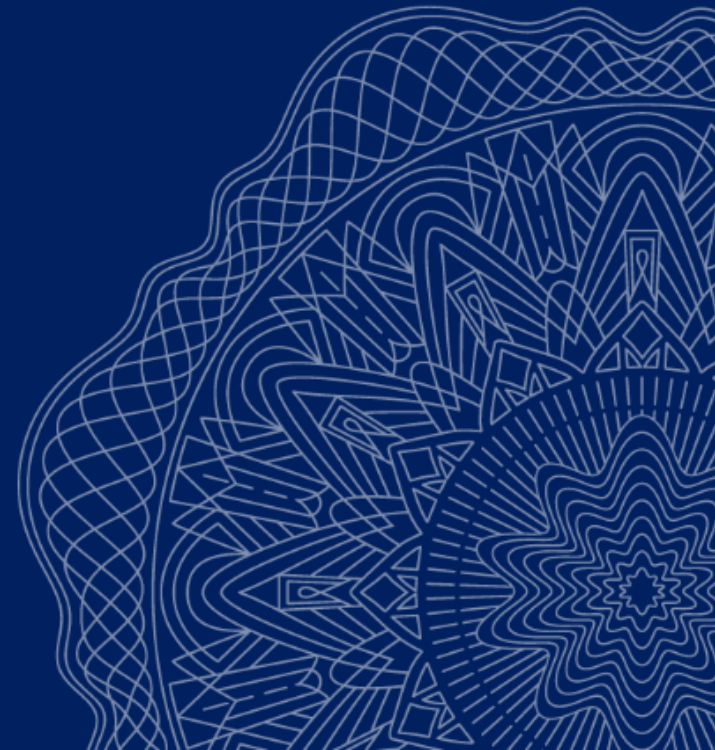


Monetary Policy Forum 3/2024

30 October 2024

(Economic projections as of 15 October 2024)





Economic outlook

The overall Thai economy is projected to expand as anticipated, with more balanced growth across GDP components going forward.

However, the recovery remains uneven across sectors.



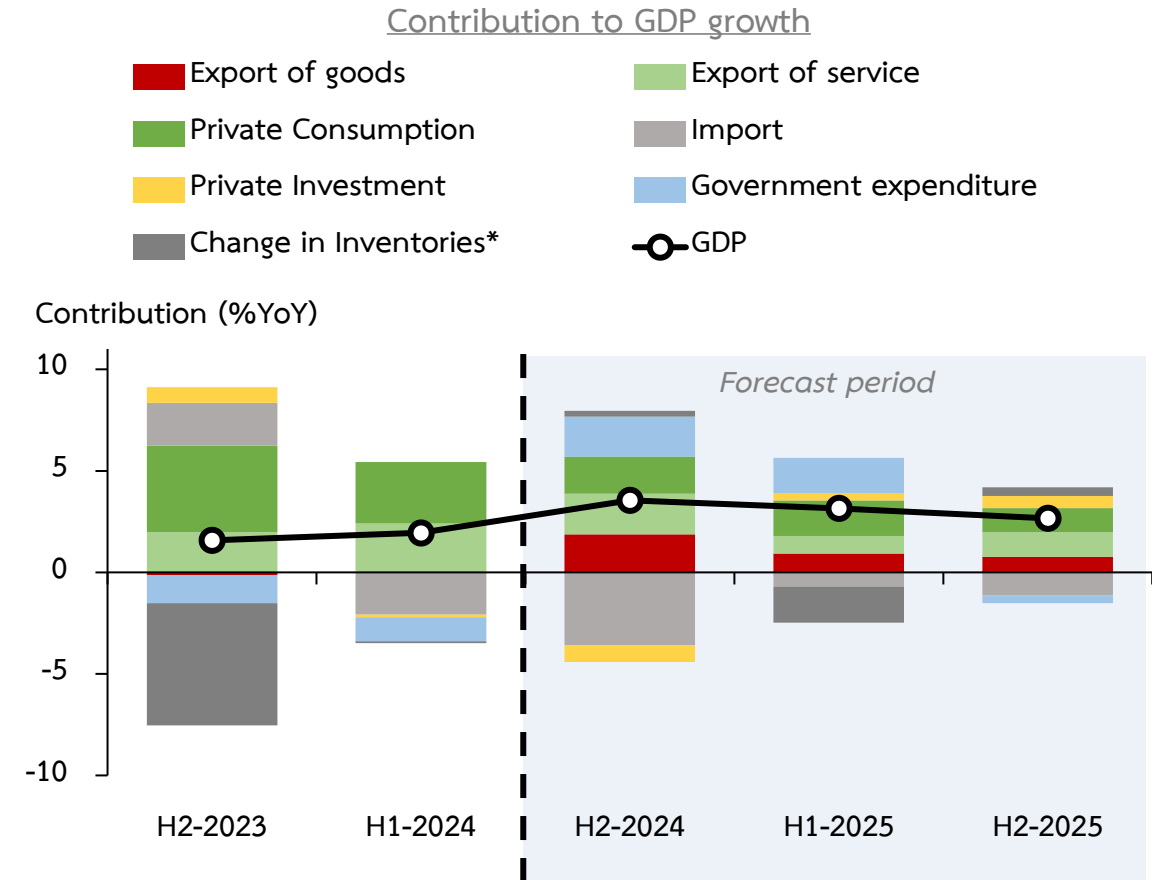
The Thai economy would expand at rates close to the previous assessment,
mainly driven by domestic demand and tourism.

