



Global Economic Outlook

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Key takeaway

1. **US economy** – Soft landing. Market panic; we see NO imminent US recession
2. **Financial market turmoil and volatility** – An disruptive unwinding of crowded trades. Expect volatility to continue but NO credit turmoils yet.
3. **Fed rate cuts and inflation** – Expect smaller cuts than market pricing in
4. **Thai politics/economy and BoT** – Weak domestic recovery, with headwinds from competitiveness and financial deleveraging. Weaker growth and rising defaults to trigger BoT rate cuts sooner than expected

Global Economy

The background features a series of thin, light-colored curved lines that sweep across the frame from the left side towards the right. Small white dots are placed at various points along these curves, creating a sense of movement and connectivity. The overall color palette is a soft, muted purple or lavender, with a slight gradient from left to right.

Mid-year review: Key changes since Nov 2023

- 1) Higher global growth in 2024 and 2025
- 2) Stronger-than-expected US growth and slower inflation convergence leading to a soft landing and a delay in the start of the Fed easing cycle
- 3) Slightly delayed ECB acceleration to one cut per meeting starting March 2025, rather than December 2024
- 4) Sequential deceleration and lower inflation in China in 2024 with a gradual recovery in 2025
- 5) Faster monetary policy convergence in Japan

Exhibit 1: GDP forecasts mid-year vs year-ahead

We now expect global growth at 3.2% for 2024 and 3.3% for 2025-2026

	2024F		2025F		2026F
	New	Old	New	Old	Current
Global	3.2	2.8	3.3	3.0	3.3
US	2.5	1.4	2.1	1.3	1.9
Euro area	0.6	0.5	1.1	1.2	1.3
China	5.0	4.8	4.7	4.6	4.7
Japan	0.3	0.8	1.2	1.0	0.6
Developed Markets	1.5	0.9	1.6	1.2	1.6
Emerging Markets	4.4	4.2	4.4	4.3	4.4
Emerging Asia	5.3	4.8	5.0	4.8	5.0
Emerging EMEA	2.6	3.5	3.5	3.8	3.5
Latin America	1.8	1.8	2.3	2.1	2.4

Note: Old refers to our 2024 year-ahead forecasts

Source: BofA Global Research

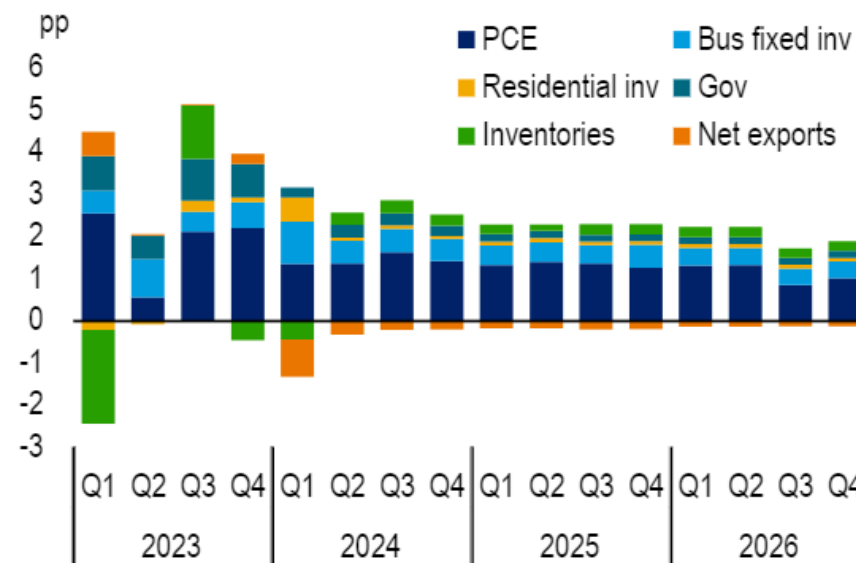
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US growth to moderate, but remain healthy: A soft landing

- US outperformance driven by:
 - Strong growth in the labor force
 - Catch-up effect in employment
 - Supportive fiscal policies
 - Crowding-in of domestic manufacturing investment
- Tailwind from these forces to gradually fade and US outperformance to narrow somewhat
 - Fiscal and structural investment impulse to slow
 - Modestly restrictive financial conditions
 - Tighter bank lending standards
 - Diminishing wealth effect
 - Strong dollar as headwind
- This will likely translate into a slowdown in consumption and investment.

Exhibit 4: US economic growth should moderate, but remain healthy

Contribution to real GDP growth (pp contribution)

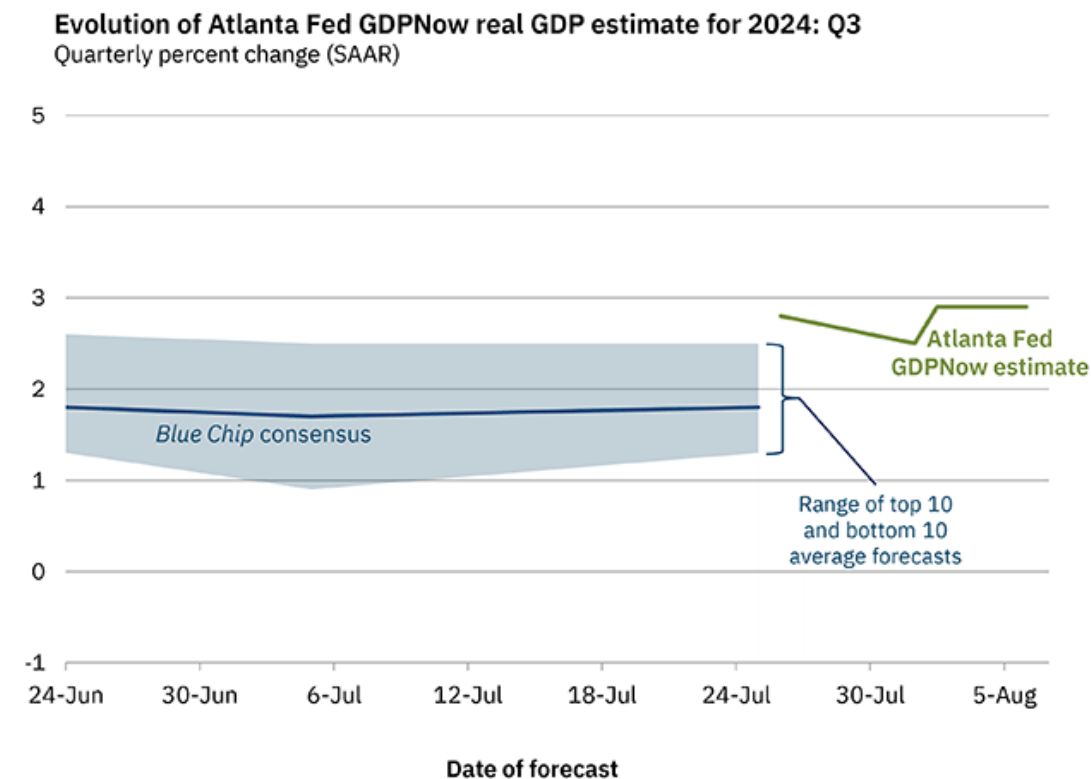


Source: BEA, Haver Analytics, BofA Global Research

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Crosscurrent macro means no simple recession

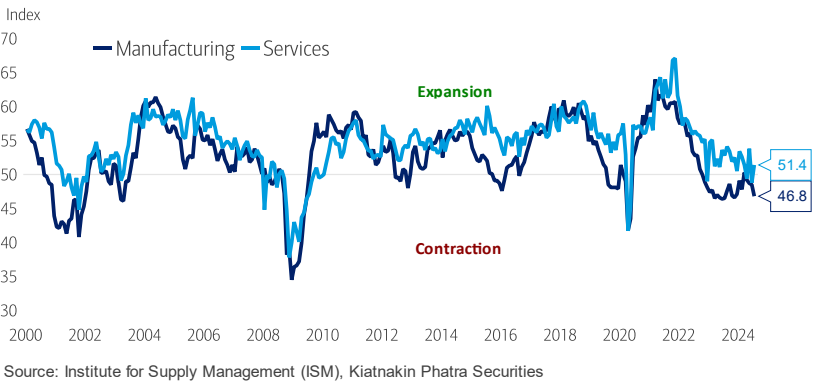
GDPNow still see +2.9% growth in 3Q24



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

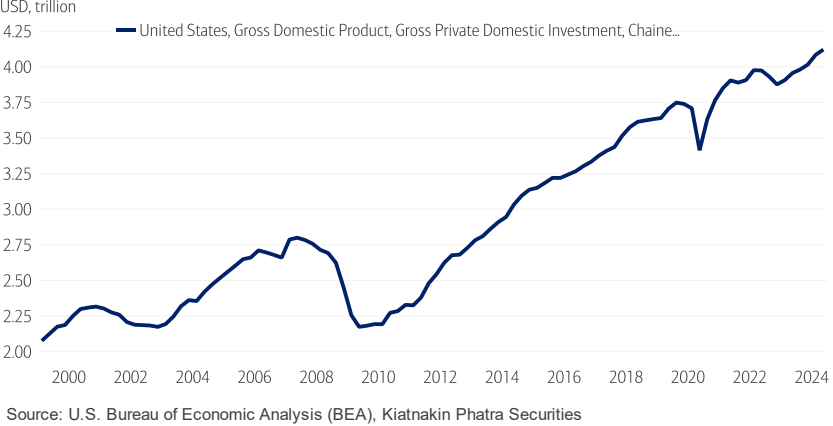
Manufacturing recession continues

Manufacturing under contraction ISM Manufacturing vs Services PMI



CAPEX is still surging

US Private Fixed Investment



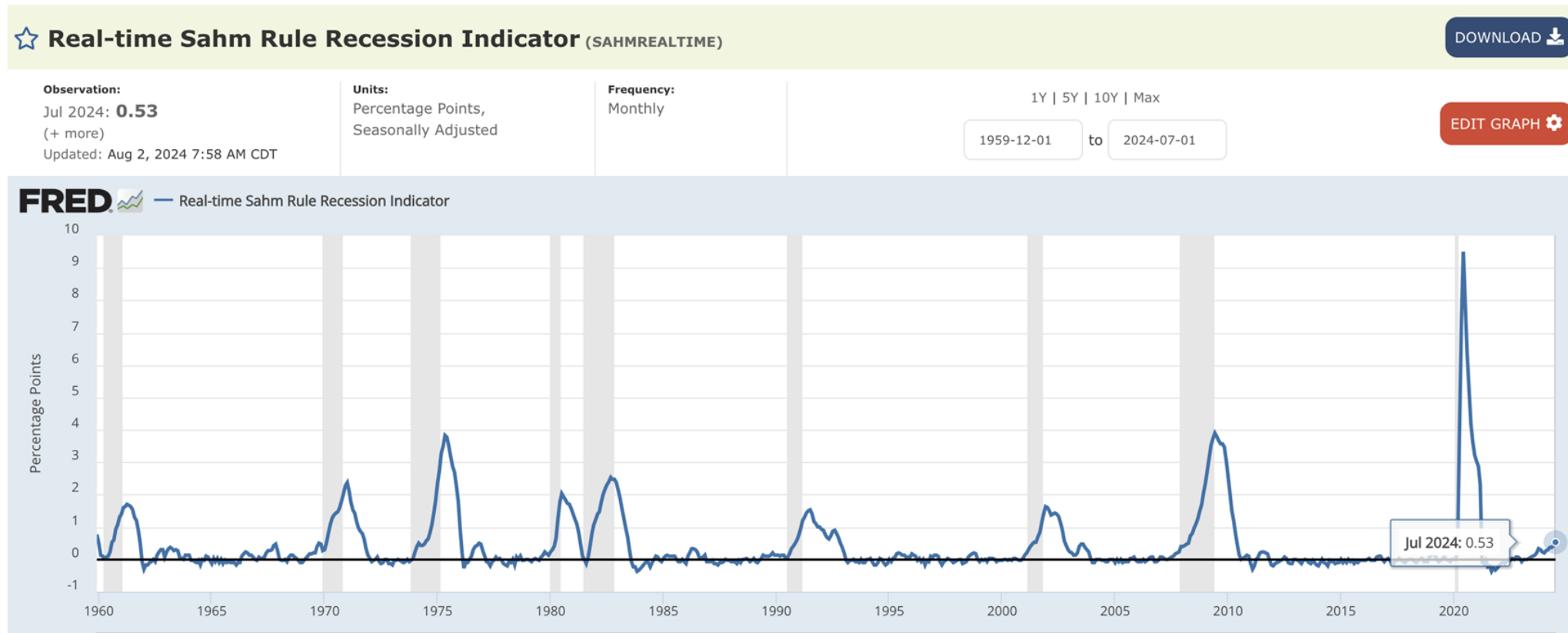
Unwarranted panic on recession concern; It's the disruptive unwinding of the crowded trades

