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MONTHLY ECONOMIC BULLETIN

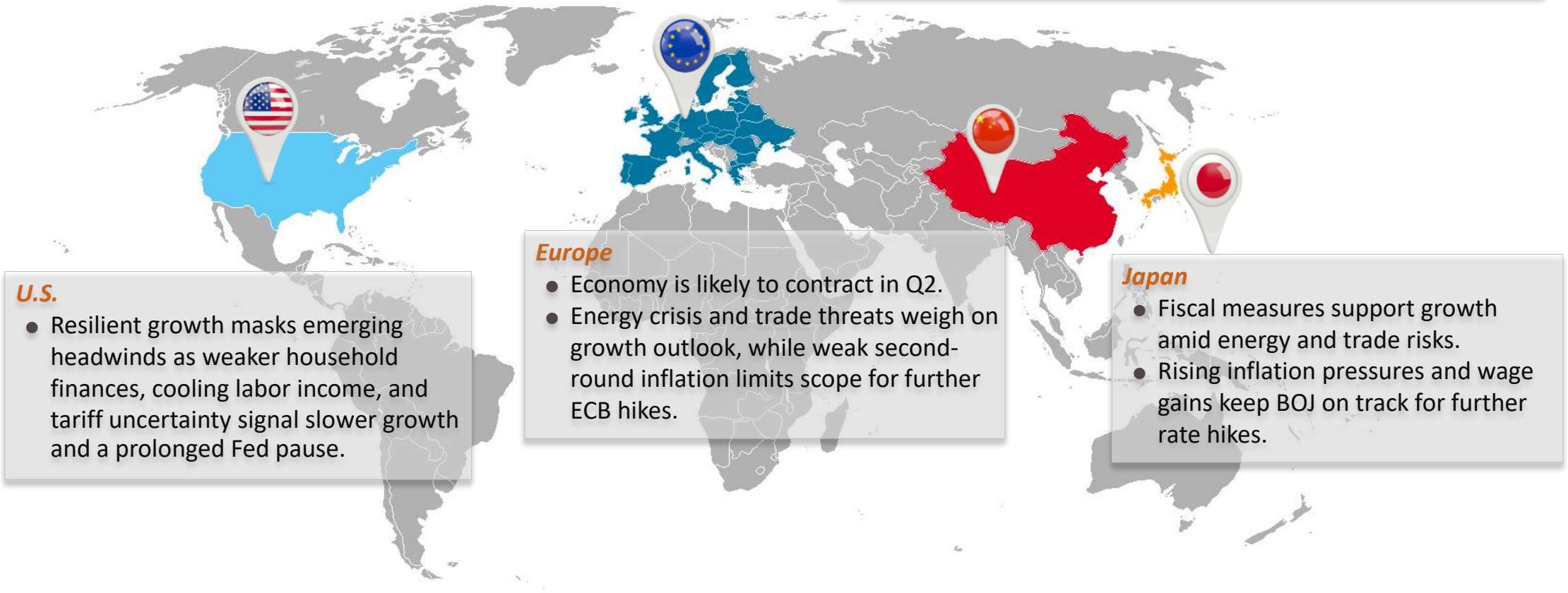
June 2026

Krungsri Research

Global: Mounting Pressure from Middle East Tensions, with Looming Tariff Risks Complicating the Outlook

China

- Robust exports mitigate subdued domestic demand, but the Middle East conflict adds pressures on weaker firms, potentially affecting the labor market and consumption.



U.S.

- Resilient growth masks emerging headwinds as weaker household finances, cooling labor income, and tariff uncertainty signal slower growth and a prolonged Fed pause.

Europe

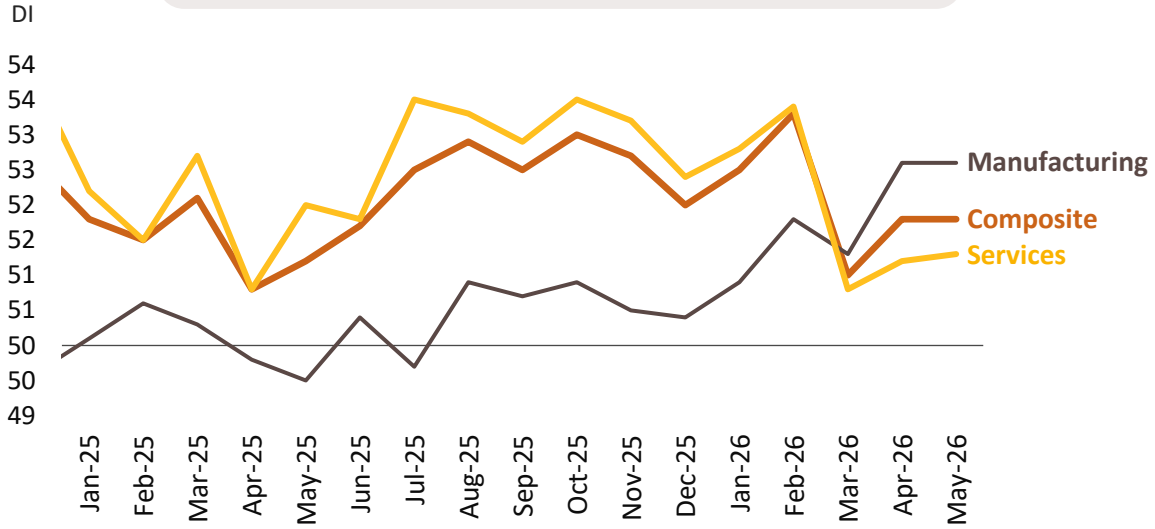
- Economy is likely to contract in Q2.
- Energy crisis and trade threats weigh on growth outlook, while weak second-round inflation limits scope for further ECB hikes.

Japan

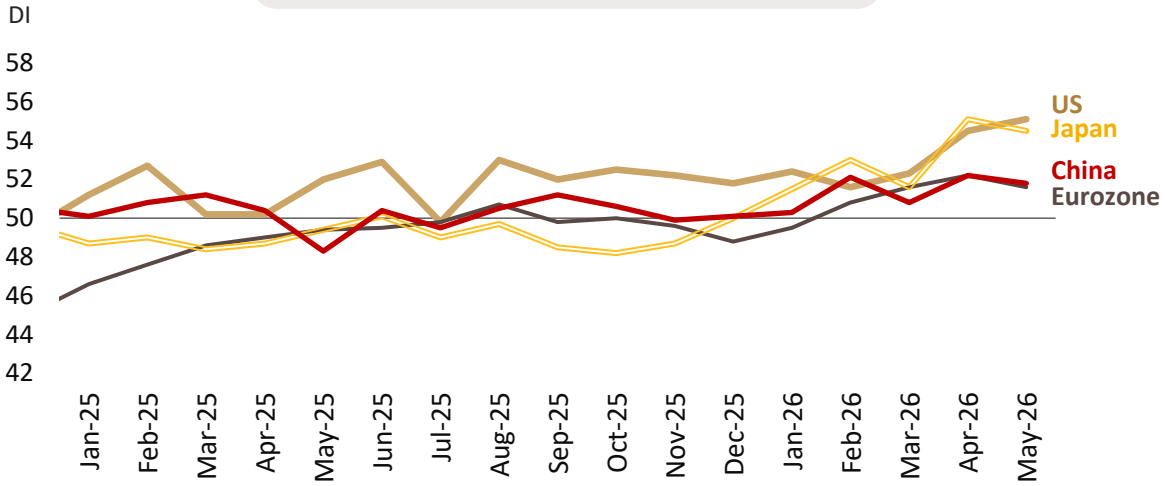
- Fiscal measures support growth amid energy and trade risks.
- Rising inflation pressures and wage gains keep BOJ on track for further rate hikes.

Global growth driven by inventory building ahead of potential supply disruptions; Middle East tensions weaken sentiment and raise risk of slower growth and higher inflation

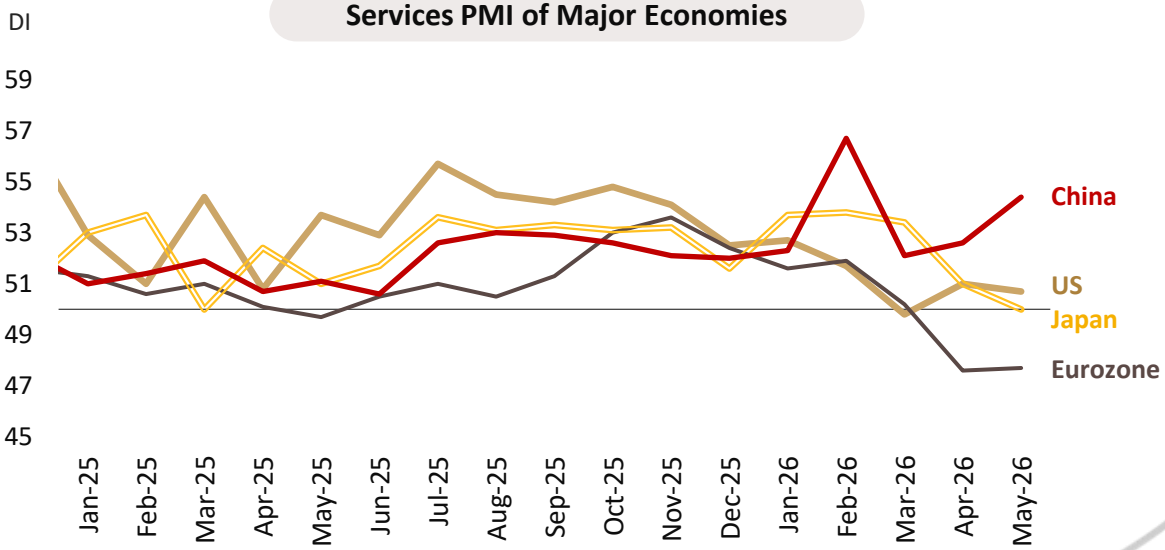
Global Composite, Manufacturing, and Services PMI



Manufacturing PMI of Major Economies



Services PMI of Major Economies



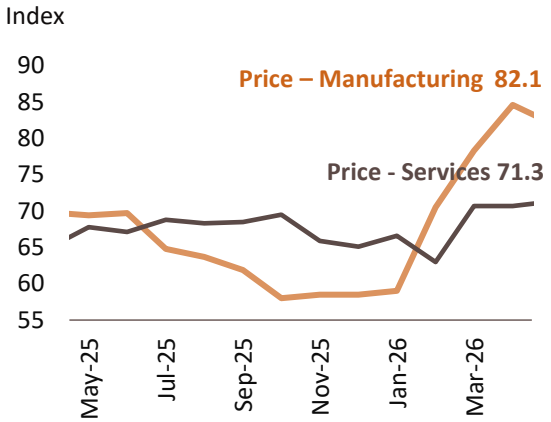
Signs of Downside Risks to Growth Outlook

- **Global growth momentum may soften** once the temporary boost from stockpiling fades and safety stocks are replenished.
- **Services activity remains weaker than its pre-conflict level,** with consumer services contracting for a third consecutive month.
- **Average input prices rose to their highest level since November 2022** across both the manufacturing and services sectors.
- **Business optimism has declined in recent months** to its second-lowest level since mid-2020.
- **The Global Employment PMIs fell sharply** to its lowest level since July 2020.

