Economic and Financial Outlook

ttb analytics

June 2026

Executive Summary

Global Economy

- Recent global economic data remained resilient, with the May PMI indicating steady growth. Global inflation pressures remain elevated, driven mainly by higher oil prices. Nonetheless, oil prices have recently eased as US–Iran negotiations progressed and an initial MoU was reached, reducing tail risks. However, uncertainty remains high as nuclear talks are still far from a final agreement.
- US economy stays solid as labor market holds firm. Meanwhile, China's economic data show softer domestic demand, while external demand remains robust.
- On monetary policy, Fed turns more hawkish as dot plot signals one rate hike; meanwhile other central banks remain cautious on inflation risks despite signs of easing.

Thai Economy

- In April 2026, overall economic activity registered a slowdown compared to the previous month, as reflected by lower consumption and tourism, driven by lower spending on non-durable products as well as spending on hotel and restaurant. Meanwhile, merchandised export growth remained robust regarding US shipment due to AI-related demand alongside with a temporary boost from the short-term easing of US tariff measures.
- Thailand's trade balance outlook is facing more fragile and could deteriorate as temporary export support fades while import intensity stays elevated. Despite strong export growth, but some support appears temporary and vulnerable to external risks. Persistently high energy costs are lifting oil-related imports, and China's growing penetration in intermediate and capital goods is raising structural import dependence.
- The headline inflation (CPI) in May 2026 continued to rise but at the slower pace compared to previous month. This was driven by persistently stable fuel prices and passing-through energy and utility prices marginally. In addition, prices of dairy products, eggs and meats also declined slightly. On the other hand, the core inflation accelerated, reflecting broader cost pass-through into non-food and non-energy items.

Financial Markets

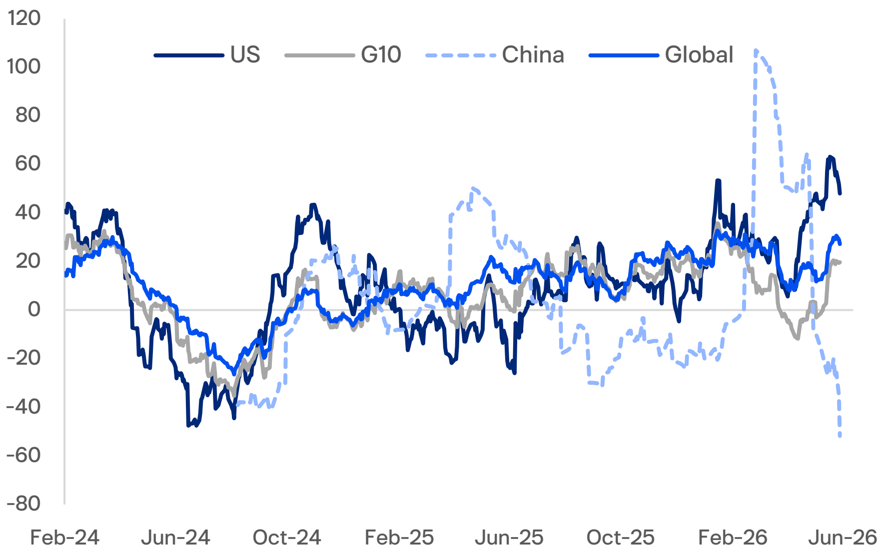
- The US treasury yield curve flattened as the 2-year yield surged following a more hawkish-than-expected June FOMC. Meanwhile, Thai bond yields declined across the curve, with a bull flattening move as long-end yields fell faster than short-end yields following the decline in oil prices amid easing US-Iran tensions.
- Dollar overall strengthens on hawkish Fed repricing despite potential US-Iran peace progress. Meanwhile, The Thai baht weakened, in line with movements across major and regional currencies. In addition, Thai baht faces downside pressure from gold, given their historical correlation and gold's weakness during Fed hiking cycles.

PART 1

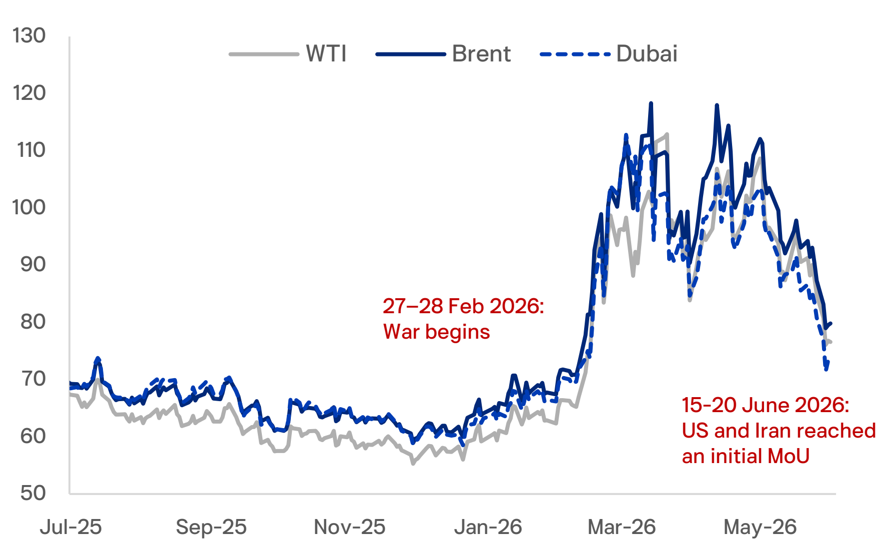
Global Economy

Global economic data stays firm, but energy risks persist amid fragile de-escalation

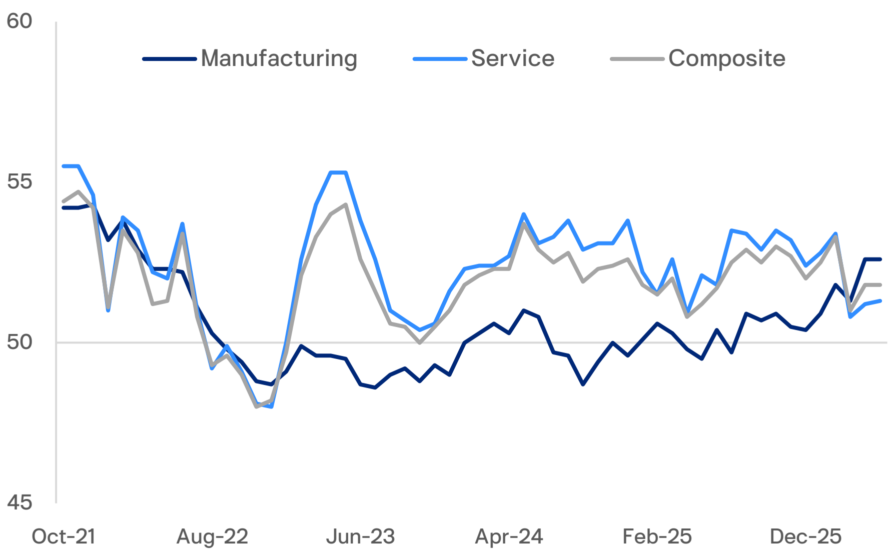
Economics surprise indices



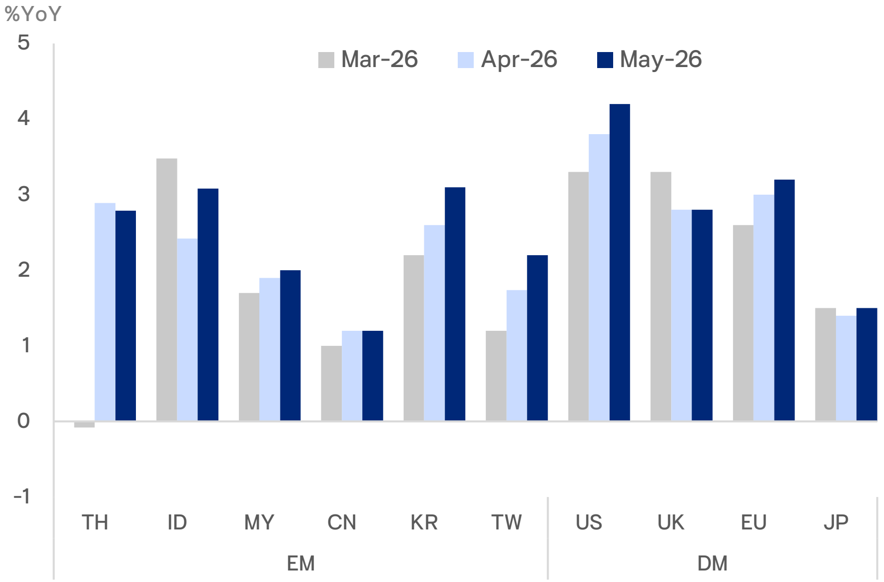
Crude oil prices



Global PMIs



Headline inflation across selected countries



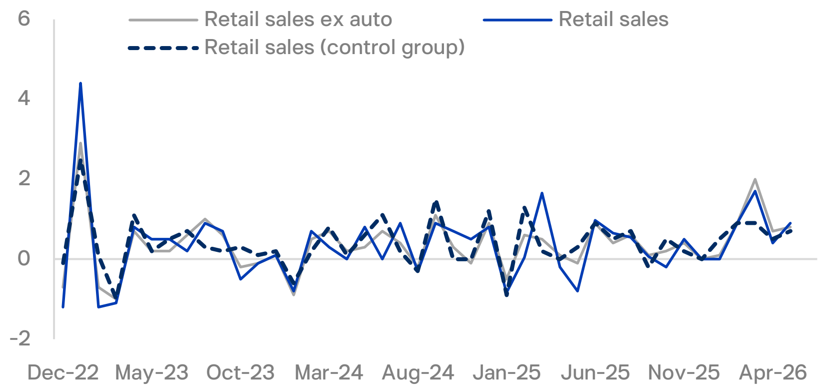
- Recent global economic data remained resilient, led by the US as reflected in positive surprise indices, while China continued to show signs of softer domestic momentum. May global PMI displayed that growth held steady despite ongoing Middle East tensions weighing on activity. However, regional divergence widened. Manufacturing improved across both groups, supported by precautionary inventory building, but services remained the key differentiator, with emerging markets expanding strongly while advanced economies contracted on weaker new orders.

- Global inflation pressures remain elevated, driven mainly by higher oil prices, though some countries have used subsidies to cushion the impact of rising energy costs. Oil prices have recently eased as US–Iran negotiations progressed and an initial MoU was reached, reducing tail risks. However, uncertainty remains high as nuclear talks are still far from a final agreement and supply normalization may take time, keeping oil prices above pre-conflict levels.

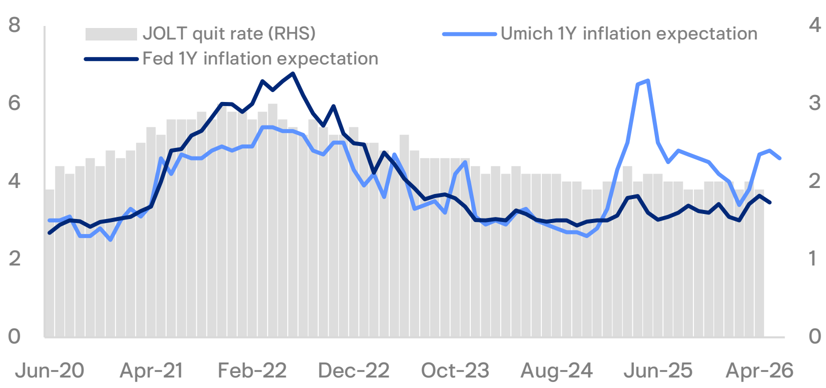
Source: Bloomberg, CEIC, IMF, and ttb analytics (Data as of 16 June 26)

US economy stays solid as labor market holds firm, while oil drives inflation higher with limited second-round effects

