

krungsri Research

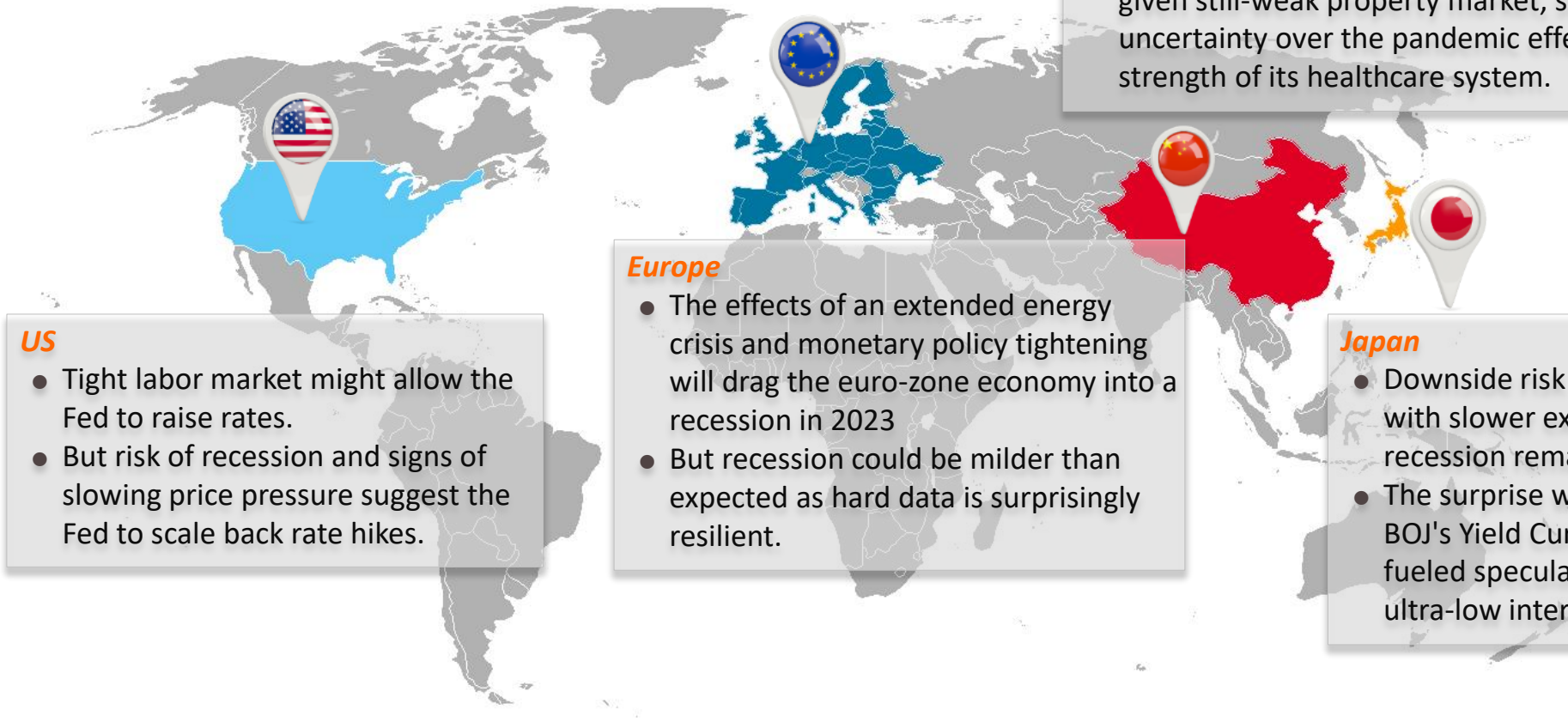
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MONTHLY ECONOMIC BULLETIN

January 2023

Krungsri Research

Global: China reopening could be a game changer or create greater uncertainty



China

- A shift in its Covid policy would brighten economic prospects, led by a rebound in private consumption.
- However, the pace of recovery could remain fragile given still-weak property market, slowing exports, uncertainty over the pandemic effects, and the strength of its healthcare system.

US

- Tight labor market might allow the Fed to raise rates.
- But risk of recession and signs of slowing price pressure suggest the Fed to scale back rate hikes.

Europe

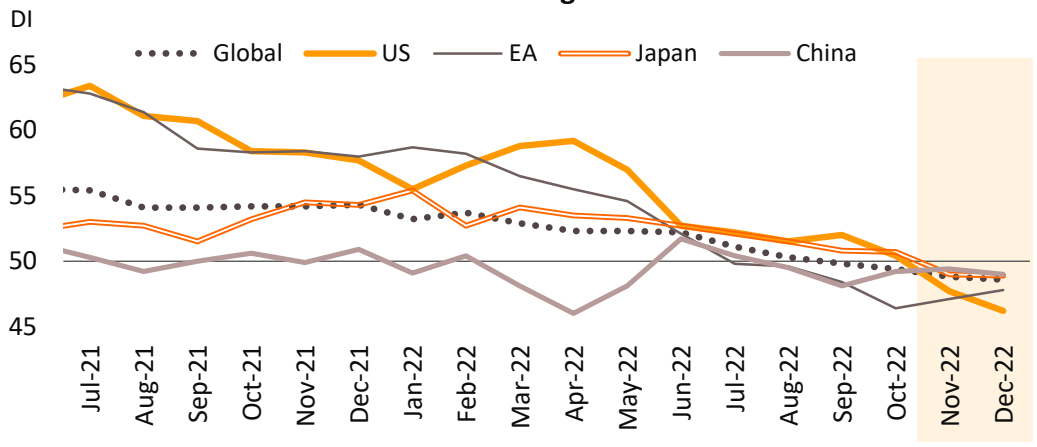
- The effects of an extended energy crisis and monetary policy tightening will drag the euro-zone economy into a recession in 2023
- But recession could be milder than expected as hard data is surprisingly resilient.

Japan

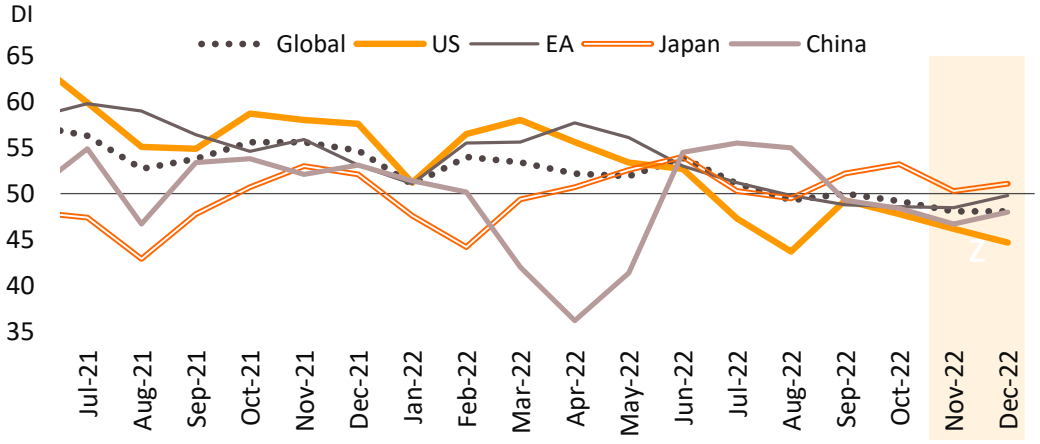
- Downside risk has risen along with slower export growth but a recession remains unlikely.
- The surprise widening of the BOJ's Yield Curve ceiling has fueled speculation of the end of ultra-low interest rates.

Global activity indices show signs of recession; China's reopening may have limited impact on global growth and inflation given modest savings rate and easing supply disruption

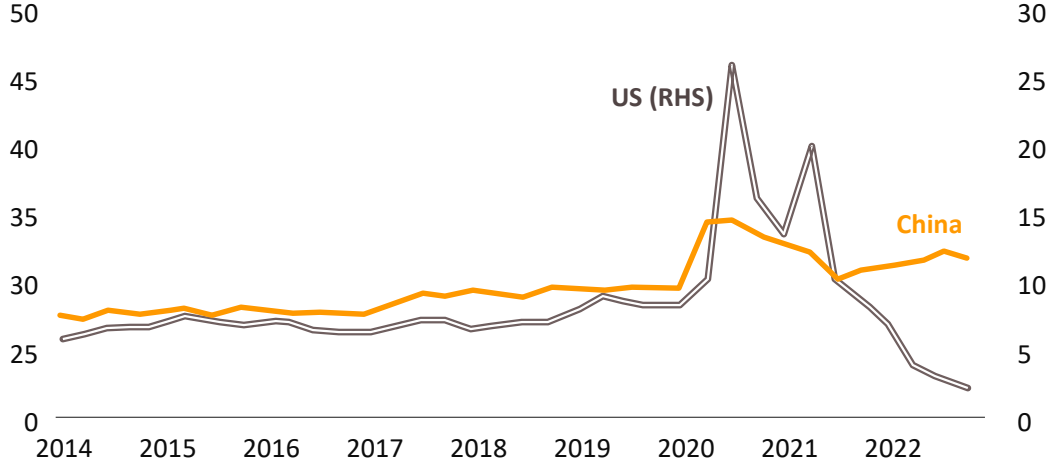
Manufacturing PMI



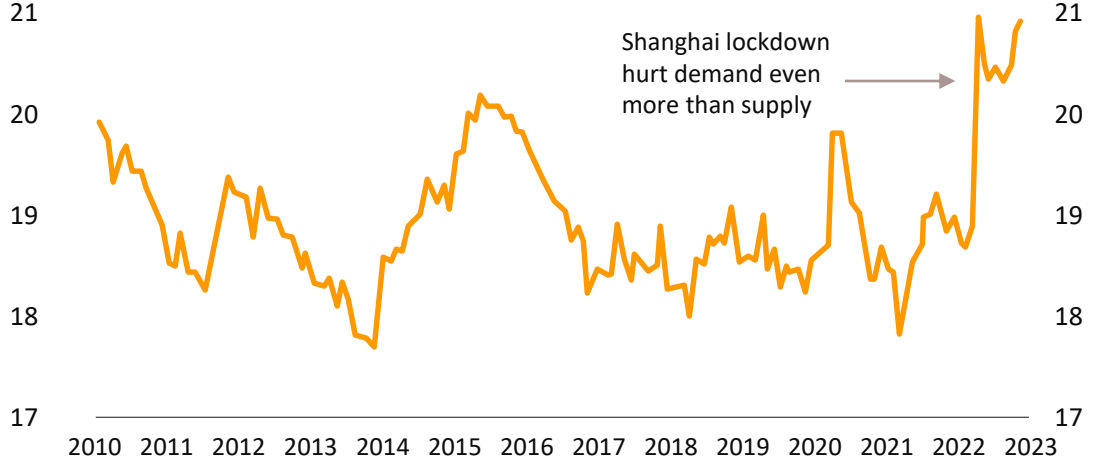
Services PMI



Household savings rate in China and US (%)

