



BANK OF THAILAND

BOT Press Release

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No. 17/2022

Monetary Policy Committee's Decision 2/2022

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 30 March 2022 as follows.

**The Committee voted unanimously to maintain the policy rate at 0.50 percent.**

The Committee assesses that the Thai economic recovery will remain intact in 2022 and 2023, despite impacts from sanctions against Russia which led to higher energy and commodity prices and a slowdown in external demand. Average inflation for the full year 2022 will exceed the target range but is expected to decline and return to target in early 2023 with energy and food prices stabilizing. The Committee assesses that recent increases in inflation have stemmed primarily from cost-push factors, while demand-pull inflationary pressures have remained subdued. The Committee thus voted to maintain the policy rate at this meeting to help facilitate a sustained economic recovery.

The Committee assesses that the Thai economy will continue to grow at the rate of 3.2 percent in 2022 and 4.4 percent in 2023 on the back of improving domestic demand and tourism. The impact of the Omicron variant outbreak on economic activities is expected to be more contained than previous waves. Sanctions against Russia have pushed the cost of goods higher but will not derail the overall recovery path. Nonetheless, downside risks to growth remain, including (1) prolonged shortages of raw materials in certain industries and (2) the impact of higher prices on living costs for households and production costs for businesses, particularly toward vulnerable groups. The Committee will closely monitor developments in the abovementioned situations closely.

Headline inflation is projected to be at 4.9 percent in 2022 and 1.7 percent in 2023. Inflation will exceed 5 percent in the second and third quarters of 2022, driven mainly by rising energy prices and the pass-through of food prices. However, inflation is projected to decrease and return to the target range in 2023 owing in part to the assessment that the rise in energy prices would not persist. Upside risks to inflation remain, primarily from higher-than-expected oil prices and cost pass-through from producers to consumers. The Committee judges that the rise in inflation has been mainly due to cost-push factors. Meanwhile, demand-pull inflationary pressures remain subdued in line with a slow recovery of income, and medium-term inflation expectations remain anchored within the target range. The Committee will continue to closely monitor inflation dynamics to ensure that medium-term inflation expectations will be consistent with the monetary policy target.

Overall financial conditions remain accommodative. Liquidity in the financial system remains ample, although liquidity distribution still varies across economic sectors. On exchange rates, the baht has depreciated relative to the US dollar due to concerns over the Russia-Ukraine war and the expectation of monetary policy normalization in advanced economies. The Committee will closely monitor developments in both global and domestic financial markets, and continue to expedite the new foreign exchange ecosystem, particularly through supporting SMEs in hedging against risks from exchange rate volatility.

The Committee views that government measures and policy coordination among government agencies will be critical to support the economic recovery amid heightened uncertainties. Fiscal measures should support the economic recovery in a targeted manner, with a focus on generating income and alleviating living expenses for vulnerable groups. Monetary policy should contribute to continued accommodative financial conditions overall. Financial and credit measures have helped distribute liquidity and reduce debt burden, especially for those whose incomes have not yet fully recovered. The measures have included the special loan facility, asset warehousing scheme, and other measures by specialized financial institutions (SFIs). In addition, financial institutions should accelerate debt restructuring in a sustainable manner to have broader impacts and be consistent with borrowers' long-term debt serviceability.

Under the monetary policy framework with objectives of maintaining price stability, supporting sustainable and full-potential economic growth, and preserving financial stability, the Committee continues to put emphasis on supporting the economic recovery. The Committee will closely monitor key factors affecting the economic and inflation outlook, namely, global energy and commodity prices, higher cost pass-through, and geopolitical risks that could elevate and pose uncertainties in the period ahead. The Committee stands ready to use appropriate monetary policy tools if necessary.