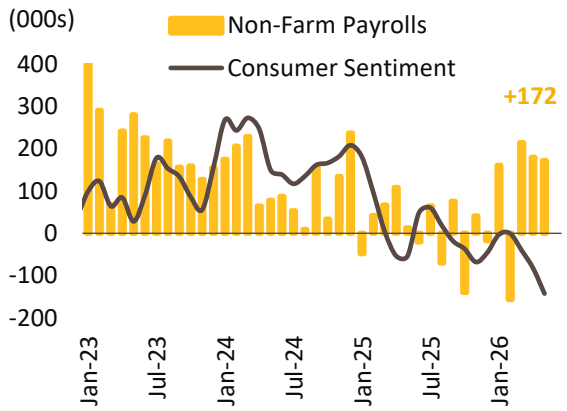
Source: J.P. Morgan and S&P Global PMI, Bloomberg, and Krungsri Research

U.S.: Resilient growth masks emerging headwinds as weaker household finances, cooling labor income, and tariff uncertainty signal slower growth and a prolonged Fed pause.

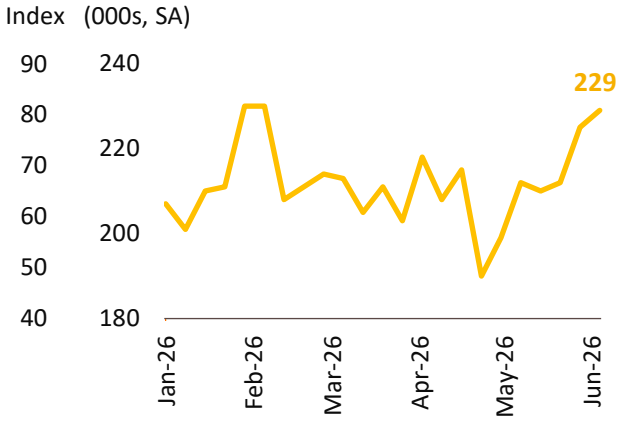
ISM PMI – Price Indices



Payrolls and Sentiment



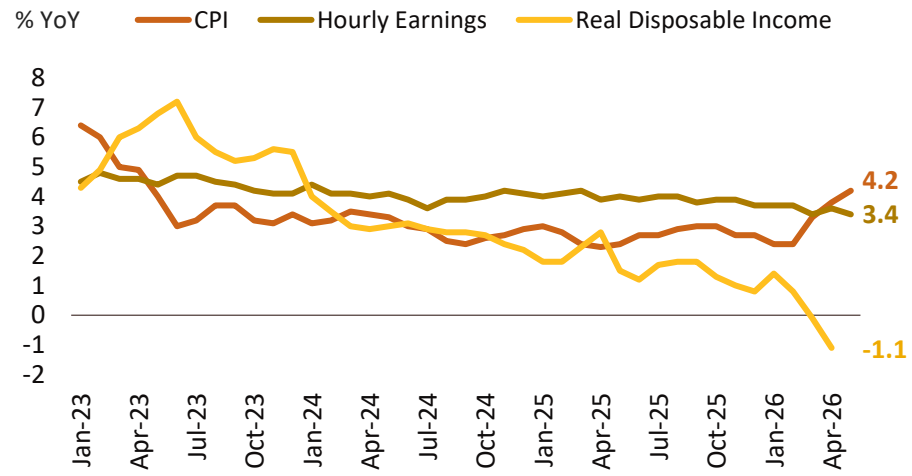
Initial Jobless Claims



Personal Saving rate



Inflation, Wage Growth, Real Income



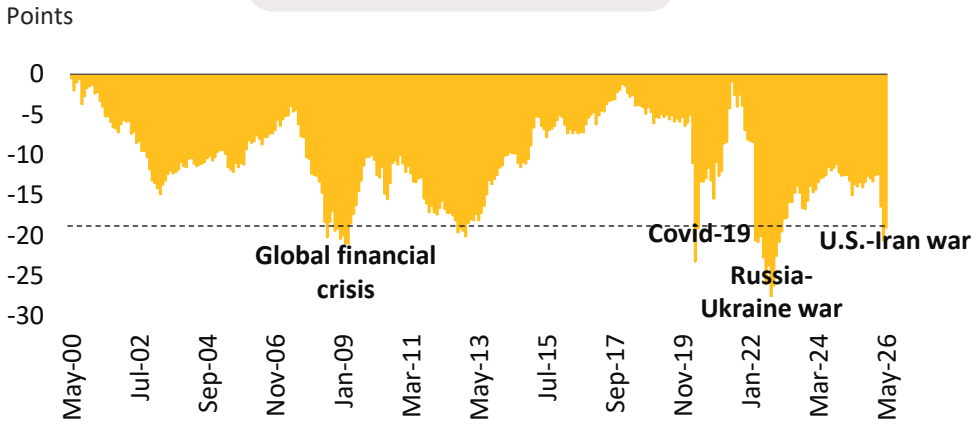
Source: ISM, BLS, BEA, Bloomberg, CEIC, and Krungsri Research

Krungsri Research's view

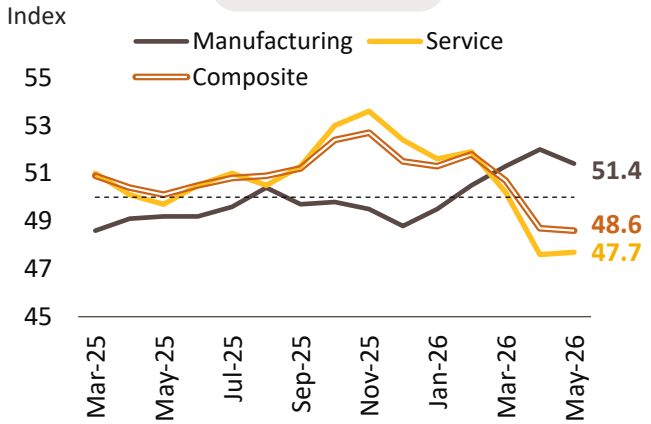
- **U.S. economic activity continues to expand, but growth momentum is becoming increasingly uneven.** Manufacturing has been supported by inventory rebuilding, while services activity remains in expansion but has moderated from earlier in the year. Elevated energy prices stemming from tensions in the Middle East are adding to inflationary pressures and weighing on household purchasing power.
- **The labor market remains resilient but is gradually cooling.** Nonfarm payrolls increased by 172,000 in May, while the unemployment rate edged up to 4.3%. **Initial claims for unemployment benefits** rose to 229,000 for the week ended June 5, the highest level since the first week of February.
- **Inflation remains the key policy challenge.** Headline CPI accelerated to 4.2% YoY in May, while core inflation remained relatively contained at 2.9%. At the same time, wage growth slowed to a five-year low of 3.4%, falling below headline inflation and putting pressure on real household incomes.
- **Growth momentum is expected to soften** as weaker consumer sentiment, a cooling labor market, a personal saving rate of just 2.6%—the lowest since June 2022—and a -1.1% YoY decline in real disposable income, the sharpest fall since November 2022, weigh on consumption. In addition, **higher import costs and policy uncertainty** related to tariff measures are expected to weigh on both consumption and private investment in the coming quarters.
- While higher energy prices may lift near-term inflation, **moderating wage growth and softer demand should limit second-round effects and keep underlying price pressures contained. As a result, the Fed is expected to remain on hold** despite elevated headline inflation.

Eurozone: Economy is likely to contract in Q2; energy crisis and trade threats weigh on growth outlook, while weak second-round inflation limits scope for further ECB hikes.

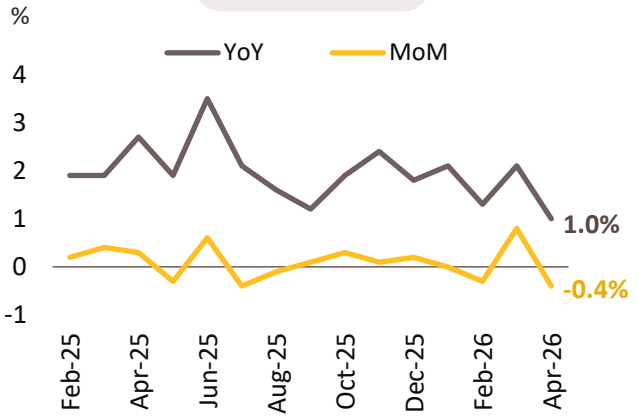
Consumer Confidence



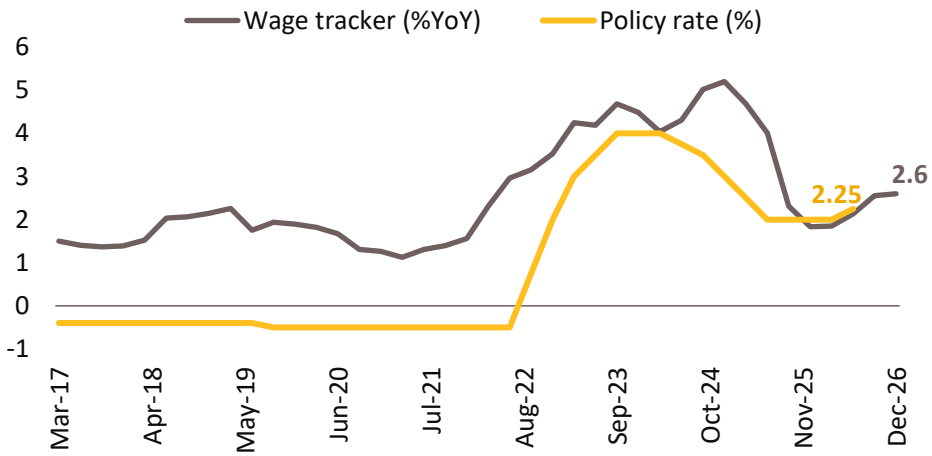
PMI



Retail Sales



Wage Tracker and Policy Rate



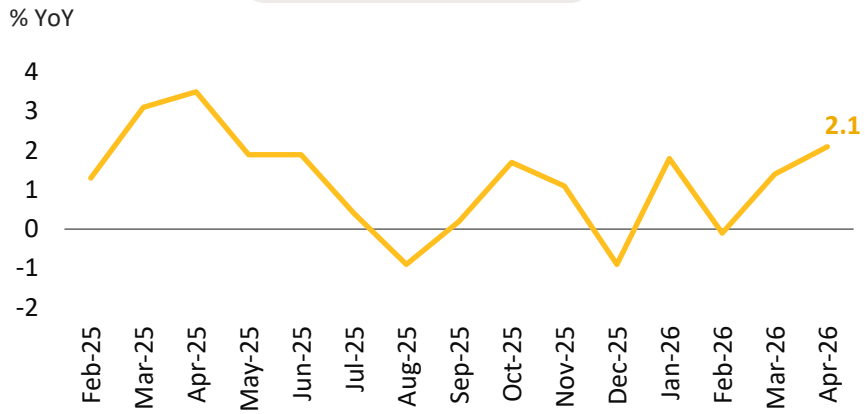
Source: ECB, CEIC, Eurostat, Investing.com, European Commission Calculation, Bloomberg, and Krungsri Research