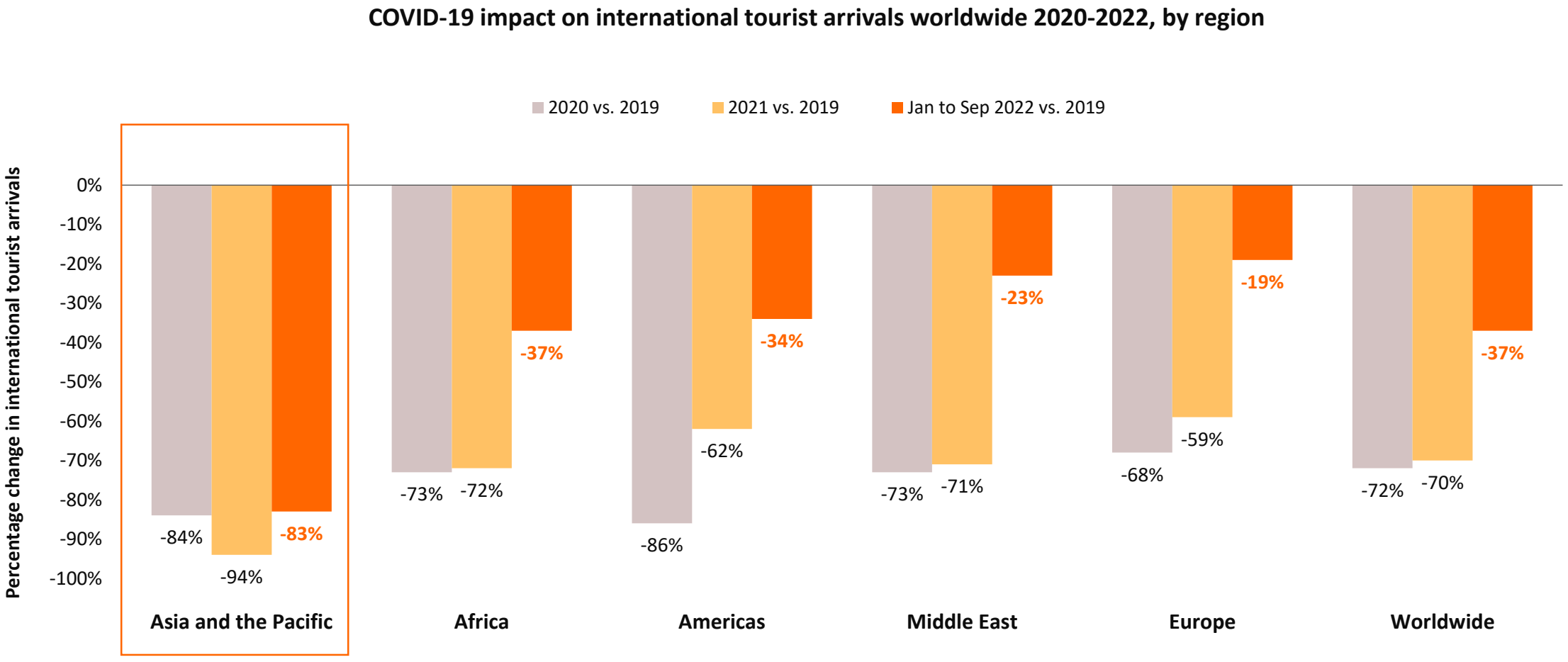


Chinese finished goods inventories (days of sales, seasonally adjusted)



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

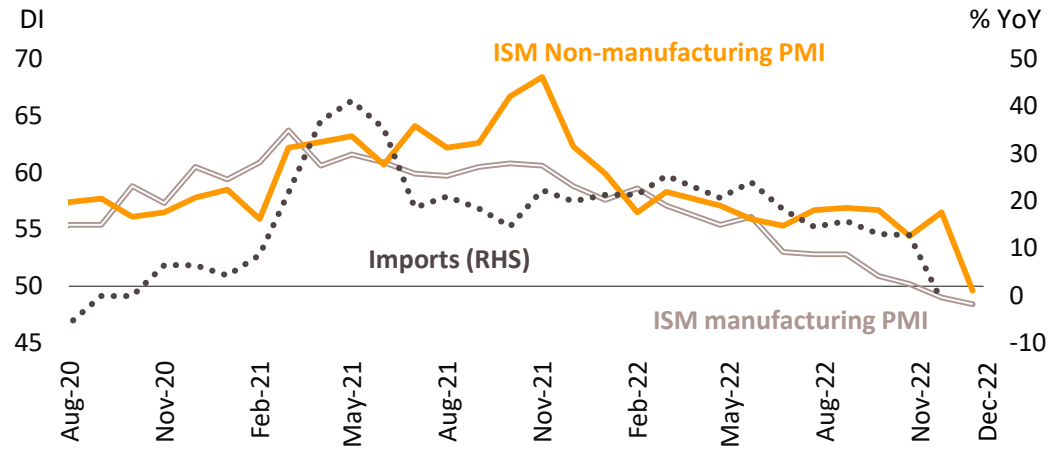
There is room for international tourist arrivals to improve in Asia Pacific region because it had been weaker than in other regions for almost three years



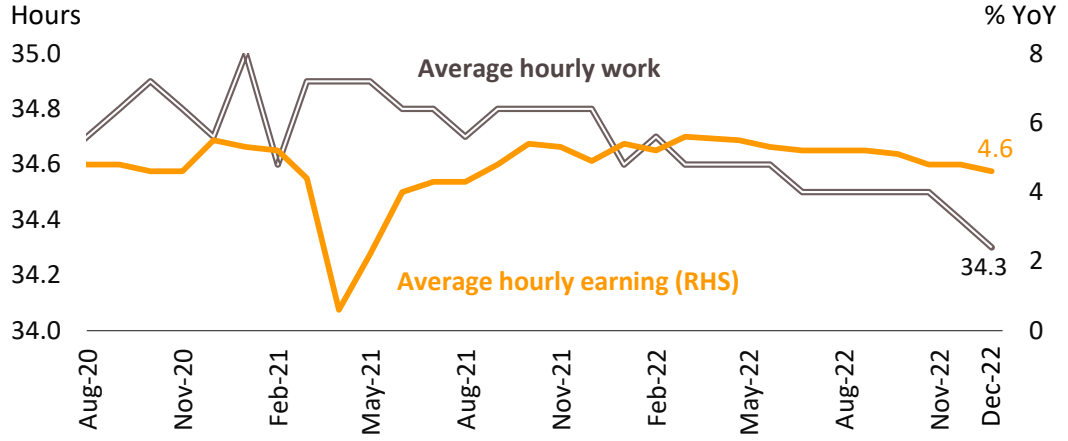
Source: Statista, Krungsri Research

US: Tight labor market might allow the Fed to raise rates but risk of recession and signs of slowing price pressure suggest the Fed to scale back rate hikes

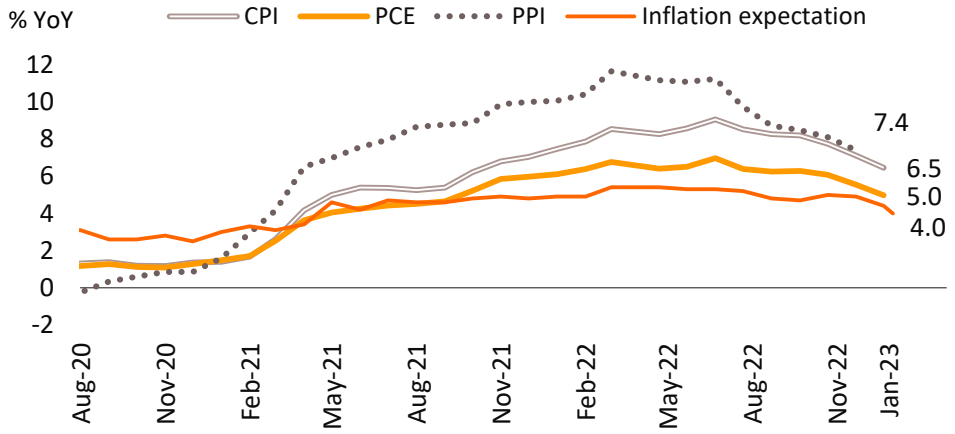
Signs of recession: ISM manufacturing, non-manufacturing and imports



Average hours worked and average hourly earnings



Signs of slowing inflation:
CPI, PCE, PPI, and year-ahead Inflation expectation



Source: Bureau of Labor Statistics (BLS), Federal Reserve, University of Michigan, Bloomberg, Krungsri Research

Krungsri Research's view

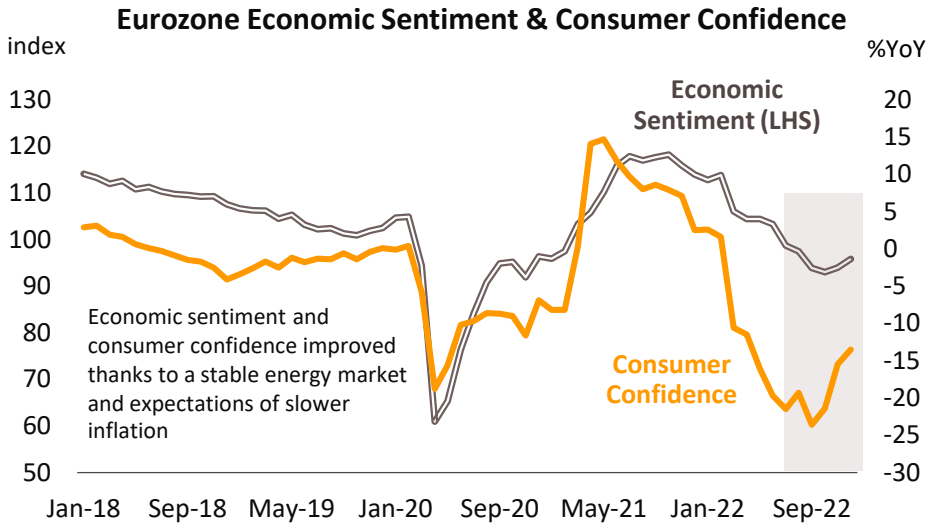
- **The tight labor market might allow the Fed to maintain a restrictive monetary policy this year.** Both ADP Employment Change and growth in non-farm payrolls in December beat analysts' expectations at 235,000 and 223,000, respectively. Unemployment rate also fell to a 5-decade low of 3.5% in December.
- **However, after delivering four 75-bp rate hikes and a 50-bp hike to 15-year high rates in 2022, the FOMC might scale back rate hikes for these reasons:**

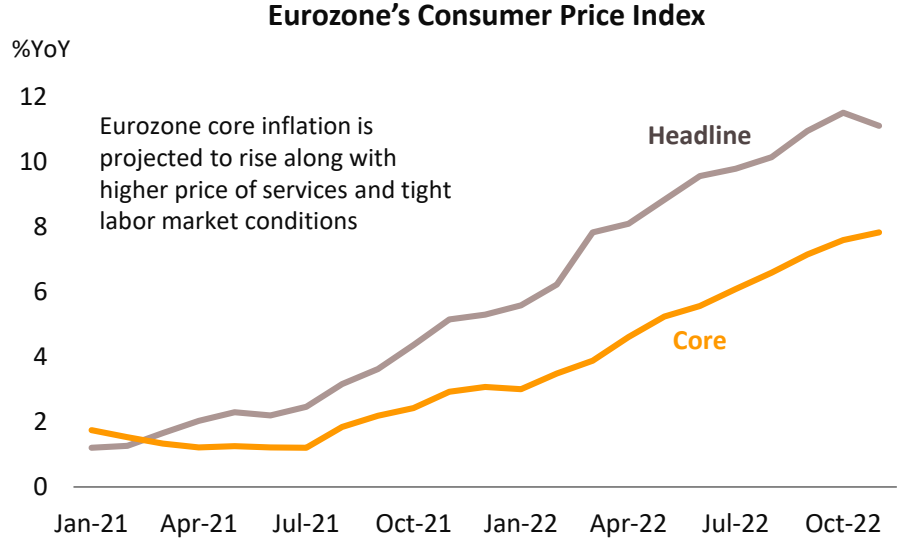
  (i) Labor market would weaken in the period ahead with a decline in **average hours worked**, an increase in part-time jobs, and a drop in full-time jobs, implying lower income ahead.

  (ii) There are more signs of weaker growth or a recession: December ISM Manufacturing data contracted for the second month in a row and ISM Services data contracted for the first time in over 2 years. November imports slid 6.4% and personal savings rate has dropped to almost the lowest since July 2005 at 2.4%.

