ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Monetary Policy Report
Q3/2024

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
Mr. Piti Disyatat	Vice Chairman
Mrs. Alisara Mahasandana	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.

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Data in this report is as of 15 October 2024 (1 day prior to the monetary policy decision)

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Assessment of the macroeconomic outlook

Global economy

Trading partners' economies are projected to grow by 2.8% in 2024 and 2.6% in 2025. The service sector continued to be the key growth driver. Meanwhile, the manufacturing sector saw positive growth in emerging market economies but slowed down in advanced economies. Economic growth in the US was driven by consumption of both goods and services. Asian economies grew on the back of a recovery in exports, which benefited from the global electronics cycle's progression into a broader range of products. However, the Chinese economy remained sluggish due to persistent problems within the property sector. Trading partners' economic outlook remains subject to downside risks from geopolitical tensions such as trade retaliations between the US and China, potential escalation of conflicts in the Middle-East, and a slow consumption recovery in the Chinese economy.

The Thai economy

The Thai economy is projected to expand at rates close to the previous assessment at 2.7% in 2024 and 2.9% 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, which are expected to be higher than last year. Foreign tourist arrivals are projected to reach 36.0 million persons in 2024 and 39.5 million persons in 2025; **(2) an expansion in private consumption,** driven by income recovery and additional support from economic stimulus measures, although **private consumption is likely to slow down** due to accelerated growth last year and also partly due to slowing credit growth; **(3) an acceleration in public expenditure in the latter half of 2024** due to expedited budget disbursement and concluding the procurement contracts under the FY2024 budget as well as the FY2025 budget coming into effect; and **(4) an anticipated expansion in merchandise exports** in line with the recovery in global goods demand and the global electronics cycle. **Nevertheless, the economic recovery is still uneven across sectors,** and there remains the need to monitor certain exports and manufacturing sectors whose growth remains weak due to pressure from both cyclical and structural factors (Box 1: The uneven recovery across sectors). **Furthermore, Thailand's growth outlook remains subject to uncertainties.** There remains the need to monitor the government's implementation of stimulus measures, which could have a greater-than-expected impact on growth, and the potential slowdown in both domestic and external demand.

Inflation

Headline inflation outlook remains largely unchanged from the previous assessment with headline inflation is expected to gradually return to the target range by the end of 2024 driven by (1) higher raw food prices due to heavy rainfall and flooding in certain areas; and (2) higher energy prices resulting from the base effect. **Headline inflation is projected at 0.5% in 2024 and 1.2% in 2025, while core inflation is anticipated to be 0.5% in 2024 and 0.9% in 2025.** The low level of core inflation was partly attributed to structural factors. Nonetheless, the current low inflation does not indicate signs of deflation, as there is no broad-based and continuous decline in prices. Medium-term inflation expectations remain aligned with the target range (Box 2: Is the current low inflation a concern?). There remains the need to monitor geopolitical risks that could result in higher energy prices and raw materials costs, and the government's implementation of energy price subsidies in the period ahead.

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Financial conditions and financial stability

Overall financial conditions tightened moderately. Private sector funding costs via commercial banks and corporate bond markets remained relatively stable. However, overall credit growth has slowed. There was a decline in loans to SMEs, businesses facing structural impediments, as well as hire purchase and credit card loans. Credit quality deteriorated partly due to debtors who had previously received financial assistance, as well as SMEs and vulnerable households whose incomes have not yet fully recovered and have elevated debt burdens. While the proportion of non-performing loans was likely to continue increasing, the rise was assessed to be gradual and manageable for financial institutions. On exchange rates, the baht appreciated against the US dollar due to the monetary policy directions of major central banks as well as domestic factors.

The Monetary Policy Committee (MPC) continues to support the Bank of Thailand's policy to facilitate debt restructuring through financial institutions, which is considered a targeted solution that would support the household debt deleveraging process. The MPC deemed it crucial to monitor the impact of deteriorating credit quality on funding costs and overall credit growth, as well as their implications on economic activities going forward.

Monetary policy decisions in the third quarter of 2024

At the meeting on 21 August 2024, the MPC voted 6 to 1 to maintain the policy rate at 2.50 percent. One member voted to cut the policy rate by 0.25 percentage point.

At the meeting on 16 October 2024, the MPC voted 5 to 2 to cut the policy rate by 0.25 percentage points from 2.50 percent to 2.25 percent. Most MPC members deemed the prevailing growth and inflation outlook consistent with the previous assessment, whilst medium-term financial stability risks have receded. Thus, they voted to cut the policy rate at this meeting to maintain a broadly neutral monetary policy stance amid tightened financial conditions and slowing loan growth. The lower policy rate was expected to mitigate the risk that financial conditions might adversely affect the overall economy, facilitate ongoing household debt deleveraging in line with households' ability to repay and alleviate debt-servicing burdens. Moreover, the lower policy rate remained adequate to address risks to the outlook for growth, inflation, and financial stability. **Meanwhile, two MPC members voted to maintain the policy rate,** deeming it consistent with the growth and inflation outlook while emphasizing safeguarding long-term macro-financial stability and the need to preserve policy space for future uncertainties. **The MPC viewed that the policy rate should still be at a neutral level and in line with potential growth. The MPC also views that the policy rate should not be too low, which would create build-ups of financial imbalances over the long term.**

Monetary policy was accommodative during the COVID-19 pandemic and gradually normalized to a neutral stance for the prevailing economic conditions.

Since 2020, the policy rate in Thailand was cut to a historical low of 0.50% to support the economy during the COVID-19 pandemic. In 2022, Thailand and many countries worldwide faced high inflation from rising energy prices due to the Russia-Ukraine conflict. The Monetary Policy Committee (MPC) therefore decided to pursue a gradual and measured monetary policy normalization, with aims to:

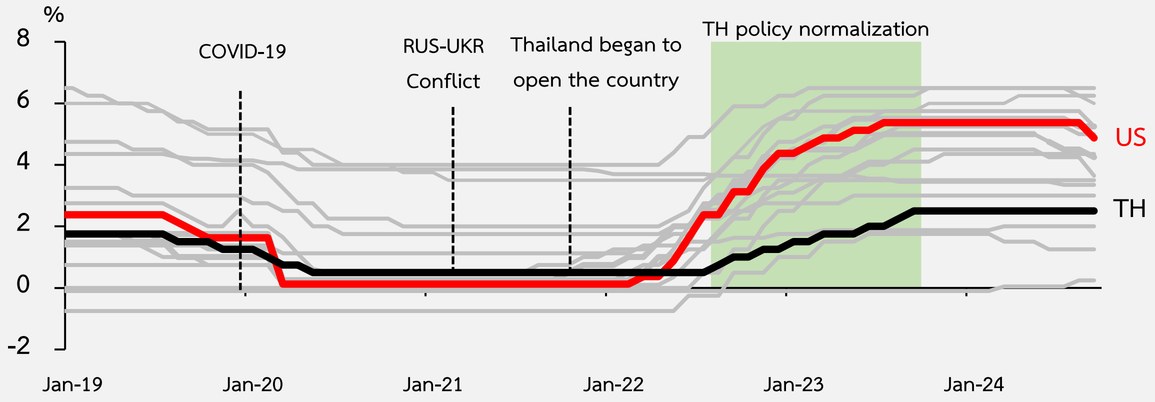
(1) Support growth momentum; therefore, the MPC started raising the policy rate at a slower and more gradual pace compared to other countries;

(2) Anchor businesses' and households' inflation expectations in order to prevent high inflation from becoming entrenched;

(3) Prevent the buildup of financial imbalances that could arise from interest rates being low for long such as overleveraging or the search for yield due to the underpricing of risks

In summary, during the recent monetary policy normalization cycle, the MPC raised the policy rate by 0.25 percentage points each time from 0.5% in August 2022 to 2.50% in September 2023, which the MPC deemed to be close to the neutral rate. Meanwhile, other central banks raised their policy rates sharply, overshooting the neutral rate to address persistently high inflation (Chart 1).

Chart 1: Policy rate of Thailand and other countries



Note: Data on 17 economies as follows: Australia, Canada, China, Euro Area, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, South Korea, Switzerland, Taiwan, Thailand, UK, US (Data as of 15 Oct. 2024)
Source: BIS, Bloomberg

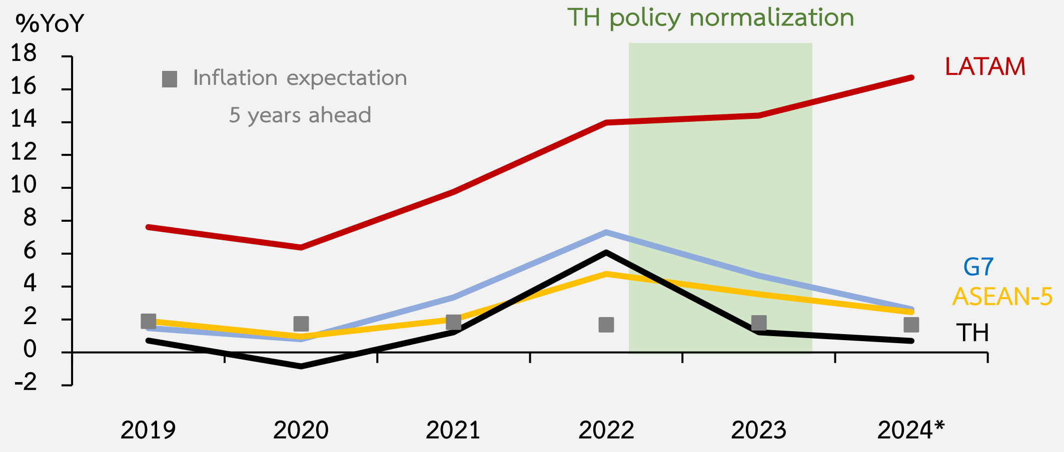
Since the MPC started raising the policy rate to September 2023, the Thai economy underwent a K-shaped recovery but is still moving towards potential growth.

In early 2022, Thailand relaxed its COVID-19 containment measures and re-opened its borders to foreign tourists to revitalize the economy after three years of the COVID-19 pandemic (2020-2022). **The Thai economy gradually recovered over the 2023-2024 period, albeit unevenly across sectors.** This was due to both transitory cyclical factors and longer-term structural challenges. On the **cyclical front,** for example, there were the slow recovery in foreign tourist arrivals after the re-opening and delays in budget disbursements resulting from the post-election formation of a new government in 2024, which have weighed on economic growth in Q4-2023 and early 2024. On the **structural front**, accumulated issues have become increasingly evident, such as the loss of competitiveness of many export products and manufacturing production, the shrinking labor force due to aging demographics, shortcomings in labor skills and education quality. These factors have contributed to a decline in potential growth compared to the past.

High inflation was mainly a result of global energy prices, but inflation in Thailand had declined faster than in other countries. Moreover, inflation expectations were well aligned with the target range.

While the economy was still recovering, Thailand faced high inflation, primarily stemming from supply factors, especially from the higher global energy prices caused by the Russia-Ukraine conflict. Headline inflation reached a peak at approximately 8% in August 2022, coinciding with the MPC decision to make its first rate hike and further raised the policy rate at a gradual pace. Unlike in other countries, the MPC opted for an incremental approach to rate hikes, avoiding rapid or sharp increases (Chart 2). The gradual normalization was in line with the pace of the economic recovery and subdued demand-pull inflationary pressure, although the MPC still had to closely monitor risks to inflation, such as cost passthrough from businesses to consumers.

Chart 2: Headline inflation in Thailand and other countries



Note: * Data as of April 2024

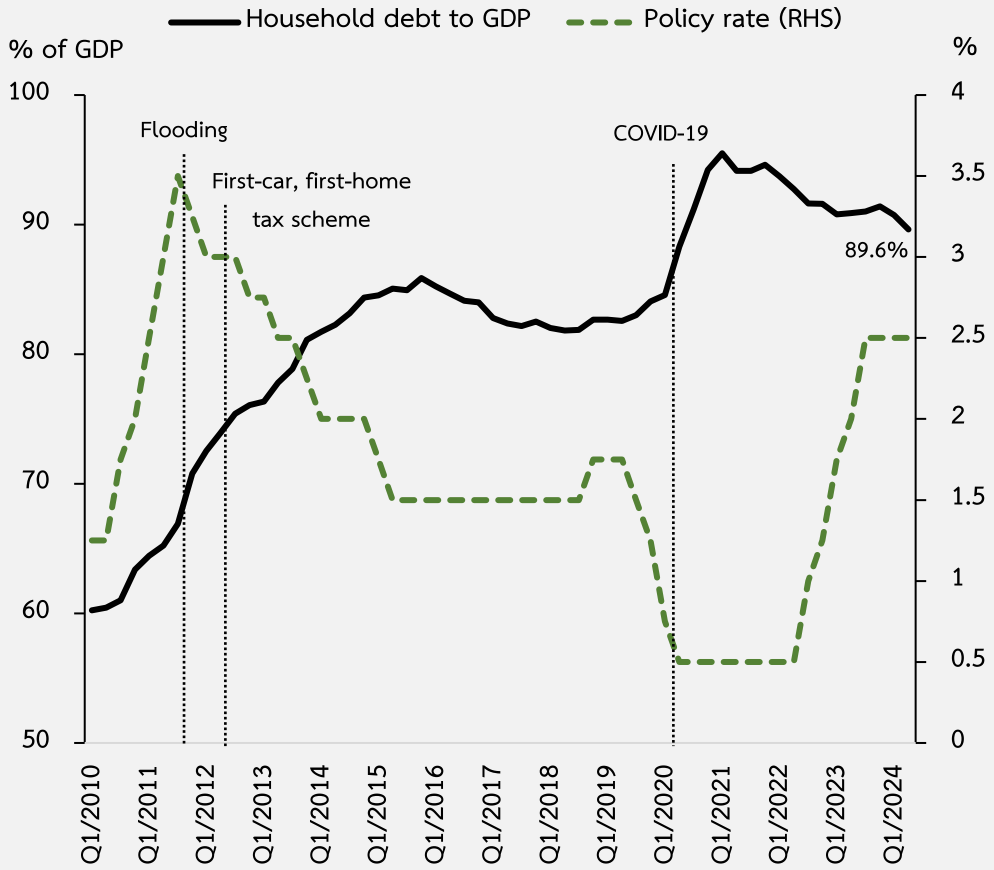
Source: World Economic Outlook Database และ Asia Pacific Consensus

Household debt levels in Thailand are relatively high compared to other countries, and the household debt deleveraging process should proceed in sustained manner.

Financial stability is another monetary policy objective that the MPC considers, especially the balance sheet health of businesses and households. Analyzing the increase in the household debt to GDP reveals multiple contributing factors. These include the historic floods in 2011, government stimulus measures such as the first-car and first-home tax schemes in subsequent years, which led to increased household borrowing, and low-for-long interest rates, wherein the policy rate was maintained at 1.50% throughout the 2015-2018 period. Looking back at the past 20 years, household debt to GDP rose from 60% in 2010 to 91% in 2020 before declining somewhat to 89.6% in Q2-2024 (Chart 3).

High level of household debt would pose a significant drag on future economic growth and reduce the economy's buffer against shocks. When an economy with high household debt is hit by a crisis, household income is disrupted while obligations to pay the debt remain high. This situation severely impacts the economy, causing it to recover more slowly compared to a scenario where household debt level is low. The MPC therefore emphasizes the importance of household debt deleveraging, viewing the ongoing deleveraging process should be sustained to reduce long-term macro-financial vulnerabilities. For households experiencing slow income recovery and large debt burden, the MPC supports the BOT's policy to facilitate debt restructuring, viewing it as a well-targeted measure to resolve debt problems and alleviate debt-servicing burdens.

Chart 3: Household debt to GDP and policy rate in Thailand



Source: Bank of Thailand

The balance of risks is one of the key considerations for the MPC in deliberating the monetary policy decision.

Under the prevailing monetary policy framework, which seeks to maintain price stability, support sustainable growth, and preserve financial stability, the MPC carefully evaluates the balance of risks for all three objectives at each meeting. Up until now, monetary policy has supported Thailand's economic growth, as reflected by (1) economic growth gradually recovering from the COVID-19 pandemic and now nearing potential growth; (2) headline inflation receding from its peak in 2022, when energy prices were high, to current levels below the lower bound of the target range but is expected to return to the target range by the end of 2024; and (3) household debt to GDP starting to decline which is indicative of the gradual household debt deleveraging process.

Looking ahead, the Thai economy is expected to grow in line with potential, inflation is expected to be within the target range, and the accumulation of financial imbalances is expected to decline. Nonetheless, many uncertainties remain to be monitored, such as geopolitical tensions and trade wars, climate change, and macro-financial linkages in Thai economy. These factors could significantly influence the future trajectory of economic growth and inflation in Thailand.

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The global economy would continue to expand, while inflation is gradually declining.

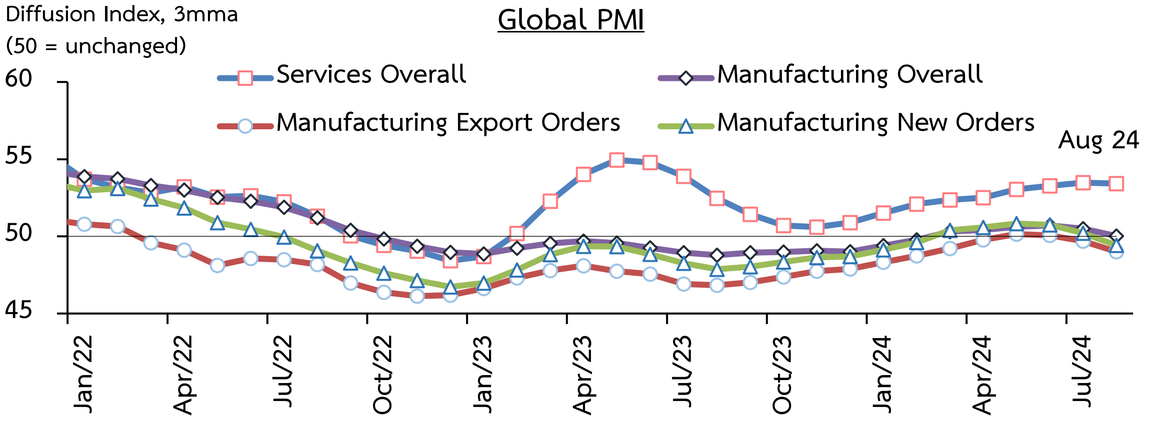
The global economy would continue to expand, driven mainly by the services sector. Manufacturing growth is positive in emerging market economies but slowing down in advanced economies.

Inflation is gradually declining in many countries. The Fed started its easing cycle, and Asian central banks are expected to begin gradually cutting policy rates in Q4-2024.

Trading partners' growth outlook remains subject to downside risks from geopolitical tensions, especially trade retaliation measures between the US and China which could result in a sharper-than-expected slowdown in global trade.

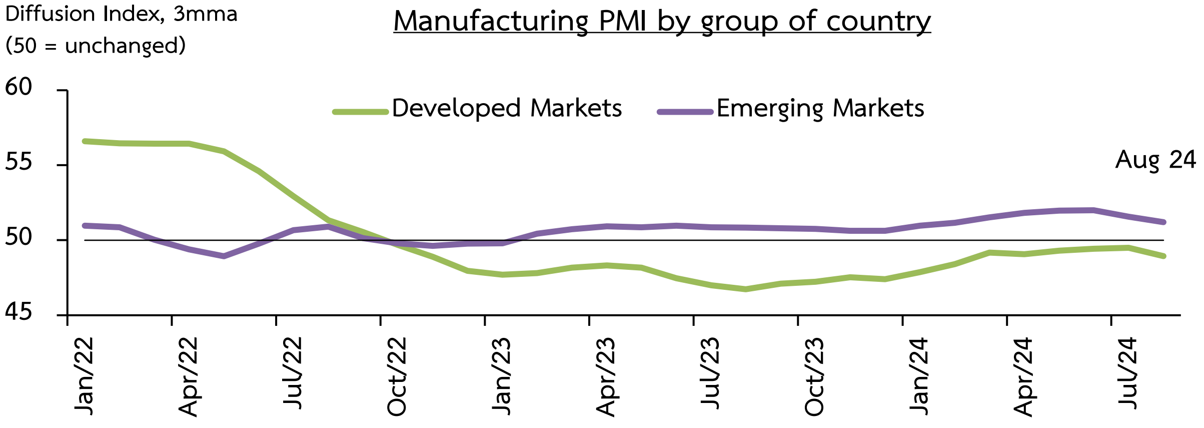
Global economic growth continues to be driven by the services sector, while the manufacturing sector in advanced economies remain weak. In contrast, emerging markets are experiencing growth, with signs of recovery among Asian exports across a broader range of goods.