- Tech stocks rally
- JPY carry trade
- Japanese equity
- High for long

Recession fears are
overblown



Sahm rule as an empirical regularity—when it rains, it pours

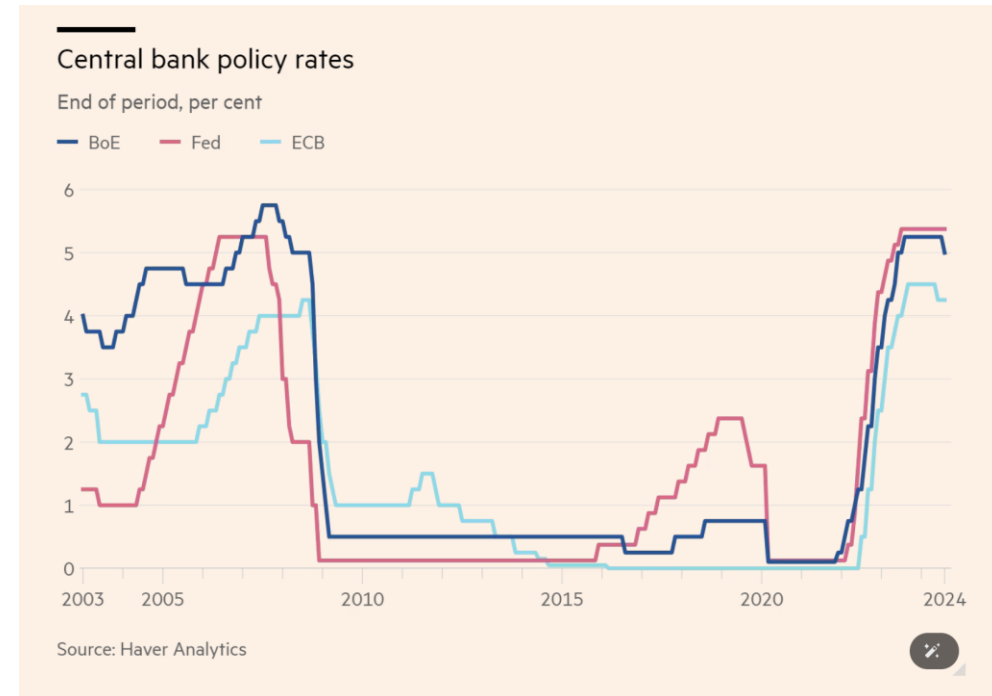


Recession cuts? No. A quick return to neutral? Maybe

1. Decelerating inflation → higher real rates → tightening of monetary policy

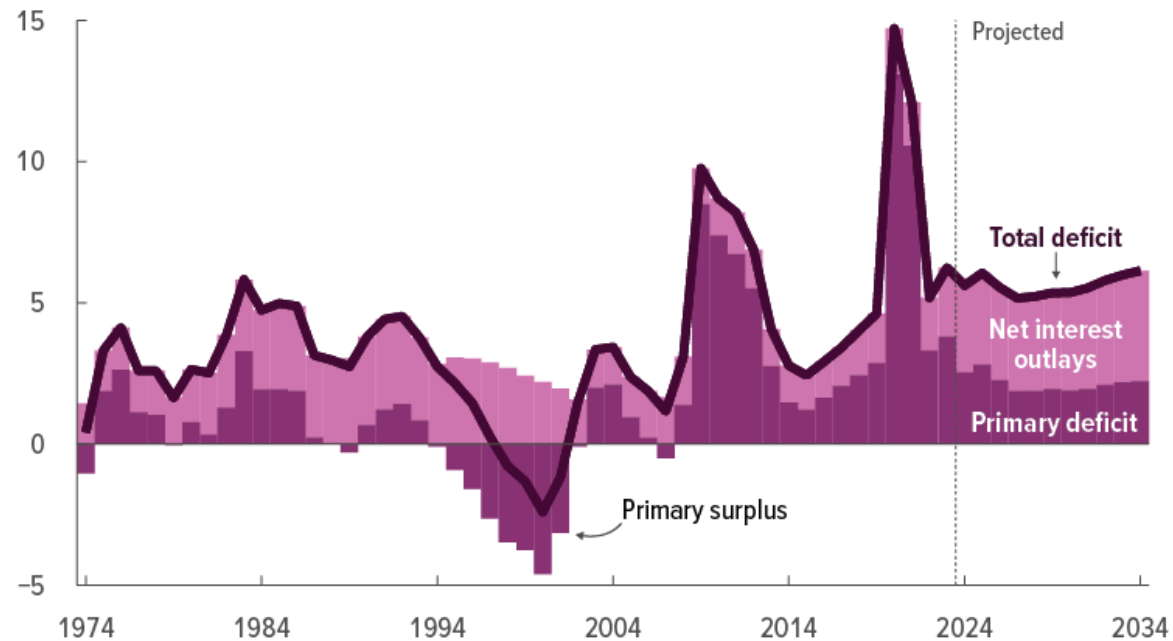
2. Moderation in the labor market (no overheating) → less need for tightening

- Getting closer to “Neutral” = quicker Fed cuts...
- But recession-sized cut unlikely
 - Triggering a panic, rather than calming the market
 - But getting to neutral more quickly balances risks better



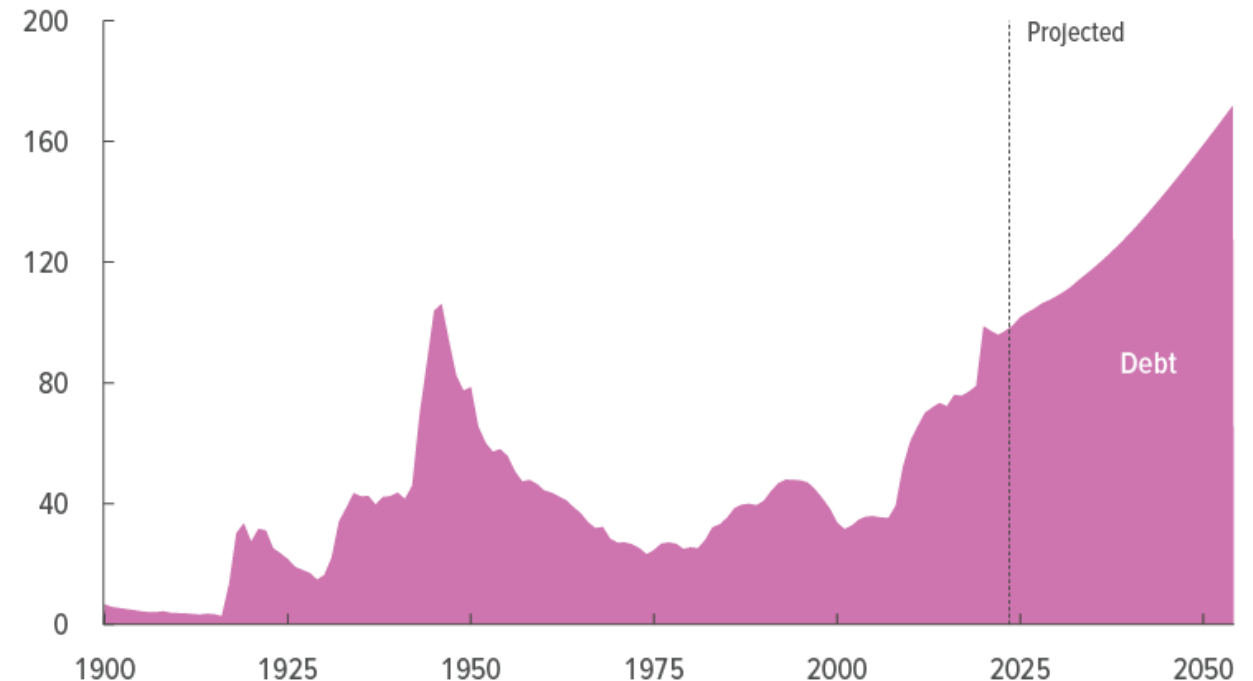
CBO estimate: Total deficit won't come down, given higher interest costs