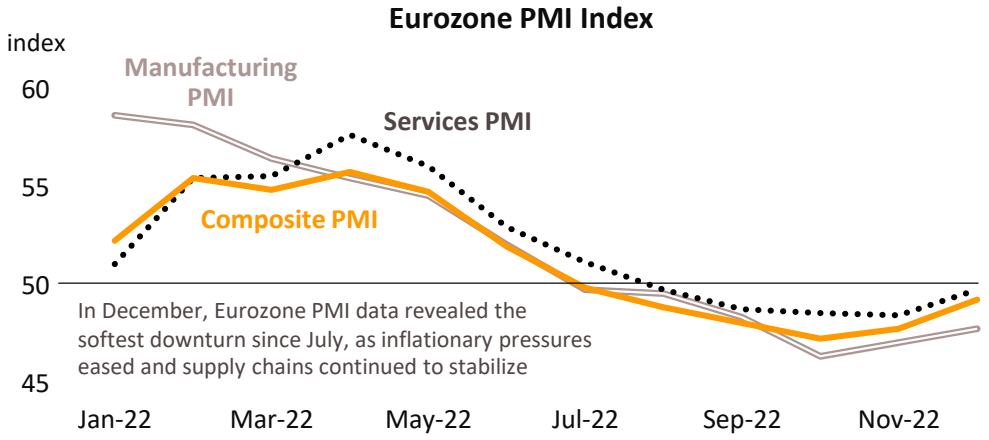
  (iii) Price pressure is easing. Consumer Price Index (CPI) fell 0.1% MoM in December, the first drop in over 2-1/2 years, and rose by 6.5% YoY, the smallest rise since October 2021. PCE and core PCE Inflation also eased in November. Year-ahead inflation expectations preliminary dropped to nearly 2-year low of 4.0% in January from 4.4% in December. Wage growth has been slowing with a weaker gain in **average hourly earnings.** Rising inventories helped to soften price pressure.
- **In our view, the Fed Funds rate might be increased by 25bp each at the next two meetings to near 5% by end-1Q23. While the high rates and further implementation of Quantitative Tightening (QT) are expected to ease inflation, the slower pace of rate hikes should help to prevent the hard landing.**

Europe: Recession may be milder than expected as hard data is surprisingly resilient





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

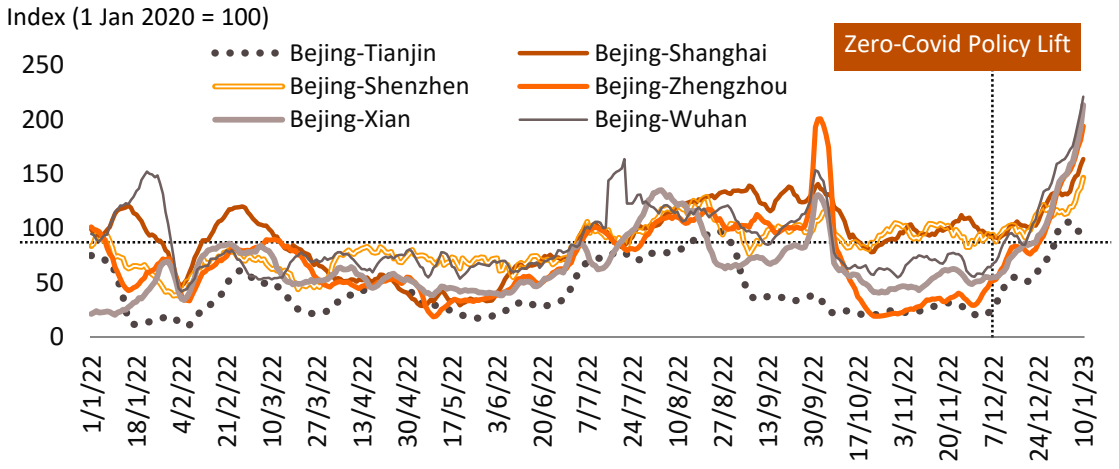


Krungsri Research's view

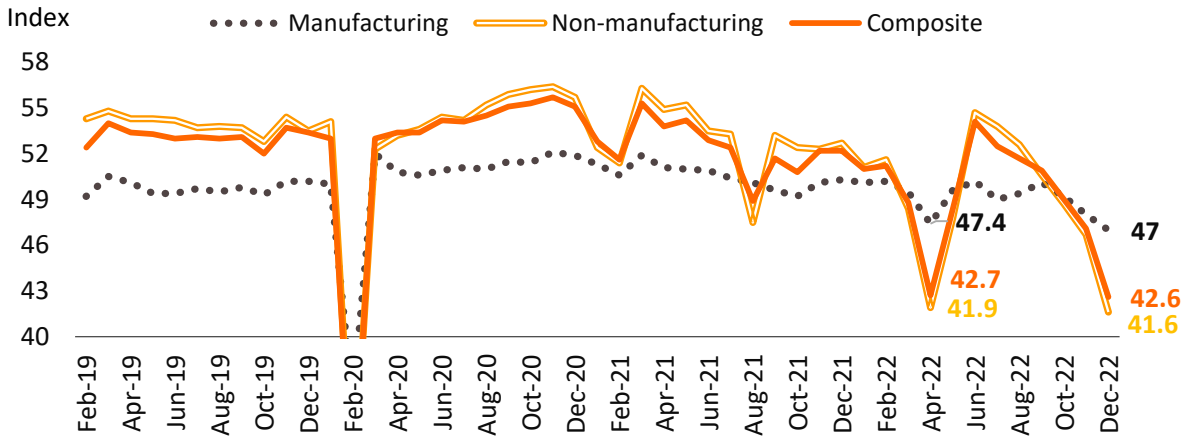
- The effects of an extended energy crisis and monetary policy tightening will drag the euro-zone economy into a recession in 2023, given uncertainty over diplomatic conflicts with Russia. **However, there are more signs suggesting the downturn might be less severe than anticipated.** PMI data had improved in late 4Q22 given lighter business and consumer sentiment, softer energy prices, a warm winter in Europe, strong labor market conditions, and ongoing government support for households and industry; these could help prevent a severe recession in euro-zone.
- **Headline inflation is expected to drop further this year (forecast 5.5% in 2023 vs. 8.4% in 2022), mainly due to softer energy prices and high-base effect. However, there is lingering risk that inflation would remain high in 2023, given:** (i) America will be more hesitant to tap on its Strategic Petroleum Reserve (SPR) which has depleted sharply since the Russian invasion of Ukraine in early 2022; (ii) recovery in Chinese oil demand post-COVID reopening; and (iii) more demand from Europe in a competitive market to refill its gas reserve for the next winter.
- **Core inflation would also remain higher (forecast 5.0% in 2023 vs. 4.0% in 2022)** due to rising price of services and tight labor market conditions in the **euro-zone economy (shortage of workers) which will make firms reluctant to lay-off employees despite risk of a recession around the corner**. This suggests wages would increase to make up for a drop in real income, and this could prompt authorities to keep interest rates high to fight inflation.
- **To restore price stability, the ECB is expected to continue to raise policy interest this year, possibly with quantitative tightening (QT) in the middle of the year,** to bring down inflation. The trade-off would be weaker economic growth. Against this backdrop, we expect the ECB's deposit rate to rise to 3.00% in the first half of 2023 and stay at that level the rest of the year.

China: A shift in Covid policy would brighten economic prospects led by a rebound in private consumption, but there are still risks

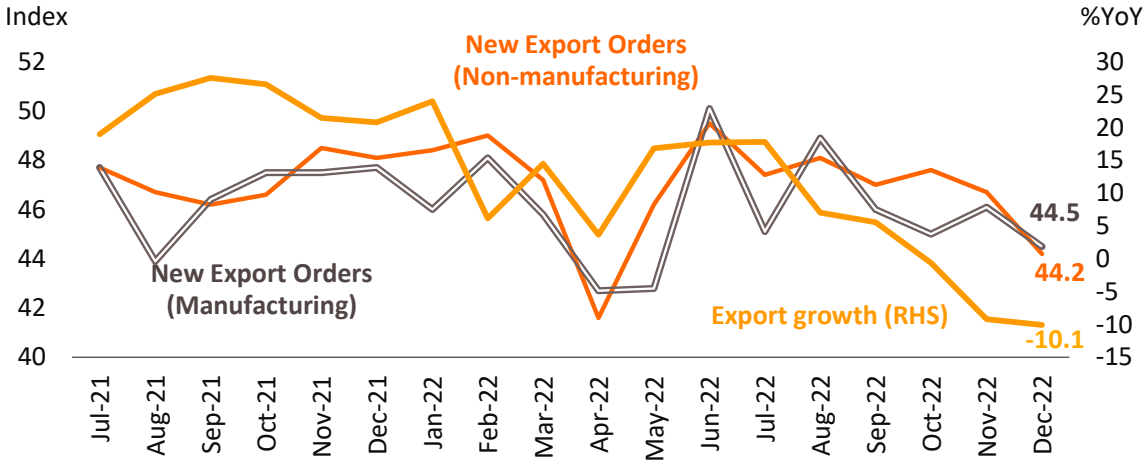
Cross-City Highway Traffic Mobility Index



Purchasing Managers' Index



New Export Orders Index and Export Growth

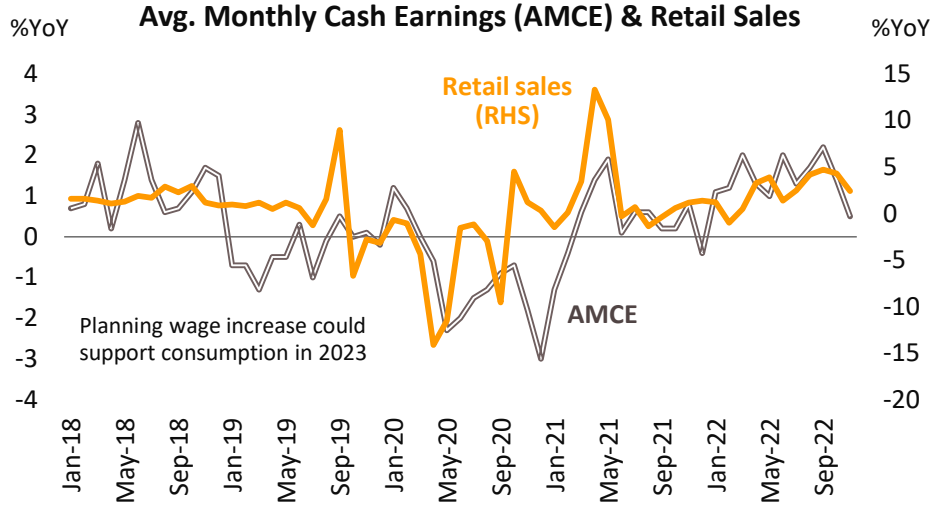


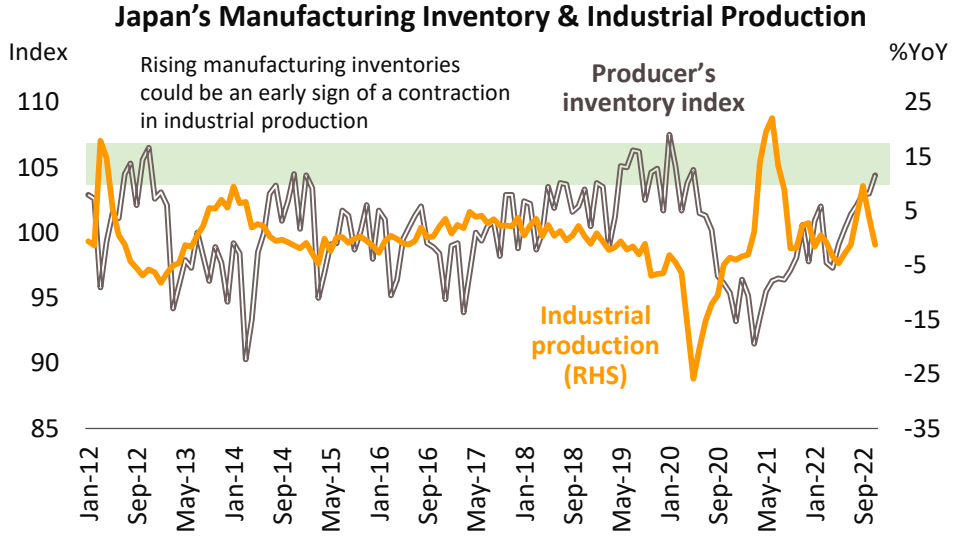
Source: National Bureau of Statistics, Bloomberg, China Real Estate Information Corp., China National Health Commission, BBC, CEIC, Krungsri Research

