



Economic Outlook Report 2020

Special Edition

Clients and Industries, December 2019

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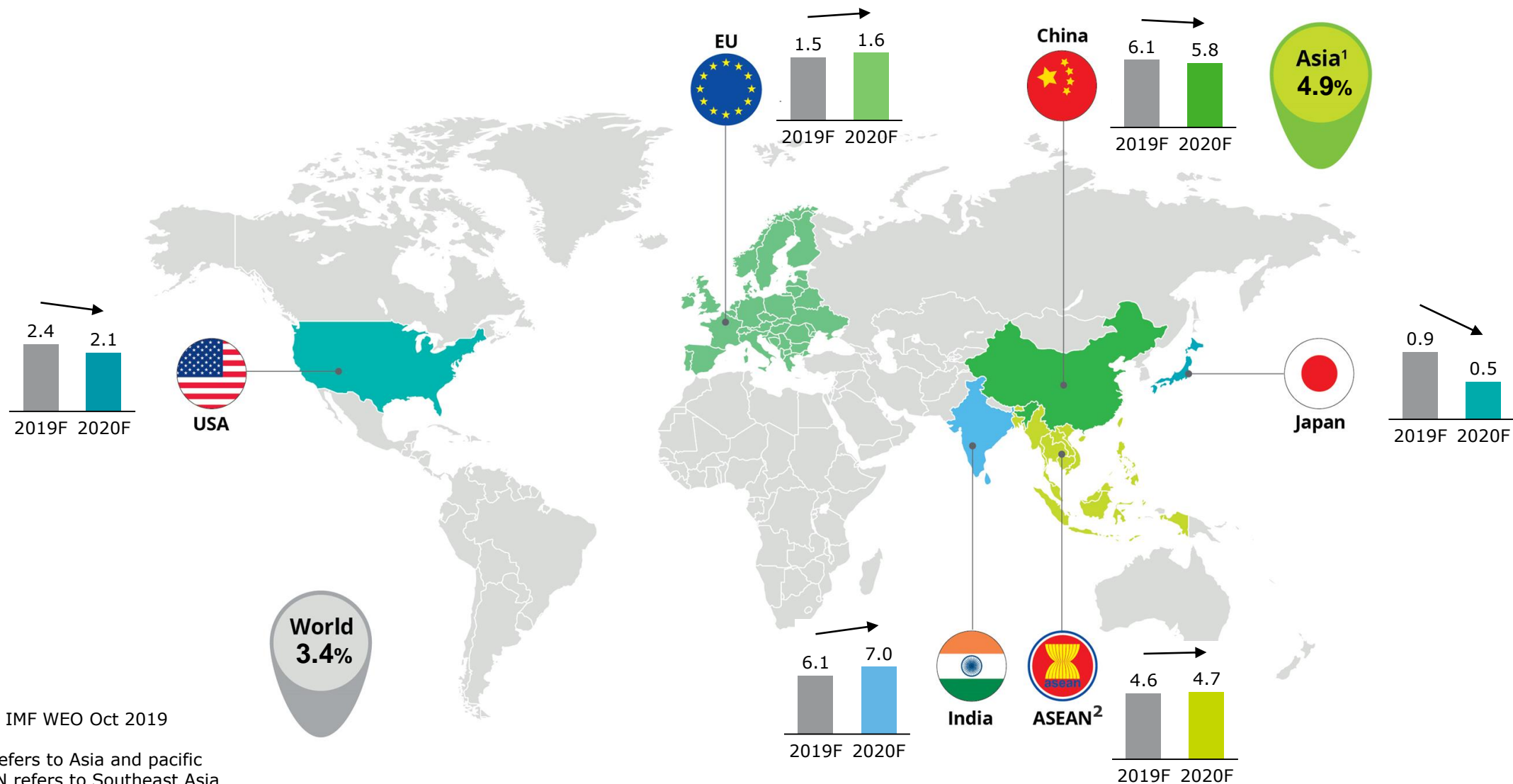
Thailand Economic Overview 2020

Key Challenge in 2020



















Global Economic Overview 2020

Global growth is forecast at 3.0 percent for 2019, its lowest level since 2008–09 and projected to pick up to 3.4 percent in 2020

