ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Monetary Policy Report
Q1/2024

Monetary Policy Report

The Monetary Policy Report is prepared quarterly by staff of the Bank of Thailand with the approval of the Monetary Policy Committee (MPC). It serves two purposes: (1) to communicate to the public the MPC's consideration and rationales for the conduct of monetary policy, and (2) to present the latest set of economic and inflation forecasts, based on which the monetary policy decisions were made.

The Monetary Policy Committee

Mr. Sethaput Suthiwartnarueput	Chairman
Mrs. Alisara Mahasandana	Vice Chairman
Mrs. Roong Mallikamas	Member
Mr. Paiboon Kittisrikangwan	Member
Mr. Rapee Sucharitakul	Member
Mr. Roongrote Rangsiyopash	Member
Mr. Santitarn Sathirathai	Member

Monetary Policy in Thailand

Monetary Policy Committee

Under the Bank of Thailand Act, the Monetary Policy Committee (MPC) comprises the governor and two deputy governors, as well as four distinguished external members representing various sectors of the economy, with the aim of ensuring that monetary policy decisions are effective and transparent.

Monetary Policy Objective

The MPC implements monetary policy under the flexible inflation targeting regime. While regarding medium-term price stability as its primary objective, the MPC also aims at supporting sustainable, full-potential economic growth and preserving financial stability, attributing to long-term price stability and economic sustainability.

Monetary Policy Target

On December 27, 2022, the Cabinet approved the monetary policy target for 2023, which was mutually agreed between the MPC and the Minister of Finance to set the headline inflation within the range of 1–3 percent as the target for the medium-term horizon and for 2023. In the event that average headline inflation in the past 12 months or a forecast of average headline inflation over 12 months ahead breaches the target range, the MPC shall send an open letter to the Minister of Finance to explain reasons for the breach of the target range, together with measures taken and estimated time to bring inflation back to the target. Furthermore, the MPC will write an additional open letter to the Minister of Finance every six months if average headline inflation based on the above criteria remains outside the target range.

Monetary Policy Instrument

The MPC utilizes the 1-day bilateral repurchase transaction rate as the policy interest rate to signal the monetary policy stance.

The MPC has adopted the managed float exchange rate regime to stabilize and limit the volatilities in the exchange rate, as to let the baht reflect economic fundamentals

Evaluation of Economic Conditions and Forecasts

The Bank of Thailand takes into account information from all sources, the macroeconomic model, data from each economic sector, as well as surveys of large enterprises, together with small and medium-sized enterprises from all over the country, and various financial institutions to ensure that economic evaluations and forecasts are accurate and cover all aspects, both at the macro and micro levels.

Monetary Policy Communication

Recognizing the importance of monetary policy communication to the public, the MPC employs various channels of communication, both in Thai and English, such as (1) publishing a press statement at 14:00 and holding a press conference regarding the results of the meeting at 14:30 on the day of the Committee meeting, (2) publishing edited minutes of the MPC meeting two weeks after the meeting, and (3) publishing the Monetary Policy Report every quarter.

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Data in this report is as of 9 April 2024 (1 day prior to the monetary policy decision)

Assessment of the macroeconomic outlook

Global economy

Trading partners' economies are projected to continue expanding and register GDP growth of 2.6% in 2024 and 2.7% in 2025. However, positive spillovers from trading partners' growth on global trade are limited. One reason was that key global growth drivers such as the US economy continued to grow on the back of the services sector. Meanwhile, the Chinese economy is likely to slow down due to long-standing problems in the property sector. Weak consumption and manufacturing overcapacity in China also resulted in oversupply in the market, which weighs on the manufacturing and export sectors in many countries (Box 1: China's manufacturing overcapacity and oversupply in the market). The recovery of the global electronics cycle is still concentrated in high-tech products, leaving certain Asian countries yet to fully benefited from the export of electronic components.

The Thai economy

The Thai economy is projected to grow 2.6% in 2024 and 3.0% in 2025. Growth would be driven by (1) improvement in tourism as reflected in increasing foreign tourist arrivals and tourism spending per head. The number of foreign tourist arrivals is expected to be 35.5 million persons in 2024 and 39.5 million persons in 2025; (2) a continued expansion in private consumption especially services spending; and (3) an acceleration in public expenditure throughout the remainder of this year after having slowed down significantly earlier. Meanwhile, exports and manufacturing sectors would gradually recover in the latter half of the year but with downside risks from oversupply concerns and Thailand's structural headwinds. The declining competitiveness of Thai exports which could result in Thai exports benefiting less from the global economic recovery than previously expected (Box 2: Structural headwinds and risks to Thai exports outlook). Thailand's economic outlook is subject to uncertainties pertaining to slower-than-expected exports recovery, budget disbursements, and implementation of government stimulus measures.

Inflation

Headline inflation remains subdued but is expected to gradually rise and return to the target range towards the end of 2024. Low headline inflation is a result of supply-side factors namely (1) decline in some raw food prices due to large supply influx; and (2) decline in energy prices due to government subsidies. **Headline inflation is projected to average 0.6% in 2024 and 1.3% in 2025. Meanwhile, core inflation is expected to be largely stable, averaging 0.6% in 2024 and 0.9% in 2025.** Looking ahead, there remains the need to monitor geopolitical risks which could result in higher global crude oil prices and the effect of energy price subsidies in Thailand.

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Financial conditions and financial stability

Overall financial conditions remain unchanged. Private sector funding costs have remained largely stable as reflected in both commercial banks' interest rates and bond yields. Growth in household and business credit outstanding slowed down due to debt repayments but the amount of new loans is still growing. However, some groups of SMEs and low-income households face tighter financial conditions due to structural factors impeding credit access as well as lower debt repayment capacity due to slow income recovery. **The baht against the U.S. dollar exchange rate has been volatile** and depreciated more relative to other regional currencies. The baht's depreciation was driven by market expectations regarding the Fed's monetary policy outlook as well as recent economic and financial developments in Thailand.

The overall financial system remains resilient with commercial banks maintaining high levels of capital and loan loss provision. Businesses and households on the whole are still able to repay their debts. However, some groups of SMEs and low-income households have lower debt repayment capacity due to slow income recovery. This is in line with the expected increase in NPLs albeit not by a significant margin. The debt deleveraging process is still proceeding at a gradual pace (Box 3: Debt deleveraging process of Thai households). The MPC supports the continuation of targeted measures being implemented by the BOT, especially responsible lending measures.

Monetary Policy Decisions in the First Quarter of 2024

At the meetings on 7 February and 10 April 2024, the MPC voted 5 to 2 to maintain the policy rate at 2.50%. Two members voted to cut the policy rate by 0.25 percentage point.

The MPC assessed that **the Thai economy in 2024 would grow faster than the previous year** driven by private consumption, tourism, and public spending in the remainder of the year. Meanwhile, the rebound of exports and manufacturing sectors would still slow by global factors and structural headwinds. **Inflation would remain subdued from supply-side factors and is expected to gradually increase towards the target range around the end of 2024.** Overall financial conditions remain stable and do not present an obstacle to economic growth. However, some groups of SMEs and low-income households are still facing tight financial conditions due to structural factors impeding credit access and have low debt repayment capacity due to slow income recovery. Meanwhile, the baht's volatility continues to warrant close monitoring. The overall financial system remains resilient and the debt deleveraging is still proceeding gradually. The MPC supports the BOT's implementation of targeted measures through commercial banks, particularly responsible lending measures.

Most MPC members viewed that the current policy rate is consistent with safeguarding macroeconomic and financial stability and that monetary policy has limited effectiveness in resolving structural challenges, thus voted to keep the policy rate on hold at this meeting. However, there remains the need to monitor the uncertainties that would impact economic growth in the period ahead. **Meanwhile, 2 members voted to cut the policy rate by 0.25 percentage point** given Thailand's lower potential growth due to structural headwinds with a view that the rate cut would also partly help reduce debt burden. The MPC would take into account the growth and inflation outlook as well as associated risks in deliberating monetary policy going forward.

The global economy would continue to expand, but with limited benefits for global trade.

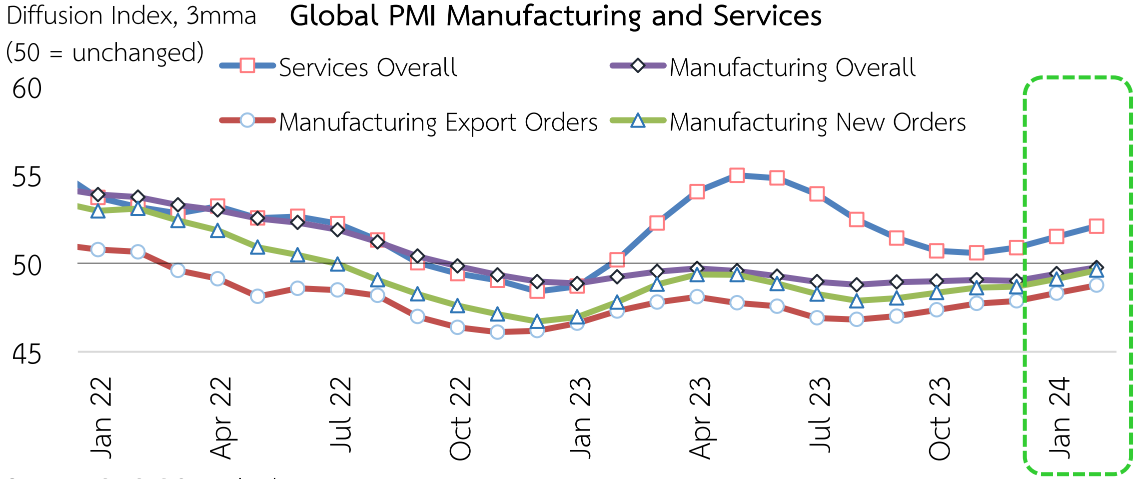
The global economic recovery remains underway. Services sector growth remains strong and the manufacturing sector starts to recover. However, the positive spillovers to Asian exports are still limited.

Inflation in many countries has continued to decline. Major central banks are expected to gradually cut rates in the latter half of the year.

Trading partners' growth outlook is still subject to downside risks from geopolitical tensions and more-than-expected global trade slowdown.

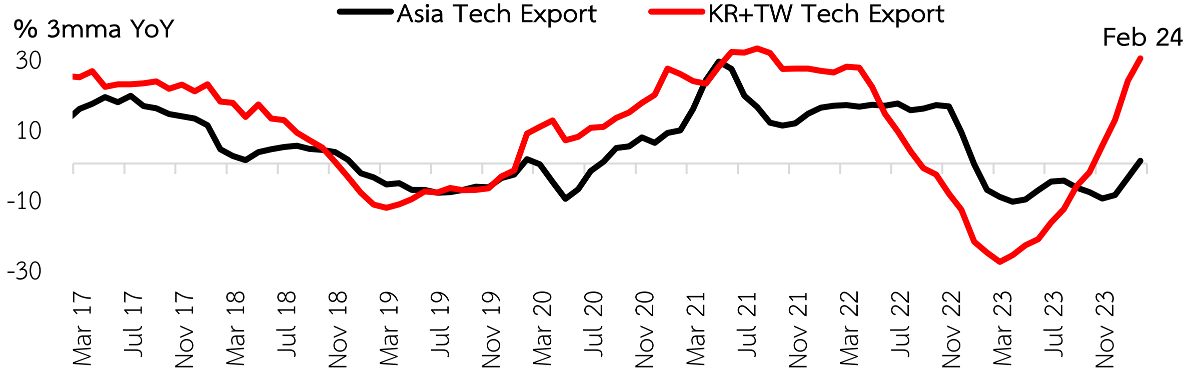
The global economy would continue to recover in 2024. However, the positive spillovers to Asian exports would be limited because (1) the global economy is still driven by services sector; (2) China's economic recovery remains slow; and (3) the recovery in the global electronics cycle is not yet broad-based.

In the early year of 2024, manufacturing sector started to recover, and growth in services sector remained strong.



Source: CEIC, BOT calculations

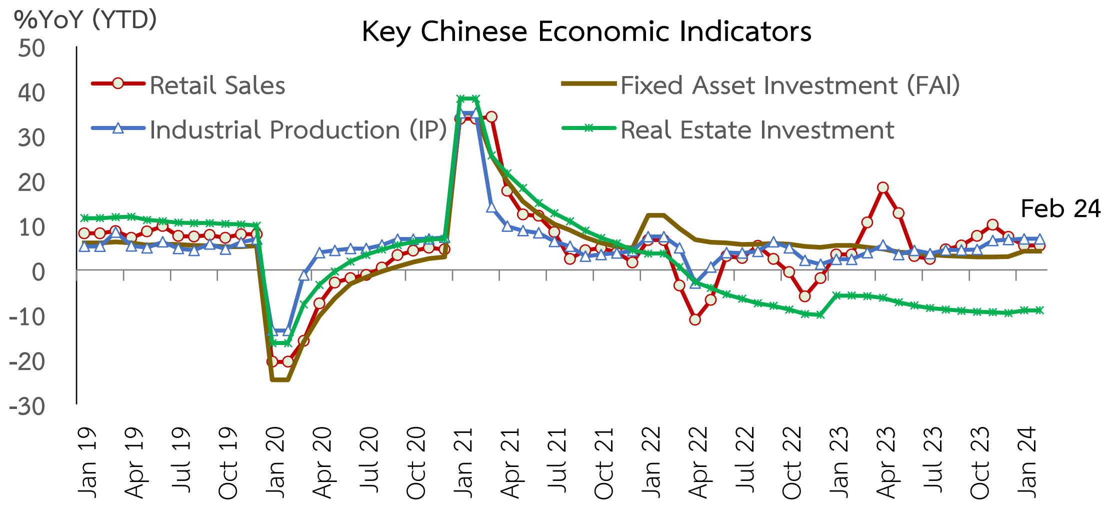
Recovery of global electronics cycle is concentrated in AI-related products



Source: CEIC, BOT calculations

Note: Asia Tech consists of MY, SG, JP, PH (Jan)

China's economy rebounded gradually, while the growth in property sector remained subdued.



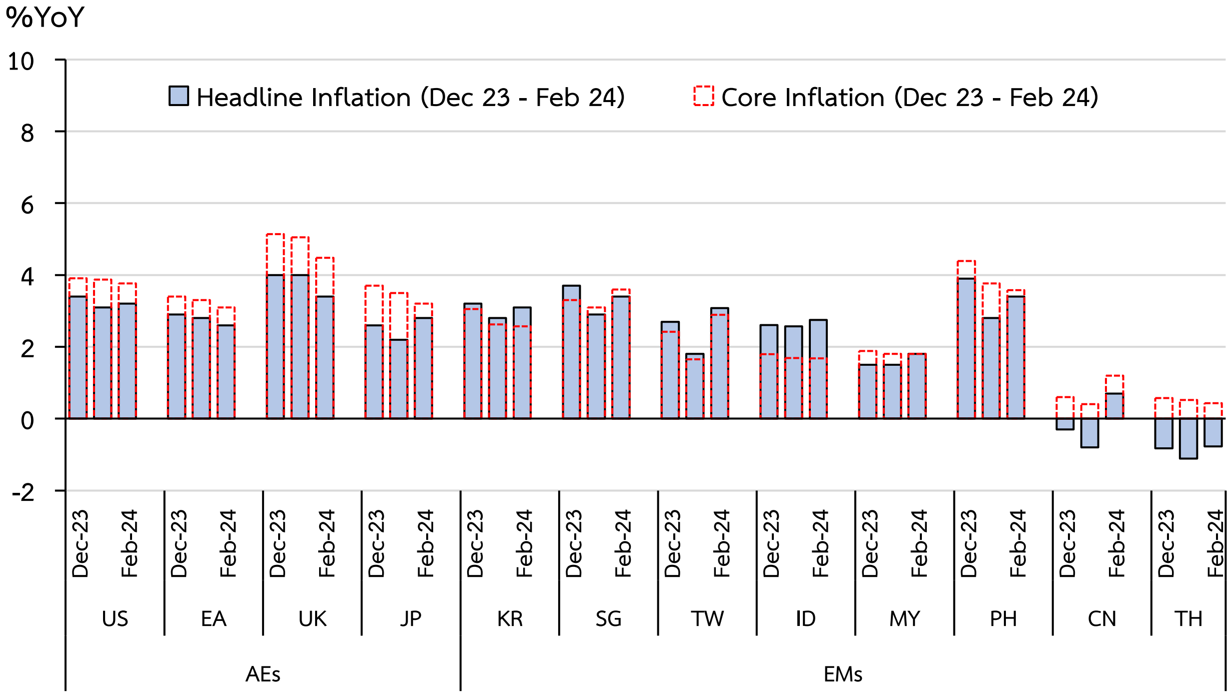
Source: CEIC, BOT calculations

Economic activities in the services strong remain strong. The manufacturing sector has started to recover but the recovery is not yet robust. Looking ahead, it is expected that services will continue to drive economic growth in some countries like the US, while manufacturing would recover once the recovery in the global electronics cycle becomes more broad-based in the latter half of 2024.

Inflation in most countries continued to decline.

Major central banks are expected to gradually cut rates in the latter half of 2024.

Headline and core inflation



Expectations of the Fed's monetary policy in 2024-2025

Rate	2023*	2024	2025
Fed Funds Rate assumption (% at year end)	5.25 – 5.50	4.75 – 5.00 (4.50 – 4.75)	3.75- 4.00 (2.50 - 2.75)

Note: * denotes outturn, ( ) denotes forecast in Monetary Policy Report Q4-2023

The Federal Reserve (Fed) maintained its policy rate at 5.25 – 5.50% at the FOMC Meeting on 20 March 2024. The decision was underpinned by tight labor market conditions and higher-than-expected inflation outturns in March. In this regard, the BOT revised its forecast for the Federal Funds Rate to 4.75-5.00 at end-2024 and 3.75-4.00 at end-2025.

The European Central Bank (ECB) maintained its policy rate at 4.0% at the Governing Council Meeting on 7 March 2024. Core inflation in the euro area remained high. Labor market conditions in the euro area remained tight but have shown signs of slowing down as reflected in PMI employment for the services sector and a slowdown in negotiated wage growth compared to the previous quarter. Looking ahead, it is expected that the ECB would keep its policy rate on hold at the next Governing Council Meeting despite having signaled that it was prepared to cut rates in mid-2024 once inflation gradually declines, and would remain data-dependent in its monetary policy deliberations.

Most Asian central banks have stopped raising their policy rates to evaluate the monetary policy transmission from earlier rate hikes. This was also due to falling headline inflation although core inflation remains high for some countries. However, the Central Bank of the Republic of China raised its policy rate once more to pre-empt inflationary pressure in anticipation of hikes in electricity costs in April 2024, a move unexpected by the market.

Bank of Japan (BOJ) commenced monetary policy normalization by ending negative interest rates and yield curve control, but still maintained an accommodative monetary policy stance.

BOJ raised its policy rates from -0.1% to 0-0.1% and also ended its yield curve control (YCC), which previously capped the yield on 10-year government bonds at 0% (with an upper bound of 1%), at its meeting on 19 March 2024 after seeing positive signs from the 5.2% increase in negotiated wage growth (compared to 3.6% last year) and inflation being consistently above the 2% target.

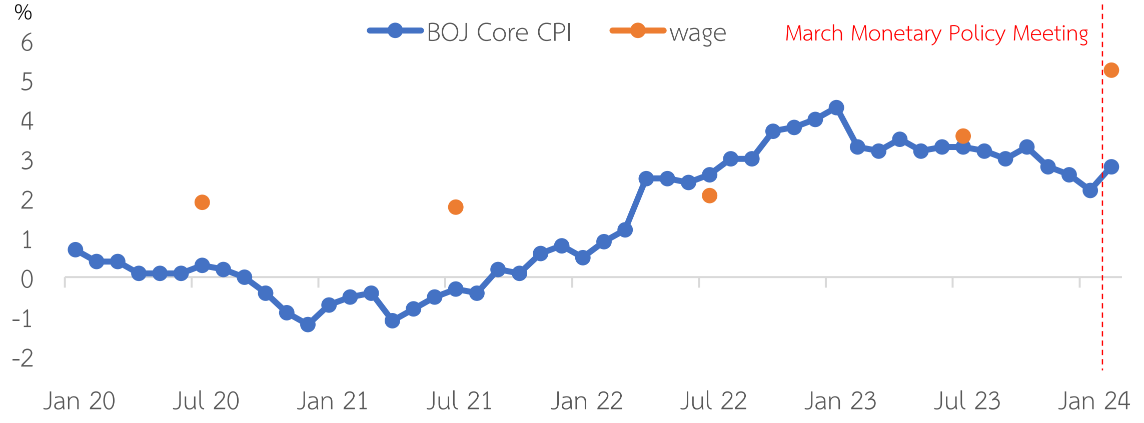
Implications

A change in the BOJ's policy stance had limited impact on the yen and government bond yields because the market already priced in BOJ's rate hike. The market also expected less rate cuts from the Fed, which resulted in the yen's depreciation. Japanese Government Bond (JGB) yield is likely to remain below the previous upper bound of 1% as the BOJ will still continue to purchase JGBs and might even step up its asset purchase if JGB yields are too high.

Outlook

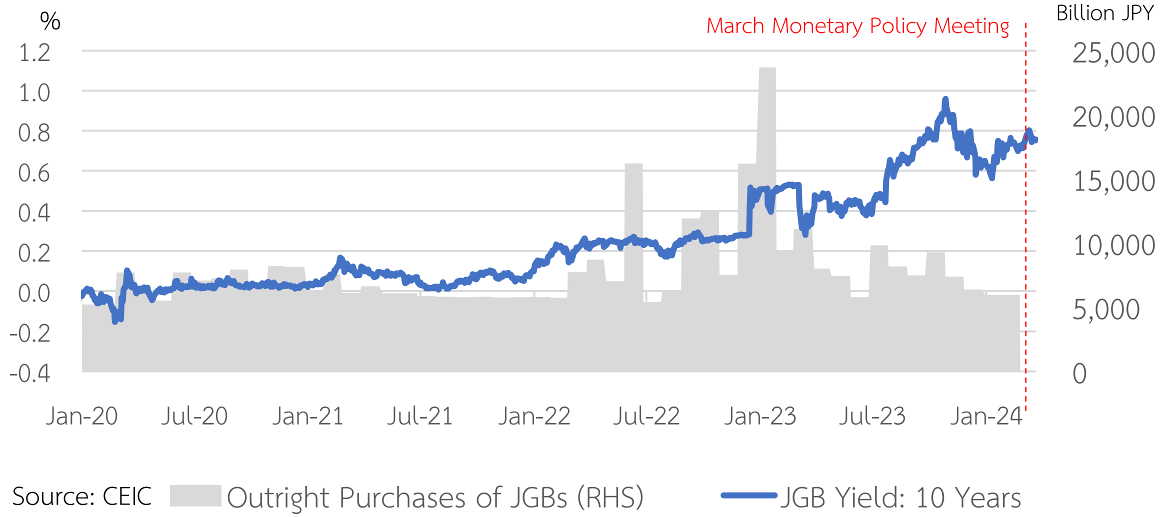
Looking ahead, it is expected that the BOJ will maintain an accommodative stance due to (1) rising fiscal burden from higher JGB yields; and (2) BOJ waiting to evaluate the passthrough of higher wages to inflation to see whether inflation would still remain within target. It is also expected that the yen would appreciate once the Fed and ECB starts to cut rates in the latter half of the year.

Inflation remained above the 2-percent target.



Source: Bloomberg and Japanese Trade Union Confederation

JGB yield remained below one percent after the meeting.



Source: CEIC

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Trading partner economies are expected to continue expanding in 2024 and 2025 with risks to the outlook tilted to the downside.

Assumption of trading partners' growth

%YOY	Share of exports in 2023[1/] (%)	2023[2/]	2024		2024	
			MPR Q4/23	MPR Q1/24	MPR Q4/23	MPR Q1/24
US	17.2	2.5	1.3	2.0	1.8	1.8
Euro area	7.7	0.5	1.0	0.6	1.4	1.5
Japan	8.7	1.9	1.1	0.7	0.9	1.0
China	12.0	5.2	4.7	4.7	4.6	4.6
Asia[3/]	21.8	3.2	3.9	3.8	3.7	3.7
Total[4/]	73.0	2.8	2.6	2.6	2.7	2.7

Note: [1/] Share of total Thai exporting values to 13 key trading partners in 2023
[2/] Outturns with backwards revision for some countries
[3/] Asia (excl. Japan and China) includes Singapore (3.6%), Hong Kong (3.9%), Malaysia (4.2%), Taiwan (1.7%), Indonesia (3.5%), South Korea (2.1%), and the Philippines (2.8%)
[4/] Including UK (3.9%) and Australia (1.4%)

Trading partners' growth forecast for 2024 is largely unchanged from the previous projection. Growth forecast for the US is revised up on account of strong growth momentum in the services sector, while growth forecasts for euro area and Japan have been revised down on account of services and manufacturing. Meanwhile, the Chinese economy would recover at a gradual pace despite the real estate sector remaining weak. The recovery among Asian economies are expected to continue being driven by consumption and higher demand from trading partners

Trading partners' growth forecast for 2025 is also largely unchanged from the previous projection. This applies for all countries except the euro area and Japan. It is expected that growth in each country would be closer to potential output.

Downside risks: **The global economic recovery might be slower than expected** due to (1) geopolitical tensions, especially the US-China conflict that could escalate further, and also the Israel-Hamas and Russia-Ukraine conflicts which could last longer and become more severe than expected; and (2) a slowdown in global trade especially weaker-than-expected demand from China.

Upside risks: **The global economic recovery might be stronger than expected** due to (1) stronger-than-expected US economic growth especially if growth outturns remain strong contrary to the previous expectation that growth would slowdown in early-2024; and (2) increased international tourism, which would help support consumption and services spending.

