



ธนาคารแห่งประเทศไทย
BANK OF THAILAND



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BANK OF THAILAND

Analyst Meeting No. 2/2022

27 June 2022

(The economic projections are based on data as of 7 June 2022)



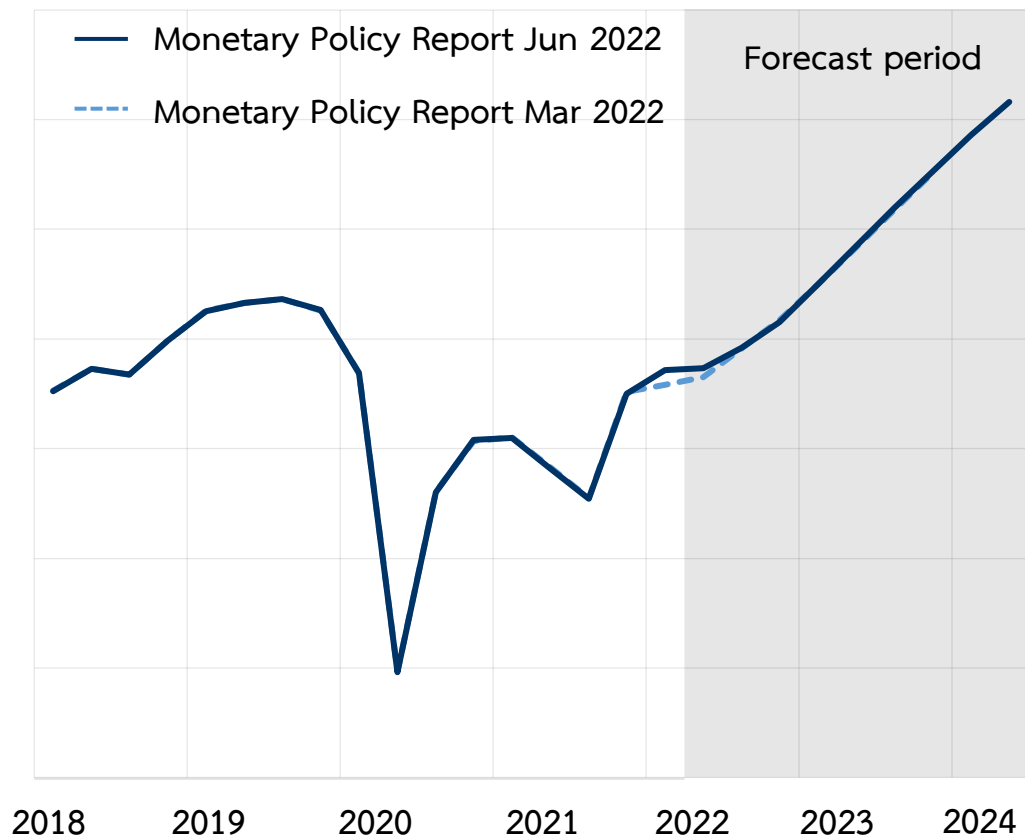
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Thailand's economic and inflation outlook



The Thai economy is expected to continue expanding in 2022 and 2023

Real GDP



Growth (%YoY)	2021*	2022		2023	
		Mar 2022	Jun 2022	Mar 2022	Jun 2022
GDP growth	1.5	3.2	3.3	4.4	4.2
Domestic demand	1.6	3.4	3.6	3.2	3.0
Private Consumption	0.3	4.3	4.9	4.1	3.6
Private Investment	3.3	4.7	5.4	4.8	4.5
Government Consumption	3.2	-0.7	-1.9	-1.7	-0.5
Government Investment	3.8	4.2	3.5	4.4	3.4
Exports of goods and services	10.4	6.3	7.1	8.5	8.2
Imports of goods and services	17.9	4.9	5.3	4.2	4.2
Current account (billion U.S. dollars)	-10.6	-6.0	-8.0	10.0	5.0
Value of merchandise exports	18.8	7.0	7.9	1.5	2.1
Value of merchandise imports	23.4	11.6	13.8	2.0	3.5
Number of foreign tourists (million persons)	0.4	5.6	6.0	19.0	19.0

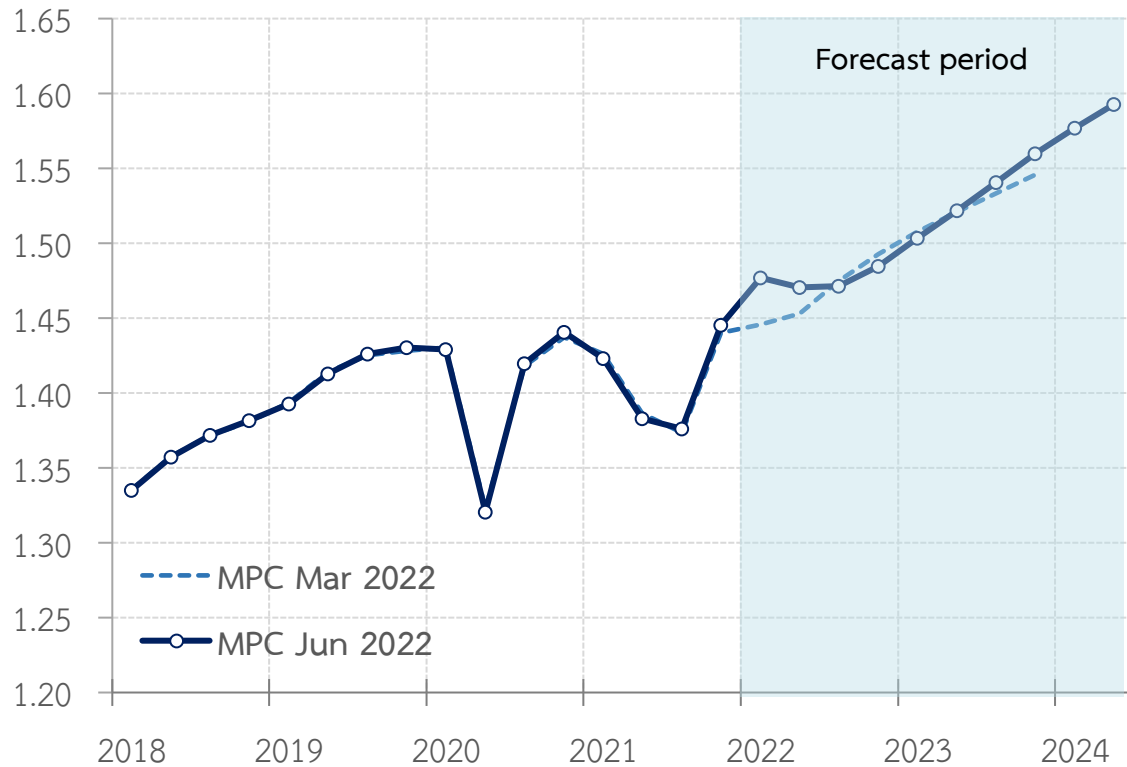
Note: *outturn

Sources: NESDB, BOT forecast

The recovery in domestic demand and tourism are key growth drivers for the Thai economy in the period ahead

