



October 2026

Bangkok Bank CIO (Chief Investment Office)

Monthly Macro Outlook

By Bangkok Bank Wealth & Bangkok Bank Private Bank



Key Macro Messages



Global Economy Expands Amid Growing Growth Divergence

- **The divergence in economic growth is becoming increasingly** apparent across both regions and sectors. Energy-importing economies continue to face greater challenges from higher energy costs, while AI- and technology-driven industries are outperforming households that remain burdened by elevated living costs and persistently high interest rates.
- **Although these divergences pose risks to the global economy**, their severity remains moderate and is gradually easing. The gap between businesses and households has not widened into a systemic risk, while risks associated with AI and technology investment remain manageable, with no clear signs of a severe asset bubble emerging in the near term.



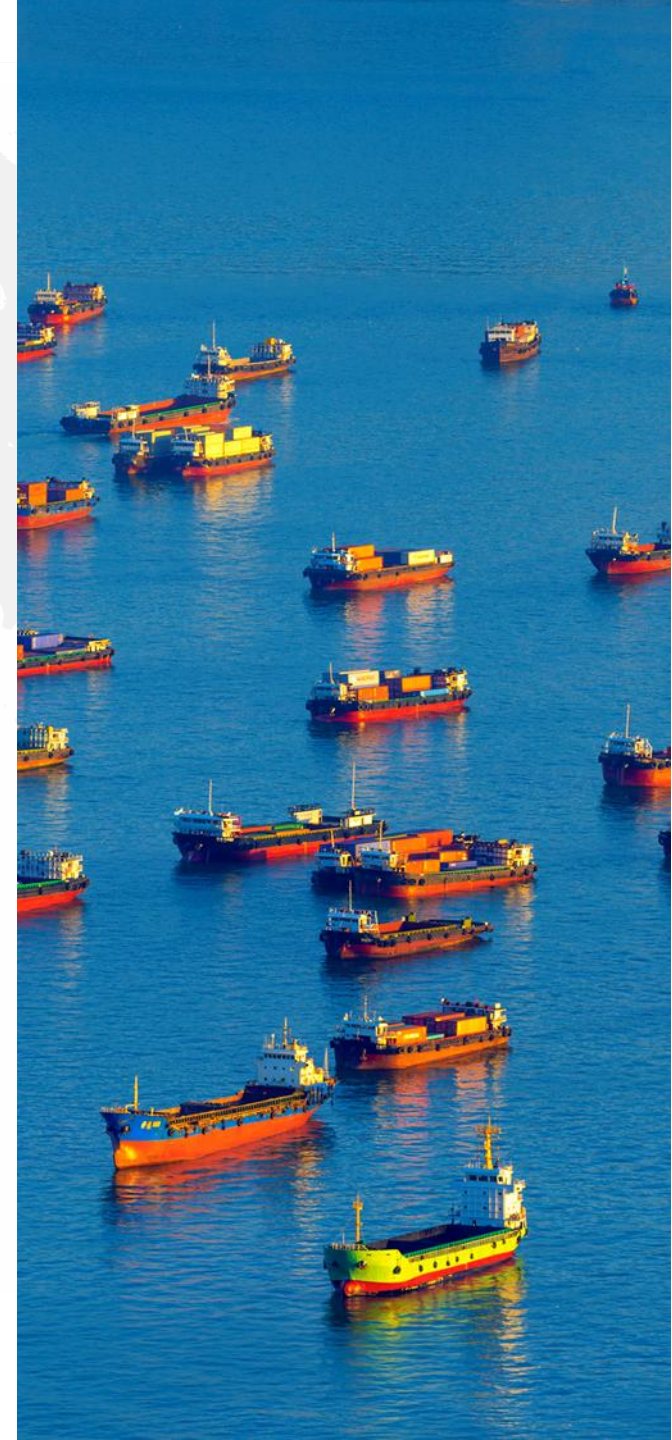
Inflation Remains Elevated Amid Energy Supply Pressures

- **Inflation remains above its normal range**, driven primarily by supply-side factors, particularly concerns over downstream energy products such as gasoline and diesel. However, demand-side pressures remain relatively contained, resulting in a gradual pass-through of higher costs to broader goods and services prices, with no significant signs of widespread inflation acceleration.
- **Global energy prices remain a key risk to monitor closely.** While oil prices have risen to levels that could raise concerns for the global economy, the overall impact remains limited. This reflects the increasing adoption of alternative energy sources and the fact that global demand has not been strong enough to generate broad-based price pressures across the economy.



Central Banks Gradually Recalibrate Monetary Policy

- **Major central banks are entering a policy normalization phase**, with limited room for further rate hikes before moving into a prolonged period of stability. Policy rates are expected to settle at around 4.00-4.25% for the Fed, 2.75% for the ECB, and 4.00% for the BOE, while the BOJ is likely to continue gradually raising rates toward 1.75% before pausing in the medium term.
- **Major central banks are maintaining a cautious policy stance** amid risks from higher energy prices and resilient economic activity. Policy rates are therefore expected to remain elevated for longer as part of the rebalancing process. This is likely to keep bond yields in major economies at relatively high levels and provide continued support for U.S. dollar strength in the period ahead.



