



BANK OF THAILAND NEWS

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Monetary Policy Board's Decision on 18 January 2001

The Monetary Policy Board met today to assess recent developments in inflation and economic conditions. The MPB viewed that the slowdown in US economic growth would directly affect growth in the Asian region. This would have an impact on Thai export growth because the US market and Asian region market (including Japan) accounted for approximately 20 per cent and 50 per cent of the total value of Thai exports respectively. Consequently, the MPB assessed that the Thai economy in 2000/2001 will grow at a lower rate than the previous forecast.

Nonetheless, positive contributing factors to Thai economic growth included the accommodating monetary policy stance adopted for over a year, the declining trend in oil prices, and the timely reduction in US interest rates that reduced the risk of a hard landing. Lessening cost pressures and inflation expectations of the general public have reduced risks to inflation. As the economic and financial system has become more broad-based, Thailand can better cope with changing external market conditions. Therefore the US economic slowdown would not have a strong impact on Thai economic and financial stability. The MPB took into account policies advocated by the new government. However, due to lack of details regarding conditions and timing of these measures, assumptions used on public spending and public debt remain unchanged.

In light of the outlook for core inflation and risks to economic growth, the MPB decided to maintain the key policy rate at 1.5 per cent per annum, but will continue to closely monitor the economic and political conditions and stand ready to adopt an appropriate monetary policy stance in order to maintain price stability conducive to sustainable economic growth. Further details regarding the assessment of the economy and risks, together with the output and inflation projections, will be released during the January 2001 Inflation Report Press Conference at 2.00 p.m. on 29 January 2001.

Bank Of Thailand

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