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**CIMB THAI**

## **Global Economic Outlook and the US Election**

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**FORWARD ➤ ASEAN**

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# Summary

1. World economic is projected to slowdown further from Wuhan virus, affecting trade and tourism...but it is not global economic crisis! More room for fiscal and monetary easing around the world
2. The US would likely slow down slightly while the Fed could maintain the rate unchanged unless there are signs of slowing growth
3. Trade war is not over
4. Thai economy is likely to weaken due to the falling number of tourist arrival...how bad can it get? But Thai economy could accelerate in H2

# The Economist

Britain after Brexit

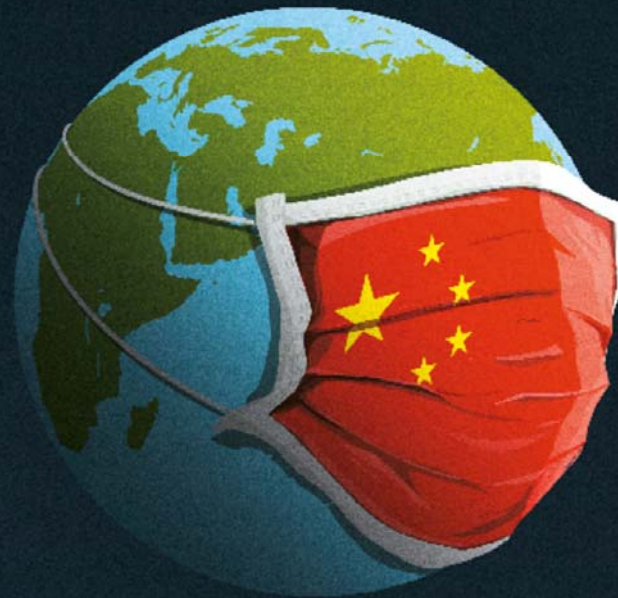
Trump's one-sided peace plan

Private markets—a dangerous obsession

The problem with puberty blockers

FEBRUARY 15TH-21TH 2020

## How bad will it get?



The Economist Feb 1-7, 2020

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# How bad is economic impacts from virus?



The Economist Feb 1-7, 2020

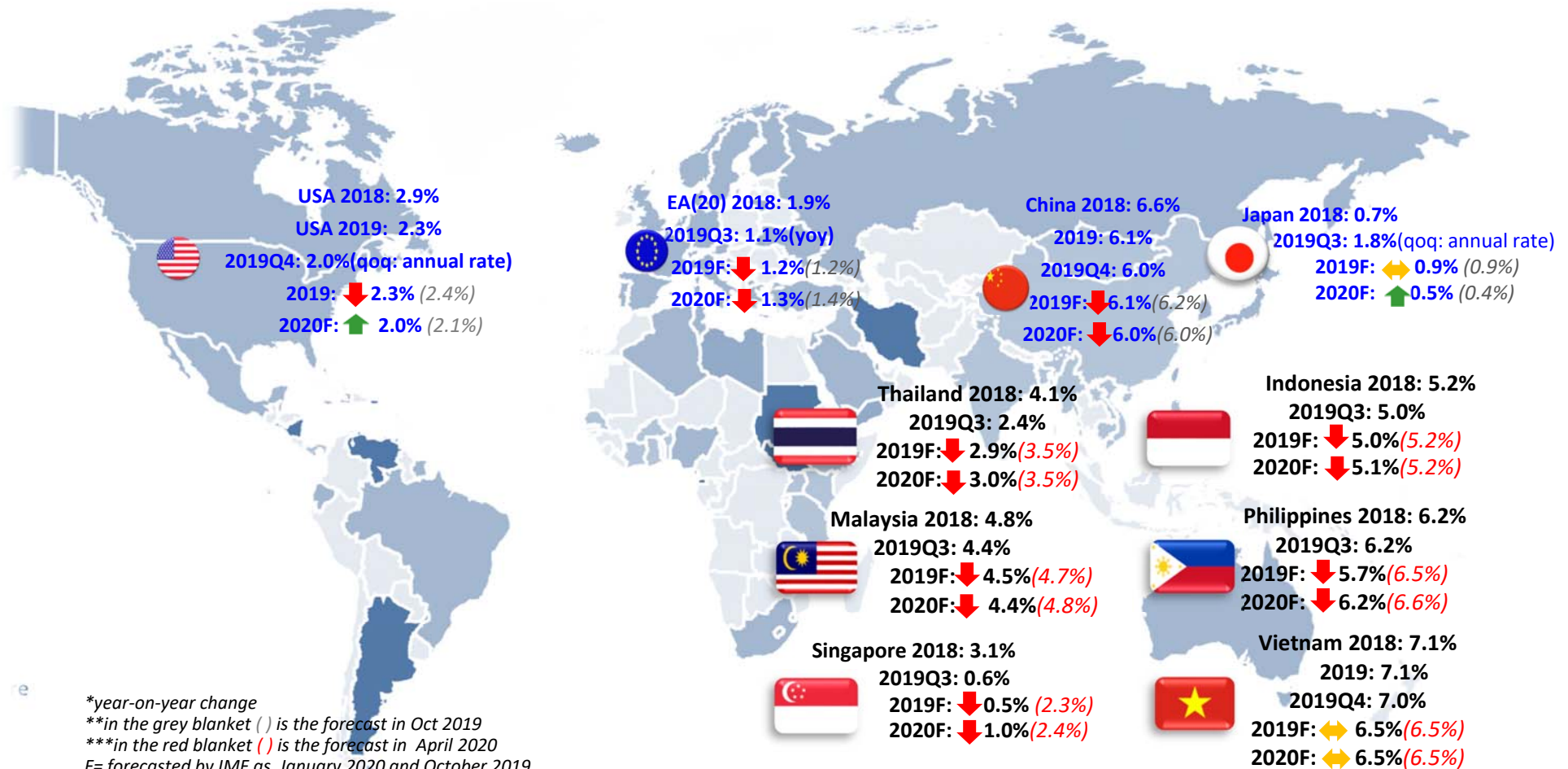
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# The outlook for global growth has worsened on the back of global trade disputes