Krungsri Research's view

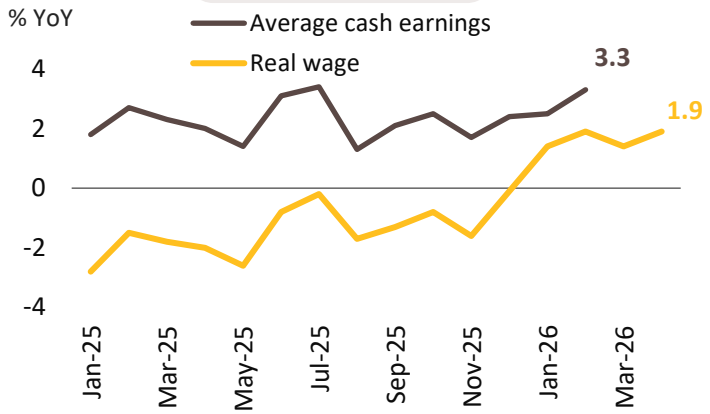
- **The Eurozone economy is expected to contract in the second quarter as the energy price shock continues to weigh on economic activity.** Headline inflation has climbed to a 32-month high of 3.2% in May, while growth indicators have deteriorated markedly. Consumer confidence has fallen to levels previously seen during major crises, including the 2008 Global Financial Crisis, the 2020 COVID-19 pandemic, and the 2022 Russia–Ukraine war. Meanwhile, May composite PMIs have recorded their lowest level in 18-months. Together, these developments suggest a weakening outlook for both consumption and investment in the coming quarters. **Despite rising inflation, there is limited evidence of second-round effects so far, as the ECB's Wage Tracker indicates that wage growth is moderating and remains below the 2022–2025 average of 3.8%.**
- **External risks have also intensified as the U.S. prepares to impose additional tariffs under Section 301 on imports from 60 economies** accused of failing to effectively restrict goods produced with forced labor. The Eurozone could face tariffs of up to 12.5% if no further negotiations or policy adjustments are reached before the measures take effect.
- Against this backdrop, **Krungsri Research expects the Eurozone to enter stagflation in 2026.** While the ECB raised its policy rate on June 11 to 2.25% in response to rising inflation, limited signs of broad-based second-round inflation, combined with a fragile economic outlook and heightened trade uncertainty, are likely to constrain further rate hikes in the second half of this year.

Japan: Fiscal measures support growth amid energy and trade risks; rising inflation pressures and wage gains keep BOJ on track for further rate hikes.

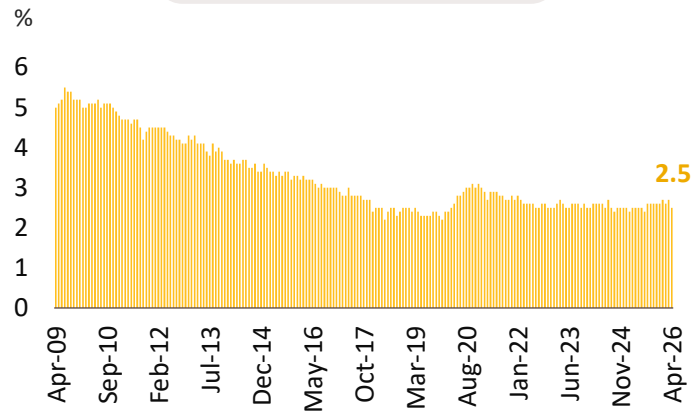
Retail Sales



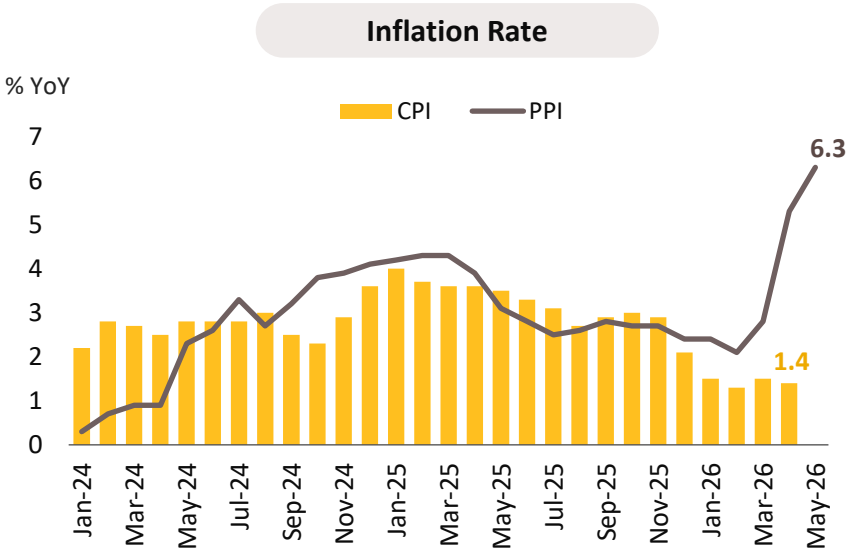
Wage Growth



Unemployment Rate



Inflation Rate



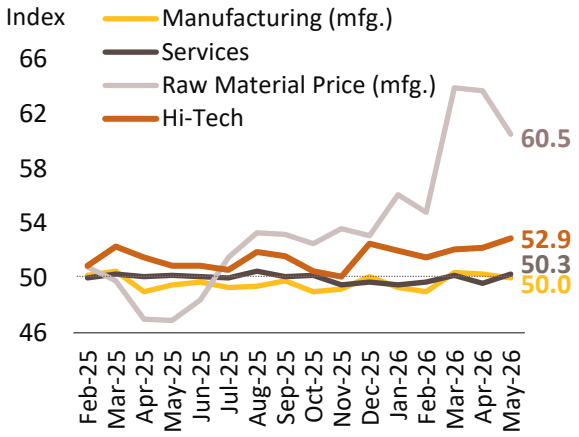
Source: Bank of Japan, Energy institute, Capital Economics, CEIC, Bloomberg and Krungsri Research

Krungsri Research's view

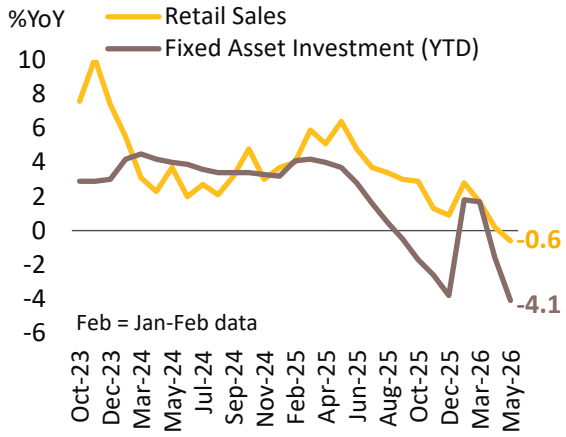
- **Rising tensions in the Middle East have heightened inflationary pressures and downside risks to Japan's economy since Q2**. Nevertheless, government support measures—including gasoline price caps, cash handouts, and stronger wage growth—are expected to help preserve household purchasing power and cushion the impact of higher living costs. Real wage growth improved to 1.9% YoY in April, while retail sales recorded their strongest expansion in a year. Meanwhile, a tight labor market and labor shortages are likely to keep wage growth elevated, underpinning domestic demand in the coming quarters.
- **However, continued reliance on fiscal stimulus and energy subsidies is adding to Japan's fiscal vulnerabilities.** A prolonged energy crisis could require further government borrowing, particularly as Prime Minister Sanae Takaichi has signaled the possibility of a supplementary budget. Concerns over fiscal sustainability have already been reflected in rising long-term government bond yields.
- At the same time, **trade risks have re-emerged as the U.S. prepares additional tariffs under Section 301,** potentially subjecting Japan to tariffs of up to 12.5% if no agreement is reached before implementation.
- **The BOJ raised its policy rate by 25bps to 1.00% at its June 16 meeting.** Amid an upward inflation outlook and growing evidence of second-round inflation effects, with higher producer costs likely to be passed on to consumers in the coming periods, Krungsri Research expects the BOJ to deliver another 25bp rate hike at its December meeting, bringing the policy rate to 1.25%.

China: Robust exports mitigate subdued domestic demand, but the Middle East conflict adds pressures on weaker firms, potentially affecting the labor market and consumption.

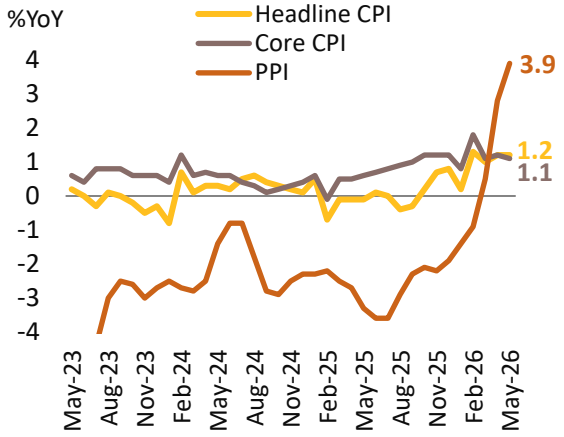
Official PMI (NBS)



Retail Sales and Fixed Asset Investment



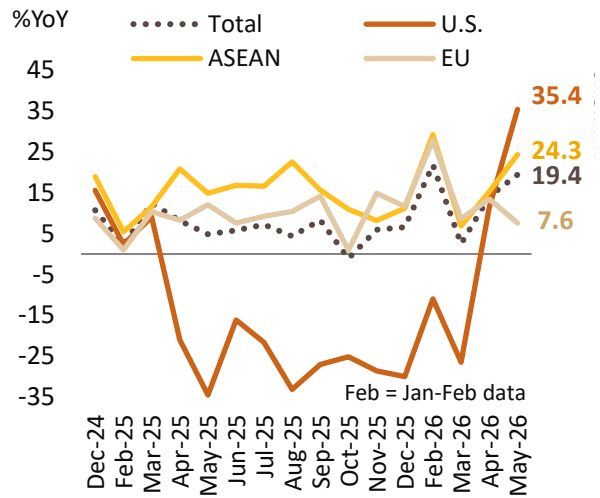
Consumer and Producer Price Indices



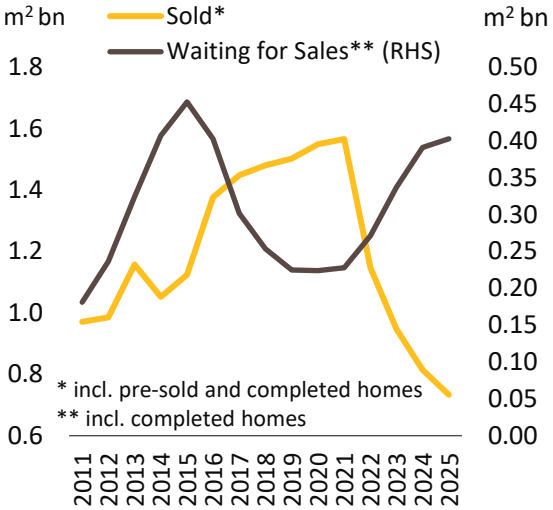
Industrial Profits (Jan-Apr 2026)

