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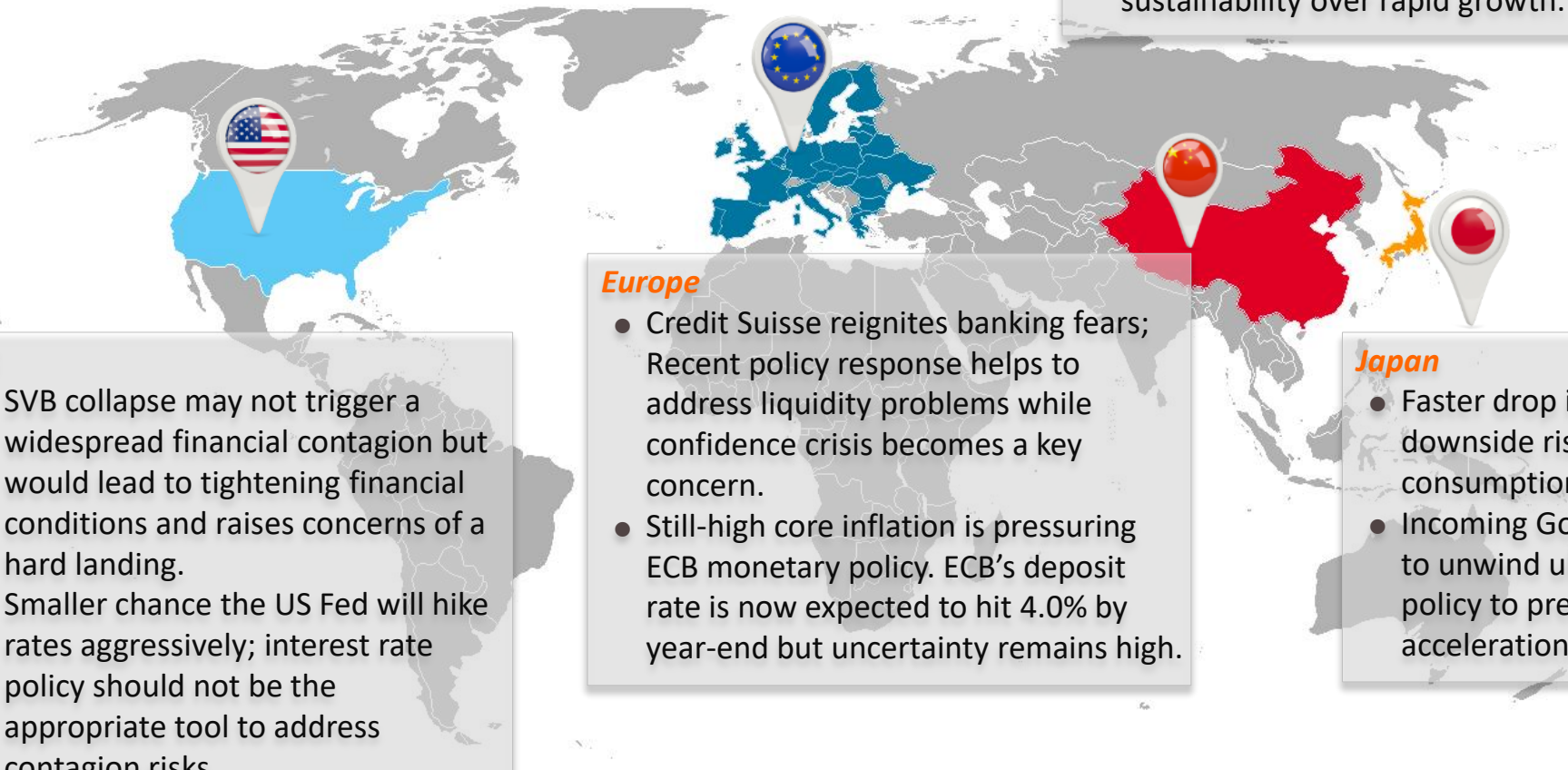
MONTHLY ECONOMIC BULLETIN

March 2023



Krungsri Research

Global: Efforts to avoid domino effect



China

- Economy continues to recover but there is lingering structural and external risks;
- 2023 policy priorities are economic stability and sustainability over rapid growth.

US

- SVB collapse may not trigger a widespread financial contagion but would lead to tightening financial conditions and raises concerns of a hard landing.
- Smaller chance the US Fed will hike rates aggressively; interest rate policy should not be the appropriate tool to address contagion risks.

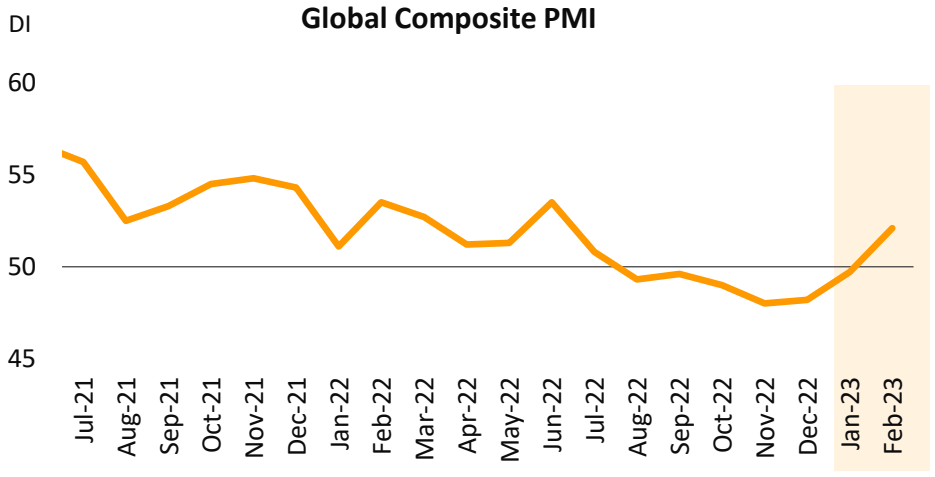
Europe

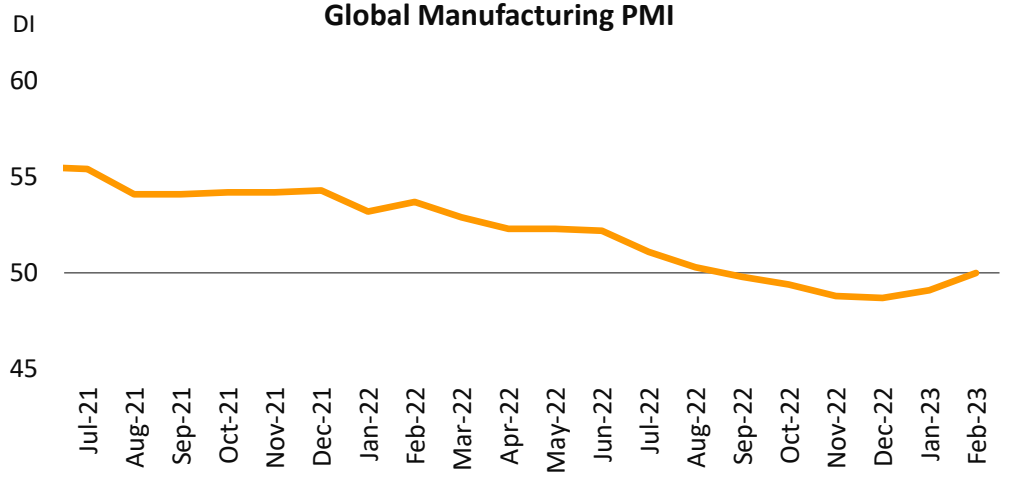
- Credit Suisse reignites banking fears; Recent policy response helps to address liquidity problems while confidence crisis becomes a key concern.
- Still-high core inflation is pressuring ECB monetary policy. ECB's deposit rate is now expected to hit 4.0% by year-end but uncertainty remains high.

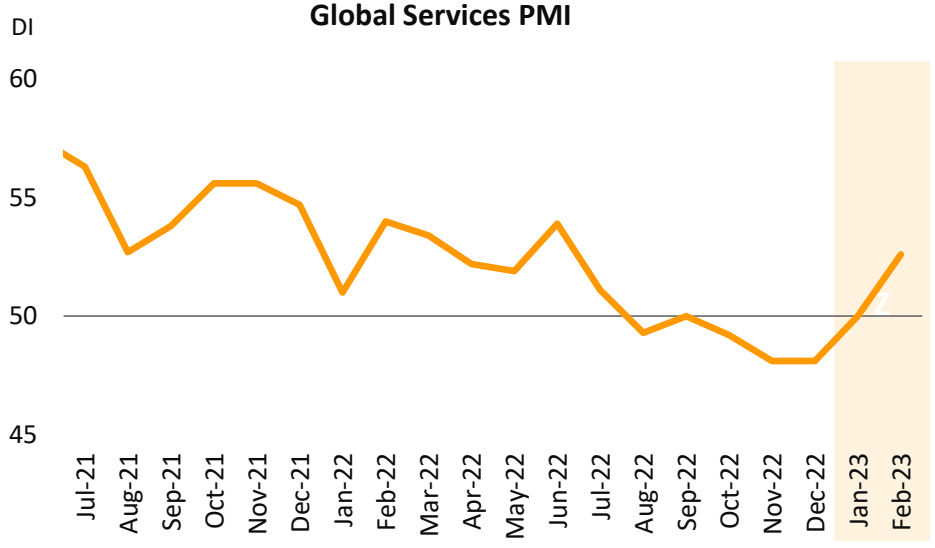
Japan

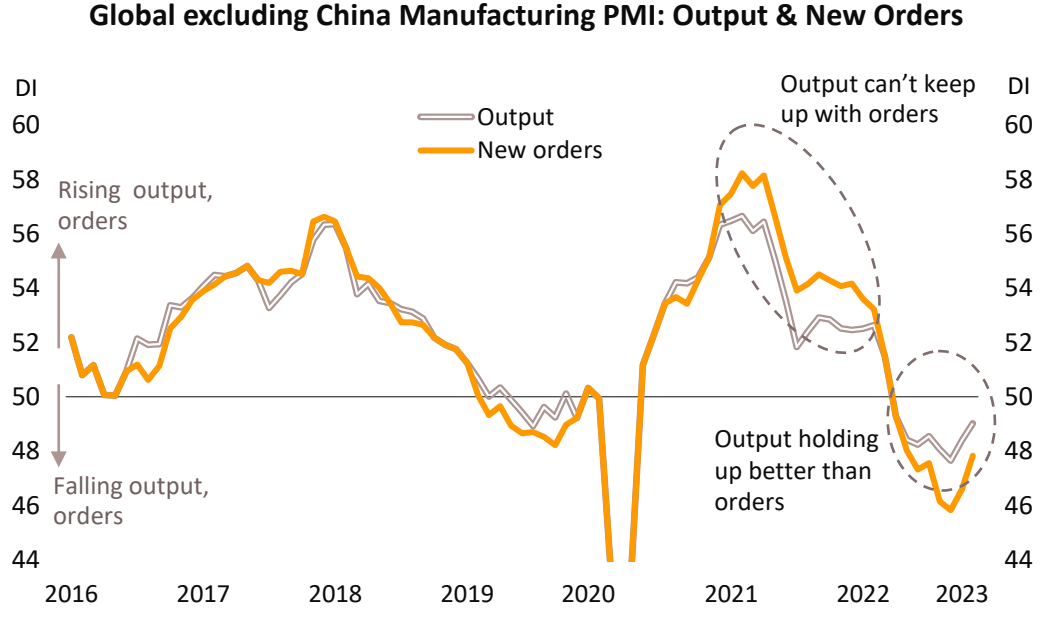
- Faster drop in real income poses downside risk to domestic consumption in 1H23.
- Incoming Governor Ueda is likely to unwind ultra-loose monetary policy to prevent excessive acceleration of inflation.

Global activity rose for the first time in 7 months in February, supported by easing supply constraints rather than improving demand





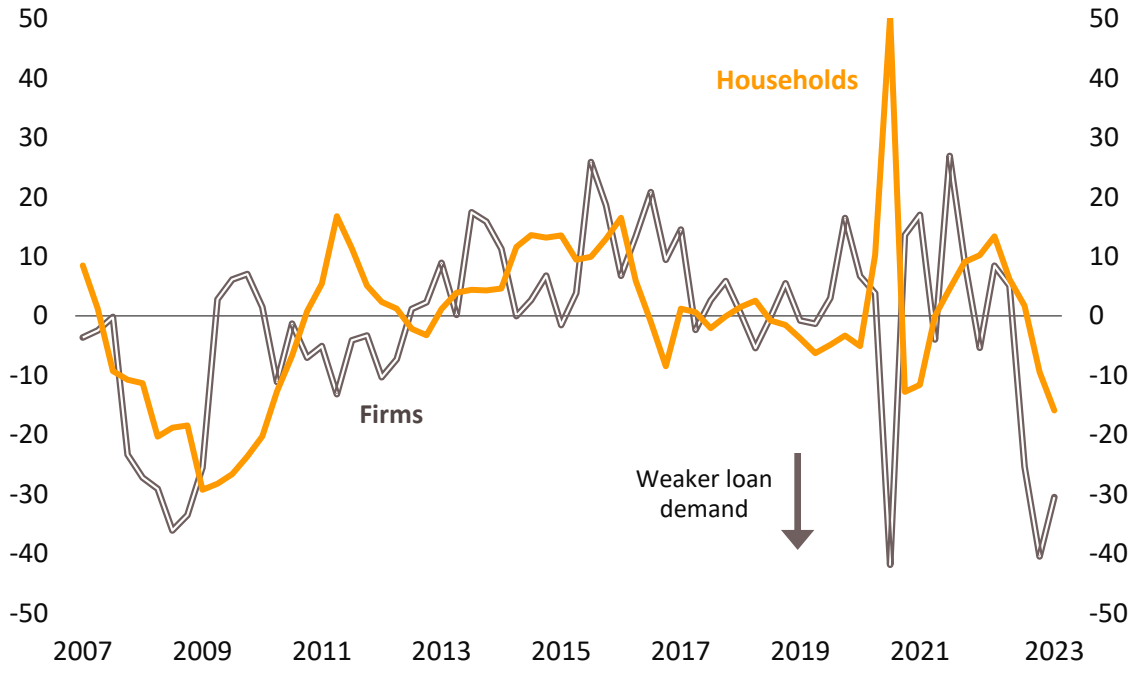




Source: Markit Economics, Capital Economics, Bloomberg, Krungsri Research

Outlook is uncertain given transitory pent-up demand, a temporary boost from favorable weather, and impending rate-hike effects; there are signs of easing global price pressures

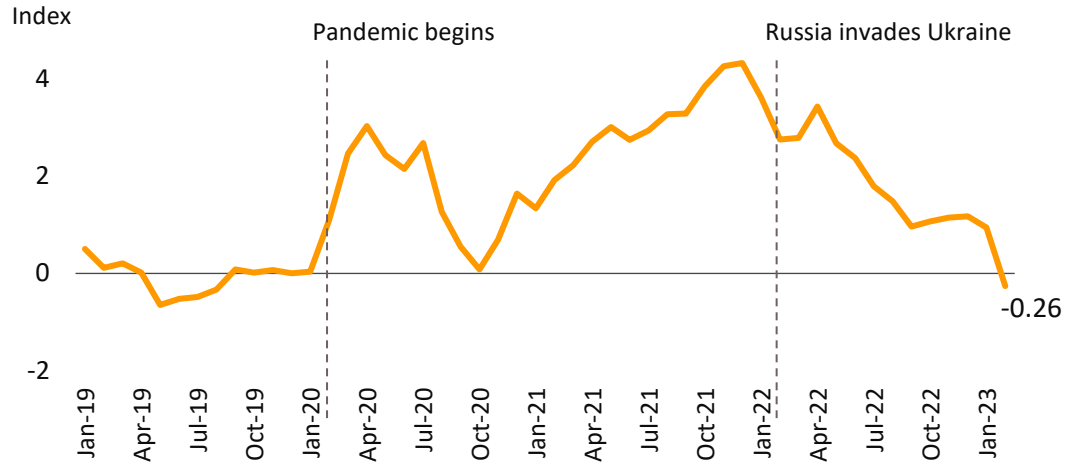
Average lending survey in major developed markets
(Net % of banks reporting stronger demand for loans)



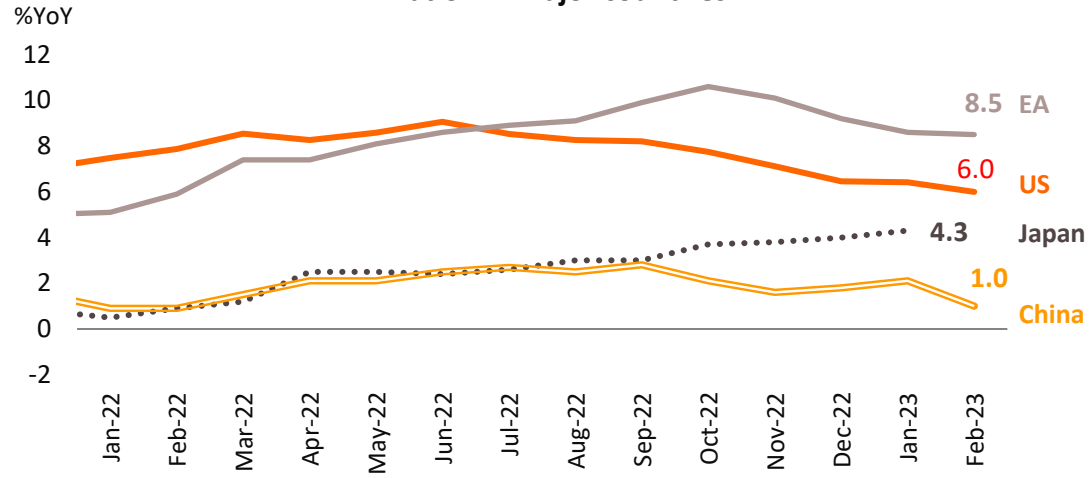
Lending surveys show weaker demand for loans from firms and especially households. Many banks also expect demand to weaken further in the next quarter.

