



Economic Outlook Report 4Q2022

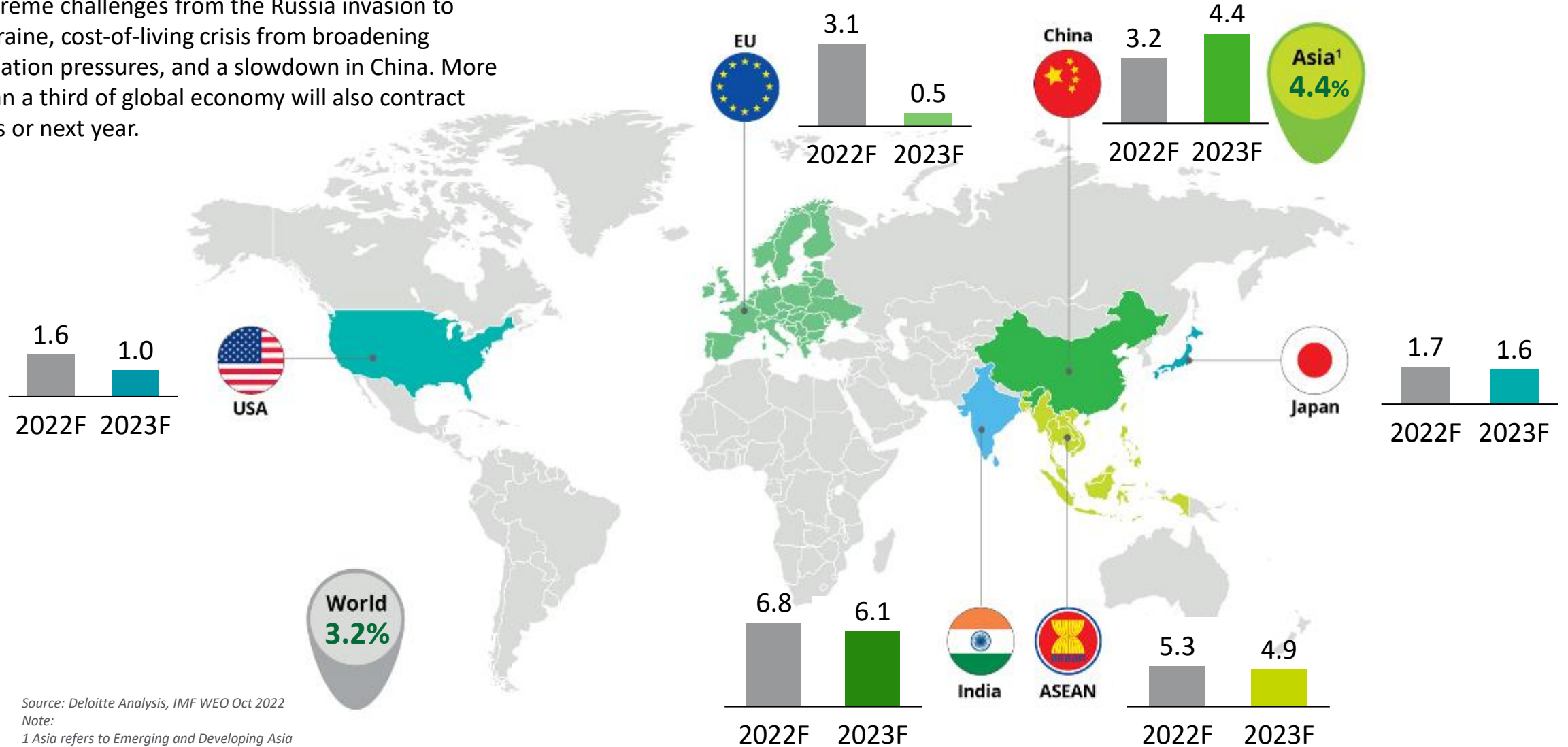
Clients & Markets, December 2022



An aerial photograph of Rio de Janeiro, Brazil, taken during the 'golden hour' of sunset. The sky is a vibrant gradient of orange, yellow, and pink. In the center, the iconic Sugarloaf Mountain (Pão de Açúcar) stands prominently, its silhouette dark against the bright sky. The city's lights are beginning to glow, reflecting on the water of the bay. Numerous small boats are visible in the harbor. The foreground shows the dense urban landscape of the city, with many buildings illuminated by their own lights. The overall scene captures the beauty and energy of the city at dusk.

Global Economy 2022-2023

The 2022 Global economy continues to face extreme challenges from the Russia invasion to Ukraine, cost-of-living crisis from broadening inflation pressures, and a slowdown in China. More than a third of global economy will also contract this or next year.



Source: Deloitte Analysis, IMF WEO Oct 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 (7.1% in November 22)
- Soaring housing prices despite weakness in housing market
- Fed aggressively raised 0.75% of interest rate in November.

Watchlist

-  Fed potentially to raise more interest rate in 2023, and reducing asset holdings on its \$9 trillion balance sheet
-  Bond yield movement and recession watchlist





EU

Key Takeaway

- + The ECB raised its benchmark interest rate
- Growing economy, at a slower pace
- Surge in inflation rate (10.7% in October 22)
- Sharp rise in food and energy 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 tourism sector
- Inflation hit a 40-year high (3.8% in October 22)
- The sharp decline in the value of the yen
- Rising material costs

Watchlist

-  Potential maintaining ultra-accommodative policy stance
-  US\$200 billion energy subsidies to quell inflation and support households





CHINA

Key Takeaway

- + Increased investment in infrastructure
- Easing Covid lockdown
- Deceleration of inflation
- Continuing COVID containment measures
- Local government revenue from the sale of land usage has fallen sharply
- Continuing weakness in the property and construction sectors

Watchlist

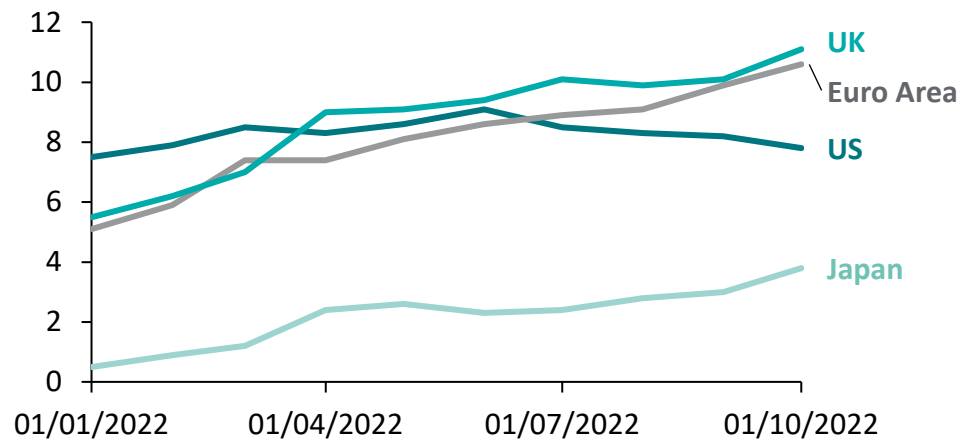
-  On-going China-US and China-Taiwan tensions, Russia-China relations
-  Potential increase restriction to contain Covid-19

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

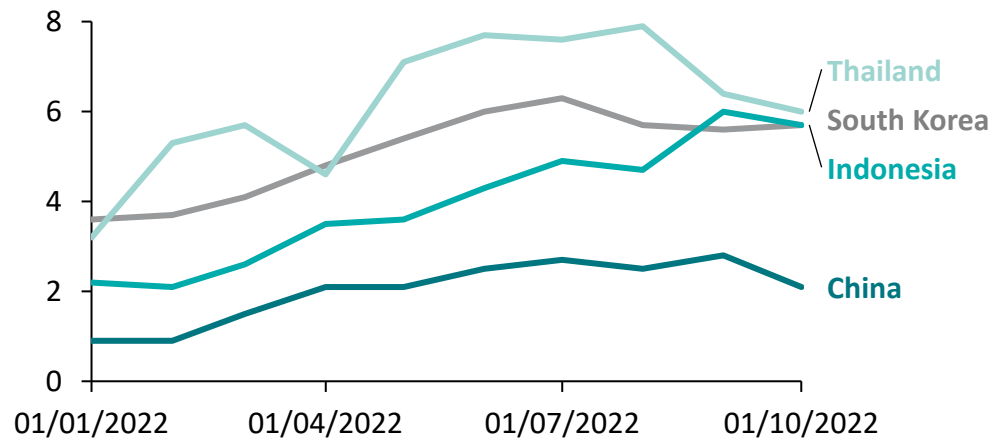
Inflation surged in several areas, and the rising interest rates are aimed to stifle the inflation.

