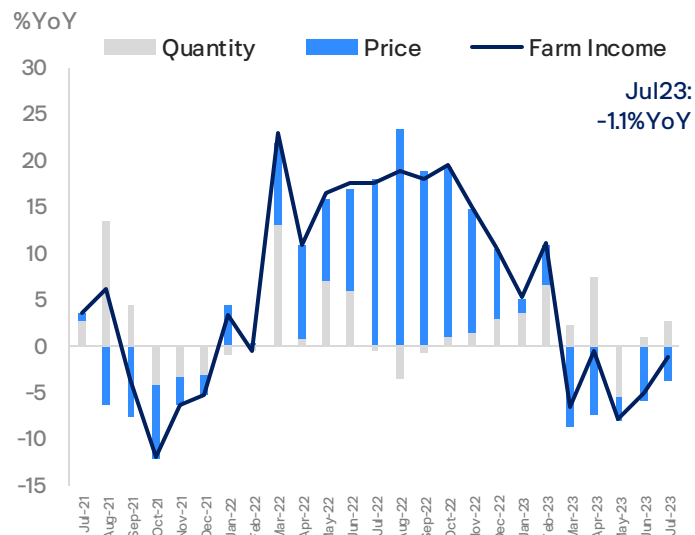


Thai domestic visitors

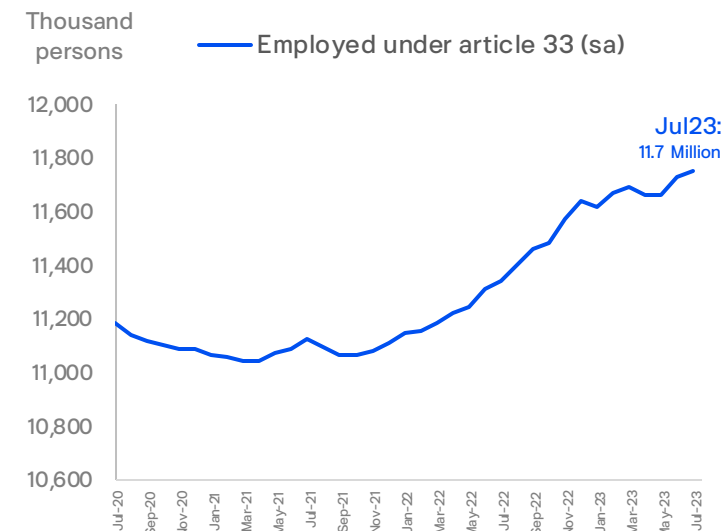


- Private consumption indicators increased from the previous month, especially consumption of services and non-durable goods. Spending on hotels and restaurants, transportation.
- The factor supporting household spending continued to improve in terms of employment, while consumer confidence decreased slightly as result of the delay in forming the government coalition.