Global Supply Chain Pressure Index

New York Fed signals global supply chains have "returned to normal"



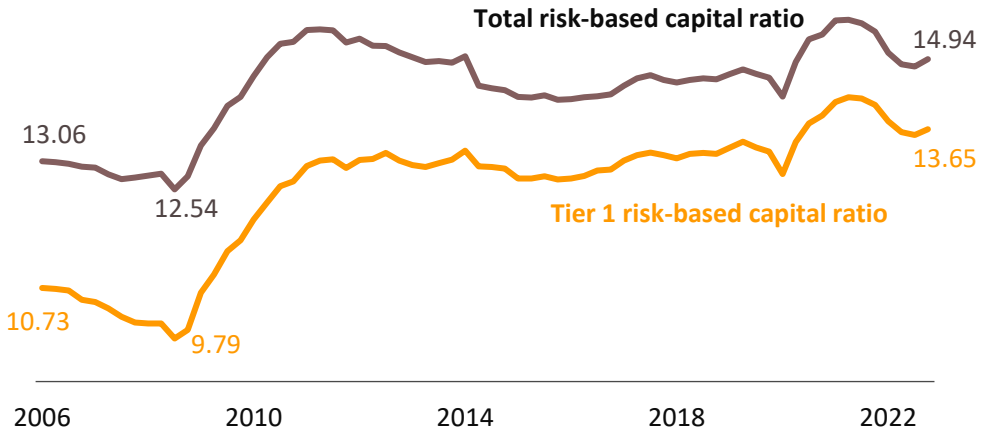
Inflation in major countries



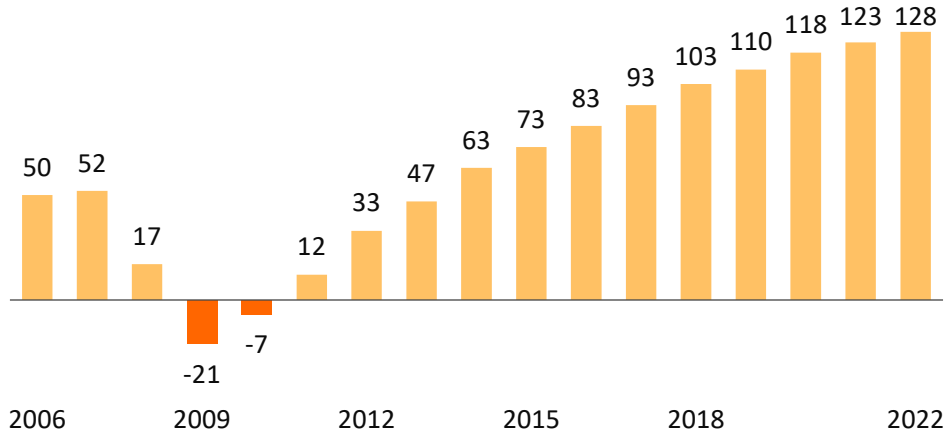
Source: Capital Economics, Federal Reserve Bank of New York, CEIC, Krungsri Research

US: SVB collapse may not trigger a widespread contagion but would lead to tightening financial conditions and concerns of a hard landing; risks are tilted to the downside

US banks' capital ratios* (%)



Size of FDIC Insurance Fund (USD bn)**



Notes: * data as of 12 March 2023, ** data as of 31 December 2022
Source: Federal Deposit Insurance Corporation (FDIC), MUFG, Reuters, Bloomberg, Krungsri Research

SVB collapse amid deposit outflows and asset mismanagement

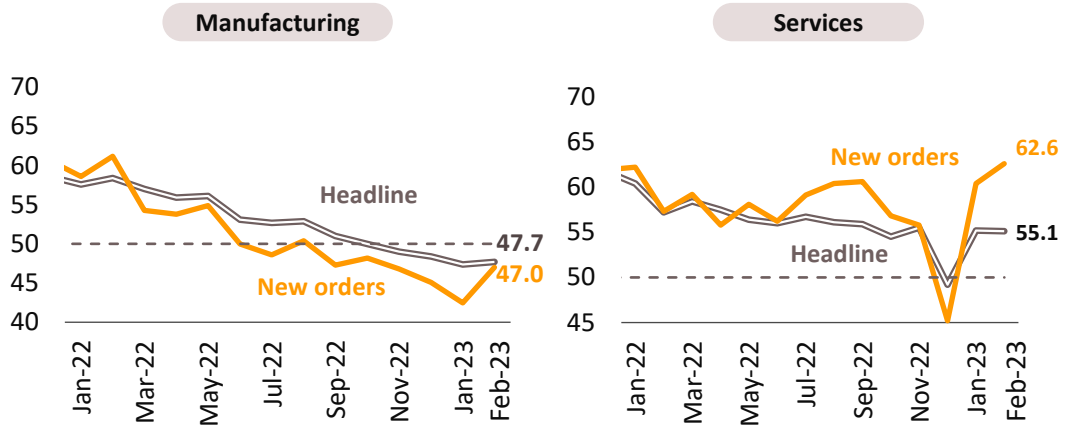
- **Startup-focused lender Silicon Valley Bank (USD210 bn Assets, 16th largest bank in the US) collapsed on March 10, the biggest bank to fail since the 2008 financial crisis.**
- SVB holds substantial deposits for many young tech startups that have been burning cash for years and must rapidly draw down their cash balances.
- The bank's booked large losses on their UST investment portfolio following the steep rise in interest rates.
- **SVB moved too slowly to shore up its capital base, without a risk chief through most of 2022, and failed to raise capital. This was followed by USD42 bn deposit run on March 9.**
- Went into receivership under FDIC on Friday, March 10
- State regulators also closed New York-based **Signature Bank (SB)** on March 12.
- **SVB collapse has sent shockwaves through the global financial system and are prompting regulators to step in to contain the fallout.**

SVB collapse may not trigger a severe financial contagion but would lead to tighter financial conditions and increase risk to the financial sector

Our views	Key evidence
Immediate measures to contain systemic risk and stop a run on the banks	• To prevent systemic risk, **all depositors at SVB and SB will have access to their funds**, not just those with deposits under the USD250k threshold. • To increase liquidity**, a new lending facility known as the Bank Term Lending Program (BTLP),** will offer loans up to 12 months duration to depository institutions. • In particular, the qualifying assets to be used as collateral for those loans will be valued **at par rather than marked-to-market.** • The Treasury will use USD25bn from the Exchange Stabilization Fund to cover any losses the Fed incurs from the BTLP. • Fed Governor Bowman said **US banking system remains resilient**. Currently, US banks' capital ratios are markedly higher then before the Global Financial Crisis (GFC). Size of FDIC insurance Fund has also increased substantially since the GFC.
Higher risks to financial sector and overall economy	• Rising and considerable uncertainty with **fear of a domino effect and financial contagion,** stoking turmoil in financial markets, creating stress in the banking system and tightening financial conditions • **Anxiety over a self-fulfilling action and confidence crisis** amid concerns over the safety of customers' deposits • **More difficult for the central bank** to balance risk between threat to financial stability and threat to price stability • Risks of **negative feedback loop** on the overall economy if policy response is insufficient

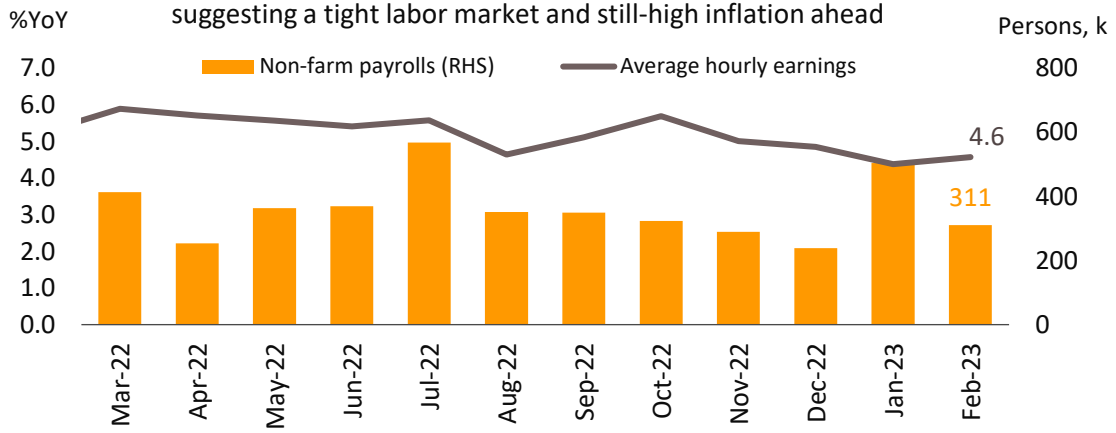
SVB failure could deter US Fed from faster rate moves; interest rate policy should not be the appropriate tool to address financial contagion risks

ISM Manufacturing and Services PMI

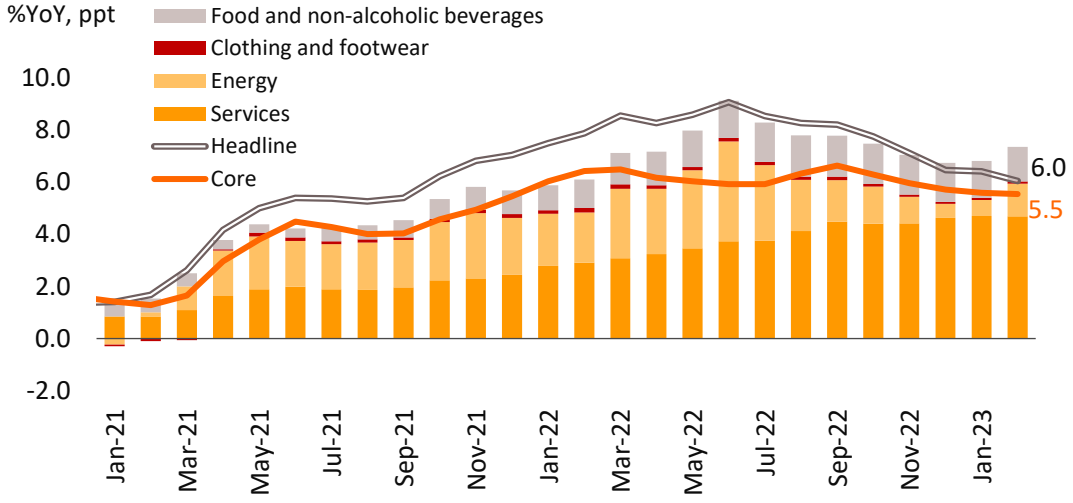


Non-farm payrolls and average hourly earnings

Despite a slowdown, jobs and wage growth remain strong, suggesting a tight labor market and still-high inflation ahead



Headline & core inflation and contribution to CPI

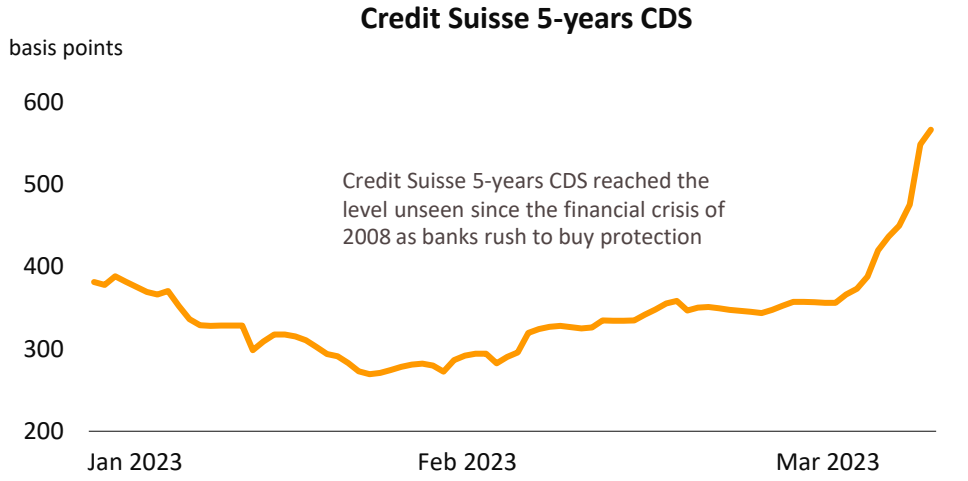


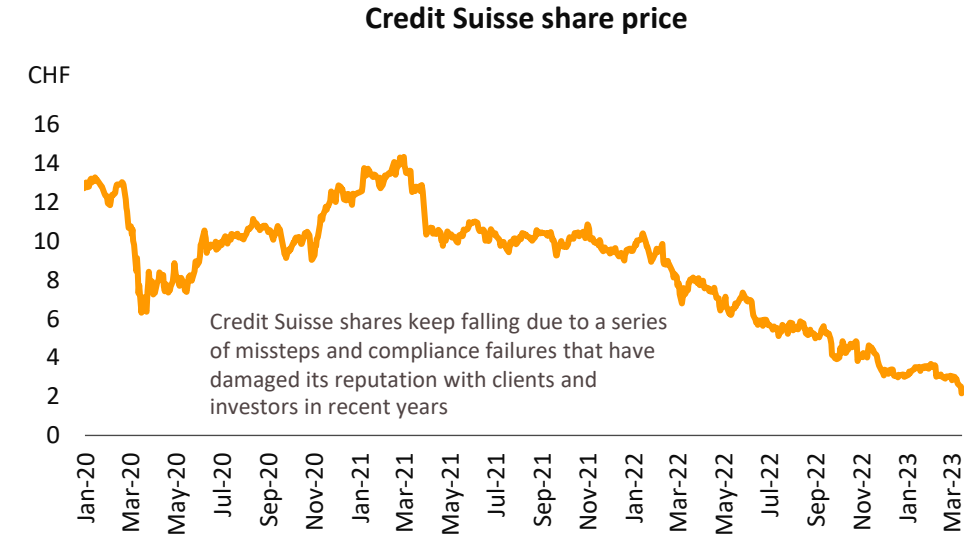
Source: Institute for Supply Management (ISM), Bureau of Labor Statistics (BLS), CEIC, Bloomberg, Krungsri Research

Krungsri Research's view

- **Following SVB's collapse on March 10, there is rising concerns about the stability of the US financial system and an economic recession** amid turmoil in financial markets. And given rising fears of a domino effect and confidence crisis, the markets also bet the Fed would scale back rate hikes and perhaps even stop its tightening cycle.
- **Krungsri Research expects the US FOMC to raise Fed Funds rate by 25bps each at the next few meetings to reach 5.25-5.50% by the middle of this year,** premised on the following:
  - Smaller chances of a wide fallout on the global and US banking systems given quick and possibly more measures to prevent a contagion.
  - A week before the SVB collapse, Powell said the Fed might need to raise interest rates at a faster pace than the 25-bp hike it delivered in February to curb persistent inflation.
  - US labor market remained tight with near-record low unemployment rate of only 3.6%. Headline inflation remained high at 6.0% in February, far beyond the Fed's 2% target, despite easing pressures. This implies wage growth and inflation pressure would remain major concerns.
- US authorities might need to employ **appropriate and targeted tools to address financial contagion risks and systemic risks** in response to the consequences of the SVB collapse. And, they need to employ **appropriate tools, including interest rate hikes, to combat inflation risks.**
- We will continue to monitor Fed rate decisions (e.g., keep rates unchanged or even cut rates), implications of the bank failures in the US (e.g., wider domino effect, confidence crisis, contagion effects) and effectiveness of US policy response to contain systemic and contagion risks.

Europe: Credit Suisse reignites banking fears; recent policy response helps to address liquidity problems while confidence crisis becomes a key concern





Notes: * data as of 15 March 2023
Source: Bloomberg, Krungsri Research

A big crash in shares of Credit Suisse reignites fears of contagion

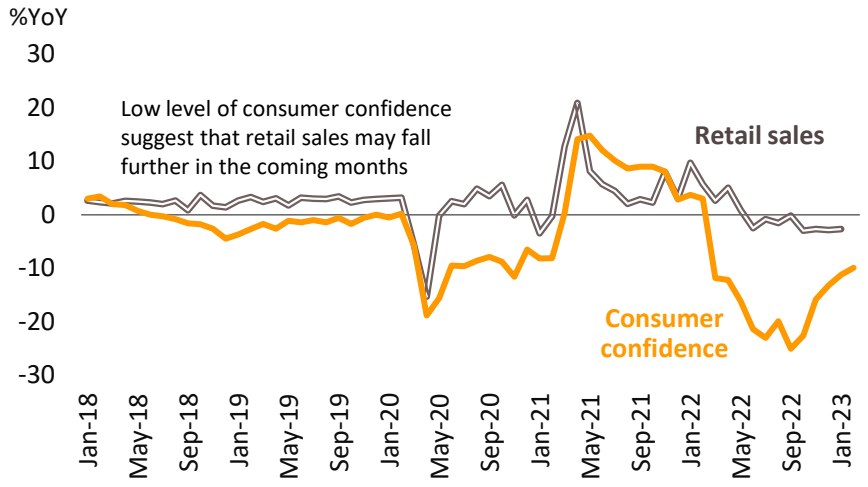
- **Credit Suisse (CS)'s market value has fallen to record low of USD 9.67 bn, down 80.65% from 2014's peak, with a sell-off in credit default swaps (CDS) on March 15** after its top shareholder - the Saudi National Bank (SNB) - ruled out providing any more support into the bank. Other news also sparked a broad sell-off in European stocks, raising fears of financial contagion following the failure of three US banks a week before.
  - Credit Suisse announced on March 14 that it found *"material weaknesses"* in its financial reporting over the past two years because of ineffective internal controls.
  - Customers withdrew 123 bn Swiss francs (USD 133 bn) from Credit Suisse in 2022, mostly in Q4.
  - The bank reported in February an annual net loss of nearly 7.3 bn Swiss francs (USD 7.9 bn), its biggest since the global financial crisis in 2008.
- This may be a new chapter of chaotic problems. CS has been hit by a series of missteps and compliance failures that have damaged its reputation with clients and investors in recent years.
- However, **the bank's liquidity and capital remained higher than all regulatory requirements. CS had a common equity tire 1 (CET1) ratio of 14.1% and an average (Liquidity Coverage Ratio) LCR of 144% as of the end of 2022.**
- The Swiss central bank (SNB) said it was ready to provide financial support to CS if needed, aimed at preventing the contagion risk. **To arrest a collapse in confidence, CS is opening a 50bn Swiss francs credit line with the SNB and offering to buy back USD3bn in senior debt securities that would support CS's core business and clients.**

