

**No. 30 /2012****Monetary Policy Committee's Decision on 13 June 2012**

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

Risks to global economy increased relative to the previous meeting, reflecting heightened uncertainty about the future of Greece in the eurozone and banking problems in Spain. As a result, the contraction of the eurozone economy was projected to be more protracted than previously anticipated. This could have repercussions on the US economic recovery as well as Asia, where export growth has moderated in line with the slowdown in China and the global economy. Nonetheless, robust domestic demand and remaining fiscal and monetary policy space would help to cushion the impact of softer global economic growth on the Asian economy.

The Thai economy recovered faster than expected in the first quarter. This positive growth momentum was expected to be sustained going forward on the back of accommodative monetary conditions, robust private loan growth, and the implementation of government stimulus measures. However, should the eurozone crisis intensify, slower export growth could act as a drag on the economic recovery.

Price pressure from production cost moderated following the reduction in oil and commodity prices against the backdrop of a softer global economic outlook. Nonetheless, the pass-through of costs to prices of goods and services continued to be sustained by robust domestic demand, while inflation expectation remained elevated in light of the minimum wage hike and the energy price structure reform. Despite easing somewhat, overall inflationary pressure remained.

The MPC assessed that the balance of risks for the Thai economy was skewed towards growth rather than inflation, primarily reflecting heightened global economic risks stemming from the large degree of uncertainty surrounding the economic problems in Europe. The MPC deemed it appropriate to maintain an accommodative monetary policy stance in order to support a firm recovery of the Thai economy and temper some of the risks coming from the global economy. The MPC therefore voted unanimously to maintain the policy rate at 3.00 percent per annum at this meeting and would remain vigilant in monitoring global economic developments and stand ready to take appropriate policy action as warranted.

Bank of Thailand
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