



Economic Outlook Report 1Q2023

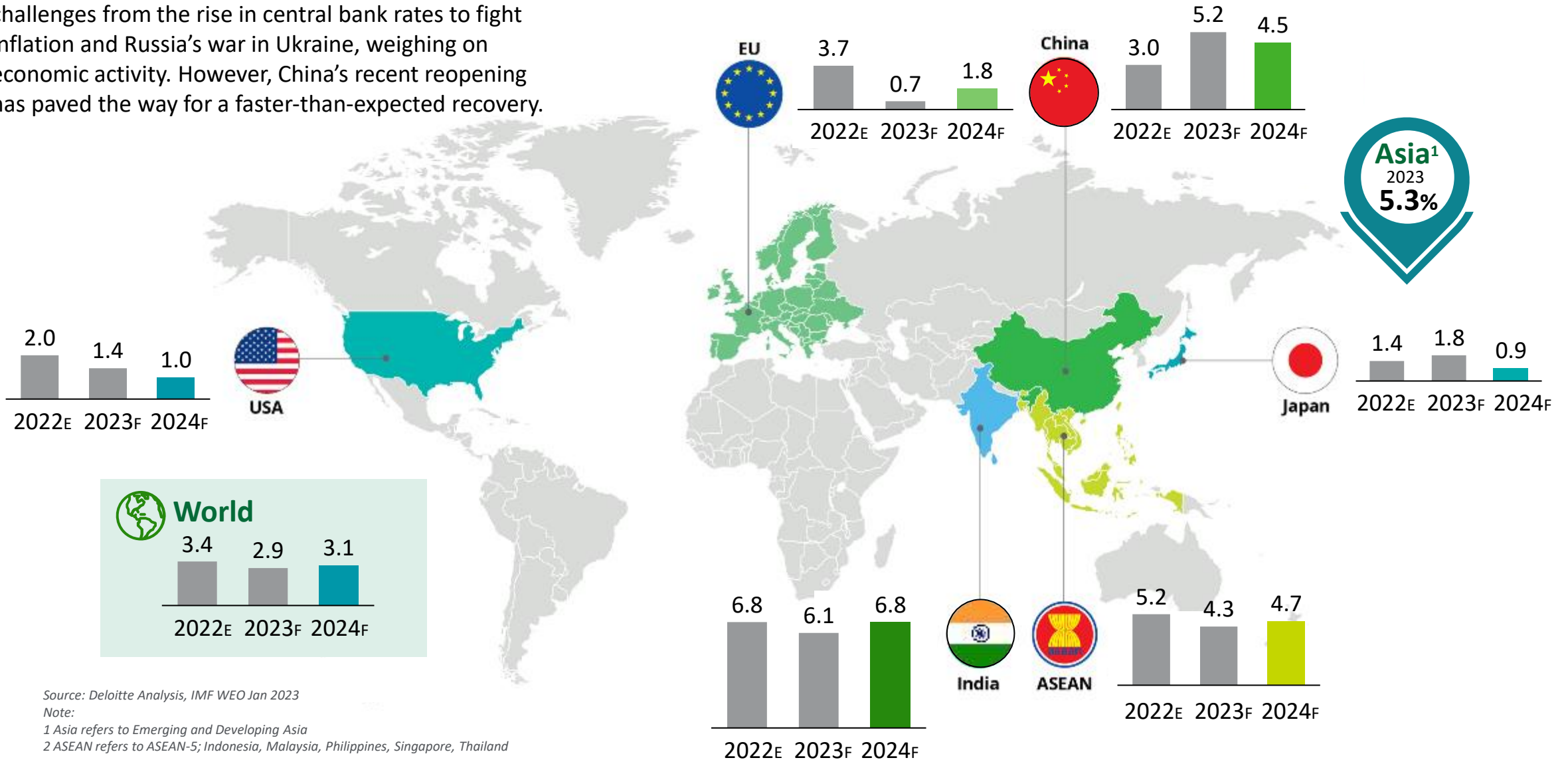
Clients & Markets, March 2023





Global Economy 1Q2023

The 2023 Global economy continues to face challenges from the rise in central bank rates to fight inflation and Russia's war in Ukraine, weighing on economic activity. However, China's recent reopening has paved the way for a faster-than-expected recovery.



Key Takeaway and Watchlist in 2023





US

Key Takeaway

- + Decelerating housing price
- + Growing employment
- Surge in inflation (6.4% in Jan 23)
- Fed aggressively raised 0.75% of interest rate in November.
- Tightness of the US labor market

Watchlist

-  FED to raise more interest rate. FED had already raised the rate seven times in 2022 and again on Feb 1, 2023 to curb inflation, increasing the target rate from near zero to 4.5-4.75%.
-  Bank failures complicate outlook on interest rates





EU

Key Takeaway

- + Decelerated inflation in EU
- + Growing economy, at a slower pace
- Surge in inflation (8.6% in Jan 23)
- Sharp rise in food and energy prices
- Weak euro and its fall below parity versus dollar in September

Watchlist

-  ECB might tighten monetary policy more than previously anticipated as the inflation level remained high.
-  Russia-Ukraine war and the high inflation may force central banks into more aggressive increase in interest-rate.





JAPAN

Key Takeaway

- + Recovering tourism sector and domestic demand
- + Slower price hikes
- Inflation hit a 41-year high in January 2023 (4.2% in Jan 23)
- The value of the yen remains weak.
- Soar food price
- Trade deficit in January 2023

Watchlist

-  Japan's core inflation is expected to fall below the 2 percent inflation target by the end of 2023.
-  Subsidies to contain the rise of electricity and gas bills (Jan-Aug 2023)





CHINA

Key Takeaway

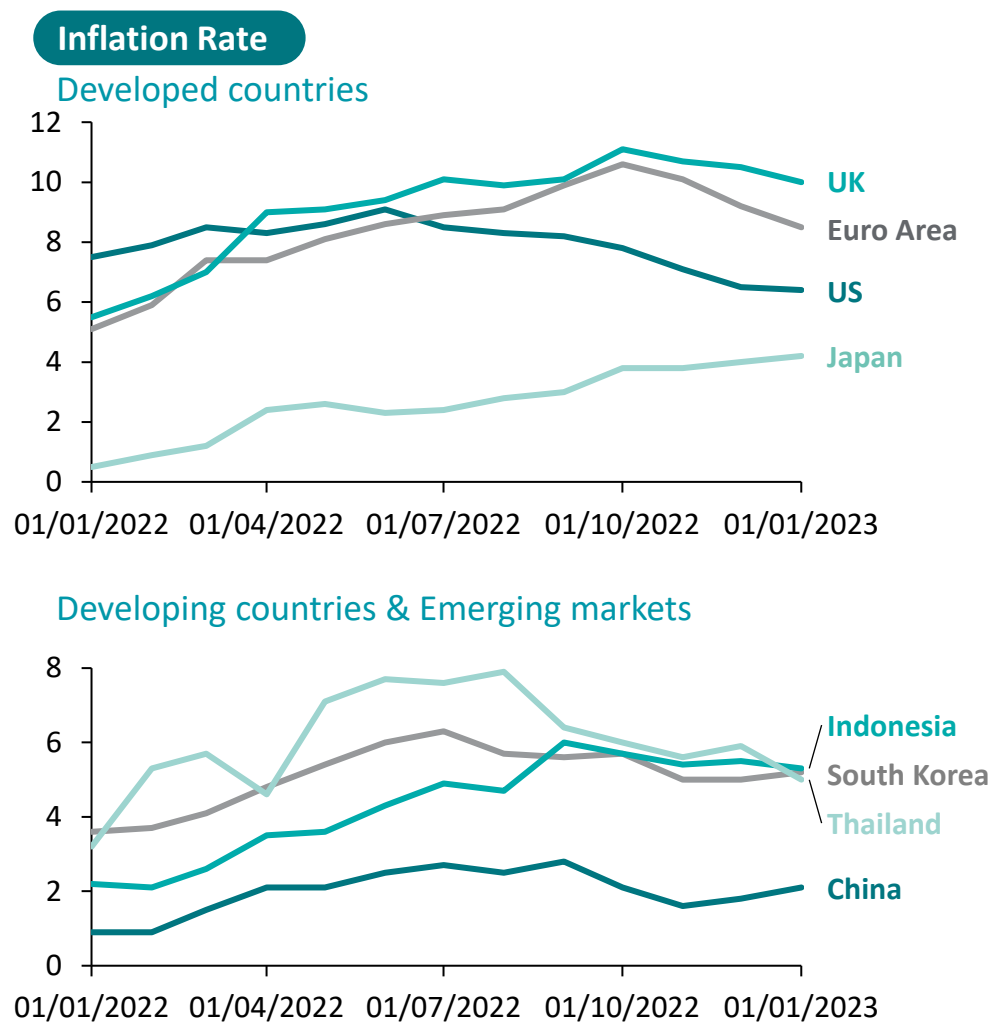
- + Recovering PMI
- + Easing Covid lockdown
- + Deceleration of inflation
- Private sector companies saw declined in profit
- Continuing weakness in the property and construction sectors
- Weak employment

Watchlist

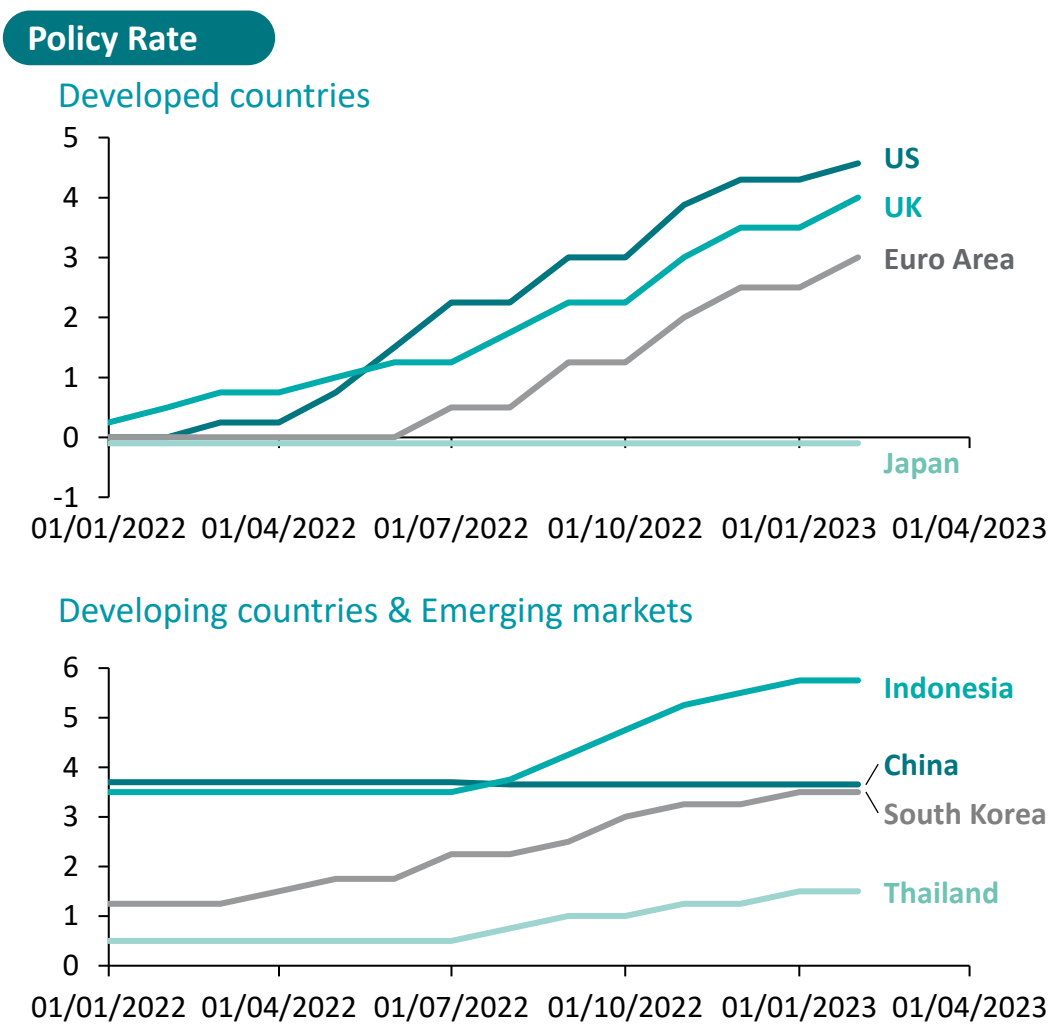
-  PBOC stated their monetary policy will become more forceful in the year 2023.
-  Effect from the Russia-Ukraine war and tension with the US.

