

# Economic and Financial Outlook

t**tt**b analytics

Feb 2024





## Global Economy

- In January 2024, global economic growth is stabilized with disinflation momentum being observed in most economies albeit still restrictive monetary policy. Central banks in major economies is managing the final descent of inflation to target while price pressures are clearly dissipating requiring for a less restrictive stance. Market participants have put more weights on interest rate cuts from major central banks over this 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 December 2023, Thai economy softened from the previous month, following domestic demand from both private consumption and investment. The number of foreign tourist arrivals improved remarkably from the previous month in several nationalities, especially in tourists from long-haul destination and Malaysia while tourists from China improved consecutively.
- The growth of merchandise exports in December stayed robust which was the fifth-consecutive month expansion, mainly from the low-base effect and trade rebound. On the other hand, imports value contracted in 2 months 2-month expansion from most categories. In 2023, overall export and import contracted.
- Headline inflation in January 2024 was contracted in fourth-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.



## Financial Markets

- Major central banks end 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.
- USDTHB largely depreciated in January 2024, ending 35.44 level. It could be around 35.50-36.00 in February 2024, as market participants the probabilities for Fed's early interest cut in March 2024.

PART 1

# Global Economy



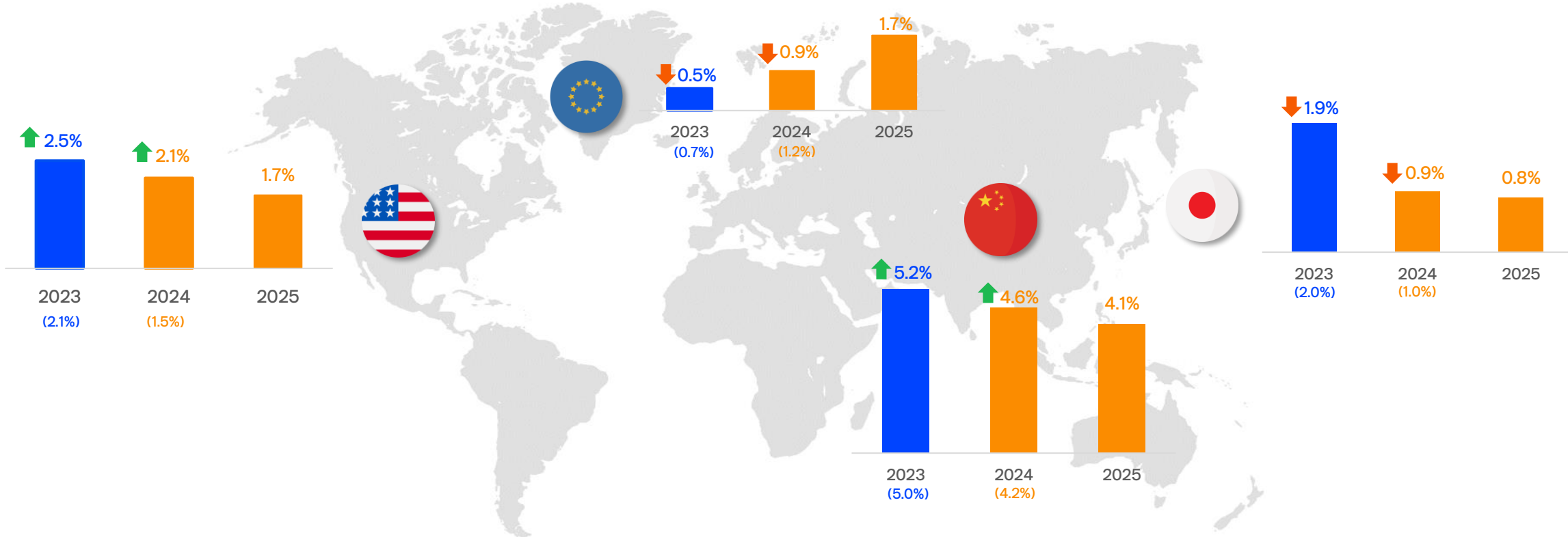
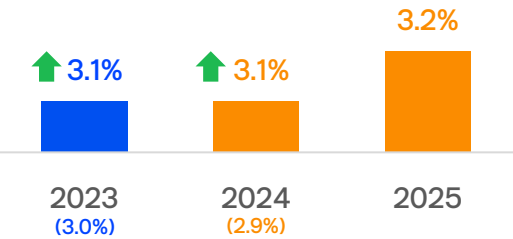
# IMF's projections of global economic growth moderately improve but still below the historical levels



IMF's projections for global growth is at 3.1% in 2024 and 3.2% in 2025, with a 0.2% higher than that in the October 2023 WEO forecasts on the back of:

- (1) greater-than-expected resilience in the US and several large emerging market and developing economies
- (2) fiscal support in China

However, the projections are below the historical (2000–19) average of 3.8%, with elevated central bank policy rates to fight inflation, a withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth.

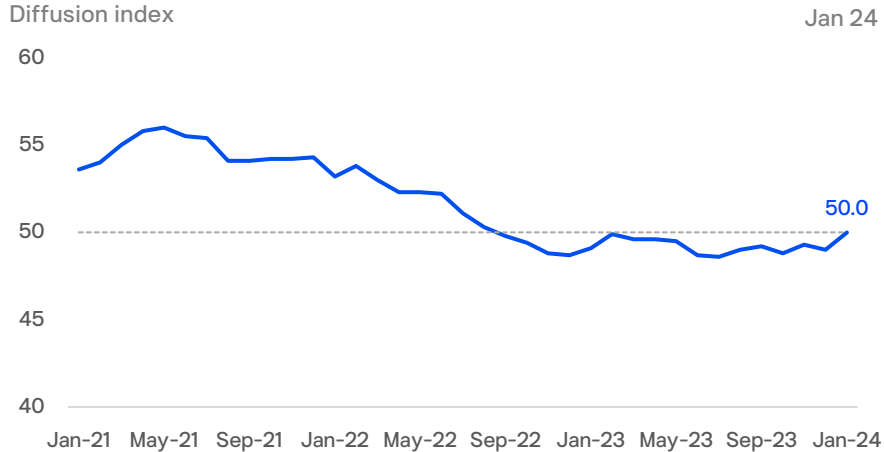


Source: IMF WEO January 2024, ( ) represents forecasts in IMF WEO October 2023

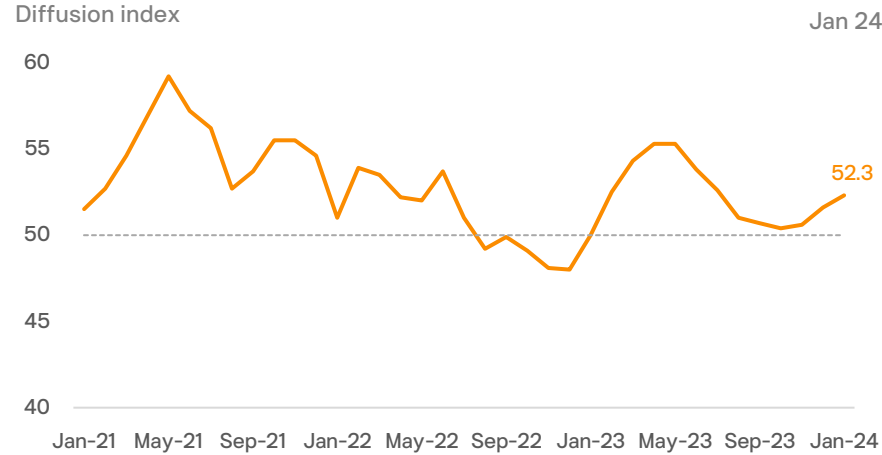
# Global production activity rose with improvements in operating conditions



## Global Manufacturing PMI



## Global Service PMI



- Global growth accelerates amid sector divergences between manufacturing and services at the end of 2023.
- Nevertheless, the global manufacturing sector show signs of stabilization at the start of 2024. Meanwhile, faster growth is observed in service sector on the back of expansions in business activities in emerging markets.

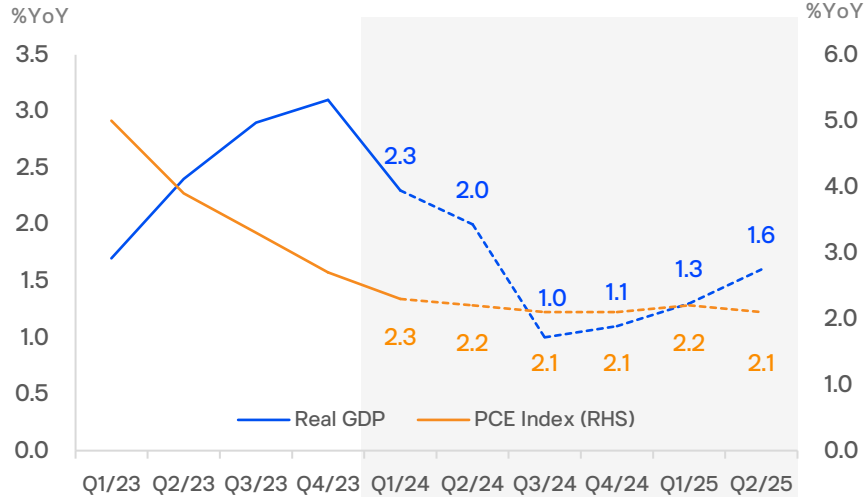
## Manufacturing PMI by countries

	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Oct-23	Nov-23	Dec-23	Jan-24
Global	53.0	52.2	49.8	48.7	49.6	48.7	49.2	48.8	49.3	49.0	50.0
US	58.8	52.7	52.0	46.2	49.2	46.3	44.3	44.8	47.2	46.2	47.0
UK	55.2	52.8	48.4	45.3	47.9	46.5	49.8	50.0	49.4	47.9	50.7
EU	56.5	52.1	48.4	47.8	47.3	43.4	43.4	43.2	44.4	44.5	46.5
Germany	56.9	52.0	47.8	47.1	44.7	40.6	39.6	40.8	42.6	43.3	45.5
France	54.7	51.4	47.7	49.2	47.3	46.0	44.2	42.8	42.9	42.1	43.1
Italy	55.8	50.9	48.3	48.5	51.1	43.8	46.8	44.9	44.4	45.3	48.5
Asia exc. China	53.0	52.3	50.9	50.2	50.5	50.7	50.5	49.8	50.5	50.4	50.7
China	48.1	51.7	48.1	49.0	50.0	50.5	50.6	49.5	50.7	50.8	50.8
Australia	57.7	56.2	53.5	50.2	49.1	48.2	48.7	48.2	47.7	47.6	50.1
India	54.0	53.9	55.1	57.8	56.4	57.8	57.5	55.5	56.0	54.9	56.5
Japan	54.1	52.7	50.8	48.9	49.2	49.8	48.5	48.7	48.3	47.9	48.0
Korea	51.2	51.3	47.3	48.2	47.6	47.8	49.9	49.8	50.0	49.9	51.2
Indonesia	51.3	50.2	53.7	50.9	51.9	52.5	52.3	51.5	51.7	52.2	52.9
Thailand	51.8	50.7	55.7	52.5	53.1	53.2	47.8	47.5	47.6	45.1	46.7

