

## press release

### **Standard Chartered Bank: Businesses and Investors Expect Government to Step up Fiscal Spending to Boost Economy**

**11 October 2019, Bangkok** – Businesses and investors expect the Thai government to increase the fiscal spending to boost the local economy, according to Standard Chartered Bank's recent local business and investor survey.

Dimmed by external factors and a lack of fresh domestic drivers, large Thai businesses, multinational companies and local asset managers reflected poor sentiment toward their business outlook over the next six months, the survey revealed.

"Respondents of our survey showed that their biggest concern is a further escalation of the US-China trade war; 50% of respondents have seen a negative impact from the dispute, while 30% think they will be affected soon," said Tim Leelahaphan, Economist, Standard Chartered Bank (Thai).

"A trade war resolution, if reached, would significantly boost the global economy in the next couple of years, according to the survey respondents. If not, they do not see any positive factors or measures that can effectively push world growth higher. This may also mean that economic policies, especially monetary policy, are viewed as becoming less effective at this juncture. In fact, the reduced effectiveness of central banks' policies is a major concern for investors."

Despite views that monetary policy will likely play a smaller role in supporting the economy, almost 80% of respondents still see the Bank of Thailand (BoT) cutting policy rates further in this cycle.

Both businesses and investors also expect the government to step up fiscal spending to boost the economy. However, they remain conservative given the uncertain political environment. For the upcoming FY20 budget, we monitor on the budget deliberation process closely.

On the FX front, respondents have been surprised by the strength of the Thai baht (THB) as fundamentals have weakened and do not justify such a strong currency. Of the respondents, 60% say the currency's strength has adversely affected business, as managing FX risk is becoming more difficult while some also continue to lose export market share. Cheaper imports have improved margins for some.

Standard Chartered Bank now has a bearish short-term bias towards the economy. While we still think 3% growth is achievable this year, this is partly due to the expected boost to H2 growth from a low base. Growth has been grinding lower on both the external and domestic fronts and signs of a turnaround are not yet clear. The Bank expects the Thai central bank to cut its policy rate by 25 basis point before the end of this year, bringing the policy rate to 1.25%.

"We think THB overvaluation should result in a correction, with the THB weakening in line with the softening economy later this year. We expect the USD-THB to move gradually higher towards 31.00, by end-2019," concluded Tim.

## About Standard Chartered Bank

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

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