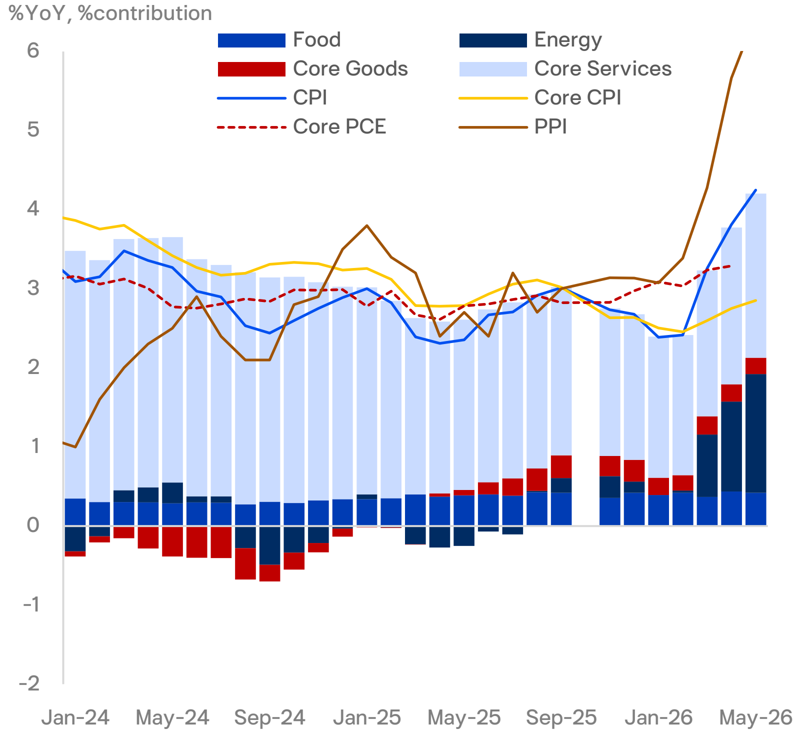
Retail sales



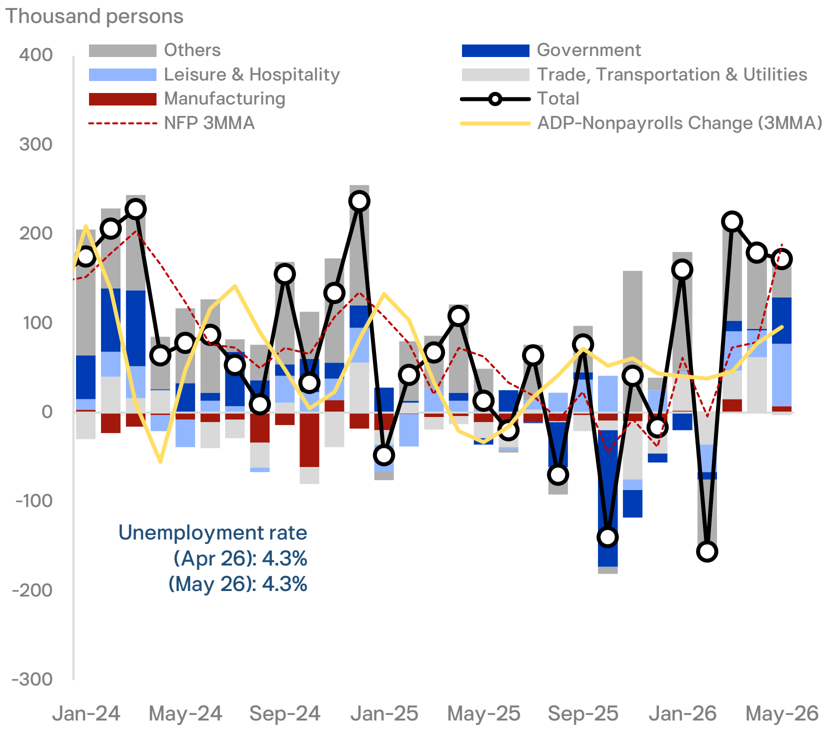
Other indicators



US Inflation



US labor market



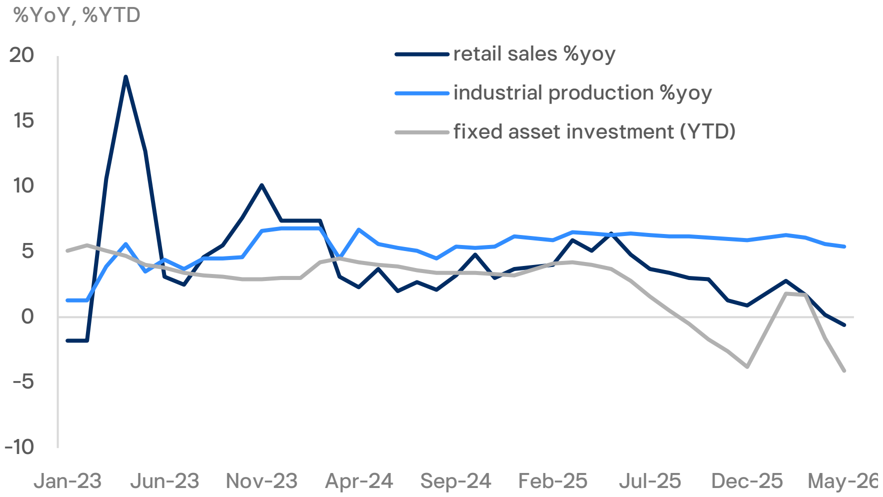
- US economic data has generally surprised to the upside, underscoring resilience despite Middle East tensions. Consumption remains the key driver, with retail sales rising 0.9%MoM in May (vs. 0.5% expected), supported by broad-based gains in ex-auto sales (+0.8%) and the control group (+0.7%). Strength likely reflects solid underlying demand, partly boosted by larger tax refunds.

- Labor data reinforce the “higher for longer” narrative, with nonfarm payrolls rising 172k versus 85k expected and prior months revised up by 93k, while the unemployment rate held steady at 4.3%, supported by broad-based job gains led by the private sector and leisure & hospitality. Inflation data were mixed: headline CPI rose 0.5%MoM (4.2%YoY), while core CPI eased to 0.2% MoM (2.9%YoY), below expectations. Overall, contained underlying price pressures alongside steady wage growth suggest limited second-round inflation effects.

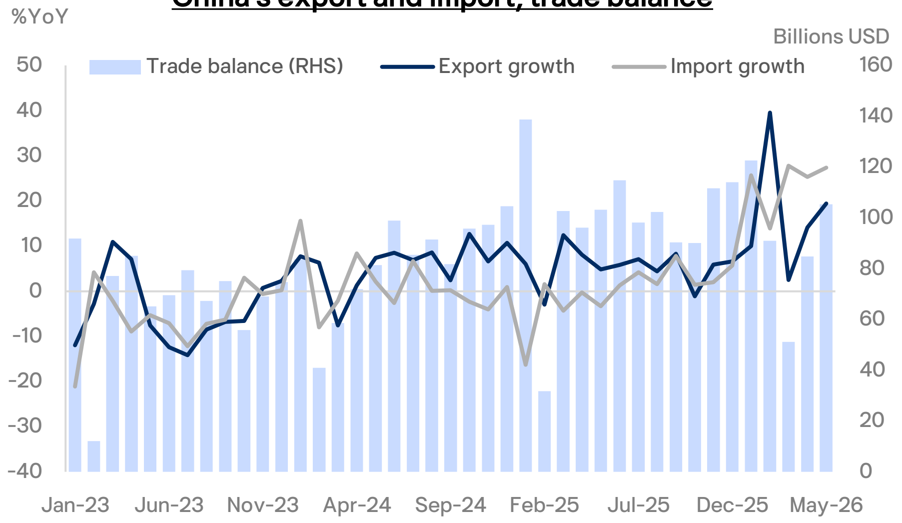
Source: Bloomberg, CEIC, and ttb analytics

China's May economic data show softer domestic demand, while external demand remains robust

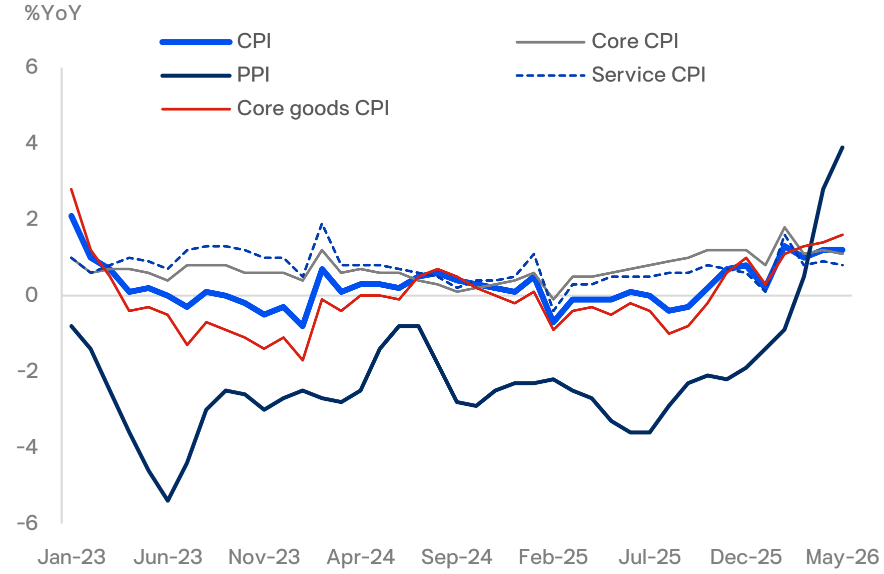
Other economics indicators



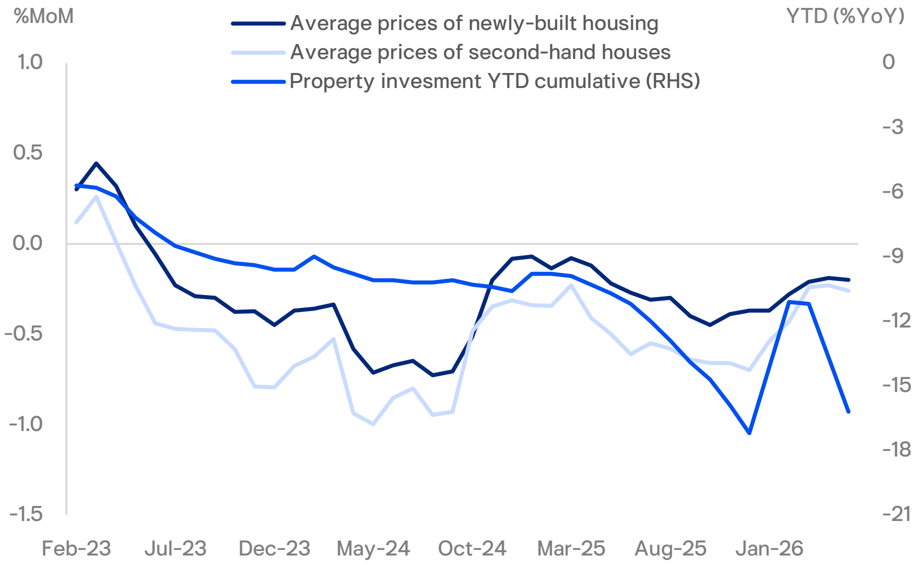
China's export and import, trade balance



CPI and PPI



Property sector



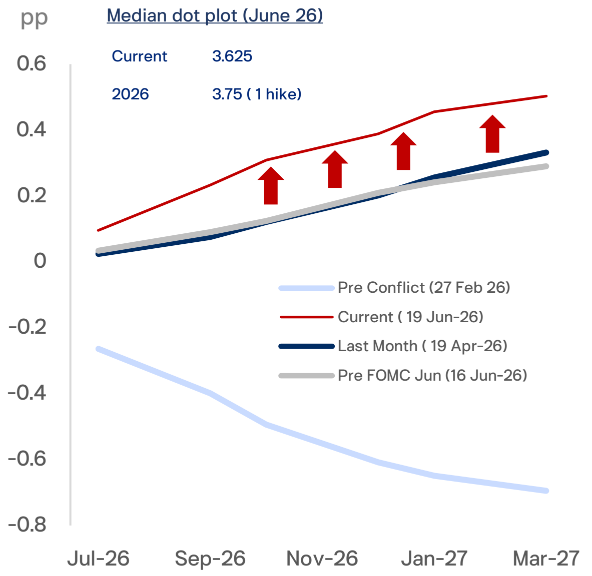
- Chinese domestic demand weakened further. retail sales declined 0.6% YoY in May, posting a worse-than-forecast drop that was their first fall since the reopening from Covid lockdowns in late 2022. Fixed-asset investment shrank a deeper-than-expected 4.1% in the first five months. Meanwhile the property market remained under pressure. Home prices continued to fall modestly, with new and secondary home prices down 0.2% MoM and 0.26% MoM. Similarly, for price stability, May CPI stayed weak at 1.2%YoY, but PPI accelerated to 3.9%YoY, driven by higher energy costs. The divergence highlights still-subdued domestic demand alongside mounting upstream price pressures.

- For external demand, tech sector stood out as a lone bright spot, helped by strong external demand for China tech products and central government's push for tech self-reliance and global competitiveness. China's May trade data beat expectations, with exports up 19%YoY and imports up 27%, lifting the trade surplus to USD 105.4bn, supported by AI-related demand and resilient regional trade. Industrial production improved to 4.5%, supported by exports and technology sectors.

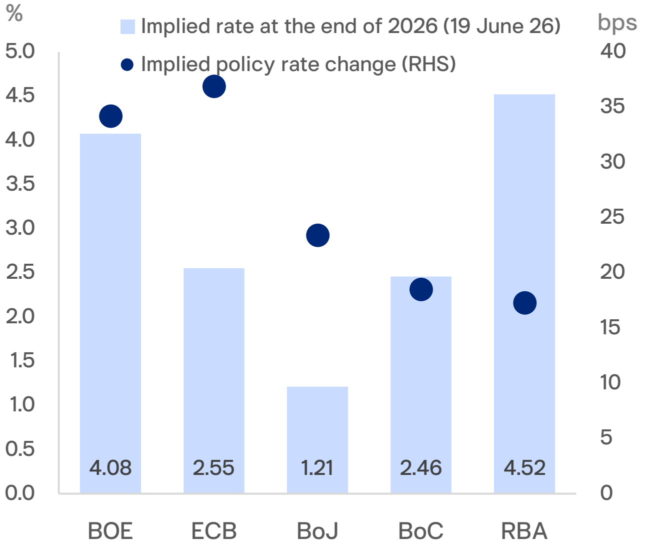
Source: Bloomberg, CEIC, and ttb analytics

Fed turns more hawkish as dot plot signals one rate hike; meanwhile other central banks remain cautious on inflation risks despite signs of easing

Expected policy rate changes by selected major central banks by the end of 2025



Notes: *The implied policy rate are based on FFR*



(Policy rate) (3.75%) (2.25%)↑ (1.00%)↑ (2.25%) (4.35%)

Asian countries' policy expectations

Country	Current Policy Rate (%)	Changes in policy rate in 2026 (bps)	Forecast policy rate at the end of 2026 (%)
MY	2.75	0	2.78
KR	2.50	0	2.96 ↑
ID	5.75	+100	5.88 ↑
IN	5.25	0	5.51
PH	4.75	+50	5.14 ↑
TW	2.00	0	2.08 ↑

Notes: Forecast policy at the end of 2026 based on recent Bloomberg weighted average
**Arrows indicates change in end-year policy rate compared to last month*

Latest Monetary Policy development

DM

- **The FOMC held rates at 3.5%–3.75% but turned more hawkish, with the dot plot signaling one hike this year.** The statement dropped forward guidance and emphasized price stability. New Chair Kevin Warsh also did not submit a dot and announced a review of the Fed's policy frameworks.
- **The ECB hiked rates by 25bp as expected in a unanimous decision, keeping flexible guidance.** Lagarde struck a slightly more hawkish tone, citing broader inflation risks. Markets are pricing in at least one further rate hike this year.
- **The BoJ raised rates by 25bps to 1.00% as expected and paused bond-buying tapering**, maintaining JGB purchases at around JPY 2tn/month from April 2027. The BoJ reiterated a cautious, data-dependent approach with further hikes possible.
- **The BoE held rates at 3.75% in a 7–2 vote, with a 7-2 vote split as Greene and Pill dissented in favor of a hike, maintaining a "wait-and-see" stance.** Softer data and lower energy prices have reduced urgency, with policymakers confident tight conditions will contain inflation.

EM

- **The PBoC held LPR and narrowed its repo corridor** to strengthen policy signaling and support expectations for further easing in 2H amid weak economic data.
- **Asian central banks remain cautious with a hawkish tilt**, as policy outlook continues to hinge on oil price dynamics amid a fragile de-escalation. Some are adopting an aggressive tightening bias on financial stability concerns.

