



BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision on 28 January 2015

Mr. Mathee Supapongse, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 28 January 2015 as follows.

The committee voted 5 to 2 to maintain the policy rate at 2.00 percent per annum. Two members voted to reduce the policy rate by 0.25 percent per annum.

Key considerations for policy deliberation are as follows.

In the fourth quarter of 2014, the Thai economy continued to expand from improving exports and tourism, which helped to offset slightly weaker-than-expected domestic demand. Looking ahead, the economy should continue to recover and benefit from a decline in energy prices which should strengthen the recovery of domestic demand. Nevertheless, key downside risks from global economy remain, including slow recovery in major trading partner economies, lingering political uncertainty, and policy divergence among major central banks which could result in higher volatility in the global financial markets.

Headline inflation declined due to a marked fall in energy prices. This increased the probability of breaching the lower bound of the inflation target in 2015, but is not considered deflation because domestic demand continues to expand and non-oil prices do not decline. Core inflation thus remained stable. In addition, headline inflation is expected to rebound in the second half of 2015, in tandem with global oil prices following more balanced conditions in the global oil market. Risks to overall financial stability remain contained, but household loan quality and asset price movements warrant continued monitoring.

Most members deemed the current stance of monetary policy to be sufficiently supportive of the economic recovery. In addition, maintaining the policy rate helps to contain risks associated with a prolonged period of low interest rates and increased global financial market volatility. However, two members judged that monetary policy should play a greater role in supporting the economy in light of higher risks from global economy and financial markets, long implementation lag of fiscal stimulus, and low inflation for some periods ahead which would result in higher real interest rates.

Going forward, members concurred that monetary policy should stay accommodative to provide continued support for the economy. The MPC will closely monitor developments of the Thai economy and stand ready to take appropriate actions as warranted.

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