



Economic Outlook

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December 2019

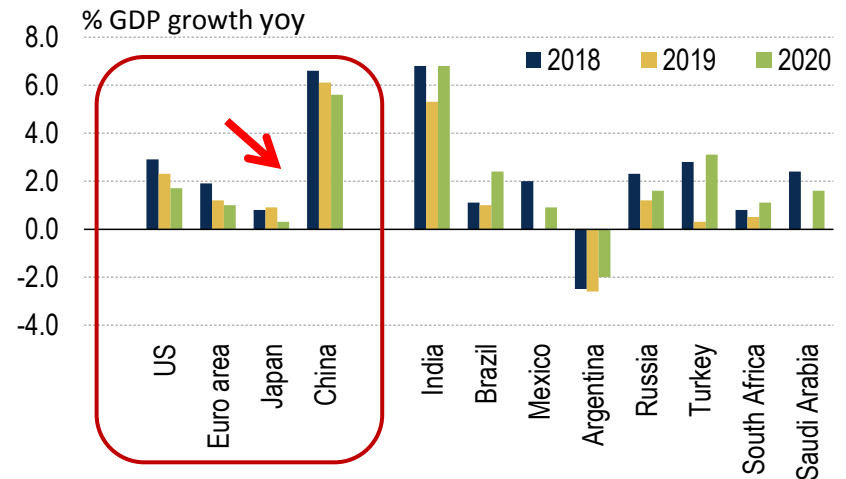
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Global growth: “The Eye of the Storm”

- 2020 is another weak year. Key DMs are set to slow. Stable global growth depends on a rebound in EM
- Global growth should bottom by the spring as trade war concerns ease and the lagged impact of policy easing kicks in.
- Trade and tech war: De-escalation in election year...But longer-term issues linger.
- US election is the key focus in 2020
- Key downside risks: trade war re-escalate, slowing Chinese economy and Brexit negotiation

GDP growth	2018	2019F	2020F	2021F
Global	3.8	3.1	3.2	3.4
Developed Market	2.2	1.6	1.3	1.4
Emerging Market	4.8	4.0	4.3	4.6
Emerging Asia	6.1	5.3	5.4	5.5
Latin America	1.6	0.8	1.6	2.8
US	2.9	2.3	1.7	1.7
Euro	1.9	1.2	1.0	1.1
Japan	0.8	0.9	0.3	1.1
China	6.6	6.1	5.6	5.5



Source: BofA Merrill Lynch Global Research

ASEAN 2020 outlook: Not great, but not getting worse either

Chart 4: Growth forecasts for individual ASEAN countries

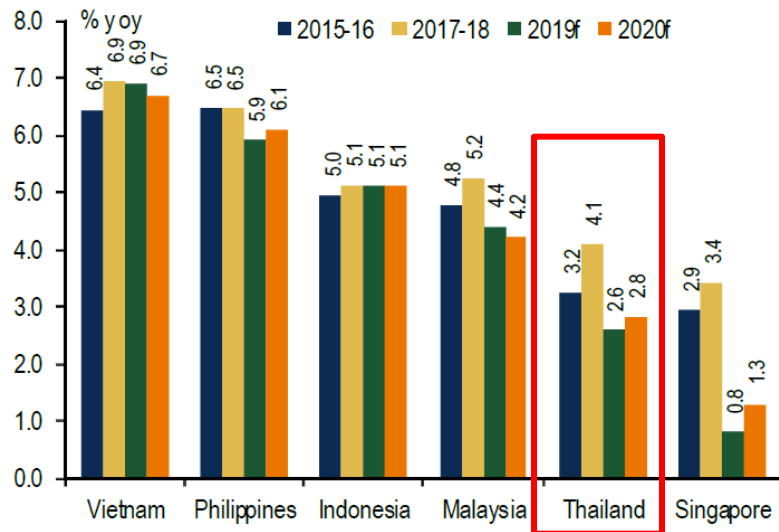
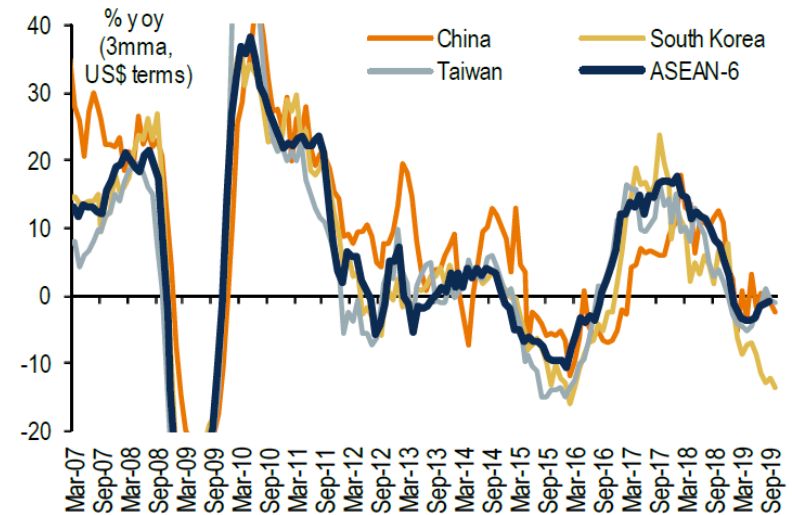


