

FX, Fixed income, Econ, Facts & Fallacies

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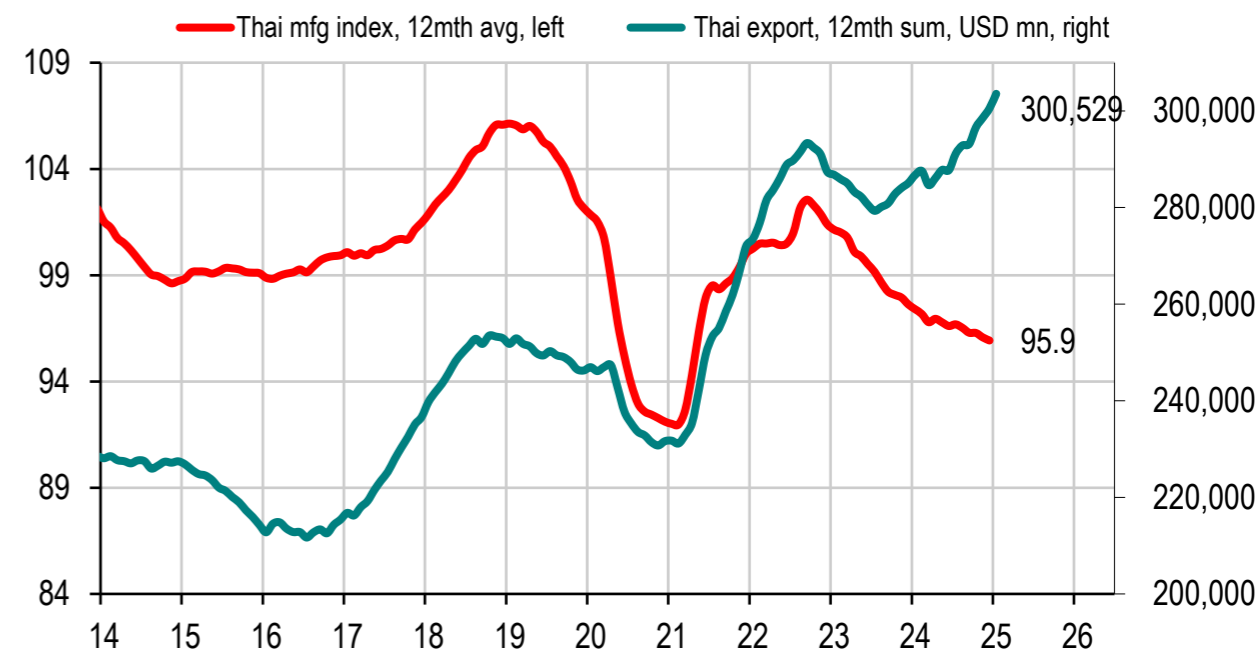
**Reviewing our USD/THB View:
Prepare for current account weaknesses and uptick in USD/THB**

The current account is similar to a company's free cash flow, i.e., cash flow from operation plus cash flow from investing. In economics, it is also known as the gap between investments and savings. It has a statistical significance for USD/THB as it encompasses items such as 1) exports (exporters sell USD/THB), 2) imports (importers buy USD/THB), 3) tourism (foreign tourists sell USD/THB while Thai outbound tourist buys USD/THB) 4) dividend and interest payments, etc. Recently, Thailand's January 2025 current account posted a surplus of USD2,657 million, higher than the market expectation of USD1,646 million as exports have been outperforming. On the surface, such reading has and should support the baht. However, there is a theory that the accelerated exports were due to preemptive exports to circumvent the risk of Trump Tariffs as much as possible.

Fig 1 shows Thailand's manufacturing index and exports. Typically, countries export whatever they produce. However, the trend between the two economic series is diverging, possibly because 1) producers are running down their inventory and/or 2) Thailand is re-exporting goods produced elsewhere, e.g., China. We see some evidence that the increase in Thai imports from

China is significantly related to Thai exports to the US, meaning Chinese goods may be transiting through Thailand (with little value added) and then re-exported to the US.

Figure 1: Why are Thailand's manufacturing index and exports diverging?

