

**No. 48/2016****Monetary Policy Committee's Decision on 14 September 2016**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 14 September 2016 as follows.

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

In deliberating their policy decision, the Committee assessed the economy to continue recovering at a gradual pace, while facing uncertainties on both domestic and external fronts. Inflation was expected to return to the target band within the latter half of the year. Meanwhile, monetary conditions remained accommodative and conducive to the economic recovery. Hence, the Committee judged that the policy rate should be kept on hold at this meeting.

The Thai economy recorded higher-than-expected growth in the second quarter on the back of a strong expansion in private consumption, partly as a result of temporary factors and government stimulus measures. Meanwhile, public expenditure and tourism continued to be the key growth drivers. Nonetheless, private investment remained low and mostly concentrated in some business sectors. Manufacturing production and merchandise exports contracted due to the slowdown in Asian economies and structural problems facing the Thai economy. In addition, there was a decline in the quality of loans extended to some business sectors. Looking ahead, the Committee projected that the Thai economy would continue to recover but face risks, particularly those stemming from the fragile global economic recovery and political developments abroad.

Headline inflation in August increased slightly on account of fresh food prices, while core inflation remained stable in line with the gradual recovery in demand. The Committee expected headline inflation to return to the target band within this year as previously assessed.

Overall monetary conditions remained accommodative as reflected in low real interest rates and government bond yields. Nonetheless, the baht appreciated against key trading partner currencies over some recent periods which might not be beneficial to the ongoing economic recovery. In addition, financial stability risks from the prolonged low interest rate environment, including search-for-yield behavior, continued to warrant close monitoring.

The Committee saw the need to preserve policy space given that the Thai economy would still be facing greater uncertainties going forward, particularly the fragile global economic recovery and uncertainties in the monetary policy directions of major advanced economies that might induce greater capital flow and exchange rate volatility.

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  
14 September 2016