



ทีเอ็มบีธนชาต  
TMBThanachart

# Monthly Economics Insight

May 2021

ttb analytics

## Global Economy

- **Strong outlook in both manufacturing and service sectors continued and helped global economic recovery.** Exports from Asia posted strong growth in 1<sup>st</sup> quarter but new round of Covid-19 in many Asian countries might affected future productions and exports.
- **Rising inflation across the world due to energy price.** Due to low oil price last year, Inflation in April rose significantly in many countries. Rising commodity prices suggest higher production price, which might lead to increasing consumer price in the future. Manufacturing faced supply chain disruption due to massive returning demands.
- **Overall, economic growth continued as more business reopened** U.S. labor market took longer time to recover. China's growth resumed at moderate pace.

## Domestic Economy

- **Overall, Thai economy in March 21 continuously improved after a second wave of domestic outbreak coming under control.** A recurring third wave of domestic infection in late March 21 will hamper Thailand's economic recovery path and could potentially delay an effective plan for reopening border.
- **External sectors (except international travelling) continued its recovery trend.** Merchandise exports excluded gold steadily recovered following trading partners' economic upturn. Foreign tourists were however at very low level, though with a slight improvement in March.
- **Domestic activities improved.** Private consumption expanded from the same period last year with a positive momentum after the pandemic being under control, together with the support from Government stimulus measures. However, supportive factors were in weak condition. Thai tourism rebounded partly due to domestic tourism campaign. In the meantime, private investment showed positive momentum in machinery and equipment in accordance with improved business sentiment and the rebound of merchandise exports. However, Construction sector and Real estate sector were in weak condition. Public investment budgets were disbursed at greater degree from last year. HCPI in April jumped from low base effect and increase in energy and agricultural prices

## Financial Market

- **Surprisingly high US Inflation (4.2% on March)** has slowed down the flattening path of UST curve and put the pressure on DXY index to drop to 12 weeks lowest level at 90.20 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.**
- **In this month, USDTHB has not been impacted by weakening DXY. USDTHB trend is still in ongoing uptrend this year.** Slower than expected Thai Economy as a result of 3rd round of covid-19 and prolonged negative current account are main drivers.
- **LT TGB bearish** has been slowed down by covid situation. ST TGB will be fluctuated in small range with downside price risk.

**PART 1:**  
**GLOBAL  
ECONOMY**



# Strong positive momentum in both manufacturing and service outlook



## Manufacturing PMI

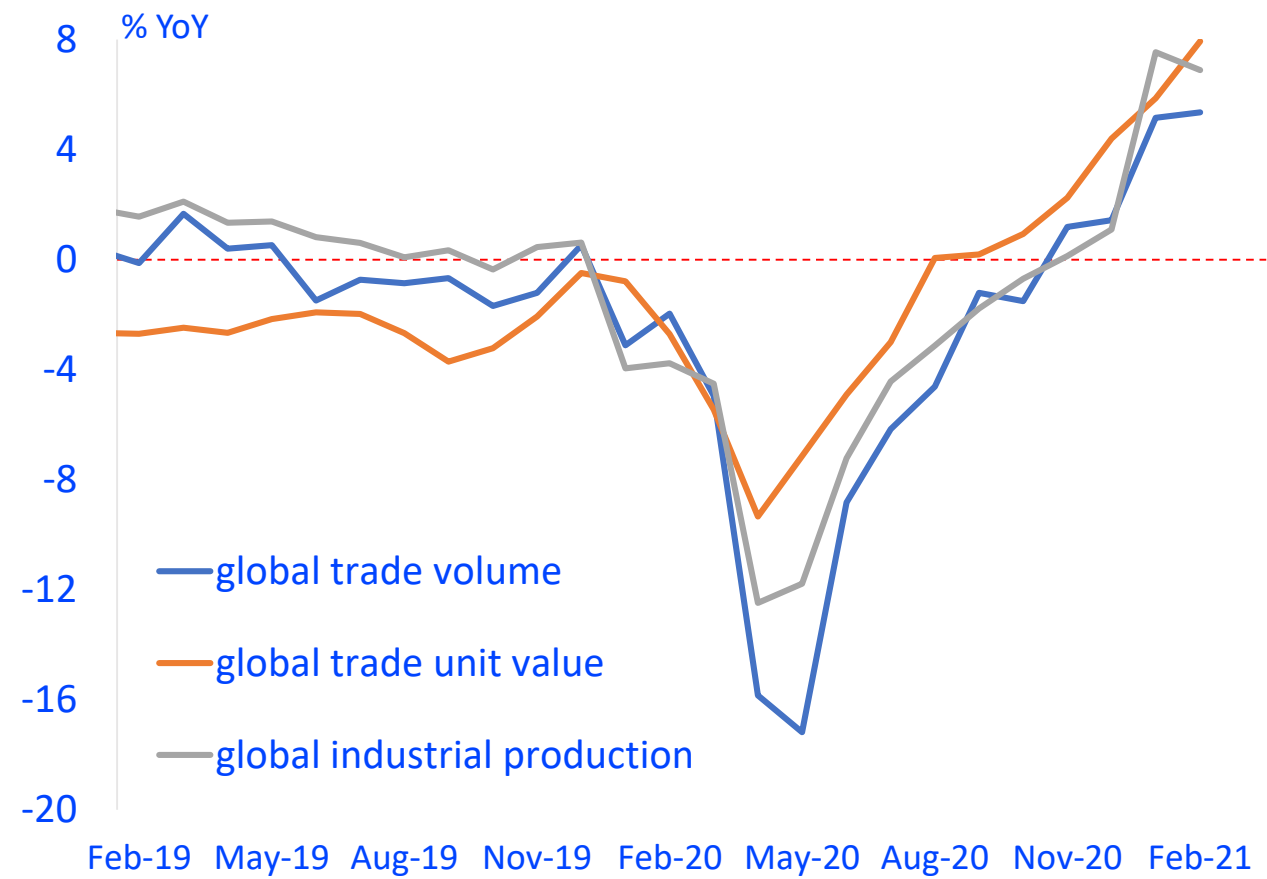
## Service PMI

	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Australia	55.4	54.2	55.8	55.7	57.2	56.9	56.8	59.7
China	53.0	53.6	54.9	53.0	51.5	50.9	50.6	51.9
India	56.8	58.9	56.3	56.4	57.7	57.5	55.4	55.5
Indonesia	47.2	47.8	50.6	51.3	52.2	50.9	53.2	54.6
Japan	47.7	48.7	49.0	50.0	49.8	51.4	52.7	53.6
South Korea	49.8	51.2	52.9	52.9	53.2	55.3	55.3	54.6
Thailand	49.9	50.8	50.4	50.8	49.0	47.2	48.8	50.7
Canada	56.0	55.5	55.8	57.9	54.4	54.8	58.5	57.2
United States	53.2	53.4	56.7	57.1	59.2	58.6	59.1	60.5
Germany	56.4	58.2	57.8	58.3	57.1	60.7	66.6	66.2
France	51.2	51.3	49.6	51.1	51.6	56.1	59.3	58.9
Italy	53.2	53.8	51.5	52.8	55.1	56.9	59.8	60.7
United Kingdom	54.1	53.7	55.6	57.5	54.1	55.1	58.9	60.9
Spain	50.8	52.5	49.8	51.0	49.3	52.9	56.9	57.7

	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Australia	50.8	53.7	55.1	57.0	55.6	53.4	55.5	58.8
China	54.8	56.8	57.8	56.3	52.0	51.5	54.3	56.3
Japan	46.9	47.7	47.8	47.7	46.1	46.3	48.3	49.5
India	49.8	54.1	53.7	52.3	52.8	55.3	54.6	54.0
United States	54.6	56.9	58.4	54.8	58.3	59.8	60.4	64.7
Germany	50.6	49.5	46.0	47.0	46.7	45.7	51.5	49.9
France	47.5	46.5	38.8	49.1	47.3	45.6	48.2	50.3
Italy	48.8	46.7	39.4	39.7	44.7	48.8	48.6	47.3
United Kingdom	56.1	51.4	47.6	49.4	39.5	49.5	56.3	61.0
Spain	42.4	41.4	39.5	48.0	41.7	43.1	48.1	54.6

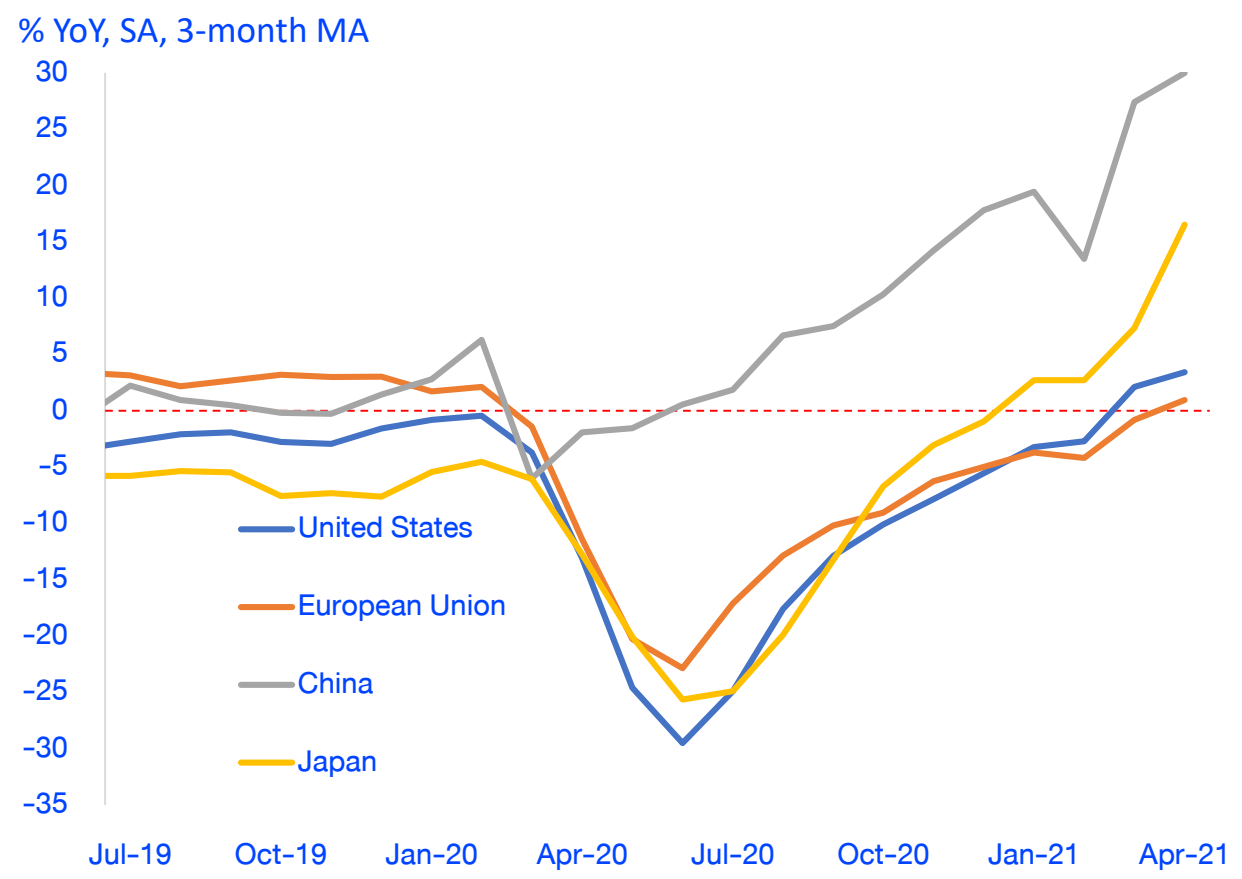
- PMIs which are early indicators for economic activities suggested that most countries have strong positive outlooks toward manufacturing sector.
- April PMIs data displayed strong outlook in service and manufacturing sectors in countries which have Covid-19 under control such as United States and European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

## Global trade 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 China.

## Exports from Asia posted stronger recovery trends

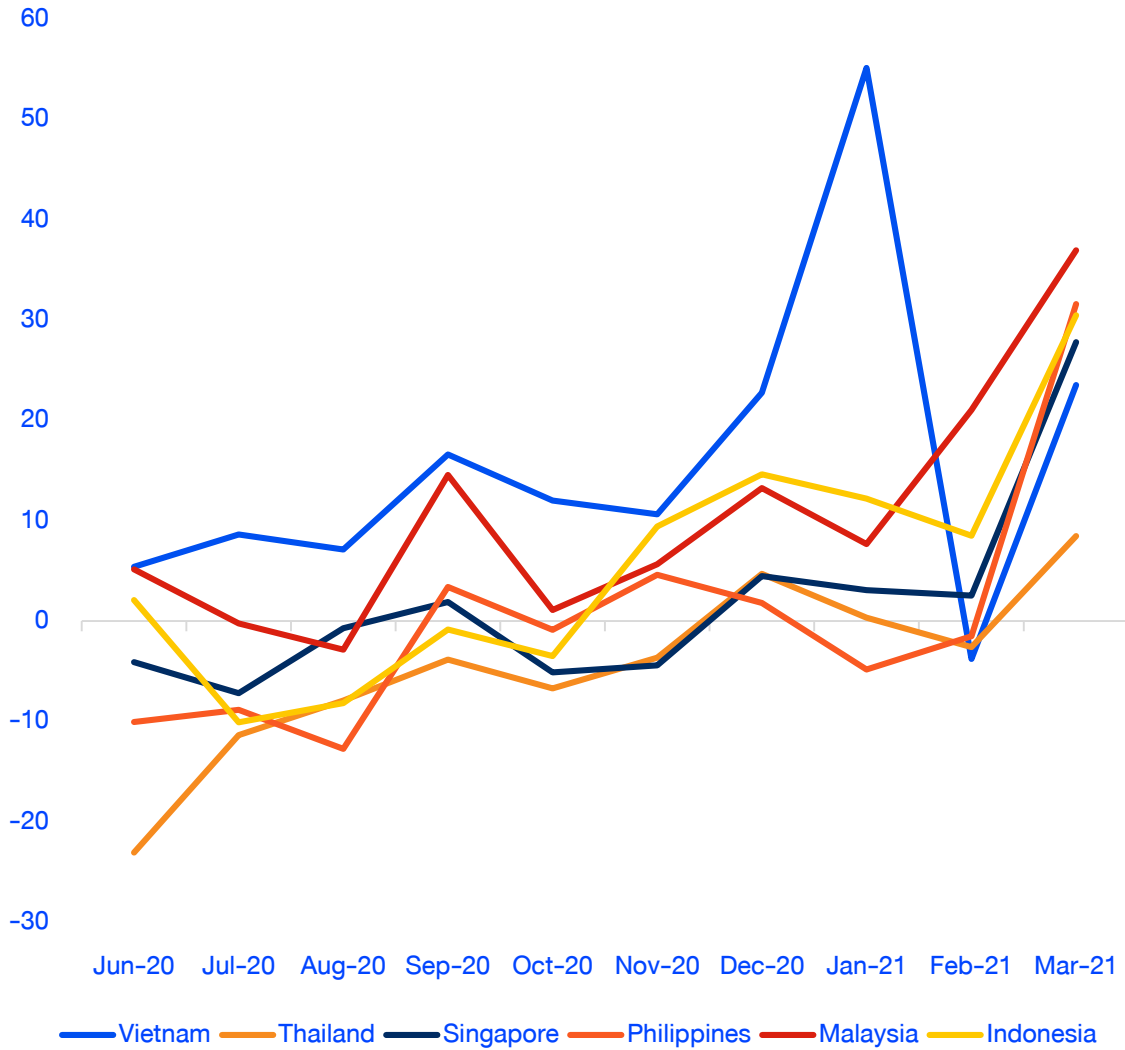


- Exports from China kept growing due to low bases last year. Exports from Japan remained strong, growing above last year.

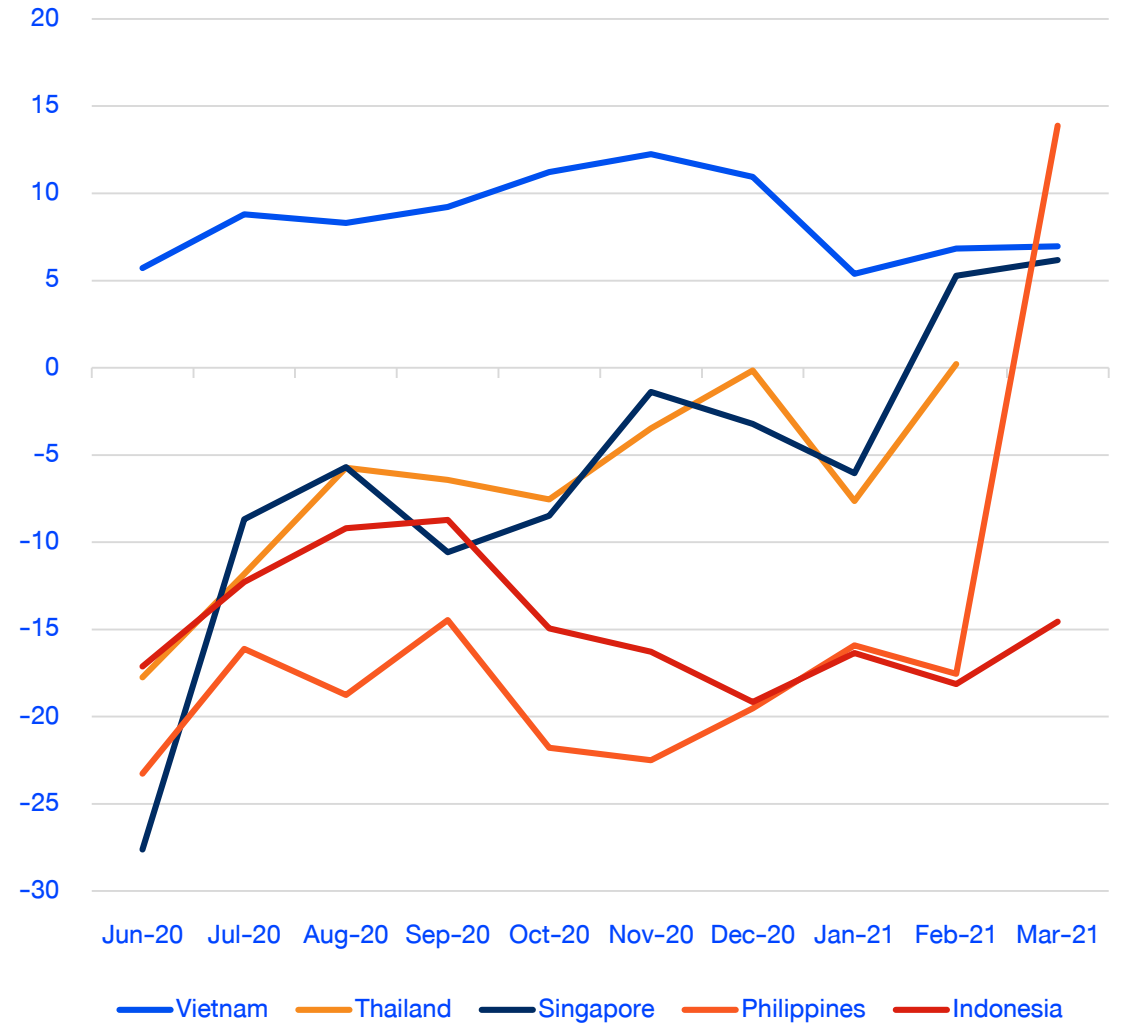
# ASEAN exports showed strong growth, benefiting from low-base last year



## Exports (%YoY)



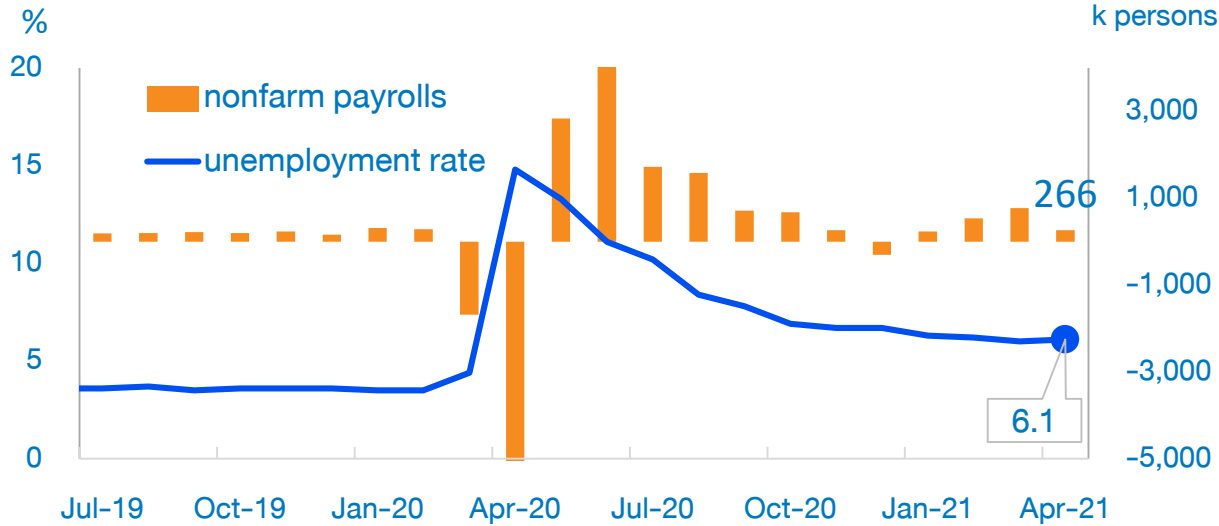
## Retail Sales (%YoY)



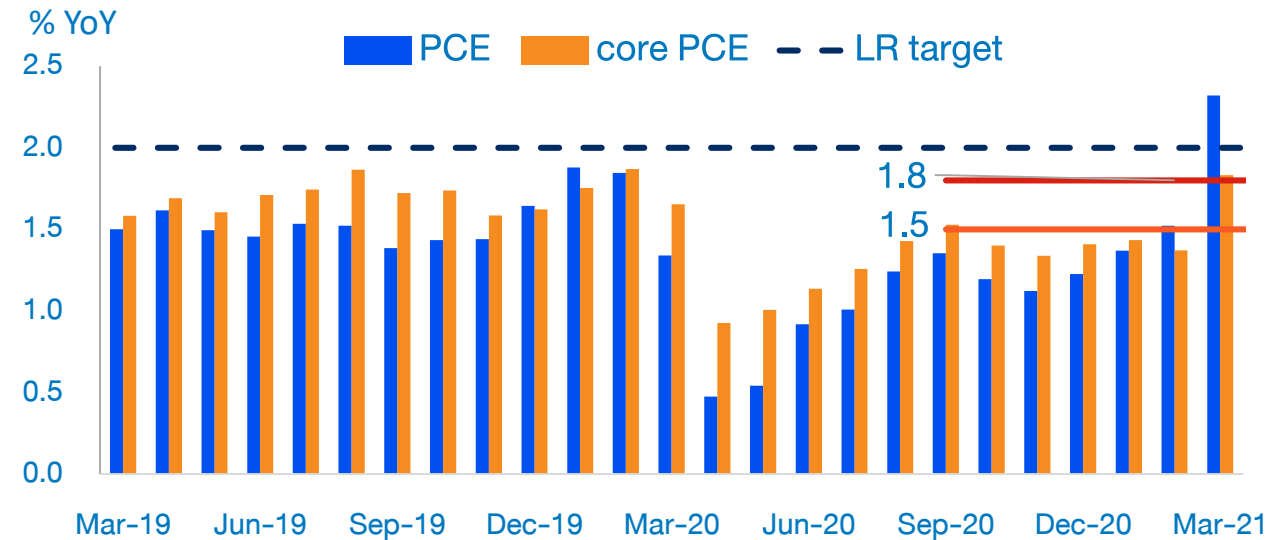
# US Nonfarm payroll grew fewer than expectation , Inflation spiked from energy price



