

# Special Edition Economic Outlook Report 2021-2022

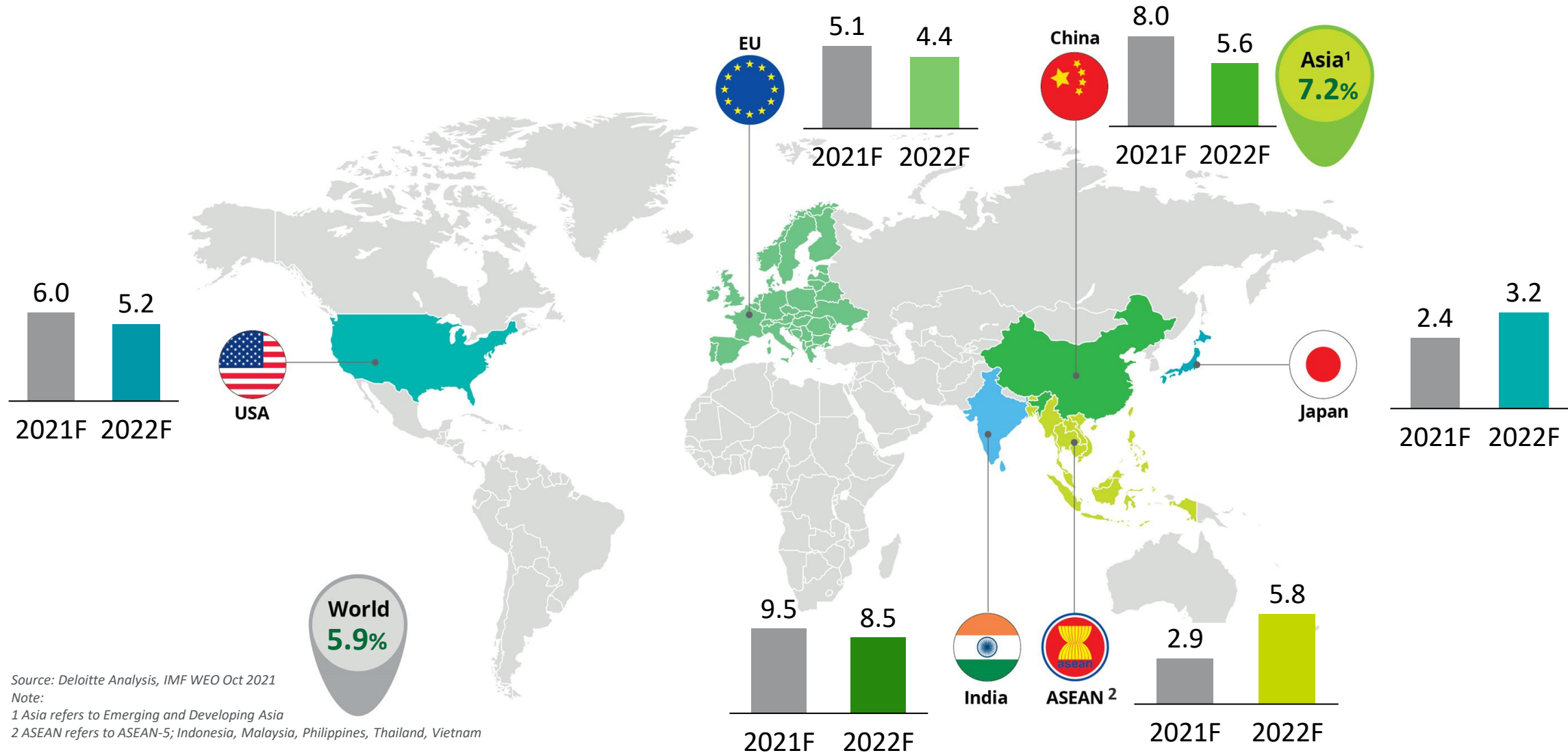
Clients and Industries, December 2021

















# Economic Outlook 2021 - 2022



Global economy saw recovery from vaccine rollout, policy support, and continued supportive financial conditions, responding to Covid-19 resurgence. The IMF forecasted the major economies in 2022 to be slightly gradual, with the exceptions of ASEAN and Japan which saw higher growth in 2022.

