



No. 66/2016

Monetary Policy Committee's Decision on 21 December 2016

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 21 December 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 would continue to expand at a pace close to the previous assessment, but downside risks increased. Inflation was still expected to slowly rise. Meanwhile, monetary conditions remained accommodative and conducive to the economic recovery. Hence, the Committee decided to keep the policy rate on hold at this meeting.

The Thai economy was projected to expand at a pace close to the previous assessment. Tourism was affected more than expected by recent measures to curb illegitimate tour operators, and private investment remained low. Nevertheless, such negative impact on growth was offset by improvements seen in exports of goods due to recent consolidation of production location of certain products to Thailand. Moreover, private consumption improved on the back of farm income and the government's short-term stimulus measures. Meanwhile, public expenditure remained an important growth driver for the economy. Looking ahead, the Committee viewed that the Thai economy remained on a recovery path with the overall growth momentum largely unchanged from the previous meeting. However, risks to growth tilted further to the downside due to Thailand's trading partners which might record weaker-than-expected growth, uncertainties in the direction of the US trade policies that would have significant implications for confidence and international trade, and the number of Chinese tourists that could turn out lower than projected. Meanwhile, uncertainties pertaining to political developments in Europe as well as concerns over the European and Chinese financial sectors continued to warrant close monitoring.

Headline inflation was projected to gradually rise and return to the target band within the first quarter of 2017, although the timing would depend largely on future development in oil and fresh food prices. Core inflation remained stable at low levels around the previous assessment. Meanwhile, the public's medium-term inflation expectations remained close to the target.

Overall monetary conditions remained accommodative and conducive to the economic recovery with ample liquidity in the financial system and low real interest rates. Long-term bond yields increased but remained close to last year's averages. Over the recent period, the baht depreciated against the US dollar, though to a lesser extent compared with overall trading partner currencies which might not be as beneficial to the ongoing economic recovery as it could. In addition, financial stability remained sound and able to provide cushion against economic and financial volatilities on both domestic and external fronts. 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 in the prolonged low interest rate environment.

The Committee assessed 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. 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
21 December 2016

For further information, please contact:
Monetary Policy Strategy Team 1 Tel: +66 (0) 2283 6196, 356 7872
email: MonetaryPolicyStrategyTeam1@bot.or.th