Bank of Thailand

30 March 2022

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## Press Conference

# Monetary Policy Committee's Decision 2/2022

*30 March 2022*

**Piti Disyatat**

Assistant Governor, Monetary Policy Group



## Economic projection as of March 2022

	%	2021*	2022	2023
<b>GDP growth</b>		<b>1.6</b>	<b>3.2 (3.4)</b>	<b>4.4 (4.7)</b>
Domestic demand		1.6	3.4 (4.3)	3.2 (3.2)
Private consumption		0.3	4.3 (5.6)	4.1 (3.8)
Private investment		3.2	4.7 (5.4)	4.8 (5.0)
Government consumption		3.2	-0.7 (-0.3)	-1.7 (0.3)
Public investment		3.8	4.2 (3.6)	4.4 (1.4)
Exports of goods and services		10.4	6.3 (5.5)	8.5 (9.7)
Imports of goods and services		17.9	4.9 (4.6)	4.2 (4.6)
Current account (billion U.S. dollars)		-10.9	-6.0 (1.5)	10.0 (19.7)
Value of merchandise exports		18.8	7.0 (3.5)	1.5 (2.9)
Value of merchandise imports		23.4	11.6 (4.8)	2.0 (3.7)
Number of foreign tourists (million person)		0.4	5.6 (5.6)	19.0 (20.0)
Dubai crude oil price (U.S. dollars per barrel)		69.4	100.0 (68.3)	90.0 (69.5)
<b>Headline inflation</b>		<b>1.2</b>	<b>4.9 (1.7)</b>	<b>1.7 (1.4)</b>
<b>Core inflation</b>		<b>0.2</b>	<b>2.0 (0.4)</b>	<b>1.7 (0.7)</b>