Total Deficit, Net Interest Outlays, and Primary Deficit



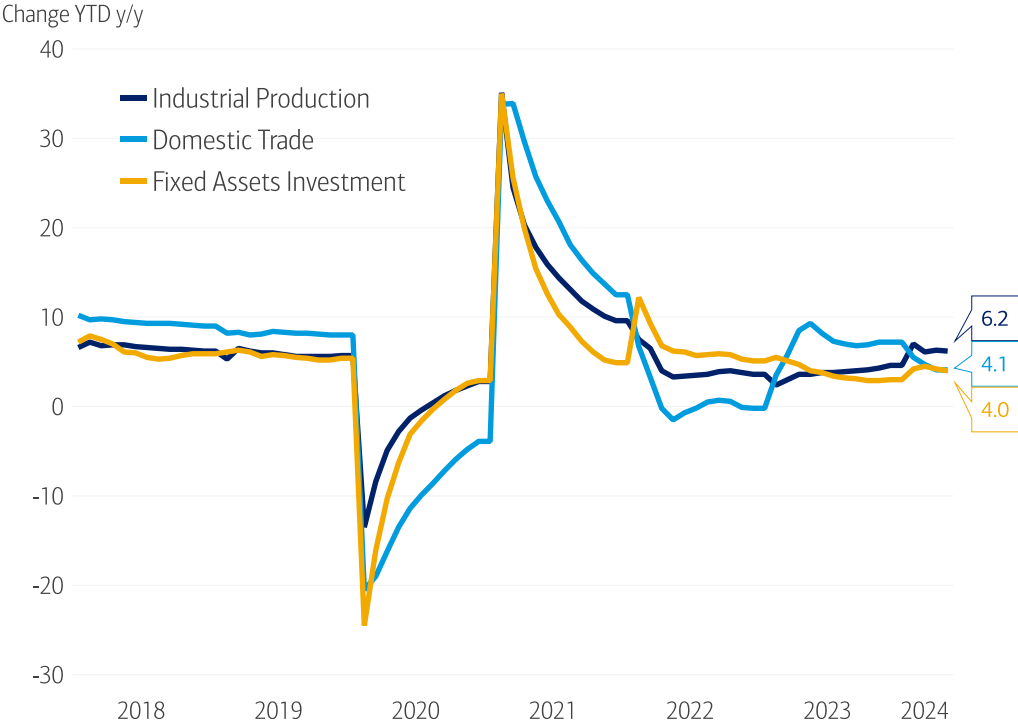
Source: CBO

Federal Debt Held by the Public



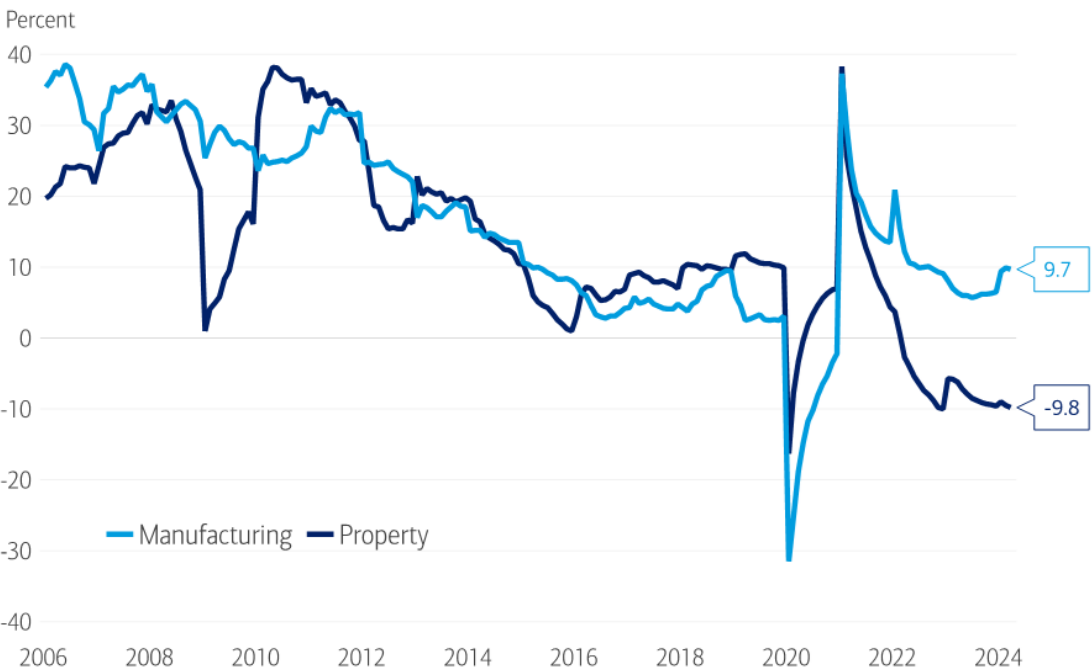
Supply-driven growth

Supply outpaces demand in China



Source: China National Bureau of Statistics (NBS), Kiatnakin Phatra Securities

Rising manufacturing investment to offset property downturn



Source: China National Bureau of Statistics (NBS), Kiatnakin Phatra Securities

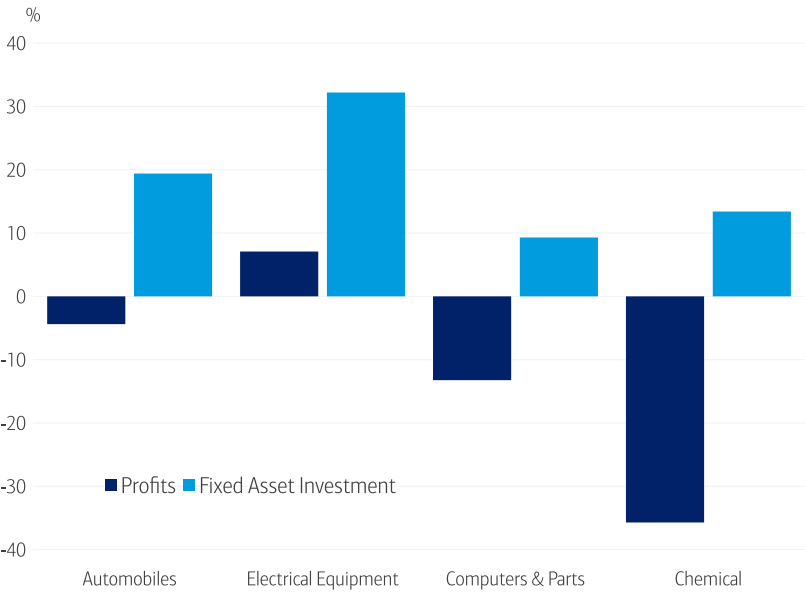
China dumping from excess capacity

China export prices



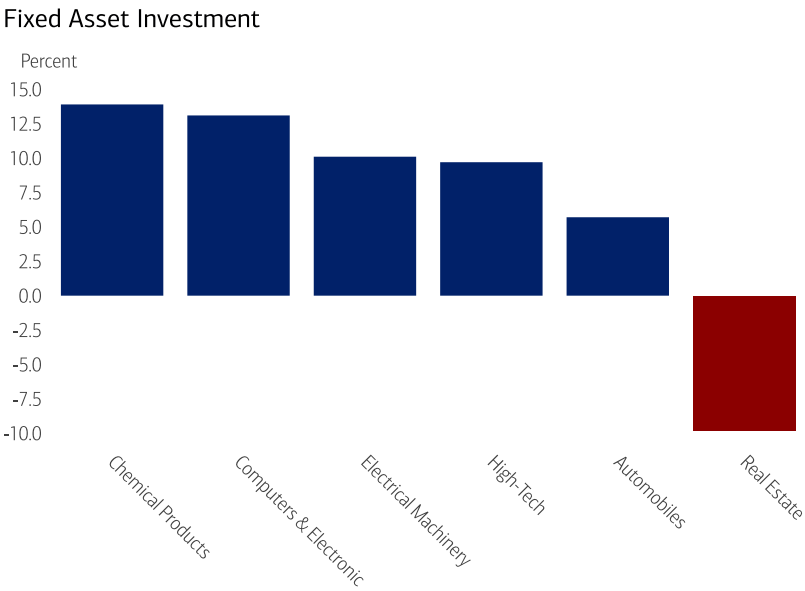
Source: China General Administration of Customs (GAC), Kiatnakin Phatra Securities

Rising capacity despite falling profits in China



Source: China National Bureau of Statistics (NBS), Macrobond Financial AB, Kiatnakin Phatra Securities

Huge capacity expansion in China



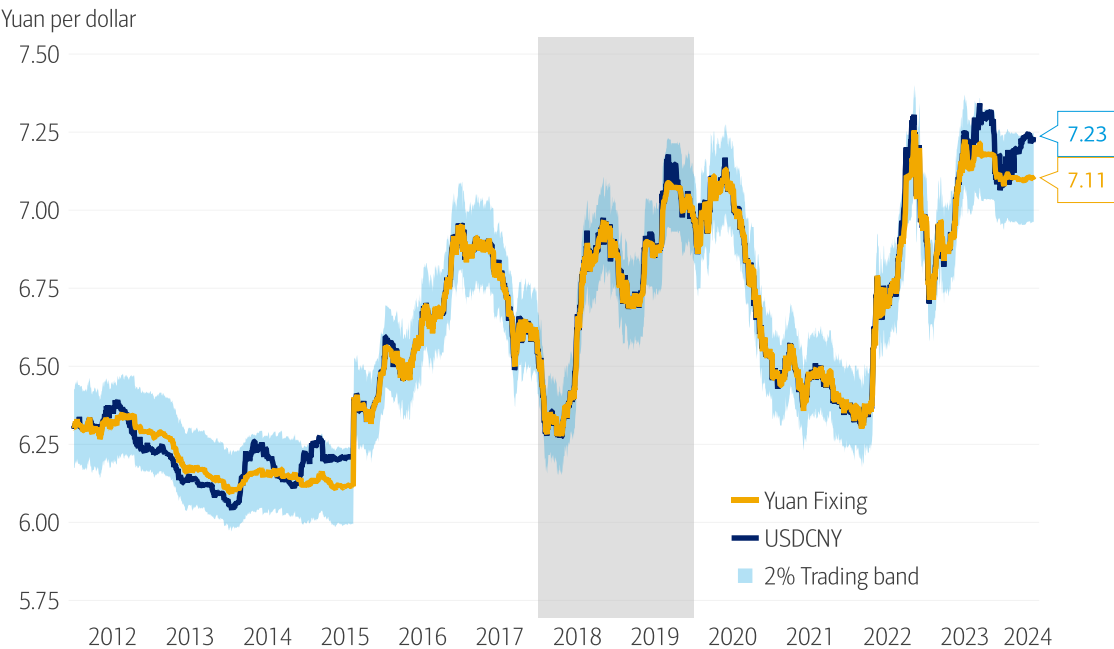
Source: China National Bureau of Statistics (NBS), Kiatnakin Phatra Securities

Risk of Chinese Yuan depreciation

ค่าเงินหยวนอ่อนค่าลงอย่างมาก
เมื่อจีนเผชิญกับ Trump trade war ในรอบที่แล้ว

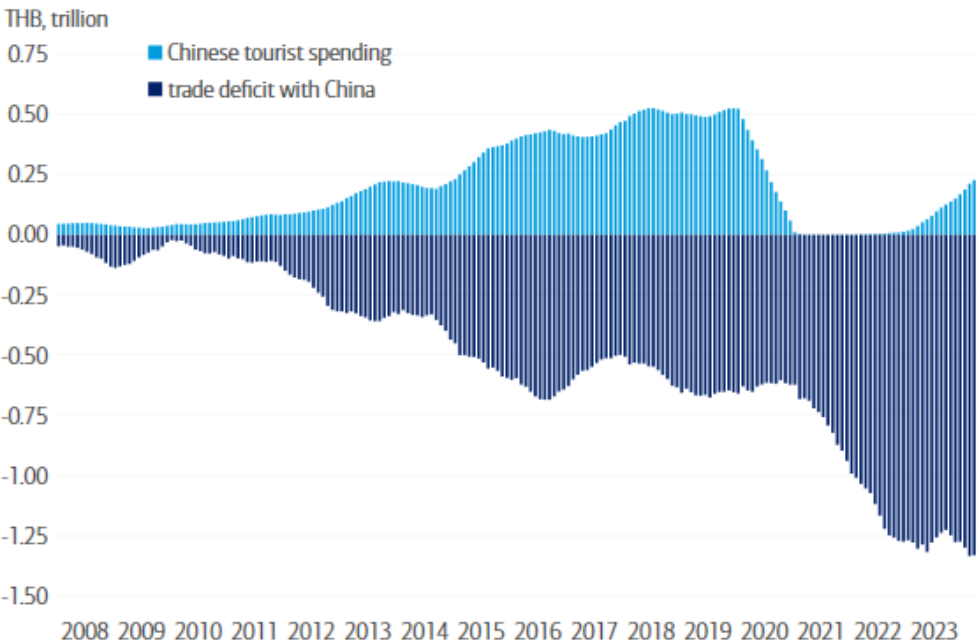
การตอบโต้ China's dumping ของไทยอาจมีความเสี่ยงต่อเศรษฐกิจ
เนื่องจากไทยพึ่งพาจีนสูง ทั้งการค้าการลงทุน และการท่องเที่ยว

