

**Deloitte.**

Economic Outlook Report  
3Q2022

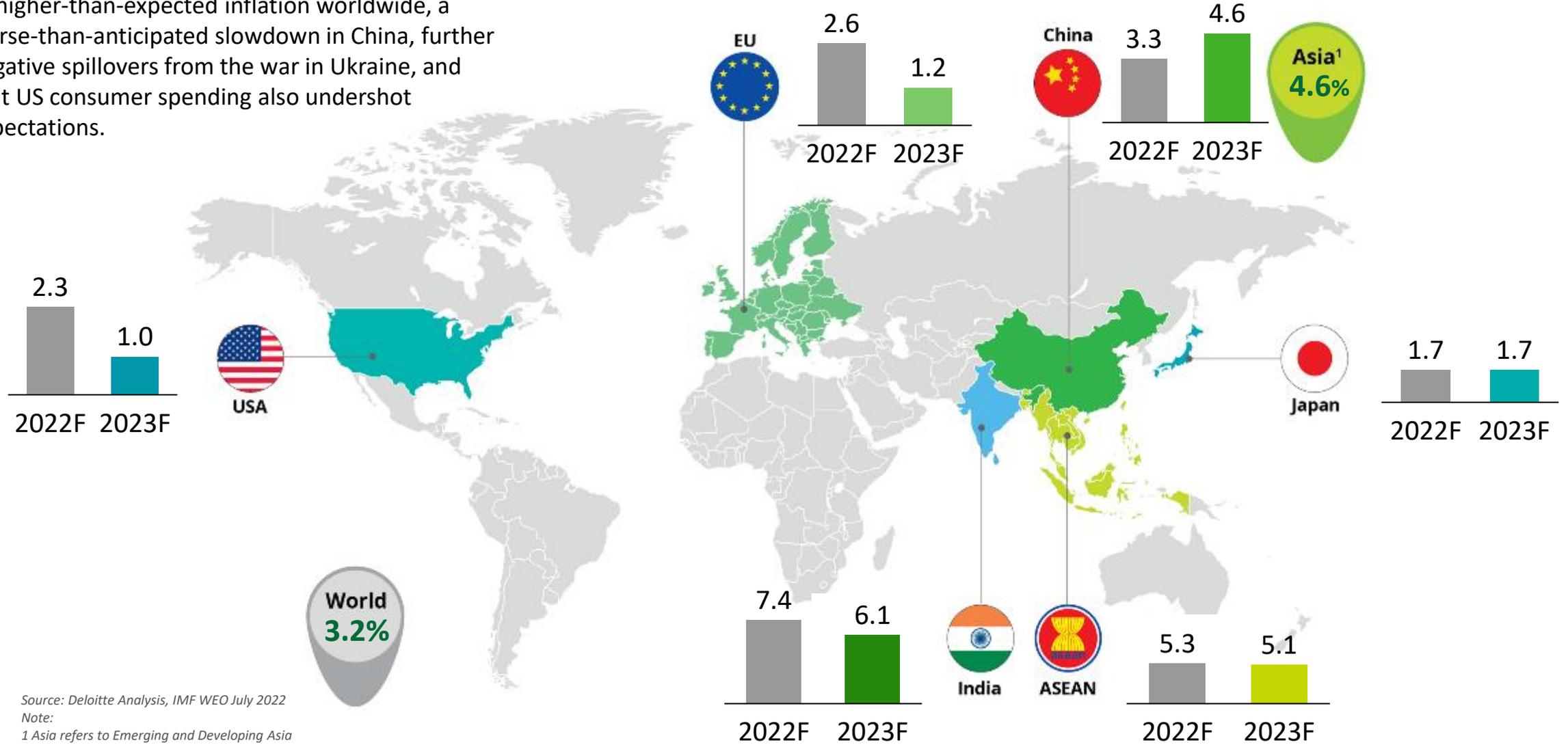
Clients & Markets, September 2022

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MATTERS  
*since 1845*

# Global Economy 3Q2022



The 2022 Global economy contracted owing to higher-than-expected inflation worldwide, a worse-than-anticipated slowdown in China, further negative spillovers from the war in Ukraine, and that US consumer spending also undershot expectations.



Source: Deloitte Analysis, IMF WEO July 2022

Note:

1 Asia refers to Emerging and Developing Asia

2 ASEAN refers to ASEAN-5; Indonesia, Malaysia, Philippines, Thailand, Vietnam

# Key Takeaway and Watchlist in 2022



## US

### Key Takeaway

- + Recovering job market
- Surge in inflation (8.3% in August 22)
- Soaring housing prices despite weakness in housing market
- Fed aggressively raised 0.75% of interest rate in July.

### Watchlist

-  Fed potentially to raise more interest rate in 2022, and reducing asset holdings on its \$9 trillion balance sheet
-  Bond yield movement and recession watch list



## EU

### Key Takeaway

- + The ECB raised its benchmark interest rate for the first time in eleven years.
- Surge in inflation rate (8.9% in July 22, forecasted 9.1% in August 22)
- A massive surge in electricity prices
- Weak euro and its fall below parity versus dollar in September

### Watchlist

-  ECB to further raise interest rate
-  Impact from Russia's Ukraine invasion, and potential limiting imports of oil from Russia, and that Russia cut off gas to Europe



## JAPAN

### Key Takeaway

- + Recovering GDP (2Q22 grew 2.2%)
- Recovering consumer spending
- Rising retail sales
- Accelerating inflation (2.6% in July 22)
- The sharp decline in the value of the yen
- Rising material costs

### Watchlist

-  Potential maintaining ultra-accommodative policy stance
-  Additional \$21.13 billion budget bill to fend off inflation



## CHINA

### Key Takeaway

- + Increased investment in infrastructure
- Easing Covid lockdown
- Improving trade volume
- Lowering loan rates
- Low water level from climate change causing reduced hydroelectric power generation, yielded to lack of electricity
- Local government revenue from the sale of land usage has fallen sharply
- Continuing weakness in the property and construction sectors

### Watchlist

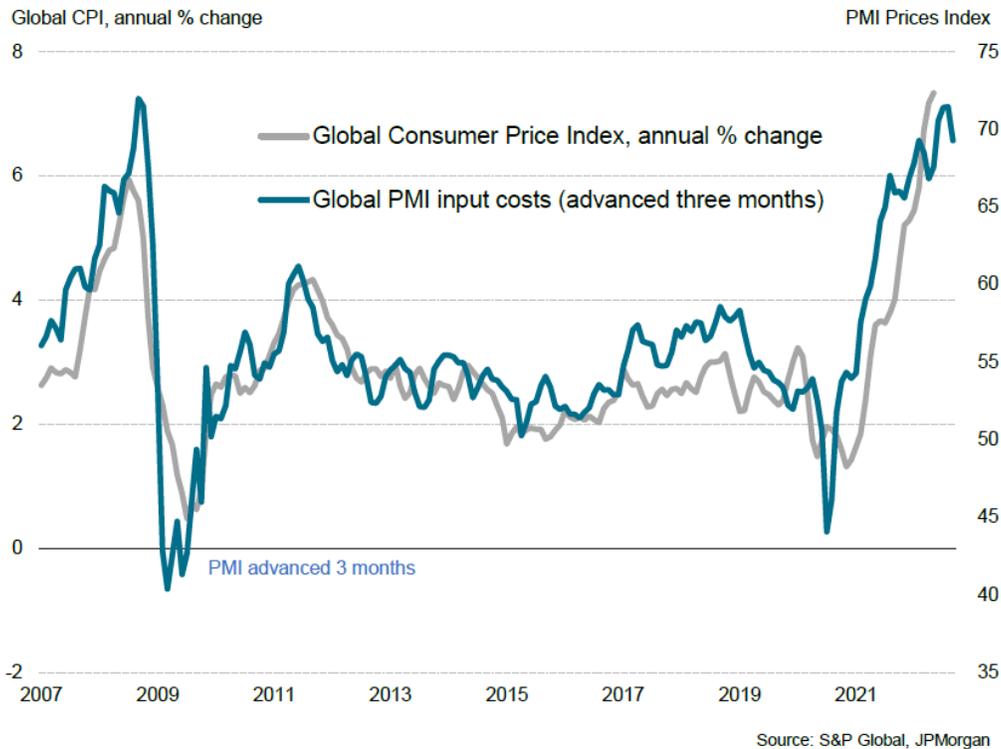
-  On-going China-US and China-Taiwan tensions, Russia-China relations
-  Potential increase restriction to contain Covid-19

