Economic and Financial Outlook

ttb analytics

Jun 2024

Executive Summary

Global Economy

- In May 2024, the global economy remains resilient, supported by both the manufacturing and service sectors. Meanwhile, global inflation has shown a slowdown pattern, although it still lingers above 2%, the central bank's target.
- The US economy has displayed clearer signs of cooling down, as recent data were softer than expected, especially regarding inflation pressures. The labor market has also slowed down. Given recent economic indicators, the market prices in a 50bps cut for the Fed by the end of this year.
- The Chinese economy remains fragile, mainly due to sluggishness in the property sector. Meanwhile, consumption shows signs of improvement, as indicated by an increase in retail sales; however, the sustainability of this improvement remains doubtful. On the bright side, exports have become a vital driver for the Chinese economy, as reflected in better-than-expected data

Thai Economy

- In April 2024, Thai economy improved slightly from the previous month with a continued expansion in the service. Private consumption and investment displayed an improvement after slowdown in the preceding period. The number of foreign tourist arrivals dropped further as mainly from long-haul tourists despite the improvement in number of tourists from Malaysia, China and Middle East. The growth of merchandise exports in April grew considerably, which mainly from the low-base effect, while imports value continued to expand.
- Headline inflation in May 2024 rose dramatically in a year, which was mainly due to effects from the phase out of domestic diesel price subsidy and the increase in prices of fresh foods due to the extremely hot weather, while core inflation slightly rose in this month.
- In the MPC meeting of 3/2024, MPC voted 6:1 to maintain the policy rate of 2.5% with one member voting to cut by 25 bps. Given the recent MPC's stance, GDP growth is expected to improve throughout the year, coupled with inflation rate gradually returning to the target range in the last quarter of 2024.

Financial Markets

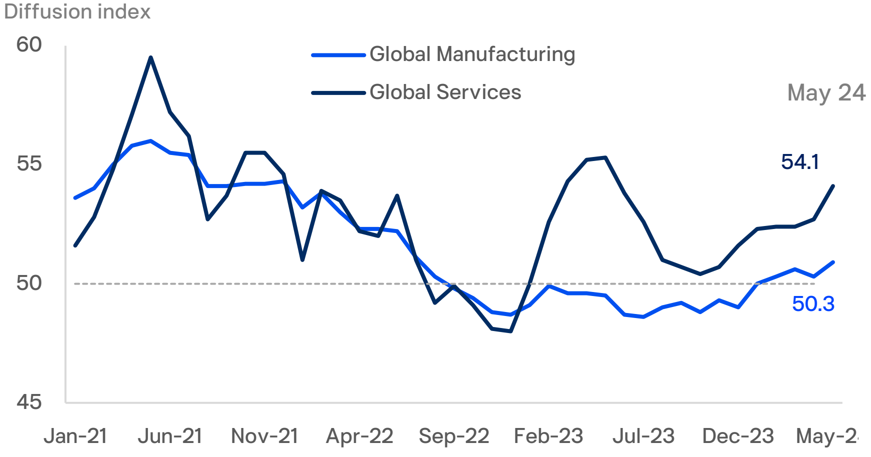
- Given the inflation outlooks, central banks are adopting different paces of policy easing. The ECB delivered a rate cut from 4.5% to 4.25%, in line with market expectations, while giving no signals on its next steps. Meanwhile, most central banks kept their policy rates steady, especially the Fed, which maintained rates at 5.25% to 5.5%. According to dot plots, policymakers expect just one cut in 2024, followed by four cuts in 2025
- The Thai baht depreciated from the year-end, consistent with its regional peers; however, the currency started to gain in June. This was driven by the end of seasonal dividend outflows and the Thai MPC's decision to hold the policy rate.

PART 1

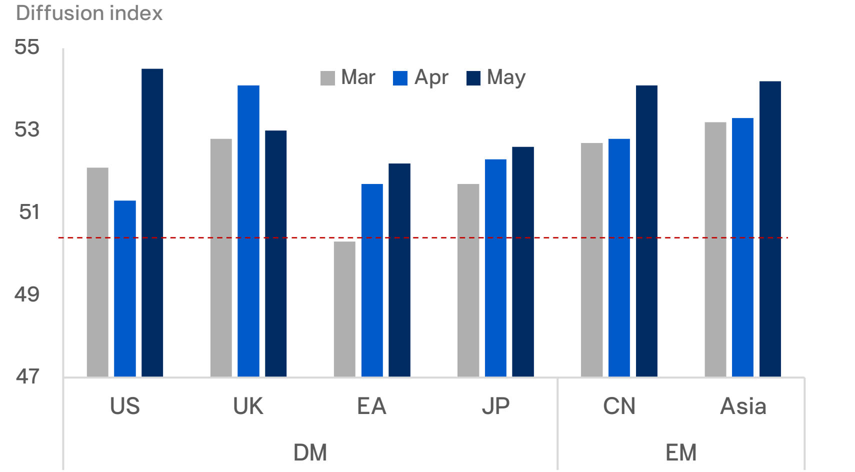
Global Economy

Global economy remains resilient

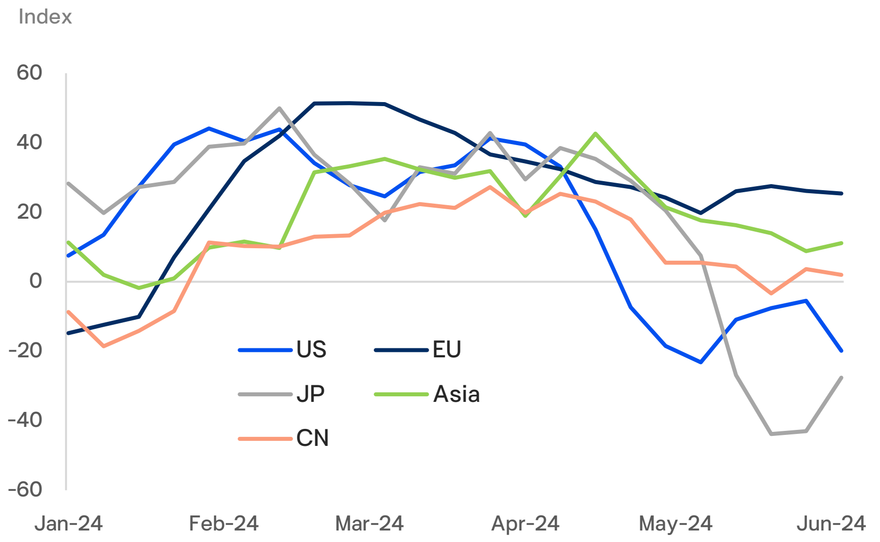
Global manufacturing and service PMIs



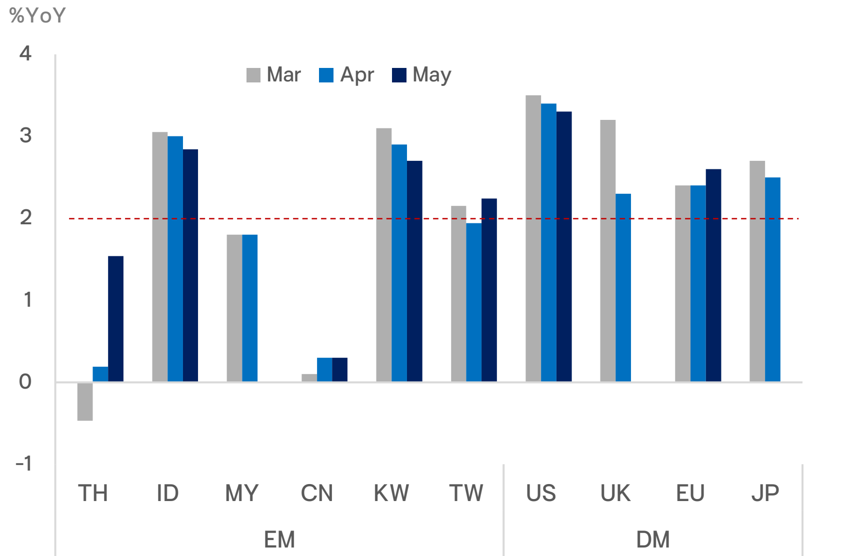
PMI composite by countries



Economics surprise indices



Headline Inflation



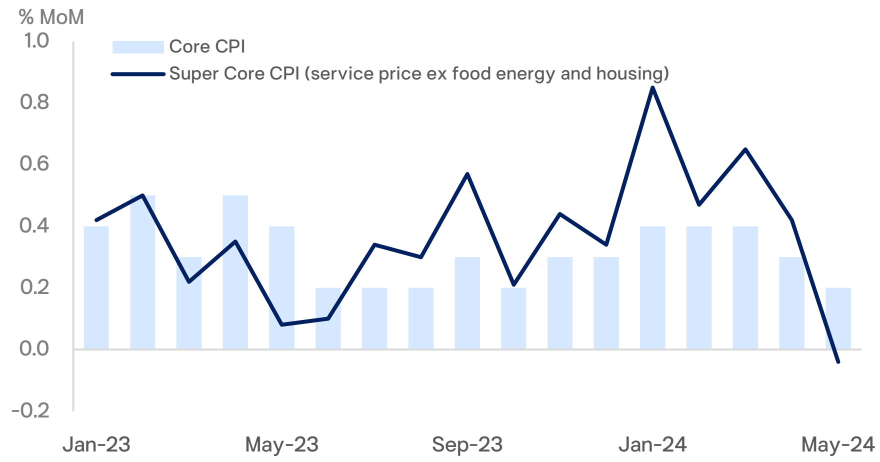
- The strength of PMI data persisted in May, supported by a rise in new orders and output levels. The rise in new orders can be partly attributed to increased demand
- Services PMIs showed robustness. This resilience was bolstered by increases in new orders, prompting firms to hold an optimistic outlook for the year ahead.
- Economic surprise indices reflected global economy remained solid as the data were well above the zero. However, recent US data continued to decline, while Japanese economic data started to pick up
- Global inflation showed a slowdown pattern. However, it still lingered above 2%, which is the central bank's target.

Note:
Economic Surprise Index represents the sum of the difference between official economic results and forecasts. With a sum over 0, its economic performance generally beats market expectations. With a sum below 0, its economic conditions are generally worse than expected.

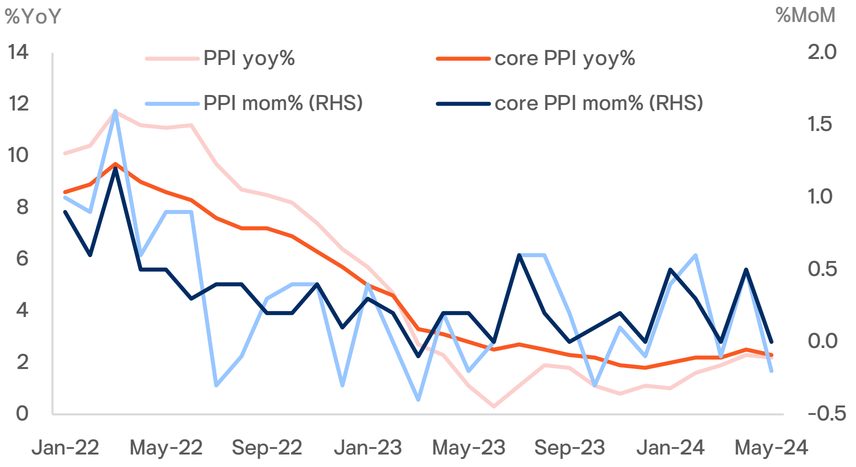
Source: Bloomberg CEIC and ttb analytics.

