

## press release

### **Standard Chartered Bank says domestic factors weighing on Thai economic recovery, but eyes potential upside in 2021**

**15 October 2020** – Standard Chartered Bank said domestic factors have weighed on Thailand's slow economic recovery and an urgent boost is needed to restore local confidence. The bank said attracting increased foreign investment must be the focus for 2021, and warned that it will take 3-5 years for Thailand's key economic driver, tourism, to return to pre-covid levels.

"The Thai economy has bottomed out from the peak of the covid-19 impact hitting the country at the beginning of the year," said Dr. Tim Leelahaphan, Economist, Standard Chartered Bank (Thai). "However, the pace of the recovery has been slow. Although exports have seen an uptick, the local political situation needs to be closely monitored. And while the covid situation in Asia has improved, the situation in Europe and the United States remains a significant concern."

Dr. Tim said Thailand is also adjusting to the government's new economic team, which has just been appointed after a lengthy selection process. The disbursement of funds from the government's and the Bank of Thailand's stimulus measures is far from fully utilised.

"The financial markets are in a wait-and-see mode as there are so many issues which could impact on the extent of the recovery: they want to see a clearer direction from the Finance Ministry, details around the budget disbursement, new government investment which can spur fresh private investment, the developing political situation, the border reopening and the development of a covid vaccine."

Standard Chartered Bank has 10 observations of Thailand's 2020 economy and potential upside to boost the nation in 2021.

1. The Thai economy has bottomed out. Standard Chartered Bank expects the country's GDP to contract 8% in 2020 before rebounding to grow 2% in 2021. The nation is paving the way for a recovery, but the pace has been dragged by domestic factors and lingering uncertainties in external markets.
2. Exports in emerging markets and Asia, including Thailand, have shown signs of recovery. However, Thailand's key economic driver, tourism, remains in the doldrums. While there has been an uptick in exports, Thailand's overall economic growth cannot be sustained unless the tourism sector recovers.
3. Eyes are on how the newly appointed Finance Minister will restore confidence to the financial markets after three months of changes.
4. Regarding the political development, prospects of a resolution remain unclear. With the Thai economy expected to contract significantly this year, this may impact the pace of the recovery.
5. As the market awaits fresh stimulus policy from the new economic team while taking a wait-and-see approach on domestic politics, there will be limited impact on the USD/THB. Standard Chartered Bank expects the USD/THB at 31 at the end of 2020.

6. Foreign investors not only consider short-term factors but also assess Thailand with a longer-term view. The crucial question from foreign investors is when can the Thai economy see a significant recovery and when will the number of international visitors return to pre-covid levels of 40 million annually?
7. We believe that covid has disrupted Thailand's tourism strategy. The nation is shifting its focusing from the volume of tourists to value, while also decreasing its dependency on a single market.
8. Overall, the market is taking a wait-and-see approach on Thailand's fiscal front, budget disbursement, political situation, the reopening to international visitors, and the development of a covid vaccine. Currently, there is nothing that can significantly restore confidence. Financial markets may regain more confidence if they detect positive signs of government budget disbursements. Government investment could also trigger new private investment to help the recovery.
9. We believe the Bank of Thailand is also taking a wait-and-see approach. If the situation remains unchanged but there are some positive signs detected, the Central Bank is expected to keep its policy rate unchanged at 0.5%. However, if there is no economic uptick or the situation is dampened in this quarter, the BoT may cut its policy rate to 0.25%.
10. We believe the financial markets are keen to know if the Central Bank will offer additional stimulus tools in 2021. Will QE or yield curve control or measures targeting SME's be on the table? How effective would those tools be and how would those tools fit into the Thai economic environment? What is the expected result and anticipation? This should be the factor that financial markets and investors focus on in 2021.

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Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

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