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Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

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Monetary Policy Committee's Decision on 21 October 2009

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

The global economic and financial conditions have improved on account of accommodative monetary policy stance and fiscal stimulus packages, especially in major industrialized economies and China. The resulting rebound in private consumption of these countries in turn leads to a pick up in exports of other Asian economies. Nevertheless, the MPC views that there remains uncertainty surrounding the global economic recovery, which is still reliant on sustained impetus from the fiscal stimulus.

The latest economic data point towards a continued improvement of the Thai economy compared to the previous MPC meeting. The recovery of the manufacturing sector has become more broad-based, while export and tourism sectors have also improved. This improvement was significantly aided by accommodative monetary policy and fiscal stimulus measures. Nevertheless, domestic consumption and private investment are in an early stage of recovery and uncertainty about domestic demand remains, for instance in relation to the prospect for investment projects in the Map Ta Phut area.

The MPC assesses that the Thai economy is expected to recover gradually, supported by the momentum of the global economy and accommodative monetary and fiscal policies. Meanwhile the inflationary pressure from the demand side continues to be subdued for the time being.

The MPC views that the current level of policy interest rate is appropriate and supportive of the economic recovery. The MPC therefore decided to maintain the policy interest rate at 1.25 per cent per annum.

Bank of Thailand
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For further information, please contact:
Monetary Policy Strategy Team 1 Tel: +66 (0) 2283 5621, 283 6186
e-mail: MonetaryPolicyStrategyTeam@bot.or.th