



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. 24/2002

Monetary Policy Committee's Decision on 22 July 2002

Mr. Bandid Nijathaworn, Assistant Governor of the Monetary Policy Group, Bank of Thailand announced that the Monetary Policy Committee (MPC) met today to assess the latest economic developments and trends in order to determine the appropriate monetary policy stance. The main issues discussed were as follows:

1. After consideration of the latest data, the MPC was of the view that economic conditions continued to improve, with respect to both production and consumption. In addition, there are signs that the recovery appears to be strengthening, with the rebound in the manufacturing sector becoming more broad based, unemployment edging down, and business profitability improving.
2. External stability has also improved with a strong international reserves position and further reductions in foreign debt. The MPC noted that the recent appreciation of the baht relative to the US dollar reflected both external factors, as well as better economic prospects in the domestic economy, with the exchange rate adjusting primarily to market conditions and moving in line with other regional currencies.
3. In terms of internal stability, both headline and core inflation remained subdued with the latter averaging 0.9 percent in the first quarter, and 0.4 percent in the second quarter. The MPC assessed that core inflation in the next 8 quarters should remain low and within the official target of 0-3.5 percent per annum.
4. The MPC believed that the continuing recovery and improved economic stability observed so far will lay a solid foundation for further growth in the latter half of the year as well as in the following year. However, the MPC saw increasing risks on the external front, especially with respect to the uncertainty regarding the economic recovery in the US, volatility in world

stock markets, and uncertainties in the global oil market. These factors pose risks to the world economy and may have repercussions on Thai exports. The MPC therefore saw the need to retain a monetary policy stance that is accommodative to economic recovery, and has decided to maintain the 14-day repurchase rate at 2 percent per annum.

Bank of Thailand

22 July 2002