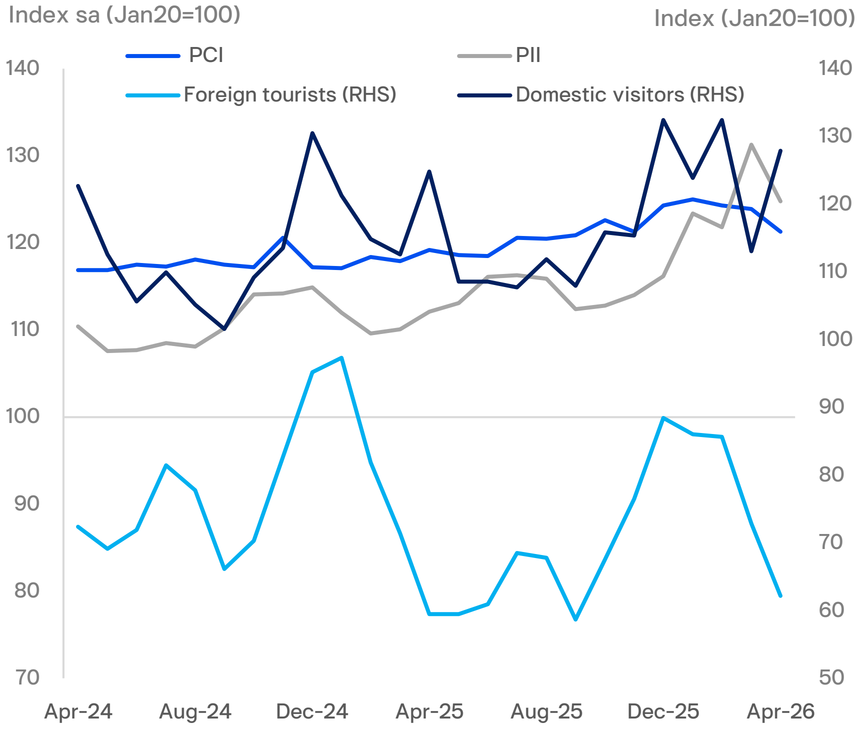
Source: Bloomberg, CEIC, ttb analytics (Data as of 19 June 26)

PART 2

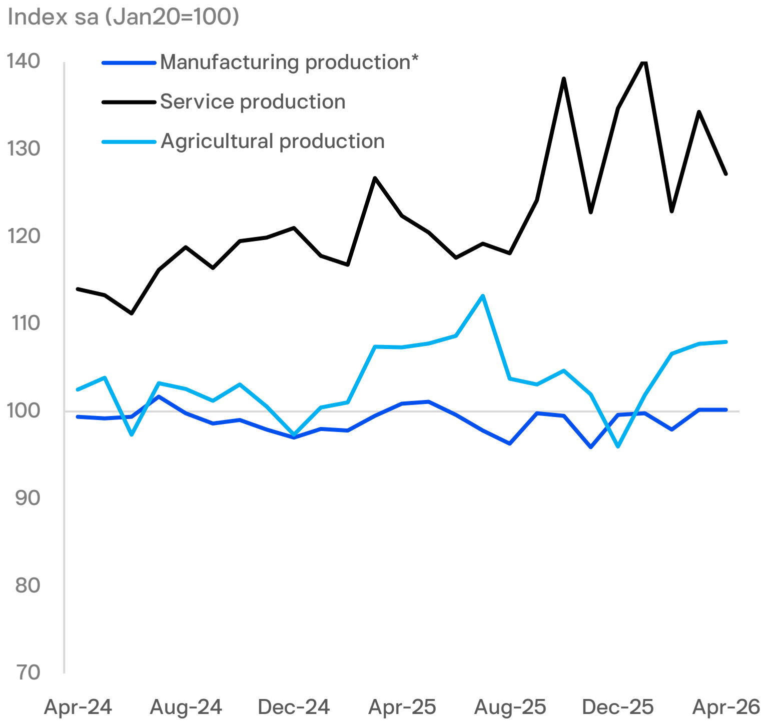
Thai Economy

In April 2026, Thailand economic activity remained relatively stable, as a slowdown in domestic demand contrasted with strong merchandise export performance

Demand-side indicators



Supply-side indicators



- In April 2026, overall economic activity registered a slowdown compared to the previous month, as reflected by lower consumption and tourism, driven by lower spending on non-durable products as well as spending on hotel and restaurant. Meanwhile, merchandised export growth remained robust regarding US shipment due to AI-related demand alongside with a temporary boost from the short-term easing of US tariff measures.
- In the stability front, the headline inflation in May 2026 continued to rise but at the slower pace resulting the lower pressure on interest rate to maintain at 1.00%

Leading Economic Index (sa) (Jan2020=100)

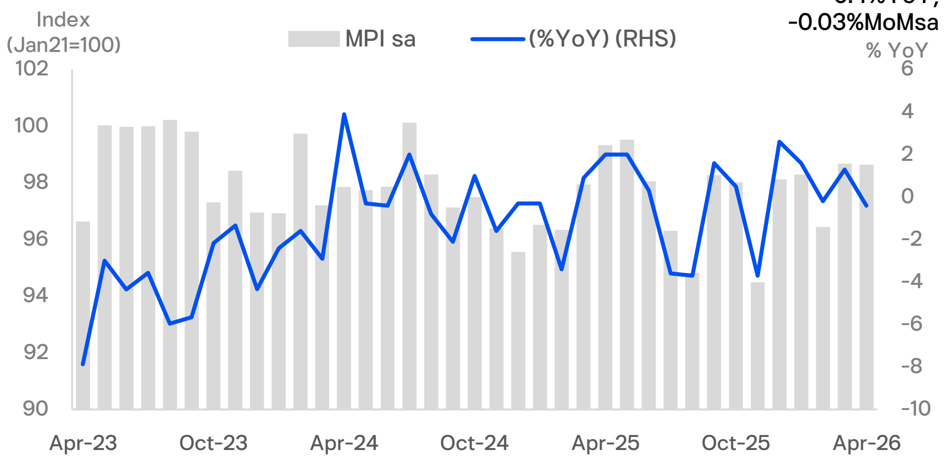
Leading Economic Index and Components (SA)	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Authorized Capital of Newly Registered Companies (Million Baht)	183.5	108.1	103.5	126.1	132.9	126.2	124.5	84.7	75.9	138.6	83.8	110.6	126.2
Construction Areas Permitted (1000 sq. m)	83.9	99.7	97.4	94.3	106.9	114.1	114.6	103.5	120.5	92.5	105.5	107.7	110.1
Export Volume index (exclude Gold)	120.6	132.4	125.5	125.8	126.6	128.3	129.8	132.6	134.2	144.2	140.7	143.8	145.7
Business Sentiment Index (3 months)	96.7	99.0	98.9	97.2	100.9	100.7	101.2	101.7	101.7	98.0	97.6	88.4	81.4
SET index	79.1	75.9	72.0	82.0	81.7	84.2	86.5	83.0	83.2	87.5	100.9	95.6	98.6
Oil Price Inverse Index (Dubai)	1.5	1.6	1.5	1.4	1.4	1.4	1.5	1.6	1.6	1.7	1.5	0.8	1.0

Source: Bank of Thailand and ttb analytics
*Remark: *rebase Jan21 due to OIE new rebase data*

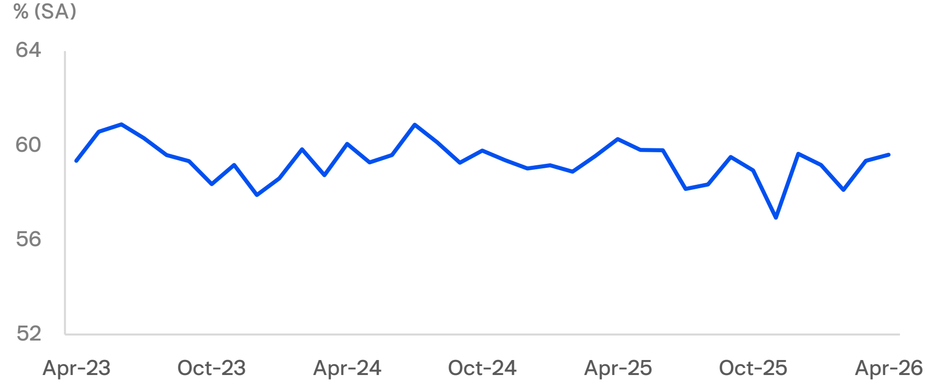
Manufacturing output in April relatively stable compared to previous month

Manufacturing Production Index (MPI)

Apr26
-0.4%YoY,
-0.03%MoMsa



Capacity Utilization (CapU)



MPI by sector (base year 2021)

Unit: % YoY

Contribution	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Food products (16.7%)													
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 (10.7%)													
Chemicals (8.8%)													
Pharmaceutical products (1.2%)													
Rubber and plastics products (8.8%)													
Other non-metallic mineral products (5.4%)													
Basic metals (3.4%)													
Fabricated metal products (2.3%)													
Computer and electronic products (9.4%)													
Electrical equipment (3.5%)													
Machinery and equipment (2.8%)													
Motor vehicles (11.2%)													
Other transport equipment (1.1%)													
Furniture (0.9%)													
Others (2.3%)													
MPI (%YoY)	**2.0**	**2.0**	**0.3**	**-3.6**	**-3.7**	**1.6**	**0.5**	**-3.7**	**2.6**	**1.6**	**-0.2**	**1.3**	**-0.4**

- As of April 2026, Manufacturing Production Index (MPI) was relatively stable from the previous month, weighed by strong basic chemical production including production of ethanol and steel, supported by expanded capacity amid higher fuel oil price. Moreover, high production of computer and parts remained persisted. However, production of fertilizers, basic plastic and rubber, including starch declined due to supply scarcity. Additionally, other machinery production (e.g., air conditioning machines) also dropped remarkably regarding to lower purchasing order from abroad.

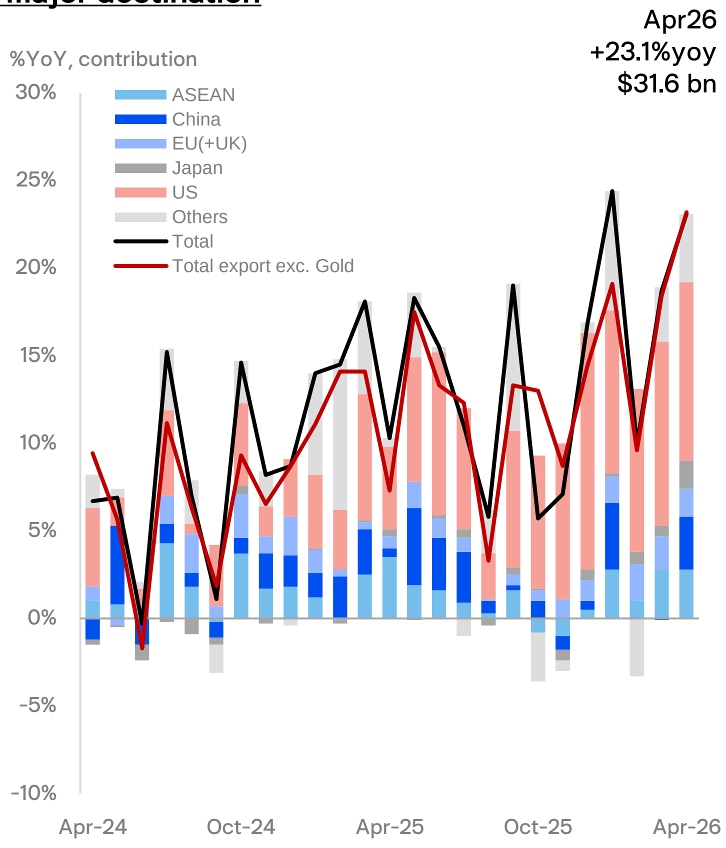
Source: Bank of Thailand, The Office of Industrial Economics and ttb analytics.

Export growth continued to strengthen in April, while elevated imports drove the deepest trade deficit on record

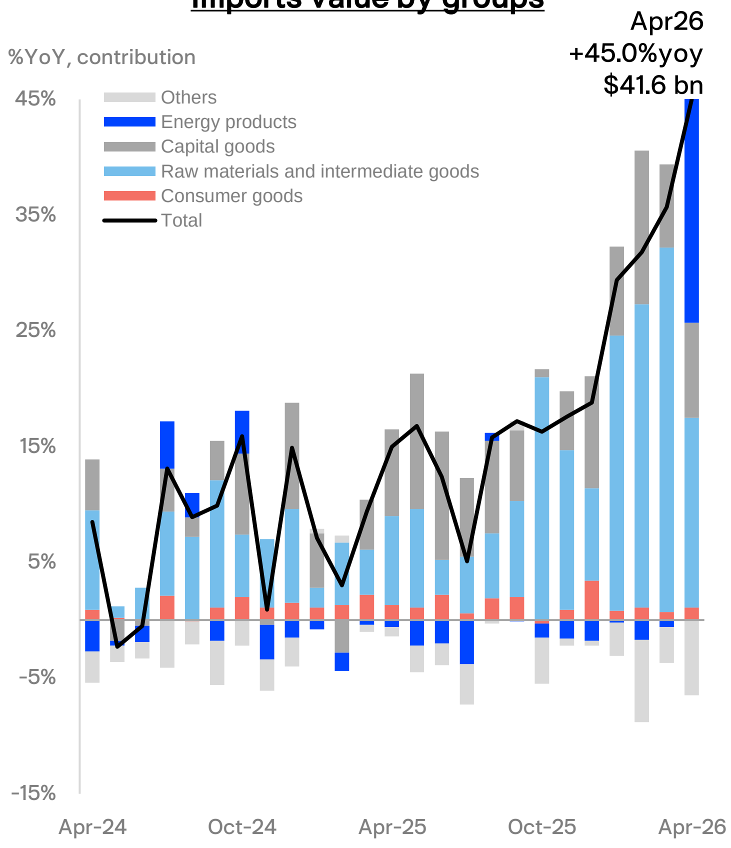
Exports value growth by major product and major destination

Unit: %YoY

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26
Agri-agro products													
Rice	-43.8%	-9.9%	-41.2%	-16.3%	-30.0%	-31.4%	-38.6%	-18.7%	-27.4%	-23.9%	-5.8%	-19.2%	-12.2%
Rubber	22.5%	-7.8%	-0.2%	-19.9%	-27.9%	-15.4%	-12.5%	-12.0%	-1.9%	-19.3%	-26.2%	-21.6%	-18.1%
Tapioca products	-2.4%	15.5%	5.7%	-12.6%	-5.6%	-9.8%	-19.2%	-28.8%	-4.0%	-21.4%	-19.1%	-17.2%	-18.3%
Fresh, Frozen & Dried vegetable and Fruit	-29.1%	11.8%	48.5%	74.0%	-11.0%	-35.6%	-16.4%	-24.5%	12.1%	34.5%	22.2%	-5.4%	52.1%
Poultry	8.6%	9.3%	15.8%	9.8%	-3.8%	6.4%	1.2%	-7.4%	14.6%	1.0%	-0.7%	-6.4%	-0.9%
Sugar	38.2%	-1.0%	37.2%	36.2%	-14.2%	43.4%	8.9%	-10.9%	-8.4%	-36.5%	-52.9%	15.1%	-49.6%
Animal feeding	10.1%	6.7%	10.9%	9.1%	-5.6%	2.9%	7.7%	1.1%	18.4%	8.2%	4.7%	4.0%	6.4%
Industrial products													
Motor Cars, Parts, Accessories	-7.8%	15.2%	-8.5%	4.2%	1.3%	15.4%	14.9%	-5.9%	5.4%	11.3%	7.8%	0.9%	6.8%
Computer and parts	75.1%	103.9%	57.7%	61.0%	44.1%	57.9%	67.8%	59.9%	51.5%	68.2%	49.8%	34.2%	68.7%
HDD	40.4%	42.1%	13.0%	14.9%	-6.8%	-7.2%	15.3%	-16.2%	-14.5%	27.3%	-2.3%	-20.2%	37.3%
Integrated Circuits	39.0%	41.4%	46.2%	54.9%	37.0%	8.1%	10.8%	17.1%	14.6%	10.9%	6.3%	7.8%	19.4%
Air Conditioning Machine	1.2%	8.0%	9.7%	6.8%	-14.0%	-5.9%	-2.9%	-14.6%	8.2%	3.8%	2.0%	1.7%	1.1%
Refrigerating	35.5%	50.6%	40.8%	56.8%	22.4%	86.3%	69.9%	25.1%	45.1%	48.3%	24.6%	33.3%	-10.9%
Electronic Machines	34.4%	53.2%	33.5%	35.2%	28.3%	42.6%	38.8%	46.2%	52.8%	67.0%	56.8%	43.8%	64.6%
Plastic pallet	-5.6%	-4.4%	0.7%	-7.1%	-8.7%	-4.3%	-6.6%	-11.4%	-12.2%	-7.5%	-4.4%	-12.9%	14.0%
Chemical Products	8.6%	-1.3%	-4.3%	-15.2%	-8.5%	-0.6%	-5.0%	-13.6%	-4.2%	0.6%	-6.9%	9.7%	6.9%
Machinery & Parts	-12.2%	34.4%	16.3%	44.1%	10.2%	11.3%	2.5%	5.1%	22.8%	9.7%	28.4%	16.6%	29.3%
Rubber Products	15.9%	34.3%	22.4%	9.7%	-3.1%	7.4%	1.3%	-12.1%	-0.3%	-5.6%	0.6%	5.7%	14.0%
Refined oil	-3.6%	-20.1%	-20.1%	-43.5%	-23.7%	-30.4%	-22.1%	-31.8%	-15.2%	14.9%	-17.8%	24.6%	17.8%
Jewelry ex gold	42.1%	2.3%	8.4%	41.9%	24.4%	16.9%	25.8%	66.7%	-24.3%	4.5%	-30.0%	86.4%	29.5%
Total export	10.3%	18.3%	15.5%	11.0%	5.8%	19.0%	5.7%	7.1%	16.8%	24.4%	9.9%	18.7%	23.1%



