



BANK OF THAILAND

BOT Press Release

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Outcome of the Joint Meeting of the Monetary Policy Committee (MPC) and Financial Institutions Policy Committee (FIPC) on 20 December 2013

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

The Committees viewed that risks to the Thai financial stability have reduced somewhat from the last meeting due to moderation in household debt, real estate market and credit expansion in line with greater risks in economic growth outlook. Domestic expenditures and investments, both public and private, were weaker than expected. Meanwhile, export recovery has not gained traction and may not benefit fully from global economic recovery due to supply-side constraints. Furthermore, business sentiment has been dampened by political situation. Financial and liquidity conditions of the corporate sector remained broadly sound, though with lowering profitability prospect, especially for small and medium enterprises, as a result of an economic slowdown.

The Thai financial market experienced more volatilities in the second half of 2013 due mainly to uncertainty of the US plan to reduce the asset purchase program (QE tapering). Although the Fed's latest announcement on QE tapering which will commence in January 2014 may help ease market uncertainty, volatilities in the financial markets still remain.

The Thai banking system is strong and capable of weathering increased risks to the economic outlook. Asset quality and profitability are sound with high level of capital, provision and liquidity, thereby enabling banks to provide financing to the economy.

Going forward, the Committees viewed that the key risks to the Thai financial stability that warrant close monitoring include: (1) political uncertainty; and (2) financial market volatilities caused by capital flows.

Bank of Thailand
20 December 2013