US economy showed sign of slowdown

US Consumer Price Index

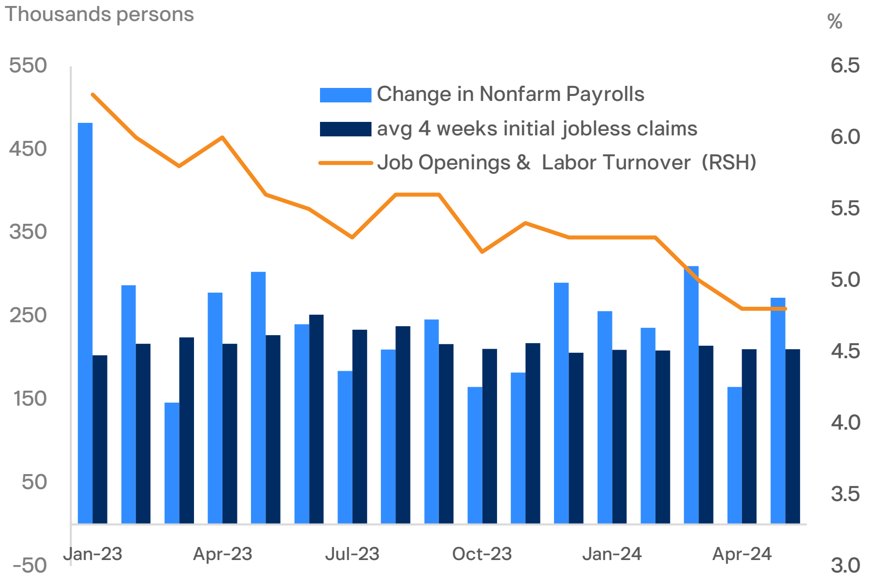


US Producer Price Index

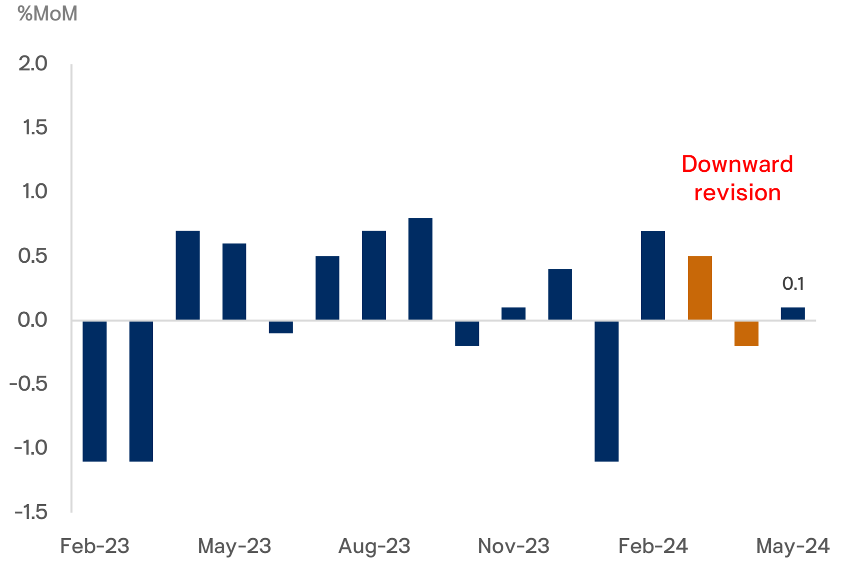


- CPI and core CPI were slowdown more than expectation, as disinflation in core services helped more than offset a modest firming in core goods especially used cars. Likewise, PPI unexpectedly decrease month-on-month, due to a decline in the costs of gasoline.
- Given recent price indicators, the market prices 50bps cut for Fed by the end of this year.

US Labor market



US Retail sales

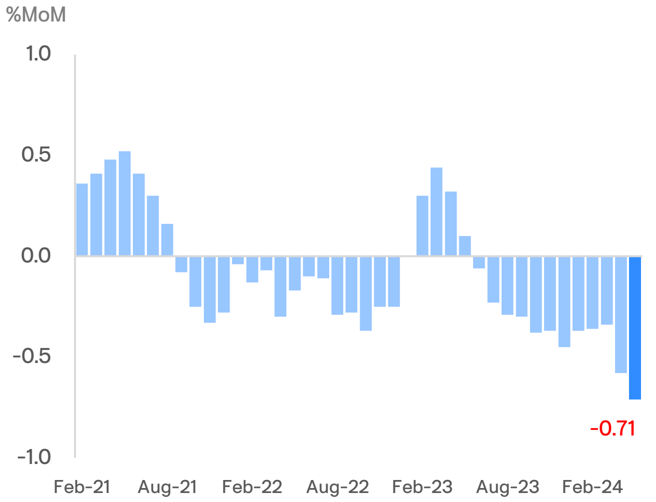


- U.S. retail sales rise at slower than expected pace, reflected slowdown in gas station sales and food services, given downward revisions in 2 previous months. This softness in consumption align with the slowdown trend in price indicators.
- Payroll employment rose more than expected, displayed a solid labor market. However, the unemployment rate increased to 4% from 3.9%, rising to that level for the first time in over two years. Meanwhile, Job opening data broadly fell to lowest since 2021

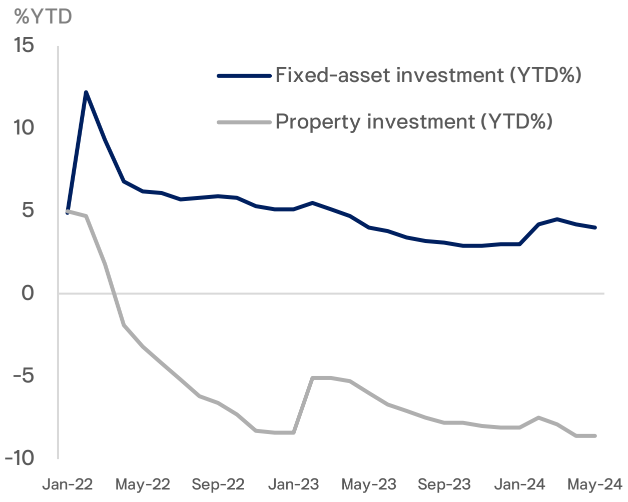
Source: Bloomberg CEIC and ttb analytics.

Chinese economy remained fragile, partly due to the sluggish in property sector

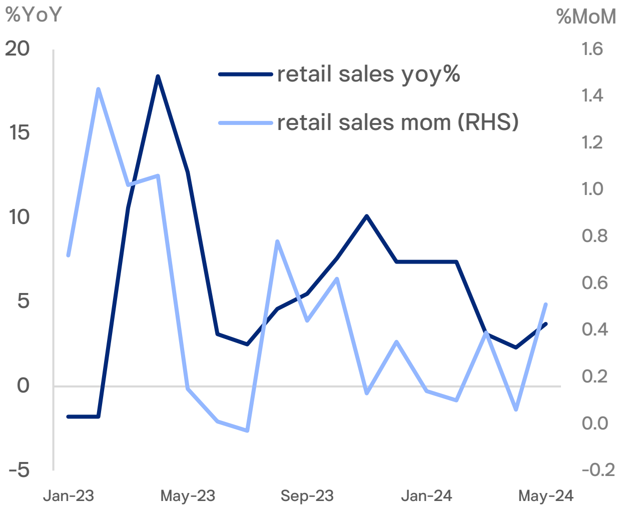
New home prices



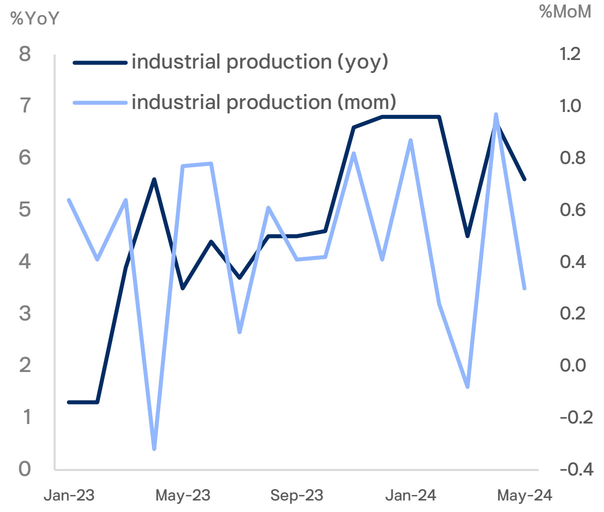
Fixed-asset investment



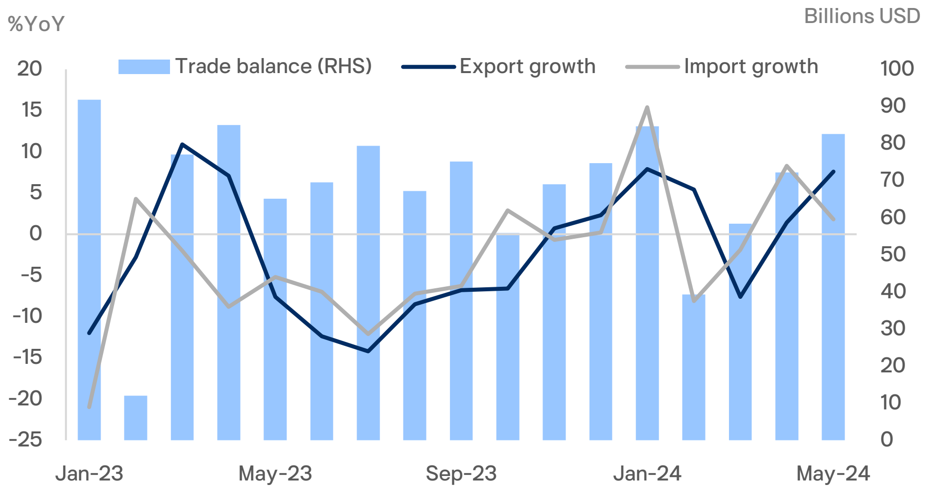
Retail sales



Industrial production



Export and import growth, trade balance



- Property sector remained the key drag on Chinese economy and may not reach the bottom yet, reflected by consecutive falling in new home prices especially group of lower-tier cities. Moreover, YTD from January-to-May, property investment decreased -10.1% YoY by the most record since COVID-19.
- Consumption shows sign of improvement, given an increase of retail sales. However, the sustainability is still doubtful, as an increase in retail sales partly due to eCommerce promotion strategy during the month. Industrial production was slowdown and missed market expectation. This is partly driven by weaker property-related IP.
- Exports rose 7.6% YoY, beaten expectations in four of the first five months of 2024, providing a key offset to slowing domestic demand. An increase in exports was boosted by shipment to the ASEAN. In contrast, imports disappointed market expectations, reflected weak domestic demand, as property sector remained sluggish.

Source: Bloomberg CEIC and ttb analytics.

Central banks share different pace of policy easing, given inflation outlooks

Latest monetary policy development

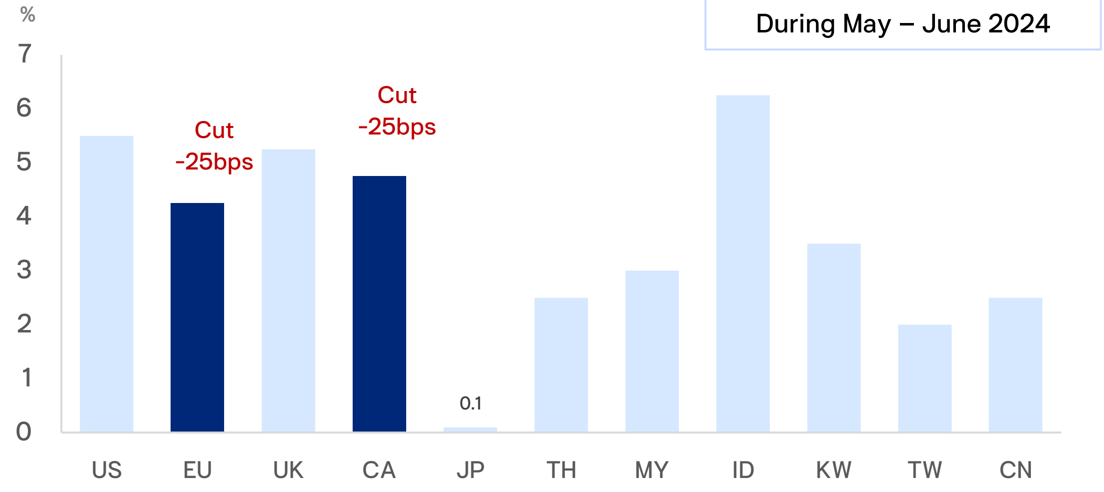
DM

- FOMC holds rate steady at 5.25 – 5.5% as inflation still elevated. Policymakers expect just one cut in 2024, but four in 2025, according to dot plots.
- ECB delivers rate cut from 4.5% to 4.25% in line with market expectations, while giving no signals on next steps. According to the statement, Inflation outlook has improved and under-control.
- The BoJ kept policy rates at 0-0.1%, while clarifying plans to reduce its JGB purchases, but postponing a decision on the details until July.
- BoC cuts rates to 4.75% and signals further reduction, if more evidence that inflation is easing
- BoE leaves policy rate on hold at 5.25%, hinting at readiness for rate cut

