



## **BANK OF THAILAND NEWS**

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

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### **Monetary Policy Committee Meeting on 12 July 2001**

Mr. Thirachai Puvanatharanubala, Assistant Governor of the Monetary Policy Group, Bank of Thailand announced that the Monetary Policy Committee (MPC) met today to determine the monetary policy stance appropriate for the economic conditions. The details of the meeting are as follow.

1) The new MPC determined to maintain the existing monetary policy framework by targeting the core inflation below the 3.5 per cent ceiling. The new MPC also maintain the 14-day repurchase rate as the policy rate used to signal the monetary policy stance appropriate for the long term objective of sustainable economic growth and price stability.

2) However, in the implementation of monetary policy, the MPC agreed with the Bank of Thailand's (BOT) determination to also closely monitor factors contributing to external stability. The MPC was concerned about declining current account surplus, and agreed with the BOT's determination to let the exchange rate move in line with market conditions and fundamentals while avoiding day-to-day excess volatility.

3) The MPC would meet monthly to monitor economic and financial markets internal and external conditions. The MPC would also maintain transparency in its communication with the public through the quarterly publication of the Inflation Report. The next issue of the Report would be that for July 2001.

4) In the assessment of economic conditions, the MPC deemed that the trend of the major trading partners remained weak. However, a few positive signs also developed. In the US, the tax cut package proposed by President George W. Bush had already been legislated. In Japan, the newly proposed structural economic reform should help recovery in the next period.

5) Considering Thailand's inflation trend, the MPC saw the probability of inflation breaching the target ceiling remained low. In addition, the MPC deemed that the BOT's decision to raise the interest rate on 8 June 2001 had already mitigated the misalignment in the structure of short-term interest rates, and thus decided to maintain the 14-day repurchase rate at the current level of 2.5 per cent per annum.

Bank of Thailand

12 July 2001