Economic and Financial Outlook

ttb analytics

Aug 2024

Executive Summary

Global Economy

- In July 2024, the global economy continued to slow down, with recent economic data showing unexpected downturns. Additionally, global manufacturing displayed further signs of weakening, as indicated by PMIs. Meanwhile, global inflation continued to edge downwards and remained manageable, especially in the United States.
- Overall, U.S. economic data still suggest a soft landing, though weaker-than-expected nonfarm payrolls have raised concerns about a potential recession. Based on recent data, the Fed may begin to ease policy rates at its next meeting.
- The Chinese economy shows no signs of improvement, with key economic indicators remaining fragile. Moreover, export growth, which has been essential for offsetting other economic data, seems to be losing its strength.

Thai Economy

- In June 2024, Thai economy slowed down further from the previous month. The slowdown was attributed to decrease in private consumption, exports of goods as well as manufacturing production. Meanwhile, private investment gradually increased corresponding to the business sentiment index.
- Nonetheless, activities in tourism sector continued to expand from the previous month together with tourist receipt. The number of foreign tourist arrivals slightly increased from previous month as mainly from rising in number of tourists from East Asia ex. China, Northern Europe and the US.
- Headline inflation slightly accelerated in July 2024 The rebound in price pressures was primarily due to increasing price pressures in energy following rising global oil price, and food (rice, instant food, fruit). Meanwhile, core inflation ticked up highest since January 2024.
- Thai economic growth in Q2/24 grew better than expected, and accelerated from previous quarter, which mainly attributed to increase in government expenditure due to the disbursement of the annual budget while private spending on both consumption and investment decelerated.

Financial Markets

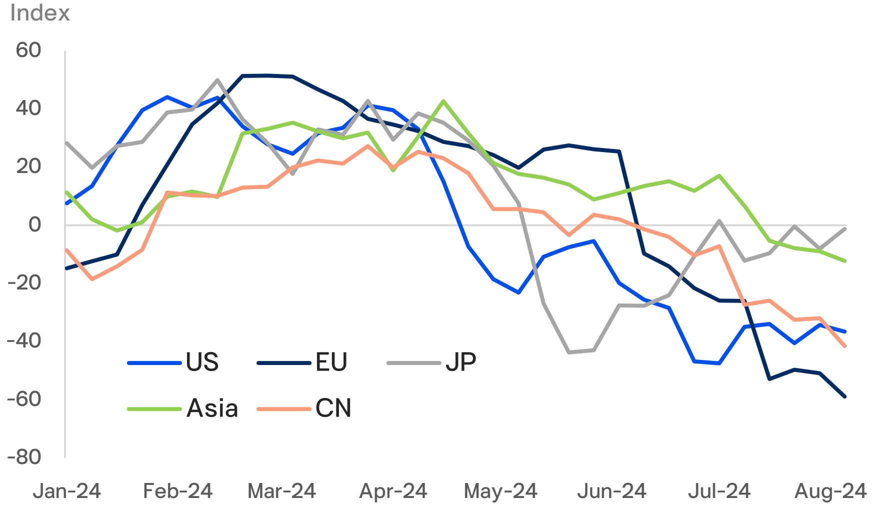
- U.S. government bond yields fell sharply as markets anticipated aggressive Federal Reserve rate cuts this year amid fears of a U.S. recession. Nevertheless, these yields slightly increased as those concerns began to ease. Similarly, Thai government bond yields somewhat tracked the changes in U.S. bond yields
- The dollar has significantly weakened as markets anticipate additional Federal Reserve rate cuts and unwind positions in Japanese yen carry trades. At the same time, the Thai baht has dropped below 35.00 baht per dollar, aligning with regional trends amid continuing uncertainty regarding political policies.

PART 1

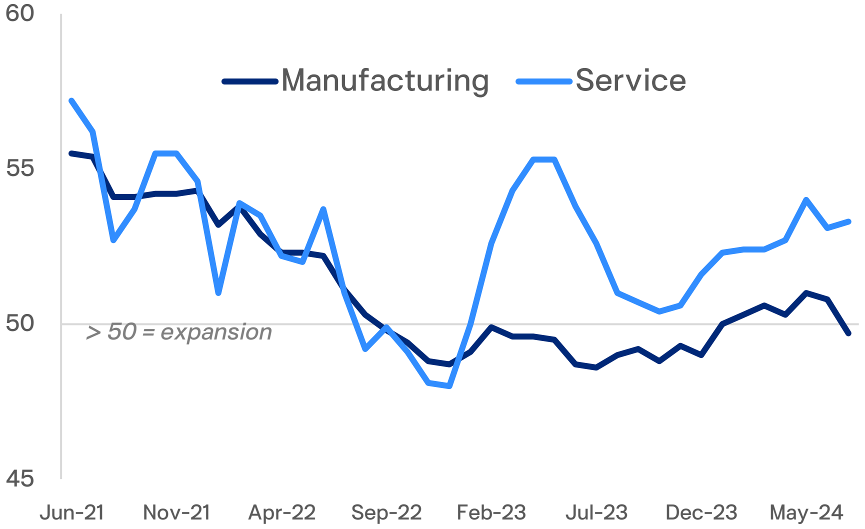
Global Economy

The global economy showed further signs of slowing, with a decline in manufacturing activity

Economics surprise indices

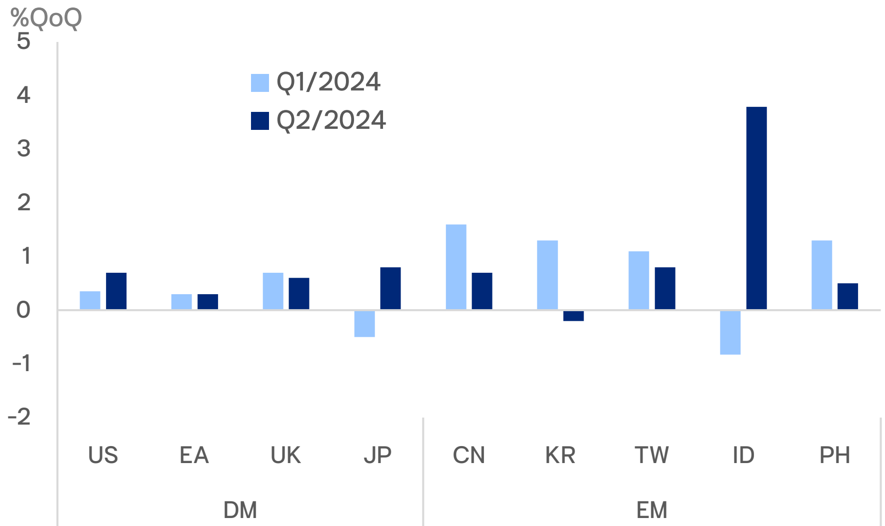


Global PMI

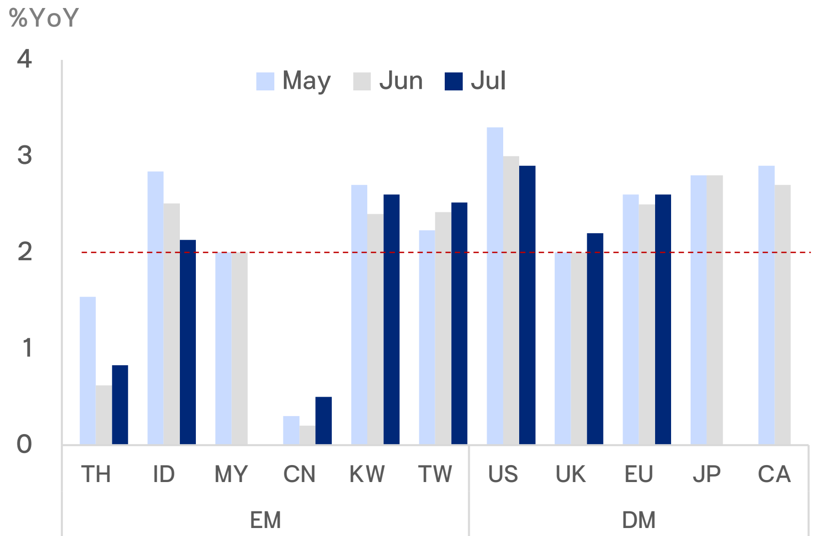


Note: Economic Surprise Index represents the sum of the difference between official economic results and forecasts. With a sum over 0, its economic performance generally beats market expectations. With a sum below 0, its economic conditions are generally worse than expected.

GDP second quarter 2024



Headline Inflation

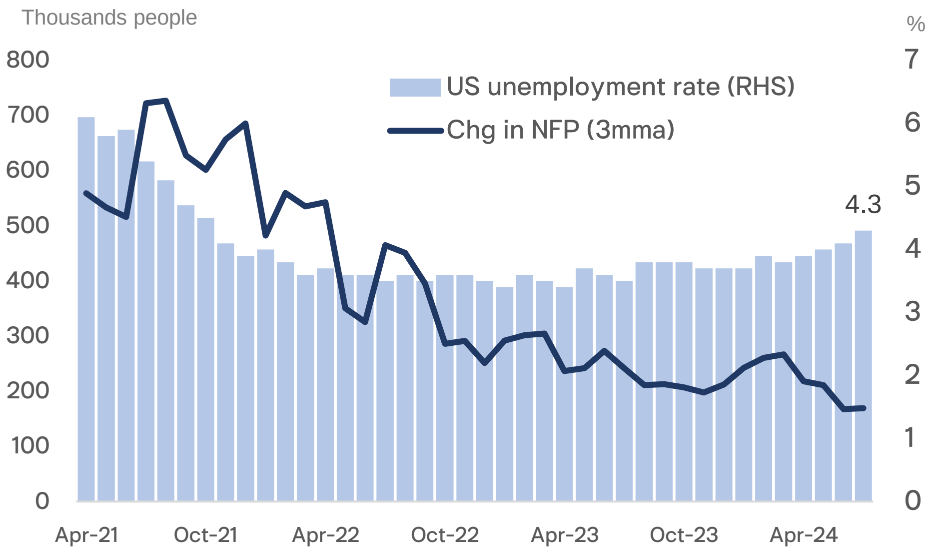


- The global economy is showing greater signs of a slowdown, as recent data has fallen short of expectations across all regions.
- Based on PMI data, the global economy showed a slight moderation. However, there is a notable difference between the manufacturing and service sectors. The manufacturing sector slipped back into contraction after six months of growth, while the service sector experienced a slight increase.
- Despite rising inflation in some regions, global inflation overall continued to ease and remain under control, particularly in the United States.

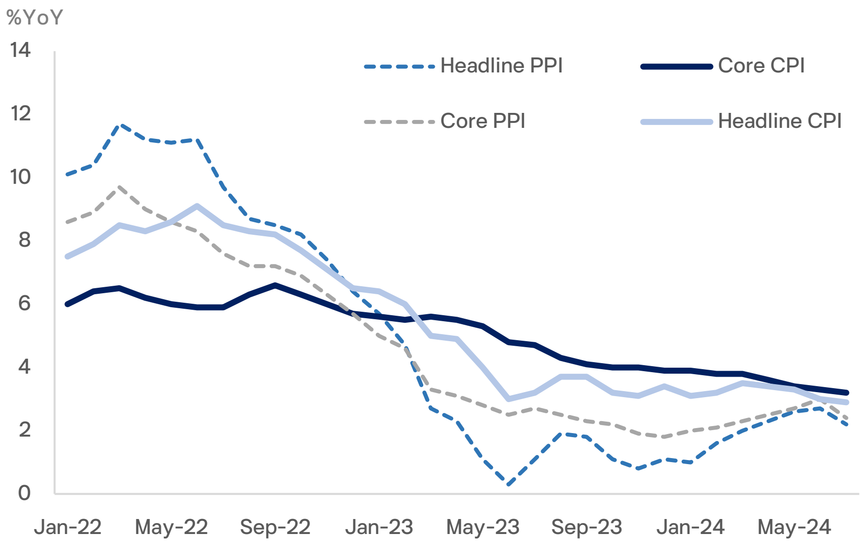
Source: Bloomberg CEIC and ttb analytics.