EM

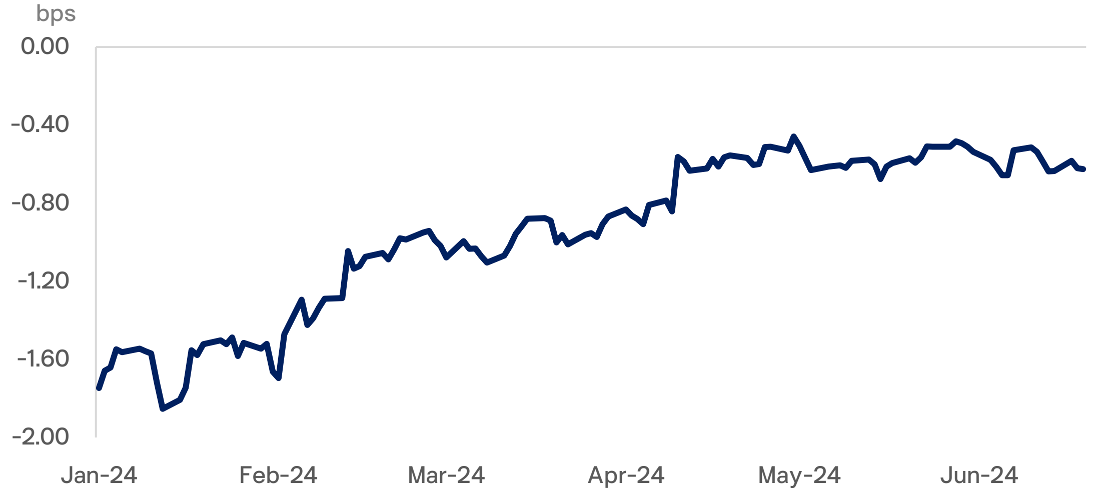
- PBOC maintained both MLF (2.5%) and LPRs (3.45%, 3.95%) policy rates as pressure on the yuan restricts policymakers' space for easing. In addition, the bank hinted changes to policy rate framework and may start trading government bonds in the secondary market
- EM Asia central banks are not in a rush to ease policy rates, given a strong dollar condition and potential risks to financial stability. FOMC decision and guidance could be a clear signal for Asia CBs next steps

Current CBs policy rate



Note: China policy rate proxies by 1Y MLF

Fed rate cut expectation in 2024



Note: Implied Fed fund rate, contract Dec 24 – current policy rate

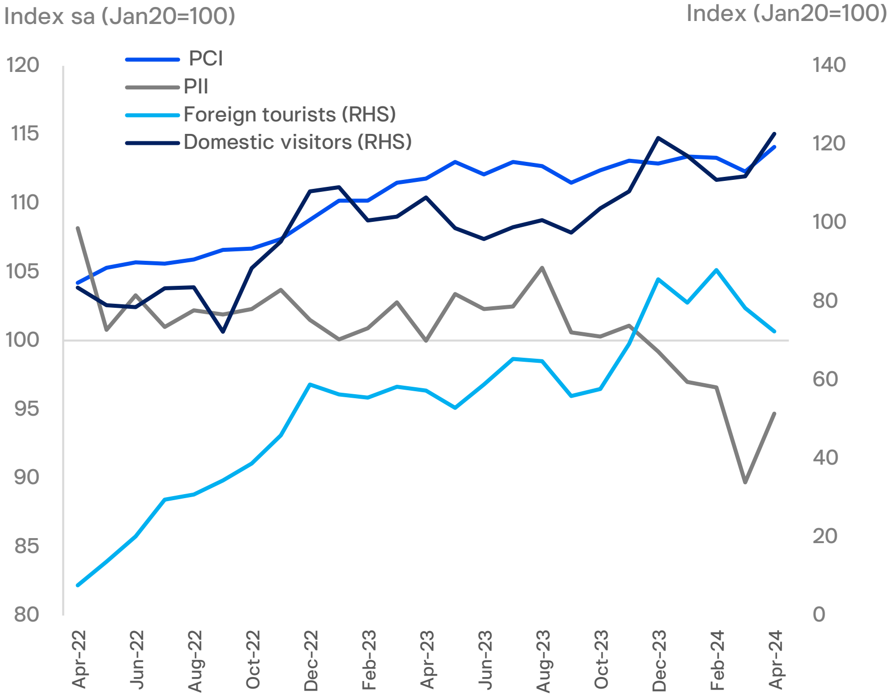
Source: Bloomberg CEIC and ttb analytics.

PART 2

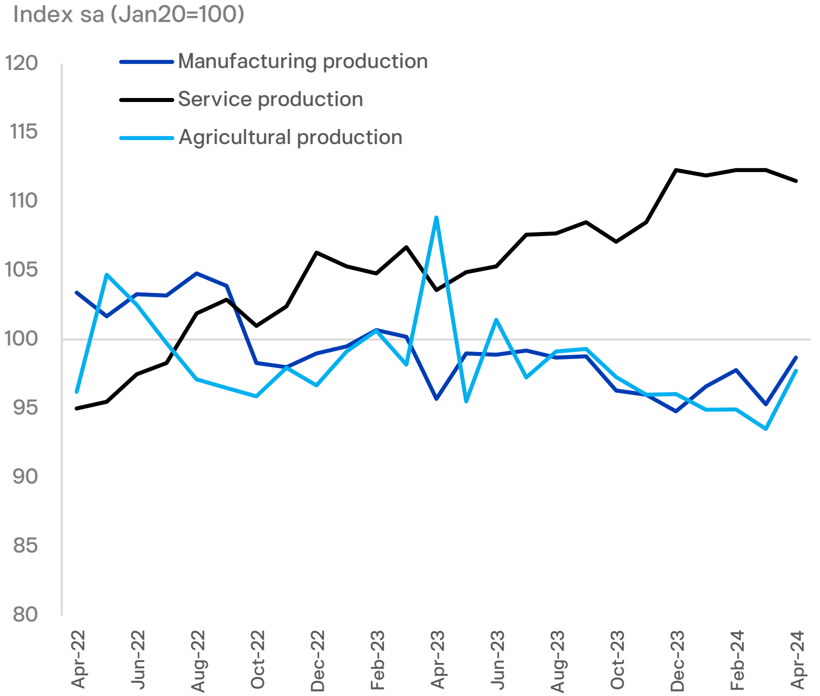
Thai Economy

In Apr24, overall economic recovery improved from previous month but at a slower pace

Demand-side indicators



Supply-side indicators



- In Apr24, Thai economy improved slightly from the previous month with a continued expansion in the service sector thanks to an improvement in tourist arrivals and transportation.
- Private consumption and investment picked up after a slowdown in the preceding period. However, government spending continued to contract due to the delay of the budget FY2024.
- Exports of goods increased in several categories and was in line with higher manufacturing production.

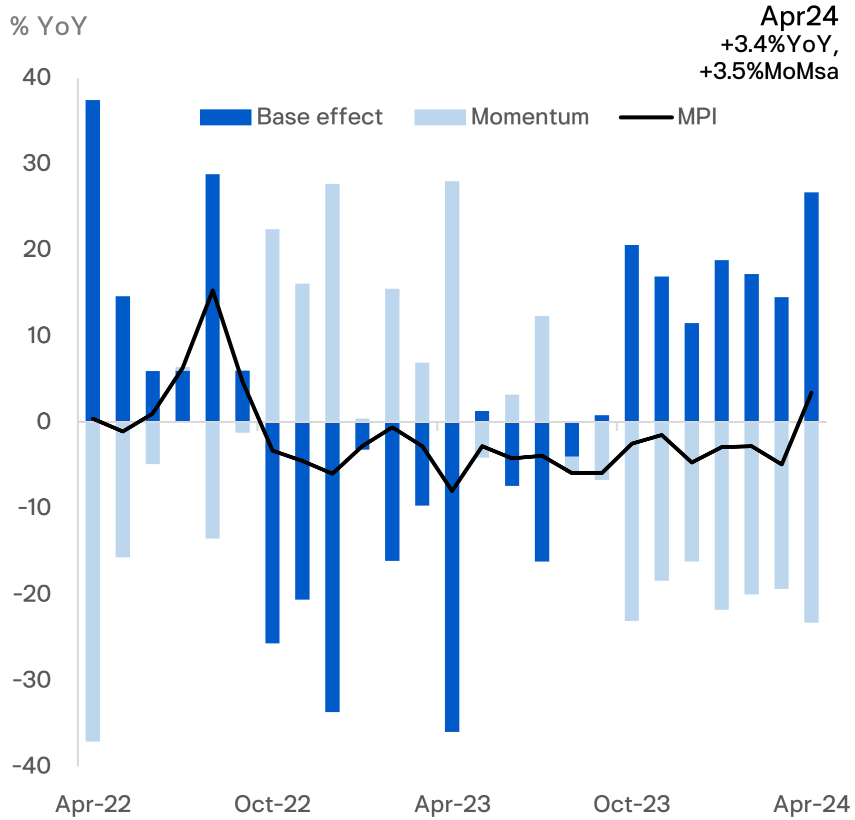
Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Authorized Capital of Newly Registered Companies (Million Baht)	119.3	163.3	227.7	95.3	141.8	138.2	156.1	144.9	89.5	146.0	116.7	126.8	155.4
Construction Areas Permitted (1000 sq. m)	94.7	98.2	102.5	115.2	96.4	125.4	98.7	102.3	104.6	122.4	113.1	121.7	107.5
Export Volume index (exclude Gold)	107.9	110.4	113.4	109.6	107.2	112.4	110.4	109.7	109.8	110.1	106.1	108.8	113.7
Business Sentiment Index (3 months)	109.0	108.4	108.3	106.4	105.4	106.0	104.5	101.9	102.4	102.4	102.0	103.6	101.9
SET index	101.0	101.3	99.3	102.8	103.4	97.2	91.3	91.2	93.5	90.1	90.5	91.0	90.3
Oil Price Inverse Index (Dubai)	1.2	1.3	1.3	1.3	1.2	1.1	1.1	1.2	1.3	1.3	1.2	1.2	1.1

Source: Bank of Thailand and ttb analytics.

Manufacturing production picked up for the first time in almost two years

Manufacturing Production Index (MPI)



MPI by sector (base year 2021)

Contribution	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Food products (16.8%)													
Beverages (3.8%)													
Tobacco products (0.7%)													
Textiles (1.9%)													
Wearing apparel (1.6%)													
Leather products (0.8%)													
Paper products (2.1%)													
Coke and refined petroleum products (10.8%)													
Chemicals (8.8%)													
Pharmaceutical products (1.2%)													
Rubber and plastics products (8.9%)													
Other non-metallic mineral products (5.4%)													
Basic metals (3.5%)													
Fabricated metal products (2.3%)													
Computer and electronic products (8.8%)													
Electrical equipment (3.5%)													
Machinery and equipment (2.9%)													
Motor vehicles (11.3%)													
Other transport equipment (1.1%)													
Furniture (0.9%)													
Others (2.3%)													
MPI (%YoY)	-8.0	-2.8	-4.2	-3.9	-5.9	-5.9	-2.5	-1.5	-4.7	-2.9	-2.8	-4.9	3.4

- As of Apr24, Manufacturing Production Index (MPI) increased at 3.4%YoY, compared to the month earlier at 4.9%YoY contraction. The major improvement was in automotive, following a higher production of vehicles for export but the overall level remained low, food and beverages from higher output in sugar, palm oil and alcohol beverages, which were in line with improvement in the tourism sector, and electrical appliances, especially air conditioners due to higher demand because of unfavorable climate. However, production of petroleum declined slightly corresponding to a weak export of petroleum.

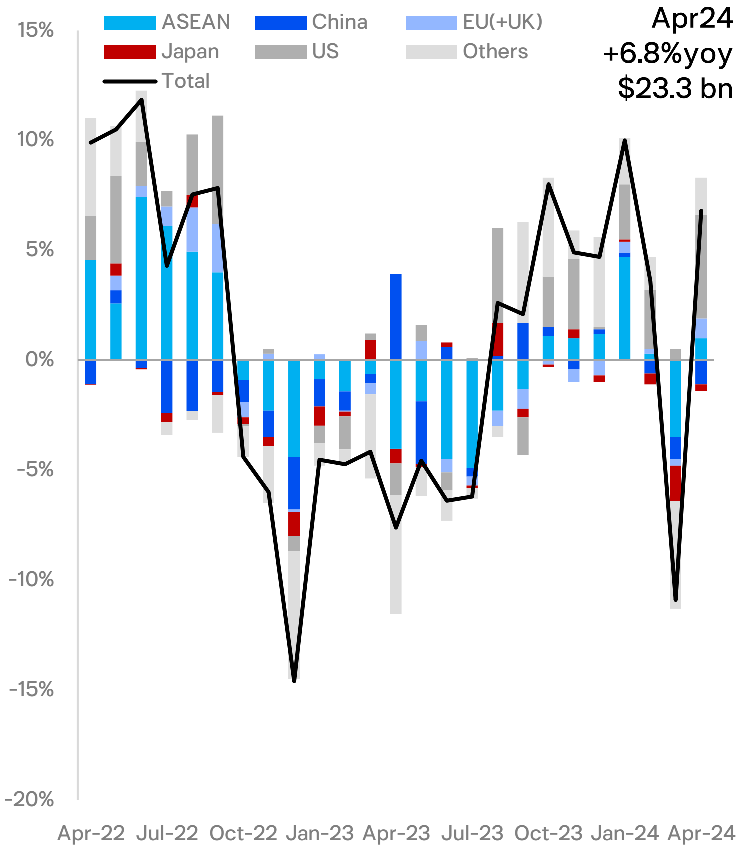
Source: The Office of Industrial Economics and ttb analytics.