Source: Deloitte Analysis, CNBC, CNN, Reuters, ECB, Japantimes

Inflation saw alleviating in several areas; however, central banks still **rise interest rates**, aiming to stifle the consequences from inflation.



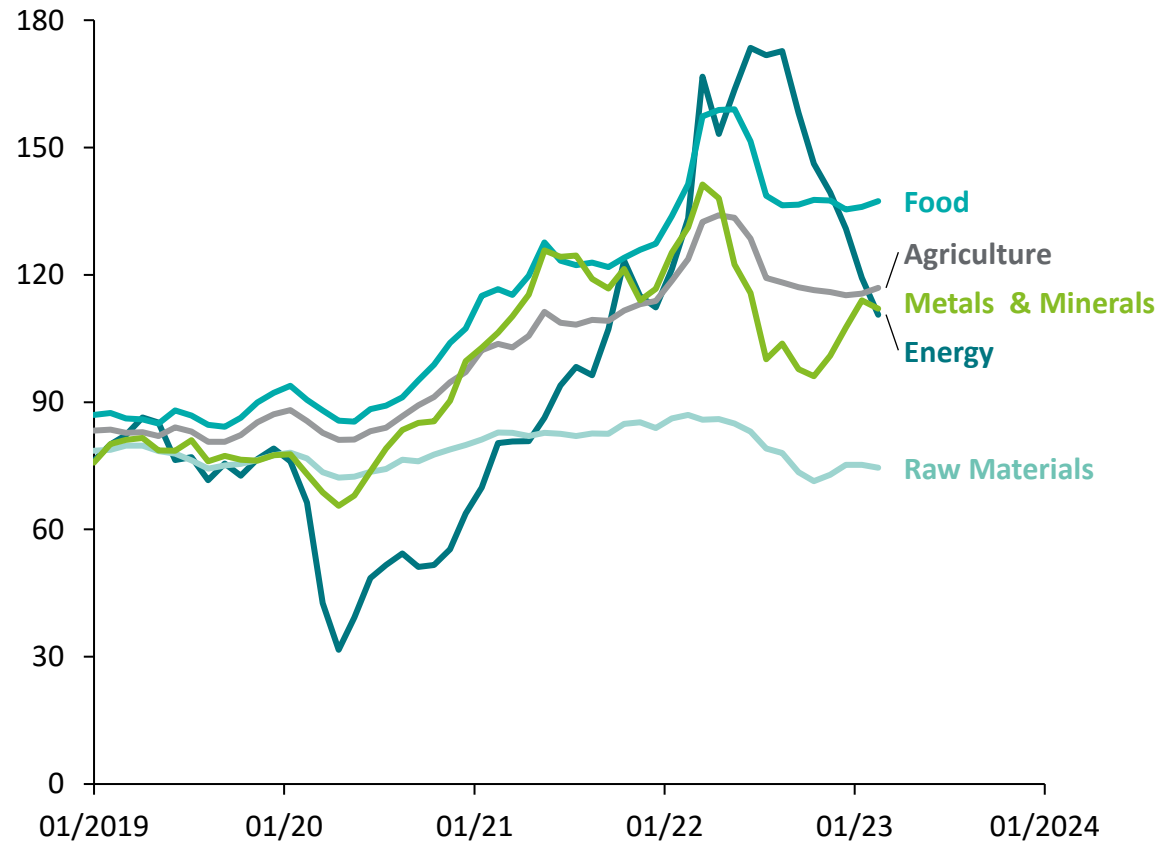
Source: Deloitte Analysis, NESDC



Supply shocks saw likely to ease, while cost pass-through will be limited in the next period.

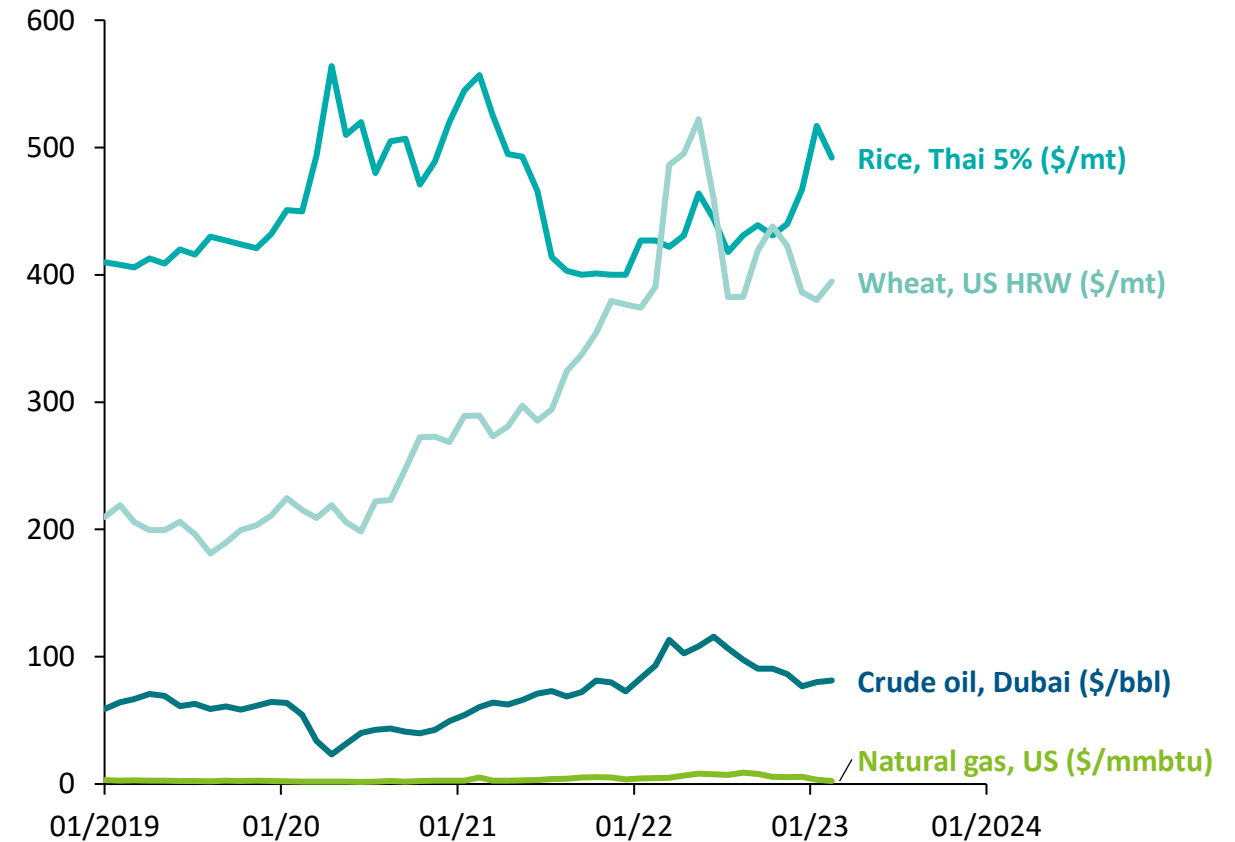
Commodities Price

Unit: US dollars



Source: Deloitte Analysis, World Bank

Commodities Price Index (2010=100)



