

Economic and Financial Outlook

Aug 2021

ttb analytics

Global Economy

- **PMI data in July showed impacts of the Delta variant to economic outlook.** Asian countries ,which number of Covid-19 cases remained high, had weaker outlook. U.S. service sector also dropped from the impact of Delta variant
- **Global export growth began to taper** Global trade volume stalled while industrial production likely peaked. China and EU export growth dropped as low-base factor no longer giving in.
- **Overall, global GDP in 2Q21 rose strongly** due to low-base impact from last year. Both developed and developing countries showed strong economic improvement. However, delta variant may cause countries to stumble in Q3
- **U.S. labor market displayed strong improvement in July**, adding 943,000 jobs. Inflation continued to rise from service and transport prices. Meanwhile, European retail trade and industrial production decreased after low-base impact ended.
- **Chinese economic activities dropped further in July.** Japan's inflation rose in June from rising energy prices

Domestic Economy

- **As of June 2021, Thai economy consecutively declined** due to the 3rd wave of domestic outbreak with low vaccination rate and stringent containment measure.
- **Manufacturing production declined** after several cluster outbreak in Thailand, causing temporarily production line shutdown. Supply shortage could possibly be a triggering event in the coming months.
- **Only merchandise exports continuously recovered to all destinations;** however, foreign tourists dropped slightly from all country of origins, except from East Asia Meanwhile, Phuket sandbox could pose limited benefits due to the area's outbreak.
- **Domestic activities in weak conditions:** Private consumption was fragile with worsened confidence and weak labor market condition. Meanwhile, Private investment was stable with the only support from merchandise export recovery. However, there were lower activities in construction and real estate. Public spending, especially investment, were greater than last year.
- **Inflation declined due to lower base effect from energy price, core inflation was stable.**

Financial Market

- As the rise in new delta variance might not have significant impact on US and EU economy, **Federal Reserve is expected to taper asset purchase program later this year.** Fed might announce tapering plan in Sep21 meeting. Even with more flow to safe haven currencies such as USD, UST yield has partially reacted to this. 10Y UST has slightly moved up from 1.20% in July-21 to around 1.25%. We see more steep UST yield curve at the year end.
- **THB fundamental hasn't changed much since few months ago. Compared to USD, THB might continue to be 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 Q1/2023. **Long term TGB yield should be raised in the medium term** as 10Y UST yield on the way to recover soon.

PART 1

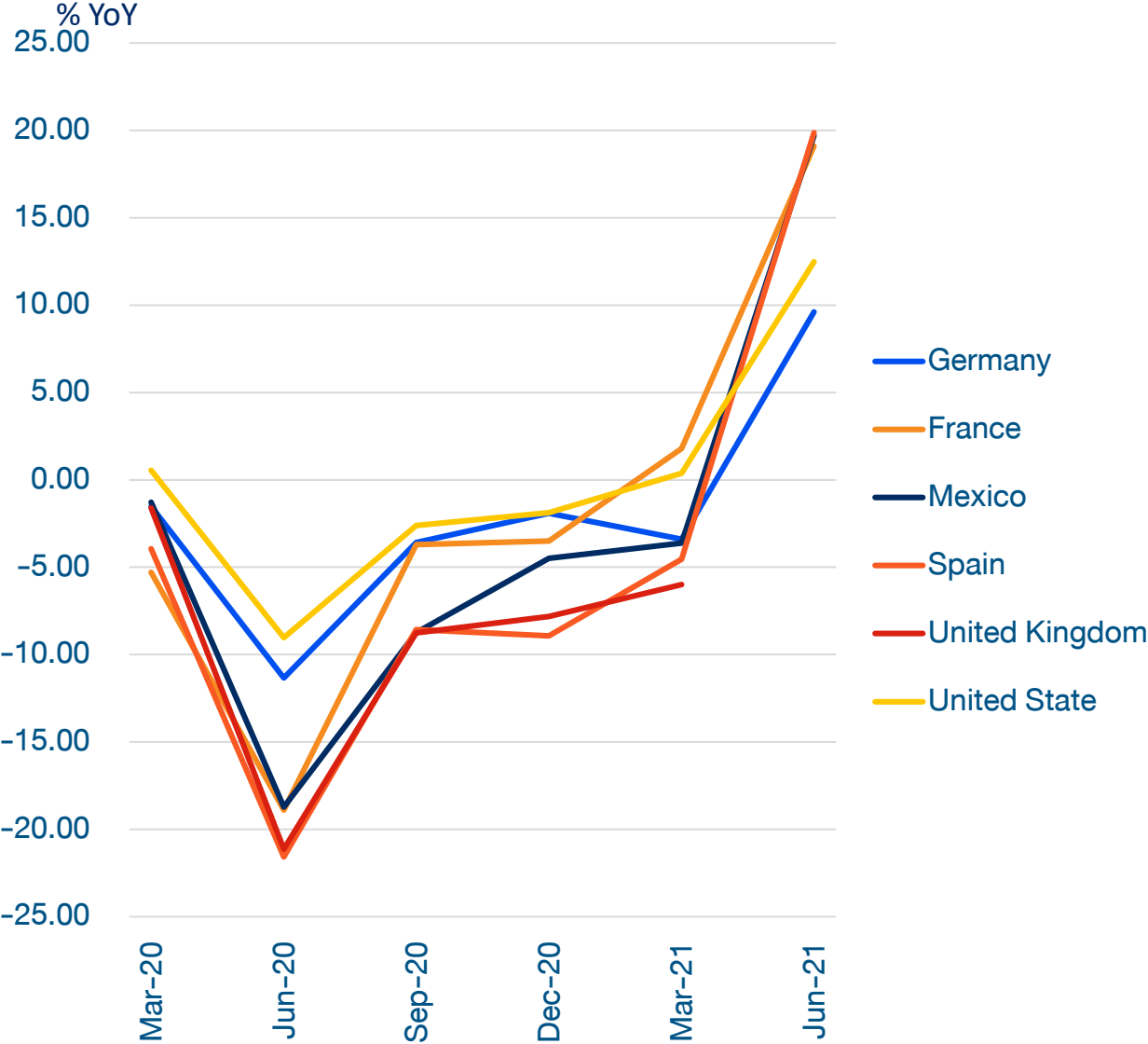
Global Economy



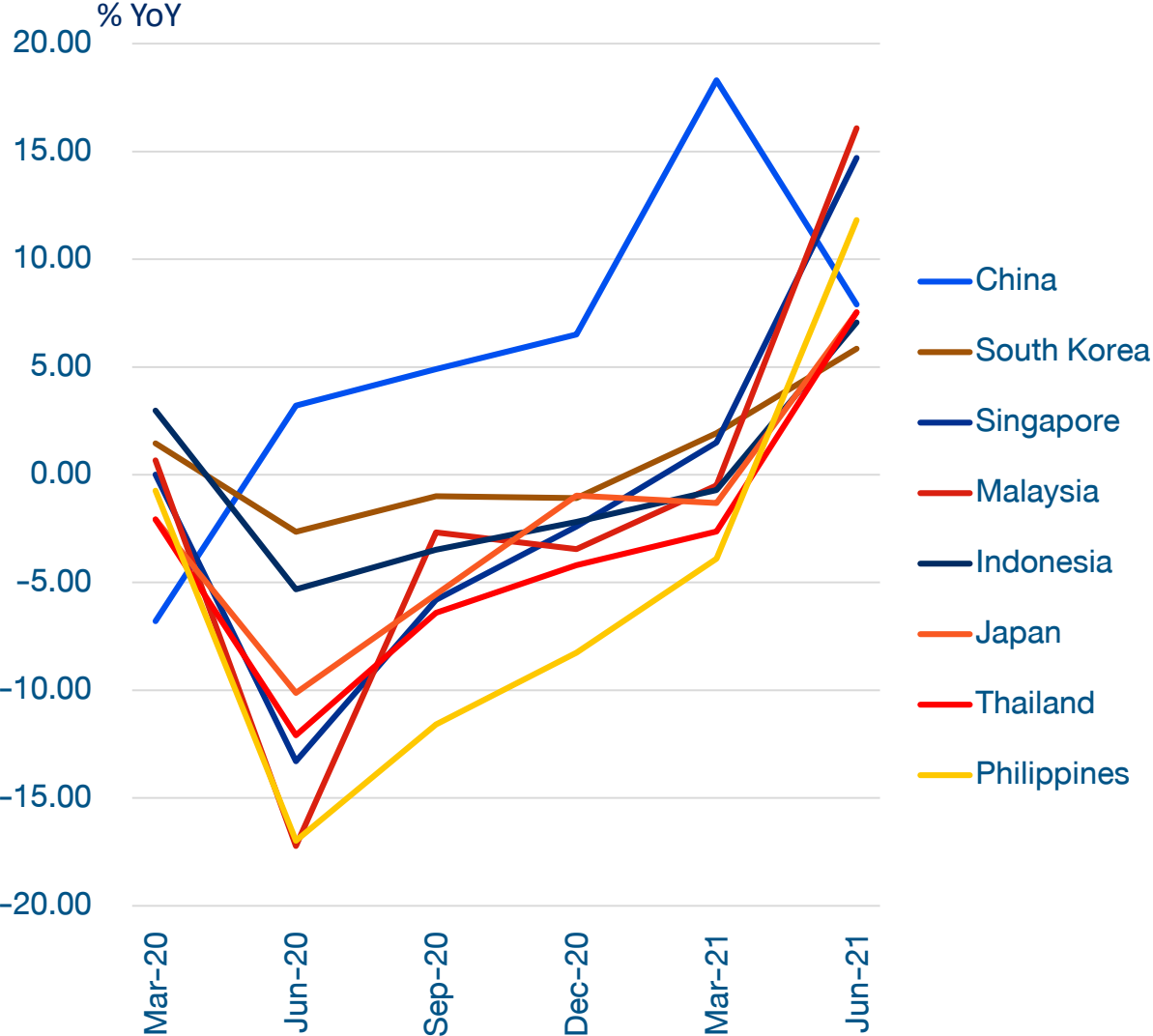
Overall, global GDP growth in 2Q21 rose from low bases and economic recoveries



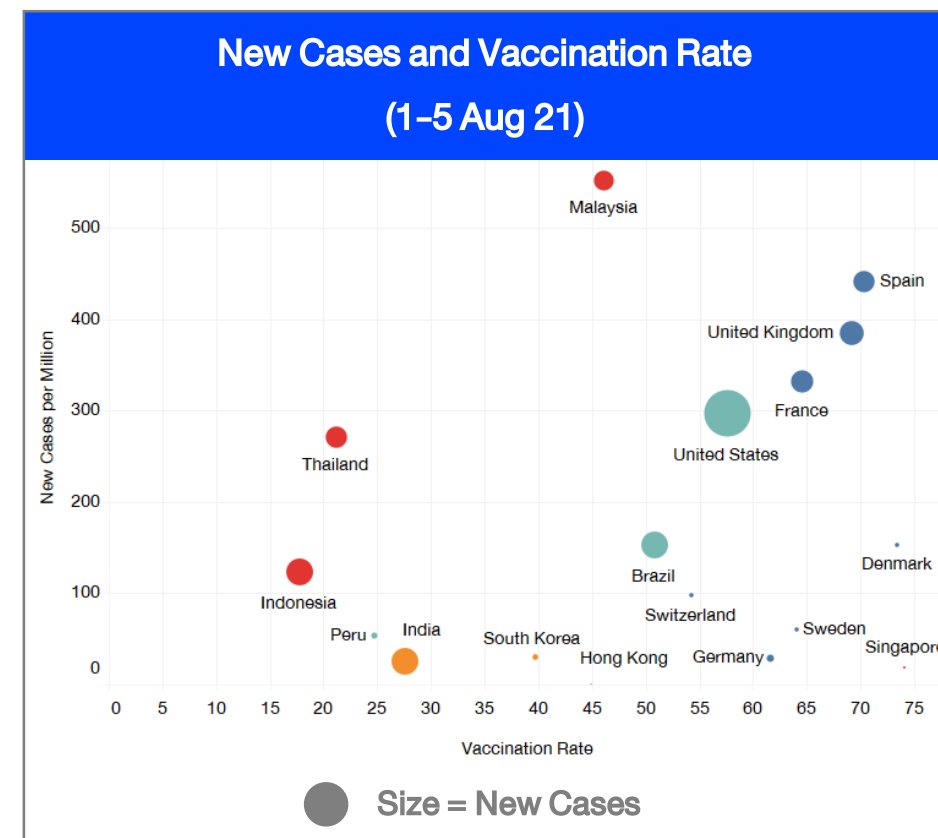
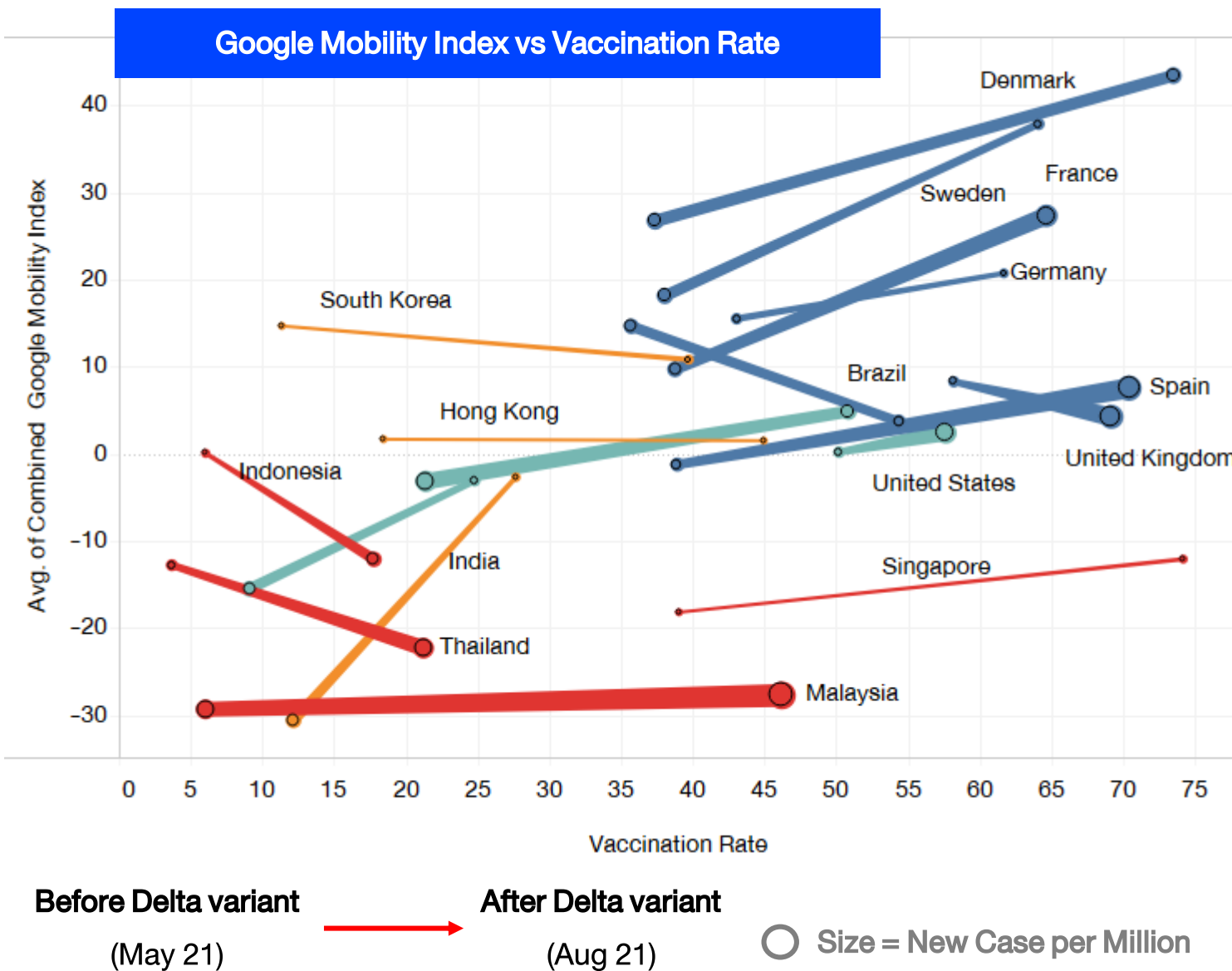
GDP growth in EU and US



GDP growth in Asia



Delta variant affected economic activities in Asia despite higher vaccination



- ASEAN
- Asia
- Europe
- North & South America

Rising Delta variant cases caused Asian outlook to drop further, US service also affected



Manufacturing PMI

Service PMI

	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Australia	55.7	57.2	56.9	56.8	59.7	60.4	58.6	56.9
China	53.0	51.5	50.9	50.6	51.9	52.0	51.3	50.3
India	56.4	57.7	57.5	55.4	55.5	50.8	48.1	55.3
Indonesia	51.3	52.2	50.9	53.2	54.6	55.3	53.5	40.1
Japan	50.0	49.8	51.4	52.7	53.6	53.0	52.4	53.0
South Korea	52.9	53.2	55.3	55.3	54.6	53.7	53.9	53.0
Thailand	50.8	49.0	47.2	48.8	50.7	47.8	49.5	48.7
Canada	57.9	54.4	54.8	58.5	57.2	57.0	56.0	56.2
United States	57.1	59.2	58.6	59.1	60.5	62.1	62.1	63.4
Germany	58.3	57.1	60.7	66.6	66.2	64.4	65.1	65.9
France	51.1	51.6	56.1	59.3	58.9	59.4	59.0	58.0
Italy	52.8	55.1	56.9	59.8	60.7	62.3	62.2	60.3
United Kingdom	57.5	54.1	55.1	58.9	60.9	65.6	63.9	60.4
Spain	51.0	49.3	52.9	56.9	57.7	59.4	60.4	59.0

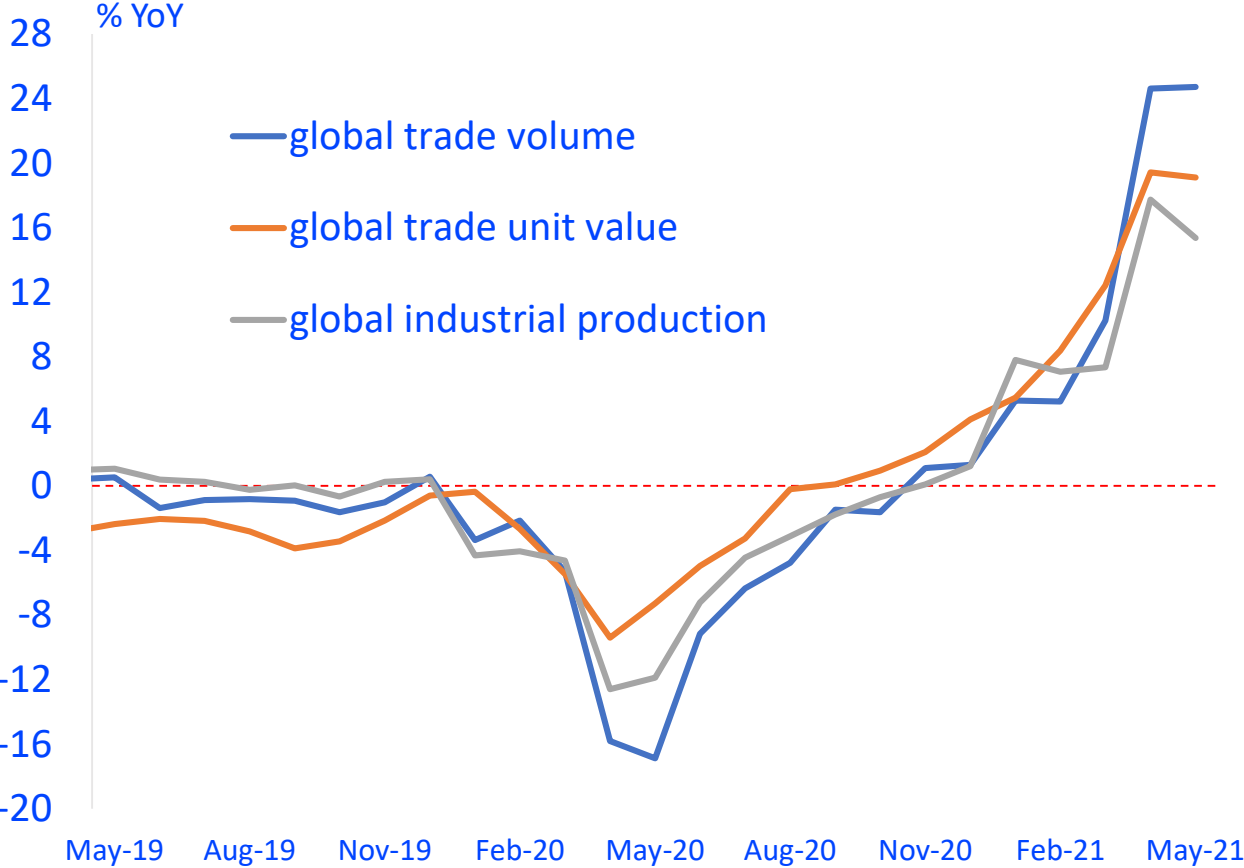
	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Australia	57.0	55.6	53.4	55.5	58.8	58.0	56.8	44.2
China	56.3	52.0	51.5	54.3	56.3	55.1	50.3	54.9
Japan	47.7	46.1	46.3	48.3	49.5	46.5	48.0	47.4
India	52.3	52.8	55.3	54.6	54.0	46.4	41.2	45.4
United States	54.8	58.3	59.8	60.4	64.7	70.4	64.6	59.9
Germany	47.0	46.7	45.7	51.5	49.9	52.8	57.5	61.8
France	49.1	47.3	45.6	48.2	50.3	56.6	57.8	56.8
Italy	39.7	44.7	48.8	48.6	47.3	53.1	56.7	58.0
United Kingdom	49.4	39.5	49.5	56.3	61.0	62.9	62.4	59.6
Spain	48.0	41.7	43.1	48.1	54.6	59.4	62.5	61.9