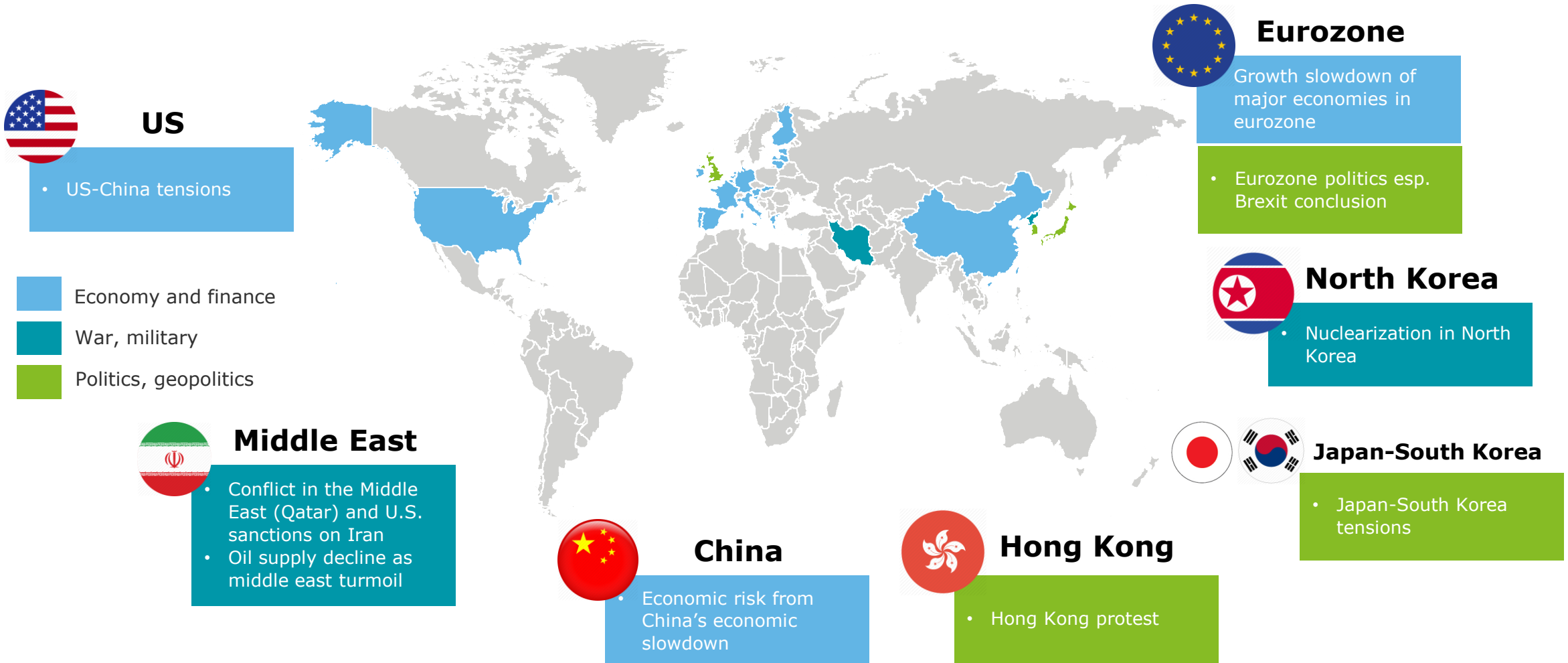


Source: IMF WEO Oct 2019
Note:
1 Asia refers to Asia and pacific
2 ASEAN refers to Southeast Asia

Key takeaway and Watch list in 2020

	Key takeaway	Watch list
 US	<p> Driving Forces: Policy rate cuts</p> <p> Restraining Forces: Trade war</p>	<p> US-China trade negotiations and additional tariffs</p> <p> An impeachment inquiry against US President Donald Trump</p>
 EU	<p> Driving Forces: External demand regain from emerging markets</p> <p> Restraining Forces: Brexit uncertainty</p>	<p> US-EU trade negotiations</p> <p> Brexit options under Boris Johnson</p>
 Japan	<p> Driving Forces: Revenues from 2020 Olympics</p> <p> Restraining Forces: Consumption tax rate increase and exports to China & South Korea declines</p>	<p> The progress of trade negotiations with US, to avoid the threat of auto tariffs from US</p> <p> Japan-South Korea trade dispute has begun to affect trade and tourism</p>
 China	<p> Driving Forces: Policy rate cuts</p> <p> Restraining Forces: Trade war and Regulatory strengthening</p>	<p> US proposed a new round of tariffs on USD 156 bn worth of Chinese imports</p> <p> US-China trade negotiations before 2020 US Presidential election</p>

Trade war, Geopolitical issues and Specific risks and exposures in each country are 3 major risks to economic growth in 2020