Krungsri Research's view

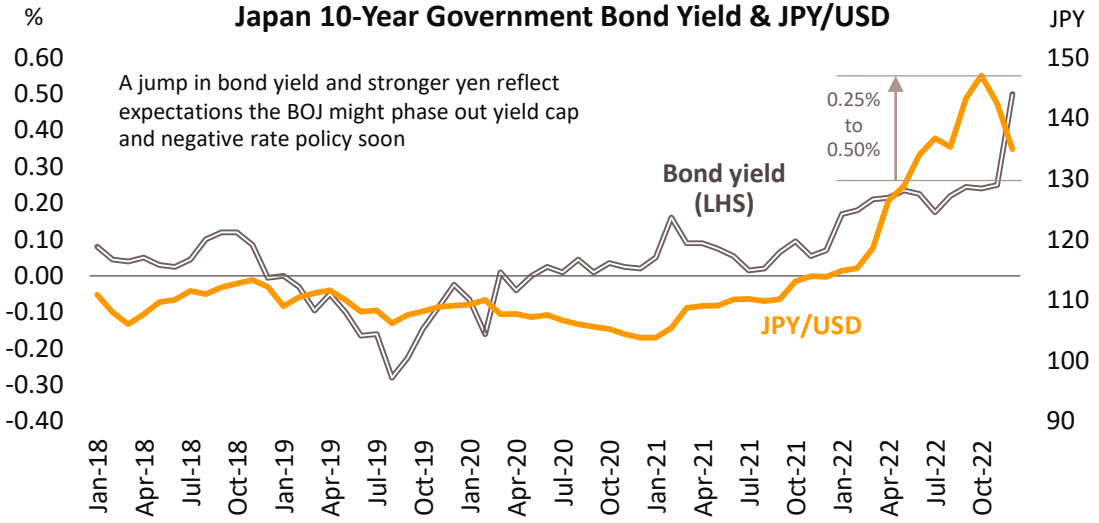
- **After unprecedented mass protests in major cities, China reversed its Zero-Covid policy at the beginning of December, earlier than expected. However, China's economic growth is expected to be around 3% in 2022,** falling short of the IMF's forecast of 3.2%, due to widespread lockdowns in Q4. This year, with the country reopening on January 8 and Lunar New Year festivities along with a rebound in cross-city travel, **economic activity would improve in January. However, there is uncertainty for the rest of the first quarter** following a surge in covid cases. *Airfinity* projected China's Covid-19 cases would reach 3.7 million per day in January with 25,000 deaths per day and rise to 4.2 million in March.
- **The property market will continue to deteriorate despite introducing new measures in November to improve developers' liquidity.** Total new home sales of the top 100 developers had continued to drop, the contraction accelerating from -25.5% in November to -30.8% in December. **That prompted the government to issue more rescue packages in January**, including easing borrowing restriction, reducing mortgage rates and payment ratios for first-time home buyers, capping real estate agents' commission at 2.0-2.5%, and resuming approvals for new private equity funds after a two-year suspension. **We expect these to slow down the downcycle in the real estate sector, but visible signs of recovery are unlikely to reappear before 2Q23.**
- Given persistent weakness in the real estate sector and slowing global demand in 2023, **China's economic recovery would have to be driven by a rebound in domestic consumption and infrastructure spending. Assuming China is unlikely to impose strict lockdowns again, domestic consumption should resume its potential growth trajectory in 2Q23** after Covid-19 cases peak in March. However, the pace of recovery could remain fragile given uncertainty over the pandemic effects, effectiveness of vaccines, and the strength of its healthcare system.

Japan: Downside risk increases as export growth slows, but recession remains unlikely





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



Krungsri Research's view

- **In 2023, Japan's economy could see greater downside risk as high global inflation, lingering geopolitical risks, and cooling demand from trading partners, point to a sharp slowdown in exports ahead.** Softer global demand had caused exports and business investments to slow down in 2022. Indeed, Japan recorded the slowest export growth in four months and there were negative readings for PMIs and industrial production in late 4Q22. Meanwhile, manufacturing inventories had risen for more than 2 quarters, an early sign of excess supply and a possible contraction in industrial production ahead, which could hurt the wider economy.
- **Nonetheless, there is smaller risk of a recession in Japan in 2023. This is supported by healthier domestic consumption, premised on the following:** (i) household spending would continue to grow strongly amid high savings rates and public subsidy for household energy bills; (ii) the government is urging firms to raise wages to compensate for the worst real income in eight years; and (iii) the release of pent-up demand since reopening, which could continue to underpin growth ahead. Against this backdrop, **we expect Japan's economy to continue to grow at a moderate pace in 2023.**
- Despite softer global inflation, **Tokyo consumer prices remained robust at 4% YoY in December, the strongest in 40 years**, as the country continued to struggle with high raw material costs and a weaker yen. This suggests price pressures may be entrenched in Japan, raising expectations the Bank of Japan (BOJ) will eventually unwind its ultra-easy policy this year to meet its 2% inflation target.
- **Under mounting political pressure to reduce inflation**, the surprise widening of the BOJ's Yield Curve ceiling from +/-0.25% to +/-0.50% at the December meeting has fueled speculation of the end of ultra-low interest rates and quantitative easing on the horizon, particularly once Kuroda's successor takes over in April, as reflected in the jump in 10-year bond yield and a stronger yen recently.

Thailand: Balanced upside and downside risks; maintain 2023 economic growth forecast at 3.6%

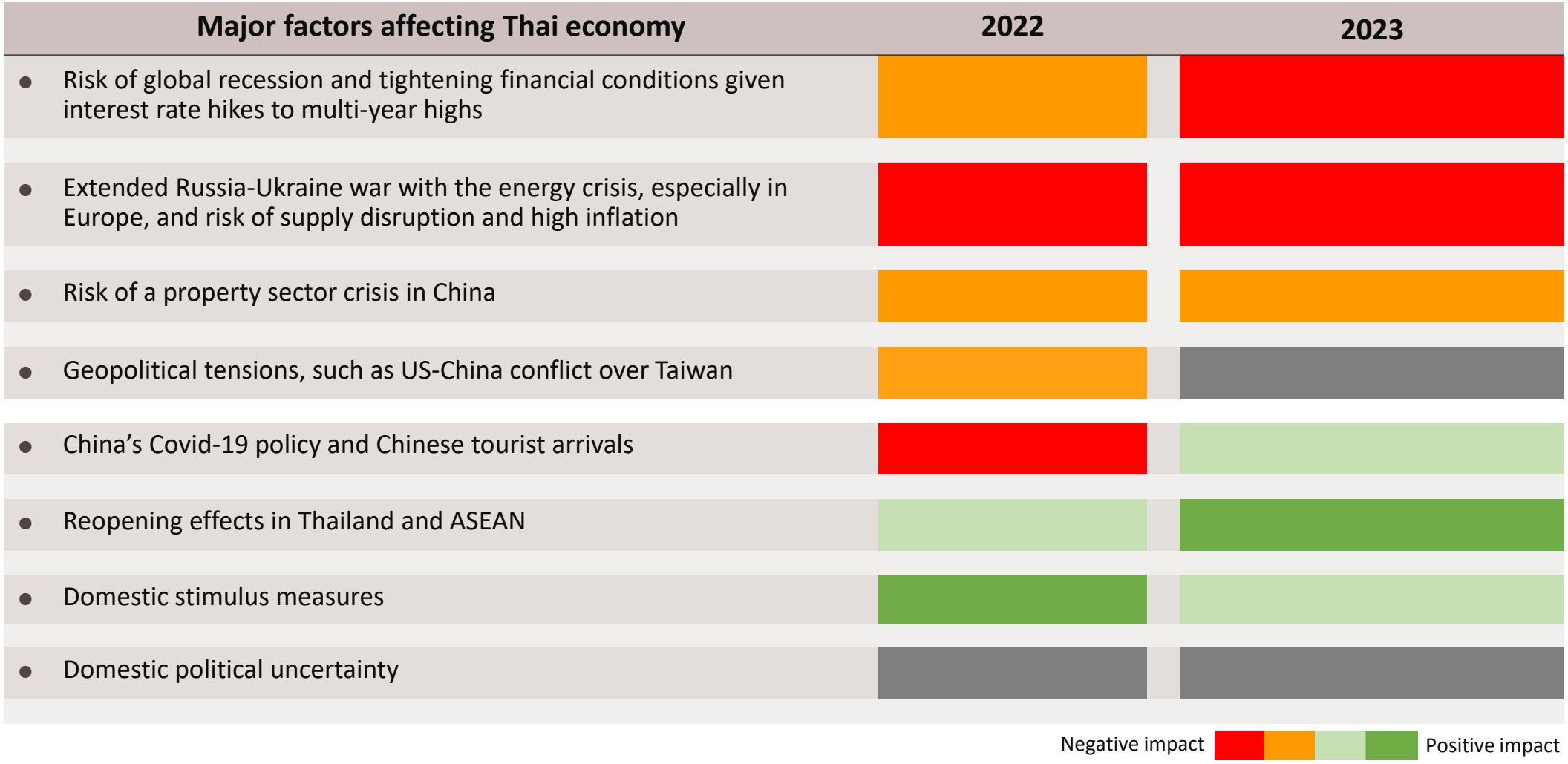
- Recovery in tourism and domestic activities is gaining traction but more pronounced slowdown in the global economy could rein in Thai exports.
- China's hasty reopening will boost tourist arrivals; **Thailand is now expected to welcome 25-28 mn foreign tourist arrivals this year instead of 22.7 mn.**
- Private consumption would be supported by recovering tourism activity, improving employment, and stimulus measures.
- Thai export growth has weakened drastically in line with the global and trading partners' economies. **Krungsri Research has revised down 2023 forecast export growth (by value) to a marginal 0.5%.**
- Headline inflation would remain high in early 2023 due to higher electricity bills and public transportation costs but it is expected to soften to an average of 2.5% for this year.
- **We expect two more rate hikes this year to 1.75%** amid softening inflation and a stronger baht; Thailand's economic recovery may not be strong enough to allow aggressive rate hikes.

Krungsri Research Forecasts for 2022-23

Krungsri Research Forecast		2021	2022F	2023F	2023F
GDP growth	YoY (%)	1.5	3.2	3.6	3.6 =
Private Consumption Expenditure	YoY (%)	0.3	5.7	3.4	3.5 ▲
Government Consumption Expenditure	YoY (%)	3.2	-0.5	0.6	0.6 =
Private Investment	YoY (%)	3.3	3.5	3.8	3.8 =
Public Investment	YoY (%)	3.8	-1.0	3.0	3.0 =
Nominal Exports in USD (f.o.b.)*	YoY (%)	19.2	6.0	3.5	0.5 ▼
Nominal Imports in USD (f.o.b.)*	YoY (%)	27.7	16.0	6.0	1.0 ▼
Current Account Balance	USD, bn	-10.6	-17.5	6.0	8.0 ▲
Tourist Arrivals	Mn, persons	0.4	11.1	22.7	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