Thailand export growth rose sharply as mainly from low-base effect

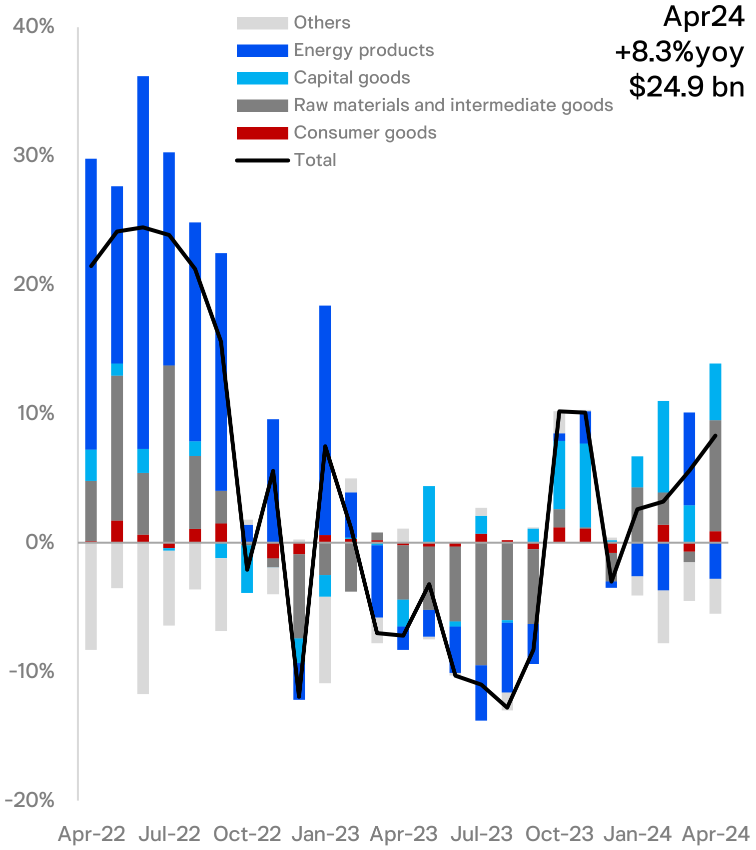
Exports value by product and destination*

Unit: %YoY

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Agri-agro products													
Rice	5.8%	84.7%	-15.0%	18.8%	10.8%	51.4%	37.7%	67.9%	27.4%	45.9%	53.6%	30.6%	91.5%
Rubber	-40.2%	-37.2%	-43.0%	-37.8%	-32.9%	-30.3%	-5.4%	14.5%	13.2%	5.5%	31.7%	36.9%	36.2%
Tapioca products	-40.3%	-41.7%	-16.7%	-7.7%	-12.8%	3.7%	4.8%	-12.8%	-51.2%	-27.0%	-20.4%	-16.7%	-9.6%
Fresh, Frozen & Dried vegetable and Fruit	102.8%	-46.0%	7.4%	3.0%	58.9%	86.8%	27.6%	-12.4%	-13.5%	27.2%	-10.0%	-20.0%	-25.1%
Poultry	2.7%	14.0%	-4.8%	-9.6%	-8.0%	-8.9%	1.5%	-2.6%	0.3%	5.0%	-0.5%	1.2%	12.1%
Sugar	-0.7%	43.7%	31.3%	-30.5%	-23.3%	16.0%	-25.4%	-9.9%	43.0%	-16.6%	-35.2%	-45.4%	-10.4%
Animal feeding	-33.6%	-23.8%	-16.1%	-12.3%	-10.6%	-7.9%	0.8%	3.3%	8.5%	9.1%	21.5%	29.6%	52.9%
Industrial products													
Motor Cars, Parts, Accessories	1.1%	10.5%	11.4%	18.8%	24.2%	-0.8%	3.6%	-5.1%	2.1%	-4.7%	-8.2%	-6.7%	13.5%
Computer and parts	-19.0%	-4.8%	-20.1%	-24.2%	-26.9%	-24.3%	-4.1%	10.3%	2.5%	32.2%	24.9%	-11.8%	62.0%
HDD	-49.7%	-28.8%	-36.5%	-46.3%	-48.4%	-33.7%	-29.0%	-0.9%	1.9%	39.7%	21.4%	-36.2%	85.2%
Integrated Circuits	-1.6%	4.5%	5.3%	3.2%	39.8%	5.0%	-4.6%	-6.6%	3.1%	-1.9%	-13.2%	-18.2%	-9.2%
Air Conditioning Machine	-2.6%	10.1%	-4.9%	-24.7%	-23.4%	-27.6%	-34.2%	-26.1%	-12.2%	-10.5%	-14.3%	-12.7%	12.9%
Refrigerating	4.2%	17.7%	-5.3%	-27.6%	-8.0%	-12.1%	34.7%	48.1%	71.0%	30.4%	-0.2%	-13.4%	2.2%
Electronic Machines	5.7%	5.5%	0.2%	2.5%	9.3%	-4.7%	5.5%	10.9%	0.5%	18.0%	12.5%	-8.4%	25.5%
Plastic pallet	-24.3%	-21.4%	-22.3%	-15.8%	-9.9%	-5.3%	3.1%	-10.7%	0.0%	-0.3%	-2.7%	-13.7%	0.5%
Chemical Products	-30.4%	-4.9%	-14.3%	-30.5%	-11.1%	-18.1%	-10.6%	-0.6%	-6.5%	-1.6%	-14.2%	-10.9%	16.4%
Machinery & Parts	-11.6%	-7.6%	0.2%	6.0%	6.4%	4.1%	7.8%	15.3%	2.9%	7.6%	-2.5%	1.3%	58.8%
Rubber Products	-12.6%	-6.4%	-7.0%	-6.2%	-4.7%	-5.5%	0.1%	0.7%	3.9%	3.7%	-4.1%	-6.9%	1.5%
Refined oil	-18.3%	-41.8%	-26.1%	-38.0%	21.2%	27.3%	65.1%	55.4%	42.6%	5.3%	-9.6%	-6.1%	-21.2%
Jewelry ex gold	-27.0%	5.0%	31.2%	-2.8%	-10.4%	27.2%	8.7%	2.9%	6.8%	21.5%	6.5%	-3.1%	8.2%
Total export	-7.4%	-4.2%	-4.2%	-6.2%	2.6%	2.1%	8.0%	4.9%	4.7%	10.0%	3.6%	-10.9%	6.8%



Imports value by groups*

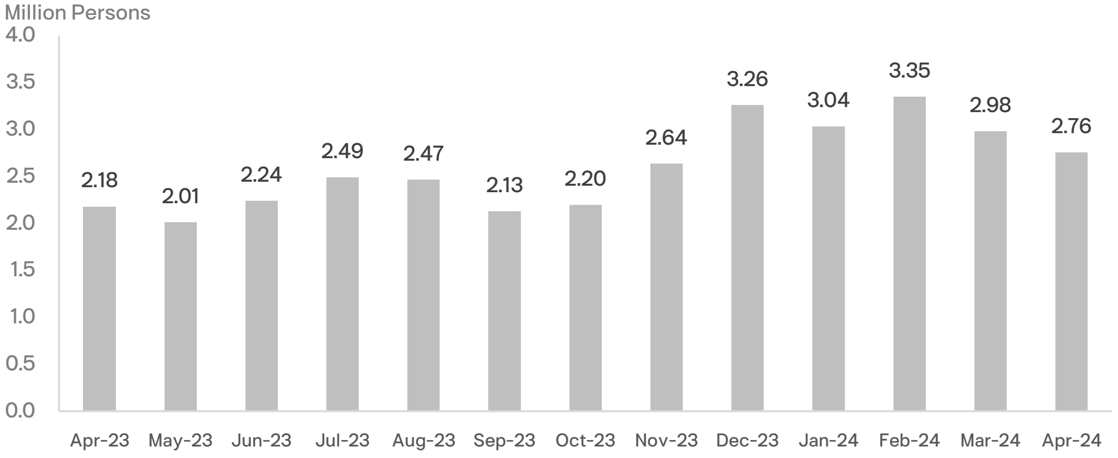


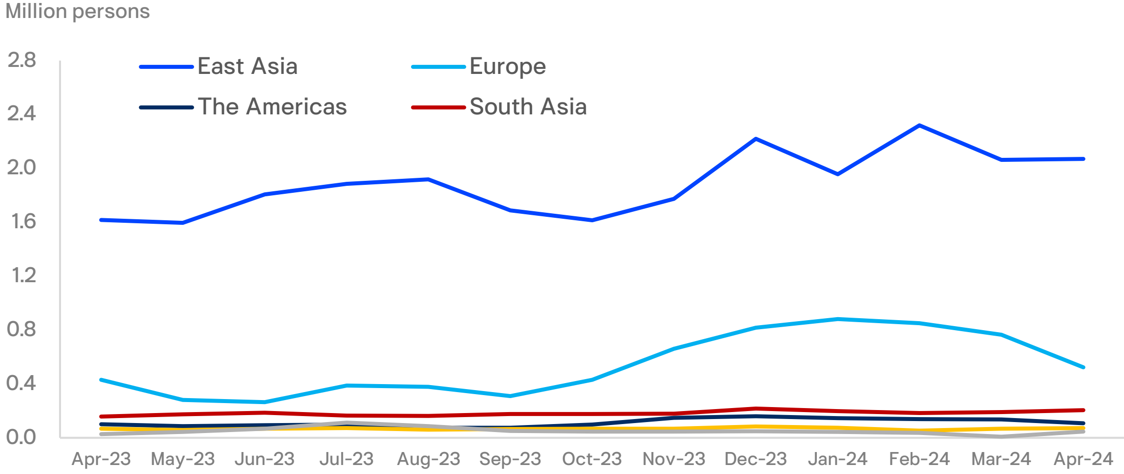
- Export value in Apr24 rose dramatically of 6.8%YoY, compared to previous month of 10.9%YoY contraction. Most industrial products improved remarkably such as automobiles, equipment and parts, computers and equipment, HDD and air conditioners (export of gold -64.6%YoY) , in addition, agricultural and agro-industry products also increased e.g., rice, rubber and animal feeding. On the other hand, import value also grew continuously of 8.3%YoY which was mainly attributed to the growth of raw materials, capital goods and consumer goods, which resulting in a trade deficit of USD 1.64 billion.

