

Macro Strategy in Focus

Improving but not out of the woods yet

- Economic readings out of China are showing preliminary signs of improvement. Supply side data are strong as lockdown effects faded. This is consistent with stronger export growth as producers try to fill backorders.
- If this trend is sustainable, growth could accelerate in the following quarters. However, the zero-Covid policy remains a key risk to recovery.
- In addition, it remains to be seen if the recovery trajectory is sustainable or short-lived due to the recent lifting of lockdowns.

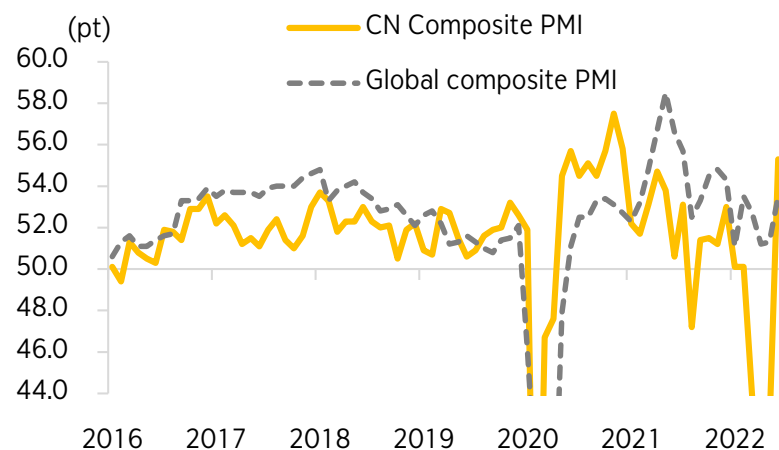
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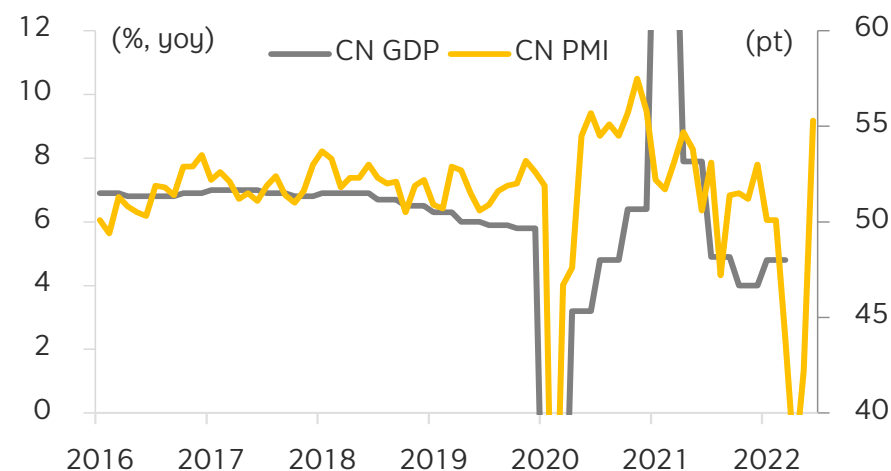
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Fig 1. Global PMI vs. China PMI



Source: Bloomberg, Krungsri Securities

Fig 2. China PMI vs. GDP growth



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Credit impulse look more promising

- In addition to firming supply side data, aggregate credit growth appeared to gain traction. Recent momentum has stronger than market expectations.
- A caveat on CN credit growth is that most of the positive momentum came from new issuance of local government bonds to support investment in 2H22. Private sector activity remain relatively slow.
- Again, we would need to track data for a longer period to confirm if the recovery is durable.