Private Consumption Forecast

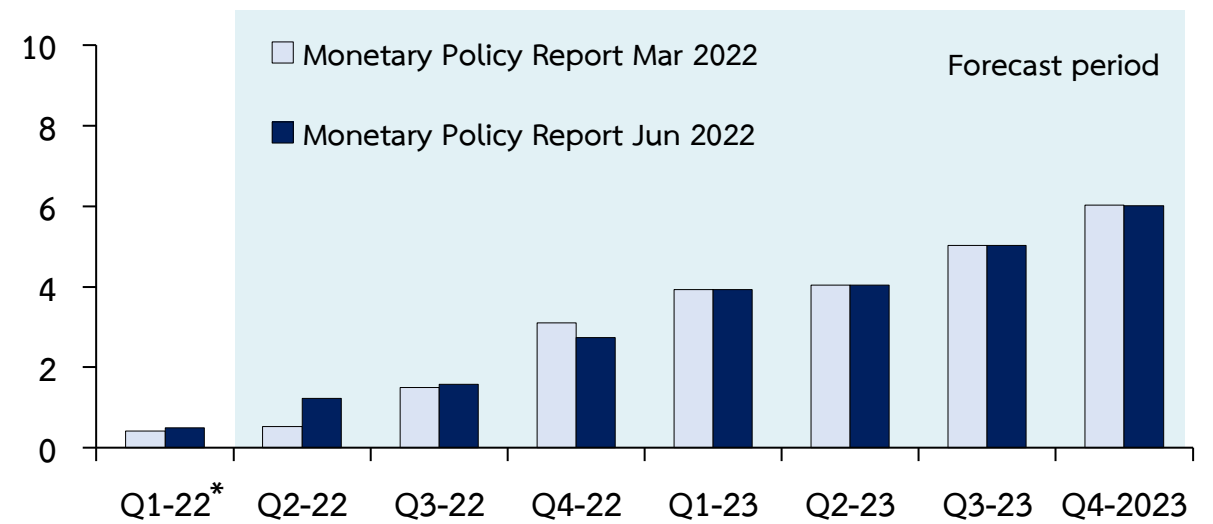
Trillion baht



	2010-2019	2022	2023
Average %QoQ	0.8	0.7	1.2

Foreign Tourist Arrivals Forecast

Million persons



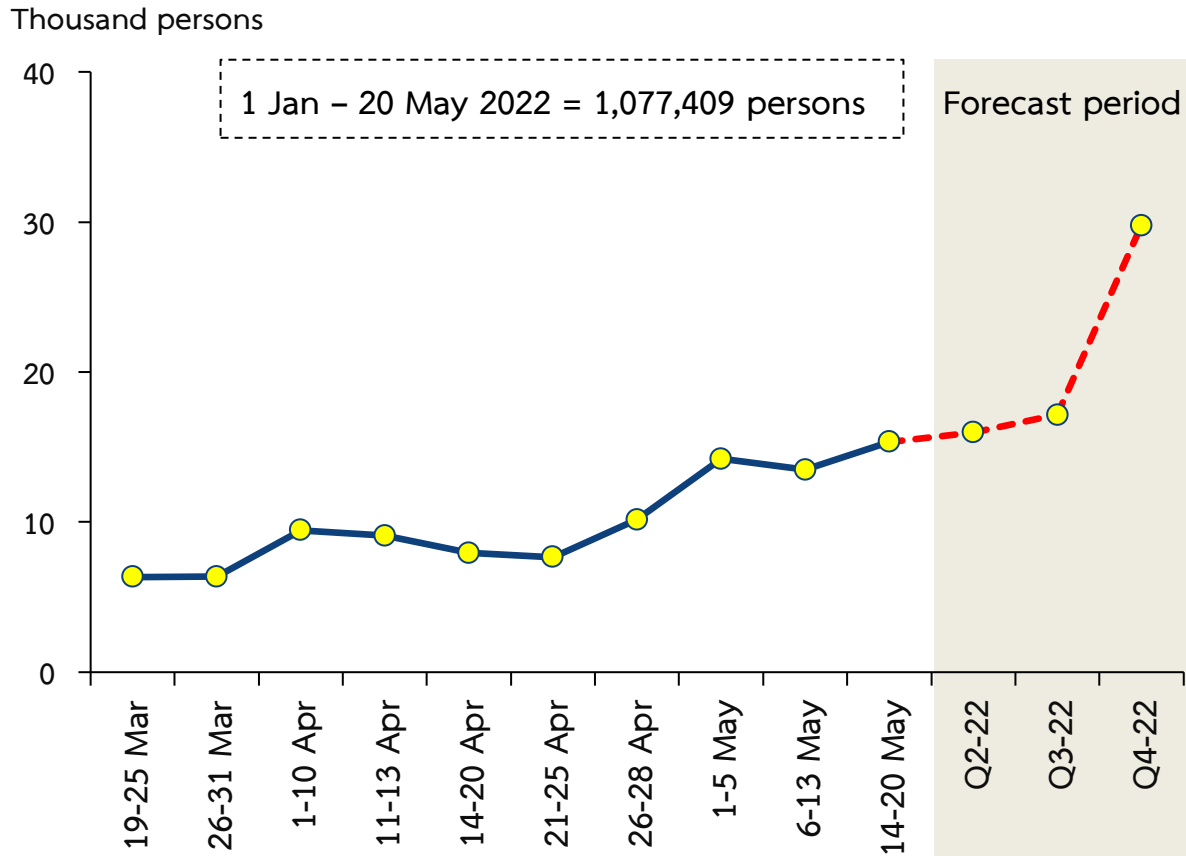
	2022		2023	
	Mar 2022	Jun 2022	Mar 2022	Jun 2022
Foreign tourist arrivals (million persons)	5.6	6.0	19.0	19.0
% of 2019 figure	13.9%	15.2%	47.7%	47.7%

Note: *outturn as of Q1-2022

Sources: BOT forecast

The recovery in foreign tourist arrivals is expected to continue in line with tourism indicators and the plans to ease all travel restrictions for foreign tourists