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

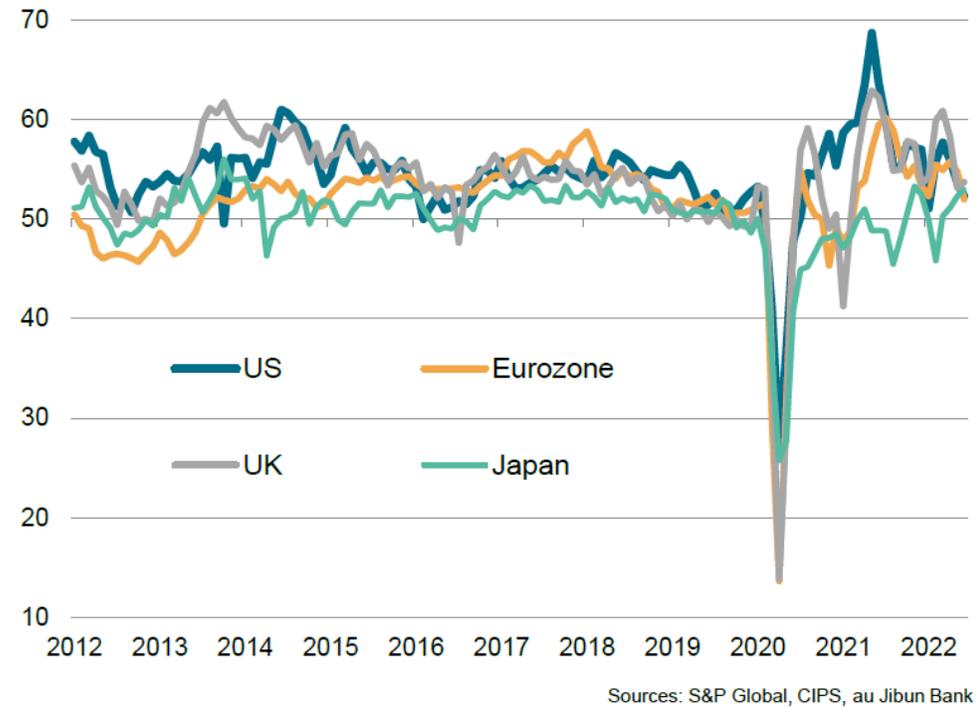
## The Ups and The Downs:

PMI data showed companies' input costs rising at the slowest rate recently, signaling a cooling of global consumer price inflation in the coming months. However, the output growth in the developed world slowed in June to the second-weakest since January 2021. Especially seen in the US and eurozone, with more robust rates of increase recorded in the UK and Japan thanks to better service sector performances.

### Global CPI & PMI Prices Index



### Composite PMI Output/ Business Activity Index



Source: Deloitte Analysis, IHS Markit

Even though the recent Materials Price Index (MPI) saw higher, it is still 19.4% below its all-time high established in early March and 4.3% lower than this time last year.

Mainly pushed by surge in energy prices, with natural gas and coal both increased significantly. Industrial metals also rebounded with the nonferrous metal sub-index up 2.5%. Base metal prices reflected from a slightly weaker US Dollar, the promise of additional infrastructure spending by mainland China, and a declining in inventory.

### IHS Markit Materials Price Index

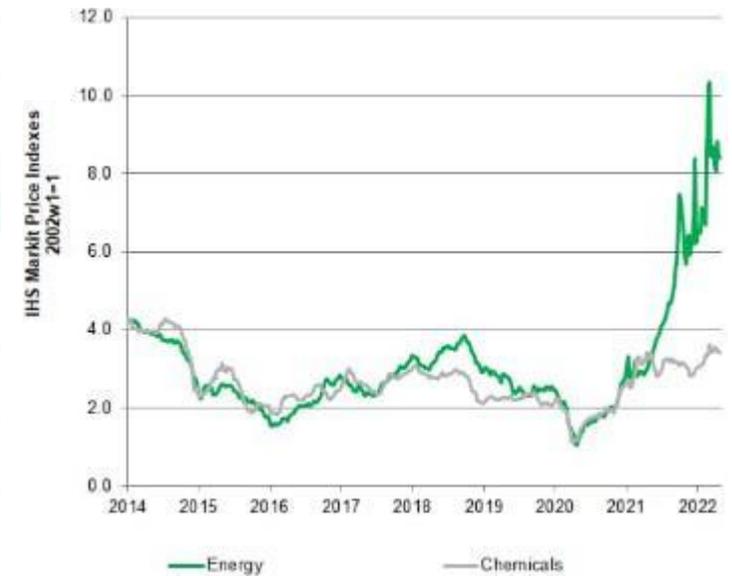


Source: Deloitte Analysis, IHS Markit

### Ferrous Prices



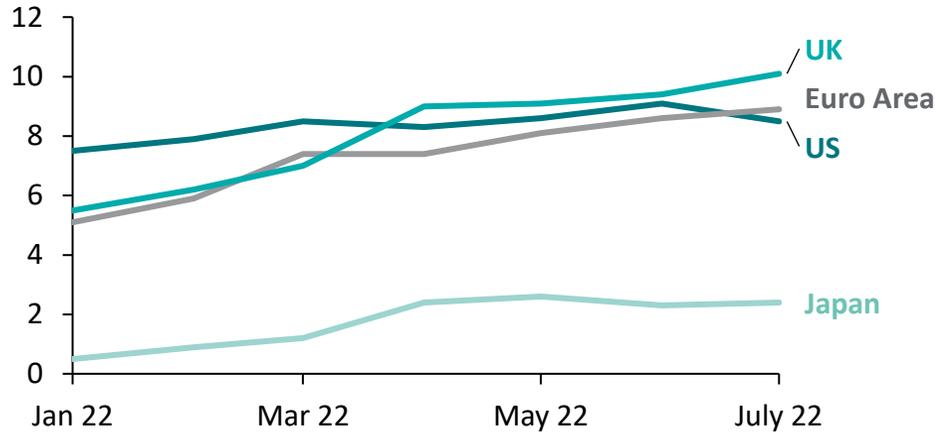
### Energy and Chemical Prices



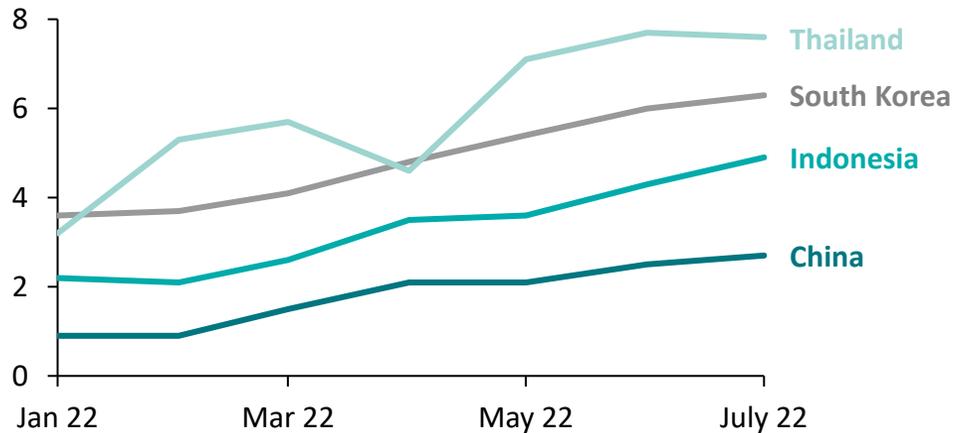
Inflation surged in several areas, and the rising interest rates are aimed to stifle the inflation.

