

Bank of Thailand Keeps Policy Rates Unchanged

Monday, May 29, 2017

Despite the observable recovery in Thailand's economic numbers, the Bank of Thailand kept its interest rate unchanged at 1.50% in an unanimous vote by all members. The rate has been kept unchanged since a cut made back in April 2015. BOT cited that current monetary policy stance is appropriate to support economic recovery, while government spending remains to be a key driver of growth.

Encouragingly, the committee assessed that Thailand economy's growth outlook improved further, led by recovery in merchandise exports, private consumption and tourist arrivals. On the inflation front, prices are expected to rise into the latter half of this year, though lower fresh food prices had softened domestic price levels of late. Note that BOT had previously raised growth forecast this year to 3.4%, up from 3.2%, in the previous MPC meeting in March. BOT is slated to give a fresh revision of its growth estimate at its 5th July MPC meeting.

Holistically, Thailand's economic fundamentals continue to stay sound. We continue to pencil in a 3.5% growth print for the year with upside risk, especially if Thailand's external environment picks up further. Moreover, inflation pressures should remain manageable at our 1.5% outlook, a tad higher than BOT's 1.2% call. As such, with almost a negligible concern over inflation risk, especially with the observable weak demand-pull inflation pressures amid some deterioration in debt serviceability seen by SMEs enterprises, there is little impetus for BOT to inject a rate hike into year-end. As such, we leave our growth and inflation call unchanged at 3.5% and 1.5% respectively, while revising our BOT rate call to 1.5%, versus our initial call for BOT to hike rate to 1.75% by the end of this year.

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