

Economic and Financial Outlook

t**tt**b analytics

Jan 2024





Global Economy

- In December 2023, global economic momentum had been continuously softened as momentum in manufacturing sector remained weak despite improvement in services activities. This is in accordance with the influences of monetary policy tightening in major economies, which comes to an end in December 2023. Market participants have put more weights on interest rate cuts from major central banks over the next year.
- US economic activity had been expanding at a modest pace with supports from labor market resilience and private consumption.
- China's economic recovery at a slower pace than market expectations though its performance in 2023 being slightly higher than the official target.



Thai Economy

- In November 23, Thai economy stabilized from the previous month. While domestic demand increased from both private consumption and investment. The number of foreign tourist arrivals improved remarkably from the previous month in several nationalities, especially in long-haul destination while tourists from China improved slightly.
- The growth of merchandise exports in November stayed robust which was the fourth-consecutive month expansion, partially from the low-base effect and trade rebound. On the other hand, imports value remained solid with 2-month expansion from all import categories.
- Headline inflation in December 2023 was contracted in third-consecutive month, which was due mainly to energy prices including electricity and retail oil price, on the back of government measures, food prices also dropped further regarding to high-base effect while core inflation remained in this month. In 2023, headline inflation in line with targeted inflation but slightly below market expectation.



Financial Markets

- Major central banks come to an end of their hiking cycle. Market participants and futures market have pointed out possibilities that the Fed would start cutting interest rates as early as in 1H2024 though anticipation for early cut in March 2024 declined since US economic momentum remained robust.
- Foreign capital outflows from Thai equity and bond markets were significant last year. This is largely contributable to market anticipations towards to end of hiking cycle in major economies.
- USDTHB appreciated in December, ending 34.20 level. It could be around 35.50-36.00 in January 2024, as market participants reassess the probabilities for Fed's early interest cut in March 2024.

PART 1

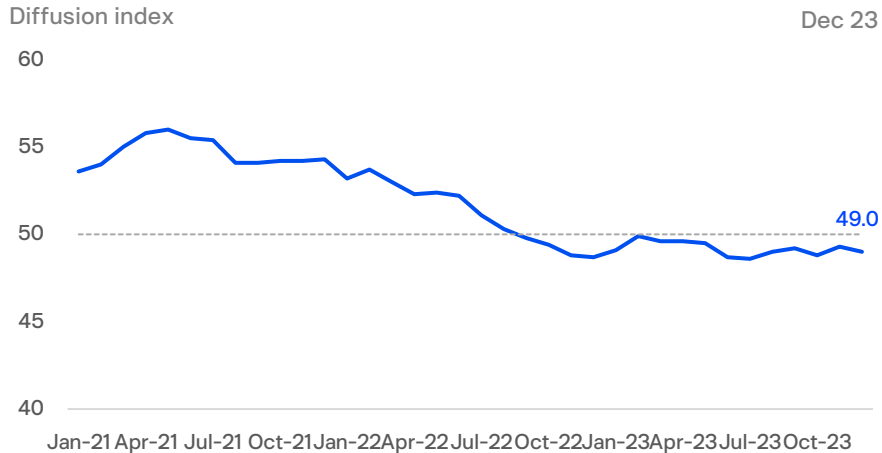
Global Economy



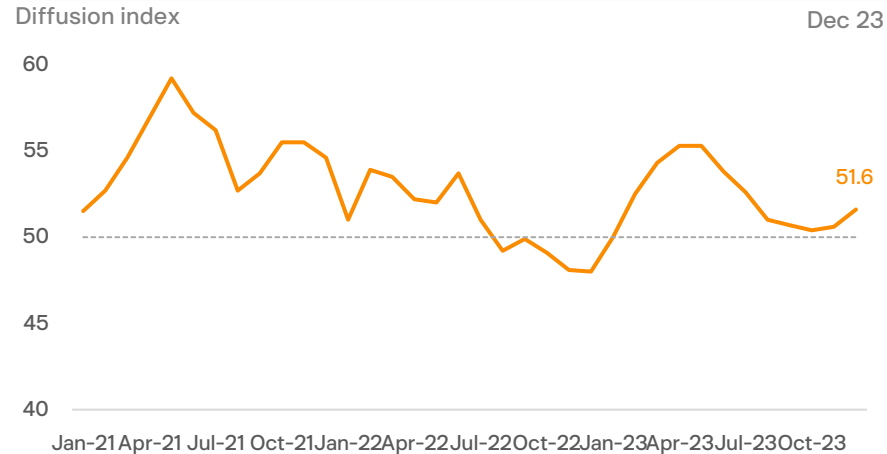
Global growth loses momentum as service sector slowdown accompanies factory downturn



Global Manufacturing PMI



Global Service PMI



- The global economy is expected to grow 3.0% in 2023 and 2.9% in 2024, according to IMF (Oct 23)
- The manufacturing output further contracted especially in major economies.
- The service sector remained in expansion, but the rate of growth continued to trend lower to the weakest since January 2023.

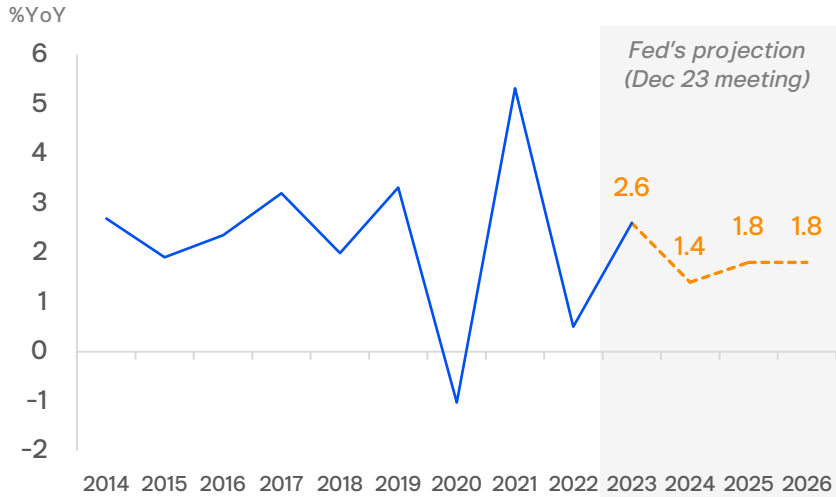
Manufacturing PMI by countries

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Global	53.0	52.2	49.8	48.7	49.6	48.7	48.6	49.0	49.2	48.8	49.3	49.0
US	58.8	52.7	52.0	46.2	49.2	46.3	49.0	47.9	49.8	50.0	47.2	46.2
UK	55.2	52.8	48.4	45.3	47.9	46.5	45.3	43.0	44.3	44.8	49.4	47.9
EU	56.3	51.6	48.1	47.5	47.3	43.4	42.7	43.4	43.4	43.2	44.4	44.5
Germany	56.9	52.0	47.8	47.1	44.7	40.6	38.8	39.1	39.6	40.8	42.6	43.3
France	54.7	51.4	47.7	49.2	47.3	46.0	45.1	46.0	44.2	42.8	42.9	42.1
Asia exc. China	53.0	52.3	50.9	50.2	50.5	50.7	50.8	50.9	50.3	50.1	50.2	49.7
China	48.1	51.7	48.1	49.0	50.0	50.5	49.2	51.0	50.6	49.5	50.7	50.8
Australia	57.7	56.2	53.5	50.2	49.1	48.2	49.6	49.6	48.7	48.2	47.7	47.6
India	54.0	53.9	55.1	57.8	56.4	57.8	57.7	58.6	57.5	55.5	56.0	54.9
Japan	54.1	52.7	50.8	48.9	49.2	49.8	49.6	49.6	48.5	48.7	48.3	47.9

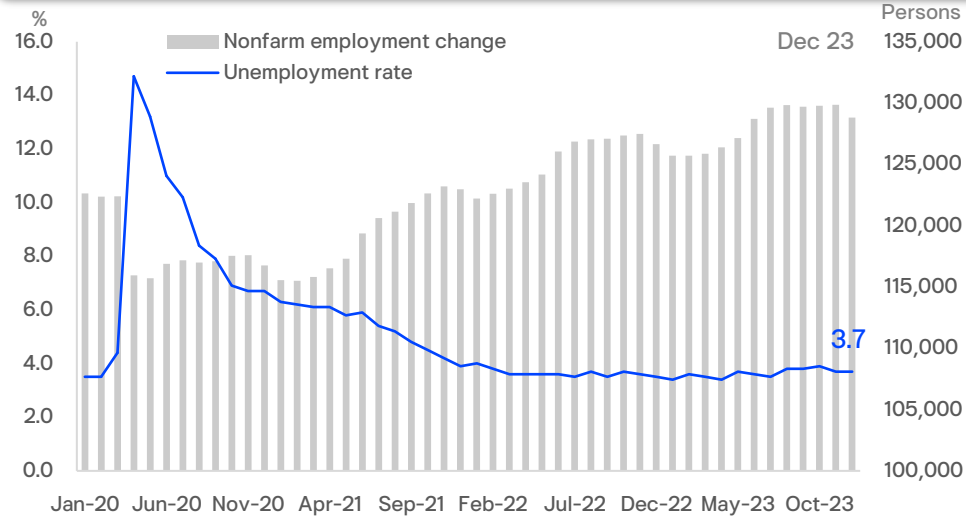
Service PMI by countries

	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Global	53.4	53.8	50.0	48.1	54.4	53.9	52.7	51.0	50.7	50.4	50.6	51.6
US	58.0	52.7	49.3	44.7	52.6	54.4	52.3	50.5	50.1	50.6	50.8	51.4
UK	62.6	54.3	50.0	49.9	52.9	53.7	51.5	49.5	49.3	49.5	50.9	53.4
EU	55.6	53.0	48.8	49.8	55.0	52.0	50.9	47.9	48.7	47.8	48.7	48.8
Germany	56.1	52.4	45.0	49.2	53.7	54.1	52.3	47.3	50.3	48.2	49.6	49.3
France	57.4	53.9	52.9	49.5	53.9	48.0	47.1	46.0	44.4	45.2	45.4	45.7
Asia exc. China	49.8	55.6	52.6	53.0	55.9	55.2	55.6	55.6	55.6	53.3	52.6	53.5
China	42.0	54.5	49.3	48.0	57.8	53.9	54.1	51.8	50.2	50.4	51.5	52.9
Australia	55.6	52.6	50.6	47.3	48.6	50.3	47.9	47.8	51.8	47.9	46.0	47.1
India	53.6	59.2	54.3	58.5	57.8	58.5	62.3	60.1	61.0	58.4	56.9	59.0
Japan	49.4	54.0	52.2	51.1	55.0	54.0	53.8	54.3	53.8	51.6	50.8	51.5

