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Monetary Policy Committee's Decision on 3 April 2013

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

The global economy has continued to recover gradually. However, tail risks have edged up somewhat since the last meeting, as financial crisis in the eurozone could exacerbate the economic contraction. The US economy has improved on the back of private consumption and investment, with fiscal sequestration weighing on growth. The Japanese economy has benefited from planned monetary and fiscal policy stimulus. The Chinese and Asian economies have continued to expand as expected on the back of domestic demand, while the outlook for exports improved slightly.

The Thai economy is projected to moderate toward a normal trend in the first quarter of 2013, after accelerating in the previous quarter. In the periods ahead, domestic demand should continue to be a key engine for growth, supported by favourable household income, high employment, as well as accommodative monetary and credit conditions. Fiscal stimulus should also gradually pick up pace in the second half of this year, in line with the start of public investment in flood management and large-scale infrastructure projects, lending further impetus to private investment. Exports should expand slowly, in line with global economic conditions. Inflation remains within the target, but potential upward pressure from supply constraints and higher labour costs warrants monitoring.

The MPC judges that, given the fragile state of the global economy, a continuation of accommodative monetary policy stance remains appropriate. However, risks to financial stability, including volatile exchange rate and capital flows, are a concern. The MPC therefore voted 5 to 1 to maintain the policy interest rate at 2.75 percent per annum, with one member voting for a cut in the policy rate by 0.25 percent per annum. The MPC will continue to closely monitor domestic economic developments as well as risks to financial stability, and stand ready to take appropriate policy action.

One MPC member was unable to attend this meeting due to obligations abroad.

Bank of Thailand

3 April 2013