## Inflation Rate

### Developed countries

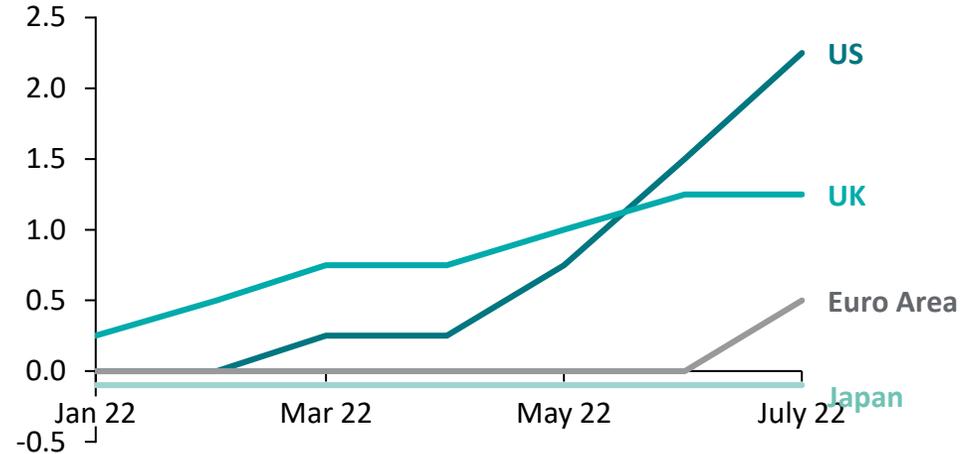


### Developing countries & Emerging markets

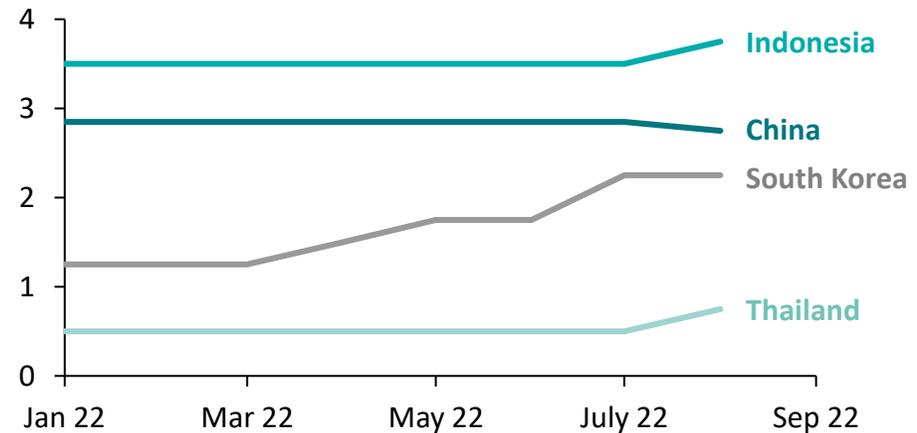


## Policy Rate

### Developed countries



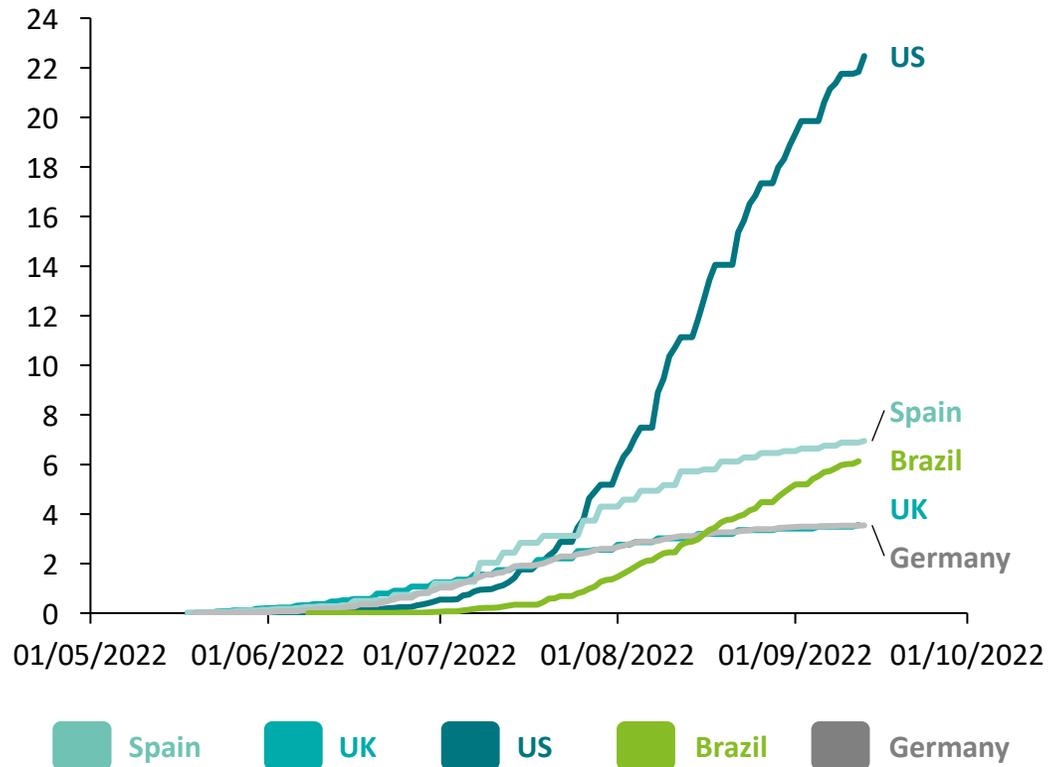
### Developing countries & Emerging markets



# Monkeypox Situation

Monkeypox continues to spread across the globe with cases jumping by 67% from August.

## Monkeypox: Cumulative Confirmed Cases (Unit: Thousand)



Source: Deloitte Analysis, Our World in Data, CDC, Retrieved data as of 14<sup>th</sup> Sep 2022