Imports value by groups



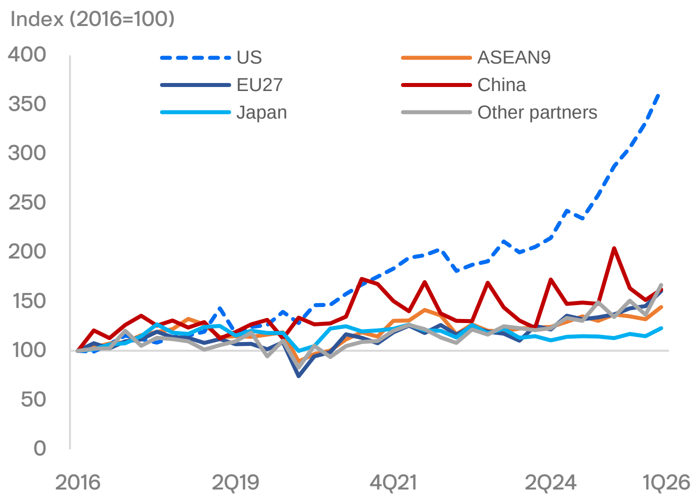
- Thailand's export growth elevated in April 2026. Export to the US remained convincing the growth. Key export growth continued to be driven by electronics and electrical appliances, in line with sustained demand for AI-related and data center technologies, alongside a temporary boost from the short-term easing of US tariff measures. Moreover, export of agricultural-related products such as fruits and pet food also climbed up in contrast to major agricultural products such as rice, rubber and tapioca. On the other hand, the import value growth continued to elevate, marking all-time-high value, led by import of all categories particularly in energy products due to price effect, resulting in the trade deficit of USD 10 billions, deepest trade deficit on record. (First 4 months of 2026, trade deficit of USD 19.5 billions)

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

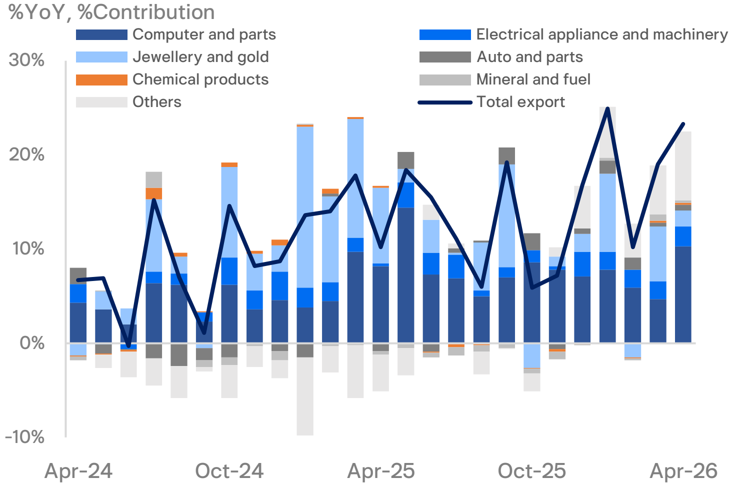
Strong export performance masks growing downside risks to Thailand's trade balance outlook from persistently high energy costs and China import penetration

Export risks:
1) US tariff uncertainty and front-loading reversal risk

Export value index of selected partners



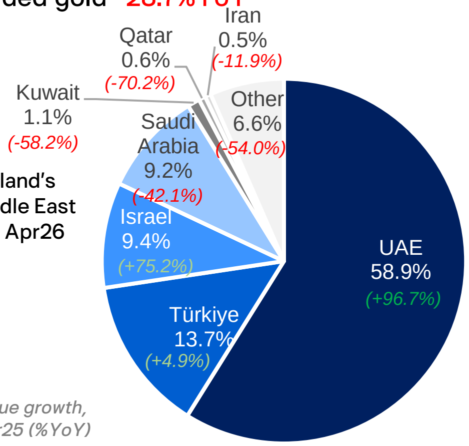
Export growth and its product contribution



2) Middle East disruption and economic slowdown

Total export to Middle East in Apr26
(2.8% of total export): USD 887.7 million or +19.4%YoY,
Export excluded gold -28.7%YoY

Share of Thailand's export to Middle East by countries, Apr26



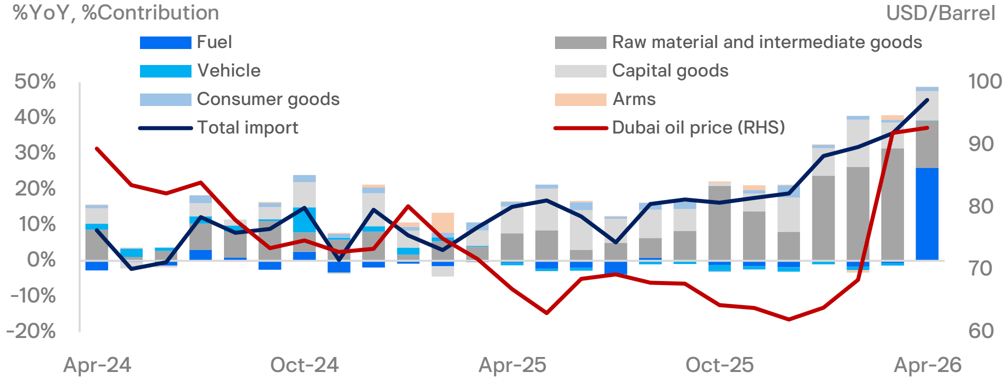
Note: ( ) = value growth, Apr26 vs Apr25 (%YoY)

Top 15 key products exporting to Middle East in Apr 26*

Key products	Export value, Apr26 (US million)	Share (%)	%YoY
1) Unwrought gold	357.9	40.3%	39,661.1%
2) Articles of jewelry and parts	61.0	6.9%	150.2%
3) Industrial/laboratory electric furnaces	54.6	6.2%	31.1%
4) Prepared/Preserved Fish	29.2	3.3%	-15.8%
5) New pneumatic tires	28.9	3.3%	-16.1%
6) Diamond	27.1	3.1%	430.7%
7) Pickup truck	22.0	2.5%	-14.8%
8) Telephone set	18.0	2.0%	-54.8%
9) Automatic data-processing	15.6	1.8%	-5.0%
10) Parts/accessories of motor vehicles	14.4	1.6%	-25.6%
11) Rice	11.9	1.3%	-76.8%
12) Natural rubber	8.7	1.0%	-24.9%
13) Refrigerators/freezers	7.5	0.8%	-62.8%
14) Fiberboard	6.1	0.7%	-84.8%
15) Passenger car	2.8	0.3%	-97.3%
Other products	222.1	25.0%	-19.5%
Total products	887.7	100%	19.4%

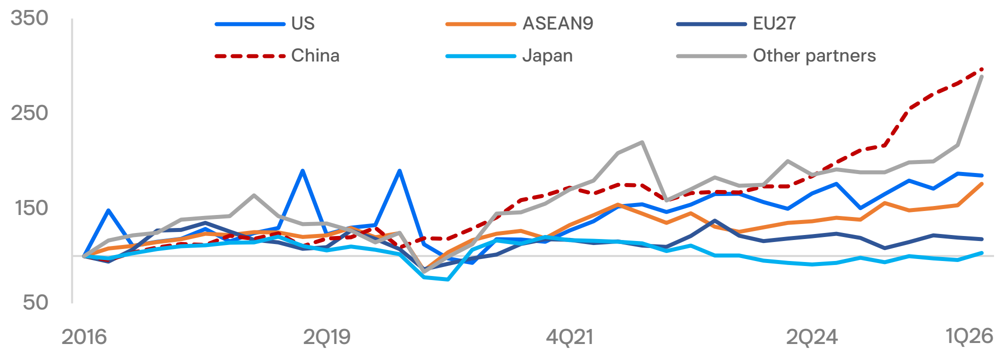
Import pressures:
1) Persistently high energy price

Import growth and its product contribution



2) Persistently China's influx

Import value index of selected partners

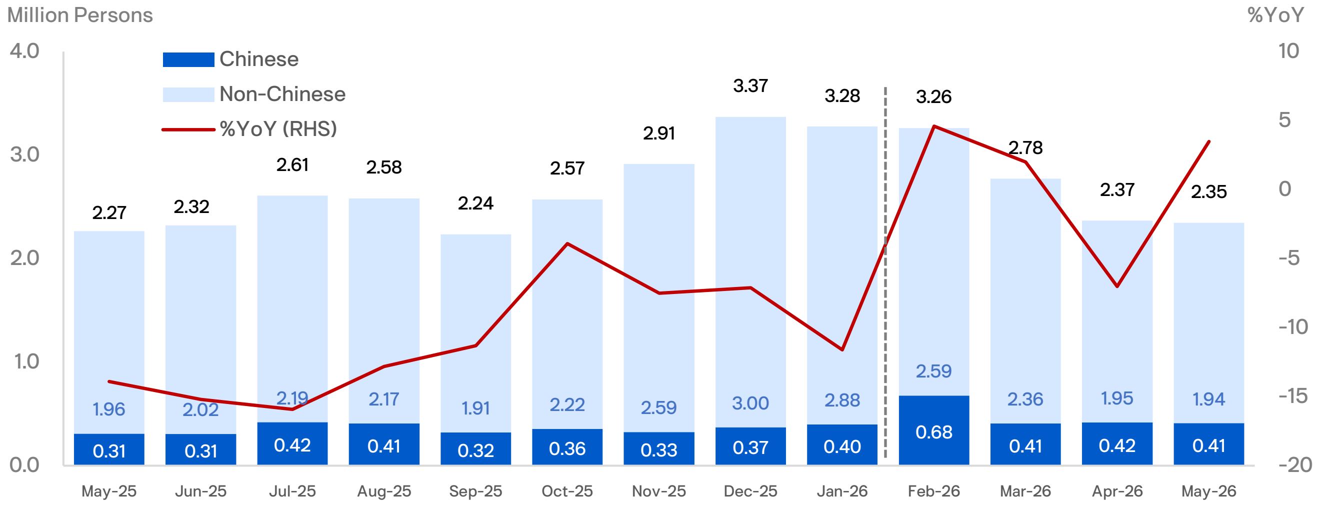


- Thailand's trade balance outlook is facing more fragile and could deteriorate as temporary export support fades while import intensity stays elevated. Despite strong export growth, but some support appears temporary and vulnerable to external risks. Persistently high energy costs are lifting oil-related imports, and China's growing penetration in intermediate and capital goods is raising structural import dependence.

Source: MOC and ttb analytics Remark: *Top 15 export products during first 4 months of 2026

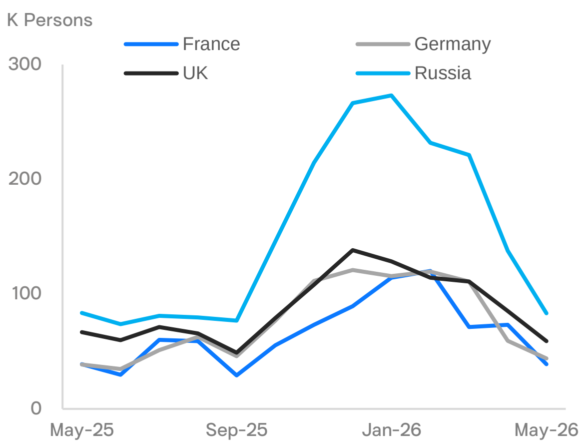
The tourism outlook during low season remains a concern, as tourist arrivals from Europe continue to decline

Total Foreign Tourist Inbounds

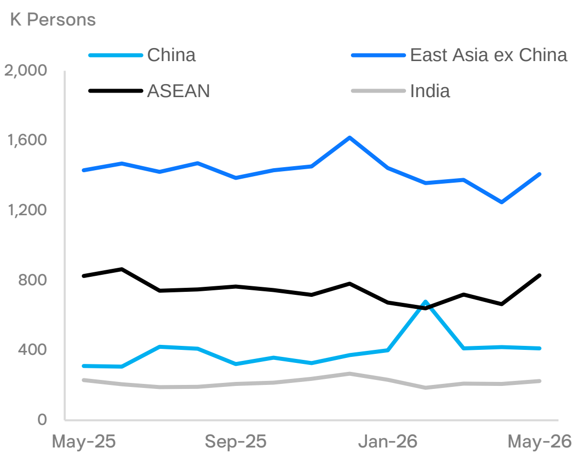


Foreign Tourist Inbounds by key regions

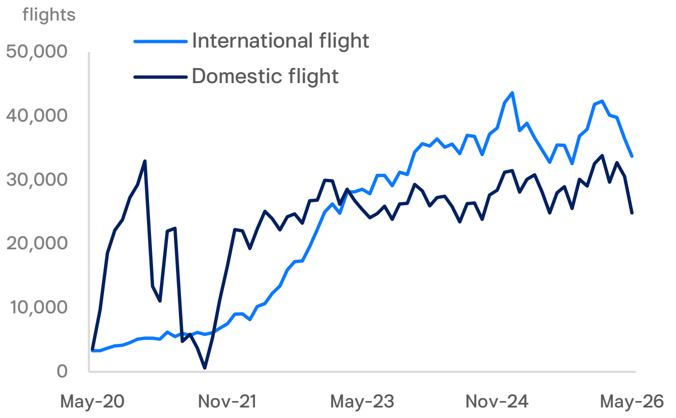
Europe



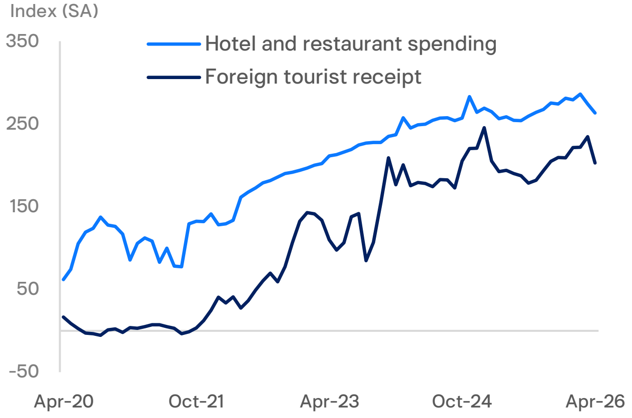
East Asia and India



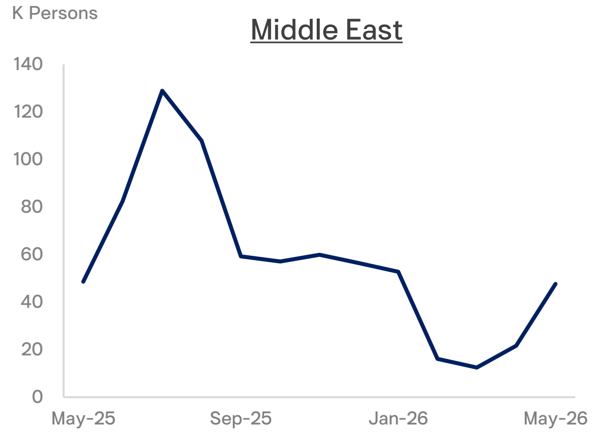
Number of flights via Thailand's airports (total)

