

# Economic and Financial Outlook

Jan 2022

ttb analytics

## Global Economy

- **Service PMI data in December showed impact of Omicron Covid-19 outbreak in Developed countries.** Also, manufacturing PMI showed continuing impacts of supply shock that pressured manufacturing outlook in Western hemisphere.
- **Rising inflation became a global concern for central banks.** Oil price remained high after concerns for Omicron disappeared in January. Inflation trends in the United States, European countries continued to increase from broad-based changes in prices.
- **U.S. labor market tight while inflation rose highest since 1982.** U.S. economy added 199,000 jobs in December. The unemployment rate decreased slightly to 3.9%. Inflation rose to 7.0%
- **Chinese economy expanded 8.1% in 2021 with activities slowed down in the 4<sup>th</sup> quarter.** Retail sales dropped low in December. Government measures against ongoing Omicron outbreak are likely to cause small growth in 1Q22.

## Domestic Economy

- **As of Nov2021, Thai economy continuously rebounded** in all sectors due to improvement in outbreak situation and easing of restrictions
- **Supple side :** Manufacturing and services improved in line with exports and domestic activities.
- **Demand side :** merchandise exports continues to recover. Foreign tourists hit a record high in November and Thai tourists grew.
- **Consumption** rebounded, especially in durable goods, in tandem with better supportive fundamental.
- **Private investment** rose from the previous month together with better business sentiment. While investment in vehicles greatly rose, the imports of capital goods and domestic machinery sales were relatively stable from last month. Construction sector improved but remained at low level.
- **Government** continued to disburse the budget and the stimulus package in order to support economy
- **Inflation in Nov 2021** jumped due to energy prices.

## Financial Market

- **USDTHB has dropped from 33.80 to 32.90 as USD index consolidated after a long bullish trend.** We expect the volatility of the pair to be retreated this month. Foreign inflow and outflow into Thailand is currently quite high. Thai current account has just turned positive in Nov. These supporting factors of THB may only impact in short term. We still see Bank of Thailand to continue support the economy by maintaining MPC rate throughout 2022. Widespread of new covid-19 variance is needed to be closely watch as this will impact numbers of tourist, trade balance and current account. For now, THB is likely to depreciate against USD.
- **We saw major central banks tuning their monetary policy to cope with high inflation.** The Fed's paved the way for 3-4 quarter-percentage-point interest rate hikes by the end of 2022 as the economy nears full employment and the U.S. central bank copes with uncomfortably high inflation. More hawkish stance of central banks will become main event from now, though we don't eventually expect other central banks to be very hawkish like Fed.
- **TGB curve may follow bullish UST, especially longer term like 5Y and 10Y.**

# PART 1

## Global Economy



# Manufacturing in U.S. and Europe suffered from supply shocks, Japan's service improved



## Manufacturing PMI

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Australia	60.4	58.6	56.9	52.0	56.8	58.2	59.2	57.7
China	52.0	51.3	50.3	49.2	50.0	50.6	49.9	50.9
India	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5
Indonesia	55.3	53.5	40.1	43.7	52.2	57.2	53.9	53.5
Japan	53.0	52.4	53.0	52.7	51.5	53.2	54.5	54.3
South Korea	53.7	53.9	53.0	51.2	52.4	50.2	50.9	51.9
Thailand	47.8	49.5	48.7	48.3	48.9	50.9	50.6	49.5
Canada	57.0	56.0	56.2	57.2	57.0	57.7	57.2	56.5
United States	62.1	62.1	63.4	61.1	60.7	58.4	58.3	57.7
Germany	64.4	65.1	65.9	62.6	58.4	57.8	57.4	57.4
France	59.4	59.0	58.0	57.5	55.0	53.6	55.9	55.6
Italy	62.3	62.2	60.3	60.9	59.7	61.1	62.8	62.0
United Kingdom	65.6	63.9	60.4	60.3	57.1	57.8	58.1	57.9
Spain	59.4	60.4	59.0	59.5	58.1	57.4	57.1	56.2

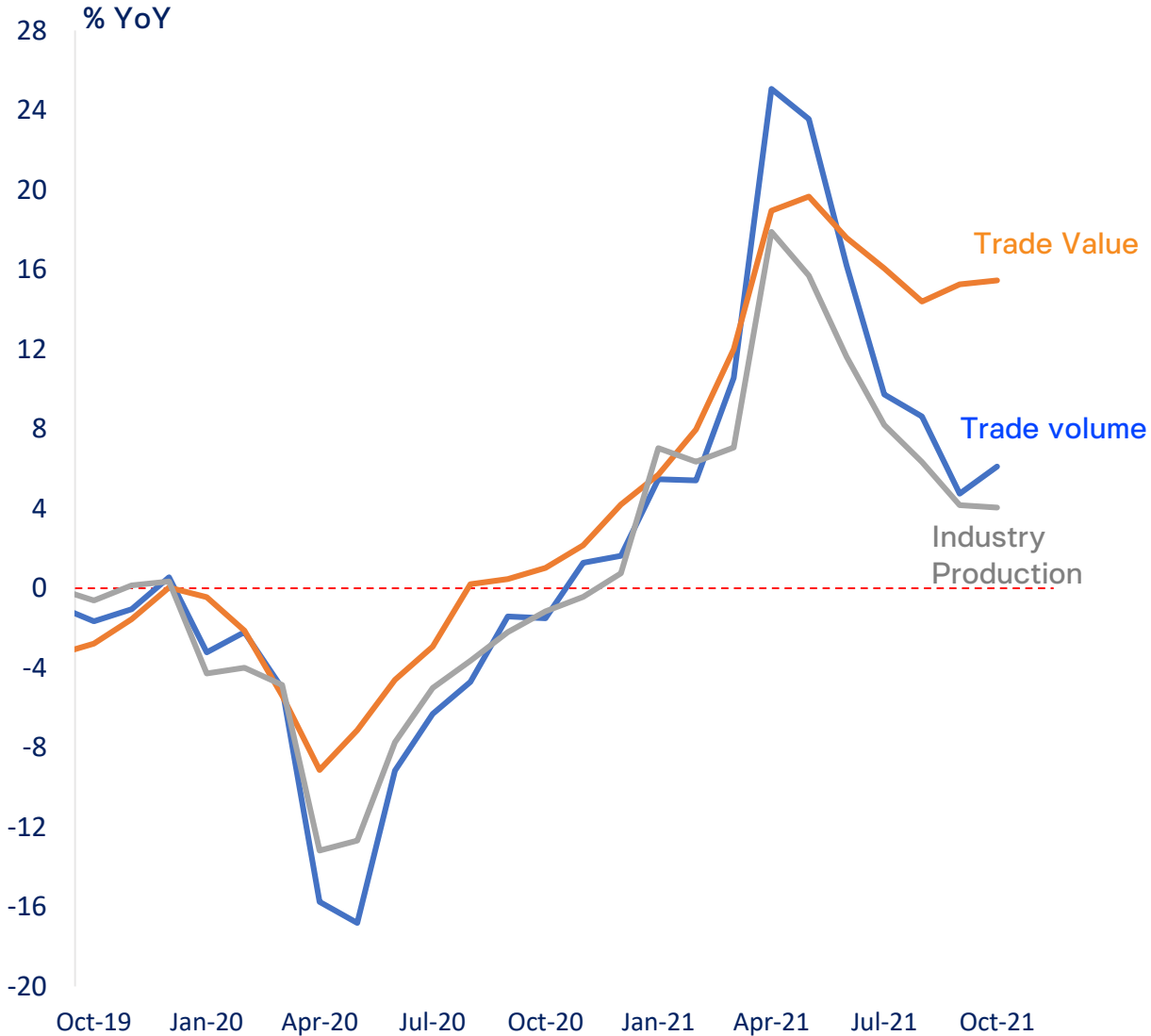
## Service PMI

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Australia	58.0	56.8	44.2	42.9	45.5	51.8	55.7	55.1
China	55.1	50.3	54.9	46.7	53.4	53.8	52.1	53.1
Japan	46.5	48.0	47.4	42.9	47.8	50.7	53.0	52.1
India	46.4	41.2	45.4	56.7	55.2	58.4	58.1	55.5
United States	70.4	64.6	59.9	55.1	54.9	58.7	58.0	57.6
Germany	52.8	57.5	61.8	60.8	56.2	52.4	52.7	48.7
France	56.6	57.8	56.8	56.3	56.2	56.6	57.4	57.0
Italy	53.1	56.7	58.0	58.0	55.5	52.4	55.9	53.0
United Kingdom	62.9	62.4	59.6	55.0	55.4	59.1	58.5	53.6
Spain	59.4	62.5	61.9	60.1	56.9	56.6	59.8	55.8

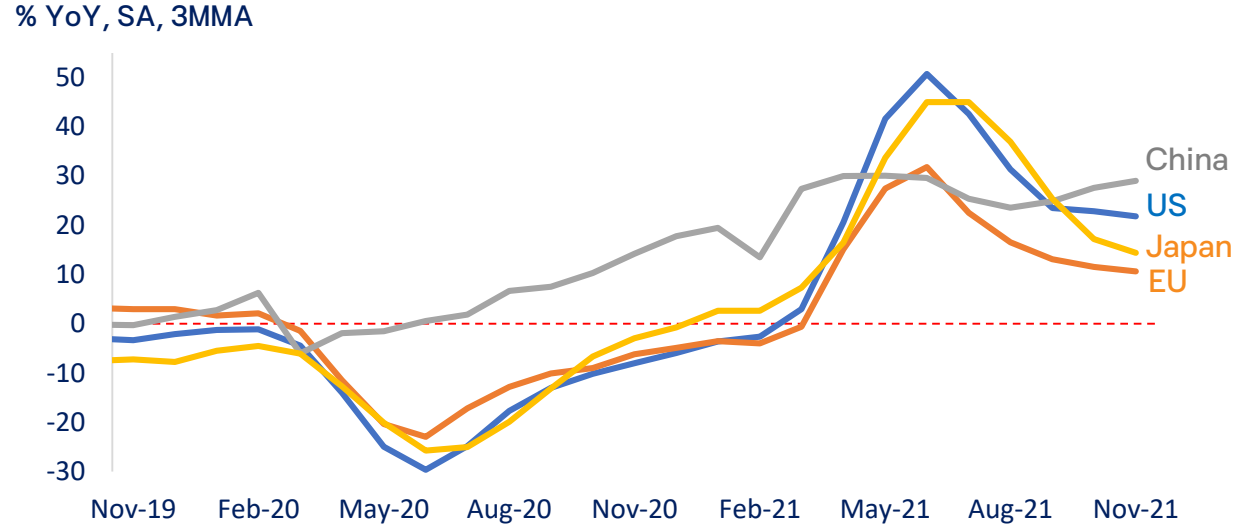
- PMIs which are early indicators for economic activities suggested that most countries have positive outlooks toward manufacturing and service sector in the expansion zone (above 50).
- December PMIs data showed continuing issues in the manufacturing sector in U.S. and European countries as the impact of supply crunches still existed in developed countries. Service sector took major hit in Europe as Omicron deterred economic activities. China's service PMI was stable like many other Asian countries.

# Global trade volume and production returned to normal, Asian exports growth continued

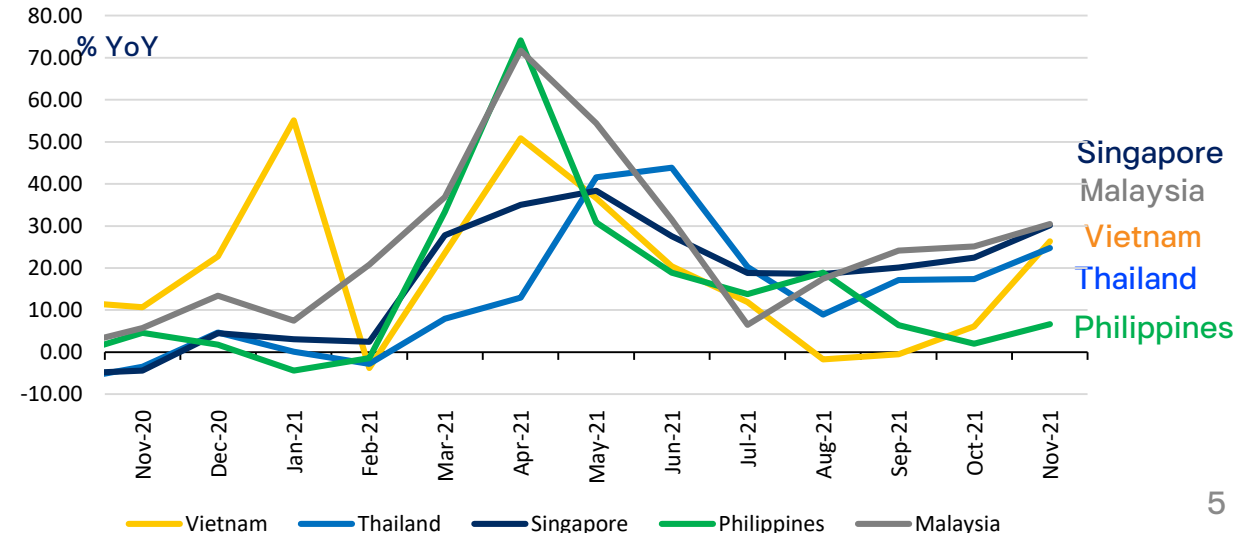
### Global trade and industrial production dropped