Chart 2: ASEAN exports are down, but have stabilized recently



Thailand: Where is the growth engine?

% YoY	2018	2019E	2020E	2021E
Real GDP	4.1	2.6	2.8	3.1
Private consumption	4.6	4.2	3.0	3.1
Government consumption	1.8	2.0	3.0	3.0
Gross fixed investment	3.8	2.2	3.5	4.8
Private	3.9	2.7	2.7	4.0
Public	3.3	2.0	5.8	7.0
Headline CPI	1.1	0.7	0.9	1.0
Exports	7.5	-2.2	1.0	2.5
Imports	13.7	-3.8	2.5	4.1
Current account (US\$ bn)	28.5	34.6	31.5	29.5
as % of GDP	5.6	6.3	5.4	4.7
Policy rate	1.75	1.25	1.00	1.25

Source: Phatra Securities

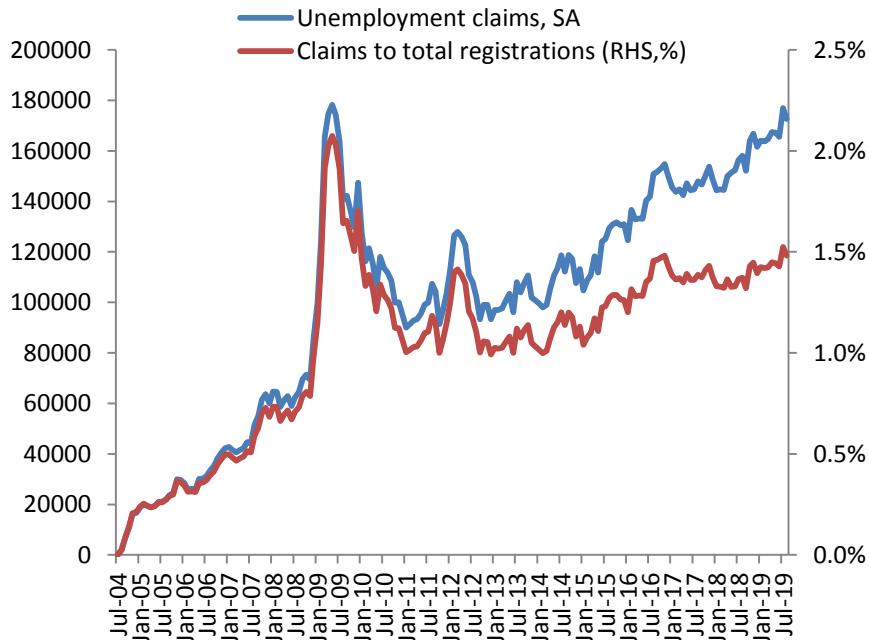
Factories have adjusted to sapping demand by allowing fewer overtime hours and, increasingly, by laying off workers

Unemployment claims under Social Security Fund tested the level seen in 2009 amid the Global Financial Crisis