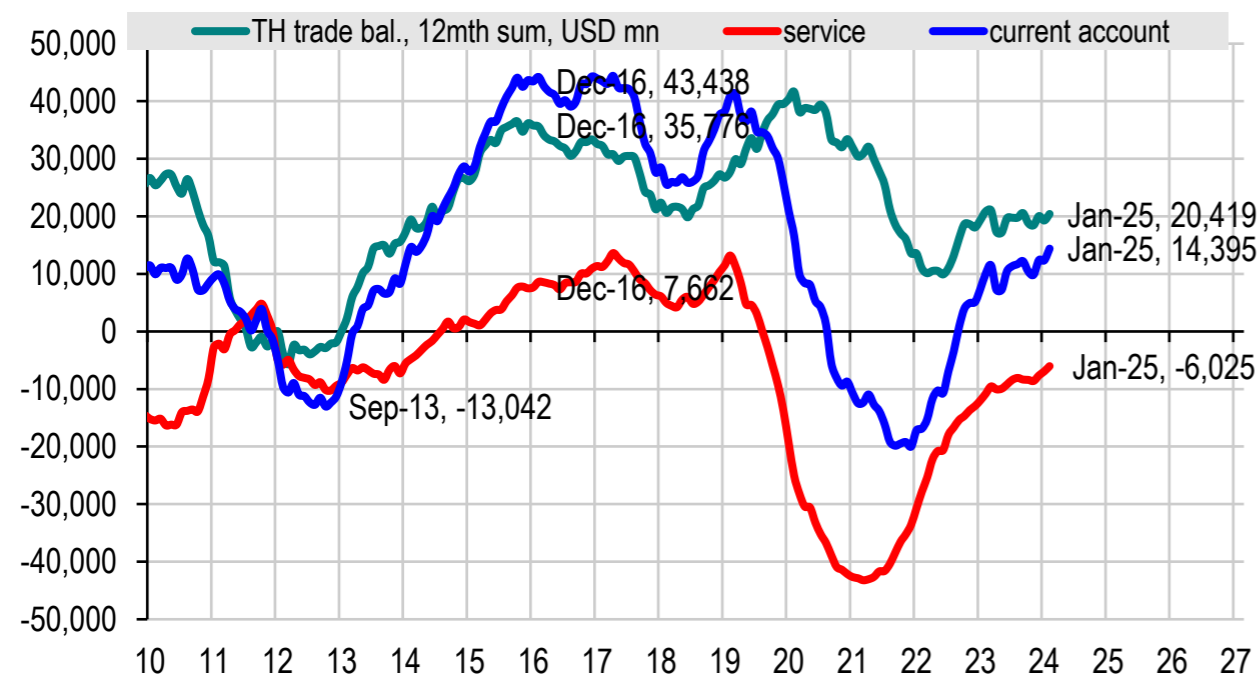


Source: Bloomberg, KBank

It is no news that tourism in Thailand is a big hope for the economy (e.g., 3.0% of the 3.2% growth for 4Q24 was from services/tourism). However, fig 2 shows that the 12-month run rate of the service account remains negative due to dividend and freight payments. Furthermore, tourist spending has been waning, possibly reflecting a diminishing return (i.e., tourism may have

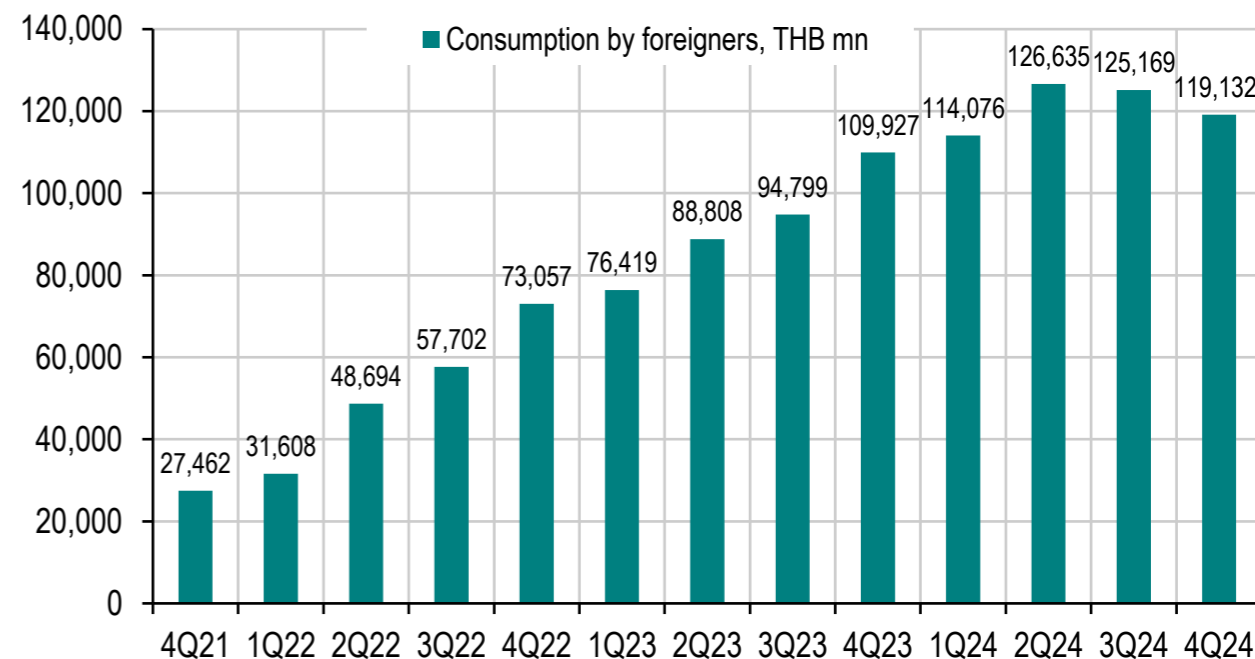
reached a saturation point). Fig 3 shows that consumption by foreigners has weakened for the past two quarters.

