ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Monetary Policy Report Q2/2024

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 26, 2023, the Cabinet approved the monetary policy target for 2024, 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 2024. 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.

Table of Contents

Go to | Page

Executive Summary 5

Special Issue Thailand's economic journey and the policy mix 7

1. Global economy 10

Global economy 11

Global inflation 12

Trading partners' economic outlook 13

Headwinds to global trade 14

2. The Thai Economy 15

GDP growth forecast 16

Private consumption 17

Labor market 18

Public expenditure 19

Foreign tourist arrivals 20

Box 1 The outlook for tourist spending 21

Merchandise exports 24

Economic forecasts by component 25

Risks to the growth outlook 26

Box 2 Headwinds faced by Thai exports of automobiles and auto parts in 2024 27

Recent inflation development in Thailand 33

Inflation forecast 34

Summary of forecast assumptions 35

Assumptions for Dubai crude oil prices 36

3. Financial conditions 37

Commercial banks' interest rates 38

Bond yields 39

Borrowing by businesses and households 40

Debt serviceability 41

Exchange rates 42

Domestic financial conditions 43

4. Monetary Policy Decision 44

Economic growth 45

Inflation 46

Financial stability 48

Monetary policy decision 51

Data tables 52

Data in this report is as of 11 June 2024 (1 day prior to the monetary policy decision)

Assessment of the macroeconomic outlook

Global economy

Trading partners' economies are projected to grow 2.7% in both 2024 and 2025. The services sector continued to be the key growth driver, with signs of improvement in the global manufacturing sector and demand for goods. The US and EU economies continued to expand on the back of the services sector. Meanwhile, the Chinese economy has started to improve in Q1-2024, driven by manufacturing production and merchandise exports. However, domestic demand in China remains subdued, partly due to persistent problems in the real estate sector. The weak domestic demand and the overcapacity in Chinese manufacturing sector have led to an influx of goods oversupply into global markets. Furthermore, the recovery of the global electronics cycle is still concentrated among high-tech products, and thus, Asian exports have yet to benefit from the global recovery fully. Trading partners' economic outlook remains subject to geopolitical risks, especially the potential escalation in trade protectionism between US and China.

The Thai economy

The Thai economy is projected to grow 2.6% in 2024 and 3.0% in 2025. Growth would be supported by **(1) continued improvements in the tourism sector,** both in terms of foreign tourist arrivals and spending per head (Box 1: The outlook for tourist spending). Foreign tourist arrivals is projected to reach 35.5 million persons in 2024 and 39.5 million persons in 2025; **(2) a continued growth in private consumption, especially in the services sector, albeit at a more moderate pace compared to last year.** Looking ahead, private consumption should continue to expand on the back of a gradual recovery in employment and household income; **(3) an acceleration in public expenditure from Q2-2024 onwards** after the FY2024 Fiscal Budget came into effect. **However, exports and manufacturing growth would remain weak** due to structural impediments and deteriorating competitiveness. Some export products, especially automobiles, face additional pressures from slowing global demand (Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024). **Thailand's economic outlook for the latter half of 2024 is still uncertain** with the recovery in exports and manufacturing, and momentum from government stimulus measures remaining to be monitored going forward.

Inflation

Headline inflation is projected to gradually rise and return to the target range in Q4-2024 on the back of (1) increasing domestic energy prices as diesel price subsidies are phased out; and (2) the dissipation of supply-side factors that kept raw food prices low. **Headline inflation forecast is unchanged from the previous assessment at 0.6% in 2024 and 1.3% in 2025. Meanwhile, core inflation is projected to be 0.5% in 2024 and 0.9% in 2025.** Additionally, **medium-term inflation expectations remain well-anchored within the target range.** There remains the need to monitor geopolitical risks that could see an increase in crude oil prices, as well as the implementation of energy price subsidies from the government going forward.

Financial conditions and financial stability

Domestic financial conditions were mostly unchanged. The baht depreciated against the US dollar, primarily influenced by the Federal Reserve's monetary policy outlook and domestic developments. Meanwhile, Thai government bond yields increased somewhat following adjustments in market expectations regarding Thailand's monetary policy. Private sector funding costs via commercial banks and bond markets, on the other hand, remained largely unchanged. Overall loans outstanding of businesses expanded mainly from activities of large businesses. However, there is a need to monitor financial condition and debt serviceability of certain groups of SMEs. Conversely, loans outstanding of households expanded at a slower pace, driven by hire purchase and credit card loans, as credit quality deteriorated. NPL outstanding has increased as expected and is unlikely to increase sharply (NPL cliff).

The Committee expresses concerns over the high level of household debt, and views that credit growth should be consistent with the on-going debt deleveraging to foster long-term financial stability. Thus, the Committee supports the Bank of Thailand's policy of implementing measures through financial institutions to align lending with borrowers' debt repayment capacity, coupled with debt restructuring to assist debtors with repayment difficulties. Moreover**, the Committee recognizes the importance of addressing credit access issues, particularly for SMEs,** and therefore supports targeted measures such as credit guarantee schemes. These measures will help increase credit access for SMEs, which is necessary for economic growth.

Monetary policy decisions in the second quarter of 2024

At the meeting on 12 June 2024, the Committee voted 6 to 1 to maintain the policy rate at 2.50 percent. One MPC member voted to cut the policy rate by 0.25 percentage point.

In the Committee's judgment, **the Thai economy should continue to expand**, driven mainly by domestic demand and tourism. Nonetheless, export growth remained subdued due to heightened competitive pressures impacting certain merchandise goods. **Inflation was projected to gradually increase** towards the target range from the fourth quarter of 2024 onwards. **Domestic financial conditions were mostly unchanged** from the previous meeting. Private sector funding costs via commercial banks and bond markets remained largely unchanged**.** Overall loans outstanding of businesses expanded, while loans outstanding of households expanded at a slower pace, driven by hire purchase and credit card loans. **Most Committee members deemed that the current policy interest rate remained consistent with the improving growth and inflation outlook, while fostering long-term macro-financial stability,** the Committee voted to maintain the policy rate at this meeting. Meanwhile, one member voted to cut the policy interest rate to align with the lower potential economic growth as structural headwinds have become more apparent; and help alleviate the burden on debtors somewhat. Moreover, **the Committee deemed that it remained essential to monitor economic developments, especially the recovery of exports and government measures. The Committee would take into account growth and inflation outlook in deliberating monetary policy going forward.**

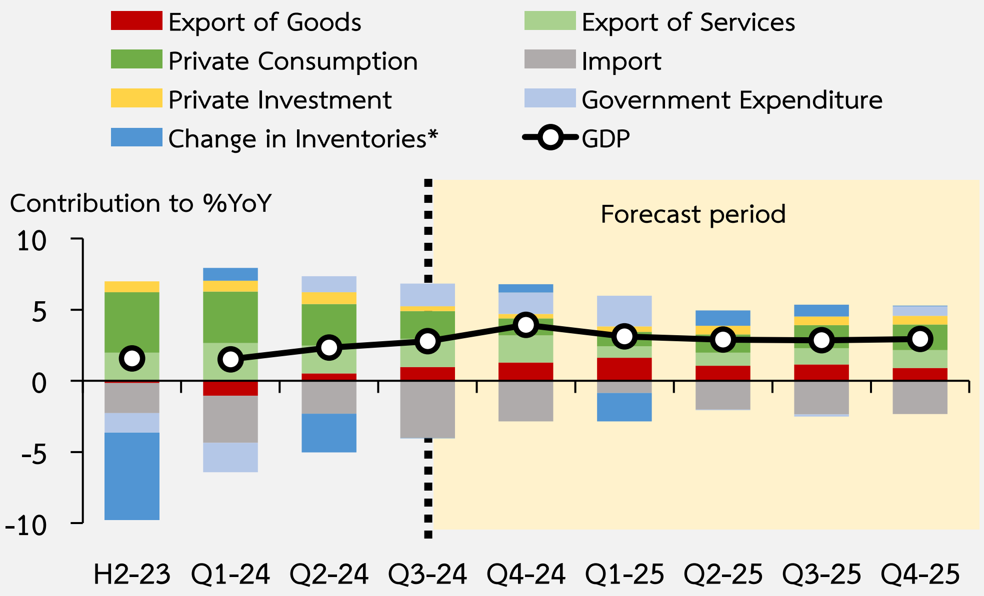
Thailand's economic journey

Back in 2022-2023, the Thai economy was recovering from the COVID-19 pandemic. Inflation peaked at 8% in August 2022 due to rising energy prices from the Russia-Ukraine conflict, before subsequently declining as the situation improved. As such, the accommodative monetary policy stance that has been in place since the COVID-19 pandemic was normalized in a gradual and measured manner from a policy rate of 0.5% in August 2022 to 2.5% in September 2023.

However, the Thai economy faced more economic shocks than expected towards the end of 2023. These included (1) a sharp slowdown in public expenditure despite expectations that the fiscal budget would face delays post-election like in 2019; (2) a slow recovery in exports and a continued contraction in manufacturing activities in line with the sharp decline in inventories; and (3) lower-than-expected tourism receipts in the last quarter of the year. **Assessing the impact of those shocks on the economic outlook amid uncertainties was very challenging because while some shocks, like the slowdown in public expenditure, resulted from temporary factors, others were a result of both cyclical and structural factors.** For instance, exports and manufacturing were affected by slowing global demand as well as Thailand's declining competitiveness. **Given heightened uncertainties pertaining to the economic outlook and the various stability dimensions, it is important for the monetary policy stance to be well-balanced and robust to the many uncertainties that could arise.** This also includes mitigating risks that could severely impact macro-financial stability, such as a highly volatile baht exchange rate that impacts economic activities.

Most recent indicators point to a strong recovery of the Thai economy, but uncertainties remain. Q1/2024 GDP growth and April economic outturns were better than expected. The strong economic outturns could partly be attributed to the dissipation of temporary factors such as public expenditure accelerating after the FY2024 Fiscal Budget came into effect, a turnaround in inventory accumulation, improving tourism receipt from the increasing number of foreign tourists from countries with high spending per head. Meanwhile, some sectors like merchandise exports showed improvement signs in the latest month but the outlook is still subject to uncertainties including Thailand's declining competitiveness, escalation of trade retaliation measures between US and China, and manufacturing overcapacity in China.

Chart 1: Contribution to GDP growth



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

Looking ahead, the economic developments in the second and third quarters would be pivotal in assessing whether the Thai economy would maintain momentum and grow at its potential. The second and third quarters are when the effects of cyclical factors would subside and the various growth engines would return to their long-term trends, thus allowing a more accurate assessment of Thailand's potential growth, which is a key information for monetary policy deliberation going forward.

The policy mix

Even though economic growth remains underway, the MPC recognizes that some sectors still face problems that need to be addressed. Household debt remains high, especially those whose income has yet to fully recover. Meanwhile, SMEs do not have elevated debt problems but instead face difficulties in accessing credit, which is a long-standing problem since before the COVID-19 pandemic. The MPC assessed that the use of targeted measures would be a more direct solution than using a blunt policy tool like monetary policy.

- **Addressing household debt problems** requires solution that would raise their income in tandem with measures to facilitate **debt restructuring to ensure the lending terms and conditions are appropriate to the debtor's repayment capacity.** Some examples include the measure requiring banks to offer debt restructuring solutions before and after debt becoming NPLs at least once during each stage, and the measure to resolve persistent debt by converting revolving personal loans with high interest rates into installment loans to be repaid within 5 years with interest rate not exceeding 15%.
- **Difficult credit access and high borrowing costs faced by SMEs stem from the borrowers' high credit risk** as well as limitations in conducting risk assessment for small businesses. These problems cannot be addressed by monetary policy. **Instead, targeted measures such as credit guarantee schemes** would help reduce risks for the banks. Thus, banks can increase lending to SMEs. BOT and related agencies are currently looking into ways to enhance the effectiveness of existing credit guarantee mechanisms.

To foster overall economic conditions and address problems faced by the aforementioned groups, the policymaker requires an appropriate policy mix. A policy mix can help achieve the BOT's 3 main objectives – price stability, sustainable economic growth, and financial stability – in the most effective manner.

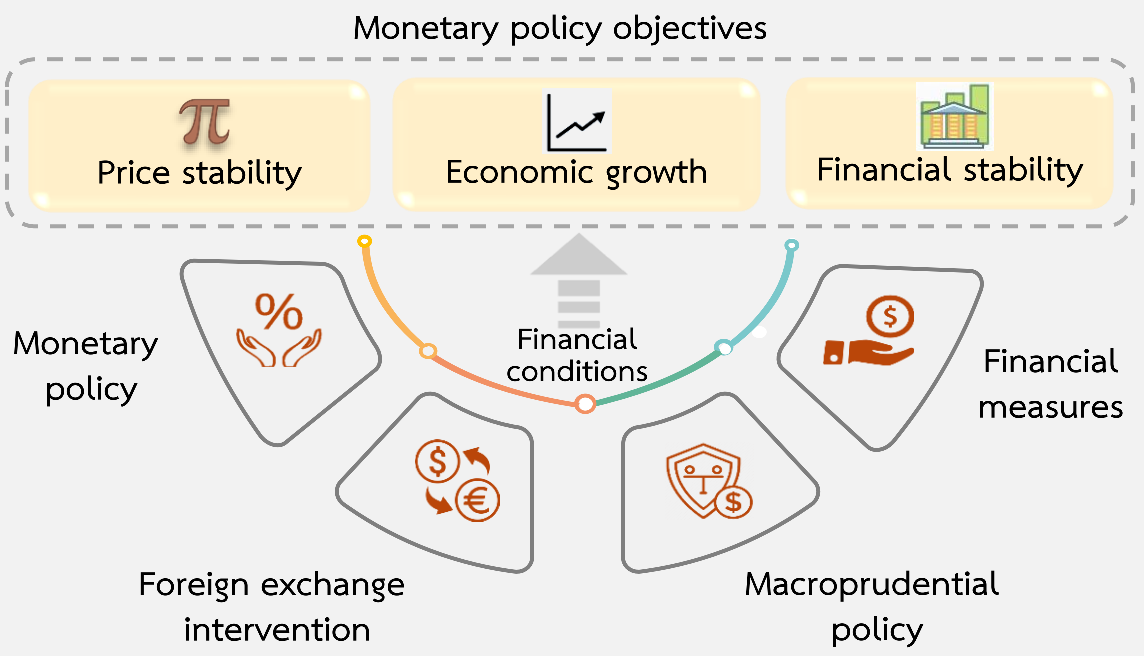
In conducting monetary policy, the policy interest rate is the main instrument focusing on managing macroeconomic conditions whilst also taking into account stability considerations. The policy rate should be set at a level consistent with the economic and inflation outlook to ensure the economy grows according to its potential and inflation remains stable without jeopardizing price stability. Meanwhile, one must make sure the policy rate does not induce a build-up of systemic risks that could drag economic growth and wear down available buffers against future risks. Monetary policy is a blunt tool that affects every part of the economy and therefore it is necessary to weigh the pros and cons of each policy decision, and to consider the short-term and long-term impacts thoroughly and comprehensively. Monetary policy also has limited effectiveness in addressing sectoral problems. Using it for such purpose could lead to an unintended build-up of risks in other parts of the economy.

Besides the policy interest rate, safeguarding macro-financial stability requires a combination of policy tools to address problems faced by the different groups in a well-targeted manner without causing unintended consequences for other parts of the economy. Examples of policy tools are:

- **Foreign exchange intervention** which is used to ensure that exchange rate movements are in line with economic fundamentals and that market mechanisms in the foreign exchange market are well functioning and have sufficient liquidity. Businesses are able to buy and sell foreign exchange and access exchange rate management tools at a price that is in line with economic fundamentals and the prevailing external environment.

- **Macroprudential measures** are tools for preventing the build-up of risks in the financial system such as the LTV (loan-to-value ratio) used for preventing property price speculation, which would enable people with affordability to purchase a house at the appropriate price whilst also reducing vulnerabilities that could arise from over indebtedness which is a risk to financial stability.
- **Financial measures** comprise wide range of tools, for example: (1) measures in response to severe shocks such as soft loans, debt moratorium, temporary relaxation of debt classification for vulnerable households and SMEs affected by the COVID-19 pandemic. (2) measures aimed at addressing structural impediments in the financial sector such as debt restructuring for debtors facing repayment difficulties, requirements for banks to lending in accordance with the borrowers' debt repayment ability, which address the high household debt problem.
- **In deliberating policies to achieve the objectives of price stability, sustainable economic growth, and financial stability, the policymaker must thoroughly consider every aspect of the decision and select the appropriate combination of tools, taking into consideration the limitations and trade-offs of each tool. This would reduce over-reliance on any single tool, which could otherwise lead to unintended consequences. Moreover, the use of policy mix needs to be coupled with good communication to foster understanding among the general public, which would in turn help achieve the 3 main objectives in the most effective manner.**

Chart 2: BOT Integrated policy framework



The global economy would continue to expand, while inflation is gradually declining for most countries

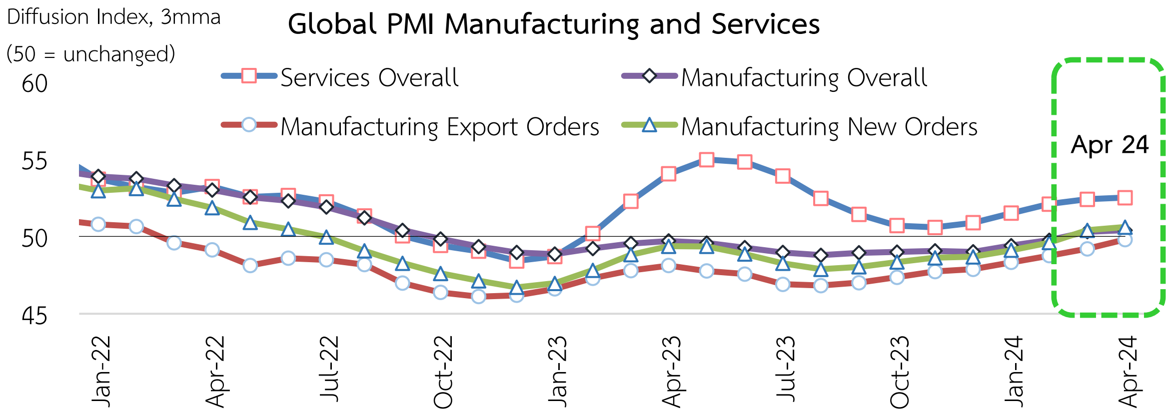
The global economy would continue to expand driven mainly by the services sector. Global demand for goods would gradually recover, but with limited benefits for Asian exports.

Inflation is gradually declining in many countries. The Fed and most Asian central banks are expected to cut policy rates in the latter half of 2024.

Trading partners' growth outlook remains subjected to downside risks from geopolitical tensions especially a potential escalation in trade retaliation measures between US and China.

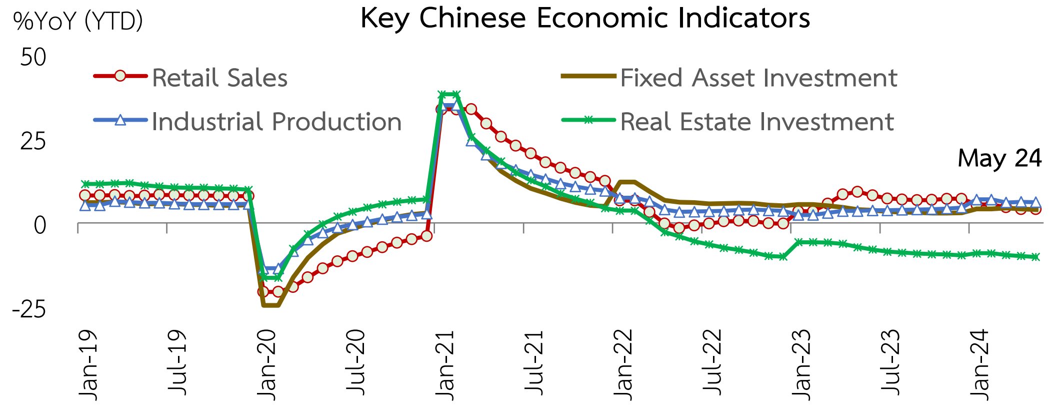
Global manufacturing activities have shown signs of recovery, but Asian exports would gain limited benefits partly due to (1) China's manufacturing overcapacity and (2) the recovery of global electronics cycle being concentrated in high-tech products

The services sector continued to drive global growth, while the manufacturing sector has shown signs of recovery



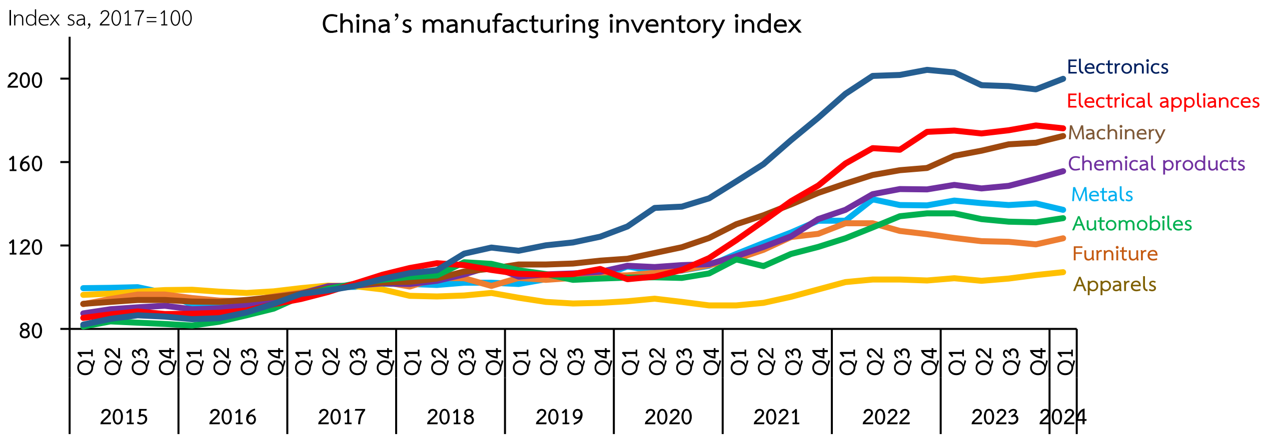
Source: CEIC, BOT calculations

China's manufacturing sector is expected to recover, but domestic demand remains weak due to the lingering real estate problems