### Exports posted the return to normal trends



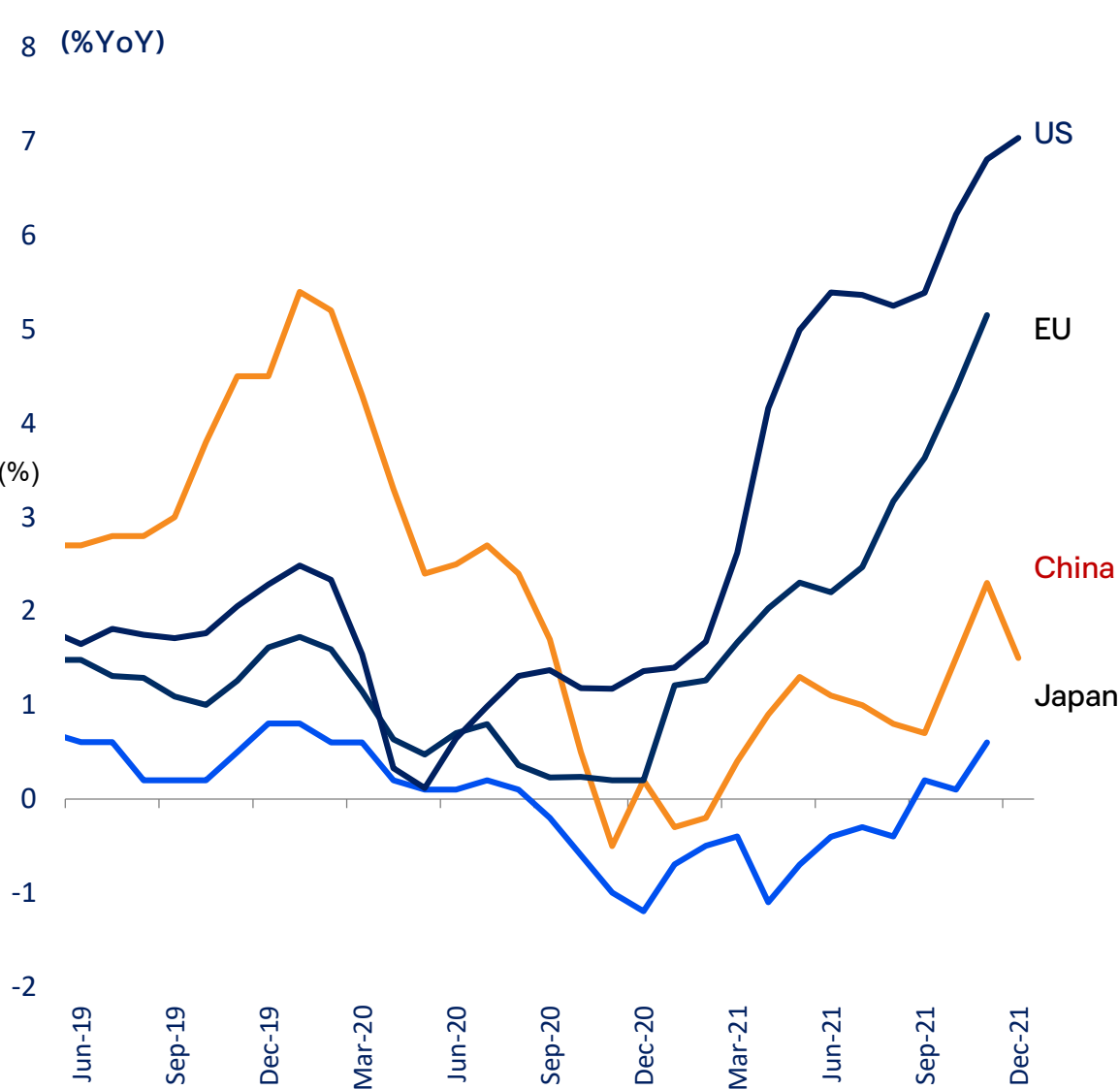
### ASEAN exports affected by Covid-19 outbreak



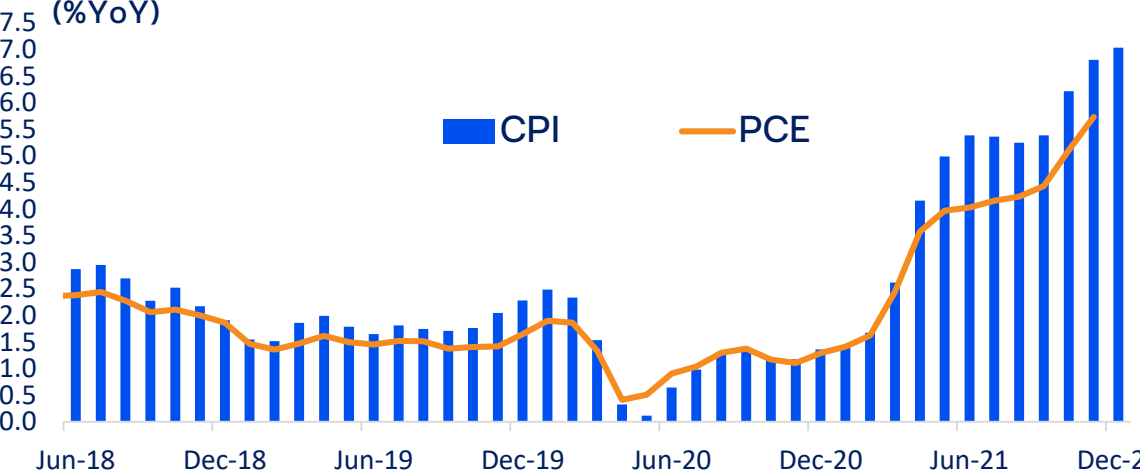
# Global inflations skyrocketed due to rising energy price in November



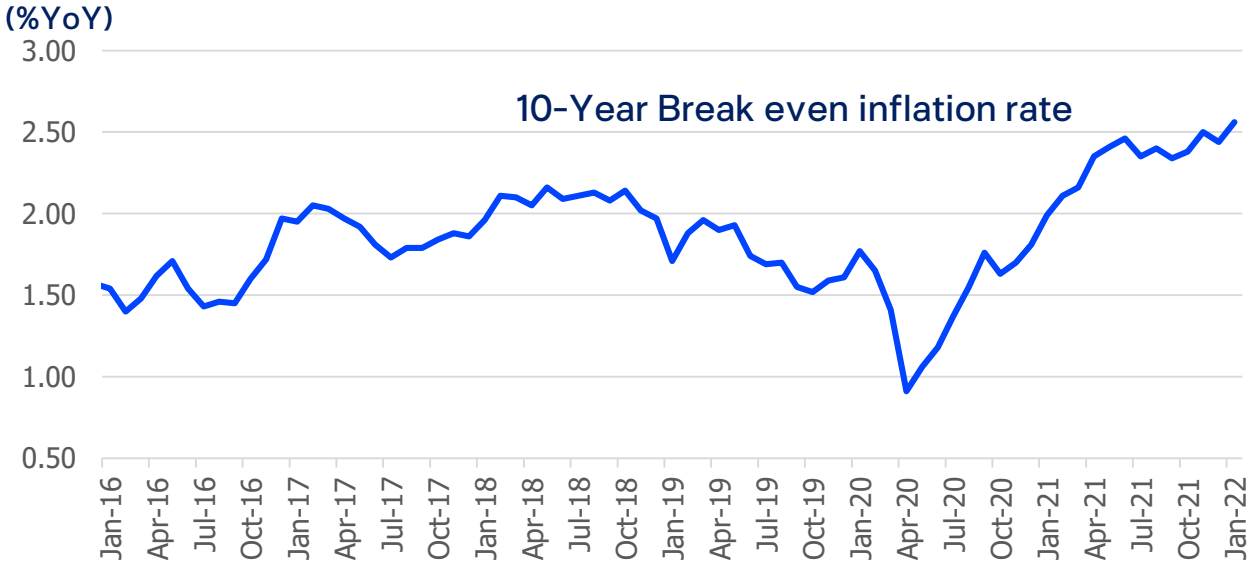
## Global Inflation (%)



## US Inflation (%)

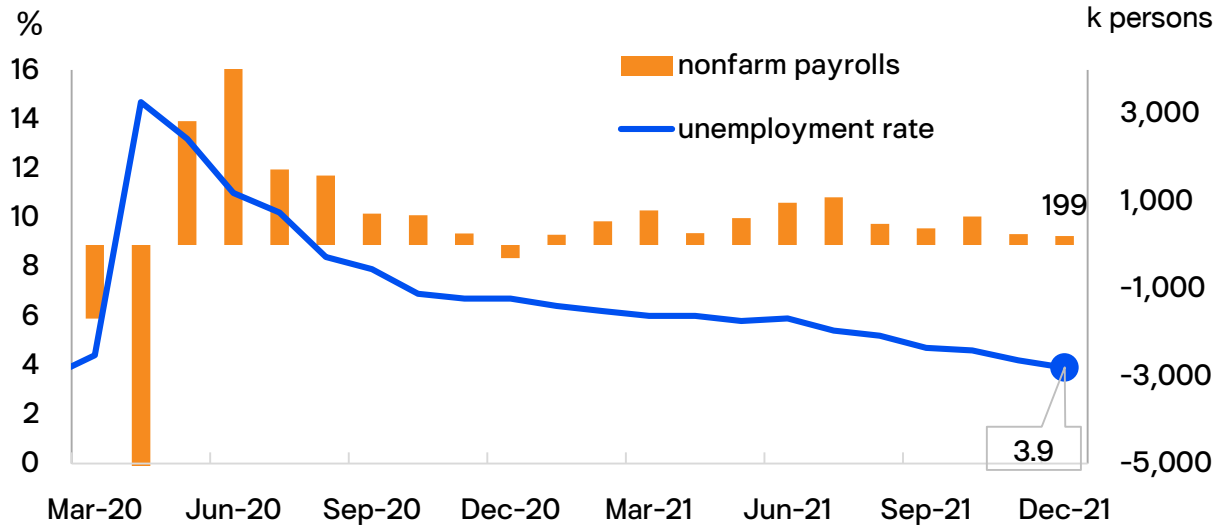


## 10-Year Breakeven US Inflation Rate remained high

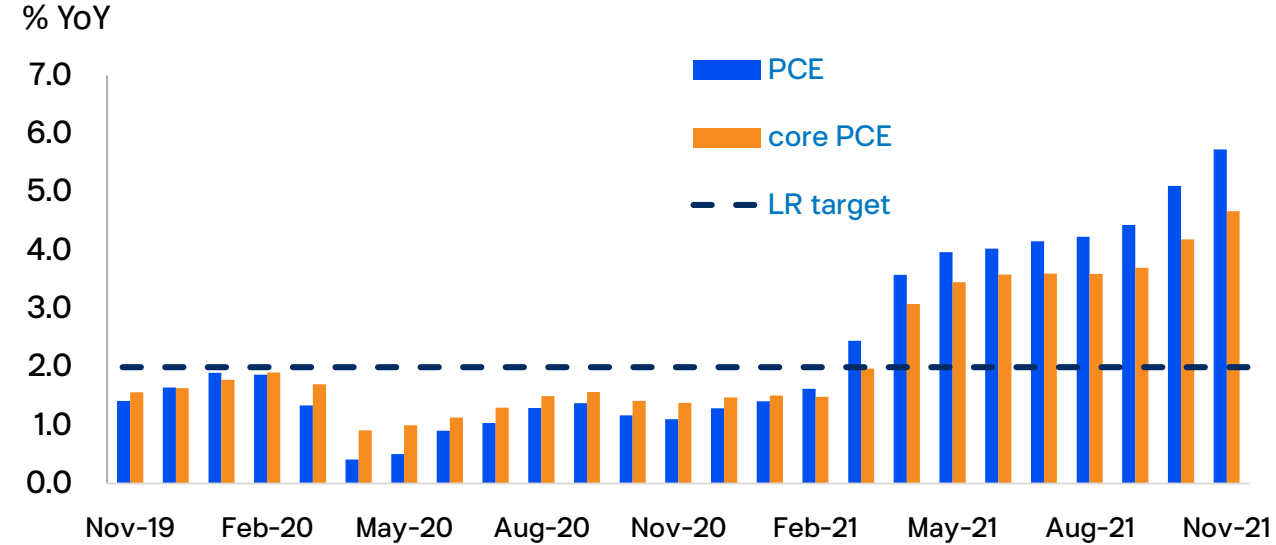


Source: Bloomberg, CEIC, and ttb analytics

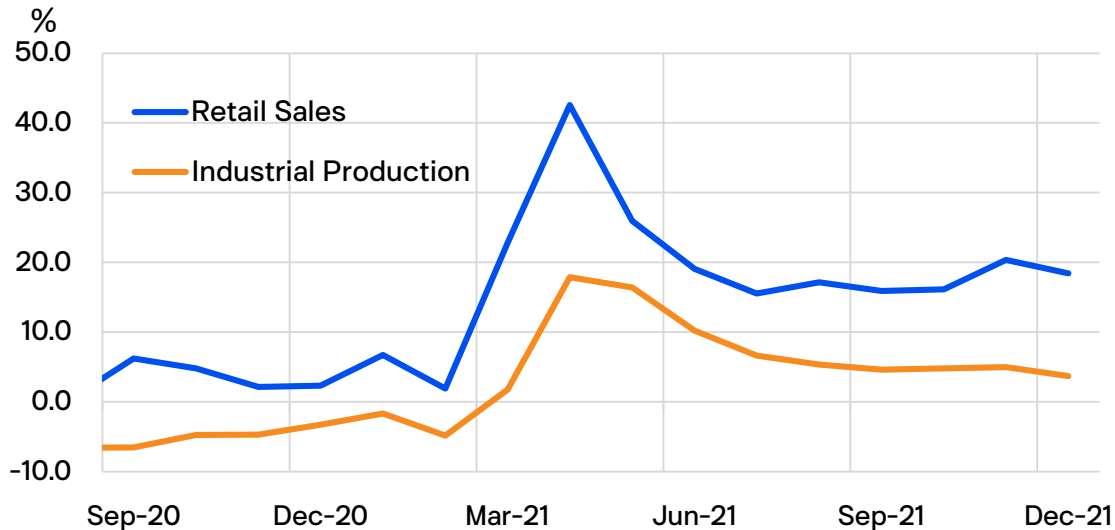
## Unemployment rate continued to drop



## Inflation climbed due to rising prices of various goods



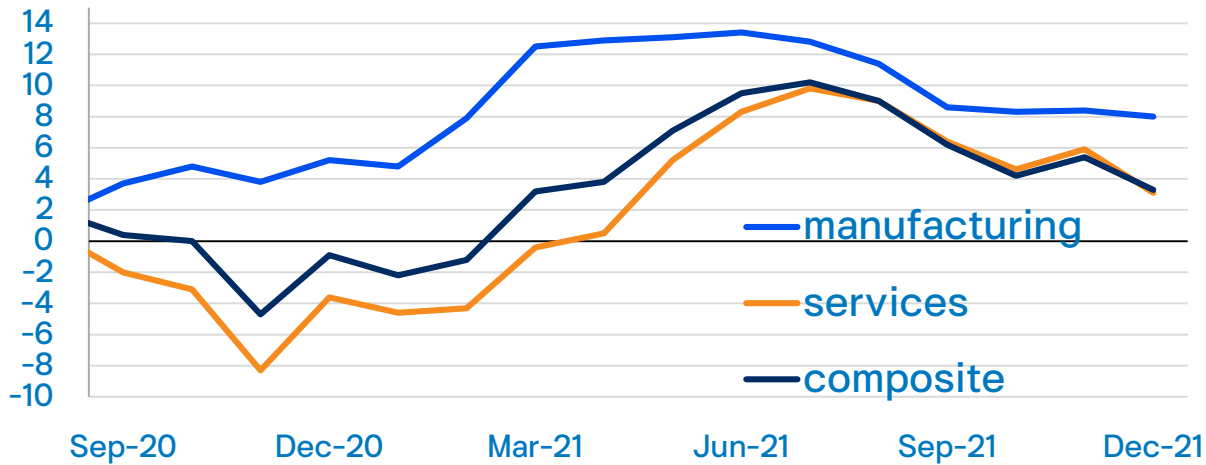
## Retail sales growth remained solid despite higher costs



