

The background features a night cityscape with illuminated skyscrapers. Overlaid on this is a glowing blue network of lines and nodes, which appears to be a map of Thailand. The network lines are bright blue and connect various points across the map, creating a sense of global connectivity and data flow.

# Global and Thai Economic and Market Outlook for 2024

## Prepare for the Next

LH Bank Business Research

9 May 2024

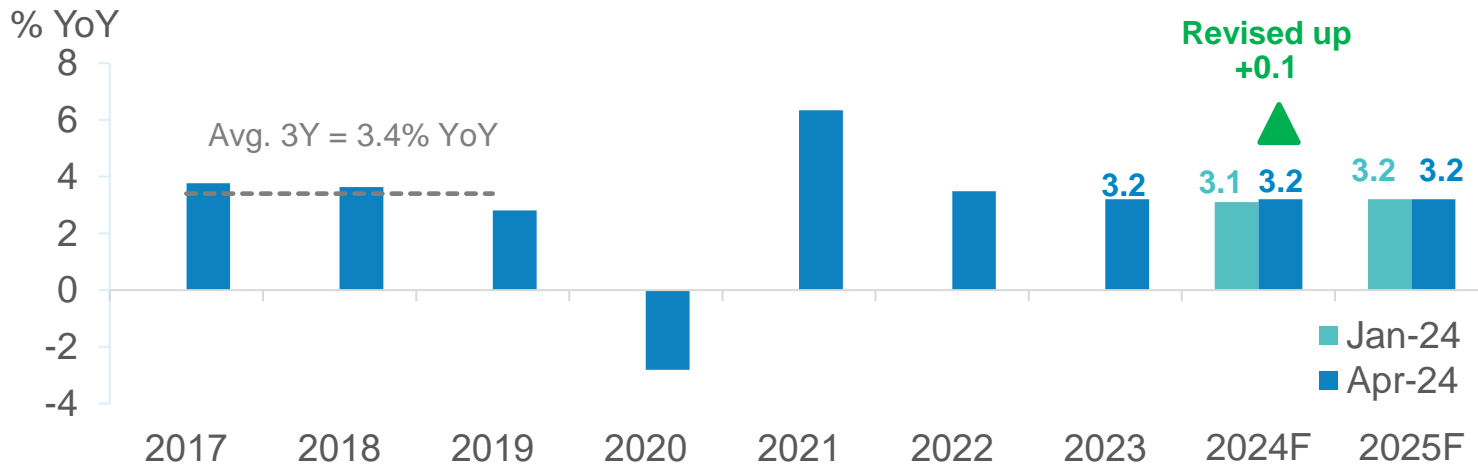
# Global Economic and Market Outlook 2024

*“Peaked Rate Hikes and  
Delayed Rate Cuts”*



The IMF has slightly revised up global economic growth to 3.2% in 2024, amid lower inflation and a pivot towards monetary easing in major countries. Contrary to fears of stagflation or a global recession, advanced and developing economies are expected to grow modestly through 2024 amid high interest rates.

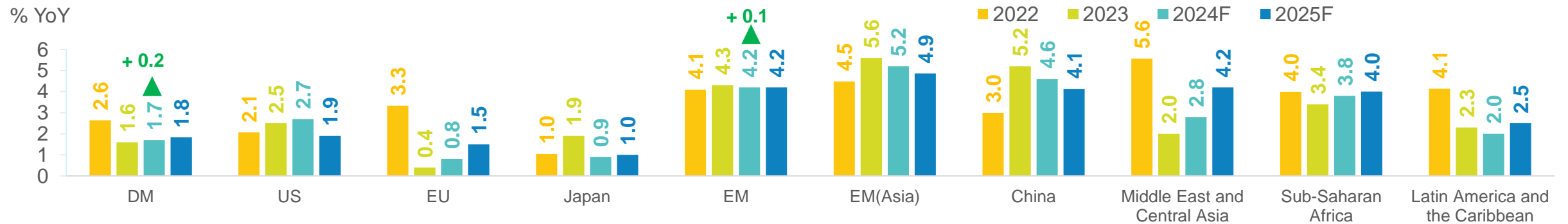
### IMF Global GDP Forecast (as of April 2024)



### Key Challenges in Global Economic Outlook

- 1 Geopolitical tensions lead to volatile commodity prices and exchange rates
- 2 Sluggish property hits China's economy, affecting trading partners
- 3 High interest rates, and financial stress could dampen economic activity

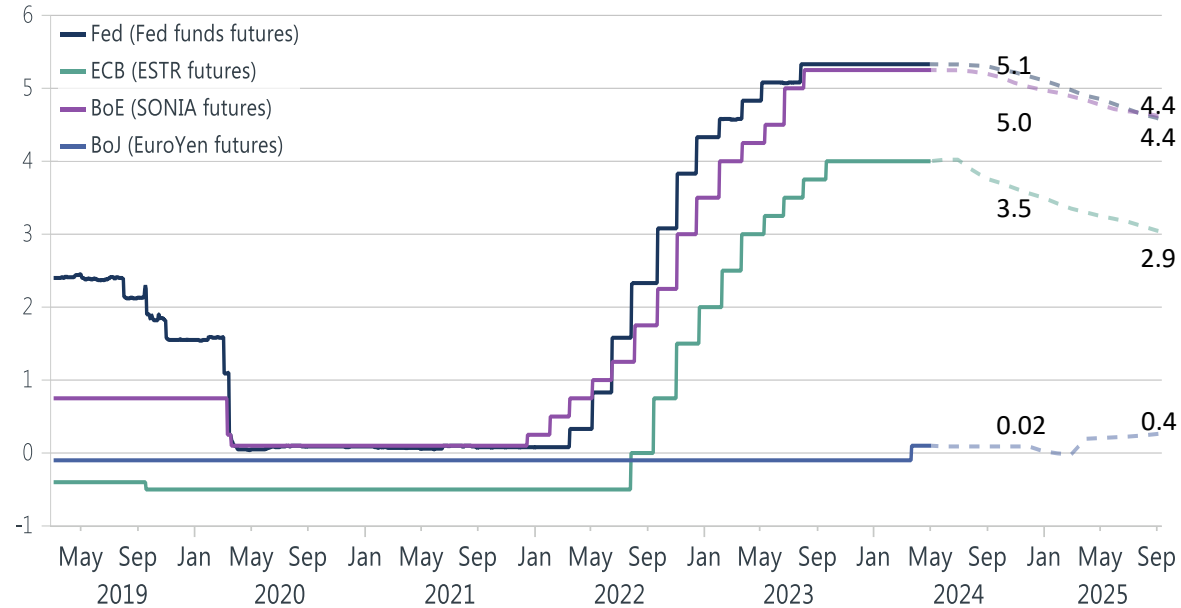
### Global recovery remains resilient but slow and uneven



# Global Monetary Policy and Future Market – Further DM rate hikes unlikely, but rate cuts also delayed

Futures markets suggest that further rate hikes are unlikely, except for the BOJ

## Central banks' policy rates and market-implied rate trajectories

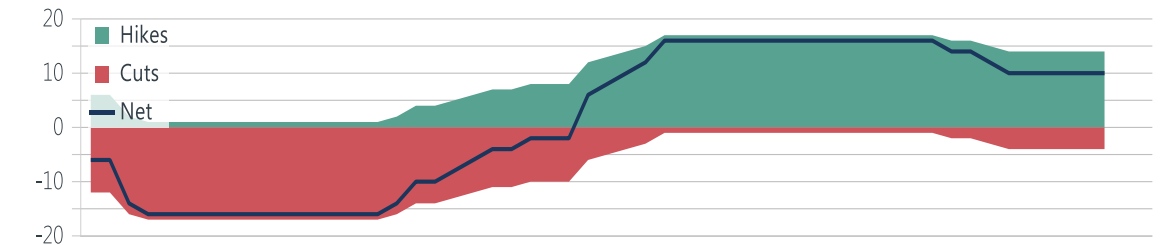


- The chart monitors several futures markets, including SONIA (BOE), ESTR (ECB), and Fed funds (Fed), to demonstrate the rate trajectory predicted by different central banks.
- **In most cases, the current level is considered the highest rate, and a shift towards cuts is expected in 2024.**

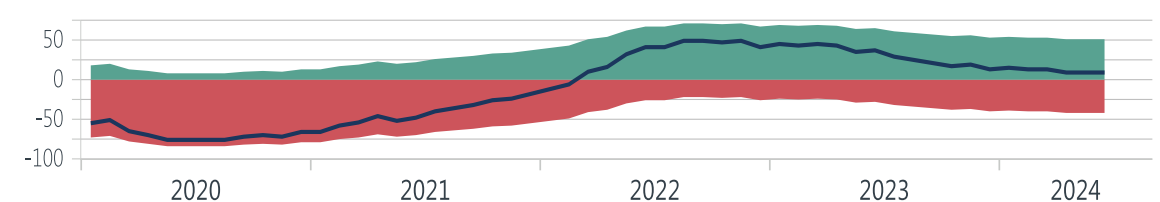
Some emerging countries have started to lower interest rates before those in the developed world

## Hikes vs cuts as most recent move

Developed Markets: 18 countries



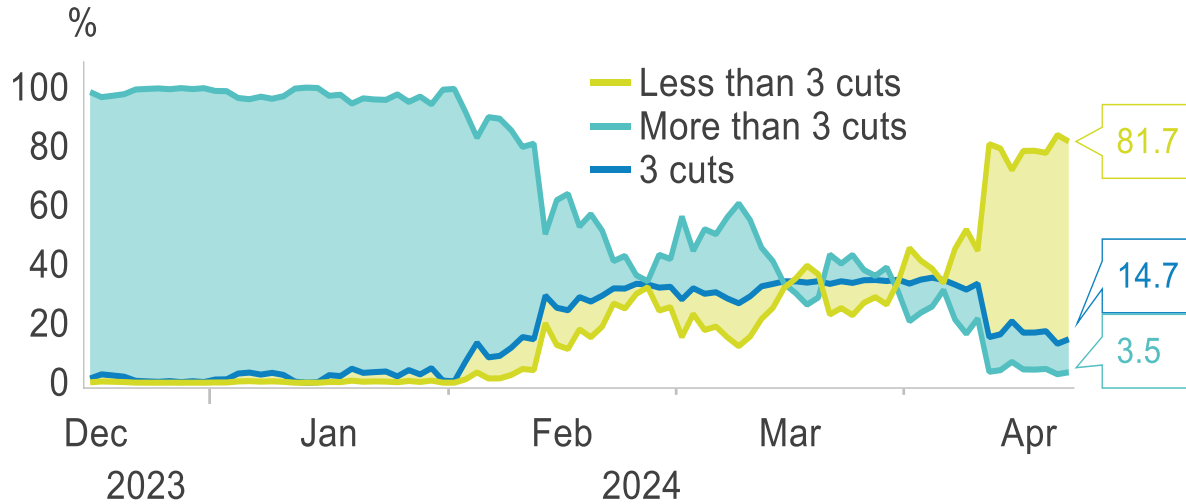
Emerging Markets: 93 countries



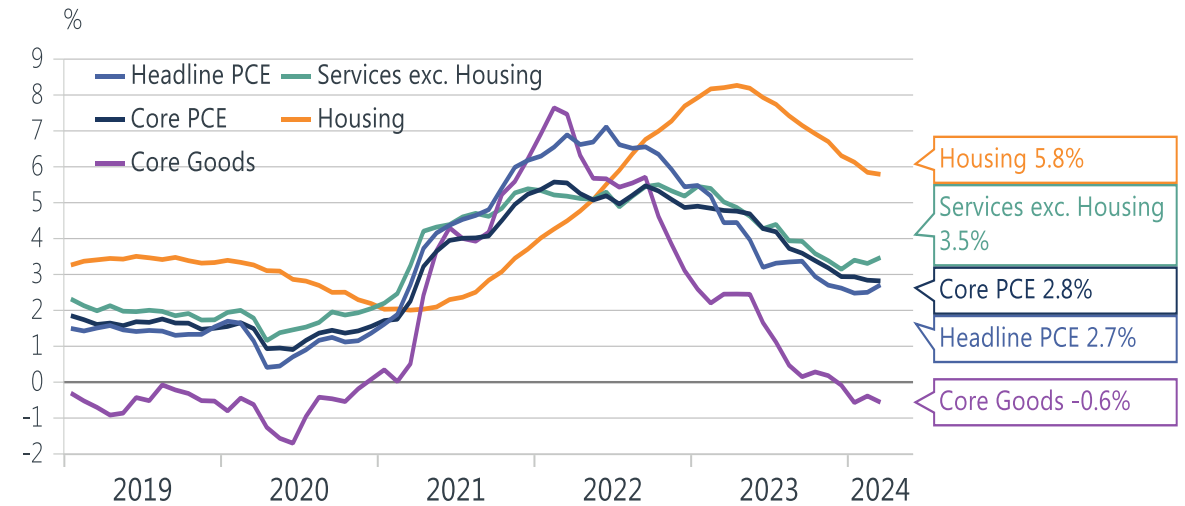
- The chart aggregates inputs from central banks around the world, split into a selection of developed and emerging markets, to visualize central bank's most recent move was a hike or a cut.
- **The current cycle also reflects a divergence between the two groups. Number of emerging markets started to cut rates, compared to developed markets with few rate cuts.**

# The persistence of high inflation and a robust labor market could influence the Fed's monetary policy decisions, with the market currently pricing in fewer than three rate cuts in 2024.