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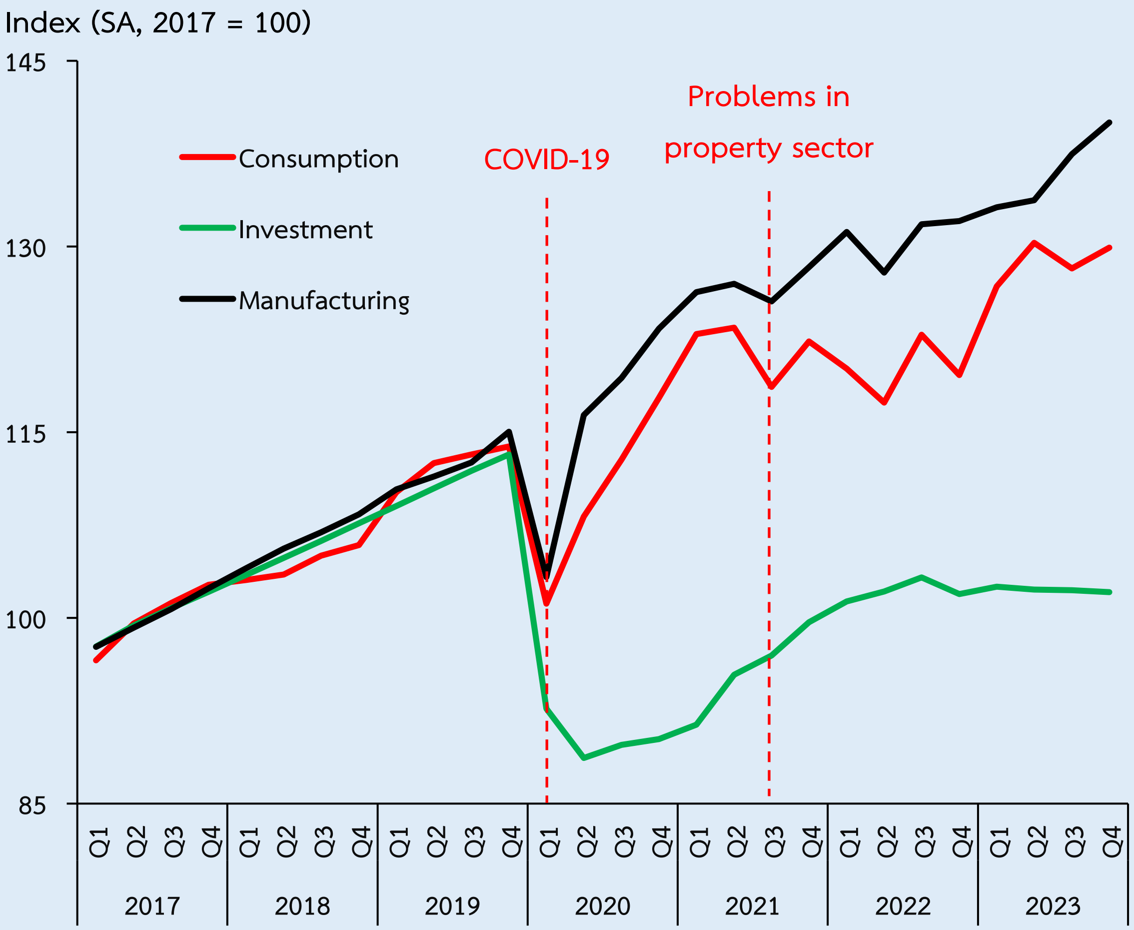
Box 1: China's manufacturing overcapacity and excess supply in global markets

Since the start of the COVID-19 pandemic in early-2020 and the Chinese real estate sector crisis in mid-2021, domestic demand in China has been recovering slowly (Chart 1). Consumption has gradually recovered, in part due to improvements in domestic tourism supported by government measures. Meanwhile, investment has yet to recover in line with the subdued real estate sector. However, the Chinese manufacturing sector saw a strong recovery, in part due to the Chinese government's policy to support domestic manufacturing such as (1) "Made in China 2025"[1/] policy, which came into effect in 2015 to support the Chinese manufacturing sector and reduce reliance on imports (import substitution); and (2) "Dual Circulation" policy[2/] which came into effect since 2020 to support domestic demand growth, although the policy would take time to fully realize and hinge on a recovery in consumer confidence. Both of these policies were geared towards improving China's self-reliance.

During the aforementioned crisis period, the Chinese government tried to maintain growth momentum in the manufacturing sector through state-owned enterprises and companies with shares held by the government as reflected in the increase in market share of those group of companies from 28% in 2019 to 30% in 2020-2023. This was in part an effort to maintain employment levels as reflected in the average unemployment rate which was largely unchanged from 5.2% in 2019 to 5.3% in 2020-2023, remaining below the target rate of no more than 5.5%.

Chart 1: China's economic indicators



Source: CEIC, BOT calculation

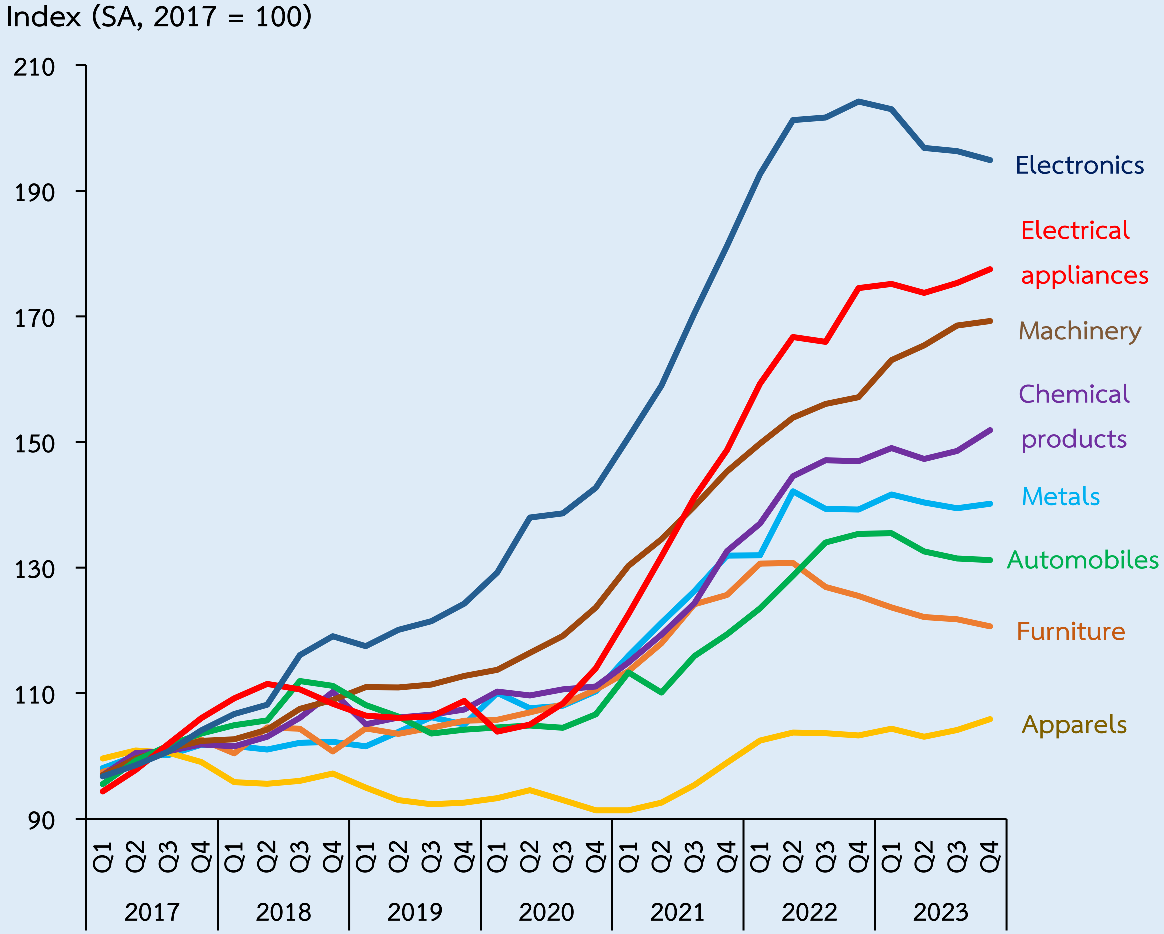
Note:
[1/] The main objectives of Made in China 2025 are (1) upgrade China's manufacturing technology and (2) reduce import dependency
[2/] The objectives of Dual Circulation are (1) driving the economy from domestic demand and (2) maintaining China's export shares whilst liberalizing international trade and investment

Box 1: China's manufacturing overcapacity and excess supply in global markets

Driving economic growth through the manufacturing sector whilst domestic demand remains weak have led to large overcapacity in the economy as reflected in higher inventories across several products (Chart 2) such as electronics, electrical appliances, machinery, chemical products, metals, and automobiles. China's overcapacity prompted some businesses in China to either cut prices or keep prices low so that their goods could be sold. This is reflected in the producer price index, which declined in 2022 and turned negative in 2023, while consumer prices also follow suit. The renminbi's depreciation is also another factor that helped reduce China's export prices (Chart 3).

Businesses in China are still offloading their inventory through exports. China's trade surplus have grown in 2022 and 2023 (Chart 4) and most of the exported goods were in the same categories as those with high inventory levels. Countries that have a large share of imports from China also saw both their producer and consumer prices not increasing much compared to the past (Chart 5 and 6). However, merchandise imports from China is just one of many factors contributing to declining inflation globally. There are still other factors that have significant implications for inflations in each country such as the country's energy mix, tightness of labor market conditions, exchange rate movements, and domestic demand.

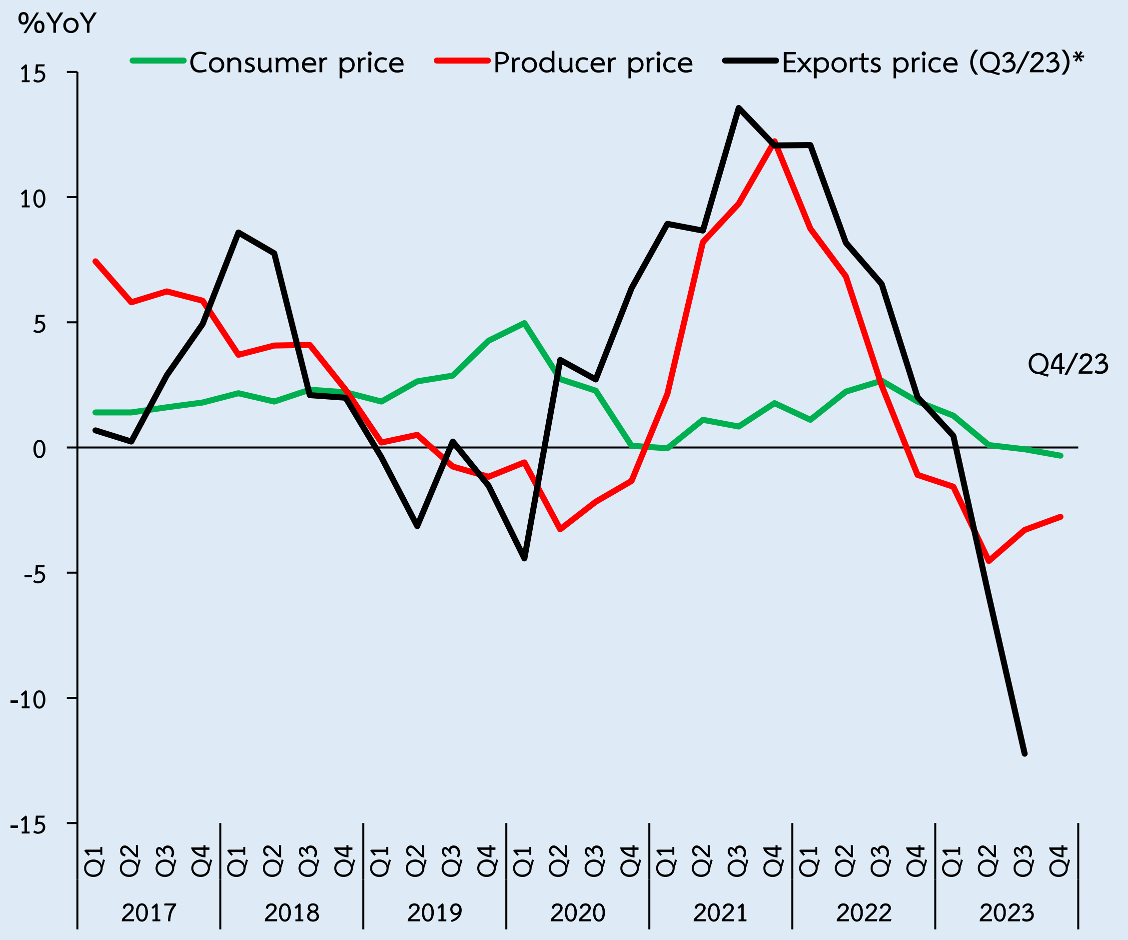
Chart 2: China's manufacturing inventory level



Source: CEIC, BOT calculations

Box 1: China's manufacturing overcapacity and excess supply in global markets

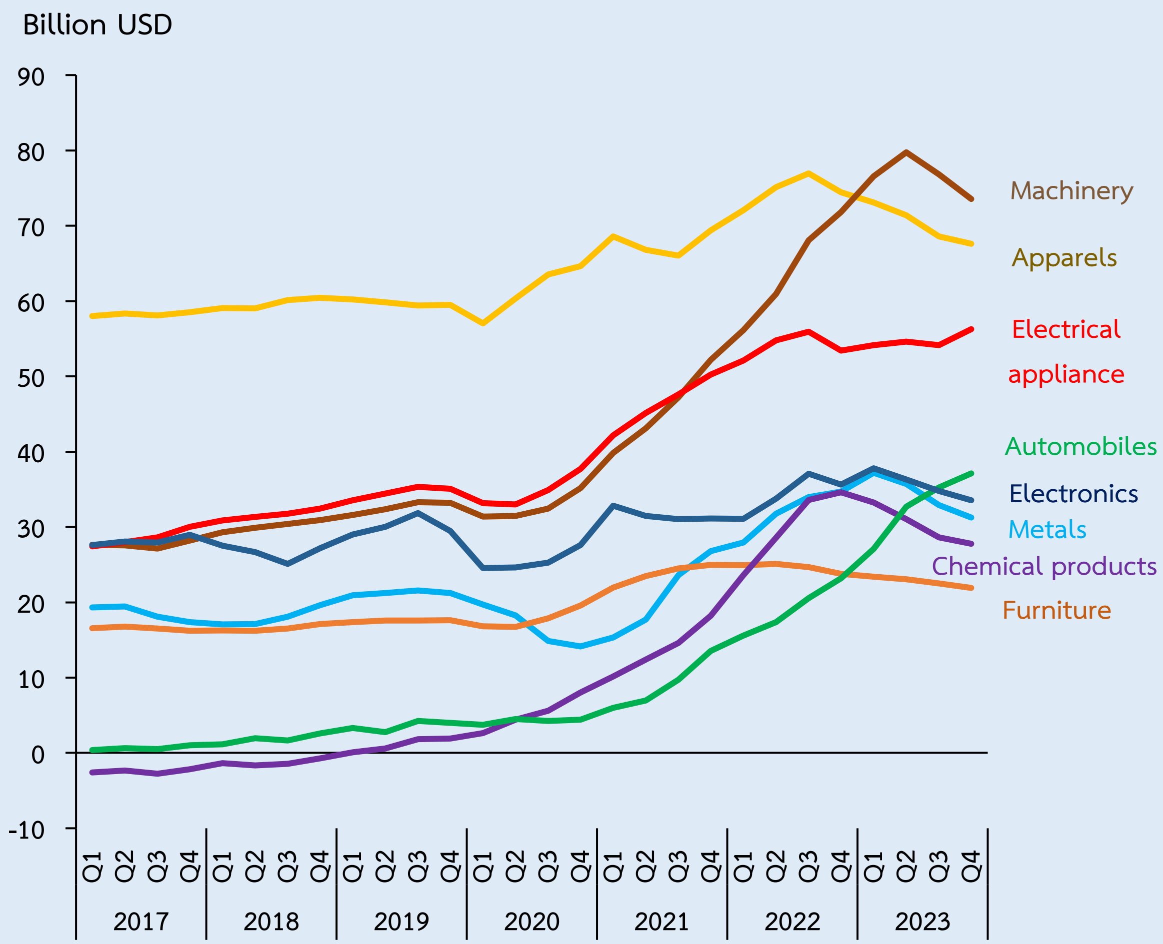
Chart 3: Producer price, consumer price, and exports price in China



Note: * export prices in USD term

Source: CEIC, BOT calculations

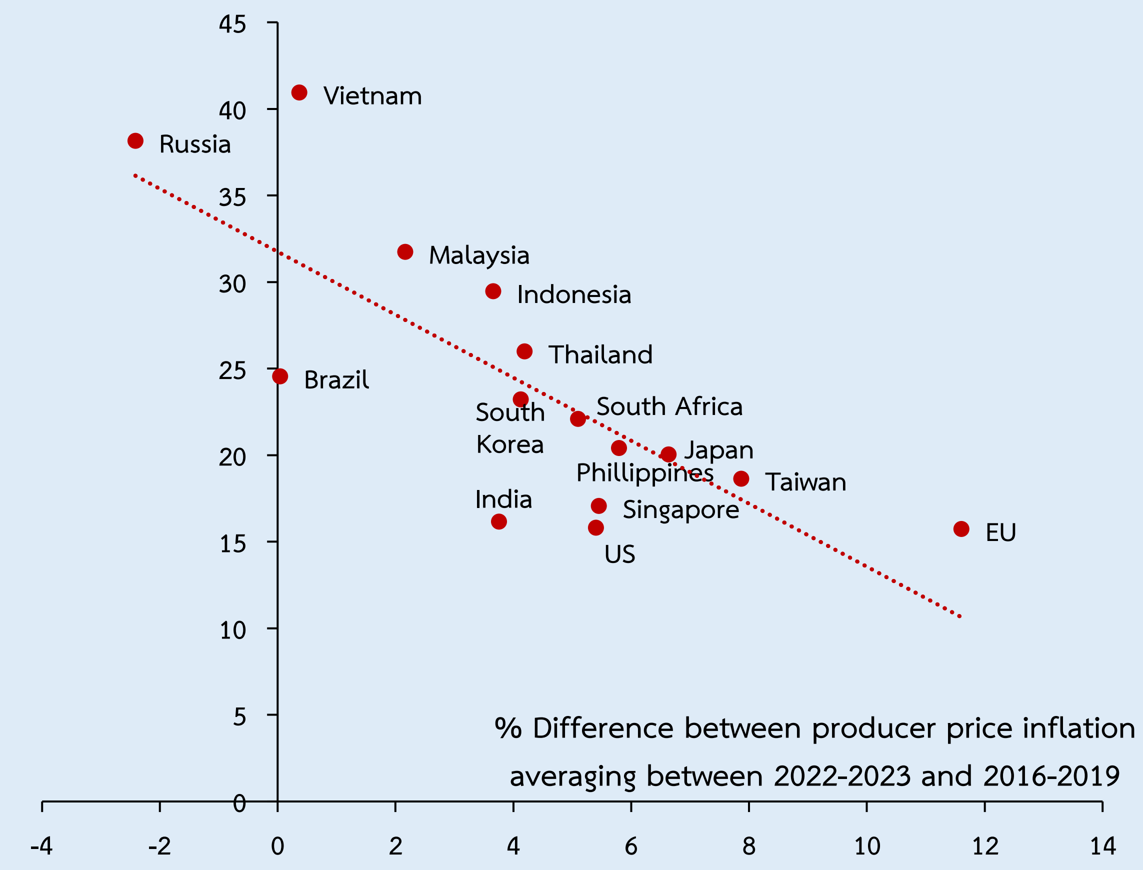
Chart 4: China's trade balance (Top-8 China's trade-surplus product)



Source: CEIC, BOT calculation

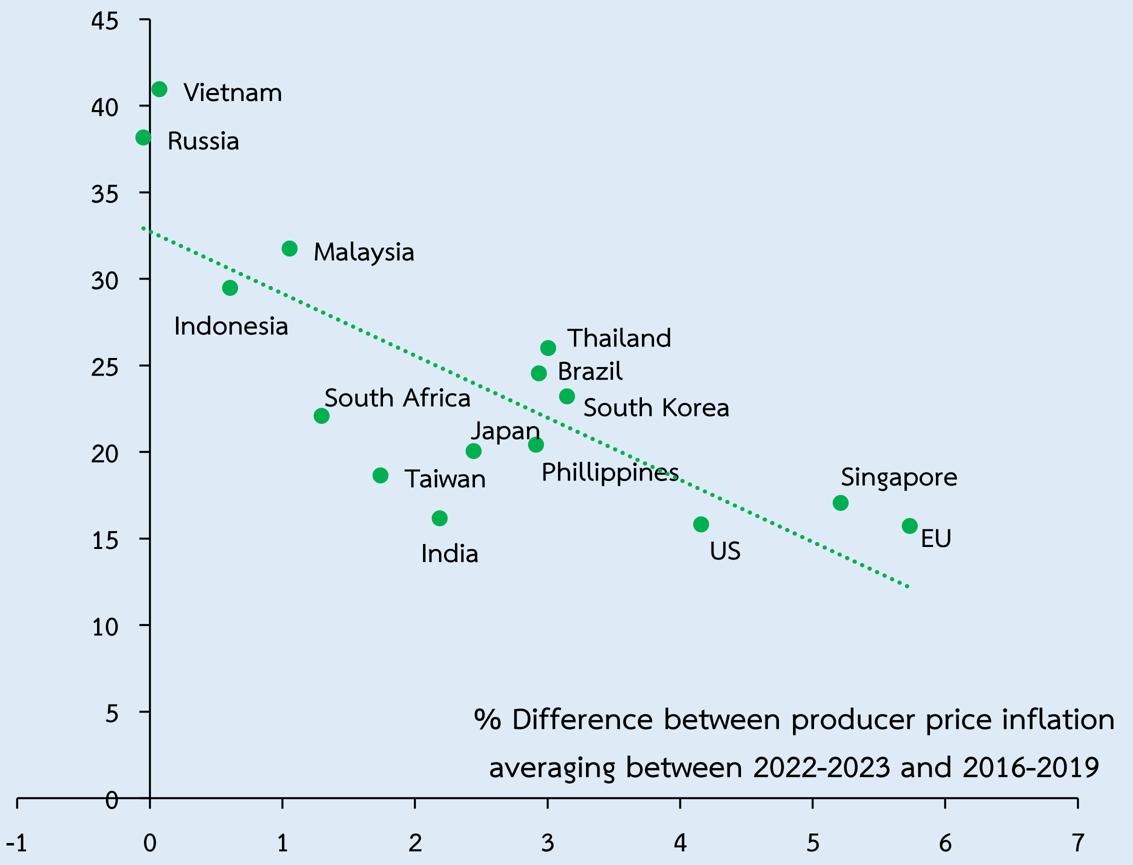
Box 1: China’s manufacturing overcapacity and excess supply in global markets

Chart 5: Relationship between share of imports from china and producer price inflation



Source: CEIC, BOT calculation

Chart 6: Relationship between share of imports from china and consumer price inflation



Source: CEIC, BOT calculation

The Thai economy is projected to grow at a higher rate compared to the previous year, but the outlook remains highly uncertain.

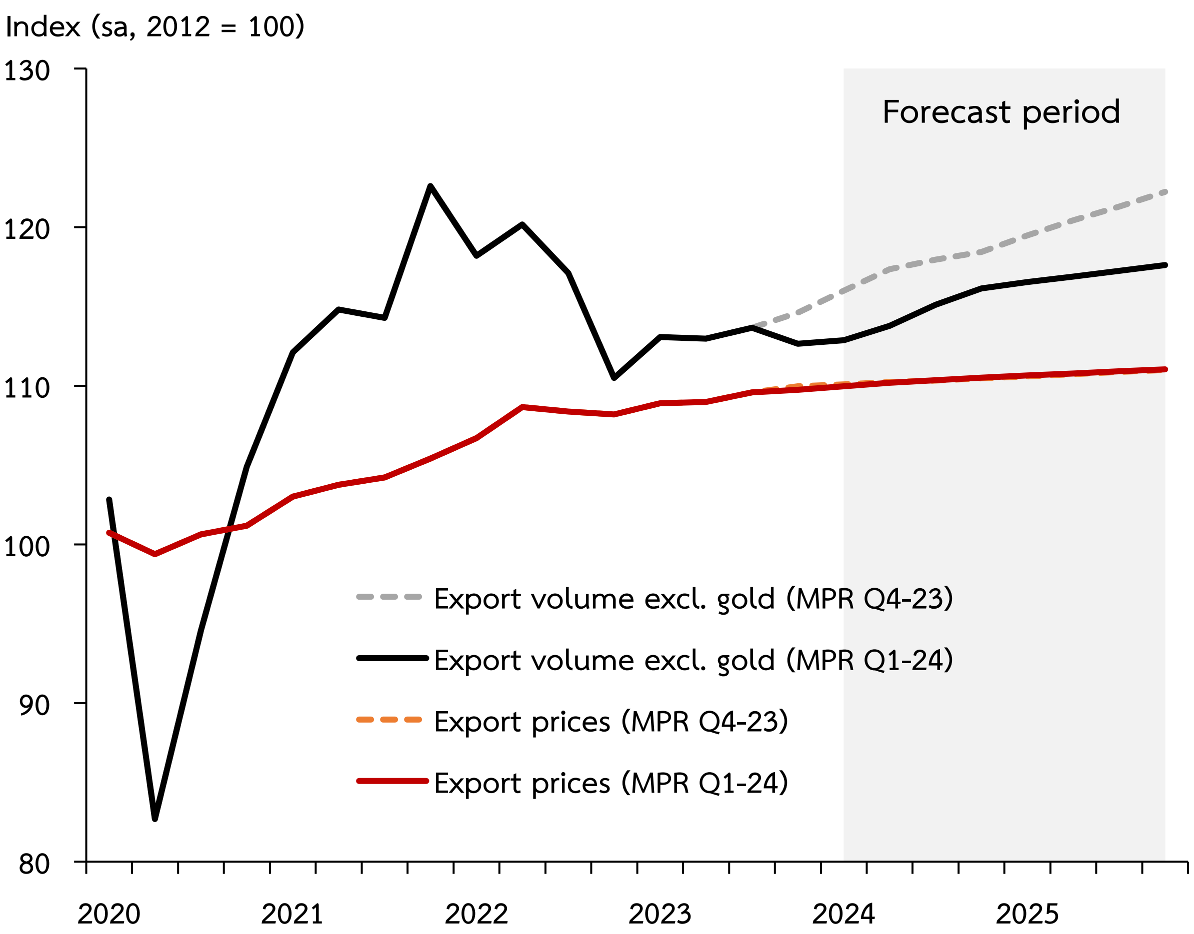
The Thai economy would continue to expand on the back of strong consumption growth and better-than-expected tourism outturns, and gain additional support from accelerated public expenditure throughout the remainder of 2024.

