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MPC Special Coverage

December 18, 2024

BoT holds key rate at 2.25%

- The Bank of Thailand's Monetary Policy Committee, as widely anticipated, kept the one-day repurchase rate unchanged at 2.25% this afternoon. The decision was unanimous following October's surprise cut.
- The Committee assessed that the Thai economy faces challenges from intensifying external competition and higher uncertainty in the period ahead, particularly the policy of major economies. Still, GDP growth will likely be close to estimates of 2.7% for 2024 and 2.9% for 2025, thanks to tourism and private consumption, as well as exports of electronics and machinery products that track a tech up-cycle. Economic expansion remains uneven, with the tourism-related services sector outperforming, but SMEs and some industrial sectors struggle from declining competitiveness. The automotive segment has deteriorated due to both price and demand factors. Accordingly, the recovery of household income is not yet comprehensive. On price pressures, the MPC said headline inflation in 2024 and 2025 is expected at 0.4% and 1.1%, respectively, with energy inflation likely subdued. Core inflation rates for 2024 and 2025 are projected at 0.6% and 1.0%, respectively, in line with the economic outlook and food cost passthrough. Loan extension slowed in recent years due to sluggish investment demand and high credit risk, according to the statement.
- The baht stabilized around 34.25 after the announcement. The Thai currency has depreciated by just 0.2% this year. The MPC noted the baht weakened from the previous meeting in tandem with market repricing of the U.S. central bank policy outlook.
- The MPC next meets on Feb.26th. Today's decision highlights a wait-and-see stance and the need to preserve policy space for uncertainties ahead. These uncertainties stem from policies of major economies, domestic credit condition and its implications for the broader activities, as well as the effect of the government's measures to help alleviate the debt burden of vulnerable groups. On balance, we still see a good possibility of a cut at the upcoming meeting if the overall situation worsens from here.

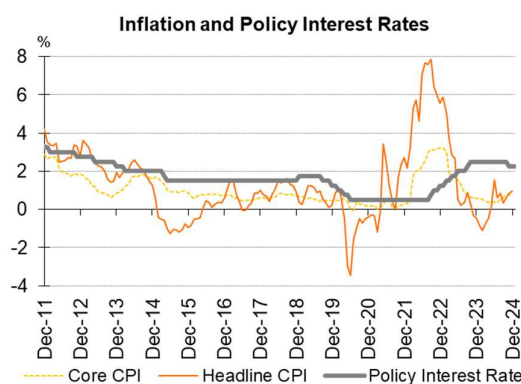
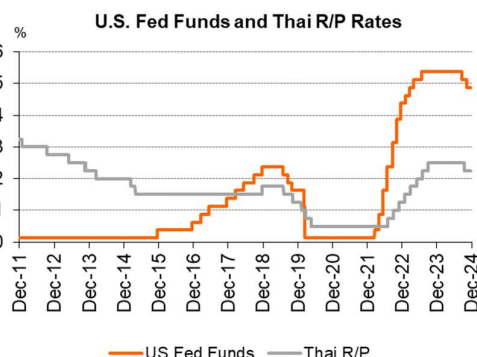
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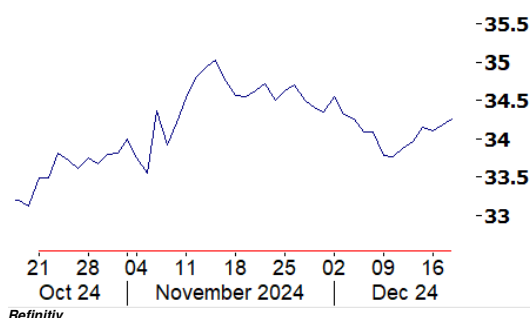
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