

**No. 57/2016****Monetary Policy Committee's Decision on 9 November 2016**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 9 November 2016 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 continued to expand at a pace close to the previous assessment despite greater downside risks on both domestic and external fronts. Inflation was expected to increase but might return to the target later than expected due to supply-side factors. Meanwhile, monetary conditions remained accommodative and conducive to the economic recovery. Hence, the Committee decided to keep the policy rate unchanged at this meeting.

The Thai economy was projected to recover at a pace close to the previous assessment. Exports of industrial goods expanded more than expected, while private investment remained low despite some improvements seen in certain export-oriented manufacturing sectors. At the same time, tourism was expected to slow down as a result of the government's measures to curb zero-dollar tours. Private consumption continued to expand although some activities might slow down temporarily. Public expenditure continued to be an important growth driver. Overall, under the Committee's assessment, the Thai economy remained on a recovery path, but downside risks increased from the number of Chinese tourists that could turn out to be lower than the previous projection as well as uncertainties stemming from political developments in the US and Europe. Meanwhile, concerns over the European and Chinese financial sectors continued to warrant close monitoring.

Headline inflation in October softened slightly on account of fresh food prices, while core inflation remained stable around the previous assessment. The Committee expected that headline inflation would rise slowly and might return to the target later than previously projected, depending on fresh food prices as well as global oil price developments which remained largely uncertain. Nevertheless, headline inflation was still expected to gradually pick up, while the public's medium-term inflation expectations remained close to the inflation target.

Overall monetary conditions remained accommodative and conducive to the economic recovery as reflected in low real interest rates and government bond yields. Nonetheless, the baht appreciated against key trading partner currencies which might not be beneficial to the ongoing economic recovery. In addition, financial stability remained sound and able to provide cushion against potential shocks and volatilities in financial markets. However, there remained pockets of risks that warranted close monitoring, such as the deterioration in loan quality of some business sectors and the search-for-yield behavior under the prolonged low interest rate environment.

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 economic and 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
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