

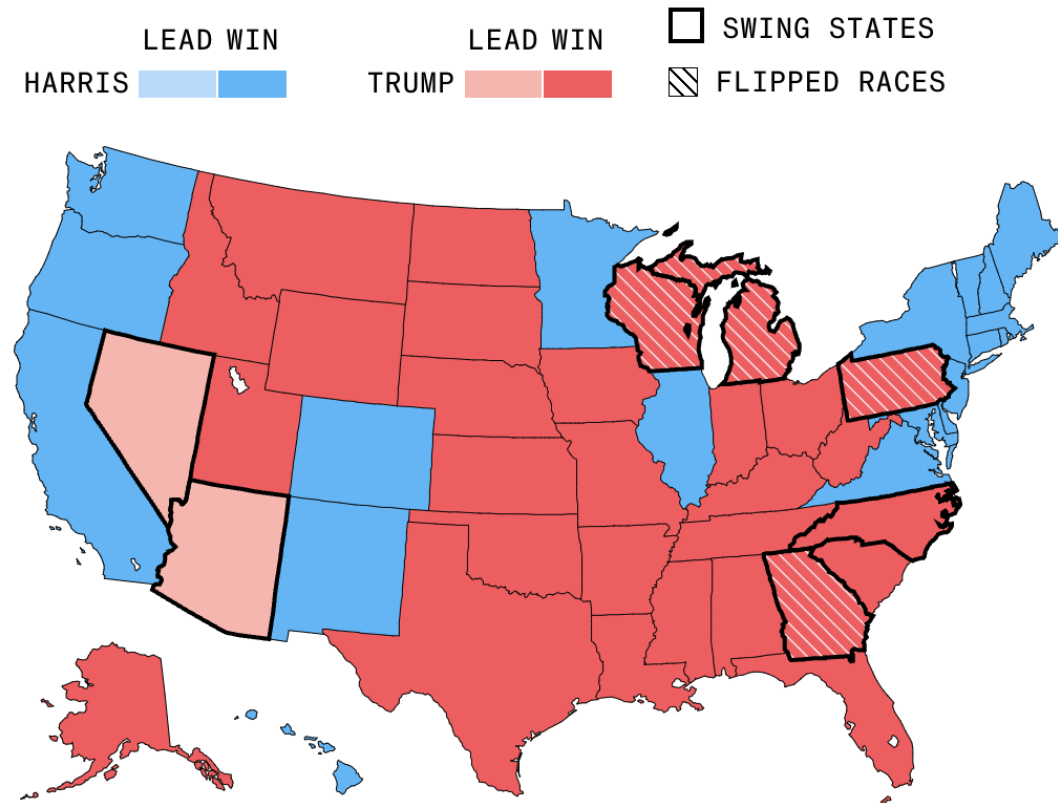


# “แนวโน้ม และปัจจัยเสี่ยงเศรษฐกิจไทย ปี 2568”

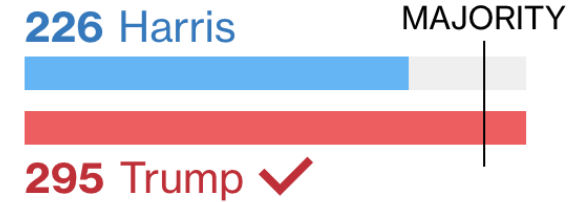
21 พฤศจิกายน 2024

# A Republican sweep?

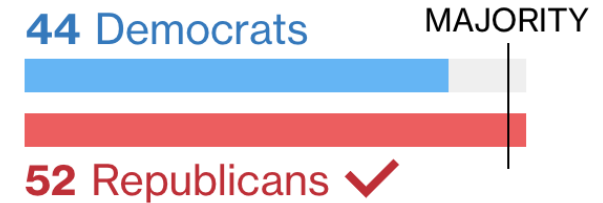
## The Race to 270 Electoral Votes



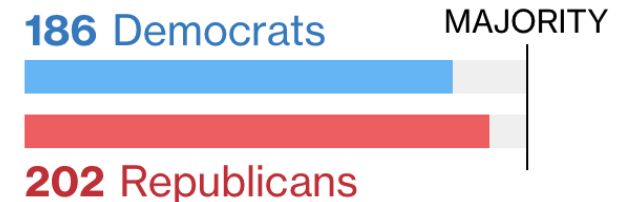
## President



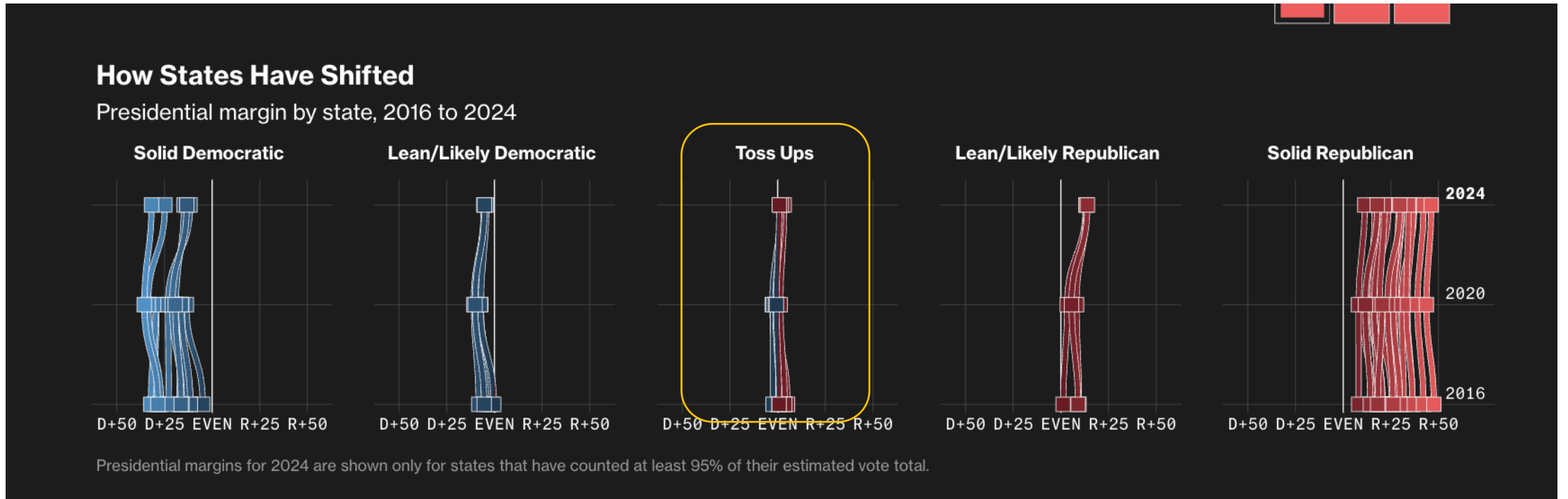
## Senate



## House



# A red shift






# Trump: Key policy priority

## Key Agendas/ Priorities

- Borders/ Immigration reforms
- Tax cuts
- De-regulations
- Tariffs and Trade policy negotiations
- Foreign policy – Peace talks between Ukraine-Russia, ME, China

## Trump's Path to Enacting Policies

Possible action	 Executive action alone	 Congressional legislation required	 Likely court challenge
<b>Tariffs</b>			
20% tariff on all imports	●		●
60% tariff on Chinese imports	●		●
200% tariff on imported vehicles from Mexico	●		●
<b>Fed policy</b>			
Demote or replace Jerome Powell*	●		●
Enact more presidential control over rates		●	●
<b>Deporting undocumented migrants</b>			
Deploy National Guard	●		●
Invoke Alien Enemies Act of 1798	●		●
Reinstate Trump policies invalidated by Biden	●		●
<b>Deregulation</b>			
Reverse Biden-era limits on energy projects	●		
Exit the Paris Climate Accords	●		
Ease regulation on cryptocurrency industry**	●	●	
<b>Taxes</b>			
Extend 2017 tax cuts		●	
Lower corporate tax rate from 21% to 15%		●	
Eliminate federal income tax		●	

\* Naming a new Fed chair requires Senate confirmation

\*\* In some cases Securities and Exchange Commission action may ease regulations without new legislation

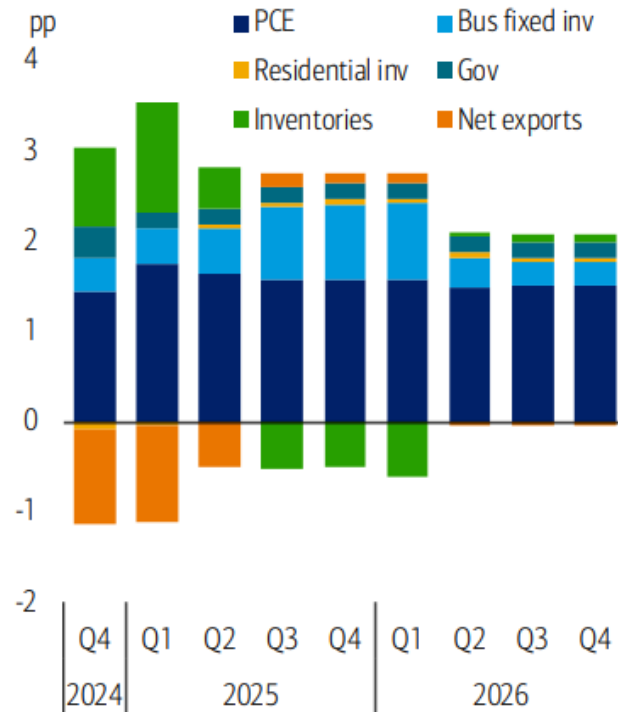
Sources: Bloomberg News reporting, The Peterson Institute for International Economics, The USC Sol Price School of Public Policy, Cato Institute, Center for Strategic and International Studies

# Trump policy agenda: Assumptions

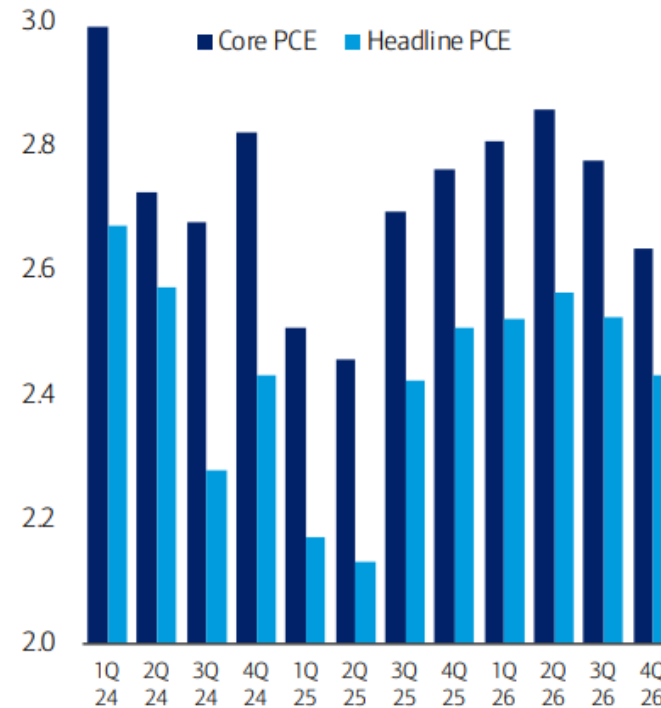
	Trade	Fiscal	Immigration	Deregulation
<b>Assumption</b>	Doubling of goods tariffs on China (from ~20% to ~40%) and RoW ex Mexico and Canada (from nearly 4% to 7-8%)	Extension of expiring provisions of TCJA. Full expensing of capex. Corporate tax cut or SALT cap increase possible	Significant tightening in the flow of migrants rather than the stock	Sweeping deregulation. Focus on boosting domestic conventional energy production
<b>Timing</b>	First China action in 2Q 2025, tariff increases to continue through 1Q 2026	2Q-3Q 2025	Economic impact from 2H 2025 onwards	1Q 2025 onwards
<b>Growth impact (% q/q saar)</b>	-20 to -50bp per quarter	+10 to +40bp per quarter, from 3Q 2025 to 1Q 2026	Small, negative	Small, positive
<b>Inflation impact (% y/y)</b>	+30 to +40bp over four quarters, starting 3Q 2025	+10 to +20bp in 2026	Small, positive	Small, negative, felt more in headline than core

# Trump policy agenda: implications

We forecast stable growth in 2025-26, but strong crosswinds mean uncertainty is very high



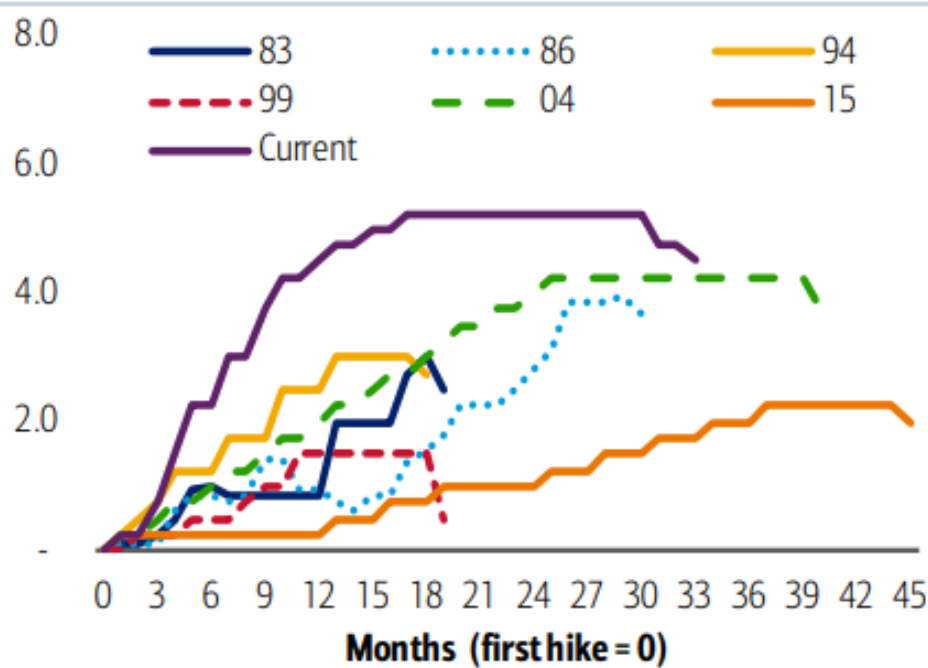
We expect the Trump policy agenda to be modestly inflationary



