



## **BANK OF THAILAND NEWS**

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### **Monetary Policy Committee's Decision on 19 January 2005**

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. Latest data indicated that the Thai economy expanded in the first 11 months at a satisfactory rate, supported by growth in exports, domestic spending, as well as government stimulus measures. Nevertheless, the MPC was of the view that consumer spending could be dampened by the tsunami disaster and the resultant decline in tourism receipts, although these negative effects should be offset, to some degree, by greater investment and public spending.

2. With respect to economic stability, headline inflation fell slightly in December as a result of lower oil prices and the appreciation of the Thai baht, but nonetheless remained high at 2.9 per cent year-on-year. Core inflation remained subdued at 0.6 per cent year-on-year in December while external stability continued to be strong with the current account expected to register a surplus for 2004 as well as this year.

3. The MPC was of the view that sustained negative real deposit rates may discourage domestic saving and raise household debt. As such, the current low interest rate level should be gradually returned to neutral going forward. Nevertheless, the potential impact on the Thai economy from the occurrence of the natural disaster, volatility in currency markets, and continued high oil prices, remained uncertain and the MPC agreed that it was important to wait for a clearer picture to develop.

The MPC therefore decided to maintain the 14-day repurchase at 2 per cent per annum.

**Bank of Thailand**

**19 January 2005**

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