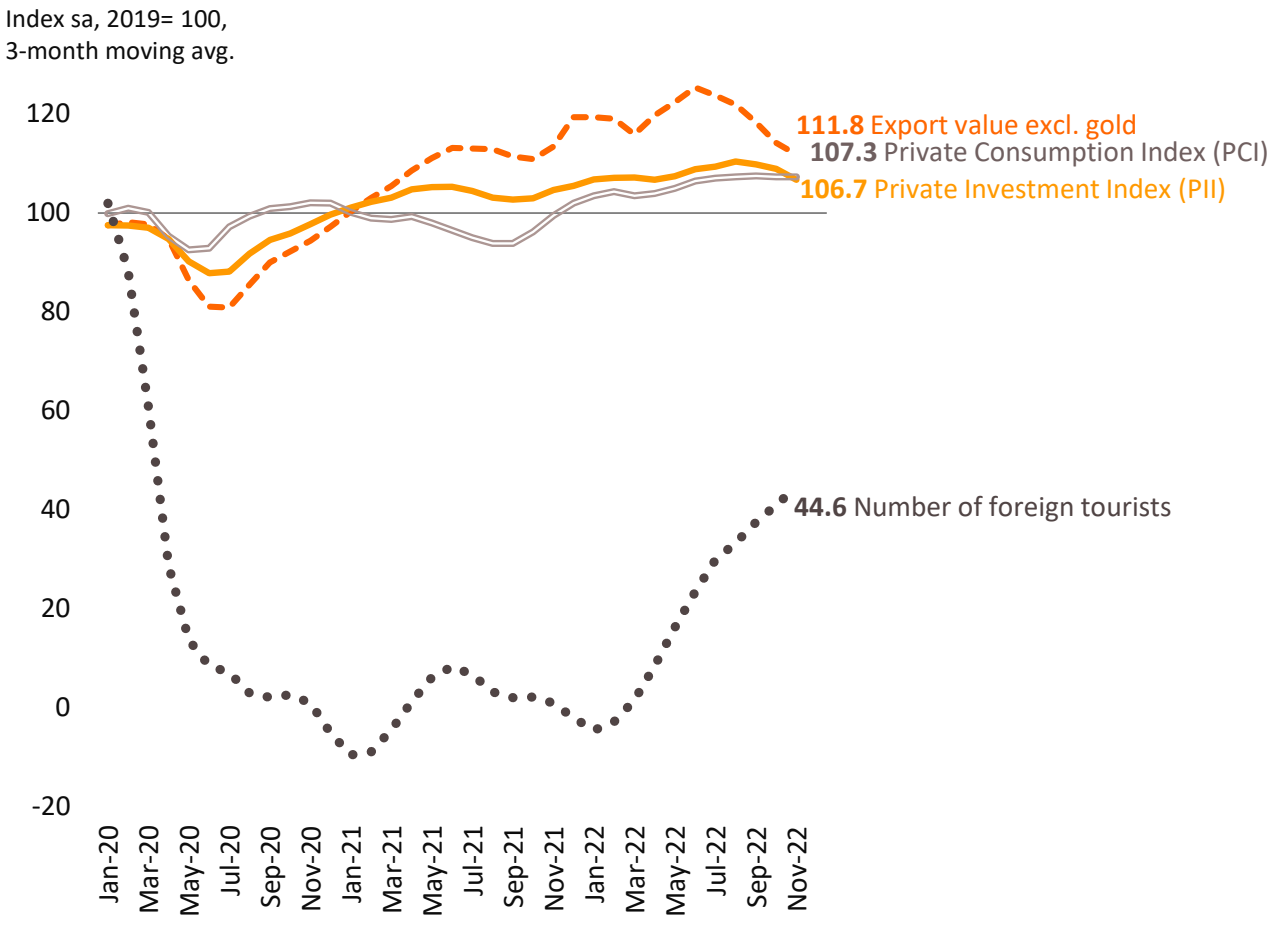
Key factors in 2023: Downside risks from weakening global growth and tightening financial conditions; upside from reopening in China and Thailand



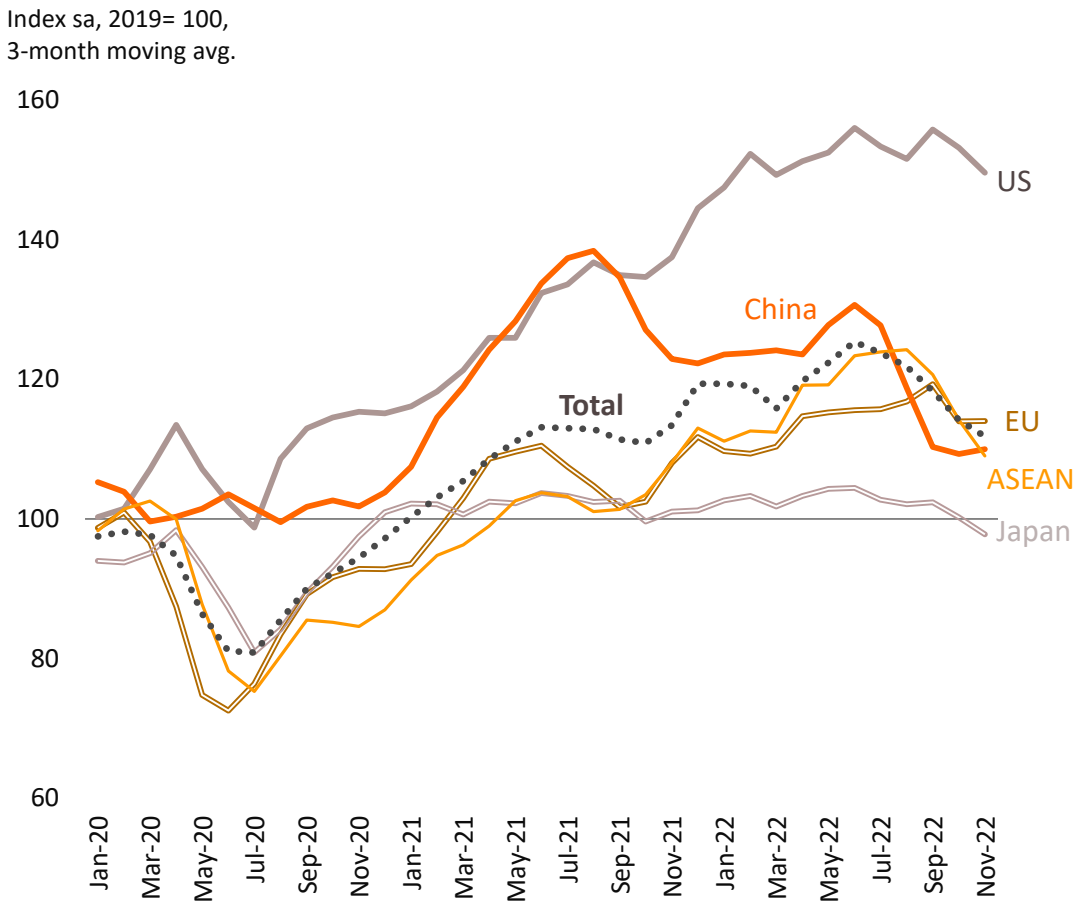
Source: Krungsri Research

Tourism and domestic economic activities are gaining traction but more pronounced slowdown in the global economy could rein in Thai exports

Thailand's key indicators



Thailand's exports by destination

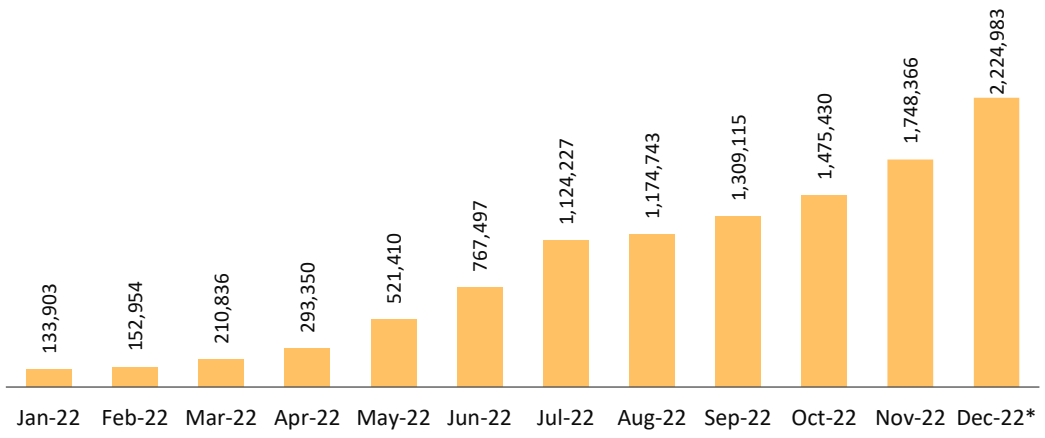


Source: BOT, CEIC, Krungsri Research

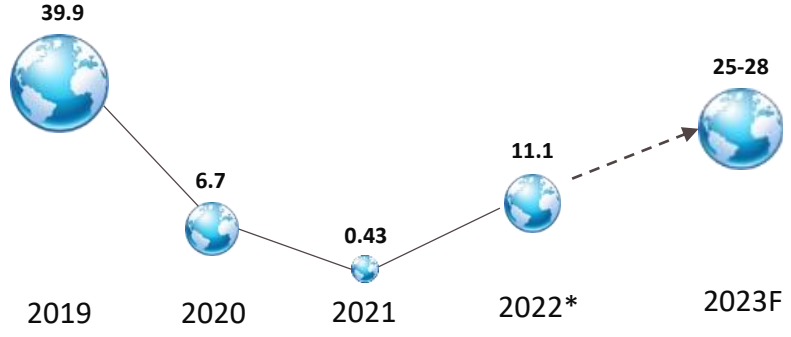
Tourism sector: China's hasty reopening will boost tourist arrivals; We now expect 25-28 mn foreign tourist arrivals to Thailand this year instead of 22.7 mn

In 2022, foreign tourist arrivals reached 11.1 mn, higher than expected and a major improvement from 0.43 mn in 2021. That was supported by relaxation of international travel restriction as the pandemic eased. Most of the tourists were from short haul destinations in Asia. The number of long-haul visitors from the US and Europe improved in late 2022. Looking at 2023, given China's earlier-than-expected reopening and removal of quarantine requirements for inbound travelers since January 8**, Krungsri Research has revised forecast tourist arrivals from 22.7mn to 25-28mn**. Initially, the recovery in arrivals from China will be capped by limited flights and continued restrictions on outbound tours from China. This suggests the first arrivals from China will be mostly independent travelers and/or high-income earners, and we would see stronger arrivals in 2H23.

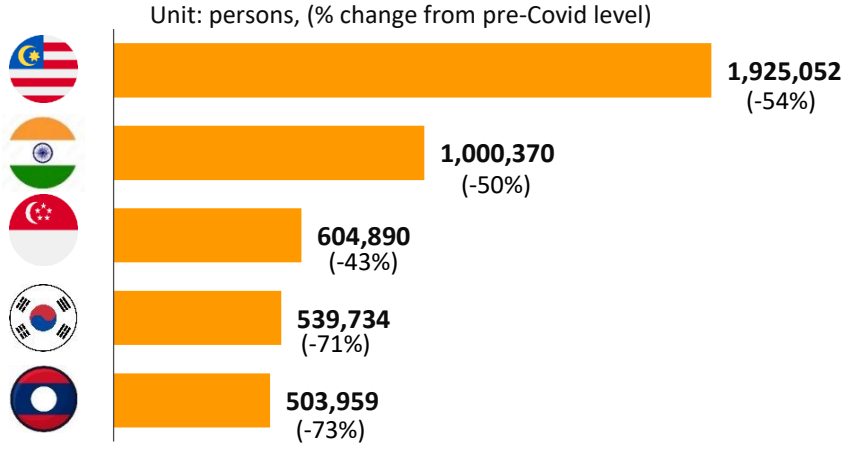
Foreign tourist arrivals (persons)



Forecast for foreign tourist arrivals (person, mn)



Top 5 foreign tourist arrivals by country in 2022*



Top 5 foreign tourist arrivals to Thailand in 2019 (pre-pandemic)

