



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department  
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

No. 65/2019

Monetary Policy Committee's Decision 7/2019

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 6 November 2019 as follows.

**The Committee voted 5 to 2 to cut the policy rate by 0.25 percentage point from 1.50 to 1.25 percent, effective immediately. Two members voted to maintain the policy rate at 1.50 percent.**

In deliberating their policy decision, the Committee assessed that the Thai economy would expand at a lower rate than previously assessed and further below its potential due to a decline in exports which affected employment and domestic demand. Headline inflation was projected to be below the lower bound of the inflation target. Overall financial conditions remained accommodative. Financial stability risks had already been addressed to some extent, although there remained pockets of risks that warranted monitoring. Most members viewed that a more accommodative monetary policy stance would contribute to economic growth and support the rise of headline inflation toward the target. Most members thus voted to cut the policy rate at this meeting. Nevertheless, two members viewed that under the already accommodative monetary policy at present, the policy rate cut might not lend additional support to economic growth, compared with potentially increased financial stability risks. In addition, there remained a need to preserve the limited policy space for coping with potentially increasing risks in the future.

The Thai economy was expected to expand at a lower rate than previously assessed and further below its potential. Merchandise exports contracted more than the previous assessment and were projected to recover more slowly than expected due to the slowdown of global trade volume affected by trade tensions. Tourism would grow at a lower rate. Regarding domestic demand, private consumption was expected to slow down despite supports from fiscal stimulus measures. This was due to moderated household income and sharp decline in employment, particularly in export-related manufacturing sectors, as well as elevated household debt. Private investment would expand at a lower rate than previously assessed. However, the relocation of production base to Thailand and public-private partnership projects for infrastructure investment would support investment in the period ahead. Public expenditure would grow at a lower rate than previously estimated owing partly to delay in state-owned enterprise investment projects. The Committee viewed that the Thai economy would face higher risks in the following period, especially external risks from trade tensions, the economic outlook of China and advanced economies that could affect domestic demand, as well as geopolitical risks. Furthermore, the Committee would monitor the impact of fiscal stimulus measures and public expenditure, together with the progress of major infrastructure investment and its knock-on effects on private investment.

The annual averages of headline inflation in 2019 and 2020 were projected to be below the lower bound of the inflation target due to lower-than-expected energy prices in tandem with global economic slowdown. In addition, core inflation was expected to moderate owing to subdued demand-pull inflationary pressures. The Committee viewed that structural changes contributed to more persistent inflation than in the past. Such changes included the expansion of e-commerce, rising price competition, and technological development which reduced costs of production.

Financial conditions over the previous period had been accommodative. Real interest rates and government bond yields remained low. Liquidity in the financial system remained ample. These allowed financing by the private sector to continue expanding. However, loans extended to both businesses and consumers would exhibit slower growth. With regard to exchange rates, the Committee expressed concerns over the baht appreciation against trading partner currencies, which might affect the economy to a larger degree amid heightened uncertainties pertaining to the external front. The Committee supported the relaxation of foreign exchange regulations to encourage capital outflows and promote more balanced capital flows, which would alleviate pressures on the baht and help the private sector to better manage exchange rate risks. The Committee still saw a need to continue to closely monitor developments of exchange rates and capital flows and would consider implementing appropriate measures in addition if necessary.

Financial stability remained sound overall, but there remained a need to monitor risks that might pose vulnerabilities to financial stability in the future, especially the deterioration in the quality of SME loans. The Committee viewed that the implemented macroprudential measures had, to some extent, curbed accumulation of vulnerabilities in the financial system. However, there remained a need to monitor (1) search-for-yield behavior in the prolonged low interest rate environment, (2) debt accumulation and debt servicing capability of households and SMEs, (3) growth in assets held by saving cooperatives and the interconnectedness among saving cooperatives, and (4) leverage by large corporates that might underprice risks. The Committee viewed that microprudential and macroprudential measures should be appropriately combined to ensure financial stability.

Looking ahead, the Committee would monitor developments of economic growth, inflation, and financial stability, together with associated risks, in deliberating appropriate monetary policy going forward. Nevertheless, the Thai economy would continue to face structural problems, which would affect competitiveness and economic growth outlook. This should be firmly addressed by all related parties.

Bank of Thailand  
6 November 2019

For further information, please contact: Monetary Policy Strategy Division  
Tel: +66 2283 6186, +66 2356 7872  
E-mail: [MPStrategyDiv@bot.or.th](mailto:MPStrategyDiv@bot.or.th)