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Monetary Policy Committee's Decision on 10 March 2010

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

The global economic outlook has improved compared to the last MPC meeting, as reflected by upward revisions in growth forecasts. As a result, some countries have begun to normalize their monetary policy stances. However, the MPC views that several risk factors remain, such as high unemployment and sovereign debt problems in some countries, that could hamper the sustainability of economic recovery going forward.

The Thai economy expanded at a faster pace than market expectations in the fourth quarter of last year. Latest indicators also confirm that the expansion continued into January and has become more broad-based. Exports and tourism improve, while private consumption is now close to the pre-crisis level. Among key supporting factors are higher farm income and consumer confidence, as well as continued impetus from fiscal policy. The MPC views that downside risks to growth have declined from the last meeting.

Inflation over the past three months has picked up pace, with latest headline inflation in February at 3.7 per cent owing to energy and fresh food components, while core inflation remains low. The MPC expects core inflation to rise in the periods ahead in line with economic expansion.

The MPC views that the lower downside risk to growth has significantly lessened the need for an exceptionally accommodative monetary policy stance at present. However, given uncertainties surrounding the sustainability of global economic recovery as well as domestic risk factors that could adversely impact consumer and investor confidence, the MPC has decided to maintain the policy interest rate at 1.25 per cent per annum, and will consider adjusting the policy interest rate to more normal levels in the periods ahead.

Bank of Thailand
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