



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 20 January 2003

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 going forward. The main issues discussed were as follows:

1. The MPC reviewed the latest data on economic conditions in Thailand and deemed that economic growth in the first 11 months of 2002 was satisfactory, with continued expansion in production, consumer spending, investment, and export supporting the recovery. The pickup in growth in 2002 was driven by fiscal policies aimed at boosting domestic spending, improvements in the external environment over the previous year, and the easing of financial constraints on firms and households, especially from lower interest rates. In addition, domestic spending was buoyed by improvements in business and consumer confidence as well as higher farm income.

2. External stability remained strong with international reserves at a high level, the current account in surplus, and foreign debt on a downward trend. The baht/US dollar exchange rate fluctuated in line with market conditions and trends in regional currencies.

3. The pickup in economic activity had not exerted upward pressure on prices. Headline inflation rose to 1.6 percent year-on-year in December 2002, reflecting higher oil prices, while core inflation edged up slightly to 0.3 percent. Higher oil and food prices during the last quarter of 2002 contributed to average headline and core inflation rates for 2002 of 0.7 and 0.4 percent, respectively. The MPC expected core inflation to remain low and within the target range of 0-3.5 percent over the next 8 quarters, facilitating the maintenance of the accommodative monetary stance going forward.

4. Overall, the MPC assessed that the economic recovery was progressing well and that the pickup in growth should extend into 2003. Key factors supporting growth in 2003 were expected to include an improvement in the world economy, especially in the latter half of the year, the accommodative monetary policy stance, and a stable macroeconomic environment underpinned by core inflation within the target range. Nevertheless, possible repercussions on the Thai economy of a war between the US and Iraq continued to generate uncertainties in the near future which warranted continued close monitoring.

The MPC therefore decided to maintain the 14-day repurchase rate 1.75 per cent per annum.

Bank of Thailand

20 January 2003