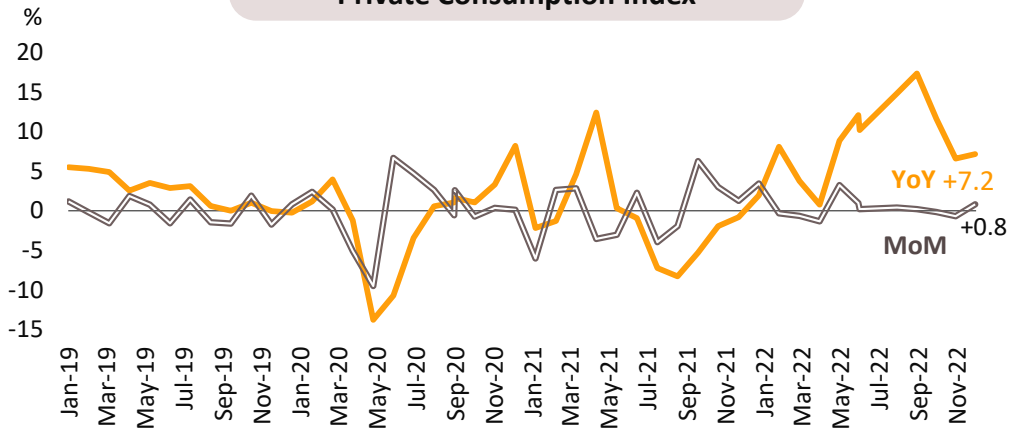
Country	Amount (Person, mn)	Length of Stay (days)	Revenue (THB mn)
China	11.1	7.80	531,576
Malaysia	4.2	4.81	107,457
Russia	1.4	16.94	102,895
Japan	1.7	9.79	93,758
India	1.9	7.43	80,039

Note: * preliminary data; F= forecast by Krungsri Research
Source: MOTS, CEIC, Krungsri Research

Private consumption would be supported by the recovering tourism sector, rising employment, and stimulus measures

In November 2022, the private consumption index rose 7.2% YoY and also improved month-on-month, driven by (i) fading effects of recent flooding, which supported spending on non-durable goods; and (ii) higher spending on services following an increase in foreign tourist arrivals. **In early 2023, purchasing power has also increased supported by improving consumer confidence and continued recovery in the tourism sector, the higher employment** (the number of insured under Section 33 is near pre-COVID level, and **measures to boost spending including** (i) Shop-Dee-Mee- Kuen (personal income tax deduction for spending on eligible goods or services worth up to THB 40,000, valid from 1 January to 15 February this year); and (ii) additional subsidy (THB200 per person in January) for welfare card holders. However, high cost of living will continue to cap consumption.

Private Consumption Index

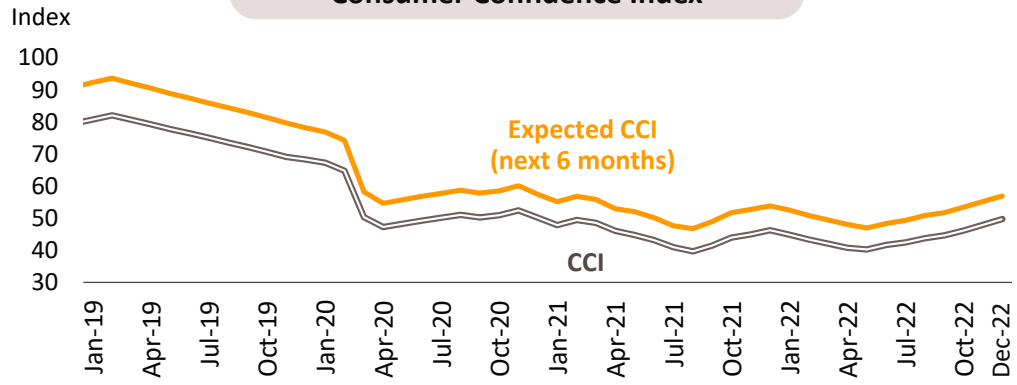


Private Consumption by category

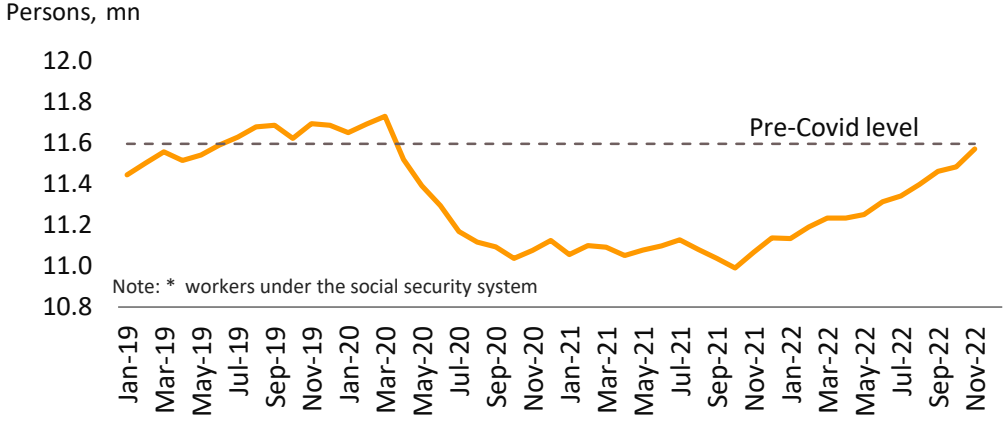
%YoY*	2020												2021												2022										
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
Private consumption																																			
Non-durables																																			
Semi-durables																																			
Durables																																			
Services																																			
Non-residents expenditure																																			

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

Consumer Confidence Index



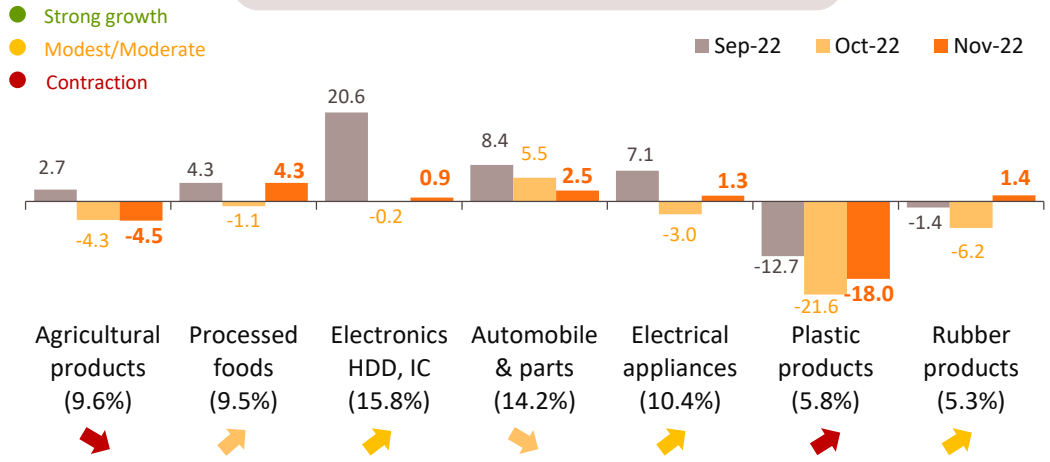
Employees under Section 33*



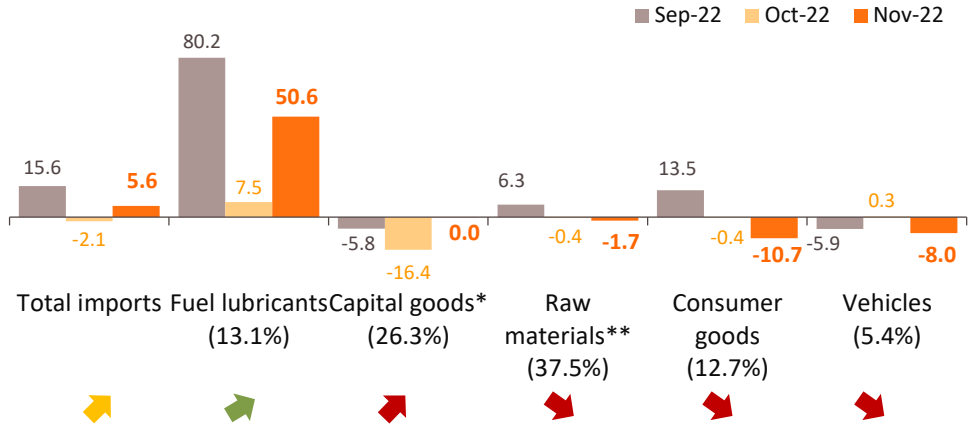
Source: BOT, UTCC, MOL, Krungsri Research

Export growth has decelerated along with the slowdown in global and trading partners' economic activities; Krungsri Research has trimmed 2023 forecast export value to register 0.5% growth

Exports by major product (%YoY)

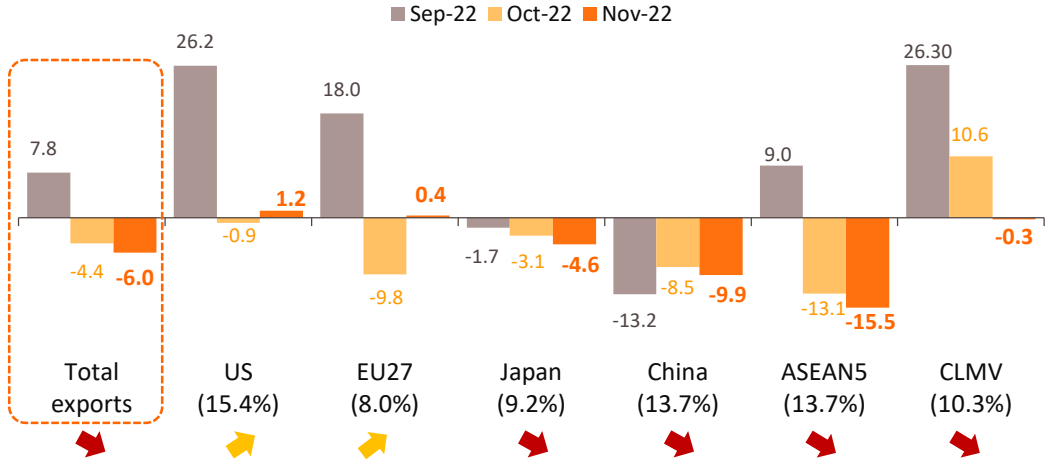


Imports by major product (%YoY)



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

Exports by major destination (%YoY)



Source: MOC, Krungsri Research

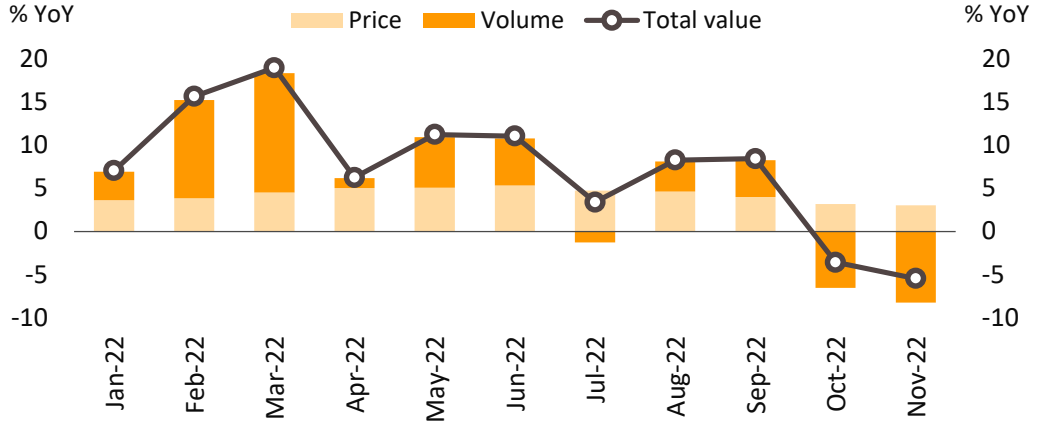
Krungsri Research's view

- **In November, merchandise export value contracted for the second straight month, by 6% YoY to USD22.3 bn.** Excluding oil, gold and weapons, exports fell 2.0%. Export of several agricultural and industrial products fell due to (i) slowing demand in trading partners' economies because of high inflation and effects of multi-year high interest rates in major countries, which have weakening purchasing power; and (ii) sluggish global production as China, a large producer in major supply chains, had imposed strict zero-covid policy.
- **We revised down 2023 export growth forecast to +0.5% vs +3.5% projected earlier** and +6% in 2022. Thai exports have weakened since 4Q22 and is likely to lose momentum this year in line with weaker economic growth globally and among Thailand's trading partners. However, Thai exports could benefit from rising global demand for food items triggered by the extended Russia-Ukraine war. In addition, China's reopening would boost demand for some goods and industrial products.