Both cyclical and structural factors continue to weigh on the economic recovery, especially for the exports and manufacturing sectors. This is partly reflected in the limited positive spillovers from the recovery in the global electronics cycle on those sectors.

Headline inflation remains low mainly due to supply-side factors and government subsidies. Core inflation also declined. Inflation is projected to gradually increase and return to the target range around end-2024.

Manufacturing and exports slowed down more than expected due to both cyclical and structural factors.

Projected merchandise exports (excl. gold)



- **Export outturns in Q4/2023 were lower than expected** especially export volumes of agricultural product, agro-manu products, and electronics. This was in line with slowing demand from trading partners and the lower-than-expected benefits of the global electronics cycle recovery on Thai exports. Meanwhile, export prices were largely as expected.
- **For 2024, exports are expected to gradually recover in the latter half of the year but the outlook is subject to uncertainties stemming from oversupply in the market and structural headwinds affecting Thai exports**, especially petrochemical and chemical products, textiles and apparels, and hard disk drives (Box 2: Structural headwinds and risks to Thai exports outlook)
- **Export prices remain high** in line with global energy prices, as well as increases in rice prices due to lower supply from India.
- **Exports outlook is subject to risks stemming from** (1) larger-than-expected impact of China's manufacturing oversupply on Thai exports; and (2) slower-than-expected recovery in trading partners' demand.

Merchandise exports projection

Growth (%YoY)	2023*	2024	2025
Export value	**-1.7** (-1.5)	**2.0** (4.3)	**2.8** (3.3)
Export prices	**1.2** (1.2)	**0.8** (0.8)	**0.5** (0.5)
Export volume	**-2.9** (-2.7)	**1.1** (3.5)	**2.2** (2.8)

Note: * denotes outturns and ( ) denotes previous forecast from Monetary Policy Report Q4-2023

Box 2: Structural headwinds and risks to Thai exports outlook

Thai exports growth slowed down significantly since before the COVID-19 pandemic and still remains slow even now that global trade is improving. This is due to the structural challenge that the Thai exports sector cannot adapt to the changing global trends in product demand, has become a less prominent part of the global supply chain for key products, and lost competitiveness in many products. These structural headwinds not only mean that Thai exports would not recover strongly like in the past, but also that the headwinds would weigh on and pose a risk to the Thai exports growth in the future.

An analysis of data from the past 20 years found that weakness in the Thai exports sector stem from domestic factors. Macro-level data indicates that **the Thai exports sector has played a lesser role in driving Thailand's economic growth and exports growth itself is also declining. Average growth of Thai exports fell from 12% between 2001-2011 to 2.2% between 2012-2023.** Meanwhile, the market share of Thai exports in the global market increased only by 0.05 percentage point over a period of 7 years (2015-2022), which is a very small increase compared to other countries in the region. A Constant Market Share Analysis (CMSA) to discern the factors affecting the export shares found that Thai exports face problems from **(1) exporting goods whose demand in the global market has declined** (i.e. product effect is negative) such as hard disk drives (HDD), textiles and apparels, which account for 7% of total exports; and **(2) lower competitiveness even if the export product is still in demand globally** (i.e. product effect is positive, but competitiveness effect is negative) namely petrochemical, chemical products, electronics excluding HDD, agricultural and agro-manu products, which account for 32% of total exports (Chart 1). Comparing with only countries in the region, Vietnam, Malaysia, and Indonesia still have positive competitiveness effect (i.e. competitiveness is still supporting exports of that product), thus it is concerning that Thai exports growth going forward may not be as strong as competitors in the region.

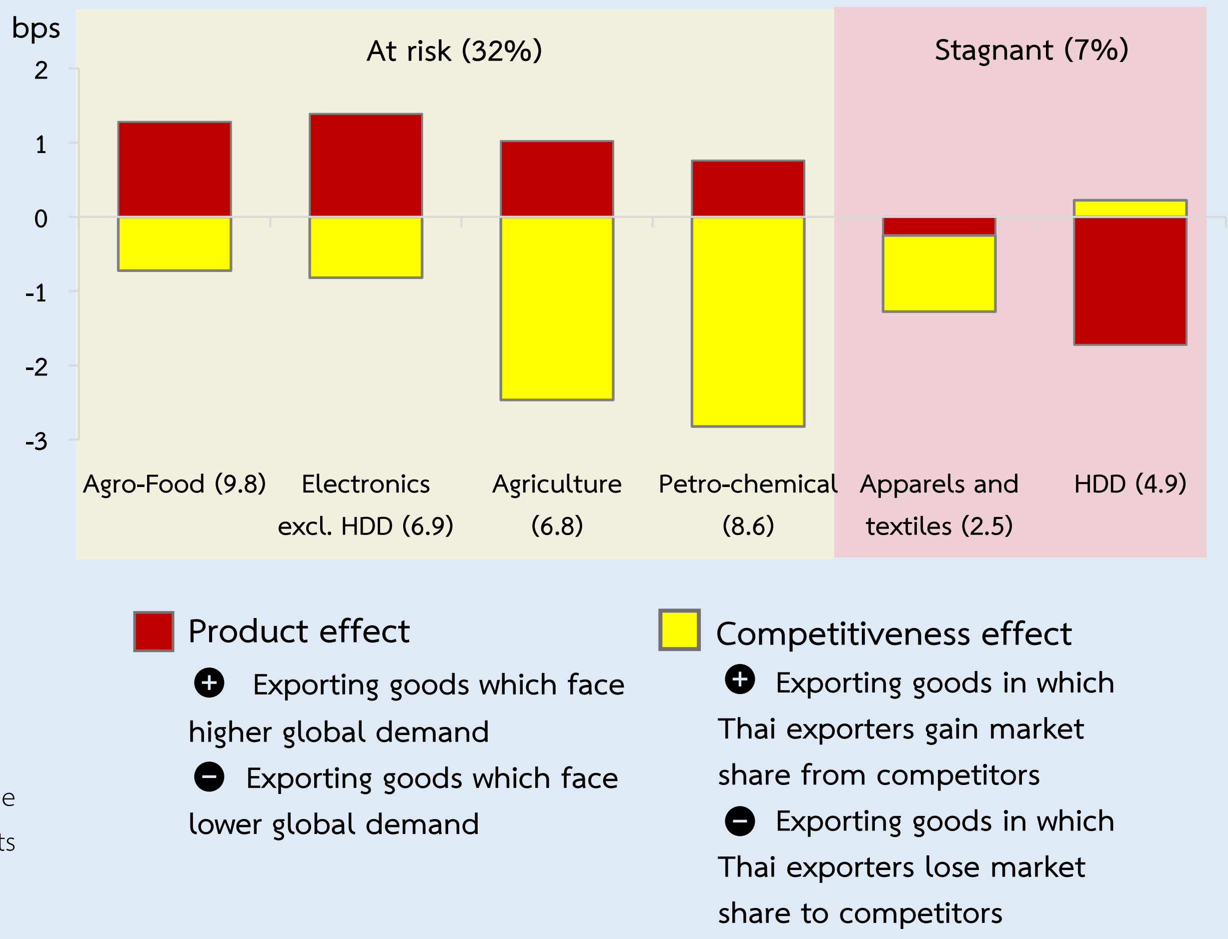
A deeper look into the dynamics of exporters using granular exports declaration data from Thai Customs[1/] reveals a number of structural challenges that can be summarized as follow:

Note: [1/] Data on exports declaration from Thai customs from 2001-2023 contains exporter information, 6-digit HS codes of export goods and competitor countries.

Box 2: Structural headwinds and risks to Thai exports outlook

(1) Structure of Thai exports is highly concentrated, especially for some products. The top 10% of large exporters accounts for up to 90% of total merchandise exports value. For some products such as HDD, electronics, and automobile, the top 5 largest exporters account for more than 40% of their exports value. Such concentration means that the Thai exports sector is highly sensitive to the operations of just a few large exporters, which might also limit competition from new players entering the market as well as the capacity development for the remaining exporters. A closer look at the 1.7% contraction in merchandise exports in 2023 reveals that most exporters saw their exports value contracted, especially SMEs. Meanwhile, only a few of the large exporters (0.04% of all exporters) saw their exports value contract sharply.

Chart 1: Decomposition of changes in Thai export shares in the global market from 2015 to 2022 by product from CMSA model*

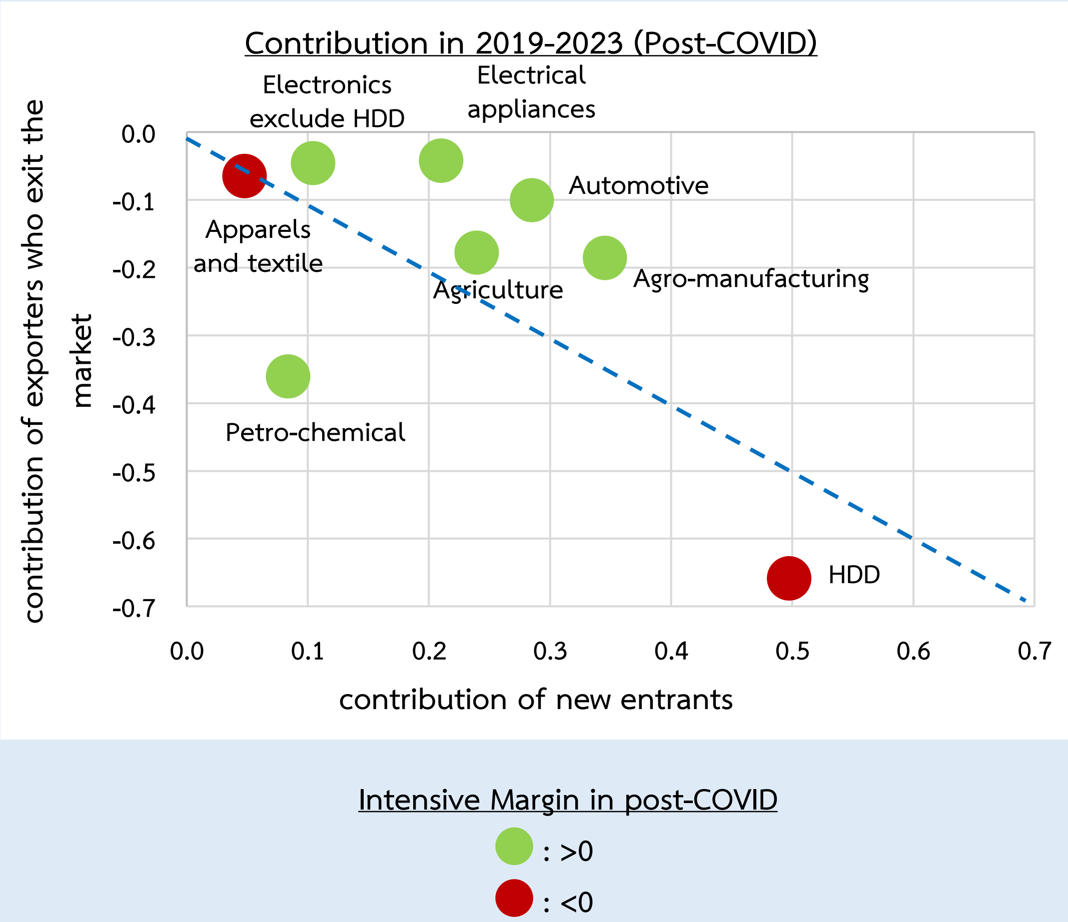


Note:
1. ( ) = share of total merchandise exports in 2022
2. The "at risk" group are those who lost competitiveness and saw growth slowdown; the "stagnant" group are those who lost competitiveness, faced lower demand, and saw negative growth.
*CMSA is a methodology to assess change in the exports structure of different product groups, with the product effect reflecting changes in commodities composition while the competitiveness effect reflects changes in market share.
Source: Trade Map, BOT calculation

Box 2: Structural headwinds and risks to Thai exports outlook

(2) Thai merchandise exports are driven by both incumbent players (intensive margin)[2/] and new players (extensive margin), but exports value has been declining due to exporters exiting the market while those remaining are not able to offset the decline. A look into the dynamics of exporters for each product category shows that exports of HDD, petrochemical and chemical products, and textiles face more severe structural problems than other categories (Chart 2). This is reflected in the growth pattern of those categories where growth tends to decline significantly due to decreases in the extensive margin, which are attributed to new players not being able to offset the decline in exports resulting from market exits. Moreover, exporters of these product categories have the lowest survival rate compared to other categories in the first 10 years of starting the exports business. A look at the return on assets (ROA) also reveals that exporters overall have been performing worse compared to the pre-COVID period, especially among those exporting HDD and textiles where new exporters would perform much worse than incumbent players. New exporters of petrochemical and chemical products have the lowest ROA compared to new exporters of other products.

Chart 2: Contribution of new entrants and exporters who exit the market, by product type



Note: [2/] Intensive margin is the change in value of merchandise exports attributed to incumbent players measured by their contribution. Meanwhile, extensive margin is the change in the value of merchandise exports attributed to new players entering and exiting the market measured by contribution of new players entering the market subtracted by the contribution of those exiting the market.

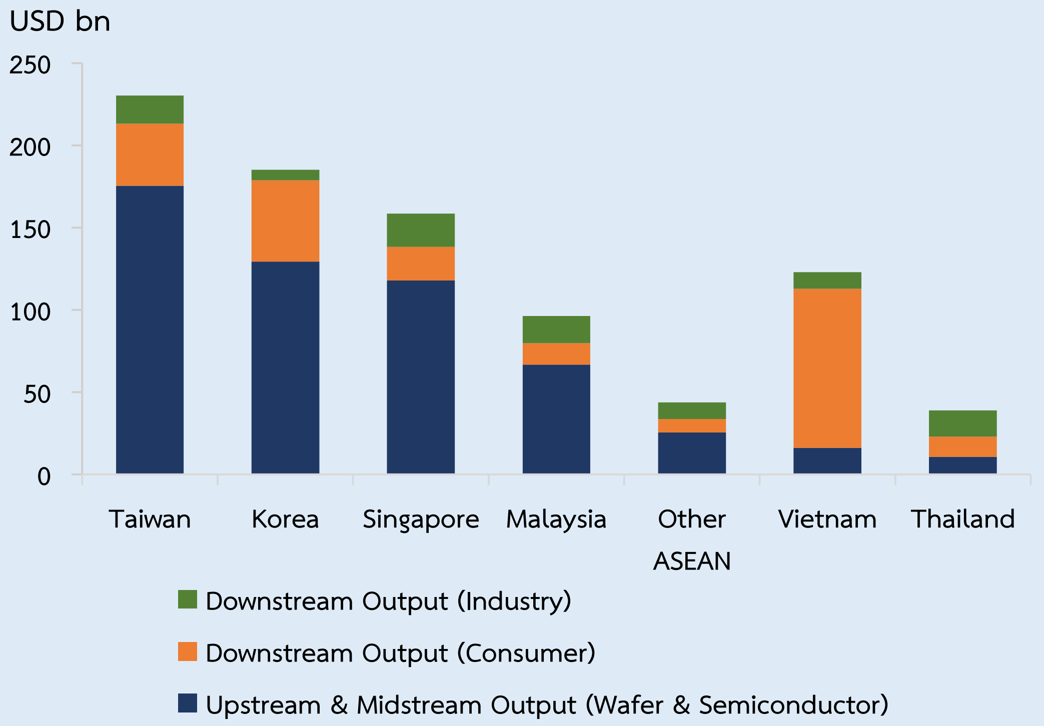
Box 2: Structural headwinds and risks to Thai exports outlook

Looking ahead, these long-standing structural challenges would weigh on the recovery of the exports sector and are likely to become more pronounced as the global economic contexts evolve, but Thai exports cannot keep up. As such, Thailand's export outlook is subject to 2 key risks that must be monitored, namely **(1) lack of competitiveness and capacity upgrades to enable manufacturing of high-technology and high complexity goods[3/]**, which would result in Thai exports experiencing an even slower recovery and not benefiting from the global manufacturing recovery like in the past, especially for electronics (excluding HDD) exports which accounts for 7.8% of total merchandise exports value in Thailand. This is because while the global electronics cycle has started to show recovery signs as reflected in the growing semiconductor world billing[4/] and clear improvements in export figures among electronics exporters such as Taiwan, South Korea and Singapore, the recovery this time has been driven by hi-tech goods such as artificial intelligence (AI). Meanwhile, electronics manufacturing in Thailand is still concentrated in downstream products and has little integration with the global semiconductor supply chain (Chart 3), thus Thailand's electronics exports would continue to slow down; and

Note: [3/] Thailand's Economic Complexity Index (ECI) Ranking during the 5 year period (2018-2022) fell by 1 rank, while the ranking for Vietnam, China, Indonesia, and the Philippines rose by as much as 12, 6, 6, and 5 ranks, respectively (Source: Observatory of Economic Complexity (OEC)).

[4/] Semiconductor world billing has started seeing positive growth since September 2023, a first in 14 months, and has continued to grow ever since. Most recently in Jan 2024, semiconductor world billing grew 15.5% YoY Source: World Semiconductor Trade Statistics

Chart 3: Export value of semiconductor by supply chains



Note: Product classification based on OECD
Source: Trademap

Box 2: Structural headwinds and risks to Thai exports outlook

(2) the impact of policy changes in key trading partners, such as China, including China's manufacturing overcapacity that let to influx of goods which Thai exports could not compete with. This is especially the case for exports of petrochemical and chemical products, which account for 7.3% of total merchandise exports in Thailand. Ever since end-2019, China has been importing significantly less of these products from Thailand as a result of the Chinese government's Dual Circulation[5/] policy aiming to rely more on domestic manufacturing and boost domestic manufacturing output. At the same time, China's focus on manufacturing as a growth driver whilst domestic demand is still recovering slowly has led to China's manufacturing overcapacity and thus the oversupply of goods from China flowing into ASEAN markets. This exacerbated Thailand's already slowing petrochemical and chemical products exports to ASEAN, potentially leading to the continued contraction of Thai exports in these products.

In summary, the Thai exports sector is facing long-standing structural problems that is severe for some products especially HDD, and textiles and apparel, due to factors relating to firms' competitiveness and their ability to adapt to global demand trends. Meanwhile, there remains the need to monitor risks especially those related to exports of electronics (excluding HDD), and petrochemical and chemical products which, despite being exports products already recovering at the global level, are products that Thailand has lost competitiveness in and has low integration with the global supply chain, and thus could result in a slow recovery of Thai exports.

In addition, Thailand's highly concentrated exports structure, difficulties in competing of new entrants, and insufficient exports momentum from remaining exporters to achieve strong exports growth like before are structural headwinds that impede Thailand from keeping up with its competitors and holding back Thailand's overall economic growth.

Note: [5/] The Chinese government announced the Dual Circulation strategy in May 2020, which focuses on the principles of having income circulation within the country to spur domestic demand, and reducing reliance on manufacturing inputs from other countries.

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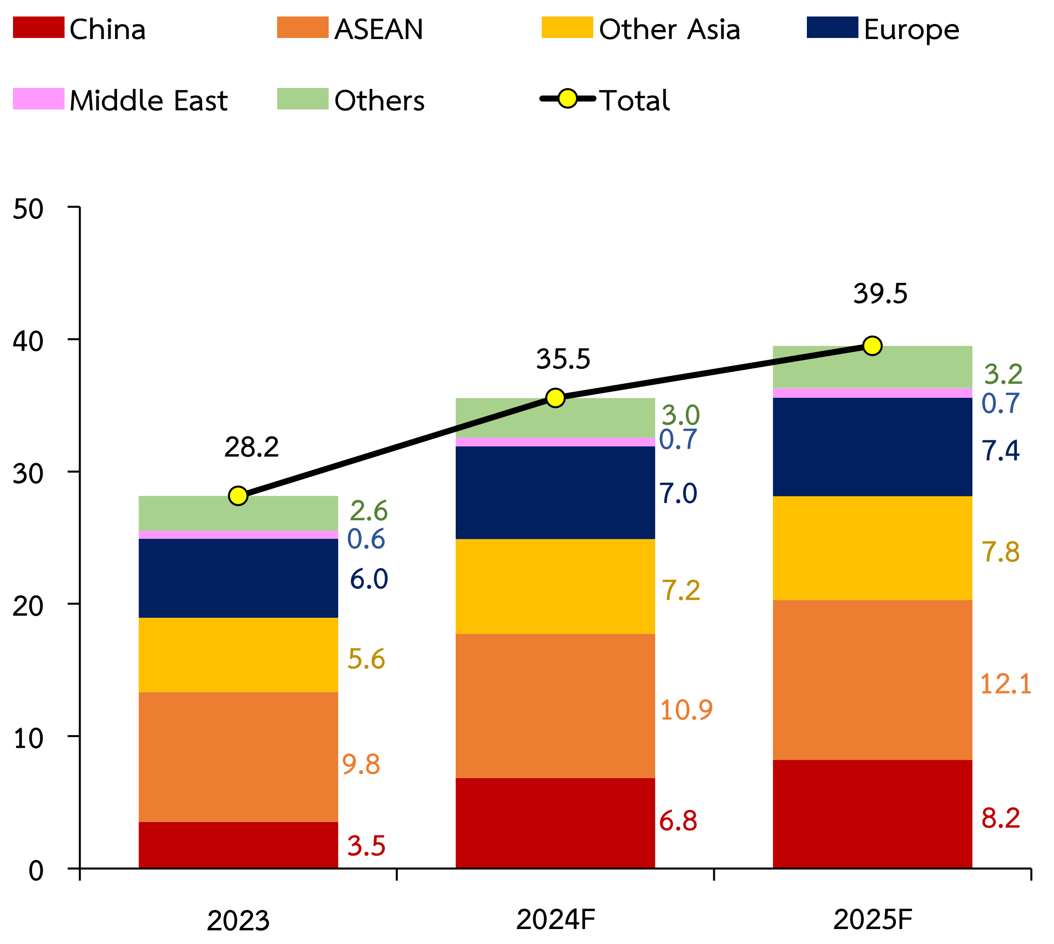
The number of foreign tourist arrivals would be higher than previously assessed.

Projection of foreign tourist arrivals



Source: Ministry of Tourism and Sports, BOT forecast

Projection of foreign tourist arrivals and travel receipts

	2019*	2022*	2023*	2024	2025
Million persons	**39.9**	**11.1**	**28.2** (28.3)	**35.5** (34.5)	**39.5** (39.0)
% of 2019 value	-	**28%**	**71%** (71%)	**89%** (87%)	**99%** (98%)
Tourism receipt (Trillion baht)	1.9	0.5	1.0	1.4	1.6

Note: * denotes outturn , ( ) = forecast from Monetary Policy Report Q4-2023

- **The projected number of foreign tourist arrivals is revised up to 35.5 million persons in 2024 and 39.5 million persons in 2025** on account of higher-than-expected outturns in Q1/2024. Looking ahead, it is expected that seat capacity and global tourism demand would improve, and Thai tourism would benefit from the new visa exemptions for 4 countries.
- **Tourism receipt is projected to reach 1.4 trillion baht in 2024 and 1.6 trillion baht in 2025.** This improved outlook is attributed to both higher foreign tourist arrivals and spending per head. However, there remains the need to monitor specific factors affecting the recovery in tourism receipt such as the shorter length of stay compared to pre-COVID levels in 2019.