# Fed cuts to continue but risks for a shallow cycle

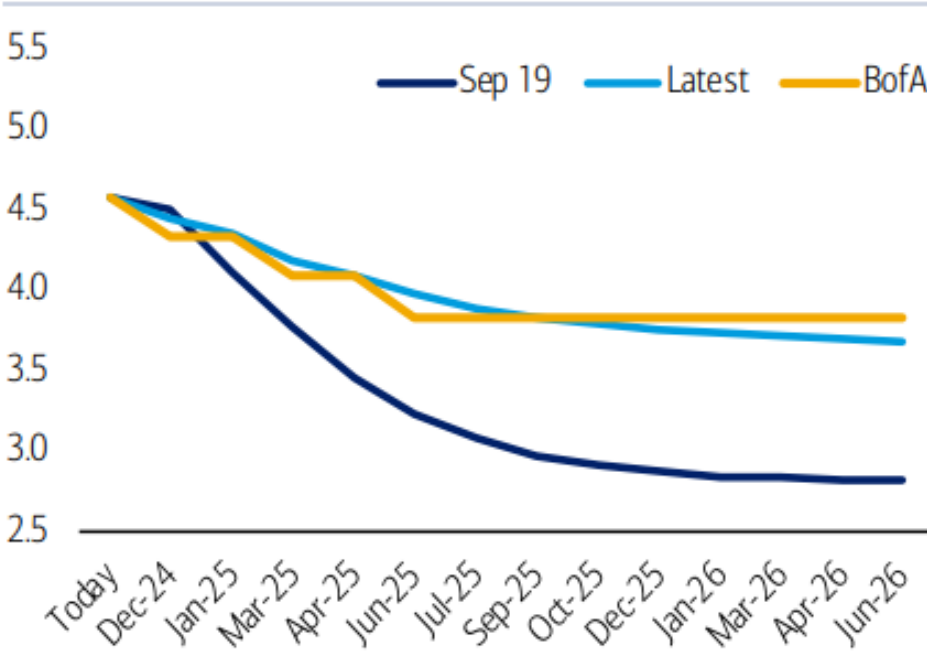
## Fed Hiking cycles

The Fed ended its hiking cycle after the longest hold at its peak rate since 2004



## Market pricing monetary policy path (%)

We and the markets see a shallow cutting cycle

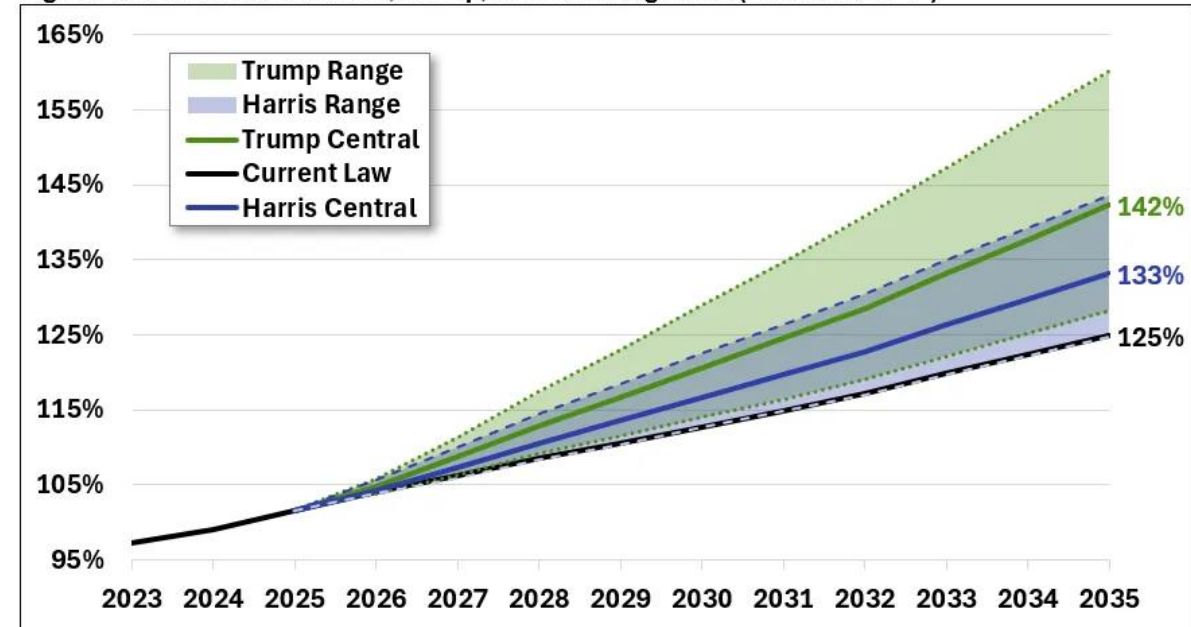


# หนี้สาธารณะและการขาดดุลงบประมาณที่เพิ่มขึ้นจะกดดัน ผลตอบแทนพันธบัตรระยะยาวของสหรัฐฯ

## The Trump Plan (billions, 2026-2035)

Policy Proposals	Low	Central	High
<b>Policy Proposals</b>			
Extend and Modify the Tax Cuts & Jobs Act (TCJA)	-\$4,600	-\$5,350	-\$5,950
Exempt Overtime Income from Taxes	-\$500	-\$2,000	-\$3,000
End Taxation of Social Security Benefits	-\$1,200	-\$1,300	-\$1,450
Exempt Tip Income from Taxes	-\$100	-\$300	-\$550
Lower Corporate Tax Rate to 15% for Domestic Manufacturers	-\$150	-\$200	-\$600
Enact or Expand Other Individual and Small Business Tax Breaks	-\$150	-\$200	-\$350
Strengthen and Modernize the Military	-\$100	-\$400	-\$2,450
Secure the Border and Deport Unauthorized Immigrants	\$0	-\$350	-\$1,000
Enact Housing Reforms, Including Credits for First-Time Homebuyers	-\$100	-\$150	-\$350
Boost Support for Health Care, Long-Term Care, and Caregiving	-\$50	-\$150	-\$300
<b>Subtotal, Tax Cuts and Spending Increases</b>	<b>-\$6,950</b>	<b>-\$10,400</b>	<b>-\$16,000</b>
Establish a Universal Baseline Tariff and Additional Tariffs	\$4,300	\$2,700	\$2,000
Reverse Current Energy/Environment Policies and Expand Production	\$750	\$700	\$550
Reduce Waste, Fraud, and Abuse	\$250	\$100	\$0
End the Department of Education and Support School Choice	\$200	\$200	\$0
<b>Subtotal, Revenue Increases and Spending Reductions</b>	<b>\$5,500</b>	<b>\$3,700</b>	<b>\$2,550</b>
<b>Net Interest</b>	<b>-\$200</b>	<b>-\$1,050</b>	<b>-\$2,100</b>
<b>Total, Net Deficit Impact</b>	<b>-\$1,650</b>	<b>-\$7,750</b>	<b>-\$15,550</b>

Fig. 4: Debt Under Current Law, Trump, and Harris Agendas (Percent of GDP)

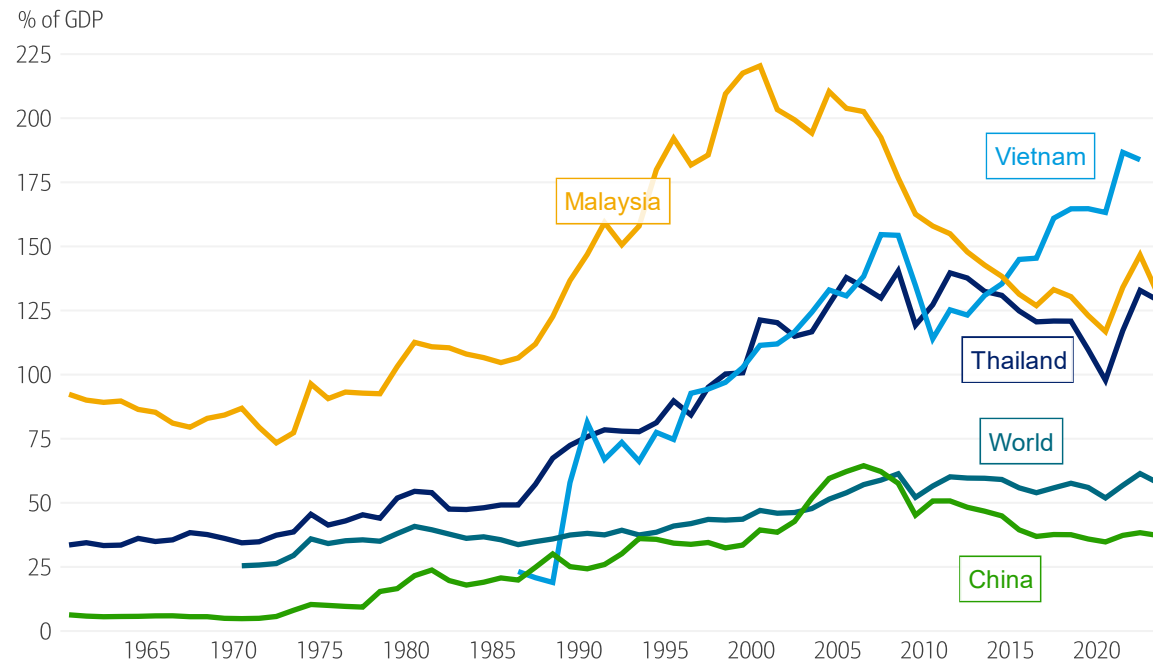


Source: Committee for a Responsible Federal Budget based on Congressional Budget Office baseline.



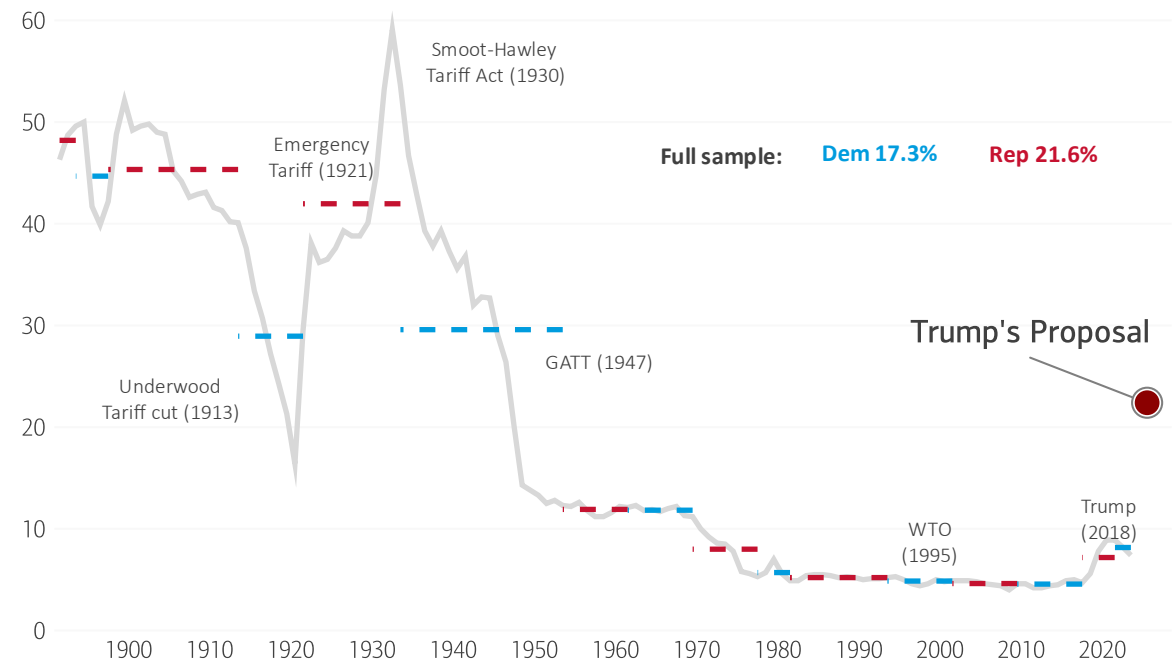
# โลกาภิวัตน์ไม่เหมือนเดิมไม่ว่าใครชนะ

ASEAN countries are heavily reliant on trade  
Overall trade (% of GDP)



Source: World Bank, Kiatnakin Phatra Securities

Average Tariffs in the United States under presidents' party  
Custom duties as a percentage of dutiable imports since 1891

