



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department
Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 123/2001

Monetary Policy Committee's Decision on 17 October 2001

Mr. Thirachai Puvanatananubala, Assistant Governor of the Monetary Policy Group, Bank of Thailand announced that the Monetary Policy Committee (MPC) met today to determine the monetary policy stance appropriate to the recent economic conditions.

The MPC viewed that the impact of the terrorist attacks in the United States on the economies of Thailand's trading partners would restrain Thai economic growth in the foreseeable future. Nevertheless, the government's fiscal measures should stimulate domestic demand, while debt restructuring under the Thai Asset Management Corporation should facilitate a more efficient functioning of the financial system. These factors should dampen the adverse external pressures. Inflationary pressure was not evident and core inflation was expected to remain within the target range for the next 8 quarters.

As for the direction of monetary policy, the MPC viewed that under the floating exchange rate system Thailand would be able to pursue monetary policy in response to its own economic conditions and independent of other countries. The MPC also considered the impact that various policy stances may have on depositors and international capital flows. The recent interest rate cuts in the United States and in major industrial and neighbouring countries did narrow the differential between domestic and foreign interest rates and should contribute to external stability.

The MPC deemed it necessary to continue the accommodative monetary policy stance to resolve existing difficulties in the Thai economy. However, the MPC viewed that real interest rates were at about 1 per cent, a level sufficiently low and conducive to the economic recovery, while preserving a healthy international reserve position and stable currency. Core inflation also stayed within the target range. The MPC thus decided to maintain the 14-day repurchase rate at 2.5 per cent per annum.

Further details regarding the assessment of the economy and risks, together with the output and inflation projections, will be released during the October 2001 *Inflation Report* press conference at the end of October.

Bank of Thailand

17 October 2001