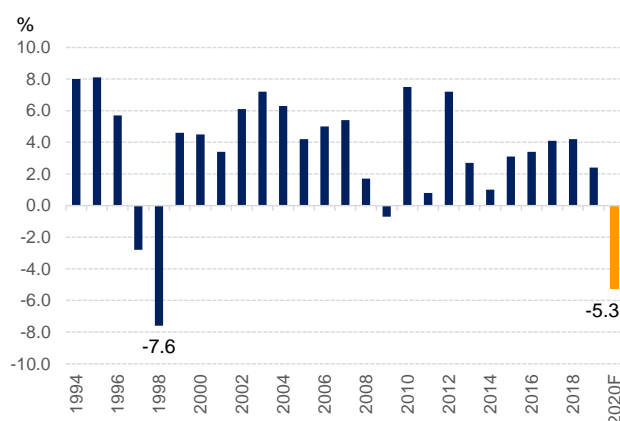
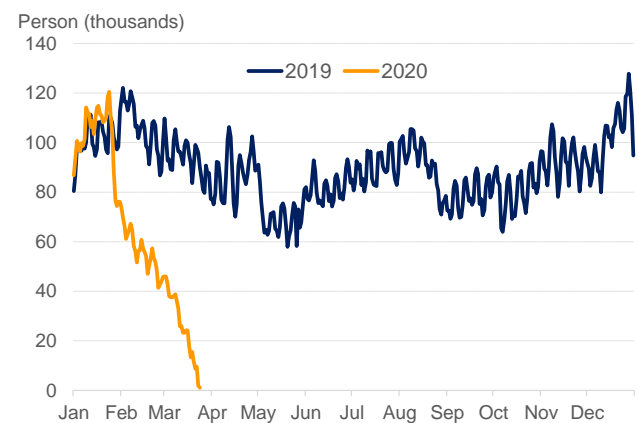


## The Bank of Thailand maintained the policy rate at a record-low 0.75% despite a forecast of a recession in 2020

- On March 25, the Monetary Policy Committee (MPC) voted 4:2 to maintain its policy rate at 0.75%, only a few days after an emergency rate cut of 25 basis points last Friday. Two members were in favour of a 0.25% cut. One member was absent. The MPC judged that the risks to financial stability remain low despite the recent introduction of BOT liquidity backstop measures in bond markets.
- The Bank of Thailand (BOT) slashed its GDP forecast for 2020 to -5.3% from 2.8%. The growth projection is 20-year low after the 7.6% contraction during the 1998 Asian financial crisis (Chart 1). The coronavirus-hit economy is expected to contract sharply from the decline in tourist arrivals and exports. The global economy is expected to slump to a recession. External weakness from trading partners' economies and supply chain disruption will likely spillover to domestic demand from reduced business and household income.
- The central bank's assumption is contingent upon the Covid-19 outbreak in Thailand to be contained by Q2. However, it would take longer for the tourism sector to recover. Daily tourist arrival fell by a whopping 98.7% since the beginning of the year, as of March 23 (Chart 2). The latest figure of tourist arrivals at our main airport was 1 103 persons, which would be deemed nearly impossible even a month earlier. The 3-month advance booking rate fell to an all-time low in January at 5.6%. Inflation is likely to dive into negative territory (-1.0%) from falling oil prices and the economic slowdown.
- The MPC stressed that fiscal policies must do the heavy lifting to soften the impacts of the outbreak. On Tuesday, March 24, the government announced a stimulus package worth about THB117 bn (USD 3.6 bn). The measures include a cash handout of THB 15,000 over the three months and soft loans worth THB60 bn for 3 million workers outside the social security system.
- The BOT also announced minimum standard practices for debt restructuring effective April 1 onwards. Commercial banks will lower minimum payment for credit card holders to 5% from 10%, and implement a three-month payment break for personal loans, hire purchase, leasing, house loans and SME loans.
- We think the BOT will cut rate again soon. In fact, we thought the BOT would deliver a cut of 50bps especially given that they acknowledged how dire the economy will turn out in 2020. In our opinion, at this meeting the BOT could have delivered a preemptive rate cut to further ease the debt burden of the private sector as monetary policy works with a long and variable lag.

**Chart 1: Thai GDP Growth**


Source: NESDC, BOT

**Chart 2: Daily Tourist Arrivals from 5 Main Airports**


Source: Macrobond

*Note: Suvarnabhumi, Don Mueang, Phuket, Chiang Mai and Hat Yai  
International Airports*

**Burin Adulwattana**

Chief Economist

burin.adulwattana@bangkokbank.com/ +66 2 230 2657

**Kantheera Tipkanjanarat**

Research Associate

kantheera.tipkanjanarat@bangkokbank.com

## **Bangkok Bank Public Company Limited**

---

The information contained in this report has been obtained from sources believed to be reliable. All reasonable effort has been made to ensure the facts stated herein are accurate and that the opinions contained herein are fair and reasonable. Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by Bangkok Bank as being accurate. Neither Bangkok Bank nor any of its directors, officers, employees, and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this information. The facts and information contained herein are as up to date as are reasonably possible and may be subject to revision in the future. Any opinions presented herein represent our subjective view and our current estimates and judgments which are based on various assumptions that may be subject to change without notice, and may not prove to be correct.

This report is for the recipient's information only. It does not represent or constitute an advice, offer, recommendation, or solicitation by Bangkok Bank and should not be relied as such. Neither Bangkok Bank nor any of its directors, officers, employees or advisors nor any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this report. Neither Bangkok Bank nor any of its directors, officers, employees and advisors nor any other person shall have any liability whatsoever for loss or damage howsoever arising, directly or indirectly, from any use of this report.