



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 21 July 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 5 months of 2003 was satisfactory. Growth was buoyed by further expansions in export and domestic consumption, although private investment did not accelerate much and government expenditure was below target. On the production side, the agricultural and manufacturing sectors continued to expand robustly, while the services sector was hampered by a reduction in tourism receipts following the spread of Severe Acute Respiratory Syndrome (SARS).

2. External stability remained strong with the current account remaining in surplus, international reserves at a high level, and further declines in foreign debt. The baht moved in line with regional currencies and the MPC expected Thailand's international reserves position to remain strong after the completion of IMF debt repayment at the end of July.

3. The economic recovery thus far had not generated perceptible upward pressure on prices with headline inflation averaging 1.8 per cent in the first 6 months of the year, mostly reflecting higher energy and food prices. Core inflation was subdued at 0.3 per cent and was expected by the MPC to remain in the lower half of the target range over the next 8 quarters. The MPC felt that the probability of core inflation falling below the target range had declined somewhat following the additional easing of monetary policy in June.

4. The MPC assessed that external factors, in particular with respect to the uncertainty regarding economic recovery in the main industrialized countries, as well as economies in Asia, continued to pose risks to the Thai economy. The MPC stressed the need to closely monitor these developments and assess their impact on the economy, while maintaining an accommodative stance of monetary policy supportive of economic growth going forward.

The MPC decided to maintain the 14-day repurchase rate at 1.25 per cent per annum.

Bank of Thailand

21 July 2003

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