

Monthly Economic Insight

June 2021

ttb analytics

Global Economy

- **Strong outlook in both manufacturing and service sectors** in countries which have Covid-19 under control such as United States and European countries. Reopening in US and Europe advanced positive outlook in service sector further.
- **Returning global demands help support global exports.** Asian economies benefit from returning global demands through manufacturing and exports.
- **Inflation on the rise due to energy price.** The rising inflation should be transitory. Energy and transportation prices which had low bases last year contributed to higher inflation in the United States.
- U.S. labor market displayed moderate improvement in May, adding 560,000 jobs. Meanwhile, European retail trade and industrial production increased strongly in April from low-base impact.
- Chinese economy continued its growth from the first quarter. Producer price rose significantly. Japan might struggle from weak domestic consumption

Domestic Economy

- Overall, Thai economy declined in April 21 after a hit of third wave of domestic outbreak.
- **External sectors (except international travelling) continued its recovery trend.** Merchandise exports excluded gold steadily recovered in all destination countries. Foreign tourists were at very low level, with a slight improvement in special tourist groups.
- **Domestic activities plummeted to nearly the same level as in the 1st round last year.**
 - Private consumption declined together with worsen consumer confidence and weaken labor market condition. Thai tourism also dropped amid tourism campaign.
 - Private investment marginally declined in machinery and equipment together with worsen business. While, construction sector improved, real estate sector showed better signal.
 - Public investment were greater than last year.
- **Inflation jumped from low base effect and increase in energy prices**

Financial Market

- TTBA sees both Thai and US policy rate to hold at least through Q3/2022. Fed tapering is likely to start from Q1/2022. Though, surprisingly high US Inflation (4.2% on April) which followed by 5% on May has slowed down the flattening path of UST curve and put the pressure on DXY index to drop to 5 months lowest level at 89.34 as US markets expects 80% chance of a rate increase from Fed by December 2022. However, we still believe that higher than Fed's target inflation is one time and will gradually decrease through this year.
- **USDTHB is likely to continue weakening through 2021** as weaker economic recovery than global peers, negative current account, and covid-19 situation.
- Short term TGB will stick to policy rate at 0.50% at least through Q3/2022. Long term TGB will continue to up, though the process has been slowed down by covid situation.

PART 1:
GLOBAL
ECONOMY



Reopening in US and Europe advanced positive outlook in service sector



Manufacturing PMI

	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21
Australia	54.2	55.8	55.7	57.2	56.9	56.8	59.7	60.4
China	53.6	54.9	53.0	51.5	50.9	50.6	51.9	52.0
India	58.9	56.3	56.4	57.7	57.5	55.4	55.5	50.8
Indonesia	47.8	50.6	51.3	52.2	50.9	53.2	54.6	55.3
Japan	48.7	49.0	50.0	49.8	51.4	52.7	53.6	53.0
South Korea	51.2	52.9	52.9	53.2	55.3	55.3	54.6	53.7
Thailand	50.8	50.4	50.8	49.0	47.2	48.8	50.7	47.8
Canada	55.5	55.8	57.9	54.4	54.8	58.5	57.2	57.0
United States	53.4	56.7	57.1	59.2	58.6	59.1	60.5	62.1
Germany	58.2	57.8	58.3	57.1	60.7	66.6	66.2	64.4
France	51.3	49.6	51.1	51.6	56.1	59.3	58.9	59.4
Italy	53.8	51.5	52.8	55.1	56.9	59.8	60.7	62.3
United Kingdom	53.7	55.6	57.5	54.1	55.1	58.9	60.9	65.6
Spain	52.5	49.8	51.0	49.3	52.9	56.9	57.7	59.4

Service PMI

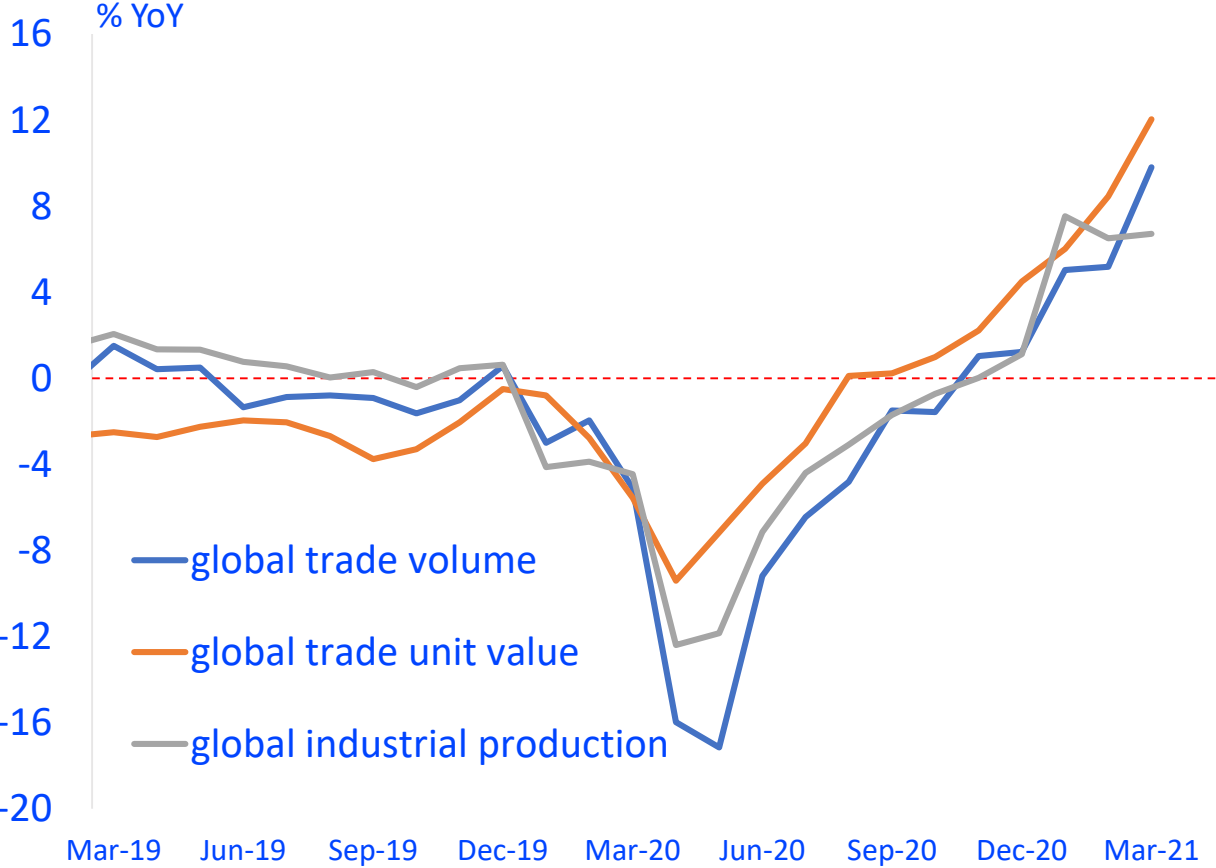
	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	May-21
Australia	53.7	55.1	57.0	55.6	53.4	55.5	58.8	58.8	58.0
China	56.8	57.8	56.3	52.0	51.5	54.3	56.3	56.3	55.1
Japan	47.7	47.8	47.7	46.1	46.3	48.3	49.5	49.5	46.5
India	54.1	53.7	52.3	52.8	55.3	54.6	54.0	54.0	46.4
United States	56.9	58.4	54.8	58.3	59.8	60.4	64.7	64.7	70.4
Germany	49.5	46.0	47.0	46.7	45.7	51.5	49.9	49.9	52.8
France	46.5	38.8	49.1	47.3	45.6	48.2	50.3	50.3	56.6
Italy	46.7	39.4	39.7	44.7	48.8	48.6	47.3	47.3	53.1
United Kingdom	51.4	47.6	49.4	39.5	49.5	56.3	61.0	61.0	62.9
Spain	41.4	39.5	48.0	41.7	43.1	48.1	54.6	54.6	59.4

- PMIs which are early indicators for economic activities suggested that most countries have strong positive outlooks toward manufacturing sector.
- May PMIs data displayed strong outlook in service and manufacturing sectors in countries which have Covid-19 under control such as United States and European countries. This shows positive outlook to economic growth all around the world.

Global trade posted strong signs in Q1, US exports rebounded strongly

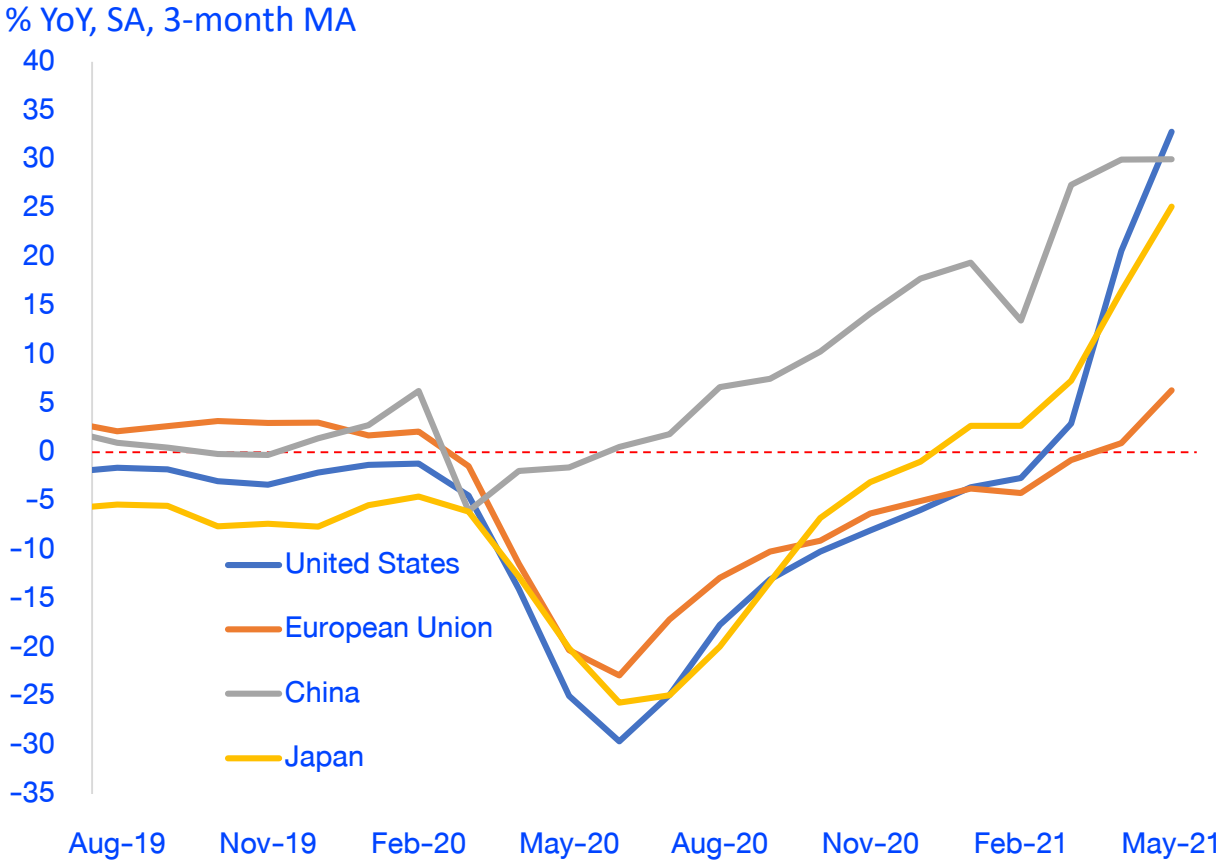


Global trade and industrial production rose



- Global trade and industrial continued to rise due to the effect of last year low bases. Global industrial production rose significantly due to improvements in US and Europe.

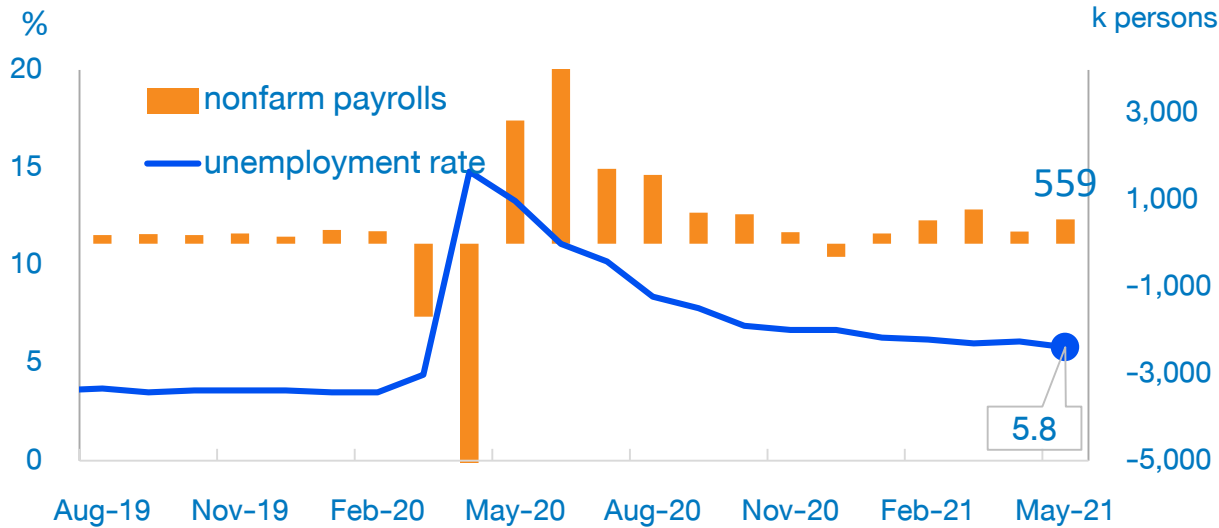
Exports from Asia posted stronger recovery trends



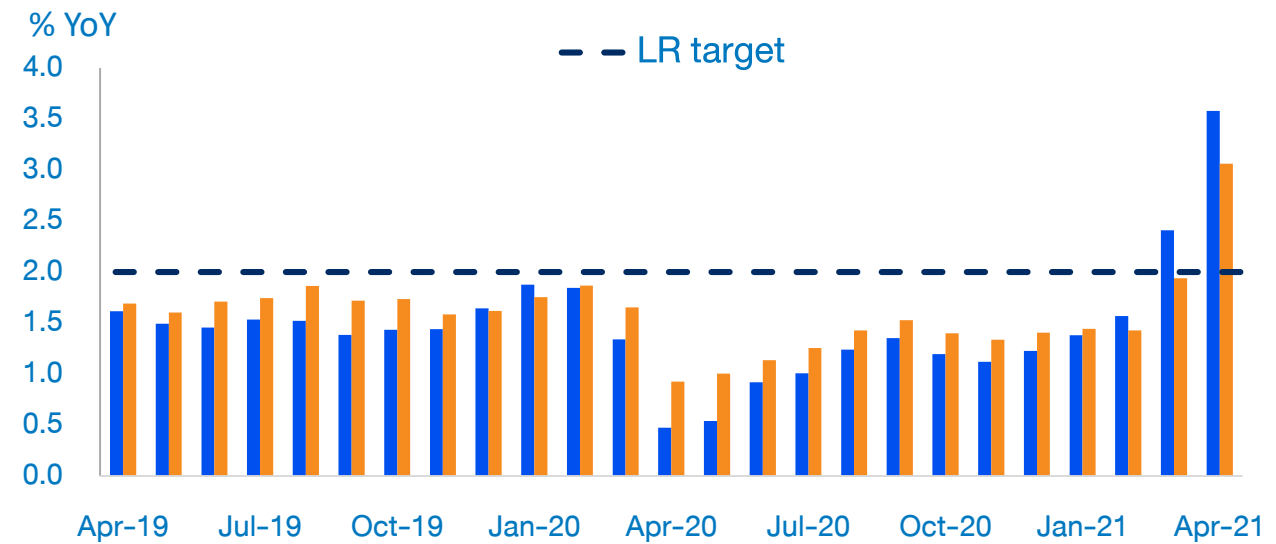
- Exports recovered in most countries as demands for goods returned. US exports benefited from low bases last year in Q2. Exports from China flattened slightly.

Source: CEIC and ttb analytics

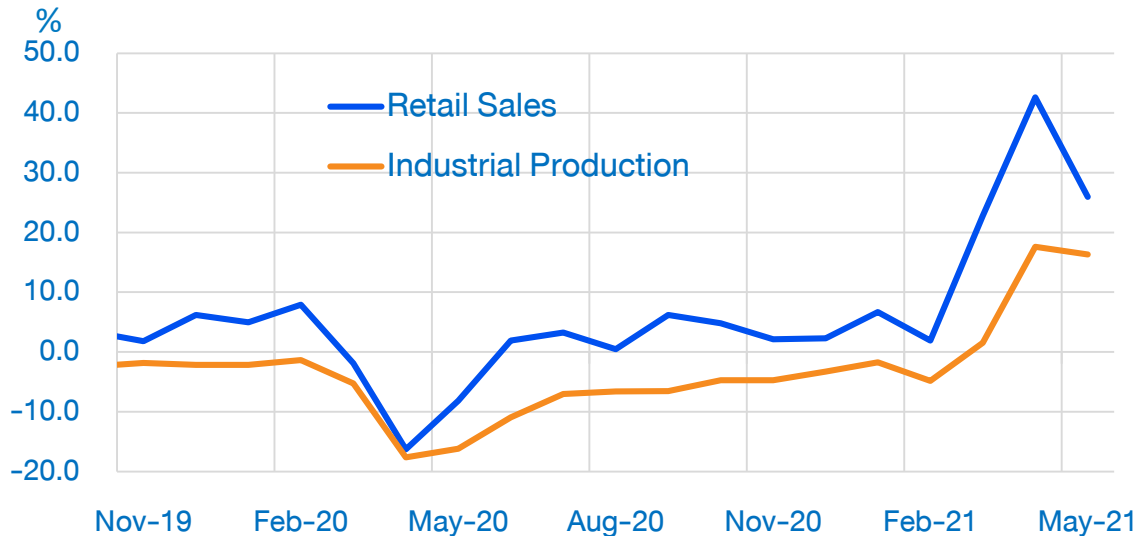
Nonfarm payroll increased 559,000 jobs in April



Inflation expanded beyond FED target in April



Strong retail sales growth from low-base impact

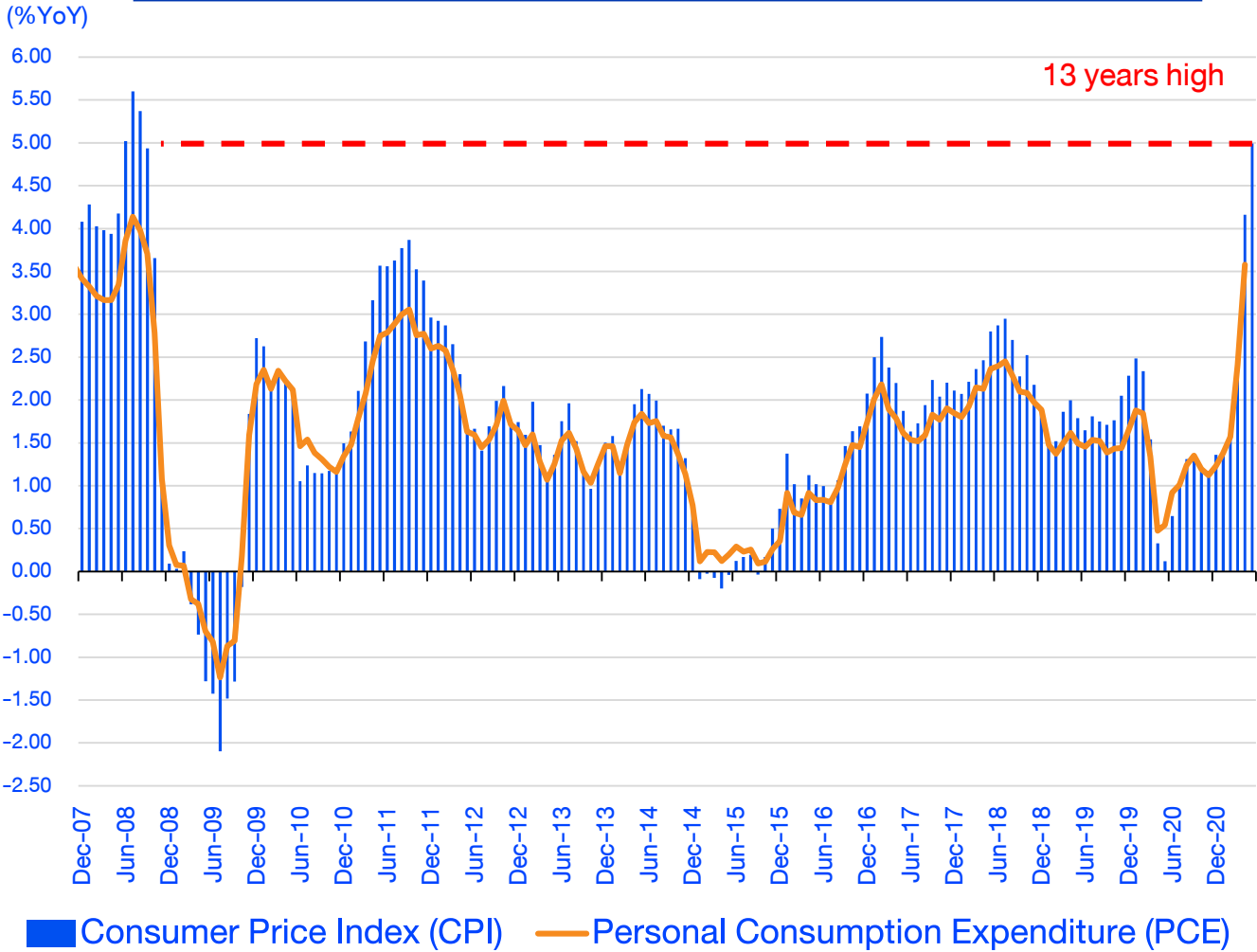


- In May, nonfarm payrolls recorded hiring of 559,000 people, below market expectation but improving from last month. Unemployment rates decreased to 5.8%. Labor market set to improve further in summer.
- Retail sales growth boasted mainly by low-base impact from last year. In May, retail sales grew 26% (seasonally adjusted) in comparison to -8% last year. Industrial production slightly contracted from last month.
- In April, PCE rose 3.6% while core PCE rose 3.1% due to rising transportation and energy prices.

