

# Economic and Financial Outlook

ttb analytics

Oct 2022

## Global Economy

- **PMIs data of September 2022** hinted at falling global economic activities (recession risk) amid persistent inflation and a contraction in the economy of both Europe and UK.
- **Global commodity prices** further eased due to weaker global demand, recession fear and a two-decade high USD. However, there were elevated and therefore put pressure for a big-size rate hike for several central banks.
- **US labor market condition** remained tight, however with a loosening degree. Retail trade became softened as high inflation and rising borrowing costs hit purchasing power.
- **Chinese economy and labor market** slightly improved after relaxation of COVID-19 curbs and government efforts to sustain a recovery momentum. However, the recovery was shaky due to property sector crisis and status quo in zero-tolerance Covid-19 policy.
- **Retail sales in Japan** continuously rebounded. However, high global energy prices and a slump in Japanese yen put great pressure on inflation, challenging the BOJ's ultra-loose stance.

## Domestic Economy

- In Aug 22, Thai economy continued to recover but at a slower pace for the second consecutive month. Private consumption indicators remained close to the previous month. Private investment improved slightly.
- The value of merchandise exports (ex. gold) increased slightly from previous month, mainly from export of industrial products. By key partners, China's trading demand remain dropped while demand from U.S and EU accelerated.
- Foreign tourists in Aug increased consecutively to reach a new peak since pandemic. The major groups still came from East Asia. Moreover, European tourists show a signal of return
- Public spending, excluding transfer payment, expanded from the same period from expansion in both the current and capital expenditure of the central government as well as capital expenditure of state-owned enterprises.
- Headline inflation in Sep 22 start decelerated due to energy, food prices stabilized while core inflation also mark at 3% level.

## Financial Market

- **Major central banks around the world hiked policy rate to curb rising inflation.** The Federal Reserve hike 75 bps on 21-22 September. Meanwhile, the next rate decision of Federal Reserve is expected at least for 75 bps in attempt to control high costs of living.
- **Investors went into long term bond tenor, for both US and Thai bond, due to recession concerns.** Moreover, 10y-2y yield spread for US government bond dropped below zero, negative yield curve signal higher possibility of coming US economy recession. Meanwhile, 10y-2y yield spread for Thai government bond has sharply declined but was still in positive territory.
- **USDTHB remained in high level in September, ending 37.915 level.** It could be around 37.80-38.20 in October. Dollar would strengthen further from market expectations on faster rate hike from FED to combat US inflation. The strong dollar put pressure on Asian currencies together with negative real interest rate.

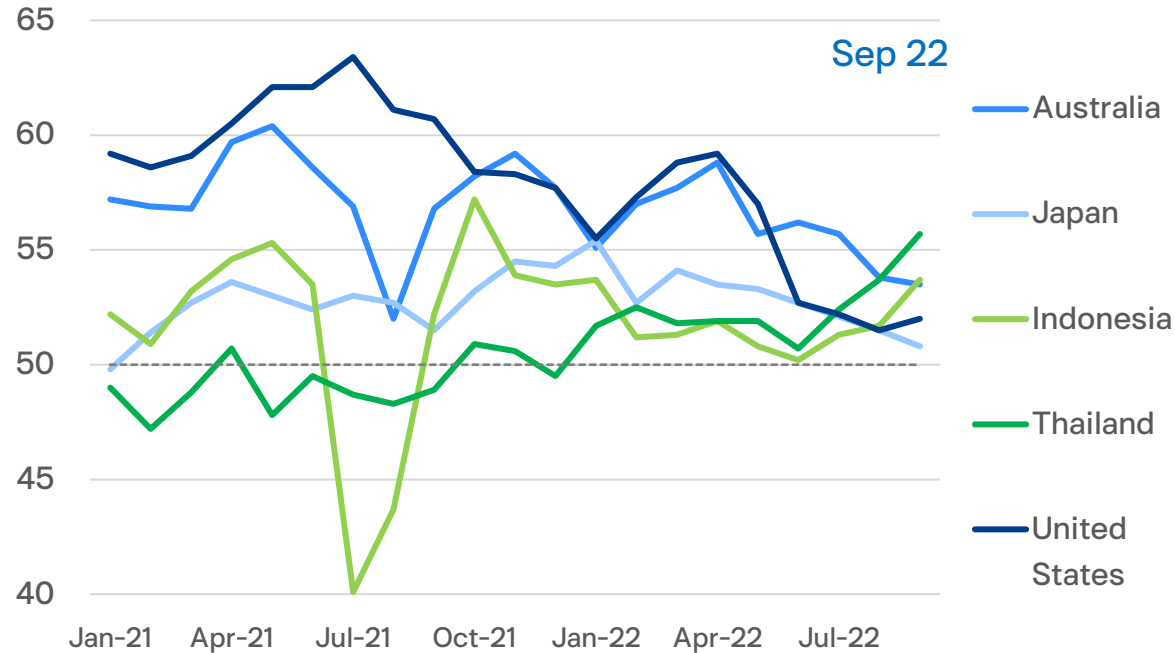
# PART 1

# Global Economy

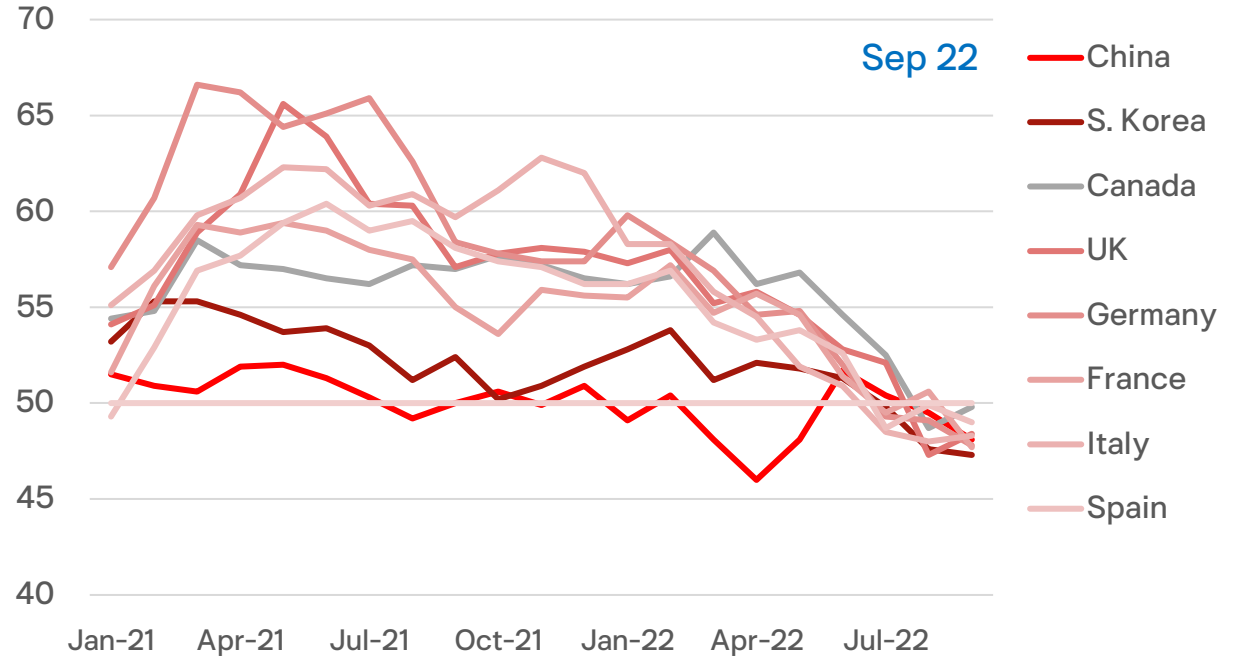
# PMI (Sep 22) showed a falling in global economic activities, a contraction in Europe

## Global Manufacturing PMI

Diffusion index (50)



Diffusion index (50)

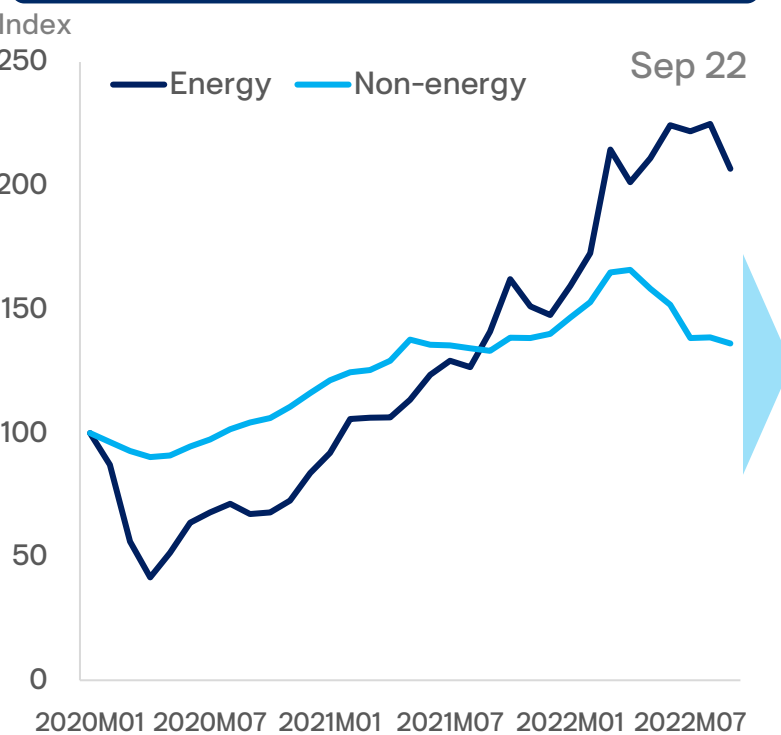


- PMIs data of September 2022 hinted at falling global economic activities (recession risk) amid persistent inflation.
- The situation varies geographically. This came with a contraction in production activities among UK and Eurozone countries and China. Meanwhile, productions of other advanced nations turned softened amid global momentum economic slowdown. However, some nations in Southeast Asia, namely Thailand and Indonesia had strong rebound in their production sector.

