

**No. 33/2016****Monetary Policy Committee's Decision on 22 June 2016**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 22 June 2016 as follows.

The Committee voted unanimously to maintain the policy rate at 1.50 percent. One MPC member was unable to attend this meeting.

In deliberating monetary policy, the Committee judged that the economy would continue to recover, and inflation would return to the target band within the latter half of the year as previously expected. Meanwhile, monetary conditions remained accommodative and conducive to the economic recovery. Hence, the policy rate should be kept on hold at this meeting.

The Thai economy continued to recover on the back of public expenditure and broad-based improvement in the tourism sector, while private consumption expanded as anticipated. However, expansion in private investment remained low, and merchandise exports still contracted in tandem with other Asian economies which were weaker than expected. Overall, the economic momentum from domestic demand and the tourism sector offset the impact from contraction in merchandise exports. As such, the economy was expected to expand at the same rate as previously assessed. Nevertheless, there are remaining downside risks from slower-than-expected growth of trading partners, and private sector's confidence which is still fragile. However, concerns pertaining to the impact of the drought have subsided, and prices of some agricultural commodities have shown sign of recovery.

Inflationary pressure edged up with the ongoing economic recovery. Headline inflation in May picked up further with the acceleration in energy and fresh food prices, while core inflation increased slightly. The Committee assessed that headline inflation would gradually rise and return to the target band within the latter half of this year.

Monetary conditions remained accommodative and conducive to the economic recovery as reflected in low real interest rates. Total corporate financing and household credits continued to expand, although certain business sectors faced limitations in obtaining credits. Meanwhile, financial stability risks from the prolonged low interest rate environment, including search-for-yield behavior, continued to warrant close monitoring.

The Committee saw merit in preserving policy space given that the Thai economy would still be facing risks going forward, such as the fragile global economic recovery, monetary policy divergence among major advanced economies, the result of the EU Referendum in the UK ('Brexit') and financial stability concerns in China.

Going forward, the Committee viewed that monetary policy should remain 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
22 June 2016