

# Economic and Financial Outlook

tbb analytics

Nov 2022

## Global Economy

- **Global demand conditions have been weakening**, which can be also seen that the imports of consumer goods in major economies namely USA, Europe and China, have been softened.
- **Global productions and trades are also in weak direction** as reflected by a contraction of the recent global manufacturing PMI index and New export orders index.
- **Global inflations have eased onwards, excepting for EU and UK.** This is due to a decline in global demands and improved global supply chain bottleneck problems.
- **However, geopolitical risks have caused the food and energy prices to be at high level.** Coal prices are significantly rising, and food prices edges up, mainly in wheats.
- **Further tightening stances are required to bring inflation back to the target.** However, several central banks have signaled a smaller size of rate hike going forwards. This is since the demands in several nations have clearly shown a softer growth pace from the period before.

## Domestic Economy

- **In Sep 22, Thai economy continued to recover but at a slower pace for the third consecutive month.** Private consumption indicators remained close to the previous month. Private investment decline slightly after accelerated in industrial production on months earlier.
- Private investment indicators slightly declined in this month, mainly from the machinery and equipment category corresponding with overall industrial production.
- 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 ASEAN accelerated.
- Foreign tourists in Sep increased consecutively to reach a new peak since pandemic. The major groups still came from East Asia. Moreover, Russia tourists show a signal of return
- 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 1-2 November. Meanwhile, the next rate decision of Federal Reserve is expected for 50 bps after signs of cooling inflation.
- **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 was still in positive territory.
- **USDTHB remained in high level in October, ending 38.02 level.** It could be around 36.00-36.50 in November. Dollar would tend lower in short term on soft inflation data and expectation of slower pace of Fed's interest rate hikes.

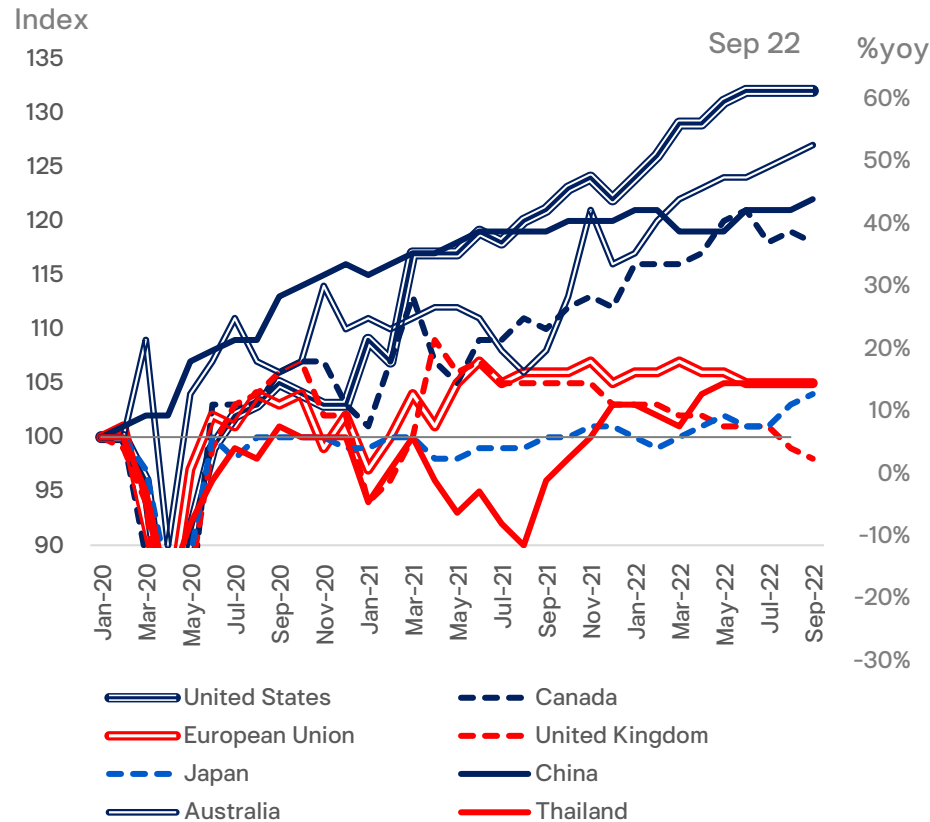
# PART 1

# Global Economy

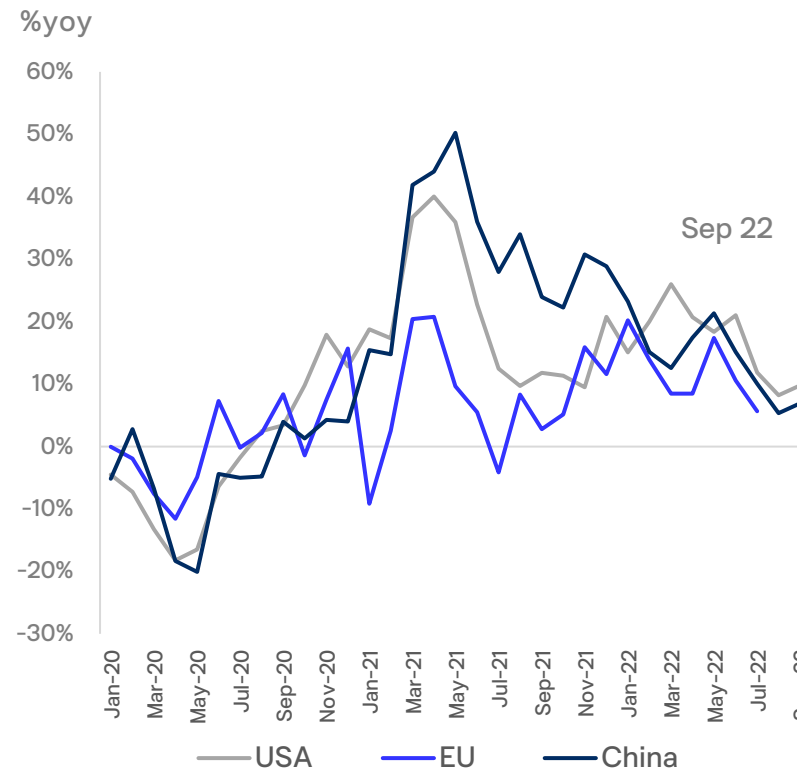




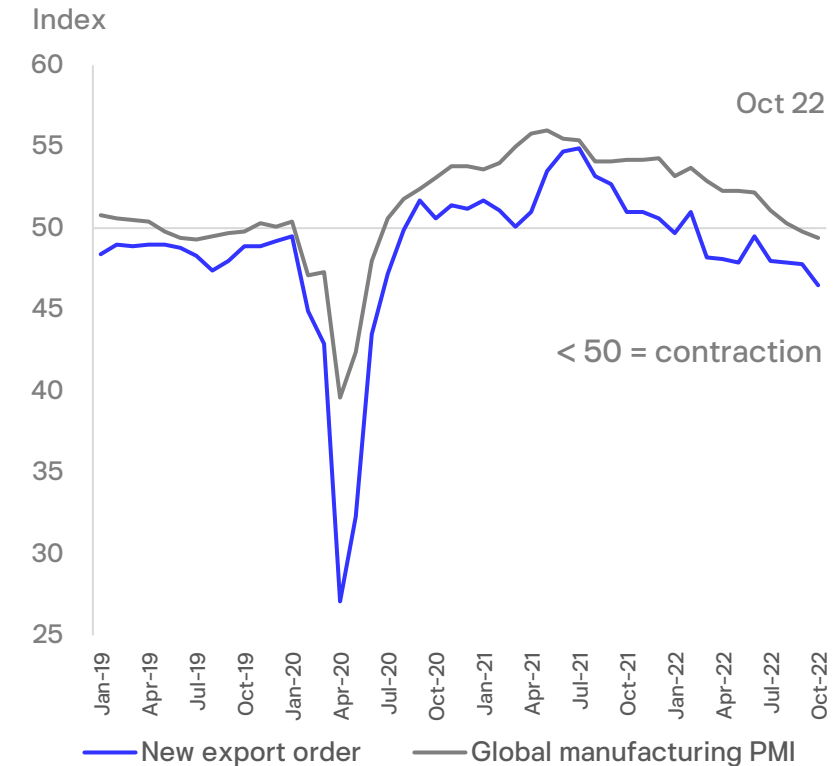
## Domestic retail sales (sa)



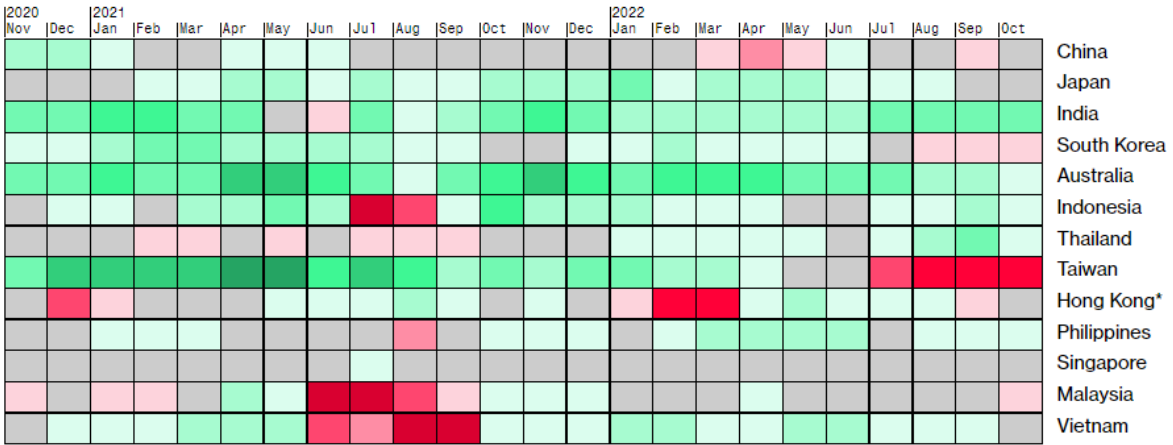
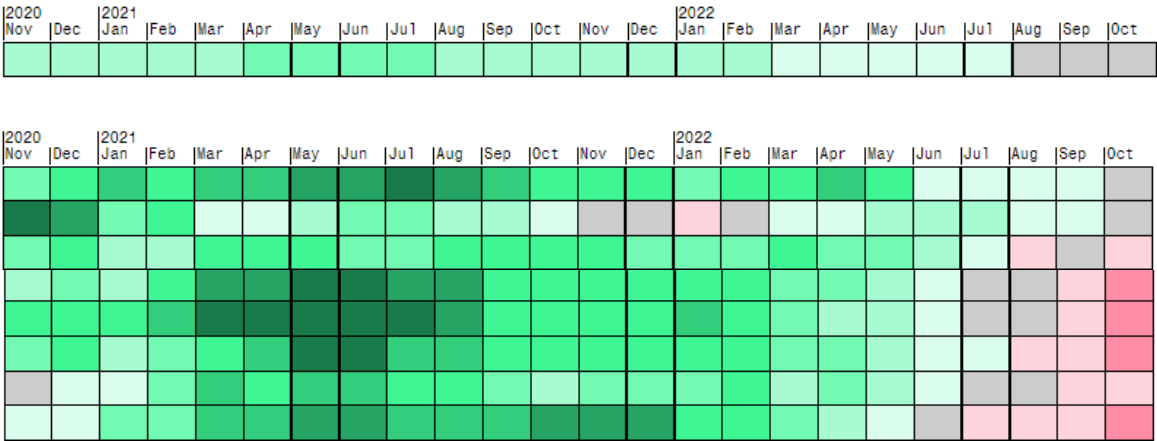
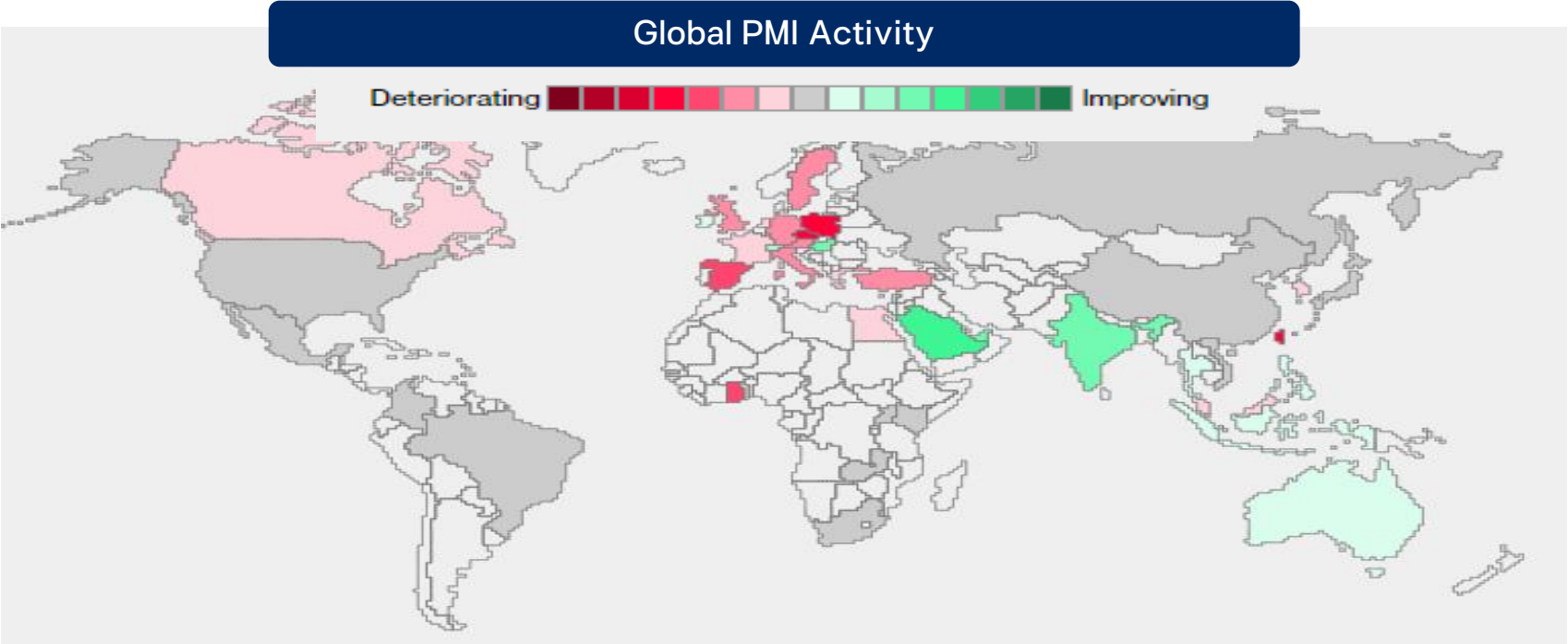
## Imports of Consumer Goods of Major countries (USD)



## Global Manufacturing PMI vs New Export Order Index



- Global domestic demands have weakened due to high living cost and interest rate. This can be seen that the import of consumer goods in major economies namely USA, Europe and China, have been softened. In the meantime, global manufacturing PMI and New export orders index also reflected a weak direction in production activities and global export orders.