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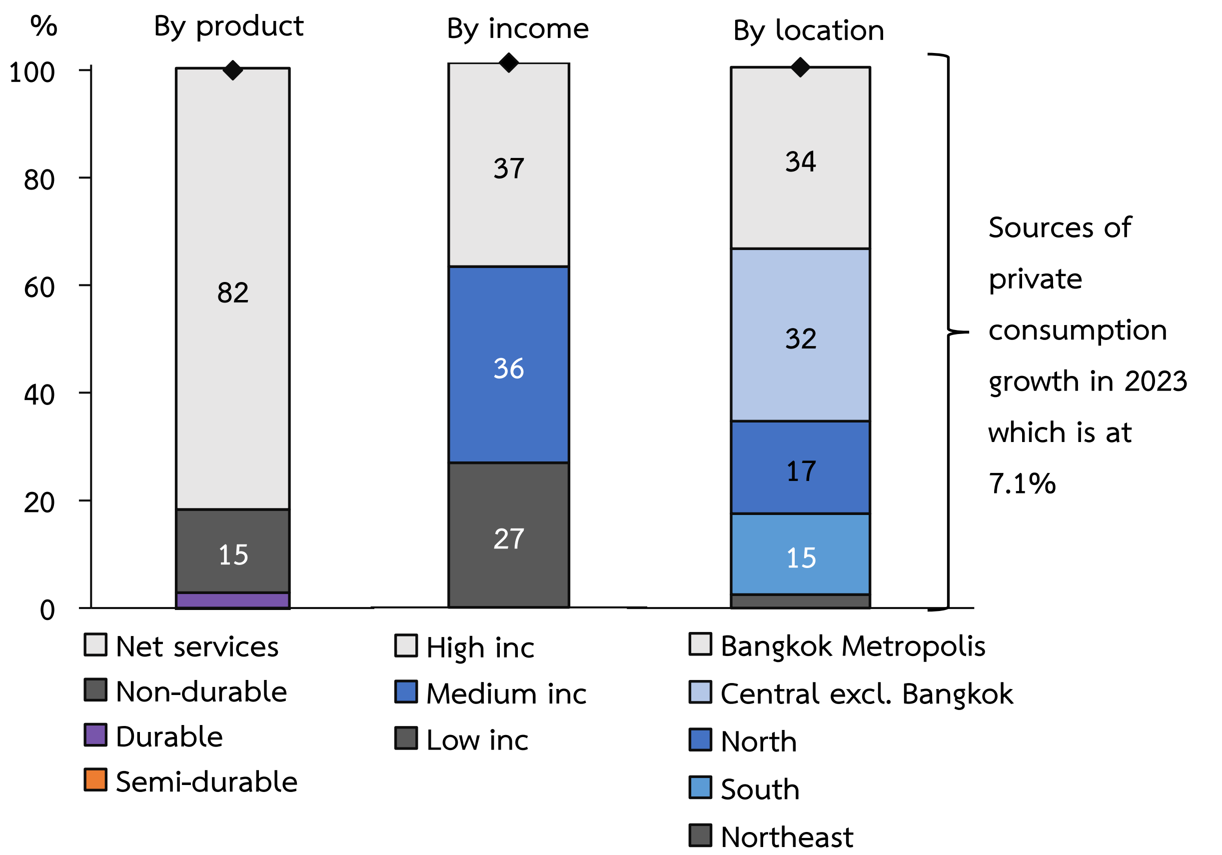
Private consumption growth would continue albeit at a slower pace compared to the strong expansion last year, and is still mainly concentrated among high-income earners and in services spending

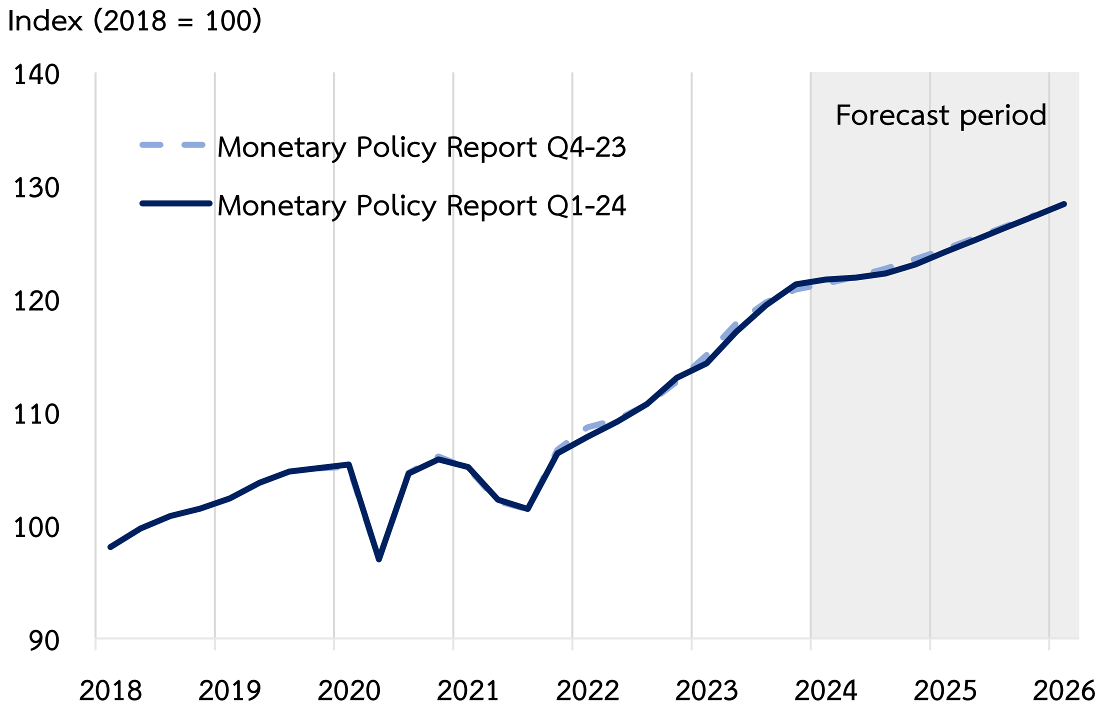
Contribution of private consumption growth in 2023



Note: The share of Low-, medium-, and high-income households is 60% 30% and 10%, respectively

Source: NESDC and National Statistics Office's Household Socio-Economic Survey in 2023, BOT calculations.

Real private consumption (excl. digital wallet scheme)



Source: BOT forecasts

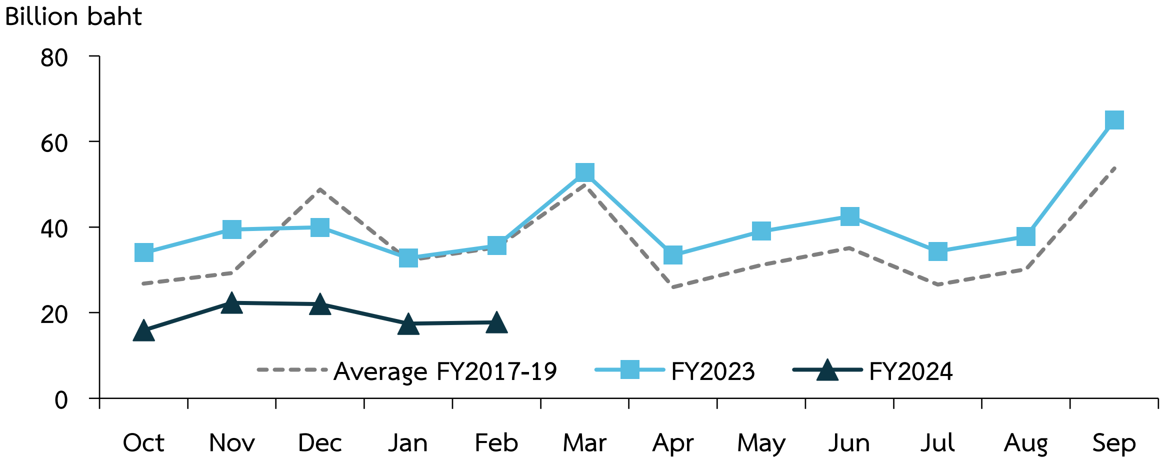
Private consumption projection (excl. digital wallet scheme)

%YoY	2023*	2024	2025
Private consumption	7.1	3.5 (3.2)	2.9 (3.0)

Note: * denotes outturn , ( ) = forecast from Monetary Policy Report Q4-2023

Delayed approval of FY2024 fiscal budget significantly impacted public expenditure, especially public investment. There remains the need to monitor implementation of government especially the 10,000 baht Digital Wallet scheme.

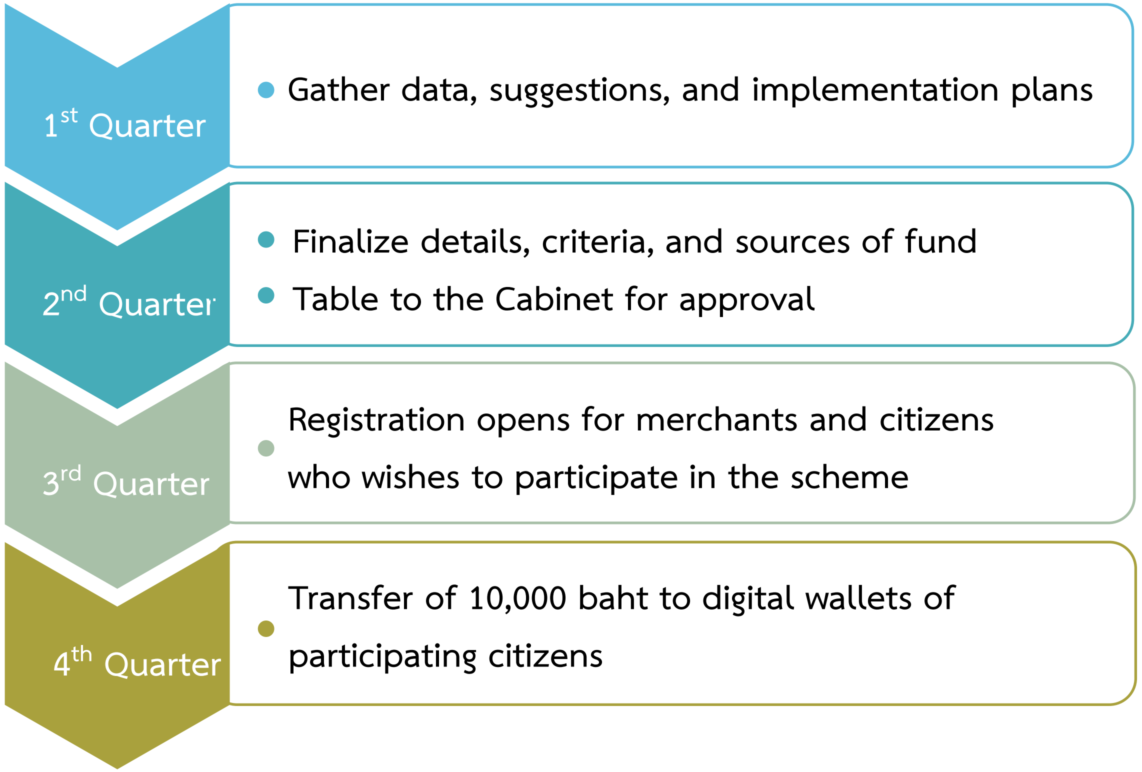
Indicators of investment spending by central government



Source: GFMIS database, classification based on IMF GFSM2001 system by BOT

- Delayed approval of FY2024 fiscal budget caused investment spending by the central government in the first 5 months of the fiscal year to contract by 47.5% compared to the same period last year.
- Once the FY2024 fiscal budget comes into effect in April (in accordance with the budget calendar), investment spending by the central government is likely to accelerate given the readiness of government agencies who already prepared the procurement process in accordance with the Comptroller General's Department's measure to expedite budget disbursement.
- However, the private sector is concerned about limitations in expediting budget disbursement by government agencies, which could result in public expenditure falling short of the disbursement target.

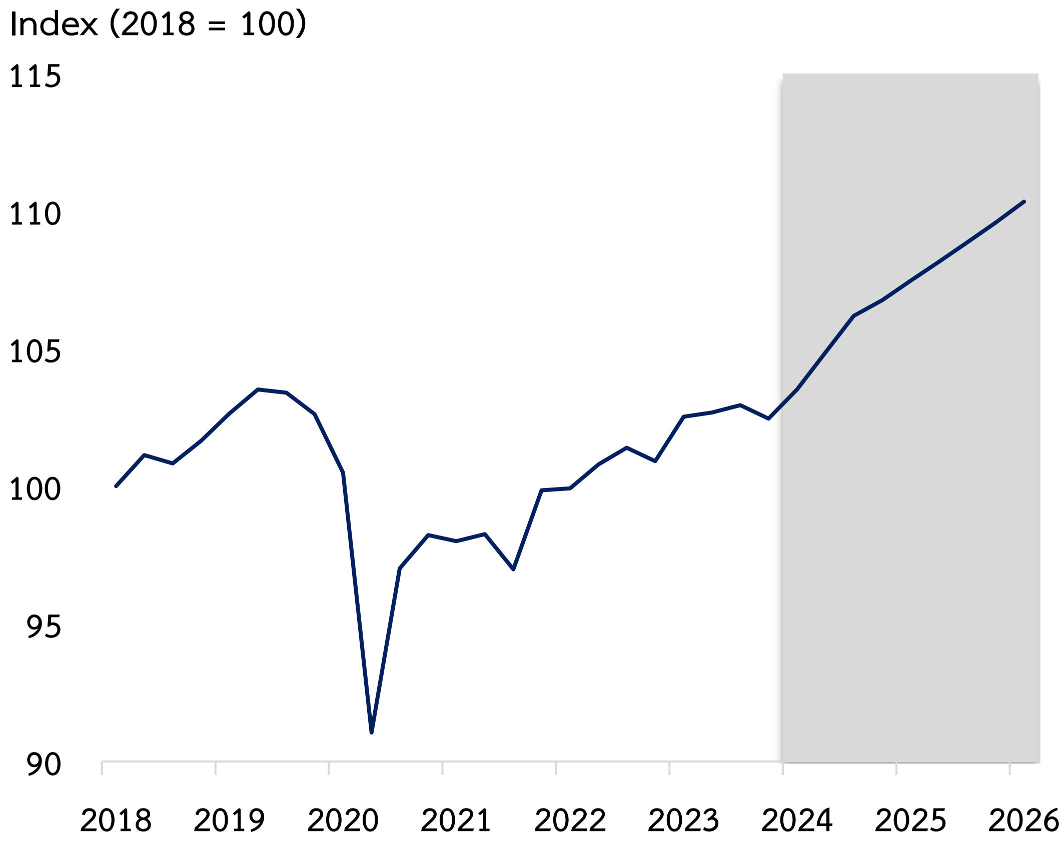
Progress on Digital Wallet scheme (DW)



Source: Announcement by the Ministry of Finance on 10 April 2024

The Thai economy would expand. GDP growth would be low in Q1/2024 but would gradually improve once the FY2024 fiscal budget comes into effect, in addition to support from increasing tourism receipt and exports recovery, especially in the latter half of the year.

Real GDP



Economic projection (excluding the impact of digital wallet scheme)

Growth (%YoY)	2023*	2024	2025
GDP growth	1.9	2.6	3.0
Domestic Demand	3.5	3.1	3.1
Private Consumption	7.1	3.5	2.9
Private Investment	3.2	3.3	3.2
Government Consumption	-4.6	1.8	3.3
Public Investment	-4.6	1.0	5.0
Export volume of goods and services	2.1	4.2	3.3
Import volume of goods and services	-2.2	3.8	3.5
Current account (billion U.S. dollars)	7.0	13.0	17.5
Value of merchandise exports (%YoY)	-1.7	2.0	2.8
Value of merchandise imports (%YoY)	-3.1	2.5	3.0
Number of foreign tourists (million persons)	28.2	35.5	39.5

Note: * denotes outturns

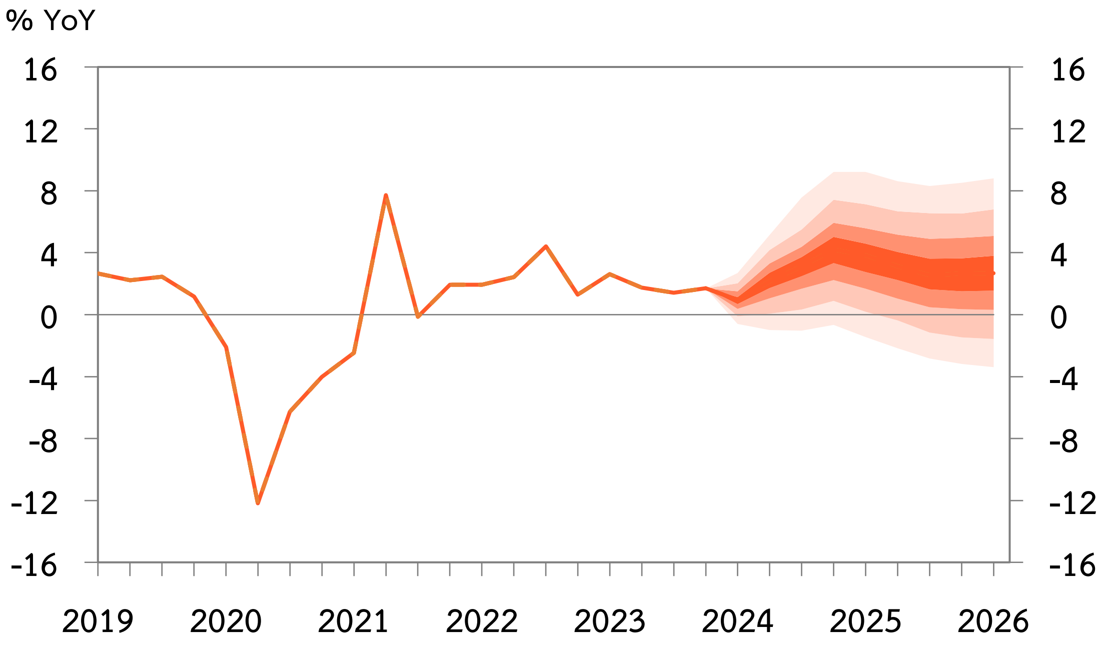
Source: NESDC, BOT forecasts

Summary of economic forecasts by component

Service exports	**Revised up for both 2024 and 2025** on account of both higher foreign tourist arrivals and higher spending per head. The projected number of foreign tourist arrivals is revised up to 35.5 million persons in 2024 and 39.5 million persons in 2025 in line with the increasing number of flights to Thailand, as airlines gradually increase the number of flights to accommodate more foreign tourists. Visa exemptions have also supported tourism more than expected, especially for the number of Chinese tourists. Meanwhile, higher spending per head was driven by spending in hotels, which is indicative of more quality-focused tourism.
Merchandise exports	**Revised down for both 2024 and 2025** on account of both cyclical and structural factors with limited benefits from trading partners' growth. In particular, (1) the global goods cycle remains soft because the recent global economic recovery was driven mainly by services; (2) Thai exports gain limited benefits from the recovery in the global electronics cycle, which is still concentrated among hi-tech goods; (3) loss of competitiveness in some export goods such as chemical productions; and (4) demand for Thai exports has declined more than expected, especially automobile.
Private consumption	**Private consumption would continue to expand in 2024 and 2025,** albeit at a slower pace compared to pre-COVID levels after having accelerated in 2023 on the back of labor market recovery as reflected in the number of those insured under M.33 of the Social Security Act, labor income, and consumer confidence. However, private consumption growth is likely to be concentrated among high-income earners and services spending.
Private investment	**Private investment would continue to expand in 2024 and 2025** especially investment in new industries in line with the number of investment promotion applications with the Board of Investment (BOI). The gradual recovery in exports, continued expansion in domestic demand, and public-private partnership (PPP) investment projects such as the MRT Orange Line would support private investments going forward.

Risks to Thailand's growth outlook are balanced throughout the forecast period.

GDP growth forecast



Upside risks

- Tourism receipt is higher than expected.
- Domestic demand might be stronger than expected due to government stimulus measures.

Downside risks

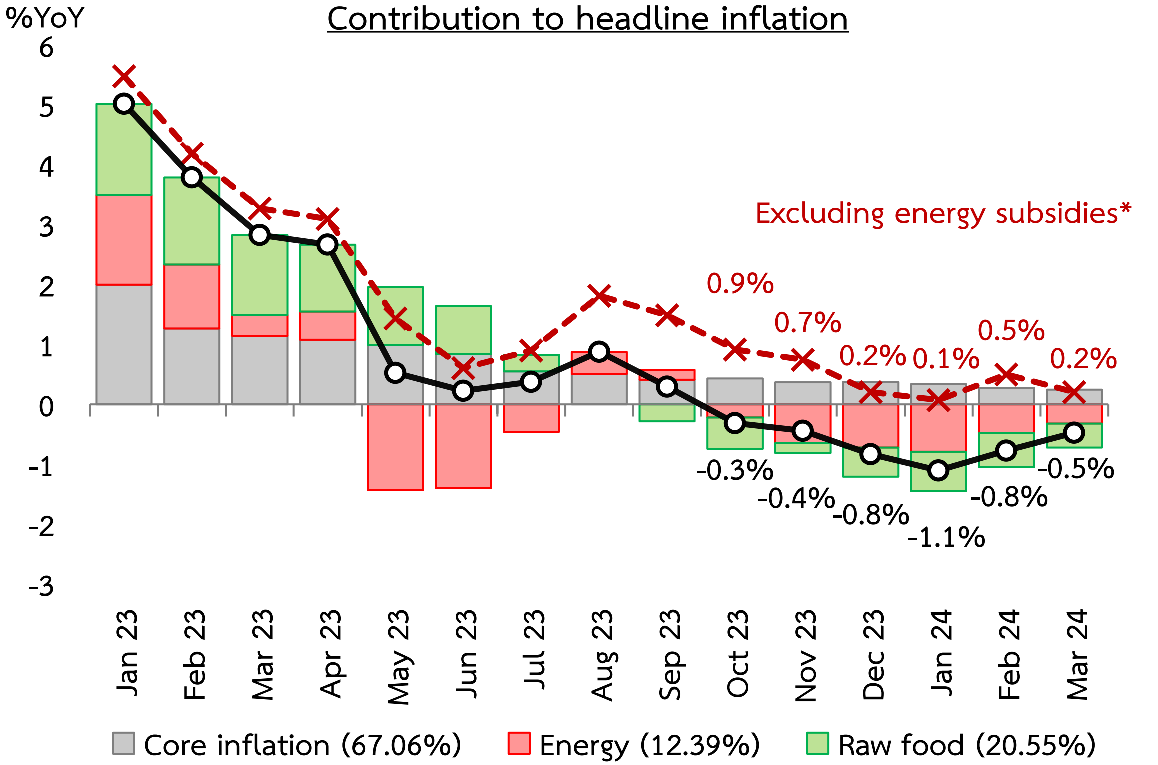
- Acceleration in budget disbursement after the FY2024 fiscal budget has been approved might be lower than expected.
- Positive spillovers from global trade recovery might be lower than expected due to structural factors.

Headline inflation remains low due to temporary factors and thus is not a sign of deflation.

Headline inflation outturns in Q4/2023 and Q1/2024 were low mainly due to raw food and energy prices in line with increased supply of pork and vegetables in the market as well as energy price subsidies from the government. Headline inflation would have been positive if those factors had been excluded.

The negative headline inflation outturns are not a sign of deflation because there was no broad-based decline in prices. More than 75% of goods and services in the CPI basket saw their prices either increased or remained stable.

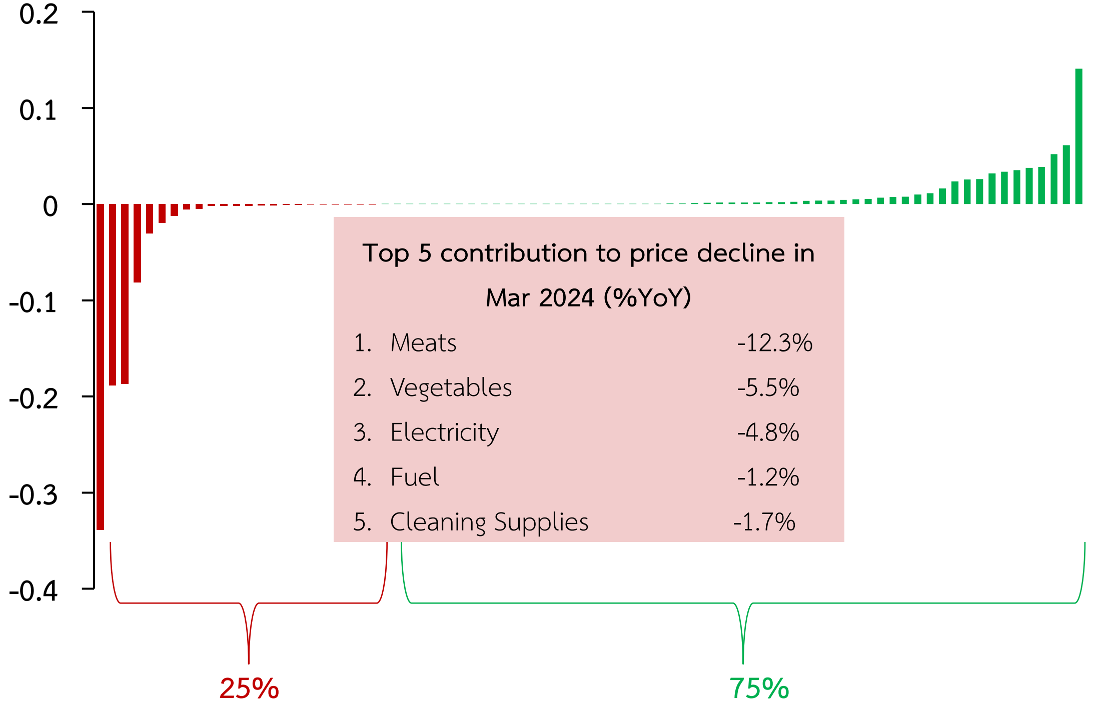
Contribution to headline inflation



Note: ( ) = weight in CPI basket (base year = 2019); *energy price subsidies are 1. excise tax reduction on diesel and benzene fuels including price subsidies by the Oil Fund; and 2. electricity bill subsidies. Calculation assumes that measures were in effect since the previous year.

Source: Ministry of Commerce, BOT calculation

Contribution to headline inflation by product item (Mar 2024)



Note: Calculated from inflation at the 4-digit code level (90 categories in total)

Source: Ministry of Commerce, BOT calculation

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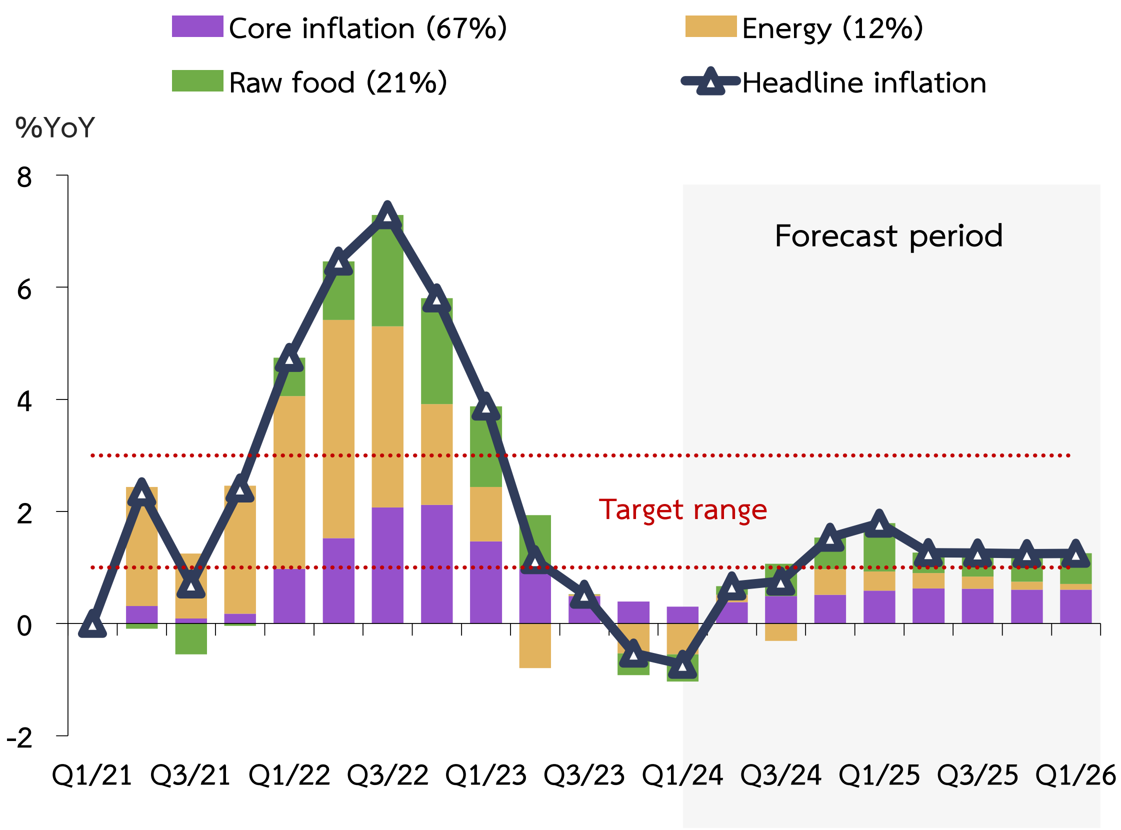
Headline inflation forecast is revised down on account of lower-than-expected inflation outturns and the outlook for supply side factors.