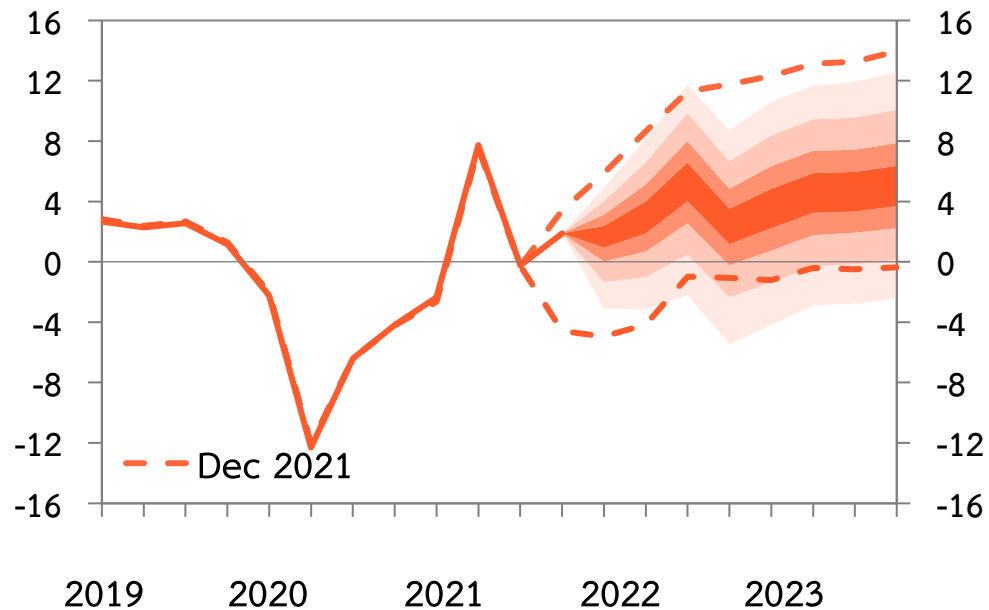
Note: \* Outturn

( ) Previous projection from *Monetary Policy Report*, Dec 2021

# The Thai economy will continue to recover despite some setbacks from the impact of sanctions against Russia

## GDP growth

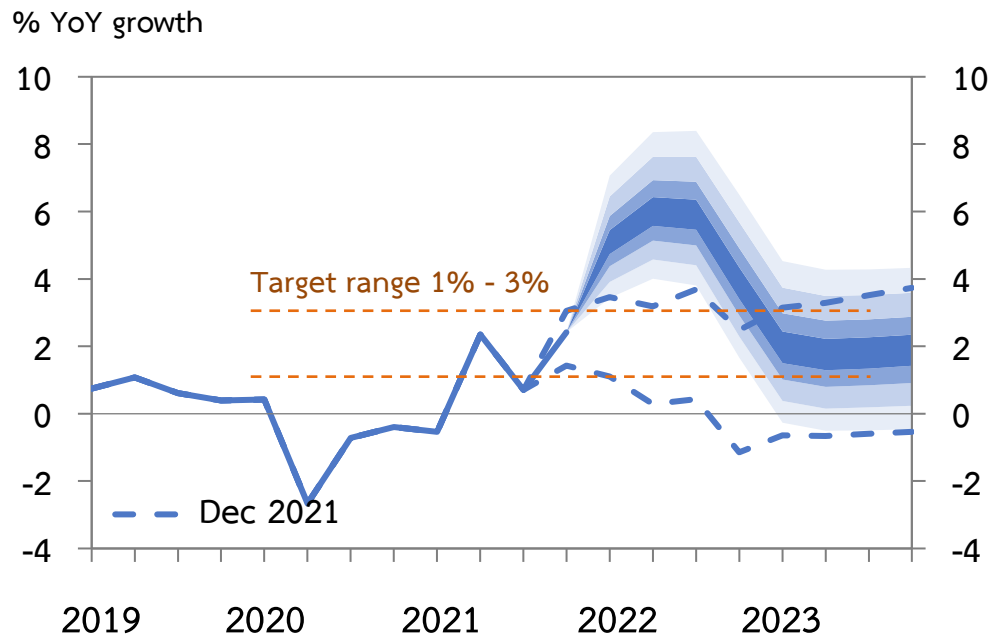
%YoY growth



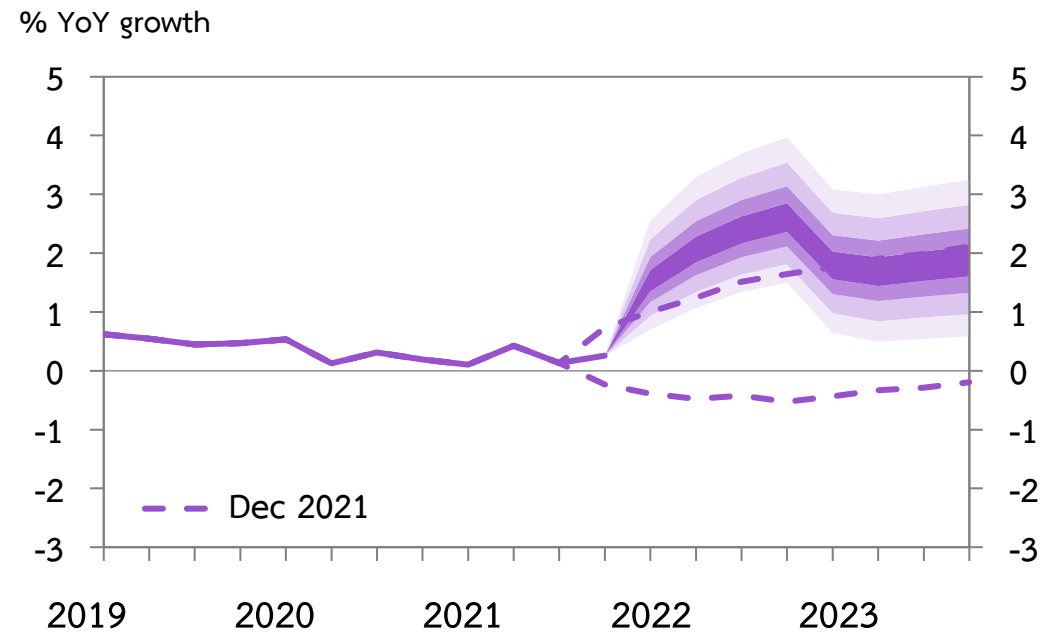
GDP growth (%YoY)	2022	2023
Previous projection (Dec 2021)	3.4	4.7
- Better-than-expected 2021 Q4 GDP and consumption outlook	0.4	
- Impact from the domestic outbreak of Omicron variant	-0.1	
- Slower trading partner economies due to Russian invasion of Ukraine	-0.2	-0.1
- Lower foreign tourist figures, especially from Russia		-0.2
- Higher oil and commodity prices	-0.3	
Total changes from the previous projection	-0.2	-0.3
Latest projection (Mar 2022)	3.2	4.4