Source: Bloomberg, Markit PMI and ttb analytics

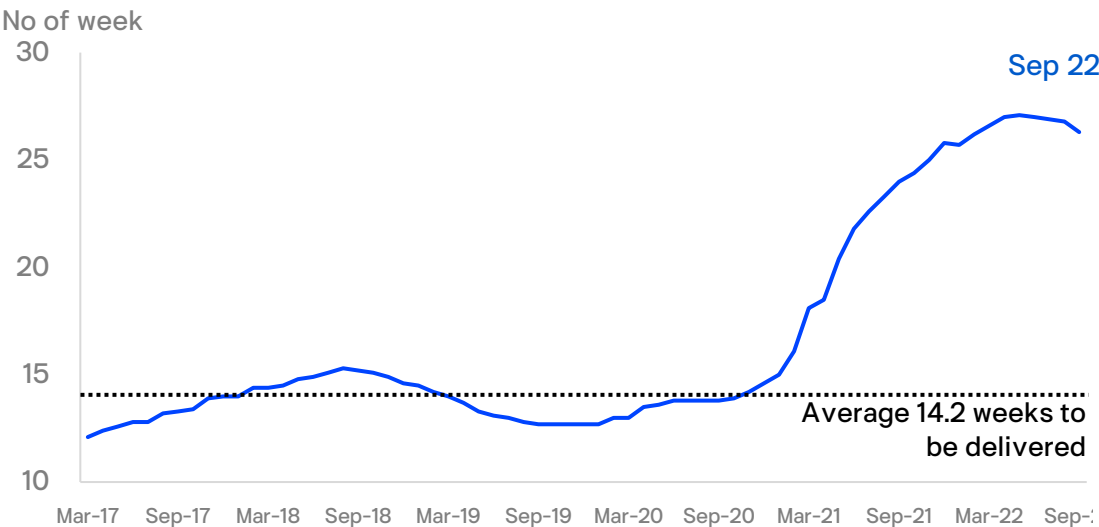
# Global supply chain bottlenecks have improved, easing inflation pressure onwards



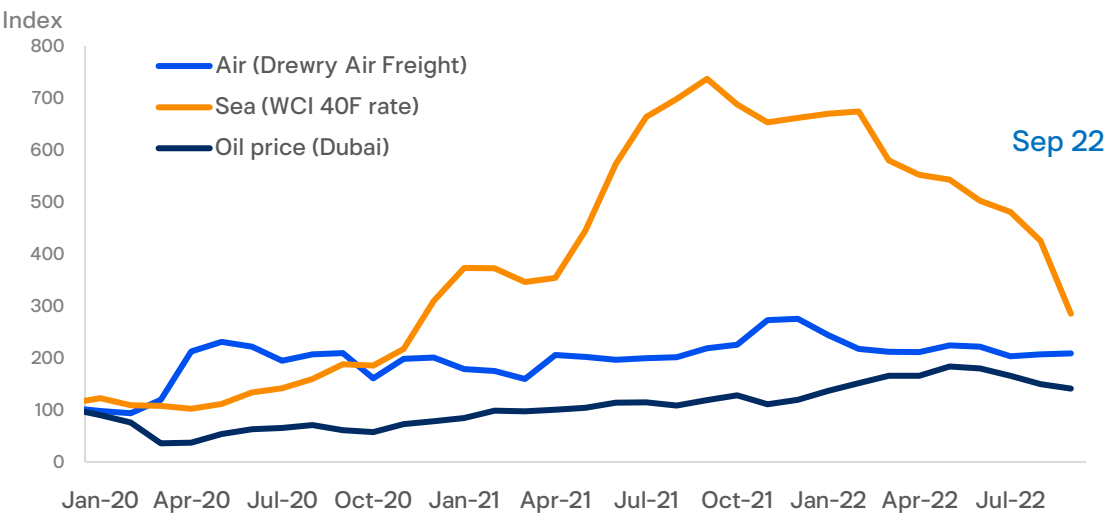
## Global Supply Chain Pressure Index



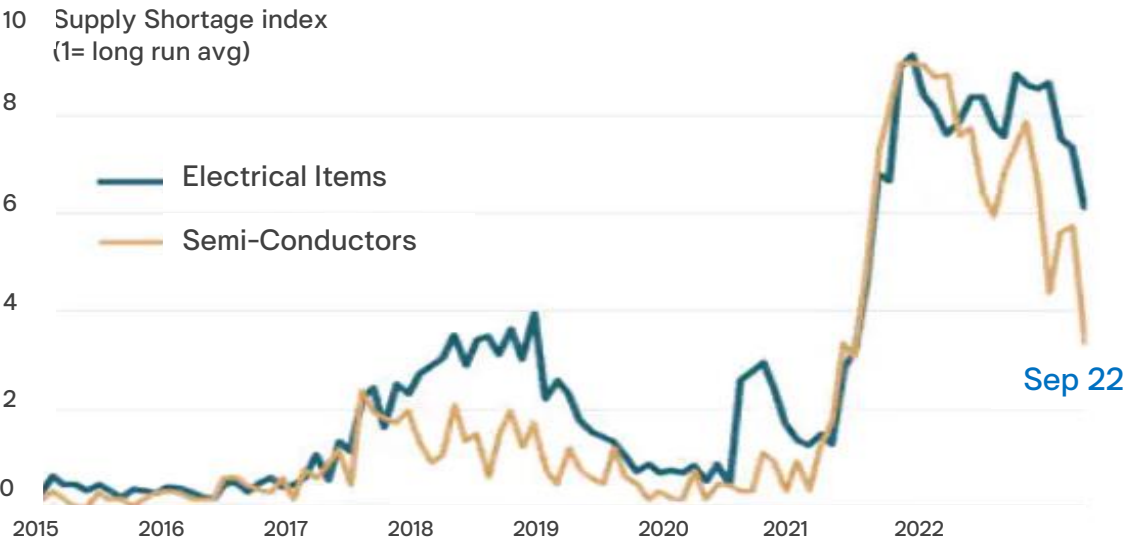
## Global lead times for semiconductor deliveries



## Global Logistics Costs

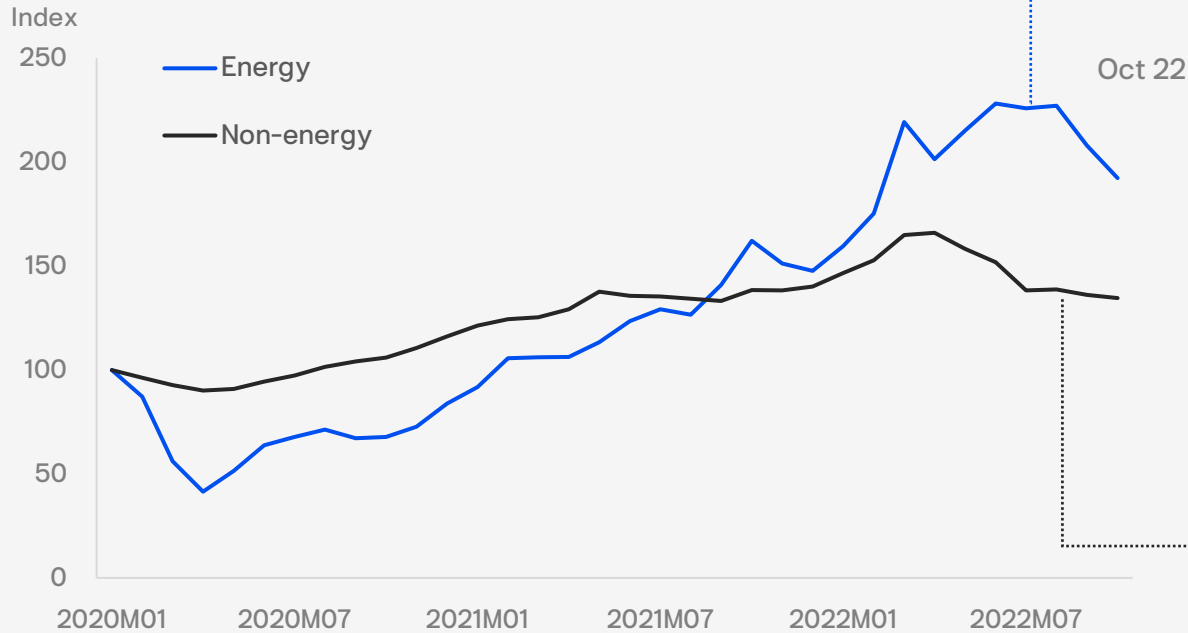


## S&P Global Electrical & Electronic Supply Shortages Index



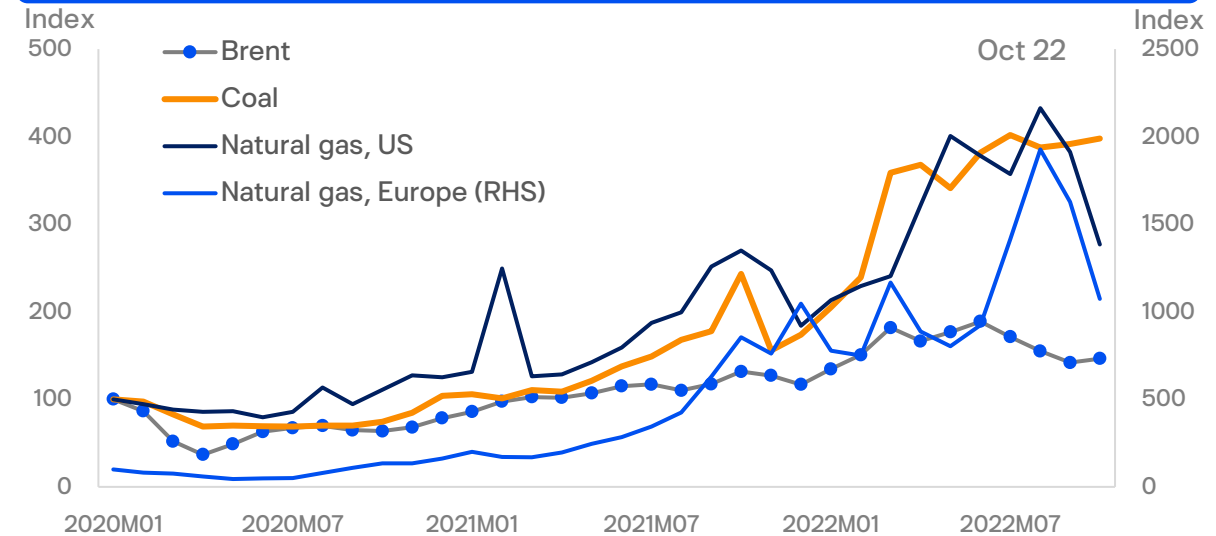
# Global demand slowdown has softened global commodity prices but geopolitical factors have caused the prices of energy and food to remain at high level

## World Commodity Index

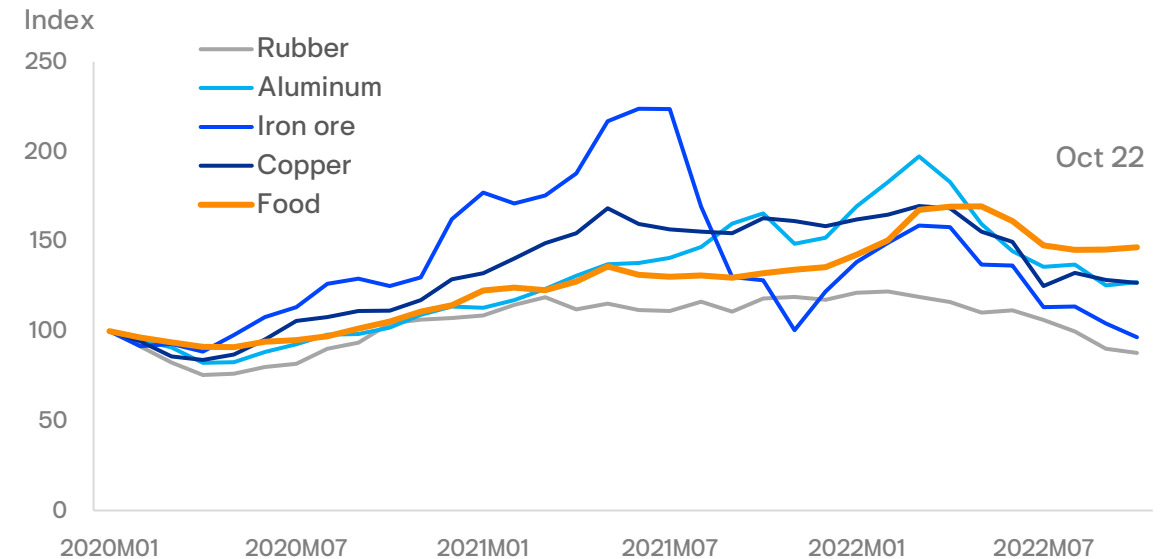


- **Global energy and Non-energy prices have declined due to weaker global demand.** However, geopolitical factors have caused the prices of energy and food to remain at high level.
- **However, global coal prices have been skyrocketing** as demands from EU and China have surged for winter amid an energy crisis. The EU has relied more on coal imports from Indonesia and Australia after the ban on Russian coal went into effect in Sep22. Also, China has increased its reliance on coal this year as drought has reduced its hydroelectric power production.
- **Global food prices edge up, particularly in wheats,** due to weather conditions and heightened Russia-Ukraine conflict.

