




Economic Outlook Report 1Q2022

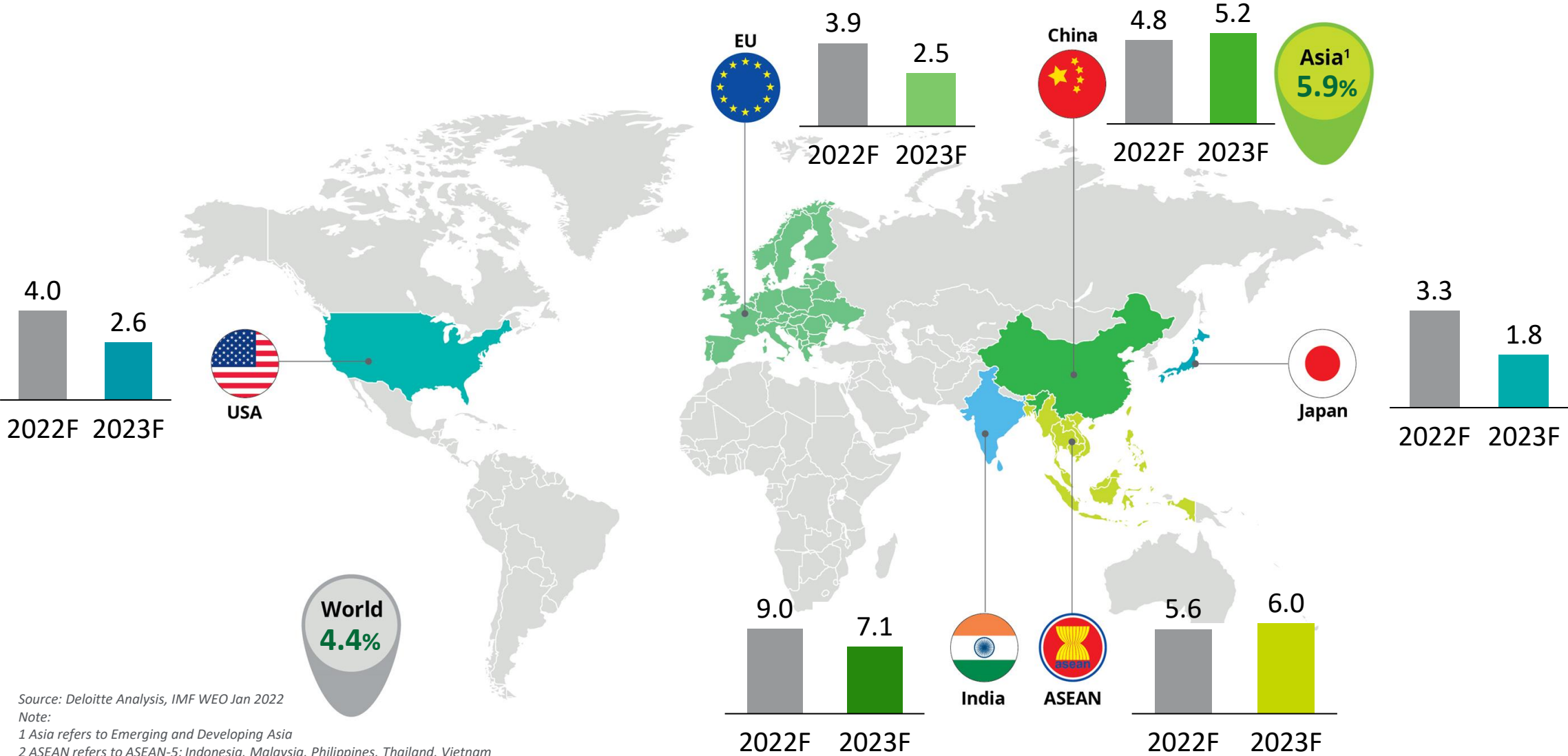
Clients and Industries, March 2022



A low-angle, black and white photograph of several modern skyscrapers with glass facades. The buildings are curved and reflect the sky. A large, semi-circular teal overlay is on the right side of the image, containing the title text.





Economic Outlook 1Q2022

The 2022 Global economy will grow more slowly than expected. The downgrade also reflects revisions in US’s earlier tightening of monetary policy and supply chain disruption, and China’s zero-Covid and weaker property sector, while ASEAN saw higher growth in 2023.



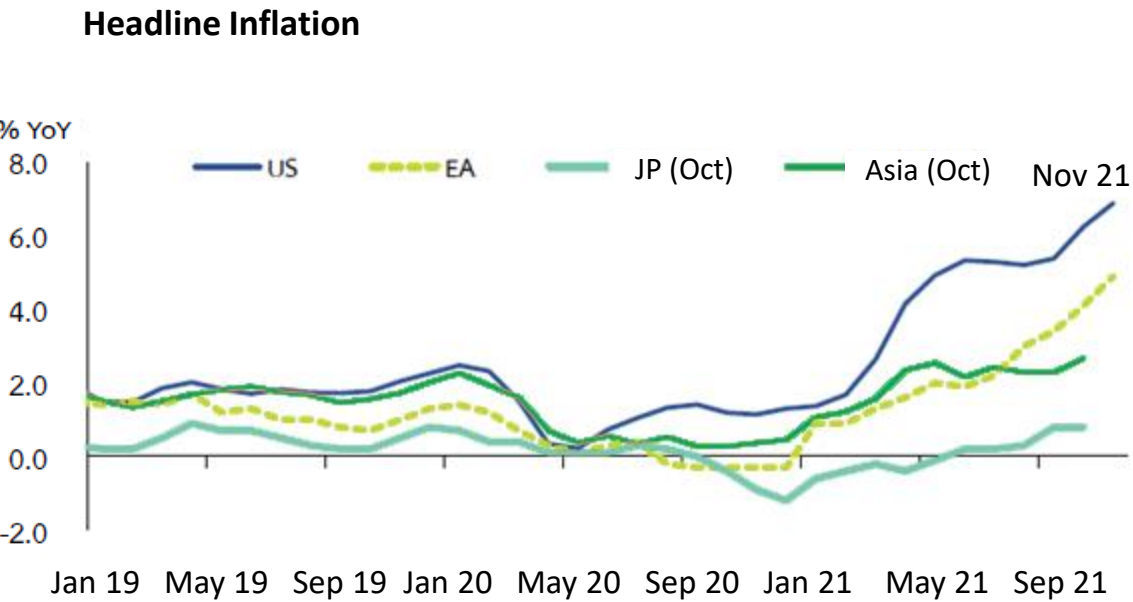
Source: Deloitte Analysis, IMF WEO Jan 2022
Note:
1 Asia refers to Emerging and Developing Asia
2 ASEAN refers to ASEAN-5; Indonesia, Malaysia, Philippines, Thailand, Vietnam

Key Takeaway and Watch List in 2022

Key Takeaway			Watch List	
	+	-		
 US	<ul style="list-style-type: none">• Rise in consumer spending• \$1.2 trillion infrastructure investment bill	<ul style="list-style-type: none">• Rising Covid cases• The tightened labor market• Surge in inflation (7.9% in Feb 22)• US port congestion• Fed raised 0.25% of interest rate in March	 Fed potentially to raise more interest rate in 2022, and their double pace of tapering	 Potential exacerbate inflationary pressure from the war in Ukraine, boosting energy prices and disrupting supply chains
 EU	<ul style="list-style-type: none">• Pandemic Emergency Purchase Programme - net asset purchases to due in March 2022• Fiscal stimulus packages	<ul style="list-style-type: none">• Surge in inflation rate (5.8% in Feb 22)• High gas price from receiving less gas from Russia, rising in demand, and its limited gas reserve	 Potential slower pace of bond purchase in 1Q22 and low interest rate environment	 Impact from Russia's Ukraine invasion, and potential ban imports of oil from Russia
 Japan	<ul style="list-style-type: none">• Inflation remains low even though at accelerated pace.• Rise in machinery, robotics and electronics industries demand from overseas	<ul style="list-style-type: none">• Rising material costs• Sluggish consumer spending• Potential trade deficit	 Potential maintaining ultra-accommodative policy stance	 \$940 billion budget for economic growth and wealth distribution
 China	<ul style="list-style-type: none">• Strong growth in industrial production• Cutting crucial lending rates• Xi's Common Prosperity to reduce wealth inequality• Beijing 2022 Winter Olympics	<ul style="list-style-type: none">• Continuing weakness in the property sector• Rising prices of imported commodities• China's zero-covid	 On-going US-China tensions, and Russia-China relations	 Potential increase restriction to contain Covid-19

Inflation accelerates in various regions, in accordance with soared commodity price. Major factors influencing the elevated price are high gas price and supply disruption problems.

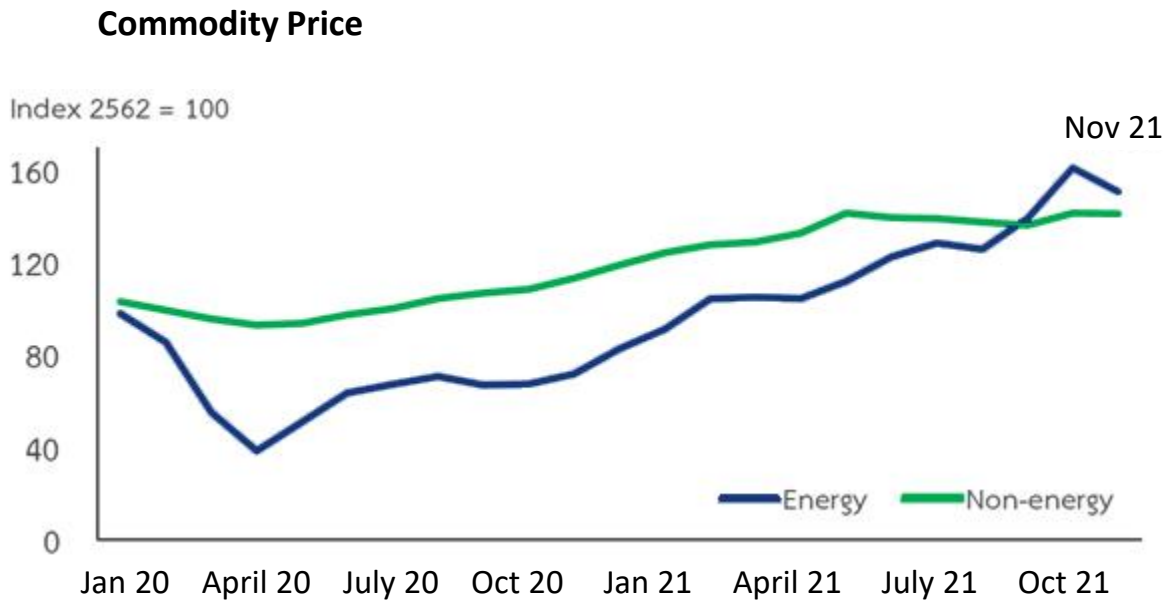
Inflation acceleration in emerging markets (EMs) are lower than those of in advanced economies (AEs).