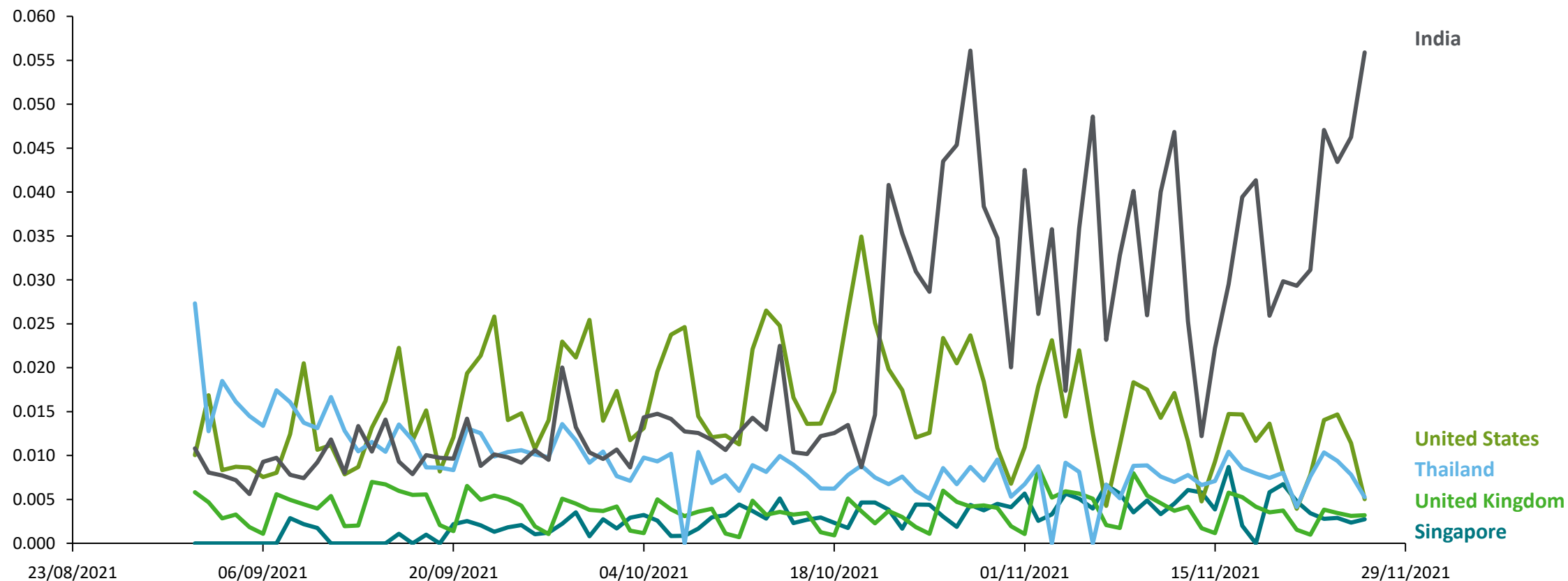


# Key Takeaway and Watch List in 2022

	Key Takeaway		Watch List	
				
 <b>US</b>	<ul style="list-style-type: none"> <li>• Rising consumer demand</li> <li>• Tighter monetary policy</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain disruption The Delta and Omicron variants</li> <li>• The tightened labor market</li> <li>• Soaring home prices</li> <li>• Surge in inflation</li> </ul>	 Tapering by Fed  Great resignation	
 <b>EU</b>	<ul style="list-style-type: none"> <li>• Monetary policy in maintaining 2% inflation</li> <li>• Fiscal stimulus packages</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of COVID-19 new wave</li> <li>• Surge in inflation rate</li> <li>• High gas price from rising in demand and its limited gas reserve</li> </ul>	 The control of the virus spread and vaccine availability in 2021  Short-term economic impacts from potential lockdown measures	
 <b>Japan</b>	<ul style="list-style-type: none"> <li>• Strong domestic and foreign demand for manufacturing</li> <li>• Monetary easing policy</li> </ul>	<ul style="list-style-type: none"> <li>• COVID-19 state of emergency from July to September 2021</li> <li>• Potential trade deficit</li> </ul>	 New wave of virus spread and vaccine availability in 2022  A top-up fiscal stimulus in 2022	
 <b>China</b>	<ul style="list-style-type: none"> <li>• Xi's Common Prosperity to reduce wealth inequality</li> </ul>	<ul style="list-style-type: none"> <li>• POC's reluctance to loosen monetary and fiscal policies</li> <li>• China's power crunch</li> </ul>	 Relation with the US under Biden's administration  Evergrande's debt & potential systemic risk	

# Covid-19 New Death Against New Case Ratio

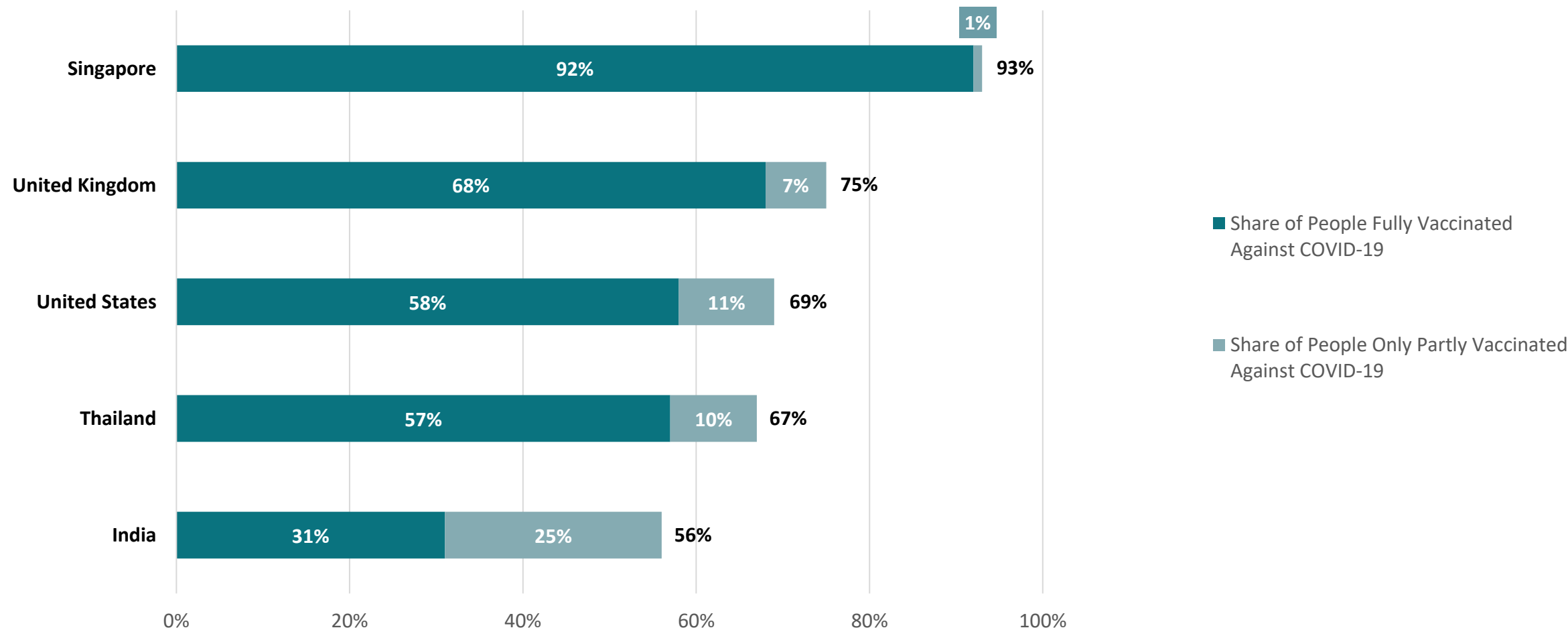
Although Thailand and United Kingdom have the similar average daily new death during Sep 1-Nov 26, 2021 at around 103 and 140 persons, respectively, Thailand’s average new death to new case ratio is higher by 2.5 times to that of the United Kingdom.



Source: Deloitte Analysis based on Our World in Data

# Share of People Vaccinated Against Covid-19 (as of Nov 27, 2021)

Thailand lags behind most of its peers in vaccination.