Southeast Asia Economic Overview 2020

The region remains resilient amid global uncertainties

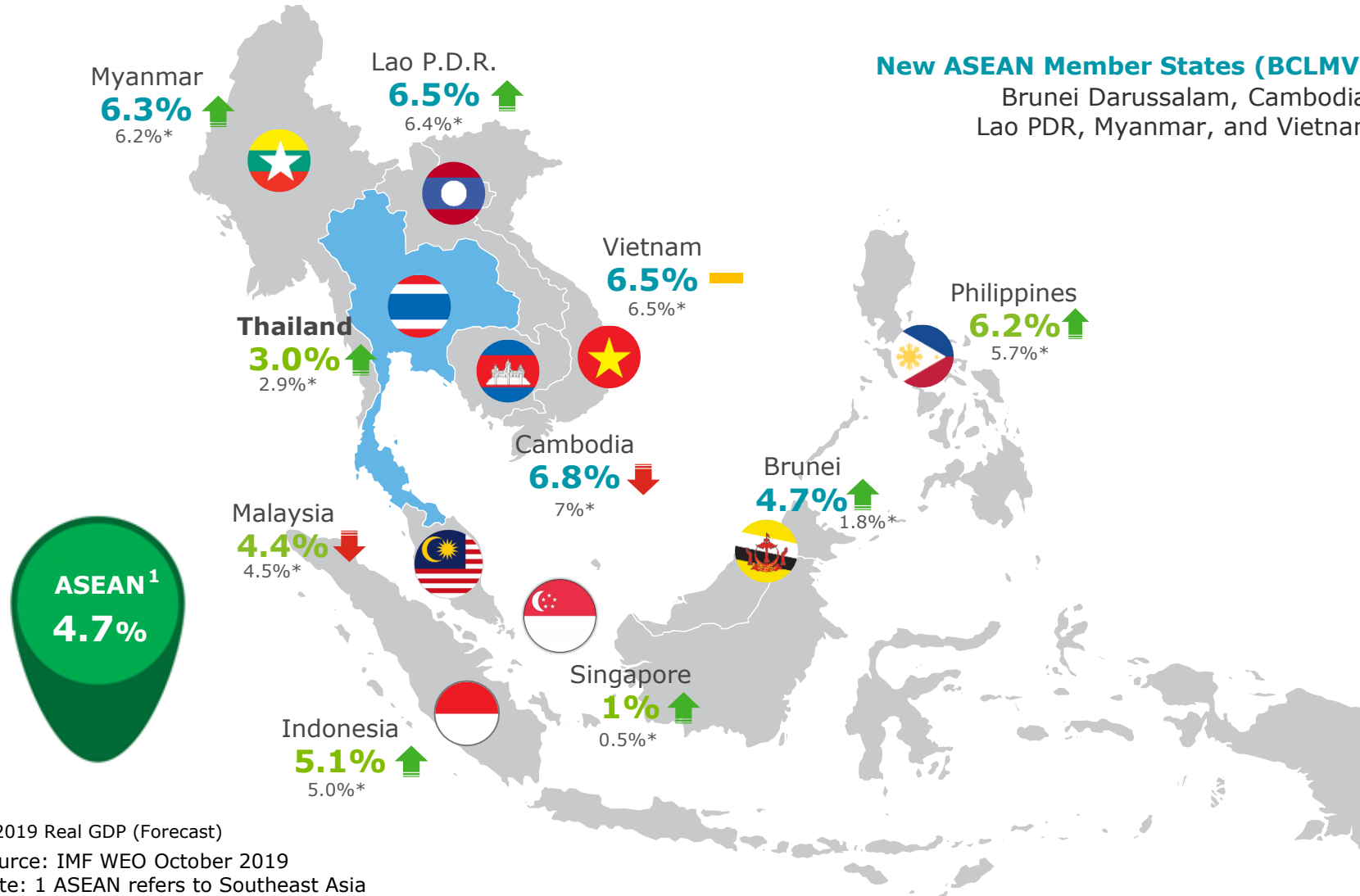
ASEAN GDP growth in 2020 (Forecast)

Original ASEAN Member States (ASEAN 5)