## Market expectations for Fed cuts during 2024

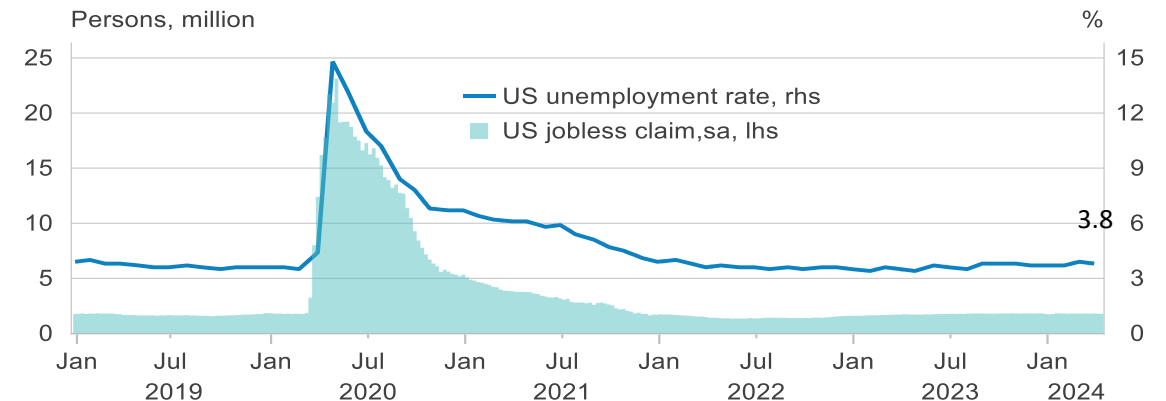


## US Consumer Price Index and Personal Consumption Expenditure



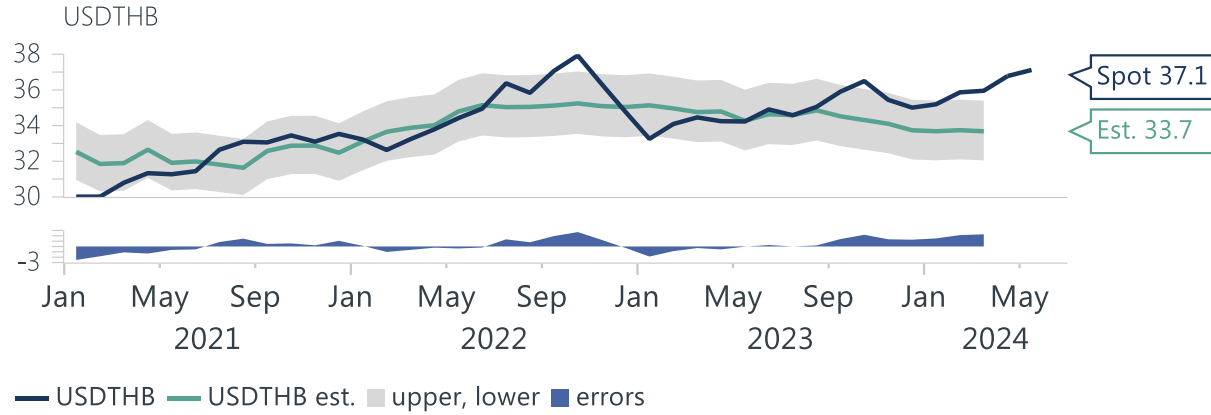
- In December 2023, market expectations suggested aggressive 5-6 Fed rate cuts throughout the year 2024.
- However, **the latest US core PCE rose moderately in March, but house rents remain stubbornly high.**
- The **US labor market is showing robustness**, with declines in the unemployment rate and the number of jobless claims.
- **The probability of a rate cut is being postponed and it is now expected to be delayed until at least September (CME Fed Watch Tool).**

## US unemployment rate and jobless claims



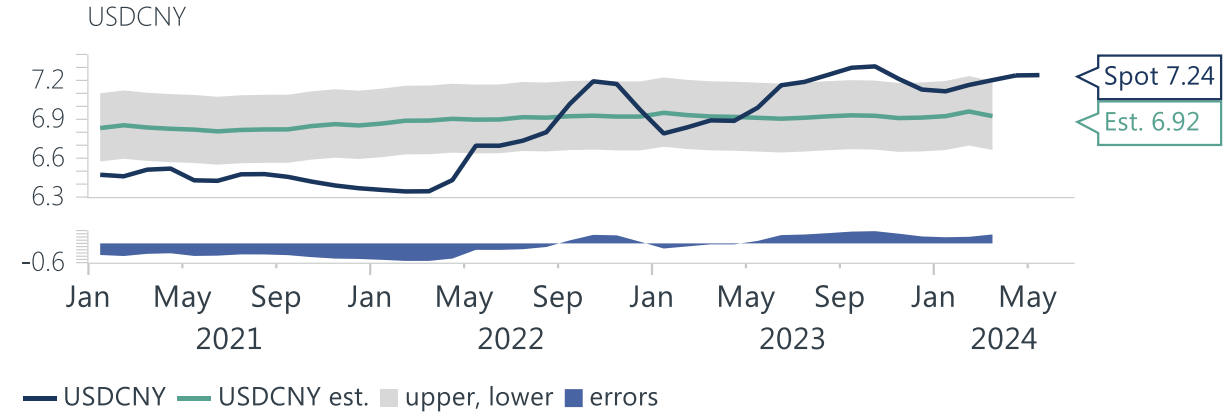
# Our Purchasing Power Parity (PPP) model for FX forecasts suggests that the major Asian currencies are now undervalued (depreciating too fast against the USD), with the exception of the EUR, which is slightly overvalued.

## THB PPP (CPI between US and Thai as estimation factors)



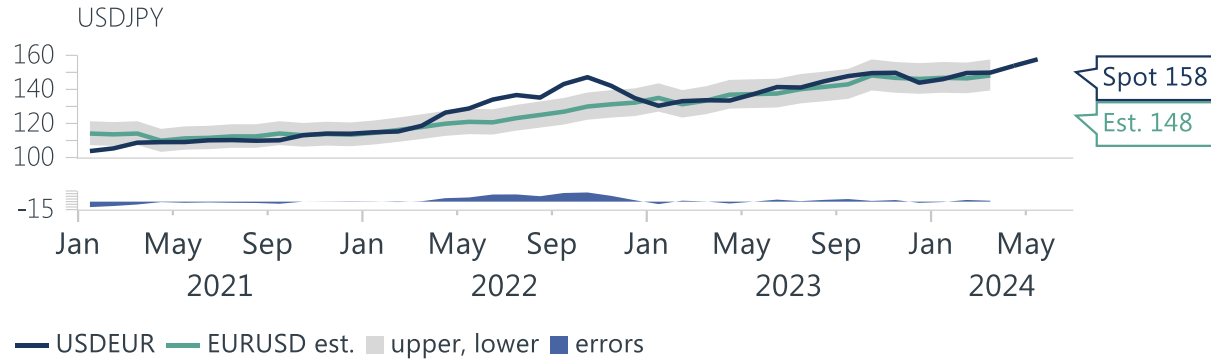
Sources: Macrobond, Thailand Bureau of Trade & Economic Indices, BLS

## CNY PPP (CPI between US and China as estimation factors)



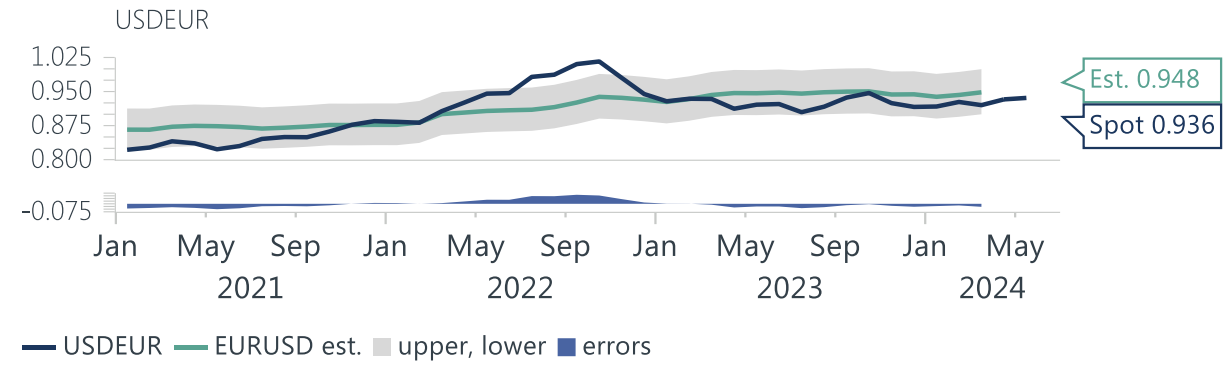
Sources: Macrobond, NBS, BLS

## JPY PPP (CPI between US and Euro Area as estimation factors)



Sources: Macrobond, SBJ, BLS

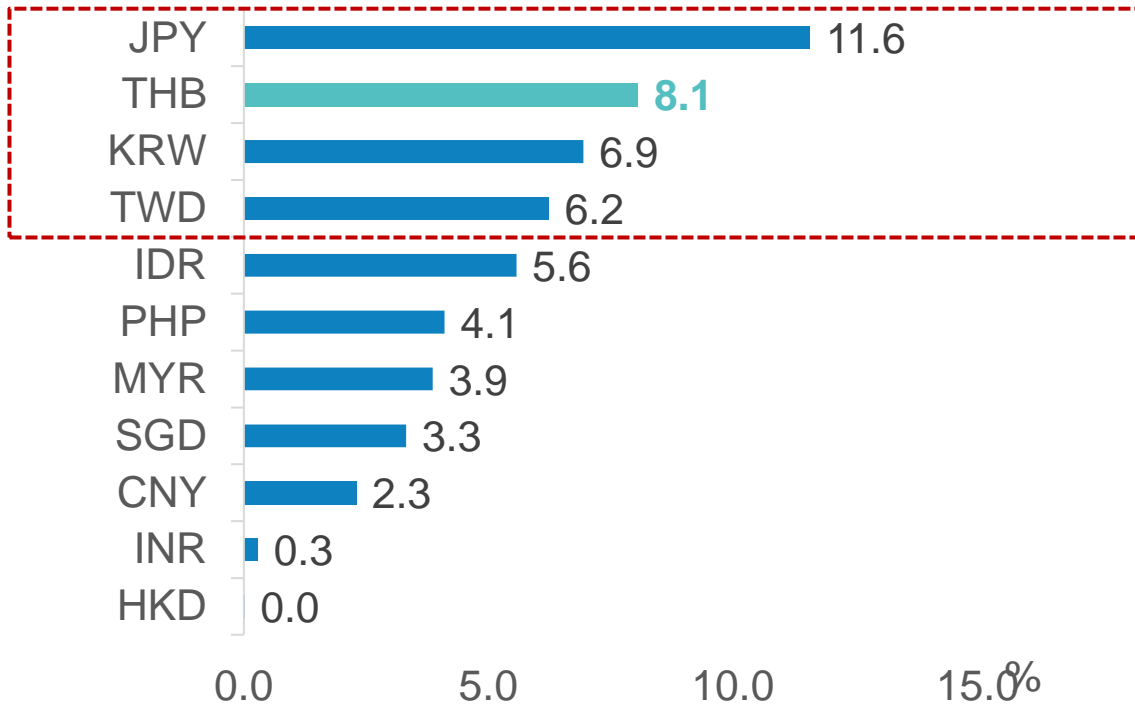
## EUR PPP (CPI between US and Euro Area as estimation factors)



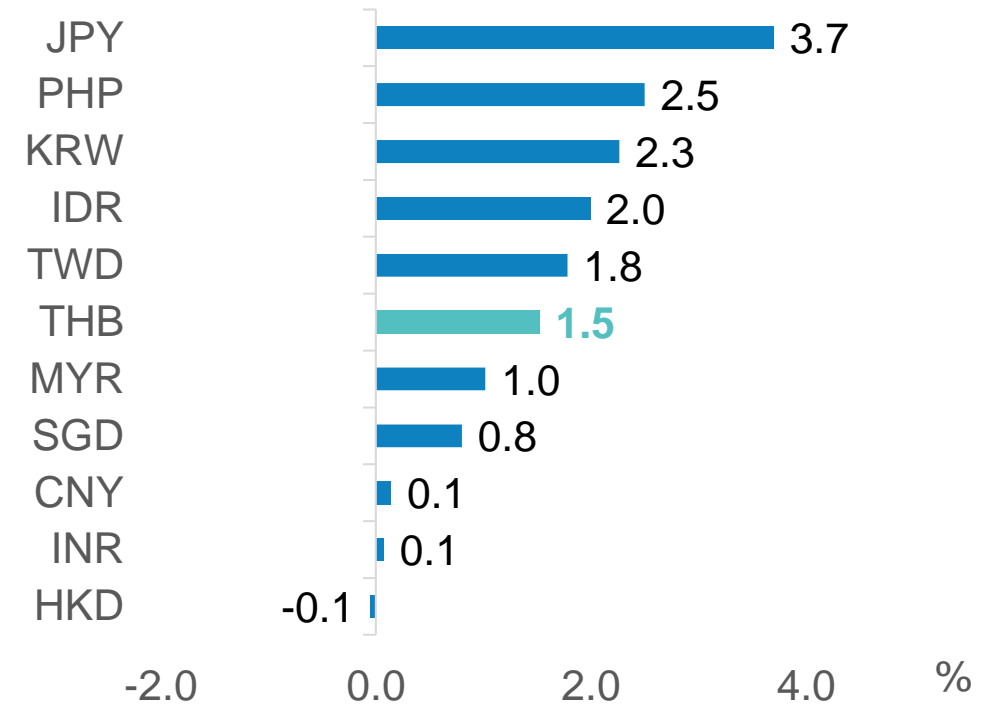
Sources: Macrobond, Eurostat, BLS

Asian currencies (especially, JPY, THB, TWD, KRW) continue to depreciate against the USD on the back of the Fed's delayed rate cut, high exposure to China and net energy importer positions.

Asian currency (YTD)



Asian currency (MTD – end April)



- The US dollar has strengthened as 1) Strong US economic data such as a robust labor market, 2) Market expectations that the Fed may delay a rate cut further. This could keep interest rate differentials high and lead to capital outflows from Asia, and 3) Ongoing geopolitical tensions are making investors risk-averse. As a result, the US dollar is seen as a global safe haven.
- Asian currencies have depreciated so far this year, led by JPY, THB, TWD and KRW, partly due to their greater exposure to China and as being net energy importers.

# Key Takeaways

## Global Economic and Market Outlook 2024

- Key challenges are geopolitical tensions, China slowdown, and high interest rate hampering economic recovery.
- Continued high inflation and a robust US labor market could delay Fed rate cuts, with the market currently pricing in fewer than three rate cuts in 2024.
- Asian currencies continue to weaken as a result of the Fed's delayed rate cut, but could strengthen toward the end of 2024.







# Global Geopolitical Outlook 2024

*“The Year of Elections  
and Heightened  
Political Uncertainty”*

# US Election polls in 2024: Expect more solid direction from the presidential candidates during the national conventions in July-August, and post-election market volatility.

The Democratic and Republican parties will hold their **national conventions, officially nominating their candidates for president and vice president.**

**Early/absentee voting** begins in many states.

Members of the Electoral College meet in each state and cast their **votes for president and vice president** based on the popular vote winner in their state.



