



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 18 January 2006

Ms. Atchana Waiquamdee, Assistant Governor of the Monetary Policy Group, Bank of Thailand, announces 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 are as follows:

1. During the first eleven months of 2005, the Thai economy continued to expand. Despite a slight moderation in domestic demand in the fourth quarter, external demand was still robust and is expected to remain so in 2006. The MPC viewed that the growth momentum should carry on going forward, being supported by a positive outlook on exports and private investment.

2. Pressure on internal stability remains. Although headline inflation softened from 5.9 per cent in November to 5.8 per cent in December, core inflation edged up from 2.4 per cent to 2.6 per cent. External stability has improved, however, as the current account turned around from being in deficit throughout the first half of 2005 to being in surplus since July.

3. The MPC viewed that the Thai economy still has momentum for a continued expansion while headline inflation begins to moderate. Nevertheless, price pressure remains and the real interest rates are still negative. Against that background, the MPC judged that the policy interest rate should be raised again to keep future core inflation within the target.

The MPC therefore decided to raise the 14-day repurchase rate by 25 basis points from 4.00 to 4.25 per cent per annum, effective immediately.

Bank of Thailand
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For further information, please contact: Ms. Jittapa Varunprabha Tel: +66 (0) 2356 7872
e-mail: jittapav@bot.or.th