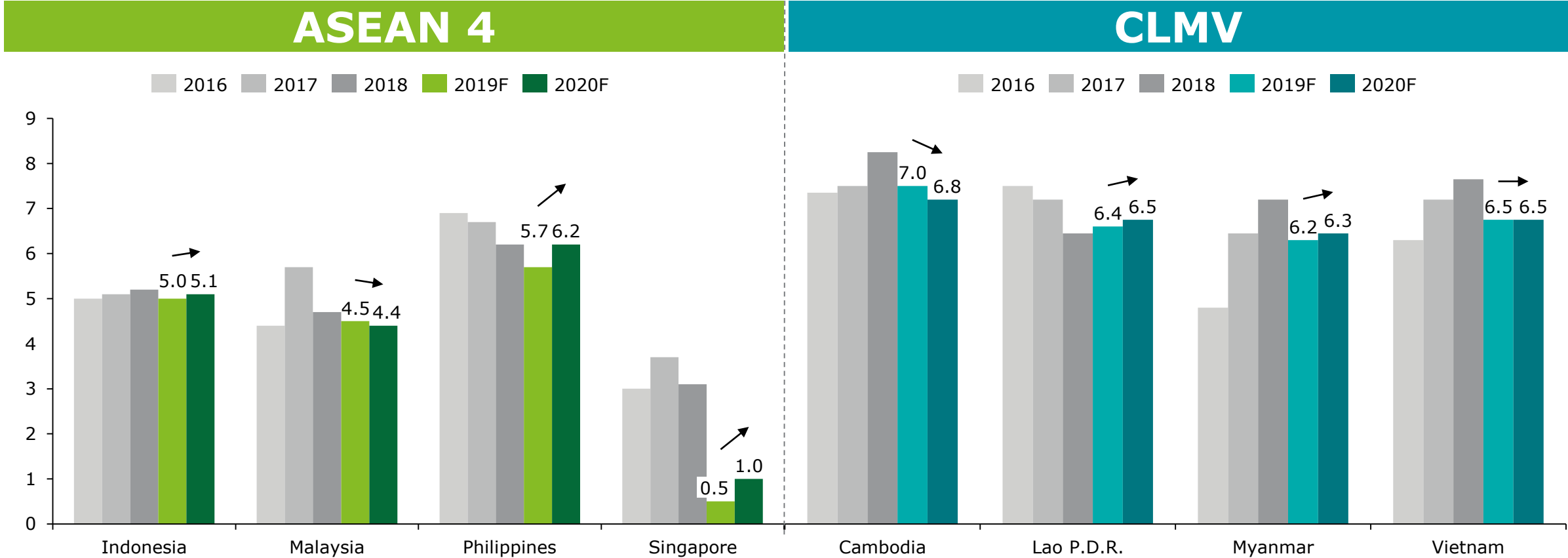
Indonesia, Malaysia, Philippines,
Singapore, and Thailand

New ASEAN Member States (BCLMV)

Brunei Darussalam, Cambodia,
Lao PDR, Myanmar, and Vietnam



Key Takeaway



Source: IMF WEO October 2019

Key Takeaway

ASEAN 4

Export plummet slows growth, but economies still bolstered by domestic demand



Indonesia

- Grow steadily in 2019 and 2020
- Despite heightened global uncertainty, the economic outlook continues to be positive, with domestic demand being the main driver of growth



Malaysia

- Growth eases in 2019 and 2020
- Favorable domestic demand, particularly household spending due to stable labour market and low inflation



Philippines

- Growth should lift in 2020
- Solid fundamentals: a competitive workforce, steady remittances and investment in construction
- Amid rising global uncertainties, the Philippine economy still remains strong



Singapore

- Growth is likely to continue facing headwinds into 2020
- Dragged in the trade-related cluster due to downturn in the electronics cycle and US-China tensions
- Modern services have been the main anchor of growth and is likely to remain a key source in 2020 - even it sees some slowing as well

Source: Dataconsult and IMF
Economic Outlook 2020

CLMV

Growth to slow amid higher external risks and country-specific challenges



Cambodia

- A relatively large fiscal stimulus (over 3% of GDP) is expected to be introduced in 2020 to mitigate potential negative impacts of the withdrawal of EBA



Lao P.D.R.

- Growth in the construction and service sectors is expected to remain robust in the medium term due to continued infrastructure investment



Myanmar

- Downside risks dominate Myanmar's economic outlook, which includes global economic uncertainty, the Rakhine crisis and domestic conflicts