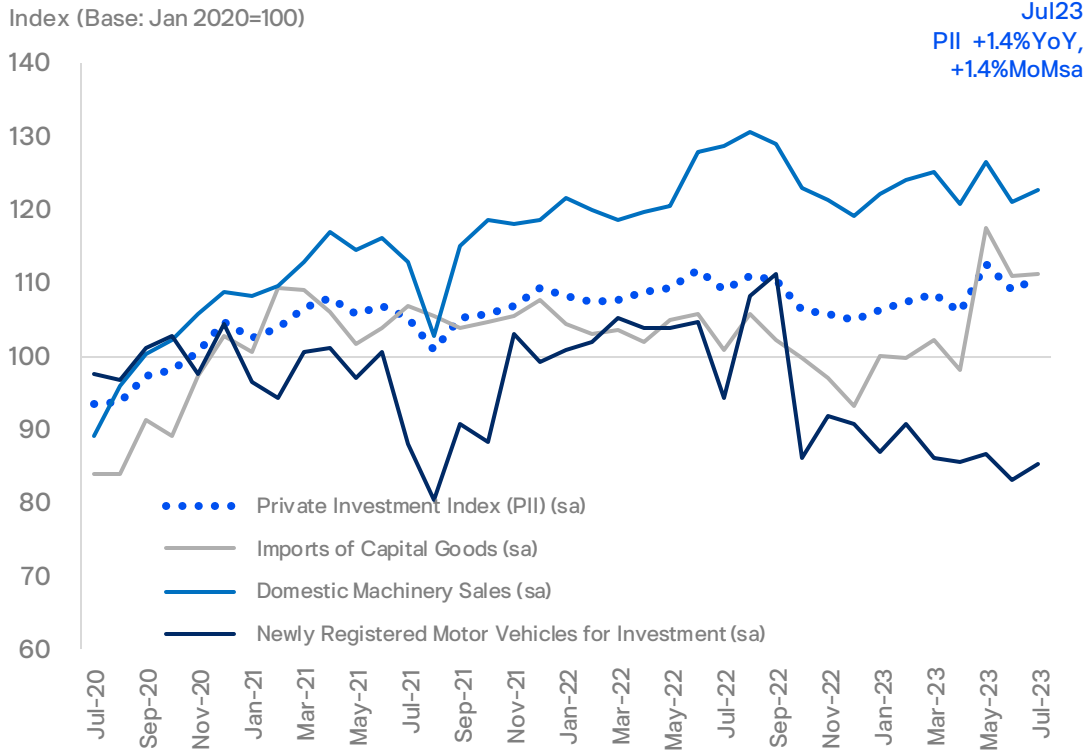
Farm Incomes



Employment M33

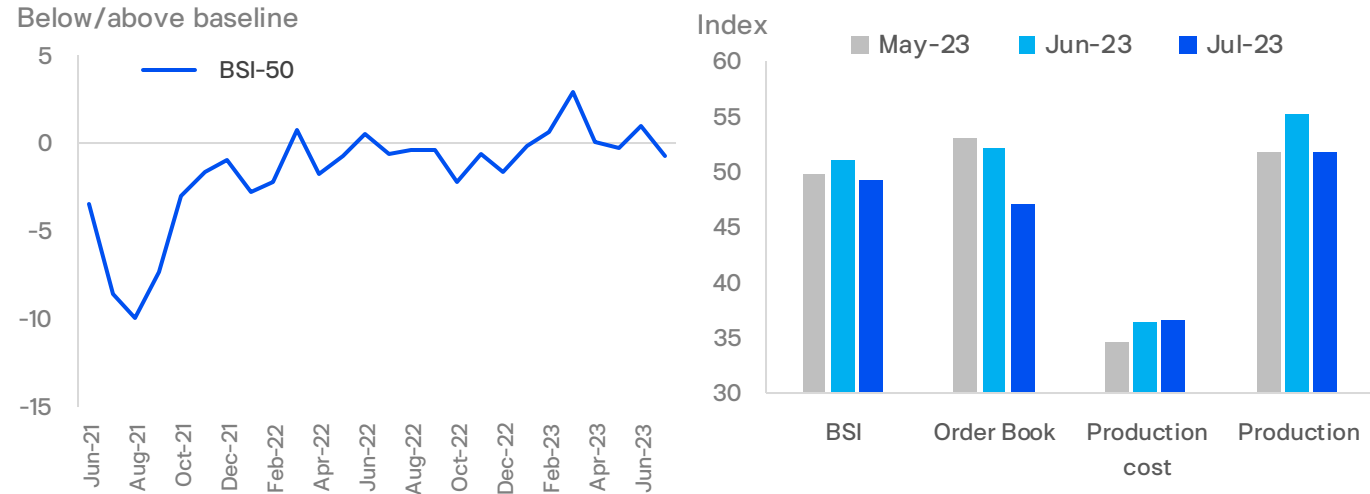


Private Investment Indicators (SA)