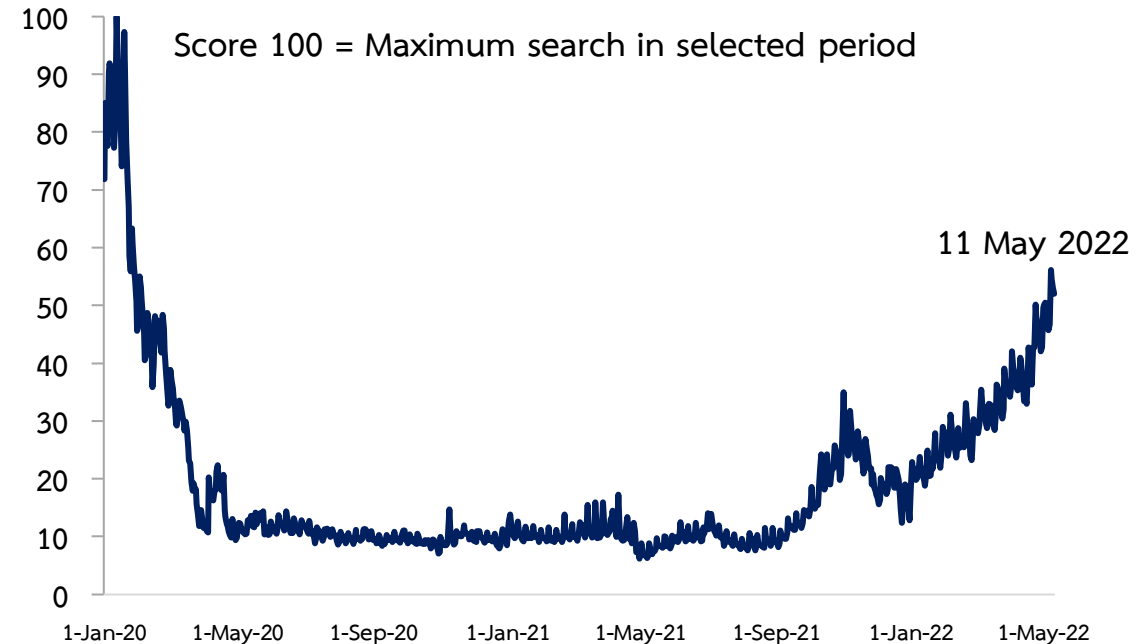
Number of tourists* (daily average)



* Data from weekly tourism situation report

Sources: Economics Tourism and Sports Division, Ministry of Tourism and Sports, BOT forecast

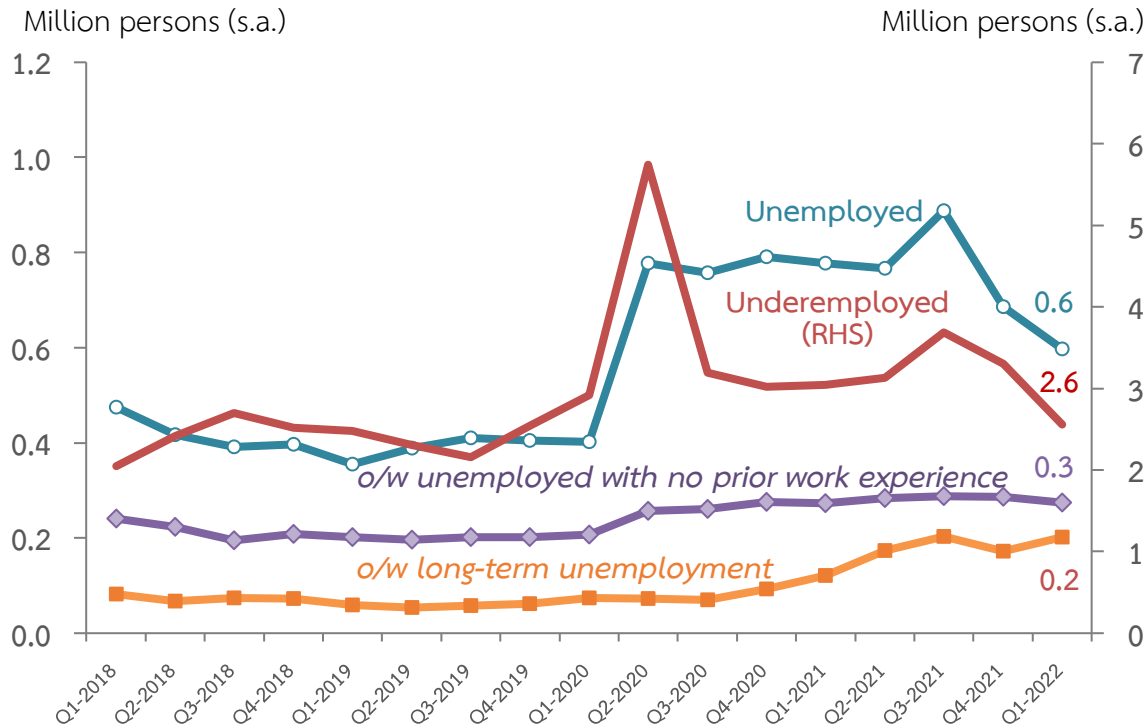
International travellers' search interest in flights to and accommodation in Thailand



Source: Google Travel Insights

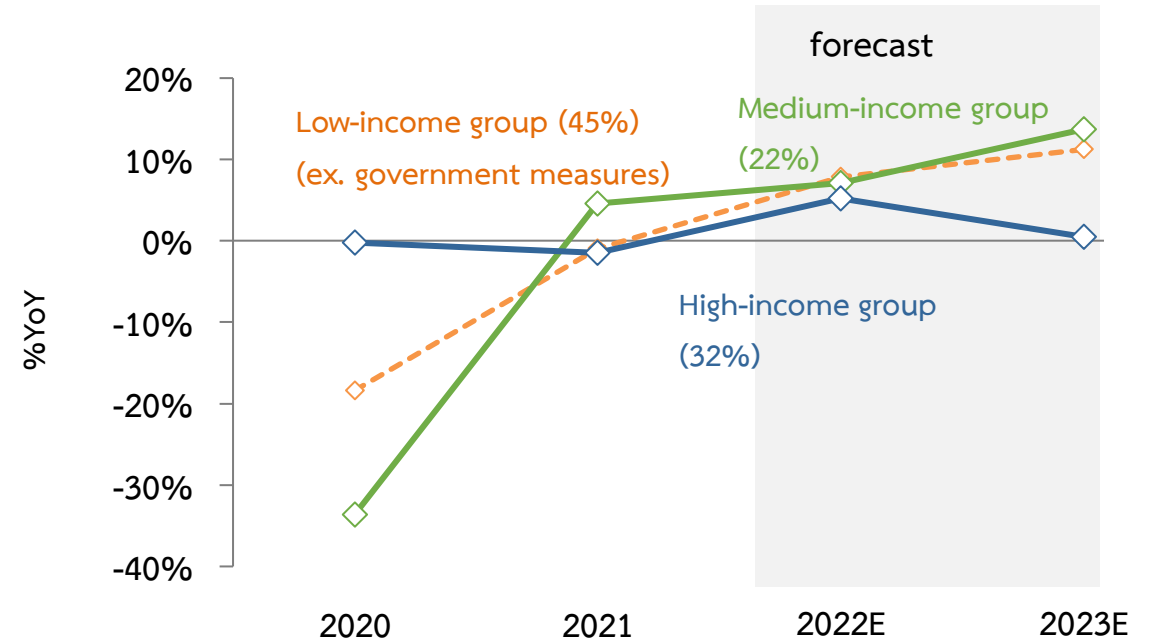
Labor market conditions and non-farm income are expected to see further improvements as economic activities pick up