Trump tariff devaluation
RMB devaluations during 2018-2019 trade war



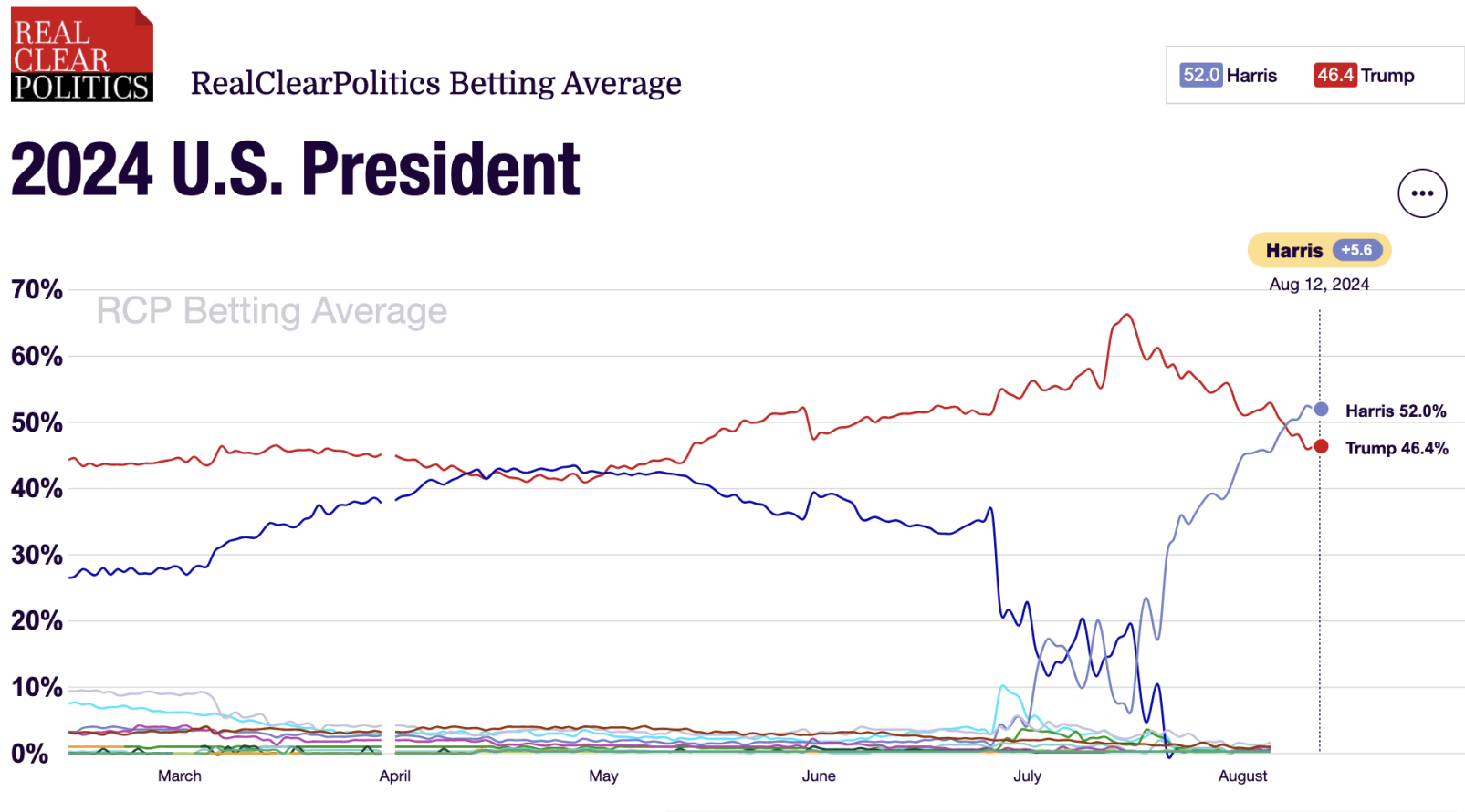
Source: Macrobond Financial AB, State Administration of Foreign Exchange (SAFE) of China, Kiatnakin Phatra Securities

Tradeoffs between trade deficit with China and Chinese tourist revenue

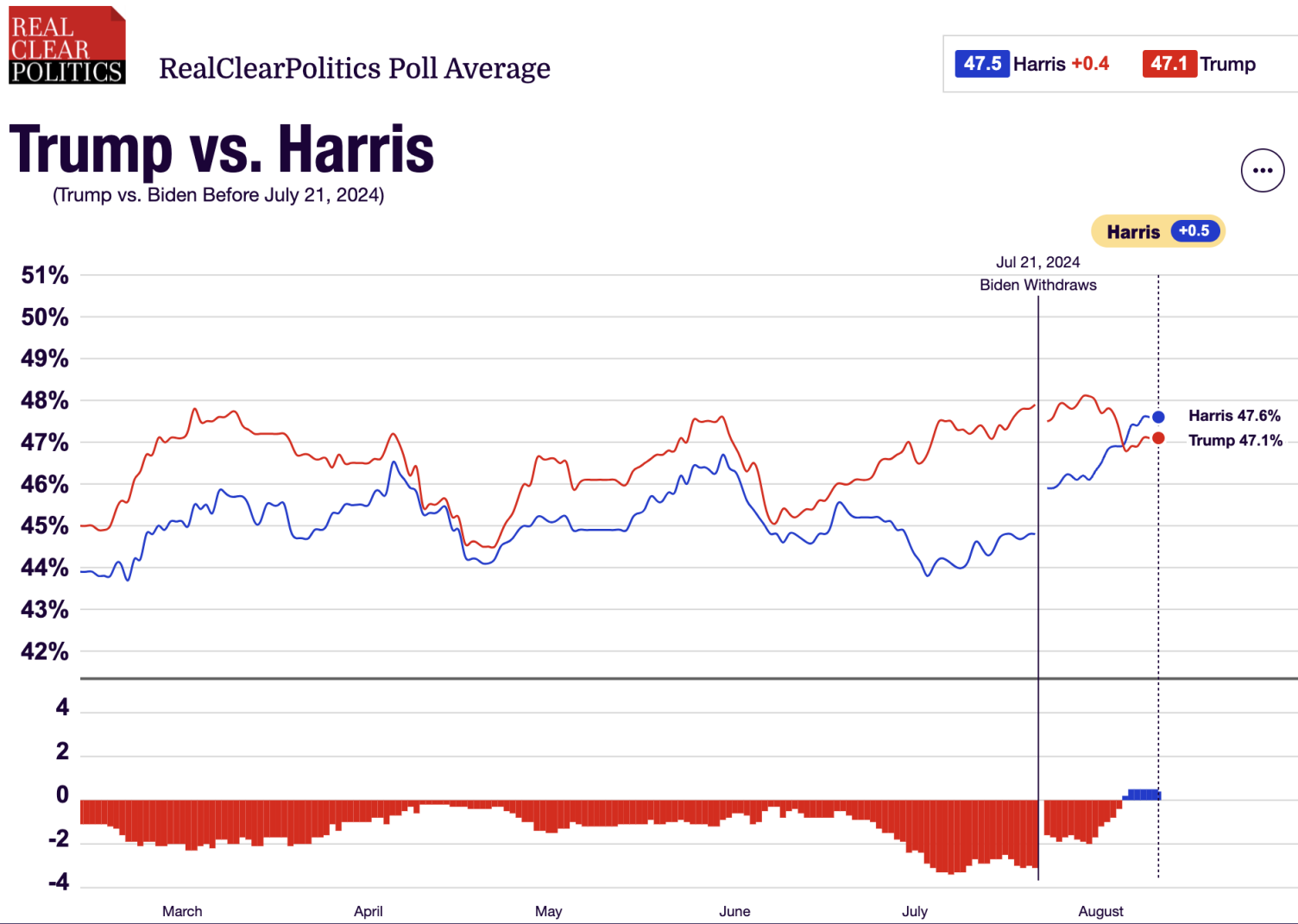


Source: Bank of Thailand (BOT), Thailand Ministry of Commerce (MOC), Thailand Ministry of Tourism & Sports, Kiatnakin Phatra Securities