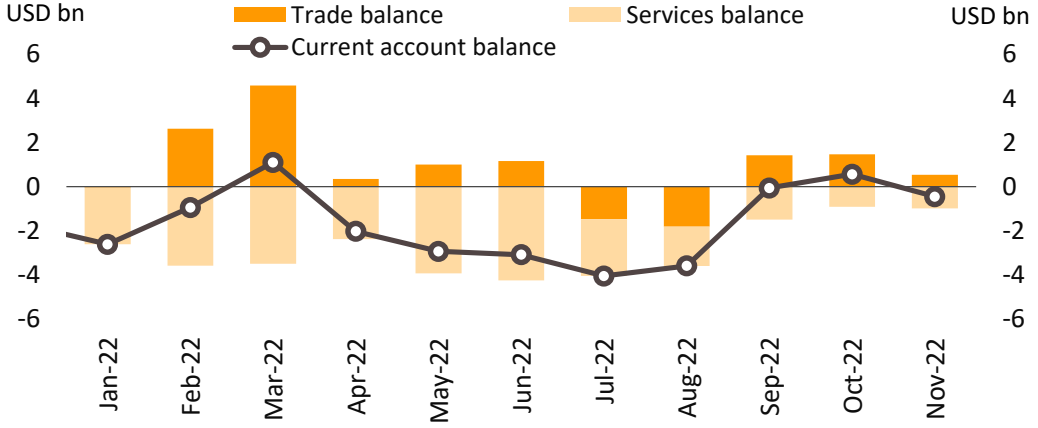
Exports saw gains in some merchandise goods; the country's services balance may improve along with recovering tourism activity which would lift the current account surplus

Export volume tumbled in 4Q22 and is likely to remain weak throughout 2023 despite anticipated improvements following China's reopening. Thai exports would be supported by more shipments of merchandise goods such as food, sugar, electrical appliances, cars & parts, and electronics amid the easing chip shortage situation. In addition, healthier tourism activity after China reopened earlier-than-expected and falling freight rates would strengthen Thailand's services balance. **We now project 2023 current account surplus would increase to USD 8bn instead of USD 6bn.**

Thailand's exports



Current account balance



Exports by major product and destination

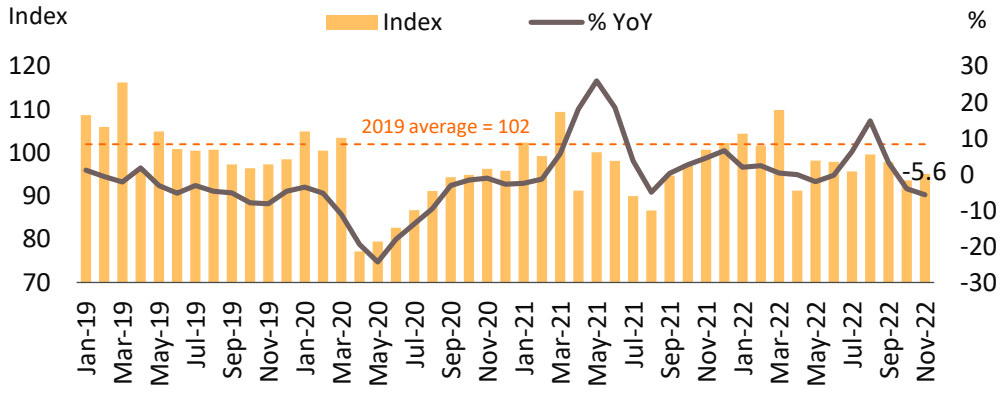
Thailand: November's export growth (% YoY) Note: (% share in 2021)	World	US (15%)	EU (8%)	Japan (9%)	China (14%)	ASEAN-5 (14%)	CLMV (10%)
Total	**-6.0**	**+1.2**	**+3.3**	**-4.6**	**-9.9**	**-15.5**	**-0.3**
Cars & parts (10.7%)	+6	-11	+51	-9	-72	+25	+37
Computer & parts (8.1%)	-21	-11	-29	+3	-37	-25	-29
Rubber products (5.3%)	+1	-23	-7	+2	+55	-2	+9
Plastic resin (4.2%)	-21	-22	-23	-11	-17	-16	-17
Chemical products (3.6%)	-24	-38	-15	-29	-3	-38	-12
Electronic IC (3.1%)	+4	+32	+15	-18	+10	+14	+65
Fresh, frozen & dried fruit (2.2%)	+8	-16	-11	-37	+14	+11	-56
Rubber (2.1%)	-34	-25	-46	+16	-35	-56	-64
Plastic products (1.7%)	-9	+9	+13	-8	-30	-13	-12
Electrical appliances (1.6%)	+26	+54	+24	+44	-17	+24	+3
Tapioca products (1.5%)	+1	-5	+15	+37	-18	+77	+30
Preserved fish, crustaceans (1.3%)	-2	-9	+8	-3	-16	-31	-10
Sugar (1.2%)	+43	-	-	+194	+63	+30	+53
Rice (1.3%)	-5	-13	-54	+81	+44	-10	+11

Source: MOC, BOT, CEIC, Krungsri Research

Manufacturing production would be hurt by weaker exports but supported by recovering economic activity

Manufacturing production index contracted for the second month in a row, by 5.6% YoY, attributed to (i) a drop in HDD and rubber & plastic production in line with slowing external demand; (ii) smaller output of petroleum products because several refineries had closed for maintenance. Overall capacity utilization remained below pre-COVID level but have exceeded pre-COVID levels for some industries, including automotive, IC& semiconductors, pharmaceutical and machinery. **Looking ahead, manufacturing production could face headwinds from a subdued export sector dragged down by a slowdown in economic activities globally and demand among Thailand's major trading partners. However, there are some positives arising from recovering domestic activity and easing chip shortage situation.**

Manufacturing Production Index



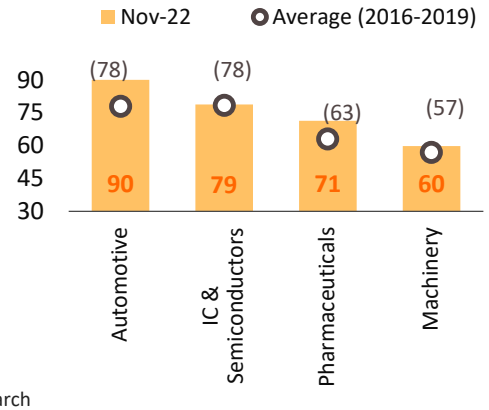
Manufacturing Production Index by sector

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
All industry	100.0%			
Food & Beverages	20.3%			
Automotive	13.8%			
Petroleum	9.5%			
Chemicals	9.1%			
Rubbers & Plastics	8.8%			
Cement & Construction	5.5%			
IC & Semiconductors	5.5%			
Electrical Appliances	3.8%			
Textiles & Apparels	3.5%			
HDD	3.4%			

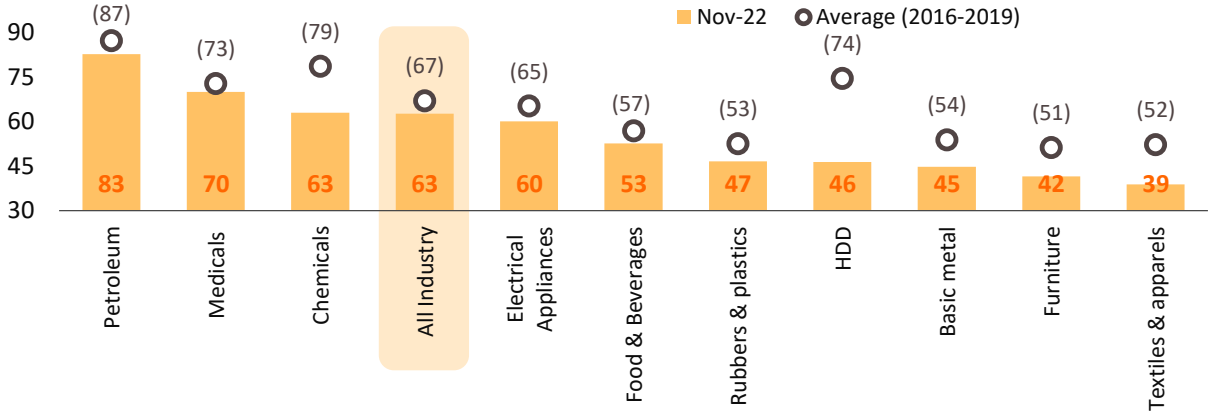
**Green > 0%, Red < 0% / Darker green (red) indicates stronger (weaker) momentum*

Capacity utilization by sector (Index)

Above pre-COVID level



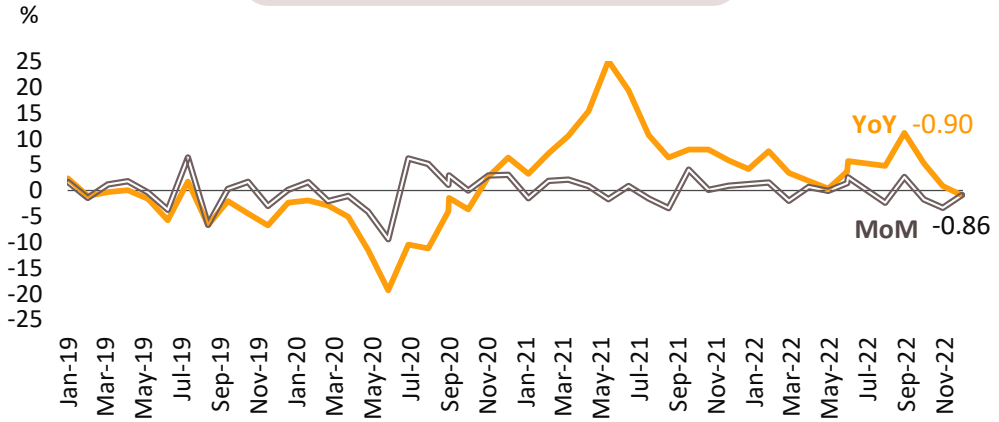
Below pre-COVID level



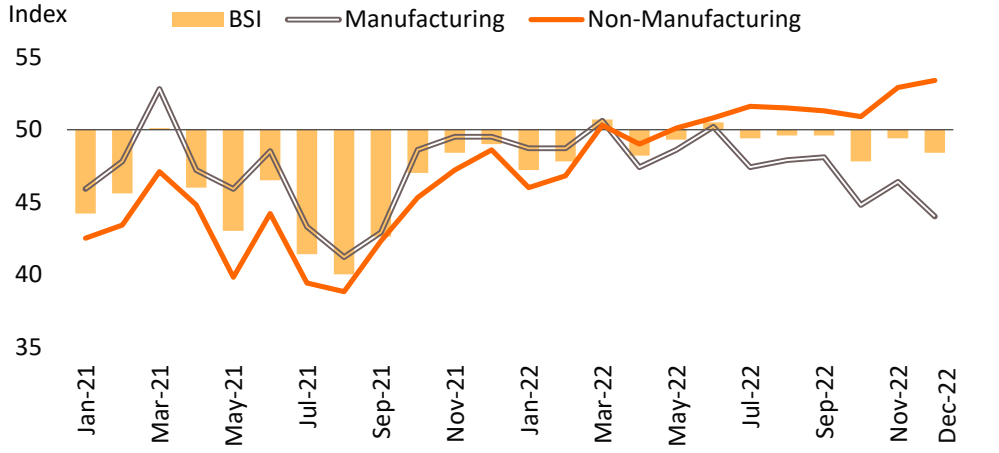
Source: OIE, Krungsri Research

Private investment remained vulnerable due to subdued exports and higher production costs, but would be supported by healthier tourism sector

Private Investment Index



Business Sentiment Index



Private Investment by category

%YoY*	2020												2021												2022											
	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
Private investment																																				
Construction area permitted																																				
Construction material sales																																				
Imports of capital goods																																				
Machinery sales																																				
Newly registered vehicles																																				