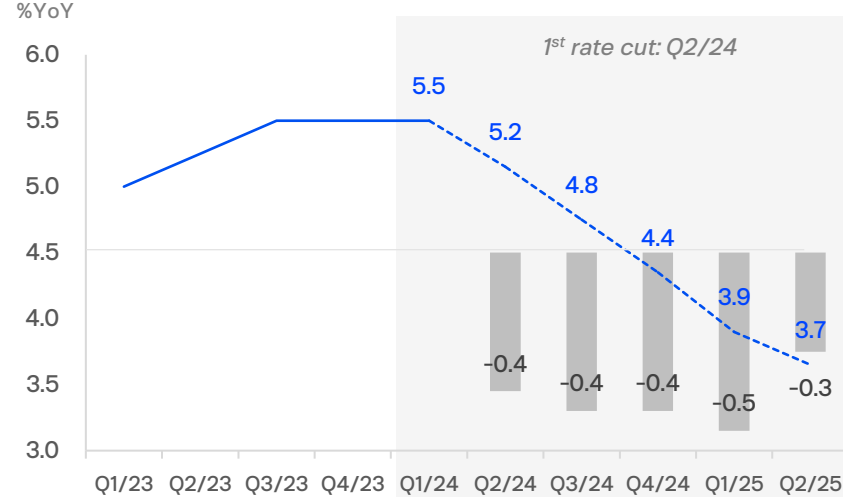
## Service PMI by countries

	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Oct-23	Nov-23	Dec-23	Jan-24
World	53.5	53.7	49.9	48.0	54.3	53.8	50.7	50.4	50.6	51.6	52.3
US	61.3	53.4	52.4	43.0	54.7	54.5	49.2	49.8	51.5	50.4	52.2
UK	60.9	57.0	54.3	49.5	54.3	54.4	51.3	50.8	52.3	53.3	49.8
EU	55.6	53.0	48.8	49.8	55.0	52.0	48.7	47.8	48.7	48.8	48.4
Germany	56.1	52.4	45.0	49.2	53.7	54.1	50.3	48.2	49.6	49.3	47.7
France	57.4	53.9	52.9	49.5	53.9	48.0	44.4	45.2	45.4	45.7	45.4
Italy	52.1	51.6	48.8	49.9	55.7	52.2	49.9	47.7	49.5	49.8	51.2
Spain	53.4	54.0	48.5	51.6	59.4	53.4	50.5	51.1	51.0	51.5	52.1
Asia exc. China	49.8	55.6	52.7	52.9	55.9	55.2	55.6	53.3	52.6	53.5	55.2
China	42.0	54.5	49.3	48.0	57.8	53.9	50.2	50.4	51.5	52.9	52.7
Australia	55.6	52.6	50.6	47.3	48.6	50.3	51.8	47.9	46.0	47.1	49.1
India	53.6	59.2	54.3	58.5	57.8	58.5	61.0	58.4	56.9	59.0	61.8
Japan	49.4	54.0	52.2	51.1	55.0	54.0	53.8	51.6	50.8	51.5	53.1

## US real GDP and PCE index



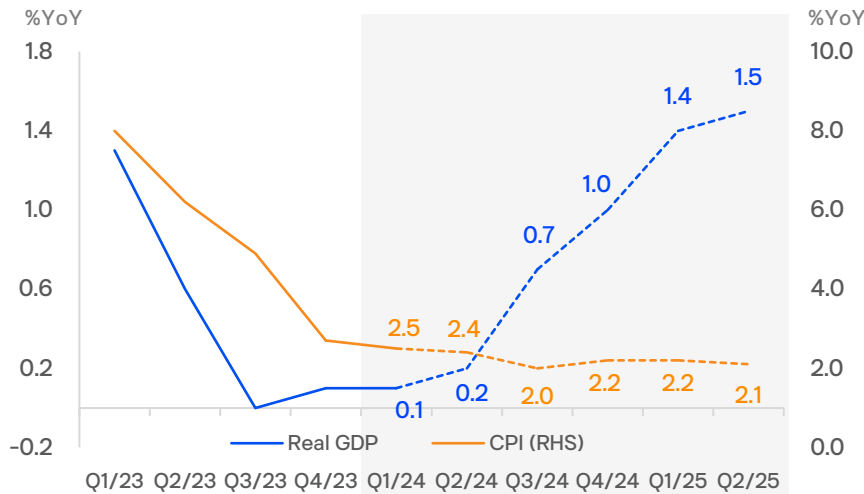
## Actual and projected Fed policy rate



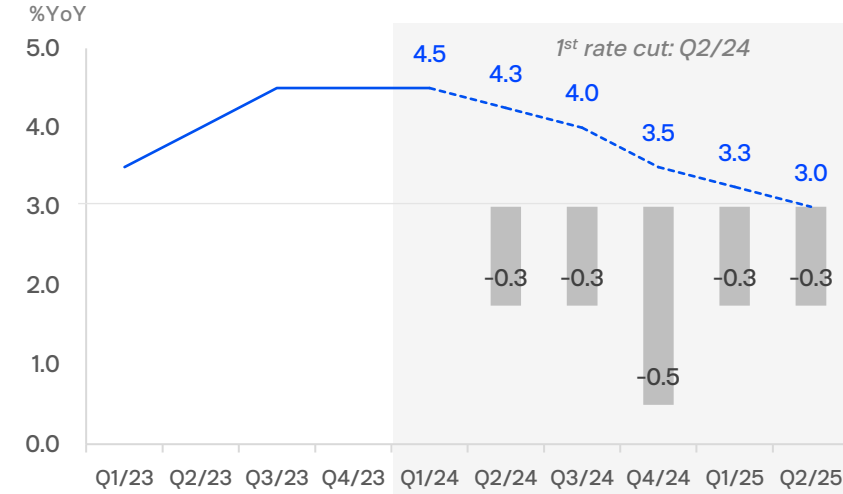
Recent gauge of US inflation sped up more than economists' anticipation, suggesting some stickiness in price gains due to stubborn rent costs. Meanwhile, robust GDP growth in 2023 removes forecast of a recession in the US economy. However, Fed expects the consumer spending growth to cool and for overall GDP growth to slow to 1% level in 2024.

These developments leave market to expect the Fed cutting interest rates in Q2/2024.

## EU headline and core inflation rates



## Actual and projected ECB policy rate

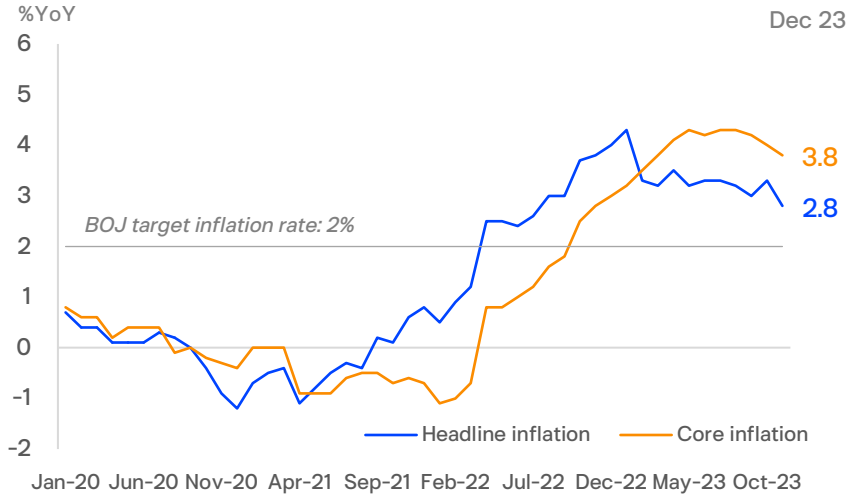


Forecasts for EU growth in 2024 has been revised down as high interest rates weigh on economic activity, but inflation is expected to halve from its peaks in 2023.

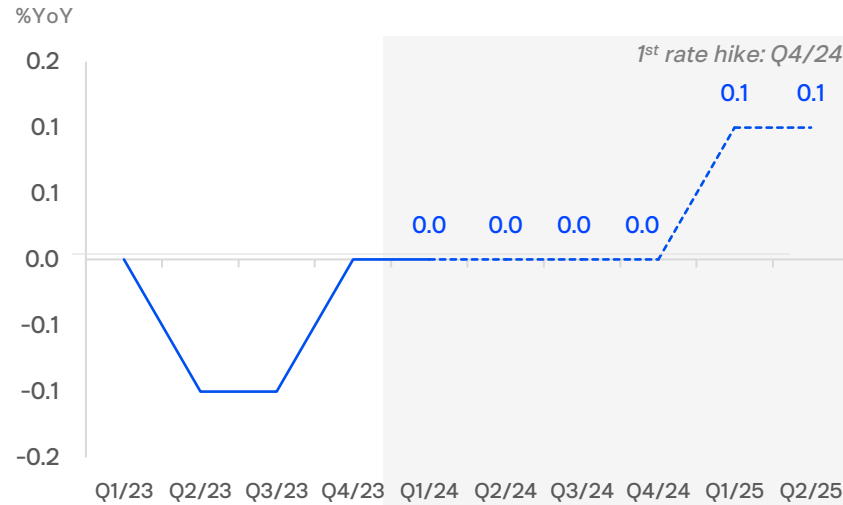
Euro zone inflation eased as expected last month but underlying price pressures fell less than forecast, likely boosting the ECB's argument that rate cuts should not be rushed, even if the next move is still going to be policy easing.

# Japan and China are in critical policy junction in stimulating economy while stabilizing price increases

## Japan headline and core inflation rates



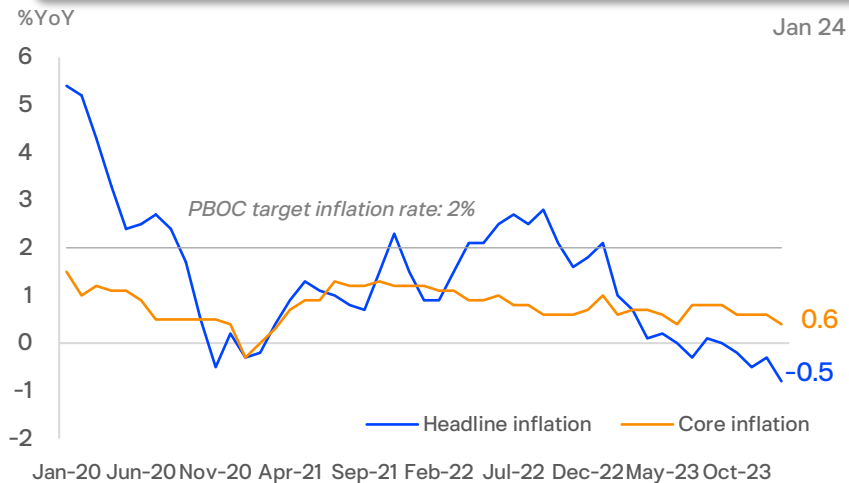
## Actual and projected BOJ policy rate



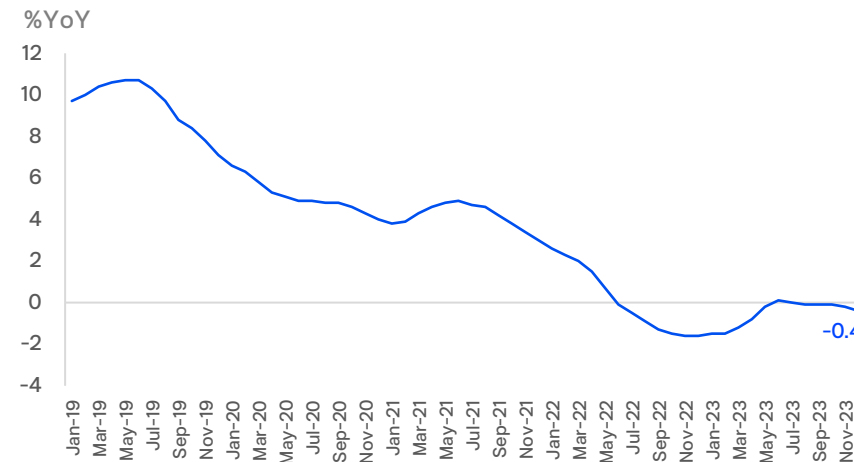
With the BOJ's possible unwinding of its ultra-loose monetary policy being challenged by a slowing economy and cooling inflation, most economists expect the BOJ to make changes at the end of 2024 once the annual spring wage negotiations confirm a trend of meaningful wage increases.

For the BOJ, the preference is for inflation in Japan to be driven by domestic demand, which is more sustainable and stable. However, high inflation is starting to adversely impact consumer spending.

## China headline and core inflation rates



## China new property price



China's deflation pressures are likely to continue for at least another six months on weak demand and as the property crisis continues to worsen confidence within the economy. Entrenched deflation and declining house prices are two of the most serious problems faced by China in 2024 as it tries to regain and sustain momentum.

Recently, authorities have ramped up support measures to try and stem falling prices – mortgage rates on home purchases have been lowered.