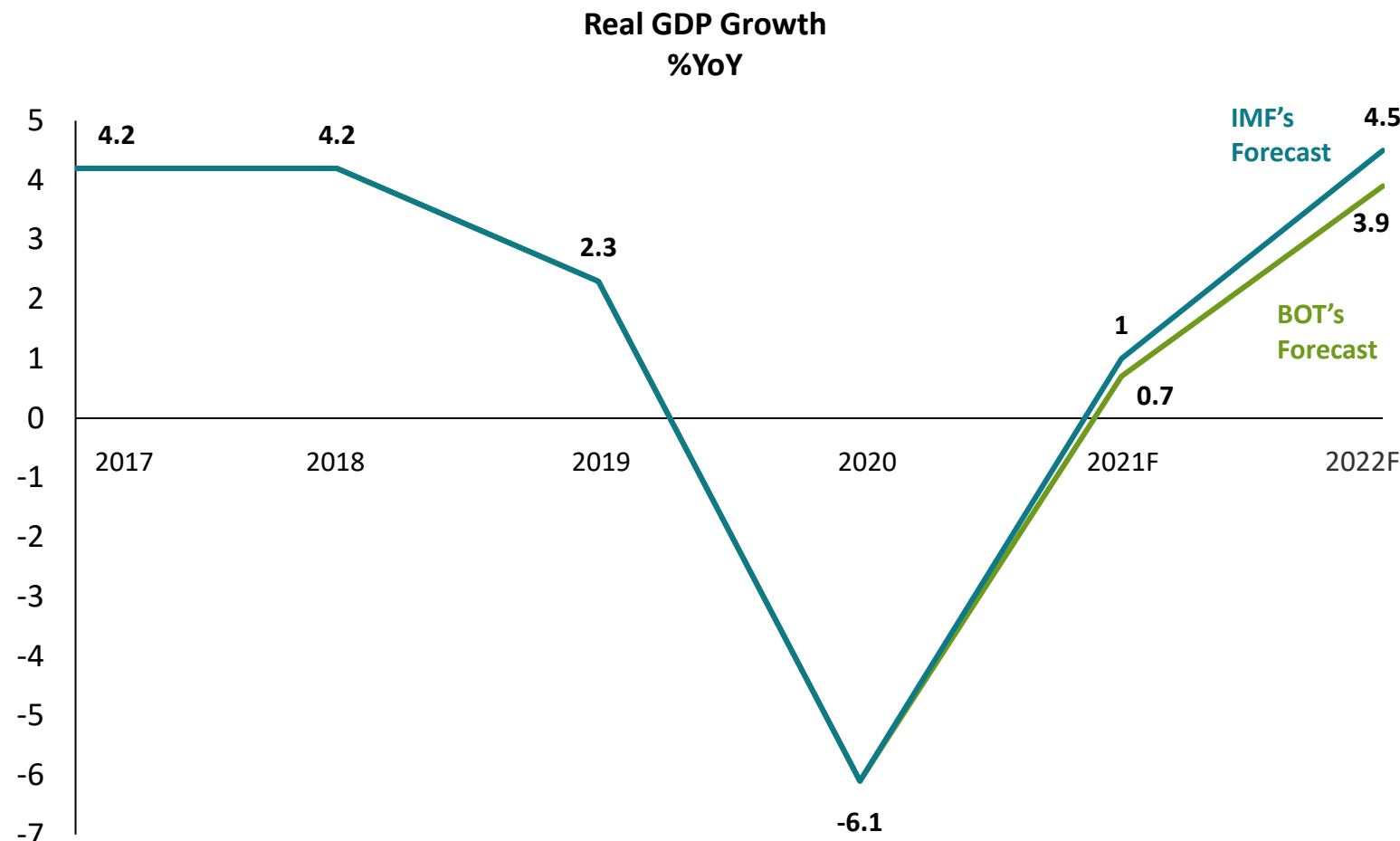
Source: Our World in Data

# Thai Economy 2021 - 2022



# Thailand Economic Outlook

Despite the improvement in economic recovery, uncertainties remain high.



Source: Deloitte Analysis, IMF as of 19 November 2021, Bank of Thailand, SCB EIC

## Key Factors to be Monitored



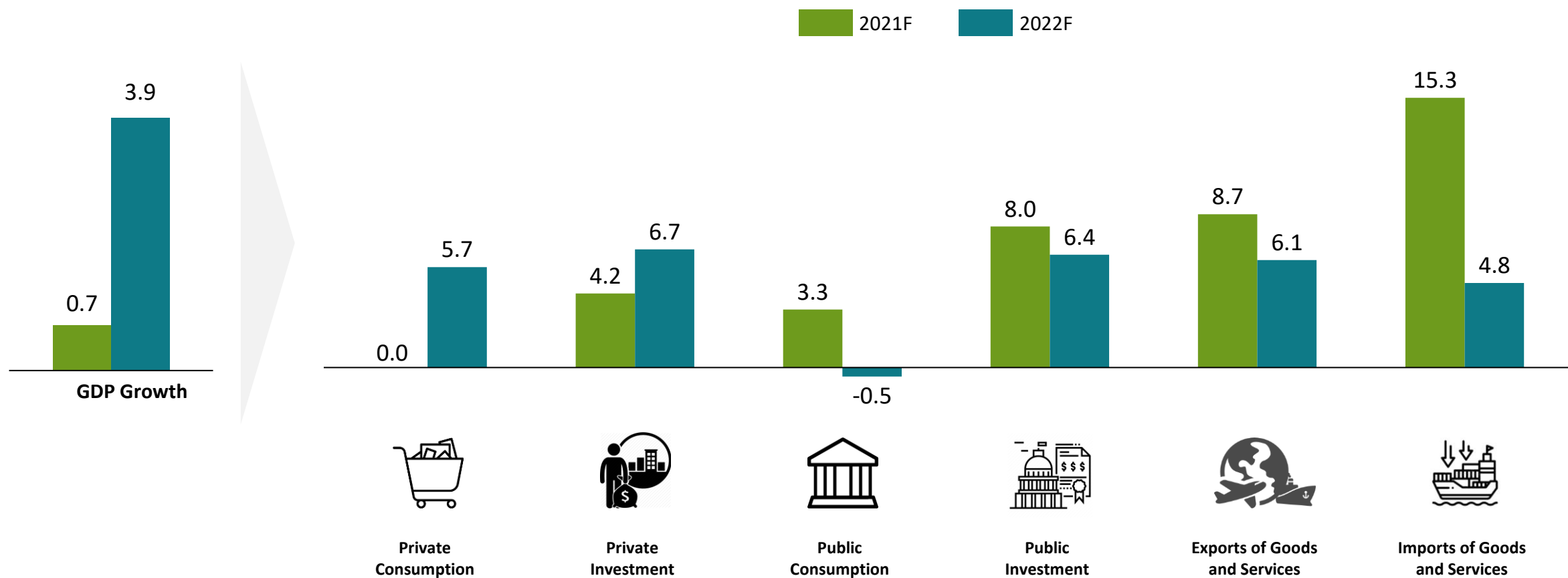
- Export saw expanding
- Improving the delta outbreak situation and accelerated vaccination progress
- Easing of Covid-19 restrictions and reopening country
- Fiscal stimulus