- PMIs which are early indicators for economic activities suggested that most countries have positive outlooks toward manufacturing and service sector in the expansion zone (above 50).
- July PMIs data showed impacts of Delta variant in many countries. Manufacturing PMIs in Asia continued to drop due to rising cases and strict government measures in response to new Delta variants. Service sector in United States also took a hit from rising cases as well as many Asian countries

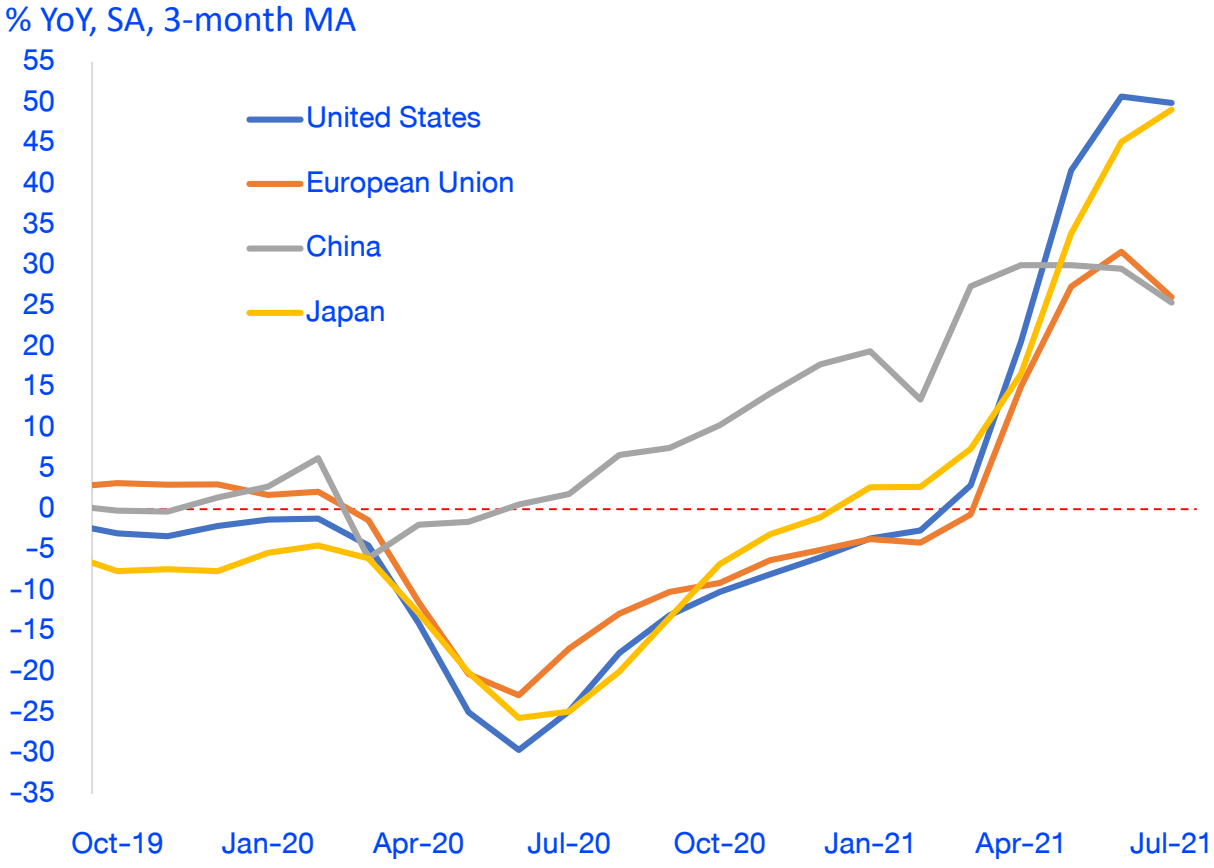
Global trade began to taper in Q2, partially from stronger base effect



Global trade and industrial production rose



Exports from Asia posted stronger recovery trends



Global trade and industrial production growth began to flat out due to the effect of last year rising bases. Global industrial production rose significantly due to improvements in US and Europe.

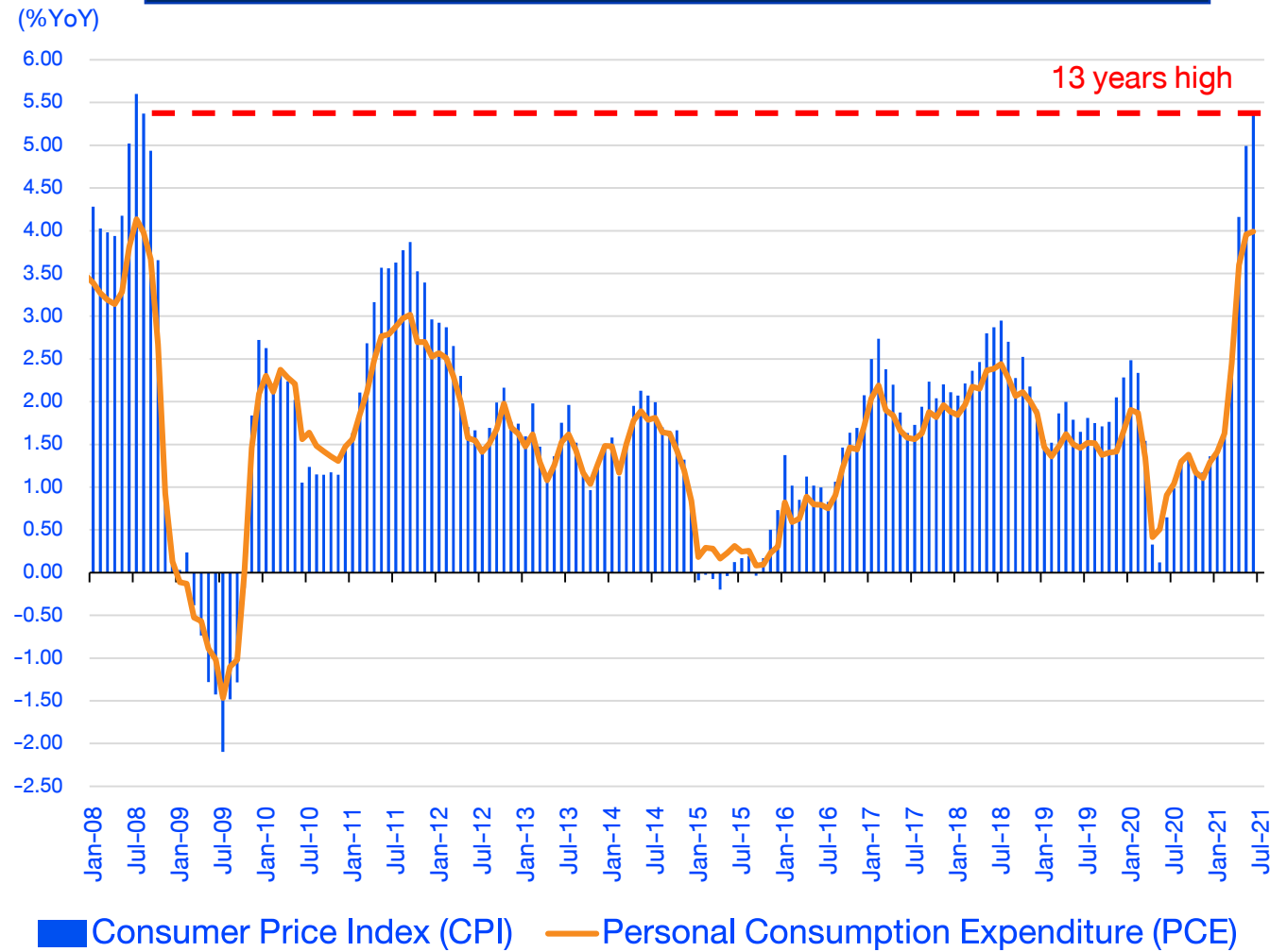
Exports recovered in most countries as demands for goods returned. US exports benefited from low bases last year in Q2. Exports from China flattened.

Source: CEIC and ttb analytics

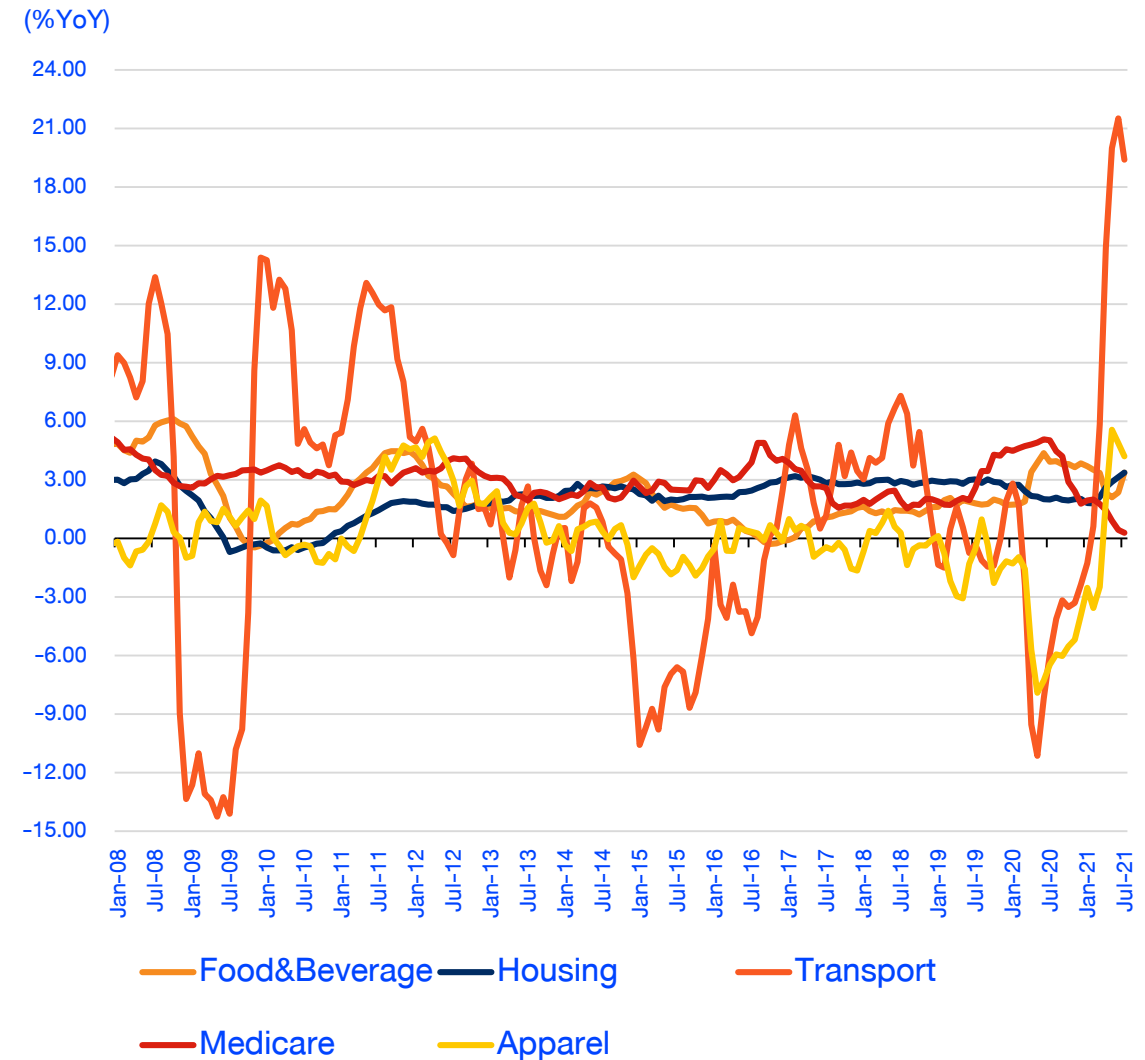
U.S. inflation growth slowed down in July, suggest inflation may have peaked



U.S. Inflation (%YoY)

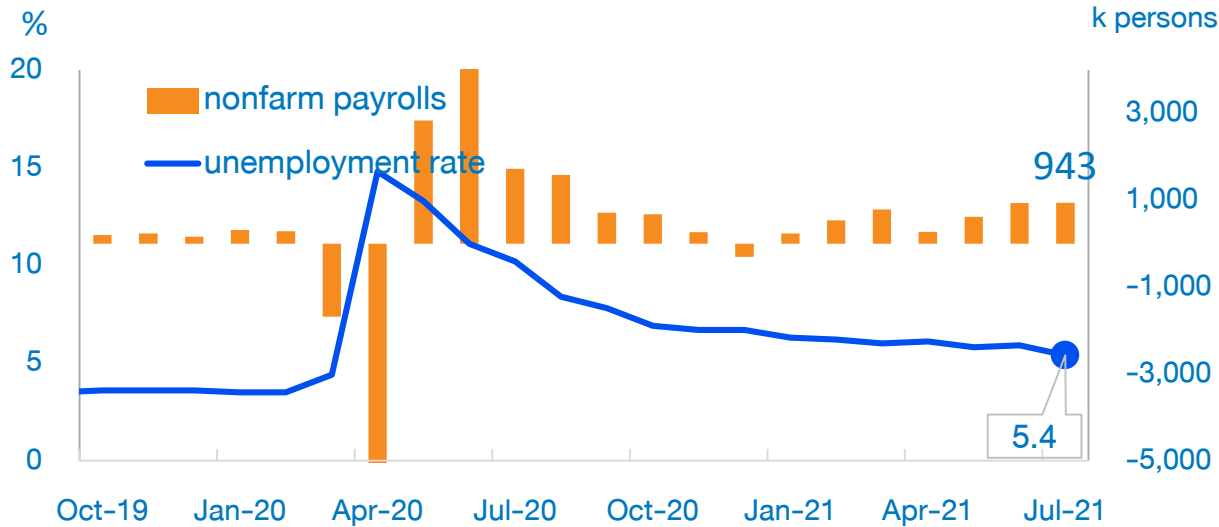


Breakdown of Inflation (CPI) by categories

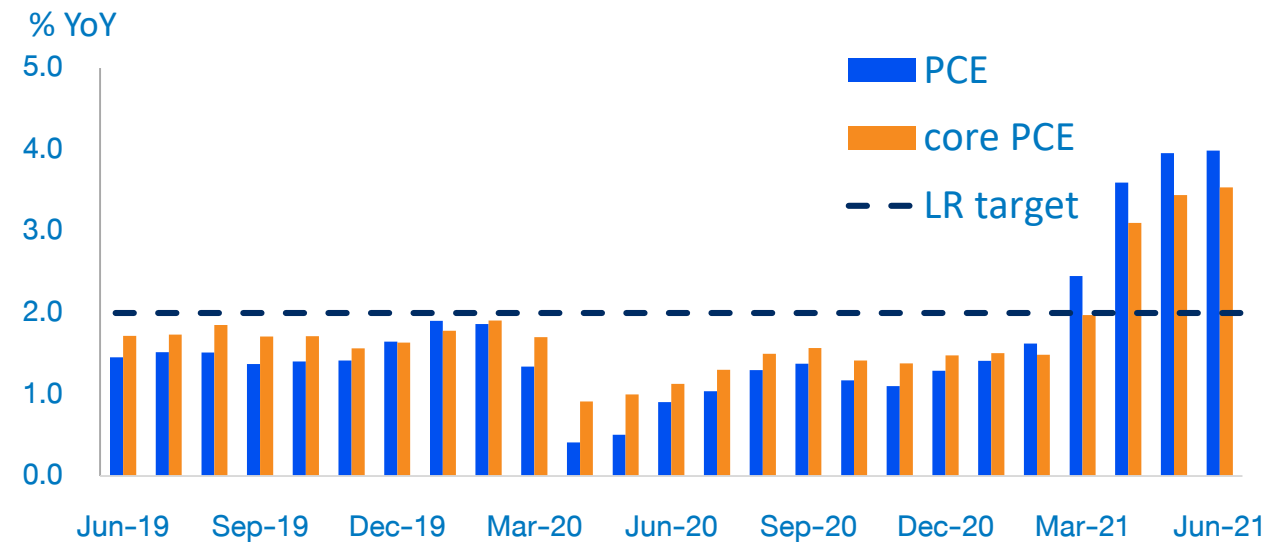


Source: CEIC and ttb analytics

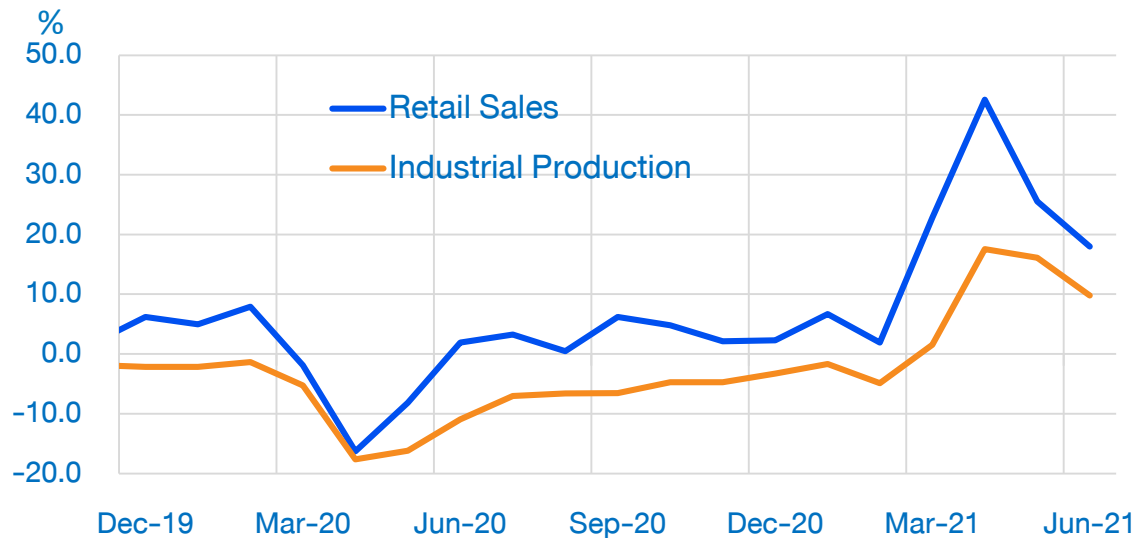
Nonfarm payroll increased 943,000 jobs in July