PART 2

# Thai Economy

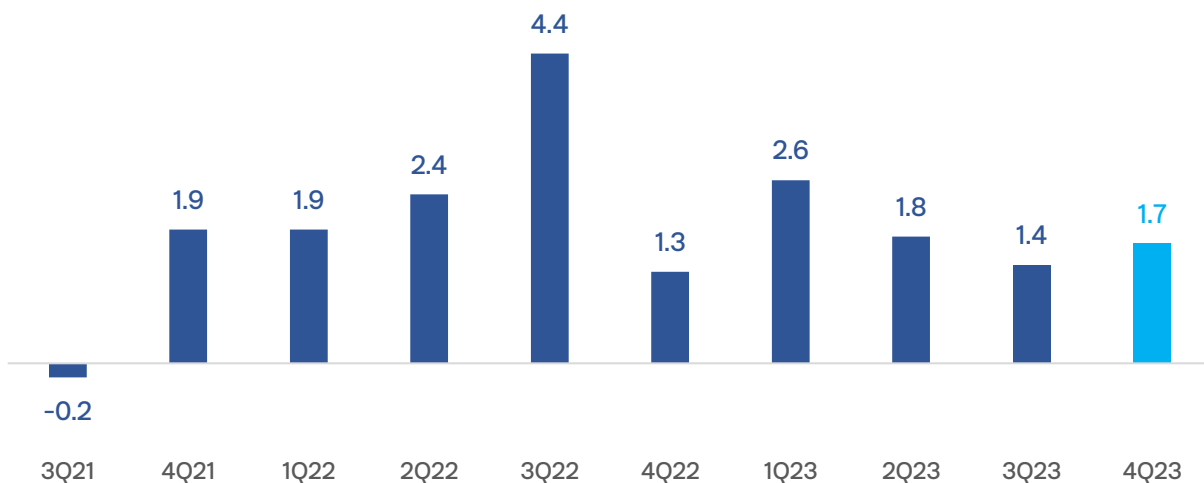




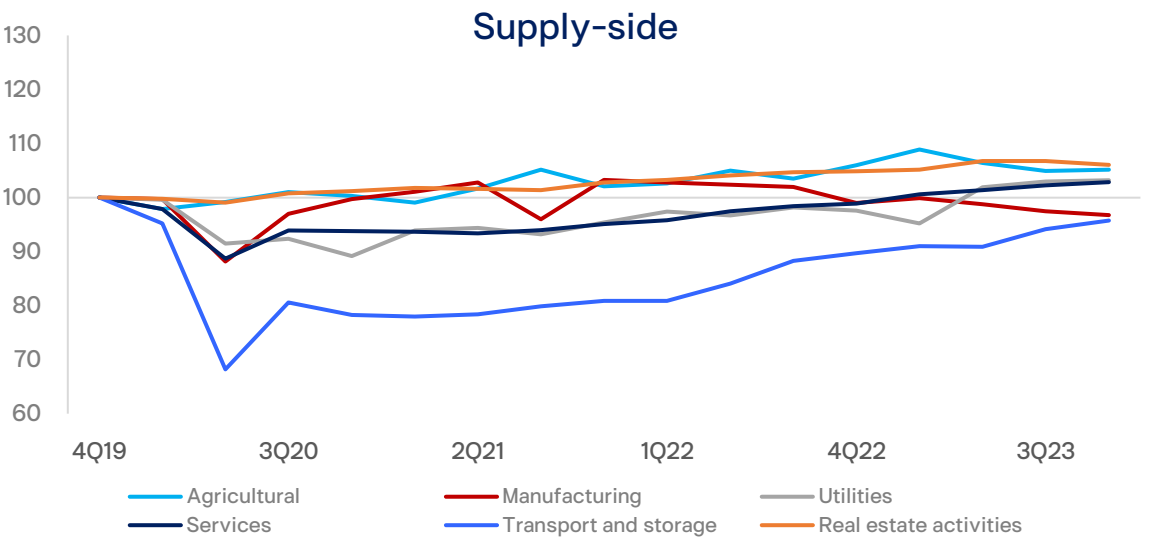
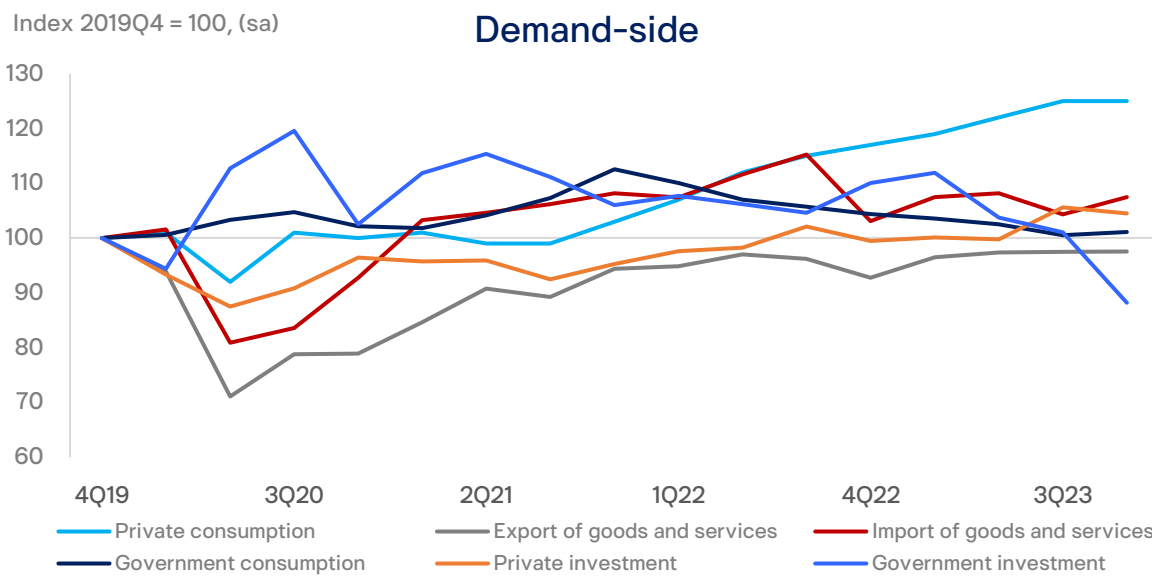
# GDP in Q4/2023 expanded 1.7%yoy, decelerated from previous quarter, resulting from the decline of government spending; GDP grew by 1.9% in 2023



## Real GDP growth (%yoy)



## Growth path development from pre-covid level



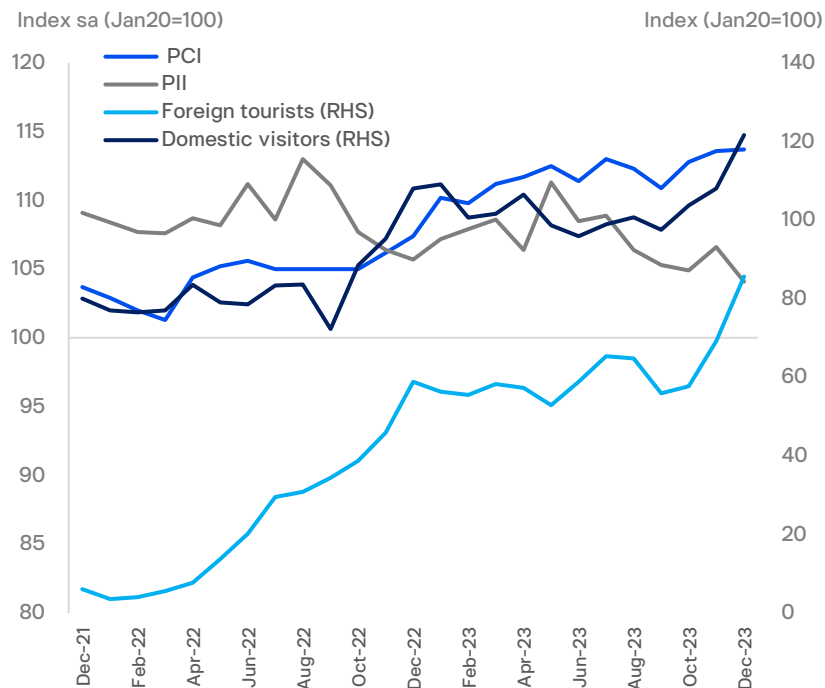
## GDP growth composition (%yoy)

% compared to previous year	2022	2023	2022r			2023r			
			Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	2.5	1.9	2.4	4.4	1.3	2.6	1.8	1.4	1.7
Private consumption (59%)	6.2	7.1	6.7	9.1	6.4	5.9	7.3	7.9	7.4
Private investment (18%)	4.7	3.2	1.8	10.7	4.3	2.6	1.0	3.1	5.0
Government consumption (17%)	0.1	-4.6	2.6	-1.5	-7.1	-6.0	-4.3	-5.0	-3.0
Public investment (8%)	-3.9	-4.6	-7.7	-5.6	2.7	4.7	-1.1	-2.6	-20.1
Export of goods (54%)	1.1	-2.8	4.2	1.8	-10.5	-3.8	-5.0	-2.0	4.6
Import of goods (50%)	1.2	-3.8	5.7	6.7	-10.2	0.5	-6.6	-10.7	6.1
Export of Service (5%)	59.9	38.3	47.6	69.7	78.1	66.9	53.7	30.6	14.7
Import of Service (9%)	13.6	4.3	13.7	18.2	13.6	14.5	6.4	-5.2	2.5

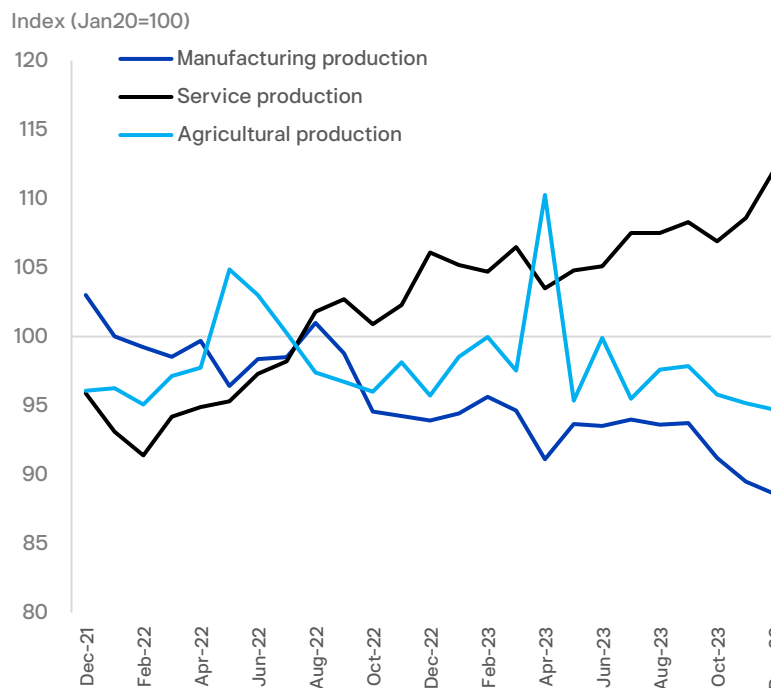
Source: NESDC, ttb analytics  
 Remark: (.) indicates share to GDP

# In December, domestic demand subdued, while tourism sectors stayed strong

## Demand-side indicators



## Supply-side indicators



- In Dec23, Thai economy softened from the previous month, following domestic demand from both private consumption and investment. While major merchandise export products also decreased.
- 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 increased compared to the previous month.

## Leading Economic Index (sa) (Jan20=100)

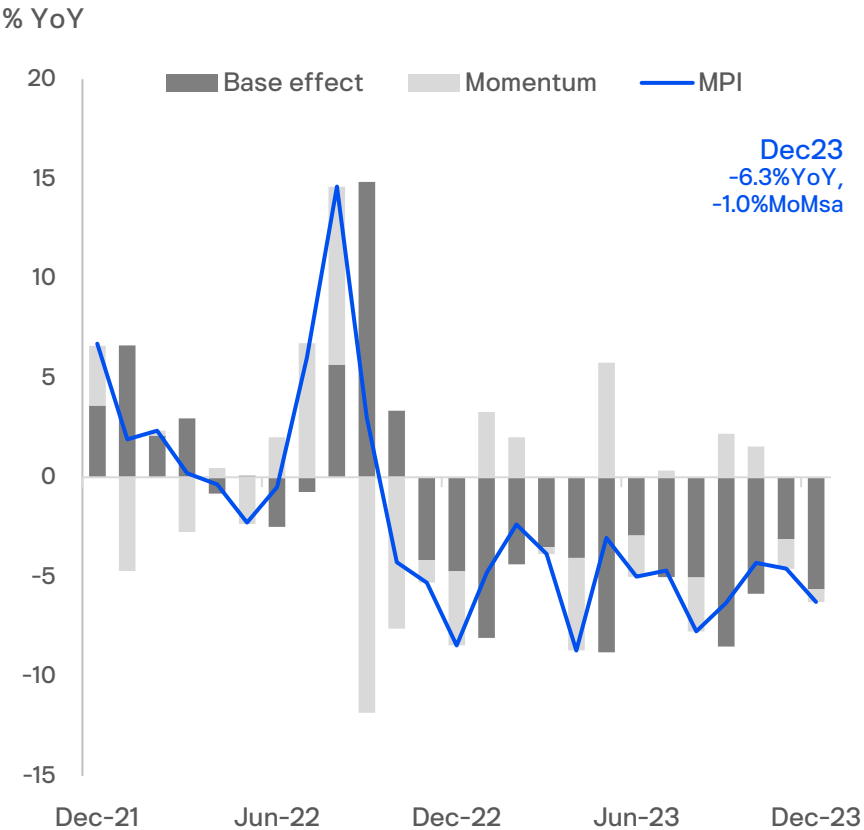
Leading Economic Index and Components (SA)	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
Authorized Capital of Newly Registered Companies (Million Baht)	114.6	120.7	118.5	109.0	1,708.1	119.2	163.2	227.6	95.2	141.8	138.2	156.1	144.9	89.6
Construction 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	102.3	103.5
Export Volume index (exclude Gold)	107.0	105.8	107.8	111.6	110.5	108.2	110.3	113.6	109.8	107.3	112.3	110.6	109.7	109.6
Business Sentiment Index (3 months)	103.1	104.2	107.3	107.2	109.2	109.0	108.5	108.3	106.4	105.4	106.0	104.5	101.9	102.4
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	93.5
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	1.3

# Manufacturing production dropped remarkably in December; 5.1% contraction in 2023



## Manufacturing Production Index (MPI)

## MPI by sector (Base Jan 2020=100)



Contribution	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-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%)													
<b>MPI (%YoY)</b>	<b>-8.5</b>	<b>-4.8</b>	<b>-2.4</b>	<b>-3.9</b>	<b>-8.7</b>	<b>-3.0</b>	<b>-5.0</b>	<b>-4.7</b>	<b>-7.7</b>	<b>-6.3</b>	<b>-4.3</b>	<b>-4.6</b>	<b>-6.3</b>

- As of Dec23, Manufacturing Production Index (MPI) was contracted at 6.3%YoY, compared to the month earlier at 4.6% contraction. The figures continued to decline in several categories, especially in automotives, while the production in petroleum products and hard disk drives also decreased due to a gradual drawdown of inventory. Nevertheless, production of food and beverages increased, thanks to higher sugar production. In 2023, MPI dropped 5.1%YoY compared to the previous year of 0.4% expansion, regarding to the deeply decline in production of HDD, rubber and plastic, food and beverage and automobile.