**Primary elections and caucuses** are held by the parties to select their nominees for president.

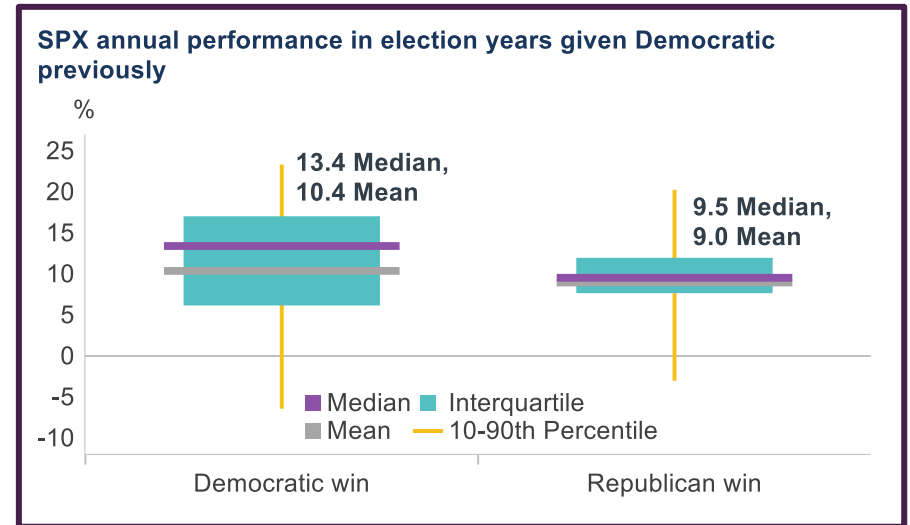
The **general election campaign** between the Democratic and Republican nominees intensifies after Labor Day.

**Election Day** Voters in all 50 states and D.C. will vote for president and vice president as well as House and Senate races.

**Electoral College** results are counted and certified by Congress.

The **inauguration** of the new president is held in Washington D.C.

- **The stock market usually moves in a narrow range before the election day.** Historical data shows that the US stock market (S&P 500) often moves in a narrow range in the **2-3 months** leading up to a US presidential election, reflecting more cautious trading. However, the market tends to **rally further after the presidential election.**
- **The annual return of the SPX in election years since 1936 (when the previous party was the Democrats) was an average of 10.4% when the Democrats won, higher than 9% when the Republicans won.**



Note: The range of outcomes in that scenario are broader and so more unpredictable, suggesting that the S&P 500's performance in election years is not purely politically driven.

If Trump is elected, U.S. trade protectionism and restrictions on labor immigration (exacerbating labor shortages) could raise inflation and thus interest rates, while broader tariffs would likely strengthen the USD, especially against affected currencies.



Joe Biden



Donald Trump



### Industrial Competitiveness

- Investments in **clean tech** and the climate transition
- Continue the recent “**The CHIPS and Science Act**” and the 2021 infrastructure investment bill

- **Elimination of clean tax credit**
- Propose new **tax incentives for domestic oil and gas production**



### Trade

- Support **trade growth within North America**
- Implement **non-tariff barriers** as the main tool in its economic rivalry **with China**

- Impose a **10% tariff on all imports** (vs. currently applies an average 3% on global trade (excluding China))



### Immigration

- **Open channels for legal migration**, but toughened controls on illegal migration

- **Tighter control of migrant arrivals**, including the likely reimposition of the so-called Muslim travel ban



### Tax and Fiscal Policy

- **Raise corporate tax rate to 28%** from currently 21%
- Raise spending again from 2025, particularly on **social programs**

- Leave corporate tax rate at 21% and consider the possibility of **reducing the rate to 15%**
- Increase **spending modestly** and attempt to offset this with receipts from import tariffs



### Monetary Policy

- Respect for **the Federal Reserve's independence** in the fight against inflation

- Calls for **lower interest rates** to stimulate the economy



### Foreign Conflict

- **Continue to support for Ukraine**, but waning public support for continued US engagement

- **Less favorably on-going support for Ukraine** in its war with Russia

# The US and China frictions have been multifaceted since 2018 onwards, including trade, capital markets and technology.

**Jul-Aug 2018**

US increased **25% tariffs on \$34 billion** and **\$16 billion** of Chinese imports. China responded with tariffs on \$34 billion of US goods.



**May 2019**

US increased tariffs to **25% on US\$200 billion** of Chinese goods. China responded with tariffs on \$60 billion of US goods.



**Dec 2020**

The House passed the **Holding Foreign Companies Accountable Act (HFCAA)** and sent it to President Trump to sign.



**Oct 2022**

The Bureau of Industry and Security (BIS) implemented new export **controls on advanced computing and semiconductors** to China.



**Mar 2024**

The US Senate's homeland security committee voted to move forward a bill that could **restrict business with Chinese biotech companies** like BGI and WuXi Apptec.



**Aug 2023**

President Biden issued Executive Order addressing United States **investments in certain national security technologies**.



**Aug 2019**

China **halted purchases of US agricultural products**, and the Chinese yuan weakened past the key seven per dollar level.



**Apr 2018**

US imposed components ban on China's ZTE Corp.

**Aug 2019**

President Trump announced **10% tariffs on \$300 billion** worth of Chinese imports.



Trade



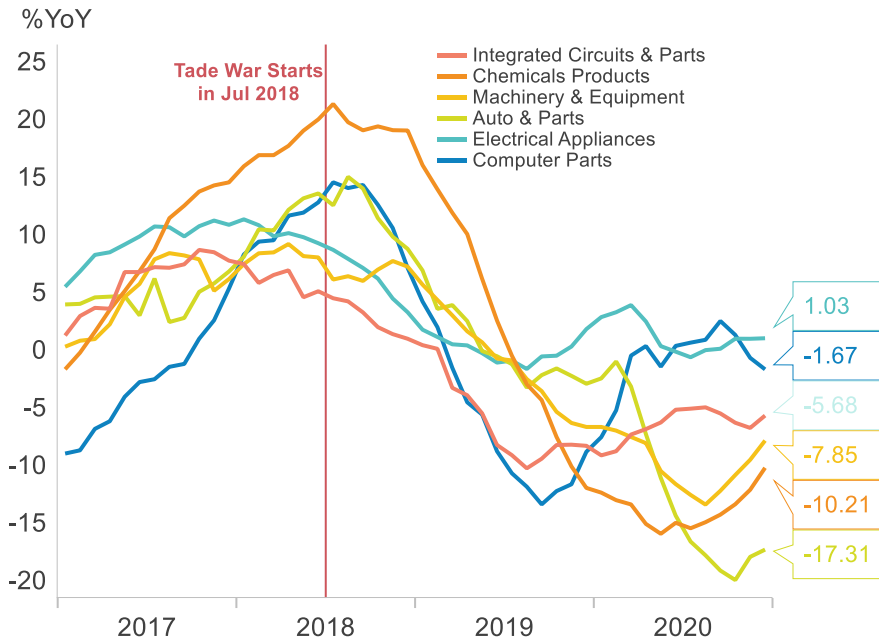
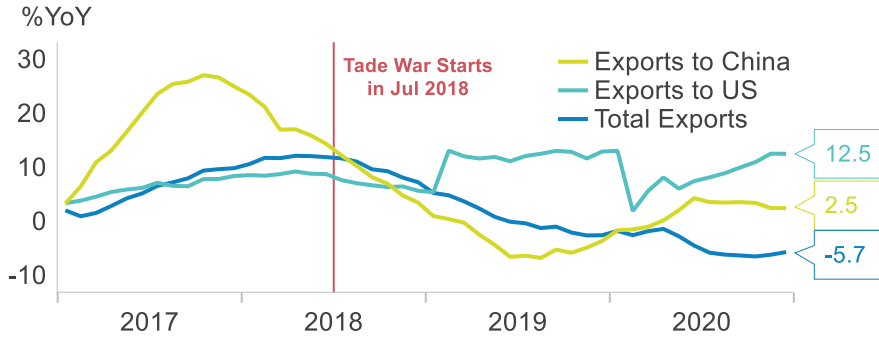
Capital Markets



Tech

# Lessons learned from the 2018-2019 US-China trade war: Thai exports in the Chinese supply chain are most affected, while the gains from replacing Chinese exports to the US are rather limited.

## Thailand's exports after US imposed tariffs on China

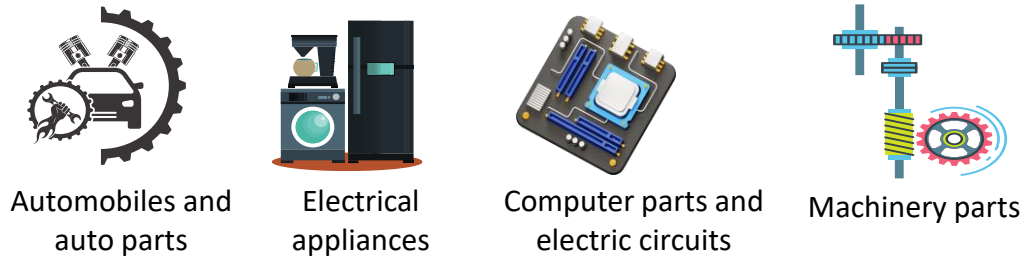


## Thailand's main export products hit by punitive US tariffs in 1Q2019

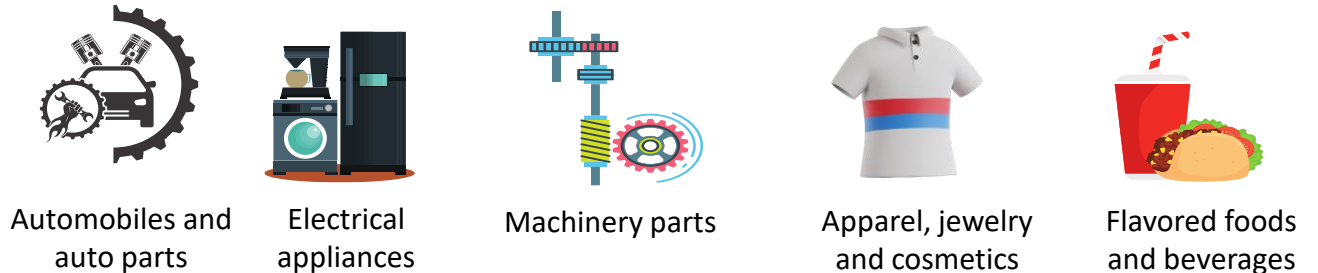
**1. Direct negative effect:** Thai exports to the US were down **-27.4%YoY** or value loss of **\$316.5mn.**



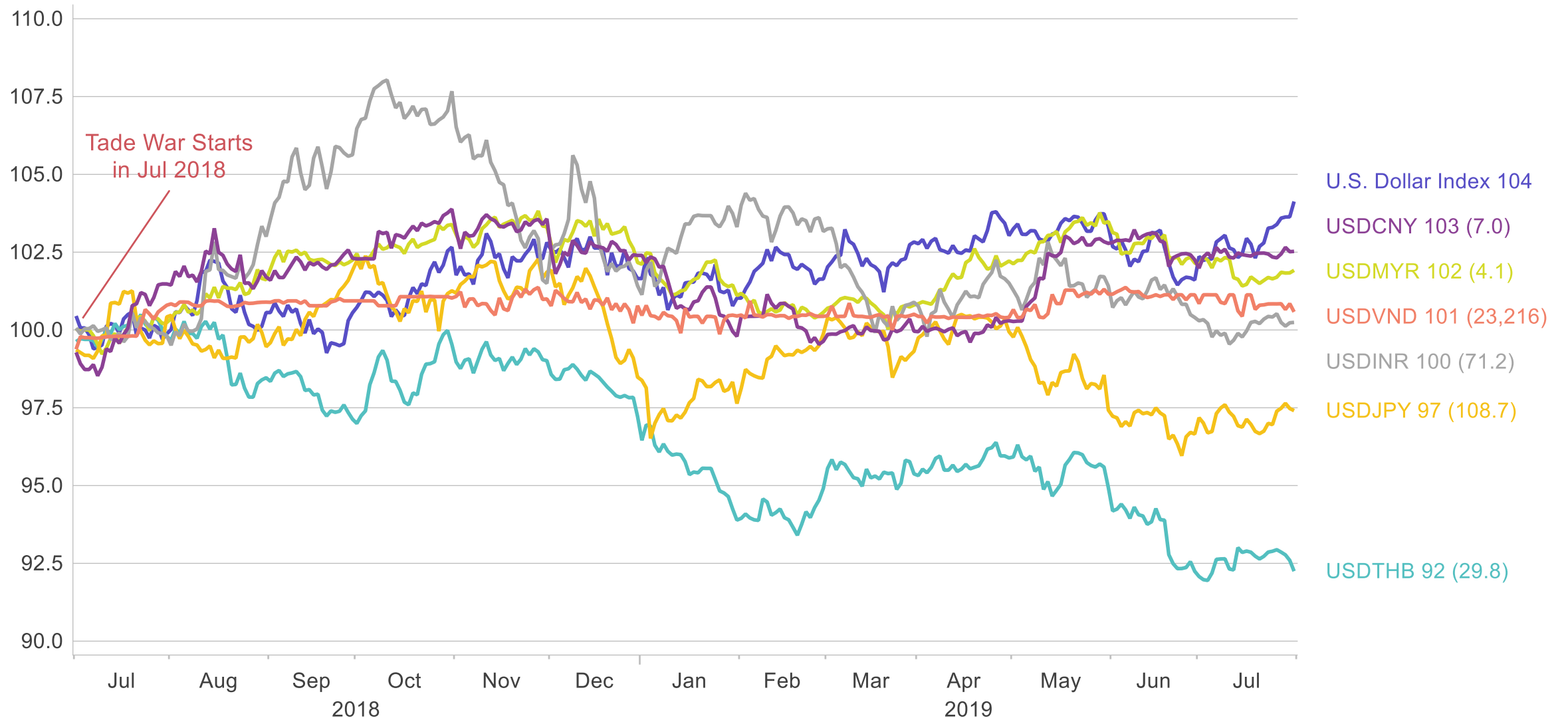
**2. Direct negative effect:** Thai exports to China decreased **-7.6%YoY** or a value loss of **\$1.1 bn.**



**3. Indirect positive effects:** Thai exports replacing Chinese goods in the US increased **6.3%YoY** or a value gain of **\$637.8mn.**



**Lessons learned from the 2018-2019 US-China trade war: The THB was less affected and appreciated strongly among East Asian currencies and against the USD since the US tariff announcement in 2018, on the back of solid economic fundamentals, including a current account surplus and substantial foreign exchange reserves.**



The ongoing conflict between Israel and Iran is adding uncertainty to commodity and oil prices. A sharp rise in oil prices will accelerate inflation and may cause the central bank to cut interest rates later than expected.