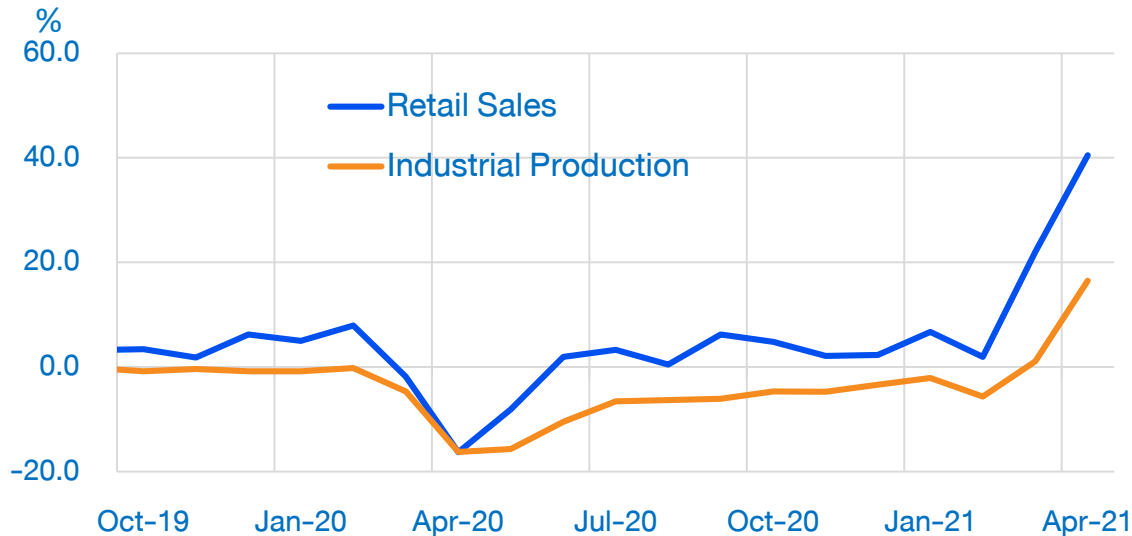
## Nonfarm payroll increased only 266,000 jobs in April



## Inflation expanded beyond FED target in March



## Strong retail sales growth from low-base impact



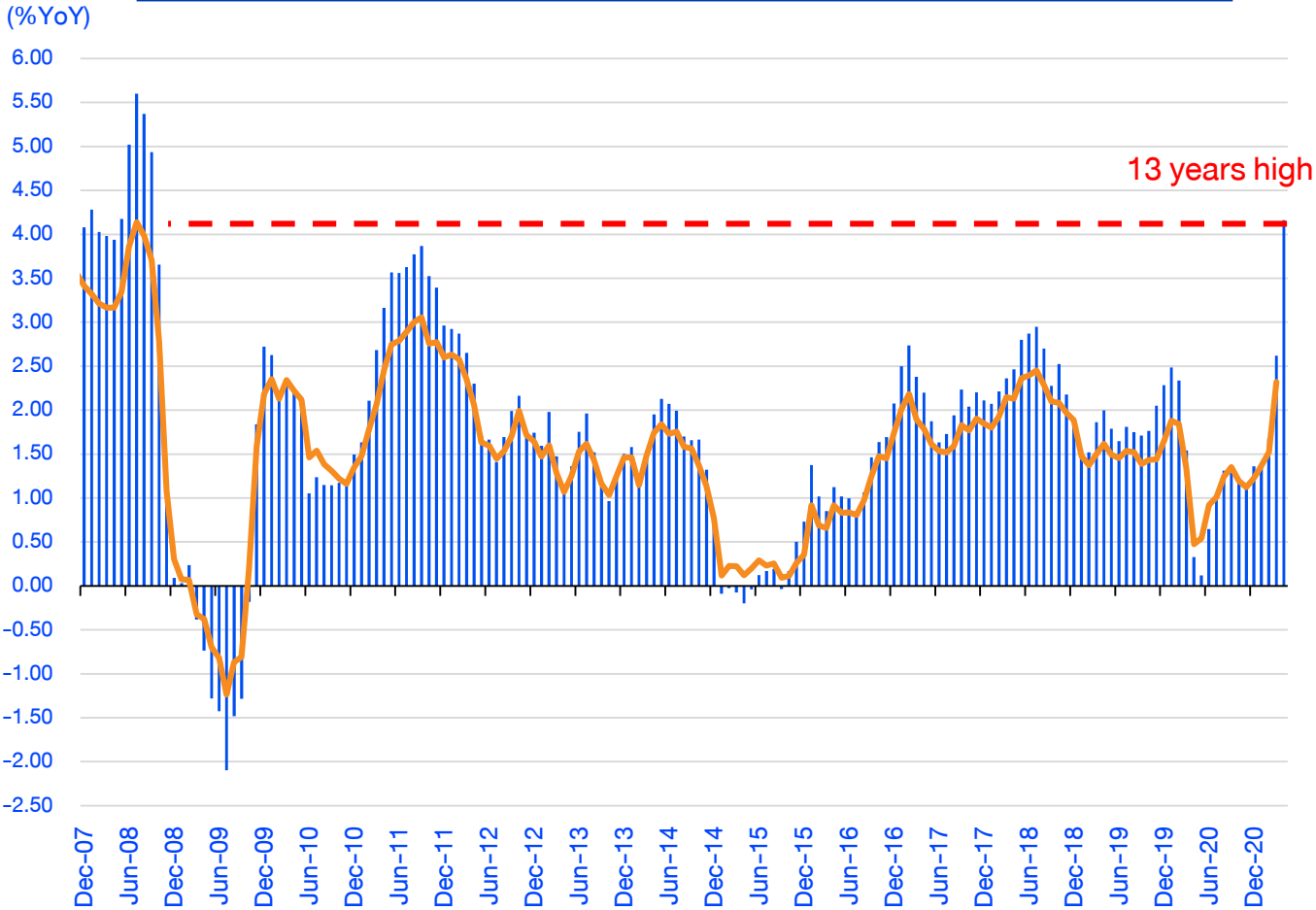
- In April, nonfarm payrolls recorded hiring of 266,000 people, below market expectation. Unemployment rates increased slightly to 6.1%. Labor mismatch and unemployment benefits are factors that might cause smaller-than-expected number of jobs.
- Retail sales growth boasted mainly by low-base impact from last year. In April, retail sales grew 41% (seasonally adjusted) in comparison to -18% last year. April retail sale grew 0% month-to-month
- In march, PCE rose 2.2% while core PCE rose 1.8%. In April, CPI data reported 4.2%YoY growth, strongest number in 13 years due to energy and transport prices



# U.S. inflation grew significantly in April, due to energy and transport prices

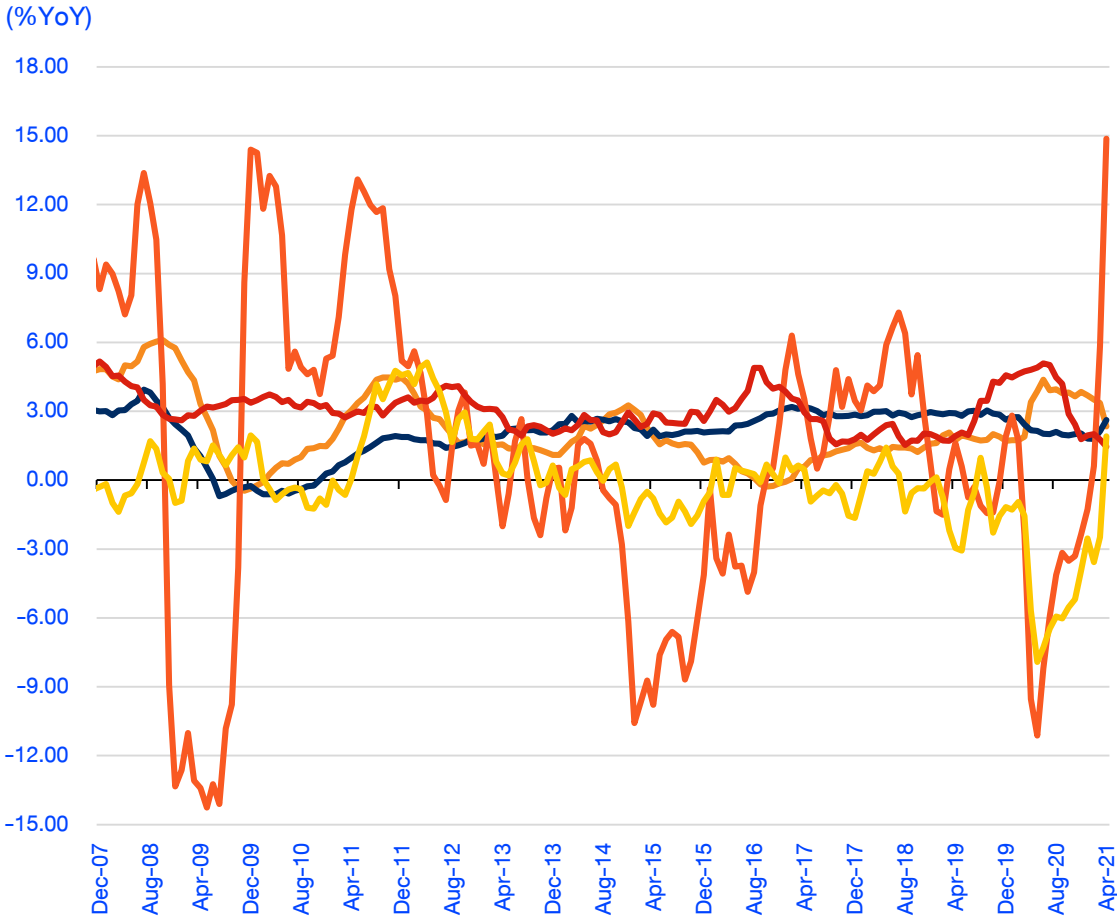


## U.S. Inflation (%YoY)



■ Consumer Price Index (CPI)    — Personal Consumption Expenditure (PCE)

## Breakdown of Inflation (CPI) by categories



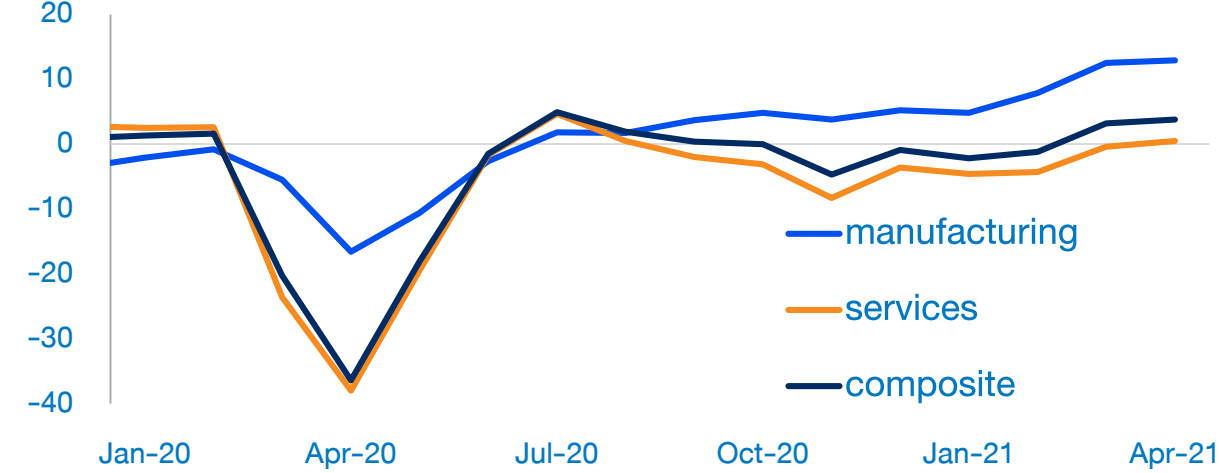
— Food & Beverages    — Housing    — Transport & Energy  
 — Medical Care    — Apparel

Source: CEIC and ttb analytics

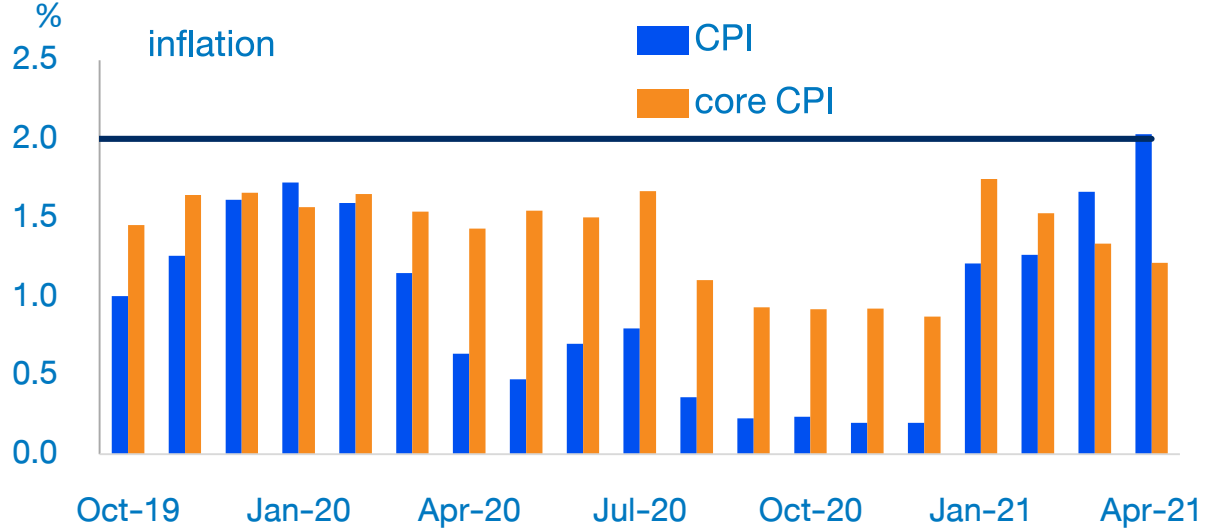


## Positive outlook continued, mainly from manufacturing

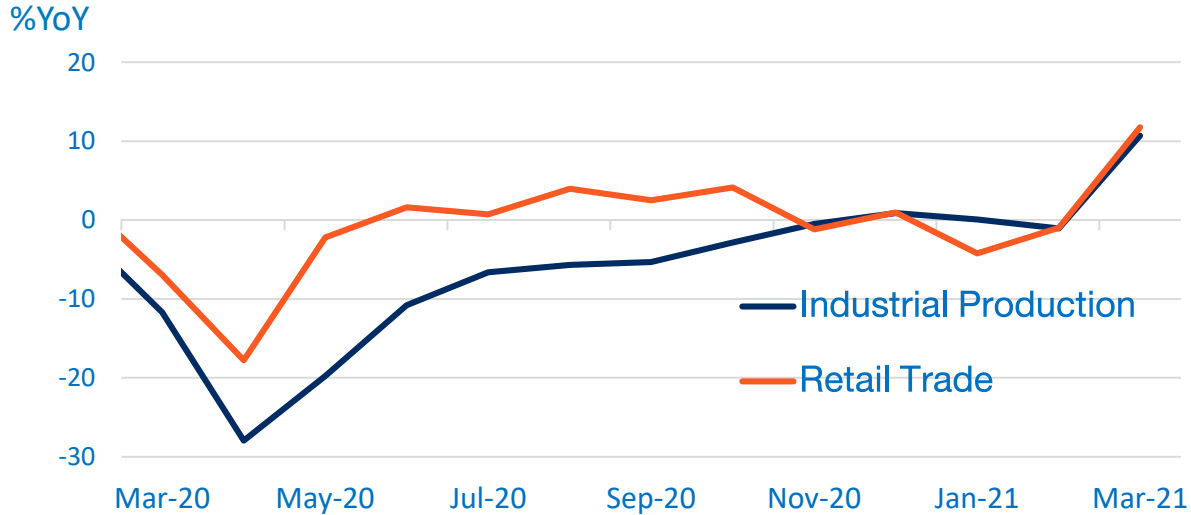
%MoM, deviations from 50, + expansion - contraction



## Inflation improved as consumption returned



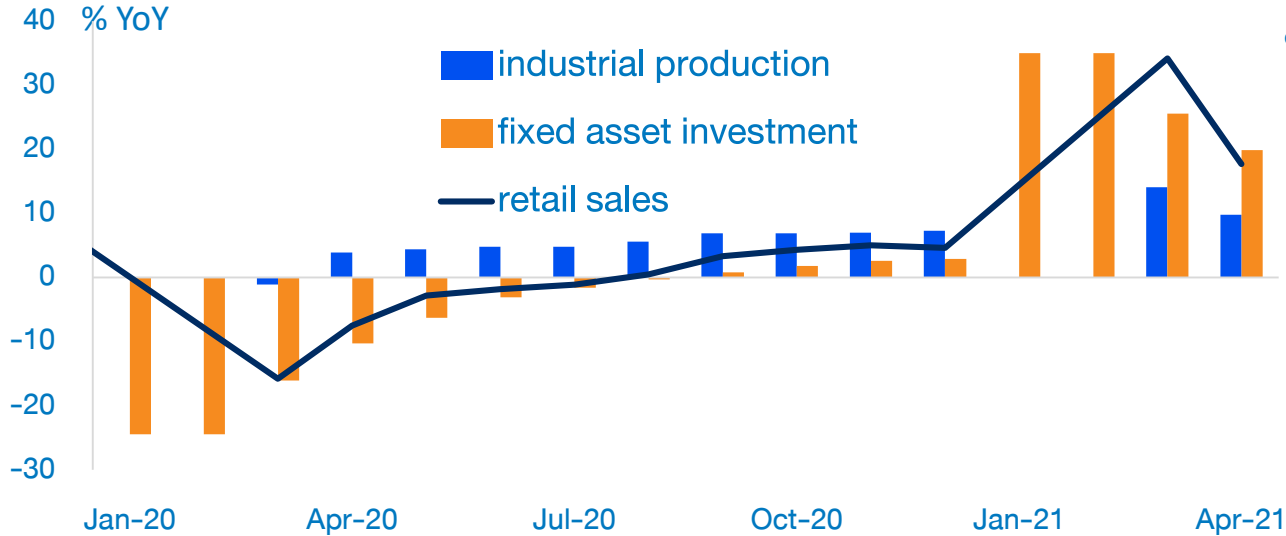
## Retail trade strongly increased in March



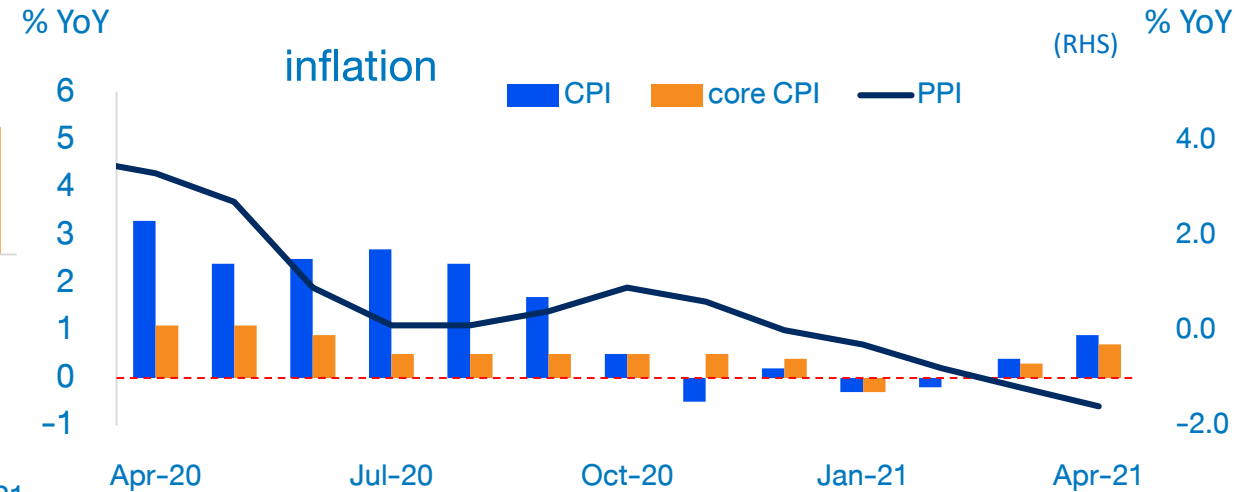
- Manufacturing outlook continued to support positive economic outlook as many European countries resumed operations. Service sector outlook maintained high level.
- European Union inflation continued to grow at 2.0% in April with support from food and energy price. Core inflation dropped slightly from last month to 1.2%.
- Retail trade and industrial production increased strongly in March from low-base impact. Retail trade rose 12%

# China's growth continued at moderate level, inflation resumed with downward PPI

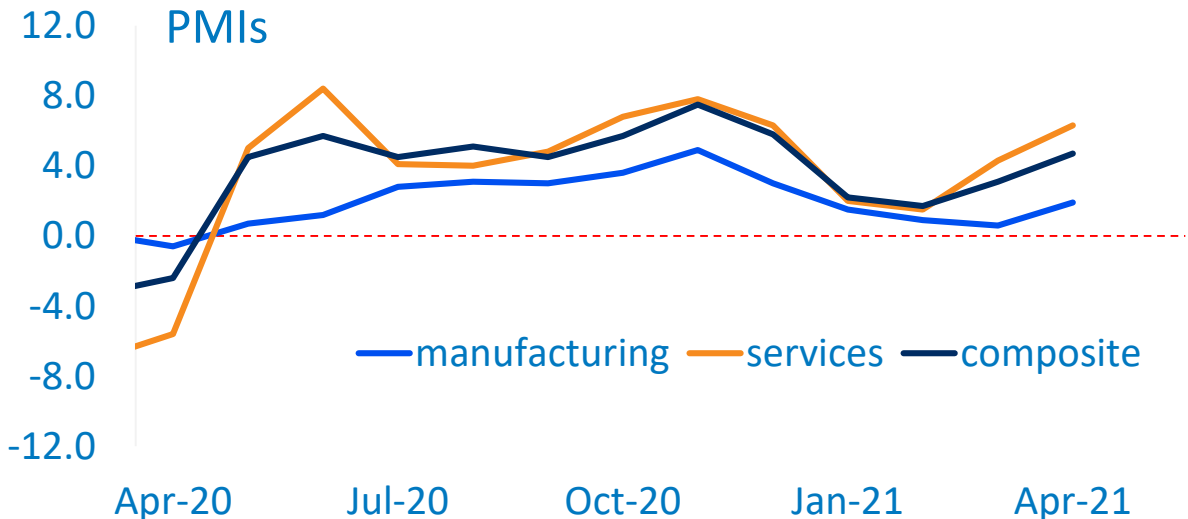
## Retail sales and Industrial production continued strongly



