

BoT 4th MPC Decision

Policy rate raised by 25bps to 0.75%, signals gradual rate hikes going forward

- **The Bank of Thailand (BoT) raised the one-day repurchase rate to 0.75%, its first hike since December 2018, in line with house and market expectations**

- The Monetary Policy Committee (MPC) voted 6 -1 to increase the policy rate by 25 basis-points (bps). The sole dissenter voted to raise the rate by 50bps in a bid to front-load rate hikes.
- The committee stated that Thailand's economic recovery had strengthened and growth would likely return to pre-pandemic levels by the end of 2022, whilst headline inflation is expected to "remain at a high level for some time". As such, the MPC assessed that the accommodative monetary policy stance taken due to the COVID-19 pandemic had become less needed.

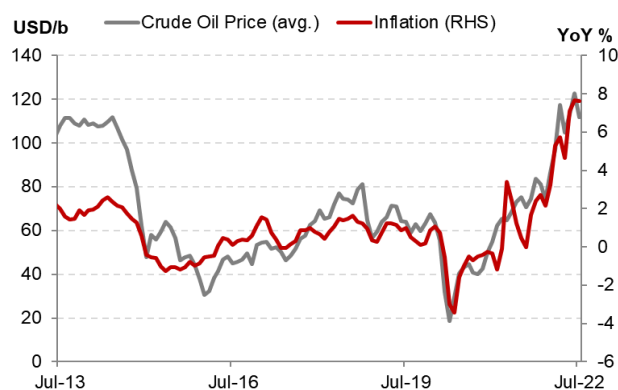
Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
0.75% (+0.25%)	Thailand	Repo Rate	Aug-22
5.40% (+0.50%)	India	Repo Rate	Aug-22
1.85% (+0.50%)	Australia	Cash Rate	Aug-22
2.25% -2.50% (+0.75%)	USA	Funds Rate Target	Jul-22
3.25% (+0.75%)	Philippines	Overnight Reverse Repurchase	Jul-22
2.50% (+0.50%)	New Zealand	Official Cash Rate	Jul-22
2.25% (+0.50%)	South Korea	Base Rate	Jul-22
2.25% (+0.25%)	Malaysia	Overnight Policy Rate	Jul-22
1.50% (+0.125%)	Taiwan	Discount Rate	Jun-22
3.70% (-0.10%)	China	Loan Prime Rate	Jan-22
3.50% (-0.25%)	Indonesia	7-Day Reverse Repo Rate	Feb-21
-0.10% (-0.10%)	Japan	Complementary Deposit Facility	Jan-16

Source: Bloomberg, CEIC, Kenanga Research

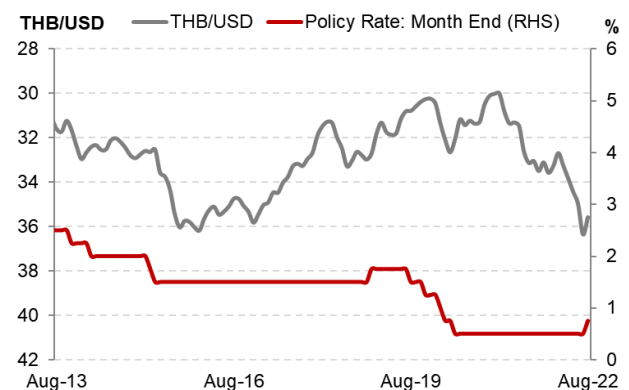
- **The BoT expects Thailand's recovery momentum to remain strong and maintains 2022 GDP forecast at 3.3% (2021: 0.9%)**
 - Strong growth recovery this year would be supported by greater-than-expected foreign tourist arrivals (2022F: 10.0m) following the easing of COVID-19 restrictions, with an even stronger rebound expected next year (2023F: 30.0m). Likewise, growth would remain underpinned by a sustained recovery in private consumption, and a further boost is expected from the government's recently approved THB27.4b (USD748.2m) fiscal assistance package. The committee acknowledges that the risk of a global economic slowdown has heightened but asserts that the impact on Thailand's economy would be limited.
- **Headline inflation is expected to remain high through 2022, before gradually easing into the 1.0 – 3.0% target range in 2023**
 - The committee projects inflation to remain largely unchanged from its previous forecast of 6.2% in 2022 (2021: 1.2%), with headline inflation still hovering around a 14-year high in July (7.6%; Jun: 7.7%). For 2023, the BoT retain its headline inflation forecast of 2.5%, on expectations that supply-side price pressures would subside.
- **Expect a 25bps rate hike at each of the two remaining MPC meetings this year, bringing the year-end rate to 1.25%**
 - While the commencement of its rate hike cycle indicates that the BoT has shifted its focus towards combatting inflation, the committee stated that monetary policy normalisation should be gradual and reach a level that is consistent with sustainable growth in the long-term. As such, we reckon the central bank would take a measured approach with relatively small but regular rate hikes, despite the more aggressive pace set by other major central banks and some regional peers.

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

11 August 2022

Table 2: MPC Meeting Schedule for 2022 / KIBB Outlook

No.	Date		KIBB Research Outlook	BOT Decision	Vote
1 st	9 February	<input checked="" type="checkbox"/>	No change	No change	7-0
2 nd	30 March	<input checked="" type="checkbox"/>	No change	No change	7-0
3 rd	8 June	<input checked="" type="checkbox"/>	No change	No change	4-3
4 th	10 August	<input checked="" type="checkbox"/>	25bps rate hike	25bps rate hike	6-1
5 th	28 September	<input type="checkbox"/>	25bps rate hike		
6 th	16 November	<input type="checkbox"/>	75% probability of 25bps rate hike		

Source: Bank of Thailand, Kenanga Research

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