The number of manufacturing workers doing overtime shifts has dropped to below 1.5M

Unemployment claims against Social Security Fund

Unit: persons, SA



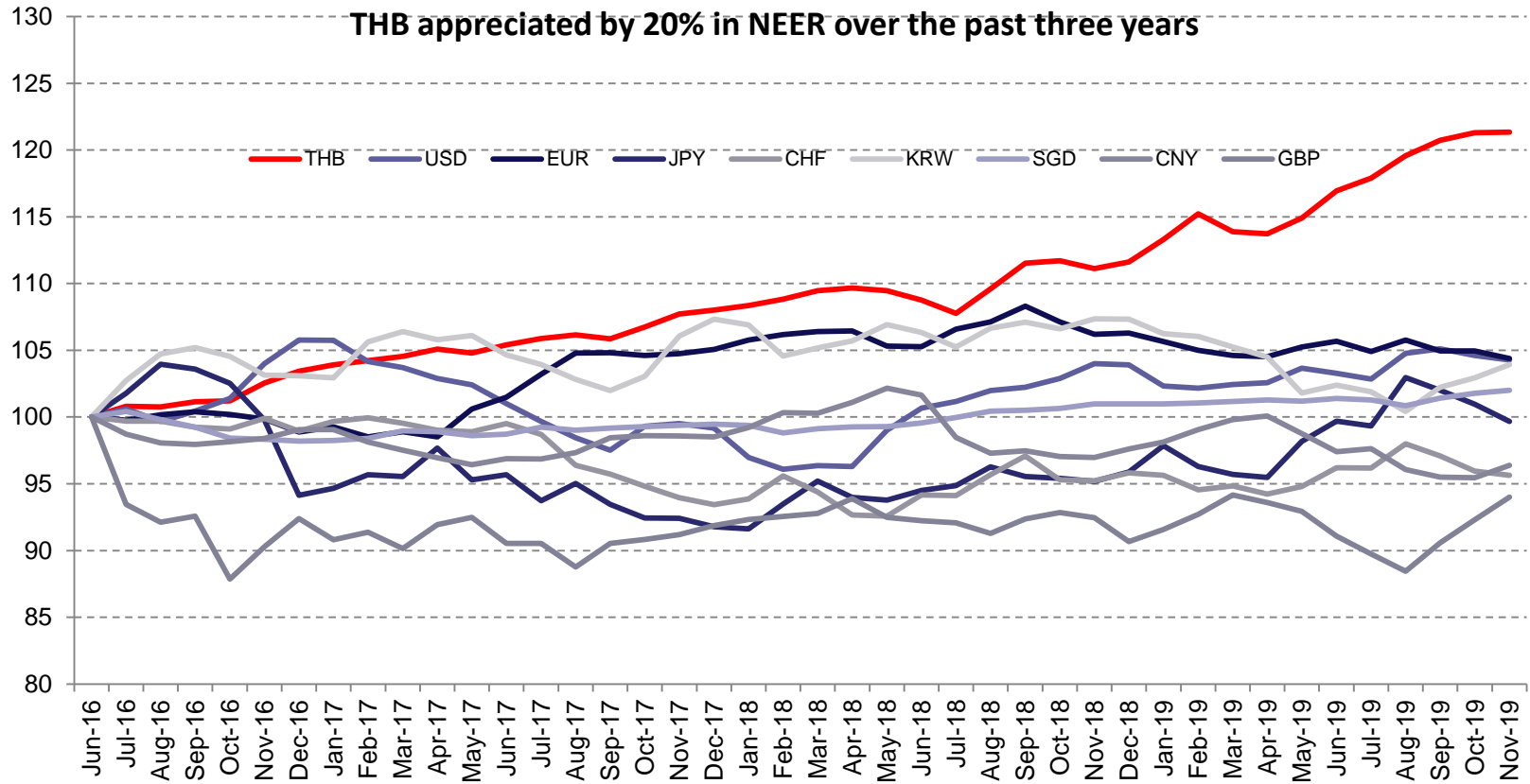
Source: Phatra Securities, SSO, LFS