## Rising CPI from food price but negative PPI Inflation

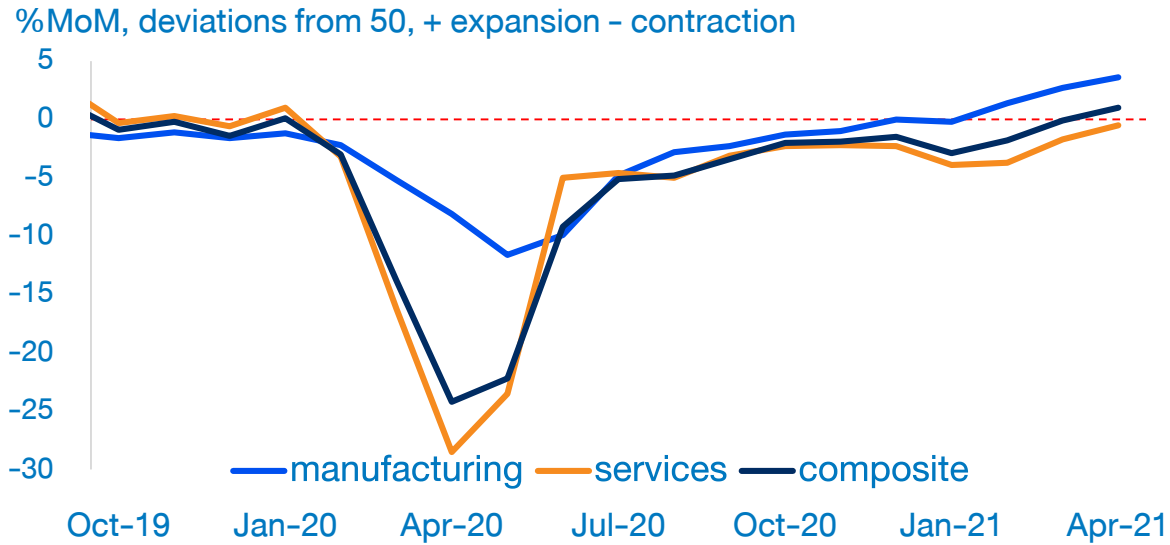


## Upward economic outlook in April

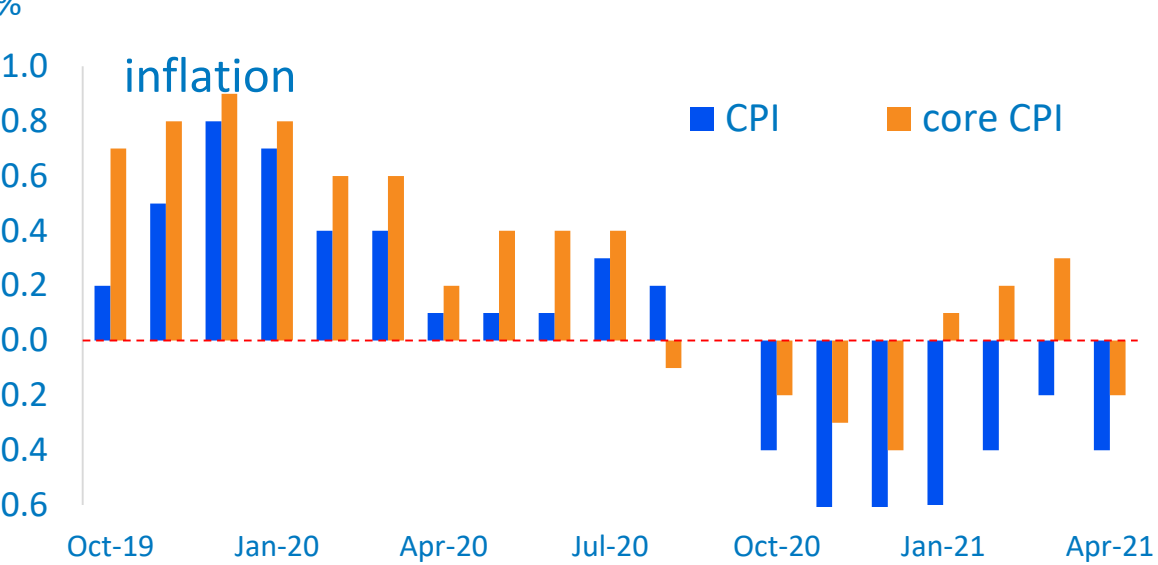


- Industrial output rose 9.8% in April from a year earlier versus the median estimate for a 10% increase. Retail sales expanded 17.7% in the period, far slower than a projected 25% rise. Fixed-asset investment grew 19.9% in the first four months of the year, in line with forecasts.
- Chinese economic growth should have already peaked in Q1 from its low base impact from last year. Service PMI displayed positive outlook in Q2.
- Inflation returned positive in March in that CPI grew 0.9% due to food price. PPI continued to drop to -1.6% due to high base impact.

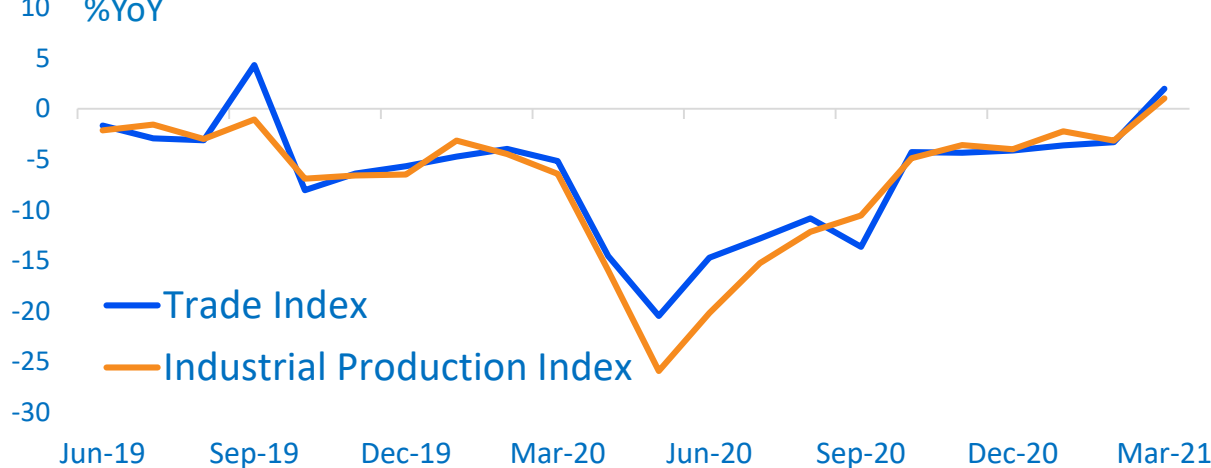
## Manufacturing and service outlook remained weak



## Japan's core inflation continued to rise

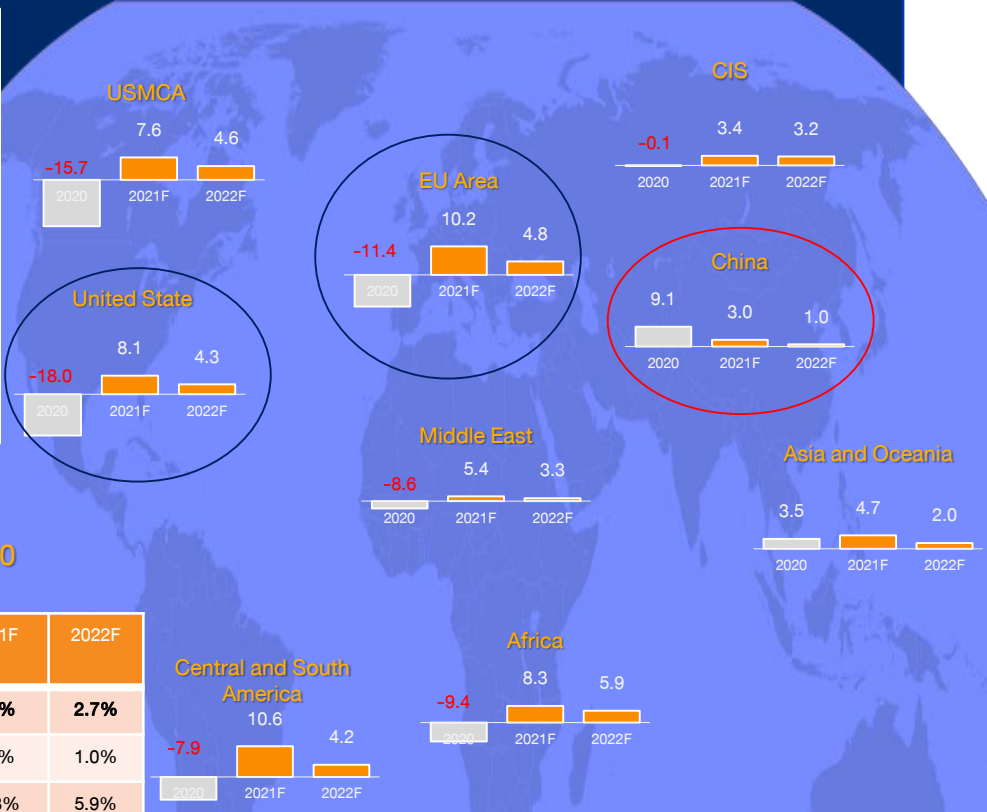


## Trade and Production remained low



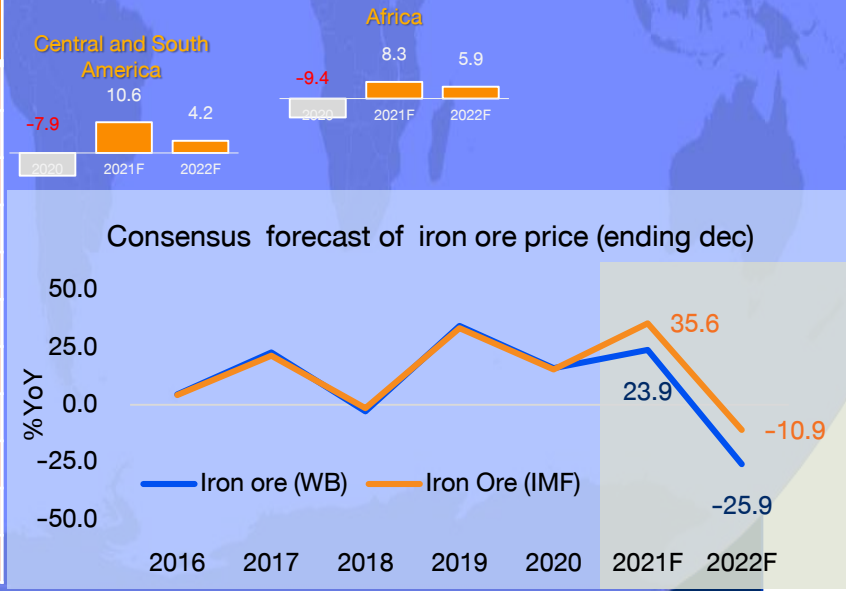
- Manufacturing outlook improved to expansion zone and rose highest in more than a year. Service outlook still remained in a contraction zone but showed improvement as well.
- Trade and industrial production has not yet fully recovered to positive zone in February
- CPI still contracted for the straight sixth month in April. Core CPI improved by growing at 0.2%

# Global steel consumption and price outlook 2021



Top 10 steel using countries 2020 (finished steel products)

	2020 (mn tones)	2020	2021F	2022F
<b>World</b>	<b>1,771</b>	<b>-0.2%</b>	<b>5.8%</b>	<b>2.7%</b>
China	995.0	9.1%	3.0%	1.0%
India	88.5	-13.7%	19.8%	5.9%
USA	80.0	-18.0%	8.1%	4.3%
Japan	52.6	-16.8%	6.5%	5.0%
South Korea	49.0	-8.0%	5.2%	2.5%
Russia	42.5	-2.3%	3.0%	3.0%
Germany	31.1	-11.6%	9.3%	5.3%
Turkey	29.5	13.0%	18.7%	5.7%
Vietnam	23.3	-4.2%	5.0%	7.6%
Mexico	21.7	-11.8%	7.5%	5.5%



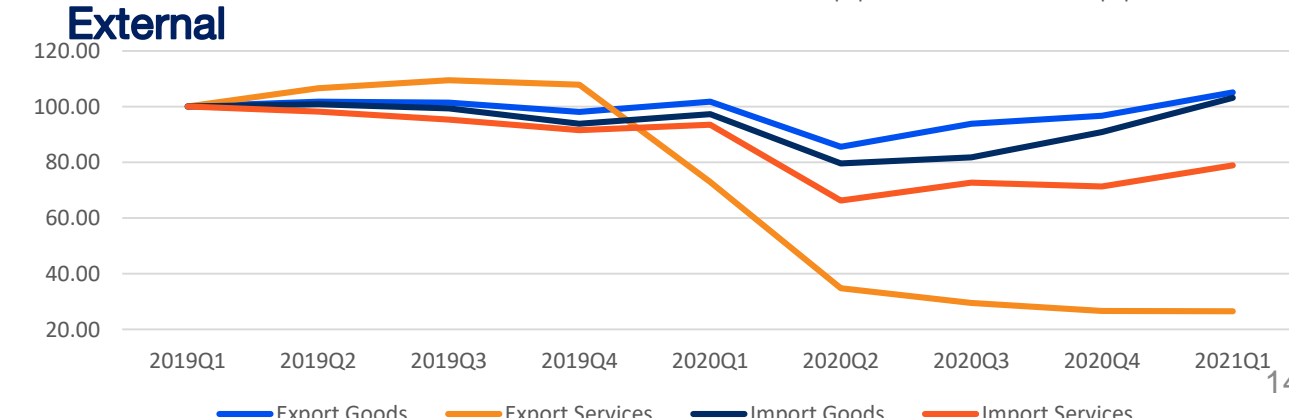
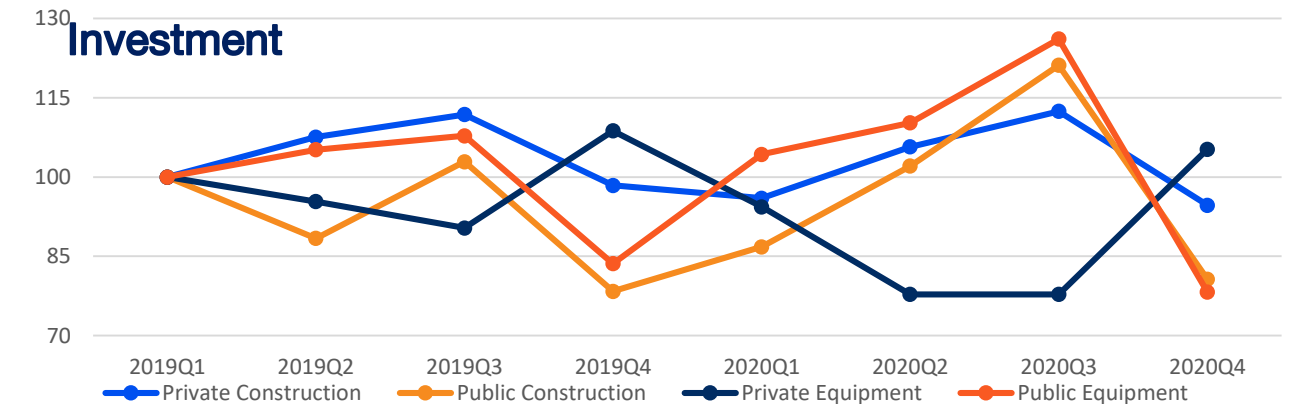
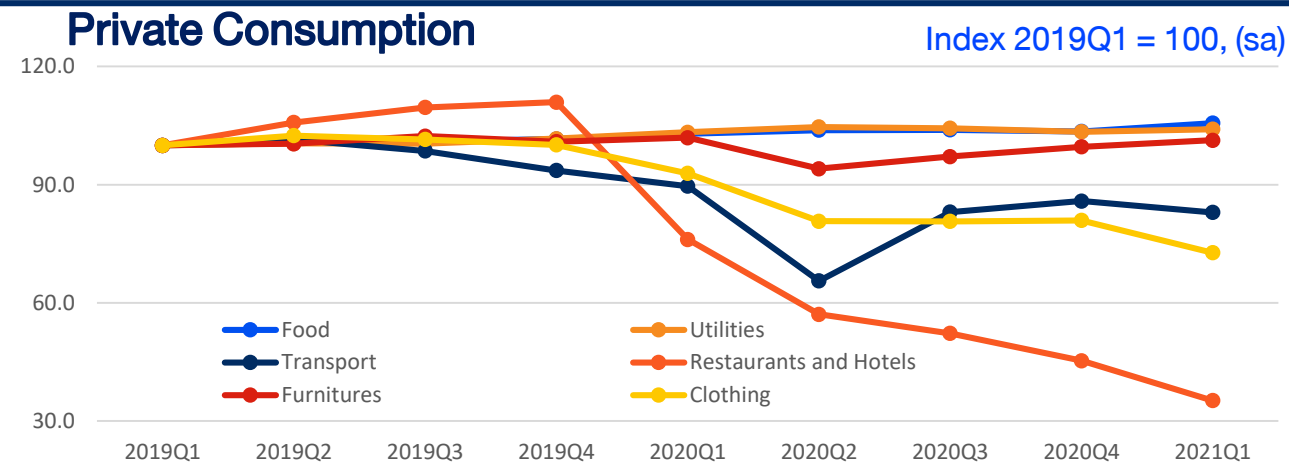
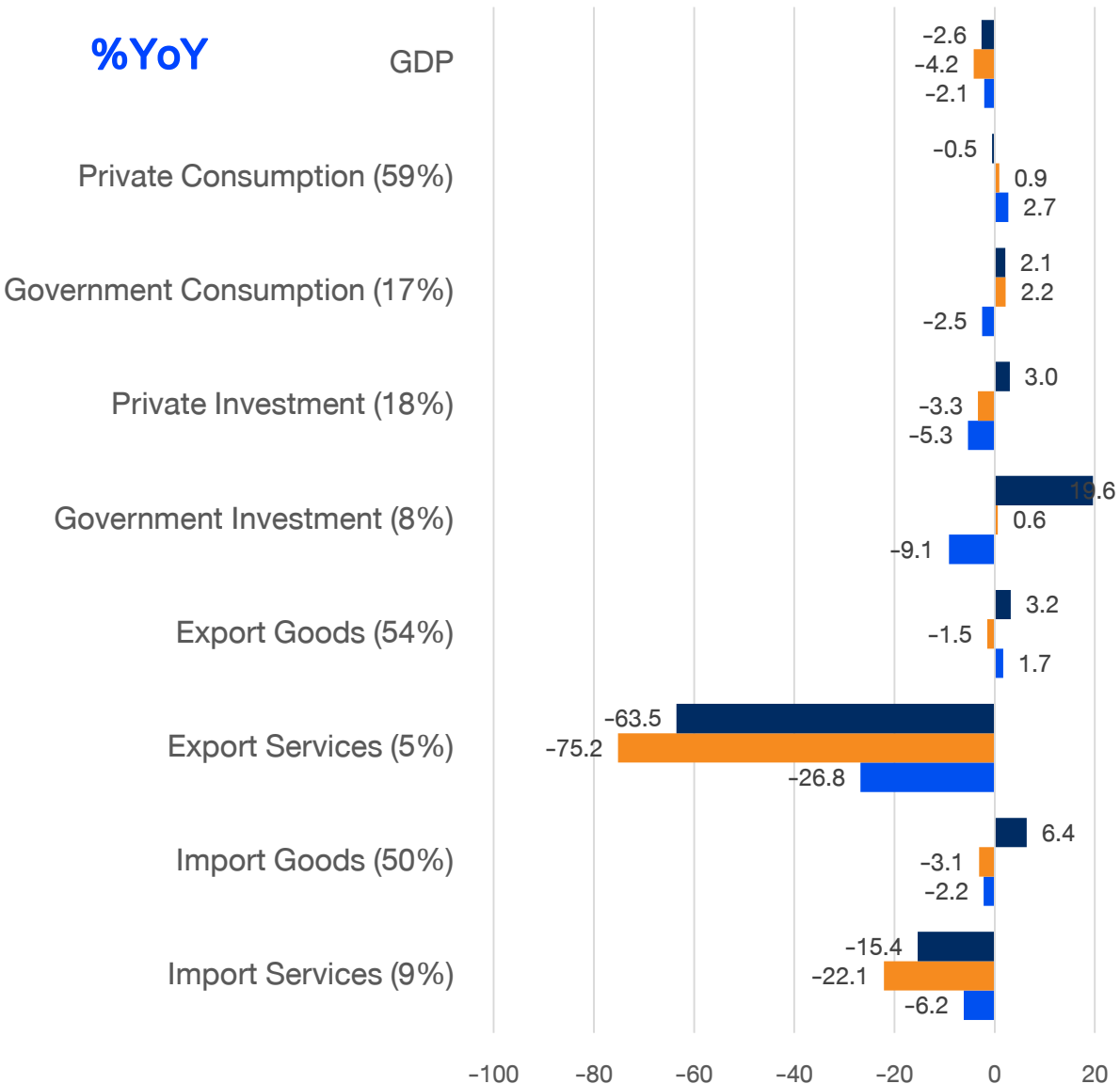
- According to the world steel association released worldsteel outlook (SRO), global steel consumption is expected to increase by 5.8% in 2021, leading by demand for construction and automotive of USA and EU area which are stimulating the economies after mitigating COVID-19 pandemic.
- However, steel demand might decrease if COVID-19 infection will not stabilize in the third quarter and that steady progress on vaccinations will not be made, in particularly, developing countries.
- In 2021, the price for iron ore is likely to increase by 25-35% due to concern with shortage steel production in china and recovery in advanced economy.