Sector	Profits (% YoY)	% of Total Industrial Employees
Total	**18.2**	**100**
Electronics & Communication	107.7	12.7
Electrical Machinery	-11.4	8.4
Automobile	-16.8	6.8
Fabricated Metal Product	-13.8	4.9
Non-Metallic Mineral Product	-50.7	4.7
Chemical Material & Product	73.4	4.5
Garment & Apparel	-13.5	2.6

Exports to Key Partners



Home Sales (Floor Space)



Source: NBS, Bloomberg, Reuters, CEIC, and Krungsri Research

Krungsri Research's view

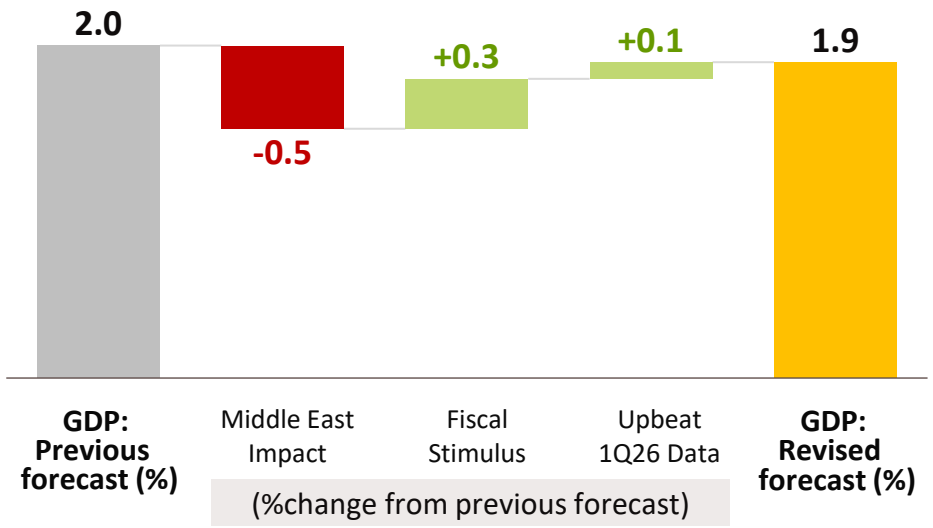
- **China's growth is becoming increasingly export-led** as domestic demand remains weak. While exports continue to be supported by strong demand for hi-tech products (+50.9% in May), many firms still face cutthroat competition and rising production costs linked to the Middle East conflict. **This could ultimately weigh on the labor market and, in turn, household consumption,** as firms with shrinking profits employ 60% of total industrial workers.
- **Trade risks persist.** U.S.-China trade tensions are likely to remain but be contained. China has signaled that it would accept higher tariffs, but at a level jointly agreed last year. On another front, concerns over an influx of Chinese goods continue and risk further reciprocal measures from partners. **Eventually, a bilateral solution is expected to be reached to contain the tensions and sustain trade as a key driver.**
- **The property crisis continues to exert pressure.** Even though home prices in the first-tier cities have declined at a slower pace in recent months, the improvement has yet to spread to the broader market. Large housing inventories, falling sales, liquidity strains, and delayed repayment remain visible. Moreover, the crisis also weighs on related businesses, such as property service providers, which are facing a contraction in fee collection. **Thus, the crisis will continue to drag on consumption and investment.**

Thailand: Despite stimulus measures supporting growth, Middle East tensions, intensifying tariff risks, and domestic constraints continue to weigh on the economic outlook.

- **For Thailand's 2026 economic outlook, Krungsri Research expects GDP growth to slow to 1.9% from 2.4% in 2025. Prolonged tensions in the Middle East are expected to weigh on growth, although fiscal stimulus measures and stronger 1Q momentum offer some support.**
- **Thai exports continue to rise amid front-loading ahead of tariff uncertainty,** while surging imports result in a trade deficit. Rising tariff risks may weigh on exports in the periods ahead.
- **U.S. trade policy uncertainty is likely to become a greater headwind in 2H26.** Although the temporary 10% Section 122 tariff is scheduled to expire on July 24, Thailand remains exposed to the risk of additional tariffs from Section 301 investigations targeting forced labor concerns and excess production capacity, which could weigh on exports and domestic production.
- **Private consumption is temporarily supported by stimulus measures,** but higher living costs, weak income growth, and high household debt continue to weigh on spending.
- **Tourism softens amid high aviation costs and safety concerns,** particularly among long-haul tourists, despite improving arrivals from the Middle East.
- **Private Investment is moderating amid concerns over prolonged Middle East tensions,** although the medium-term outlook shows signs of recovery. **Investment and FDI promotion applications continued to gain momentum,** supported by strong investor interest in digital and electronics projects.
- **Inflation remains elevated, driven by the impact of Middle East tensions, although limited second-round effects suggest the spike may be temporary.**
- **The MPC is likely to keep the policy rate on hold** amid a negative output gap, supply-driven inflation, and limited second-round effects.

Thailand's 2026 economic outlook: Middle East tensions weigh on growth, even as fiscal stimulus and stronger 1Q momentum offer some support.

Forecast of Thai GDP Growth in 2026 (%)



Tailwinds

- **Stimulus measures from the Emergency Loan Decree**
- Trends of **FDIs** amid greater regionalization and Thailand FastPass scheme
- Effect of previous **interest rate cuts** and debt-relief measures
- Growth in sectors aligned with **Megatrends**, e.g., Digital, Healthcare, and the Silver Economy
- **Sound economic stability**

Headwinds

- **Prolonged Middle East conflicts** entrench inflation and weigh on the growth
- Impacts of **U.S. tariff policy and geoeconomic fragmentation**
- **Fiscal constraints and risks of payback effects** following the expiration of stimulus measures
- **El Niño** may adversely affect agricultural output and farm income
- **Structural issues** such as elevated household debt, declining competitiveness in key industries, an aging population, and a shrinking workforce

Source: NESDC and Krungsri Research

Krungsri Research Forecasts for 2026

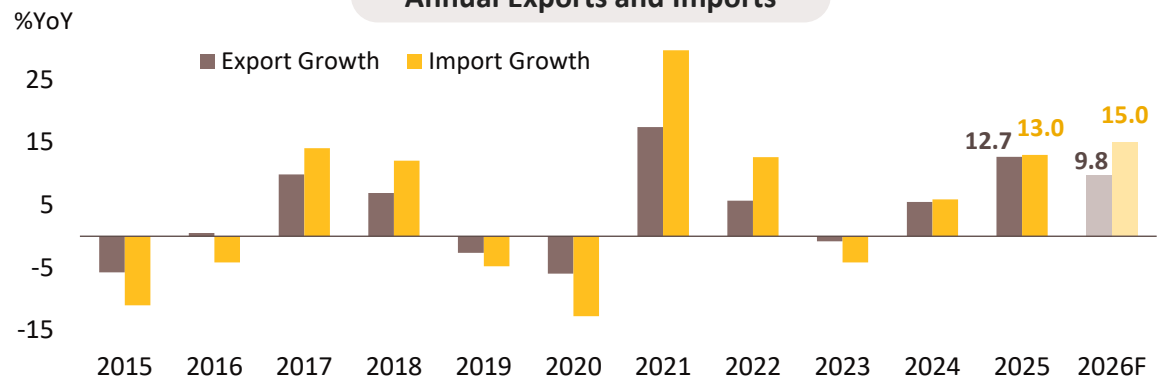
Krungsri Research Forecast		2024	2025	2026F
GDP growth	YoY (%)	2.9	2.4	1.9
Private Consumption Expenditure	YoY (%)	4.4	2.7	2.0
Government Consumption Expenditure	YoY (%)	2.6	0.6	1.0
Private Investment	YoY (%)	-1.9	3.5	3.5
Public Investment	YoY (%)	4.5	8.9	2.7
Nominal Exports in USD (f.o.b.)*	YoY (%)	5.9	12.7	9.8
Nominal Imports in USD (f.o.b.)*	YoY (%)	5.5	13.0	15.0
Current Account Balance	USD, bn	11.6	17.7	5.2
Tourist Arrivals	Mn, persons	35.5	33.0	32.5
Headline Inflation	YoY (%)	0.4	-0.1	2.7
Policy Interest rate (end of period)	(%)	2.25	1.25	1.00
Dubai crude price - period average	USD/bbl	80	68	90

Source: NESDC, BOT, MOC, MOTS, Bloomberg, and Krungsri Research

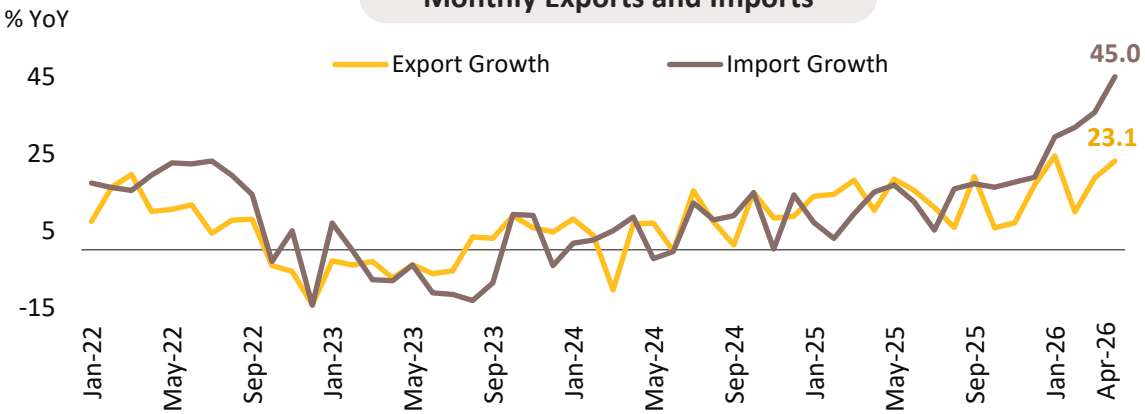
Thai exports continue to rise amid front-loading ahead of tariff uncertainty, while surging imports result in a trade deficit. Rising tariff risks may weigh on exports in 2H26.

