



## **BANK OF THAILAND NEWS**

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### **Monetary Policy Committee's Decision on 14 December 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. During the first ten months of 2005, the Thai economy expanded quite satisfactorily, particularly in the third quarter where GDP grew by 5.3 per cent. This was led by a strong recovery of the agricultural sector on the supply side, and a pick-up in exports coupled with a slowdown in imports on the demand side. Nevertheless, the expansion in private domestic demand, especially private consumption and investment, has shown some signs of moderating.

2. Overall economic stability has improved. The current account has turned around from a large deficit in the first half of the year to a surplus from July onwards. Headline inflation decelerated from 6.2 per cent in October to 5.9 per cent in November, while core inflation was stable at 2.4 per cent.

3. The MPC perceived that the Thai economy still has a momentum for continued expansion. Meanwhile, the risk to inflation, though having moderated, remains and the real interest rates are still negative. Against that background, the MPC judged that the policy interest rate should stay on an upward path, but the need to adjust the policy rate at a fast pace has diminished.

The MPC therefore decided to raise the 14-day repurchase rate by 25 basis points from 3.75 to 4.00 per cent per annum, effective immediately.

**Bank of Thailand**

**14 December 2005**

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