Growth projections

%YoY	2023*	2024	2025
GDP Growth	1.9	2.7	2.9
Domestic demand	3.5	2.4	2.7
Private consumption	7.1	4.2	2.5
Private investment	3.2	-2.8	2.9
Government consumption	-4.6	2.0	2.6
Public investment	-4.6	1.1	4.5
Export volume of goods and services	2.1	4.8	2.8
Import volume of goods and services	-2.3	4.4	1.4
Current Account (billion U.S. dollars)	7.4	10.0	16.0
Value of merchandise exports (%YoY)	-1.5	2.8	2.0
Value of merchandise imports (%YoY)	-3.8	5.1	0.4
Number of foreign tourists (million persons)	28.2	36.0	39.5

Note: * Outturn, projections take into account the effects of economic stimulus measures

The Thai economy would continue to expand with more
balanced growth across GDP components going forward



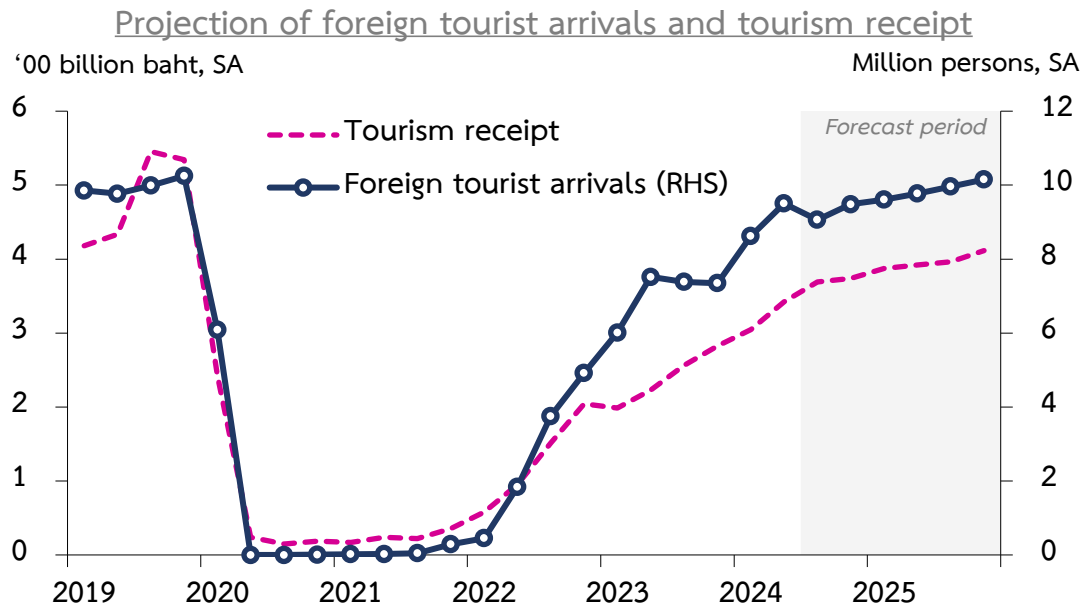
Note: * includes statistical discrepancy or CVM additive error

Source: Office of the National Economic and Social Development Council (NESDC), BOT forecast



Foreign tourist arrivals and tourism receipt have continued to increase, but the benefits have been concentrated to some groups in the sector.

Foreign tourist arrivals projection for 2024 is revised up ...

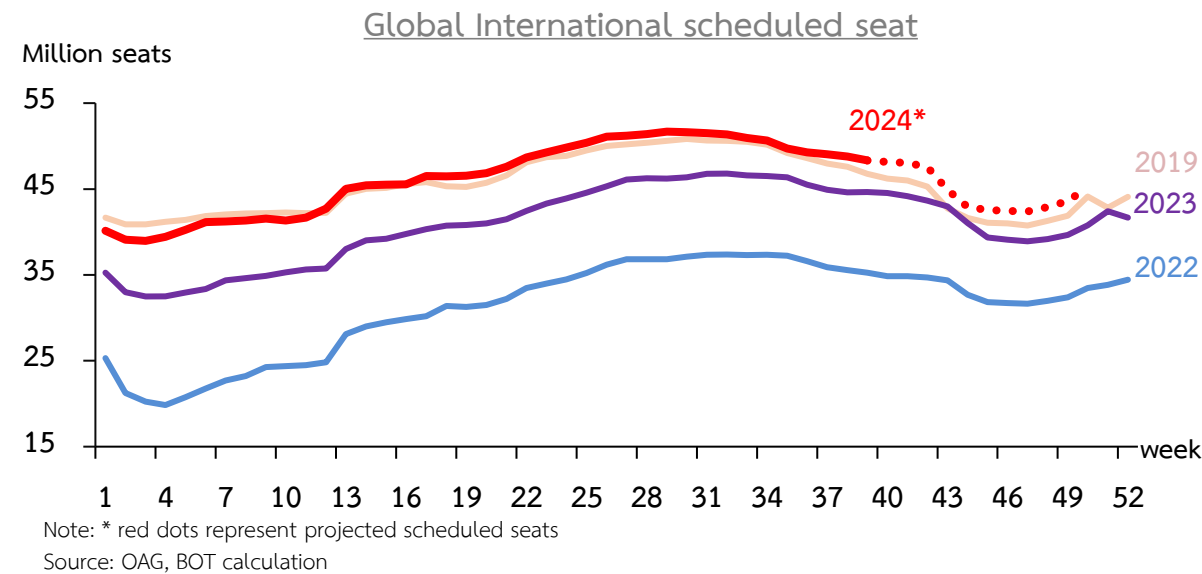


Projections	2023*	2024	2025
Tourism receipt (trillion baht)	0.9	1.4	1.6
Foreign tourist arrivals (million persons)	28.2	36.0	39.5
o/w Chinese tourists	3.5	6.9	7.8

