

**No. 22/2012****Monetary Policy Committee's Decision on 2 May 2012**

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

The global economy continued to grow at a gradual pace with improving signs of recovery relative to the previous meeting. Much of the improvement was attributed to a more favorable US economic outlook on the back of positive developments in the labor market and stronger private sector confidence. Meanwhile, the euro zone economy entered a recession and it would take time for the structural problems to be resolved. Nonetheless, underlying fundamentals of the core countries remained strong, with signs of improvements in the recovery relative to the previous quarter. While economic growth in Asia moderated, leading indicators pointed to a pickup in export activity toward the end of the second quarter. This was in line with improving global economic outlook in the latter half of the year. Risks to global inflation remained due to high oil prices and exceptionally accommodative stance of monetary policy in major industrial economies.

The recovery of the Thai economy in the first quarter was faster than expected. On the whole, manufacturing production is projected to return to normal levels by the end of the second quarter this year. Private consumption and investment accelerated, supported by stronger consumer and business confidence along with greater domestic purchasing power. Exports were expected to rebound sooner than previously assessed in tandem with the recovery of manufacturing production. Government stimulus measures and accommodative monetary conditions would continue to support sustained economic recovery going forward.

Inflation slowed down in April partly as a result of the high base of the previous year and the reduction of some fresh food prices back to their normal levels. However, upward inflationary pressure in the period ahead remained. In the context of a strong pickup in domestic demand, the elevated oil prices and minimum wage were expected to result in greater pass-through of higher costs to prices of goods and services.

The MPC assessed that the recent easing of monetary policy has helped to shore up private sector confidence and contributed to a broad-based recovery which has been faster than expected. However, external factors continue to be a major risk to growth while inflation remains manageable. With the current level of the policy rate deemed to be appropriate in supporting a smooth recovery of economic activity to normal levels while keeping inflation within target, the MPC voted unanimously to maintain the policy rate at 3.00 percent per annum at this meeting.

Bank of Thailand  
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