



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

No. 25 /2013

Outcome of the Joint Meeting of the Monetary Policy Committee (MPC) and
Financial Institutions Policy Committee (FIPC) on 14 June 2013

The Bank of Thailand announced the outcome of the first joint meeting of MPC and FIPC for 2013 as follows.

The Committees viewed that **Thailand's overall economy and financial system** is sound and stable. On **economic conditions**, the Thai economy expanded at a slower pace in the first quarter owing to domestic demand after having accelerated in the previous period on the back of sound economic fundamentals. The export sector expanded gradually in tandem with global economic recovery. The Thai exports figure in the first four months of 2013 outperformed that of the regional countries; however, some SMEs were affected especially those in labor-intensive industries with low profit margin and previously impacted by the minimum-wage hike.

As for the **money market**, appreciation of Thai Baht at the beginning of this year reflected the catching up with other regional currencies that had appreciated since last year, as well as the result of capital inflows into the bond market, mostly into long-term bonds, corresponding to some extent with real investment demand. Going forward, the capital flow, however, would remain volatile and could impact the money market. Accommodative monetary policies by major advanced countries coupled with the different speed of economic growth across countries could be the supporting factors of capital inflows. Meanwhile, investors are much sensitive to financial market information such as improved economic indicators of the US, which led to the expectation of earlier tapering in quantitative easing and hence, possible capital outflows.

The **Thai banking system** is robust. Credit continued to expand, particularly in consumer and SME sectors, although its growth has been decelerated in line with the economic slow-down. The loan quality remained sound. Capital ratio and loan loss provision were high, which could be used as a buffer against risk and volatilities in the economic and financial system. Nevertheless, high competition and expansion of credit in the consumer and SME sectors warrant continuous monitoring.

The Committees viewed that high level of household debt that accelerated sharply in the past few years was a risk factor to the financial stability and should be monitored closely. Although a portion of household debts was attributed to the purchase of houses and other fixed assets, the high level of household debt could decrease household's liquidity, making their debt serviceability more vulnerable to uncertainties, especially for those in the low-income group.

Bank of Thailand

14 June 2013