



No. 8/ 2013

Monetary Policy Committee's Decision on 20 February 2013

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

The global economy has been more stable and exhibited signs of improvement since the last meeting. The Chinese and Asian economies have expanded well on the back of strong domestic demand and better prospects of exports. Domestic consumption and investment in the US continued to expand and, if sustained, should lend support to the economy going forward. The eurozone economy remained in recession and would take time to fully recover. Economic growth in Japan has yet to gain traction, but the planned fiscal and monetary stimulus should gradually help stabilise the economy. Despite improving overall outlook, the global economic recovery is still subject to downside risks, from the eurozone's sovereign debt problems and uncertainties regarding the US fiscal consolidation.

The Thai economy expanded more than expected in the fourth quarter of 2012, spurred by domestic demand amid strong economic fundamentals as well as accommodative monetary and fiscal policies. The economy is expected to grow faster than previously projected in the periods ahead, with domestic demand being a key growth driver together with a gradual recovery of exports. Inflationary pressure has risen somewhat, as a result of an increase in oil prices.

The MPC judged that the accommodative monetary policy stance contributed to sustained growth of the economy, while inflation has been kept within the target range. However, given remaining uncertainties surrounding the global economic outlook and risks to domestic financial stability including from rising asset prices, the MPC voted 6 to 1 to maintain the policy interest rate at 2.75 percent per annum. One member viewed risks stemming from volatile capital flows and fragile economic momentum to warrant a 0.25 percent reduction. Going forward, the MPC will continue to closely monitor risks to financial stability as well as capital flow situation and stand ready to take actions as appropriate.

Bank of Thailand

20 February 2013

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