Source: The Office of Industrial Economics and ttb analytics.

# Thailand export growth stayed robust in December mainly from low-base effect, overall export contracted by 1.0% in 2023

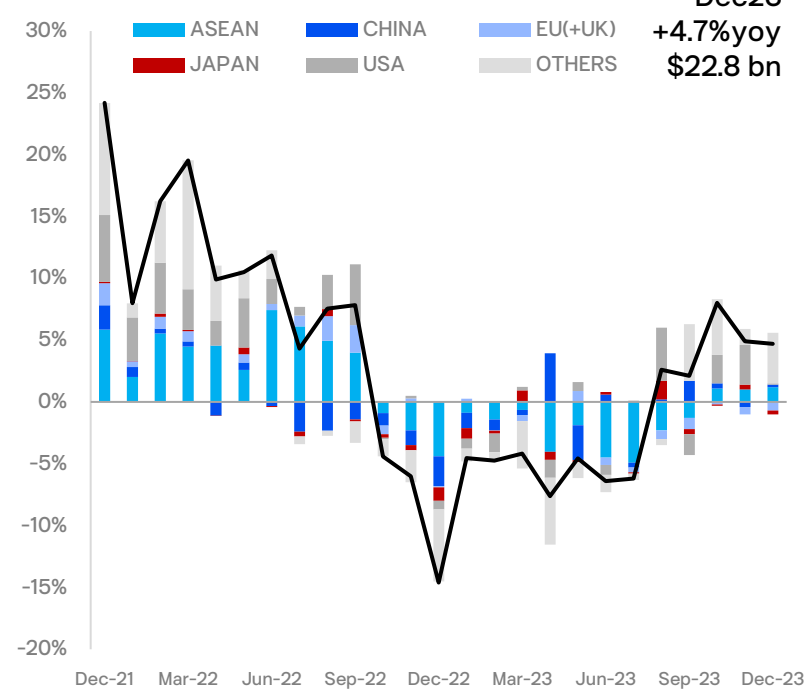
## Exports value by product and destination\*

## Imports value by groups\*

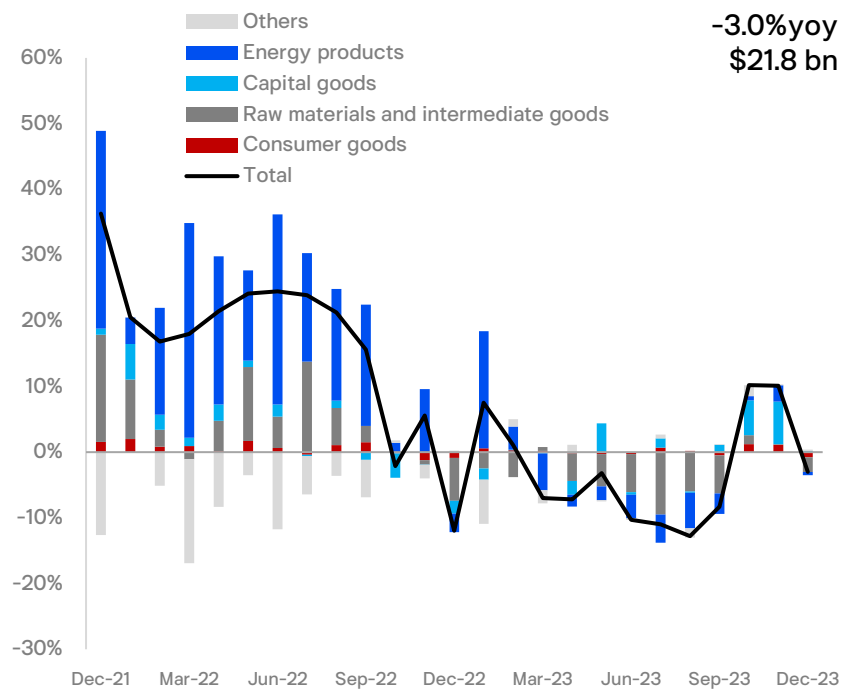
Unit: %YoY

	1Q/23	2Q/23	3Q/23	4Q/23	Sep-23	Oct-23	Nov-23	Dec-23
Auto and parts	4.4	6.5	10.5	0.8	3.3	9.0	-9.7	1.6
Computer and parts	-15.0	-15.3	-25.1	3.1	-24.3	-4.2	10.3	2.5
HDD	-28.8	-37.0	-40.4	-6.7	-33.7	-29.0	-0.9	1.9
Rubber	-4.6	-8.3	-5.4	1.6	-5.5	0.1	0.7	3.9
Integrated circuit	-0.3	2.9	16.4	-2.8	5.1	-4.6	-6.6	3.1
Refinery oil	4.0	-29.1	-1.5	54.2	27.3	65.1	55.4	42.6
Electronic machinery	-6.2	-5.9	5.4	6.8	4.1	7.8	15.3	3.0
Plastic pallet	-26.5	-22.6	-10.4	-2.8	-5.3	3.1	-10.7	0.0
Chemical products	-18.9	-17.0	-20.2	-6.0	-18.1	-10.7	-0.6	-6.5
Jewelry (ex gold)	22.3	2.0	8.5	6.1	27.3	8.7	2.9	6.8
<b>Total</b>	<b>-4.5</b>	<b>-6.1</b>	<b>-0.5</b>	<b>5.8</b>	<b>2.1</b>	<b>8.0</b>	<b>4.9</b>	<b>4.7</b>

%YoY, contribution



%YoY, contribution

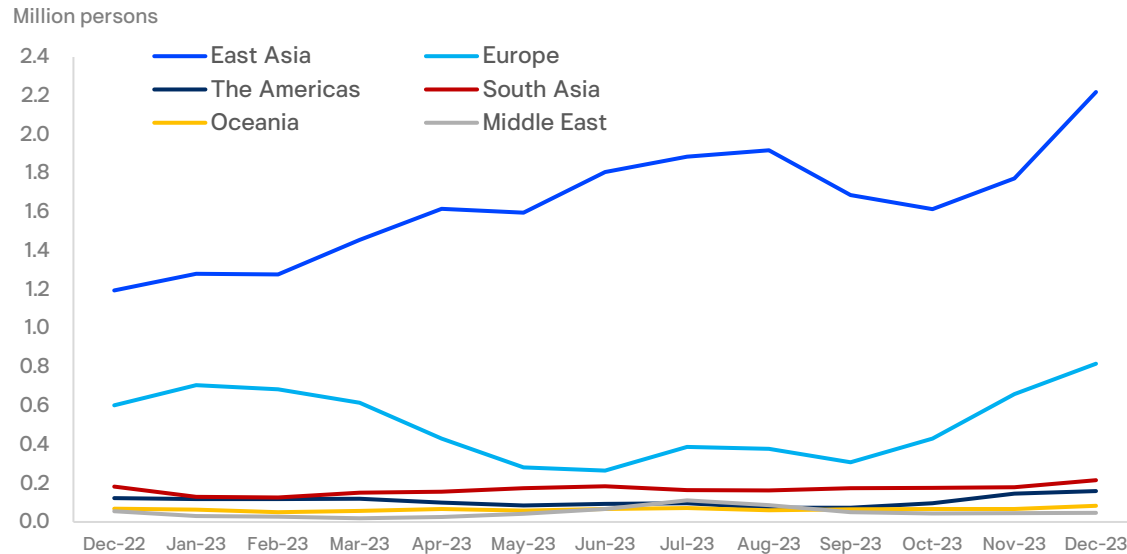
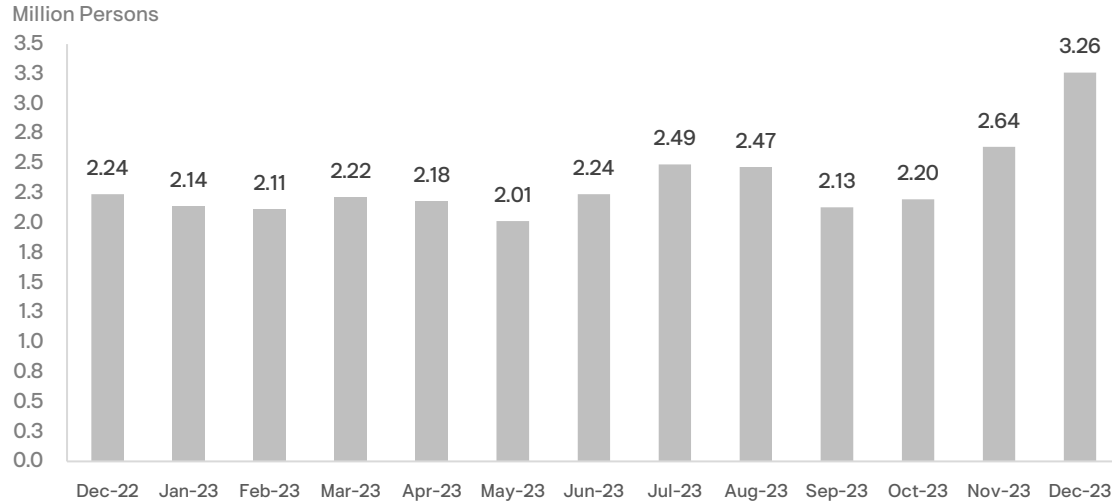


%yoy,value	2019	2020	2021	2022	2023
<b>Total export</b>	<b>-2.6%</b> \$246 bn	<b>-5.9%</b> \$232 bn	<b>17.1%</b> \$272 bn	<b>5.5%</b> \$287 bn	<b>-1.0%</b> \$285 bn
<b>Total import</b>	<b>-4.8%</b> \$236 bn	<b>-12.7%</b> \$206 bn	<b>29.8%</b> \$267 bn	<b>13.6%</b> \$303 bn	<b>-3.8%</b> \$290 bn