US actual and projected GDP growth rate



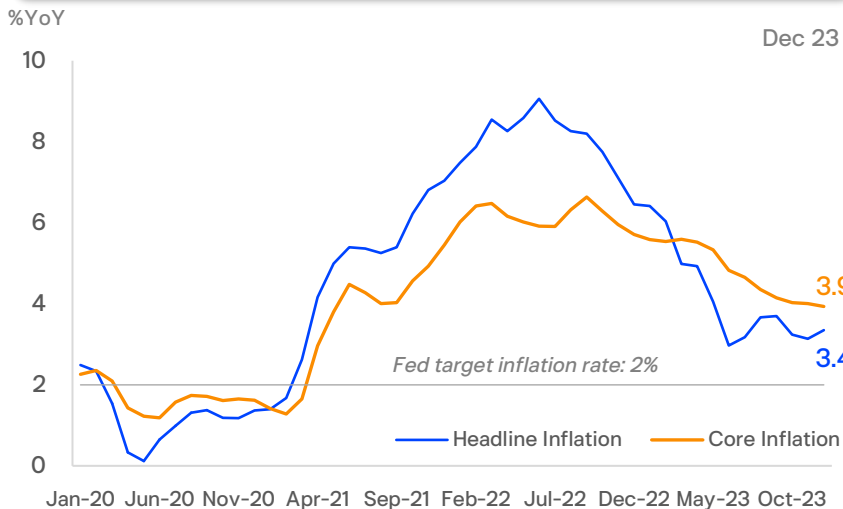
US labor market condition and unemployment rate



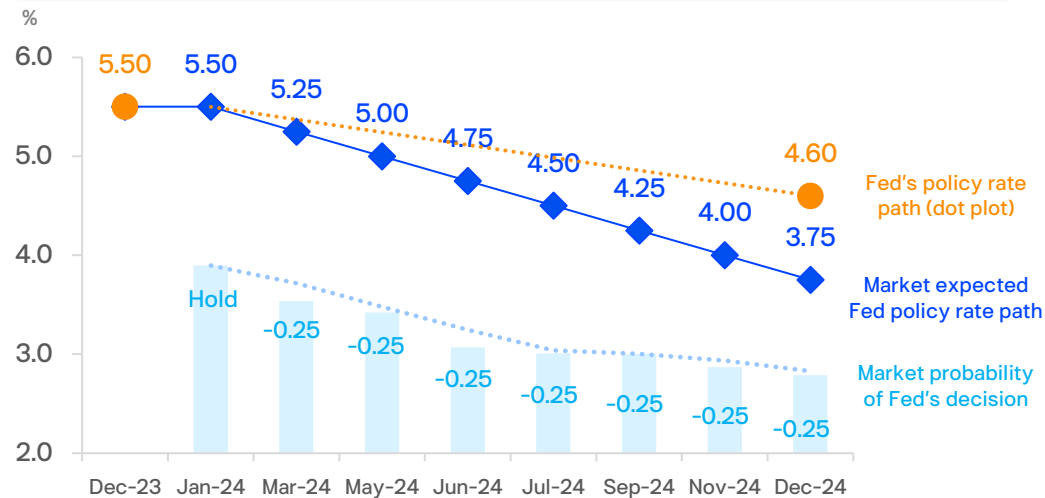
US economy rebounded strongly from the depths of the pandemic recession in 2023. However, its economic momentum is likely to decelerate in 2024 as the effects of high interest rates would take a broader toll while post-pandemic tailwinds fade.

The US labor market remains tight but loosening somewhat heading into 2024 with unemployment rate still at historically low.

US headline and core inflation rates



Fed dot plot vs market expected US policy rate



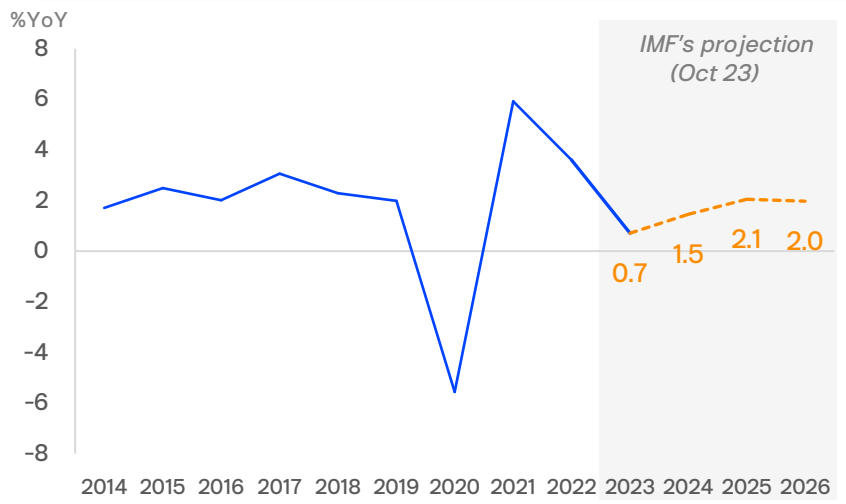
Inflation trends are cooling, but likely to remain persistent at high levels as the lag in market rents pricing should catch up in the inflation readings. Also, there are upside risks to inflation given a still-structurally tight US labor market and strong growth in real incomes.

Regarding Interest rate expectations, the latest FOMC communications confirm the end to the hiking cycle. However, sticky and persistent inflation will limit the degree of policy easing.

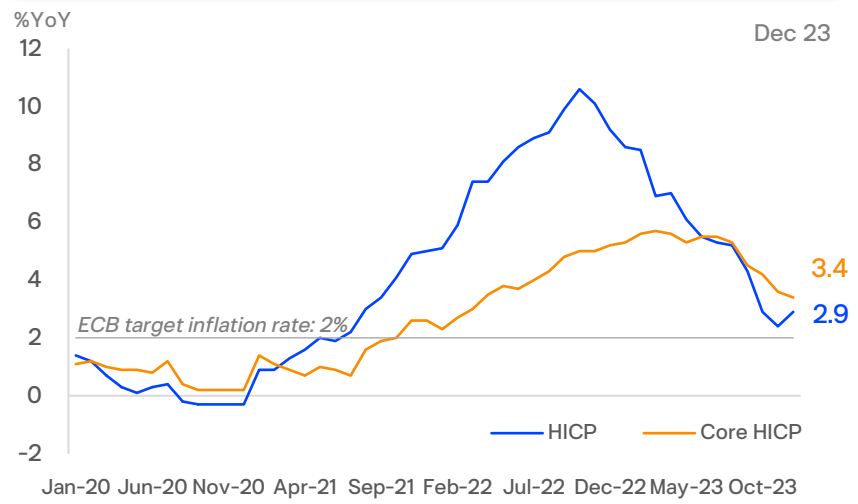
Both EU and Japanese economic momentum weakened as elevated inflation rates take tolls



EU actual and projected GDP growth rate

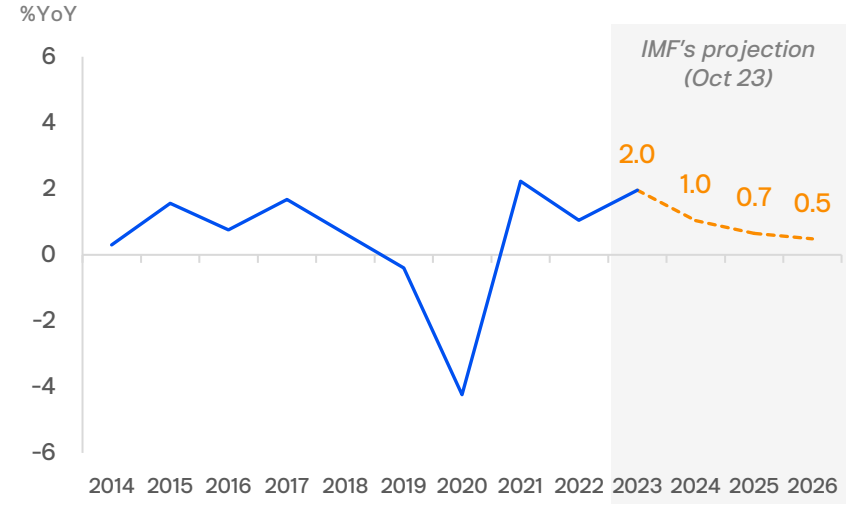


EU HICP and core HICP inflation rates

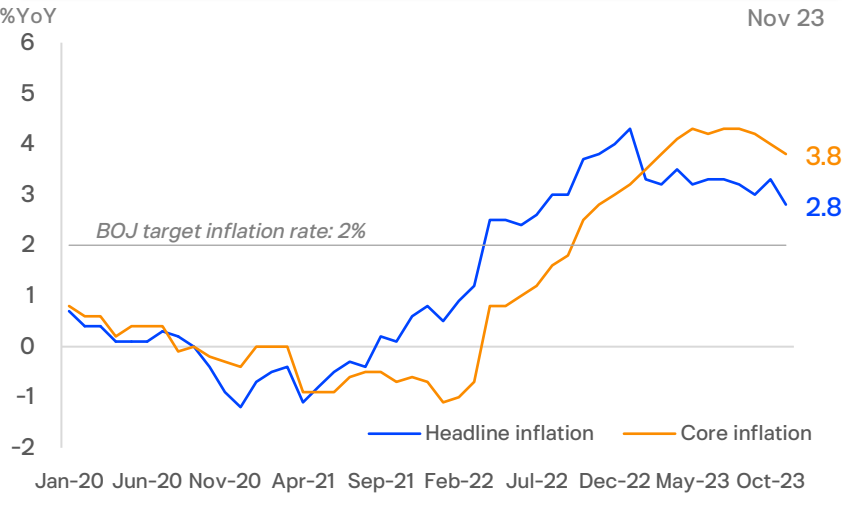


EU economy has lost momentum in 2023 as its GDP expansion projected to be barely above no growth level – 0.7% growth rate in 2023. The economic impact from high cost of living took a heavier toll than expected. On the external side, global trade provided little support. Meanwhile, the response of monetary policy to high inflation is working its way through the economy, and fiscal support is partly being phased out. However, growth is projected to rebound mildly as consumption recovers with subsiding inflation rates, investment remains supportive and external demand picks up going forward.