Inflation continued to expand beyond FED target in June



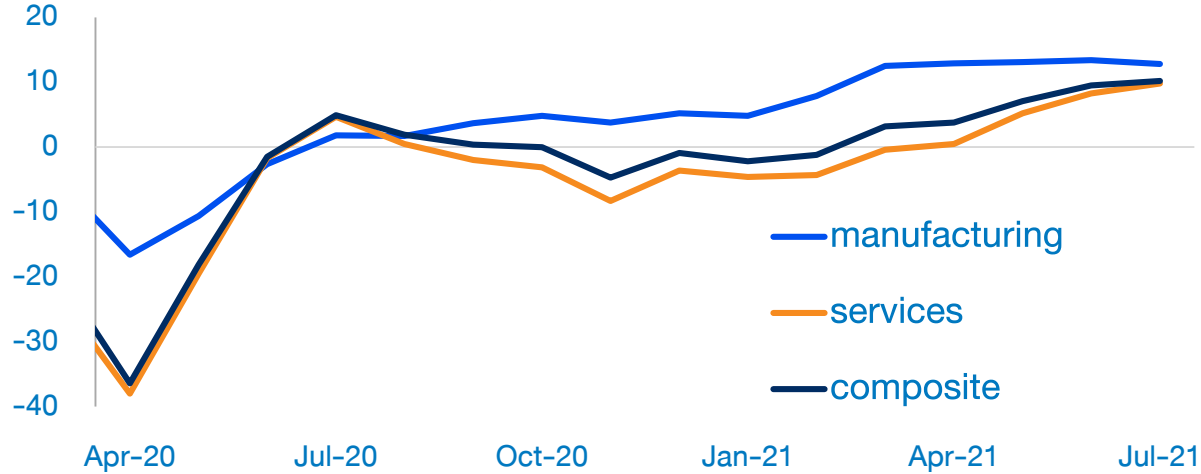
Strong retail sales growth from low-base impact



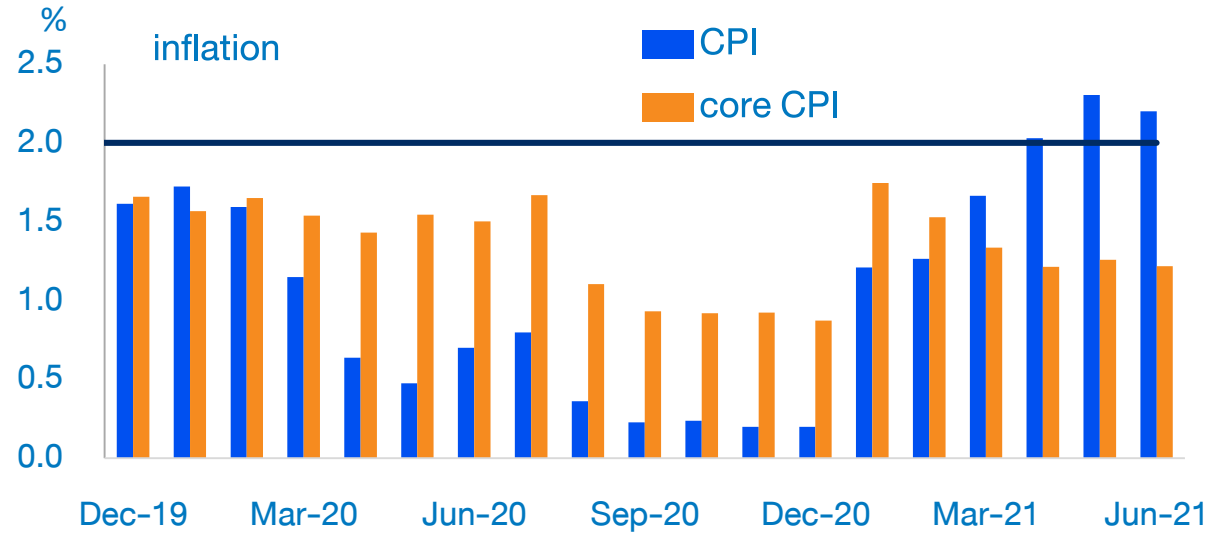
- In July, nonfarm payrolls recorded hiring of 943,000 people, beating market expectation with a record hiring since last year. Furthermore, unemployment rates decreased to 5.4%, the lowest level since the pandemic started in 2020. This caused positive outlook toward economic recovery and possible QE tapering announcement in this quarter.
- Retail sales growth boasted mainly by low-base impact from last year. In June, retail sales grew 18% (seasonally adjusted) in comparison to 1% last year. Industrial production slightly contracted from last month but its growth remained high at 9.8%.
- In June, price continued to rise from service sector and transportation PCE rose 4.0% while core PCE rose 3.5%.

Positive outlook continued, mainly from service

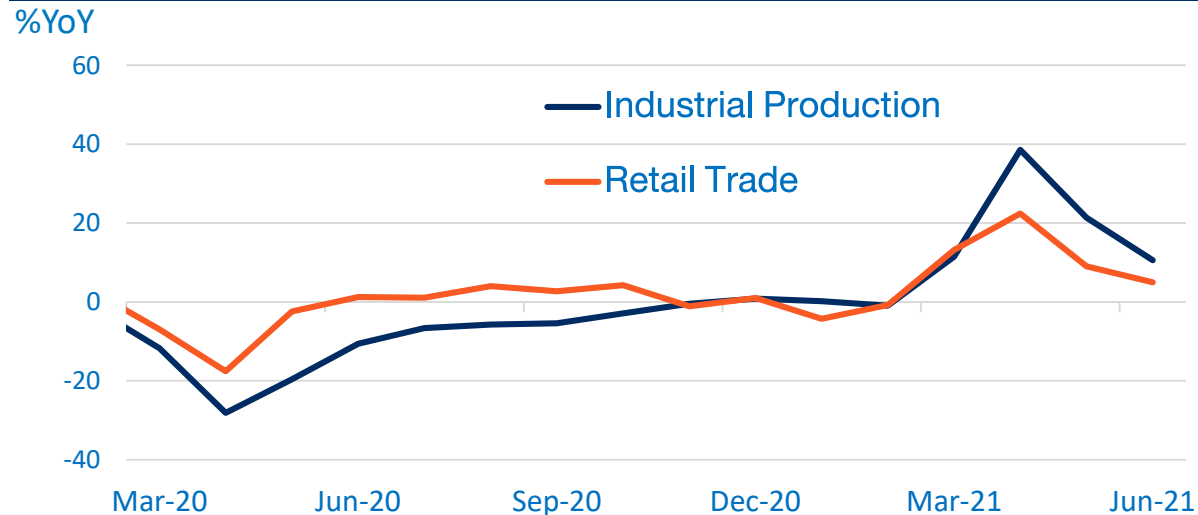
%MoM, deviations from 50, + expansion - contraction



Inflation remained high above ECB's target



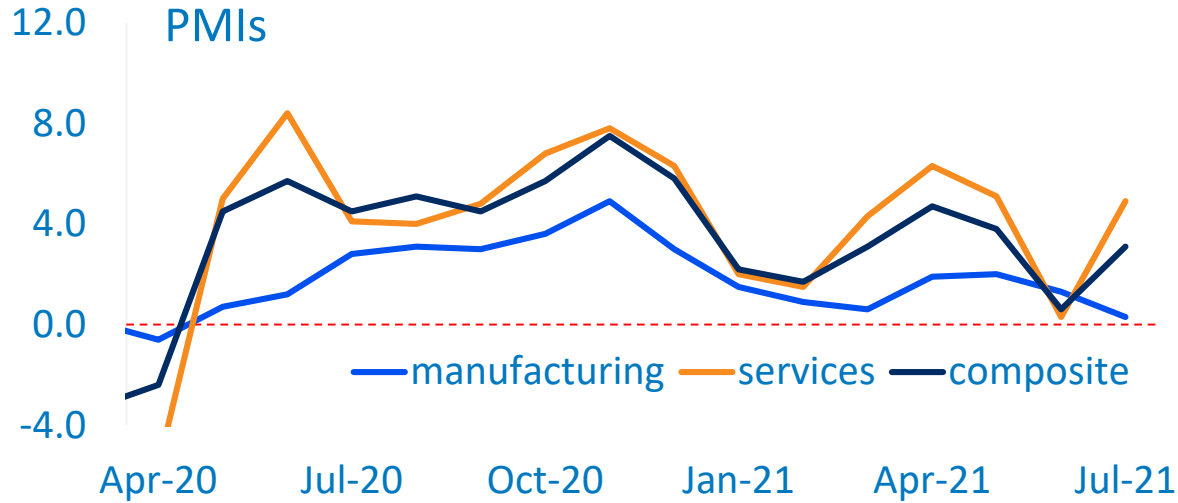
Retail and Industrial production returned to normal



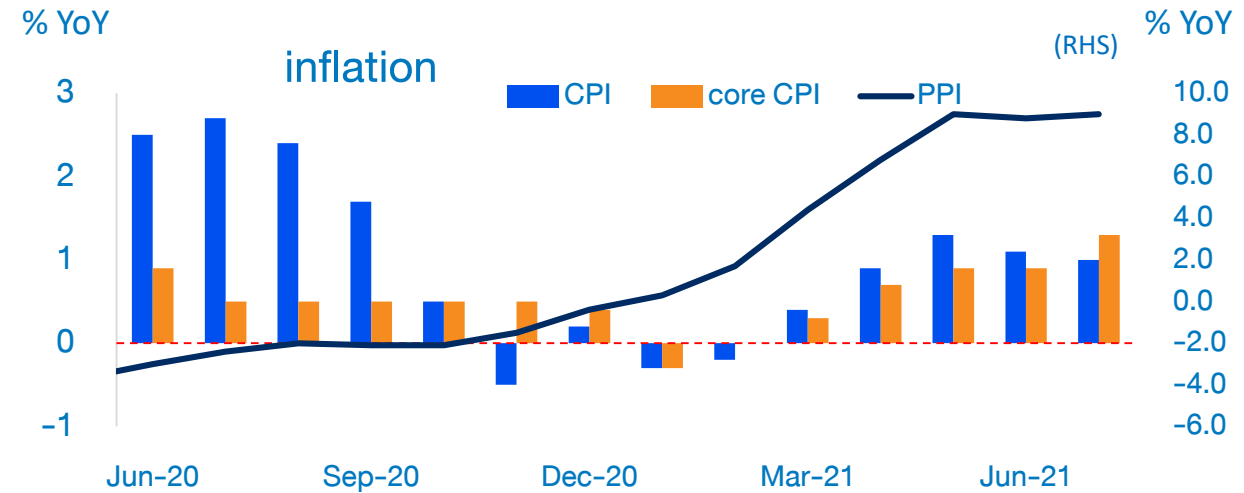
- In July, service outlook continued to support positive economic outlook as many European countries resumed operations, despite rising number of Covid-19 cases. Manufacturing sector outlook maintained at high level.
- European Union inflation continued to grow at 2.2% in June with support from food and energy price. Core inflation decreased slightly from last month to 1.2%.
- Retail trade and industrial production in June adjusted downward from last month due to base impact. Retail trade rose 5% while industrial production rose 11%

China's growth slowed down in third quarter, producer price remained high

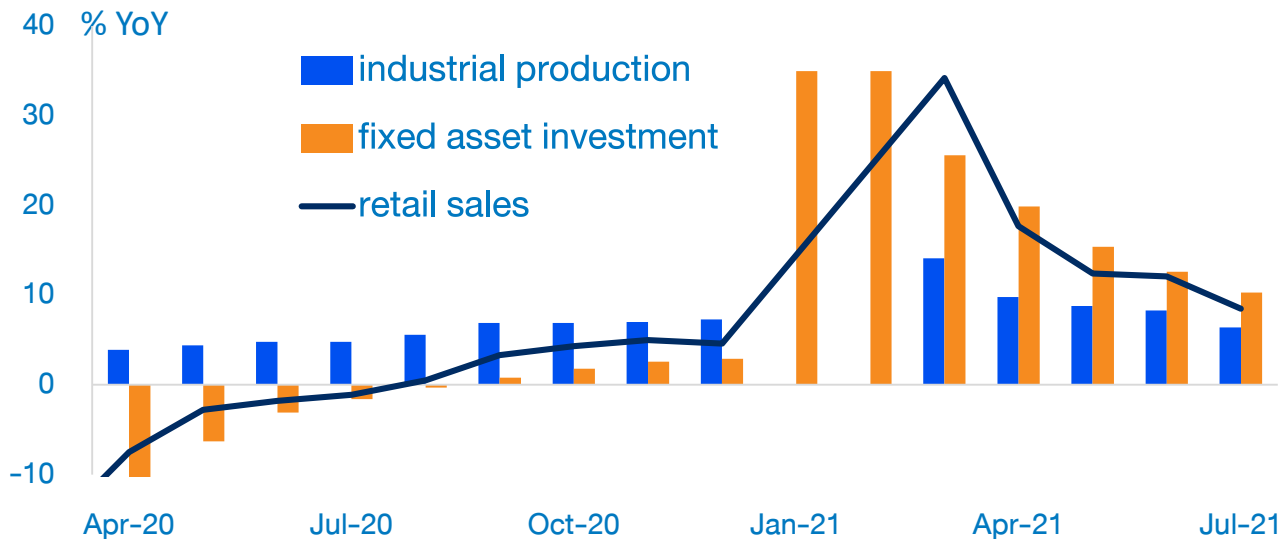
Moderate economic outlook in July



CPI eased from falling food price, PPI remained high

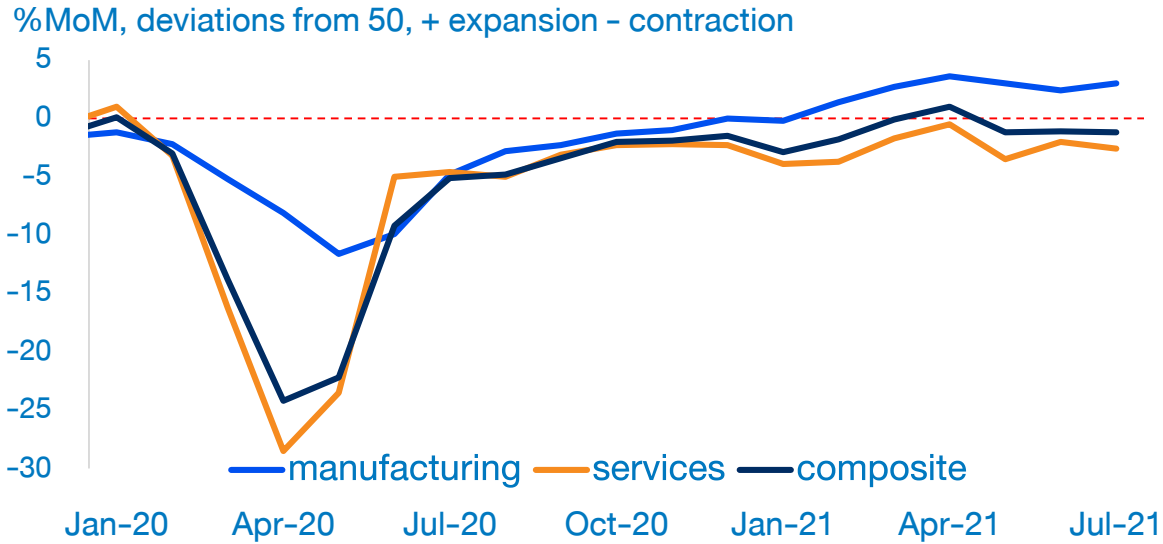


Growth flattened from the second quarter

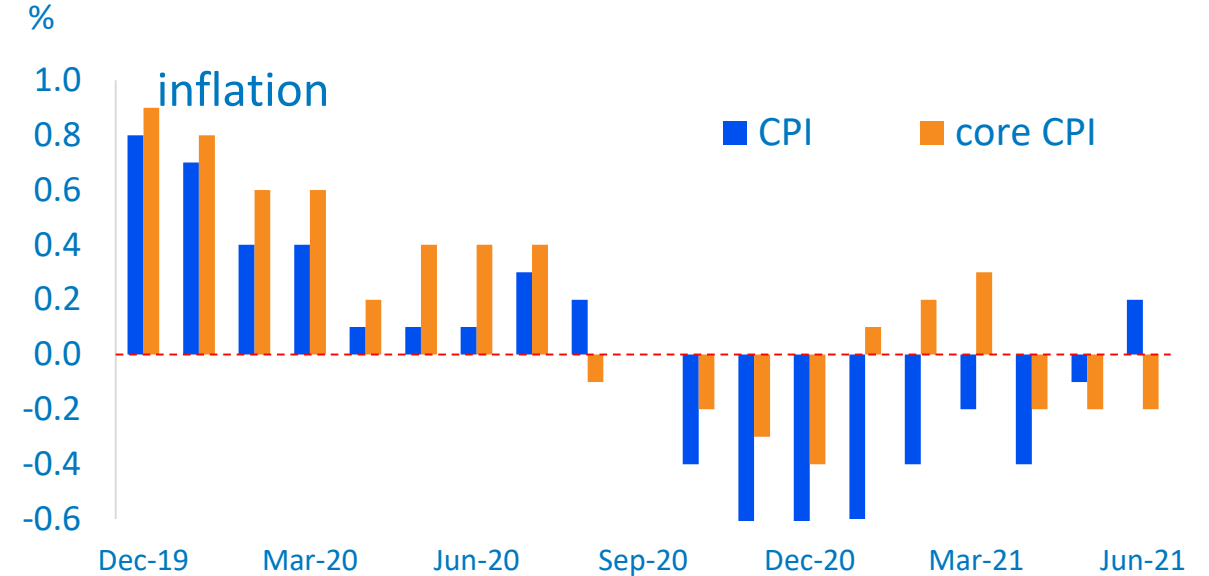


- Chinese economic growth in second quarter grew 7.9%. PMI in July expanded from service sector, while outlook in manufacturing sector slightly dropped from last month
- Economic activities significantly dropped in the third quarter. Industrial output rose 6.4% in July. Retail sales slowed down to 8.5%. Fixed-asset investment grew 10.3%
- Inflation slowed down slightly in July due to falling food price. CPI grew 1.0% YoY. PPI growth remained high at 9.0% from stable commodities prices.