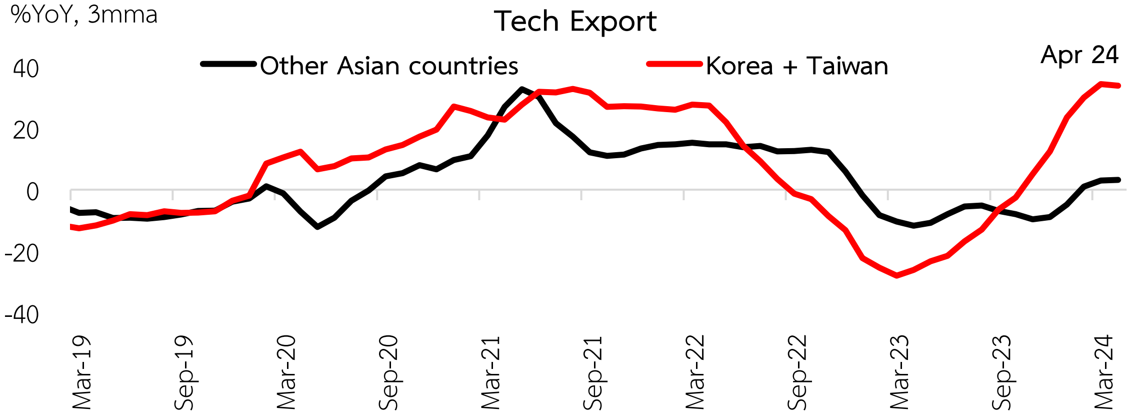
Source: CEIC, BOT calculations

High inventory levels across products indicate China's excess supply



Source: CEIC, BOT calculations

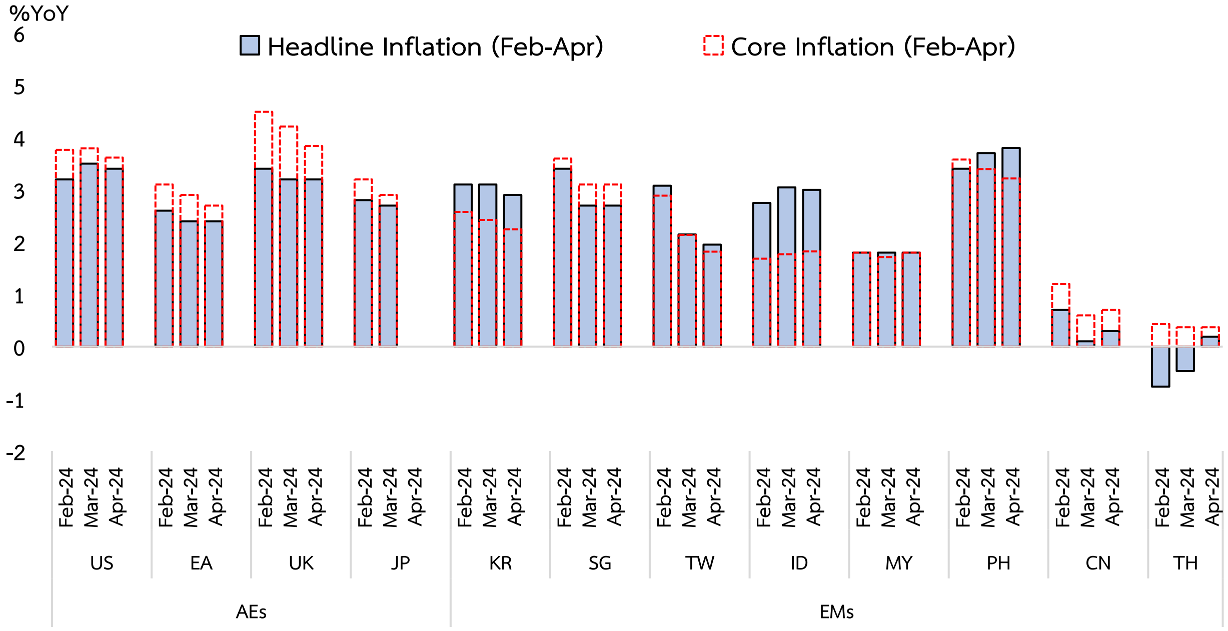
The recovery of electronics cycle in AI-related products provides limited benefits to Asian exports



Note: Other Asian countries consist of JP, SG, MY, and PH.
Source: CEIC, BOT calculations

Inflation in most countries continued to decline. Some major central banks have started to cut their policy rates, while the Fed and most Asian central banks are expected to start cutting rates in the latter half of 2024

Headline and core inflation



Source: CEIC

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

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

Note: * denotes outturn, ( ) denotes forecast in Monetary Policy Report Q1-2024

The Federal Reserve (Fed) maintained its policy rate at 5.25-5.50% at the FOMC meeting on 12 June 2024. The decision was underpinned by easing labor market conditions as reflected by a slowdown in employment and increased unemployment, and by inflation declining as expected. The BOT kept its assumption for the Federal Funds Rate unchanged at 4.75 – 5.00% for end-2024 and 3.75 – 4.00% for end-2025, and expects the Fed to start cutting its policy rate in the latter half of this year.

The European Central Bank (ECB) cut its policy rate by 25 bps to 3.75% at the Governing Council Meeting on 6 June 2024. Headline inflation in the euro area declined from falling energy and food prices. Labor market conditions remain tight, but there are signs of slowing down as reflected by PMI employment for the services sector, while negotiated wage growth slowed down from the previous quarter. However, the ECB is likely to keep the policy rate on hold at the next Governing Council Meeting to evaluate the impact of the recent rate cut, and would remain data-dependent in its monetary policy deliberations.

Most Asian central banks kept their policy rates on hold. Headline inflation and core inflation has gradually declined to target except in the Philippines where food prices were still affected by El Niño. However, Bank Indonesia raised its policy rate at the BI Board of Governors Meeting in April 2024 to preserve exchange rate stability. Overall, it is expected that Asian central banks would cut their policy rates gradually in the latter half of 2024.

Trading partner economies are projected to continue expanding in 2024 and 2025 but risks to the outlook remain tilted to the downside

Assumptions of trading partners' growth

%YoY	Share of exports in 2023[1/] (%)	2023	2024		2025	
			MPR Q1/24	MPR Q2/24	MPR Q1/24	MPR Q2/24
US	17.2	2.5	2.0	2.3	1.8	1.8
Euro area	7.7	0.5	0.6	0.7	1.5	1.5
Japan	8.7	1.9	0.7	0.3	1.0	1.1
China	12.0	5.2	4.7	4.9	4.6	4.6
Asia[2/]	21.8	3.2	3.8	3.9	3.7	3.7
Total[3/]	73.0	2.8	2.6	2.7	2.7	2.7

Note: [1/] 13 major trading partners comprise 73% of total Thai exports value in 2023
[2/] 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%)
[3/] Including UK (1.4%) and Australia (4.3%)

Trading partners' growth forecast for 2024 is revised up from the previous assessment. Economic growth in the US and the euro area have been driven mainly by the services sector. Growth forecast for China and other Asian economies are revised up on account of better-than-expected growth outturns for manufacturing and exports in the early parts of the year. Meanwhile, the growth forecast for Japan is revised down on account of the slow recovery in exports and consumption.

Trading partners' growth forecast for 2025 is largely unchanged from the previous assessment although the forecast for Japan is revised up slightly due to the low base in 2024.

Risks to trading partners' growth outlook remain tilted to the downside

Downside risks:

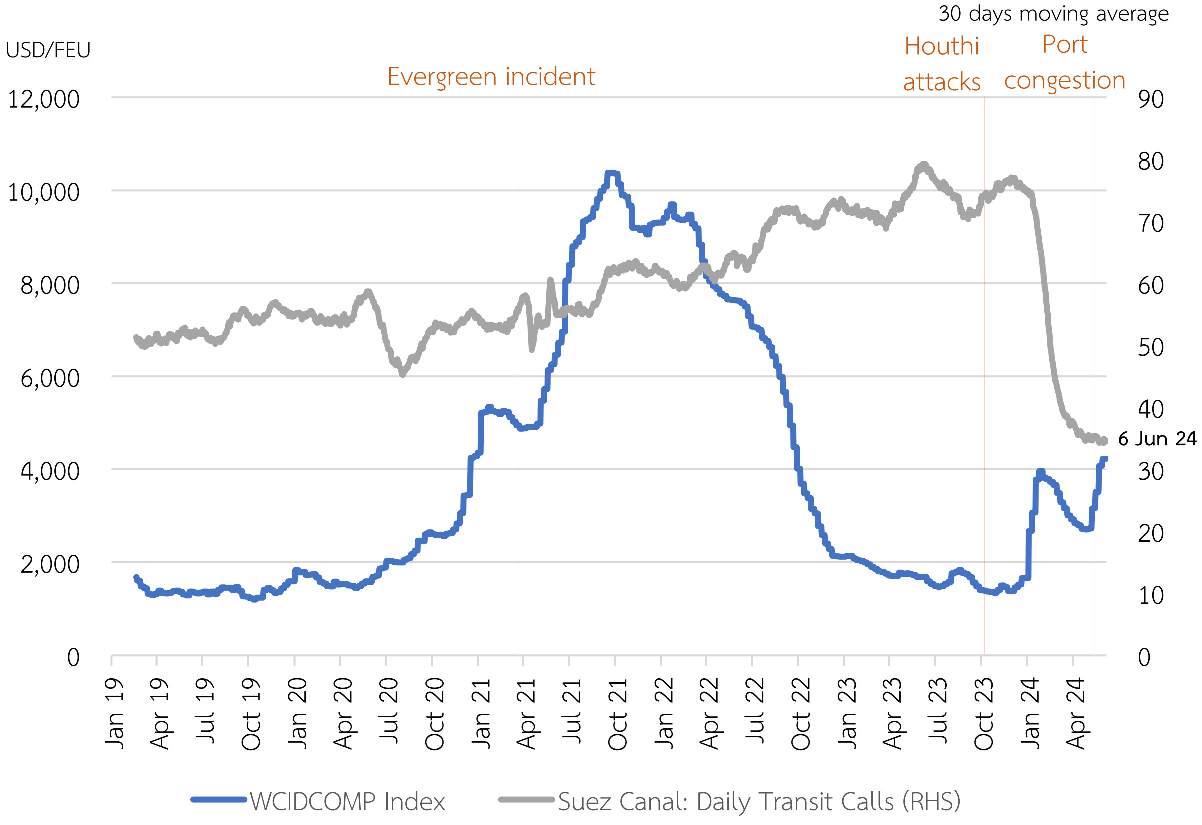
1) Geopolitical tensions such as the potential escalation in trade retaliation measures between US and China
2) Financial stability risks around the world including problems in the Chinese, Australian, and South Korean real estate sectors.

Upside risks:

1) The US economy might see strong growth outturns driven by robust growth in consumption and increasing production to build up inventories after running down in the prior period.
2) China might implement additional stimulus measures

Headwinds to global trade: World Container Index (WCI) saw another round of spikes due to port congestion

World Container Index (WCI)[1] and Suez Canal Transit Calls



Note: 1/Composite Container Freight Benchmark Rate per 40 Foot Box

Source: Bloomberg, IMF

Port congestion

- Suez canal transit calls remain low reflecting the ongoing obstacles in shipping goods that still have to detour the Cape of Good Hope.
- Ports in China, the Middle East, and Singapore are more congested due to:
  1. **Increased shipping demand:**
     - Accelerated inventory accumulation in preparation for the festive season (previously orders were mostly placed in the third quarter) due to concerns about uncertain delivery times.
     - Acceleration in pre-orders due to concerns about US tariff increases on Chinese imports which would become effective in 2025.
  2. **Container shortages in Asia:** Empty containers have accumulated at destination ports around Sri Lanka and UAE, and are returning slowly to Asia due to maritime safety concerns for transits through the Red Sea.

Implications

- Looking ahead, WCI is likely to remain high for some duration due to peak shipping season in the third quarter.
- However, some of the shipping that has been brought forward from the third quarter could result in a decline in the WCI due to volatility in shipping demand through the supply chain (bullwhip effect).

The Thai economy is projected to expand on the back of domestic demand and tourism. Meanwhile, the recovery of exports and manufacturing remains to be monitored.

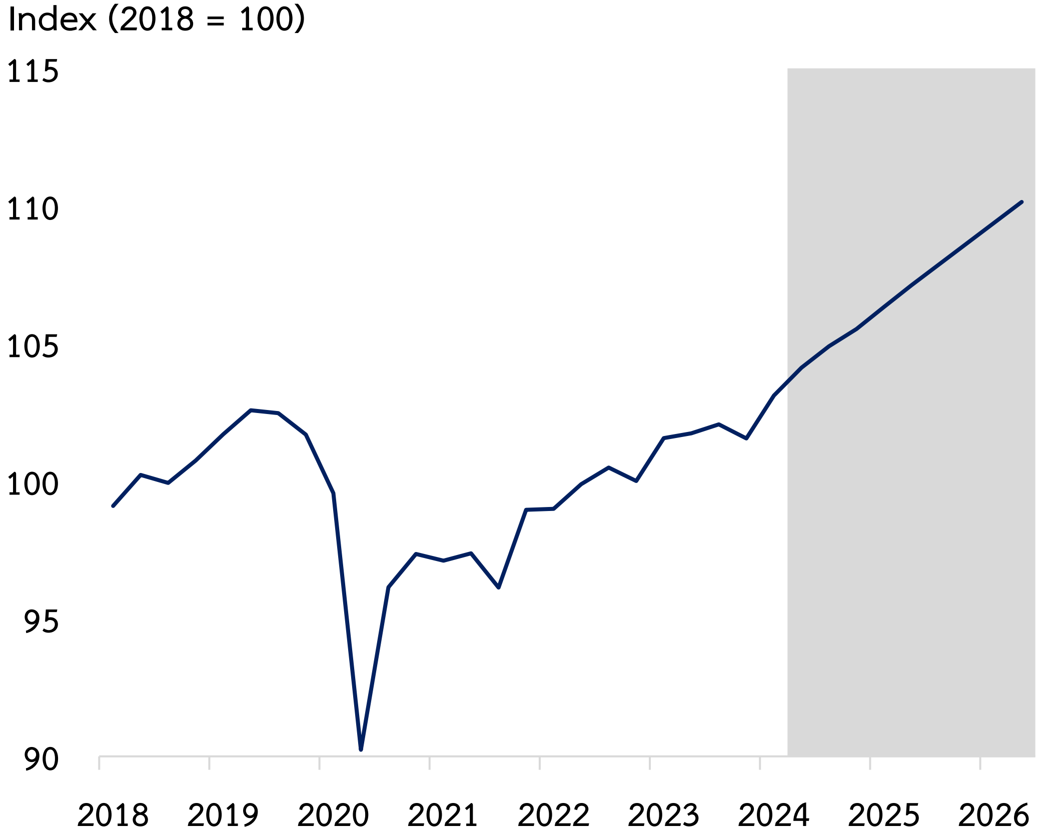
The Thai economy would continue to expand in 2024 on the back of tourism and private consumption as well as an acceleration in public expenditure.

Merchandise exports growth would remain weak this year. Exports and manufacturing face additional pressure from both cyclical and structural factors.

Inflation outlook is largely unchanged. Headline inflation is expected to increase with rising domestic energy prices and return to the target range by Q4-2024.

The Thai economy would continue to expand driven by stronger-than-expected domestic demand in the first quarter, continued expansion in tourism, and an acceleration in public expenditure since the FY2024 Fiscal Budget came into effect. Meanwhile, exports growth this year would remain weak and must be monitored.

Real GDP



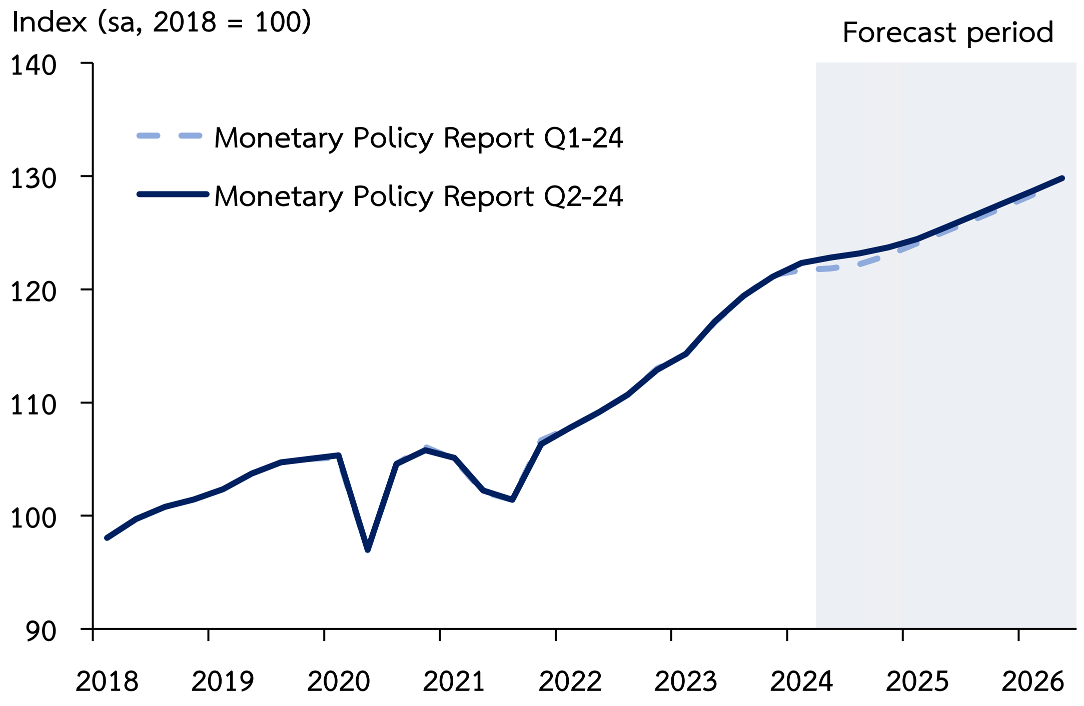
Economic projection (excluding the impact of digital wallet scheme)

Growth (%YoY)	2023*	2024	2025
GDP growth	1.9	2.6 (2.6)	3.0 (3.0)
Domestic Demand	3.5	3.6 (3.1)	2.8 (3.1)
Private Consumption	7.1	4.2 (3.5)	2.5 (2.9)
Private Investment	3.2	3.3 (3.3)	3.2 (3.2)
Government Consumption	-4.6	1.8 (1.8)	3.3 (3.3)
Public Investment	-4.6	3.6 (1.0)	2.6 (5.0)
Export volume of goods and services	2.1	3.9 (4.2)	3.2 (3.3)
Import volume of goods and services	-2.3	4.9 (3.8)	2.9 (3.5)
Current account (billion U.S. dollars)	7.0	13.0 (13.0)	17.5 (17.5)
Value of merchandise exports (%YoY)	-1.7	1.8 (2.0)	2.6 (2.8)
Value of merchandise imports (%YoY)	-3.1	3.1 (2.5)	2.0 (3.0)
Number of foreign tourists (million persons)	28.2	35.5 (35.5)	39.5 (39.5)

Note: * denotes outturns
( ) denotes previous forecast in the Monetary Policy Report Q1-2024, excluding digital wallet scheme
Source: NESDC, BOT forecasts

Private consumption continued to expand as reflected in better-than-expected Q1-2024 outturns but would grow at a more moderate pace compared to last year due to front-loaded spending in the earlier period and weak consumption of durable goods

Real private consumption



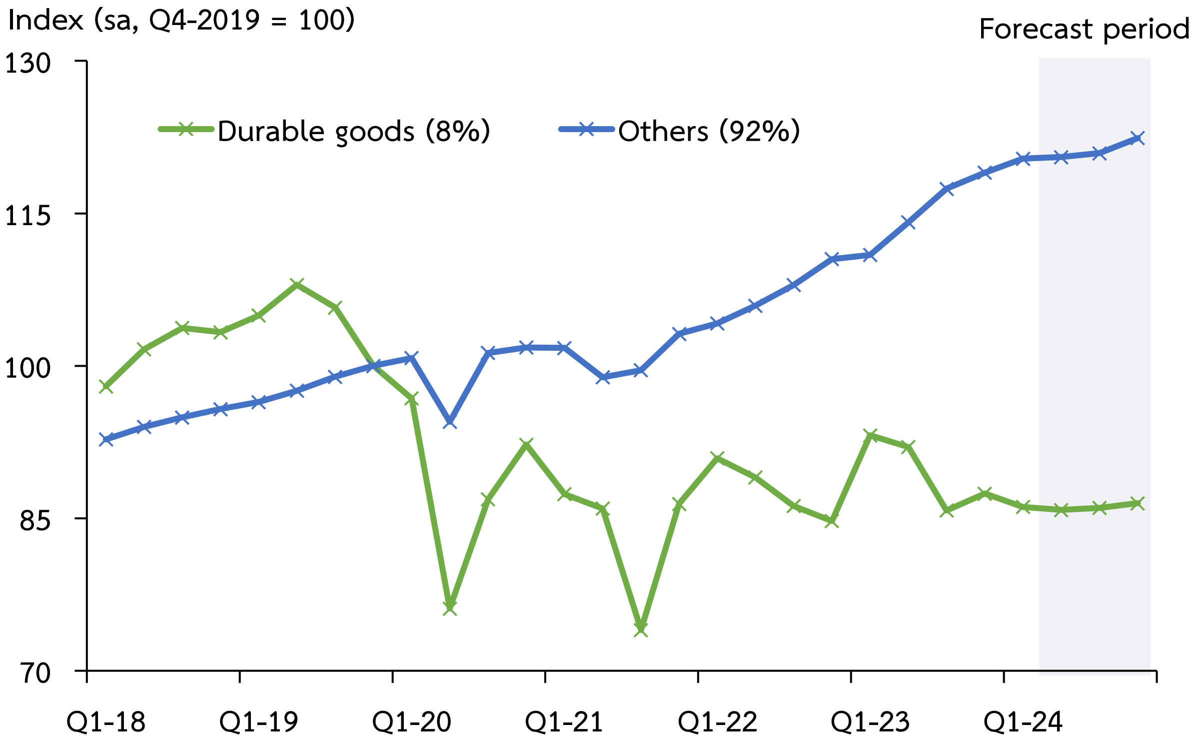
Source: BOT forecast

Private consumption projection (excl. digital wallet scheme)

%YoY	2023*	2024	2025
Private consumption	7.1	4.2 (3.5)	2.5 (2.9)

Note: * denotes outturn, ( ) denotes previous forecast in Monetary Policy Report Q1-2024

Private consumption projection

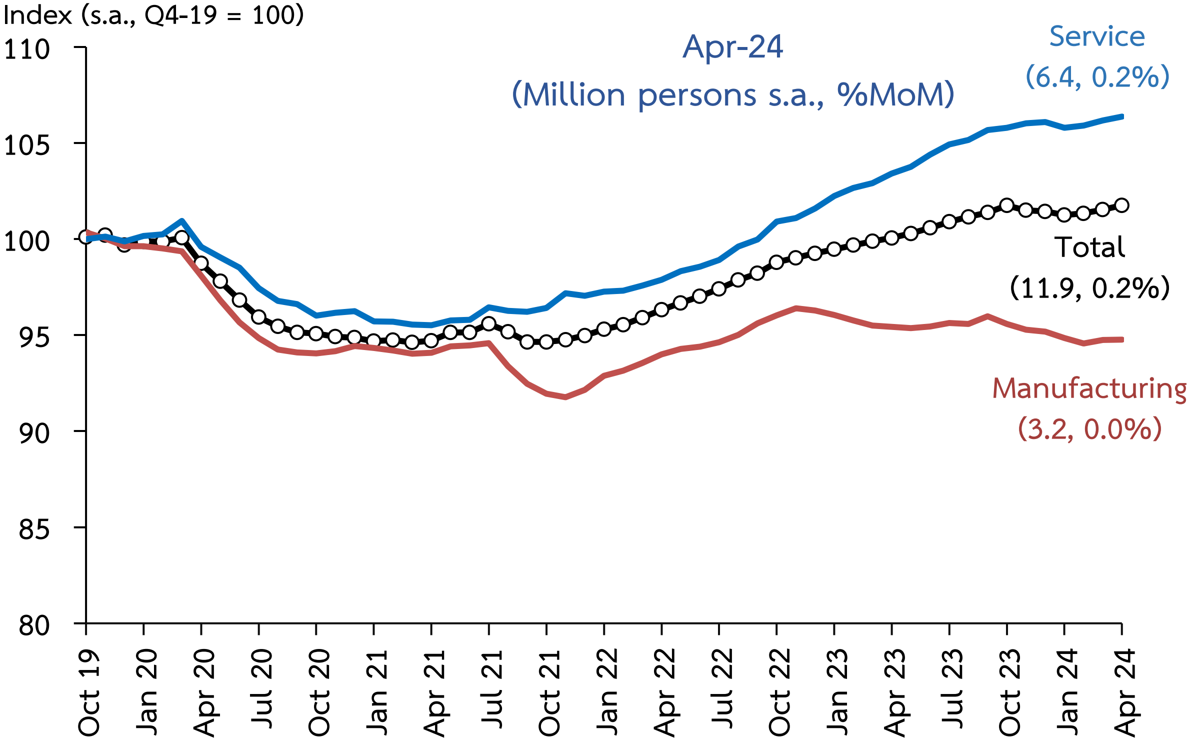


Note: Others consist of consumption on non-durable goods, semi-durable goods, and services
( ) denotes shares of each category to total private consumption in 2022

Source: NESDC, calculated by BOT

The labor market is gradually improving especially in tourism-related services as reflected in income and the number of people insured under section 33 of the Social Security Act. Meanwhile, those figures in the manufacturing sector remain stable.