Exports expanded by 23.1% YoY in April, while imports surged by 45.0%. Export growth was driven by key products such as electronic machinery and electrical equipment. Exports to key major markets – including the U.S., EU27, Japan, and ASEAN – also expanded. **Although the invalidation of the U.S. IEEPA tariffs may temporarily support exports through the front-loading effect, the upside is likely to be short-lived with the ongoing Section 301 investigation** alongside prolonged Middle East tensions and weak global demand. **As a result, Thailand faces higher risks of slower exports and a weaker trade surplus this year.**

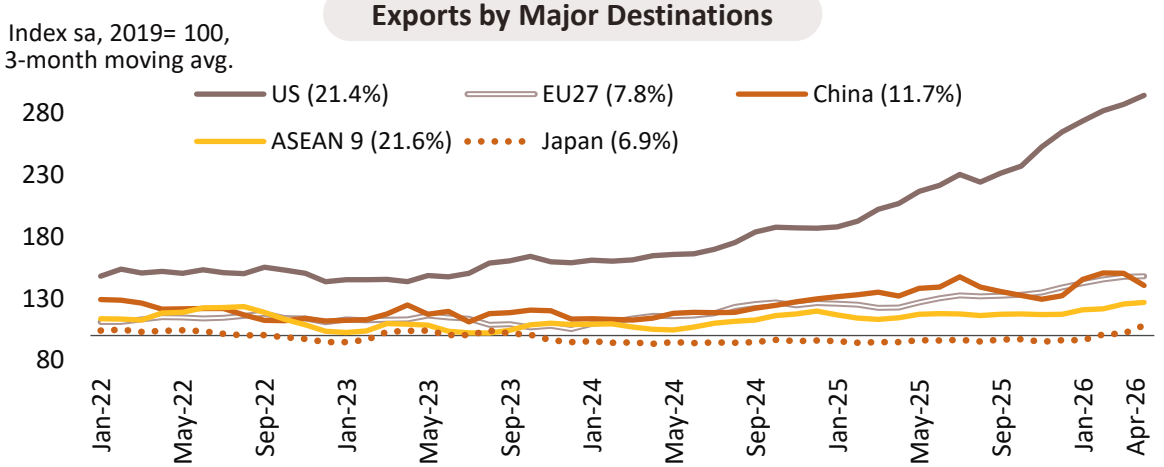
Annual Exports and Imports



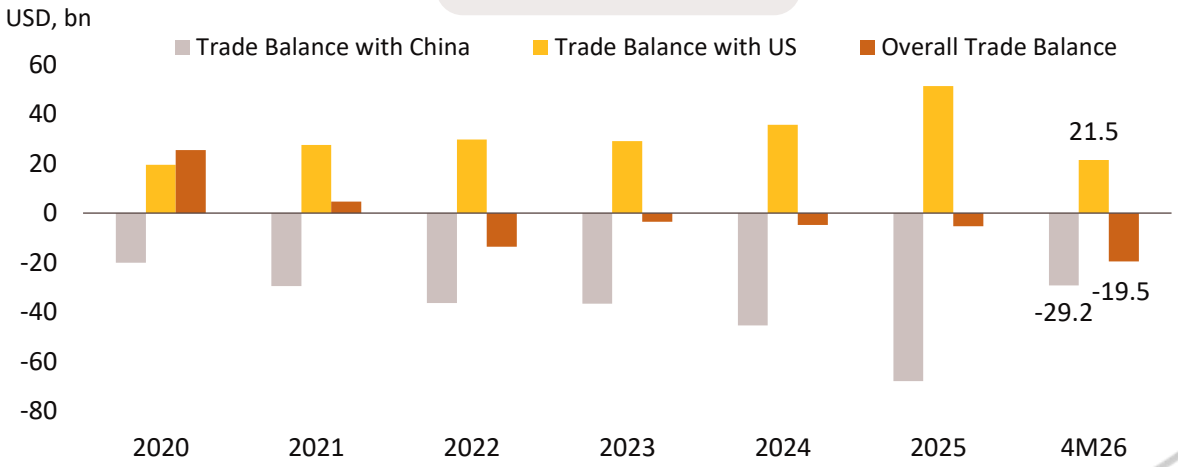
Monthly Exports and Imports



Exports by Major Destinations



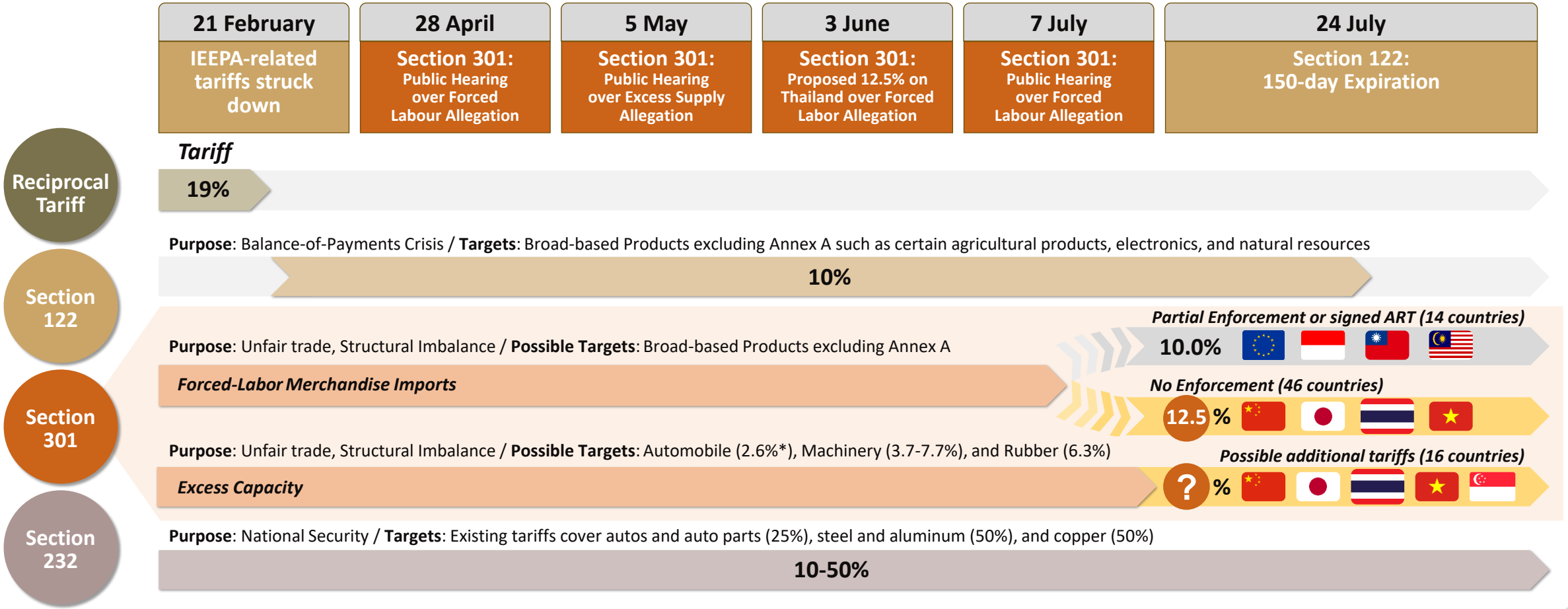
Trade Balance



Source: MOC, CEIC, and Krungsri Research

U.S. Trade Policy Uncertainty: Beyond forced-labor import-related Section 301 risks, Thailand also faces excess capacity investigations as the temporary Section 122 measure nears expiry.

While the temporary Section 122 measure (imposing 10% tariff) expires on July 24, **Thailand continues to face risks from potential U.S. tariff measures, including a proposed 12.5% Section 301 tariff linked to forced labor concerns over goods imported.** Indonesia, Malaysia, and Taiwan are subject to 10% tariffs due to some forced labor import prohibition or signed Agreement on Reciprocal Trade (ART). Furthermore, **the additional Section 301 investigations into excess production capacity could leave Thailand facing higher tariffs, weighing on exports, manufacturing activity, and supply chains.**



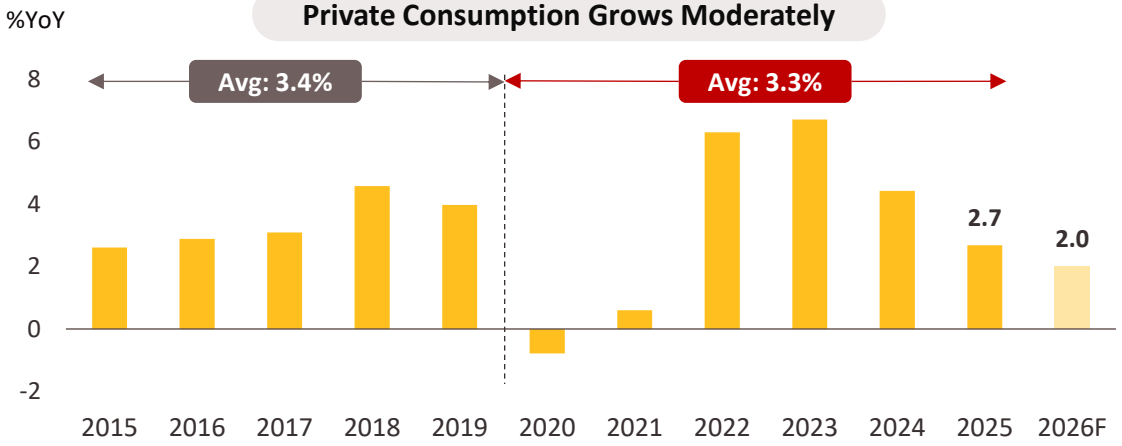
Source: MOC and Krungsri Research

Note: *of Thailand's export share to the U.S.

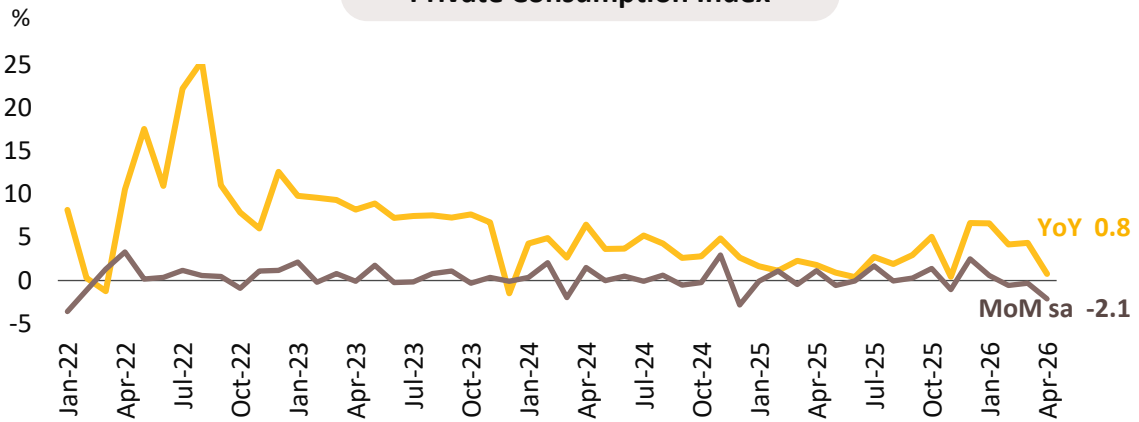
Private consumption temporarily supported by stimulus measures, but higher living costs, weak income growth, and high household debt continue to weigh on spending.

