



**No. 47 / 2012**

**Monetary Policy Committee's Decision on 5 September 2012**

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

The MPC assessed that overall risks to the global economy remained elevated. Economic recovery in the US continued to be tepid, and despite improvements in consumption and production, they remained below normal. The eurozone economy had entered recession and was projected to weaken further in the latter half of the year due to markedly dampened consumer and investor confidence. The impact of weaker global demand on Chinese and Asian economies became more apparent, as reflected by lower-than-expected export growth in many countries. Nonetheless, a number of Asian economies continued to expand at a solid pace on the back of strong domestic demand.

The Thai economy in the second quarter grew at a faster rate than previously projected. Strong momentum in consumption and investment was likely to sustain a positive trend in domestic demand going forward. Key supporting factors included strong private sector confidence, favourable labour market conditions, higher household income, and accommodative monetary conditions with private credit growth, in particular, remaining strong. Government stimulus measures also continued to contribute positively, although overall disbursement was partially delayed. Nonetheless, the impact of slowing global demand on Thai exports would become more apparent and it was possible that export growth this year would be lower than expected. Economic stability remained sound with further moderation in inflationary pressure and the inflation forecast remaining within the target range.

The MPC viewed that the impact of slower global demand on the Thai economy had increased to some extent. Nonetheless, domestic demand remained robust and current monetary conditions were accommodative enough to support continued economic expansion. Credit growth in some sectors had been rapid and warranted close monitoring. The MPC thus voted 3 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 MPC would closely monitor developments in the global economy as well as domestic demand conditions and stood ready to take appropriate action as warranted.

Two members were unable to attend this meeting due to obligations abroad.

Bank of Thailand

5 September 2012