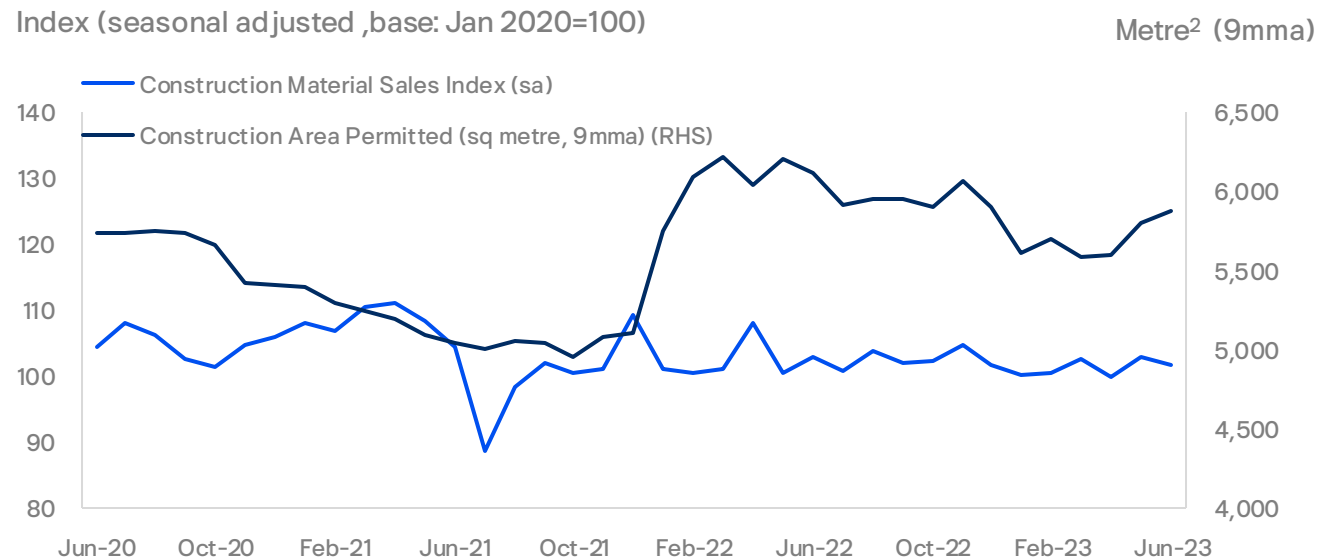


- Private investment indicators increased from the previous month. Investment in construction increased following higher sales of construction materials as well as higher permitted area for construction.
- Investment in machinery and equipment also increased, mainly thanks to higher sales of domestic machinery together with a higher number of registered commercial cars.

Business Sentiment Index



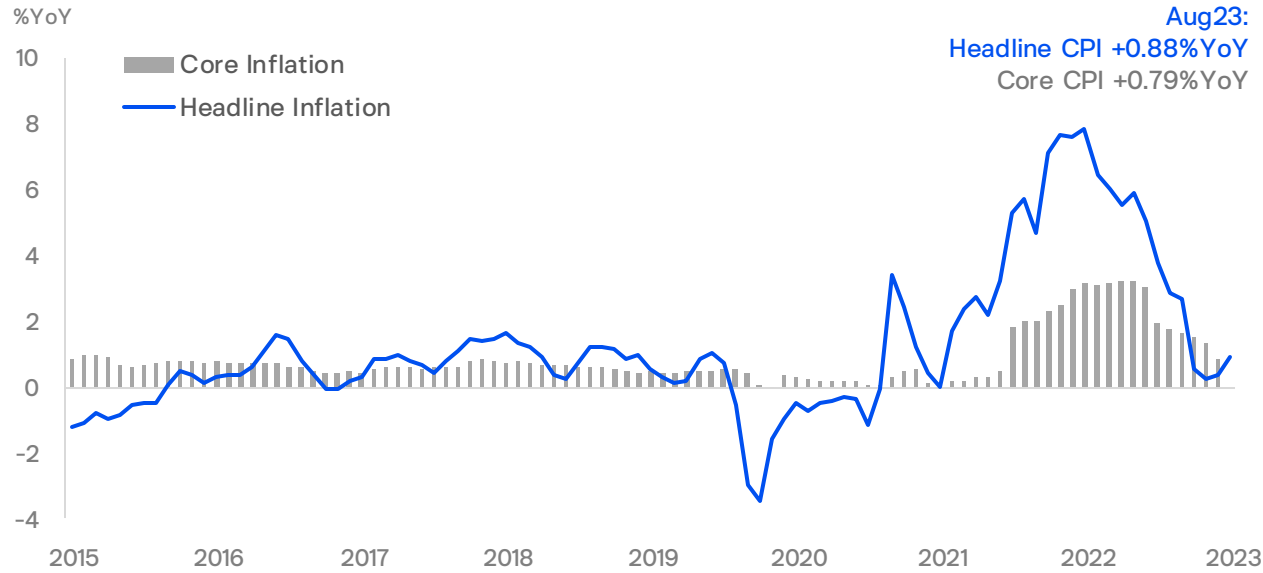
Construction sector (SA)