Inflation Rate

Developed countries

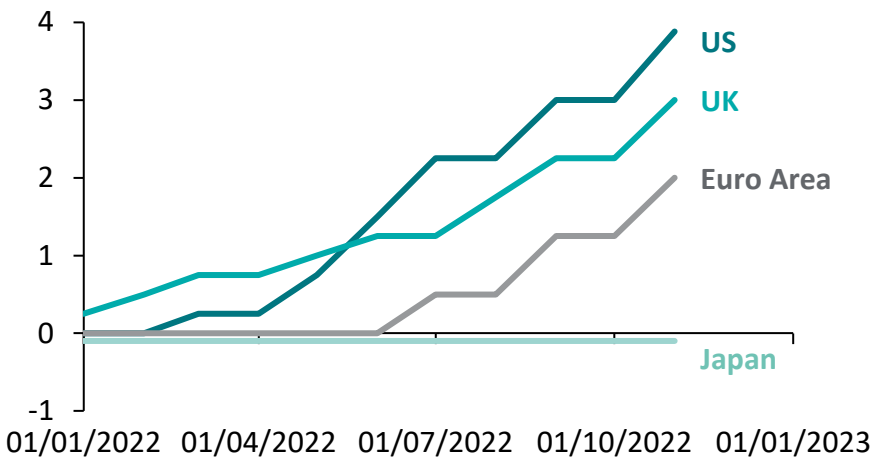


Developing countries & Emerging markets

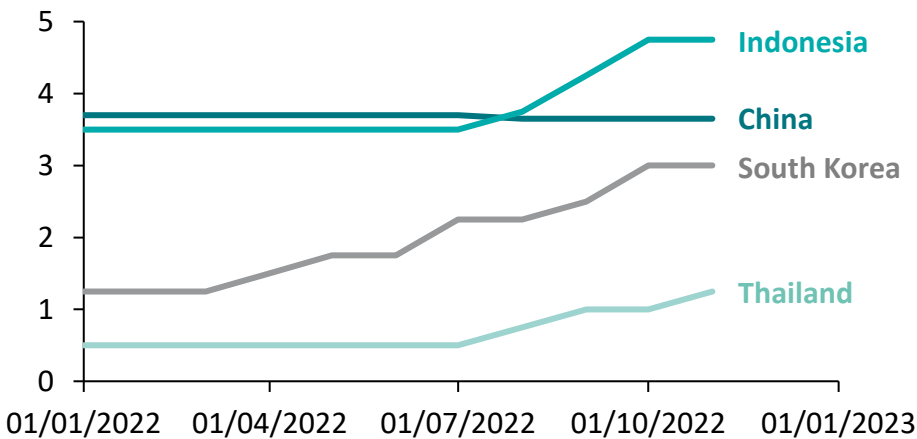


Policy Rate

Developed countries



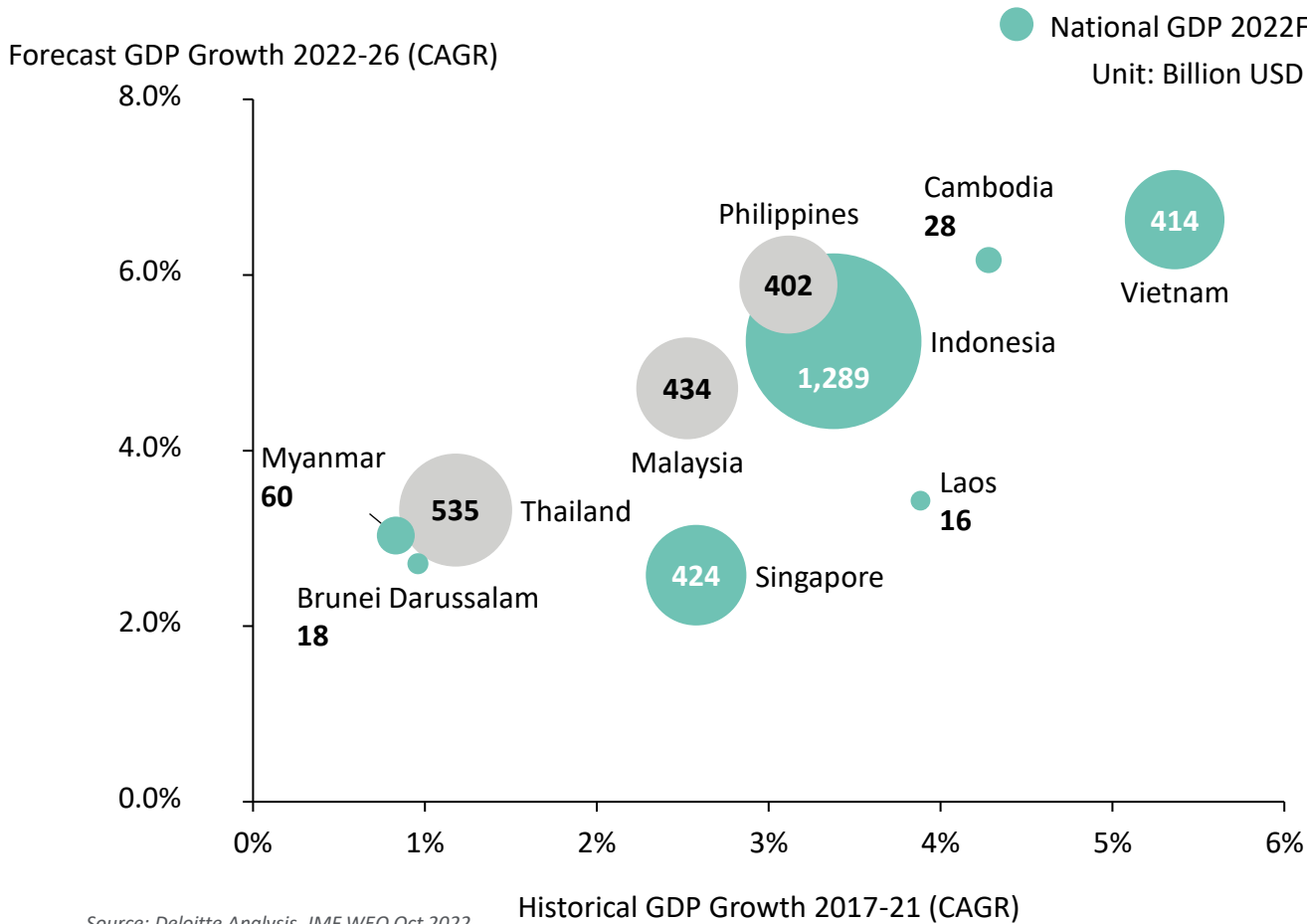
Developing countries & Emerging markets



COVID-19 has diverse impact on economic growth on SEA countries

After region-wide economic growth stagnation in 2020, most SEA countries have recovered well in 2021-22 with positive expectations of further growth in 2023.

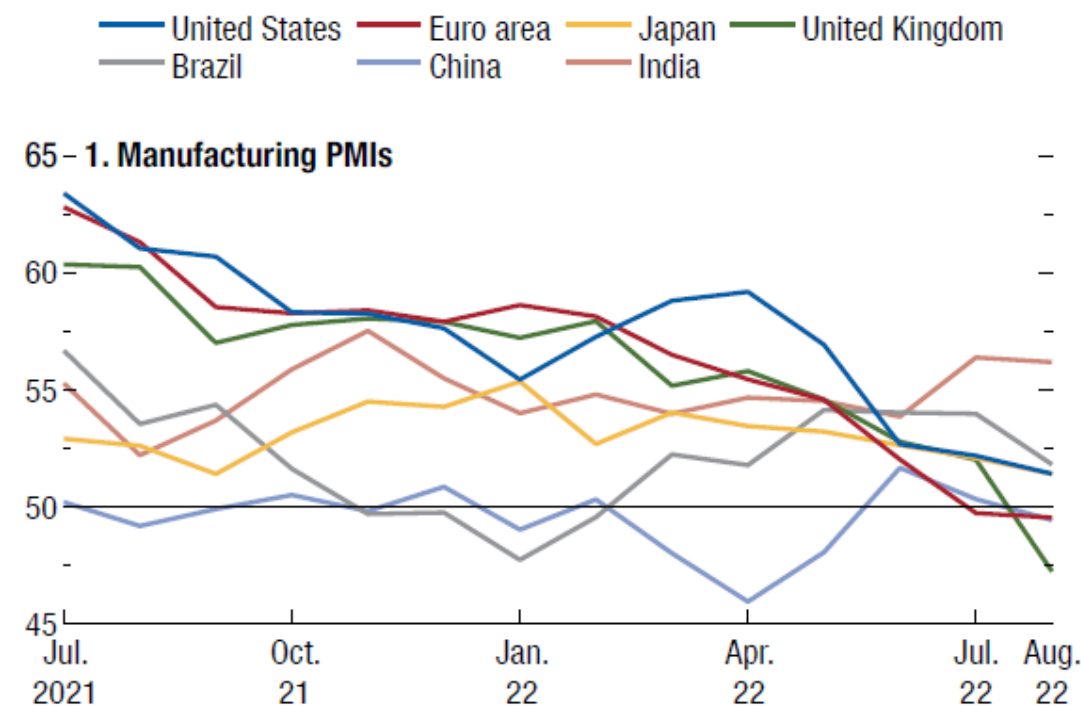
GDP growth rate 2017-2026 and GDP size 2022F by country



Leading Indicators Show Signs of Slowdown

Manufacturing PMIs saw a slowdown among major economies which an important factor for the slowdown in the first half of 2022 is the rapid removal of monetary accommodation as many central banks seek to moderate persistently high inflation.