Labor Market Indicators



Note: Long-term unemployment is defined as being unemployed for longer than 1 year. Underemployment is defined as those who work less than 4 hours per day. Data has been revised per the NESDC's Report of the Population Projections for Thailand 2010-2040 (Revision). Source: National Statistics Office's Labor Force Survey, BOT forecast

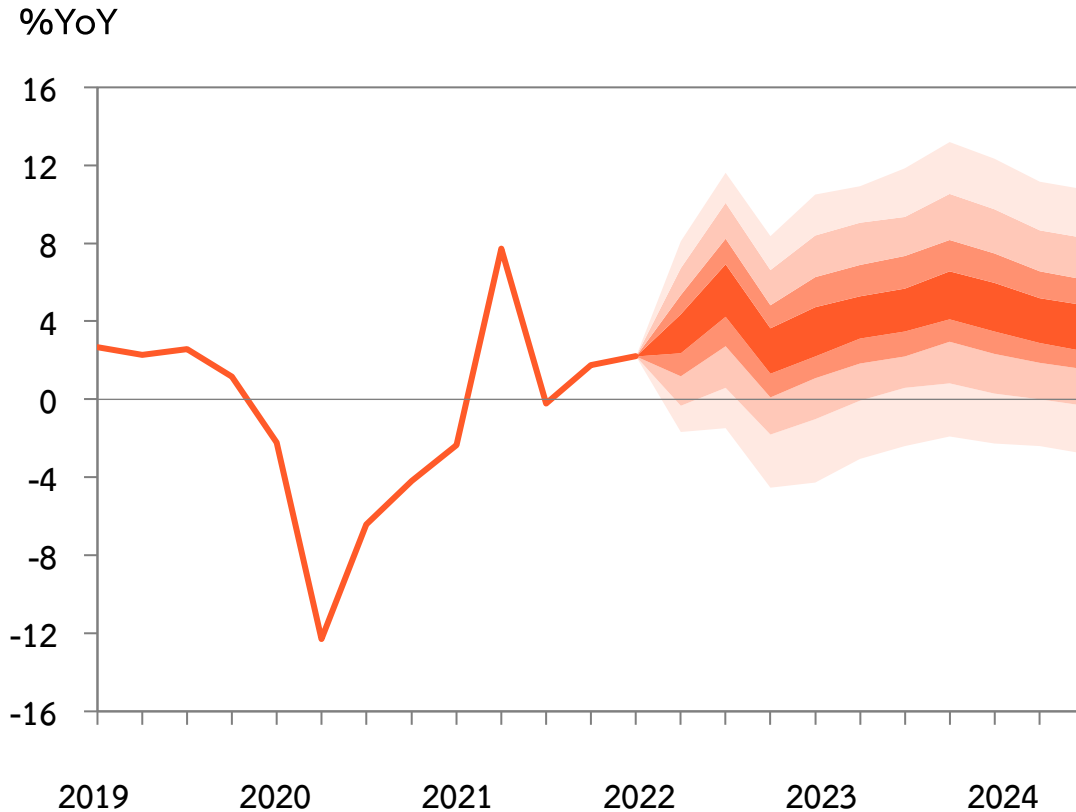
Growth in Non-Farm Income



Note: * Occupations are grouped based on their average income in 2021. Low-income group are private sector workers in the service and manufacturing sectors (excluding professional workers). Medium-income group are those that are self-employed workers. High-income group are professional workers in the private sector. Brackets () denote each group's share of total private consumption in 2021. Sources: National Statistics Office, BOT calculations and forecast

Thailand's economic recovery is gaining traction and could be stronger than previously expected

GDP Growth



Factors that could result in GDP growth outperforming the baseline projection

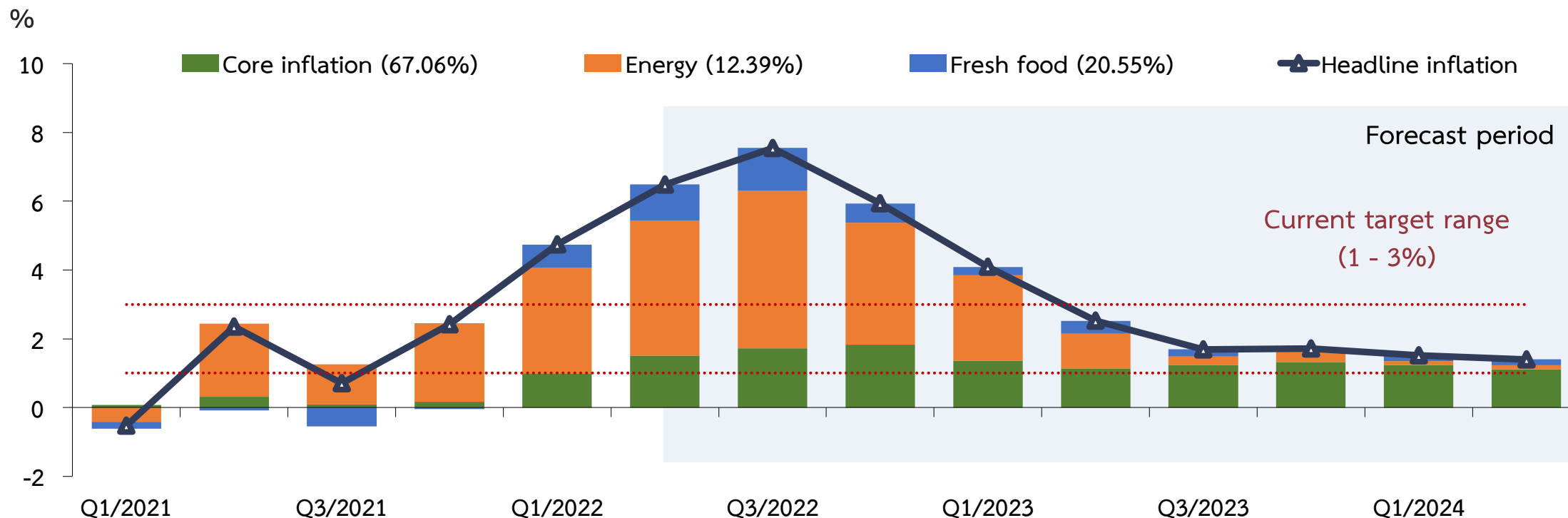
- Stronger-than-expected recovery in domestic demand and the tourism sector, especially due to pent-up demand
- Higher-than-expected foreign tourist figures

Factors that could result in GDP growth underperforming the baseline projection

- Outbreak in China being more prolonged than expected, affecting global growth and supply chains



Headline inflation projections for 2021 and 2022 are revised upward on account of domestic energy prices, higher cost passthrough, and the upcoming minimum wage increase