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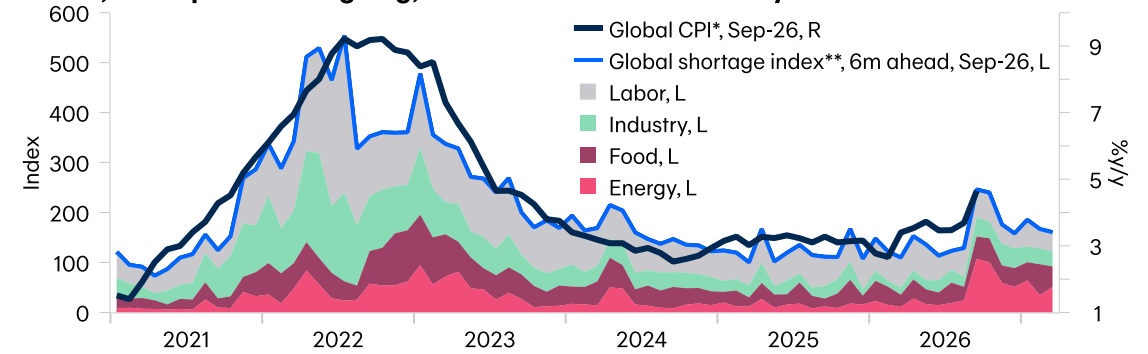
Global, Developed Markets



Global bifurcated resilience, inflation and tightening risks putting the base-case assumptions under pressure

- AI/tech-led resilience holds in investment, manufacturing, and trade, alongside services expansion—though some economic moderation warrants watch.
- Bifurcation risks are present but moderate and partially eased: energy-importing economies weigh less on global expectations, firm–consumer gap persists, and AI/tech risks—e.g., overspending—remain visible but non-acute.
- Supply-pushed inflation runs above norms; downstream shocks (in gasoline, diesel) are the critical issue tilting the balance toward further elevation, while demand pressure stays broadly limited and pass-through incrementally builds.
- We pulled forward rate hike expectations into 2026—roughly +0.25% across major central banks, with 2027 hikes unnecessary—while tightening risks grow more pronounced, testing conviction in the no-material-impairment assumption.

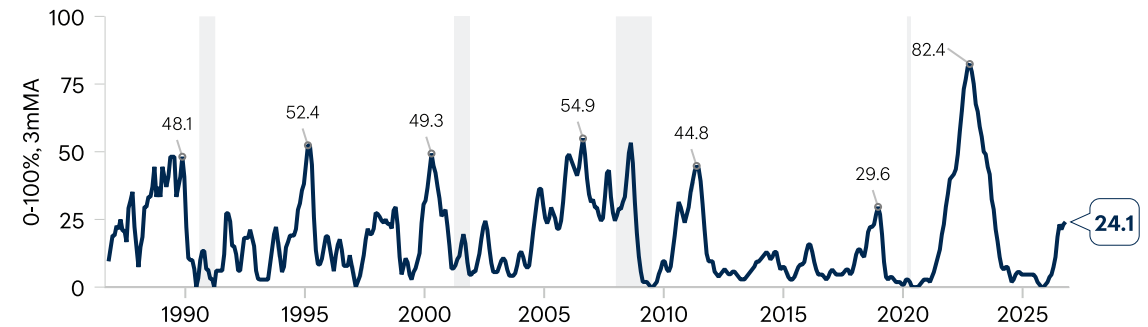
Global supply shortages drive inflation—demand-side labor and industrial pressures limited, food spillovers ongoing, overall below 2022 intensity



* GPD-weighted median; ** Global shortage index: tracking newspapers' coverage of supply disruptions in the US and abroad across history and economic sectors; Sources: Matteo Iacoviello, World Bank, BBLAM, Bangkok Bank

Global rate hikes accelerate, raising financial tightening risks, yet hiking breadth remains more contained than in prior synchronized cycles

Global monetary tightening breadth: shares of central banks hiking rates vs. previous month, as of 4-Oct-26 mtd



* 36 DM and EM central banks; Sources: Macrobond, BBLAM, Bangkok Bank

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Global, Developed Markets



US: Lasting AI/tech strength, consumer vulnerability, labor stabilization, faster but limited Fed hikes

- AI/tech strength holds, driven by strong private investment, with a manufacturing upturn as further evidence; consumption stays intact despite compressed real incomes, shrinking savings, and persistent but slowing credit card delinquencies—cushioned by equity wealth at ~20–25% of household assets.
- Jobs echo low hires/fires, and stabilization amid possible AI-led displacement.
- Inflation stays well above 2%, driven primarily by energy with incremental contributions from capex and tech activity; relatively contained pass-through and moderating momentum across many metrics offer partial mitigation.
- We expect one more 25bp Fed hike to 4–4.25% this year—anchored by its price stability mandate and elevated real yields implying real tightening risks, which we increasingly acknowledge—with further hikes unnecessary, as fine-tuning.