Number of workers contributing to the Social Security Fund (section 33)

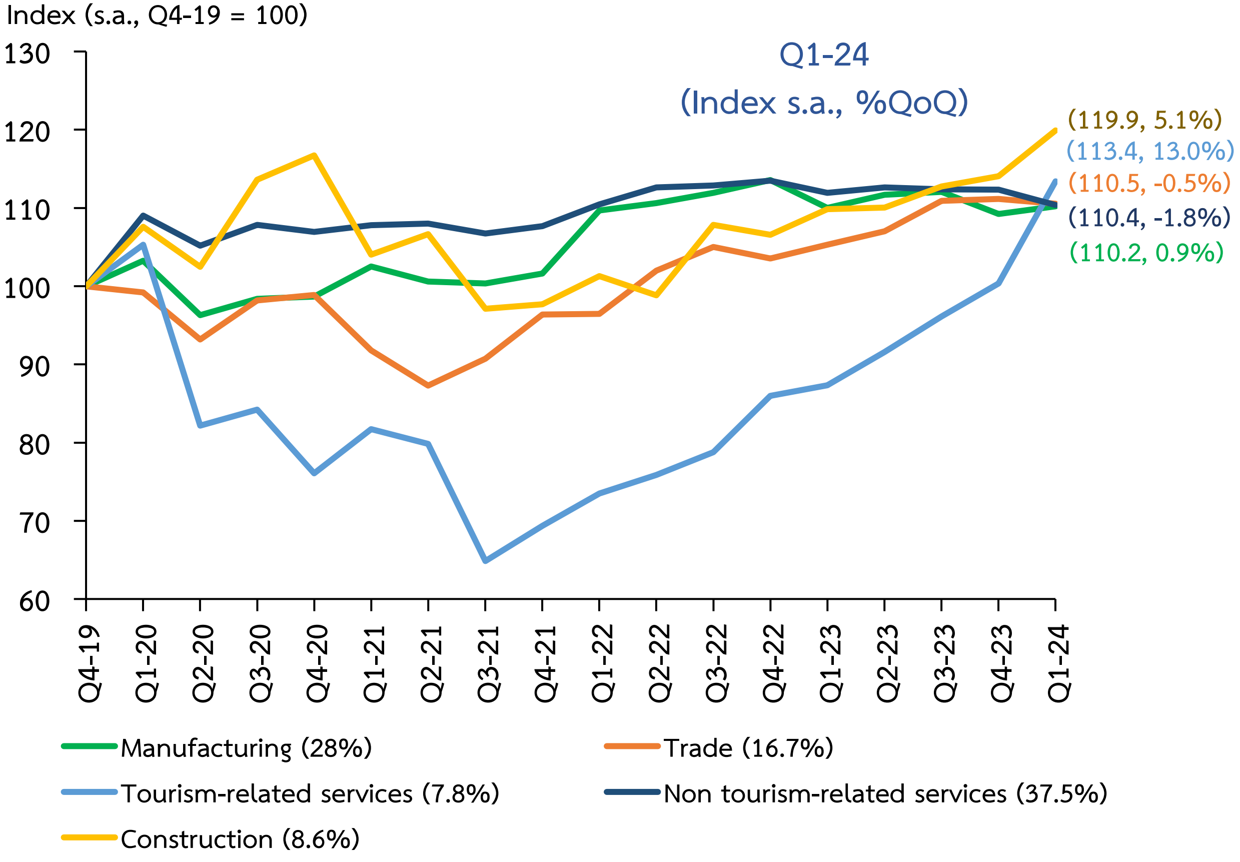


Note: (1) Section 33 refers to employees who are not less than 15 years of age and not more than 60 years from the date the employee starts working for a company with one or more employees.

(2) Section 33 contributors consist of manufacturing sector, service sector, and other for 27%, 53%, and 19%, respectively. (share in 2022)

Source: Social Security Office, calculated by Bank of Thailand

Non-farm employees' income by sector

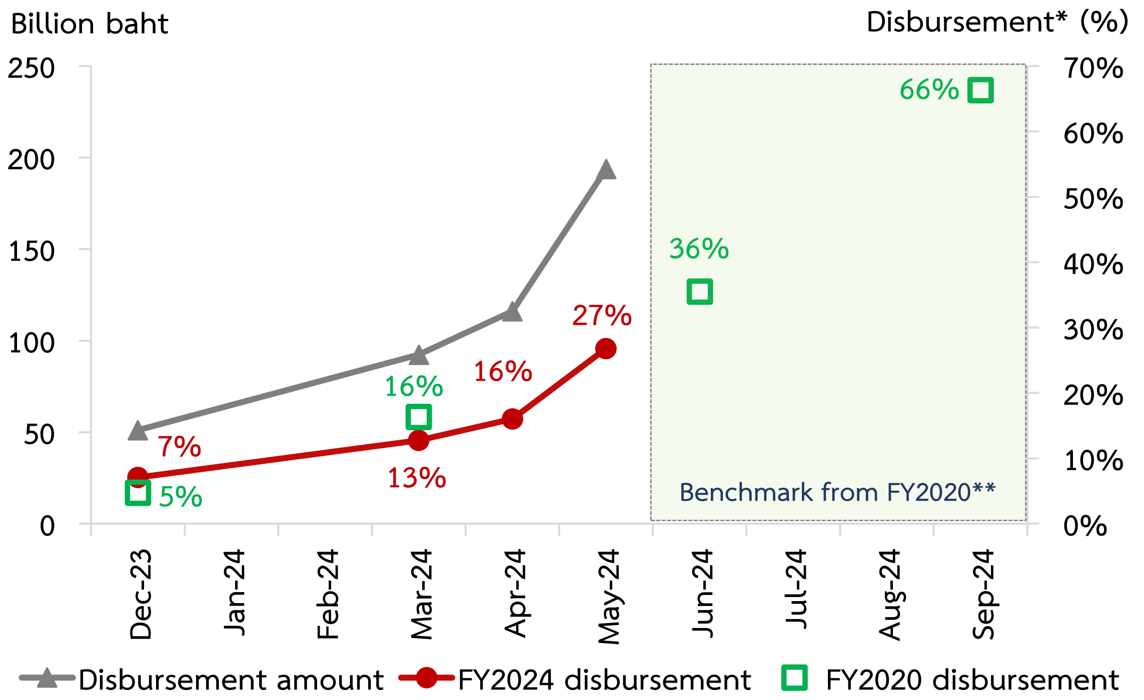


Note: ( ) denotes each sector's share to total non-farm employees in 2022

Source: National Statistics Office's Labor Force Survey, BOT calculation

Public investment by the central government accelerated in the second quarter after the FY2024 Fiscal Budget came into effect. Going forward, there remains the need to monitor budget disbursements and progress in sourcing funds for the 10,000 baht Digital Wallet Scheme.

Indicators of investment spending (cumulative) by central government



Note: * denotes the ratio of disbursement to the fiscal budget

** FY2020 fiscal budget was also delayed and the cumulative disbursement was escalated to 66% in the last quarter

Source: The Comptroller General's Department, data as of May 2024

- Central government spending indicators (cumulative) reflect an acceleration in investment expenditure after the FY2024 Budget came into effect on 26 April 2024.
- Investment spending by the central government tends to increase going forward, although the private sector is still concerned about the budget disbursements by various government agencies.

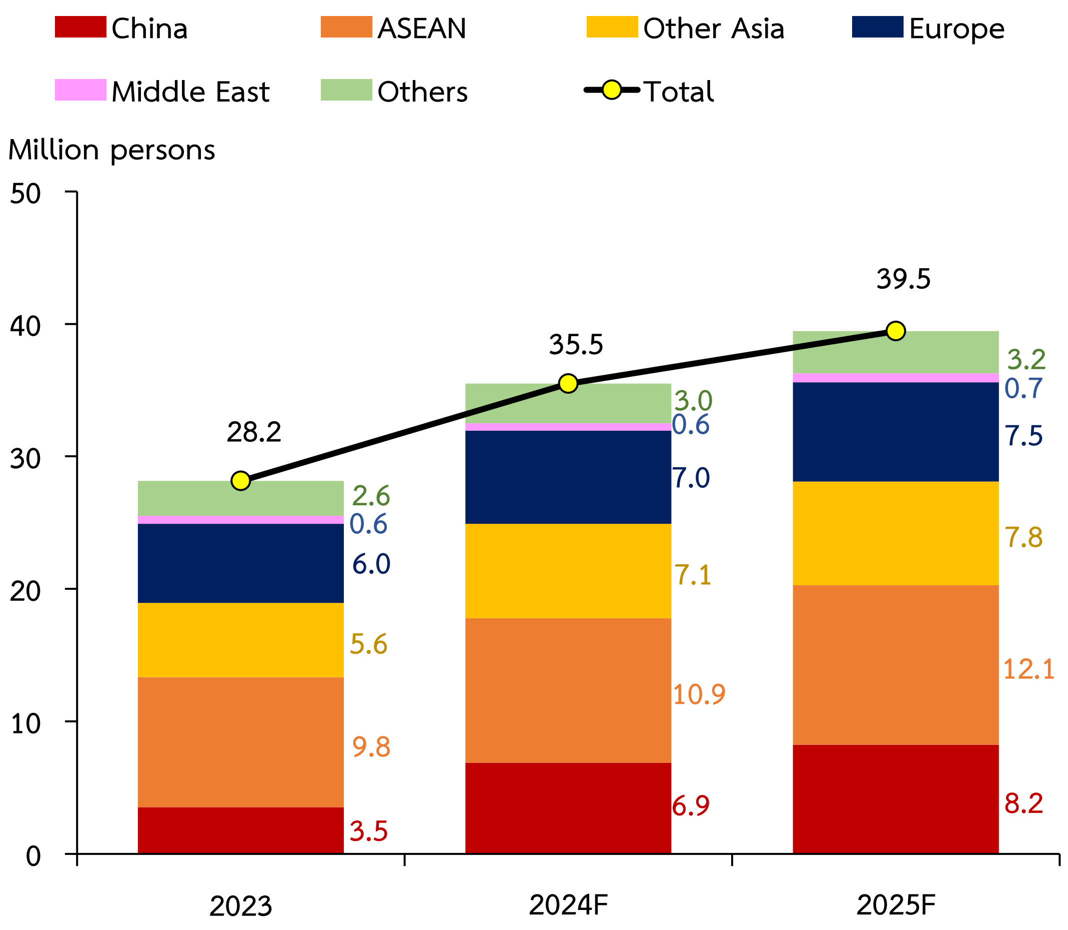
Progress in sourcing funds for the Digital Wallet Scheme

Financing source	Amount (billion baht)	Progress
FY2024 Budget	175	The Cabinet approved the 122 billion baht supplementary budget for FY2024 on 21 May 2024. It is expected that additional financing would come from the FY2024 central emergency budget.
FY2025 Budget	153	The Cabinet approved the review of FY2025 Budget on 9 April 2024, in which the budget was increased by 153 billion baht.
Financing through BAAC under Section 28 of the Fiscal Responsibility Act.	172	The proposal is pending submission to the Office of the Council of State to determine the BAAC's legal authority in doing so.
Total	500	

Source: Cabinet decision and updates from the Ministry of Finance on 10 April 2024.

Foreign tourist arrivals and tourism receipt forecasts are unchanged from the previous assessment.

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	35.5 (35.5)	39.5 (39.5)
% of 2019 figure	-	28%	71%	89% (89%)	99% (99%)
Tourism receipt (Trillion baht)	1.9	0.5	1.0	1.4 (1.4)	1.6 (1.6)

Note: * denotes outturn , ( ) denotes previous forecast in Monetary Policy Report Q1-2024

- **Foreign tourist arrivals forecast is unchanged at 35.5 million in 2024 and 39.5 million.** Foreign tourist arrivals in Q1/2024 were in line with the previous assessment, with the number of foreign tourists increasing as expected due to (1) improving global tourism demand (2) sufficient seat capacity and (3) benefits from government measures such as additional visa exemptions (Visa Free), which is now being granted to 93 countries in total.
- **Tourism receipt forecast is unchanged at 1.4 trillion baht in 2024 and 1.6 trillion baht in 2025.** The outlook for foreign tourist arrivals and spending-per-head is still in line with the previous assessment, but there remains the need to monitor specific factors that could weigh on the recovery of tourist receipt such as the shorter length of stay compared to the pre-COVID period in 2019, and change in tourists' spending pattern. (Box 1: The outlook for tourist spending)

Box 1: The outlook for tourist spending

Tourism is currently one of the key growth engines for the Thai economy. In 2023, the number of foreign tourists arriving in Thailand reached 28.2 million persons and generated income about 1 trillion baht. For 2024, it is expected that the number of foreign tourists would continue to grow. **As for tourism receipt in the period head, it would depend on tourists' spending pattern, which has changed from what was seen in the past.** This is reflected in their total spending per day as well as how much is spent across different goods and services such as accommodation, food, and shopping.

In 2023, spending per day by foreign tourists averaged 4,077 baht[1/], which was lower than the pre-COVID (2019) average of 5,172 baht per day. This was partly because tourists with lower spending per day made up a larger share of foreign tourists in Thailand, especially Malaysians. Meanwhile, the number of Chinese tourists, who have higher spending per day, has not returned to pre-COVID levels. **Nonetheless, hotel businesses expect that foreign tourists would have higher spending in 2024[2/].** 40% of hotel businesses view that tourists would spend more on accommodation compared to the previous year. 30% of hotel businesses view that tourists would spend more on other services such as spa, and food and beverage compared to the previous year. **Looking ahead, average daily spending is expected to increase partly due to the composition of foreign tourists. (the composition effect)** The number of foreign tourists with higher spending would increase especially those from China and the Middle East. These two groups have an average daily spending of 6,118 baht per day during the pre-COVID period, but make up only 14.6% of all tourists in 2023. However, these two groups are expected to make up a larger share of foreign tourists in 2024 at 22.5% and eventually increase to pre-COVID levels at 29.2% going forward.

Comparing spending across the different categories, accommodation remains the key driver of tourism spending as it constitutes the largest share of total spending[3/] (Chart 1). At the same time, room rates are likely to continue increasing going forward **(Chart 2).** Room rates on average grew 42.1% in 2023 and 34.6% during the first 4 months of 2024. This was partly due to change in spending behavior of foreign tourists. Tourists with higher spending power have given more importance to quality of services, which allowed businesses, especially hotels that are 4 star or higher, to pass on the higher costs both electricity and commission to the room rates more than before.

Note:

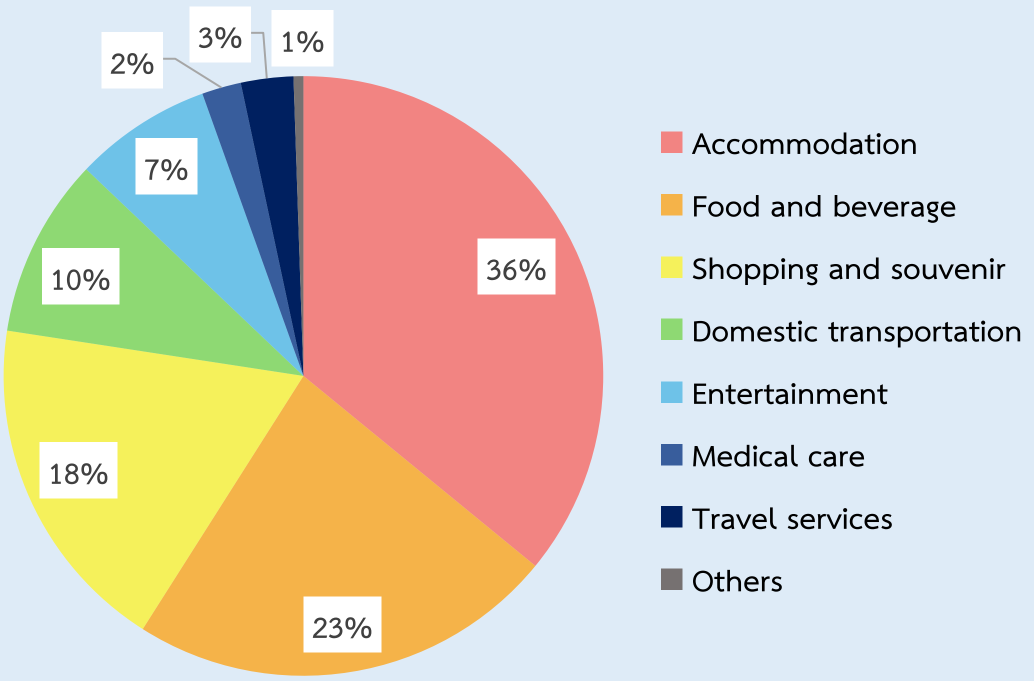
[1/] Findings from survey conducted by the Ministry of Tourism and Sports's tourism and sports economics division (preliminary data as of 23 April 2024)

[2/] Hotel business operator Sentiment Index (HSI) April 2024, surveyed by Thai Hotels Association and BOT.

[3/] Tourism spending in 2023 are categorized into accommodation (36%) food and beverage (23%) shopping (18%) and other spending (23%) such as transportation, tourism activities. Data from the Ministry of Tourism and Sports's tourism and sports economics division.

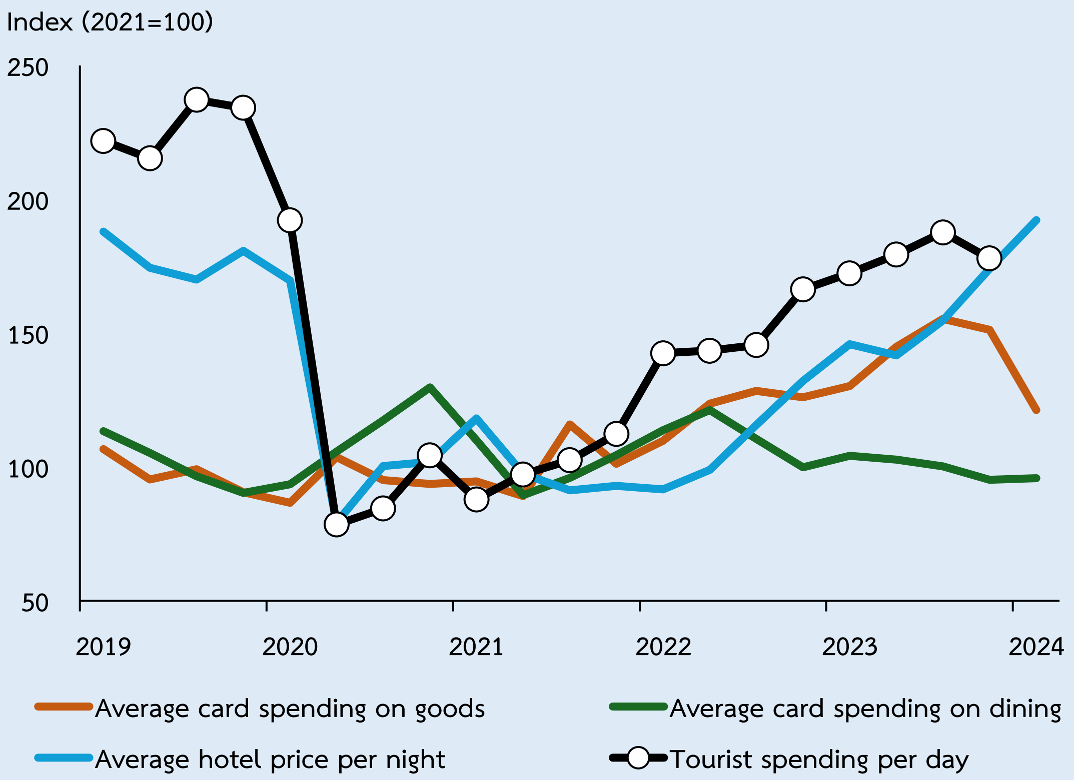
Box 1: The outlook for tourist spending

Chart 1: Foreign tourist spending by category in 2023



Source: Ministry of Tourism and Sports's tourism and sports economics division, preliminary data as of 23 April 2024

Chart 2: Tourism spending per day and spending indicators



Note: Card spendings are calculated from the average of credit card payments by non-resident card holders per transaction, data as of 31 March 2024

Source: Ministry of Tourism and Sports and Bank of Thailand

Box 1: The outlook for tourist spending

Tourism activities, such as diving and spa, are another category on which foreign tourists are likely to spend more due to increasing demand. This reflects that tourism activities overall could return to normal like pre-COVID period. Meanwhile, **the transportation spending category may see higher price adjustments** in line with increasing demand and higher energy prices.

However, **spending in the food and shopping categories were impacted by changes in tourists' behavior.**[4/] This was partly due to the increasing role of influencers on social media as well as rising accommodation costs, which left less budget for spending in other categories. At the same time, most tourists nowadays are free independent travelers (FIT) who prefer street food and local food, hence the overall spending on food has declined. This was also in line with the behavior of Chinese tourists, 73% of whom are looking for value-for-money and prefer local food[5/]. Likewise, tourists from other countries prefer to buy goods and services that are unique and have higher quality such as handicrafts and made-in-Thailand products. However, the purchases were smaller in quantity. This was contrast with the pre-COVID period when tourists tended to buy more general goods and buy in larger quantities.

In summary, the recovery in tourism income so far has been slow due to both lower foreign tourist arrivals as well as the changes in spending pattern. Looking ahead, however, **tourism spending is likely to pick up due to the composition effect, wherein the share of tourists with higher spending increases, as well as spending on accommodation and other activities that remain on an upward trajectory.** Nonetheless, there is a need to monitor risks to the recovery of tourism income that is still dependent on the length of stay, which might be decreasing globally due to micro-cation trends as a result of time constraints as well as multi-city travel trends where travelers briefly visit many countries in one trip. Notwithstanding, it is possible that the length of stay could also increase due to government measures to support the tourism sector. Most recently, the Thai government is implementing visa free programs for more countries, and increasing the maximum length of stay for foreigners to 60 days, which are expected to help foreign tourists decide to have a longer stay in Thailand during their visit.