Japan actual and projected GDP growth rate



Japan headline and core inflation rates

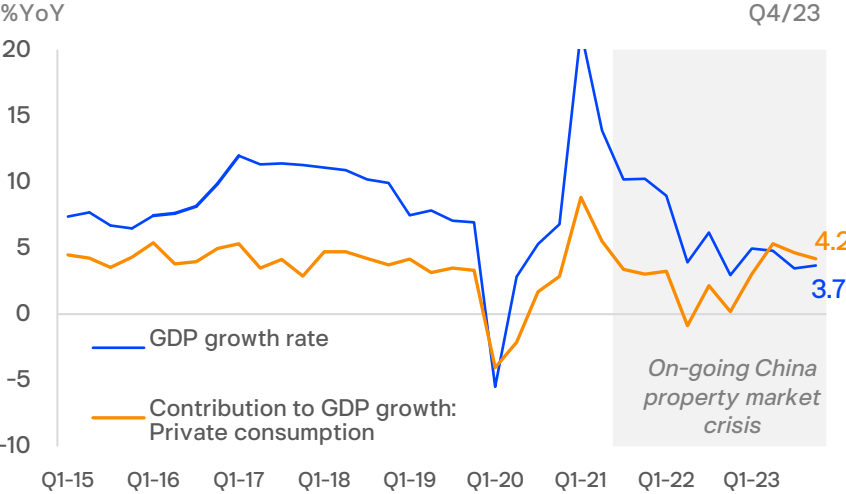


Japanese economic recovery is struggling to gain momentum with its GDP growth projected to be 2% in 2023 and decelerating further going forward as inflation eroded purchasing power. Although monetary policy remains highly accommodative, inflation is outpacing wage growth, causing real spending to fall.

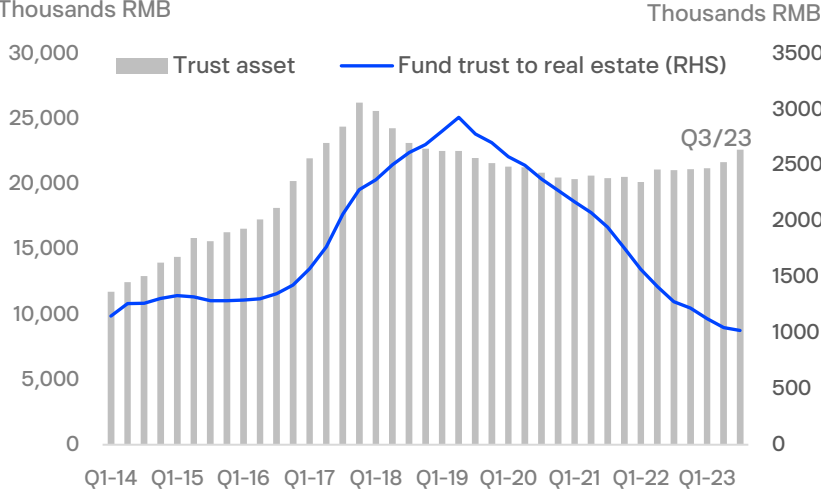
Moving forward to 2024, Japan's monetary policy is likely to change as the central bank officials have hinted at rate hikes in the near future.

Source: CEIC, and ttb analytics

China GDP and private consumption

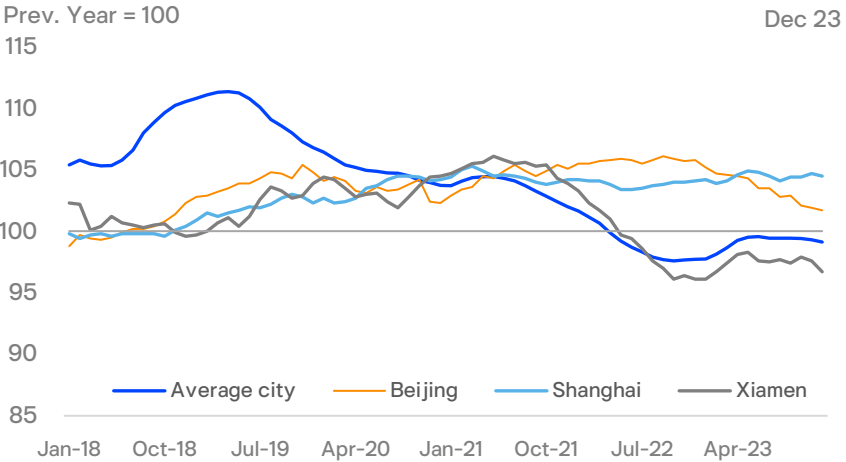


China trust asset and trust in real estate



Chinese economy expanded at 5.2% in 2023, slightly more than the official target, but it was a far shakier recovery as economic headwinds deepen. Despite significant growth in sectors such as tourism and electric cars, China's economy did not rebound from the pandemic as quickly as many had initially expected. Thus, this raises hopes for policymaker and government authorities to roll out more stimulus measures amid deflationary pressures and severe property slump. However, deflation pressure will likely fade in 2024, with the turnaround in global commodity prices and domestic food prices, but low inflation will stay along with insufficient domestic demand.

China property price



CSI 300 stock price index



China CDS 5-year



PART 2

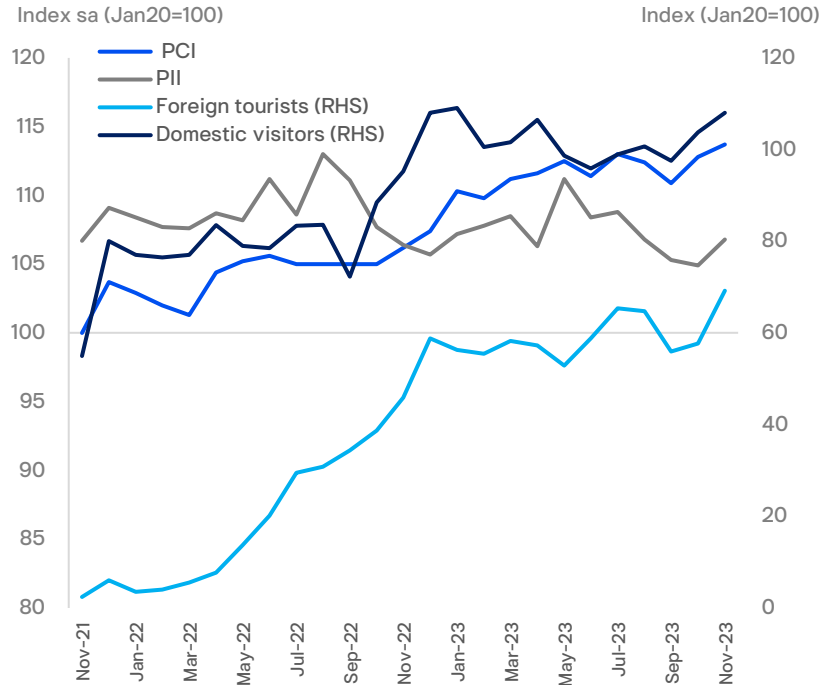
Thai Economy



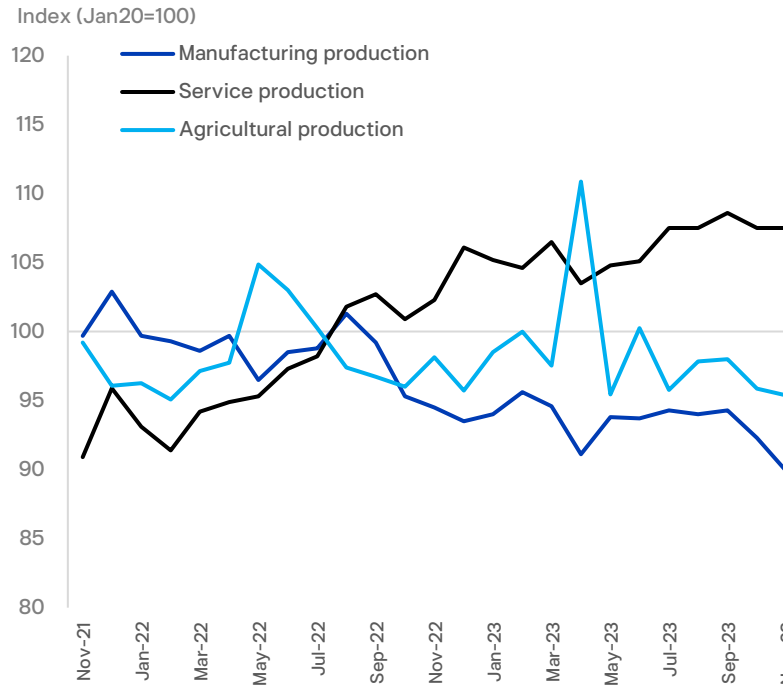
In November, domestic demand continued to grow, tourism sectors seem robust



Demand-side indicators



Supply-side indicators



- In Nov23, Thai economy stabilized from the previous month. While domestic demand increased from both private consumption and investment.
- The number of foreign tourist arrivals increased remarkably, from higher number of long-haul tourists, number of domestic visitors also increased.
- In terms of supply side, production in the manufacturing sector continued to decrease from the previous month in many categories, while economic activities in the service sector remained close to the previous month.