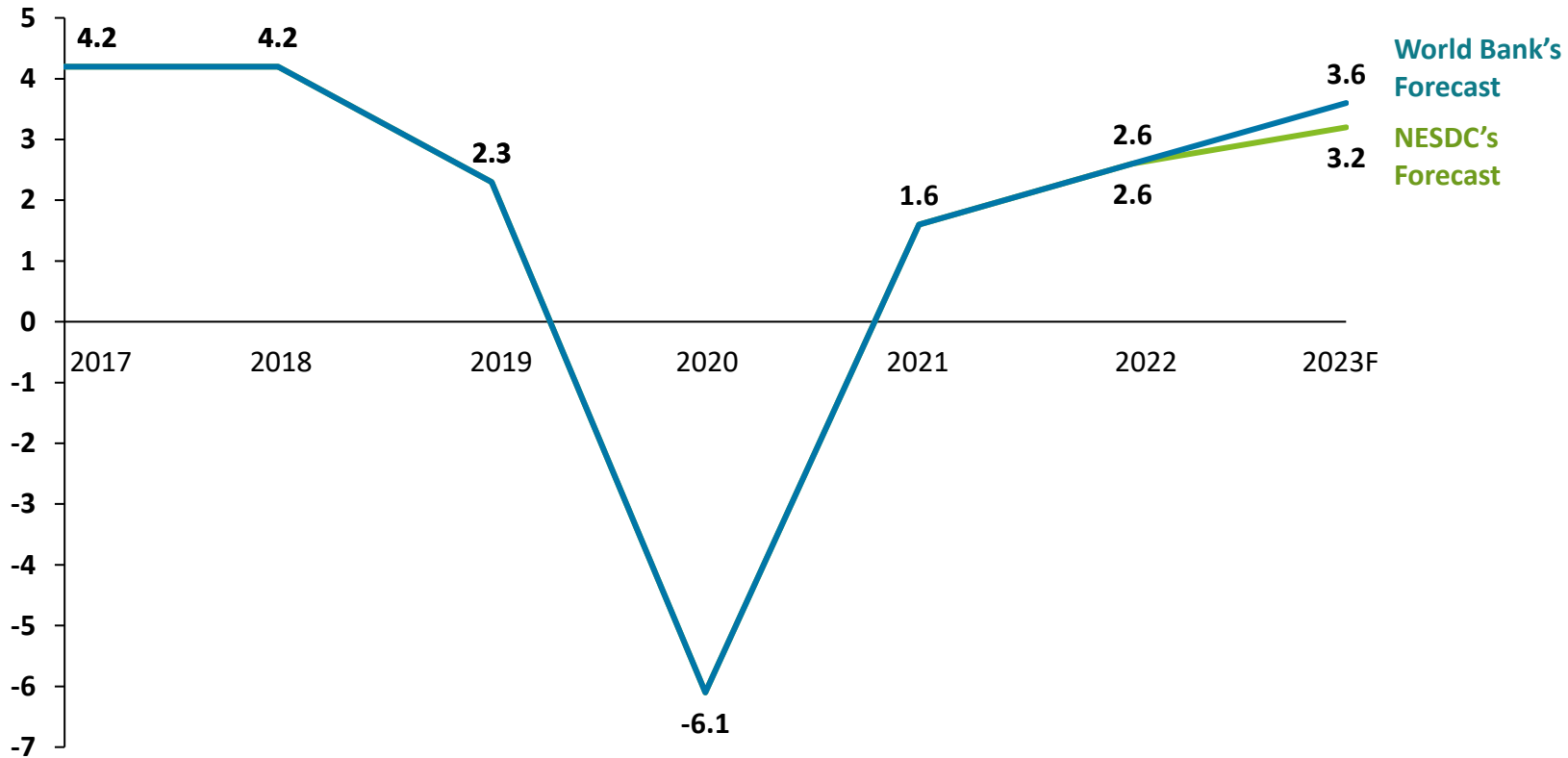
An aerial night photograph of a city, likely Bangkok, featuring a wide river, a large cable-stayed bridge, and a complex multi-level highway interchange. The city skyline is visible in the background with numerous lit-up buildings. The sky is dark with some clouds.

Thai Economy 1Q2023

Thailand Economic Outlook

Recovering domestic demand and rising tourist arrival would mainly contribute to Thai economic expansion.

Real GDP Growth (%YoY)



Source: Deloitte Analysis, Bank of Thailand, World Bank

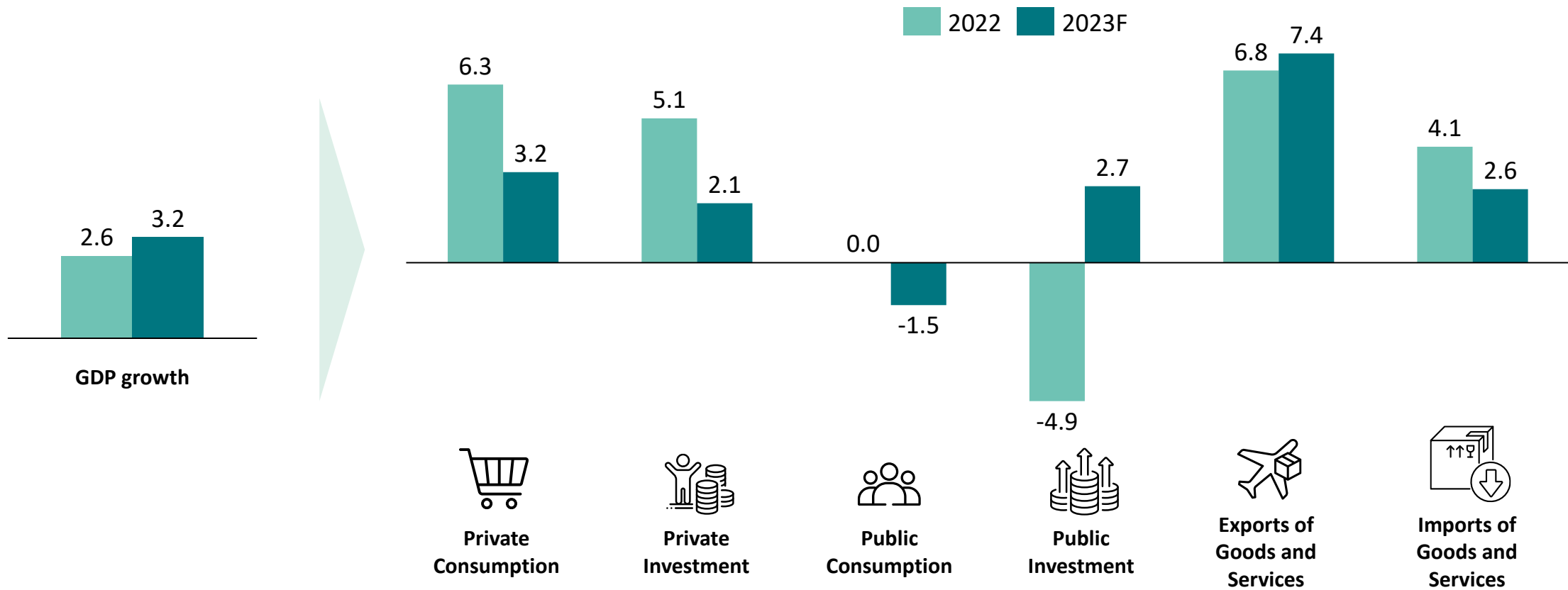


Key Factors to be Monitored

- +** Expanding domestic demand
- Recovering tourism sector and returning of tourists from China
- Higher-than-target inflation
- High household debt
- Impacts from Russia-Ukraine war
- Rising policy rate results in higher cost of loan
- Several regions' central banks' interest rate increase
- Slow growth among other regions

Thailand Economic Outlook

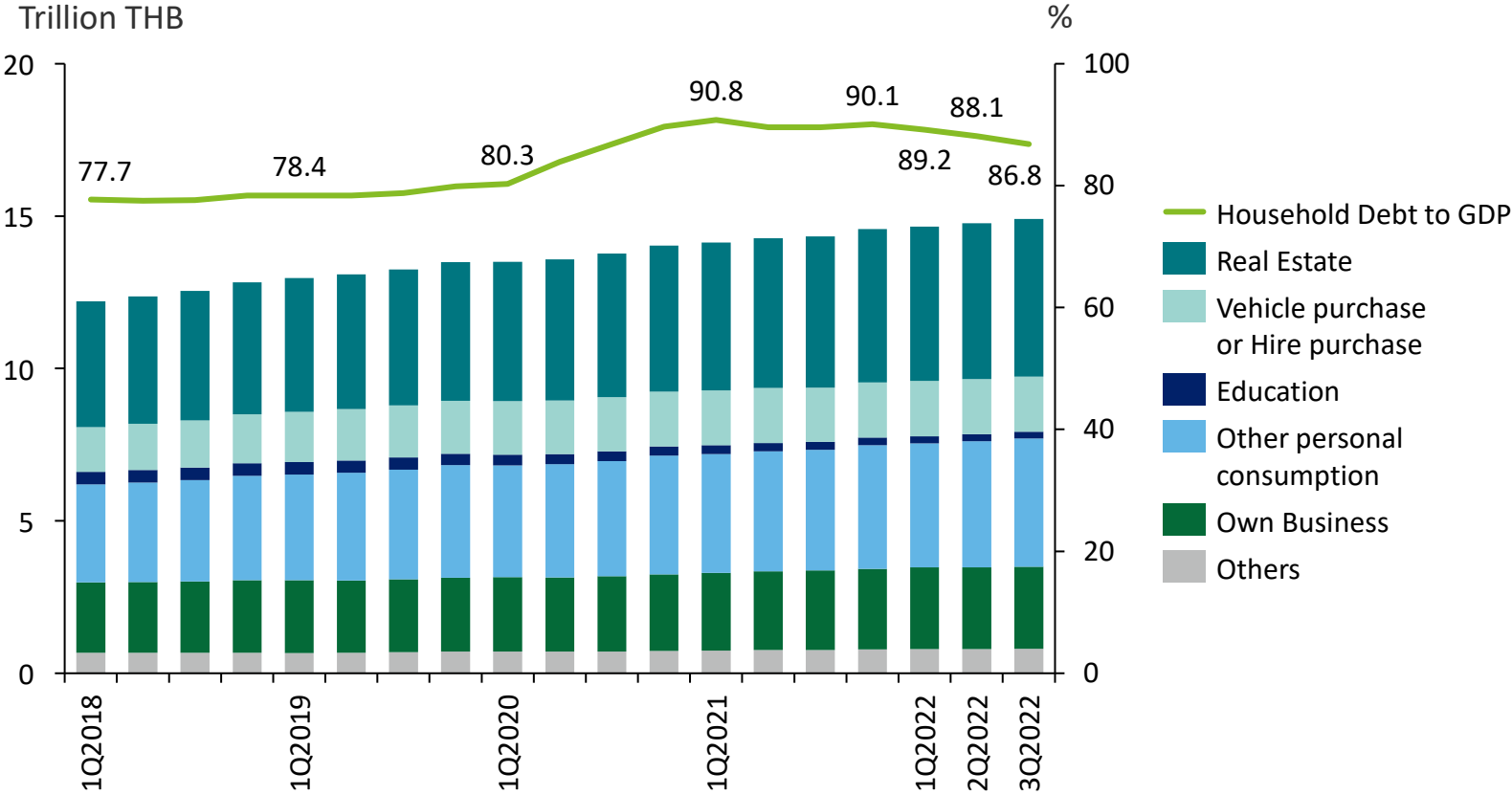
Thai economy is forecasted a recovery mainly owing to increasing tourism activities and private consumption. However, slower growth on export, high-household debt, inflation pressure, and the spillover effects from Russia-Ukraine war are crucial factors influencing economic recovery.



Source: Deloitte Analysis, NESDC

Household debt remains high at 86.8% to GDP.

Non-productive loan such as Other personal consumption also significantly contributed to total household debt while education saw declining.