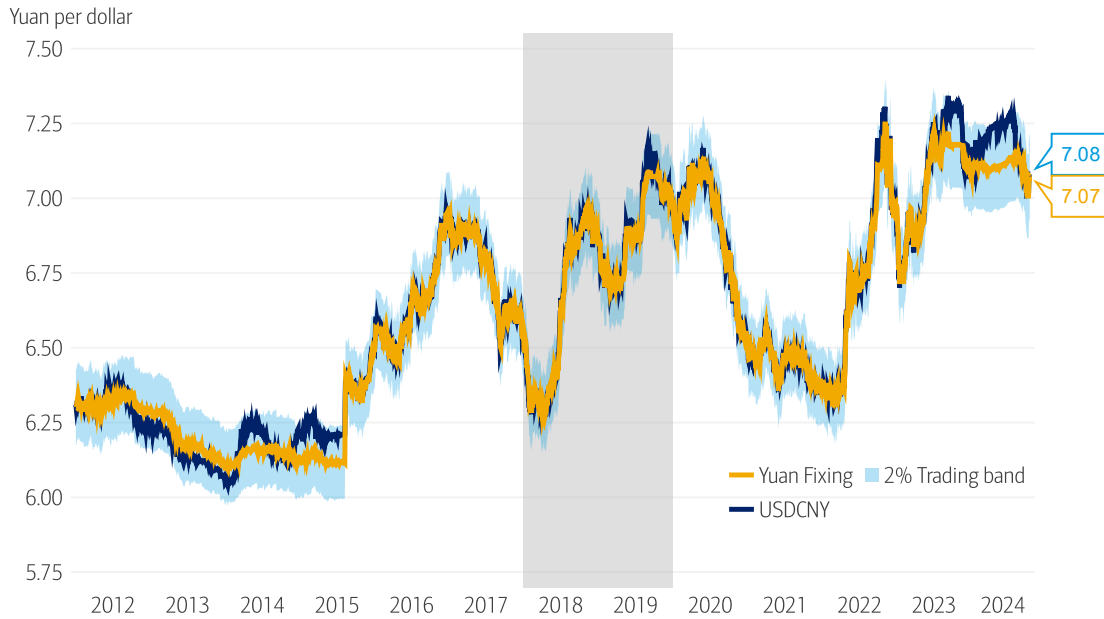


Source: United States International Trade Commission, Kiatnakin Phatra Securities

# สกุลเงินในภูมิภาคเอเชียอาจมีแนวโน้มอ่อนค่าเพื่อชดเชยกับอัตราภาษีนำเข้าที่ปรับสูงขึ้น

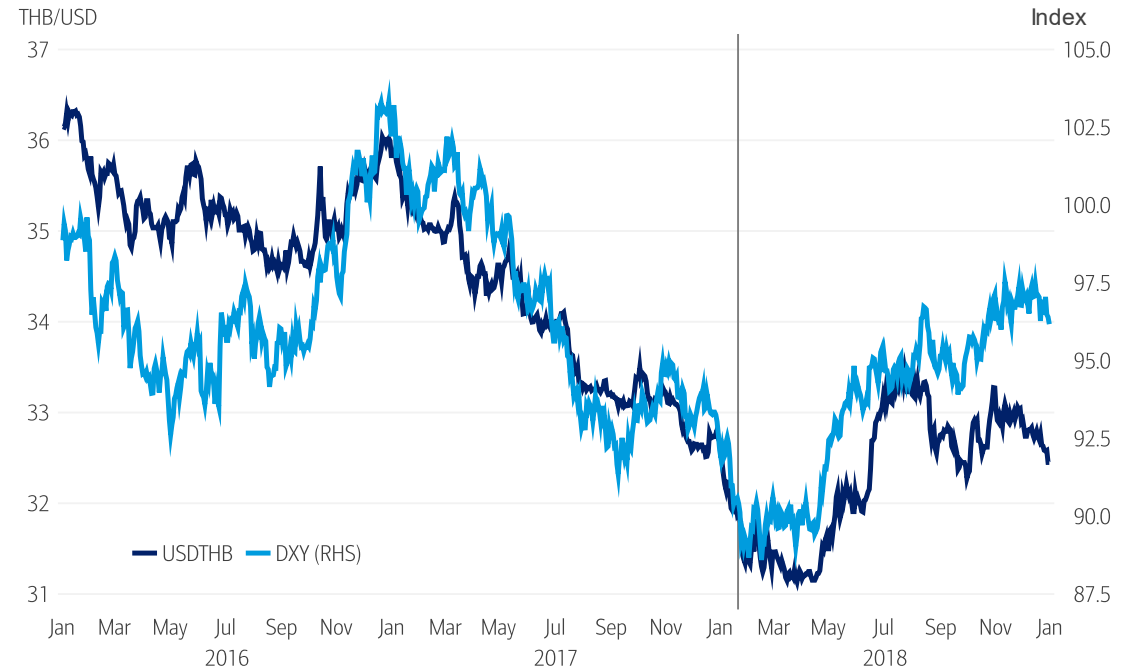
## Trump devaluation

RMB devaluations during 2018-2019 trade war



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

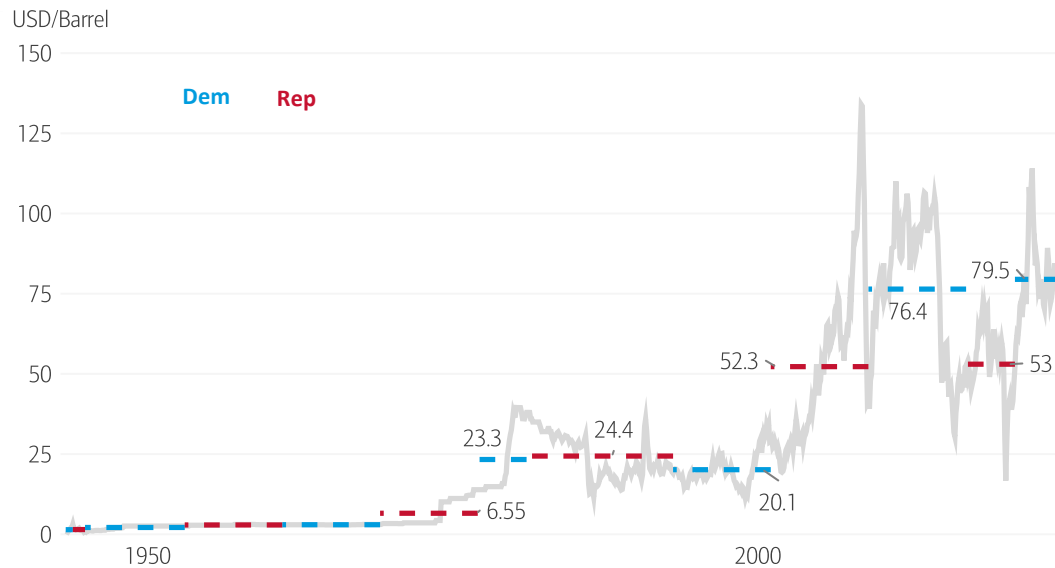
## USDTHB vs DXY after 2018 trade war



Source: Intercontinental Exchange (ICE), Bank of Thailand (BOT), Kiatnakin Phatra Securities

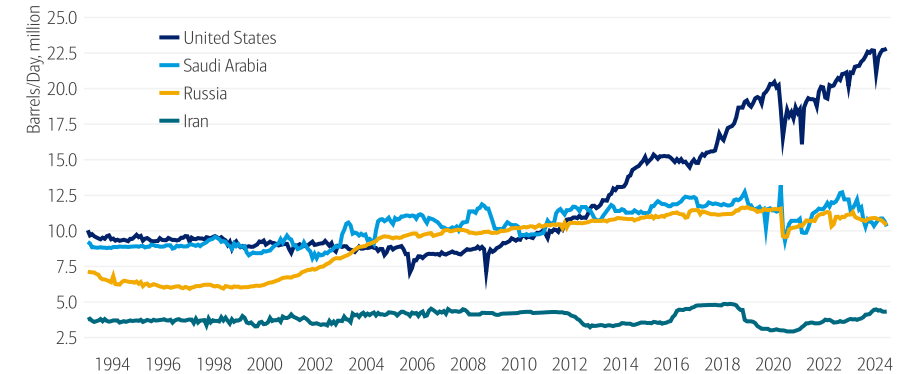
# นโยบายของทรัมป์อาจทำให้อุปทานน้ำมันเพิ่มขึ้นอีกและราคาน้ำมันลดลง

Average oil price in the United States under presidents' party  
West Texas Intermediate (WTI) price since 1901



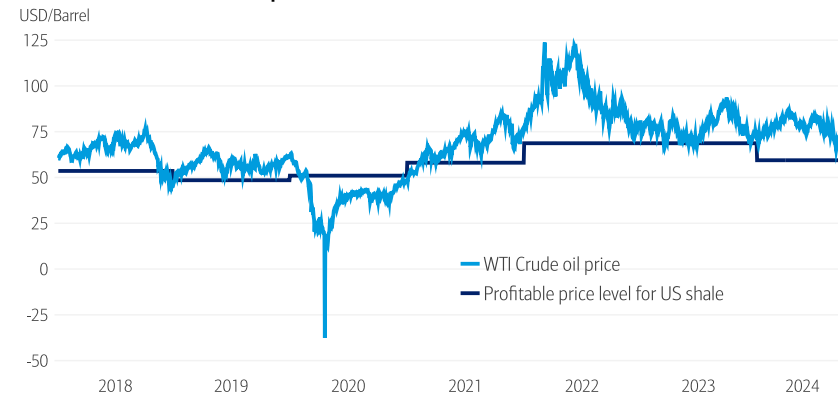
Source: , Kiatnakin Phatra Securities

US productions have been rising  
Total Crude Oil & Petroleum Products Production



Source: Energy Information Administration (EIA), Kiatnakin Phatra Securities

US shale is still competitive at \$60 WTI

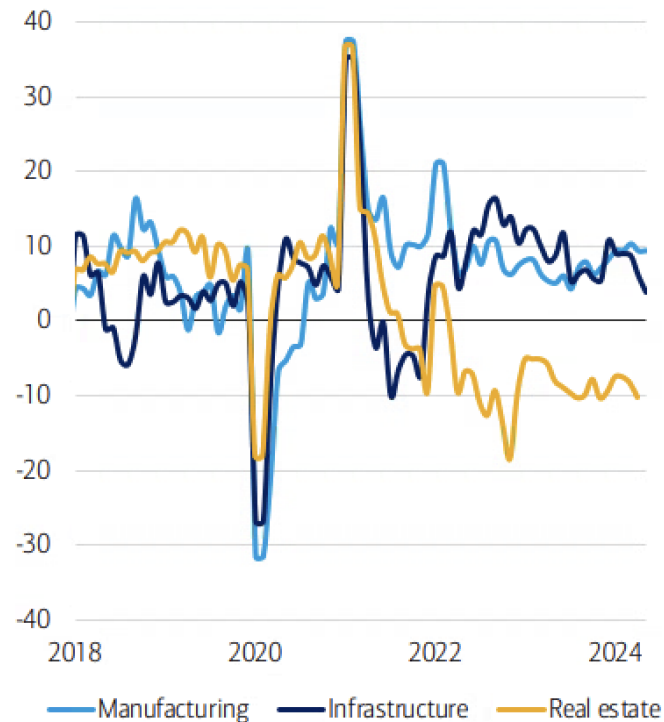


Source: Federal Reserve Bank of Dallas, CME Group, Kiatnakin Phatra Securities

# China – A property overhang & weak consumer sentiment

## The property market continues to struggle...

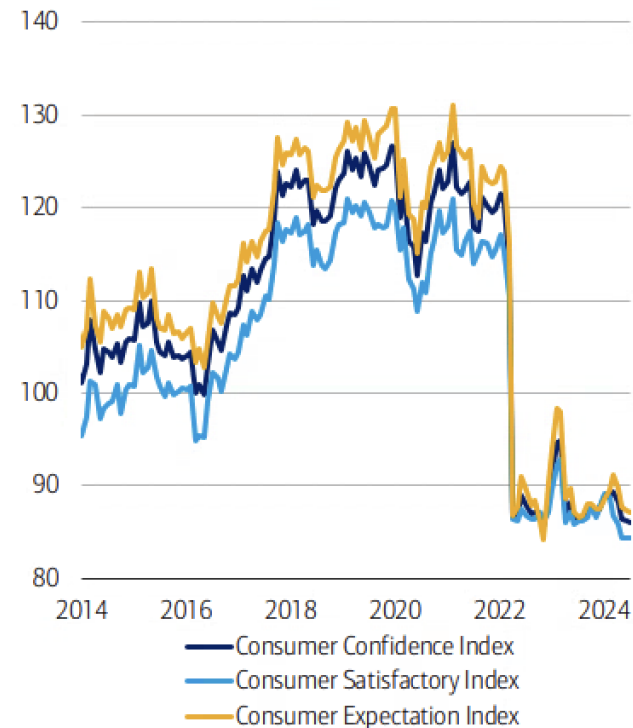
Real estate investment growth weakened further (% yoy)



Source: BofA Global Research, China Customs, CEIC

## ... and consumer sentiment is failing to pick up

NBS consumer sentiment indexes



Source: BofA Global Research, NBS

## A stimulus package

(announced on 24 Sep 2024)

- 20bp cut in 7D reverse repo rate
- 50bp cut in RRR
- Measures to shore up property market
  - 50bp cut of outstanding mortgage rates
  - Reduction of minimum down-payment ratio to 15% for second-home buyers
- At least 800 billion yuan of liquidity support in the stock market



