



Notification of the Monetary Policy Committee

No. MPG. 2/2566

Re: The Monetary Policy Target for 2024

1. Rationale

On December 26, 2023, the Cabinet approved the monetary policy target for the year 2024, which was mutually agreed upon by the Monetary Policy Committee (MPC) and the Minister of Finance, in accordance with Section 28/8 of the Bank of Thailand Act B.E. 2485 (1942) as amended by the Bank of Thailand Act (No.4), B.E. 2551 (2008)

2. Statutory power

By virtue of Section 28/8 of the Bank of Thailand Act B.E. 2485 (1942) as amended by the Bank of Thailand Act (No.4), B.E. 2551 (2008), the MPC was to issue this notification to be published in the Government Gazette.

3. Contents

The Minister of Finance and the Governor of the Bank of Thailand, as the Chairman of the MPC, had mutually agreed upon the following:

3.1 Drivers of recent inflation dynamics and inflation outlook

High levels of headline inflation in Thailand continued to dissipate over the recent period, which can be mainly attributed to easing supply-side pressures. Important developments have been (1) a decline in domestic energy prices in accordance to reduced global energy and commodity prices, which followed the recovery of global supply chains and easing tensions between Russia and Ukraine, as well as concerns about a global economy slowdown, and (2) a decline in domestic meat prices, in particular pork prices, from the recovery of previous production shortages. **Despite the decline in headline inflation, the outlook for inflation remains highly uncertain.** In 2024, it is anticipated that risks to inflation may arise from both demand and supply side pressures, stemming from various government economic policy measures as well as from the risks of higher food prices due to the El Niño phenomenon. Headline inflation over the medium-term horizon also remains highly uncertain due to ongoing structural shifts that could alter inflation dynamics going forward, particularly from deglobalization trends, changes in the energy and geopolitical landscape, as well as the green economy transition.

3.2 Mutual agreement on setting the monetary policy target for the medium-term horizon and for the year 2024 at 1-3 percent

The Minister of Finance and the MPC mutually agreed to set the monetary policy target for price stability such that headline inflation would reside within the 1.0 – 3.0 percent target range for the medium-term horizon and for the year 2024. **This target range was deemed appropriate** because: (1) the target range would support sustainable growth in line with its potential, and has had a proven track record of anchoring medium-term inflation expectations even during periods of high inflation, (2) adherence to the inflation target reflects commitment to the price stability mandate which helps instill public confidence and anchor medium-term inflation expectations, and (3) inflation has only recently declined, thus any changes made to the inflation target could create confusion amongst the public regarding the future monetary policy stance, particularly as there still remains high levels of uncertainty to the inflation outlook.

Under current circumstances of high uncertainty to inflation dynamics, the Ministry of Finance and the Bank of Thailand would continue to work together to ensure that fiscal and monetary policies would be well-coordinated to effectively foster a robust recovery and sustainable economic growth. Such economic betterment would help enhance productivity and promote income growth. The MPC would continue to commit to the mandate of maintaining price stability and keeping medium-term inflation within its target range—an important precondition for sustainable economic growth—while pursuing financial stability.

3.3 Mutual agreement on monitoring and reporting of the policy outcome as well as joint discussions on achieving the monetary policy target

The Ministry of Finance and the Bank of Thailand would hold joint discussions on a regular basis or under necessary circumstances that were agreed upon by both organizations. This would be to best achieve the objectives of monetary policy and to support coherent implementations of fiscal and monetary policies.

The MPC would prepare a half-yearly monetary policy assessment report which included (1) recent monetary policy implementations, (2) monetary policy direction going forward, and (3) the economic outlook. In addition, the MPC would also publish the quarterly monetary policy report to help communicate and enrich the

understanding regarding monetary policy decision-making to the general public, which would help enhance the transparency and effectiveness in conducting monetary policy going forward.

3.4 Mutual agreement regarding the issuance of an open letter by the MPC to the Minister of Finance should headline inflation move outside the target range

The MPC assessed that average headline inflation for 2023 and 2024 would **remain within target range**, although during some periods headline inflation might temporarily move outside the target range from economic shocks. Therefore, the MPC would closely monitor inflation developments, risk factors, and assess the impact of structural factors on inflation dynamics going forward. In the case that average headline inflation in the past 12 months or the average forecast for the next 12 months falls outside the target range, the MPC would issue an open letter to the Minister of Finance with details on (1) reasons for the breach of the target range, (2) monetary policy actions undertaken in the past and going forward to guide headline inflation back to its target range within an appropriate time period, and (3) when headline inflation returns to the target range. In addition, the MPC would issue an open letter to the Minister of Finance every six months should average headline inflation, according to the above criteria, remain outside the target range and would report the progress on any policy actions undertaken as deemed appropriate.

3.5 Mutual agreement on the revision of the monetary policy target

In case of necessary or fitting circumstances, the Minister of Finance and the MPC may, by the mutual agreement, revise the monetary policy target before proposing the new target to the Cabinet for approval.

Announced on December 26, 2023

Signature

Mr. Sethaput Suthiwartnarueput

Governor

Bank of Thailand

Chairman of the Monetary Policy Committee