% Increase in household debt from end-2019 to 3Q2020

- ▲ 14% Personal consumption
- ▲ 14% Real estate purchase
- ▲ 12% Own business
- ▼ 41% Education

Among the registered debt as of 3Q2022

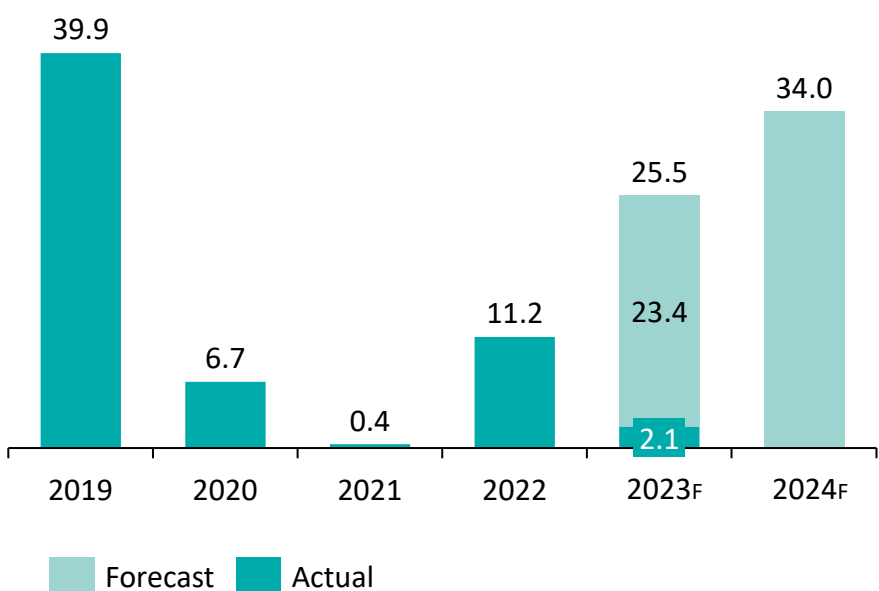
1/3 of Thai population have household debt
The average debt per household stood at THB 527,000

Source: Deloitte Analysis, TDRI EIS, PIER, National Credit Bureau

Tourism in Thailand is recovering from rising tourist arrival and reopening of the other borders. Most of the tourists (84.3%) are self-managed travel plans from the rise popularity in the uses of digital approach.

Foreign tourist arrivals Forecast

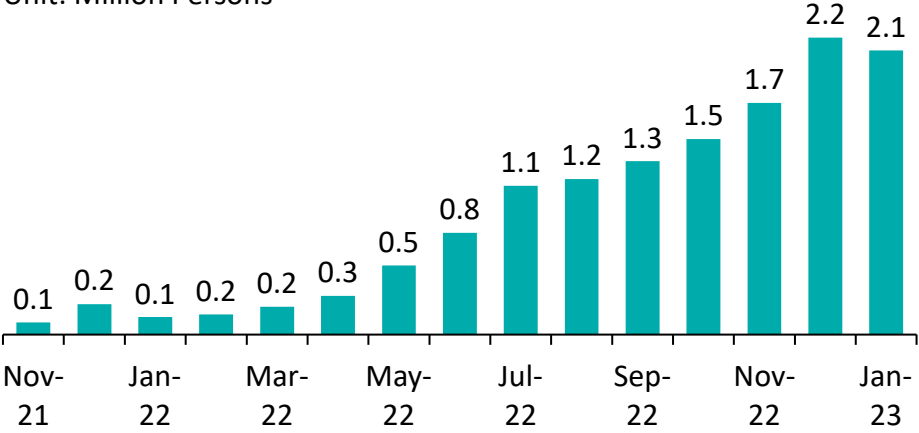
Unit: Million Persons



Source: Deloitte Analysis, Bank of Thailand, MOTs, NESDC

Foreign tourist arrivals by Month

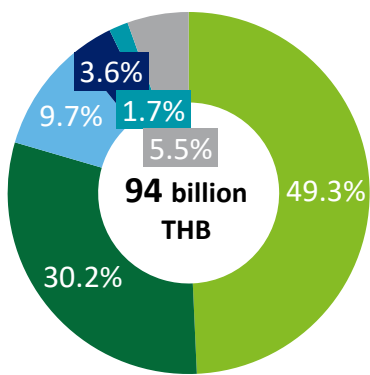
Unit: Million Persons



Top 5 provinces received income from foreign visitors

Period: January 2023

- Bangkok
- Phuket
- Chon Buri
- Chiang Mai
- Surat Thani
- Others



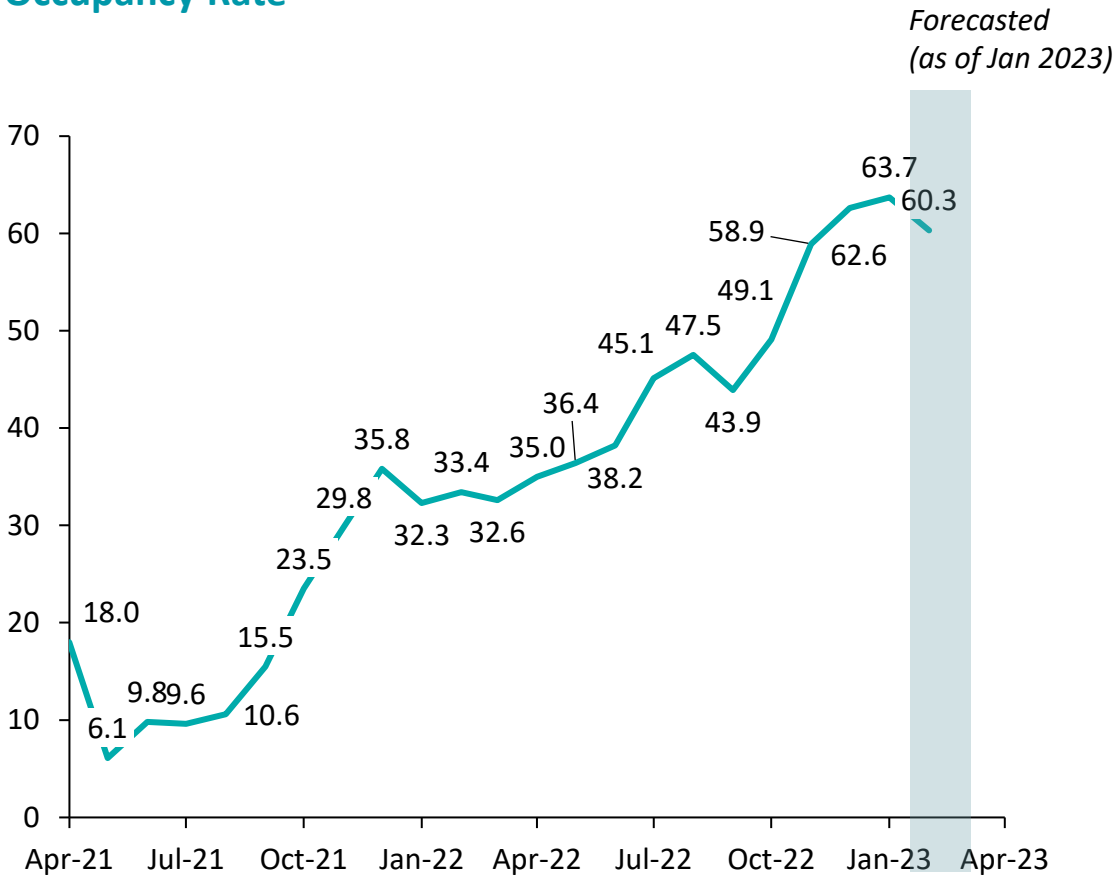
Top 5 Tourist Arrivals to TH by Nationality

Unit: Person (as of Jan 23)

- Malaysia 289K
- Russia 203K
- South Korea 169K
- India 103K
- China 92K

Occupancy rate saw increasing in January in response to higher tourist arrival and reopening country in China. However, Thailand would still face the challenges of high flight tickets and lack of workforce in tourism sector.

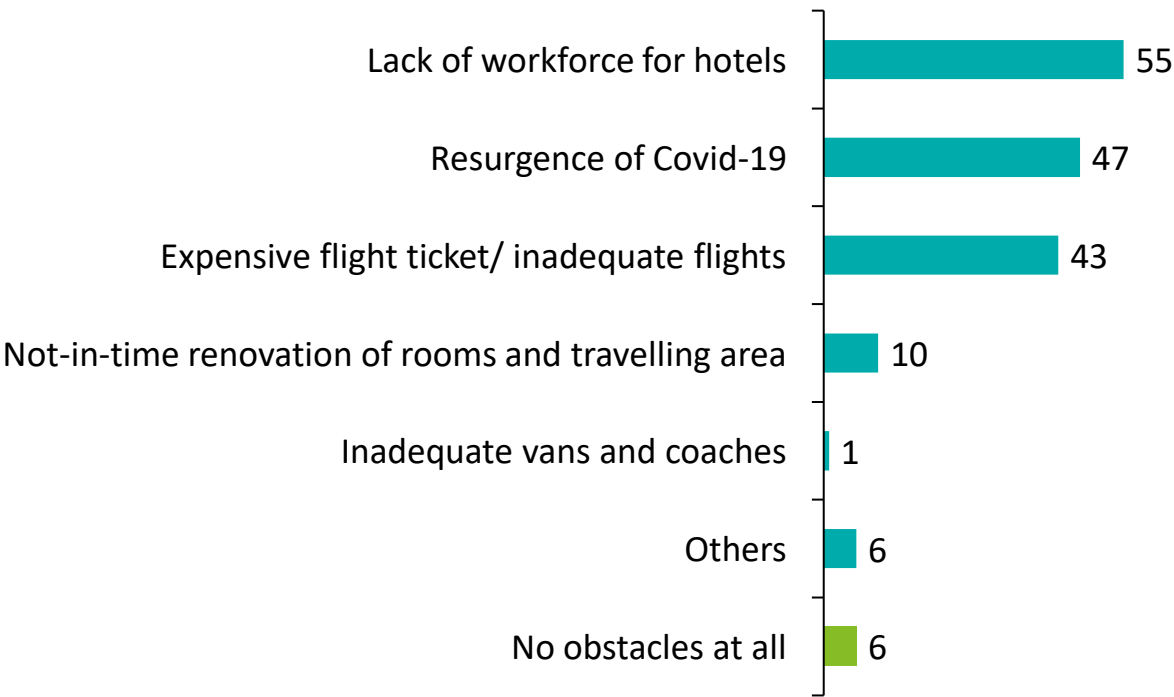
Occupancy Rate



Source: Deloitte Analysis, Bank of Thailand

Survey results of Challenges in Thailand’s tourism sector

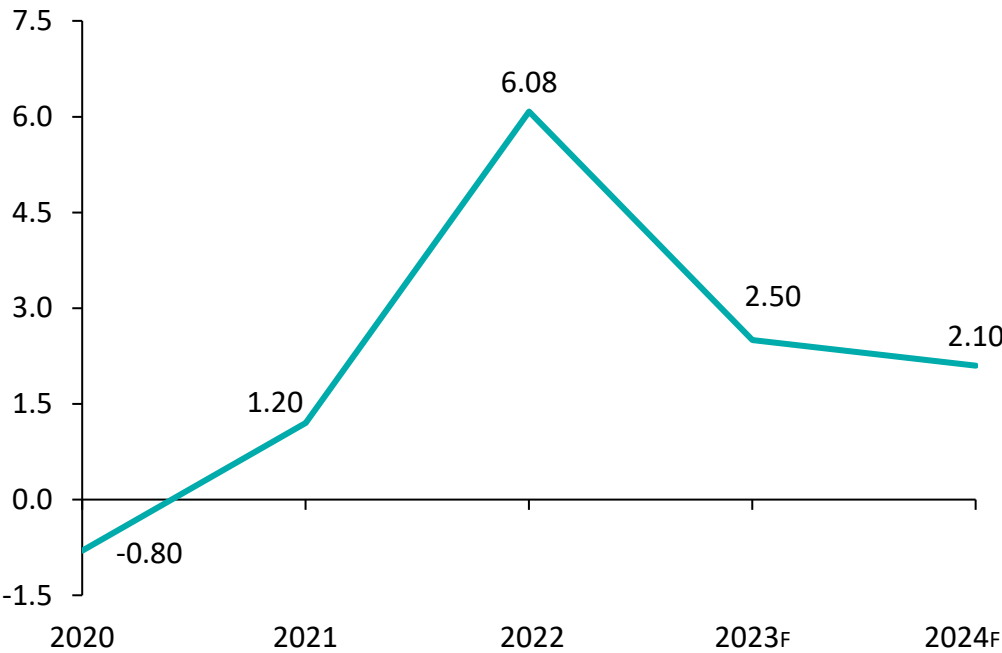
Unit: %



Inflation situation in Thailand saw decelerating.