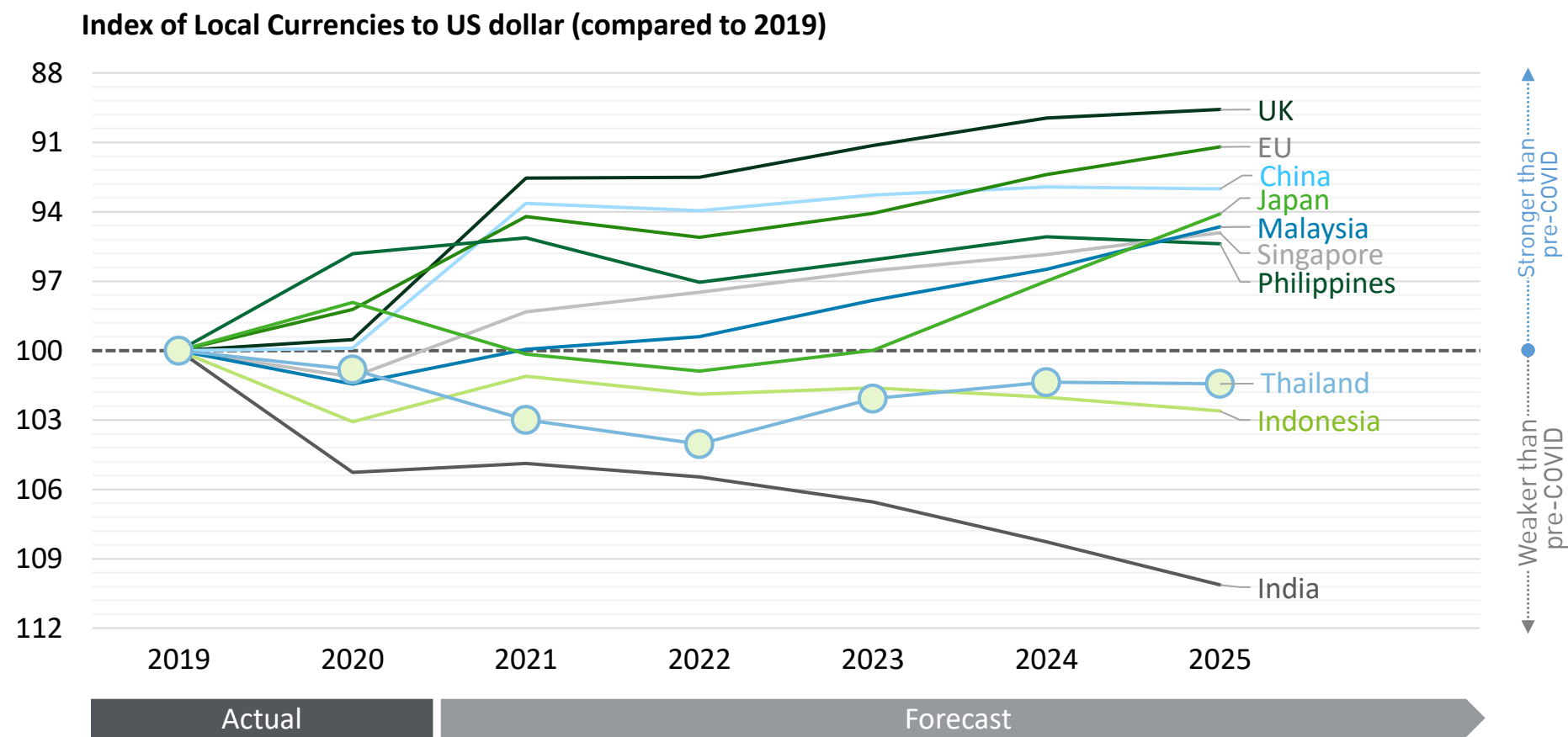
Note:

- 1) Asia consists of China, Hong Kong, Indonesia, South Korea, Taiwan, Malaysia, Philippines, and Singapore.
- 2) EA means Euro Area
- 3) Energy consists of Coal, Crude oil, Gas.
- 4) Non-energy consists of Agricultural products, Fertilizers, Metals & Minerals

Source: Bank of Thailand, CEIC, World Bank Commodities Price Data



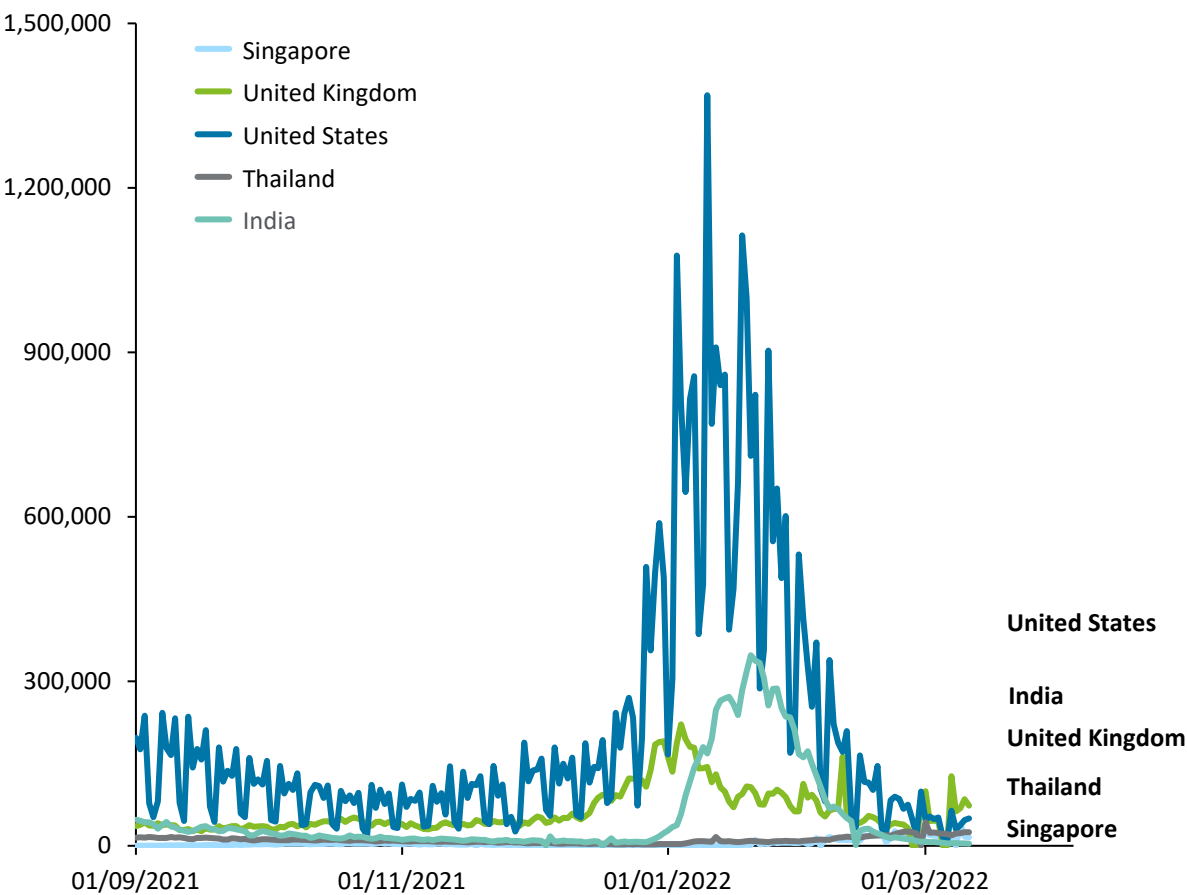
Most currencies are predicted to be stronger than pre-Covid due to economic recoveries. Nonetheless, Thai Baht would remain weaker than the pre-Covid level as the US dollar appreciates and the net capital inflows would also be lower than the pre-Covid level.