Note: * Outturn

Source: Ministry of Tourism and Sports, BOT forecast

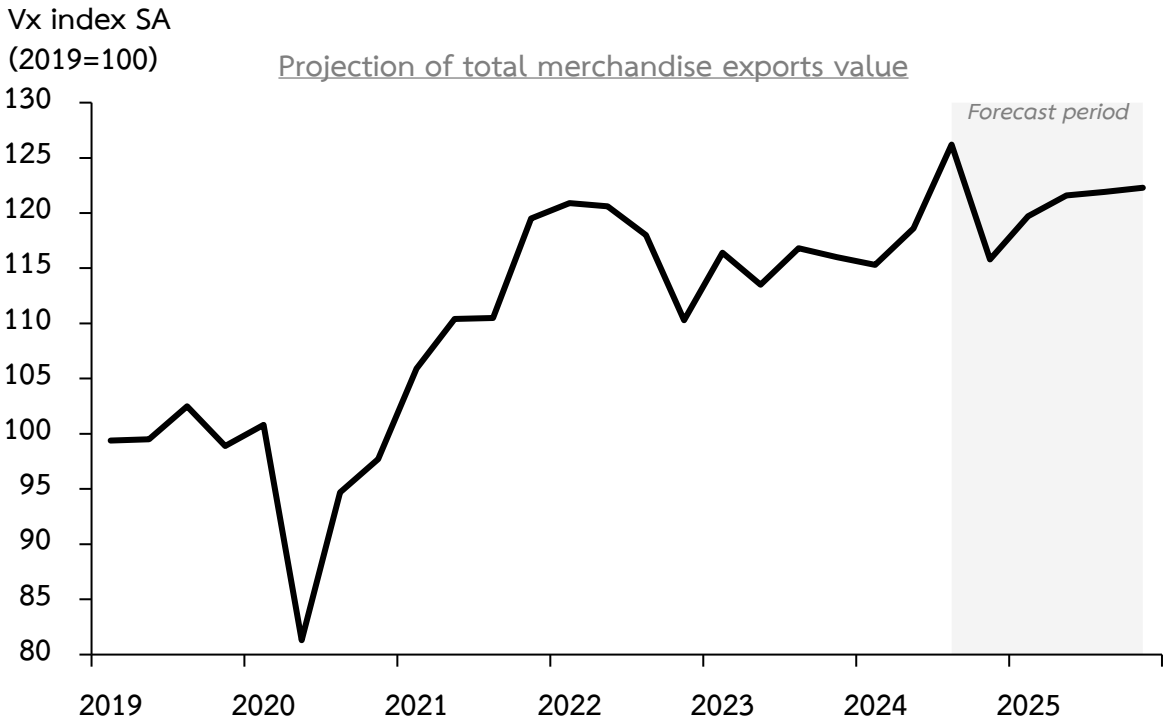
... in line with continued improvements in global tourism demand



- Foreign tourist arrivals would benefit from** (1) improvements in global tourism demand and (2) government policies such as extending visa exemptions (Visa Free) coverage to additional countries and providing incentives for airlines to increase flight frequencies.
- Tourism receipt forecast is largely unchanged** with an expected increase in tourists' spending per head.
- Recovery in the tourism sector remains uneven.** Accommodation spending concentrates among large hotels (4 stars or above), and tourism businesses in main tourist destination provinces are experiencing a stronger recovery than those in other provinces.

Merchandise exports would expand in line with an upturn in the electronics cycle.

Merchandise exports would expand ...

