

## Watch out for higher inflationary pressures ahead

Wednesday, 8 November 2017

### Highlights:

- **Bank of Thailand holds rates unchanged in line with our expectations.** The one-day repurchase bond rate was left at 1.50%, with all members of the committee voting in favour of the decision. In its policy decision, the policy-makers assessed that GDP will grow faster than previous assessment driven by growth in exports and domestic demand. Overall, the current accommodative monetary policy stance is seen to be conducive to growth. Aside, inflation is slated to rise to target of between 1 – 4%, though “this could take some time”.
- **In a nutshell, there are many signs that point towards a supportive growth outlook ahead.** Thailand’s external environment continues to lead overall growth, which in turn has also benefited domestic demand and private investment prints. Elsewhere, tourism receipts continue to play an important pillar towards growth, underpinned by a stronger global economic recovery. The language surrounding risks remains relatively unchanged, with the central bank quoting geopolitical risks, uncertainties pertaining to US economic and foreign trade policies, as well as the deterioration in debt serviceability of households and SMEs.
- **Overall, we keep our in-house growth and inflation outlook at 3.5%, while upgrading our inflation outlook to 0.7% in 2017.** Of late, September’s stronger-than-expected inflation print at 0.86% was underpinned by higher energy prices and the flattening depreciation in raw food prices. Meanwhile, prices is also expected to rise slowly on demand-pull factors (following the recovery in domestic demand), as well as an increase in excise tax and regulations on immigrant workers that might affect wages going forward. With one more BOT meeting scheduled before the year is up (20 Dec 2017), we continue to keep our BOT rate outlook at 1.50% for the year, though policy rate may need to play catch-up into 2018.

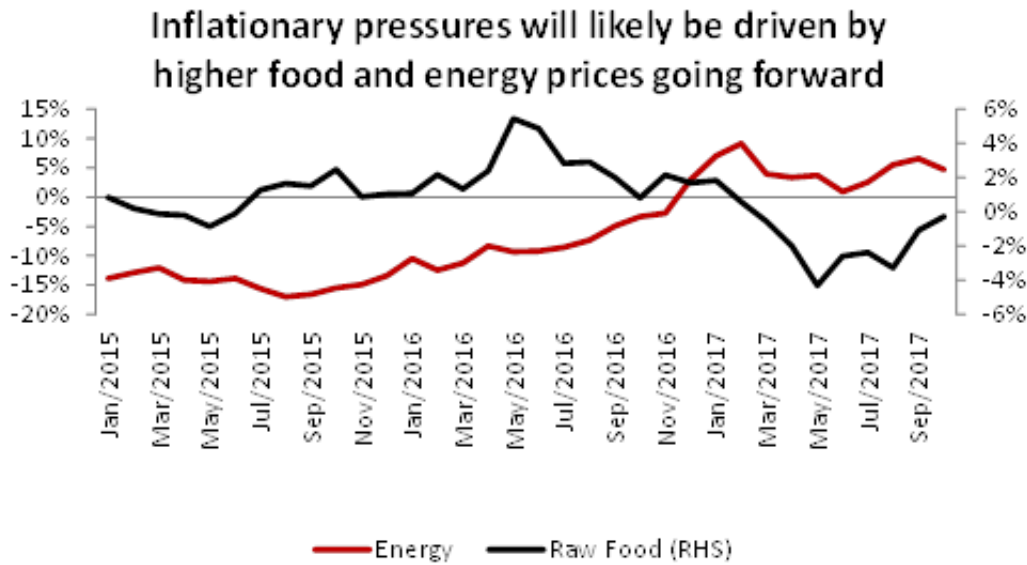
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