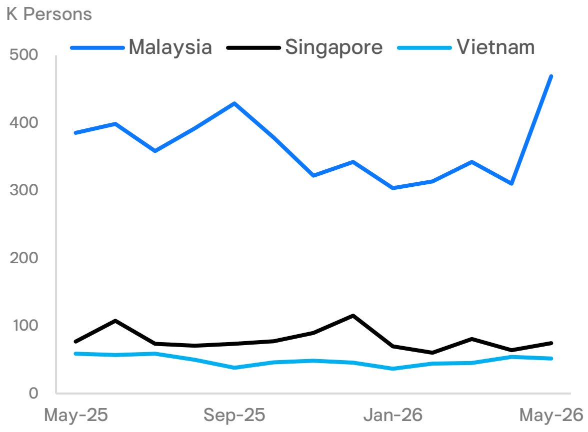


Tourism spending indicators



Middle East



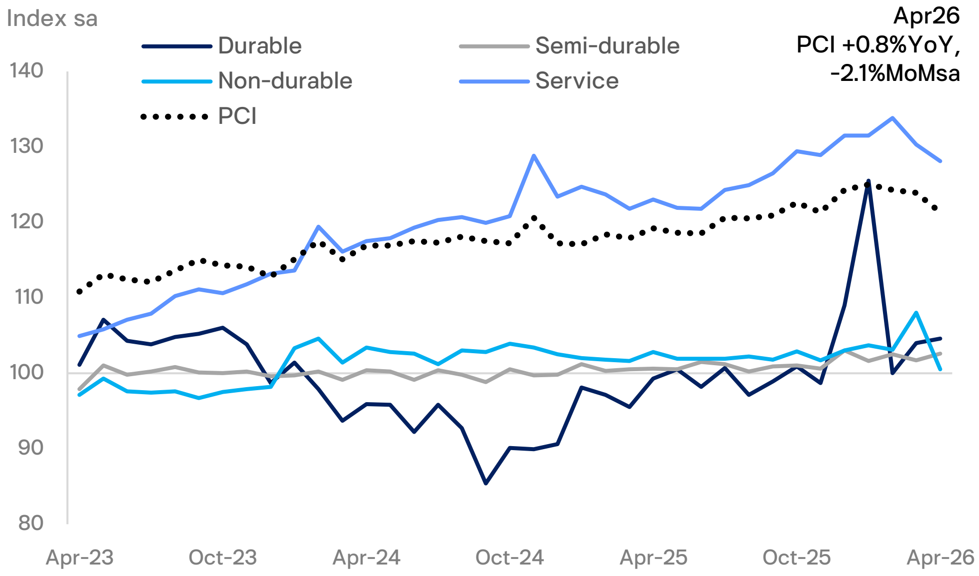


- In May 2026, the number of foreign tourist arrivals continued to decline compared to the previous month. Escalating tension sparked the safety concerns, together with lower flight available and airspace closure in the conflict zone, which pressured on number of tourist arrivals from European countries. Other long-haul tourists also dropped. However, tourists from Middle East improved remarkably from preceding month as well as tourist arrivals from ASEAN particularly from Malaysia, reaching 20 month-high level.

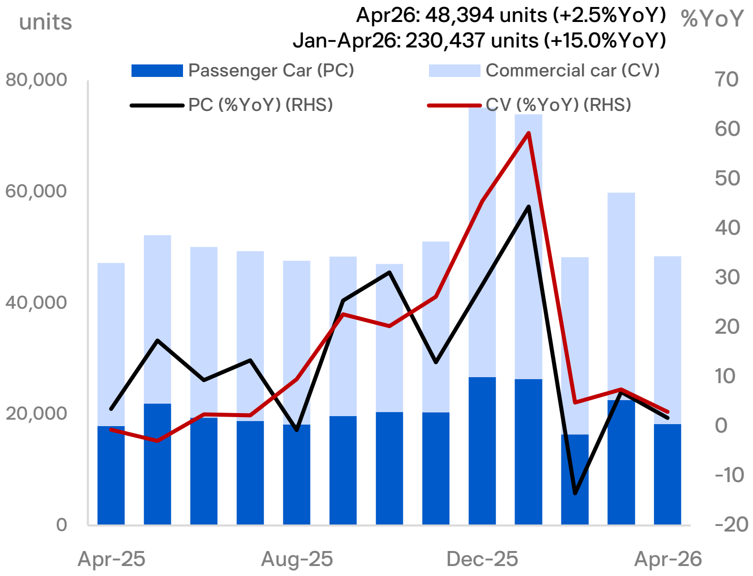
Source: CEIC, TAT Intelligence Center and ttb analytics

Private consumption indicators remained subdued in most categories

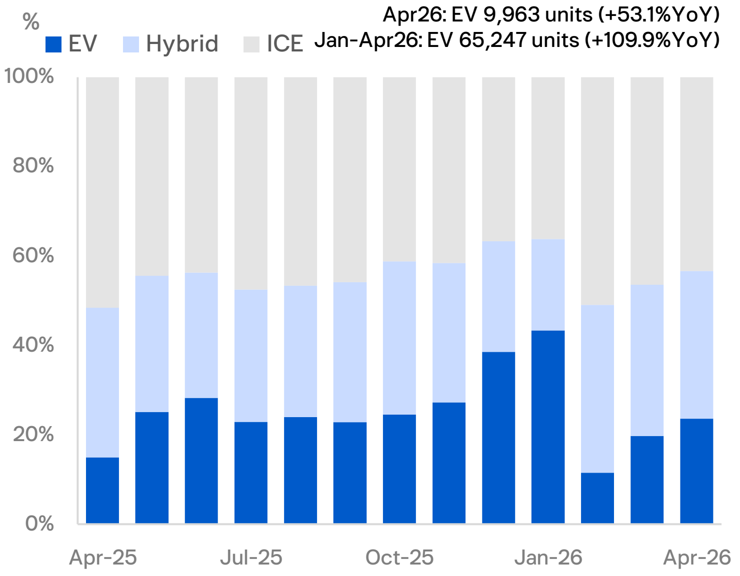
Private Consumption Indicators (SA)



Domestic car sales**

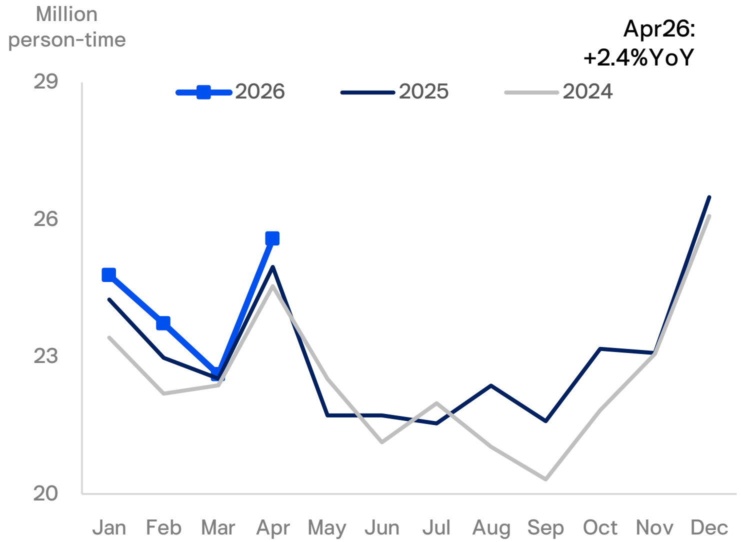


EV penetration of type 1 registration

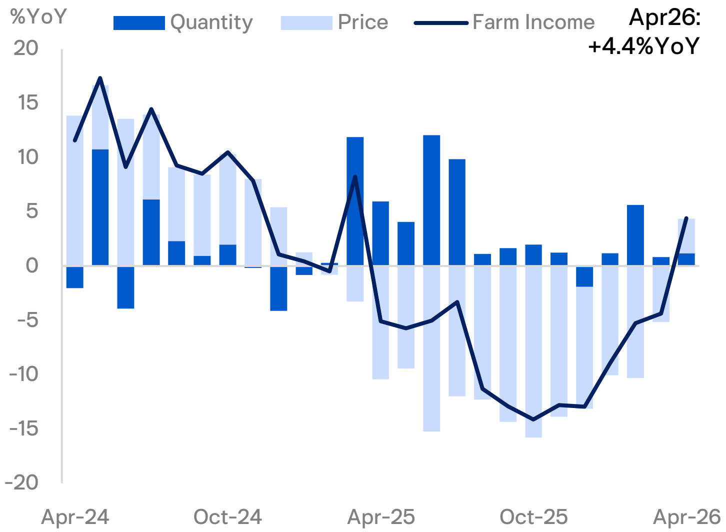


- Private consumption indicators continued to decline from the previous month, primarily by weaker spending on non-durable goods, in line with lower sales of consumer goods and reduced fuel consumption reflecting adjustments in work patterns. In addition, services spending continued to contract, particularly in hotels and restaurants, consistent with a slowdown in tourism activity. However, the durable goods purchase continued to increase, driven by sales of passenger car, particularly in EV sales.
- Farm income turned into the positive trajectory for the first time in years, mainly due to both price and quantity. Specifically, prices of oil palm and rubber increased considerably due to higher demand triggered by Middle East conflicts amid lower supply.

Thai domestic visitors*



Farm Incomes

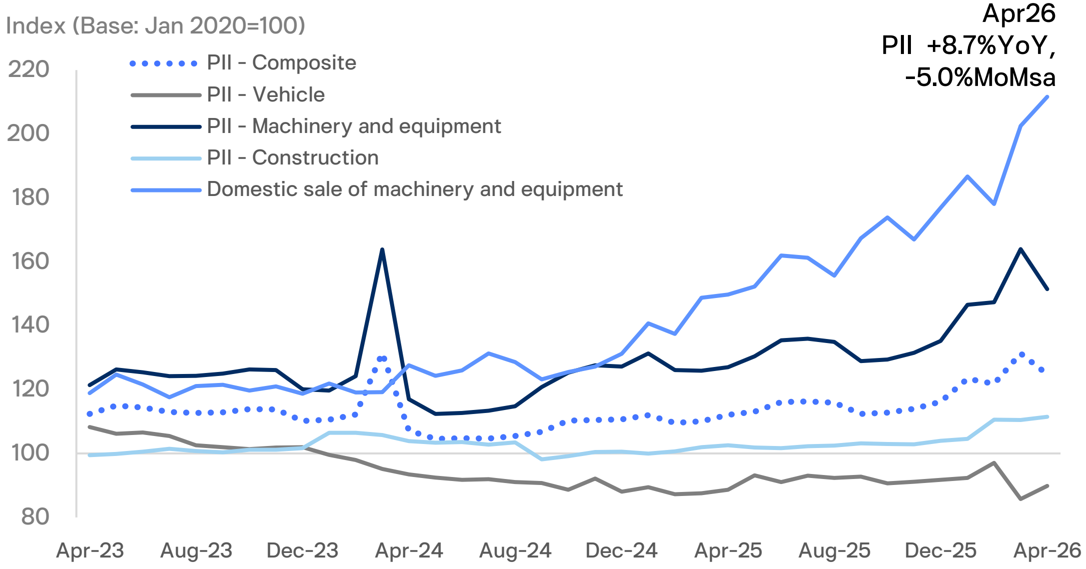


Source: Bank of Thailand, The Federation of Thai Industries, CEIC and ttb analytics

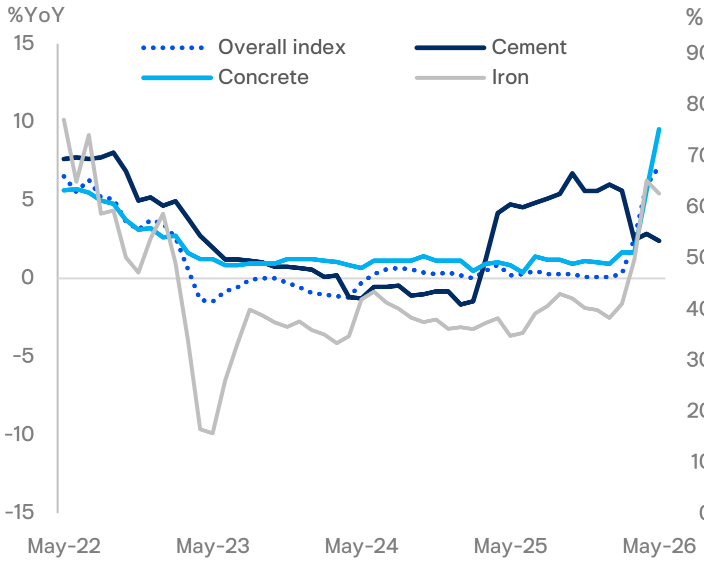
Remark: *Data not include replication in number of visitors **Commercial Vehicle (CV) * covering pickup, PPV and others commercial car, Passenger Car (PC) ** covering sedan and SUVs,

Private investment indicators soften while BSI slumped to its lowest level in almost five years amid higher production cost caution

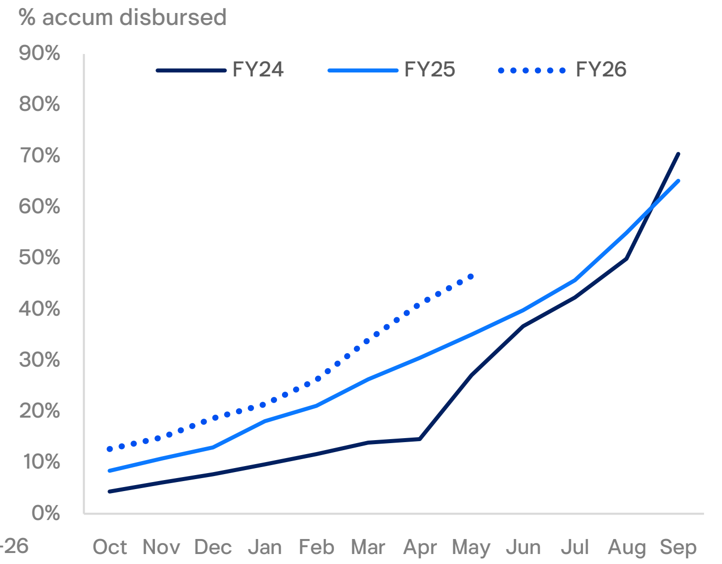
Private Investment Indicators (SA)