# PART 2: DOMESTIC ECONOMY



# Thai GDP 1Q2021 contracted 2.6%, Private consumption dropped 0.6%



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

■ Q1/2021   
 ■ Q4/2020   
 ■ Q1/2020

# Domestic rebound from a second wave of the outbreak had become evident



## Coincident economic Index (sa)

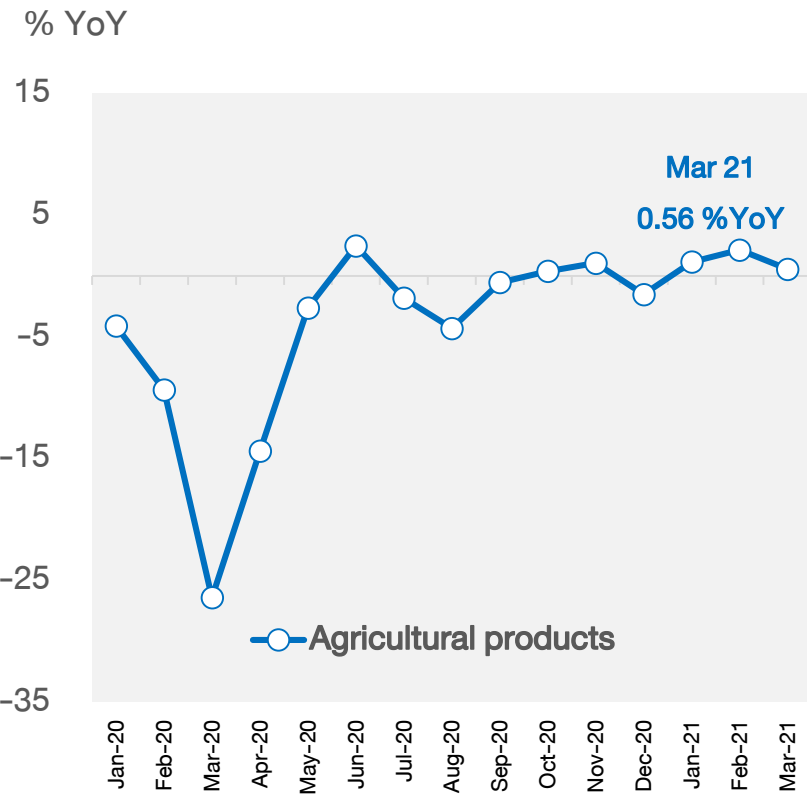
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
<b>Production</b>															
<b>Coincident Economic Index</b>	100.0	98.5	96.4	95.4	95.6	95.9	97.1	98.0	98.2	98.6	98.8	98.9	98.2	99.7	99.2
Import Volume index (exclude Gold)	100.0	84.7	100.8	89.3	76.5	76.8	79.0	84.2	88.4	88.1	91.3	95.9	96.9	100.3	101.0
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
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
<b>C</b>															
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
Sales Benzene, Gasohol & Diesel Index	100.0	100.0	90.7	70.9	88.9	95.6	106.4	102.0	108.6	100.9	100.7	100.0	82.1	97.4	102.5
VAT Hotel & Restaurant Index	100.0	77.6	39.2	14.5	22.8	38.8	38.9	34.1	44.9	45.1	49.4	24.8	20.0	34.6	36.2
<b>I</b>															
Imports of Capital Goods at 2010 price (Million US\$)	3,840.5	3,201.1	3,519.8	3,394.0	3,016.4	3,274.5	3,345.6	3,372.2	3,543.0	3,404.0	3,732.2	4,049.9	3,876.5	4,201.0	4,151.3
Domestic Machinery Sales at 2010 price (Million THB)	92,841.5	96,766.8	94,091.1	81,326.9	70,669.4	77,534.4	84,443.9	88,348.7	92,189.6	93,796.8	92,404.7	96,957.3	97,881.4	104,195.0	98,985.3

	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
<b>Services</b>															
<b>Service Production Index</b>	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	94.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	100.0	88.3	76.8	54.5	56.8	61.4	67.5	71.9	73.9	76.2	78.2	77.2	63.4	67.7	77.4
Transportation and storage	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
Accommodation and food service activities	100.0	89.6	96.0	90.8	91.5	98.8	95.4	94.7	97.6	90.8	99.0	113.4	128.2	85.6	95.4
Information and communication	100.0	100.4	106.8	127.3	128.9	131.3	112.4	114.6	95.5	92.5	96.8	99.1	99.4	101.9	108.2
Financial and insurance activities	100.0	96.7	115.1	82.4	87.5	94.0	95.3	97.6	121.1	94.7	97.0	106.3	105.1	104.5	113.6
Real estate activities	100.0	90.7	89.4	80.9	75.9	83.7	93.8	88.2	96.9	97.5	93.0	108.9	96.6	96.7	110.4
Professional, scientific and technical activities	100.0	88.1	84.5	70.1	62.4	68.3	66.1	72.2	74.2	71.8	74.2	79.5	72.2	74.8	80.4
Administrative and support service activities	100.0	97.1	99.5	107.8	99.2	100.4	102.9	102.9	112.3	100.3	103.7	103.8	102.2	97.6	105.8
Public administration and defence; compulsory social security	100.0	92.1	88.8	82.6	81.3	84.1	84.6	85.9	87.5	83.7	86.0	88.3	84.0	82.3	88.4

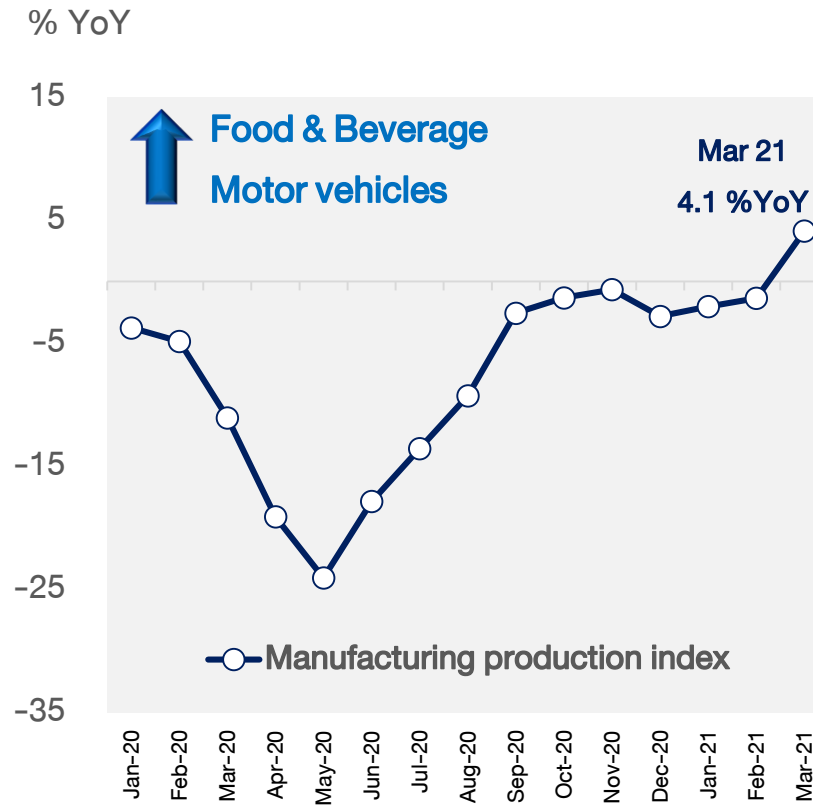


# Manufacturing production grew, mainly in food and beverage as well as motor vehicles

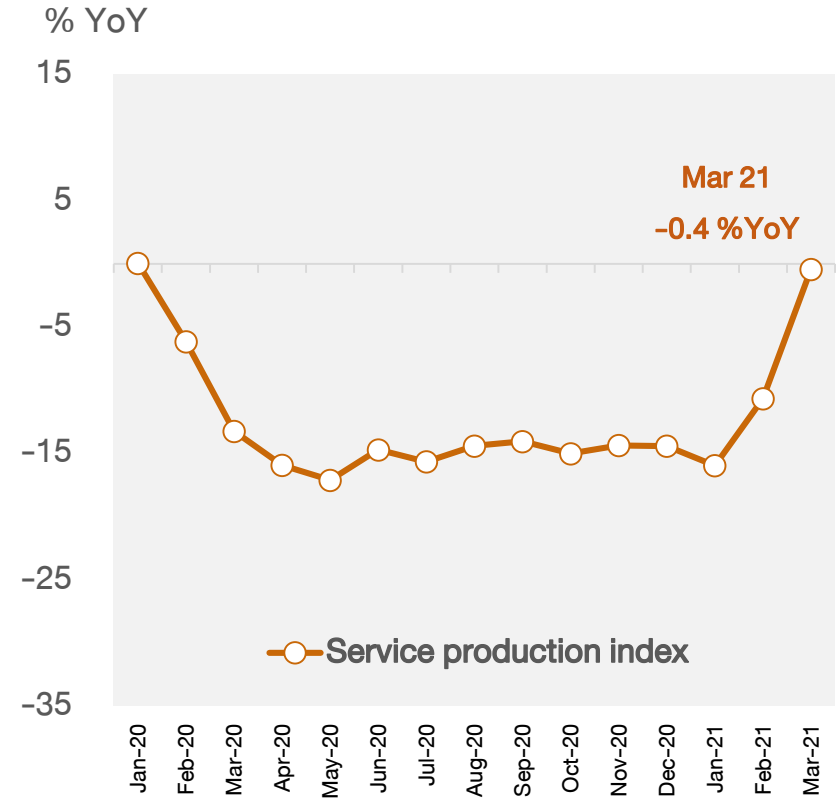
## Agricultural Production



## Manufacturing Production

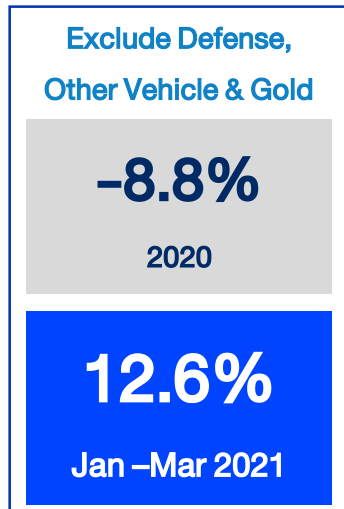


## Services Providing

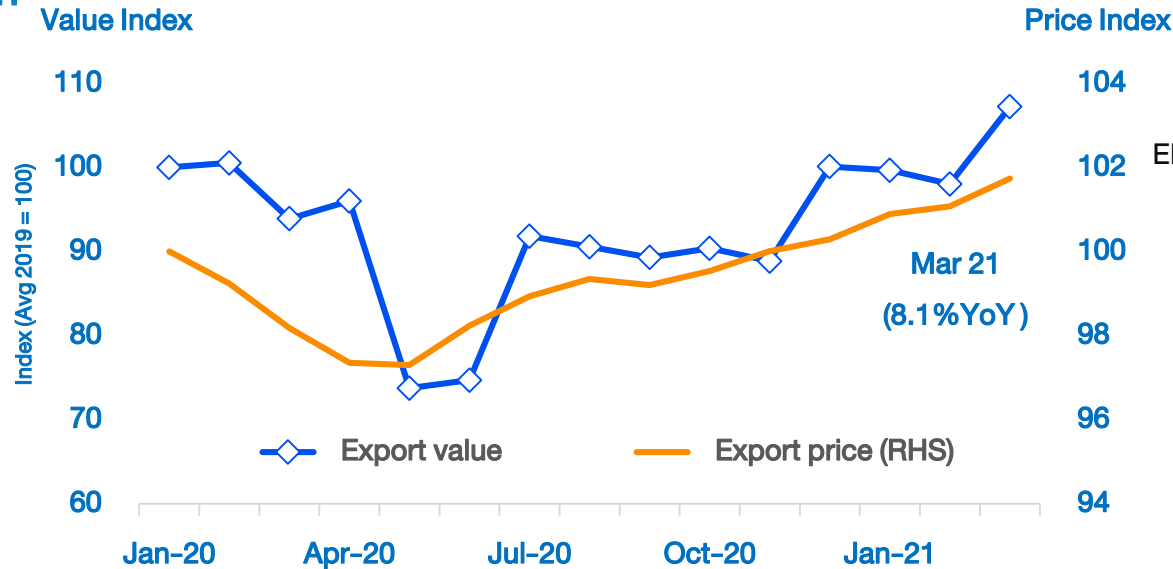


# Thai merchandise exports showed sign of continuing recovery to all destination countries

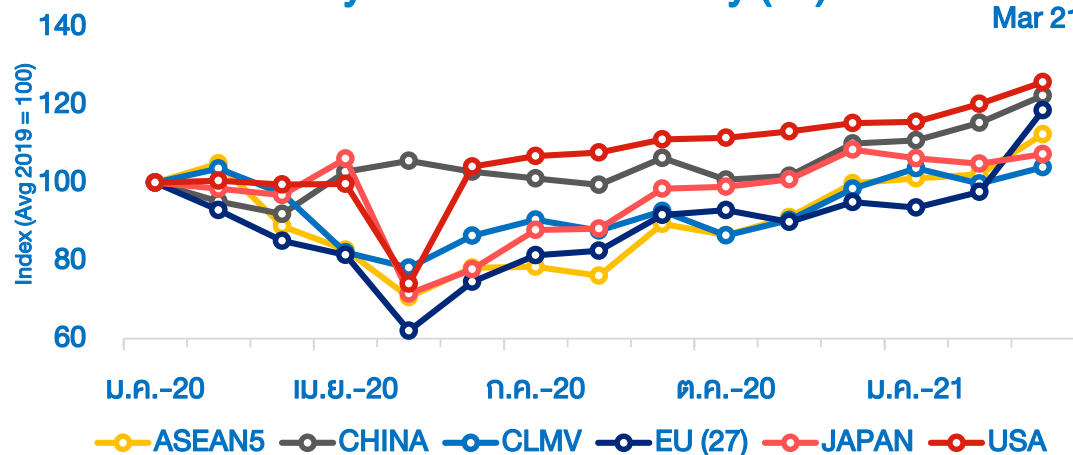
## Total Export Growth



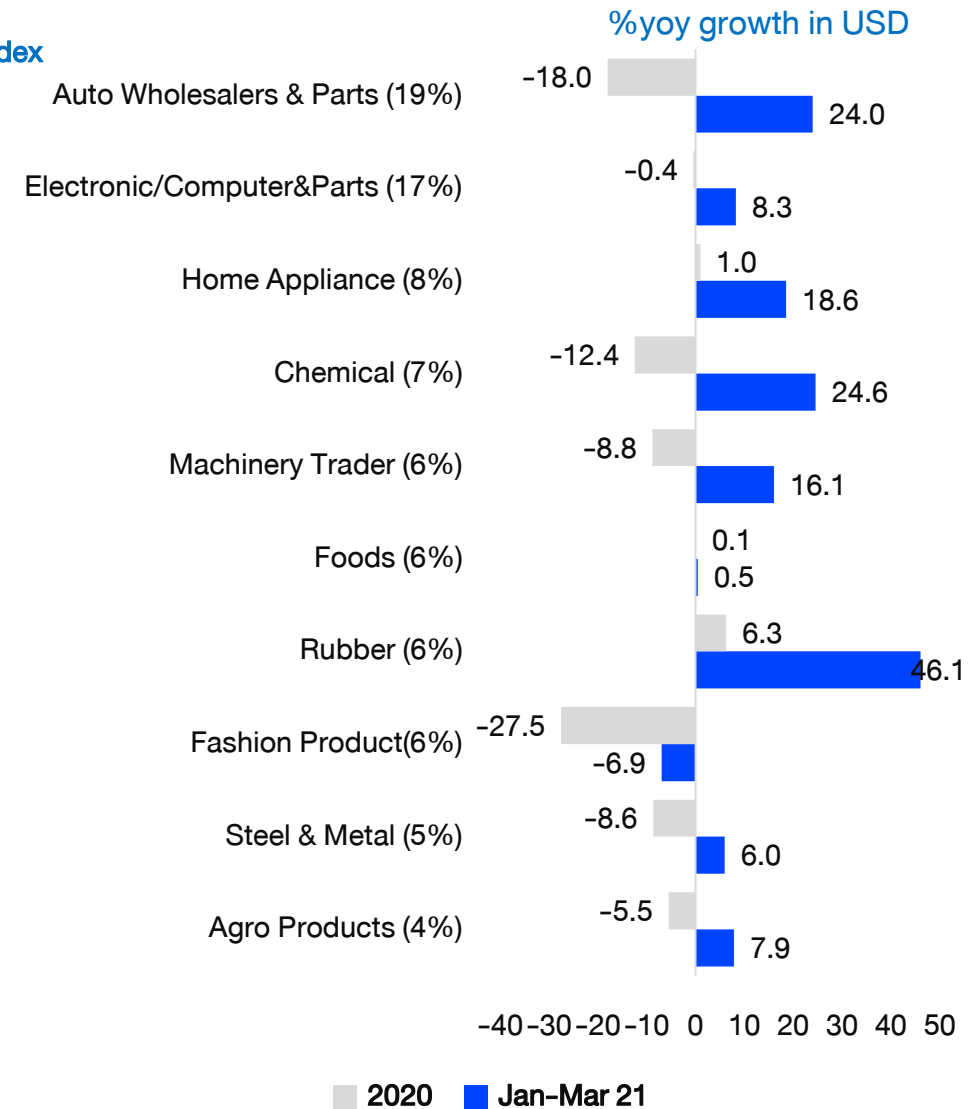
## Exports performance (sa)