Vietnam

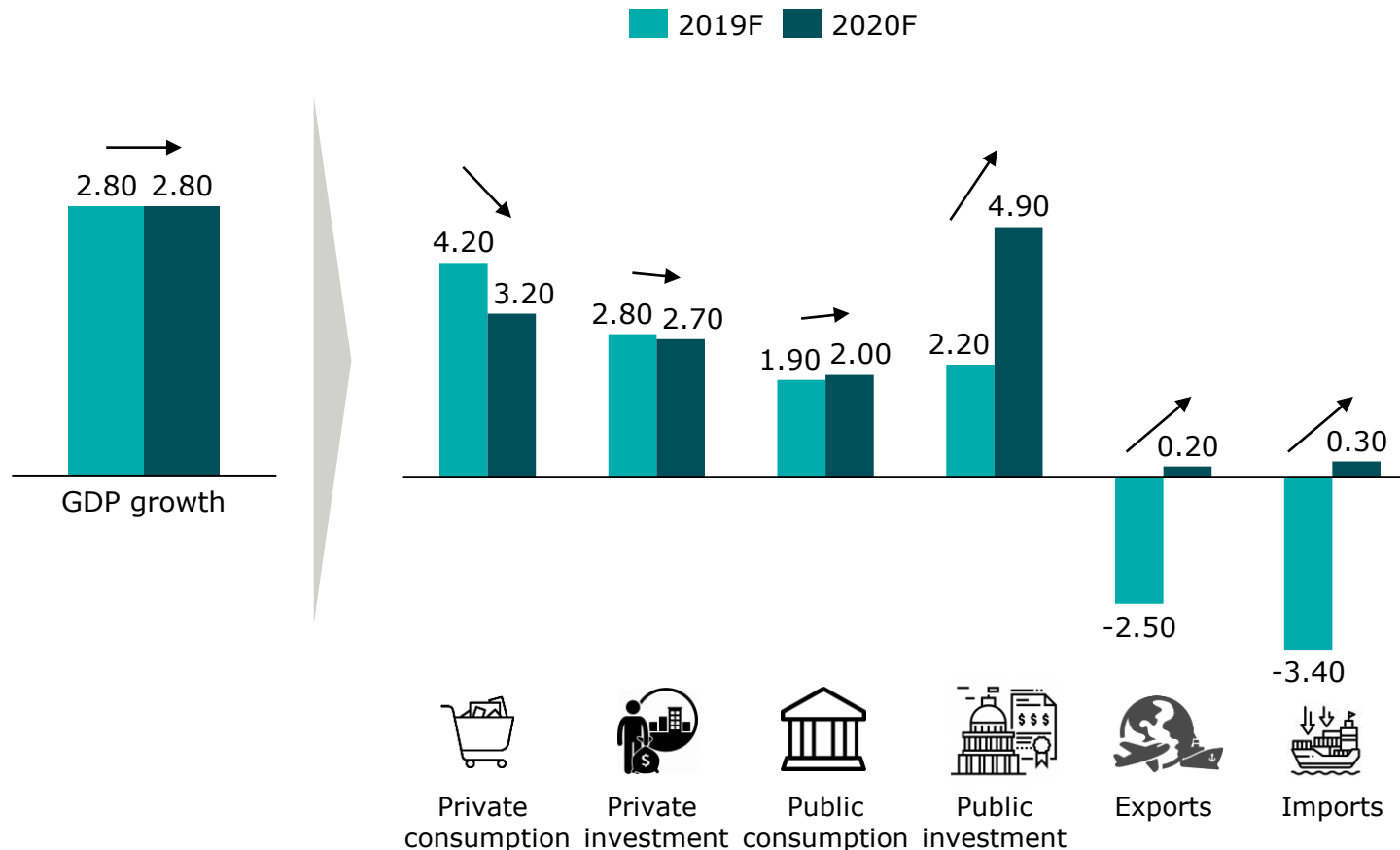
- Vietnam remains heavily exposed to global economic sentiments, given its high trade openness and limited policy buffers
- Growth is expected to further moderate in 2020 and 2021 to a more sustainable pace of 6.5%

Thailand Economic Overview 2020

Thai economy was forecasted to grow 2.8 % in 2019 and 2020

The ongoing trade war triggered a Thai export slump, resulting in a domino effect on other domestic sectors of the economy

