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Monetary Policy Committee's Decision on 23 March 2016

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 23 March 2016 as follows.

The Committee voted unanimously to maintain the policy rate at 1.50 percent.

Key considerations for policy deliberation are as follows.

The Thai economy continued to gradually recover on the back of public expenditure, tourism, and expansion in investment of certain businesses. However, the overall economic momentum slowed, following dissipation of the effect of the government's tax rebate measure around the end of last year and of the accelerated car purchase prior to the increase in vehicle excise tax this year. Meanwhile, merchandise export value contracted markedly and looked to recover slowly due to a slowdown in major trading partners' economies, shifting global trade structure, and Thailand's declining export competitiveness. Therefore, the economic growth forecast was revised down from the assessment at the previous meeting. In addition, risks to growth might arise from a fragile recovery of the global economy and monetary policy divergence among advanced economies, which could influence capital flows and exchange rate movements, and had already caused the baht to strengthen during some recent periods, which might not be as conducive to the economic recovery as it could be.

Headline inflation continued to stay in the negative territory due to a fall in global oil prices around the end of 2015. As a result, inflationary pressure remained low. Core inflation slowed once excluding the one-off rise in tobacco and vehicle excise taxes, reflecting lower demand-side support. Inflationary risks hence skewed more towards the downside. Meanwhile, risks to financial stability from search-for-yield behavior continued to warrant close monitoring.

In deliberating monetary policy, the Committee judged that the Thai economy would probably expand at a lower rate than previously assessed. However, monetary conditions remained accommodative, and the policy space should be preserved. Therefore, the policy rate should be kept on hold at this meeting. The Committee will continue to monitor economic and financial developments closely, and stand ready to utilize an appropriate mix of available policy tools in order to support the economic recovery, while ensuring financial stability.

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