

press release

Standard Chartered Bank: Global Central Banks to Turn More Dovish But Thai Central Bank Likely to Go Against Tide

30 April 2019, Bangkok – Standard Chartered Bank expects the rest of 2019 to be marked by improving news and economic growth, supported by more dovish central banks and well-anchored inflation.

“Concerns about the key risks outlined last year have receded as US-China trade friction has eased, oil prices have returned hiking cycle,” according to Standard Chartered Bank’s research. “This has eased pressure on emerging markets from USD upside, allowing several other central banks to turn more dovish as well. There are still risk factors that could knock sentiment down again, including Brexit or a stalling of US-China trade negotiations.”

ASEAN

The growth outlook for the region remains steady, supported by strong domestic demand. This is underpinned by government infrastructure spending, particularly in Indonesia, the Philippines and Thailand. Export growth has been slowing, but expectations of easing US-China tensions and improving growth in China should stabilise exports across ASEAN in H2-2019. Inflationary pressures remain low, and with major central banks (including the Fed) now taking a more dovish stance, we expect ASEAN central banks, including Malaysia, Indonesia and the Philippines, to cut policy rates. While rate cuts are expected almost everywhere amid a global ‘dovish wave’, we do not expect cuts in Thailand until end-2021 at least, unless political noise escalates into unrest.

Thailand - BoT is likely to go against the dovish wave

The Thai economy has proven resilient to political shocks in the past. May will bring a series of pivotal events for Thailand, and while they may provide greater clarity on the country’s outlook, considerable uncertainty remains. Unresolved issues in the wake of the 24 March elections could delay the political timeline and dent sentiment. With the election results still unclear, the eventual formation of a government is difficult to predict. Against this backdrop, we expect the Bank of Thailand (BoT) to keep rates steady for now.

“The BoT is likely to stay on the sidelines for now as it waits to see how the political situation will unfold. We expect unanimous decisions to keep rates on hold at 1.75% at the May and June Monetary Policy Committee meetings,” said Dr. Tim Leelahaphan, Economist, Standard Chartered Bank (Thai) Public Company Limited.

“We do not expect the current political noise to escalate into unrest, and Thailand’s domestic economy appears resilient. We therefore do not think the BoT will follow the global dovish wave and cut policy rates over the next couple of years.”

“In fact, we continue to expect the BoT to swim against the tide of global monetary policy in H2 and hike rates by 25bps to contain risks to domestic financial stability,” Dr. Tim added.

In the second half of this year, Standard Chartered expects relative political stability to be among the factors allowing the BoT to resume policy normalisation. We maintain our call of one 25bps rate hike in the third quarter. Diverging from the global monetary loosening trend will

require strong domestic justification, and the BoT will need to be able to explain its decision effectively to markets.

Potential impact of political instability on the economy

Political noise and policy uncertainty have yet to affect fundamentals. The economic impact of the election is difficult to assess as long as results remain unclear. While an intensification of political noise is possible, we have yet to see signs that current political developments will adversely affect the economy.

“We maintain our expectation of 4% GDP growth this year, along with our other macroeconomic forecasts. Private consumption remains strong, and the recovery in private investment continues (despite a slight contraction recently),” said Dr. Tim.

#

About Standard Chartered Bank

We are a leading international banking group, with a presence in 60 of the world’s most dynamic markets, and serving clients in a further 85. 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.

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: hassaya.hasitabhan@sc.com Tel: +662-724-8071, +66 6552 61317
Piyarat Setthasiriphaiboon Email: piyarat.setthasiriphaiboon@sc.com Tel: +662-724-8024, +66 9449 55992