



BANK OF THAILAND NEWS

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Monetary Policy Committee's Decision on 21 July 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 viewed that the Thai economy continued to expand, driven by domestic spending and exports, in particular private investment and accommodative monetary policy.

2. With the economic expansion, rising oil and farm prices, headline inflation rose to 3 per cent year-on-year in June 2004. Core inflation, however, remained low at 0.5 per cent. Going forward, the MPC assessed that the tightening labour market and continued economic expansion would exert pressure on core inflation.

3. During the economic up-cycle, in addition to taking care of inflationary pressure, the main objective of monetary policy, the MPC considered it important to monitor indicators of potential financial imbalances. Currently, the MPC deemed the imbalances in the real estate sector and household debts to be of particular concerns.

4. The MPC considered both internal and external risks which could affect Thai economy growth going forward. Domestic risks included unrest in southern Thailand and the re-emergence of the avian flu which would affect consumer and investor confidence. External risks included the upward trend in foreign interest rates and rising oil prices.

5. Looking ahead, the MPC viewed that there would be less need for an accommodative monetary policy than at present. The MPC would stand ready to respond once inflation showed a clearer sign of acceleration or the buildup of financial imbalances became more apparent. Given the aforementioned uncertainty of risks, the MPC decided to maintain the 14-day repurchase rate at 1.25 per cent per annum for the time being.

Bank of Thailand

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