Headline inflation peaked at 7.9% in August and will be higher than previously projected for 2023 but will still return to target, around 2-3%, by the end of the year.

Headline Inflation (%)



Inflation in February 23 = 3.79%

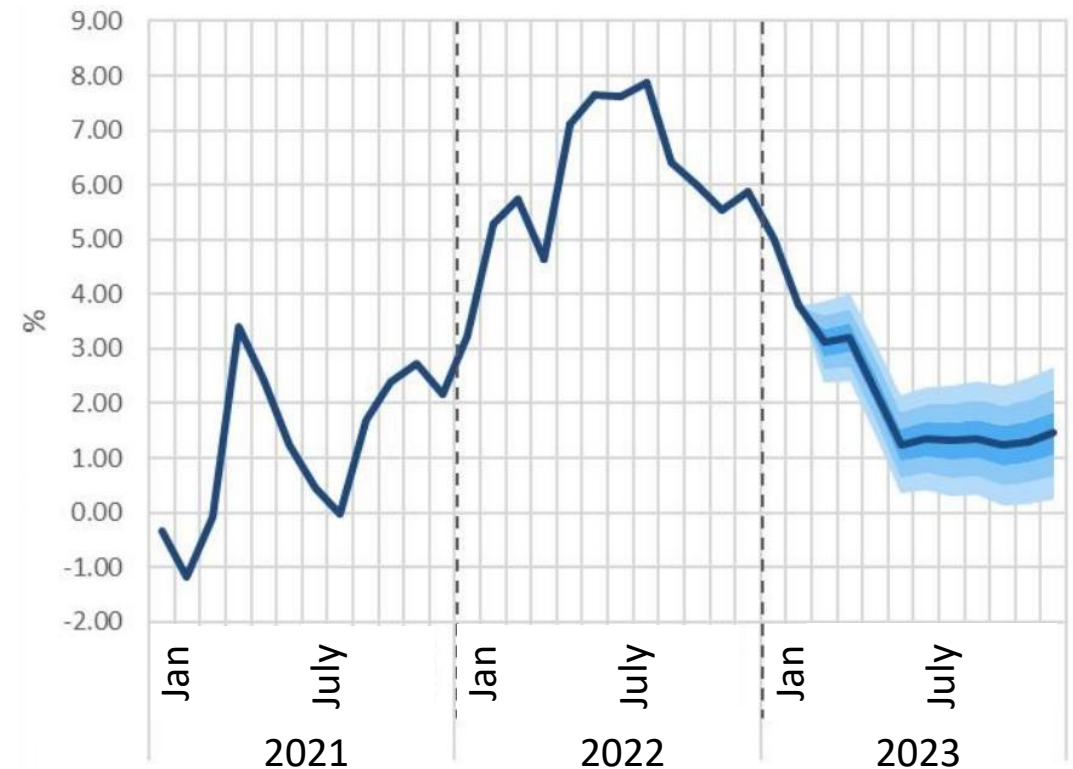
- Easing inflation contributed by
- Decelerating increase in energy and food prices
 - Recovering domestic demand from tourism sector

Source: Deloitte Analysis, Bank of Thailand, TPSO

Watchlist

- Potential recession among major economies
- Strengthening Thai baht

Headline Inflation forecast (%)



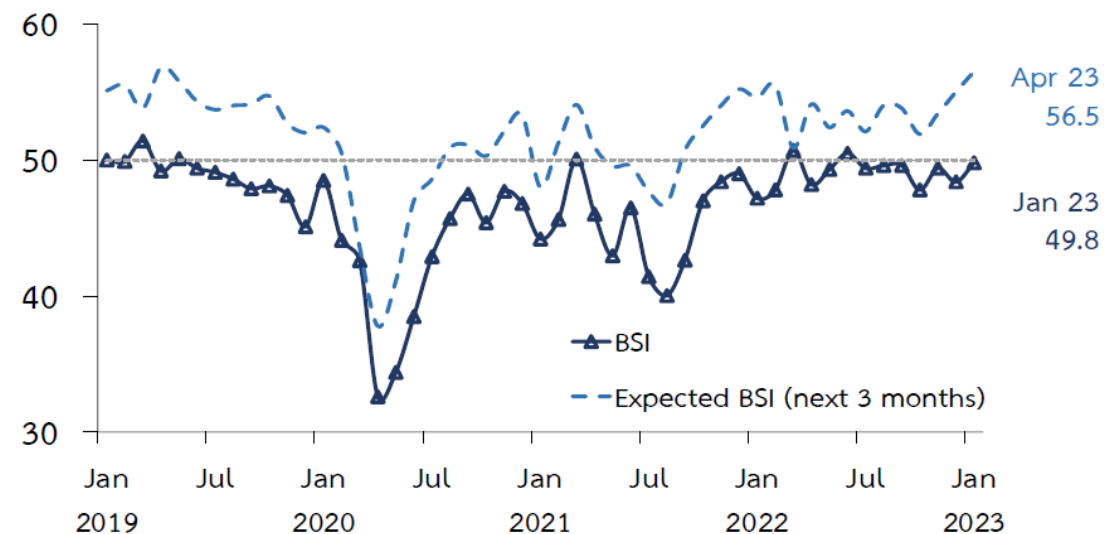
Source: TPSO

Business Sentiment Index saw improving especially for manufacturing in automotive from easing semiconductor shortage

Investment in machinery and equipment recovered from December 2022 from rising motors, machines, and medical devices. However, commercial cars declined from the lower registered of trucks and more-than-7-seat cars.

Business Sentiment Index

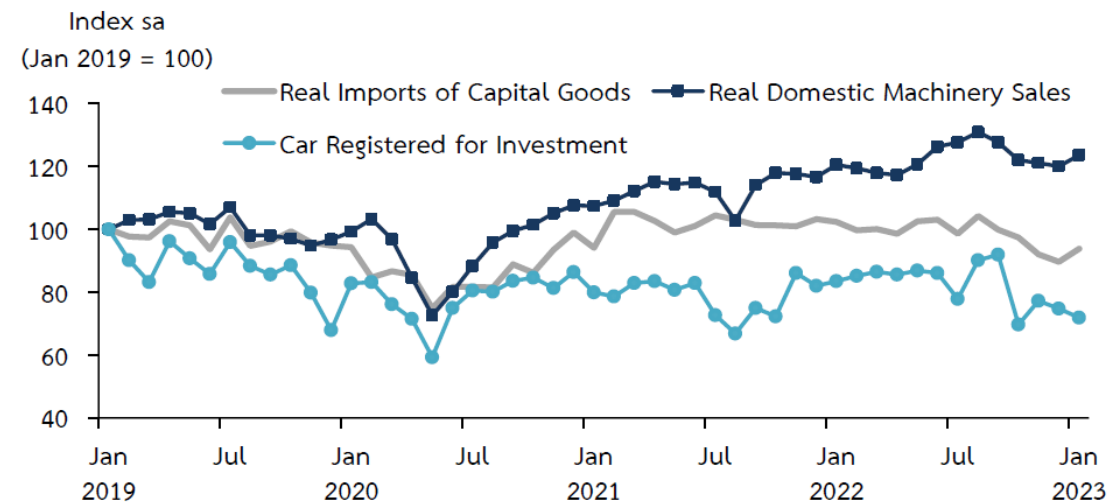
Diffusion Index
(Unchanged = 50)



Source : Bank of Thailand

Source: Bank of Thailand

Investment in Machinery and Equipment

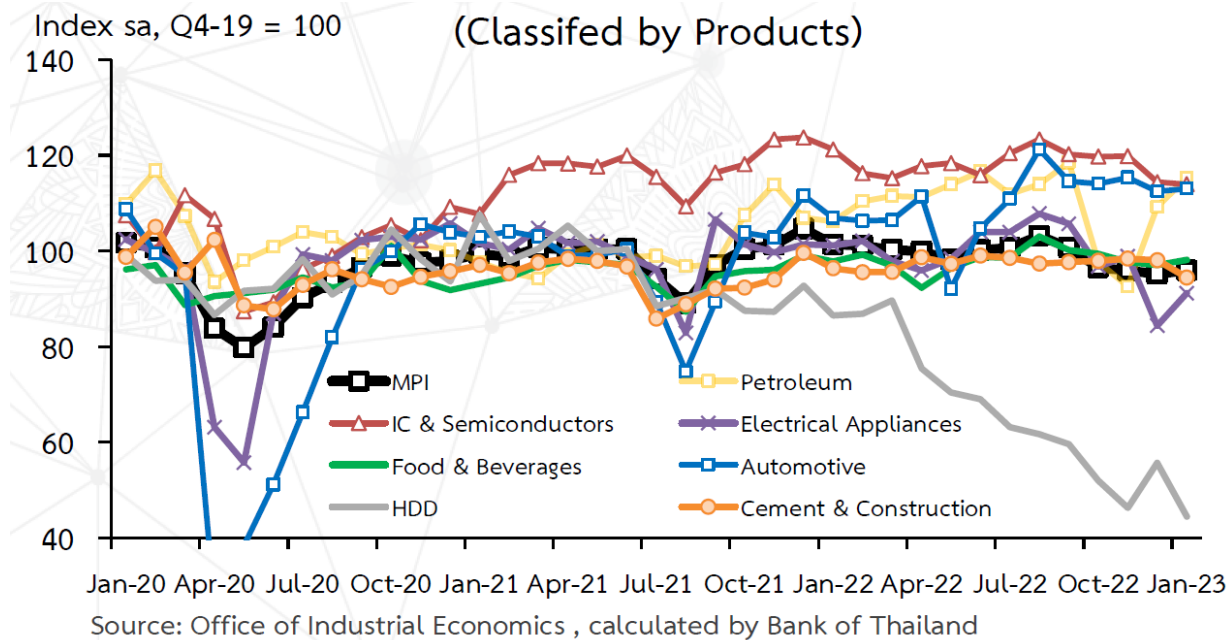


Note: All data is in real terms.