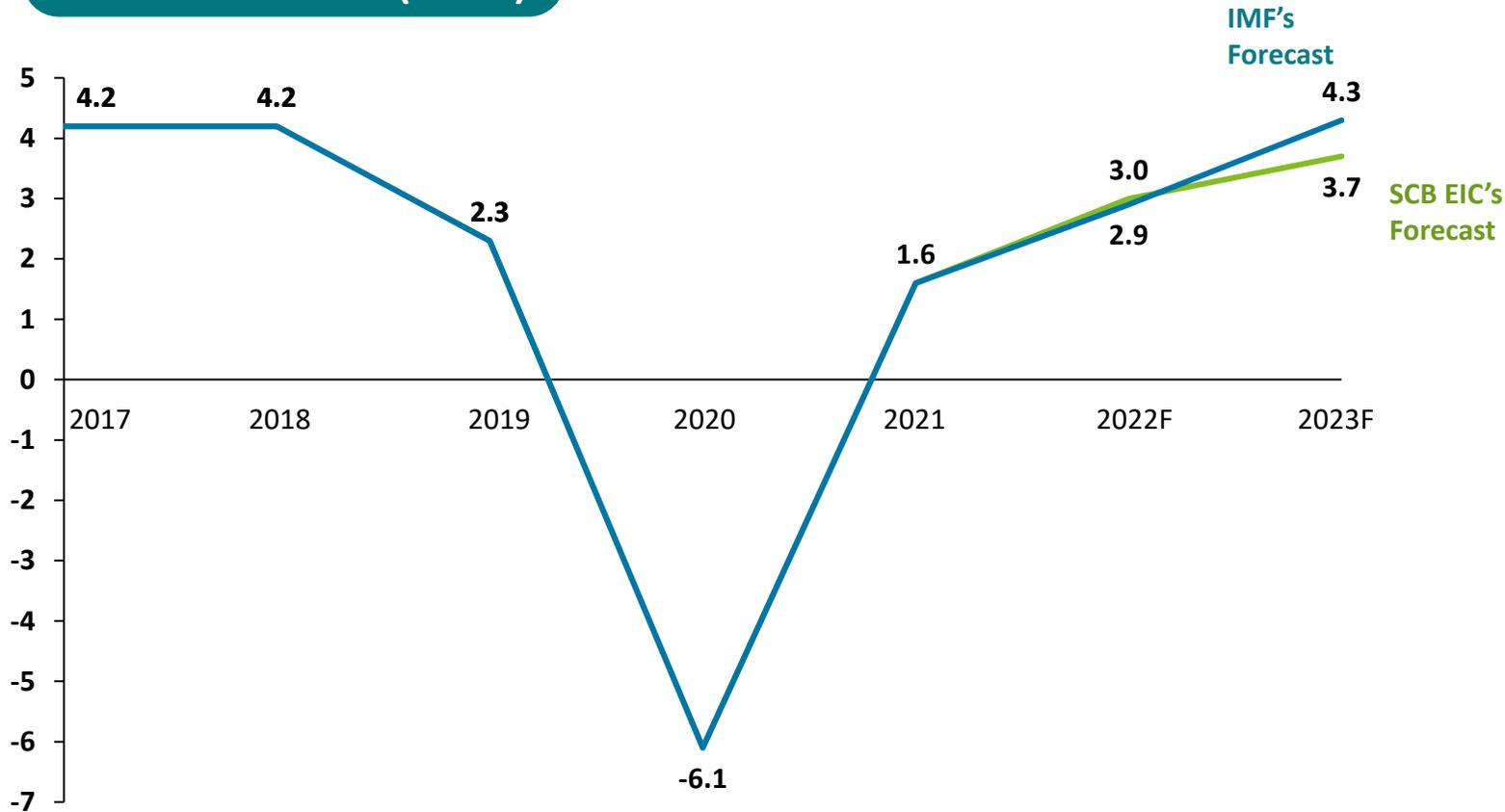
An aerial, long-exposure photograph of a complex highway interchange at night. The image is dominated by vibrant light trails from cars, creating a sense of motion and energy. The trails are primarily in shades of blue, cyan, and magenta, with some red and white highlights. The roads curve and loop, forming a complex pattern of light. The overall atmosphere is futuristic and dynamic.

# Thai Economy 3Q2022

# 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, SCB EIC, IMF WEO June 2022

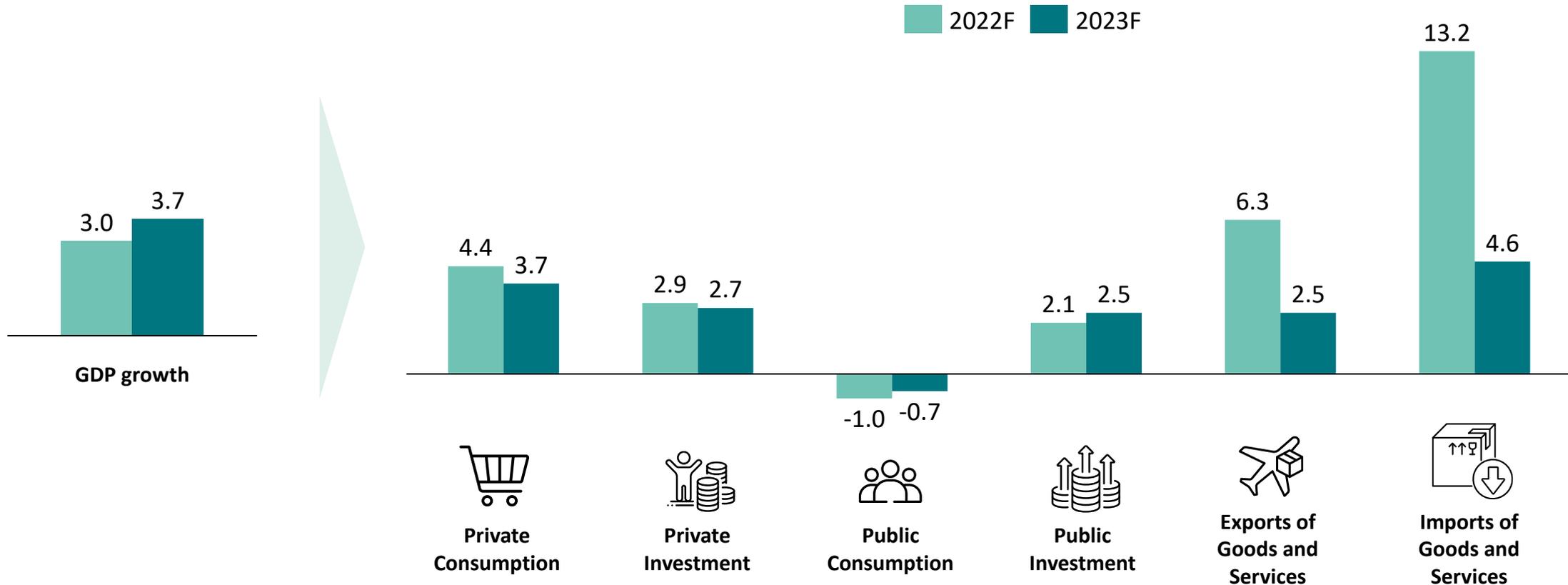


### Key Factors to be Monitored

- +** Rising tourist arrivals from reopening country and easing Covid-19 measures
- Increase in domestic demand from tourism and demand from high-income consumer
- Surge in inflation and rising interest rate
- Lower consumer and private confidence
- Impact from Russia-Ukraine war
- Potential extended energy shortage

# Thailand Economic Outlook

Thai economy is forecasted a recovery mainly owing to increasing tourism activities and private consumption. However, under Thai economy's uncertainty, inflation pressure, and the spillover effects from Russia-Ukraine war are crucial factors for economic recovery.



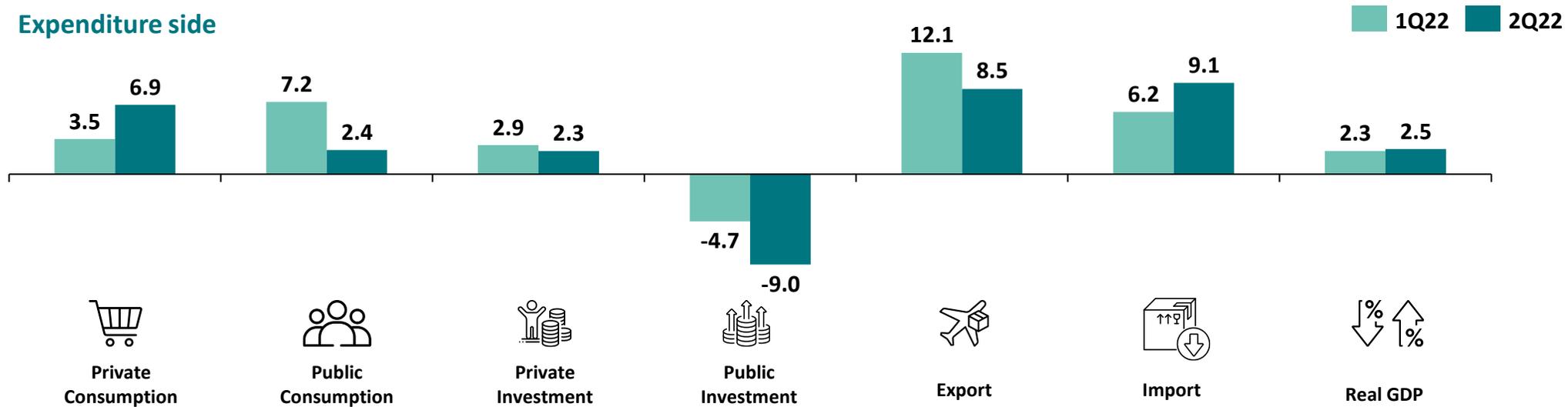
Source: Deloitte Analysis, Bank of Thailand, SCB EIC