Headline inflation in 2022 will exceed the upper bound of the target, but will return to the target range in 2023

### Headline inflation projection

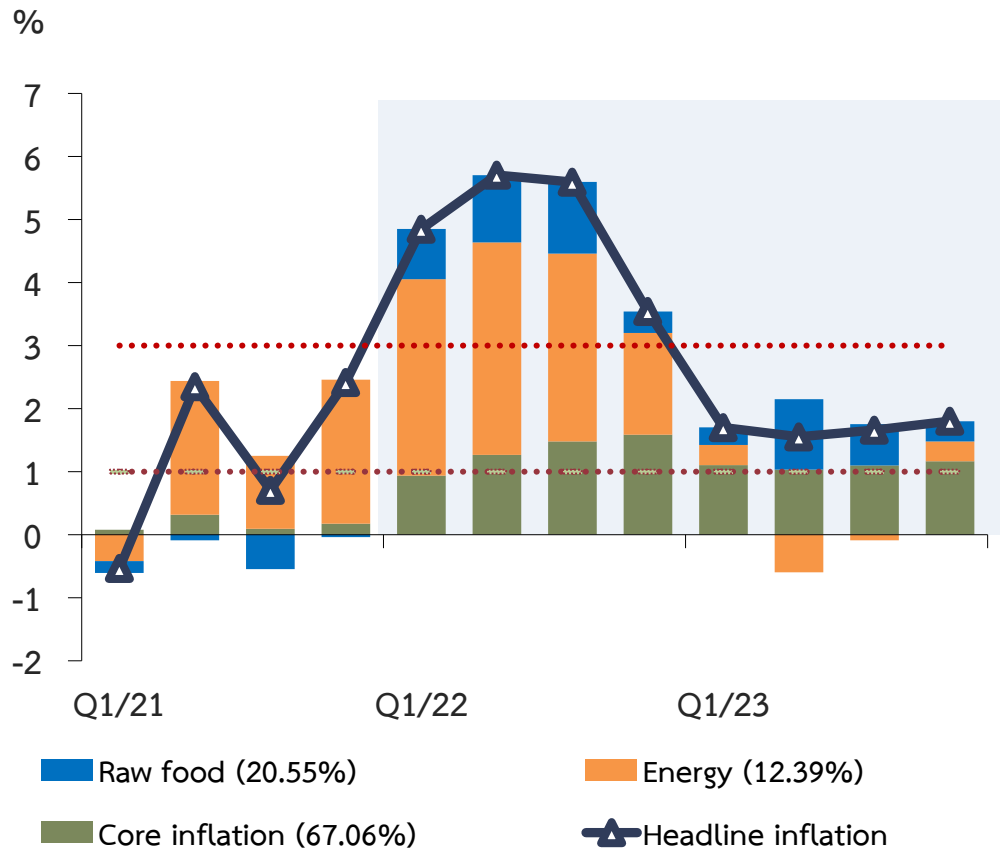


### Core inflation projection



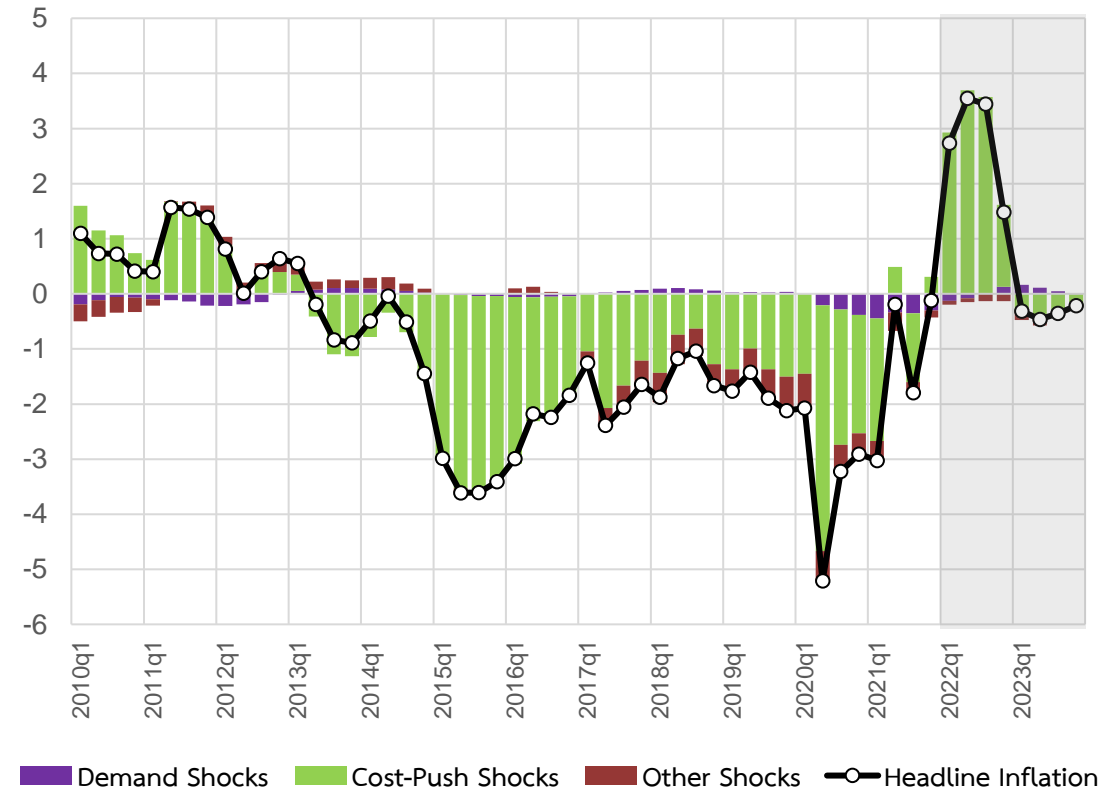
Inflation will rise sharply in the second and third quarters of 2022 due to supply-side factors. However, oil and food prices are expected to stabilize.