Weak July labor data sparks worries about a potential US recession, yet the overall data still indicates resilience

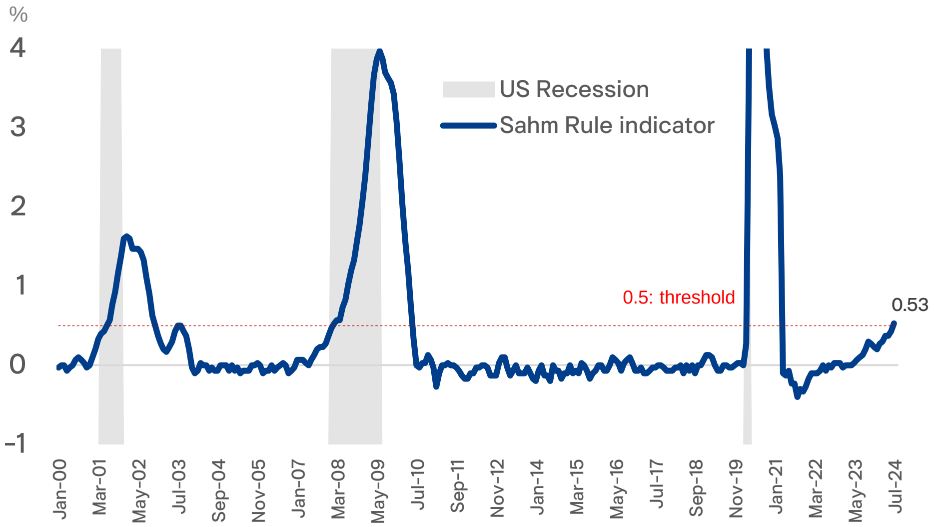
US labor market



US CPI and PPI

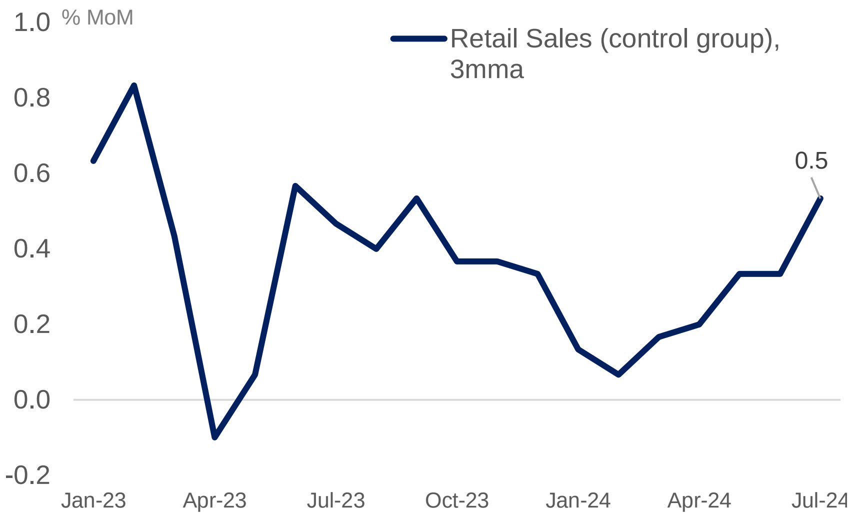


Sahm rule recession indicator



Noted: The Sahm Rule indicates a recession if the 3M avg unemployment rate rises by 0.50% or more from its lowest point in the past year

US Retail Sales



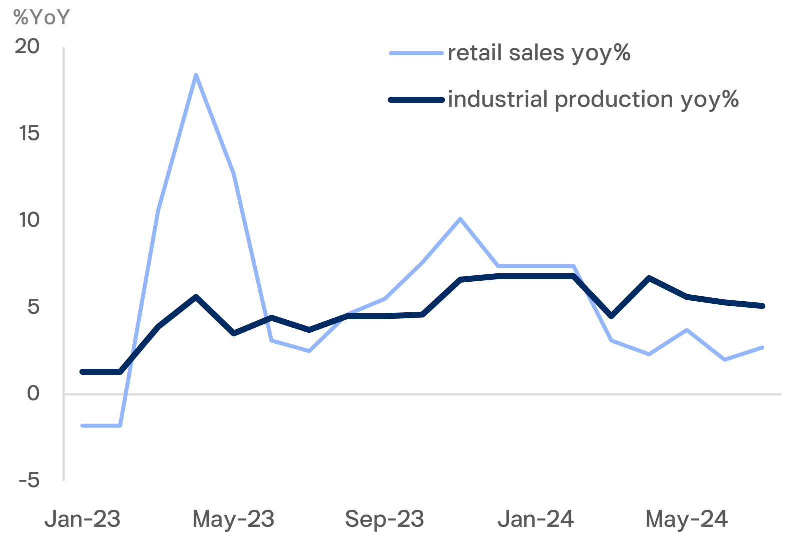
Noted: The control group for retail sales (which excludes restaurants, vehicles, gasoline and building materials)

- Nonfarm payrolls grew by 114,000, reflecting a broad slowdown and minor revisions for prior months. With unemployment at 4.3%, the Sahm Rule has triggered a recession warning, reflecting 0.53%, above the 0.5% threshold and maintaining its perfect track record since the 1970s.
- Inflation trends are leading the FOMC to plan gradual easing at its upcoming September meeting, as both CPI and PPI show signs of slowing down. However, the CPI details present a slightly less positive outlook than in June, with stronger core services partly counterbalanced by a more significant drop in core goods.
- The July retail sales report was robust, indicating a strong increase in real consumer spending for Q3. Retail sales rose by 1.0% month-over-month in July, driven by a rebound in auto sales and sustained strength in the control group.

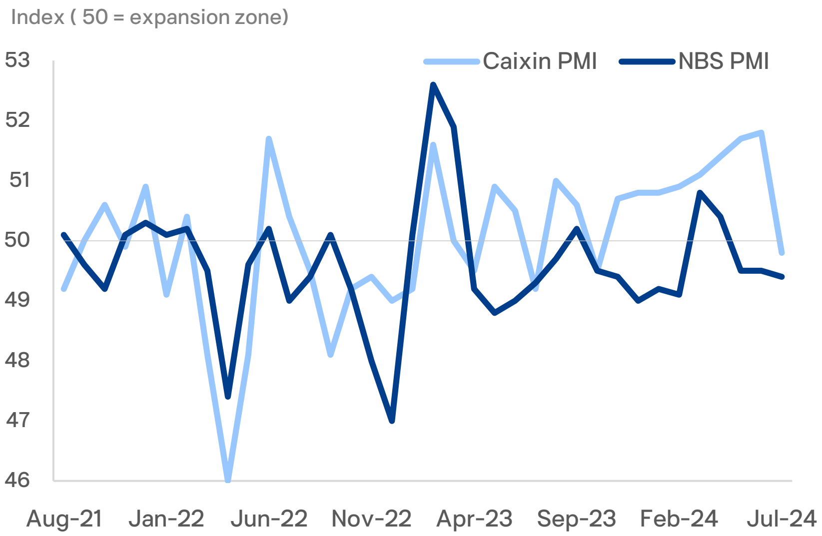
Source: Bloomberg, CEIC, ttb analytics (Data as of 15 July 24)

China's economic struggles continued into the third quarter, highlighting the need for more fiscal stimulus as domestic demand weakens due to the ongoing housing downturn.

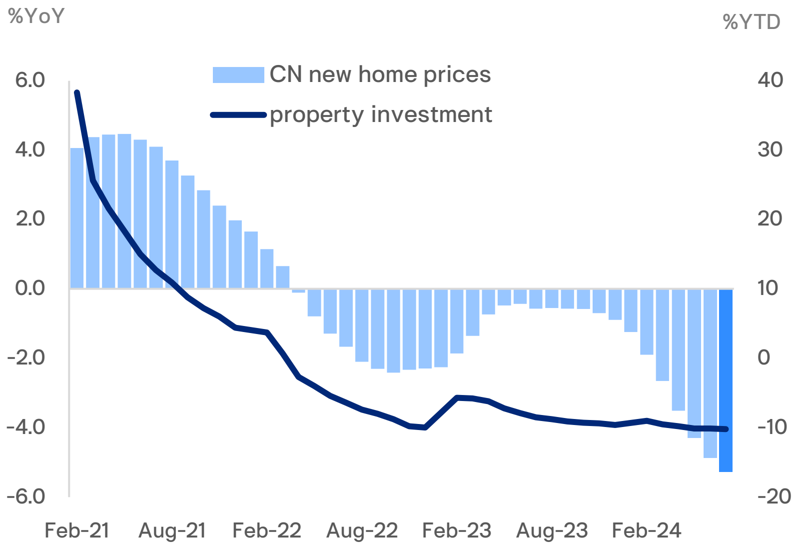
Retail sales and industrial production



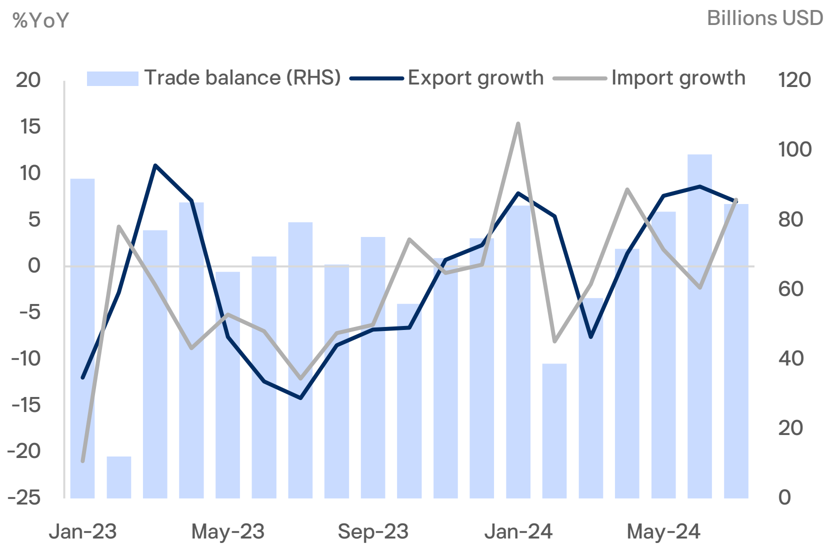
China PMIs



Real estate sector



China's Export and import, trade balance



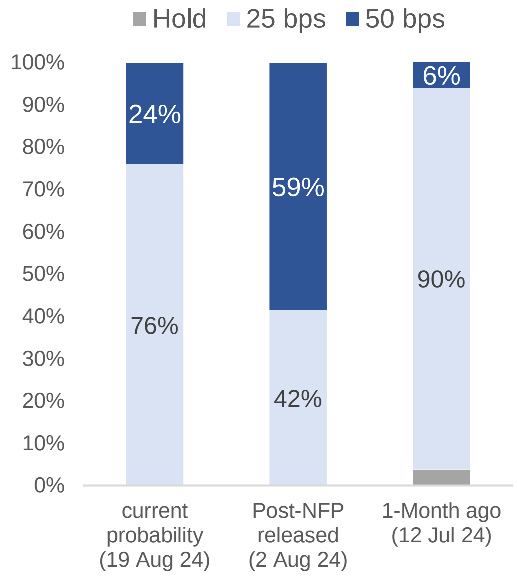
- Retail sales climbed 2.7% year-over-year, up from a 2% increase the previous month. The rise in retail sales was driven by a low base from the previous year, but it did not change the overall weak consumption trend.
- Industrial output increased by 5.1% in July compared to the previous year, a slight decrease from June's 5.3% rise. Growth slowed for the second consecutive month due to ongoing challenges in the property sector. Additionally, the PMIs highlighted continued weakness in China's growth, affecting not just the industrial sector but the broader economy as well.
- In July, China's new home prices dropped at their fastest rate in nine years, falling 5.3% from a year earlier. This decline, the steepest since June 2015, came despite Beijing's efforts to stabilize the market through policies like reducing mortgage rates and lowering home buying costs.
- China's export growth fell significantly below expectations, reversing the earlier upward trend and showing reduced shipments to emerging markets. The future for Chinese exports looks challenging due to the global manufacturing cycle and rising trade tensions.