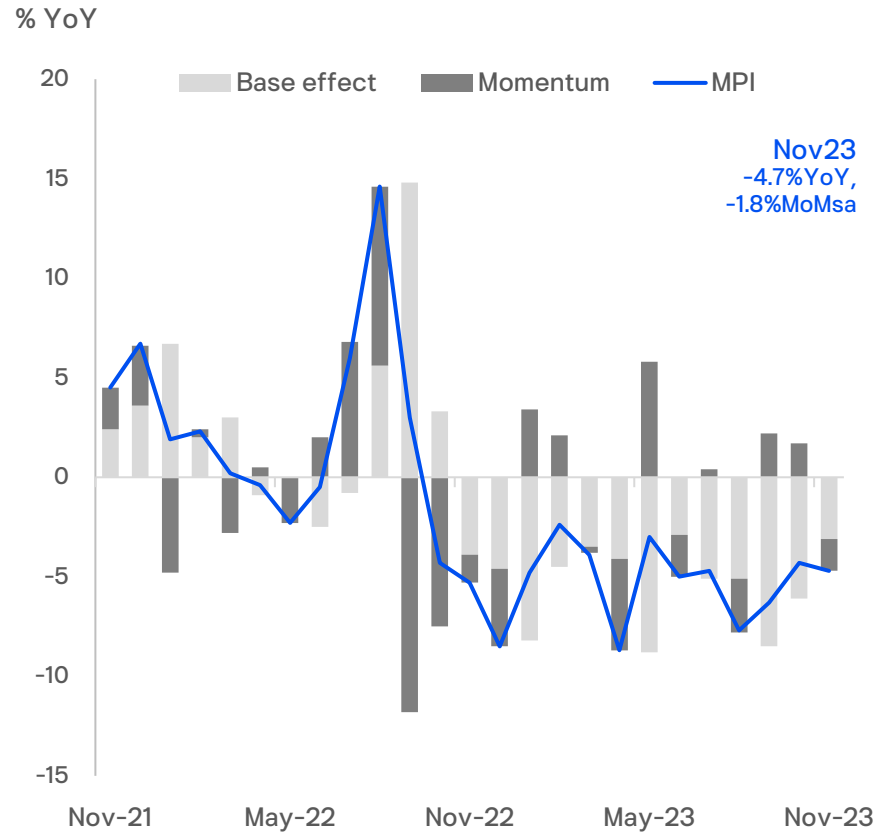
Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Authorized Capital of Newly Registered Companies (Million Baht)	114.6	120.7	118.5	108.9	1,707.9	119.2	163.2	227.6	95.2	141.9	138.2	156.1	144.9
Construction Areas Permitted (1000 sq. m)	108.2	117.5	86.4	96.9	103.9	94.7	98.2	102.5	115.2	96.4	125.4	98.7	100.2
Export Volume index (exclude Gold)	107.1	105.8	107.8	111.3	110.4	108.3	110.2	113.7	109.8	107.5	112.3	110.7	109.9
Business Sentiment Index (3 months)	102.9	104.2	107.4	107.3	109.2	109.0	108.4	108.2	106.3	105.2	105.9	104.4	101.8
SET index	108.0	110.2	110.4	107.1	106.3	101.0	101.3	99.3	102.8	103.4	97.2	91.3	91.2
Oil Price Inverse Index (Dubai)	1.2	1.3	1.2	1.2	1.3	1.2	1.3	1.3	1.3	1.2	1.1	1.1	1.2

Manufacturing production dropped from previous month in major products

Manufacturing Production Index (MPI)

MPI by sector (Base Jan 2020=100)



Contribution	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-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)	-4.3	-5.3	-8.5	-4.8	-2.4	-3.9	-8.7	-3.0	-5.0	-4.7	-7.7	-6.3	-4.3	-4.7

- As of Nov23, Manufacturing Production Index (MPI) was contracted at 4.7%YoY, compared to the month earlier at 4.3% contraction. Food products dropped sharply after a good expansion in preceding months as well as automotive and chemical products production. However, production of refined petroleum and electronic products such as HDD and electrical appliances showed better figures in this month.

Thailand November's export growth stayed robust

Exports value by product and destination*

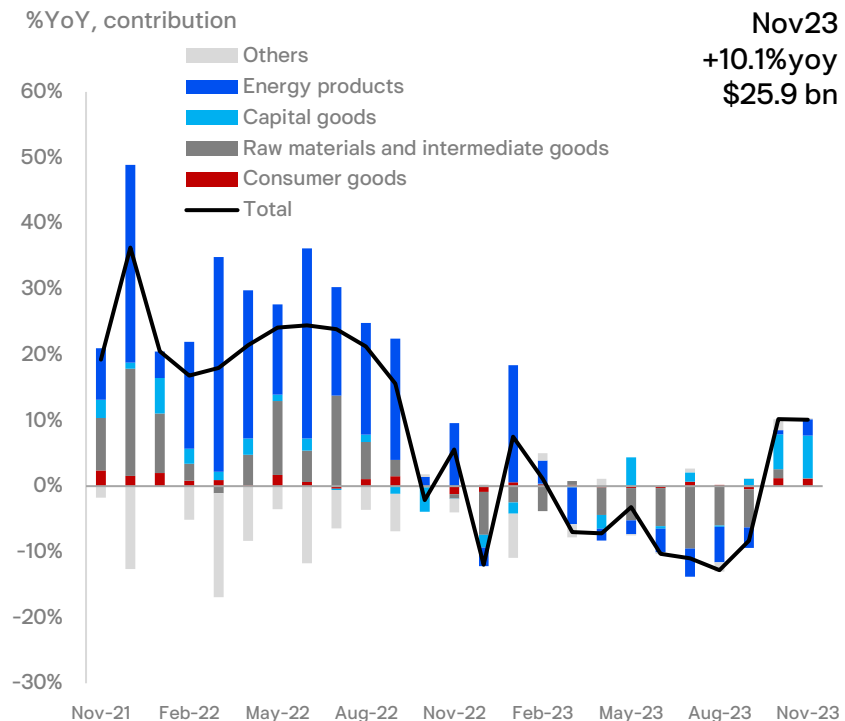
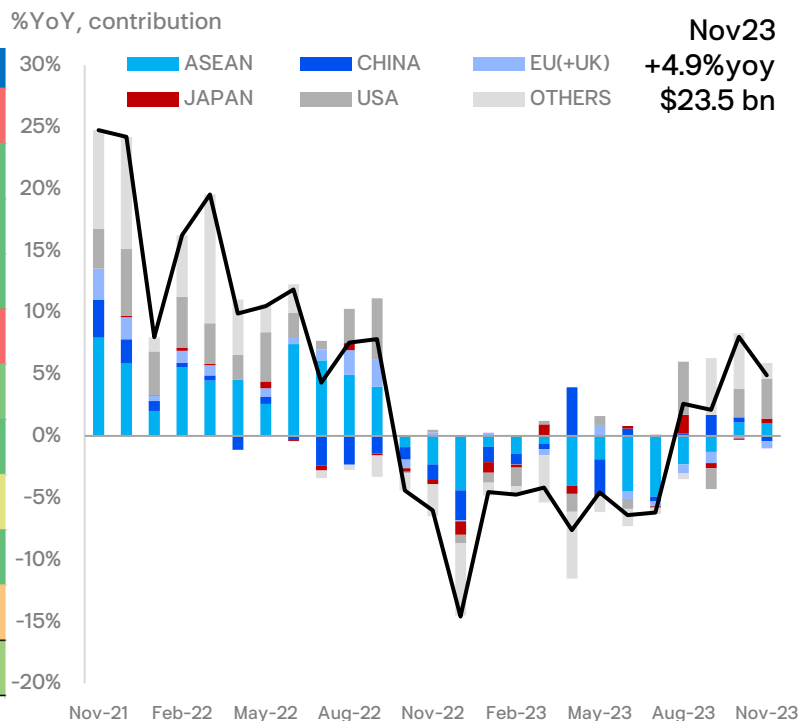
Imports value by groups*

Unit: %YoY

%YoY, contribution

%YoY, contribution

	1Q/23	2Q/23	3Q/23	Aug-23	Sep-23	Oct-23	Nov-23
Auto and parts	4.4%	6.5%	10.5%	5.2%	3.3%	9.0%	-9.7%
Computer and parts	-15.0%	-15.3%	-25.1%	-26.9%	-24.3%	-4.2%	10.3%
HDD	-28.8%	-37.0%	-40.4%	-48.4%	-33.7%	-29.0%	-0.9%
Rubber	-4.6%	-8.3%	-5.4%	-4.7%	-5.5%	0.1%	0.7%
Integrated circuit	-0.3%	2.9%	16.4%	39.8%	5.1%	-4.6%	-6.6%
Refinery oil	4.0%	-29.1%	-1.5%	21.2%	27.3%	65.1%	55.4%
Electronic machinery	-6.2%	-5.9%	5.4%	6.4%	4.1%	7.8%	15.3%
Plastic pallet	-26.5%	-22.6%	-10.4%	-9.9%	-5.3%	3.1%	-10.7%
Chemical products	-18.9%	-17.0%	-20.2%	-11.1%	-18.1%	-10.7%	-0.6%
Jewelry (ex gold)	22.3%	2.0%	8.5%	-10.4%	27.3%	8.7%	2.9%
Total	-4.5%	-6.1%	-0.5%	2.6%	2.1%	8.0%	4.9%



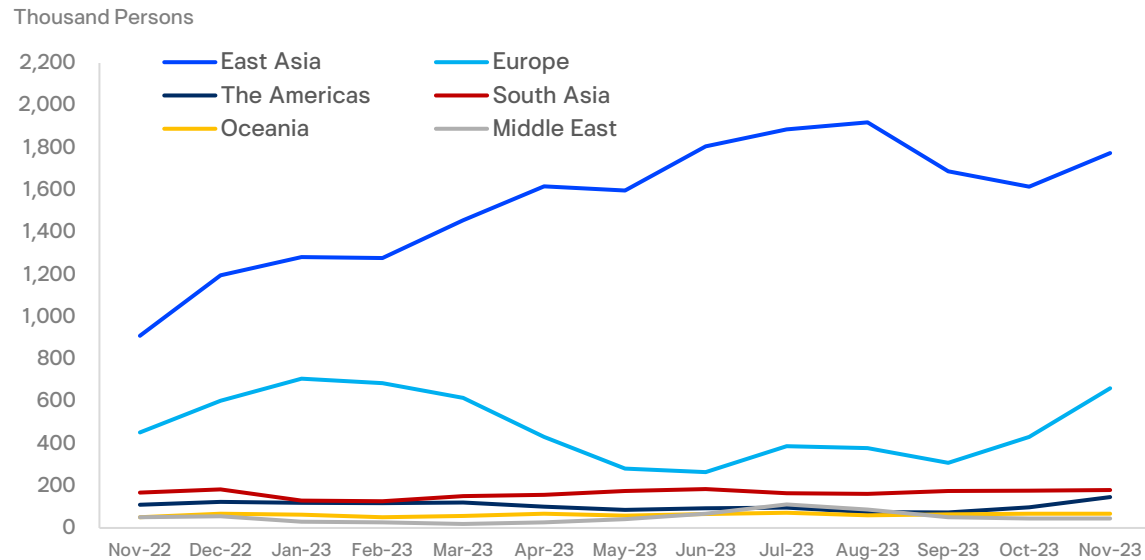
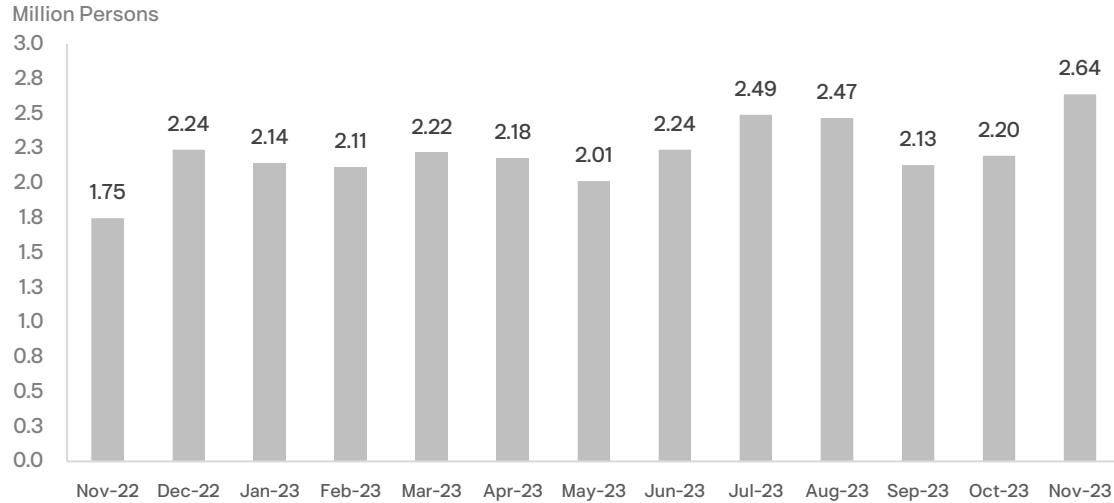
%yoy,value	2019	2020	2021	2022	2023YTD
Total export	-2.6% \$246 bn	-5.9% \$232 bn	17.1% \$272 bn	5.5% \$287 bn	-1.5% \$261.7 bn
Total import	-4.8% \$236 bn	-12.7% \$206 bn	29.8% \$267 bn	13.6% \$303 bn	-3.8% \$267.9 bn