# Thailand Economic outlook

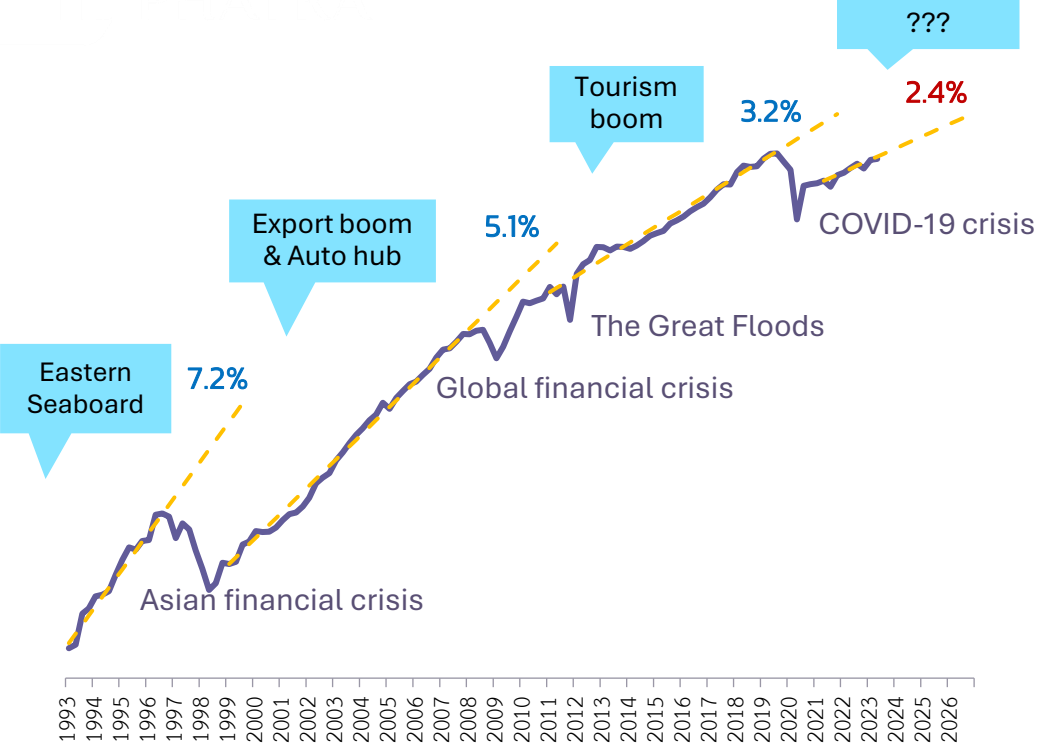
# Thailand economic outlook

- **Slow and uneven recovery** – Tourism and services are the only engine of growth
  - Durable goods consumption and real estate at risk
  - A structural decline in manufacturing
- **Medium-term drags**
  - **Competitiveness**
    - Geopolitics and protectionism
    - EV; E Commerce platforms and SMEs
  - **Negative feedback loop from financial deleveraging**
    - High household debts and deleveraging
    - High NPL-> lower loan growth -> weaker demand -> higher NPL
- **Short-term boost from policies**
  - **Fiscal stimulus**
  - **Peaked policy rate** - It's the matter of time
  - **Fiscal policies**

# Sluggish GDP after COVID-19

Thailand GDP has been lowering after every crisis

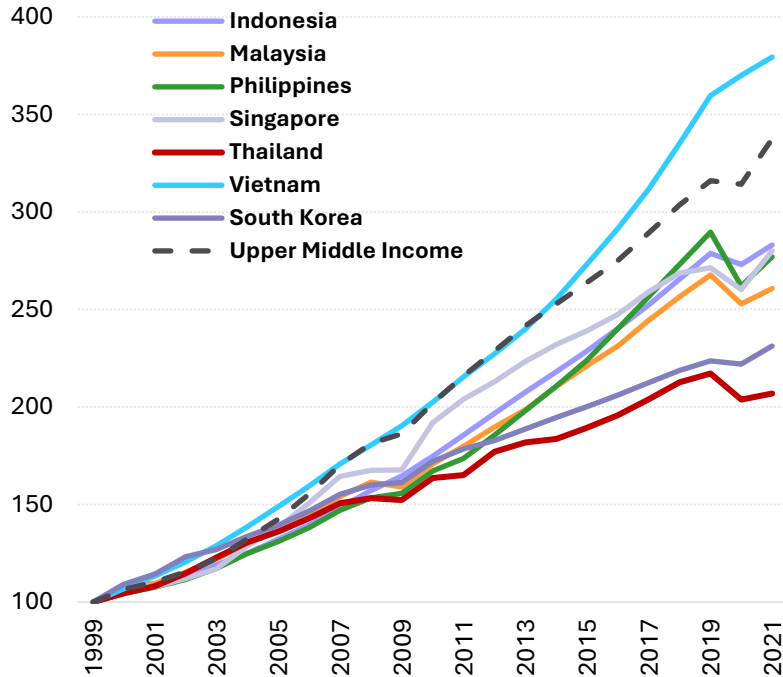
Thailand's Real GDP and Trend Growth



Source: NESDC, KKP Research estimate

Thailand has recovered back to pre-COVID in the last place

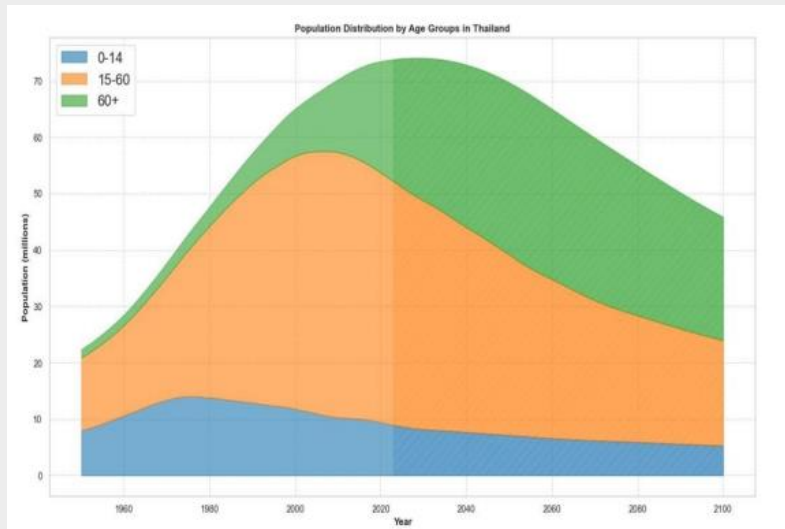
Real GDP level (Index 1999 = 100)



Source: World Bank, KKP Research

# Strong headwinds from unfavorable population profile

## Thailand's demographic structure



Source: UN Population, KKPS

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## The population pyramid



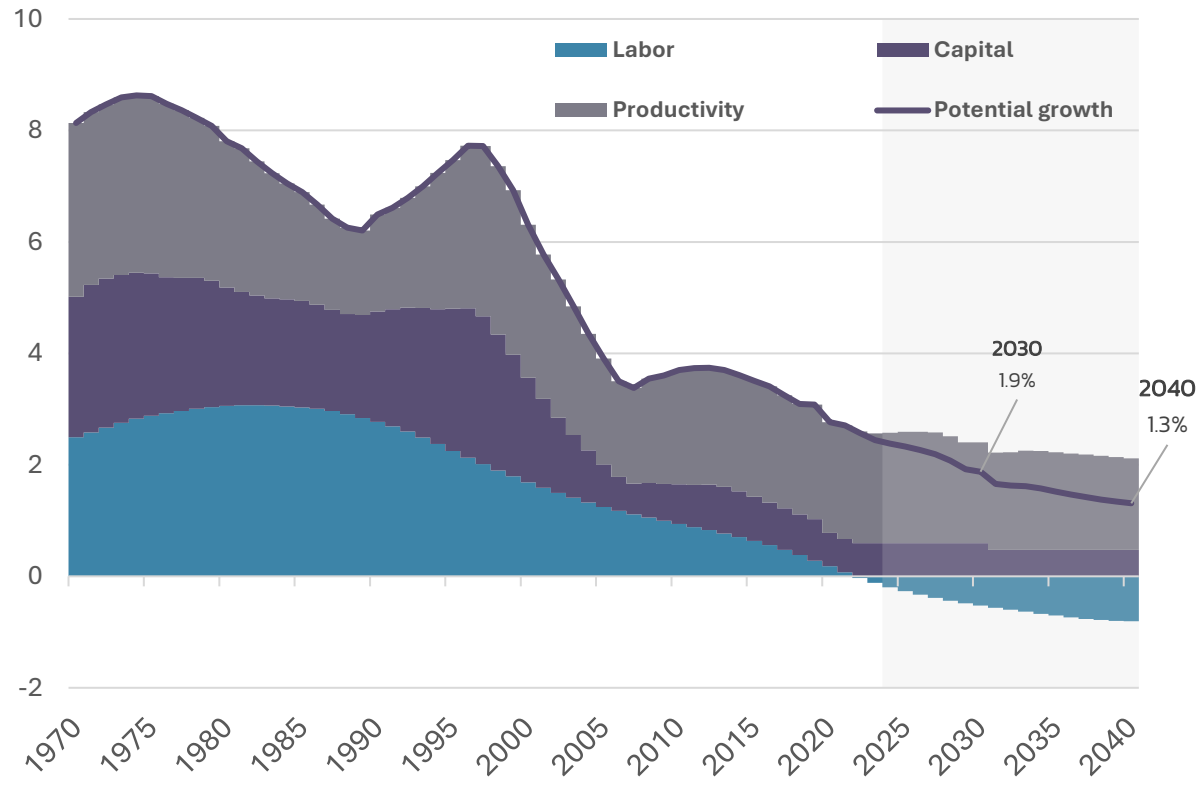
Source: UN Population, KKPS

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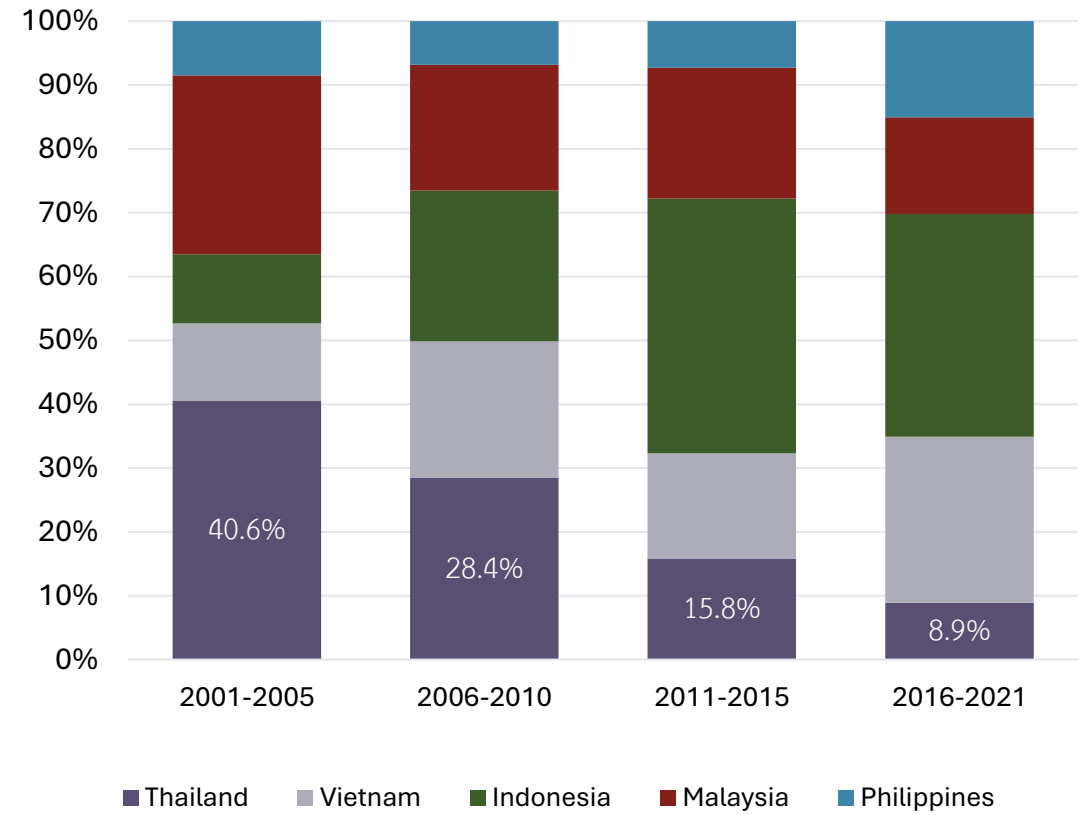