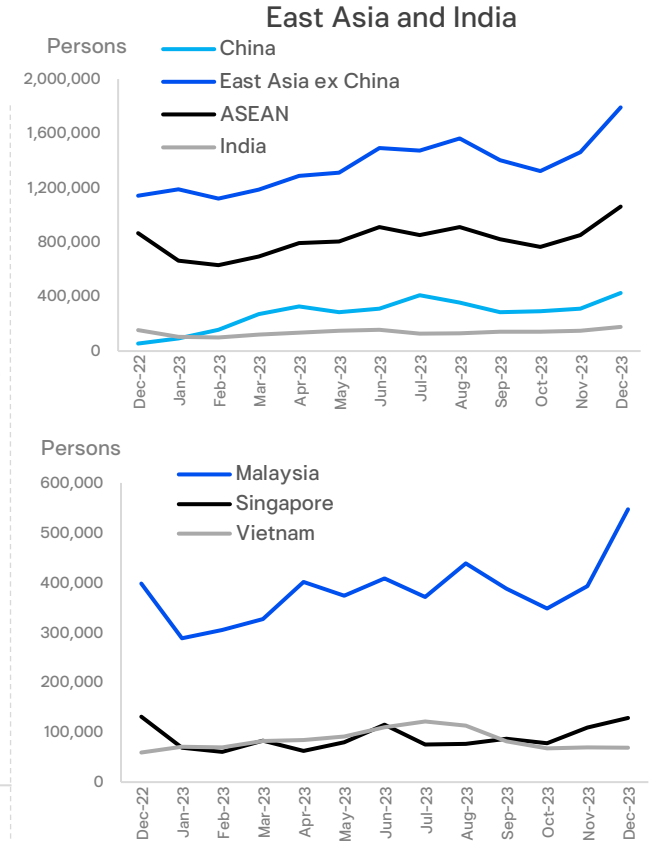
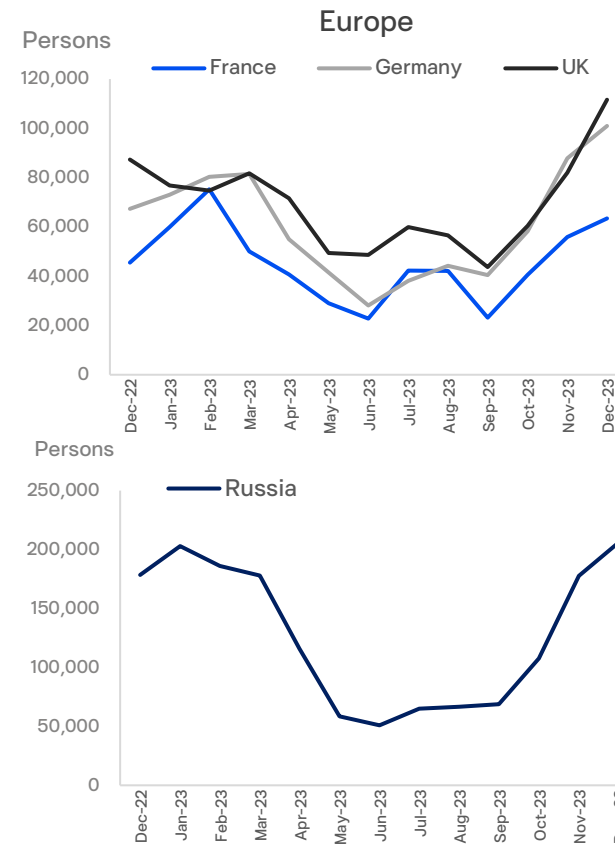
- Export value in Dec23 grew 4.7%YoY, which was the fifth-consecutive month expansion, partially from the low-base effect and trade rebound. That increased from the previous month in major goods such as automotive-related, computer and parts and jewelry, rice, rubber and processed poultry.
- In 2023, Thailand's overall export contracted by 1.0% while exports of real sector (excluding gold, oil-related products, and weaponry) increased by 0.6%, while imports decreased by 3.8%, resulting in a trade deficit of USD 5.2 billion.

# Foreign arrivals reached its peak again in December; the arrivals in 2023 of 70% recovery from pre-covid level

## Total Foreign Tourist Inbounds



## Foreign Tourist Inbounds by key regions

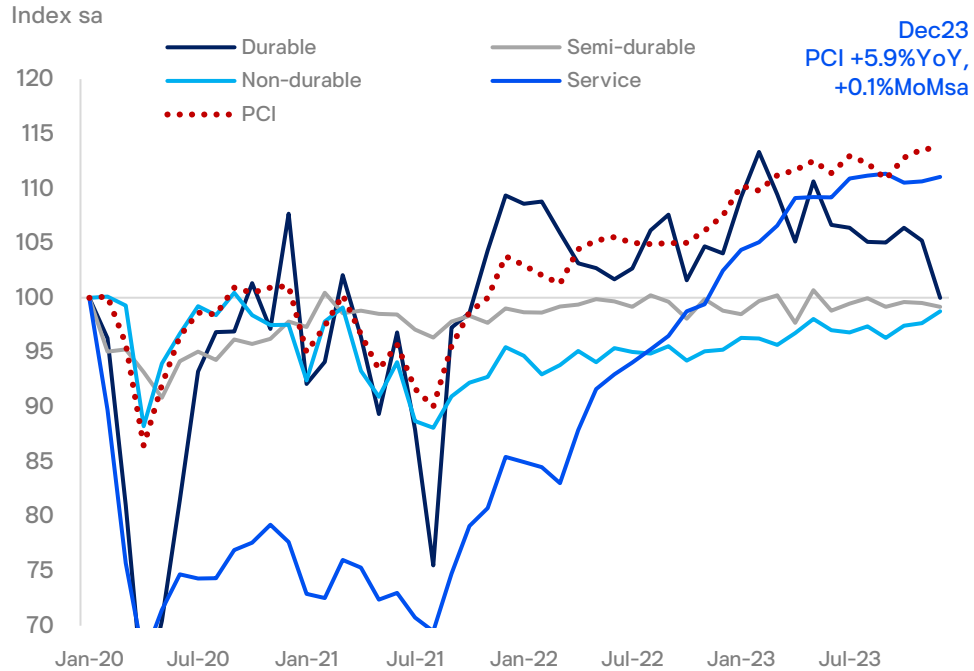


- As of Dec23, foreign tourist arrivals was at 3.26 million, improved remarkably from the previous month in several nationalities, especially in long-haul destination as well as tourists from Malaysia while tourists from China improved slightly.

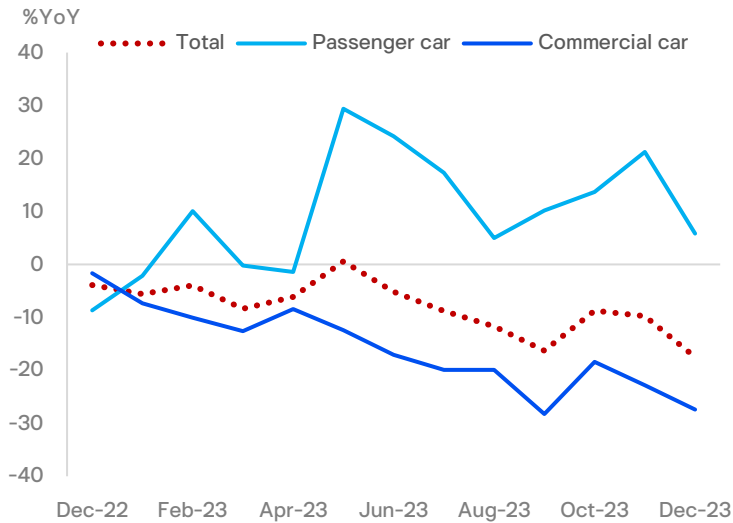
# Private consumption were stable; durable purchases decreased significantly



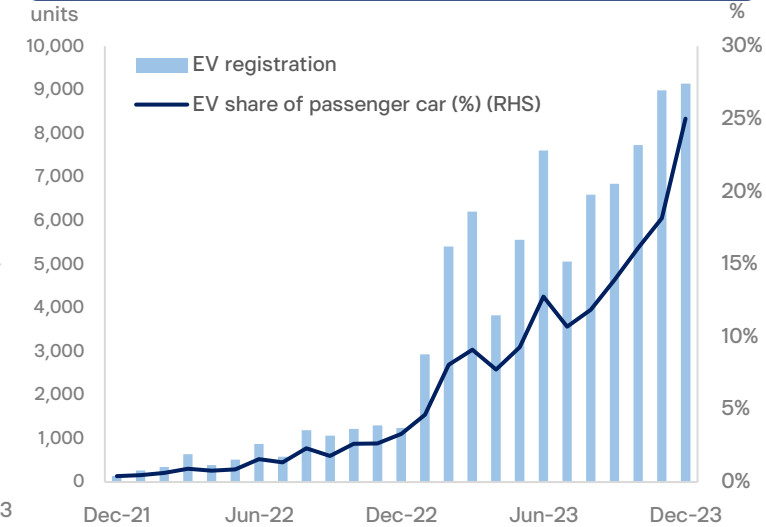
## Private Consumption Indicators (SA)



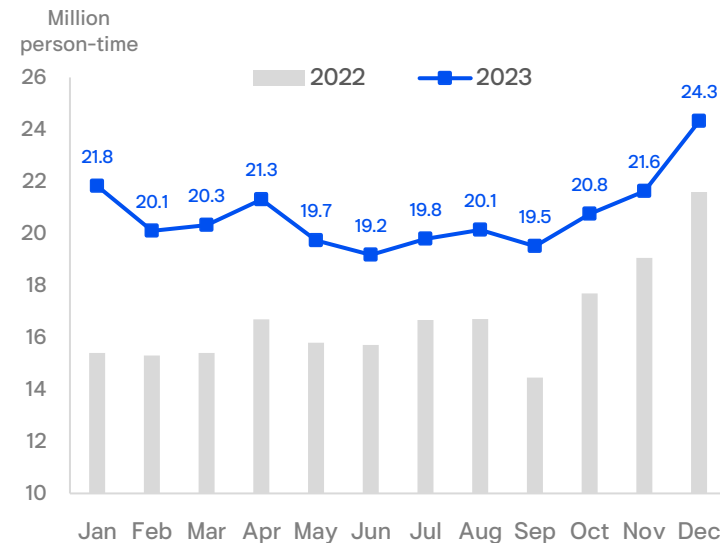
## Domestic car sales\*\*



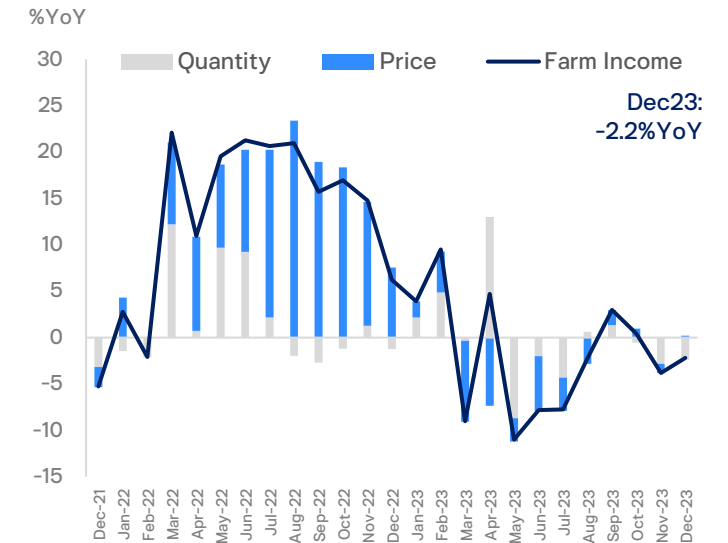
## EV new registration



## Thai domestic visitors\*



## Farm Incomes

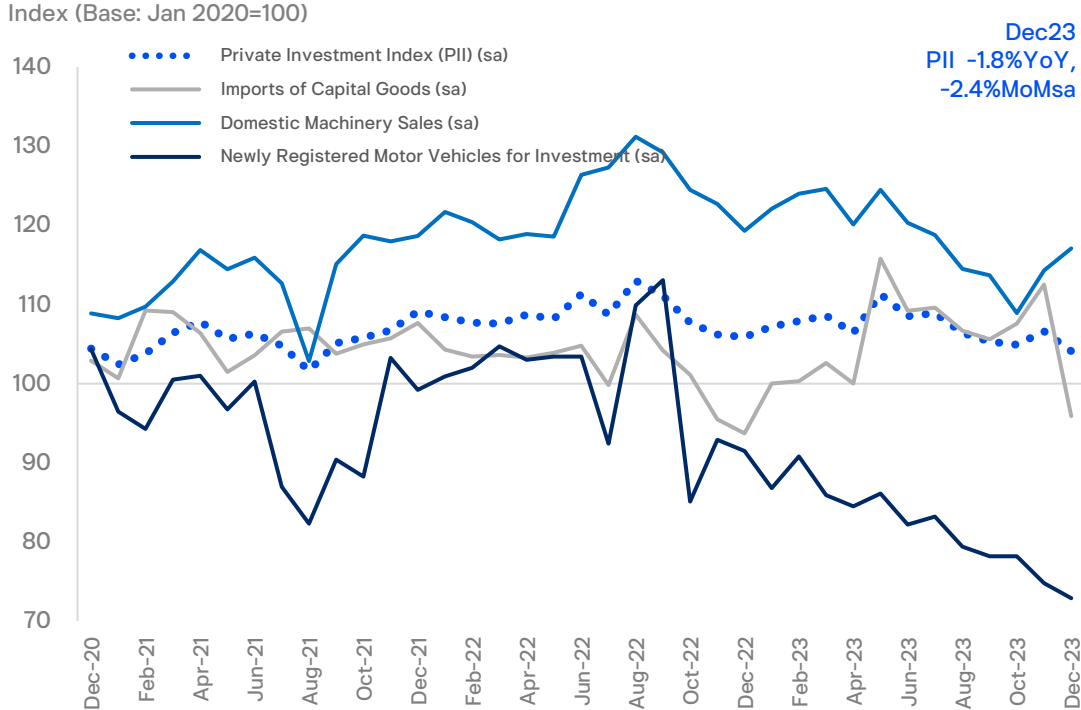


- Private consumption indicators were stable from the previous month. Spending in non-durable goods and services increased, which benefited from the government's measures on lower cost of living.
- However, spending in durable goods decreased, especially from sale of passenger cars, meanwhile, EV sales presented by electric vehicle registration in Dec23 penetrated over 25% of type 1 vehicle.