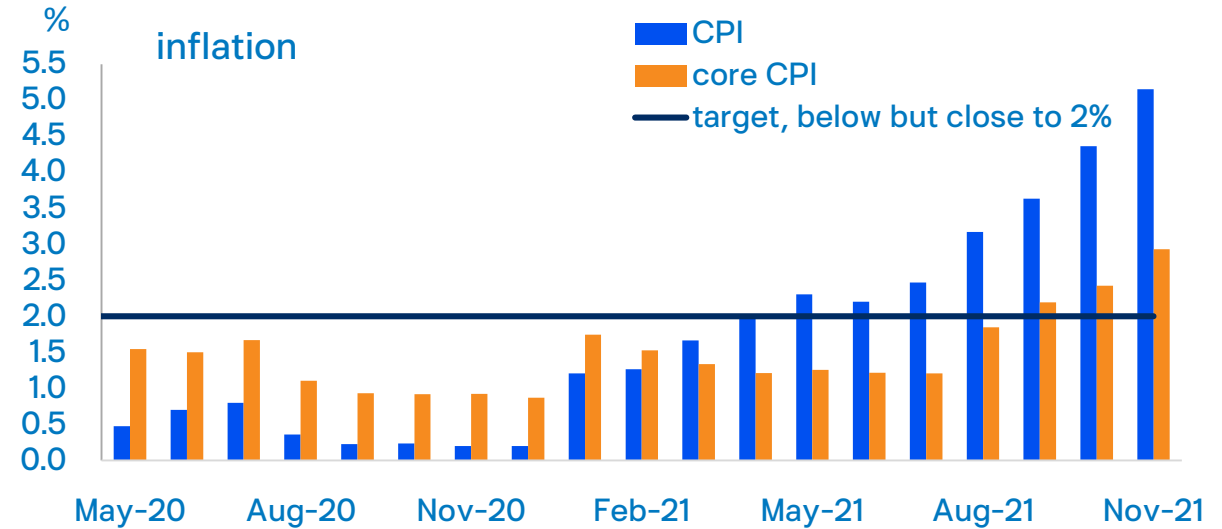
- In December, nonfarm payroll increased by 199,000 new jobs, slightly below expectation. The small payroll number suggests that U.S. labor market might reach near-employment. The unemployment rate decreased to 3.8%, which was already below the unemployment rate in March 2020 at the start of the pandemic.
- Retail sales growth slowed down in December due to Omicron cases in the U.S. and previous shopping activities in early holiday season. Retail sales still grew 18% (seasonally adjusted) in comparison to 2% growth last year. Industrial production slightly contracted from last month to 3.7%.
- In November, price continued to rise from both goods and service sector as energy price spiked from limited supply. PCE rose 5.7% yoy while core PCE rose 4.7%.

## Service outlook dropped as Omicron spread

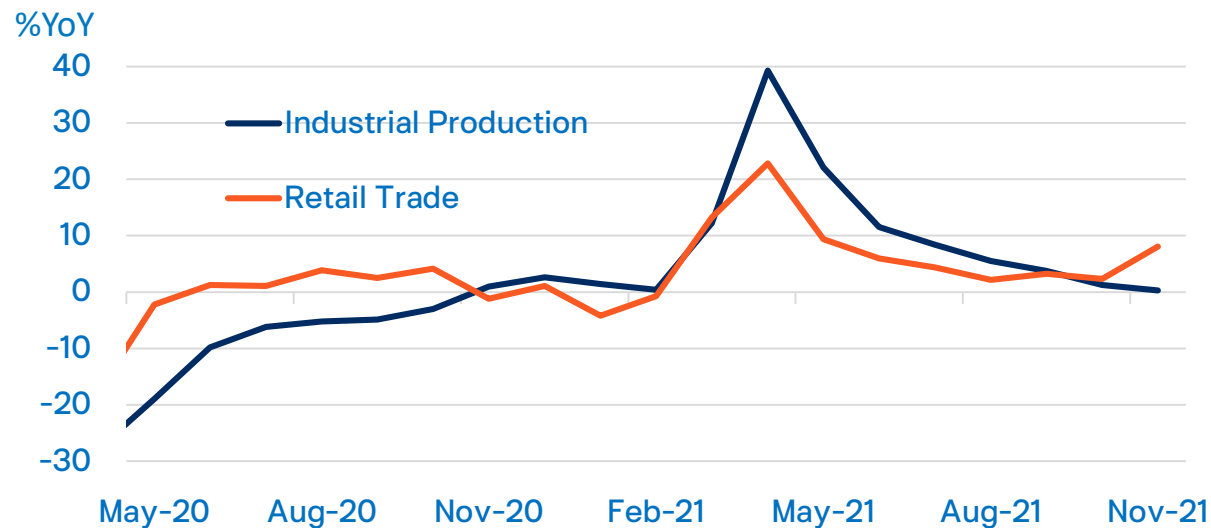
%MoM, deviations from 50, + expansion - contraction



## Inflation spiked to historic high



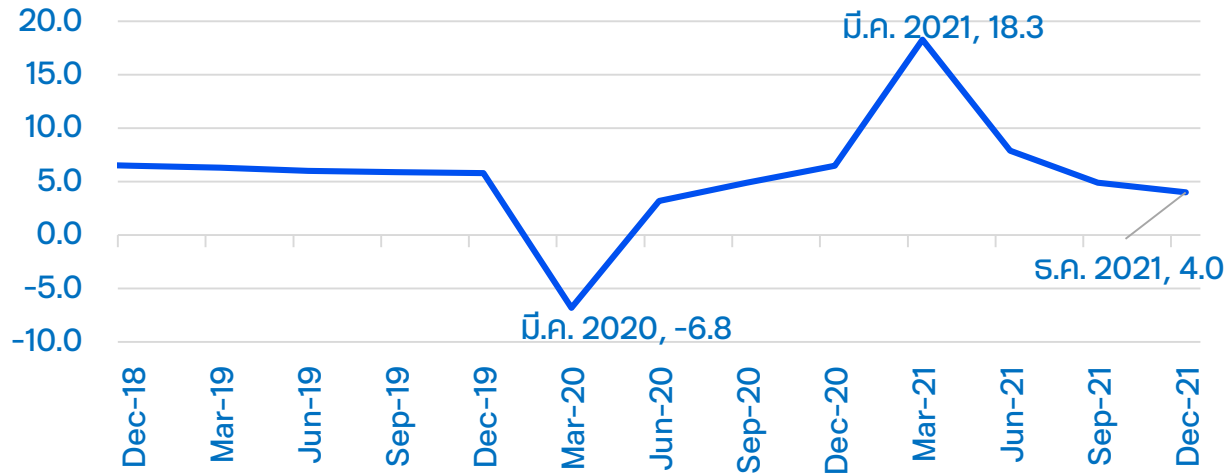
## Retail increased from early shopping



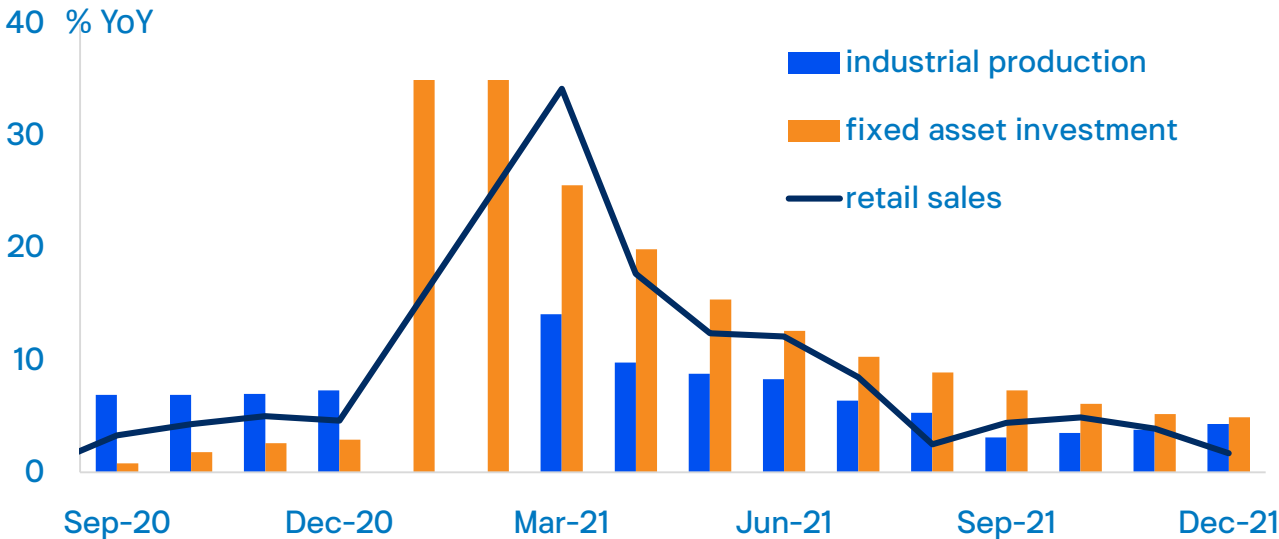
- In December, service and composite outlook dropped due to effects of Omicron outbreak in Europe. Manufacturing sector outlook dropped from supply chain issues and rising production costs.
- European Union inflation continued to grow significantly 5.2% in October with support from food and energy price. Core inflation increased from last month to 2.9%, the highest level in the year.
- Retail trade increased due to early buying activities and holiday shopping while industrial production remained flat from last month. Retail trade grew 8% in November while industrial production rose only 0.28%.



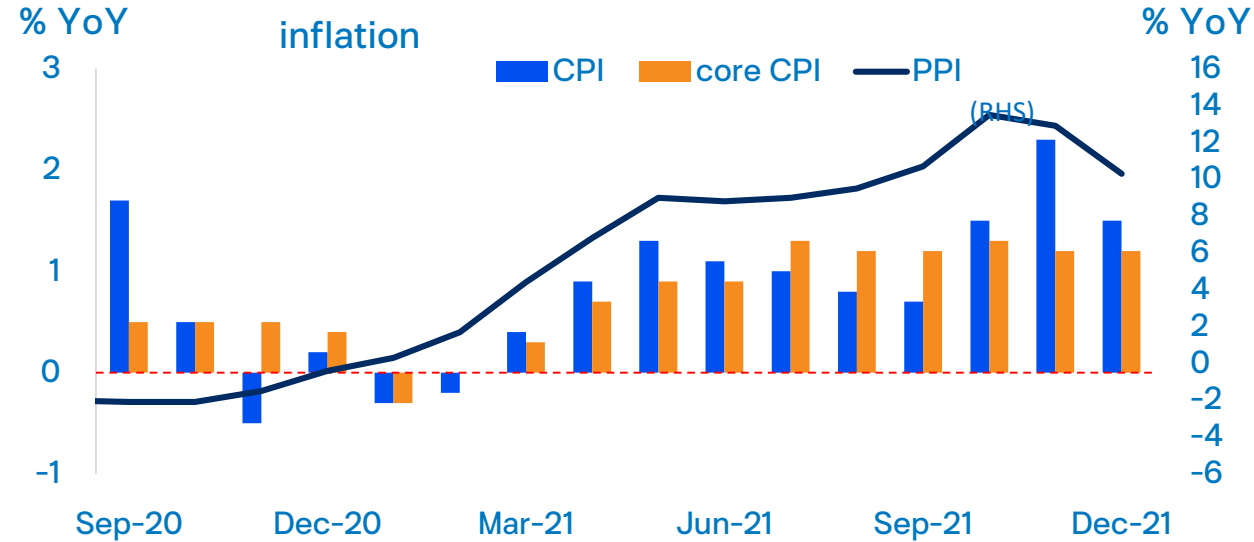
## China's GDP expanded 8.1% in 2021



## Retail sales dropped low while production increased slightly



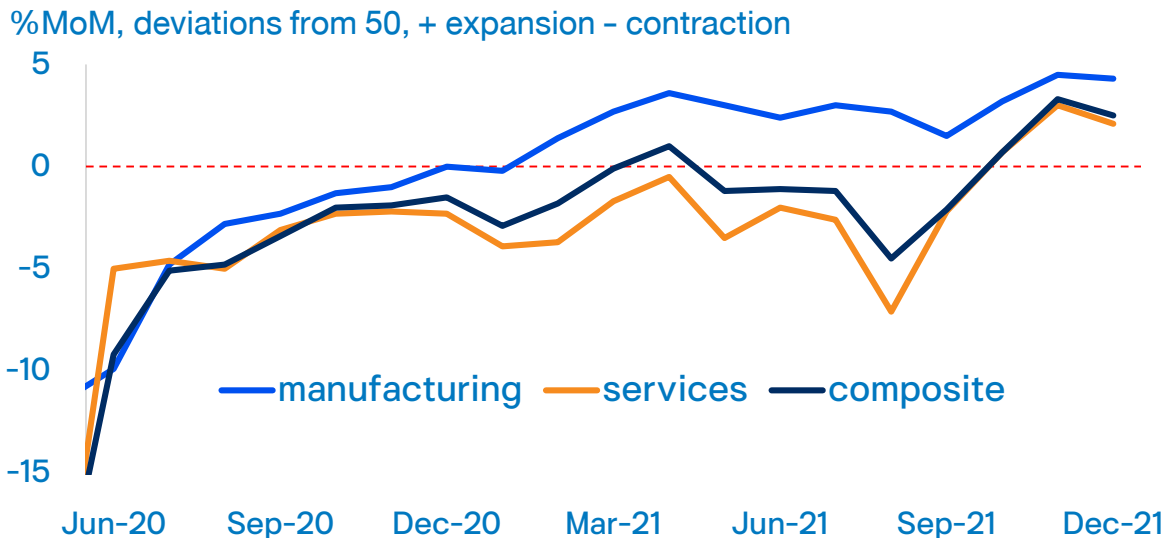
## Inflation slightly dropped in December



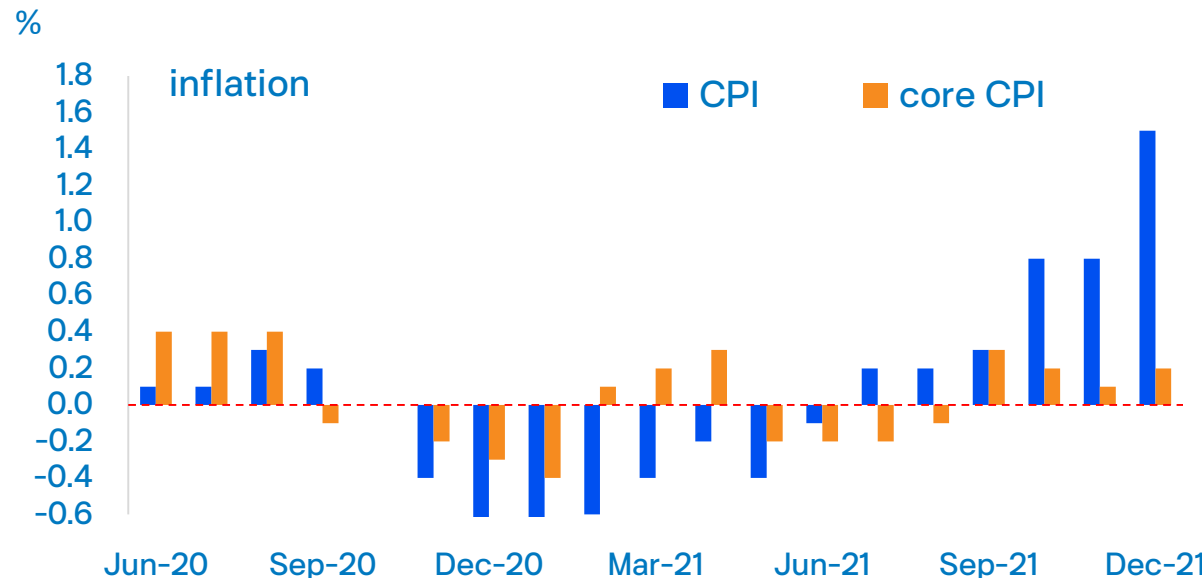
- China's GDP in 2021 expanded 8.1% slightly above expectation due to better number in the fourth quarter which showed the economy grew 4.0%, lowest in in 6 quarters due to strict government measures and rising prices.
- In December, industrial output increased from a previous month with 4.3% growth. However, retail sales dropped to one-year low at 1.7% growth. Fixed-asset investment remained weak at 4.9%
- Inflation dropped in December after peaked in the previous month due to rising prices of energy and energy-related goods. CPI grew 1.5% YoY. PPI growth also grew at slower pace but remained high at 10.3% from rising commodities prices.