Source: Ministry of Commerce and ttb analytics Remark: Custom basis

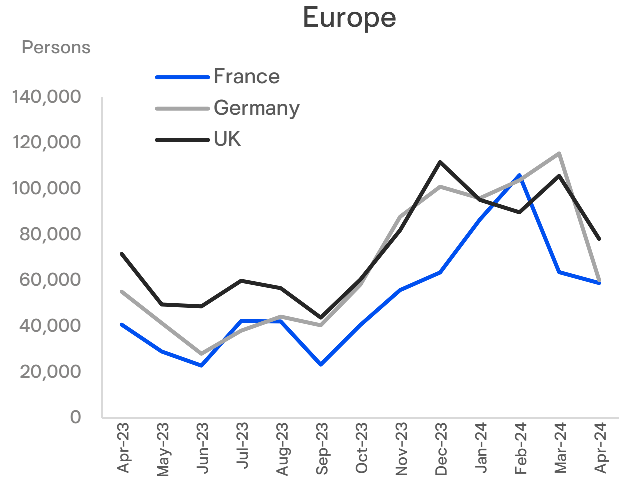
Foreign arrivals declined consecutively in April

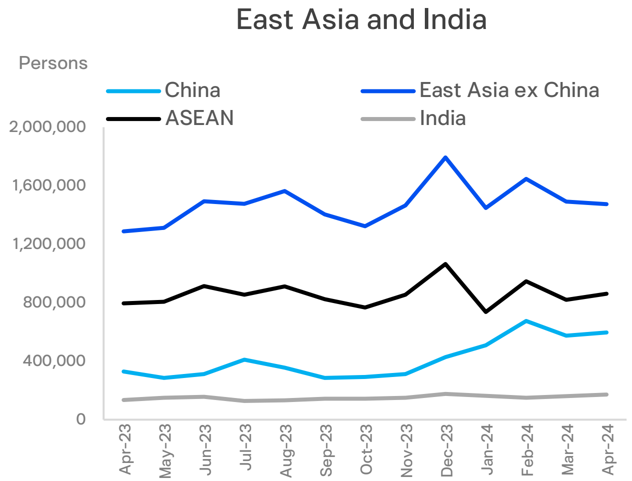
Total Foreign Tourist Inbounds

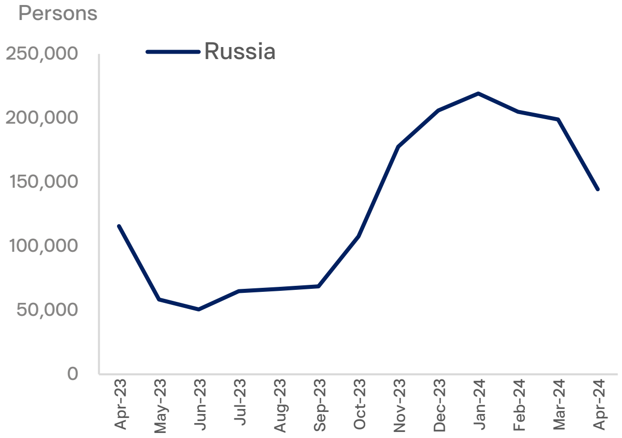


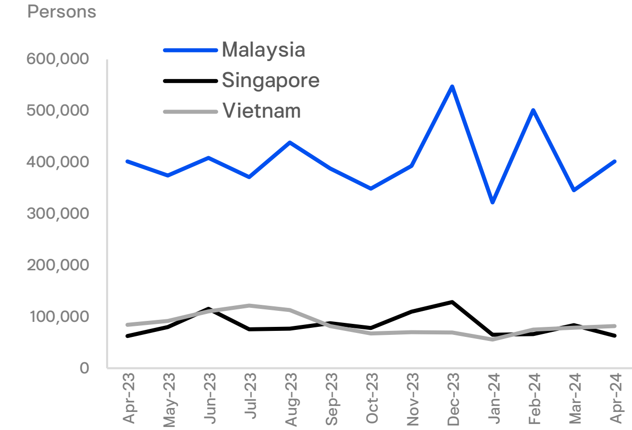


Foreign Tourist Inbounds by key regions







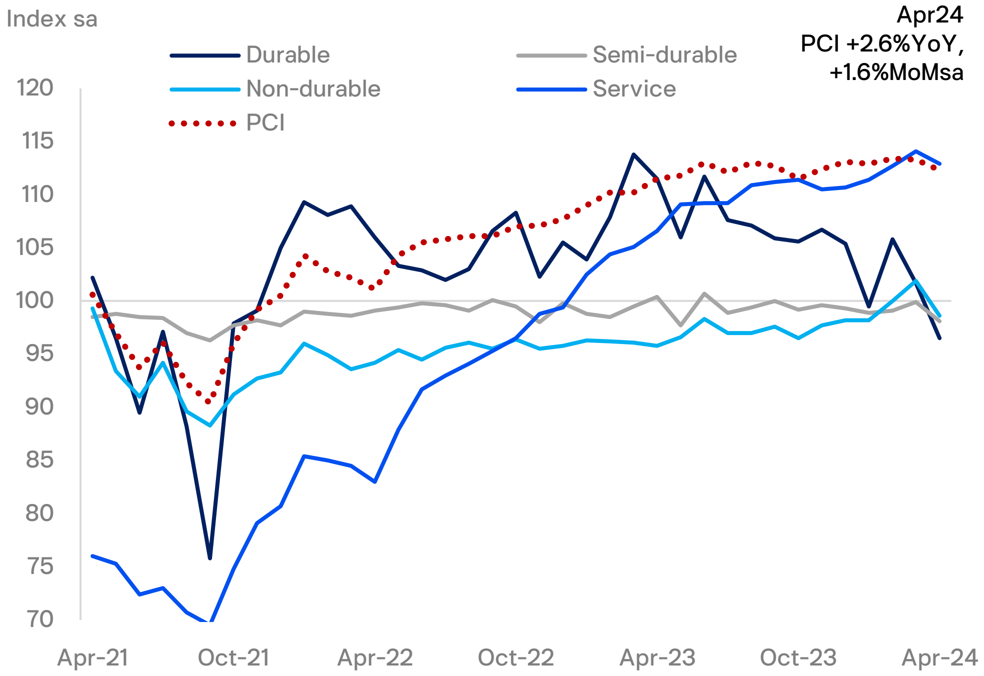


- As of Apr24, foreign tourist arrivals was at 2.76 million, dropped further from the peak in Feb24, as mainly from decrease in number of tourists from Europe and the Americas, however, the number of Muslim tourists, especially from Malaysia and the Middle East, picked up after the Ramadan fasting season came to an end. In addition, Chinese tourists improved gradually after a decline in the previous month.

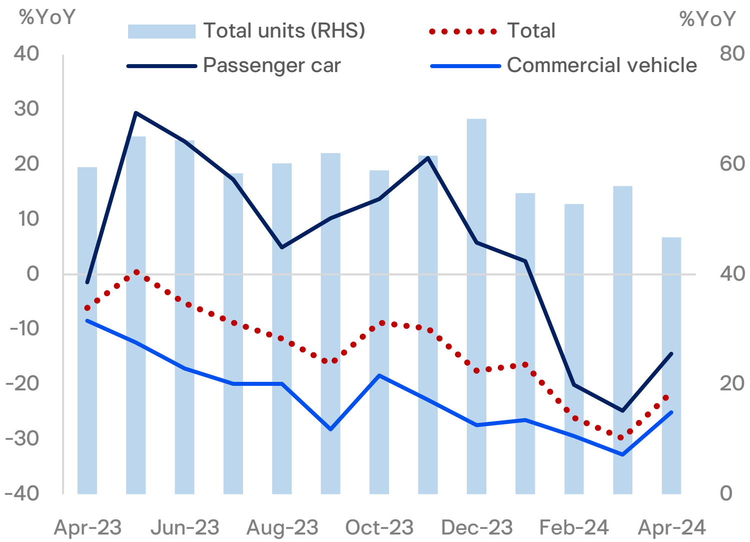
Source: CEIC, TAT Intelligence Center and ttb analytics

Private consumption indicators increased in all major categories after slowdown in the earlier period

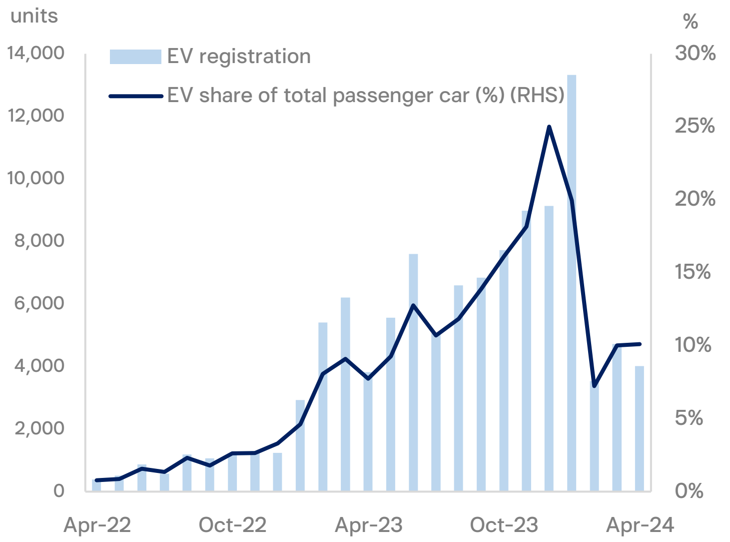
Private Consumption Indicators (SA)



Domestic car sales**

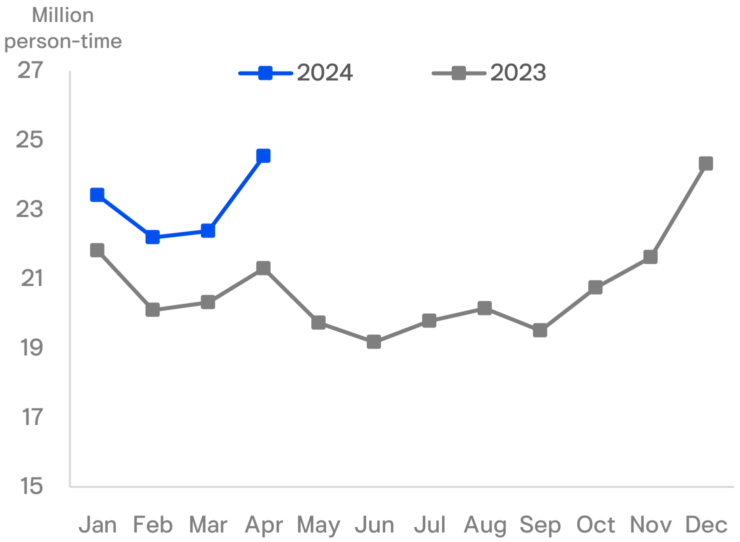


EV new registration

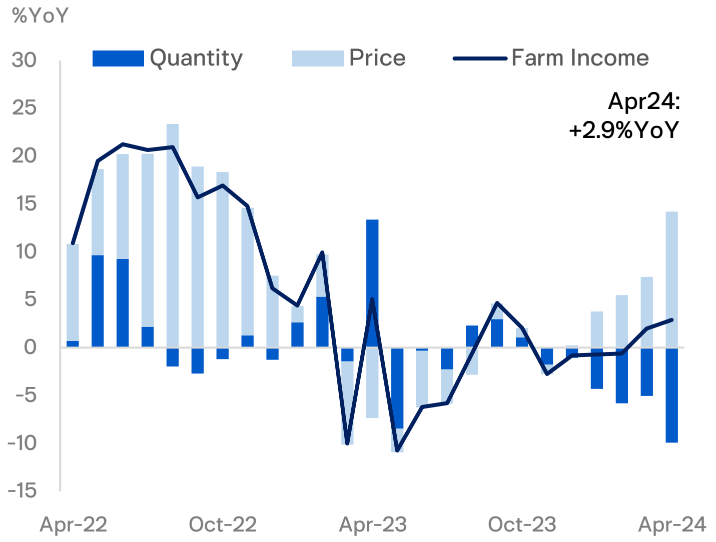


- Private consumption indicators increased in all major categories after a slowdown in the preceding month. Consumption of non-durable goods also increased from higher sales of consumer goods. As well as spending on services increased in line with development in the tourism sector.
- In addition, spending on durable goods edged up thanks partly to higher delivery of car sales from the Thailand International Motor Show exhibition around end-May to early-April.

