Economic Outlook Report 2020
Special Edition
Clients and Industries, December 2019
Contents

Global Economic Overview 2020
Southeast Asia Economic Overview 2020
Thailand Economic Overview 2020
Key Challenge in 2020
Global Economic Overview 2020
Global growth is forecast at 3.0 percent for 2019, its lowest level since 2008–09 and projected to pick up to 3.4 percent in 2020.

Source: IMF WEO Oct 2019
Note:
1 Asia refers to Asia and pacific
2 ASEAN refers to Southeast Asia
### Key takeaway and Watch list in 2020

<table>
<thead>
<tr>
<th>Country</th>
<th>Key takeaway</th>
<th>Watch list</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US</strong></td>
<td><img src="image" alt="Driving Forces: Policy rate cuts" /> <img src="image" alt="Restraining Forces: Trade war" /></td>
<td><img src="image" alt="US-China trade negotiations and additional tariffs" /> <img src="image" alt="An impeachment inquiry against US President Donald Trump" /></td>
</tr>
<tr>
<td><strong>EU</strong></td>
<td><img src="image" alt="Driving Forces: External demand regain from emerging markets" /> <img src="image" alt="Restraining Forces: Brexit uncertainty" /></td>
<td><img src="image" alt="US-EU trade negotiations" /> <img src="image" alt="Brexit options under Boris Johnson" /></td>
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<td><strong>Japan</strong></td>
<td><img src="image" alt="Driving Forces: Revenues from 2020 Olympics" /> <img src="image" alt="Restraining Forces: Consumption tax rate increase and exports to China &amp; South Korea declines" /></td>
<td><img src="image" alt="The progress of trade negotiations with US, to avoid the threat of auto tariffs from US" /> <img src="image" alt="Japan-South Korea trade dispute has begun to affect trade and tourism" /></td>
</tr>
<tr>
<td><strong>China</strong></td>
<td><img src="image" alt="Driving Forces: Policy rate cuts" /> <img src="image" alt="Restraining Forces: Trade war and Regulatory strengthening" /></td>
<td><img src="image" alt="US proposed a new round of tariffs on USD 156 bn worth of Chinese imports" /> <img src="image" alt="US-China trade negotiations before 2020 US Presidential election" /></td>
</tr>
</tbody>
</table>

Source: SCB EIC (Outlook 4Q2019) and TDRI

Economic Outlook 2020
Trade war, Geopolitical issues and Specific risks and exposures in each country are 3 major risks to economic growth in 2020

**US**
- US-China tensions

**Eurozone**
- Growth slowdown of major economies in eurozone
- Eurozone politics esp. Brexit conclusion

**North Korea**
- Nuclearization in North Korea

**Japan-South Korea**
- Japan-South Korea tensions

**Middle East**
- Conflict in the Middle East (Qatar) and U.S. sanctions on Iran
- Oil supply decline as middle east turmoil

**China**
- Economic risk from China’s economic slowdown

**Hong Kong**
- Hong Kong protest

Source: SCB EIC (Outlook 4Q2019)
The region remains resilient amid global uncertainties

ASEAN GDP growth in 2020 (Forecast)

Original ASEAN Member States (ASEAN 5)
Indonesia, Malaysia, Philippines, Singapore, and Thailand

New ASEAN Member States (BCLMV)
Brunei Darussalam, Cambodia, Lao PDR, Myanmar, and Vietnam

- Myanmar: 6.3%
- Lao P.D.R.: 6.5%
- Thailand: 3.0%
- Philippines: 6.2%
- Indonesia: 5.1%
- Vietnam: 6.5%
- Malaysia: 4.4%
- Cambodia: 6.8%
- Brunei: 4.7%
- Singapore: 1%
- Lao P.D.R.: 6.5%
- Cambodia: 6.8%
- Brunei: 4.7%
- Singapore: 1%
- Myanmar: 6.3%
- Lao P.D.R.: 6.5%
- Thailand: 3.0%
- Philippines: 6.2%
- Indonesia: 5.1%
- Vietnam: 6.5%
- Malaysia: 4.4%
- Cambodia: 6.8%
- Brunei: 4.7%
- Singapore: 1%

Note: 1 ASEAN refers to Southeast Asia

Source: IMF WEO October 2019

* 2019 Real GDP (Forecast)
Key Takeaway

**ASEAN 4**

- **Indonesia**: 5.0 in 2016, 5.1 in 2017, 5.6 in 2018, 6.2 in 2019F, 6.5 in 2020F
- **Malaysia**: 4.5 in 2016, 4.4 in 2017, 5.7 in 2018, 6.0 in 2019F, 6.4 in 2020F
- **Philippines**: 5.1 in 2016, 5.0 in 2017, 6.2 in 2018, 6.8 in 2019F, 6.5 in 2020F
- **Singapore**: 1.0 in 2016, 0.5 in 2017, 1.0 in 2018, 1.0 in 2019F, 1.0 in 2020F

**CLMV**

- **Cambodia**: 7.0 in 2016, 6.8 in 2017, 6.5 in 2018, 6.5 in 2019F, 6.5 in 2020F
- **Lao P.D.R.**: 6.4 in 2016, 6.5 in 2017, 6.5 in 2018, 6.3 in 2019F, 6.3 in 2020F
- **Myanmar**: 6.2 in 2016, 6.3 in 2017, 6.3 in 2018, 6.5 in 2019F, 6.5 in 2020F
- **Vietnam**: 6.5 in 2016, 6.5 in 2017, 6.5 in 2018, 6.5 in 2019F, 6.5 in 2020F