\*year-on-year change

\*\*in the grey blanket ( ) is the forecast in Oct 2019

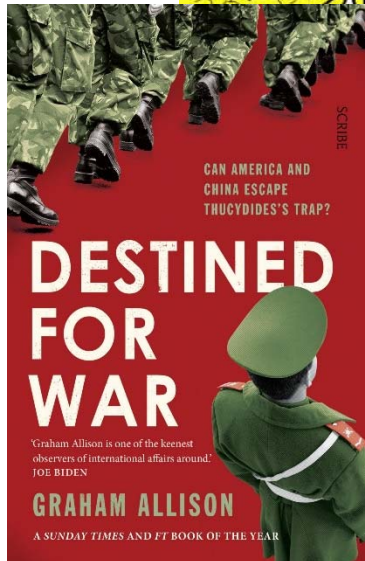
\*\*\*in the red blanket ( ) is the forecast in April 2020

F= forecasted by IMF as January 2020 and October 2019

↓ = compared with the previous forecast

Sources: IMF, CEICdata, NESDB, Trading Economics, www.cao.go.jp, CIMB Thai, and Philippine Statistics Authority National Statistical Coordination Board (NSCB)

# Trade war is not over!



# Slowing down...not crisis



US

Neutral

- Fed to pause
- Trade talk ☺ or ☹
- Low wage to boost consumption
- Election



EU

Underweight

- Slow growth to be supported by ECB
- Public debt with low yield
- Brexit



CN

Neutral

- Trade uncertainty dragging growth
- Room for fiscal and monetary stimulus
- Excess capacity to decline
- Virus drags growth

# Slowing down...not crisis



JP

## Overweight

- VAT hike and export slump hurt growth
- But the market is likely to prove defensive in times of uncertainty



TH

## Neutral

- Low inflation outlook supports more rate cut
- Fiscal stimulus is there to propel growth in H2
- Exports could be a drag while tourism would get hit in H1
- Strong purchasing power among upper middle class



## Alternative Underweight

- Oil could soften from weak global demand
- Gold would swing in a short range along US dollar weakness/strength
- Property/REIT could benefit from low rate but be selective