Global economic growth is still being driven by the services sector, as reflected in high services PMI.



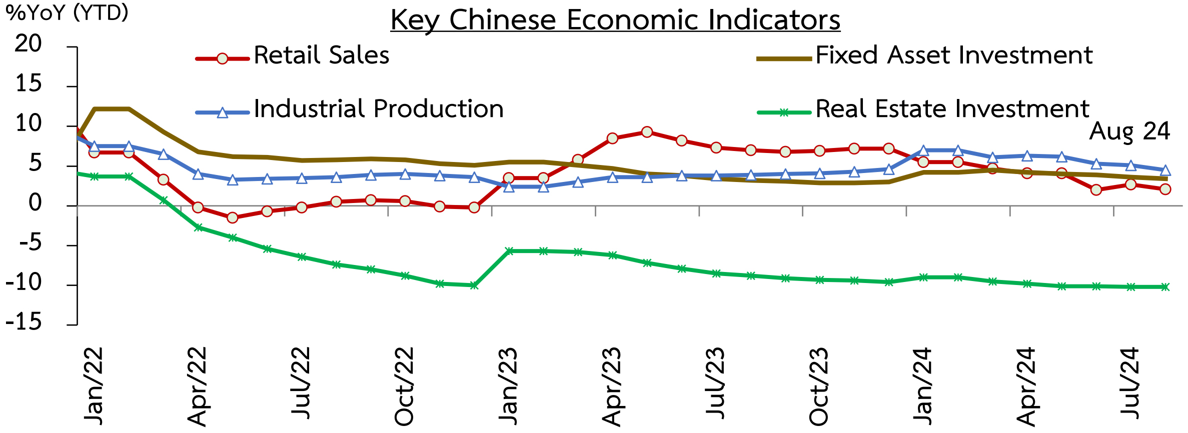
Source: CEIC, BOT calculations

Manufacturing PMI declined for advanced economies but indicated expansion in manufacturing activities for emerging markets.



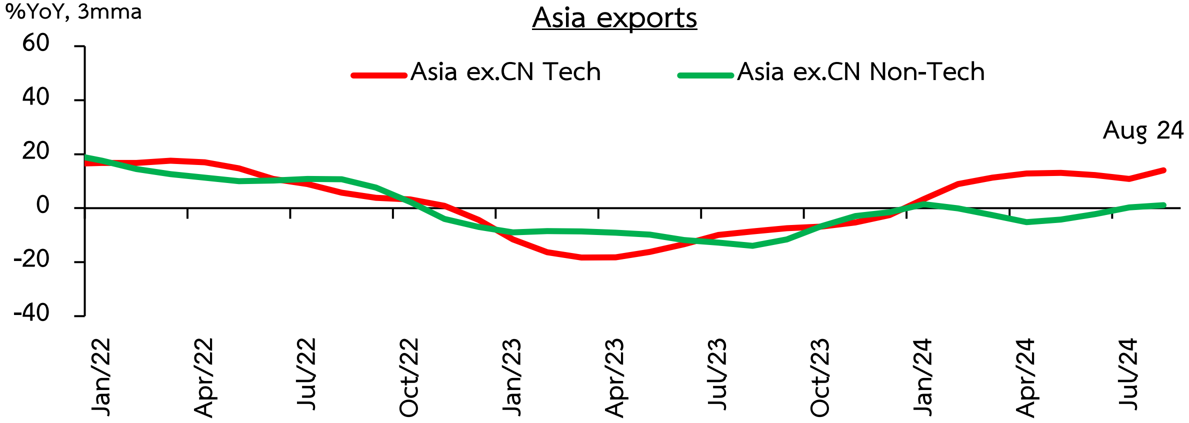
Source: CEIC, BOT calculations

China's manufacturing sector is expected to slow down due to weak domestic demand, which can be partly attributed to prolonged problems in the property sector.



Source: CEIC, BOT calculations

The recovery in Asian exports is seen across a broader range of goods, but growth is still mainly driven by tech products.

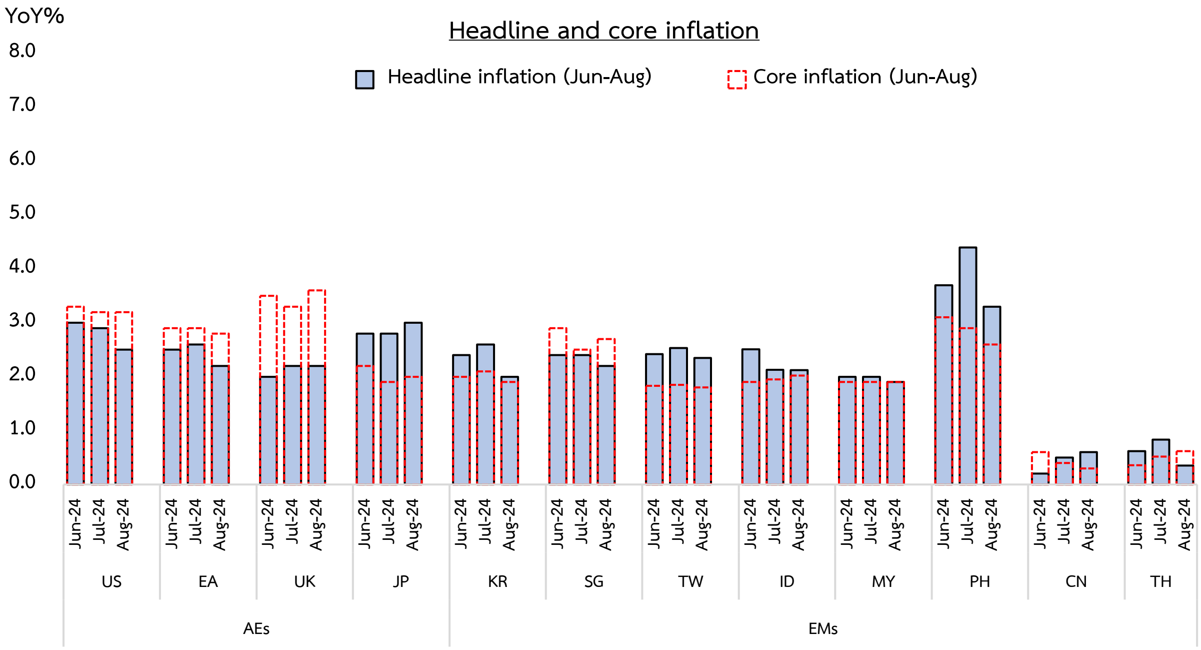


Note : Asia ex China Non-Tech consists of MY, SG, JP, KR, TW, PH ,and ID (for Asia ex. CN Tech not included ID)

Source: CEIC, BOT calculations

Inflation has continued to decline in most countries. The Fed and the ECB started cutting their policy rates in September, while some Asian central banks are expected to begin cutting their policy rates in Q4-2024.

Headline inflation has continued to decline, whilst core inflation is still declining slowly.



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	4.25 – 4.50 (4.75 – 5.00)	3.25 - 3.50 (3.75 – 4.00)

Note: * denotes outturn, ( ) denotes forecast in Monetary Policy Report Q2-2024

The Federal Reserve (Fed) cut its policy rate by 50 bps at the FOMC meeting on 18 September 2024, which was a larger cut than the market expected. The decision was underpinned by slowing labor market conditions during the June-August period and a sharper-than-expected decline in inflation. The BOT therefore revised its assumptions for the Federal Funds Rate, anticipating that the Fed would cut its policy rate by 25 bps at each of two remaining FOMC meetings this year. The Federal Funds Rate is projected to be 4.25-4.50% and 3.25-3.50 by the end of 2024 and 2025, respectively.

The European Central Bank (ECB) cut its policy rate by 25 bps to 3.50% at the Governing Council Meeting on 12 September 2024. The decision was underpinned by a sharper-than-expected decline in headline inflation due to falling energy prices and signs of labor market slowdown, as reflected by employment PMI and slower increase in euro area negotiated wages compared to the previous quarter. Against this backdrop, the ECB is likely to cut its policy rate by 25 bps at the two remaining Governing Council Meetings in 2024. It is expected that the ECB's policy rate would be 3.0% by the end of 2024 with a terminal rate of 2.0% in 2025.

Most Asian central banks still have kept their policy rates on hold, except for Bank Indonesia and Bangko Sentral ng Pilipinas, which already started cutting their policy rates. It is expected that central banks in the region would gradually cut rates from the Q4-2024 onwards, except for Bank Negara Malaysia, which is expected to maintain its current policy rate given that the Malaysian economy has continued to expand and inflation is subject to upside risks from energy price subsidies being phased out.

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Trading partners' growth forecast for 2024 has been revised up, while the forecast for 2025 has been revised down from the previous assessment. Risks to trading partners' growth outlook are slightly tilted to the downside.

Assumption of trading partners' growth

%YoY	Share of exports in 2023[1/] (%)	2023	2024		2025	
			MPR Q2/24	MPR Q3/24	MPR Q2/24	MPR Q3/24
US	17.2	2.9	2.3	2.6	1.8	1.8
Euro area	7.7	0.5	0.7	0.7	1.5	1.2
Japan	8.7	1.7	0.3	0.0	1.1	1.1
China	12.0	5.2	4.9	4.8	4.6	4.5
Asia[2/]	21.8	3.2	3.9	4.0	3.7	3.6
Total[3/]	73.0	2.9	2.7	2.8	2.7	2.6

Note: [1/] Share of total Thai exporting values to 13 key trading partners 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 has been revised up from the previous assessment. This upward revision is attributed to strong economic growth in the US driven by consumption in both goods and services and continued growth among Asian economies driven by a recovery in exports during the first half of the year, benefiting from the global electronics cycle's progression into a broader range of products. Meanwhile, China's growth has been revised down given that stimulus support from the Chinese government might be insufficient. The Japanese economy would remain largely stable due to the slow recovery in consumption and declining exports.

Trading partners' growth forecast for 2025 has been revised down from the previous assessment. Economic growth in the euro area has been revised down due to a weaker outlook for both consumption and manufacturing production. Meanwhile, China would continue to slow down due to persistent problems in the property sector impacting consumer confidence and domestic purchasing power.

Risks to trading partners' growth outlook are slightly tilted to the downside.

Downside risks:

1) Geopolitical risks such as escalating trade tensions between the US and China, and the broadening of conflicts in the Middle East
2) Weaker-than-expected global economic performance:, In particular, China, where consumption recovery is progressing slowly.

Upside risks:

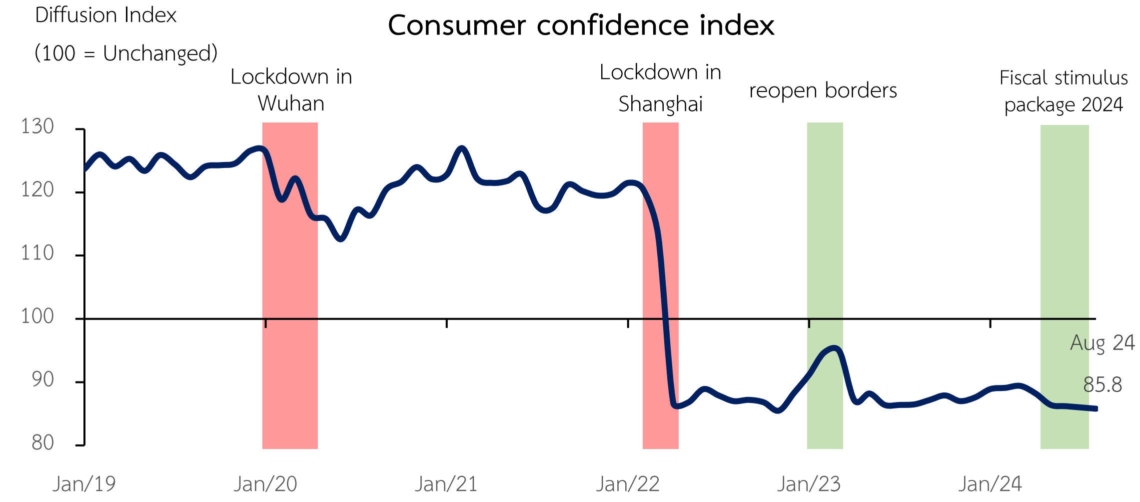
1) Central banks around the world might ease monetary policy sooner and faster than expected
2) Stronger-than-expected global trade growth:, especially among Asian economies, thanks to the strong recovery in the global electronics cycle

The Chinese government's economic stimulus might be insufficient, while the outcome of the US presidential election remains a key risk going forward.

Latest stimulus measures in China (September 2024) helped shore up confidence in the capital market to some extent.

1. **Capital market:** Injected liquidity totaling RMB 800 bn, through relending facility (RMB 300 bn) and swap facility (RMB 500 bn)
2. **Real estate:** cut interest rates for existing mortgage loans by 50 bps, reduced minimum down payment ratio for second home mortgage to 15% (same as first home)
3. **Monetary policy:** Cut 7-day reverse repo rate by 20 bps to 1.50%, cut medium-term lending facility (MLF) interest rate by 30 bps to 2.00%, reduced reserve requirement ratio (RRR) by 50 bps.

Measures implemented earlier have not yet affected consumer confidence in real sector activities.



Source : NBS

Summary of the key economic policies of each US presidential candidate with implications for global trade

	Harris case	Trump case
Personal income tax: The existing tax reduction measures are set to expire in 2025	- Extension of tax reduction measure exclusively for individuals earning less than USD 400,000 per year - Introduction of higher tax rate for high-income earners	-Extension of all existing tax reduction measures
Corporate income tax (Current 21% + minimum 15%)	28% + minimum 21%	15% to 20%
Trade policies and trade protectionism measures	Continuation of existing policies of the incumbent government	- 60% tariff on imported goods from China - 10% tariff on imported goods from other countries

Source: consolidated by BOT from various sources

The Thai economy would continue to expand, driven by domestic demand and tourism, although the economic recovery remains uneven across sectors.

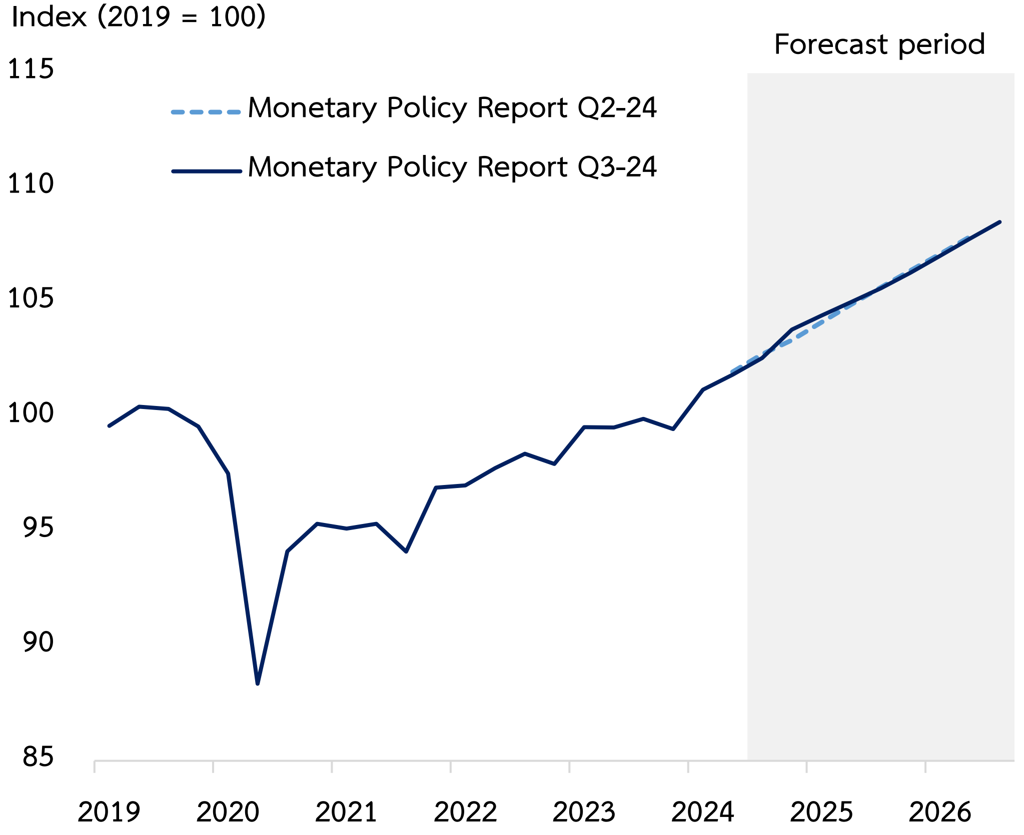
The Thai economy would continue to expand in 2024, driven by growth in private consumption and tourism, as well as an acceleration in government expenditure. However, private investment would contract more than expected.

Merchandise exports would continue to expand in line with trading partners' economic growth and the expansion in global demand for electronics. However, there remains the need to monitor certain export products and manufacturing production that are facing pressure from both cyclical and structural factors, such as automobiles.

Headline inflation would remain low. It is expected to gradually return to the target range by the end of 2024 and settle near the lower bound of the target range in 2025.

The Thai economy would continue to expand. Domestic demand would be supported by stimulus measures in 2024 to be implemented around the end of Q3-2024. Meanwhile, private investment would contract mainly due to motor vehicles investment. For 2025, external demand and domestic demand would be more balanced.

Real GDP



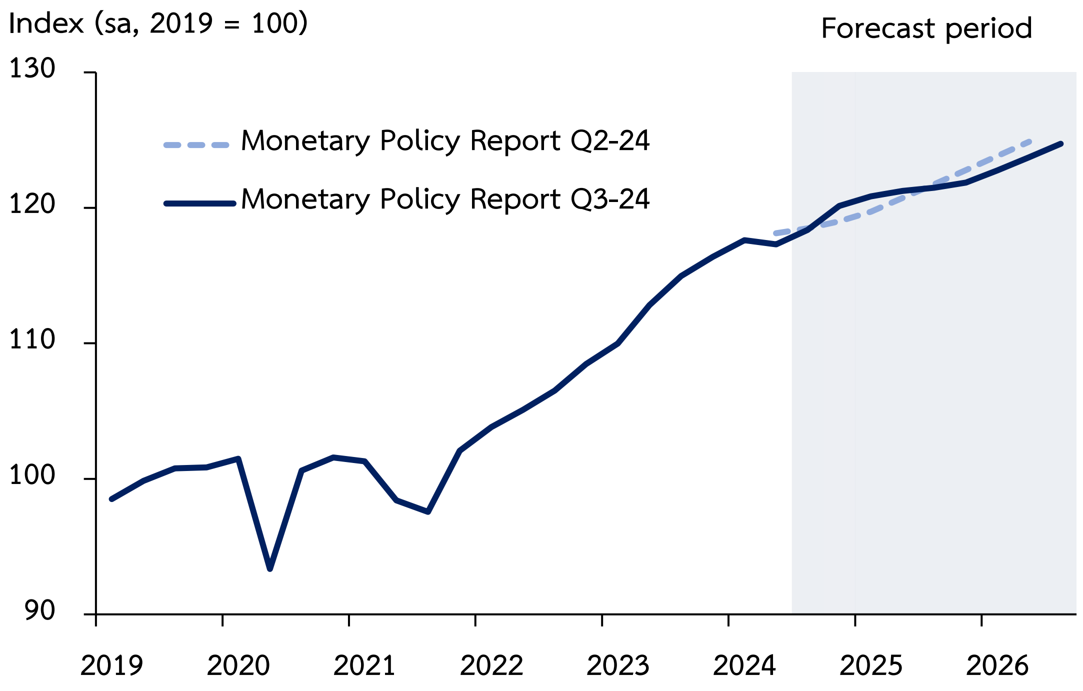
Economic projection (including the impact of economic stimulus measures)

Growth (%YoY)	2023*	2024	2025
GDP growth	1.9	2.7 (2.6)	2.9 (3.0)
Domestic Demand	3.5	2.4 (3.6)	2.7 (2.8)
Private Consumption	7.1	4.2 (4.2)	2.5 (2.5)
Private Investment	3.2	-2.8 (3.3)	2.9 (3.2)
Government Consumption	-4.6	2.0 (1.8)	2.6 (3.3)
Public Investment	-4.6	1.1 (3.6)	4.5 (2.6)
Export volume of goods and services	2.1	4.8 (3.9)	2.8 (3.2)
Import volume of goods and services	-2.3	4.4 (4.9)	1.4 (2.9)
Current account (billion U.S. dollars)	7.4	10.0 (13.0)	16.0 (17.5)
Value of merchandise exports (%YoY)	-1.5	2.8 (1.8)	2.0 (2.6)
Value of merchandise imports (%YoY)	-3.8	5.1 (3.1)	0.4 (2.0)
Number of foreign tourists (million persons)	28.2	36.0 (35.5)	39.5 (39.5)

Note: * denotes outturns
( ) denotes previous forecast in the Monetary Policy Report Q2-2024, excluding economic stimulus measures 2024
Source: NESDC, BOT forecasts

Private consumption would expand, driven by income growth, additional support from government stimulus measures, alongside an anticipated improvement in consumer confidence. Nonetheless, private consumption growth would slow down compared to last year, partly due to slower credit growth.