Note:
[4/] Data from interviews with tourism-related businesses under the BOT's Business Liaison Program (BLP).
[5/] Chinese Travel survey by Dragon Trail in April 2024

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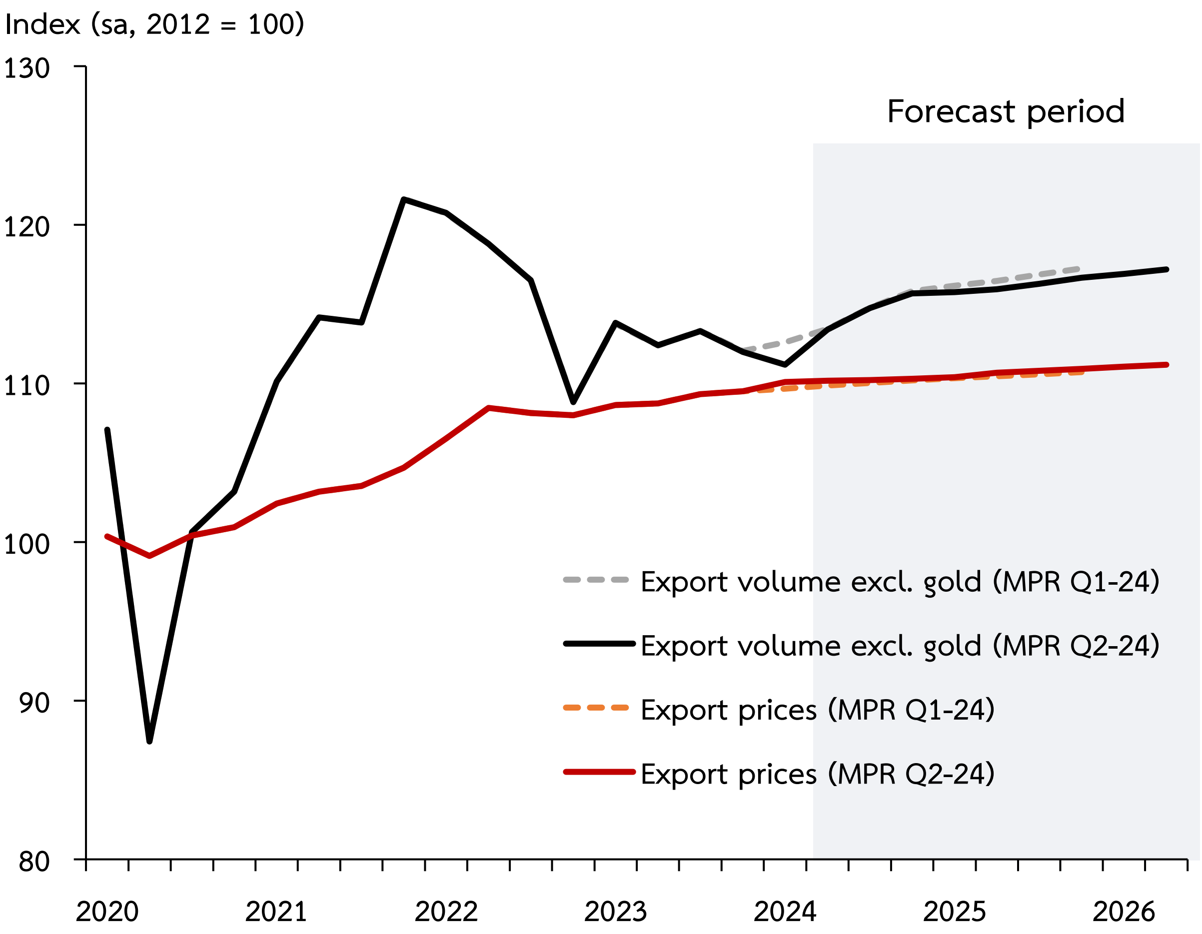
Merchandise exports growth would slow down with the outlook subjected to risks from trade retaliations between the US and China, and oversupply of goods in the market.

Projected merchandise exports (excl. gold)



- **Merchandise export outturns in Q1/2024 were weaker than expected** due to lower export volume, especially automobiles which declined in line with slowing global demand. Meanwhile, export prices were slightly higher than expected.
- **For 2024, exports would gradually recover in the latter half of the year.** However, they face uncertainties from (1) geopolitical tensions between the US and China, especially trade retaliation measures which impacted solar cells exports to the US (2) oversupply of goods in the destination market from Chinese exports, and (3) the slowing global demand for automobiles (Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024). **Meanwhile, export prices remain high** mainly from high agricultural prices as a result of El Niño causing a contraction in crop output.
- **The outlook for exports is still subjected to risks from** (1) trade retaliation between the US and China; (2) oversupply of Chinese goods that could impact Thai exports more than expected; and (3) slower-than-expected recovery in trading partners' demand.

Merchandise exports projection

Growth (%YoY)	2023*	2024	2025
Export value	-1.7	**1.8** (2.0)	**2.6** (2.8)
Export prices	1.2	**1.0** (0.8)	**0.5** (0.5)
Export volume	-2.9	**0.8** (1.1)	**2.1** (2.2)

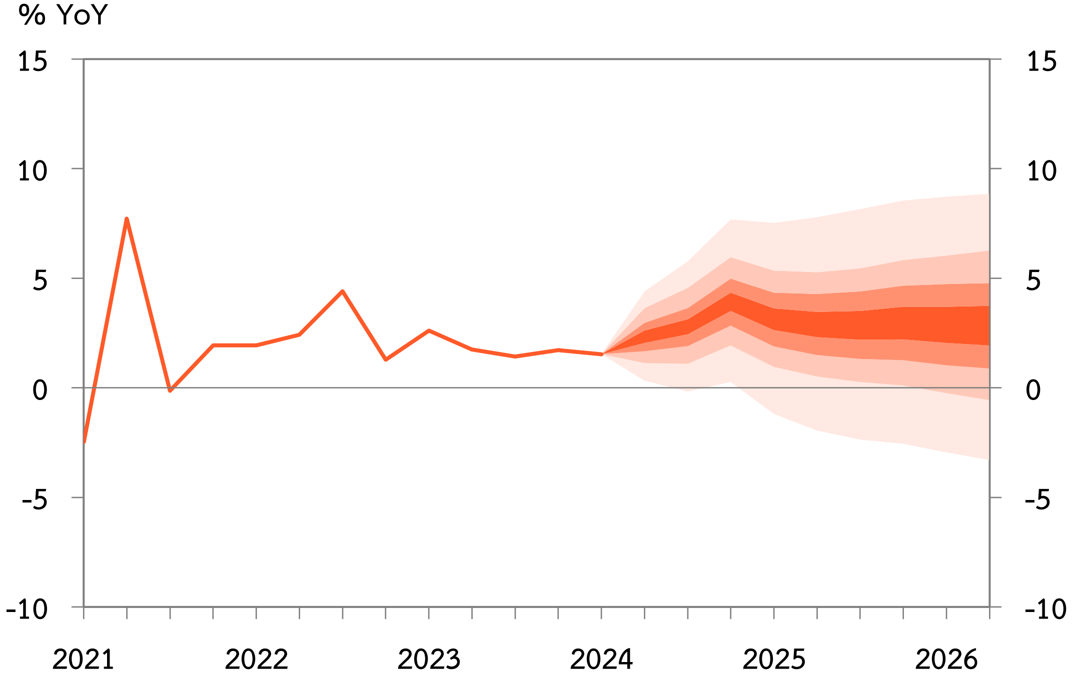
Note: * denotes outturns and ( ) denotes previous forecast in Monetary Policy Report Q1-2024

Summary of economic forecasts by component

Service exports	**Service exports would continue to recover in 2024 and 2025** on account of the gradual increase in foreign tourist arrivals and spending per head compared to the previous year. The number of foreign tourists is projected to be 35.5 million persons in 2024 and 39.5 million persons in 2025. Meanwhile, spending per head is revised up on account of changes in tourist spending pattern focusing more on quality tourism, which would result in higher spending on accommodation and tourism activities.
Merchandise exports	**Merchandise exports would grow at a gradual pace in 2024 and 2025.** The recovery in exports would improve from the latter half of the year onwards, especially exports of electronics such as telecommunication equipment and computer parts which would benefit from increased investment in Thailand. However, some export products are facing additional headwinds, such as automobiles with slowing global demand and solar cells affected by trade retaliation measures (anti-dumping and countervailing duty) from the US.
Private consumption	**Private consumption would continue to expand in 2024 and 2025** driven by spending of the high-income group with excess saving, resulting in spending on services maintaining strong growth momentum. Meanwhile, spending on durable goods would decline due to weakening purchasing power of the low-income group. It is expected that private consumption would slow down in 2025 after having accelerated earlier. At the same time, high household debt would continue to weigh on consumption among low-income households.
Private investment	**Private investment would continue to expand in 2024 and 2025.** The number of permitted construction areas in industrial parks has continued to increase from last year. This is in line with increases in the total value of BOI's approved investment projects in the prior period, especially for manufacturing of electrical appliances and electronics. Private investment would also benefit from the turnaround in public investment, which have accelerated since the FY2024 Fiscal Budget was approved despite some public-private partnership (PPP) projects being delayed such as the MRT Orange Line and the High-Speed Rail Linking 3 Airports.

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

GDP growth forecast



Upside risks

- The government implements more stimulus measures and has higher public expenditure than expected.

Downside risks

- Benefits from the global trade recovery is lower than expected due to structural headwinds.

Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024

Global trade is expected to see a stronger recovery in 2024 and help Thai exports growth turn positive. However, due to structural headwinds in Thailand, Thai exports would not benefit much from the pickup in global trade and would recover rather slowly[1/]. In addition, exports of automobiles and parts, which make up a significant share of Thai exports, have been slowing down since the latter half of 2023. **In this regard, analyzing the outlook for exports of automobiles and parts would be critical in assessing Thailand's exports recovery.**

Exports of automobiles and parts is an important category driving Thai exports growth. It makes up 16% of total merchandise exports value in 2023 and contributes more than 50% of merchandise exports growth in 2012-2018. It also played a part in offsetting the contraction in exports in 2023, contributing positive 1.1% growth to total exports, which contracted by 1.7% in aggregate. **However, for 2024, exports of automobiles and parts would contribute a 0.3% contraction to total exports, which is projected to grow 1.8% in aggregate.** By analyzing the outlook for exports of automobiles and parts in 2024, There are three factors holding back export growth for this category as following:

(1) The slowdown in global demand. This is in line with most analysts' view that global auto sales would grow by only 3% in 2024[2/], slowing down from 10% growth in 2023, especially in the ASEAN market, which is the primary export market for Thailand (ASEAN has 25% market share of Thailand's automobile exports). Automobile exports in the first four months of this year contracted 1.5% from the same period last year, with exports of trucks contracting as much as 4.9%, in line with declining exports to Malaysia and the Philippines. Meanwhile, passenger car exports growth has not turned negative yet, but has been declining especially exports to Vietnam **(Chart 1).** The contraction in exports of automobiles at the beginning of the year can be partly attributed to a high base in 2023 when the car production disrupted by global chips shortage started returning to normal, and many countries were implementing stimulus measures to boost auto sales, driving up demand in that period [3/].

Note:

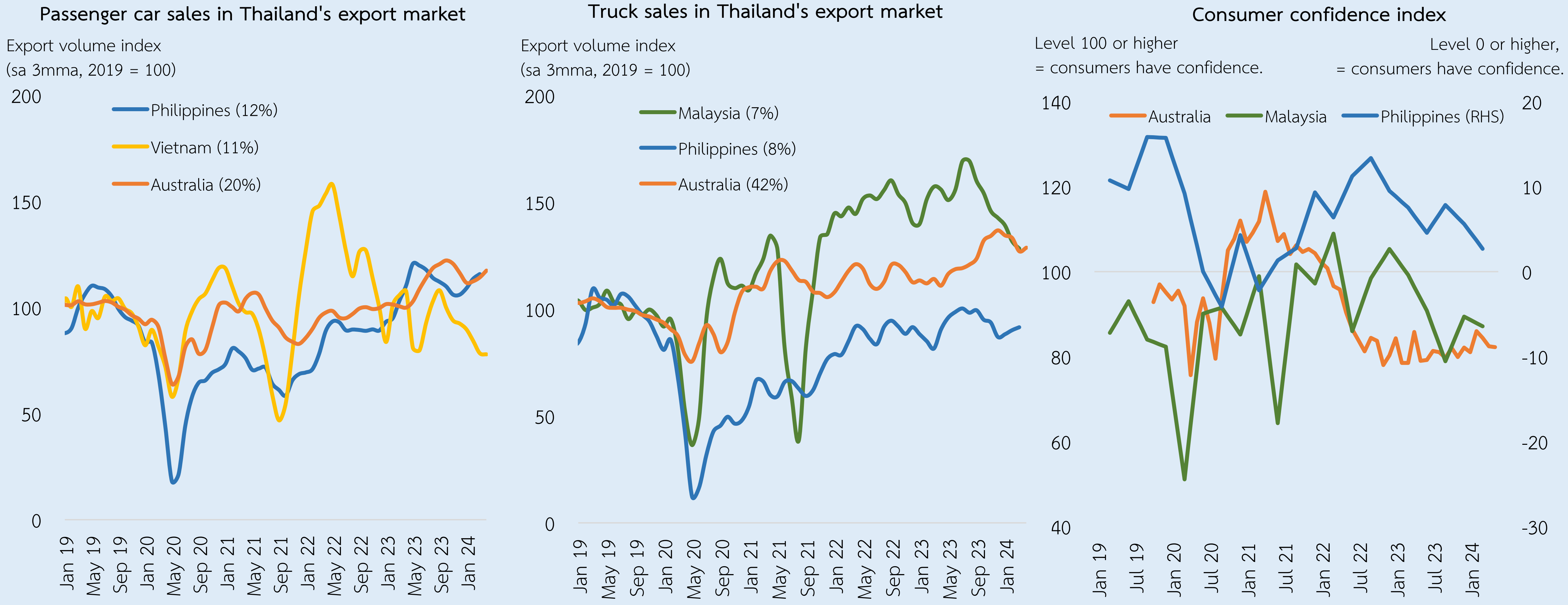
[1/] Additional reading: Box 2: Structural headwinds and risks to Thai exports outlook from the Monetary Policy Report Q1/2024

[2/] Auto sales projections compiled from analysis by (1) Goldman Sachs Research – Marquee (2) S&P Global Ratings (3) Marklines (4) Nomura (5) Moody's and (6) Allianz

[3/] Countries that implemented measures to boost auto sales in 2023 were Malaysia (reduced tax on auto sales and tax exemptions for new car registration) and Vietnam (reduced car registration fee)

Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024

Chart 1 Automobile sales and consumer confidence index In Thailand's main export markets



Note: ( ) denotes the proportion to the total value of Thailand's passenger car exports in 2023.

Source : Marklines, CEIC, BOT calculations

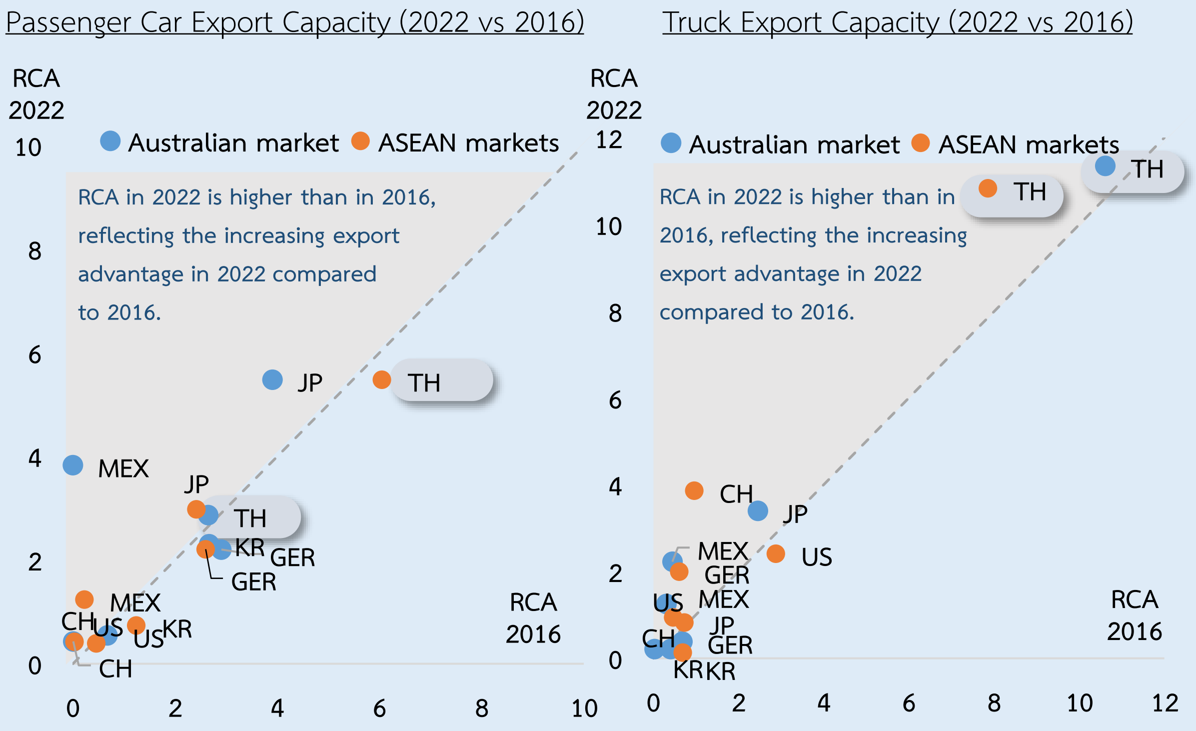
Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024

In addition, durable goods cycle of trading partners is currently in the down cycle, which might cause auto demand to slow down further and is a factor that must be closely monitored. This is in line with declining consumer confidence in many countries due to concerns about living costs, borrowing costs, and domestic economic conditions.

(2) Competition-related risks stemming from increased capabilities of competitors. At present, Thai exports of automobiles and parts could only compete in the trucks category, as reflected by the Revealed Comparative Advantage (RCA) that has a value greater than one and has increased throughout the past five years **(Chart 2),** and the fact that Thailand has always maintained the top market share among crucial export markets for trucks namely Australia, the Philippines, and Malaysia [4/]. There were no signs that Thailand is losing its market share to competitors like China. While Australia has recently imported more trucks from China, the overall share is still small compared to Thailand. Moreover, China's production of trucks is still close to the level for domestic consumption **(Chart 3).**

Chart 2 Competitiveness of Thailand's passenger car and truck exports

Comparison between 2016 and 2022



Note:

[4/] Thailand's market share of trucks imports by Australia, the Philippines, and Malaysia were 48%, 65%, and 48% of total trucks import value in 2023.

Note: RCA (Revealed Comparative Advantage) shows the competitiveness of a country's exports compared to world exports. If RCA > 1 means competitiveness.

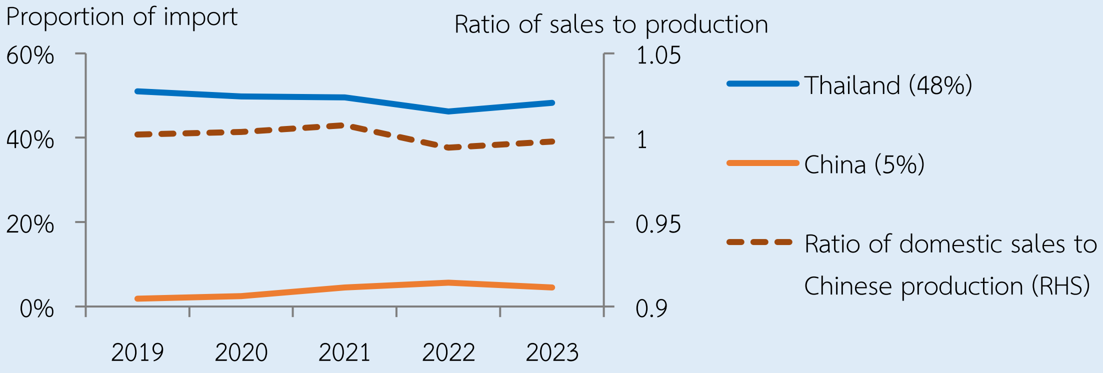
Source : UN Comtrade, BOT calculations

Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024

However, in the period ahead, Thailand might face more risks from the overcapacity in China's automobile industry. Capacity utilization of large producers in the Chinese automobile industry remains high at 80%[5/] and could possibly be higher than demand for automobiles in China. Additionally, China's lower production costs compared to other global producers could lead to more intense price competition, affecting Thailand's production and exports of automobiles going forward.

(3) Greenhouse gas emission reduction plans of various countries and the increasing market share of electric vehicles (EVs)[6/] have started to impact sales of passenger vehicles using internal combustion engines (ICE) in many countries since 2023, especially those countries where the market penetration rate of EVs grew fast such as China, the euro area, and Thailand. However, EVs' growth is expected to have a limited impact on Thailand's passenger vehicle exports because trading partners still have demand for cars using ICE and hybrid engines and a low market penetration rate for EVs. Demand for EVs depends on many factors such as environmental policies of trading partners, EVs prices, and maintenance costs. This aligns with the findings of a survey conducted among domestic consumers in Thailand's major export markets,

Chart 3: The proportion of Australian truck imports and the proportion of truck sales in China to production.



Note: ( ) denotes the proportion to Australia's total pickup truck imports in 2023.6
Source: Trade Map, BOT calculations.

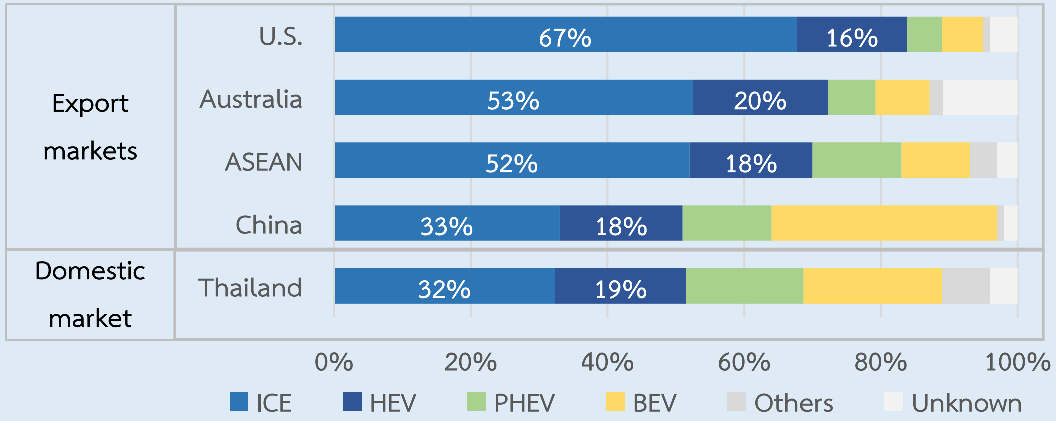
Note:
[5/] As of Q1/2024, large manufacturers make up 45% of China's capacity utilization. BYD and Tesla for instance are at 80% capacity utilization based on data from Just-Auto Rhodium and Globaldata.
[6/] EVs include Battery Electric Vehicles (BEV) and Plug-in Hybrid Electrical Vehicles (PHEV)

Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024

which revealed that over 70% of the demand for new vehicles in Asia and Australia is for ICE vehicles and hybrid electric vehicles (HEVs). **(Chart 4)** This is due to the lack of infrastructure such as charging stations.

Nevertheless, there are risks that need to be monitored in the period ahead. These include potential increased consumer demand for electric vehicles as infrastructure develops, as well as the growing intensity of greenhouse gas emission reduction measures in many countries. An example of the latter is Australia's New Vehicle Emission Standards (NVES), which are important challenges for Thai automobile exports.