## Exports performance by destination country (sa)\*

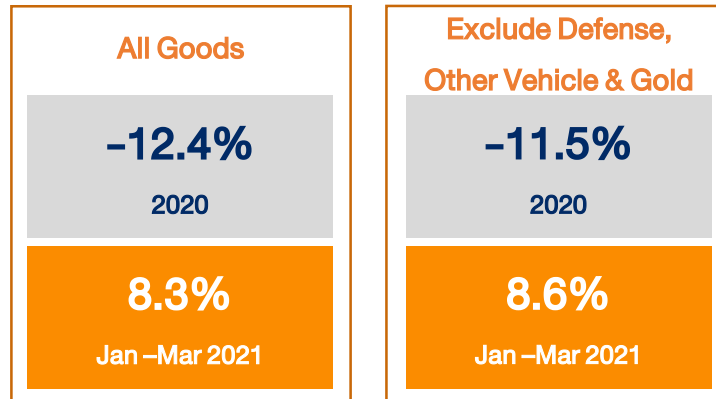


## Top 10 Export by Sector\*

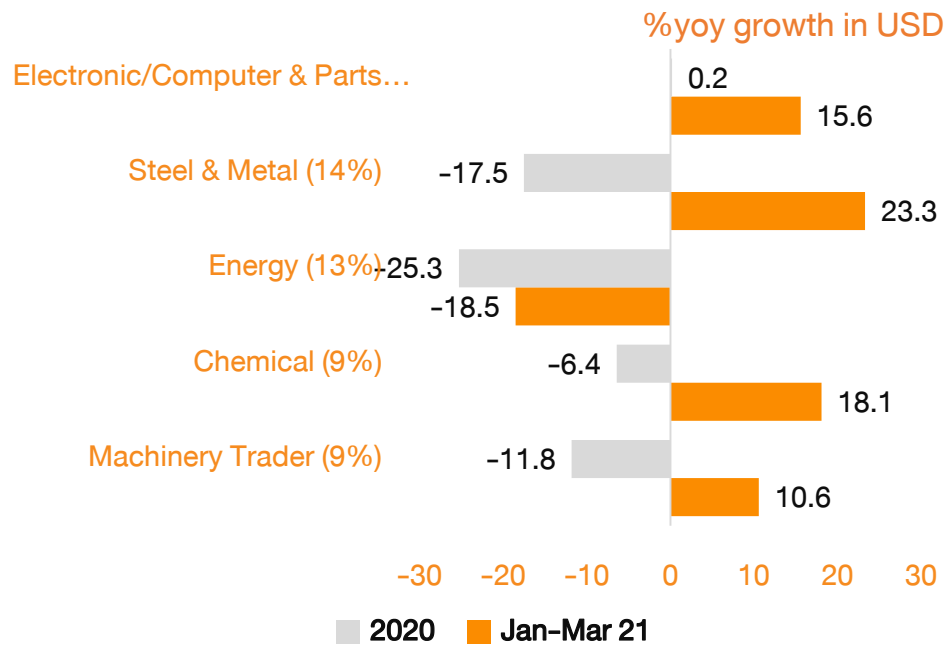


# Imports of goods signaled a gradual rebound in line with economic recovery

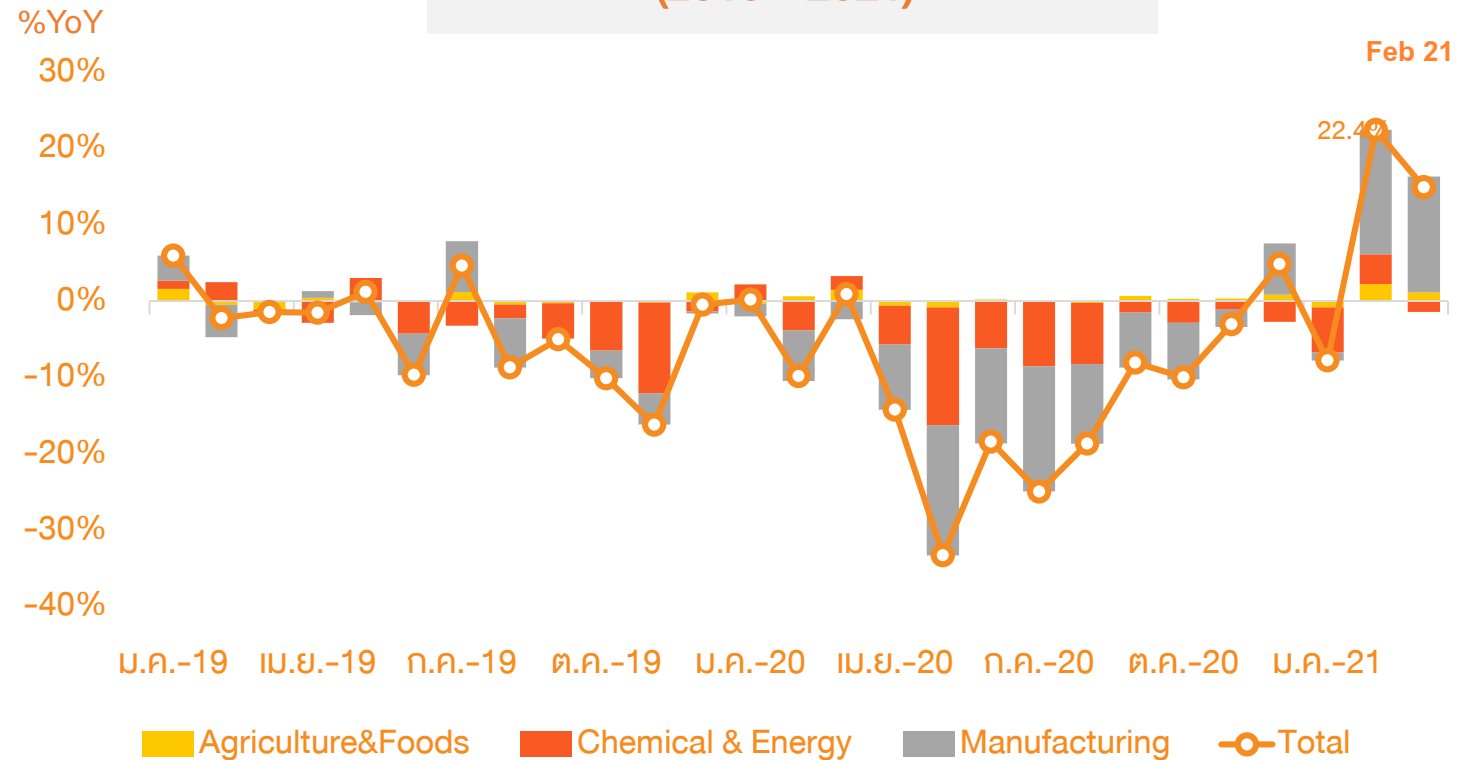
## Total Import Growth



## Top 5 Import by Sector



## Import Growth Contribution (2019 – 2021)\*

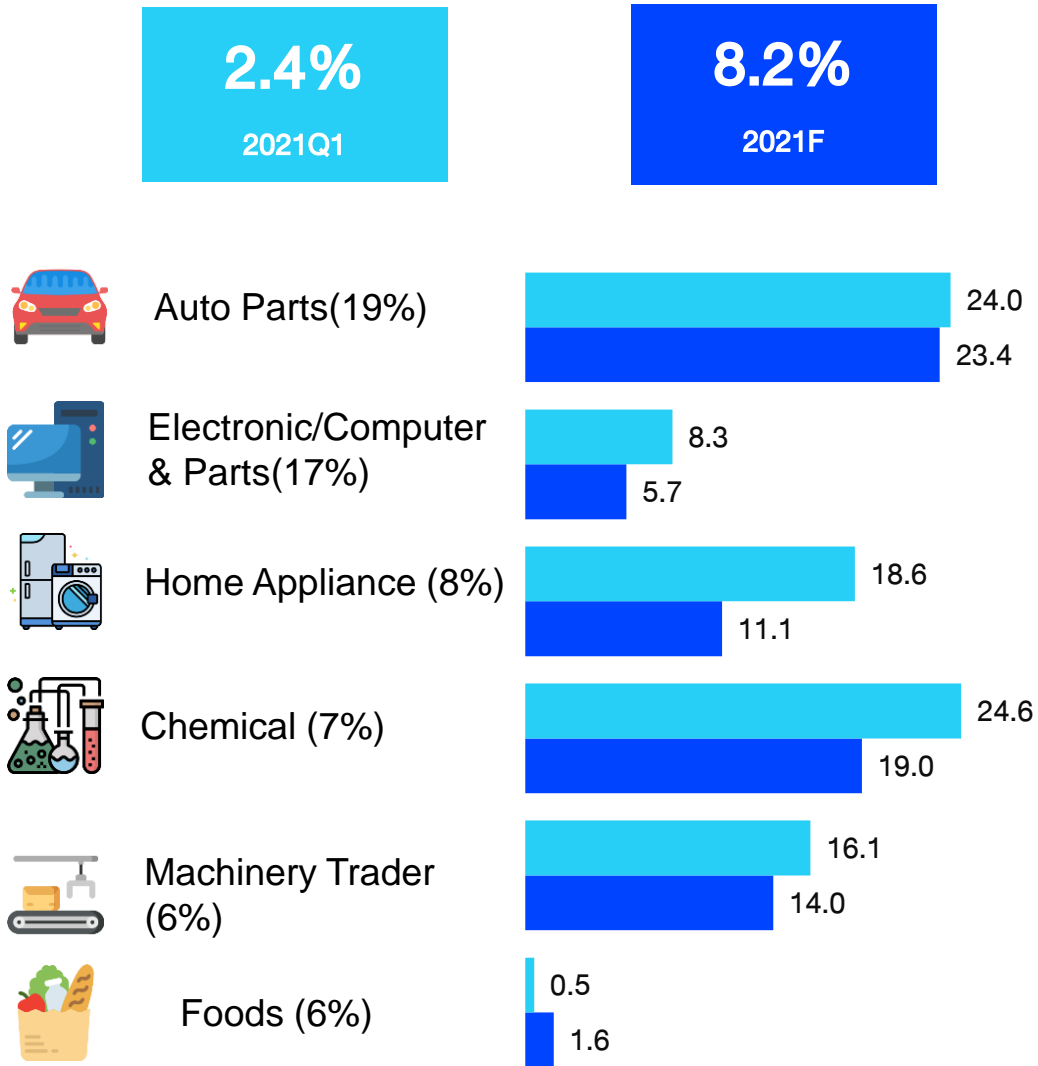


\*Exclude Defense, Other Vehicle & Gold

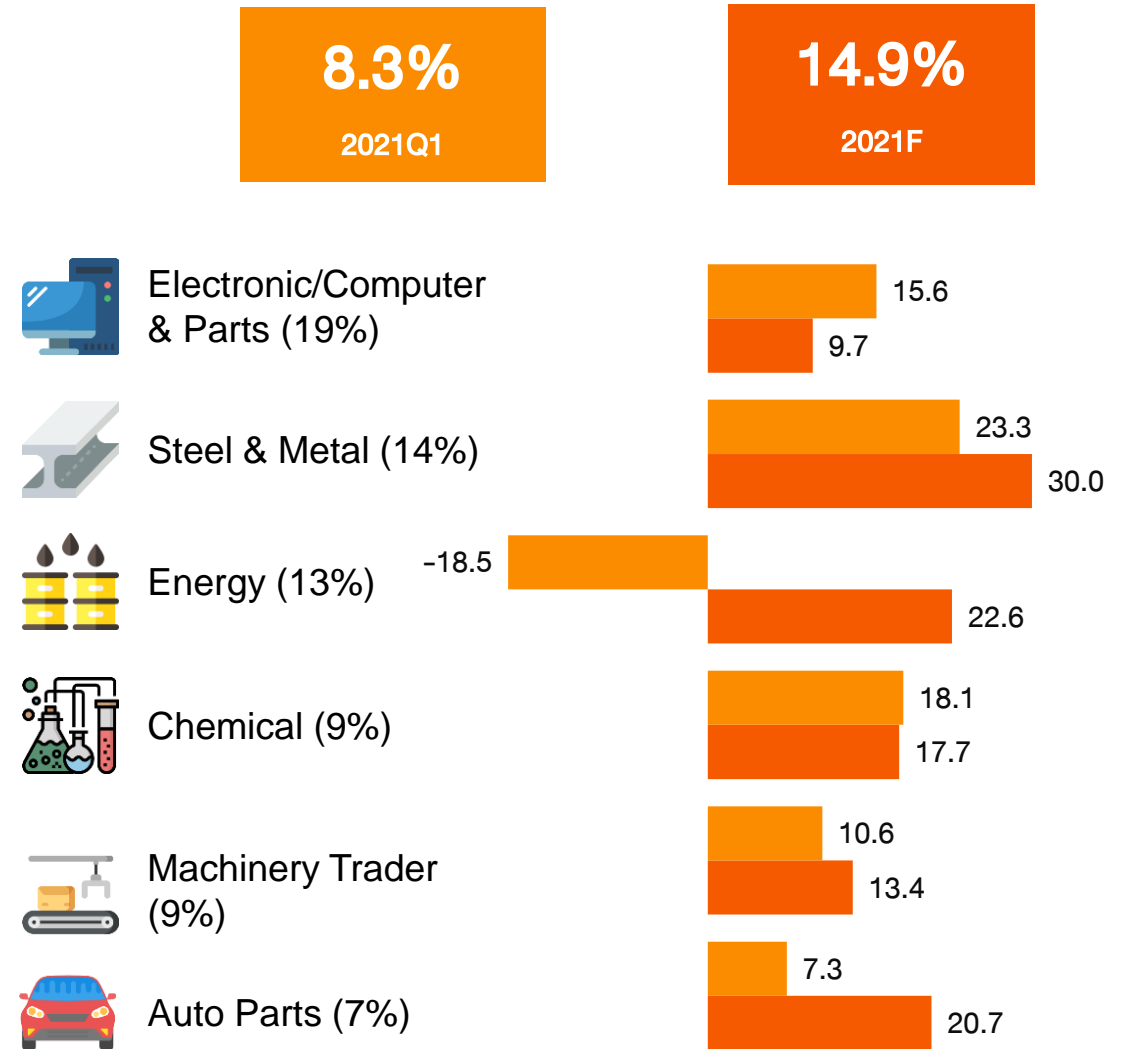
Imports expanded by 8.6%YoY in Jan-Mar 2021. Energy products are highly contracted due to lower oil price. However, there is a recovery sign on electronic/computer & parts, steel & metal, machinery and chemical products.

# Export and import by top 6 sectors in 2021

## Export

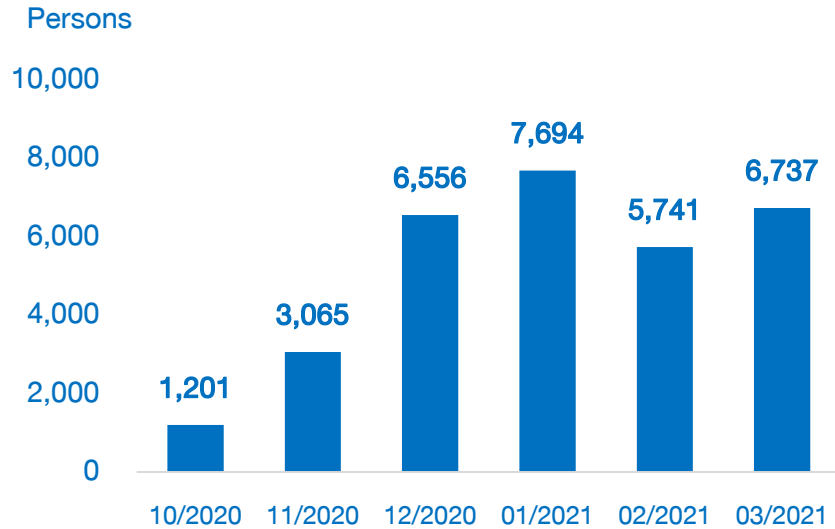


## Import



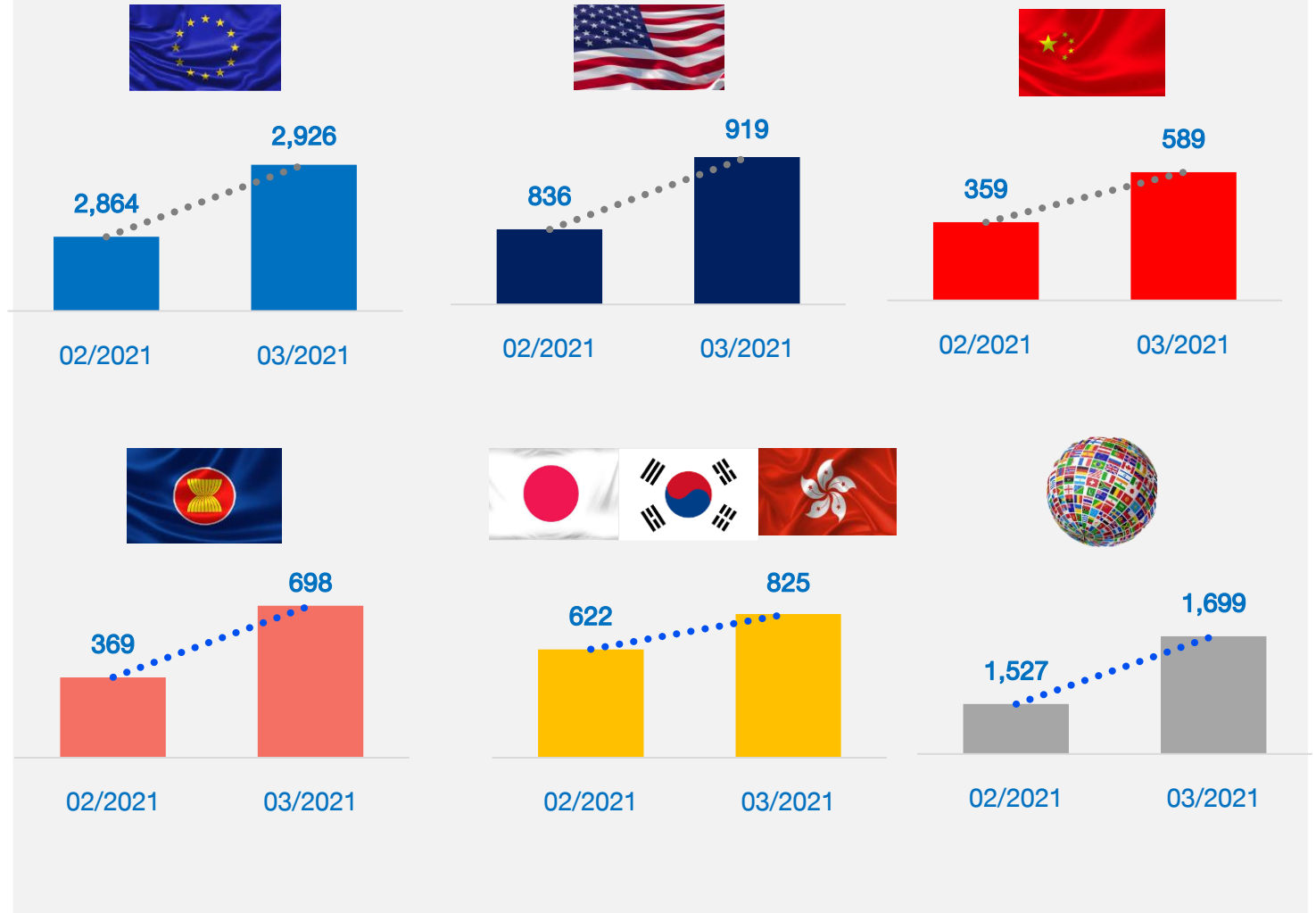
# Foreign tourist arrivals increased slightly amid existing travel restriction measure

## Total foreign tourist inbound

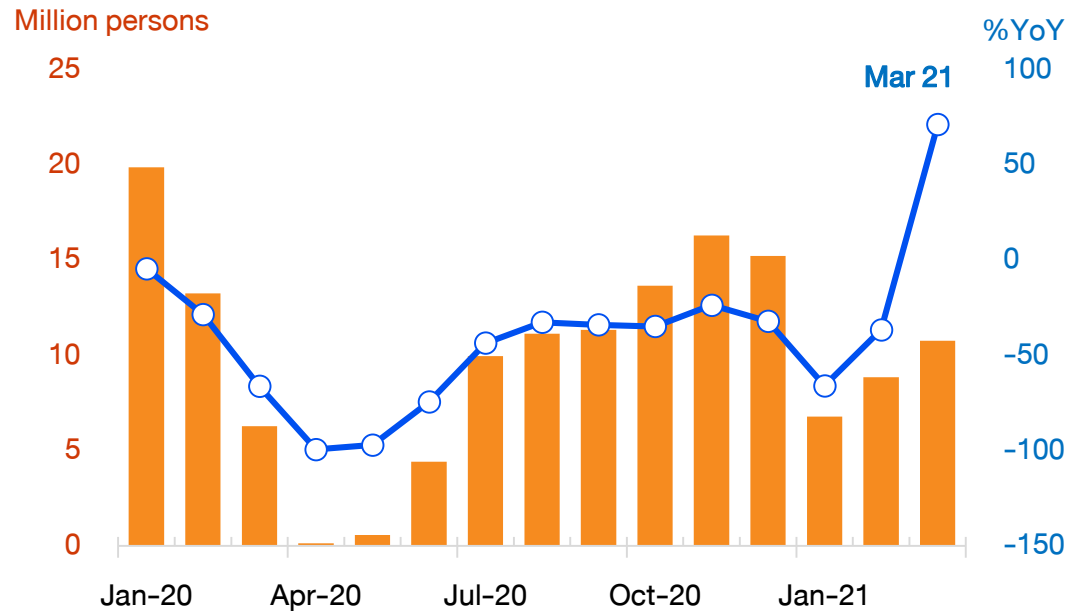


- As of Mar 2021, **foreign tourist inbounds** rose marginally in all original countries, being overall at low level.
- With awaiting outbound travelling demands in Europe and America and Thailand's planned partial border openness measure, the inbound tourists are thus expected to start pick up gradually when the 3<sup>rd</sup> wave of domestic COVID19 infection would become under control.

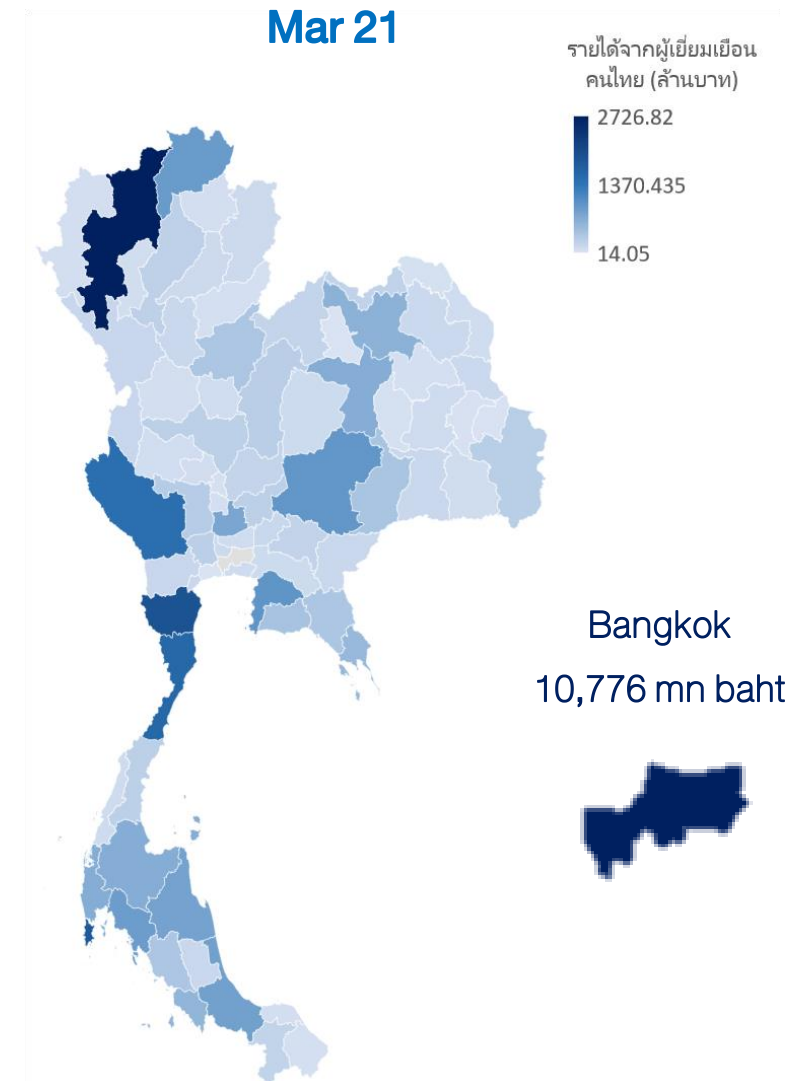
## Classification by nation (Mar 2021)



## Number of Thai visitors

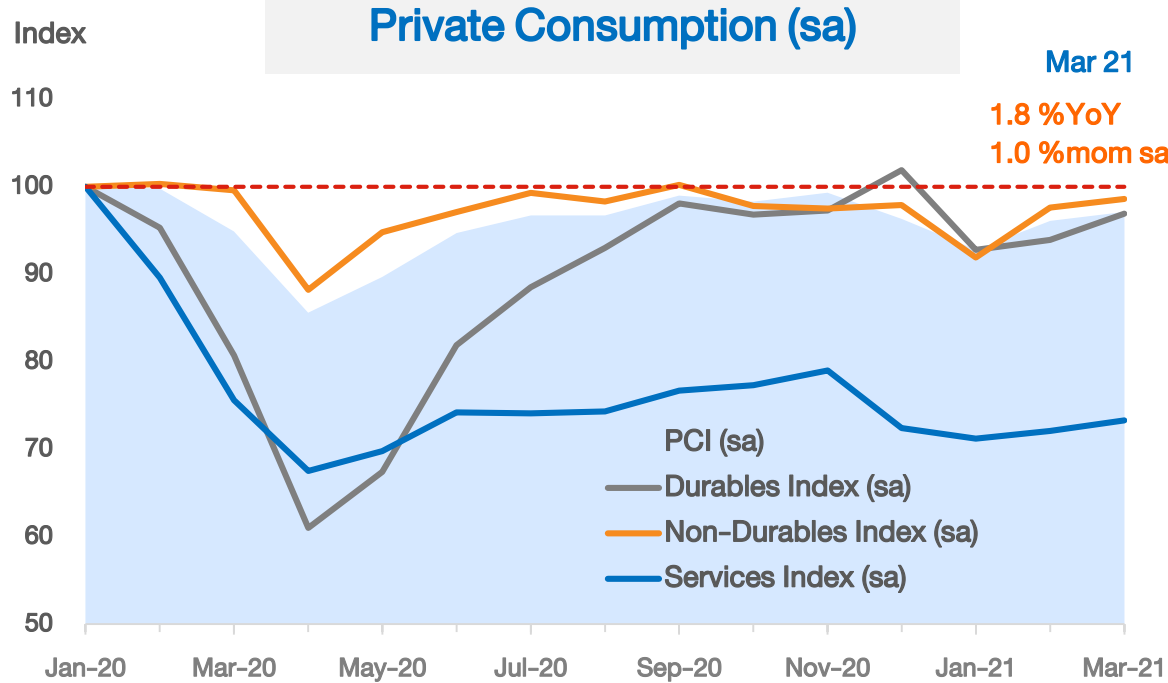


## Incomes from Thai visitors across provinces

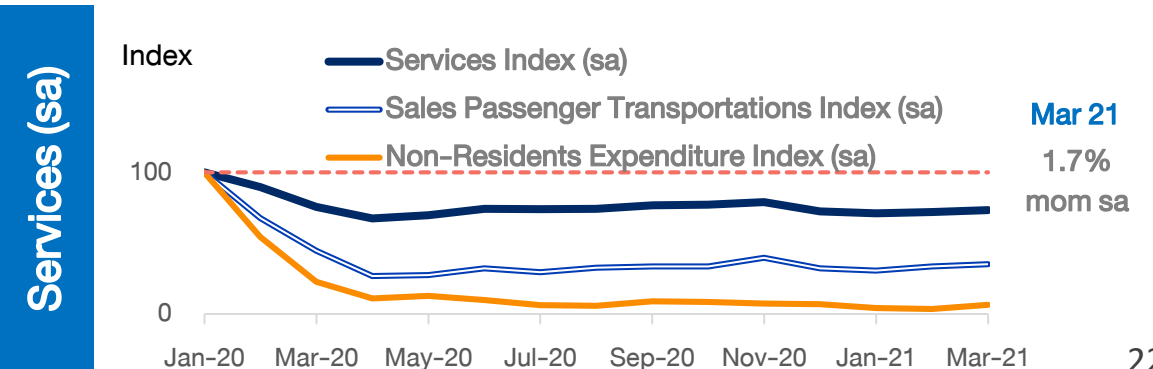
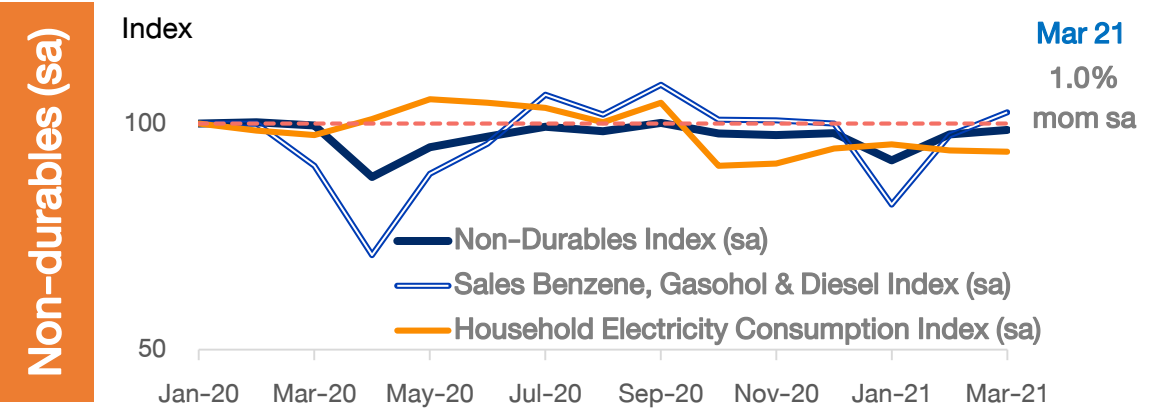
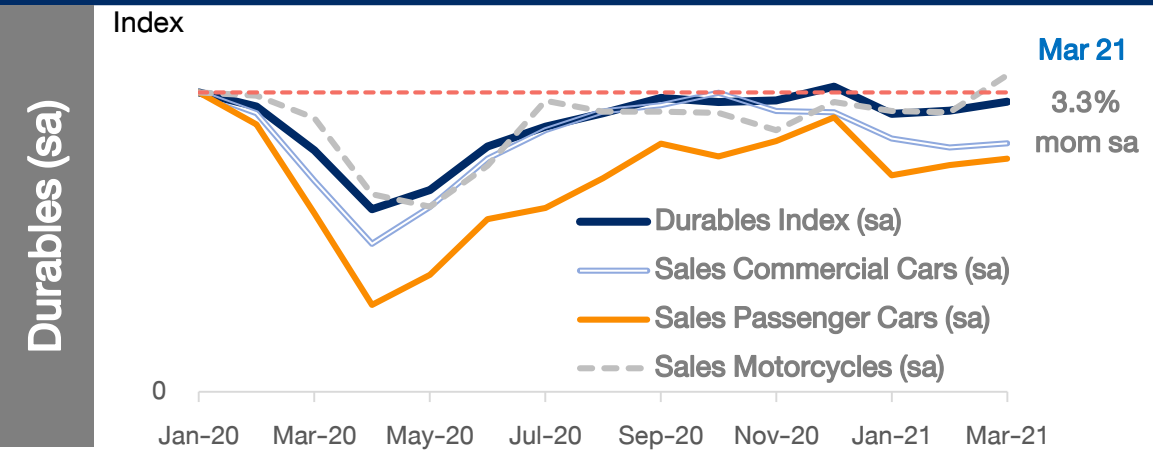


- Number of Thai tourists continuously rebounded after a hit of second round outbreak, coupled with the support from domestic tourism campaign. In term of area distribution, tourists and tourism incomes concentrate mostly in those main tourism provinces.
- Looking ahead, domestic tourism will be weakened in the Q2 due to the third round of domestic outbreak, beginning in late March 2021.

