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Monetary Policy Committee's Decision on 21 May 2008

Ms. Duangmanee Vongpradhip, Assistant Governor of the Monetary Policy Group, Bank of Thailand, announces that the Monetary Policy Committee (MPC) met today to assess the latest economic developments and trends in order to determine the appropriate monetary policy stance. The main issues discussed were as follows.

During the first quarter of this year, the Thai economy continued to expand from both private consumption and private investment, in line with the robust growth in imports of consumer and capital goods. However, exports began to show signs of moderation consistent with the slowdown in the global economy. In addition, rising costs of production and higher inflation could affect confidence and private spending going forward.

Risks to inflation increased markedly from the previous meeting. Headline inflation accelerated as a result of the significant increase in energy and raw food prices. Meanwhile, core inflation rose by more than expected, mainly as a result of higher pass-through of production costs, which could result in higher core inflation going forward.

The MPC deemed that the risks to economic growth and inflationary pressures had risen, and both would have to be monitored closely. At the moment, the MPC decided to keep the policy interest rate at 3.25 per cent per annum. However, should inflation continue to accelerate, the MPC would stand ready to adjust the monetary policy stance accordingly.

Bank of Thailand
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