

**No. 24/2017****Monetary Policy Committee's Decision 3/2017**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 24 May 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 the Thai economy's growth outlook improved further despite facing risks especially on the external front. Headline inflation softened and might fall below the target in some periods mainly due to supply side factors. Nevertheless, it was projected to rise during the latter half of the year. Meanwhile, overall financing conditions remained accommodative and conducive to economic growth. Hence, the Committee decided to keep the policy rate unchanged at this meeting.

Further improvement in the growth outlook was attributed to the continued recovery in merchandise exports as Thailand's trading partner economies gained momentum. In addition, private consumption picked up somewhat supported by improved farm income and consumer confidence. Tourism continued to recover as expected, and public expenditure remained an important growth driver. Meanwhile, private investment was projected to slowly recover. However, the improved growth outlook was still subjected to risks that warranted close monitoring. These included US economic and foreign trade policies, China's economic structural reforms, and geopolitical risks.

Headline inflation turned out softer than expected on account of lower fresh food prices due to this year's higher agricultural output and last year's base effects following the drought. Meanwhile, demand-pull inflationary pressure remained low. Nevertheless, headline inflation was expected to gradually rise in the latter half of the year, and the public's medium-term inflation expectations remained close to the midpoint of the target.

Overall financial conditions remained accommodative and conducive to economic growth with ample liquidity in the financial system and low real interest rates. Meanwhile, business financing through both credit and capital markets continued to expand. With regard to exchange rates, movements in the baht over the recent period were in line with regional currencies.

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 debt serviceability of small-and-medium sized enterprises (SMEs) which in part reflected competitiveness issues. Moreover, the search-for-yield behavior in the prolonged low interest rate environment continued to warrant monitoring as it could lead to underpricing of risks.

Looking ahead, the Thai economy's growth outlook improved further despite uncertainties on the external front. Meanwhile, demand-pull inflationary pressures remained low. Thus, the Committee viewed that monetary policy should remain accommodative, and would stand ready to utilize available policy tools to sustain economic growth while also ensuring financial stability.

Bank of Thailand  
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