# Japan's inflation spiked in December, industrial production expanded

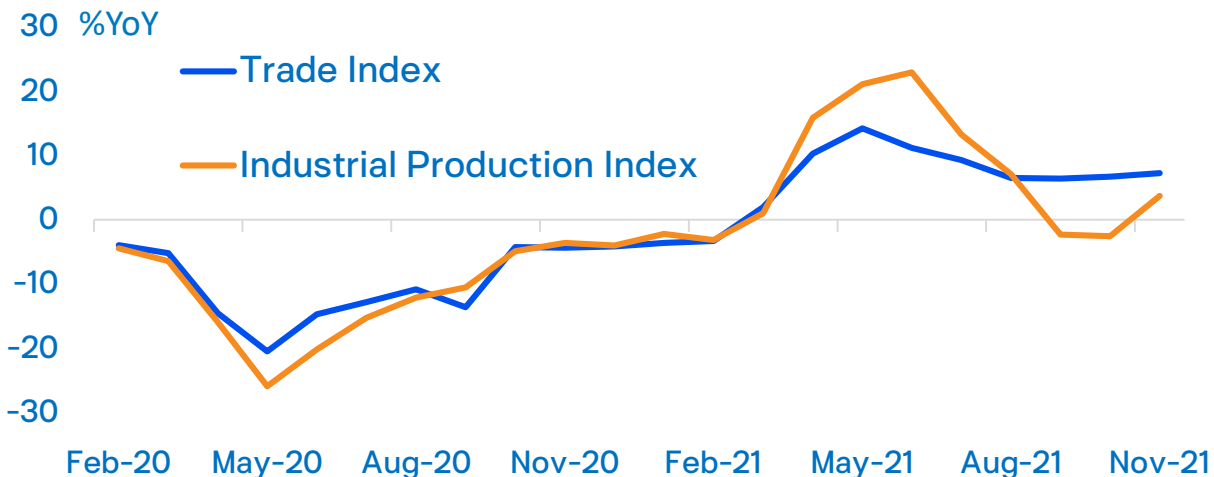
## Service outlook took a hit from returning Covid-19 cases



## Japan's inflation spiked from energy price



## Trade remained stable while production expanded



- Manufacturing and service outlooks dropped slightly in December as Omicron cases rose. The composite PMI advanced to expansion zone for the highest point since the Covid-19 pandemic began.
- Trade began to taper as the effect from low bases last year disappeared. Shortage in semi-conductors caused industrial production to drop significantly to slowdown. However, resuming car production in November caused industrial production to rise 3.7%.
- Inflation remained high in December due to high energy prices. CPI expanded highest in a year at 1.5% while core CPI expanded 0.2%.

# PART 2

## Thai Economy



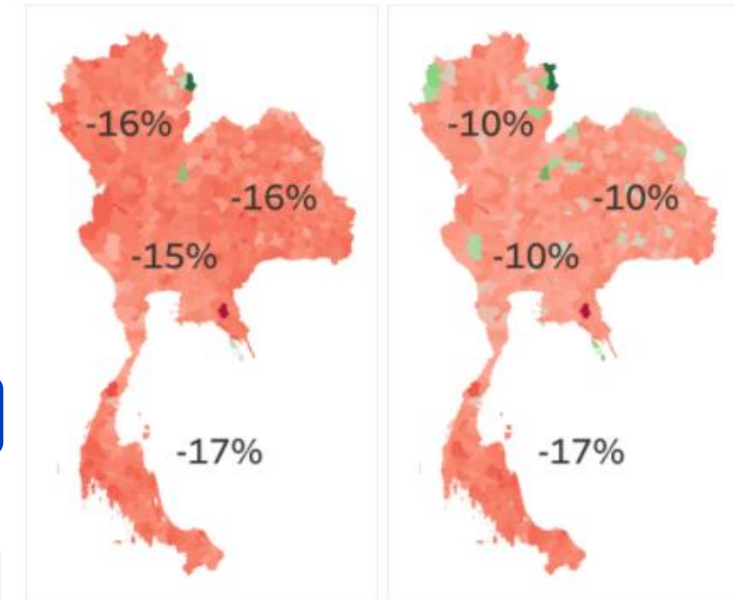
## Coincident Economic Index (sa)

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
<b>Coincident Economic Index (sa)</b>	98.2	99.7	100.0	99.1	99.7	99.7	98.8	97.9	98.8	99.8	99.5
<b>Product ion</b>											
Import Volume index (exclude Gold)	95.3	99.7	98.3	100.3	106.4	101.6	103.5	109.5	101.0	103.8	99.5
Manufacturing Production Index	98.1	97.5	99.5	99.1	99.1	99.1	93.3	89.2	96.6	99.2	99.8
Gross Value Added Tax at 2000 price (Million ba)	43,469	57,878	59,254	51,270	54,028	55,100	53,634	54,280	52,421	54,554	53,024
<b>C</b>											
Domestic Automobiles Sales (Unit)	64,404	64,278	66,358	65,752	62,872	64,446	58,107	43,649	57,245	64,147	63,687
Sales Benzene, Gasohol & Diesel Index	82.1	97.4	104.8	87.9	81.2	86.8	70.8	69.8	79.7	85.8	89.3
VAT Hotel & Restaurant Index	20.0	34.7	38.3	20.2	18.8	28.2	21.5	21.1	29.1	36.9	43.3
<b>I</b>											
Imports of Capital Goods at 2010 price (Million US\$)	3,888.2	4,146.8	4,162.8	4,078.9	3,994.2	4,145.0	4,171.4	4,204.0	4,151.8	4,055.0	4,024.2
Domestic Machinery Sales at 2010 price (Million ba)	78,441	78,896	80,143	81,703	82,332	83,926	82,241	75,279	83,389	84,031	84,352