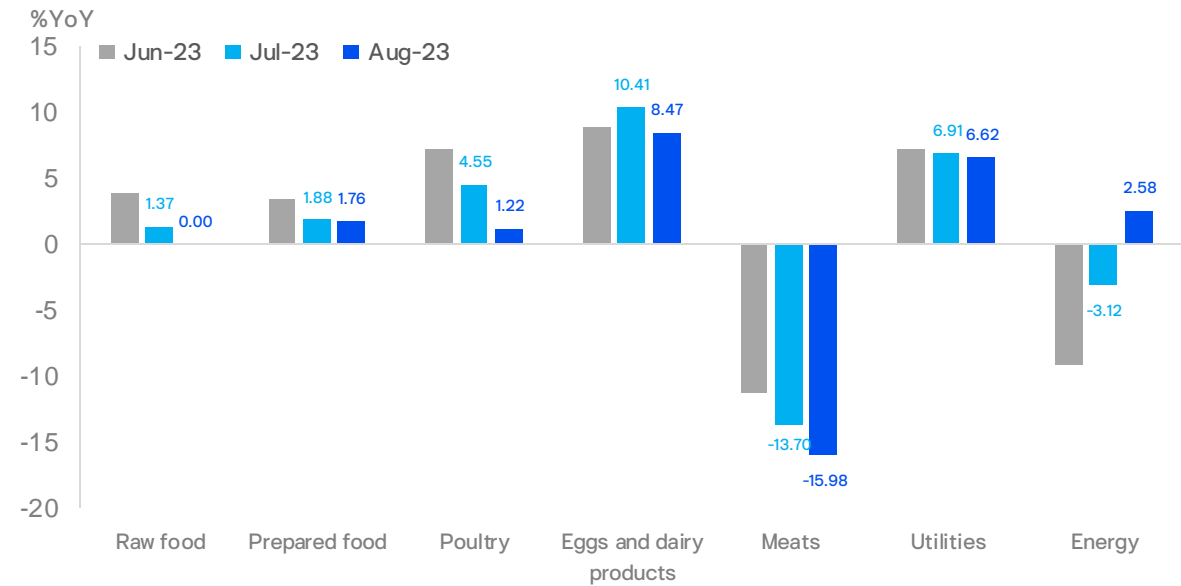
Headline inflation in August rose due to higher energy price; while the core decelerated



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	2.01
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	4.05
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	2.18
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	-1.17
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	1.61

- The headline inflation (CPI) increase slightly to 0.88%YoY in Aug23. This was mainly due to the rise of energy price while raw food remained.
- The core inflation was down to 0.79%YoY, dropped further to 8-month low.
- During Jan-Aug, headline and core inflation was 2.01% and 1.61% respectively.