Thai economy forecasted to grow 2.8 % in 2020

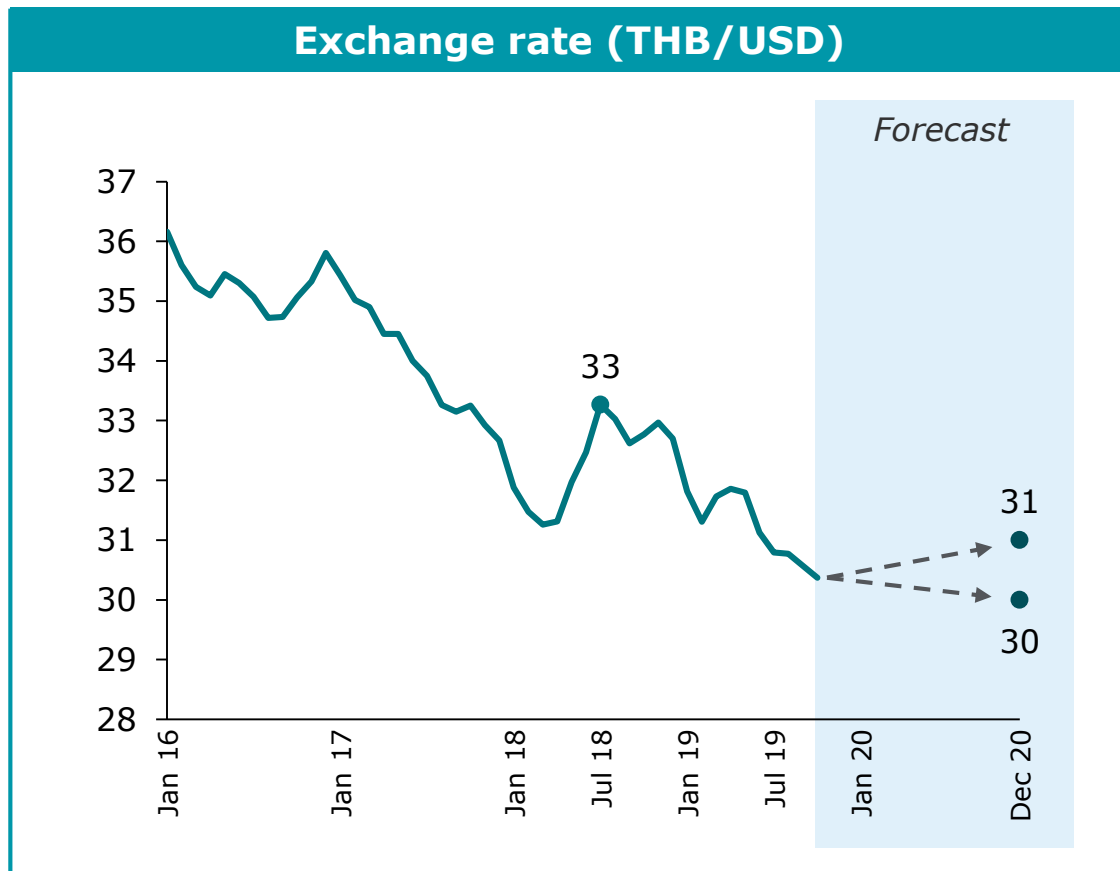


Key takeaway

- A slow economic recovery in 2020F and expects 2.8%YOY GDP growth on the back of global economic slowdown and subdued domestic purchasing power
- On private domestic demand, it was foreseen a slowdown in private investment due to a fragile export recovery and feeble residential construction activities on the back of the tightening LTV measure
- Similarly, private consumption in 2020F is expected to slow down due to stubbornly high household debt and more cautious lending by the commercial banks
- Consequently, public investment in infrastructure projects, public consumption, and government stimulus measures are likely to be key factors in shoring up the Thai economic recovery in 2020

Source: SCB EIC (Outlook 4Q2019)

It was expected Thai Baht/US Dollar to move in the range of 30-31 in 2020F



Source: BOT and SCB EIC (Outlook 4Q2019)

The key factors influencing the value of the Thai baht

- Massive current account surplus
- Smaller policy rate cuts by Thai MPC
- Capital inflows to Thailand, resulting from Thai Baht's status as a regional safe haven currency