Construction Material Price Index (CMI)

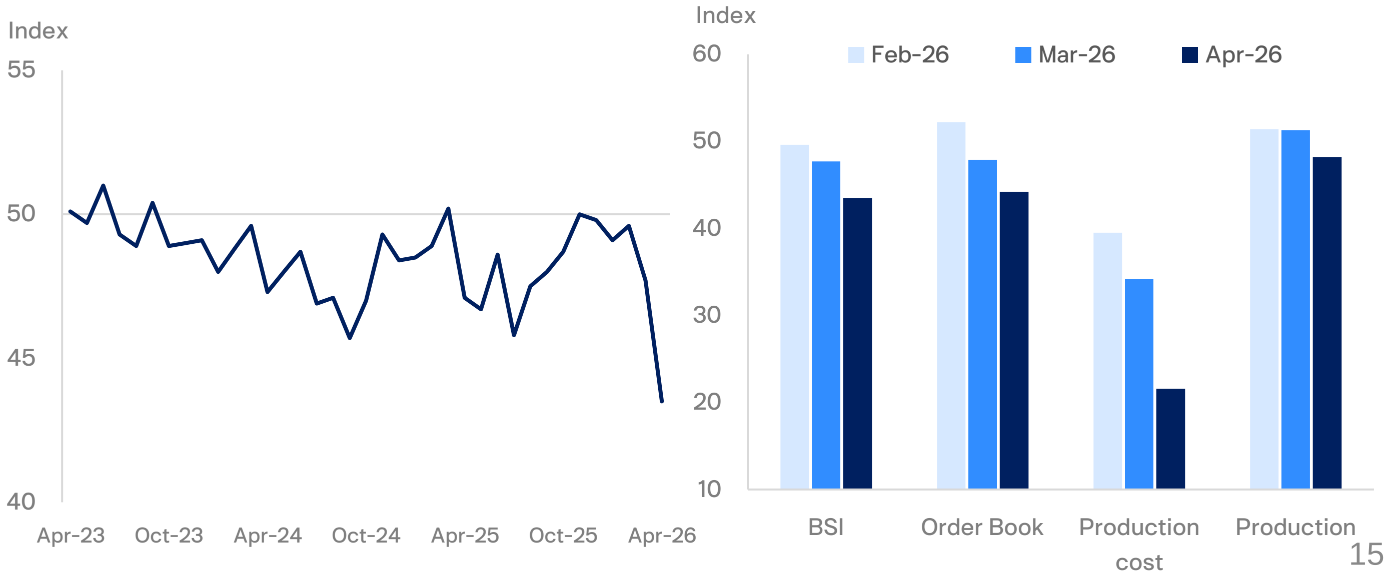


Accumulated govt capital budget disbursement



- Private investment indicators slowed from the previous month, mainly due to weaker investment in machinery and equipment, reflecting a notable contraction in imports of capital goods—particularly computers and electrical equipment. Investment in transport equipment also decreased. However, construction investment edged up slightly, supported by both residential and non-residential segments.
- BSI in April 2026 slumped to its lowest level in almost five years, led by manufacturing sectors across almost sub-categories due to higher production cost.
- Overall CMI index in May 2026 accelerated due to elevated costs of raw materials, energy, and transportation. Notably, energy-intensive productions (e.g., steel, cement, tiles) were seen pronounced price increases. In addition, the concrete products were also affected by higher diesel prices.

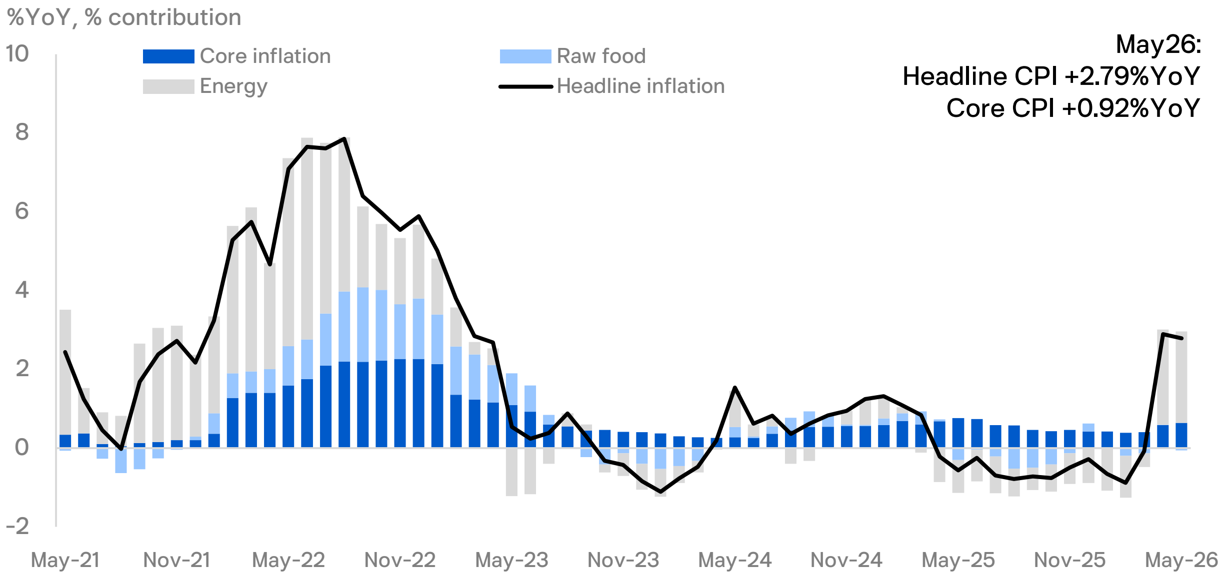
Business Sentiment Index (BSI)



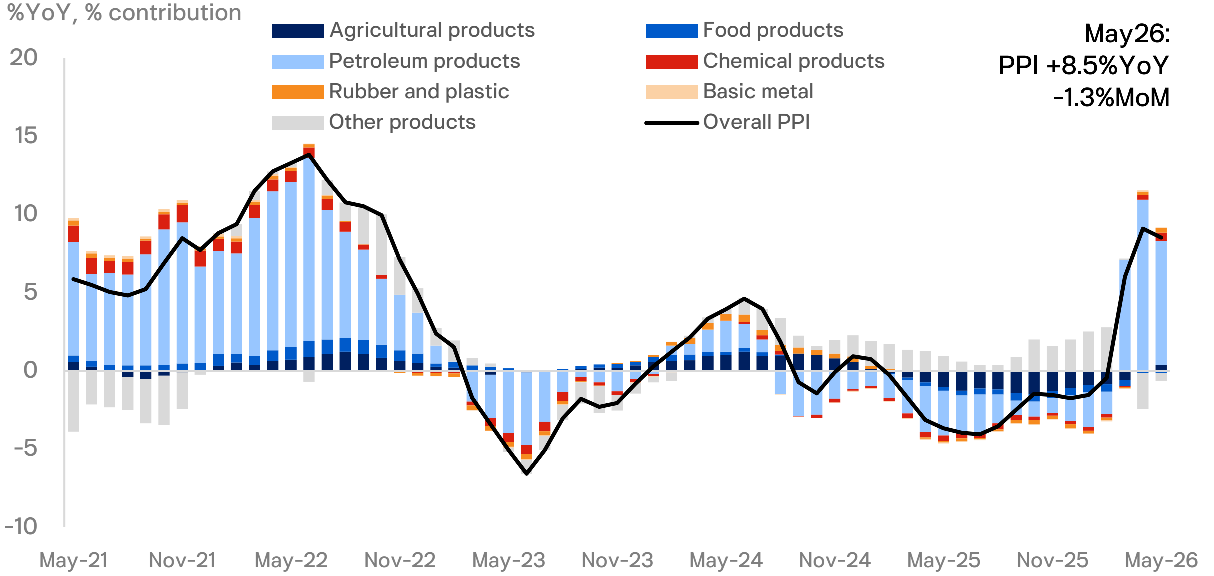
Source: Bank of Thailand and ttb analytics.

May's inflation unexpectedly slowed amid rising the core price index

Inflation contribution to growth



Producer Price Index (PPI) contribution to growth



Price change in top categories

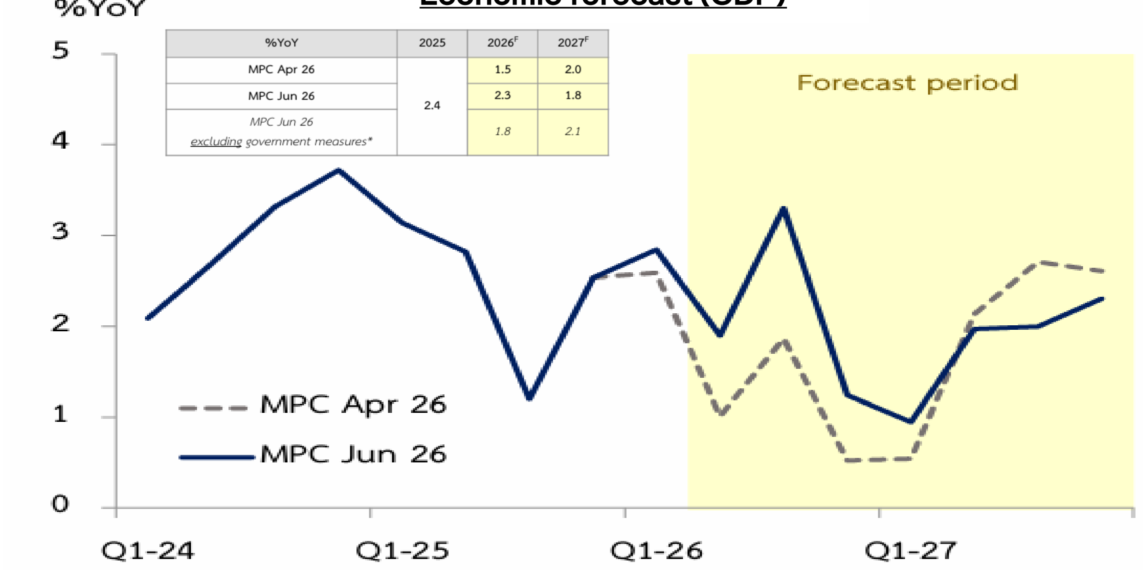
%YoY	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26
Headline inflation	-0.57	-0.25	-0.70	-0.79	-0.72	-0.76	-0.49	-0.28	-0.66	-0.88	-0.08	2.89	2.79
Raw food	-1.76	-0.23	-1.23	-2.99	-2.89	-2.44	-0.78	1.19	0.01	-1.18	-0.78	0.04	-0.34
Prepared food	3.41	3.40	2.53	2.54	1.99	1.67	1.74	1.96	1.73	1.54	1.68	2.31	2.63
Meat and Poultry	5.39	4.98	4.18	3.36	1.71	-0.05	0.09	0.83	0.72	-0.72	-0.58	-1.62	-3.13
Eggs and dairy products	-1.52	-3.94	-3.46	-3.72	-3.78	-3.74	-3.79	-2.14	-1.73	-2.92	-0.49	3.18	0.65
Utilities	-1.42	-1.41	-1.36	-1.36	-2.09	-2.11	-2.11	-3.15	-4.67	-4.66	-3.14	-0.16	-0.39
Energy	-6.58	-6.31	-7.33	-5.55	-4.46	-5.40	-6.11	-6.98	-8.41	-8.29	-2.76	18.87	18.09
Core inflation	1.09	1.06	0.84	0.81	0.65	0.61	0.66	0.59	0.60	0.56	0.57	0.83	0.92

Source: Ministry of Commerce, CEIC and ttb analytics

- The headline inflation (CPI) in May 2026 continued to rise but at the slower pace compared to previous month, and slower than market expectation. This was driven by persistently stable fuel prices in line with global crude oil prices. This pass-through pushed energy and utility prices, coupling with public transportation fares marginally. In addition, prices of dairy products, eggs and meats including non-alcohol beverage also declined slightly. Meanwhile, prices of raw vegetable and fruits elevated due to low-base effect. On the other hand, the core inflation accelerated, reflecting broader cost pass-through into non-food and non-energy items, particularly prepared food, housing rent, and apparels. The ministry expected June's headline inflation to reach 3% but still maintained its full-year inflation forecast of 1.5% to 2.5% this year.
- Producer Price Index (PPI) slowed compared to previous month, as mainly due to lower prices of petroleum products and other industrial products (e.g., diesel price, heavy fuel oil, asphalt and steel products), while prices of raw petroleum and natural gas remained high.

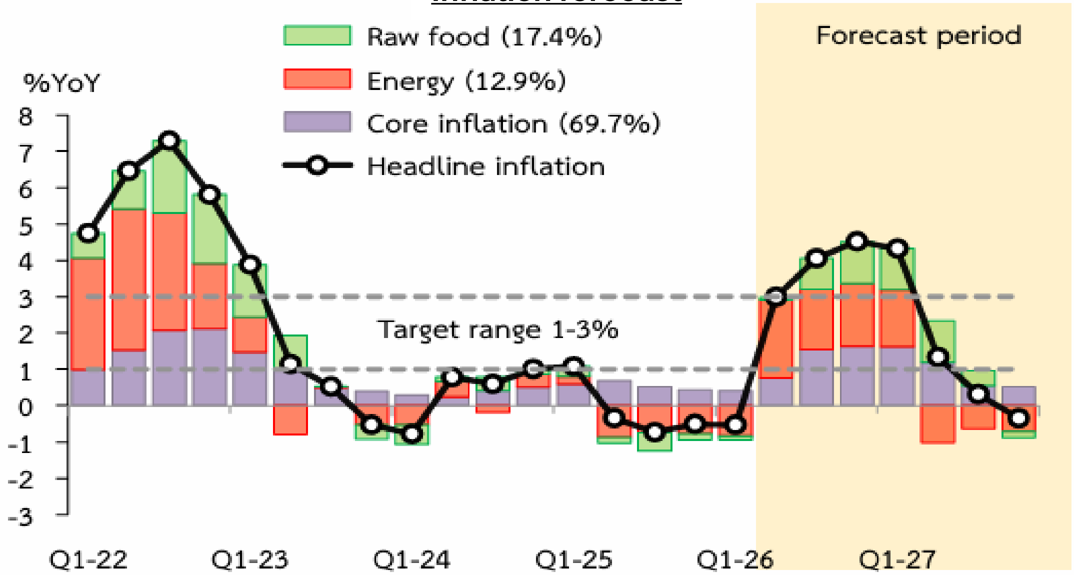
MPC voted unanimously to maintain the policy rate at 1% as widely expected, supported by stronger growth and contained inflation pressures