Chart 4: Consumer preference in buying a new car in 2024



Source: Deloitte (Feb 2024)

Exports of automobile parts are projected to slow down with demand for automobile and automobile production in ASEAN markets, as well as EVs growth, which is expected to impact exports of automobile parts. Since the production of EVs require about 10 times less parts than ICE vehicles [7/] and thus there is a risk that automobile parts sales would contract in the period ahead, especially engines, electric generators, and car belts [8/] which account for 6% of Thailand's exports of automobile parts **(Chart 5).**

Meanwhile, exports of parts that are necessary for the production of both ICE vehicles and EVs such as tires, steering wheels, electronical parts, and chassis, which account for 32% of Thailand's automobile parts exports, still have demand from the US where economic growth remains strong and inventory levels are low. This demand from the US is expected to help support Thai exports of automobile parts this year to some extent.

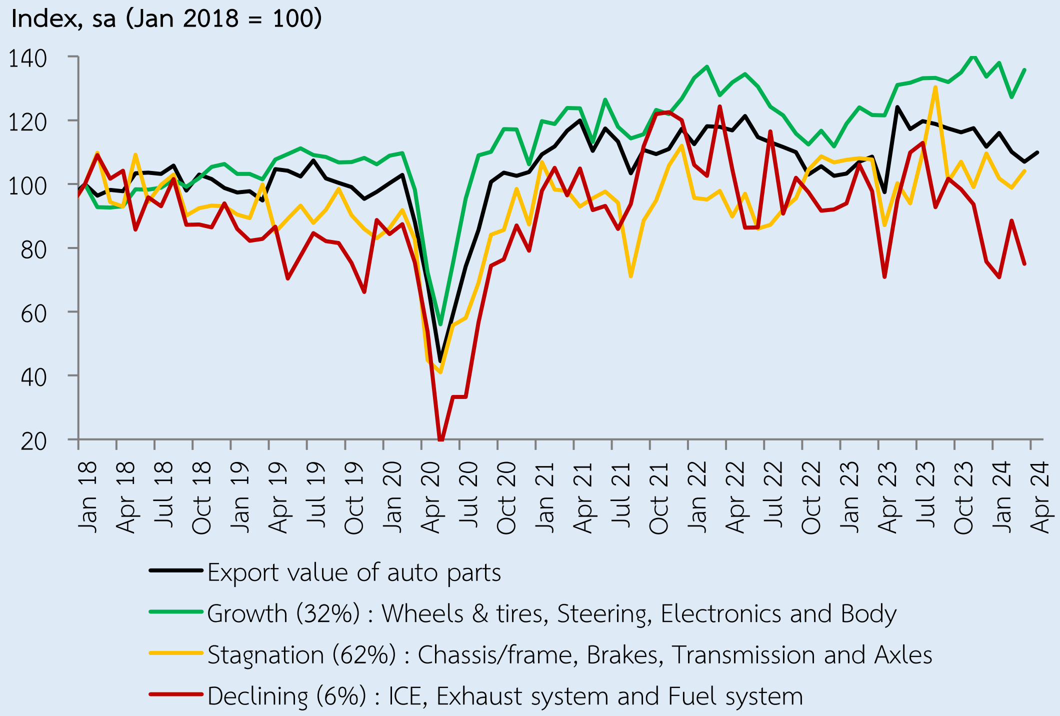
Note:

[7/] According to LH Bank Business Research (Sep 2022), Deloitte Automotive Supplier Study (2023) and ENNOVI (Sep 2023)

[8/] Deloitte Automotive Supplier Study (2023) assessed the outlook for automobile parts businesses distinguishing the impact in 3 groups based on expected sales volume in 2027 compared to 2002 namely (1) the "growing" group whose sales volume can still grow (sales in 2027 higher than sales in 2022) which includes tires, steering wheels, electrical parts and sensors, and chassis (including truck cargo roof); (2) the "stagnating" group (sales in 2027 close to sales in 2022) including chassis-related parts such as brake, gear, and shafts; and (3) the "declining" group (sales in 2027 lower than sales in 2022) including ICEs, electric generators, and car belts.

Box 2: Headwinds faced by Thai exports of automobiles and auto parts in 2024

Chart 5: Thailand's auto parts exports categorized into groups affected by EV transition

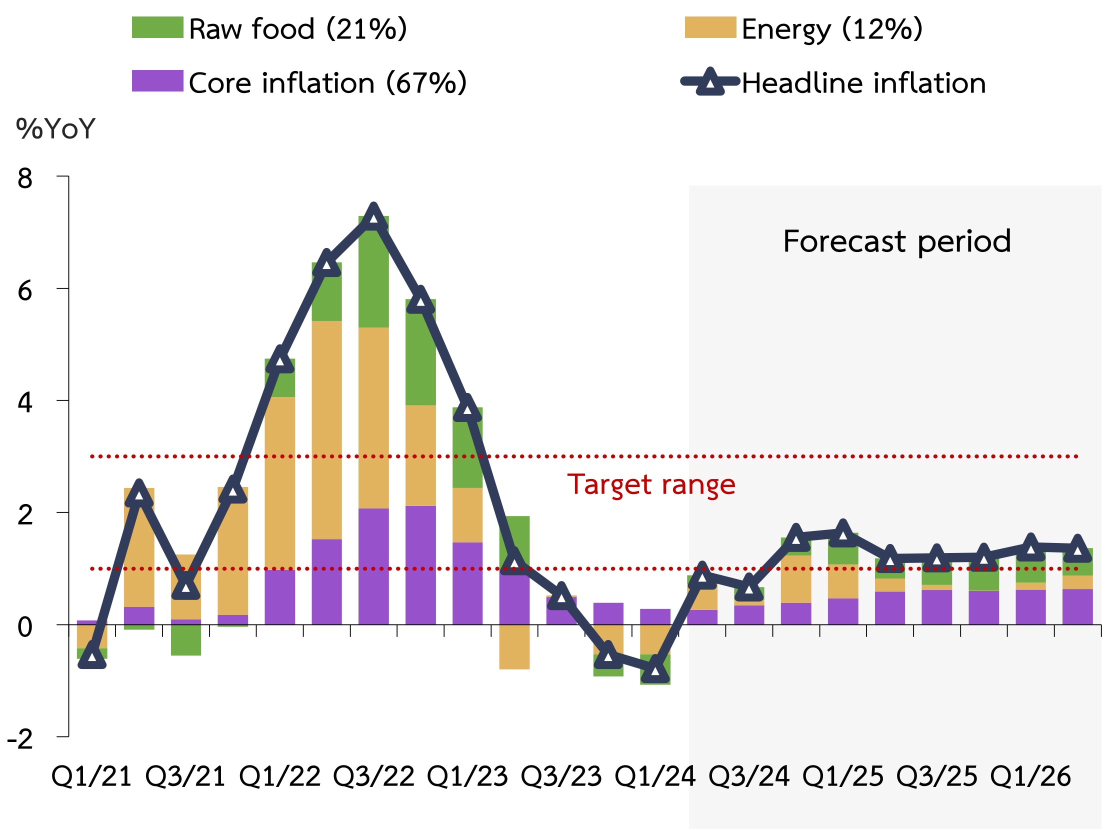


Note: ( ) denotes the proportion to the total value of Thailand's passenger car exports in 2023 and the evaluation of the impact of the EV transition on the auto parts industry.
Source : Thai Customs, BOT calculations

In summary, the recovery of Thai exports remains slow overall due to structural factors and was exacerbated by a contraction in exports of automobiles and parts. In 2024, automobile exports were affected by slowing external demand, especially from ASEAN markets, risks from manufacturing overcapacity in China, which would impact Thailand's competitiveness, and the growing market share of EVs. Looking ahead, Thai exports would be facing myriads of challenges that would require adjustments on part of the Thai automobile industries and actions to integrate local manufacturing into the supply chain of EVs going forward.

Headline and core inflation forecasts are largely unchanged.

Contribution to headline inflation



Note: ( ) denotes weight in CPI basket

Source: Ministry of Commerce, BOT calculation and forecast as of 12 Jun 2024

Inflation forecast

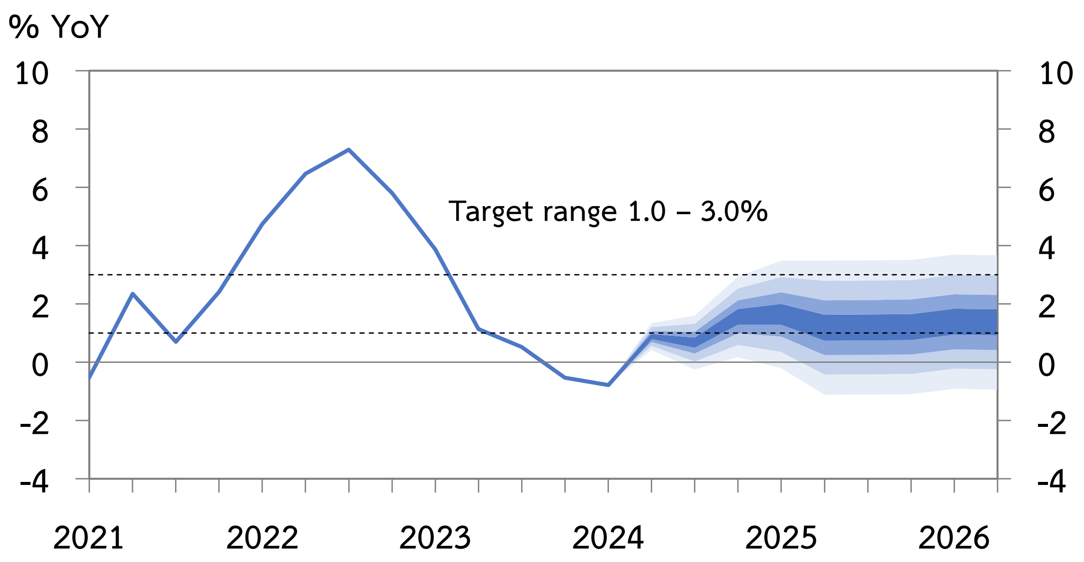
%YoY	2023*	2024	2025
Headline inflation	1.2	0.6 (0.6)	1.3 (1.3)
Core inflation	1.3	0.5 (0.6)	0.9 (0.9)

Note: * denotes outturn and ( ) indicates previous forecast in the Monetary Policy Report Q1-2024

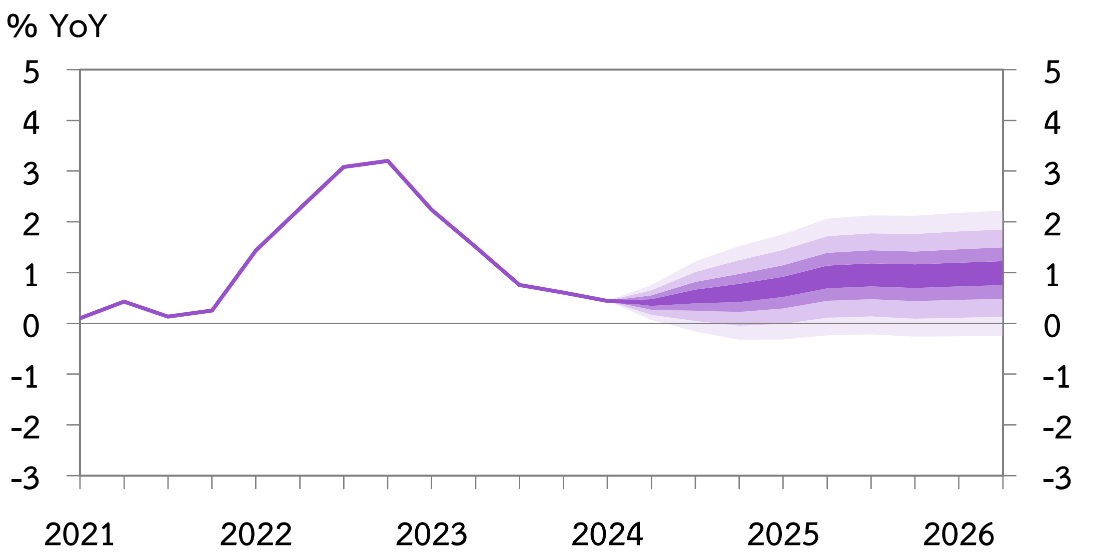
- Headline inflation forecast is largely unchanged from the previous assessment. **Energy prices** projection is revised up on the account of higher diesel prices domestically as the effects from the diesel price subsidy started to phase out and there is a faster-than-expected increase in diesel price ceiling. Meanwhile, benzene fuel prices would decline in tandem with global crude oil prices. **Raw food prices** projection is revised down due to lower pork prices due to increased supply.
- Core inflation forecast is revised down slightly mainly from declining prices of food in core.

Risks to the inflation outlook is balanced throughout the forecast period

Headline inflation forecast



Core inflation forecast



Upside risks

- Geopolitical tensions

Downside risks

- Larger-than-expected government energy price subsidies

Summary of key forecast assumptions

Annual percentage change	2023*	2024	2025
Trading partners' growth (%YoY)[1/]	2.8	2.7 (2.6)	2.7 (2.7)
Fed funds rate (% at year-end)	5.25 - 5.50	4.75 – 5.00 (4.75 – 5.00)	3.75 – 4.00 (3.75 – 4.00)
Regional currencies (excl. China) vis-à-vis the U.S. dollar (index)[2/]	166.2	168.9 (167.1)	164.8 (163.4)
Dubai crude oil prices (U.S. dollar per barrel)	82.1	84.0 (85.0)	80.0 (80.0)
Farm income (%YoY)	-1.4	3.0 (0.8)	-1.6 (-0.3)
Government consumption at current price (billion baht)	2,983	3,053 (3,053)	3,171 (3,171)
Public investment at current price (billion baht)	1,011	1,055 (1,030)	1,098 (1,098)

Note: [1/] Weighted by each trading partner's share in Thailand's total exports

[2/] Increasing index represents depreciation, decreasing index represents appreciation

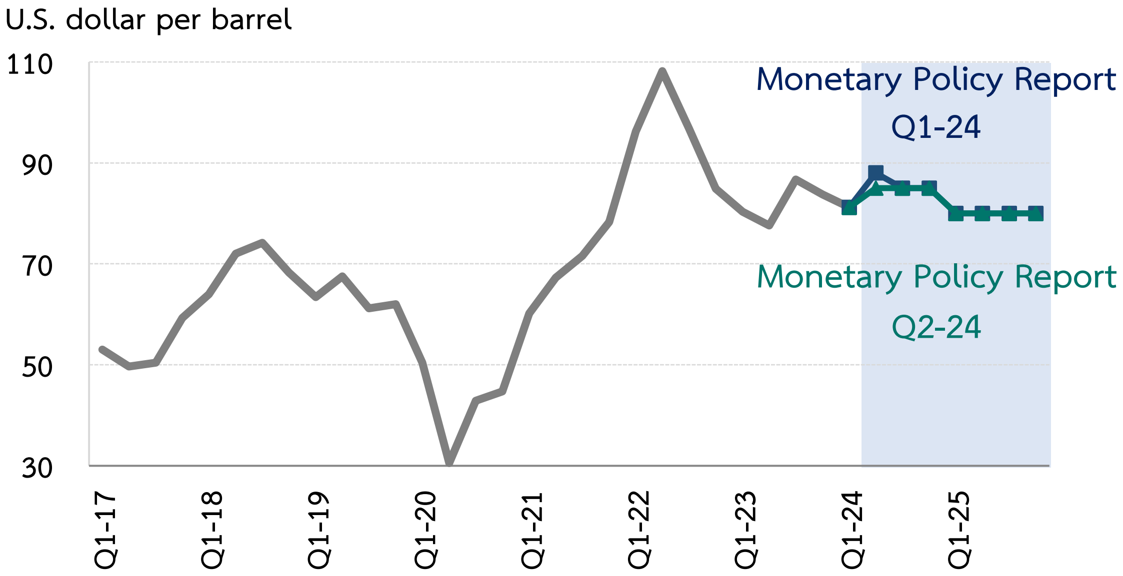
* Outturns

( ) Previous forecast in the Monetary Policy Report Q1-2024, excluding digital wallet scheme

- **Trading partners' growth** for 2024 would continue to expand. The US economy would grow on the back of consumption in services and manufacturing. The euro area economies would be driven mainly by consumption in services. Meanwhile, the outlook for China and Asian economies has improved on account of better-than-expected outturns. For 2025, trading partners' economies would continue to expand, with the US and China expected to grow at a level close potential output.
- **The federal funds rate** assumption is unchanged from the previous assessment, which expected that the Fed would cut the federal funds rate in the latter half of the year.
- **Regional currencies (excluding the Chinese yuan)** would depreciate over the short-term due to the US dollar's appreciation following strong economic growth. However, regional currencies would appreciate once major central banks gradually cut their policy rates.
- **Dubai crude oil prices** assumption for 2024 is revised down due to supply concerns being resolved after conflicts in the Middle East have eased.
- **Farm income (excluding government measures)** growth for 2024 is revised up on account of both higher prices and higher crop outputs. Prices of rubber and durian have increased. Meanwhile, the contraction in crop output has narrowed with pork, rice, and sugar canes outputs turning out to be higher than expected. For 2025, farm income would see a larger contraction due to a high base effect of crop output in 2024, coupled with rubber output being impacted by the rubber leaf fall disease.
- **Public spending at current prices** in 2024 and 2025 would be higher than last year according to the fiscal framework and medium-term fiscal framework (FY2024-2027). Public spending in 2024 would be higher than expected due to investment spending by state-owned enterprises in the utilities and transportation sectors during the first quarter. Public spending in 2025 is largely unchanged from the previous assessment.

Dubai crude oil prices assumption for 2024 is revised down on account of lower-than-expected price outturns as Middle East tensions gradually ease. Meanwhile, it is unchanged for 2025 on account of increasing crude oil predictions from non-OPEC countries.

Projected Dubai crude oil prices



Projected Dubai crude oil prices

U.S. dollar per barrel	2023*	2024	2025
Dubai crude oil prices (annual average)	82.1	84 (85)	80 (80)

Note: * Outturns

( ) Previous forecast in the Monetary Policy Report Q1-2024

Source: BOT forecast

Dubai crude oil prices assumption for 2024 is revised down slightly from 85 to 84 U.S. dollars per barrel.

- Q2 price assumption is revised down on account of lower-than-expected price outturns as the market became less concerned about conflicts in the Middle East, which gradually eased and have not impacted oil production infrastructures.

Dubai crude oil prices assumption for 2025 is unchanged. Prices are expected to be lower than current levels due to increasing crude oil production from non-OPEC countries, especially the US, Canada, and Guyana.

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

- Upside risks: **Geopolitical tensions**, such as the Russia-Ukraine conflict, the Israel-Hamas conflict, the Israel-Iran conflict, and the Red Sea crisis, could escalate and spread more widely than expected. **Production cuts by OPEC+ countries** could last longer or be steeper than expected.
- Downside risks: Slower-than-expected global economic recovery.

Financial conditions were stable overall, but there remains the need to monitor financial conditions of some low-income households and SMEs

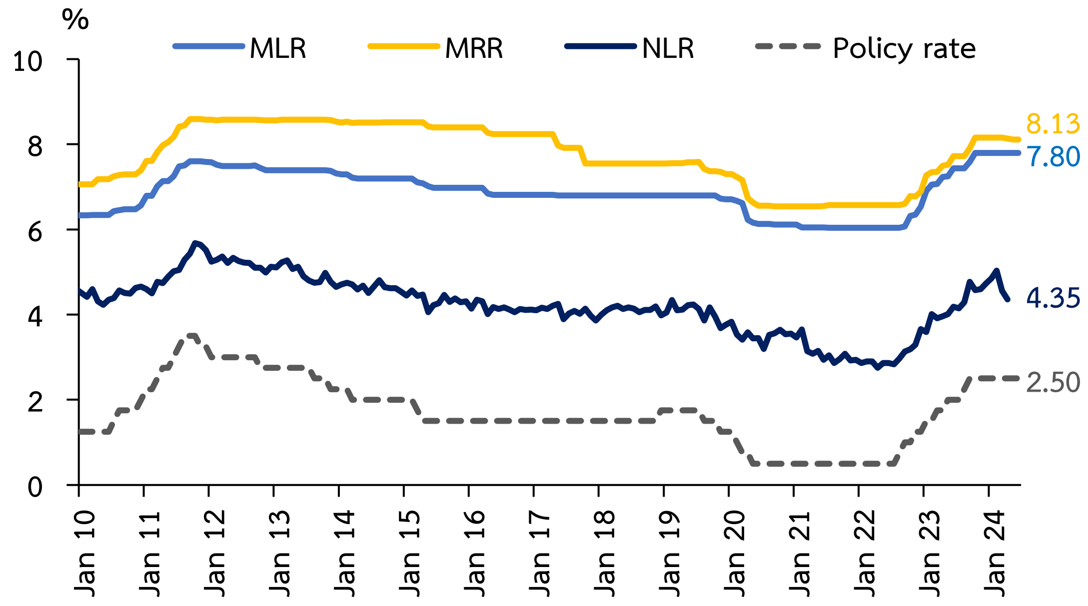
Private sector financing costs via commercial banks and the bond market were largely unchanged. Business loans expanded overall, especially for large corporates. Meanwhile, household credit grew at a more moderate pace.

Credit quality deteriorated as previously anticipated. Credit quality of some low-income households and SMEs must be monitored.

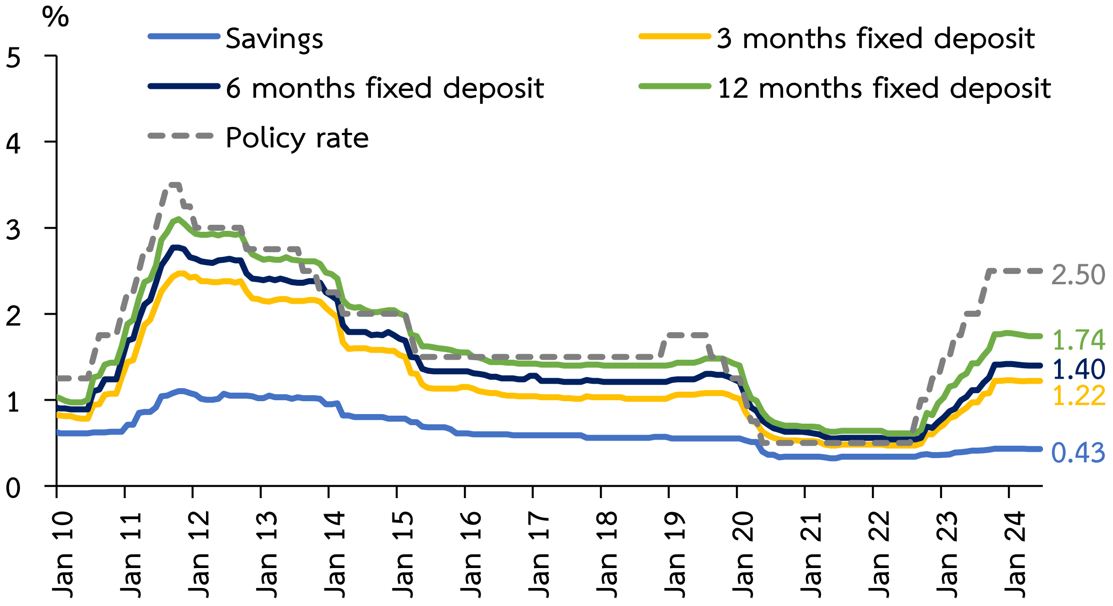
The baht depreciated, influenced by the Fed's monetary policy outlook and recent domestic developments.

