



BANK OF THAILAND NEWS

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No. 32/2005

Monetary Policy Committee's Decision on 19 October 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. The main issues discussed were as follows:

1. In the third quarter of 2005, domestic demand moderated but exports growth picked up strongly while agricultural output also recovered. As a result, the overall economy continued to improve from the previous quarter. In this light, the MPC viewed that the growth momentum should carry on going forward with the support of a positive outlook on exports and investment, both public and private.

2. Pressure on internal stability increased. Headline inflation had accelerated and was likely to increase further. Meanwhile, core inflation was likely to stay high with a possibility of accelerating beyond the monetary policy target in 2006. Nonetheless, external stability improved consequent of a slowdown in imports and stronger exports performance, which led to an improvement in the current account from July onwards.

3. The MPC viewed that economic growth should continue and the impact of adverse factors on the economy had begun to diminish. However, there was a higher probability of inflation accelerating, especially in the last quarter of this year. Thus, the policy interest rate should remain on an upward path to promote economic stability and move real domestic interest rates towards a level consistent with economic stability and sustainable growth in the long term.

The MPC therefore decided to raise the 14-day repurchase rate by 50 basis points from 3.25 to 3.75 per cent per annum effective immediately.

The MPC believed that the policy interest rate hikes of 50 basis points in the previous and this meetings should help better contain inflationary pressure that had been expected to increase during the last quarter of this year.

Bank of Thailand

19 October 2005

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