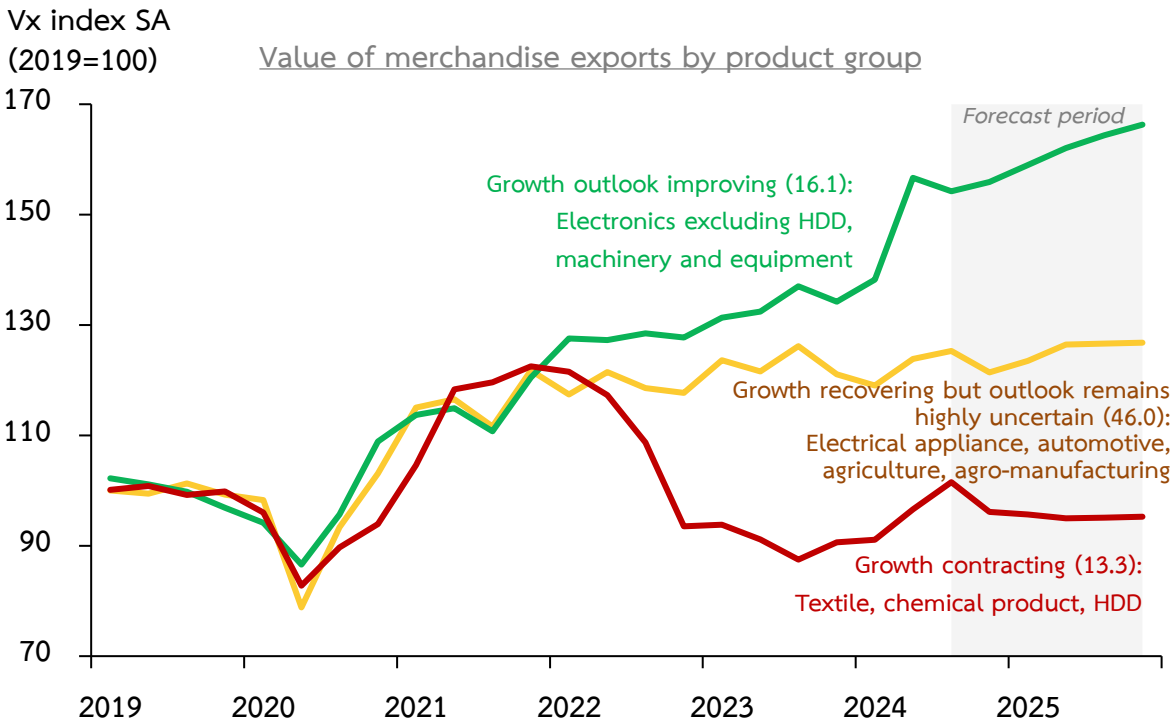


Value of exports	2023*	2024	2025
%YoY	-1.5	2.8	2.0

Note: * Outturn

Source: Thai Customs, BOT forecast

... mainly driven by growth in electronics exports

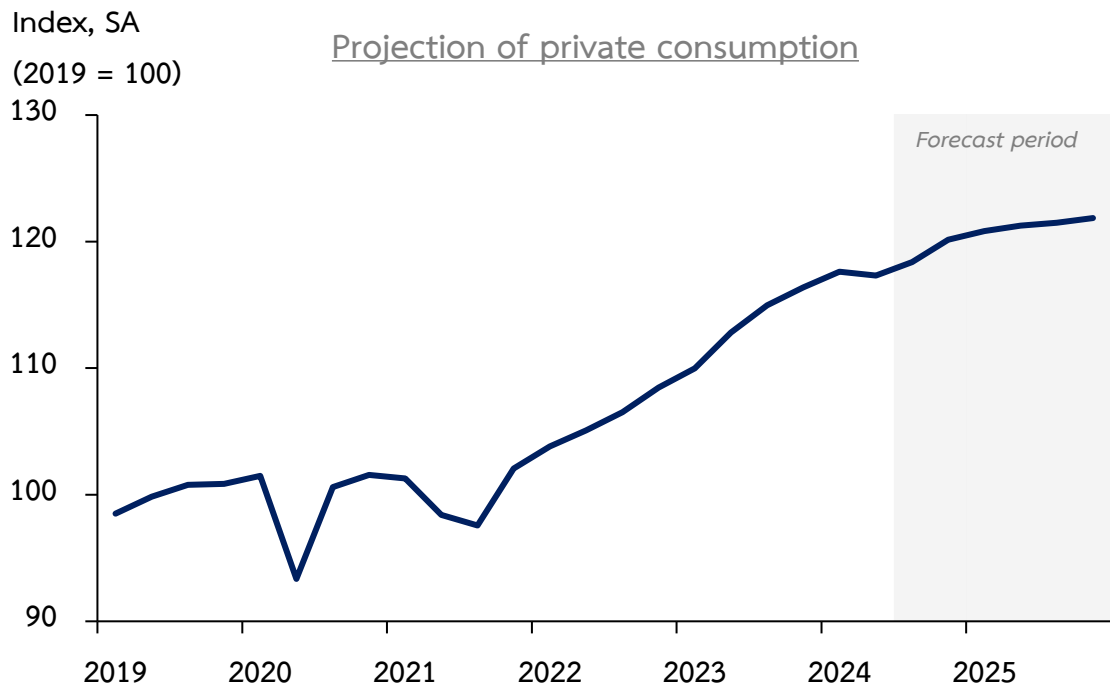


Note: () = share of total merchandise exports value in 2023

Source: Thai Customs, BOT forecast.

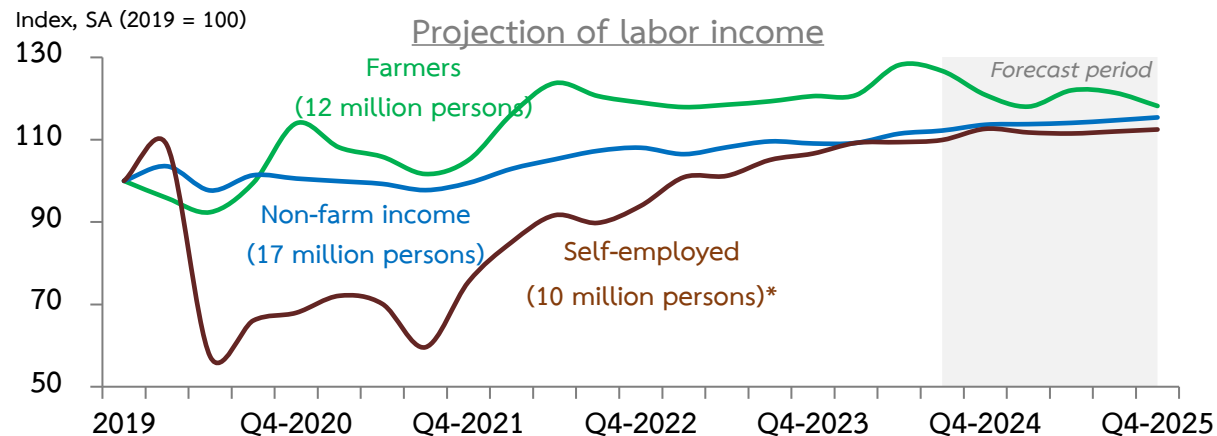
Private consumption would expand on the back of a recovery in income and short-term benefits from economic stimulus measures.