# Private investment declined in line with manufacturing production, while new registered commercial car dropped further

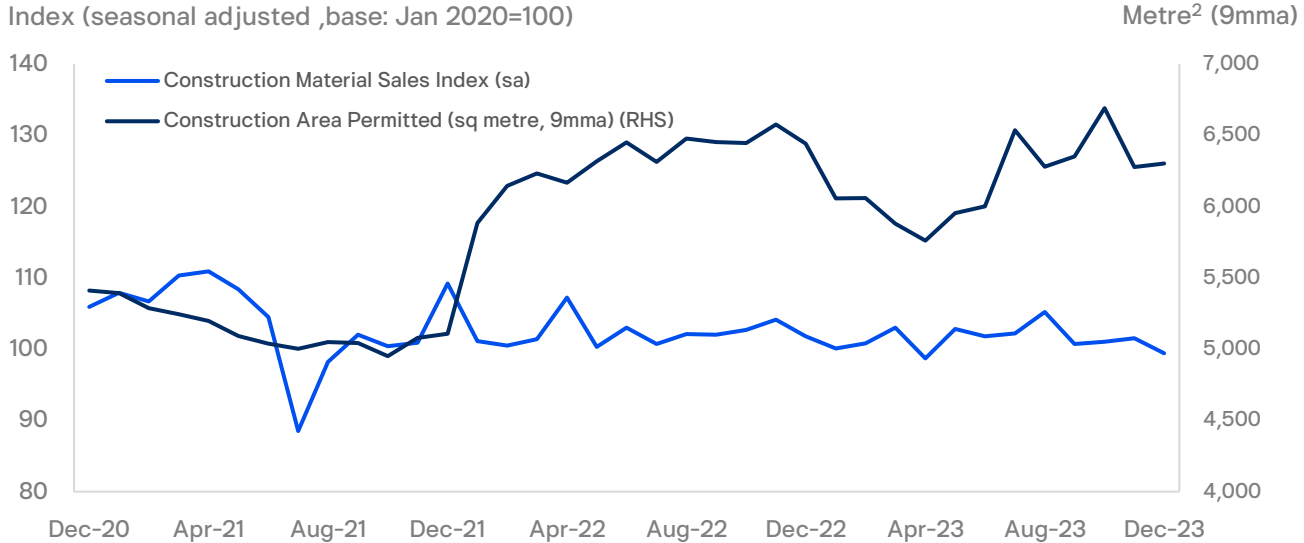


## Private Investment Indicators (SA)

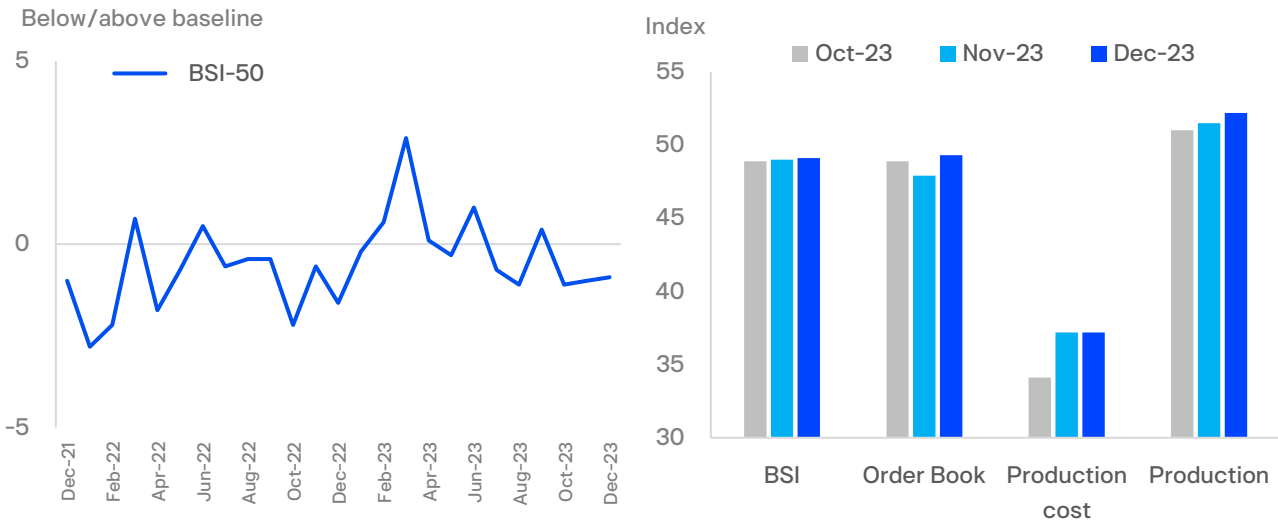


- Private investment indicators decreased from the previous month and were consistent with development in the manufacturing production and merchandise exports. Investment in machinery and equipment softened from lower imports of capital as well as lower numbers of registered commercial cars
- Investment in construction edged downward, following lower sales of construction materials, despite a higher outturn of permitted area for construction

## Construction sector (SA)

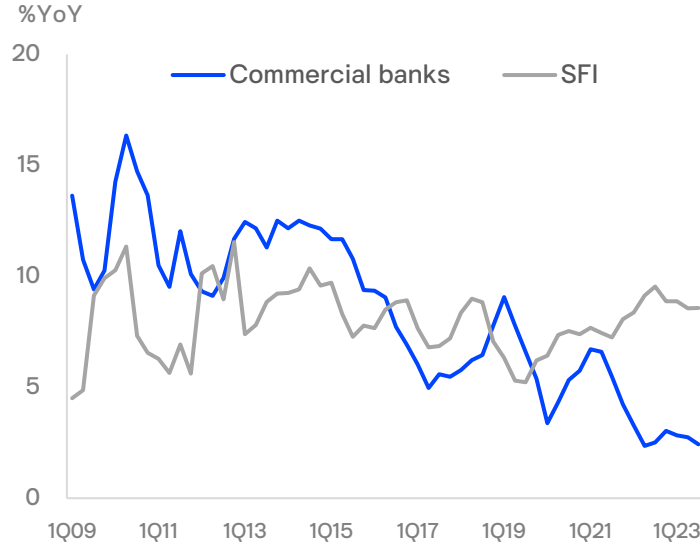


## Business Sentiment Index



# New below-THB 3 mln-price condominium at risk of oversupply amid tighten lending measures and persistent high household debt

## Mortgage loan growth classified by lenders



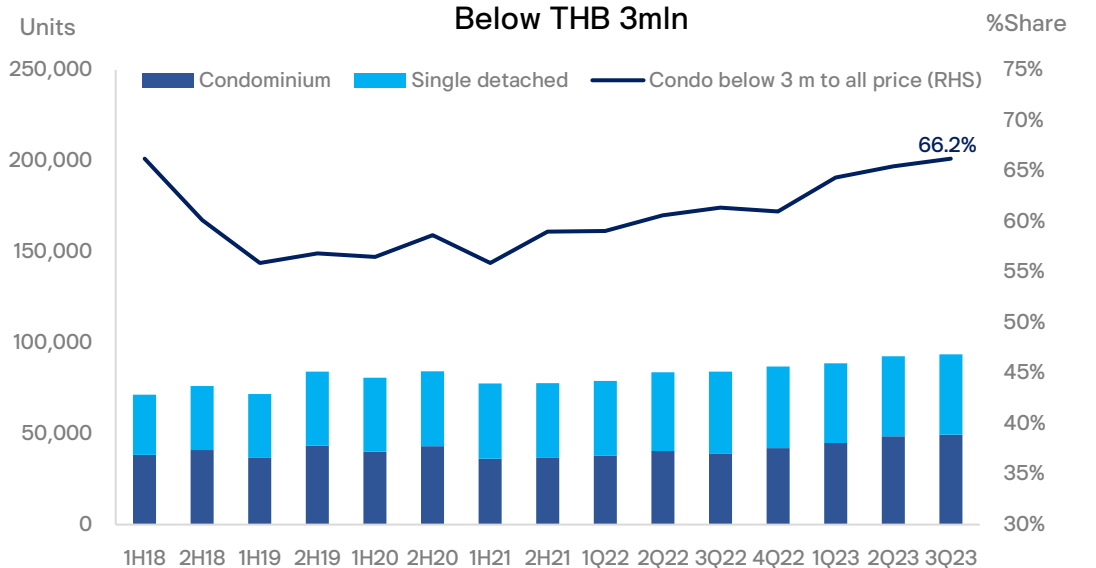
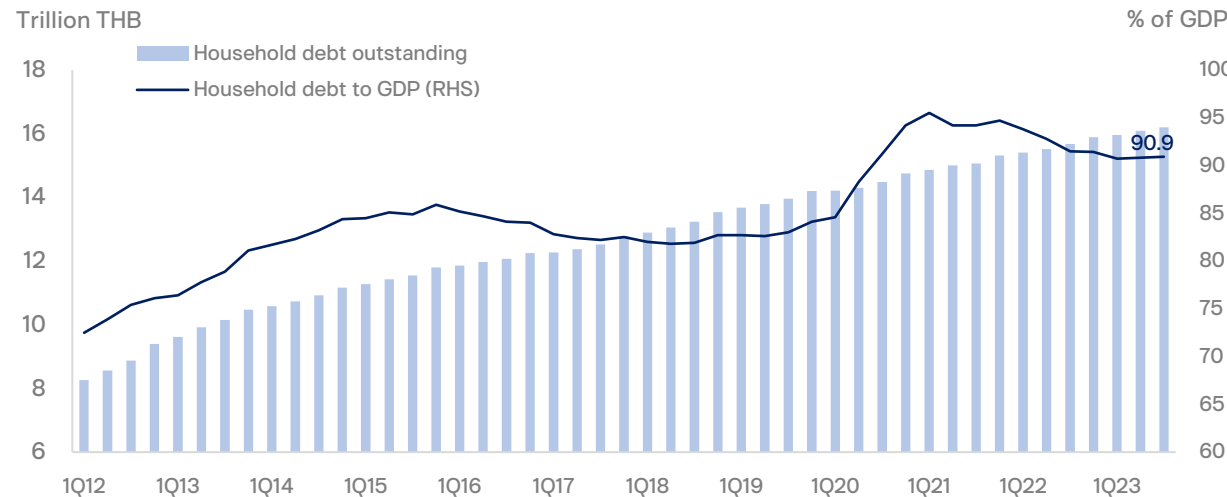
Credit quality of commercial banks' mortgage loan classified by loan amount (3Q23)

	Stage 2	Stage 3
< 1M	4.61%	3.86%
1-3M	4.57%	3.50%
3-5M	4.05%	2.65%
5-10M	3.81%	2.66%
10-20M	4.33%	3.74%
20-50M	5.27%	3.15%
>50M	4.85%	2.75%

## New supply stock of residential property (BKK and vicinity)



## Household debt to GDP



Source: REIC and CBRE  
Remark\*projected by CBRE (as of 2Q23)