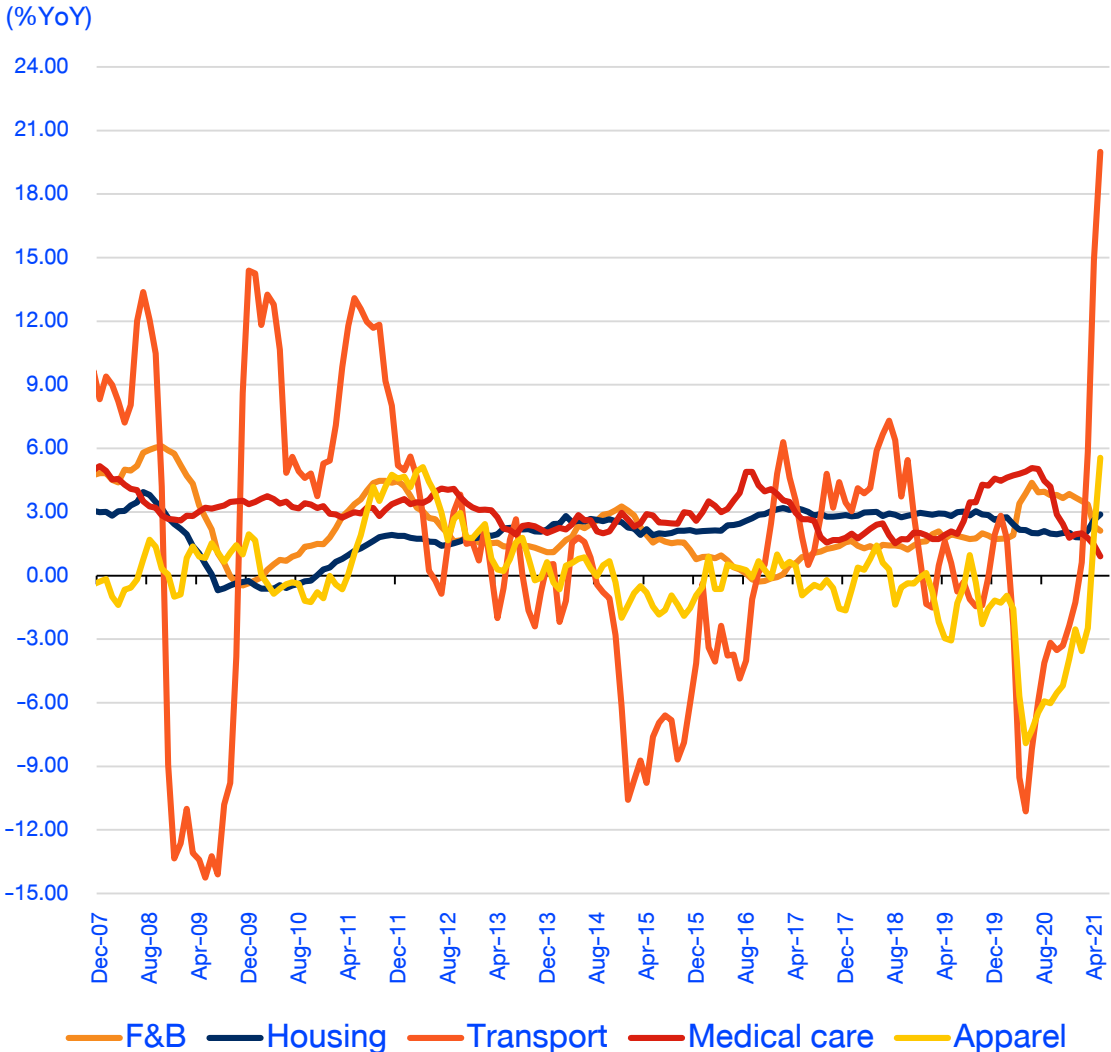
U.S. inflation continue to grew in May, due to energy and transport prices



U.S. Inflation (%YoY)



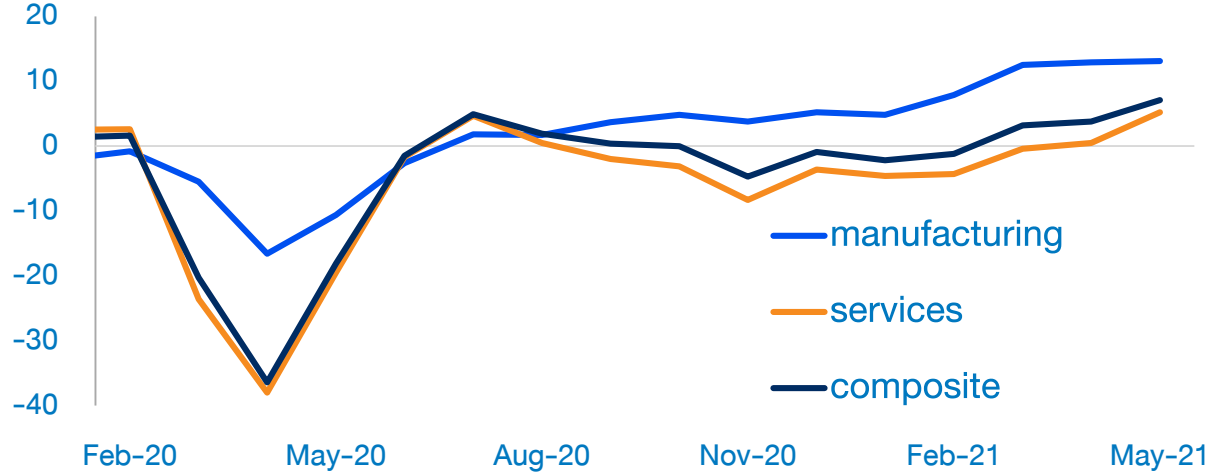
Breakdown of Inflation (CPI) by categories



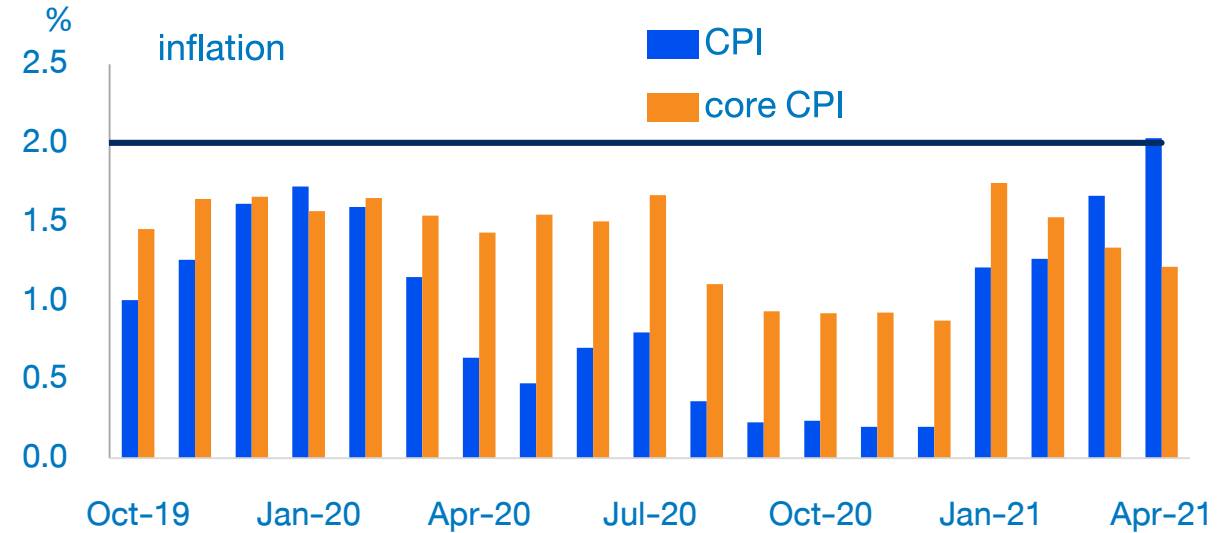
Source: CEIC and ttb analytics

Positive outlook continued, mainly from service

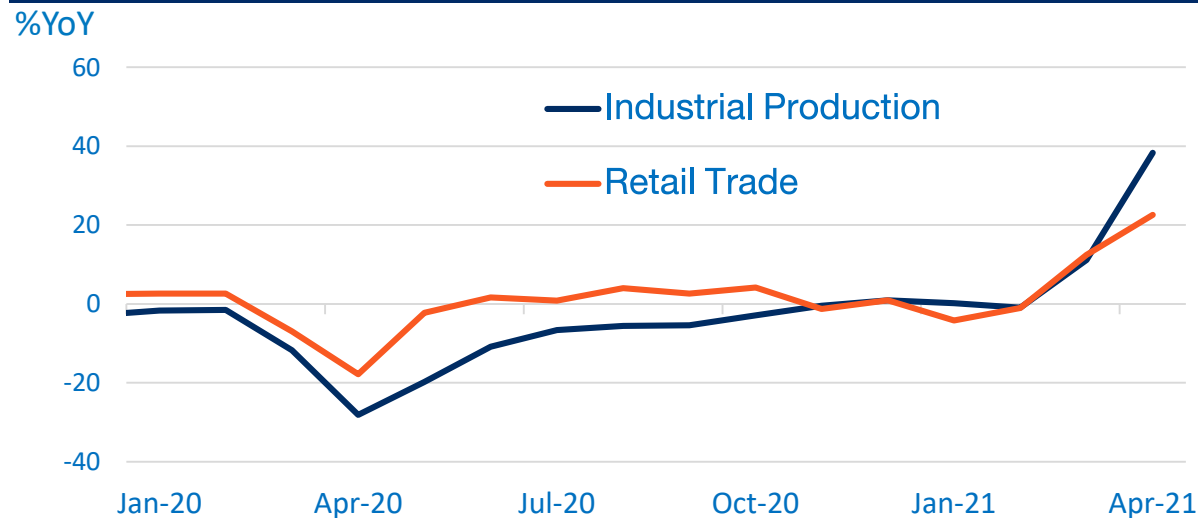
%MoM, deviations from 50, + expansion - contraction



Inflation improved as consumption returned

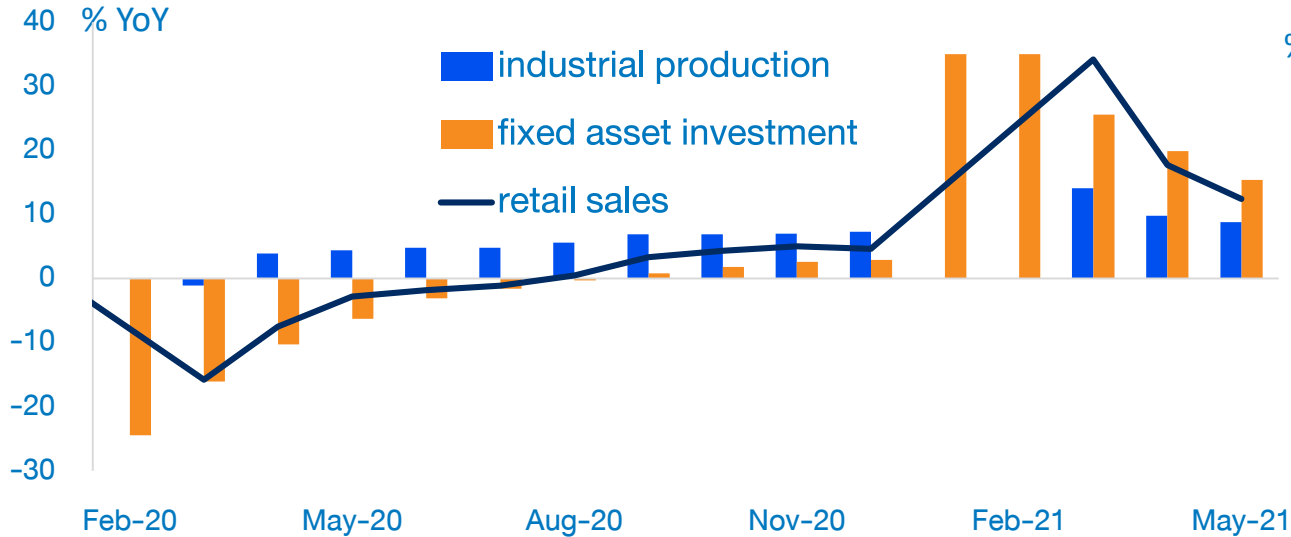


Industrial production rose significantly in April

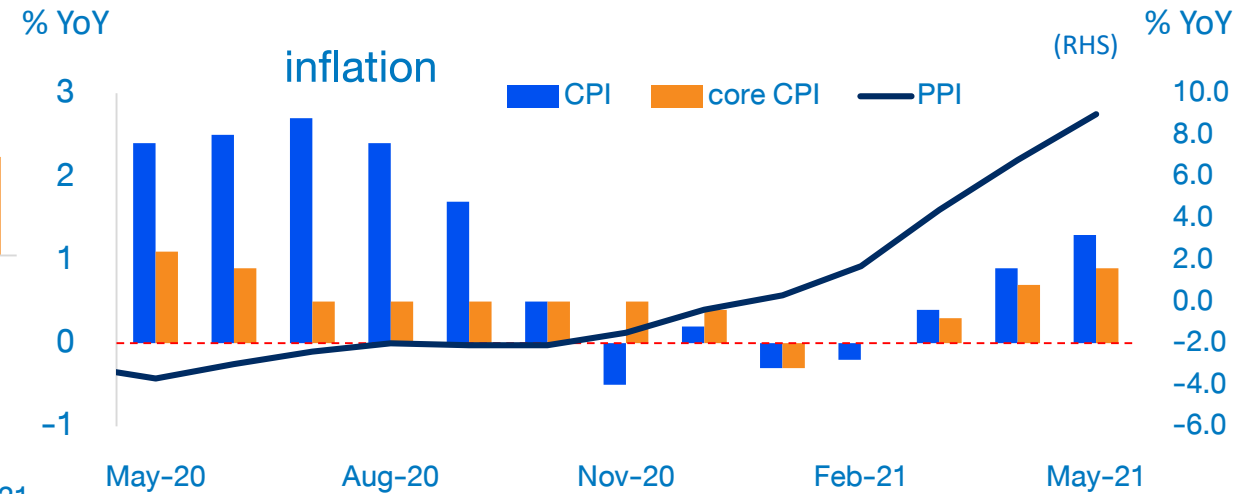


- In May, service outlook continued to support positive economic outlook as many European countries resumed operations. Manufacturing sector outlook maintained high level.
- European Union inflation continued to grow at 2.0% in April with support from food and energy price. Core inflation dropped slightly from last month to 1.2%.
- Retail trade and industrial production increased strongly in April from low-base impact. Retail trade rose 23% while industrial production rose 38%