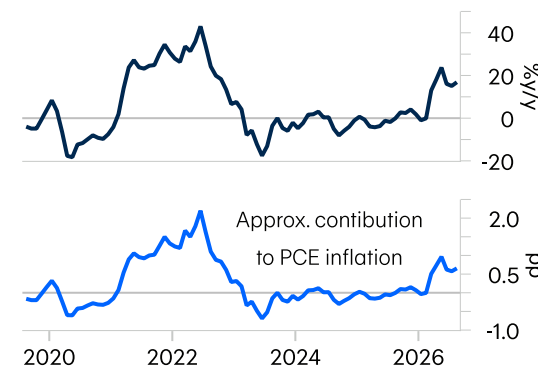
US household equity holdings at ~20–25% of total assets



Sources: Fed, S&P Global, BBLAM, Bangkok Bank

US inflation led by energy

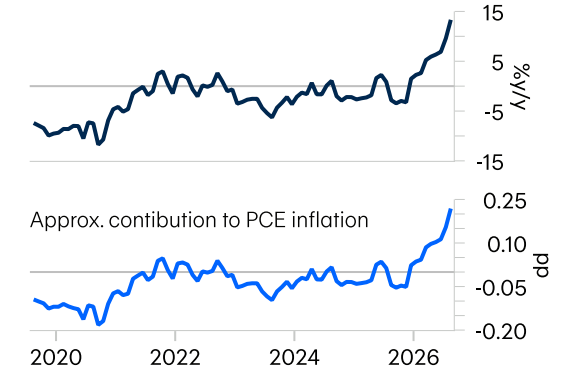
US PCE inflation: energy goods & services, as of Aug-26



Sources: BEA, BBLAM, Bangkok Bank

US tech inflation incrementally building

US PCE inflation: tech equipment, as of Aug-26



Sources: BEA, BBLAM, Bangkok Bank

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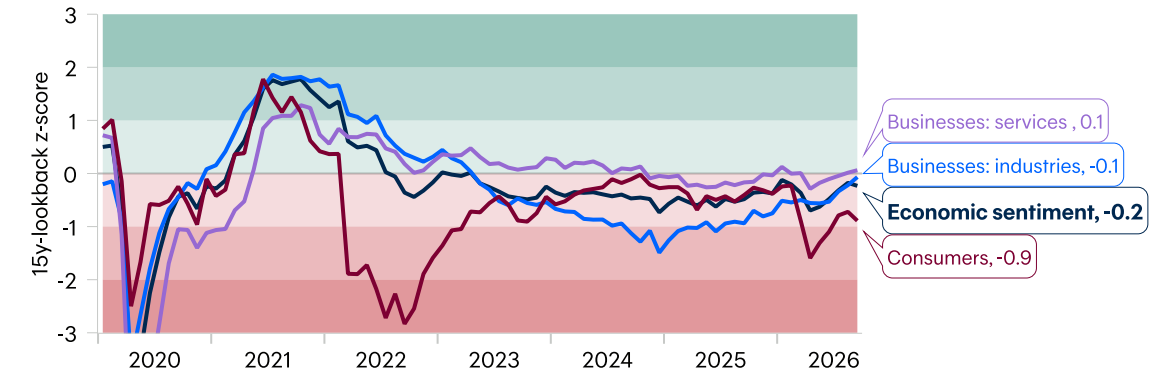


Eurozone soft-data recovery amid stagflation concerns; UK resilience; ECB, BoE near terminals

- The Eurozone's soft-data-led recovery expectations from its war-induced trough continue, though stagflation concerns are building—industrial production has stagnated while the consumer backdrop has broadly softened.
- The UK shows broad economic resilience, but structural inflation risks linger from regulated electricity and renewable infrastructure bottlenecks.
- Both economies face ongoing inflation pressures from natural gas supply shocks and elevated energy prices, weighing on demand and activity and creating an inflation-growth dilemma.
- We expect both the ECB and BoE to hike only 25bp for the remainder of the year—the ECB to 2.75%, the BoE to 4%—with neither likely to act further next year, both framed as recalibration.

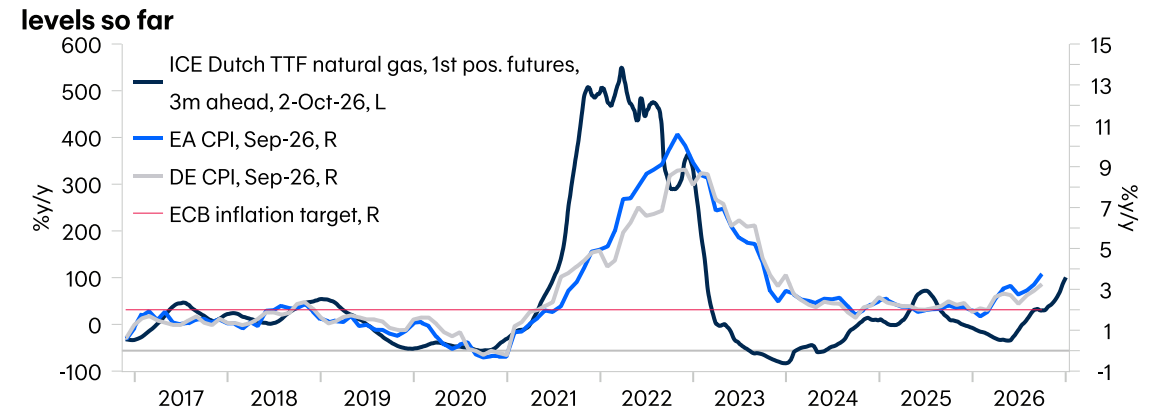
Eurozone soft-data recovery expectations, although dragged by consumers

EA economic sentiment (businesses: industrial, services; consumers) by European Commission/Eurostat, as of Sep-26



Sources: DG ECFIN, Eurostat, BBLAM, Bangkok Bank

Natural gas weighs on European inflation, though pressures remain notably below 2022 levels so far



