



# Press Release

## **Standard Chartered Bank expects Thai Central Bank to reveal more hawkish stance in June; priority now is economic recovery**

Standard Chartered Bank expects the Bank of Thailand (BoT) to start providing hawkish comments in June although the Monetary Policy Committee's (MPC's) first rate hike is not expected until Q3-2023.

"We expect the MPC to keep its policy rate unchanged at 0.50% until the middle of next year. However, the Thai central bank is expected to start signalling its policy shift to normalisation in the coming months. Inflation is accelerating; it remains to be seen if it is just a short-term threat and whether a policy rate move to tackle it now becomes more necessary," said Dr. Tim Leelahaphan, economist, Standard Chartered Bank (Thai).

"For the BoT to start raising its policy rate comfortably, the Thai economy must be strong enough to handle the hike."

Central banks in major developed markets have turned hawkish, led by the US Federal Reserve (Fed), with the US Federal Open Market Committee (FOMC) flagging potentially aggressive hike expectations. Therefore, Standard Chartered Bank expects the Fed to hike rates by 50 basis points at both the May and June FOMC meetings and another 25 basis points in July, in line with market expectations. However, beyond that, we are less aggressive than the market.

"Policy rates of other major countries will start to be higher than Thailand's. To curb the volatility, the BoT will start showing its hawkish stance in the near future. At the same time, we will watch if the global growth outlook is softening amid headwinds from tightening monetary policy and falling real incomes."

### **Improving local cues to result in THB gradual appreciation**

The Thai economy in the second half of 2022 is expected to improve, given the gradual revival of the tourism industry. Higher commodity prices will impact the country's current account, however. The economic recovery should be supported by the Thai political situation remaining in check and the passing of the 2023 fiscal budget before the next election. As a result, the USD/THB is expected to gradually appreciate. Standard Chartered Bank expects the USD/THB to remain above 33 in the first half of 2022, with the pair to move to 32.5 and 32 in the third and fourth quarter respectively.

### **Thailand's 2022 GDP outlook remains unchanged**

Standard Chartered Bank is also maintaining a conservative approach to the Thai economy, forecast economic growth of 3.3% in 2022.

"Our forecast was previously below market consensus. Now many research houses are revising down their projections. Going forward, we are slightly optimistic about the Thai economy because of a gradual tourism recovery and how Thailand can live with COVID-19," said Dr. Tim.

“The 2022 priority is to revive the domestic economy to pave the way for decent growth in 2023. To be able to do that, we may need more boosters from the government’s economic measures and policies. If needed, there is still room for the government to borrow.”

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