# Thai economy catches virus



Fever: Falling Tourist

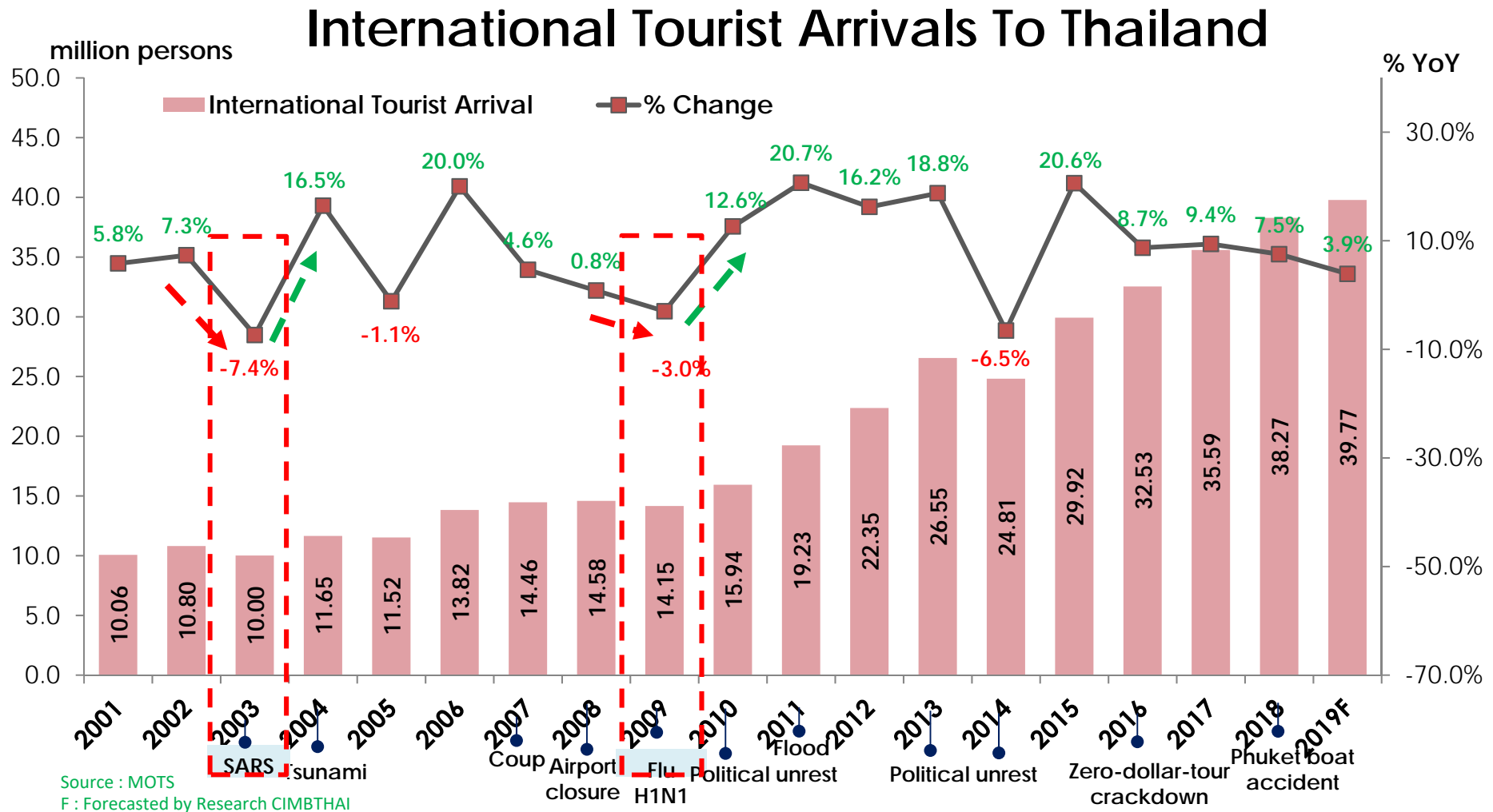


Short of breath: Budget delay

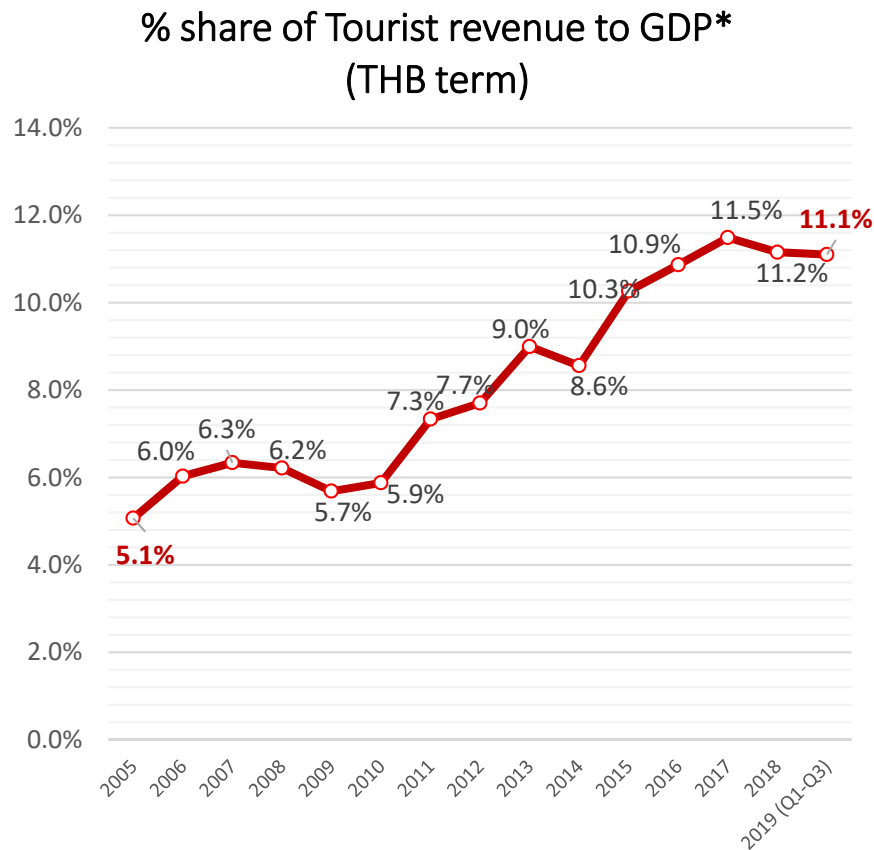


Cough: Drought

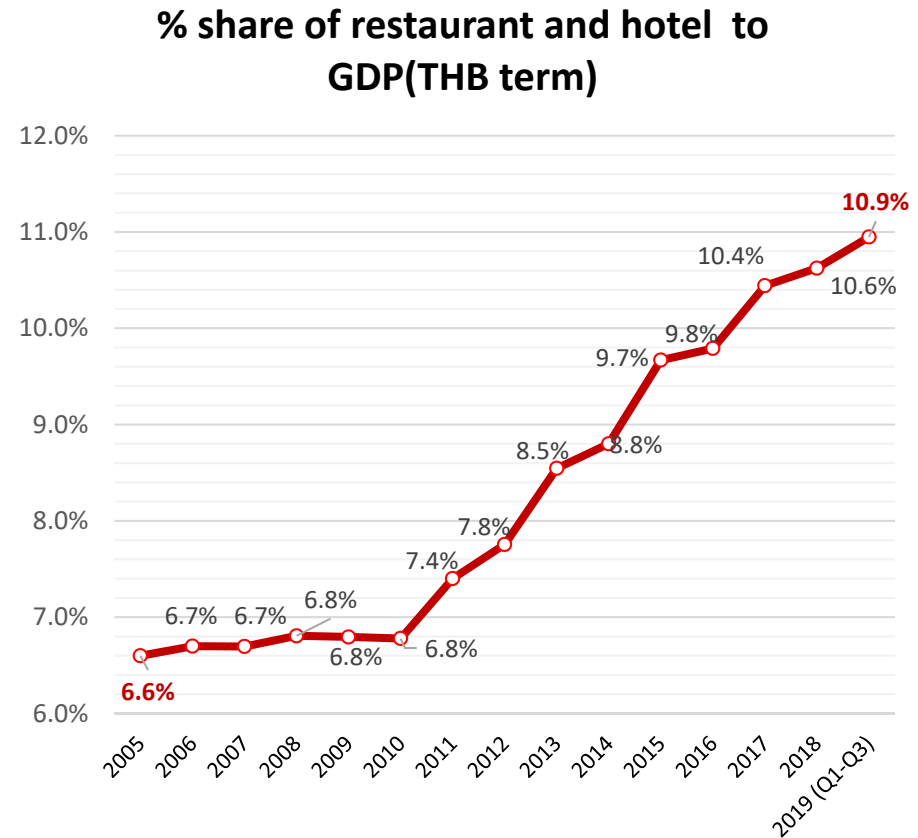
The number of tourist arrival dropped moderately for roughly one to two quarters after the epidemic before rebounding afterwards



