



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 11 September 2003

Mr. Thirachai Phuvanatanarubala, Deputy Governor, Monetary Stability, 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 7 months of 2003 had been strong, as export and domestic consumption continued to expand, while private investment started to pick up. At the same time, agricultural and manufacturing production grew steadily, while the services sector, especially tourism, began to recover from the effects of the Severe Acute Respiratory Syndrome (SARS) outbreak.

2. Internal stability remained satisfactory. The steady pickup in growth had not generated perceptible upward pressure on prices with headline inflation averaging 1.9 per cent in the first 8 months of the year, mostly reflecting higher energy and food prices.

Core inflation in August was flat year-on-year, mostly due to lower rents and the impact of government administered prices on certain goods and services. The MPC did not view this development as an indication of imminent deflation as economic growth remained robust and headline inflation continued to edge up. The MPC also emphasized the importance of building public understanding of the issue as well as continued monitoring of price developments.

3. External stability remained strong with the current account continuing in surplus, international reserves at a high level, and further declines in foreign debt.

4. The MPC assessed that external factors continued to pose risks to the Thai economy and should be followed closely. The level of interest rate was deemed to be low and appropriate for current economic conditions, and the maintenance of an accommodative stance of monetary policy going forward was viewed as appropriate.

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

5. With respect to the baht, the MPC assessed that additional measures are appropriate for managing short-term capital movements.

Bank of Thailand

11 September 2003

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