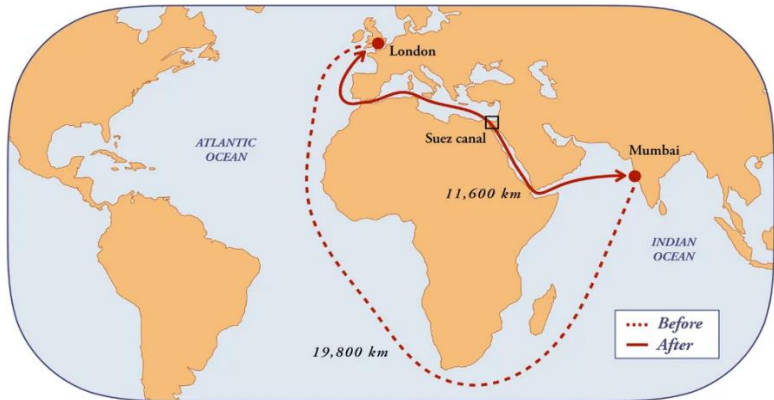
### Israel-Iran Conflict Timeline

**1 Apr 2024**  
**Two Iranian generals killed in Damascus, Syrian capital**, widely blamed on Israel.

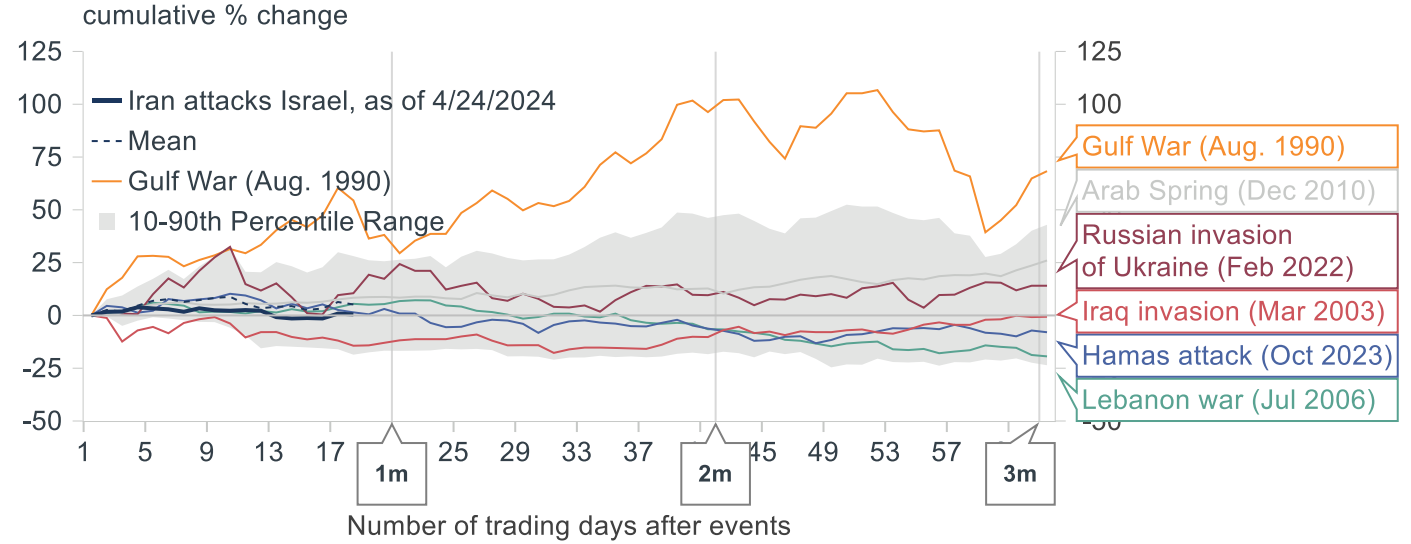
**14 Apr 2024**  
**Iran attacked Israel.** Israel says more than 300 drones, cruise and ballistic missiles launched from Iran.

**19 Apr 2024**  
**Israel conducted limited retaliatory strikes** on three sites near Isfahan International Airport in Iran.

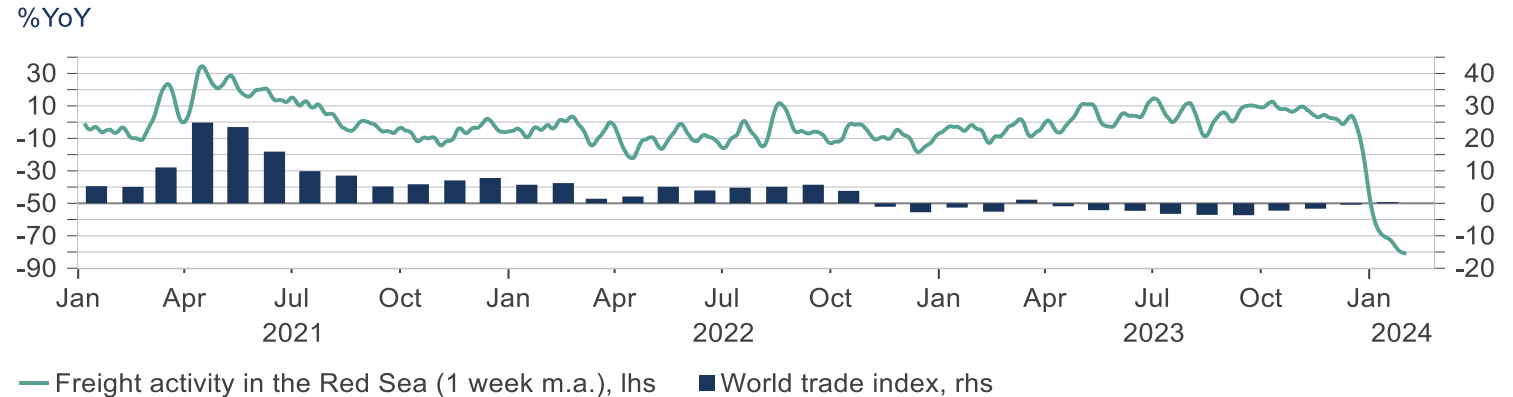
**Post-19 Apr 2024**  
**Both sides appeared to be reverting to proxy engagements** rather than direct confrontation.



### Geopolitical events v Brent oil prices



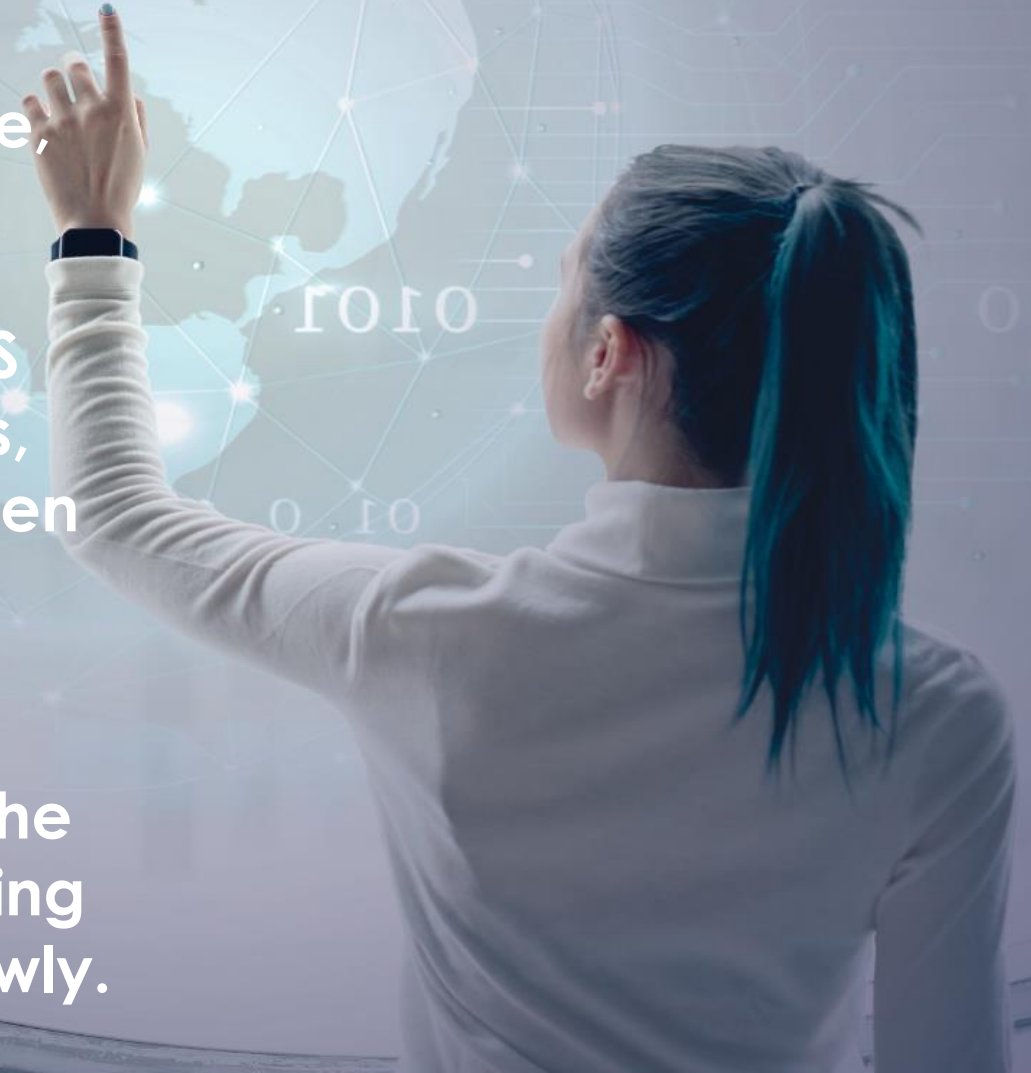
### Freight activity in the Red Sea and World trade



# Key Takeaways

## Global Geopolitical Outlook 2024

- The US presidential election outcome is still undecided, creating uncertainty, esp. trade, fiscal and foreign policies.
- A Trump victory could lead to a return to US trade protectionism and corporate tax cuts, which would push up inflation and strengthen the USD.
- Conflicts in the Middle East can cause commodity prices, esp. oil, to fluctuate. If the situation escalates, oil prices will rise, causing central banks to cut interest rates more slowly.







# China Outlook 2024 and De-dollarization

*“less concerned about growth but  
supportive policy stance needed for  
several structural challenges”*

*“slow de-dollarization expected,  
rapid de-dollarization unlikely, partial  
de-dollarization more plausible”*

# China Economic Dashboard - Despite better-than-expected 1Q2024 GDP, further policy easing is still needed, especially on the demand side (fiscal, housing and consumption) to address long-term structural challenges.

## China Recession Pressure Dashboard

Indicators marked with an asterisk (\*) have the opposite formatting condition applied to them. Unless stated otherwise, the figures represent their z-scores across the entire historical period.

**- The negative signals from measures of household credit, consumer and SME confidence are worrying.**  
**- Chinese residential property prices continue to fall.**

Theme	Indicators	5/2022	6/2022	7/2022	8/2022	9/2022	10/2022	11/2022	12/2022	1/2023	2/2023	3/2023	4/2023	5/2023	6/2023	7/2023	8/2023	9/2023	10/2023	11/2023	12/2023	1/2024	2/2024	3/2024
Labour Market	Unemployment*	2.27	0.89	0.54	0.20	0.89	0.89	1.58	0.89	0.89	1.23	0.20	-0.15	-0.15	-0.15	0.20	-0.15	-0.84	-0.84	-0.84	-0.49	-0.15	0.20	-0.15
	Manufacturing Employment Index (3m MA)	0.02	-0.32	-0.62	-0.68	-0.92	-0.72	-0.88	-0.86	-0.92	-0.29	0.05	0.09	-0.65	-0.81	-0.73	0.27	0.29	0.13	-0.35	-0.48	-0.16	-0.20	0.16
Economic Growth	New Orders	-1.05	-0.12	-0.35	-0.71	-1.16	-0.75	-0.54	-0.89	-0.59	0.33	-0.26	-0.59	0.04	-0.01	-0.82	-0.12	-0.13	-0.24	-0.03	0.09	-0.20	-0.17	-0.09
	OECD Leading Indicator	-1.57	-1.69	-1.77	-1.81	-1.78	-1.69	-1.53	-1.32	-1.08	-0.81	-0.56	-0.34	-0.15	0.04	0.21	0.35	0.46	0.56	0.66	0.77	0.89	1.03	1.19
	Economic Surprise Index (3m MA)	0.97	-0.05	-0.82	-0.71	-0.37	-0.20	-0.07	-0.17	-0.29	0.06	1.25	2.52	2.53	1.33	-0.44	-1.43	-1.34	-0.71	-0.16	-0.02	-0.11	-0.18	-0.03
	Capacity Utilization (3m MA)	1.87	1.38	-0.09	-0.92	-0.69	-0.61	-0.14	0.10	0.11	-0.43	-0.81	-0.84	-0.93	-0.93	-0.97	-0.84	-0.76	-0.82	-0.82	-0.83	-0.89	-0.94	-1.03
	Passenger Cars Sales (3m MA)	-1.25	-0.72	0.14	0.70	0.88	0.94	1.29	1.40	0.87	0.08	-0.71	-0.37	0.30	0.63	0.67	0.78	1.13	1.40	1.71	1.96	2.23	1.06	0.23
Credit Growth	Household Credit YoY	-1.10	-1.12	-1.20	-1.24	-1.29	-1.41	-1.54	-1.60	-1.74	-1.61	-1.51	-1.53	-1.53	-1.52	-1.60	-1.63	-1.60	-1.60	-1.61	-1.60	-1.44	-1.62	-1.69
	Non -Financial Enterprises & Government Credit YoY	0.79	1.00	0.87	0.88	1.22	1.27	1.35	1.52	1.84	1.94	1.86	1.85	1.50	1.41	1.40	1.39	1.18	1.20	1.15	1.03	0.58	0.46	0.24
Housing Market	Residential Price Index YoY	-0.21	-0.22	-0.26	-0.22	-0.18	-0.21	-0.24	-0.22	-0.30	-0.37	-0.38	-0.39	-0.42	-0.52	-0.52	-0.61	-0.60	-0.70	-0.73	-0.76	-0.81	-0.85	-0.87
Confidence	SME Confidence Conditions	-1.99	-0.90	-0.74	-1.04	-1.19	-1.50	-1.77	-1.72	-1.51	-1.00	-0.21	-0.35	-0.56	-0.97	-1.24	-1.21	-1.04	-1.14	-1.17	-1.34	-1.07	-1.17	-0.93
	Consumer Conf: Present Situation	-2.71	-2.47	-2.58	-2.69	-2.67	-2.71	-2.87	-2.54	-2.20	-1.78	-1.76	-2.68	-2.55	-2.76	-2.76	-2.75	-2.67	-2.58	-2.69	-2.62	-2.47	-2.44	
Financial Market	10y3m Spread (%)	0.50	0.48	0.53	0.53	0.58	0.62	0.52	0.48	0.50	0.45	0.44	0.43	0.44	0.50	0.50	0.46	0.39	0.33	0.27	0.26	0.28	0.29	0.28
	Northbound Net Buying (3m MA)	-0.86	0.63	0.25	0.13	-0.99	-1.66	-1.08	-0.44	2.87	2.26	2.18	-0.25	-0.54	-0.77	-0.07	-0.93	-1.68	-3.05	-2.03	-1.66	-1.09	0.01	0.49
	<b>Recession Pressure (%)</b>	64.29	71.43	71.43	71.43	78.57	78.57	78.57	71.43	64.29	57.14	64.29	64.29	57.14	57.14	71.43	57.14	57.14	57.14	64.29	57.14	64.29	64.29	46.15