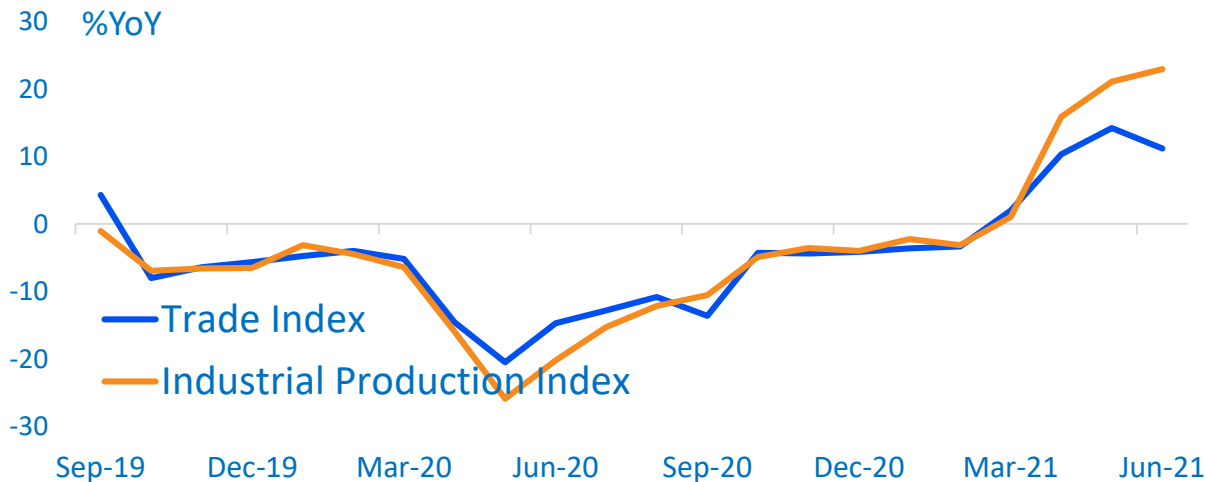
Service outlook remained in a contraction zone



Japan's core inflation contracted in June



Trade and Production remained spiked in April from low bases



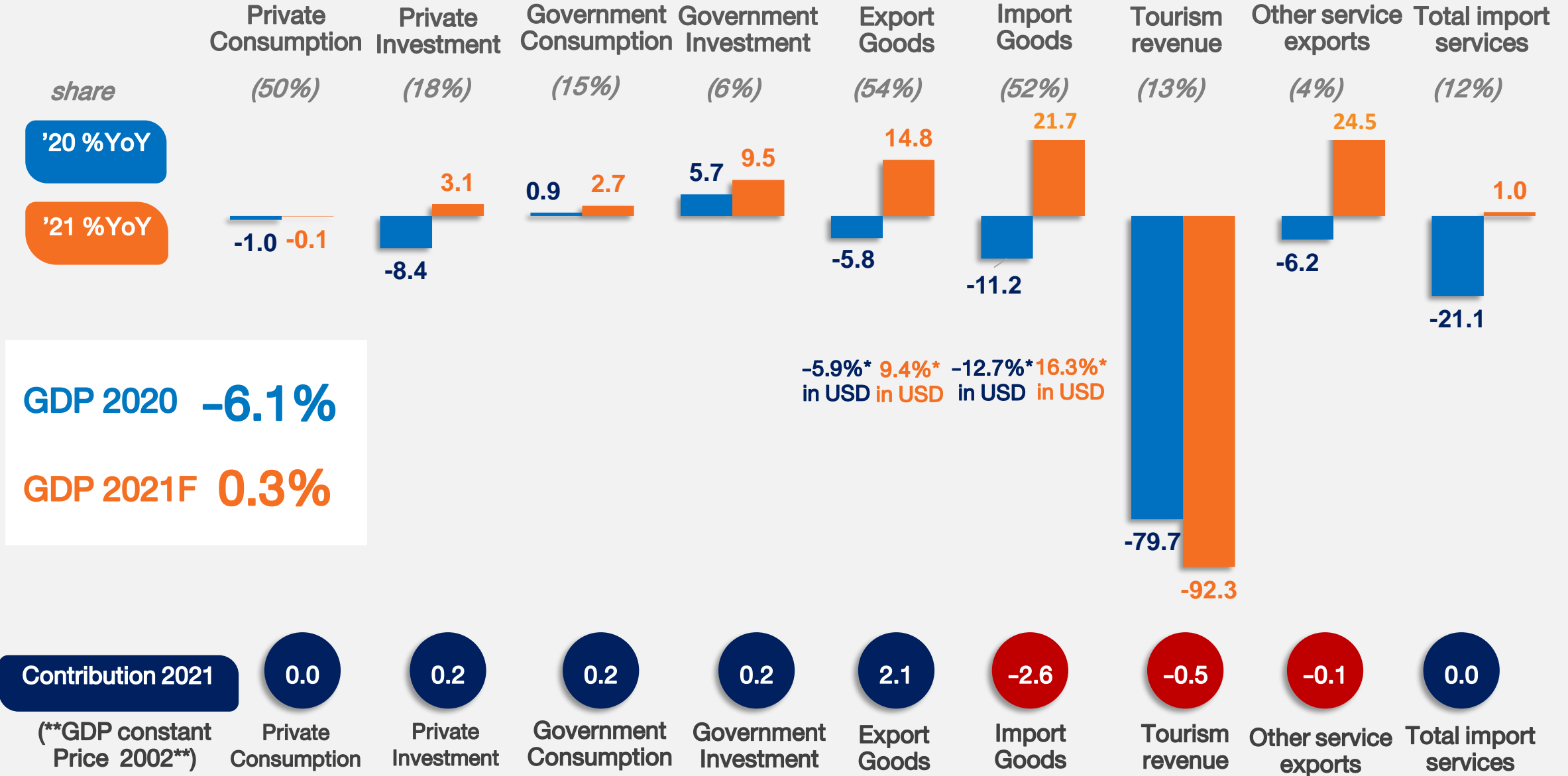
- Service outlook dropped slightly in July and still remained in the contraction zone. Declaring emergency state caused service sector to slowdown. Composite PMI remained in the contraction zone for the third month.
- Trade and industrial production benefited greatly from low bases last year. However, they began to slowdown in June.
- Core CPI still contracted, but CPI rose in June from rising energy price. CPI expanded 0.2% while core CPI still remained at -0.2%

PART 2

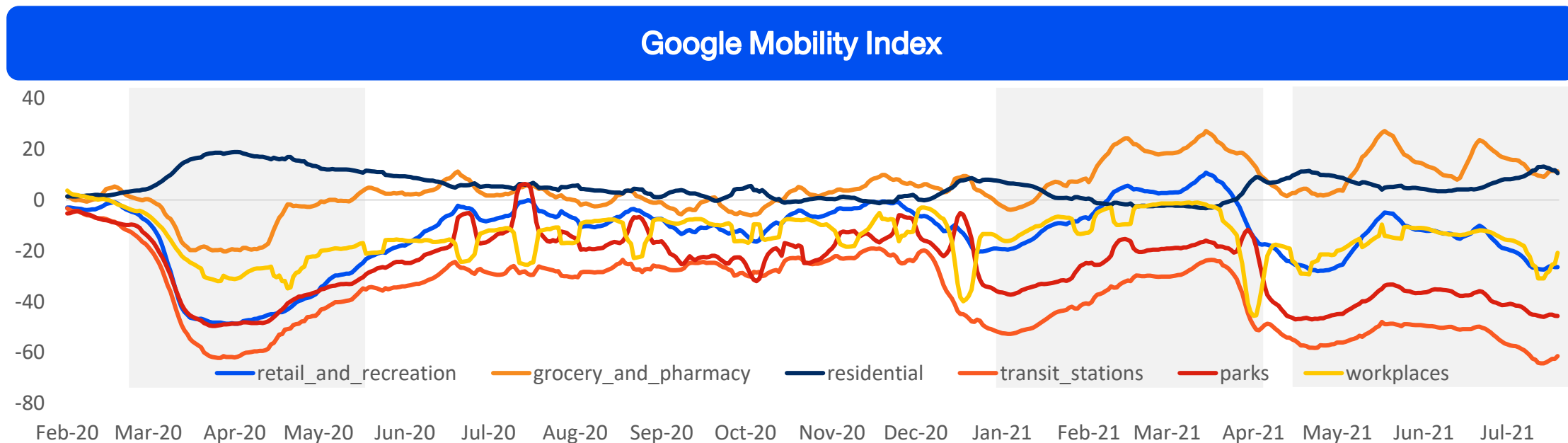
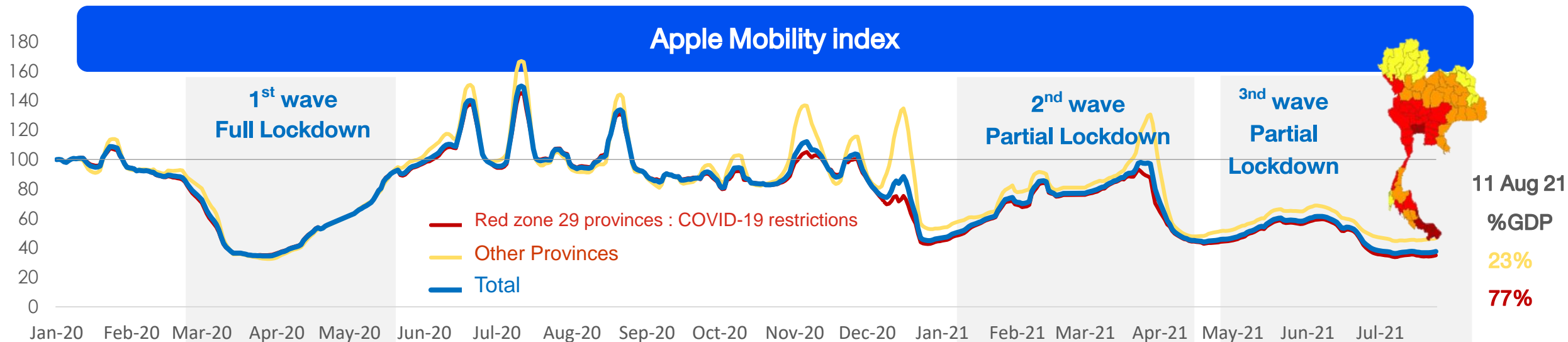
Domestic Economy



GDP 2021: Forecast and Contribution (Aug 2021)



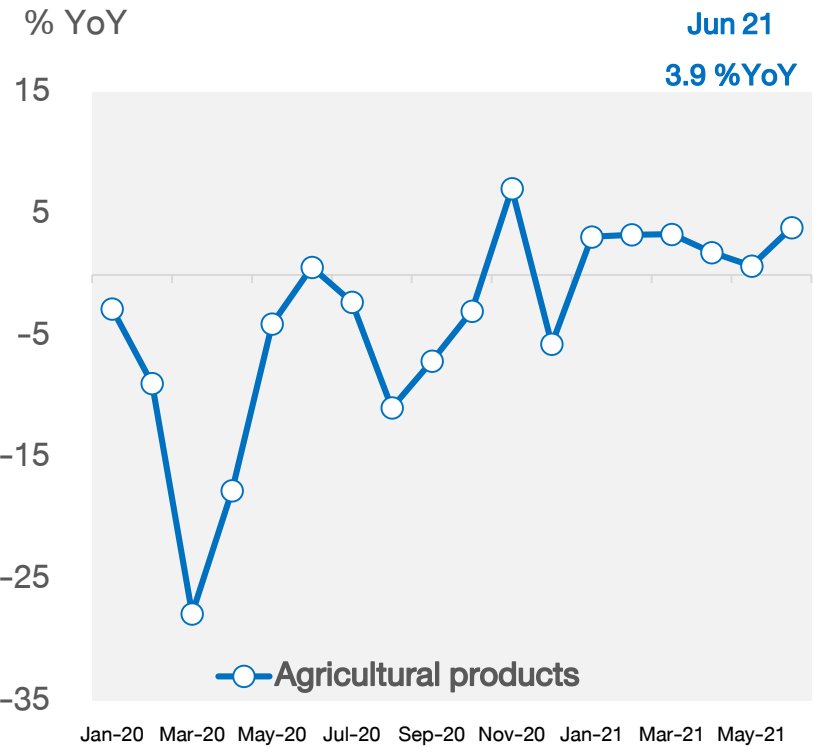
Aug21: Economic activities dropped to a lower level than that in the first wave



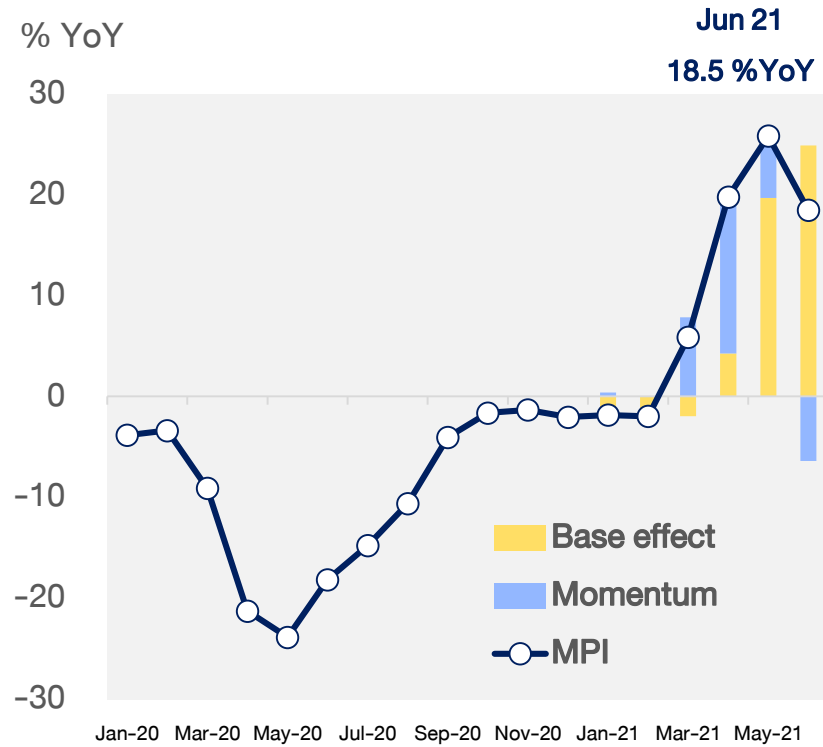
Coincident economic Index (sa)

	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	May-21	Jun-21	
Production	Coincident Economic Index (sa)	100.0	98.5	96.4	95.3	95.5	95.8	97.0	98.0	98.2	98.6	98.9	98.9	98.3	99.8	100.1	99.3	99.9	99.9
	Import Volume index (exclude Gold)	100.0	84.8	100.7	89.6	75.8	76.7	78.2	83.0	87.3	87.0	90.7	95.1	96.9	100.5	101.1	102.8	108.9	104.0
	Manufacturing Production Index	100.0	99.8	94.3	83.0	79.0	83.6	88.1	91.2	94.9	97.4	96.3	97.3	98.2	97.9	99.9	99.4	99.4	99.0
	Gross Value Added Tax at 2000 price (Million baht)	54,393.6	47,668.5	35,232.5	46,479.1	52,404.8	45,198.0	48,338.5	48,946.3	46,741.1	47,776.6	49,078.2	48,418.6	43,556.9	57,938.2	59,320.8	51,391.0	54,254.1	56,076.8
C	Domestic Automobiles Sales (Unit)	80,566.7	72,975.6	53,651.2	34,076.5	45,592.3	56,269.2	63,282.2	71,546.7	73,811.7	73,088.9	72,750.8	75,407.9	64,832.8	65,001.3	67,150.6	66,870.4	63,978.5	65,135.7
	Sales Benzene, Gasohol & Diesel Index	100.0	99.8	90.1	70.1	89.2	95.4	106.2	102.0	108.8	100.9	100.8	99.9	82.1	97.1	104.4	87.9	80.3	85.1
	VAT Hotel & Restaurant Index	100.0	77.9	38.8	14.4	22.7	38.5	38.6	34.0	44.8	45.4	49.8	25.0	20.0	34.7	38.3	20.2	18.8	26.8
I	Imports of Capital Goods at 2010 price (Million US\$)	104.3	108.4	102.9	120.5	103.4	104.9	107.0	103.8	102.3	100.4	103.7	107.2	108.2	107.7	111.7	113.1	110.8	108.5
	Domestic Machinery Sales at 2010 price (Million T)	3,792.3	3,225.2	3,491.8	3,390.2	3,086.8	3,266.8	3,357.5	3,407.9	3,548.9	3,422.7	3,732.6	3,966.3	3,874.9	4,182.4	4,174.7	4,091.5	3,938.4	4,141.2
Services	Service Production Index	100.0	92.6	89.0	82.7	81.4	84.0	84.3	85.3	86.7	82.8	85.1	87.4	82.2	81.3	86.9	84.1	82.1	82.9
	Wholesale and retail trade; repair of motor vehicles and motorcycles	100.0	99.6	98.1	92.6	91.7	91.5	92.7	93.9	93.9	93.4	94.0	94.4	91.0	90.6	91.6	91.1	92.5	92.8
	Transportation and storage	100.0	96.8	79.4	56.4	57.5	59.6	60.8	62.9	63.8	64.4	63.9	64.7	62.0	64.9	73.0	66.1	66.3	66.1
	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	2.4	2.2
	Information and communication	100.0	89.6	96.0	90.8	91.5	98.9	95.4	94.7	97.6	90.1	98.2	112.6	101.6	90.4	117.5	135.4	101.6	100.2
	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	95.7	96.2	98.6	95.3	98.1	102.7
	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	101.4	102.1	93.5	94.2	99.3
	Professional, scientific and technical activities	100.0	87.3	89.5	80.9	75.9	83.7	93.7	88.4	97.0	97.7	93.4	109.7	97.4	94.4	113.6	101.8	106.0	118.6
	Administrative and support service activities	100.0	88.4	83.2	68.7	62.8	68.7	66.4	72.6	74.6	72.3	74.6	80.0	72.5	72.0	83.7	76.1	77.1	79.5
	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	102.2	97.7
	Service Production Index	100.0	92.6	89.0	82.7	81.4	84.0	84.3	85.3	86.7	82.8	85.1	87.4	82.2	81.3	86.9	84.1	82.1	82.9

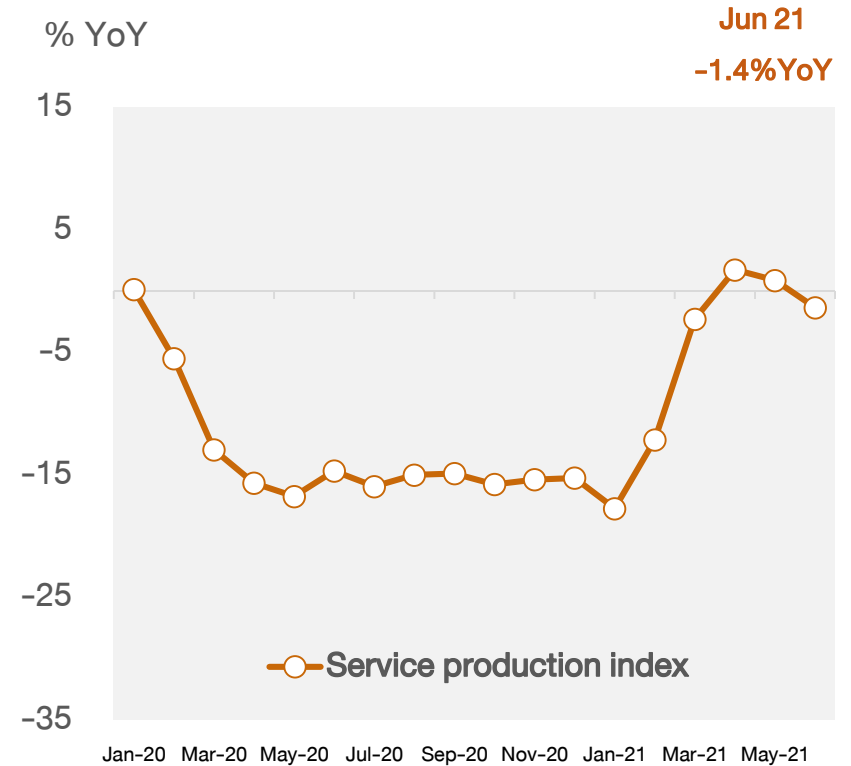
Agricultural Production



Manufacturing Production



Services Providing



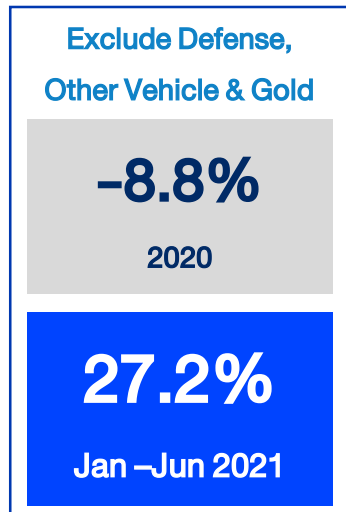
Contributions of Manufacturing Production

