



BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision on 21 August 2013

Mr. Paiboon Kittisrikangwan, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 21 August 2013 as follows.

The global economy exhibited signs of gradual improvement. The US economy expanded on the back of manufacturing and housing sectors, while healthier balance sheets of the private sector should help support ongoing recovery. The Chinese economy moderated in the second quarter, though recent indicators pointed to some improvement. The euro area economies continued to stabilize, but recovery is weighed by financial health of both household and corporate sectors. In Asia, domestic demand slowed, and notwithstanding tentative signs of recovery in exports for some countries, exports generally remained weak.

The Thai economy continued to soften in the second quarter, broadly in line with the committee's previous assessment. Private consumption, particularly automobiles and durable goods, slowed down due to waning stimulus from first-car tax rebate measures as well as higher household debt burden. Exports weakened in line with subdued economic growth in the region. In the periods ahead, domestic demand and exports are expected to gradually recover, with some risks of delay. Supply-side constraints may also play some part in holding back growth of private investment and exports. Nonetheless, underlying economic fundamentals and accommodative financial conditions should lend some support to growth momentum. Private credits decelerated somewhat, but continued to expand at a high pace, especially for consumer loans. Both core and headline inflation edged lower in line with softening economy.

The MPC deems the current accommodative monetary policy to be necessary and appropriate for the ongoing adjustments of the Thai economy. Inflation remains subdued, while risks to financial stability and uncertainties regarding global financial conditions warrant continued monitoring. **The MPC thus voted 6 to 1 to maintain the policy rate at 2.50 percent per annum.** One member voted to lower the policy interest rate by 25 basis points, to support the continuity of growth next year.

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21 August 2013

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