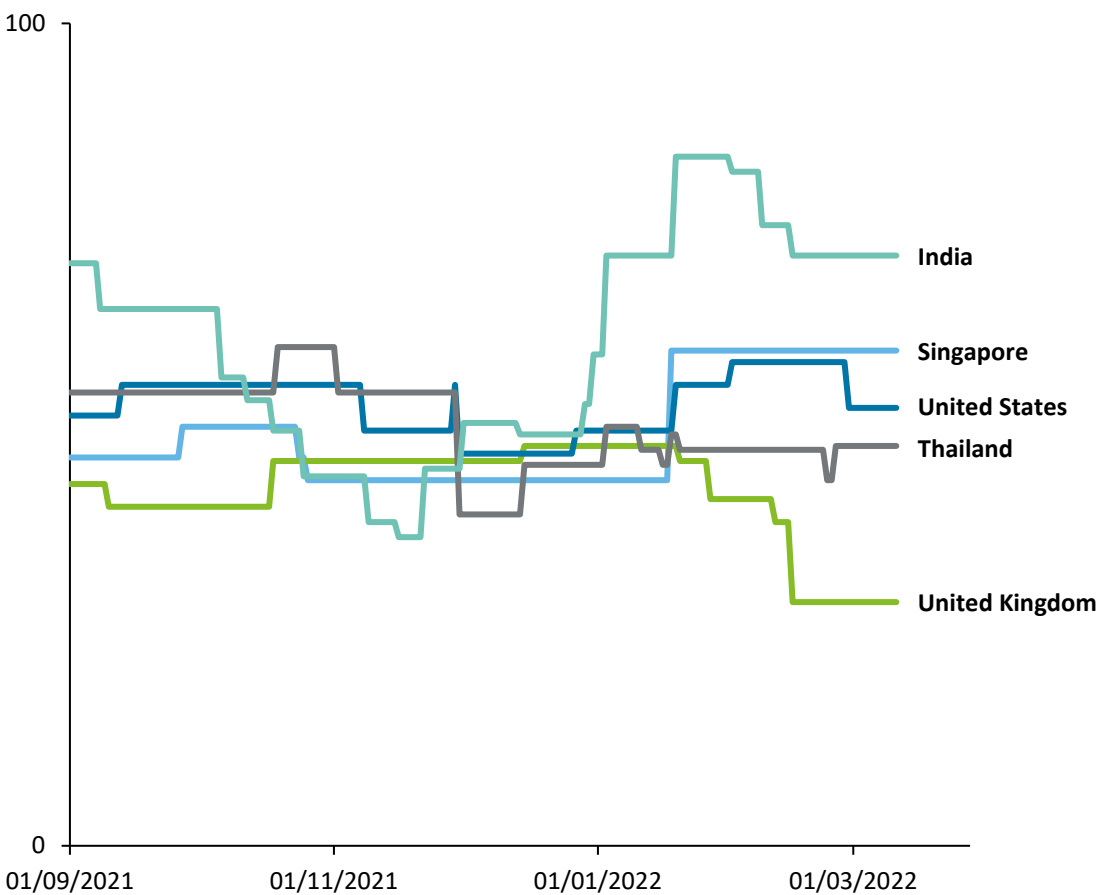
Source: TDRI EIS, Bank of Thailand, Consensus Economics Inc. (Oct 2021)

The Omicron variant has certainly proven more contagious than previous waves, skyrocketed to new records in many countries. Containment measures to control the virus have been stepped up at the beginning of 2022 as a result. However, India, Thailand, and UK saw more relaxed from February.

Daily New Confirmed COVID-19 cases

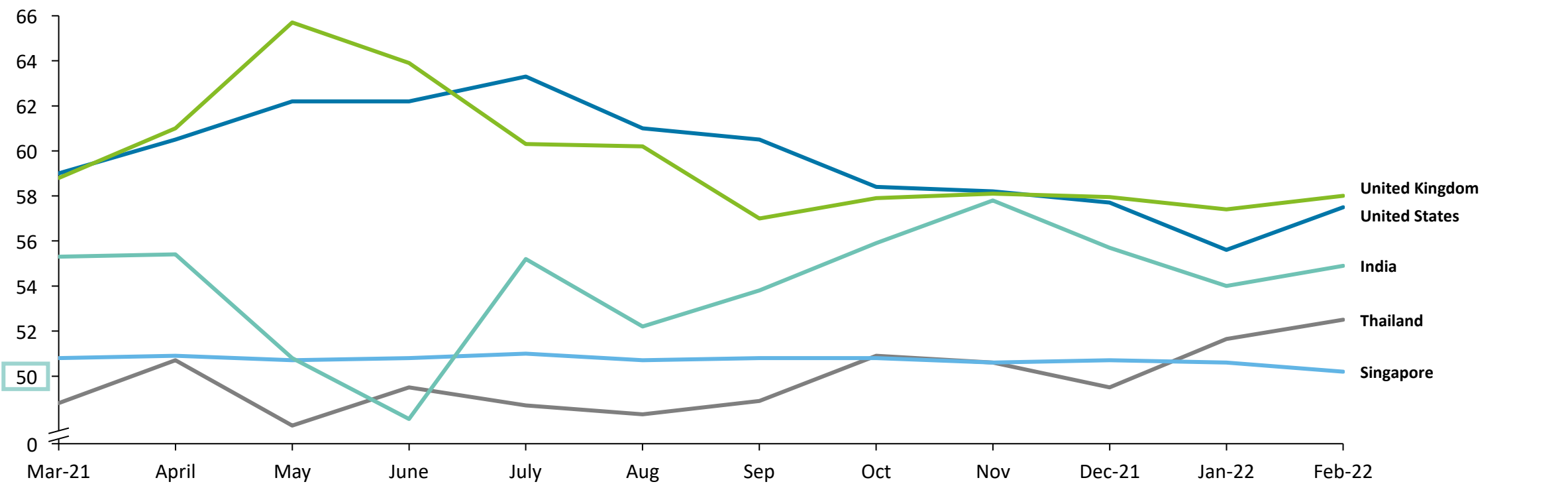


COVID-19 Stringency Index



Manufacturing PMI

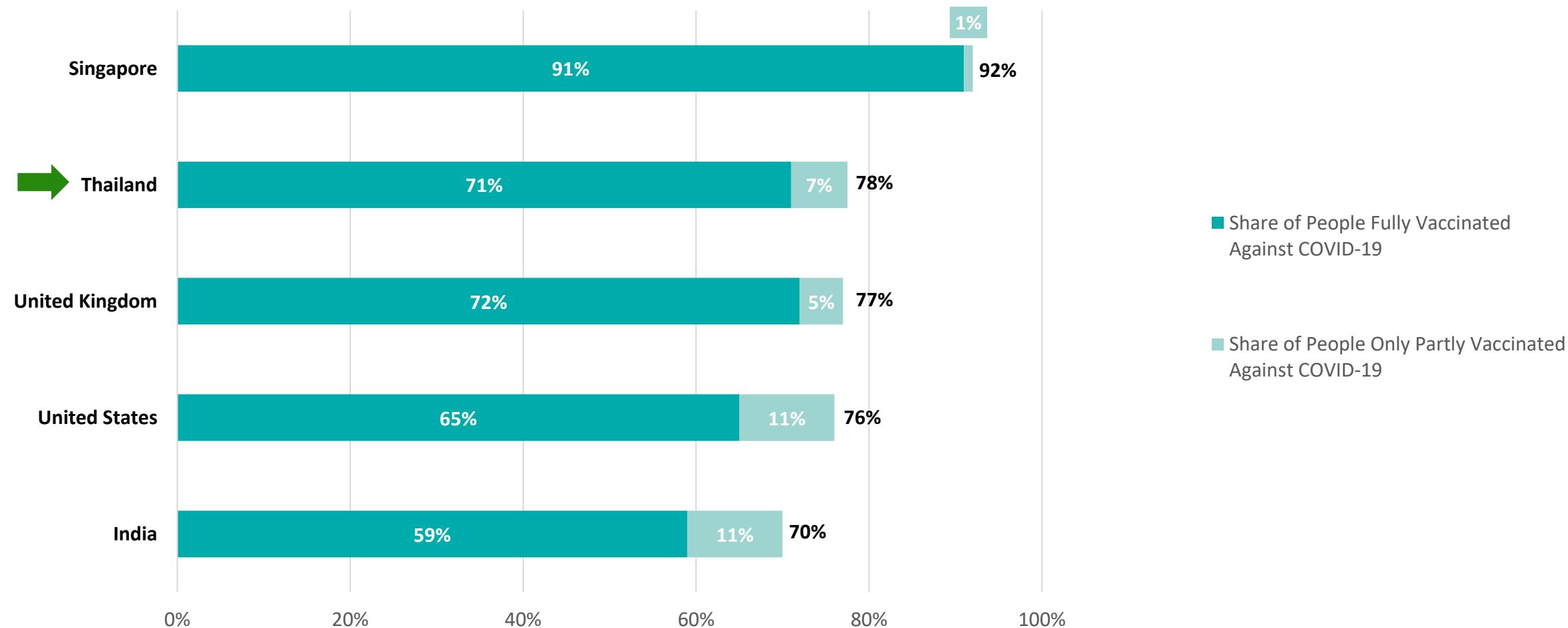
Soaring of the new variant cases and higher stringency have brought many countries' economies standstill or lower output at the ending of 2021. Meanwhile, in early of 2022 saw sign of recover.



Source: Deloitte Analysis based on Trading Economics, IHS Markit

Share of People Vaccinated Against Covid-19 (as of Mar 19, 2022)

Thailand's vaccination rate is improving compared to its peers.