- Resurgence of Covid-19 and potential new variant weakening vaccine effectiveness
- Potential rise in headline inflation due to elevated global energy prices
- Spillover effect from China's economy risk in real estate and energy sector
- Economic scars impacting ability to repay



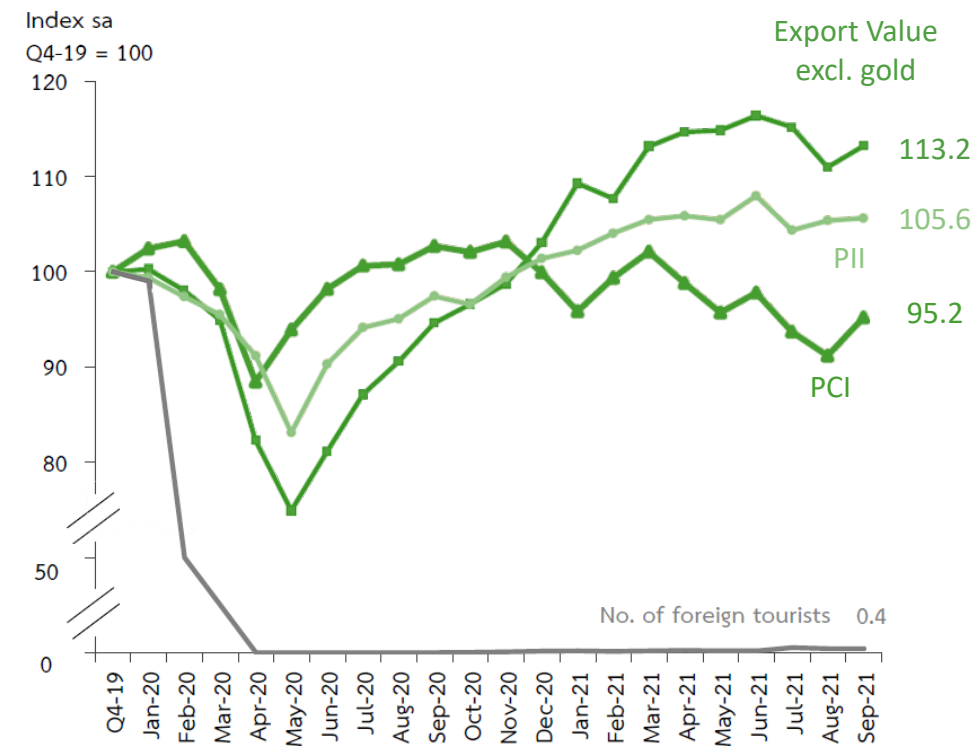
Thai economy is forecasted a gradual recovery owing to domestic spending with improving confidence. However, exports would be impacted by shortages of semiconductors and containers. Under Thai economy’s uncertainty, monitoring the development in outbreak, relaxation of containment measures, private sector confidence, and government measures are crucial factors for economic recovery.



Source: Deloitte Analysis, Bank of Thailand

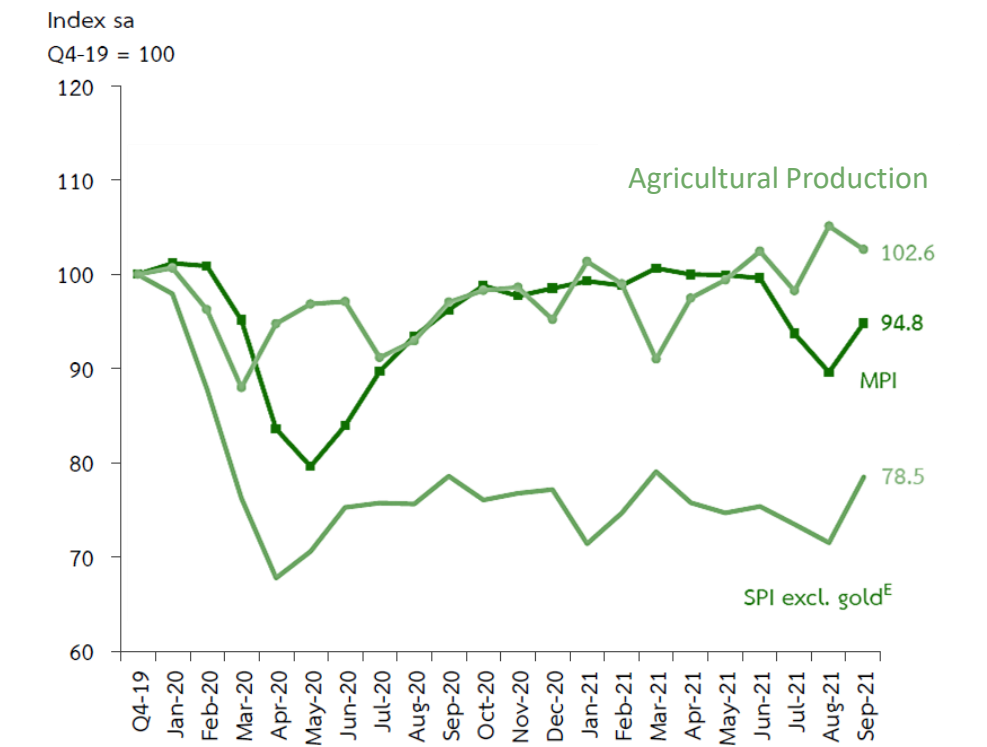
Thai economy had bottomed out in the third quarter of 2021, as reflected in most economic indicators in September 2021 following gradual relaxation of containment measures, while foreign tourist arrivals are expected to reach only 0.2 million in 2021 due to new variant concerns and are expected to rebound to 6 million in 2022 from gradual reopening policy stance from other economies.