Real Private Consumption



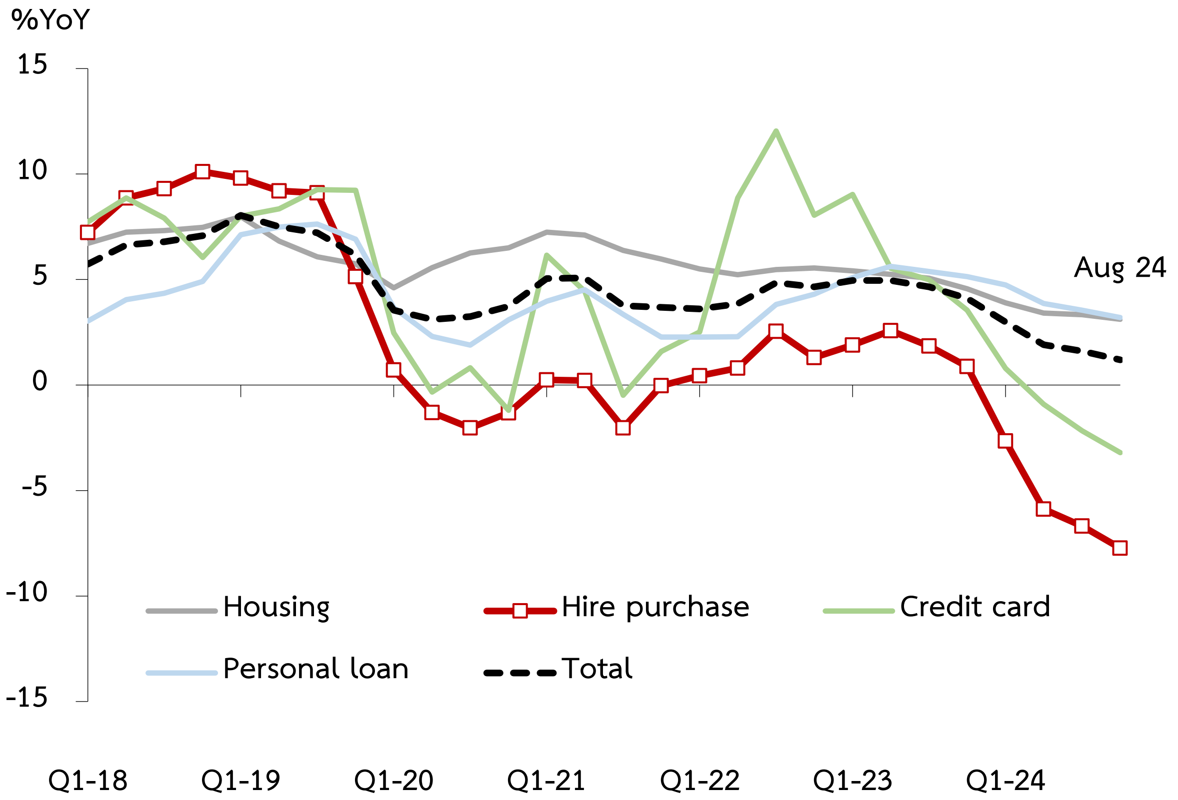
Source: BOT forecast

Private consumption projection

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

Note: * denotes outturn and ( ) denotes previous forecast in the Monetary Policy Report Q2-2024, excluding economic stimulus measures 2024

Retail loan growth

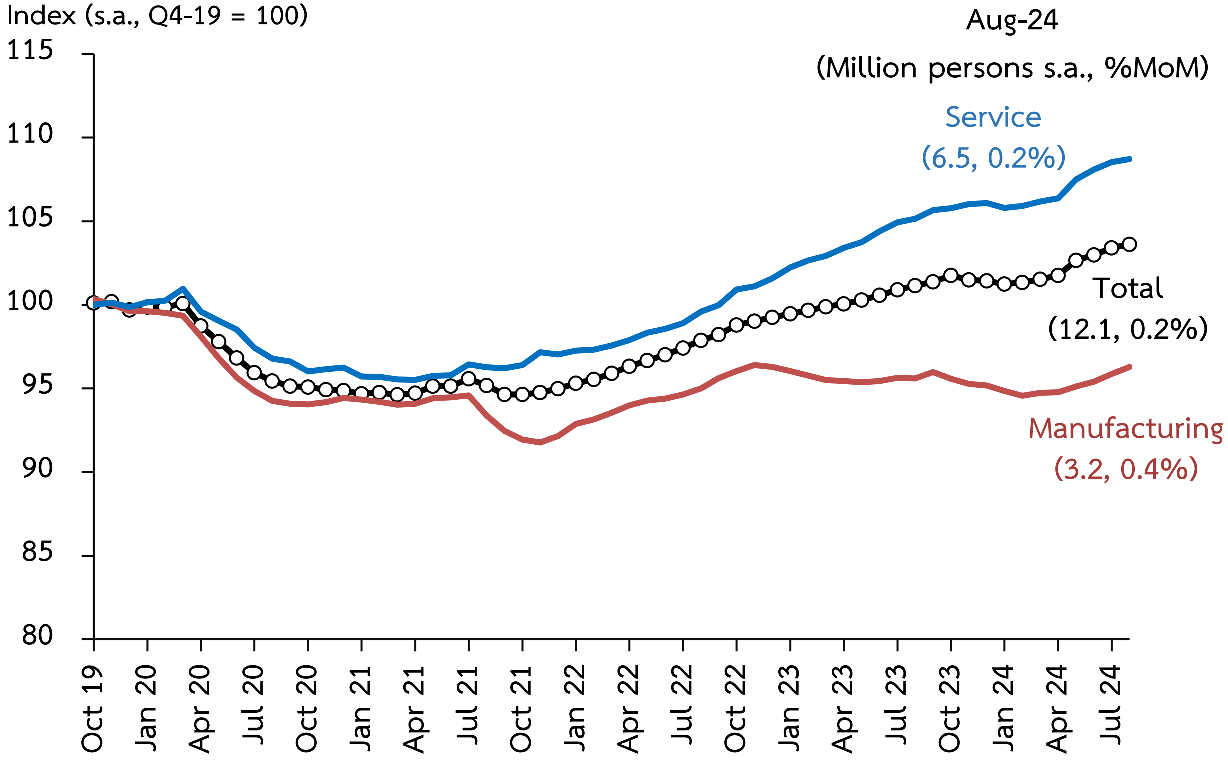


Note: Dataset covers retail loans from commercial banks and subsidiaries, SFIs and non-banks under the supervision of the BOT, the last 2 data points are July and August 2024.

Source: BOT

Labor market conditions are gradually improving. The number of insured persons under Section 33 of the Social Security Act and wages are still increasing across both the manufacturing and services sectors. However, the recovery in the labor market remains uneven. In particular, the income of self-employed workers is recovering more slowly compared to other occupations.

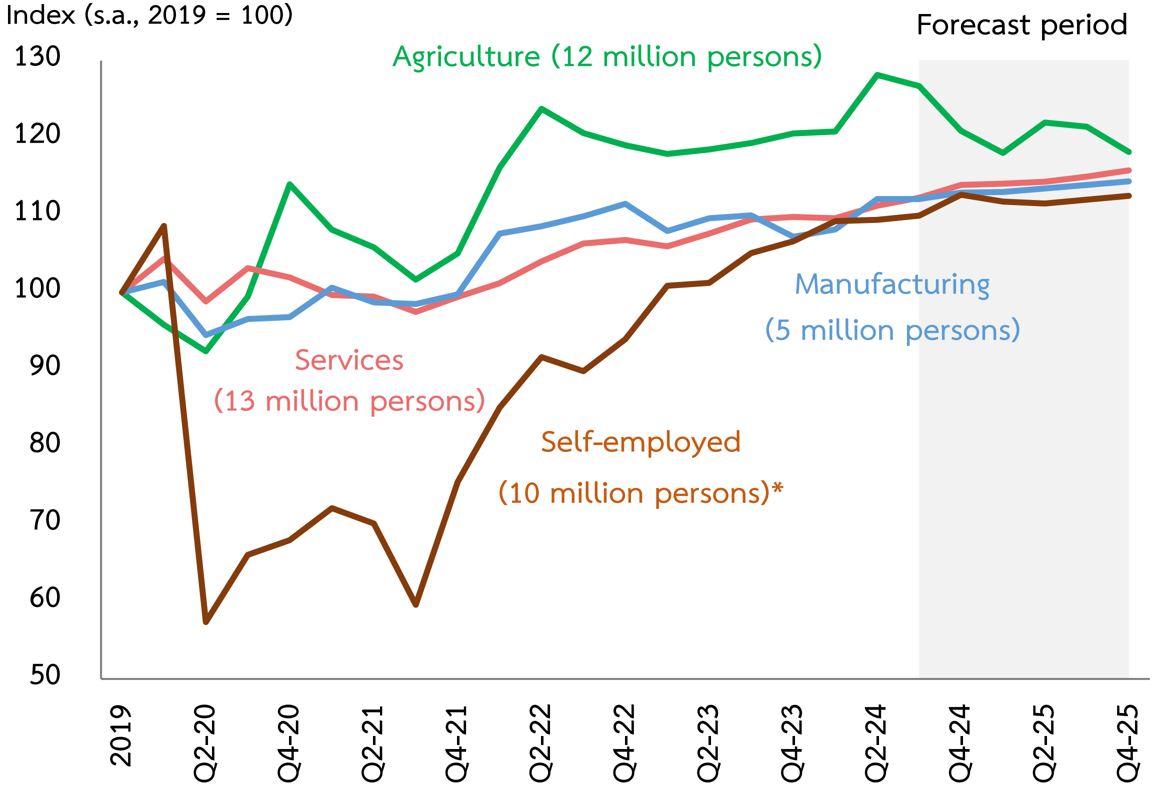
Number of workers contributing to the Social Security Fund (section 33)



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

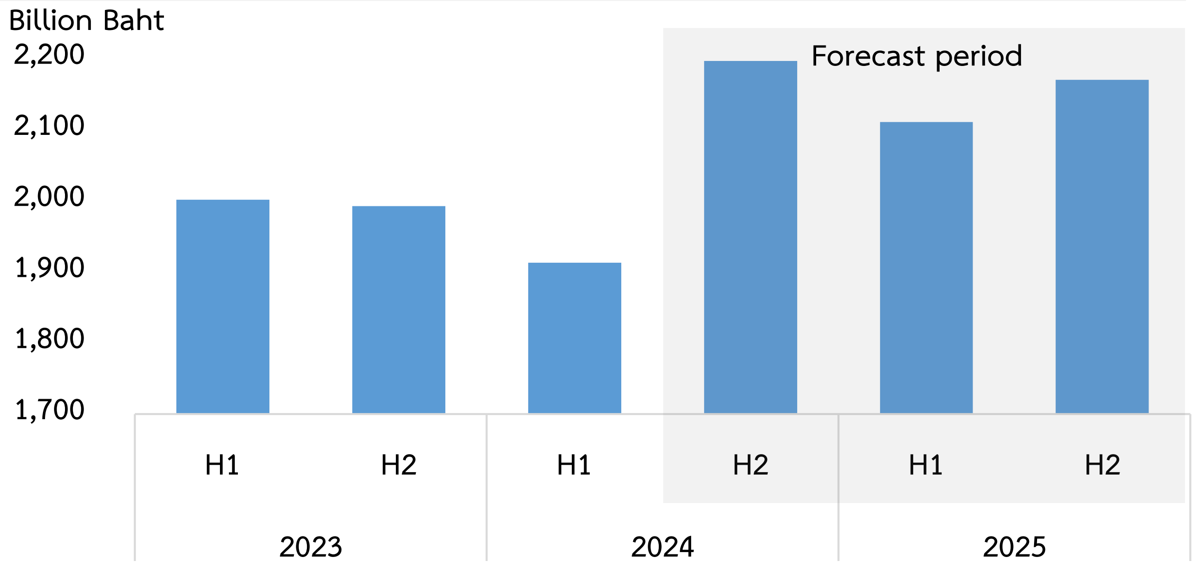


Note: ( ) denotes each sector's employees in 2023, * including employer

Source: National Statistics Office's Labor Force Survey and Household socio-economic survey and Office of Agricultural Economics, BOT calculation and forecast as of Oct 2024

Government expenditure accelerated in the second half of 2024 due to expedited disbursement and concluding the procurement contracts under the FY2024 Budget, as well as the FY2025 Budget becoming effective. In addition, the 2024 economic stimulus measure through state welfare cardholders and people with disabilities became effective in late Sep 2024.

Government Expenditure[1/]



Note : [1/]General government final consumption expenditure and Public investment (SNA)

Source : NESDC, calculated by BOT

- **Government expenditure accelerated in the latter half of 2024** due to expedited disbursement of the FY2024 Budget that was previously delayed, and concluding the procurement contracts, resulting in carryover budget to be disbursed in FY2025. Thus, the carryover budget in FY2025 increases by more than 70% YoY.
- **Disbursement of the FY2025 Budget is expected to proceed as planned** as the FY2025 budget became effective on 1 Oct 2024.

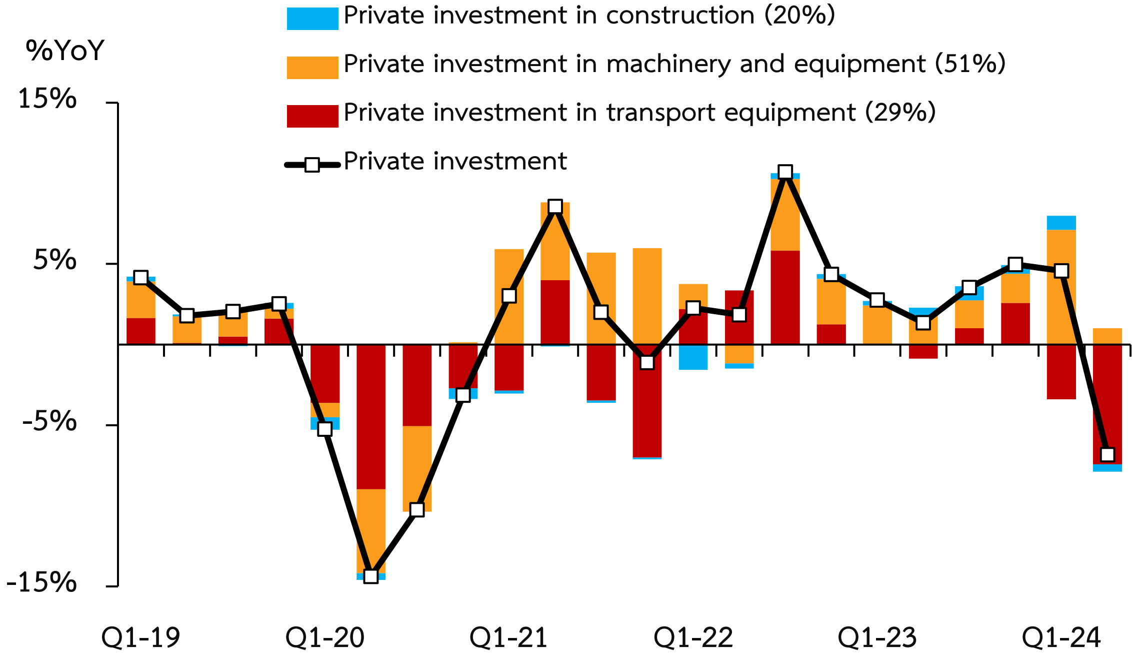
Details of 2024 economic stimulus measure through state welfare card holders and people with disabilities

Source of funds	Billion Baht	Conditions and Processes
Expenditures for Stimulating the Economy and Strengthening the Economic System (Additional budget in FY2024)	122	- The Comptroller-General's Department will distribute the cash to 14.5 million people within 2024 - Distributed in cash via the PromptPay system directly to the bank accounts of state welfare cardholders and people with disabilities - Not restrictions on products and timing to use
Contingency Fund for Emergencies or Immediate Needs of FY2024	23	
Total	145	

Under the FY2025 Budget, the government has budgeted 187.7 billion baht for stimulating economic growth and building economic resilience. There is still the need to monitor the design of the measures that will utilize this budget.

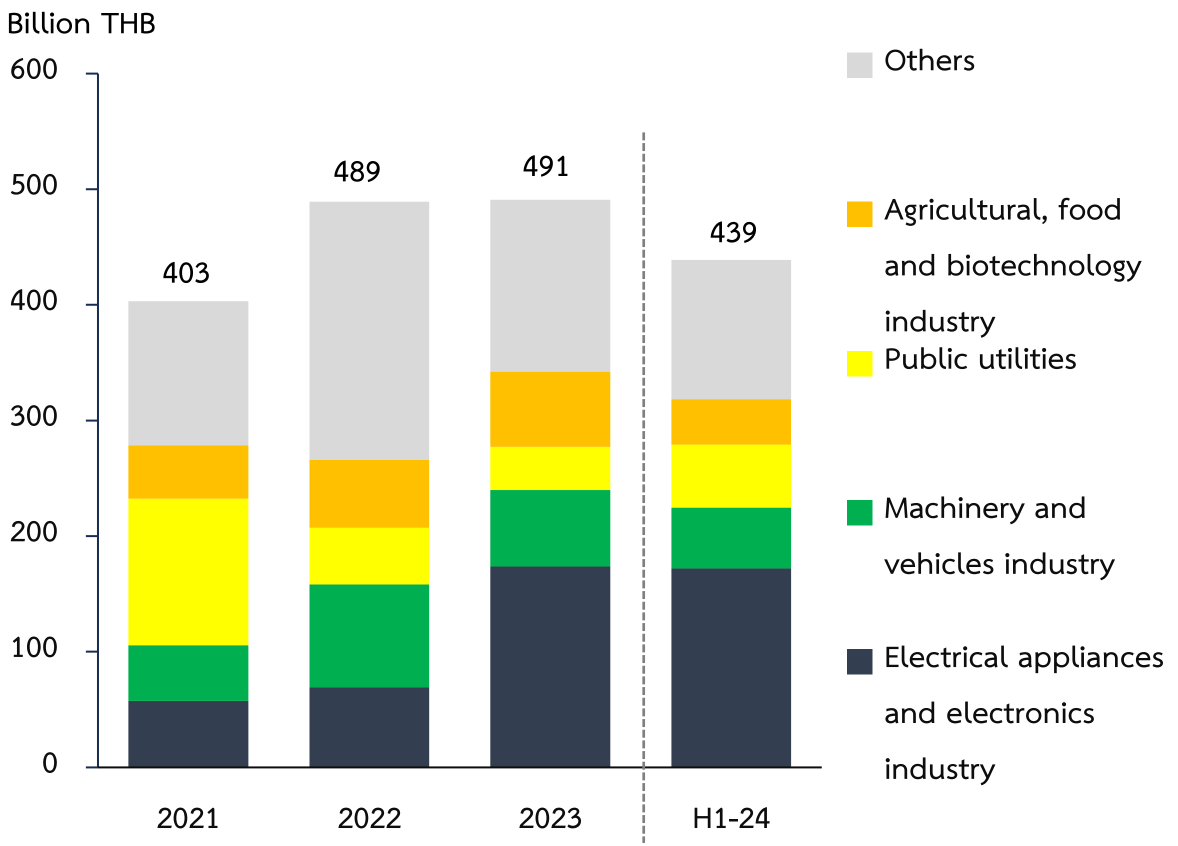
Private investment would contract in 2024 mainly due to a contraction in motor vehicles investment. Nonetheless, investment in machinery and equipment would still expand, driven by new investment, consistent with the value of investments that received BOI promotion certificates, which is projected to be higher compared to 2023.

