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Monetary Policy Committee's Decision on 24 August 2011

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

The MPC assessed that the risks to economic growth of the advanced economies had increased as the US economic growth continued to slow to a rate lower than expected. Core member economies in the euro area began to slow somewhat. Meanwhile, Asia is expected to be able to withstand some of the impact from the global economic slowdown due to the resiliency of its domestic demand and exports as well as remaining monetary and fiscal policy space to stimulate the economies.

The MPC agreed that the slowdown in advanced economies would partially weigh on Thai exports. However, expanding intra-regional trade in tandem with the continued growth of domestic demand in Asian economies as well as export diversification to new markets will help mitigate the impact. Domestic consumption and investment are expected to expand due to favorable employment conditions, improved confidence, robust growth in credit demand, and fiscal stimulus going forward.

Despite the slowdown in global oil and commodity prices, inflationary pressure remained as domestic demand continued to expand amid fiscal stimulus. As a result, inflation expectations have risen.

The MPC judged that, despite increased risk on growth emanating from risks on global growth compared to the previous meeting, the Thai economy retained its growth momentum but with heightened risks to inflation, together with a sub-normal policy rate. The MPC deemed it appropriate to continue policy rate normalization to contain inflationary pressure. The MPC therefore decided with a 5-2 vote to raise the policy interest rate by 0.25 per cent, from 3.25 to 3.50 per cent, effective immediately. The MPC will closely monitor global economic developments and inflationary pressure and stands ready to take necessary action to ensure sustainable growth for the Thai economy.

Bank of Thailand
24 August 2011

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