Fig 3. China PMI vs. China credit impulse

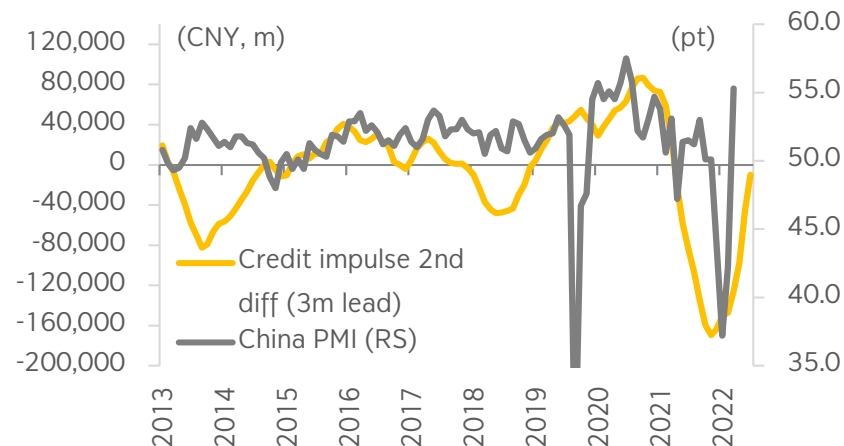


Fig 4. China export growth vs. Import growth

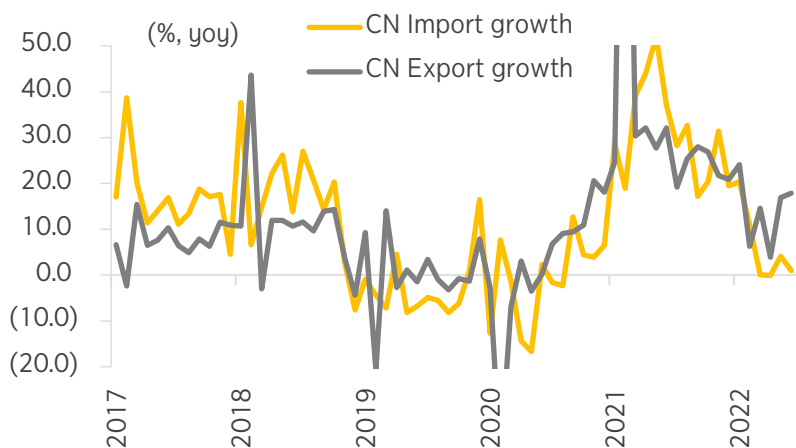
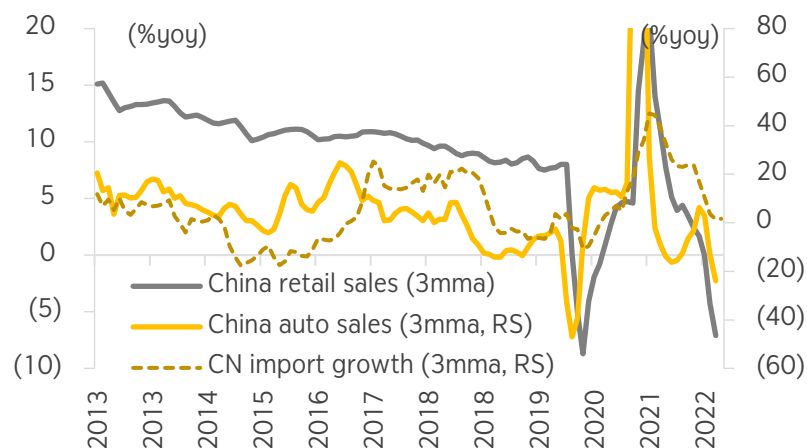


Fig 5. China retail sale vs. import growth vs. car sale growth



Source: Bloomberg, Krungsri Securities

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Housing market remains weak but outlook for FAI turn more promising