- Export value in Nov23 grew 4.9%YoY, which was the fourth-consecutive month expansion, partially from the low-base effect and trade rebound. That increased from the previous month in major goods such as. rice, rubber, processed seafood products. Moreover, industrial products stayed robust particularly in electronic machinery and refinery oil. On the other hand, imports value remained solid at 10.1%YoY, 2-month expansion from all import categories.

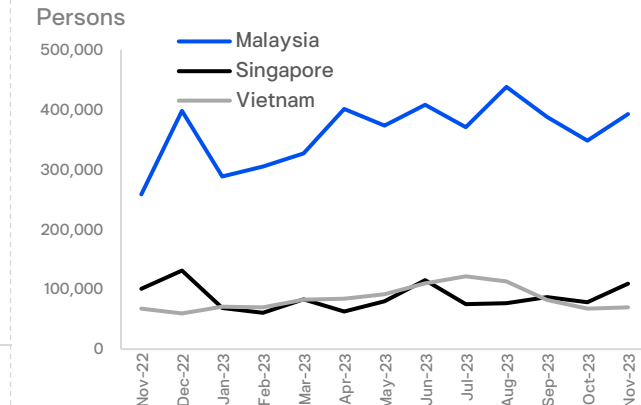
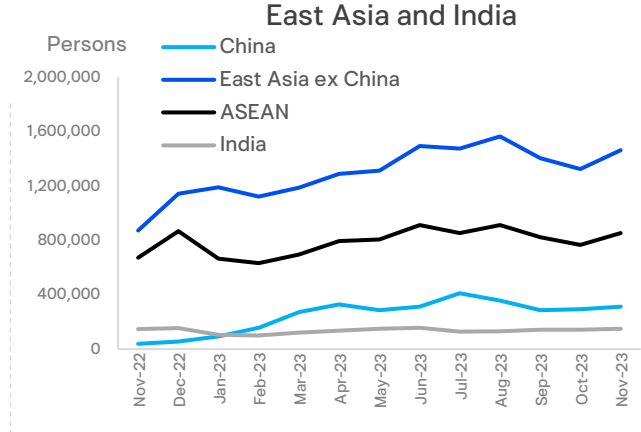
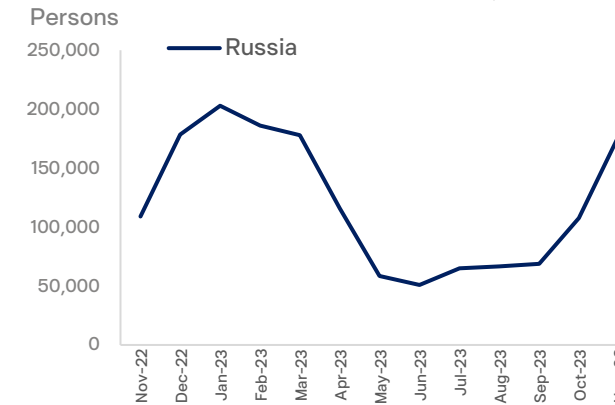
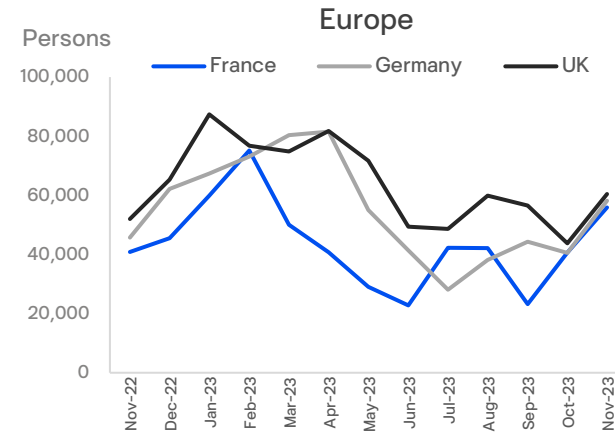
Foreign arrivals reached its peak since the pandemic thanks to the coming of long-haul tourists



Total Foreign Tourist Inbounds



Foreign Tourist Inbounds by key regions

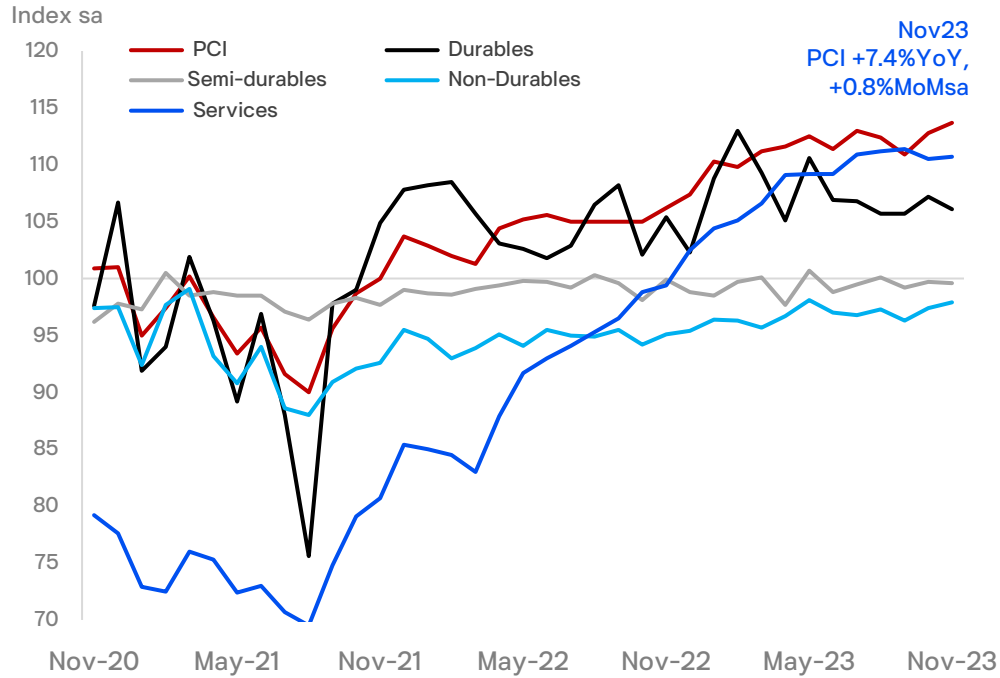


As of Nov23, foreign tourist arrivals was at 2.64 million, improved remarkably from the previous month in several nationalities, especially in long-haul destination while tourists from China improved slightly.

Private consumption continued to grow from non-durable purchases

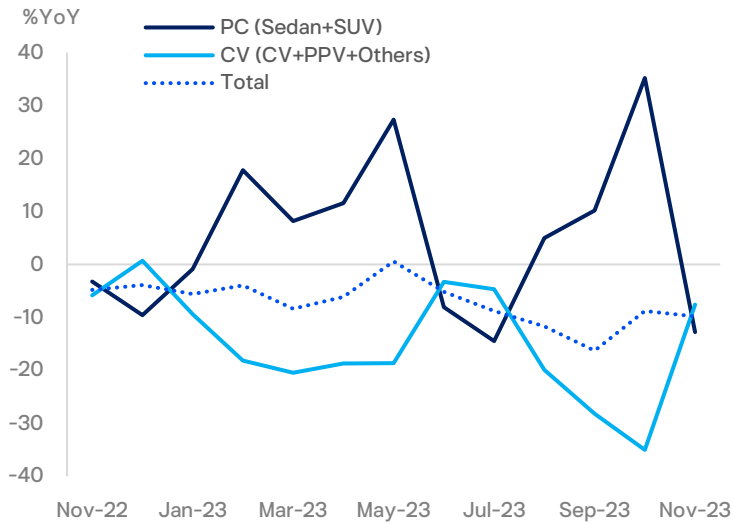


Private Consumption Indicators (SA)

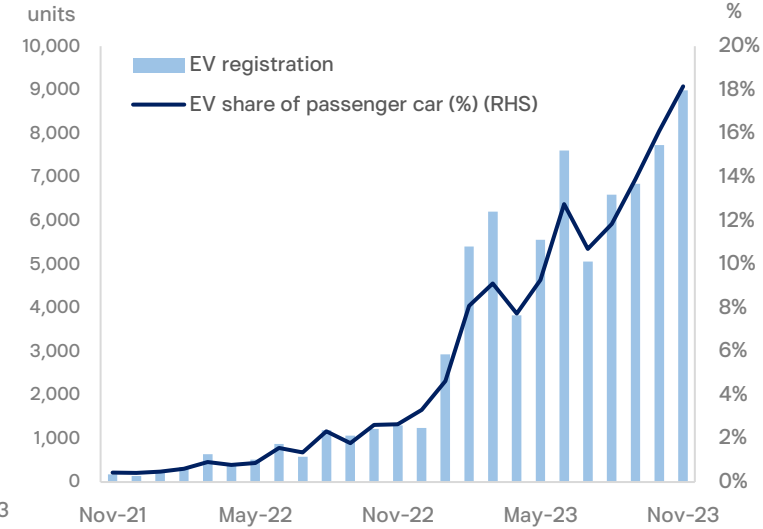


- Private consumption indicators, increased from the previous month on the back of spending in non-durable goods, especially in alcohol, tobacco and fuel, which benefited from government's measures on lower costs of living.
- However, spending in services remained stable in line with activities in the tourism sector. Nevertheless, factors supporting household spending continued to improve as reflected by robust consumer confidence.

