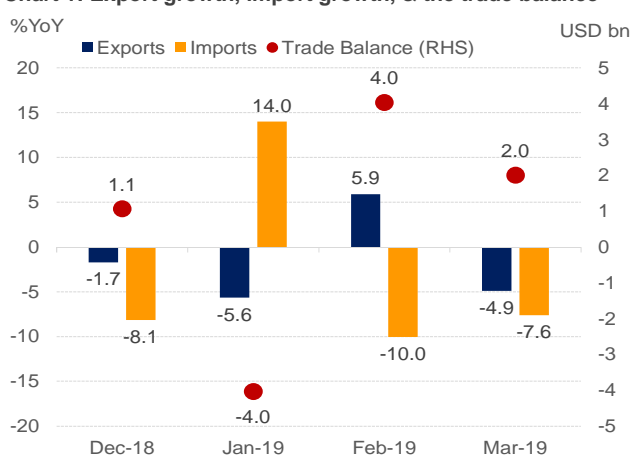


Bank of Thailand became more dovish with unanimous MPC vote to keep the policy rate unchanged

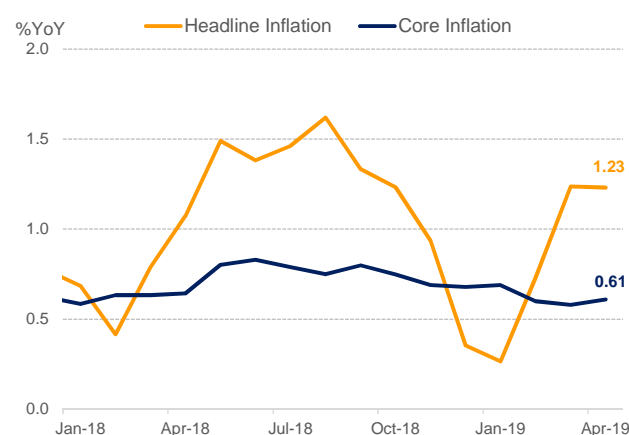
- **On May 8th, the MPC voted unanimously to keep its policy rate unchanged at 1.75%.** According to the MPC statement, Thailand's growth is expected to be lower than previously anticipated and headline inflation is forecasted to stay close to the lower bound of the inflation target range (1-4%). Slower pace of economic expansion is due to weaker export and investment outlook. We maintain our call that the BOT will remain on hold for 2019. Given a more dovish statement and a fragile global economic outlook, we are more confident that the hiking cycle from the BOT is finished despite the fact that the BOT reiterates that rate hikes are still on the cards.
- With Thailand's disappointing Q1 export performance, we will be revising down our 2019 GDP forecast after the release of Q1 GDP on May 21st. We are more concerned that another primary driver of growth, tourism, might be sputtering as the government has recently extended the fee waiver on visa-on-arrival for inbound tourists until the end of October. This is an indication that the authority is concerned that the visitor numbers might be falling short of the 2019 target of 41m. In addition, the Ministry of Commerce cut the export target to 3%, down from 8% earlier this year (Chart 1). Overall, this points to a slower momentum for the Thai economy going forward.
- **The outcome of the MPC meeting is in line with market expectations.** As such, the reaction on the THB is rather muted following the MPC statement. On the financial stability front, the MPC cited concerns on the rapid rise of auto loans, and the need to monitor the impact of lower LTV adjustments on mortgage loans, which came into effect on April 1st.
- **The BOT has recently cut the core inflation forecast to 0.8% from 0.9%,** reflecting softer domestic economic activity (Chart 2). Other downside risks to growth cited include uncertainty over global trade relations and domestic political stability. Also, as we expect the Fed to remain on hold for 2019, the Bank of Thailand does not, therefore, need to maintain its previously hawkish stance. As a result, we expect the BOT to remain dovish while keeping the policy rate unchanged through 2019.

Chart 1: Export growth, import growth, & the trade balance



Source: Ministry of Commerce

Chart 2: Headline and core inflation



Source: Ministry of Commerce

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