Source: IMF WEO October 2019
Key Takeaway

### ASEAN 4

**Export plummet slows growth, but economies still bolstered by domestic demand**

- **Indonesia**
  - Grow steadily in 2019 and 2020
  - Despite heightened global uncertainty, the economic outlook continues to be positive, with domestic demand being the main driver of growth

- **Malaysia**
  - Growth eases in 2019 and 2020
  - Favorable domestic demand, particularly household spending due to stable labour market and low inflation

- **Philippines**
  - Growth should lift in 2020
  - Solid fundamentals: a competitive workforce, steady remittances and investment in construction
  - Amid rising global uncertainties, the Philippine economy still remains strong

- **Singapore**
  - Growth is likely to continue facing headwinds into 2020
  - Dragged in the trade-related cluster due to downturn in the electronics cycle and US-China tensions
  - Modern services have been the main anchor of growth and is likely to remain a key source in 2020 - even it sees some slowing as well

### CLMV

**Growth to slow amid higher external risks and country-specific challenges**

- **Cambodia**
  - A relatively large fiscal stimulus (over 3% of GDP) is expected to be introduced in 2020 to mitigate potential negative impacts of the withdrawal of EBA

- **Lao P.D.R.**
  - Growth in the construction and service sectors is expected to remain robust in the medium term due to continued infrastructure investment

- **Myanmar**
  - Downside risks dominate Myanmar’s economic outlook, which includes global economic uncertainty, the Rakhine crisis and domestic conflicts

- **Vietnam**
  - Vietnam remains heavily exposed to global economic sentiments, given its high trade openness and limited policy buffers
  - Growth is expected to further moderate in 2020 and 2021 to a more sustainable pace of 6.5%

Source: Dataconsult and IMF
Economic Outlook 2020
Thailand Economic Overview 2020
Thai economy was forecasted to grow 2.8% in 2019 and 2020

The ongoing trade war triggered a Thai export slump, resulting in a domino effect on other domestic sectors of the economy.

Thai economy forecasted to grow 2.8% in 2020

GDP growth

- 2019F 2020F
- 2.80 2.80
- 4.20 4.90
- 3.20 0.20
- 2.80 0.30
- 2.20 0.30
- 1.90 0.20
- 2.70 -2.50
- 2.00 -3.40

Private consumption
Private investment
Public consumption
Public investment
Exports
Imports

Key takeaway

- A slow economic recovery in 2020F and expects 2.8% YOY GDP growth on the back of global economic slowdown and subdued domestic purchasing power
- On private domestic demand, it was foreseen a slowdown in private investment due to a fragile export recovery and feeble residential construction activities on the back of the tightening LTV measure
- Similarly, private consumption in 2020F is expected to slow down due to stubbornly high household debt and more cautious lending by the commercial banks
- Consequently, public investment in infrastructure projects, public consumption, and government stimulus measures are likely to be key factors in shoring up the Thai economic recovery in 2020

Source: SCB EIC (Outlook 4Q2019)
It was expected Thai Baht/US Dollar to move in the range of 30-31 in 2020F

The key factors influencing the value of the Thai baht

- Massive current account surplus
- Smaller policy rate cuts by Thai MPC
- Capital inflows to Thailand, resulting from Thai Baht’s status as a regional safe haven currency

Implication

Negative impact to
- The tourism sector
- Export sector

Positive impact to
- Import sector

Source: BOT and SCB EIC (Outlook 4Q2019)
Recently, BOT cuts policy rate from 1.50% to 1.25% on Nov 2019 and tends to keep the policy rate at its record low level throughout 2020F

**Policy rate (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate (%)</th>
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<tbody>
<tr>
<td>Jan-10</td>
<td>3.5</td>
</tr>
<tr>
<td>Jan-12</td>
<td>3.0</td>
</tr>
<tr>
<td>Jan-14</td>
<td>2.5</td>
</tr>
<tr>
<td>Jan-16</td>
<td>2.0</td>
</tr>
<tr>
<td>Jan-18</td>
<td>1.5</td>
</tr>
<tr>
<td>Jan-20</td>
<td>1.25</td>
</tr>
<tr>
<td>Jan-22</td>
<td>1.25</td>
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</tbody>
</table>

**Why policy rate was cut..**

- Further downside risks from external and domestic demand factors
- Inflation rates are likely to miss the lower bound of the inflation target range (1%)

**2020 Forecast**

- Policy rate was expected to be at 1.25% throughout the year to shore up domestic purchasing power through a lower financing cost
- Note that the lower financing cost might not boost substantial new lending on the back of rising economic uncertainties, but it is likely to lower debt service expenses for households and SME business in debt

Source: BOT and SCB EIC (Outlook 4Q2019)
Key Challenge in 2020
Historically, when the yield on 10-year Treasury bonds dips below the yield for 2-year bonds, a recession has followed.

Note: Only the first inversion preceding a recession is marked.
Source: St. Louis Federal Reserve, Wells Fargo Investment Institute.
Trade war is expected to last very long

- Upcoming US president election will be held in November 2020. To gain votes, Pres. Trump unlikely to reduce confrontation with other nations.
- Impeachment is unlikely as the ‘guilty’ dictation requires two-thirds majority of the senators.
- Fears of threats from China’s rise – politics, economics, and technology – run deep in both Republican and Democrat upcoming presidential candidates.
- Multiple wars are likely to continue next year: Trade, Tech, Investment, and Currency wars.
- In Nikkei’s survey in September 2019 of 1,000 Japanese companies involved in business with China, half of respondents said trade war is likely to last for over 10 years.