



## **BANK OF THAILAND NEWS**

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### **The Repurchase Market Transactions and Interest Rates in March 2001**

The Bank of Thailand (BOT) reported an increase in transaction volume in the repurchase market in March 2001 compared to those in February 2001.

Mr. Oubaur Kruthanooch, BOT Deputy Spokesperson, announced that the average volume of transactions that took place in the repurchase market in March 2001 was B41 billion per day, increased from B38 billion in February 2001. Most of the transactions were one-day and 14-day repurchases particularly during the latter half of March 2001. This was due to the liquidity needs from the financial institutions preparing for the household withdrawal for the personal income tax payment and spending during the long holidays of the Chakri Memorial Day and the Songkran Festival.

The movement of one-day and seven-day interest rates were between 0.875 - 1.5 and 1.0 - 1.5625 percent per year, respectively, compared to 1.0 - 1.4375 and 1.125 - 1.4375 percent per year during the previous month. The lowering of the interest rates, particularly during 8-22 March, reflected the increase of liquidity in financial institutions which failed to purchase bonds to the expected amount. In March, the Financial Institutions Development Fund and the Ministry of Finance issued less bonds than announced by about B18.6 billion.

However, towards the end of the month, the money market tightened slightly because of demand for cash reserves for salary payment, personal income tax payment and the first half-year closing account of Japanese commercial banks. Thus, the one-day and seven-day interest rate increased slightly to 1.0625 - 1.25 percent and 1.125 - 1.3125 percent per year, respectively.

The 14-day repurchase rate was stable at 1.50 percent. According to the Monetary Policy Board's decision on 1st March 2001, the rate is used as a signal of monetary policy direction to the financial market.

The one-month interest rate still remained at 1.875 percent. However, the two-month and three-month interest rates had a downward trend following the continued lowering of returns on treasury bills in February. The two-month and three-month interest rates were reduced from 2.0 and 2.0625 in February to 1.9375 and 2.0 percent, respectively.

Bank of Thailand

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