

**No. 57/2017****Monetary Policy Committee's Decision 7/2017**

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 8 November 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 would grow at a faster pace than the previous assessment driven by growth in merchandise exports as well as continued improvement in domestic demand. Headline inflation was projected to edge up in line with the previous assessment. Overall financial conditions remained accommodative and conducive to economic growth. Financial stability remained sound overall, but there remained pockets of risks that might lead to the build-up of vulnerabilities in the period ahead. The Committee viewed that the current accommodative monetary policy stance remained conducive to the continuation of economic growth and 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 from the previous assessment on account of stronger growth in merchandise exports and tourism driven by a stronger global economic recovery. Private consumption continued to expand, but earnings of low-income households had yet to sufficiently recover. In addition, small and medium-sized enterprises (SMEs) might not fully benefit from the economic recovery. Private investment in machinery and equipment continued to pick up. Meanwhile, public investment remained an important growth driver despite some slowdown following decelerated disbursement. 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 slightly increased following a gradual rise in fresh food as well as energy prices. Meanwhile, demand-pull inflationary pressures remained low and would be subject to structural changes that might lead to a slower pace of inflation than in the past. 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.

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. With regard to exchange rate developments since the previous meeting, the baht remained stable against the US dollar, and was largely unchanged relative to those of trading partners. In the period ahead, exchange rates might experience high volatilities due to uncertainties pertaining to US economic policies, and monetary policy conducts of major advanced economies. Thus, the Committee would continue to closely monitor developments in the 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 households and SMEs especially those affected by changes in structural factors and business models.

Looking ahead, Thailand's growth outlook improved further particularly on the back of external demand while strength in the recovery of domestic demand and inflation developments 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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