



## **BANK OF THAILAND NEWS**

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### **Monetary Policy Committee's Decision on 9 June 2005**

Mr. Bandid Nijathaworn, Deputy Governor (Monetary Stability), 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 had moderated in the first four months of 2005 compared to last year in response to the negative impacts from higher oil prices, natural disasters, and unrest in the southern provinces. Nevertheless, the MPC viewed that the economic momentum, especially from public spending, would allow the economy to continue to expand going forward.>

2. Pressure on economic stability heightened. Core inflation accelerated from 0.8 to 1.2 per cent year-on-year in May and was likely to rise further due in part to higher production costs and tightening labour market conditions. On the external front, the high current account deficit during the first four months of 2005 raised the probability that the current account for the entire year could be in deficit, and further development in this regard should be monitored.

3. The MPC viewed that the economy had expanded reasonably against the backdrop of many negative factors. While the growth momentum was expected to remain, risks to inflation were higher than in the previous MPC meeting. In this light, policy tightening should be implemented at a gradual pace to promote economic stability and sustainable growth in the long term.

The MPC therefore decided to raise the 14-day repurchase rate from 2.25 per cent per annum to 2.50 per cent per annum effective immediately.

**Bank of Thailand**

**9 June 2005**

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