



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department

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No. 34 /2008

Monetary Policy Committee's Decision on 27 August 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.

The Thai economy in 2008 Q2 expanded at a slower rate than in the first quarter of the year as a result of the slowdown in domestic demand, including government spending, partly as a result of high inflation. But the downward trend in global oil prices and robust export growth would help to support economic growth going forward. However, the MPC assessed that the uncertainties surrounding global economic growth increased and would need to be monitored closely.

The decline in oil prices and the effect of the government's measures to alleviate the cost of living would reduce inflationary pressures in the immediate future. However, given the elevated level of inflation and inflation expectations, as well as uncertainty of oil prices in the periods ahead, the MPC assessed that the risks to inflation remained an important issue of concern.

The MPC therefore decided to raise the policy interest rate by 0.25 per cent, from 3.50 per cent to 3.75 per cent per annum, effective immediately. The MPC deemed that this increase in the policy interest rate would bring domestic interest rates to the levels that would continue to support economic growth.

Bank of Thailand
27 August 2008

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