Sources: ICE, Eurostat, BUBA, ECB, BBLAM, Bangkok Bank

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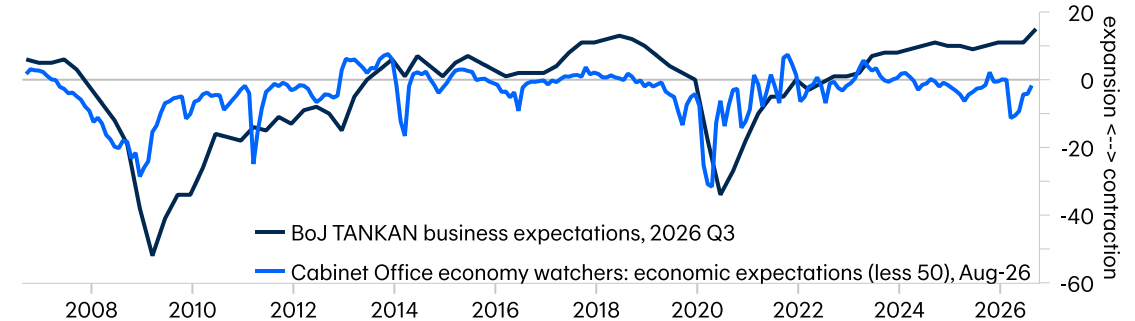


Japan: Moderate economy, tentative inflation spikes on watch, BoJ normalization

- The outlook remains moderate, backed by foreign tech-equipment demand; the Tankan-Economic Watchers divergence (enterprise- vs. consumer-leaning) reflects a foreign-domestic disparity. Households are soft, cushioned by positive real wage growth, relatively tight jobs, and food tax cuts next year.
- Inflation has been broadly contained around or below 2%, aided by government intervention, with underlying metrics still below target; global energy costs pose upside risk, while Tokyo CPI—typically leading the national print—spiked notably in Sep, warranting close attention.
- We expect the BoJ to normalize via 2 more hikes—next possible this year—to 1.75%, aligned with the measured macro backdrop and broadly tracking the 2% ideal without fully reaching it.

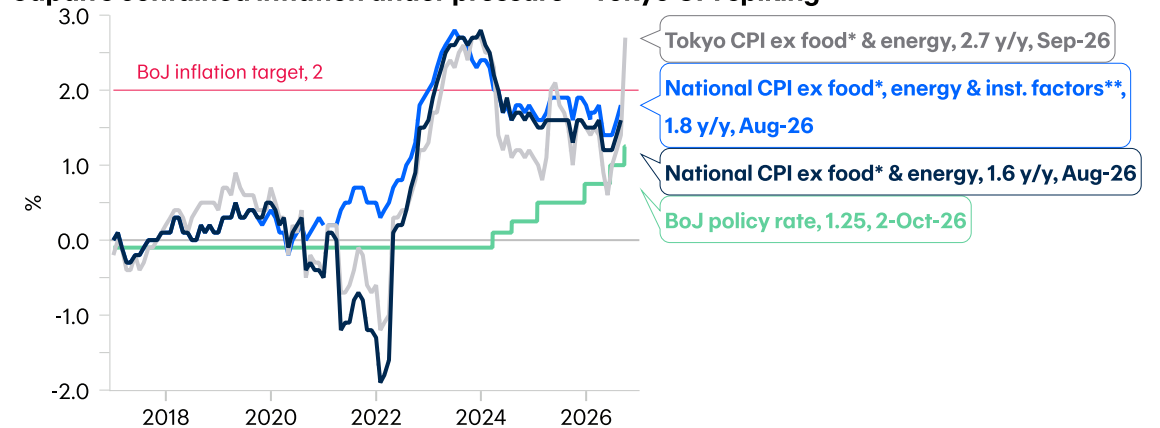
Japan's Tankan-Economic Watchers divergence—enterprise- vs. consumer-leaning—reflects a foreign-domestic disparity

JP economic/business expectations



Sources: BOJ, CAO, BBLAM, Bangkok Bank

Japan's contained inflation under pressure—Tokyo CPI spiking



* Ex alcoholic beverages; ** Ex govt policy interventions: price controls, subsidies, tax adjustments; Sources: BOJ, SBJ, BBLAM, Bangkok Bank

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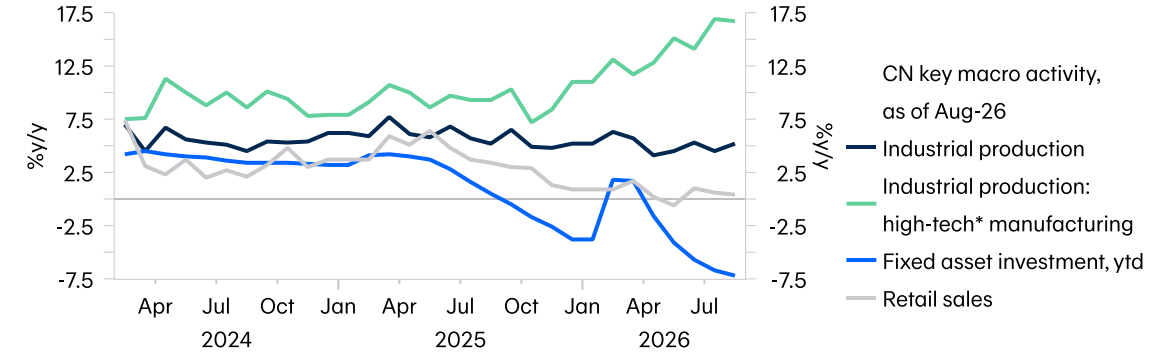