# Thailand's 2Q2022 economy grew 2.5% YoY

Overall components saw expanding except public investment

## Contribution to Growth of Real GDP 2Q2022

### Expenditure side



### Manufacturing side



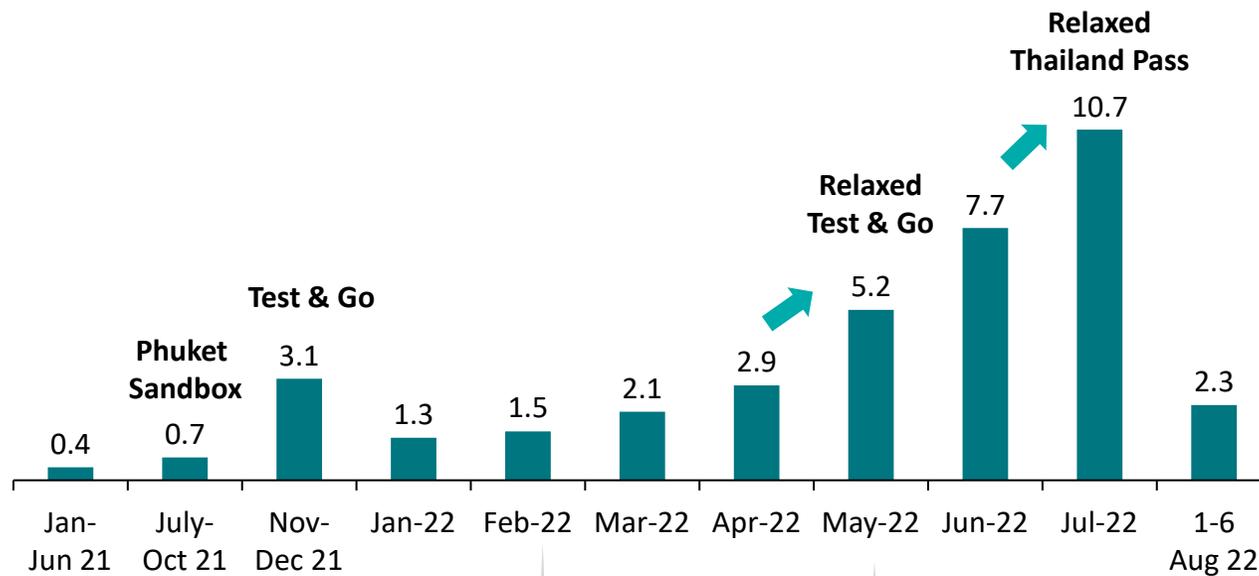
Source: Deloitte Analysis, SCB EIC August 2022

# Tourism, Thailand's key engine for economic growth since pre-Covid, is recovering from more relaxed measurements and reopening of the border.

As of August 2022, Thailand has reached 3.2 million of foreign tourists, and is expected to achieve 10 million by 2022.

## Foreign tourist arrivals

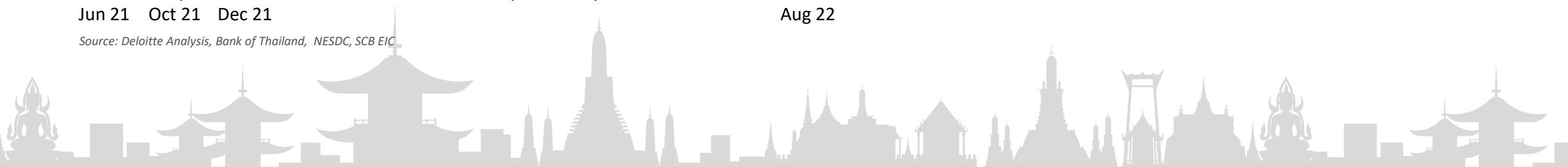
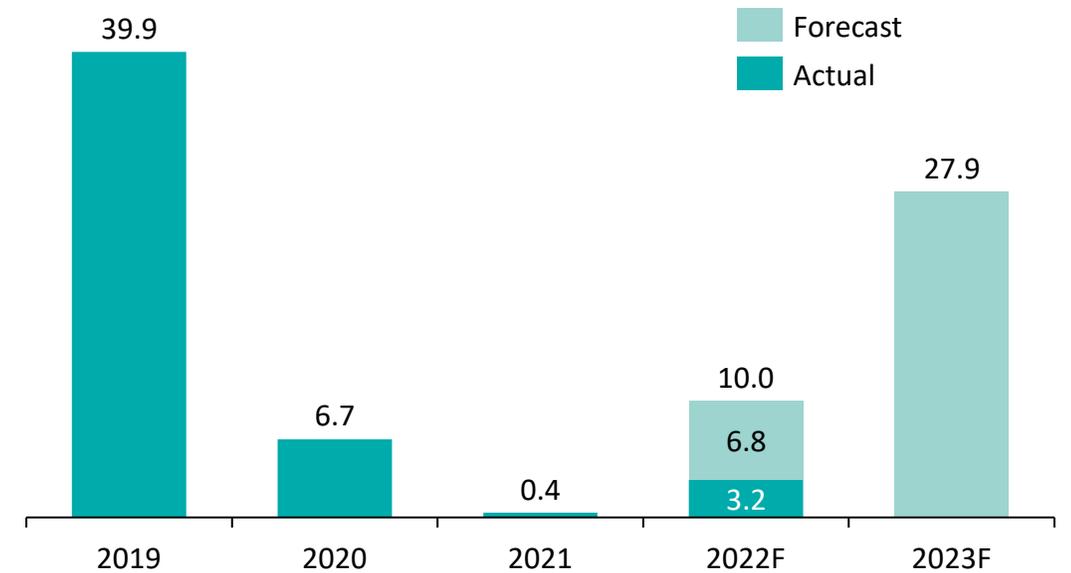
Unit: Hundred Thousand



