

# MPC makes a stand

## MPC approves a framework for exchange rate management

An MPC statement appeared on the BoT's website on Tuesday evening after a regular meeting with the central bank's officials, normally to provide a routine briefing on economic developments). The statement said the MPC has approved a framework for exchange rate management. That is, the MPC stands ready to coordinate with the Ministry of Finance to implement timely policies to stabilise the baht. No further details were given.

### No action for now

Despite the bold assertions, we believe the MPC is unlikely to take any action as long as the baht does not strengthen above Bt29/US\$1. We believe the MPC became worried when the baht quickly rose to Bt28.55/US\$1 within two weeks (during 2nd -19th April) which prompted it to note the "rapid appreciation of the baht, which, at times, has not been justified by economic fundamentals."

### No rate cut, economy remains sound

Despite outlining the negative impacts on exporters and SMEs from the strong baht, the MPC concluded that "despite exchange rate appreciation, the committee expects the Thai economy to remain resilient, which is in line with other agencies' assessments." To us, this means the MPC has resolutely rejected proposals put forward by the government and the Federation of Thai Industries for a substantial cut in the policy rate.

### Irreconcilable differences; tensions linger

It seems clear to us that efforts so far have not narrowed the gap between the government and the BoT (and MPC) regarding monetary and exchange rate policy. Such differences mean that inaction is the most likely scenario in the short term. However, as tensions linger, there is always a risk that unilateral action will be taken by either party to break the deadlock. This scenario becomes more likely in our view if the two sides are faced with another bout of baht appreciation.



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## Link to Definitions

### GEM Macro

Click [here](#) for definitions of commonly used terms.

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