China: Tech-domestic K-shape across activity and prices

- The K-shape spans multiple fronts: policy-backed, tech-led industrial production and exports outperform retail sales and property-dragged fixed-asset investment; industrial profits remain focused in tech-related sectors, supporting corresponding earnings, while domestic-facing profitability stays contained.
- The same divergence runs through prices: energy- and tech-driven PPI contrasts with subdued CPI, corroborated by intact manufacturing PMI producer prices spiking to 54 in Sep against low services PMI selling prices.
- Policy stance unchanged: monetary policy stays accommodative with limited transmission effectiveness, with loan deceleration amid some monetary growth; any PBoC easing is more likely via RRR cuts, seen as more potent than other tools. Fiscal policy leans toward stabilization rather than stimulus.



China K-shape: tech-led industrial output outpaces retail sales and property-dragged fixed-asset investment

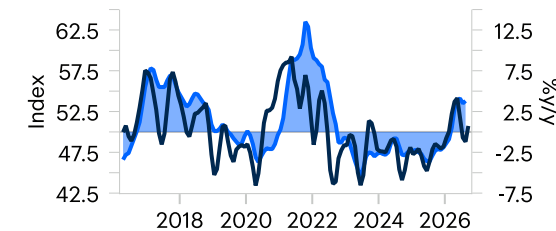


* Pharmaceutical, aviation/spacecraft & equip., electronic & comm equip., computer & office equip., medical equip. & instrumentation, info chemicals;
Sources: NBS, BBLAM, Bangkok Bank

China PPI intact, corroborated by PMI producer prices

CN PPI vs. mfg PMI prices

— NBS mfg PMI, producer prices, Sep-26, 3mMA, L
— PPI, Aug-26, R

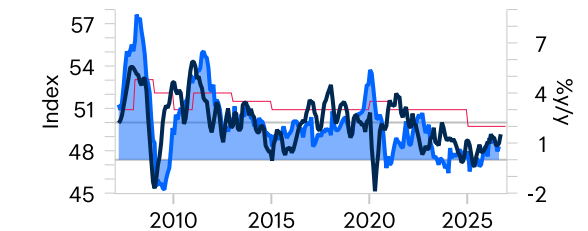


Sources: NBS, CFLP, BBLAM, Bangkok Bank

China CPI subdued, reflected in PMI selling prices

CN CPI vs. non-mfg PMI prices

— NBS non-mfg PMI, selling prices, Sep-26, 3mMA, L
— CPI, Aug-26, R — Inflation target, R



Sources: NBS, CFLP, NDRC, BBLAM, Bangkok Bank

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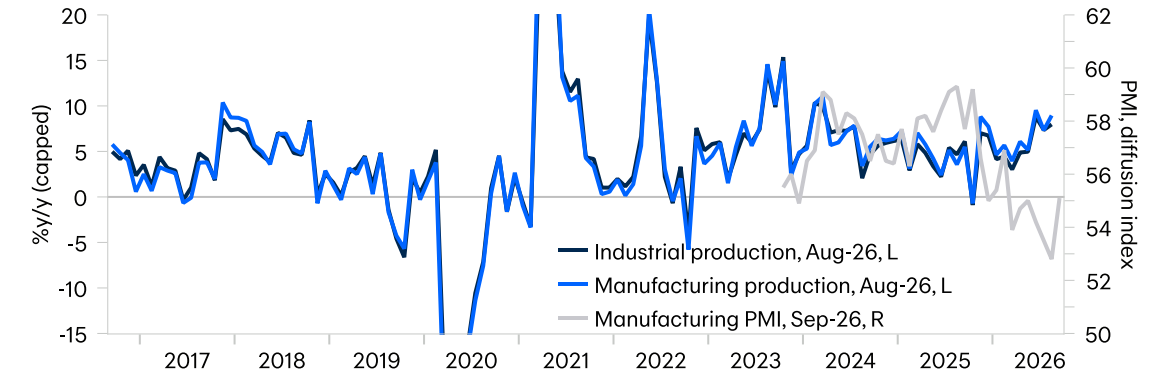


India: Economic robustness, higher inflation but possibly within target range, moderate RBI tightening pressure

- Growth remains robust, with manufacturing, services, credit, and economic expectations all pointing to broad expansion; PMIs, having moderated earlier, have since recovered. The economy is notably less exposed than major peers to the global AI supply chain, despite a large and concentrated domestic AI/data-center investment pipeline.
- Inflation has drifted above the RBI's 4% midpoint on supply-led energy, food, and commodity pressures; producer-consumer spillovers are building, though the trajectory is broadly expected to stay within the 2–6% target band.
- The RBI faces moderate upside tightening pressure—contingent on headline inflation reaching/exceeding the 6% upper bound or core broadening materially above 4%, compounded by persistent rupee weakness.

