

Thai central bank holds fire again, rates likely to stay on hold



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FILE PHOTO: The new twenty baht polymer banknote is unveiled in Bangkok.

By Orathai Sriring and Kitiphong Thaichareon

BANGKOK (Reuters) - Thailand's central bank left its key interest rate unchanged at a record low on Wednesday despite rising inflation, and trimmed its 2022 growth forecast for the pandemic-stricken economy.

The Bank of Thailand (BOT) said it expected inflation to come in above target this year before returning to its 1-3% target range next year.

The BOT's monetary policy committee unanimously voted to hold the one-day repurchase rate at 0.50%, where it has been since May 2020, for a 15th straight meeting, as predicted by all 22 economists polled by Reuters.

"The Thai economic recovery will remain intact in 2022 and 2023, despite impacts from sanctions against Russia which led to higher energy and commodity prices and a slowdown in external demand," it said in a statement after its policy meeting.

While sanctions on Russia have increased the costs of goods, they will not derail the overall recovery path, it said, adding it would focus on supporting the recovery.

As supply-driven inflation is seen as temporary, policy adjustments should be discussed when the economy grows at its potential, which is expected at least late next year, MPC secretary Piti Disyatat told a news conference.

"The key rate is a blunt instrument, so we have to weigh that well before adjusting it," he said.

Economists say policy tightening is unlikely soon because the recovery remains fragile, with the vital tourism industry still struggling.

Kobsidhi Silpachai, head of capital markets research of Kasikornbank, said he expected the rate to stay on hold for the rest of the year until "there are clear signs of a pickup in demand, especially from a recovery in tourism".

The BOT lowered its 2022 economic growth forecast to 3.2% from the 3.4% predicted in December, but raised its headline inflation forecast to 4.9% from 1.7% seen previously. It now predicts inflation will slow to 1.7% in 2023.

The central bank lowered its economic growth forecast for 2023 to 4.4% from 4.7%.

Southeast Asia's second-largest economy grew 1.6% last year, which was among the lowest growth rates in the region, after a 6.2% contraction in 2020.

On Monday, Finance Minister Arkhom Termpittayapaisith told Reuters interest rates should stay low to support the recovery.

The BOT maintained its forecast for foreign tourists at 5.6 million this year, after around 428,000 actual visits in 2021. That compared with 40 million foreign tourists in pre-pandemic 2019, when their spending accounted for 11% of GDP.

The BOT raised its 2022 forecast for export growth to 7.0% from 3.5% seen earlier. It predicted exports would rise 1.5% next year, with foreign tourists seen at 19 million.

(Additional reporting by Satawasin Staporncharnchai; Editing by Bradley Perrett & Simon Cameron-Moore)