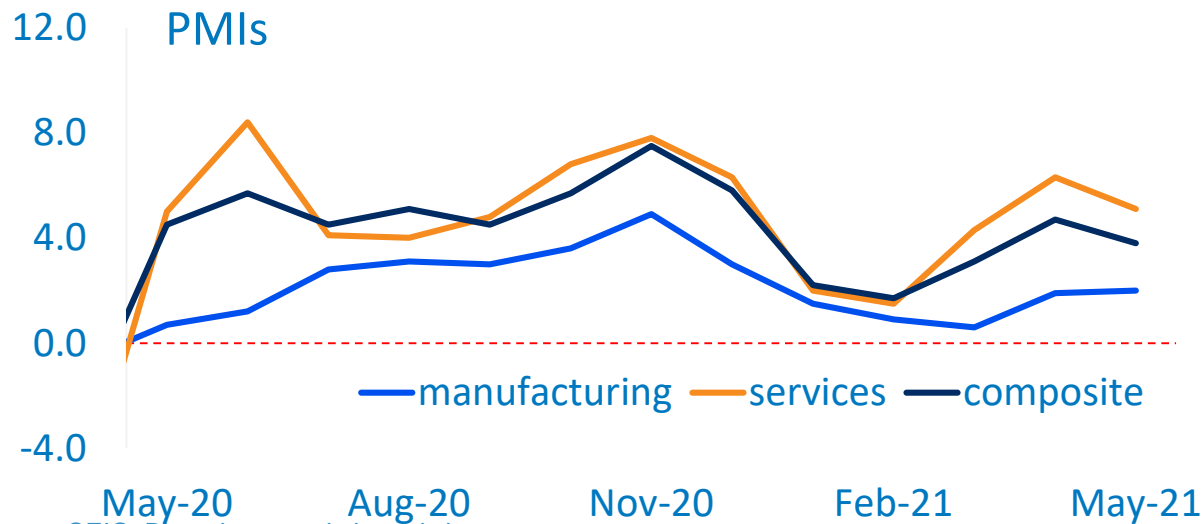
Growth flattened from the first quarter



Rising CPI from food price, PPI continued to spike



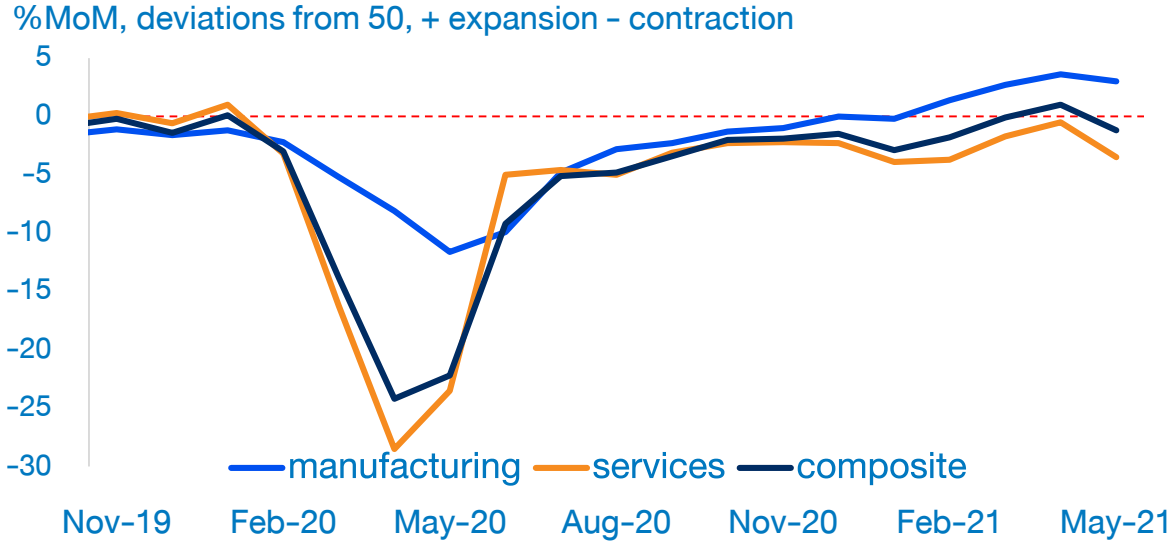
Moderate economic outlook in May



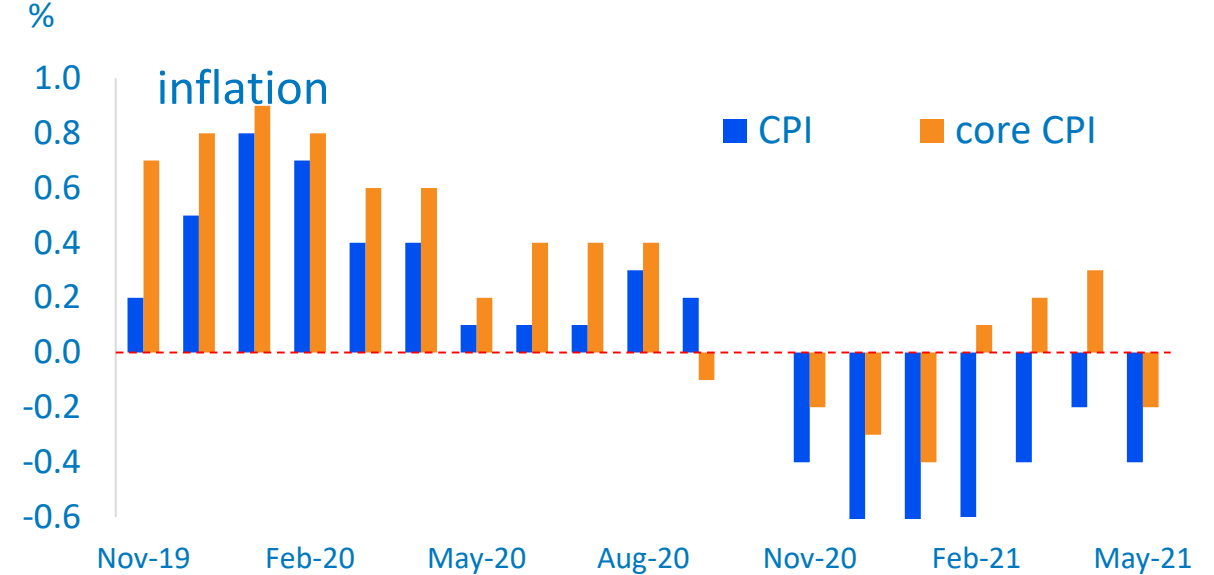
- Industrial output rose 8.8% in May from a year earlier versus the median estimate for a 9% increase. Retail sales expanded 12.4% in the period, slower than last month. Fixed-asset investment grew 15.4%
- Chinese economic growth should have already peaked in Q1 from its low base impact from last year. Manufacturing and service PMI displayed moderate growth outlook in May.
- Inflation continued to grow in May in that CPI grew 1.3% due to rising food price. PPI continued to rise to 9.0% growth due to rising commodities prices.

Japan's economy lacks positive outlook despite strong growth from low-base from last year

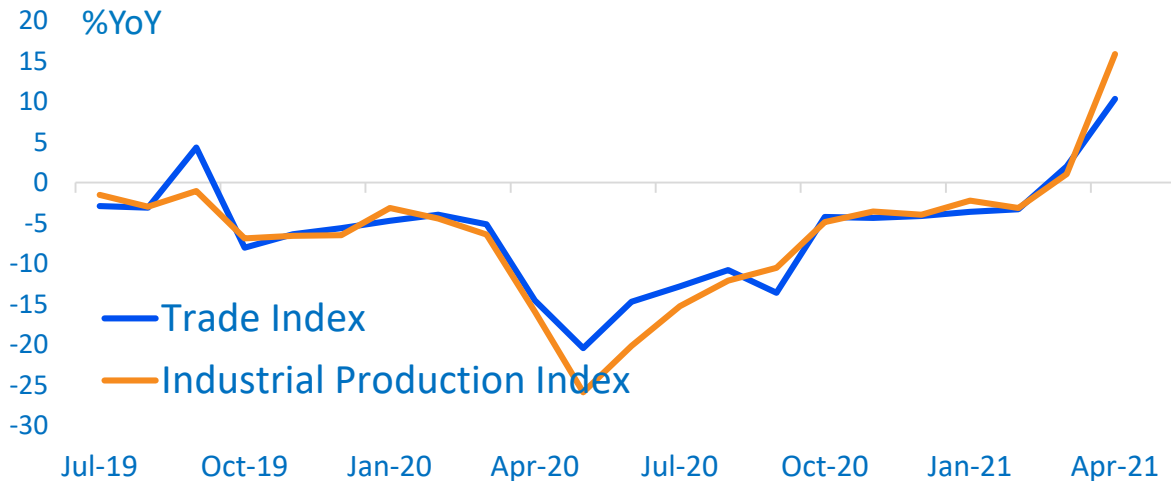
Service outlook dropped to contraction zone



Japan's core inflation contracted in May



Trade and Production remained spiked in April from low bases



- Service outlook dropped to contraction zone in May displayed concerns regarding the Japanese economy despite having an Olympic event coming in the summer.
- Trade and industrial production benefited greatly from low bases last year. However, overall, they have not yet fully recovered
- CPI still contracted for the straight seventh month in May. CPI dropped again to -0.4% while Core CPI also dropped to -0.2% due to dropping food prices

PART 2: DOMESTIC ECONOMY

tib analytics

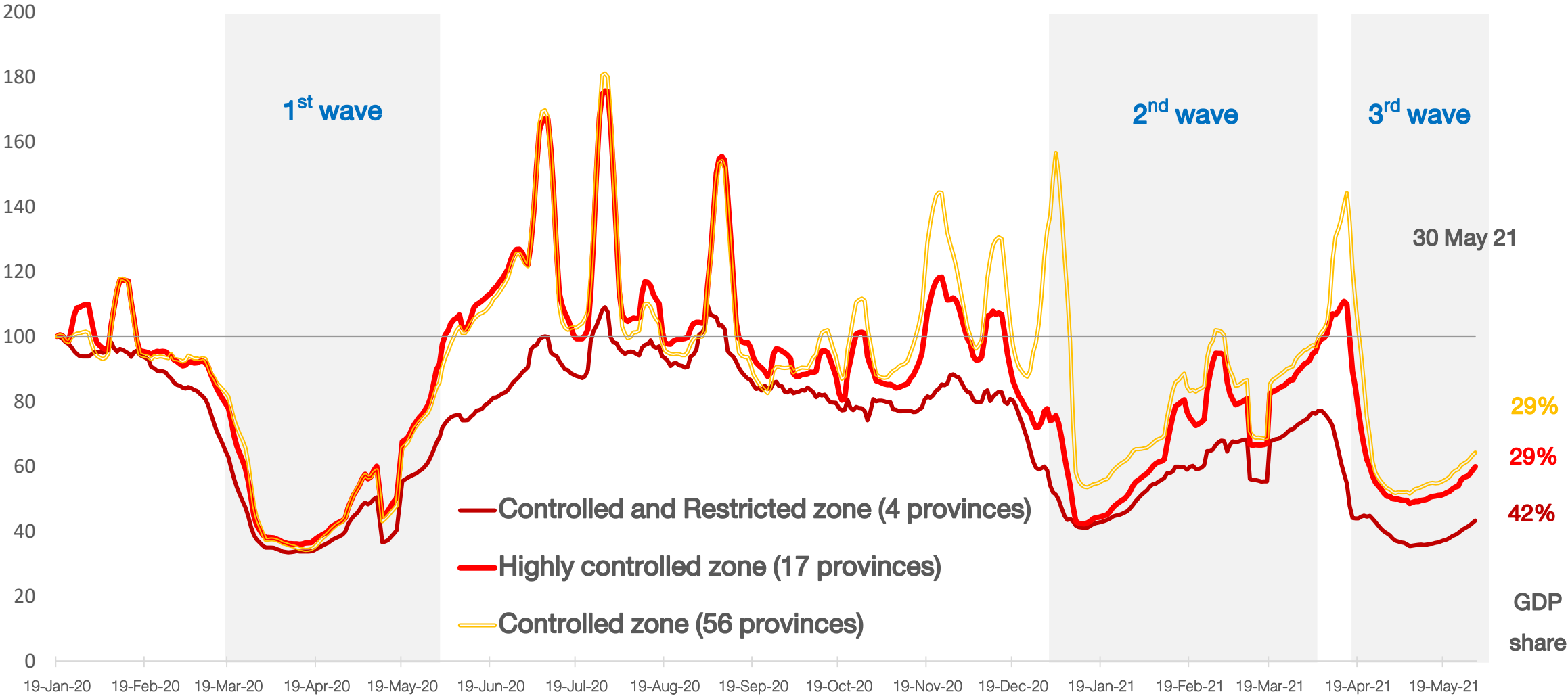


Economic activities, plummeted after the 3rd wave began, have been bottoming out



% Change from 13 Jan 20
(reindex)

Apple Mobility Index



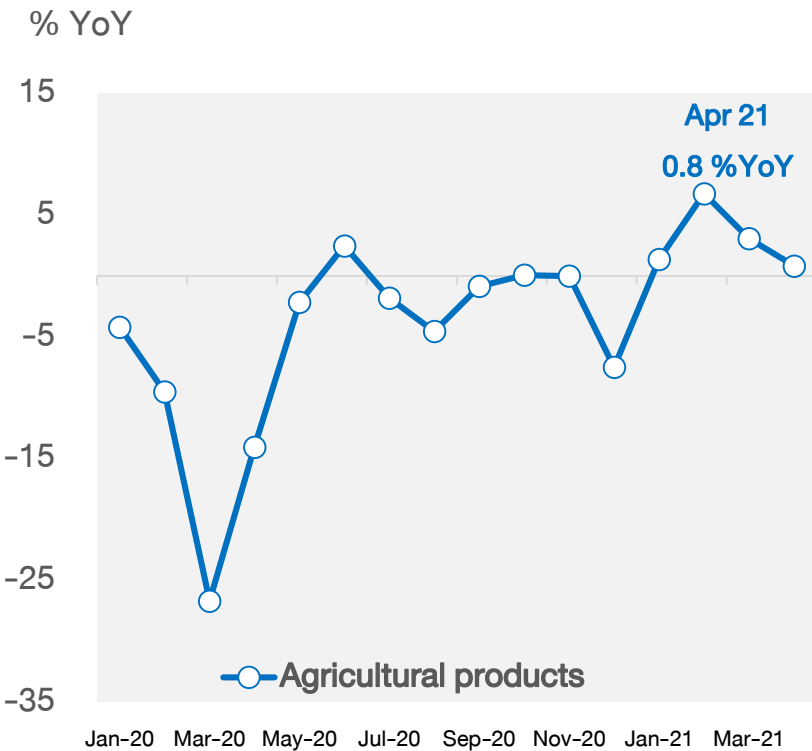
Source: Apple Mobility Index and TMB Analytics Note: applied 2018 GPP weight with 7 days moving average for each controlled group

Coincident economic Index (sa)

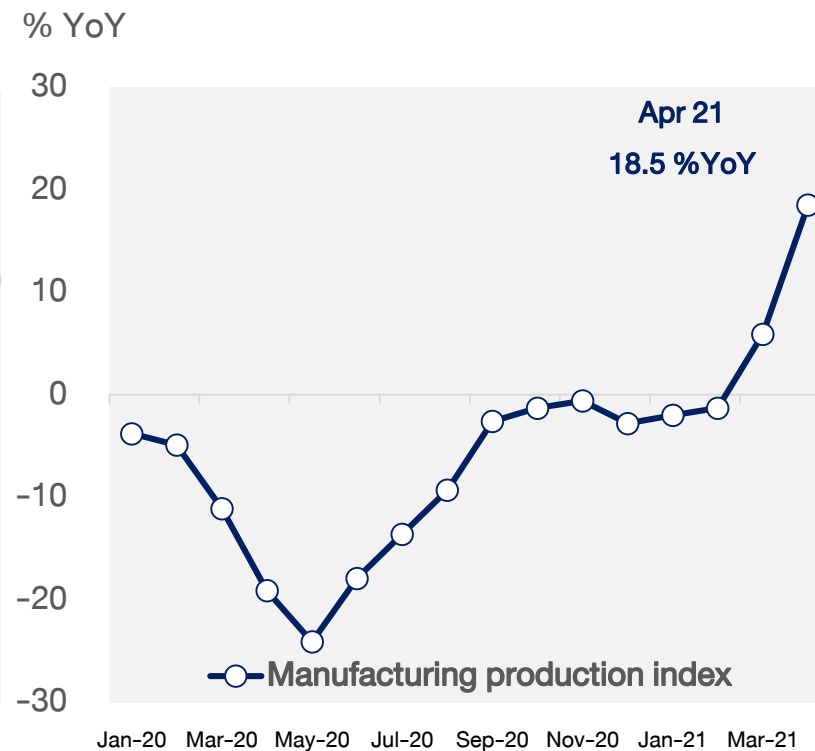
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	
Production	Coincident Economic Index	100.0	98.5	96.4	95.4	95.6	95.9	97.1	98.0	98.2	98.6	98.8	98.9	98.2	99.7	99.1	99.6
	Import Volume index (exclude Gold)	100.0	84.7	100.8	89.3	76.5	76.8	79.0	84.2	88.4	88.1	91.3	95.9	96.9	100.3	101.0	102.4
	Manufacturing Production Index	100.0	99.9	94.8	83.6	79.7	83.8	88.4	91.4	95.1	97.4	96.4	97.4	98.2	97.9	98.8	103.2
	Gross Value Added Tax at 2000 price (Million baht)	54,238.8	47,584.0	35,376.0	46,667.7	52,360.2	45,675.3	48,422.2	48,894.7	46,733.5	47,631.4	48,851.5	48,126.1	43,371.1	57,814.5	50,673.6	51,991.8
C	Domestic Automobiles Sales (Unit)	82,828.9	73,458.7	54,010.3	34,462.1	45,206.8	59,426.5	63,396.9	71,667.9	73,562.2	73,039.1	72,852.0	75,555.1	65,163.6	65,447.6	67,782.6	67,725.5
	Sales Benzene, Gasohol & Diesel Index	100.0	99.8	90.2	71.0	88.7	95.4	106.0	101.9	108.5	100.8	100.6	99.8	82.2	97.1	104.6	86.8
	VAT Hotel & Restaurant Index	100.0	77.8	38.5	14.3	22.6	38.4	38.5	34.0	44.8	45.1	49.7	25.0	20.0	34.6	38.3	16.2
I	Imports of Capital Goods at 2010 price (Million US\$)	3,848.9	3,216.6	3,505.3	3,400.9	3,021.3	3,289.0	3,351.5	3,377.5	3,548.4	3,410.2	3,740.9	3,955.5	3,888.6	4,227.2	4,197.5	4,115.7
	Domestic Machinery Sales at 2010 price (Million THB)	93,741.6	95,491.1	91,516.0	81,606.6	71,114.8	77,534.1	84,750.1	88,605.7	92,229.6	94,450.1	92,923.3	98,001.6	99,181.4	102,981.5	105,111.9	98,299.8
Services	Service Production Index	100.0	99.6	98.1	92.6	91.8	91.5	92.7	93.8	93.9	93.3	93.9	94.3	90.9	90.7	90.7	90.7
	Wholesale and retail trade; repair of motor vehicles and motorcycles	100.0	99.6	98.1	92.6	91.8	91.5	92.7	93.8	93.9	93.4	93.9	94.3	90.9	90.5	91.8	93.9
	Transportation and storage	100.0	96.8	79.4	56.4	57.5	59.6	60.8	62.9	63.8	64.3	63.8	64.6	61.6	64.5	72.3	65.6
	Accommodation and food service activities	100.0	59.7	24.8	0.2	0.9	7.3	16.5	18.4	18.8	22.7	27.0	25.3	11.4	14.8	17.9	11.7
	Information and communication	100.0	89.6	96.0	90.8	91.5	98.8	95.4	94.7	97.6	90.0	98.2	112.5	107.4	94.9	109.2	104.0
	Financial and insurance activities	100.0	100.4	106.8	127.3	128.9	131.3	113.7	114.7	94.1	92.3	97.1	99.0	100.9	101.1	104.5	99.5
	Real estate activities	100.0	96.7	115.0	82.4	87.4	94.0	95.3	97.5	121.0	94.7	97.0	106.3	105.0	101.6	103.4	92.5
	Professional, scientific and technical activities	100.0	87.3	89.4	80.9	75.9	83.8	93.8	88.2	96.9	97.5	93.1	109.1	96.8	93.9	117.1	106.8
	Administrative and support service activities	100.0	88.1	84.5	70.2	62.5	68.3	66.1	72.3	74.2	71.9	74.2	79.5	72.2	71.5	86.0	79.9
	Public administration and defence; compulsory social security	100.0	97.1	99.5	107.8	99.2	100.4	102.9	102.9	112.3	100.3	103.7	103.8	101.5	98.2	107.4	103.9