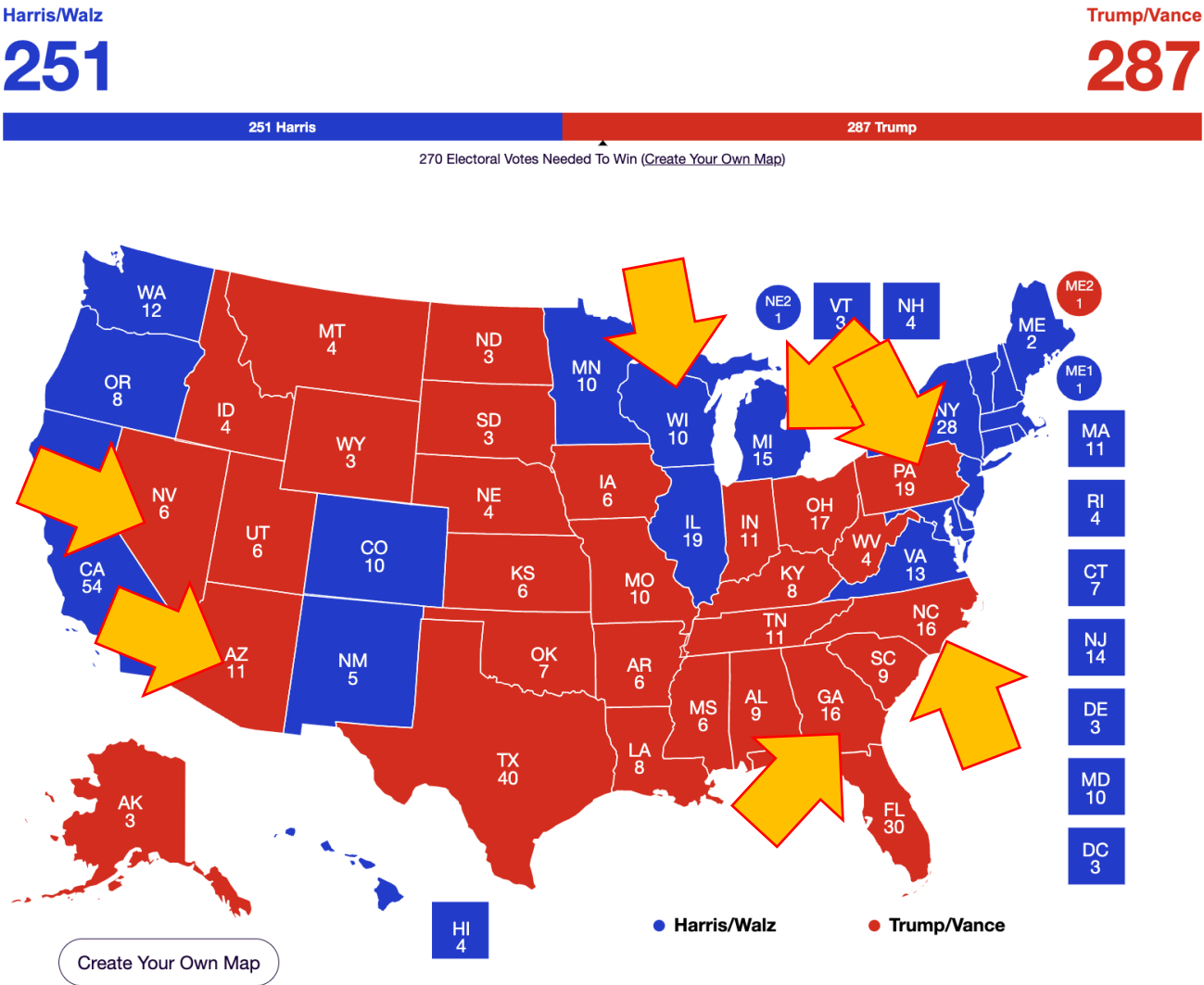
US Election. From Bident to Harris



Got the momentum



In need of the swing states



Key policy difference

	Harris		Trump	
	Sweep	Divided	Sweep	Divided
Tax	<ul style="list-style-type: none"> Rising social spending with rising income and capital gain tax 	<ul style="list-style-type: none"> Gridlock 	<ul style="list-style-type: none"> Defense spending with extended tax cuts 	<ul style="list-style-type: none"> Gridlock
Trade	<ul style="list-style-type: none"> Targeted approach for tariffs over strategic sectors 		<ul style="list-style-type: none"> 10% import tariffs across-the-board with 60% levied on China 	
Immigration	<ul style="list-style-type: none"> Low restrictions on immigration (Lower wages) 		<ul style="list-style-type: none"> Tough on immigrations and rising deportation (higher wages) 	
Geopolitics	<ul style="list-style-type: none"> Building alliance with Europe and others to counter China 		<ul style="list-style-type: none"> Higher risk of isolationism 	
Energy	<ul style="list-style-type: none"> Enhance climate policy with less oil productions (Higher oil prices) 		<ul style="list-style-type: none"> Reversal of climate policy and rising oil productions (lower oil prices) 	

Source: BofA Global Research



Thai Economy: Cyclical upturn vs Structural decline

Thailand's economic outlook

GDP Forecast

%YoY	2023E	KKP Forecast	
		2024E	2025E
Real GDP	1.9	2.6	2.8
Private Consumption	7.1	3.1	2.9
Government Consumption	-4.6	1.8	1.0
Gross Fixed Capital Formation	1.2	2.9	2.3
Private	3.2	2.5	2.0
Public	-4.6	5.6	3.2
Exports of Goods	-2.8	1.3	2.0
Export of Services	38.3	25.7	11.0
Import of Goods	-3.8	3.9	2.6
Import of Services	4.3	8.0	6.3
Current account (US\$ bn)	7.9	5.4	7.9
as % of GDP	1.5	1.0	1.3
Headline CPI	1.6	0.7	0.8
Policy rate	2.50	2.5	2.25
Tourist arrivals (Mn persons)	28.7	35.2	38.8

ปัจจัยบวกในช่วงครึ่งหลังของปี

- การลงทุนภาครัฐ มีแนวโน้มขยายตัวดีเมื่อเทียบกับปีก่อน หลังการเบิกจ่ายภาครัฐกลับเข้าสู่ระดับปกติ
- ภาคบริการที่เกี่ยวข้องเนื่องกับการท่องเที่ยว ยังคงเติบโตได้ตามนักท่องเที่ยวที่ยังเดินทางมายังไทย
- ภาคการผลิตบางกลุ่ม ปรับตัวตามวัฏจักรสินค้าคงคลัง

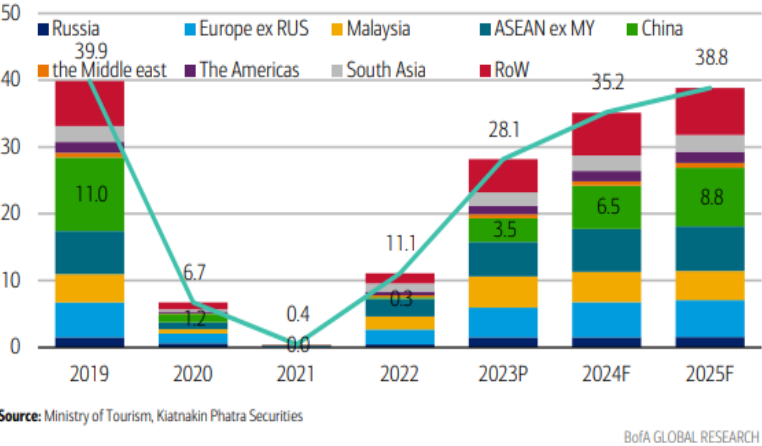
ปัจจัยเสี่ยง

- การบริโภคโดยเฉพาะสินค้าคงทน ยังมีแนวโน้มหดตัวจากความเข้มงวดในการปล่อยสินเชื่อของธนาคารพาณิชย์
- การผลิตภาคอุตสาหกรรมหลายกลุ่มที่เผชิญปัญหาเชิงโครงสร้างยังคงหดตัว
- ความไม่แน่นอนด้านการเมืองและนโยบาย ที่อาจส่งผลกระทบต่อภาวะการลงทุนภาคเอกชน

Cyclical upturn in 2H from tourism, public spending and inventory cycle

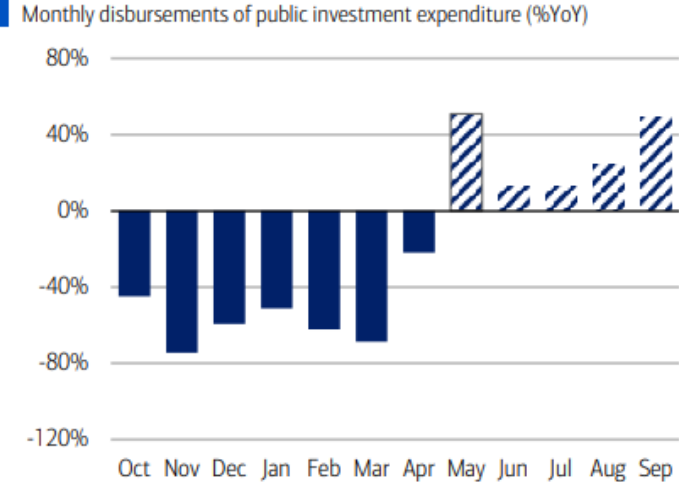
Tourism is expected to be the key engine driver (35 million this year, 38.8 million next year)

Exhibit 3: Foreign tourism is expected to be a key growth engine as it recovers to pre-COVID levels
The number of foreign tourists, by source country (in millions)



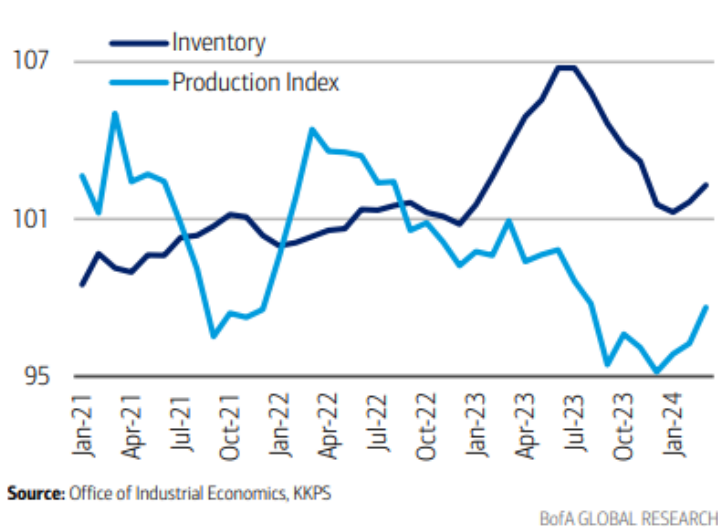
Normalization of public spending after deep contraction in 4Q23 and 1Q24

Exhibit 5: The contraction of public investment was a major drag in 4Q23 and 1Q24, but is expected to improve after the budget was approved in April
Monthly disbursements of public investment expenditure (%YoY)



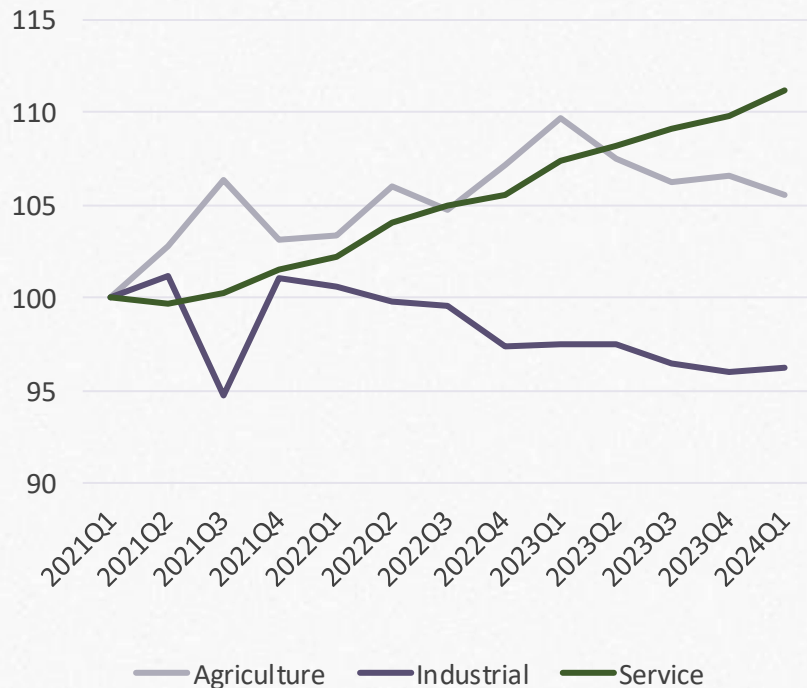
Some parts of the manufacturing sector are expected to improve from the inventory cycle such as food processors

Exhibit 6: The drop in the manufacturing production index was partly due to the inventory build-up
Manufacturing Production Index (Value added weight) vs Inventory Index, 6MMA



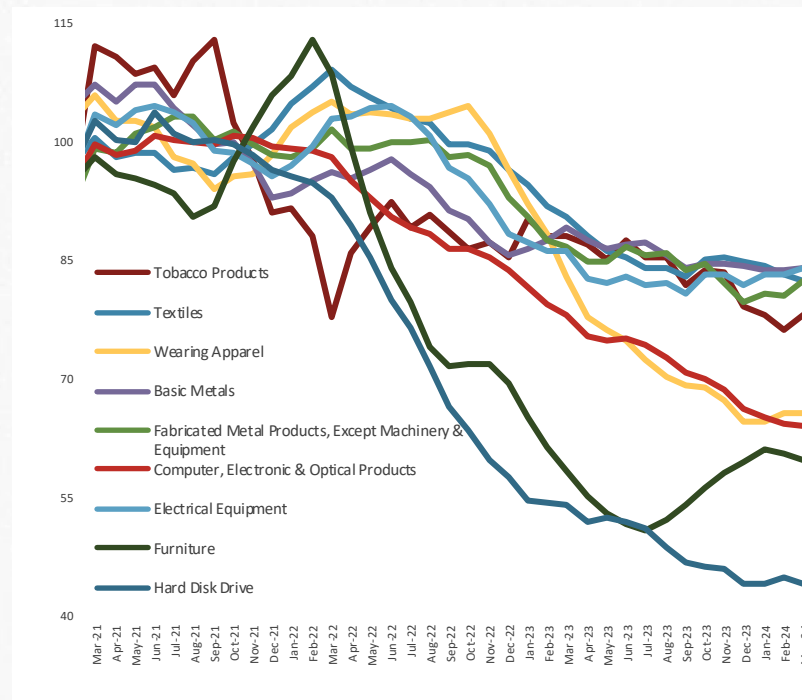
Uneven Recovery: Falling industrial, rising services

