



BANK OF THAILAND NEWS

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Monetary Policy Board's Decision on 17 October 2000

The Monetary Policy Board assessed the economic outlook and inflation trend, and expressed its concern on the current Middle East crisis which could have implications on world oil prices. The risk to inflation stems from persistently high oil prices and the baht depreciation against the US dollar. Economic recovery for the year continues due to strong expansion in exports. Current favourable monetary conditions, together with the continuing improvement in the financial sector, will accommodate any pick-up in domestic consumption and investment demand and help sustain the economic growth. Nevertheless, compared to the first half of this year, economic growth has slowed down slightly.

The MPB projected core inflation to increase in the next 8 quarters due to pressure from rising production costs. However, given that the economic recovery is not yet sufficiently broad-based, core inflation is estimated to remain below 3.5 percent, except in the fourth quarter of 2001 when it may exceed the target ceiling slightly due to the adjustment in value added tax from 7 percent to 10 percent in October 2001.

In light of these factors, the MPB therefore decided to maintain the 14-day repurchase rate at 1.5 percent per annum in order to continue to support the economic recovery.

Details regarding the assessment of economic outlook, risk factors, and inflation forecasts will be announced at the *Inflation Report* press conference on 26 October 2000 at 3.00 p.m.

Bank of Thailand

17 October 2000