



Press Release

Standard Chartered Bank maintains Thailand's robust 2H2023 outlook: new government, tourism recovery to boost economy

Standard Chartered Bank maintains its robust growth outlook for the second half of 2023 for the Thai economy boosted by the expectation of the new government rolling out consumption-supportive measures and clearer tourism recovery.

"Favourable political landscape and a clearer tourism recovery should support a strong recovery in the second half of this year," said Dr. Tim Leelahaphan, economist, Standard Chartered Bank (Thai).

"We think Thailand's economic recovery faces uncertainty in the second quarter, but we maintain our robust growth outlook for the later part of the year. We lower our macroeconomic forecasts for 2023 to reflect recent worse-than-expected data, a gloomier global economic outlook, and potential policy implementation delays during the political transition. However, we maintain our 2024 forecasts."

The bank forecasts Thailand's 2023 GDP to grow 4.3%, compared to 4.5% expected earlier. Headline inflation is expected at 2.1%, compared with 2.7% anticipated previously. Core inflation is predicted at 1.7% versus 3.3% while current account surplus is expected at 3.6% of GDP, compared with 4.0% previously forecast.

Economic recovery to gain momentum in H2

Standard Chartered Bank expects the new government to be fully operational and to roll out consumption-supportive measures. The bank also sees a clearer tourism recovery with the return of tour groups from China.

"We expect GDP growth to improve to 5.7% year on year in the latter half of this year, improving from 2.9% in the first half. We now see 2023 tourist arrivals of 25 million, higher than our previous 15-20 million forecast but still below 40 million recorded in 2019. While we expect 5 million travellers from China this year (versus 11 million in 2019), most of them are likely to visit Thailand from the third quarter onwards," said Dr. Tim.

We remain conservative on the trade account given the recent export contraction and still-high imports in value terms. Improvements on these fronts may hinge on the global trade backdrop in the second half and the import path as Thailand's economy enters a stronger recovery phase. Exports and imports moving in tandem may help to limit a further deterioration in the trade account.

On inflation, we maintain our view that price pressures will mount again in the final months of 2023, in line with our faster growth projection. We see headline inflation bottoming out at 1.2% y/y in Q3 and rising to 1.6% in Q4. We expect core inflation to reverse higher from Q3 onwards given that Thailand is in an economic expansion cycle. Inflation expectations and consumption sentiment should rise on potential populist and spending-friendly policies from the new government. Supply-side factors, including still-high energy and food prices, may result in sticky price pressure, supporting our inflation reversal view.

Policy – Monetary normalisation likely to continue

Standard Chartered Bank projects a final 25 bps rate hike for this cycle at the Bank of Thailand's (BoT's) 31 May meeting. Our forecast terminal rate remains 2.0%. We acknowledge global uncertainty, but given Thailand's robust economic indicators and the BoT's positive outlook on the economy, we expect continued policy normalisation in an effort to build policy space.

Politics – A transition period to greater political stability

Political noise is likely to be high in the second quarter, before and after elections, which we expect to be smooth. We estimate that it will take at least two months post-election to form a government and select the prime minister. We expect the new administration to be fully operational in July at the earliest.

Market outlook – Current Account supports Thai Baht recovery

The medium-term outlook for the Thai Baht remains constructive despite near-term headwinds. The sharp decline in US short-term interest rates, along with a decline in crude oil prices and the recovery in tourism, should benefit Thailand's capital account and Current Account balances, and consequently the Thai Baht.

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