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 11 Jun 2024)

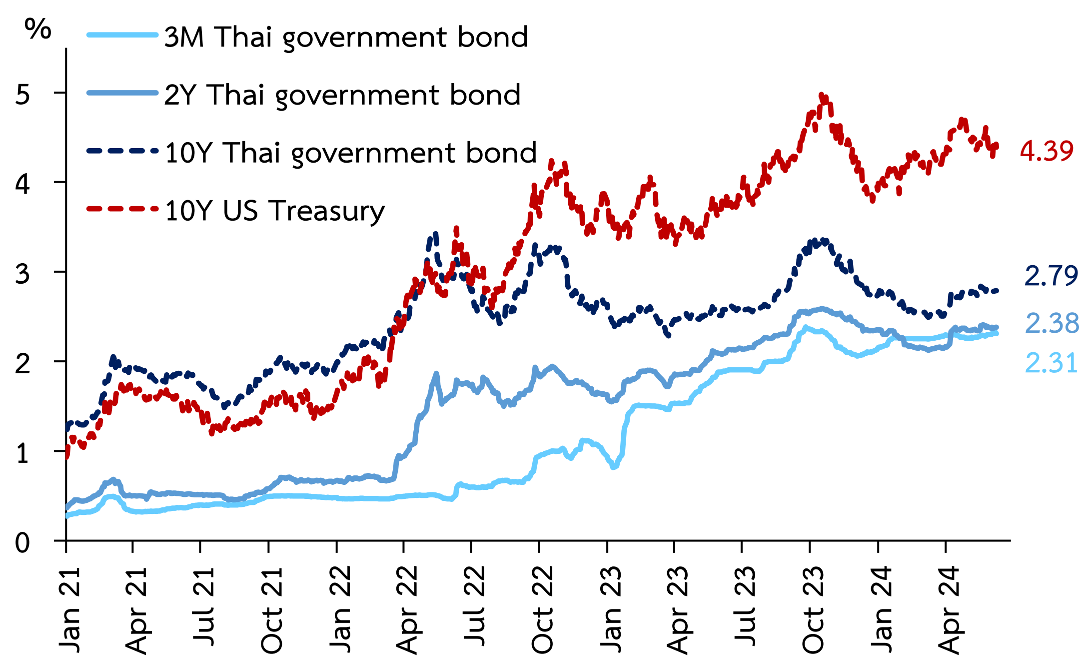
(2) NLR = new loan rate (data as of April 2024)

Source: BOT

Commercial banks' lending and deposit rates remain stable overall, in line with the policy rate. The minimum loan rate (MLR) was stable at 7.80%, while the minimum retail rate (MRR) fell slightly from 8.15% to 8.13% following the reduction of loan interest rates by 0.25 percent to help the specific vulnerable retail and SMEs borrowers for 6 months, according to the resolution of the Thai Bankers Association on 24 April 2024. Saving deposit rates and 3-months, 6-months, and 12-months fixed deposit rates were stable at 0.43%, 1.22%, 1.40%, and 1.74%, respectively. **The new loan rate (NLR) at end-April 2024 declined slightly from the previous quarter** due to specific factors faced by borrowers with credit limits exceeding 500 million baht in the manufacturing sector.

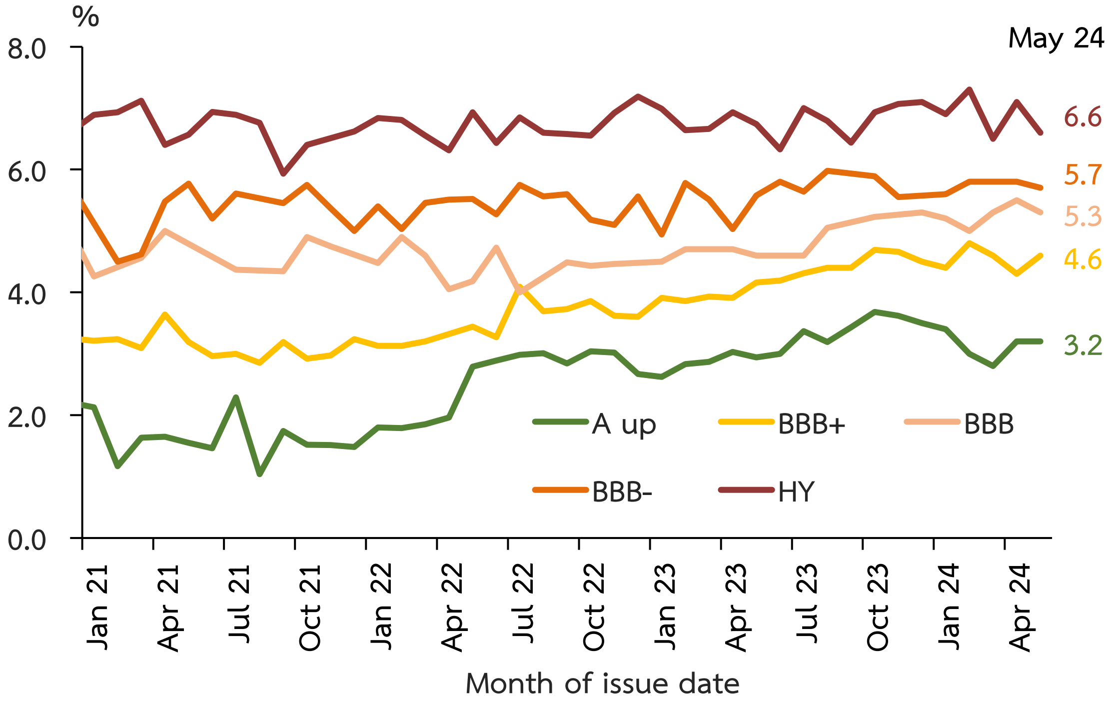
Financing costs in the corporate bond market were stable overall compared to the previous quarter.

Thai government bond and US Treasury yields



Source: Thai BMA (data as of 11 Jun 2024)

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

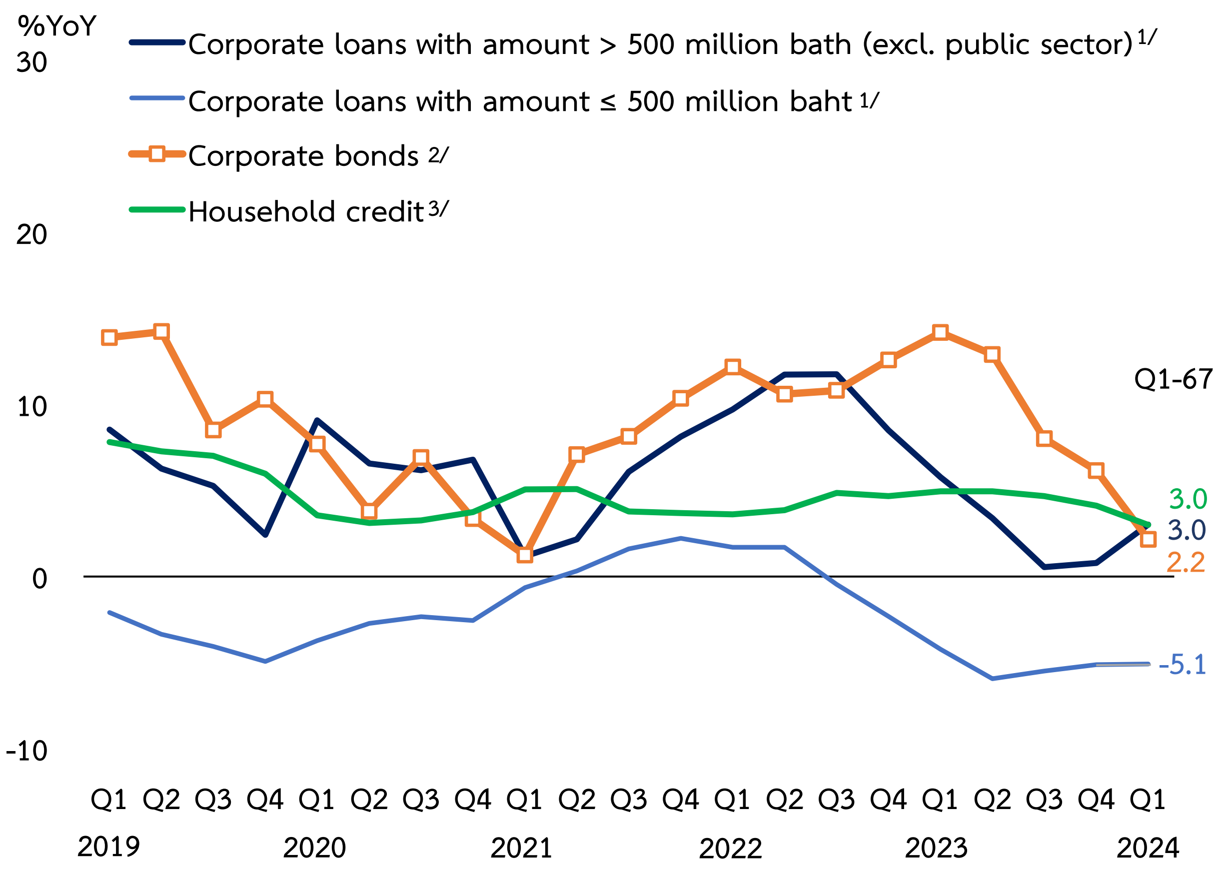


Note: * Weighted coupon in primary market

3-months government bond yields were stable overall in line with the policy rate in Thailand. **Yields on government bonds with maturities of 2 years and longer** increased somewhat due to shifts in expectations about monetary policy in Thailand as the market expects the MPC to cut rates more slowly and domestic factors, namely the government's bond issuance plans for the period ahead. Meanwhile, **corporate bond yields were stable overall,** with some intra-month movements due to specific factors of some corporate bond 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 grew slightly in the first quarter.

Private credit



Note: [1/] Credit line at each commercial bank as of Mar 2024

[2/] The data have been improved; more details: Improving and developing bank lending and corporate bond statistics (Jun 2023)

[3/] Household credit cover credit line at commercial banks, specialized financial institutions (SFIs), commercial banks subsidiaries, and non-banks under BOT's supervision which account for 60% of household debt (different from Banking Sector Quarterly Brief which reports commercial banks' retail loans, accounted for 33.5% of household debt)

In Q1-2024, large corporate loans (credit limit > 500 million baht) expanded from the previous quarter, mainly driven by loans extended to restaurants, petrochemicals, and chemical businesses.

SME loans (credit limit ≤ 500 million baht) contracted from the same period of last year partly because the income of certain groups of SMEs has not fully recovered yet. Nonetheless, there were still new loans being extended to SMEs across many sectors such as commerce, industrial, and real estate.

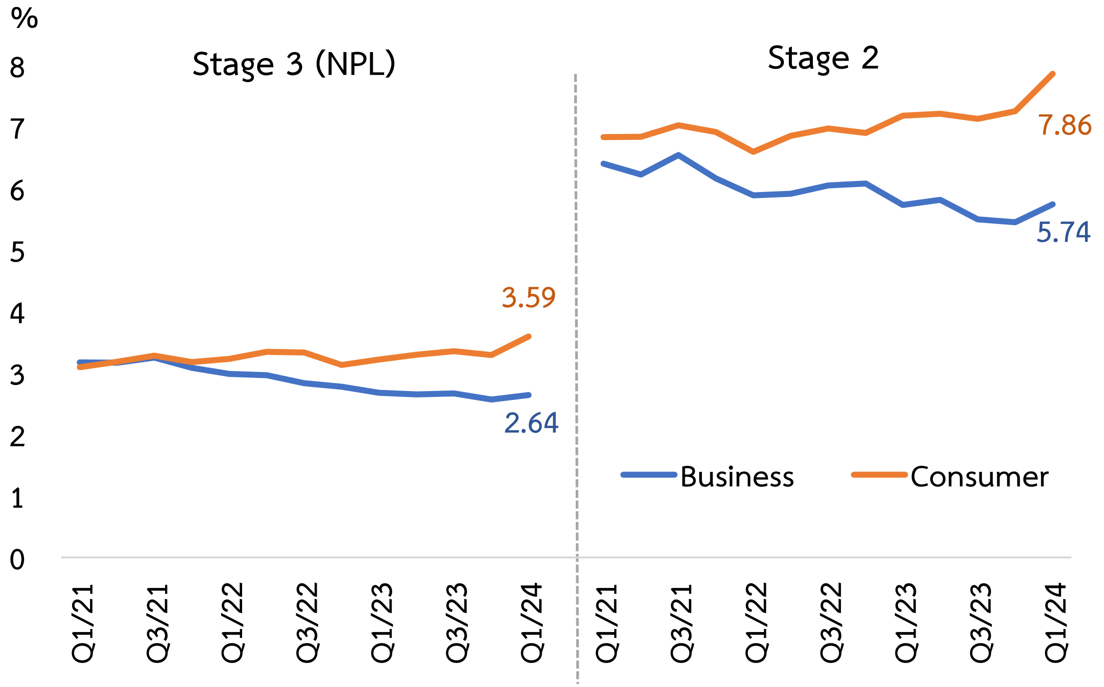
Overall household credit growth slowed down from the previous quarter across almost all loan types. Personal loans grew in line with increased demand for liquidity among households. Credit card loans slowed down from the previous quarter, which was a high-s[pending season at the end of the year. However, hire purchase loans saw contractions due to decreased demand as well as more cautious lending on part of the commercial banks given deterioration in credit quality.

For Q2-2024[1/], loan demand would likely to pick up in line with the economic recovery. Businesses would continue to need credit for working capital and refinancing purposes. Household credit would increase in the credit card loan and personal loan categories for liquidity and consumption spending. Meanwhile, demand for hire purchase and mortgage loans might not recover yet due to deteriorated credit quality as well as lower loan demand.

Note: [1/] Report on Credit Conditions for Q1-2024 and outlook for Q2-2024

Credit quality deteriorated but remains at manageable levels and is unlikely to increase sharply (NPL cliff)

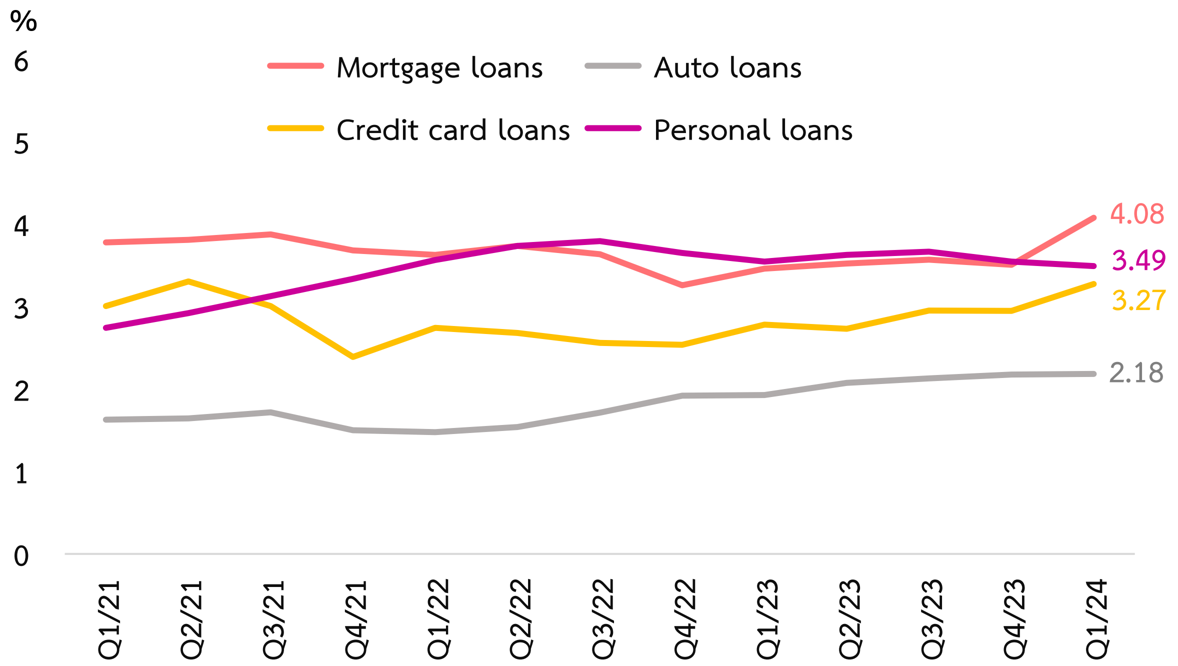
Credit quality by portfolio



Note: Business loans: consist of all commercial banks; Consumer loans: consist of all commercial banks, specialized financial institutions (SFIs), commercial banks subsidiaries, and non-banks under BOT's supervision (different from Banking Sector Quarterly Brief)

Source: BOT

Stage 3 (NPL) of consumer loans by portfolio



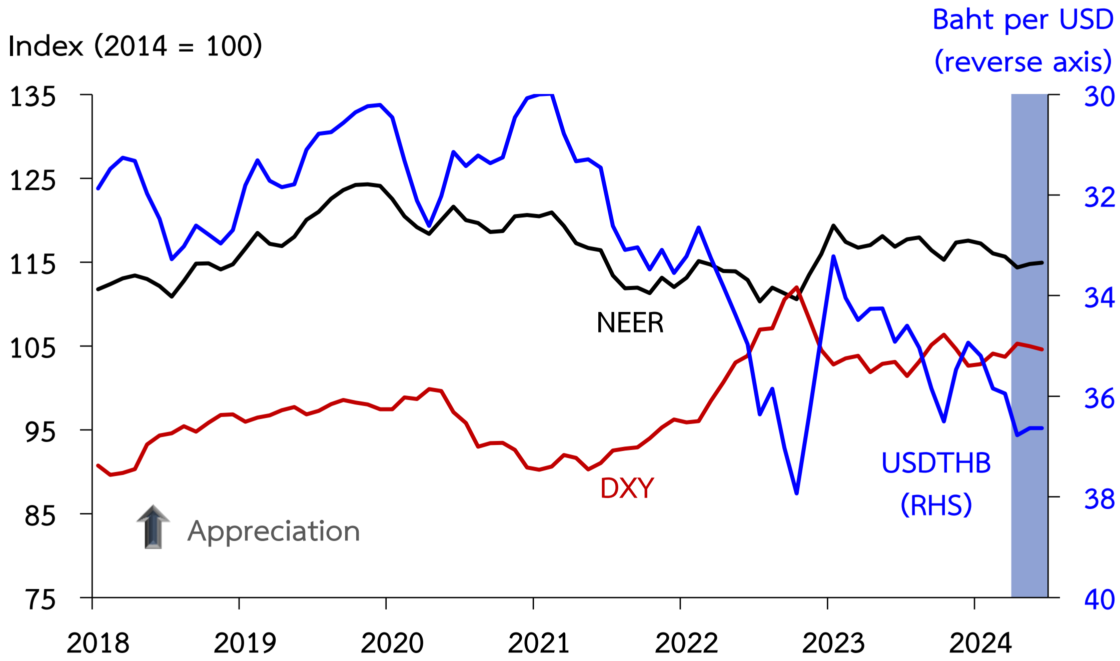
Note: data consists of all commercial banks, specialized financial institutions (SFIs), commercial banks subsidiaries, and non-banks under BOT's supervision (different from Banking Sector Quarterly Brief)

Source: BOT

Overall debt serviceability has slightly worsened, as reflected in a rise in non-performing loans (NPL or stage 3 debt) in Q1-2024, especially among mortgage loans. Meanwhile, commercial banks continue to manage the credit quality in their lending portfolio and offer assistance to debtors. Loans with a significant increase in credit risk (SICR or stage 2 debt) increased, part of which were debtors who were still able to make repayments in accordance with the terms but had their credit quality re-classified.

The baht on average depreciated from the previous quarter in line with the Fed's monetary policy as well as domestic factors in the recent period.

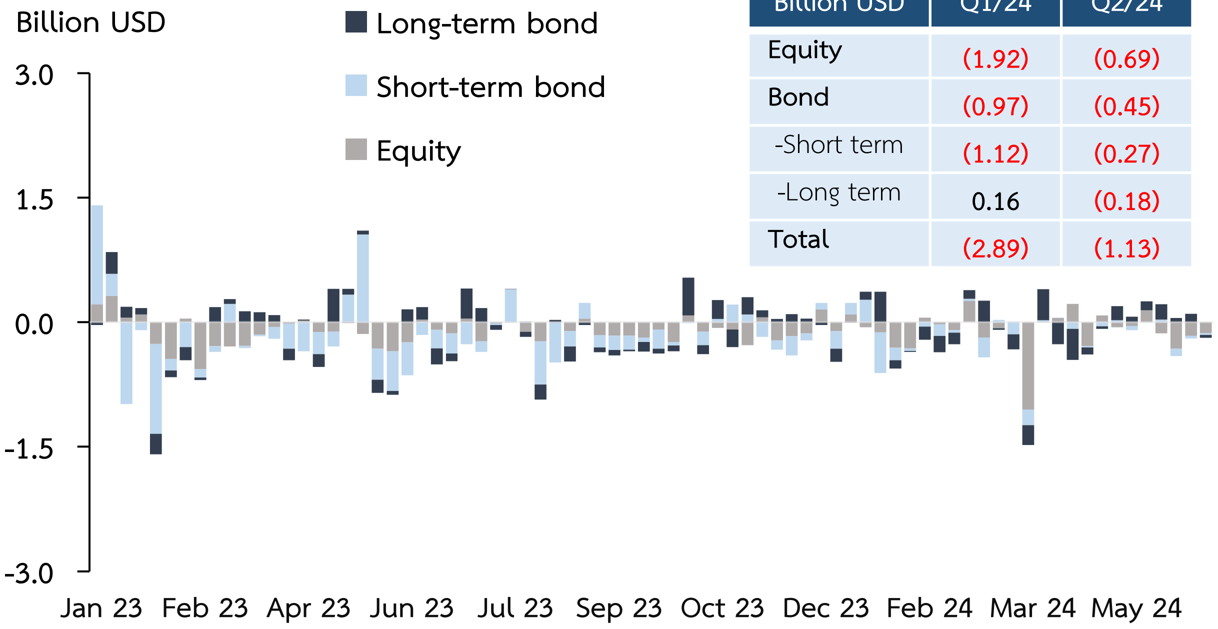
Baht per U.S. dollar (USDTHB) and exchange rate indices



Note: Monthly average (as of 11 Jun 2024)

Source: BOT and Bloomberg

Capital flows into Thai securities



Billion USD	Q1/24	Q2/24
Equity	(1.92)	(0.69)
Bond	(0.97)	(0.45)
-Short term	(1.12)	(0.27)
-Long term	0.16	(0.18)
Total	(2.89)	(1.13)

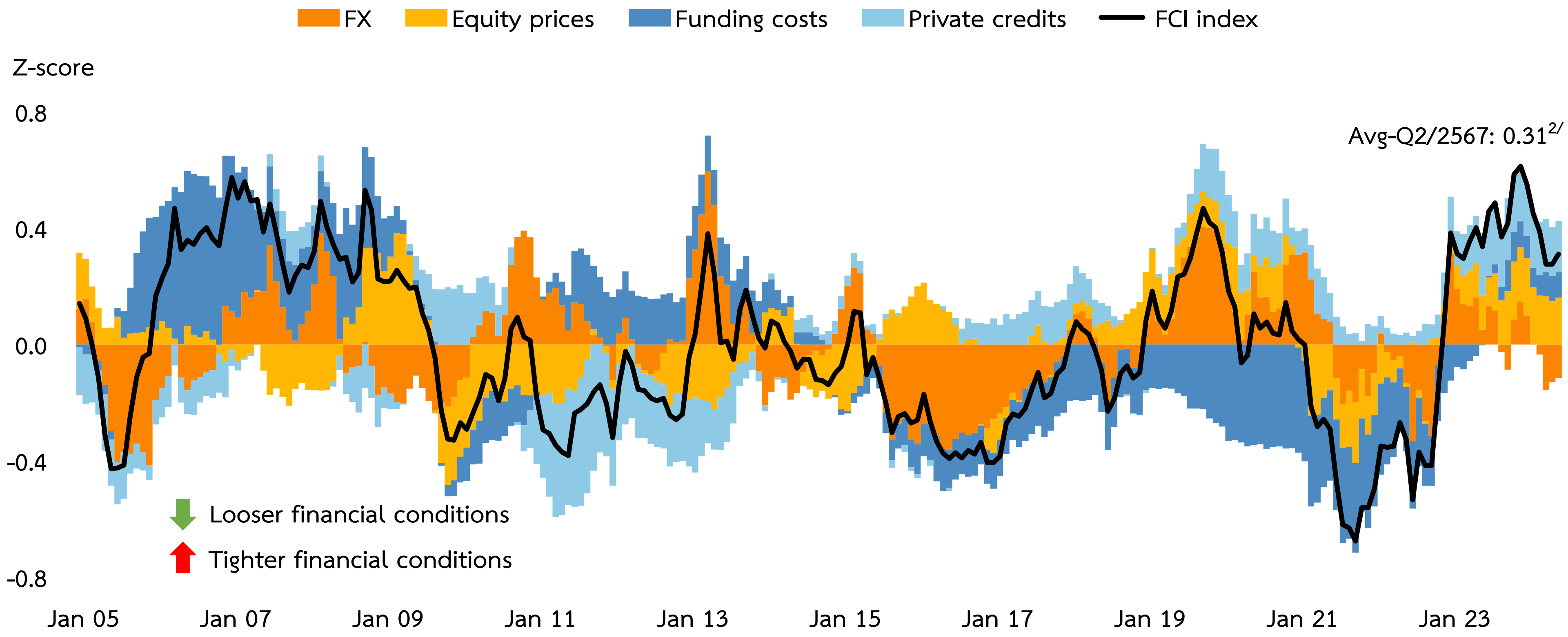
Note: Weekly data, cumulative from the first trading day (as of 11 Jun 2024)

Source: ThaiBMA and Bloomberg

In Q2-2024, the baht averaged 36.63 per U.S. dollar, depreciating from the previous quarter. In April, the baht depreciated sharply mainly due to global factors after market expectations that the Fed would maintain the policy rate higher-for-longer this year coupled with volatile gold prices. **However, the baht appreciated somewhat recently** following improved global risk sentiment and the US economic and inflation numbers came out lower than expected, which led investors to expect that the Fed would cut the policy rate sooner, albeit towards the end of the year. On capital flows, Thailand saw net capital outflow in Q2-2024 (data up to 11 June 2024) from both bonds and stocks, partly due to uncertainties about government policies. **The nominal effective exchange rate (NEER) averaged 117.40, depreciating slightly from the previous quarter** due to the baht having depreciated more relative to trading partners' and competitors' currencies.