Private consumption would expand, albeit at a more moderate pace

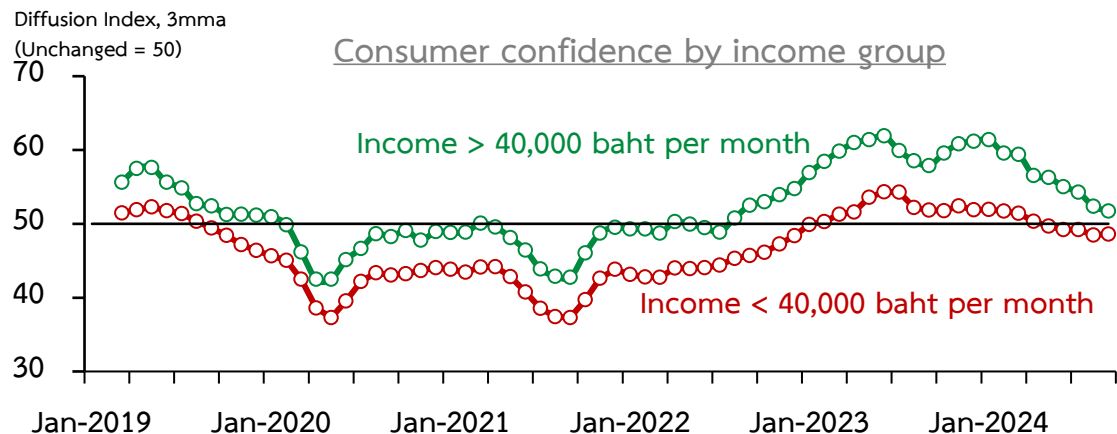


Note: * Outturn, 2015-2019 average = 3.4% YoY, 0.9% QoQ s.a.; projection includes the effects of stimulus measures
Source: NESDC, BOT forecast

Income is recovering but the recovery is uneven across various groups



Note: () labor force in 2023, * includes employers
Source: National Statistics Office, Office of Agricultural Economics, BOT calculation and forecast

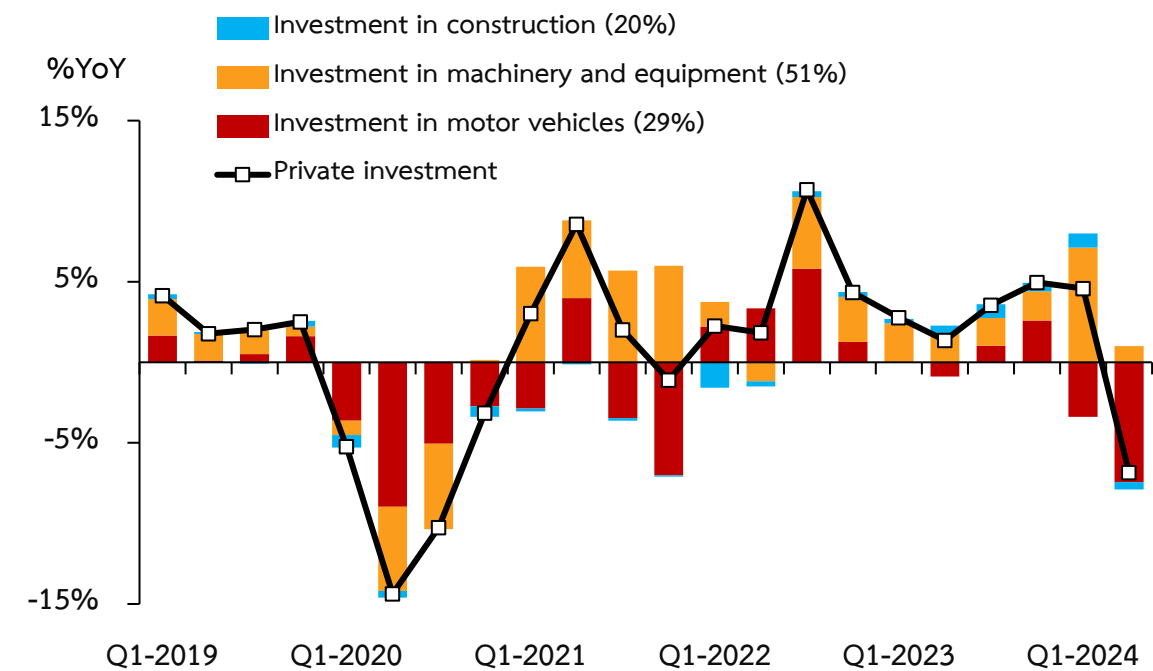


Note: Data is 3 month moving average (3mma) whereby a value greater than 50 means consumers are optimistic about economic conditions (confident)
Source: Ministry of Commerce, BOT calculation

Private investment would contract in 2024 mainly due to contraction in motor vehicles investment.

Nonetheless, investment in machinery and equipment remains positive.