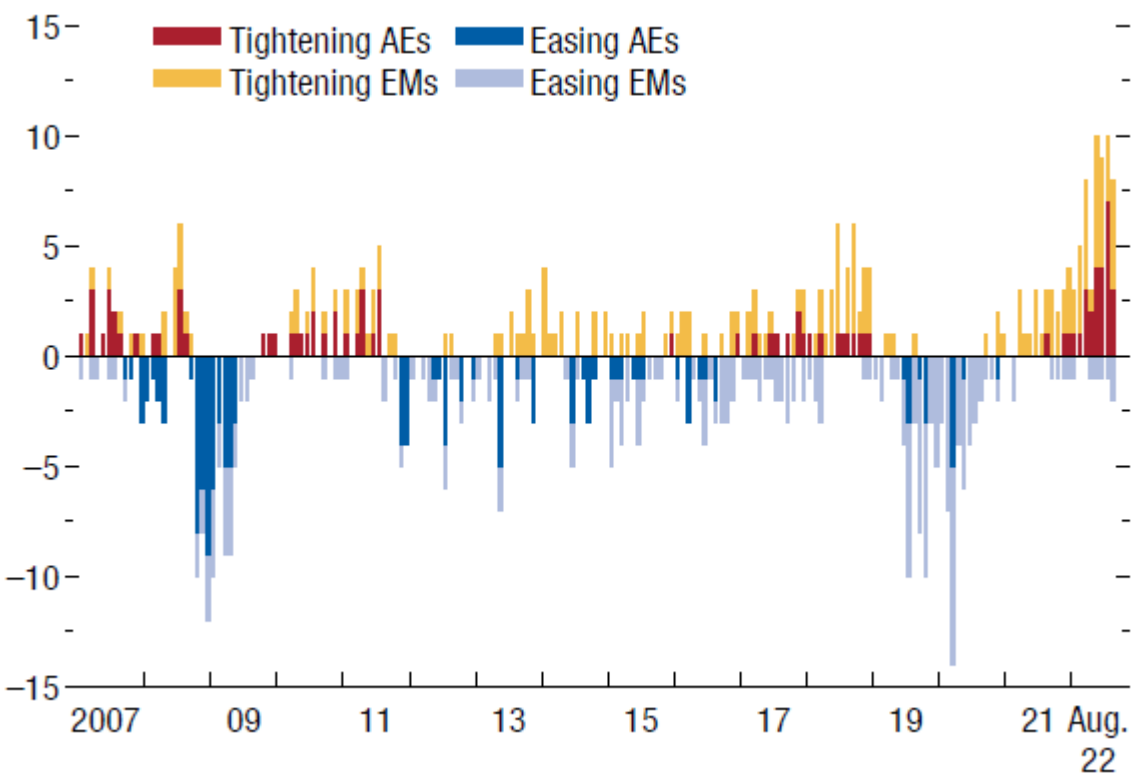
Manufacturing PMIs



Source: Deloitte Analysis, IMF WEO Oct 2022

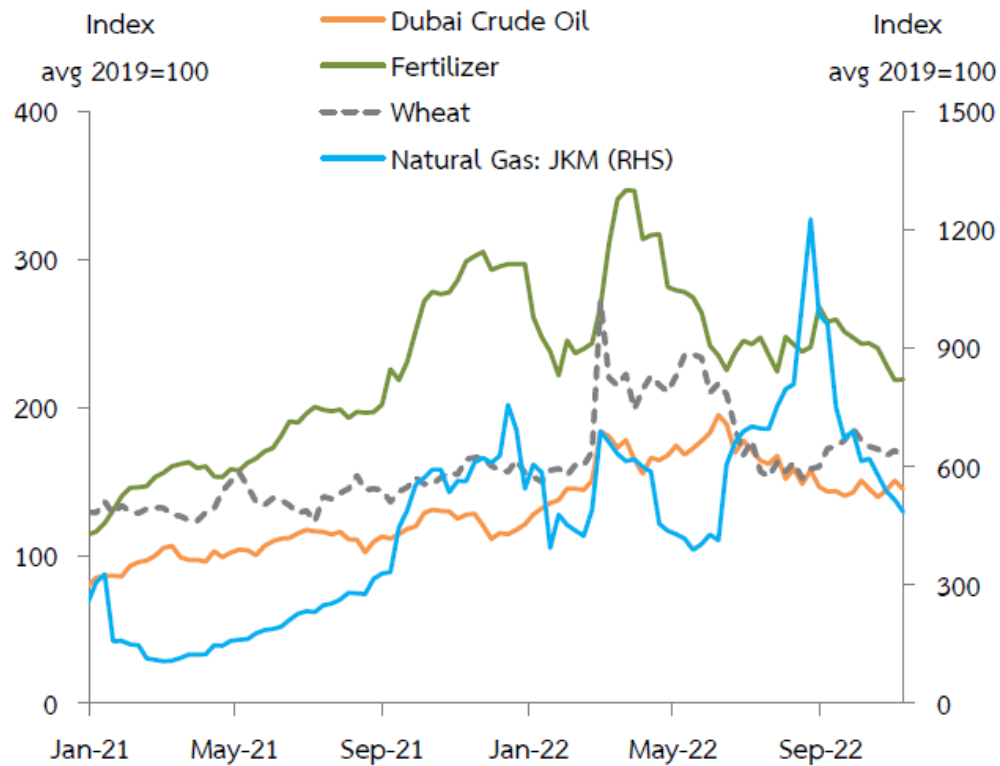
Change in Monetary Policy Cycle among G20 Economies

(Number of increases and cuts in policy rates)



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

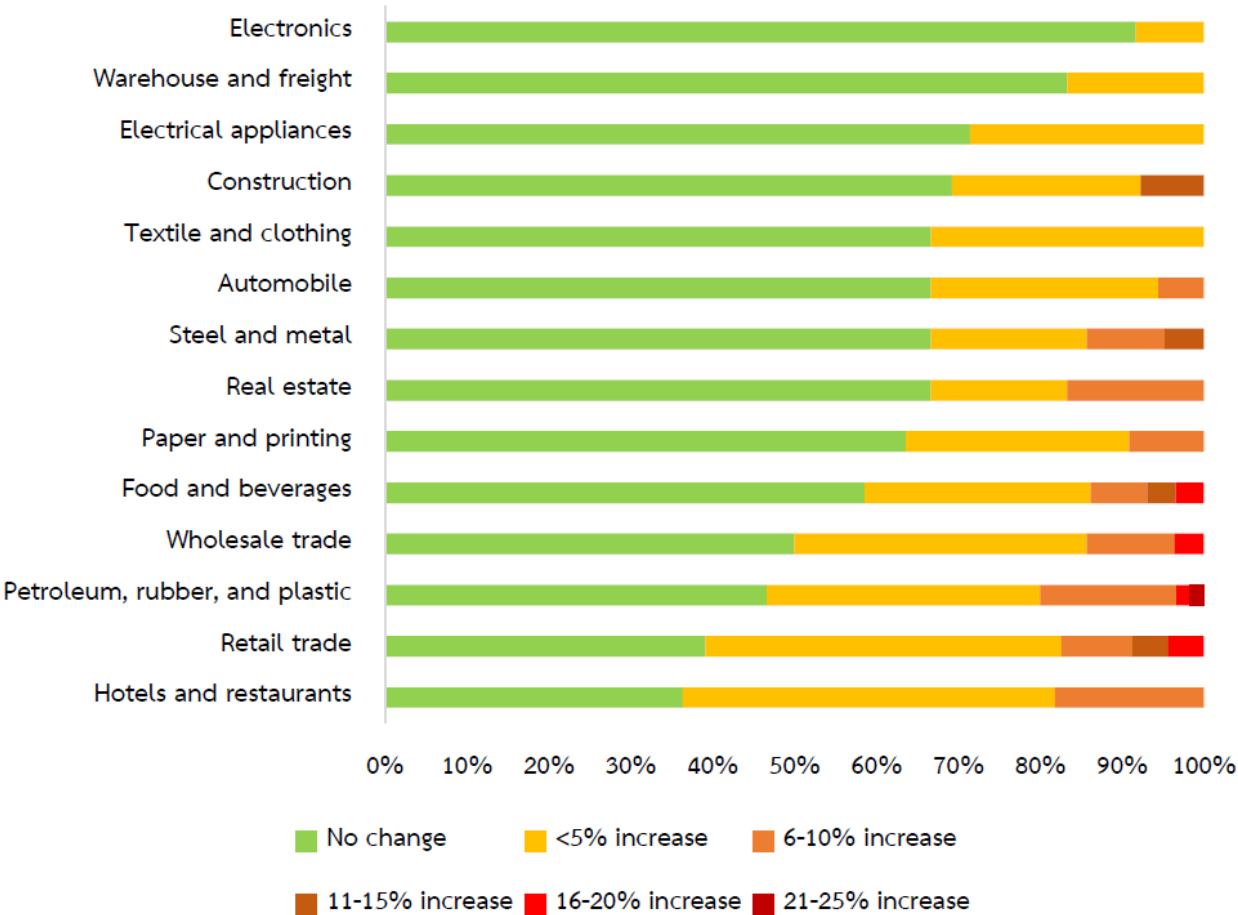
Commodity Prices Index



Source: Bloomberg (data as of 4 Nov 22)

Source: Deloitte Analysis, Bank of Thailand

Expected price increases due to rising costs in the next 3 months



Source: Business Liaison Program surveys conducted between 1-25 August 2022 with 421 responses consisting of large businesses and SMEs