## Energy commodity index

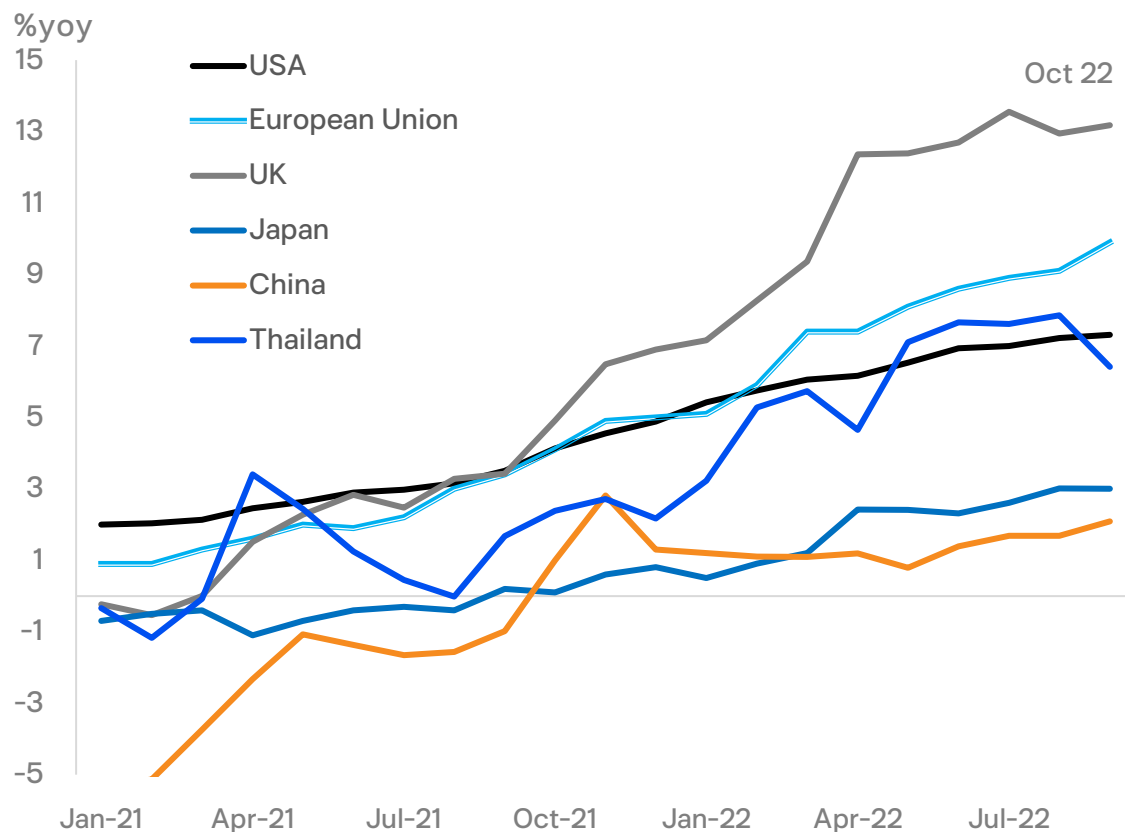


## Metal & Food commodity index

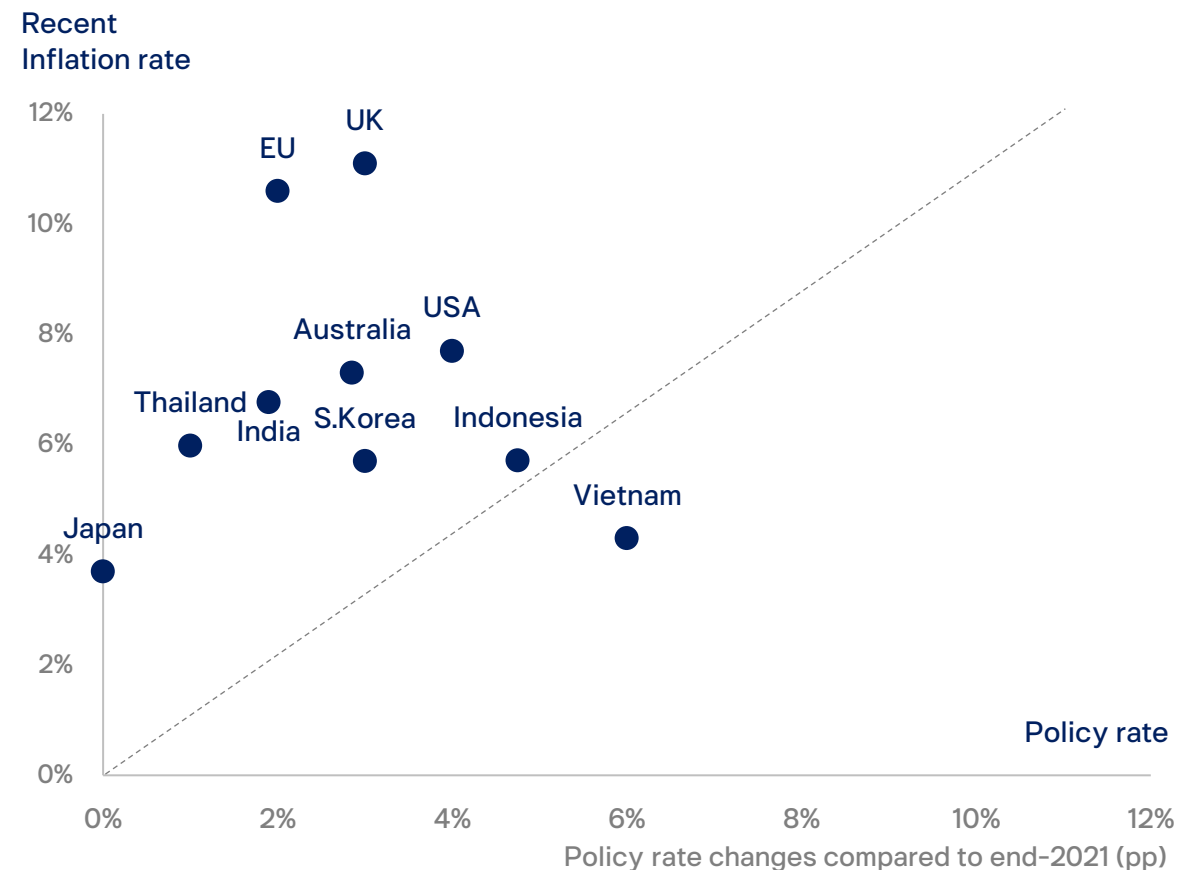


# Global inflations have been decelerating but the overall price levels remain high, requiring further rate hikes

## Headline Inflation by major country



## Policy rate response against inflation pressures

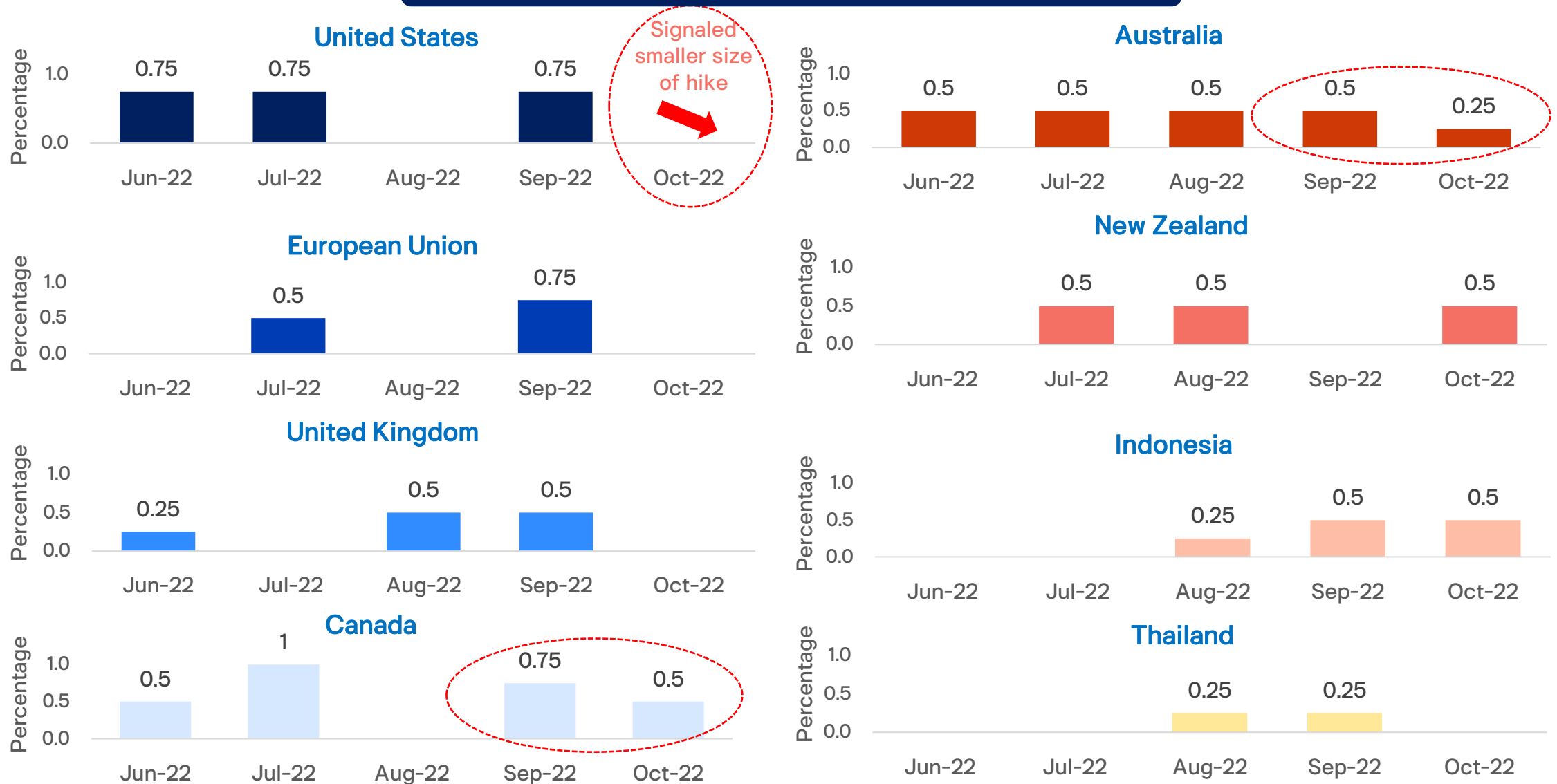


- Global inflations have been decelerating, excepting for EU and UK. This is since the cooling of global demands and eased supply bottleneck problems. However, the price level remains overall far too high for central bankers, requiring further rate hikes to bring inflation back to the targets.



# However, several central banks have signaled a smaller size of rate hike going forwards

## Historical size of rate hike decision



# PART 2

## Thai Economy



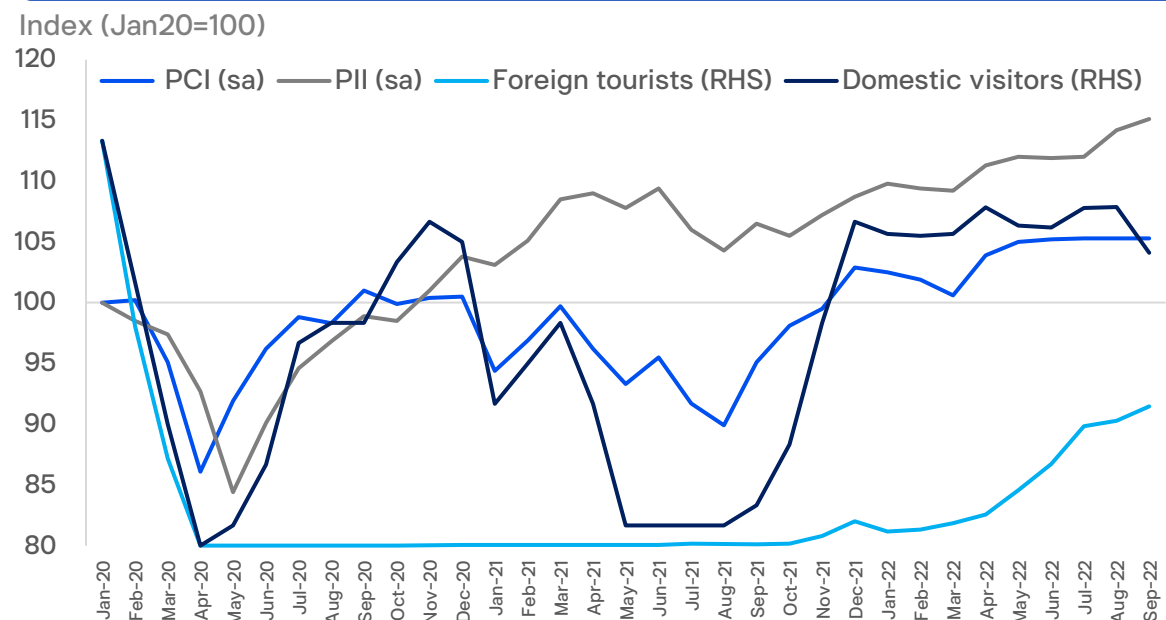
# Sep 22: Thai economic recovery remained on track amid headwinds



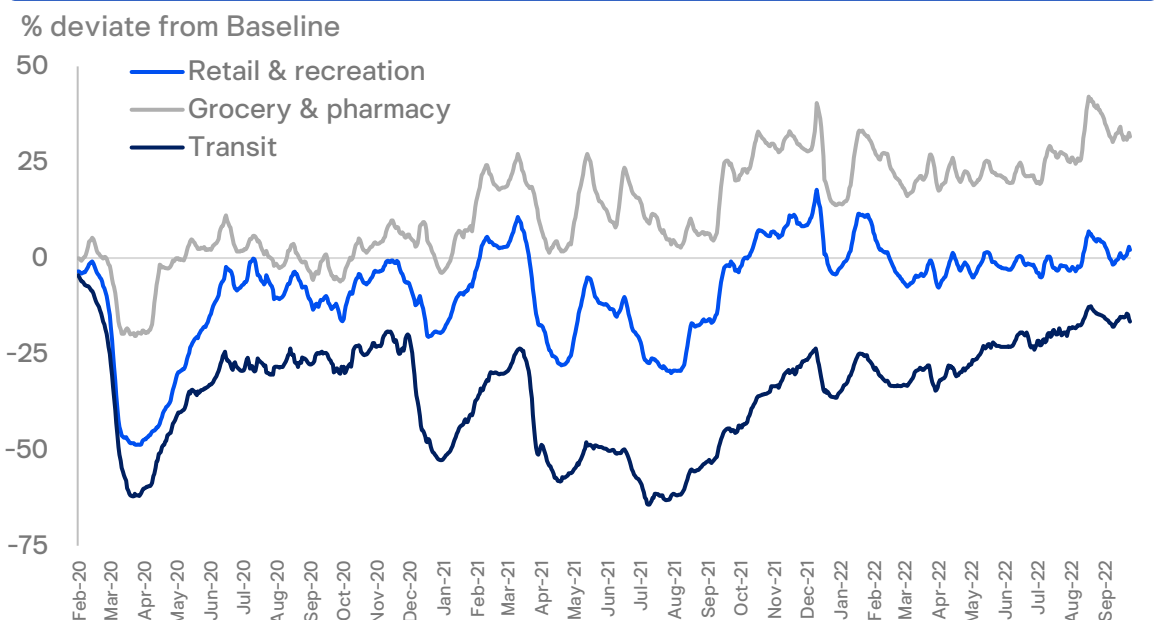
Coincident Economic Index (sa)

	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	Sep-22
<b>Coincident Economic Index (sa)</b>	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	96.7
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	112.7
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	100.5
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	58,682
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	96.1
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	68.0
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	4,065.8
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	96,296

Demand-side indicators



Google Mobility Report

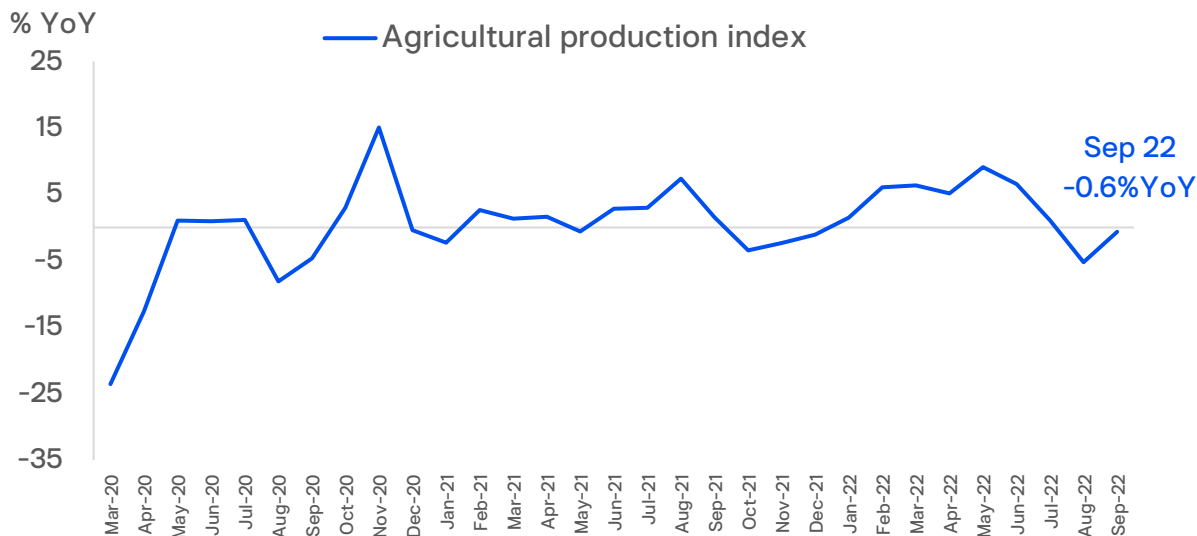


Source: Bank of Thailand, Google mobility report (Data as of 3 Nov 22) and ttb analytics.