# Thailand's economy are prone to doom by 2040

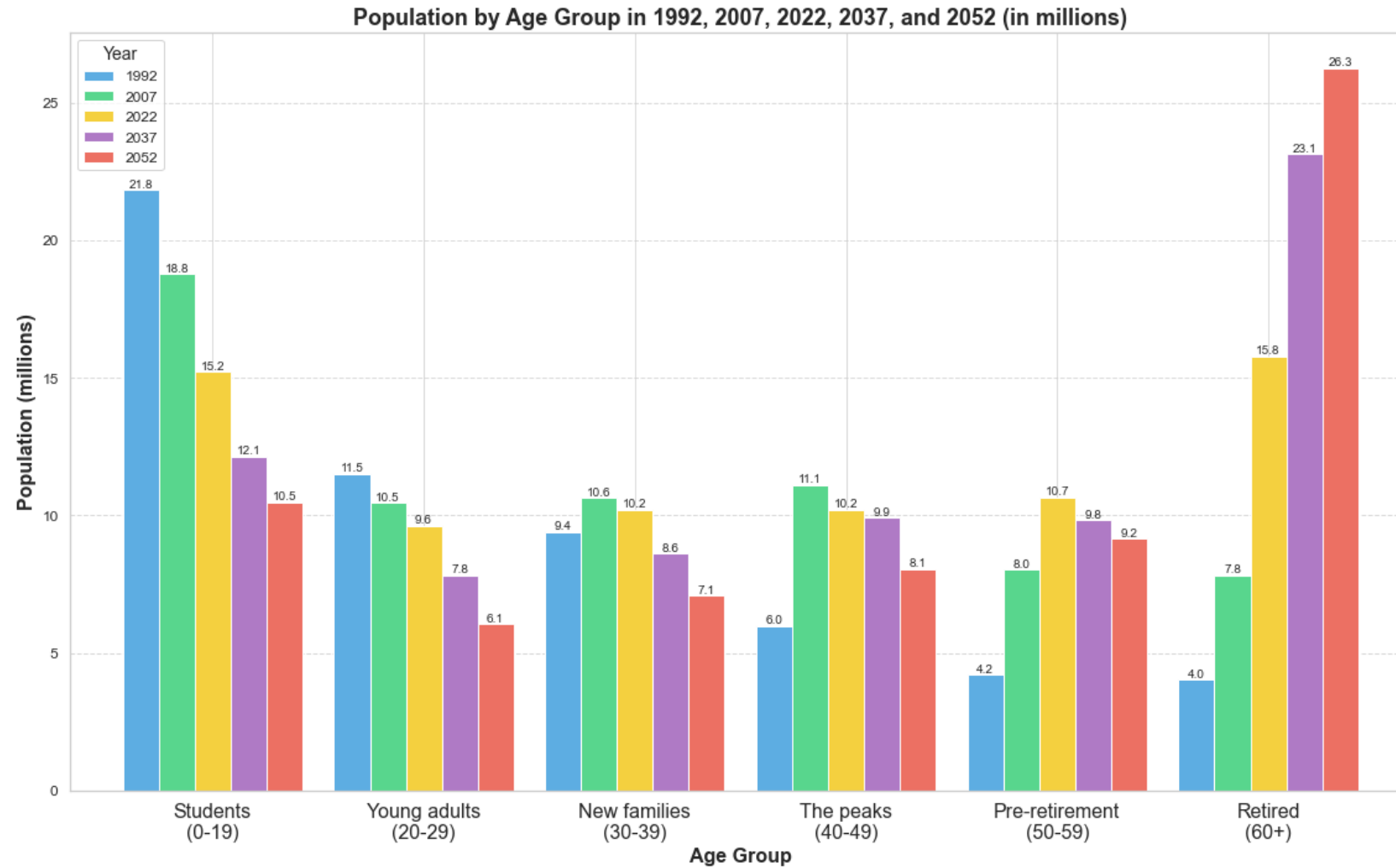
แหล่งที่มาของศักยภาพการเติบโตของเศรษฐกิจไทย (%)



Net FDI flows (% share)



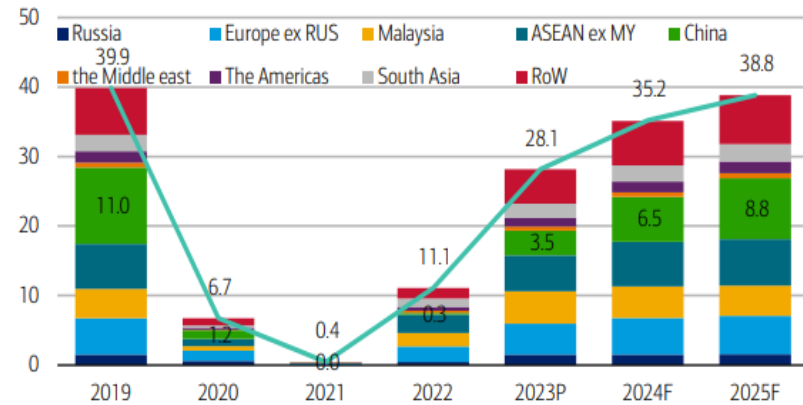
# Who are your customers?



# Tourism remains the (only) key engine of growth

## Tourism is expected to recover from a low base Number of tourists by region

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



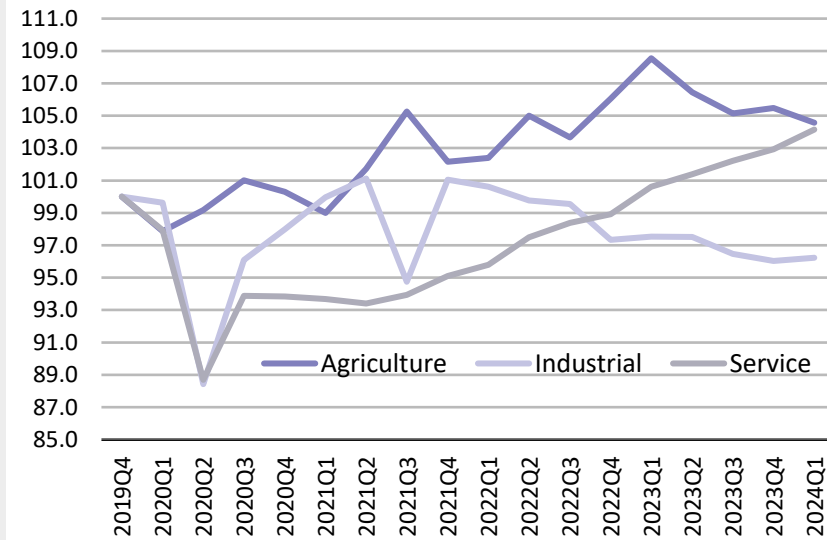
Source: Ministry of Tourism, Kiatnakin Phatra Securities

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Source: Ministry of Tourism and Sports, KKPS

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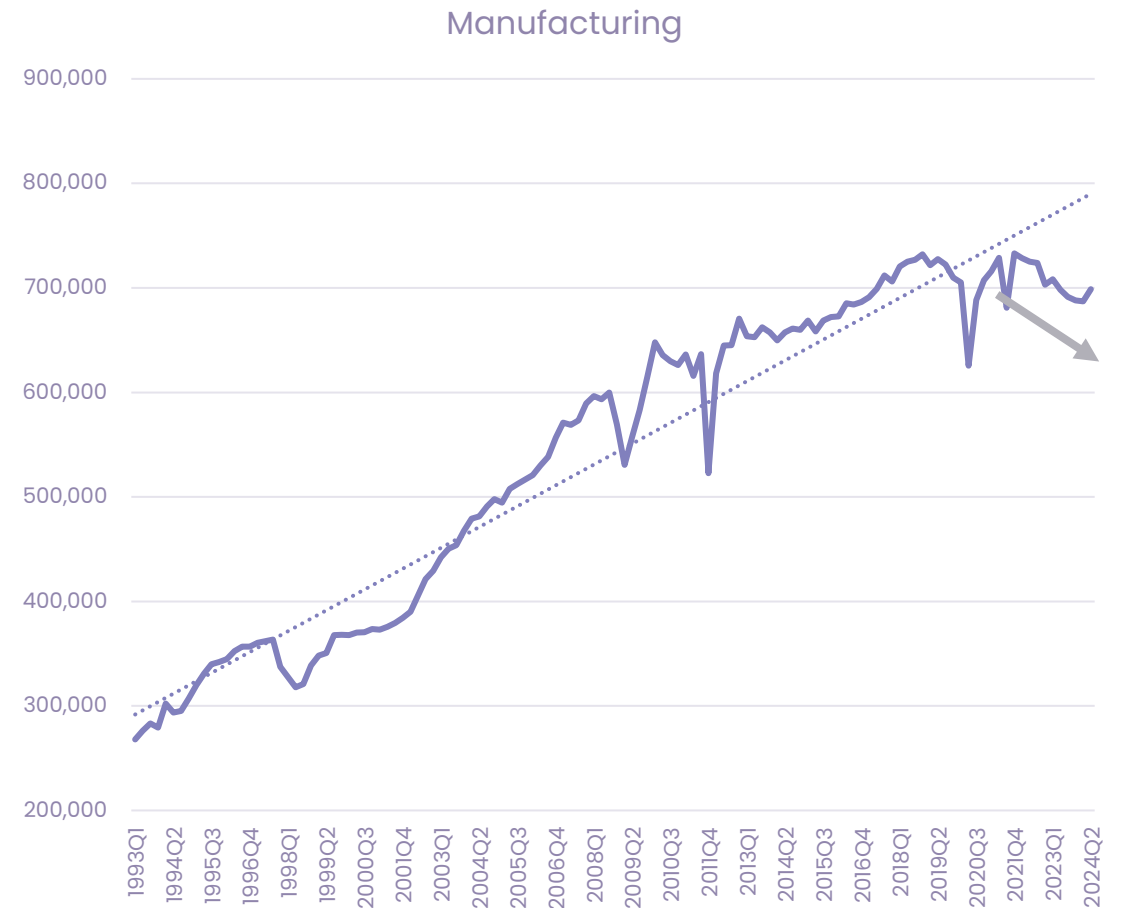
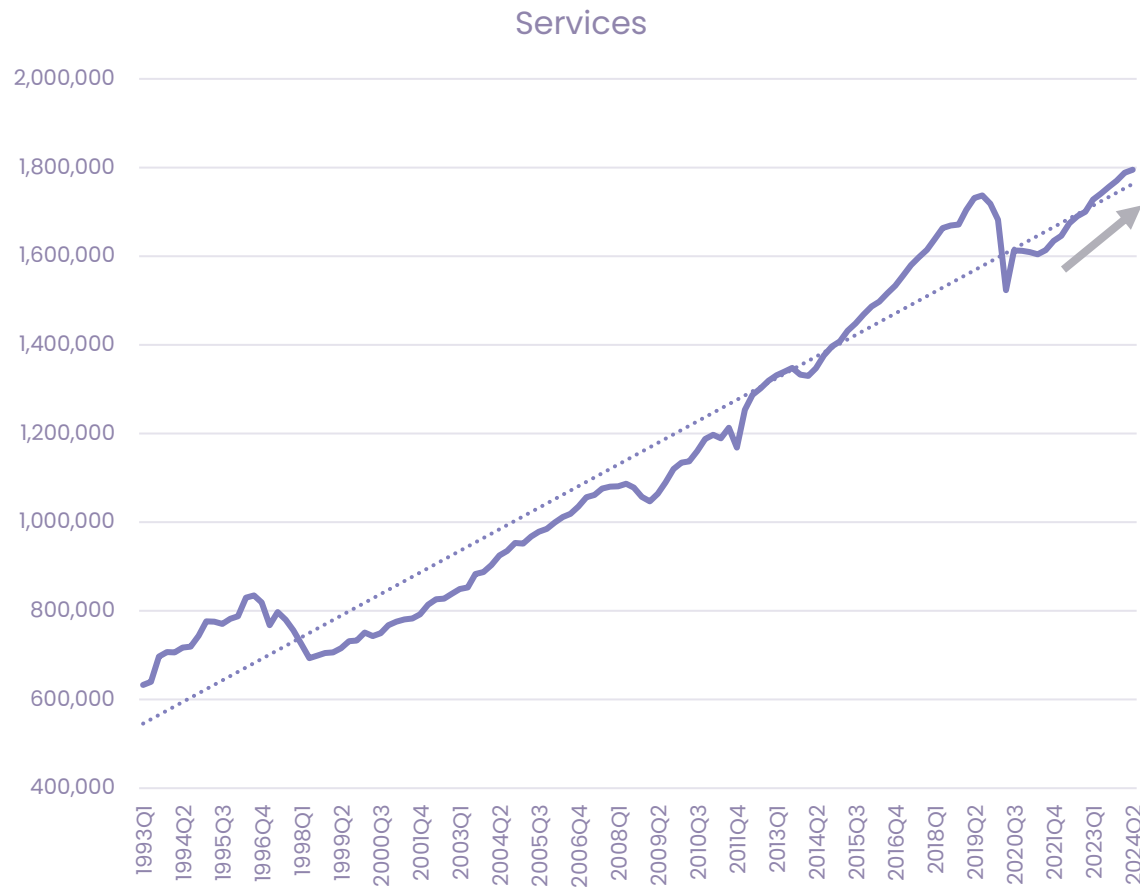
## Services recovery vs industry decline GDP by sector (2019Q4=100)



Source: NESDC, KKPS

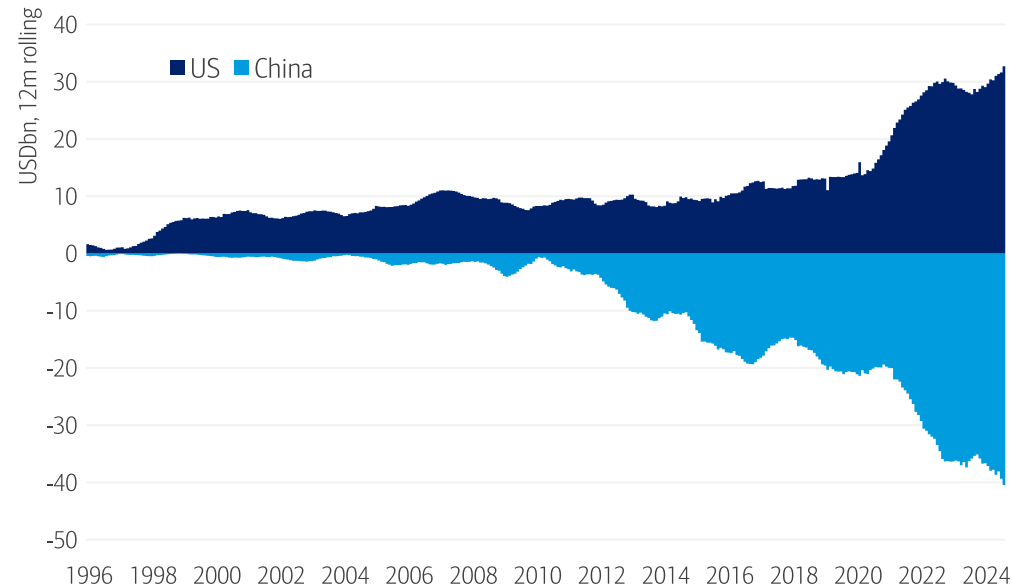
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# Peaked Manufacturing, Rising services → Shift focus to services sectors