Source: Department of Land Transport, Customs Department, Revenue Department, calculated by Bank of Thailand

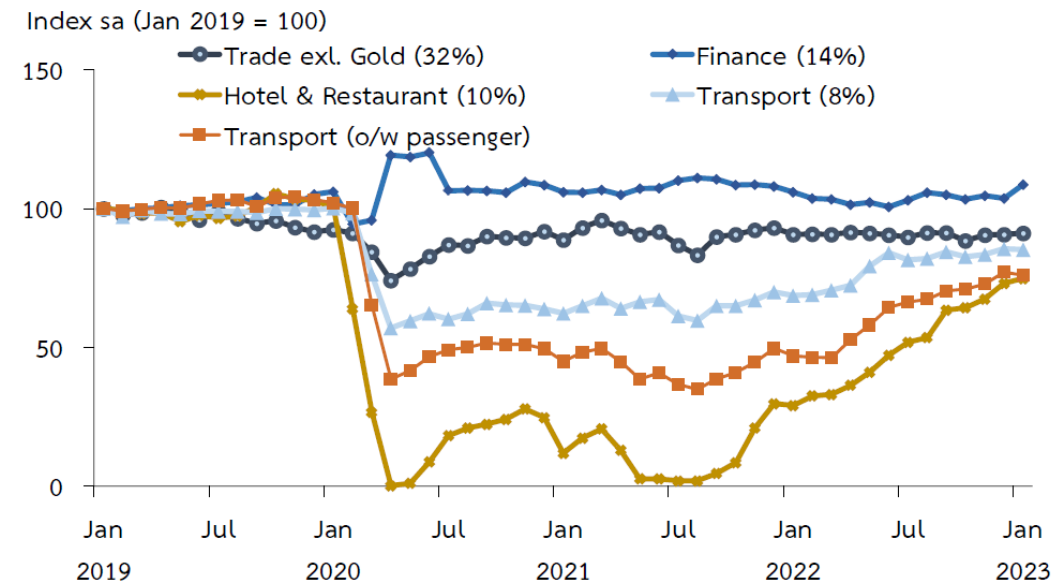
Petroleum, Electrical Appliances, and Food & Beverage are performing better in **manufacturing**. **Services** saw rising in response to post-pandemic and recovering tourism sector.

Manufacturing Production Index



Source: Bank of Thailand

Service Production Index by Sector

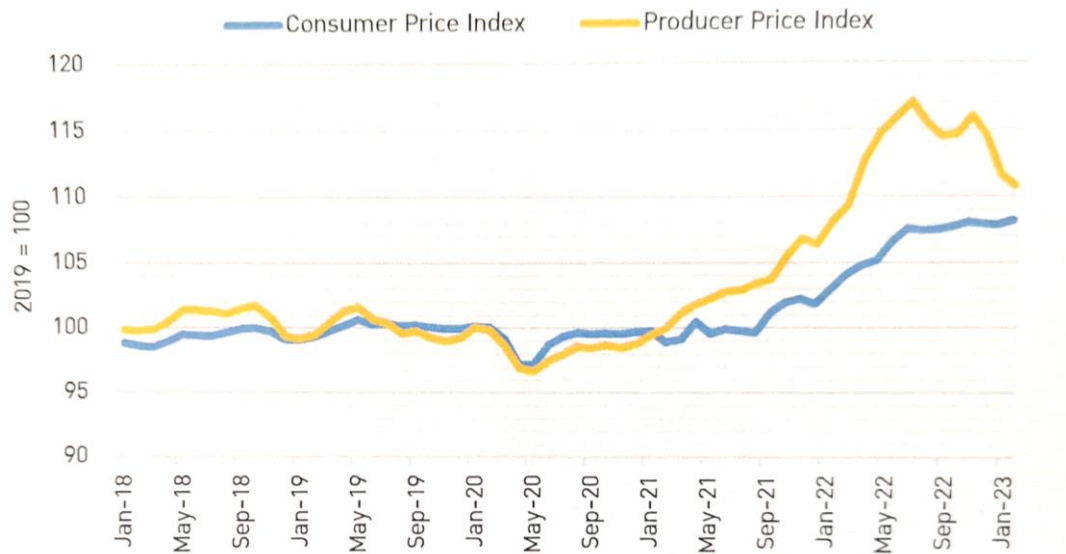


Note : Latest data estimated by Bank of Thailand
Source: Office of the National Economic and Social Development Board (NESDB), Ministry of Commerce, National Statistical Office, The Revenue Department, The Office of Industrial Economics ,and Ministry of Tourism and Sports

Prices saw easing.

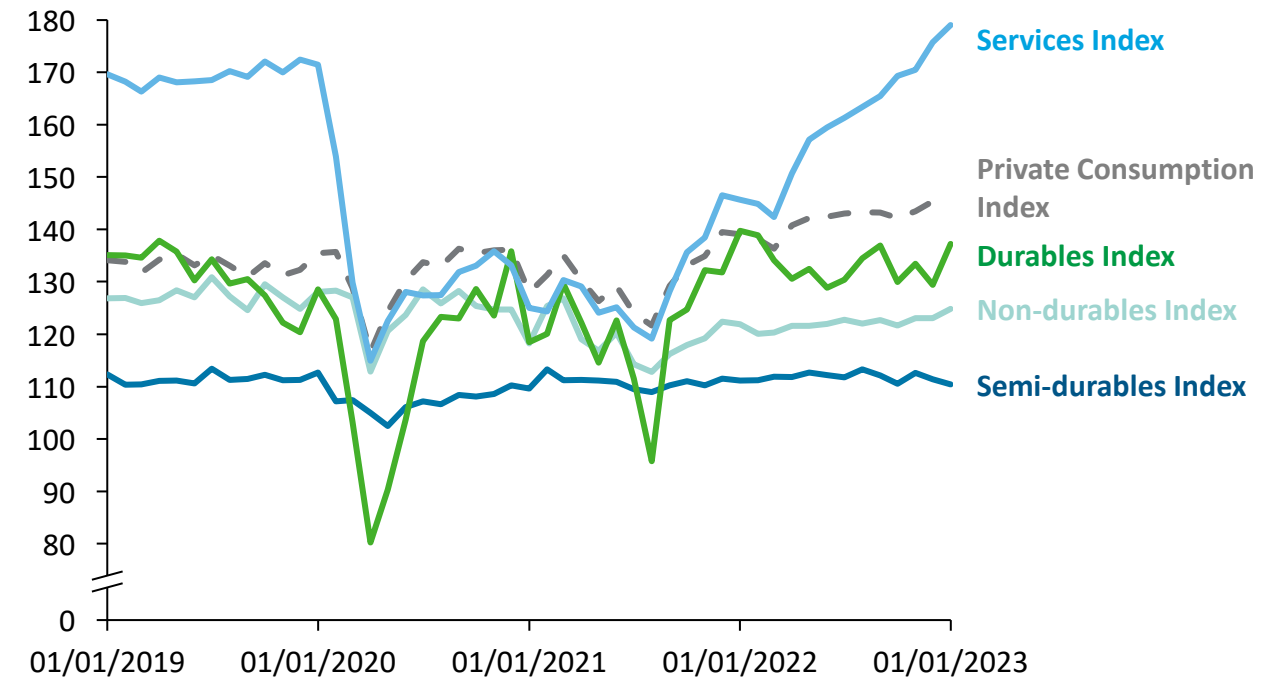
Prices saw decreasing; however, these would still high due to higher demand from economic recovery and 5% rise in minimum wage in October 2022.
PCI saw improving. The rising durable index was mainly contributed by higher purchase of automotive and EV cars, whereas the non-durable index improved from rising demand in consumer products and energy fuel.

Producer and Consumer Price Indices



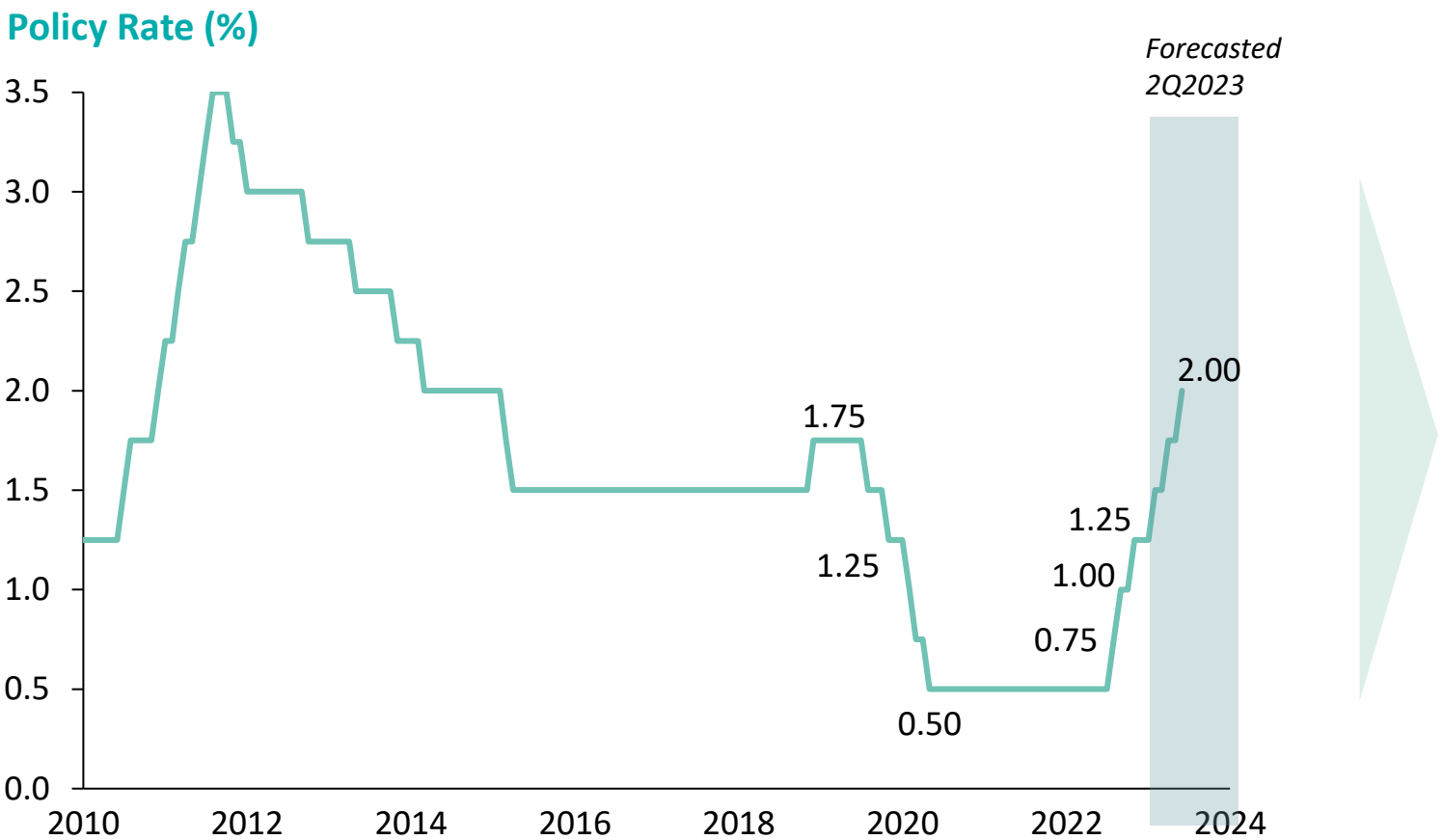
Source: TDRI EIS

Private Consumption Index (Seasonally Adjusted)



Source: Deloitte Analysis, TDRI, Bank of Thailand

The Monetary Policy Committee (MPC) unanimously voted to **raise the policy rate** by 0.25 percentage point, from 1.25 to 1.50 percent.