Source: Bloomberg CEIC and ttb analytics.

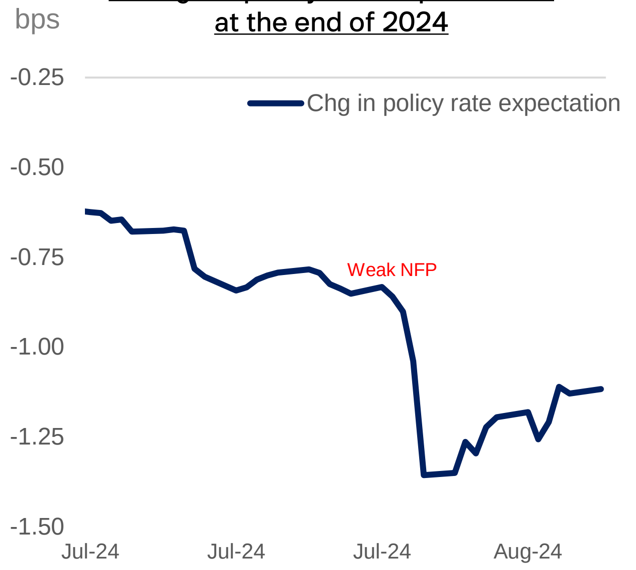
Given the current situation, the market anticipates that the Fed will cut its policy rate by at least 75 basis points this year.

Fed Watch tools

Market expectation on Sep meeting



Change in policy rate expectations at the end of 2024



Note: Implied rate, contract Dec 24 – current policy rate (As of 16 Aug 2024)

Asian countries' expectations

Country/Region	Current Policy Rate	Changes in policy rate during Fed hiked (bps)	Forecast policy rate at the end of 2024 (%)
Malaysia	3.00	125	3.00
South Korea	3.50	300	3.20
Indonesia	6.25	275	6.00
India	6.50	250	6.20
Philippines	6.25	425	6.10
Taiwan	2.00	87.5	2.00
China	2.30	-65	
Vietnam	4.50	50	4.50

Source: BOT, Bloomberg, CEIC, ttb analytics (Data as of 16 Aug24)

Latest Monetary Policy development

DM

- The ECB maintained its policy at the July meeting and left its rate guidance unchanged, emphasizing that there is no set path for future rate changes.
- The BoJ opted to raise rates to 0.25% and cut its JGB purchases to around JPY3 trillion by Q1 2026, noting that economic activity and prices are aligning with its projections
- The Bank of England voted 5-4 to cut interest rates for the first time since early 2020 and signaled more reductions ahead, easing the highest borrowing costs

EM

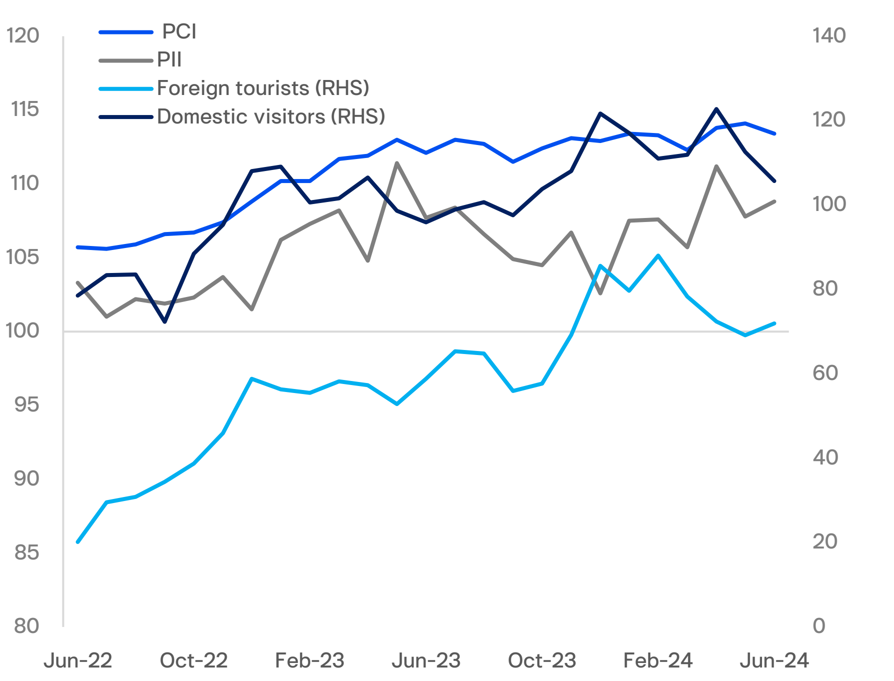
- After surprising rate cuts to the LPR and MLF, the PBOC now has greater flexibility to ease its policies, given that the Fed is expected to make significant rate cuts, and the Chinese economy needs support.
- The Fed's easing cycle is expected to impact emerging markets, signaling potential for earlier rate cuts for Asian central banks. However, the criteria for easing are primarily influenced by domestic factors.

PART 2

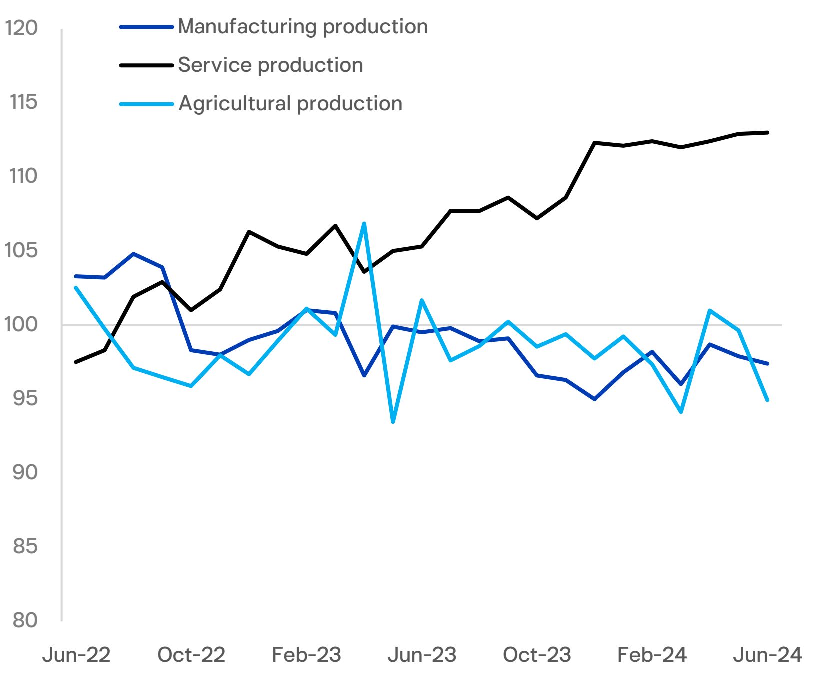
Thai Economy

In Jun24, overall economic activities slowed down from previous month

Demand-side indicators



Supply-side indicators



- In Jun24, Thai economy slowed down further from the previous month. The slowdown was attributed to decrease in private consumption, exports of goods as well as manufacturing production.
- Nonetheless, activities in tourism sector continued to expand from the previous month together with tourist receipt.
- On the economic stability front, the headline inflation slightly accelerated due to impact of rising in global oil and food price, while trade balance stayed positive for second consecutive month.

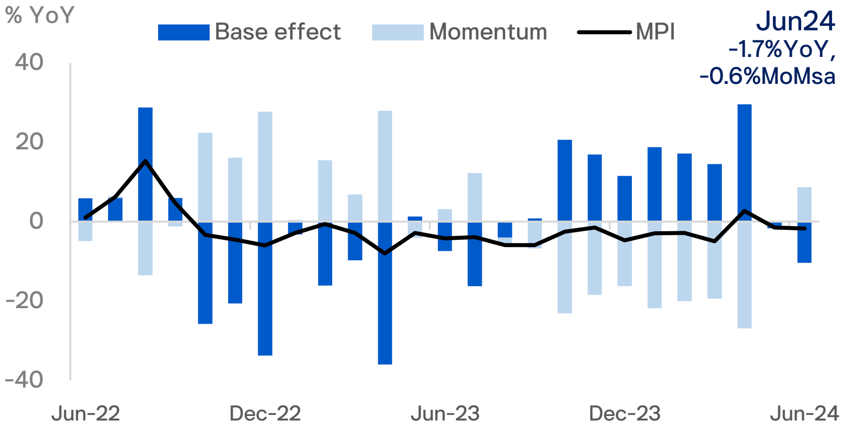
Leading Economic Index (sa) (Jan2020=100)

Leading Economic Index and Components (SA)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Authorized Capital of Newly Registered Companies (Million Ba	227.7	95.2	141.8	138.2	156.1	144.9	89.5	146.0	116.7	126.8	155.4	123.9	159.3
Construction Areas Permitted (1000 sq. m)	102.5	115.2	96.4	125.4	98.7	102.3	104.6	122.4	113.1	121.7	96.5	95.7	106.8
Export Volume index (exclude Gold)	111.4	110.1	108.1	113.4	111.4	110.7	110.0	110.2	106.4	108.9	113.8	112.4	111.6
Business Sentiment Index (3 months)	108.4	106.4	105.3	106.0	104.4	101.8	102.2	102.2	101.9	103.5	101.8	104.3	102.0
SET index	99.3	102.8	103.4	97.2	91.3	91.2	93.5	90.1	90.5	91.0	90.3	88.9	85.9
Oil Price Inverse Index (Dubai)	1.3	1.3	1.2	1.1	1.1	1.2	1.3	1.3	1.2	1.2	1.1	1.2	1.2

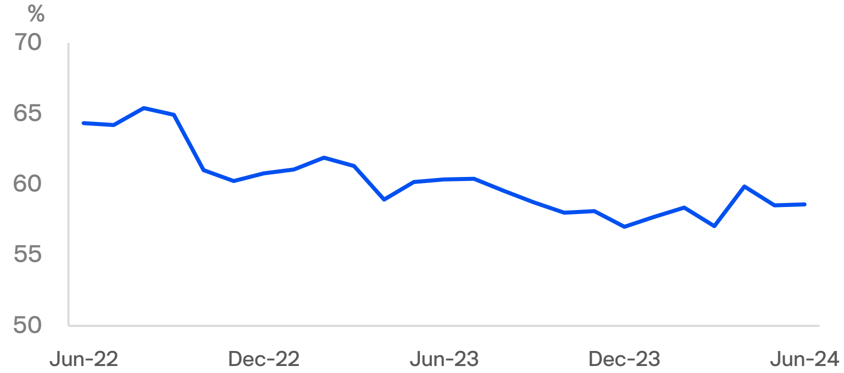
Source: Bank of Thailand and ttb analytics.