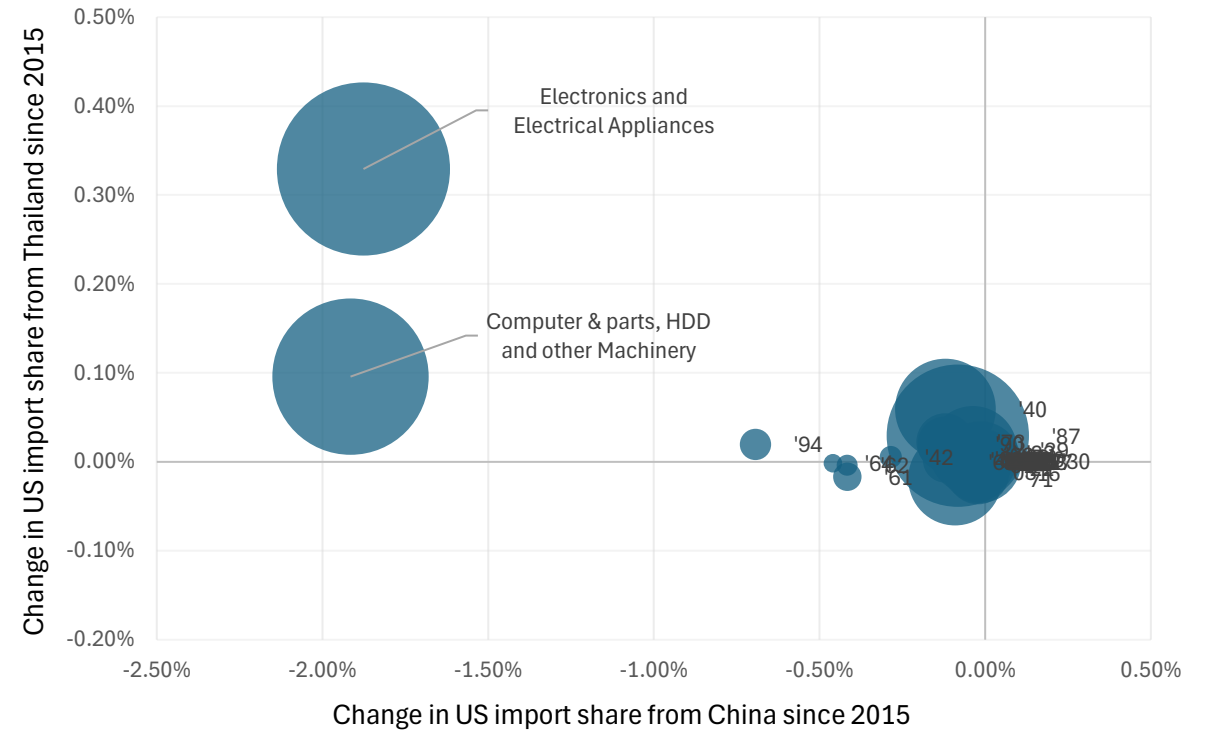
# Trade deficits with China...Trade diversion and rerouting

Post-Trade War Diversion and Rerouting  
Thailand trade balance with US and China



Source: Bank of Thailand (BOT), Kiatnakin Phatra Securities

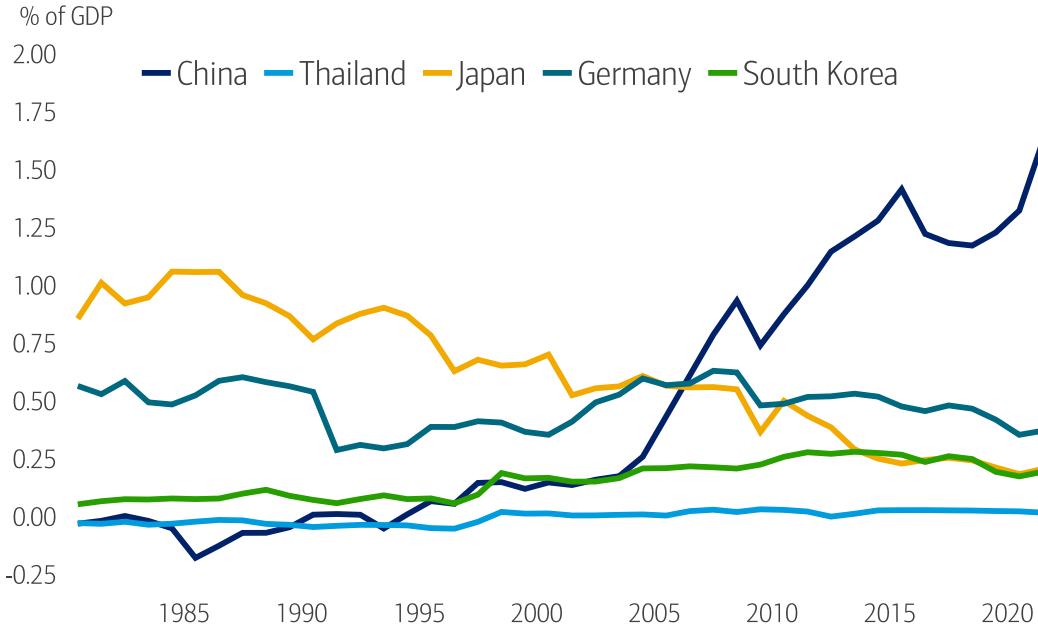
Trade Diversion vector



Source: BoT, KKPS

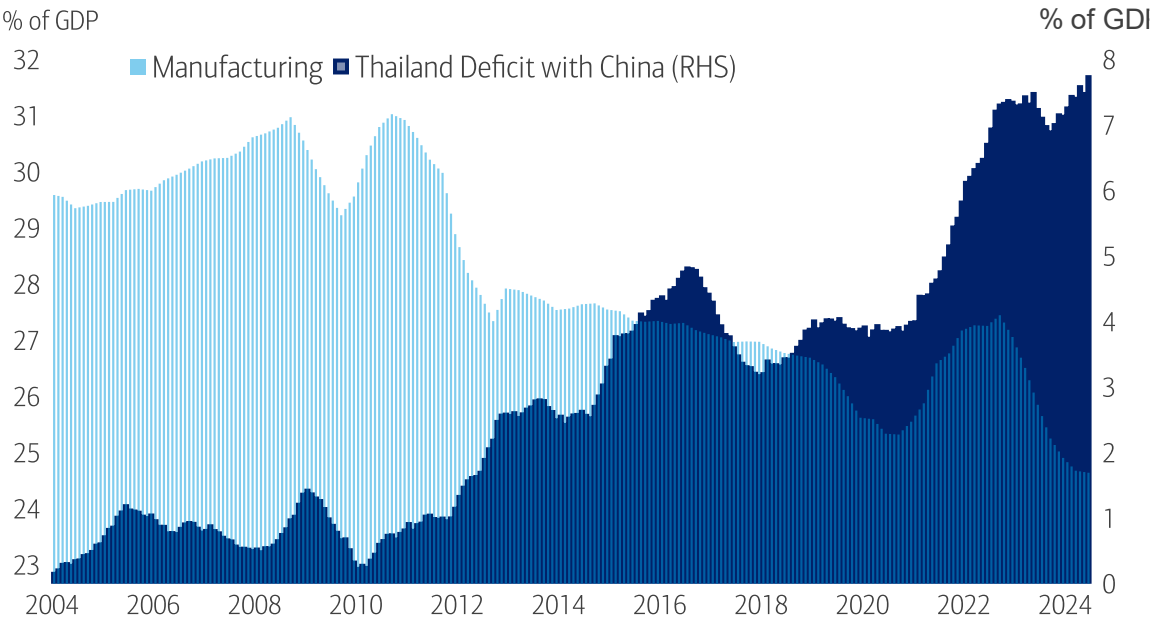
# Rising competition from China

## Global trade becomes a zero-sum game Manufacturing Trade Surplus (% of world GDP)



Source: World Trade Organization (WTO), World Bank, Kiatnakin Phatra Securities

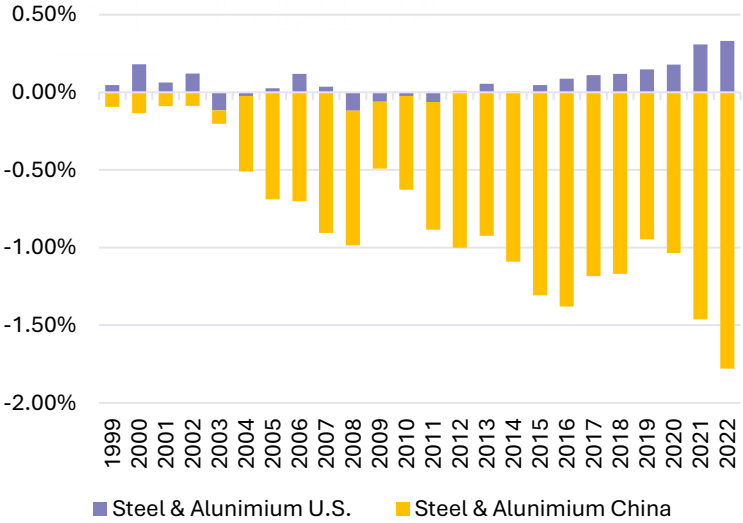
## China is putting pressure on Thailand manufacturing Manufacturing shrinks 7% while deficit with China gain 7% of GDP



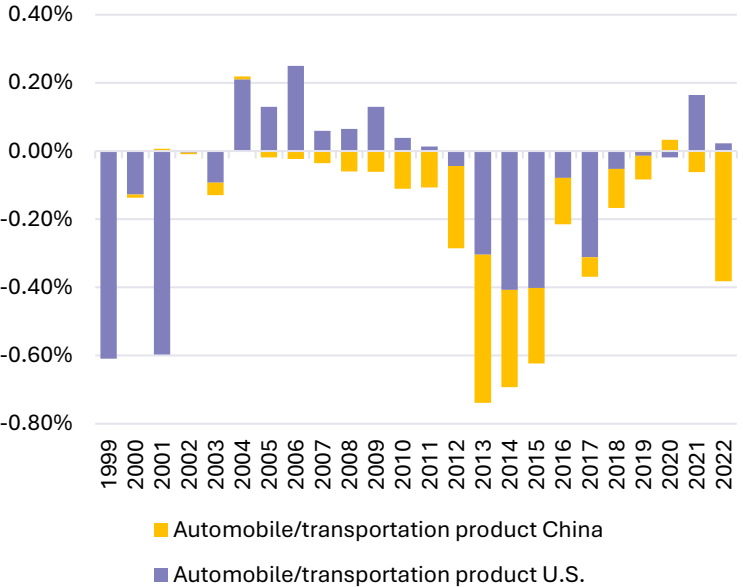
Source: Thailand Ministry of Commerce (MOC), Bank of Thailand (BOT), Thailand Office of the National Economic & Social Development Council (NESDC), Kiatnakin Phatra Securities