Demand-side Economic Indicators



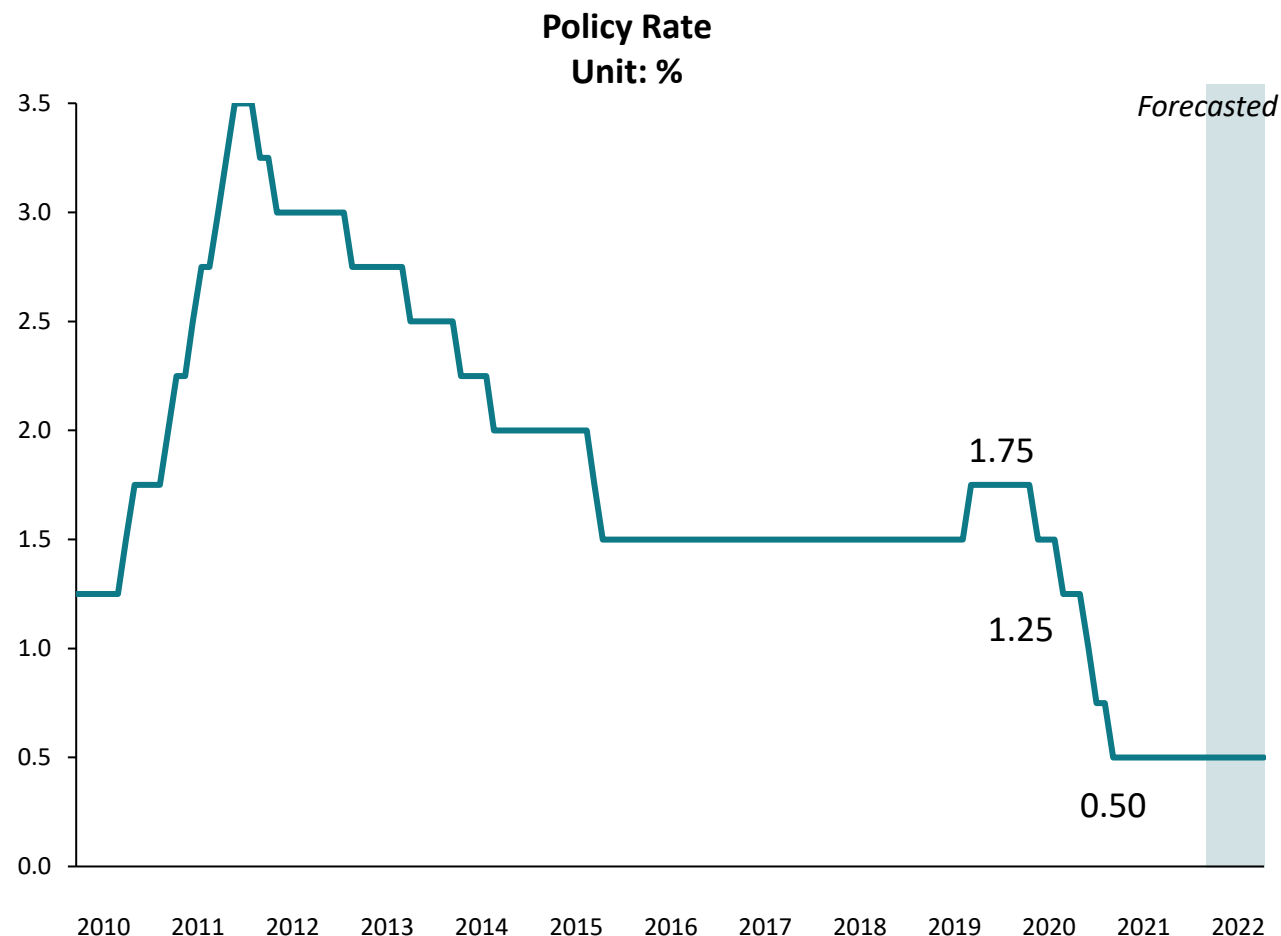
Notes: PCI = Private Consumption Indicators PII = Private Investment Indicators  
Source: Deloitte Analysis, Bank of Thailand

Supply-side Economic Indicators



Notes: MPI = Manufacturing Production Index  
SPI = Service Production Index (Excludes public administration and services, and gold activities)  
E = Estimated data

The Monetary Policy Committee (MPC) voted unanimously to maintain the policy rate at 0.5 percent and is expected to keep at this rate at 0.5 percent throughout 2022.