Contribution to private investment growth



Note: ( ) denotes average share in total private investment from 2020 to Q2-2024
Source: NESDC calculated by BOT

Value of BOI promotion certificate issuance



Source: Thailand Board of Investment

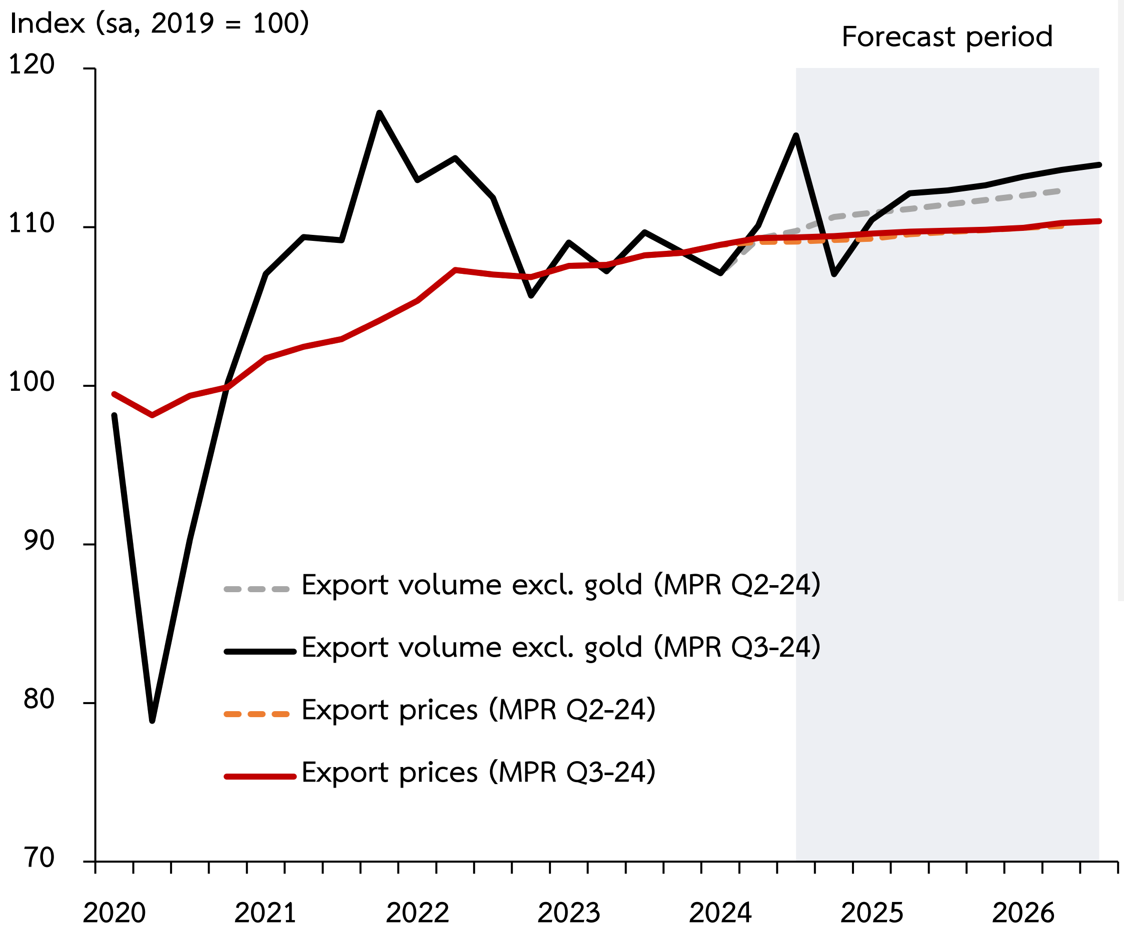
Private investment projection

%YoY	2023*	2024	2025
Private investment	3.2	-2.8 (3.3)	2.9 (3.2)

Note: * denotes outturn and ( ) denotes previous forecast in the Monetary Policy Report Q2-2024

Merchandise exports would expand, mainly driven by the recovery in the global electronics cycle.

Projected merchandise exports (excl. gold)



- **Merchandise exports growth in Q2-2024 was stronger than expected.** This was mainly attributed to exports volume, especially electronics exports to the US market. Exports volumes for the remainder of 2024 are also likely to be higher than expected due to a temporary acceleration in exports in Q3-2024 driven by concerns about geopolitics and supply shortage from trading partners. **Meanwhile, export prices were higher than expected** especially agricultural prices.
- **Exports would likely expand in the period ahead** driven by exports of electronics, machinery and equipment, as well as agricultural and agro-manufacturing products which continues to have demand from abroad. **Exports prices would likely remain high** in line with rising global commodity prices, although agricultural prices might decline somewhat due to the transition to La Niña weather.
- **Risks to exports outlook:** (1) geopolitical tensions especially uncertainties in foreign trade policies that could impact global trade volumes, and the impact from potential change in global trade landscape on Thai exports; and (2) environment-related policies such as Australia's New Vehicle Efficiency Standard (NVES) that would impact exporters and manufacturers of motor vehicles and auto parts.

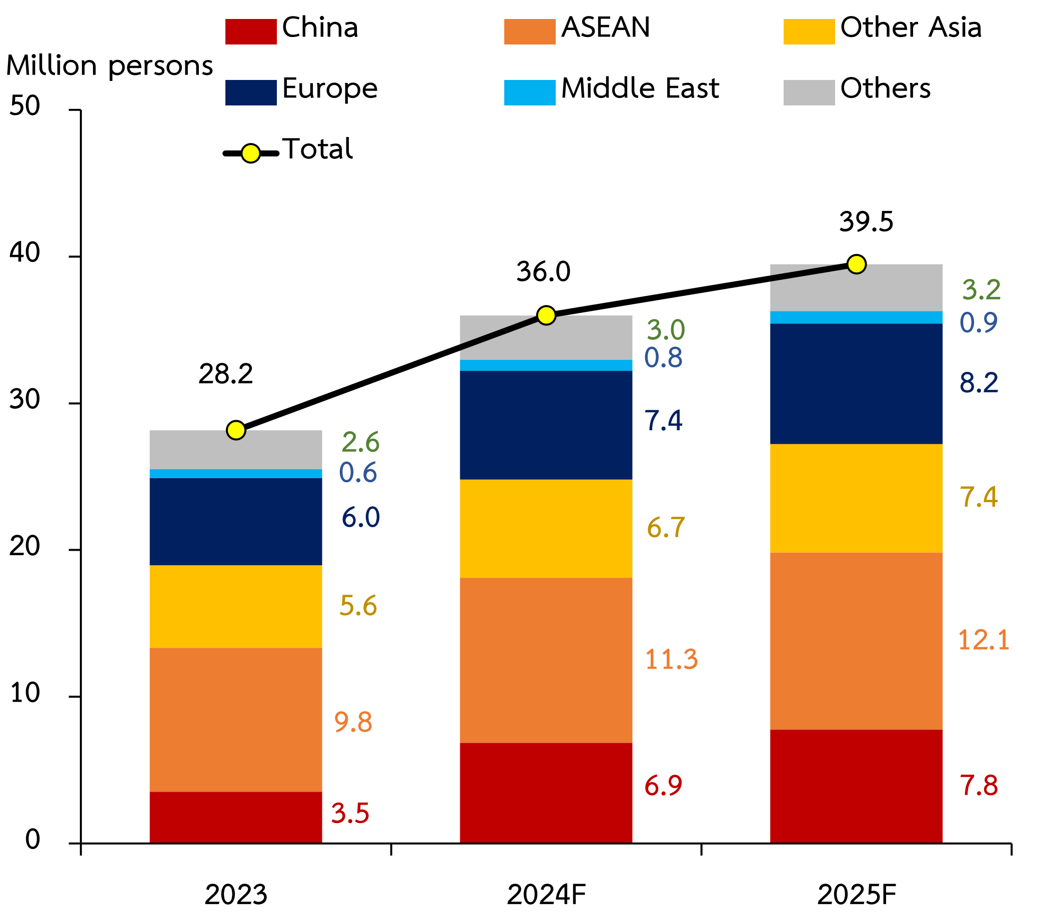
Merchandise exports projection

Growth (%YoY)	2023*	2024	2025
Export value	-1.5	2.8 (1.8)	2.0 (2.6)
Export prices	1.2	1.3 (1.0)	0.5 (0.5)
Export volume	-2.7	1.5 (0.8)	1.5 (2.1)

Note: * denotes outturn and ( ) denotes previous forecast in Monetary Policy Report Q2-2024

Foreign tourist arrivals would continue to recover in 2024 on the back of global tourism demand and positive effects of government measures.

Projection of foreign tourist arrivals



Source: Ministry of Tourism and Sports, BOT forecast

Projection of foreign tourist arrivals and tourism receipt

	2019*	2022*	2023*	2024	2025
Million persons	39.9	11.1	28.2	36.0 (35.5)	39.5 (39.5)
% of 2019 figure	-	28%	71%	90% (89%)	99% (99%)
Tourism receipt (Trillion baht)	1.9	0.5	0.9	1.4 (1.4)	1.6 (1.6)

Note: * denotes outturn, ( ) denotes previous forecast in Monetary Policy Report Q2-2024

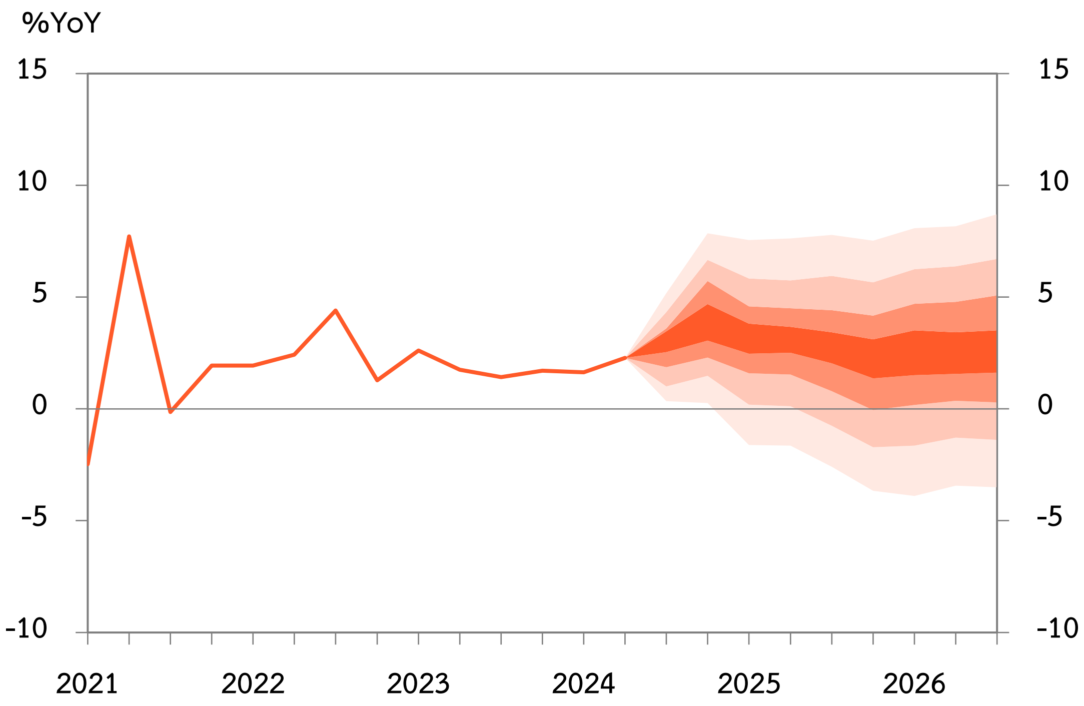
- **Foreign tourist arrivals forecast for 2024 has been revised up to 36.0 million, while the forecast for 2025 remains unchanged at 39.5 million.** The cumulative number of foreign tourists in the first three quarters of 2024 reflected a stronger-than-expected recovery. This is due to (1) improved global tourism demand (2) sufficient seat capacity, bolstered by government initiatives to encourage airlines to increase flight frequencies, and (3) positive effects of government measures to facilitate tourism, such as additional visa exemptions (Visa Free), which are now granted to 93 countries in total.
- **Tourism receipt forecast remains unchanged at 1.4 trillion baht in 2024 and 1.6 trillion baht in 2025,** driven by an expected increase in per capita spending, particularly in hotel and activity-related expenses. However, there is still the need to monitor specific factors that could affect tourism receipt such as the shorter length of stay compared to the pre-COVID-19 period (2019) and changes in tourists' spending patterns.

Summary of the economic forecast by component

Services exports	Services exports would continue to recover in 2024 and 2025 due to 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 36.0 million persons in 2024 and 39.5 million persons in 2025. However, there remains the need to monitor the shorter length of stay compared to the pre-COVID-19 period as well as changes in tourists' spending pattern going forward.
Merchandise exports (value)	Merchandise exports would continue to expand in 2024 and 2025. In particular, electronics exports would benefit from trading partners' economic growth and growing global demand for electronics. Additionally, the global trend of increased investment in data centers is anticipated to boost exports of hard disk drives. However, certain export products would still be under pressure such as passenger vehicles and pickup trucks, for which demand is still slowing down among ASEAN markets. The forecast for trade balance has been revised up slightly, while the net services income and transfers have been revised down due to backward data revisions and higher profit repatriation. The overall balance of payment is projected to be USD 10 billion in 2024.
Private consumption	Private consumption would continue to expand in 2024 and 2025 supported by the 2024 economic stimulus measure for state welfare cardholders and people with disabilities that was implemented in late September. These stimulus measures would provide short-term support for income, consumer confidence, and spending among low-income households, partially offsetting the contraction in consumption of durable goods. Private consumption is expected to slow down in 2025 due to a high base effect from the preceding year, coupled with the persistent drag from elevated household debt levels.
Private investment	Private investment would contract in 2024 due to a contraction in investment in motor vehicles and construction. Meanwhile, investment in machinery and equipment would still expand. Private investment growth is expected to turn positive in 2025 in line with the overall economic expansion and would benefit from investment in new industries as reflected in the increasing value of investments that received BOI promotion certificates in earlier periods, and investments in some public-private partnership (PPP) projects that were delayed last year being shifted to 2025.

Upside risks to the growth outlook are on par with downside risks. The impact of government stimulus measures might be larger than expected, while domestic and external factors could also slow down more than expected.

GDP growth forecast



Upside risks:

- The impact of government stimulus measures might be larger than expected

Downside risks:

- Domestic demand might slow down more than expected due to various factors such as the uneven income recovery across different groups, and slowing loan growth.
- Global economy might slow down more than expected, or US trade policies might have a greater-than-anticipated adverse impact on global trade.

Box 1: The uneven recovery across sectors

Box 1: The uneven recovery across sectors

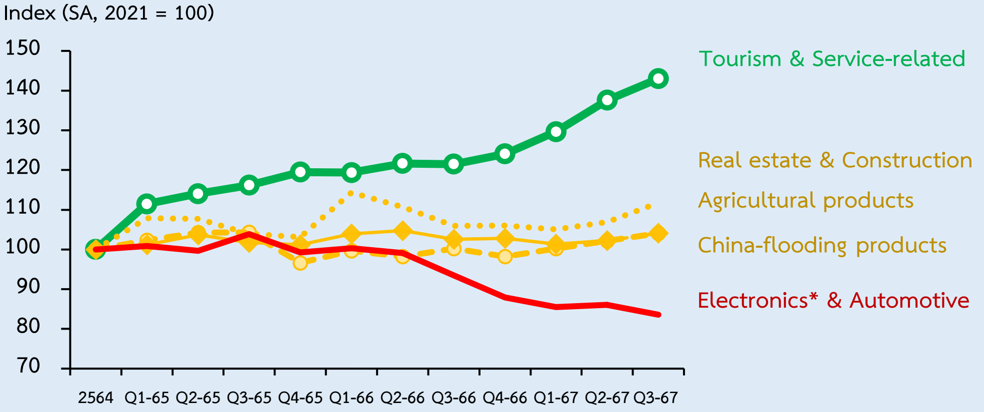
After the COVID-19 pandemic, the Thai economy overall had been recovering at a gradual pace since 2022 with tourism and the services sector as the key drivers of growth. However, the pace of economic growth was still below the average levels seen pre-COVID-19[1/]. This was because **each business sector was facing different cyclical and structural factors that resulted in an uneven recovery across sectors** (Chart 1). Insights from field survey under the Business Liaison Program (BLP) showed that businesses and workers in certain sectors that have yet to fully recover faced continued hardships. The sectors can be classified into 3 groups:

1. Businesses with strong growth namely tourism-related businesses and the services sector **(accounting for 60% of GDP and 44% of the total labor force).** This group's revenue has continued to recover on the back of increasing foreign tourist arrivals and consumption spending by domestic households. In the period ahead, revenue should continue to recover, albeit at a more moderate pace due to the slowdown in foreign tourist arrivals and private consumption after having accelerated sharply in earlier periods. In addition, the recovery in each tourism-related sectors had different characteristics due to shifts in tourist preferences and spending behaviors post-COVID-19 pandemic. Currently, most tourists are free individual traveler (FIT), staying in hotels rated 4-star and above, and consuming street food that were trending online. As such, hotels rated 4-star and above, as well as businesses in the key tourism areas, experienced a stronger recovery than other businesses. The room rates of hotels rated 4-star and above increased by more than 15%[2/] from pre-COVID-19 levels. Conversely, 3-star and lower-rated hotel and businesses in secondary cities experienced a slower recovery because they remain reliant on group tours, which have not recovered much since. As such, those businesses were facing strong competition.

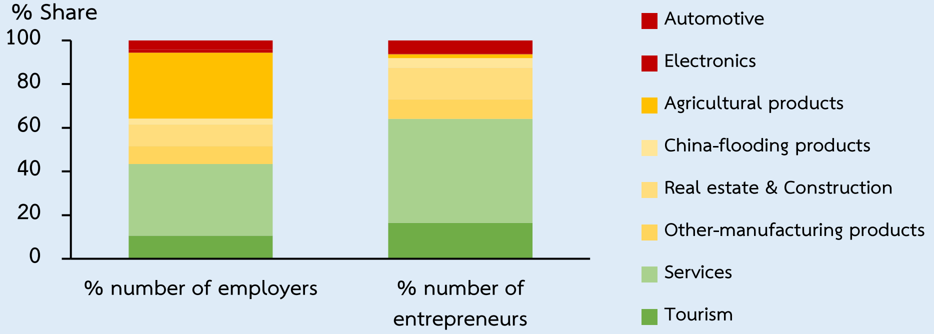
Remark: [1/] Average GDP growth in 2022-2023 = 2.2% and 2011-2019 = 3.7%. Data from NESDC, calculated by BOT

[2/] Findings from Hotel Business Operator Sentiment Index (HSI) in March 2024 surveyed by BOT and Thai Hotels Association

Chart 1: Business recovery and importance to GDP in terms of number of employees and entrepreneurs



Remark: Tourism & Service-related was calculated from average VAT sales.
Real estate & Construction was calculated from average VAT sales.
Agricultural products was calculated from agricultural production index.
China-flooding products / Electronics / Automotive / and Other-manufacturing products was calculated from manufacturing production index (MPI)
* Electronic products in MPI excluded communication equipment and computer parts



Source: Data from Revenue Department, OAE, NESDC, OSMEP, BOT and National Statistical Office, calculated and analyzed by BOT

Box 1: The uneven recovery across sectors

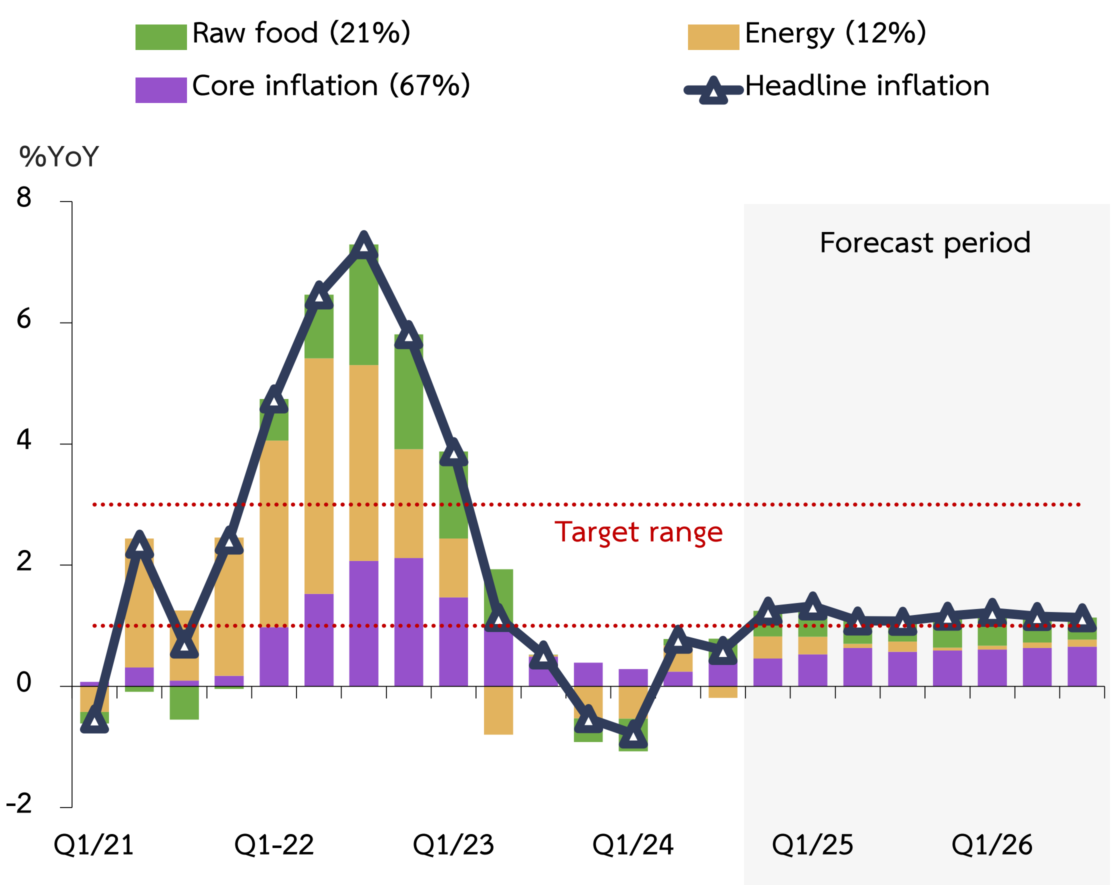
2. Businesses with stable performance namely businesses facing competition from China, property and construction, and agricultural products **(accounting for 34% of GDP and 51% of the total labor force).** Businesses facing competition from Chinese goods include textiles, furniture, metals, small electrical appliances, and chemicals where the ratio of imports from China to domestic demand[3/] increased significantly from an average of 27% in 2019 to 36% in the first half of 2024. Manufacturing businesses in this group have yet to fully recover, although some manufacturers were able to shift to producing higher-value products to some extent. The property sector recovered slowly, with sales contracting in the first quarter across almost all segments, especially residential properties priced below 3 million baht. Sales of residential properties priced 3-5 million baht declined significantly in the recent period, while sales of residential properties priced higher than 10 million baht were still expanding in major provinces and vacation areas driven by demand from foreigners or Thais from other provinces. The construction sector recovered slowly overall with most businesses facing liquidity problems and difficulties in accessing credit. The situation for construction businesses was worsening in line with a decline in new residential projects. Meanwhile, construction businesses working on government projects saw improvements thanks to the ongoing disbursement of the fiscal budget. Agricultural products were impacted by El Niño, which resulted in lower crop output during the first half of the year, although this should gradually improve as weather conditions become more favorable.

