BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision 8/2017

Mr. Jaturong Jantarangs, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 20 December 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 gained further traction and would achieve faster growth than the previous assessment, driven by growth in the external sector as well as the gradual recovery in domestic demand. Headline inflation was still projected to rise at gradual pace as previously assessed. Overall financial conditions remained accommodative and conducive to economic growth. Financial stability remained sound overall, but there were pockets of risks that might lead to the build-up of vulnerabilities in the financial system going forward. 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 the process could take some time. Thus, the Committee decided to keep the policy rate unchanged at this meeting.

The Thai economy as a whole was projected to achieve higher growth than previously assessed on account of continued improvements in merchandise exports and tourism that were driven by a stronger global economic recovery. Private consumption continued to expand albeit at a gradual pace, given that improvements in income growth were not yet sufficiently broad-based and that household debt remained high. Private investment in machinery and equipment continued to pick up. Meanwhile, public expenditure remained an important growth driver despite some delayed disbursement for investment spending. Nevertheless, Thailand's growth outlook was still subject to risks that warranted close monitoring, namely uncertainties pertaining to US economic and foreign trade policies as well as geopolitical risks.

Headline inflation edged up on account of rising energy prices. Meanwhile, demand-pull inflationary pressures picked up somewhat but remained low overall. In addition, structural changes also contributed to more persistent inflation than in the past. On the whole, headline inflation was projected to slowly rise from the recovery in domestic demand.

Overall financial conditions remained accommodative and conducive to economic growth with ample liquidity in the financial system as well as low government bond yields and real interest rates. Such conditions allowed financing by the private sector to continue expanding, with recent improvements seen in credits extended to SMEs across business sectors. On exchange rates, the baht's movements relative to those of trading partner currencies were largely unchanged. In the period ahead, exchange rates might experience high volatilities due to uncertainties on the external front. 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 the strength of the domestic demand recovery 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
20 December 2017

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Forecast Summary as of December 2017

	2016*	2017	2018
GDP Growth	3.2	3.9	3.9
		(3.8)	(3.8)
Headline Inflation	0.2	0.7	1.1
		(0.6)	(1.2)
Core Inflation	0.7	0.6	0.8
		(0.6)	(0.9)

* Outturn, ( ) *Monetary Policy Report*, September 2017

- The Thai economy was projected to achieve faster growth than previously assessed driven by continued improvements in exports of goods and services, the gradual recovery in private consumption and investment, and continued growth in public expenditure.
- Inflation forecasts remained close to the previous assessment with inflation still projected to slowly rise.
- The growth outlook was still subject to risks that warranted close monitoring, namely uncertainties pertaining to US economic and foreign trade policies as well as geopolitical risks.

Forecasts in the *Monetary Policy Report* as of December 2017

(% YoY)	2016*	2017		2018	
		Sep 17	Dec 17	Sep 17	Dec 17
GDP Growth	3.2	3.8	3.9	3.8	3.9
- Private Consumption	3.1	3.3	3.1	3.0	3.1
- Private Investment	0.4	2.3	1.6	3.0	2.3
- Government Consumption	1.7	2.1	1.5	2.7	3.2
- Public Investment	9.9	5.0	0.9	9.8	9.0
- Exports of Goods and Services	2.1	5.9	6.1	3.3	3.7
- Imports of Goods and Services	-1.4	6.5	6.4	3.3	3.5
Current Account (Billion USD)	48.2	42.4	48.6	38.6	43.1
- Value of Merchandise Exports	0.1	8.0	9.3	3.2	4.0
- Value of Merchandise Imports	-5.1	14.0	14.0	6.3	7.5
Headline Inflation	0.2	0.6	0.7	1.2	1.1
Core Inflation	0.7	0.6	0.6	0.9	0.8
Assumptions					
- Number of Tourists (Million)	32.5	35.6	35.6	37.3	37.3
- Dubai Oil Price (USD/Barrel)	41.4	50.9	52.8	52.8	55.0

* Outturn

- Growth in merchandise exports and tourism continued to improve, driven by a stronger global economic recovery.
- Private consumption was expected to continue expanding at a gradual pace given that improvements in income growth was not sufficiently broad-based and household debt remained high.
- Private investment in machinery and equipment continued to pick up and was expected to gradually expand.
- Public expenditure remained an important growth driver despite some delays in budget disbursement for investment spending.

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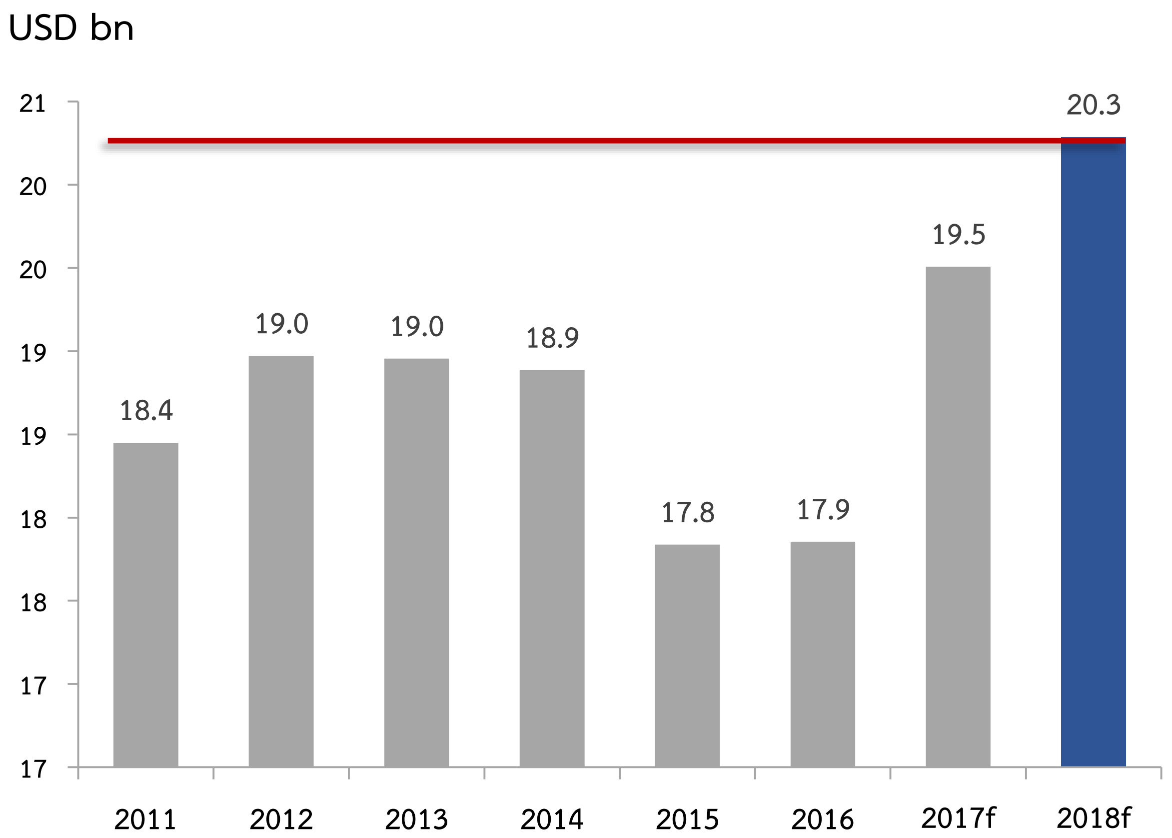
(1942-2017)

Thai export value (average per month)



Source: Customs Department, Ministry of Commerce, calculated by BOT