



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 3 December 2014

The Bank of Thailand announced the outcome of the second joint meeting of MPC and FIPC for 2014 as follows.

The Committees viewed that during the second half of the year, despite the gradual recovery of the Thai economy, the financial system remained stable. The banking sector continued to have strong financial performance, which enabled them to support the economic recovery through credit expansion. Meanwhile, growth of household debt continued to decelerate. Nevertheless, the banking system's loan quality especially that of consumer loan deteriorated slightly as a result of economic slowdown in the previous period. In addition, some large corporations had high debt-to-equity ratio, partly due to business expansion and financing cost lock-in during low interest rate environment, thereby potentially leaving them more sensitive to risk factors, going forward.

The Committees viewed that the key risks to be closely monitored in the periods ahead are: (1) strength of the economic recovery; (2) increase in search-for-yield behavior among investors including speculation in some asset classes, which could induce financial fragility in the event of underpricing of risks; and (3) household debt accumulated from the previous periods, which could slow recovery of private consumption as well as lower household's ability to service debt especially among low-income households with high debt burden. Therefore, priorities should be placed on policies to improve household's financial management and discipline along with enhancement market mechanism, for example, expansion of the National Credit Bureau membership.

In addition to domestic factors, there are risks from the uncertainty of global economic recovery as well as monetary policy directions of major economies, which could cause capital flow volatility. Thus, the authorities and private sector should be prepared for these aforementioned risks.

Bank of Thailand
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