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**Monetary Policy Committee's Decision on 11 May 2016**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 11 May 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 recover gradually on the back of public expenditure and the tourism sector which expanded with the broad-based increase in the number of inbound tourists. Nevertheless, merchandise export volume, excluding gold, contracted, while private investment remained low with expansion seen only in some business sectors. At the same time, private consumption slowed partly from the impact of the ongoing drought on income of agricultural households. As such, the balance of risks to economic growth was judged to be tilted more to the downside than previously assessed. Meanwhile, the global economic recovery remained fragile. In addition, the baht, which strengthened against some trading partner currencies in some recent periods, might not be as conducive to the economic recovery as it could be. Going forward, monetary policy divergence among advanced economies will continue to be a major contributing factor to capital flow and exchange rate volatility.

Headline inflation turned positive in April as the base effect of high oil prices dissipated, and fresh food prices accelerated from temporary factors. However, demand-side inflationary pressure remained subdued as reflected by stable core inflation. The Committee assessed that headline inflation would gradually rise as the aforementioned base effect continued to wane, although the inflation outlook could be affected by uncertainties pertaining to global oil price movements and softened domestic demand.

In deliberating monetary policy, the Committee judged that the Thai economy would continue to expand at a rate close to the previous assessment but face greater downside risks on the domestic front. Nonetheless, current monetary conditions eased further as bond yields remained low, and commercial bank lending rates declined. Therefore, the policy rate should be kept on hold to preserve policy space, while risks to financial stability from search-for-yield behavior continued to warrant close monitoring.

The Committee viewed that monetary policy should remain sufficiently accommodative, and stands ready to utilize an appropriate mix of available policy tools in order to ensure that monetary conditions are conducive to the economic recovery, while ensuring financial stability.

Bank of Thailand

11 May 2016

For further information, please contact:  
Monetary Policy Strategy Team 1 Tel: +66 (0) 2283 6196, 356 7872  
email: MonetaryPolicyStrategyTeam1@bot.or.th