



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 27 June 2003 (special supplementary session)

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

1. The MPC deemed that economic growth in the first quarter of 2003 was satisfactory, with activity supported by expansions in domestic spending and exports. Despite the negative impact on tourism due to Severe Acute Respiratory Syndrome (SARS), latest economic indicators pointed towards continued recovery in the second quarter.

2. Going forward, the MPC assessed that external uncertainties may exert a negative influence on the Thai economy in 2 ways:

Firstly, despite the recent easing of monetary policy by the European Central Bank and the US Federal Reserve to stimulate growth, it would take some time until the economic recovery process becomes firmly entrenched.

Secondly, volatility in short-term capital movements has become more pronounced recently, partly as a result of the wider differential between domestic and foreign interest rates, as well as greater inflow of short-term speculative capital. As a result, stability of the money and capital markets may be affected and baht volatility may increase, with possible adverse consequences for economic activity.

3. The MPC observed that with core inflation remaining low, there was room for monetary policy to ease further in order to safeguard the economy against the external uncertainties outlined above, strengthen the growth process of the Thai economy going forward, and reduce the risks of core inflation falling below the target range in the future.

The MPC therefore decided to lower the 14-day repurchase rate by 0.5 per cent per annum from the current level of 1.75 per cent per annum to 1.25 per cent per annum, effective today.

Bank of Thailand

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