Krungsri Research's view

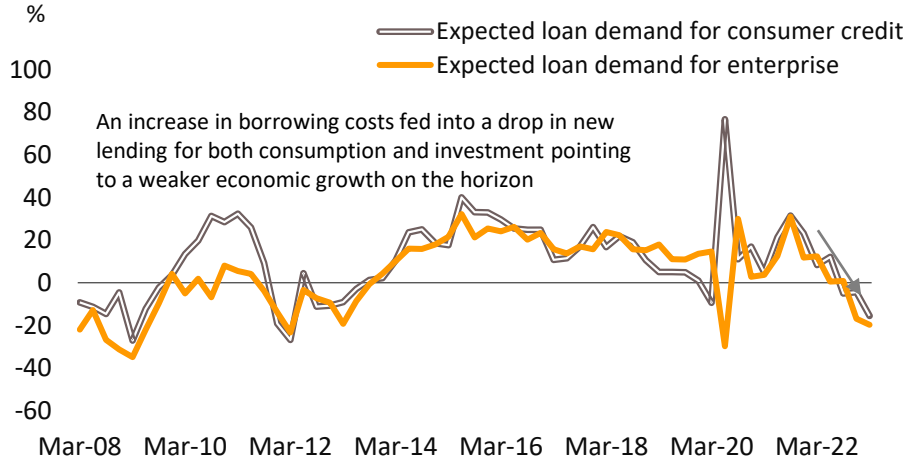
- **Credit Suisse is one of the largest lenders in Europe qualified as a Global Systemically Bank (G-SIB)** which is much more globally inter-connected with multiple subsidiaries outside Europe, and in the US. It could raise the question **whether the idiosyncratic problems in CS may lead to systemic problems for Europe and the world.**
- **To address the liquidity problem**, a credit line from the Swiss central bank (SNB) offering to Credit Suisse may calm the panic seen as by the recent drop in 5-year credit default swaps (CDS) and a rebound of its share's price. **However, it remains unclear how CS could fight to win back fears of confidence crisis with many scandals in recent years.**
- Even though CS crisis is unlikely to cause a contagion thanks to a quick action from the SNB to mitigate the impacts and possibility that the Swiss government will acquire a stake in CS as part of a capital increase in the last resort - if necessary. **We are still seeing more fragility across the European banks given this region's economic slowdown and rising interest rates which may cause other weak banks to follow suit.**
- **Key things to monitor are:** (i) whether concerns shift from CS to other banks or sectors; (ii) whether the positive reaction in markets continues; and (iii) how the major central banks, the FED, the ECB, the BOE, and the SNB itself, to perceive the risks by adjusting its monetary policy stance. **Given that policy responses become effective and financial risks could be contained, it is possible that policy rates will be raised as planned.**

Still-high core inflation is pressuring ECB monetary policy; Credit Suisse crisis remains a threat to financial stability

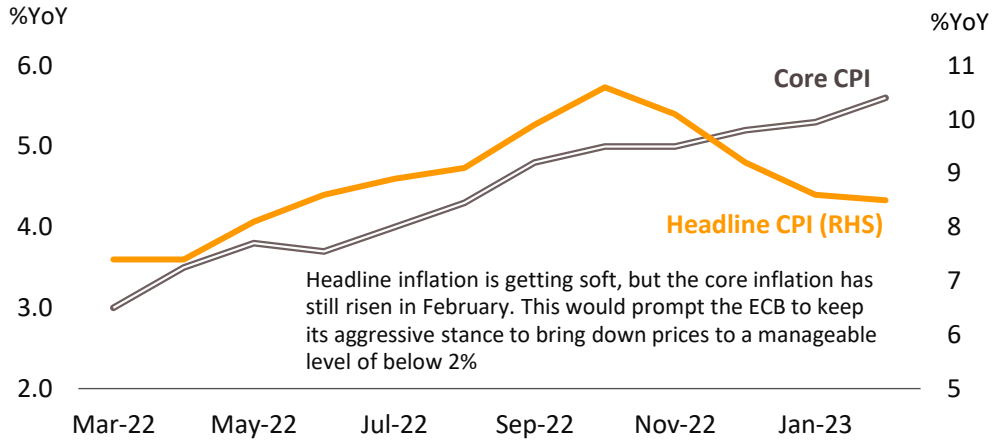
Eurozone Retail Sales & Consumer Confidence



Eurozone Loan Demand



Eurozone Consumer Price Index



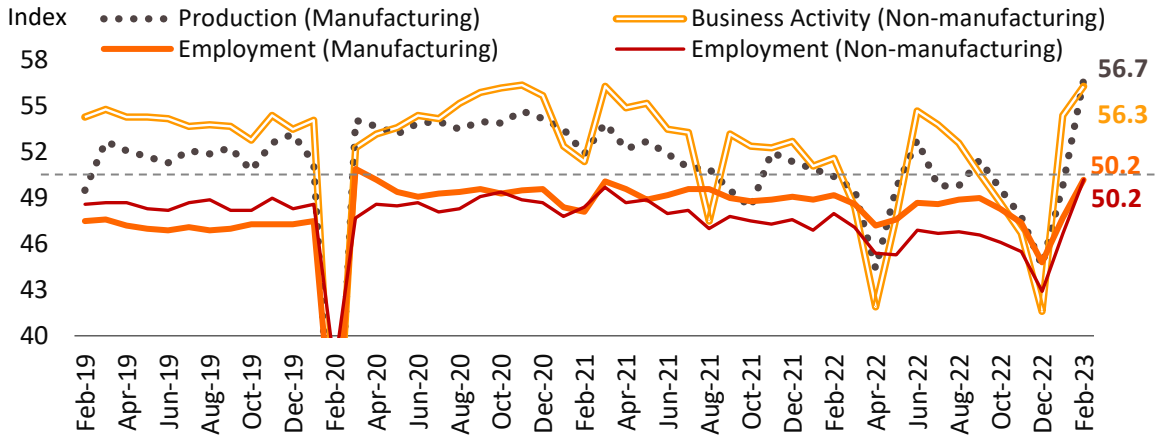
Krungsri Research's view

- **Retail sales are likely to drop further in the coming months.** Consumer confidence will be weak given still-high inflation and rising interest rates, implying sluggish household spending for the rest of 2023 despite a hot labor market. If inflation continues to rise quicker than wages, that will keep real household income depressed.
- Latest readings show improving business sentiment indices - PMI and ZEW indicators. They suggest economic activity would pick up along with lower risk of a recession thanks to falling energy prices and generous government supports in most regions. **However, overall growth will be weak high inflation and rising interest rates would discourage domestic consumption and investment.**
- A senior ECB supervisor said Eurozone banks were well-funded and more conservative than SVB, which mostly lent to tech startups. So, **the collapse of SVB should not have direct implications on Eurozone banks if the fallout in the US does not extend to bigger banks and increase risk of a contagion.**
- Even if the markets appeared to calm down after easing concern over the SVB failure, **Credit Suisse becomes the new threat to not only European banking system but also the global one** with a much larger balance sheet than the SVB and being much more globally inter-connected.
- **Despite higher risk to financial stability, price stability is still a major threat in this region. Eurozone core inflation had risen to a new high of 5.6% in February because of the following**: (i) tight labor market; and (ii) persistent wage growth and services inflation. This would prompt the ECB to keep its aggressive stance to coax prices to a manageable level of below 2%.
- **Given hotter-than-expected inflation, the ECB's deposit rate is expected to hit 4.0% by year-end.** However, the higher risk in financial sector should have made the path of policy tightening ahead much less certain and might convinced the central bank to halt Quantitative Tightening (QT) sooner than expected in order to address liquidity problem and prevent a wider financial system fallout.

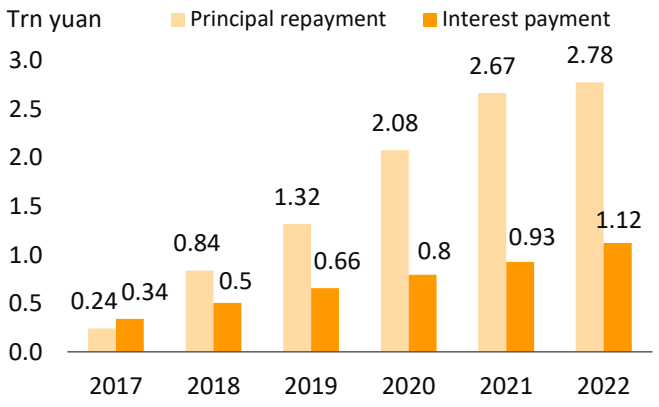
Source: ECB, CEIC, Eurostat, Bloomberg, Krungsri Research

China: Recovery continues but there is lingering structural and external risks; 2023 priorities are economic stability and sustainability over rapid growth

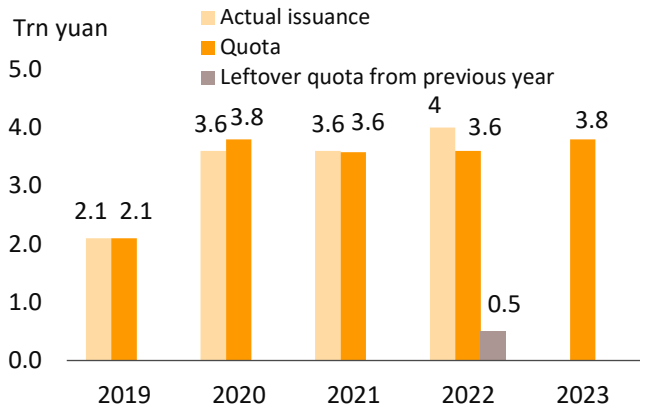
Purchasing Managers' Index



Local Government Debt Repayment Burden



Special Local Government Bonds



14th National Congress Economic Targets

Indicator	2022 Target	2022 Actual	2023 Target
GDP growth (% YoY)	≈5.5%	3%	≈5%
CPI (% YoY)	≈3%	2%	≈3%
Special local government bond issuance (trn yuan)	4.15	4.04	3.8
Fiscal deficit (% of GDP)	≈2.8%	2.78%	3%
New urban job creation (mn persons)	>11	12.06	≈12
Unemployment (%)	<5.5%	5.5%	≈5.5%

Implications

- **The 5.0% growth target for 2023 is slower than the 5.5% target for 2022** and weaker than many forecasts (IMF 5.2%, Bloomberg 5.3%).
- Other targets were largely unchanged from the previous year. **The focus this year are economic stability and sustainability** as structural and external risks continue to weigh on the economy, including a property downturn, shrinking population, high local government debt, technology war, and geopolitical tensions.
- **Hence, China is unlikely to introduce large stimulus packages this year.** The government announced a plan to place administrative management in key areas (public security, financial regulation, and technology) under the control of the Communist Party, giving Xi Jinping full and direct control.

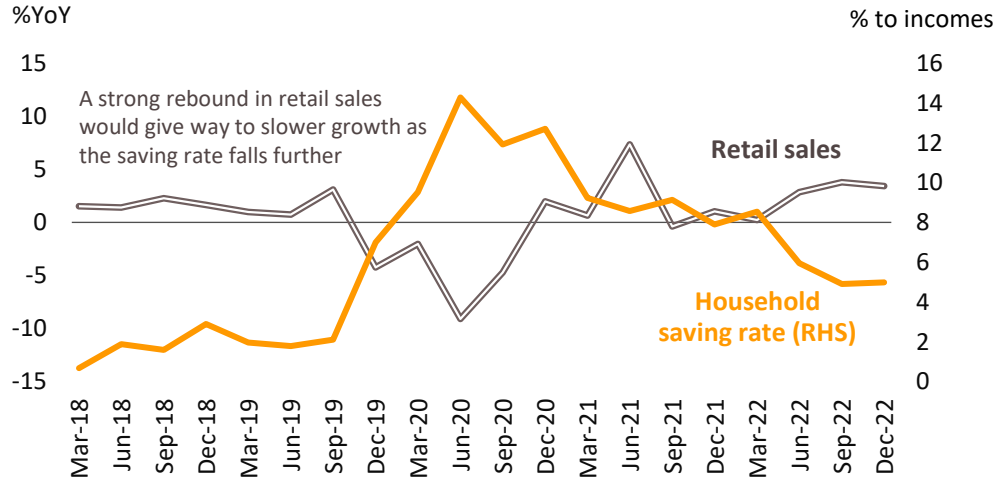
Source: National Bureau of Statistics, Bloomberg, China Real Estate Information Corp., CLSA, CEIC, Goldman Sachs, Financial times, South China Morning Post, Reuters and Krungsri Research

Krungsri Research's view

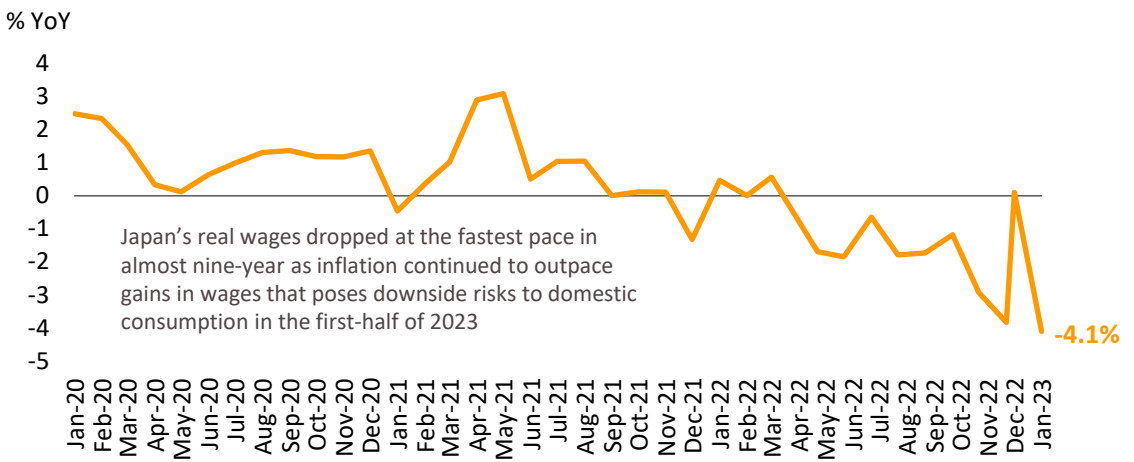
- **Domestic economic activity in China continued to rebound stronger-than-expected in February following reopening effects.** However, that could fade in 2Q23 when the economy returns to normal. We expect a gradual expansion in 2H23**. Meanwhile, exports fell 6.8% in the first two months of this year, albeit there were** some signs of recovery. The Manufacturing New Export Orders Index entered expansion zone in February, for the first time since March 2021. **We still maintain our forecast of 5.5% GDP growth this year, likely driven by domestic consumption.**
- **Property market is recovering sooner-than-expected but there is lingering liquidity problems.** In February, total new home sales of the top 100 developers increased by 14.9% YoY, the first rise in 20 months. **However, some developers continued to employ the grace period for** repayments, indicating a severe debt crisis. Furthermore, Goldman Sachs projects the default rate of high-yield property bonds would drop to 28% this year from above-40% in 2022. **Hence, there is unlikely to be a rapid recovery.**
- **Local government debt burdens continue to rise.** Last year, a majority of local governments had a debt-to-income ratio exceeding 120% because of the property slump and Covid-induced expenditures. **However, there is unlikely to be a financial meltdown this year as the central government has started to reject inefficient infrastructure spending plans and limited special local government bonds to 3.8 trn yuan**, down from actual issuance of 4.04 trn yuan last year. And, **the central government debt-to-GDP ratio is only 24%, which means there is room to maneuver policy to borrow more to** relieve the burden on local governments.
- **The technology cold war against China continues.** The US Commerce Department has recently announced a requirement for entities applying for funds under the CHIPS Act to refrain from expanding manufacturing capacity to China for 10 years. The US also reached an agreement with Japan and the Netherlands to tighten controls on chip manufacturing equipment and technology exports to China. **In response, China has taken more explicit counter-measures**, including pledging to inject USD 1.9 bn into Yangtze Memory Technology Co.

Japan: Faster drop in real income poses downside risk to domestic consumption in 1H23

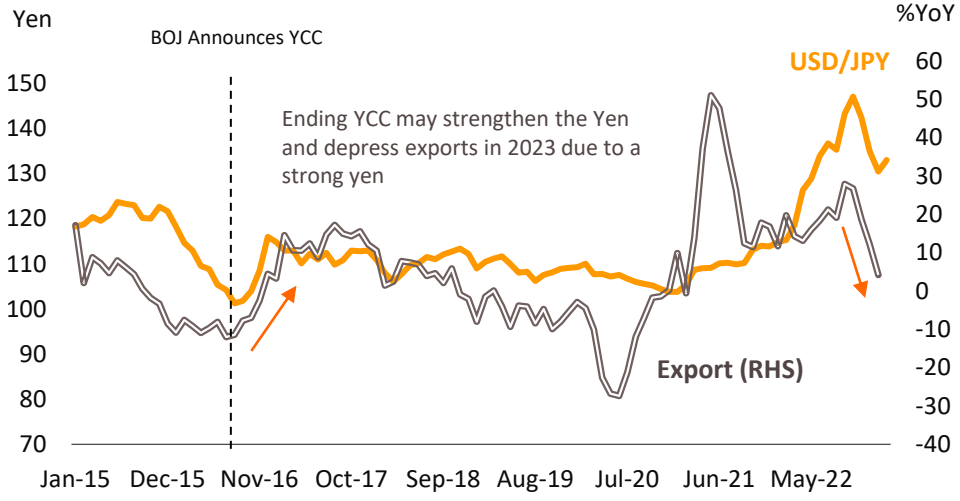
Japan's Retail Sales & Household Saving Rate



Japan's Real Wage Growth



Japan's Currency & Export



Source: Japan's Cabinet Office, BOJ, CEIC, Bloomberg, Krungsri Research

Krungsri Research's view

- **Real wages of Japanese workers tumbled 4.1% YoY in January, slipping for a 10th consecutive month and marking the largest drop in almost nine years.** Inflation continued to outpace wage growth, which poses downside risk to domestic consumption in the first-half of 2023. Meanwhile, strong gains in retail sales in January might be transient as the bonus windfall in December is expected to disappear in the coming months.
- **Goods export volume is expected to improve slightly in Q2 as China reopening should release pent-up demand and encourage more exports to China**, which accounted for 22% of Japan's total exports last year. That would help to partly offset weakness in Japan's other export destinations like the US and Europe. However, a possible end to Yield Curve Control (YCC) under Ueda's governorship could depress exports in 2023 due to a strong yen. Looking at services exports, **Japan has finally eased cross-border travel restrictions for Chinese nationals effective March 1,** ending a requirement for all visitors to be tested for Covid-19. This would accelerate the recovery in inbound tourism and related-industries. However, the pace of recovery would be determined by how quickly Chinese tourists return to Japan in the first half of 2023.
- Although the Bank of Japan (BOJ) did not make policy changes at Governor Kuroda's last meeting, **incoming Governor Ueda is likely to unwind the ultra-loose monetary policy to prevent an excessive acceleration of inflation and narrow the policy divergence gap with other countries,** which could reduce purchasing power and discourage business investment. Looking ahead, we expect the BOJ to signal an end to the YCC at the April meeting, which would strengthen the yen and lower inflationary pressures.