Fig 6. Housing market data vs. change in policy rate

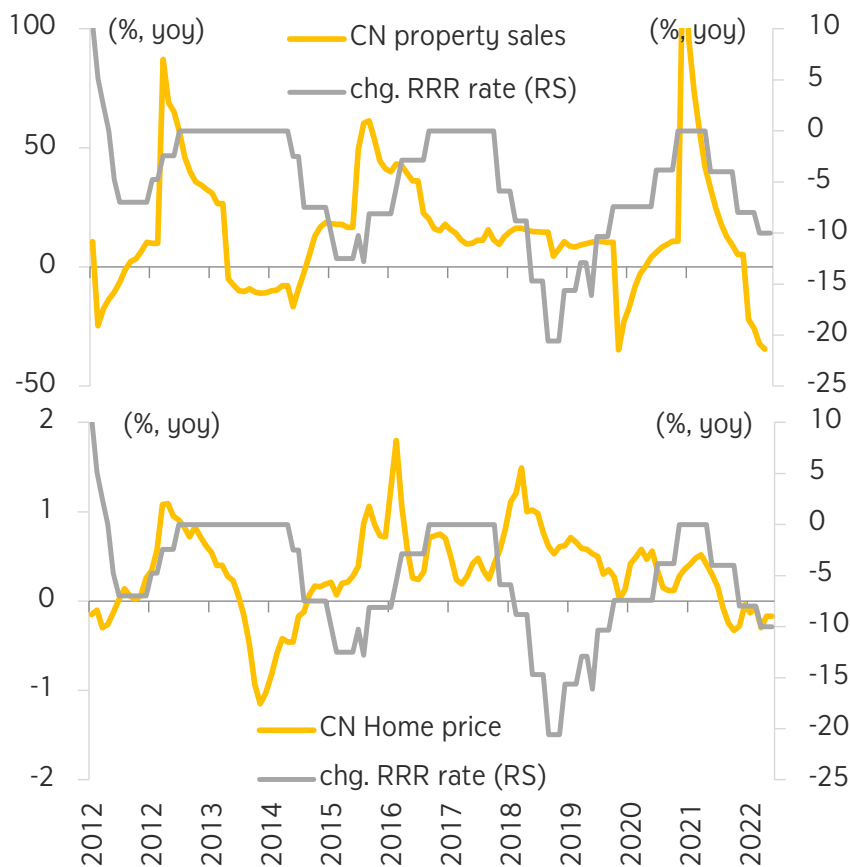


Fig 7. PPI vs. CPI vs. PPI-CPI

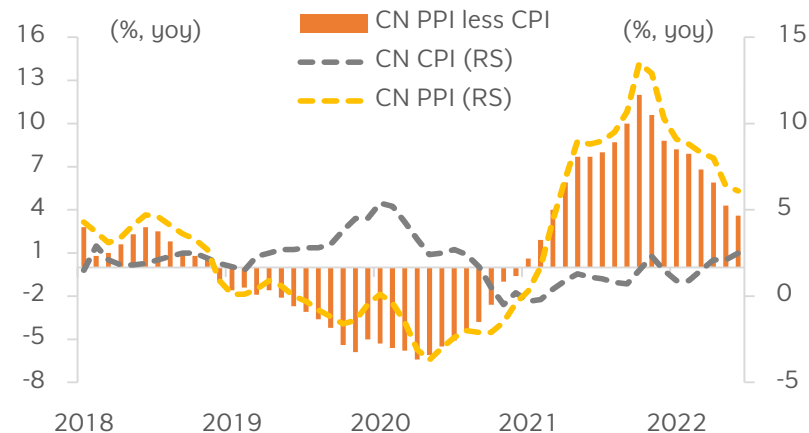
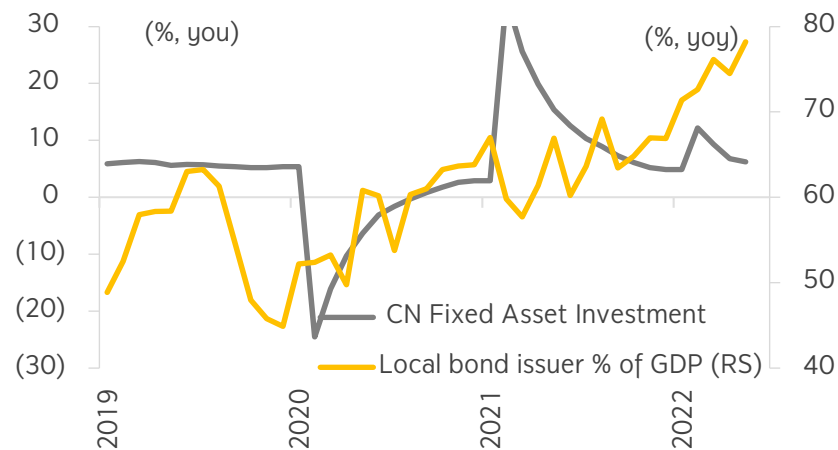