Only manufacturing productions were robust in line with export recovery

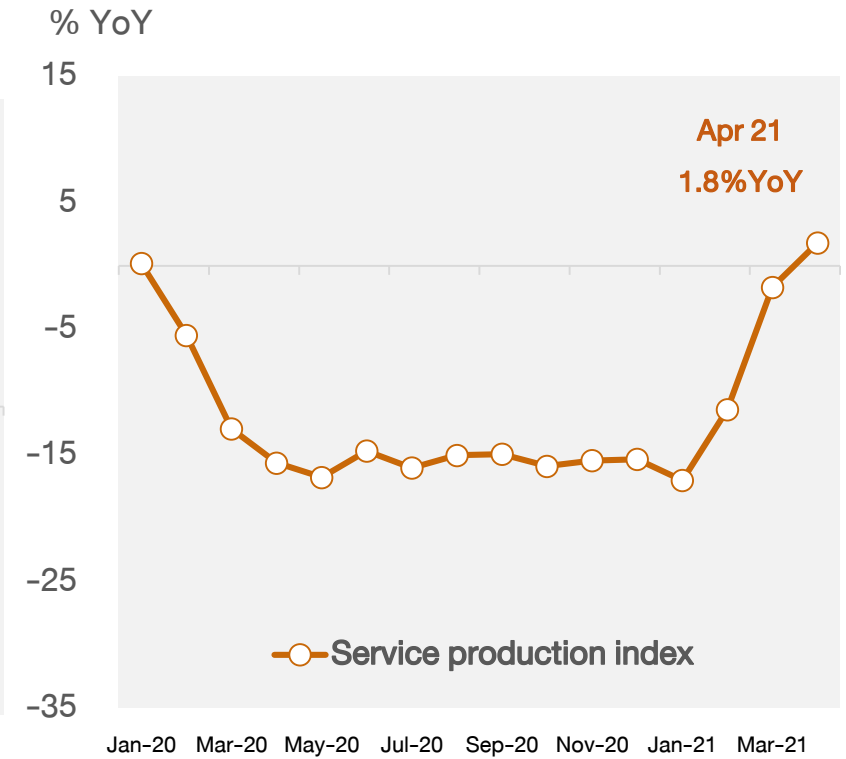
Agricultural Production



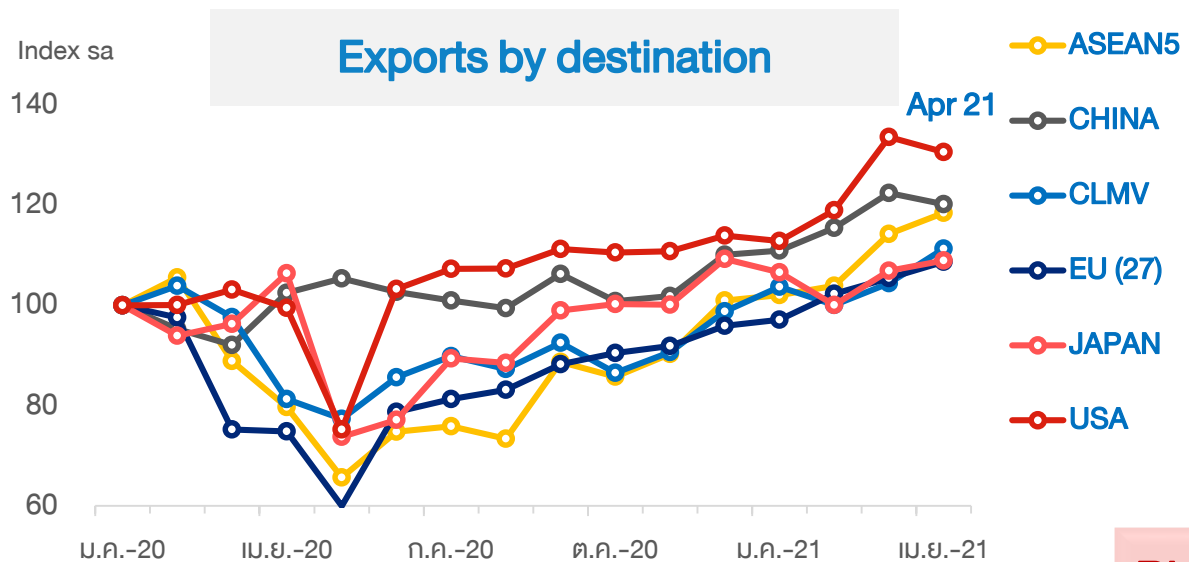
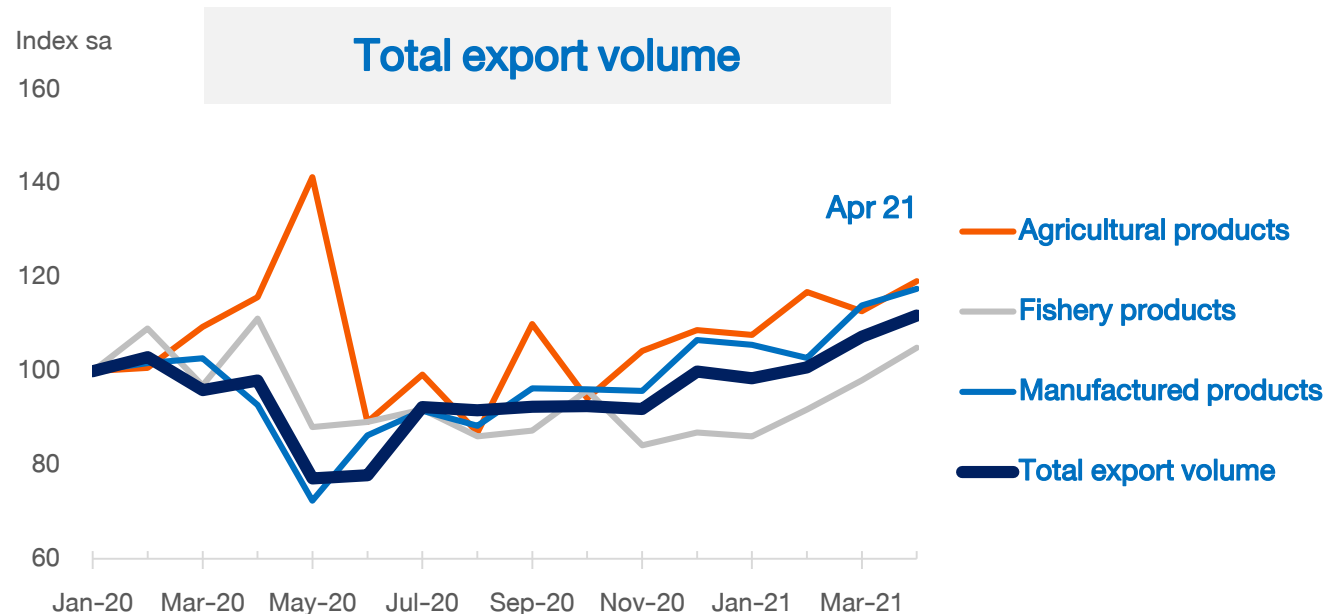
Manufacturing Production



Services Providing



Thai merchandise exports showed sign of continuing recovery to all destinations



2021 Exports Growth (%yoy)

4.8%

Jan-Apr 21

8.2%

2021F



Auto Parts(19%)

36.2

23.4



Electronic/Computer & Parts(17%)

10.7

5.7



Home Appliance (8%)

26.6

11.1



Chemical (7%)

31.7

19.0



Machinery Trader (6%)

19.1

14.0



Foods (6%)

0.8

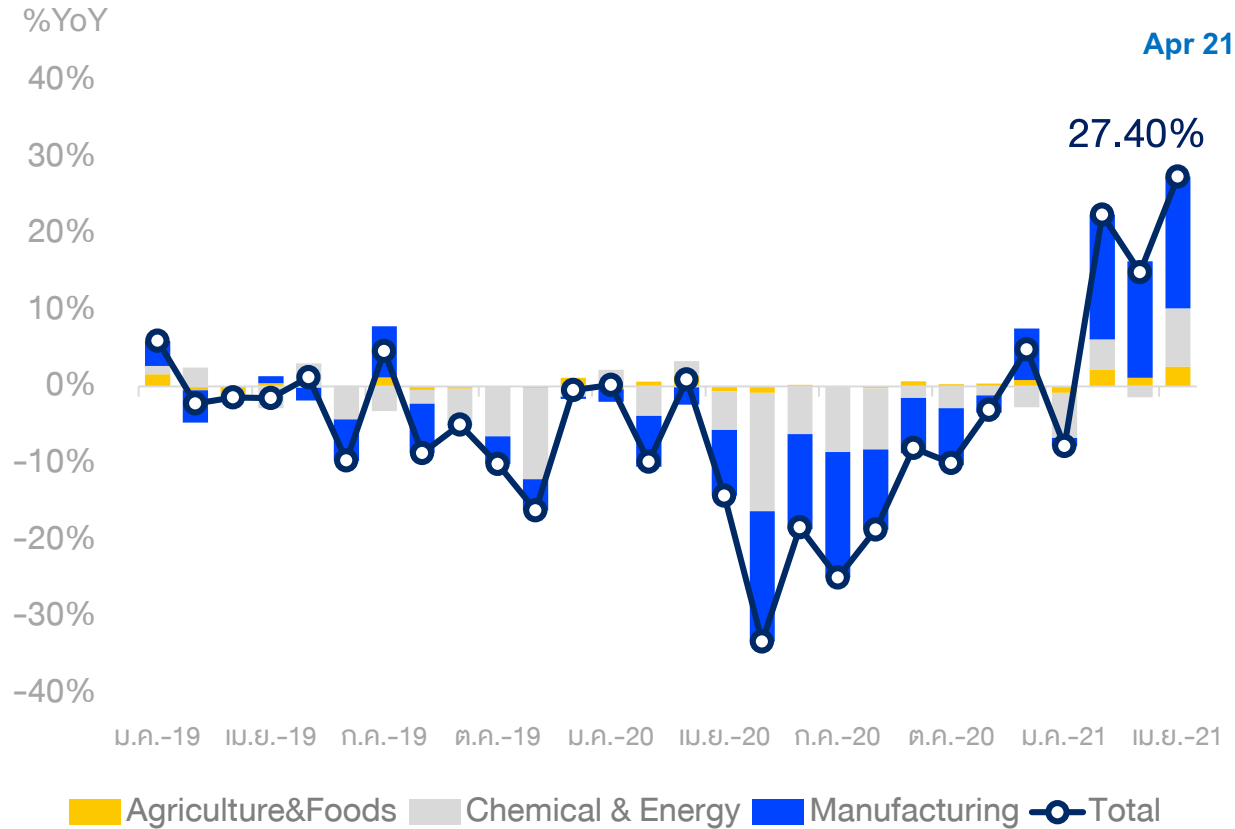
1.6

Risk to exports

1. Supply Shortage : Container , Semi-conductor and Steel
2. Operation halt due to cluster outbreak

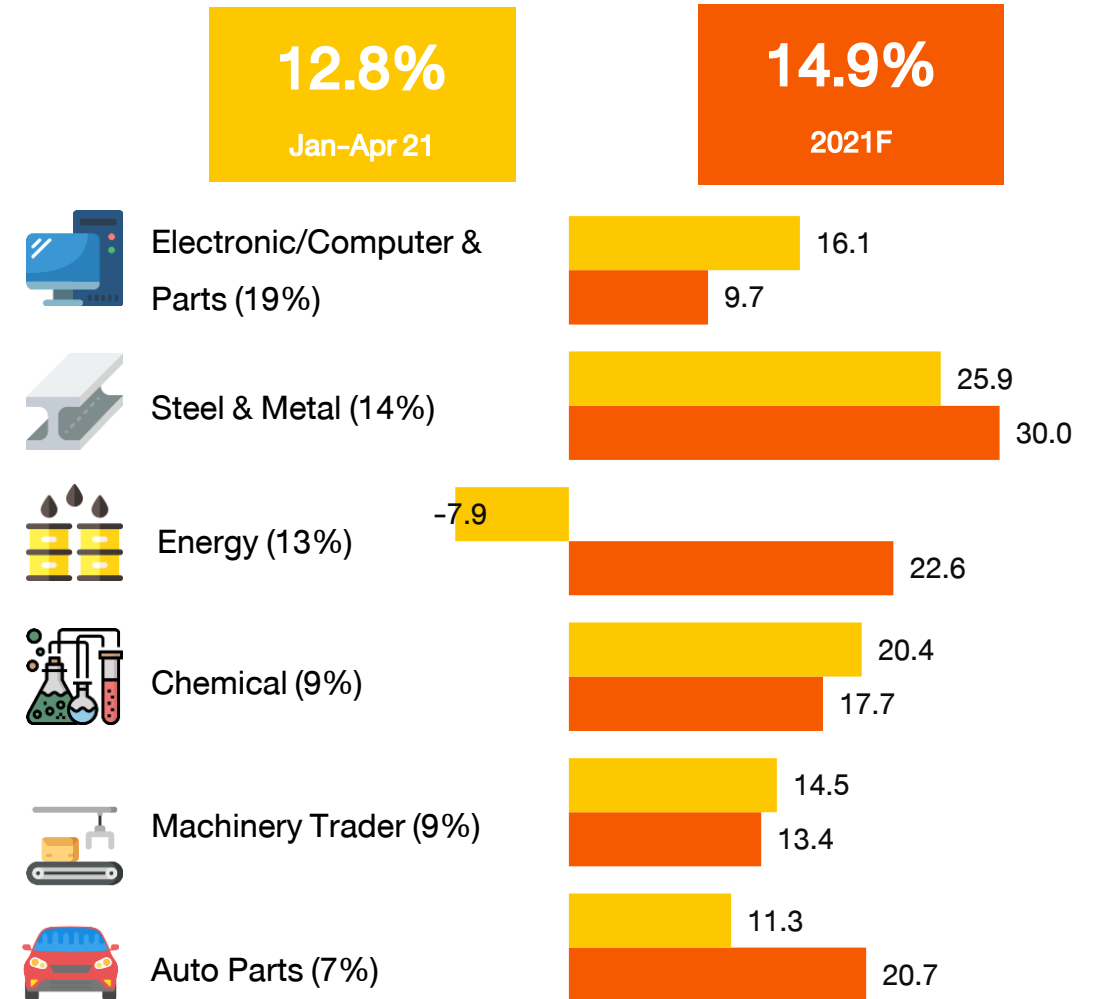
Imports of goods rebounded in energy and materials in line with export activities

Import Growth and Contribution*

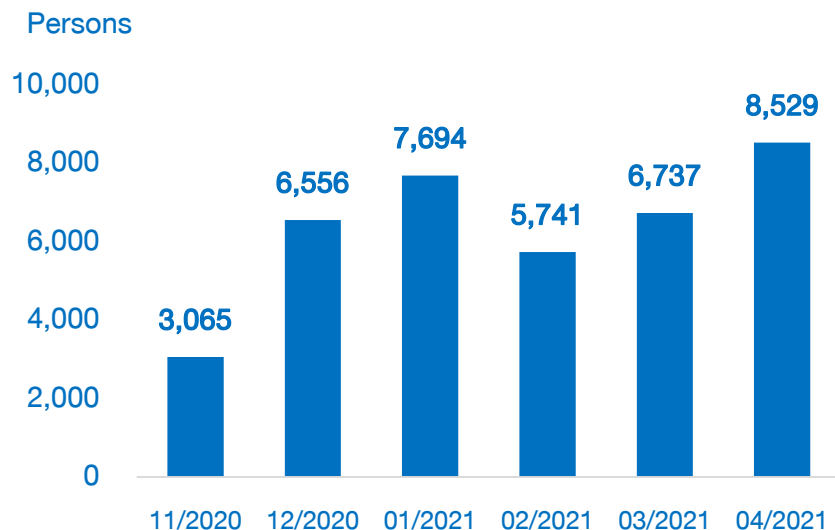


*Exclude Defense, Other Vehicle & Gold

2021 Imports Growth (%yoy)

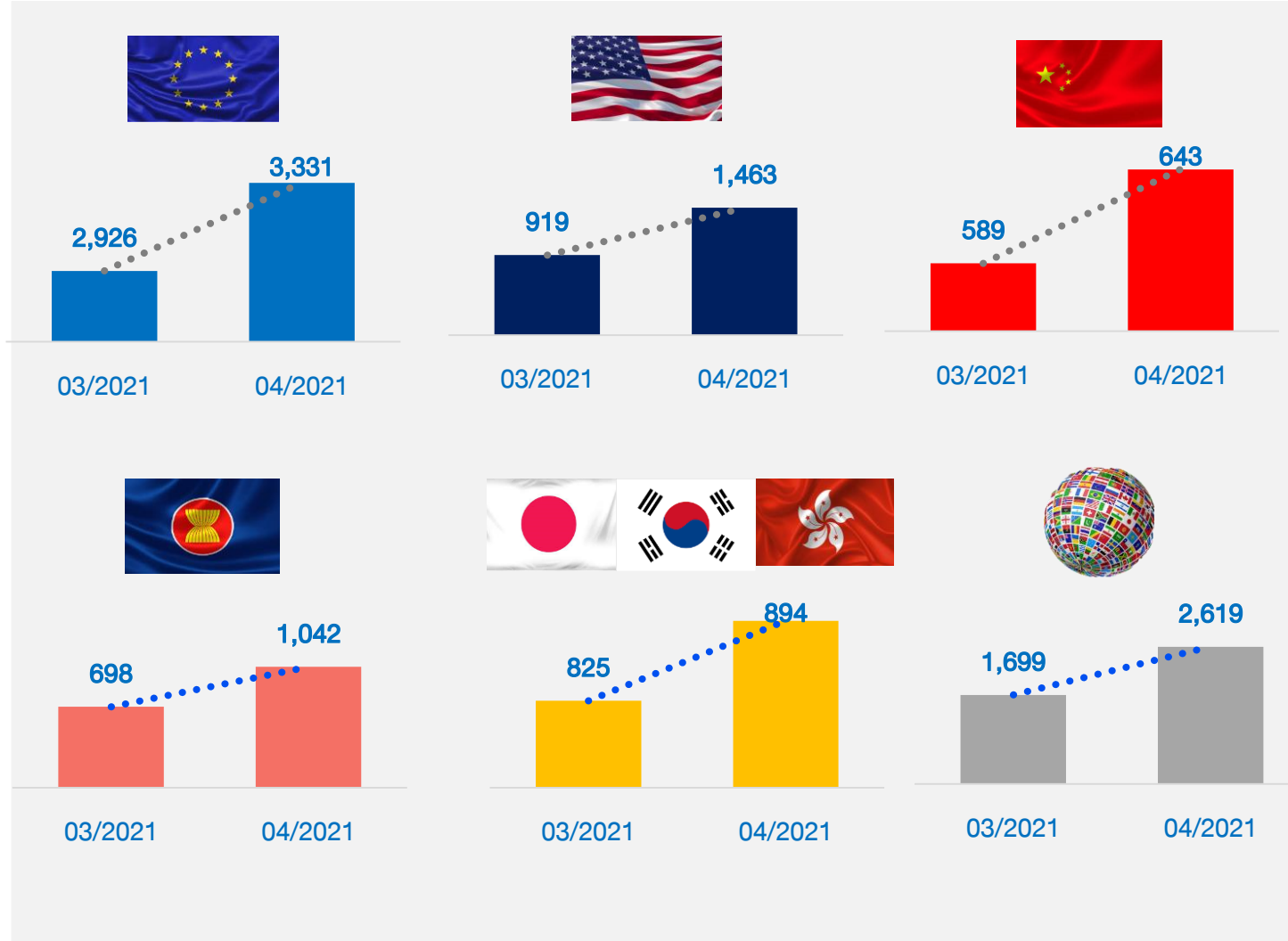


Total foreign tourist inbound

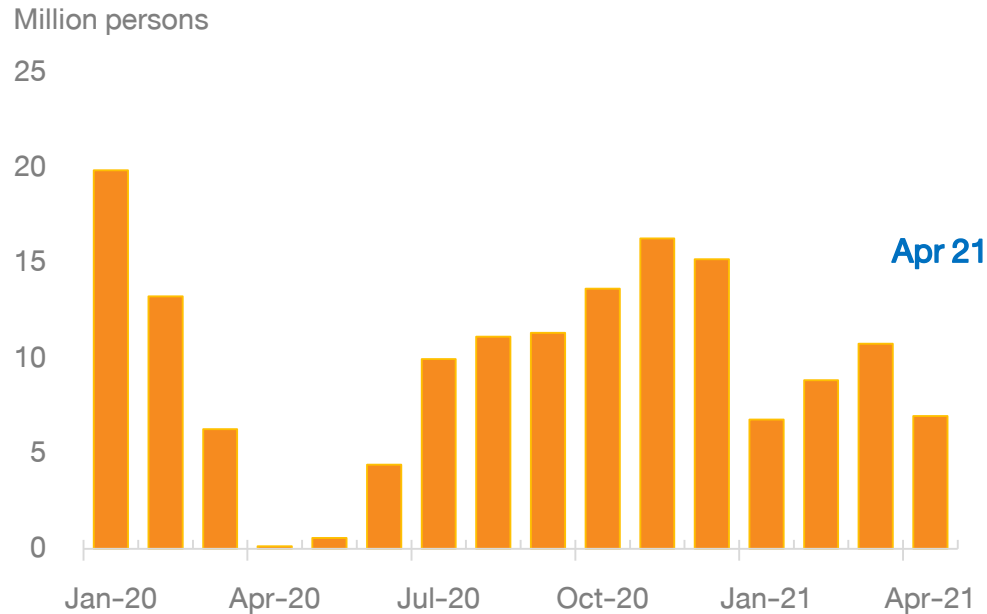


- As of April 2021, **foreign tourist inbounds** rose from Special tourist groups from all original countries. Despite this, figures were overall at low level.
- Though with foreigner's travelling demands, the risk of Thai potential delay in partial border openness (Phuket sandbox) could lead to the rebound of foreign tourists later than the previous expectation.