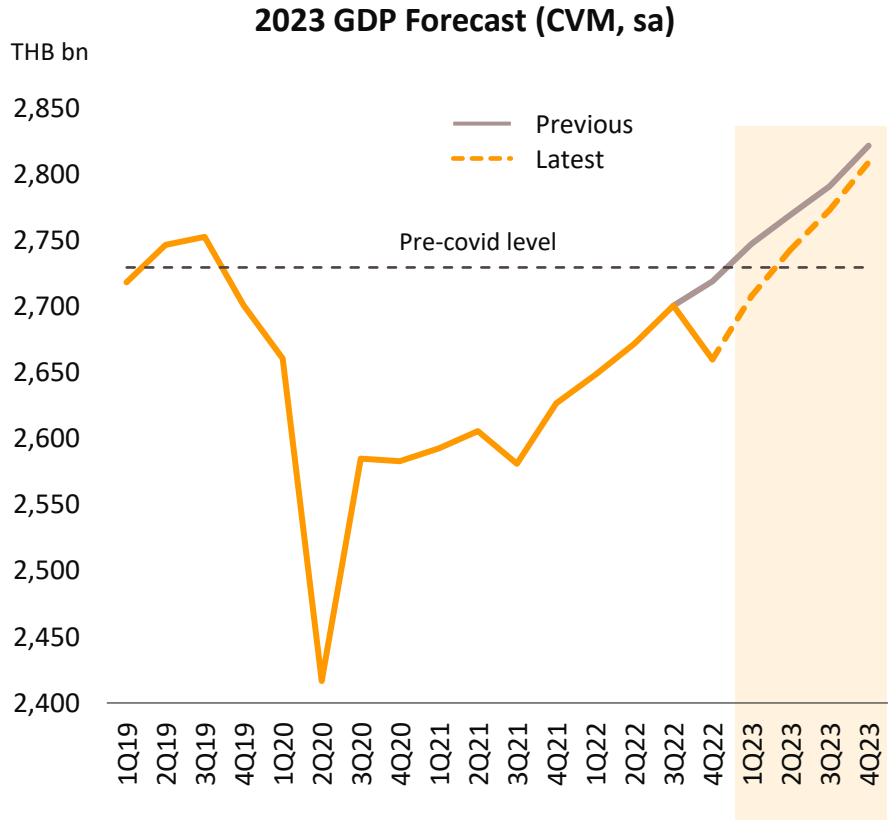
Thailand: Positive momentum but uncertainties heighten

- We trimmed GDP growth projection to +3.3% given disappointing 4Q22 data. We see positive growth momentum this year but become more cautious about external risks and uncertainties.
- Export value dropped to a near-2-year low in January. And for the year, exports would likely register anemic growth. Weak global demand had caused dragged exports from many Asian countries to tumble. However, easing global supply chain disruptions has boosted the exports of several Thai products.
- Manufacturing production recorded a smaller contraction because of recovering tourism and domestic economic activities.
- Private investment is improving along with business confidence. FDI was optimistic and will be a key economic growth driver in the medium-to-long term.
- Tourism sector continued to recover; the increasing number of Chinese and Indian tourists will also strengthen the sector in the near future.
- Private consumption would be encouraged by improving confidence, farm income growth and stimulus measures.
- Commercial banks in Thailand are resilient; impact from SVB collapse and Credit Suisse crisis would be limited.
- Inflation in February slowed faster than expected, suggesting the MPC may not be aggressive on rate hikes.
- Special Notes: Recession risk in major countries and outlook for Thai exports

Krungsri Research's Forecasts for 2023: We trimmed GDP growth projection to +3.3% given disappointing 4Q22 data; still see positive growth momentum

The weaker-than-expected 4Q22 GDP data was driven by a sharp drop in exports and government spending. We revised down 2023 forecast public consumption and public investment to reflect the unwinding of pandemic-related support measures and weak 4Q22 numbers; the multiplier effect of smaller-than-expected public spending also had an impact on our forecasts. Despite the sharp drop in exports in 4Q22, we are keeping 2023 export growth forecast (only +0.5%) given lower risk of a global recession, China reopening effects, and easing global supply chain disruptions. **Overall, we still see positive growth momentum this year with no signs of a technical recession in Thailand, although the sharp drop in 4Q22 GDP led us to tone down our economic growth projection for 2023. We still expect Thailand's GDP (economic activity) to exceed pre-pandemic level this year and register stronger growth than last year.**

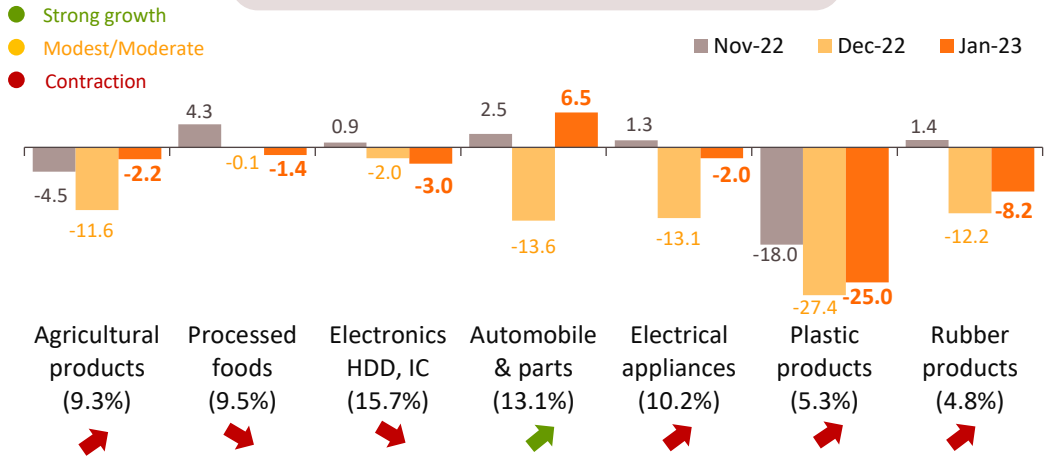
Krungsri Research Forecast		2021	2022	2023F Previous	2023F Latest
GDP growth	YoY (%)	1.5	2.6	3.6	3.3 ▼
Private Consumption Expenditure	YoY (%)	0.6	6.3	3.5	3.3 ▼
Government Consumption Expenditure	YoY (%)	3.7	-0.04	0.6	-1.0 ▼
Private Investment	YoY (%)	3.0	5.1	3.8	2.7 ▼
Public Investment	YoY (%)	3.4	-4.9	3.0	1.5 ▼
Nominal Exports in USD (f.o.b.)*	YoY (%)	19.2	5.5	0.5	0.5 =
Nominal Imports in USD (f.o.b.)*	YoY (%)	27.7	15.3	1.0	1.0 =
Current Account Balance	USD, bn	-10.6	-16.9	8.0	8.0 =
Tourist Arrivals	Mn, persons	0.4	11.1	25-28	25-28 =
Headline Inflation	YoY (%)	1.2	6.1	2.5	2.5 =
Policy Interest rate (end of period)	(%)	0.50	1.25	1.75	1.75 =
Dubai crude price - period average	USD/bbl	69	96	82	82 =



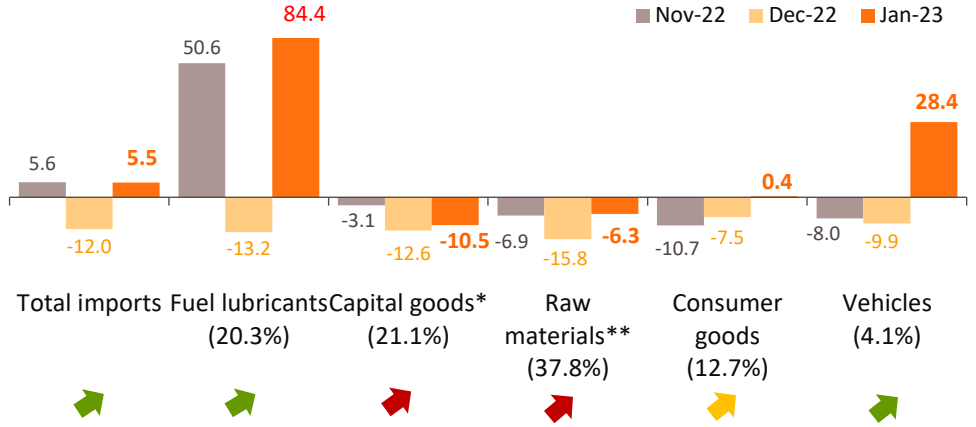
Note: * base on BOT data
Source: NESDC, BOT, MOC, MOTS, Bloomberg, Krungsri Research

Export value dropped to a near-2-year low in January and would register only anemic growth for the year

Exports by major product (%YoY)

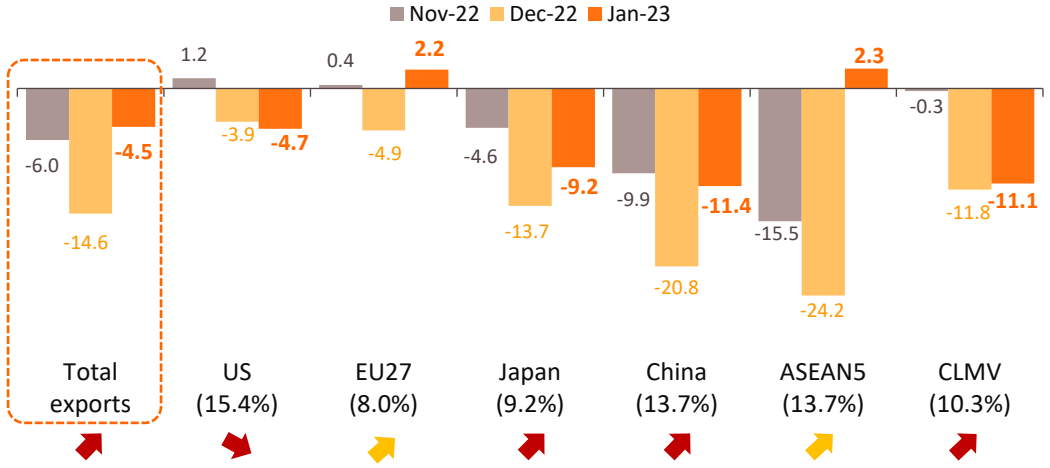


Imports by major product (%YoY)



* Capital goods excl. aircraft, ship ** Raw materials exclude gold

Exports by major destination (%YoY)



Note: (% share in 2022)
Source: MOC, Krungsri Research

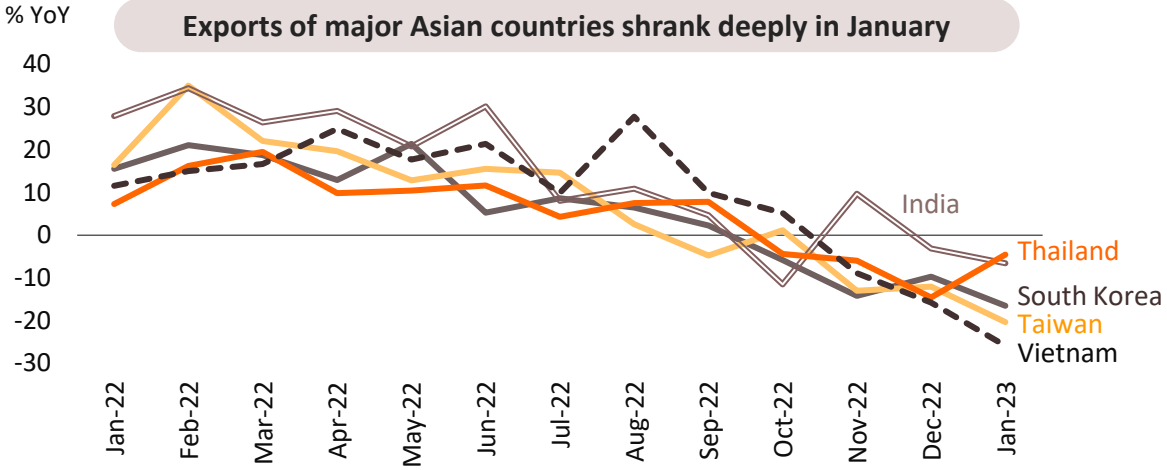
Krungsri Research's view

- **In January, merchandise export value fell for the fourth consecutive month, by 4.5% YoY to USD20.2 bn.** (or -3.0% ex-gold & oil products). Exports to the US, Japan, China and the CLMV countries fell but exports to the EU and the ASEAN-5 rose. By sector, exports fell 5.4% for industrial goods, -3.3% for agro-industrial products, and -2.2% for agricultural goods. However, gains were seen in some major product categories including autos & parts, air-conditioners & parts, and fresh, chilled & frozen chicken
- Weak global demand has reduced total export value, which contracted for the 4th month running in January. However, Thailand's exports only saw a mild decline compared to other countries in Asia-Pacific, including Vietnam (-25.9%), Taiwan (-21.2%), and South Korea (-16.6%). Nevertheless, Thai exports will likely continue to contract in 1H23, partly due to h the high-base last year. However, there are several positive drivers: (i) smaller risk of a global recession, and the IMF has upgraded 2023 global growth forecast to +2.9% from +2.7%; (ii) China reopening will have a positive impact on demand and it will be increasingly evident going forward; and (iii) global supply chain disruptions are easing. **Taking all these into account, we project Thai exports (by value) would grow by only 0.5% in 2023.**

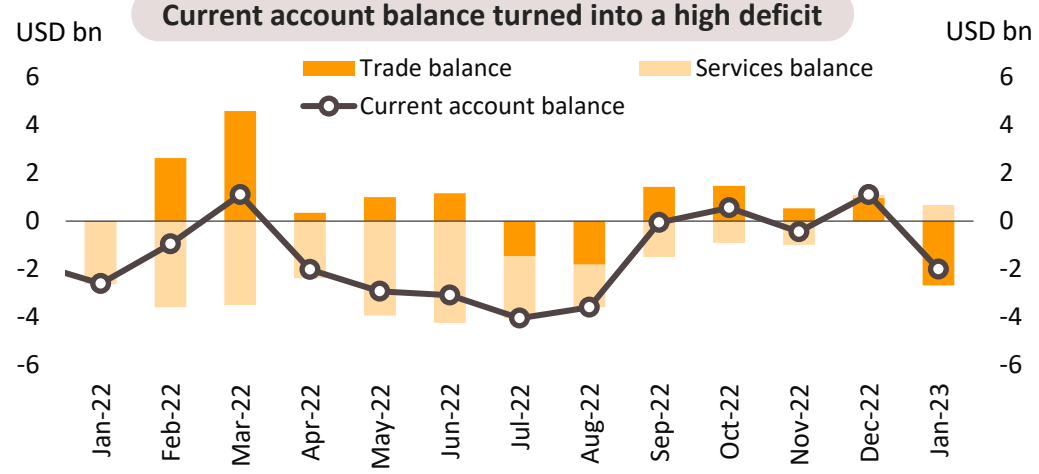
Weak global demand caused exports from many Asian countries to tumble but easing global supply chain disruptions helped to boost exports of some Thai products

In January, exports from Asian countries, including Thailand, had dropped substantially because of slowing demand in trading partners' economies. Looking ahead, Krungsri Research expects China reopening and easing global supply chain disruption to boost demand. In January, Thailand's current account balance marked a deficit of over USD2 bn attributed to the trade deficit.

Exports of major Asian countries shrank deeply in January



Current account balance turned into a high deficit



Thai exports by major product and destination

Thailand: January's export growth (% YoY)	World	US (17%)	EU (8%)	Japan (9%)	China (12%)	ASEAN-5 (14%)	CLMV (11%)
Total	**-4.5**	**-4.7**	**+2.7**	**-9.2**	**-11.4**	**+2.3**	**-11.1**
Cars & parts (9.8%)	+9	-16	+19	+5	-69	+23	+18
Computer & parts (7.2%)	-21	-31	-6	-12	-43	+22	-1
Rubber products (4.8%)	-8	-24	-13	-9	+17	-3	-16
Plastic resin (3.7%)	-30	+1	+0.2	-10	-32	-38	-41
Chemical products (3.3%)	-18	-28	-20	-30	-15	-10	-25
Electronic IC (3.3%)	-3	+21	+12	+26	-15	-7	+16
Fresh, frozen & dried fruit (2.0%)	+0.2	+33	-17	-33	+4	-20	-35
Rubber (1.8%)	-38	-38	-51	-24	-18	-53	-38
Electrical appliances (1.7%)	+1	+25	-21	-2	-34	+16	-24
Plastic products (1.6%)	-11	+1	-8	+1	-27	-13	-17
Tapioca products (1.5%)	-8	-1	+12	-17	-3	-23	-15
Rice (1.4%)	+72	+12	+25	+26	-45	+255	-58
Preserved fish, crustaceans (1.3%)	-5	-16	-39	-7	+110	+17	-2
Sugar (1.1%)	-2	+6	-	+2,803	-91	+1	+12

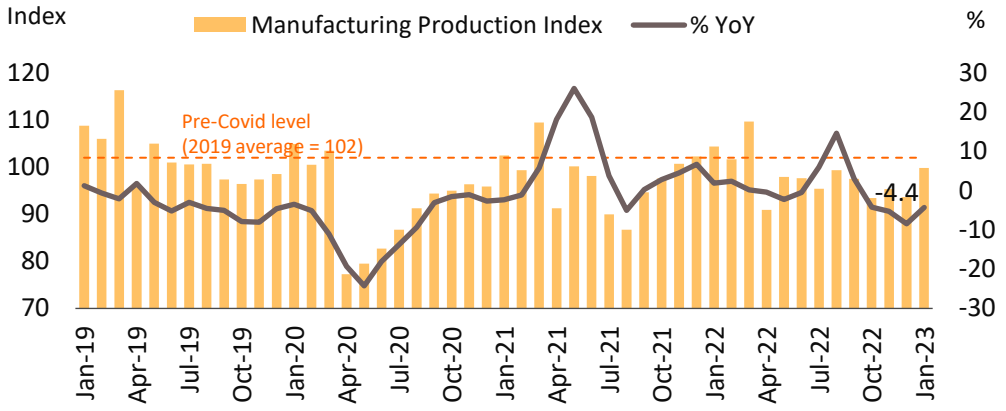
Note: (% share in 2022)

Source: MOC, BOT, CEIC, Krungsri Research

Manufacturing production recorded a smaller contraction due to recovering tourism and domestic economic activities

The manufacturing production index contracted for the 4th straight month in January, y 4.4% YoY. But it was an improvement from -8.5% in December. This was supported by stronger production in petroleum, automotive and food & beverages sectors and recovering capacity utilization rates to pre-COVID-19 levels. However, overall capacity utilization remained below pre-pandemic level. ***Although manufacturing production was hurt by weak exports, there are several tailwinds – recovering tourism activity, rising domestic demand, and ongoing general election-related activities.***