Fig 8. New government bond issuance vs. fixed asset investment



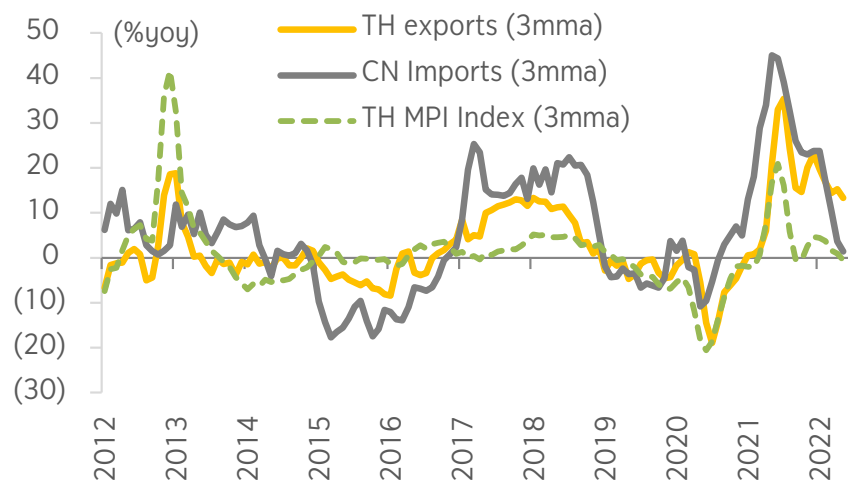
Source: Bloomberg, Krungsri Securities

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Do not expect strong spillover effects for now

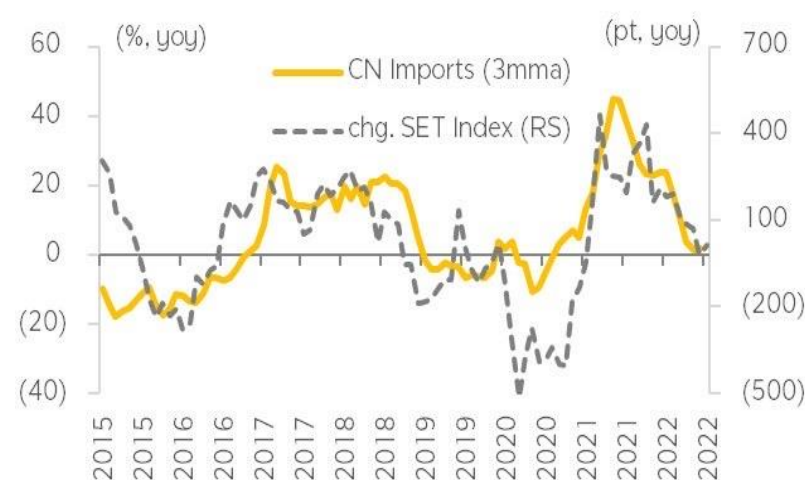
- Generally, stronger China data would have a positive impact on Thailand (and regional markets) via stronger exports. However, the recent improvement is different as domestic demand remains very weak. Imports have continued to drop (Fig. 9), which also weighed down Thailand exports as well as manufacturing. The bottom line is that we do not expect strong spillover effects in other countries for the time being.
- The key developments we need to track is the implementation of demand side stimulus and/or any policy booster for the ailing housing market. Firmer domestic demand would lead to higher imports, which will in turn boost TH exports & production. This will also have a positive impact on the SET Index as TH equity market is strongly influenced by China's import trends (Fig. 10).

Fig 9. China import growth vs. TH export growth & PMI



Source: Bloomberg, Krungsri Securities

Fig 10. CN imports vs. chg. in SET Index



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