



# Press Release

## **Standard Chartered Bank: Thai economy's continued recovery momentum expected; financial markets in volatile mode; MPC's hawkish move to start this quarter**

Standard Chartered Bank forecasts that the Thai economy in the second half of the 2022 will continue to recover with supporting factors from the tourism industry, exports, and consumption by the private sector. Meanwhile, pressures from inflation and the differences between the local interest rate and that of the United States, which continue to widen, may trigger the Monetary Policy Committee (MPC) of the Bank of Thailand (BoT) to increase its policy interest rate this quarter.

"Standard Chartered Bank has a positive outlook on the Thai economy in the remaining period of the year, especially in the fourth quarter. We forecast that the economy will clearly recover with key support from the tourism industry. Exports are strong, and consumption by the private sector continues to improve. These positive trends are different from what occurred two years ago during the COVID pandemic," said Dr. Tim Leelahaphan, Economist, Standard Chartered Bank (Thailand).

"Regardless, the risk we must keep an eye on at the current moment is inflation and whether it will impact consumption. We do not want consumption, which is an important driver of the Thai economy, to stumble. This is crucial to the continued recovery of the Thai economy," Dr. Leelahaphan added.

Standard Chartered Bank expects that the Thai economy in 2022 will grow 3.3% and increase to 4.5% next year. There will be clarity in terms of the country's economic recovery starting from the latter half of this year. A high degree of volatility in the financial markets will likely persist during the same period.

### **Global financial markets in volatile mode while USD/THB expected at 33 at year end**

Standard Chartered Bank forecasts that the Federal Reserve, or Fed, will continue to raise its policy rate in their meetings in July and September. Each move is anticipated to be significant.

"Fed's aggressive and continuous rate hikes will result in the strengthening of the US dollar against the Thai baht, and it will also widen the gap between the Thai policy interest rate and that of the United States. As a result, the financial markets will continue to be in a volatile state for some time. We have not yet detected any signals from the Fed that pace of hike will be slow down."

### **3 hikes from MPC expected**

Standard Chartered Bank forecasts that the MPC will start to increase the policy interest rate this quarter, raising the benchmark rate three consecutive times, 0.25% each. As a result, the policy interest will reach 1.25% by the end of the year from the current level of 0.50%. The extraordinary meeting apart from the regular meetings may occur amid volatility in the financial markets on the back of Fed's aggressive rate hikes and relatively high inflation level in the local market. Nevertheless, after continuous interest hikes this year, MPC is expected to pause and monitor the economy prior to taking the next move.

### **Looking forward – Inflation target range and public debt**

Given the fact that the current inflation rate has increased to approximately 7%, which is higher than BoT's inflation target range of 1%-3%, it is queried if the BoT will adjust its yearly inflation target at the beginning of next year. In addition, as the economy is slowly recovering, we believe that investors must be interested in finding out if the country's public debt will start to decline following adjustments which were made to increase it to approximately 60% of GDP at the current moment in comparison to 40% before the COVID-19 pandemic.

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