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Monetary Policy Committee's Decision on 29 April 2015

Mr. Mathee Supapongse, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 29 April 2015 as follows.

The committee voted 5 to 2 to reduce the policy rate by 0.25 percentage point from 1.75 to 1.50 percent per annum with immediate effect. Two members voted to maintain the policy rate at 1.75 percent per annum.

Key considerations for policy deliberation are as follows.

The Thai economy is projected to recover at a slower pace than assessed in the previous meeting. The pickup in public investment and positive trend in tourism should help shore up the economy, but could not fully offset the weaker-than-expected exports of goods and private consumption in the first quarter of 2015. Furthermore, looking ahead, exports of goods are subject to higher downside risks from the slowdown in China, shifting global and regional trade structure as Thailand's major trading partners rely less on imports, and pressure from recent Thai baht appreciation. The contraction in exports could weigh down private investment and consumption through reduced purchasing power and weaker private confidence.

Inflationary pressure continues to decline broadly in line with softer-than-expected domestic demand. Meanwhile, cost of production, particularly oil price, remains low. This development increases the risks of prolonged negative headline inflation and inflation expectation trending downward.

In deliberating monetary policy, most members deemed that monetary policy should be eased further in order to add more support to the economic recovery amid higher downside risks, as well as to anchor inflation expectations at an appropriate level. Two members, however, voted to keep the policy rate unchanged, judging that previous monetary policy actions have contributed to continuing accommodative monetary conditions while the policy space for additional easing is limited. In their view, a recent pickup in fiscal stimulus should help buoy the economy to a certain degree; therefore, the policy rate should be maintained, awaiting clearer assessment of the impact of the policy mix on the economy and financial stability.

Going forward, the committee will conduct monetary policy to ensure that monetary conditions are sufficiently accommodative for a continued recovery. The committee will monitor Thailand's economic and financial developments, and stand ready to utilize an appropriate mix of available policy tools.

Bank of Thailand
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For further information, please contact:
Monetary Policy Strategy Team 1 Tel: +66 (0) 2283 6186, 356 7872
email: MonetaryPolicyStrategyTeam1@bot.or.th