Manufacturing production edged up from last month



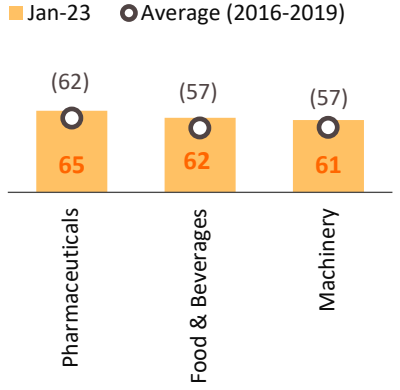
Manufacturing production growth

Manufacturing Production (%YoY)*	Weight	2020 J	F	M	A	M	J	J	A	S	O	N	D	2021 J	F	M	A	M	J	J	A	S	O	N	D	2022 J	F	M	A	M	J	J	A	S	O	N	D	2023 J
All industry	100.0%																																					**-4.4**
Food & Beverages	20.3%																																					+1.3
Automotive	13.8%																																					+6.5
Petroleum	9.5%																																					+9.0
Chemicals	9.1%																																					-11.9
Rubbers & Plastics	8.8%																																					-8.2
Cement & Construction	5.5%																																					-2.0
IC & Semiconductors	5.5%																																					-6.3
Electrical Appliances	3.8%																																					-10.0
Textiles & Apparels	3.5%																																					-28.8
HDD	3.4%																																					-48.8

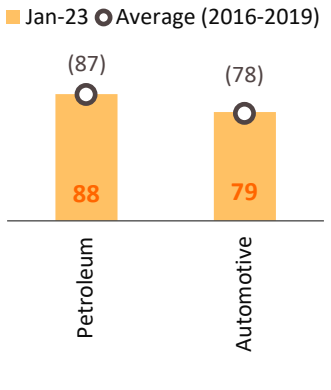
**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Capacity utilization by sector (%)

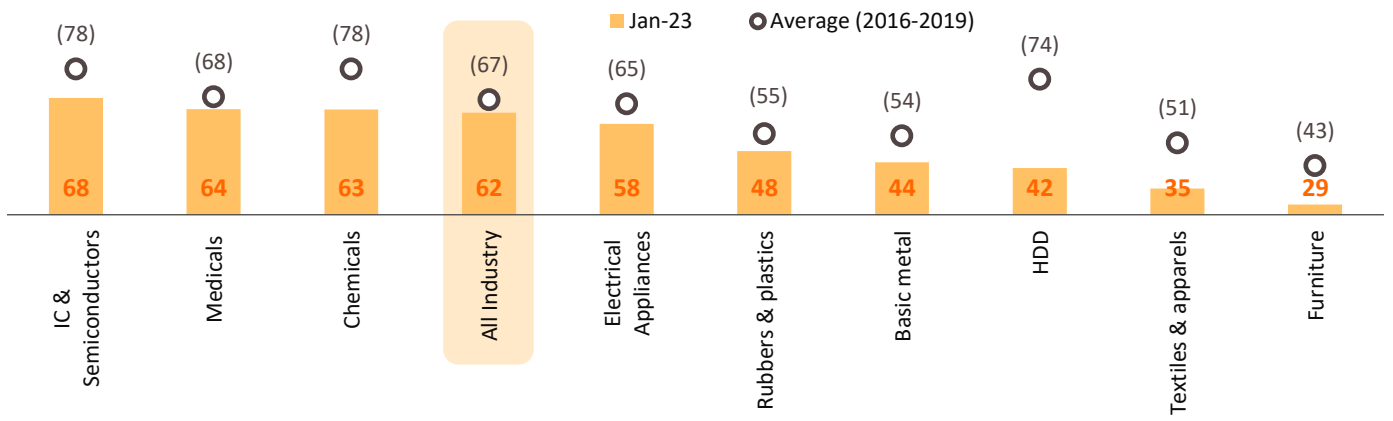
Above pre-COVID level



Approaching pre-COVID level



Below pre-COVID level

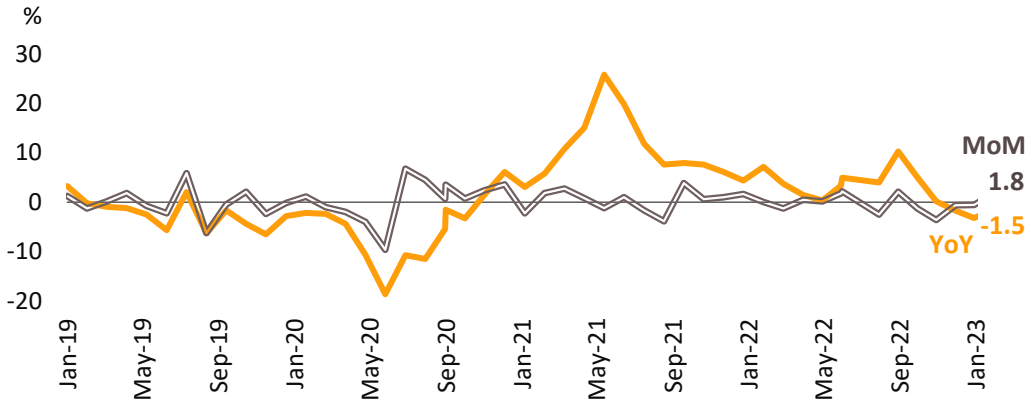


Source: OIE, Krungsri Research

Private investment is improving along with business confidence

The private investment index remained in contraction zone for the third consecutive month in January (-1.5% YoY) as a result of weaker exports in line with slowing global demand. But there was a positive sign from February Business Sentiment which rose to >50 (improvement zone) for the first time since July 2022 and hit an 11-month high. And, February Manufacturing PMI continued to rise to its second highest on record. ***Nonetheless, we revised down 2023 growth forecast for private investment to +2.7% from (+3.8% previously) after factoring in the impact of delayed public infrastructure projects which resulted in a negative multiplier effect on the economy, which would lead to slower expansion of private investment in 2023.***

Private investment edged down YoY in January but is better than December

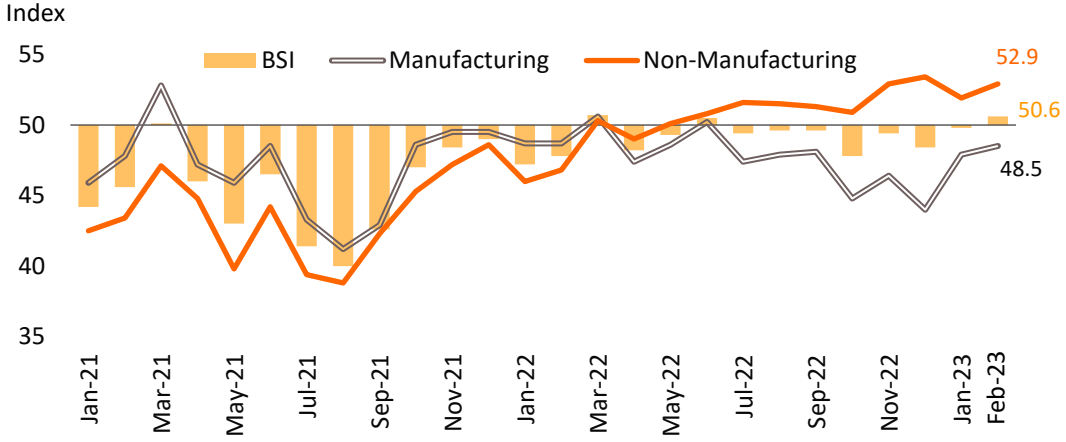


Private Investment by category

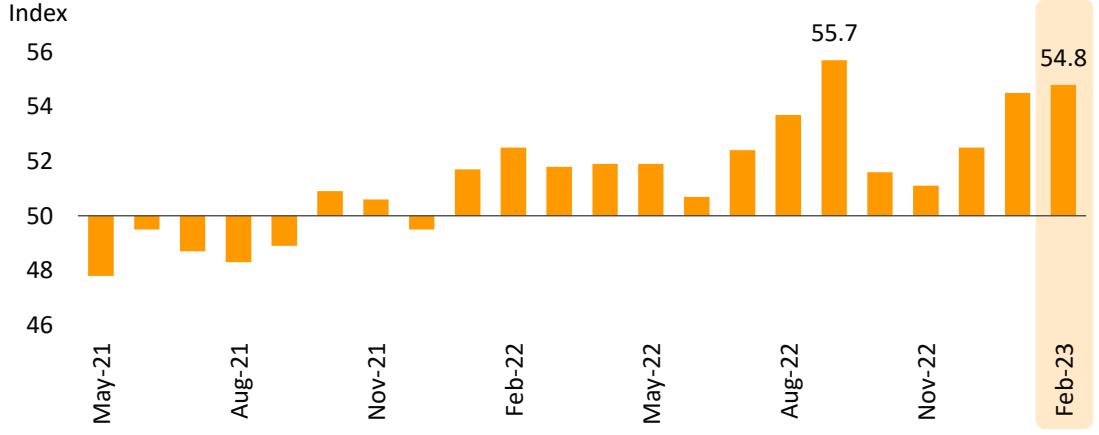
%YoY*	2020												2021												2022												2023
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J
Private investment																																					**-1.5**
Construction area permitted																																					-1.3
Construction material sales																																					-1.5
Imports of capital goods																																					-8.2
Machinery sales																																					+2.7
Newly registered vehicles																																					-14.7

**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Business Sentiment Index in February rose above 50 for the first time in 8 months



Manufacturing PMI reached the second-highest on record in February



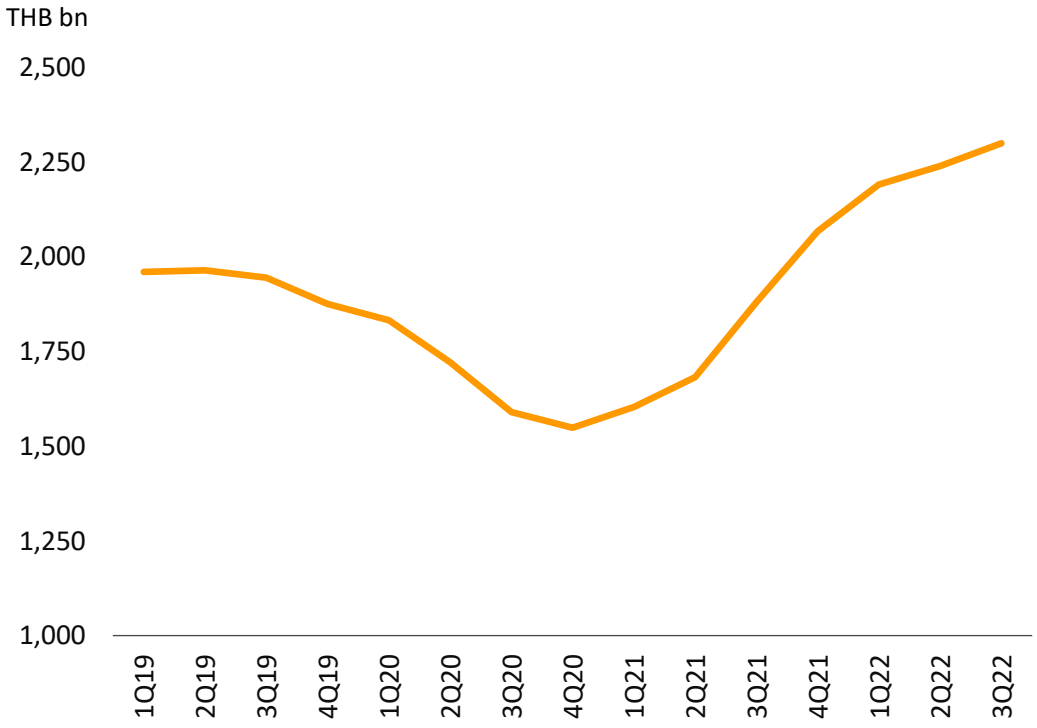
Source: BOT, S&P Global, Bloomberg, Krungsri Research

Foreign Direct Investment (FDI) seems optimistic and would be a key economic growth driver in the medium-to-long term

In 2022, FDI poured into several sectors. The value of FDI in some sectors was greater than before the pandemic, such as in food products, rubber & plastic products, and wholesales & retail trade. This could drive private investment in the periods ahead.

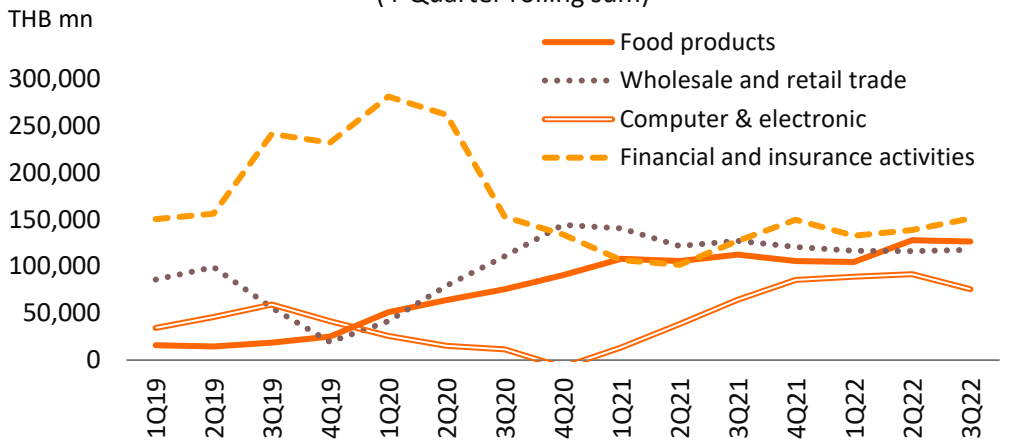
Total FDI into Thailand

(4-Quarter rolling sum)



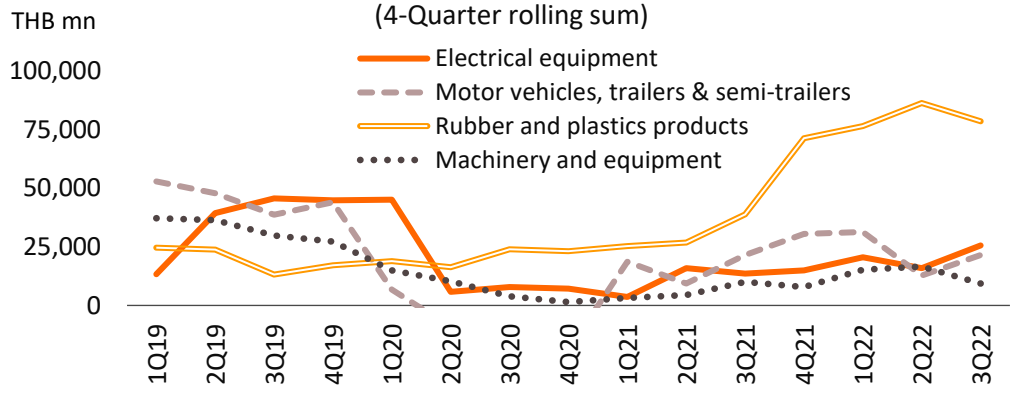
FDI to Thailand by sector (1)

(4-Quarter rolling sum)



FDI to Thailand by sector (2)

(4-Quarter rolling sum)

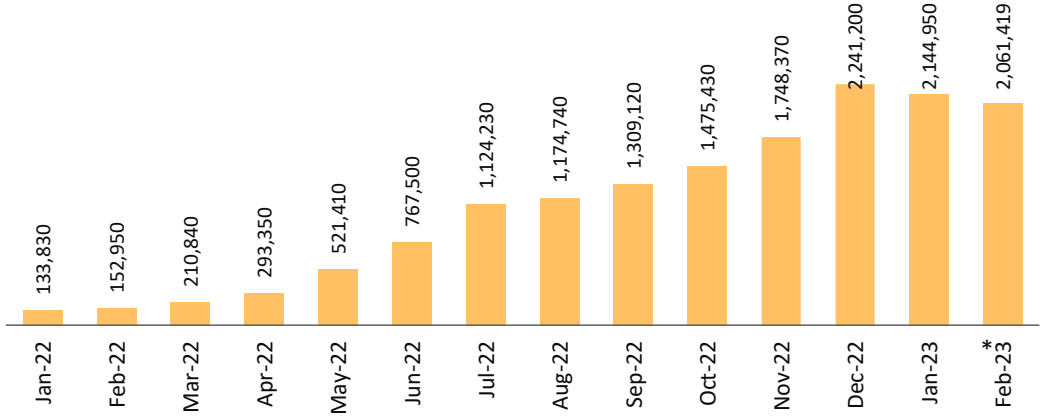


Source: BOT, Krungsri Research

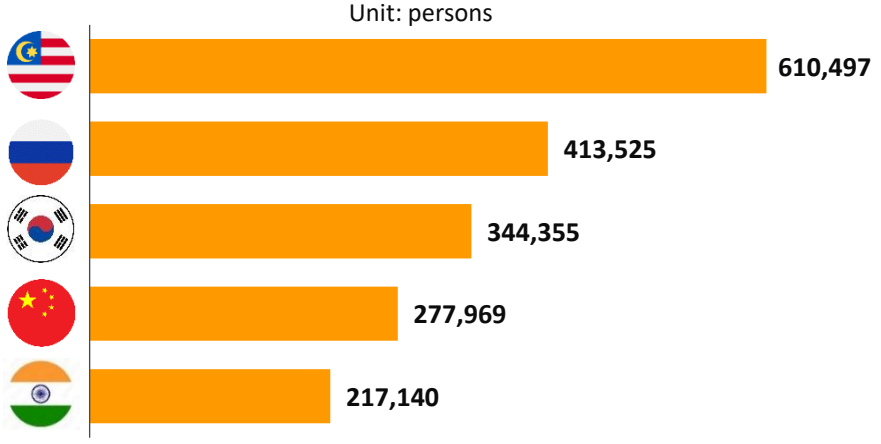
Tourism sector continued to recover; rising number of Chinese and Indian tourists will drive growth in the sector in the near term

During 1 January- 3 March, foreign tourist arrivals in Thailand reached 4.53 mn and generated THB16.1 bn in tourism receipts. The number of inbound Chinese tourists has been rising to make up the 4th largest tourist group at 0.28 mn vs 91,841 in January. ***We expect the number of Chinese tourists to surge in 2H23, as well as from India after its government removed the requirement for pre-departure RT-PCR test for travelers travelling from or via Thailand since mid- February.***

