



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 21 January 2004

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 2003 had been strong, supported by robust domestic and external demand. Further increases in the private investment and consumption indices reflected heightened economic activity and improved confidence, supported by higher farm income on account of increases in both price and volume. Export values remained high, while the tourism growth returned to normal.

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

3. Internal stability remained satisfactory. Core inflation edged down to 0.0 per cent in December as housing rents continued to fall. For the year, core inflation averaged 0.2 per cent and 0.6 per cent if housing rents are excluded, slightly higher than the 0.5 per cent average in 2002 for the same measure. Headline inflation averaged 1.8 per cent in 2003, driven by an acceleration in raw food and energy prices.

4. The MPC expected economic growth to continue in the foreseeable future supported by strong domestic spending and exports. With the recovery in world economic growth, external risks have receded and an important focus going forward will be on movements of major currencies and their implications. While inflation should remain low and not pose a threat to economic stability, developments in the current account, as well as potential imbalances that might occur with respect to asset prices and household balance sheets, should be monitored closely as growth continues to pick up.

The MPC deemed that the current policy stance and prevailing rates of interest are appropriate for current economic conditions and, therefore, decided to maintain the 14-day repurchase rate at 1.25 per cent per annum.

Bank of Thailand

21 January 2004

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