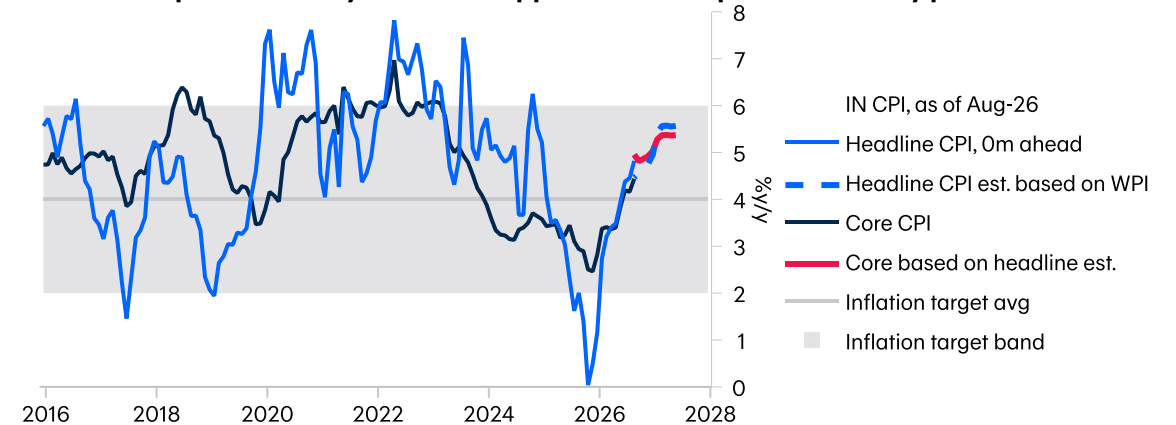
India manufacturing output robust, earlier divergence from PMI now narrowing

IN industrial/manufacturing production, PMI



Sources: S&P Global, MoS&PI, BBLAM, Bangkok Bank

India CPI expected to stay within the upper bound despite inflationary pressures



Forecasts as WPI (PPI proxy) → CPI → core CPI; Sources: RBI, Indian Ministry of Commerce & Industry, BBLAM, Bangkok Bank

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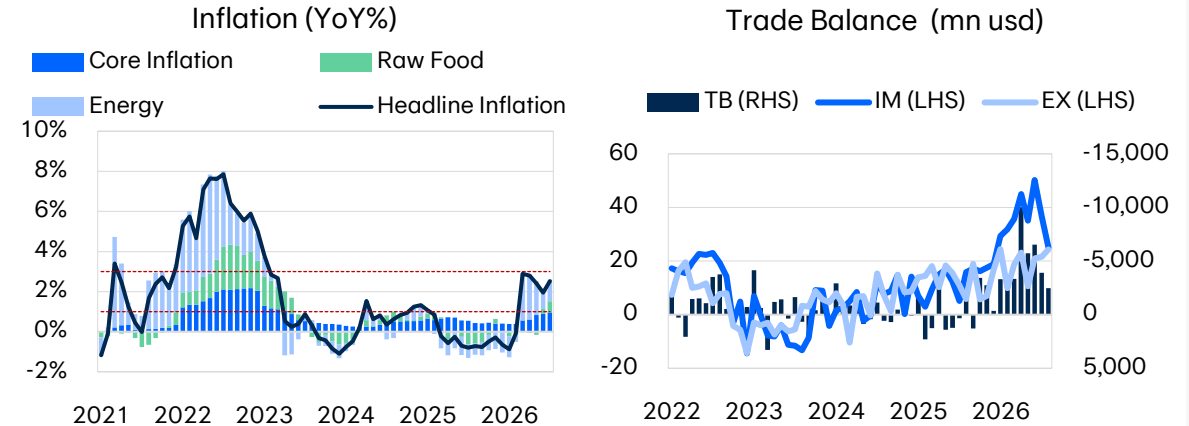
ASEAN Markets



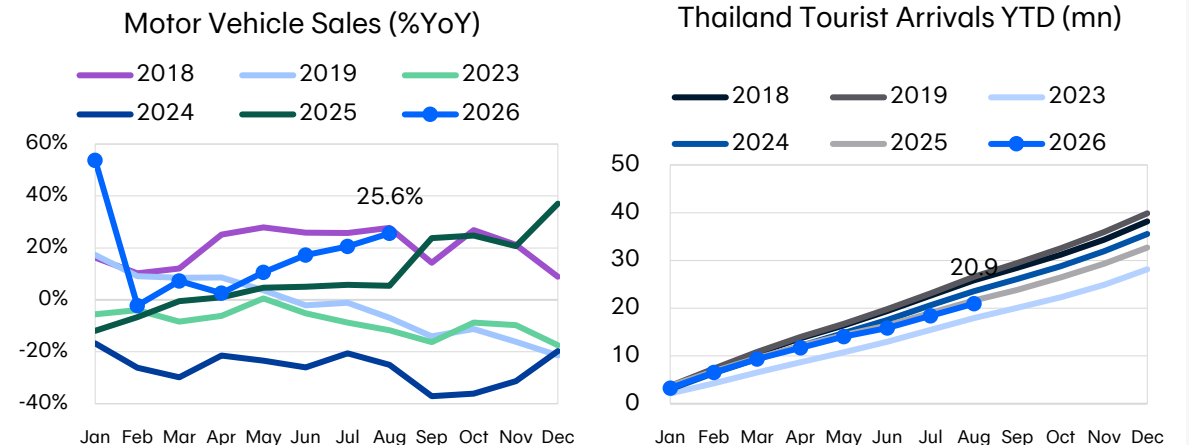
Thailand — Uneven recovery as export-led growth faces inflation and flood risks

