

## Standard Chartered Bank: Three Themes to Watch for Thailand's 2019 Outlook

- 2019 elections are likely to bring a peaceful transition and policy continuity, but no new growth catalyst
- Bank of Thailand may move faster than market expectations on widening rate differential and accelerating inflation
- We call for a narrower current account surplus than consensus, as tourism remains at risk and imports are rising

**30 October 2018, Bangkok** – Standard Chartered Bank expects Thailand's economy to grow by 4.5% in 2019 on the back of political progress and monetary policy moves, though some downside risks could pressure the current account.

### **Peaceful transition after 2019 elections expected**

Thailand's main focus in 2019 will be long-delayed elections expected at the start of the year – the first since the 2014 coup. While political noise is likely to increase leading up to the polls, Standard Chartered Bank expects a smooth electoral process and transition to boost sentiment.

Structural policy continuity is likely under the new government in the next couple of years, regardless of the election outcome. Infrastructure megaprojects – a key growth driver – should remain on track, as the new constitution entails the continuation of the current military government's development plans. This should boost the growth outlook after a 'lost decade' of political crises from 2005-14 and long-standing project implementation delays.

"We think an improved political outlook, along with Thailand's strong economic parameters, could result in a sovereign rating upgrade after the elections. That said, we do not see a new post-election growth catalyst," said Tim Leelahaphan, Economist, Standard Chartered Bank (Thai).

### **Pace of rate hikes might be faster than markets think**

We expect the Bank of Thailand (BoT) to start policy normalisation with a 25bps rate hike (to 1.75%) at the next policy meeting on 14 November, following a stronger shift towards a tightening stance at its September meeting. However, given recent BoT concerns about the pace of Thai baht appreciation, back-to-back rate hikes in November and December are unlikely. Standard Chartered Bank expects the central bank to stay put in December.

"We expect the policy rate to end 2019 at 2.25%, with a 25bps hike each in the first half and second half of 2019," said Tim.

Faster Federal Reserve tightening than the market expects – Standard Chartered Bank forecasts five more hikes in 2018-19, versus the consensus view of three – could also cause the BoT to normalise faster than expected. In addition, Standard Chartered Bank believes domestic inflation will surprise on the upside next year as global oil prices continue to rise,

particularly in an improving macroeconomic environment. A rising import bill due to mild baht depreciation against the US dollar should also push inflation higher.

### **Narrower current account surplus on risks to tourism, rising imports expected**

Standard Chartered Bank forecasts that the current account surplus will narrow to 7.0% of GDP in 2019. Our view is premised on a further rise in oil prices, risks to the tourism sector, and rising capital imports over the medium term due to a pick-up in economic growth and investment (as well as infrastructure projects). Fuel accounts for around 15% of Thailand's total imports.

While there are downside risks for exports because of the US-China trade dispute, there has been no impact on Thai shipments yet, with the recent slowdown partly due to a high base.

"We currently do not see a major adverse impact next year, though uncertainty on this remains. The US-China trade dispute may benefit Thailand as buyers seek to substitute for tariff-affected goods. That said, the actual impact will depend partly on the actual ability of Thai exporters to respond to higher imports demand from both the US and China," concluded Tim.

# # # #

### **About Standard Chartered Bank**

We are a leading international banking group, with more than a 150-year history in some of the world's most dynamic markets. Our purpose is to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, Here for good.

We are present in more than 60 markets, with over 1,000 branches and around 3,000 ATMs.

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

For more stories and expert opinions please visit Insights at [sc.com](https://www.sc.com). Follow Standard Chartered on Twitter, LinkedIn and Facebook.

### **Media Contact**

Standard Chartered Bank (Thai)  
Corporate Affairs and Brand & Marketing

Hassaya Hasitabhan	Email: <a href="mailto:hassaya.hasitabhan@sc.com">hassaya.hasitabhan@sc.com</a>	Tel: +662-724-8071, +66 6552 61317
Piyarat Setthasiriphaiboon	Email: <a href="mailto:piyarat.setthasiriphaiboon@sc.com">piyarat.setthasiriphaiboon@sc.com</a>	Tel: +662-724-8024, +66 9449 55992