



BANK OF THAILAND NEWS

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No. 38/2002

Monetary Policy Committee's Decision on 21 October 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 the latest data evaluation, the MPC was of the view that economic expansion had continued favourably in the first 8 months of the year, registering growth in production, consumption and investment, primarily through a pickup in the private sector. Meanwhile, export continued to accelerate. The MPC also assessed that since the damage to planted areas was limited (close to that in 1999), the adverse effect of the current floods on the economy would be minor.
2. External stability remained strong with international reserves position solid, and the current account continued to be in surplus. The MPC determined that the recent weakening of the baht relative to the US dollar was in line with market conditions and other regional currencies.
3. In terms of internal stability, headline inflation edged up to 0.4 per cent year-on-year in September 2002, owing partly to rising oil prices. However, core inflation remained unaffected, staying at 0.3 per cent year-on-year. Looking forward, the MPC assessed that core inflation in the next 8 quarters would remain low and stay within the official target range.
4. The MPC was cognizant of the heightened external risks, relative to those during the previous meeting, to the Thai economy. Of concern, in particular, are greater volatility in global financial markets, more pronounced uncertainties in world oil markets associated with a possible war between the US and Iraq, and global terrorism.

5. In totality, the MPC assessed that the Thai economy would expand satisfactorily in 2002, putting next year's growth on a firm basis. Nevertheless, the MPC, in the face of enhanced external risks to growth, would continue to monitor external economic conditions closely and stand ready to adjust the monetary policy stance in favor of growth in the event that these risks heightened further.

The MPC therefore decided to maintain the 14-day repurchase rate at 2 per cent per annum for the moment.

Bank of Thailand

21 Octoberr 2002