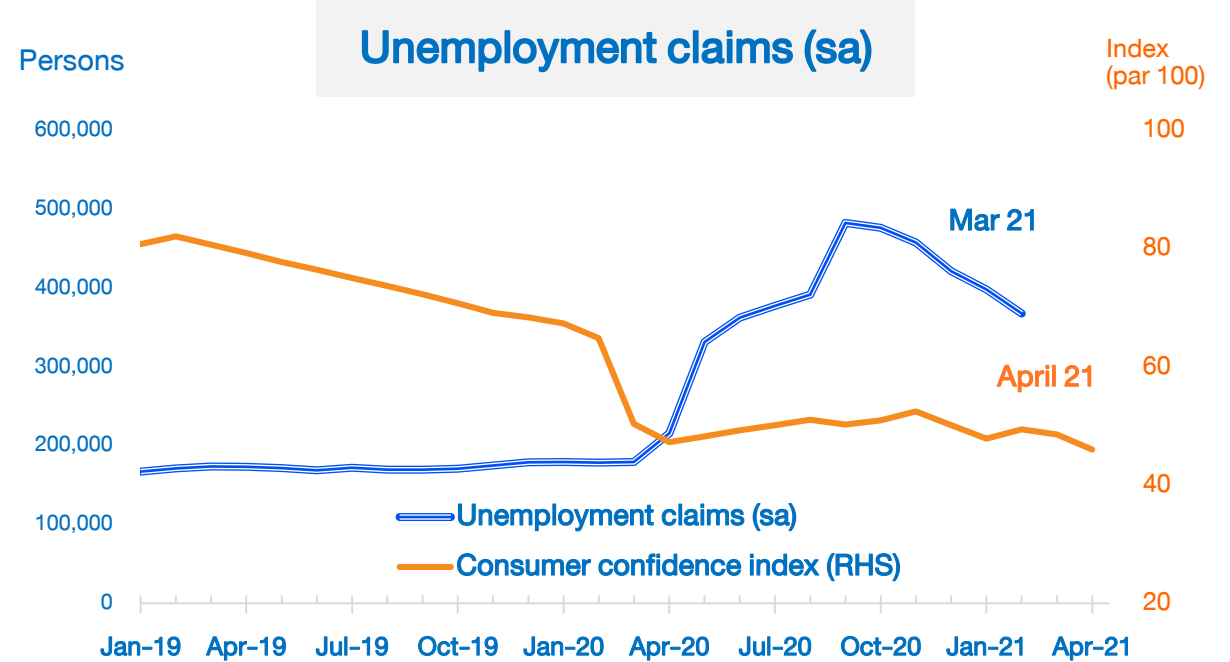
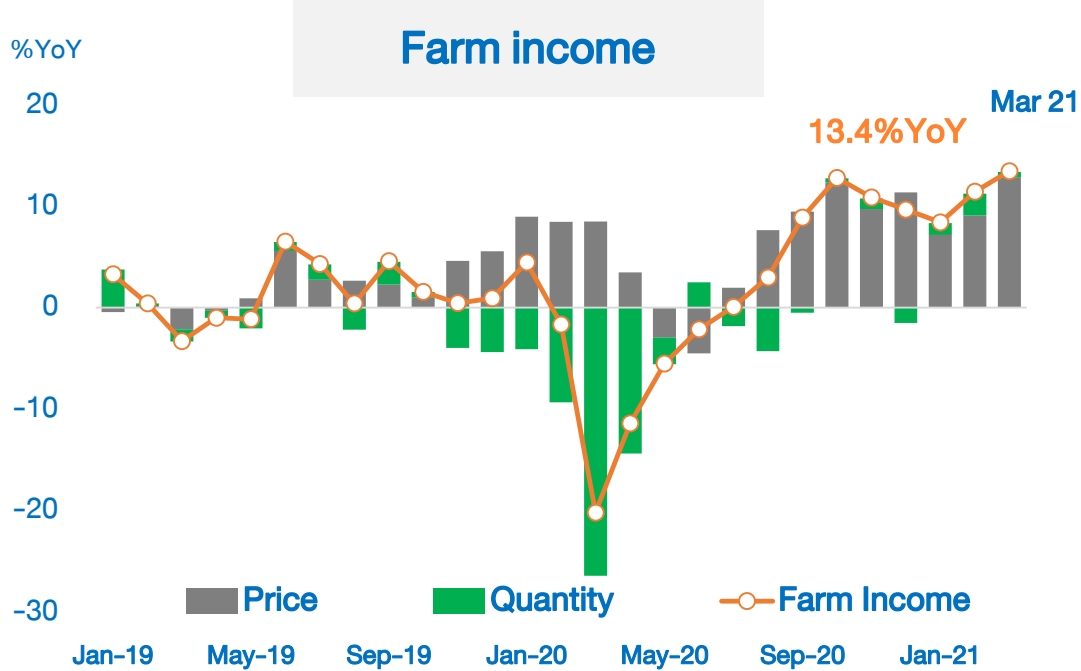
# Consumption improved due to pandemic coming under control and stimulus measures



- **Private consumption** expanded in all categories after second round outbreak fading away, together with the positive outcome from the supports of government stimulus measures and low base effect of last year.
- **Durable consumption** improved due to greater purchases both of personal and commercial cars with the support from commercial campaign.





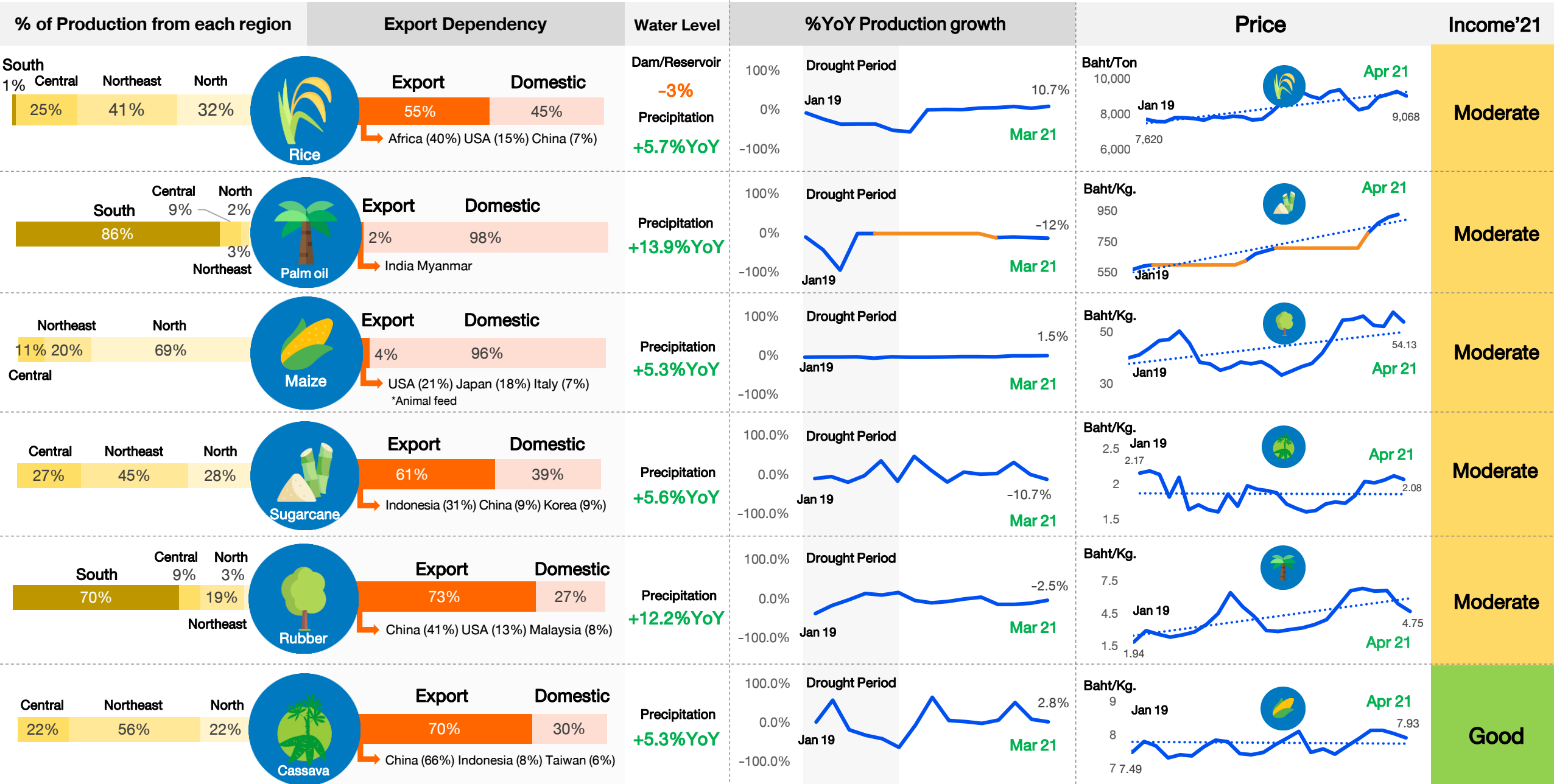


- Regarding **consumption's supportive factors**, they overall remained in weak condition. Only government stimulus measures in Q2, mainly cash handouts schemes, help sustain households' consumption.
- Farm incomes growth was attributed to an increase in agricultural prices solely. Consumer confidence remained at low level in line with a persisting-high level of unemployment claims.

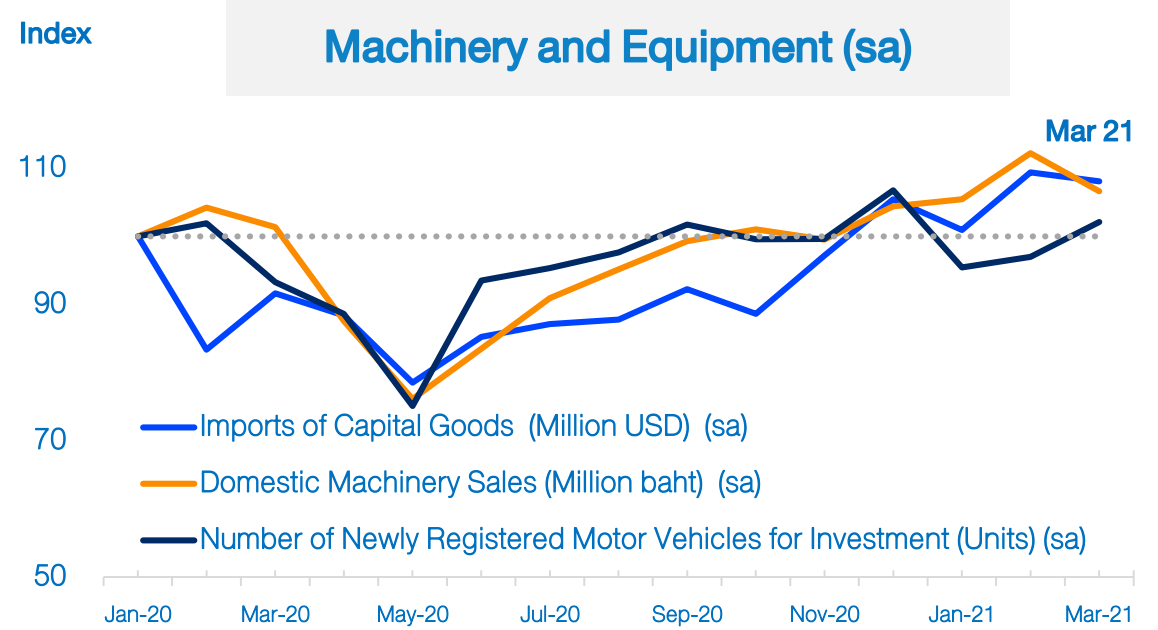
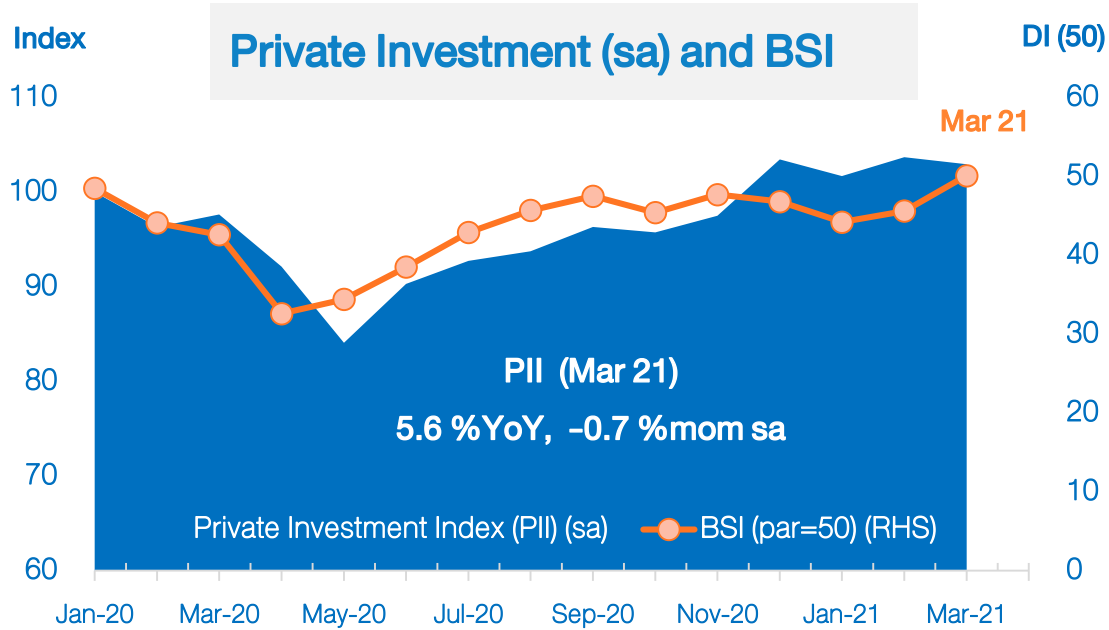
### Stimulus measure Q2/21

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

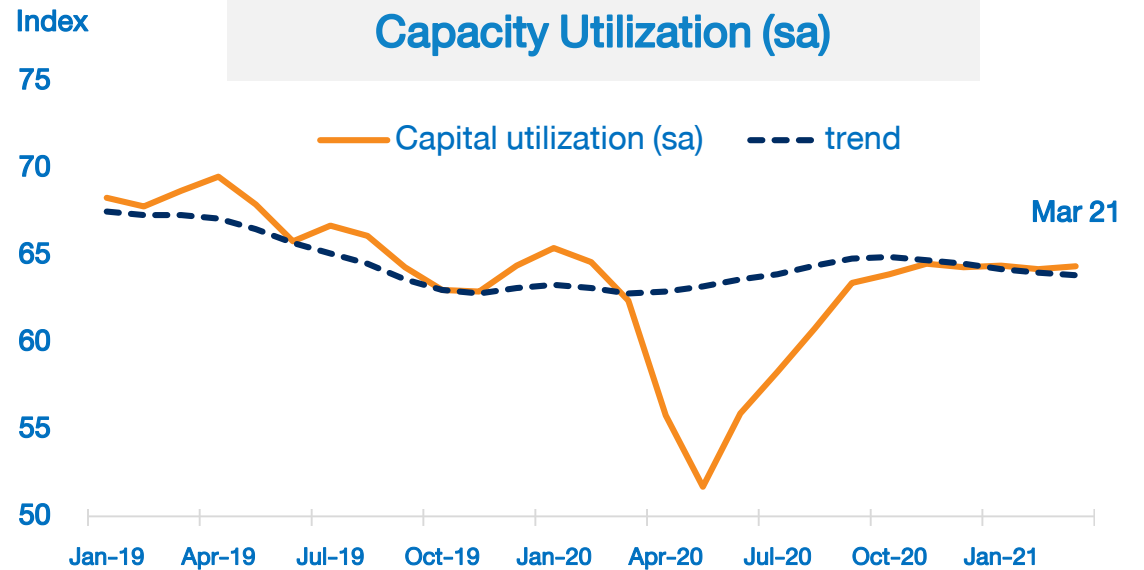
# Looking ahead, farm income could steadily increase due to rising price trend and higher precipitation



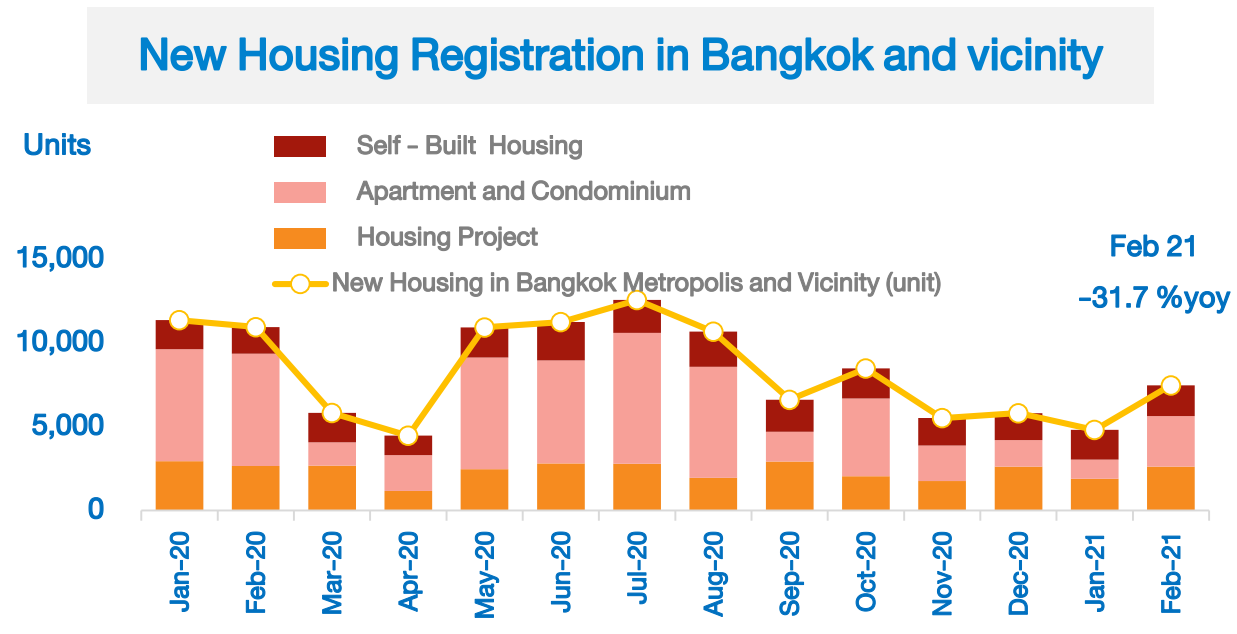
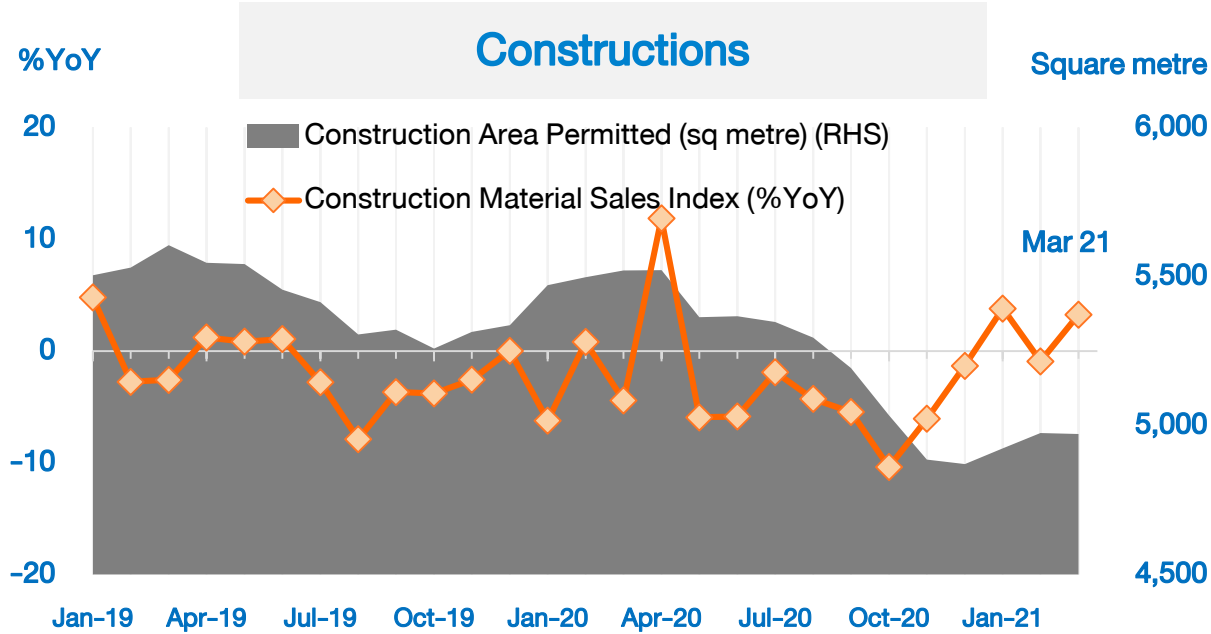
# Private investment continuously improved due to the rebound of merchandise exports



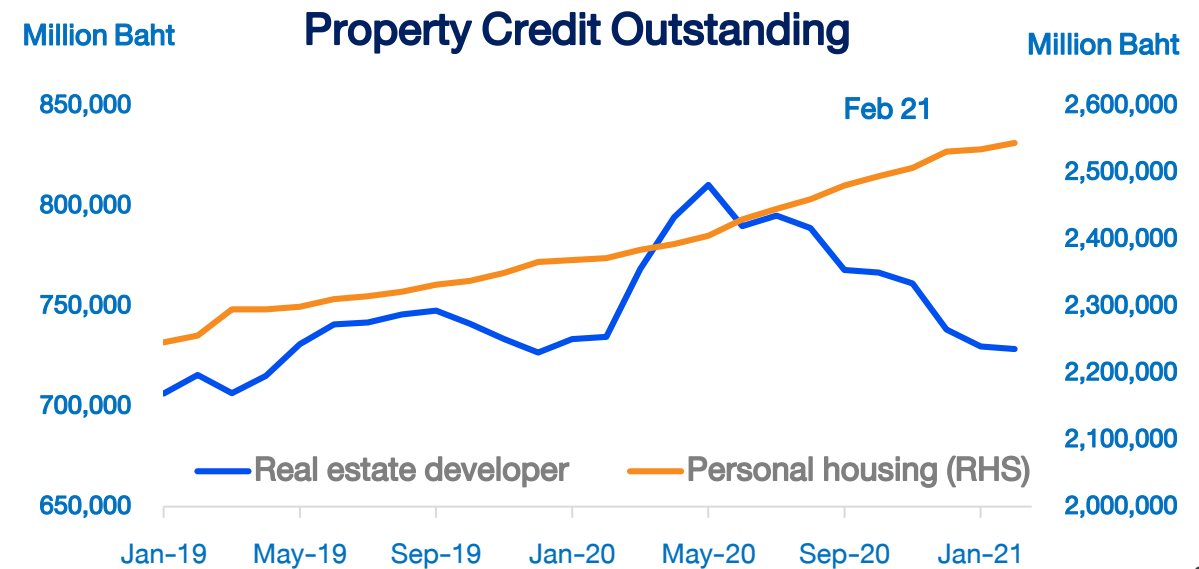
- **Private investment** showed a continuous sign of improvement in machinery and equipment in line with the rebound of merchandise exports and better business sentiment. Moreover, capacity utilization was slightly at pre-COVID19 period level, showing an encouraging factor for additional investments.
- For upcoming month, private investment pace might turn slower after the third wave of domestic outbreak taking effect.



