



BANK OF THAILAND NEWS

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No. 9/2005

Monetary Policy Committee's Decision on 20 April 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 the first 2 months of 2005 in response to the negative impacts from higher oil prices, natural disaster, unrest in the southern provinces, and a slowdown in the world economy. Despite greater risks to growth in the short-term, the MPC was confident that strong economic fundamentals should help to support growth in the medium-term at a satisfactory rate.

2. Reflecting higher energy prices, headline and core inflation accelerated in March to 3.2 per cent and 0.8 per cent year-on-year, respectively. Nevertheless, the probability that core inflation will exceed the target range in the next 8 quarters remains low.

3. The current account was likely to move into deficit in the first quarter of 2005 in response to abnormally high imports, partly due to higher oil prices and inventory accumulation of certain goods whose prices were expected to rise. Nevertheless, the MPC still expected the current account to remain in surplus for the year.

4. With the risk of further upward movements in inflation remaining, the MPC deemed that the upward path of the policy rate should be maintained. However, against the background of increased risks to growth from negative factors emanating from both domestic and external sources, especially the high price of oil, and without signs of cumulating financial imbalances from unusually low interest

rates, policy tightening should be implemented at a gradual pace to ensure that monetary conditions would facilitate private sector's adjustment to the risks outlined above.

The MPC therefore decided to maintain the 14-day repurchase at 2.25 per cent per annum for the time being.

Bank of Thailand

20 April 2005

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