



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 9 June 2004

Mr. Bandid Nijathaworn, Deputy Governor, Monetary Stability, Bank of Thailand announced that the Monetary Policy Committee (MPC) of the Bank of Thailand 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.

The MPC viewed that the Thai economy continued to expand favourably despite of the slight moderation in growth to 6.5 per cent in the first quarter of 2004 due to the impact of the avian flu and the drought effects on agriculture, while the non-agricultural sector continued to expand well.

The MPC was confident that improved economic fundamentals, for example, the recovery in private investment which expanded by 18.8 per cent in the last 4 months, should help the economy to withstand any negative influence reasonably well and should help facilitate economic expansion going forward. Internal stability remained strong with low rate of inflation. External stability was robust. The issue of concern by the MPC was the uncertainties pertaining to rising oil prices which should be closely monitored going forward.

The MPC deemed rising international interest rates likely, but the yield curve in the bond market had already priced-in that possibility to a certain extent.

Against this background, the MPC assessed that although current inflation remained low, going forward, inflation could accelerate and thus render a close monitoring of inflationary pressures. The MPC deemed that for the time being, the current stance of monetary policy appropriate given the current conditions. The MPC thus decided to maintain the 14-day repurchase rate at 1.25 per cent per annum.

Bank of Thailand

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