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**Outcome of the Joint Meeting of the Monetary Policy Committee (MPC) and
Financial Institutions Policy Committee (FIPC) on 20 December 2012**

The Bank of Thailand announced the outcome of the second joint meeting of MPC and FIPC for 2012 as follows.

1. On Economic Conditions, the Committees viewed that key risks to economic and financial stability continued to stem from the global economic outlook, the US fiscal cliff, the prolonged economic problem in Europe, as well as the policy direction of the newly elected Japanese government. All this may lead to uncertainty in the global financial markets and increased capital flow volatility in the periods ahead, thus warranting continued close monitoring.

2. On Financial Stability, two issues were discussed :

2.1 The Committees assessed financial stability of the Thai financial system and deemed that vigilant monitoring of credit conditions and growth of household debt is warranted. Recent data indicated that the consumer loan quality remained sound despite its continued high growth. Hence, although overall financial stability was not affected, there were signs that debt serviceability of some borrowers, especially the low-income group, could deteriorate.

2.2 The Committees discussed the increasing role of Specialized Financial Institutions (SFIs) which could have greater implications for overall financial stability. The Committees acknowledged coordination between the Bank of Thailand and the Ministry of Finance in reforming the role of SFIs.

3. On Financial Institutions Regulation and Supervision, the Committees viewed that the Thai banking system is strong and well-placed to comply with the Basel III capital standard and that other on-going regulatory reforms in the US, UK and Europe should not have significant direct impact on the Thai banking system.