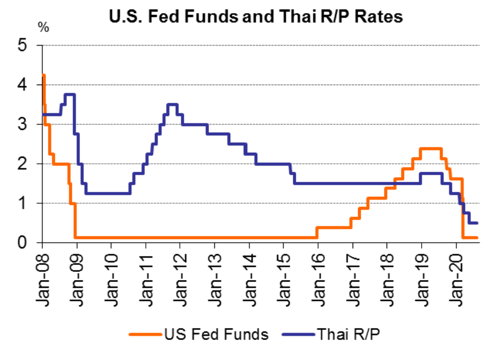
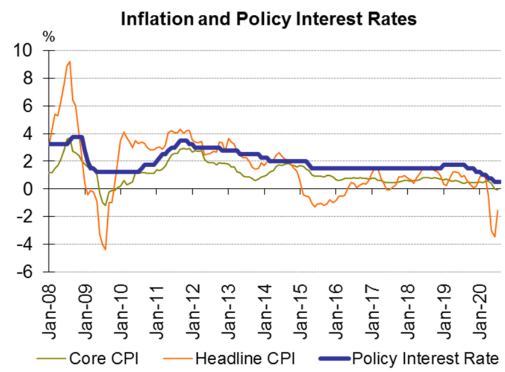
MPC Special Coverage

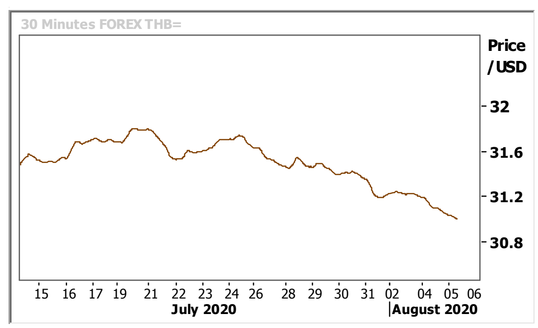
August 5, 2020

BoT holds key rate at 0.50%

- The Bank of Thailand's Monetary Policy Committee, voted unanimously to leave the one-day repurchase rate at an all-time low of 0.50% this afternoon, marking a second consecutive rate-on-hold outcome. The decision matched general market expectations.
- The Committee assessed that the economy will gradually recover alongside reversal of restriction measures to curb the spread of COVID-19. However, caution remains over the risk of wave 2 outbreak. The MPC expects at least two years for the economy to bounce back to pre-COVID levels yet the speed of recovery will be uneven, with international tourist arrivals expected to rebound more slowly than anticipated. On price pressures, the Committee judged that headline inflation will be negative this year before returning to the target range in 2021 in tandem with the pick-up in crude oil prices and economic activity. Meanwhile, overall liquidity in the system remains ample but funds need to be more efficiently distributed to targeted business sectors and households, according to the press statement.
- The baht was fairly steady at 30.99 after the announcement. The Thai currency has depreciated 3.2% so far this year on the back of portfolio outflows and narrowing current account surplus. The MPC stated the baht has been more volatile since the prior meeting, and has strengthened due to broad dollar weakness. The statement repeatedly indicated concerns over the adverse effect of any rapid baht appreciation and hence the Committee will closely monitor the situation and assess the need for additional measures.
- The MPC next meets on Sept 23, which will mark the final one for BoT Governor Veerathai. While the Committee reiterated readiness to use additional monetary tools if necessary, today's economic assessment is moderately less pessimistic to us and echoed recent public communication from the central bank. We continue to expect the policy rate to be left at 0.50% over the coming quarters.







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