3. Businesses with negative growth namely electronics and electronics parts manufacturers, and automobile-related businesses **(accounting for 6% of GDP and 5% of the total labor force).** Electronics parts manufacturers face problems of high inventory levels among their trading partners resulting from inventory accumulation following the electronics parts shortage during COVID-19. Electronics exports in the first half of 2024 therefore contracted. For the latter half of 2024, certain export products would improve on the back of the recovery in the global electronics cycle such as hard disk drives, and lens for cameras and CCTVs. Nonetheless, Thai businesses are unlikely to benefit much from a strong expansion in artificial intelligence-related products going forward. This is because currently there are not many Thai businesses that have upgraded their manufacturing capabilities to produce such products. In this regard, exports of ICs would continue to contract. Automobile-related businesses contracted overall. Automobile sales in Thailand have seen negative growth since the end of 2023 due to several factors namely (1) lower purchasing power from the slow economic recovery and high debt levels; (2) EV price war prompting some consumers to delay their purchase decisions; (3) commercial banks exercising greater caution for hire purchases; and (4) lower second-hand car prices making consumers less able to trade-in their current car as a down payment for a new car while commercial banks are also at risk of making a loss on repossession of cars from their debtors. Nonetheless, car manufacturers are expecting sales to gradually improve and turn slightly positive in 2025[4/]. Automobile exports are expected to recover towards the end of this year after having slowed down in tandem with trading partners' economic growth. Furthermore, there are risks stemming from Australia's implementation of New Vehicle Efficiency Standard (NVES)[5/] in 2025 as about half of the car models produced in Thailand might not pass the NVES standards.

Note: 3/ Source: Data on imports value and sales of goods manufactured in Thailand from the Office of Industrial Economics and Thai Customs, BOT calculation
4/ Data from BOT's Business Liaison Program in 2024
5/ NVES is a new efficiency standard for green house gas emission by new vehicles.

Headline inflation forecast for both 2024 and 2025 is largely unchanged.

Contribution to headline inflation



Note: ( ) denotes weight in CPI basket

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

Inflation forecast

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

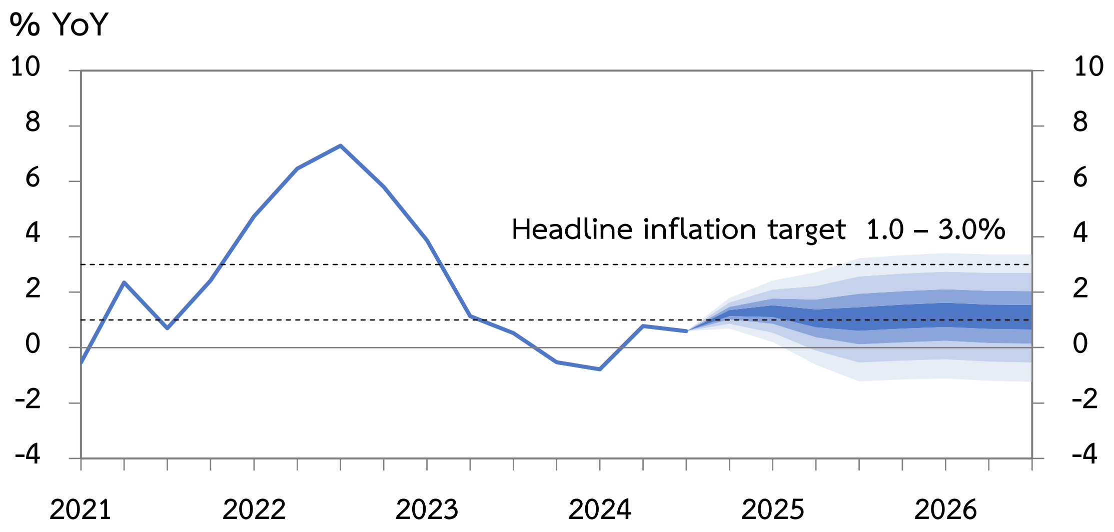
Note: * denotes outturn and ( ) indicates previous forecast in the Monetary Policy Report Q2-2024

- **Headline inflation forecast for 2024 and 2025 is largely unchanged from the previous assessment.** Energy prices forecast is revised down due to declining global crude oil prices that was partly driven by concerns about global economic growth and slowing demand from China; and lower electricity prices resulting from government energy price subsidies. Meanwhile, raw food prices forecast for 2024 increases primarily due to the impact of severe flooding that affected vegetable prices. The base effect of high vegetable prices in 2024 would result in a slowdown in raw food prices in 2025.
- **Core inflation forecast is largely unchanged.**

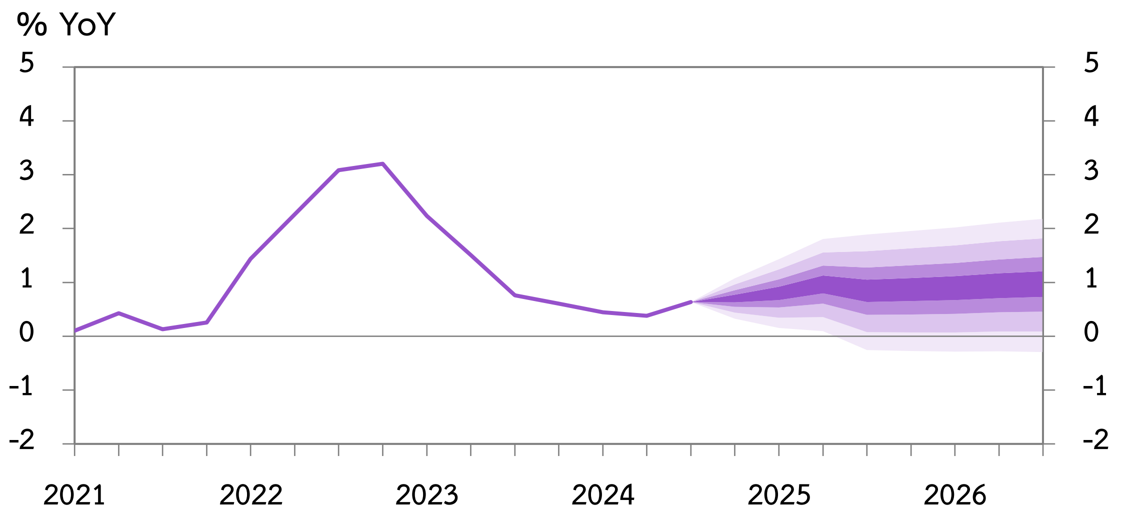
Box 2: Is the current low inflation a concern?

Risks to the inflation outlook are balanced for 2024 and tilted to the downside for 2025.

Headline inflation forecast



Core inflation forecast



Upside risks:

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

Downside risks:

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

Box 2: Is the current low inflation a concern?

1. The current low inflation does not indicate signs of deflation

Deflation is a condition where the prices of goods and services in an economy broadly decline, leading people to form expectations that prices would continue to decline in the future and, therefore, decide to delay their spending decision until prices go even lower. However, inflation in Thailand's current context is very different from deflation because **(1) the decline in prices is limited to just some goods** (relative price change), such as oil prices, which are falling in line with global energy prices; **(2) decline in prices is not broad-based.** Recently, only 25% of goods and services in the CPI basket have been experiencing declining prices, which is in line with past developments; and **(3) medium-term inflation expectations remain stable around the midpoint of the target range.**

2. Low inflation is a result of structural factors

Overall, low inflation in Thailand can be attributed to several structural factors, such as **(1) Globalization** creates lower production costs and higher competition especially ever since China became a member of WTO in 2001. This led to cheap Chinese goods and raw materials being exported to markets around the world. Additionally, the prolonged US-China tensions and the overcapacity in China, which started in 2020 have contributed to Thailand's higher trade deficit with China since 2010. **(2) Labor market in Thailand is flexible** with large agricultural and informal sectors helping to support self-employed and migrant workers during an economic slowdown, and easy re-entry into non-agricultural sectors when the economy recovers. This flexibility in the labor market resulted in economic expansion having limited impact on wage increases.

3. Low inflation helped with living costs especially for low-income households.

While inflation in Thailand has declined and is now at a low level, prices of goods are still higher than pre-COVID-19 levels (2019), especially energy and food prices such as retail fuel, pork, eggs, and vegetable prices, which are 25-40% higher and contributed to a high living costs. For low-income households, debt levels remain high, and their income are recovering slowly, especially those who are self-employed. Low-income households are, therefore, vulnerable and have higher spending burden than other groups, as reflected in data gathered through the 2023 Socio-Economic Survey, which found that low-income households (bottom 20%) have almost twice the debt service to monthly income ratio compared to other income groups. **Low-income households are therefore likely to be impacted by higher living costs** for 2 main reasons:

Box 2: Is the current low inflation a concern?

(1) Spending of low-income households is mostly concentrated on food, the prices of which have increased sharply in recent period. The share of spending on food for low-income households is 46% of total spending, while such share for high-income households is only 30%[1/].

(2) Low-income households are affected by "cheapflation"[2/], a phenomena where economical products tend to see larger price increases compared to premium products. This phenomenon is observed in many countries, especially during periods of high inflation, and can partly be attributed to the fact that economical products have low profit margin and thus the manufacturers need to raise prices when input costs increases. Additionally, demand for economical products could rise during high inflation as consumers of premium products switch to economical options. In Thailand's case, an analysis of consumer price data from various supermarkets' websites (around 12,000 items[3/]) shows that since 2021 when inflation was high, food prices in the economical category increased as much as 2.7%, while food prices in the premium category increased by only 0.8%. Although non-food prices declined, prices of economical products declined by only 0.9% while prices of premium products declined by 2.3% (Chart 1 and 2). Considering the overall picture since 2022 across 23 products[4/] in the sample, economical products underwent a larger price increase of 1.8% compared to premium products (Chart 3).

Chart 1: Inflation of selected online products on average from January 2022 to September 2024

	Number of products	Weight (%)	Economical products (%YoY)	Premium products (%YoY)	The difference between economical and premium products (%)
All products	23	100	2.0	0.2	1.8
- Food	13	80.4	2.7	0.8	1.9
- Non-food	10	19.6	-0.9	-2.3	1.5

Source: BigC, Tesco, and Tops online, BOT calculation.

Note:

[1/] Further reading: Special Issue 4 "Impact of inflation on households across different income groups" (Monetary Policy Report Q1/2022)

[2/] "Price discounts and cheapflation during the post-pandemic inflation surge" (Cavallo and Kryvtsov, 2024)

[3/] Price index of selected online products is calculated from the unit price of each product within the category: (1) economical products with lower unit price (1st quantile) and (2) premium products with higher unit price (4th quantile)

[4/] Food products include rice, pork, chicken, shrimp, chicken eggs, milk, powdered milk, vegetable oil, fish sauce, tomato sauce, drinking water, ice cream, and instant noodles.

Non-food products include detergent, dish liquid, toilet cleaners, floor cleaners, shower products, shampoo, toothbrush, toothpaste, toilet paper, and diapers.

Box 2: Is the current low inflation a concern?

In summary, the current low inflation is not a concern as it does not indicate signs of deflation, which would have been reflected by a broad-based and continuous decline in prices of goods and services due to a contraction in demand. **Low inflation helped with living costs, especially for low-income households,** who face both higher inflation than other income groups due to their relatively larger share of spending on food and a "cheapflation" phenomenon.

Chart 2: Inflation of selected online products
on average from January 2022 to September 2024

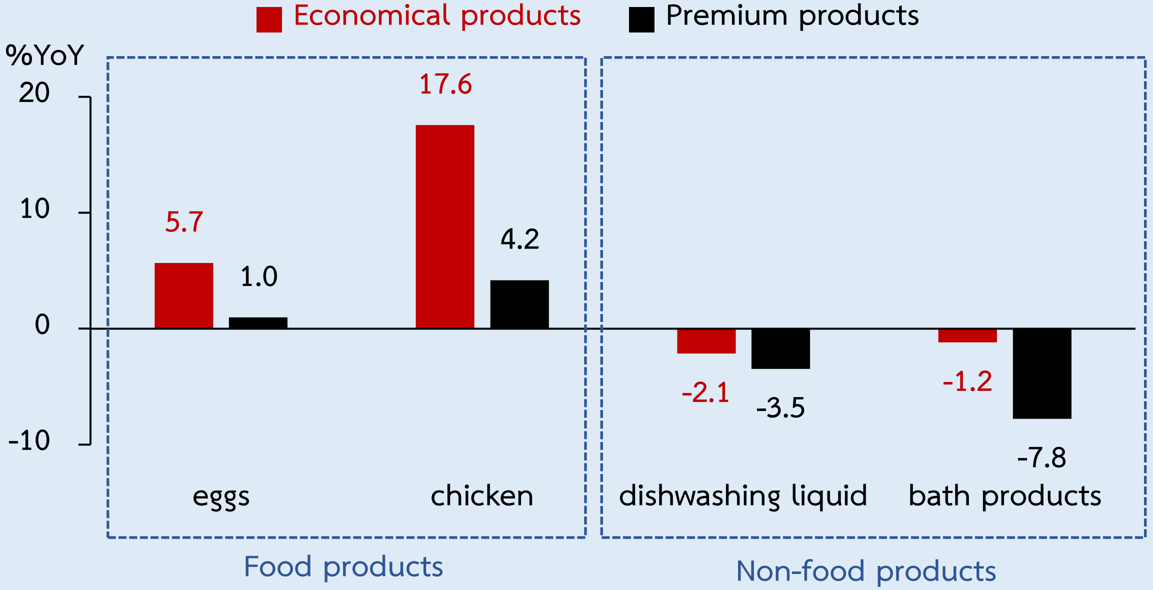
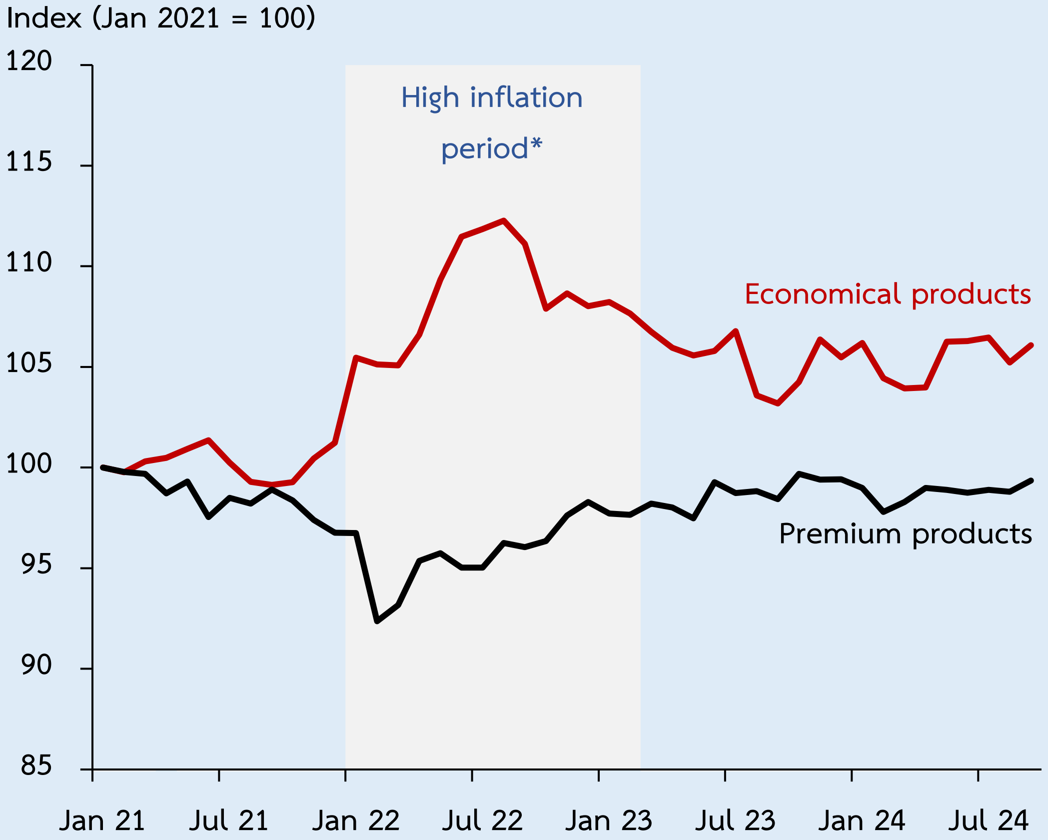


Chart 3: Price index of selected online products



Note: *Headline inflations were more than 3 percent

Source: BigC, Tesco, and Tops online, BOT calculation.

