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Monetary Policy Committee's Decision on 21 March 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 economy continued to grow at a slow pace but with lower downside risk relative to the previous meeting. The US economic outlook became more positive in light of sustained improvements in the labor market and private sector confidence. At the same time, risks to financial stability in the euro zone declined following the significant progress in debt restructuring for Greece. Long-term liquidity measures provided by the European Central Bank also helped shore up market confidence. Economic growth in Asia moderated slightly but the outlook improved as exports picked up from the recent lull and domestic demand continued to be supported by accommodative monetary and fiscal policies. Upside risk to inflation increased as tensions in the Middle East led to a sharp rise in the price of oil.

The economic recovery in Thailand gained traction. Latest indicators pointed towards improvements in all key areas of the economy and manufacturing production remained on track to return to normal levels by the third quarter of this year. Domestic demand continued to be the main driving force for the economy supported by improvements in income, employment and private sector confidence, as well as government stimulus measures and accommodative monetary conditions. Meanwhile, exports should gradually pick up in tandem with the recovery in manufacturing production and greater stability of the global economy.

Inflationary pressure remained stable in the short-run, though upside risks persisted from rising global oil prices and the minimum wage increase. A pick-up in private demand and government spending could exert additional upward pressure on inflation, especially in the latter half of this year when the Thai economy moves closer to potential.

The MPC assessed that the risks from the global economy had decreased and that the recovery in the Thai economy was gaining momentum. At the same time, inflationary pressure had edged up. In this context, the MPC deemed the current level of the policy rate to be appropriate in supporting economic recovery while still consistent with keeping inflation within target. The MPC, therefore, voted unanimously to maintain the policy rate at 3.00 percent per annum at this meeting.

Bank of Thailand
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