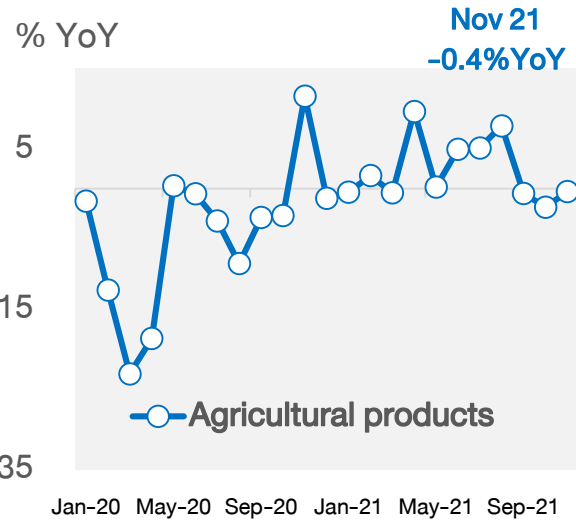
## Facebook Mobility Range

Oct 2021

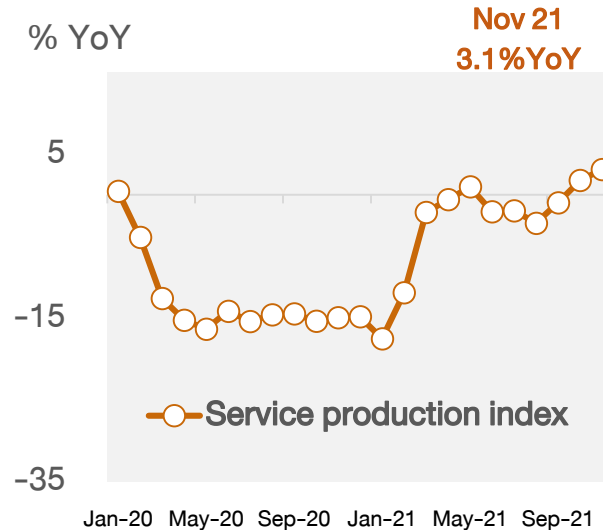
Nov 2021



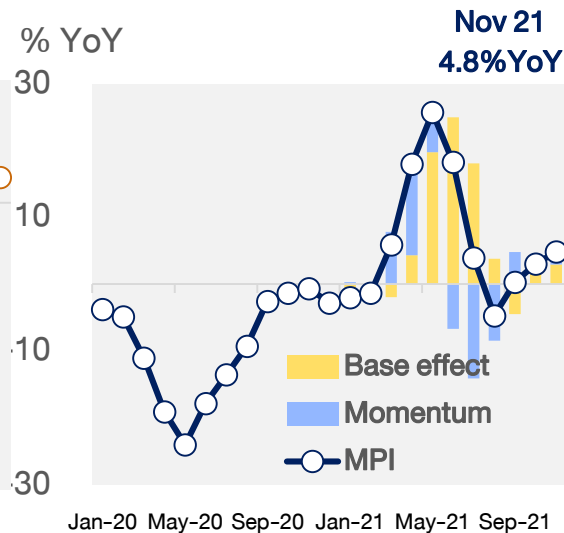
## Agriculture



## Services



## Production



# Thai exports still remain in a recovery path despite new Omicron Variant outbreak

## Total Export Growth

All Goods

**-6.0%**  
2020

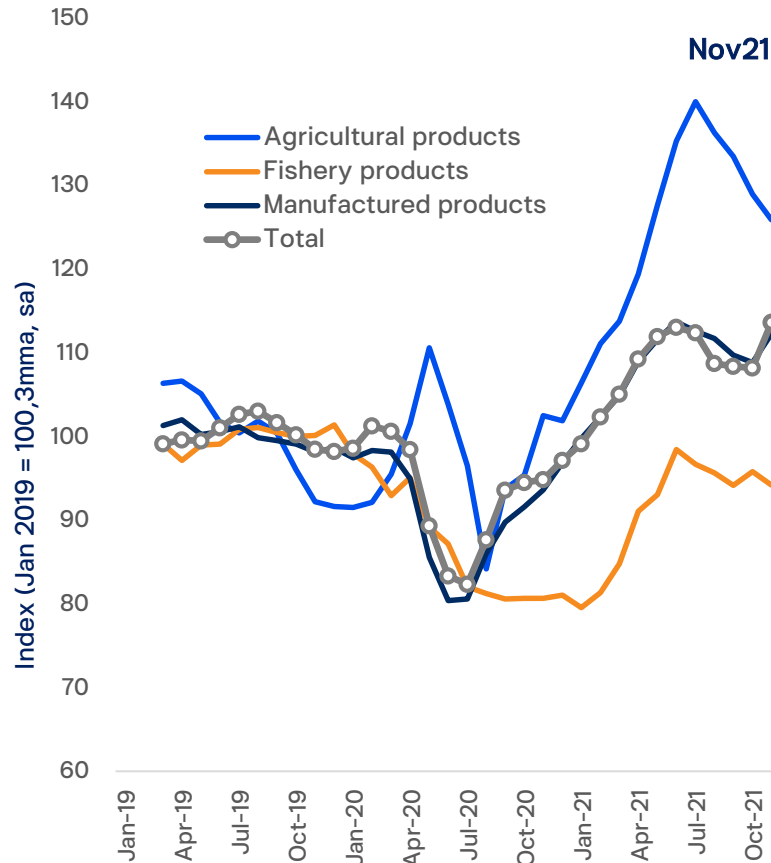
**16.6%**  
Jan – Nov 2021

Exclude Defense,  
Other Vehicle & Gold

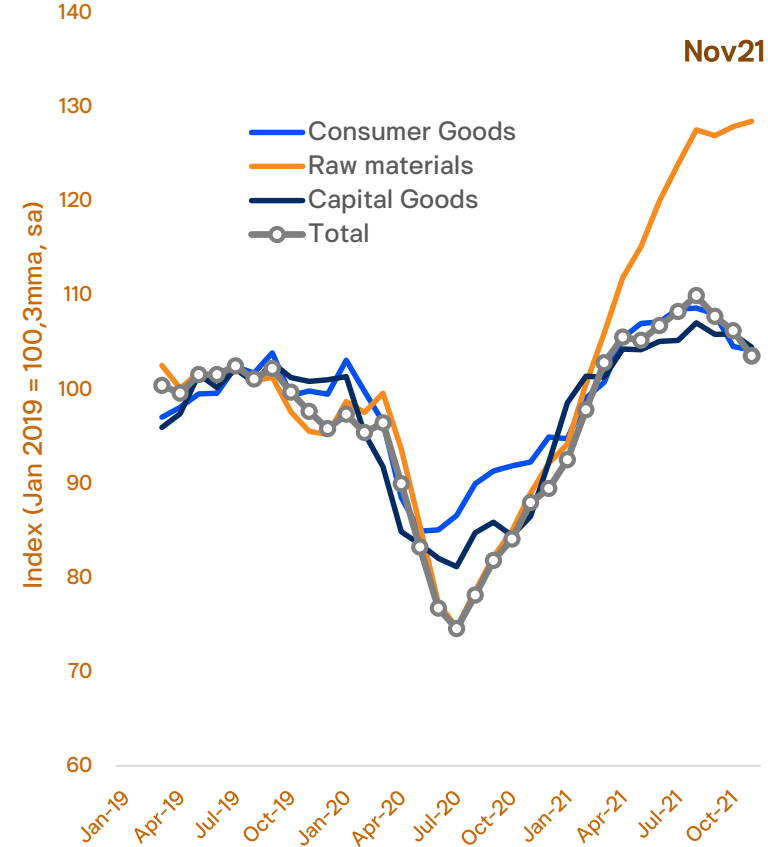
**-8.8%**  
2020

**24.4%**  
Jan – Nov 2021

## Exports value by destination\*



## Imports value by groups\*



## Total Import Growth

All Goods

**-12.4%**  
2020

**29.2%**  
Jan – Nov 2021

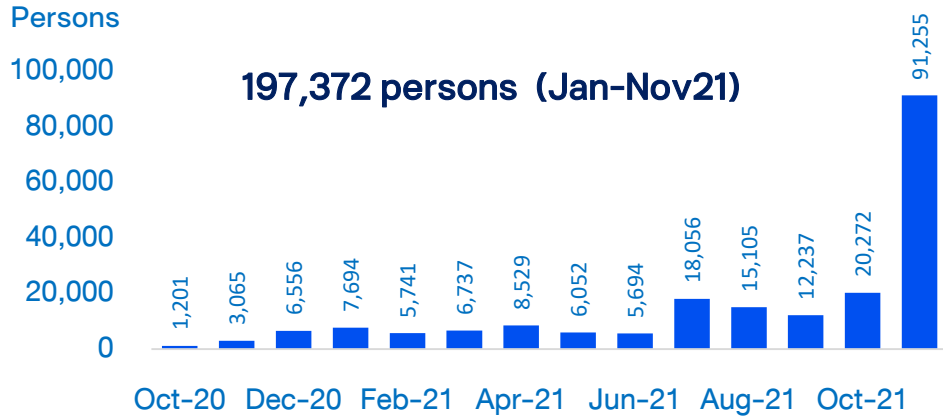
Exclude Defense,  
Other Vehicle & Gold

**-11.5%**  
2020

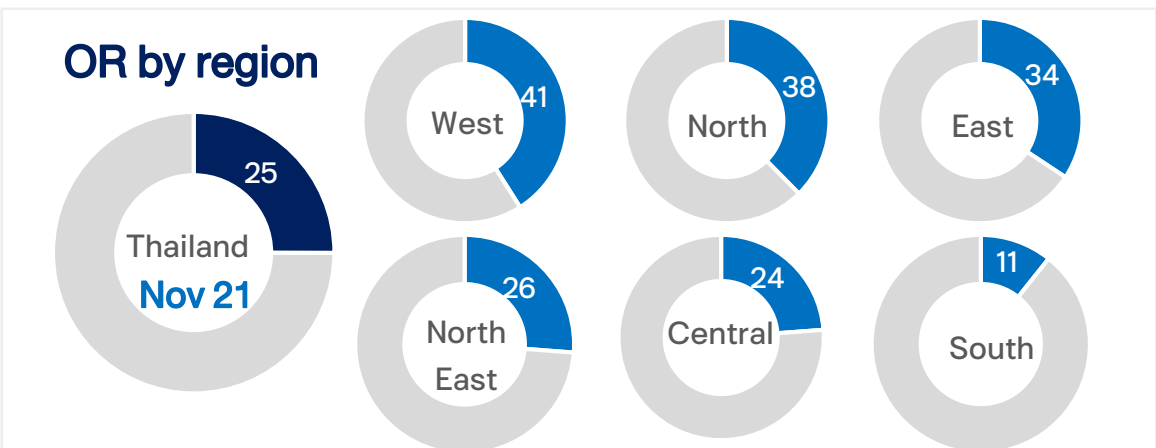
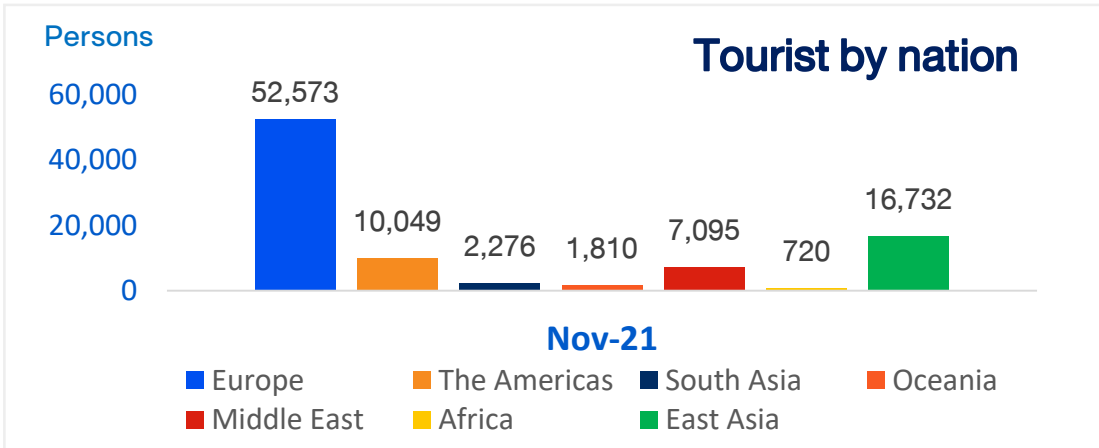
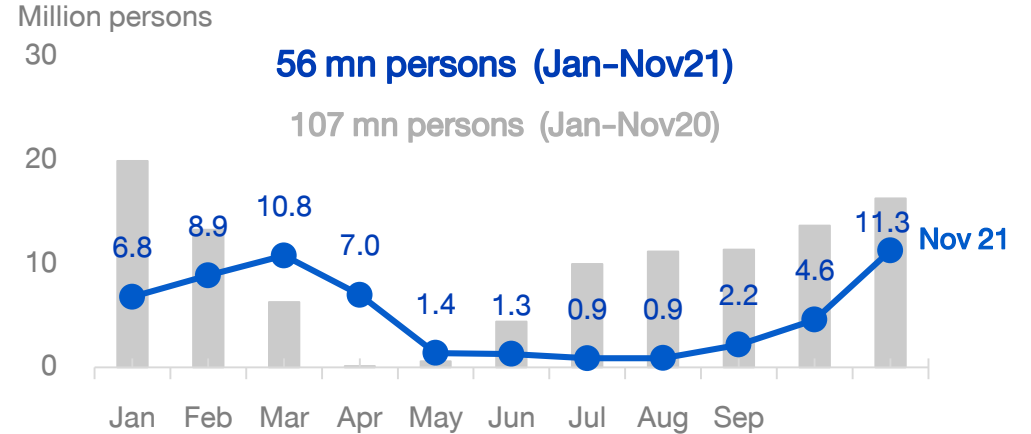
**29.5%**  
Jan – Nov 2021

- As of Nov2021, Thai exports remained in a recovery trend. Demand from most key exports markets was higher in manufactured products (US +20.5% yoy, China +24.3%yoy).
- Thai Imports, consumer goods and raw material grew in line with the recovery in domestic demand and manufacturing production.

## Total foreign tourist inbound



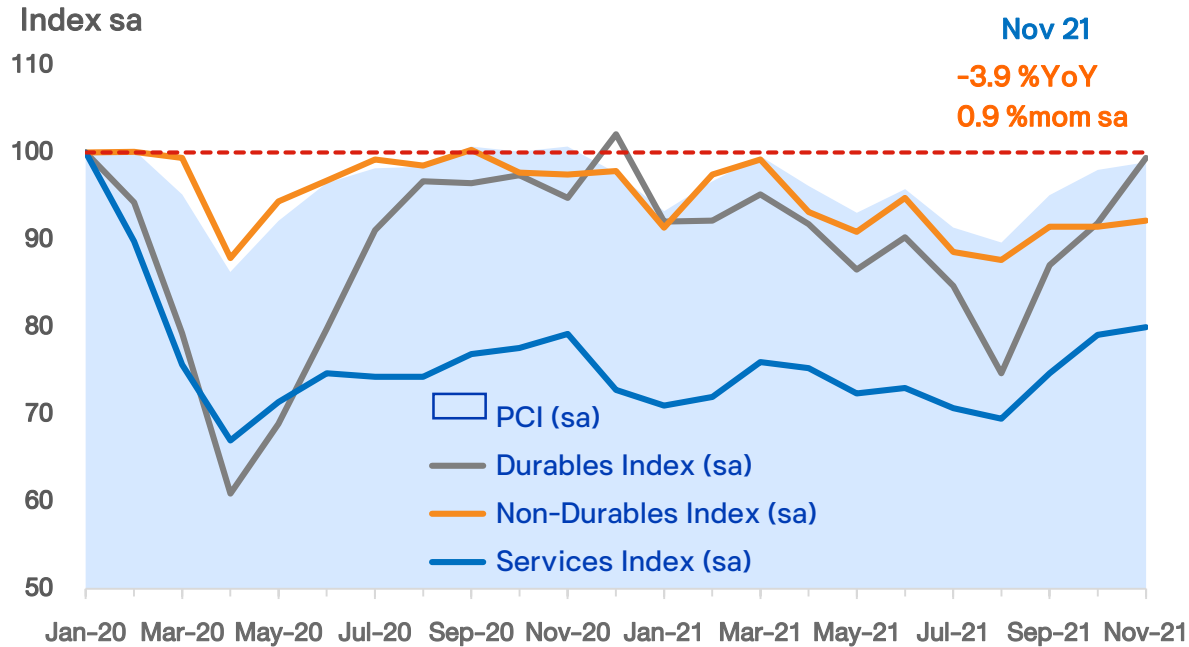
## Number of Thai visitors



As of Nov21, foreign tourist inbounds hit the record high of the year due to that Thailand has continued to reopen its border as planned. European was the majority. Omicron outbreak will impact the inbound tourist in coming period.

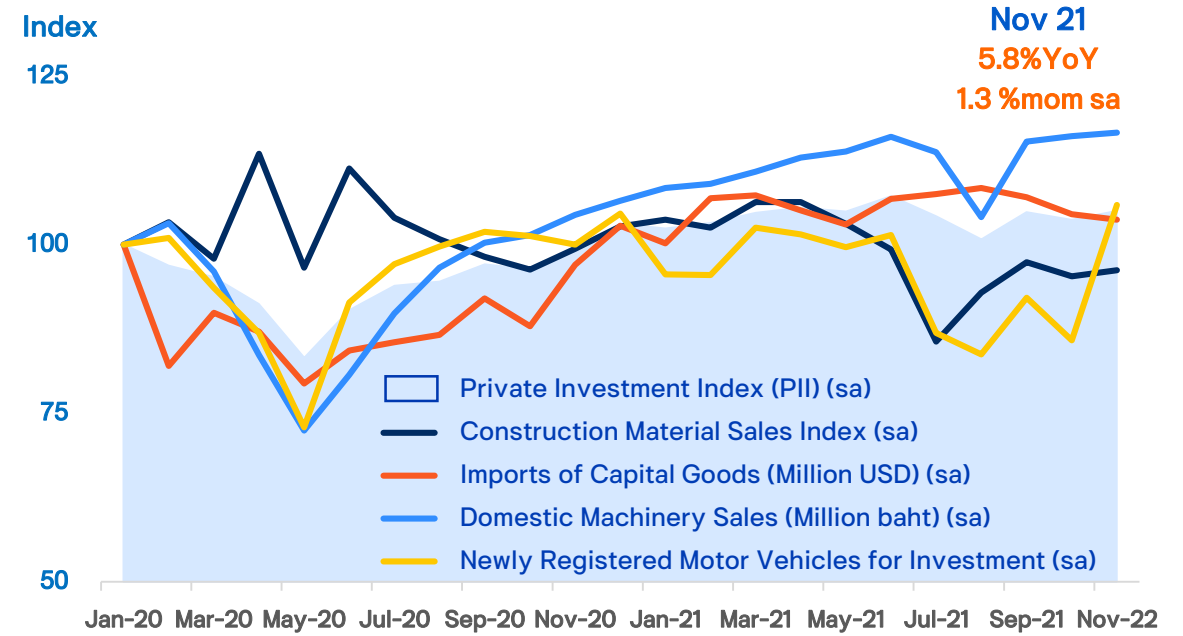
The number of Thai tourists rose in Nov21 in line with the improvement in domestic outbreak situation and tourism stimulus package. Occupation rate increased to 25% from 16% in October, led by western region of 41% and Northern region of 38%

## Private Consumption (sa)



- **Private consumption** sustainably improved from last month according to improvement in outbreak situation and easing of restrictions, which led to higher domestic travelling and activities.
- Durables significantly increased in line with improved economic condition, household incomes and consumer confidence, whereas services and non-durables, especially fuel consumption went up in tandem with the rebound of domestic travelling.

## Private Investment (sa)

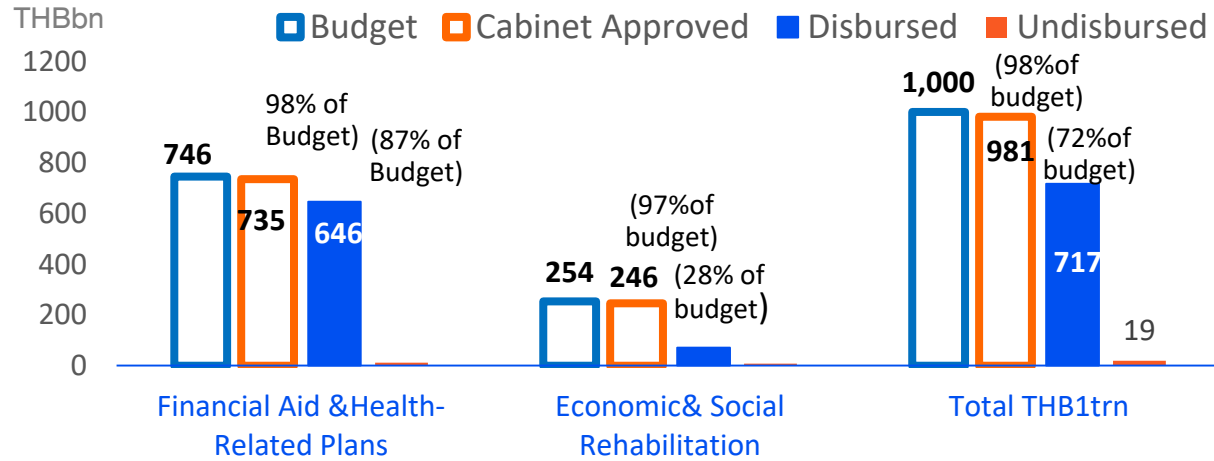


- **Private investment** had a slight improvement both in equipment and equipment categories and construction, in line with better business sentiment and improved overall economic situation.
- While investment in vehicles greatly rose, the imports of capital goods and domestic machinery sales were relatively stable from last month. However, Capacity utilization signals a recovering phase of investment.
- Construction activities improved but remained at low level.

