WEEKLY ECONOMIC REVIEW

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# Trump signals the peace deal with Iran inches closer; Thai Chuay Thai Plus expected to support short-term consumption.

## Global

**Global: President Trump announced progress in peace negotiations with Iran,** with both sides are now finalizing the remaining details before signing an MOU. The development eased market concerns over inflation, as reflected in a decline in government bond yields alongside a drop in crude oil prices to below USD100 a barrel. However, unresolved issues surrounding Iran's nuclear program and the reopening of the Strait of Hormuz remain key obstacles to a final agreement. Meanwhile, **May Flash PMIs in the U.S. and Eurozone continued to reflect weak economic conditions**. Despite improving Manufacturing activity, it was due mainly to inventory accumulation amid Middle East uncertainty. Importantly, Services activity slowed further as rising costs weighed on consumption, investment, and tourism, signaling a clearer slowdown in global growth ahead.

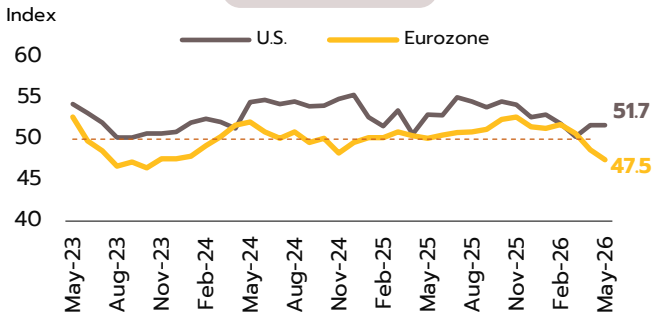
**China: Domestic economy is slowing, contrary to exports.** Retail sales in April barely grew by 0.2% YoY, the weakest since December 2023. Fixed asset investment slipped back into contraction (figure). Meanwhile, the property sector shows no sign of recovery, with new home prices continuing to contract by 3.6%. **Exports, therefore, are likely to remain a key economic driver going forward, provided that trade tensions are still contained.**

## Thailand

**Thai Chuay Thai Plus is set to begin on June 1, expected to contribute 0.2-0.5ppt to economic growth**. Approved by the cabinet on May 19, the package includes two key measures. First, the state welfare card program will increase monthly support by THB 700 to a total of THB 1,000 per person, covering 13.2 mn recipients (based on the previous round and subject to registration and screening), with a budget of THB 50–60 bn. Second, the Thai Chuay Thai Plus 60/40 scheme will provide THB 1,000 per person per month from June to September, with the government subsidizing 60% of spending. The program targets 30 mn participants with a budget of THB 120 bn. Both measures will be financed through the THB 400 bn Emergency Loan Decree.

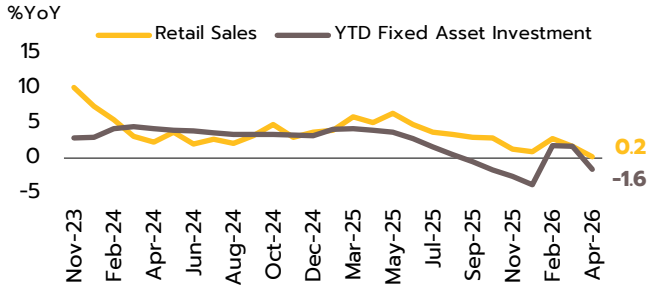
**The measures are expected to support consumption from late 2Q through 3Q26. However, amid higher living costs, weak income growth, and elevated household debt, households are likely to become more cautious in their spending. As a result, the multiplier effect may be lower than in previous stimulus rounds. Under the baseline, the measures are expected to contribute 0.2-0.5 percentage points to economic growth. However, the measures could also lead to front-loaded consumption and subsequent payback effects after the program ends, potentially weighing on economic activity in the following period.**

**Flash PMI**




Source: CEIC

**China: Retail Sales and Fixed Asset Investment**




Source: NBS and Krungsri Research

**Thai-Chuay-Thai-Plus Scheme Impacts**

| Scenario | Multiplier Effect | Impact on GDP growth |
|---|---|---|
| Full Disbursement (95-100%) | *Equal to Half-half plus* | 0.5-0.6% |
| | *Less than Half-half plus* | 0.3-0.4% |
| Major Disbursement (75-95%) | *Equal to Half-half plus* | 0.4-0.5% |
| | *Less than Half-half plus* | 0.2-0.3% |

Source: Krungsri Research

# Krungsri Research


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