

BoT MPC Decision

Monetary easing paused, optimistic of a recovery in the 2H20

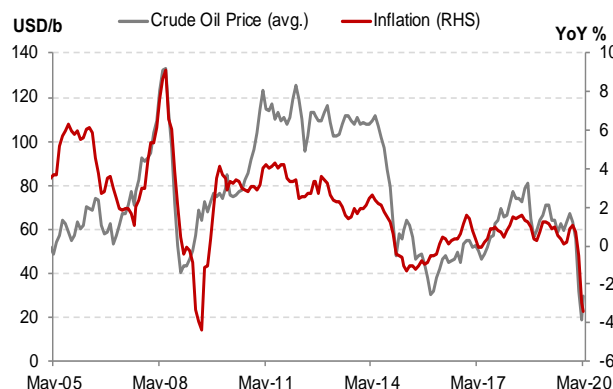
- Policy rate maintained at a record low of 0.50%, in line with house and market expectations**
 - A unanimous vote from its seven-member Monetary Policy Committee.
 - The Bank of Thailand (BoT) described its monetary policy as “extra accommodative”, which combined with the deployed fiscal, financial, and credit measures have helped to weather the impacts from the pandemic and would support the ensuing economic recovery, lift inflation back to the target, and reduce financial stability risks.
- The BoT slashed its 2020 GDP outlook (-8.1%; previous forecast: -5.3%; 2019: 2.4%), but showed optimism towards a recovery in the 2H20 and 2021 (5.0%; previous forecast: 3.0%)**
 - 2020 GDP downgrade was attributable to a worse-than-expected impact from the COVID-19 containment measures on tourism, merchandise exports and the labour market.
 - Though not stated in the statement, we discern that the 2021 growth upgrade was largely due to a low base effect.
- Sharper deflation is expected (-1.7%; previous forecast: -1.0%; 2019: 0.7%)**
 - Due mainly to lower energy prices as global oil demand was crimped by massive movement restrictions.
- THB’s appreciation was again highlighted as a concern**
 - THB appreciated against the greenback to its strongest level since end-January. This was viewed by the BoT as a potential hindrance to economic recovery, specifically tourism and export activities.
 - If currency gains prolong, the BoT may announce measures, such as further easing of its capital outflow rules, to curb the appreciation of THB.
- A sanguine tone derived from the statement suggests an end to the monetary easing cycle**
 - The BoT seemed to be inclined to end the current easing cycle by emphasising on signs of improvement in economic activities following the gradual relaxation of the containment measures since 3rd May, as well as by suggesting the need to shift towards supply-side policies to address the structural changes post-COVID-19.
 - As such, with the economy expected to gain support from the domestic tourism stimulus package (USD0.7b), full economic reopening on 1st July and partial relaxation of entry of foreigners, we foresee the policy rate to be retained at 0.50% at the next meeting in August.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.25% (-0.25%)	Indonesia	7-Day Reverse Repo Rate	May-20
0.50% (-0.25%)	South Korea	Base Rate	May-20
4.00% (-0.40%)	India	Repo Rate	May-20
0.50% (-0.25%)	Thailand	Repo Rate	May-20
2.00% (-0.50%)	Malaysia	Overnight Policy Rate	May-20
3.85% (-0.20%)	China	Loan Prime Rate	Apr-20
3.25% (-0.50%)	Philippines	Overnight Reverse Repurchase	Mar-20
0.25% (-0.75%)	New Zealand	Official Cash Rate	Mar-20
0.25% (-0.50%)	Australia	Cash Rate	Mar-20
1.125% (-0.25%)	Taiwan	Discount Rate	Mar-20
0.00-0.25% (-1.00%)	USA	Funds Rate Target	Mar-20
-0.10% (-0.10%)	Japan	Complementary Deposit Facility	Jan-16

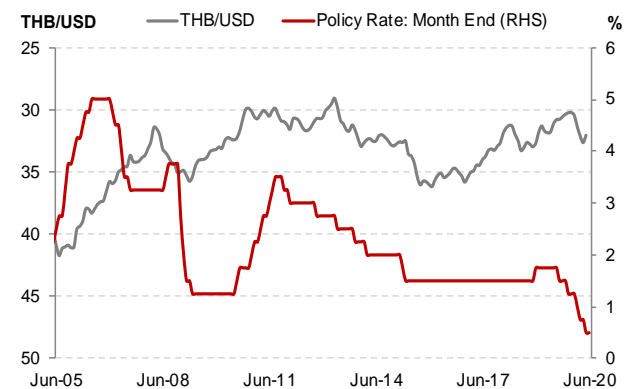
Source: Bloomberg, CEIC, Kenanga Research

Graph 1: Inflation vs Crude Oil



Source: Bank of Thailand, Bureau of Trade and Economic Indices, Kenanga Research

Graph 2: Policy Rate vs. Currency



Source: Bank of Thailand, Bureau of Trade and Economic Indices, Kenanga Research

25 June 2020

Table 2: MPC Meeting Schedule for 2020/ KIBB Outlook

No.	Date		KIBB Research Outlook	BOT Decision	Vote
1 st	5 February (Wed)	<input checked="" type="checkbox"/>	55% probability of 25 bps rate cut	25 bps rate cut	7-0
Special Meeting	20 March (Fri)	<input checked="" type="checkbox"/>	70% probability of 25 bps rate cut	25 bps rate cut	7-0
2 nd	25 March (Wed)	<input checked="" type="checkbox"/>	No change	No change	4-2 (1 absent)
3 rd	20 May (Wed)	<input checked="" type="checkbox"/>	55% probability of 25 bps rate cut	25 bps rate cut	4-3
4 th	24 June (Wed)	<input checked="" type="checkbox"/>	No change	No change	7-0
5 th	5 August (Wed)	<input type="checkbox"/>	No change		
6 th	23 September (Wed)	<input type="checkbox"/>	No change		
7 th	18 November (Wed)	<input type="checkbox"/>	No change		
8 th	23 December (Wed)	<input type="checkbox"/>	No change		

Source: Bank of Thailand, Kenanga Research

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