Manufacturing workers with more than 50 hours worked/week

Unit: persons, SA, 6mma

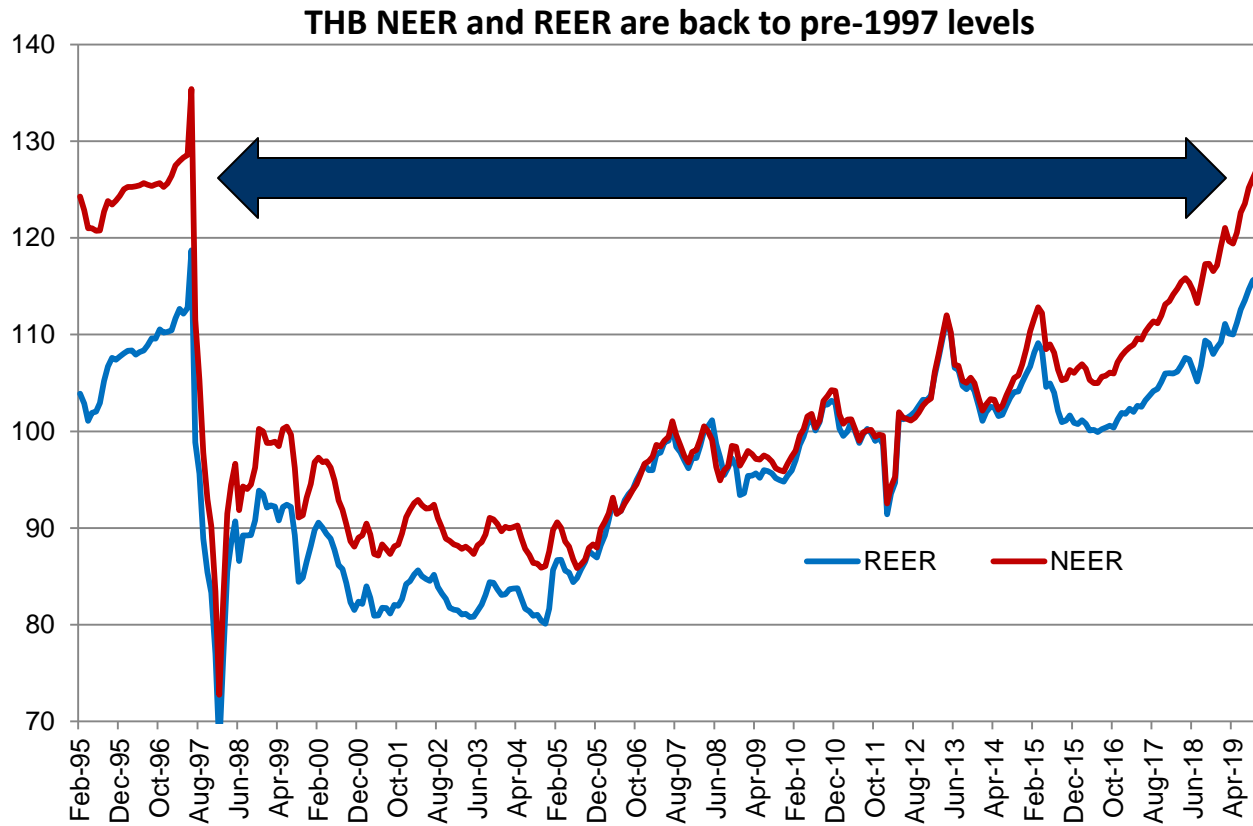


THB outperformed the other currencies in NEER term



Source BIS, Phatra Securities