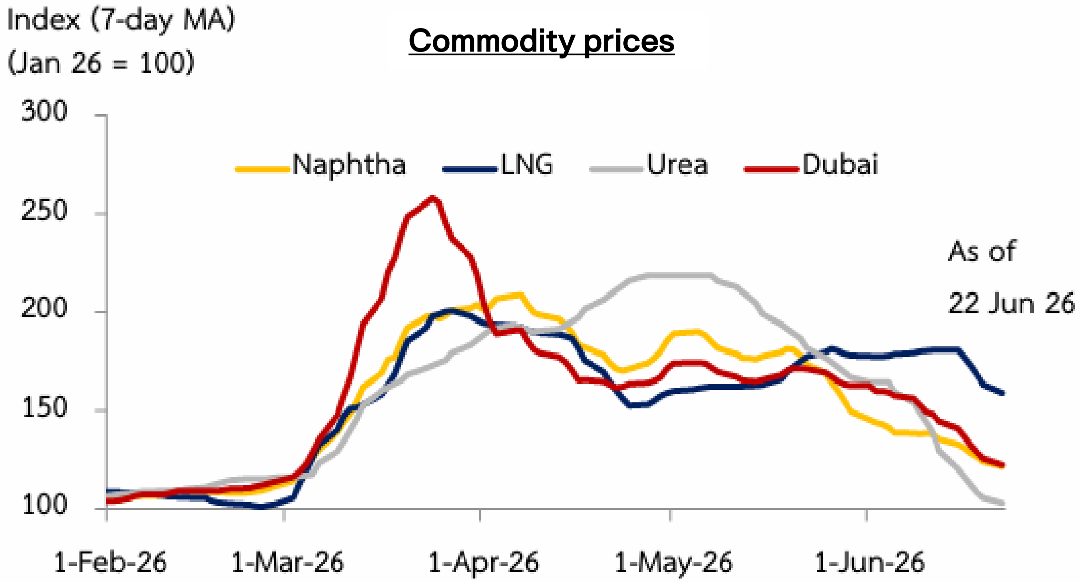
Economic forecast (GDP)



%YoY	2025	2026F	2027F
MPC Apr 26	2.4	1.5	2.0
MPC Jun 26		2.3	1.8
*MPC Jun 26 <u>excluding</u> government measures**		*1.8*	*2.1*

Inflation forecast





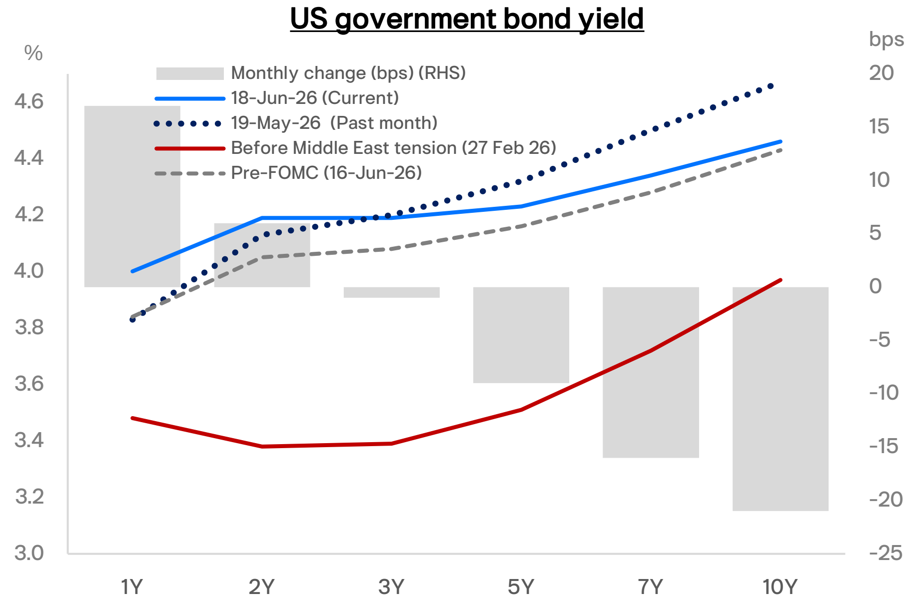
- In the 3/2026 meeting, the Monetary Policy Committee (MPC) voted unanimously (7:0) to maintain the policy rate at 1.00%. The Committee views that Thailand's economic expansion is projected to be stronger than previously assessed. Middle East conflict has shown signs of improvement, and recent impacts have been less severe than previously assessed, lead to lower inflation pressure going foreword.
- The Committee assesses that Thailand's economic outlook has improved, with growth projected at 2.3% in 2026 and 1.8% in 2027, supported by exports, tech- and AI-driven investment, government energy relief, and easing geopolitical pressures. However, expansion remains uneven, with SMEs constrained by competition and limited adaptability, while households face income pressures and high living costs that may weigh on consumption as support measures fade. Inflation is expected to average 2.8% in 2026 and 1.4% in 2027, temporarily exceeding target in the near term, with medium-term expectations remaining well-anchored despite the need to monitor ongoing cost pressures.

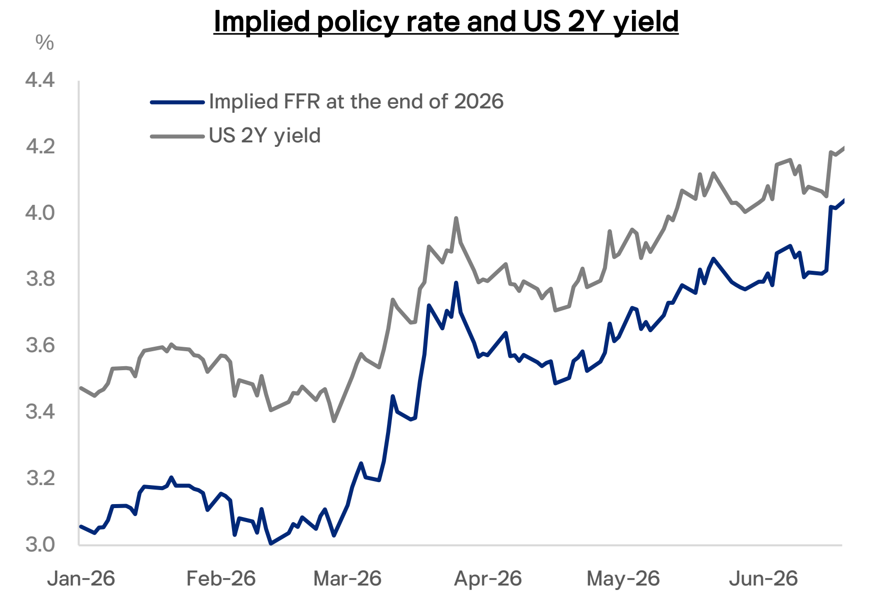
Source: Bank of Thailand and ttb analytics.

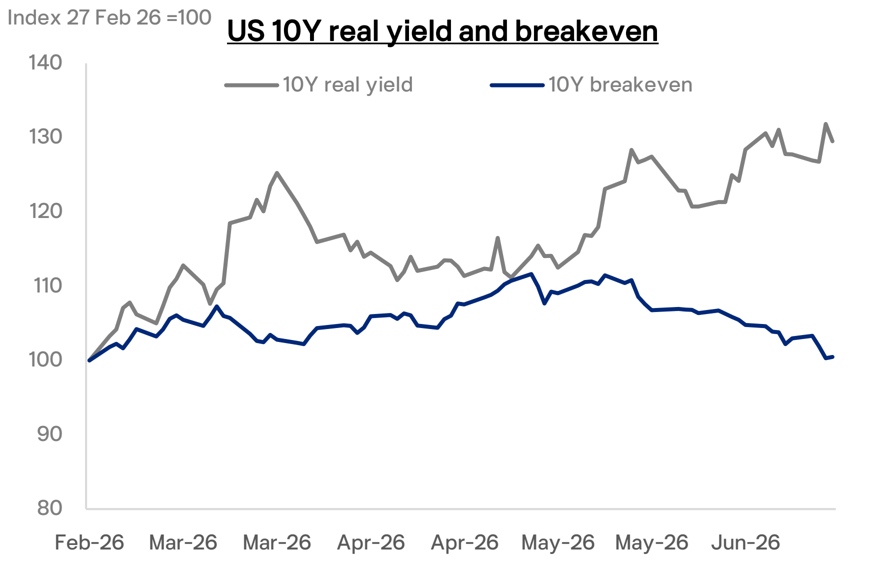
PART 3

Financial Market

Despite de-escalation signals, the US yield curve flattened on hawkish Fed expectations





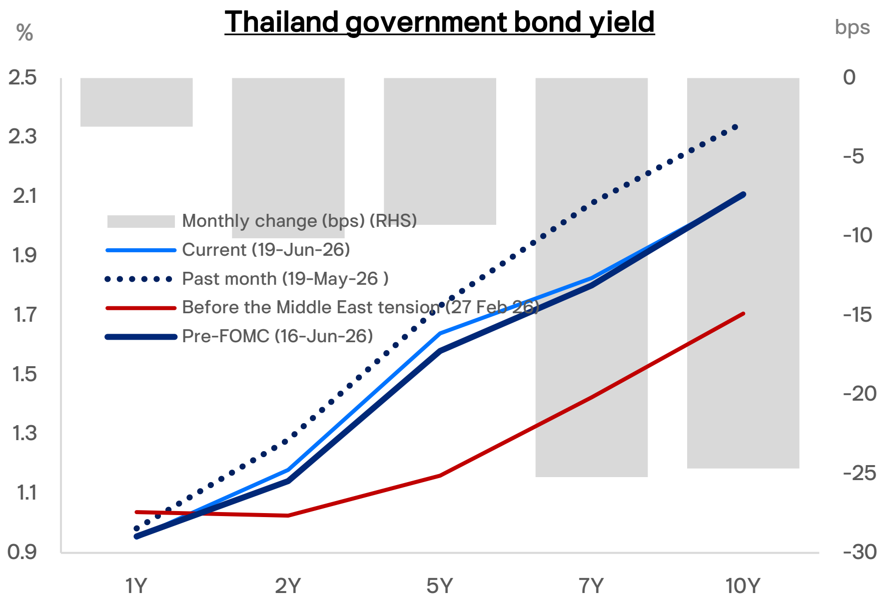


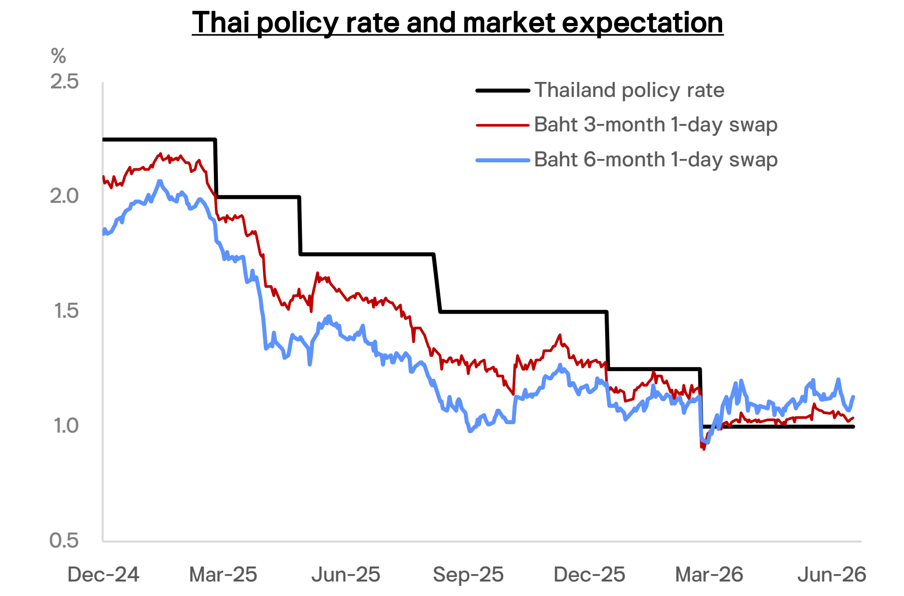
- The US treasury yield curve flattened as the 2-year yield surged following a more hawkish-than-expected June FOMC, prompting markets to aggressively price in a potential Fed rate hike in September 2026 despite economic data remaining less supportive. Meanwhile, the previous driver, US–Iran tensions, has likely entered a de-escalation phase, helping ease upward pressure on yields. However, this effect was offset by the market's repricing of the Fed policy outlook.

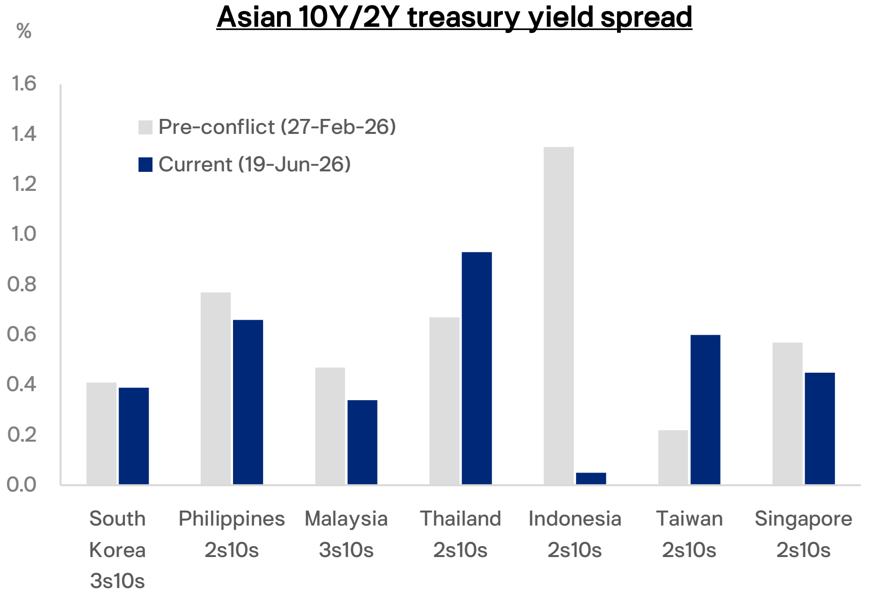
- Looking ahead, yields are likely to remain elevated above pre-conflict levels as expectations for the easing cycle fade and markets shift toward a 'higher-for-longer' regime. Meanwhile, the recent depreciation across major and regional currencies may increase the likelihood of authorities selling UST holdings to support their currencies through FX intervention.