Manufacturing production growth declined for second-consecutive month in June

Manufacturing Production Index (MPI)



Capacity Utilization (CapU)



MPI by sector (base year 2021)

- As of Jun24, Manufacturing Production Index (MPI) contracted at 1.7%YoY, compared to the month earlier at 1.5%YoY contraction. The major attribution was in several categories, particularly in the production of passenger and commercial vehicles as well as rubber and plastic packaging production. However, petroleum production increased as refineries resumed operations after a shutdown for maintenance in the previous month. In addition, overall Capacity Utilization (CapU) remained low of 58.6%, relatively flatted from the preceding month of 58.5%.

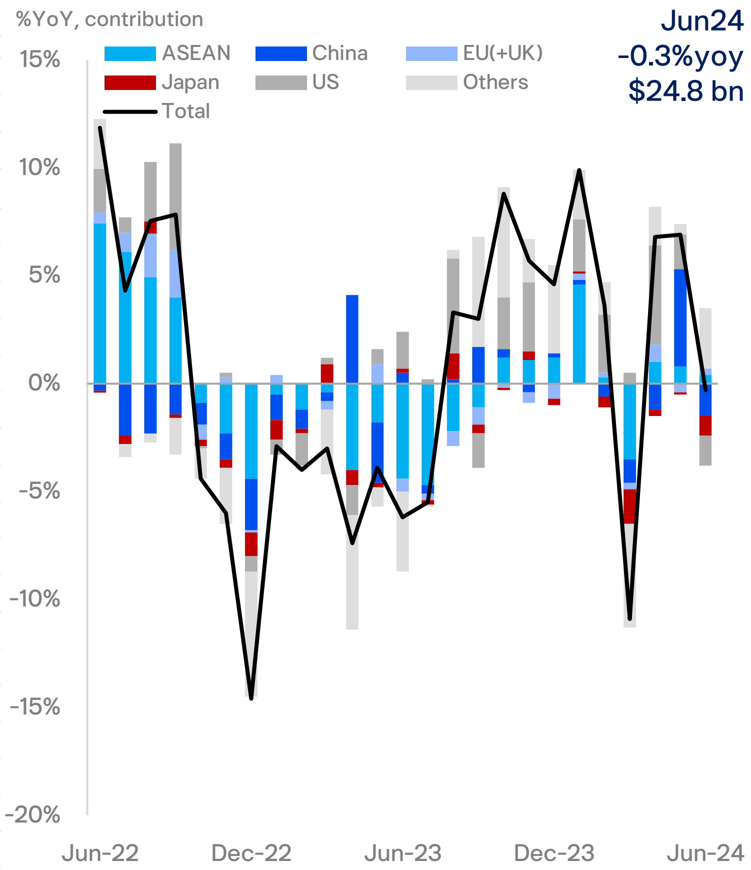
Source: BOT, The Office of Industrial Economics and ttb analytics.

June’s export growth slightly contracted, during first 6 months trade deficit of USD 5.2 billion

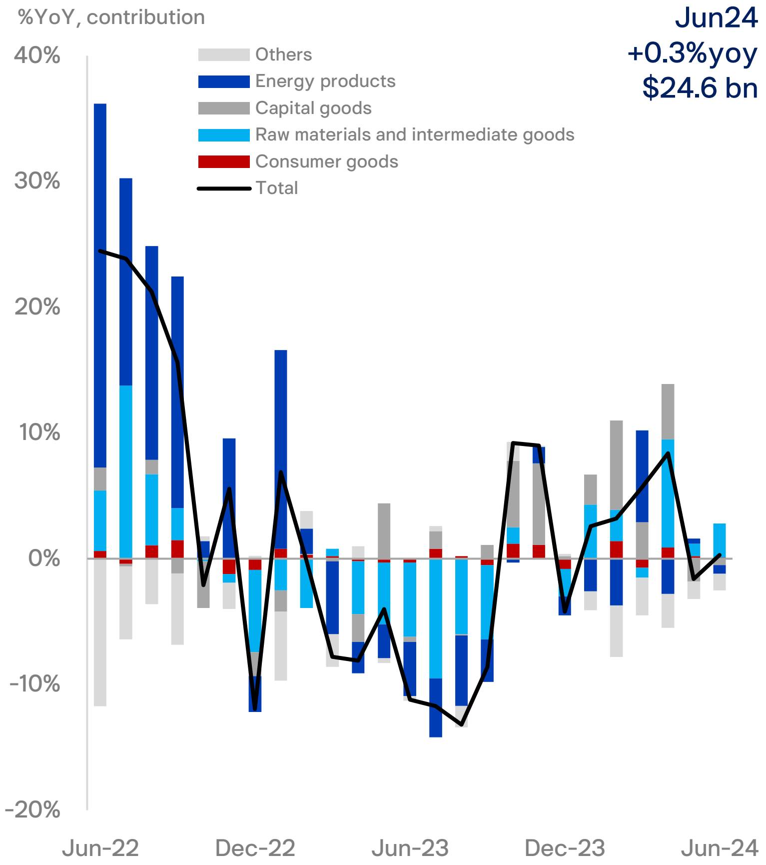
Exports value by product and destination

Unit: %YoY

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Agri-agro products													
Rice	-15.0%	18.8%	10.8%	51.4%	37.7%	67.9%	27.4%	45.9%	53.6%	30.6%	91.5%	-4.5%	96.6%
Rubber	-43.0%	-37.8%	-32.9%	-30.3%	-5.4%	14.5%	13.2%	5.5%	31.7%	36.9%	36.2%	46.6%	28.8%
Tapioca products	-16.7%	-7.7%	-12.8%	3.7%	4.8%	-12.8%	-51.2%	-27.0%	-20.4%	-16.7%	-9.6%	-17.0%	-3.8%
Fresh, Frozen & Dried vegetable and Fruit	7.4%	3.0%	58.9%	86.8%	27.6%	-12.4%	-13.5%	27.2%	-10.0%	-20.0%	-25.1%	91.9%	-31.0%
Poultry	-4.8%	-9.6%	-8.0%	-8.9%	1.5%	-2.6%	0.3%	5.0%	-0.5%	1.2%	12.1%	3.5%	-1.9%
Sugar	31.3%	-30.5%	-23.3%	16.0%	-25.4%	-9.9%	43.0%	-16.6%	-35.2%	-45.4%	-10.4%	-44.3%	-52.1%
Animal feeding	-16.1%	-12.3%	-10.6%	-7.9%	0.8%	3.3%	8.5%	9.1%	21.5%	29.6%	52.9%	39.2%	13.1%
Industrial products													
Motor Cars, Parts, Accessories	11.4%	18.8%	24.2%	-0.8%	3.6%	-5.1%	2.1%	-4.7%	-8.2%	-6.7%	13.5%	-8.0%	-0.6%
Computer and parts	-20.1%	-24.2%	-26.9%	-24.3%	-4.1%	10.3%	2.5%	32.2%	24.9%	-11.8%	62.0%	44.5%	22.0%
HDD	-36.5%	-46.3%	-48.4%	-33.7%	-29.0%	-0.9%	1.9%	39.7%	21.4%	-36.2%	85.2%	30.9%	4.4%
Integrated Circuits	5.3%	3.2%	39.8%	5.0%	-4.6%	-6.6%	3.1%	-1.9%	-13.2%	-18.2%	-9.2%	-11.9%	-21.4%
Air Conditioning Machine	-4.9%	-24.7%	-23.4%	-27.6%	-34.2%	-26.1%	-12.2%	-10.5%	-14.3%	-12.7%	12.9%	-7.7%	-8.5%
Refrigerating	-5.3%	-27.6%	-8.0%	-12.1%	34.7%	48.1%	71.0%	30.4%	-0.2%	-13.4%	2.2%	-14.1%	-1.9%
Electronic Machines	0.2%	2.5%	9.3%	-4.7%	5.5%	10.9%	0.5%	18.0%	12.5%	-8.4%	25.5%	22.9%	8.3%
Plastic pallet	-22.3%	-15.8%	-9.9%	-5.3%	3.1%	-10.7%	0.0%	-0.3%	-2.7%	-13.7%	0.5%	-0.4%	-6.3%
Chemical Products	-14.3%	-30.5%	-11.1%	-18.1%	-10.6%	-0.6%	-6.5%	-1.6%	-14.2%	-10.9%	16.4%	-3.2%	-5.5%
Machinery & Parts	0.2%	6.0%	6.4%	4.1%	7.8%	15.3%	2.9%	7.6%	-2.5%	1.3%	58.8%	12.4%	7.2%
Rubber Products	-7.0%	-6.2%	-4.7%	-5.5%	0.1%	0.7%	3.9%	3.7%	-4.1%	-6.9%	1.5%	-8.7%	-2.2%
Refined oil	-26.1%	-38.0%	21.2%	27.3%	65.1%	55.4%	42.6%	5.3%	-9.6%	-6.1%	-21.2%	-0.5%	2.8%
Jewelry ex gold	31.2%	-2.8%	-10.4%	27.2%	8.7%	2.9%	6.8%	21.5%	6.5%	-3.1%	8.2%	3.9%	-4.3%
Total export	-4.2%	-6.2%	2.6%	2.1%	8.0%	4.9%	4.7%	10.0%	3.6%	-10.9%	6.8%	6.9%	-0.3%



Imports value by groups

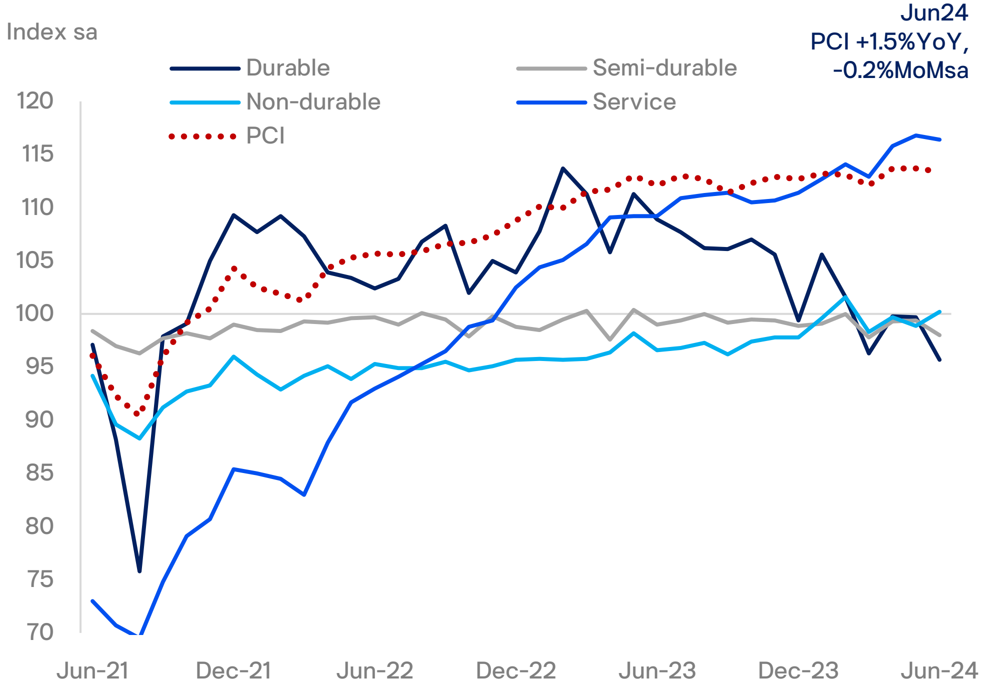


- Export value in Jun24 contracted 0.3%YoY, decreased from previous month of 6.9%YoY expansion. A major decreases were in 1) agricultural products due to the durian harvest season in the eastern region entered an end 2) electronic products from lower exports of communication equipment and 3) agro-manufacturing products, following lower exports of palm oil and sugar. On the other hand, import value increased 0.3%YoY, compared to previous month of 1.6%YoY contraction, which was mainly attributed to the growth of raw materials and intermediate goods (e.g., jewelry, gold, copper) and consumer goods (e.g., mobile-phones and leathers), which resulting in a trade surplus of USD 218 million. (During first 6 months of 2024, trade deficit stood at USD 5.2 billion)