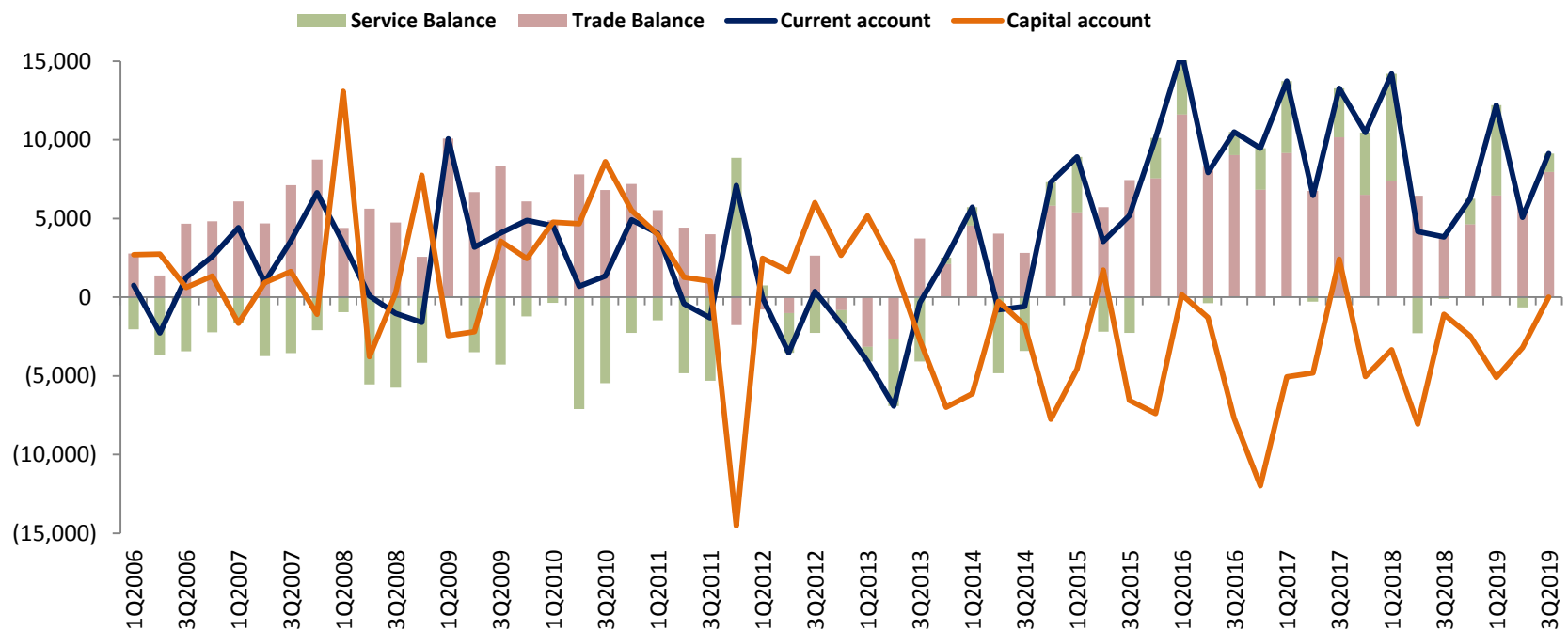
Back to pre-1997



Source : Bloomberg

THB appreciation: A structural problem?

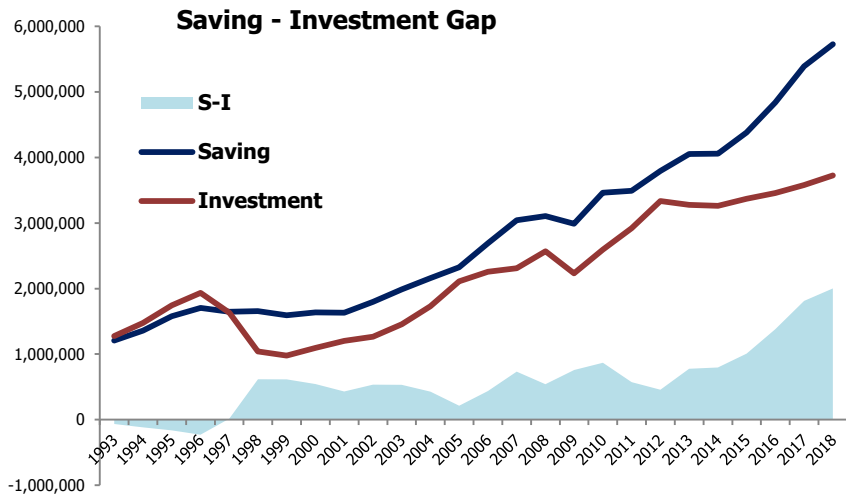
In 2019, Baht REER has appreciated by 6.7% so far but CAS has remained large