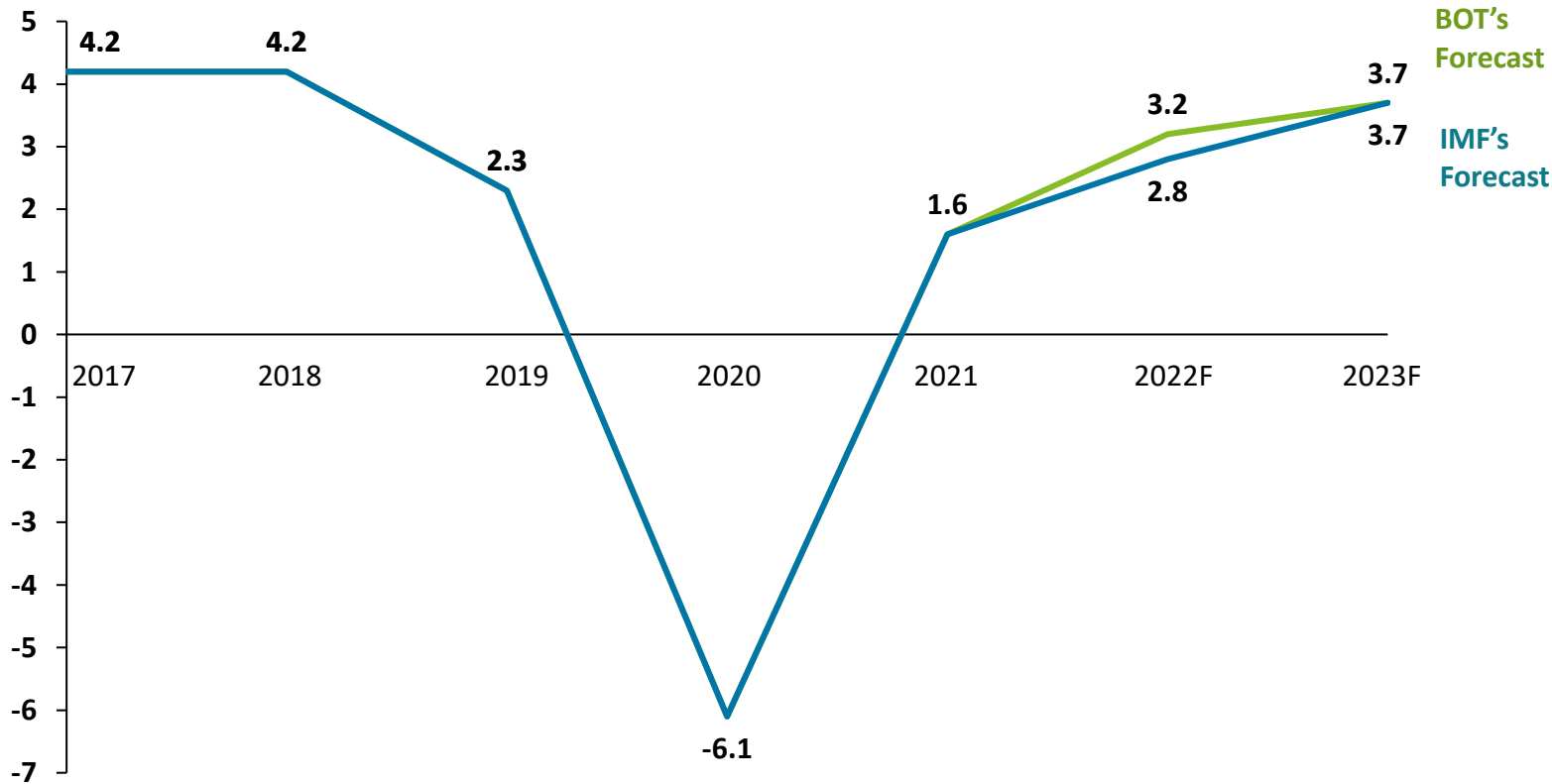
Thai Economy 2022-2023



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, IMF WEO Oct 2022

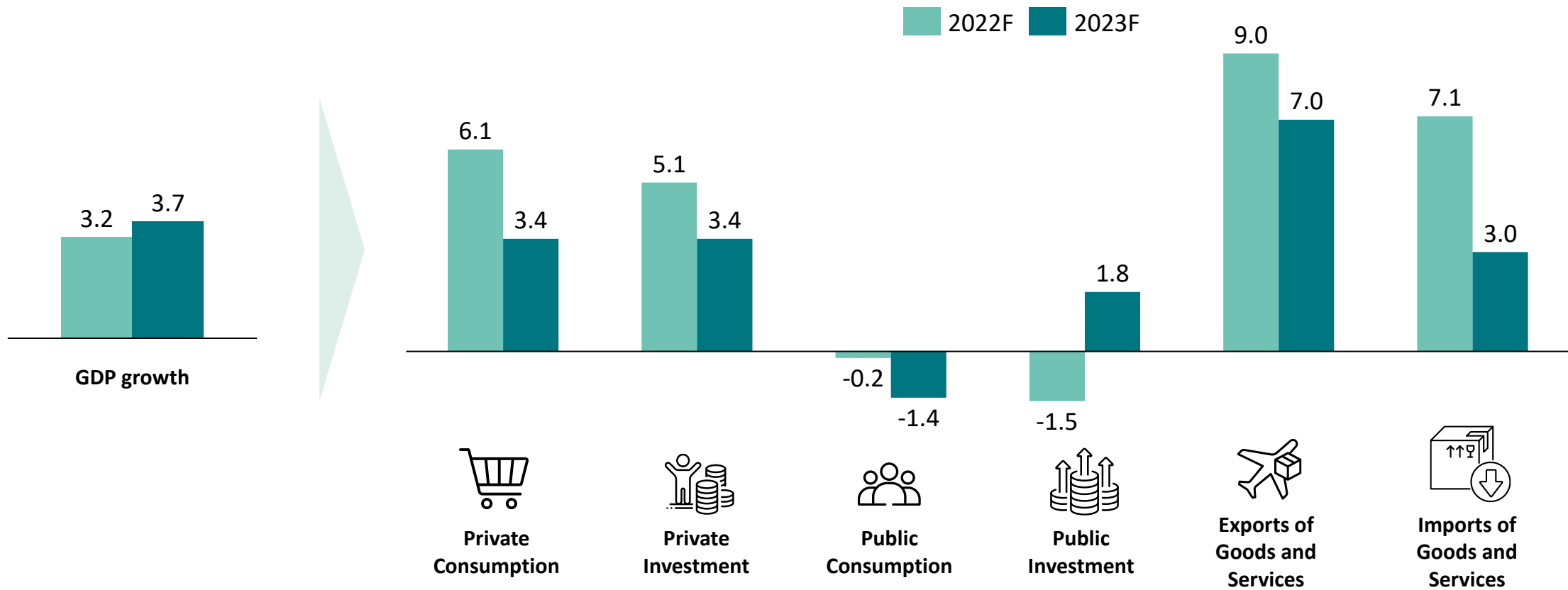


Key Factors to be Monitored

- +** Rising tourist arrivals from reopening country and easing Covid-19 measures
- Recovering investment which might be better than expected
- Surge in inflation and rising interest rate
- Impact from Russia-Ukraine war
- Several regions' central banks' interest rate increase
- Slow growth among other regions
- Slow recovery of global supply disruption

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.



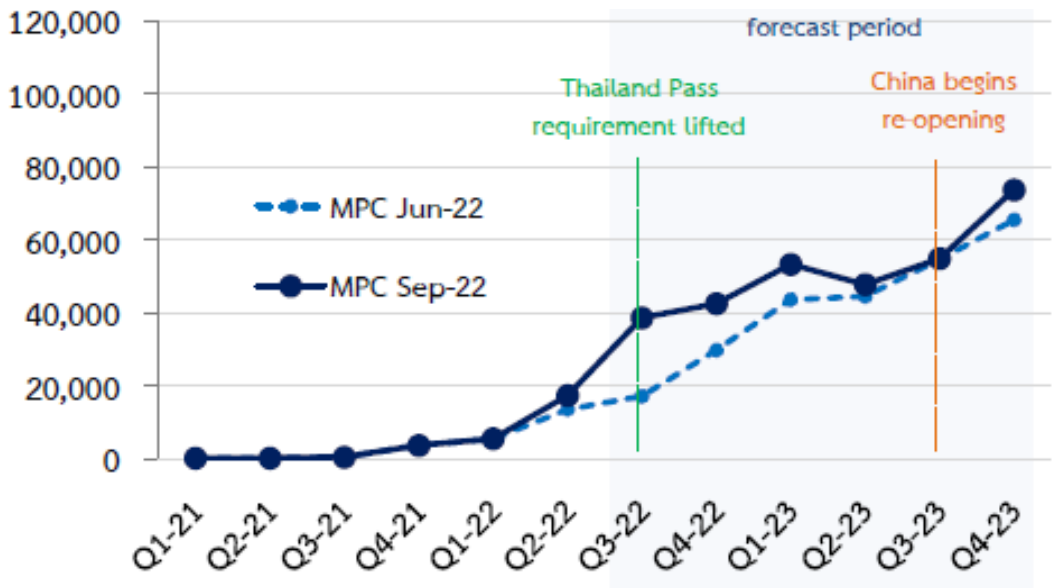
Source: Deloitte Analysis, Bank of Thailand

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

As of December 2022, Thailand has already reached the target of 10 million of foreign tourists.

Foreign tourist arrivals

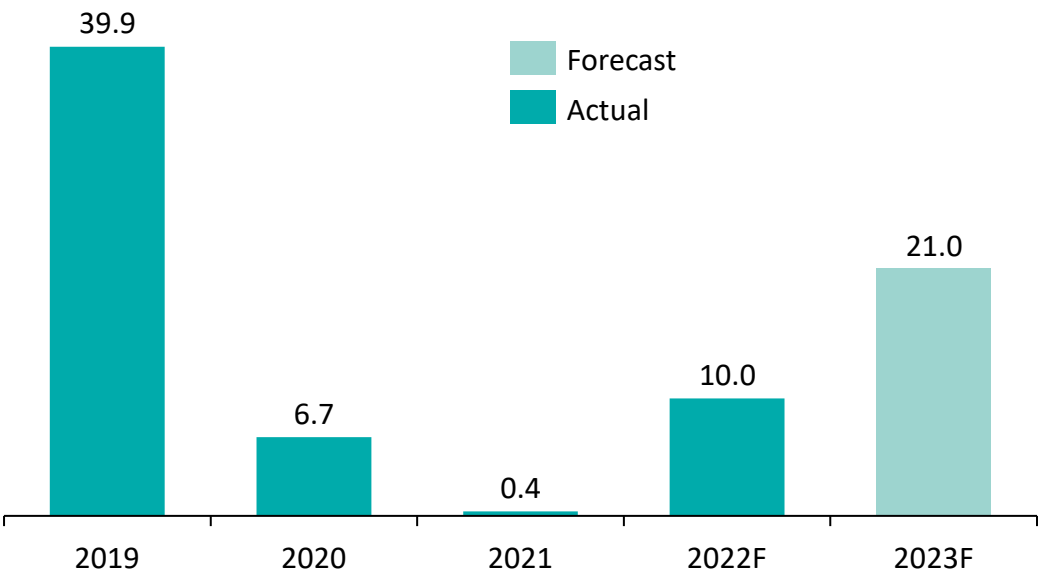
Unit: Persons (daily avg)