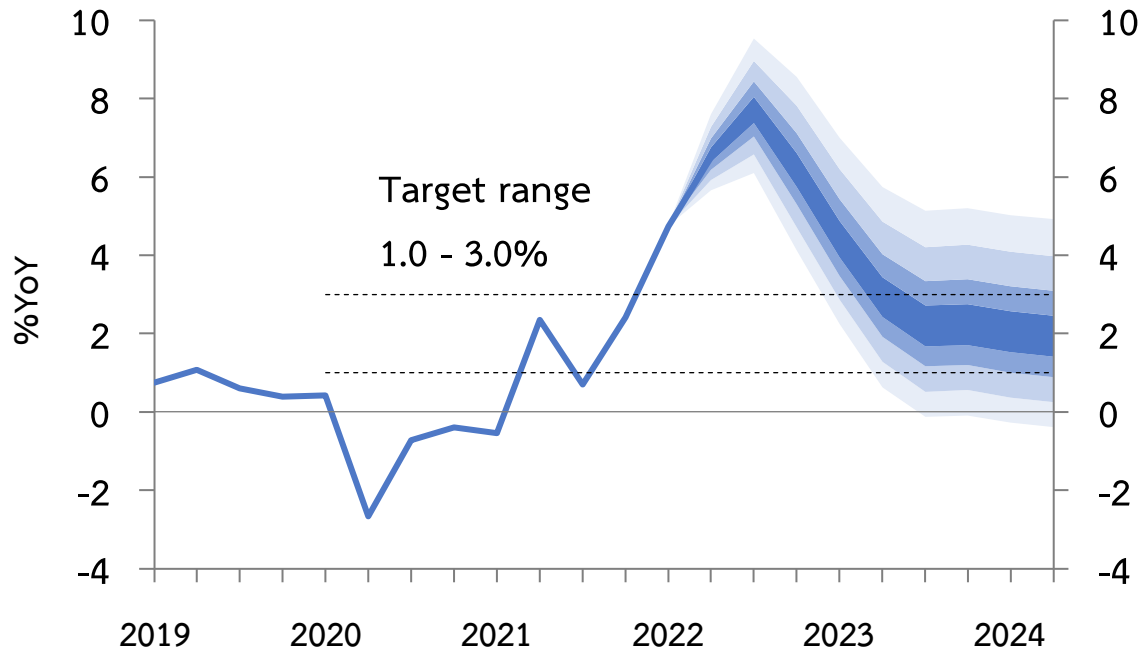
Note: () denotes weight in CPI basket
Source:s Ministry of Commerce, BOT forecast

%	2022	2023
Headline inflation	6.2 (4.9)	2.5 (1.7)
Core inflation	2.2 (2.0)	2.0 (1.7)

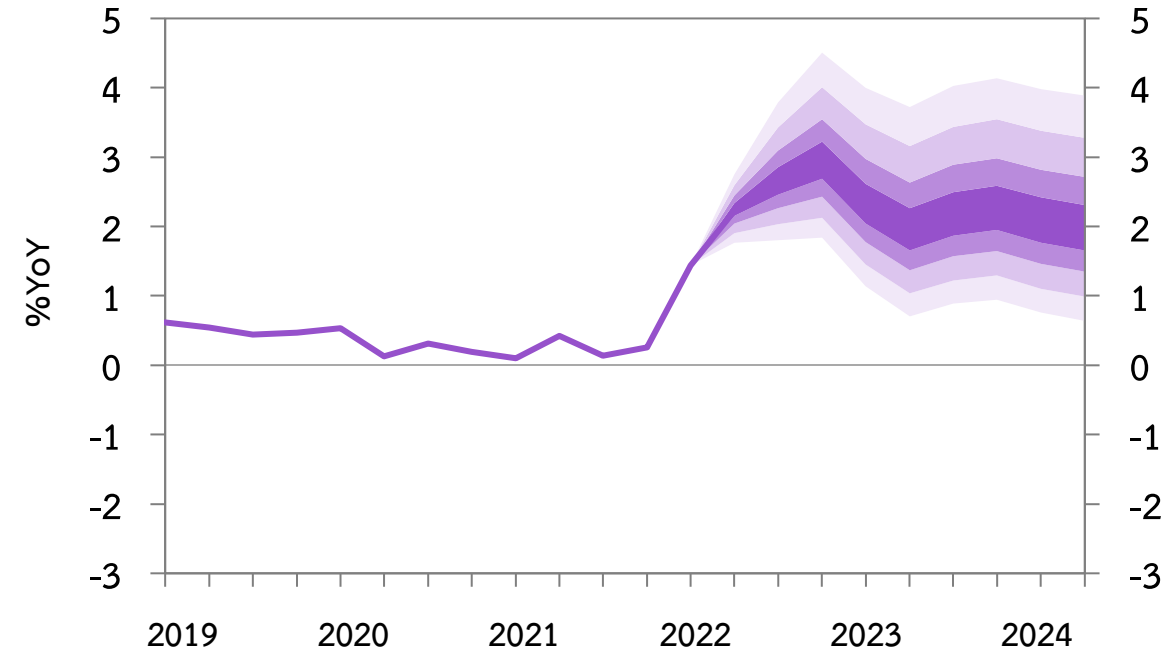
Note: () previous forecast from *Monetary Policy Report* March 2022
Sources: Ministry of Commerce, BOT forecast

Upside risks to headline inflation have increased

Headline Inflation Forecast



Core Inflation Forecast



Factors that could cause inflation to be higher than the baseline projection

- Higher-than-expected oil prices
- Larger and faster domestic cost passthrough
- Demand-pull inflationary pressures in tandem with the economic recovery