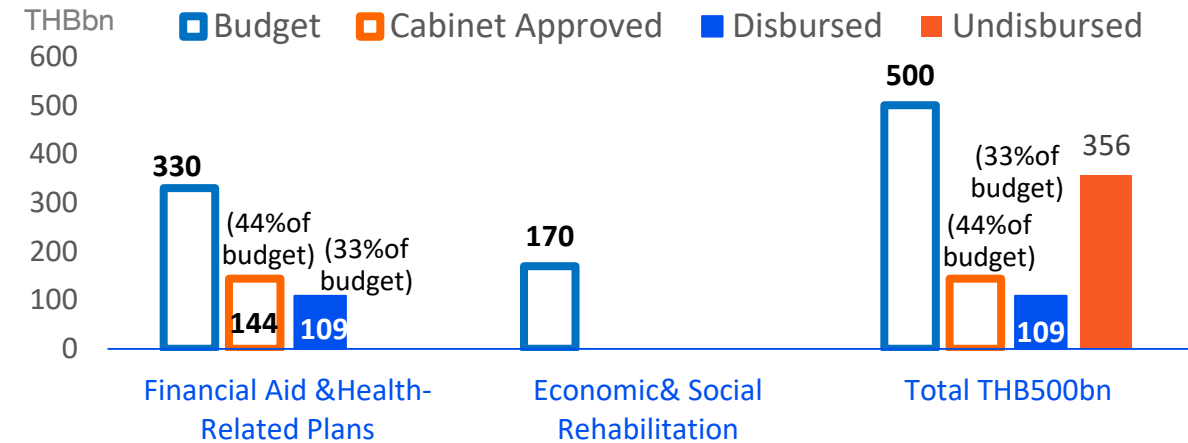
# THB375bn is the leftover liquidity from the two emergency loan decree to support economy in 2022



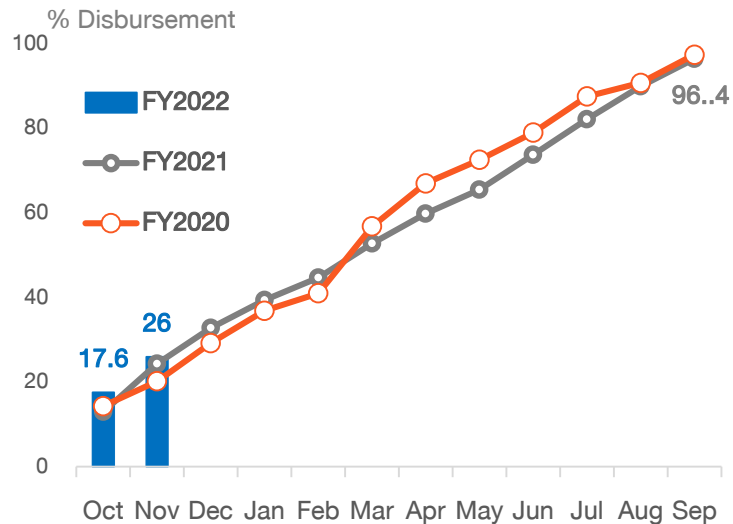
## Progress on 1-trillion Stimulus Package (as of 17Jan2022)



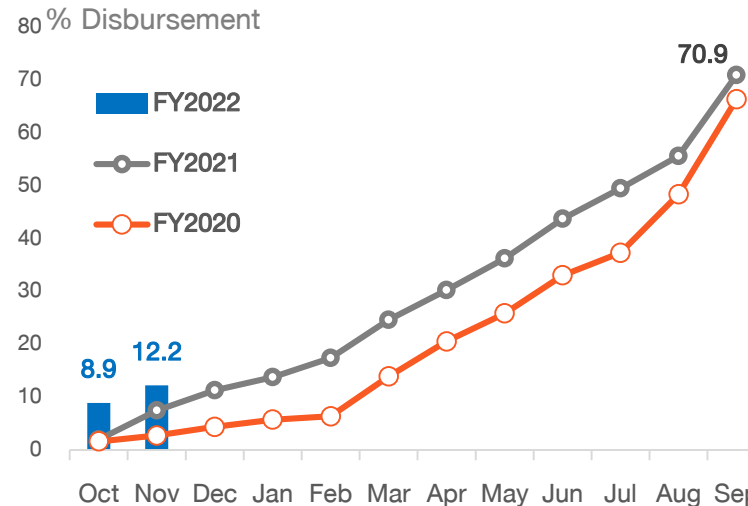
## Progress on 500bn Stimulus Package (as of 17Jan2022)



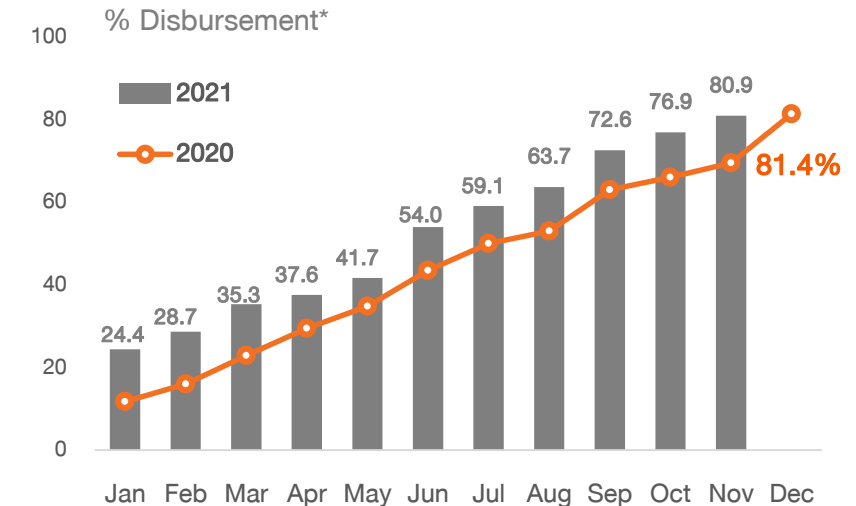
## Current Expenditures (FY22) : 648.bn



## Public Investment Expenditures (FY22) : 74bn



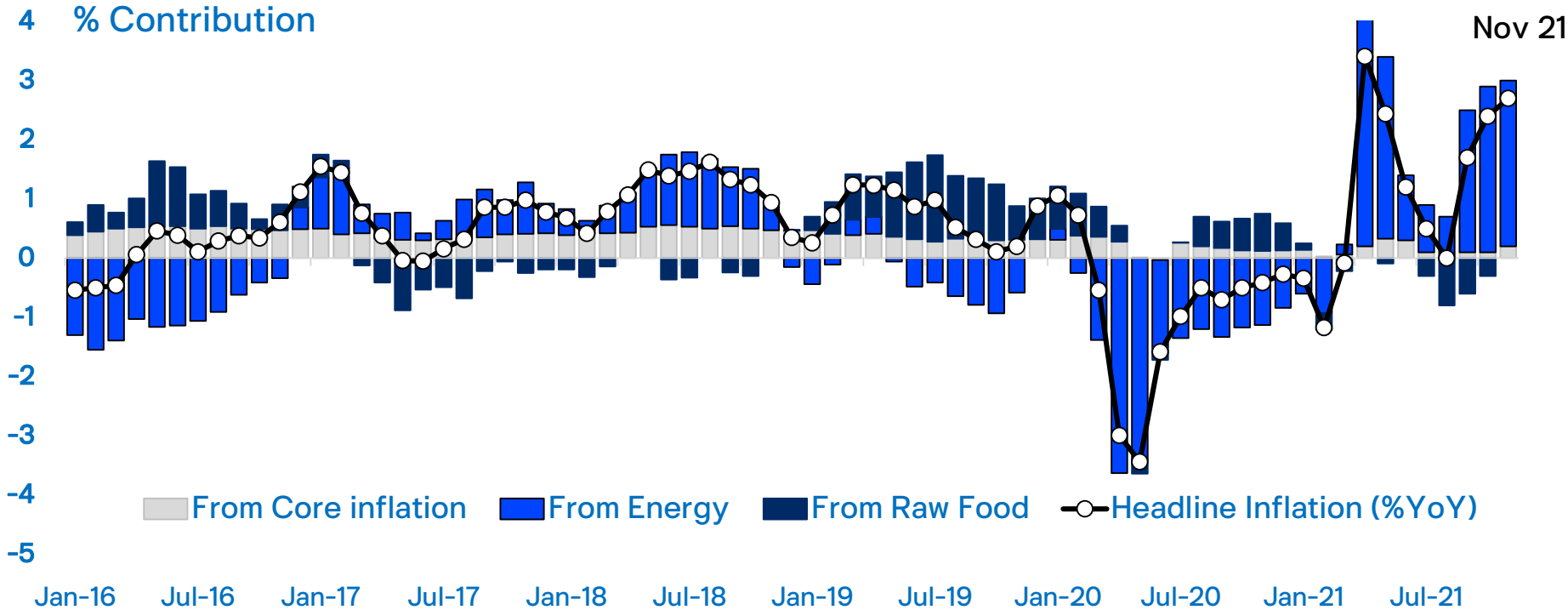
## State Owned Enterprise Investment (as of Nov 21) : 284bn



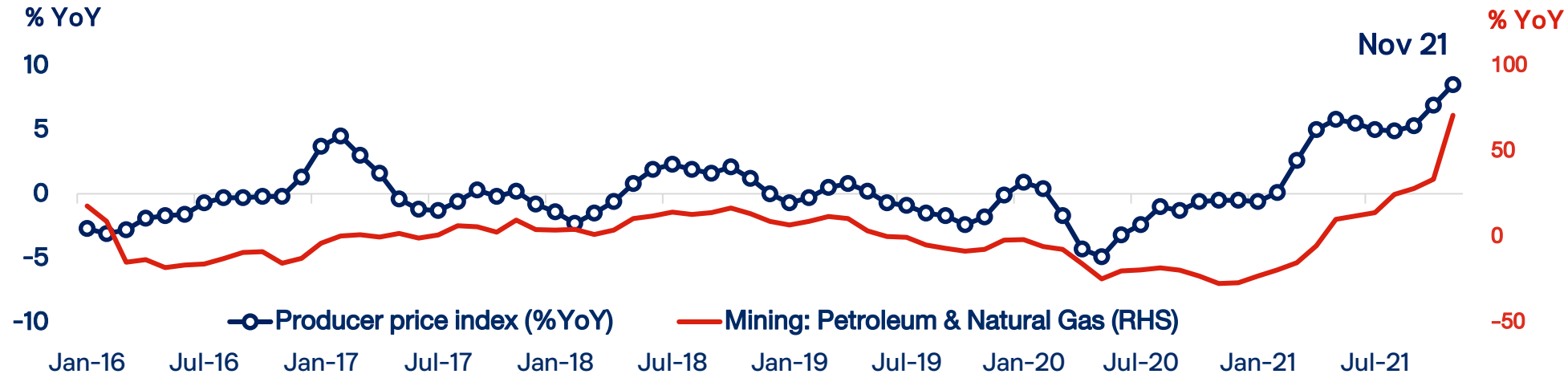
\* Accumulated disbursement / Full year Plan



# Headline inflation jumped mainly due to energy prices; core inflation slightly improved

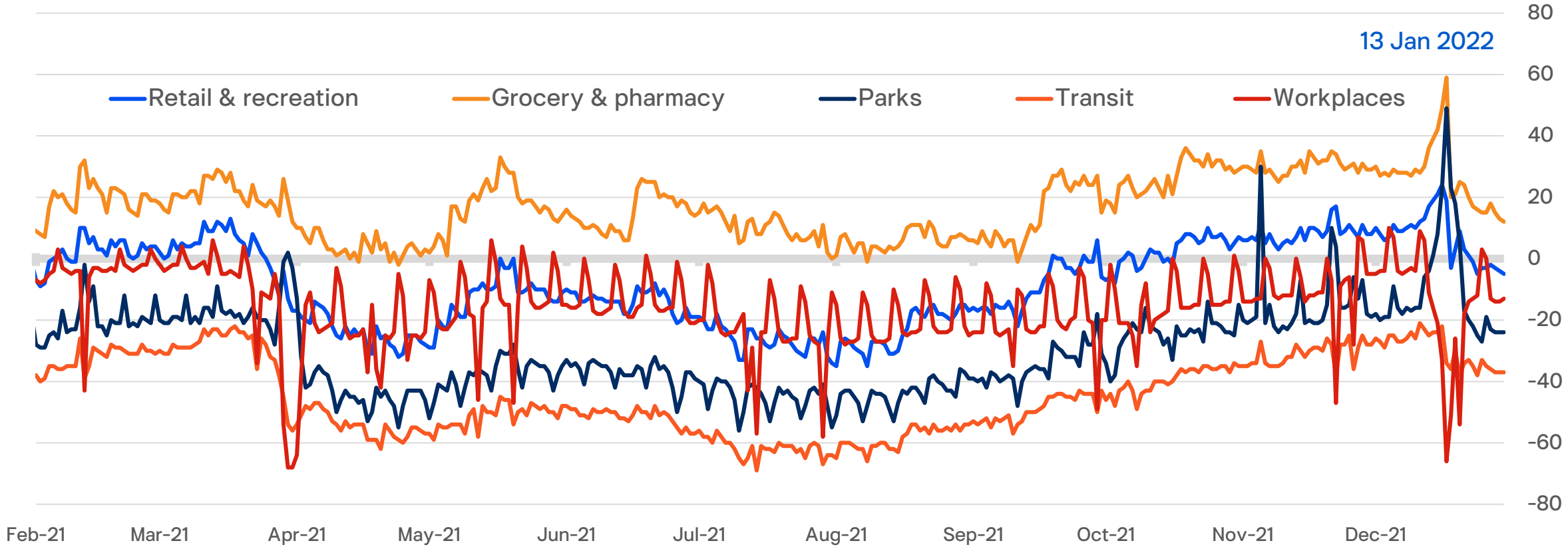


(%YoY)	Nov-21
Headline inflation	2.71
Core (67.1%)	0.29
Raw Food (20.6%)	-0.21
Energy (12.4%)	22.7



## Google Mobility Report

% deviate from Baseline (15 Feb 2020)