Source : BoT, Phatra Securities

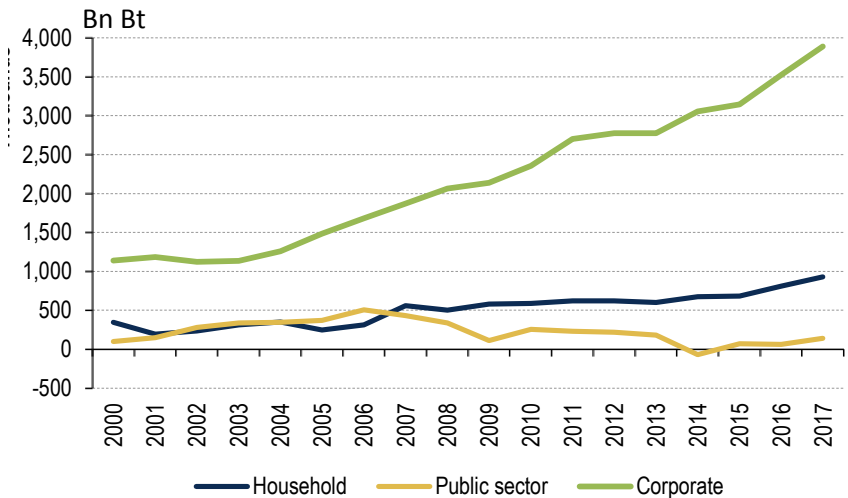
The other side of CA surplus: A Saving-Investment Gap

Widening S-I gap = sluggish investment + rising savings



Source : NESDB

Sharp rise in corporate savings

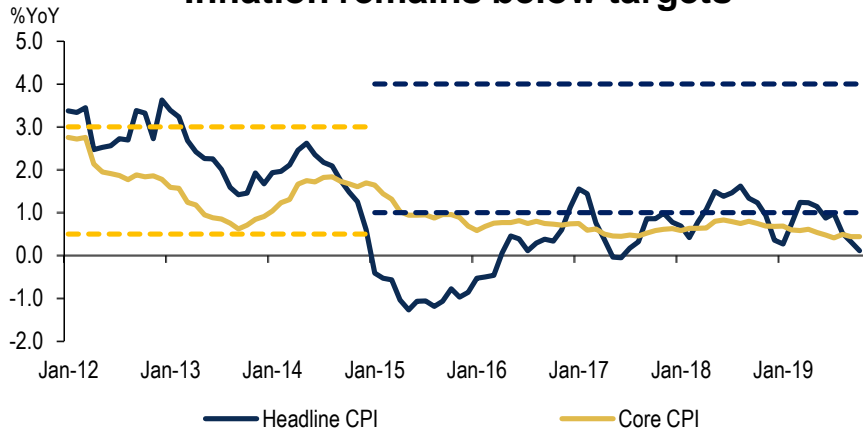


Source : NESDB

The fall in private consumption and private investment is the main contributors to widening S-I gap