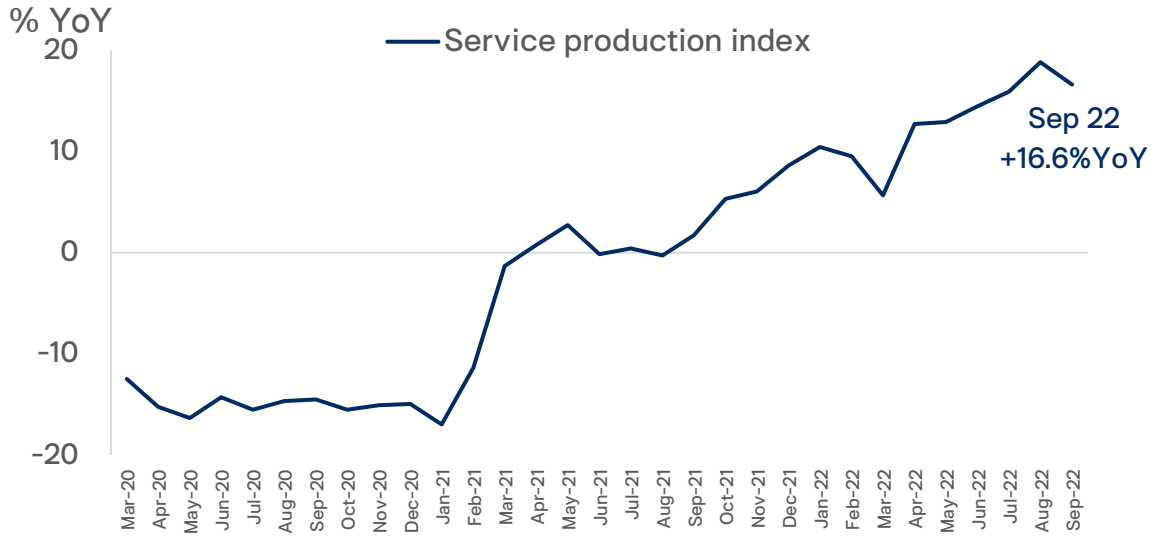
# Agricultural production dropped gradually while services activities continued to expand but slower pace



Agriculture



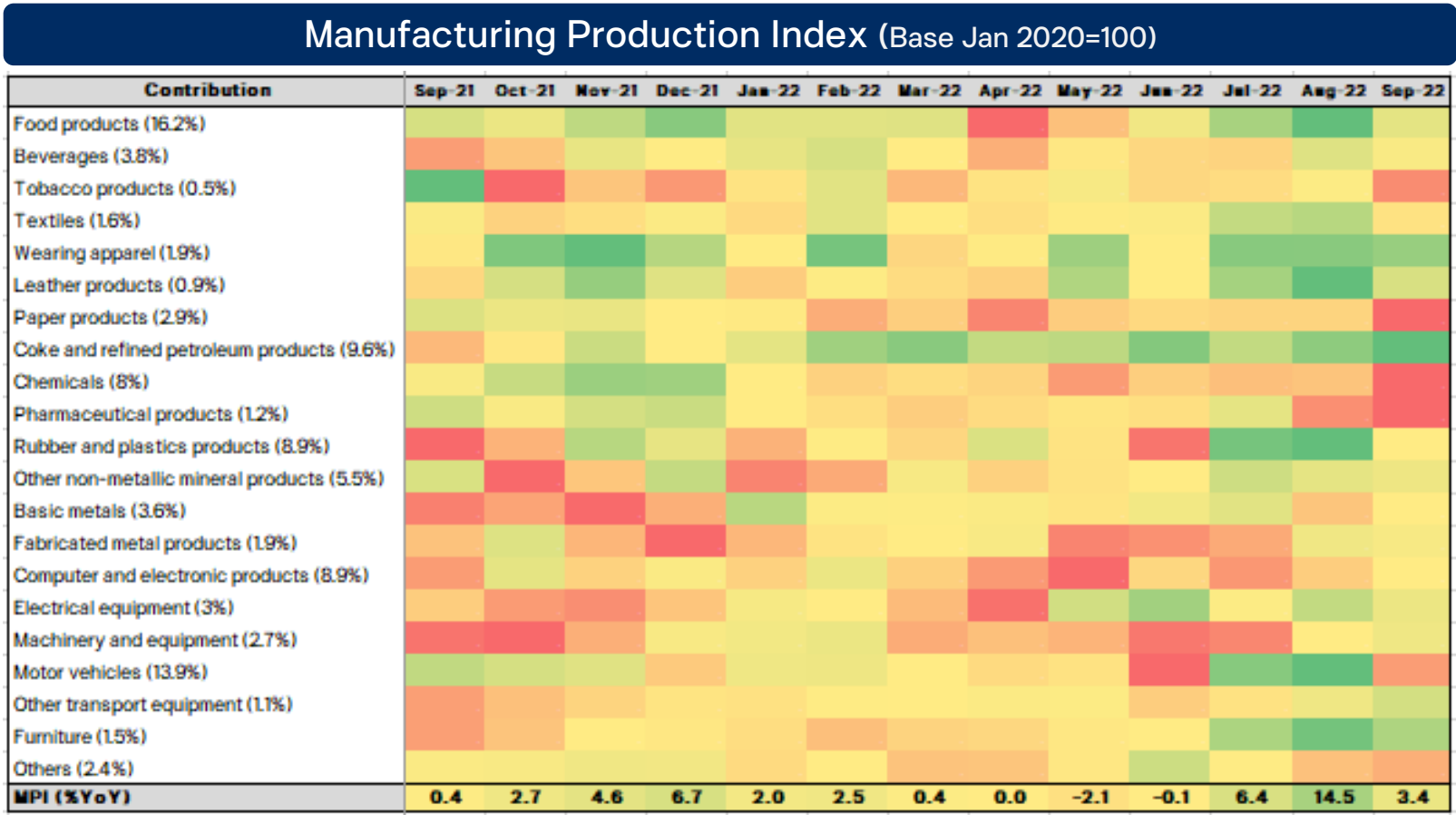
Services



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	Sep-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	108.2
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	81.9
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	50.9
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	125.6
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	109.5
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	132.5
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	135.6
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	98.8
Public administration and defence; compulsory social security	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	113.7
<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>	<b>103.4</b>

# MPI decelerated in September, led by motor vehicle production



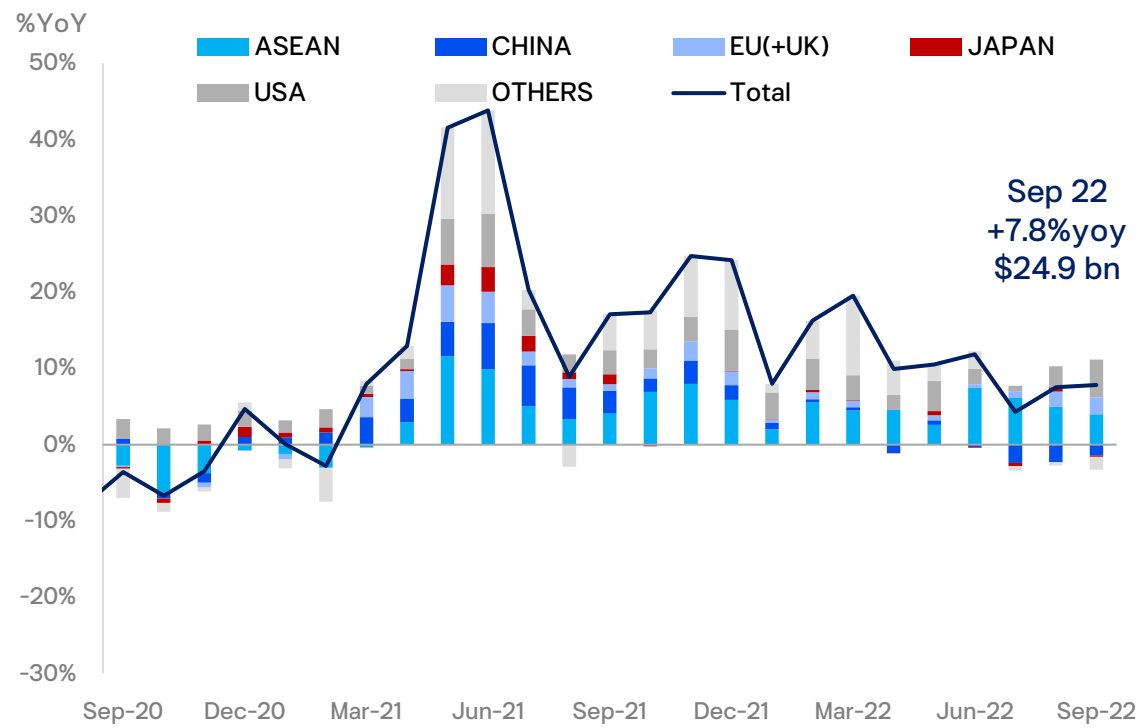
- As of Sep22, Manufacturing Production Index (MPI) increased slightly at 3.4%YoY compared to an increase 14.5%YoY in Aug22. The worsen momentum were mainly from motor vehicles after accelerated production during Jul-Aug ,as well as, chemical and rubber product, which also dropped in line with foreign demand.



# Export in September grew 7.8%yoy, export to China continued to slow

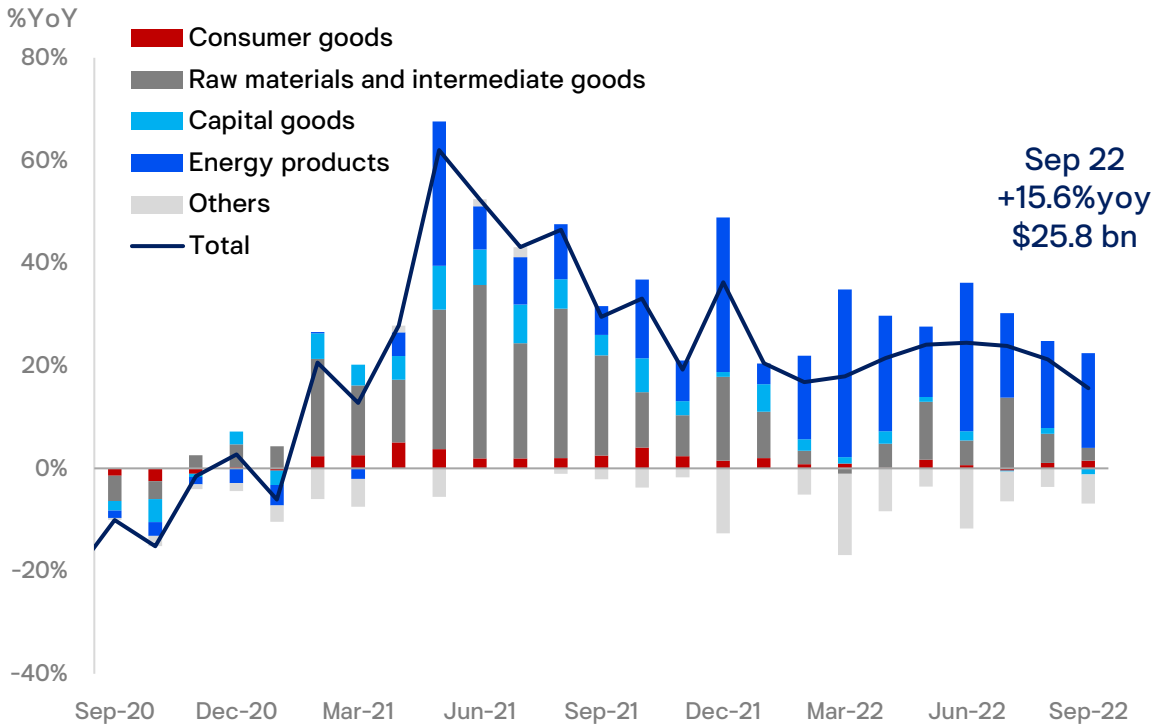


Exports value by destination\*



Total export growth	2019	2020	2021	9M2022	2022F
	-2.6%	-5.9%	17.1%	10.6%	8.1%
	\$246 bn	\$232 bn	\$272 bn	\$221 bn	\$294 bn

Imports value by groups\*

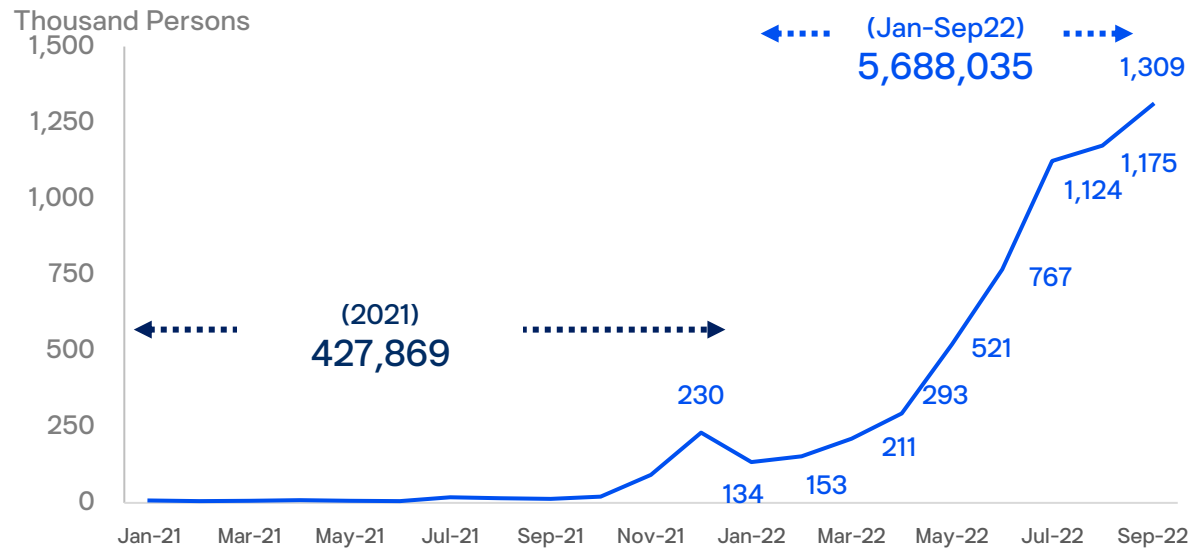


Total import growth	2019	2020	2021	9M2022	2022F
	-4.8%	-12.7%	29.8%	20.7%	17.6%
	\$236 bn	\$206 bn	\$267 bn	\$236 bn	\$312 bn