Broadly, private consumption continues to show weak momentum. In the short term, the Private Consumption Index (PCI) slowed to 0.8% YoY in April from 4.4% in March, mainly due to weaker spending on non-durable goods following earlier front-loaded fuel purchases. Meanwhile, average wages of Thai workers fell by -0.6% YoY in 1Q26, with wages among self-employed workers declining sharply by -2.5%. **Looking ahead, the Thai Chuay Thai Plus measures may provide temporary support to domestic spending during Jun–Sep, but higher living costs, weak income growth, elevated household debt, and potential payback effects after the stimulus expires are expected to constrain consumption.**

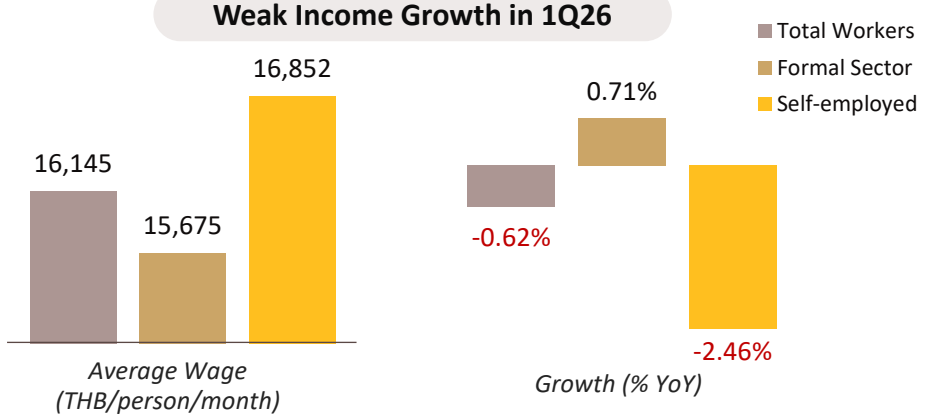
Private Consumption Grows Moderately



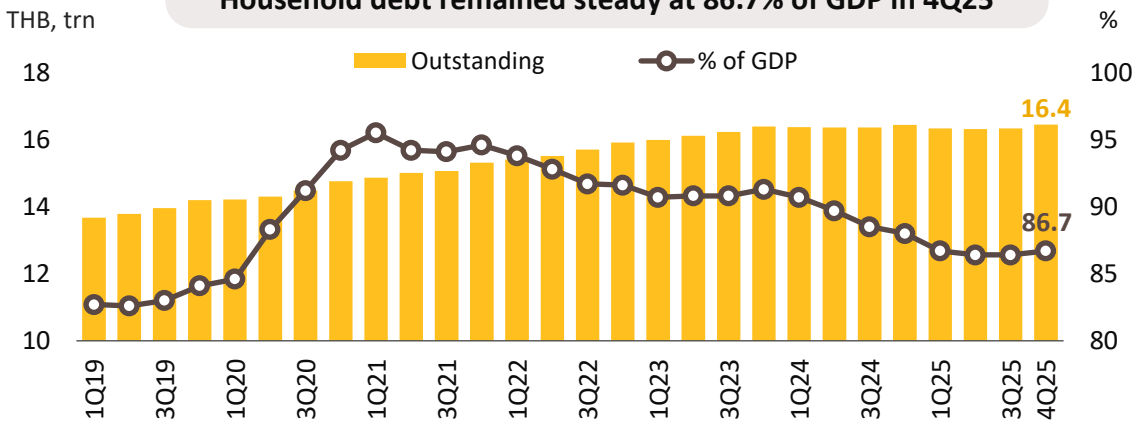
Private Consumption Index



Weak Income Growth in 1Q26



Household debt remained steady at 86.7% of GDP in 4Q25

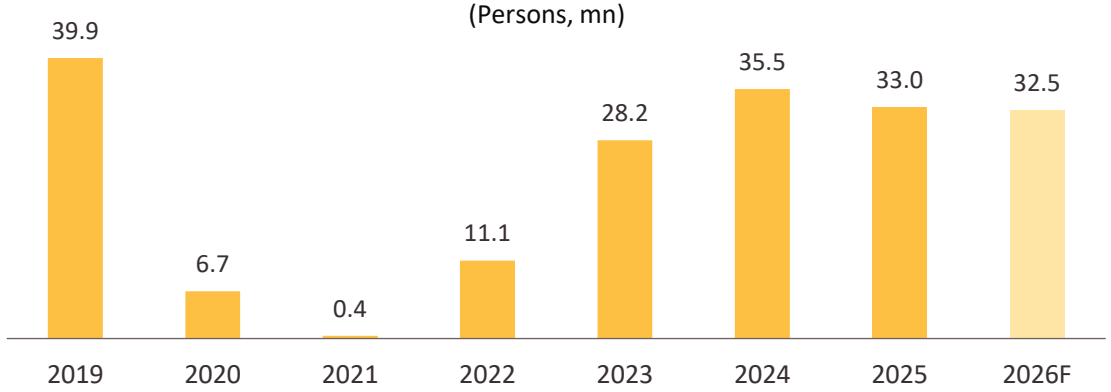


Source: NESDC, MOC, BOT, and Krungsri Research

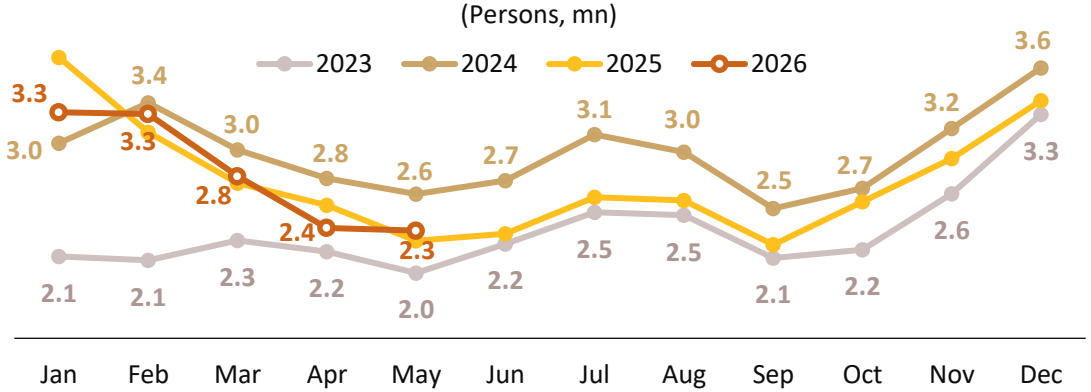
Tourism softens amid high aviation costs and safety concerns, particularly among long-haul tourists, despite improving arrivals from the Middle East.

Krungsri Research expected a 2026 forecast of 32.5 mn foreign tourist arrivals, as the trend has begun to moderate. In May 2026, Thailand welcomed 2.34 mn foreign visitors, slightly down from 2.36 mn in April. While arrivals from most markets have largely recovered already, Chinese tourist arrivals in the first five months of this year remained at less than half of the pre-COVID levels. **Arrivals from the Middle East recovered to the pre-conflict level, but long-haul arrivals, particularly from Europe and the U.S., would still be weighed by elevated aviation costs and concerns over transit disruptions and travel safety.**

