WEEKLY ECONOMIC REVIEW

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krungsri Research
A member of MUFG

Geopolitical risks and high bond yields weigh on global growth and fiscal positions. IMF raises Thai growth forecast, but challenges lie ahead.

Global

Global: IMF sees the global economy remains resilient, supported by AI investment, but continues to face three key risks: (1) geopolitical tensions, which fuel inflation and increase debt burdens; (2) uneven growth, particularly in low-income countries that rely heavily on energy imports and have limited gains from AI investment; and (3) surging bond yields, which tighten financial conditions and complicate central banks' efforts to control inflation. **Regarding monetary policy**, (i) **the U.S.** is placing greater emphasis on inflation control, but a cooling labor market suggests the Fed will raise rates only once more this year; (ii) while **Eurozone** is prioritizing fiscal stability, slowing growth with above-target inflation is expected to limit the ECB to one additional rate hike this year; and (iii) **Japan** remains focused on maintaining price stability, aiming to keep underlying inflation around its 2.0% target while signaling further policy rate hikes.

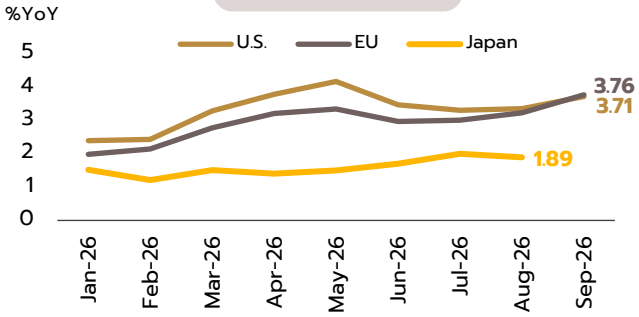
China: The IMF trimmed its 2026 growth forecast by 0.1 ppt to 4.5%, the lower end of the official 4.5-5.0% growth target range, due to weak domestic demand and the energy crisis. Recently, the upstream/midstream Producer Price Index (PPI) jumped 6.5% YoY in September, in contrast to the downstream PPI (-0.1%), reflecting producers' limited ability to pass on costs. Thus, **exports are likely to remain a key economic engine going forward, especially high-tech sectors**.

Thailand

IMF upgrades Thailand's GDP Forecast, while tailwinds and headwinds lie ahead. The International Monetary Fund (IMF) has revised up its forecast for Thailand's economic growth in 2026 to 2.1%, from 1.9%, and projects growth of 2.2% in 2027. The upward revision is largely driven by exports of AI-related and electronic products, which help cushion the impact of the energy crisis. Nevertheless, Thailand's growth is expected to moderate from 2.4% in 2025.

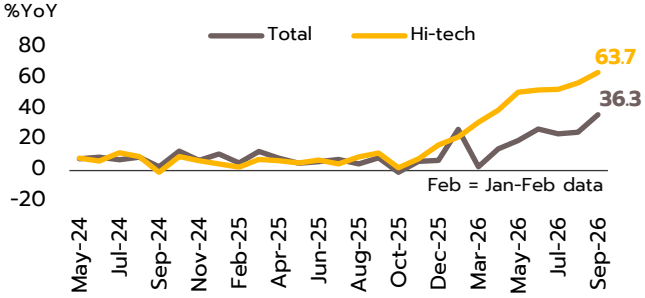
Krungsri Research forecasts Thailand's GDP to grow by 2.1% in 2026, in line with the IMF's latest projection. Growth is expected to be supported by (i) private investment, boosted by FDI and investment promotion approvals by BOI; (ii) continued export growth amid the technology upcycle; and (iii) the extension of the Thai Chuay Thai Plus scheme. However, the forecast does not incorporate (i) adverse GDP impact from late-September flooding as well as the impact of flood relief and recovery measures under the THB 4.7 bn budget framework; and (ii) the positive technical impact from the overhaul of the Manufacturing Production Index (MPI). Its growth in August was revised to 4.44% YoY, compared with 0.46% in July under the previous series. The revision expands coverage of AI- and electronics-related industries, such as notebooks, laptops, and optical transceivers, and adds major electronics factories to the sample. Therefore, the overhaul better captures manufacturing activity, making sector performance appear stronger than previously indicated.

Headline CPI



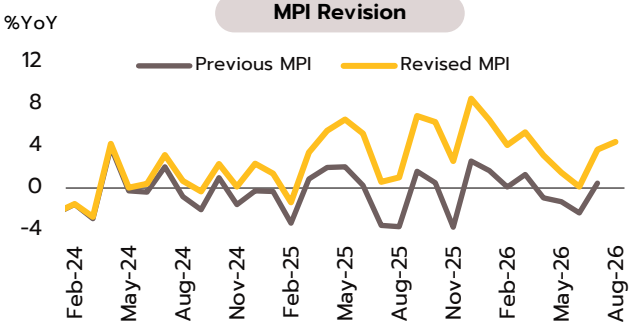
Source: CEIC and Krungsri Research

China: Exports



Source: GACC and Krungsri Research

MPI Revision



Source: OIE and Krungsri Research

Krungsri Research

Pimnara Hirankasi, Ph.D.
Head of Research Division and Chief Economist

Macroeconomic Team

Sujit Chaivichayachat
Head of Macroeconomic Research

Wanicha Direkudomsak
Senior Economist

Piyavadee Chirasirisuwan
Senior Economist

Thansin Klinthanom
Senior Economist

Krittabhorn Sirichaichingkun
Economist

Supasyn Itthiphatwong
Economist

Wanat Banthitasopon
Economist

MIS and Reporting Team

Thamon Sernsuksakul
Information Analyst

Chirdsak Srichaiton
Information Analyst

Wongsagon Keawuttung
Information Analyst

Industry Team

Taned Mahattanalai
Head of Industry Research

Patinya Hanittinan, Ph.D.
Senior Analyst (IECC Project, Petrochemicals, Refinery, Bio-Diesel, Ethanol, Plastic)

Chaiwat Sowcharoensuk
Senior Analyst (Agriculture, Agri-Machinery, Fertilizer)

Nuttachat Viroonhausava
Senior Analyst (Agriculture, Food & Beverages, Restaurant, FTA)

Puttachard Lunkam
Senior Analyst (Construction Contractors, Construction Materials, Hotels, Steel)

Patchara Klinchuanchun
Senior Analyst (Real Estate)

Taratnon Sritongterm
Senior Analyst (Industrial Estate, Mobile Operator, Modern Trade, Mass Transit, Transportation)

Prapan Leenoi
Analyst (Power Generation, Renewable Energy, ESG, Taxonomy)

Supawat Choksawatpaisan
Analyst (Automobile, Auto Part, Auto-Hire Purchase)

Rapeepoom Lapmak
Analyst (Electronics & Electrical Appliances, PCB, Data Center, Digital)

Chatwalee Maethastidsook
Analyst (Healthcare, Pharmaceutical, Medical Devices)

Analytics & Intelligence Team

Poonsuk Ninkitsaranont
Head of Analytics and Intelligence Research

Nathanon Ratanathamwat
Senior Researcher

Narichaya Satafang
Researcher

Parinya Mingsakul
Researcher

Chanatta Thararos
Researcher

For research subscription, contact
krungsri.research@krungsri.com

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