Contribution to headline inflation



Note: ( ) denotes weight in CPI basket

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

Inflation forecast

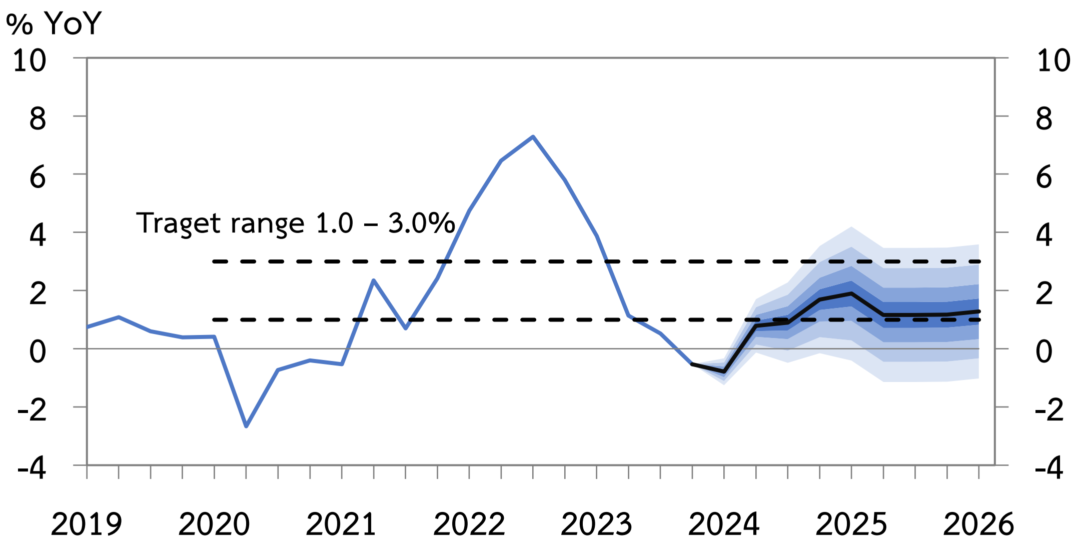
%YoY	2022*	2023*	2024	2025
Headline inflation	6.1	1.2	0.6 (2.0)	1.3 (1.9)
Core inflation	2.5	1.3	0.6 (1.2)	0.9 (1.3)

Note: * denotes outturn and ( ) indicates previous forecast in the Monetary Policy Report Q4-2023

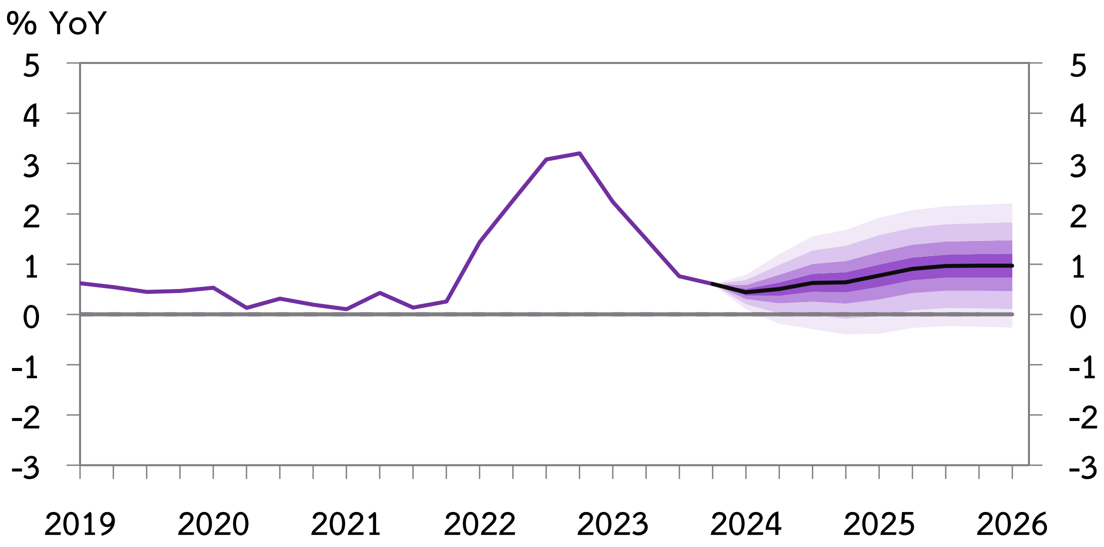
- Headline inflation forecast is revised down mainly on account of raw good and energy prices. **Raw food prices** projection is revised down because raw food price outturns were affected by El Niño less than expected as rainfall has been higher than past average. Pork prices also increased at a slower pace than expected as supply remains high. Meanwhile, **energy prices** projection is revised down due to lower-than-expected outturns for electricity bills and retail diesel prices, resulting from energy price subsidies from the government. Input costs from natural gas also declined, more than offsetting the small increase in retail benzene prices and the higher refined fuel prices in the global market.
- Core inflation forecast is revised down on account of lower-than-expected price outturns for food in core, especially prepared food, as well as declining energy and food prices.

Risks to the inflation outlook are balanced throughout the forecast period.

Headline inflation forecast



Core inflation forecast



Upside risks

- Geopolitical tensions escalate and become more widespread

Downside risks

- Government rolls out more energy price subsidies than expected

Summary of key forecast assumptions

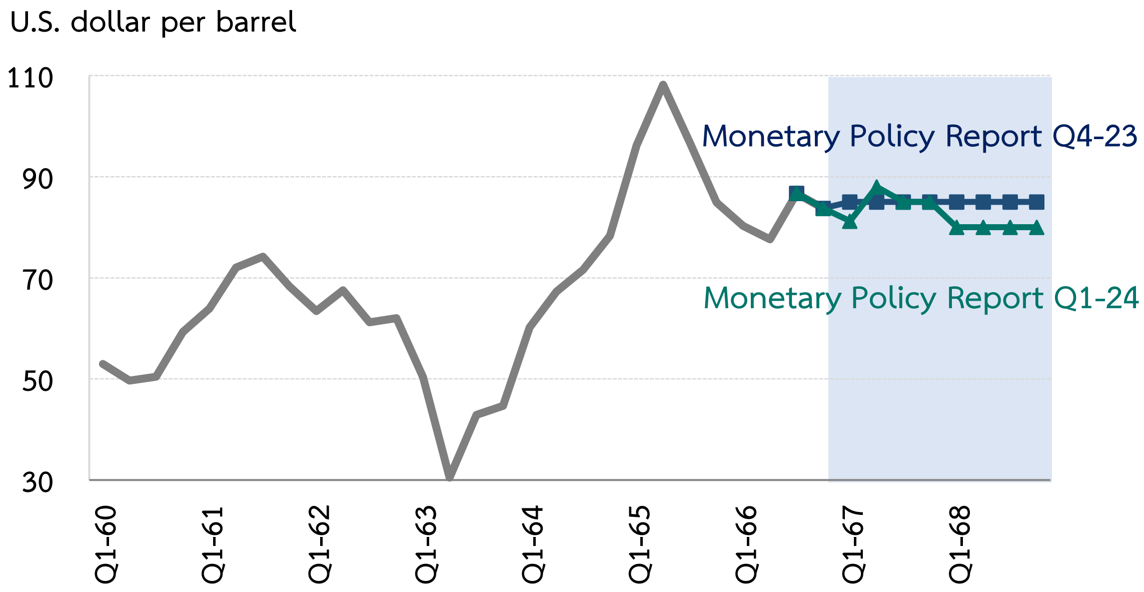
Annual percentage change	2023*	2024	2025
Trading partners' growth (%YoY)[1/]	2.9	2.6 (2.6)	2.7 (2.7)
Fed funds rate (% at year-end)	5.25 - 5.50	4.75 – 5.00 (4.50 - 4.75)	3.75 – 4.00 (2.50 – 2.75)
Regional currencies (excl. China) vis-à-vis the U.S. dollar (index)[2/]	166.3	167.1 (165.0)	163.4 (161.9)
Dubai crude oil prices (U.S. dollar per barrel)	82.1	85.0 (85.0)	80.0 (85.0)
Farm income (%YoY)	-1.4	0.8 (1.2)	-0.3 (0.0)
Government consumption at current price (billion baht)	2,983	3,053 (3,051)	3,171 (3,151)
Public investment at current price (billion baht)	1,011	1,030 (1,089)	1,098 (1,116)

Note: [1/] Weighted by each trading partner's share in Thailand's total exports
[2/] Increasing index represents depreciation, decreasing index represents appreciation
* Outturns
( ) Previous forecast in the Monetary Policy Report Q4-2023, excluding digital wallet scheme

- **Trading partners' growth** for 2024 is largely unchanged from the previous assessment. Economic growth in the US has been stronger than expected, but has slowed down for others namely the euro area from consumption and manufacturing, and Japan from consumption. For 2025, trading partner economies would continue to expand with GDP growth for most countries being close to potential output. This is also in part supported by the gradual monetary easing by major central banks.
- **The federal funds rate** is expected to be cut from Nov 2024 onwards, albeit at a gradual pace given that inflationary pressure remains high and US economic growth has been stronger than expected, lessening the need for rate cuts in line with the FOMC's views.
- **Regional currencies (excluding the Chinese yuan)** would depreciate in the near-term due to the U.S. dollar's strength, which is in part due to US economy continuing to see strong growth outturns. However, it is expected that regional currencies would appreciate once major central banks gradually cut their policy rates and regional economies start to recover.
- **Dubai crude oil prices** in 2024 would be slightly higher compared to 2023 due to the continuation of production cuts by OPEC+ countries and the prolonged geopolitical conflicts. Meanwhile, Dubai crude oil prices for 2025 are revised down on account of increasing crude oil production from non-OPEC countries.
- **Farm income (excluding government measures)** in 2024 would grow slightly on account of higher agricultural prices especially rubber, sugar cane, and rice. Meanwhile, agricultural output would contract from less pig farming as prices are close to costs. For 2025, farm income would contract slightly due to prices, especially rice prices which saw large increases earlier.
- **Public spending at current price** would continue to pick up in both 2024 and 2025 in accordance with the fiscal budget and medium-term fiscal plan (FY2024-2027). However, public spending in 2024 is revised down due to the impact of unexpected delays in the approval of the FY2024 budget. Public expenditure in 2025 is largely unchanged from the previous assessment.

Dubai crude oil prices assumption for 2024 is unchanged overall, although prices would be higher in the Q2 due to the prolonged and more severe geopolitical conflicts. For 2025, it is revised down on account of increasing crude oil production from non-OPEC countries.

Projected Dubai crude oil prices



Projected Dubai crude oil prices

U.S. dollar per barrel	2022*	2023*	2024	2025
Dubai crude oil prices (annual average)	96.4	82.1	85 (85)	80 (85)

Note: * Outturns

( ) Previous forecast in the Monetary Policy Report Q4-2023

Source: BOT forecast

Dubai crude oil prices assumption for 2024 is unchanged overall. Prices in the first quarter are revised down as price outturns were lower than expected, but revised up for the second quarter due to the prolonged and more severe geopolitical conflicts.

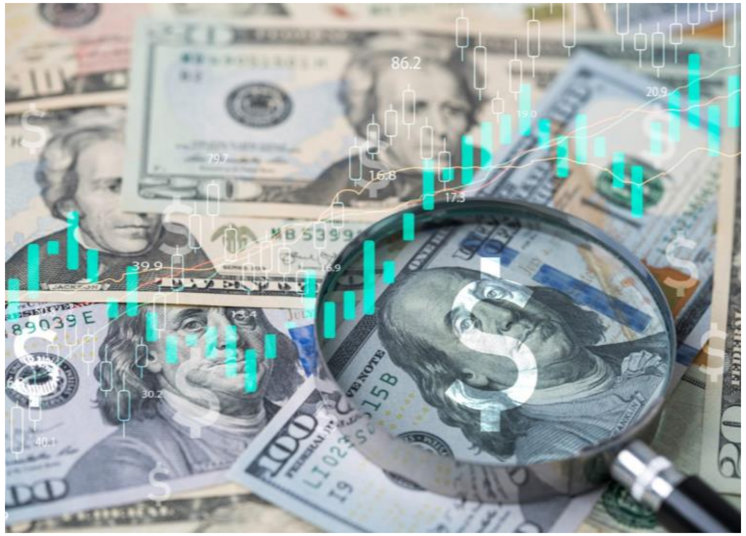
- Price outturns were lower than expected in the first quarter due to the Israel-Hamas conflict and the Red Sea crisis which have limited impact on crude oil prices because they have not affected oil production infrastructures.
- Price assumption for the second quarter is revised up on account of escalation in the Russia-Ukraine conflict whereby Ukraine forces attacked Russian oil refineries, as well as concerns pertaining to escalation of geopolitical conflicts in the Middle East.

Dubai crude oil prices assumption for 2025 is revised down from 85 to 80 U.S. dollar per barrel on account of increasing crude oil production from non-OPEC countries namely the US, Canada, and Guyana.

Risks to Dubai crude oil prices outlook are still skewed to the upside.

- Upside risks: **Geopolitical conflicts such as the Russian-Ukraine conflict, the Israel-Hamas conflict, the Israel-Iran conflict, and the Red Sea crisis,** which could escalate and broaden more than expected; **Production cuts by OPEC+ countries** could last longer or steeper than expected; and **uncertainties pertaining to the extension of the US's sanction reliefs for Venezuela** which could affect supply of crude oil.
- Downside risks:. Slower than expected global economic recovery

Financial conditions have not impeded economic growth overall.



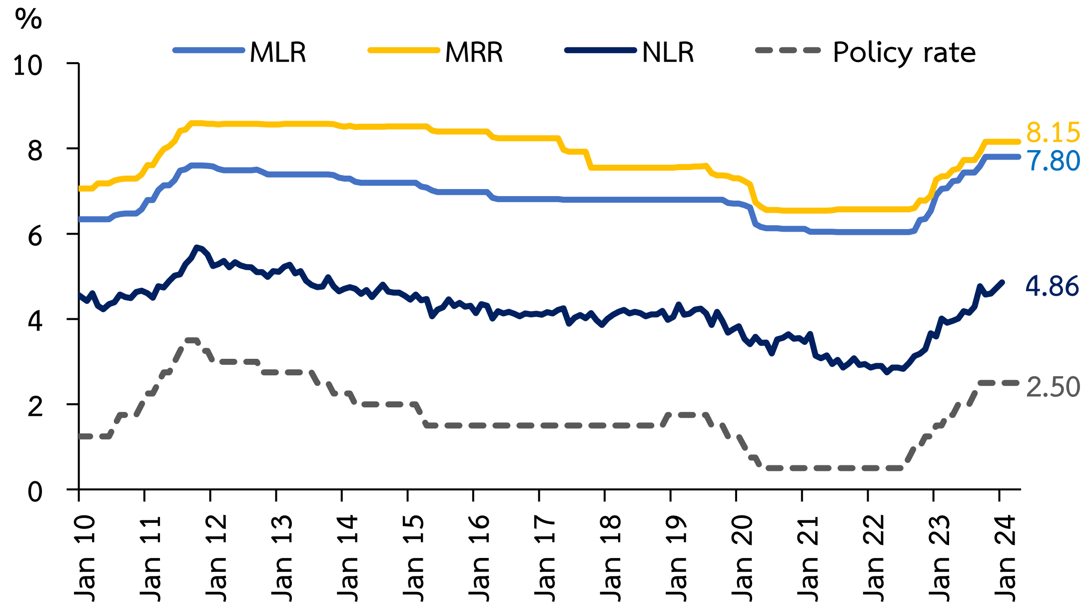
Overall financing costs remain stable. Financing costs through bank lending and bond issuance remain stable in line with the policy rate.

Private credit growth slowed down from debt repayments by businesses. Firms are still able to mobilize funds, although some groups of SMEs face tighter financial conditions

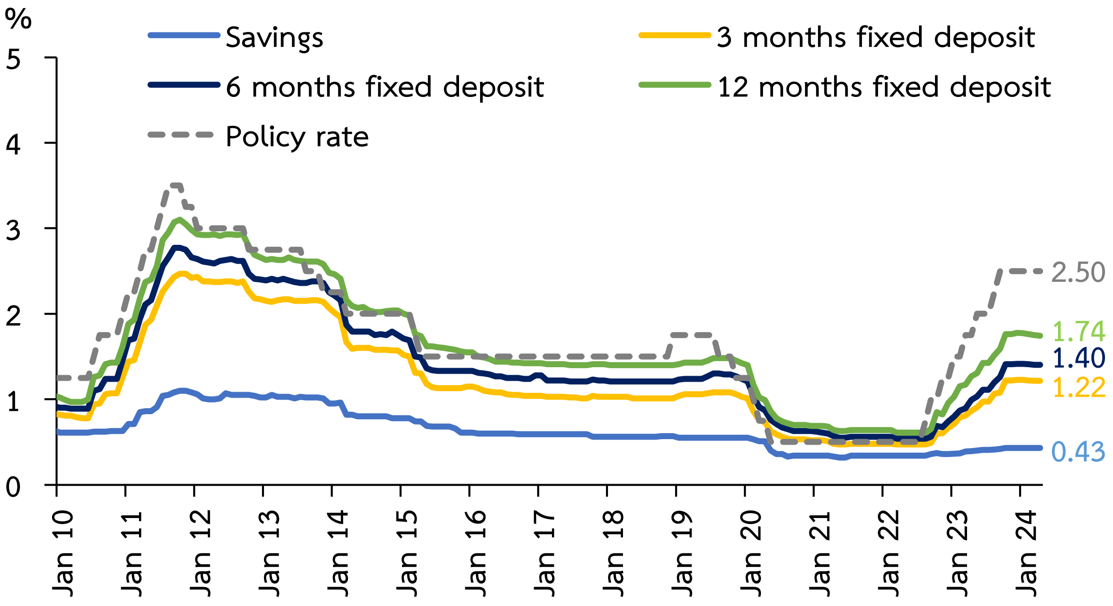
The baht's movement has been volatile due to both external and Thailand-specific factors

Commercial bank interest rates remain stable in line with the policy rate.

Commercial bank lending rates



Commercial bank deposit rates



Note: (1) Monthly average of 14 commercial banks (data as of 9 Apr 2024)

(2) NLR = new loan rate (data as of Jan 2024)

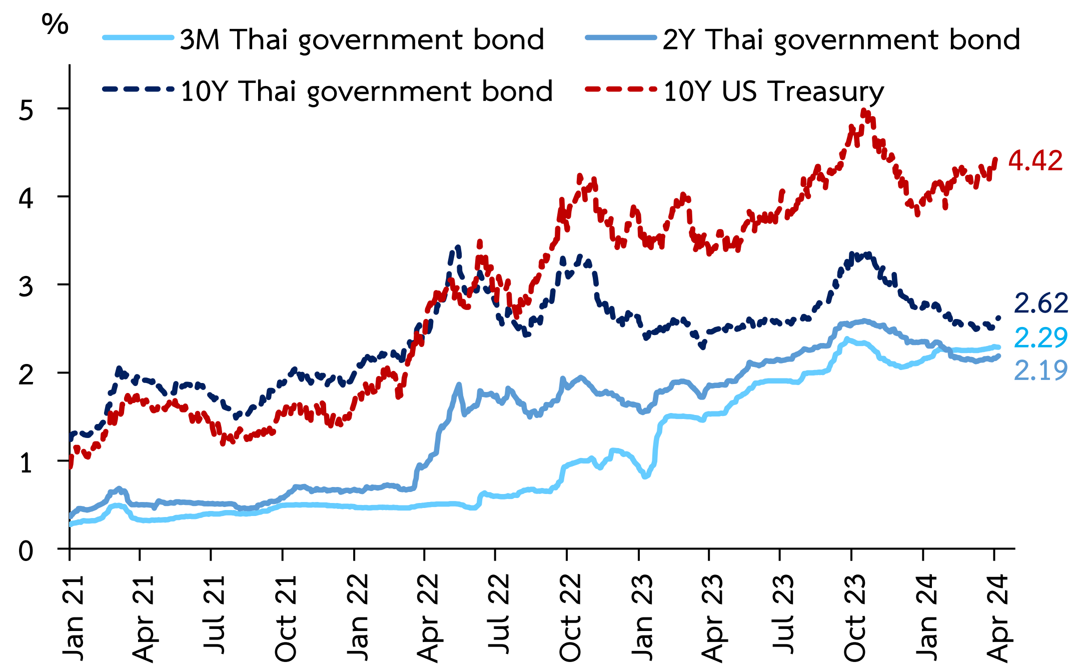
(3) For NLR, some contracts with a credit line of more than 500 million baht reported an abnormal interest rate. (Sep 2023 and Jan 2024)

Source: BOT

Commercial banks' lending and deposit rates remain stable overall, in line with the MPC's decision to maintain the policy rate at 2.50 at its meeting on 7 February 2024. The minimum loan rate (MLR) and minimum retail rate (MRR) were stable at 7.80% and 8.15%, respectively. Saving deposit rates and 3-months, 6-months, and 12-months fixed deposit rates are also stable at 0.43%, 1.22%, 1.40%, and 1.74%, respectively. **The new loan rate: NLR as of end-Jan 2024 was also largely unchanged from the previous quarter.**

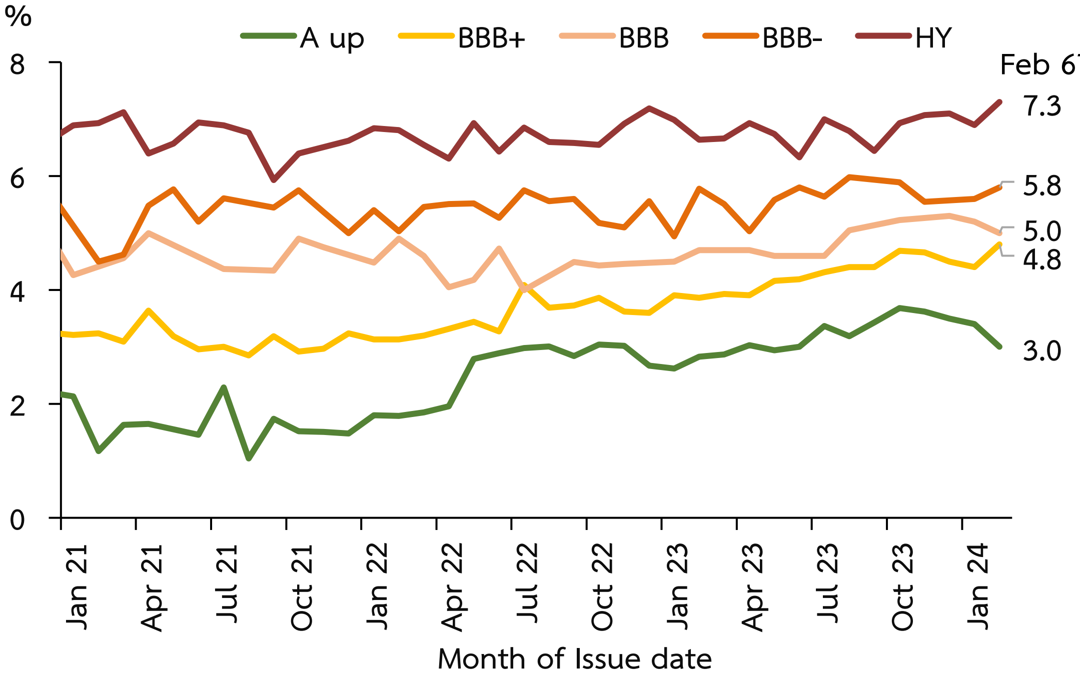
Financing costs in the bond market were stable overall.