# ...and signs of dumping and import competition on local producers

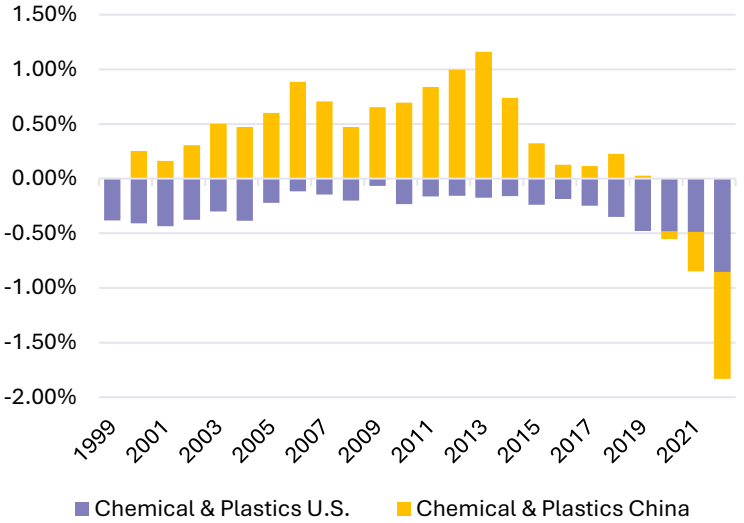
Steel & Aluminum



Automobile/transportation product



Chemical & Plastics

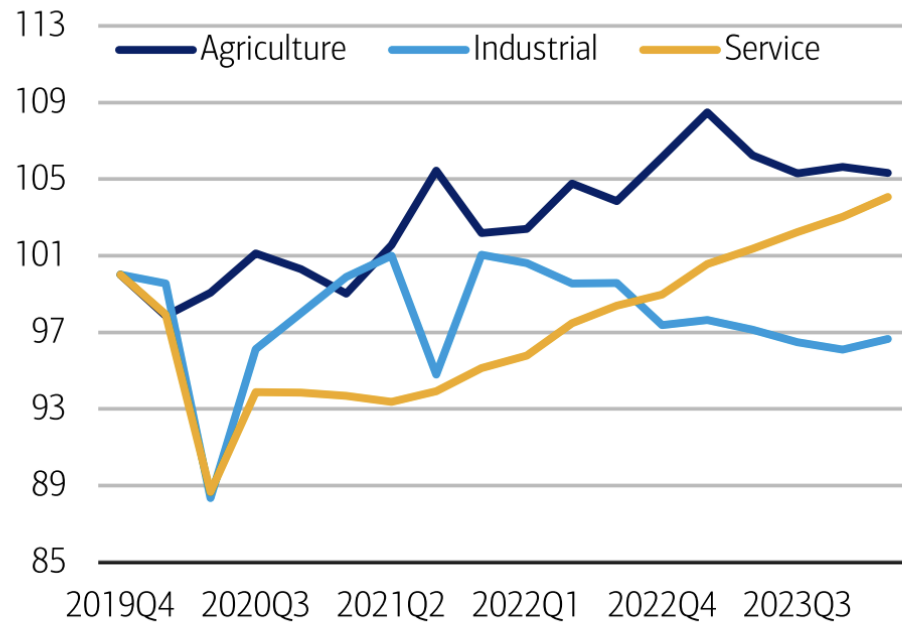


Source: UN Comtrade

# Services is the key engine, but the contribution is likely to slow

**Exhibit 7: The services sector led the recovery, while the industrial sector was a drag on post-Covid recovery**

GDP level SA (Index, 2019Q4 = 100)

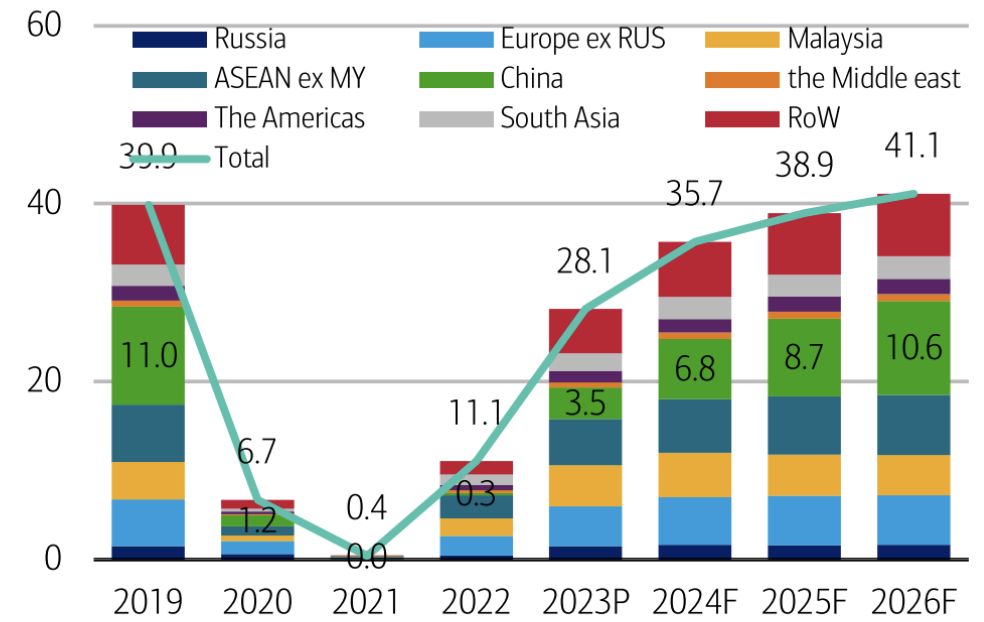


Source: NESDC, KKPS

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**Exhibit 8: Contribution to growth from tourism is expected to slow as the number of foreign tourists approaches the pre-Covid level**

Tourism forecast by countries (Mn)



Source: TAT, KKPS

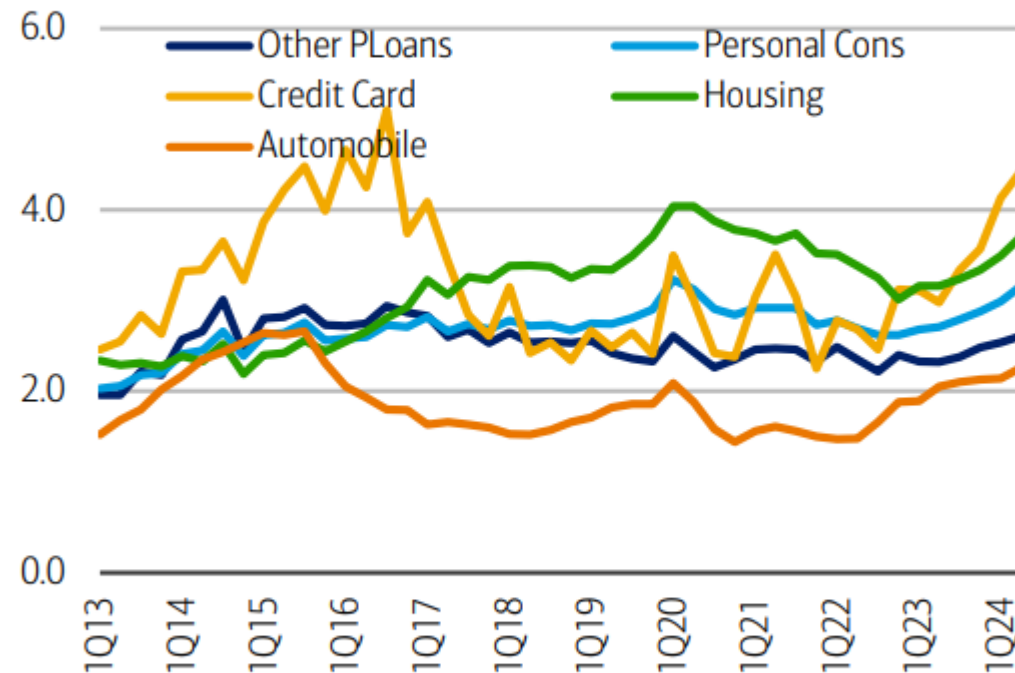
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# Financial deleveraging and a negative feedback loop: Weak recovery -> Asset quality -> weak loan growth -> weak recovery

**Exhibit 9: The NPL ratio has started to rise in 2024**

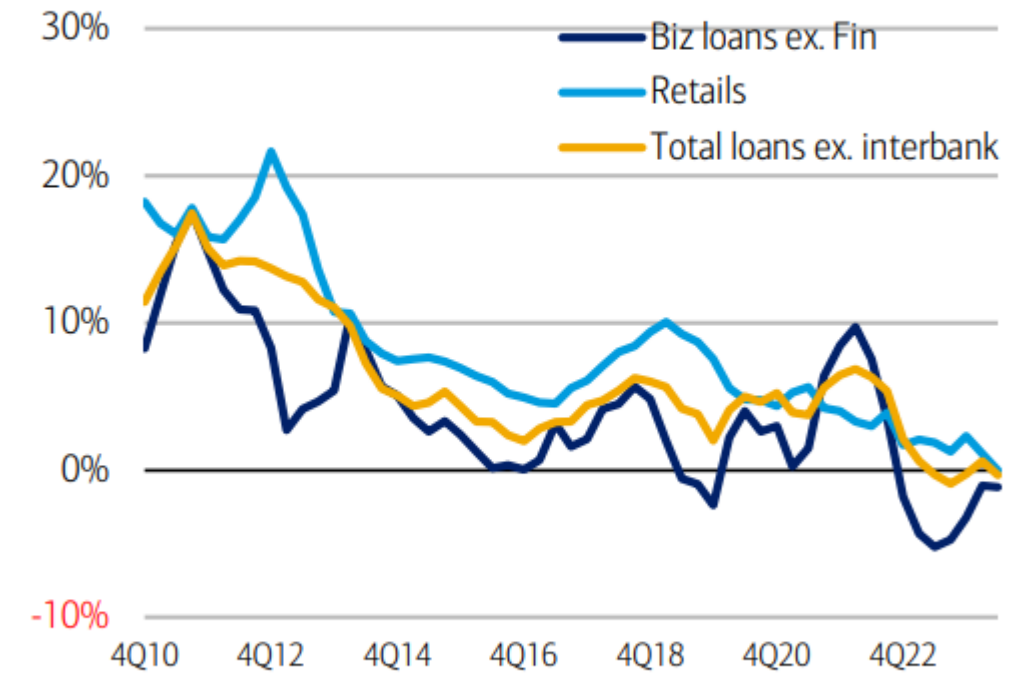
Commercial banks' NPL ratio (%)



Source: BoT, KKPS

**Exhibit 10: Loan growth has been slowing and turned negative in 2024**

Loan growth by segment (%YoY)

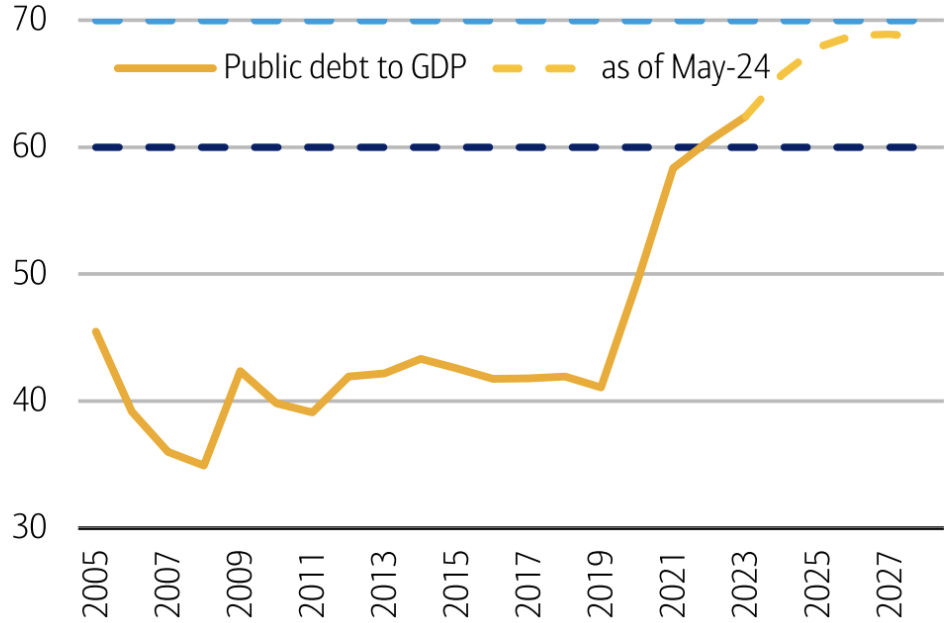


Source: BoT, KKPS

# Increasingly binding fiscal constraints

**Exhibit 11: Public debt to GDP ratio is expected to approach the 70% limit**

Public debt as percentage of GDP

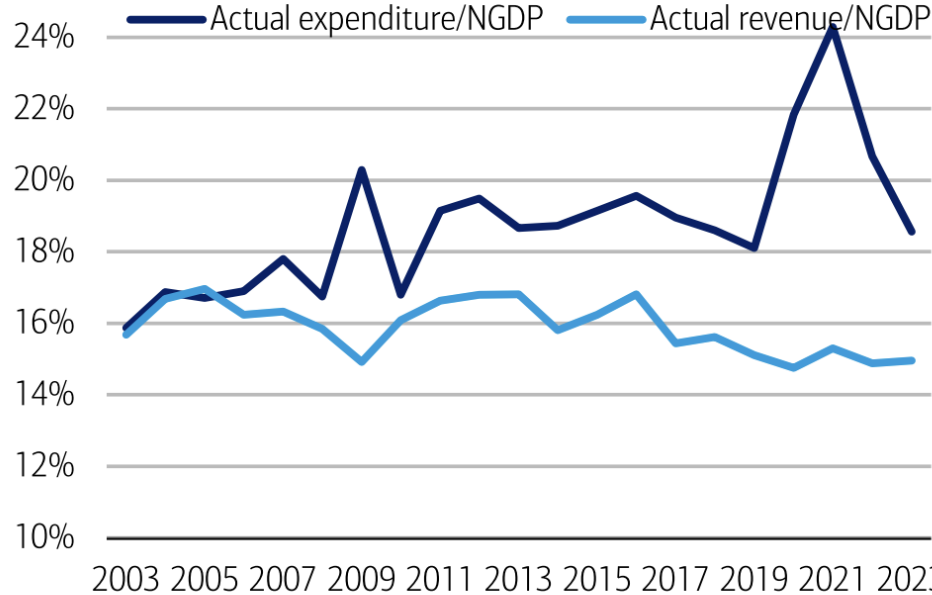


Source: Ministry of Finance, KKPS

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**Exhibit 12: The structural deficit is rising as revenue keeps falling**