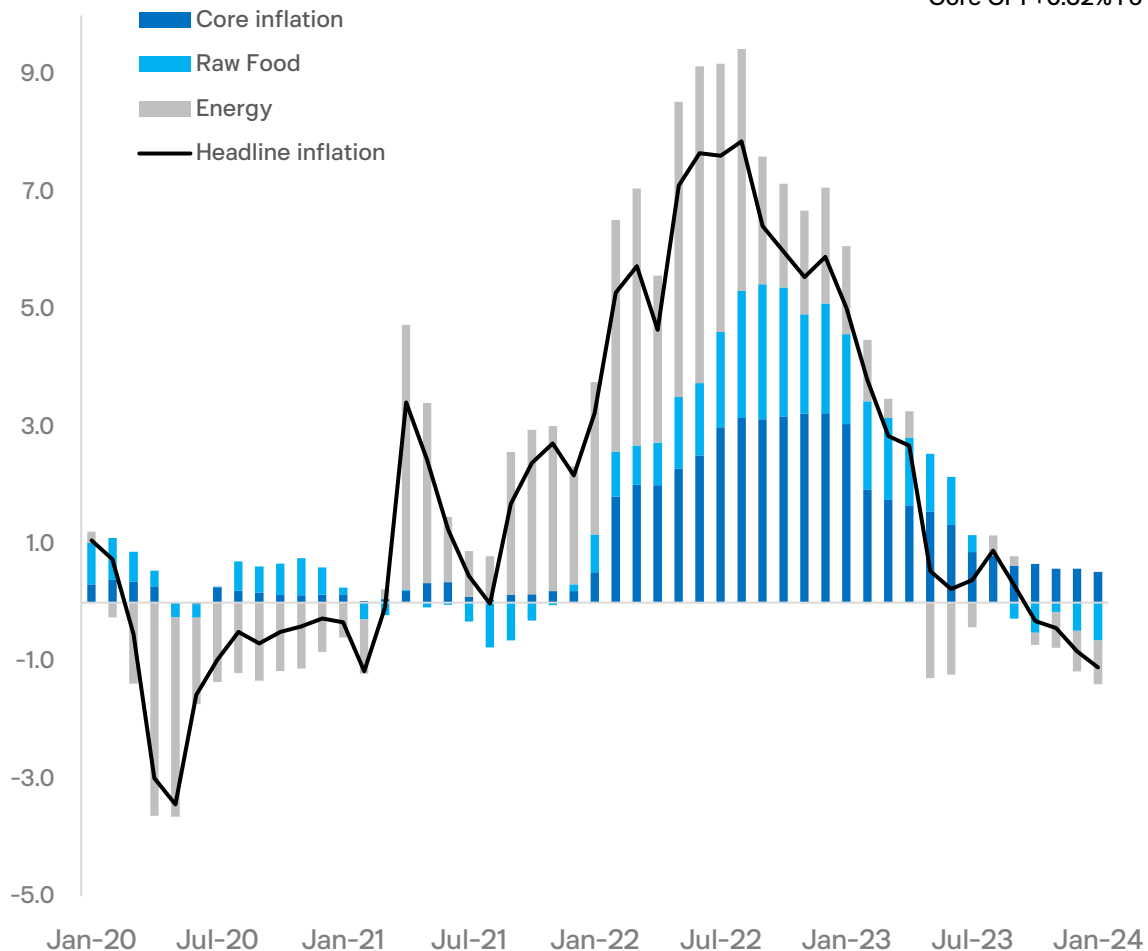


# Headline inflation stayed in negative territory for the fourth straight month in January



## Headline vs core inflation

%YoY,% contribution



## Price change in top categories

%YoY

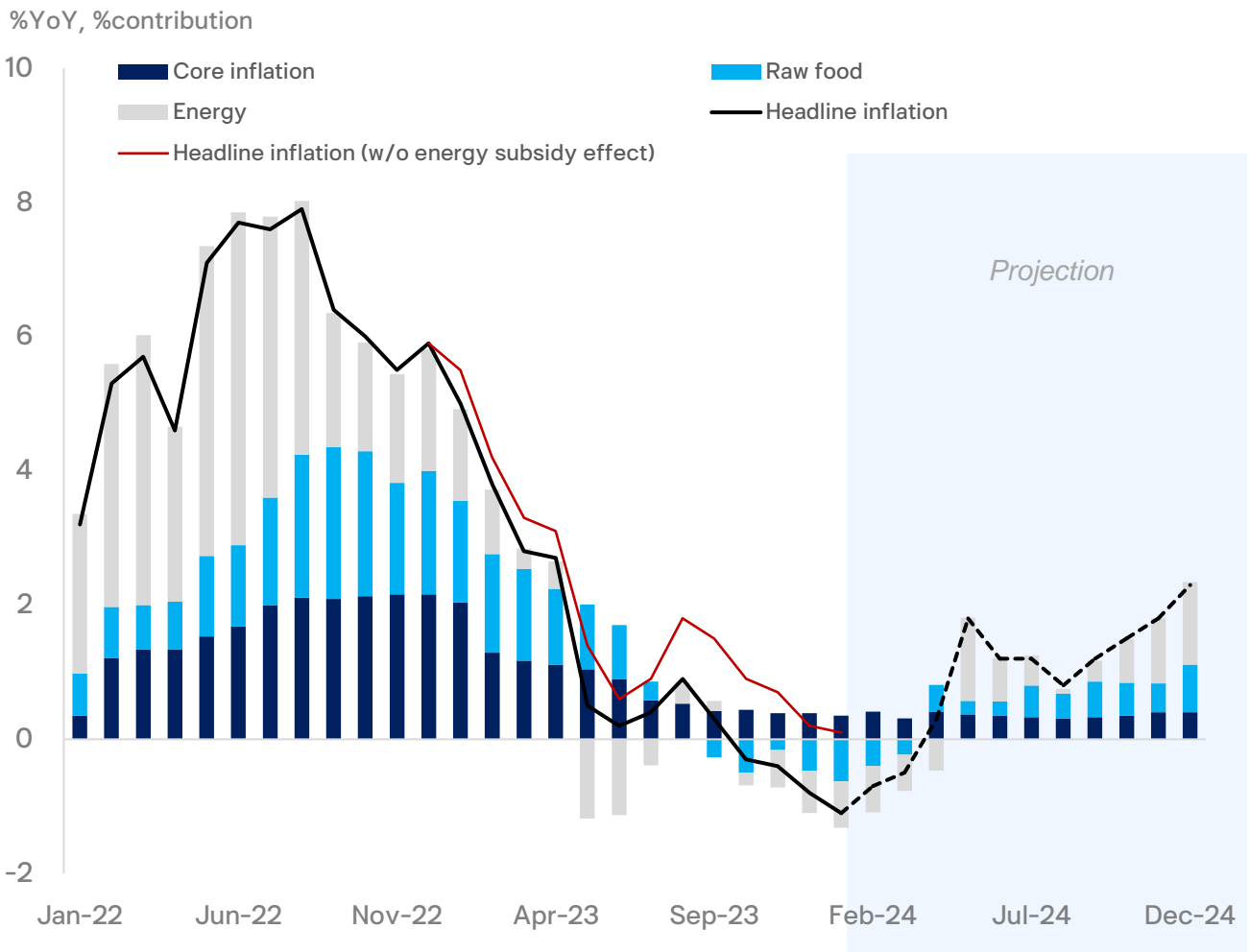
	2022		2023										2024		
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Headline inflation	5.5	5.9	5.0	3.8	2.8	2.7	0.5	0.2	0.4	0.9	0.3	-0.3	-0.4	-0.8	-1.1
Raw food	8.1	8.9	7.3	7.1	6.7	5.5	4.7	3.9	1.4	0.0	-1.3	-2.5	-0.8	-2.3	-3.1
Prepared food	9.5	9.7	8.9	4.7	4.1	4.0	3.8	3.4	1.9	1.8	1.3	1.4	1.3	1.2	1.0
Poultry	14.5	12.7	11.1	9.6	7.7	7.7	7.6	7.3	4.6	1.2	0.9	0.1	1.0	2.8	1.7
Eggs and dairy products	10.8	9.9	9.7	9.4	6.0	5.0	5.1	8.9	10.4	8.5	6.9	6.7	6.7	7.0	4.9
Meats	23.5	20.0	-1.1	2.1	3.9	0.5	-7.4	-11.3	-13.7	-16.0	-16.5	-17.9	-17.7	-16.3	-15.4
Utilities	13.2	13.0	11.2	11.2	11.5	11.1	-4.0	7.3	6.9	6.6	-3.1	-3.2	-3.2	-3.1	-3.1
Energy	13.1	14.6	11.1	7.8	2.4	3.3	-9.6	-9.1	-3.1	2.6	1.2	-1.6	-4.5	-5.1	-5.5
Core inflation	3.2	3.2	3.0	1.9	1.7	1.7	1.5	1.3	0.9	0.8	0.6	0.7	0.6	0.6	0.5

- The headline inflation (CPI) fell further to -1.11%YoY in Jan24, the lowest in 35 months. 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 0.52%YoY.

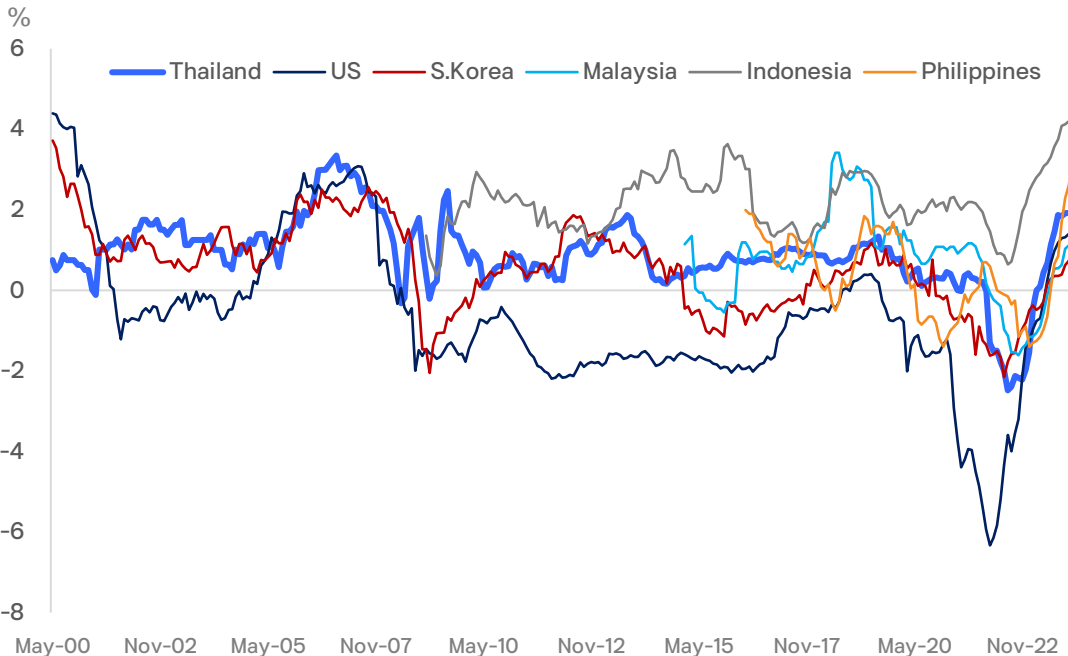
# Consecutive months of negative inflation to be seen; Thailand's real rate reaching highest since 2009



## Headline inflation projection, 2024\*



## Real interest rate (RP less core inflation)



- Headline inflation expected to be negative consecutively toward the first quarter of 2024 regarding to the extended government subsidies on energy prices as well as weaker private consumption and high-base effect
- However, Thailand's real interest rate (policy rate less core inflation) in Jan24 reached 2.0%, highest since July09 and quite high in comparable.