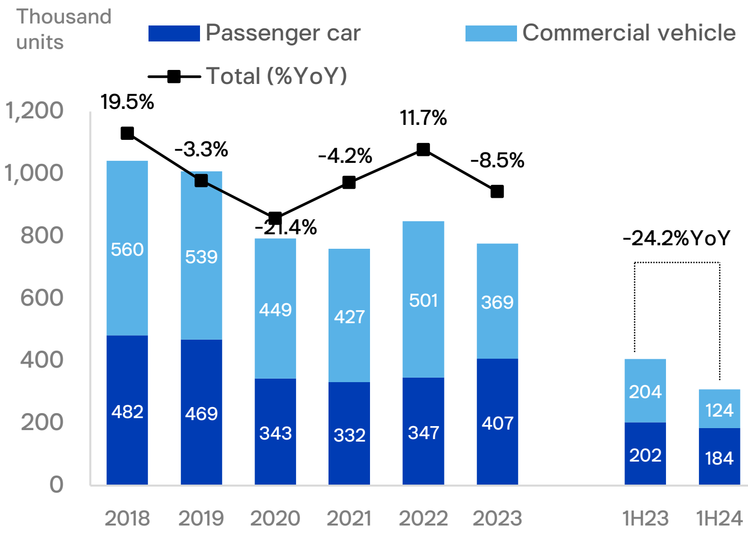
Source: Ministry of Commerce and ttb analytics Remark: Custom basis

Private consumption indicators remained stable from previous month

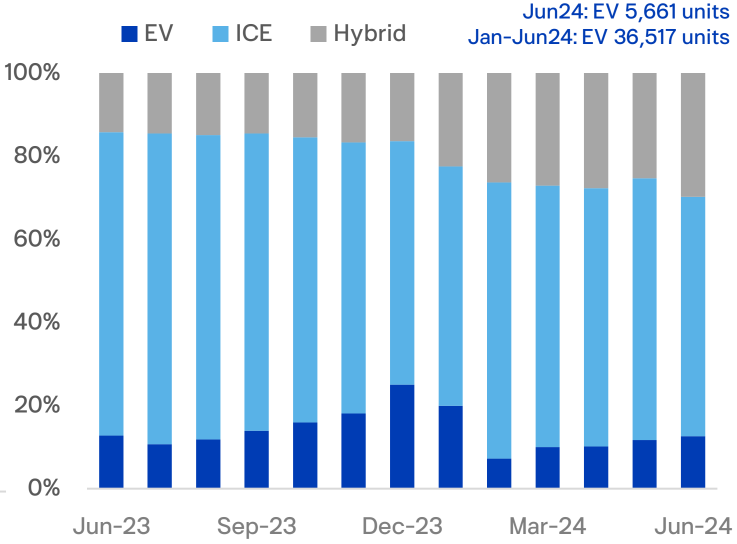
Private Consumption Indicators (SA)



Domestic car sales**

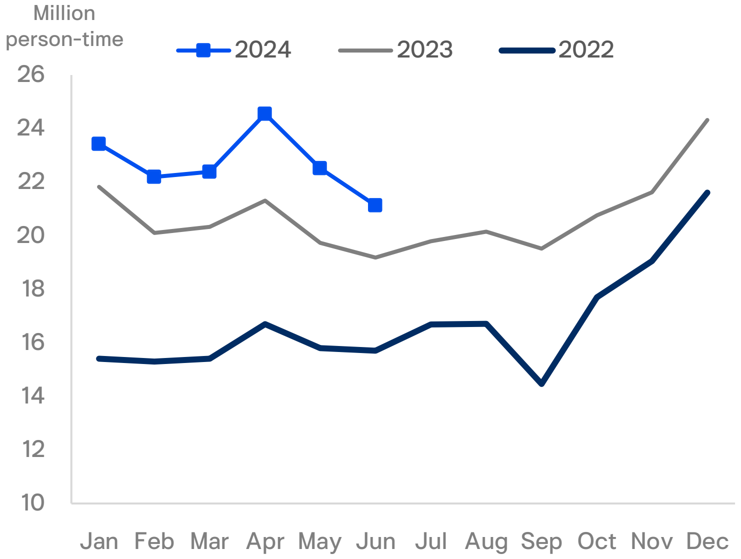


EV penetration of type 1 registration

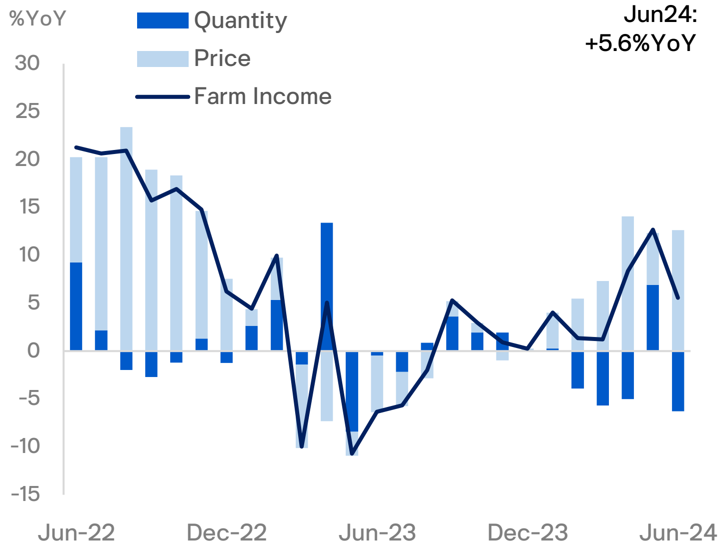


- Private consumption indicators slightly decreased from the previous month from spending on durables, semi-durables and services. However, spending on non-durables increased, due to higher sales in consumer goods, excluding alcoholic beverages.
- Meanwhile, nominal farm income increased 5.6%YoY, compared to the previous month of 12.7%YoY thanks to higher agricultural price effect last year.

Thai domestic visitors*



Farm Incomes

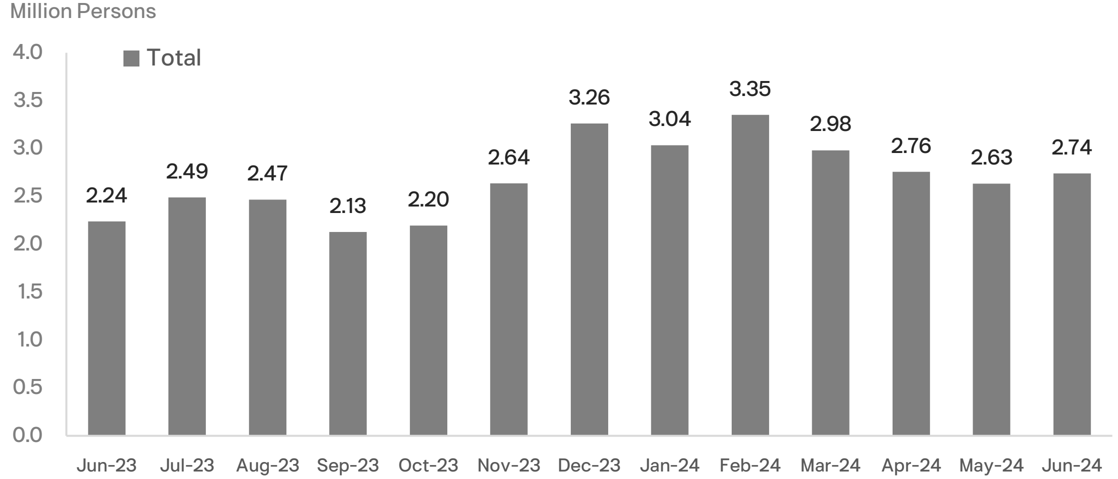


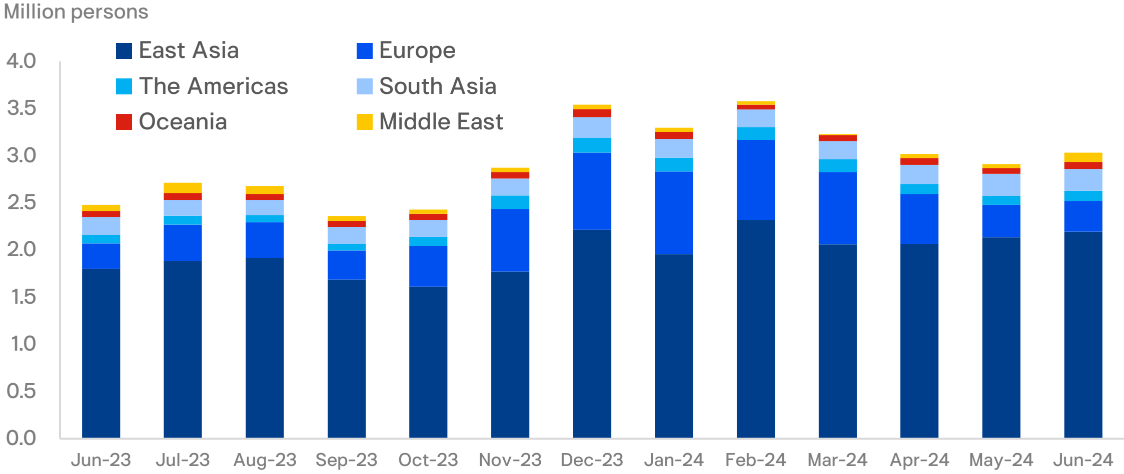
Source: Bank of Thailand, The Federation of Thai Industries, CEIC and ttb analytics

Remark: *Data not include replication in number of visitors **Commercial Vehicle (CV) * covering pickup, PPV and others commercial car, Passenger Car (PC) ** covering sedan and SUVs,

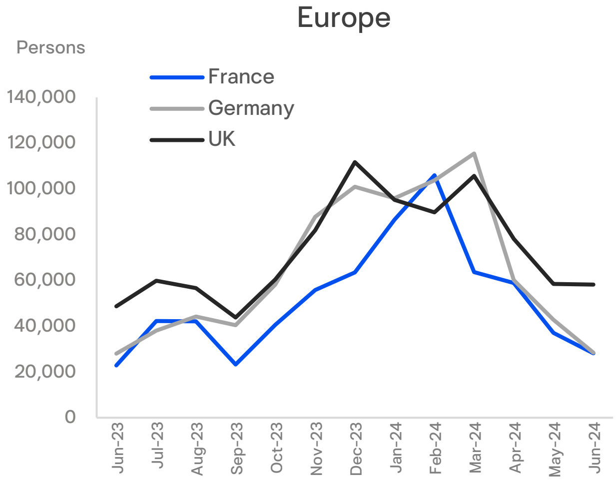
Foreign arrivals rebounded slightly in June