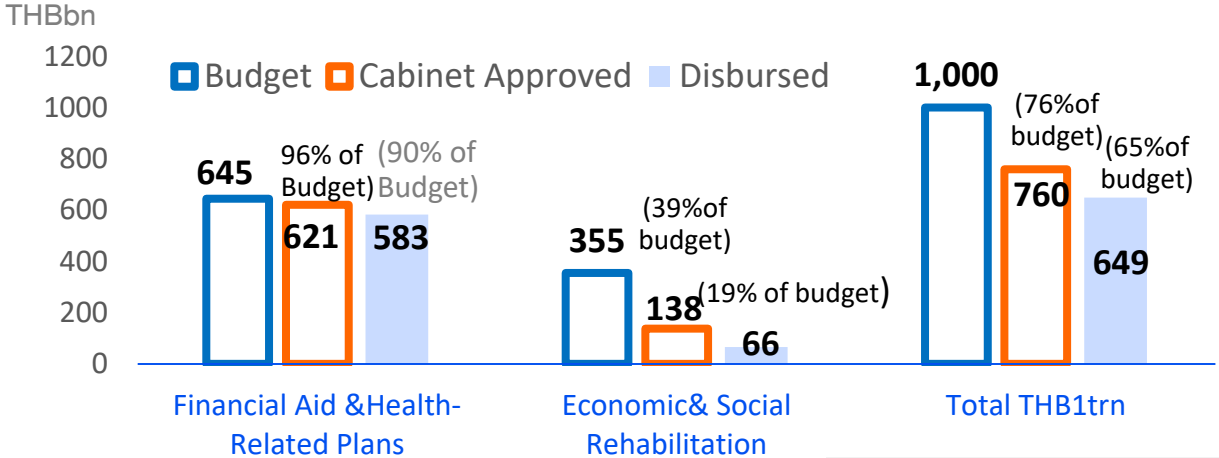
# Construction sector and Real estates sector have overall remained in weak conditions



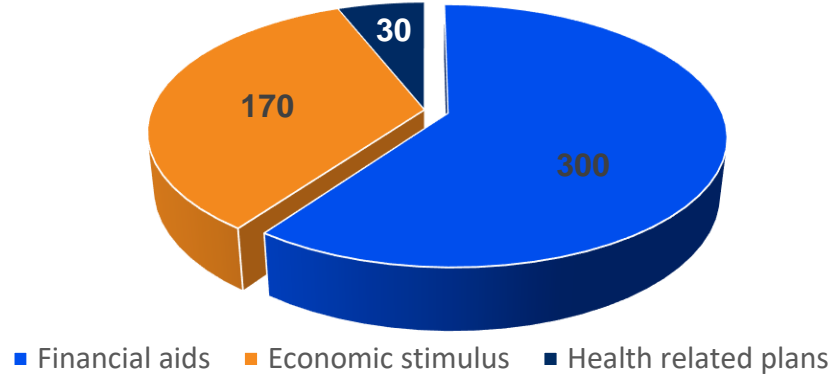
- **Construction sector** : Material sales index expanded from the sales of concrete and cement in line with the ongoing construction activities. However, it was overall in weak condition, represented by low-level permitted areas.
- **Real estate sector** : New housing registration contracted from the same period last year due to economic uncertainty and highly remained supply, except for self-building house which registered positive number. While there was less credit demands among developers, personal credits for self-built housing was in increasing trend.



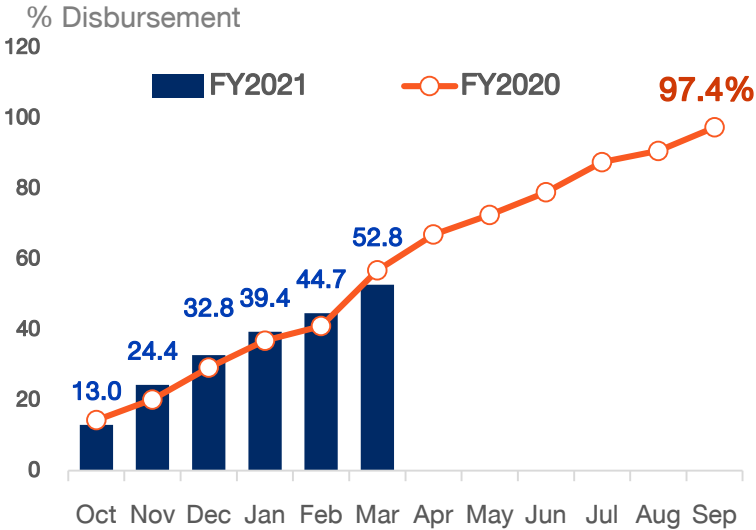
## Progress on 1-trillion Stimulus Package (as of May 2021)



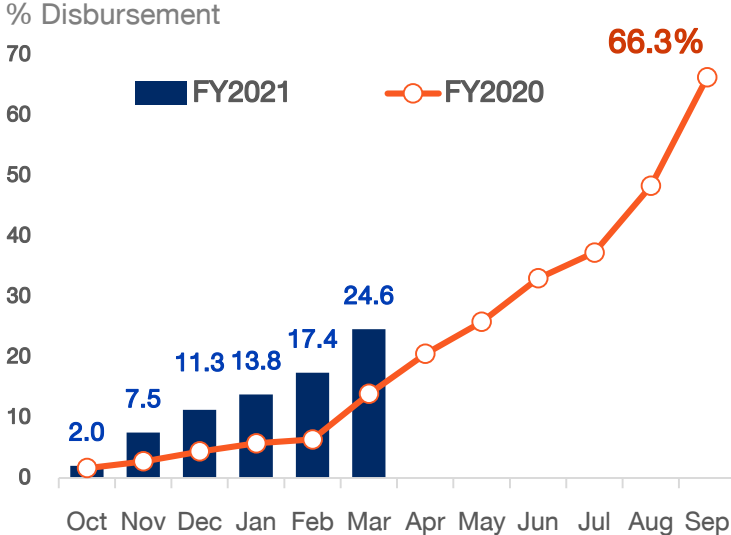
## The New Borrowing Utilization : THB500bn



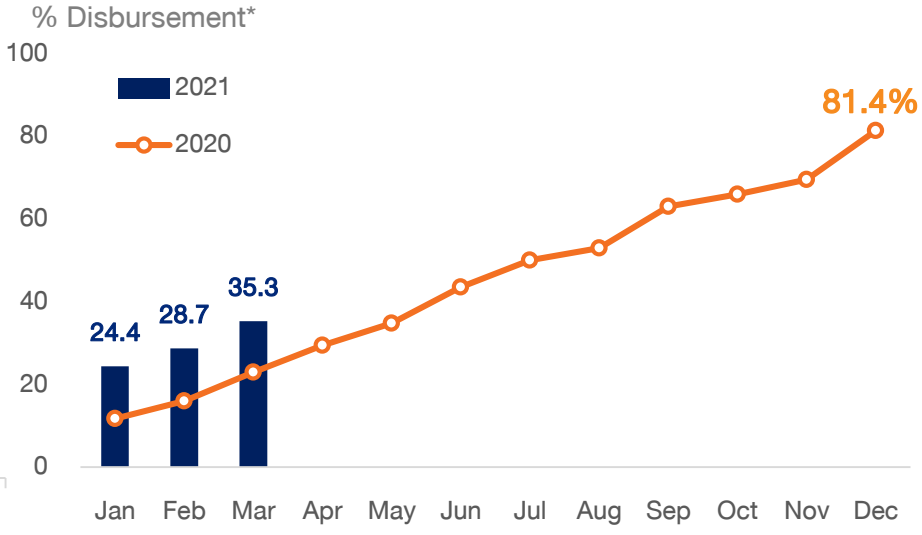
## Current Expenditures



## Public Investment Expenditures



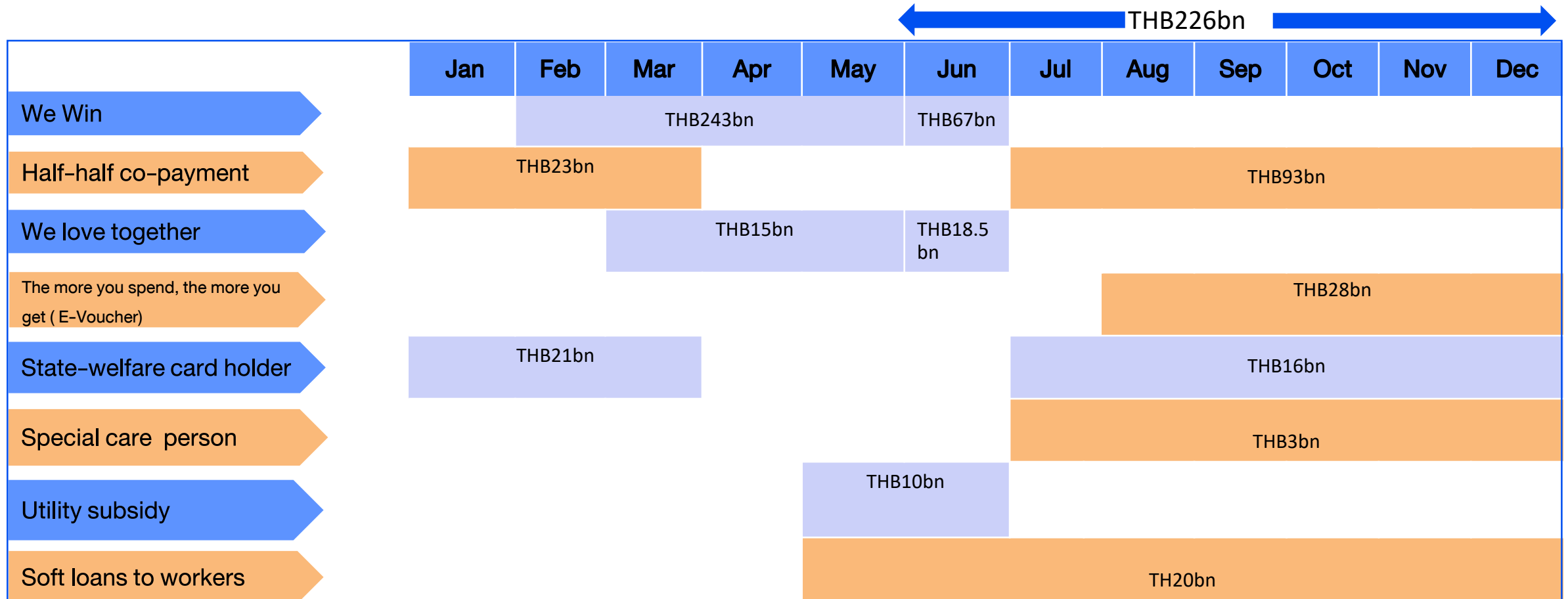
## State Owned Enterprise Investment



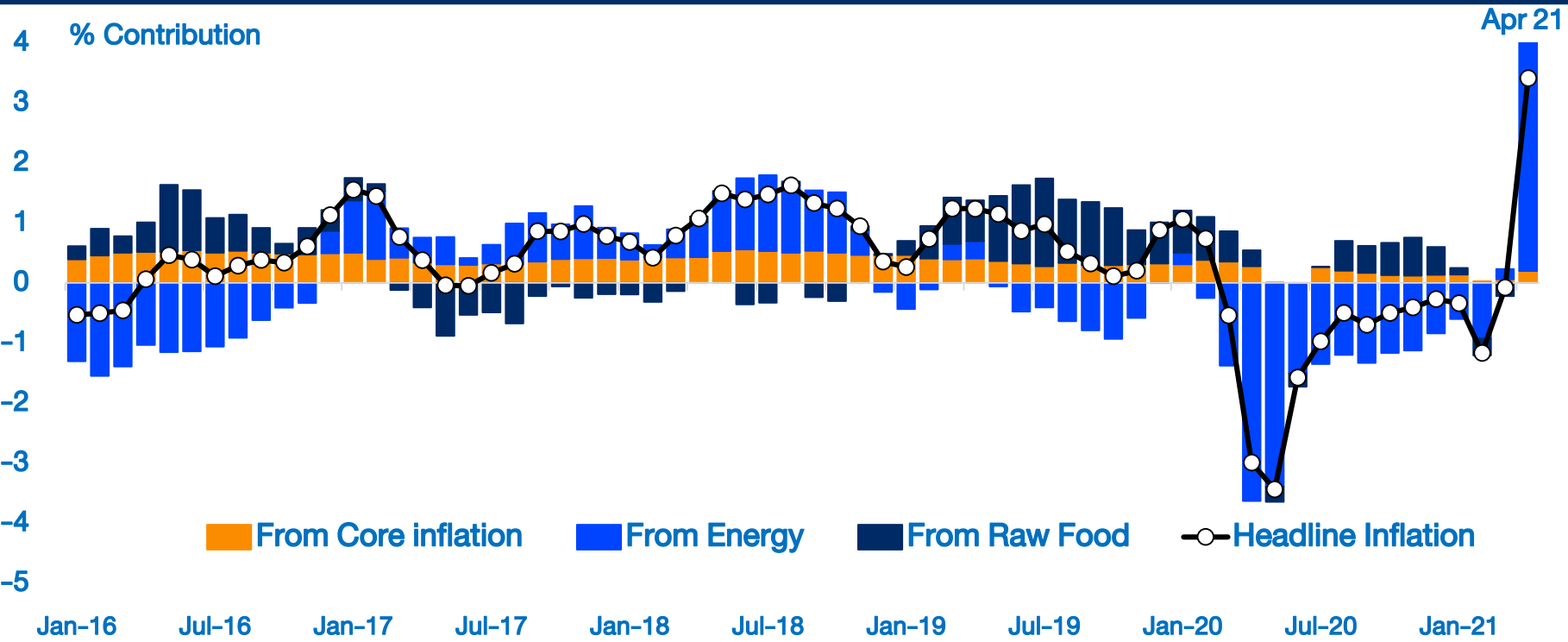
\* Accumulated disbursement / Full year Plan

# Launching fiscal stimulus to ease the new wave impact of Covid-19

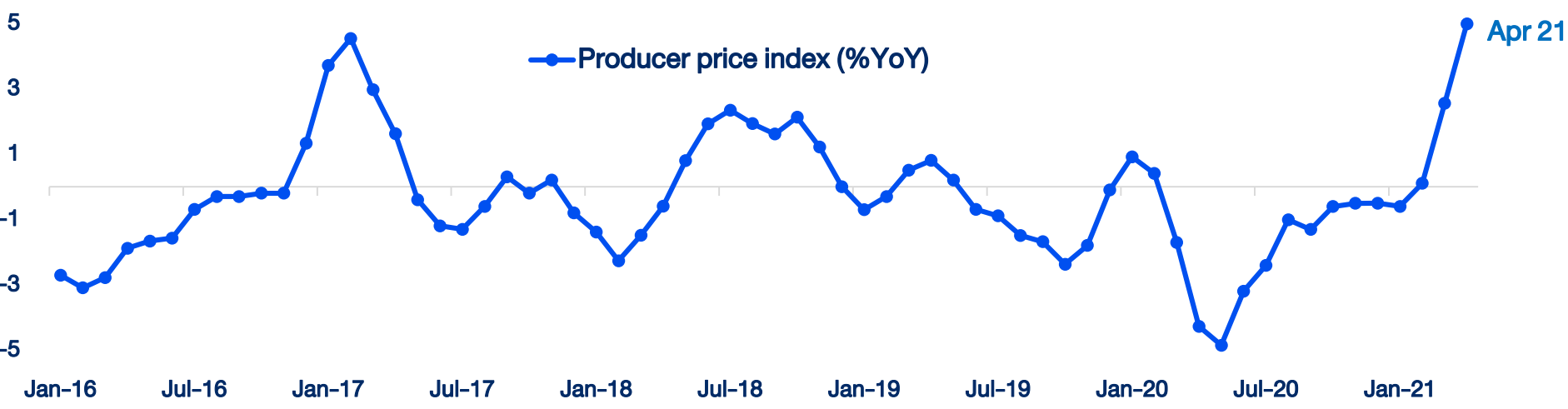
- A THB256bn fiscal stimulus packages which cover cash handouts (THB226bn) , soft loans and utility subsidies have been launched to ease impact from the latest wave of the covid-19



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

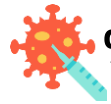


(%YoY)	Apr-21
<b>Headline inflation</b>	<b>3.41</b>
Contribution	
Raw Food (20.6%)	0.02
Energy (12.4%)	4.51
Core (67.1%)	0.20

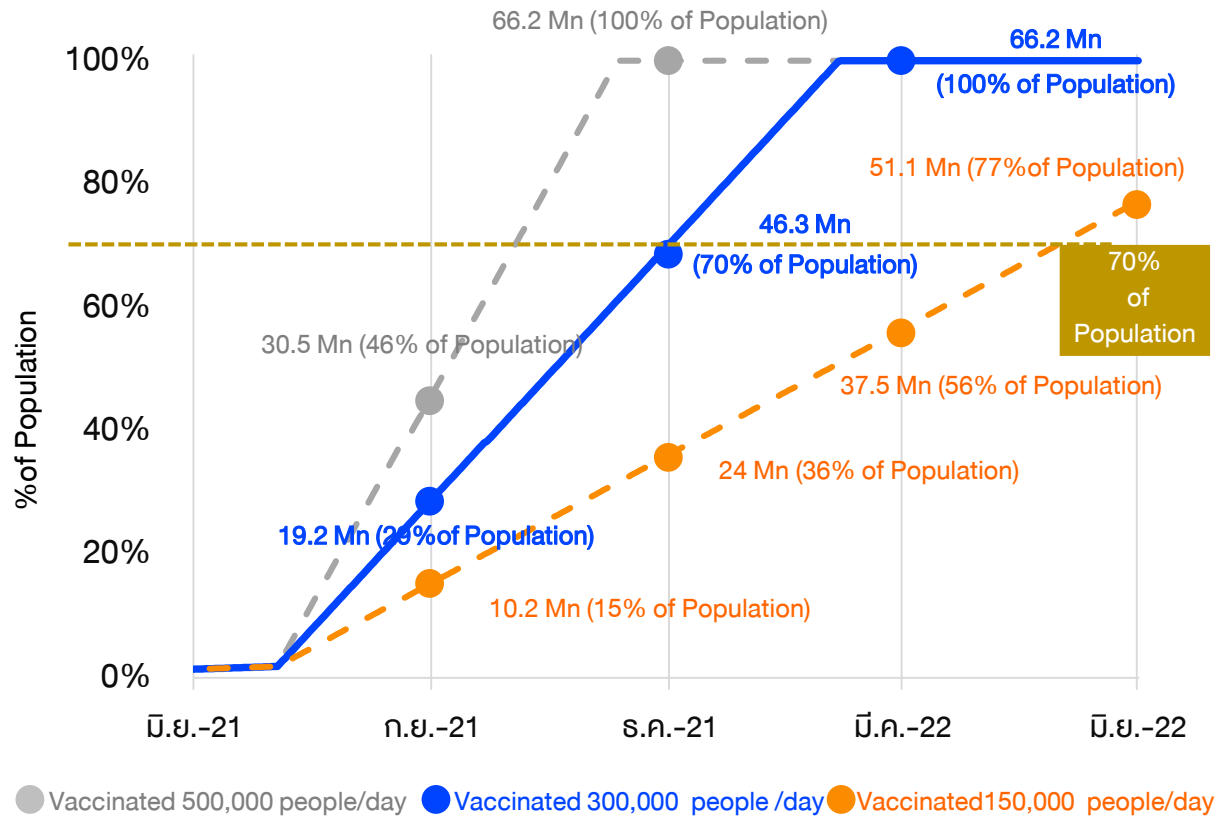




# Proactive Covid-19 vaccine distribution plan will recover economic activity in 2021Q3, GDP still grow in 2022



## %Covid-19 Vaccinated of Population



Source: ttb analytics



## Economic Forecast in 2021-2022 within Vaccine Distribution Assumption

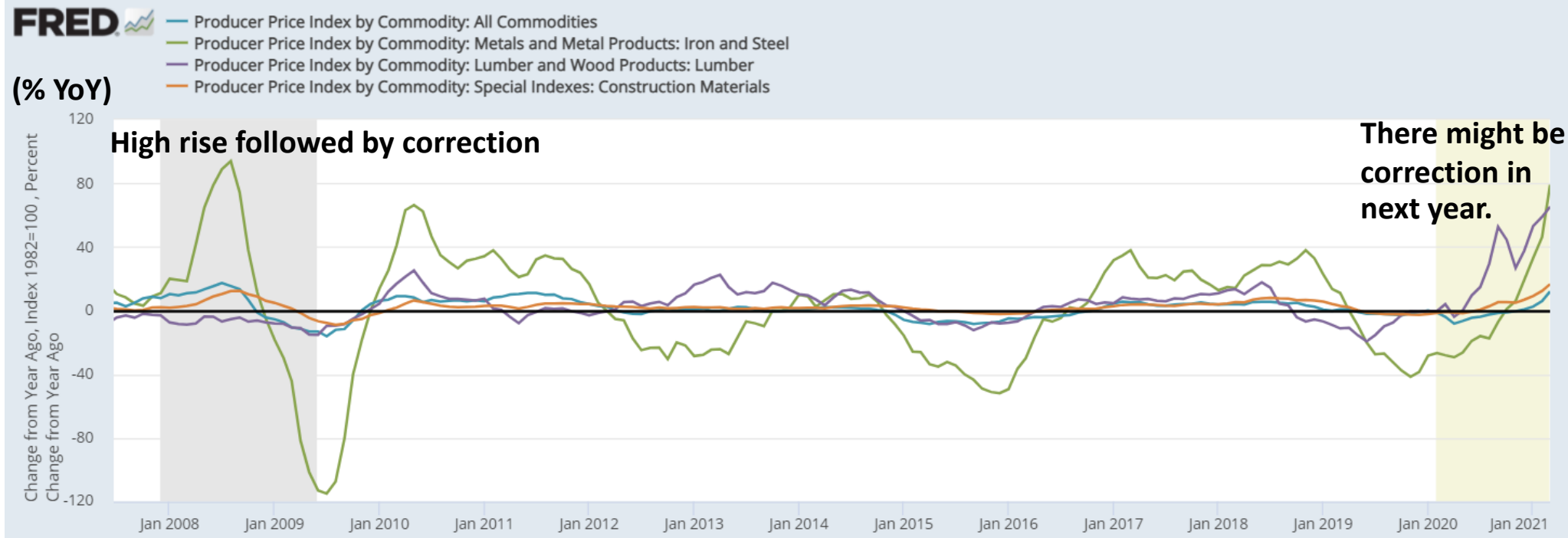
(%YoY)	Vaccine Distribution (people/day)					
	150k		300K		500K	
	2021	2022	2021	2022	2021	2022
GDP	1.4	2.8	1.9	3.6	2.2	4.4
Private Consumption	1.3	2.5	1.6	3.2	2.1	3.9
Private Investment	3.7	4.2	3.9	4.8	4.1	5.4
No. Tourists	0.1	5.5	0.4	10.0	0.7	13.8