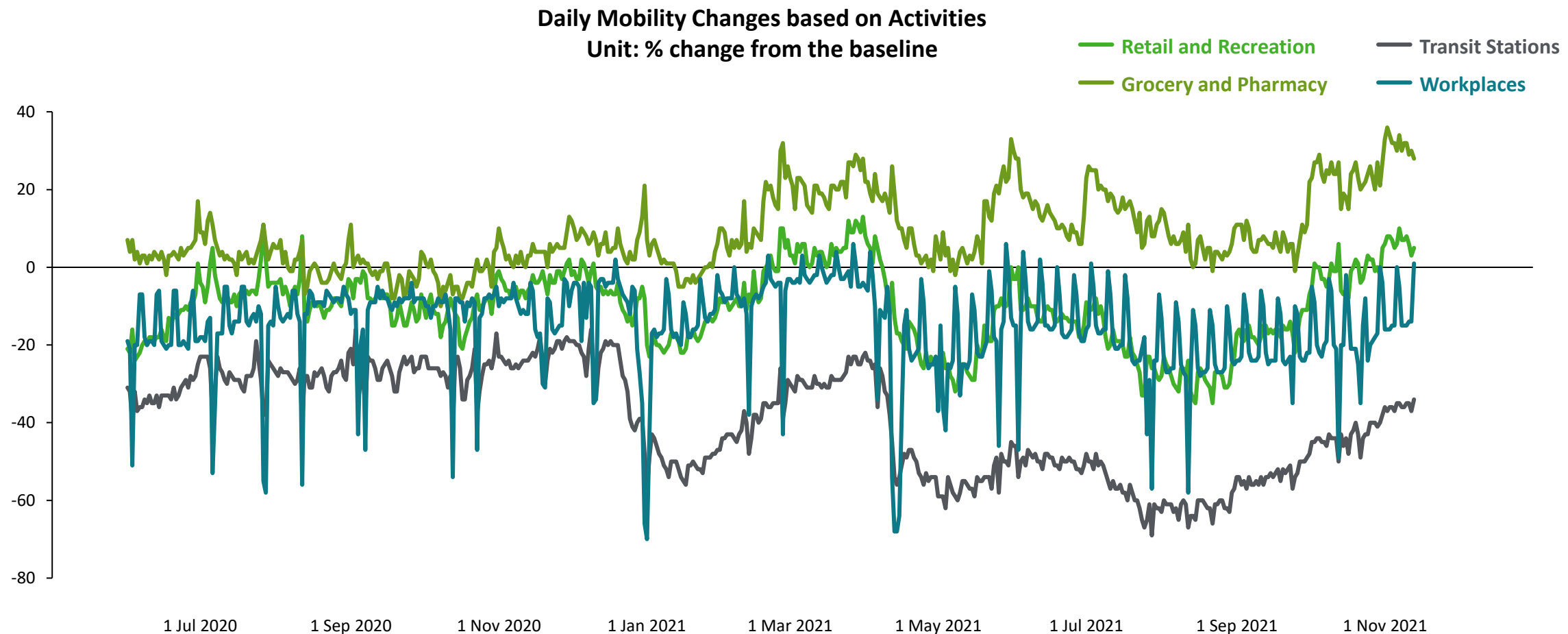


Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 7/2021, Krungthai Compass

The Committee viewed that the continued accommodative monetary policy would help support overall economic growth. The ongoing financial and fiscal measures, which focusing on rebuilding and enhancing potential growth would play a crucial part in bolstering the robust recovery of income.

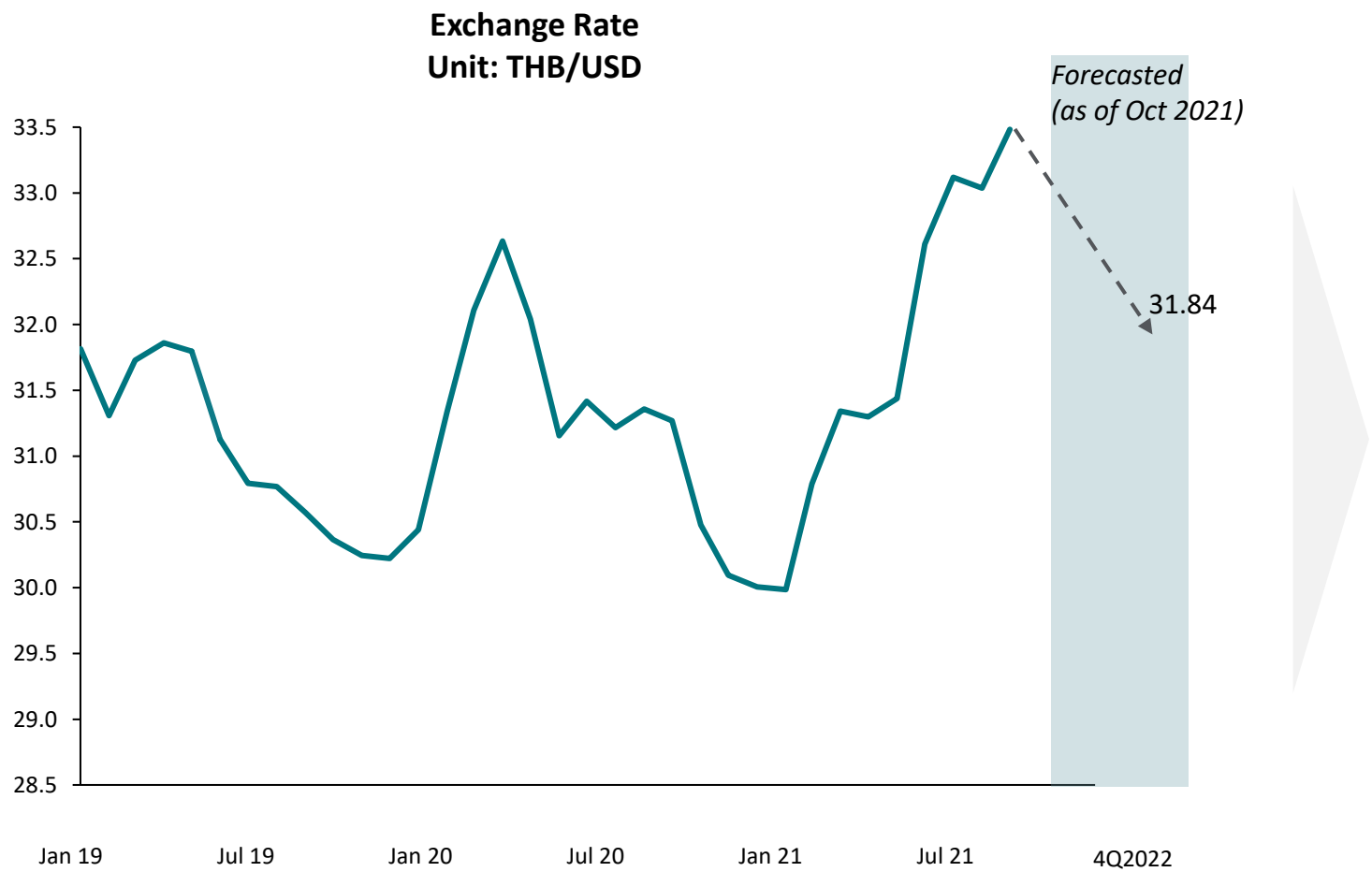
The Committee also assessed that the Thai economy had bottomed out in the third quarter of 2021 and entered the recovery phase following the relaxation of containment measures and the re-opening of the country.

