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Monetary Policy Committee's Decision on 20 April 2011

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

The global economy continued to expand well. The US economic recovery remained on track as improving employment conditions contributed to consumption growth. The Euro area expanded gradually although sovereign debt risks persist. Meanwhile, Asian economies continued to grow robustly despite the initial impact of the Japan crisis on the regional supply chain. Many countries experienced greater inflationary pressure on the back of strong economic growth and increased oil and commodity prices and, as a result, have taken measures to tighten monetary policy.

The Thai economy continued to expand well in the first quarter, supported by internal and external demand. Corporate credit growth accelerated in line with the economic expansion. However, some slowdown in the production and export of automobiles and electronics is expected as a result of the Japan crisis, while the impact of the flood in the South was limited. Going forward, the Thai economy is expected to maintain its growth momentum. Once the supply disruption from Japan is resolved, production will likely catch up to meet continued internal and external demand.

Inflationary pressure increased due to the continued expansion of demand. Robust demand has intensified the pass-through from higher production costs to overall prices as reflected in rising inflation expectations. As a result, persistently high oil and commodity prices combined with the gradual lifting of price administration measures will add to inflationary pressure going forward.

The MPC decided with a 6-1 vote to raise the policy interest rate by 0.25 per cent, from 2.50 to 2.75 per cent, effective immediately. The MPC will, however, closely monitor inflationary pressure going forward and stands ready to take necessary action.

Bank of Thailand
20 April 2011

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