Classification by nation (Mar 2021)

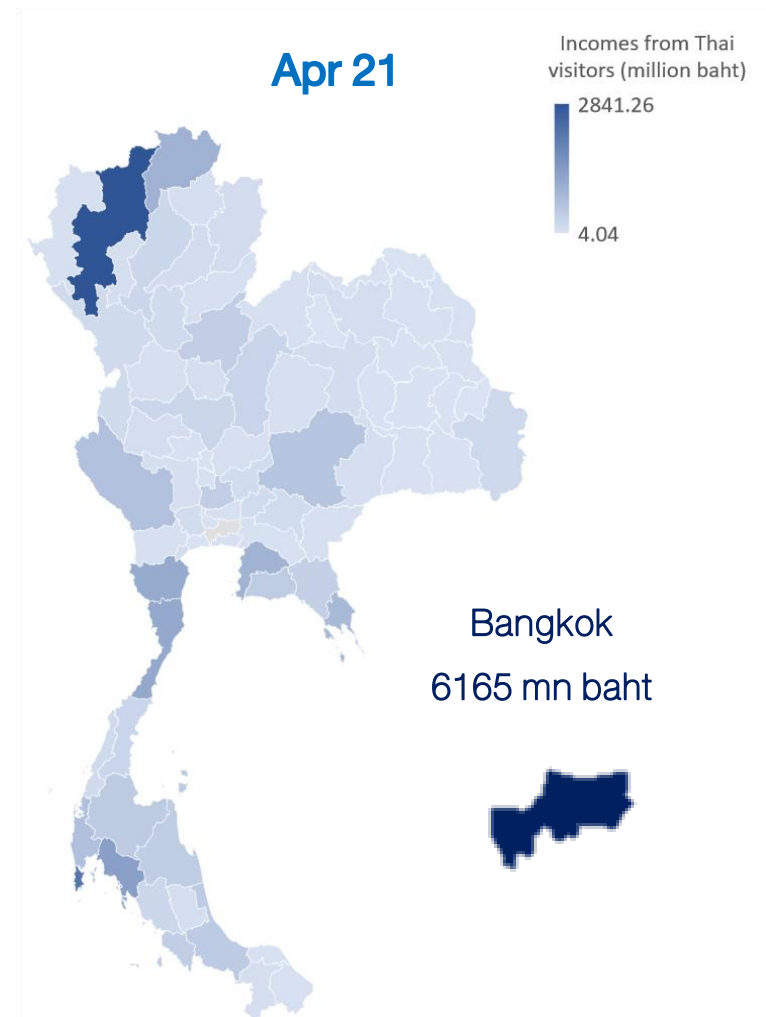


Number of Thai visitors

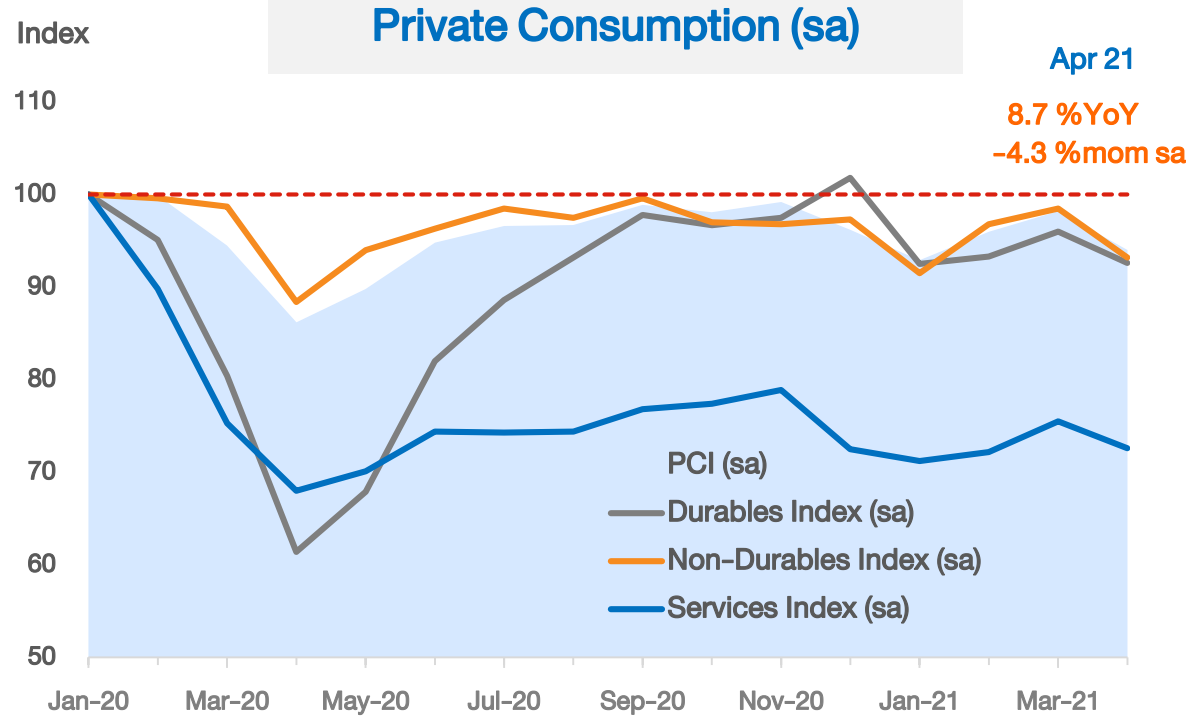


- Number of Thai tourists declined after the third outbreak hit and imposed stricter outbreak control. Only tourism main tourism provinces could see tourism incomes.
- Looking ahead, domestic tourism will be weakened in the Q2 due to the ongoing third round of domestic outbreak, beginning in late March 2021.

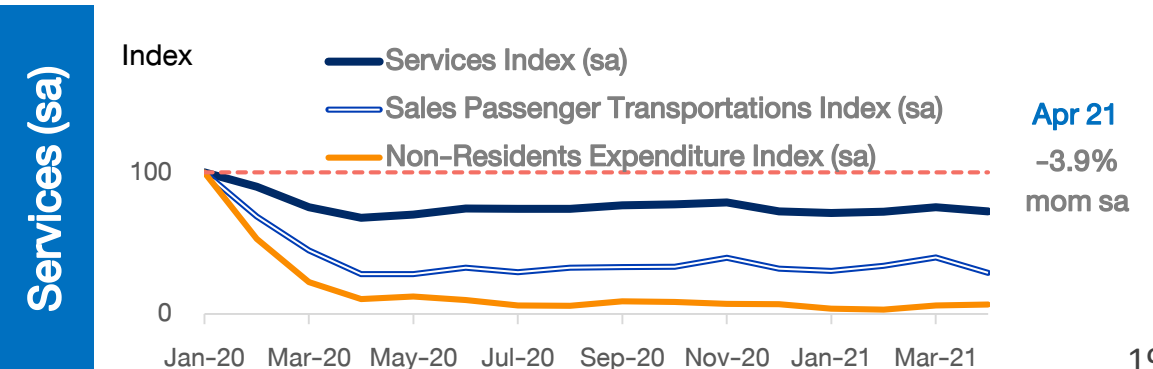
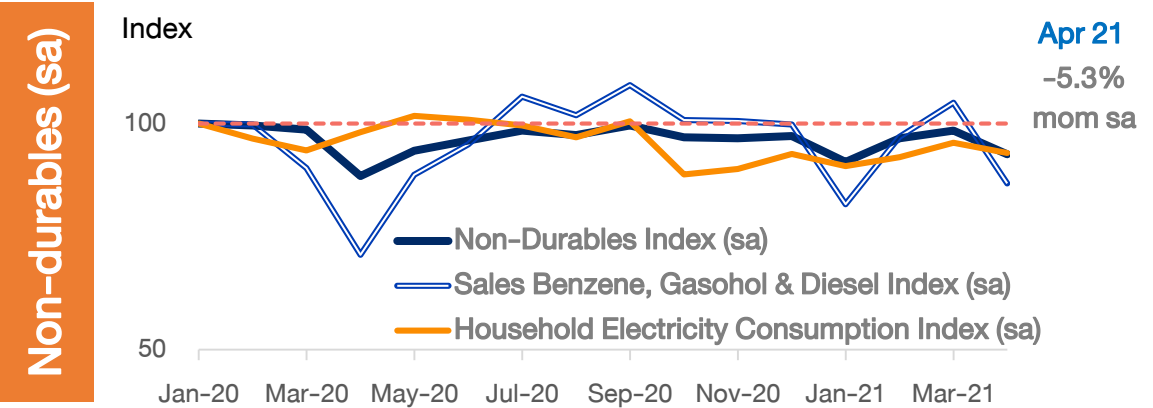
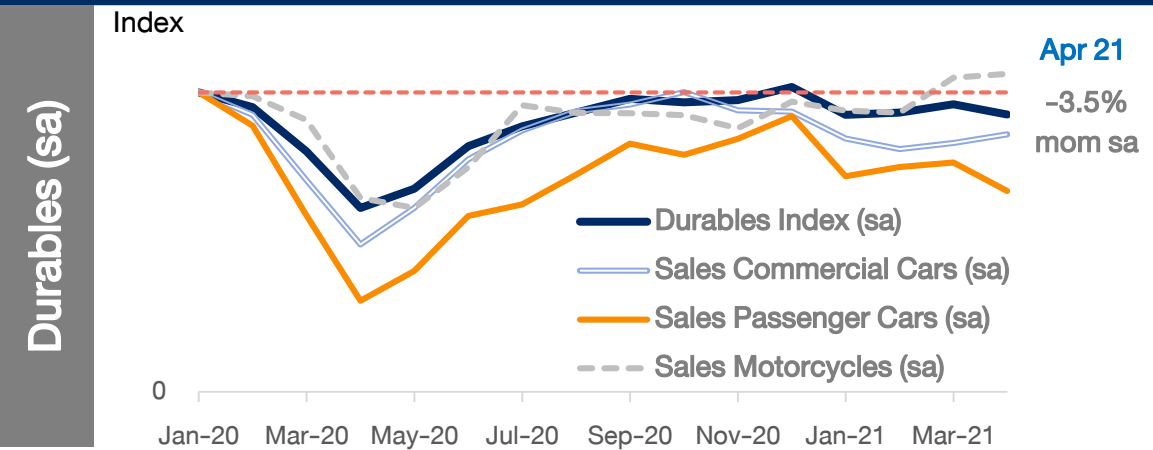
Incomes from Thai visitors across provinces

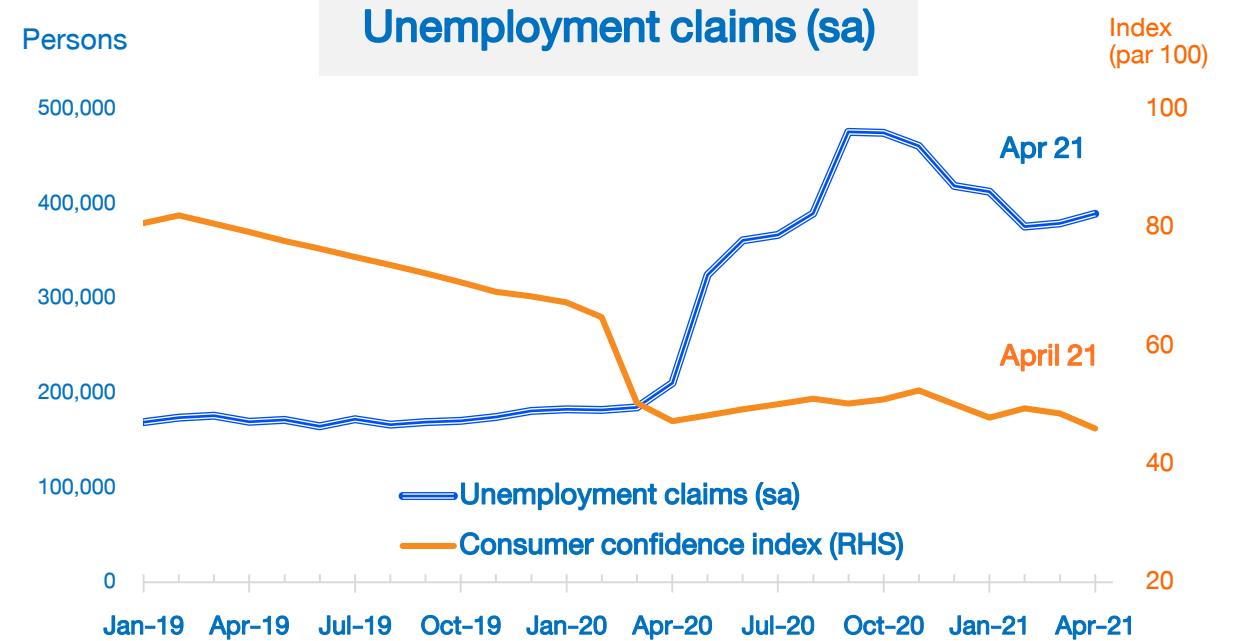
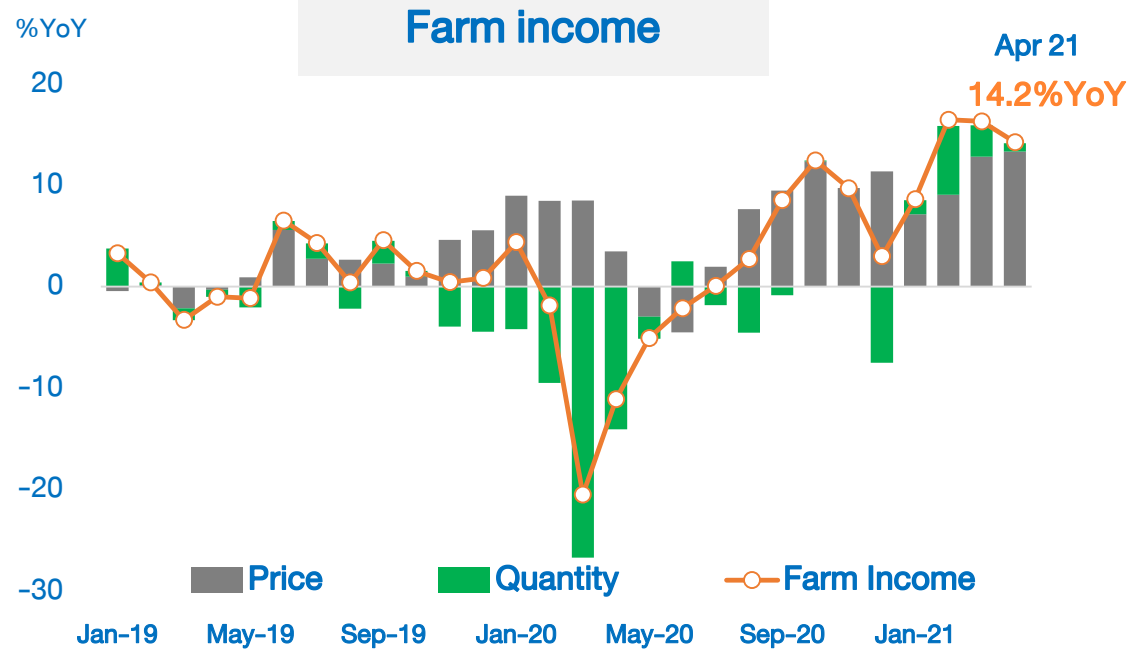


Consumption began to decline after the 3rd outbreak taking a toll



- **Private consumption** dropped in all categories after the third wave of outbreak began in late March in line with the fall in consumer confidence and stricter outbreak controlling measures.
- Government stimulus measures, especially cash-hand out scheme helped sustain private consumption during the heightened outbreak situation.



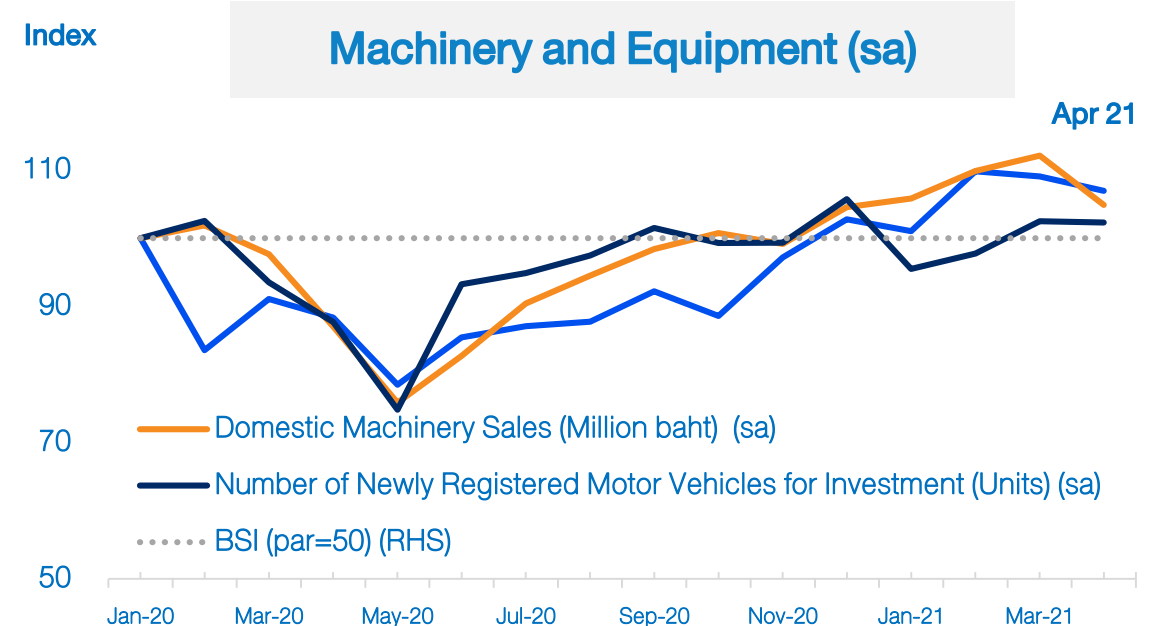
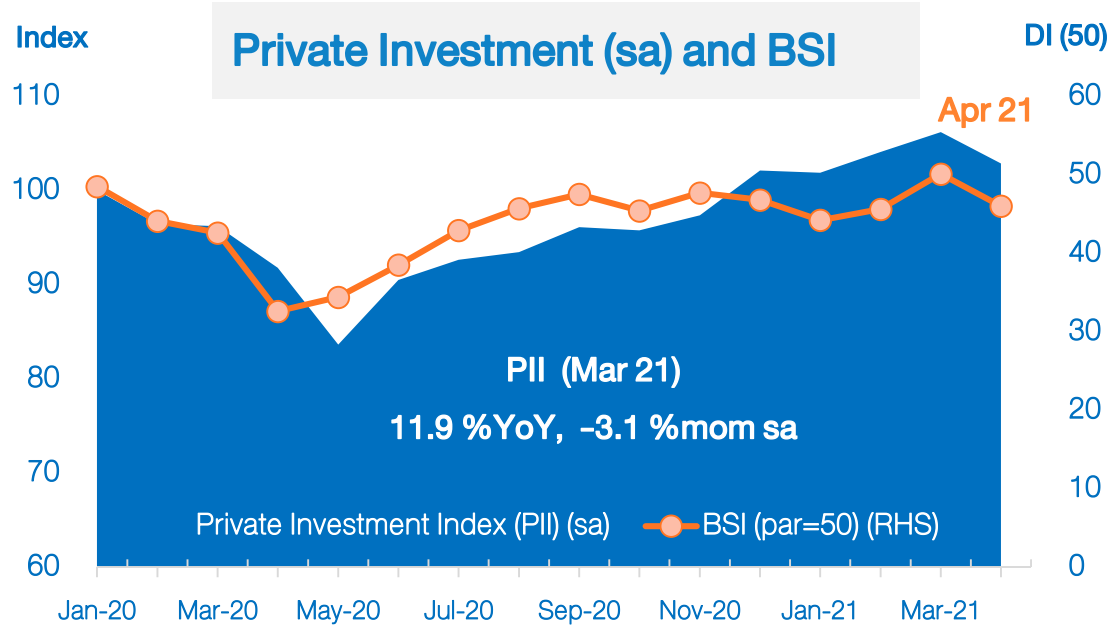


- Consumption's supportive factors overall turned weak after the 3rd round outbreak. Unemployment claims rose again, while consumer confidence dropped. Farm incomes growth was attributed to an increase in agricultural prices solely.
- Only government stimulus measures in Q2, mainly cash handouts schemes, do help sustain households' consumption.

