



BANK OF THAILAND NEWS

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Monetary Policy Board's Decision on 18 July 2000

The Monetary Policy Board met today and concluded that the Thai economy has shown an overall improvement propelled by exports and fiscal expenditures and reinforced by expansion in private consumption and investment. Nevertheless, the prevailing excess supply and industrial capacity underutilisation reflected a recovery process which is not yet sufficiently broad based.

The agricultural sector still experienced a drop in farm income. A number of small and medium enterprises still had not recovered, and a number of corporates were still undergoing debt restructuring. In light of these factors, recent inflation rates have therefore been low, notwithstanding the rising trend of world crude oil prices.

Inflation and core inflation were projected to increase moderately but remain below 3.5 percent in the next 8 quarters, except in quarter 4 of 2001 if VAT is raised from 7 to 10 percent in October 2001. Uncertainty in the external economic conditions, especially the US economy, may affect Thai export and the economy, while the economic recovery at the business sectoral level still poses some pockets of fragility, contributing to reducing pressure on prices.

In light of these factors, the Monetary Policy Board today decided to maintain the 14 day repurchase policy rate at 1.5 percent per annum in order to support the recovery of the economy. The Board will continue to monitor closely the economic conditions and inflationary trend, and will stand ready to adopt an appropriate stance for monetary policy to maintain price stability conducive for sustainable economic growth.

Bank of Thailand

18 July 2000