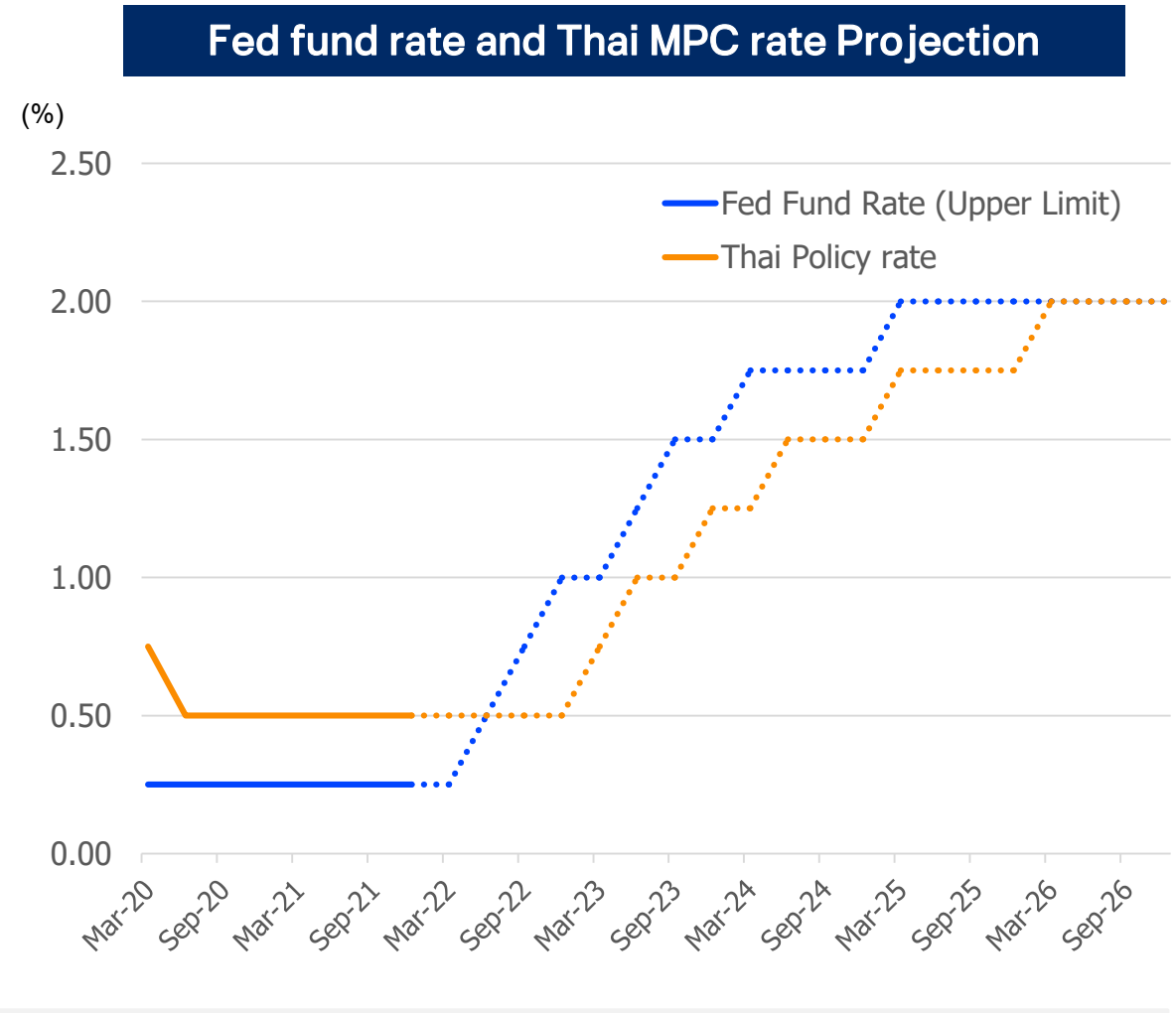
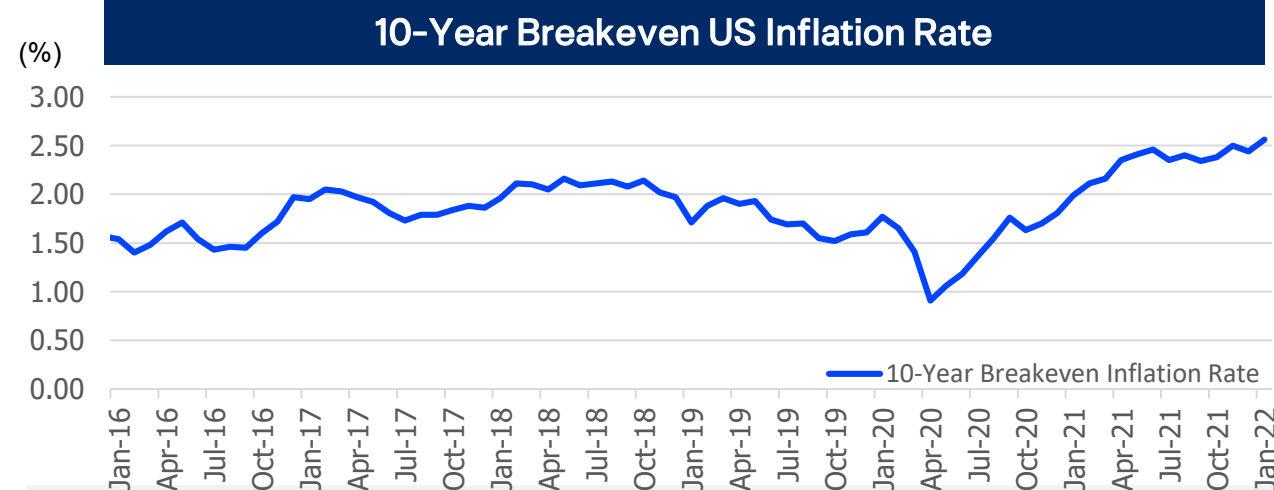
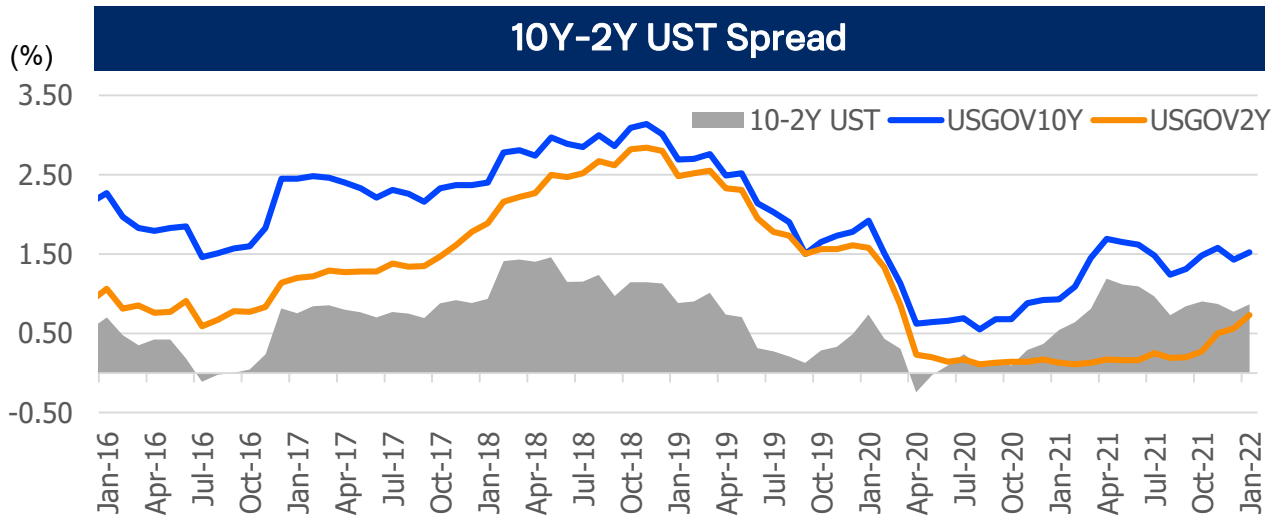


The background of the slide is a dark blue field filled with various financial data visualizations. There are several bar charts with vertical bars of varying heights, some with numerical values like '45.02', '74.02', and '95.02' printed next to them. A prominent white line graph with circular markers trends upwards from the bottom left towards the top right, ending in a large white arrowhead. The overall aesthetic is high-tech and data-driven.

# PART 3

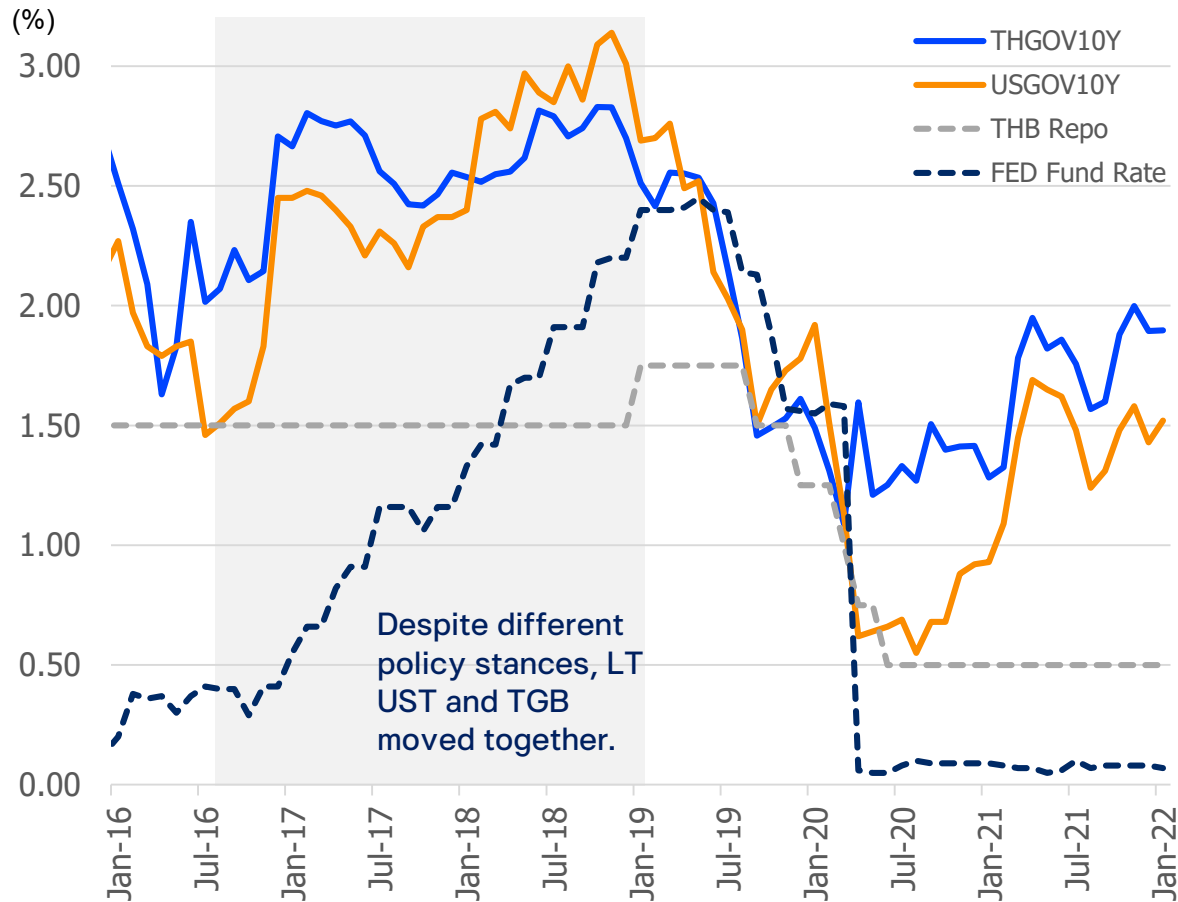
## Financial Market

# Fed fund rate and Thai MPC rate outlook

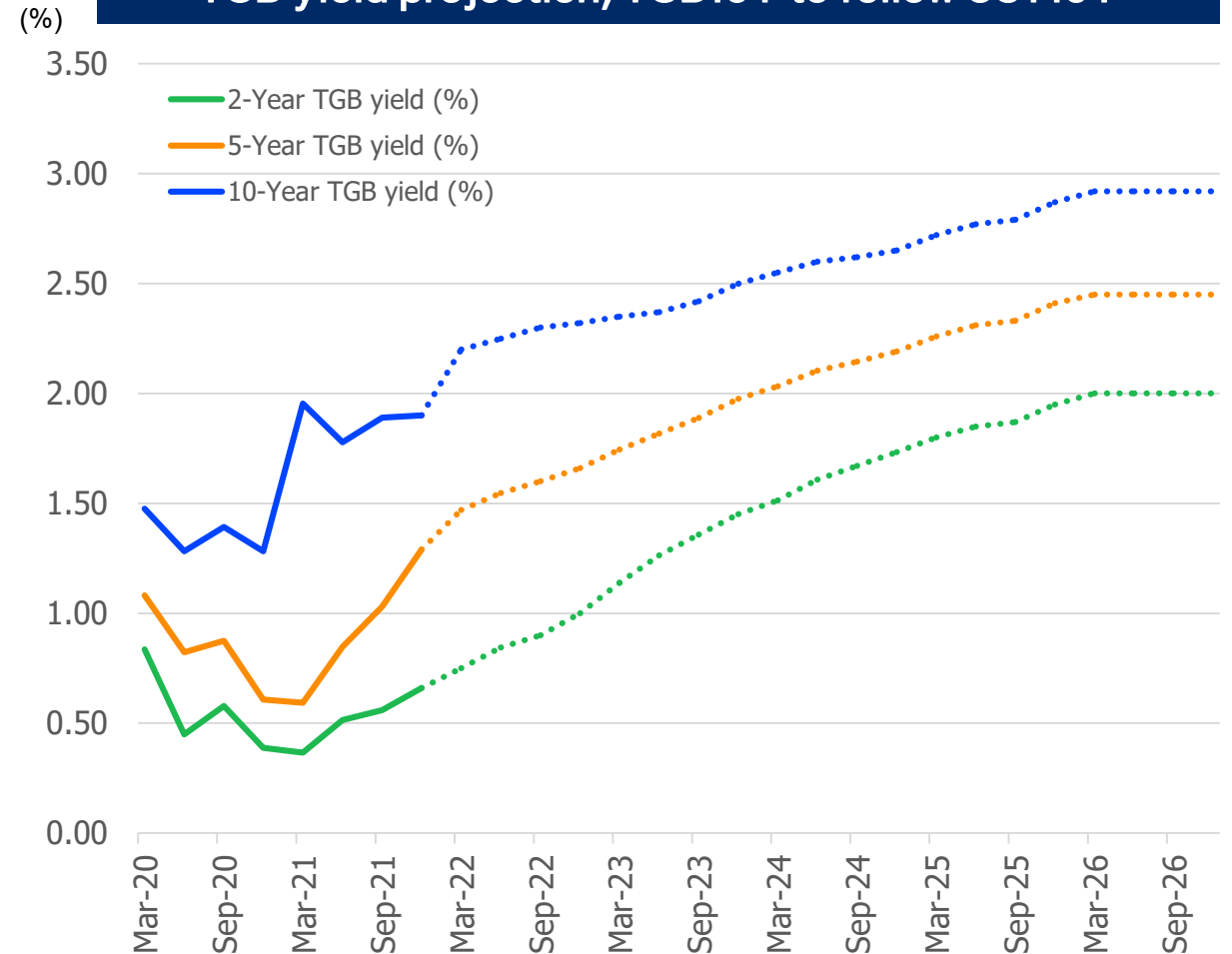


- Fed announced accelerating its wind down of bond purchases in latest meeting. Though there is risk of Omicron, Fed seems to concern about current inflation which might not going back to lower level soon. Amidst Omicron uncertainty, we expect Fed to start its rate hike in Mar-22, as new schedule of tapering may end around Mar-22. We've seen current drop of yield as a short term adjustment.
- For Thai MPC, though Omicron may even more put pressure to economy, we expect neither rate cut nor rate hike in 2022. TGB curve will continue to be steepen at slower path as limited 10Y-2Y spread of TGB in Q1/2022.

