



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department
Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 7/2005

Monetary Policy Committee's Decision on 2 March 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 economic growth in Thailand moderated in December 2004 and January 2005 in response to the negative impacts from the tsunami and drought, while export growth also pointed towards a softer trend. Despite greater risks to growth, the MPC still expected overall growth for the year to be close to that previously forecasted, with private and public investment likely to play a key role in driving the growth process going forward.

2. With respect to economic stability, headline inflation accelerated month-on-month in February on a seasonally adjusted basis, driven by higher world oil prices and an upward adjustment in domestic diesel prices. Core inflation also rose slightly on the same basis. On the external front, although the current account registered a deficit in January as imports picked up significantly and tourism receipts declined, the MPC expected the lapse into deficit to be temporary.

3. The MPC deemed that upward price pressures were likely to build up going forward as production costs had increased considerably in the recent period. Moreover, with growth remaining firm, higher oil prices were more likely to feed into higher inflation. At the same time, the negative fallout from the tsunami had not been more severe than anticipated in the previous meeting. In this light, the MPC agreed that economic stability and sustained growth in the long term would be strengthened by an upward adjustment of interest rates.

The MPC therefore decided to raise the 14-day repurchase from 2 per cent per annum to 2.25 per cent per annum effective immediately.

Bank of Thailand

2 March 2005

For further information, please contact: Ms. Pajongjit Jittamai Tel: +66 (0) 2283 5621 e-mail:

pajongjj@bot.or.th