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Monetary Policy Committee's Decision on 25 August 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, even though the pace of growth for the rest of the year for the US and Japan is expected to decelerate. The European economies have improved, but fragility remains from sovereign debt problem in some economies. Meanwhile, Asian economies continue to grow robustly.

The Thai economy expanded faster than expected in the second quarter, despite decelerating somewhat from the first quarter due to domestic political situation. Private consumption continues to grow favourably, while the tourism industry has shown clearer signs of a speedy recovery. Manufacturing production and capacity utilization have risen, which should lend support to private investment in the periods ahead. Exports have been growing in tandem with global economic recovery, although the pace of growth is expected to slow down in the second half of the year.

Inflationary pressure remains low at present, but is expected to rise in 2011 in line with economic expansion and rising costs of production. There is a small possibility that core inflation could rise above the upper band of the target range.

The MPC therefore decided to raise the policy interest rate by 0.25 per cent per annum, from 1.50 to 1.75 per cent per annum, effective immediately.

Bank of Thailand
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