

BoT May'19: Rates static at 1.75%

Wednesday, May 08, 2019

Highlights

- **Benchmark rates remain static at 1.75%.**
- **MPC members voted unanimously for rates to remain constant.**
- **MPC members displaying cautiousness, citing growing global and domestic risks that may weigh on the economy.**
- **We expect BoT to keep rates constant at 1.75% through 2019.**
- **The number of hawkish MPC dissents going forward will be a key indicator of when BoT may raise rates in future.**

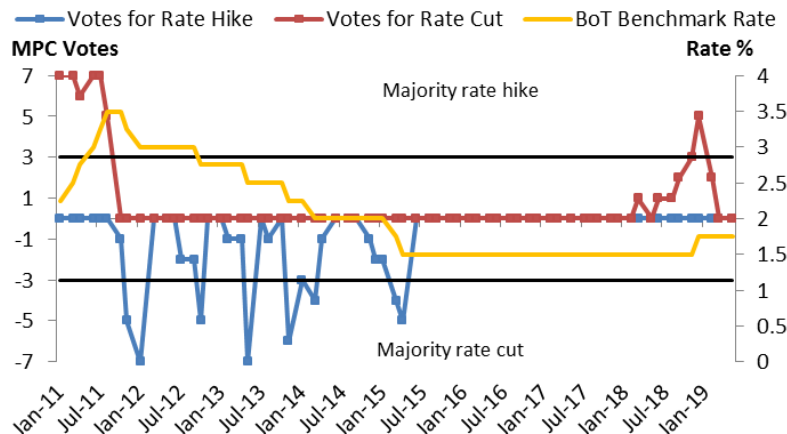
The Bank of Thailand has, unsurprisingly, **kept rates constant at 1.75%**. The vote split shows an unanimous vote within the MPC to keep rates on hold despite their apparent more hawkish stance, which underlies the economic fragility that Thailand currently faces.

Historically, the path to a rate movement in Thailand typically begins with one or two dissents before the momentum gathers pace and leads to a MPC majority voting for a rate hike/cut. Data beginning 2011 show that the BoT typically takes 2-5 policy meetings to enact a rate hike/cut once a dissent from an unanimous rate-hold is set in motion. **Given that the MPC is unanimous in calling for rates to maintain at 1.75%, we expect that the next rate hike cycle may begin only in early 2020.**

Despite the BoT's more hawkish stance than most other regional central banks, it continues to have good reason to keep rates constant at present than creating a more restrictive monetary environment. Domestically, Thailand faces growth challenges amid a highly uncertain political backdrop. Tourism receipts recorded a first YoY decline since Nov 2016 while the ongoing US-China trade spat has resulted in 4 of 5 YoY contractions in Thai exports since Nov. Added dovish pressure from regional central banks – BNM and RBNZ have already cut rates, while BSP is expected to reduce rates soon – also further caps the level of hawkishness the BoT can display.

Higher inflationary pressures stemming from the El Nino and rising Brent prices may start to weigh on more hawkish MPC members in the near future. At 1.23%, however, consumer inflation remains on the lower end of BoT's 1-3% inflation target range. **The political and economic conditions are not ripe for BoT to pull the rate hike trigger in the near term and we expect rates to remain constant at 1.75% until at least the Dec meeting.** Going forward, the evolution of the vote split to accommodate more hawkish dissents will be indicative of when the BoT will next raise rate

BoT MPC Voting History



Source: Bloomberg, Bank of Thailand, OCBC Bank

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