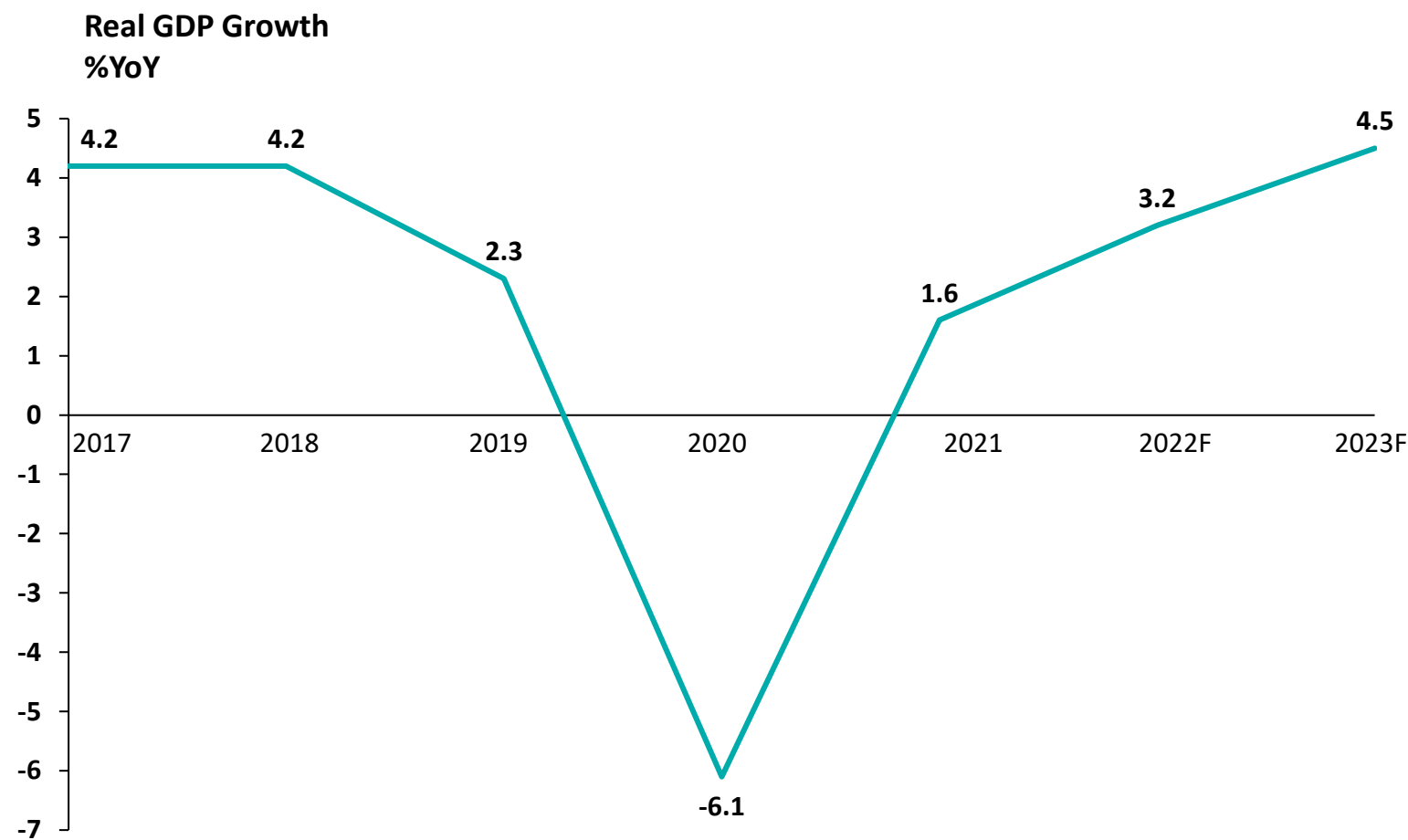
Source: Our World in Data



Thai Economy 1Q2022

Thailand Economic Outlook

Despite the improvement in economic recovery, uncertainties from Omicron remain high.



Source: Deloitte Analysis, Bank of Thailand, KKP Research

Key Factors to be Monitored

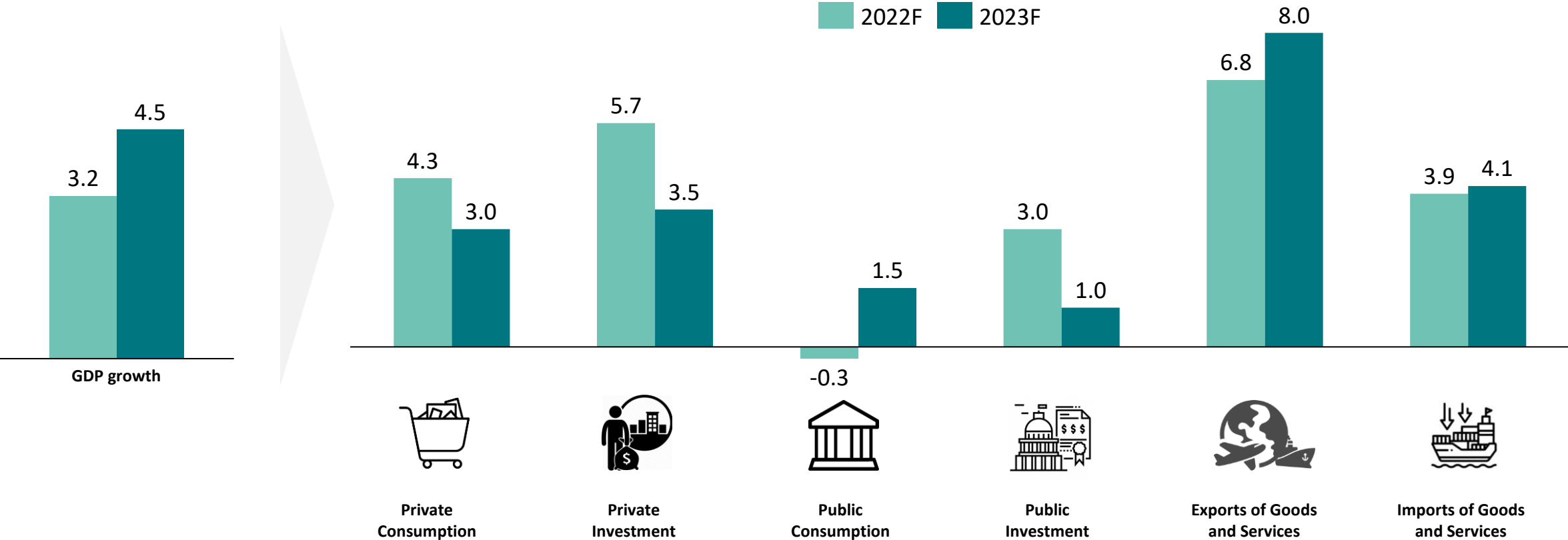


- Export saw expanding
- Easing of Covid-19 restrictions for tourism and accelerated vaccination progress
- Fiscal stimulus



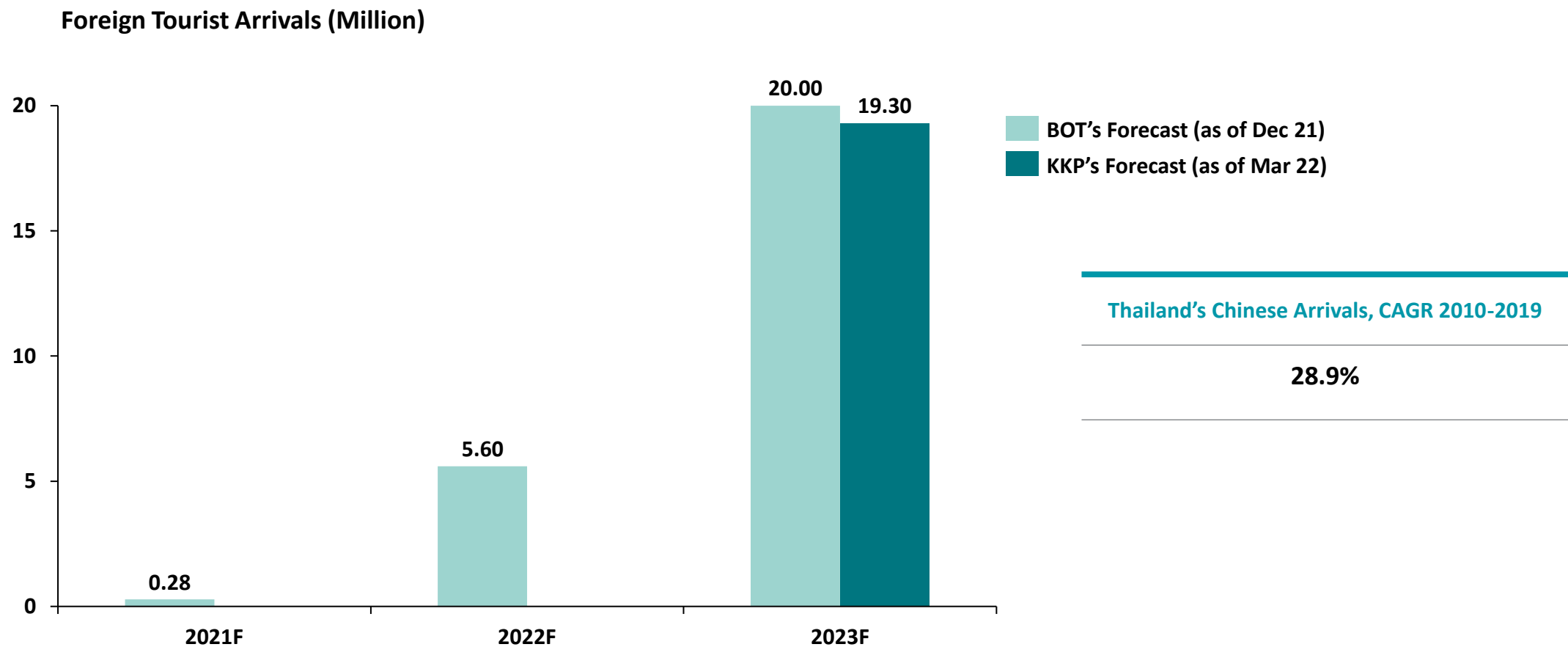
- Omicron variant might have higher impact than anticipated such as tightener restrictions on international travel.
- Lower consumer and private confidence
- Impact from Russia-Ukraine war
- Potential extended supply chain disruption

Thai economy is forecasted a gradual recovery owing to weaker domestic spending from higher inflation rate and lower purchasing power, and lower foreign tourists than expected. Under Thai economy’s uncertainty, monitoring and responding the impact from Omicron, the Russia-Ukraine war, private sector confidence, and government measures are crucial factors for economic recovery.