Source: Deloitte Analysis, Bank of Thailand, NESDC, SCB EIC, Bangkok BizNewsc, MOTS

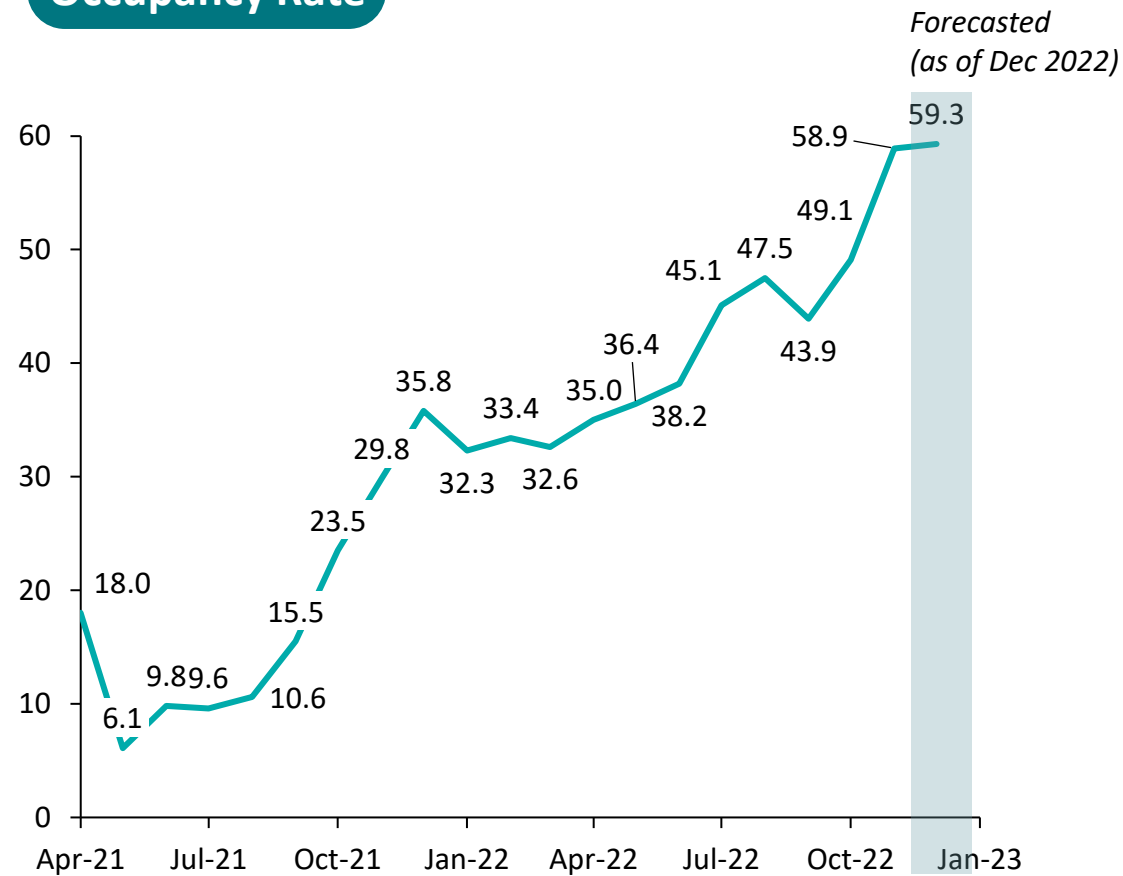
Foreign tourist arrivals Forecast

Unit: Million



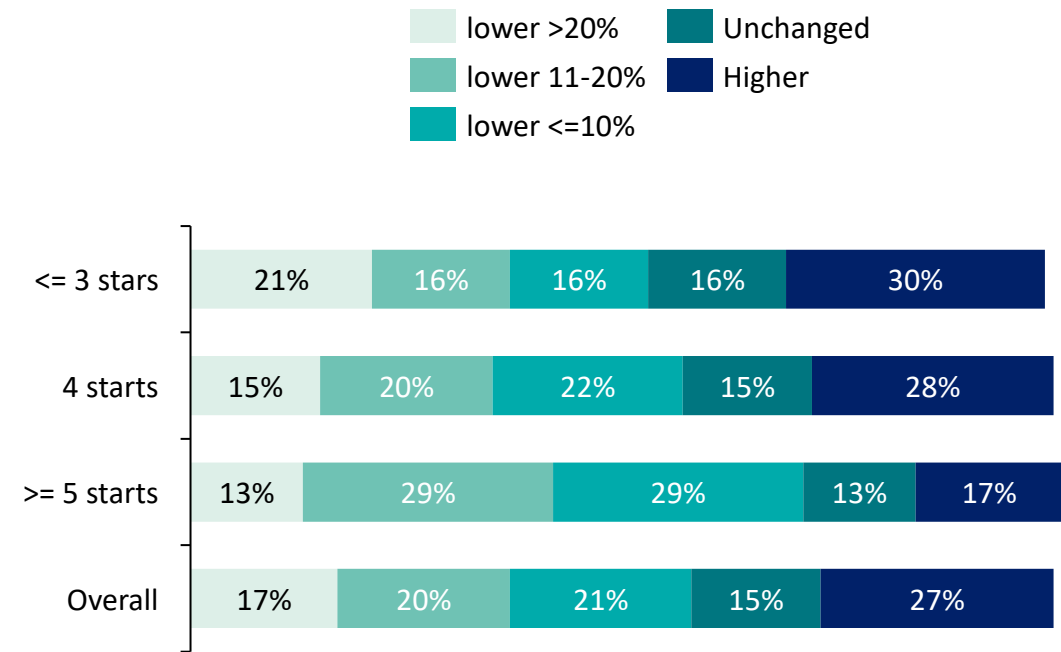
Occupancy rate saw increasing in December in response to entering high season and APEC preparation. However, Thai tourists have decreased in November 2022 from terminated ‘We travel together phase 4’ scheme, more Thai people travelling abroad, and the rise of cost-of-living.

Occupancy Rate



Source: Deloitte Analysis, Bank of Thailand

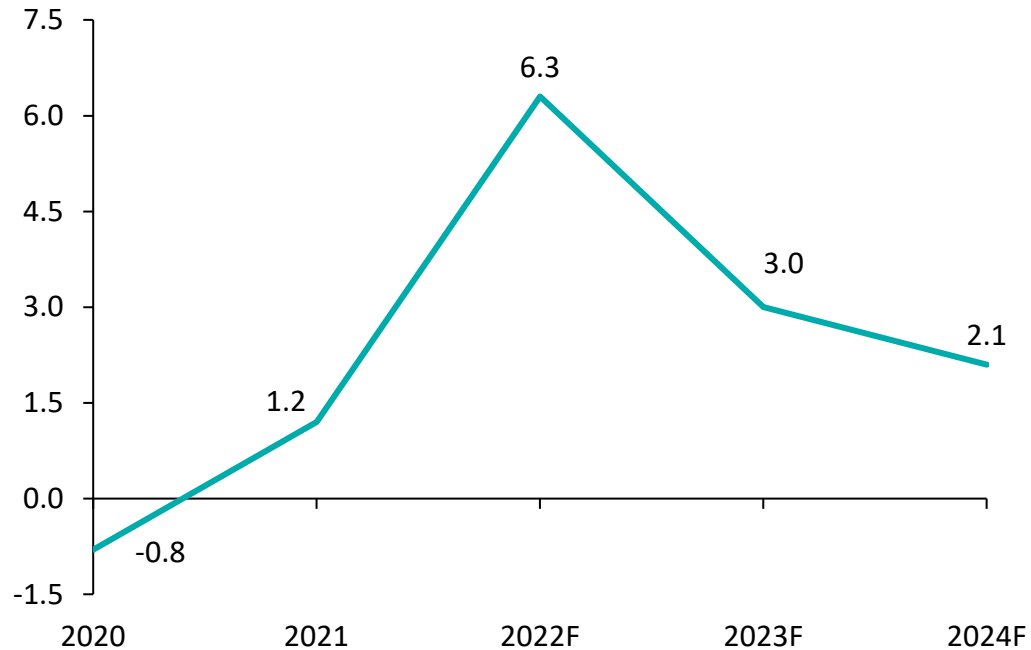
Hotels’ Month-on-Month Portions of Thai tourists



Inflation situation 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 by the end of the year.

