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Monetary Policy Committee's Decision on 14 July 2010

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

The global economy continued to recover during the first half of the year and is expected to grow favourably this year. However, key risks to global growth include the winding down of fiscal stimulus measures in many countries, and problems related to sovereign debt and financial institutions in some European economies. Meanwhile, Asian economies have been expanding robustly, with more evident signs of inflationary pressure in the periods ahead.

The impact of domestic political situation on the Thai economy in the second quarter proved to be limited. The tourism industry has shown signs of a quick recovery, while consumption and production were little affected and projected to expand for the rest of the year. Exports and private investment have been growing continuously. Overall, the growth of the Thai economy is therefore projected to be higher than previously anticipated

Although inflationary pressure remains modest at present, it is expected to rise next year in line with robust economic expansion.

The MPC judges that the economic recovery has become more evident and the economy should continue to grow, thus lessening the need for an exceptionally accommodative monetary policy. With a view to bringing policy interest rate closer to normal levels, the MPC therefore decided to raise the policy interest rate by 0.25 per cent per annum, from 1.25 to 1.50 per cent per annum, effective immediately.

Bank of Thailand
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