Source: Deloitte Analysis, Bank of Thailand, KKP Research

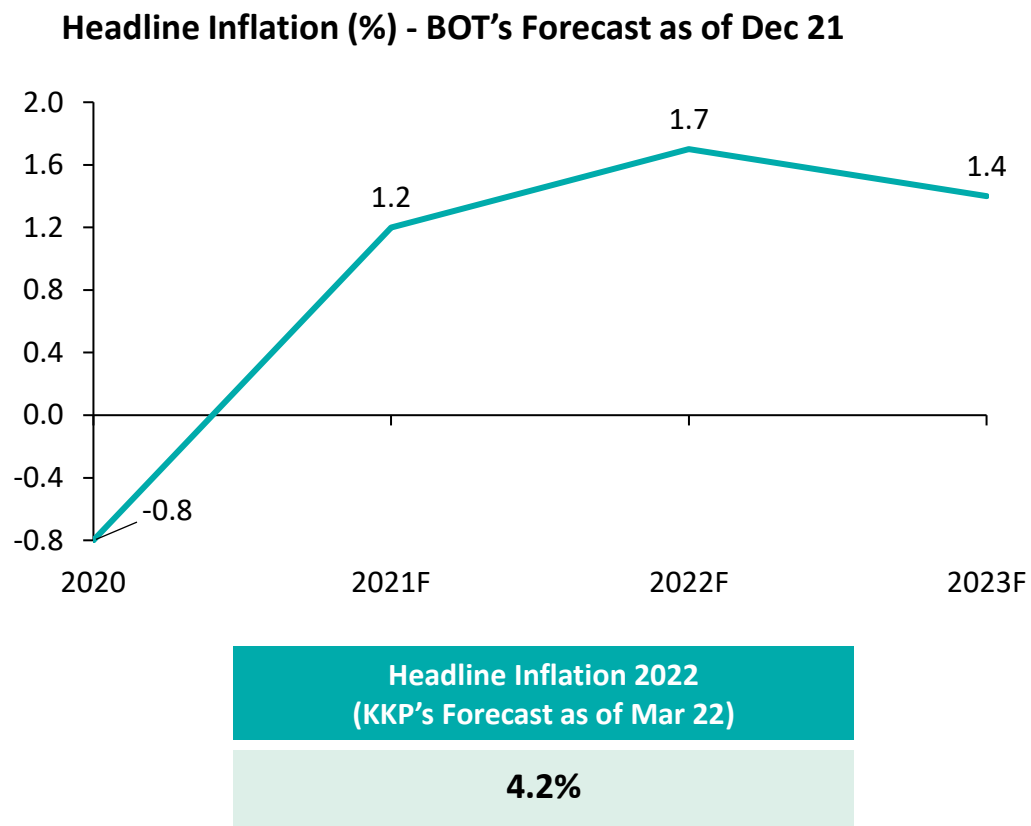
Tourism, Thailand’s key engine for economic growth since pre-Covid, would be impacted in early of 2022 from Omicron variant. The situation in 2023 might be seen sign of recovery to 20 million, half of pre-Covid level, from higher confidence, increase in vaccination rate, and potential return from Chinese tourism. However, the number might be lower than expected due to Russia-Ukraine war weakening economies in Europe.



Source: Deloitte Analysis, Bank of Thailand as of Dec 22, KKP Research as of Mar 22, CEIC Foresight 2022 Report

Inflation situation Thailand saw concerned.

Advanced economies' inflation rose rapidly due to recovery of domestic consumption and investment, causing surge in consumer demand. Although Thai economy is recovering at slower pace and relies on their own local productions than imports, surge in energy prices is now also pushing the local production costs.



Source: Deloitte Analysis, Bank of Thailand, , KKP Research

Factors causing rising inflation in Thailand.

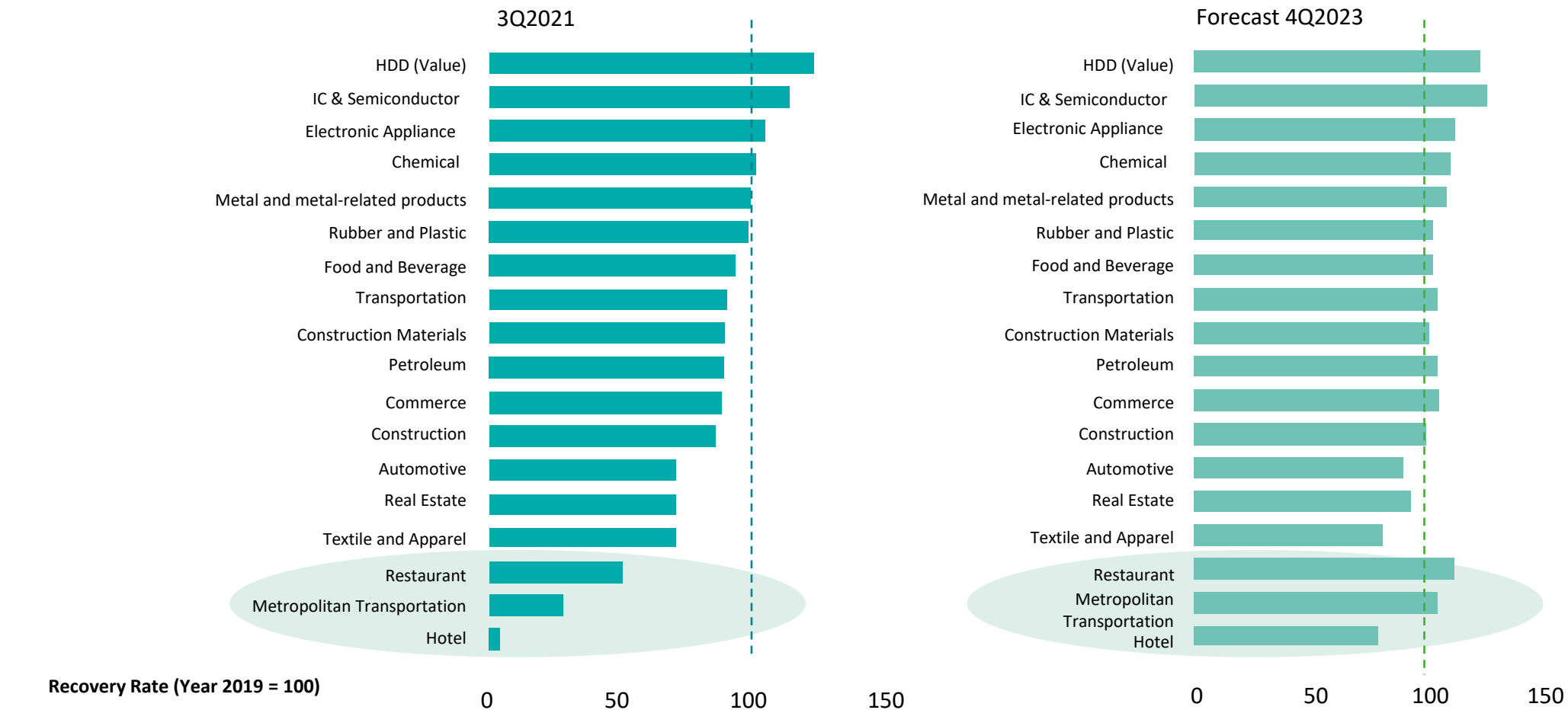
Foreign Factors	Domestic Factors
<ul style="list-style-type: none">Global economies are recovering with higher consumption demand, causing rise in wages and product prices.Lack of supplies for production in global market such as electronic parts and containersSurge in energy prices from increasing demand, and Russia limited its exports	<ul style="list-style-type: none">Rising prices of food such as pork due to limited supply from swine diseasesEnhancing other alternative meats/ product prices.Increasing in electricity, gas, and oil prices.

Factors to be monitored

- Cost of production burden being transferred to consumers higher than anticipated.
- Extending supply disruption
- Rising energy and food prices

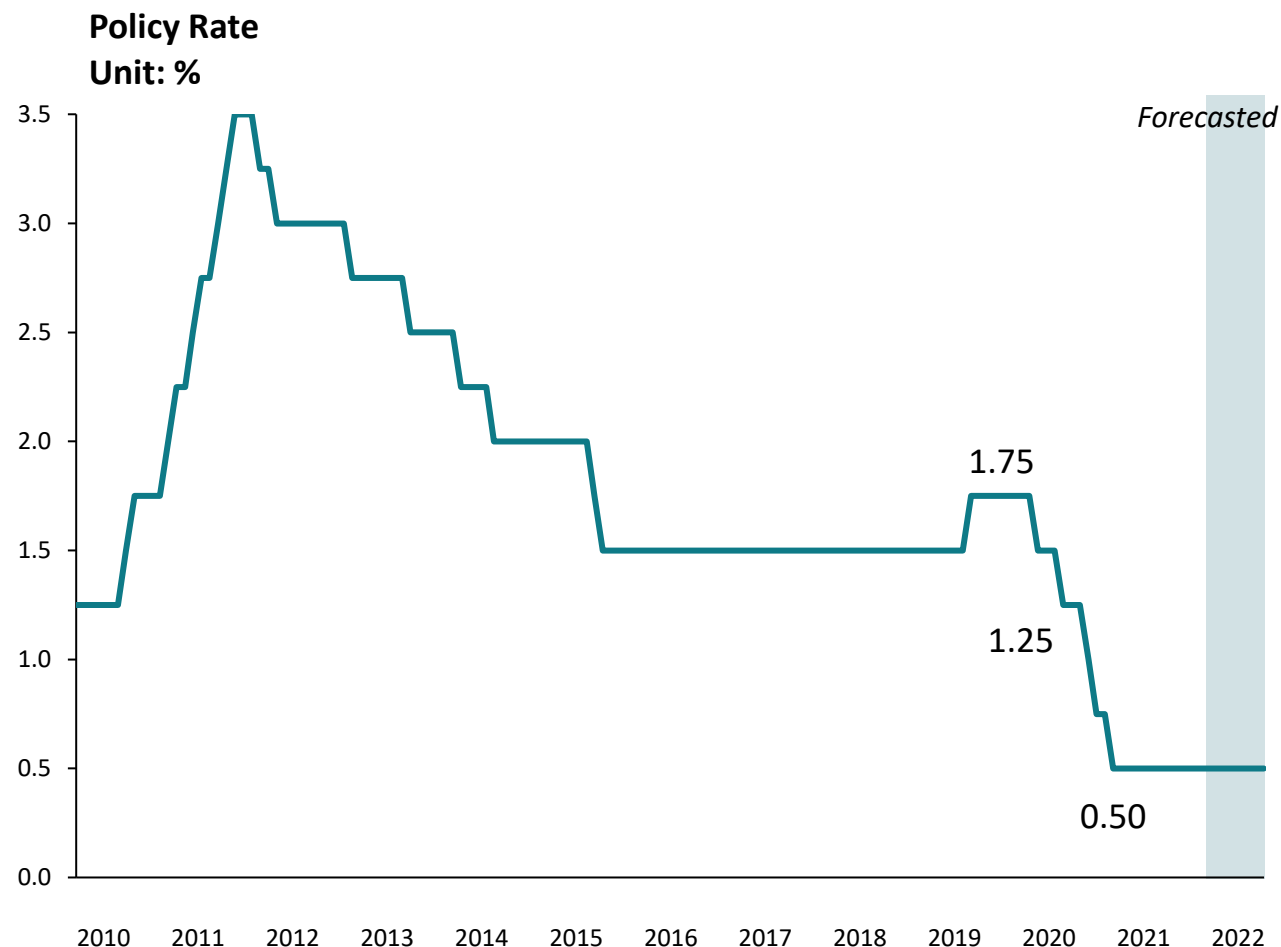
Businesses saw uneven recovery. Although some areas seem improving, tourism and its related businesses are prone to recover at slower pace. Hotels are expected not to resume at pre-Covid level in 2023.