Overall financing conditions were less tight compared to the previous quarter.

Financial Conditions Index: FCI[1/]



Overall financial conditions in Q2-2024 were less tight compared to the previous quarter: (1) exchange rate indicators suggest an easing of financial conditions as reflected by the baht's depreciation; (2) private credit indicators suggest that financial conditions were less tight as reflected by continued loan growth for large corporates; (3) funding costs indicators, though, suggest a slight tightening in financial conditions as reflected by increases in government bond yields.

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 11 Jun 2024

Source: BOT calculations

Monetary Policy Decision: Summary of Key Considerations

Economic growth

The Thai economy is projected to grow on the back of domestic demand and tourism, while exports growth would expand at a subdued level

Inflation

Inflation would gradually increase and return to the target range in Q4-2024.

Financial stability

Private sector financing costs were largely unchanged. Business loans grew overall, while household credit slowed down. Financial conditions for some low-income households and SMEs must be monitored.

Monetary Policy Decision

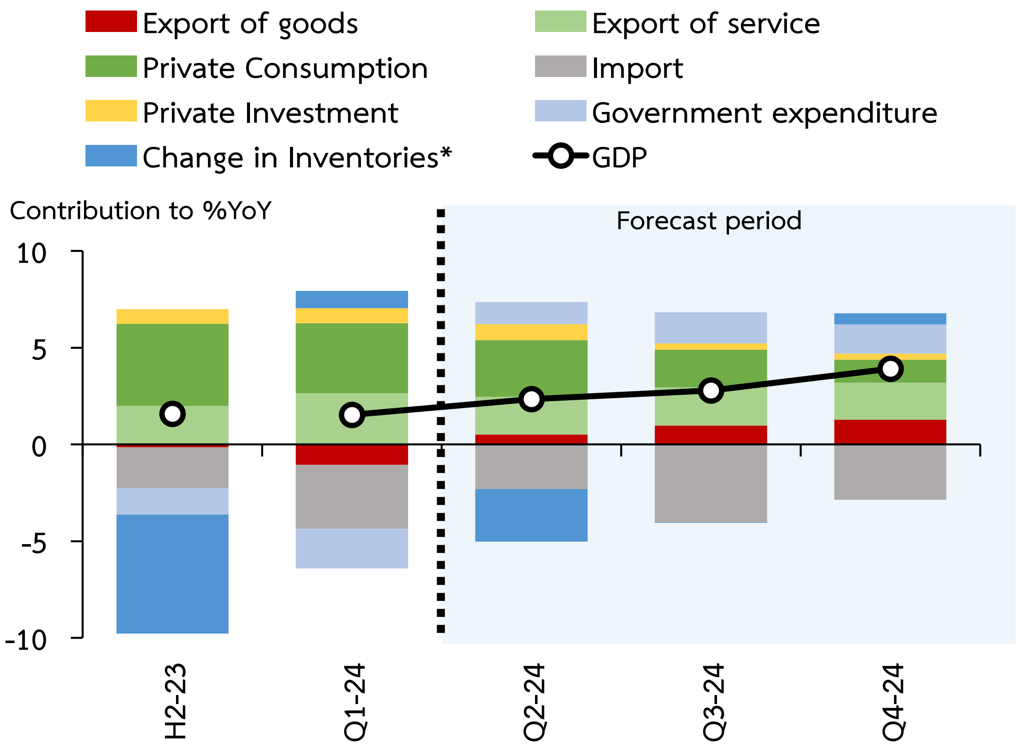
The current policy rate is consistent with sustaining economic growth and is conducive to safeguarding macro-financial stability.

The Thai economy would continue to expand but the recovery of exports and manufacturing sectors must be monitored going forward.

Thailand's economic growth would be driven by domestic demand, the tourism sector, and an acceleration in government disbursements starting in the second quarter.

Exports growth would expand at a subdued level as automobile and solar cell exports face additional risks.

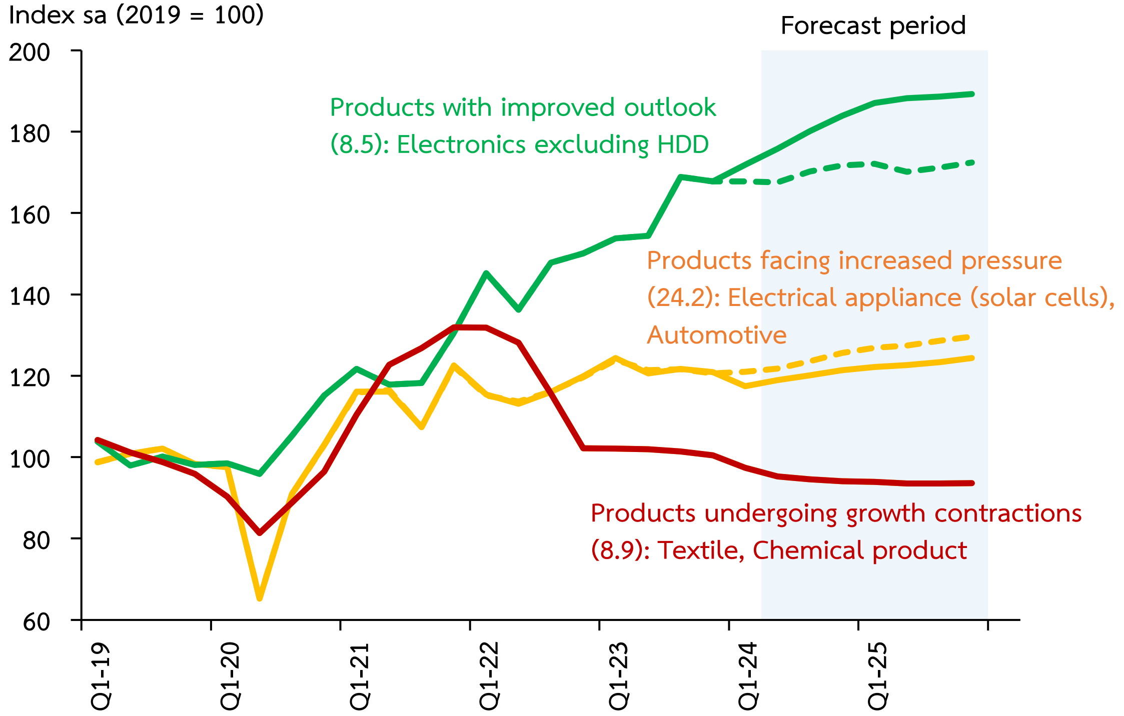
GDP growth forecast by component



Note: * includes statistical discrepancy or CVM additive error

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

Value of merchandise exports by product category

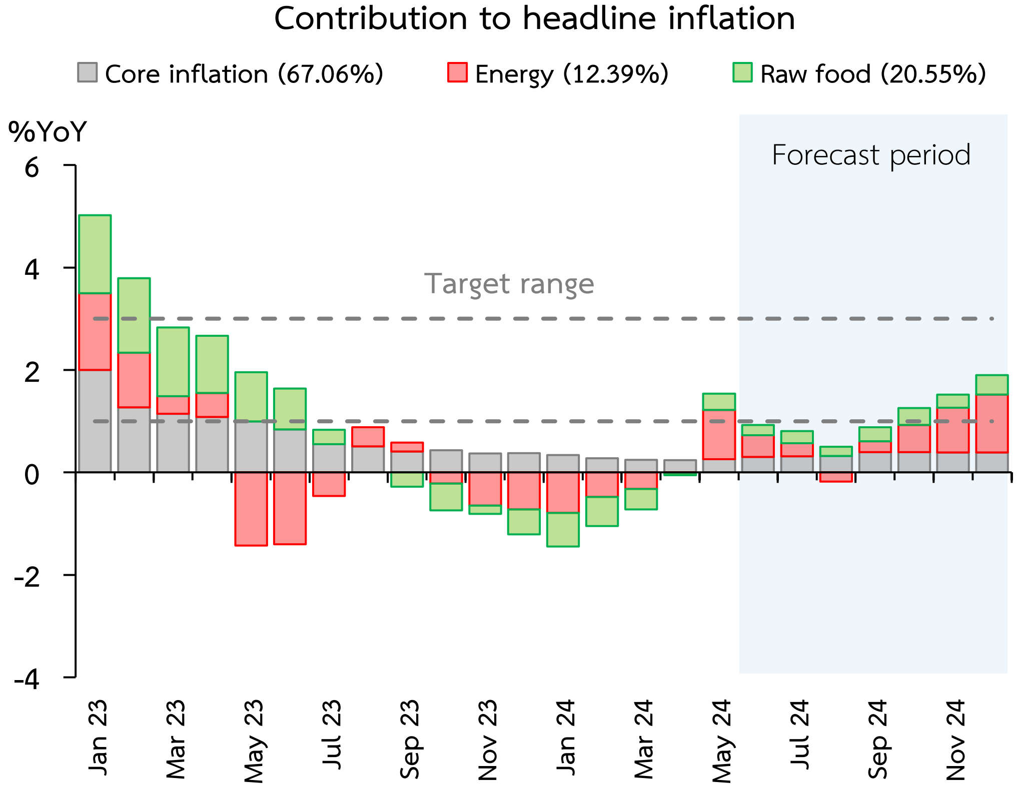


Note: ( ) % share of total merchandise exports in 2023

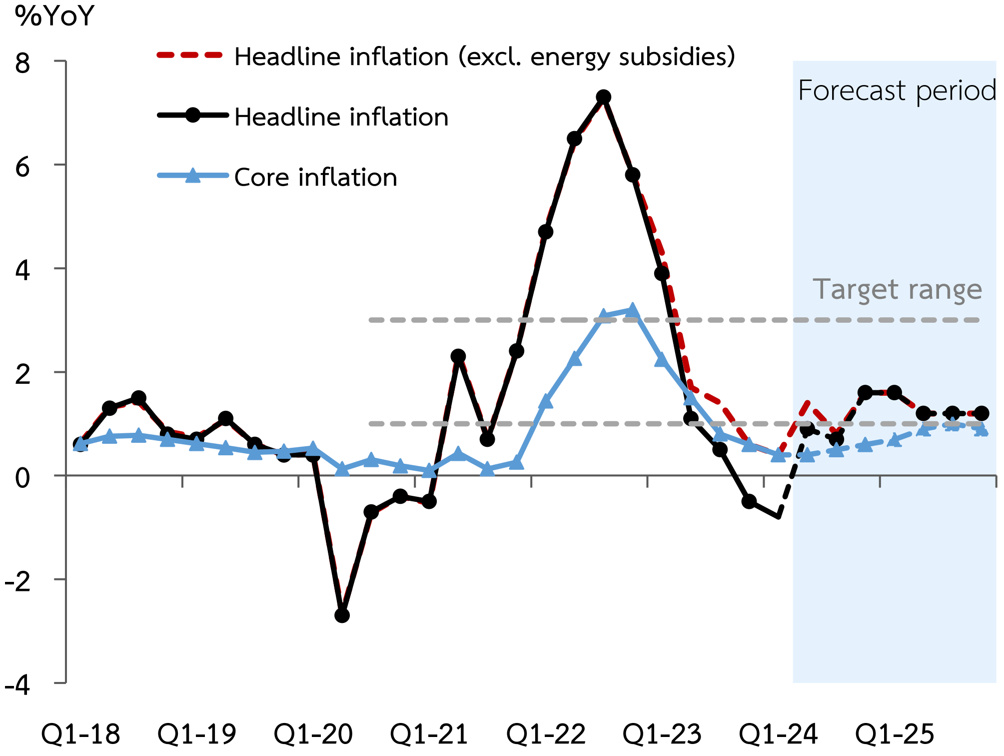
Source: Thai Customs, BOT forecast

Headline inflation is expected to increase in line with the domestic energy prices and would increase towards the target range in Q4-2024.

Headline inflation is expected to be below the target range in Q3-2024 due to the low base effect.



Headline inflation, excluding energy subsidies, has remained positive.

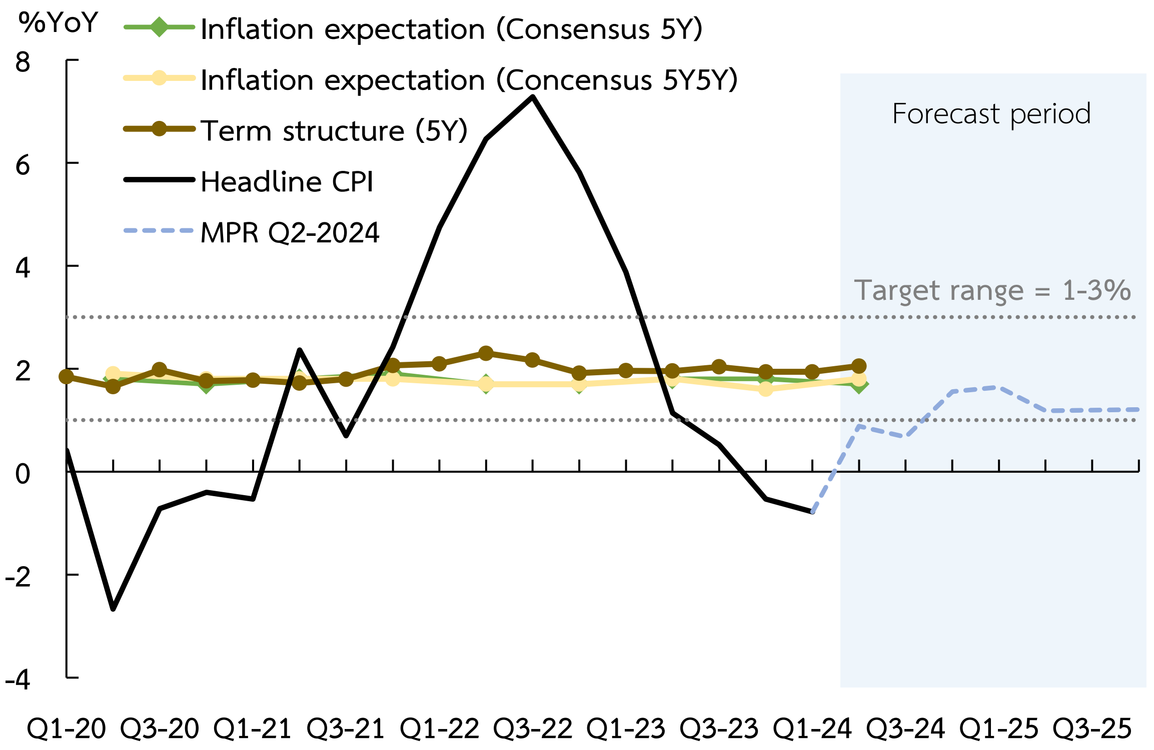


Note: ( ) denotes CPI weights for baseline year 2019

Source: Ministry of Commerce, BOT calculation and forecast

A credible inflation target range can anchor the public’s inflation expectations in an effective manner.

Inflation expectation and target range



Note: Term structure forecast is calculated using the affine term structure model using yield curve and macroeconomic factors.

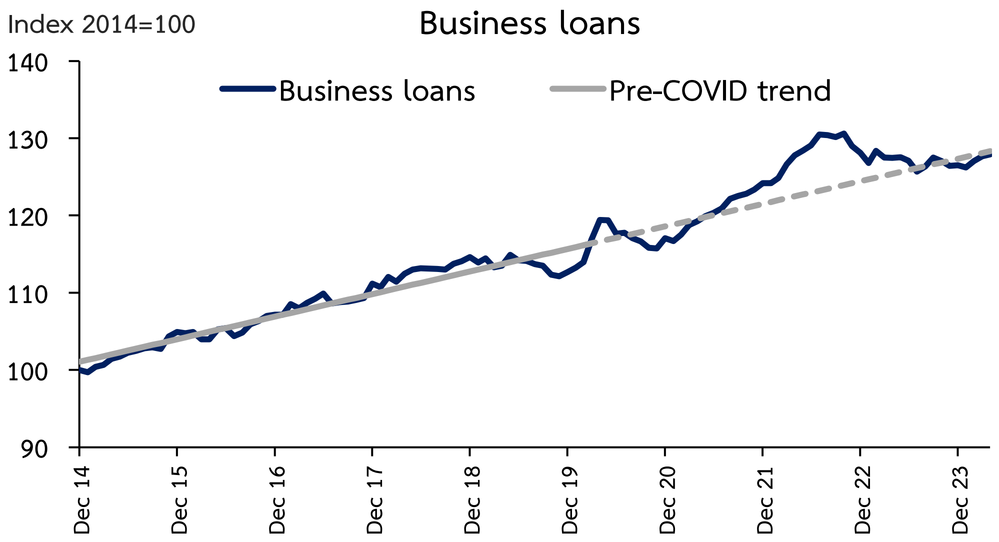
Source: Asia Pacific Consensus Economics, Ministry of Commerce, and BOT

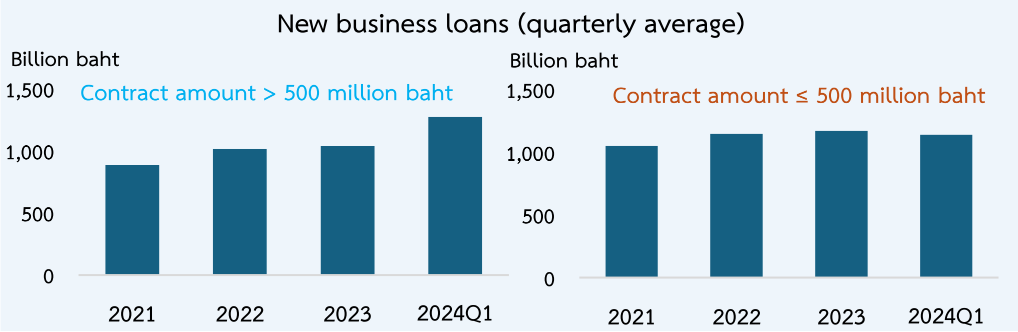
The Committee deemed the current inflation target of 1 to 3 percent robust in anchoring medium-term inflation expectation, which has remained at around 2 percent in recent years, contributing in part to the reduction of inflation from its peak of around 8 percent in August 2022 back to the target range within 7 months

Inflation that is neither too high nor too volatile will be conducive to the financial planning of both households and businesses. For instance, people can plan their consumption spending and savings, as well as investment planning of the businesses, all of which are critical for achieving sustainable economic growth.

Overall credit mechanism has been functioning normally, but financial conditions of SMEs must be monitored.

Business loans are growing at a rate close to historical trend.

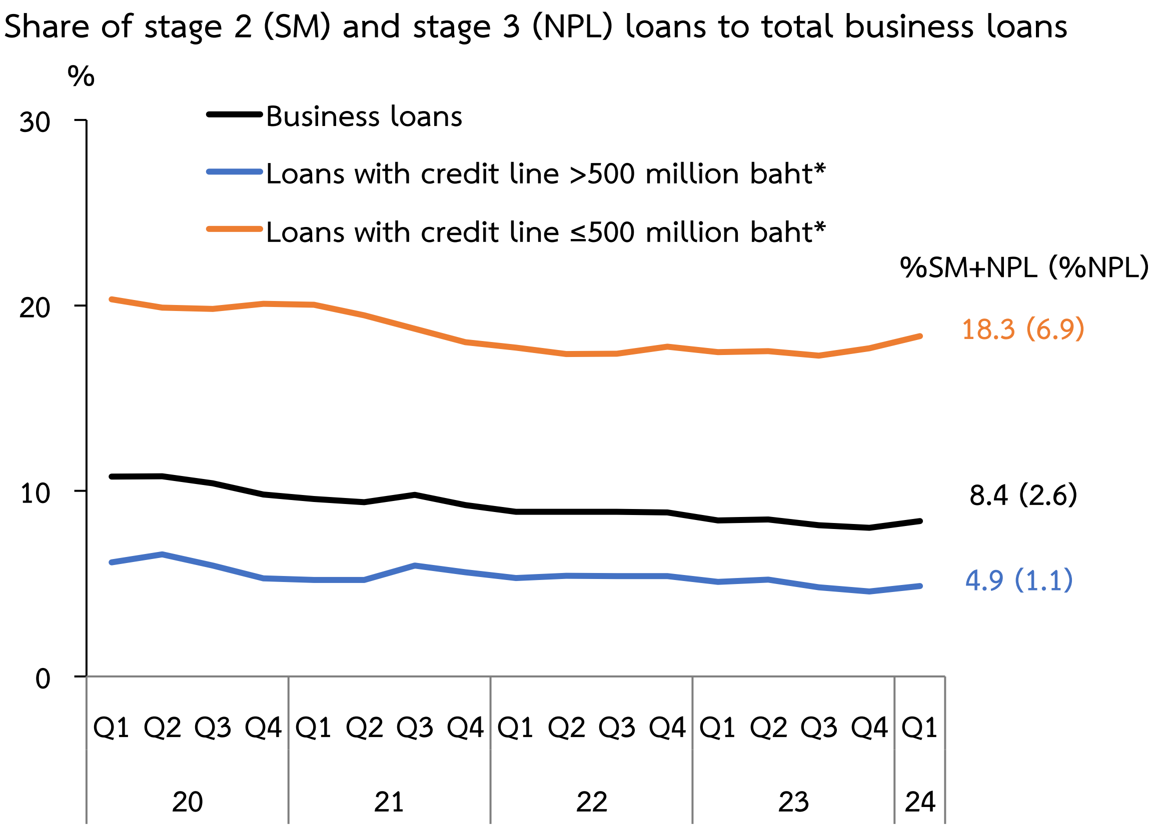




Note: (1) Data covers 14 Thai commercial banks; (2) Pre-COVID trend is calculated using data between Dec 2014 – Feb 2020; (3) New loans data denotes the overall credit amount in the contract

Source: BOT

Credit quality has deteriorated somewhat especially for SMEs.