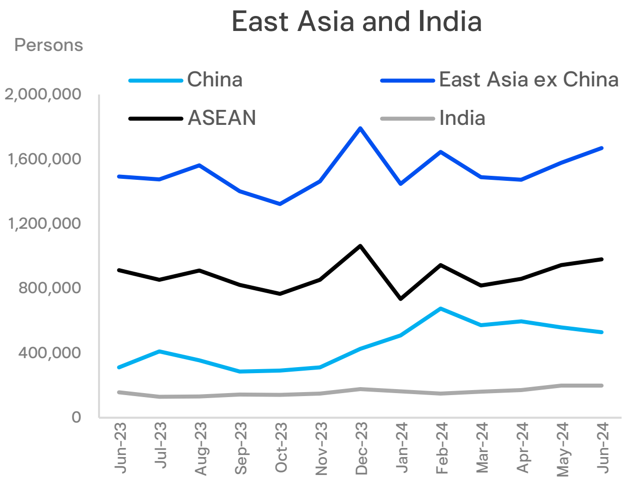
Total Foreign Tourist Inbounds

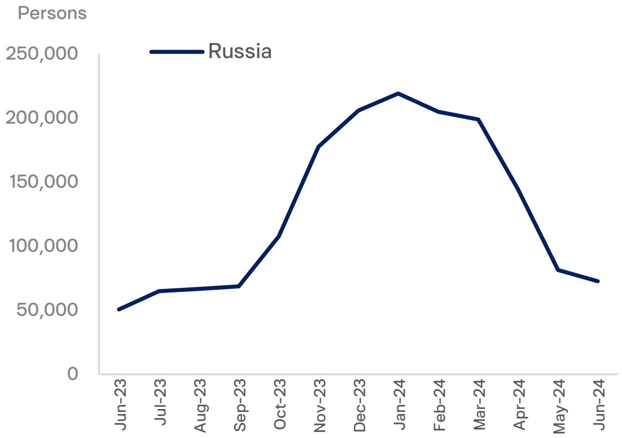


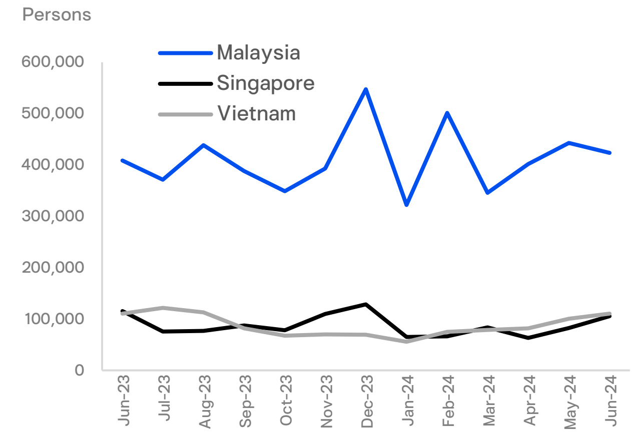


Foreign Tourist Inbounds by key regions







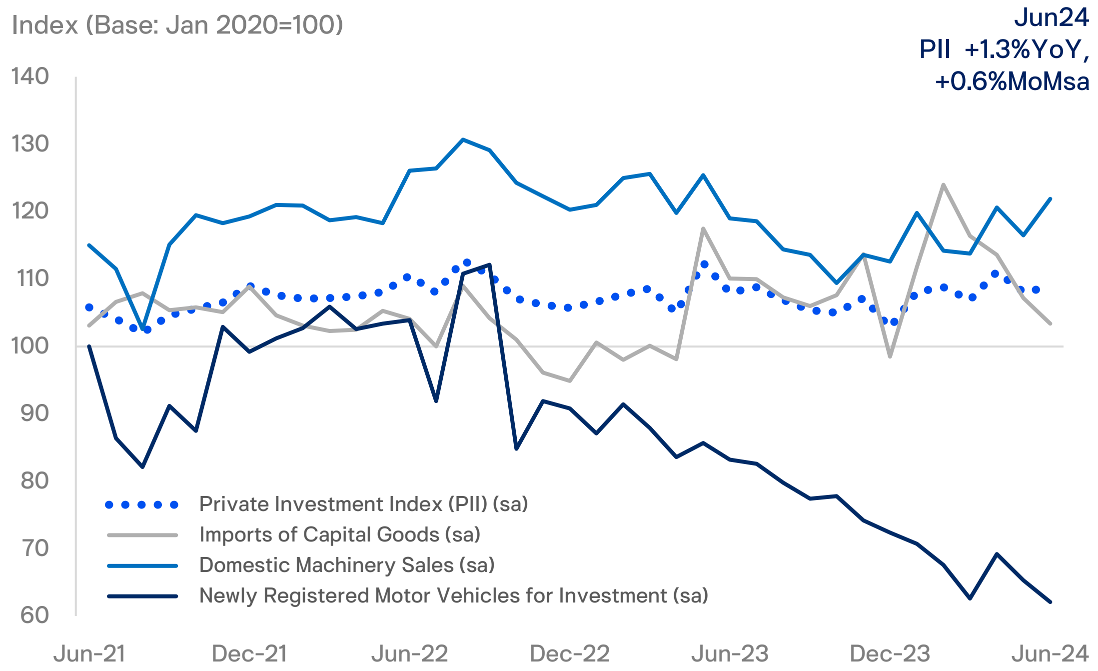


- As of Jun24, foreign tourist arrivals was at 2.74 million, increased from previous month as mainly from rising in number of tourists from East Asia ex. China, Northern Europe and the US. During first 6 months, number of foreign arrivals reached 17.5 million persons.

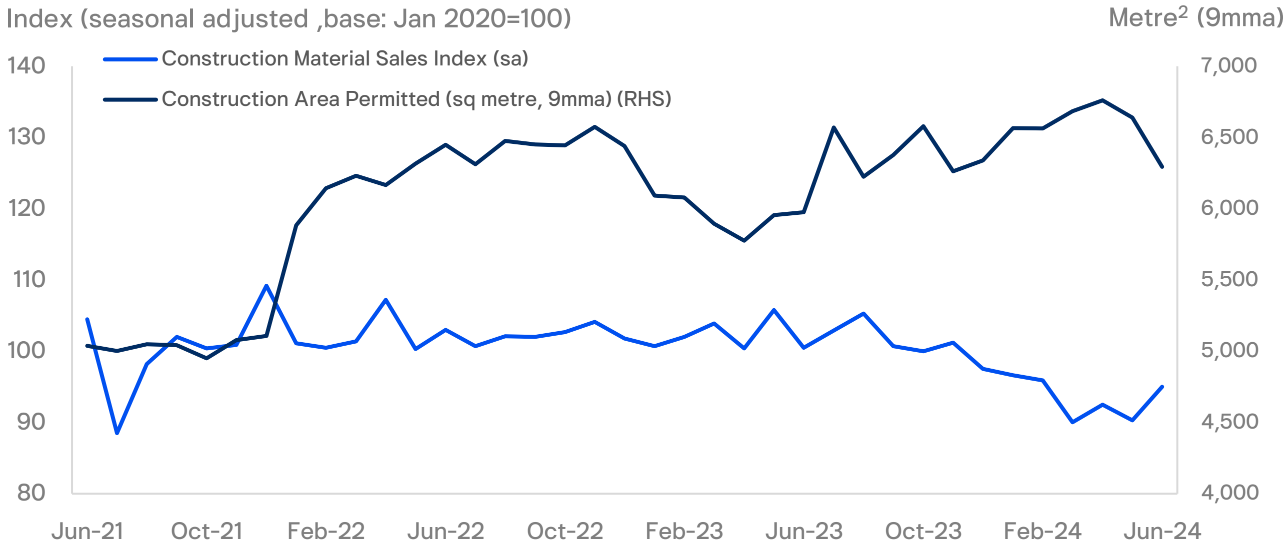
Source: CEIC, TAT Intelligence Center and ttb analytics

Private investment gradually increased thanks to investment in machinery, equipment and construction corresponding to the business sentiment index

Private Investment Indicators (SA)

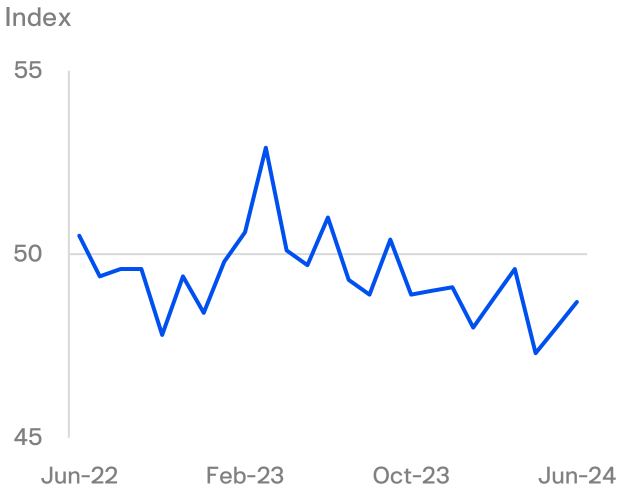


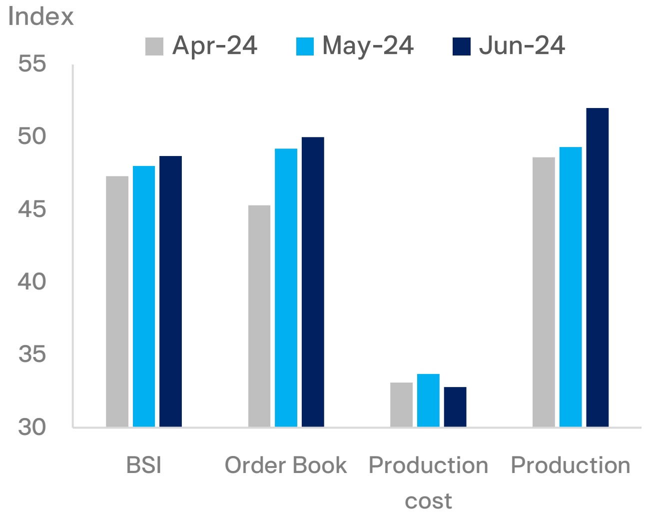
Construction sector (SA)



- Private investment indicators increased from both investment in machinery, equipment, and construction. Domestic machinery and equipment sales increased in the computers and peripherals, despite a decline in imports of capital goods and registrations of commercial vehicles.
- Investment in construction also increased, reflected by higher construction material sales in cement and concrete piles. Meanwhile, permitted area for construction dropped at the lowest in a year.

Business Sentiment Index (BSI)

