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Press Release

Standard Chartered Bank Expects Thailand's Continued Recovery to Support BOT's Policy Rate Hold

Standard Chartered Bank expects the Bank of Thailand's Monetary Policy Committee to put its policy rate on hold at 2.25% in its coming meeting on 26 February 2025, citing continued growth recovery, and low prices to support neutral stance while assessing trade-war risks and the state of the domestic economy.

"There may be a slight chance of only one rate cut this year, perhaps in June or later. The Fed's hawkish tilt, the lack of a BOT rate-cut signal and its desire to preserve policy space could deter a cut," said Dr.Tim Leelahaphan, Executive Vice President, Economist, Thailand & Vietnam, Standard Chartered Bank (Thai).

However, the bank is still cautious on growth and the external outlook, expecting another year of below 3% economic expansion.

Cautious on exports, spending; tourism recovery ongoing
Thailand's 2024 economy grew 2.5%, faster than 2.0% in 2023. However, the bank expects growth to pick up gradually in 2025, with GDP likely to expand by 2.8%.

"We are cautious on exports, despite the recent improvement, given US trade policy uncertainty; also, auto shipment growth contracted in 2024. Exports have contributed less than private consumption to growth in recent years. That said, domestic spending growth has slowed and the next phase of the 'digital wallet' handout scheme – worth around THB140 billion (or 0.8% of GDP) and expected to be rolled out in April – is awaited," said Dr.Tim.

"The tourism recovery has been robust, with foreign tourist arrivals at 3.97 million year to date as of 2 February 2025, about 100% of 2019 levels while a further improvement is anticipated in the second half of this year."

Risks could emerge in latter half of this year from adverse US trade policies. Despite our higher estimated growth for 2025 on continued public spending momentum and tourism recovery, growth may remain subdued and below-potential as other drivers lag, added Dr.Tim.

The bank projects core inflation at 0.9% for 2025 (2024: 0.6%), aligning with a cautious improvement in growth outlook.

"Still, we maintain our relatively low headline inflation forecast of 1.3% for 2025 (2024: 0.4%). Weak demand recovery may weigh on inflation; inflation may ease around mid-2025 before edging higher," said Dr.Tim.

The bank also maintains its 2025 current account surplus forecast of 4.0% of GDP (2024: 2.3%). Headline CPI inflation is likely to return to the Bank of Thailand's 1%-3% target range amid a low base.

We remain cautious on the trade balance, notwithstanding the recent improvement in trade figures, added Dr.Tim.

Hanging in the balance of a trade war - Potential impact on Thailand

Reduced exports to the US and China vs substitution effect	Risk of further reduction in GDP growth versus our already-cautious forecast	Unclear impact on number of tourists from China	Influx of cheap China-made goods to lower Thai inflation vs US inflation
Influx of goods from China to put pressure on Thai SMEs	Potential US scrutiny of Thailand's THB FX management	FDI inflows as global companies diversify away from China	Opportunity to showcase itself as being conflict-free with a neutral stance in global trade disputes

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