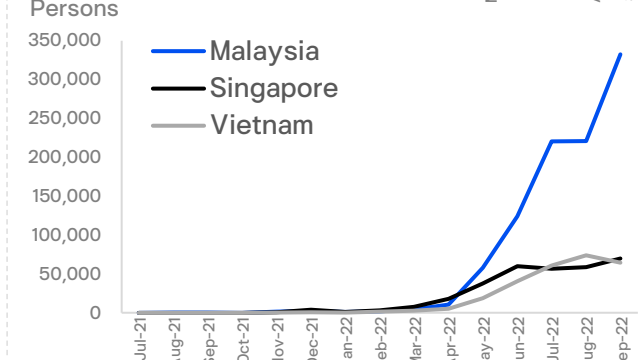
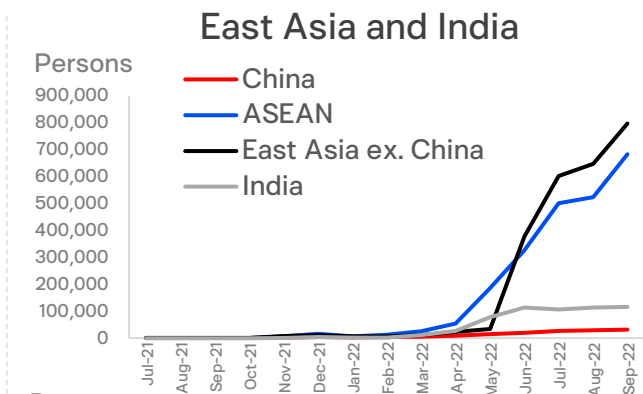
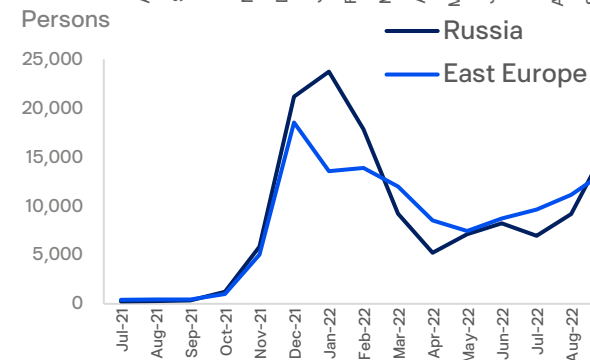
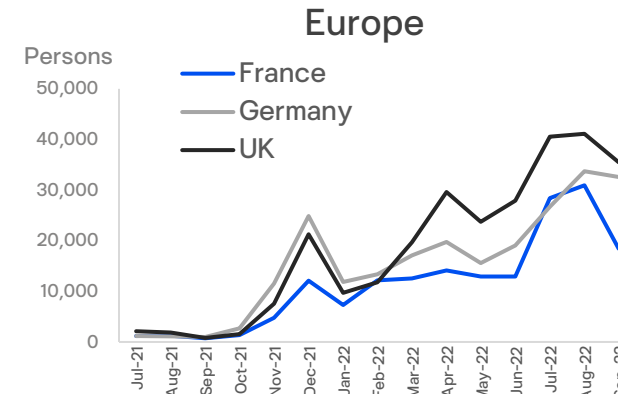
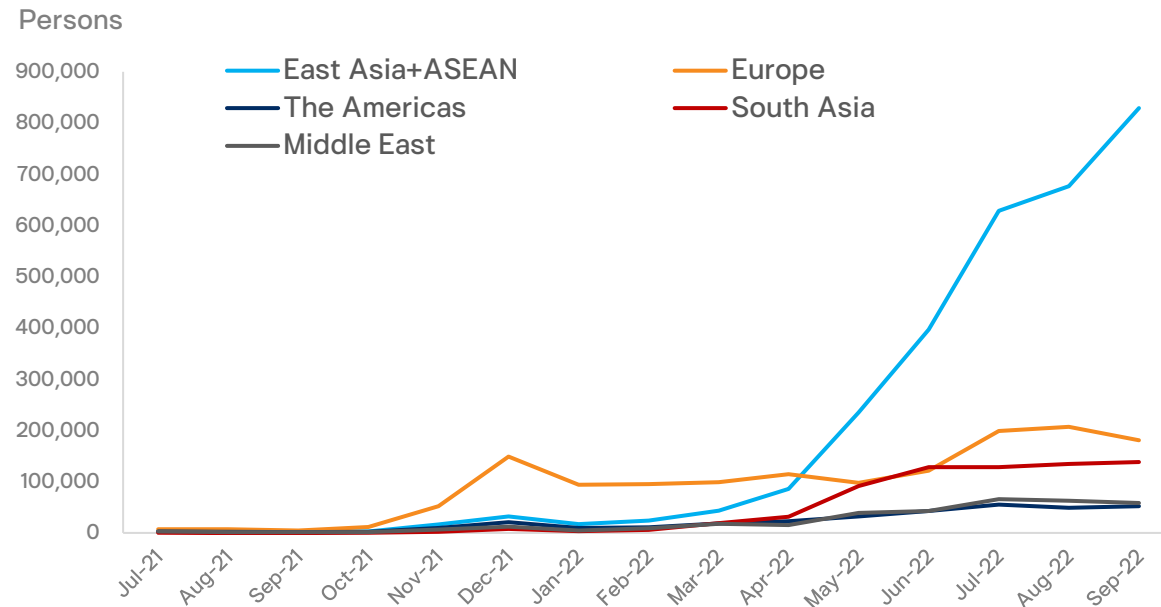
- As of Sep 22, total exports grew 7.8%YoY, accelerating compared to previous month at 7.5%YoY led by the increase of export industrial products such as computer and equipment, gems and jewelry (exc. gold), fax machines, telephones, equipment, and parts. In addition, agricultural and agro-industry products also grew but slower pace, particularly in rubber and cassava products.

# During Jan-Sep22, foreign arrivals reached over 5.6 million

## Total Foreign Tourist Inbounds

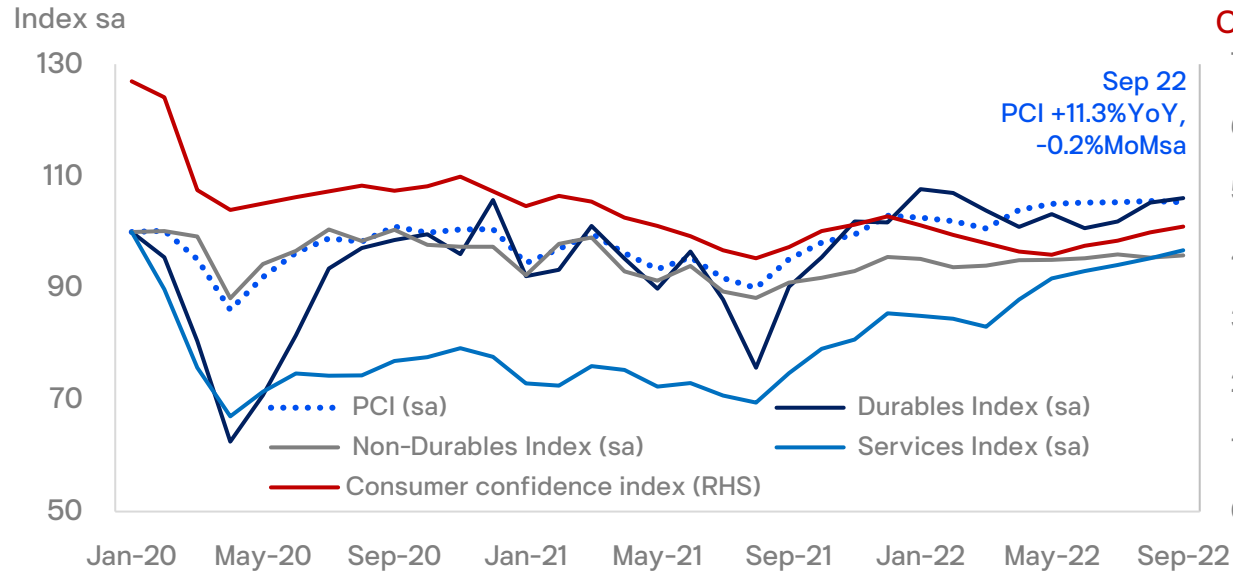


- As of Sep22, foreign tourist increased consecutively from last month after both Thailand and several foreign nations have eased travelling restrictions. The major groups still came from East Asia, led by Malaysia, while India group showed steady in number. Particularly, Russia tourists showed a sign of recovery, which offsetting a decline of key European tourists

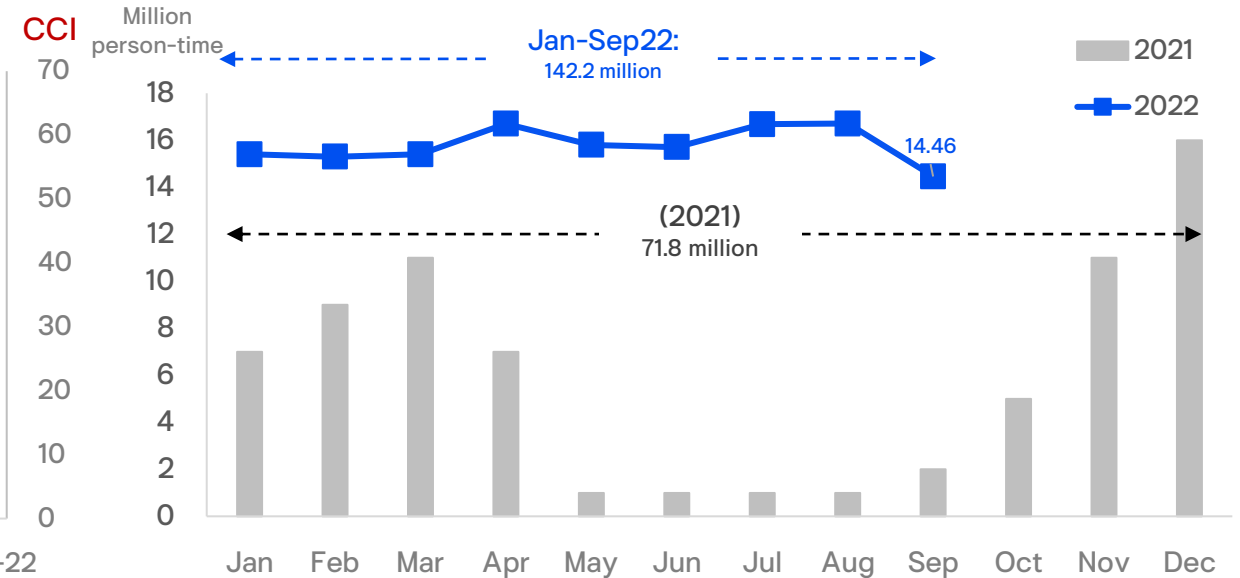


# PCI showed explicitly a decline momentum despite continued growth in service

## Private Consumption (SA)

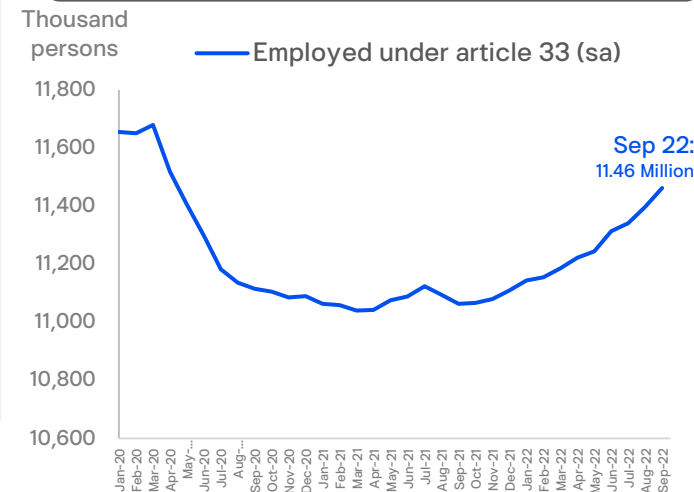


## Thai domestic tourism visitors

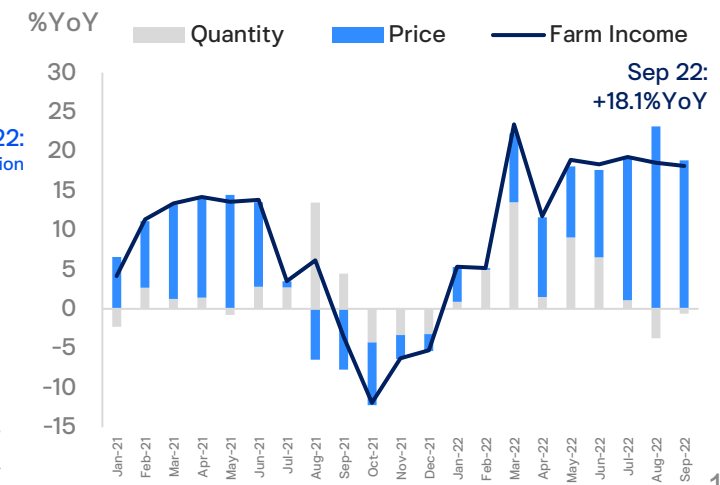


- Private consumption indicators remained close to the previous month thanks to increased spending in almost all categories except the non-durable goods.
- Several fundamental factors supporting household consumption gradually improved especially employment and consumer confidence. However, the elevated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