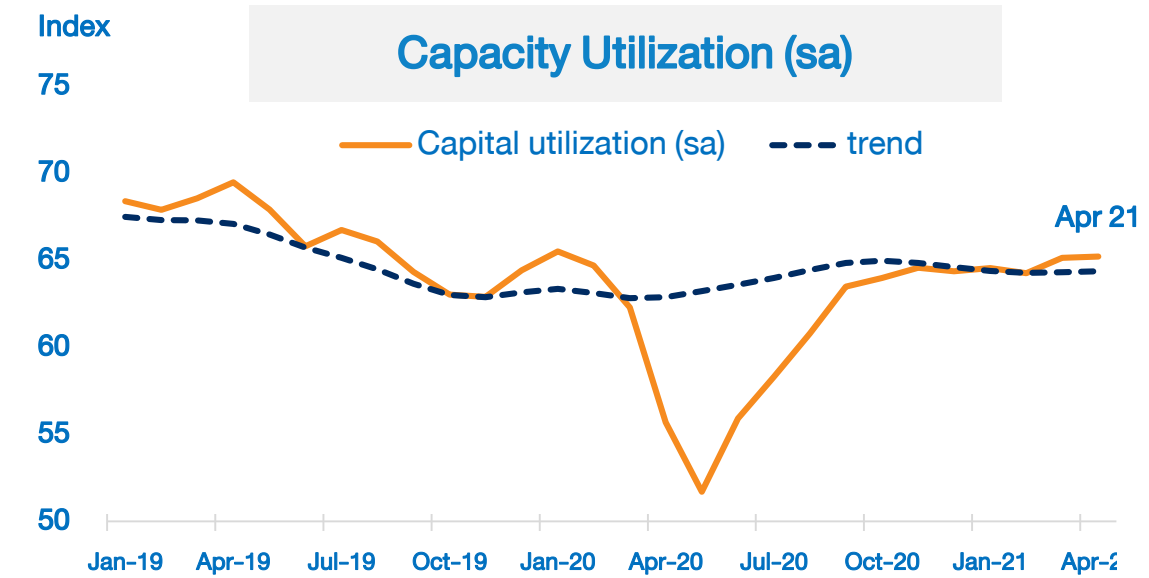
Stimulus measure Q2/21

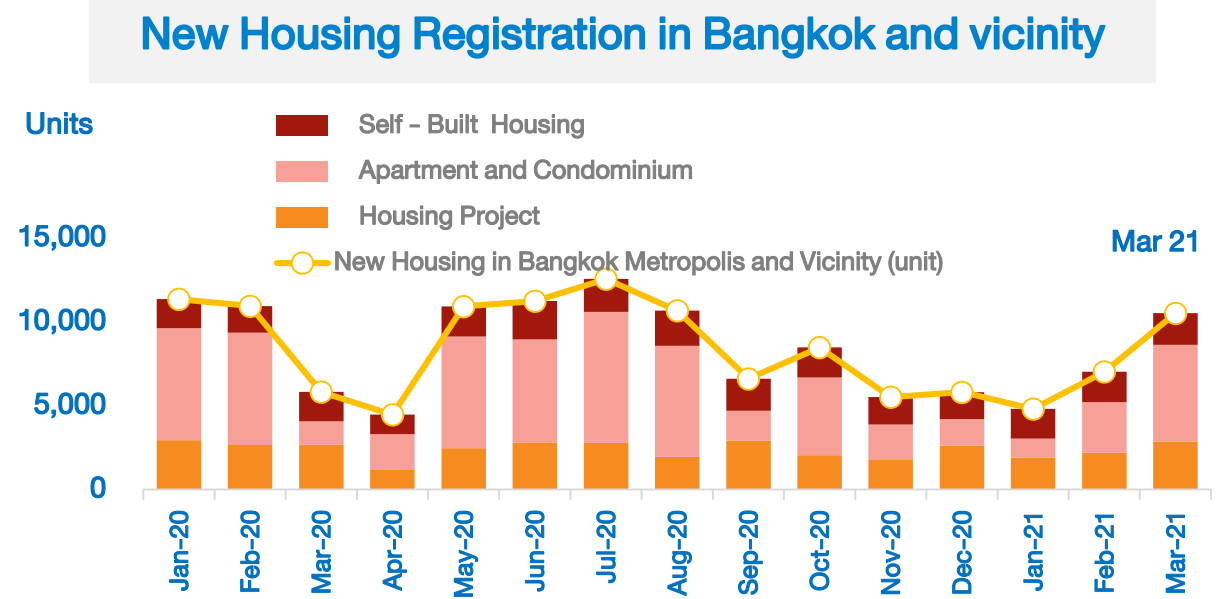
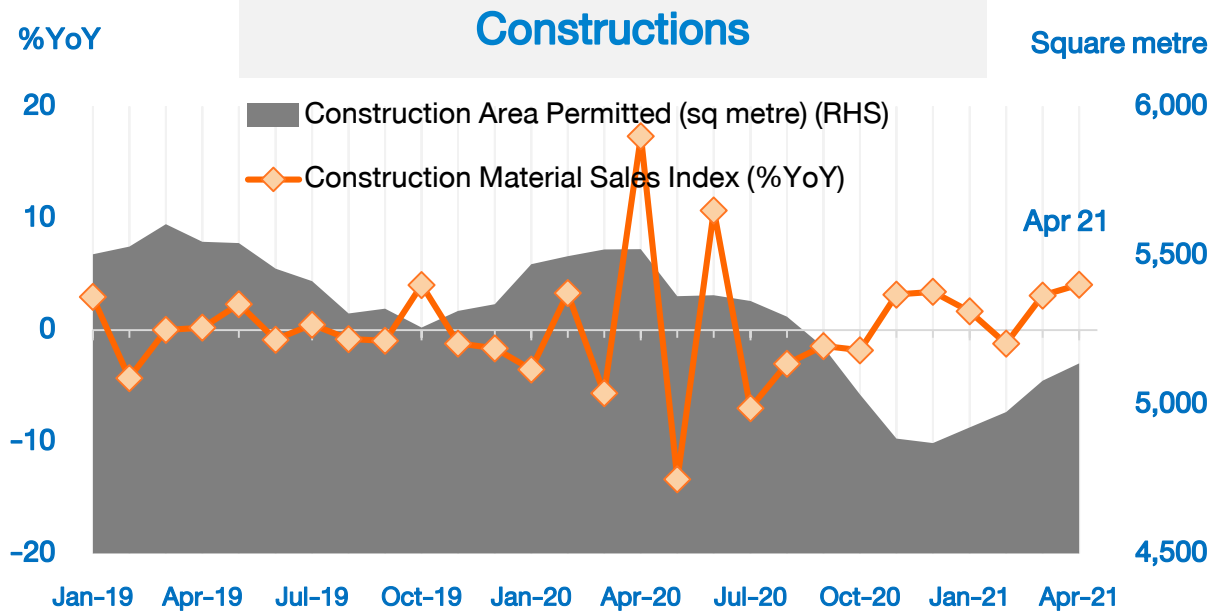
	Amount 2,000 baht / person (end Jun21)	# persons 33 mn heads	# budget 66,000 mn baht
	Amount 2,000 baht / person (end Jun21)	# persons 9.3 mn heads	# budget 18,500 mn baht

Private investment slightly dropped in machinery in line with declined business sentiment

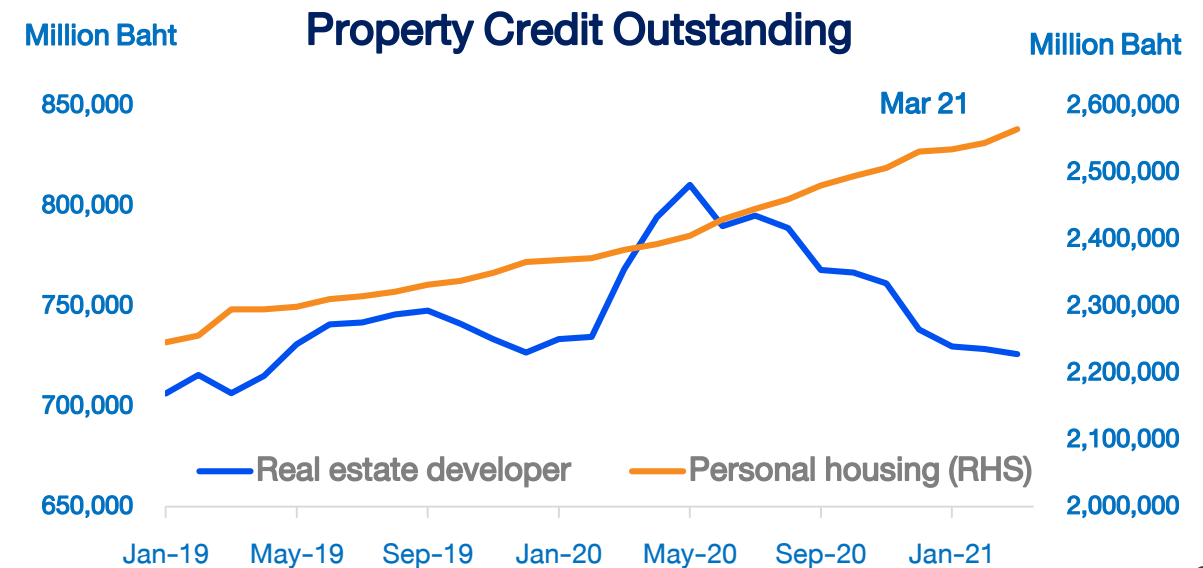


- **Private investment** marginally declined in machinery and equipment in line with worsen business sentiment after the 3rd wave of COVID19 domestic outbreak taking place.
- However, capacity utilization was slightly above pre-COVID19 period level, signaling the upward trend of investment after export rebound.

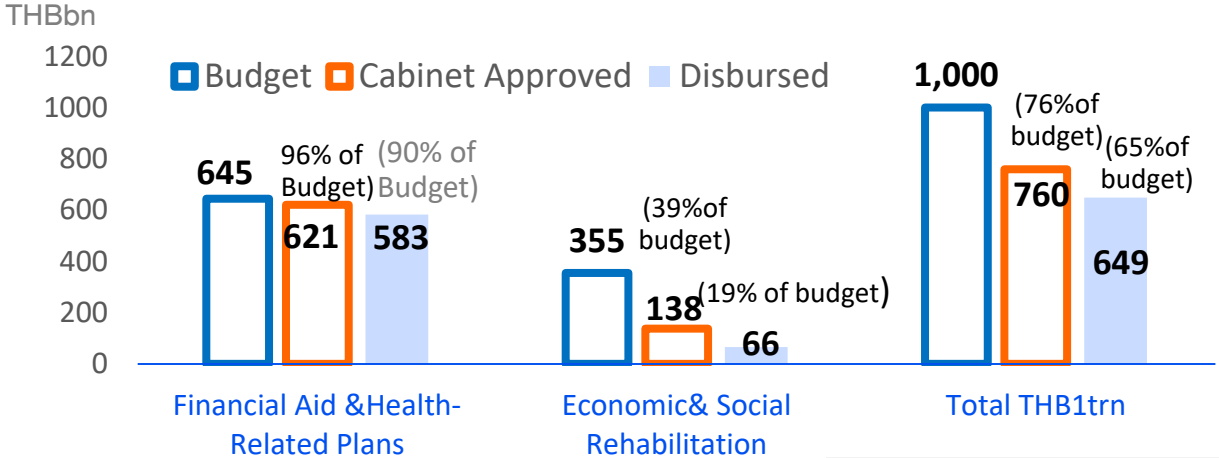




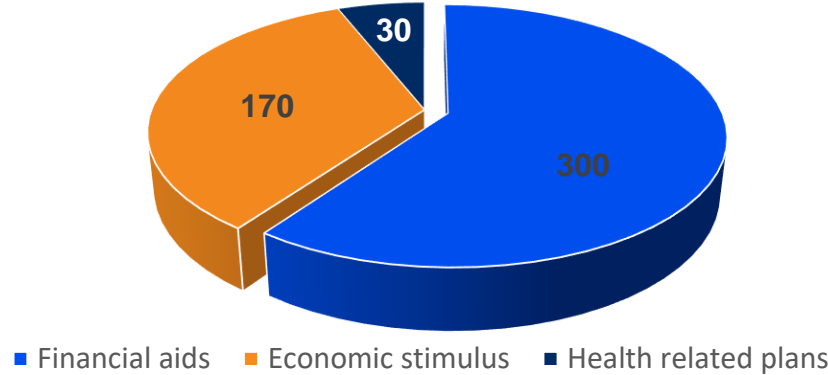
- **Construction sector has rebounded**, reflected by increasing area permitted and material sales, in line with the increasing infrastructure construction and emerging new housing activities. However, it was overall in fragile condition.
- **Real estate sector** : New housing activities started to gain momentum:
 - *Housing project and condominium*, partly due to market campaign and promotion for stimulating demands of high-income group. However, there was less credit demands among developers.
 - *Self-built housing* continued to increase in line with increasing personal housing credits.



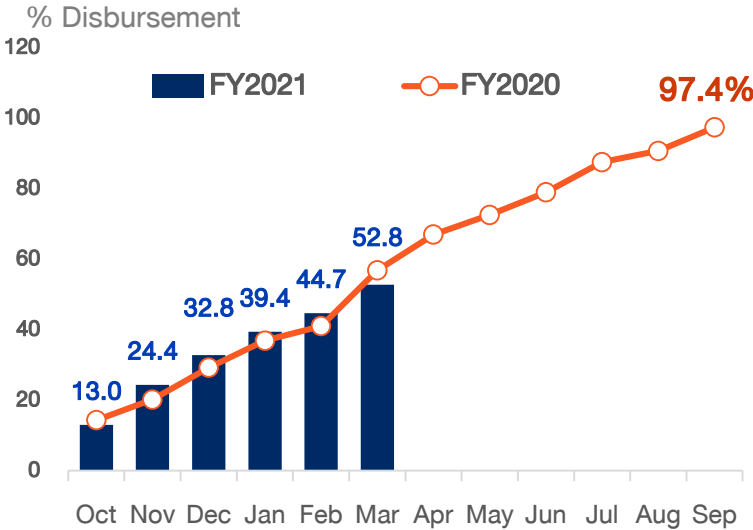
Progress on 1-trillion Stimulus Package (as of May 2021)



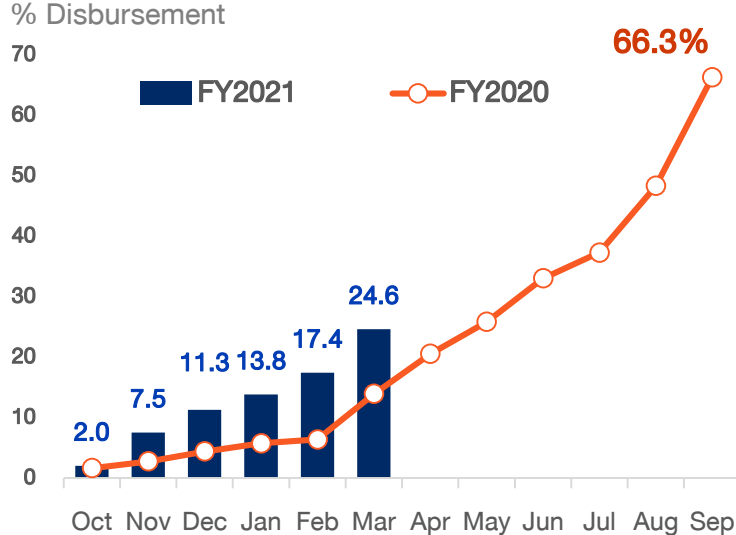
The New Borrowing Utilization : THB500bn



