

**No. 10/2017****Monetary Policy Committee's Decision 2/2017**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 29 March 2017 as follows.

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

In deliberating their policy decision, the Committee assessed that Thailand's growth outlook improved and that the economy would expand at a faster pace than the previous assessment. Meanwhile, headline inflation was expected to gradually rise. Nonetheless, the Thai economy still faced many risks, particularly on the external front. Hence, the Committee decided to keep the policy rate on hold at this meeting in order to maintain accommodative financial conditions which would facilitate the continuation of economic growth.

The overall growth outlook improved on the back of a clearer recovery in merchandise exports. Meanwhile, tourism continued to recover, and public expenditure remained an important growth driver. Private consumption and investment, however, continued to recover at a gradual pace. Additionally, the improved growth outlook was still subject to risks that warranted close monitoring. These included the outturns of the US economic and foreign trade policies, financial stability concerns in China, political developments in Europe, and problems faced by the European banking sector.

Headline inflation was expected to gradually rise, although demand-pull inflationary pressures remained low. Meanwhile, the public's medium-term inflation expectations remained close to the target. Nevertheless, headline inflation might fluctuate in the near-term due to base effects, and would face increased downside risks from developments in global oil prices. Core inflation slowed down recently, in part due to the increase in excise tax last year, but was expected to gradually increase.

Overall financial conditions remained accommodative and conducive to economic growth with ample liquidity in the financial system and low real interest rates. However, the baht appreciated somewhat against major trading partners' currencies over the recent period which might not be as beneficial to the economy as it could. Under the Committee's view, exchange rates might experience higher volatility in the period ahead due to uncertainties on the external front.

The Committee viewed that financial stability remained sound with sufficient cushion against economic and financial volatilities on both domestic and external fronts. However, there remained pockets of risks that warranted close monitoring such as the deterioration in loan quality of some business sectors, and the search-for-yield behavior in the prolonged low interest rate environment which might lead to the underpricing of risks.

Looking ahead, the Thai economic recovery continued to gain traction but considerable uncertainties remained, particularly those pertaining to the global economic recovery and to the economic and monetary policy directions of major advanced economies. Meanwhile, demand-pull inflationary pressures remained low. Thus, the Committee viewed that monetary policy should remain accommodative, and would stand ready to utilize an appropriate mix of available policy tools in order to ensure that monetary conditions are conducive to the continuation of economic growth, while ensuring financial stability.

Bank of Thailand

29 March 2017



Forecast Summary as of March 2017

	2016*	2017	2018
GDP Growth	3.2	3.4	3.6
		(3.2)	-
Headline Inflation	0.2	1.2	1.9
		(1.5)	-
Core Inflation	0.7	0.7	1.0
		(0.8)	-

* Outturn

() *Monetary Policy Report*, December 2016

- [Thailand's economy in 2017](#) is expected to expand at a faster pace than previous assessment as a result of a more pronounced recovery of exports of goods.
- [Thailand's economy in 2018](#) would continue to expand with more balanced growth drivers on the back of increased domestic spending and exports.
- [Inflation](#) is expected to gradually increase and return to the midpoint of the inflation target although it is revised down due to the lower-than-expected outturn and oil price.
- [Risks to growth forecasts](#) skew more downward mainly due to international economic uncertainty. [Risks to inflation forecasts](#) also skew downward on the back of downside risk to growth and oil price.



Forecasts in Monetary Policy Report as of March 2017

(%YoY)	2016*	2017 ^E		2018 ^E
		Dec 16	Mar 17	Mar 17
GDP Growth	3.2	3.2	3.4	3.6
- Private Consumption	3.1	2.6	2.7	3.1
- Private Investment	0.4	1.6	2.4	3.7
- Government Consumption	1.6	3.2	2.2	1.9
- Public Investment	9.9	11.9	11.8	7.5
- Exports of Goods and Services	2.1	0.6	2.1	2.8
- Imports of Goods and Services	-1.4	2.4	2.6	2.9
Current Account (Billion USD)	46.4	26.9	36.9	33.1
- Value of Merchandise Exports	0.0	0.0	2.2	2.0
- Value of Merchandise Imports	-4.7	7.8	7.2	5.3
Headline Inflation	0.2	1.5	1.2	1.9
Core Inflation	0.7	0.8	0.7	1.0
Assumptions				
- Number of Tourists (Million)	32.6	34.1	34.5	37.1
- Dubai Oil Price (USD/Barrel)	41.4	53.5	52.3	54.8

- Private consumption expands moderately with support from increased income in agricultural and service sectors.
- Private investment benefits from an improvement in exports of goods.
- Government spending remains an important driving force, especially through infrastructure projects.
- Exports of goods benefit from higher demand for electronic products as well as more pronounced global economic recovery.
- Exports of services continue to grow mainly due to recovery in tourism sector.
- Oil price is revised down as a result of higher-than-expected oil supply. Going forward, the price is expected to rise following global economic recovery.