Thai economy saw more rising movement as reflected on the activity indications. Retail and recreation saw the highest acceleration after the relaxation of containment measures.



Source: Deloitte Analysis, Google Community Mobility Report, retrieved on 17th November 2021

Thai baht is expected to depreciate due to strong US dollar and Thailand’s current account deficit from the doubling of freight payments.



The Thai baht has slightly appreciated after its weakest level of 33.91 in Sep 30, 2021, weakest since July 2017.

Expected to certain appreciation due to ease of Covid-19 measures and recovery. Nonetheless, FED’s tampering, potential increase in interest rate are needed to be considered.



In Thailand, some sectors can quickly recover by this year, while some esp. tourism related businesses and durable goods have to wait until 2025 and beyond.

Speed of Recovery					
Degree of Impacts	2021	2022	2023	2024	2025 Onwards
				<ul style="list-style-type: none"> <li>• Hotel &amp; Restaurant</li> <li>• Medium &amp; heavy commercial vehicle</li> <li>• Media</li> <li>• Residential real estate (Low rise)</li> <li>• Automotive (Export)</li> </ul>	<ul style="list-style-type: none"> <li>• Airline</li> <li>• Hotel (Target foreigner)</li> <li>• Commercial real estate</li> <li>• Auto (Domestic sale)</li> <li>• Auto dealer</li> <li>• Residential real estate (Condominium)</li> <li>• Private construction</li> </ul>
		<ul style="list-style-type: none"> <li>• Agricultural chemical</li> <li>• Petrochemical</li> <li>• Motorcycle</li> <li>• Telecom</li> <li>• Wholesale &amp; Retail (Grocery)</li> <li>• Rubber</li> </ul>	<ul style="list-style-type: none"> <li>• Restaurant (Target Thais)</li> <li>• Machinery</li> </ul>		
Least Impact	<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Consumer product</li> <li>• Warehouse</li> <li>• Pulp &amp; paper</li> <li>• Steel</li> <li>• Public construction</li> <li>• Food</li> </ul>		<ul style="list-style-type: none"> <li>• Beverage</li> <li>• Private hospital</li> </ul>		

Source: Deloitte Analysis, SCB EIC (Outlook Q3/2021)



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## Priority sector (1/2)

		Tailwind	Headwind
Oil & Gas		<ul style="list-style-type: none"> <li>Increased auto parts and assembly production as illustrated by the 27.9% increase in the electricity demand</li> <li>Government domestic tourism stimulation leads to an increase in personal cars usage and subsequent benzine consumption</li> <li>Hygienic and COVID-19 concern leads to consumers' higher preference of personal transport, resulting in increased benzine usage</li> </ul>	<ul style="list-style-type: none"> <li>Drastic reduction in oil and gas consumption due to lockdown measures especially in diesel with slower performance in the agricultural sector</li> <li>Increasing EV popularity with 73.5% increase YoY of EV car registered in July 2021.</li> </ul>
Automotive		<ul style="list-style-type: none"> <li>Improved agricultural sector performance is correlated with higher motorcycle purchases as provinces with casava and rubber production saw the rebound of motorcycle purchases back to the pre COVID-19 period</li> <li>Growth of delivery services leads to an increased motorcycle usage due to with 13.7% YoY growth from January to July 2021</li> <li>Government's continuous supports on agriculture and manufacturing which will require vehicles for transport of goods</li> <li>Government's support on infrastructure development with numerous construction</li> <li>E-commerce growth</li> </ul>	<ul style="list-style-type: none"> <li>Domestic Economy</li> <li>Strick auto loan requirement</li> <li>Semiconductor chip shortages will prevent a significant expansion in vehicle production volumes.</li> </ul>

Source: Deloitte Analysis, PostToday, KasikornResearch, and EPPO

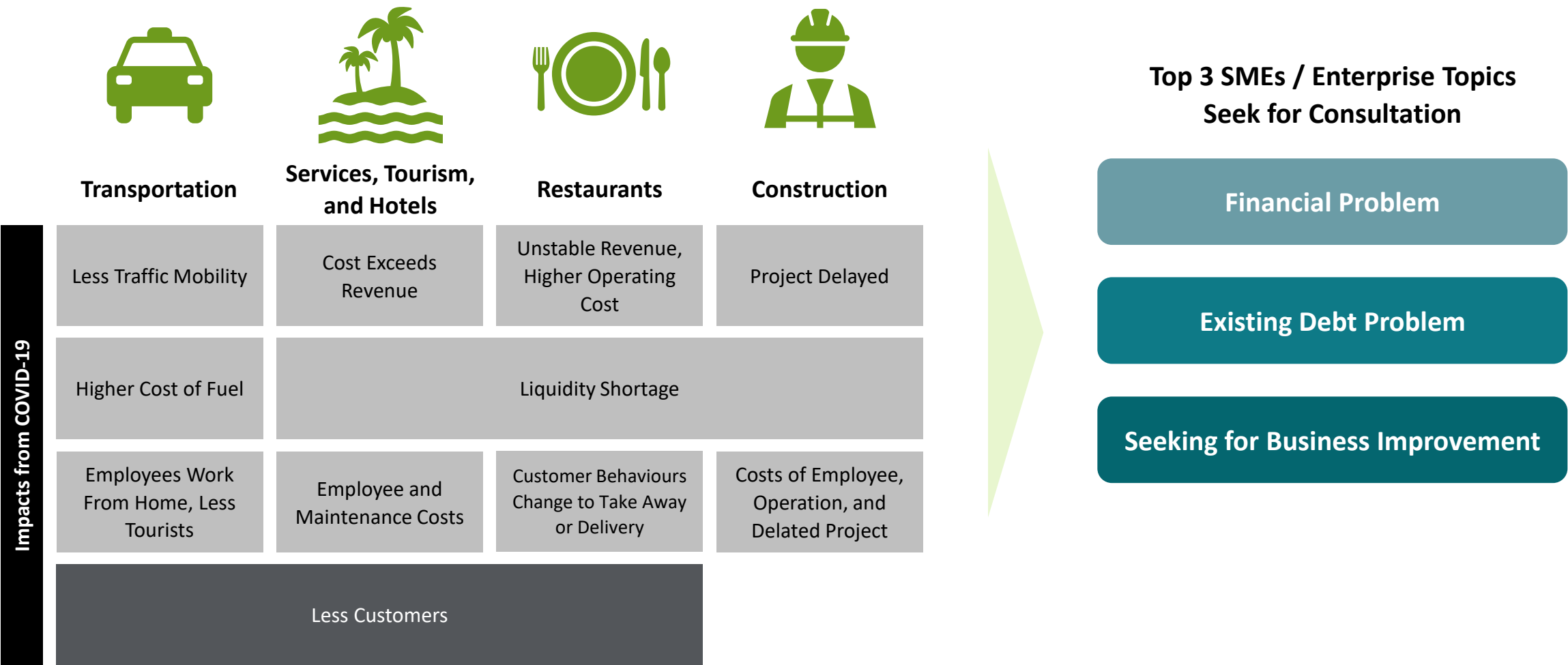
# Priority sector (2/2)