Thai government bond and US Treasury yields



Source: Thai BMA (data as of 9 Apr 2024)

Corporate bond yields (1Y < Tenor <= 3Y)* By credit rating

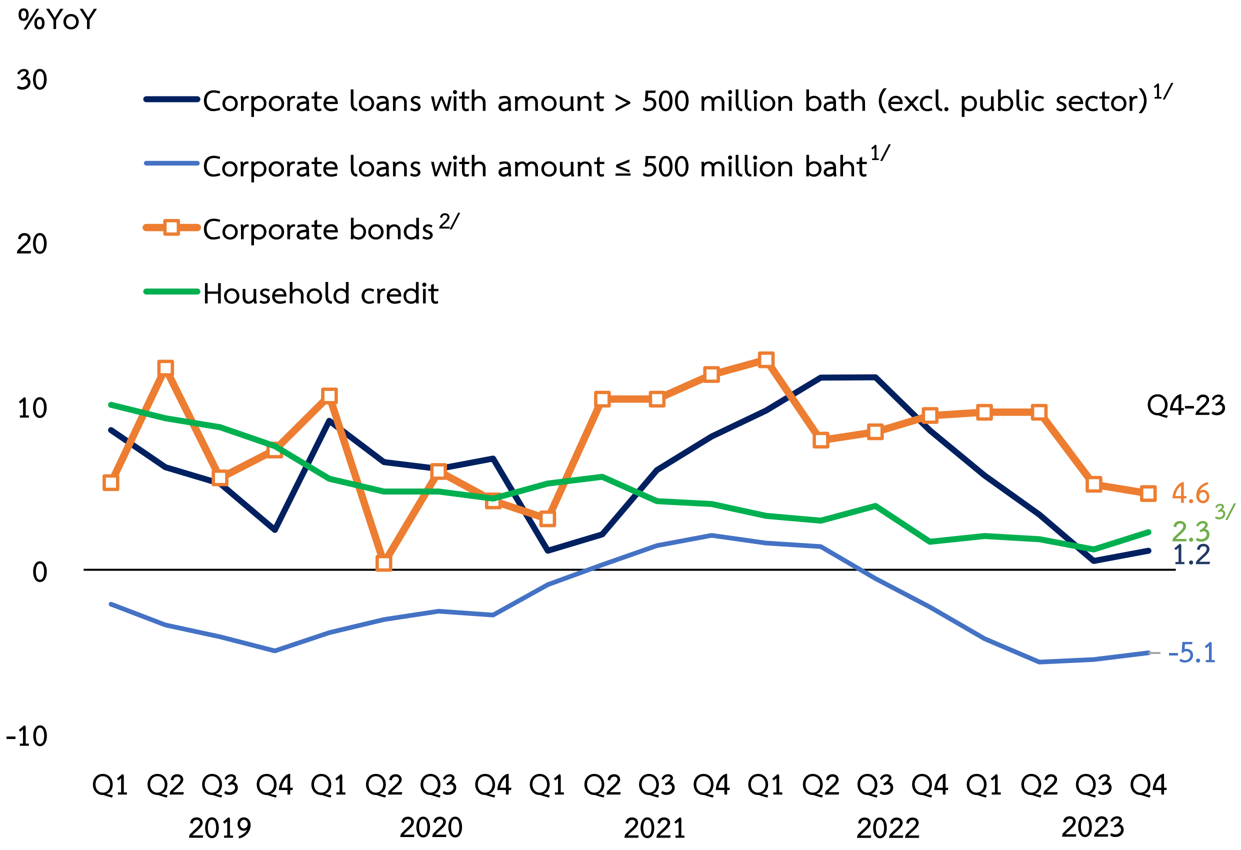


Note: * Weighted coupon in primary market

Short-term government bond yields declined partly due to market expectations about the MPC's monetary policy direction, which also resulted in a decline in **long-term government bond yields** despite US Treasury yields having increased from market expectations that the Federal Reserve (Fed) would cut rates at a slower pace following stronger-than-expected US economic outturns. Meanwhile, **corporate bond yields remain stable** from the previous quarter with some movement between months mainly due to idiosyncratic factors of some issuers. Looking ahead, it is expected that financing costs in the bond market would remain stable for investment grade bonds, while high yield bonds might offer more collateral instead of raising yields.

Private credit has continued to expand overall despite decline in total credit outstanding from debt repayments.

Private credit



Note: [1/] Credit line at each commercial bank
[2/] Data statistics have been improved;
for details see Imporving and developing bank lending and corporate bond statistics (Jun 2023)
[3/] Household credit would have grown by 2.5% if the credit card and personal loan portfolio of one bank had not been transferred to its subsidiary (excluded from commercial bank credit calculation)

In Q4-2023, large corporate loan growth (credit limit > 500 million baht) remained stable from the previous quarter. Loans extended to holding companies, energy and services businesses have continued to see a strong expansion, while those extended to industrial businesses have continued to decline from debt repayments with some large corporates turning towards bond issuance instead.

SMEs loan growth (credit limit ≤ 500 million baht) contracted from the same period last year. This was mainly due to repayment on maturing soft loans of commercial and industrial businesses as well as more cautious lending on part of the banks.

Overall household credit expanded on account of personal loans in line with increased consumption demand. Meanwhile, mortgage loans slowed down in part due to higher borrowing costs as well as higher living costs. Auto loans saw a slight contraction in line with more cautious lending by banks.

For Q1-2024[1/], loan demand would continue to grow in line with the economic recovery especially among large corporates for investment and working capital purposes. Meanwhile, SMEs' credit demand would be driven by the need to build inventory as well as working capital purposes. Household credit is expected to increase from personal loans and credit loans driven by increased consumption demand as well as improving consumer confidence. Meanwhile, demand for auto loans has yet to recover due to strict terms of lending contracts as well as higher borrowing costs.

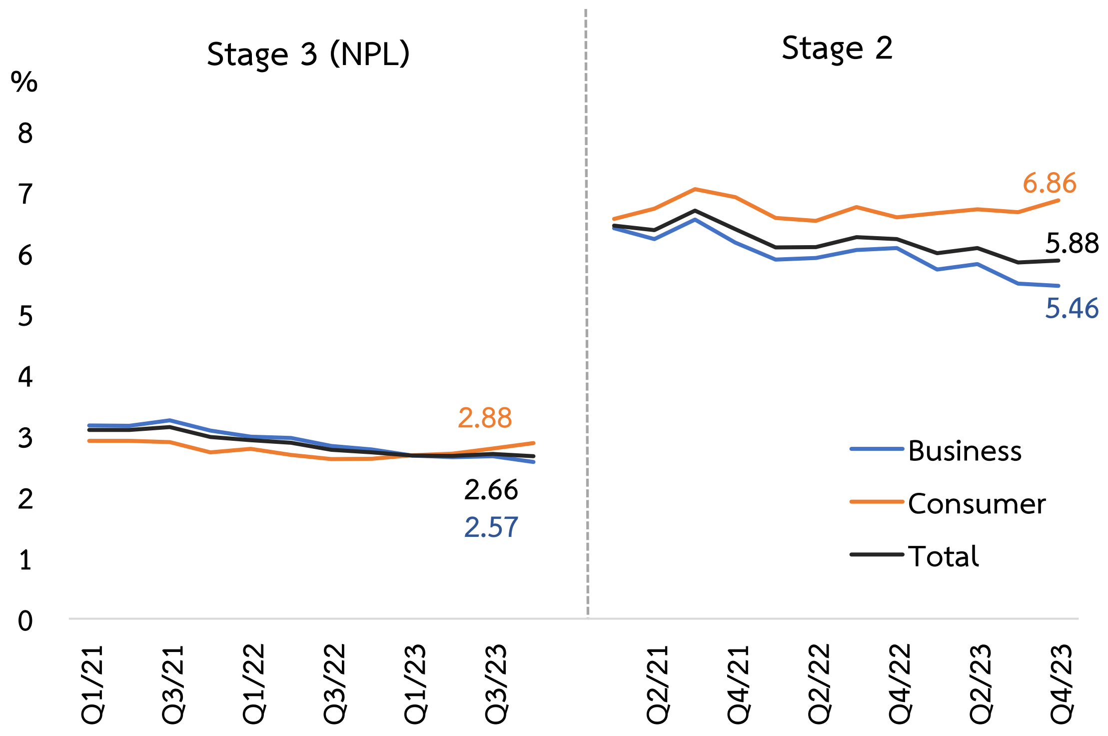
Note: [1/] Report on Credit Conditions for Q4/2023 and outlook for Q1/2024

Businesses and households overall have been able to service debts normally.

Debt serviceability remained stable

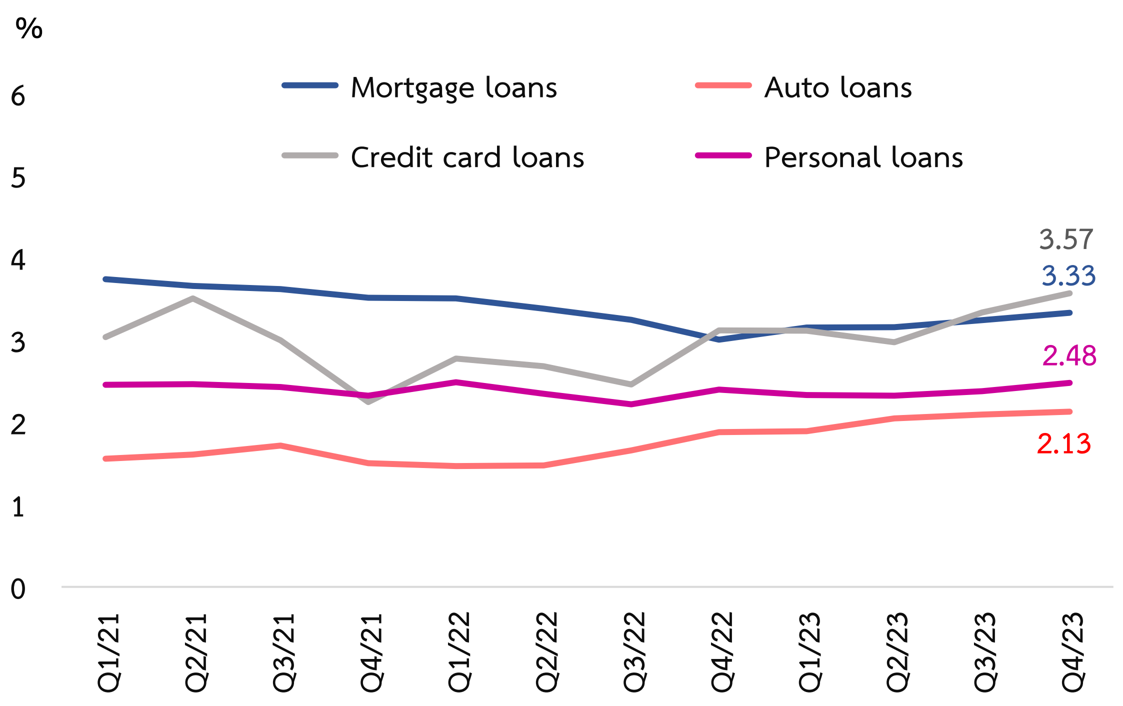
However, the outstanding of NPLs, such as auto loans, gradually increased following a period of accelerated credit granting, but a surge is expected to be unlikely.

Credit quality by portfolio



Source: BOT

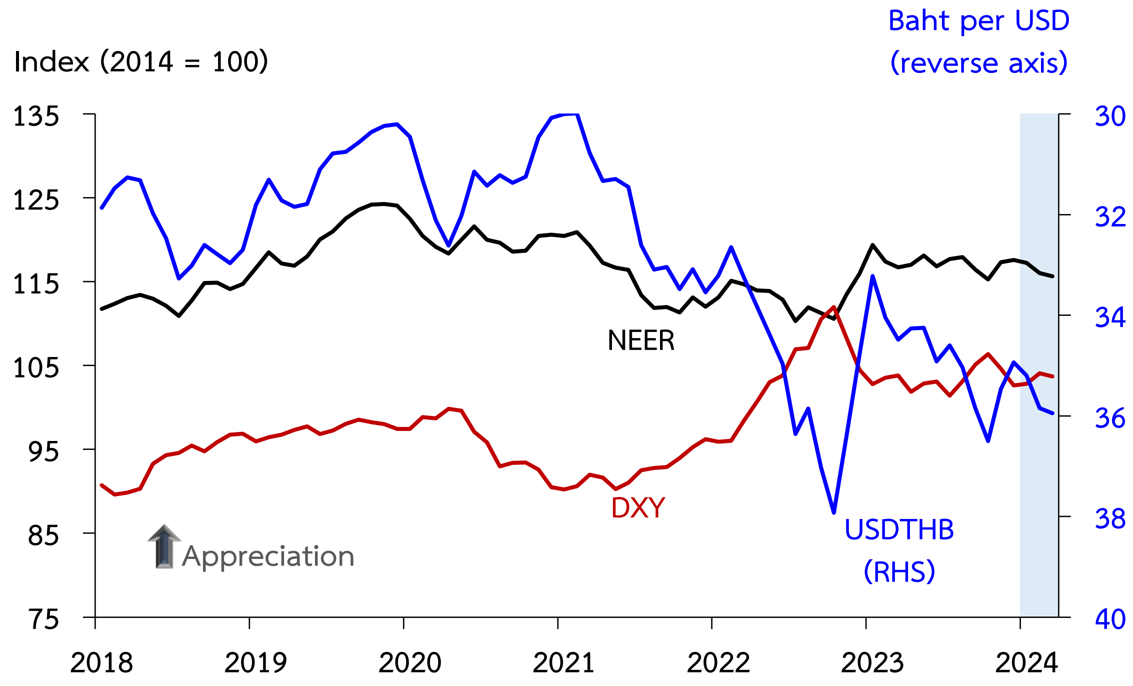
Stage 3 (NPL) of consumer loans by portfolio



Source: BOT

The baht depreciated and was more volatile.

Baht per U.S. dollar (USDTHB) and exchange rate indices

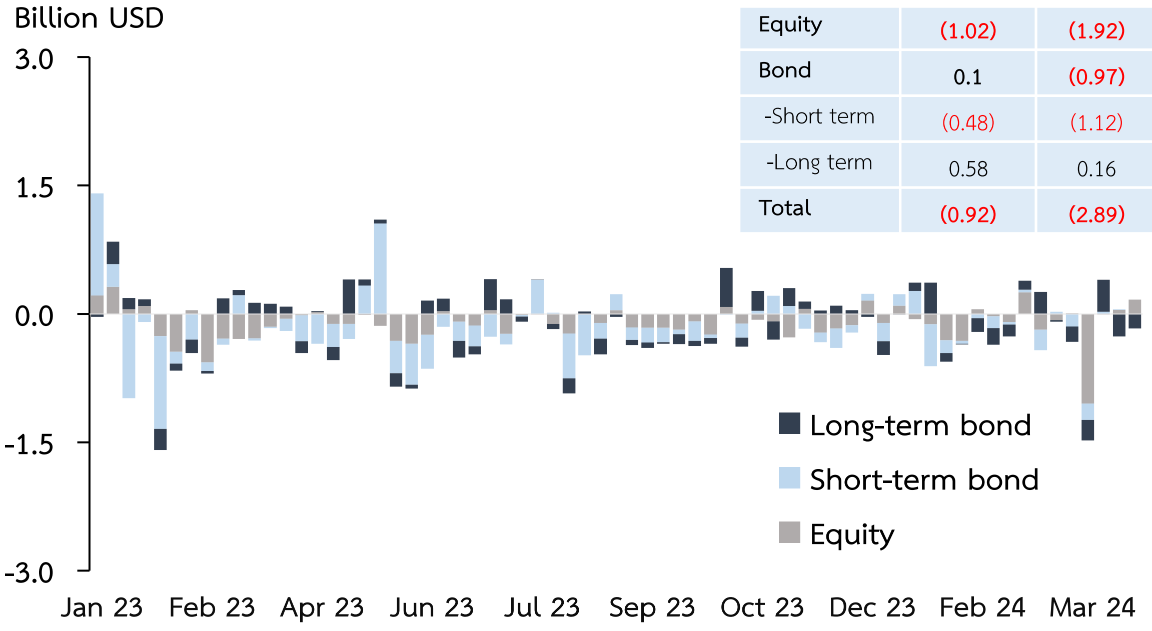


Note: Monthly average (as of 9 Apr 2024)

Source: BOT and Bloomberg

Capital flows into Thai securities

Billion USD	Q4/23	Q1/24
Equity	(1.02)	(1.92)
Bond	0.1	(0.97)
-Short term	(0.48)	(1.12)
-Long term	0.58	0.16
Total	(0.92)	(2.89)



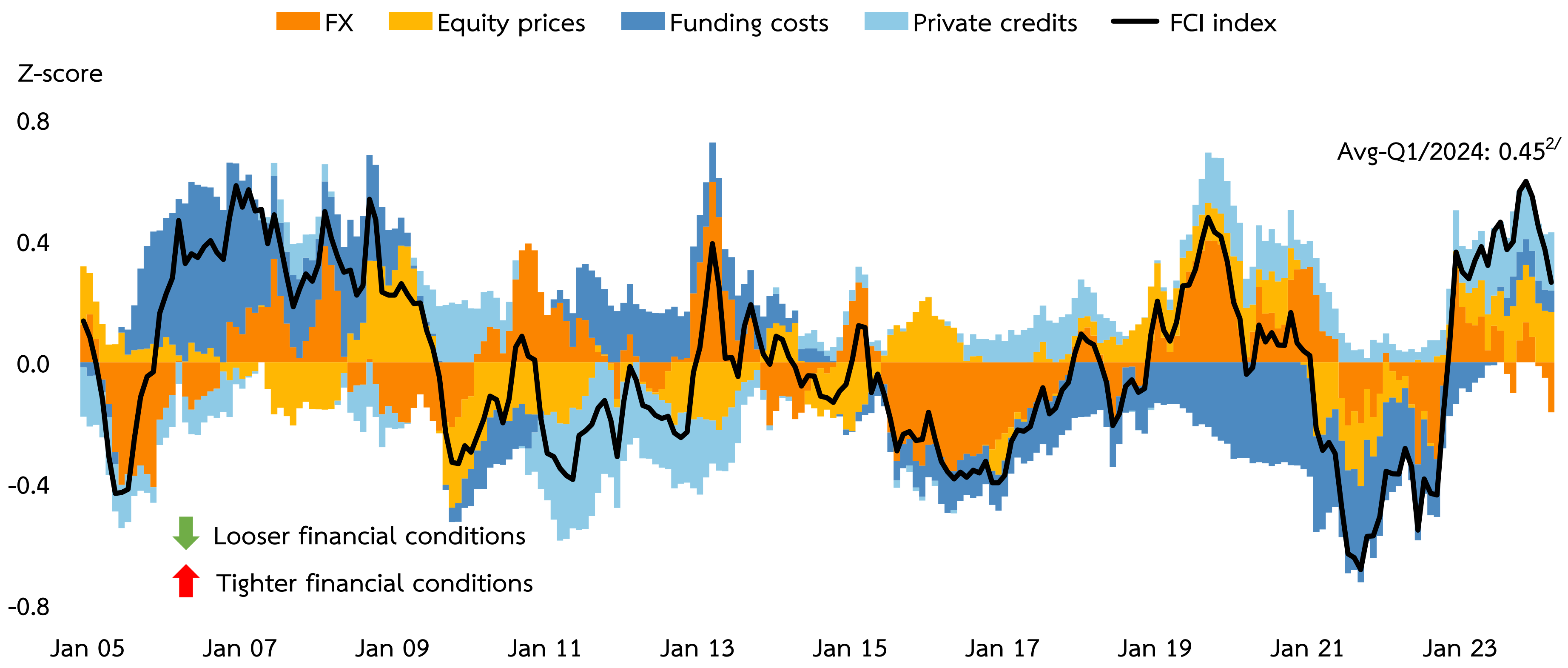
Note: Weekly data, cumulative from the first trading day (as of 9 Apr 2024)

Source: ThaiBMA and Bloomberg

In Q1-2024, the baht averaged 35.65 per U.S. dollar, close to the average of the previous quarter. The baht's movement was also volatile in both directions. In early-Jan, the baht appreciated as the market became less concerned about a global economic slowdown and as inflation gradually declined in many countries, which prompted major central banks to signal that they would cut rates in the middle of the year. In the latter part of the first quarter, the baht depreciated due to shifts in market expectation that the Fed might delay its rate cut, and Thailand's soft macroeconomic outturns. On capital flows, Thailand saw net capital outflows in Q1-2024 from both bonds and stocks. **The nominal effective exchange rate (NEER) averaged 118.8, depreciating slightly from the previous quarter** as the baht depreciated more relative to trading partners' and competitors' currencies, due to domestic factors.

Overall financial conditions were less tightening compared to the previous quarter.

Financial Conditions Index: FCI[1/]



Overall financial conditions in Q1-2024 were less tightening compared to the previous quarter. Exchange rate indicators suggest an easing financial conditions in line with the baht's depreciation. Meanwhile, stock market indicators suggest that financial conditions became less tight in line with increases in the SET index. Private credit still continues to expand even though total debt outstanding has declined due to debt repayments. Meanwhile, borrowing costs remain stable, in line with the policy rate.

Note: [1/] The BOT weights for each FCI-sub indices to be proportionate to its respective impact on economic growth over the next four quarters and utilizing the Bayesian VAR with sign restrictions method.

[2/] Data as of 9 Apr 2024

Source: BOT calculations

Monetary Policy Decision: Summary of Key Considerations

Economic growth

The Thai economy is projected to grow at a higher rate compared to last year, but there remains the need to monitor structural headwinds that could weigh on exports in the period ahead.

Inflation

Inflation remains low due to supply-side pressures and government subsidies. However, inflation is projected to return to the target range towards end-2024

Financial stability

Overall financial system remains resilient but there remains a need to continue monitoring credit quality that could be affected by debt serviceability of some vulnerable SMEs and households.

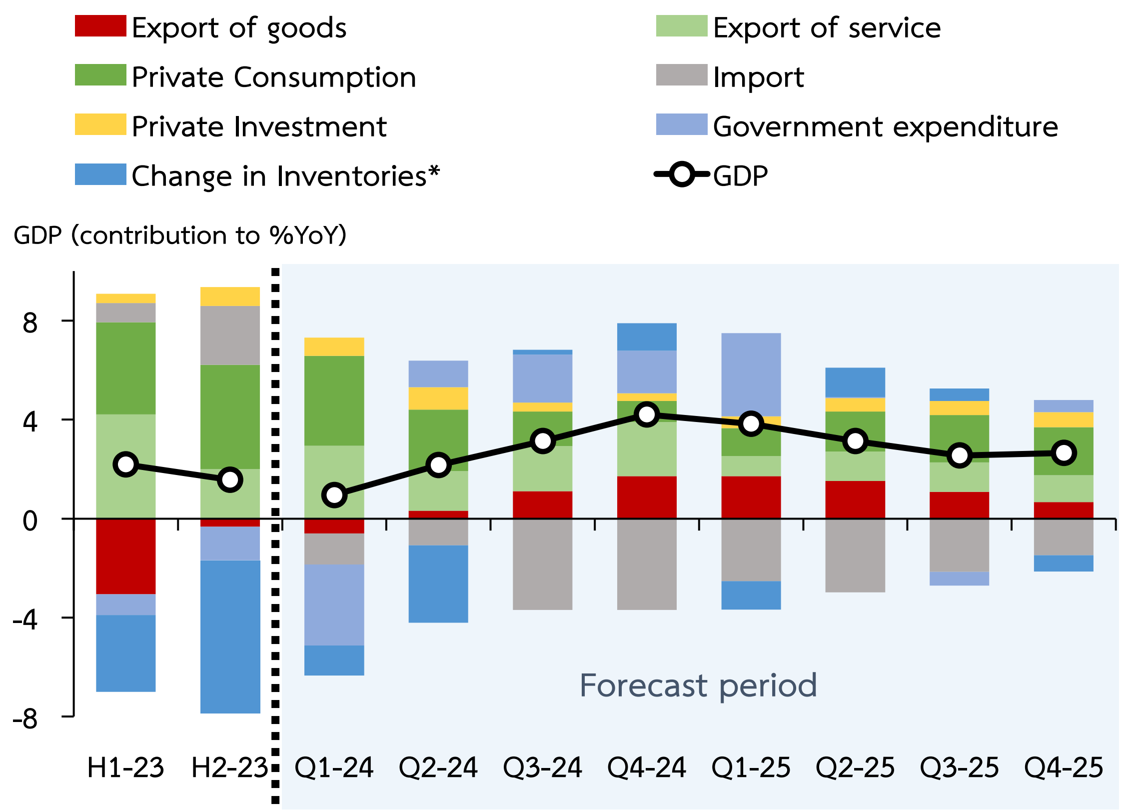
Monetary Policy Decision

The current policy rate is conducive to stable economic growth

Economic growth | Inflation | Financial stability

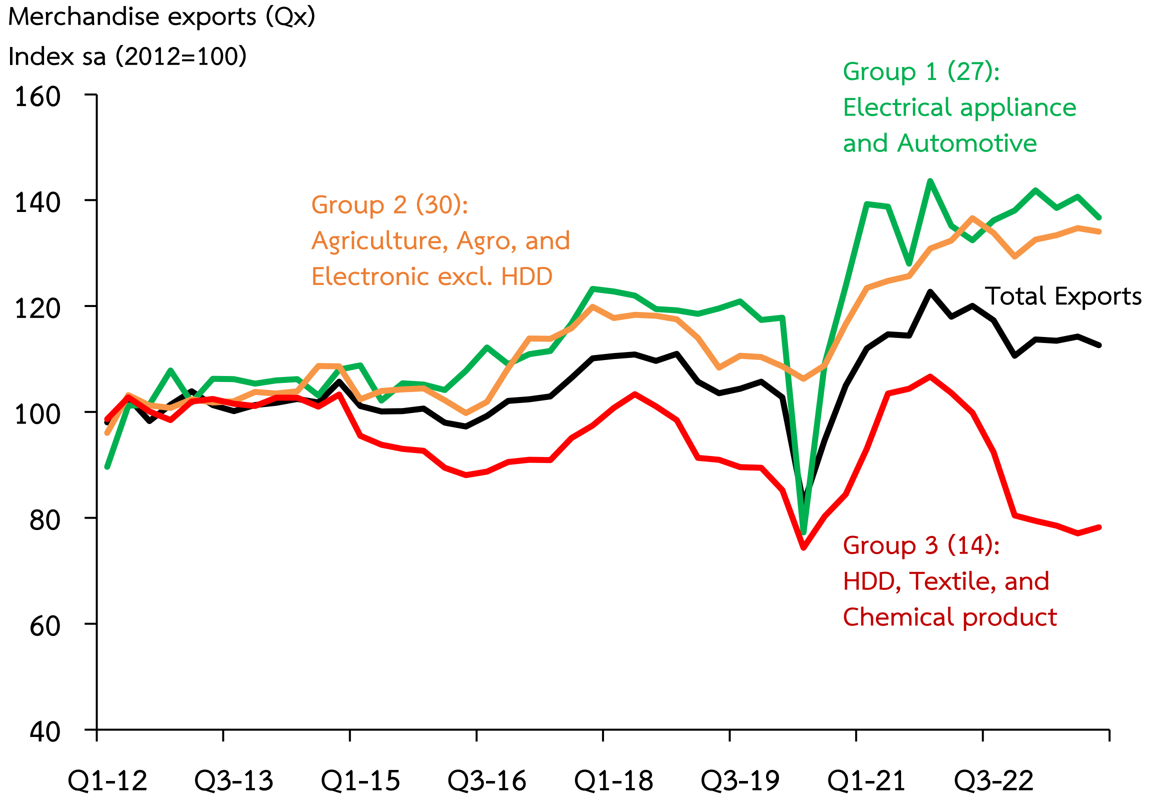
The Thai economy is expected to grow at a higher rate than last year. Growth would continue to be driven by private consumption and tourism, while exports would recover at a gradual pace.