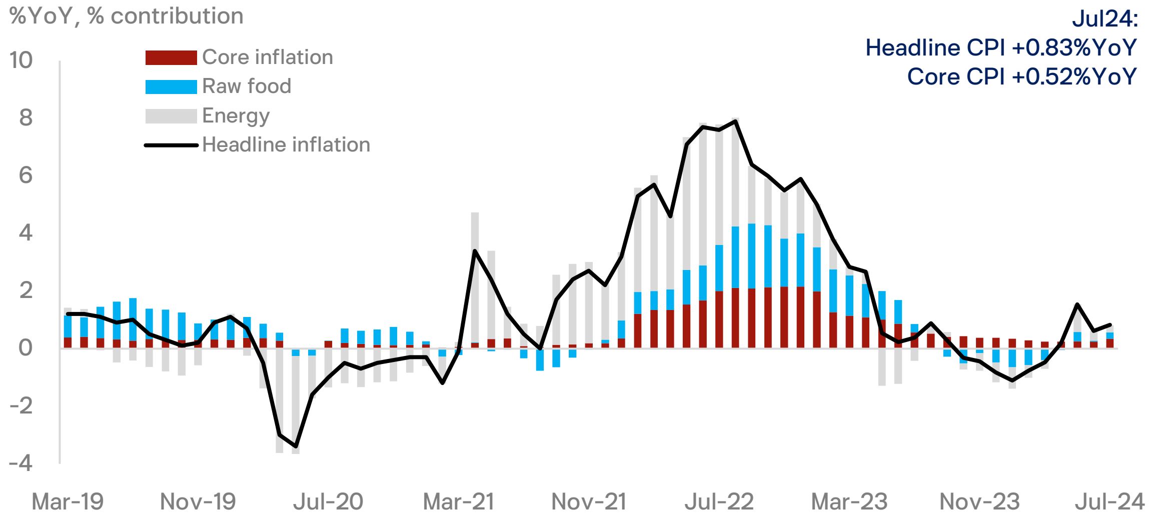




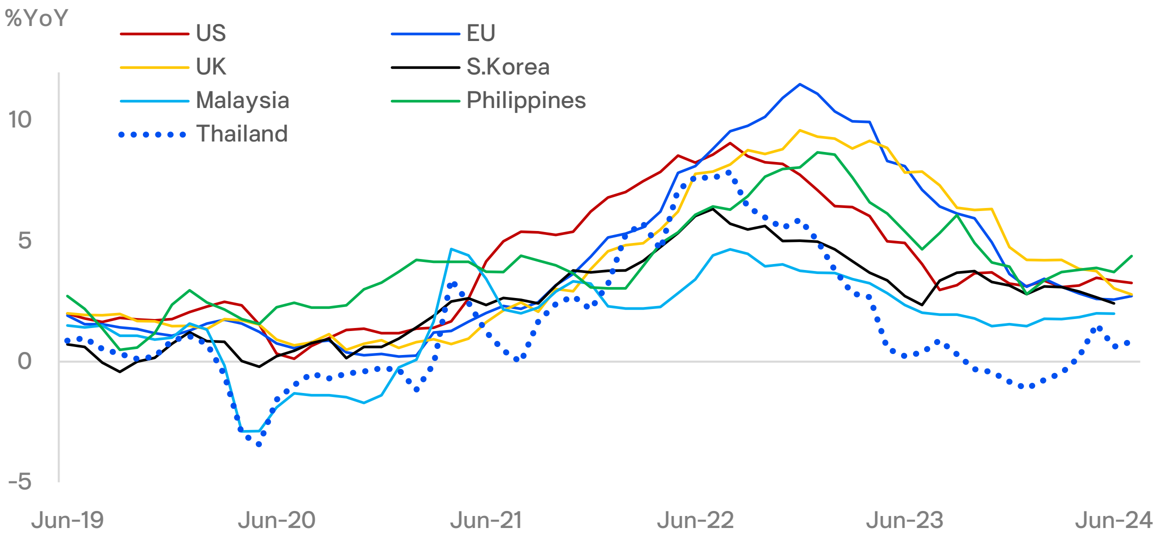
Source: Bank of Thailand and ttb analytics.

Headline inflation picked up in July due to higher energy and food price, but still below the central bank target range

Thailand's inflation contribution to growth



Headline inflation in Asia countries



Price change in top categories

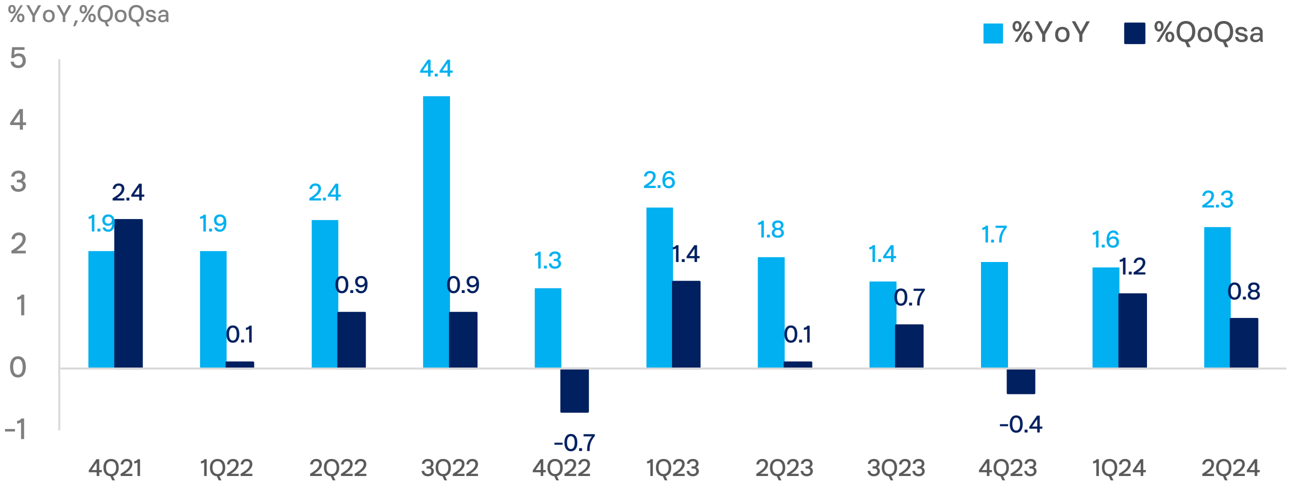
%YoY	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Headline inflation	0.23	0.38	0.88	0.30	-0.31	-0.44	-0.83	-1.11	-0.77	-0.47	0.19	1.54	0.62	0.83
Raw food	3.92	1.37	0.00	-1.30	-2.45	-0.76	-2.30	-3.07	-2.71	-1.91	-0.04	8.42	0.04	0.23
Prepared food	3.42	1.88	1.76	1.33	1.44	1.30	1.18	1.02	0.75	0.69	-0.20	1.51	0.19	1.10
Poultry	7.27	4.55	1.22	0.86	0.13	1.00	2.83	1.74	0.98	1.16	0.64	0.61	0.67	1.54
Eggs and dairy products	8.87	10.41	8.47	6.93	6.70	6.65	6.97	4.85	2.88	3.81	1.27	0.18	-0.52	-0.04
Meats	-11.29	-13.70	-15.98	-16.47	-17.85	-17.69	-16.32	-15.39	-14.55	-12.32	2.64	3.48	4.07	2.89
Utilities	7.26	6.91	6.62	-3.13	-3.15	-3.15	-3.14	-3.13	-3.11	-3.43	-11.29	-8.09	-7.18	-5.16
Energy	-9.11	-3.12	2.58	1.21	-1.55	-4.52	-5.12	-5.53	-3.33	-2.25	-0.09	7.15	2.43	1.78
Core inflation	1.32	0.86	0.79	0.63	0.66	0.58	0.58	0.52	0.43	0.37	0.37	0.39	0.36	0.52

- The headline inflation (CPI) rose 0.83%YoY in Jul24, increased from previous month of 0.62%YoY. The rebound in price pressures was primarily due to increasing in energy following rising global oil price, and food (rice, instant food, fruits). Meanwhile, core inflation ticked up to 0.52%YoY in July from the previous month's 0.36%YoY.
- During first 7 months of this year, headline and core inflation stood at 0.11%YoY and 0.42%YoY respectively.

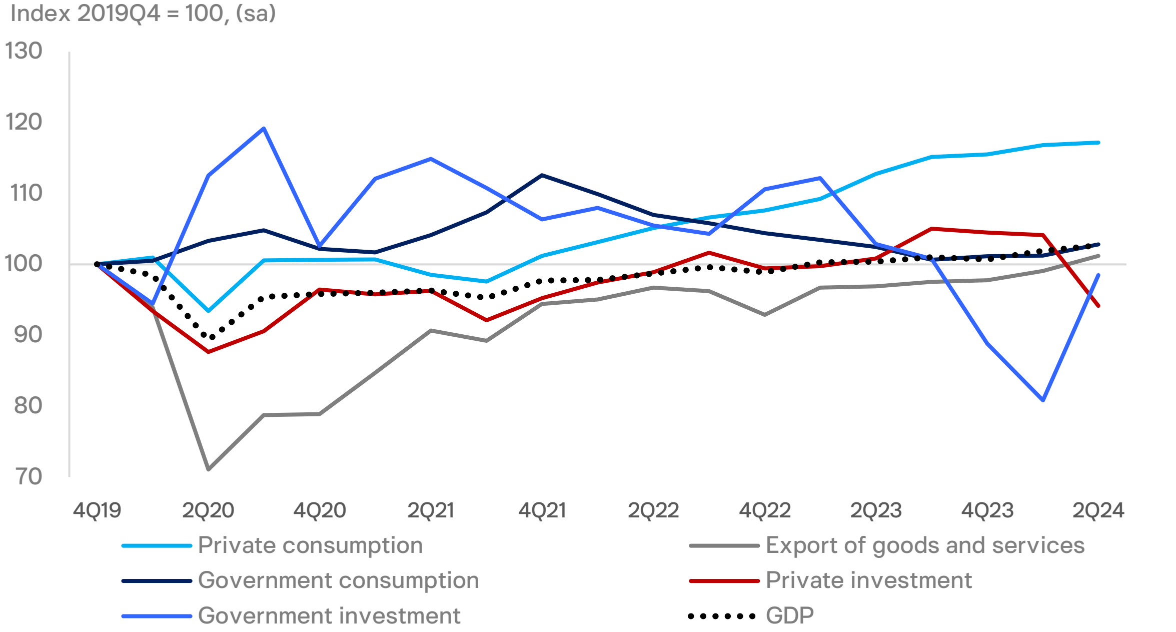
Source: Ministry of Commerce, CEIC and ttb analytics

GDP in Q2/2024 expanded 2.3%yoy, accelerated from previous quarter, which mainly attributed to increase in government expenditure due to the disbursement of the annual budget while private spending decelerated

Real GDP growth



Growth path development from pre-covid level



GDP growth composition (%yoy)

% compared to previous year	2022	2023	2023				2024	
			Q1	Q2	Q3	Q4	Q1r	Q2
GDP	**2.5**	**1.9**	**2.6**	**1.8**	**1.4**	**1.7**	**1.6**	**2.3**
Private consumption (59%)	6.2	7.1	5.9	7.3	7.9	7.4	6.9	4.0
Private investment (18%)	4.7	3.2	2.8	1.4	3.5	5.0	4.6	-6.8
Government consumption (17%)	0.1	-4.6	-6.0	-4.3	-5.0	-3.0	-2.1	0.3
Public investment (8%)	-3.9	-4.6	4.2	-2.1	-3.4	-20.1	-27.7	-4.3
Export of goods (54%)	1.1	-2.8	-5.6	-5.3	-3.0	3.4	-2.0	1.9
Import of goods (50%)	1.2	-3.8	-3.6	-4.8	-10.4	5.0	4.3	-1.0
Export of Service (5%)	59.9	38.3	66.9	53.7	30.6	14.9	24.7	19.8
Import of Service (9%)	13.6	4.2	14.5	6.4	-5.2	2.1	9.1	6.6

- In Q2/24, Thai economy rose by 2.3%yoy, compared to a rise of 1.6%yoy in Q1/24 or +0.8%QoQsa, which better than market expectation of 2.1%yoy, thanks to general government final expenditure, and exports of goods and services. Meanwhile, tourism-related services decelerated as well as private final consumption expenditure and private investment.
- During first half of 2024, GDP growth increased 1.9%yoy. NESDC revised narrowly its GDP projection range to 2.3-2.8% from previous forecast of 2.0-3.0%.