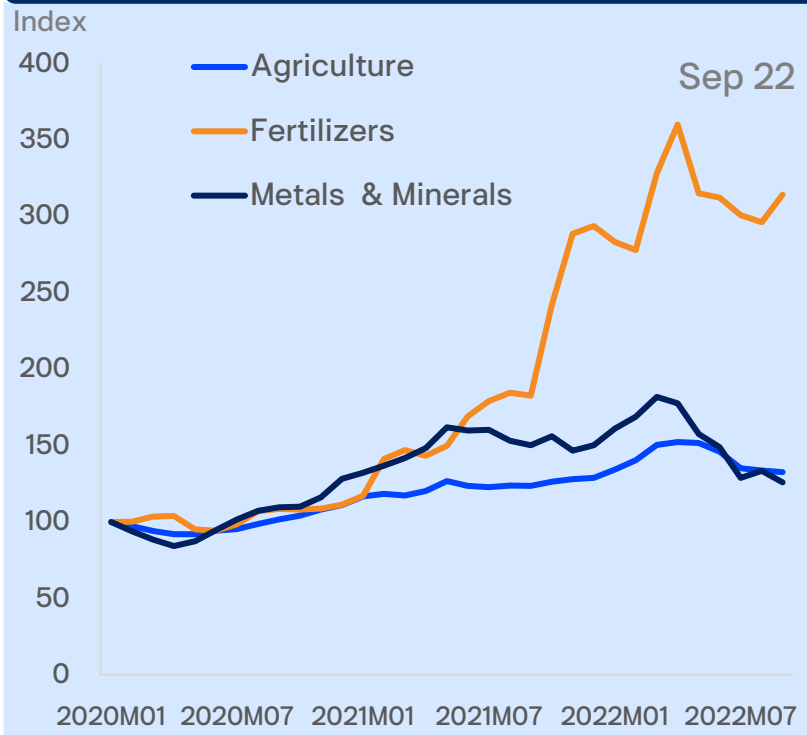


# Commodity prices continued easing, yet level remained high, led to big-sized hiking decision

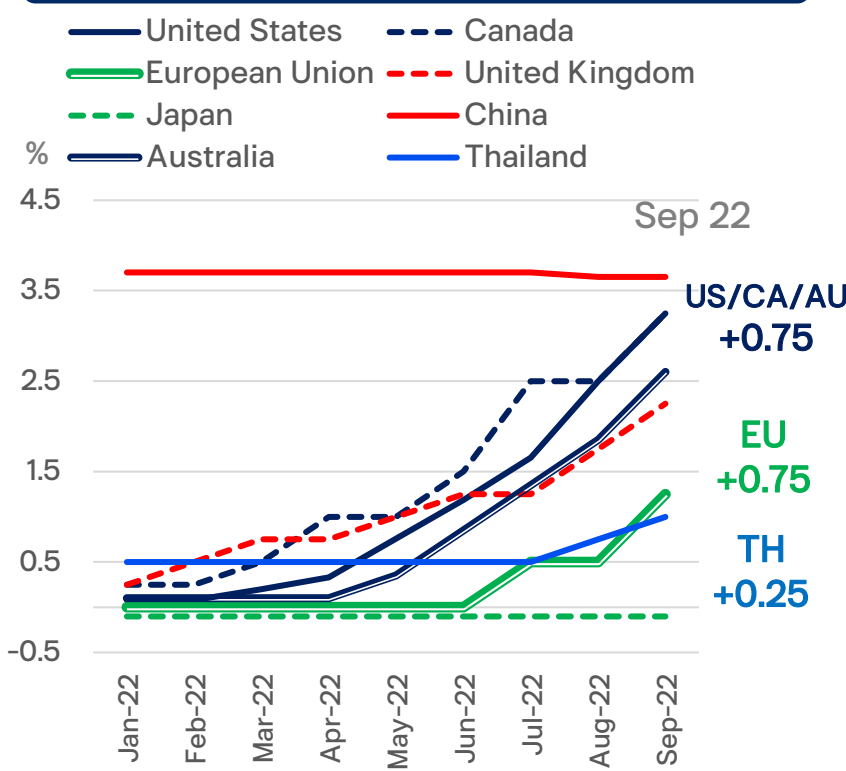
Commodity



Non-energy segregation



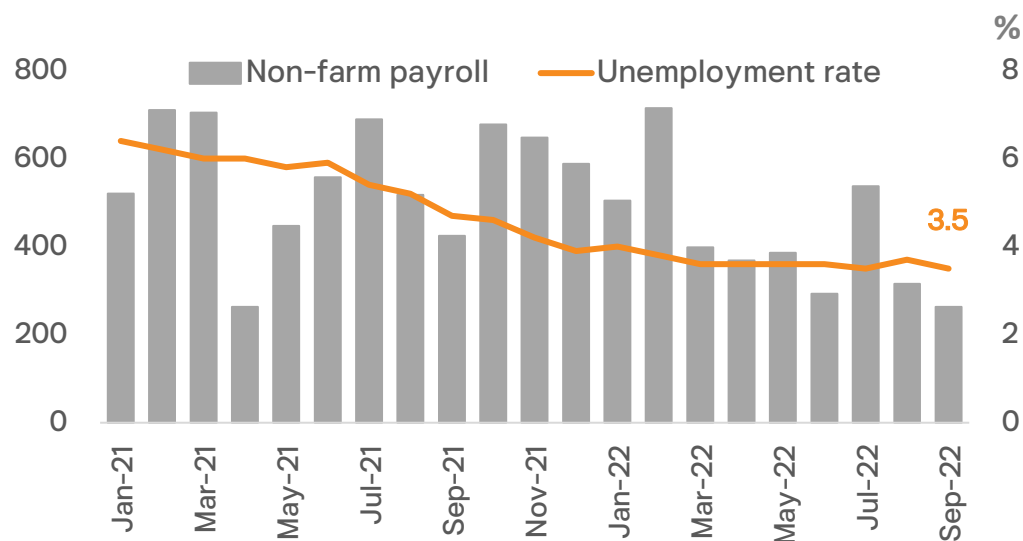
Global policy rate hike



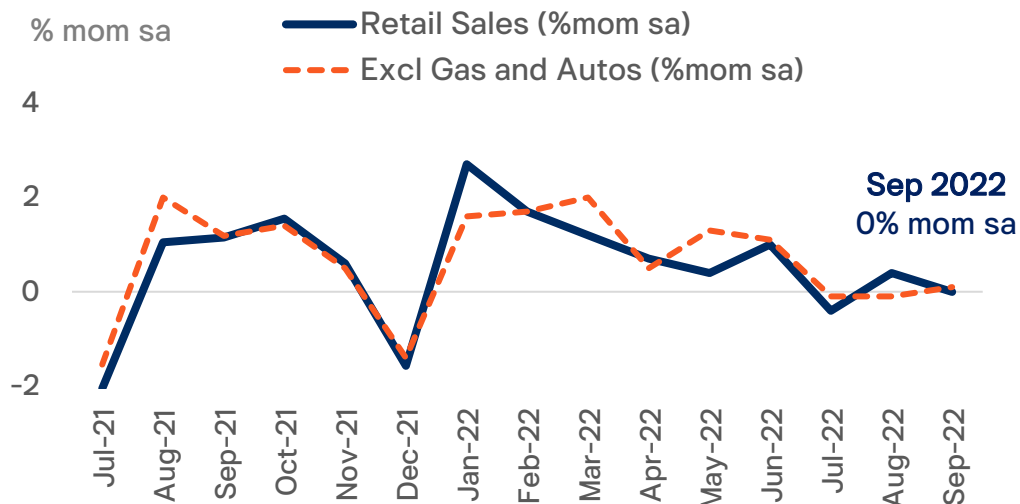
- **Global energy and non-energy prices** became softer due to weaker global demand, recession fear and a two-decade high USD.
- Since China is the top commodity consumer, a collapse in China' domestic demands due to zero-tolerance covid-19 policy and real estate crisis has weighted down on **metal commodity prices**. Meantime, a decline in **agricultural prices** continued due to lower vegetable oil prices and dairy products. However, cereal prices started to rise from dry crop conditions in America continent and heightened uncertainty about the Black Sea Grain Initiative's continuation with escalating tension in Ukraine.
- With decelerating pressure of commodity prices, yet the level remained high, caused a big size of rate decision in several nations.

# US labor market remained tight with softer consumption amid a big rate hike expectation

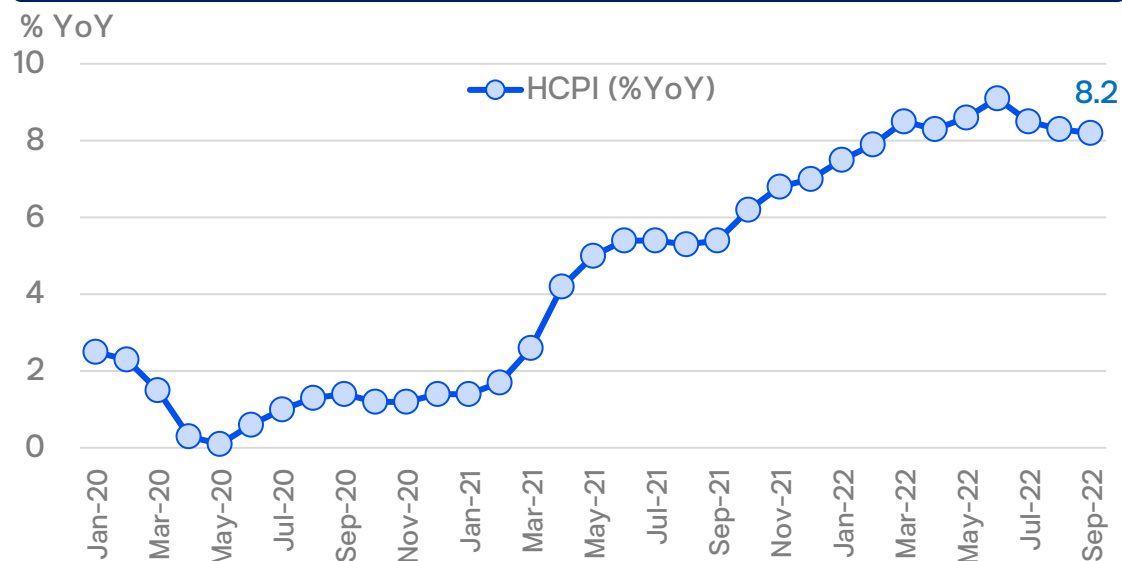
## Nonfarm payrolls



## Retail sales



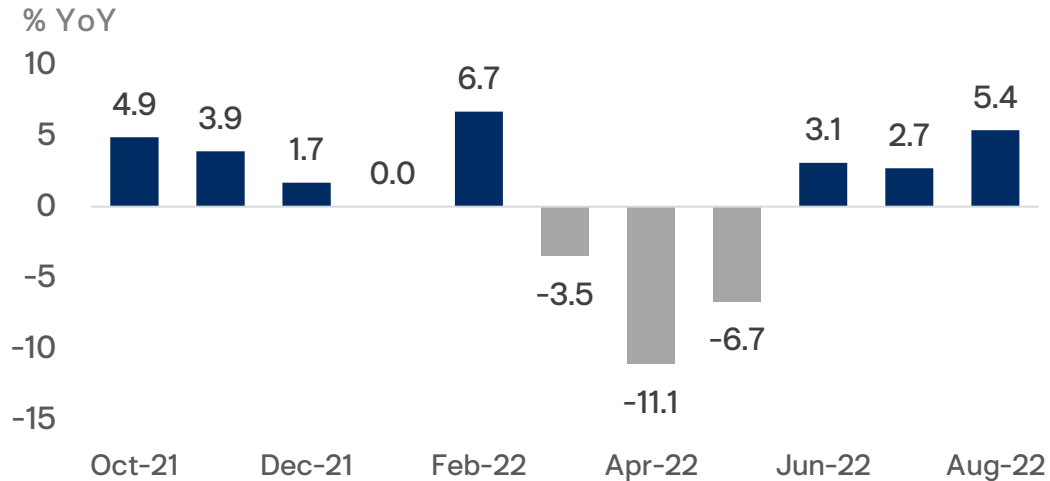
## Headline inflation



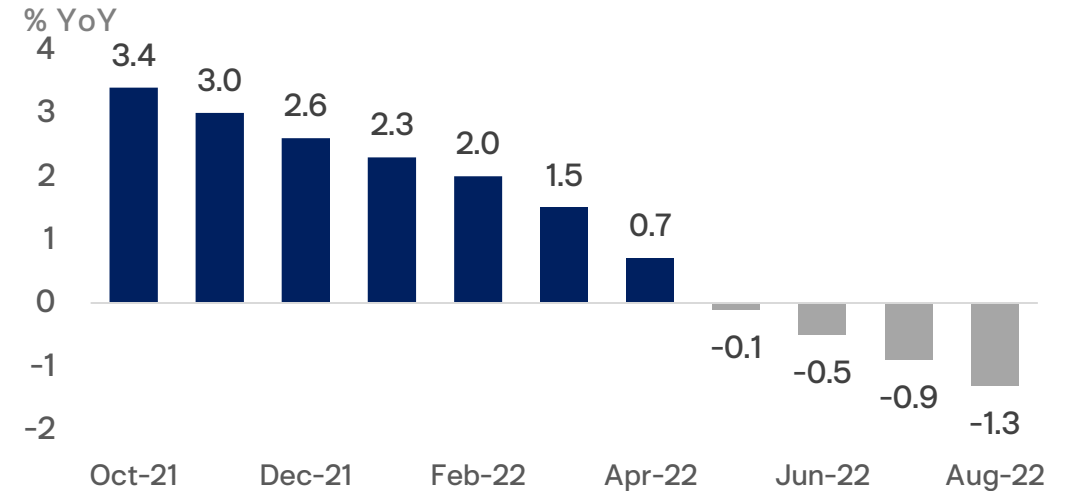
- Nonfarm payroll showed additional 263K jobs in September 2022, the least since April of 2021, with a drop of unemployment rate fell to 3.5% in September 2022. This confirmed overall labor market condition remained tight, however with a loosening degree as expressed by a recent rise in initial jobless claim, notably in Florida, California and New York.
- Retail trade was unchanged in September 2022, as high inflation and rising borrowing costs hit consumer demand. When excluding Autos, retail sales edged up slightly to 0.1%mom sa from -0.1% mom sa in previous period, greater than market expectation.
- Inflation eased for a third consecutive month to 8.2% yoy in September 2022 as cooling demand and lower oil prices, but it was still above the Fed's target of 2%. This suggests policymakers will maintain their hawkish rhetoric and keep raising interest rates at a quick pace.

# China economy improved amid shaky property sector and weak global economy

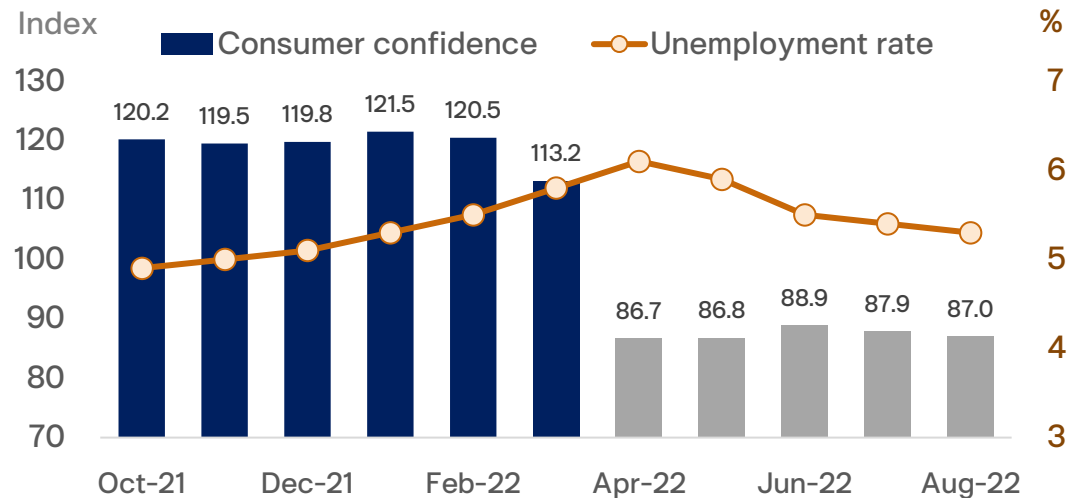
## Retail sales



## Newly Built House Prices



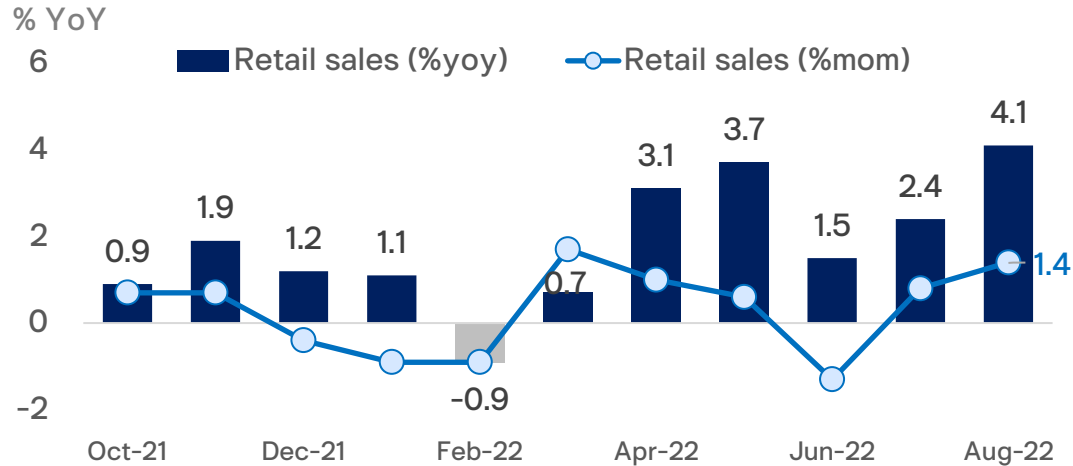
## Consumer confidence and Labor market



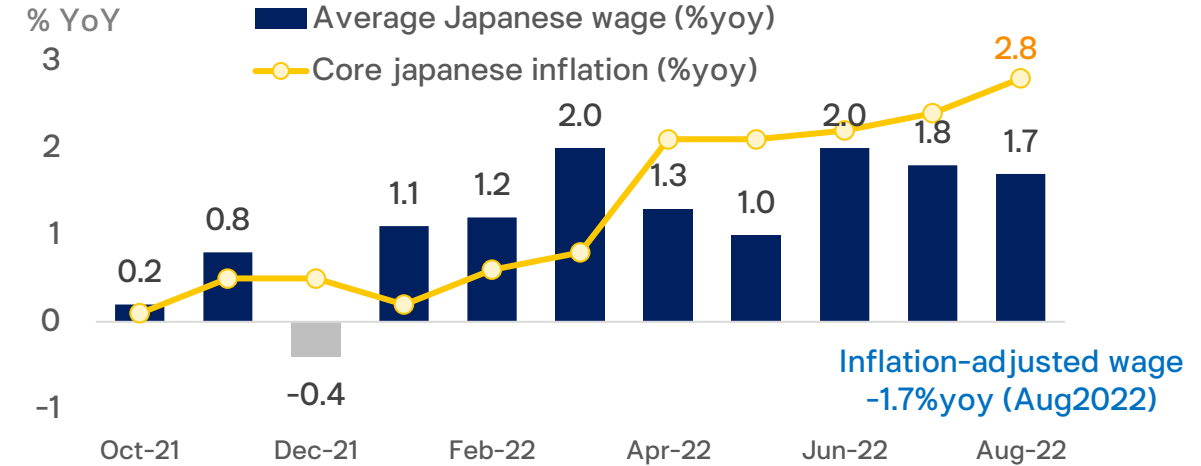
- Retail trade rose by 5.4% yoy in August 2022, exceeding market estimates of 3.5%. This was the third straight month of increase in retail trade, as further relaxation in COVID curbs.
- Unemployment ticked down to 5.3% in August 2022 from 5.4% in July, underlining continued efforts by the government to spur the momentum of economic recovery as the COVID situation improved. (unemployment rate of those aged 25-59 was at 4.3% in August, the same as in July, while aged 16-24 fell to 18.7% from 19.9% earlier)
- Average new home prices in China dropped by 1.3% yoy in August 2022, deepening from a month earlier. It was the fastest drop since August 2015, amid a persistent downturn in the property sector linked to mounting debt crisis among developers as well as strict COVID lockdown and widespread curbs. This situation is ongoing despite large public spending, tax rebates, policy cuts, and a more dovish stance on the property sector.