The services sector led the recovery after COVID-19, while industrial production has been contracting



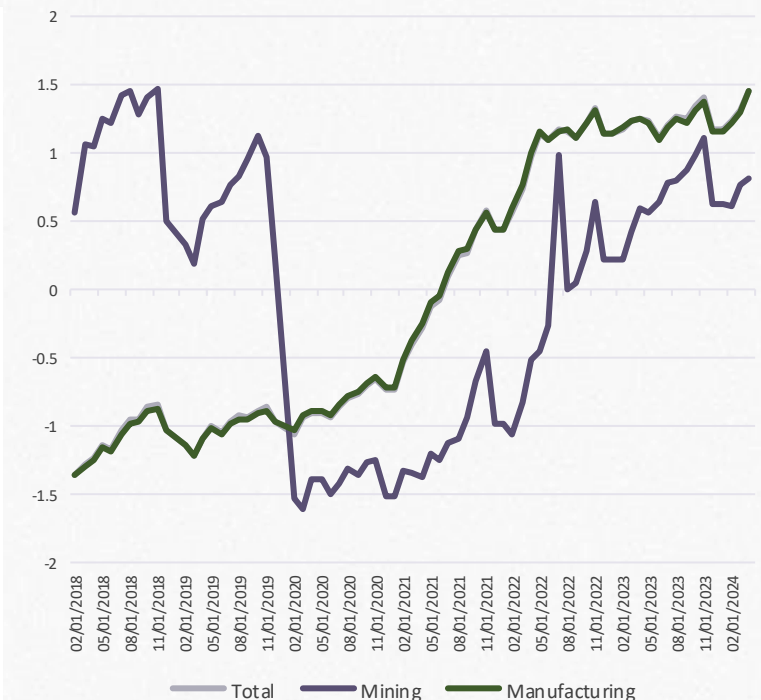
Source: NESDC, Ministry of Industry, Kiatnakin Phatra Securities

We can not rely on only demand indicators. Some production has dropped for more than a year



Source: NESDC, Ministry of Industry, Kiatnakin Phatra Securities

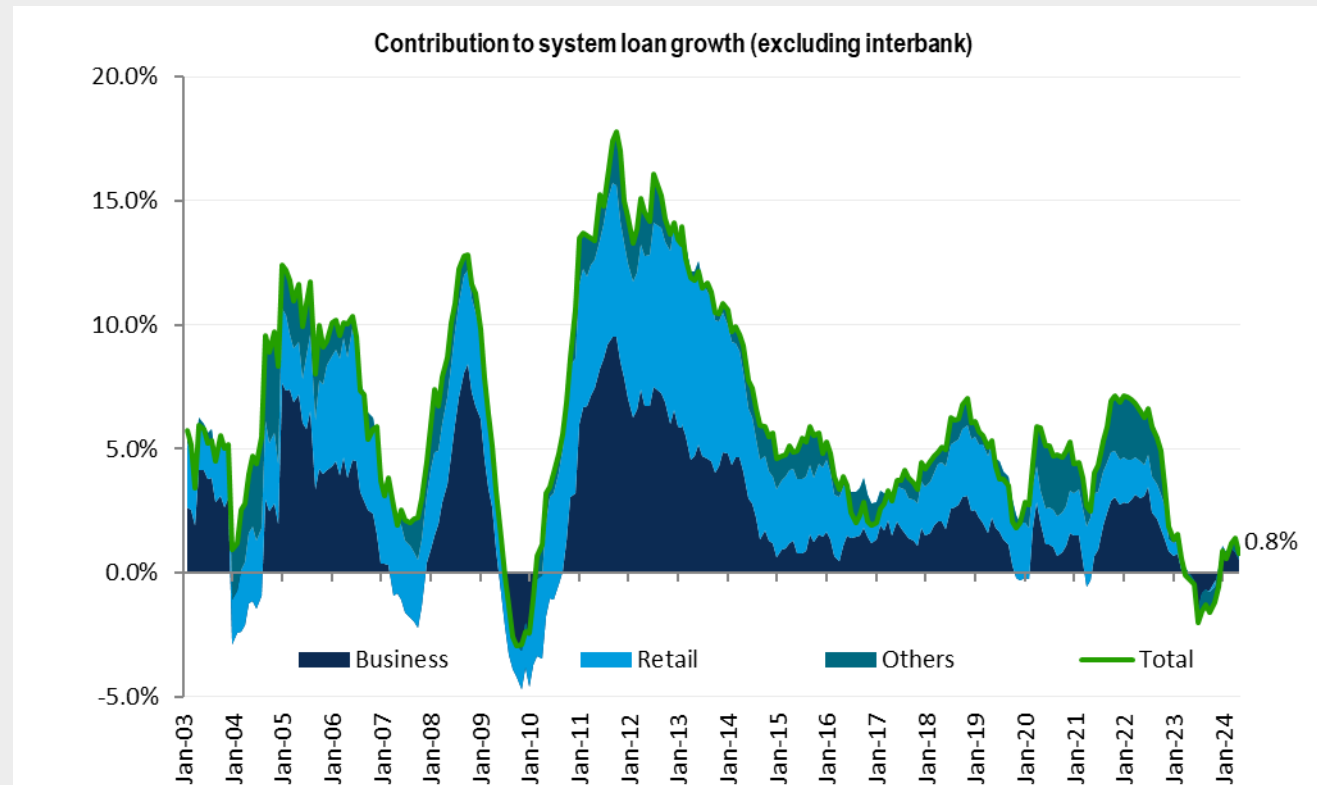
Potential trade war and impact from China's excess capacity



Source: NESDC, Ministry of Industry, Kiatnakin Phatra Securities

Financial deleveraging is a key risk to recovery

Loan growth contraction can be a drag to economic growth
Contribution to bank loan growth (%YoY)



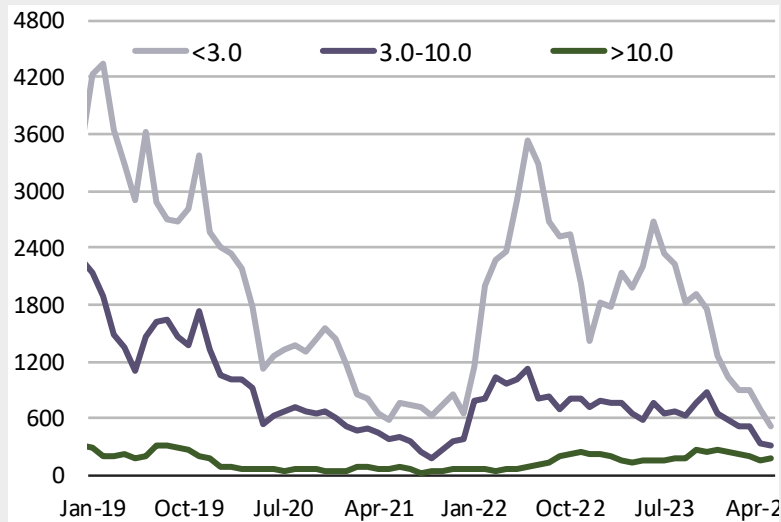
Source: Ministry of Finance,, KKPS

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Severe impact on durable goods consumption

A sharp drop in property sales, especially in the low-end segment

Property Pre Sales (Unit per month) by price range, 6MMA

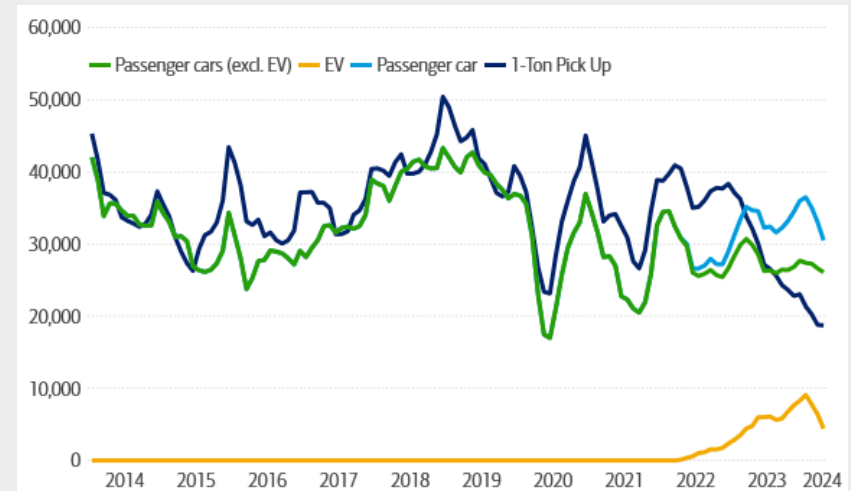


Source: Agency for Real Estate Center, KKPS

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Car sales plummeted despite aggressive price cut

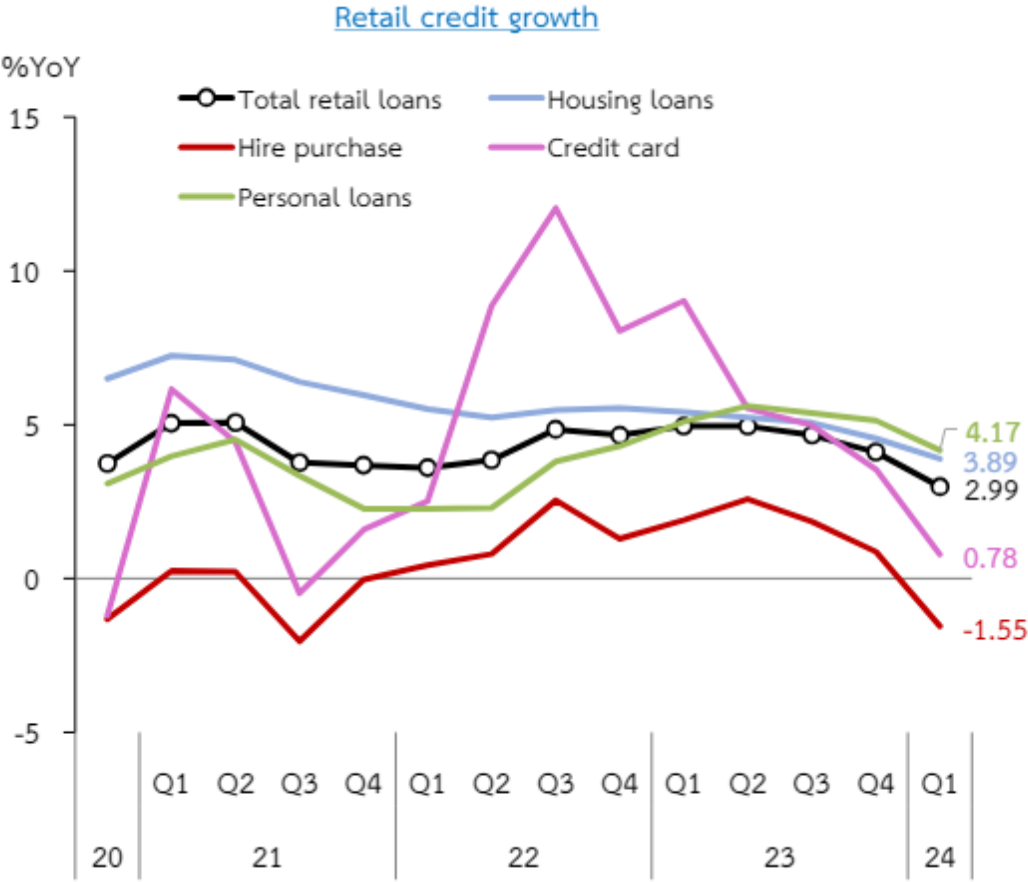
Monthly new car sales (units)