## Employment M33



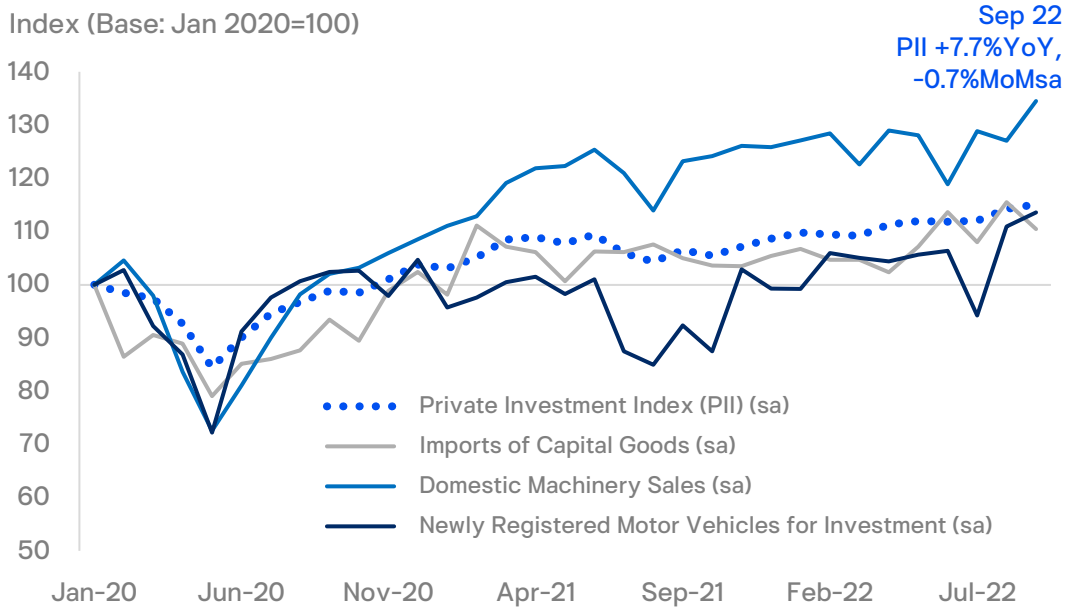
## Farm Incomes



# Private investment start to decline from the previous month

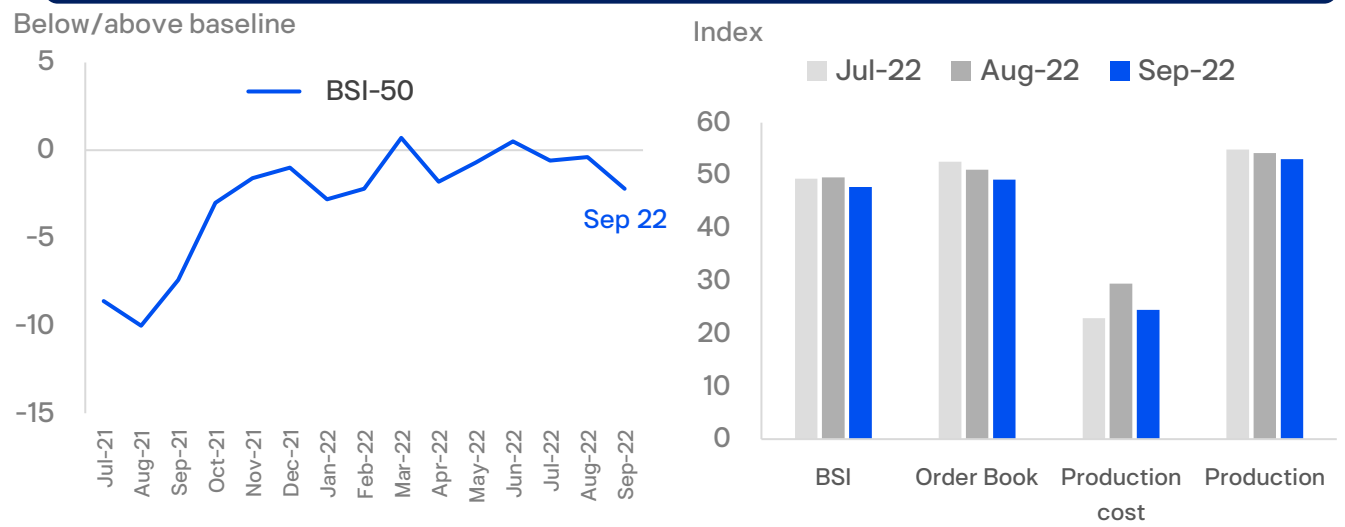


## Private Investment (SA)

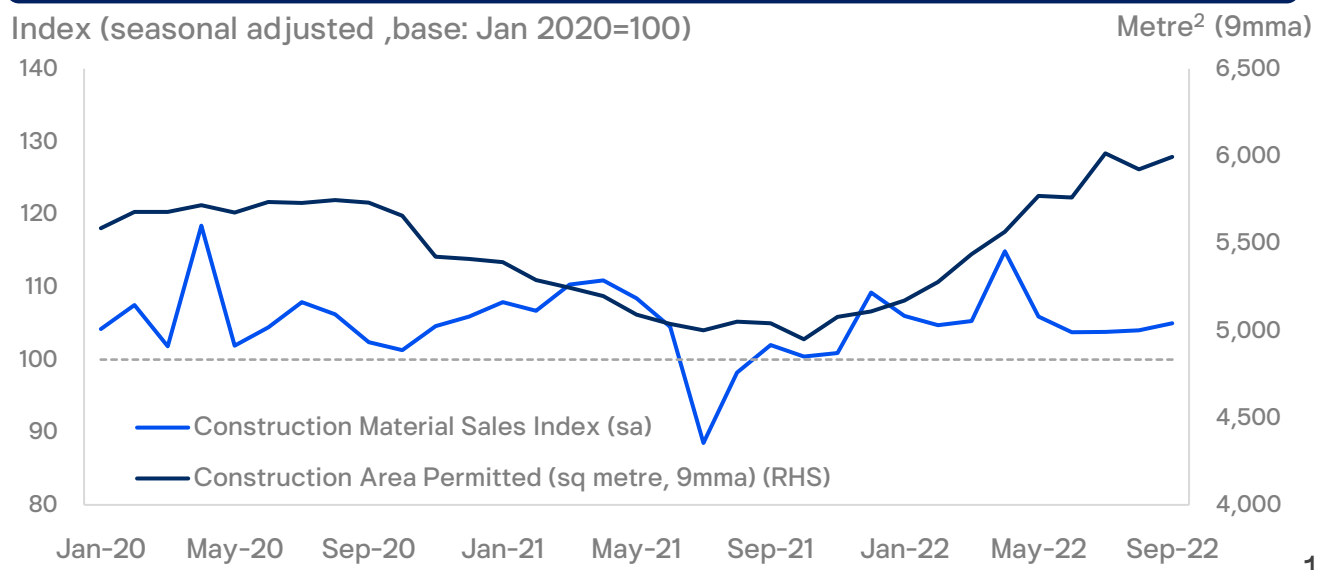


- Private investment indicators slightly declined in this month, mainly from the machinery and equipment category corresponding with overall industrial production.
- Investment in construction gradually decrease following construction material sales, meanwhile, construction permitted areas remained.

## Business Sentiment Index



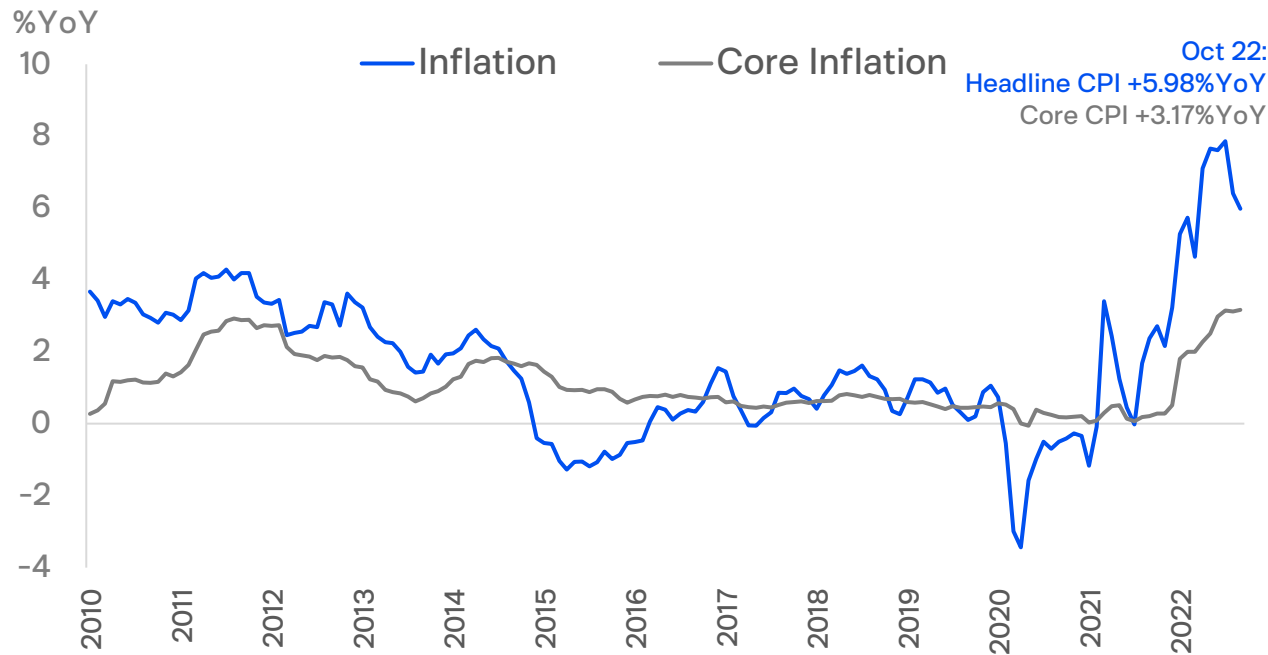
## Construction sector (SA)



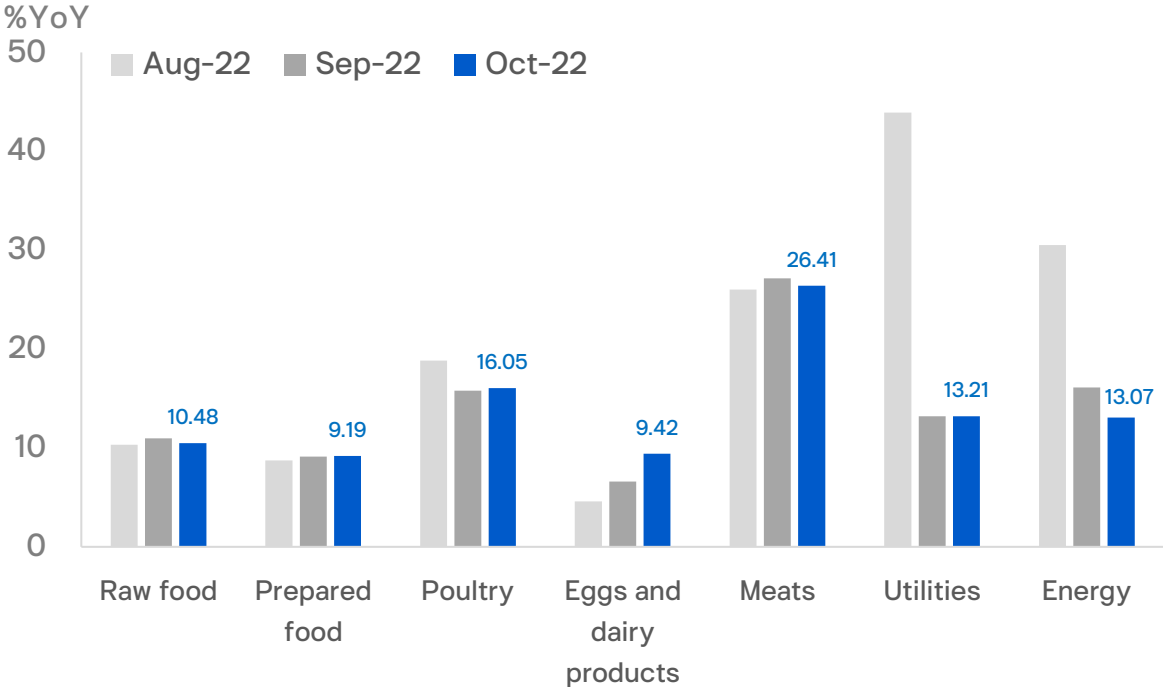
# Headline inflation in October slows for 2nd consecutive month, as energy price dropped, and food price stabilized



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	6.15
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	6.57
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	5.00
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	9.84
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	2.35

Source: Ministry of Commerce and ttb analytics.

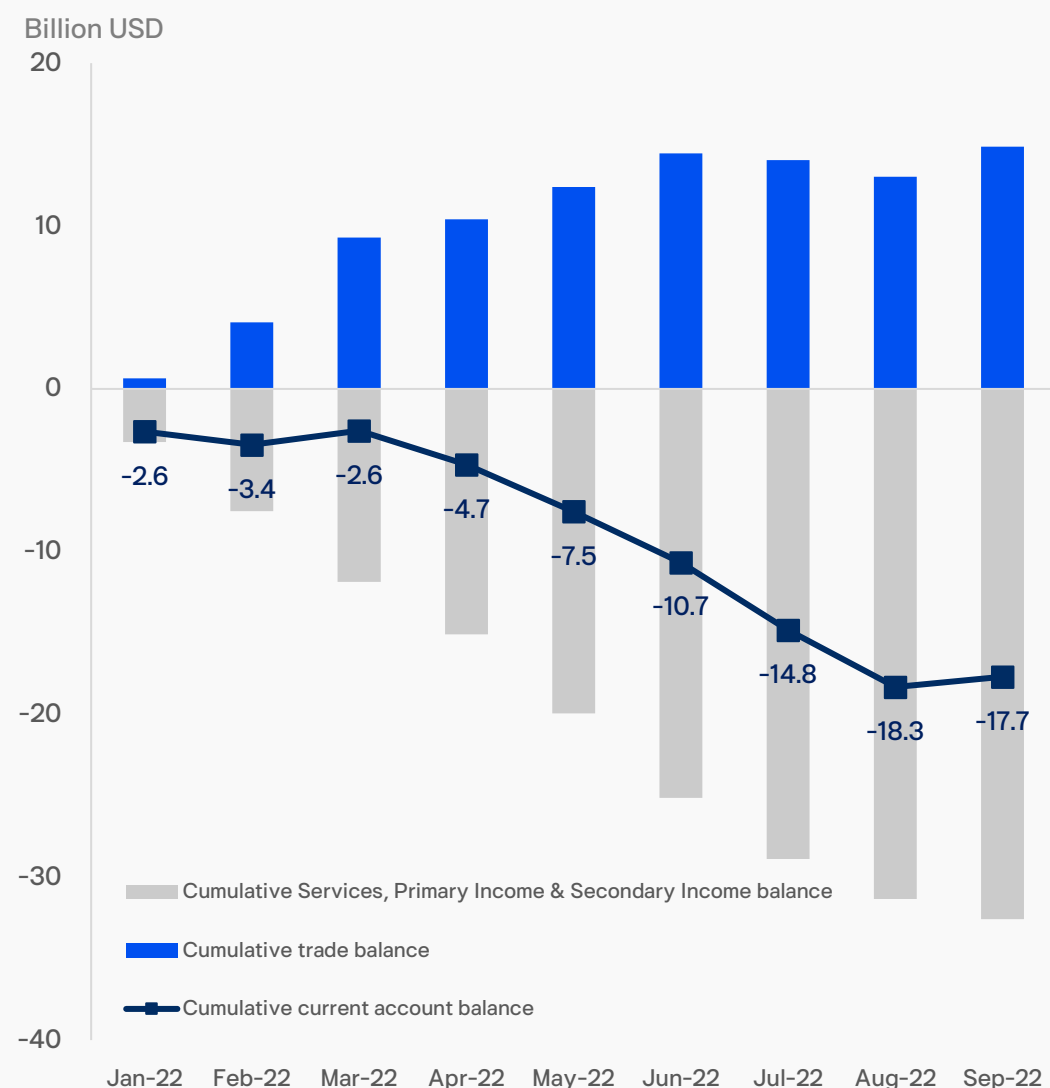
\*Jan-Oct22 18



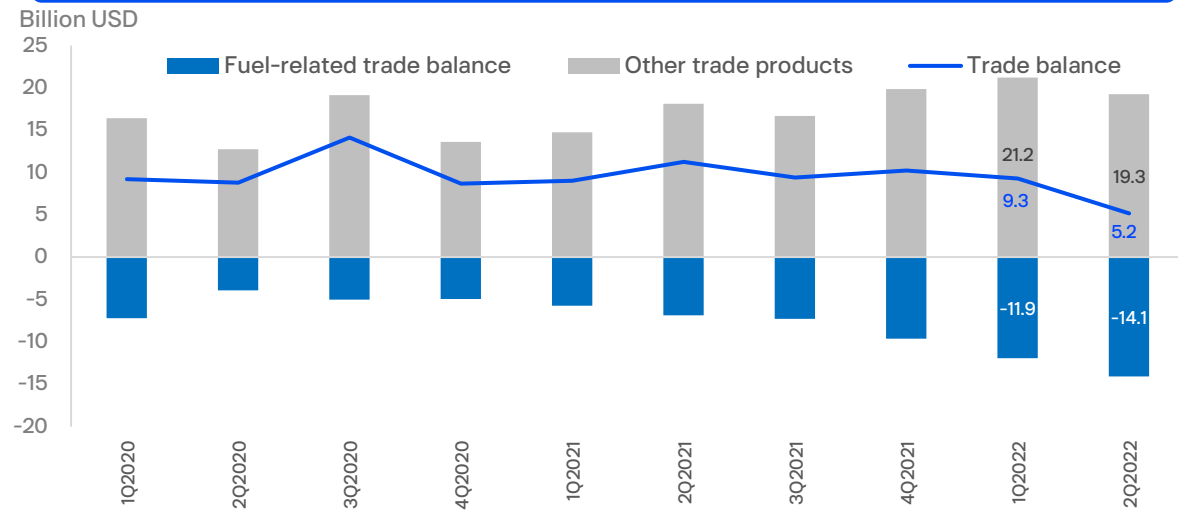
# Current account could be less deficit this year from reviving momentum in tourism



