



Press Release

Standard Chartered Bank: Thailand's 2022 economy expected to grow 3.3% but key challenges ahead

Standard Chartered Bank expects Thailand's gross domestic product to grow 3.3% in 2022 although there are key challenges to monitor across the year.

4 quarters 4 key factors to monitor

- 1st quarter: Thailand's high tourism season run from November to the first quarter of the new year. It will be crucial to see what impact the spike in Omicron variant infections globally will have on the country's tourism industry, which has been dragged down because of COVID-19 for two years.
- 2nd quarter: An opportunity to re-assess whether Thailand's expectation of 5 million to 10 million inbound tourists this year is realistic and if the tourism sector is gradually returning to normal.
- 3rd quarter: Market volatility is expected as a result of policy rate differentiation. While the Bank of Thailand is trying to keep its policy rate at a low level for as long as possible to shore up the economy, global central banks may have started to raise their policy rates, which may have widened the differentiation gap. This could trigger capital outflows as Thailand doesn't have pre-COVID cushions such as a current account surplus and strong tourism.
- 4th quarter: More political movements are expected as Thailand is preparing for the 2023 general election.

"This year is still a year of uncertainty with key factors to monitor every quarter throughout the year," said Dr. Tim Leelahaphan, economist, Standard Chartered Bank (Thai).

"Prior to the emergence of the Omicron variant, Standard Chartered Bank had a conservative view toward the Thai economy. We projected a 3.3% growth for 2022 in November, which was then lower than consensus. Now many houses are revising down their projections."

Private investment/consumption not improving sustainably

Private investment had not recovered in a sustainable way even before the Omicron variant emerged. And while consumer confidence has improved, it remains low. This reflects still-subdued business sentiment and outlook for 2022.

Thai policy rate to rise in 2023

Although inflation has clearly risen, it remains within the range set by the Bank of Thailand. With the economy still needing a supportive environment, the Monetary Policy Committee is likely to keep its policy rate at 0.50% for the rest of 2022. Under the scenario that the Thai economy is on a recovery path this year, two rate hikes are expected in 2023, said Dr. Tim.

USD/THB expected at 32 at end-2022

With the US Federal Reserve signalling a hawkish tone, together with the impact from Omicron infections, the Thai baht is likely to remain weaken against the greenback in the first half of 2022. However, with tourism expected to gradually recover, the baht is expected to regain ground in the latter half of the year.

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