Contribution	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Food products (16.2%)	-0.56	-0.83	-0.18	0.01	-0.22	-1.73	-0.48	0.47	1.74	0.13	1.09	0.51
Beverages (3.8%)	0.26	0.18	0.18	-0.12	-0.63	0.00	-0.38	-0.54	0.19	2.35	0.53	0.36
Tobacco products (0.5%)	-0.05	0.06	0.01	0.02	0.01	0.07	-0.04	-0.06	0.21	0.09	-0.03	-0.09
Textiles (1.6%)	-0.49	-0.52	-0.39	-0.28	-0.16	-0.07	-0.17	-0.38	-0.26	0.28	0.50	0.21
Wearing apparel (1.9%)	-0.73	-0.63	-0.37	-0.77	-0.60	-0.53	-0.28	-0.72	-0.18	-0.13	-0.46	-0.19
Leather products (0.9%)	-0.33	-0.28	-0.24	-0.30	-0.21	-0.17	-0.22	-0.17	-0.10	0.16	0.41	0.36
Paper products (2.9%)	-0.16	-0.07	0.00	0.07	0.05	0.20	0.02	-0.09	0.04	0.04	0.53	0.40
Coke and refined petroleum products (9.6%)	-0.49	-0.80	-0.86	0.76	0.47	-0.94	-1.08	-1.76	-1.15	0.62	0.26	-0.22
Chemicals (8%)	-0.37	0.23	-0.01	-0.52	-0.89	-0.01	0.54	0.57	0.28	-0.09	0.39	0.41
Pharmaceutical products (1.2%)	-0.11	-0.13	0.08	-0.07	0.14	-0.10	0.02	-0.19	-0.01	-0.34	-0.03	-0.04
Rubber and plastics products (8.9%)	-1.43	-0.39	0.07	-0.04	0.06	-0.37	-0.24	-0.35	0.39	0.35	2.12	2.11
Other non-metallic mineral products (5.5%)	-0.46	-0.25	-0.39	-0.62	-0.30	-0.05	-0.09	-0.48	0.17	-0.11	0.61	0.39
Basic metals (3.6%)	-0.35	-0.46	0.17	0.33	-0.01	0.27	0.33	0.58	0.77	1.04	1.49	1.03
Fabricated metal products (1.9%)	-0.24	0.00	0.31	0.18	0.07	0.17	0.02	-0.01	0.24	0.27	0.67	0.52
Computer and electronic products (8.9%)	-0.39	-1.07	0.21	0.38	0.02	0.23	0.28	0.99	0.69	1.36	2.01	1.63
Electrical equipment (3%)	0.35	0.47	0.74	0.55	0.56	0.35	0.23	0.19	0.70	0.91	1.50	0.39
Machinery and equipment (2.7%)	-0.23	-0.28	-0.04	-0.13	-0.11	-0.11	-0.12	-0.10	0.12	1.37	2.39	0.43
Motor vehicles (13.9%)	-6.58	-4.00	-1.66	-0.34	1.43	0.72	-0.42	0.72	1.09	37.40	21.38	12.37
Other transport equipment (1.1%)	-0.31	-0.17	-0.02	-0.06	-0.05	-0.05	0.00	0.04	0.48	1.16	1.63	1.36
Furniture (1.5%)	-0.04	0.16	0.20	0.14	0.15	0.31	0.32	0.37	0.65	0.31	0.53	0.37
Others (2.4%)	-0.44	-0.31	-0.19	-0.19	-0.33	-0.42	-0.11	-0.02	0.18	0.63	1.61	2.48
MPI (%YoY)	-13.6	-9.3	-2.6	-1.3	-0.6	-2.8	-2.0	-1.3	5.9	18.0	25.7	17.6

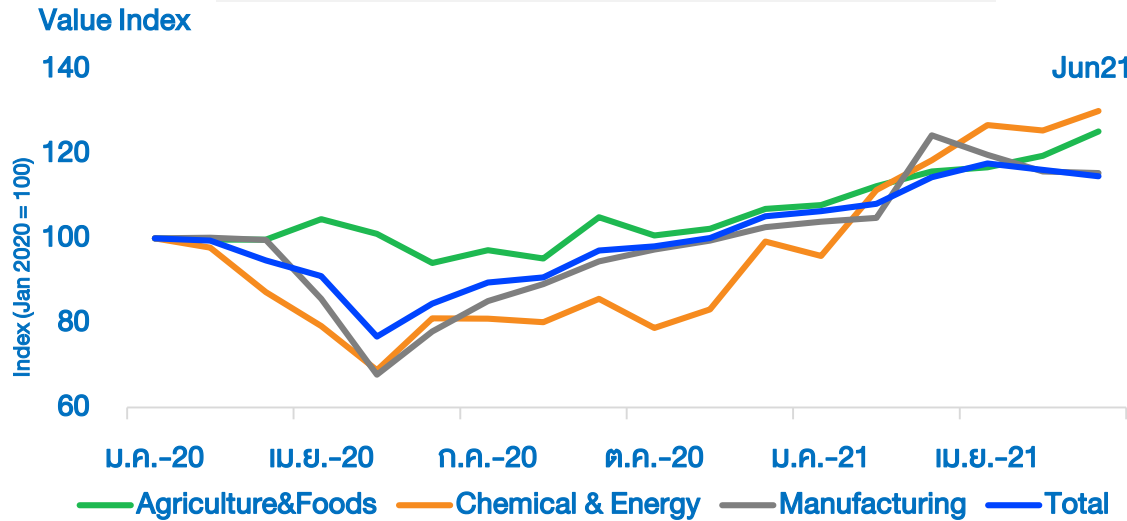
Thai merchandise exports showed sign of continuing recovery to all destination



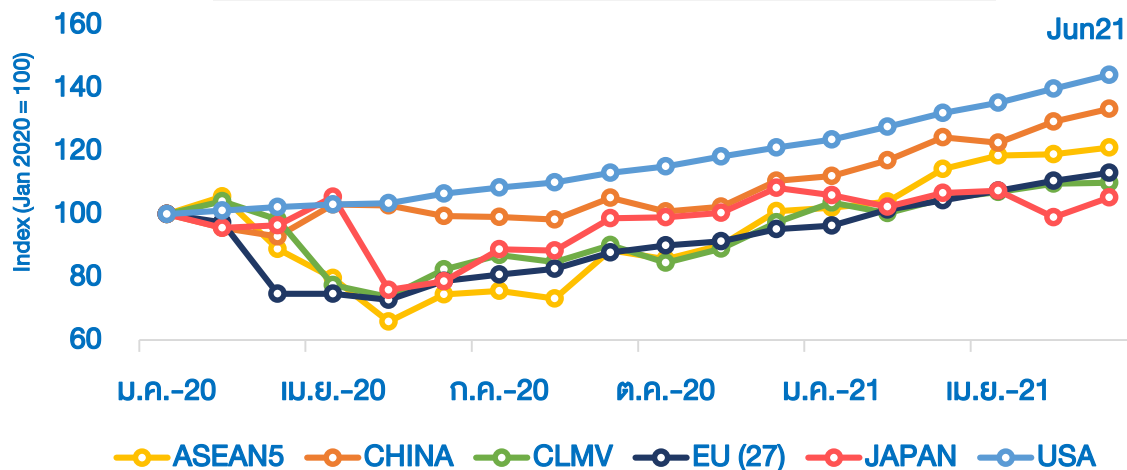
Total Export Growth



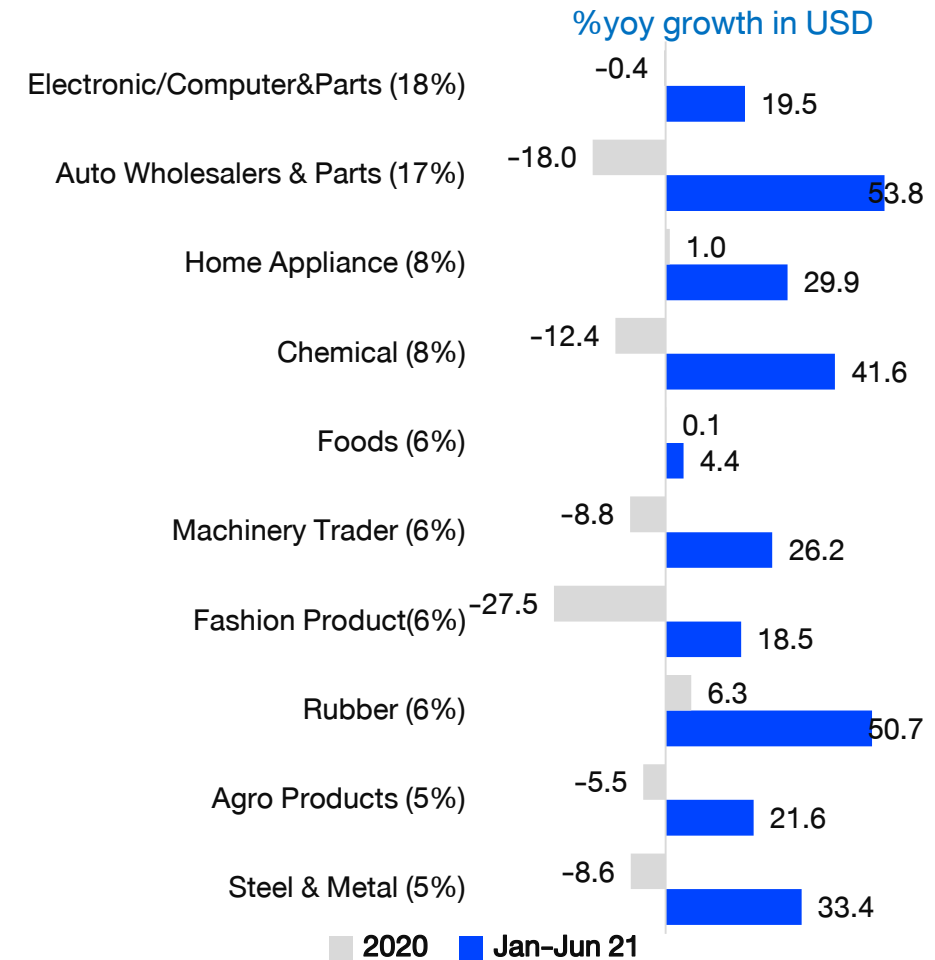
Exports value by groups (sa)*



Exports value by destination (sa)*



Top 10 Export by Sector*



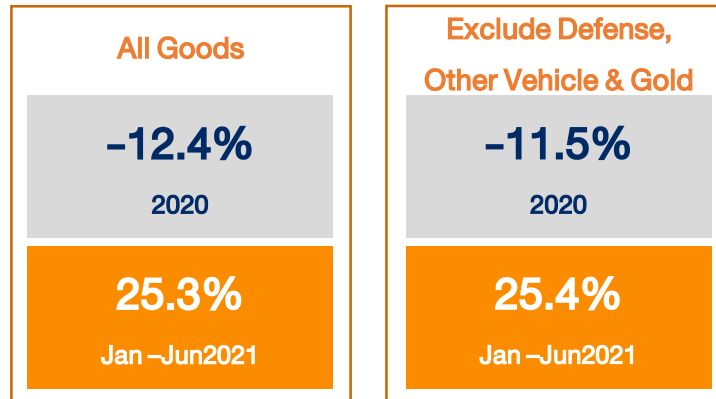
*Exclude Defense, Other Vehicle & Gold

Risk to exports

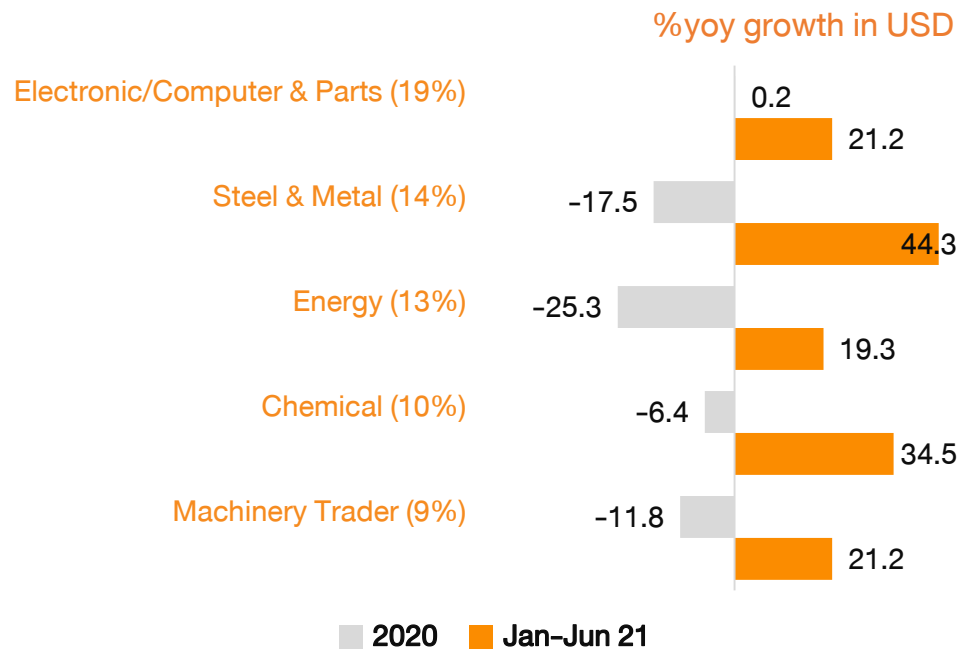
1. Supply Shortage : Container , Semi-conductor and Steel
2. Operation halt due to cluster outbreak

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

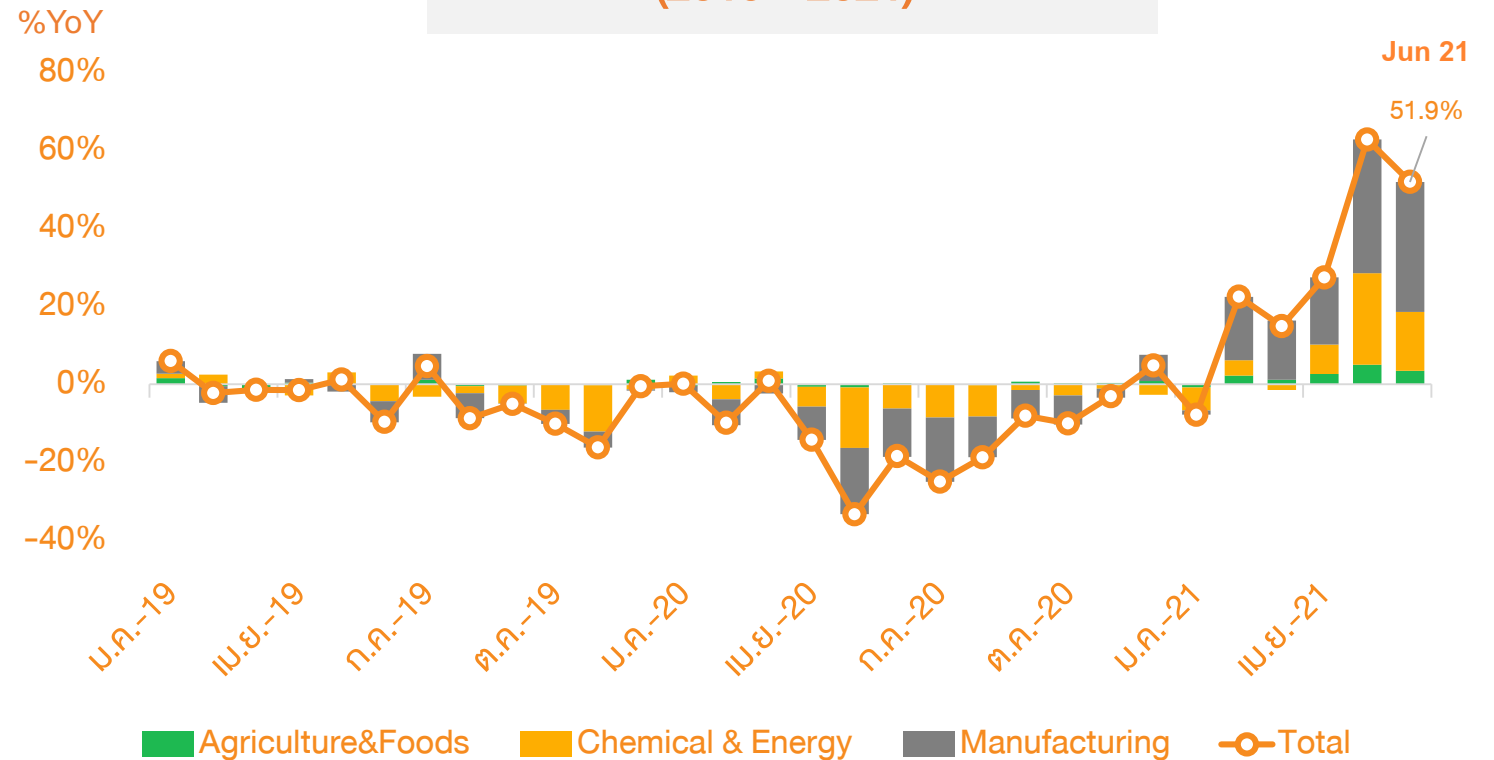
Total Import Growth



Top 5 Import by Sector



Import Growth Contribution (2019 – 2021)*

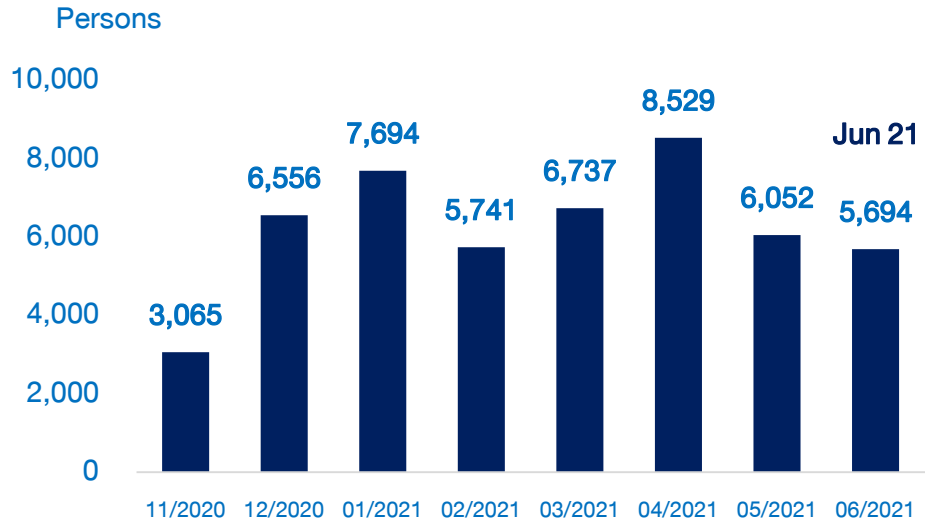


*Exclude Defense, Other Vehicle & Gold

Imports expanded by 25.4%YoY in Jan-Jun 2021. Most products have recovery sign due to import growth shrink in 2020

