

press release

Standard Chartered Bank expects Thailand's 2021 GDP to grow 3% amid a muted recovery

28 January 2021 – Standard Chartered Bank expects Thailand's 2021 GDP to grow 3.1% and the Bank of Thailand's (BoT's) policy rate to be kept on hold at 0.5% this year, as local political developments and an unclear tourism revival weigh on a muted recovery.

"We are conservative on the economy, but not pessimistic as we put some hopes on the vaccine rollout that may help boost the sentiment," said Dr. Tim Leelahaphan, Economist, Standard Chartered Bank (Thai). "The free of charge vaccine rollout supported by the government will begin next month, targeting at least 50% of the Thai population, or 30 million people. The number of people getting vaccinated could be accelerated sooner than planned if the private sector comes into play."

Weak domestic demand may result in low inflation and another current account surplus

Exports have continued to improve recently. While we expect a better global trade environment this year, the outlook for Thailand's exports remains unclear given persistent Thai baht (THB) strength and still-low imports of input products. Total imports may continue to decline in 2021 on slow economic growth and still-subdued investment.

"We believe it will take around five years for Thailand's tourist arrival numbers to return to pre-COVID levels; this is based not just on the unclear pandemic situation globally, but also on Thailand's strategy of shifting towards higher-value (and more diversified) tourism from mass tourism. Higher-skilled workers and value-added services are issues to be addressed over the medium term," said Dr. Tim.

The outlook for a recovery in the tourism sector is still unclear while it remains to be seen if political protests will resume later this year. In addition, Thailand's public debt is continuing to rise and approaching the legal limit, making it more difficult for the government to boost the economy via a stimulus package this year and in 2022.

"The THB remains strong in line with regional peers, but not the country's weak fundamentals, trading at around 30 to the USD. We continue to hold our view of a further strengthening Thai baht, as we are targeting 29.75 mid-year and 29 end-year," said Dr. Tim.

"The BoT will remain concerned about the persistent strength of the THB, which has gone from THB37 per dollar in 2015 to THB30 now, despite attempts by the central bank to stem the THB's rally."

Political continuity is needed for the economic recovery to take hold

Over the medium term, Standard Chartered continues to believe that Thailand stands to benefit from increased foreign investment and investment relocation in sectors such as electrical and electronic products, automotive, and agro-processing. However, this will depend on the political situation on the ground.

The revival of mega-project investments that have seen little progress in 2020 – for example, the Eastern Economic Corridor – is crucial to a recovery in domestic private investment. It would also help to attract foreign direct investment and high-skilled foreign workers to the country; foreign direct investment has been low since 2013, and Thailand has not been a clear beneficiary of US-China trade tensions.

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