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Summary of key forecast assumptions

Annual percentage change	2023*	2024	2025
Trading partners' growth (%YoY)[1/]	2.8	2.8 (2.7)	2.6 (2.7)
Fed funds rate (% at year-end)	5.25 - 5.50	4.25 – 4.50 (4.75 – 5.00)	3.25 – 3.50 (3.75 – 4.00)
Regional currencies (excl. China) vis-à-vis the U.S. dollar (index)[2/]	166.2	167.8 (168.9)	158.7 (164.8)
Dubai crude oil prices (U.S. dollar per barrel)	82.1	80.0 (84.0)	80.0 (80.0)
Farm income (%YoY)	-0.7	4.3 (3.0)	-3.4 (-1.6)
Government consumption at current price (billion baht)	2,983	3,081 (3,053)	3,193 (3,171)
Public investment at current price (billion baht)	1,011	1,028 (1,055)	1,089 (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 Q2-2024, excluding cash hand-out scheme in 2024

- **Trading partner's growth** for 2024 would continue to expand. The US and Asia would see stronger economic growth driven by consumption and manufacturing, while China would slow down due to weak domestic consumption despite support from economic stimulus measures. For 2025, trading partners' economies would slow down, especially in China, where consumption is likely to remain weak.
- **The Federal Funds Rate** assumption for 2024 is revised down. It is expected that the Fed would cut the policy rate by a cumulative of 100 bps following signs of weakening labor market conditions and would continue to cut rates in 2025. The Federal Funds Rate is expected to be 3.75-4.00% at the end of 2025 .
- **Regional currencies (excluding the Chinese yuan)** would appreciate due to the US dollar's depreciation following policy rate cuts by major central banks. For 2025, regional currencies are expected to continue to appreciate due to more accommodative monetary policy stances among advanced economies.
- **Dubai crude oil prices** assumption for 2024 is revised down on account of lower-than-expected price outturns. For 2025, Dubai crude oil prices would be stable compared to the previous year as global oil demand picks up in tandem with increasing oil supply.
- **Farm income (excluding government measures)** growth for 2024 is revised up on account of higher prices, especially of rubber, durian, and rice, whose supply in the global market has tightened partly due to draughts during the first half of the year. For 2025, farm income would see a larger contraction due to price declines, particularly for rice, as a result of a high base effect from the previous year, while crop output is expected to be the same as the previous assessment.
- **Public spending at current prices** in 2024 and 2025 would be higher than previous year in line with the annual budget plan. Government consumption would be higher than expected due to exceeding budget expenditure especially on lump sum pension payments, pension, and medical care for civil servants. Meanwhile, government investment would be lower than expected on account of lower investment by the public sector excluding state-owned enterprises, partly due to budget shifting to the economic stimulus package.

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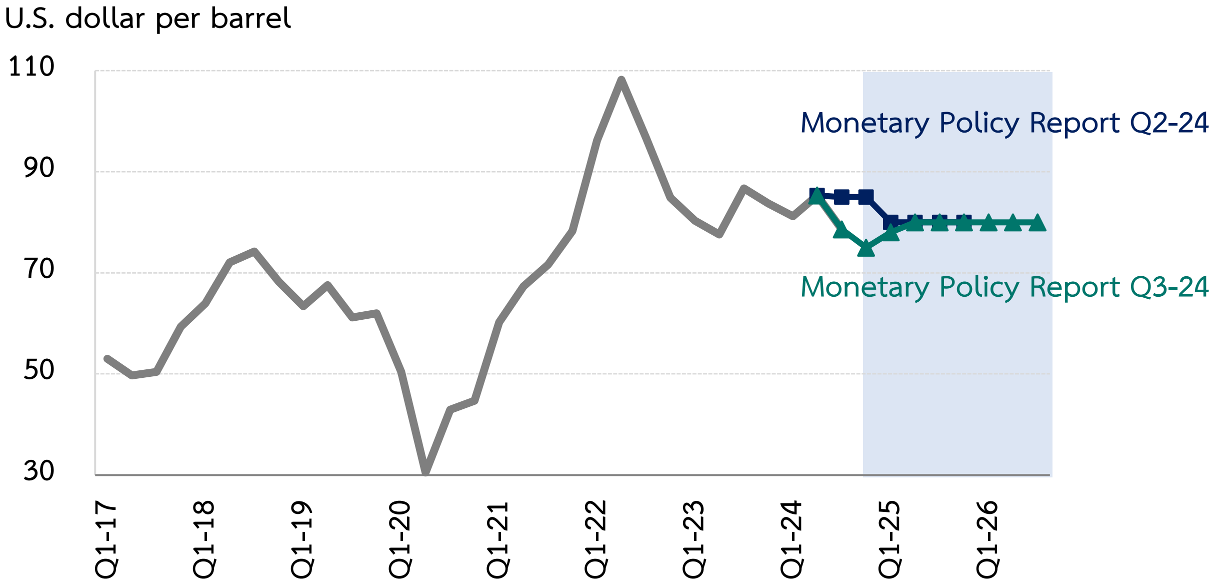
Dubai crude oil prices assumption for 2024 is revised down on account of lower price outturns, while it is unchanged for 2025.

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	80 (84)	80 (80)

Note: * Outturns

( ) Previous forecast in the Monetary Policy Report Q2-2024

Source: BOT forecast

Dubai crude oil price assumption for 2024 is revised down from 84 to 80 US dollars per barrel.

- Q4 price assumption is revised down on account of a slowdown in oil demand from China due to the slower-than-expected economic growth, especially the real estate sector which have yet to recover.

Dubai crude oil price assumption for 2025 is unchanged. The increase in global oil demand from stronger growth among the US and Asian economies would be in tandem with the increase in global oil supply.

Risks to Dubai crude oil prices outlook are now balanced.

- Upside risks: **Geopolitical tensions,** such as the Russia-Ukraine conflict, the Israel-Hamas conflict, the Israel-Iran conflict, and the Red Sea crisis, could impact oil infrastructures; **Production cuts by OPEC+ countries** could last longer or be steeper than expected.
- Downside risks: **Slower-than-expected global economic recovery** especially due to the slowdown in China and trade wars; **Oil supply from non-OPEC countries** could be higher than expected.

Overall financial conditions tightened moderately, and the impact and implications for economic activities must be monitored.

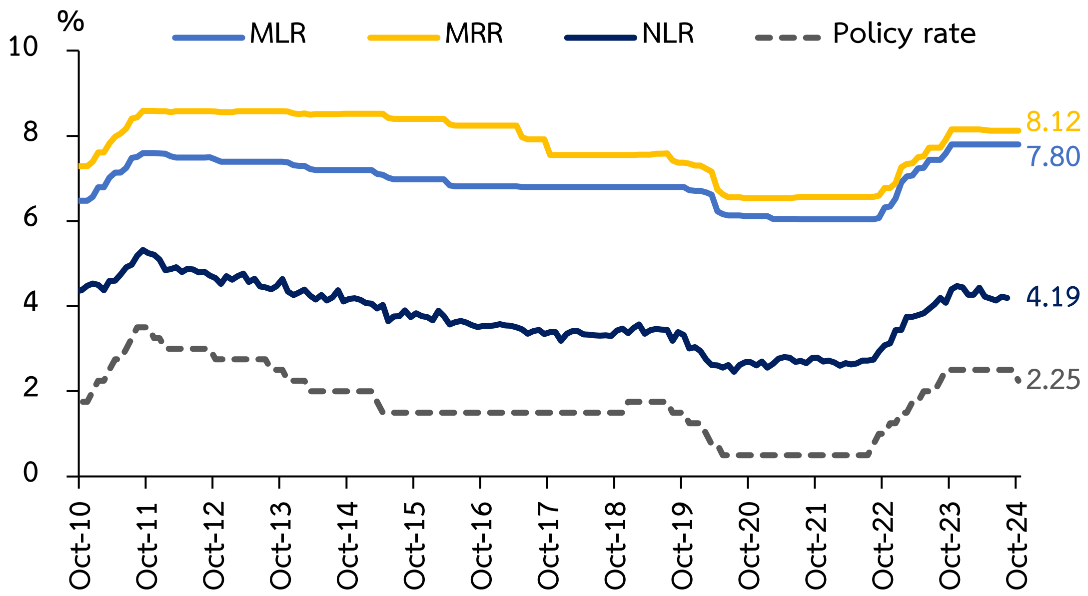
Business loans growth slowed down especially for SMEs and businesses facing structural impediments. Retail loans growth slowed down, particularly from hire purchase and credit card loans. Private sector financing costs were largely stable.

Credit quality deteriorated. This can partly be attributed to debtors who previously received financial assistance as well as SMEs and households whose income have not yet fully recovered and have high debt burden.

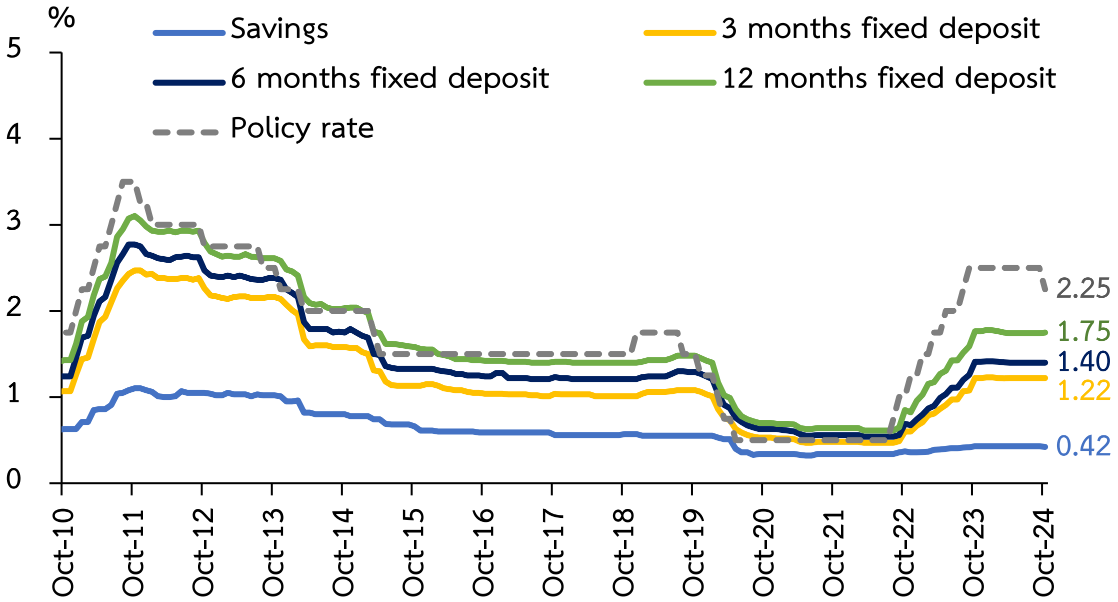
The baht appreciated, influenced by monetary policy outlooks of advanced economies and recent domestic developments.

Commercial bank interest rates remain stable, in line with the policy rate in the past. Following the latest MPC's decision, many commercial banks have started to cut interest rates, effective in November 2024.

Commercial bank lending rates



Commercial bank deposit rates



Note: (1) Monthly average of 14 commercial banks (data as of 21 Oct 2024)

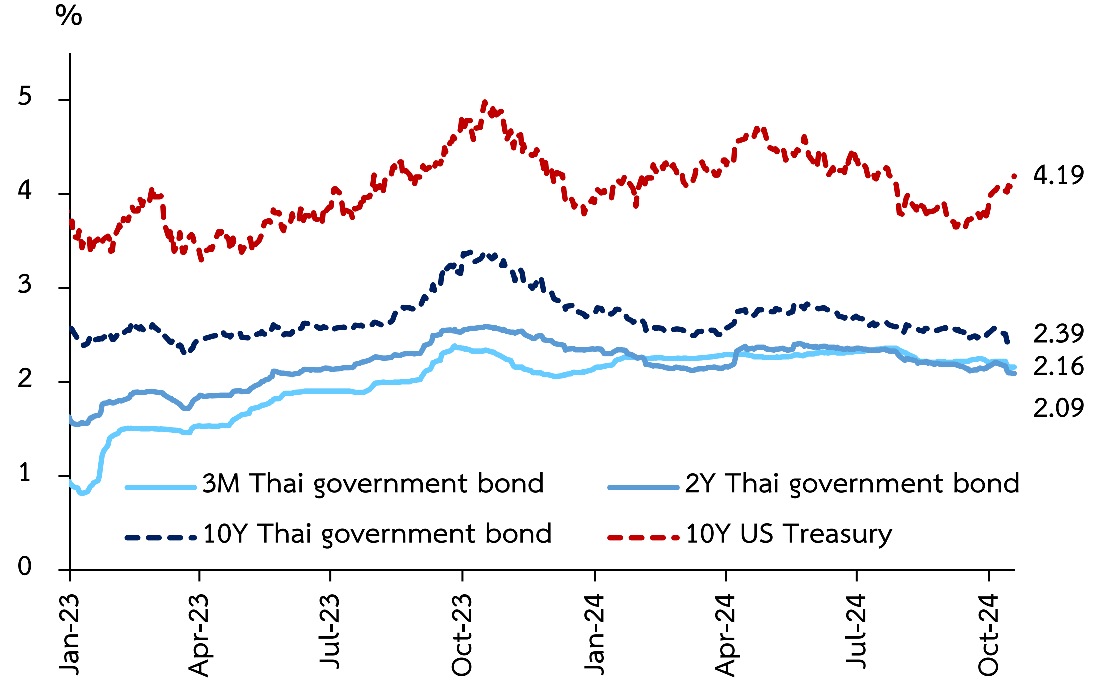
(2) NLR = new loan rate (data as of August 2024)

Source: BOT

Commercial banks' lending and deposit rates remain stable overall, in line with the policy rate in the past. The minimum loan rate (MLR) was stable at 7.80%, while the minimum retail rate was also stable at 8.12%. Meanwhile, the saving deposit rate and 3-months, 6-months, and 12-months fixed deposit rates were stable at 0.42%, 1.22%, 1.40%, and 1.75%, respectively. **The new loan rate (NLR) at end-August 2024 was stable compared to the previous quarter.** However, following the MPC's decision to cut the policy rate on 16 October 2024, many commercial banks announced cuts to their lending rates with the transmission rate of roughly fifty percent. Most of these changes will take effect on 1 November 2024.

Government bond yields declined in line with US Treasury yields and the MPC's policy rate cut. Meanwhile, financing costs in the corporate bond market were stable and policy rate transmission is expected to take place in the period ahead.

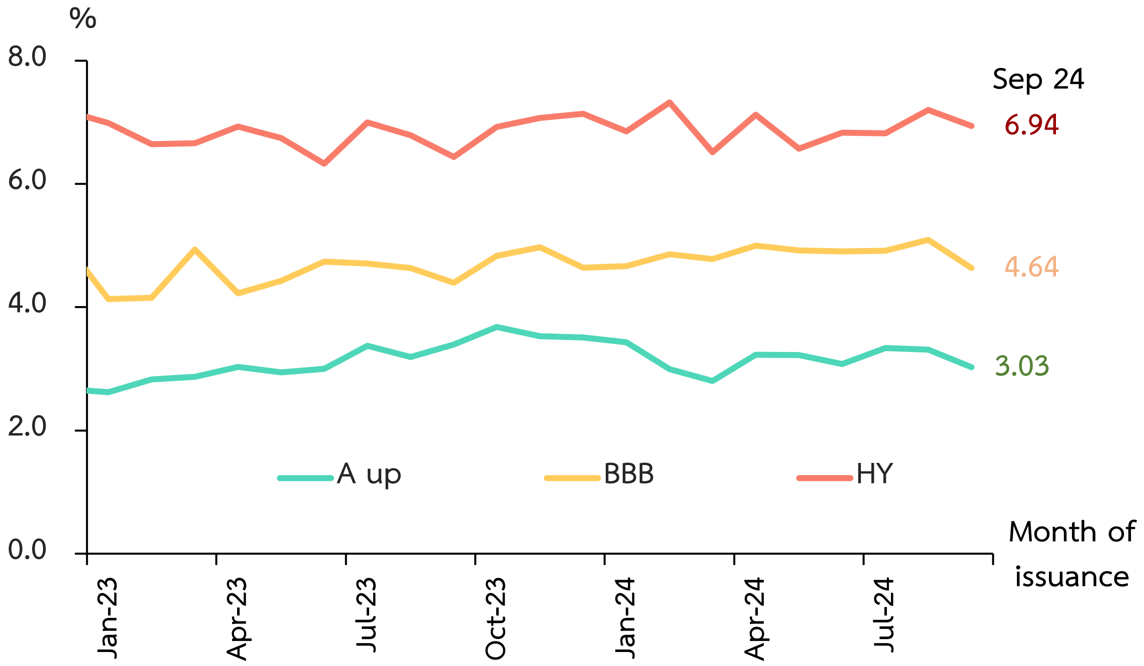
Thai government bond and US Treasury yields



Source: Thai BMA (data as of 21 Oct 2024)

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

By credit rating

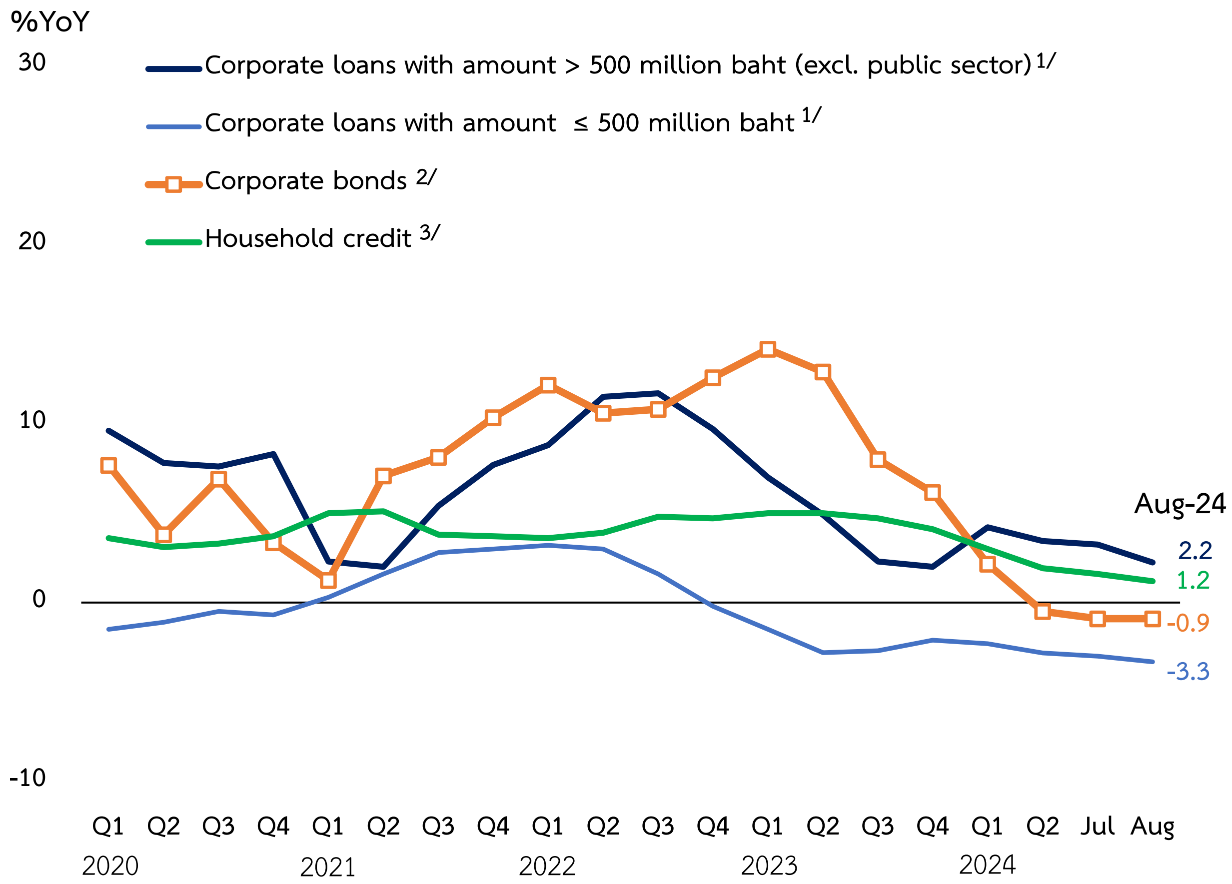


Note: * Weighted coupon rate in primary market

Both short-term and long-term government bond yields declined from the previous quarter. At the beginning, the decline in bond yields was in line with US Treasury yields. Later on, the decline was in line with the MPC's policy rate cut on 16 Oct 2024. **Corporate bond yields were stable overall**, with yield movements driven primarily by idiosyncratic factors of certain issuers. Corporate bond yields among the BBB and high-yield groups remain high reflecting investors' caution in investing in bonds of risky issuers. It is expected that declining interest rates would be transmitted to corporate bond yields in the period ahead.

Private credit growth has been slowing down since the second quarter.

Private credit



Note:
1/ Credit line at each commercial bank as of Aug 2024, the data cover credit in the financial system.
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

Large corporate loans (credit limit > 500 million baht) expanded at a slower pace. Loan growth was negative among businesses facing structural challenges, such as the automotive industry and electronics manufacturers, as well as those facing competition from Chinese products. However, credit demand is expected to increase[1/] as businesses still need credit for working capital and debt repayment purposes.

SME loans (credit limit ≤ 500 million baht) continued to contract, especially for automotive, electronics, real estate, and construction sectors where credit risks have increased and competitiveness has deteriorated.

Household credit slowed down with negative growth for hire purchase and credit card loans. This was due to commercial banks being cautious about declining credit quality and idiosyncratic factors in the automotive industry, resulting in a sharp decline in second-hand car prices. Personal loans still expanded, driven by household's demand for liquidity to finance their spendings and borrowings by small businesses to support their liquidity. Personal loans are expected to increase in the period ahead, driven by demand for liquidity and consumption spending. Meanwhile, hire purchase and mortgage loans are expected to slow down due to increased credit risks among borrowers and lower credit demand.