The Committee viewed that the Thai economy is projected to continue growing. The tourism sector will exhibit a faster recovery following the return of Chinese tourists. This will contribute to a more broad-based improvement in employment and income of services sector and self-employed workers.

The Committee also judges that downside risks to the global economy have decreased given the improving outlook in both advanced economies and China.

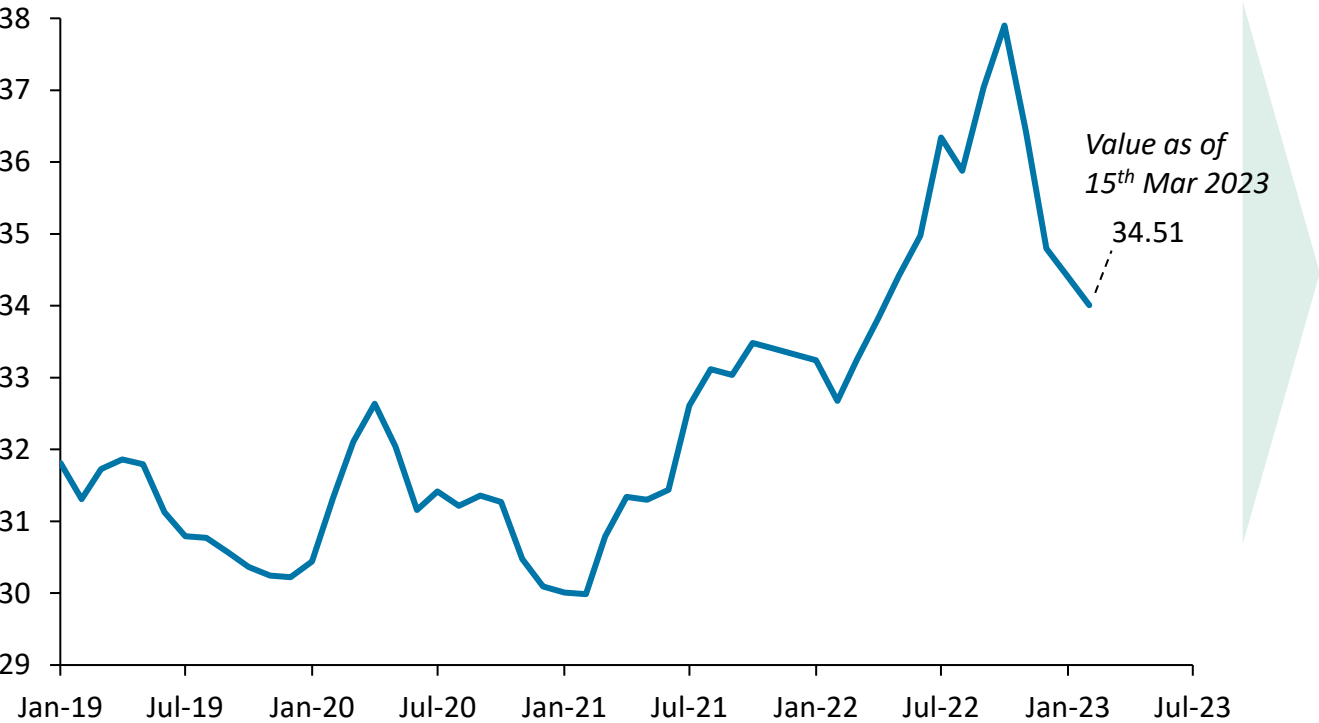
Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 1/2023, SCB EIC

Thai baht appreciated in response to Federal Reserve chairman’s statement that interest rate increase could slow down.

Exchange Rate (Unit: THB/USD)

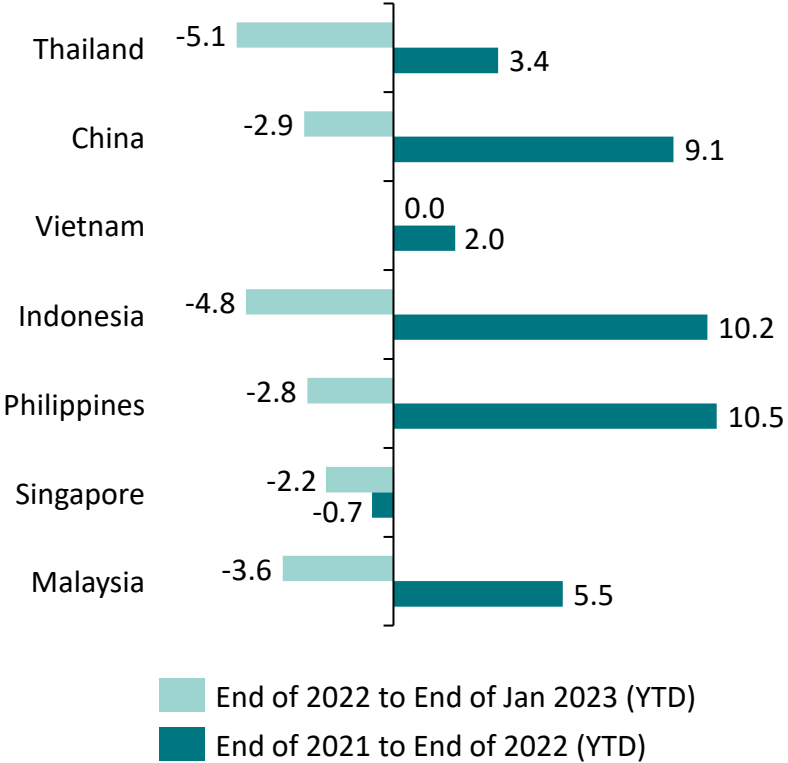
2022 35.05 /USD

2023F 33.38 /USD



Source: Deloitte Analysis, Bank of Thailand, TDRI EIS, NESDC

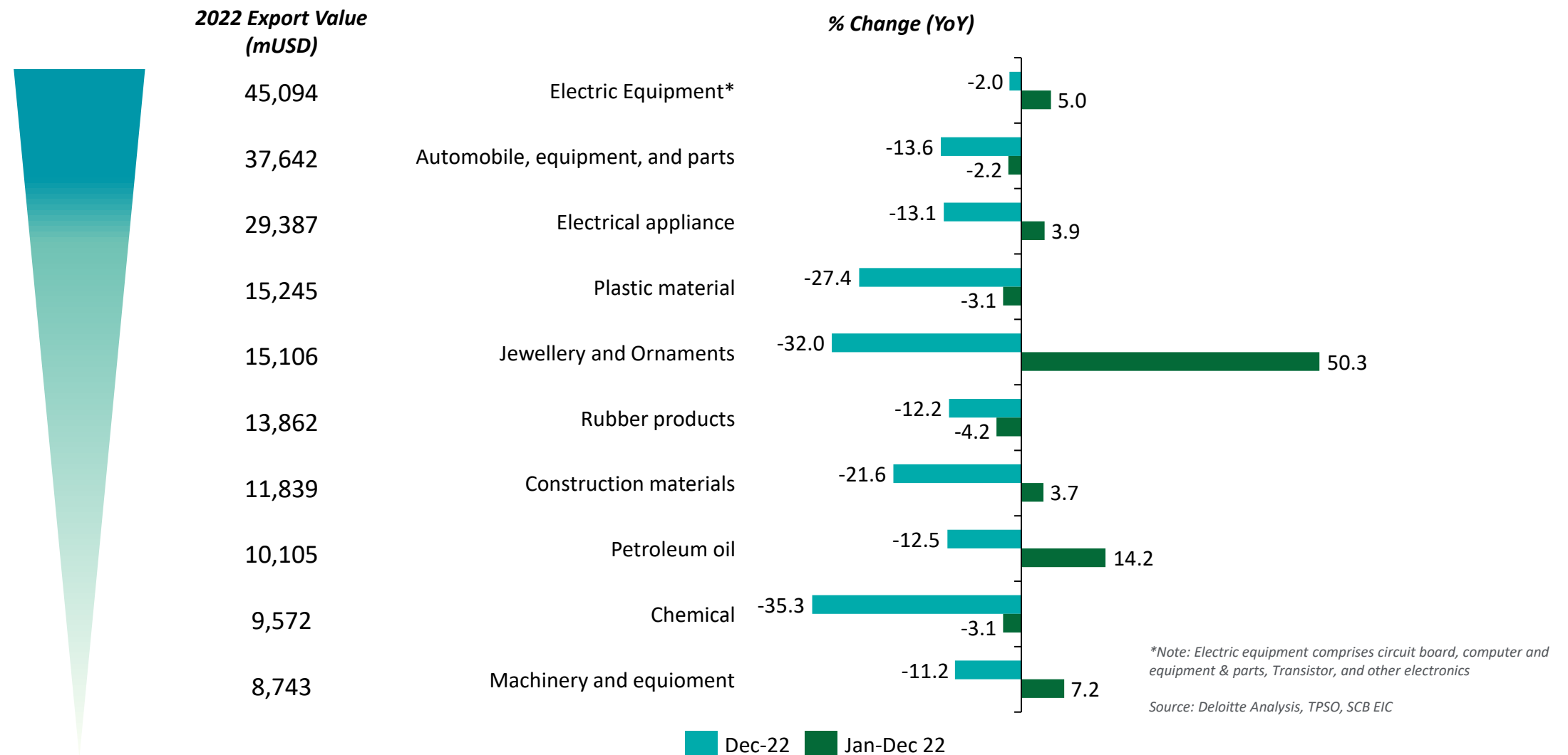
The Change of Currencies against USD (%)



Factors influencing Thai baht	
Appreciation	Depreciation
<ul style="list-style-type: none">Expected recovery from tourismForeign demand for Thai stocks	<ul style="list-style-type: none">FED’s more increases in interest rate in 2023Impact from Russia’s invasion to Ukraine

10 Key Industrial Exports for 2022

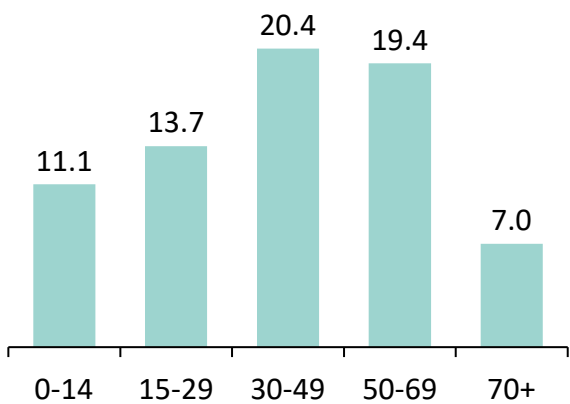
For Jewellery and Ornaments, despite the 32% YoY decline in December, the yearly growth in 2022 saw a significant growth of 50.3% YoY due to the increasing demand after the fall in stock and demand during the Covid-19 Pandemic.



