



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 Board's Decision on 21 January 2002

Mr. Pakorn Malakul na Ayudhya, Deputy Governor, Bank of Thailand announced that the Monetary Policy Committee (MPC) met today to assess the latest economic developments, both domestically and abroad, in order to determine the appropriate course of monetary policy going forward.

The MPC assessed the impact of the reduction in the 14-day repurchase rate, the BOT's policy rate, on 25 December 2001 from 2.5 percent per annum to 2.25 percent per annum and deemed that the effects so far have been favourable. In particular, financial markets have moved in line with the monetary policy stance and the baht has remained stable.

Preliminary data on the last quarter of 2001 point to signs of economic recovery in some areas, including domestic production and consumption, on the back of the accelerated disbursement of the fiscal stimulus package. At the same time, inflation continues to follow a downward trend, while external stability remains strong with further reduction in foreign debt and a strong foreign reserves position.

Although economic growth in 2002 is set to improve following a more rapid disbursement of government expenditures in line with the 2002 budget and an improved export performance, the MPC agreed that the projected recovery of the world economy in the second half of this year remains clouded by significant uncertainties. Therefore, the MPC is of the view that monetary policy should be eased for the following main reasons:

1. To help ease the burden on fiscal policy of stimulating the economy and thereby facilitating a reduction in the growth of public debt.

2. The inflation rate remains low, allowing monetary policy to be expansionary without creating inflationary pressures.

3. To facilitate adjustments in the exchange rate that will not hamper exporters.

For the reasons outlined above, and in order to create monetary conditions favourable to the revival of private business activities as well as economic recovery, the MPC has decided to reduce the 14-day repurchase rate by another 0.25 percent from the current 2.25 percent per annum to 2.00 percent per annum.

Bank of Thailand

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