Economic Recovery by Businesses



Source: Deloitte Analysis, Bank of Thailand

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.

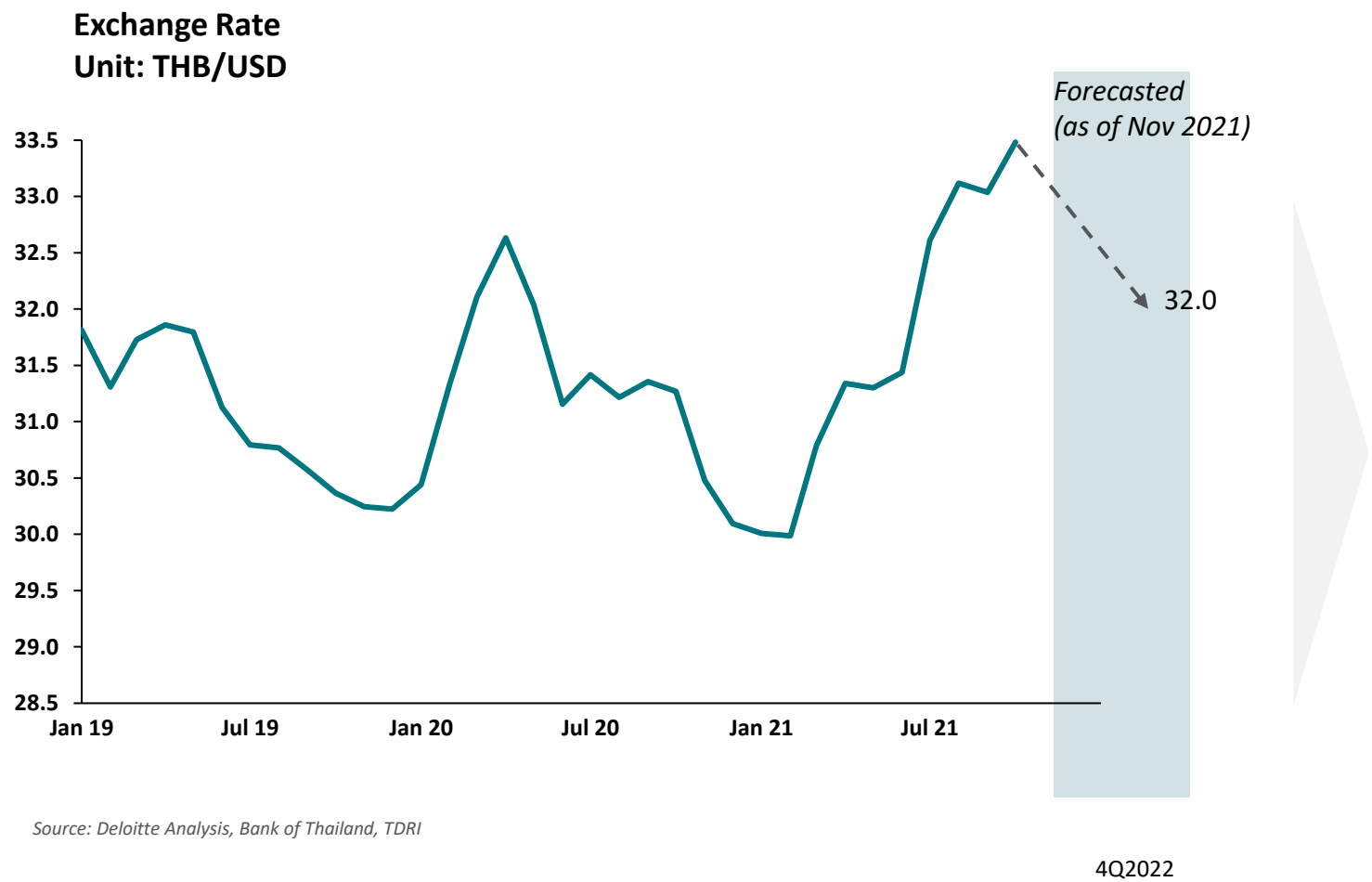


Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 1/2022

The Committee assessed that the continued accommodative monetary policy would help support overall economic growth. The ongoing fiscal measures, should support the economic recovery in a targeted manner, with a focus on generating income and expediting measures to increase potential growth.

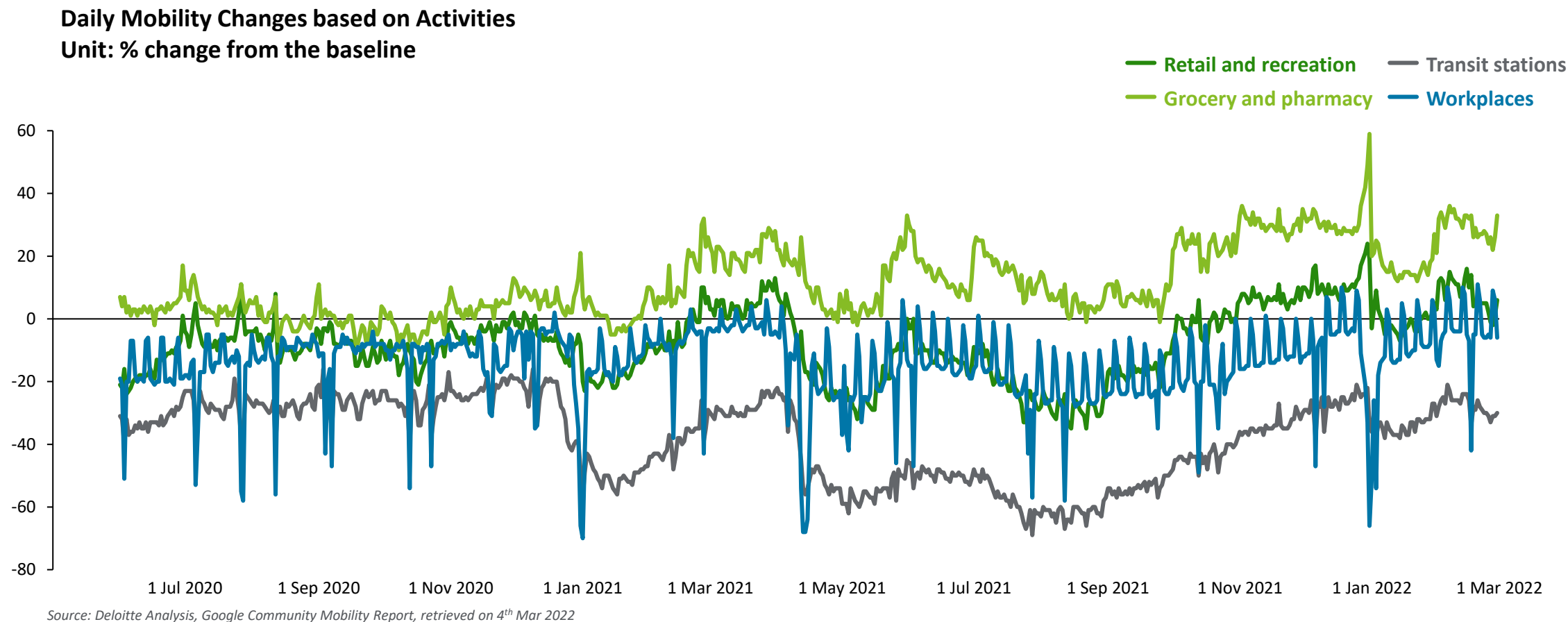
The Committee also viewed that financial and credit measures should be expedited to distribute liquidity to the affected groups and help lower debt burden.

Thai baht is expected to depreciate as Omicron hindered tourism recovery while other economies also loosened their containment measures.

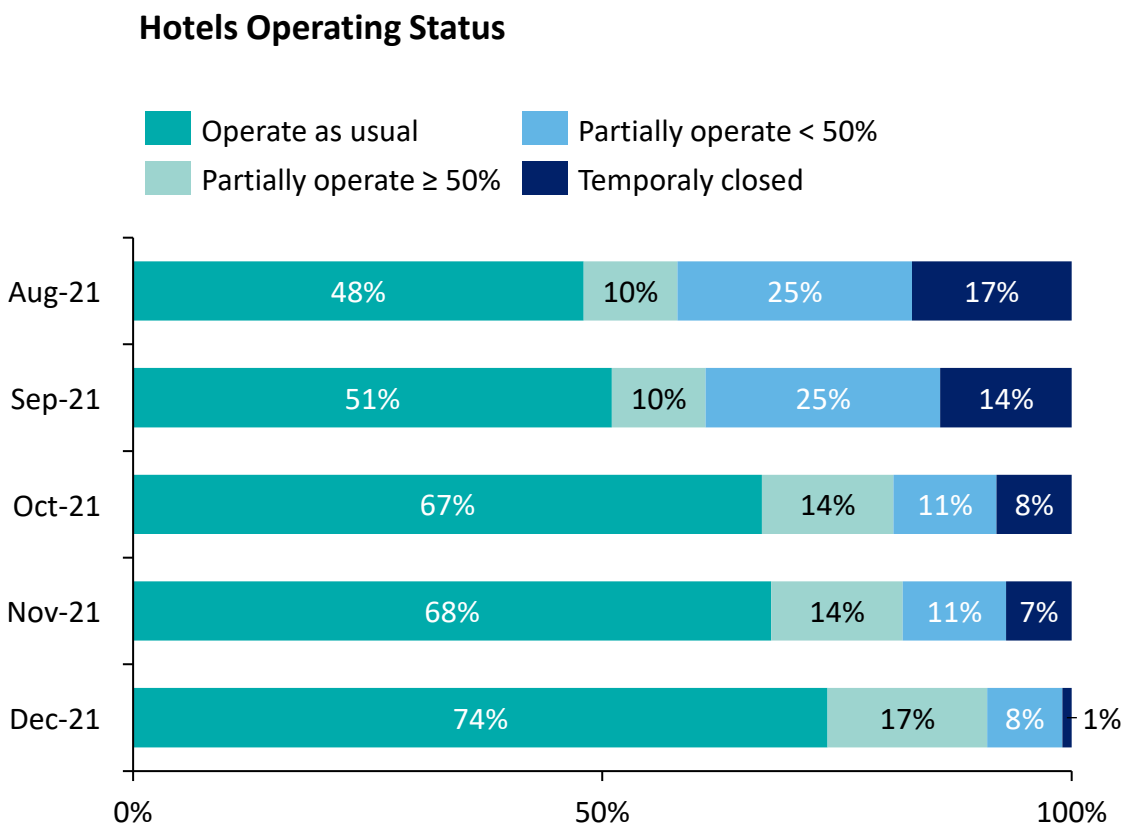


Factors influencing Thai Baht	
Appreciation	Depreciation
<ul style="list-style-type: none">Expected recovery from tourismForeign demand for Thai bonds	<ul style="list-style-type: none">FED's more increases in interest rate in 2022Other economies loosening Covid containment measures or stronger economies abroad