Figure 2: Thailand, 12mth rolling current account items



Source: Bloomberg, KBank

Figure 3: Consumption by foreigners has fallen for the past two quarters



Source: Bloomberg, KBank

Last but certainly not least are **dividend payments**. The end of March marks the end of the fiscal year for Japan, meaning Japanese subsidiaries in Thailand will have to repatriate dividends to their parent companies. Therefore, look for a rise in JPY/THB as funds flow to Japan. We note a seasonal uptick in JPY/THB about the second week of March (from 2020 to 2024).

Also, **Thai listed companies pay dividends from April to June, whereby foreign investors own a sizeable portion**. We estimate that around THB 83 billion were repatriated to foreign investors

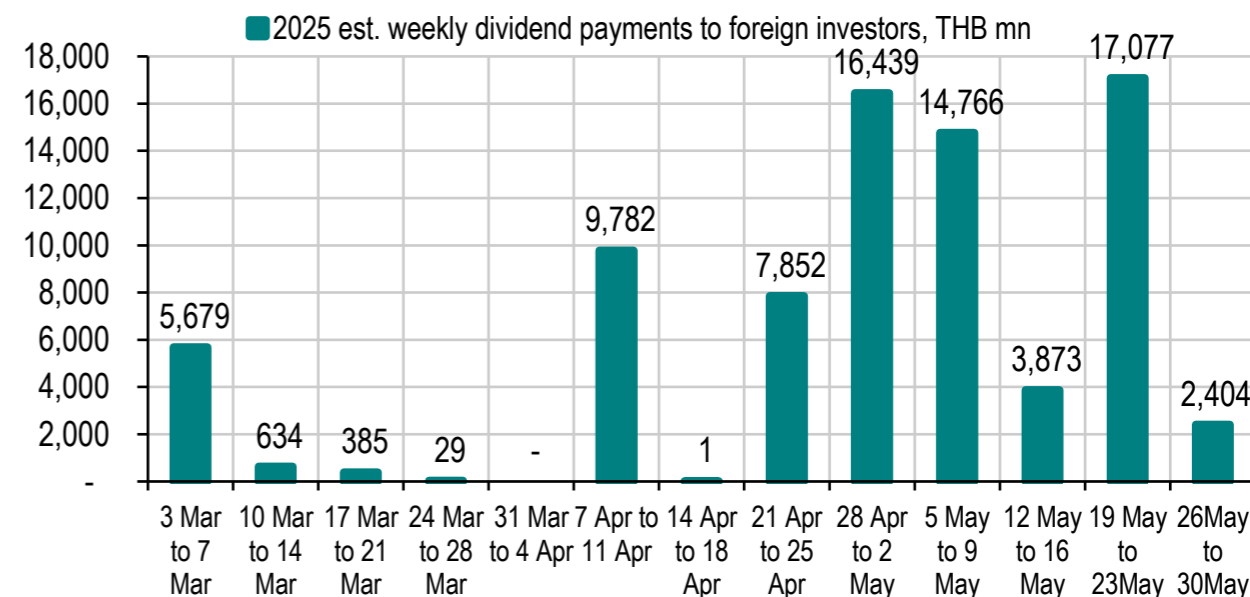
during April to June 2024. So far this year, we estimate that Thai-listed companies will pay about THB 78 billion but note that there are still companies that have not yet announced their dividends.