## Thailand has high exposure to tourism sector which could result in a sharp economic slowdown when the number of tourist arrivals drop sharply



Source: BOT and NESDB



Remark: GDP current prices

Source: NESDB

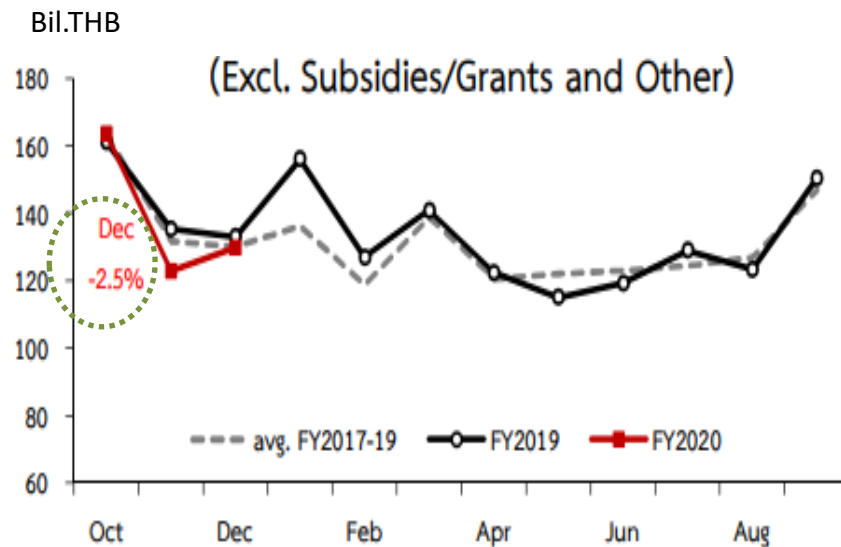
## Budget delay could lower confidence of investors while spending on infrastructure could be fall