Source: Deloitte Analysis, Bank of Thailand, NESDC, SCB EIC

## Foreign tourist arrivals Forecast

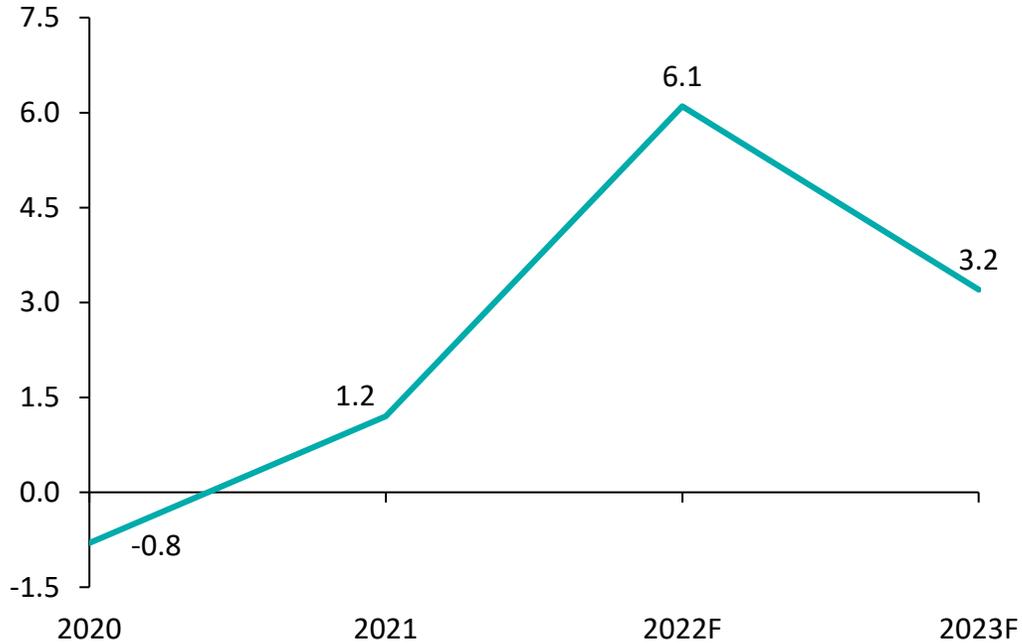
Unit: Million



# Inflation situation Thailand saw concerned

Headline inflation has increased sharply in 2022 but would lower to around the target range in 2023. Thailand's GDP is also expected to reach the pre-COVID level within this year.

## Headline Inflation (%)



**Inflation in July 22 = 7.61%**

Contributed by

- Rising crude oil and energy prices
- Rising fresh food prices
- Low base of the last year's rate

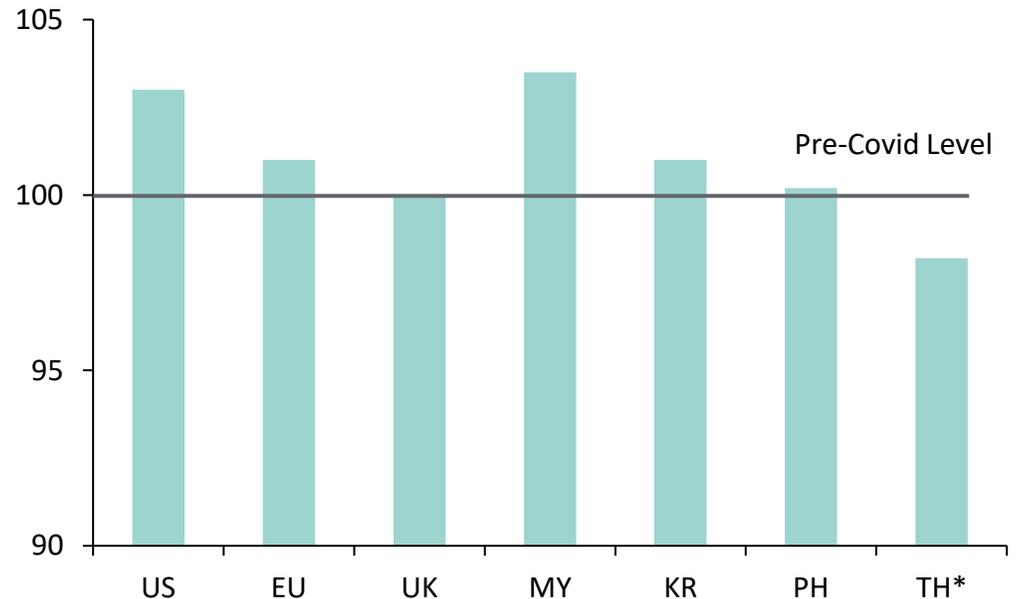
Source: Deloitte Analysis, Bank of Thailand, SCB EIC

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## GDP relative to Pre-COVID level at central bank's 1st hike

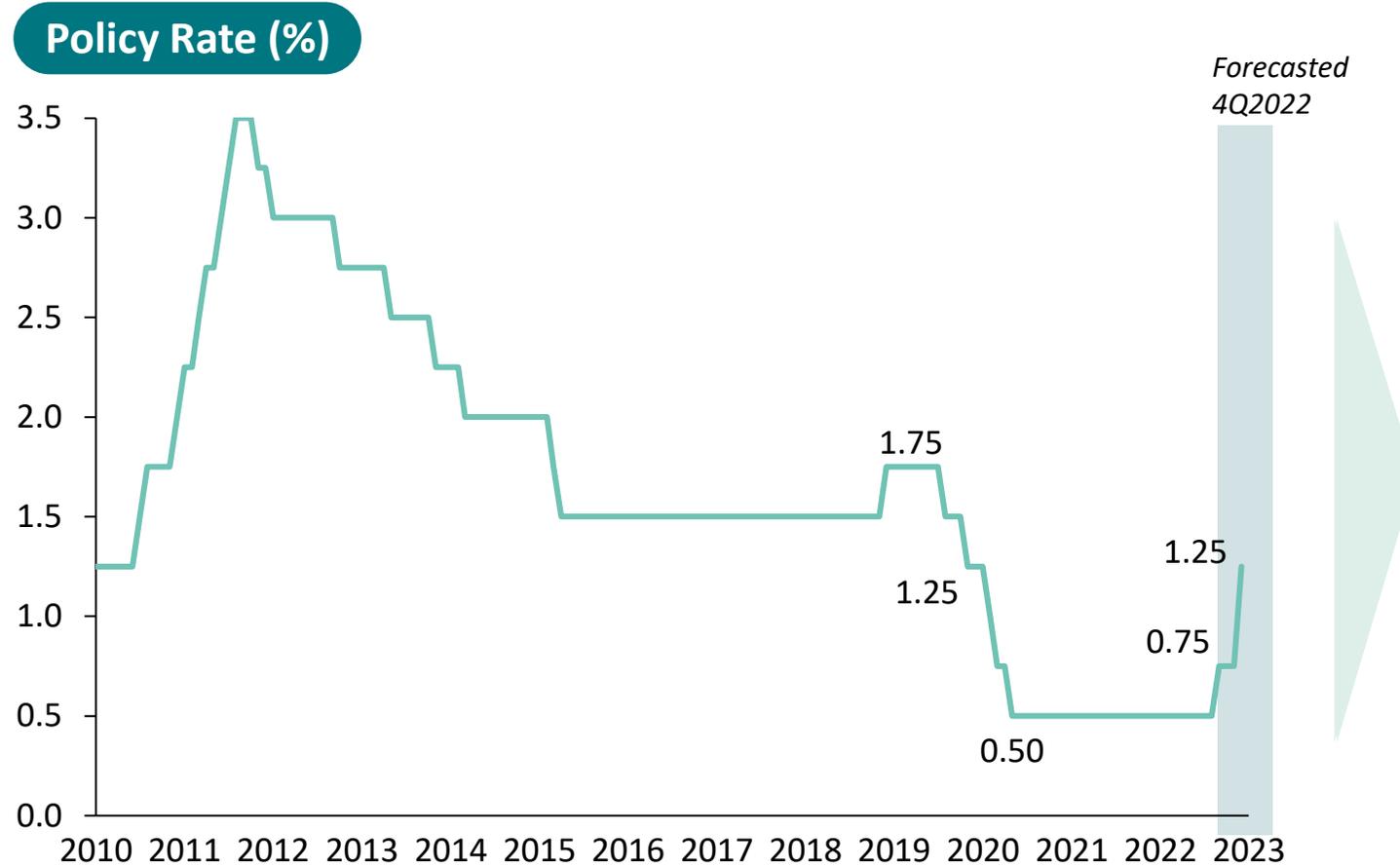
Index sa 2019 Q4 = 100



**First hike:** Q1/22 Q1/22 Q4/21 Q2/22 Q1/21 Q2/22 Q3/22

\*Calculated from 2Q22 GDP Forecast by Bank of Thailand

The Monetary Policy Committee (MPC) voted 6 to 1 to **raise the policy rate** by 0.25 percentage point, from 0.50 to 0.75 percent.



Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 4/2022, SCB EIC

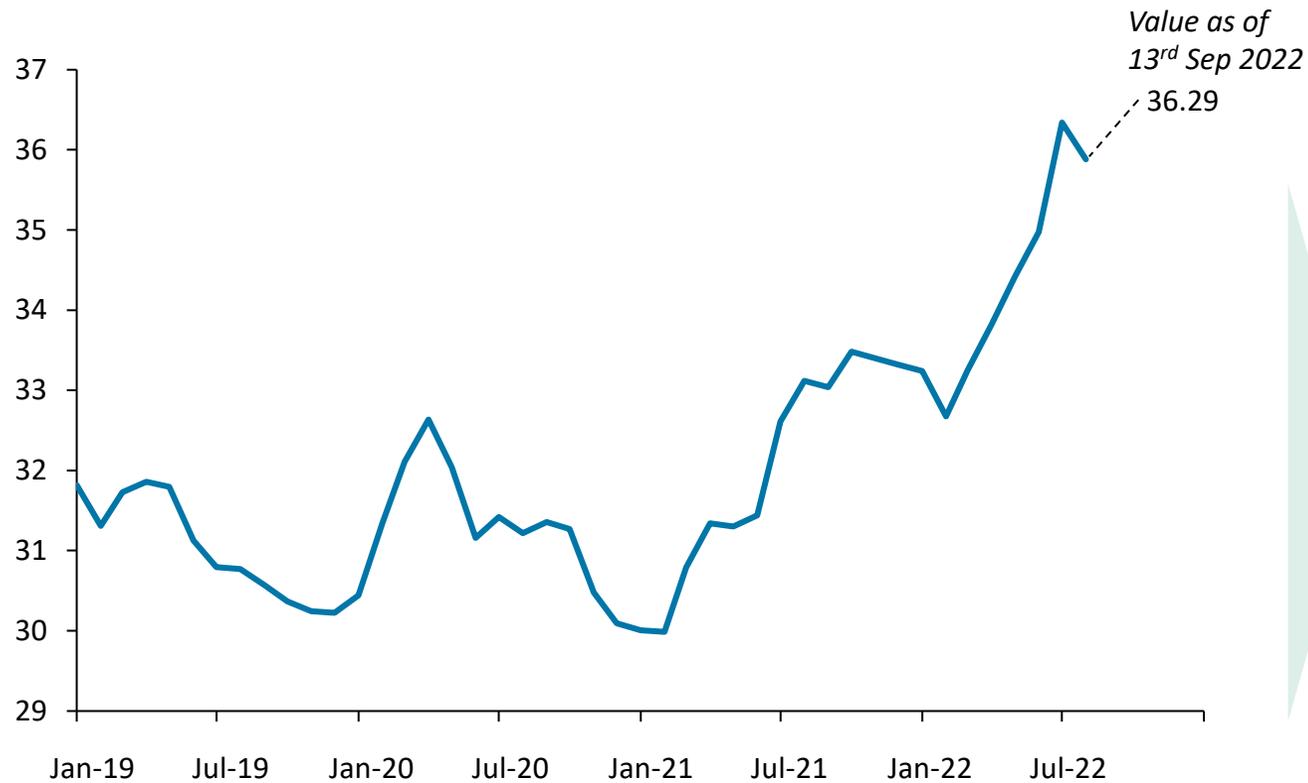
The Committee viewed that the policy rate should be normalized to the level that is in line with sustainable growth in the long term. Normalizing monetary policy should be done in a gradual and measured manner consistent with the growth and inflation outlook in the period ahead.

The Committee also assessed that the accommodative monetary policy undertaken in response to the COVID-19 pandemic has become less needed as the economic recovery has continued to strengthen and is expected to return to the pre-COVID level by the end of this year.



Thai baht hit 7-year lowest against dollar and is expected to depreciate from Fed's sign of raising interest rate.

### Exchange Rate (Unit: THB/USD)



Source: Deloitte Analysis, Bank of Thailand

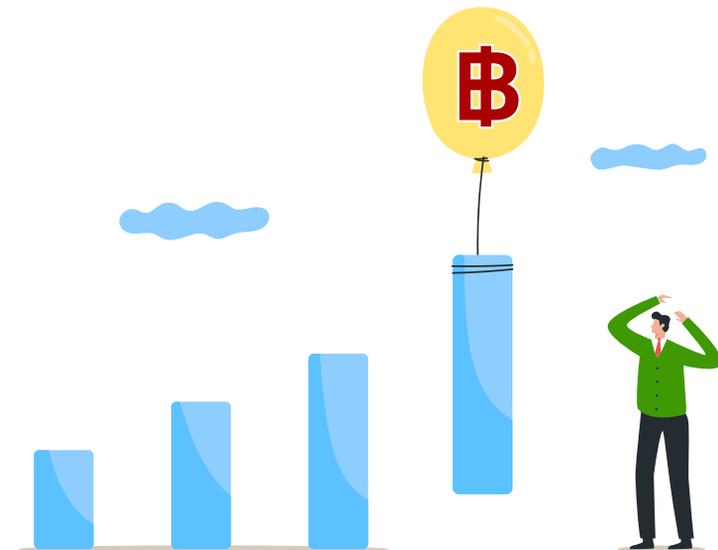
### Factors influencing Thai Baht

#### Appreciation

- Expected recovery from tourism
- Foreign demand for Thai bonds

#### Depreciation

- FED's more increases in interest rate in 2022
- Impact from Russia's invasion to Ukraine



# On-going Covid-19 Stimulus Packages for Consumers

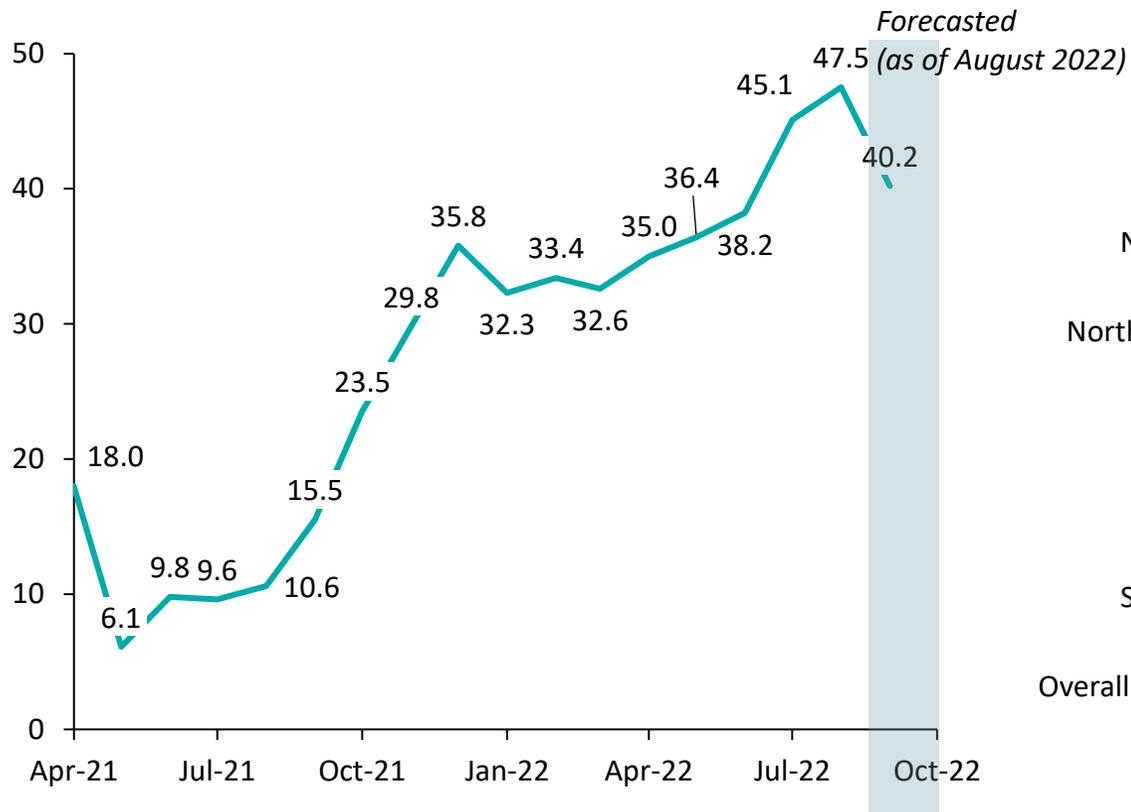
Stimulus packages aimed at supporting the economy amid the resurgence of Covid-19. The measures include cash handouts, co-payments, and cash rebates. Looking ahead, fiscal support would decline following the substantial stimulus earlier.

