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## MPC Special Coverage

February 7, 2024

### BoT leaves key rate at 2.50%

- The Bank of Thailand's Monetary Policy Committee maintained the one-day repurchase rate at 2.50% this afternoon. Two out of seven members voted for a 25bp rate cut to 2.25%.
- The Committee assessed the Thai economy is likely to slow in 2024 from exports and manufacturing activity amid easing overseas demand and moderating growth in China. Structural issues are adversely affecting exports and tourism more than expected. Private consumption growth stays robust but the slower initial economic growth momentum partially a result of the stalled government budget from late 2023 indicates a softer outlook for this year, with the economy projected to expand by 2.5-3%. On inflation, the MPC viewed that prices should gradually pick up towards the 1-3% target range but at a delayed pace. Headline inflation is expected to be lower than previously assessed but current inflation prints do not reflect a lack of demand while headline inflation excluding subsidies remains positive. Core inflation should remain flat as previously assessed, according to the accompanying statement.
- The baht depreciated slightly to 35.55 after the announcement. The Thai currency has weakened 4.0% this year, representing the region's worst performer. The MPC reiterated the baht has moved in line with regional peers, mainly influenced by the Federal Reserve's policy prospect.
- The MPC next meets on Apr. 10<sup>th</sup>. Today's policy language conveys a shift to dovish tone, with increasing growth concerns. Two members voted for a rate cut to reflect a lower potential growth. Indeed, the Committee said structural obstacles especially eroding competitiveness would even further weigh on growth in the absence of relevant reforms. While we had expected the MPC to hold rates at 2.50% over the coming quarters, we now admit that the risks are clearly tilted to the downside as growth worries mount. The tone of communication paves the way for sooner-than-anticipated rate cuts if needed, with a rising chance of the first reduction taking place in Q2/24.

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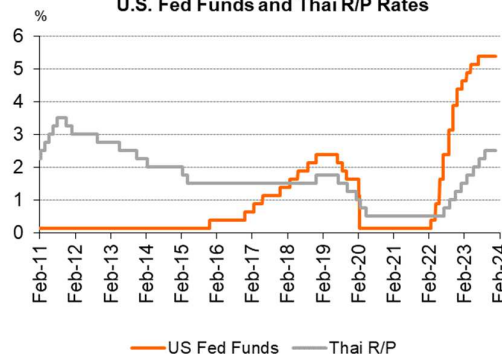
Global Markets Business Development Department

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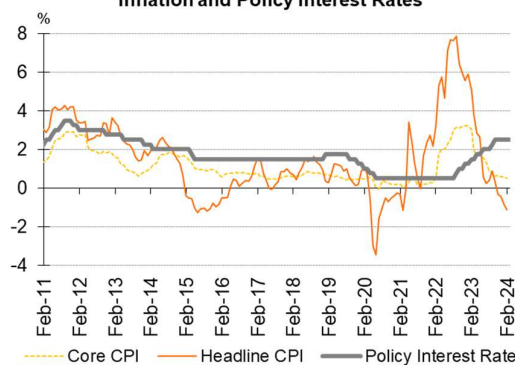
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U.S. Fed Funds and Thai R/P Rates



Inflation and Policy Interest Rates



THB=D3