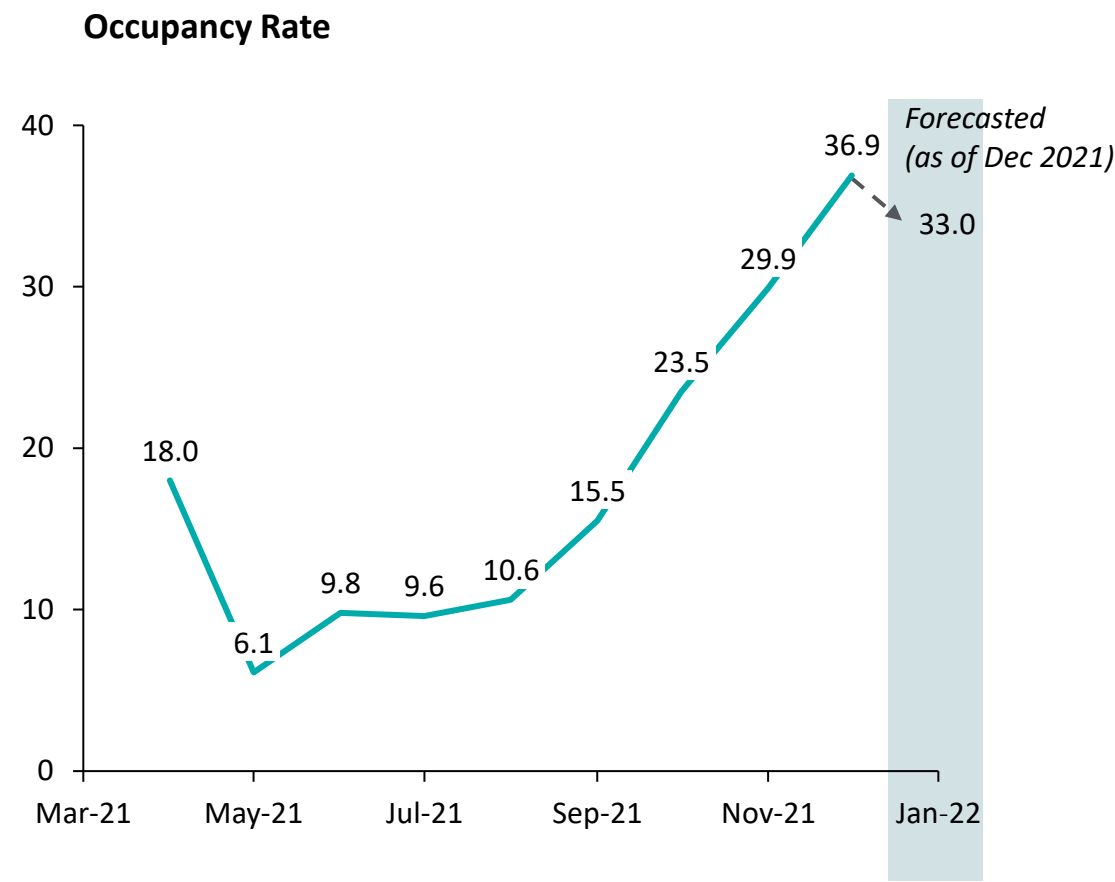
Thai economy in 4Q21 saw more rising movement as reflected on the activity indications and plummeted at the beginning of 1Q2022 from lifted Covid-19 measures. Retail and recreation saw the highest acceleration during year-end holidays.



Occupancy rate saw improving for holidays in December 2021. However, the on-going spread of Omicron had resulted in some rooms cancelation.



Source: Deloitte Analysis, Bank of Thailand



On-going Covid-19 Stimulus Packages for Consumers

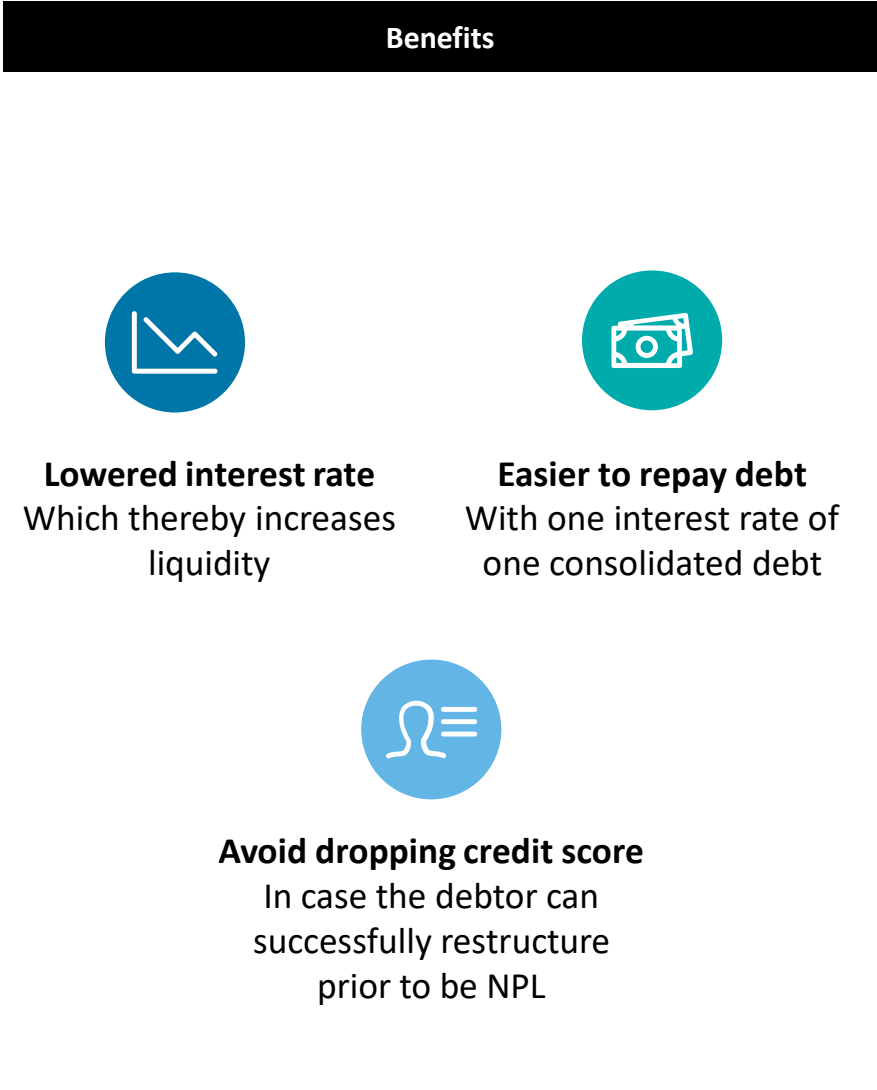
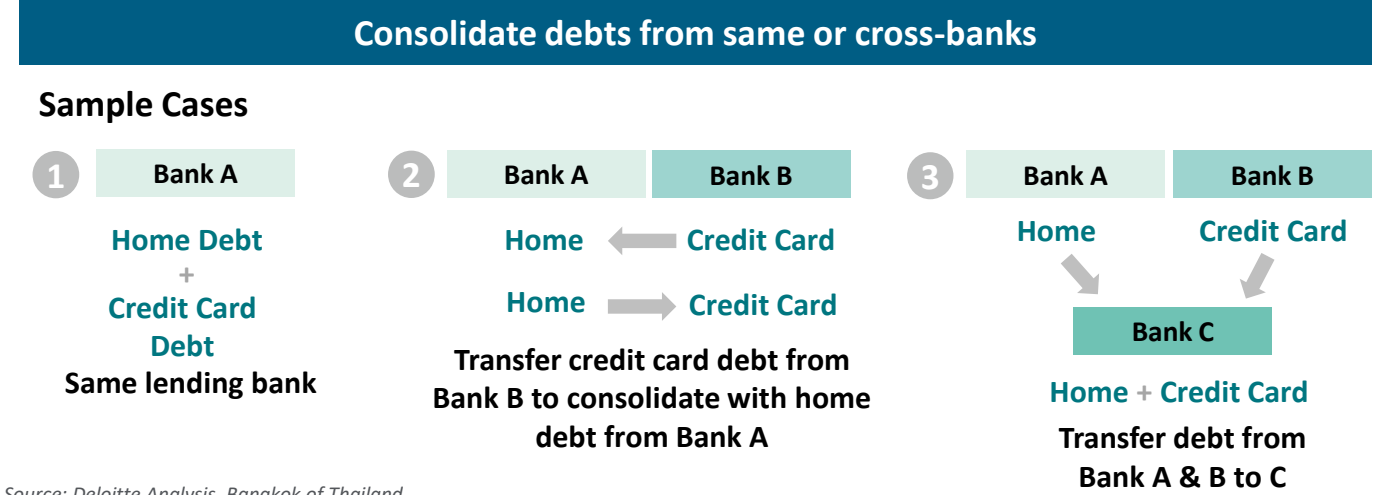
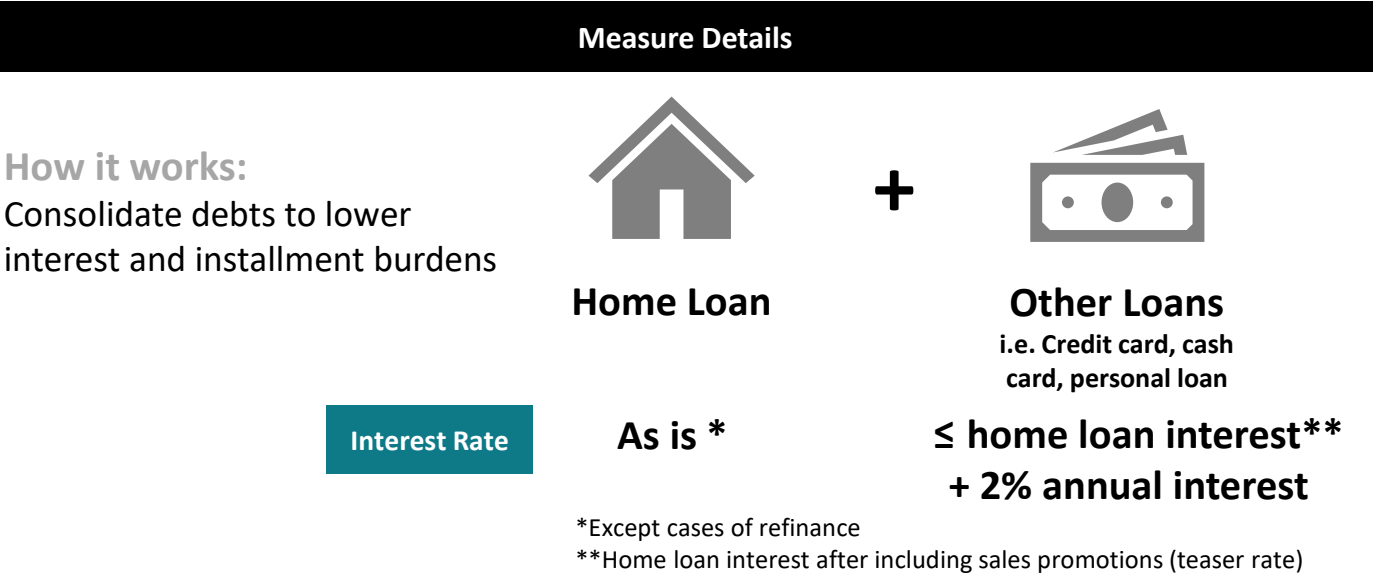
Stimulus packages aimed at supporting the economy amid the resurgence of Covid-19. The measures include cash handouts, co-payments, and cash rebates. Looking ahead, fiscal support would decline following the substantial stimulus earlier.