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

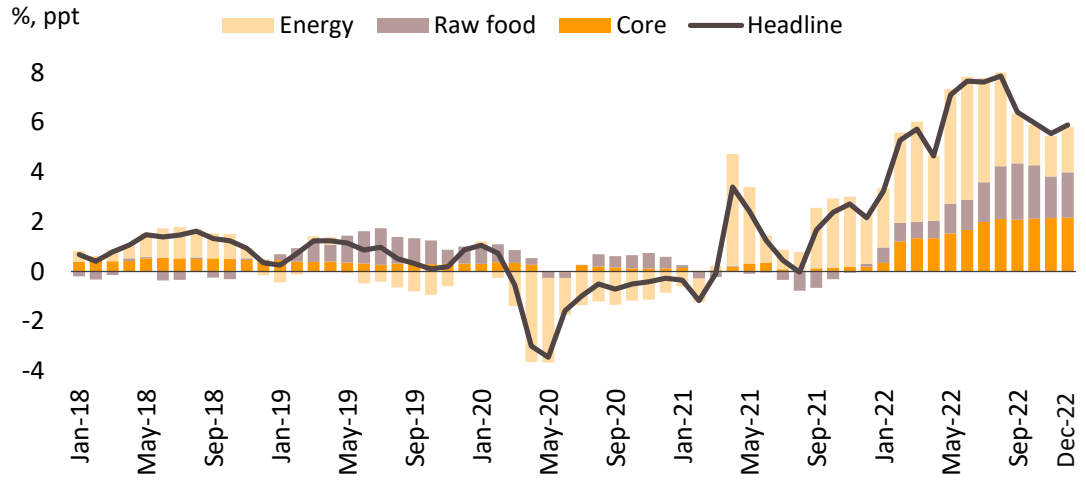
Krungsri Research's view

- **In November, the Private Investment Index edged down 0.9% YoY** as a result of slower investments in machinery and equipment in line with the contraction in manufacturing production. However, investment in the construction sector was stable due partly to strong demand for construction materials to repair or rebuild damaged buildings/homes after the recent flooding.
- **Business Sentiment Index fell again in December to 48.4, staying below-50 level for the 6th straight month.** This was driven by a drop in confidence in the manufacturing sector, attributed to (i) fewer orders and weaker performance amid the global economic slowdown; (ii) concerns over higher production costs after wage hikes in Thailand; and (iii) uneven recovery in purchasing power triggered buy rising cost of living. BSI for the non-manufacturing sector continued to improve thanks to the trade and services sectors. In 2023, although the manufacturing sector will remain under pressure, the recovering tourism and domestic economic activities would boost investment in related businesses and China's reopening would attract more Chinese investors to Thailand.

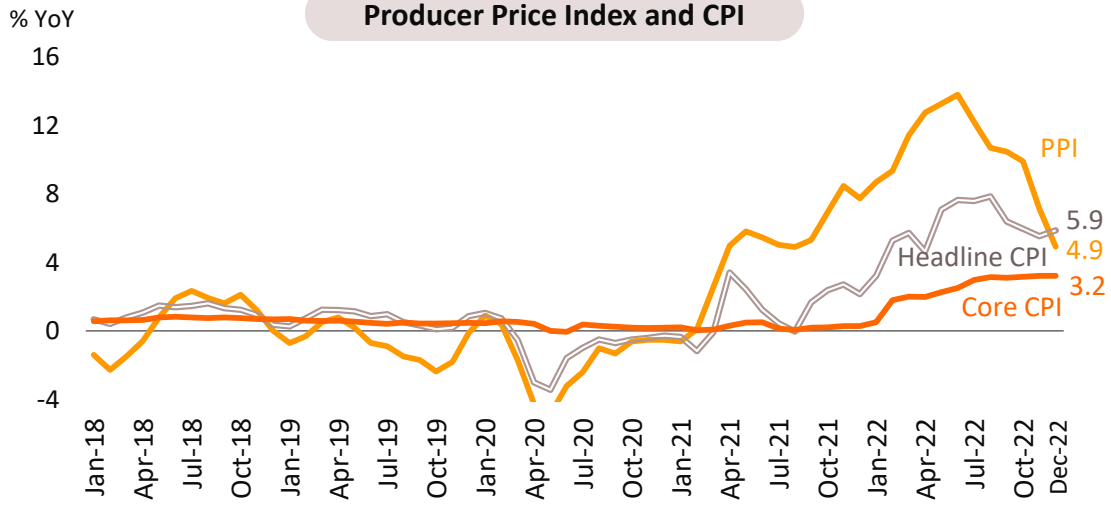
Source: BOT, Krungsri Research

Headline inflation would remain elevated in early 2023 due to higher costs of electricity and public transportation, but it is expected to soften to 2.5% for the year

Contributors to inflation



Producer Price Index and CPI



Source: MOC, Krungsri Research

Consumer Price Index: Major categories

Consumer Price Index (% 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
Headline CPI	**100.00%**			
Food & beverages	41.55%			
Apparel & footwears	2.07%			
Housing & furnishing	22.14%			
Medical & personal care	5.39%			
Transportation & communication	23.34%			
Recreation & education	4.19%			
Tobacco & alcoholic beverages	1.32%			
Raw food	21.18%			
Energy	14.28%			
Core CPI	**64.54%**			

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

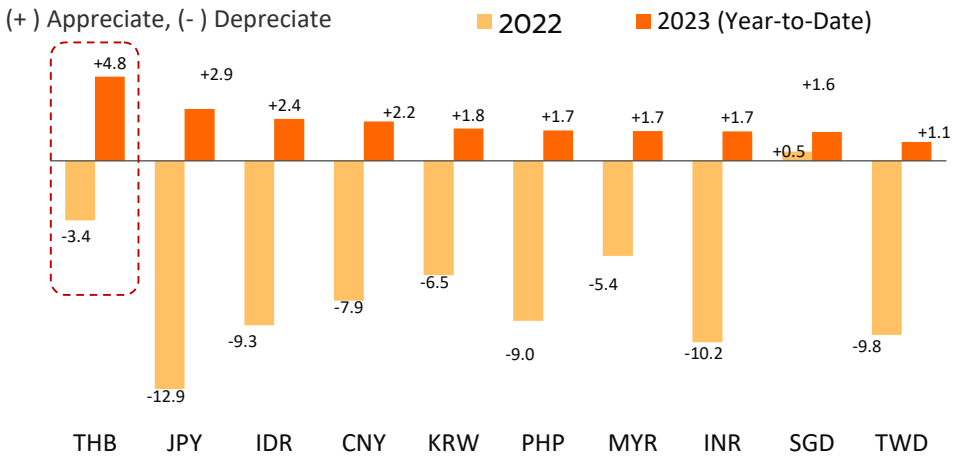
Krungsri Research's view

- **In December, headline inflation climbed from 5.55% to 5.89% YoY** due to higher prices for energy (transport fuels, electricity, and domestic gas), transportation, and ready-to-eat food. However, core inflation (which excludes food & energy prices) only inched-up to 3.23% from 3.22%. **For full year 2022, headline and core inflation rates surged to 24-year highs of 6.08% and 2.51%** from 2021's 1.23% and 0.23%, respectively.
- We expect headline inflation to remain elevated in early 2023 given the effects of higher electricity bills, higher minimum wage (raise manufacturing costs), and stronger demand from both the domestic market and recovering tourism sector. **However, it should slip back to the official target range of 1-3% from mid-2023 onwards** as major economies are likely to slow down, which would ease pressure in energy and other commodity markets. Inflation rate could soften following (i) easing supply disruption worldwide, especially following China reopening; (ii) a high base last year because of the initial impact of the Russia-Ukraine war; and (iii) a stronger Thai baht against US dollar. As such, inflation is projected to **to drop from 6.08% in 2022 to an average of 2.5% in 2023.**

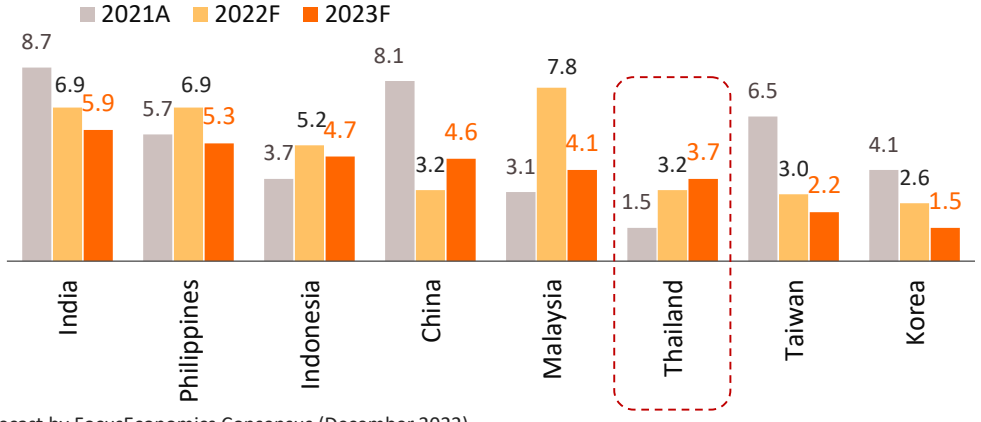
Policy rate: We expect two more rate hikes this year to 1.75% amid softening inflation and a stronger baht; Thailand's economic recovery may not be enough to allow aggressive rate hikes

Movement of Asian Currencies against USD

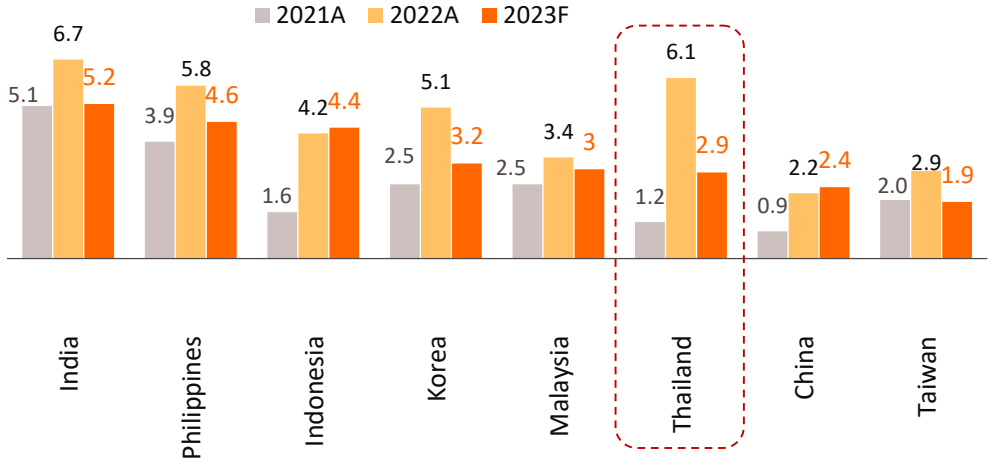
(% change; as of 13 January 2023)



Consensus estimates for 2022-2023* economic growth (%)



Consensus estimates for 2023 inflation*



Krungsri Research's view

- The Thai baht has surged against the US dollar this year to a 10-month high of 32.98 (as of 13 January) from 34.55 at end-2022, outperforming neighboring currencies. This has been supported by the following: (i) a weakening US dollar amid rising expectations of slower Fed rate hikes, and (ii) expectations of more fund inflows premised on China's reopening and a recovering tourism sector.
- Inflationary pressure will ease this year and the Thai economy is only at the initial stage of recovery. However, this year, it might have to weather the effects of a slowdown in the global economy and risk of recession in some major countries. Hence, we expect domestic monetary policy to be tightened less than regional peers. To strike a balance between price stability and continued economic recovery, **the BOT's Monetary Policy Committee is expected to announce two more rate hikes in 1Q23, taking the policy rate to 1.75% and keeping it there throughout the rest of 2023.**

Note: * forecast by FocusEconomics Consensus (December 2022)
Source: CEIC, Krungsri Research

KRUNGSRI RESEARCH

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