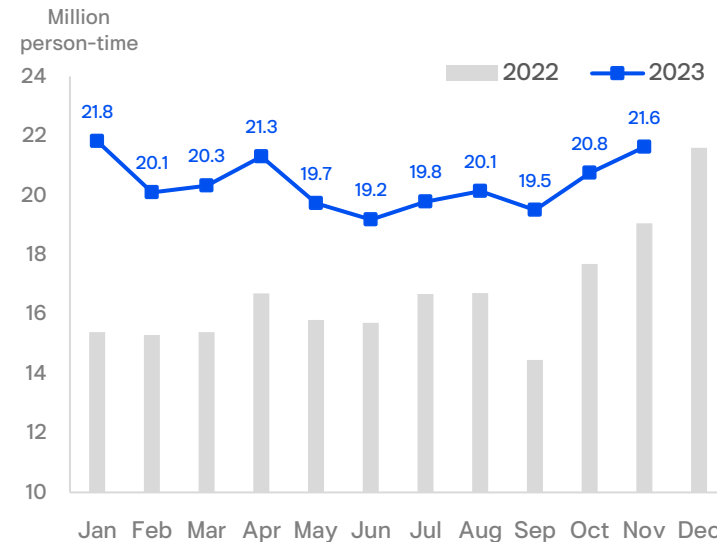
Domestic car sales



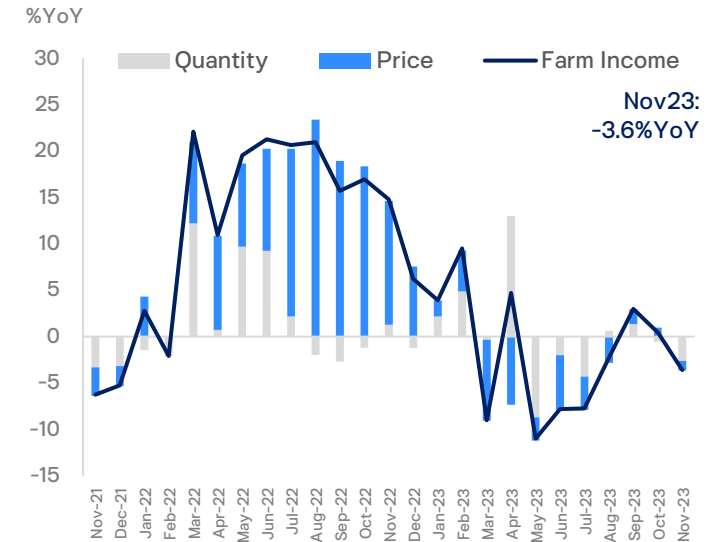
EV registration



Thai domestic visitors*



Farm Incomes



Cost-of-living

- (Extended) Reduced power electricity bill tariff (FT) from THB 4.45 per unit to THB 3.99 per unit for less than 300 units-usage, applicable to Apr 24.
- (Extended) Subsidizing measures in maintaining diesel price to THB 30 per litre as well as the LPG retail price at THB 423 per standard 15-kg cylinder through Oil Fund, until Mar 24
- Increased minimum daily wage 2.37% on average (The current minimum wage is THB 328 to 354, and varies among different parts of the country)
- Three-year debt moratorium for farmers, covering both principal and interest for farmers who owe a maximum of THB 300k across all their loan contracts with the BAAC, about 2.7 million farmers with combined debt about THB 300 bn enjoy this scheme (apply from Oct23-Jan24)
- Exemption of guarantee processing fee by Thai Credit Guarantee Corporation

Targeted sectors

Tourism

- Visa-on-arrival scheme, granted visa to Chinese and Kazakhstani tourists (25 Sep23 - 29 Feb24) (phase I) and granted to Taiwanese and Indian tourists (10 Nov23 – 10 May24) (phase II)
- Tax and financial supports on purchasing domestic products for foreign tourists (e.g., duty free tax)

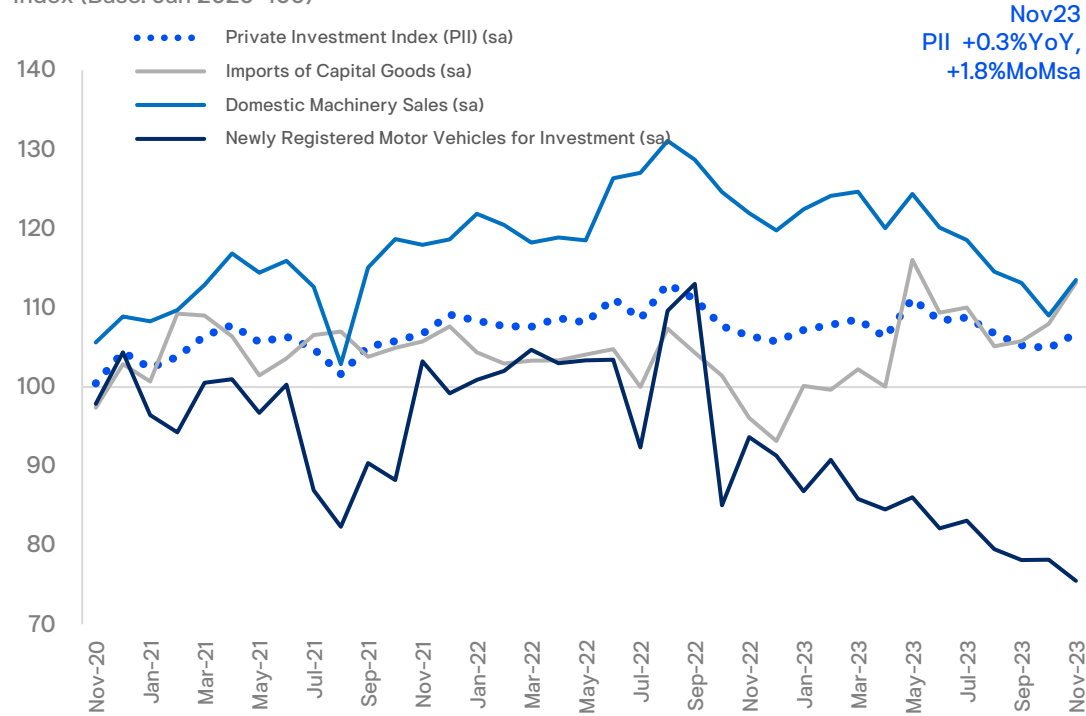
Others

- (Extended) Reduced property transfer fee from 2% to 1% and decrease mortgage registration fees from 1% to 0.01% in 2023, applicable for first and second homes with loan amount of THB 3 million or less per contract, applicable until year-end 2024
- "Easy E-receipt", a shopping tax incentive where individuals can request a tax refund after spending a certain amount of money up to THB 50k
- (Tentative) "Digital Wallet scheme", handing out THB 10k in digital money to every Thai aged 16 years and over with income less than THB 70,000 expected to deliver within Q2/24 (estimated 50 million people eligible, budget THB 500bn)
- Provided subsidies of approximately up to THB 100k for imported EV Under the EV 3.5 measures and any tax subsidies under EV 3.0 also extended.

Private investment improved due to higher investment in machinery and equipment

Private Investment Indicators (SA)

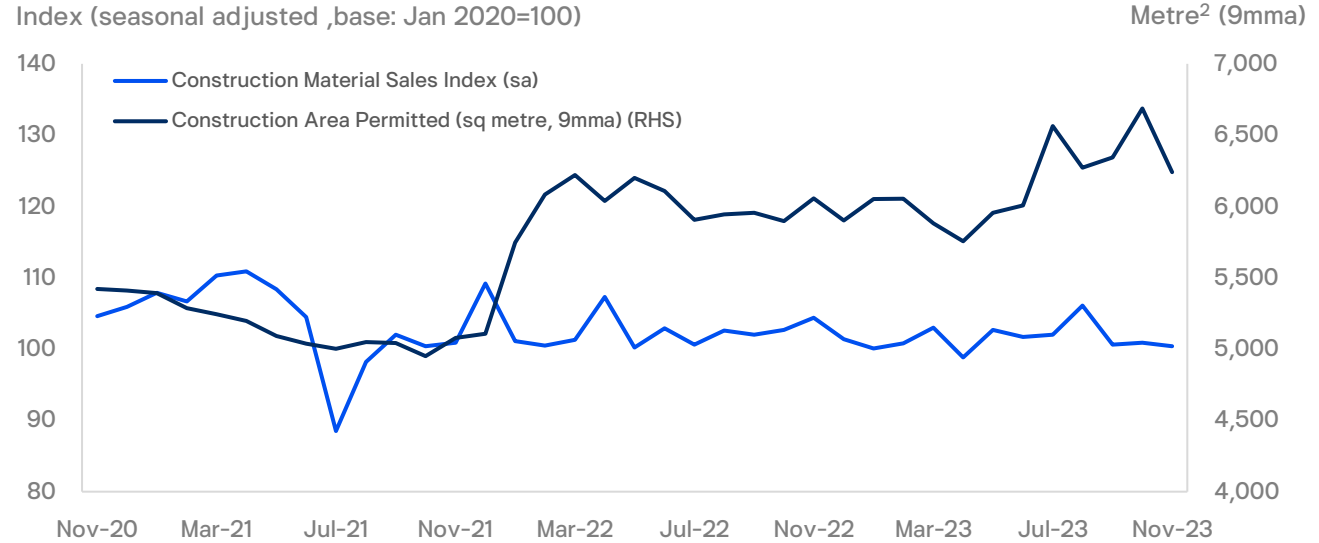
Index (Base: Jan 2020=100)



- Private investment indicators improved from the previous month due to higher investment in machinery and equipment, following higher imports of capital as well as sales of domestic machinery in computers and peripherals.
- Meanwhile, registrations of commercial vehicle declined, especially from trucks. Investment in construction also decreased in both permitted area for construction and sales of construction materials