Note: 1/ Report on Credit Conditions for Q2-2024 and Outlook for Q3-2024

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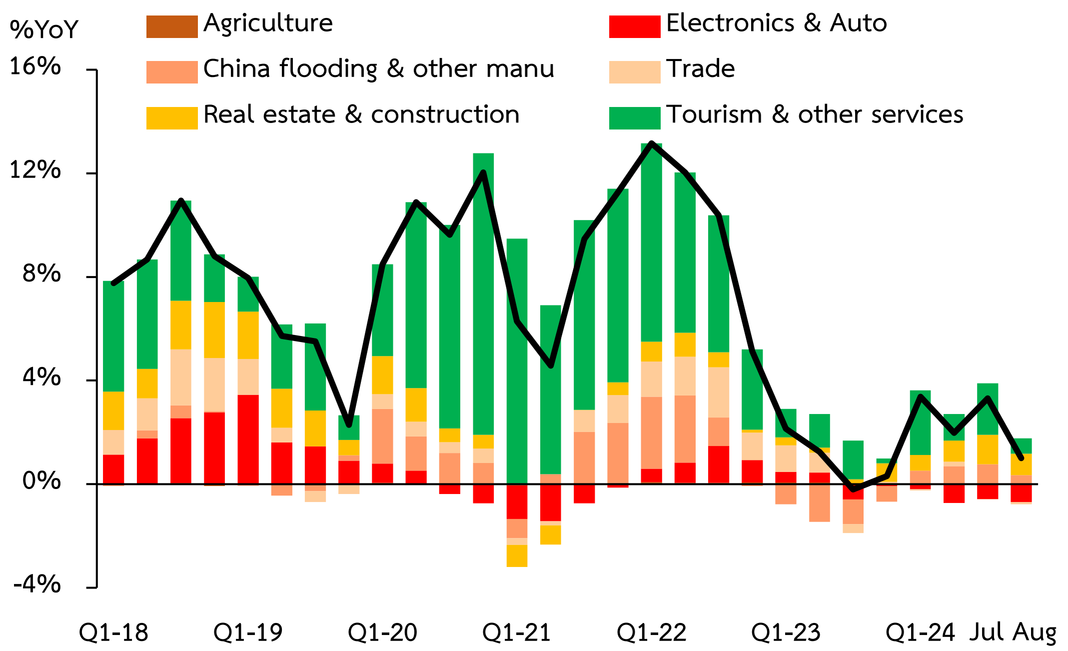
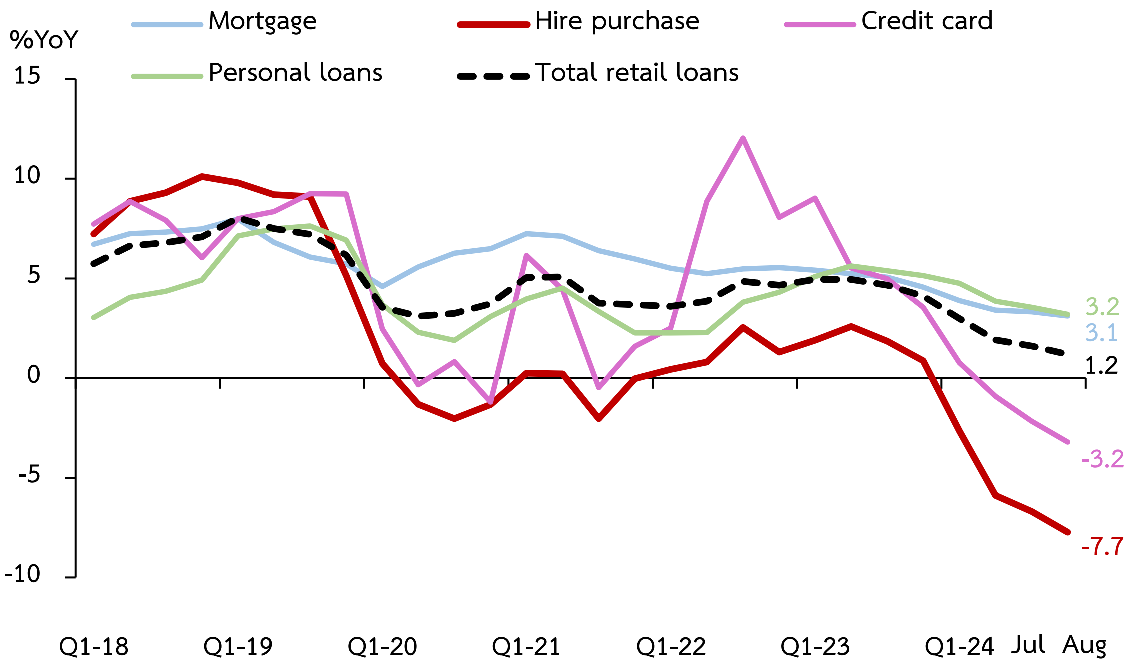
Business loans growth slowed down from those facing structural problems while retail loans growth slowed down mainly because of hire purchase and credit card loans.

Contribution to large corporate credit growth



Note: (1) Data covers loan from commercial banks;
(2) China flooding describes businesses facing pressure from influx of Chinese products such as furniture, clothing, and petrochemical products.
Source: BOT

Retail loans growth by portfolio

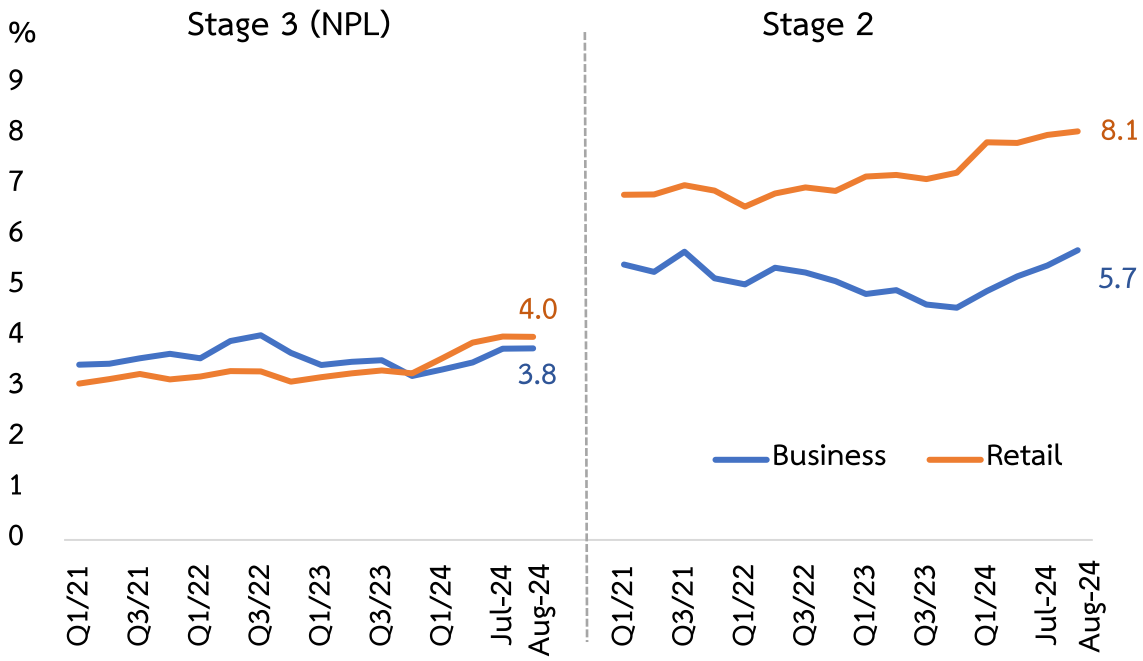


Note: Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under the supervision of the BOT
Source: BOT

Large corporate loans growth had slowed down with contraction among those facing structural problems including electronics, automotive-related businesses and businesses facing additional pressure from Chinese-flooding products such as furniture, clothing, and petrochemical products. Meanwhile, loan growths among businesses in the tourism and tourism-related services sectors have slowed down after having accelerated in the prior period as well as from repayments on loans that were extended under the government's support measures to alleviate the impact of COVID-19. **Retail loans growth also slowed down** mainly in hire purchase and credit card loans. This was partly due to tighten lending standard of the commercial banks due to increased credit risks among borrowers and idiosyncratic factors of the automotive industry.

Credit quality deteriorated and must be monitored, especially for loans extended to SMEs and low-income households. Nevertheless, the proportion of NPL remains at manageable levels and is unlikely to increase sharply (NPL cliff).

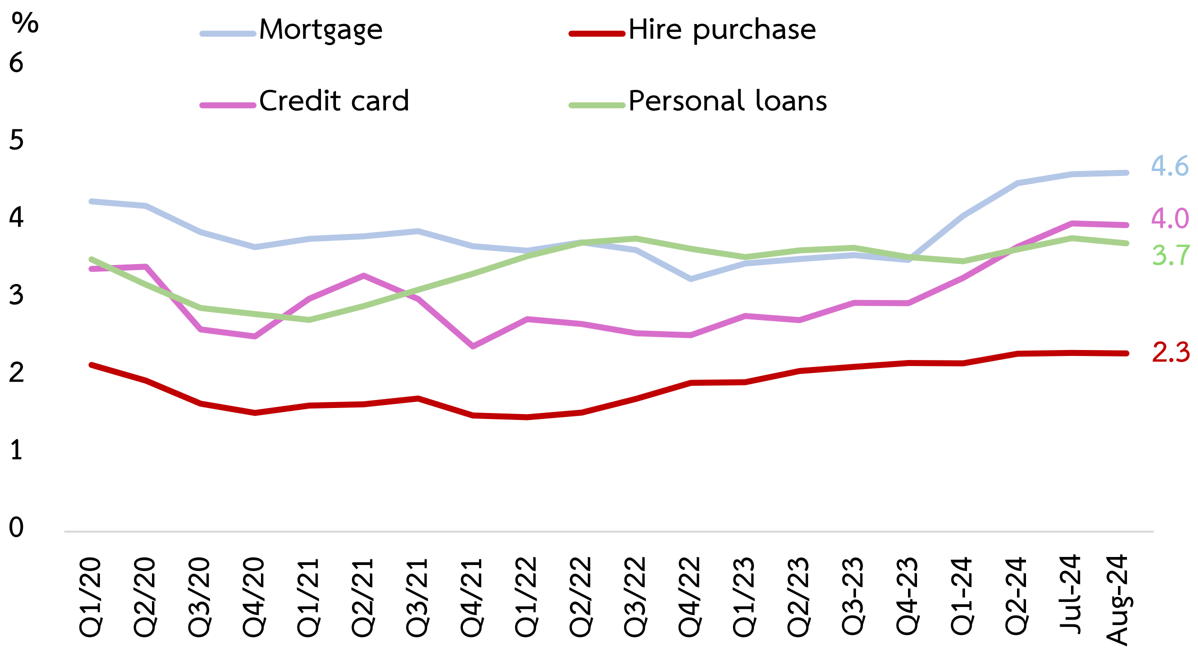
Credit quality by portfolio



Note: Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under the supervision of the BOT

Source: BOT

Stage 3 (NPL) of retail loans by portfolio



Note: Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under the supervision of the BOT

Source: BOT

Overall debt serviceability deteriorated as reflected by the increasing proportion of non-performing loans (NPL or stage 3 debt) and loans with significant increase in credit risk (SICR or stage 2 debt), especially among SMEs and retail loans namely mortgages with credit lines less than 3 million baht. Commercial banks continue to actively manage the credit quality of their lending portfolio and assist their debtors, which help stabilized the credit quality of certain groups.

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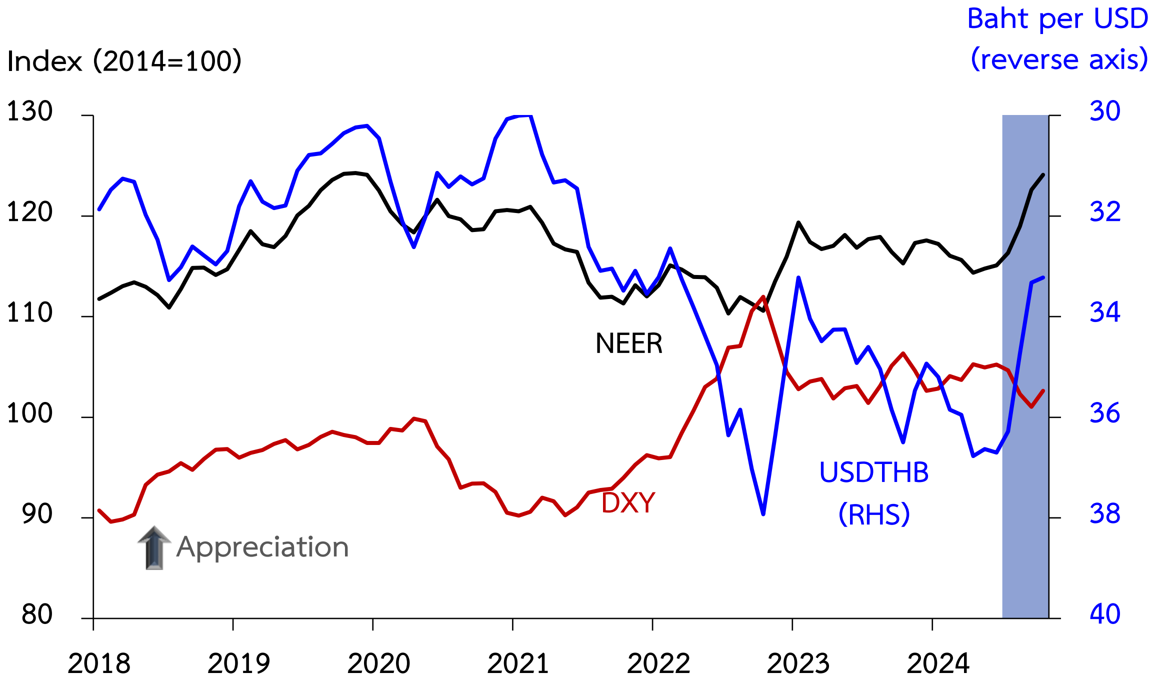
The baht on average appreciated from the previous quarter in line with the Fed's monetary policy as well as domestic factors in the recent period.

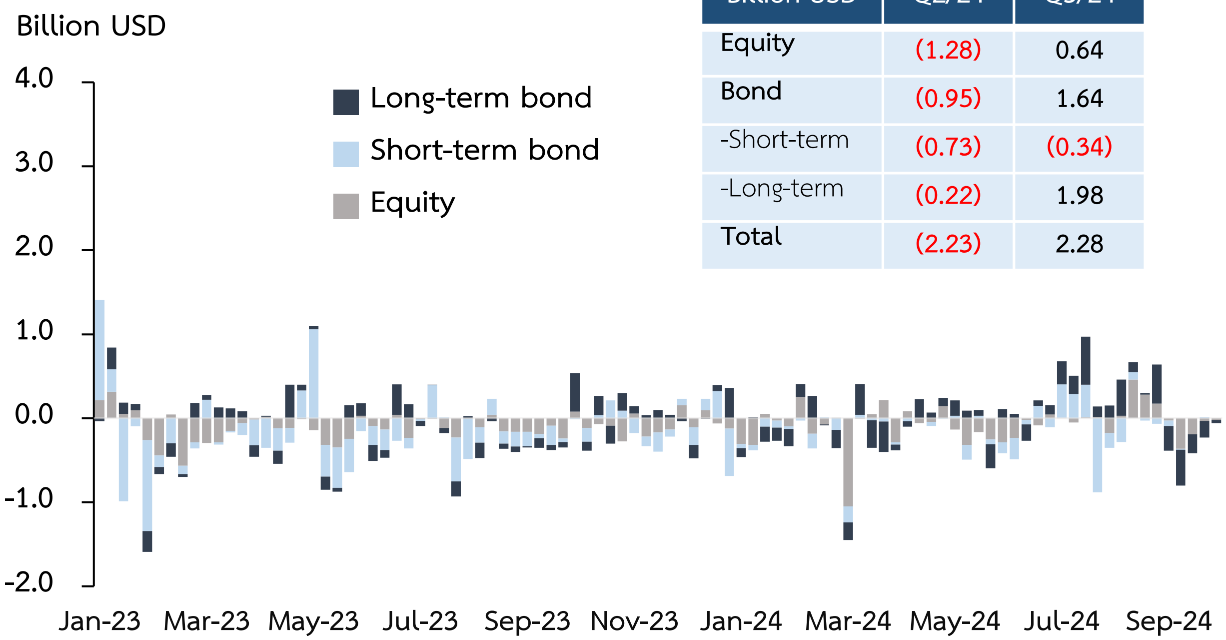
Baht per U.S. dollar (USDTHB) and exchange rate indices



Note: Monthly average (as of 21 October 2024)

Source: BOT and Bloomberg

Capital flows into Thai securities



Billion USD	Q2/24	Q3/24
Equity	(1.28)	0.64
Bond	(0.95)	1.64
-Short-term	(0.73)	(0.34)
-Long-term	(0.22)	1.98
Total	(2.23)	2.28

Note: Weekly data, cumulative from the first trading day (as of 21 October 2024)

Source: ThaiBMA

In Q3-2024, the baht average 34.78 per U.S. dollar, appreciating from the previous quarter. In August 2024, the baht appreciated strongly mainly due to external factors particularly the Fed's monetary policy which was likely to ease further given weaker-than-expected US economic growth and inflation outturns before the Fed subsequently took a larger-than-expected cut to its policy rate in mid-September. Additionally, the baht also appreciated from domestic factors namely economic stimulus measures from the government, which resulted in capital inflows into the stock and bond market, as well as higher gold prices. After the MPC cut the policy rate on 16 Oct 2024, the baht did not undergo any significant movements. **The nominal effective exchange rate (NEER) averaged 119.30, appreciating from the previous quarter** due to the baht having appreciated more relative to trading partners' and competitors' currencies.

Monetary Policy Decision: Summary of Key Considerations

The Thai economy is projected to expand as anticipated on the back of domestic demand and tourism. Private consumption would receive additional support from economic stimulus measures. Some export products and manufacturing production would still be under pressure from structural factors.

Inflation would return to the target range by the end of 2024 as anticipated and settle near the lower bound of the target range going forward.

Long-term financial stability risks have receded. Financial conditions tightened moderately. Business loans and household credit have slowed, especially among SMEs and households whose income have not yet fully recovered.

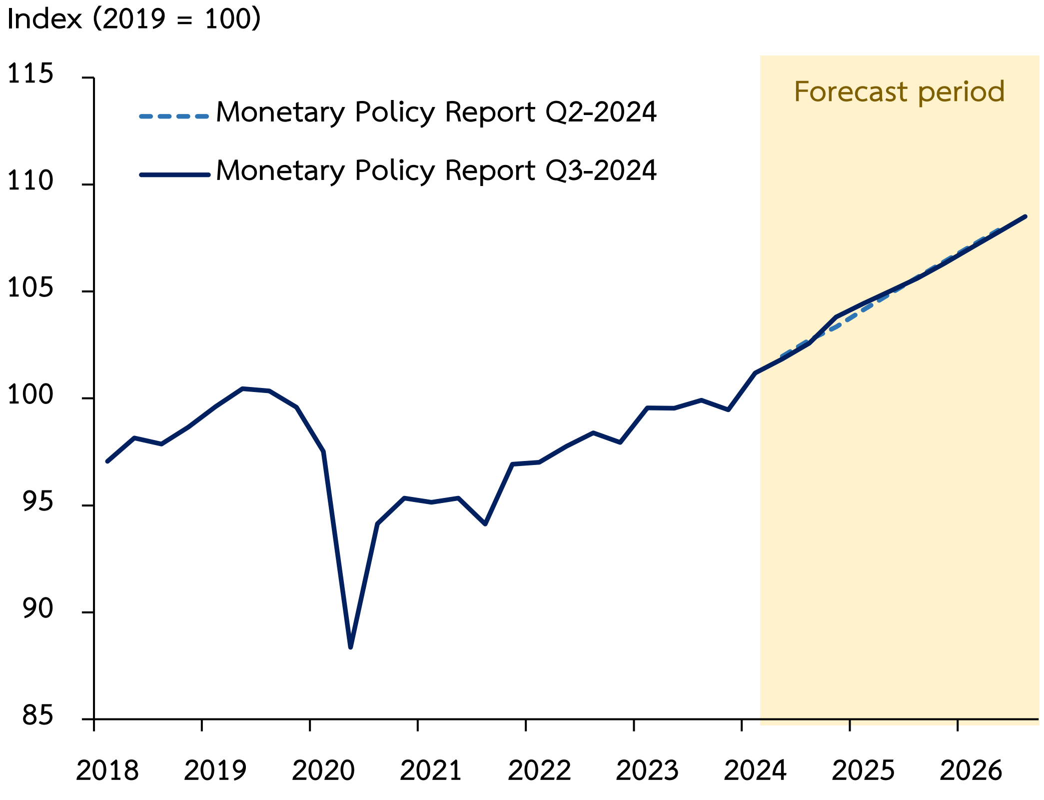
Monetary Policy Decision

The MPC decided to cut the policy rate to maintain a neutral monetary policy stance and mitigate risks of financial conditions impacting the overall economic recovery. The policy rate cut would also facilitate the ongoing household debt deleveraging process and alleviate debt burdens to some extent.