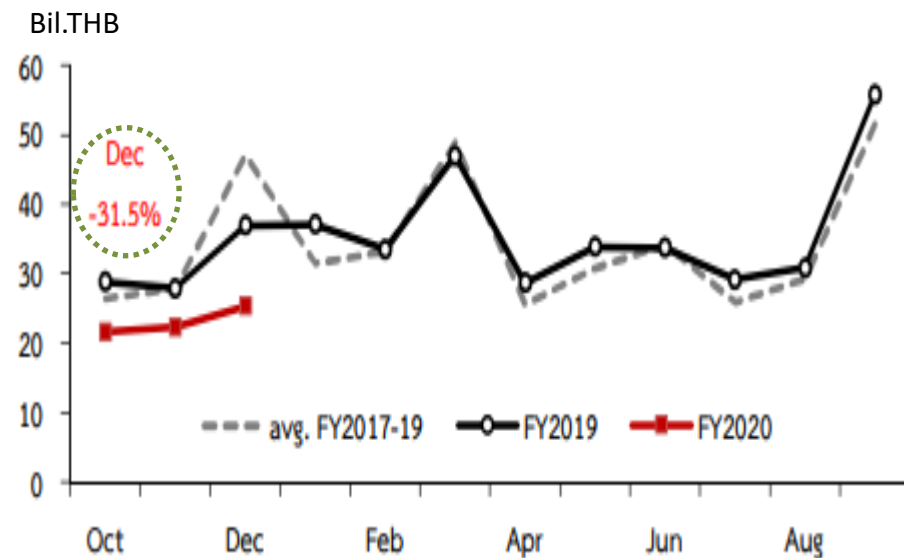
**Public spending, excluding transfers, less contracted from current expenditures. Meanwhile, capital expenditures contracted at a higher rate. The central government's capital spending were affected by the FY2020 budget delay**

**Central Government Current Expenditure  
(Excl. Subsidies/Grants and Other)**



Source: [www.bot.or.th](http://www.bot.or.th)

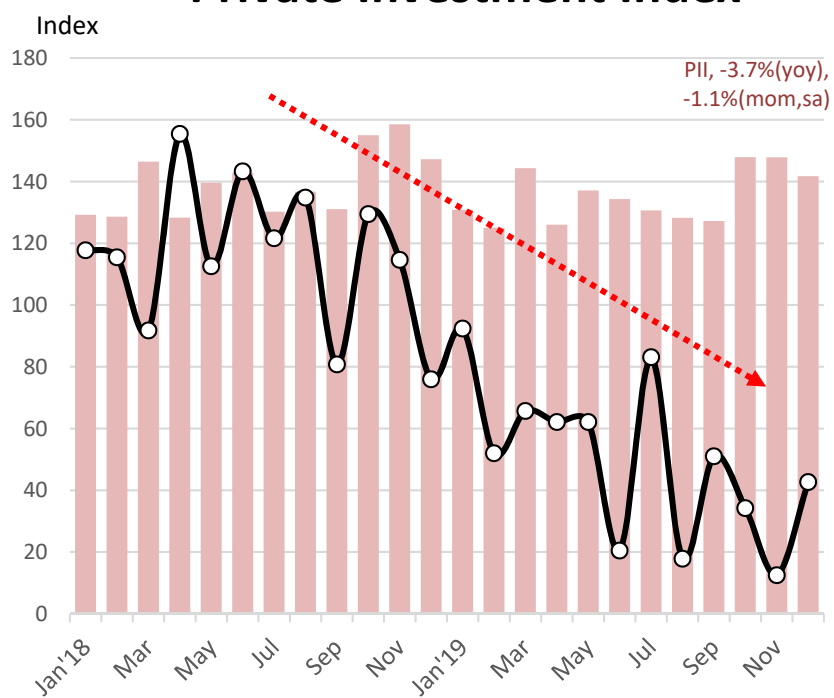
**Central Government Capital Expenditure  
(Excl. Subsidies/Grants and Other)**



Source: [www.bot.or.th](http://www.bot.or.th)

