

BoT MPC Decision

Policy rate unchanged, growth outlook slashed

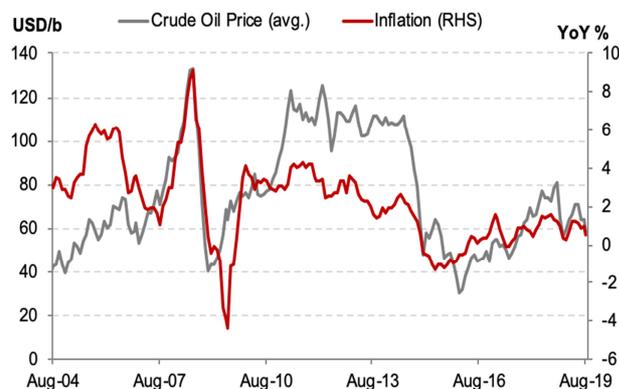
- Policy rate stays.** Bank of Thailand (BoT) kept its policy rate unchanged at 1.50%, with a unanimous vote from its seven-member Monetary Policy Committee (MPC), in line with consensus, but contradicting house's view, after unleashing a surprise 25 basis points (bps) rate cut previously. The next MPC meeting will take place on 6 November.
- Growth to expand at a slower pace of 2.8% in 2019 compared to initial assessment of 3.3%.** BoT opined that the downgrade was attributable to a deeper decline in exports, against the backdrop of global economic slowdown, mounting trade tensions and prolonged tech downcycle. Similarly, BoT slashed domestic demand outlook, citing that private consumption would moderate further, in spite of the injection of USD10b fiscal stimulus by the government. Of note, Thailand's Finance Minister stands ready to furnish the economy with further fiscal support, depending on the growth condition three to four month after the first round of stimulus.
- BoT revised its inflation forecast to 0.8% (previously: 1.0%), below its earlier target range of 1.0-4.0%.** The benign inflation outlook was mainly due to expectation of further weakness in energy prices, partly influenced by elevated geopolitical concerns, as well as the lack of demand-pull price pressure. Year-to date, the consumer price index has eased to 0.9% YoY (Jan-Aug 2018: 1.1%). Nonetheless, it is expected to track up in 2020, registering at the lower-end of the BoT's target range (1.0%), in tandem with the better expected growth condition (GDP 2020: 3.3%).
- Thai Baht's precipitous appreciation against trading partner currencies remained a concern.** As per the preceding statements, spillovers from the excessive appreciation of the THB currency towards its exports and tourism competitiveness vis a vis regional peers remained a vital issue. Hence, there is a strong indication that additional mitigative measures could be adopted should future exchange rate developments warrant it.
- BoT provided more dovish guidance, shifting its economic outlook a notch lower.** BoT's dimmer views on inflation and domestic demand, along with worries on excessive appreciation of the Thai Baht and the slew of unfavourable economic data released recently point towards enhanced dovish sentiment regarding future economic developments. As such, we retain our expectation of another round of 25 bps rate cut at either one of the remaining two MPC meetings for the year, with the policy rate settling at 1.25% by year-end.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
5.25% (-0.25%)	Indonesia	7-Day Reverse Repo Rate	Sep-19
1.75-2.00% (-0.25%)	USA	Funds Rate Target	Sep-19
1.00% (-0.50%)	New Zealand	Official Cash Rate	Aug-19
1.50% (-0.25%)	Thailand	Repo Rate	Aug-19
4.25% (-0.25%)	Philippines	Overnight Reverse Repurchase	Aug-19
5.40% (-0.35%)	India	Repo Rate	Aug-19
1.00% (-0.25%)	Australia	Cash Rate	Jul-19
1.50% (-0.25%)	South Korea	Base Rate	Jul-19
3.00% (-0.25%)	Malaysia	Overnight Policy Rate	May-19
1.375% (-0.125%)	Taiwan	Discount Rate	Jul-16
-0.10% (-0.10%)	Japan	Complementary Deposit Facility	Feb-16
4.35% (-0.25%)	China	Lending Rate	Oct-15

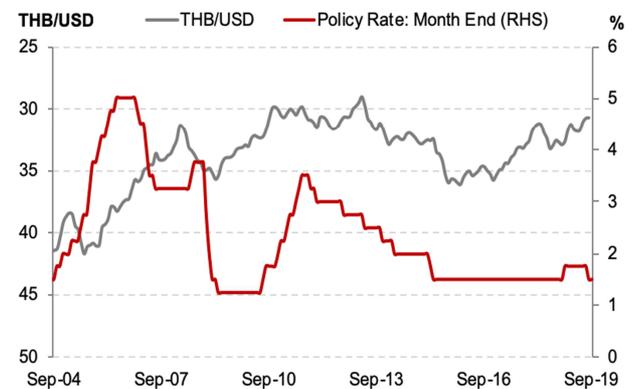
Source: Bloomberg, CEIC, Kenanga Research

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

Table 2: MPC Meeting Schedule for 2019/ KIBB Outlook

No.	Date		KIBB Research Outlook	BOT Decision	Vote
1 st	6 February (Wed)	<input checked="" type="checkbox"/>	No change	No change	4-2 (1 absent)
2 nd	20 March (Wed)	<input checked="" type="checkbox"/>	No change	No change	7-0
3 rd	8 May (Wed)	<input checked="" type="checkbox"/>	No change	No change	7-0
4 th	26 June (Wed)	<input checked="" type="checkbox"/>	No change	No change	7-0
5 th	7 August (Wed)	<input checked="" type="checkbox"/>	No change	25 bps rate cut	5-2
6 th	25 September (Wed)	<input checked="" type="checkbox"/>	20% probability of 25 bps rate cut	No change	7-0
7 th	6 November (Wed)	<input type="checkbox"/>	50% probability of 25 bps rate cut		
8 th	18 December (Wed)	<input type="checkbox"/>	50% probability of 25 bps rate cut		

Source: Bank of Thailand, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Atiqa Noor Azlan
Economist
atiqa.noorazlan@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my