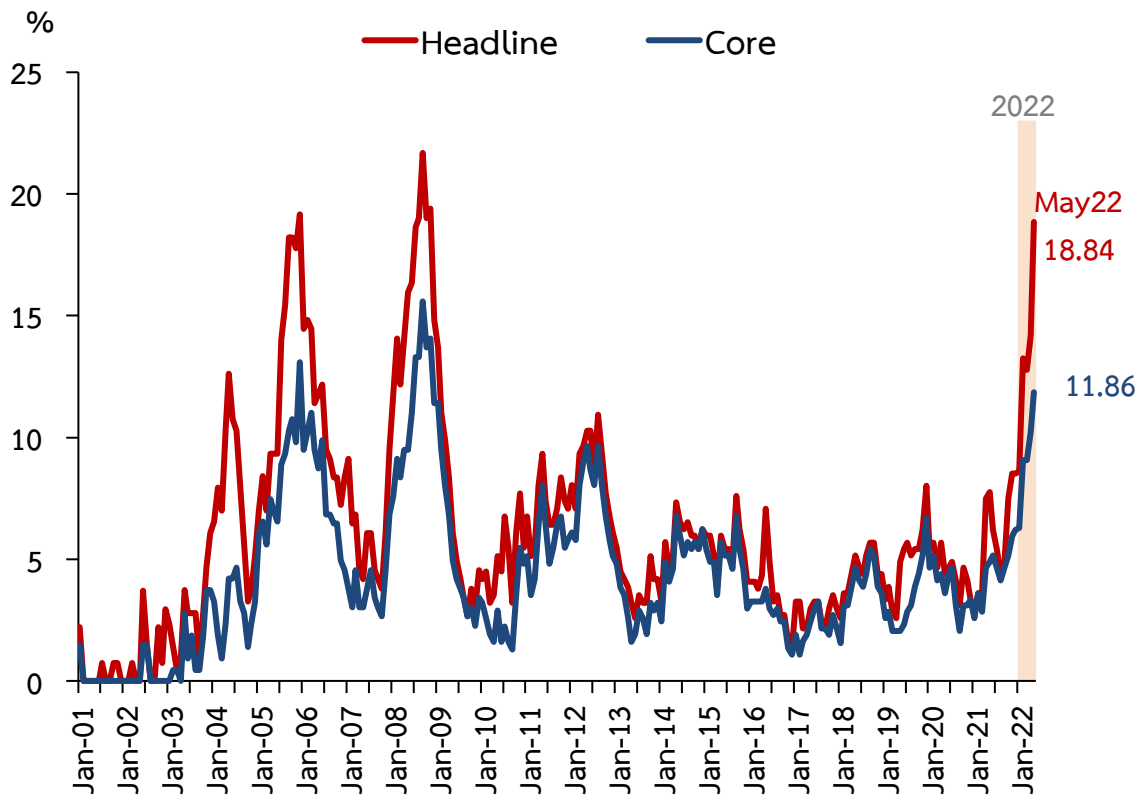


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Key monetary policy discussions

The increase in prices of goods and services have broadened to more categories, partly due to higher cost passthrough from businesses to consumers

Share of goods and services in the CPI basket whose prices have increased significantly*



* Defined as year-over-year price increase by more than 2 S.D. from the 5-year average. Core refers to the share of core goods compared to all the goods in the CPI basket.

Sources: Ministry of Commerce, BOT calculation

Price increases in the CPI basket by categories

Continuity of price increase (%MoM)		Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022
Fresh food	Rice, flour, and cereal product	Green	Green	Red	Green	White	White
	Meat, poultry, and fish	Red	Red	Green	White	White	Red
	Eggs and dairy products	White	Red	White	White	Red	White
	Vegetable and fruits	Green	Green	White	White	Red	White
Energy	Fuel	Green	Red	Red	Red	White	Red
	Cooking gas	White	White	White	White	Red	Red
	Electricity	White	White	White	White	Red	Red
Core inflation	Seasoning and condiments	White	White	Red	White	White	Red
	Prepared food	White	Red	White	White	White	White
	Electrical appliances and furniture	White	Red	White	White	Red	White
	Cleaning supplies	Green	White	Red	White	Red	White
	Personal care	White	White	White	White	Red	White
	Public transportation services	White	White	White	Red	White	White
	Tobacco and alcoholic beverages	White	White	White	White	White	White
	Recreation and education	White	White	White	White	White	Red
	Apparel and footwear	White	White	White	White	White	White
	Water supply	Green	Green	Green	Green	Green	Green
	Rent	Green	Green	Green	Green	Green	Green

■ More than 0.5 S.D. price decrease ■ More than 0.5 S.D. price decrease
■ Less than 0.5 S.D. price change ■ More than 1 S.D. price increase

Several underlying inflation indicators have exhibited increases and are subject to upside risks, especially if strong economic recovery gives rise to demand-pull inflationary pressures

Underlying Inflation Indicators

Underlying inflation indicators (%YoY)	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022
Core CPI	0.5	1.8	2.0	2.0	2.3
Core CPI (excl. rent & measures)	0.7	2.2	2.4	2.6	2.8
Symmetric trimmed mean CPI	1.2	2.2	2.4	2.4	3.2
Sticky Price CPI	0.5	2.4	2.8	2.7	3.2
Principal Component CPI	0.5	1.1	1.3	1.5	2.0
Common Component CPI	1.4	1.7	1.8	1.9	2.2

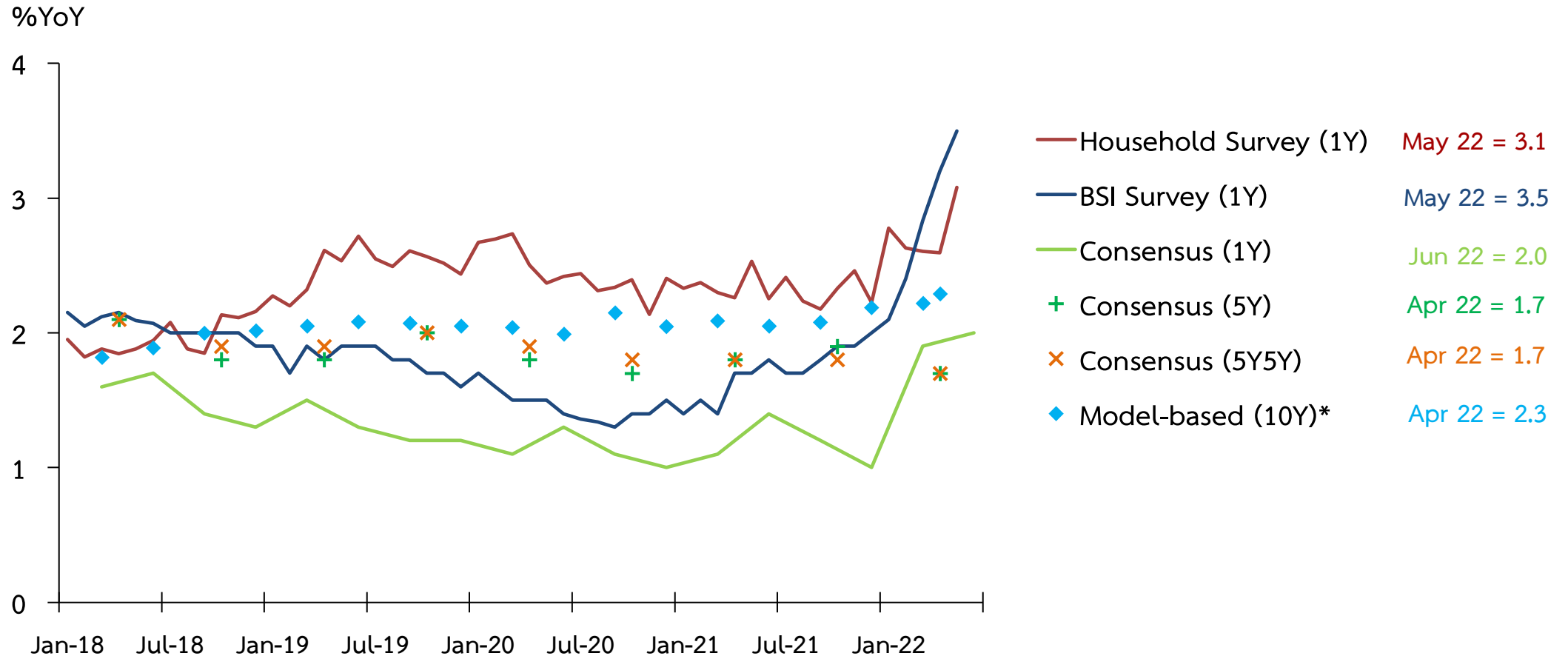
- Less than 0.5% from median
- Less than 0.25% - 0.5% from median
- Close to median (+/- no more than 0.25%)
- More than 0.25% - 0.5% from median
- More than 0.5% from Median