Sources: Macrobond, Citi, NBS, S&P Global, PBoC, CEMAC, CPCA, SC, HKEX, OECD

0~25th Percentile    25~50th Percentile    50~75th Percentile    75~100th Percentile



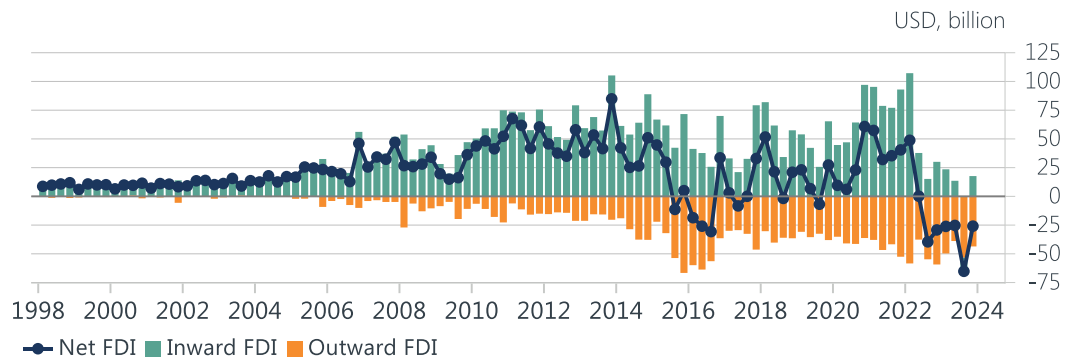
Source: LH Bank Business Research Analysis based on data from Macrobond (data as of 30 April 2024)

# China Slowdown, Real Estate Crisis and Regional Spillovers through FDI and International Trade

Foreign direct investment in China continues to decline and direct investment liabilities, a proxy for FDI, fell to a historic low.

## China: drop of inbound FDI flows

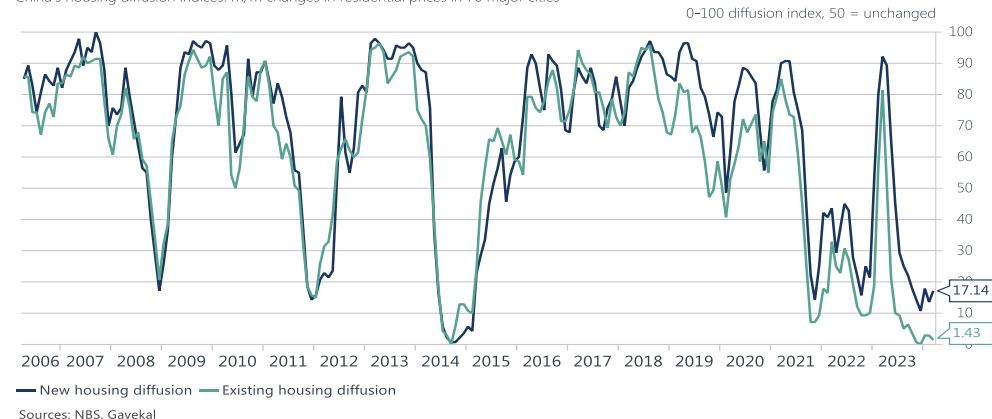
Source: State Administration of Foreign Exchange (SAFE) of China



The difficulties in China's property market continue and the index for existing homes just touched zero for the first time since 2014.

## China's property market shows no signs of bottoming out

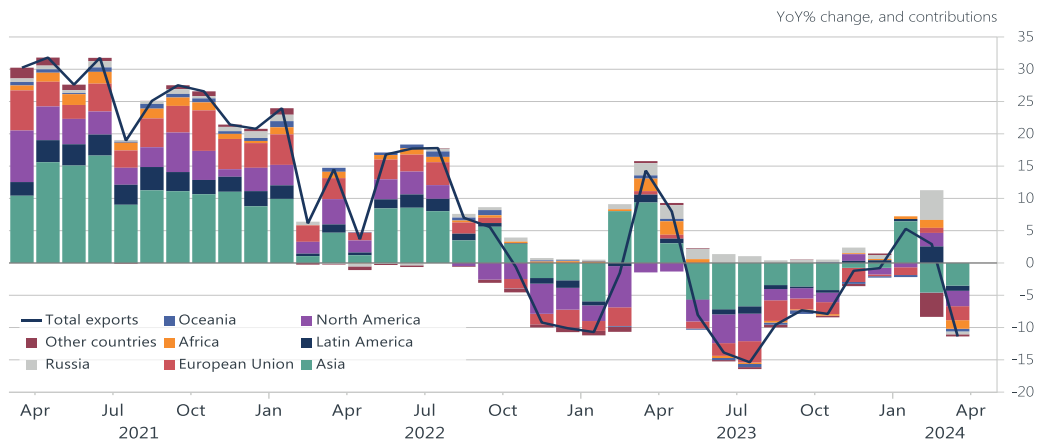
China's housing diffusion indices: m/m changes in residential prices in 70 major cities



Since 2021, Chinese exports have been declining steadily. Nearly all export markets are showing a decline in the second half of 2023.

## China: the effect on overall exports by region

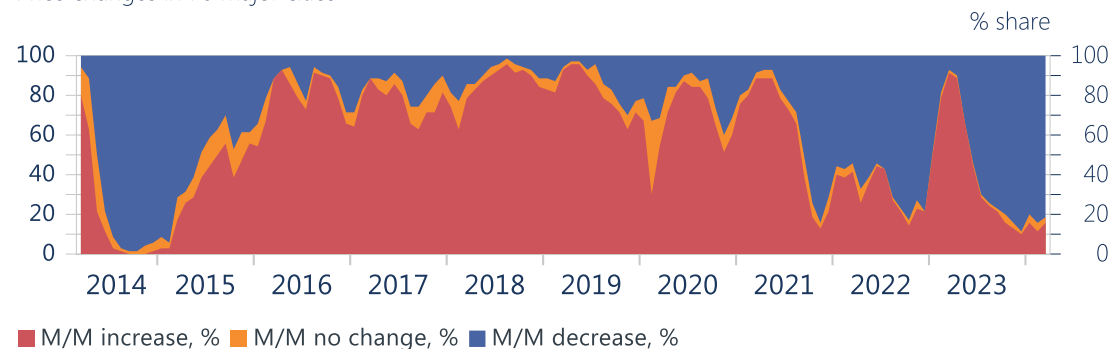
Source: China General Administration of Customs (GAC), China Customs Statistics Information Center (CCS)



Peaks and troughs in Chinese housing (reflected by house prices in 70 major cities) - The slump during 2014 and 2023 was very notable.

## China's housing slump in context

Price changes in 70 major cities



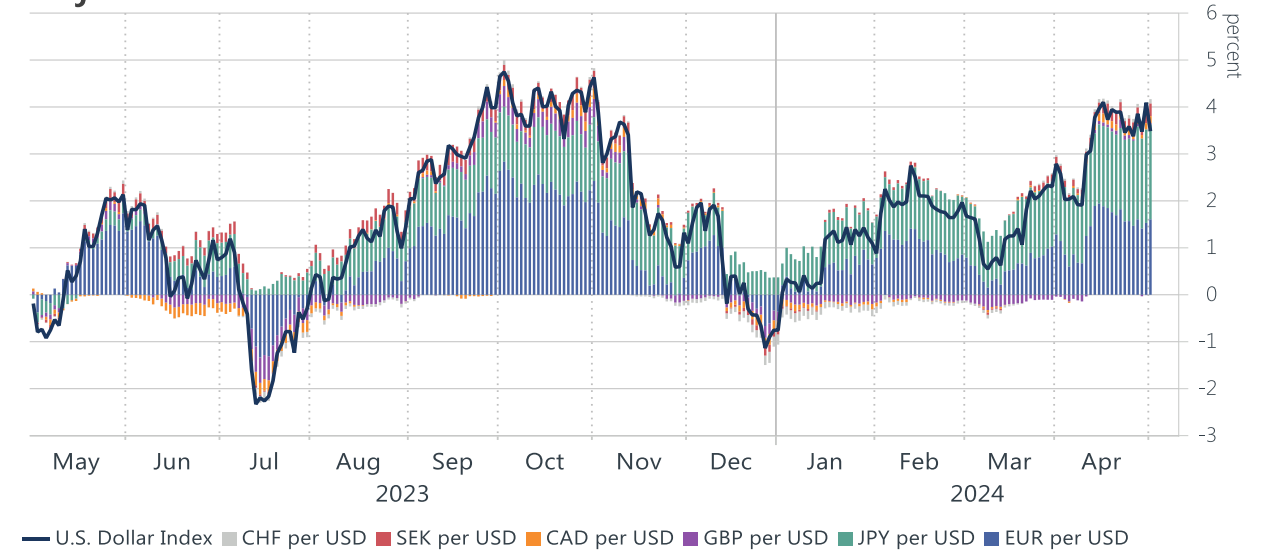
Source: NBS

## With heightened global uncertainty, the DXY (USD Index) tends to appreciate against other currencies.

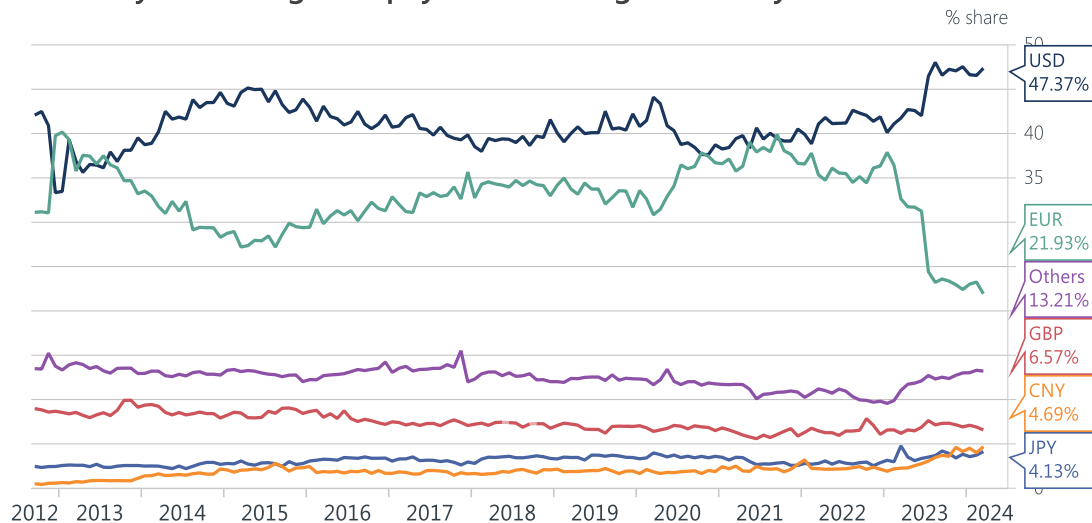
A sharp rise in DXY in 2024 has been largely attributed to the depreciation of the JPY, followed by the EUR.

- The Dollar Index (DXY), a benchmark that compares the value of the US dollar to the currencies of key trading partners, is broken down in the chart.
- **The weak Yen has been the main cause of DXY rise. That is the opposite of what happened in the second half of 2023.**

### Major Contributors to DXY - 1 Year Period



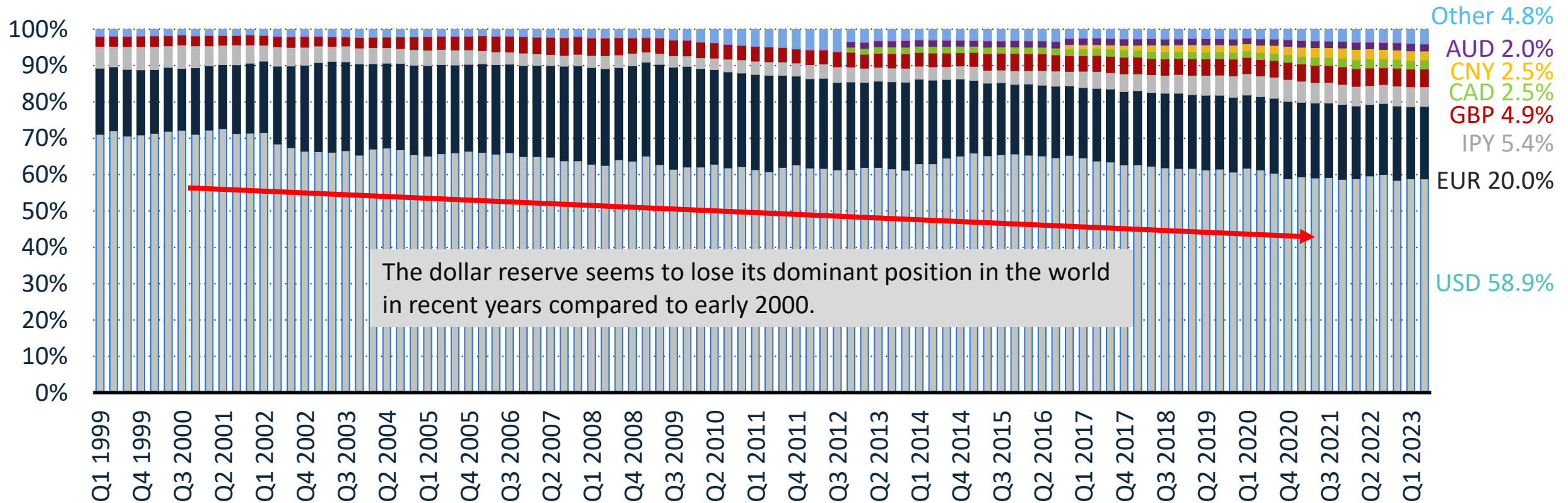
### Currency used for global payments through SWIFT system



**The EUR continues to lose its share of the global payment traffic via SWIFT, while the CNY has gained a small share**

- The currencies that are used in SWIFT (the Society for Worldwide Interbank Financial Telecommunication) transactions are displayed on this chart. SWIFT network, located in Brussels, manages international interbank payments.
- **Contrary to the general perception of de-dollarization, SWIFT is becoming more "dollarized," but the share of the euro is decreasing more than the share of the dollar is increasing.**

Although the US dollar remains the most dominant currency in terms of allocated global reserves, it seems to have lost its dominant position in the world in recent years compared to early 2000, while the yuan still has a very small share in the basket of international reserves.