- Thailand's recovery remains uneven. In Jul., the Private Consumption Index grew 3.2% YoY (vs. prev. +4.9%) and the Private Investment Index rose 12.9% YoY (vs. prev. +18.2%), while the Manufacturing Production Index recovered to +0.5% YoY (vs. prev. -3.1%). Consumption and investment slowed from the prior month, while manufacturing began to recover with exports.
- Headline inflation accelerated to 2.53% YoY in Aug. (vs. prev. +1.95%) and core inflation to 1.44% YoY (vs. prev. +1.34%), driven by energy, prepared food and fresh food. Key risks remain energy prices and weather-related pressure on farm output.
- Exports in Aug. rose 24.3% YoY (vs. prev. +21.6%) to USD 34.6bn, while imports grew 25.1% YoY (vs. prev. +36.7%) to USD 37.1bn. The trade deficit narrowed to USD 2.48bn (vs. prev. USD 3.61bn). Exports were led by electronics and technology-investment-related products, while raw-material and capital-goods imports stayed high.
- Flooding raises downside risk to services, travel and agriculture, and could pressure tourism. Foreign arrivals in Jan.–Aug. were 20.94mn (-3.1% YoY). Motor vehicle sales in Aug. reached 59,809 units (+25.6% YoY, +1.0% MoM), with post-flood replacement demand a key indicator to watch alongside auto loans and insurance claims. The government announced THB 9,000 per household in flood relief and a THB 15.5bn national disaster insurance scheme effective 1 Oct. 2026, covering floods, storms and earthquakes.

Exports remain strong, but elevated imports keep the trade balance in deficit while inflation accelerates



Flood risk may weigh on tourism, while vehicle sales could gain from post-flood replacement demand



