



BANK OF THAILAND NEWS

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No. 46/2004

Monetary Policy Committee's Decision on 15 December 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. In the first nine months of this year, the economy expanded at a satisfactory rate, averaging 6.4 per cent year-on-year, with main contributions coming from exports and domestic spending. Although the recent economic data in October showed moderate expansion in domestic spending, growth momentum remained strong in other sectors, especially exports. The MPC assessed that there was potential risk of a global economic slowdown, but declining world oil prices should help mitigate the overall risk compared to the last meeting.

2. Regarding economic stability, headline inflation further accelerated in November, albeit at a slower rate of 3.0 per cent. The MPC assessed that lower oil prices and the appreciation of the Thai baht should help alleviate the inflationary pressure from that previously projected. External stability remained robust, with the current account expected to be in surplus this year and the next. Nevertheless, short-term capital flows should be closely monitored to reduce baht volatility.

3. Notwithstanding the declining short-term inflationary pressure from lower oil prices and the stronger baht, the situation could be temporary and should be monitored closely. To maintain economic stability in light of continued economic stability, the MPC deemed that interest rates should adjust towards appropriate levels to maintain economic stability going forward. The current low interest rate environment risked accelerating inflation and undermining sustainable growth.

The MPC thus decided to raise the 14-day repurchase rate by 25 basis points, from 1.75 to 2 per cent per annum, effective from today.

Bank of Thailand

15 December 2004

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