# Thailand – private investment slowdown

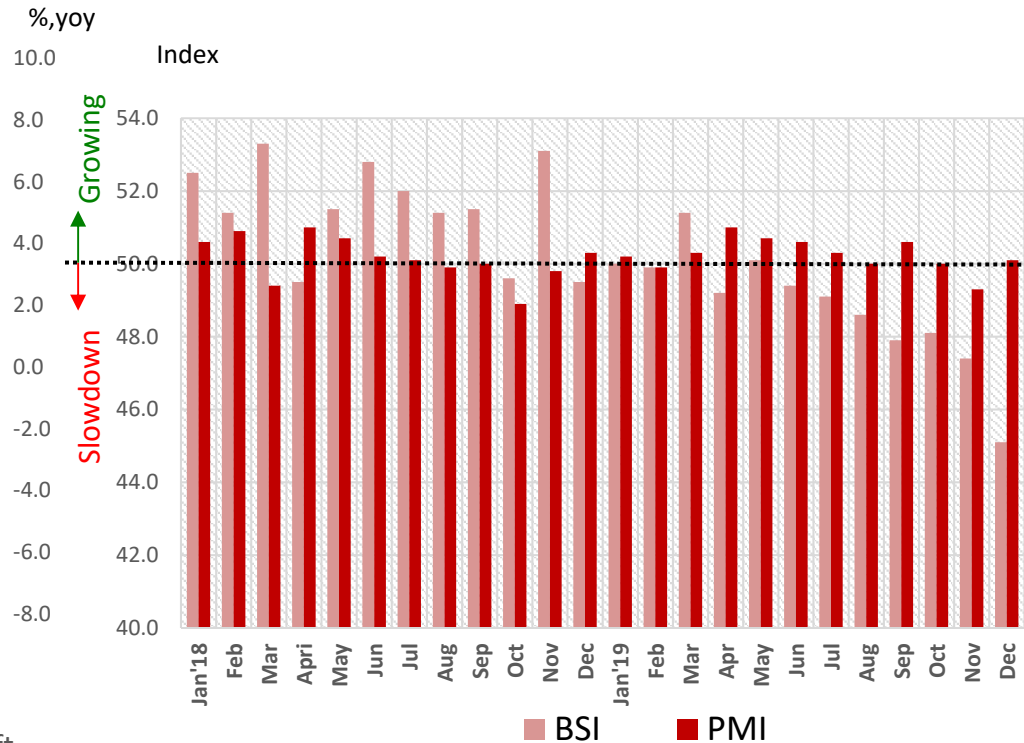
## Private Investment Index



Private Investment Index (PII): Right —○— %change: Left

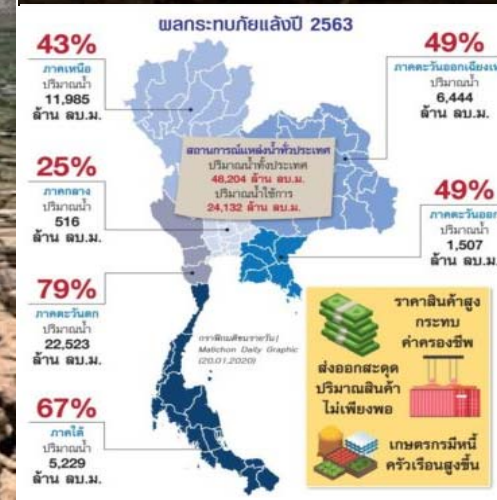
Source: [www.bot.or.th](http://www.bot.or.th)

## Business Sentiment Index(BSI)



Source: [www.bot.or.th](http://www.bot.or.th)

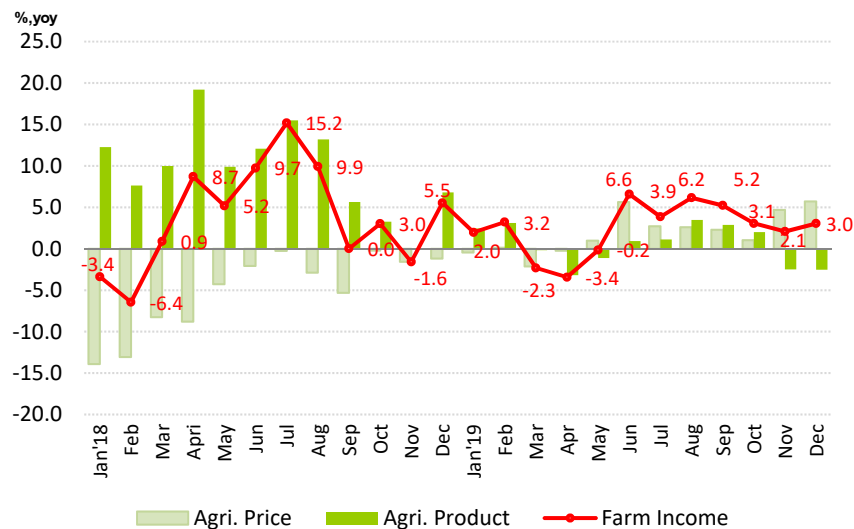
# 31 Thai provinces facing “severe drought”