# Japan recovery was fragile due to inflation-imported pressure, challenging BOJ stance

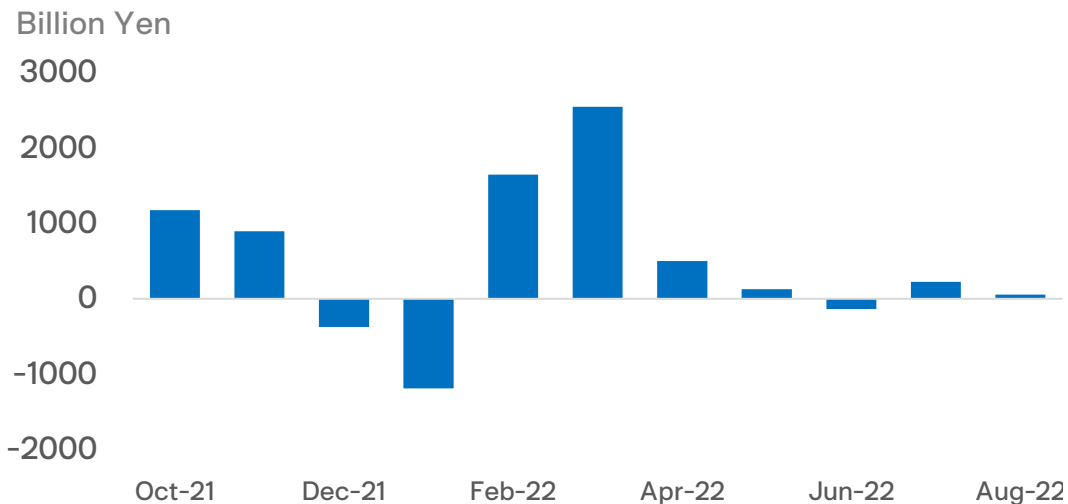
## Retail sales



## Japanese average cash earning



## Current account



- Nominal wages in Japan rose 1.7% yoy in August 2022, being an eight consecutive rise in a row but slower from previous month. Wages adjust inflation in August however -1.7% as the rise in consumer prices driven largely by a weak yen outpaced modest growth in wages.
- Retail sales in Japan increased by 4.1% yoy in August 2022, being the steepest pace since May 2021, amid improving consumption in the wake of the COVID-19 hit. For monthly basis, retail sales accelerated to 1.4% from previous month.
- Core inflation (excl fresh foods) jumped 2.8% yoy in August 2022, exceeding the central bank's 2% target for the fifth straight month and presenting a challenge to the Bank of Japan which views such cost-push inflation as temporary and a risk to consumption. Moreover, current account surplus narrowed sharply to JPY 58.9 billion in August 2022, due to high imported commodity prices and a slump in yen.



PART 2

# Thai Economy



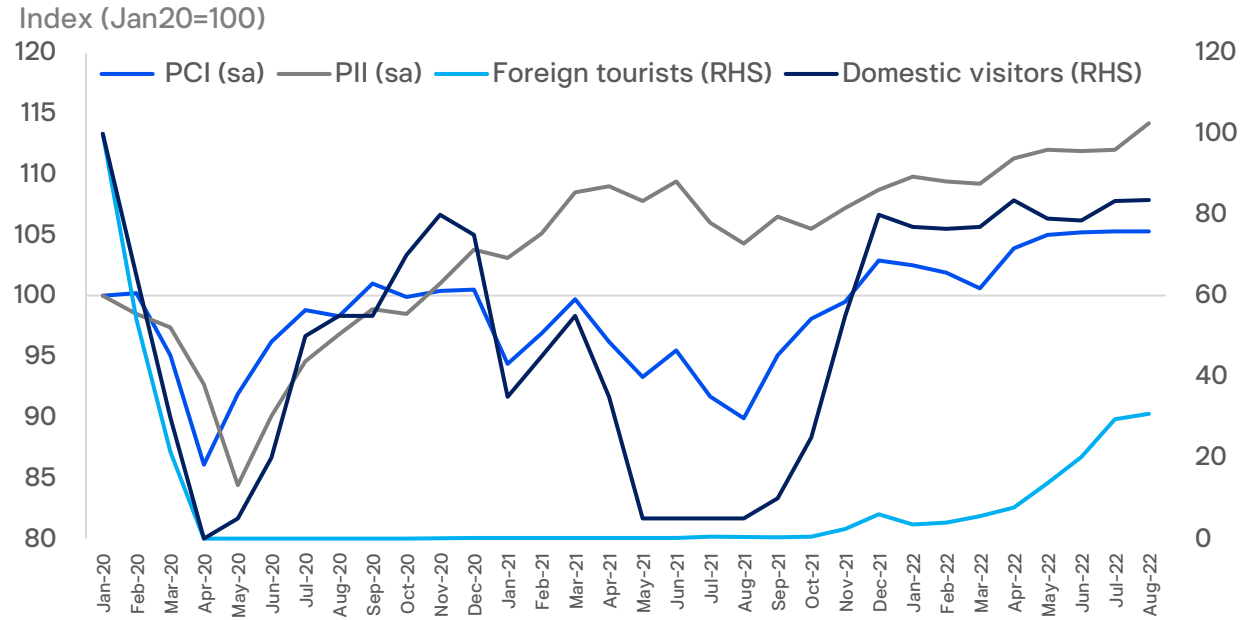
# Aug 22: Thai economy continued to recover despite sluggish domestic consumption



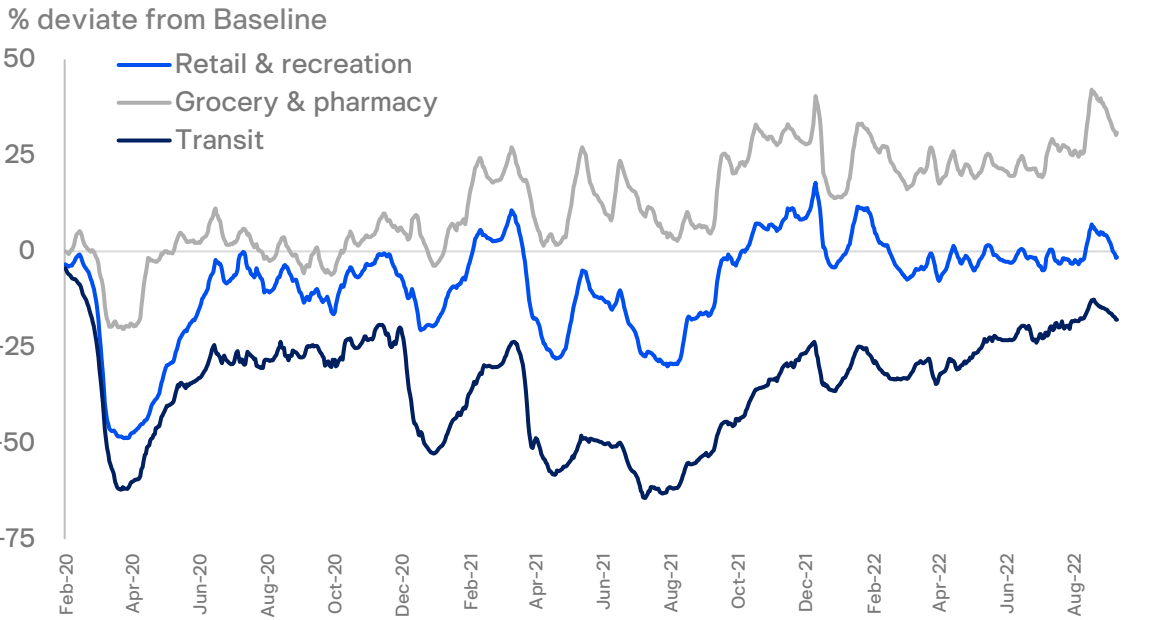
Coincident Economic Index (sa)

		Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Production	Coincident Economic Index (sa)	98.9	98.0	99.0	99.9	100.5	100.8	100.7	100.9	100.9	100.5	100.3	100.6	100.5	101.1
	Import Volume index (exclude Gold)	103.8	109.0	102.1	104.3	99.8	115.9	104.9	107.9	112.5	109.6	109.2	109.4	110.5	110.0
	Manufacturing Production Index	93.3	89.0	96.3	98.5	99.8	102.5	99.5	99.6	99.3	98.9	97.1	99.1	99.9	102.9
	Gross Value Added Tax at 2000 price (Million baht)	54,009	54,648	52,842	55,047	61,594	57,139	56,930	58,144	58,511	57,467	56,777	58,146	55,517	57,152
C	Sales Benzene, Gasohol & Diesel Index	74.7	70.3	79.9	86.6	91.8	102.8	98.4	95.7	89.2	96.9	97.8	92.8	94.6	93.0
	VAT Hotel & Restaurant Index	21.5	21.1	29.2	36.9	45.1	48.1	38.2	48.8	48.7	53.7	56.0	58.3	62.2	60.3
I	Imports of Capital Goods at 2010 price (Million USD)	3,905.9	3,959.5	3,863.7	3,812.8	3,807.0	3,878.4	3,926.9	3,851.8	3,853.0	3,767.0	3,943.3	4,181.3	3,973.6	4,251.2
	Domestic Machinery Sales at 2010 price (Million THB)	86,640	81,628	88,249	88,945	90,303	90,123	91,033	92,003	87,812	92,390	91,711	85,131	92,271	90,998

Demand-side indicators



Google Mobility Report

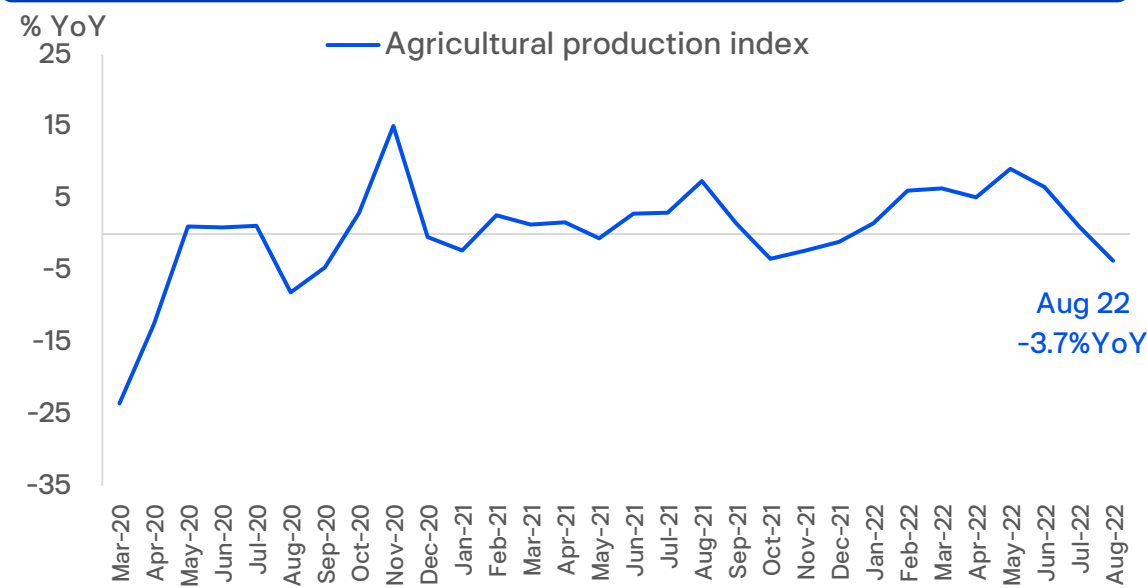


Source: Bank of Thailand, Google mobility report (Data as of 30 Sep 22) and ttb analytics.

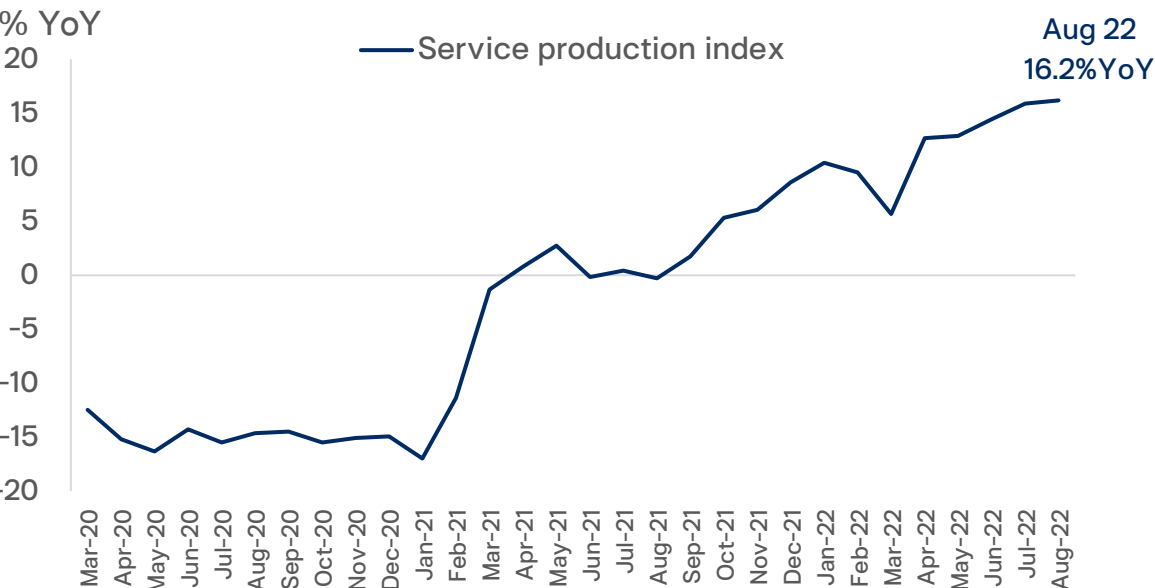
# Agricultural production dropped for third consecutive month, while services activities expanded continuously



## Agriculture



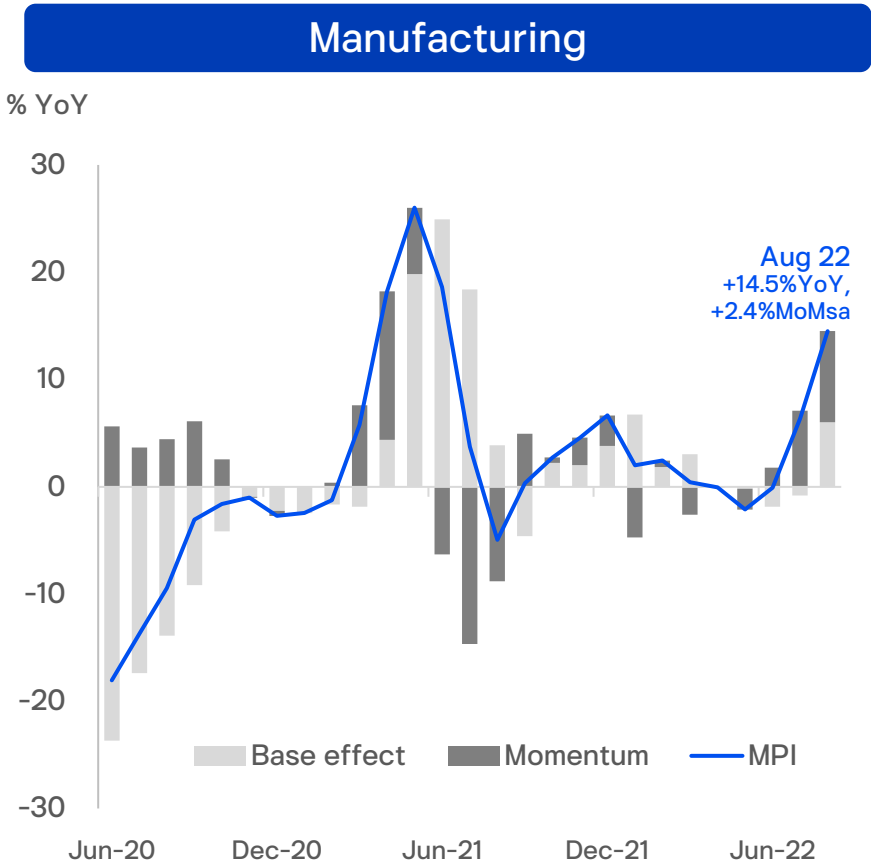
## Services



Service Production Index (Base Jan 2020=100)

