



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 17 March 2004

Ms. Atchana Waiquamdee, 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 2003 of 6.7 per cent had been strong, with continued strength in domestic spending helping to support a 7.8 per cent expansion in economic activity in the last quarter of 2003. The growth momentum continued into January 2004, despite some decline in consumer and investor confidence following news of the avian flu outbreak, with further expansion in domestic demand and export values at a buoyant level.
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. Headline inflation increased to 2.2 per cent year-on-year in February from 1.2 per cent in the previous month on the back of higher raw food and energy prices. Core inflation edged up to 0.2 per cent year-on-year in February after the 0.1 per cent decline registered in January.
4. The MPC assessed that the overall economic growth process continued to be sound. There are neither clear evidence of accumulating financial imbalances at the sectoral level, nor signs of economic overheating that could adversely affect economic stability going forward. While there could be some upward price pressures from higher production costs and stronger demand, the MPC expected core inflation to remain within the target band.

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

17 March 2004

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