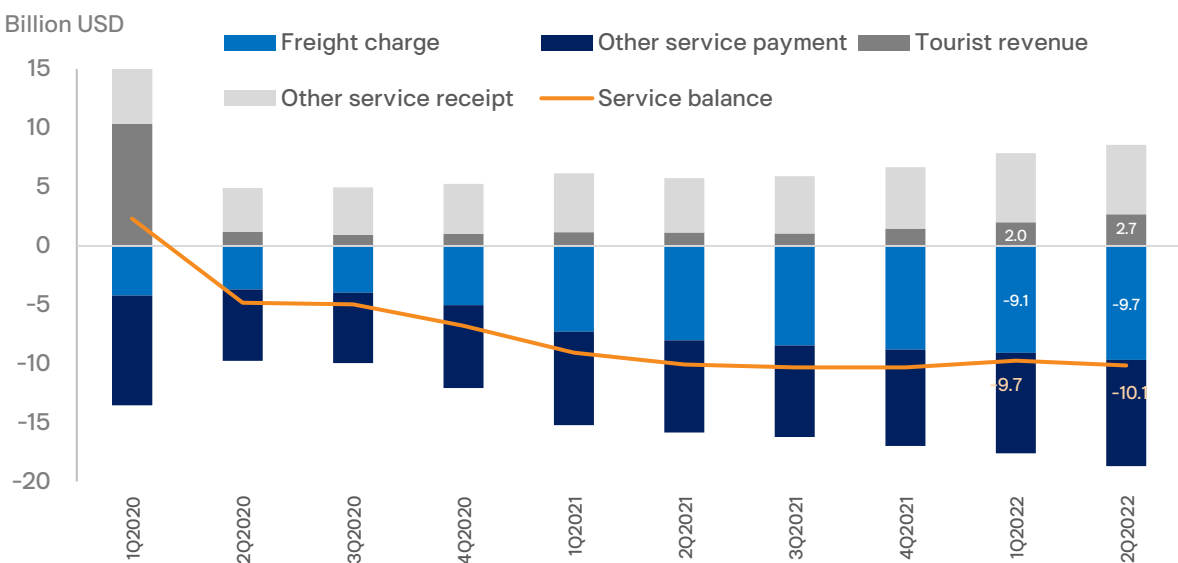
## Cumulative current account since Jan 2022



## Trade balance\*



## Service balance



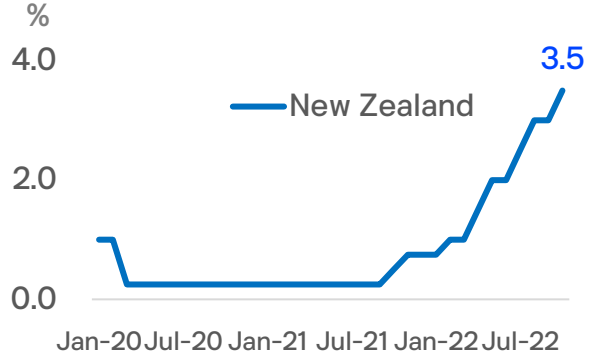
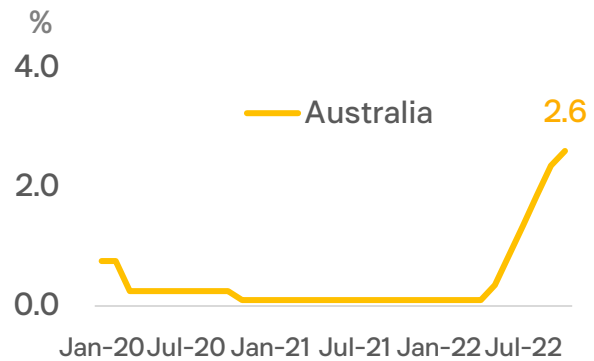
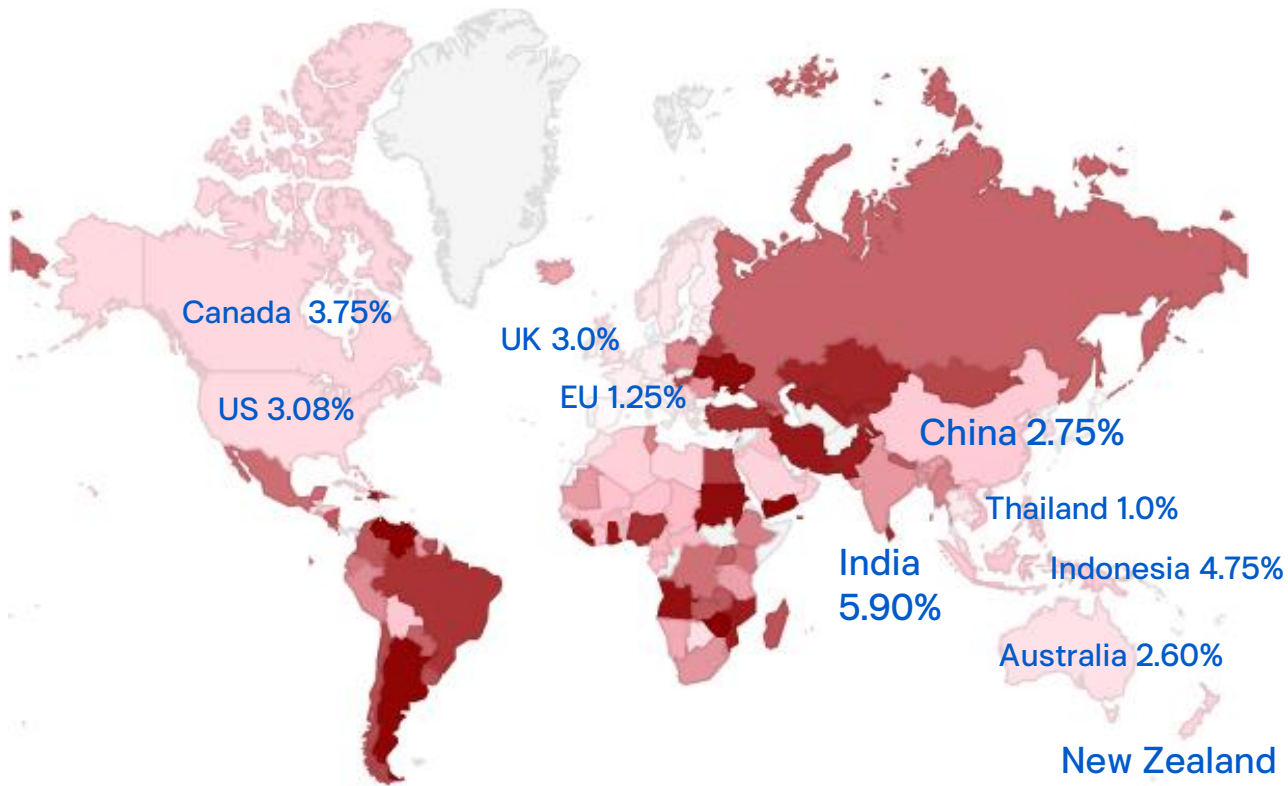
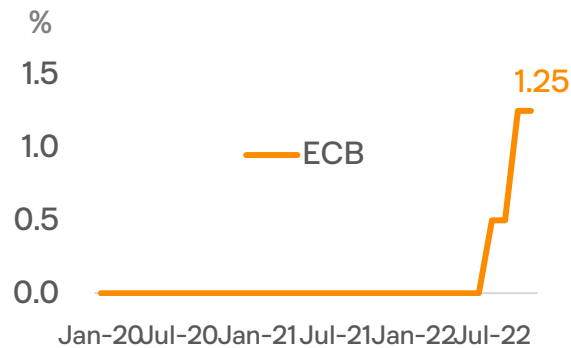
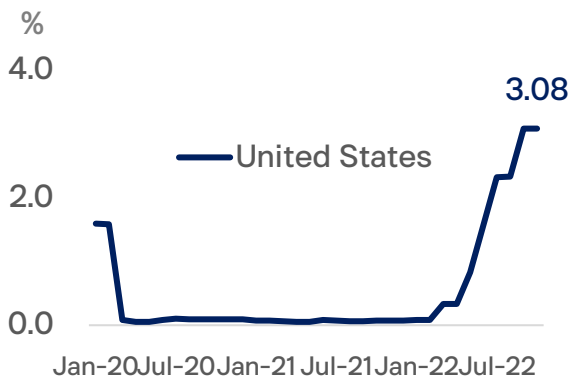
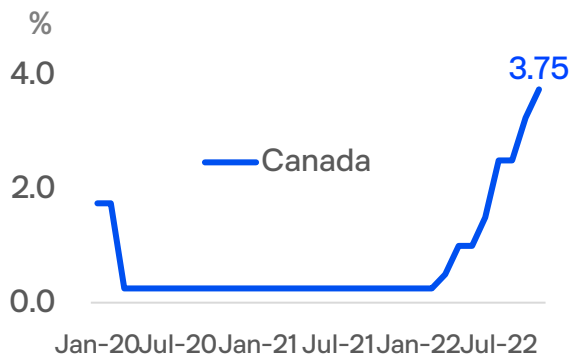
PART 3

# Financial Market



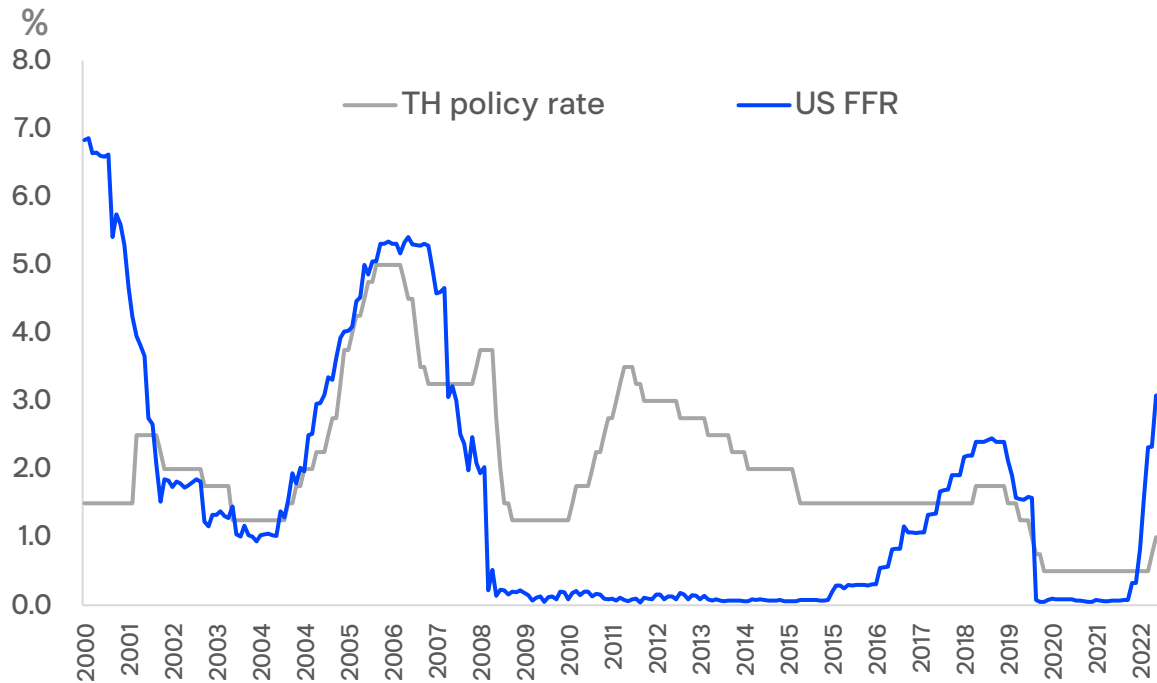
# Major central banks sent signals of further rate hike to curb inflation back to target