Thailand's entering to aging society

Share of total population aged 65 above and the aged lower than 15 had already crossed in 2022, more solid forecast on aging society. Food & Beverage and Leisure & Hospitality saw the most attractive spending for the silver.

2022 Thailand Population by Age*
Unit: Million Person



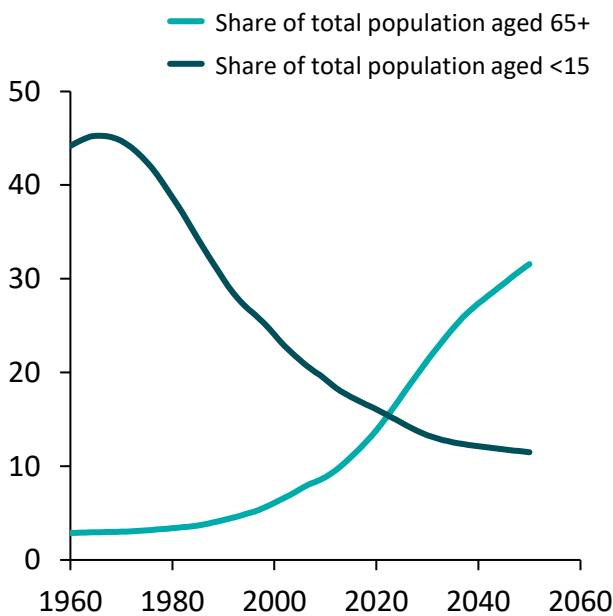
Thailand Population Forecast*
Unit: Million

2023F	71.8	2040F	70.9
2030F	72.1	2050F	67.9

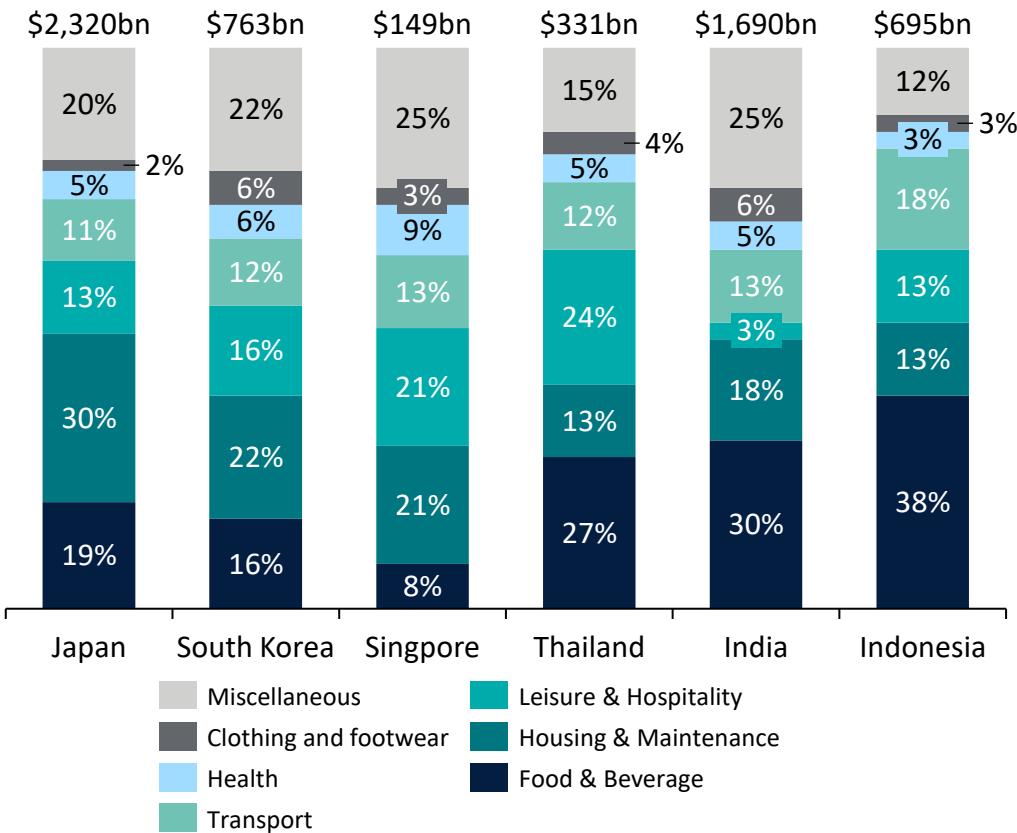
Source: Deloitte Analysis, Deloitte Monitor, World Bank

*Note: These graphs focus on population trend only. World Bank reported 2022 Thailand's population as 71.7 million persons whereas the Bank of Thailand reported as 66.1 million persons.

Share of Total Population by Age
Unit: %

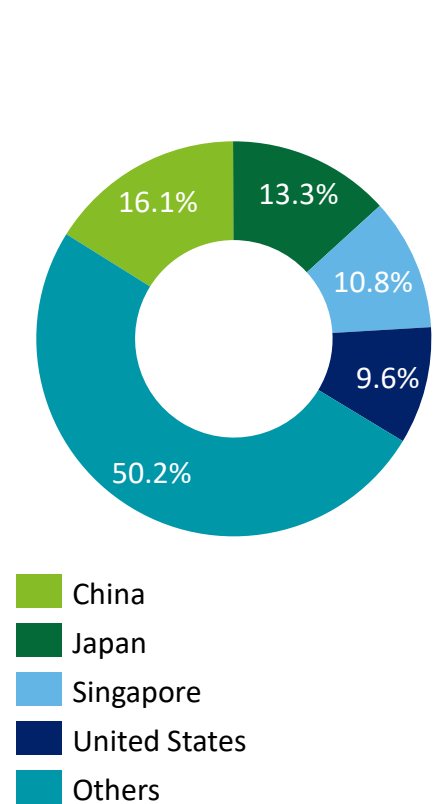


The Silver Consumer Spend Share by Sector in 2030
Unit: US Dollar



FDI inflow, cumulatively, had been mostly contributed by Manufacturing sector which China also saw to be an investor leader in Thailand.

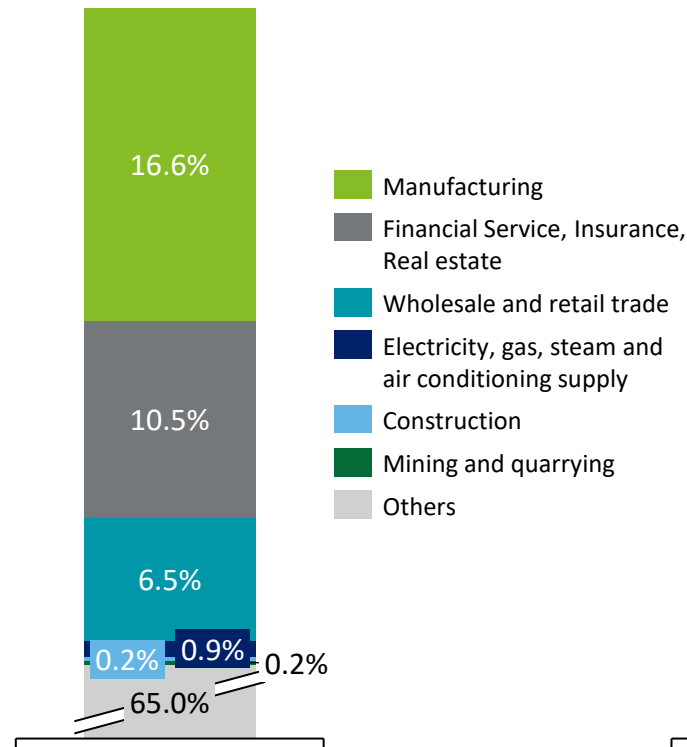
2020-9M2022 FDI inflow to TH by Countries (%)



Total FDI inflow
5,332 billion THB

Source: Deloitte Analysis, Bank of Thailand, MOTS

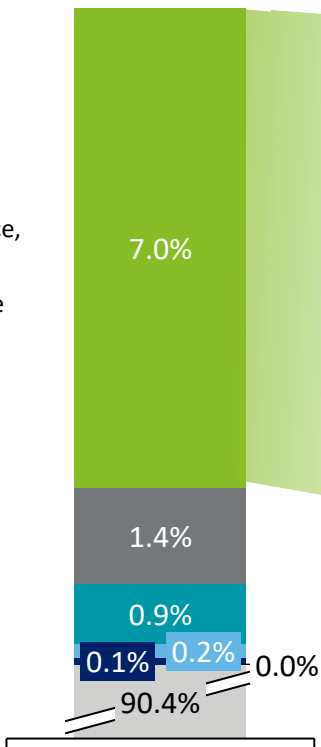
2020-9M2022 FDI inflow to TH by sectors (%)



Total FDI inflow
5,332 billion THB

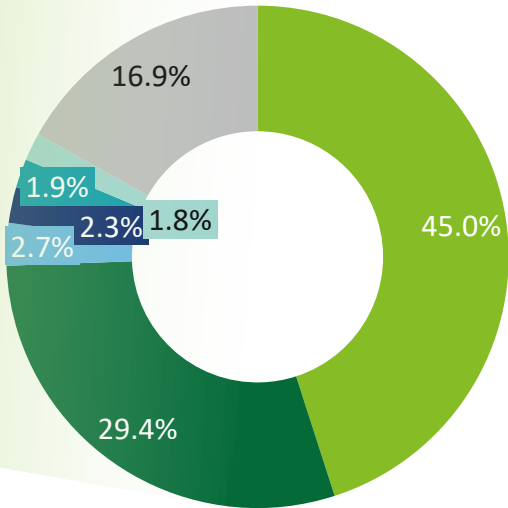


2020-9M2022 CN FDI inflow to TH by sectors (%)



Total CN FDI inflow to TH
856 billion THB

2020-9M2022 CN FDI inflow to TH by sectors - Manufacturing breakdown (%)



- Rubber and plastics products
- Motor vehicles, trailers and semi-trailers
- Machinery and equipment
- Electrical equipment
- Chemicals and chemical
- Computer, electronic and optical products
- Others

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