(%YoY)	2021	2022
Export Goods (USD term)	8.1	4.1
Import Goods (USD term)	14.9	6.0

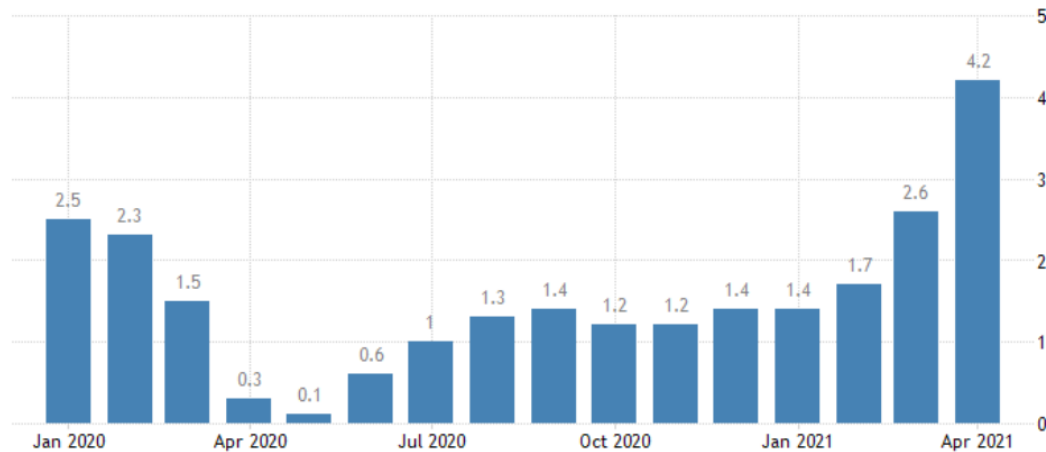
# PART 3: FINANCIAL MARKET



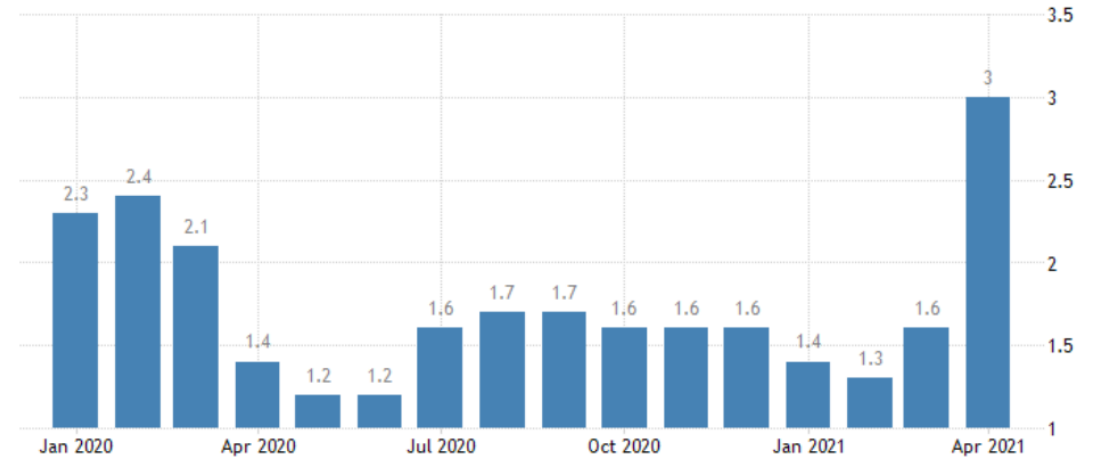
# US Inflation and Producer Price Index



**US headline inflation unexpectedly rise**



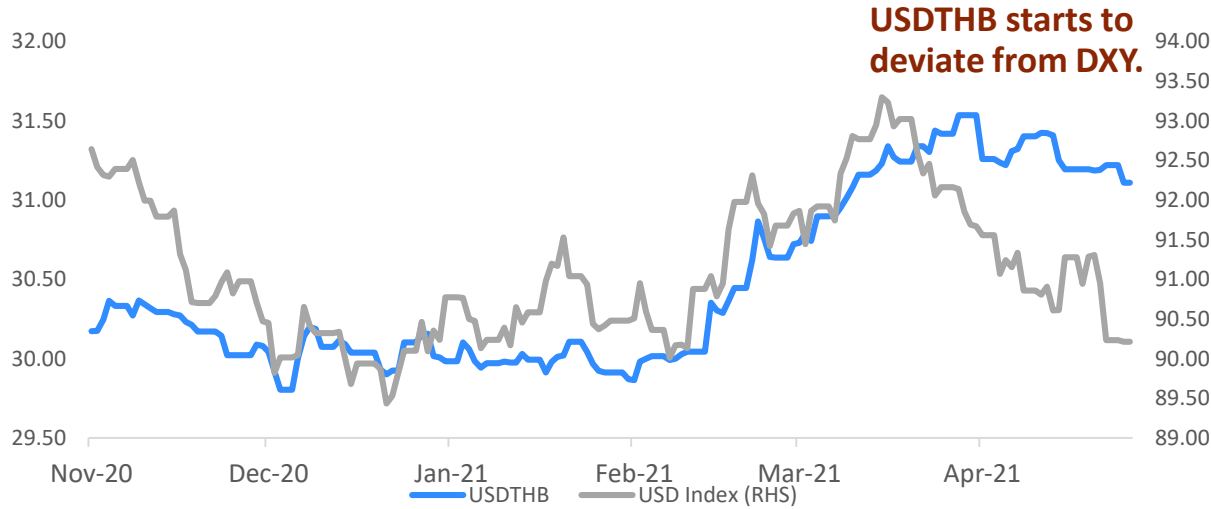
**US core inflation unexpectedly rise**



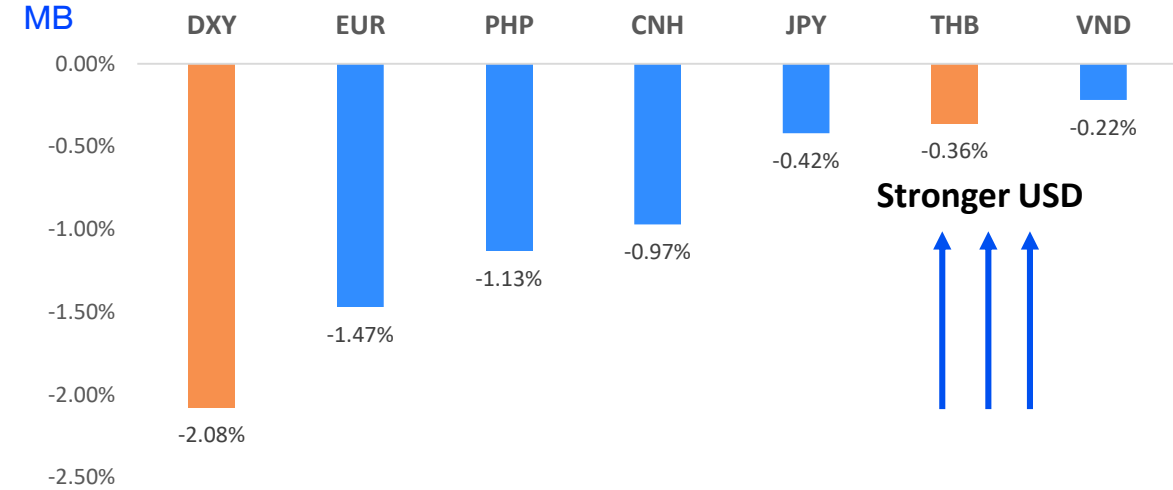
# USD moved to 3 months low level while THB slightly gain against USD



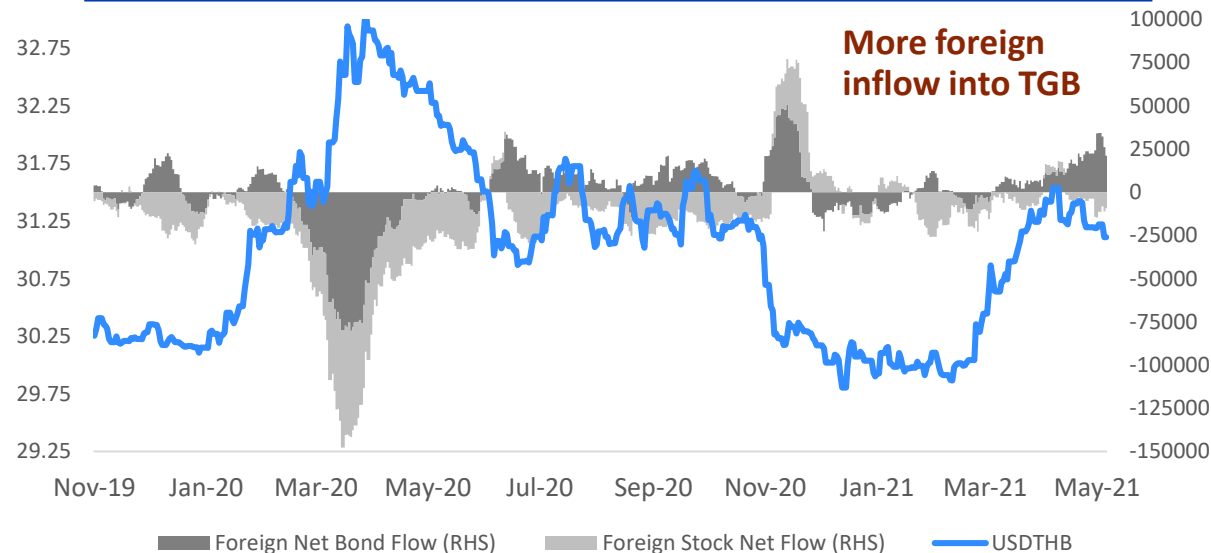
## USDTHB and DXY



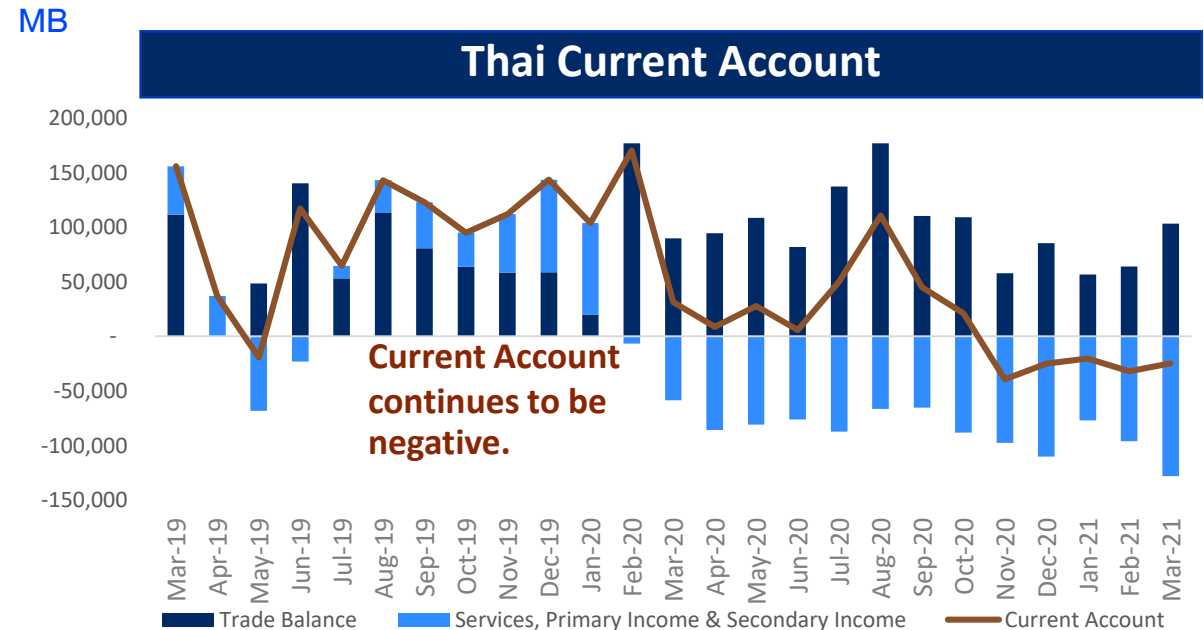
## USD depreciated against most currencies



## USDTHB and Fund Flow Forecast



## Thai Current Account

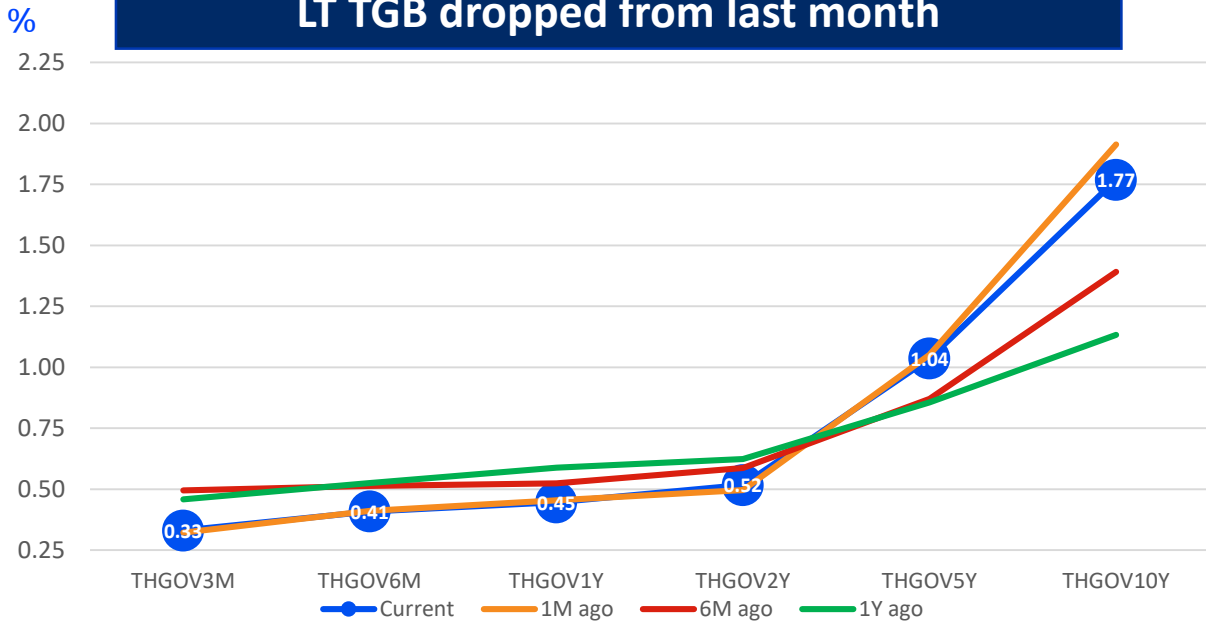




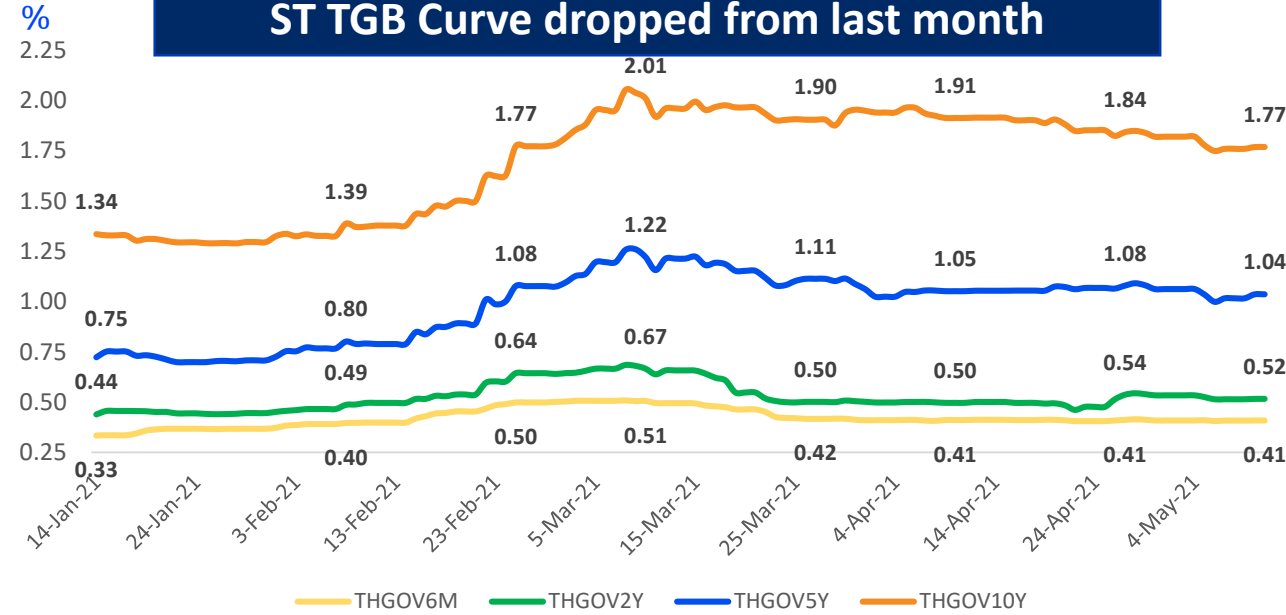
# Slightly Flattening USD and THB Yield Curve



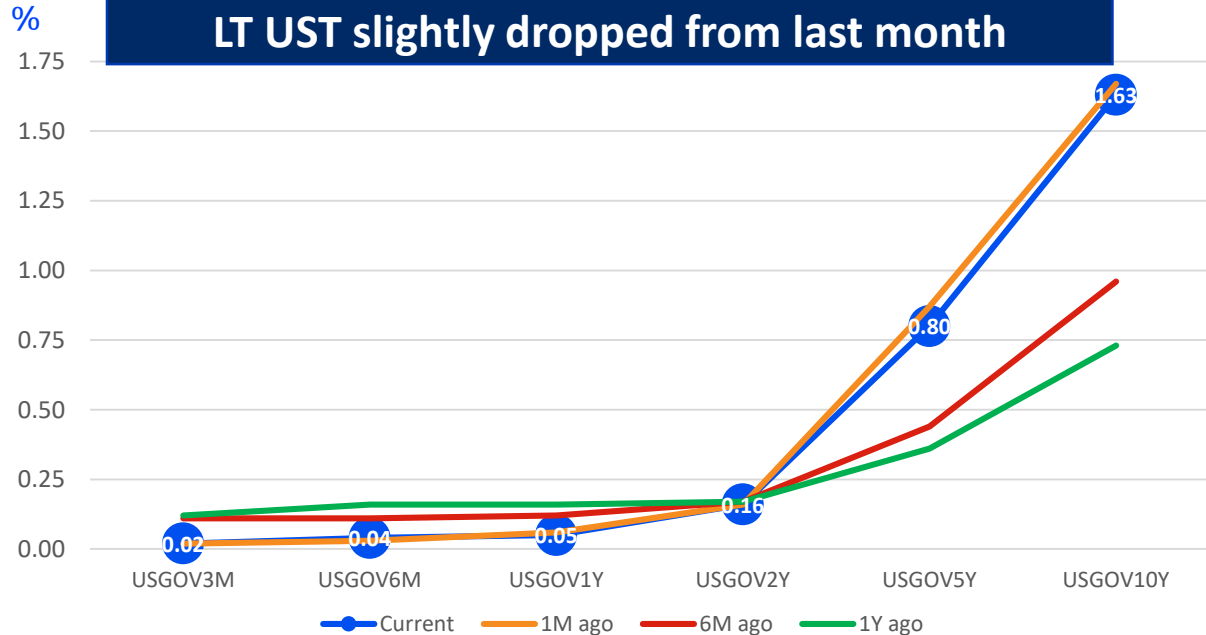
## LT TGB dropped from last month



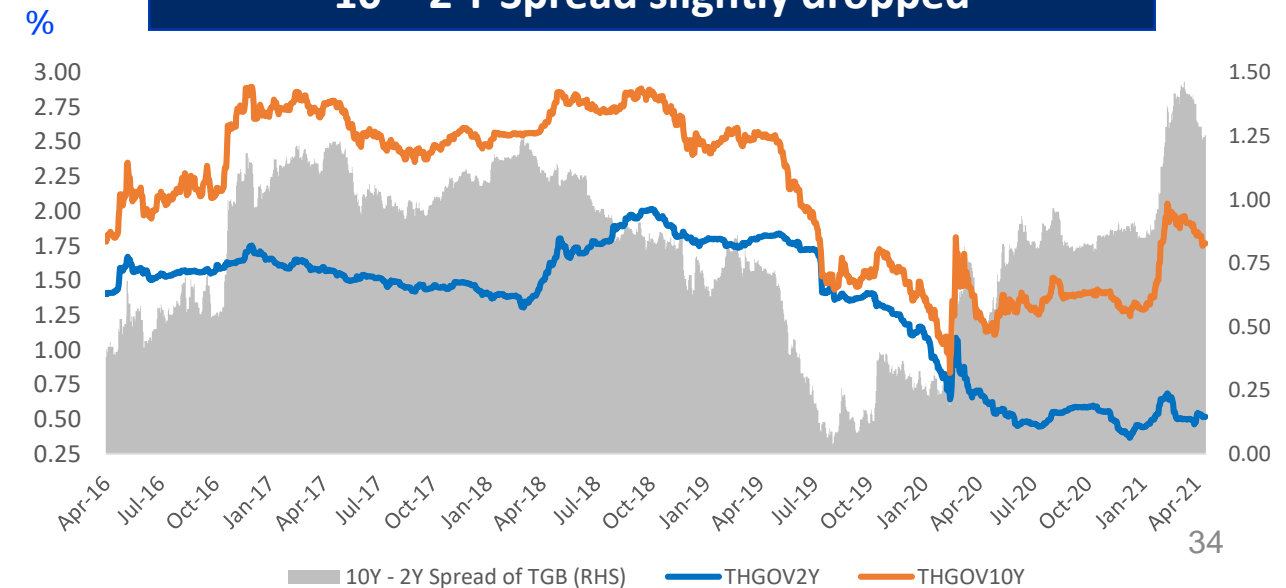
## ST TGB Curve dropped from last month



## LT UST slightly dropped from last month



## 10 – 2 Y Spread slightly dropped



**Thank you**

**ttb** | a·n·a·l·y·t·i·c·s