Contributions to private investment growth

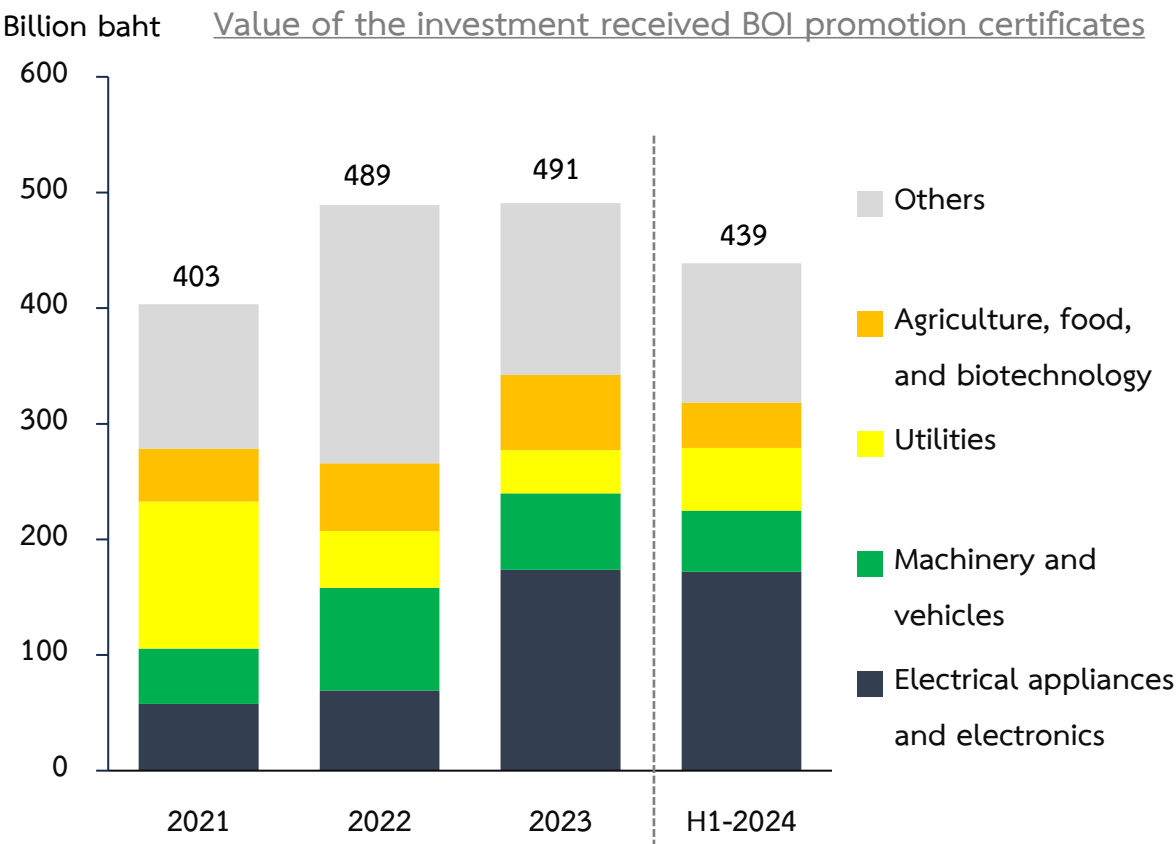


Note: () = share of total private investment which is calculated by BOT based on average value during the 2020 - Q2/2024 period.
Source: NESDC, BOT calculation

Private investment (real term)	2023*	2024	2025
%YoY	3.2	-2.8	2.9

Note: * Outturn

Investment in machinery and equipment still expand, consistent with the increasing value of the investment received BOI promotion certificates



Source: The Board of Investment of Thailand (BOI)



Inflation

Headline inflation is anticipated to gradually return to the target range by the end of 2024.

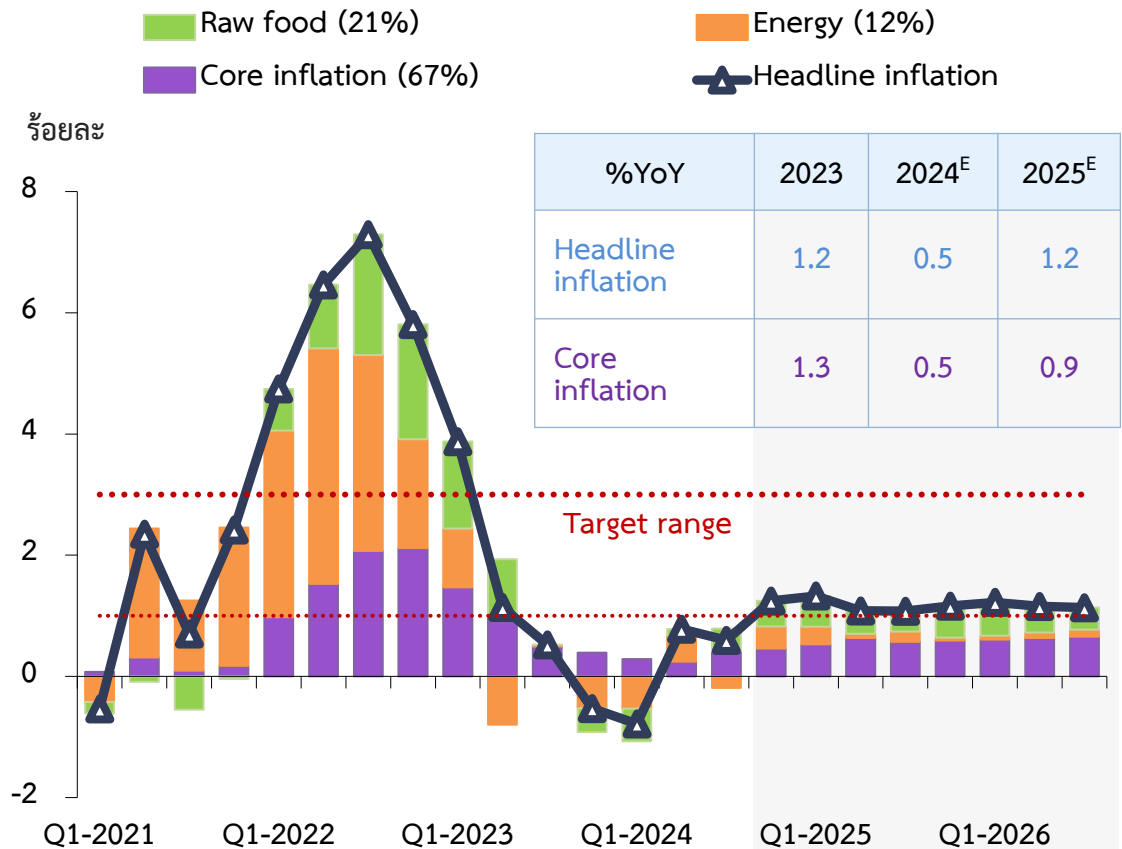
Medium-term inflation expectations remain consistent with the target.