Thai domestic visitors*



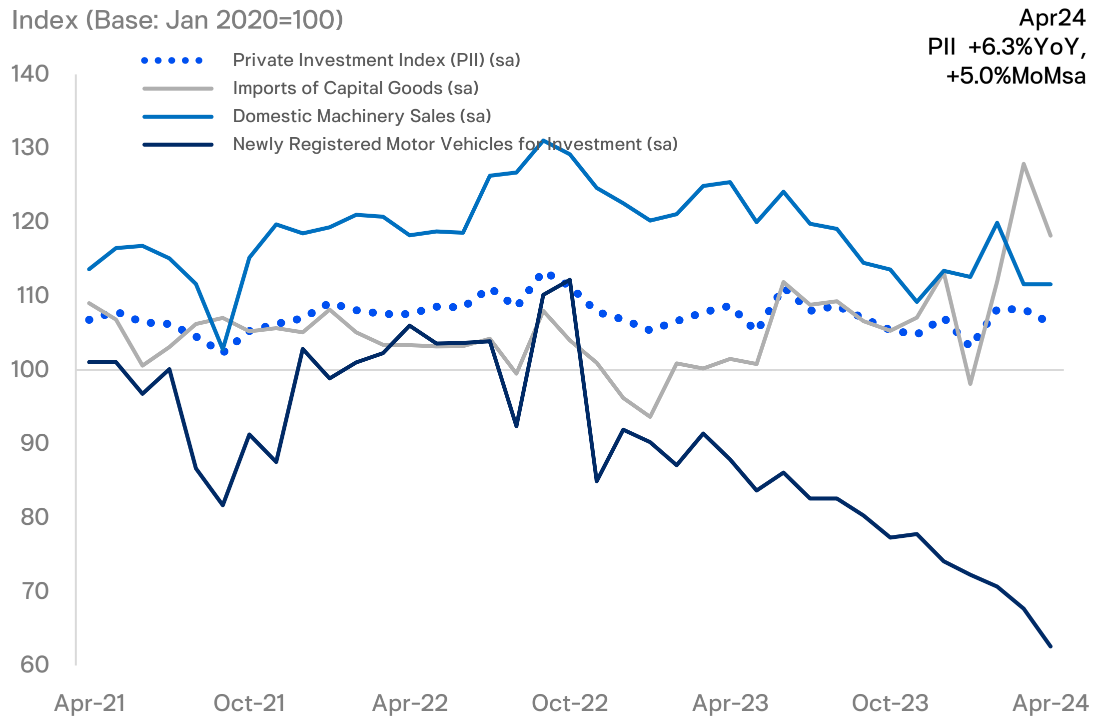
Farm Incomes



Source: Bank of Thailand, The Federation of Thai Industries, CEIC and ttb analytics
Remark: *Data not include replication in number of visitors **Vehicle type as report following FTI data

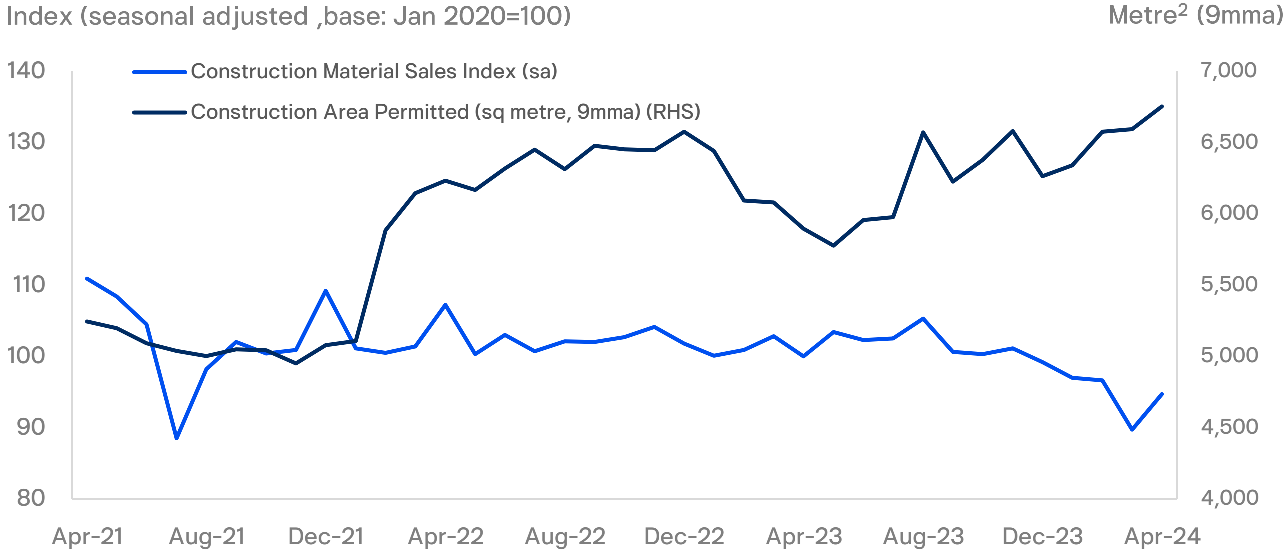
Private investment rose dramatically in April

Private Investment Indicators (SA)

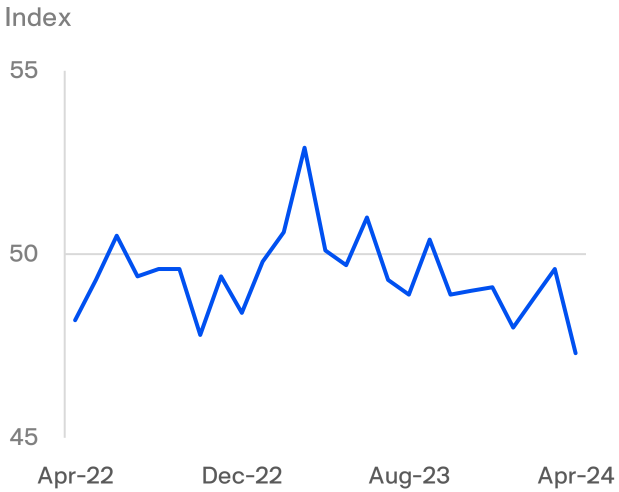


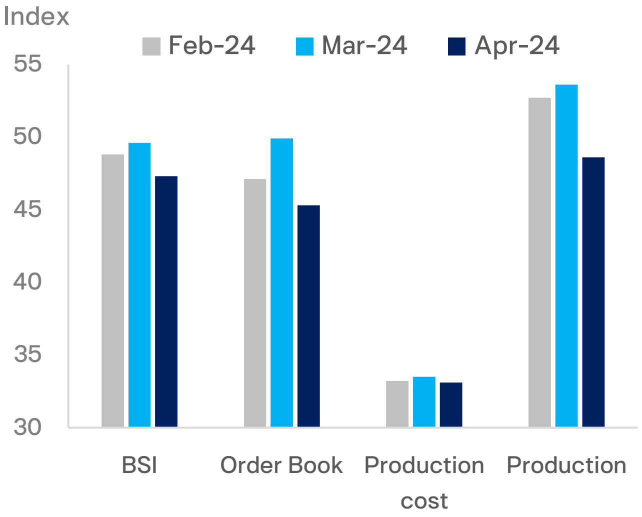
- Private investment indicators increased from the previous month as mainly due to investment in machinery and equipment from higher domestic machinery sales as well as higher numbers of registered commercial vehicles, while imports of capital goods declined mainly from computer category.
- Investment in construction increased from both higher sales of construction materials and permitted areas for construction, especially areas for industries and factories, as well as dwellings.

Construction sector (SA)



Business Sentiment Index

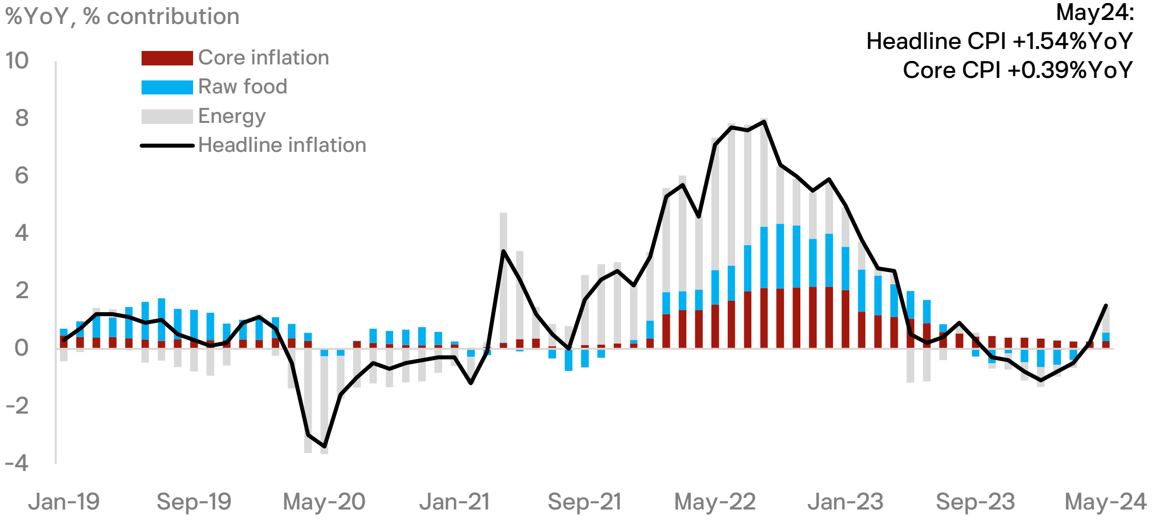




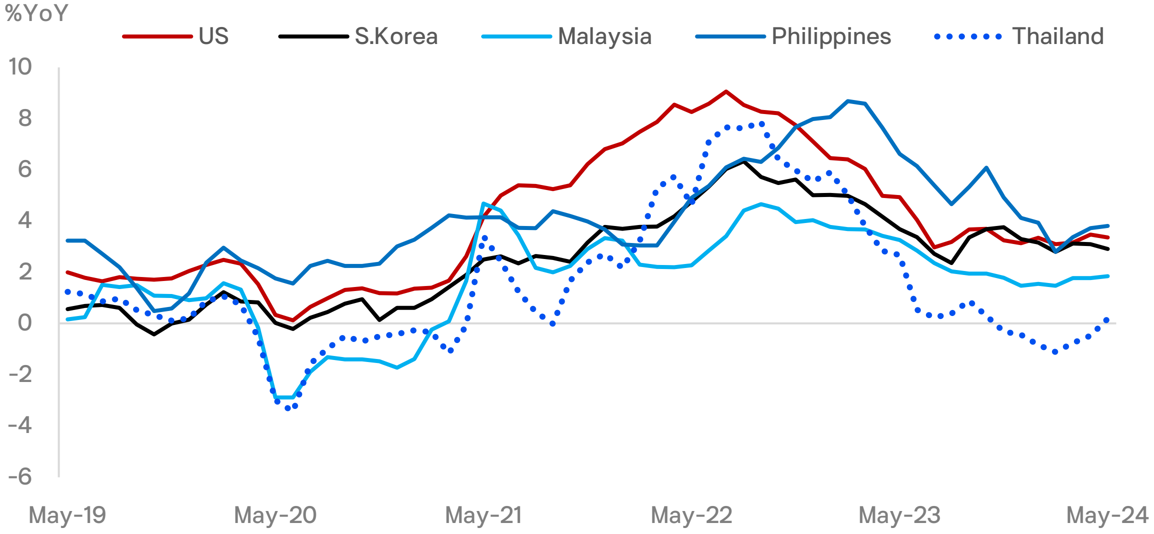
Source: Bank of Thailand and ttb analytics.

Headline inflation jumped highest in a year, while the core slightly rose

Thailand's inflation contribution to growth



Headline inflation in Asia countries



Price change in top categories

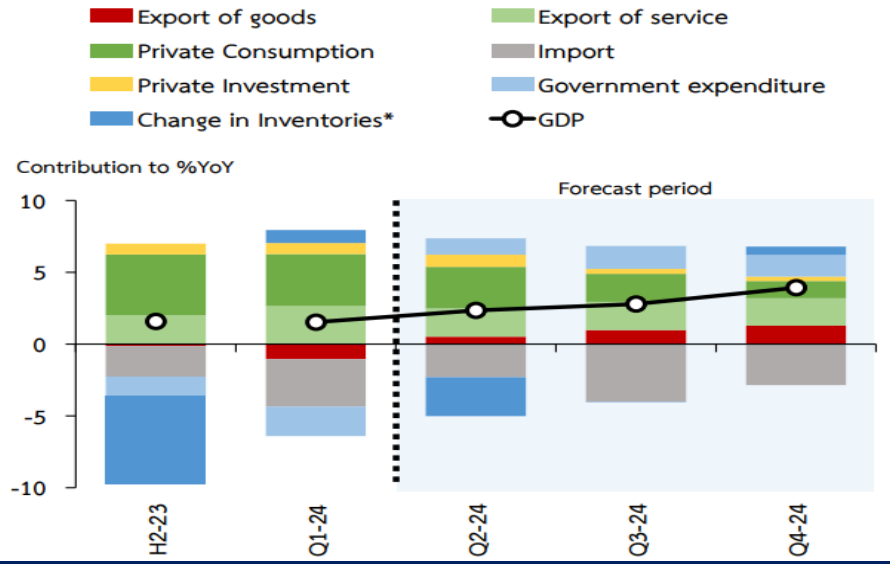
%YoY	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Headline inflation	0.53	0.23	0.38	0.88	0.30	-0.31	-0.44	-0.83	-1.11	-0.77	-0.47	0.19	1.54
Raw food	4.70	3.92	1.37	0.00	-1.30	-2.45	-0.76	-2.30	-3.07	-2.71	-1.91	-0.04	8.42
Prepared food	3.83	3.42	1.88	1.76	1.33	1.44	1.30	1.18	1.02	0.75	0.69	-0.20	1.51
Poultry	7.55	7.27	4.55	1.22	0.86	0.13	1.00	2.83	1.74	0.98	1.16	0.64	0.61
Eggs and dairy products	5.13	8.87	10.41	8.47	6.93	6.70	6.65	6.97	4.85	2.88	3.81	1.27	0.18
Meats	-7.42	-11.29	-13.70	-15.98	-16.47	-17.85	-17.69	-16.32	-15.39	-14.55	-12.32	2.64	3.48
Utilities	-3.98	7.26	6.91	6.62	-3.13	-3.15	-3.15	-3.14	-3.13	-3.11	-3.43	-11.29	-8.09
Energy	-9.55	-9.11	-3.12	2.58	1.21	-1.55	-4.52	-5.12	-5.53	-3.33	-2.25	-0.09	7.15
Core inflation	1.55	1.32	0.86	0.79	0.63	0.66	0.58	0.58	0.52	0.43	0.37	0.37	0.39

- The headline inflation (CPI) rose 1.54%YoY in May24. The main contributor was an increase in the prices of energy, including electricity, benzene and gasohol, following the rising trend in the global energy market. Moreover, the prices of fresh vegetables and chicken egg also increased due to the extremely hot weather, resulting in reduced yields.
- During Jan-May24, headline and core inflation stood at -0.13%YoY and 0.42%YoY respectively.