Fiscal expenditure and revenue as percentage of GDP



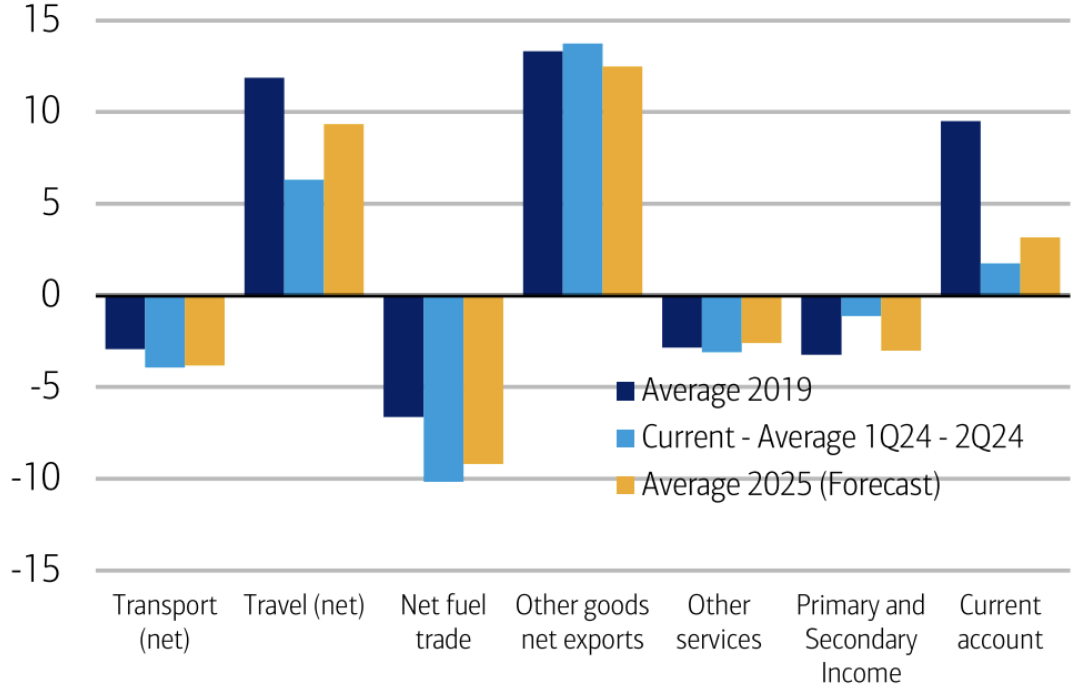
Source: FPO, KKPS

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# Current account surplus to recover, but remain low

**Exhibit 15: The current account should remain below the pre-Covid level**

Current account by component (US\$ billions)

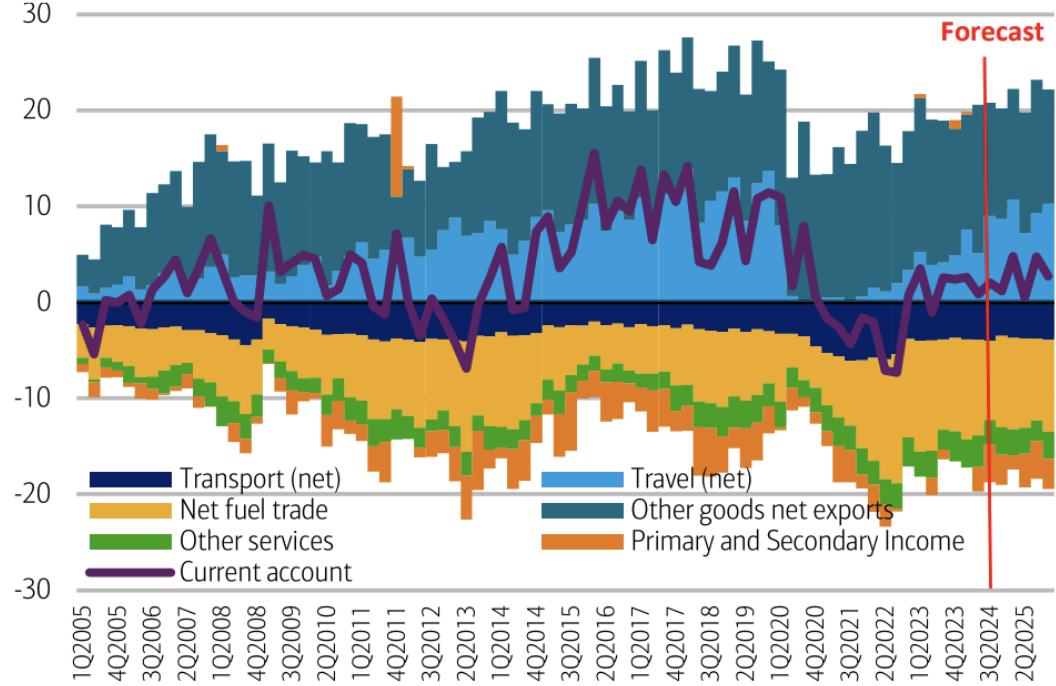


Source: BoT, KKPS

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**Exhibit 16: We expect the current account to improve in 2025 mainly from tourism revenue**

Current account forecast by component (US\$ billions)



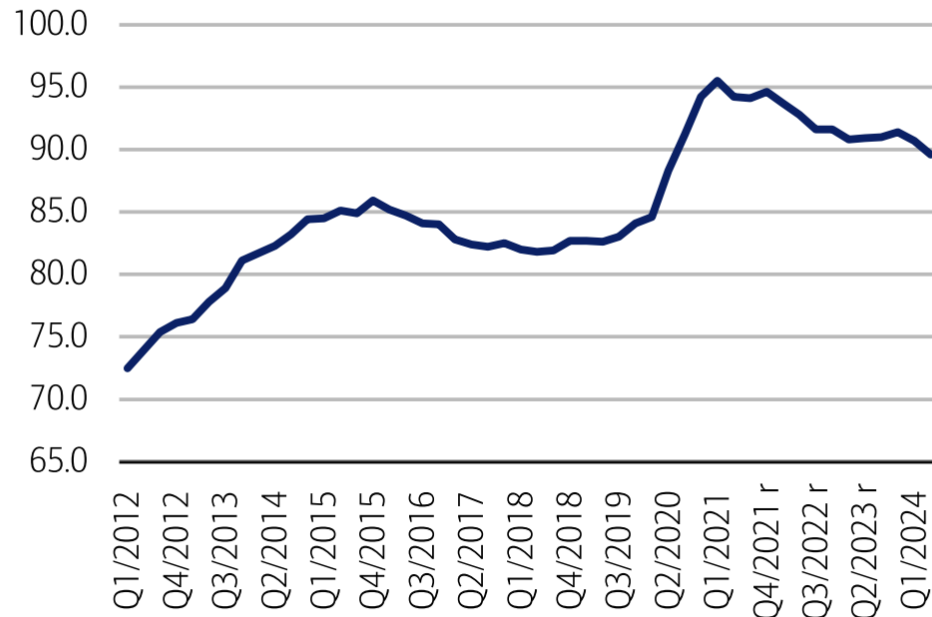
Source: BoT, KKPS

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# Still expecting rate cuts...when would the BoT pivot?

**Exhibit 17: Household debt has started to slow due to slowing income growth and high debt burden**

Household debt to GDP (%)

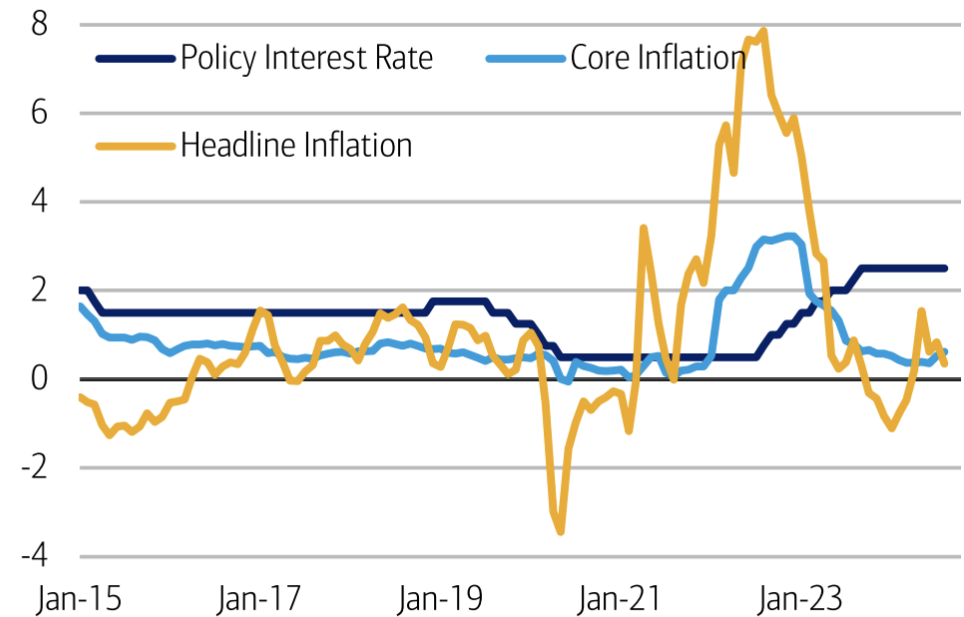


Source: BoT, KKPS

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**Exhibit 18: The current policy rate remains higher than the historical level compared to inflation**

Policy rate vs Inflation (%)

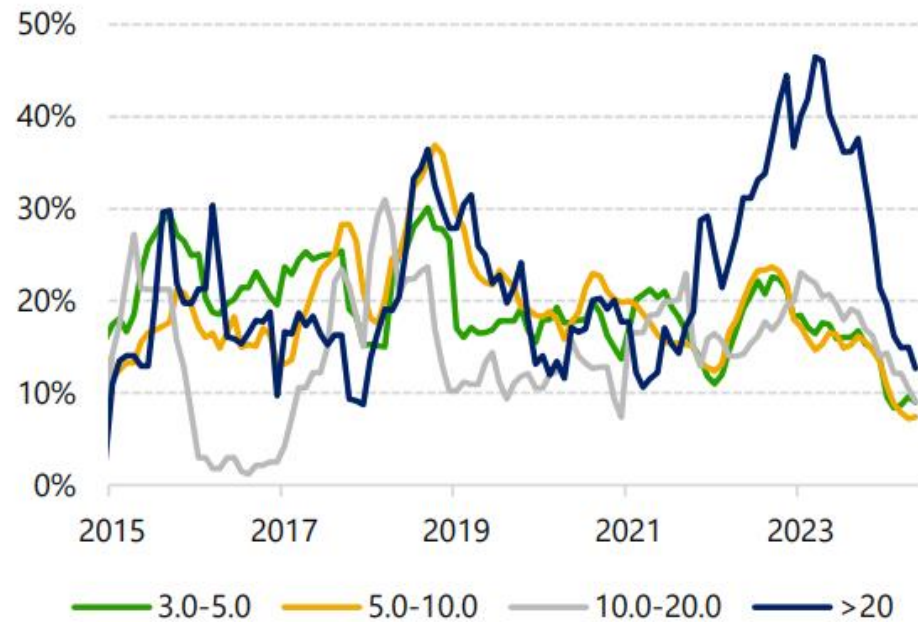


Source: BoT, MoC, KKPS

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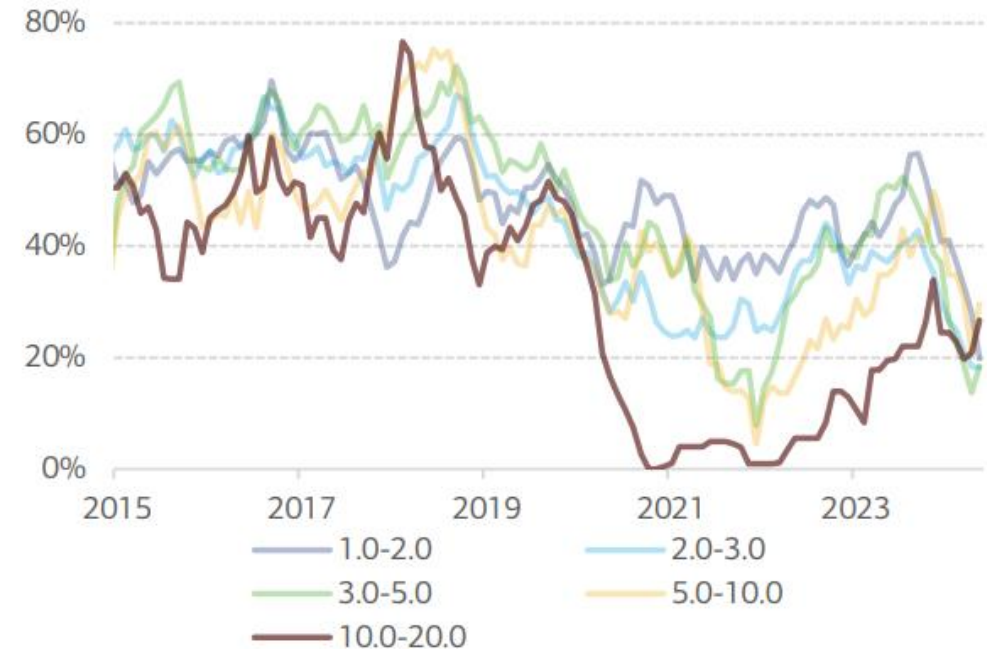
# Take-up rate in >10mn is still the highest among all segments

**Figure 12: Take-up rate for SDH and duplexes**



Source: Agency for Real Estate Center (AREA)

**Figure 14: Take-up rate for condominiums**



Source: Agency for Real Estate Center (AREA)

# USDTHB vs DXY



# Key risks

- Trump's policy
  - Rates and FX
  - Trade war
- China economic recovery
- Geopolitics
- Competition issues
- Household balance sheets and negative feedback loops



**How can Thailand adapt  
and thrive in the rapidly  
changing world?**