



Notification of the Monetary Policy Committee

No. 1/2567

Re: The Monetary Policy Target for 2025

1. Rationale

On December 24, 2024, the Cabinet approved the monetary policy target for the year 2025, 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 issues this notification to be published in the Government Gazette.

3. Content

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

3.1 The medium-term monetary policy target of 1.0 – 3.0 percent for 2025 is deemed appropriate for maintaining price stability, and is aligned with the Directive Principles of State policy as well as economic and financial conditions

The Minister of Finance and the MPC mutually agreed to set **the monetary policy target range for headline inflation over the medium-term horizon and for the year 2025 at 1.0 – 3.0 percent**. Both parties will manage headline inflation to remain appropriately within this target range and prevent occurrences where headline inflation persists at levels that are too high or too low, by ensuring that medium term inflation expectations are well-anchored around the midpoint of the target range. Furthermore, it was mutually agreed upon that price stability is an important precondition for sustainable economic growth and long-term financial stability, as it promotes efficiency in spending and investment decisions and helps foster national competitiveness.

The 1.0 – 3.0 percent target range was deemed appropriate because (1) the target range supports sustainable economic growth in line with its potential. It also has a proven track record of anchoring medium-term inflation expectations even during

periods of high inflation, (2) the target range of 1.0 – 3.0 percent provides sufficient flexibility towards accommodating inflation volatility from external and supply-side shocks that have been, and will increasingly become, the main drivers of Thai inflation, given that Thailand is a small and open economy, and (3) adherence to the inflation target reflects commitment to the price stability mandate which helps instill public confidence and anchor medium-term inflation expectations.

3.2 Attainment of the medium-term objective of monetary policy

The Minister of Finance and the Bank of Thailand would hold joint discussions on a regular basis to ensure that fiscal and monetary policies are well-coordinated towards achieving the medium-term objective of price stability. Monetary policy will aim to foster sustainable economic growth and financial stability through a balanced and integrated policy framework. This involves appropriately setting the policy interest rate with support of other tools to help prevent excessive exchange rate volatility in order to help promote investment and competition in the private sector. The MPC also supports the use of financial measures, especially those providing sustainable and targeted debt relief, to help achieve medium-term price stability and sustainable economic growth in line with potential.

Under the flexible inflation targeting framework, monetary policy aims at stabilizing inflation around the medium-term target and economic growth around its potential, alongside preventing the buildup of systemic financial stability risks. The effective use of appropriate and targeted policy tools allows monetary policy to balance between abovementioned mandates, as monetary policy can look through temporary inflation fluctuations provided that medium-term inflation expectations are firmly anchored within the target range. Moreover, the Ministry of Finance and the MPC concur in their commitment towards avoiding undesirable circumstances of deflation or persistently negative inflation that is driven by broad-based declines in the prices of goods and services that may stem from prevailing economic weakness.

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 to 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 2025 and 2026 would **remain within target range**, although during some periods headline inflation might move temporarily outside of the target range due to 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 24, 2024

Signature

Mr. Sethaput Suthiwartnarueput

Governor

Bank of Thailand

Chairman of the Monetary Policy Committee