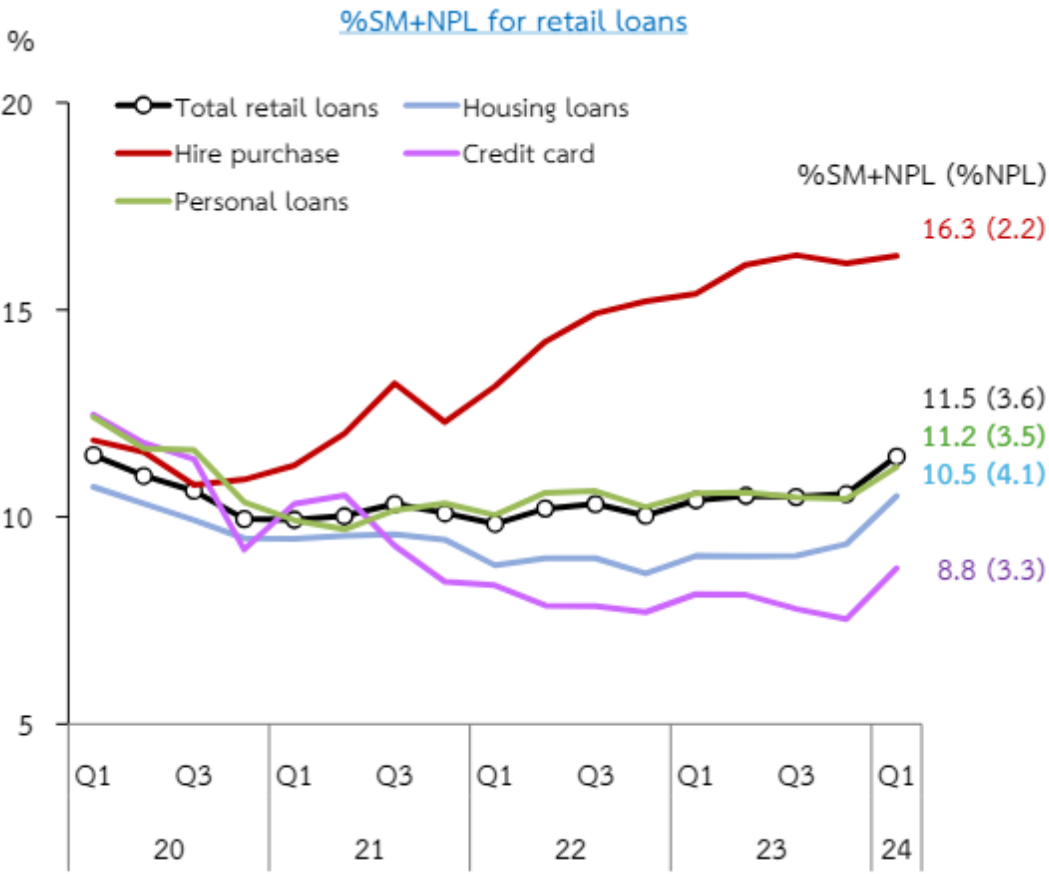
Source: federation of Thai Industries, KKPS

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Financial deleveraging: Slowing loan growth and rising NPL

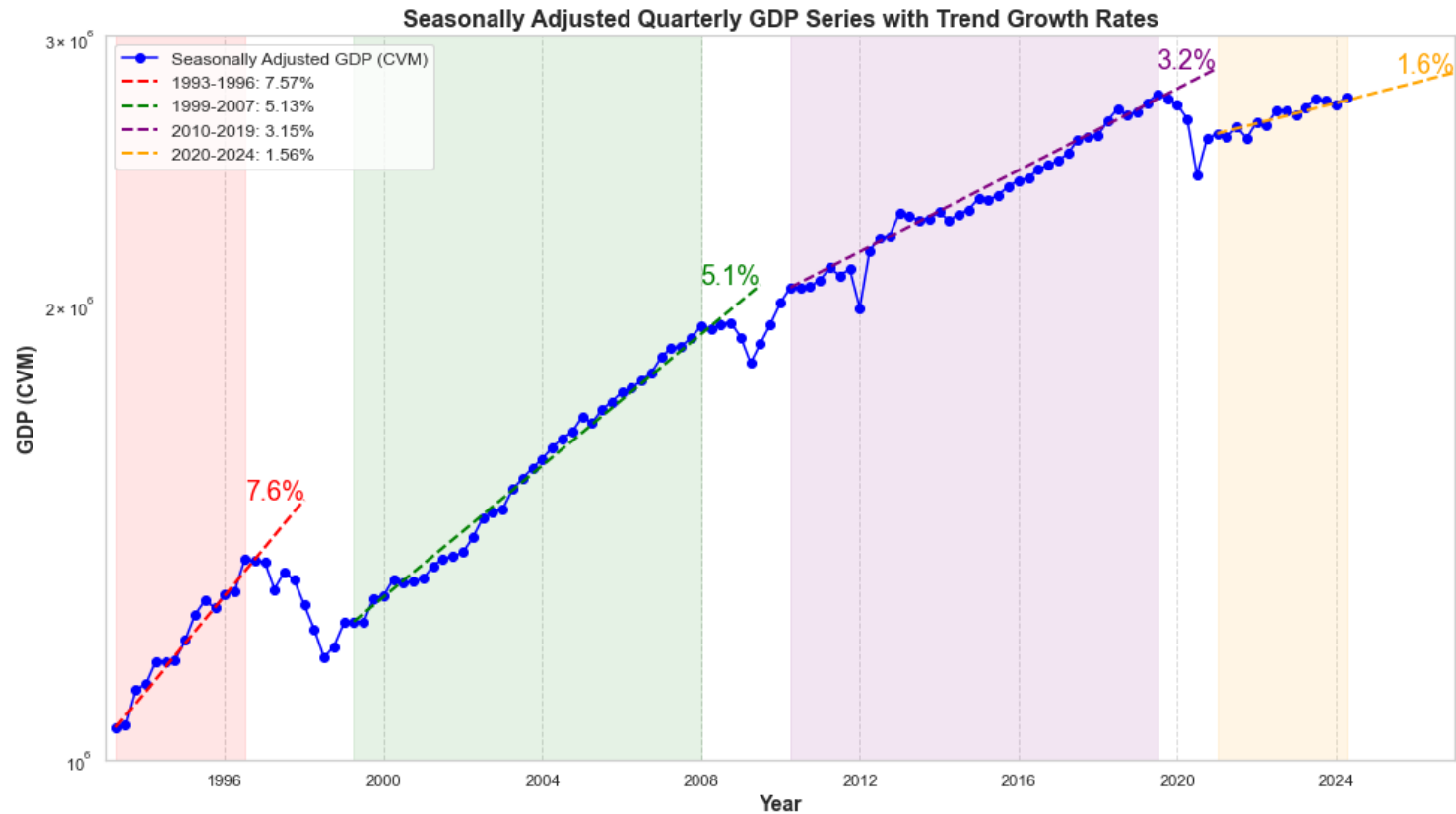


Source: BoT, Kiatnakin Phatra Securities



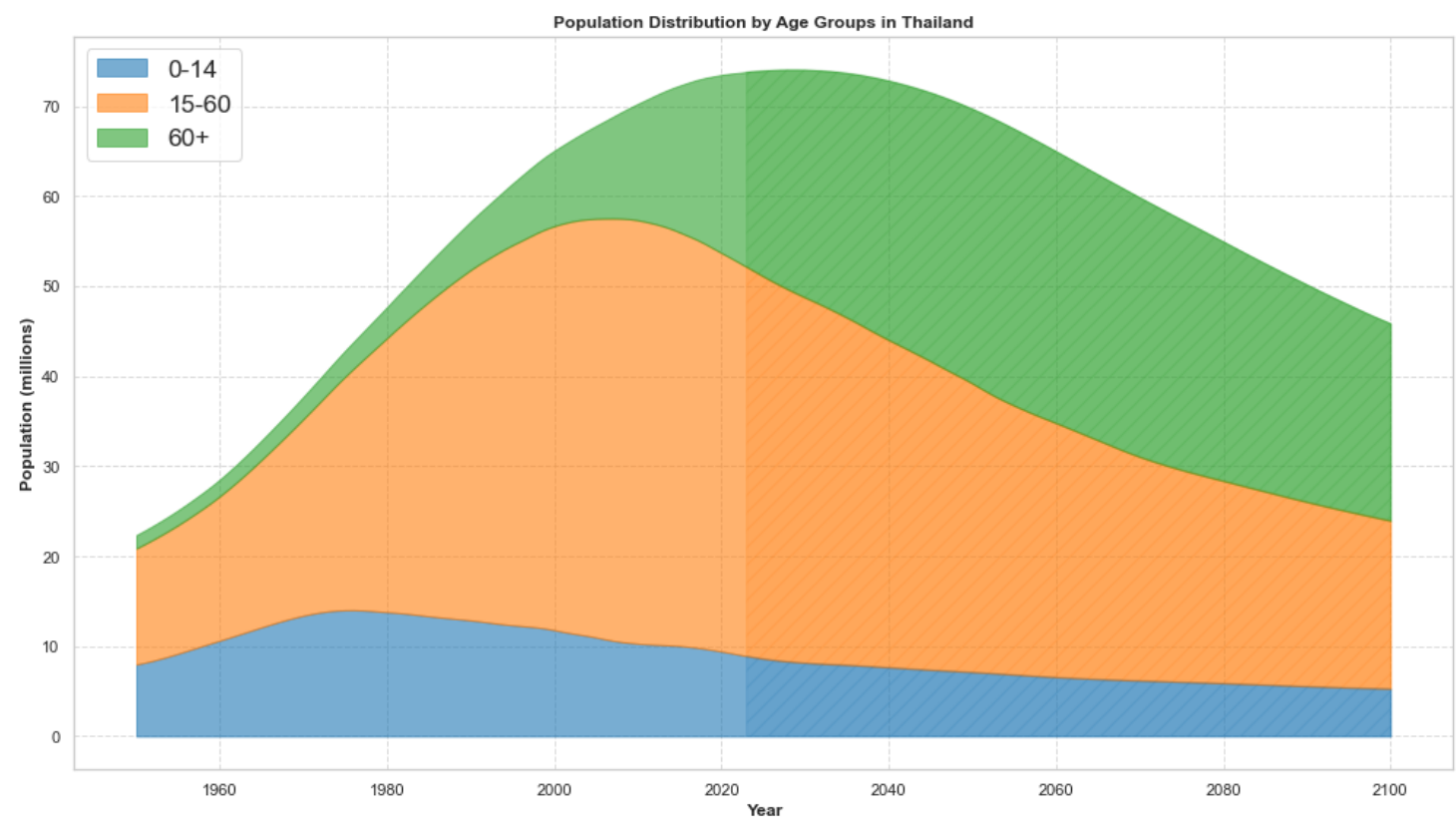
Source: BoT, Kiatnakin Phatra Securities

Are we growing below our potential or is our potential deteriorating?