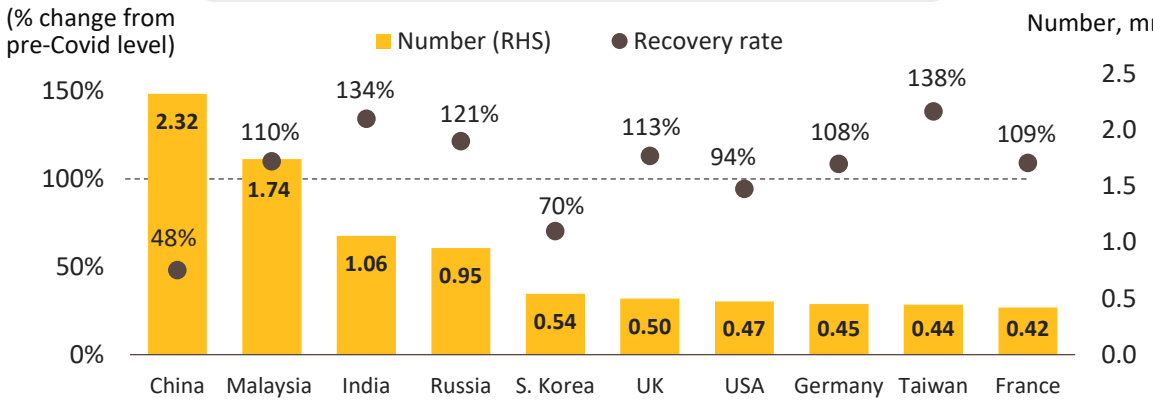
Thailand's Visitor Arrivals



Foreign tourist arrivals fell to 8-month low of 2.34 mn in May

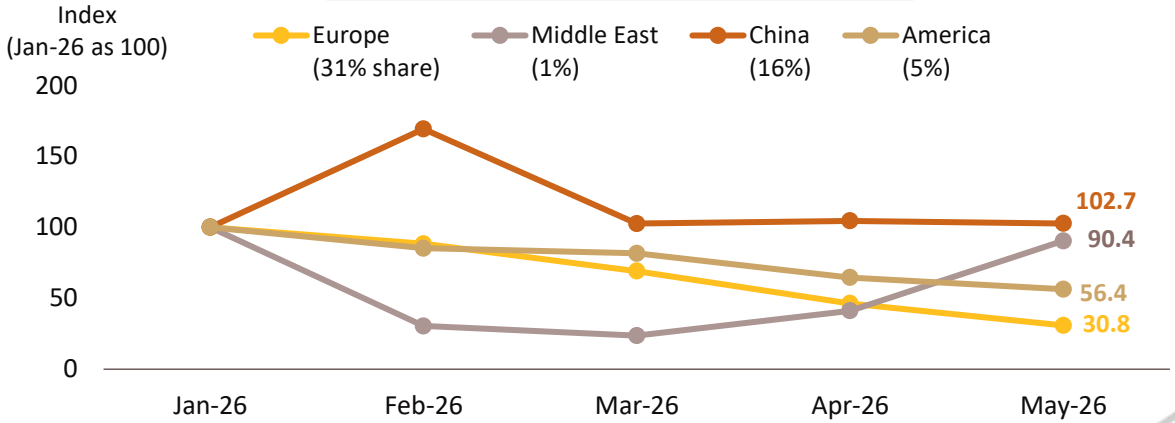


Top 10 tourist arrivals by country in Jan-May 2026



Source: MOTS, CEIC, and Krungsri Research

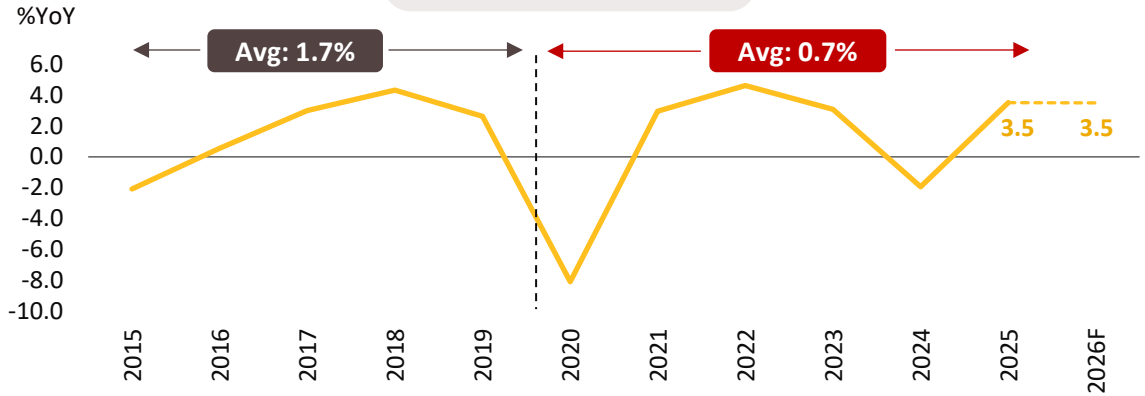
Long-haul and Chinese tourist arrivals



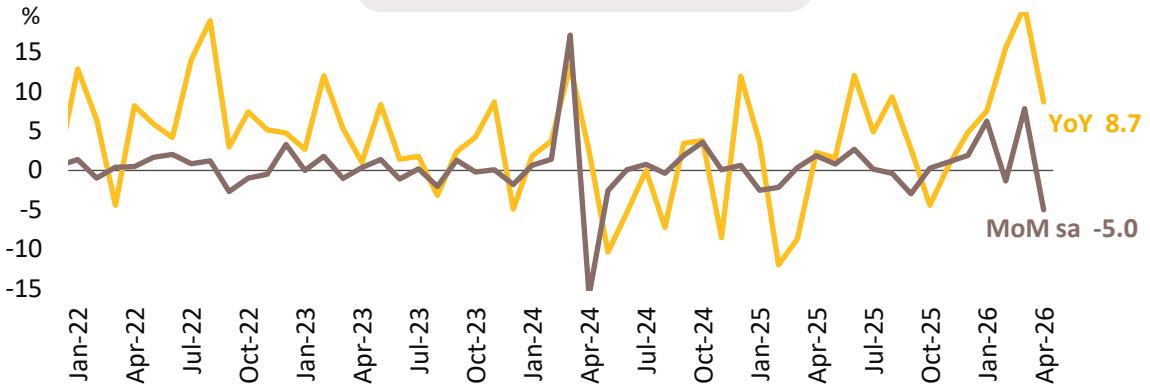
Private Investment is moderating amid concerns over prolonged Middle East tensions, although the medium-term outlook shows signs of recovery.

Although the Private Investment Index (PII) grew at a slower pace by 8.7% YoY in April, compared with 20.8% in March, **forward-looking indicators have begun to improve, with the expected BSI rebounding strongly to 46.9 in May**, reflecting businesses' gradual adjustment to higher costs and positive sentiment amid policy continuity and improving political stability. **In addition, Thailand FastPass Phase 1 secured over THB 240 bn in investment value, while Phase 2 is expected to attract another THB 52 bn, providing medium-term support for investment.** Nevertheless, the investment growth could be limited by headwinds from soft domestic demand, escalating geopolitical tensions, and uncertain U.S. tariff policies.

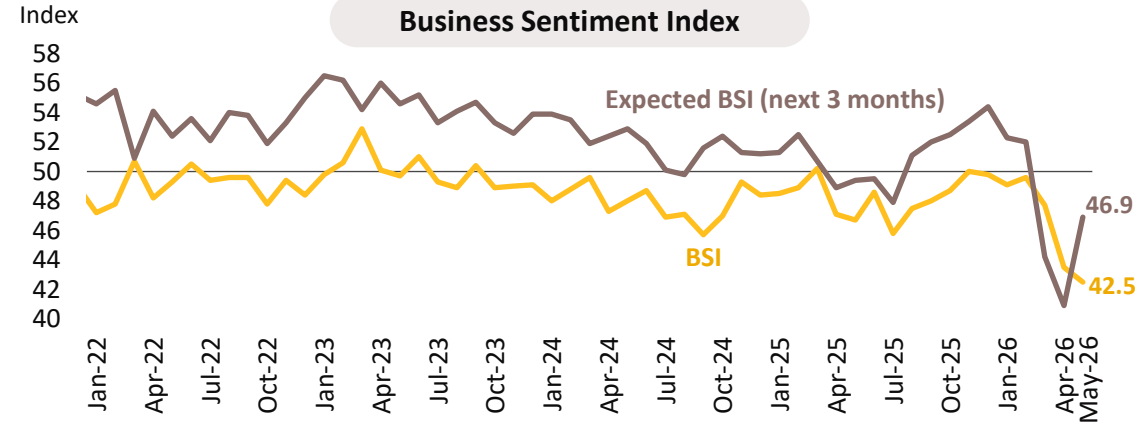
Private Investment



Private Investment Index



Business Sentiment Index



Thailand FastPass Scheme: Total Investment worth THB 300 bn

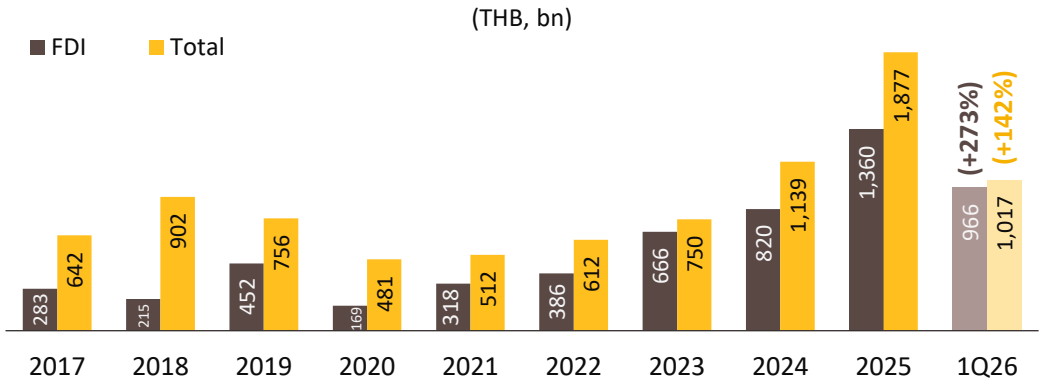
	Sectors	Value (THB mn.)
Phase 1 (15 projects)	Data Center (11 projects)	184,740
	Smart Industrial Estate	3,464
	Wind Power Generation	5,635
	Cargo Handling	14,122
	KCl Production	40,468
Phase 2 (9 projects)		52,104 (expected)

Source: NESDC, BOT, BOI, and Krungsri Research

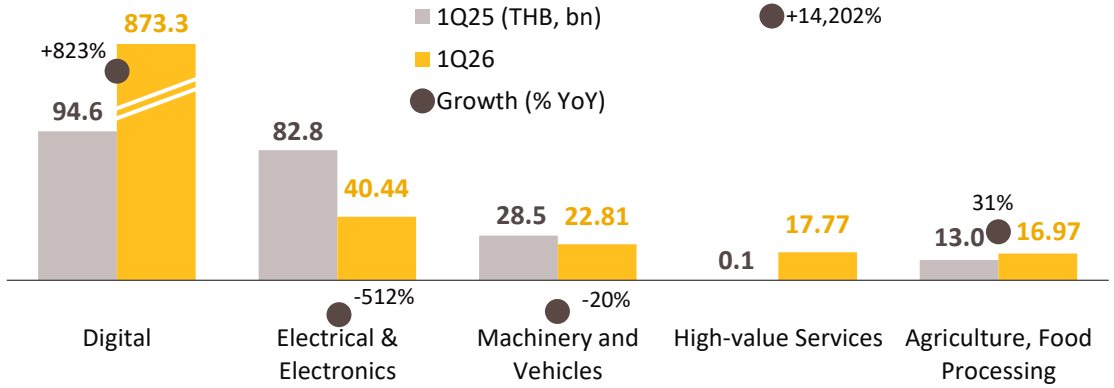
Investment and FDI promotion applications continued to gain momentum, supported by strong investor interest in digital and electronics projects.

BOI investment applications reached THB 1.02 trn in 1Q26, surging 142.4% YoY, driven mainly by data centers and cloud services. FDI applications for BOI incentives rose to THB 966 bn (+273%), led by Singapore, the U.K., and Japan. Although the investment value of BOI-approved projects fell by -43% to THB 330 bn amid the election period, promoted certificates—which are more closely linked to actual investment—rose strongly by 62% to THB 383 bn. Together with the Thailand FastPass scheme, **these developments signal a promising medium-term outlook for domestic investment, supported by the digital and electronics upcycle and the China+1 trend.**

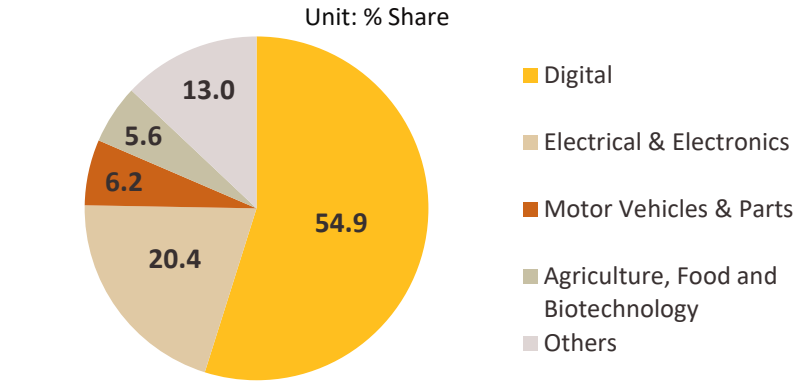
Total Applications for BOI Investment Incentives



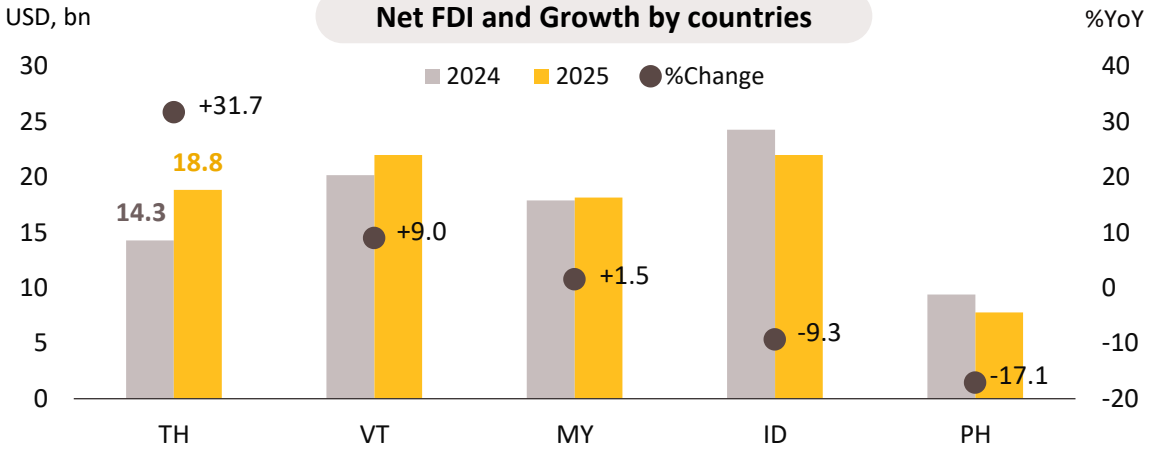
Applications for BOI Investment Incentives in 1Q26 by sector