Source: [https://www.matichon.co.th/economy/eco-report/news\\_1903851](https://www.matichon.co.th/economy/eco-report/news_1903851)

# Thailand - purchasing power remains weak

## Farm Income



Source: Bank of Thailand

## Average Wage (non-farm)

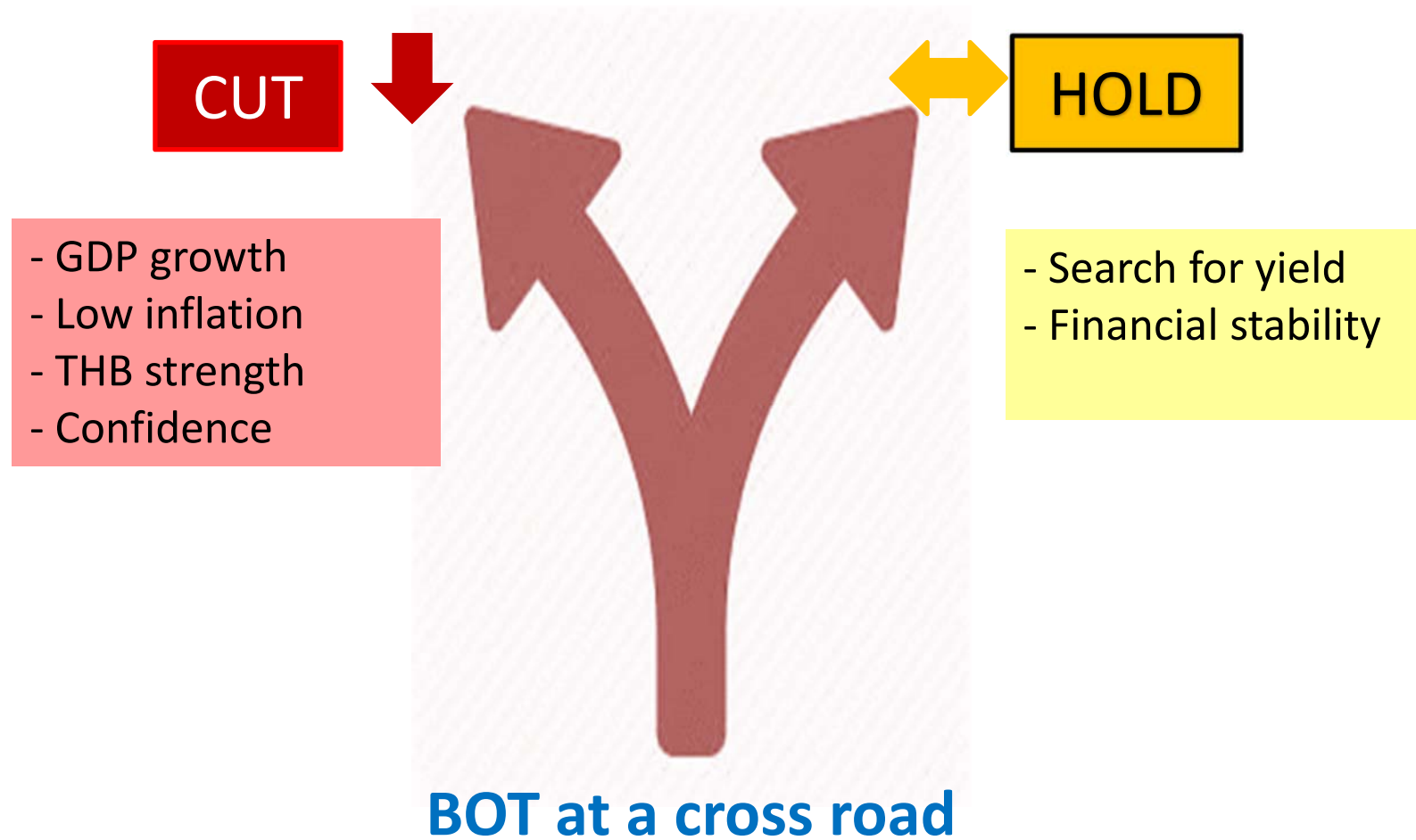


Source: Bank of Thailand



## BOT at a cross road – to hold or to cut?

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# THB depreciated to its lowest level in seven months amid virus worries