Figure 4: Our estimates of dividends for foreign investors

company	amount, THB mn	payment date	company	amount, THB mn	payment date
1 KASIKORNBANK PCL	10,333	09-May-25	26 THAIFOODS GROUP PCL	582	24-Apr-25
2 ADVANCED INFO SERVICE PCL	9,782	10-Apr-25	27 SIAM CEMENT PCL/THE	564	22-Apr-25
3 DELTA ELECTRONICS THAI PCL	5,323	28-Apr-25	28 TIPCO ASPHALT PUB CO LTD	541	06-May-25
4 PTT PCL	4,671	29-Apr-25	29 BETAGRO PUBLIC CO LTD	518	20-May-25
5 GULF ENERGY DEVELOPMENT PCL	4,423	06-Mar-25	30 THANACHART CAPITAL PCL	518	30-Apr-25
6 TMBTHANACHART BANK PCL	3,371	20-May-25	31 KRUNGTHAI CARD PCL	506	02-May-25
7 BANGKOK DUST MED SERVICE	2,874	25-Apr-25	32 OSOTSPA PCL	500	26-May-25
8 INDORAMA VENTURES PCL	2,693	23-May-25	33 KHONBURI SUGAR PCL	484	14-May-25
9 KRUNG THAI BANK PUB CO LTD	2,432	02-May-25	34 THAI OIL PCL	461	28-Apr-25
10 CP ALL PCL	2,227	23-May-25	35 AP THAILAND PCL	446	22-May-25
11 CENTRAL PATTANA PUB CO LTD	1,674	19-May-25	36 TISCO FINANCIAL GROUP PCL	445	16-May-25
12 SCB X PCL	1,291	02-May-25	37 CENTRAL RETAIL CORP PCL	432	23-May-25
13 BUMRUNGRAD HOSPITAL PCL	1,270	13-May-25	38 ALLIANZ AYUDHYA CAPITAL PCL	426	27-May-25
14 BANGKOK BANK PUBLIC CO LTD	1,018	09-May-25	39 SUPALAI PUBLIC COMPANY LTD	405	20-May-25
15 ELECTRICITY GENERATING PCL	982	23-Apr-25	40 HANA MICROELECTRONICS PCL	377	19-May-25
16 CAL-COMP ELECTRONICS THAILAN	861	20-May-25	41 ALUCON PUBLIC CO LTD	339	15-May-25
17 SANSIRI PUBLIC CO LTD	844	20-May-25	42 BANPU PUBLIC CO LTD	335	30-Apr-25
18 BANGCHAK CORP PCL	843	24-Apr-25	43 BERLI JUCKER PUBLIC CO LTD	328	21-May-25
19 SRISAWAD CORP PCL	769	27-May-25	44 PTT GLOBAL CHEMICAL PCL	314	24-Apr-25
20 THAI UNION GROUP PCL	716	25-Apr-25	45 WHA CORP PCL	296	23-May-25
21 STAR PETROLEUM REFINING PCL	673	09-May-25	46 KGI SECURITIES THAILAND PCL	260	08-May-25
22 DIGITAL TELECOMMUNICATIONS	666	07-Mar-25	47 ASSET WORLD CORP PCL	241	28-May-25
23 HOME PRODUCT CENTER PCL	611	08-May-25	48 CPN RETAIL GROWTH LEASEHOLD	238	17-Mar-25
24 FRASERS PROPERTY THAILAND IN	609	11-Mar-25	49 MAYBANK SECURITIES THAILAND	234	25-Apr-25
25 3BB INTERNET INFRASTRUCTURE	582	06-Mar-25	50 OTHERS	7,602	
			EST. TOTAL	78,929	

Source: Bloomberg, KBank

Figure 5: Our estimates of dividend payment on a week-by-week basis



Source: Bloomberg, KBank

While recent moves in the US dollar index (DXY) may signal market exhaustion over Trump Tariffs, it may still be in the early days. The first 100 days are important for US Presidents, including Trump. He took office on 20 January 2025 and has yet to deliver on deals that make America Great Again.

All these tariff threats and counter-tariffs are like rounds of competitive depreciation or Newton's third law of motion, "for every action; there is an equal and opposite reaction." When

and can countries escalate the trade war to a Cournot equilibrium¹? Ideally, **if and when cooler heads prevail and we move away from the precipice where all parties reduce tariffs and truly embrace fair and free trade (and not be sneaky by substituting excise taxes instead of tariffs), there will be optimization of global resource allocations and increases in productivity/prosperity.** Such events will lead to higher growth, lower inflation, and a weaker dollar. However, the realities of national agenda, patriotism, and differences in political ideology would make attaining such a Cournot equilibrium challenging. **Until then, it is too soon to conclude that a weak dollar trend is here to stay. We remain in the camp, seeing a higher USD/THB of 35.50 by the end of the year** (slightly higher than the consensus of 35.25).

¹ Cournot equilibrium is a situation in which firms choose their output levels simultaneously to maximize profits. It's a special case of a Nash equilibrium, where each player's strategy maximizes their payoff.

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