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Wholesale and retail trade; repair of motor vehicles and motorcycles	94.8	93.6	95.4	97.7	99.5	100.6	102.0	103.3	105.3	104.0	103.0	103.6	104.2	107.4
Transportation and storage	61.8	60.2	62.4	63.4	65.3	70.3	67.9	66.9	72.2	70.4	74.5	77.9	81.4	84.6
Accommodation and food service activities	1.8	1.7	3.8	8.0	20.2	30.4	27.9	28.0	29.1	32.7	35.4	39.5	47.4	48.3
Information and communication	95.8	110.3	116.3	98.8	108.7	121.4	112.8	99.8	116.9	103.0	115.2	117.3	109.7	124.8
Financial and insurance activities	114.2	115.3	114.9	111.5	113.1	115.5	102.2	101.5	102.2	118.8	120.3	111.3	108.3	108.9
Real estate activities	116.7	116.4	121.3	121.1	128.1	133.9	123.3	122.3	128.7	120.6	122.0	123.8	124.2	118.5
Professional, scientific and technical activities	102.7	97.9	105.4	111.4	113.0	125.1	120.1	107.4	126.1	120.1	118.4	129.2	143.6	112.5
Administrative and support service activities	86.7	71.1	80.4	73.6	81.1	85.1	82.0	76.7	89.3	79.2	77.3	85.7	90.6	79.8
Public administration and defence; compulsory social security, E	102.6	107.6	113.5	105.8	101.0	106.5	102.1	97.6	92.1	116.1	105.1	104.4	108.3	110.8
<b>Service Production Index</b>	<b>85.6</b>	<b>86.0</b>	<b>89.2</b>	<b>88.1</b>	<b>91.1</b>	<b>95.9</b>	<b>92.3</b>	<b>90.5</b>	<b>93.5</b>	<b>97.0</b>	<b>96.3</b>	<b>97.1</b>	<b>99.3</b>	<b>99.9</b>

Source: Bank of Thailand and ttb analytics.



### Manufacturing Production Index (Base Jan 2020=100)

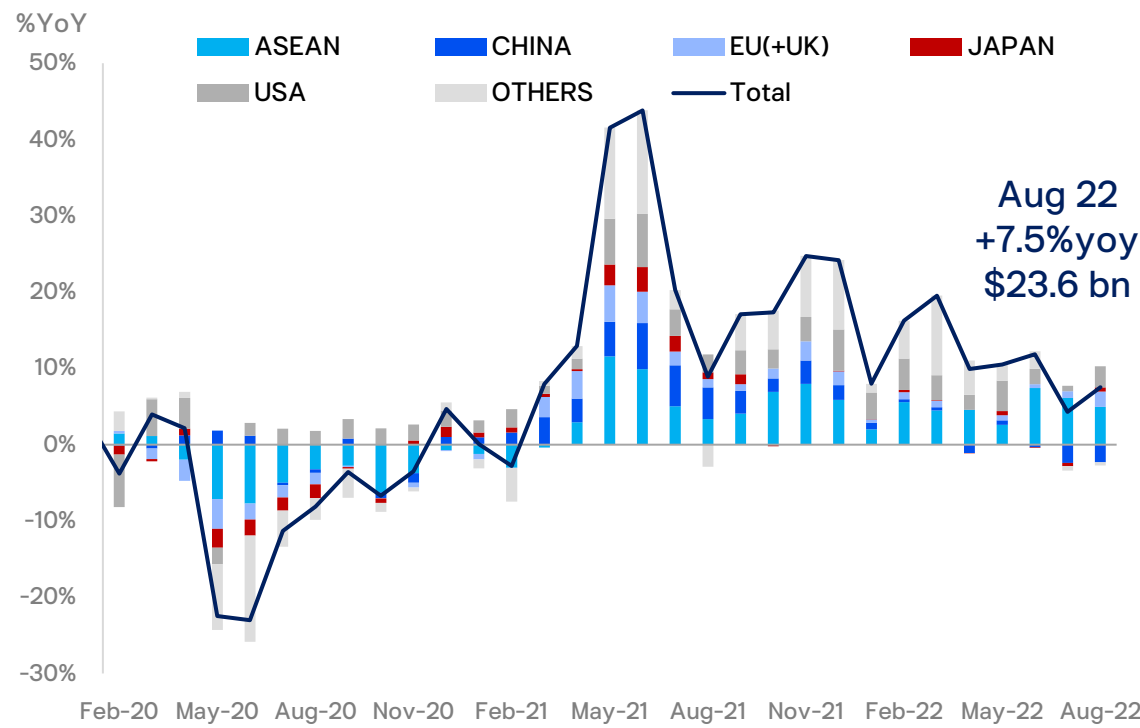
Contribution	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Food products (16.2%)																		
Beverages (3.8%)																		
Tobacco products (0.5%)																		
Textiles (1.6%)																		
Wearing apparel (1.9%)																		
Leather products (0.9%)																		
Paper products (2.9%)																		
Coke and refined petroleum products (9.6%)																		
Chemicals (8%)																		
Pharmaceutical products (1.2%)																		
Rubber and plastics products (8.9%)																		
Other non-metallic mineral products (5.5%)																		
Basic metals (3.6%)																		
Fabricated metal products (1.9%)																		
Computer and electronic products (8.9%)																		
Electrical equipment (3%)																		
Machinery and equipment (2.7%)																		
Motor vehicles (13.9%)																		
Other transport equipment (1.1%)																		
Furniture (1.5%)																		
Others (2.4%)																		
MPI (%YoY)	5.8	18.2	26.0	18.6	3.7	-4.9	0.4	2.7	4.6	6.7	2.0	2.5	0.4	0.0	-2.1	-0.1	6.4	14.5

- As of Aug22, Manufacturing Production Index (MPI) improved significantly at 14.5%YoY compared to an increase 6.4%YoY in previous month. The better momentum were mainly from vehicles (automobile and motorcycle), petroleum products, while chemical, rubber and plastic product, pharmaceutical products dropped this month.

# Total export in August grew 7.5%YoY amid low-base effect

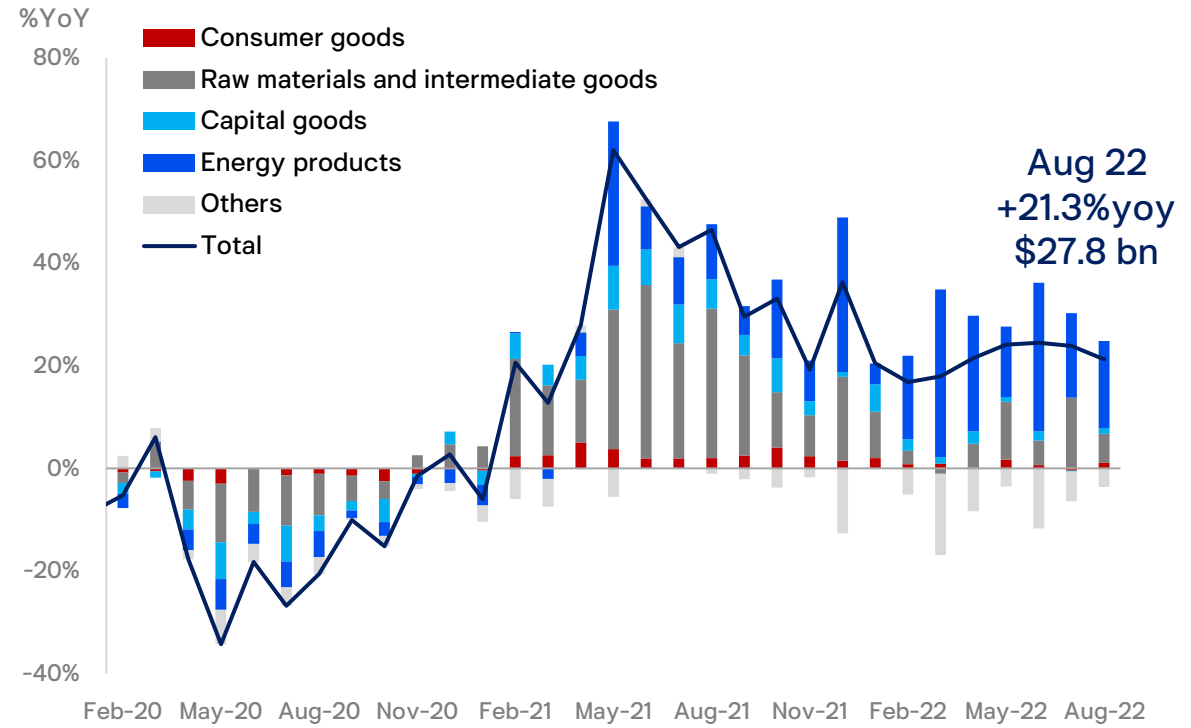


Exports value by destination\*



Total export growth	2019	2020	2021	8M2022	2022F
	-2.6%	-5.9%	17.1%	16.7%	8.1%
	\$246 bn	\$232 bn	\$272 bn	\$196.4 bn	\$294 bn

Imports value by groups\*



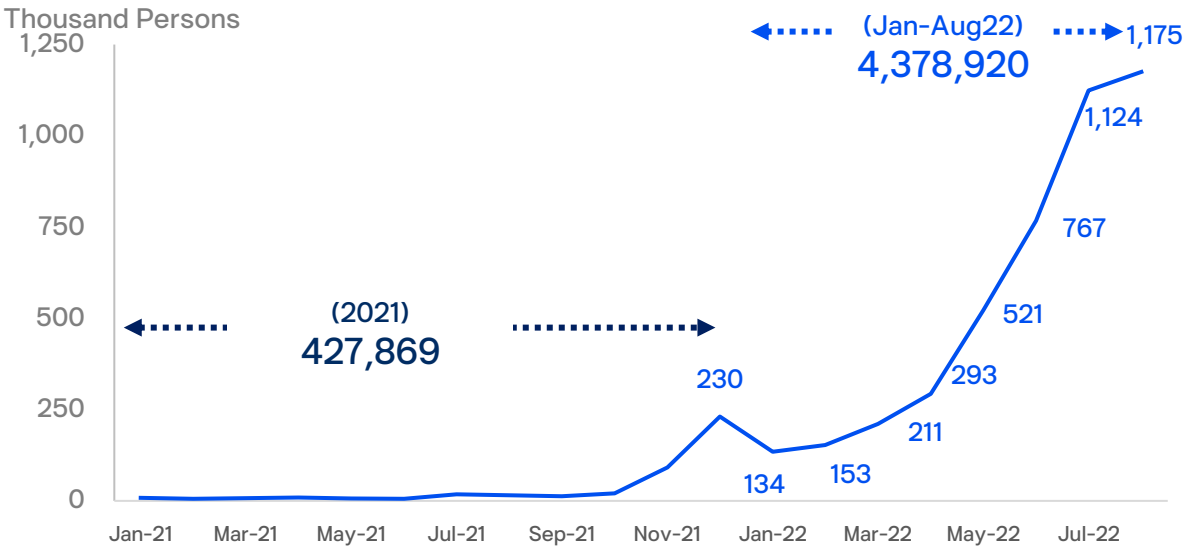
Total import growth	2019	2020	2021	8M2022	2022F
	-4.8%	-12.7%	29.8%	21.4%	17.6%
	\$236 bn	\$206 bn	\$267 bn	\$210.6 bn	\$312 bn

■ As of Aug 22, total exports grew 7.5%YoY, accelerating compared to previous month at 4.3%YoY led by the increase of export in auto and parts, circuit board, computer and parts, and jewelry (exc. Gold) . On the other hand, agricultural and agro-industry products also grew but slower pace, particularly in rubber, fresh fruits and cassava while sugar, rice ,and canned food showed a strong robust.