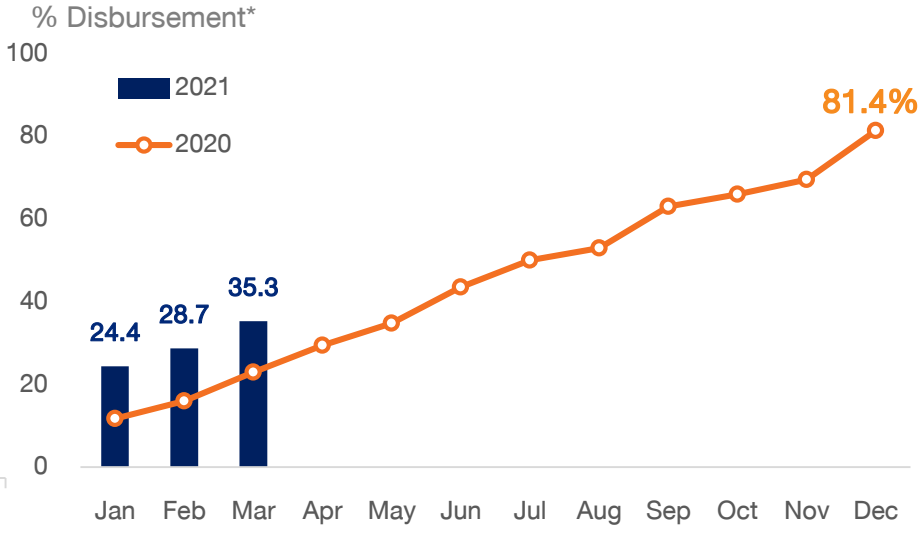
Current Expenditures



Public Investment Expenditures

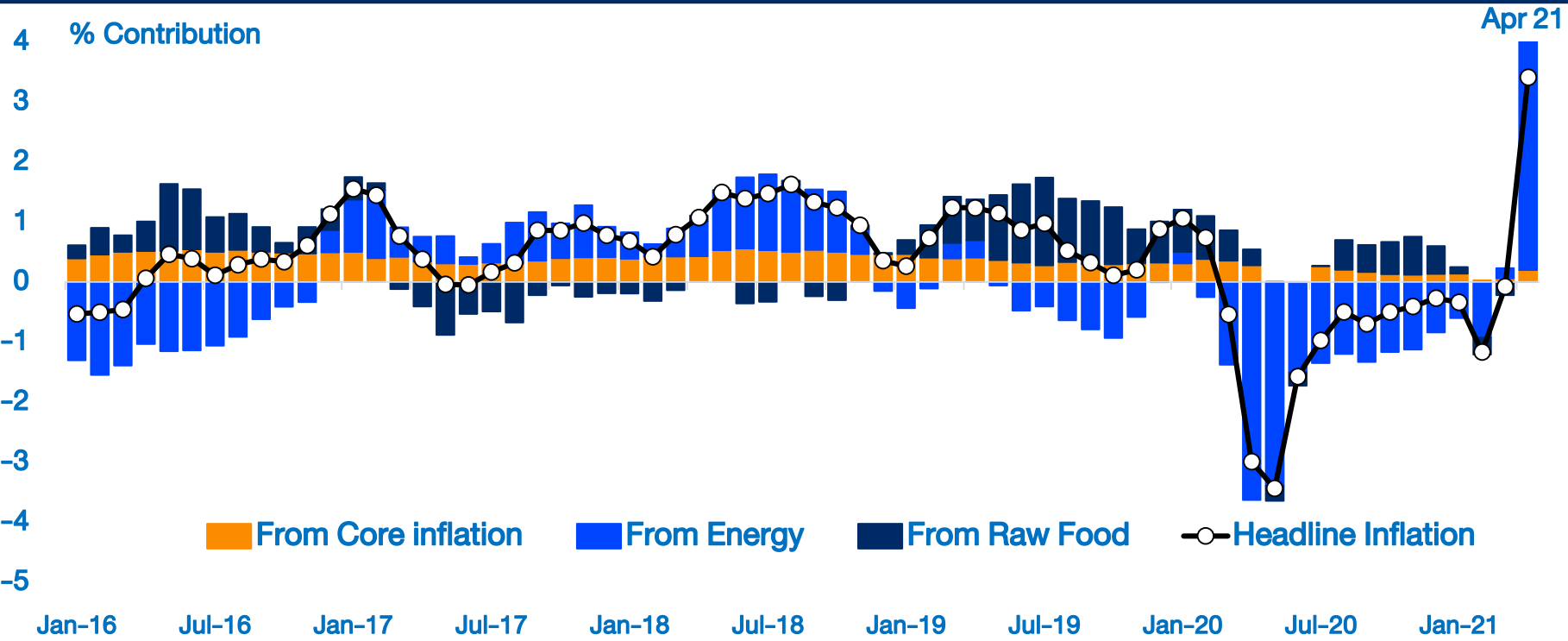


State Owned Enterprise Investment

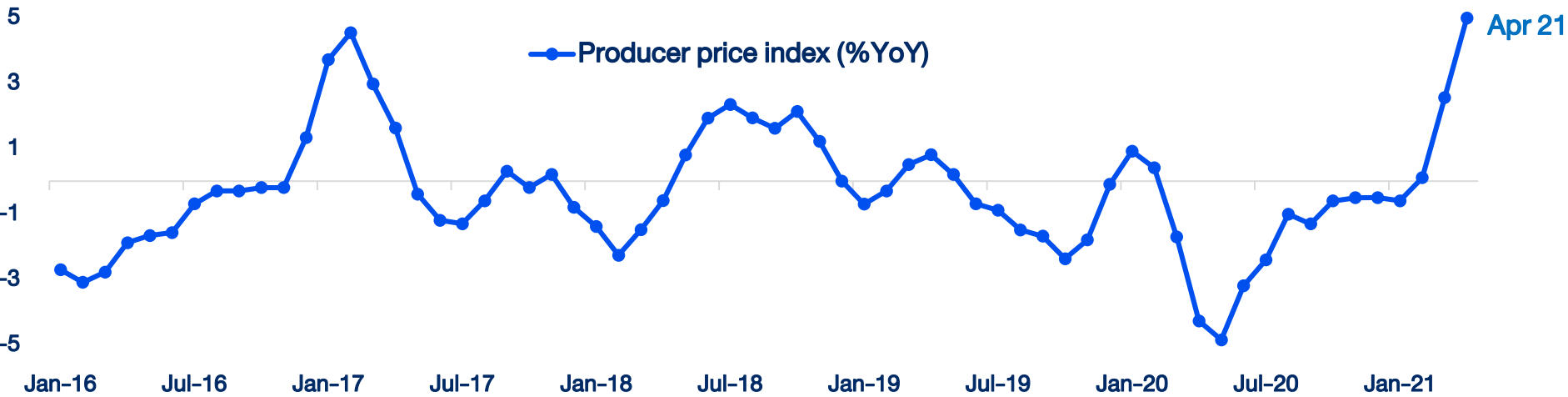


* Accumulated disbursement / Full year Plan

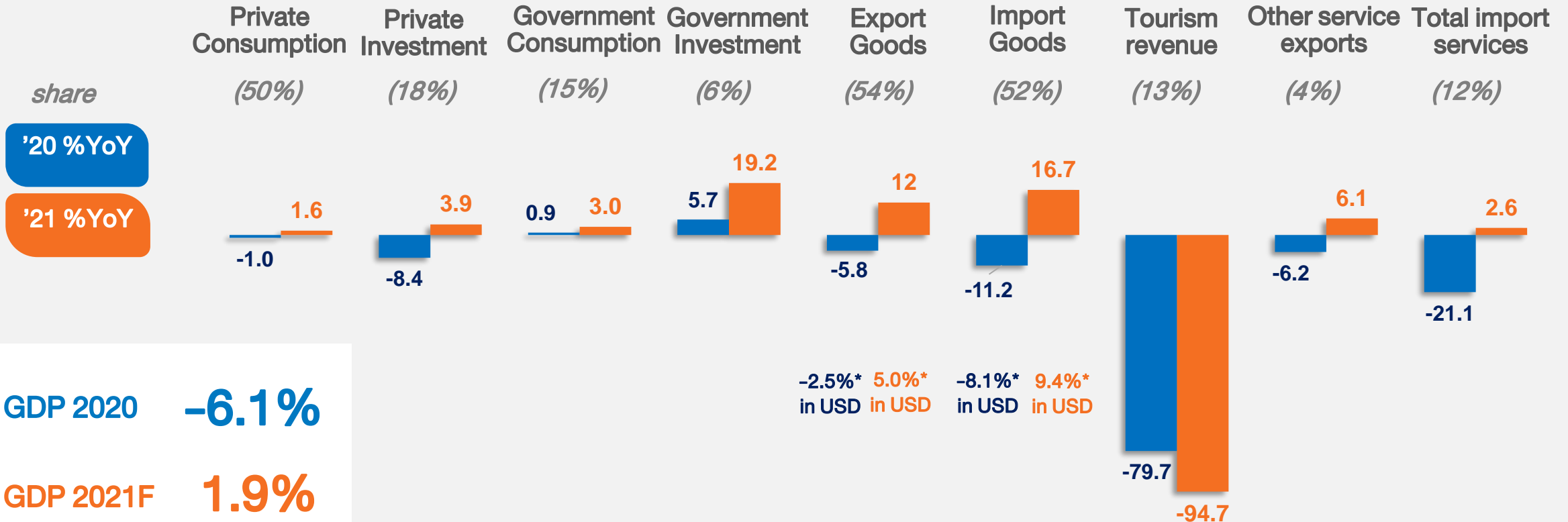
HCPI was highest in the past 14 months due to increases in energy prices



(%YoY)	Apr-21
Headline inflation	3.41
Contribution	
Raw Food (20.6%)	0.02
Energy (12.4%)	4.51
Core (67.1%)	0.20



GDP 2021: Forecast and Contribution (Jun 2021)



GDP 2020 **-6.1%**
 GDP 2021F **1.9%**

-2.5%* 5.0%*
 in USD in USD
 -8.1%* 9.4%*
 in USD in USD

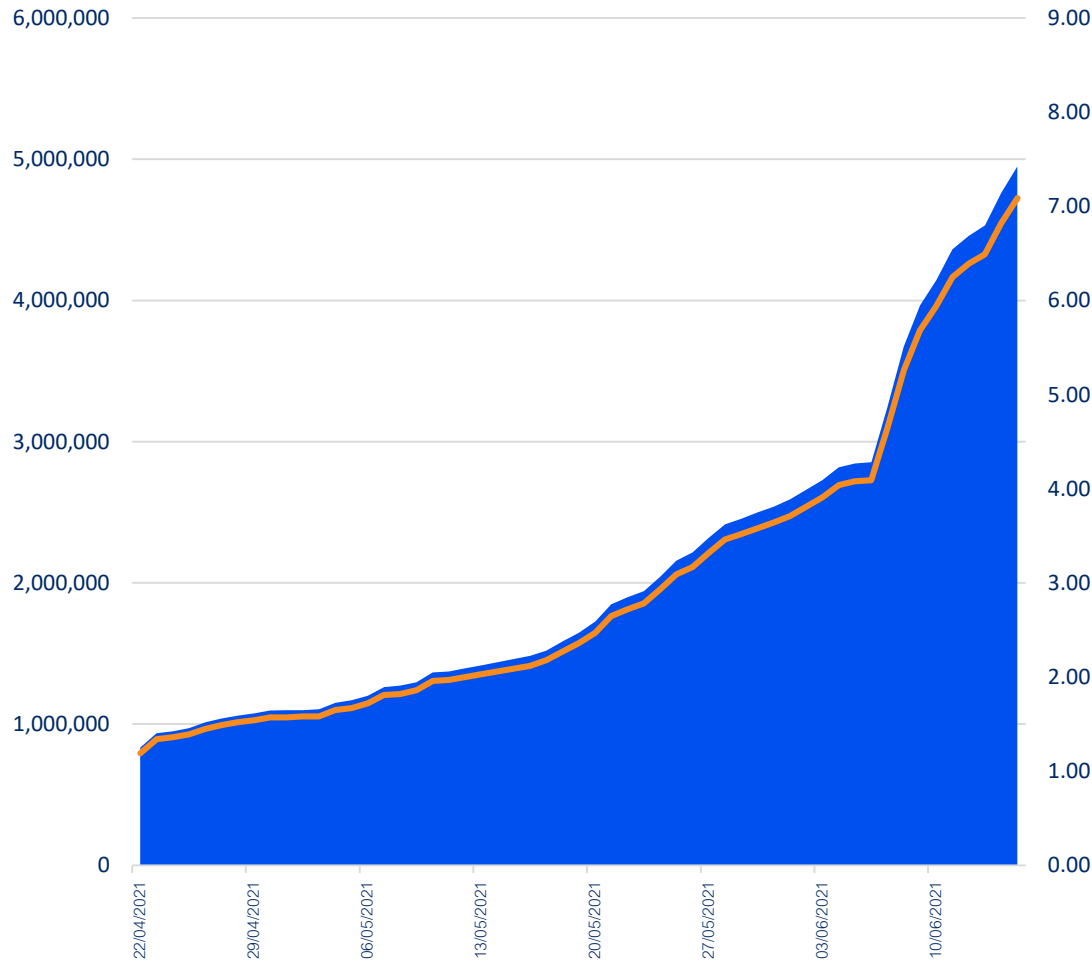


(**GDP constant Price 2002**)

Vaccination update : Slower distribution due to lacks of vaccine



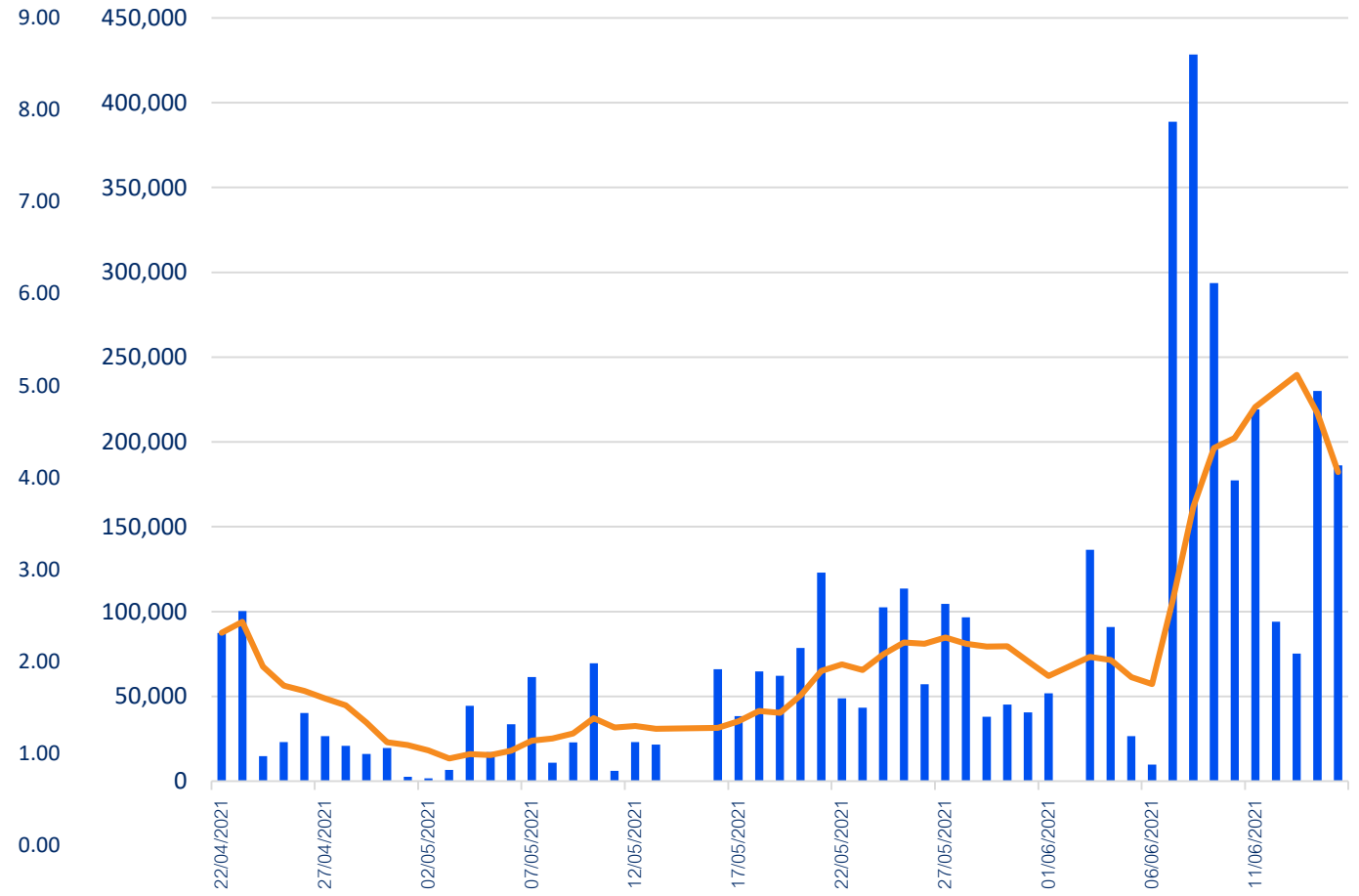
Thailand's vaccinated people



■ Vaccinated people

— Percentage of vaccinated people to population

Daily vaccination rate

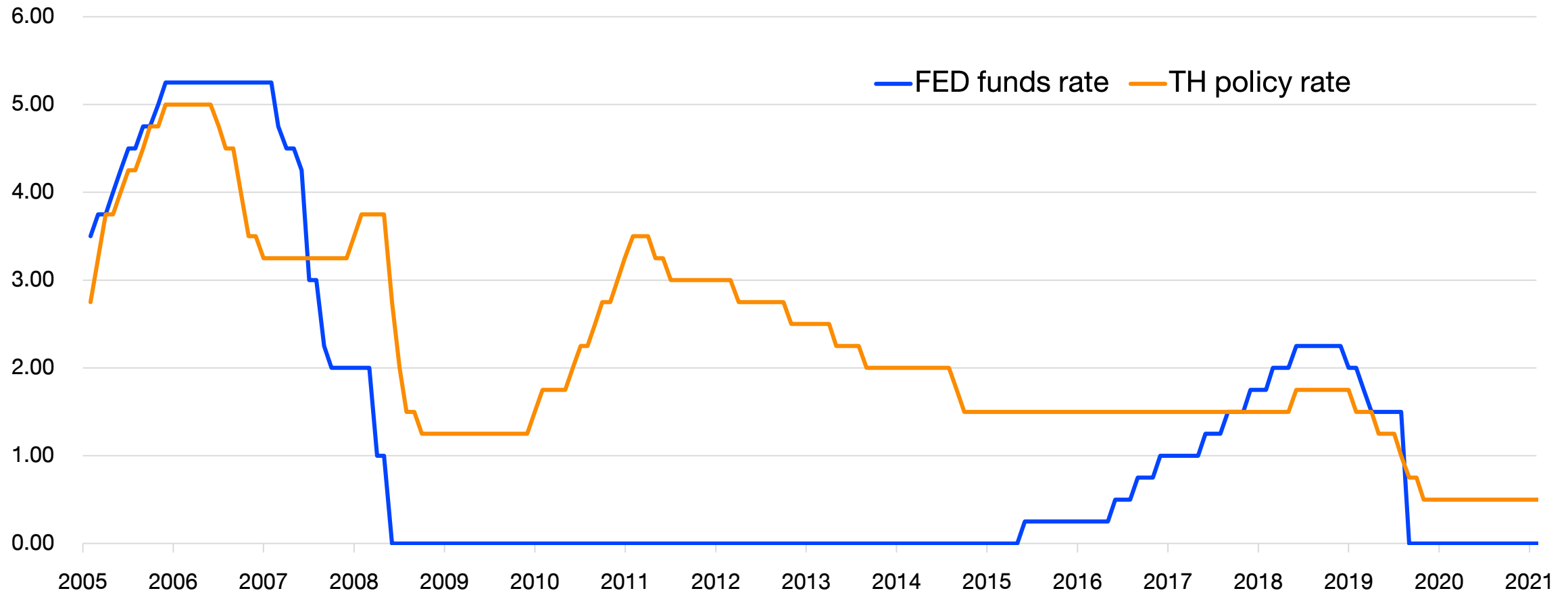


■ Daily vaccination rate — Daily vaccination rate (rolling 7 days)

PART 3: FINANCIAL MARKET



TMBA sees both Thai and US policy rate to hold at least through Q3/2022



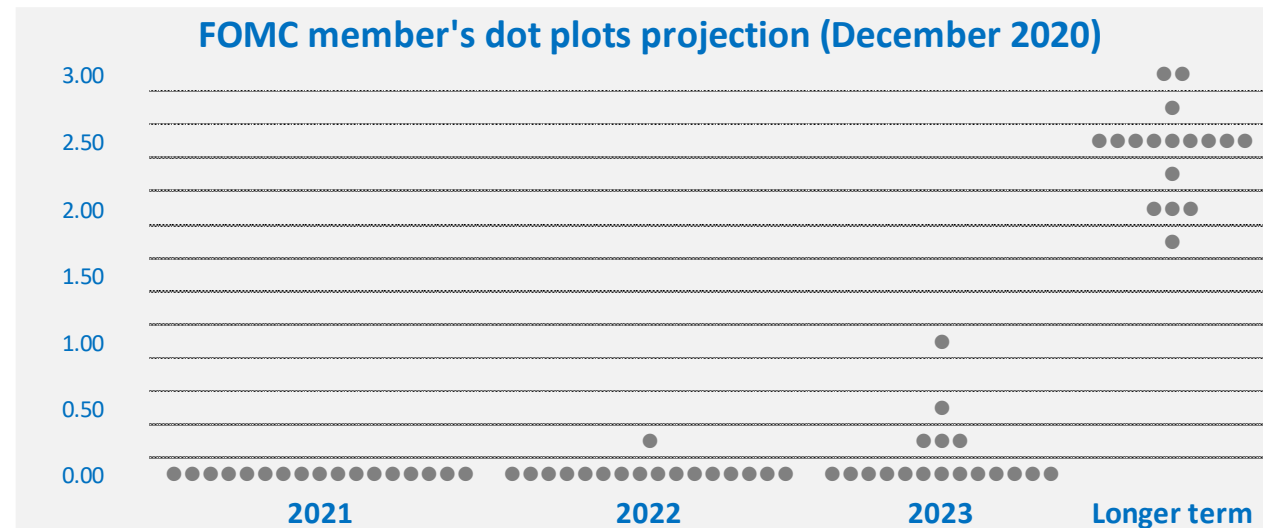
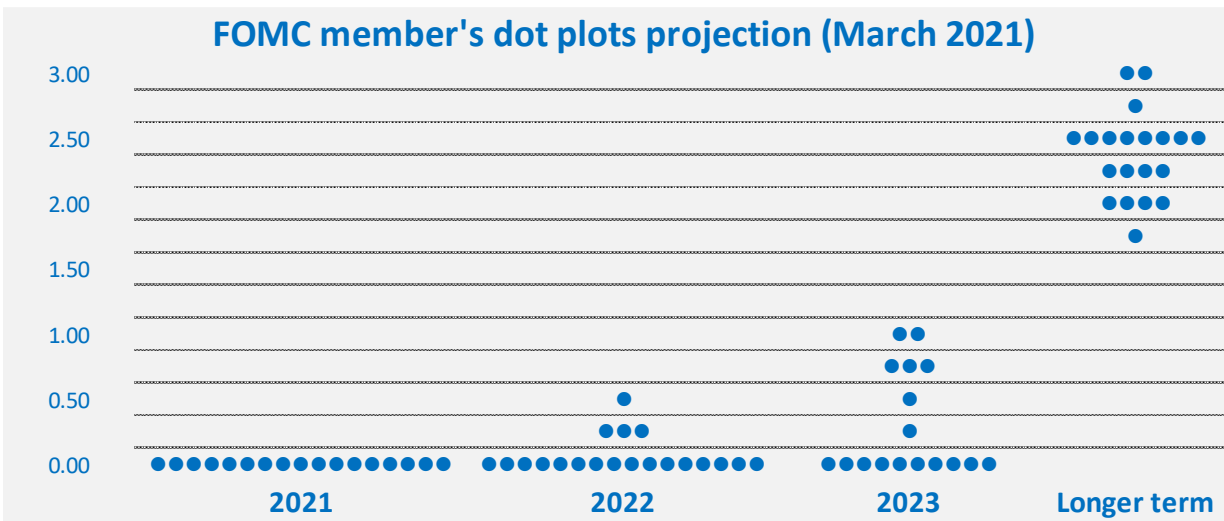
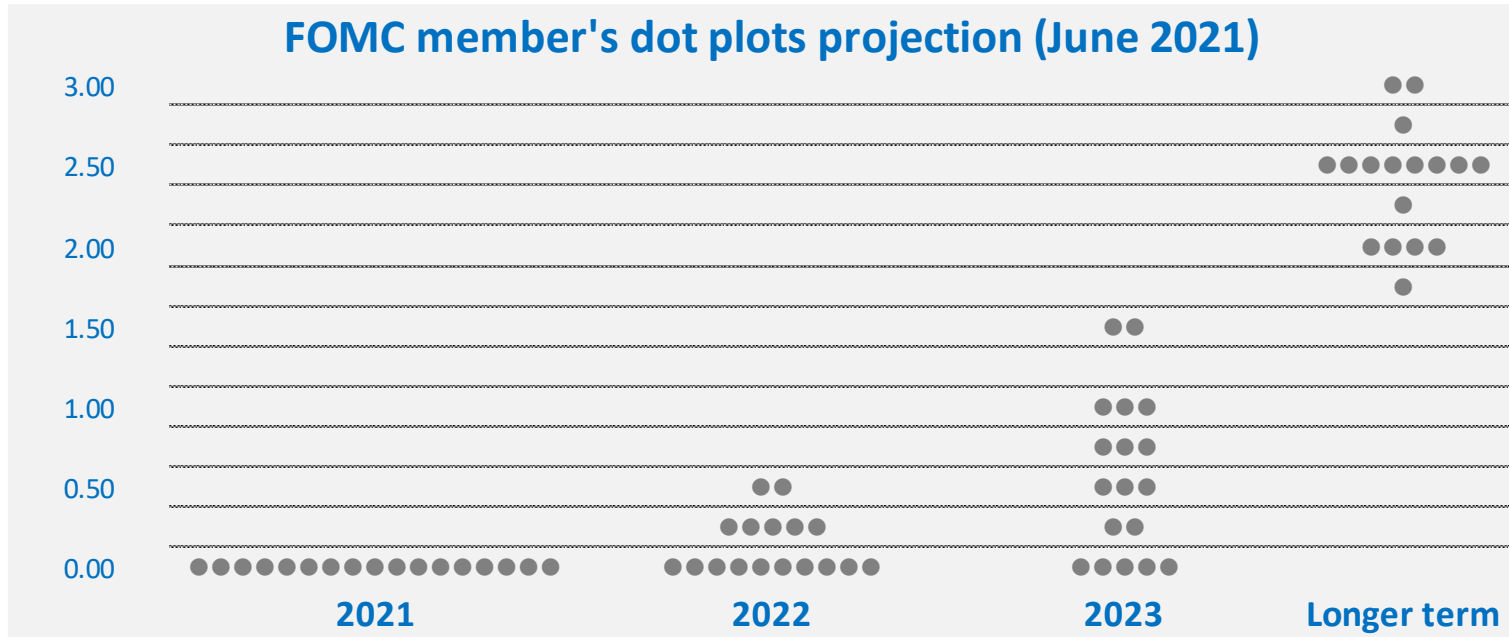
Factor that would affect FOMC's decision

