THAILAND

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Highlights

- **The Bank of Thailand kept its benchmark rate unchanged, with all committee members voting to keep it at 1.50%** in today's central bank meeting. Encouragingly, BOT assessed that the "Thai economy would recover at a faster pace compared with the previous assessment", while "inflation would continue to be on an upward trajectory". Should we read deeper into BOT's rhetoric, it suggests that there is upside risk to their initial GDP growth projection of 3.2% made in their Monetary Policy Report back in December 2016.

- **The faster-than-previously-expected GDP growth rate could be seen from a broad-based recovery in exports and tourism.** As written in our previous note on Thailand's external environment, the recovery in exports growth back in 2016 to its first positive annual print in four years suggests that Thailand's exports may once again play its part in supporting overall GDP growth into 2017. Moreover, private consumption and private investments continue to recover at a gradual pace. Elsewhere, given higher oil prices seen since the start of this year, inflation is likely to see further upside bias into the many months to come. In short, Thailand's economic fundamentals remain healthy and gives little reason for policy-makers to tweak interest rates lower.

- **Still, the central bank highlights various uncertainties in the global arena.** These includes the strengthening of the Thai Baht against major trading partners' currencies, which may pose hurdles to export growth and overall economic recovery. Elsewhere, the policy-makers warranted close monitoring on implications from future US economic and foreign trade policies, financial stability in China and political developments in Europe that worsen Thailand's growth outlook into the year ahead.

- **We continue to pencil Thailand's economic growth at between 3.3 – 3.5% in 2017, a tat higher than BOT's growth estimate.** Given the low base seen in domestic prices last year amid some recovery in oil prices seen for some time now, we look for headline inflation to pick up to 1.5% in 2017 as well. More importantly perhaps, we opine that the Bank of Thailand may eventually lift its benchmark rate to 1.75% in the later part of the year, especially if domestic indicators continue to point north amid rising inflationary pressures.