



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. 12/2003

Monetary Policy Committee's Decision on 21 April 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 the war situation did not significantly impact on the Thai economy, which continued to grow satisfactorily in the first 2 months of 2003 notwithstanding substantial economic uncertainties abroad. Economic activity was buoyed by further expansion in production and consumer spending, while export growth continued to be steady. However, domestic investment showed signs of moderating and the fiscal deficit was smaller than expected.

2. External stability remained strong with international reserves at a high level despite commencement of the IMF debt prepayment schedule. The current account, which was only marginally affected by the war, continued to register a surplus, while foreign debt declined. The baht remained relatively stable against the US dollar and moved in line with other regional currencies.

3. The steady economic expansion had thus far not generated significant upward pressure on prices with headline inflation picking up from 1.4 per cent in 2002 Q4 to 1.9 per cent in 2003 Q1, mostly on the back of increases in energy and food prices. With pressure on service prices moderating, core inflation continued to remain stable, edging up to 0.3 per cent in 2003 Q1 from 0.2 per cent in the previous quarter. The MPC expected core inflation to remain within the target range over the next 8 quarters.

4. Although world oil prices have begun to decline, the MPC observed that remaining external uncertainties, in particular with respect to economic conditions in the industrialized countries and the negative impact on regional export and tourism activity from the SARS outbreak, continued to pose important risks to the Thai economy in the near future. Given these uncertainties and in light of the current low inflation environment, the MPC deemed that the monetary policy stance should remain accommodative to support economic growth.

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

Bank of Thailand

21 April 2003