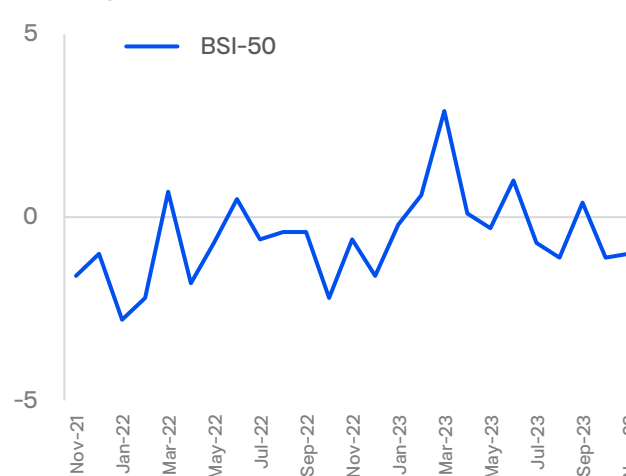
Construction sector (SA)

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



Business Sentiment Index

Below/above baseline

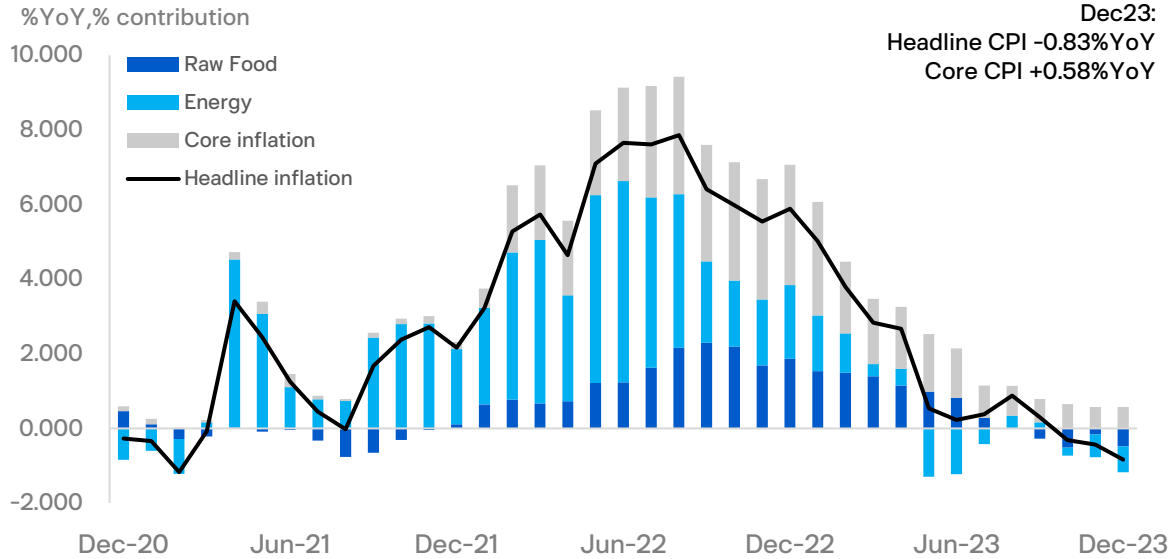


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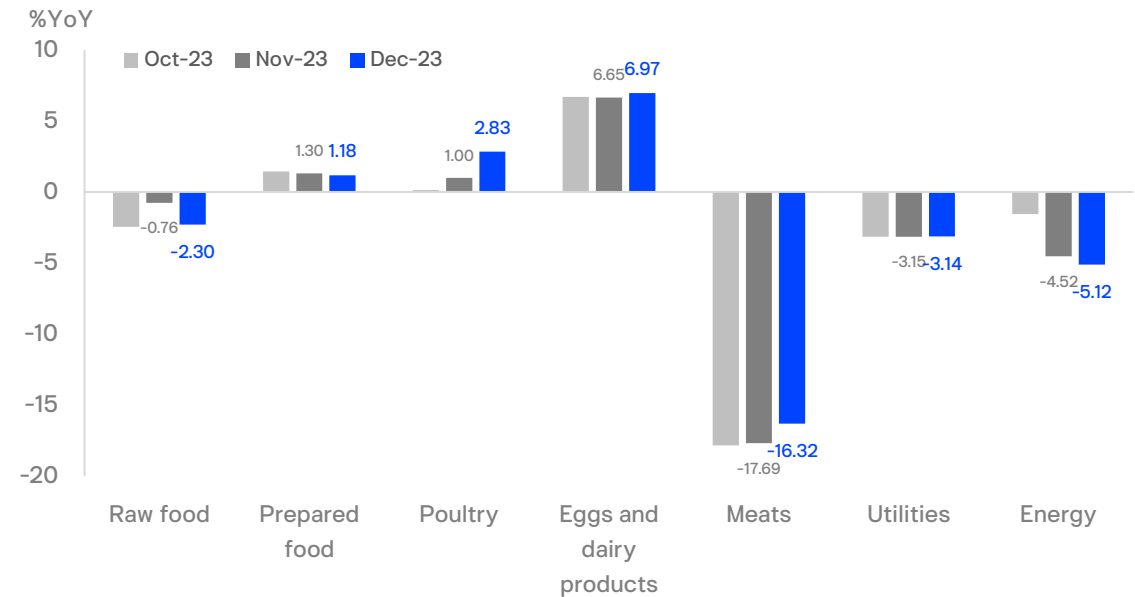


Consumer prices continued to decline but the core remained. For 2023, headline inflation slightly below expectation

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	1.90	-0.9	0.19	0.67	1.07	0.71	-0.84	1.24	6.08	1.23
Food	4.08	11.56	4.54	5.43	7.94	4.89	3.41	3.94	1.14	1.60	0.01	0.41	2.32	1.23	-0.12	6.91	2.56
Housing	0.13	-3.19	-1.55	2.03	1.31	2.73	1.90	1.41	0.59	-0.99	0.17	1.03	0.42	-1.02	-1.69	4.81	1.21
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	-0.98
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	1.33

*Jan-Dec23

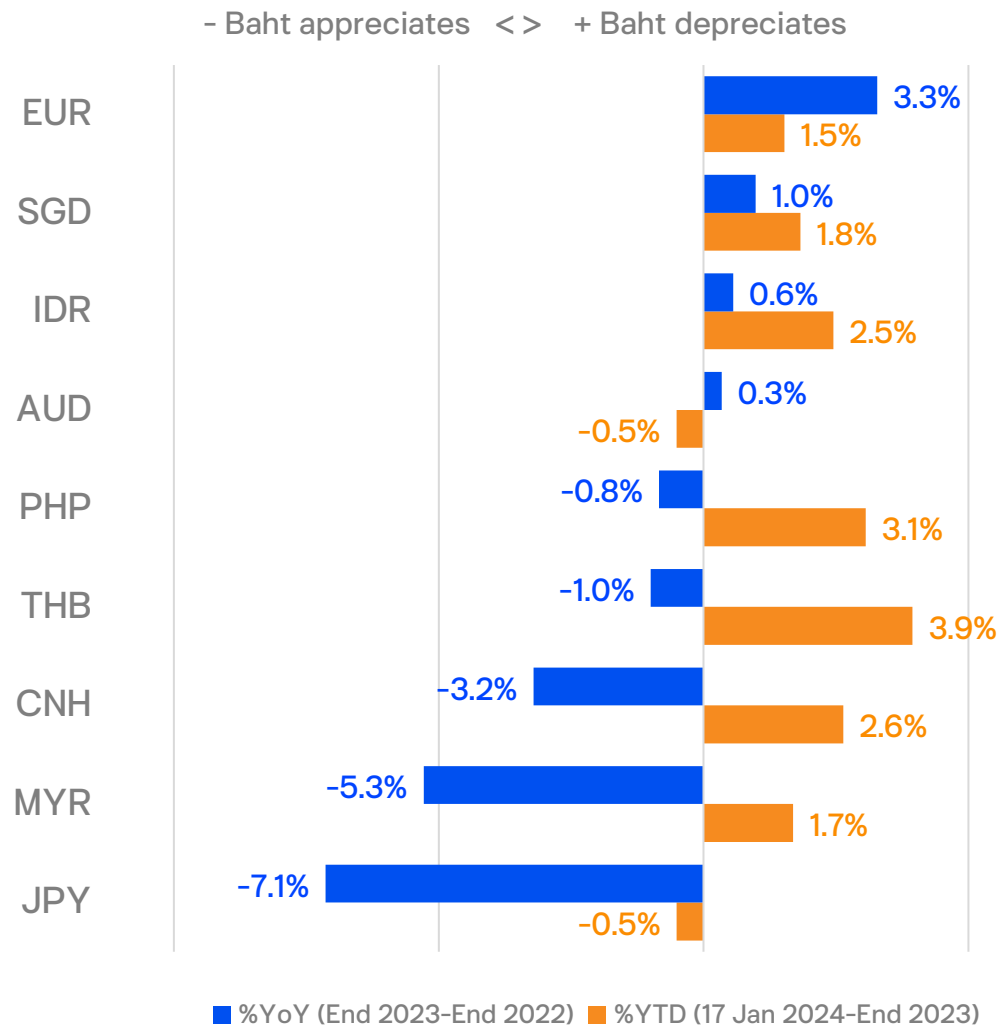
- The headline inflation (CPI) fell further to -0.83%YoY in December, decreased more than market expectation.
- The continuous decline in inflation was attributed to the government's cost-of-living reduction measures, as well as major food prices also dropped, including meat, poultry, seafood and seasoning. However, the core inflation stabilized at 0.58%YoY.
- In 2023, headline and core inflation was 1.23% and 1.33% respectively in line with the target inflation.