### Contribution to headline inflation



### Headline inflation decomposition

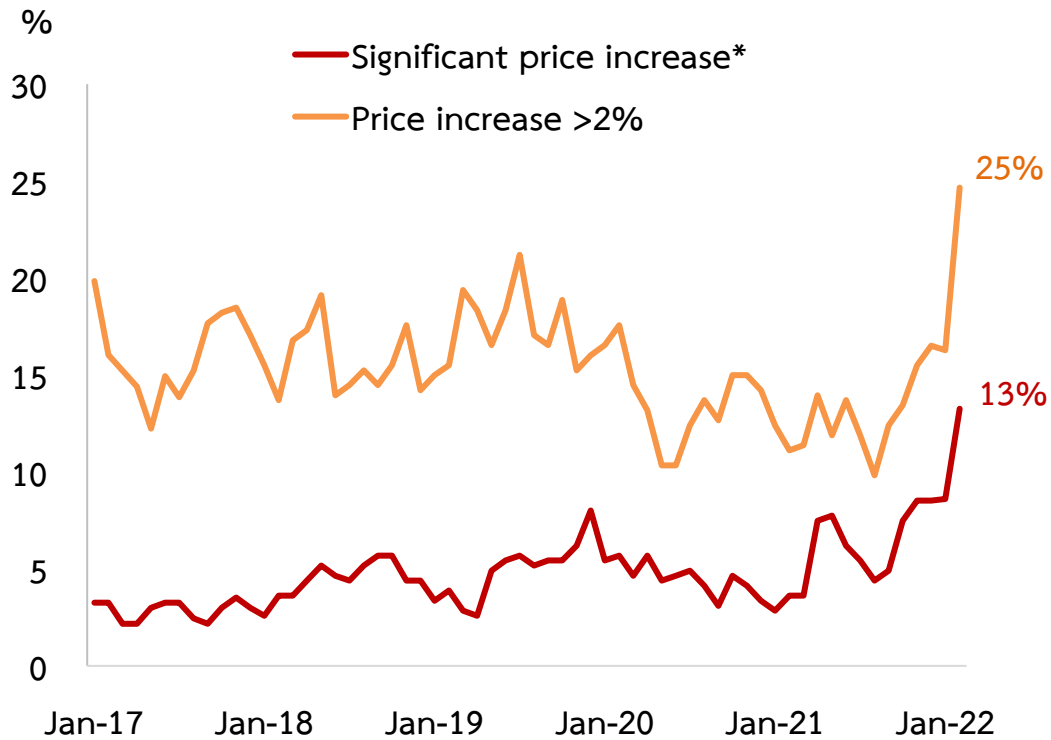
% Deviation from the mid-point of the target range



Note: calculated from the Integrated Policy Macro Model

# Greater share of products exhibits upward price adjustments, mostly reflecting cost pass-through in energy and food categories

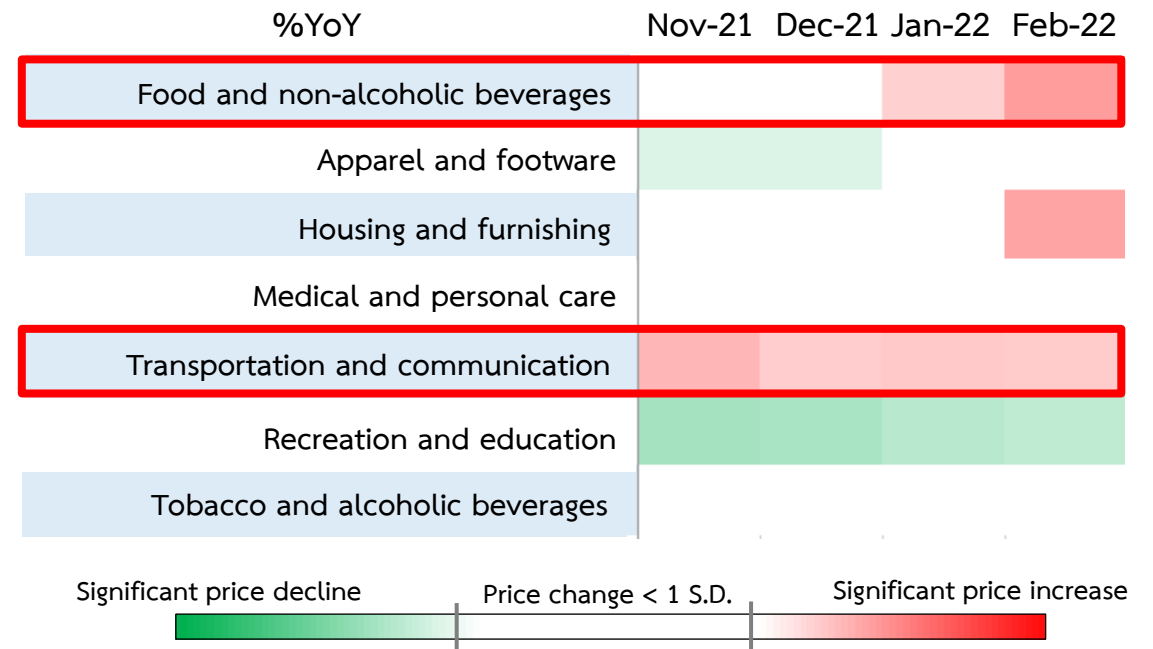
The proportion of goods and services with price increases has risen