## FX (USD/THB)



Source: Bloomberg, as of 3 February 2020

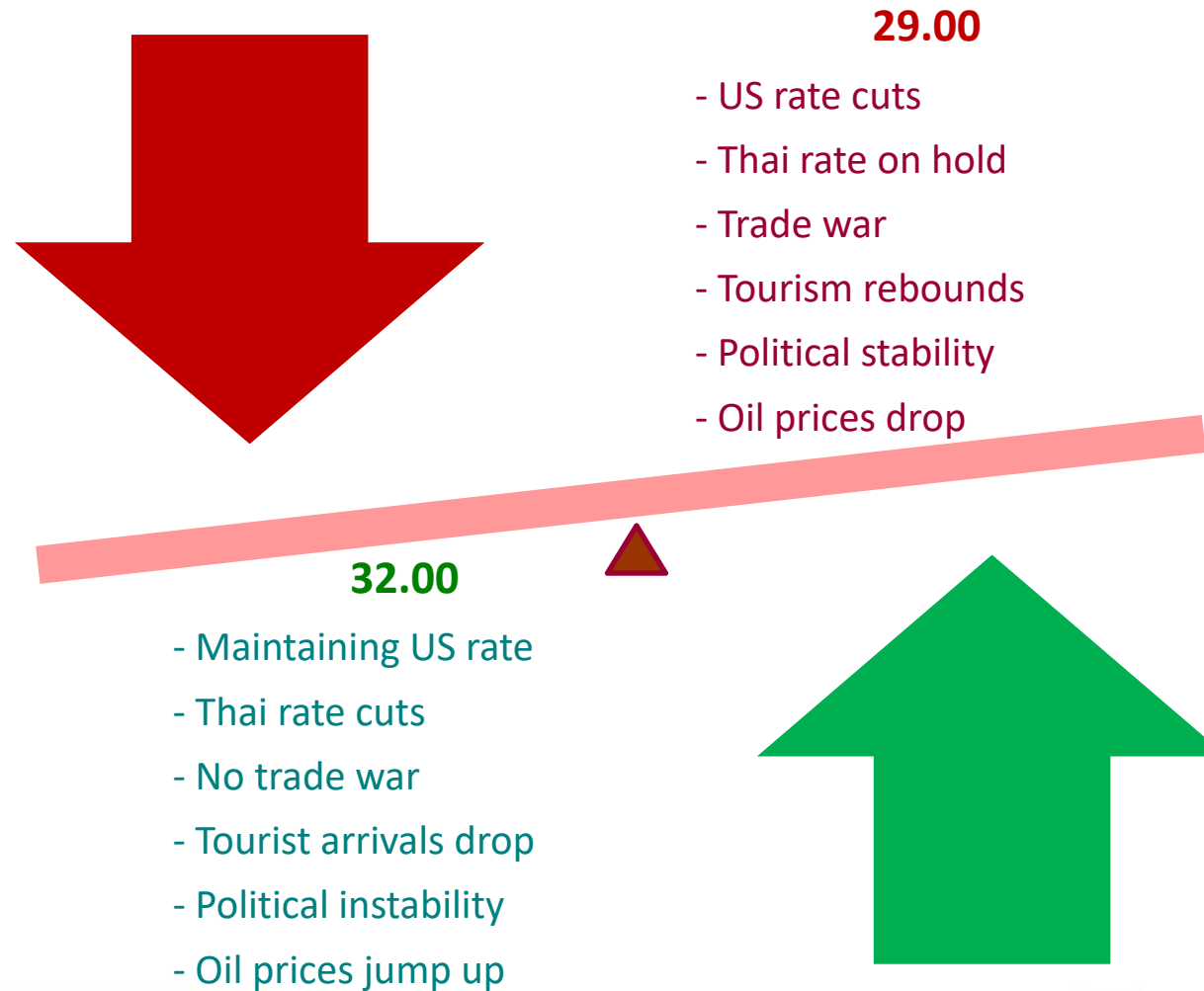
## FX (USD/THB): %YTD

Country Spot		Value	
Indonesian Rupiah	IDR	←	0.93
Hong Kong Dollar	HKD	Depreciated	0.30
Mexican Peso	MXN		0.21
Indian Rupee	INR	-0.28	
Philippine Peso	PHP	-0.30	
Turkish Lira	TRY	-0.54	
Malaysian Ringgit	MYR	-0.58	
Taiwanese Dollar	TWD	-0.86	
Chinese Renminbi	CNY	-0.89	
Singapore Dollar	SGD	-1.64	
Peruvian Sol	PEN	-2.16	
South Korean Won	KRW	-3.23	
<b>Thai Baht</b>	<b>THB</b>	<b>-3.76</b>	
Brazilian Real	BRL	-5.90	

Source: Bloomberg, as of 3 February 2020

## Up or Down – where will the baht go?

### USD/THB Outlook 2020



# How do you view the Thai economy in 2020?

2018



2019



2020



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MACRO OUTLOOK

## 2020 – THE YEAR OF THE RAT

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2020



### OPPORTUNITIES

### CHALLENGES

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RELOCATION

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ACTIVE  
STIMULUS

APPRECIATING  
BAHT

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TOURISM

TRADE WAR

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**Thank  
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