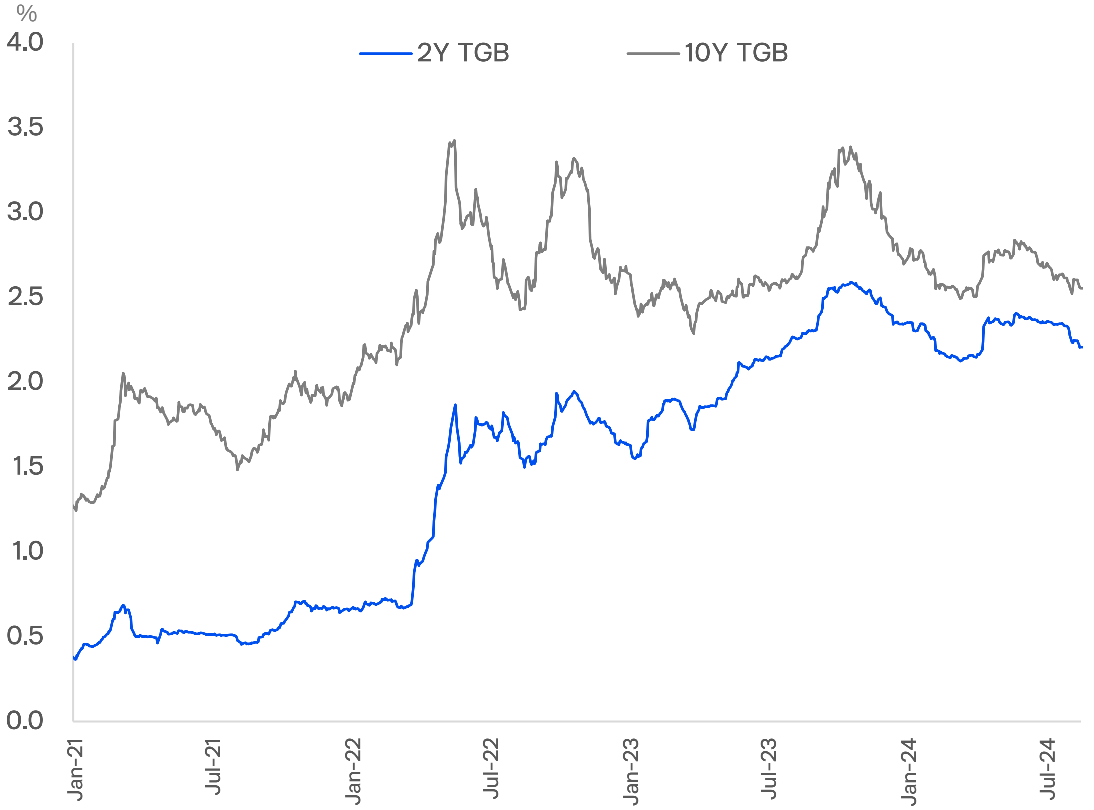
Source: NESDC, ttb analytics
Remark: (.) indicates share to GDP

PART 3

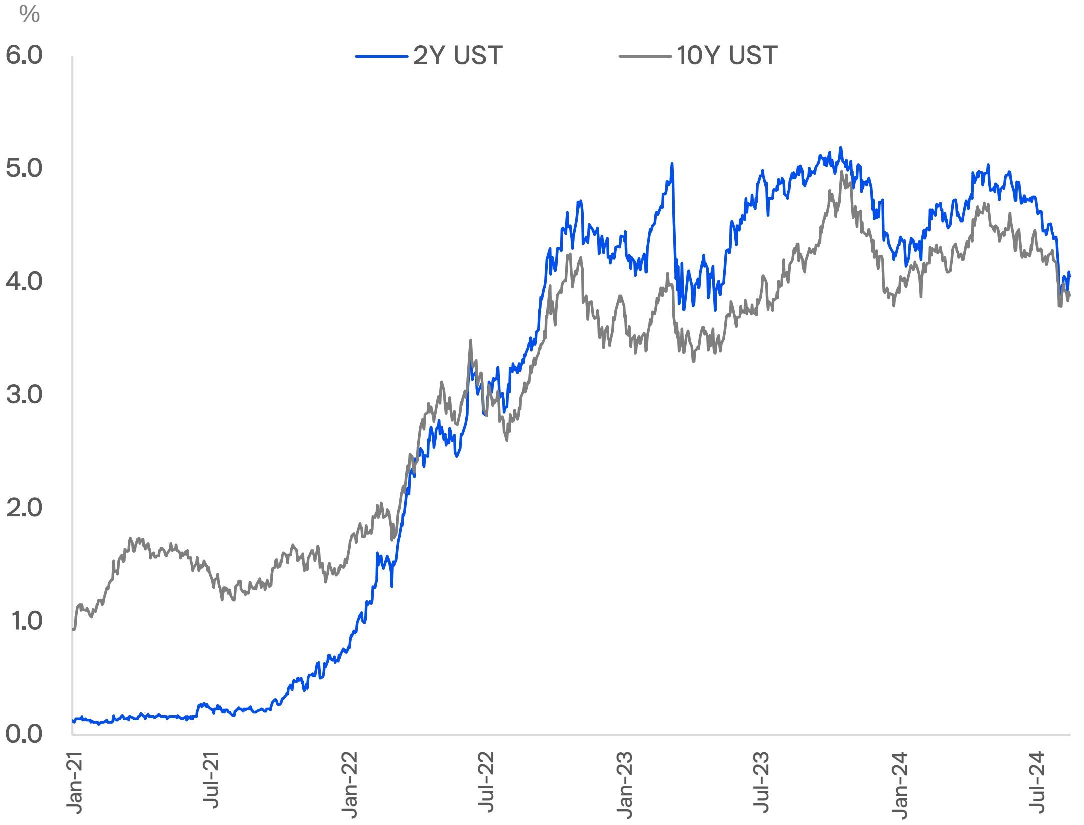
Financial Market

U.S. Treasury yields plunged as investors anticipated further Federal Reserve rate cuts, while TGB yields showed a slight alignment with this trend

Thailand 2-yr and 10-yr government bond yield



US 2-yr and 10-yr government bond yield

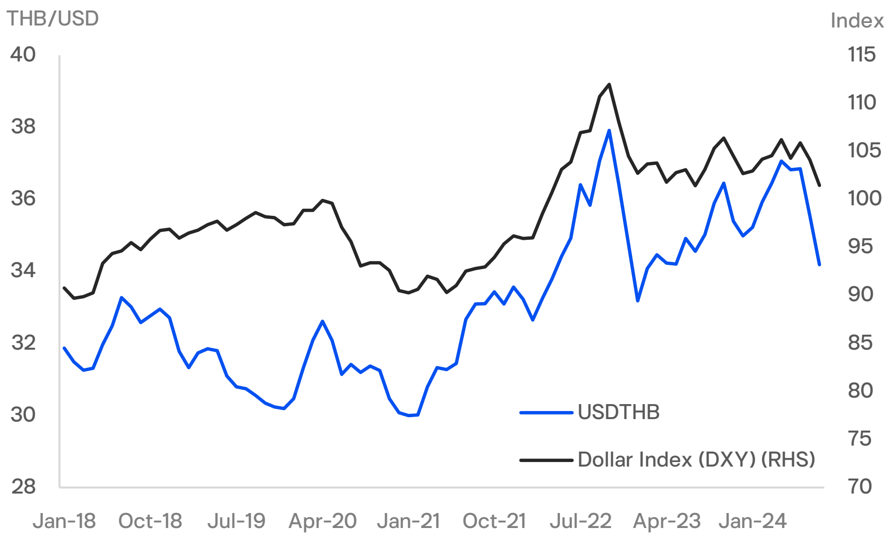


- U.S. government bond yields, including both the 2-year and 10-year Treasury yields, dropped significantly as markets anticipated substantial Federal Reserve rate cuts this year due to concerns about a potential U.S. economic recession. However, these yields edged up slightly as those fears subsided. In a similar fashion, Thai government bond yields also tracked the movements of U.S. bond yields, though to a lesser extent, and continued to exhibit a bull flattening trend.

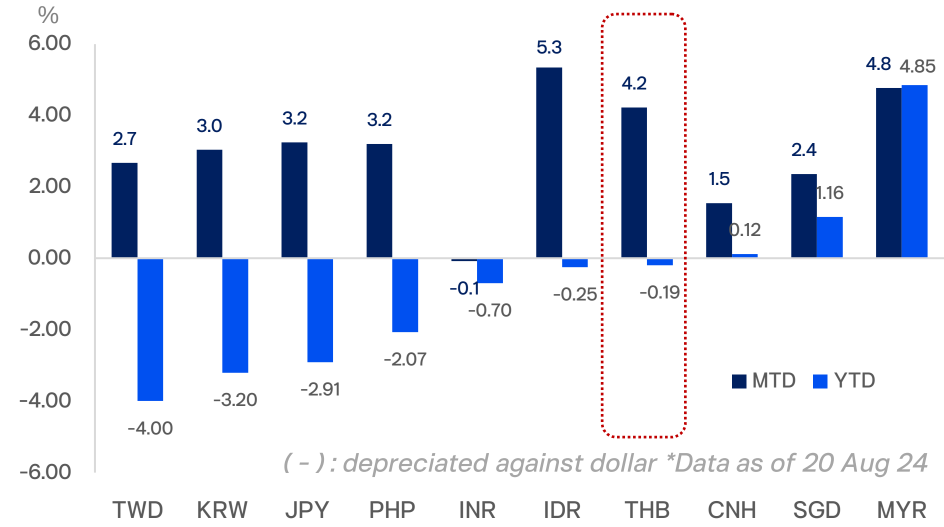
Source: Bloomberg CEIC and ttb analytics (Data as of 16 Aug 24)

Thai baht appreciated notably to under 35 baht per dollar, supported by a weaker dollar and increasing gold prices, despite the uncertainty in political policies

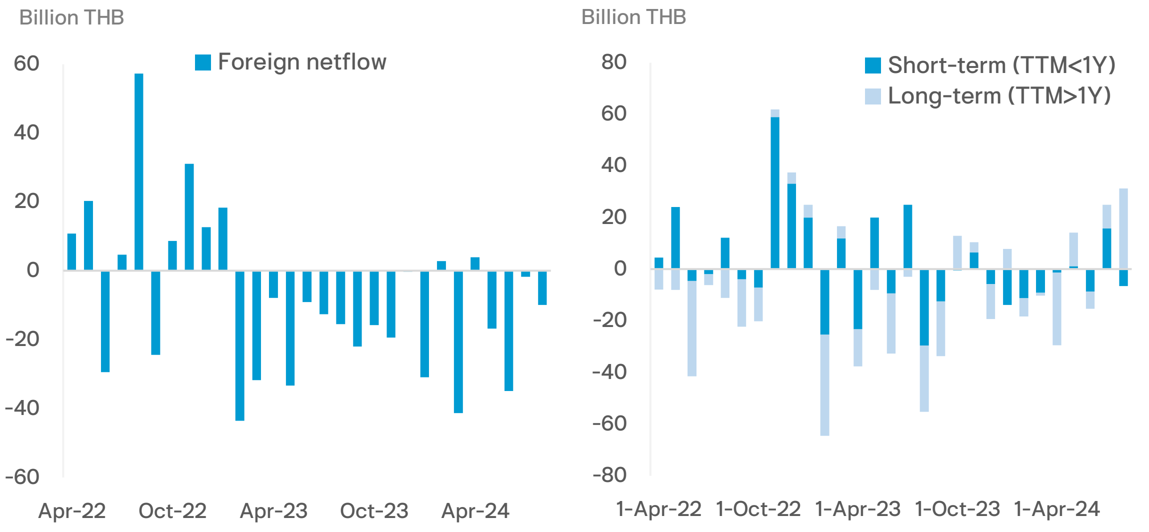
Thai Baht and Dollar Index movement



Asian FX spot return against US dollar



Foreign portfolio flow in equity and bond markets



Note: August fund flows cover first 20 days.

THB movement explained by gold

Note: R-squared is derived from performing a daily linear regression on 3-month data

- Recession fears from weak labor data are boosting Fed cut bets and pressuring the dollar. However, as US economic data improve, this pressure is slightly fading.
- The Thai baht strengthens and falls to just under 34.00 baht per dollar, partly due to weak dollar and its correlation with gold prices amid political uncertainty in the country.
- Portfolio flows are beginning to shift, with the global bond rally increasing bond inflows into Thailand. Meanwhile, equity outflows continue but are less pronounced.

Source: Bloomberg, CEIC and ttb analytics (Data as of 20 Aug 24) ttb | a·n·a·l·y·t·i·c·s