



BANK OF THAILAND NEWS

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Monetary Policy Board's Decision on 19 April 2001

The Monetary Policy Board (MPB) met today to determine the appropriate monetary policy stance, taking into account recent economic conditions as well as medium-term economic outlook. The MPB viewed that Thai economic growth rate and inflation rate in the next 8 quarters are likely to remain close to the previous projection in March. In 2001, the Thai economy is expected to grow by about 2.5-4 per cent, while core inflation should average around 1.5-2 per cent, which is well within the announced target.

The economic slowdown in the US and Japan would directly affect Thai exports. Fiscal stimulus and the recovery of domestic demand are therefore essential to promote growth and offset the weakening external demand. Since the country's overall demand has not fully recovered and excess production capacity still remains, the fiscal stimulus will not add inflationary pressure.

The MPB viewed that the growth of Thai economy in 2002 should pick up despite the presence of external economic uncertainties. The adoption of expansionary fiscal and monetary policies by a number of major trading partners since the beginning of this year should revive the growth of these economies over the medium term, which should in turn benefit the Thai economy. The 50 basis point reduction in the interest rates by the Federal Reserve yesterday clearly reflected the Fed's determination to stimulate the economy, which should enhance confidence of consumers and investors.

In Thailand, the MPB has adopted the easy monetary policy stance for some time by keeping the key policy rate at a low level. However, world economic and financial conditions have not been conducive to economic recovery, and domestic commercial banking system has not yet functioned efficiently. As a result, the Thai economy has not yet grown at a sustainable high rate. The MPB thus decided to maintain the 14-day repurchase rate at 1.5 per cent per annum for a while further.

Further details regarding the assessment of the economy and risks, together with the output and inflation projections, will be released during the April 2001 Inflation Report Press Conference at 2. 00 p. m. on 26 April 2001.

Bank of Thailand

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