Headline inflation outlook remains close to the previous assessment.

Headline inflation is expected to be around the lower bound of the target range.

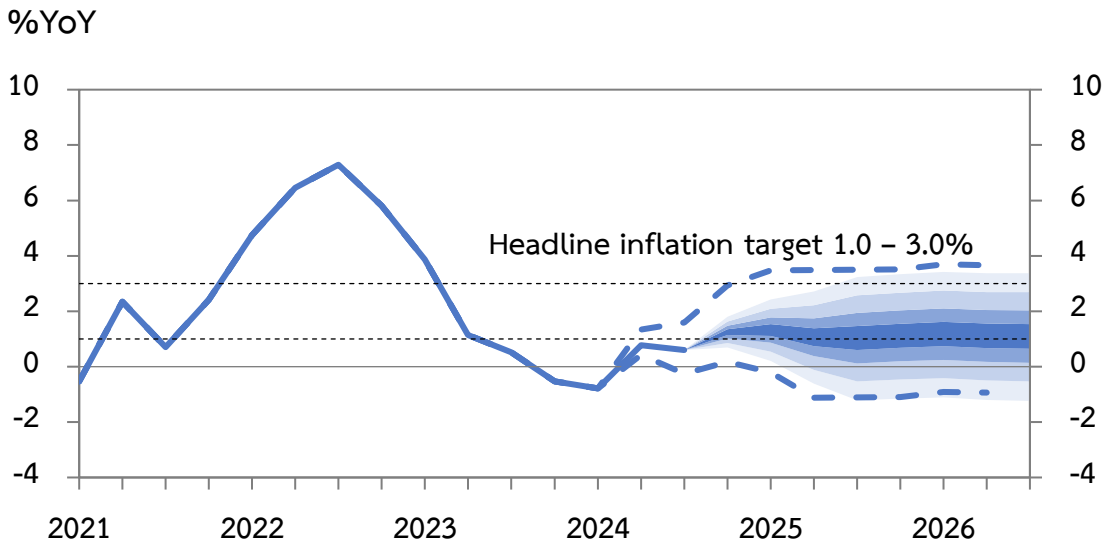
Contributions to headline inflation



Note: () denotes weight in CPI basket

Source: Ministry of Commerce, BOT calculation and forecast as of 16 Oct 2024

Risks to the inflation outlook are balanced for 2024,
but tilted to the downside for 2025



Upside risks:

- Geopolitical tensions resulting in higher energy prices and raw material costs

Downside risks:

- Slower-than-expected global economic growth
- More-than-expected government energy price subsidies



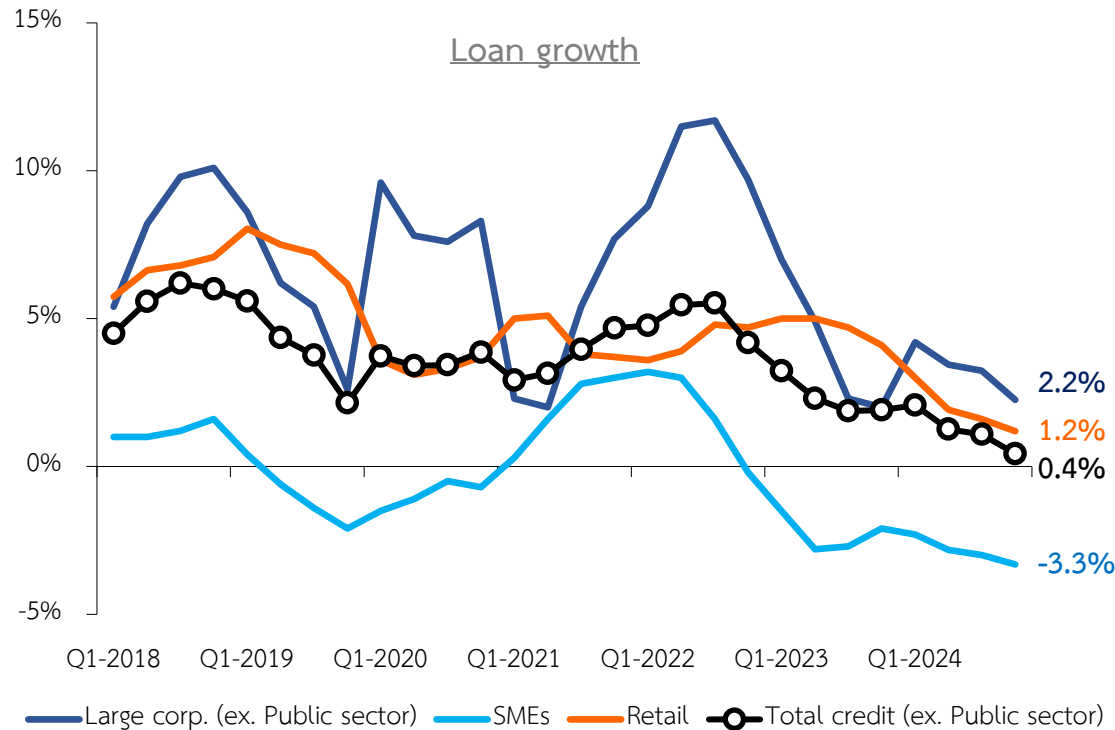
Monetary policy decision

The MPC decided to cut the policy rate, deeming the economic and inflation outlook consistent with assessments, while the long-term financial stability risks have moderated.