Note: Median is 2% which is the mid-point of the 1-3% target range

Sources: Ministry of Commerce, calculated by BOT

Note: These monthly indicators are expressed as year-over-year changes. Symmetric trimmed mean CPI excludes goods and services whose prices have increased/decreased as much as 10% Sticky Price CPI is calculated from goods and services whose prices changed infrequently compared to the average of 4.8 times per month. Principal Component CPI is calculated from common underlying factors underpinning the change in price of goods and services across 28 categories. Common Component CPI is calculated using Generalized dynamic factor model

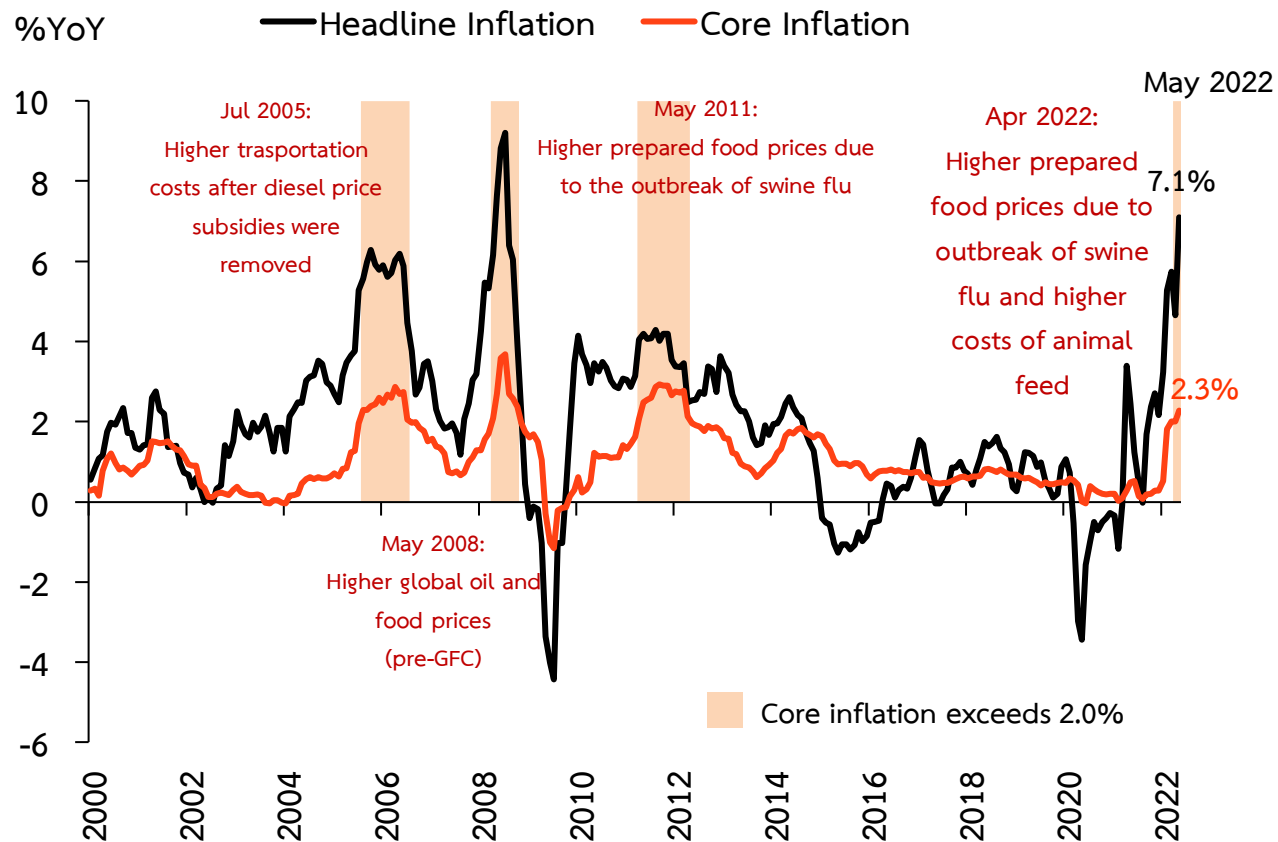
Medium-term inflation expectations remain well-anchored within the target range despite some increases in the short-term inflation expectations



Note: *Forecasted using affine term structure model which utilizes yield curve data and macroeconomic factors

Source: Asia Pacific Consensus Economics, Business Sentiment Survey (BOT), Consumer Confidence Index (Ministry of Commerce)

Monetary policy should respond in a timely manner to keep inflation expectations well-anchored and prevent anticipations of an inflation regime change