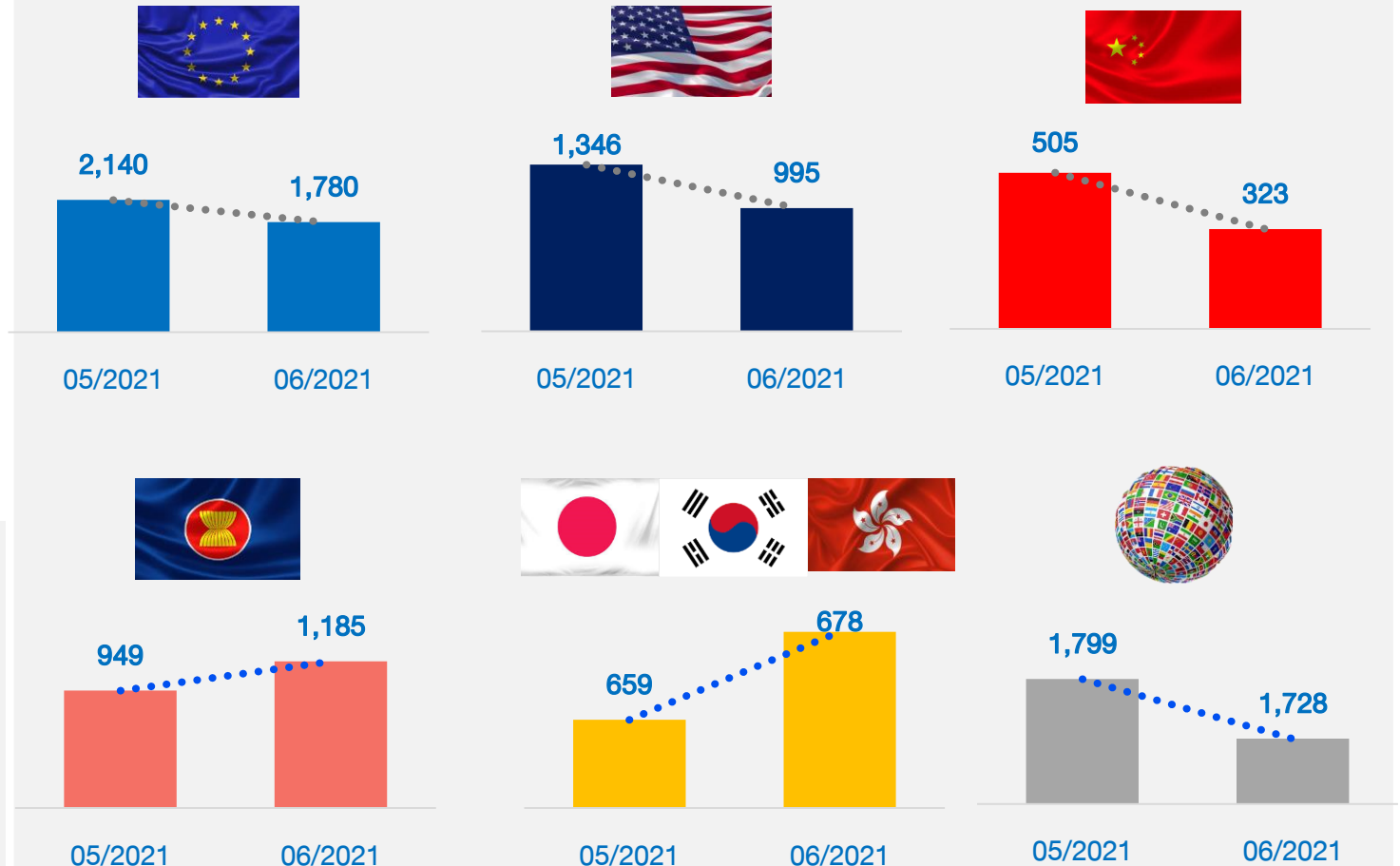
Tourist arrivals , mainly Special tourist group, slightly declined except from East Asia

Total foreign tourist inbound

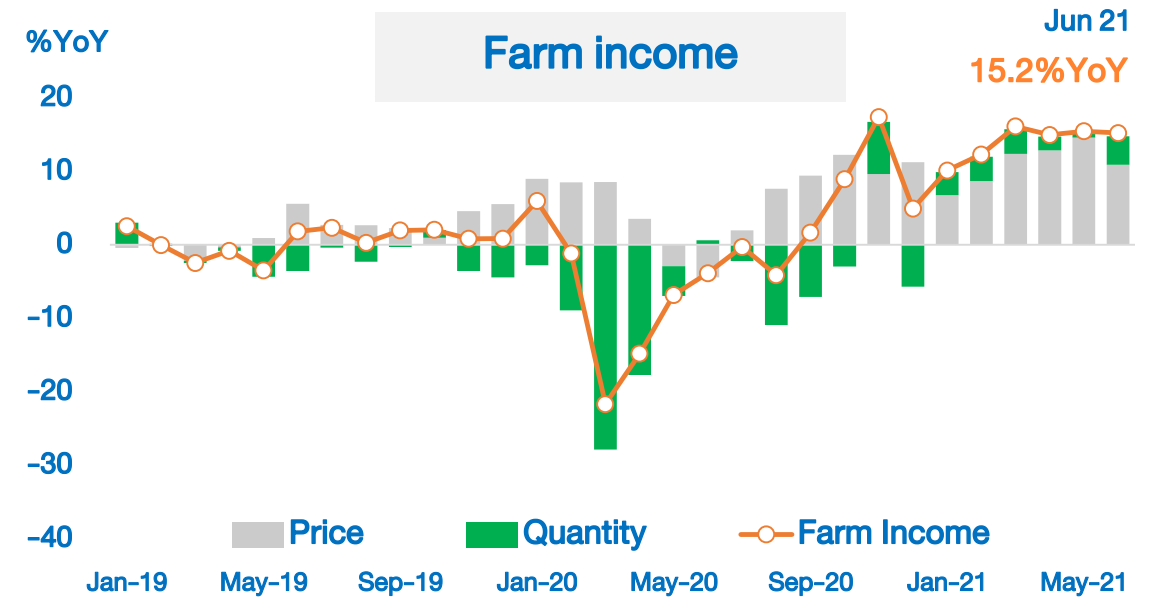
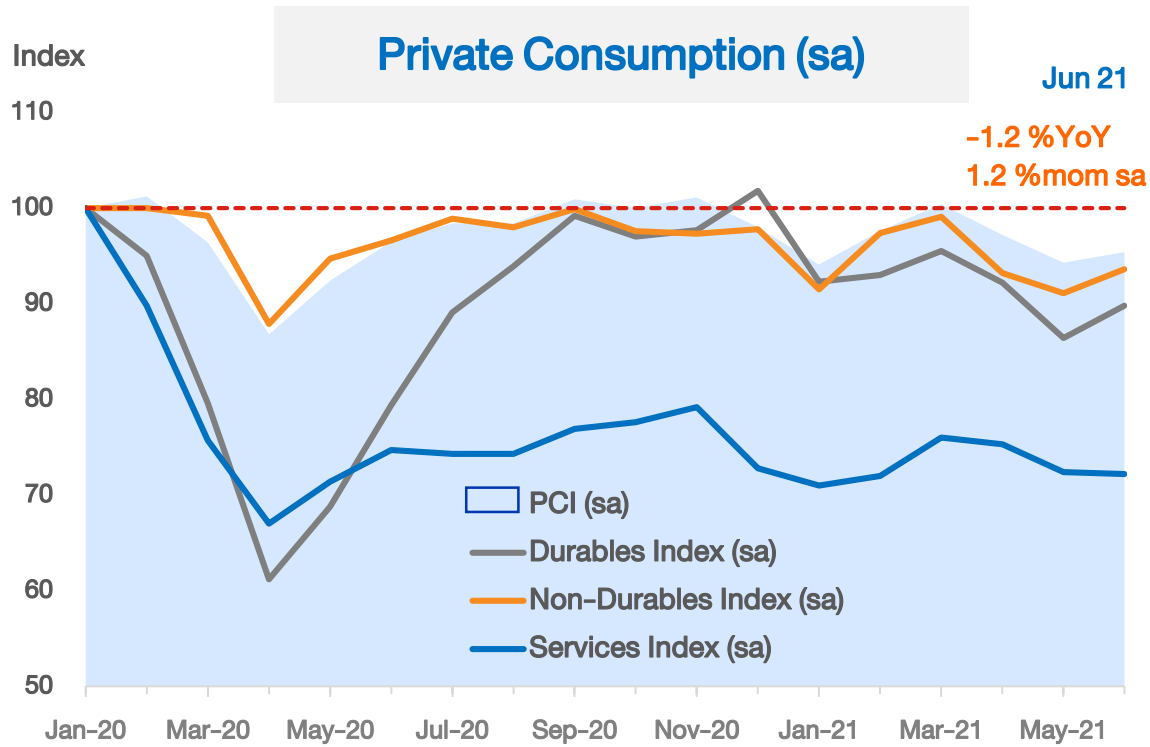


- As of Jun2021, **foreign tourist inbounds** dropped slightly from previous month in all country of origins, except from East Asia .
- Currently, in Aug21, the resurgence of covid19 outbreak on Phuket island could be a threat to the new incoming tourists and would delay the border reopening of other areas. Hence, the success of Phuket sandbox partly depends on the effectiveness of outbreak controlling, which must be closely monitored.

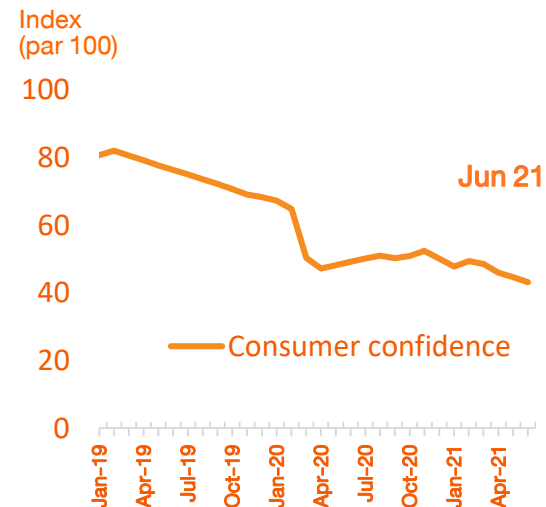
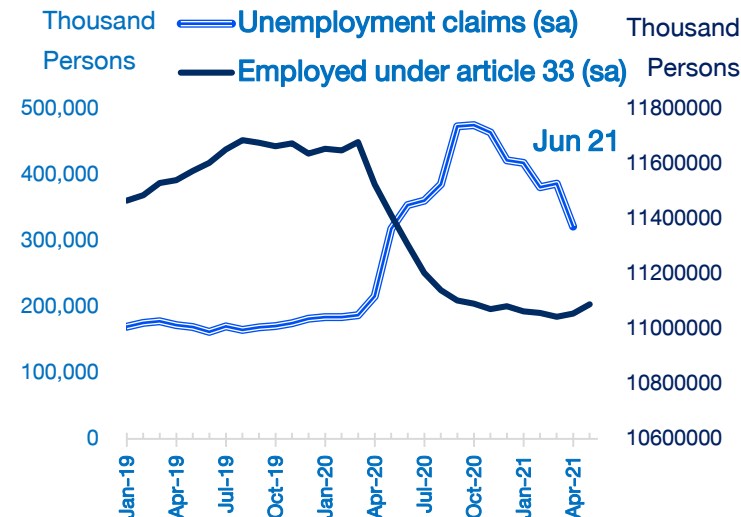
Classification by nation



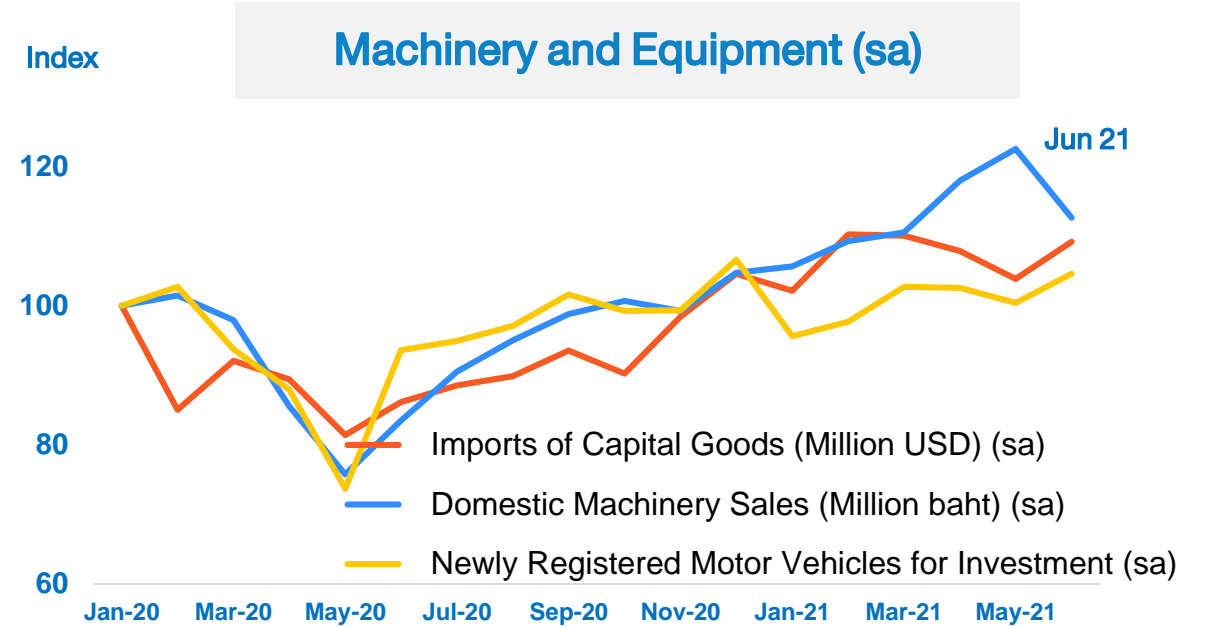
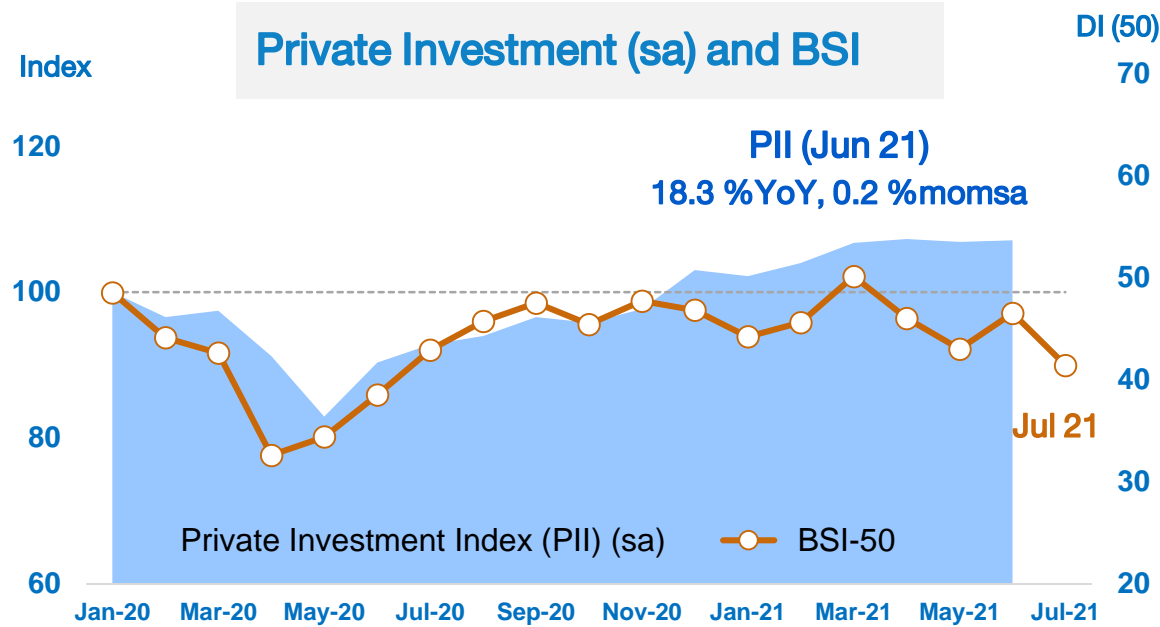
Consumption was in weak condition with fragile supportive factors amid ongoing outbreak



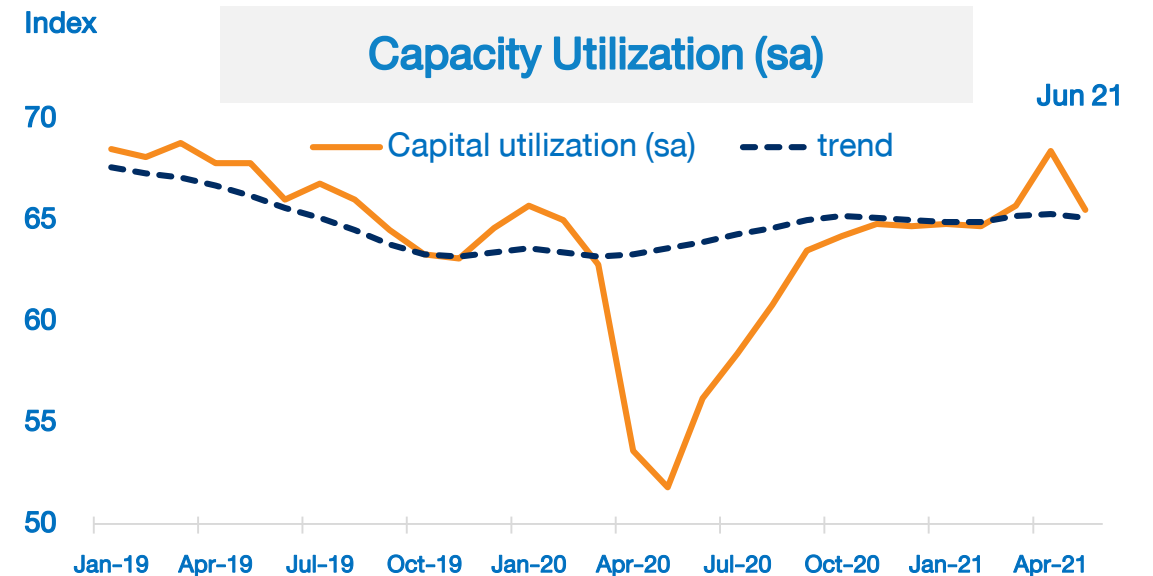
- **Private consumption** was in a weak condition even though came with a slight improvement due to easing restriction measures amid ongoing outbreak.
- **Most of supportive factors were fragile**: Consumer confidence and employment conditions became weakened. Farm incomes growth remained stable as there were growths in price and production.