### Is de-dollarization imminent?

While marginal de-dollarization is to be expected, rapid de-dollarization is unlikely given the U.S. long-standing global network of alliances and partnerships. Instead, partial de-dollarization - in which the RMB takes over some of the dollar's current functions among non-aligned countries and China's trading partners - is more plausible, especially in the context of strategic competition. Over time, this could give rise to regionalism, creating distinct economic and financial spheres of influence in which different currencies and markets play a central role.

# Key Takeaways

## China Outlook 2024 and De-dollarization

- Chinese economy is slowing down, facing a significant decline in foreign investment inflows and a slowdown in exports. Property sector continues to struggle, pushing down residential property prices.
  - With heightened global uncertainty, the DXY (USD Index) tends to appreciate against other currencies.
  - The USD still plays a dominant role in the short and medium term. However, its role may diminish in the longer term.
- 



# Thai Economic and Market Outlook 2024

“Growth driven mainly by recovery in tourism and private consumption, despite challenges from sluggish global demand, high household debt and uncertainties around the Digital Wallet Scheme”

# Thai Economic Dashboard - Signs of recovery in the export and tourism sectors. The fiscal and monetary policy responses will be crucial in mitigating the impacts of current economic weaknesses in demand side and supporting a more robust recovery in the second half of 2024.

			Thai economic recovery dashboard																									
			Recent 24m	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	
<b>Demand Side</b>	Private Consumption Index	%y/y														7.3	7.3	6.1	7.0	6.5	4.6	5.4	5.3	3.7	1.9	1.8	-0.3	
	Govt Revenue, VAT	%y/y														-5.1	-2.1	-7.0	-6.5	-10.4	-4.3	5.4	2.8	-4.0	-3.9	5.1	0.1	
	Exports	%y/y														-6.7	-6.0	-2.8	-4.5	-0.8	-0.4	5.7	3.6	1.3	5.7	0.0	-6.2	
	Imports	%y/y														-8.0	-3.9	-11.1	-11.0	-12.8	-8.3	10.2	10.1	-3.0	2.6	3.2	5.6	
	Private Investment Index	%y/y														-2.2	2.9	-2.5	0.4	-5.7	-5.1	-2.5	0.4	-3.2	1.5	0.8	-1.4	
	Govt Expenditures	%y/y														11.3	4.2	7.5	-8.6	0.5	1.2	-4.1	-5.0	-2.5	-4.8	-32.8	-24.9	
	Leading Economic Index	%y/y														-0.8	1.6	2.1	1.4	-0.1	0.5	0.9	0.3	0.1	0.9	0.1	-1.0	
	Coincident Economic Index	%y/y														1.3	2.4	1.7	2.1	1.4	0.9	2.4	2.1	0.8	1.2	1.7	-0.6	
	Consumer Confidence Index	100 = stable															55.0	55.7	56.7	55.6	56.9	58.7	60.2	60.9	62.0	62.9	63.8	63.0
	Business Sentiment Index	50 = stable															50.1	49.7	51.0	49.3	48.9	50.4	48.9	49.0	49.1	48.0	48.8	49.6
<b>Supply Side</b>	Farm Income Index	%y/y														5.2	-11.0	-6.9	-5.9	-0.8	4.7	2.4	-3.0	-0.3	-0.7	-0.6	2.8	
	Capacity Utilization	%														59.1	59.6	59.9	59.8	58.3	57.8	57.5	57.1	56.9	56.6	58.4	57.0	
	Services Production Index	%y/y														9.0	9.9	8.0	9.4	5.6	5.5	6.0	6.0	4.4	3.0	4.3	2.1	
	Tourist Arrivals	% of '19 avg														65.7	60.6	67.4	75.0	74.3	64.1	66.1	79.4	98.1	91.3	100.9	89.8	
	International Flight Arrivals	%y/y														164.4	132.9	107.5	93.2	78.3	68.0	59.5	38.5	37.4	35.8	42.6	29.6	
	Accommodation Occupancy Rate	%														70.1	65.5	65.1	66.7	67.5	65.2	66.1	71.7	82.8	77.4	76.8	71.7	
	<b>Labor Market</b>	Unemployment Rate	%														1.0	1.3	0.9	1.2	1.0	0.9	0.9	0.8	0.8	1.1	1.0	1.0
Vacancies		th														32.9	89.4	75.5	29.3	19.3	15.4	37.8	74.3	67.1	76.6	87.4	81.7	
Insured Persons		%y/y														3.8	3.7	3.6	3.6	3.4	3.3	3.0	2.6	2.2	1.8	1.7	1.7	

Heat-mapped based on percentile ranks of all available data; blue: optimistic, red: pessimistic, white: neutral; international flight arrivals: including all the airports; labor market by means of unemployment: lower better

Sources: BOT, THMOF, MOC, UTCC, Thailand Office of Agricultural Economics, Thailand Office of Industrial Economics, Thailand Ministry of Tourism & Sports, Airports of Thailand Public Company Limited

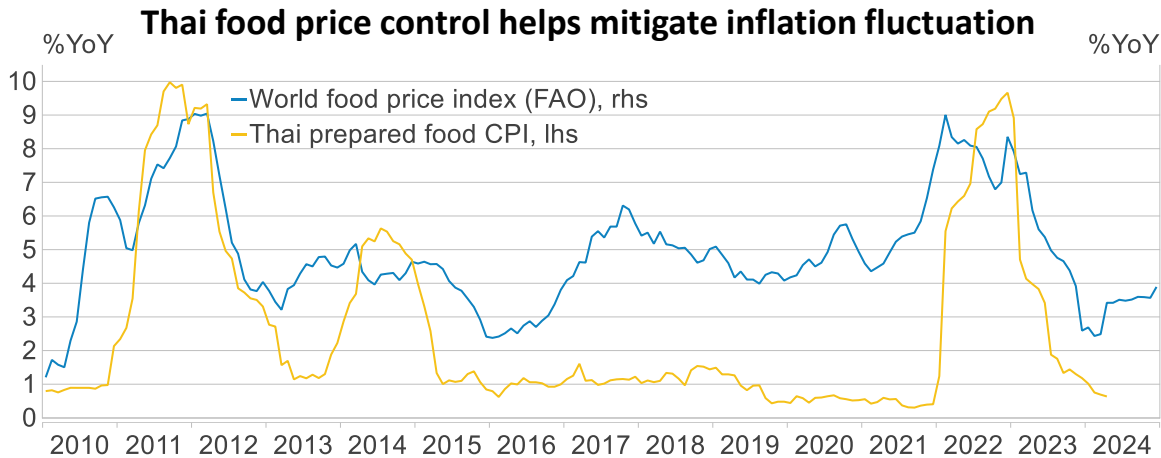


# Thai Inflation Dashboard - Inflation has continued to decelerate and to remain within the target range (1-3%) by the end of the year.

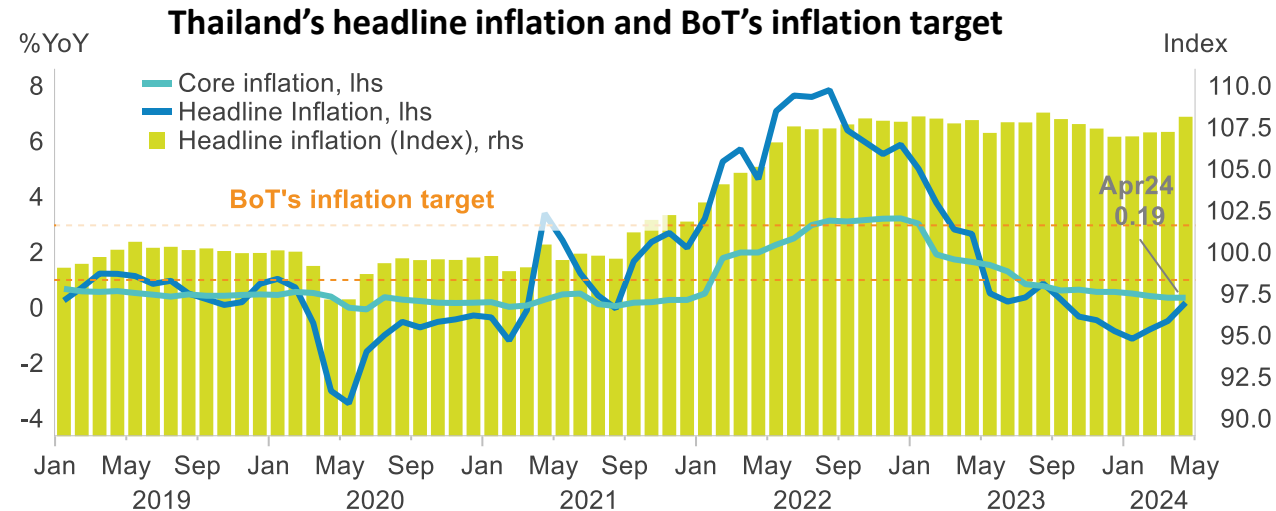
		Thai CPI inflation heatmap																
		Weights	0	20	40	60	05/2023	06/2023	07/2023	08/2023	09/2023	10/2023	11/2023	12/2023	01/2024	02/2024	03/2024	04/2024
<b>Headline</b>	<b>100.0</b>						0.5	0.2	0.4	0.9	0.3	-0.3	-0.4	-0.8	-1.1	-0.8	-0.5	0.2
<b>Core</b>	<b>67.1</b>						1.5	1.3	0.9	0.8	0.6	0.7	0.6	0.6	0.5	0.4	0.4	0.4
<b>Non-core</b>	<b>32.9</b>						-1.3	-1.7	-0.5	1.0	-0.3	-2.1	-2.3	-3.4	-4.1	-3.0	-2.1	-0.2
Raw Food	20.6						4.7	3.9	1.4	0.0	-1.3	-2.4	-0.8	-2.3	-3.1	-2.7	-1.9	-0.2
Energy	12.4						-9.6	-9.1	-3.1	2.6	1.2	-1.6	-4.5	-5.1	-5.5	-3.3	-2.3	-0.1
<b>Food &amp; Non-alcoholic Beverages</b>	<b>40.4</b>						4.0	3.4	1.5	0.7	-0.1	-0.6	0.2	-0.6	-1.1	-1.0	-0.6	0.3
<b>Non-Food &amp; Beverages</b>	<b>59.7</b>						-1.8	-1.9	-0.4	1.0	0.6	-0.1	-0.9	-1.0	-1.1	-0.6	-0.4	0.1
Housing & Furnishing	23.2						-0.7	2.0	1.9	1.8	-0.7	-0.7	-0.8	-0.7	-0.7	-0.8	-0.9	-0.8
Transportation & Communication	22.7						-4.6	-6.9	-3.3	0.3	1.7	0.0	-1.8	-2.2	-2.5	-1.2	-0.4	0.9
Medical & Personal Care	5.7						1.9	1.8	1.8	1.4	1.2	1.3	0.9	0.9	0.9	0.9	0.3	0.4
Recreation, Education & Reading	4.5						1.5	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.5	0.5	0.4
Textiles & Wearing Apparel & Footwear	2.2						0.5	0.5	0.3	0.3	0.3	0.1	0.0	0.0	-0.1	-0.2	-0.1	-0.2
Alcoholic Beverages & Tobacco	1.4						0.7	0.6	0.6	0.5	0.6	1.1	1.0	1.0	0.9	1.2	1.4	1.4

Heat-mapped based on percentile ranks of all available CPI items' in %y/y; red: inflationary, blue: disinflationary, white: long-run median

Sources: Thailand Bureau of Trade & Economic Indices



Source: FAO, Thailand Bureau of Trade & Economic Indices



Source: LH Bank Business Research Analysis based on data from Macrobond (data as of 3 May 2024)

Thailand's economy is forecast to grow by 2.4-3.0%YoY in 2024 (base case 2.4%), driven by both domestic (fiscal stimulus, resilient consumption) and external (export & tourism recovery) demand amid external uncertainties.

Key Indicators	2022 (A)	2023 (A)	2024F			
			NESDC (Feb-24)	LH Bank <sup>\1</sup> (Upside)	LH Bank <sup>\2</sup> (Base)	LH Bank <sup>\3</sup> (Downside)
GDP (%YoY)	2.5	1.9	2.2-3.2	3.0	2.8	2.4
Private Consumption (%YoY)	6.2	7.1	3.0	3.1	2.8	2.5
Government Consumption (%YoY)	0.1	-4.6	1.5	2.5	2.3	2.1
Private Investment (%YoY)	4.7	3.2	3.5	2.7	2.5	2.0
Public Investment (%YoY)	-3.9	-4.6	-1.8	2.3	2.0	1.0
Export of Goods (USD BOP) (%YoY)	5.4	-1.7	2.9	3.0	2.4	0.6
No. of Tourists (mn persons)	11.2	28.1	35.0	35.5	34.0	33.0
Headline Inflation (%YoY)	6.1	1.2	0.9-1.9	1.0	1.2	1.5
Dubai Oil Price (USD/bbl)	97.0	82.0	80.0-90.0	78.0	80.0	82.0
Policy Rate (%eop)	1.25	2.50	-	2.50	2.50	2.25
Exchange Rate (THB/USD)	35.1	34.8	34.3-35.3	34.0-34.5	34.5-35.5	35.5-36.0



**Key Tailwinds:**

- **Consumer spending continues to grow**, supported by various government stimulus measures as well as lower inflation, bolstering consumers' purchasing power.
- **Recovery of private investment after export recovery** and public investment after government transition
- **A recovery in tourism is supporting activity in the services sector**, and rapid growth in ASEAN tourist arrivals is helping to offset slowing growth in Chinese tourist arrivals (due to the slowdown in China).