Headline Inflation (%)



Inflation in November 22 = 5.55%

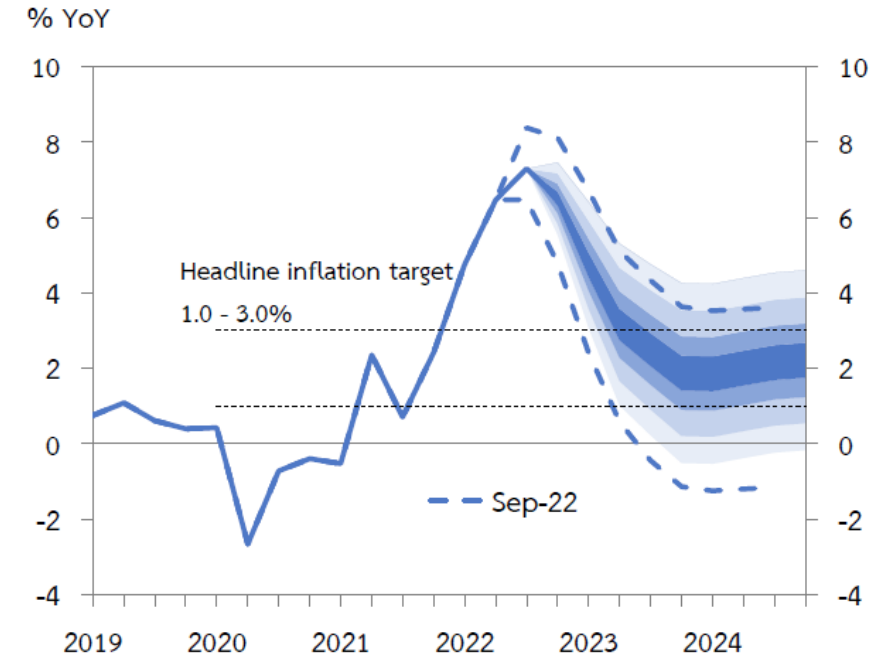
Contributed by

- High energy and food prices
- Low base of the last year's rate

Source: Deloitte Analysis, Bank of Thailand

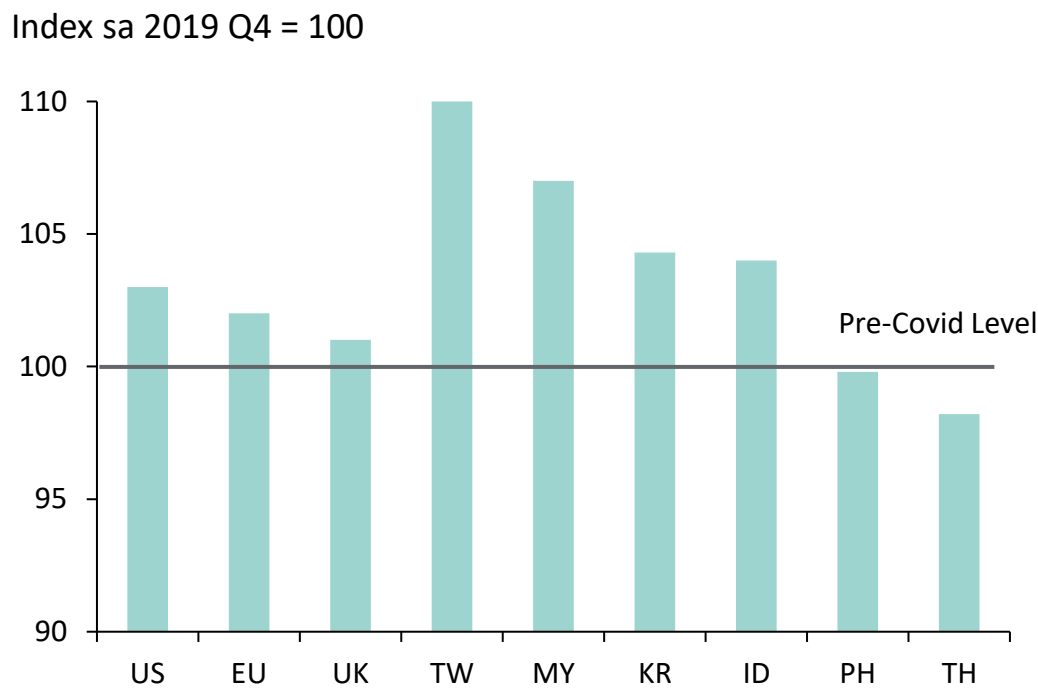
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Headline Inflation forecast (%)

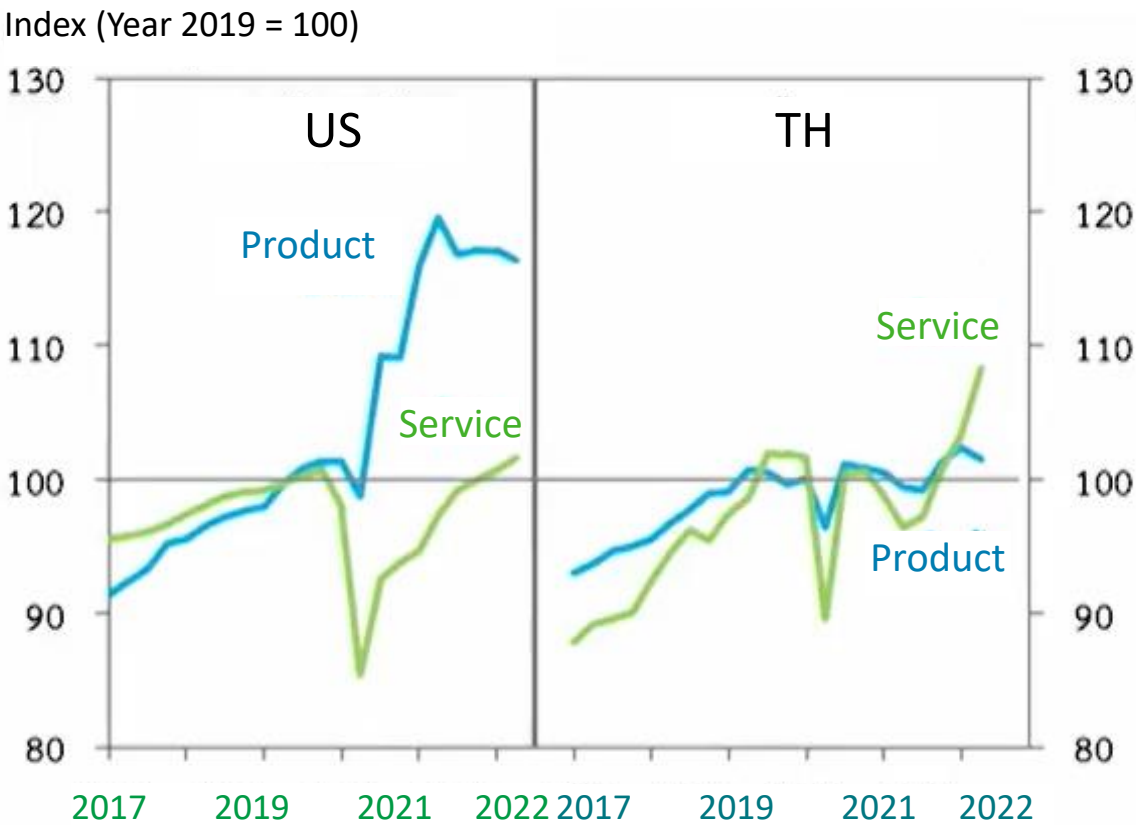


Inflation pressure in Thailand is limited from recovering economy and lower consumer price index level, compared to the US.

Current GDP Level (2Q2022)



Private's Consumer Price Index by Product & Service

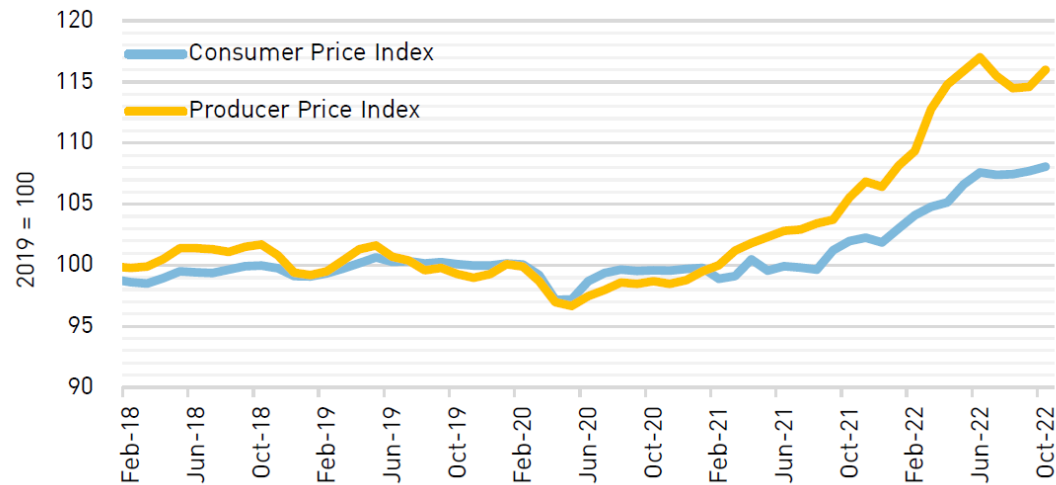


Source: Deloitte Analysis, Bank of Thailand, CEIC, NESDC, US Bureau of Economic Analysis

Prices would remain high.

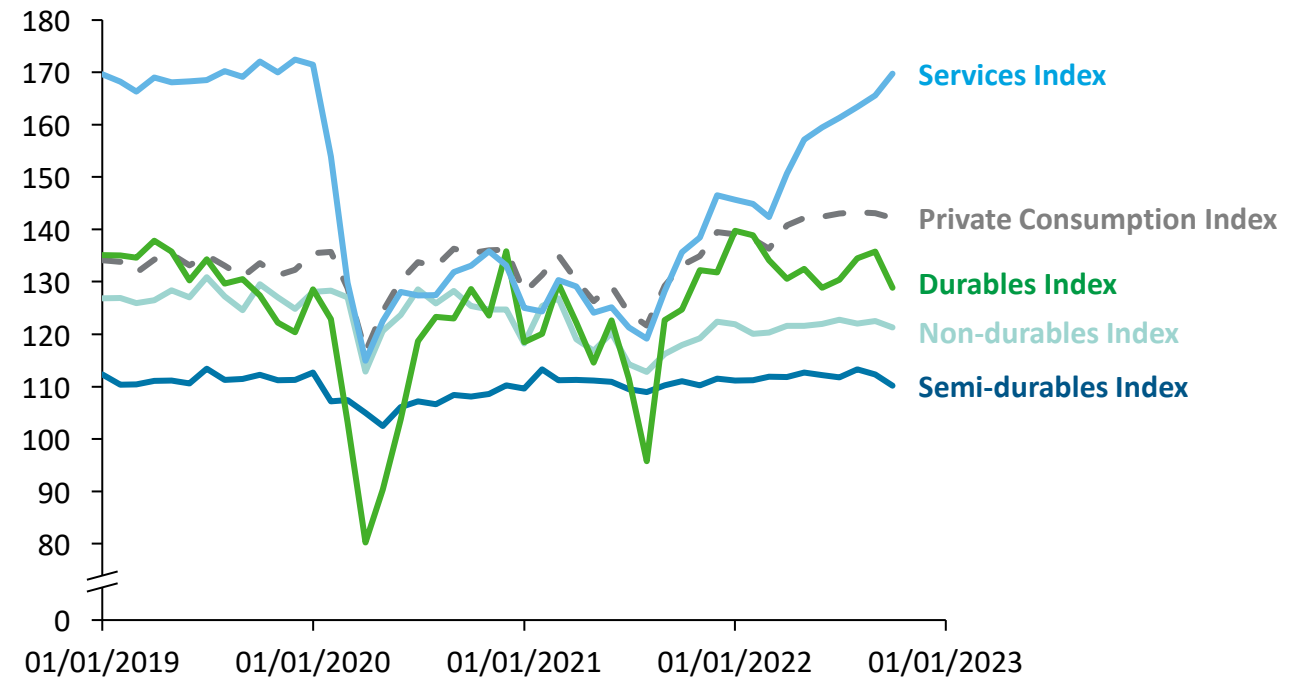
Rise in producer costs, from production costs and 5% minimum wage increase, are starting to be partially passed on to consumers