Source: Ministry of Commerce, calculations by BOT

Note: \* denote year-on-year price increases that are more than 2 S.D. of the 5-year historical average

Price rises have been concentrated in energy and food categories

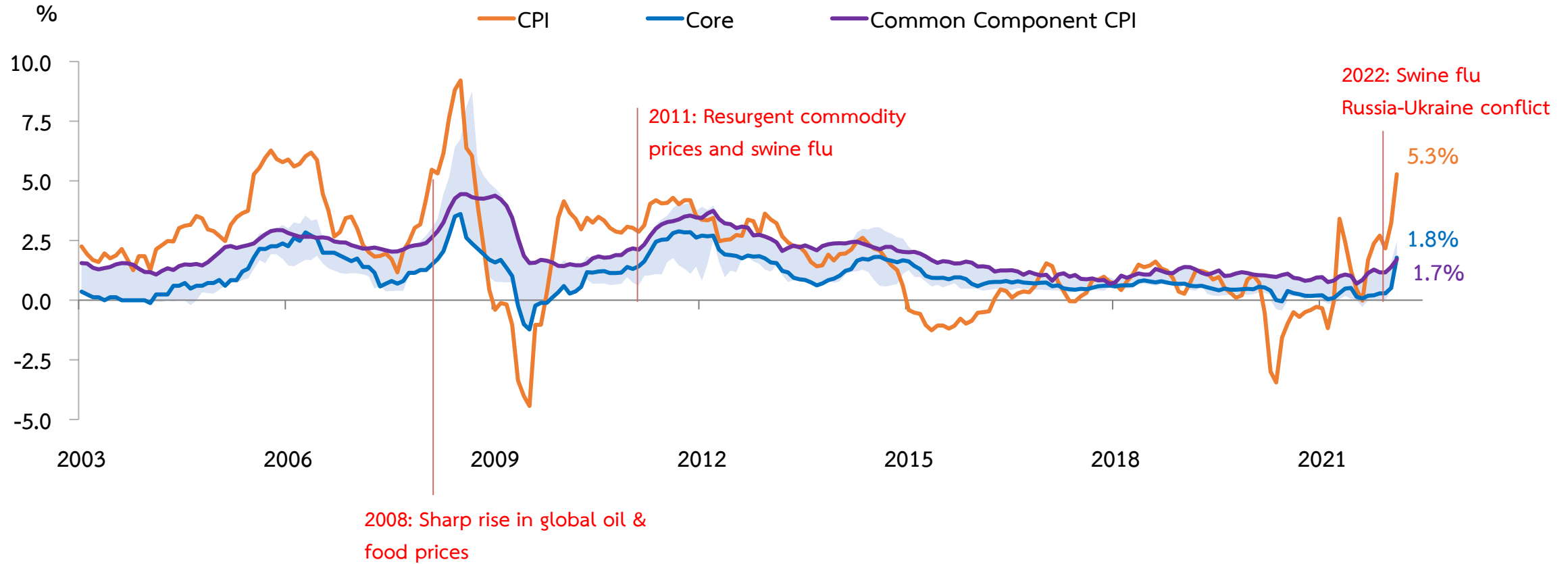


Source: Ministry of Commerce, calculations by BOT

Note: Z-score of year-on-year changes calculated from the 5-year historical average. The high increase in housing and furnishing prices in Feb 22 was due to the base-effect in the previous year from government electricity and water subsidies.



