



Press Release

Standard Chartered Bank maintains Thailand's 2021 GDP growth forecast at 2.4%, expecting recovery to carry on

Standard Chartered Bank has maintained its forecast for Thailand's GDP growth at 2.4% for 2021 and 3.0% for 2022, amid optimism of a steady economic recovery and a return to a growth path.

Key catalysts that could impact Thailand's outlook include the visibility of fiscal and monetary stimulus, the COVID-19 vaccination rollout and the reopening of the country's tourism sector.

"Fiscal and monetary policy face constraints as public debt approaches the legal limit while policy rates have little room for further cuts," said Dr. Tim Leelahaphan, Economist, Standard Chartered Bank (Thai). "Our economic forecasts for 2021 continue to factor in low inflation due to subdued demand and a moderate current account surplus due to an unclear tourism outlook. Import normalisation and higher oil prices also pose risks to our current account forecast. We expect slow fiscal disbursement."

While the COVID-19 pandemic has stabilised somewhat, the situation remains fluid after a wave of infections in Thailand during December caused a sharp contraction in domestic economic indicators early this year. The uncertainty around COVID-19 is likely to keep consumer confidence and business sentiment subdued in the near term, added Dr. Tim.

Thailand began rolling out its COVID-19 vaccination in March but whether it becomes a catalyst for growth for the Thai economy will depend on the pace of the rollout and its effectiveness in containing the spread of the virus.

Thailand's tourism sector, which accounts for around 15% of the country's GDP, is another key area of focus for the second quarter of 2021. A gradual easing of the required quarantine period for vaccinated travellers is expected to help reboot Thailand's main economic driver, although challenges remain.

"Demand is likely to stay subdued in the short term due to the fluid COVID-19 situation globally," said Dr. Tim. "Supply may also be an issue in the medium term, as the pandemic has forced a large number of hotel operators to close. With the Bank of Thailand's and the Finance Ministry's latest relief measures totalling THB350 billion to aid hotel business operators, the second quarter of this year is tipped to be a turning point for this sector that is preparing for a reopening."

Exports, which account for around 50% of Thailand's GDP, returned to positive growth in early 2021, with auto shipments (accounting for around 13% of total exports) starting to improve.

Market outlook – Pace of THB appreciation to slow

Thailand's current account balance has deteriorated in recent months on the back of a recovery in imports and the unclear outlook for the tourism sector. Therefore, Standard Chartered Bank expects to see more headwinds to the Thai Baht in the coming months.

“We still expect a recovery in the Thai Baht in late 2021 as tourism receipts gradually improve. To account for the uncertainty for tourism normalisation, we recently raised our USD-THB forecasts to 31.50 for mid-year (from 29.75 expected earlier) and to 31.00 by year-end (from 29),” said Dr. Tim.

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