*Jan-Aug23

PART 3

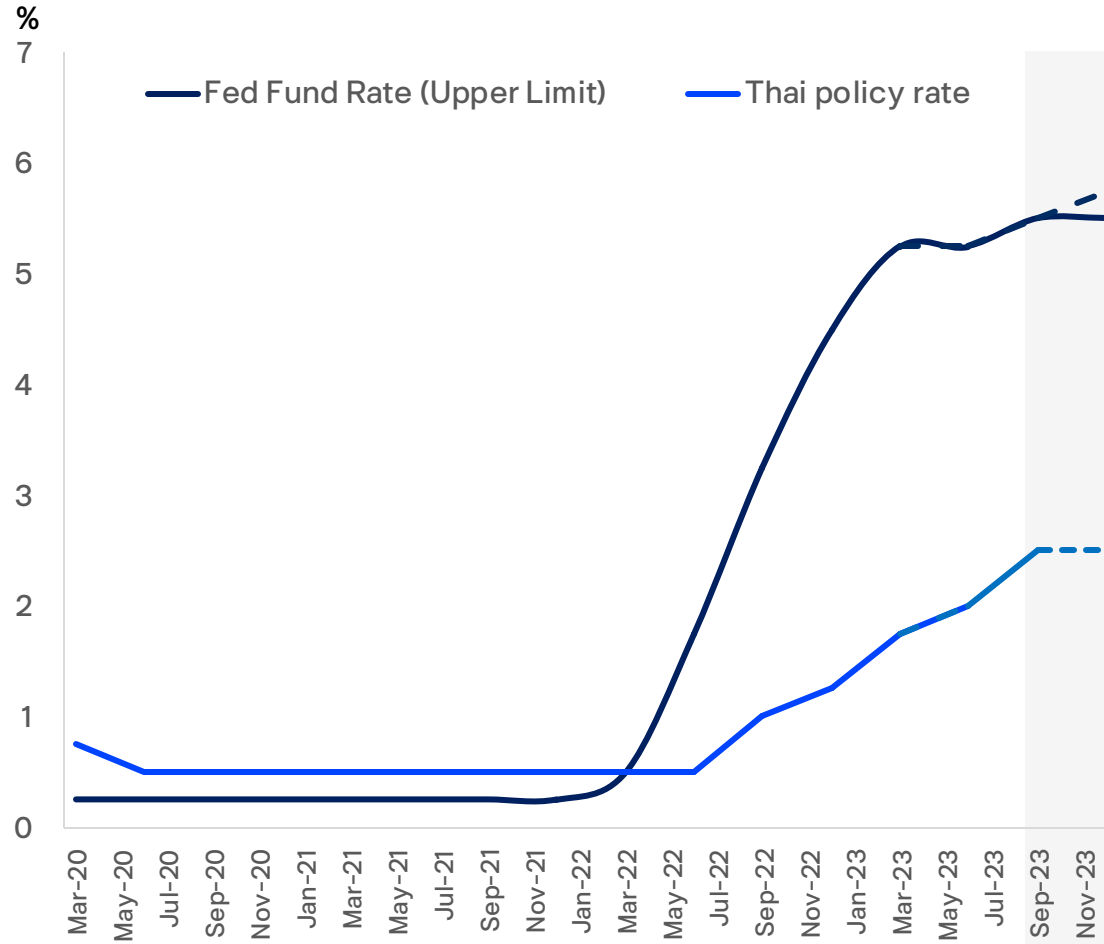
Financial Market



Thai policy rate increases to 2.50% in the September meeting



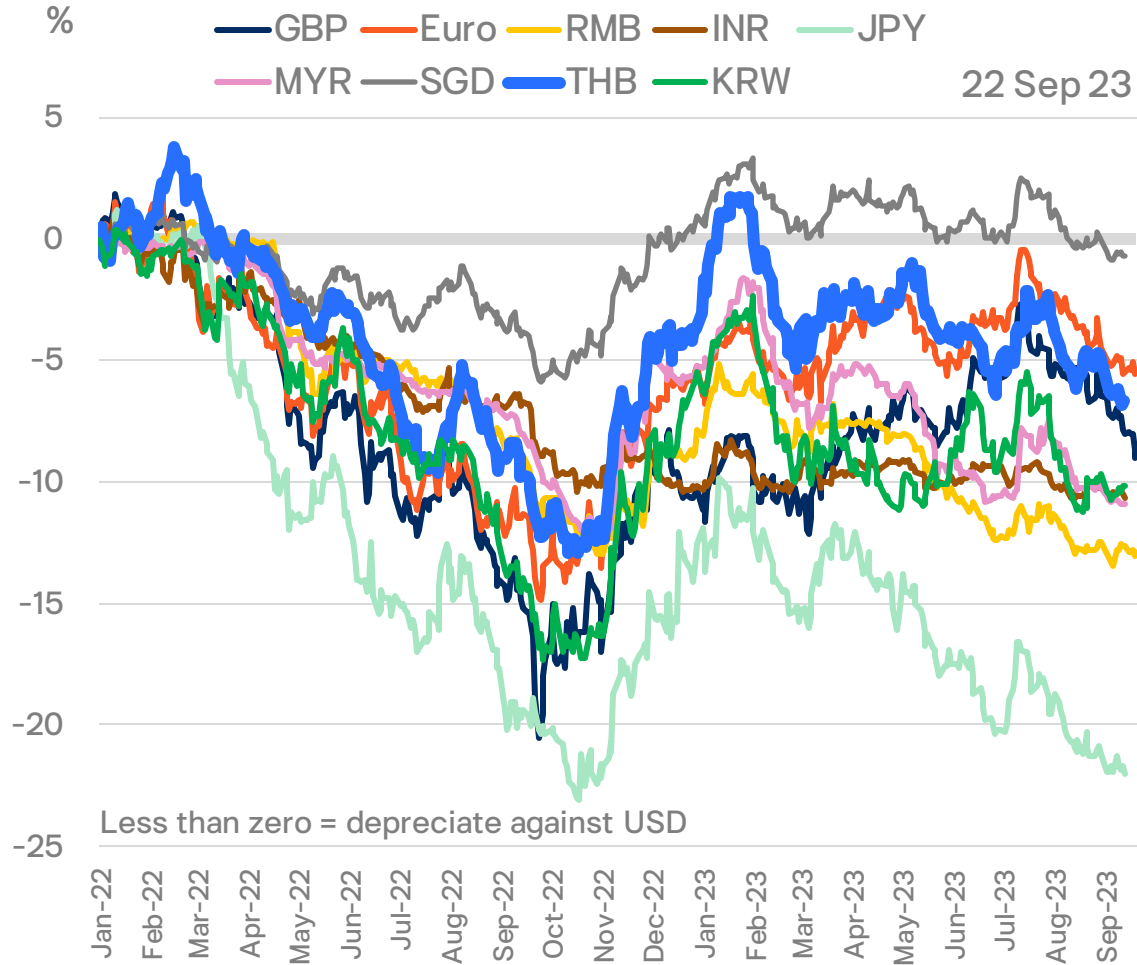
FED-BOT policy rate forecast



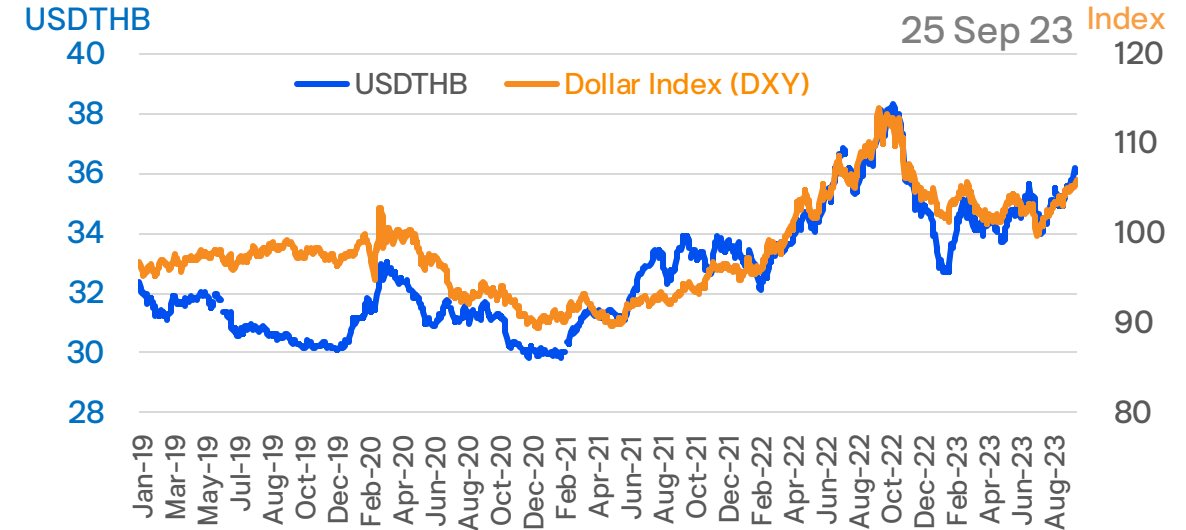
USDTHB Projection



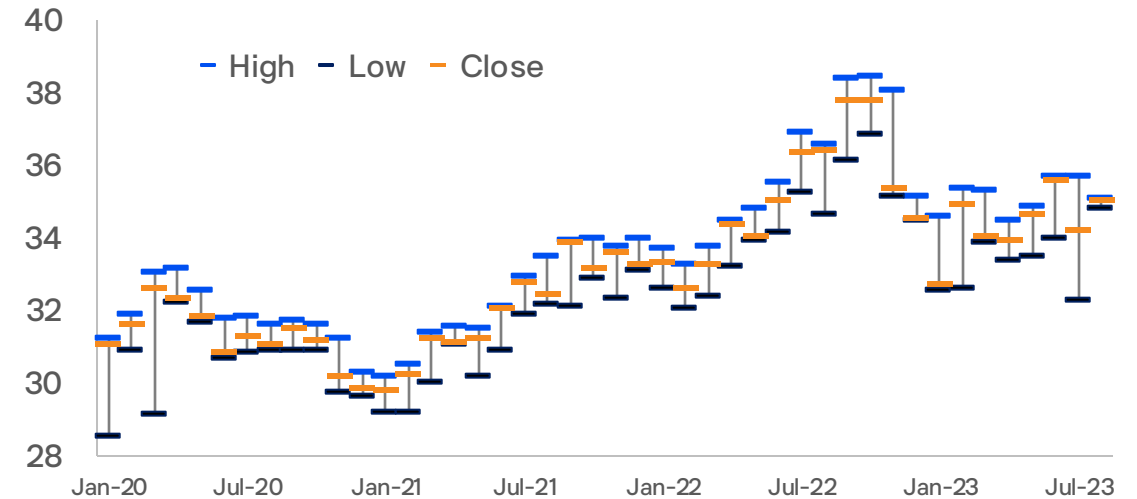
Major Asian currencies against USD

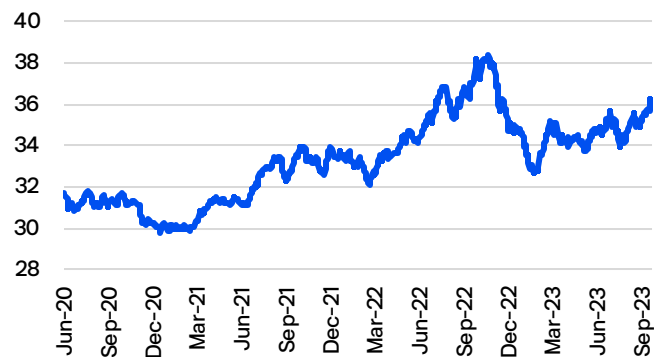


Dollar Index / USDTHB



Average daily range of USDTHB





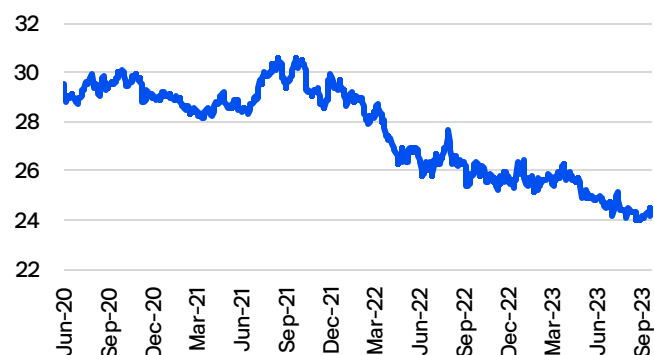
USDTHB

- USDTHB ending 34.93 level in August and is hovered around 35.00 – 36.50 in September 2023.
- The US dollar rose, climbing to 10-month highs after bond yields soared to 16-year peaks amid growing expectations that U.S. interest rates will rise further this year.
- The Fed held its policy rate steady in a range of 5.25%-5.50% on 19-20 September meeting, but the policymakers also indicated they are likely to keep rates high longer than earlier thought, with less than half expecting to cut rates to below 5% next year.



EURTHB

- EURTHB ending 38.14 level in August and is hovered around 37.90 – 38.60 in September 2023.
- The dollar strength has weighed heavily on the euro, with the likelihood of the Fed increasing interest rates again this year contrasting with the European Central Bank hinting at a pause in its hiking cycle.
- The European economy broadly stagnated in the first half of 2023, with incoming data indicating further weakness in the July-to-September quarter. However, Lagarde cited ECB forecasts anticipating an economic recovery as inflation decreases, which would provide consumers with more purchasing power.



