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Monetary Policy Committee's Decision on 25 July 2012

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

Risks to the global economy increased further as weaknesses in consumer spending and the labour market dampened US economic growth, while a comprehensive resolution to the eurozone crisis remained elusive. A slowing global economy weighed on Asian and Chinese exports, which continued to soften. Waning global demand was reflected in moderating global price pressure. In this context, some central banks have eased policy with a view to contain downside risks to growth.

The Thai economy continued to recover steadily from the floods and was close to potential. Domestic demand growth had been supported by accommodative monetary conditions, strong credit growth, good employment opportunities, and government stimulus measures. These factors should continue to sustain private consumption and investment expenditures going forward. Nonetheless, the worsening global economic outlook began to impact on the export sector resulting in a downward revision to the economic growth outlook. Meanwhile, inflationary pressure moderated and projected inflation was within the target range.

With economic growth close to potential and inflation remaining within target, the MPC deemed that the overall macroeconomic policy mix was appropriate. The MPC voted 5 to 2 to maintain the policy rate at 3.00 percent per annum, with two votes in favour of a 0.25 percent decrease. The majority of members viewed the current monetary policy stance to be accommodative enough to support domestic economic growth going forward and cushion, to some degree, against global economic risks. The MPC would closely monitor developments in the global economy as well as domestic demand conditions and stood ready to take appropriate action as warranted.

Bank of Thailand

25 July 2012

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