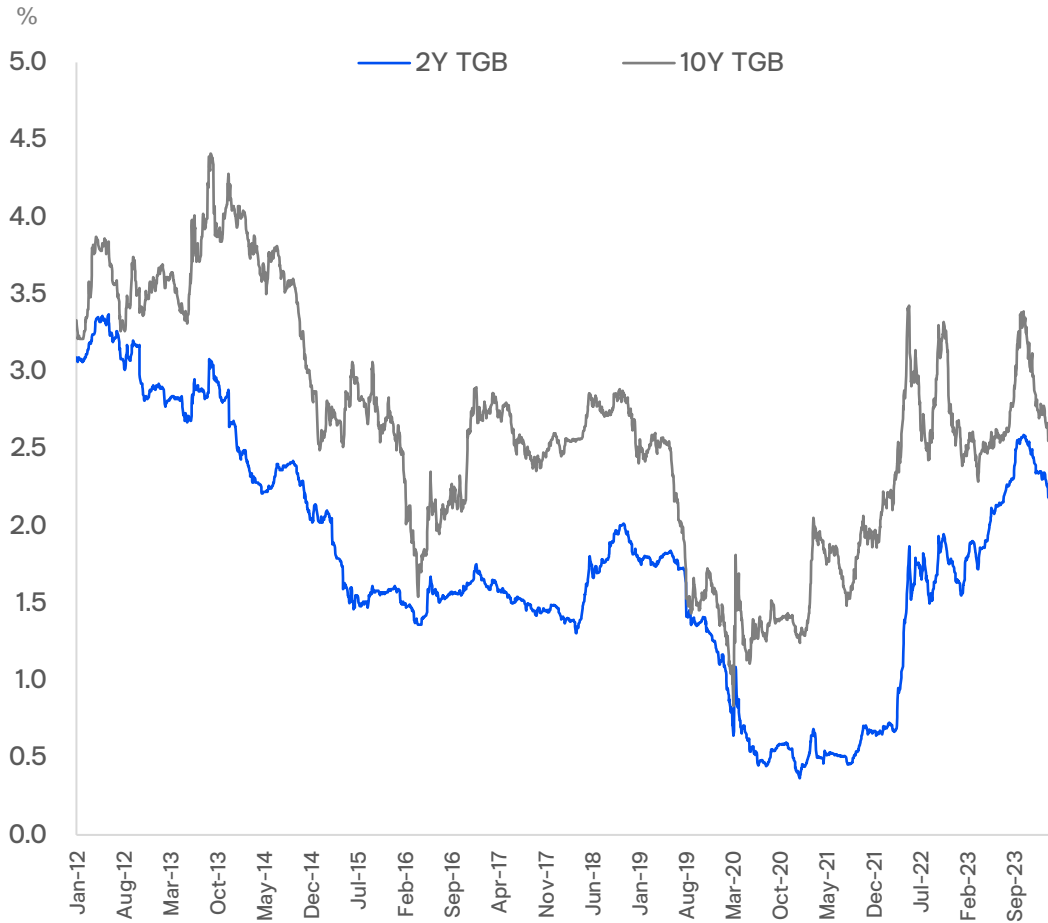
Source: Ministry of Commerce, CEIC and ttb analytics  
 Remark: \*forecasted by ttb analytics

PART 3

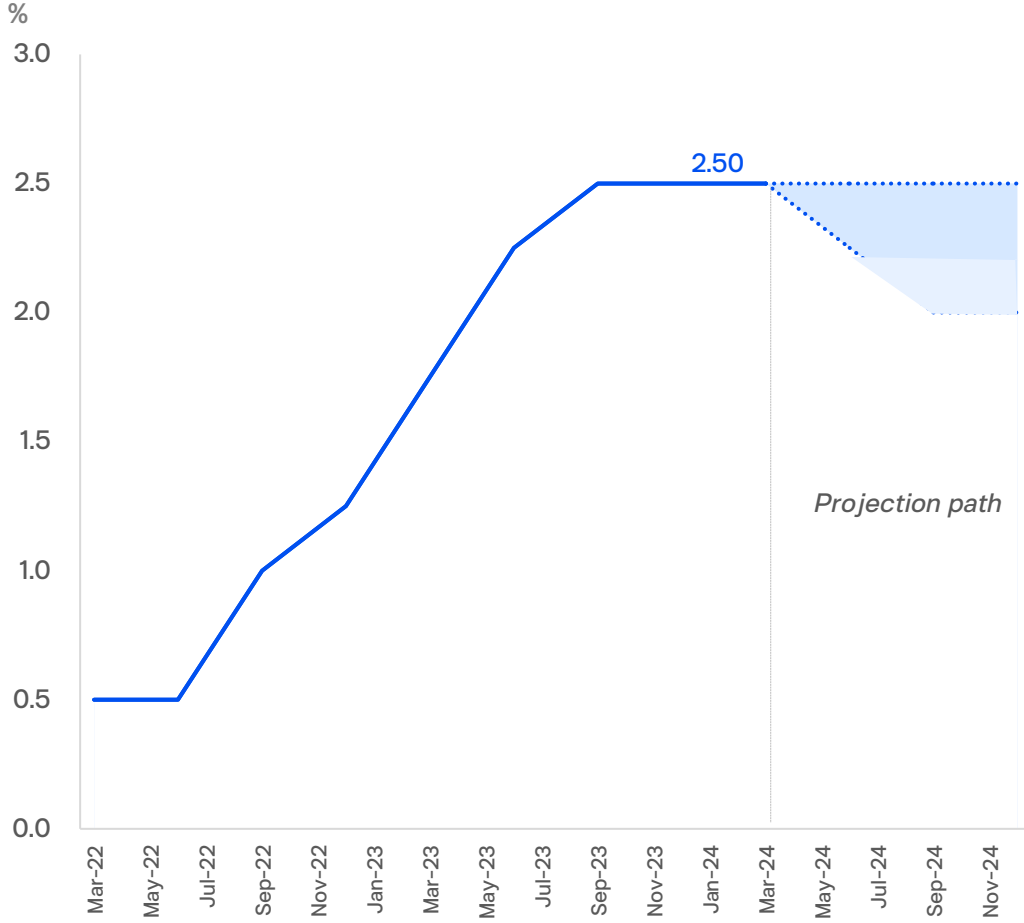
# Financial Market



### Thailand 2-year and 10-year government bond yield



### Thailand policy rate projection, 2024

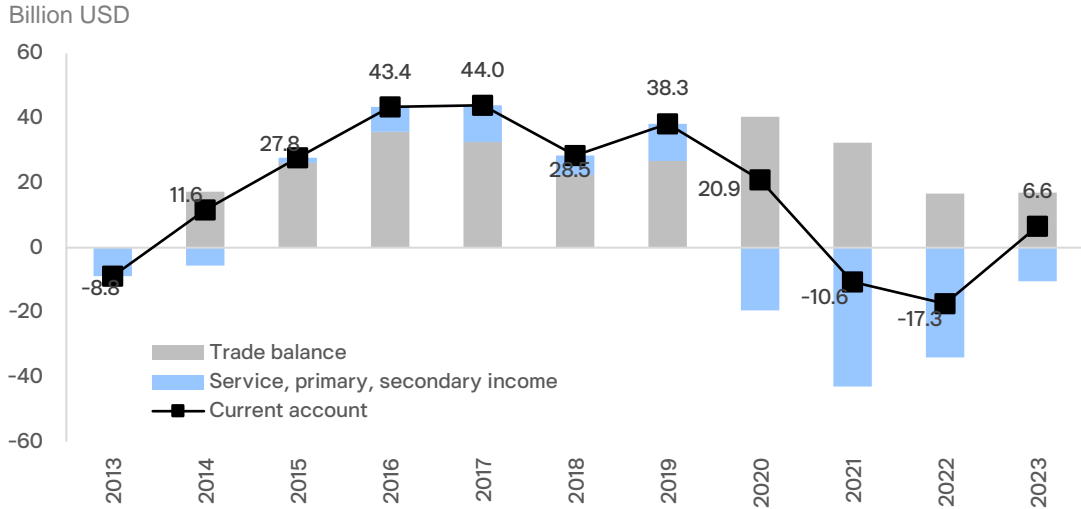


Source: CEIC and ttb analytics (Data as of 16 Feb 24)

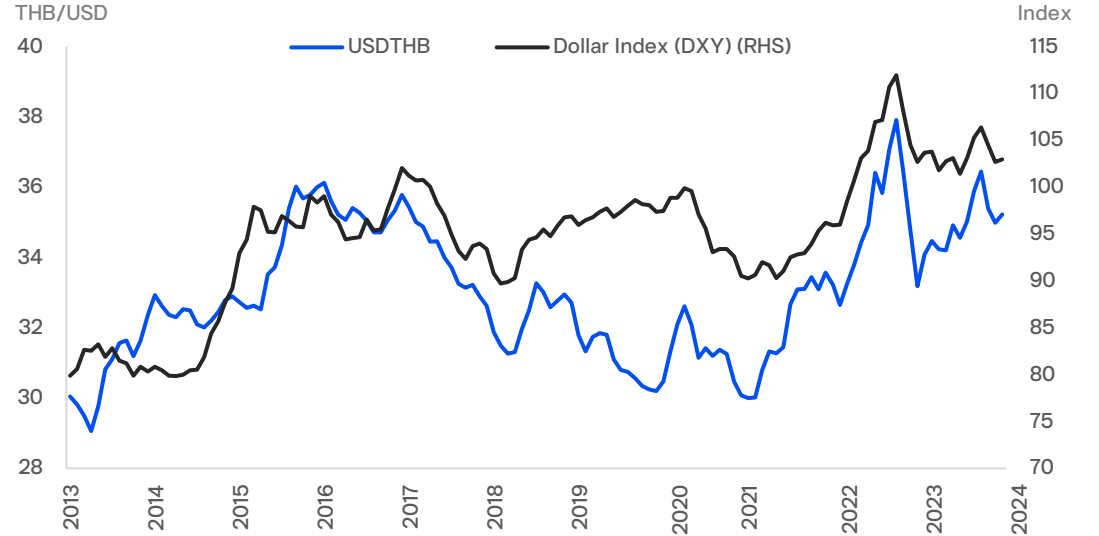
# Weaker Thai Baht amid US Dollar shored up



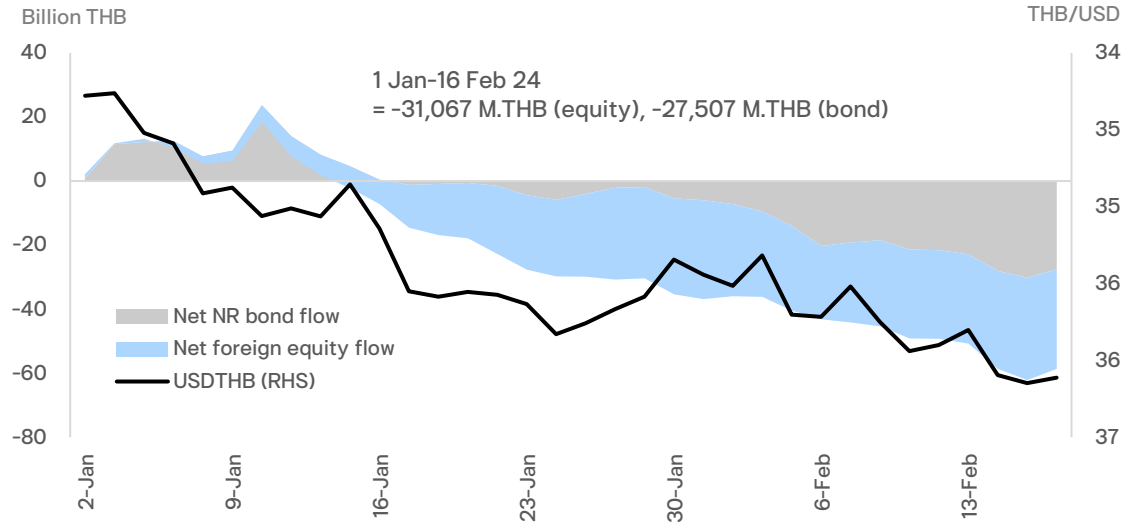
## Thailand's current account, 2013-2023



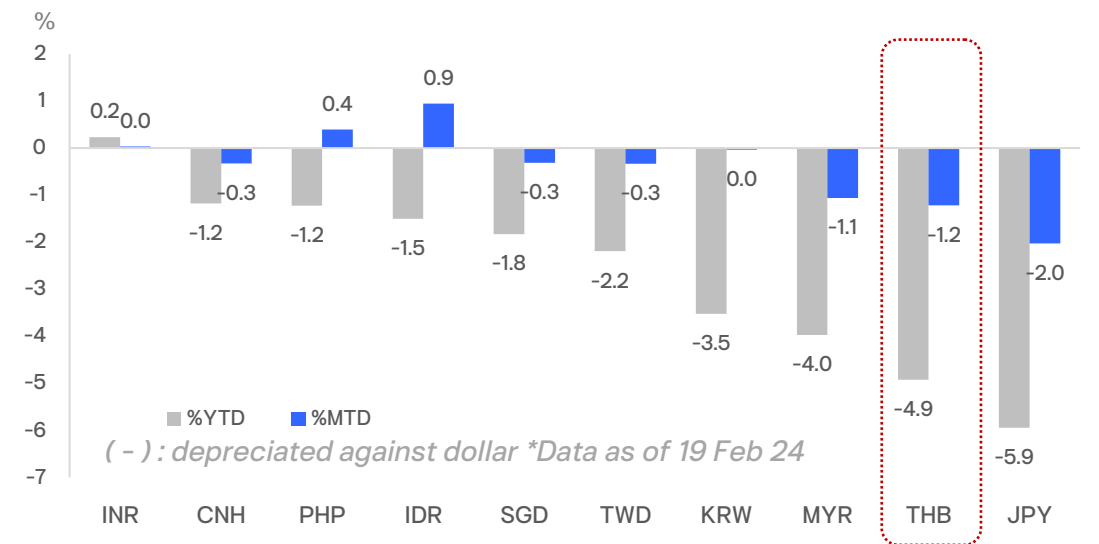
## Thai Baht and Dollar Index movement



## Cumulative net foreign flow, 2024



## Asian FX spot return against US dollar



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.