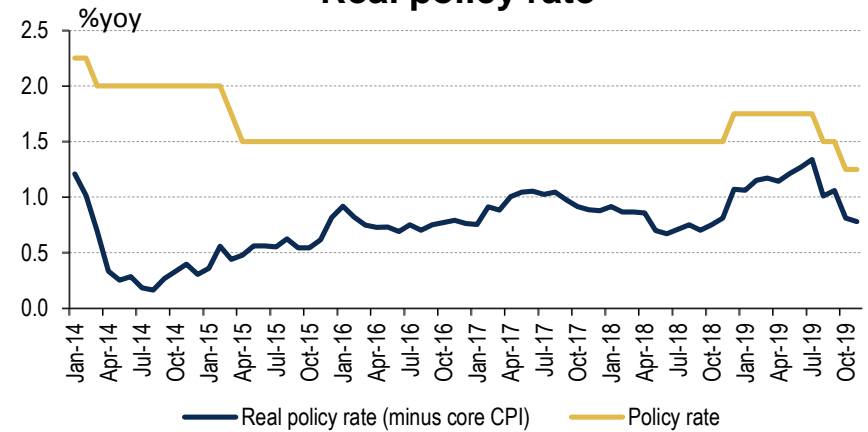
Inflation and policy rate

Inflation remains below targets



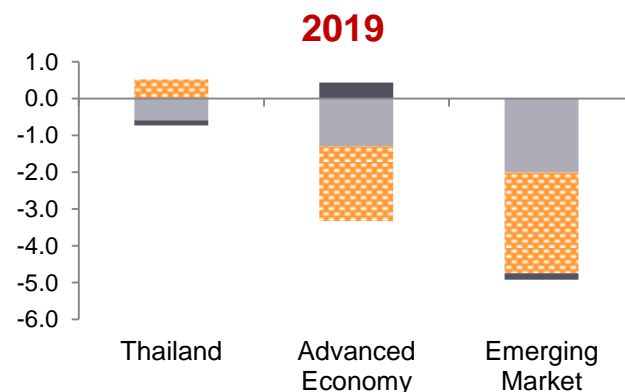
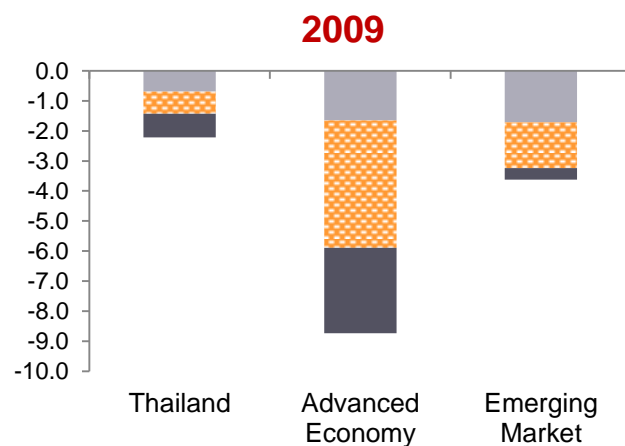
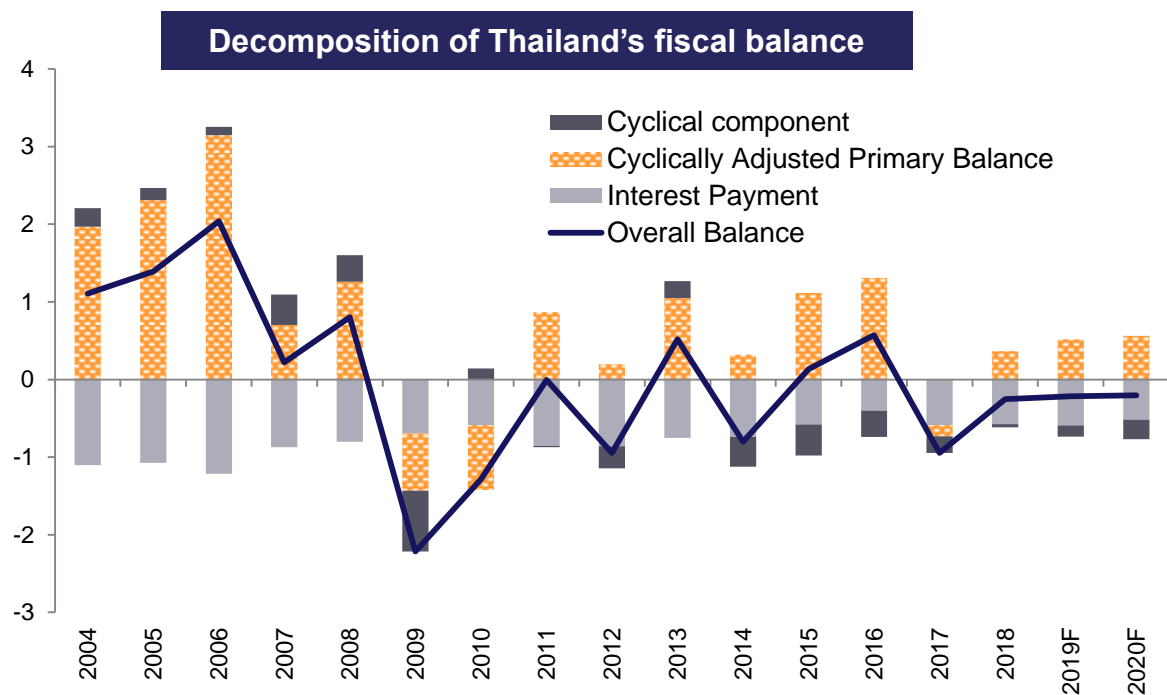
Source: MoC, BoT, Phatra Securities