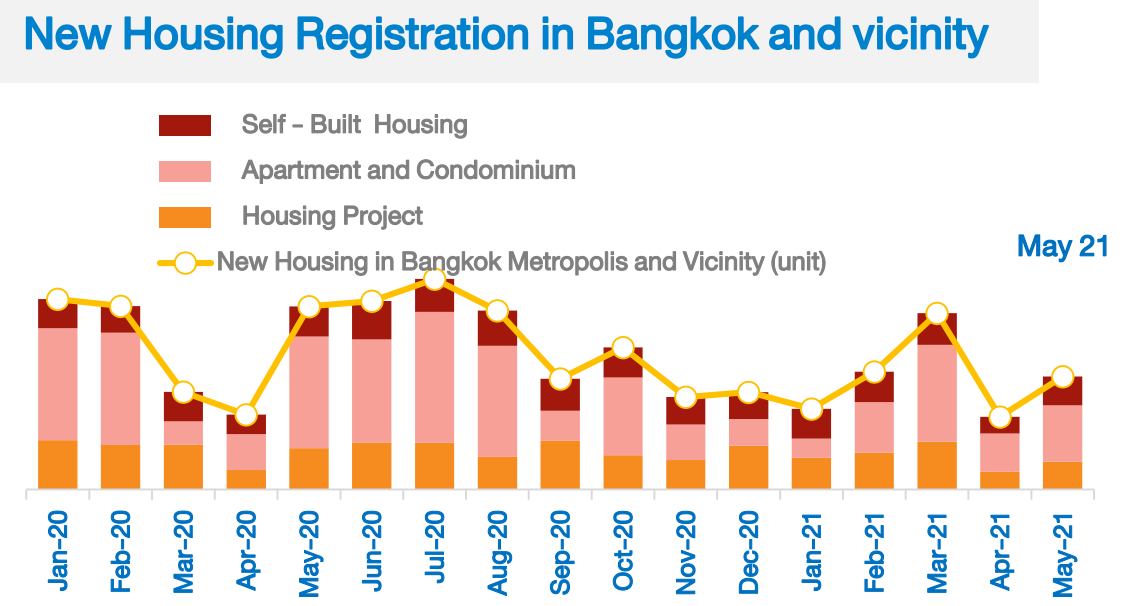
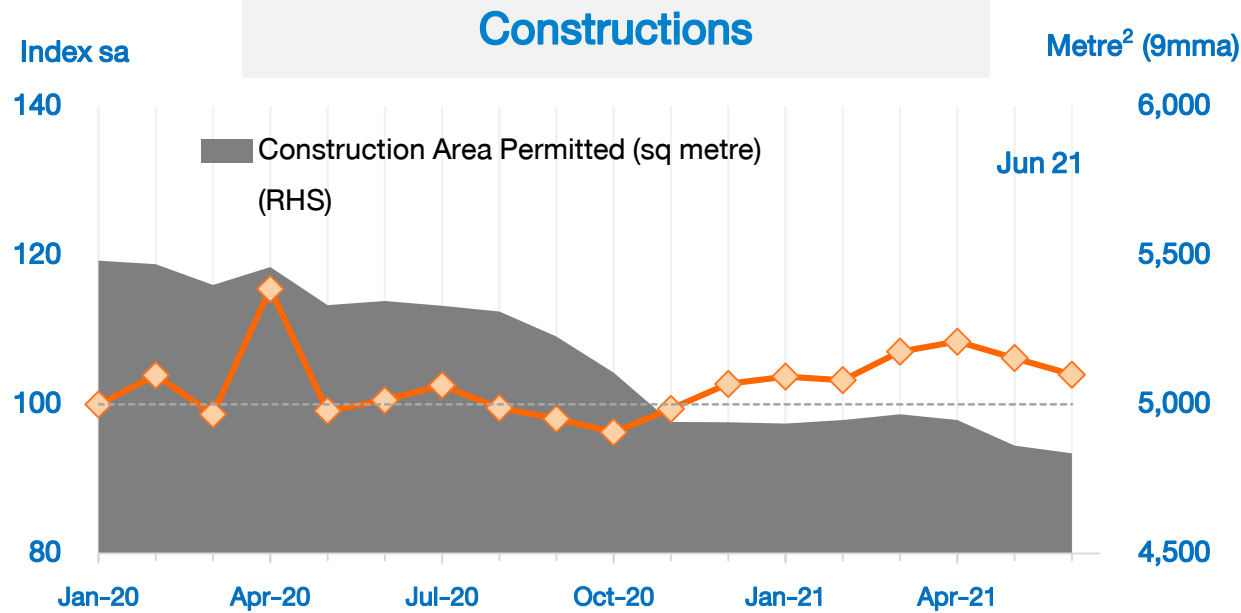


Private investment was relatively stable with continuously worsened business sentiment

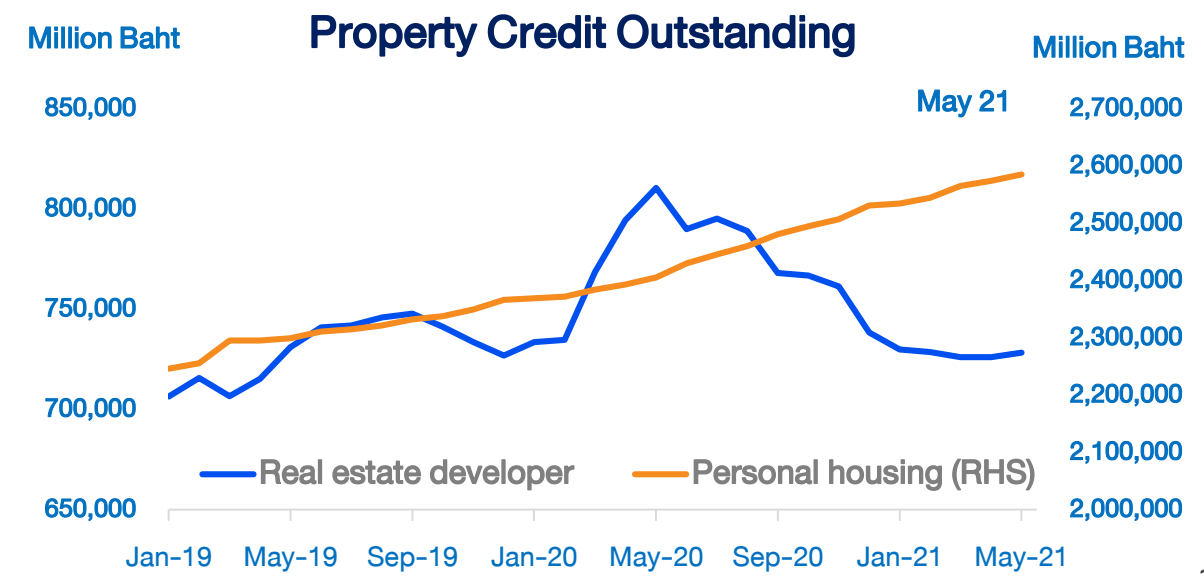


- **Private investment** was relatively stable with the only support from global export's recovery. In the meantime, business sentiment had continuously worsened after the insult of 3rd wave of COVID19 domestic outbreak.
- Capacity utilization was slightly above pre-COVID19 period level, signaling the ongoing upward trend in investment cycle in line with export recovery.
- Looking forward, the intensifying Delta variant outbreak in ASIA and the US would pose a negative risk on supply chains and the economy, thus hampering the investment prospect.

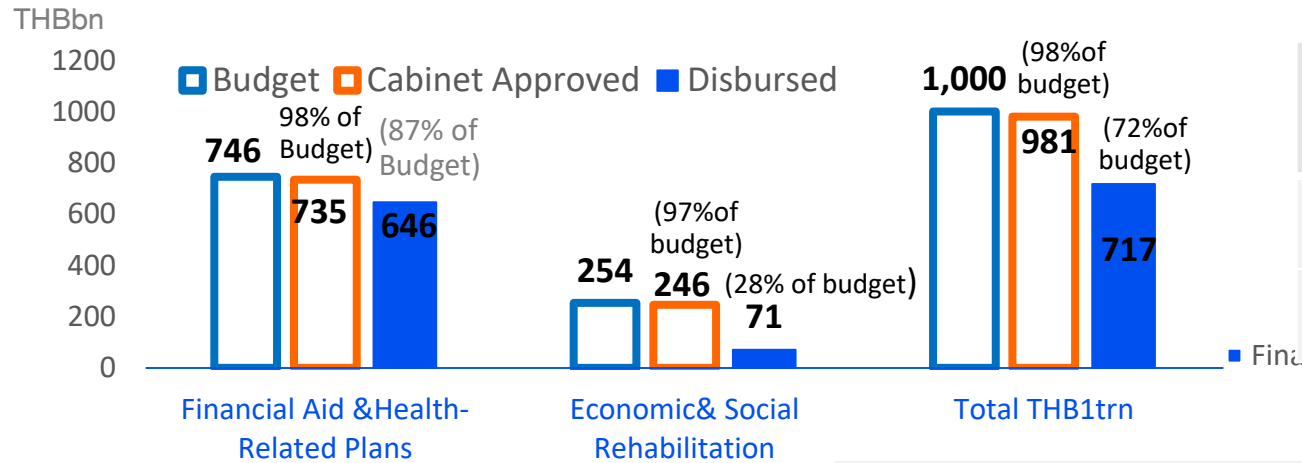




- **Construction sector dropped**, reflected by decreasing area permitted and material sales in line with the intensified pandemic situation domestically, especially cluster outbreak.
- **Real estate sector** : New housing activities were in weak condition in all categories, ranging from high-rising project, low-rising project and self-building house. Only high-rising accommodation outside Bangkok encountered a growth.
- **Credit conditions**: Credits for developers gradually declined partly due to bank's tightened credit standard.



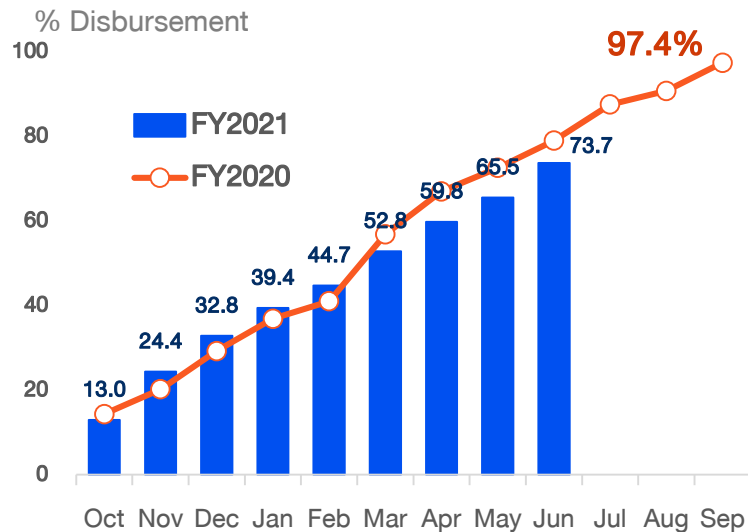
Progress on 1-trillion Stimulus Package (as of Aug 2021)



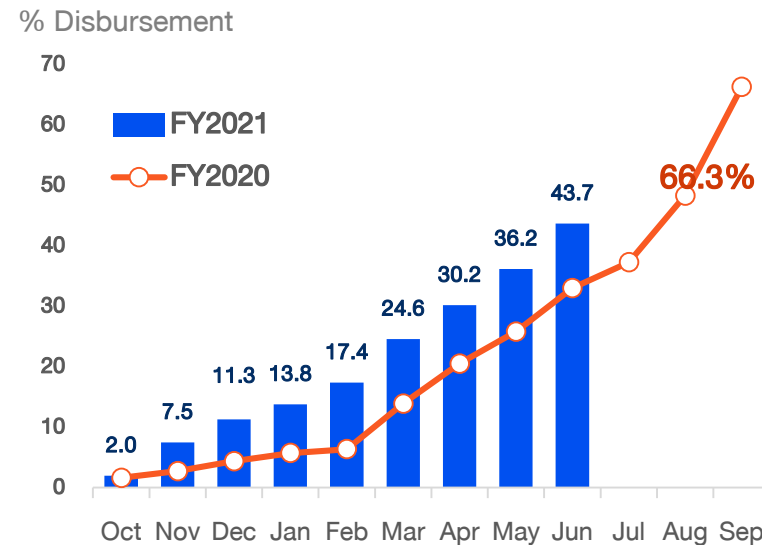
Measures to alleviate the impact from the strict lockdown

Measure	THBbn
Relief employers and employees in specific 9 sectors in the “Dark-Red-Zone” 29 provinces under the Social Security Act	60
Educational and Tuition Fee Reductions	33
Tap Water and Electricity Charge Reduction	12

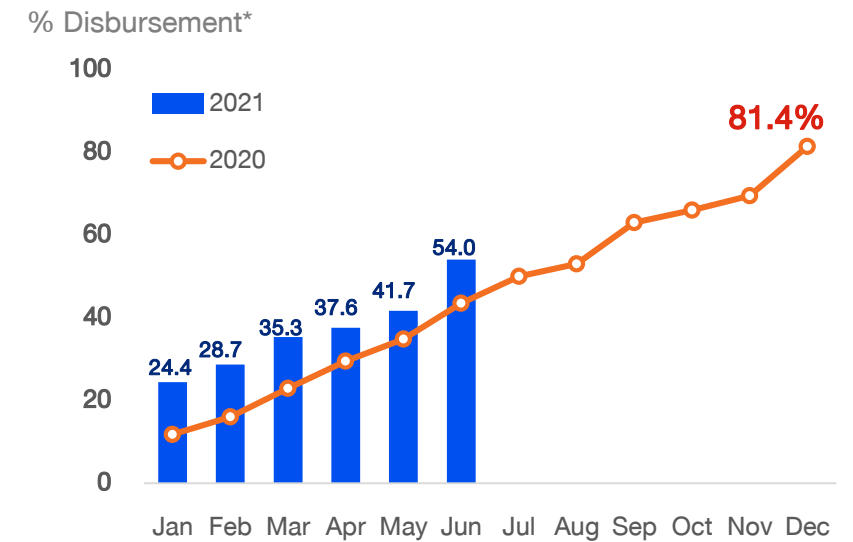
Current Expenditures



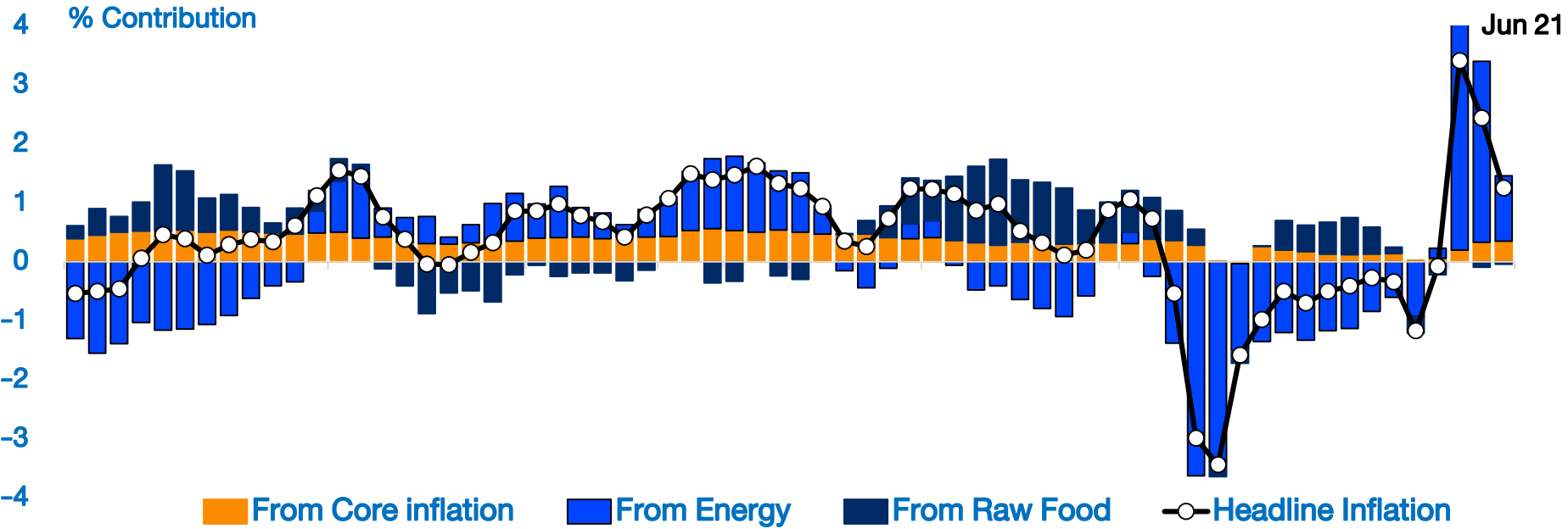
Public Investment Expenditures



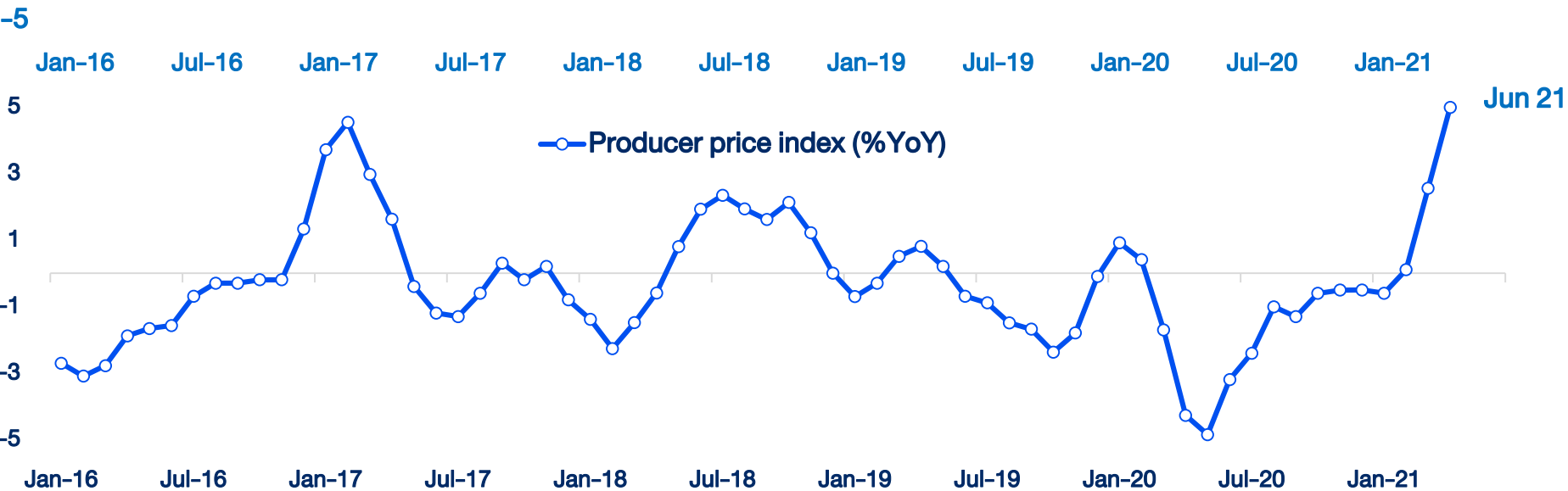
State Owned Enterprise Investment



Inflation declined due to lower base effect from energy price, core inflation was stable



(%YoY)	Jun-21
Headline inflation	1.25
Contribution	
Raw Food (20.6%)	-0.04
Energy (12.4%)	1.11
Core (67.1%)	0.35