## High correlation of long term TGB and UST



## TGB yield projection; TGB10Y to follow UST10Y

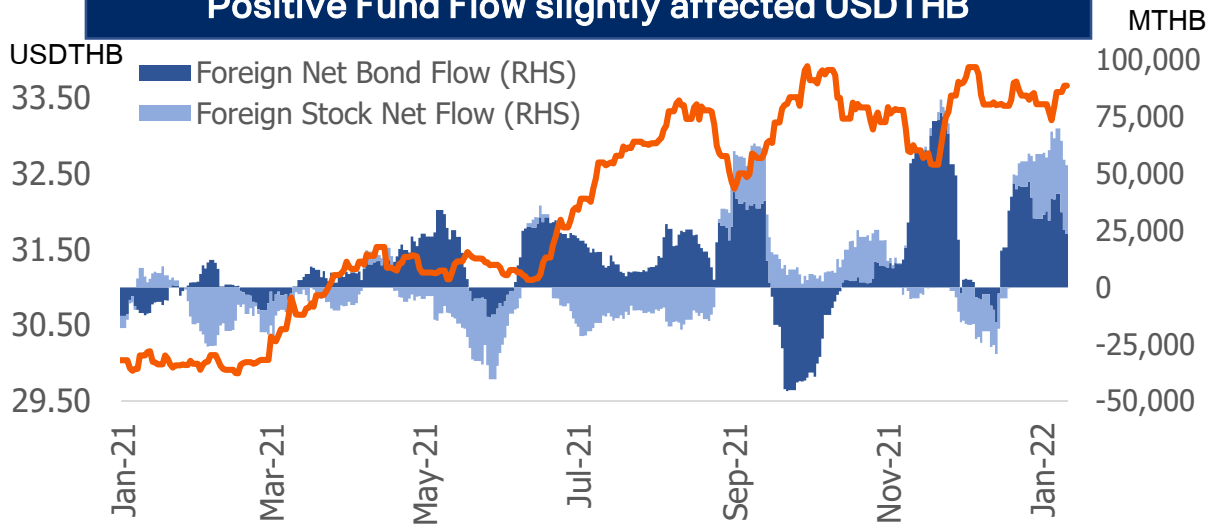


- Though 20 bps. increase of TGB10Y from early of Dec-21 to now is not nearly bullish as more than 40 bps. increase of UST10Y at the same period as TGB curve is steeper than UST with no sign of Bank of Thailand policy shift, we still expect that TGB curve will continue to be steepen in the first half of 2022. Along with Thai economic recovery and improve policy stance from Bank of Thailand from H2/2022, TGB curve may shift to flattening theme as we expect more improvement in TGB2Y yield before Bank of Thailand hike in H1/2023.

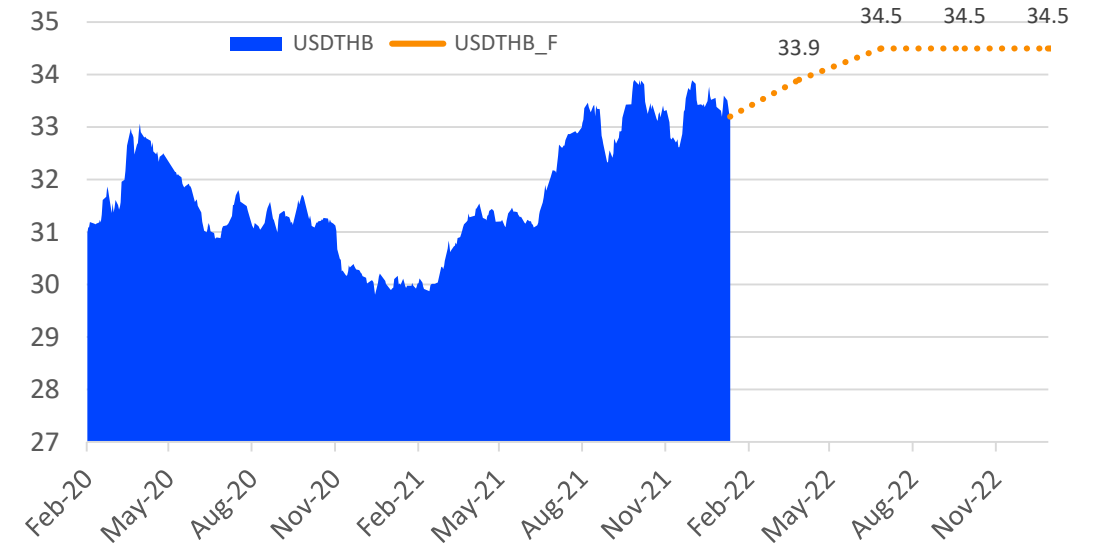
# Positive fund flow and current account has small impact on USDTHB



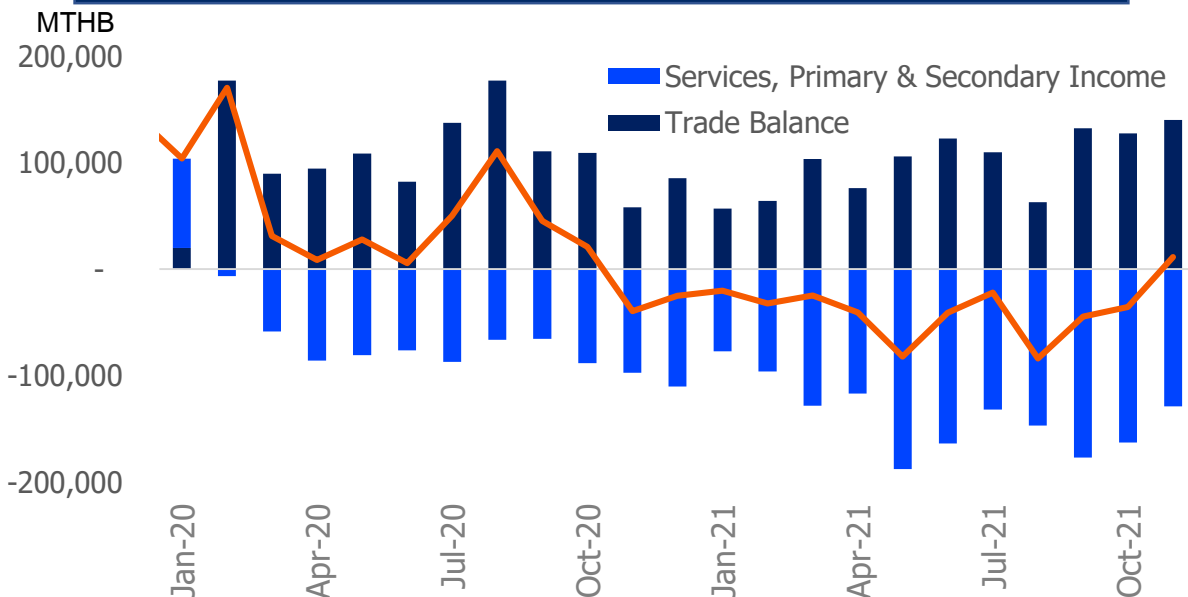
## Positive Fund Flow slightly affected USDTHB



## 2022 USDTHB Projection



## Thai Current Account started to turn positive

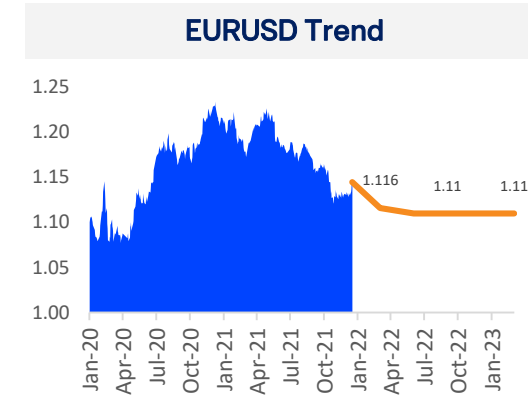
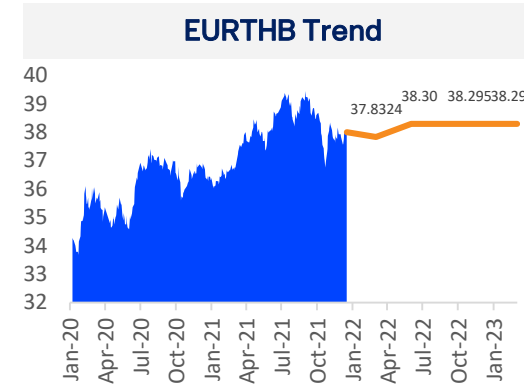


- USDTHB is very volatile, pulled back from 33.50 to 33.20 level in Jan-21 as there is foreign fund flow into stock and bond markets with weakness of DXY. THB is strong compared to other Asian currencies. However, we expect fund flow to be short term speculation.
- DXY consolidated from last month after long bullish run. Market see Fed is likely to hike 3-4 times, though greenback is still expected into another run as Fed will start more tightening with no sign of other major central banks to compete.
- Omicron variance is needed to be closely watched as it will eventually affect the recovery of tourism sector in Thailand. Thailand's current account started to turn very slightly positive but we don't expect much impact into USDTHB.

# Other projections : despite economic recovery, strong dollar trend should still dominate all

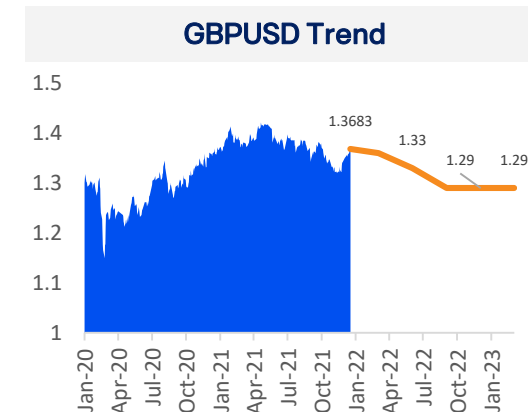
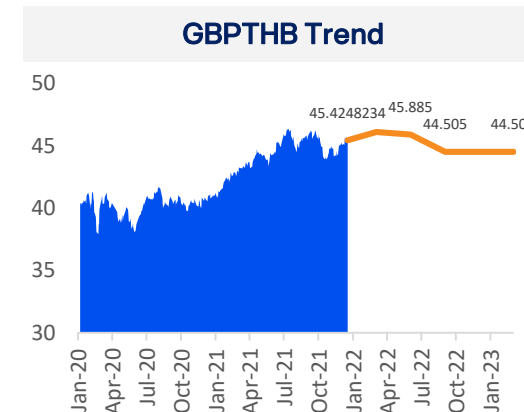
## EURUSD : ECB facing spike inflation but not rush to hike

- Euro zone inflation is set to spike throughout 2022. the first and second quarters inflation is expected to be 4.1% and 3.7% respectively, well above the ECB's 2.0% target. (+)
- ECB has resisted to rush into premature policy tightening arguing monetary policy cannot do much about supply-side inflationary shocks like the supply chain shocks, energy shortages, and global food prices. That stands in sharp contrast to the U.S. Federal Reserve which is set to raise its federal funds rate from near-zero as soon as March. (-)



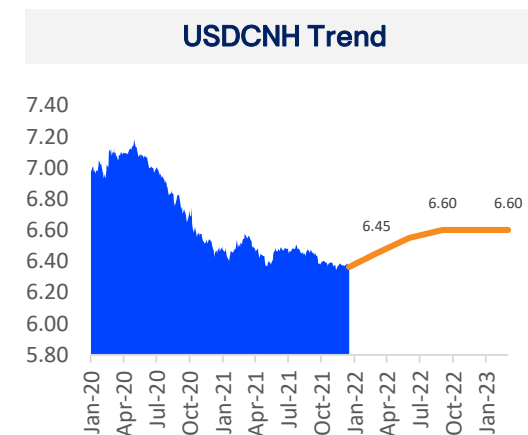
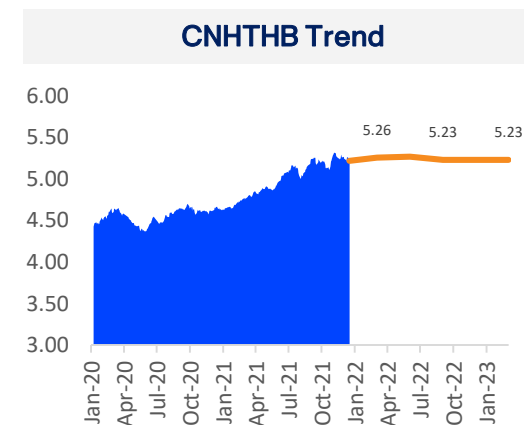
## GBPUSD : Eventually Fed hawkish stance will outpace BoE

- UK GDP returned to pre-pandemic levels during the month of November following growth of 0.9% beaten expectations. This suggested the Omicron impact on growth may prove limited and may keep the quite hawkish expectations on BoE tightening. (+)
- We expect GBP to up in short term because BOE hike the rate faster than FED. Anyway, the FED will follow its plan and become more hawkish than BOE this year. So, it will pressure to GBP at the end. (-)



## USDCNY : PBoC to focus on domestic growth and support economy

- PBoC has just cut medium-term lending facility (MLF) loans by 10 basis points to 2.85% from 2.95% as China's economy still faces downward pressures especially in property sector accounted for 25% of GDP if including its supply chain so that China's central bank will likely move cautiously on loosening monetary policy to support the economy. (-)
- Though China GDP grew 8.1% in 2022, economic growth is slow down in the fourth quarter with only 4.0% growth from year earlier. (-)
- Overall, we still believe that PBoC will focus on supporting domestic growth as 6.0% GDP growth likely to be their target. Moreover, DXY seems to be undervalued now, so we expect USDCNH to be bullish soon. (-)



**Thank you**



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