Existing Measures	Additional Measures for Debt-Vulnerable Group	Fiscal Stimulus
<ul style="list-style-type: none"> <li>• Loan Rehabilitation</li> <li>• Asset Warehousing</li> <li>• Reduce FIDF fee (terminates at 2022)</li> <li>• Debt Clinic</li> <li>• Debt Mediation</li> <li>• Doctor Debt</li> </ul> 	<p style="text-align: center;"><b>Non - NPL</b></p> <ul style="list-style-type: none"> <li>• Maintaining minimum credit card installment at 5% until 2023</li> <li>• Maintaining Digital Personal Loan payment extension until 2023</li> </ul> <p style="text-align: center;"><b>NPL</b></p> <ul style="list-style-type: none"> <li>• Adjusted debt payment program of Debt Clinic (e.g. receiving better interest rate for those who select less payment period)</li> <li>• Hosting Debt Mediation Exhibition in the 3Q2022</li> </ul>	<p>We Travel Together Phase 4</p> <ul style="list-style-type: none"> <li>• 40% subsidy for hotel and flight</li> <li>• 600 Baht subsidy for dining</li> <li>• Covering additional 1.5 m people and extending to the last day of room reservation to October 22</li> </ul> <p>Half-Half scheme Phase 5</p>

Source: Deloitte Analysis, Ministry of Finance, Bank of Thailand

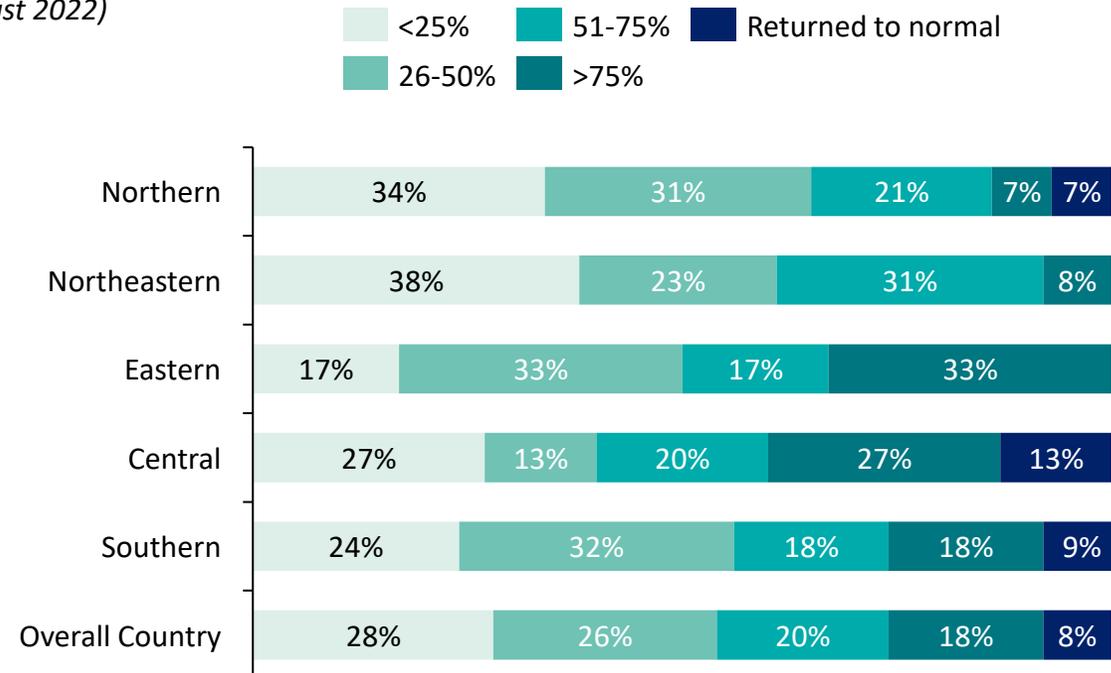
**Occupancy rate** saw increasing in August due to Thailand pass cancelation and extended We Travel Together scheme. However, only 26% of hotels and related businesses are returning to normal operation, especially in Central, Eastern, and Southern which saw faster recoveries.

### Occupancy Rate



Source: Deloitte Analysis, Bank of Thailand

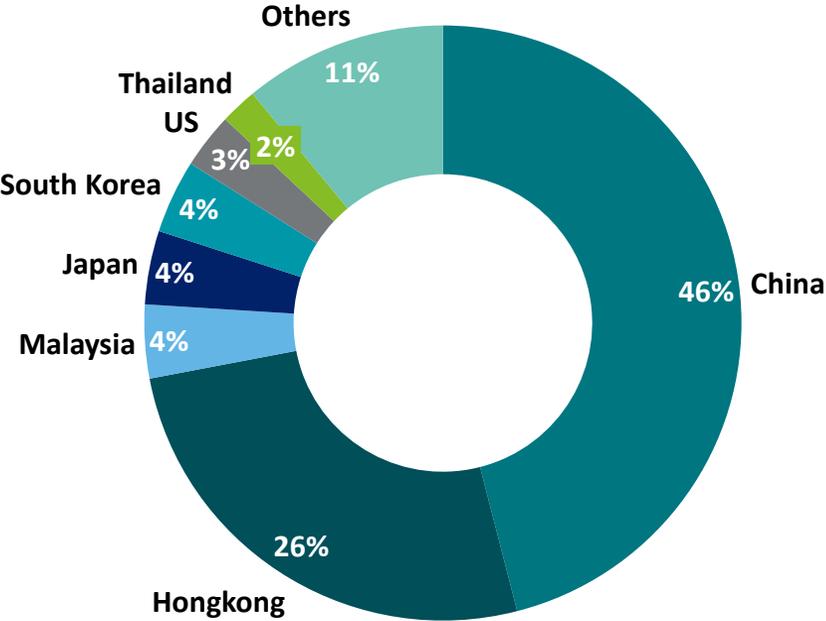
### Hotels and related businesses' Level of Returning to Normal Operation





Taiwan produces roughly 90 percent of the world’s most sophisticated chips. In July 2022, new orders for exports were down 1.9 percent from a year earlier, driven especially by weak demand for technology products. However, the tension between China and Taiwan might threaten global supply of semiconductor, and Thailand’s export.

**2021 Percentage of Taiwan’s semiconductor export**



Source: Deloitte Analysis, NESDC

**2021 Percentage of Thai exports to Taiwan**

Products	%
Integrated circuits	10.5
Chemical	6.8
Air conditioner and parts	6.4
Computer and parts	5.6
Automotive, equipment, and parts	5.5
Steel and related products	4.7
Plastics	4.0
Copper and copper-made products	3.8
<b>Total export value (million USD)</b>	<b>3,796.1</b>

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