



BANK OF THAILAND NEWS

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

No.75/2001

Monetary Policy Board's Decision on 24 May 2001

Mr. Thirachai Phuvanat naranubala, Assistant Governor of the Monetary Policy Group, Bank of Thailand, as the Secretary of the Monetary Policy Board, announced that the Monetary Policy Board (MPB) met today to determine the monetary stance appropriate to the economic conditions and inflation outlook. The MPB viewed that current Thai economic conditions remained close to the previous projections made in April, although risks from external demand persisted.

The positive signs were that economic stimulus packages were introduced in various countries and our trading partners' economic growth should improve in the next period. These stimulus packages included the Federal Reserve's fifth cut in the Fed funds rate since the beginning of this year, the cut in the refinancing rate by the European Central Bank (ECB), and the economic restructuring policies introduced by the new Japanese government.

Although inflation rose noticeably in April due to the excise tax hike and the rising oil prices, inflation in the next 8 quarters ahead should remain within the target range of 0-3.5 per cent.

The MPB viewed that if the government could increase its spending for the year 2001 as planned, more funds would be injected into the economy and capacity utilization would improve. The creation of the Thai Asset Management Corporation (TAMC) which would start the loan transfer process in the next few months should facilitate a more efficient functioning of the financial system. The increase in fiscal spending together with the creation of TAMC should soon produce a further economic expansion

Since mid-1997, capital outflow reduced foreign debt burden from 112 to 76 billion dollars and decreased yearly foreign debt repayment by one third. This should help the BOT in its overseeing of the baht movement.

The MPB thus decided to maintain the 14-day repurchase rate at 1.5 per cent per annum.
A close monitoring of the economic conditions would be also maintained.

Bank of Thailand

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