

**No. 48/2017****Monetary Policy Committee's Decision 6/2017**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 27 September 2017 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 their policy decision, the Committee assessed that the Thai economy would grow at a faster pace than the previous assessment, driven by expansion in merchandise and service exports and a continued recovery in domestic demand that started to be more broad-based. Headline inflation was projected to edge up albeit at a slower pace than previously expected mainly because of supply-side factors, especially fresh food prices. Overall financial conditions remained accommodative and conducive to economic growth. Hence, the Committee viewed that the current accommodative monetary policy stance remained conducive to the continuation of economic growth, and it should foster the return of headline inflation to target although this could take some time. Thus, the Committee decided to keep the policy rate unchanged at this meeting.

The Thai economy gained further traction on account of stronger growth in merchandise exports and tourism driven by a stronger global economic recovery. Private consumption continued to expand on the back of services and durable goods. Nonetheless, overall private consumption gradually expanded as household purchasing power was not sufficiently strong, particularly low-income households whose income had yet to fully recover. Private investment in machinery and equipment picked up across various business sectors and was expected to gradually expand. Meanwhile, public investment remained an important growth driver, although it would likely slow down in the near term following accelerated disbursement in the previous period. Nevertheless, the improved growth outlook was still subject to both domestic and external risks that warranted close monitoring, such as impacts from regulations on immigrant workers, uncertainties pertaining to US economic and foreign trade policies, and geopolitical risks.

Headline inflation increased at a slower pace than the previous assessment. This was due primarily to the decline in fresh food prices as a result of higher output of vegetable and fruits thanks to favorable weather conditions. Meanwhile, demand-pull inflationary pressures remained low, and would be subject to structural changes that might lead to slower pace of inflation than in the past. Nevertheless, headline inflation was projected to slowly rise from the recovery in domestic demand, an increase in excise tax, and regulations on immigrant workers that might affect wages going forward. The public's 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. Government bond yields and real interest rates remained low. Business financing through both credit and capital markets continued to expand. Meanwhile, the Thai baht appreciated somewhat owing primarily to the weakening of US dollar, and Thailand's current account surplus. However, the Thai baht's movement relative to those of trading partners was largely unchanged. In the period ahead, exchanges rates might experience high volatilities due to uncertainties on the external front such as uncertainties pertaining to US economic policies, and monetary policy conducts of major advanced

economies. Thus, the Committee would continue to closely monitor developments in foreign exchange market.

The Committee viewed that financial stability remained sound but would continue to monitor pockets of risks that might pose vulnerabilities to financial stability in the future. These included, in particular, the search-for-yield behavior in the prolonged low interest rate environment that might lead to underpricing of risks, and the deterioration in debt serviceability of small-and-medium sized enterprises (SMEs) especially those affected by changes in structural factors and business models.

Looking ahead, Thailand's growth outlook improved further on the back of external demand while strength in recovery of domestic demand must be monitored. Hence, 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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## Forecast Summary as of September 2017

	2016*	2017	2018
GDP Growth	3.2	3.8	3.8
		(3.5)	(3.7)
Headline Inflation	0.2	0.6	1.2
		(0.8)	(1.6)
Core Inflation	0.7	0.6	0.9
		(0.6)	(0.9)

\* Outturn, ( ) Monetary Policy Report, June 2017

- Thailand's growth outlook gains further traction from the support of stronger growth in merchandise exports and tourism, as well as a continued recovery in domestic demand that started to be more broad-based.
- Headline inflation increased at a slower pace than the previous assessment, due primarily to the decline in fresh food prices.
- Risks to growth forecast become more balanced in the short run, but still skew downward overall. Risks to inflation forecast are broadly balanced, with upside risk from regulations on immigrant workers and downside risk from structural changes that might lead to slower pace of inflation rate than in the past.

## Forecasts in the *Monetary Policy Report* as of September 2017

(% YoY)	2016*	2017		2018	
		Jun 17	Sep 17	Jun 17	Sep 17
GDP Growth	3.2	3.5	3.8	3.7	3.8
- Private Consumption	3.1	3.1	3.3	3.1	3.0
- Private Investment	0.4	1.7	2.3	3.6	3.0
- Government Consumption	1.7	2.2	2.1	1.9	2.7
- Public Investment	9.9	7.7	5.0	9.2	9.8
- Exports of Goods and Services	2.1	4.6	5.9	2.7	3.3
- Imports of Goods and Services	-1.4	4.8	6.5	2.6	3.3
Current Account (Billion USD)	47.7	39.7	42.4	32.7	38.6
- Value of Merchandise Exports	0.1	5.0	8.0	1.7	3.2
- Value of Merchandise Imports	-5.1	10.9	14.0	5.4	6.3
Headline Inflation	0.2	0.8	0.6	1.6	1.2
Core Inflation	0.7	0.6	0.6	0.9	0.9
Assumptions					
- Number of Tourists (Million)	32.6	34.9	35.6	37.3	37.3
- Dubai Oil Price (USD/Barrel)	41.4	50.9	50.9	52.8	52.8

- Exports of goods and services expand, driven by a more robust recovery of the global economy.
- Private consumption gradually expands as household purchasing power is not sufficiently strong, particularly of those with low income whose income have yet to fully recover.
- Private investment picks up across various business sectors and is expected to gradually expand.
- Government spending remains an important driving force of the economy, despite possible slowdown in the near term following an accelerated disbursement in the previous period.

\* Outturn