		Tailwind	Headwind
Banking		<ul style="list-style-type: none"><li>• Auto leasing increase in line with automotive industry recovery</li><li>• Lower saving account interest</li><li>• Higher insurance sales</li></ul>	<ul style="list-style-type: none"><li>• API ecosystem and partners’ collaboration</li><li>• Digital/IT infrastructure and security</li><li>• Rise of retail investors in capital markets</li><li>• Growing of other payment methods vs Credit Cards</li></ul>
Consumer Product		<ul style="list-style-type: none"><li>• Stores back in operation after lockdown lifted</li><li>• Return of foreign tourists</li><li>• Government's domestic spending stimulus</li></ul>	<ul style="list-style-type: none"><li>• High Competition</li><li>• Change in consumer behaviour</li><li>• More concerns in health, ESG and CSR</li><li>• Digital Transformation for new business model</li><li>• Supply Chain Resilience</li></ul>

Source: Deloitte Analysis, Brandinside, and Thairath



Shifting in customer behavior and forced change in business operation had affected businesses’ revenue which led to affordability risk.



# 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.

Terminated		<b>We Win</b> Cash handouts up to 9,000 Baht (Jan - June 2021)		<b>Section 33 We Love Each Other</b> Cash handouts of 6,000 Baht (Feb - June 2021)
		Reduction in electricity fee and water charge (Feb - June 2021)		
On-Going		<b>State Welfare Card Holders</b> 200 Baht Monthly Allowance 500 Baht Allowance in Nov and Dec 21 for Vulnerable (Oct 20 - Dec21)		<b>Half-Half Scheme</b> Co-Pay up to 4,500 Baht Phase 3 (June – Dec 21)
		<b>The More You Spend, The More You Get Scheme</b> E-Voucher up to 7,000 Baht (July – Dec 21)		<b>We Travel Together</b> 40% subsidy for hotel and flight + 600 Baht for dining, Phase 3 (Sep 21 – Jan 22)
		<b>Social Security: Section 33, 39, 40</b> Cash Handouts up to 9,000 Baht (Feb - Dec 2021)		

Source: Deloitte Analysis , Ministry of Finance, Krungthai, Social Security Office, BOT and other sources from government webpages

# Covid-19 Financial Measures to Support Business Recovery

Public agencies, financial institutions, and those in the private sector have worked closely together in designing these market-based support measures that will address the needs of all parties involved.

	Personal	SMEs	Enterprise
Temporary liquidity shock due to COVID-19	<ul style="list-style-type: none"> <li>Financial Stimulus via Ministry of Finance</li> <li>Increase Capital via Specialized Financial Institutions (SFIs)</li> </ul>	<ul style="list-style-type: none"> <li>Soft Loan (2020)</li> <li>Loan Rehabilitation (2021)</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Bond Stabilization Fund (BSF)</li> </ul>
Existing Debts	<div>Moderate Impacted and Potentially Repayable</div> <div>Debt Restructuring Measure Phase 3</div>	<div>Debt Restructuring</div>	
	<div>High Impacted and might not be Repayable</div> <div> <div>2-Month Suspending Payments of principal</div> <div> <div>Debt Mediation</div> <div>Suspending Payments (in case of unable to evaluate cashflow)</div> <div>Asset Warehousing</div> </div> <div>Revised Regulation on Late Payment Calculation and Interest Rate Penalty</div> </div>		
Financial Institution's Roles	Control financial stability, debt restructuring aligning to borrowers' future cash flow, managing risks		

# Soft Loan

The bank of Thailand adjusted its soft loan scheme to support liquidity for both existing and new SME borrowers by expanding their credit line.

	Soft Loan (2020)	Raised Concerns	Loan Rehabilitation (2021)
<b>Borrower</b>	<ul style="list-style-type: none"> <li>Existing borrowers with ≤ 500 m THB of the existing credit line (and non-NPL as of Dec 31, 2019)</li> </ul>	<ul style="list-style-type: none"> <li>New borrowers who were affected from Covid-19 could not participate.</li> <li>Less than 20% of credit line limits SMEs to access.</li> <li>Limited of access might result in accessible SMEs taking advantage of lending to the unqualified SMEs.</li> </ul>	<ul style="list-style-type: none"> <li>Existing borrowers with ≤ 500 m THB of the existing credit line (and non-NPL as of Dec 31, 2019)</li> <li>New borrower</li> </ul>
<b>Credit Line</b>	<ul style="list-style-type: none"> <li>Existing borrower: ≤ 20% of the existing credit line</li> </ul>		<ul style="list-style-type: none"> <li>Existing borrower: ≤ 30% of the existing credit line (But no more than 150 m THB)</li> <li>New borrower: ≤ 20 m THB</li> </ul>
<b>Term</b>	2 Years		5 Years
<b>Interest Rate</b>	≤ 2% Annually		≤ 5% Annually (5-year average) (≤ 2% for the first 2 years)

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