

BoT 4th MPC Decision

Policy rate unchanged, GDP forecast revised lower

- The Bank of Thailand (BoT) maintained the policy rate at 0.50%, in line with house and market expectations**

- A unanimous vote from its seven committee members.

- BoT revised down its GDP forecast for 2021 to 1.8% (previous: 3.0%; 2020: -6.1%) and 2022 to 3.9% (previous: 4.7%)**

- It expected a slower economic recovery amid a third wave of COVID-19 infections, which has weighed on domestic demand, lowered the expected number of foreign tourists, and hindered the recovery of the labour market.

- However, stronger merchandise exports amid a global economic recovery, and higher government spending would provide some support to the economy, it added.

- The BoT cautioned that downside risks remain significant, as the COVID-19 condition in Thailand and abroad could still worsen due to virus mutations, which would further impact foreign tourist figures and domestic economic activity.

- Emphasised the importance of procuring and distributing vaccines to address slower economic growth and lower tourist arrivals**

- The BoT reduced their forecast for foreign tourist arrivals in 2021 to 700.0k (previous forecast: 3.0m) and 10.0m for 2022 (previous: 21.5m). This comes despite government plans to fully reopen Thailand to vaccinated tourists by mid-October, with Phuket set to accept foreign tourists as early as 1 July. Even so, the impact of the ongoing COVID-19 outbreak is expected to further suppress the number of tourist arrivals.

- Thailand began a mass vaccination drive earlier this month, with as many as 6.0m vaccine shots planned to be distributed in June, at a rate of 500.0k inoculations a day. However, the campaign has so far missed its target due to vaccine shortages and appointment cancellations. As such, Thailand's vaccination progress has continued to underperform its regional peers, with only 3.0% of its population fully vaccinated (MY: 5.4%; ID: 4.6%).

- We continue to expect an unchanged policy rate for the remainder of the year**

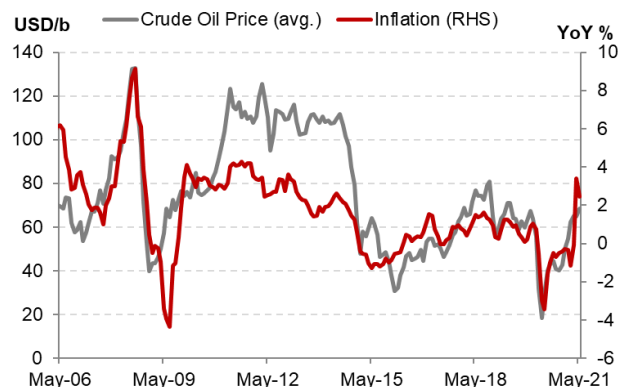
- The BoT highlighted that fiscal measures remain crucial to drive economic recovery and stressed that the government should accelerate the disbursement of relief measures to aid affected groups in a targeted manner. They assured that monetary policy would remain accommodative and additional monetary policy tools would be used if necessary. As such, we expect that BoT will likely hold the policy rate at 0.50% for the year, to preserve its limited policy ammunition for now.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
3.50% (-0.25%)	Indonesia	7-Day Reverse Repo Rate	Feb-21
2.00% (-0.25%)	Philippines	Overnight Reverse Repurchase	Nov-20
0.10% (-0.15%)	Australia	Cash Rate	Nov-20
1.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-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
3.85% (-0.20%)	China	Loan Prime Rate	Apr-20
0.25% (-0.75%)	New Zealand	Official 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

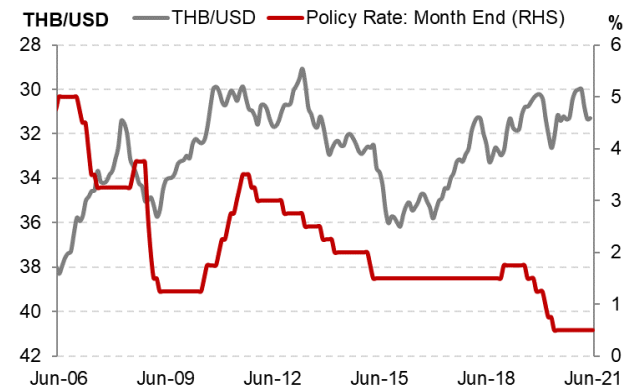
Source: Bloomberg, CEIC, Kenanga Research

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

24 June 2021

Table 2: MPC Meeting Schedule for 2021/ KIBB Outlook

No.	Date		KIBB Research Outlook	BOT Decision	Vote
1 st	3 February	<input checked="" type="checkbox"/>	No change	No change	7-0
2 nd	24 March	<input checked="" type="checkbox"/>	No change	No change	7-0
3 rd	5 May	<input checked="" type="checkbox"/>	No change	No change	7-0
4 th	23 June	<input checked="" type="checkbox"/>	No change	No change	7-0
5 th	4 August	<input type="checkbox"/>	No change		
6 th	29 September	<input type="checkbox"/>	No change		
7 th	10 November	<input type="checkbox"/>	No change		
8 th	22 December	<input type="checkbox"/>	No change		

Source: Bank of Thailand, Kenanga Research

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