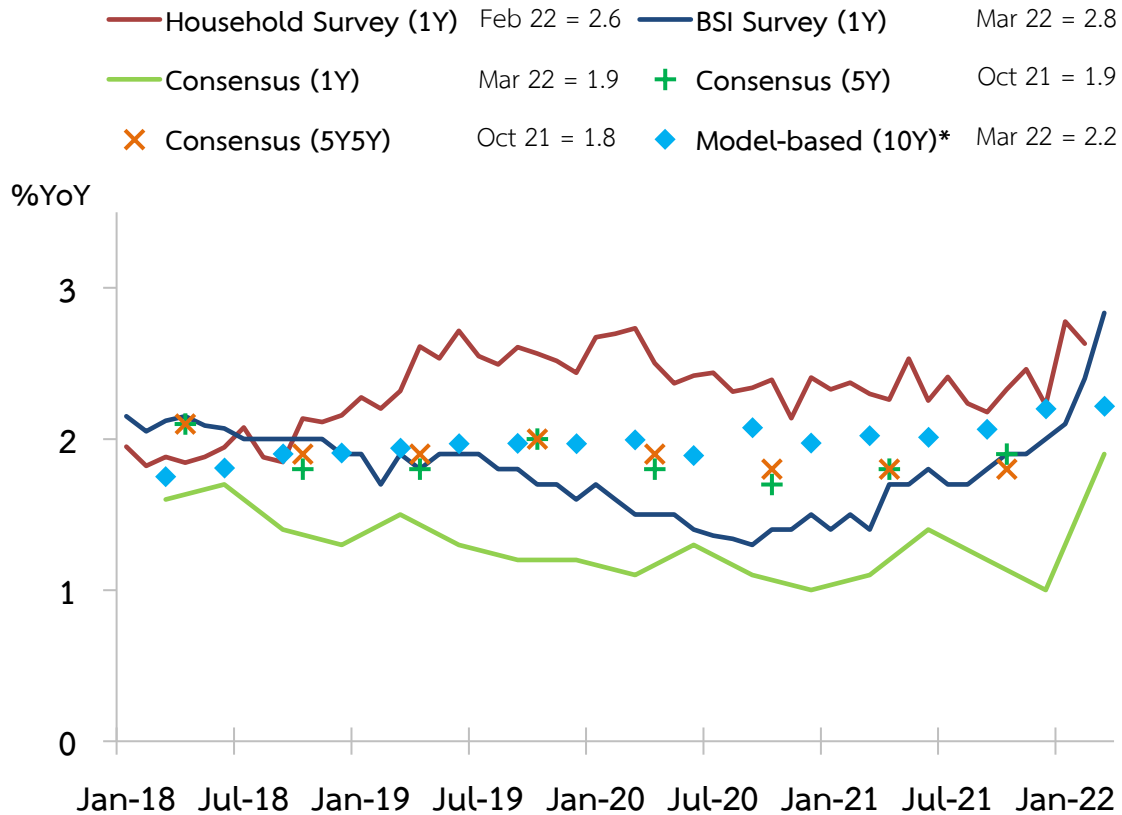
# Underlying inflation indicators have not signaled concerning inflationary pressures but warrant continued close monitoring



Note: Shaded region represents the range of underlying inflation indicators. Common Component CPI represents common price movements across 213 items in the CPI basket as extracted by a Generalized Dynamic Factor Model.

# Medium-term inflation expectations remain consistent with the monetary policy target

## Short-term inflation expectations have risen



## However, medium-term inflation expectations remain anchored within the target range



## Key factors to monitor going forward

- Continuity of economic recovery
- Energy and commodity prices as well as higher cost pass-through
- Inflation outlook and medium-term inflation expectations