**Key Headwinds:**

- **Large investment projects may be delayed** to await post-transition policy clarity, and there is a risk that the preparation of the 2024 budget may be delayed.
- **The household debt-to-GDP ratio of 91.3% (as of end 2023)** remains well above the BoT's settlement standard of 80%, which will discourage a recovery in spending.
- **Elevated global inflation and high policy rates among major trading partners**, especially the US and the EU, are tightening global financial conditions.
- **China's economic growth is likely to slow** due to the real estate crisis, dampening exports to China.
- **Ongoing geopolitical risks (Russia-Ukraine, Israel-Iran)** create uncertainty for energy prices and demand.

Note: \1 : Digital Wallet distributed to 56 mn people with a budget of THB 560 bn (**Probability 10%**).  
 \2 : Digital Wallet distributed to less than 50 mn people with a budget of less than THB 500 bn (**Probability 40%**).  
 \3 : Digital Wallet distributed to target/vulnerable group (15 mn state welfare card holders) with external risks (**Probability 50%**).

**Digital Wallet: The Thai government has announced plans to use money from the annual budget to address concerns about legal requirements and the public debt-to-GDP ratio. We expect this project to stimulate consumer spending from 4Q2024, but the positive impact on economic growth is likely to be limited in 2024.**



The objective of the 'The 10,000-baht digital wallet handout scheme' is **to stimulate the economy** by promoting the circulation of expected up to THB 500 bn money in the area and **to help alleviate the burden of cost of living of people in need**, such as vulnerable groups, farmers, etc.



### The budget of THB500bn for Digital Wallet Scheme

- 1) THB175bn from the 2024 fiscal budget management
- 2) THB153bn from the 2025 fiscal budget management
- 3) THB172bn from the Bank for Agriculture and agricultural Cooperatives (BACC)



### Spending conditions

- It can used to **buy food and consumer goods**
- It cannot used to buy online goods, cigarettes or liquor, cash vouchers or valuables like diamonds, gems or gold.
- It cannot be used to pay off debts or cover utility bills, fuel or tuition fees.
- The money must be spent in small shops in the district where the recipient's home is registered.



### Target group (~50 million persons)

- Thais aged 16 and older
- Earning less than 70,000 baht a month
- Having less than 500,000 baht in their bank accounts



### Spending period

- **Registration will open in the 3Q2024 and payments will start in 4Q2024.**
- The spending period is 6 months.

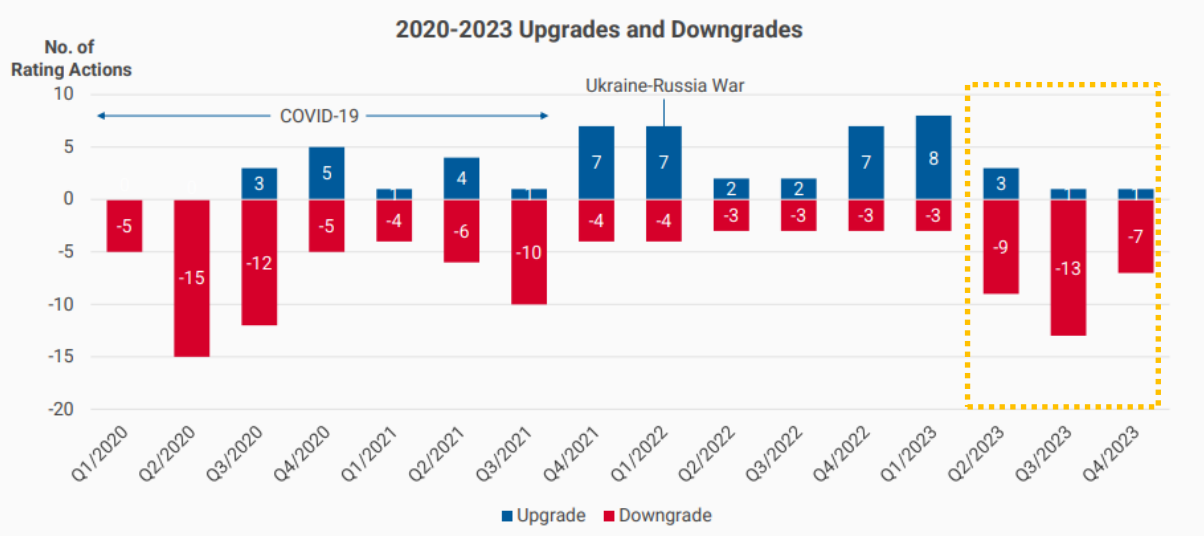


### Payment channels

- The 10,000 baht will be distributed to eligible people via a **"super app"** created by the Ministry of Digital Economy and Society. It can be used by all banks.

*Minor details are subject to change with the latest revision by the Digital Wallet Committee announcement.*

# Deteriorating Debt Quality in 2023 - High Interest Rates and Effects on the Thai Corporate Bond Market

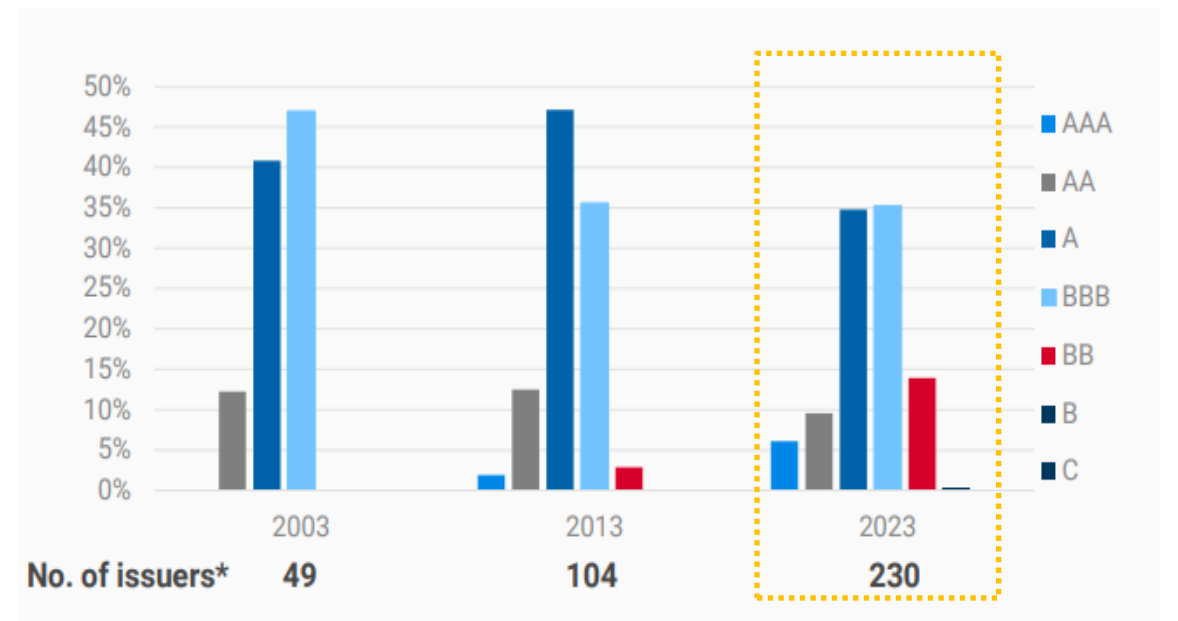


Since 2Q2022, the number of downgrades has increased.

- This is due to deteriorating economic conditions, both globally and domestically.
- The rate hike cycle since the first half of 2022 has put direct pressure on highly leveraged companies.
- Due to the increased number of corporate defaults over the past year, bond rollovers are becoming more difficult for companies with low or no credit ratings.

## Significant increase in the proportion of lower-quality bonds

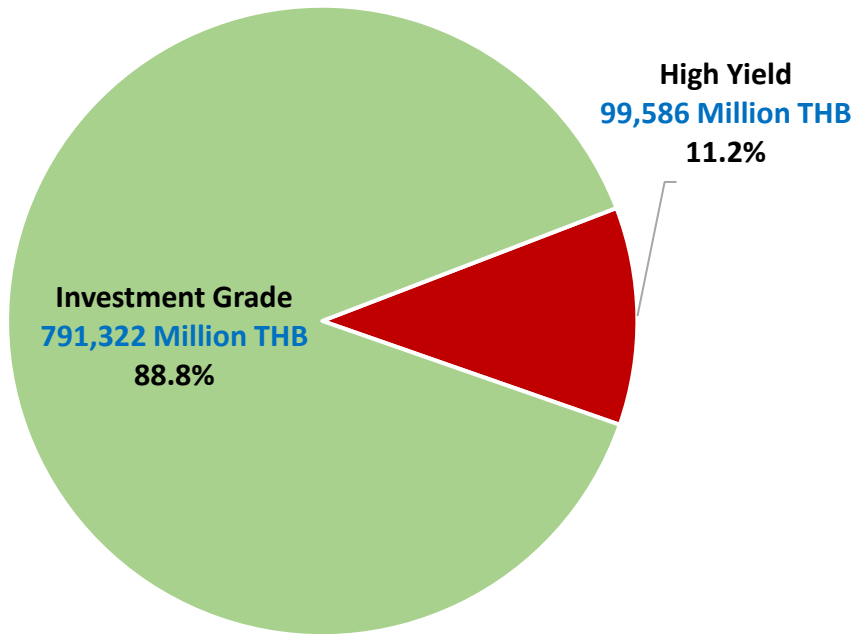
- Ratings were concentrated in the A and BBB rating categories, but the share of non-investment grade issuers increased from 2.9% in 2013 to 14.3% in 2023. (Median = A, Mode = BBB)
- Defaults in the past year have been concentrated in low to no credit quality bonds.
- TRIS Rating expects fewer negative rating actions in 2024 compared to 2023, as corporate performance shows signs of stabilizing after facing pressure on revenues and softened profitability in 2023.



# Bond Maturity in 2024 by Credit Rating – High Yield and Non-rated bonds need attention.

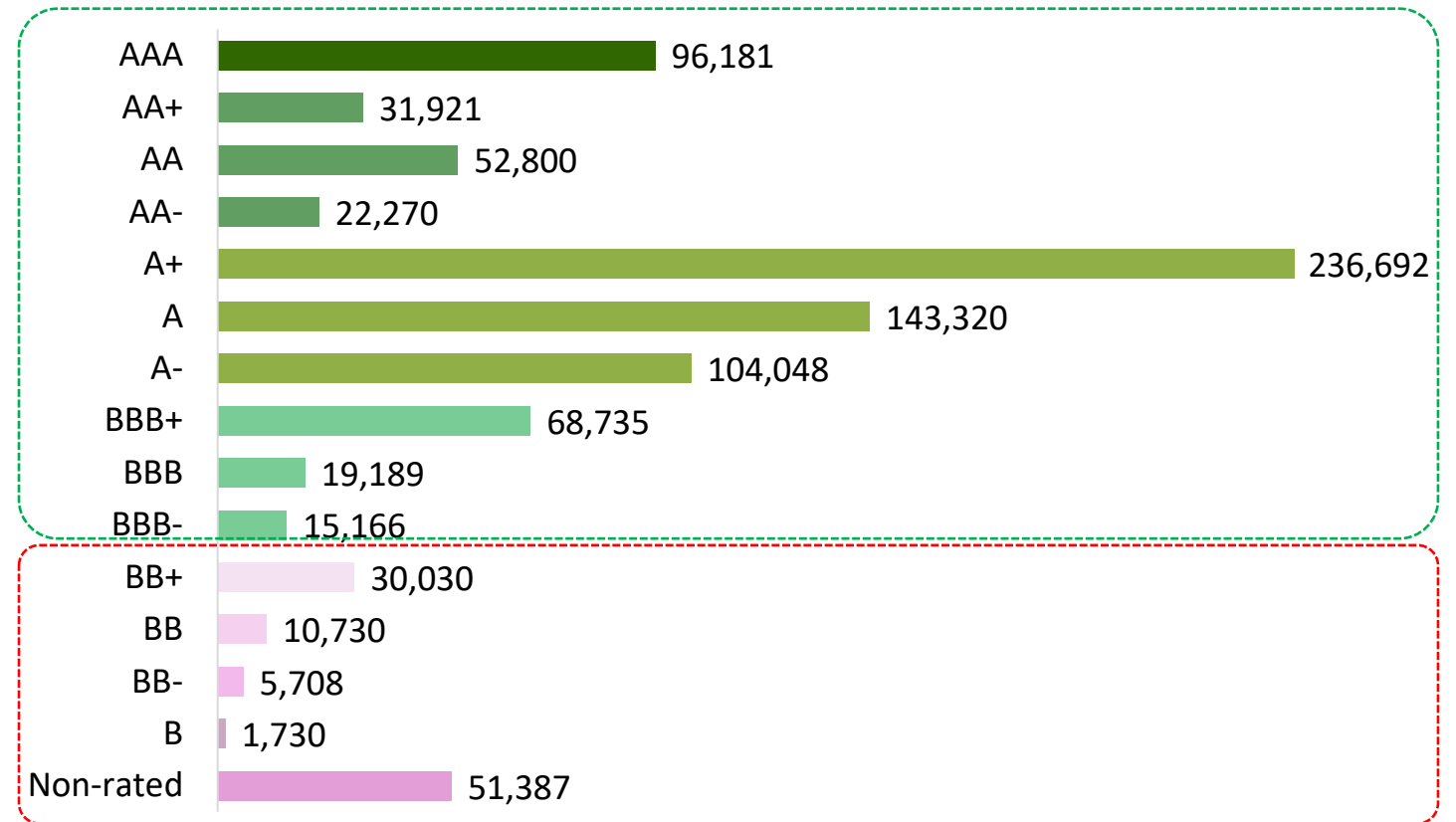
Around 90% of the bonds maturing in 2024 are investment grade bonds (BBB- and above), of which 86 companies have bonds with relatively high ratings (from A- and above) with a total value of 688 billion Baht, which are considered to have a relatively low risk of default. Bonds in the non-investment grade or high yield (BBB- and below) and non-rated groups, maturing in 2024 and accounting for 10% (around 100 billion THB) of all maturing bonds, require close monitoring.