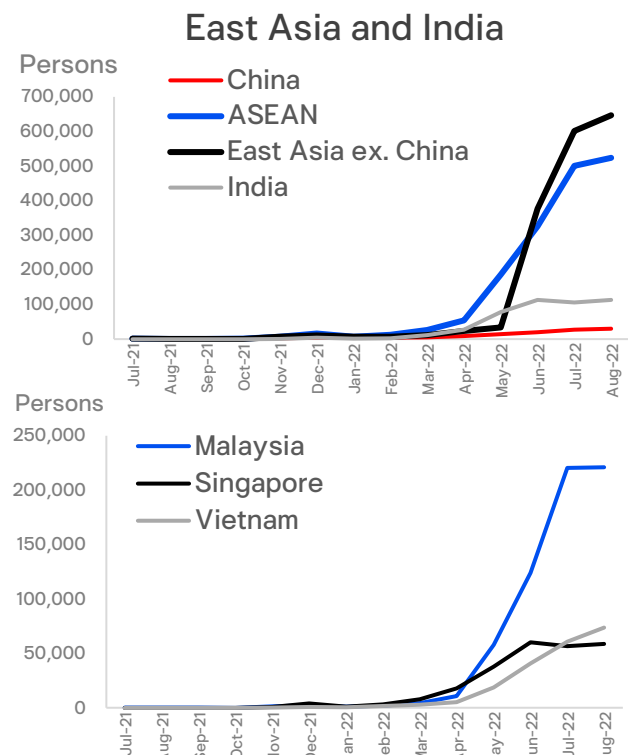
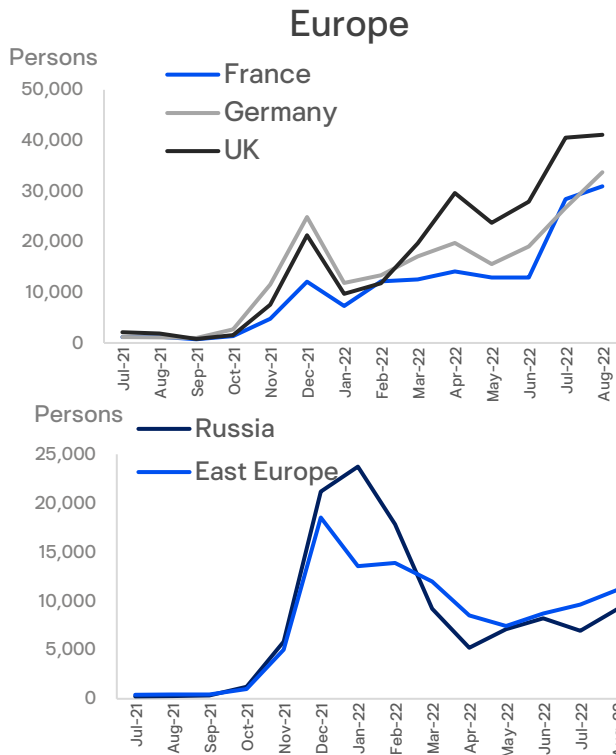
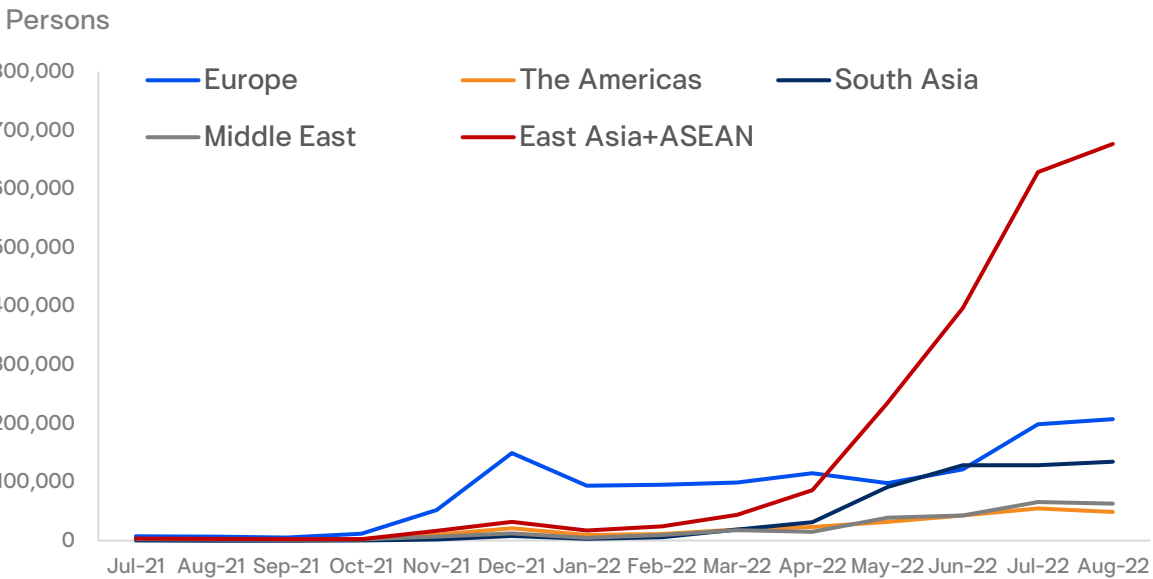


# During Jan-Aug22, foreign arrivals reached over 4.3 million

## Total Foreign Tourist Inbounds



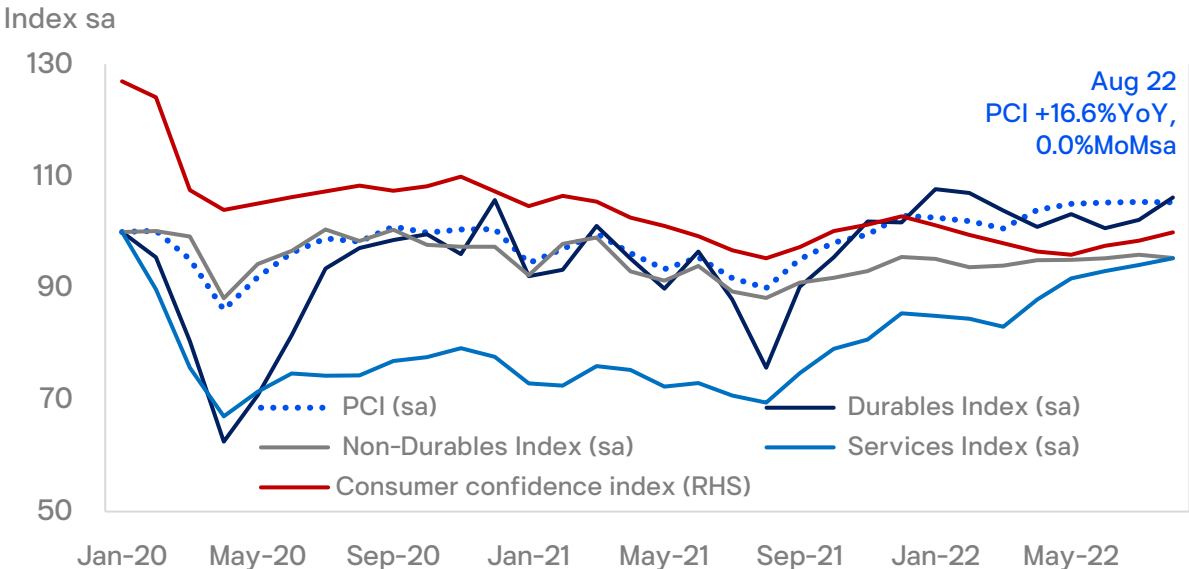
- As of Aug22, foreign tourist increased consecutively from last month after both Thailand and several foreign nations have eased travelling restrictions. The major groups still came from East Asia, led by Malaysia. Significant recovery of India could also be seen. More importantly, European tourists show a signal of return after a huge drop earlier.



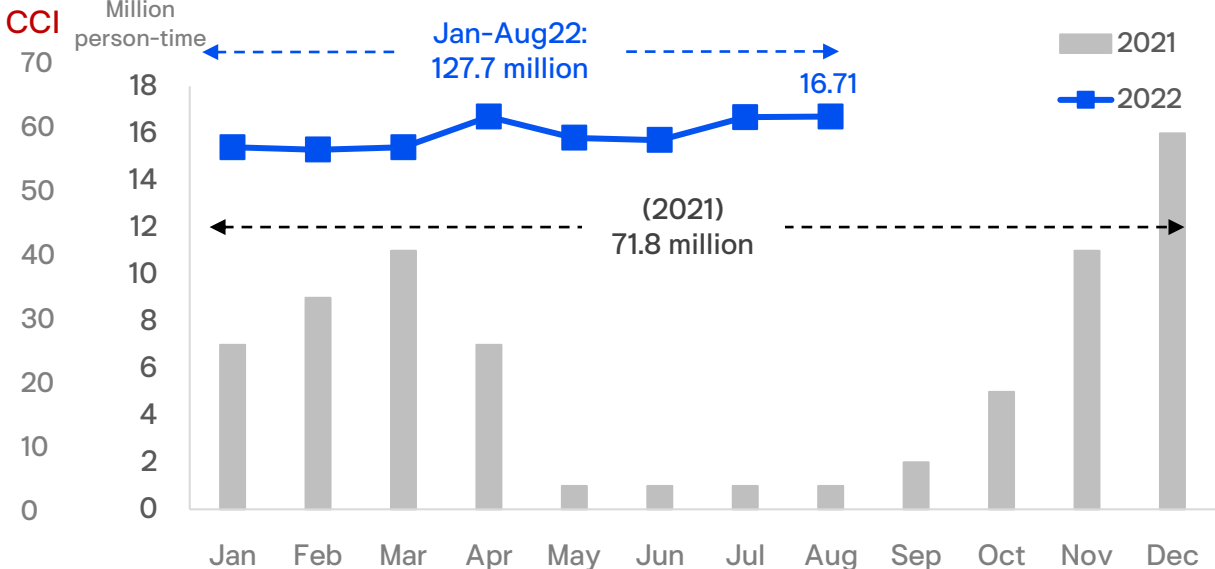
# Private consumption slow in growth particularly in non-durable purchase



Private Consumption (SA)

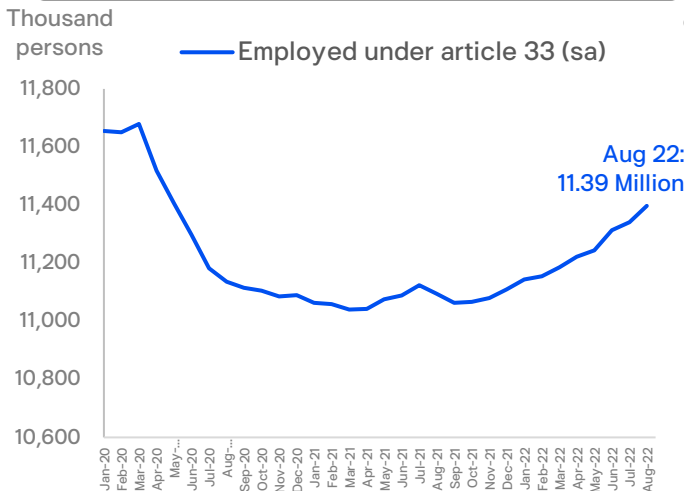


Thai domestic tourism visitors

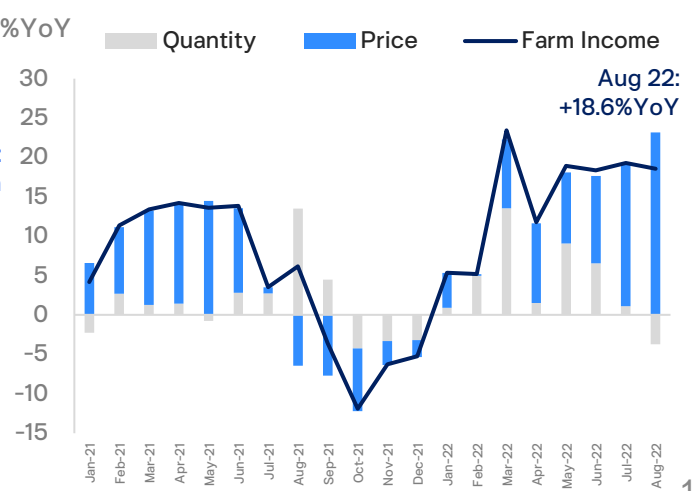


- Private consumption indicators remained close to the previous month thanks to increased spending in almost all categories except the non-durable goods.
- Several fundamental factors supporting household consumption gradually improved especially employment and consumer confidence. However, the elevated living costs still weighed down on consumption.

Employment M33



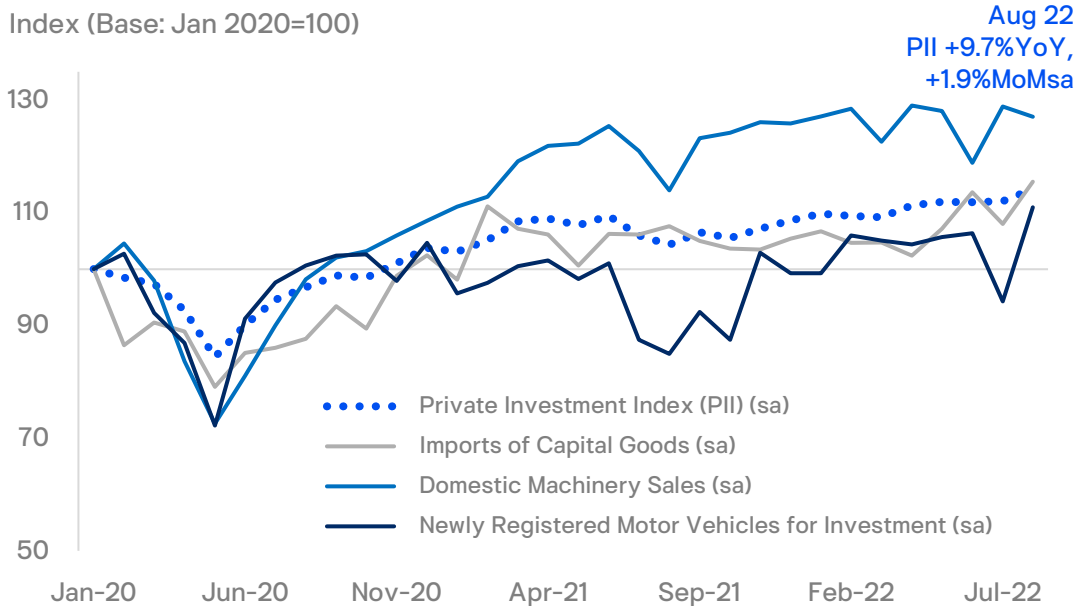
Farm Incomes



# Private investment improved gradually from the previous month

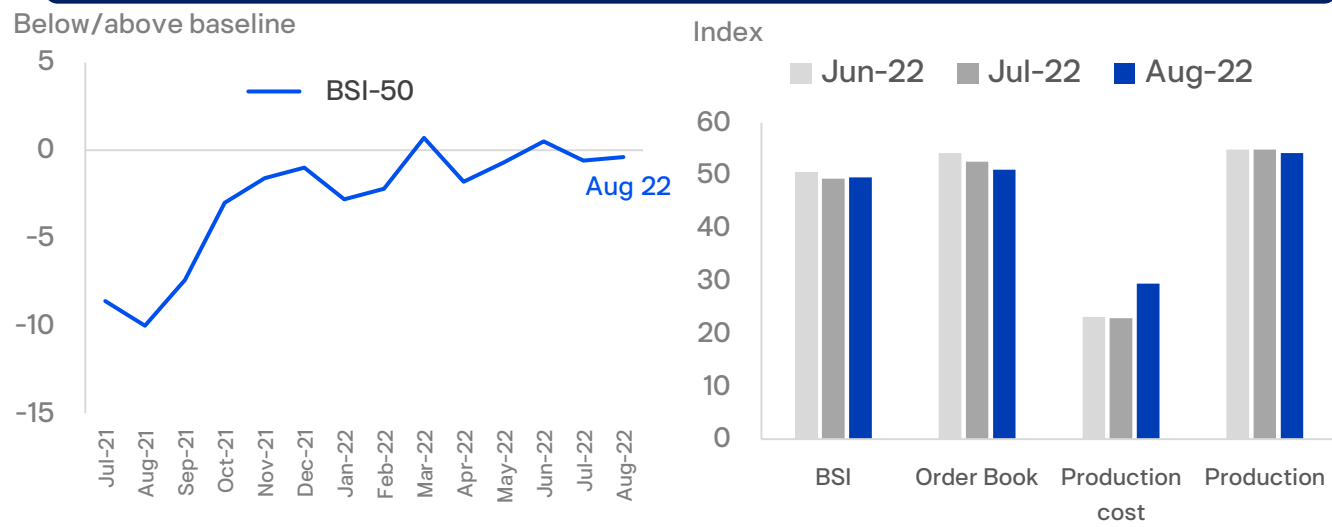


## Private Investment (SA)

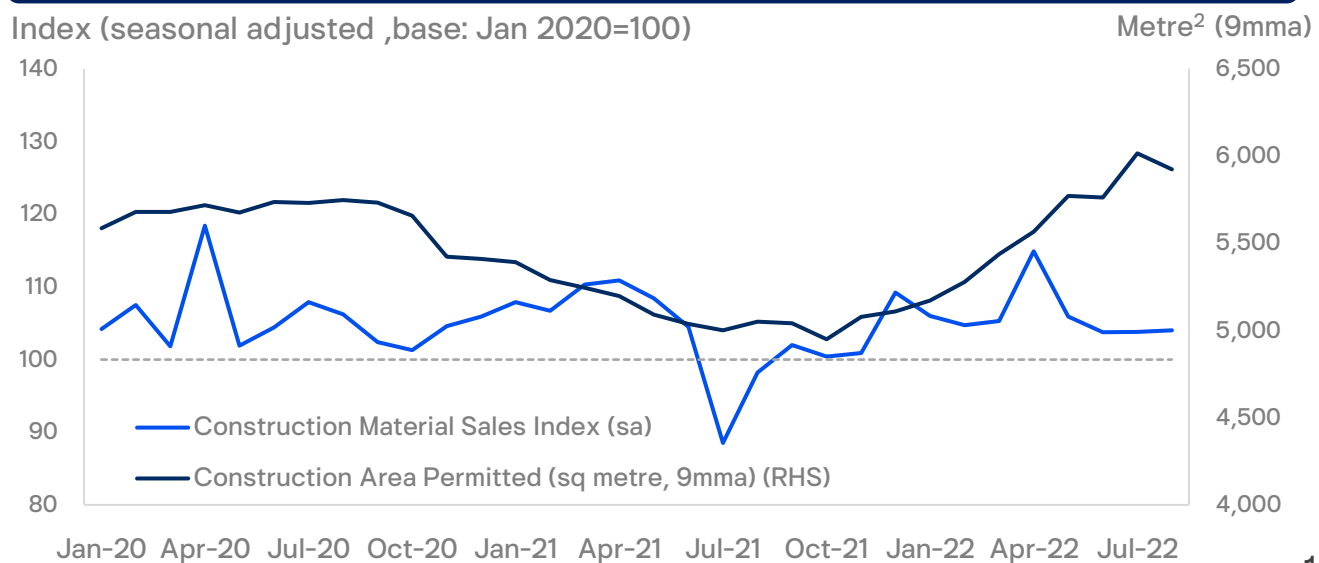


- Private investment indicators (SA) improved from the previous month. Investment in machinery and equipment increased from import of capital and higher registration of commercial vehicle.
- Investment in construction gradually improved as reflected by increases in construction materials and permitted areas, especially for dwelling and manufacturing purposes.