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

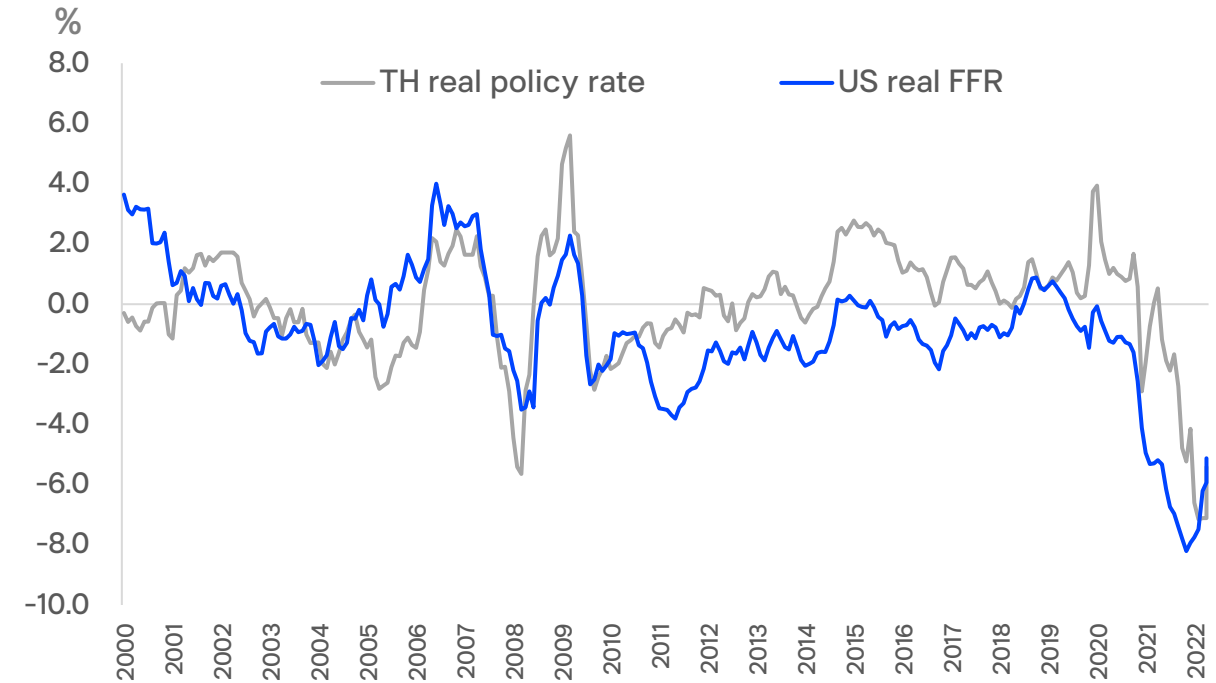


# High inflation pushed real interest to lowest in 22 years

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



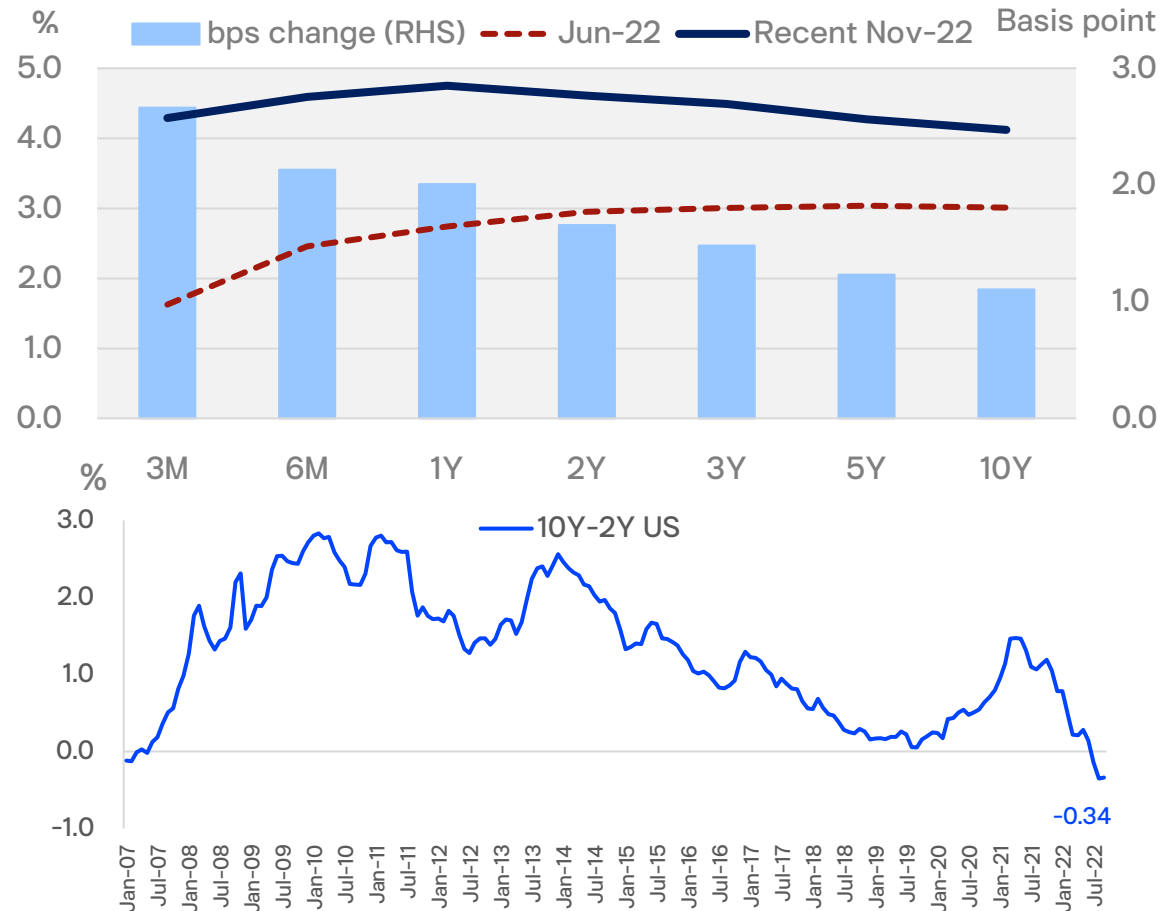
## FED-BOT Policy rate Historical (real rate)



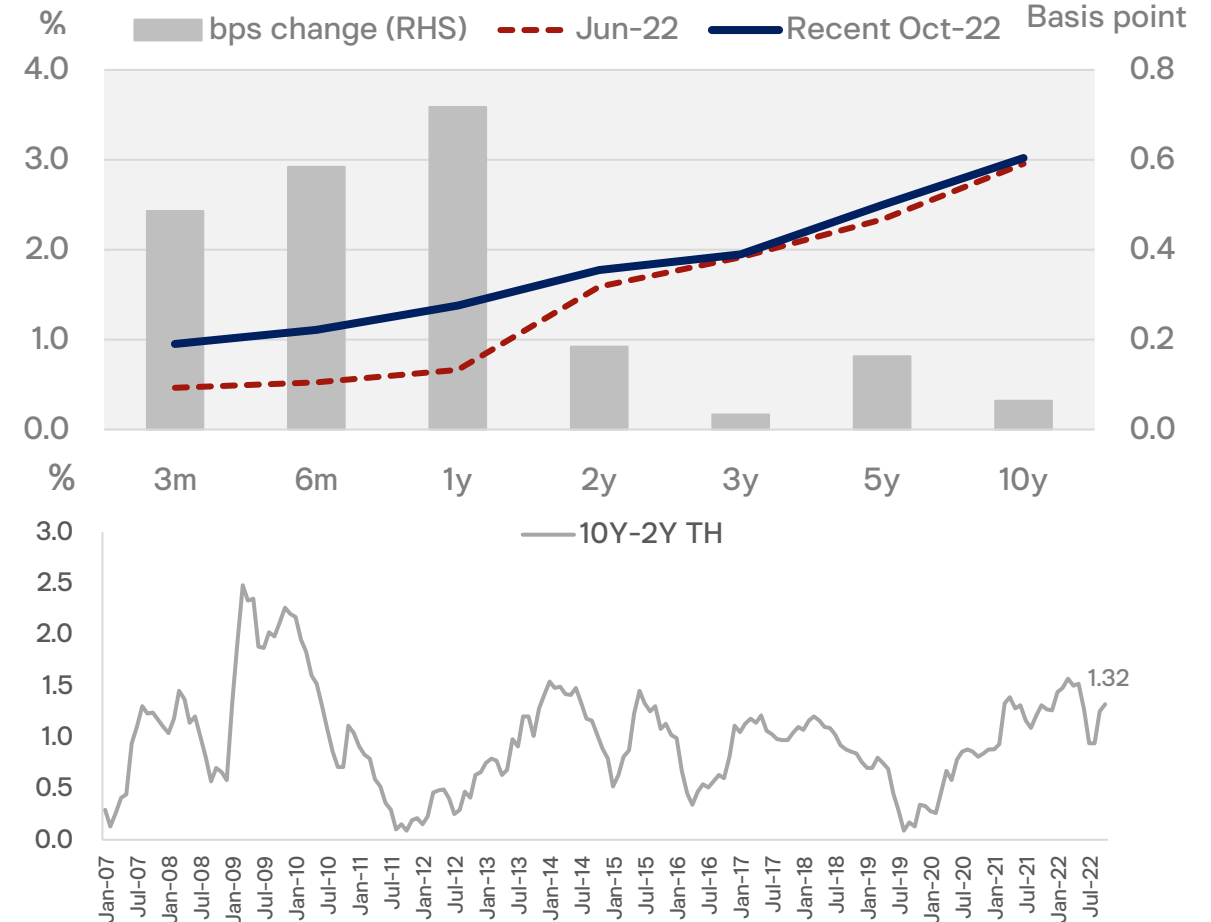
- The gap between US and Thai policy rate turns wider, with the current Fed's target range is 3.75%-4.00% and Thai policy rate 1.00%
- According to high inflation rate, real policy rate of both US and Thai remained in negative territory.

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

## US government yields



## Thai government yield curve



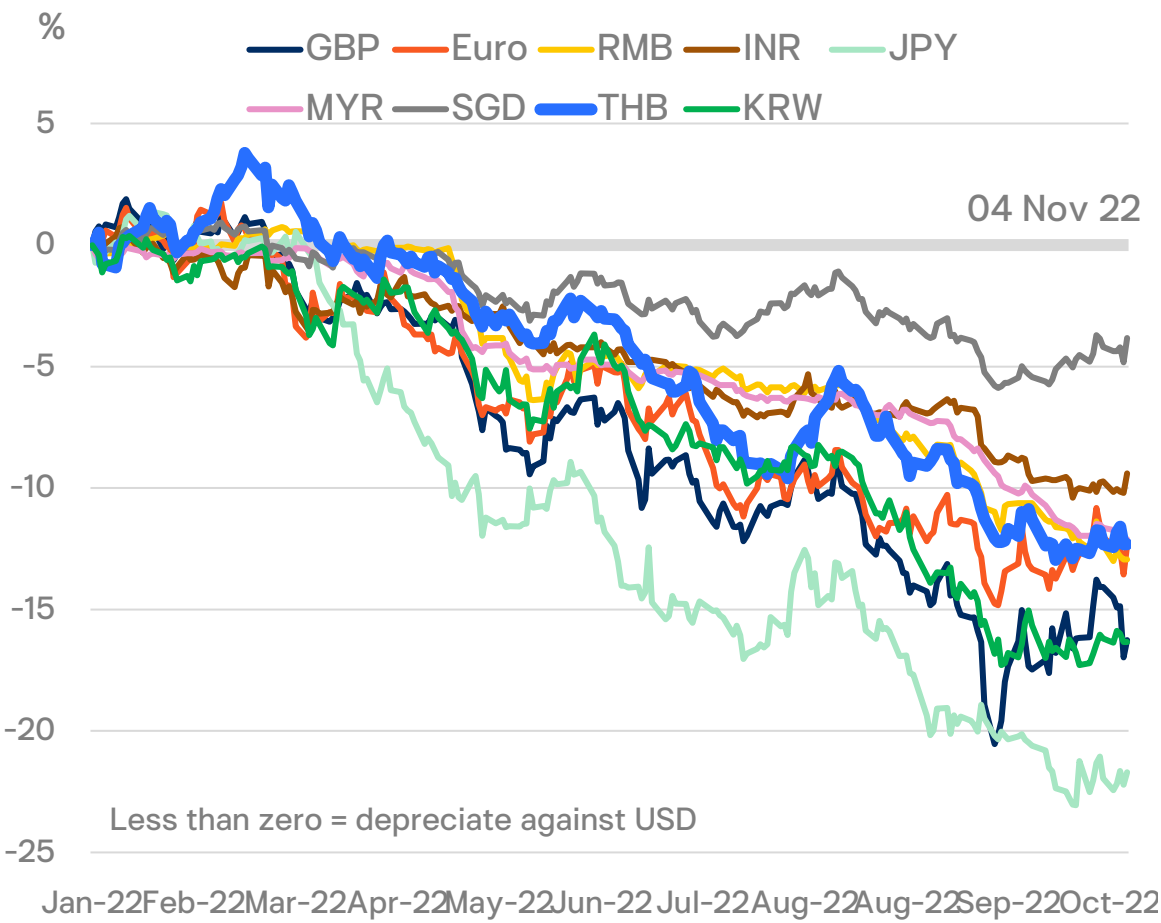
- For both US and TH government bond, Investors went into long term tenor due to recession concerns. Moreover, 10y/2y yield spread for US government bond dropped below zero, signaling approaching recession in US. Meantime, 10y/2y yield spread for Thai government bond also declined but above zero.



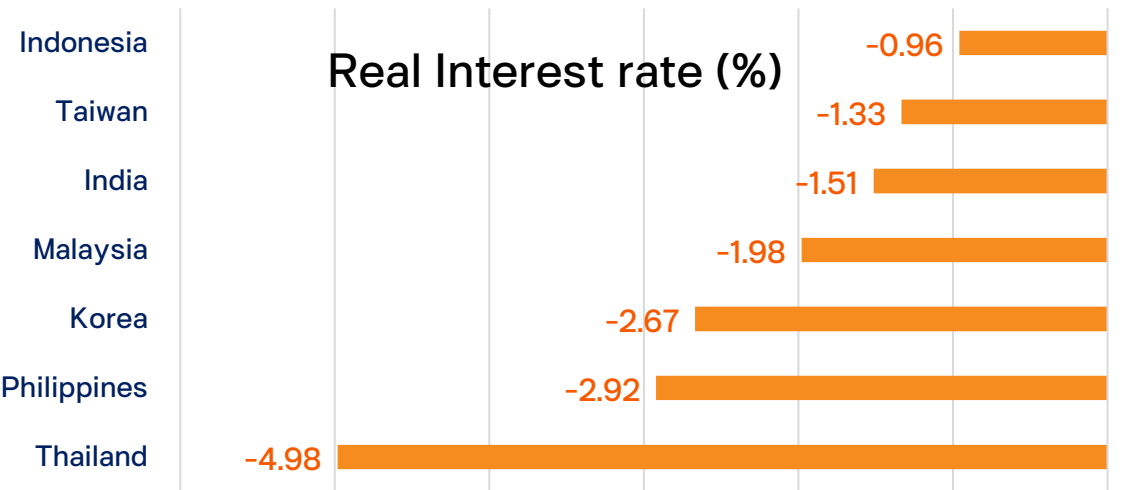
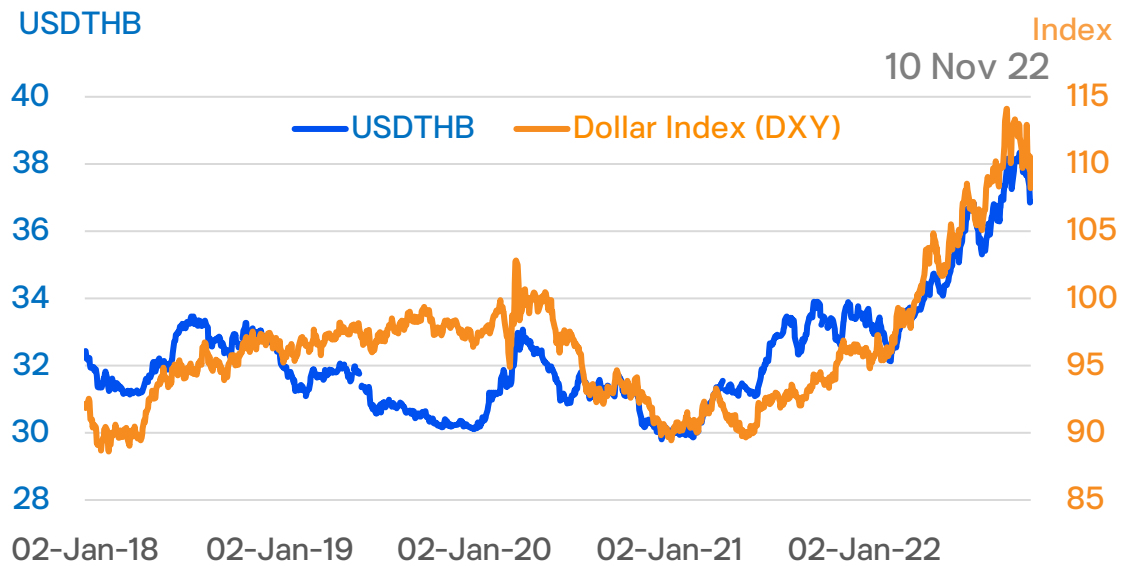
# Strong dollar put pressure on Asian currencies together with negative real interest rate



Major Asian currencies against USD



Dollar Index / USDTHB



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