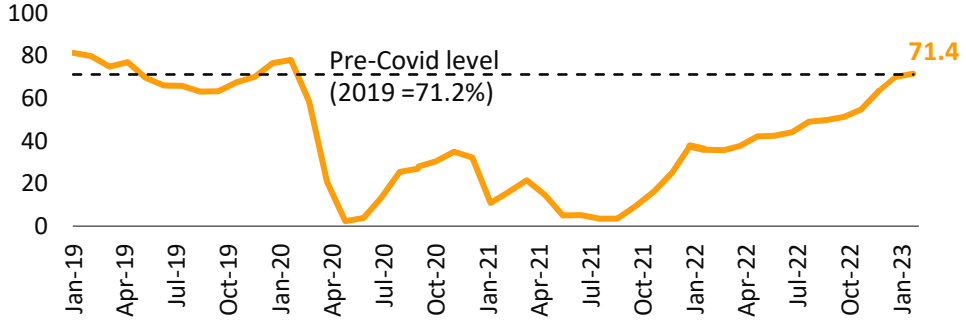
Foreign tourist arrivals in February exceeded 2 mn for the third consecutive month



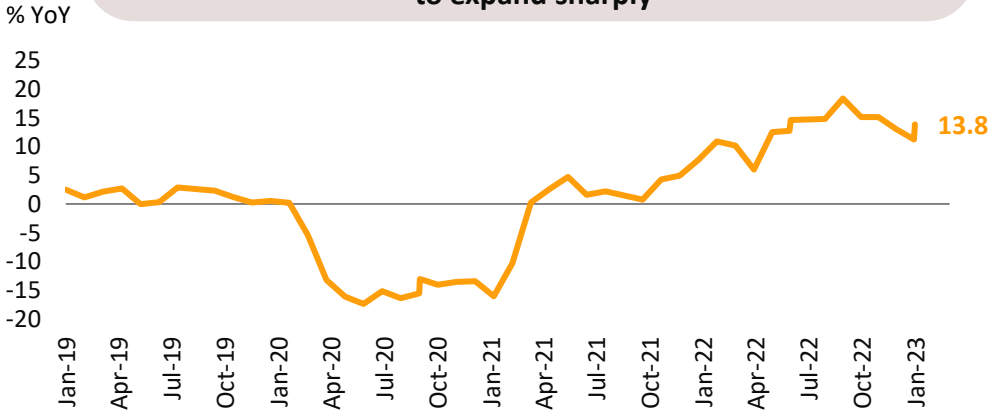
Top 5 foreign tourist arrivals by country during 1 Jan-3 Mar 2023*



National average occupancy rate rose to 71% in January, approaching pre-covid level



Recovering tourism drive up Service Production Index (SPI) to expand sharply

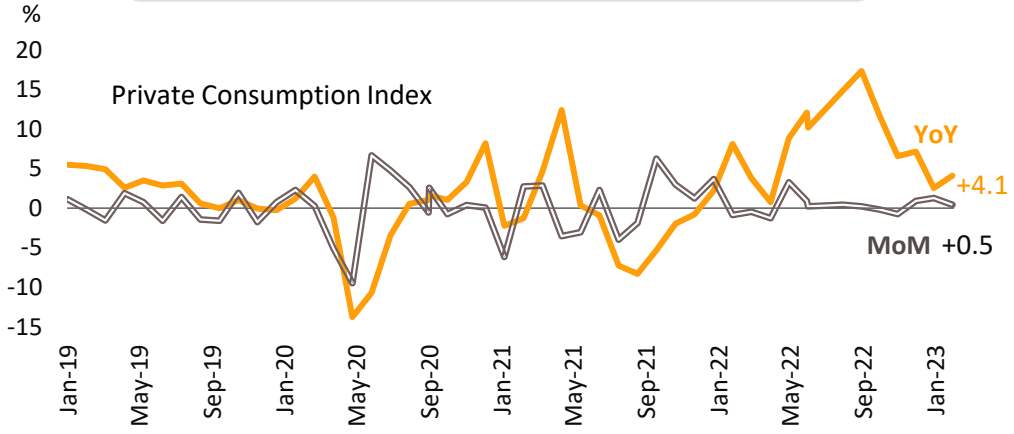


Note: * preliminary data
Source: MOTS, CEIC, Krungsri Research

Private consumption would be encouraged by improving confidence, rising farm income, and stimulus measures

We recently revised down 2023 private consumption growth to +3.3% from our previous forecast of +3.5%. This reflects the negative multiplier effect of smaller Covid-19 pandemic-related government expenditures after the situation improved. However, private consumption will remain a key driver of the Thai economy this year. Indeed, it has continued to rise in January and the Consumer Confidence Index rose for the ninth consecutive month in February to its highest since March 2020.

Private consumption remains positive

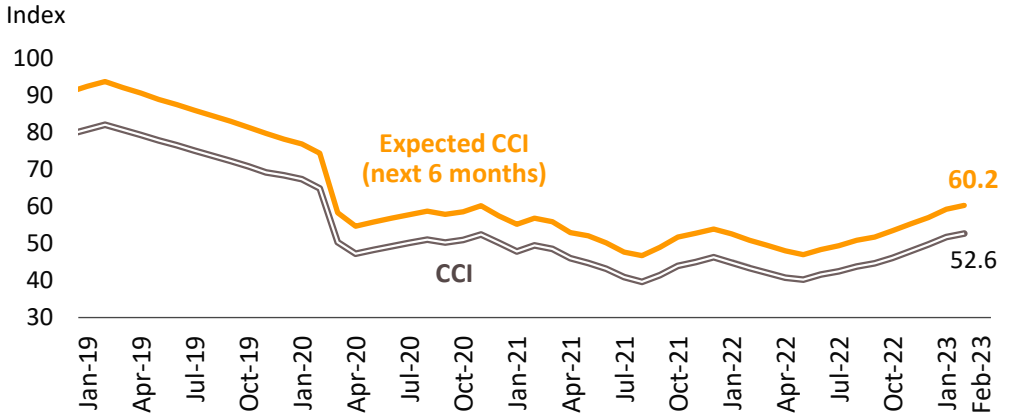


Private consumption by category

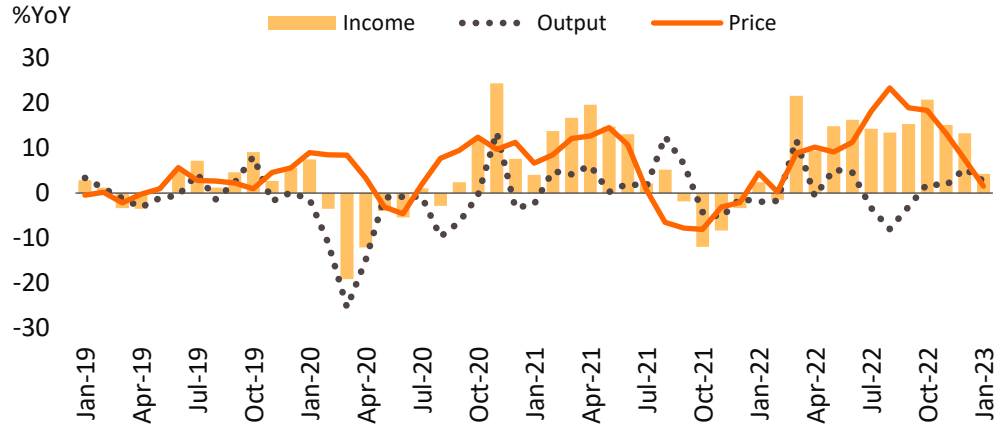
%YoY*	2020												2021												2022												2023
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J
Private consumption																																					+4.1
Non-durables																																					+2.8
Semi-durables																																					-0.9
Durables																																					+0.4
Services																																					+23
Non-residents expenditure																																					+503

**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Consumer confidence hit a 3-year high in February



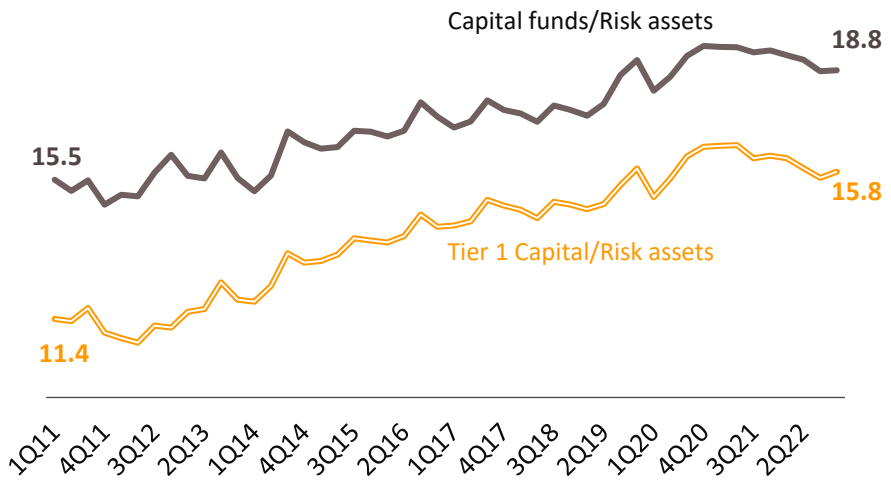
Farm income continued to rise in January led by higher prices and output



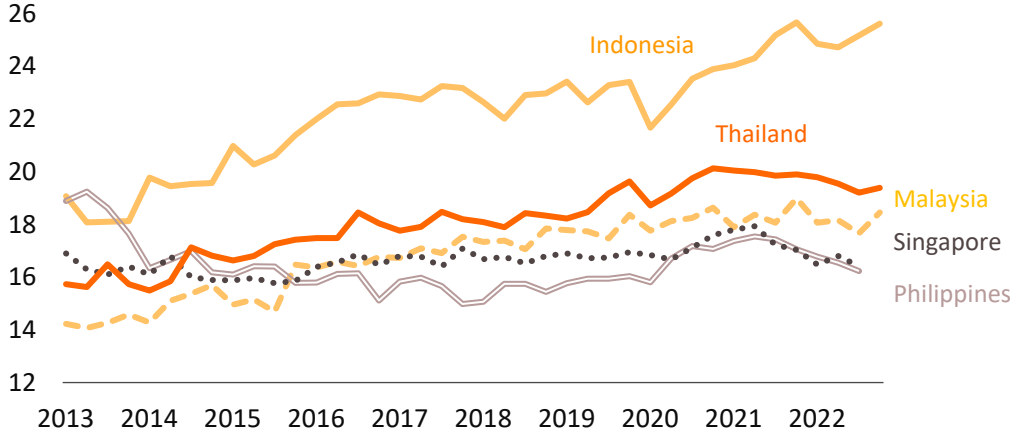
Source: BOT, UTCC, MOL, Krungsri Research

Commercial banks in Thailand are resilient; limited impact from SVB and Credit Suisse

Thai commercial banks' capital adequacy ratios (%)



ASEAN banks' capital adequacy ratios (%)



Source: BOT, CEIC, Local Press, Krungsri Research

Thai official comments in response to SVB and Credit Suisse crises

Arkhom says SVB's failure unlikely to affect country

Finance Ministry

Minimal impact on Thai banking from collapse of 2 US banks, says BOT

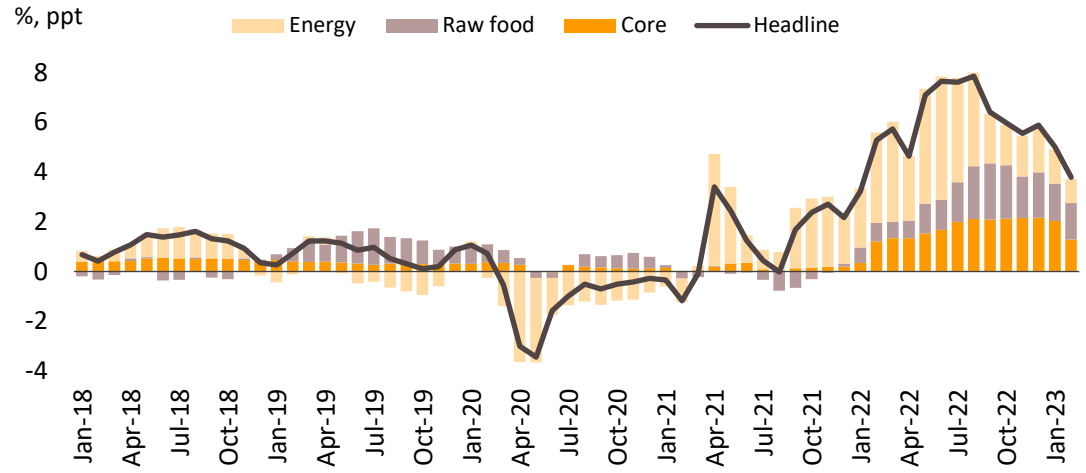
- The fallout of SVB's collapse would also have a limited impact on Thailand's financial stability **because local commercial banks have no direct exposure to the troubled US bank, according to BOT deputy governor of financial institutes Suwannee Jatsadasak.**
- In addition, the total exposure of local banks **in startups and fintech firms globally represents a marginal level of lower than 1% of Thai banks' capital.**
- At the same time, **no banks are investing in digital assets, while their subsidiaries invest in digital assets worth around THB 200 mn.** The central bank also strictly supervises their investment in digital assets and venture capital.
- According to the Thai Bankers' Association, local banks foresee only **a small impact from the troubles facing Credit Suisse** and some banks in the United States due to their low external exposures and strong capital positions.

Krungsri Research's view

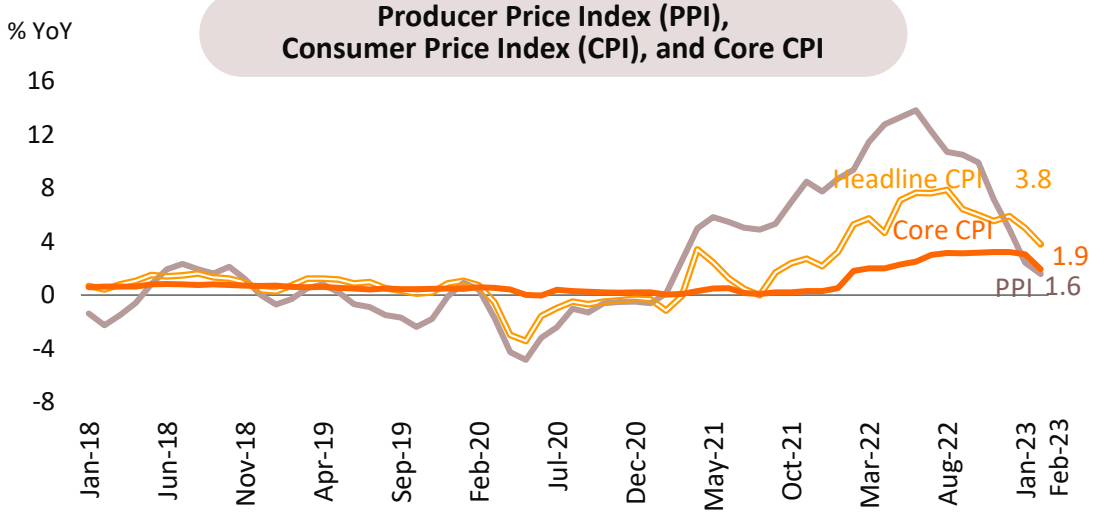
- **The SVB collapse and Credit Suisse crisis could send shockwaves to financial markets worldwide, including Thailand. The SET has seen recent fund outflows, drops in stock prices, and greater volatility in the capital and FX markets. However, Thailand's banking system is in a stronger position since the 1997 Asian Financial Crisis and had been able to weather considerable headwinds and risks during the Global Financial Crisis in 2008.**
- According to the latest data as at end-2022, **the financial position of the commercial banking system in Thailand remains resilient.** This is reflected by the following: (i) BIS ratio at 19.4% is the second best in ASEAN, behind Indonesia; (ii) Liquidity Coverage ratio (LCR) is 197.3%; (iii) NPL remains low at only 2.73% of total loans; (iv) NPL Coverage ratio is 171.9%; and (v) overall bank credit and deposits is diversified over several industries.
- Thailand has a sound banking system to protect depositors, with the creation of a THB124 bn fund to guarantees deposits for more than 98% of depositors. It cover up to THB 1 mn per depositor per financial institution.

Inflation slowed faster than expected in February, suggesting the MPC might tone down rate hikes

Contributors to inflation



Producer Price Index (PPI), Consumer Price Index (CPI), and Core CPI



Source: MOC, Krungsri Research

Consumer Price Index: Major categories

Consumer Price Index (% YoY)*	Weight	2021 J F M A M J J A S O N D	2022 J F M A M J J A S O N D	2023 J F
Headline CPI	**100.00%**			**3.8**
Food & beverages	41.51%			5.7
Apparel & footwears	2.07%			0.3
Housing & furnishing	22.20%			3.1
Medical & personal care	5.40%			2.0
Transportation & communication	23.32%			2.4
Recreation & education	4.19%			1.4
Tobacco & alcoholic beverages	1.33%			1.1
Raw food	21.05%			7.1
Energy	14.33%			7.9
Core CPI	**64.62%**			1.9

** Red > 0%, Green < 0% / Darker colors indicate stronger momentum*

Krungsri Research's view

- **In February, headline inflation eased for the second straight month to 3.79% YoY** (vs Krungsri Research's forecast of 4.16% and Consensus forecast of 4.18%) from 5.02% in January. This is attributed to (i) a mild increase in domestic fuel prices following rising global oil prices; (ii) a drop in diesel price by THB1 per liter in February; and (iii) lower prices for fresh food on MoM basis. Core inflation (excluding raw food and energy prices) fell sharply to 1.93% in February from 3.04% in January. For 2M23, headline and core inflation averaged 4.40% and 2.48%, respectively.
- **There are several factors conspiring to release some of the upward pressure on domestic policy rates.** (i) Inflation is softening and headline inflation should slip back to the target range in 2H23. Core inflation should drop below 2% this year, indicating less demand-pull pressure than expected. (ii) 4Q22 GDP data was much weaker than expectations and has affected growth forecasts for 2023. The NESDC has trimmed its 2023 growth forecasts from 3-4% to 2.7-3.7%. Krungsri Research has cut its growth projection for 2023 from 3.6% to 3.3%. (iii) Thai economic recovery will be pressured by uncertainty over the global economy and weakness in major export markets.
- ***The SVB collapse and Credit Suisse Crisis will shake financial markets and raise uncertainty over the global economy and financial situation. However, Thailand's monetary policy is likely to be guided by the need to balance domestic price stability with economic growth. On this note, we expect the MPC to continue to normalize monetary policy by nudging up policy rate from 1.50% to 1.75% at the March meeting but subsequent rate decisions would be influenced by how inflation, the economy, and risks evolve in the coming period.***

Special Notes: Recession risk in major countries and outlook for Thai exports

- The economic crises in the US and Europe were triggered by a series of steep rate hikes. In early 2023, the risk of a recession in those economies had been lowered by positive data such as strong labor markets and a rebound in the services sector. However, the SVB collapse and Credit Suisse crisis have recently threatened financial sector and triggered fears of confidence crisis.
- Europe might dodge a recession in early 2023, but we expect economic growth to weaken as latest data from the bloc still show cracks in private consumption and concerns over financial stability following the troubles of Credit Suisse, amid stubbornly high underlying inflation.
- In past crises, after major central banks started to lower interest rates, contractions were spotted in the subsequent 6 to 8 quarters (on average).
- Thai exports could be supported by positive growth in global GDP given the elasticity to Thai exports is 1.27. The IMF projects the global economy would grow by 2.9% in 2023.
- However, tightening of financial conditions, higher risk to financial sector and stubbornly high level of underlying prices would rein-in growth in advanced economies, especially the US and Europe. Risk to export outlook is tilted to the downside.
- China's reopening could support Thai exports, led by some key products. However, that will not help much as Thai exports to China is inelastic (elasticity of demand for Thai exports to China is only 0.52).