Monetary Measures		Macprudential Policy	Fiscal Stimulus
Existing Debts	Increase Liquidity		
On-Going <ul style="list-style-type: none">• Debt Restructuring• Doctor Debt New <ul style="list-style-type: none">• Debt Consolidation• Refinance Measure - Exempt prepayment fee	<ul style="list-style-type: none">• Loan Rehabilitation• Asset Warehousing• Reduce FIDF fee• Increase credit line of personal loan/ digital personal loan/ credit card loan• Reduce minimum installment• Digital Supply Chain Finance<ul style="list-style-type: none">• dStatement (Digital Bank statement)	Easing mortgage LTV ratio <ul style="list-style-type: none">• Allowing homebuyers to borrow loans of up to 100% until ending of 2022	<ul style="list-style-type: none">• Tax Rebate – Shop Dee Mee Keun (Jan – Feb 2022)• Extending lowered transfer and mortgage fees until the ending of 2022• Maintaining employment in SMEs Measure (Nov 2021 – Jan 2022)• Extending credit line following with Section 28, from 30% to 35% for 1 year• Cash Payout for entertainment sector performers• We Travel Together (Phase 4: Feb-July 2022)• Half-half Scheme Phase 4 (Phase 4: Feb-April 2022)

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

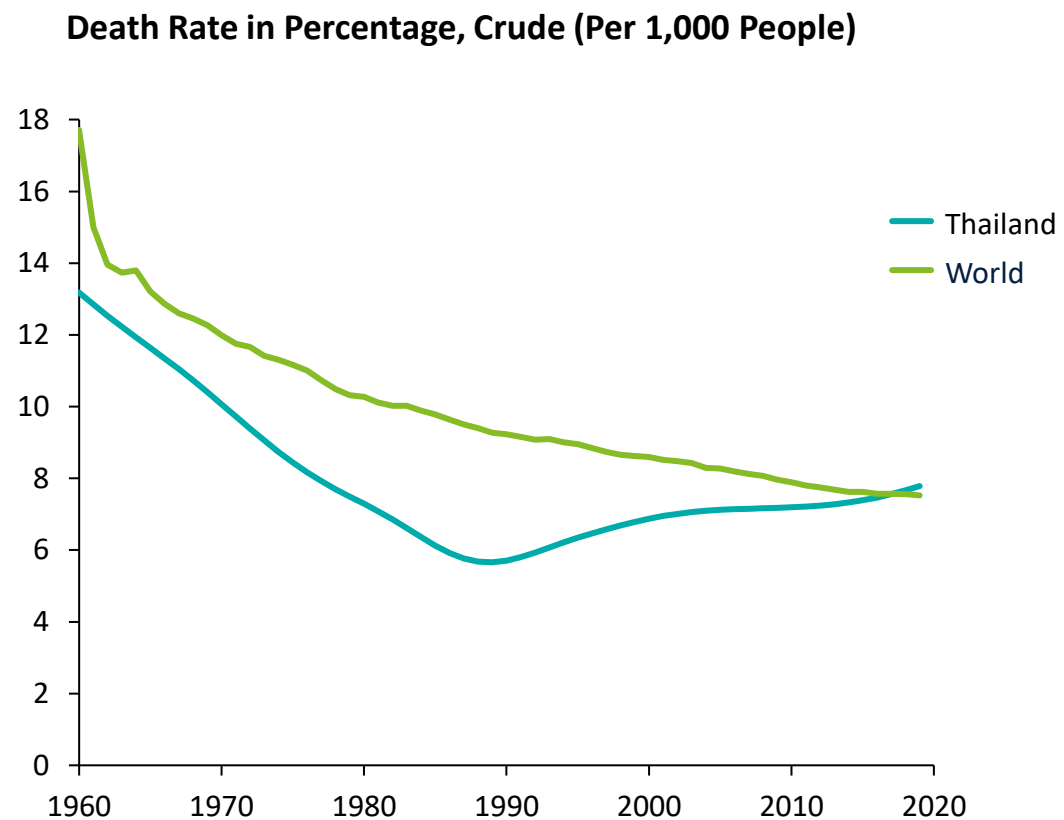
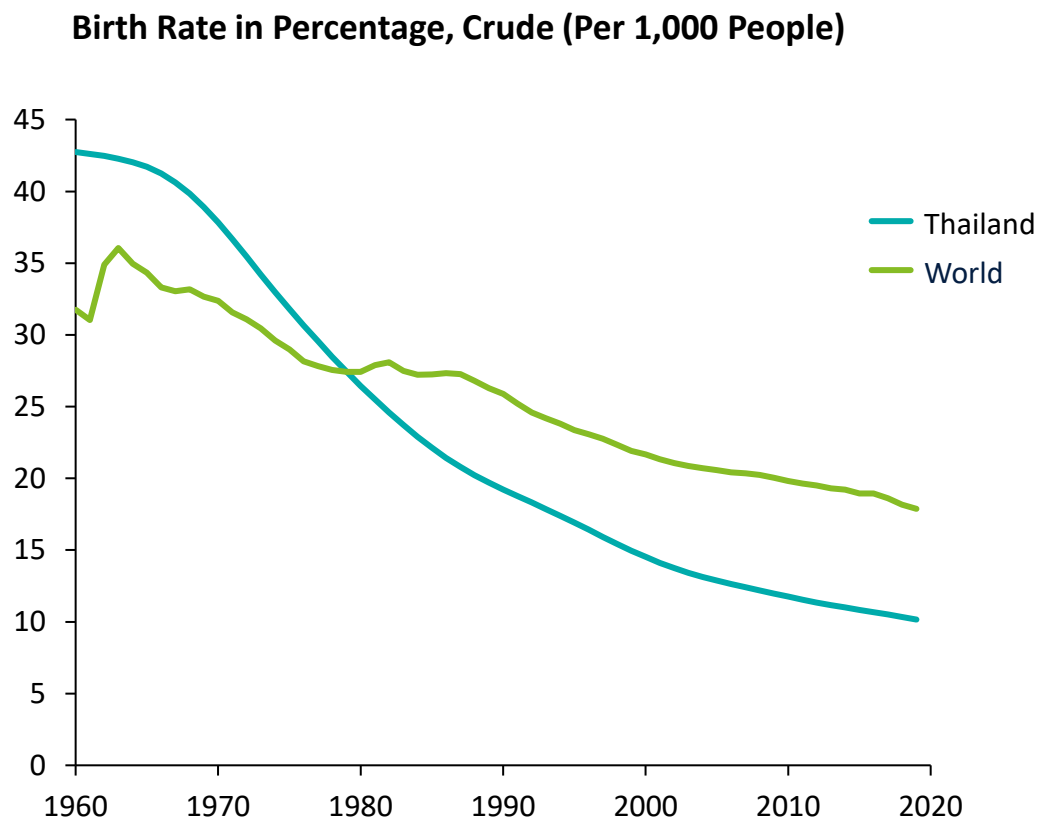
Debt Consolidation

Bank of Thailand has allowed cross-bank debt consolidation to assist debtors to pay lower interest rates.



Thailand's birth rate has been declining while death rate has surpassed the world's rate. Thailand saw 563,650 deaths against 544,570 births in 2021, the lowest in 10 years.

This could trigger long term's economic and social issues such as inadequate national healthcare schemes or funds for the elderly and reliance on migrant workers.



Source: Deloitte Analysis, World Bank - World Development Indicators, Data as of Dec 16th, 2021, Nation Thailand, Ministry of Interior (Thailand)

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