Producer and Consumer Price Indices



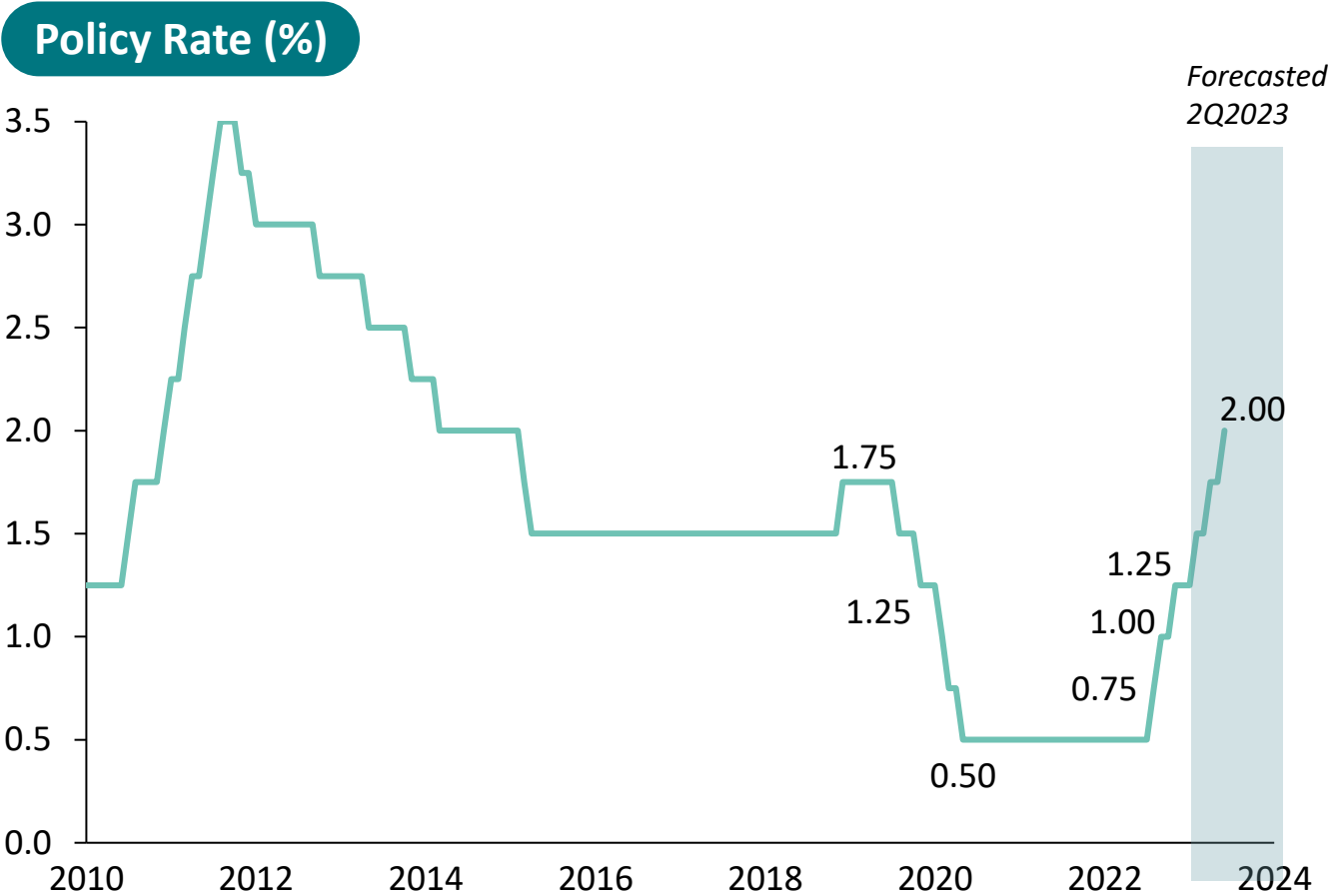
Source: TDRI

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 1.00 to 1.25 percent.



Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 6/2022, SCB EIC

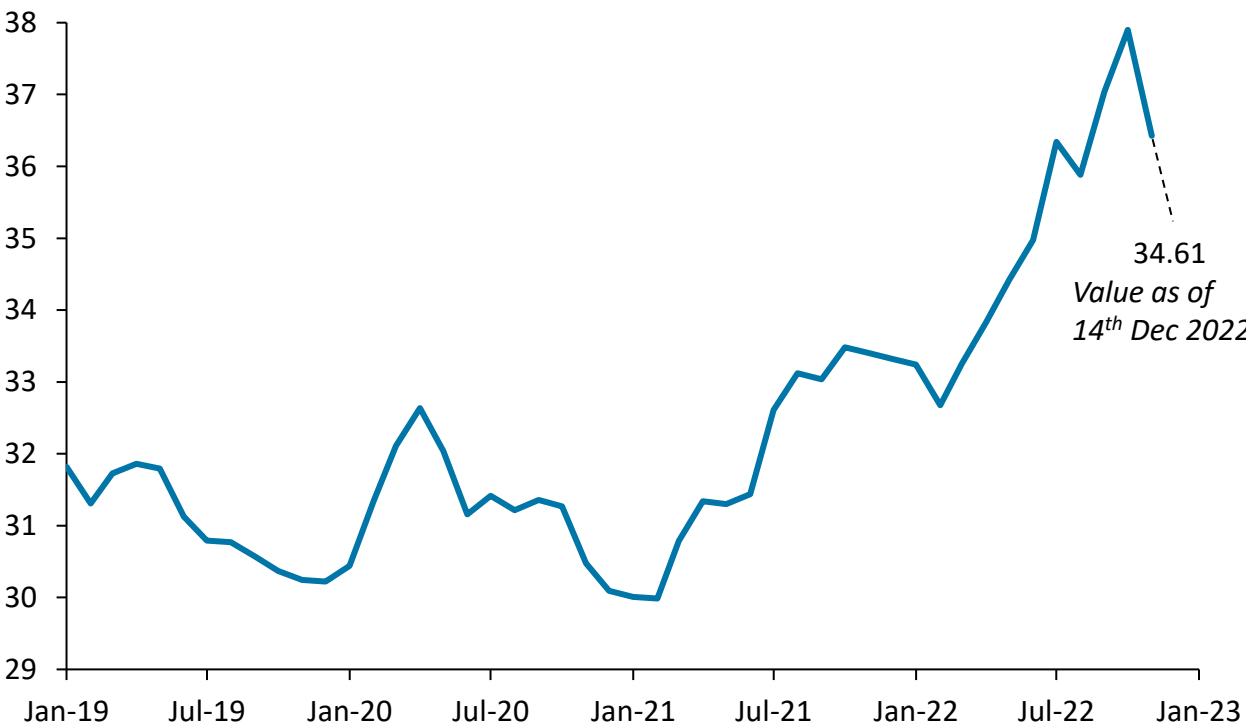
The Committee viewed that a gradual policy normalization remains an appropriate course for monetary policy given the growth and inflation outlook.

The Committee also judges that the Thai economic recovery will be on track, albeit with risks to inflation. The policy rate should be normalized to the level that is consistent with sustainable growth in the long term in a gradual and measured manner.