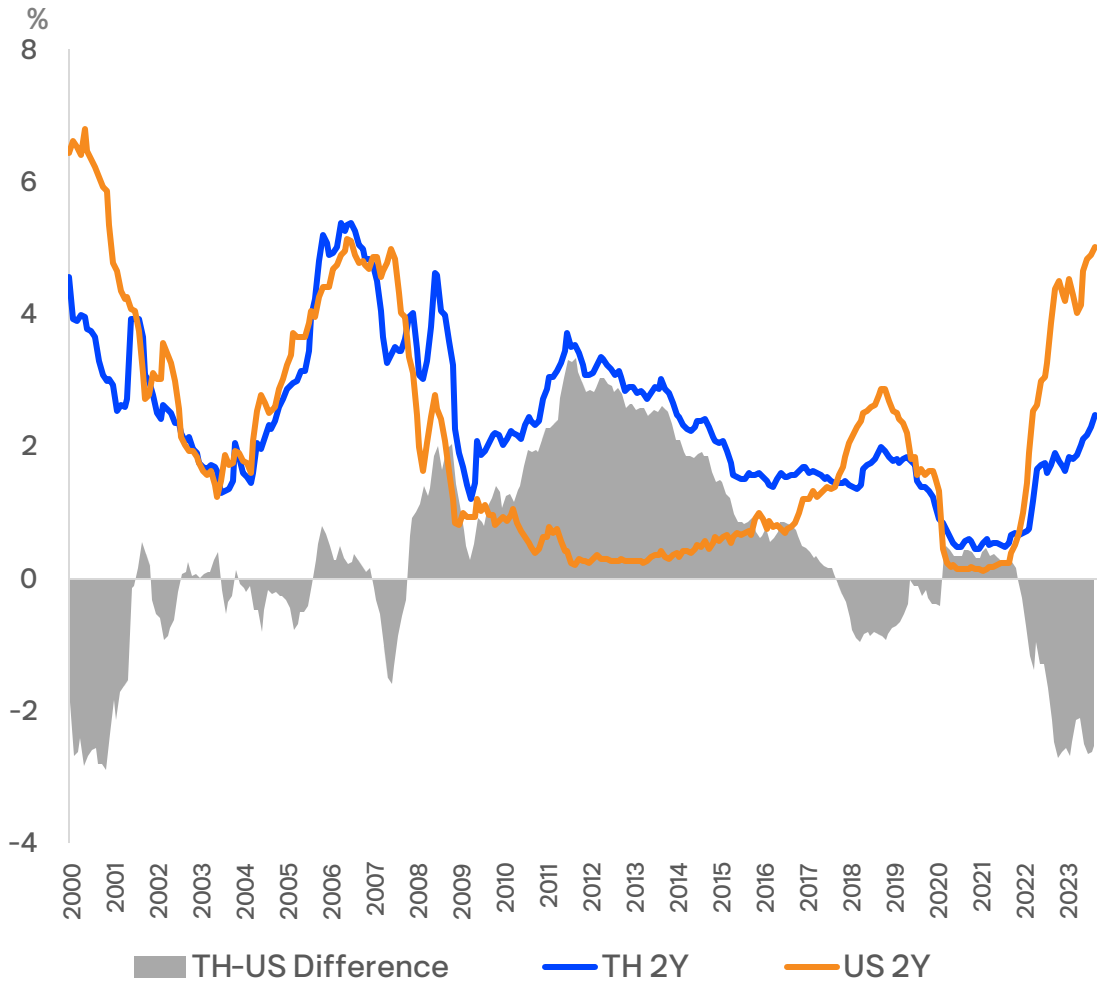
100JPYTHB

- JPYTHB ending 23.96 level in August and is hovered around 24.05-25.50 in September 2023.
- The yen closed to a 11-month low against the dollar. The pair remains close to the 150 level, which traders expect to attract intervention by the government.
- The currency was battered in recent sessions by the Bank of Japan reiterating its ultra-dovish stance, a stance which contrasts with the more hawkish position of the Fed. Weakness in the yen - which had sunk to over 30-year lows in mid-2022, had seen record levels of dollar selling by Japan. However, with pressure from US rates set to continue, the outlook for the yen appears bleak.

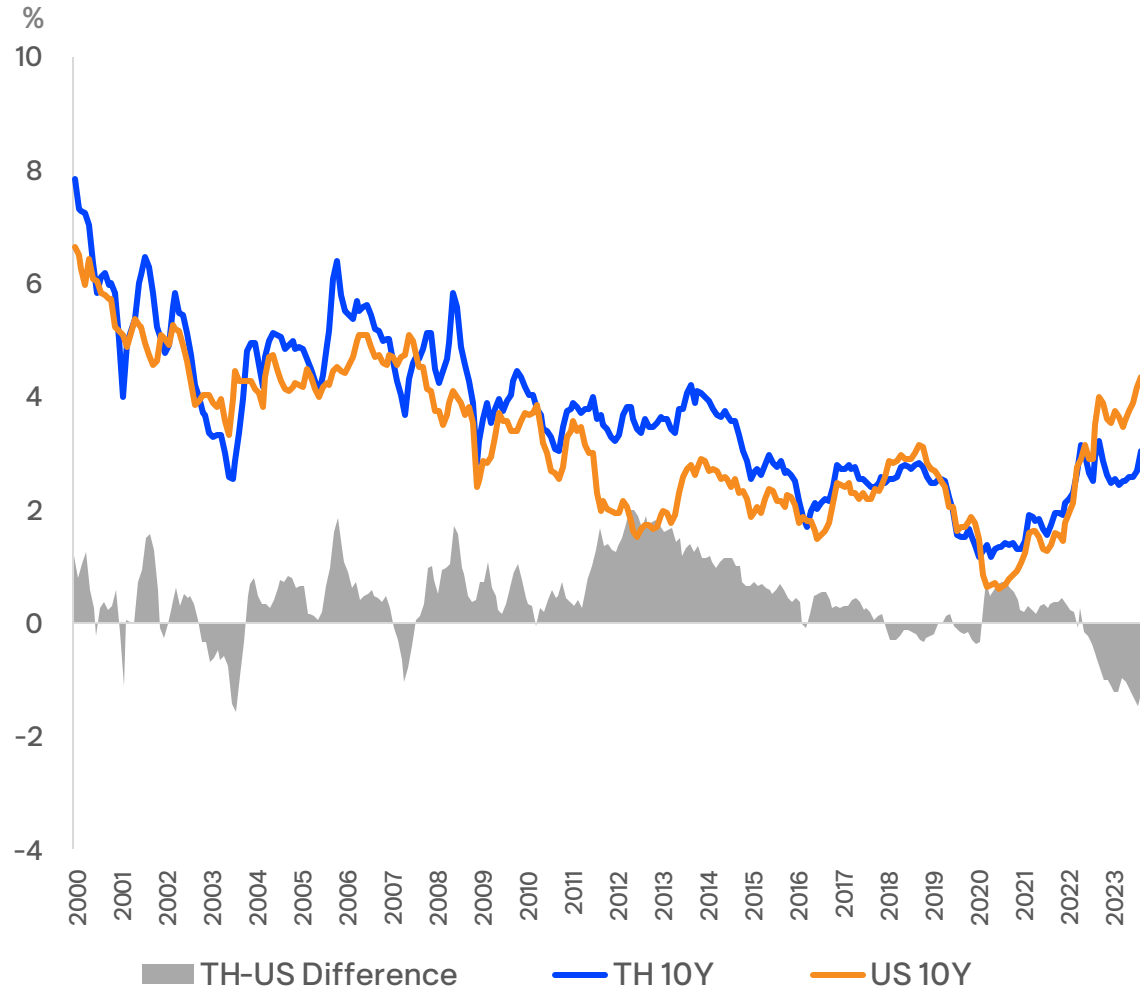
Moreover, greater divergence observed in the short tenure, while the long one aligned



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.