



BANK OF THAILAND NEWS

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Monetary Policy Board's Decision on 1 March 2001

The Monetary Policy Board (MPB) met today to review recent developments in economic conditions and inflation outlook in order to determine the appropriate course of monetary policy action. The MPB found that the latest data showed Thai economic growth rate and inflation rate to be close to the previous projection in January. Growth was moderating due to the downside risk of economic slowdown in the United States and Asia, Thailand's major export markets. However, the growth of these economies are expected to pick up in 2002 following their current stimulus policies.

The MPB took into consideration the new government's policy proposed to the parliament and expected the new spending package to result in disbursements starting the second quarter of 2001 onwards. The effect on growth will depend on the actual amount disbursed each year, whether such spending leads to any increase in private investments, and how much import is induced. Nevertheless, since economic activity is still below the potential level, the MPB viewed that the fiscal stimulus will not add inflationary pressure and core inflation for 2001 and 2002 will remain within the target.

The MPB found that the easy monetary stance that has been adopted for some time in order to support the recovery, has gained more and more success in bringing down long-term interest rates over the past 2 years. The downward movement was particularly rapid since the beginning of 2001 when the market yield of 14-year Thai government bond dropped from the level of 6.6 per cent to 5.4 per cent at the end of February. Therefore, the MPB decided to maintain the key policy rate at 1.5 per cent per annum to support further economic recovery.

Bank of Thailand

1 March 2001