

Disclosure of Edited Minutes: A Step towards Greater Transparency

Juthaporn Elizabeth Kateratorn

Economist

Monetary Policy Group.

THE EDITED MINUTES of the Monetary Policy Committee (MPC) meeting, available in both Thai and English version, are released at 9:00 AM on the Wednesday exactly two weeks following the MPC meeting date, on the Bank of Thailand (BOT)'s website.

This publication may not be as widely recognised as the press release which becomes available as soon as the BOT announces the MPC's interest rate decision. The publication of the edited minutes is intended to improve the MPC's communication with the public about its policy decisions and the reasons behind them.

Beginning in January 2011, the MPC came to a decision to reveal the balance of votes of the members and to publish minutes of the MPC meeting for the first time. This signified another milestone in the development of monetary policy communication with an objective to increase transparency and accountability in conducting monetary policy under the inflation targeting regime. In fact, Thailand is the only country in Asia so far that has chosen to publish minutes of the MPC meetings and reveal the balance of votes. This represents a much more progressive level of transparency in comparison to other economies under the inflation targeting monetary framework. Other countries that publish edited minutes include, for example, the United Kingdom, Sweden, and Australia.

What information would you find in the edited minutes? Unlike the press release, the edited minutes contain much more in-depth and insightful information not only about recent global and domestic economic developments, but also an assessment of their outlook for the future and associated risks. More importantly, it also contains the MPC members' perspectives and concerns on specific issues that were discussed in the meeting. For instance, the edited minutes of the latest MPC meeting of March 21, 2012 released on April 4 reported a slight change in views on the outlook of inflation as a few members expressed their concern that the risks to inflation may rise further from both domestic factors, such as the unprecedented hike in

the minimum wage, as well as external developments, including the enormous injection of liquidity by central banks of advanced economies. These were important risk factors that the MPC would monitor closely.

The edited minutes also noted that: "regarding the monetary policy target for 2012, the MPC viewed that the proposal to adopt headline inflation (annual average headline inflation of 3.0 ? 1.5 per cent per annum) as a monetary policy target remained appropriate but agreed to postpone the adoption of the new target to a more appropriate time and retained the current target (quarterly average core inflation of 0.5 - 3.0 per cent) for this year, in order to ensure a smooth transition. This was due to a number of special factors this year, such as a sharp rise in global oil prices from international geopolitical tensions and reform of the structure of domestic energy prices, which may result in undue volatility of headline inflation."

Such comments along with other key messages from the MPC's discussions recorded in the edited minutes give the general public and financial markets a much better understanding of how the MPC reaches its decision, which developments will be central to the MPC's thinking, and what types of new information have important bearing on and ultimately influence its interest rate decisions. Moreover, the release of the balance of votes also helps market participants to better forecast future trend of monetary policy.

All in all, a clear communication and increased transparency are necessary means to help enhancing the publics' understanding of monetary policy procedures and to boost the market's ability in projecting the direction of policy with higher precision by reducing the uncertainty about the central bank's preferences. Publishing the edited minutes is part of the BOT's effort to continue improving policy transparency. By allowing the public to follow and evaluate the monetary policy process more closely, this will also help raise accountability and hence credibility of the central bank. This will, in turn, further enhance the effectiveness of monetary policy in maintaining overall macroeconomic stability.

(The views expressed are the author's own).

Published in the Nation on Monday, April 09, 2012