- US economic recovery in labor markets
- Persistent High Inflation (PCE)

Factor that would affect MPC's decision

- Economic downturn from resurgence of Covid-19 in Thailand

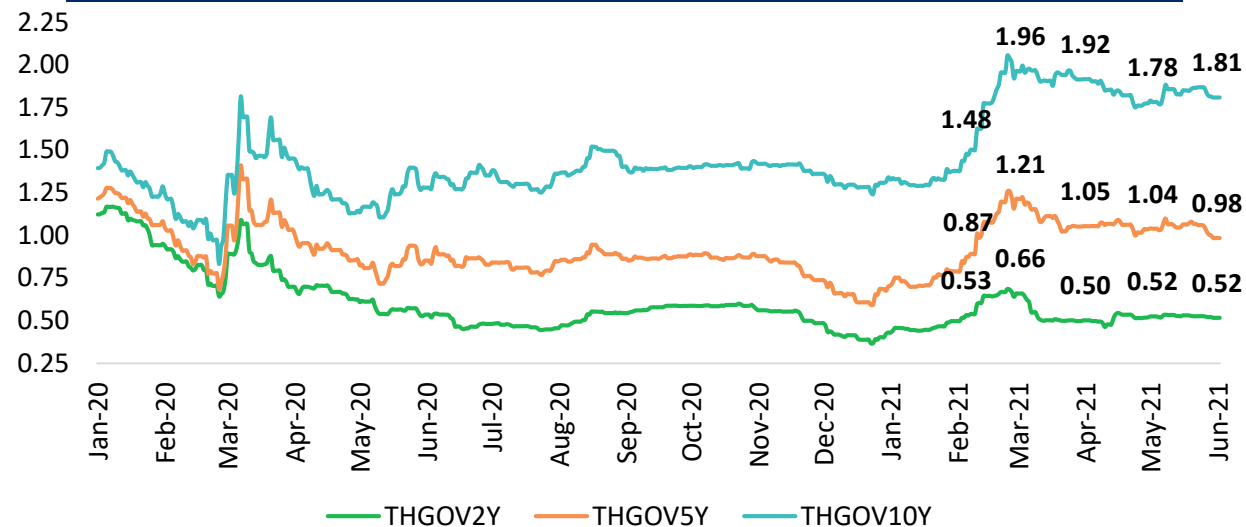
FED dot plots projection suggests policy rate to increase in 2023



TGB curve slowly steepen as covid-19 peak but still on uptrend

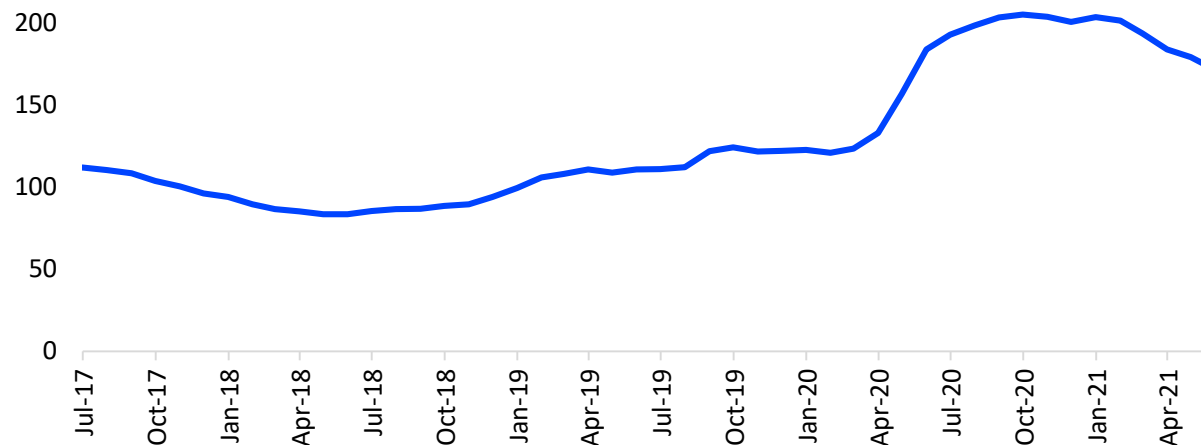


Thai Government Bond Movements

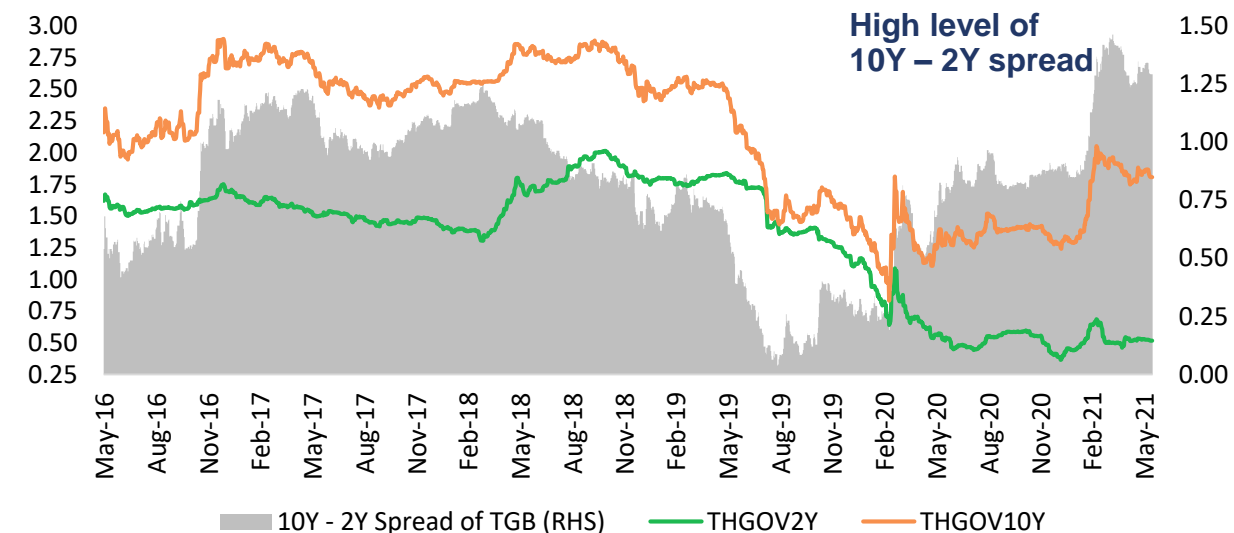


Bps. 250

Corporate Credit Spread (Rating A)

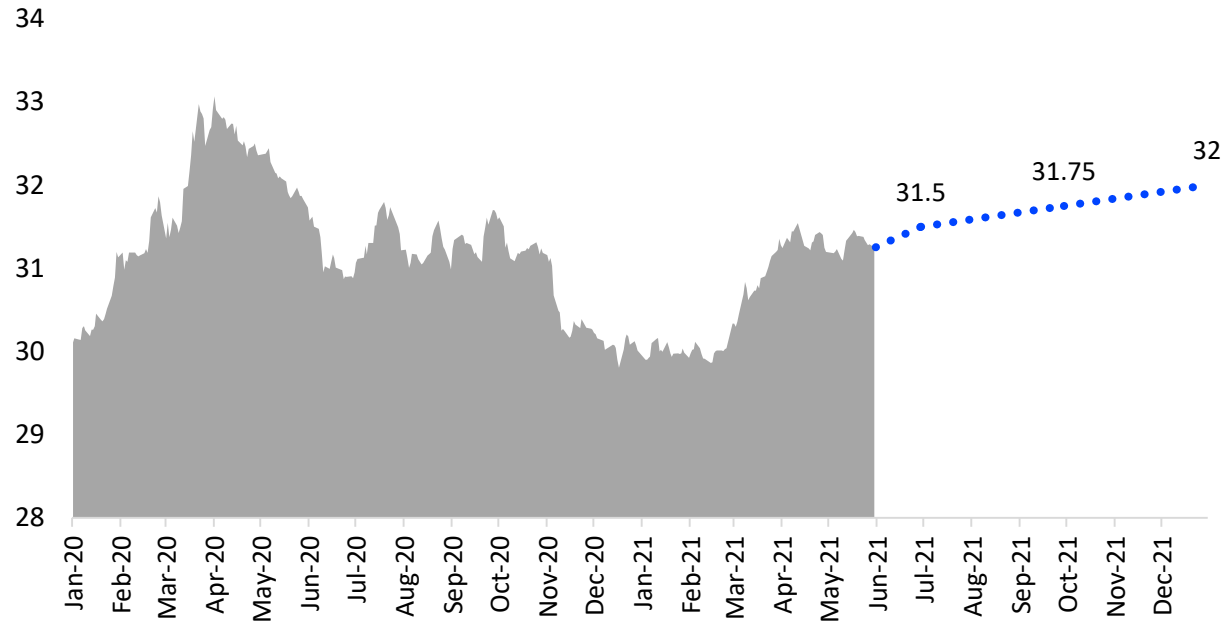


10Y – 2Y Spread TGB



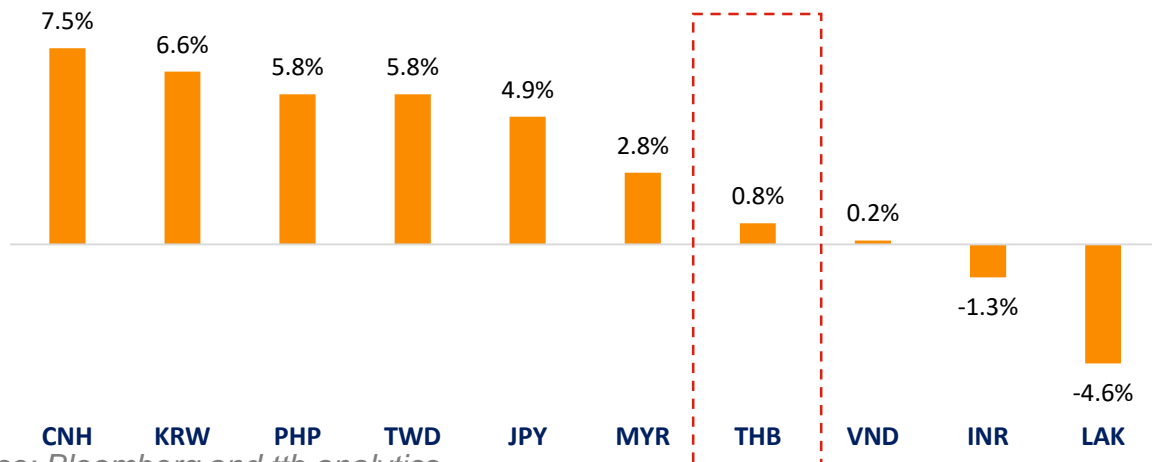
- Short term TGB will stick to policy rate at 0.50% at least through mid 2022 as MCP may revise its policy rate at the end 2022. It will be fluctuated in small range with downside price risk.
- In recent months, Long term TGB uptrend has been slowed down by covid situation in Thailand but we still expect further steepening yield curve through next few years.
- Corporate credit spread has been recovering since the start of this year but still greatly higher that pre-covid level.

USDTHB likely to continue weakening as Coronavirus hits, negative current account

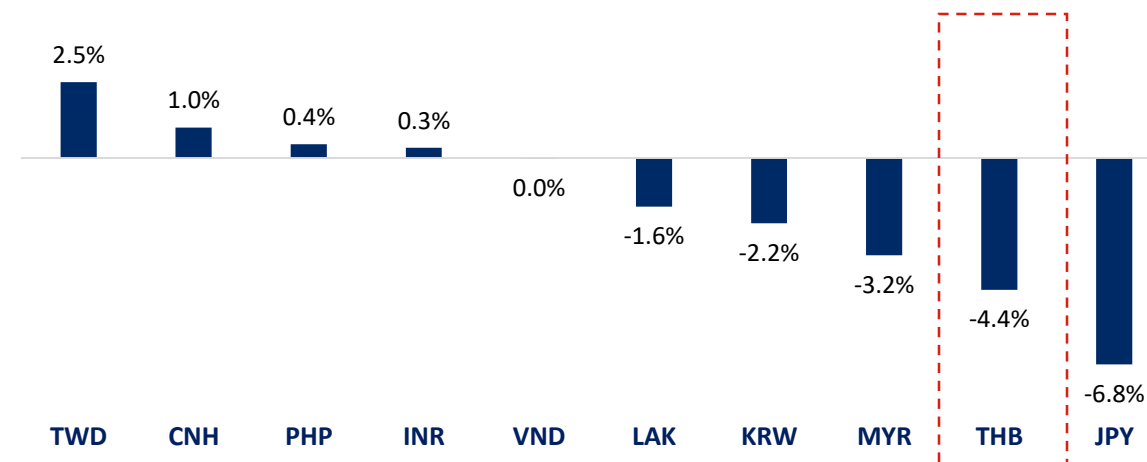


Weaker economic recovery, negative current account, and covid-19 situation, driving USDTHB to depreciate in 2021

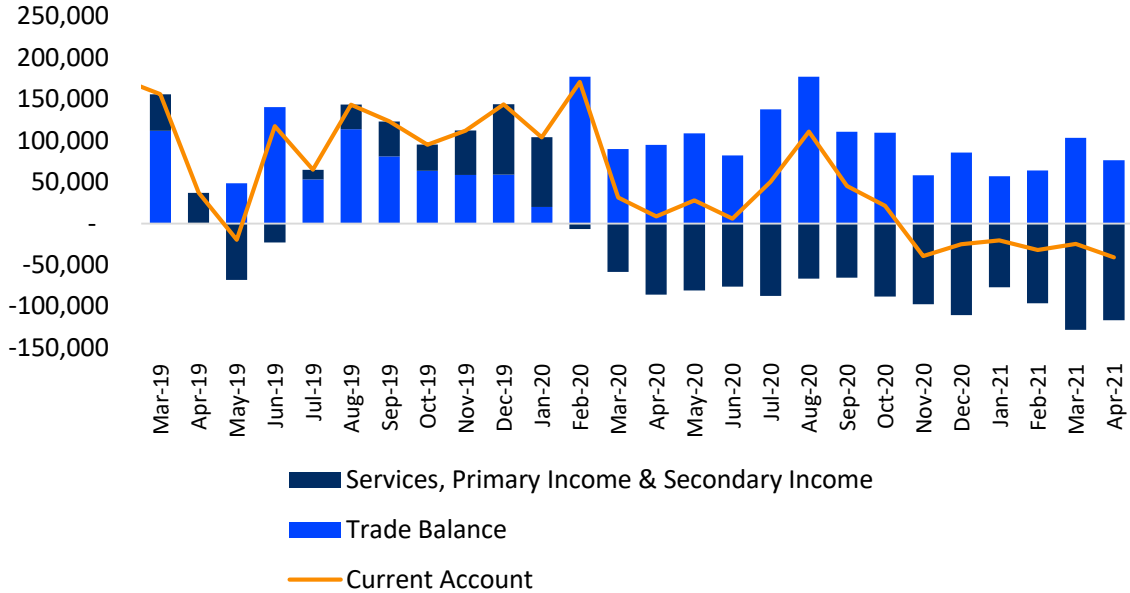
Slightly strengthen against USD in 2020



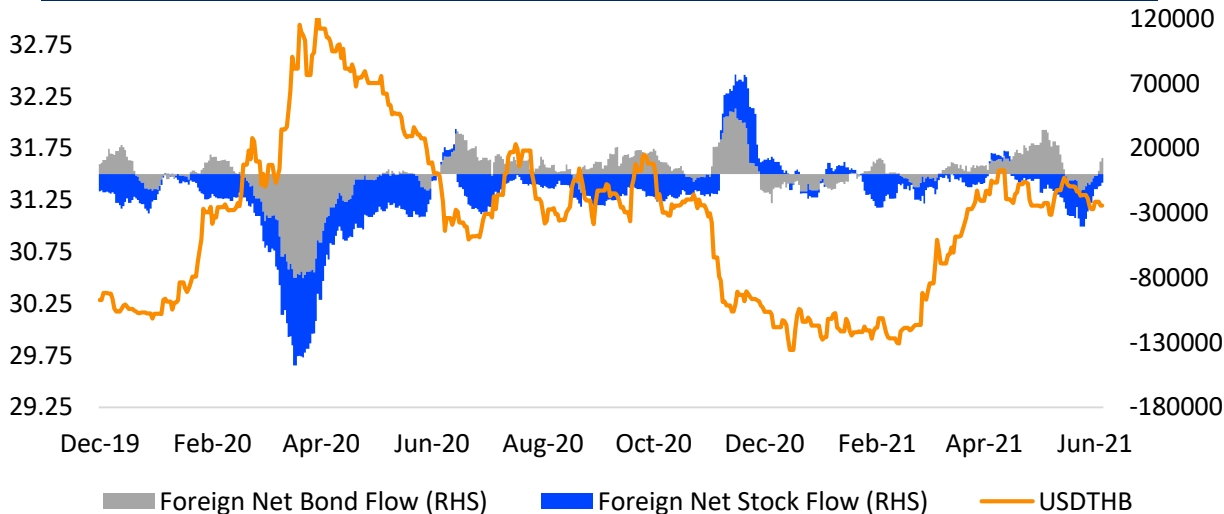
One of the weakest currencies in Asia in 2021



Continuous Negative Current Account



Limited foreign inflow into bond and stock markets



Factors affecting Thai Baht

- Global Easing Monetary Policy** (Strengthening THB): Supportive monetary policy of US may drive dollar to be weakened but an impact recently proved to be limited.
- Slow economic recovery in Thailand** (Weakening THB): Comparing to global peers, Thailand's economic recovery is slower due to its economic structure and COVID-19 situation.
- Continuous Negative current account** (Weakening THB): As a result of a large deficit in net services due to the widespread impact of COVID-19.
- Lowering Global Risk** (Strengthening THB): Supporting a stronger dollar and more attractive investment abroad.
- Weaker Safe Haven Status** (Weakening THB): No large inflows from abroad since last year, despite growing risk.

Thank you



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