This policy rate still maintain a broadly neutral stance,
given tightened financial conditions and a slowdown in loan growth.



Business and retail loan growth declined



Factors affecting loan growth

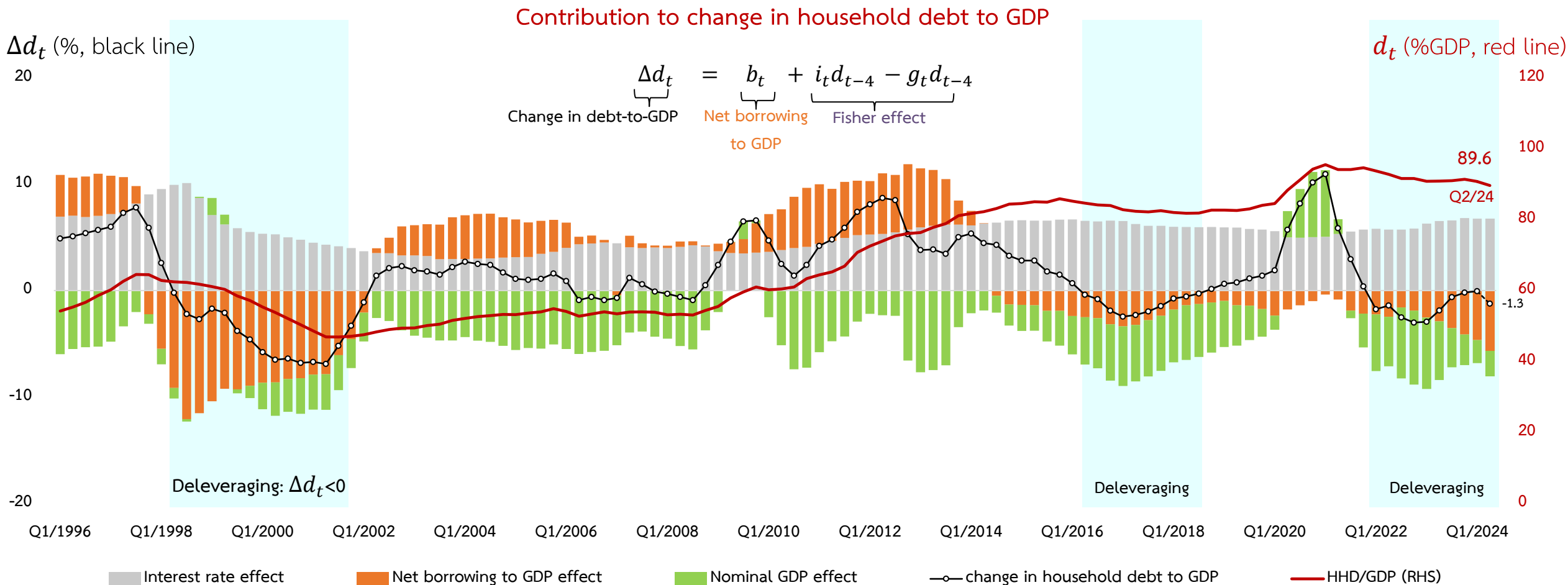
Loan growth slowed down as expected partly due to:

1. **Lower demand for credit and debt repayments on loans** that were extended as part of policy responses implemented by the authorities during the COVID-19 pandemic.
2. **Financial institutions becoming more prudent** as credit risks among loan applicants increased, particularly for some groups such as vulnerable households and SMEs with slow income recovery.
3. **Slowdown in loan growth for sectors facing structural challenges**, such as electronics and automotive, as well as those under pressure from increased competitive Chinese products.

Note: (1) Data covers loans from commercial banks and subsidiaries, SFIs, and non-bank under the supervision of the BOT; (2) For loans from commercial banks and subsidiaries, data covers business's credit line per bank (excluding interbank); (3) large corporates are categorized by credit line exceeding 500 million baht, while SMEs are defined as having a credit line less than 500 million baht. For SFIs and non-bank business loans, OSMEP's criteria (revenue and number of employees) are used; (4) last 2 data points are July and August 2024



Household debt deleveraging process has continued to progress



Note: (1) household debt to GDP is calculated from household debt divided by nominal QGDP 4Q-rolling, starting from the reference quarter backwards; (2) change in household debt to GDP is the year-on-year change household debt to GDP at each quarter (YoY%); (3) minimum retail rate (MRR) is used as a proxy for i_t and (4) nominal GDP growth, derived from nominal QGDP 4Q-rolling, is used as a proxy for g_t

Source: Office of the National Economic and Social Development Council, BOT, and BOT calculations



The economic and inflation outlook consistent with assessments,
while the long-term financial stability risks have moderated

This policy rate cut would maintain a broadly neutral monetary policy stance
given tightened financial conditions and a slowdown in loan growth

Maintaining neutral stance

the policy rate should remain at neutral level and consistent with economic potential, and
not too low a level that would create build-ups of financial imbalances in the long term.

Low macroprudential costs

without impeding the ongoing debt deleveraging process

Some macro-financial benefits

The lower policy rate will help alleviate debt-servicing burdens for borrowers