The Thai economy is expected to keep expanding, supported by private consumption and tourism



Note: * including statistical discrepancy or CVM additive error
Source: NESDC, calculated and projected by BOT

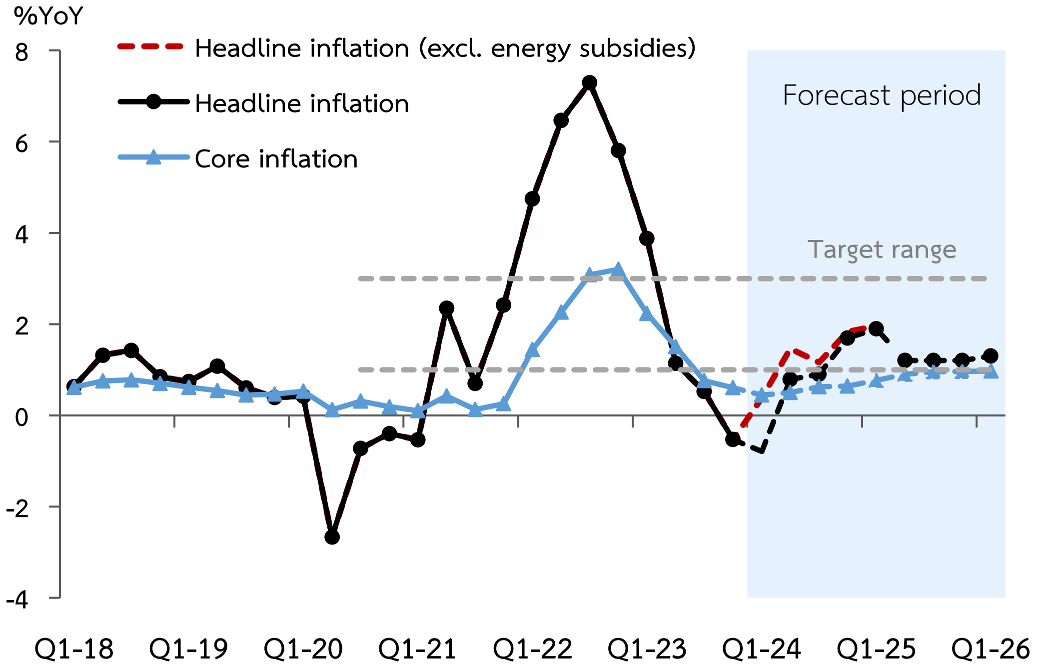
Export recovery is expected to be gradual, with some sectors facing structural impediments



Note: ( ) indicates exports share in 2023
Source: Customs department, BOT calculations

Inflation remains low due to supply-side factors and government subsidies. However, inflation would gradually rise and return to the target range towards the end of 2024, and is expected to be within the target range over the medium-term.

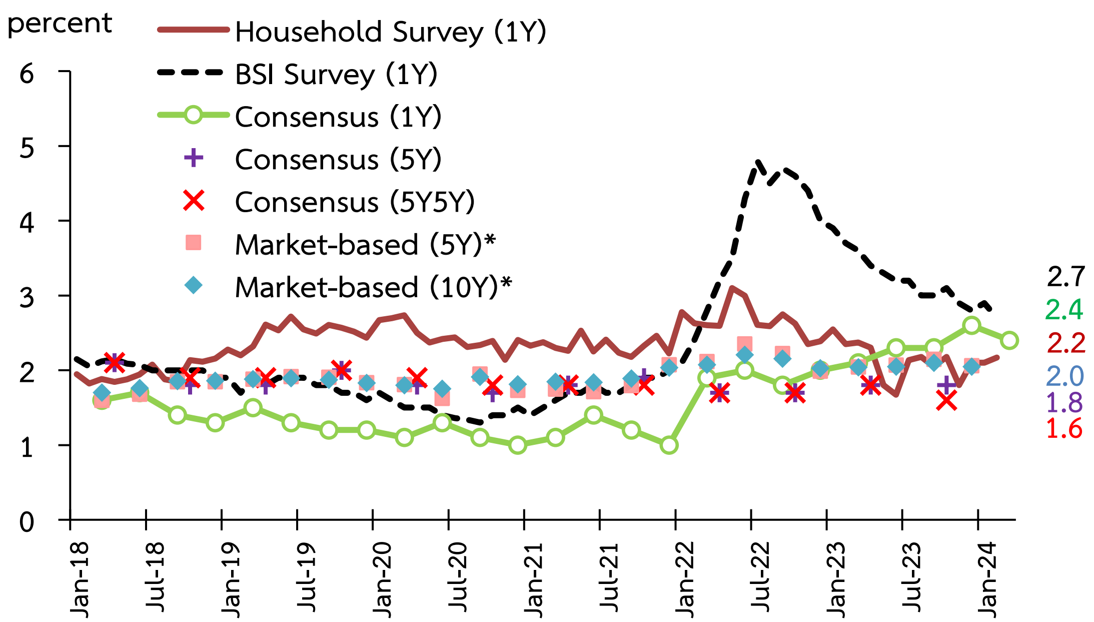
Inflation remains low from supply pressures and energy subsidies, but should gradually rise towards the target range by the end of this year



%YoY	2023*	2024	2025
Core inflation	1.3	0.6 (1.2)	0.9 (1.3)
Headline inflation	*1.2*	0.6 (2.0)	1.3 (1.9)
- Excluding energy subsidies		*1.2*	

Note: * Outturns and ( ) previous forecast in the Monetary Policy Report Q4-2023

Inflation expectations for the medium term remain steady, hovering close to the mid-point of the target range



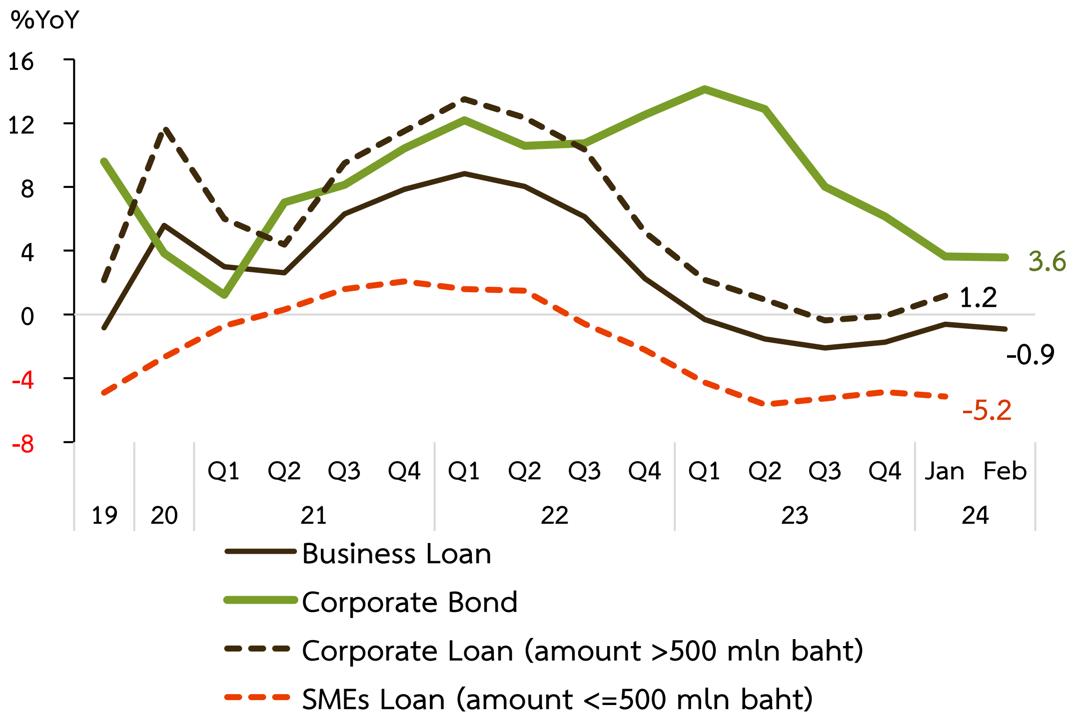
Note: ( ) An average since Jan 2018; *projected by affine term structure model, using yield curve and macroeconomic factors

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

Economic growth | Inflation | Financial stability

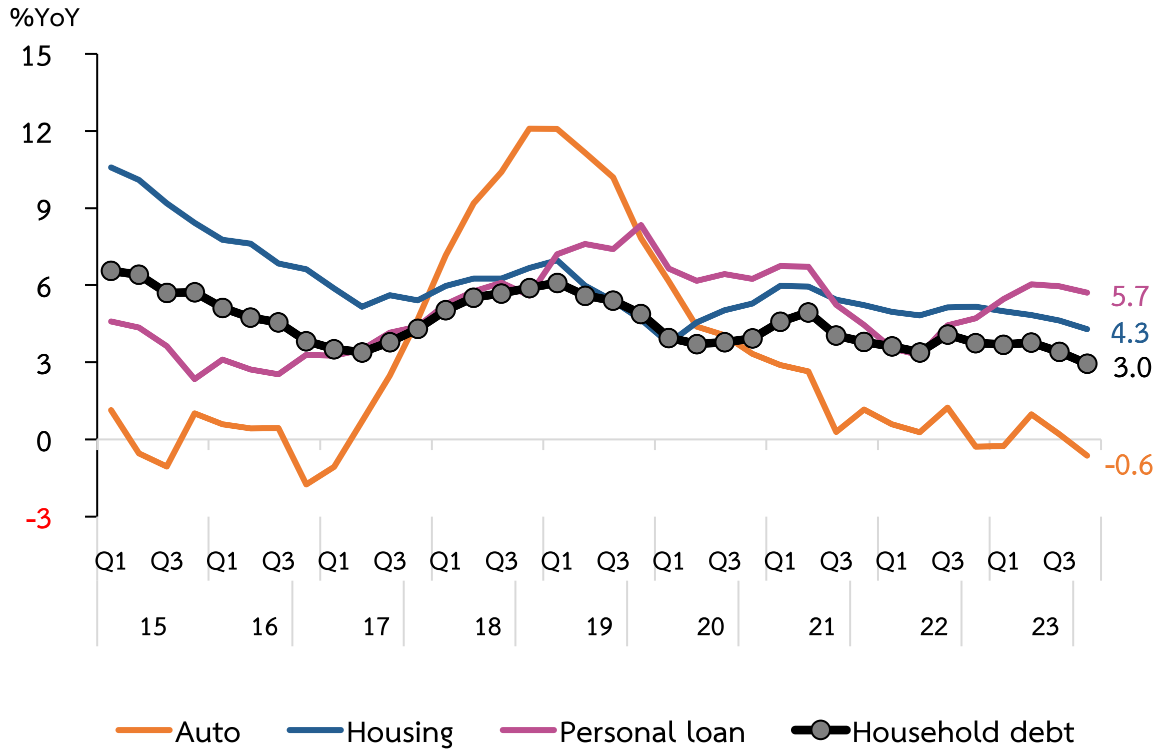
Overall credit mechanism is functioning normally, but financial conditions tightened somewhat for SMEs and debtors whose debt serviceability has deteriorated.

Large corporates are still able to mobilize funds, while SMEs loans contracted due to debt repayments, with some groups of SMEs facing tighter credit conditions



Note: Corporate bond is excluded banking, financial and securities ;
Loan is based on data of all commercial banks (corporate and SMEs loan data as of Jan 24)
Source: BOT

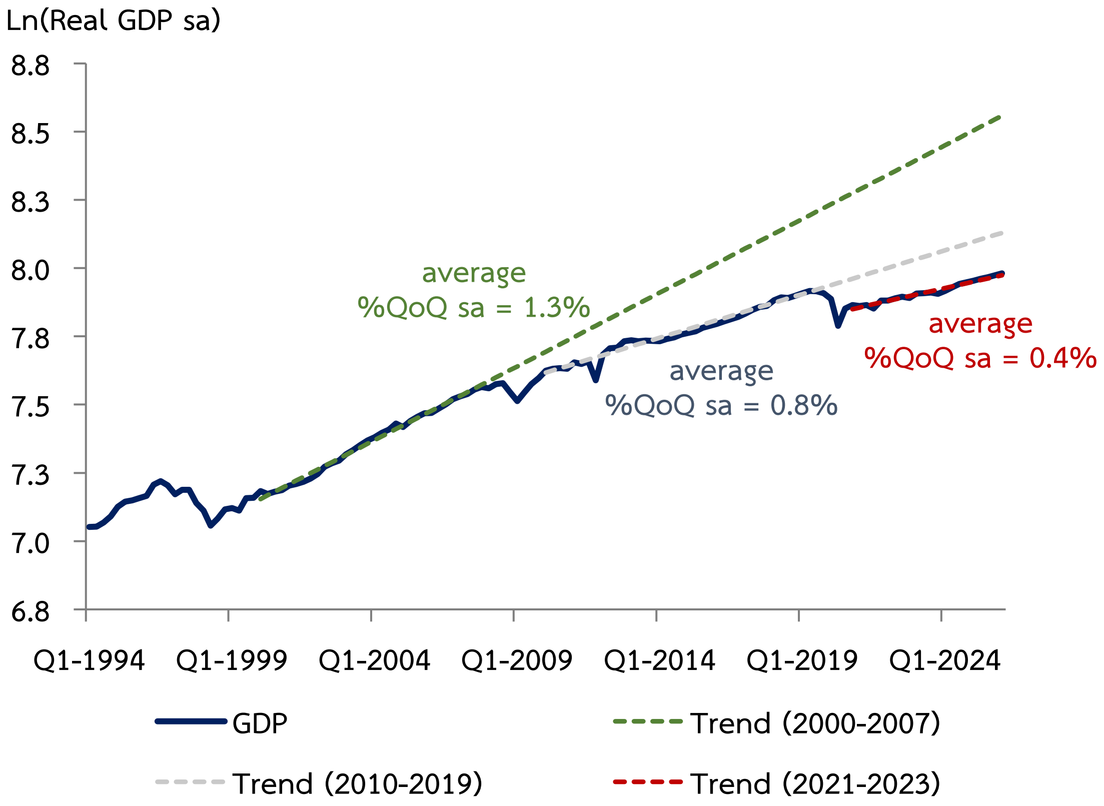
Household credit remains expanding, except for auto loan and debtors whose debt serviceability has deteriorated



Note: Personal loan comprises of Personal Loan under Supervision (PLR) and other consumer loans
Source: BOT

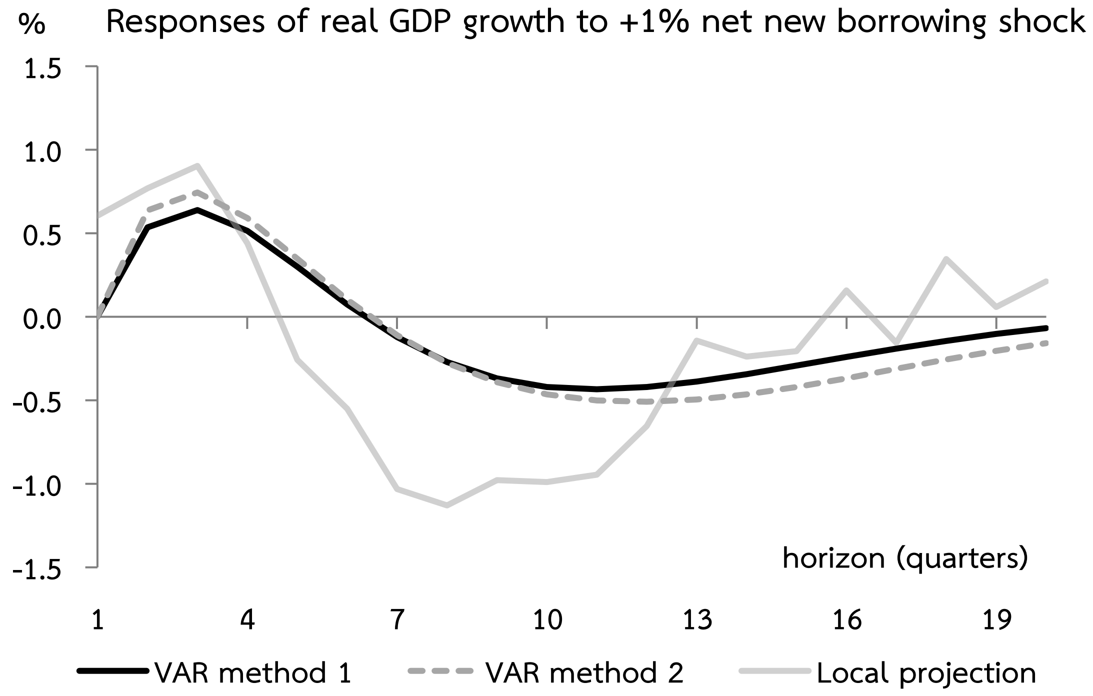
Most MPC members deemed that the current policy rate is robust to the uncertain economic outlook. Meanwhile, 2 members voted to cut the policy rate by 0.25 percentage point to reflect Thailand's lower potential growth

Structural headwinds may affect neutral interest rate, but the impact remains highly uncertain



Source: NESDC, calculated and projected by BOT

Lowering interest rates can support an economy in the near term, but may induce new debt, hindering long-term economic growth



Note: Data from 1994 to 2023

Method (1) uses the variables: real GDP growth + new borrowing + debt service + Interest rate

Method (2) uses the variables: real GDP growth + inflation + new borrowing + debt service + Interest rate

Local projection uses inflation, debt service, and interest rate as control variables

net new borrowing = net borrowing after debt repayments and debt restructuring

The current policy rate is conducive to safeguarding macro-financial stability, but there remains the need to monitor uncertainties of economic factors going forward.

MPC Meeting No. 1/2024 (7 February 2024) and MPC Meeting No. 2/2024 (10 April 2024)

MPC voted 5 to 2

to maintain the policy rate at

2.50%

2 members voted to cut the policy rate by 0.25 percentage point

The Thai economy is projected to grow at a higher rate than last year. Growth would continue to be driven by private consumption and tourism, as well as additional support from an acceleration in public expenditure in the remainder of the year. Nevertheless, structural headwinds faced by the exports sector would weigh on growth going forward. Inflation would remain subdued from supply-side factors and government subsidies, but is expected to gradually rise towards the target range within 2024.

Overall financial system remains resilient. The MPC supports the continued implementation of debt restructuring measures including targeted measures and measures to sustainably resolve debt problems of vulnerable groups, particularly Responsible Lending measures.

The current policy rate is conducive to safeguarding macro-financial stability. The MPC also views that monetary policy has limited effectiveness in resolving structural impediments. Meanwhile, 2 members voted to cut the policy rate by 0.25 percentage point to reflect Thailand's lower potential growth as a result of structural challenges, and to partly alleviate debt-servicing burden of borrowers.

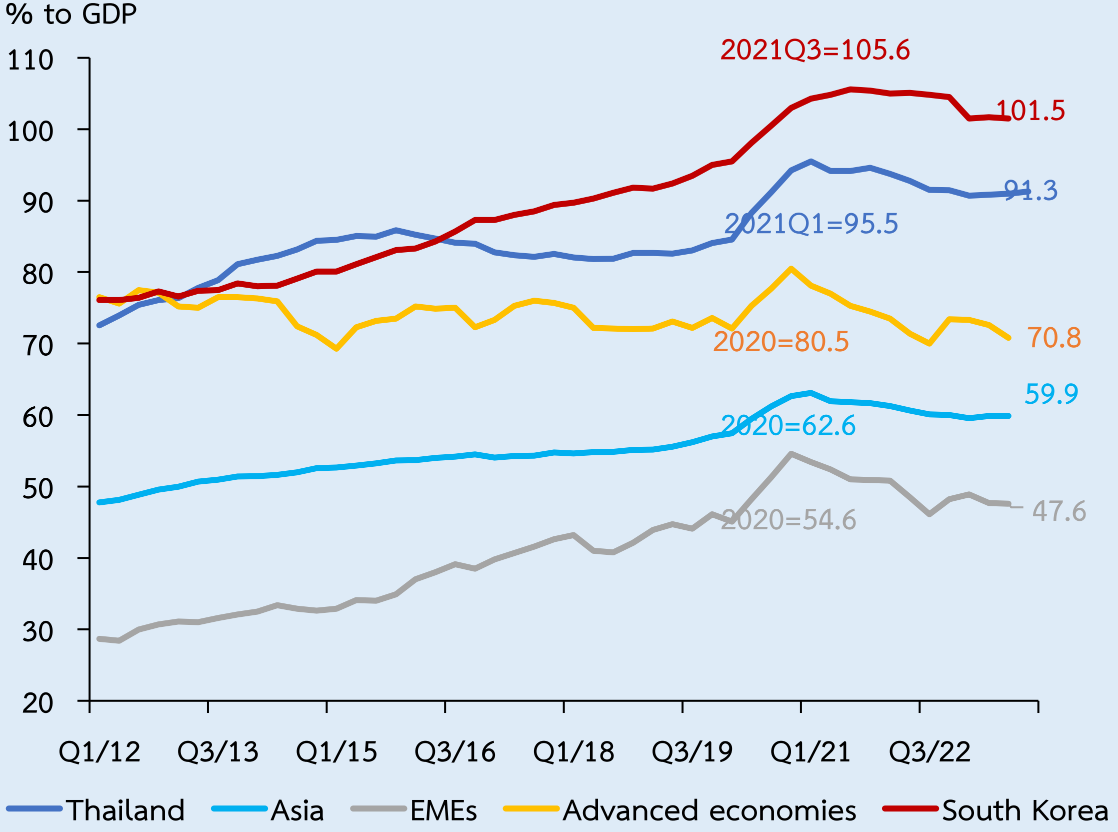
Box 3: Debt deleveraging process of Thai households

After the COVID-19 pandemic, the debt deleveraging process has started in many countries including Thailand partly driven by the continued economic recovery. Advanced economies (AEs) saw their household debt-to-GDP ratio fall by approximately 10 percentage point, while for emerging market economies (EMEs) saw their ratio drop by 7 percent. For Thailand, household debt-to-GDP ratio is higher than the average of other countries, and is lower than just a few countries such as South Korea. Thailand's household debt-to-GDP ratio peaked at 95.5% in Q1-2021 but has since declined by 4 percentage point to 91.3% as of end-2023. Thailand's household debt deleveraging process has been quite slow, similar to other Asian economies on average as the decline in household debt-to-GDP has been relatively slower compared to AEs. This is mainly because nominal GDP among AEs grew more strongly (Chart 1).

A deep dive into Thailand's past debt deleveraging process

Over the past three decades, Thailand underwent 3 instances of debt deleveraging: **(1) 1997-2001** after the Asian Financial Crisis (AFC); **(2) 2015-2018** after the government's first car scheme and the historic floods; and **(3) 2021 – present** after the COVID-19 pandemic.

Chart 1: Household debt to GDP by countries



Note: EMEs = emerging market economies, Asia comprises South Korea, Hong Kong, Thailand, Malaysia, Japan, China, Singapore, Israel, India, Indonesia, and Saudi Arabia

Source: BIS for other countries (as of Q3/2023), BOT data for Thailand (as of Q4/2023)

Box 3: Debt deleveraging process of Thai households

The debt deleveraging process can be analyzed by examining the 'law of motion' of changes in household debt-to-GDP based on the following debt dynamics equation [1/]:

$$\underbrace{\Delta d_t}_{\text{Change in debt-to-GDP}} = \overbrace{b_t}^{\text{Net borrowing to GDP}} + \underbrace{i_t d_{t-1} - g_t d_{t-1}}_{\text{Fisher effect}}$$

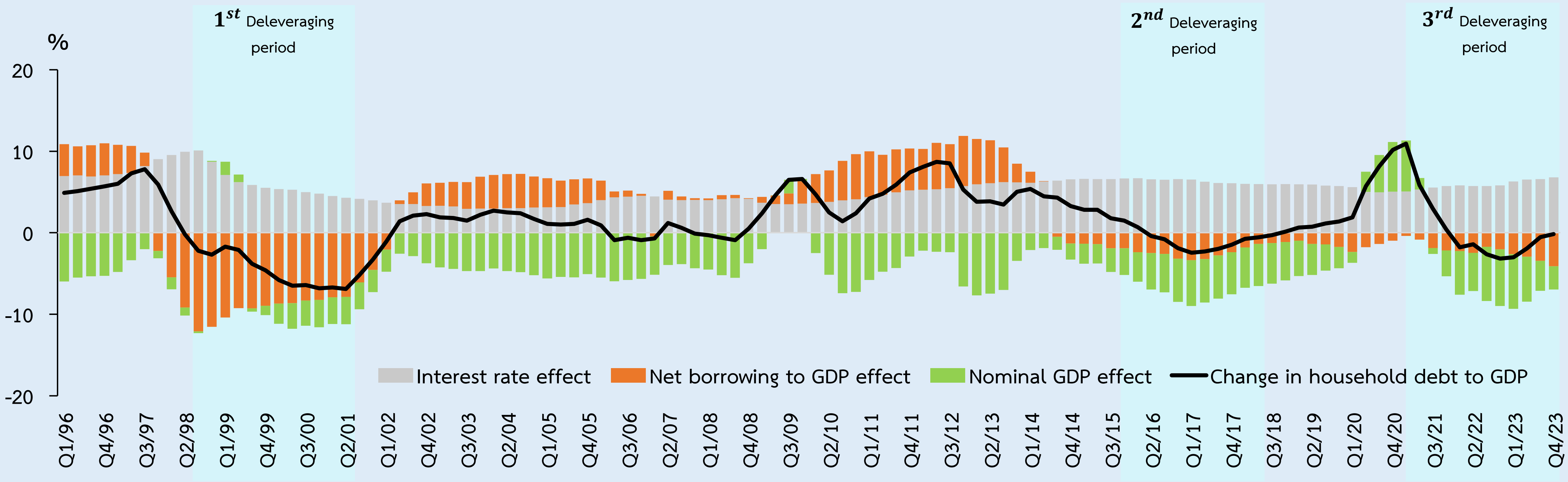
In the above equation, the component of debt dynamics or changes in household debt-to-GDP at a given point in time would be dependent on 2 main factors namely **(1) the Fisher effect** which reflects changes in household debt driven by the impact of macroeconomic factors on existing debt in the preceding time period (d_{t-1}) whereby an increase in the interest rate (i_t) results in higher interest burden on existing debt, and nominal GDP (g_t) growth leads to a decline in household debt-to-GDP ratio; and **(2) change in household's net borrowing** which reflects change in the value of household debt at a given point in time whereby an increase is driven by new loans and a decline is driven by debt repayments and debt default, all of which are dependent on the prevailing economic and financial conditions such as the income recovery, economic sentiments, and borrowing costs.

