



No. 6/2012

**Monetary Policy Committee's Decision on 25 January 2012**

Mr. Paiboon Kittisrikangwan, Secretary of the Monetary Policy Committee (MPC), announces the outcome of the meeting today as follows.

The MPC assessed that the global economic outlook had weakened further. The euro zone is likely to enter a recession, undermining the authorities' ability to solve the sovereign debt problem in the region. On the other hand, economic conditions in the US improved, but limited fiscal policy space and continued weakness in the housing market would constrain economic growth in the periods ahead to remain below potential. Economic growth in Asia moderated slightly, as softer global demand tempered export growth in the region.

The impact of the floods on the Thai economy was greater than previously assessed and the restoration process is likely to be more drawn out. The MPC projected that manufacturing production would return to normal by the third quarter of this year, supported by government measures, improving confidence, and accommodative monetary conditions. The positive momentum generated by these factors would help to limit downside risks to growth, especially the drag on exports from a slowdown in global demand.

Inflationary pressure declined, reflecting a more prolonged recovery in domestic demand and a slowdown in commodity prices in line with weakening global demand. Nonetheless, the boost to economic activity from reconstruction spending and various government stimulus measures could exert some upward pressure on inflation going forward.

The MPC assessed that inflationary pressure remains contained, while headwinds from the global economy continue to pose risks to Thailand's economic growth. The MPC therefore voted unanimously to reduce the policy rate by 0.25 percent, from 3.25 percent to 3.00 percent per annum, effective immediately. With private sector confidence improving but still fragile, this policy accommodation should help accelerate the return of economic activity to normal levels.

Bank of Thailand  
25 January 2012