Note: *Credit line at each commercial banks as of March 2024.

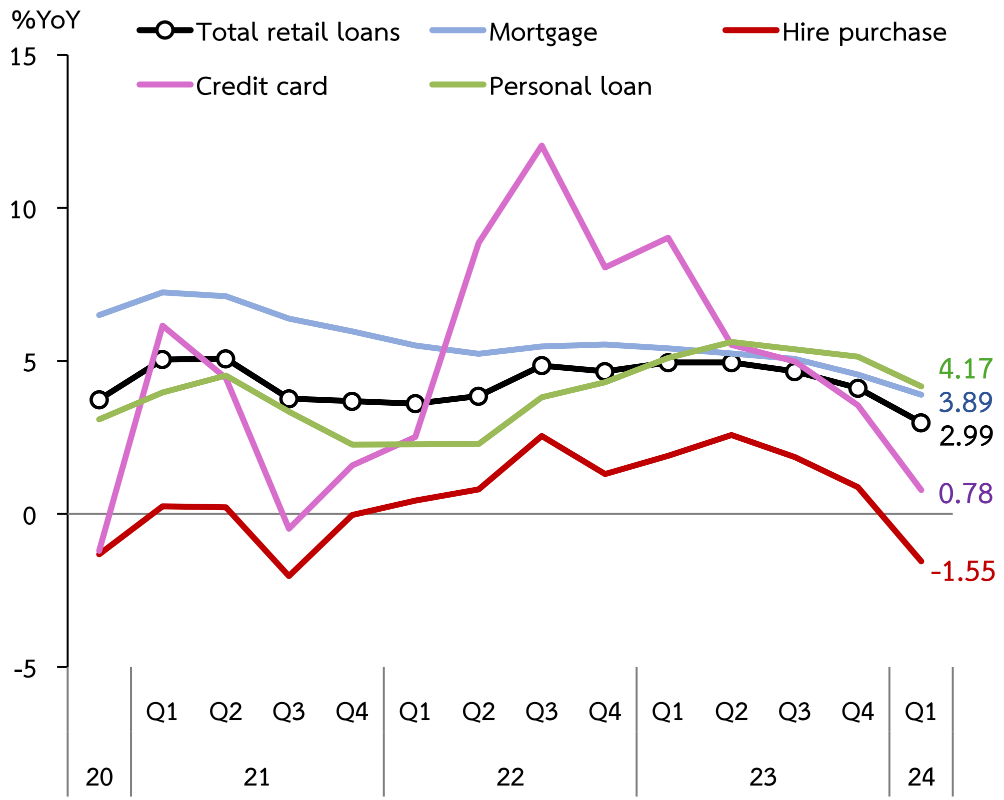
The data covers only loans within the commercial banking system.

Source: BOT

Household credit slowed down, which was partly consistent with the debt deleveraging process.

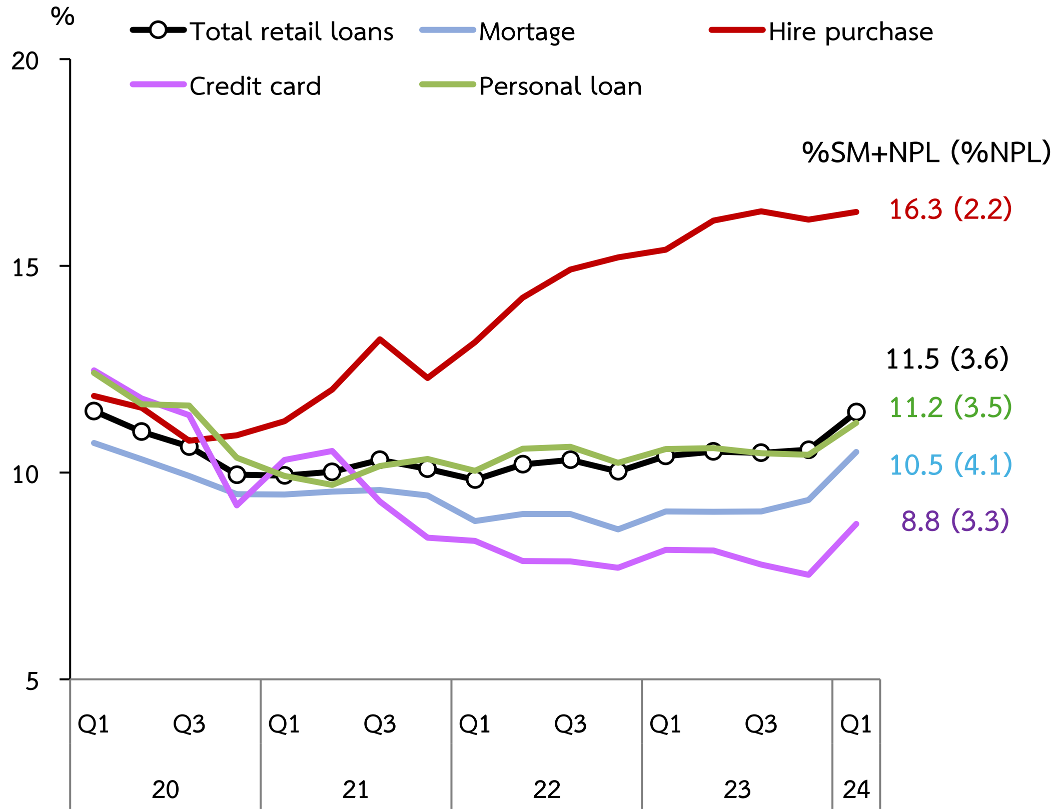
Household credit growth slowed down, especially hire purchase and credit card loans

Consumer loan growth



Credit quality deteriorated as expected

Share of stage 2 (SM) and stage 3 (NPL) loans to total consumer loans

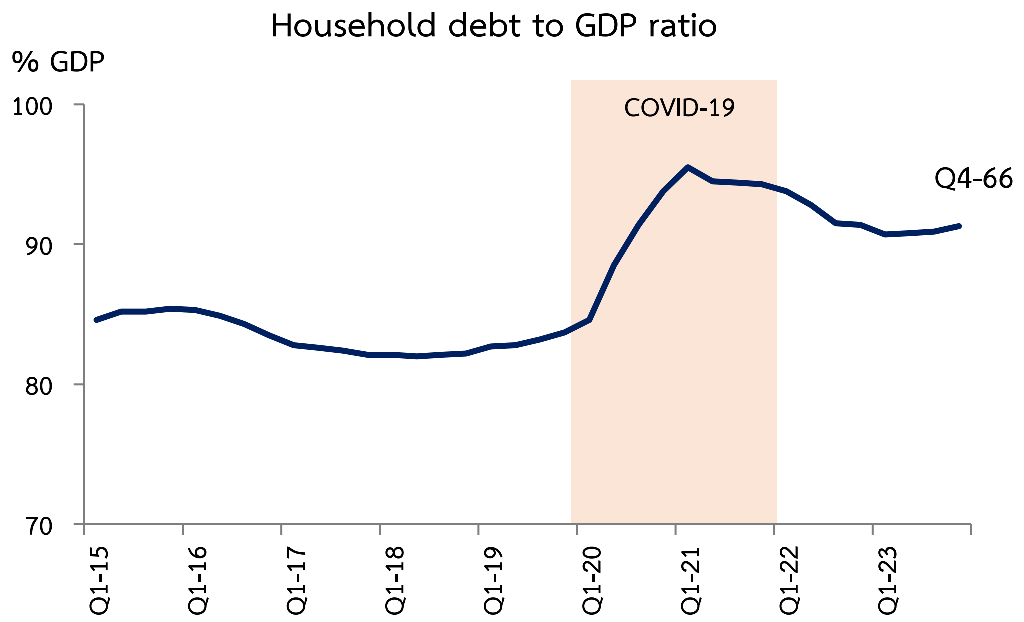


Note: Data includes loans extended by commercial banks, specialized financial institutions (SFIs), subsidiaries of commercial banks, and non-bank under BOT supervision, which account for 60% of household debt (different from data presented in the Banking Sector Quarterly Briefs where retail loans in the commercial banking system account for 33.5% of household debt).

Source: BOT

The MPC remains concerned about elevated household debt and therefore supports the BOT's implementation of targeted measures through financial institutions

Household debt to GDP ratio remains high.



Source: NESDC and BOT

BOT encourages financial institutions to lend based on the borrowers' ability to pay whilst also conducting debt restructuring for debtors in need

Cumulative debt restructuring by financial institutions in Q1-2024*		
Total number of accounts: 3.71 million	commercial banks + non-banks	0.61 million accounts
	SFIs	3.10 million accounts
Total value: 920 billion baht	commercial banks + non-banks	260 billion baht
	SFIs	660 billion baht

Note: *coverage includes retail and SMEs borrowers

Targeted measures to address household debt problems

Offering debt restructuring solutions before and after becoming NPL (effective 1 Jan 2024)

Measures:

- Creditors offer debt restructuring solutions to debtors before they become NPLs at least once when there are signs that the debtors are facing repayment difficulties.
- Creditors offer debt restructuring solutions to debtors after they become NPL at least once before filing a lawsuit, selling off the debt, and seizing their assets.
- Banks are prohibited from selling off the debt for 60 days after the debt restructuring solution was offered to debtors.

Resolving persistent debt among the vulnerable groups (effective 1 April 2024)

Conditions:

- Revolving personal loans under BOT's supervision without repayment deadlines such as express loan cards.
- Debt is not yet classified as NPL.
- Debtors have paid the interest amount more than the principal amount over the last 5 years.

Assistance:

- Debt is converted into installment loans to be repaid within 5 years.
- Applicable interest rate is lowered to a level not exceeding 15% per annum.

The current policy interest rate is consistent with the economy converging to its potential, as well as conducive to safeguarding macro-financial stability but there remains essential to monitor economic developments, especially the recovery of exports and government measures.

MPC Meeting No. 3/2024
(12 June 2024)

MPC voted 6 to 1
to maintain the policy rate at

2.50%

1 member voted to cut the policy rate
by 0.25 percentage point

The Thai economy continues to expand, driven mainly by domestic demand and tourism. Export growth remains subdued as some merchandises are facing additional pressures from higher competition. Inflation is projected to gradually increase towards the target range since the fourth quarter of 2024.

Overall financial conditions remain stable. The MPC expresses concerns over the high level of household debt and supports the Bank of Thailand's policy of implementing measures through financial institutions to align lending with borrowers' debt repayment capacity, coupled with debt restructuring. Moreover, the MPC recognizes the importance of addressing credit access issues, particularly for SMEs, and therefore supports targeted measures such as credit guarantee schemes.

Current policy interest rate is consistent with the economy converging to its potential, as well as conducive to safeguarding macro-financial stability. One member voted to cut the policy rate by 0.25 percentage points to reflect Thailand's lower potential growth as a result of structural challenges and to partly alleviate the debt-servicing burden for borrowers.

Percent	2022	2023	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
GDP growth	2.5	1.9	1.9	2.4	4.4	1.3	2.6	1.8	1.4	1.7	1.5
Production											
Agriculture	2.5	2.0	3.2	3.9	-1.8	3.6	6.2	1.5	1.1	-0.6	-3.5
Non-agriculture	2.5	1.9	1.8	2.3	4.9	1.0	2.3	1.8	1.5	2.0	2.0
Manufacturing	0.7	-3.2	1.9	-0.4	6.5	-4.6	-2.6	-3.5	-4.4	-2.4	-3.0
Construction	-2.4	-0.6	-4.6	-4.2	-2.4	3.3	3.8	0.3	0.5	-8.8	-17.3
Wholesales and retail trade	3.7	3.8	3.3	3.8	4.1	3.7	3.3	3.4	3.3	5.1	4.3
Transport and storage	8.0	8.5	3.7	5.6	11.3	11.0	12.5	7.4	7.1	7.0	9.4
Accommodation and Food Service	34.5	18.0	28.0	39.3	47.6	26.3	34.4	15.3	15.0	9.8	11.8
Information and Communication	5.2	3.3	5.9	6.4	4.8	3.9	3.5	3.7	3.1	2.8	6.7
Financial intermediation	-2.3	3.1	-2.5	-1.0	-2.7	-3.1	0.9	2.4	4.2	4.7	2.9
Real estate and renting	2.3	1.9	1.4	2.6	3.2	2.0	1.9	2.5	1.9	1.1	0.8

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

Percent	2022	2023	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
GDP growth	2.5	1.9	1.9	2.4	4.4	1.3	2.6	1.8	1.4	1.7	1.5
Expenditure											
Domestic demand	4.0	3.5	3.0	4.0	6.0	3.1	3.0	3.6	3.9	3.6	2.6
Private consumption	6.2	7.1	2.5	6.7	9.1	6.4	5.9	7.3	7.9	7.4	6.9
Private investment	4.7	3.2	2.3	1.8	10.7	4.3	2.8	1.4	3.5	5.0	4.6
Government consumption	0.1	-4.6	7.9	2.6	-1.5	-7.1	-6.0	-4.3	-5.0	-3.0	-2.1
Public investment	-3.9	-4.6	-3.4	-7.7	-5.6	2.7	4.2	-2.1	-3.4	-20.1	-27.7
Imports of goods and services	3.6	2.1	3.9	7.3	8.9	-5.4	-0.2	-2.6	-9.4	4.0	5.3
imports of goods	1.2	-2.8	2.7	5.7	6.7	-10.2	-3.6	-4.8	-10.4	5.0	4.3
imports of services	13.6	38.3	8.7	13.7	18.2	13.6	14.5	6.4	-5.2	2.5	9.6
Exports of goods and services	6.1	-2.2	12.3	7.7	7.5	-2.3	1.9	0.9	1.1	4.9	2.5
exports of goods	1.1	-3.8	9.6	4.2	1.8	-10.5	-5.6	-5.3	-3.0	3.4	-2.0
exports of services	59.9	4.3	40.6	47.6	69.7	78.1	66.9	53.7	30.6	14.9	24.8
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	1.6
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	2.9
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	n.a.
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	223.4
Unemployment rate (%)	1.3	1.0	1.5	1.4	1.2	1.2	1.0	1.1	1.0	0.8	1.0
Unemployment rate, seasonally-adjusted (%)	n.a.	n.a.	1.5	1.4	1.2	1.2	1.0	1.1	1.0	0.8	1.0

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

Indicators	2022	2023	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
1. Financial market sector										
Bond market										
Bond spread (10 years - 2 years)	1.0	0.4	1.2	1.3	1.0	0.6	0.4	0.6	0.4	0.4
Equity market										
SET index (end of period)	1668.7	1,415.9	1,568.3	1,589.5	1668.7	1609.2	1503.1	1,471.4	1,415.9	1,377.9
Actual volatility of SET index[1/]	11.0	11.8	12.6	9.9	9.4	12.0	11.6	10.2	13.2	10.0
Price to Earnings ratio (P/E ratio) (times)	18.2	18.4	18.5	17.5	18.2	19.3	18.0	20.3	18.4	18.1
Exchange rate market										
Actual volatility of Thai baht (%annualized)[2/]	8.6	9.1	6.9	9.1	11.9	10.9	8.0	8.0	9.4	8.6
Nominal Effective Exchange Rate (NEER)	115.5	119.8	116.0	113.6	115.9	120.3	119.8	119.8	119.2	118.8
Real Effective Exchange Rate (REER)	103.3	104.3	104.1	101.8	103.2	106.1	104.5	104.2	102.4	100.9
2. Financial institution sector[3/]										
Minimum Lending Rate (MLR)[4/]	6.00	7.25	5.49	5.55	6.00	6.56	7.00	7.04	7.25	7.25
12-month fixed deposit rate[4/]	0.98	1.65	0.45	0.50	0.98	1.15	1.40	1.49	1.65	1.65
Capital adequacy										
Capital funds / Risk-weighted asset (%)	19.4	20.1	19.6	19.2	19.4	19.4	19.5	19.9	20.1	19.4
Earning and profitability										
Net profit (billion, Thai baht)	236.0	251.0	65.0	60.0	62.0	60.0	74.0	65.0	53.0	68.0
Return on assets (ROA) (times)	1.0	1.1	1.1	1.0	1.1	1.0	1.3	1.1	0.9	1.1
Liquidity										
Loan to Deposit and B/E (%)	92.0	91.0	93.8	94.5	92.0	90.6	92.0	92.4	91.0	90.1

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			2023				2024
			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
3. Household sector										
Household debt to GDP (%)	91.4	91.3	92.8	91.5	91.4	90.7	90.8	91.0	91.3	n.a.
Financial assets to debt (times)	2.8	n.a.	2.9	2.9	2.8	2.8	2.7	2.7	2.6	n.a.
Non-Performing Loans (NPLs) of commercial banks (%)										
Consumer loans	2.6	2.9	2.7	2.6	2.6	2.7	2.7	2.8	2.9	3.0
Housing loans	3.0	3.3	3.4	3.3	3.0	3.2	3.2	3.2	3.3	3.5
Auto leasing	1.9	2.1	1.5	1.7	1.9	1.9	2.0	2.1	2.1	2.1
Credit cards	3.1	3.6	2.7	2.5	3.1	3.1	3.0	3.3	3.6	4.1
Other personal loans	2.4	2.5	2.4	2.2	2.4	2.3	2.3	2.4	2.5	2.5
4. Non-financial corporate sector [5/]										
Operating profit margin (OPM) (%)	7.6	7.4	8.3	7.3	6.4	7.4	7.4	7.8	7.1	8.0
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	6.6	4.9	4.3	4.9	4.4	5.2	3.9	5.3
Current ratio (times)	1.8	1.7	1.8	1.7	1.8	1.8	1.8	1.8	1.7	1.7
Non-Performing Loans (NPLs) of commercial banks (%)										
Large businesses	1.3	1.1	1.4	1.3	1.3	1.2	1.2	1.2	1.1	1.1
SMEs	6.7	6.7	6.9	6.6	6.7	6.7	6.7	6.6	6.7	6.9

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

Indicators	2022	2023	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1
5. Real estate sector										
Number of approved mortgages from commercial banks (Bangkok and Vicinity) (units)										
Total	64,636	52,877	16,136	17,113	17,776	11,860	14,656	14,407	11,954	10,857
Single-detached and semi-detached houses	19,471	16,163	4,949	4,805	5,056	3,709	4,392	4,178	3,884	3,333
Townhouses and commercial buildings	19,752	16,065	4,943	5,226	5,216	3,906	4,456	4,299	3,404	3,158
Condominiums	25,413	20,649	6,244	7,082	7,504	4,245	5,808	5,930	4,666	4,366
Number of new housing units launched for sale (Bangkok and Vicinity) (units)										
Total	107,051	101,536	30,250	24,966	27,912	22,263	25,963	22,500	30,810	15,671
Single-detached and semi-detached houses	24,748	30,929	5,323	8,678	7,188	4,961	5,759	8,922	11,287	6,091
Townhouses and commercial buildings	28,525	21,577	9,015	6,957	7,898	5,395	5,306	6,259	4,617	3,853
Condominiums	53,778	49,030	15,912	9,331	12,826	11,907	14,898	7,319	14,906	5,727
Housing price index (2011 = 100)										
Single-detached houses (including land)	141.5	147.1	141.4	140.9	145.3	146.7	145.5	146.7	149.5	150.7
Townhouses (including land)	167.4	174.1	167.4	168.4	169.2	172.0	173.2	174.7	176.4	177.7
Condominiums	184.4	193.2	185.3	181.6	188.9	194.7	188.9	190.4	198.9	197.8
Land	180.2	182.5	179.6	178.0	184.3	175.0	181.6	184.8	188.5	185.9
6. Fiscal sector										
Public debt to GDP (%)	60.9	61.9	61.0	60.5	60.9	61.3	61.7	62.4	61.9	63.4
7. External sector										
Current account balance to GDP (%)	-3.2	1.4	-5.8	-6.1	0.6	2.7	-0.8	2.1	1.5	2.2
External debt to GDP (%)[6/]	40.0	38.2	37.8	37.0	40.0	40.2	38.1	37.4	38.2	35.5
External debt (billion, U.S. dollars)	200.3	193.2	194.0	187.9	200.3	201.8	192.8	190.0	193.2	178.9
Short-term (%)	40.0	41.0	39.5	40.7	40.0	39.7	40.2	41.6	41.0	43.3
Long-term (%)	60.0	59.0	60.5	59.3	60.0	60.3	59.8	58.4	59.0	56.7
International reserves / Short-term external debt (times)[7/]	2.3	2.5	2.4	2.2	2.3	2.3	2.4	2.4	2.5	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

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BANK OF THAILAND

Probability distribution of GDP growth forecast

%	2024			2025				2026	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
> 16	0	0	1	1	1	2	2	3	3
14.0-16.0	0	0	0	0	1	1	0	0	0
12.0-14.0	0	0	0	0	1	0	0	1	0
10.0-12.0	0	0	1	1	1	1	1	0	0
8.0-10.0	0	1	2	1	2	2	2	2	3
6.0-8.0	1	3	7	5	5	6	8	7	6
4.0-6.0	7	16	36	20	22	20	19	21	17
2.0-4.0	56	54	40	49	38	37	36	29	29
0.0-2.0	32	19	9	16	19	20	21	20	22
(-2.0)-0.0	3	4	2	3	7	6	6	9	12
(-4.0)-(-2.0)	1	1	1	1	1	2	2	3	4
(-6.0)-(-4.0)	0	0	1	1	1	1	1	1	1
(-8.0)-(-6.0)	0	1	0	1	1	1	1	1	1
< -8	0	0	1	2	2	2	2	2	2

Probability distribution of inflation forecast

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Probability distribution of headline inflation forecast

%	2024			2025				2026	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
> 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	0	0	0	0	0
4.0-5.0	0	0	0	2	2	2	2	3	3
3.0-4.0	0	0	4	9	7	8	8	9	9
2.0-3.0	0	1	26	26	18	18	19	21	20
1.0-2.0	34	27	45	34	27	27	27	28	28
0.0-1.0	66	61	22	21	25	25	25	23	23
(-1.0)-0.0	0	11	3	6	14	14	14	12	12
(-2.0)-(-1.0)	0	0	0	1	5	5	5	4	4
< -2	0	0	0	0	1	1	1	1	1

Probability distribution of core inflation forecast

%	2024			2025				2026	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
> 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	2	5	6	5	6	7
1.5-2.0	0	1	5	9	14	15	15	15	16
1.0-1.5	0	12	18	22	25	25	25	25	25
0.5-1.0	33	40	33	31	27	26	26	26	25
0.0-0.5	64	37	29	24	18	17	18	17	16
(-0.5)-0.0	3	10	12	10	7	7	8	7	7
< -0.5	0	1	2	3	2	2	2	2	2

Pursuing Sustainable Economic Well-Being

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