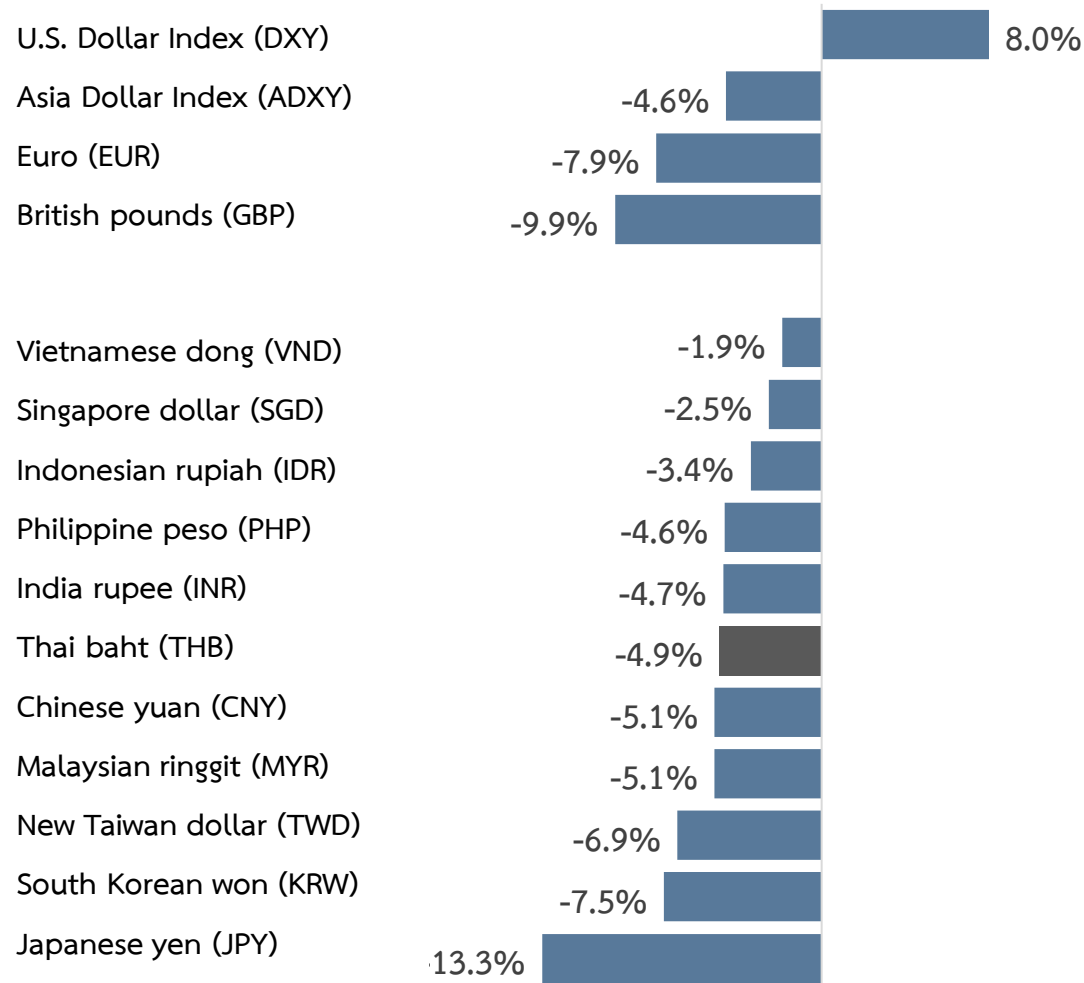


Source: Ministry of Commerce

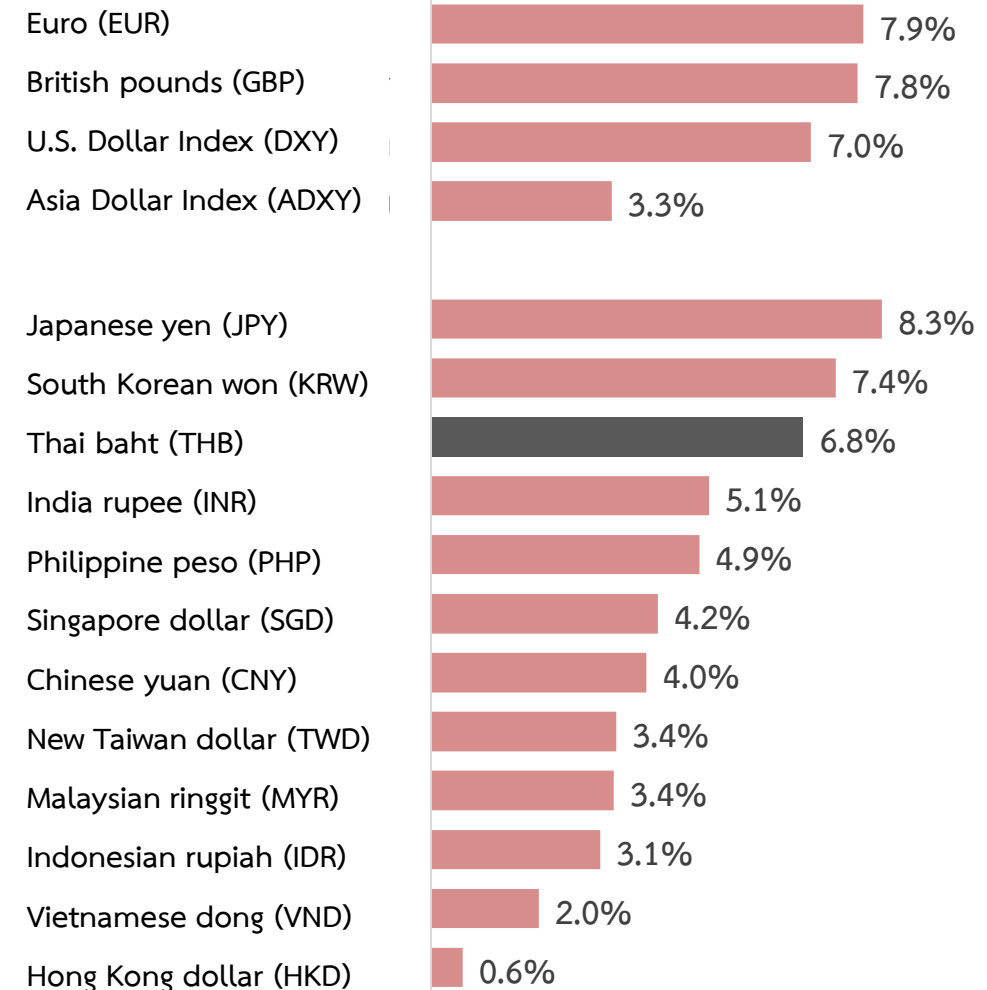
- Core inflation exceeded 2%, same as the previous episodes of high inflation in 2005, 2008, and 2011
- Changes in the public's view on inflation (inflation psychology) might lead to persistently high core inflation, such as through higher pricing or negotiations for higher wages based on recent inflation outcomes.
- Monetary policy should respond in a timely manner and adapt to the changing growth and inflation outlook. This is to prevent the public's expectations of persistently rising inflation (regime change). The appropriate course of monetary policy actions would foster confidence among the general public and keep medium-term inflation expectations well-anchored within the target range.

The baht depreciated in line with regional currencies

Exchange rate movements in 2022



Exchange rate volatility in 2022



Sources: Reuters, Bloomberg (Data as of 16 Jun 2022)

The MPC voted 4 to 3 to keep the policy rate on hold. All members agreed that a very accommodative monetary policy will be less needed going forward

MPC Meeting No. 3/22
(8 Jun 2022)

MPC voted 4 to 3
to maintain the policy rate at **0.50%**
3 members voted to raise the policy rate
by 0.25 percentage point

The MPC assesses that the Thai economy will continue to recover and could expand faster than previously expected owing to stronger domestic demand and the pickup in the number of foreign tourists. Headline inflation would increase and remain elevated for longer than previously estimated due to the increase in oil prices and the higher and more persistent cost passthrough. Looking ahead, the MPC views that a very accommodative monetary policy will be less needed going forward.

Most MPC members view that the policy rate should be maintained at this meeting to ensure that the recovery will continue to gain traction as anticipated. Three MPC members view that policy normalization is warranted given the increased upside risks to both growth and inflation.

The financial system remains resilient overall. However, some households and businesses remain vulnerable to rising living and production costs. The MPC sees the need to continue implementing debt restructuring measures as well as measures targeted for the vulnerable groups.

The MPC will assess the appropriate timing for a gradual policy normalization in accordance with the shift in the outlook and risks surrounding growth and inflation.