Implication



Negative impact to

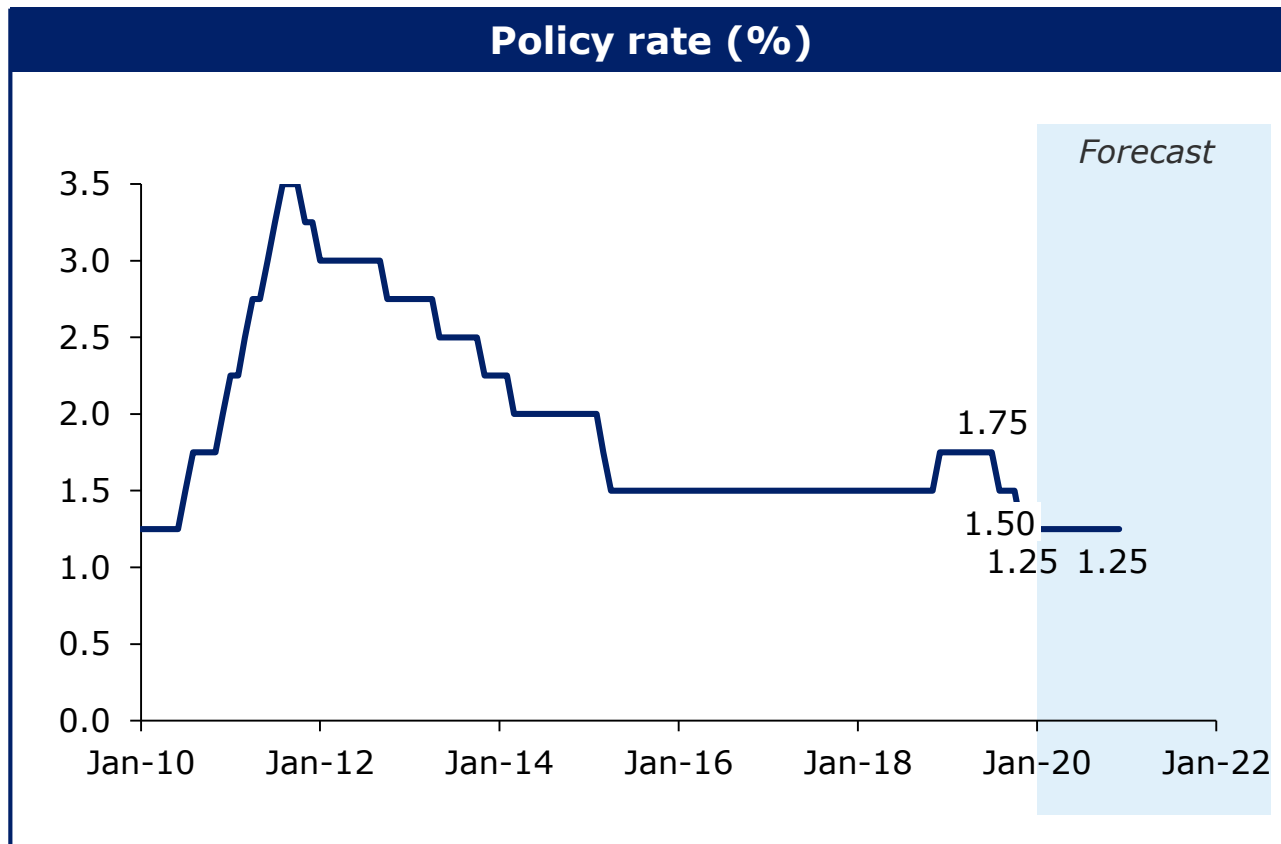
- The tourism sector
- Export sector



Positive impact to

- Import sector

Recently, BOT cuts policy rate from 1.50% to 1.25% on Nov 2019 and tends to keep the policy rate at its record low level throughout 2020F



Why policy rate was cut..

- Further downside risks from external and domestic demand factors
- Inflation rates are likely to miss the lower bound of the inflation target range (1%)