## Business Sentiment Index



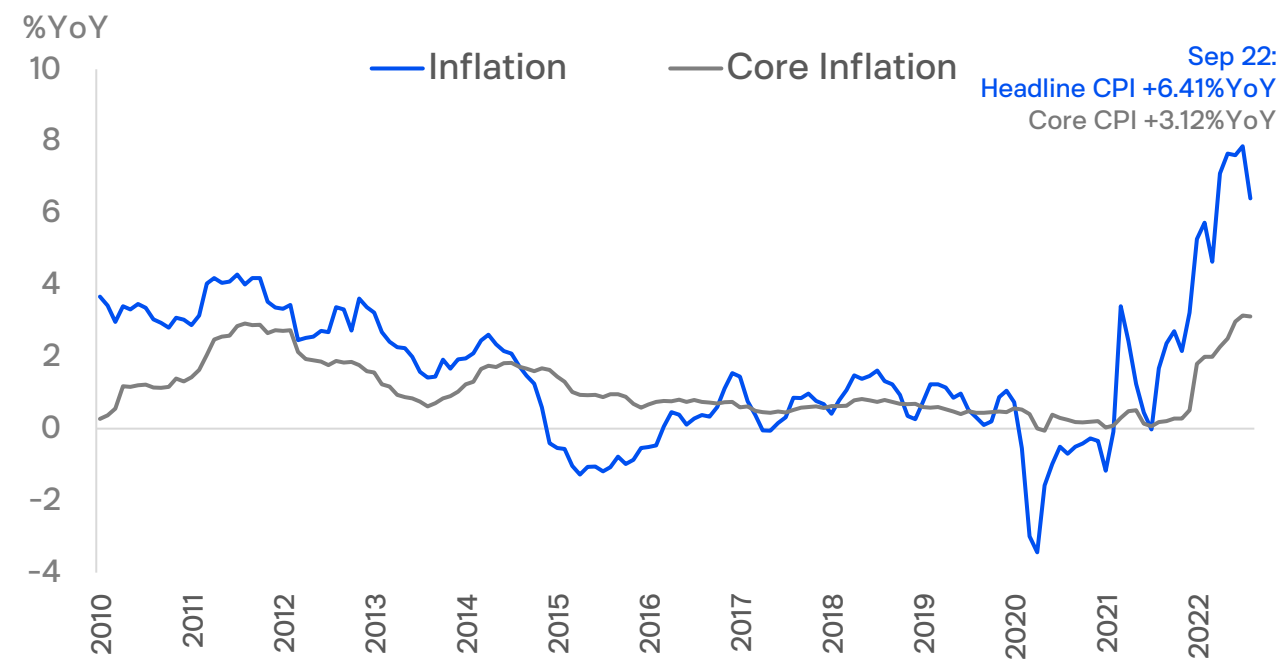
## Construction sector (SA)



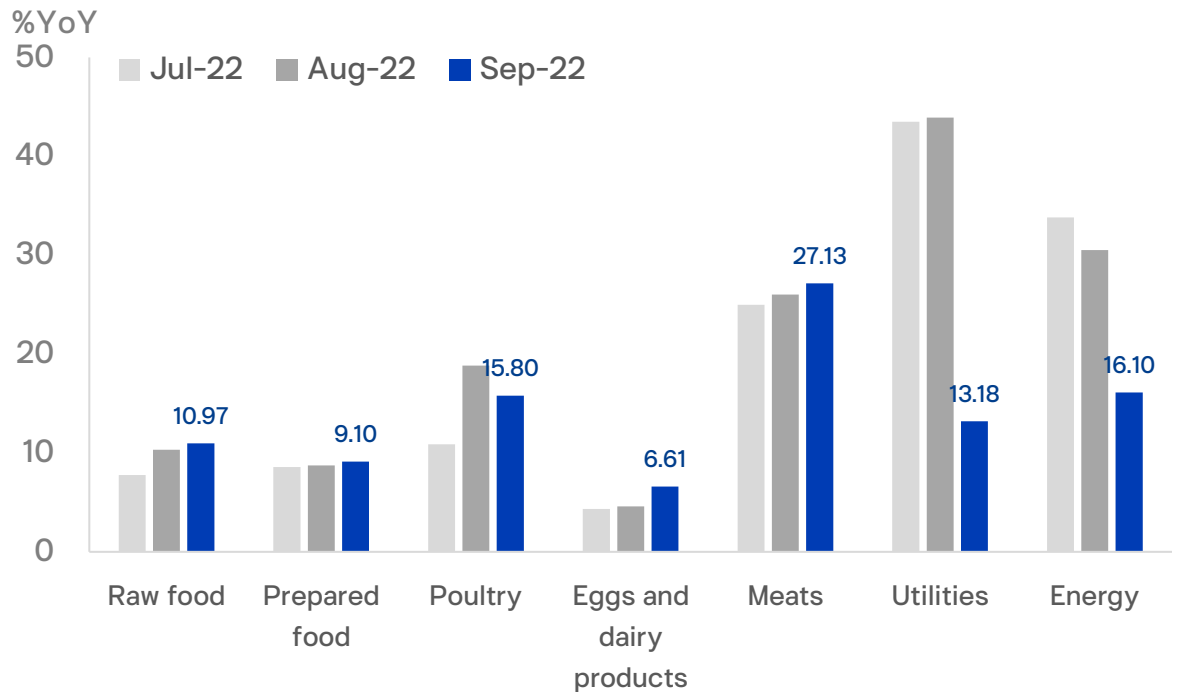
# September headline inflation slows as energy, food prices stabilized



Headline vs core inflation



Price change in top categories

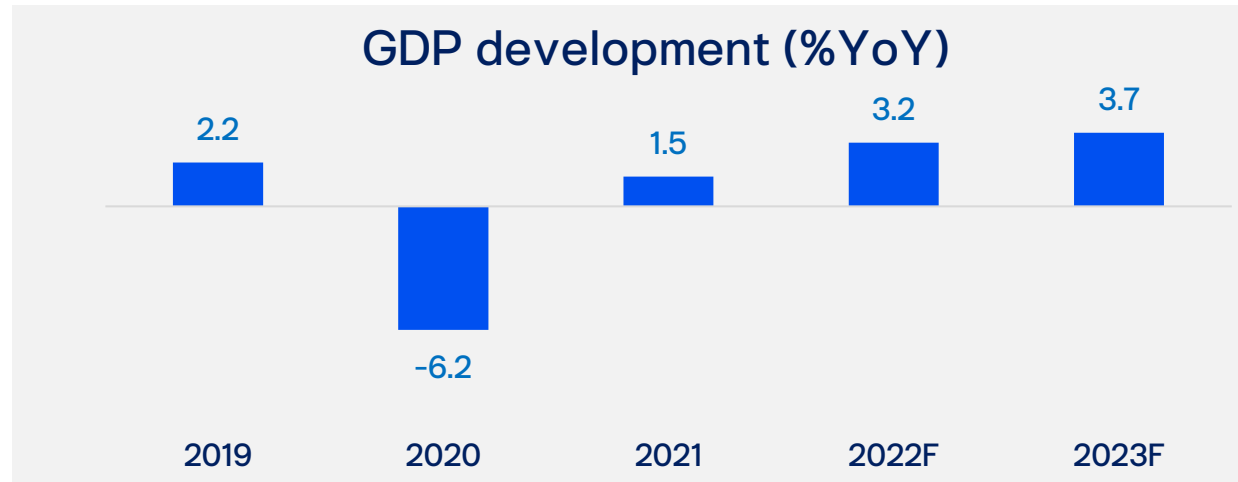


Historical Thai Inflation (%yoy)

%YoY	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
HCPI	2.17	5.19	-0.83	3.3	3.81	3.01	2.19	1.9	-0.9	0.19	0.67	1.07	0.71	-0.84	1.24	6.17
Food	4.08	11.56	4.54	5.43	7.94	4.89	3.41	3.94	1.14	1.6	0.01	0.41	2.32	1.23	-0.12	6.23
Housing	0.13	-3.19	-1.55	2.03	1.31	2.73	1.9	1.41	0.59	-0.99	0.17	1.03	0.42	-1.02	-1.69	5.45
Transport	2.72	6.38	-9.41	3.81	1.73	1.58	1.34	0.09	-6.52	-1.75	2.37	2.31	-1.14	-4.53	7.81	10.43
Core CPI	1.08	2.29	0.27	0.95	2.36	2.10	1.01	1.59	1.05	0.74	0.55	0.71	0.52	0.29	0.24	2.26

Source: Ministry of Commerce and ttb analytics.

\*Jan-Sep22 17



## Tourism sector

Ease of Border restriction and domestic COVID-19 controls in several nations



## Risk of global recession

Escalation of geopolitical tension

High cost of living and household debt

## GDP Forecast 2022-2023

%YoY	'22	'23
GDP	3.2	3.7
Private consumption	5.8	3.5
Private investment	3.0	2.6
Government consumption	2.6	2.2
Government investment	-2.9	4.9
Number of tourist (Mn heads)	9.5	18.5
Merchandise export value* (%yoy, million USD)	8.1	3.4
Merchandise import value* (%yoy, million USD)	17.6	1.0

Note: Sep 22 Projection.



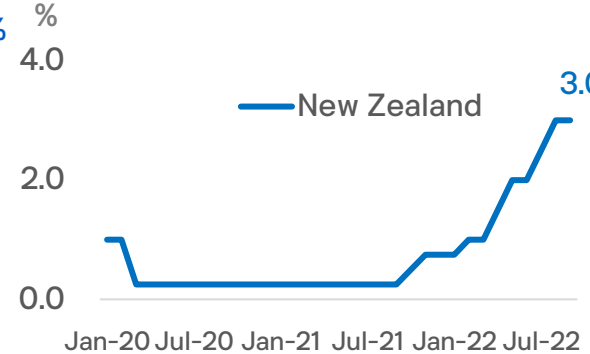
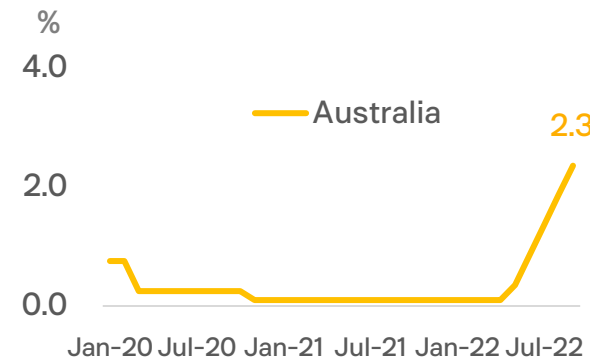
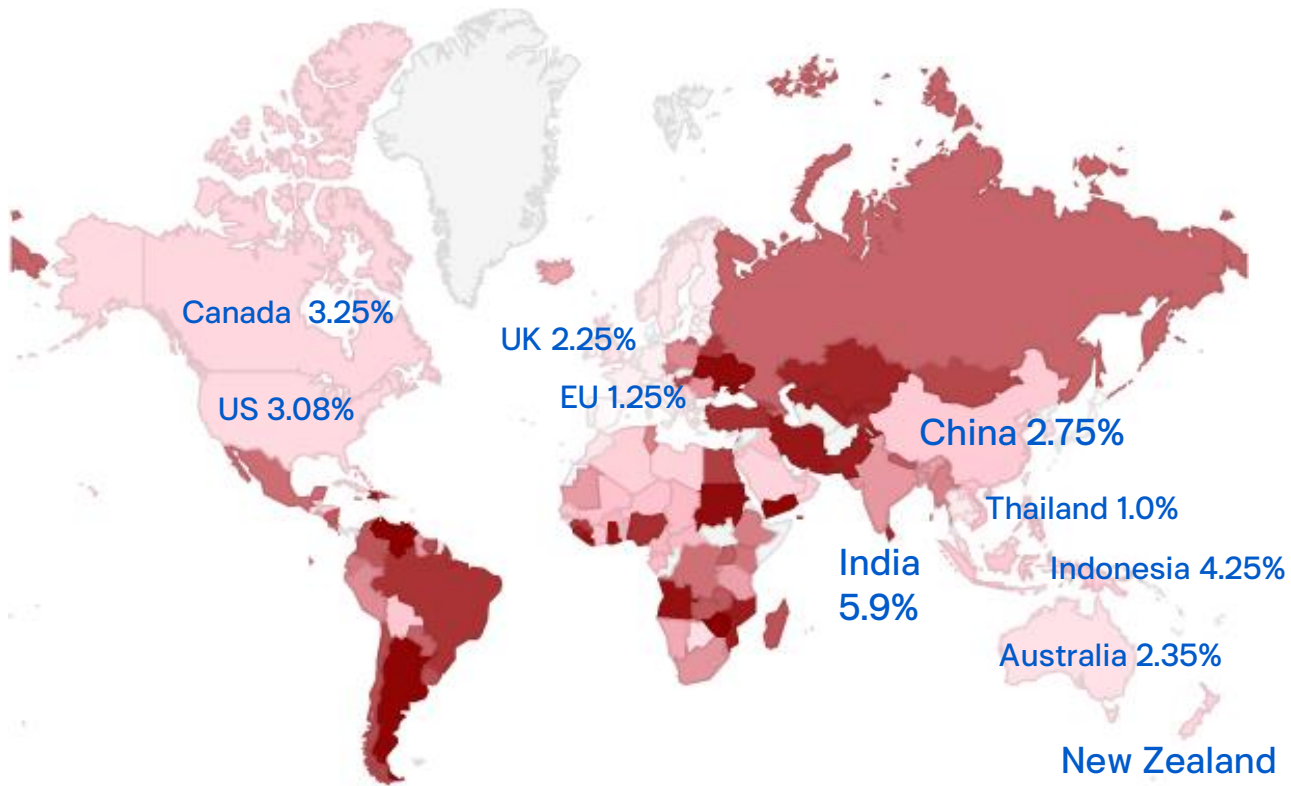
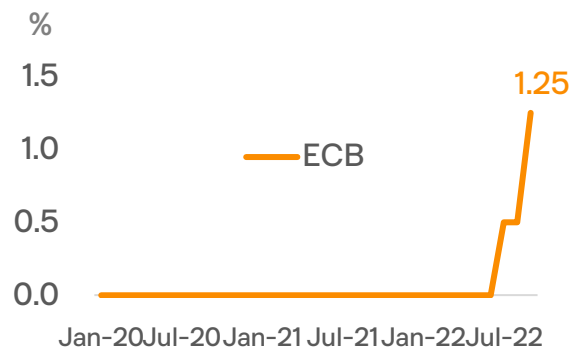
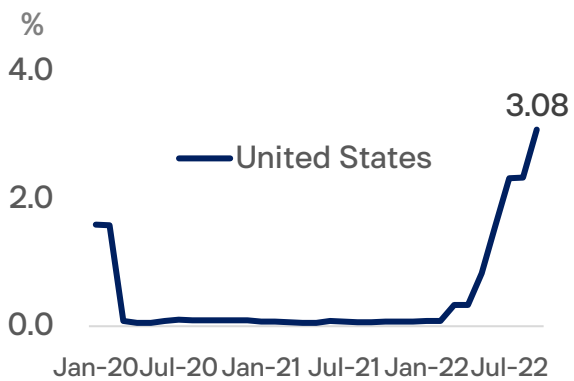
PART 3