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

Exchange Rate (Unit: THB/USD)



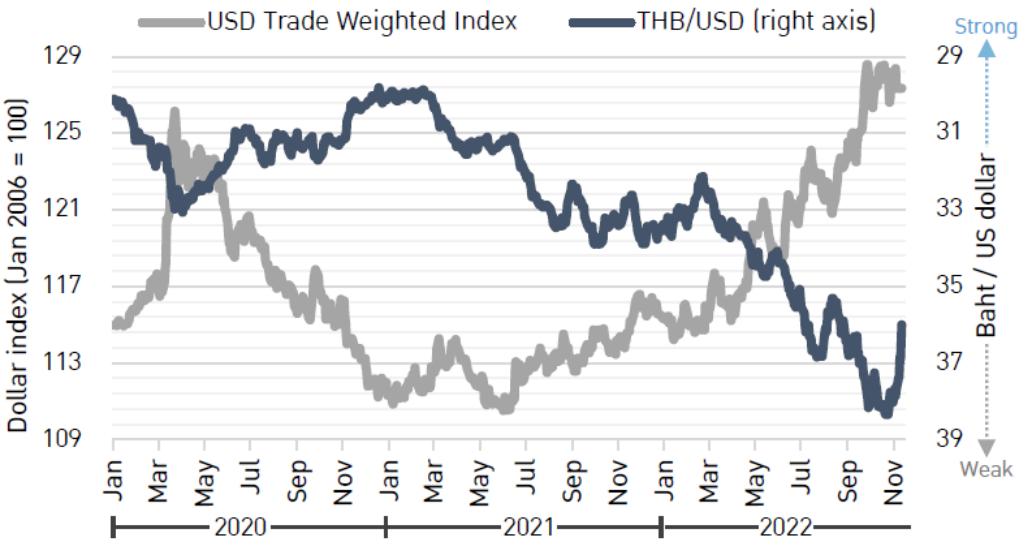
Source: Deloitte Analysis, Bank of Thailand, TDRI

Currency Movements

2022F = 35.36 /USD

2023F = 36.87 /USD

Dollar index & Thai baht

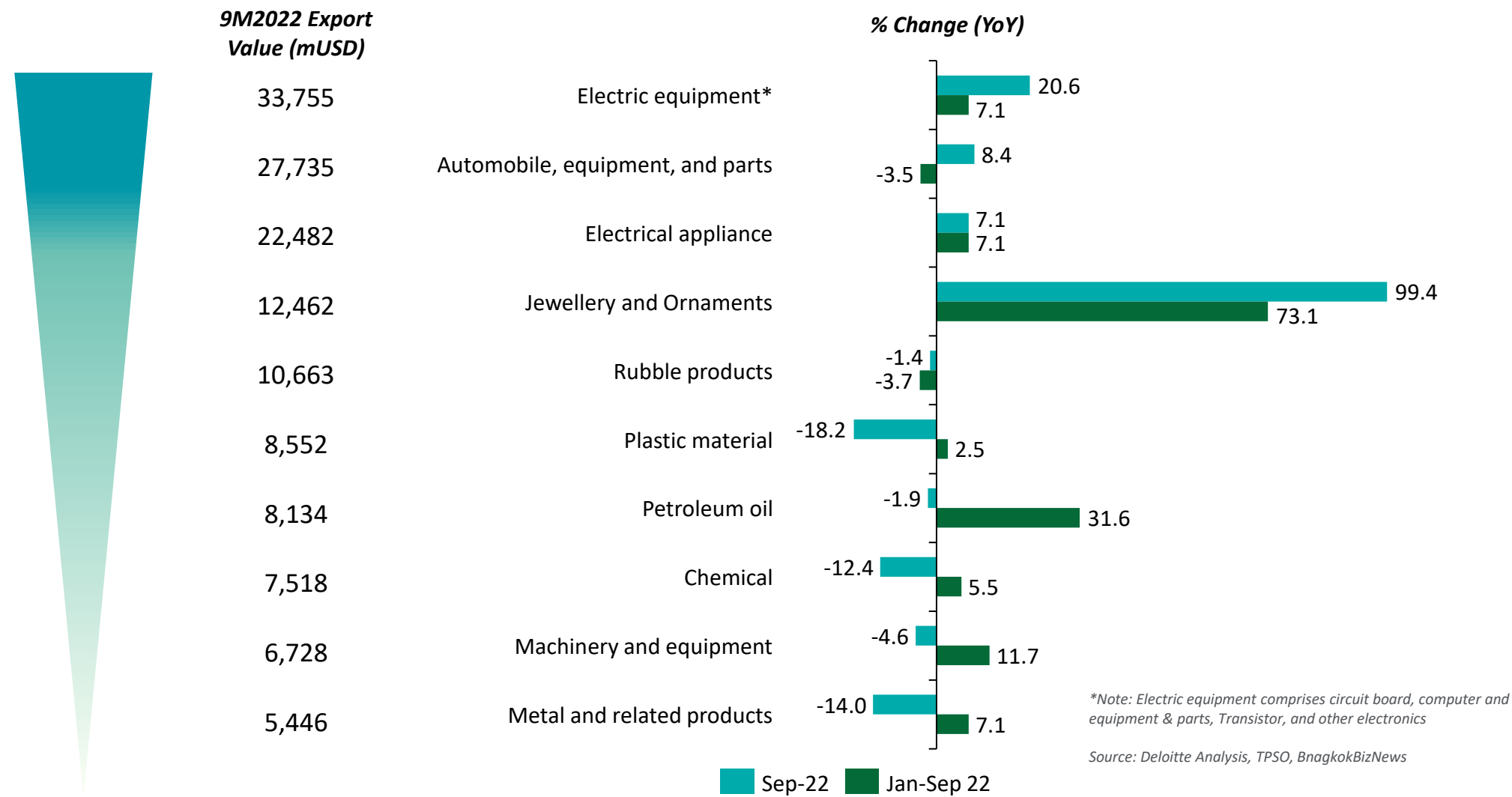


Source: TDRI

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

10 Key Industrial Exports for 9M2022

For Automobile & their equipment and parts, although they contracted 3.5% for the value since the beginning of 2022, these saw improving in September with the growth of 8.4% YoY due to improved semiconductor situation.



MPI and Investment in Automotive saw slightly lower from previous expedited momentum.

Manufacturing Production Index

(%YoY)	Share 2016 ^R	2021	2021		2022					
			H1	H2	Q1	Q2	Q3	Aug	Sep ^P	%MoM sa
Food & Beverages	20.3	2.5	4.1	0.8	3.6	-2.4	7.2	14.0	2.6	-2.2
Automotives	13.8	19.0	40.5	3.0	3.5	1.6	35.8	61.3	27.5	-5.2
- Passenger Cars	4.7	13.6	29.8	1.4	-17.7	-9.8	15.0	32.5	19.4	3.3
- Commercial Vehicles	7.2	19.8	43.3	2.3	13.9	7.3	53.4	89.5	33.6	-9.2
- Engine	1.3	34.7	58.1	17.8	15.8	5.8	25.9	46.0	11.1	-4.1
Petroleum	9.5	-2.1	-5.9	1.8	14.3	14.6	17.3	17.6	21.7	1.6
Chemicals	9.1	2.5	1.5	3.6	0.4	-2.1	-3.4	0.3	-9.8	-5.7
Rubbers & Plastics	8.8	6.2	7.8	4.6	-0.1	2.8	2.5	5.1	-2.5	-2.5
Cement & Construction	5.5	-0.4	1.5	-2.4	-1.0	1.2	9.8	9.6	5.1	0.2
IC & Semiconductors	5.5	15.5	15.9	15.0	8.5	4.8	12.9	18.9	10.6	-1.3
Electrical Appliances	3.8	8.4	20.0	-3.7	-5.9	-1.4	10.3	26.7	0.0	-0.2
Textiles & Apparels	3.5	-5.9	-11.3	0.6	-0.3	-0.4	9.7	11.4	4.2	1.1
Hard Disk Drive	3.4	0.8	10.1	-7.5	-13.2	-29.6	-32.4	-31.9	-34.9	-1.5
Others	16.7	10.1	17.5	3.2	-3.1	-5.3	1.4	9.3	-4.6	-2.8
MPI	100	5.8	9.5	2.2	1.6	-0.8	8.1	14.9	3.4	-2.3
MPI sa Δ% from last period	100	-	4.3	-2.1	-0.9	-0.7	2.6	2.6	-2.3	-
Capacity Utilization (SA)	-	63.0	63.9	62.1	63.6	62.8	64.2	65.4	63.8	-

Note: the new MPI series as adjusted by the OIE (coverage and base year at 2016)

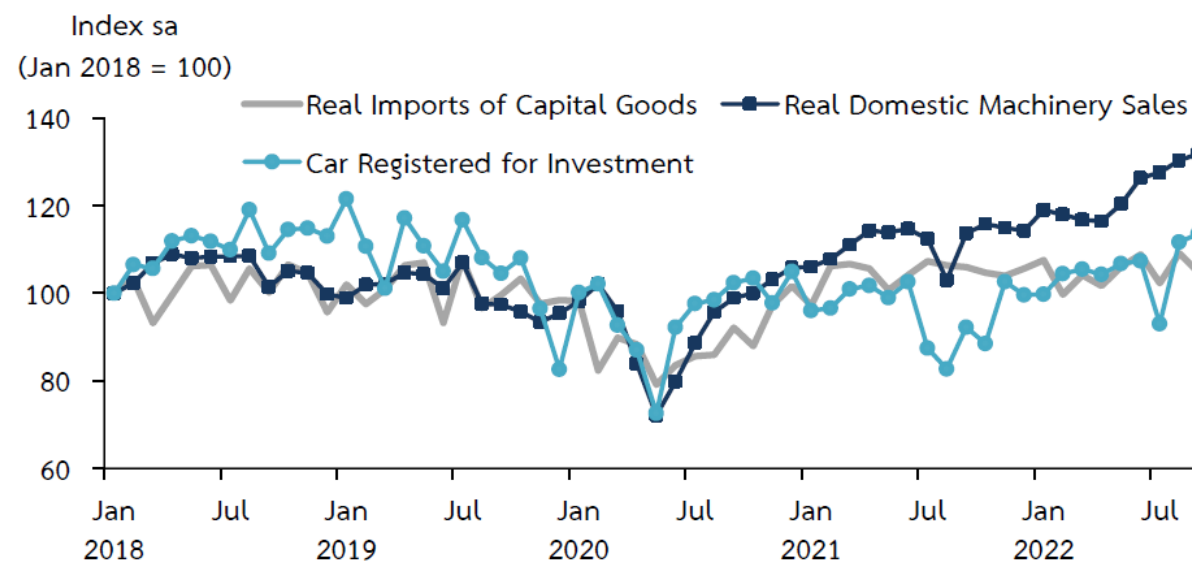
R = 2021 Revision P = Preliminary data

Source: Office of Industrial Economics and seasonally adjusted by Bank of Thailand

Production index of petroleum does not include the production of diesel B10 and B20

Source: Deloitte Analysis, 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

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