The US normally experienced economic contractions or recession following a series of steep rate hikes, and for approximately 6-8 quarters after the first rate cut

Oil Price Shock	Q1/1988	Q2/1988	Q3/1988	Q4/1988	Q1/1989	Q2/1989	Q3/1989	Q4/1989	Q1/1990	Q2/1990	Q3/1990	Q4/1990	Q1/1991
	-12Q	-11Q	-10Q	-9Q	-8Q	-7Q	-6Q	-5Q	-4Q	-3Q	-2Q	-1Q	recession
Policy rate	6.83	7.43	8.12	8.68	9.75	9.56	9.06	8.25	8.25	8.25	8.00	7.00	6.00
Retail Sales	na	na	na	na	na	na	na	na	na	na	na	na	na
Unemployment	5.70	5.47	5.47	5.33	5.20	5.23	5.23	5.37	5.30	5.33	5.70	6.13	6.60
Industrial Production	7.16	6.19	4.61	2.89	2.43	1.17	0.18	-0.13	0.12	1.22	2.26	0.28	-2.32
Core CPI	4.33	4.37	4.44	4.52	4.70	4.54	4.44	4.35	4.67	4.83	5.36	5.23	5.49
Annual GDP growth	4.24	4.48	4.19	3.80	4.32	3.75	3.91	2.74	2.82	2.41	1.73	0.60	-0.95

Global Financial Crisis	Q4/2005	Q1/2006	Q2/2006	Q3/2006	Q4/2006	Q1/2007	Q2/2007	Q3/2007	Q4/2007	Q1/2008	Q2/2008	Q3/2008	Q4/2008
	-12Q	-11Q	-10Q	-9Q	-8Q	-7Q	-6Q	-5Q	-4Q	-3Q	-2Q	-1Q	recession
Policy rate	4.09	4.75	5.25	5.25	5.25	5.25	5.25	4.75	4.25	2.25	2.00	2.00	0.25
Retail Sales	5.28	7.24	5.81	4.17	3.52	3.18	3.19	2.78	4.35	3.24	1.66	0.25	-8.78
Unemployment	4.97	4.73	4.63	4.63	4.43	4.50	4.50	4.67	4.80	5.00	5.33	6.00	6.87
Industrial Production	2.47	2.03	2.07	2.86	2.15	2.16	2.77	2.56	2.68	1.34	-1.35	-4.68	-9.04
Core CPI	2.12	2.09	2.46	2.82	2.64	2.61	2.27	2.16	2.31	2.36	2.33	2.51	1.99
Annual GDP growth	2.98	3.22	2.98	2.33	2.61	1.54	1.94	2.40	2.16	1.45	1.38	0.24	-2.54

Tech Bubble Burst	Q4/1999	Q1/2000	Q2/2000	Q3/2000	Q4/2000	Q1/2001	Q2/2001	Q3/2001	Q4/2001	Q1/2002	Q2/2002	Q3/2002	Q4/2002
	-12Q	-11Q	-10Q	-9Q	-8Q	-7Q	-6Q	-5Q	-4Q	-3Q	-2Q	-1Q	contraction
Policy rate	3.99	6.17	6.86	6.60	5.41	5.29	3.95	2.75	1.52	1.74	1.73	1.85	1.16
Retail Sales	8.47	10.72	7.18	5.53	3.28	1.62	3.55	1.40	4.38	1.92	1.77	4.80	1.10
Unemployment	4.07	4.03	3.93	4.00	3.90	4.23	4.40	4.83	5.50	5.70	5.83	5.73	5.87
Industrial Production	4.84	4.72	5.00	3.96	1.86	-0.47	-2.92	-4.19	-4.97	-3.03	-0.25	1.79	2.87
Core CPI	2.02	2.20	2.42	2.56	2.56	2.67	2.62	2.68	2.72	2.53	2.44	2.27	2.04
Annual GDP growth	4.83	4.23	5.24	3.97	2.90	2.20	0.99	0.49	0.17	1.33	1.32	2.14	1.99

Source: CEIC, Krungsri Research

Risk of a recession in the US early this year has been lowered by recent positive data for retail sales, industrial production and unemployment rate

Compared to the economic crises in 1991, 2008, and 2002, the US economy is stronger now, premised on robust 4Q22 data for (i) retail sales; (ii) industrial production, and (iii) unemployment rate, which is at its lowest since 1969. Also, key interest rates have not peaked, with the Fed expected to raise Fed funds rate 3 more times to 5.25-5.50% this year. In past crises, after the Fed started to lower interest rates, economic contractions were spotted in the subsequent 6 to 8 quarters. So, based on the historical data, if policy rates have not peaked and the Fed has not signaled rate cuts, risk of a recession in the US should remain low.

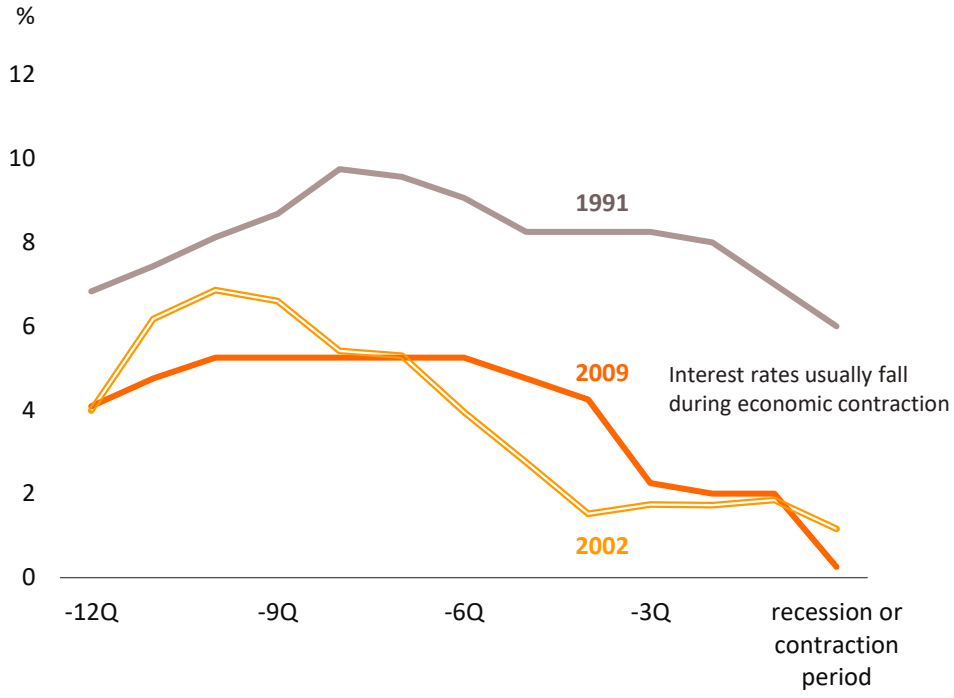
Recession risk heat-map score

	Policy rate (%average)	Retail Sales (%YoY)	Unemployment (%)	Industrial Production (%YoY)	Core CPI (%YoY)	Annual GDP growth (%YoY)
Current period (4Q22)	4.50	6.40	3.60	2.40	5.98	0.96
Recession or Contraction period	2.47					
-1Q	3.62					
-2Q	3.91					
-3Q	4.08					
-4Q	4.67					
-5Q	5.25					
-6Q	6.09					
-7Q	6.70					
-8Q	6.80					
-9Q	6.84					
-10Q	6.74					
-11Q	6.12					
-12Q	4.97					

Crisis typically appears in 6 to 8 quarters after the first rate cut

Low risk — Moderate — High risk

Fed rate hike cycles



Source: CEIC, Krungsri Research

Europe might dodge a recession in early 2023 but the road ahead remains foggy

Global Financial Crisis	Q4/2005	Q1/2006	Q2/2006	Q3/2006	Q4/2006	Q1/2007	Q2/2007	Q3/2007	Q4/2007	Q1/2008	Q2/2008	Q3/2008	Q4/2008
	-12Q	-11Q	-10Q	-9Q	-8Q	-7Q	-6Q	-5Q	-4Q	-3Q	-2Q	-1Q	recession
Policy rate	2.25	2.50	2.75	3.00	3.50	3.75	4.00	4.00	4.00	4.00	4.00	4.25	2.50
Retail Sales	2.66	2.46	3.39	2.90	3.30	3.03	2.38	2.58	1.26	0.74	-0.07	-0.90	-1.61
Unemployment	9.50	9.20	8.87	8.60	8.30	7.90	7.60	7.47	7.33	7.13	7.23	7.30	7.70
Industrial Production	3.24	3.82	4.90	4.84	4.59	5.16	3.58	4.22	3.55	2.93	1.36	-2.07	-9.11
Core CPI	1.51	1.41	1.58	1.62	1.74	2.00	2.10	2.20	2.57	2.92	2.93	2.95	2.56
Annual GDP growth	2.40	3.12	3.70	3.54	3.91	3.69	3.16	3.06	2.60	2.44	1.45	0.42	-2.02

European Debt Crisis	Q1/2009	Q2/2009	Q3/2009	Q4/2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012
	-12Q	-11Q	-10Q	-9Q	-8Q	-7Q	-6Q	-5Q	-4Q	-3Q	-2Q	-1Q	recession
Policy rate	1.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.00	1.00
Retail Sales	-2.85	-2.73	-2.71	-1.36	0.41	0.90	1.36	1.07	-0.03	-0.48	-0.51	-0.92	-0.52
Unemployment	8.67	9.20	9.53	9.80	10.10	10.13	10.00	10.03	9.93	9.90	10.10	10.40	10.70
Industrial Production	-17.88	-17.94	-14.14	-6.97	4.41	8.81	7.58	8.30	7.07	4.07	3.02	0.37	-1.38
Core CPI	1.95	1.79	1.51	1.32	1.12	1.10	1.20	1.33	1.45	1.95	1.85	2.10	2.05
Annual GDP growth	-5.38	-5.20	-4.37	-2.16	1.18	2.26	2.37	2.57	3.06	2.11	1.81	0.81	-0.28

Tech Bubble Burst	Q1/2000	Q2/2000	Q3/2000	Q4/2000	Q1/2001	Q2/2001	Q3/2001	Q4/2001	Q1/2002	Q2/2002	Q3/2002	Q4/2002	Q1/2003
	-12Q	-11Q	-10Q	-9Q	-8Q	-7Q	-6Q	-5Q	-4Q	-3Q	-2Q	-1Q	contraction
Policy rate	3.50	4.25	4.50	4.75	4.75	4.50	3.75	3.25	3.25	3.25	3.25	2.75	2.50
Retail Sales	2.19	3.79	3.81	2.77	3.47	2.11	1.95	1.21	0.11	0.56	1.09	0.83	1.28
Unemployment	9.70	9.57	9.43	9.30	9.20	9.30	9.30	9.43	9.50	9.60	9.73	9.77	9.80
Industrial Production	4.47	6.42	5.59	5.12	4.58	1.05	-0.22	-2.88	-2.10	-0.36	0.25	1.46	1.35
Core CPI	1.27	1.23	1.29	1.40	1.38	2.02	2.16	2.52	3.11	2.93	2.75	2.49	2.17
Annual GDP growth	4.06	4.56	3.97	3.47	3.15	2.26	1.84	1.29	0.56	1.02	1.27	1.39	1.00

Source: CEIC, Krungsri Research

Despite lower risk of recession, Eurozone growth could be much weaker than last year

Positive GDP growth in 4Q22 rescued Europe from a recession in early 2023. This was driven by falling energy prices, China reopening, a mild winter, and easing supply chain stress, all of which helped to improve economic activities and optimism in the region. Compared to the economic crises in 2003, 2008, and 2012, there is lower risk of a recession this year given a strong labor market (unemployment rate hit a historic low of 6.6%), positive GDP growth in 4Q22, stronger confidence, and a rebound in both the manufacturing and services sectors. However, we expect economic growth to weaken as the bloc's latest data still show cracks in private consumption (4Q22 retail sales fell 2.93% YoY and consumer confidence fell 13.3% YoY) amid stubbornly high underlying inflation. That might prompt authorities to keep interest rates high to fight inflation and the trade-off could be a stagnant economy on the horizon. In the past, after the ECB started to lower interest rates, economic contractions were spotted in the subsequent 6 to 8 quarters (on average).

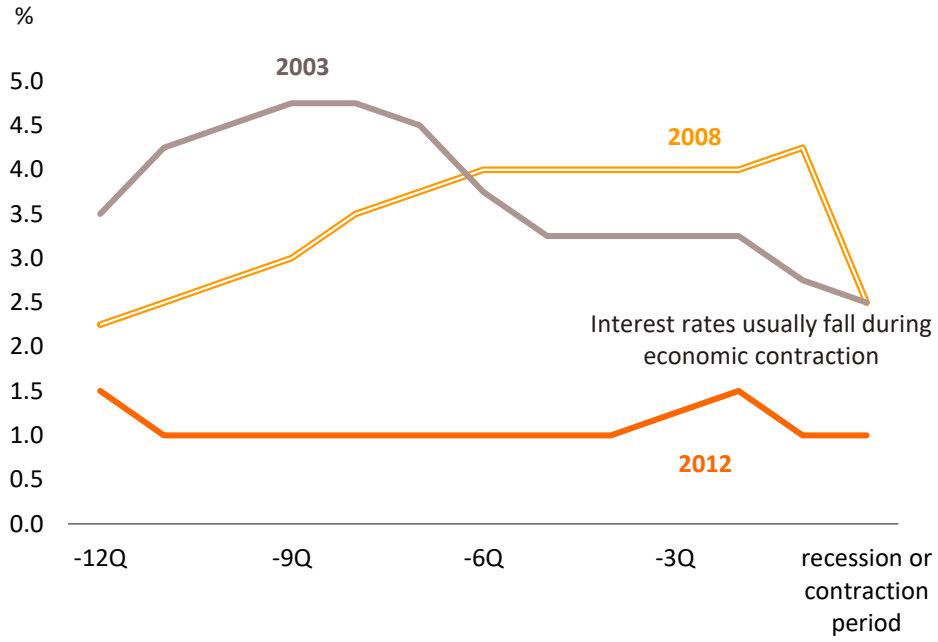
Recession risk heat-map score

	Policy rate (%)	Retail Sales (%YoY)	Unemployment (%)	Industrial Production (%YoY)	Core CPI (%YoY)	Annual GDP growth (%YoY)
Current period (4Q22)	2.50	-2.93	6.10	1.59	7.85	1.83
Recession or Contraction period	2.00					
-1Q	2.67					
-2Q	2.92					
-3Q	2.83					
-4Q	2.75					
-5Q	2.75					
-6Q	2.92					
-7Q	3.08					
-8Q	3.08					
-9Q	2.92					
-10Q	2.75					
-11Q	2.58					
-12Q	2.42					

Crisis typically appears in 6 to 8 quarters after the first rate cut

Low risk — Moderate — High risk

ECB rate hike cycles

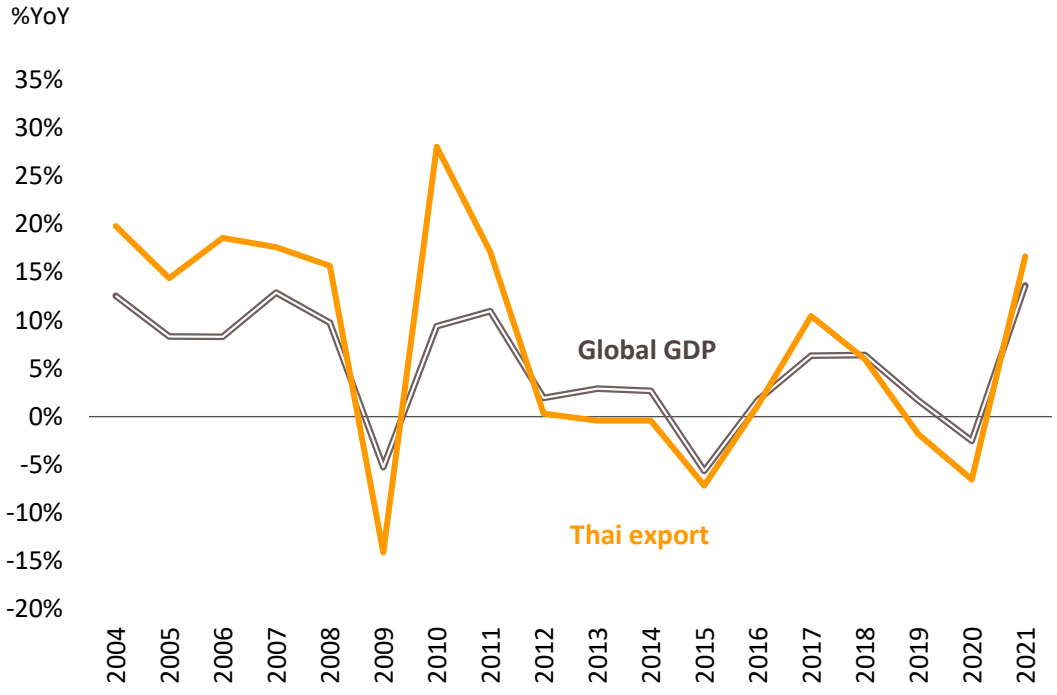


Source: CEIC, Krungsri Research

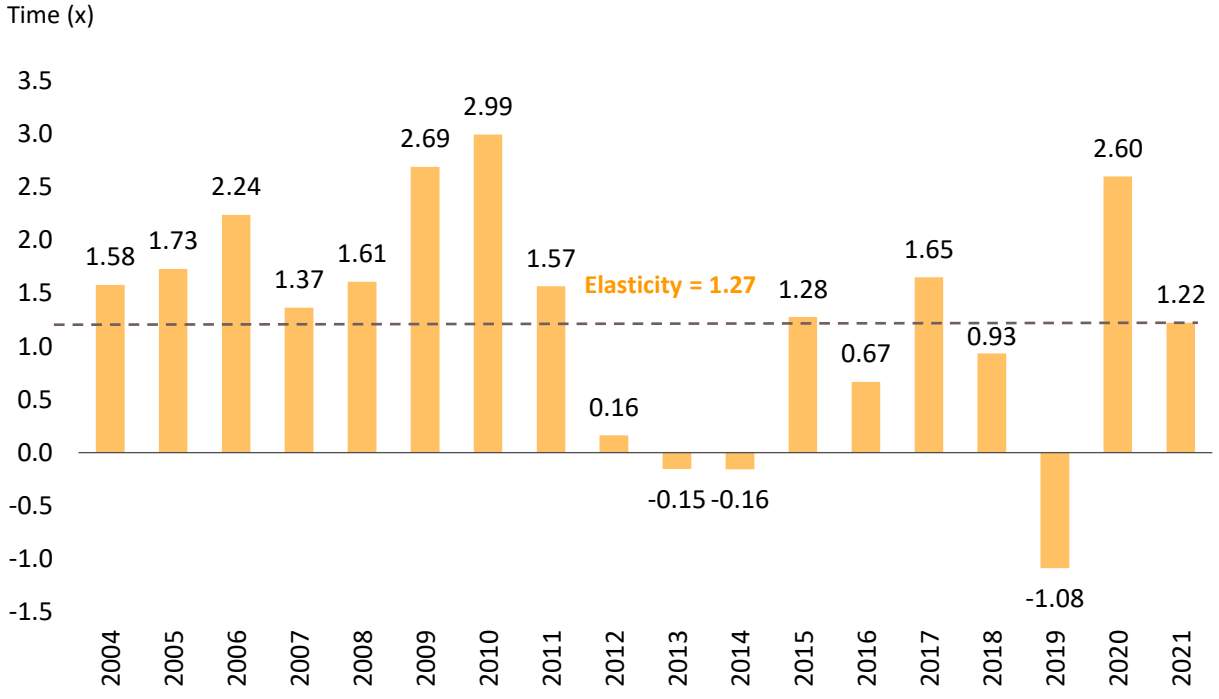
Thai exports would be supported by positive growth in global GDP in 2023, albeit it could be weaker