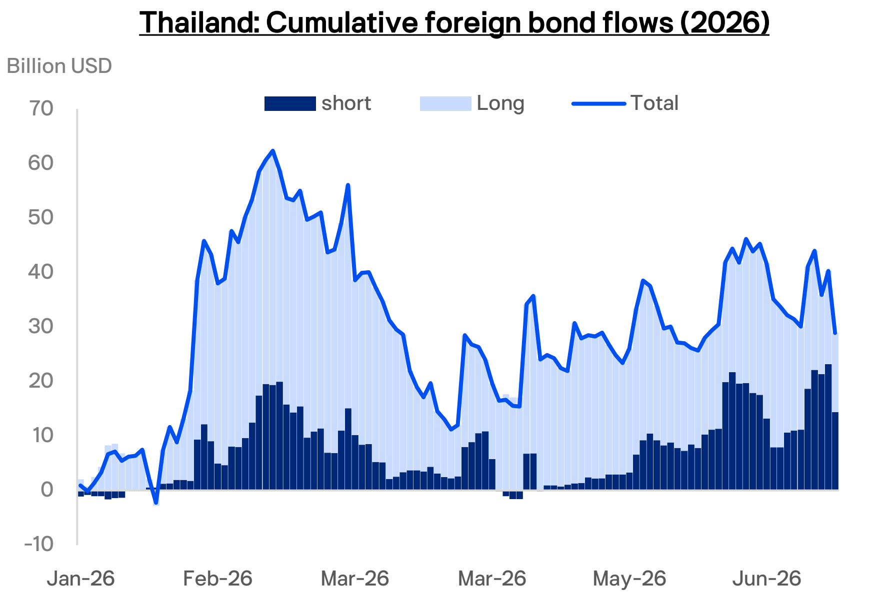
Source: Bloomberg, CEIC, and ttb analytics (Data as of 19 June 26)

Thai bond yields bull flatten as middle east tensions ease; MPC rate outlook remains steady







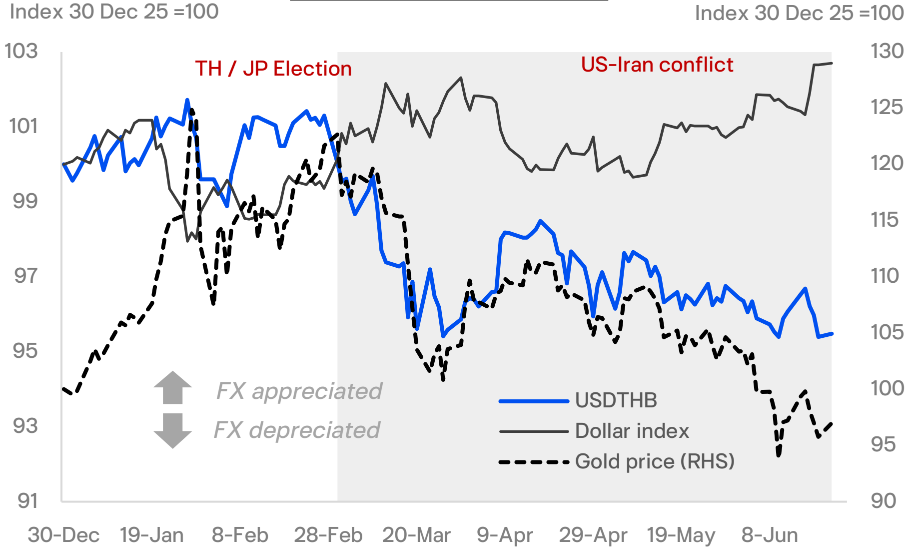


- Thai bond yields declined across the curve, with a bull flattening move as long-end yields fell faster than short-end yields following the decline in oil prices amid easing US-Iran tensions. Compared with other Asian markets, Thailand's 10Y-2Y yield spread is among the steepest, making longer-dated bonds, particularly the 10Y tenor, more attractive. This is supported by expectations that the BoT will keep its policy rate steady, unlike some regional peers where the probability of further rate hikes remains higher. In terms of bond flows, June flows remained negative across both long and short tenors, although year-to-date flows are still in positive territory.
- Looking ahead, with the global rate environment shifting toward a "higher-for-longer" policy backdrop and potential Thai fiscal risks from concerns over breaching the debt ceiling, long-end Thai yields are likely to remain elevated compared with pre-conflict levels. Meanwhile, the short end should remain anchored by the policy rate, which is expected to stay unchanged at 1% amid subdued economic growth and well-anchored inflation expectations.

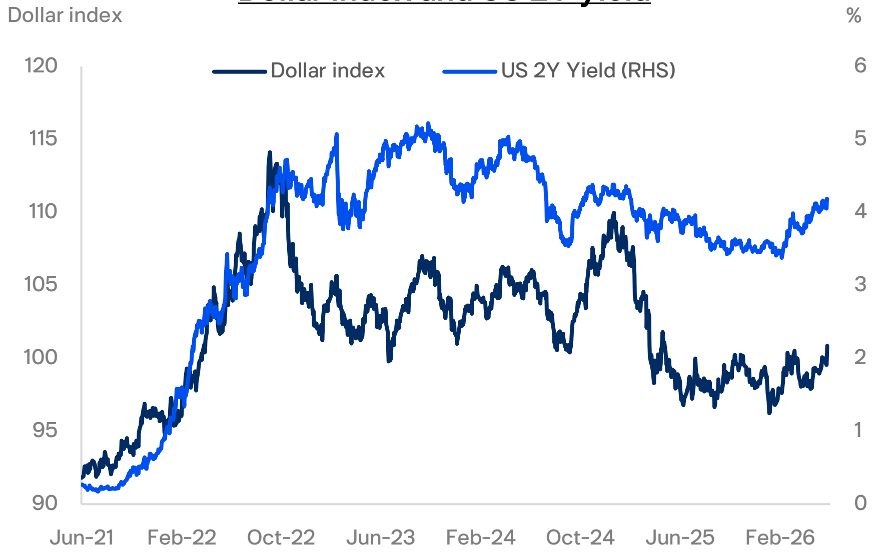
Source: Bloomberg, CEIC, and ttb analytics (Data as of 19 June 26)

Dollar strengthens on hawkish Fed repricing despite potential US-Iran peace progress

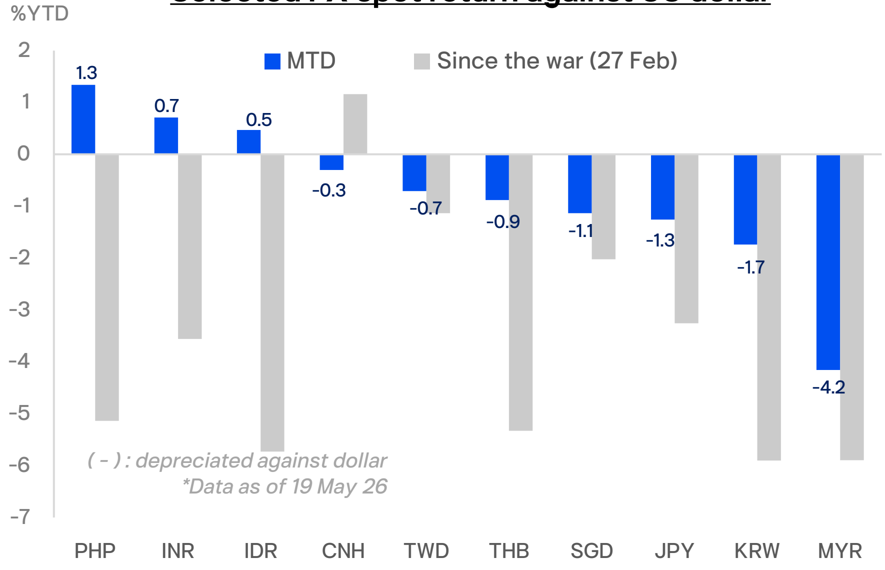
FX movement in 2026



Dollar index and US 2Y yield



Selected FX spot return against US dollar

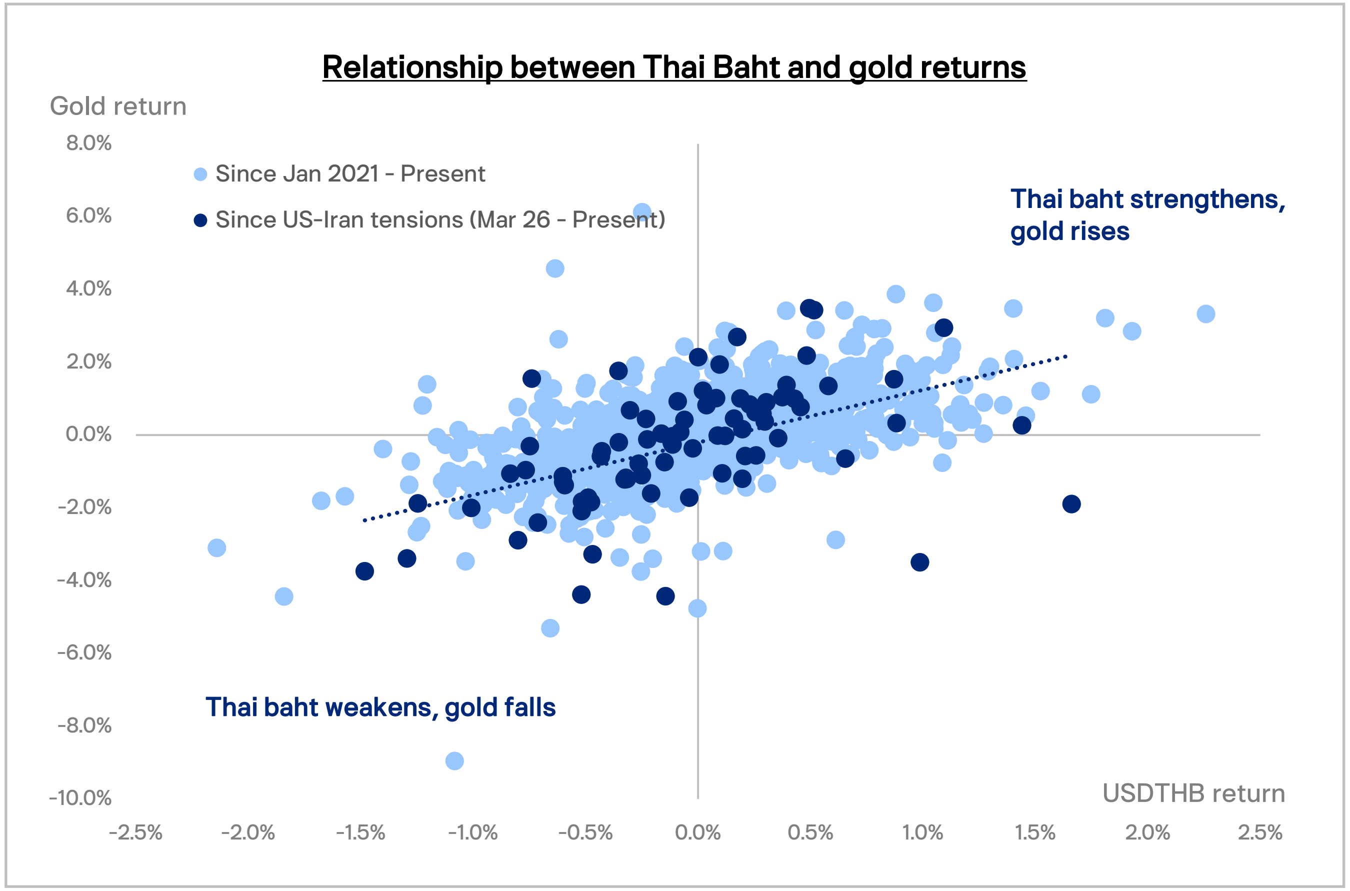


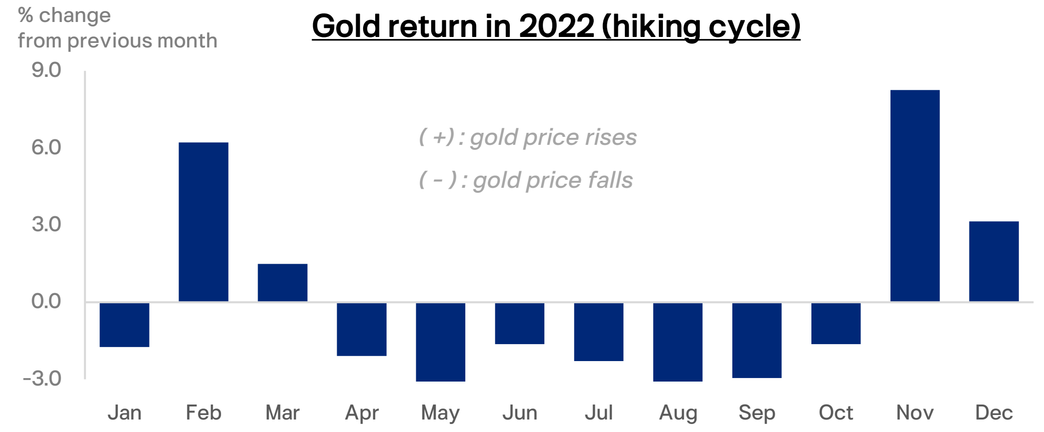
Thai baht monthly seasonality

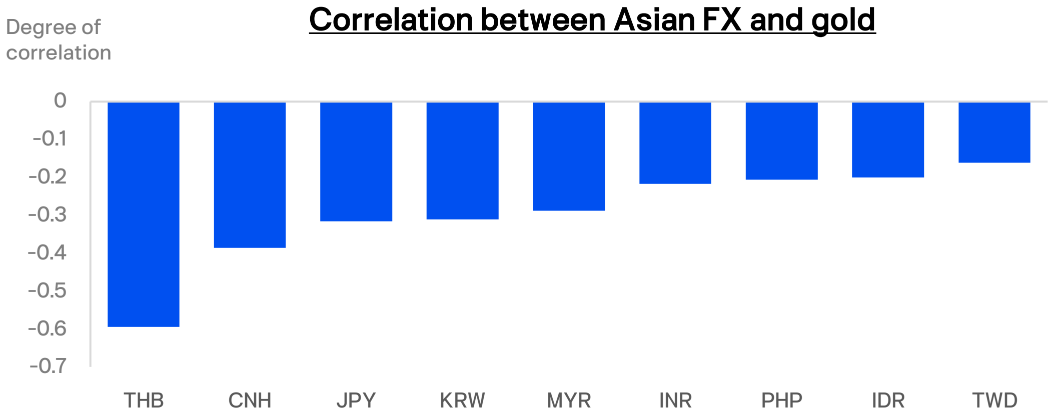
Source: Bloomberg and ttb analytics (Data as of 19 June 26)

- The Dollar Index rebounded above the 100 level as the FOMC outcome turned more hawkish, with the dot plot signaling a potential rate hike later this year, prompting markets to aggressively price in higher Fed hike expectations. This move reflected the strong co-movement between the US 2-year treasury yield and the dollar index, particularly following the FOMC decision. Meanwhile, US-Iran tensions showed early signs of de-escalation, helping to reduce tail risks and ease demand for safe-haven assets. However, the resulting dollar weakness was more than offset by the hawkish Fed repricing.
- The Thai baht weakened alongside the dollar's broad-based strength, in line with movements across major and regional currencies. The baht remained above the 32.50 level and moved toward testing the 33.00 level following the FOMC decision as markets continued to digest the hawkish shift. Looking ahead, with the MPC expected to keep rates unchanged through the end of the year while Fed hike risks have increased, the Thai baht may remain under pressure in 2H26, with further depreciation risks.

Thai baht faces additional downside pressure from gold, given their historical correlation and gold's weakness during Fed hiking cycles







- The baht's appreciation over the past year was largely driven by the sharp increase in gold prices. Despite the Bank of Thailand's efforts to reduce the baht's sensitivity to gold movements, the correlation between the baht and gold remains elevated and among the highest in the region. While ongoing central bank demand to diversify reserves away from the US dollar has provided structural support for gold, a higher-for-longer interest rate environment or renewed Fed hiking risks could limit gold's performance, as observed during the 2022 tightening cycle. Against this backdrop, a potential correction in gold prices could create additional depreciation pressure on the Thai baht.

Source: Bloomberg and ttb analytics (Data as of 19 June 26) ttb | a·n·a·l·y·t·i·c·s