Chart 2 shows the calculation results of how much those 2 factors affecting changes in Thailand's household debt to GDP. Looking at those factors individually, for the Fisher effect, a positive and stable interest rate throughout the period results in an increase in Thailand's debt-to-GDP through higher interest burden on existing debt (gray bar in positive territory). Meanwhile, the expansion in nominal GDP results in lower household debt overall. **All three instances of debt deleveraging in Thailand were driven by a strong expansion in nominal GDP** (green bar in negative territory). In the first instance during the post-AFC period, the Thai economy saw strong real GDP growth at 4.7% during 1999-2002, rebounding from contraction of -5.2% during 1997-1998. The recovery was driven by exports which grew as much as 8.6% after experiencing a contraction during the AFC. The second was during a period where the Thai economy registered strong GDP growth of 3.7% between 2015-2018 driven by gradual improvements in tourism and private consumption. In the latest instance, Thailand's higher nominal GDP growth was mainly due to higher headline inflation, where by inflation in Thailand increased sharply as much as 6.1% in 2022 due to higher global oil prices as a result of the Russia-Ukraine conflict.

Note: [1/] Model specification is based on "How Does Monetary Policy Affect Household Indebtedness?" (Fagereng et al. 2022) and "Fisher Dynamics in US Household Debt, 1929-2011" (Mason 2014). The former explains that changes in household debt have similar dynamics with government debt, which is driven by the primary balance, and the latter explains the Fisher effect reflects how macroeconomic factors affect existing debt.

Box 3: Debt deleveraging process of Thai households

Chart 2: Contribution to Changes in Thailand's household debt to GDP; law of motion of debt dynamics



Note:

- Household debt to GDP is calculated from household debt divided by nominal QGDP 4Q rolling, starting from the reference quarter backwards
- Change in household debt to GDP is calculated from household debt to GDP growth (%YoY)
- Minimum Retail Rate (MRR) is used as a proxy for i_t
- Nominal GDP growth, derived from nominal QGDP 4Q rolling, is used as a proxy for g_t

Source: BIS, NESDC, and BOT, calculated by BOT

Box 3: Debt deleveraging process of Thai households

During the debt deleveraging process, the decline in net household debt also affects the decrease in household debt-to-GDP ratio (orange bar in negative territory). This was especially the case for debt deleveraging during the post-AFC period which was driven by a sharp contraction in net borrowing between Q3-1998 and Q4-2001 where household debt contracted by an average of -5.2% after having grown as much as 27.6% that led to asset price bubbles 3 years earlier. The second instance of debt deleveraging was also driven by a decline in net borrowing, but it was a decline following an earlier acceleration in debt accumulation during 2011-2012 as a result of the first-car scheme and increased borrowing for general spending including repairs after the historic floods. Household debt during this period grew as much as 23.3%, but slowed down to 4.5% afterwards. The ongoing debt deleveraging process at the present is also driven by a slowdown in net household borrowing, although the slowdown is not as sharp compared to past instances. Most recently in 2023, household debt grew 3%, slowing down slightly from the 3.9% growth in 2020, which was when households needed credit for liquidity management and liquidity assistances were provided to retail borrowers during the COVID-19 pandemic.

Outlook for debt deleveraging among Thai households

In the most recent quarter, household debt-to-GDP has been stable from the previous quarter at 91.3%. If one were to look at the debt deleveraging process in the period ahead through the debt dynamics equation based on the aforementioned framework, **it is expected that debt deleveraging would continue but at a gradual pace.** The Fisher effect might not result in a sharp decline in household debt-to-GDP ratio because (1) nominal GDP growth in the period ahead would be slower than before despite gaining some momentum from tourism and private consumption, partly because inflation has fallen sharply and likely to remain low; (2) the Thai economy is facing structural headwinds that would weigh on the growth outlook hence nominal GDP growth might not accelerate by a significant margin; and (3) lending rates remains high thus household debt-to-GDP would increase through higher interest burden on existing debt

On the impact of net borrowing on the debt deleveraging process going forward, **household credit growth would continue at 3% but would slow down and grow at its slowest pace in this past 10 years.**

Box 3: Debt deleveraging process of Thai households

However, there remains the risk that this slowdown in credit conditions could potentially result in a disorderly deleveraging process if the slowdown is a result of tight financial conditions overall as well as more cautious lending practices by banks all around. In such event, what could follow is a cycle of credit and economic contractions in a negative feedback loop whereby the broad-based slowdown in credit leads to contractions in consumption and investment to the point that it ultimately affects the economy through declines in income and employment. This could in turn impact debt serviceability of households to the point that results in even stricter lending by banks.

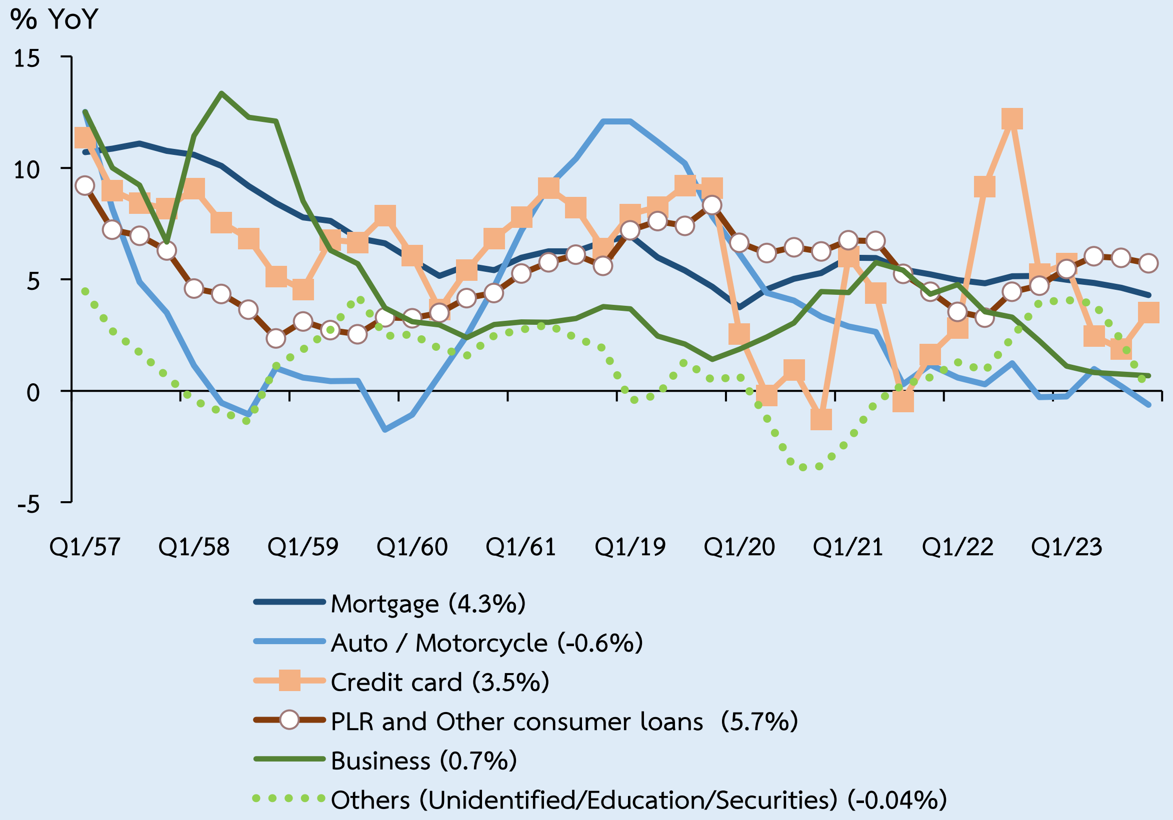
However, an assessment of credit conditions using granular data found that there is currently no signs of disorderly deleveraging because (1) credit growth slowed down overall but the slowdown is not yet broad based. Growth in personal loans under supervision and other personal loans remain strong because some households still need credit for liquidity management and occupational purposes (Chart 3); (2) most households are still able to obtain new credit. New loan growth only slowed down for households with income less than 30,000 baht per month (Chart 4) whose debt serviceability is still deteriorating because income recovery is not yet broad-based; and (3) new loan growth is still expanding for households with monthly income higher than 30,000 baht.

Hence, it can be inferred that the credit mechanism is still functioning as new loans are still being extended and there is not yet a broad-based decline in bank lending nor rejection of loan applications by the banks. Some tightness in bank lending remains but is largely limited to low-income households due to their slightly higher credit risk, but the overall situation should improve as the economy recovers.

In conclusion, **the debt deleveraging process of Thai households post-COVID should be able to continue at a gradual pace in line with the economic recovery and the credit mechanism that is still functioning.** However, one must be aware that declining household debt is not solely dependent on economic and financial factors, but also the lending behavior of banks as well as debt accumulation behavior of households. If banks conduct unfair lending practices, or if households overspends and borrow without considering its ability to repay debt, household debt could be persistently high. So, targeted debt assistance measures being implemented such as the responsible lending measures which focuses on offering debtors with a comprehensive, fair and balanced solution with involvement from all stakeholders, are particularly necessary to ensure that the debt deleveraging process of Thai households can continue in a sustainable manner.

Box 3: Debt deleveraging process of Thai households

Chart 3: Credit growth by purpose

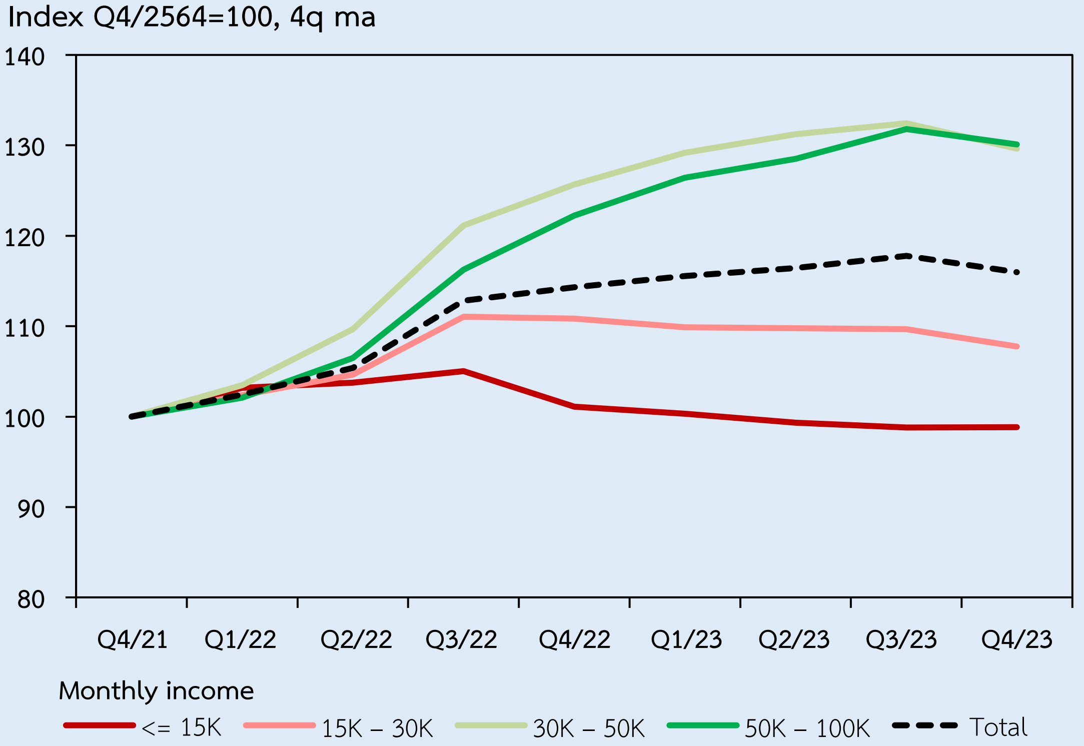


Note: ( ) denotes growth in Q4/2023

In this report, Personal Loan under Supervision (PLR) and other consumer loans are consolidated due to an adjustment of loan reports that have counted Car for Cash loan under BOT's supervision, since Feb 2019

Source: BOT

Chart 4: New loan by income group



Note:

(1) Includes only Housing loans, Hire Purchase, Credit Card and Unsecured P-loan (includes Title loan) offered by commercial banks, SFI, and NB

(2) New loan for Hire Purchase uses credit limit as a proxy for different income groups

Source: BOT and NCB, calculated by BOT

Percent	2022	2023	2022 Q1	Q2	Q3	Q4	2023 Q1	Q2	Q3	Q4
GDP growth	2.5	1.9	1.9	2.4	4.4	1.3	2.6	1.8	1.4	1.7
Production										
Agriculture	2.5	1.9	3.2	3.9	-1.8	3.6	6.2	1.5	1.1	-0.8
Non-agriculture	2.5	1.9	1.8	2.3	4.9	1.0	2.3	1.8	1.5	2.0
Manufacturing	0.7	-3.2	1.9	-0.4	6.5	-4.6	-2.6	-3.5	-4.4	-2.4
Construction	-2.4	-0.6	-4.6	-4.2	-2.4	3.3	3.8	0.3	0.5	-8.8
Wholesales and retail trade	3.7	3.8	3.3	3.8	4.1	3.7	3.3	3.4	3.3	5.1
Transport and storage	8.0	8.4	3.7	5.6	11.3	11.0	12.5	7.4	7.1	6.7
Accommodation and Food Service	34.5	18.0	28.0	39.3	47.6	26.3	34.4	15.3	15.0	10.0
Information and Communication	5.2	3.3	5.9	6.4	4.8	3.9	3.5	3.7	3.1	2.9
Financial intermediation	-2.3	3.1	-2.5	-1.0	-2.7	-3.1	0.9	2.4	4.2	4.8
Real estate and renting	2.3	1.9	1.4	2.6	3.2	2.0	1.9	2.5	1.9	1.1

Source: Office of the National Economic and Social Development Board National Statistical Office and Bank of Thailand

Percent	2022	2023	2022				2023			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP growth	2.5	1.9	1.9	2.4	4.4	1.3	2.6	1.8	1.4	1.7
Expenditure										
Domestic demand	4.0	3.5	3.0	4.0	6.0	3.1	3.0	3.6	3.9	3.6
Private consumption	6.2	7.1	2.5	6.7	9.1	6.4	5.9	7.3	7.9	7.4
Private investment	4.7	3.2	2.3	1.8	10.7	4.3	2.8	1.4	3.5	5.0
Government consumption	0.1	-4.6	7.9	2.6	-1.5	-7.1	-6.0	-4.3	-5.0	-3.0
Public investment	-3.9	-4.6	-3.4	-7.7	-5.6	2.7	4.2	-2.1	-3.4	-20.1
Imports of goods and services	3.6	-2.2	3.9	7.3	8.9	-5.4	-0.2	-2.6	-9.4	4.0
imports of goods	1.2	-3.8	2.7	5.7	6.7	-10.2	-3.6	-4.8	-10.4	5.0
imports of services	13.6	4.3	8.7	13.7	18.2	13.6	14.5	6.4	-5.2	2.5
Exports of goods and services	6.1	2.1	12.3	7.7	7.5	-2.3	1.9	0.9	1.1	4.9
exports of goods	1.1	-2.8	9.6	4.2	1.8	-10.5	-5.6	-5.3	-3.0	3.4
exports of services	59.9	38.3	40.6	47.6	69.7	78.1	66.9	53.7	30.6	14.7
Trade balance (billion, U.S. dollars)*	13.5	17.0	7.6	2.7	-0.9	4.2	4.5	3.6	5.4	3.5
Current account (billion, U.S. dollars)*	-15.7	7.0	-2.1	-7.1	-7.3	0.7	3.5	-1.1	2.5	2.0
Financial account (billion, U.S. dollars)*	6.6	-14.4	4.6	-1.4	-1.9	5.3	-0.8	-4.3	-4.7	-4.5
International reserves (billion, U.S. dollars)	216.6	224.5	242.4	222.3	199.4	216.6	224.5	218.2	211.8	224.5
Unemployment rate (%)	1.3	1.0	1.5	1.4	1.2	1.2	1.0	1.1	1.0	0.8
Unemployment rate, seasonally-adjusted (%)	n.a.	n.a.	1.5	1.4	1.2	1.2	1.0	1.1	1.0	0.8

Note: *Data may be subject to change in line with periodic revisions or changes to data collection methodologies

Source: Office of the National Economic and Social Development Council, National Statistical Office, and Bank of Thailand

ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Indicators	2022	2023	2022				2023			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Financial market sector										
Bond market										
Bond spread (10 years - 2 years)	1.0	0.4	1.4	1.2	1.3	1.0	0.6	0.4	0.6	0.4
Equity market										
SET index (end of period)	1668.7	1,415.9	1,695.2	1,568.3	1,589.5	1668.7	1609.2	1503.1	1,471.4	1,415.9
Actual volatility of SET index 1/	11.0	11.8	12.0	12.6	9.9	9.4	12.0	11.6	10.2	13.2
Price to Earnings ratio (P/E ratio) (times)	18.2	18.4	19.6	18.5	17.5	18.2	19.3	18.0	20.3	18.4
Exchange rate market										
Actual volatility of Thai baht (%annualized) 2/	8.6	9.1	6.6	6.9	9.1	11.9	10.9	8.0	8.0	9.4
Nominal Effective Exchange Rate (NEER)	115.5	119.8	116.8	116.0	113.6	115.9	120.3	119.8	119.8	119.2
Real Effective Exchange Rate (REER)	103.3	104.3	104.4	104.1	101.8	103.2	106.1	104.5	104.2	102.4
2. Financial institution sector 3/										
Minimum Lending Rate (MLR) 4/	6.00	7.25	5.49	5.49	5.55	6.00	6.56	7.00	7.04	7.25
12-month fixed deposit rate 4/	0.98	1.65	0.45	0.45	0.50	0.98	1.15	1.40	1.49	1.65
Capital adequacy										
Capital funds / Risk-weighted asset (%)	19.4	20.1	19.8	19.6	19.2	19.4	19.4	19.5	19.9	20.1
Earning and profitability										
Net profit (billion, Thai baht)	238.0	251.0	49.0	65.0	60.0	63.0	60.0	74.0	65.0	53.0
Return on assets (ROA) (times)	1.0	1.1	0.9	1.1	1.0	1.1	1.0	1.3	1.1	0.9
Liquidity										
Loan to Deposit and B/E (%)	92.0	91.0	92.8	93.8	94.5	92.0	90.6	92.0	92.4	91.0

Note: 1/ Calculated by 'annualized standard deviation of return' method
2/ Daily volatility (using exponentially weighted moving average method)
3/ Based on data of all commercial banks
4/ Average value of 6 largest Thai commercial banks (since july 2021)

Indicators	2022	2023	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
3. Household sector										
Household debt to GDP (%)	91.4	91.3	93.8	92.8	91.5	91.4	90.7	90.8	91.0	91.3
Financial assets to debt (times)	2.8	n.a.	2.9	2.9	2.9	2.8	2.8	2.7	2.7	n.a.
Non-Performing Loans (NPLs) of commercial banks (%)										
Consumer loans	2.6	2.9	2.8	2.7	2.6	2.6	2.7	2.7	2.8	2.9
Housing loans	3.0	3.3	3.5	3.4	3.3	3.0	3.2	3.2	3.2	3.3
Auto leasing	1.9	2.1	1.5	1.5	1.7	1.9	1.9	2.0	2.1	2.1
Credit cards	3.1	3.6	2.8	2.7	2.5	3.1	3.1	3.0	3.3	3.6
Other personal loans	2.4	2.5	2.5	2.4	2.2	2.4	2.3	2.3	2.4	2.5
4. Non-financial corporate sector[5/]										
Operating profit margin (OPM) (%)	7.6	7.4	7.7	8.3	7.3	6.4	7.4	7.4	7.9	7.2
Debt to Equity ratio (D/E ratio) (times)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Interest coverage ratio (ICR) (times)	5.5	4.8	6.8	6.6	4.9	4.3	4.9	4.4	5.3	4.0
Current ratio (times)	1.8	1.7	1.8	1.8	1.7	1.8	1.8	1.8	1.8	1.7
Non-Performing Loans (NPLs) of commercial banks (%)										
Large businesses	1.3	1.1	1.4	1.4	1.3	1.3	1.2	1.2	1.2	1.1
SMEs	6.7	6.7	6.9	6.9	6.6	6.7	6.7	6.7	6.6	6.7

Note: [5/] Only listed companies on Stock Exchange of Thailand (median value); with data revisions

Indicators	2022	2023	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
5. Real estate sector										
Number of approved mortgages from commercial banks (Bangkok and Vicinity) (units)										
Total	64,636	52,877	13,611	16,136	17,113	17,776	11,860	14,656	14,407	11,954
Single-detached and semi-detached houses	19,471	16,163	4,661	4,949	4,805	5,056	3,709	4,392	4,178	3,884
Townhouses and commercial buildings	19,752	16,065	4,367	4,943	5,226	5,216	3,906	4,456	4,299	3,404
Condominiums	25,413	20,649	4,583	6,244	7,082	7,504	4,245	5,808	5,930	4,666
Number of new housing units launched for sale (Bangkok and Vicinity) (units)										
Total	107,051	101,536	23,923	30,250	24,966	27,912	22,133	25,647	22,389	30,810
Single-detached and semi-detached houses	24,748	30,929	3,559	5,323	8,678	7,188	4,942	5,683	8,747	11,287
Townhouses and commercial buildings	28,525	21,577	4,655	9,015	6,957	7,898	5,284	5,137	6,484	4,617
Condominiums	53,778	49,030	15,709	15,912	9,331	12,826	11,907	14,827	7,158	14,906
Housing price index (2011 = 100)										
Single-detached houses (including land)	141.5	147.1	138.6	141.4	140.9	145.3	146.7	145.5	146.7	149.5
Townhouses (including land)	167.4	174.1	164.4	167.4	168.4	169.2	172.0	173.2	174.7	176.4
Condominiums	184.4	193.2	182.0	185.3	181.6	188.9	194.7	188.9	190.4	198.9
Land	180.2	182.5	178.8	179.6	178.0	184.3	175.0	181.6	184.8	188.5
6. Fiscal sector										
Public debt to GDP (%)	60.9		60.6	61.0	60.5	60.9	61.3	61.7	62.4	61.9
7. External sector										
Current account balance to GDP (%)	-3.2	1.4	-1.6	-5.8	-6.1	0.6	2.7	-0.8	2.1	1.5
External debt to GDP (%)[6/]	40.0	38.2	38.3	37.8	37.0	40.0	40.2	38.1	37.4	38.2
External debt (billion, U.S. dollars)	200.3	193.2	197.9	194.0	187.9	200.3	201.8	192.8	190.0	193.2
Short-term (%)	40.0	41.0	38.1	39.5	40.7	40.0	39.7	40.2	41.6	41.0
Long-term (%)	60.0	59.0	61.9	60.5	59.3	60.0	60.3	59.8	58.4	59.0
International reserves / Short-term external debt (times)[7/]	2.3	2.5	2.7	2.4	2.2	2.3	2.3	2.4	2.4	2.5

Note: [6/] External debt / 3-year average nominal GDP

[7/] Short-term external debt used in calculation is short-term external debt less than 1 year remaining maturity

Probability distribution of GDP growth forecast

%	2024				2025				2026
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
> 16	0	0	0	0	1	1	0	1	1
14.0-16.0	0	0	0	0	0	0	0	0	0
12.0-14.0	0	0	0	1	1	1	1	1	1
10.0-12.0	0	0	1	2	2	1	1	1	2
8.0-10.0	0	0	2	6	5	4	3	4	5
6.0-8.0	0	2	7	15	12	11	9	11	10
4.0-6.0	1	12	21	30	24	21	17	16	17
2.0-4.0	12	38	39	23	26	27	24	22	21
0.0-2.0	73	36	20	15	18	20	22	22	22
(-2.0)-0.0	14	9	8	5	7	9	14	13	12
(-4.0)-(-2.0)	1	2	2	2	2	4	5	5	5
(-6.0)-(-4.0)	0	1	1	0	1	1	2	2	2
(-8.0)-(-6.0)	0	0	0	0	0	1	1	1	1
< -8	0	0	0	0	0	0	1	1	2

Probability distribution of inflation forecast

Probability distribution of headline inflation forecast

%	2024				2025				2026
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
> 10	0	0	0	0	0	0	0	0	0
9.0-10.0	0	0	0	0	0	0	0	0	0
8.0-9.0	0	0	0	0	0	0	0	0	0
7.0-8.0	0	0	0	0	0	0	0	0	0
6.0-7.0	0	0	0	0	0	0	0	0	0
5.0-6.0	0	0	0	0	1	0	0	0	0
4.0-5.0	0	0	0	2	5	2	2	2	2
3.0-4.0	0	0	1	10	15	7	7	7	8
2.0-3.0	0	2	9	27	26	18	18	18	19
1.0-2.0	0	34	36	34	27	27	27	27	28
0.0-1.0	0	57	41	20	17	25	25	25	24
(-1.0)-0.0	77	8	13	6	7	14	14	14	13
(-2.0)-(-1.0)	23	0	1	1	2	5	5	5	4
< -2	0	0	0	0	0	1	1	1	1

Probability distribution of core inflation forecast

%	2024				2025				2026
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
> 5.5	0	0	0	0	0	0	0	0	0
5.0-5.5	0	0	0	0	0	0	0	0	0
4.5-5.0	0	0	0	0	0	0	0	0	0
4.0-4.5	0	0	0	0	0	0	0	0	0
3.5-4.0	0	0	0	0	0	0	0	0	0
3.0-3.5	0	0	0	0	0	0	0	0	0
2.5-3.0	0	0	0	0	1	1	1	2	2
2.0-2.5	0	0	1	1	3	5	6	6	6
1.5-2.0	0	1	5	7	11	14	15	15	16
1.0-1.5	0	11	19	20	22	24	25	25	24
0.5-1.0	39	38	34	30	28	27	26	25	25
0.0-0.5	59	38	28	26	21	18	17	17	17
(-0.5)-0.0	2	11	11	12	10	8	7	7	7
< -0.5	0	1	2	4	3	2	2	2	2

Pursuing Sustainable Economic Well-Being

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