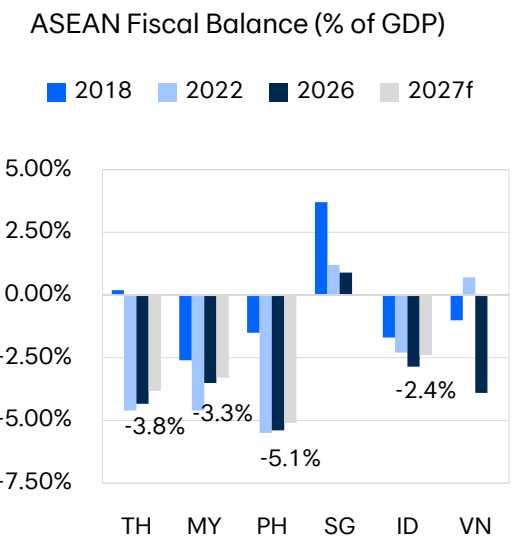
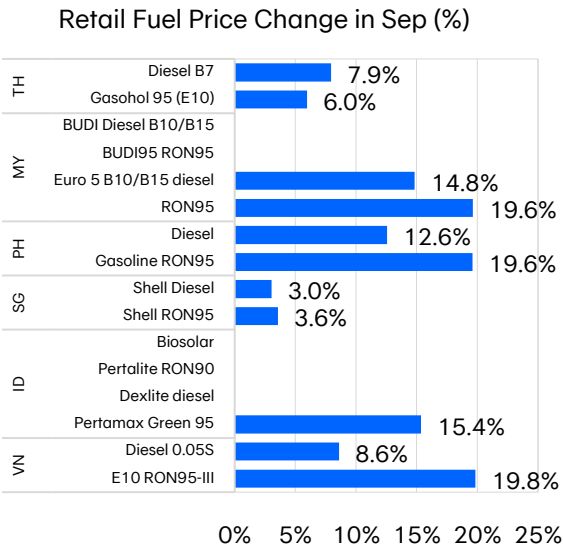
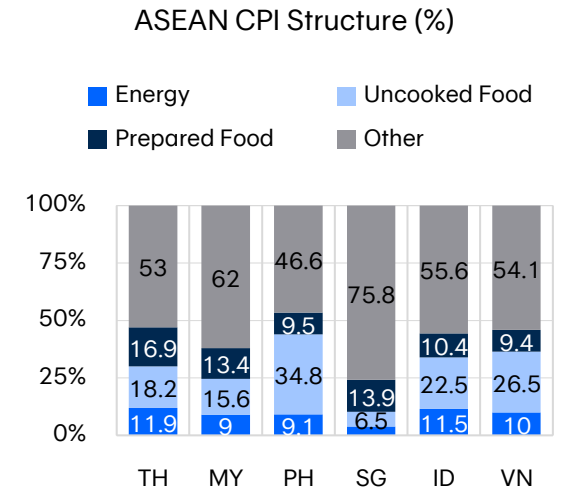
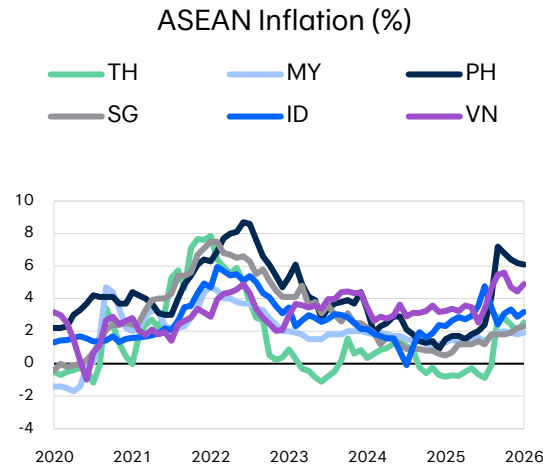
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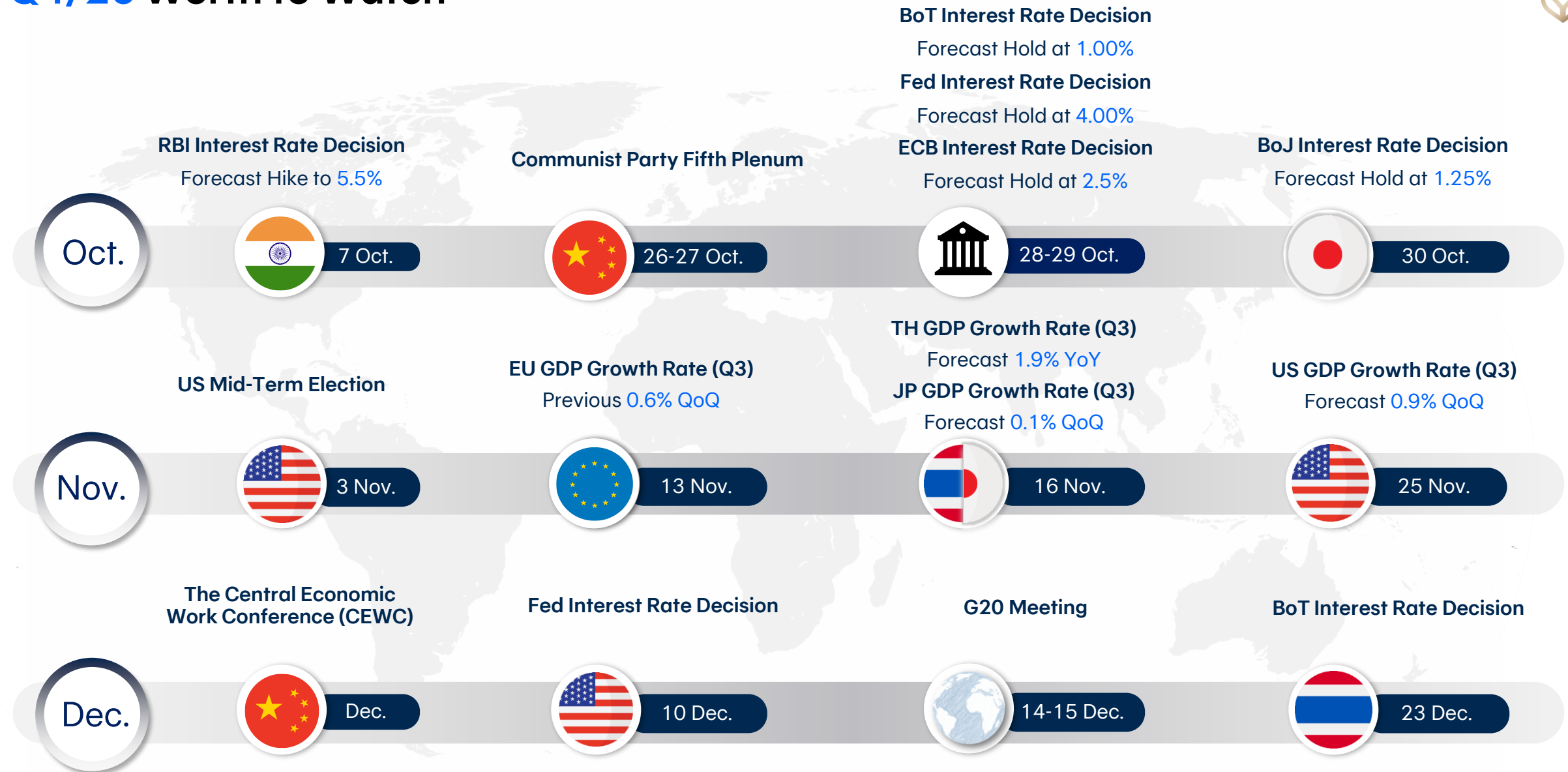


ASEAN — Energy and food shocks test fiscal space as governments balance support and deficit reduction

- Elevated oil prices from Middle East tensions remain a key inflation risk for ASEAN through energy, transport and production costs. Pass-through varies by fuel-pricing structure: market-based systems face faster inflation pressure, while subsidies or price caps delay the hit to households but shift the burden to the public sector.
- El Niño adds a food-price risk. The Philippines is the most vulnerable in ASEAN-6 under Maybank's framework because food has the largest weight in its CPI basket, increasing the chance that food shocks feed into headline inflation and consumption weakness.
- Energy-policy responses differ. **Indonesia** keeps subsidized fuel prices unchanged through 2026. **Malaysia** uses targeted subsidies and caps BUDI MADANI eligibility at 300 liters per month. **Vietnam** cut energy taxes through September. The **Philippines** relies on fuel discounts for public transport, while **Singapore** focuses on targeted cost-of-living and utility support instead of direct price caps.
- Higher energy and food prices create a trade-off between fiscal discipline and consumption support. The 2027 direction still points to deficit reduction, but fiscal space differs: Indonesia targets -2.4% of GDP, the Philippines -5.1%, while Malaysia aims to consolidate from -3.5% in 2026 toward -3.0% by 2028 through broad subsidy reduction and spending efficiency.



Q4/26 Worth to Watch



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