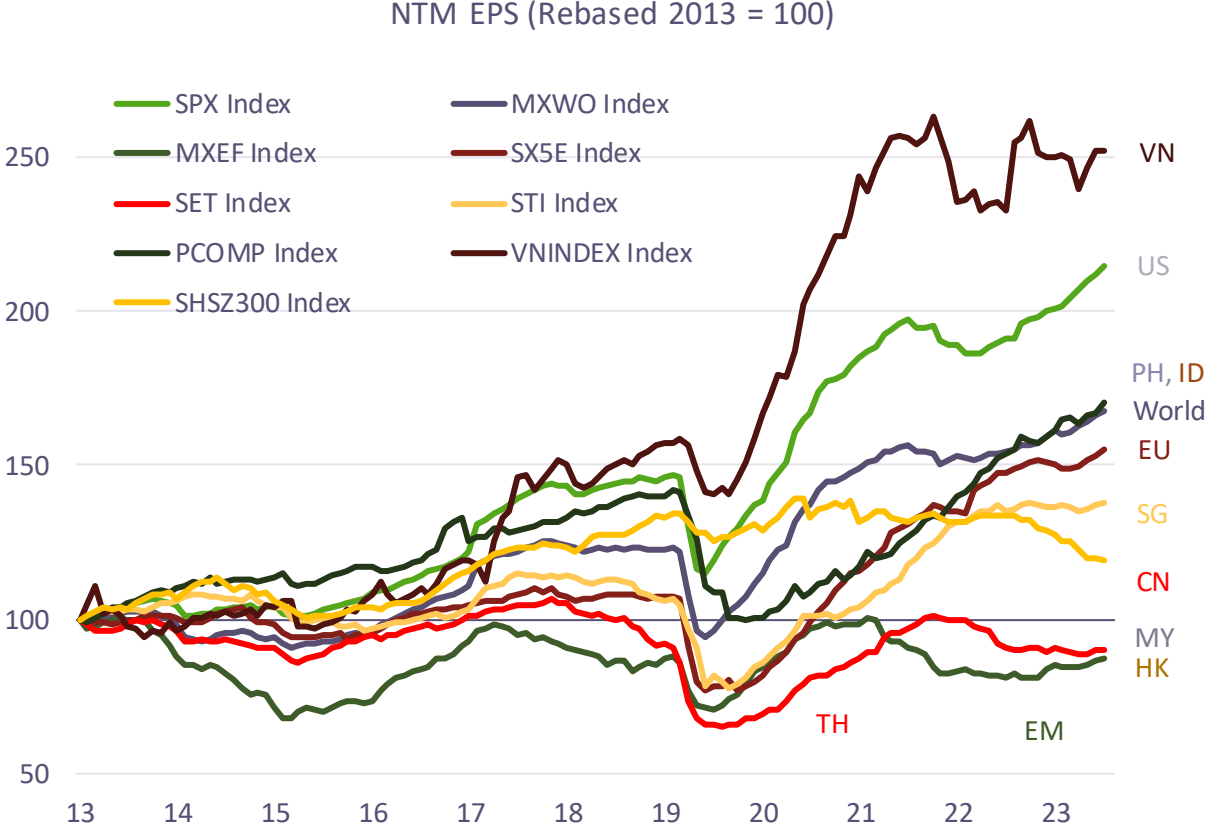
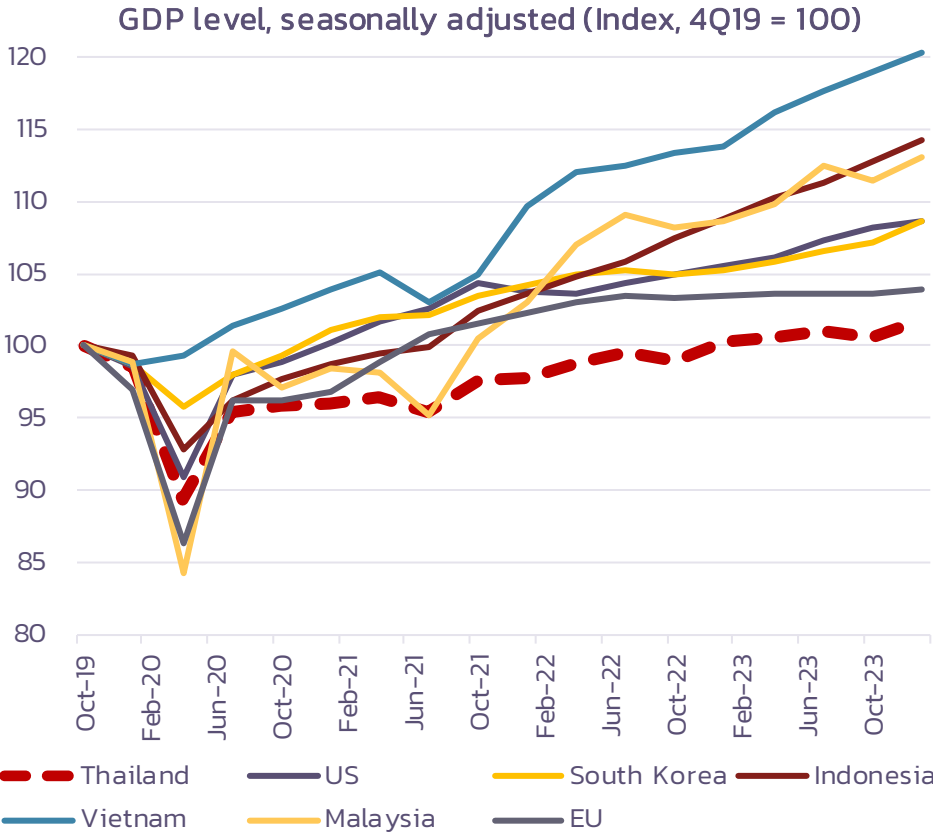
Source: KKP Securities, NESDC

Demographic headwinds



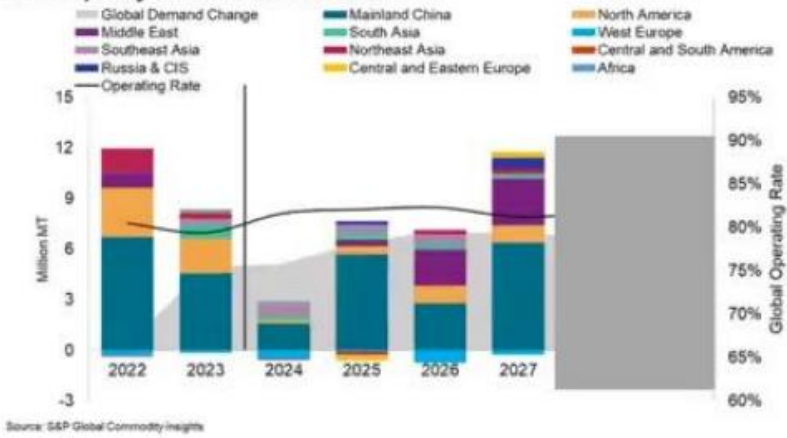
Source: KKP Securities, UN Population

It's all about earnings

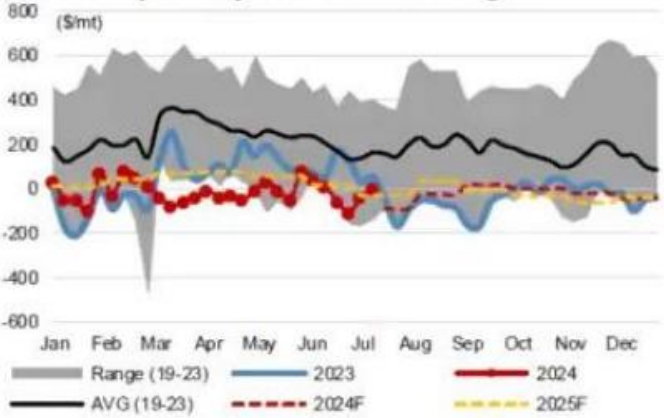


Slow growth and capacity additions will keep the petrochemical sector under pressure

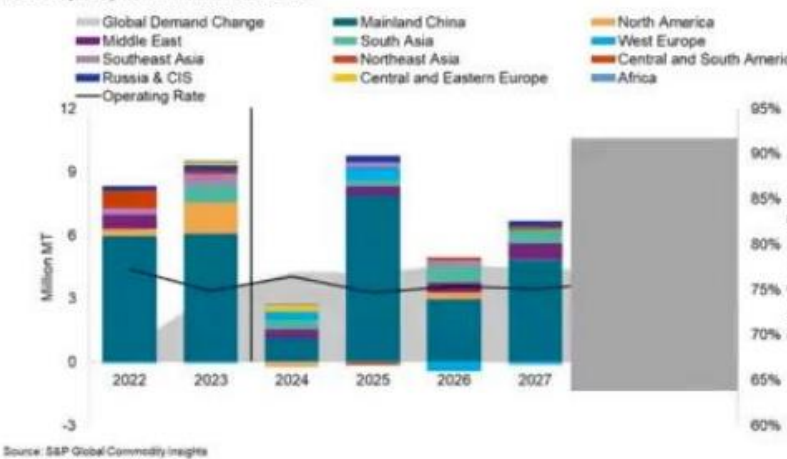
ETH Capacity vs. Demand Increases



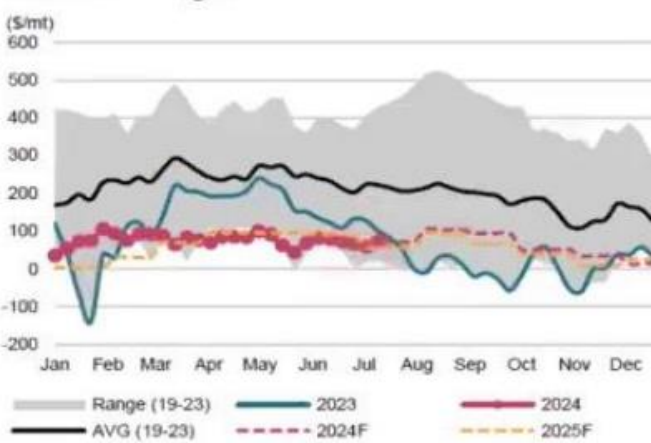
NE Asia Spot Ethylene Variable Margins



PRO Capacity vs. Demand Increases



NEA PDH Margins



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