The IMF recently raised its global growth forecast to +2.9% for 2023, 0.2% higher than predicted in October last year, citing surprisingly resilient demand in the US and Europe and sudden reopening by China although risks remains tilted to the downside given excessive global inflation, geopolitical risks, and tighter global financial conditions. Given the elasticity of demand of Thai exports to global GDP is 1.27, every 1% growth in global GDP would boost Thai exports by 1.27%. So, with 2023 global GDP growth projected at 2.9%, Thai exports could register positive growth this year. However, the recent global rout amid SVB collapse and Credit Suisse crisis suggests downside risk to global growth and Thai exports.

Thai Exports vs Global GDP Growth



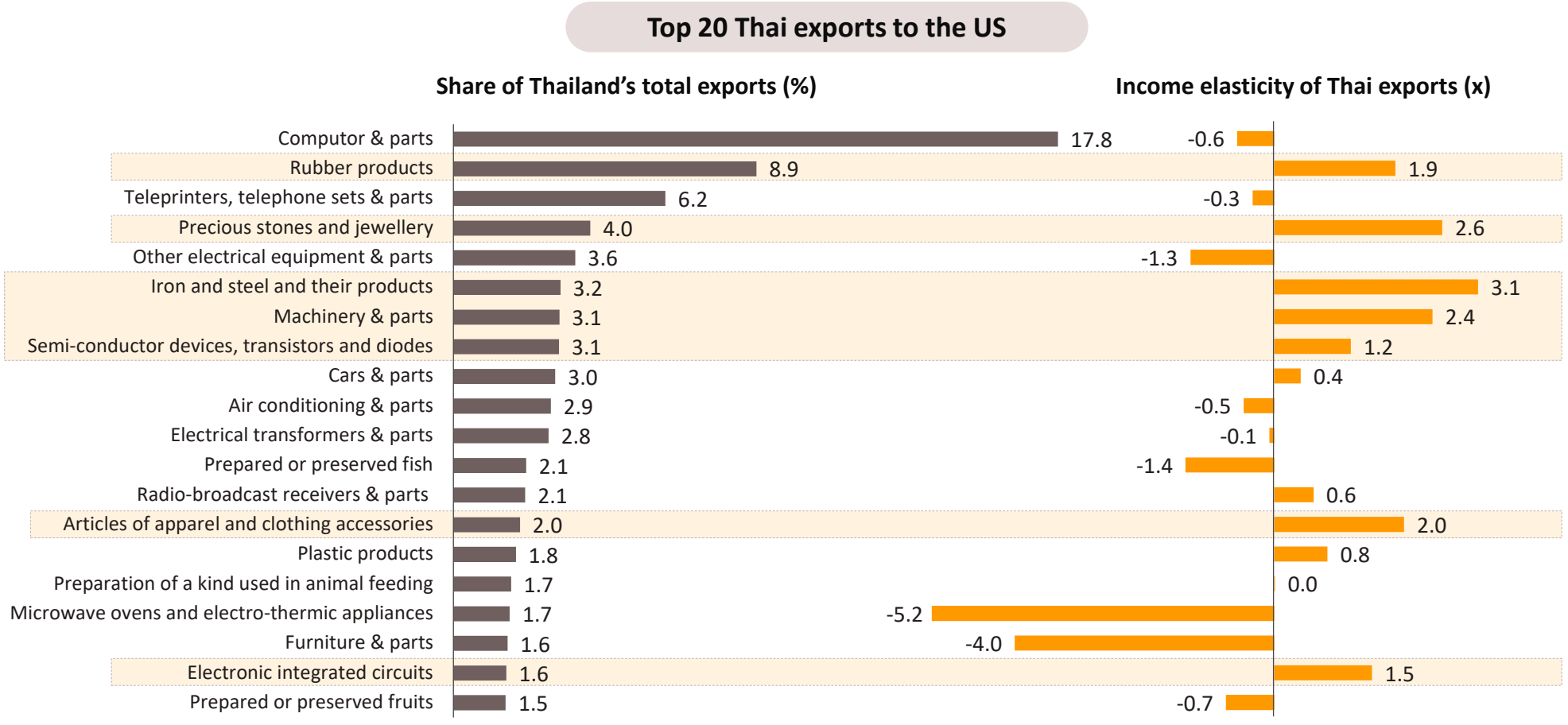
Elasticity of Thai Export to Global GDP Growth



Source: CEIC, trademap, Krungsri Research

Exports to US could slow down but would not see a sharp contraction

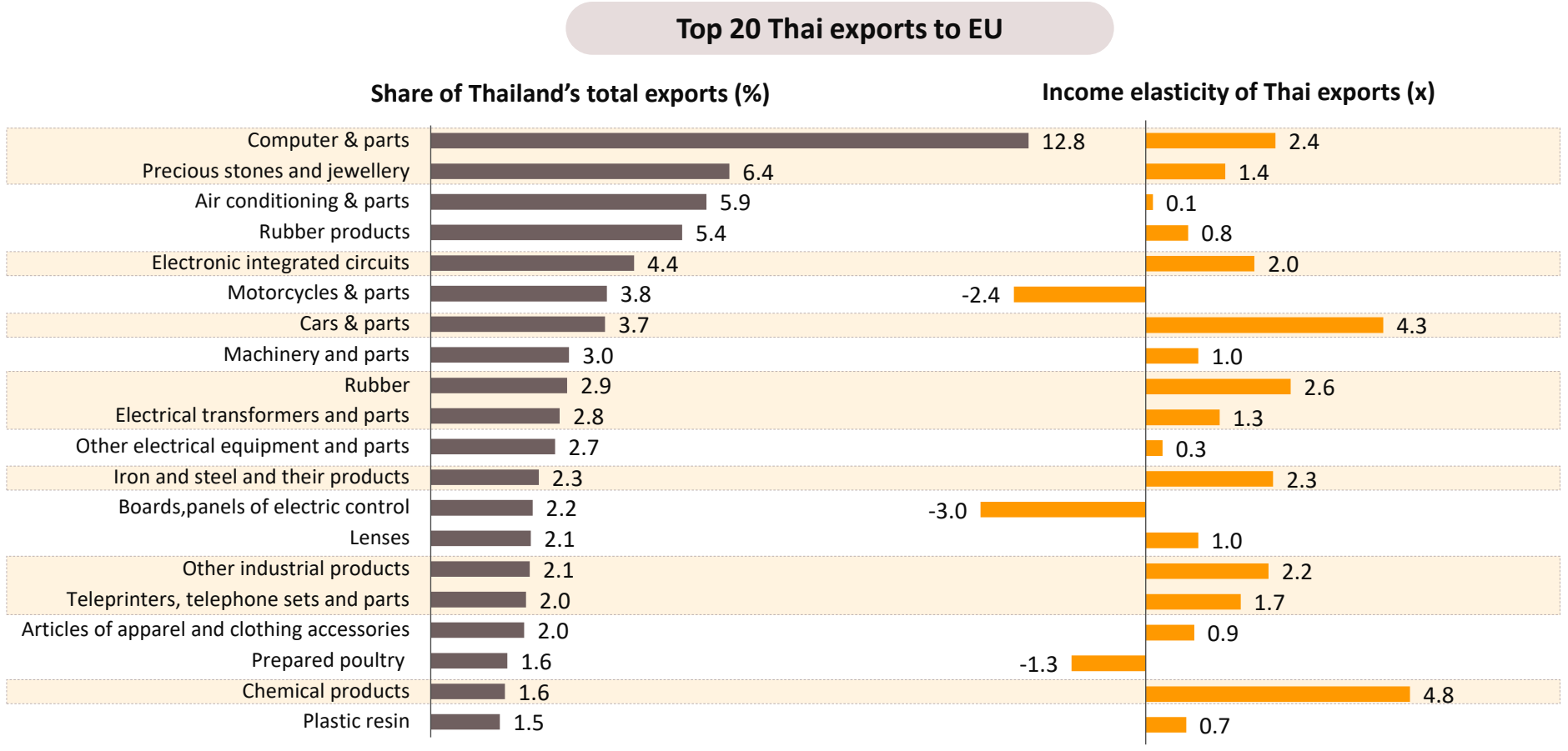
Most of Thailand's top export products to the US (26% of exports) show strong elasticity to US GDP growth (more than 1). They include **Rubber products**, **Precious stones and jewelry**, **Iron and steel and related products**, **Machinery & parts**, **Semi-conductor devices, transistors and diodes**, **Apparel and cloth accessories**, and **Electronic integrated circuits.** That means the US economic slowdown would have a significant impact on these products. Although there are expectations slower US growth would drag Thai exports this year, *the overall* inelastic demand (0.88) for Thai goods implies that Thai exports to the US could slow down but would not see a sharp contraction for the year.



Source: MOC, Krungsri Research

Exports to EU remain challenging despite lower recession risk in that region

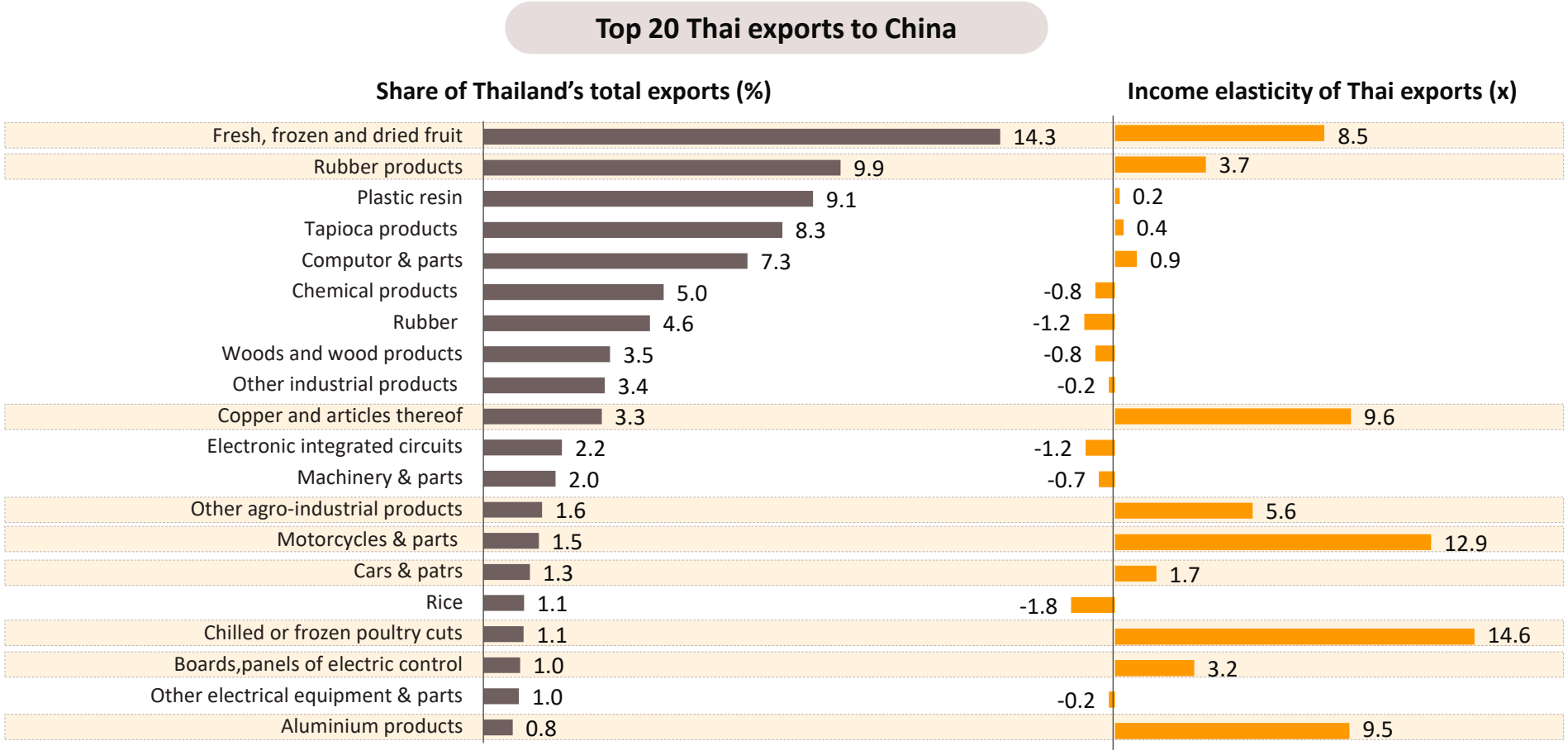
The top Thai exports to Europe (38% of exports) register high elasticity to EU GDP growth (more than 1). They include **Computer & parts, Precious stones and jewelry, Electronic integrated circuits, Cars & parts, Rubber products, Electrical transformers and parts, Iron & steel and related products, Other industrial products, Teleprinters, telephone sets & parts, and Chemical products.** That means a weak EU economy would have substantial impact on these products. Although there is lower recession risk in Europe early this year, stubbornly-high inflation, tightening financial conditions, and the recent troubles in financial markets will continue to cap overall economic growth. Thai exports are sensitive to EU GDP growth with elasticity of demand at 1.59, which means Europe's market would be challenging for Thai exports in 2023.



Source: MOC, Krungsri Research

Exports to China should gain traction led by key products, especially those high elasticity to Chinese demand

Thailand's top exports to China (35% of exports) have registered high elasticity to China GDP growth (more than 1). They include **Fresh, frozen and dried fruit**, **Rubber products**, **Copper and articles, Other agro-industrial products, Motorcycle & parts**, **Cars & parts**, **Chilled or frozen poultry cuts**, **Board & electric control panels**, and **Aluminum products.** That means if there is rising pent-up demand in China, these products would be the first gain traction. However, in term of total exports or broad-based growth, China reopening will not help much as Thai exports are less sensitive to China's GDP growth (0.52), which means a 1% growth in China GDP would boost Thai exports to China by only 0.52%.



Source: MOC, Krungsri Research

Key export products to major markets with high elasticity to respective GDP growth (>1)

Goods (% share of total Thai exports in 2022)	**US: Economic Slowdown** (2023F GDP +1.4% vs +2.1% in 2022)	**EU: Stagnant growth** (2023F GDP +0.7% vs +3.5% in 2022)	**China: Reopening effect** (2023F GDP +5.2% vs +3.0% in 2022)
Cars & parts (9.8%)	✓		✓
Computer & parts (7.8%)		✓	
Precious stones and jewellery (5.3)	✓	✓	
Rubber products (4.8%)	✓		✓
Chemical product (3.3%)		✓	
Electronic integrated circuits (3.3%)	✓	✓	
Machinery & parts (3.1%)	✓		
Iron and steel & their products (2.4%)	✓	✓	
Fresh, frozen and dried fruit (2.0%)			✓
Teleprinters, telephone sets & parts (1.9%)	✓	✓	
Rubber (1.8%)		✓	
Motorcycles & parts (1.3%)			✓

Source: Krungsri Research

Key takeaways

- Given positive global growth with China's reopening, **Thai export growth would decelerate but not contract sharply for the year. However, risk to export outlook is tilted to the downside.**
- Tightening of financial conditions, higher risk to financial sector and stubbornly high level of underlying prices would rein-in growth in advanced economies, especially the US and Europe. That would drag Thai exports in 2023.
- **Thai exports to the US would only slow down in 2023, not shrink.**
- Rubber products, Precious stones & jewelry, Iron & steel and related products, Machinery & parts, Semi-conductor devices, transistors & diodes, Articles of apparel & cloth accessories, and Electronic integrated circuits, have **high elasticity to US GDP growth** (more than 1); that means a US slowdown would have significant impact on these products.
- **Thai exports are sensitive to EU GDP growth with** elasticity of demand at 1.5. Given risk of stagnant growth in Eurozone this year, that market would remain challenging for Thai exports.
- Computer & parts, Precious stones & jewelry, Electronic integrated circuits, Cars & parts, Rubber, Electrical transformers & parts, Iron & steel and related products, Other industrial products, Teleprinters, telephone sets & parts, and Chemical products, have **high elasticity to EU GDP growth** (more than 1). That means a weak EU economy would have substantial impact on these products.
- **China's reopening could support Thai exports, led by some key products.** However, that will not help much as Thai exports to China is inelastic at only 0.52.

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