

**ECONOMY**

# Turmoil takes toll on GDP forecasts

**POST REPORTERS**

HSBC has trimmed its Thai economic growth forecasts to 3.5% this year and 4.5% next year, while Moody's Analytics and Kasikorn Research Center (K-Research) see 2014 growth of 3.2% and 3%, respectively, on growing risk from the political stand-off.

The forecasts are a fresh sign that economic growth in 2014 could expand by less than the normal rate of 4%.

HSBC also predicts the Bank of Thailand's rate-setting committee will further slash the policy rate by 25 basis points to 2% at today's meeting.

The British bank previously projected Thai economic growth of 4.4% this year and 5.2% next year. It also estimated 2013 growth of 2.8%.

Gross domestic product growth lost steam in the second half of last year with the expiry of the Pheu Thai-led government's tax refund scheme for first-time car buyers.

At the same time, ballooning household debt prevented consumers from spending lavishly. Political tensions delivered another blow from late October to the present.

The Monetary Policy Committee (MPC) at its Nov 27 meeting surprised the market by cutting the policy rate by 25 basis points to 2.25% as a cushion against risks to economic growth.

The MPC said there is room for further cuts as the inflation outlook was benign and household credit growth was moderating.

HSBC economist Su Sian Lim said in a research note: "Amid escalating political tensions, we have revised our policy rate

forecast; two 25-basis-point cuts in the first half now look likely. The first cut for 2014 could come as soon as today as the Bank of Thailand moves pre-emptively against downside growth risks."

The benchmark rate would then be 1.75% at the end of the first half, she said.

The MPC will probably refrain from tightening until the fourth quarter at the earliest.

Moody's Analytics has slashed its economic growth projection to 3.2% this year from a 5.3% forecast last November.

"If the political situation worsens, further downward revisions can be expected," the research house said in a release.

It also predicts the MPC will hold rates steady at the year's first meeting today.

But the odds of a rate cut have risen amid escalating political tension and violence.

"Further portfolio outflows are likely over the coming weeks as political tension lingers," Moody's Analytics said.

For its part, K-Research forecasts Thai economic growth of 2.2% to 3.7% this year, with a 3% rise in the base-case scenario.

It could take time for the government's role in driving growth to return to normal, K-Research said, adding that exports will have to take up the slack.

A separate survey of economist confidence in the Thai economy plunged to 17.85 points, a three-and-a-half-year low, from 36.99 in the previous survey, according to Bangkok Poll.

Economist confidence over the next three months registered below 50 points, indicating pessimism about the Thai economic environment.