



BANK OF THAILAND NEWS

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

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Monetary Policy Committee's Decision on 20 July 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. The main issues discussed were as follows:

1. Latest data indicated that economic growth had moderated in the first 5 months of 2005 in response to the impacts from higher oil prices and natural disasters. The MPC however expected the economy to regain momentum going forward, partly as a result of exports and public spending.

2. Surging oil prices affected economic stability, causing the current account to register a larger deficit and core and headline inflation to accelerate. Moreover, inflation was poised to rise further following the float of domestic diesel oil price and upward adjustments in consumer prices and the minimum wage.

3. The MPC viewed that output would continue to expand but the probability of core inflation exceeding the target range became greater. As a result, the policy rate should remain on an upward trend to keep core inflation under control and support sustainable growth in the long term.

The MPC therefore decided to raise the 14-day repurchase rate from 2.50 per cent per annum to 2.75 per cent per annum effective immediately.

Bank of Thailand

20 July 2005

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

pajongjj@bot.or.th