# Financial Market



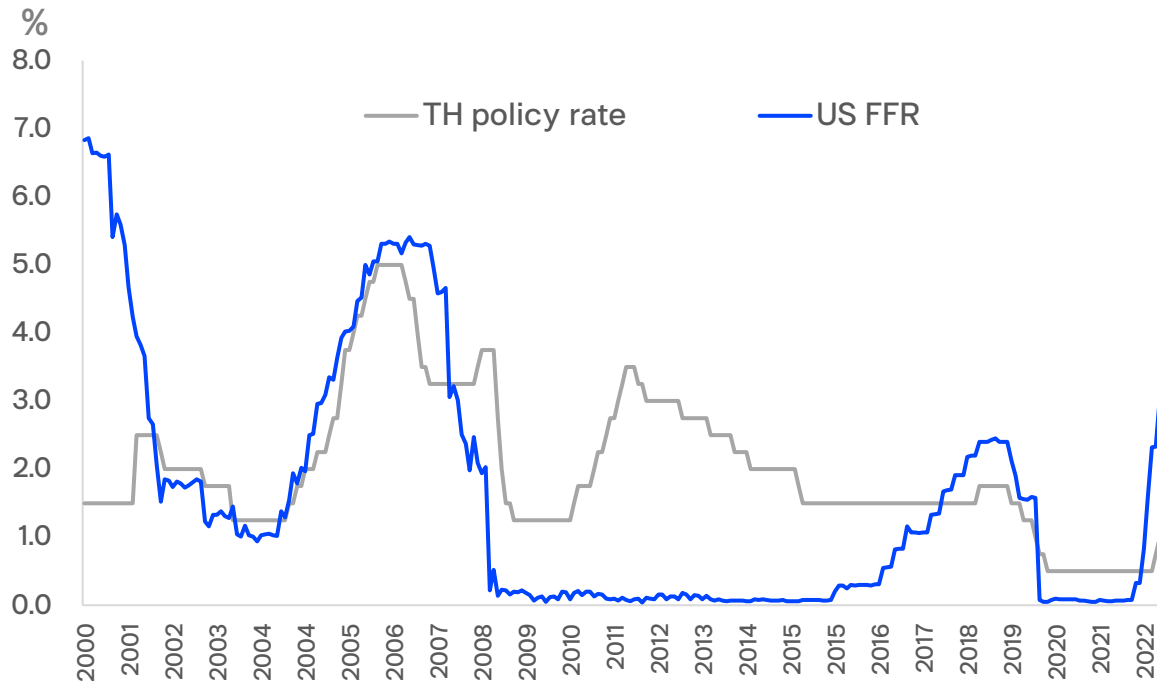
# Major central banks sent signals of further rate hike to curb inflation back to target

Most central banks start the course of rate hiking to fight inflation in 2022

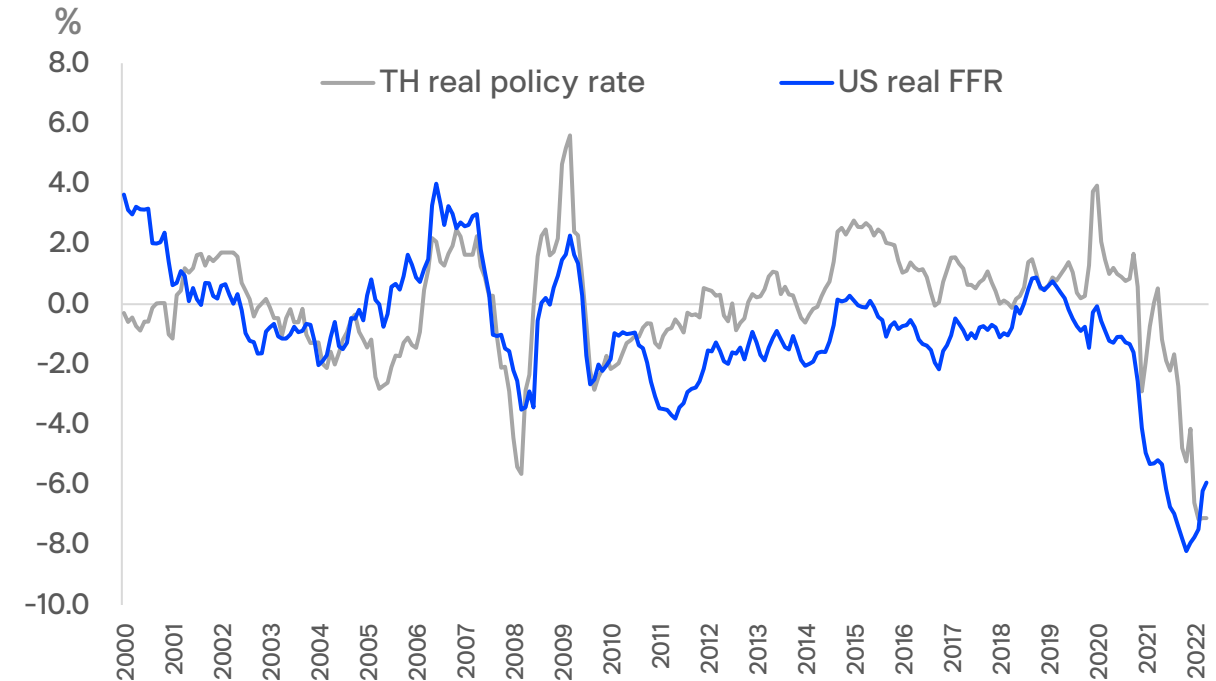


# High inflation pushed real interest to lowest in 22 years

## FED-BOT Policy rate Historical (Nominal rate)



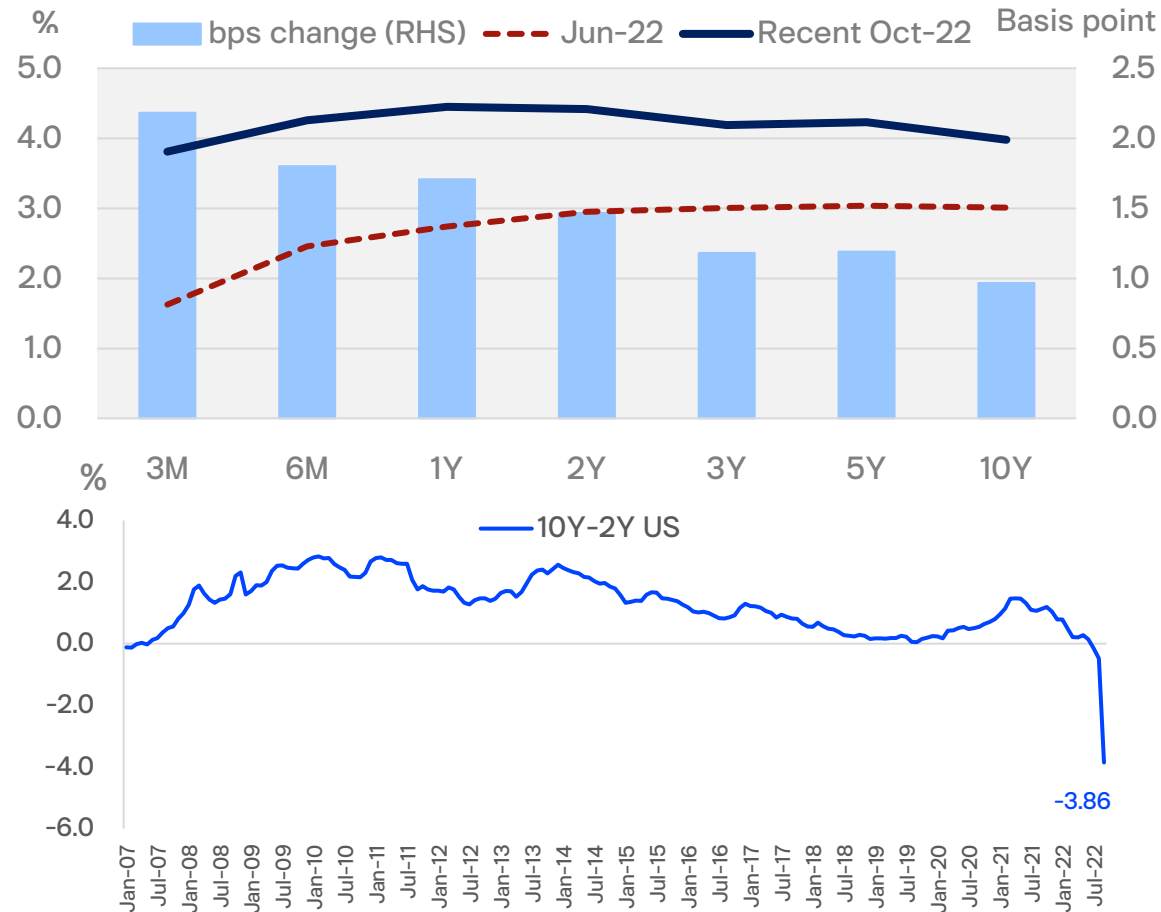
## FED-BOT Policy rate Historical (real rate)



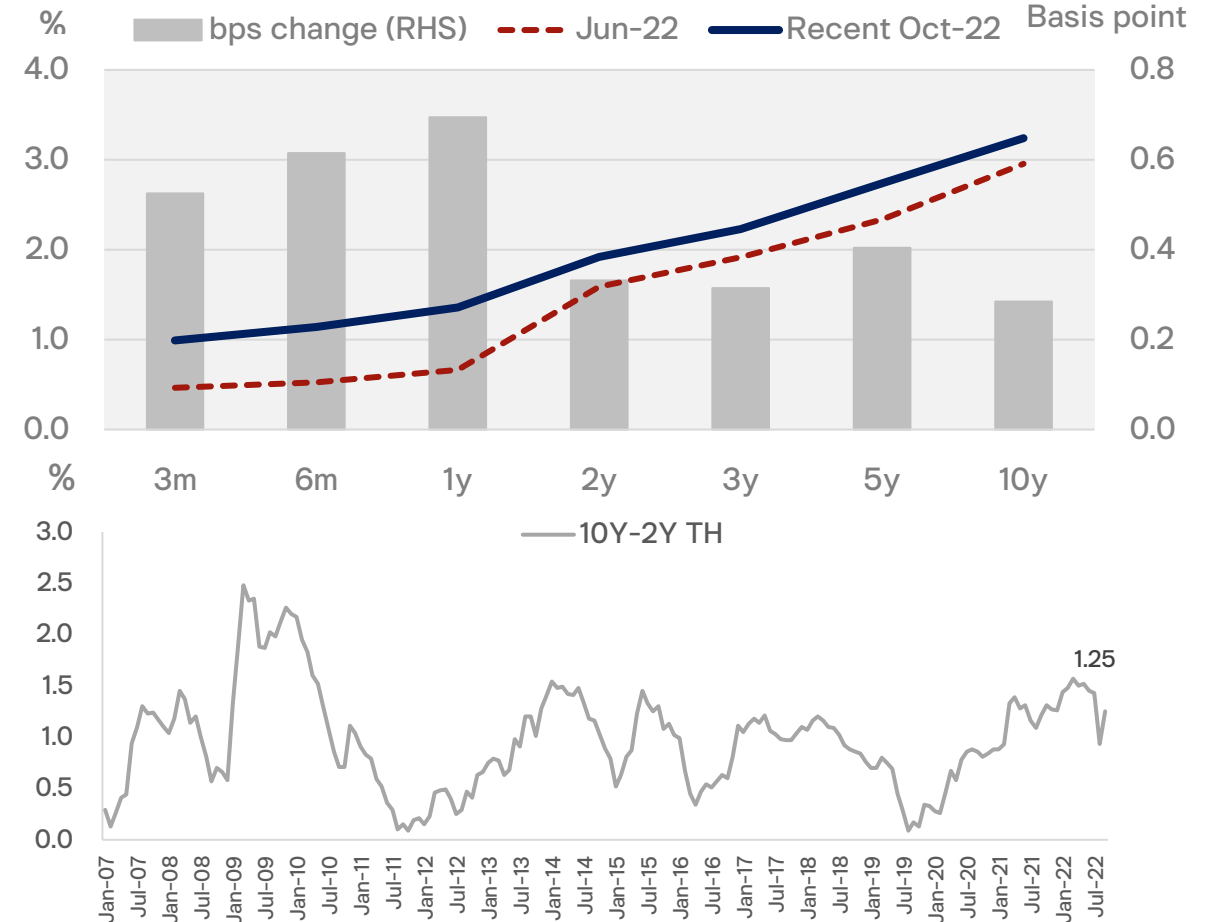
- The gap between US and Thai policy rate turns narrow, with the current Fed's target range is 3.00%-3.25% and Thai policy rate 1.00%
- According to high inflation rate, real policy rate of both US and Thai remained in negative territory.

