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Monetary Policy Committee's Decision on 28 November 2012

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

The global economic outlook showed signs of stabilisation on the back of the better-than-expected economic data especially from the US and China. There was sustained improvement in the US labour and housing markets, although the fiscal cliff remained a key risk factor. China's economy appeared to regain traction with recent strengthening in all key areas including exports, domestic consumption and investment. Meanwhile, the eurozone economy contracted, but the economic and financial outlook of the region was projected to be more stable next year as resolution to the euro debt crisis became more concrete and the core economies continued to expand in tandem with improvement in the global economy. Against this backdrop, the outlook of Asian economies has gradually improved with signs of recovery in exports, recent pick-up in China's economy, as well as buoyant domestic demand.

The Thai economy continued its positive growth momentum from the previous meeting. The global impact has so far remained limited only to export-related sectors, while the greater-than-expected strength in domestic demand appeared to provide sufficient cushion against the adverse impact of export slowdown. Going forward, exports were projected to recover in the first half of 2013 on the back of anticipated improvement in the global economy. Private consumption and investment would continue to be the main growth drivers for the economy, supported by strong private sector confidence and accommodative monetary conditions with high credit growth. Inflationary pressure stabilised at a moderate level close to the previous meeting.

The MPC viewed that as downside risks to growth subsided with inflationary pressure in check, the current policy rate remained accommodative and conducive to growth. The MPC therefore voted unanimously to maintain the policy rate at 2.75 percent per annum. The MPC would remain vigilant in monitoring global and domestic economic developments and stand ready to take appropriate policy action as warranted.

Bank of Thailand

28 November 2012