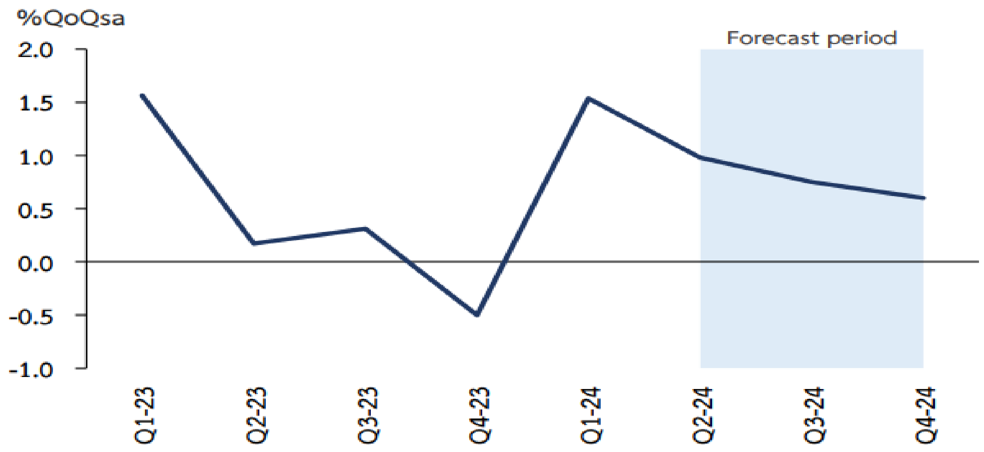
Source: Ministry of Commerce, CEIC and ttb analytics

MPC voted to maintain the policy rate of 2.5% as market expected

Contribution to GDP growth



GDP momentum (%QoQsa)



BOT's GDP forecasts

%YoY	2023	2024F		2025F	
		Apr24	Jun24	Apr24	Jun24
GDP	**1.9**	**2.6**	**2.6**	**3.0**	**3.0**
Private consumption	7.1	3.5	4.2 ▲	2.9	2.5 ▼
Private investment	3.2	3.3	3.3	3.2	3.2
Government consumption	-4.6	1.8	1.8	3.3	3.3
Public investment	-4.6	1.0	3.6 ▲	5.0	2.6 ▼
Export value*	-1.7	2.0	1.8 ▼	2.8	2.6 ▼
Import value*	-3.1	2.5	3.1 ▲	3.0	2.0 ▼
Foreign arrivals (M. persons)	27.5	35.5	35.5	39.5	39.5
Headline inflation	1.3	0.6	0.6	1.3	1.3

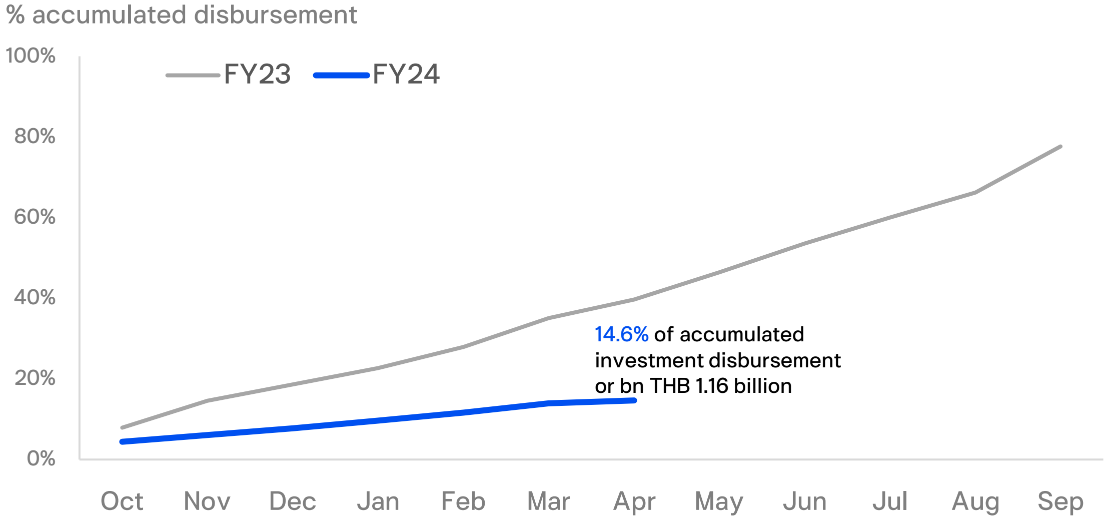
▲▼ *Compared to previous forecast*

- In the MPC meeting of 3/2024, MPC voted 6:1 to maintain the policy rate of 2.5% with one member voting to cut by 25 bps. Given the recent MPC's stance, GDP growth is expected to improve throughout the year, coupled with inflation rate gradually returning to the target range in the last quarter of 2024.

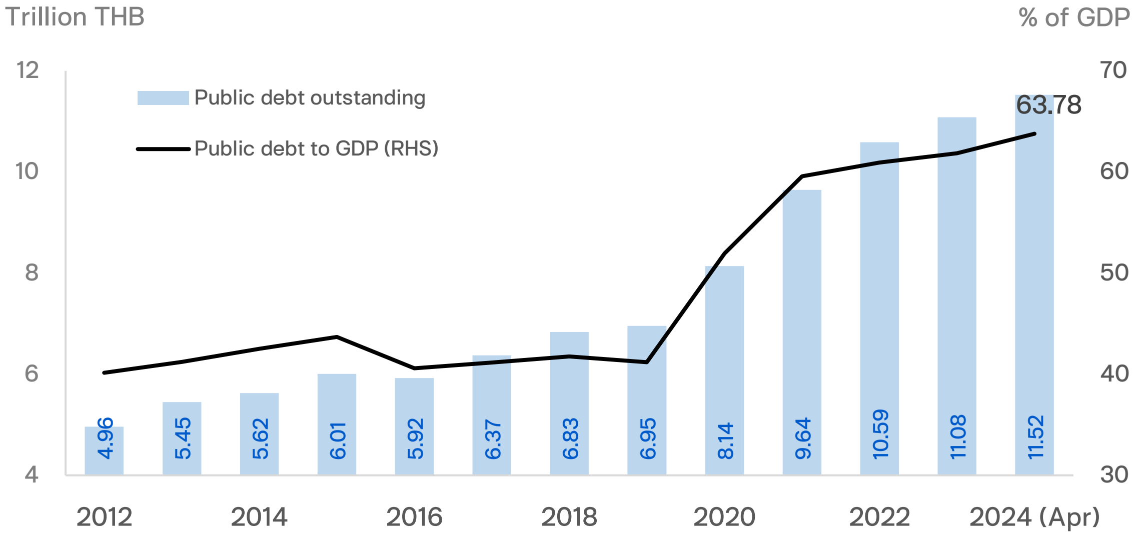
Source: Bank of Thailand

Government investment budget may not be accelerated disbursement during the rest of FY24; overall investment remained subsided

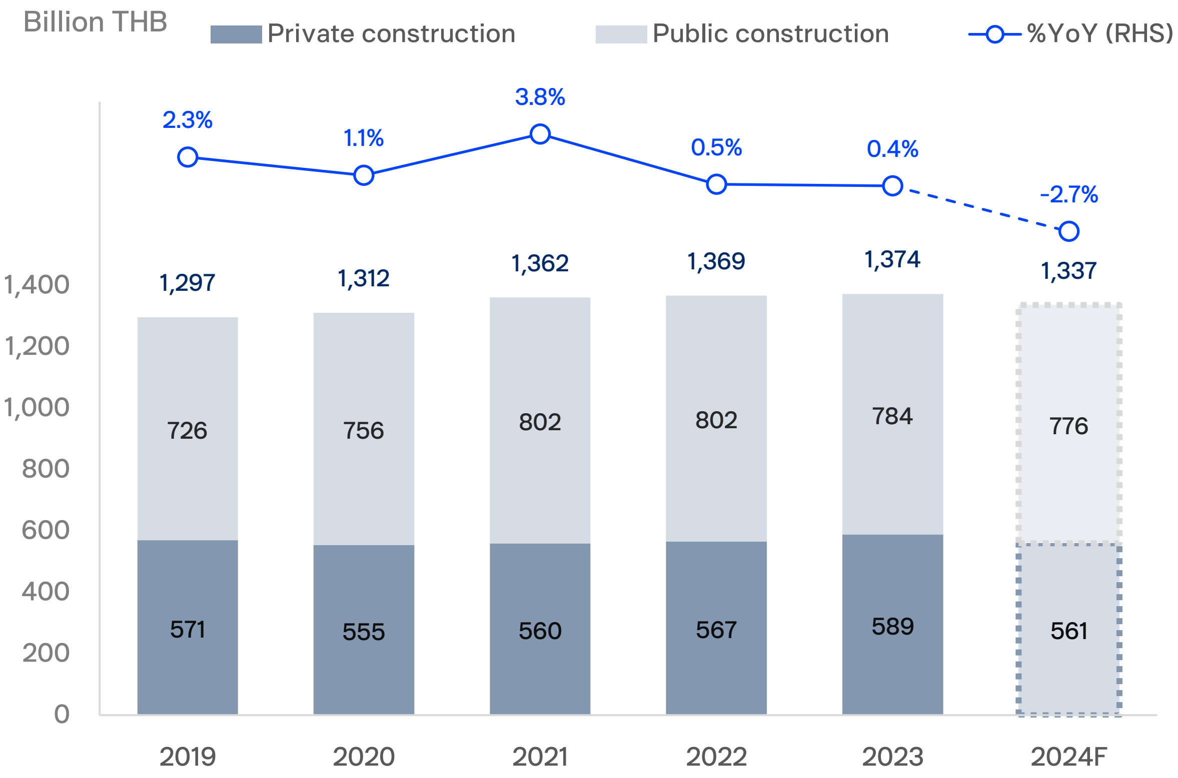
Government's investment budget disbursement



Public debt to GDP and debt outstanding



Public and private construction investment value



- Despite the hope for acceleration in government disbursement during the second quarter after delaying budget till April 2024, government spending and especially public investment may be slower and less than expected during the rest of FY24 budget.