Real policy rate



Source: BoT, Phatra Securities

Fiscal policy not active in managing the downturn in Thailand

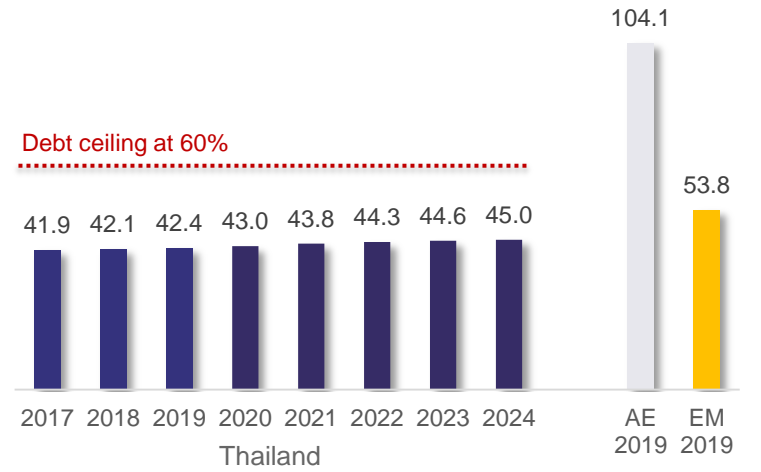


1. The overall balance has been close to zero in recent years
2. Small role of fiscal '*automatic stabilizers*' (cyclical component)
 - Low tax coverage and progressivity
 - Limited unemployment benefits
3. '*Discretionary*' balance in surplus, implying contractionary stance

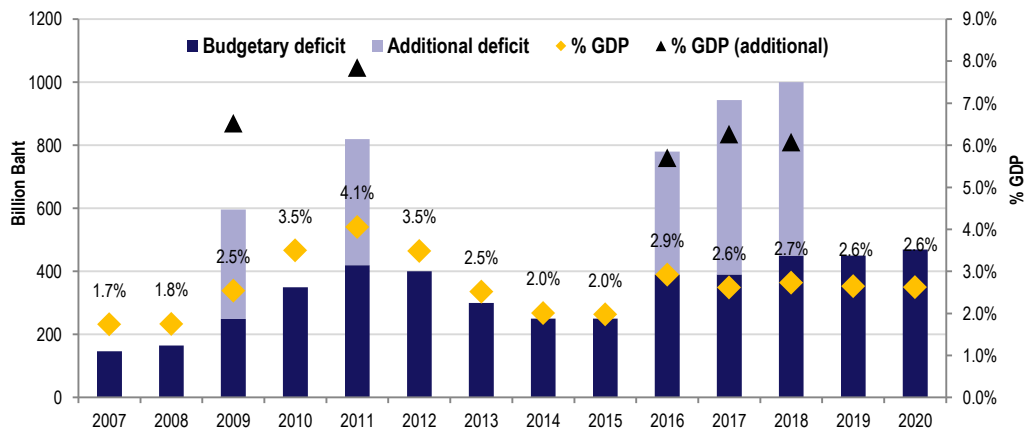
Source: KKI analysis based on IMF's Fiscal Monitor Database

Fiscal space?

Public debt to GDP (%)



Budgetary fiscal deficits have been small



Source: FPO, calculated by KKI

Foreign investors have been selling down Thai equity