PART 3

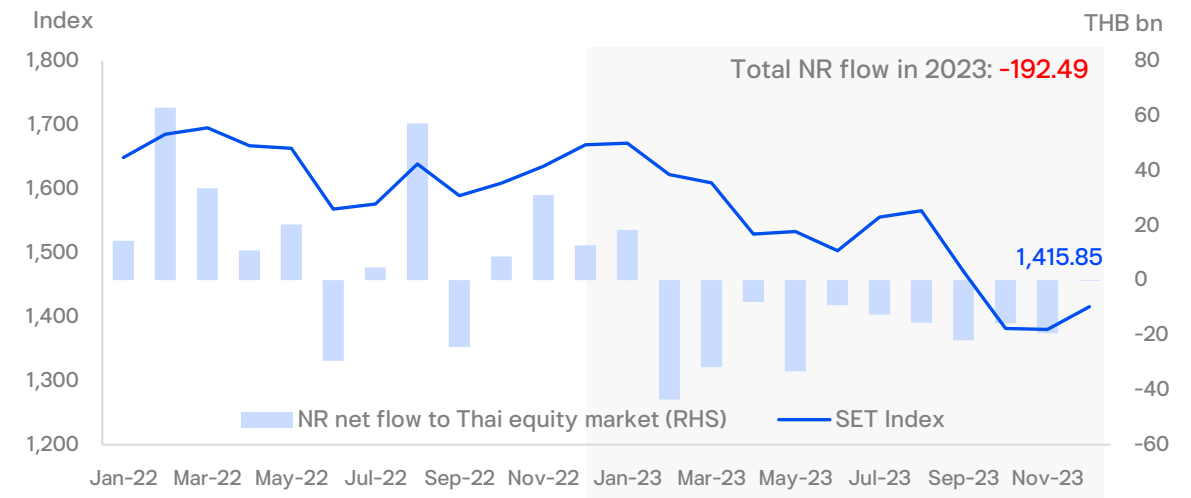
Financial Market



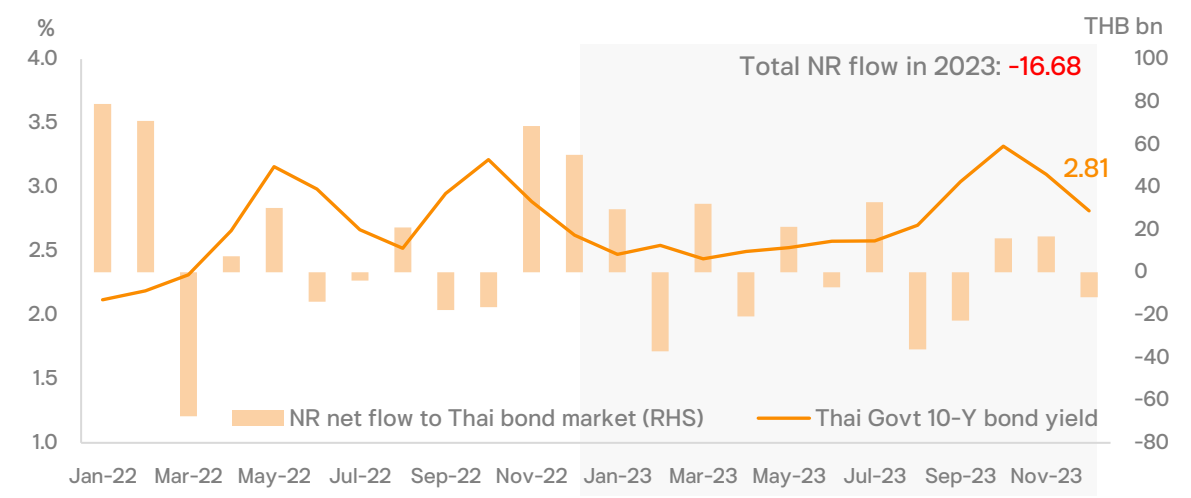
Major Asian currencies against USD



SET index and NR fund flows to Thai equity market



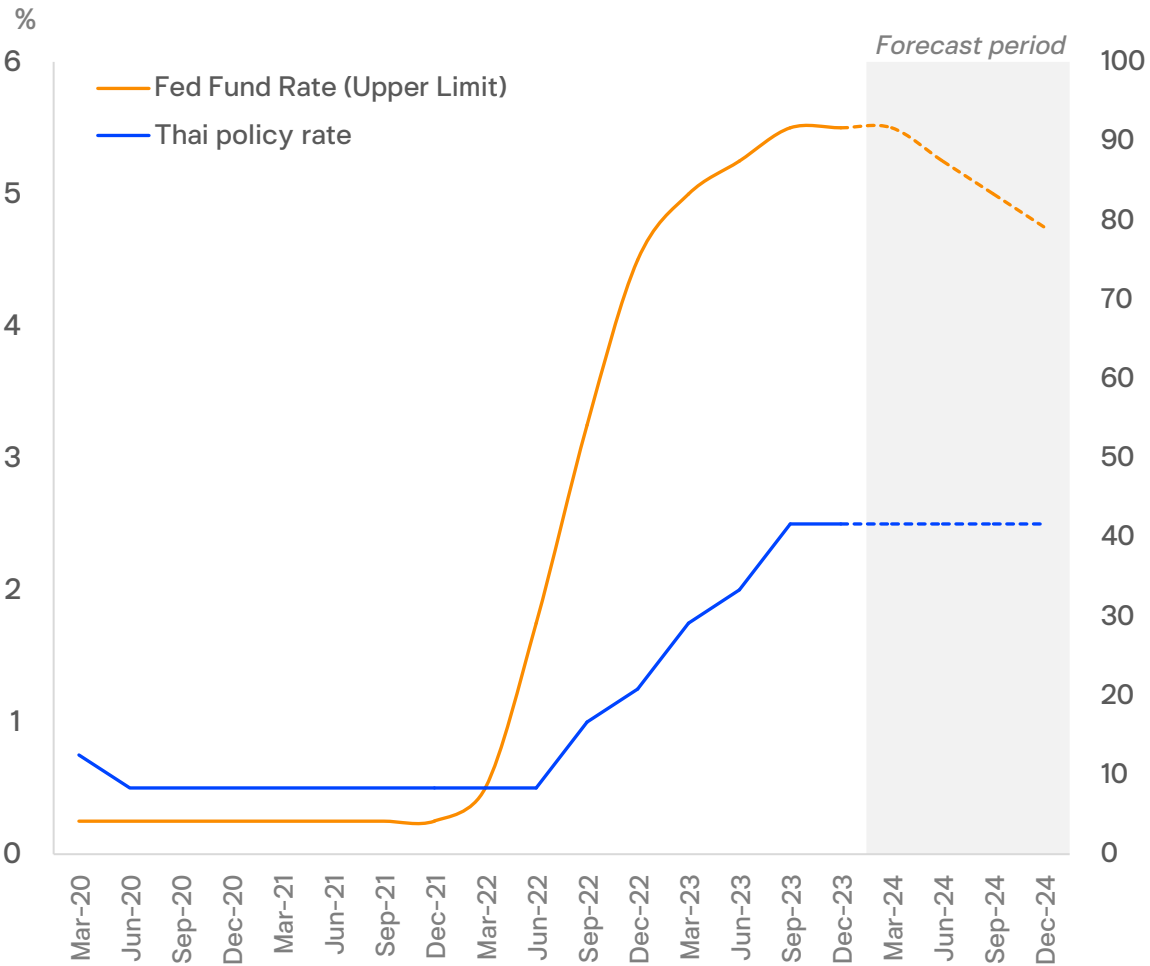
Thai 10Y gov bond yield and NR fund flows to bond market



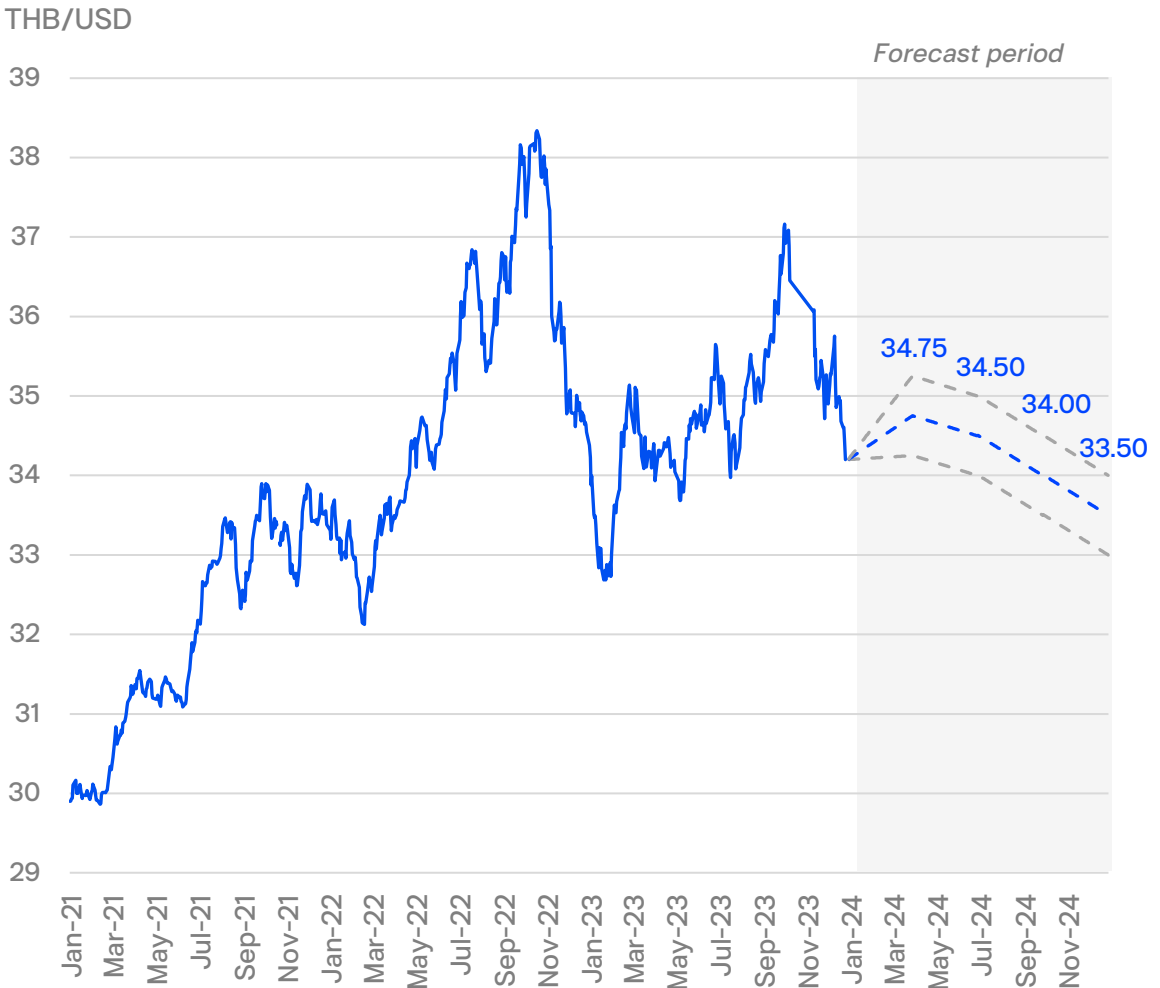
Fed rate cut is anticipated during 1H2024 while Thai policy rate would be kept at 2.5%



FED-BOT policy rate forecast



USDTHB Projection



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.