



BANK OF THAILAND NEWS

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

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Monetary Policy Committee Decision on 27 November 2001

Mr. Bandid Nijathaworn, 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 in view of the rapid economic changes, especially in regard to the external economies.

The meeting today discussed the latest global economic developments and assessed the implications for Thailand's growth outlook for the next year. The MPC is of the view that the probability of the world economy moving into deep recession is now smaller, as major countries have progressively adopted an easing monetary and fiscal policy stance. In the case of Thailand, fiscal measures and disbursement in the early part of fiscal year 2002 will help cushion the impact of the global slowdown and should help support growth of 1.3-1.8 per cent in 2001 and 1-3 per cent in 2002 as previously forecasted. Core inflation, projected to be around 1.5-2.5 percent in 2002, remains well within the targeted range.

With regard to the current monetary policy stance, the MPC views that this has supported external stability. The interest rate gap between Thailand and overseas has narrowed, with the resultant impact on capital flows, currency stability, and international reserves—which currently stands at around 138 percent of total private short-term debt and Bank of Thailand debt.

The MPC assessed that under current economic conditions, the overall monetary policy stance will need to remain supportive. The country's real interest rate level remains relatively low compared to those in other countries, and is consistent with the need to support growth and stability. The MPC therefore decided to maintain the 14-day repurchase rate at 2.5 percent per annum but will closely monitor future developments with a view to moving to a more accommodative stance should the economic recovery turn out to be weaker than expected.

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