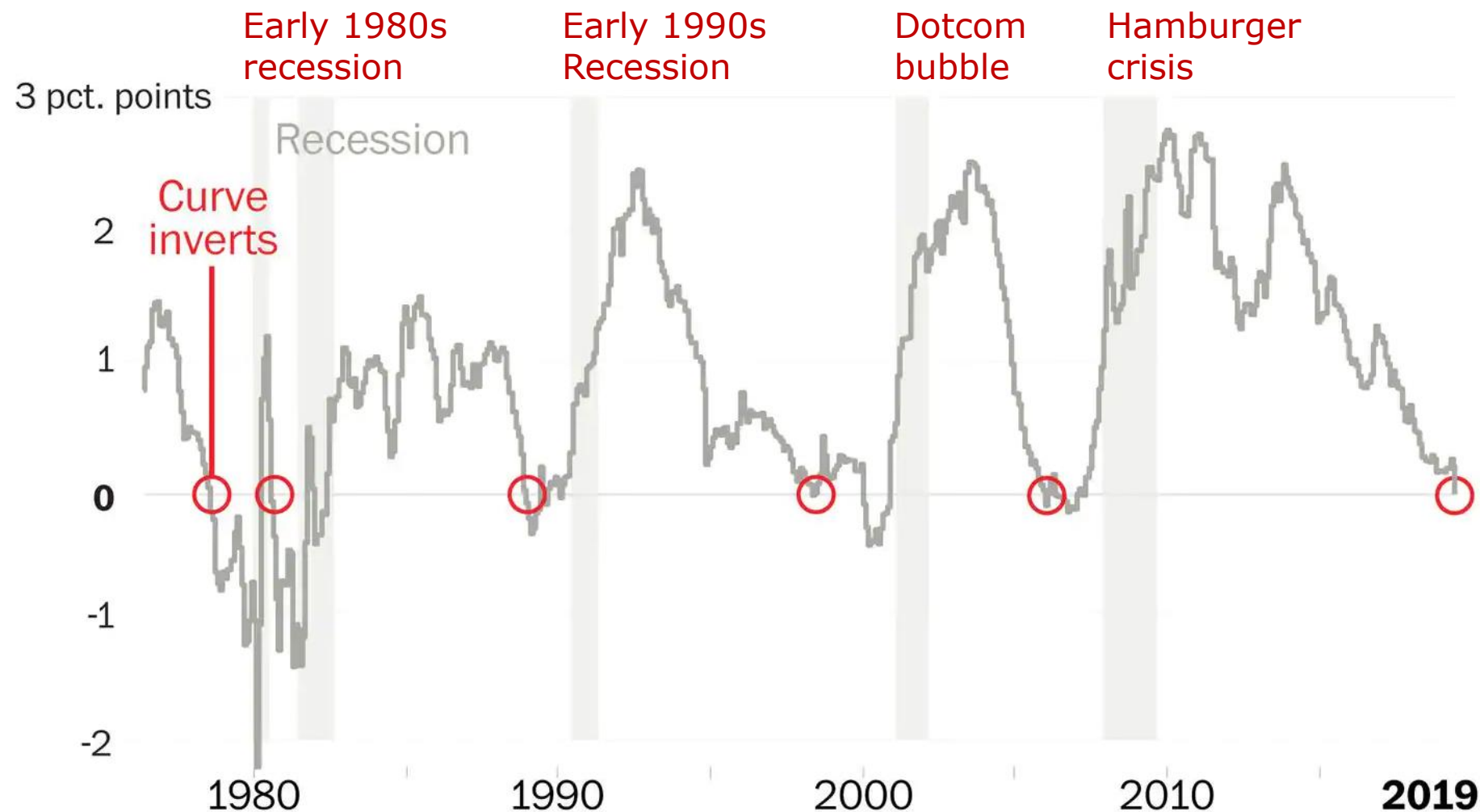
2020 Forecast

- Policy rate was expected to be at 1.25% throughout the year to shore up domestic purchasing power through a lower financing cost
- Note that the lower financing cost might not boost substantial new lending on the back of rising economic uncertainties, but it is likely to lower debt service expenses for households and SME business in debt

Source: BOT and SCB EIC (Outlook 4Q2019)

Key Challenge in 2020

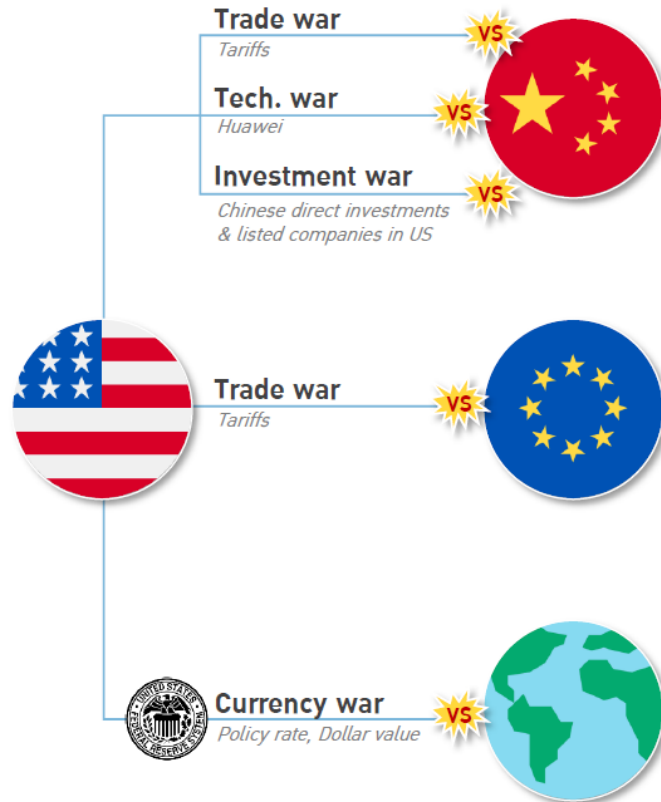
Historically, when the yield on 10-year Treasury bonds dips below the yield for 2-year bonds, a recession has followed



Note: Only the first inversion preceding a recession is marked
Source: St. Louis Federal Reserve, Wells Fargo Investment Institute
Economic Outlook 2020

Trade war is expected to last very long

Trade war



- Upcoming US president election will be held in November 2020. To gain votes, Pres. Trump unlikely to reduce confrontation with other nations
- Impeachment is unlikely as the 'guilty' dictation requires two-thirds majority of the senators.
- Fears of threats from China's rise –politics, economics, and technology –run deep in both Republican and Democrat upcoming presidential candidates.
- Multiple wars are likely to continue next year: Trade, Tech, Investment, and Currency wars.
- In Nikkei's survey in September 2019 of 1,000 Japanese companies involved in business with China, half of respondents said trade war is likely to last for over 10 years.