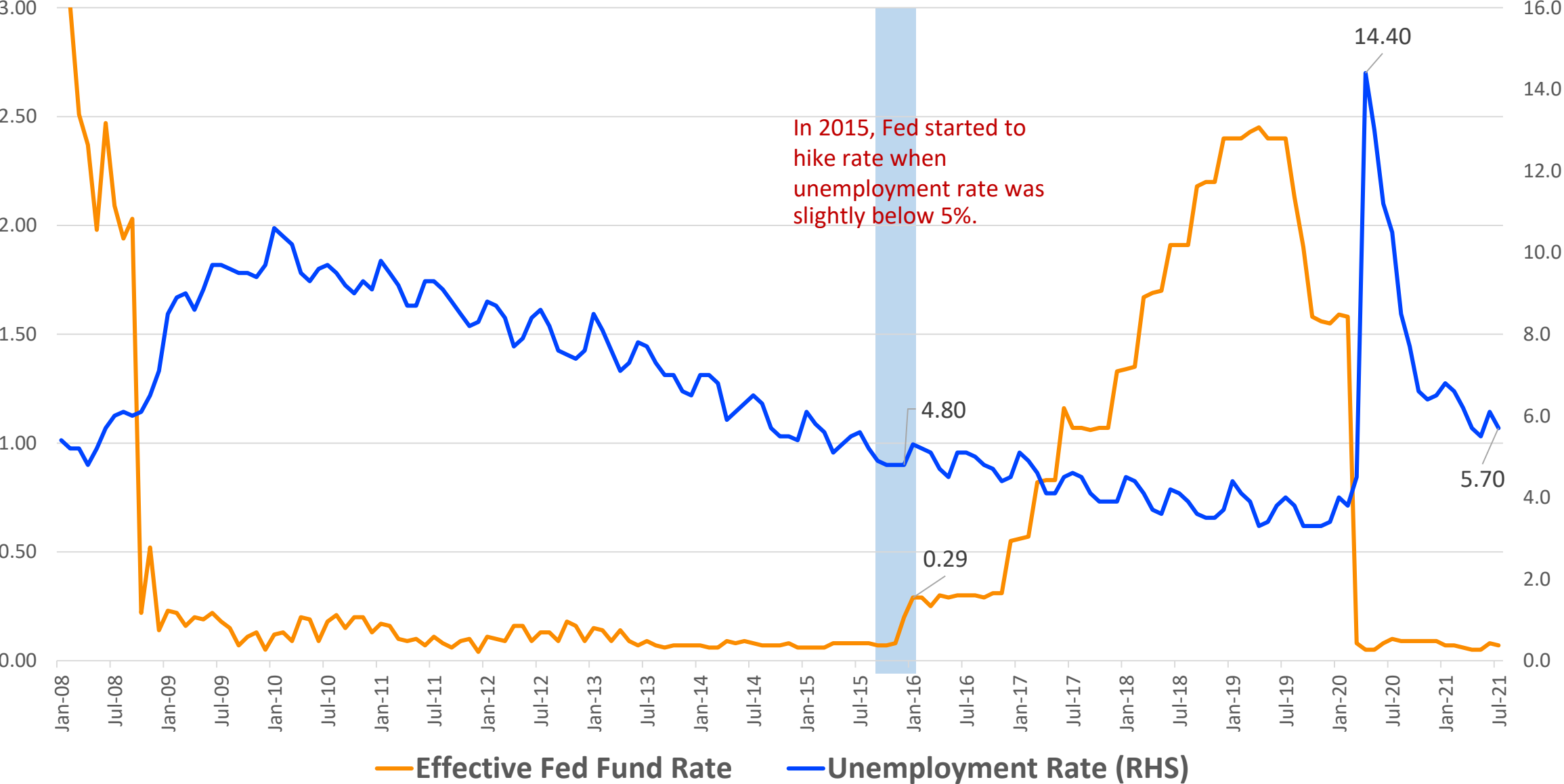


PART 3

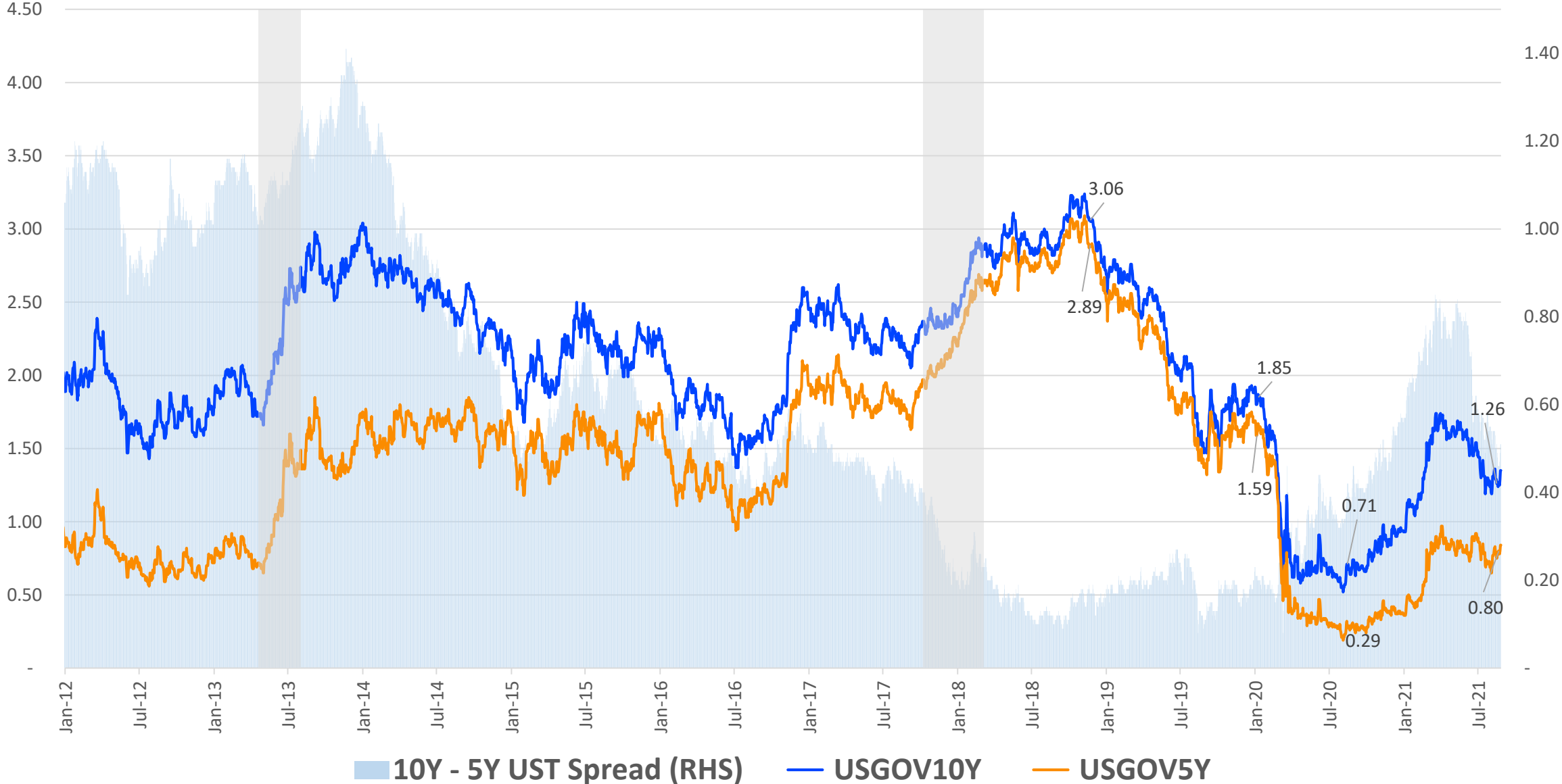
Financial Market



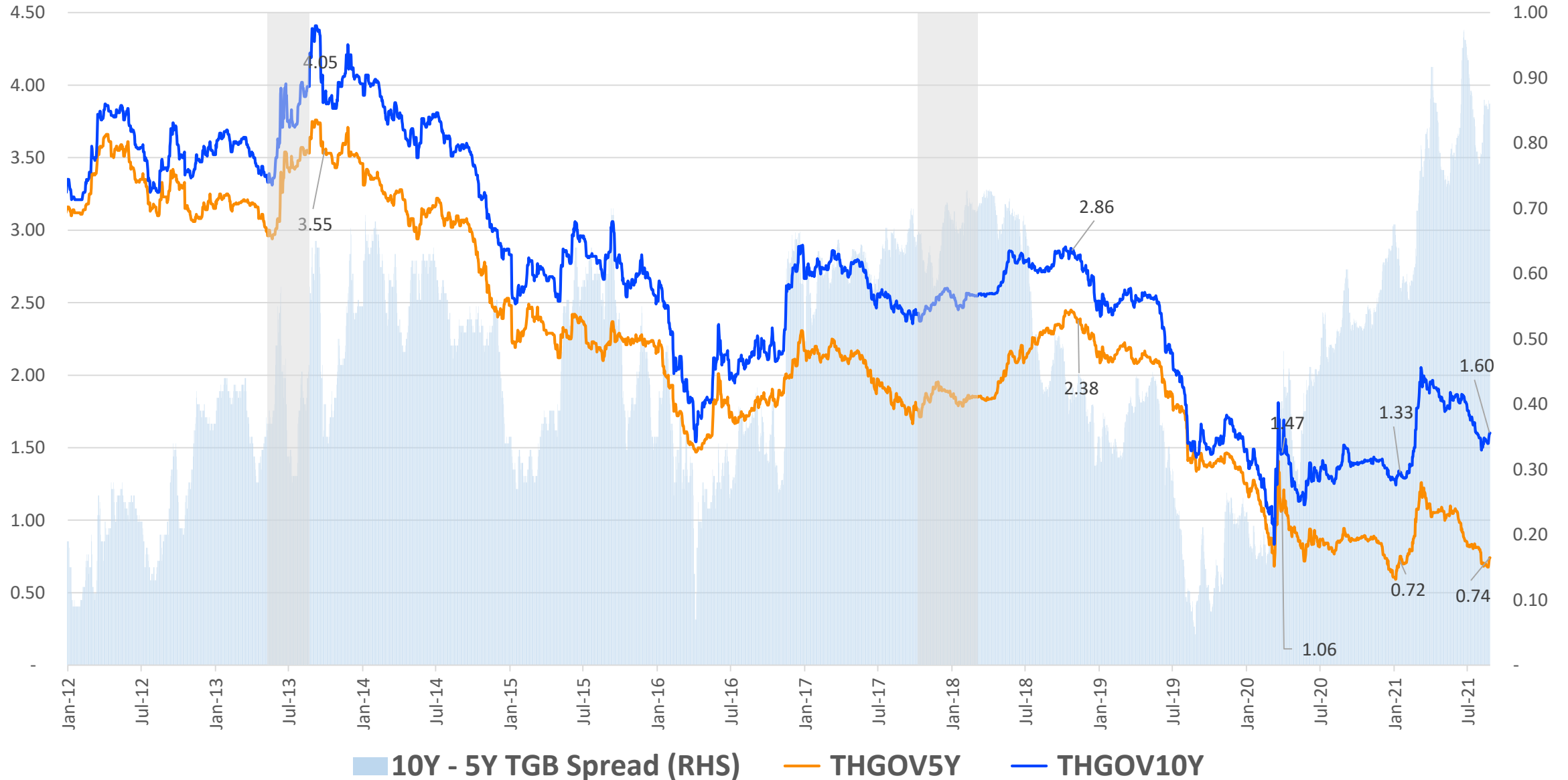
Relationship Between Fed Fund Rate and Unemployment Rate



Historical UST10Y & UST5Y since the last QE tapering



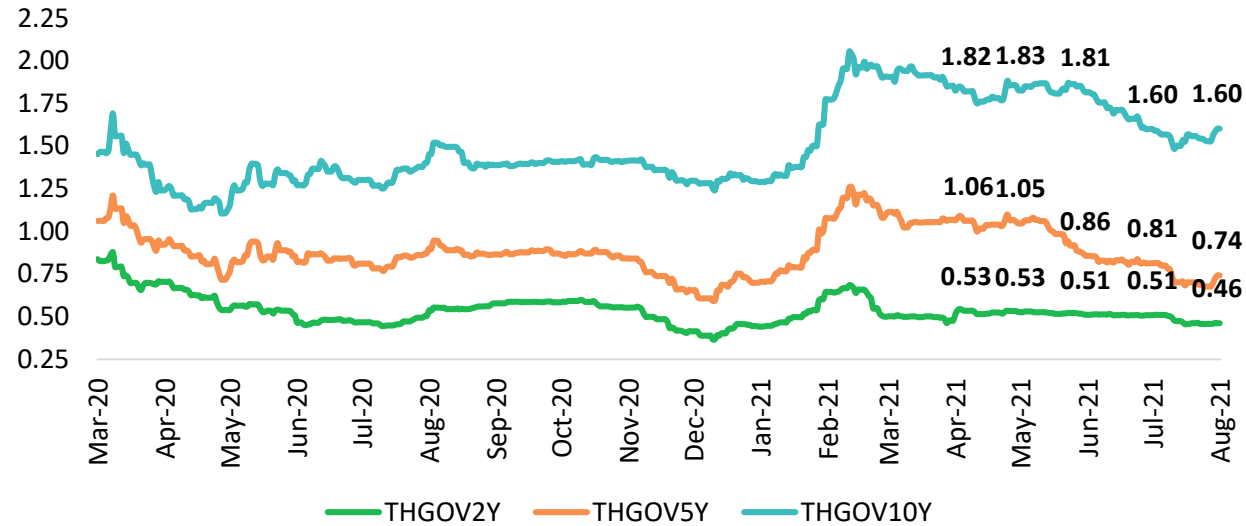
Historical TGB10Y & TGB5Y since the last QE tapering



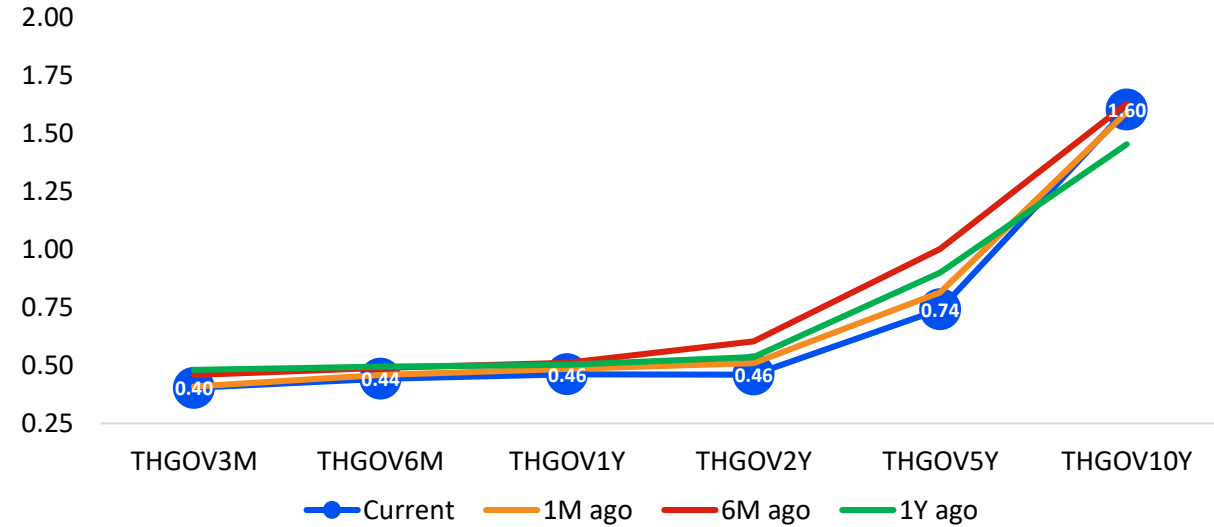
TGB curve slowly steepen as covid-19 peak but still on uptrend



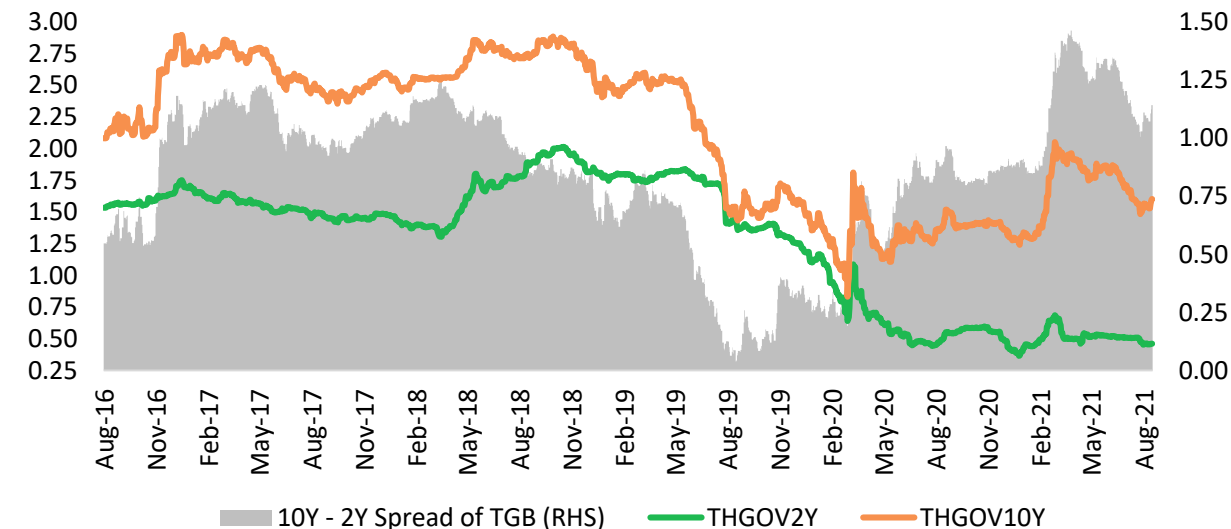
Thai Government Bond Movements



Slowly steepening Yield Curve

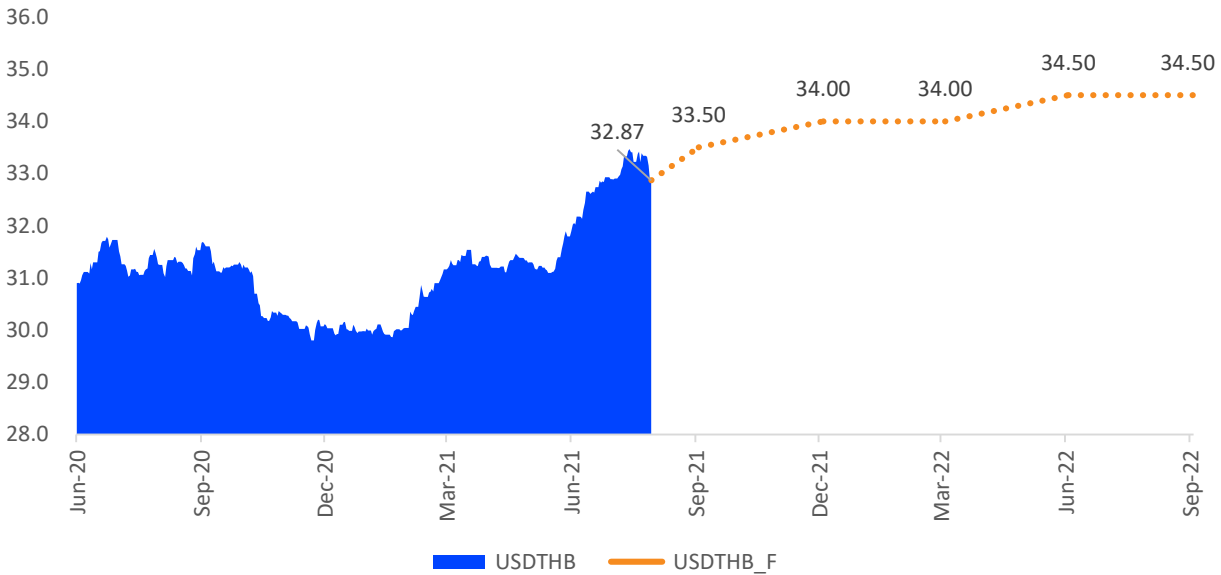


10Y - 2Y Spread TGB

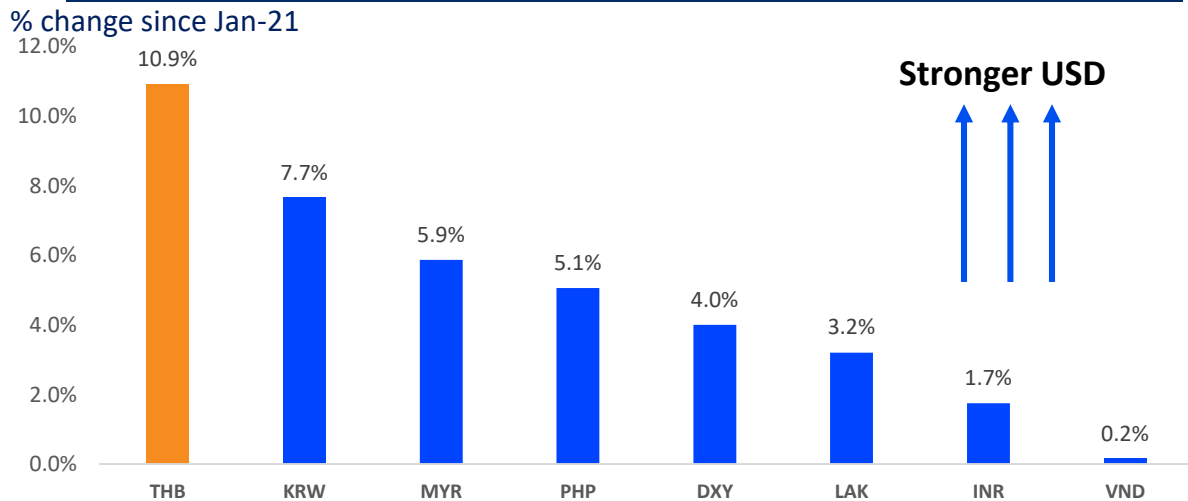


- Short term TGB will be mounted to policy rate at 0.50% at least through mid 2022 as MCP may revise its policy rate at the end 2022. It will be fluctuated in small range with downside price risk.
- In recent months, Long term TGB and UST uptrend has been slowed down by worsen covid situation in Thailand and concern of Fed policy but we still expect further steepening yield curve to continue from this month.

Historical Thai Baht and projection



THB depreciated most since beginning of year



Factors affecting Thai Baht

Slow economic recovery in Thailand

Comparing to global peers, Thailand's economic recovery in slower path as its economic structure and lower vaccination rate affecting ability to control new delta variance in short term

Continuous Negative current account

As a result of large deficit of net services as covid-19 widespread but expected to recover in 2023 as tourism pick up

Slower policy tightening

Supporting stronger Dollar and more attractive USD assets

Weaker Safe Haven Status

No significant inflows from abroad since last year, despite growing risk

■ Strengthening THB ■ Weakening THB

Thank you

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