# Investors enter long-term tenors due to global recession fear

## US government yields



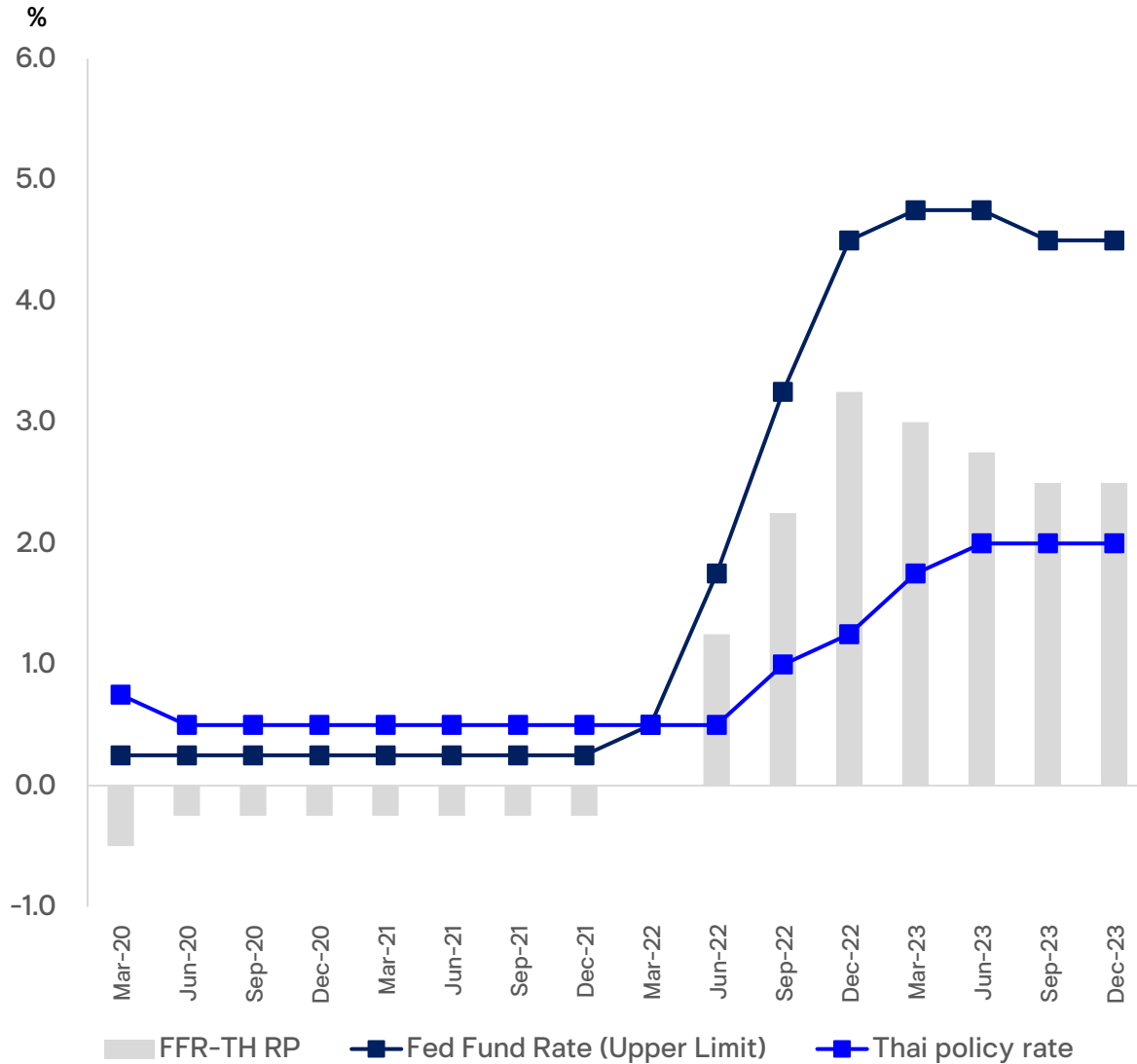
## Thai government yield curve



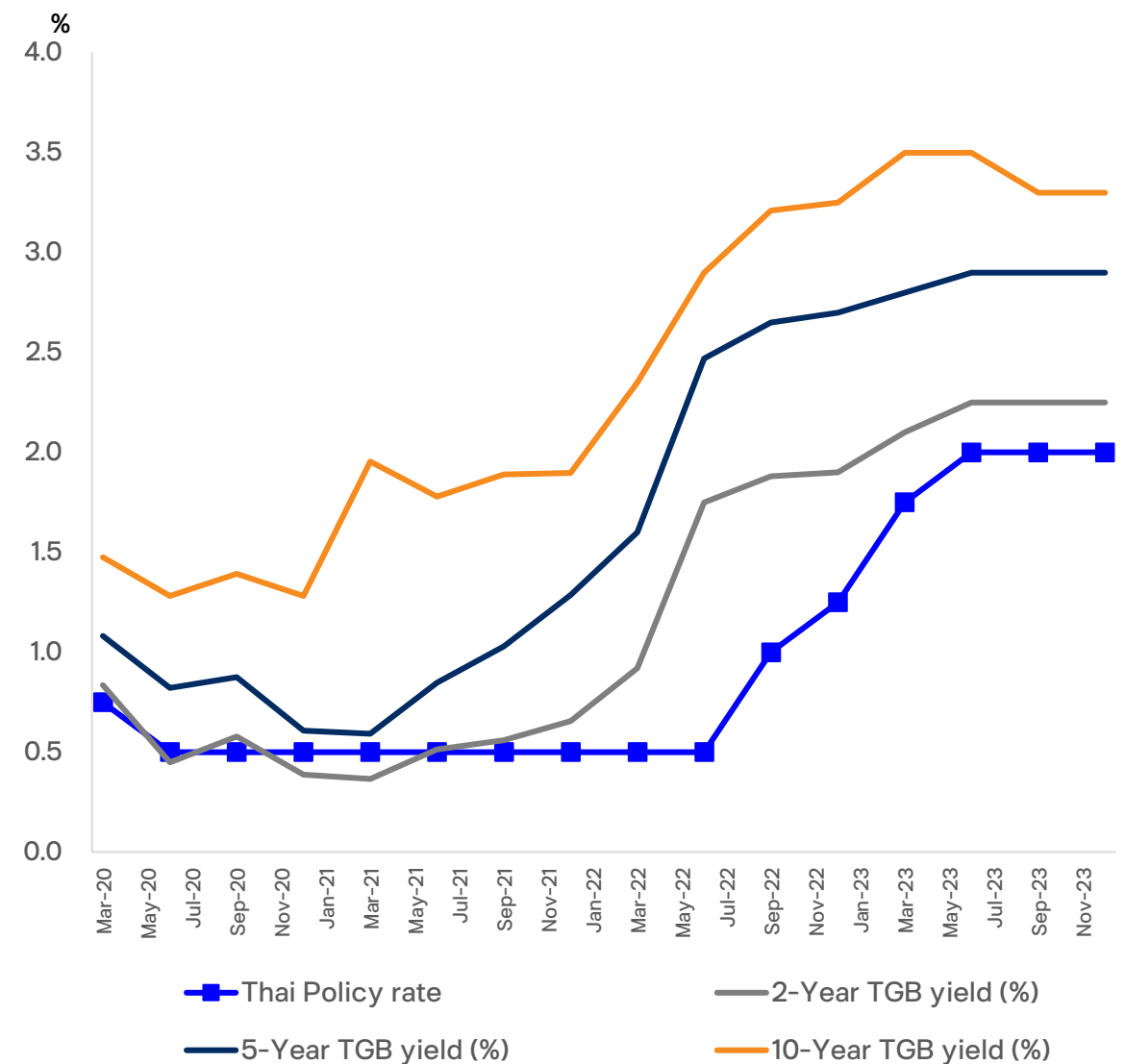
- For both US and TH government bond, Investors went into long term tenor due to recession concerns. Moreover, 10y/2y yield spread for US government bond dropped below zero, signaling approaching recession in US. Meantime, 10y/2y yield spread for Thai government bond also declined but above zero.

# Thai policy rate could reach 1.25% at the end of the year, while 10Y TH yield on the rise following 10Y US treasury path (as of Oct-22)

## FED-BOT policy rate forecast



## TH Government bond yield forecast

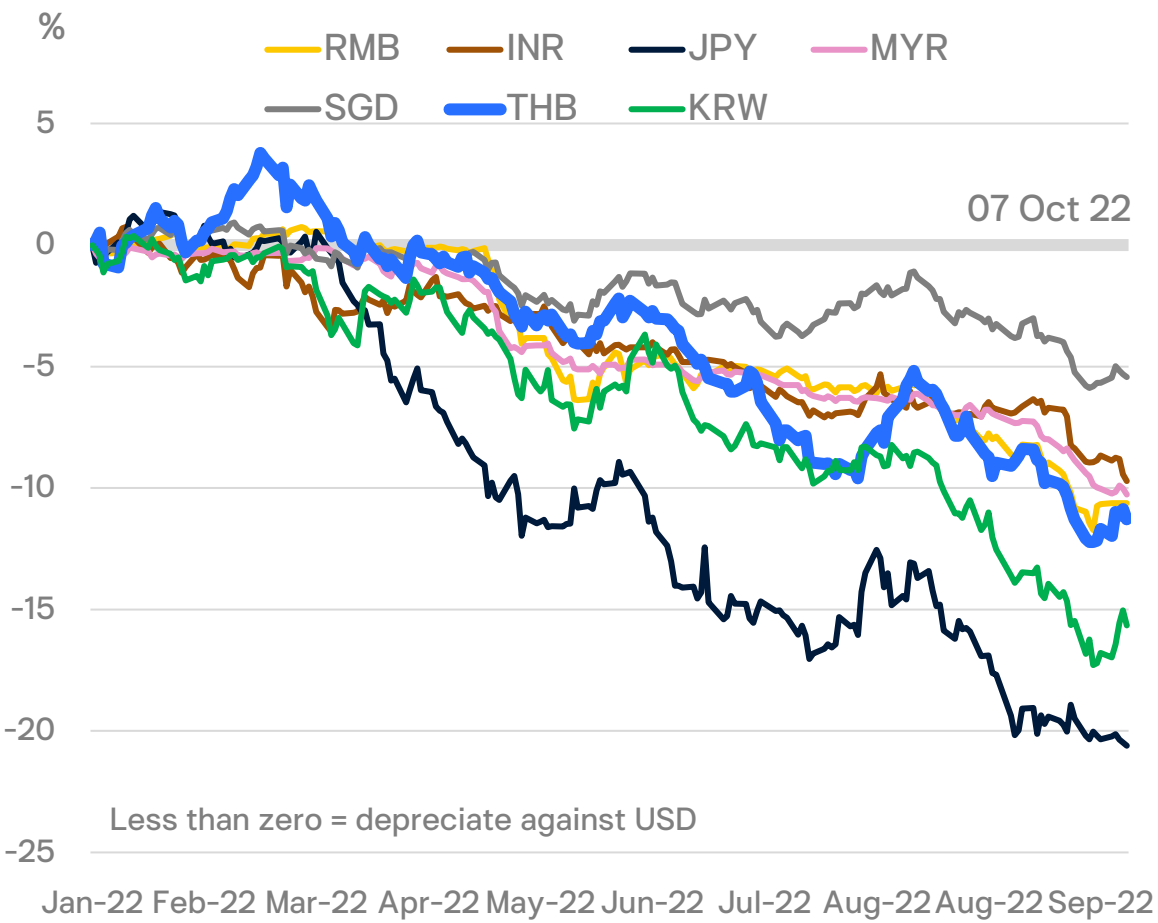




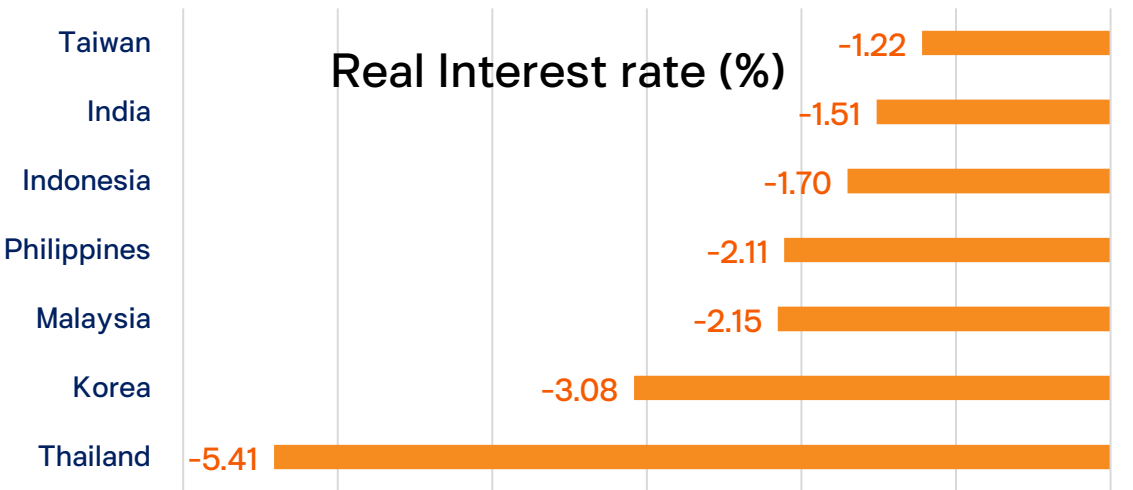
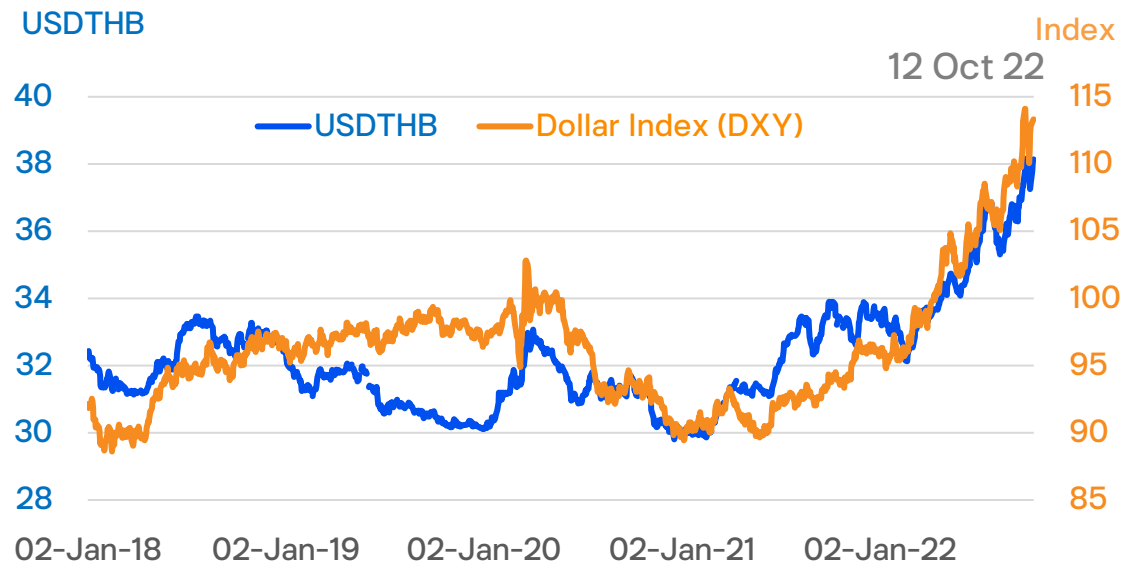
# Strong dollar put pressure on Asian currencies together with negative real interest rate



Major Asian currencies against USD



Dollar Index / USDTHB



Source: Yahoo Finance, CEIC and ttb analytics

The logo features the lowercase letters 'ttb' in a bold, sans-serif font, with the first 't' in blue, the second 't' in orange, and the 'b' in dark blue. To the right of the letters is a vertical line, followed by the word 'analytics' in a dark blue, sans-serif font, with dots separating each letter.