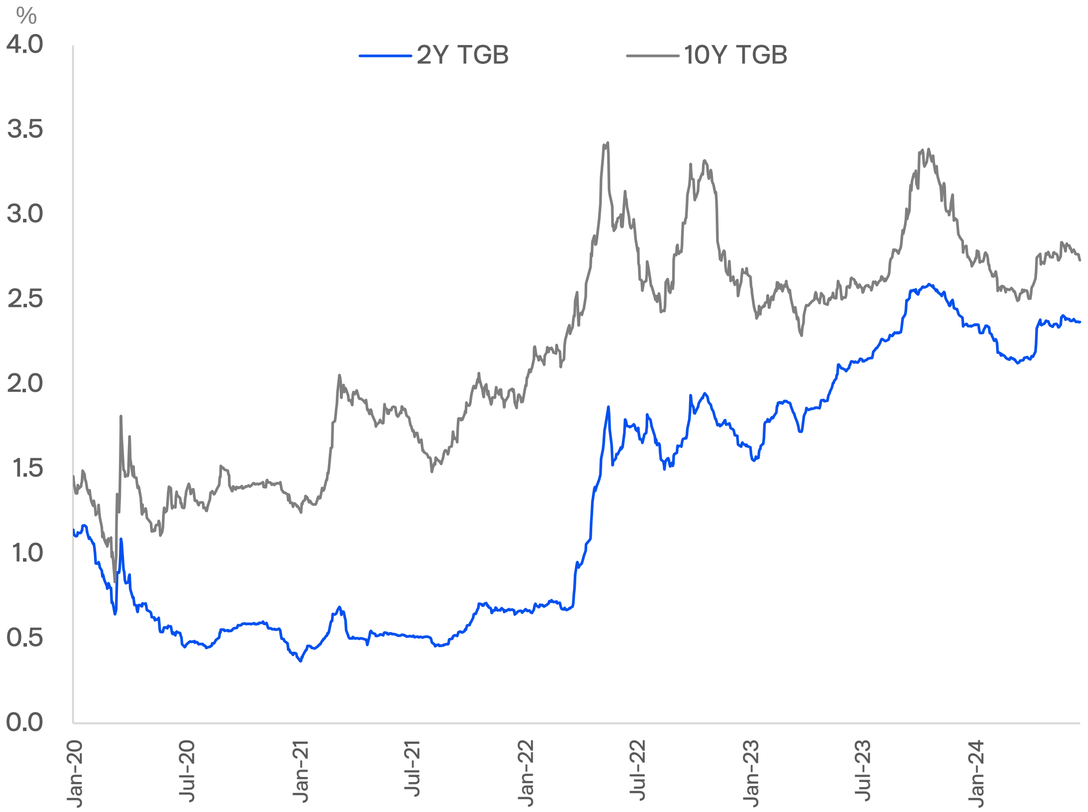
Source: NESDC, CGD, PDMO and ttb analytics

PART 3

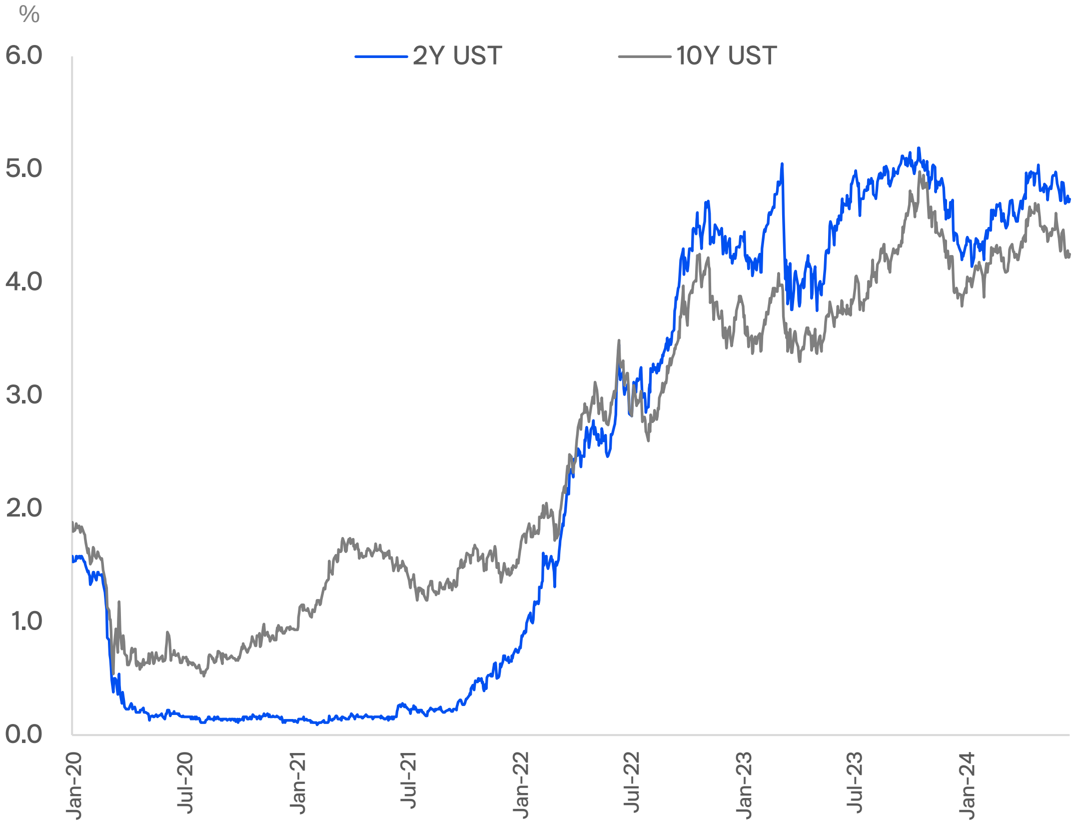
Financial Market

US Treasury yield declined after recent softer than expected US data, while TGB yield relatively flatted

Thailand 2-yr and 10-yr government bond yield



US 2-yr and 10-yr government bond yield

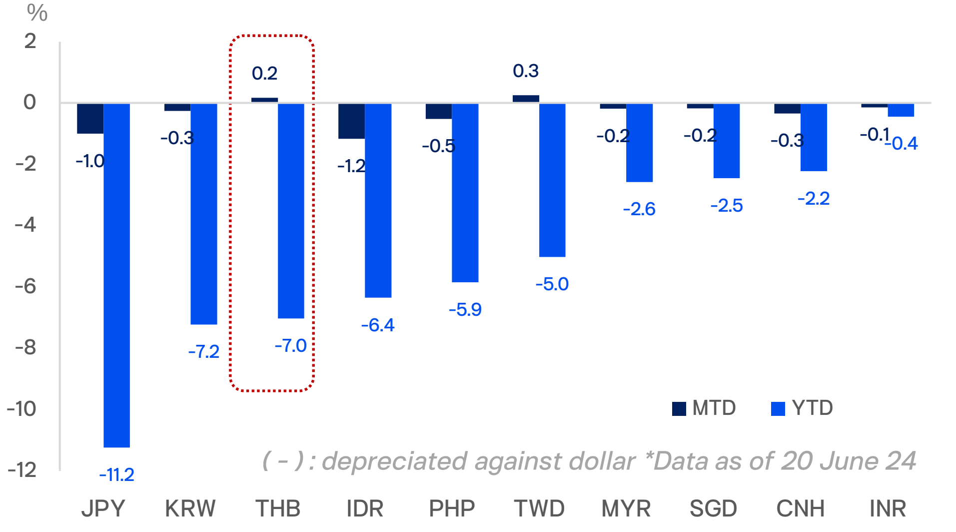


- US government bond yields overall declined further as market expects Fed to cut policy rate 2 times during late of 2024 as recent US economic data were softer than market forecasts, which was against the current dot plots that policymakers expect just one cut in 2024. Meanwhile, Both Thailand 10-year government and 2-year government bond yields flatted accordingly. With respect to financial market, Monetary Policy Committee (MPC) would lower the policy rate in case of weak economic growth and significantly low inflation pressure

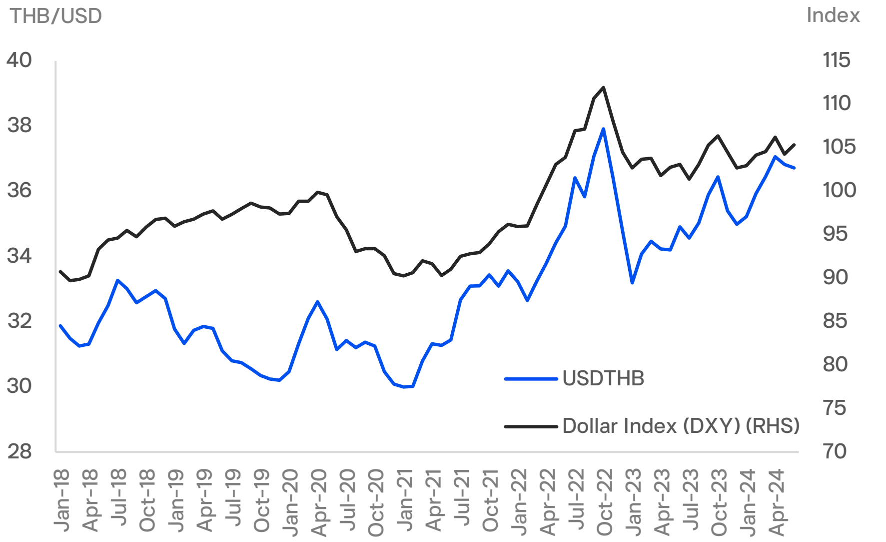
Source: Bloomberg CEIC and ttb analytics (Data as of 20 June 24)

USDTHB slight appreciated in June, due partly to the end of seasonal dividend outflows

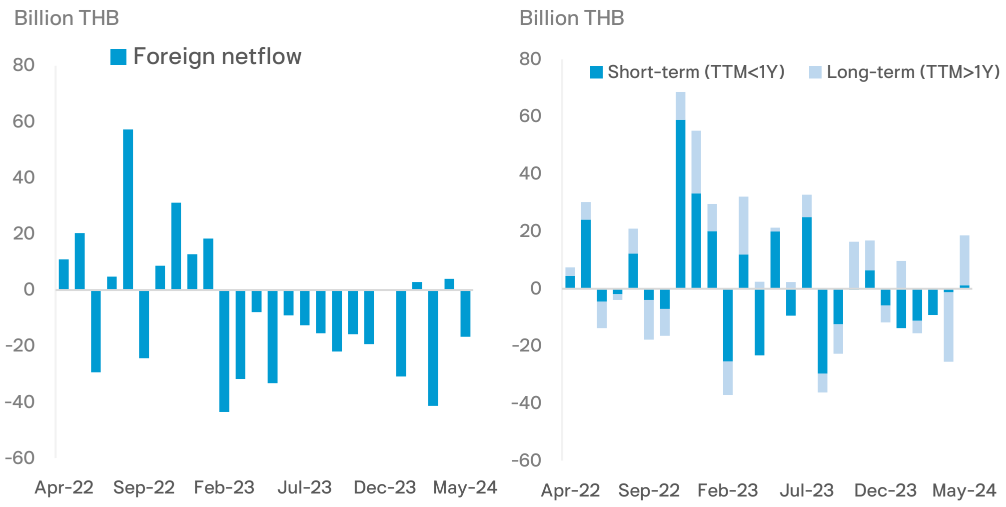
Asian FX spot return against US dollar



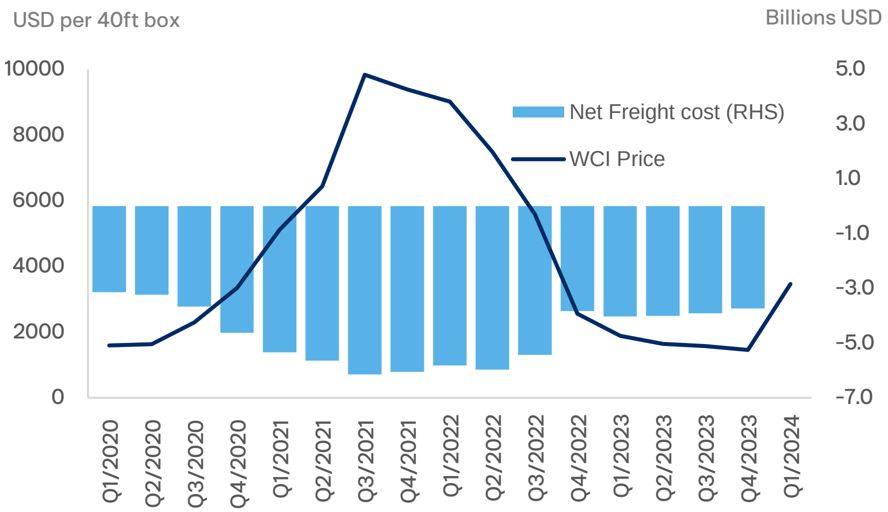
Thai Baht and Dollar Index movement



Foreign portfolio flow in equity and bond markets



TH net transportation and WCI index



- Dollar stumbled after the disappointment of economic data and signs of more benign price pressures in the US, before strengthening in June, partly driven by political uncertainty in Europe.
- Although the Thai baht depreciated from the year-end, consistent with its regional peers, the currency started to gain in June. This was driven by the end of seasonal dividend outflows and the Thai MPC decision to hold the policy rate.
- Net foreign outflows persisted, especially in equity, aligned with the recent movement of the SET index. Bonds, on the other hand, saw net inflows despite being the lowest in the region. This trend was driven by the decrease in US yields.
- Doubling of global shipping costs on Red Sea diversions raise concerns over current account in this year.

Source: Bloomberg, CEIC and ttb analytics (Data as of 20 June 24)

Note: Net freight costs are included in service balance ttb | a·n·a·l·y·t·i·c·s