Sectoral FDI Applications for BOI Incentives in 2025



Net FDI and Growth by countries

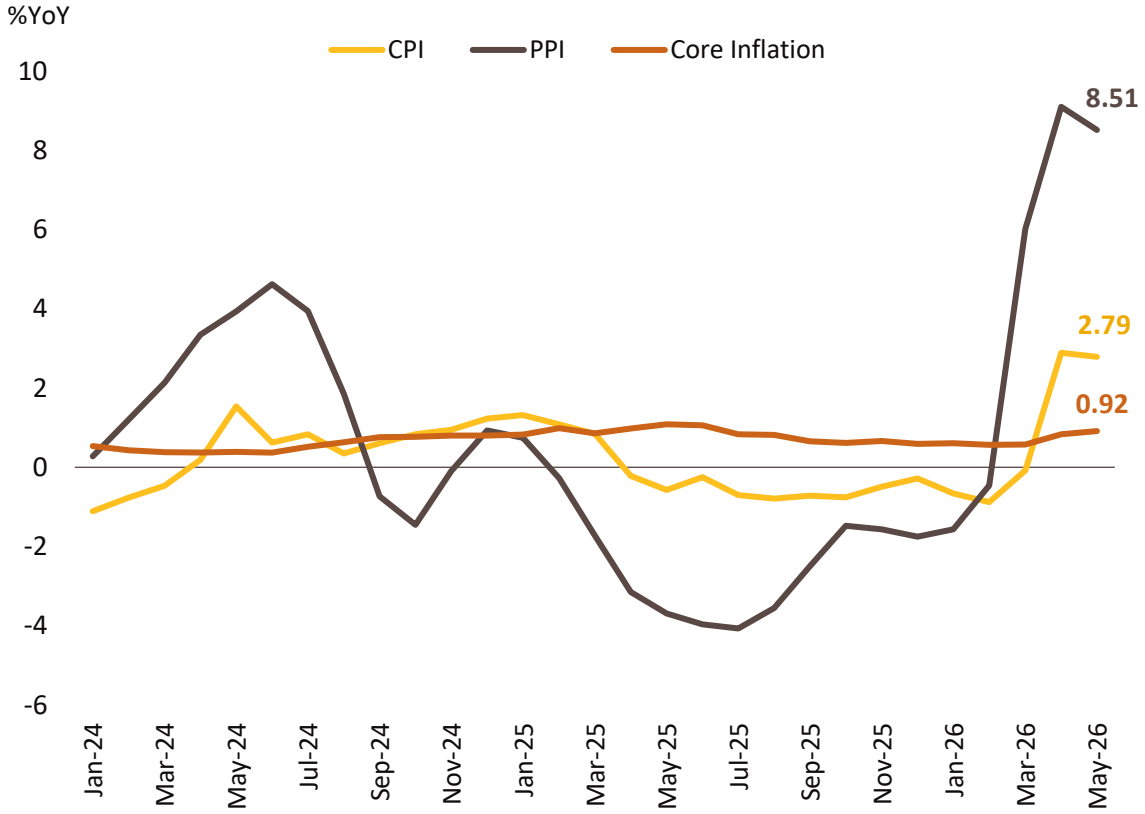


Source: BOI, CEIC, and Krungsri Research

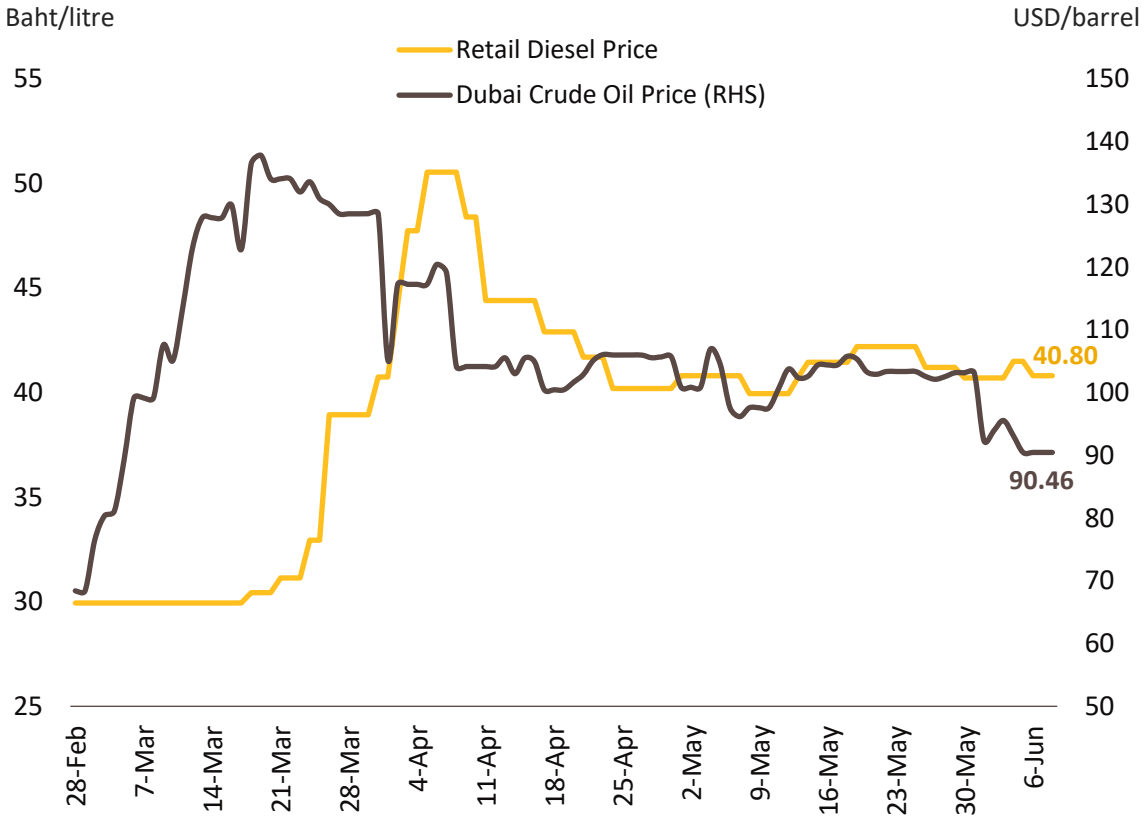
Inflation remains elevated, driven by the impact of Middle East tensions, although limited second-round effects suggest the spike may be temporary.

In May 2026, headline inflation eased slightly to 2.79% from a record-high 2.89% in April, driven mainly by domestic fuel prices in line with global oil prices, alongside food and public transport costs. Looking ahead, supply shortages, higher electricity charges, rising commodity prices, and government stimulus measures could temporarily push inflation above the BOT's target range from 2Q26 onward. **However, the sharper rise in PPI relative to CPI suggests limited cost pass-through to consumers, while stable core inflation signals limited second-round effects.**

Limited pass-through effect from PPI to CPI



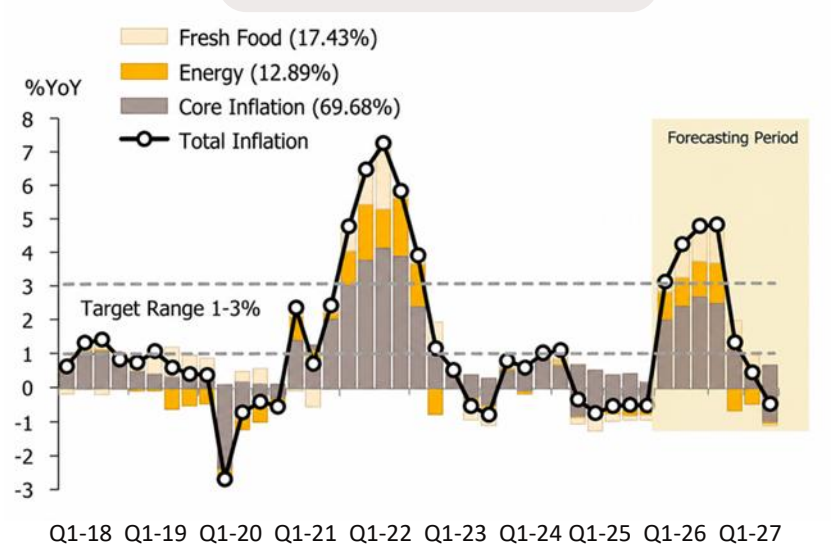
Domestic Diesel Price and Dubai Crude Oil Price



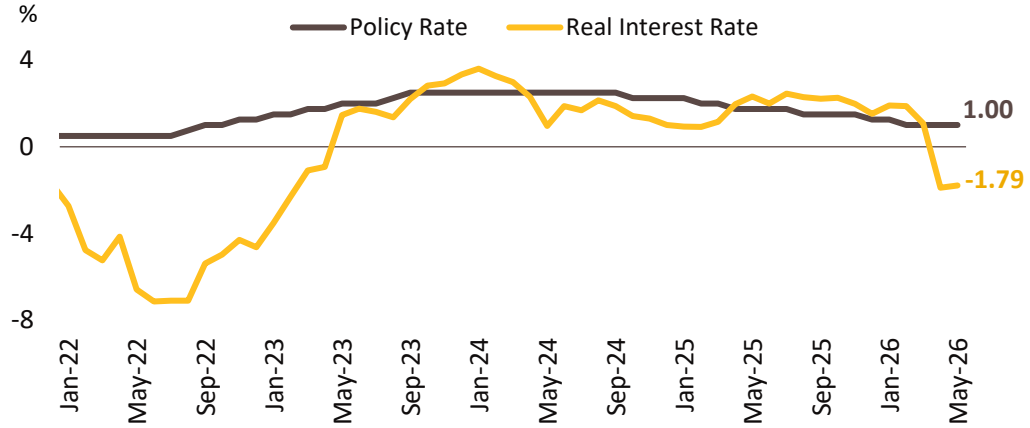
Source: MOC, MOE, BOT, and Krungsri Research

MPC is likely to keep the policy rate on hold amid a negative output gap, supply-driven inflation, and limited second-round effects.

Contribution of Inflation



Policy interest rate



Source: BOT, and Krungsri Research



Bank of Thailand's Views:

- The BOT Governor Vitai Ratanakorn stated that *"**headline inflation is expected to peak at around 5% in October 2026 before gradually moderating in the second quarter of 2027**"*.
- *Given that the current inflationary pressures are largely supply-driven, **the BOT sees limited justification for raising the policy rate**, as tighter monetary policy would primarily suppress demand without effectively addressing the root causes of inflation, though it remains prepared to adjust its policy stance if economic conditions or the inflation outlook deviate materially from its baseline projections."*

Krungsri Research's view:

- **Krungsri Research forecasts that Thailand's economy will expand by 1.9% in 2026, slowing from 2.4% in the previous year.** Fiscal support measures are expected to provide some relief to household spending from June onward; however, elevated geopolitical tensions in the Middle East continue to weigh on the growth outlook through higher energy prices, rising living costs, and softer tourism activity.
- Meanwhile, **rising producer and consumer inflation signals mounting cost pressures on businesses and households**, which could erode purchasing power and limit the effectiveness of the fiscal supports.
- In addition, **Thailand faces growing trade risks** from a proposed 12.5% tariff under Section 301 linked to imports of forced-labor products, alongside potential additional tariffs arising from Section 301 investigations into excess production capacity. Both measures could further pressure exports, manufacturing activity, and supply chains.
- **Taken together, these factors reinforce our view that the MPC will maintain the policy rate at 1.00% through year-end.** Given that current inflationary pressures are largely supply-driven, while economic slack remains evident and second-round effects are still limited, there is little justification for further tightening unless inflation rises materially and persistently above target or inflation expectations become de-anchored.

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