

BoT 6th MPC Decision

Raised the policy rate to 1.25%, a third successive 25 bps rate hike

- **The Bank of Thailand (BoT) raised the key rate by 25bps to 1.25%, in line with house and market expectations**

- The Monetary Policy Committee's (MPC) seven members unanimously voted to raise the policy rate for the third consecutive meeting.
- The committee deemed that gradual policy normalisation remained appropriate given expectations of elevated inflation and as the Thai economic recovery continues to gain traction.

- **The BoT marginally revised down its GDP growth forecasts for 2022 to 3.2% from 3.3% (2021: 1.6%), and for 2023 to 3.7% from 3.8% previously**

- The committee highlighted that the recovery of the tourism sector continues to gain momentum as tourist arrivals beat expectations. Meanwhile,

private consumption remains robust on the back of improving economic activities, as well as a further recovery in employment and income. For 2023, the BoT still expects strong tourism recovery and private consumption to form the cornerstone of economic growth, and should be able to help alleviate the impact of a global economic slowdown.

- Thailand's GDP growth advanced in 3Q22 to 4.5% (2Q22: 2.5%), broadly in line with market expectations, and driven by higher private consumption, investment, and a solid revival of tourism since all COVID-19 curbs were lifted earlier this year. Growth momentum is expected to sustain into 2023 but the outlook remains clouded by a highly uncertain global economic outlook and elevated inflation.

- **Headline inflation expected to remain at 6.3% in 2022, before declining to 3.0% in 2023 and 2.1% in 2024**

- Inflation appears to have peaked in 3Q22 having slowed to 6.0% in October (Sep: 6.4%), its lowest level since April this year, as supply shocks subside. The BoT stated that headline inflation would likely be higher than initially assessed for 2023, with a previous forecast of 2.6%, due to an upward adjustment of electricity charges. However, it is still expected to return to the target range of 1.0% - 3.0% by the end of 2023.

- **We expect one more 25 bps rate hike in 1Q23, bringing it to a terminal rate of 1.50% (2022: 1.25%)**

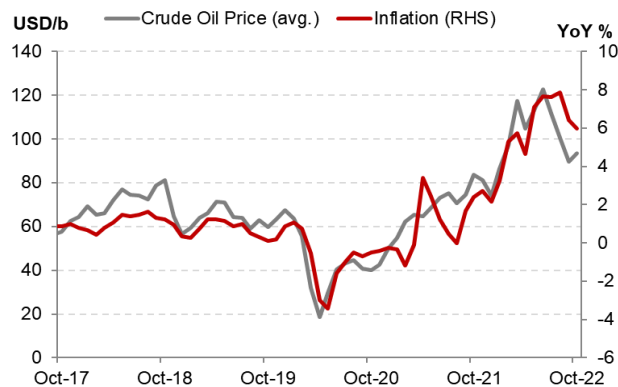
- With the global economic outlook increasingly uncertain, we reckon the BoT would take a more gradual approach to monetary policy normalisation and soon pause their tightening cycle. Given that inflationary pressures have already begun to ease, a policy rate of 1.50% may be enough to return inflation to within the target range by end of next year.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
1.25% (+0.25%)	Thailand	Repo Rate	Nov-22
5.25% (+0.50%)	Indonesia	7-Day Reverse Repo Rate	Nov-22
4.25% (+0.75%)	New Zealand	Official Cash Rate	Nov-22
3.00% (+0.75%)	UK	Base Rate	Nov-22
2.75% (+0.25%)	Malaysia	Overnight Policy Rate	Nov-22
3.75% - 4.00% (+0.75%)	USA	Funds Rate Target	Nov-22
2.85% (+0.25%)	Australia	Cash Rate	Nov-22
2.00% (+0.75%)	Euro Area	Fixed Rate	Oct-22
2.50% (+0.50%)	South Korea	Base Rate	Oct-22
4.25% (+0.50%)	Philippines	Overnight Reverse Repurchase	Sep-22
3.65% (-0.05%)	China	Loan Prime Rate (1-YR)	Aug-22
-0.10% (-0.10%)	Japan	Complementary Deposit Facility	Jan-16

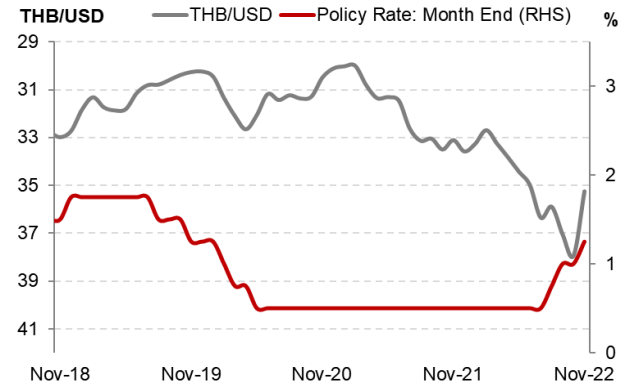
Source: Bloomberg, CEIC, Kenanga Research

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

01 December 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 checked="" type="checkbox"/>	25bps rate hike	25bps rate hike	7-0
6 th	30 November	<input checked="" type="checkbox"/>	25bps rate hike	25bps rate hike	7-0

Source: Bank of Thailand, Kenanga Research

Table 3: MPC Meeting Schedule for 2023 / KIBB Outlook

No.	Date		KIBB Research Outlook	BOT Decision	Vote
1 st	25 January	<input type="checkbox"/>	25bps rate hike		
2 nd	29 March	<input type="checkbox"/>	No change		
3 rd	31 May	<input type="checkbox"/>	No change		
4 th	2 August	<input type="checkbox"/>	No change		
5 th	27 September	<input type="checkbox"/>	No change		
6 th	29 November	<input type="checkbox"/>	No change		

Source: Bank of Thailand, Kenanga Research

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