



# **BANK OF THAILAND NEWS**

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## **Monetary Policy Committee's Decision on 13 July 2011**

Mr. Paiboon Kittisrikangwan, Assistant Governor, Bank of Thailand, announces the outcome of the Monetary Policy Committee (MPC) meeting today, as follows.

In the first half of the year, advanced economies expanded more slowly than expected. The US economy was particularly affected by the surge in oil prices and supply disruption in the automobile sector stemming from the Japan crisis which should abate in the latter half of the year. The Japanese economy has been recovering faster than expected. The euro area continued to expand from growth in the core member countries while sovereign debt problems remained a key risk to the economy. Meanwhile, the Asian economy continued to grow from both internal demand and exports. However, going forward, growth may slow slightly due to tightened monetary policy to contain inflation in many countries.

The Thai economy continued to expand in the second quarter primarily from internal and external demand as well as continued fiscal stimulus. The supply disruption in the automobile sector was resolved sooner than expected, paving the way to a manufacturing recovery in the second half of the year. Going forward, consumption and investment will continue to be supported by favorable employment and credit conditions as well as increased fiscal spending.

Inflationary pressure remained high due to elevated energy prices and continued upward adjustments in the prices of prepared foods. The extension of price administration and cost-of-living alleviation measures may slow the rise in measured inflation figures, but other measures such as the prospective increases in the minimum wage and fiscal spending amid continued economic growth will likely add to inflationary pressure and may result in heightened inflation expectations.

In light of the continued risks to inflation amid robust domestic demand, the MPC deemed it necessary to continue increasing the policy rate to maintain economic stability and anchor inflation expectations. The MPC therefore decided unanimously to raise the policy interest rate by 0.25 per cent, from 3.0 to 3.25 per cent, effective immediately.

Bank of Thailand  
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