## Long-Term Bond Maturity by Credit Rating



**Note:** \*Long-term bond maturity excludes event sign (Bankruptcy, Rehabilitation, Default Payment, Restructure) bond.

In 2024, long-term bond will mature 0.89 trillion THB\*, 90% is investment grade.



Unit : Million THB

# Key Takeaways

## Thai Economic and Market Outlook 2024

- Thailand's economy is forecast to grow by 2.4%YoY in 2024 (LHB base case), driven by both domestic (fiscal stimulus, consumption) and external (export & tourism recovery) factors.
- Digital wallet will bolster consumer spending from 4Q2024, but its positive impact on the economy is likely to be limited.
- High yield (BBB- and below) and unrated bonds deserve close attention as Thai interest rates remain high in 2024.



# *Why care about ESG vs CSR, Thailand Taxonomy, CBAM?*



**ESG**

## **Trends and Business Implications**

# Why does ESG create value for companies?



## Unlock potential for growth

Implementing a robust ESG strategy can lead to **new market opportunities, drive fundamental change,** and help create a company's true impact and value



## Improve productivity and reduce costs

Systematic and disciplined application of ESG leads to **resource efficiency,** which can also drive down operating expenses



## Reduce regulatory and legal intervention

Adopting an ESG strategy helps companies **mitigate the risk of adverse social action and regulatory pressure,** as well as attracting government support.



## Enable a productive workforce

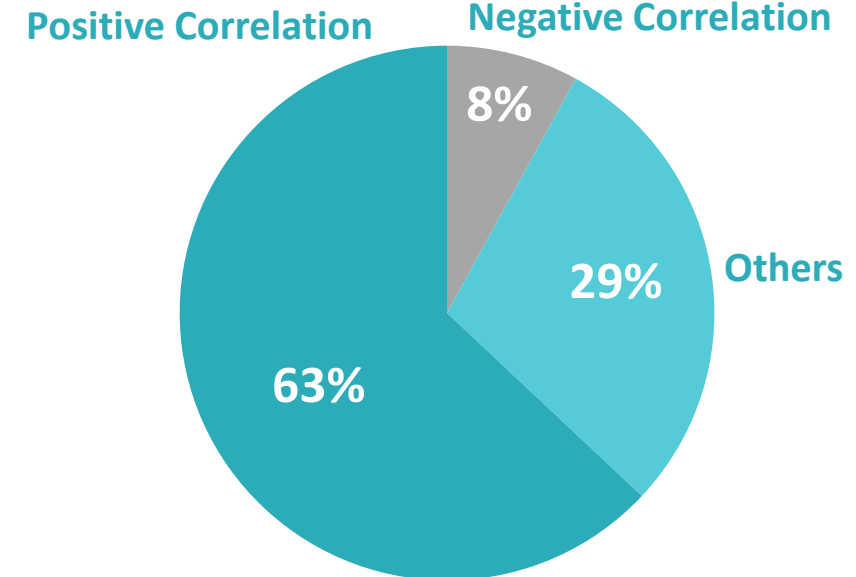
Companies prioritizing social issues such as fair governance and practices are better positioned to **attract top talent and retain quality employees.**



## Optimize investments for the long term

A proactive ESG approach enables companies to **adapt to market dynamics, regulatory changes and investor expectations.**

Over 2,000 studies of the impact of ESG on stock returns show a positive correlation between ESG and stock performance.



- ✓ Companies that pay attention to ESG have a superior business performance.
- ✓ Stronger ESG proposition correlates with higher equity return
- ✓ Better ESG performance is also associated with a reduction in downside risk, such as lower loan defaults and higher credit ratings.



# Key Differences between ESG and CSR



## Scope

- **ESG** is a framework covering the area of **environmental, social, and governance** practices.

- **CSR** is more narrowly focused on a company's **voluntary initiatives to benefit society**.



## Motivation

- **ESG** is driven by investor/stakeholder demand and the need to **manage risks and opportunities**.

- **CSR** is often motivated by a company wanting to be **seen as a good corporate citizen**.



## Integration

- **ESG** is integrated into **overall business strategy and governance**, not just treating it as a siloed initiative

- **CSR** is often a **separate initiative from core business operations**.



## Measurement

- **ESG** performance is **quantified through ESG metrics**, which include both quantitative and qualitative indicators.

- **CSR** is **less standardized**, there is no rules that dictate how CSR should be implemented.



## Compliance

- **ESG** is increasingly subject to **regulations and disclosure requirements**.

- **CSR** is often related to **voluntary actions** for the benefit of society and the environment.

# What is Thailand Taxonomy and Business Implications ?

## Thailand Taxonomy Timeline

30 Jun 2023

Phase 1 publication

- ❖ Focus on the **energy and transportation sectors**

16 Feb 2024

Initiation of Phase 2

- ❖ Kick-off, development, scope expansion to cover **manufacturing, construction & real-estate, waste management and agriculture sectors**

4<sup>th</sup> Quarter 2024

Expected to launch Phase 2

**Future Phases** – expected to include more sector to cover 95% of GHG emission in Thailand

### Phase 1 : Energy and Transportation Sectors

The Thailand Taxonomy employs a **traffic light system to classify economic activities based on their environmental sustainability**, particularly in terms of their contribution to climate change mitigation.



**Red**

**Activities that are not compatible with the net-zero trajectory and are not expected to become compatible in the near future.**

To achieve the transition to net zero by 2050, these activities should be phased out.



**Example of Activities:**

- **“Electricity generation”** from **fossil fuels** and any types of power plant dedicated to support **fossil fuel** infrastructure
- **“Freight transport by road”** that are not compliant with green or amber criteria are non-compliant



**Amber**

**Activities are significant in reducing emissions in the short term and have reliable decarbonization pathways with prescribed sunset dates.** They have not yet reached net-zero emissions but are expected to improve with viable technologies. All amber activities have a sunset date of 2040, by which they should transition to green status.



**Example of Activities:**

- **“Electricity generation”** from existing geothermal power generation with carbon thresholds of 100 to 381 gCO<sub>2</sub>e/kWh in 2022-2025
- **“Freight transport by road”** that is compliant with amber criteria\*

\*Amber category is available only for freight transport having a maximum mass exceeding 3.5t. a vehicle fits into 15% best available in Thailand (in its weight class) in terms of GHG emissions per tkm. Amber category is available until 2030, after it only green category is available for this article.



**Green**

**Activities that substantially contribute to climate change mitigation and are either already at or near net-zero emissions or have a clear decarbonization pathway to net-zero by 2050.**

They are aligned with the Paris Agreement's goal of limiting global warming to 1.5°C.



**Example of Activities:**

- **“Electricity generation”** from solar, wind and marine energy.
- **“Freight transport by road”** with zero direct CO<sub>2</sub> emissions and not dedicated to fossil fuel transport

# Connecting Business to Thailand Taxonomy



## Identify Relevant Economic Activities

Break down operations into distinct economic activities as classified under the International Standard Industrial Classification (ISIC) system for aligning with those listed in the Thailand Taxonomy.



## Assess against Technical Screening Criteria

Evaluate each activity against the technical screening criteria provided in the taxonomy to determine whether an activity is classified as Green, Amber, or Red based on its environmental impact and contribution to climate change.



## Ensure Compliance with DNSH and MSS

Activities must comply with the principles of "Do No Significant Harm" (DNSH) and the "Minimum Social Safeguards" (MSS).



## Submit Report with ESG disclosure standard

The report should contain: **1) Revenue breakdown by Taxonomy-eligible activities**, or CapEx and/or OpEx allocated to each Taxonomy eligible activity **2) Performance against technical screening criteria** or environmental management data **3) Management data on social issues:** Labor rights policies, management systems, audits, reporting.

## Thailand Taxonomy Implication for Firms



### Access to Green Financing

- Firms with activities aligned with the Green and Amber categories will likely have **better access to green financing options**.



### Enhanced Sustainability Reporting

- Firms can use the Thailand Taxonomy to **enhance their sustainability reporting**, demonstrate their commitment to environmental sustainability and climate change mitigation to **improve their reputation**.



### Regulatory Compliance and Incentives

- While Taxonomy is voluntary, its adoption can help firms **stay ahead of potential regulatory changes** focused on sustainability. The Thai government may introduce incentives for taxonomy-aligned firms.



### Risk Management

- Firms can **better manage environmental and climate-related risks**. The taxonomy provides a clear framework for identifying and mitigating such risks.

# What is Carbon Border Adjustment Mechanism (CBAM) and its impact on the Thai industry?



## EU's Carbon Border Adjustment Mechanism

### Purpose:

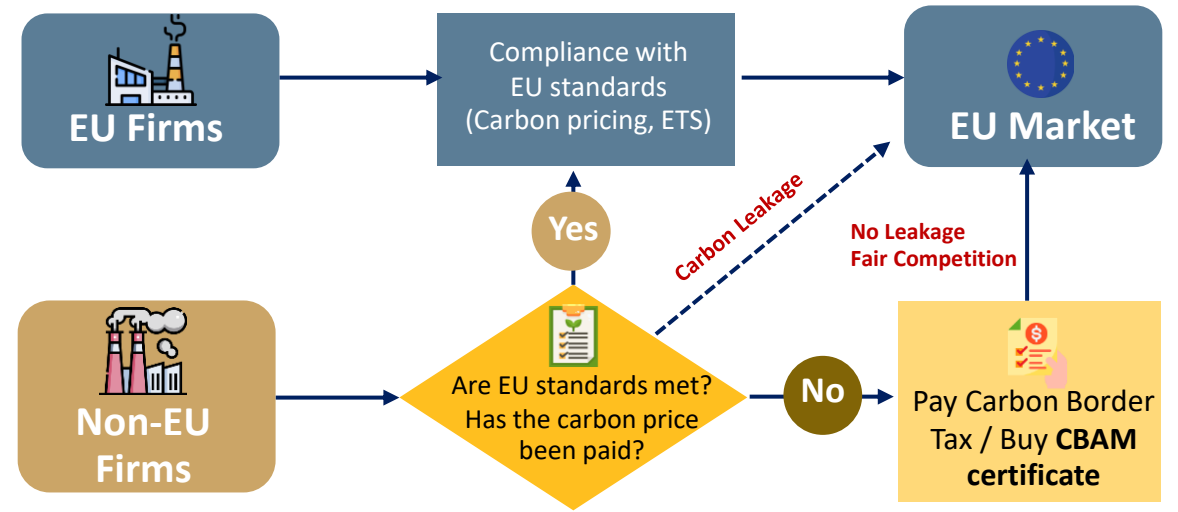
To impose a carbon tariff on carbon-intensive products imported to the EU to prevent carbon leakage and stimulate decarbonization

### Affected Products

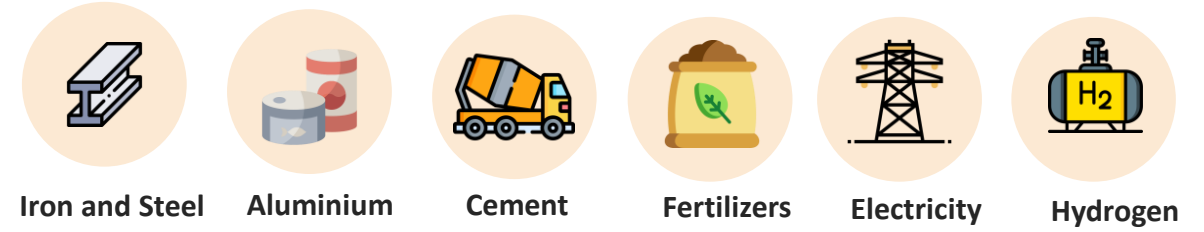
Iron & steel, aluminum, cement, fertilizers, some electricity, hydrogen, potential related upstream & downstream products

### Implementation Date

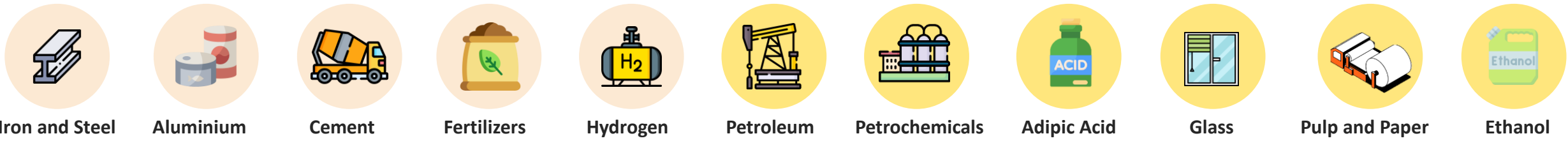
- Enters into force on 17 May 2023 with a **transitional phase from October 2023 to the end of 2025 (full enforcement from 1 January 2026).**
- Importers of covered product must report annual import volumes and embedded emissions per CBAM rules, certified by an authorized verifier.



### EU-CBAM's Target Industry



### US-CBAM's Target Industry



# Key Takeaways

## ESG Trends and Business Implications

- ESG can create value for companies in many ways, with empirical studies finding a positive relationship between prioritizing ESG and financial performance.
- Understanding and utilizing the Thailand Taxonomy can improve firms' access to green financing, improved sustainability reporting, regulatory compliance, and risk management.
- Exporters to the U.S. and EU, which are enforcing the CBAM, need to adapt quickly to meet the new standards before full enforcement begins.



# End of Presentation

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## Disclaimer

ข้อมูล บทวิเคราะห์ และการแสดงความคิดเห็นต่างๆ ที่ปรากฏอยู่ในรายงานฉบับนี้ ได้จัดทำขึ้นบนพื้นฐานของแหล่งข้อมูลที่ได้รับมาจากแหล่งข้อมูลที่เชื่อถือได้ เพื่อใช้ประกอบการวิเคราะห์ภาวะเศรษฐกิจและอุตสาหกรรมซึ่งเป็นเอกสารภายในของธนาคารแลนด์ แอนด์ เฮ้าส์ จำกัด (มหาชน) เท่านั้น ทั้งนี้ธนาคารฯ จะไม่รับผิดชอบความเสียหายใดๆ ทั้งปวงที่เกิดขึ้นจากการนำข้อมูล บทวิเคราะห์ การคาดหมาย และความคิดเห็นต่างๆ ที่ปรากฏในรายงานฉบับนี้ไปใช้ โดยผู้ที่ประสงค์จะนำไปใช้ต้องยอมรับความเสี่ยง และความเสียหายที่อาจเกิดขึ้นเองโดยลำพัง

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