Overall economy is expanding as anticipated. Growth engine will be more balanced going forward.

The Thai economy would expand at rates close to the previous assessment.

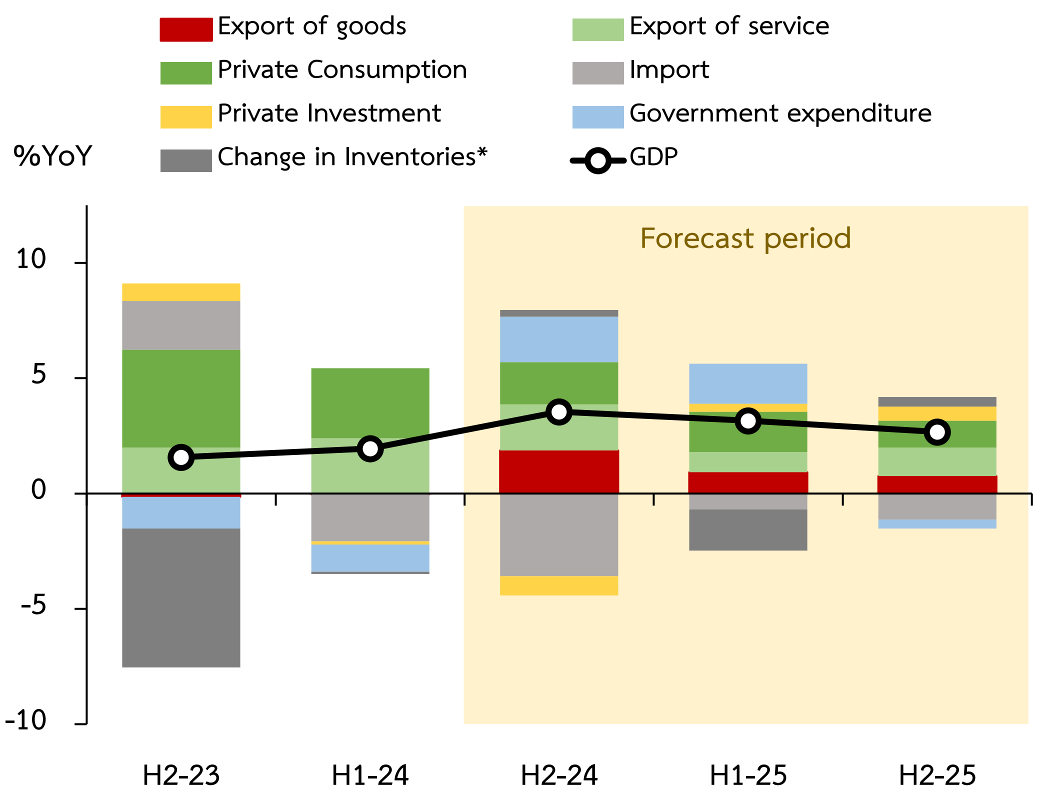
Real GDP



Source: NESDC, BOT forecast

Growth would be mainly driven by domestic demand and tourism, as well as a rebound in exports growth.

Contribution to GDP growth

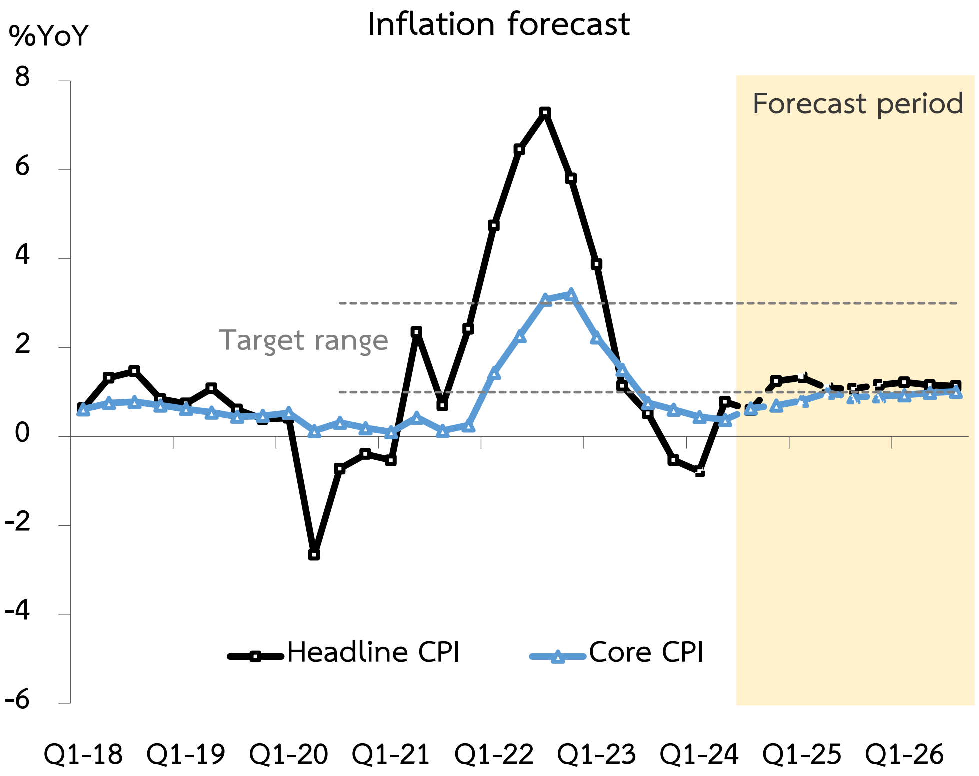


Note: * including statistical discrepancy or CVM additive error

Source: NESDC, BOT calculation

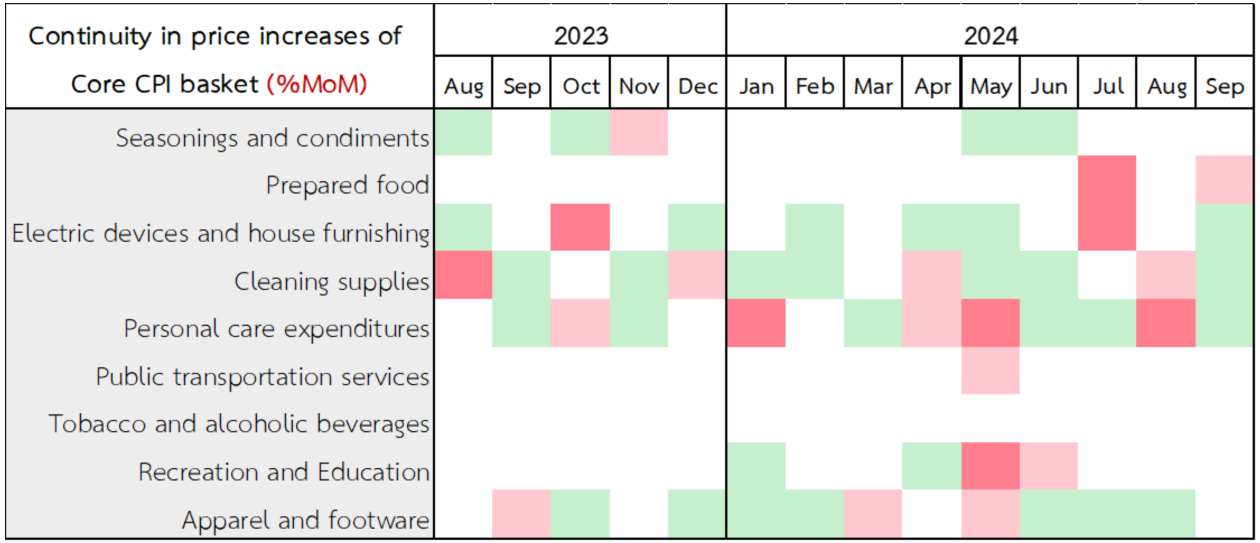
Headline inflation is expected to be around the lower bound of the target range. This does not reflect deflation risk.

Headline inflation should gradually return towards target range by the end of 2024



Source: Ministry of Commerce, calculated by BOT

Prices of goods and services have not declined broadly or continuously; price increases are observed in some categories.



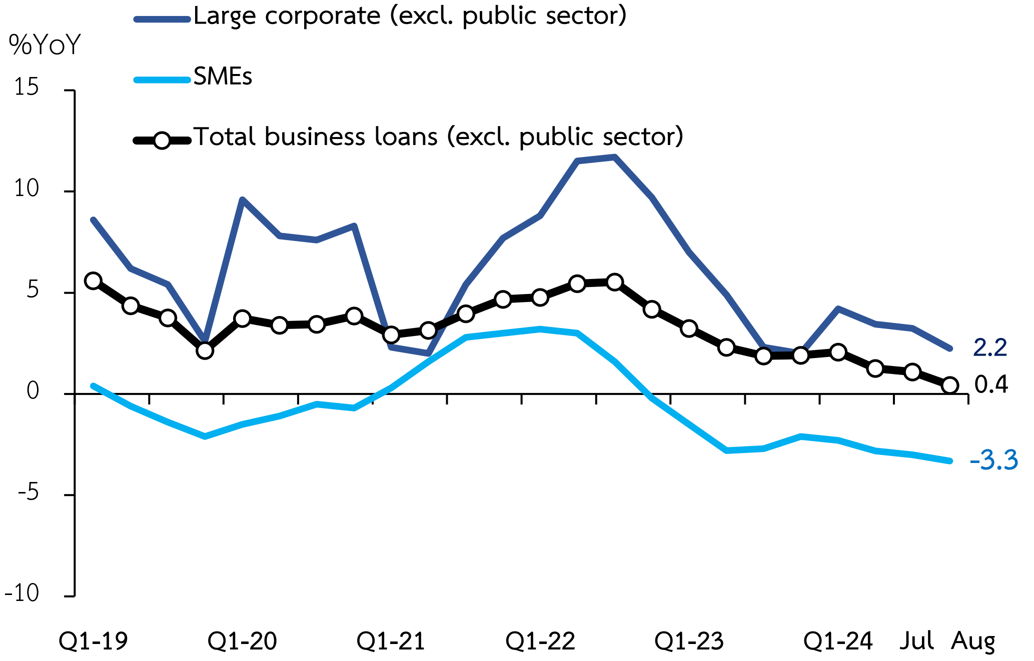
Note: Prices of personal care and cleaning supplies have decreased/ increased due to the promotion offered by the merchants.

- Prices decrease more than 0.5 S.D.
- Prices change less than 0.5 S.D.
- Prices increase more than 0.5 S.D.
- Prices increase more than 1 S.D.

Overall credit mechanism has been functioning properly. Deterioration in credit quality especially among SMEs is anticipated.

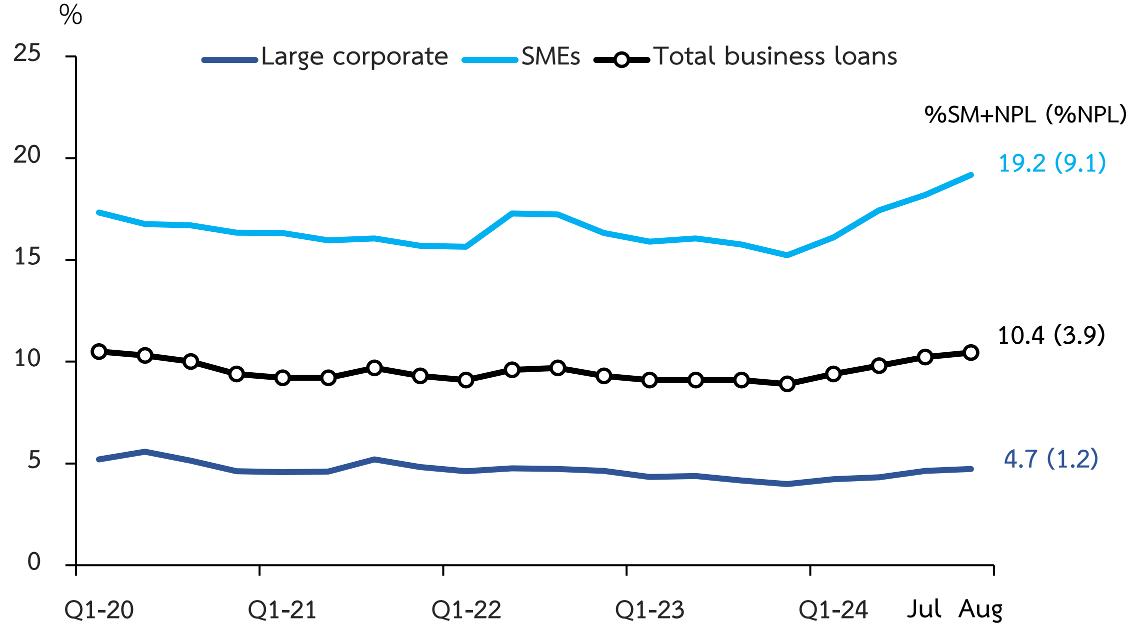
Business loans growth slowed down. While large corporate loans are still expanding, SMEs loans have continued to contract.

Business loans growth by size



Credit quality has deteriorated, especially among SMEs, prompting financial institutions to become more cautious in their lending standard

Stage 2 (SM) and stage 3 (NPL) of business loans by size



Note: (1) Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under the supervision of the BOT

(2) For loans from commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Aug 2024 is used to categorize Large corp. (credit line > 500 MB) and SMEs (credit line ≤ 500 MB). For SFIs and non-bank, OSMEP's criteria is used (based on income and employment).

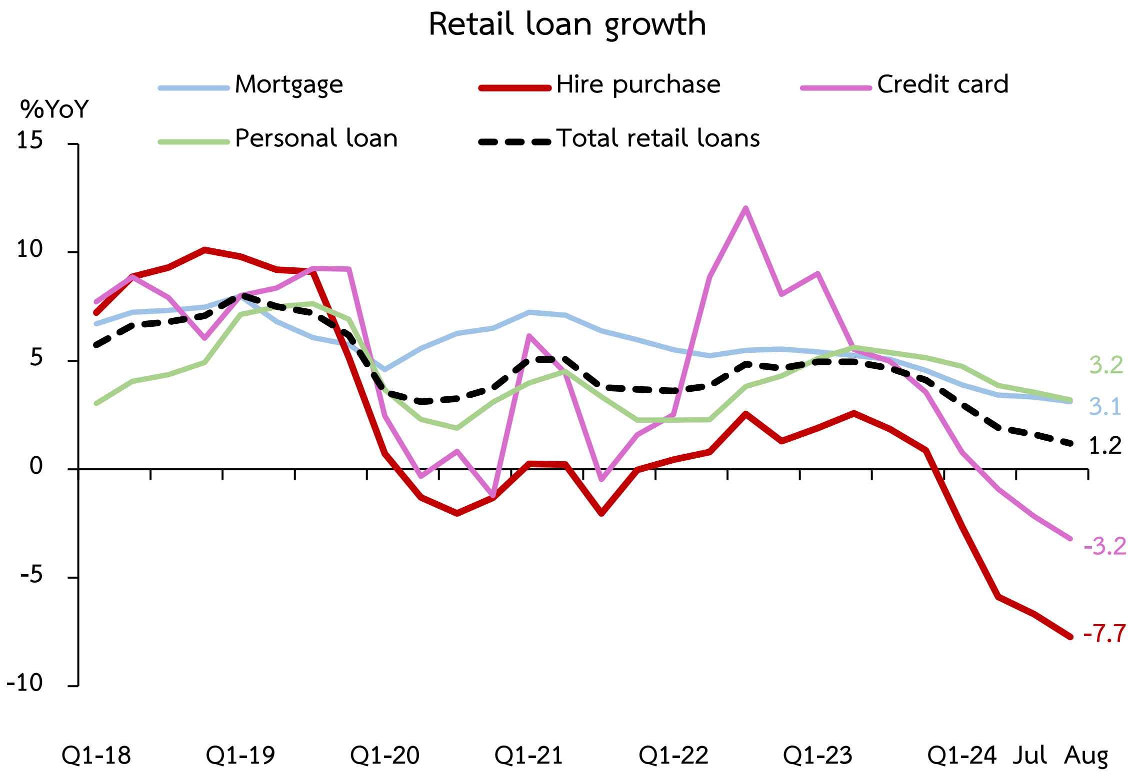
(3) The last two data points are those of July and August 2024.

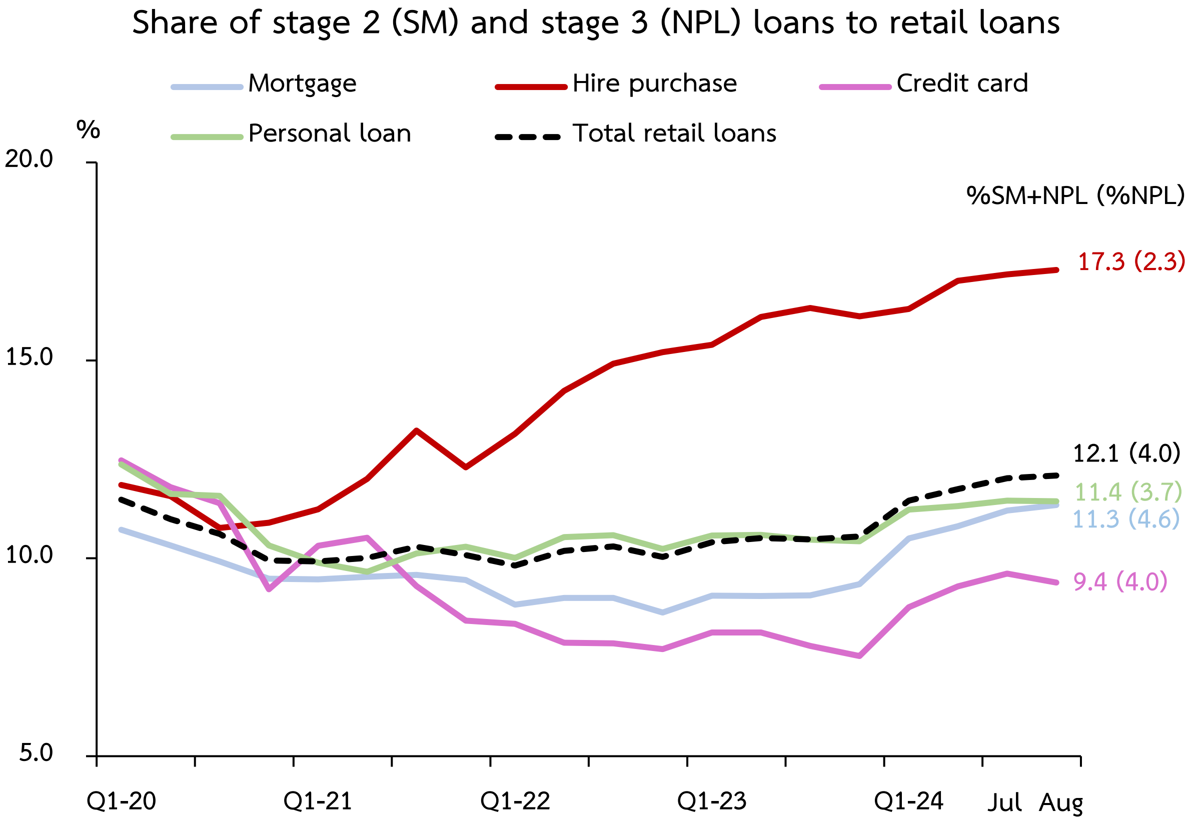
Source: BOT

Retail loans growth slowed down in line with the ongoing household debt deleveraging process.

Retail loan growth slowed down, especially from hire purchase and credit card loans.

Credit quality of retail loans deteriorated, but some have started to stabilize.





Note: (1) Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under the supervision of the BOT

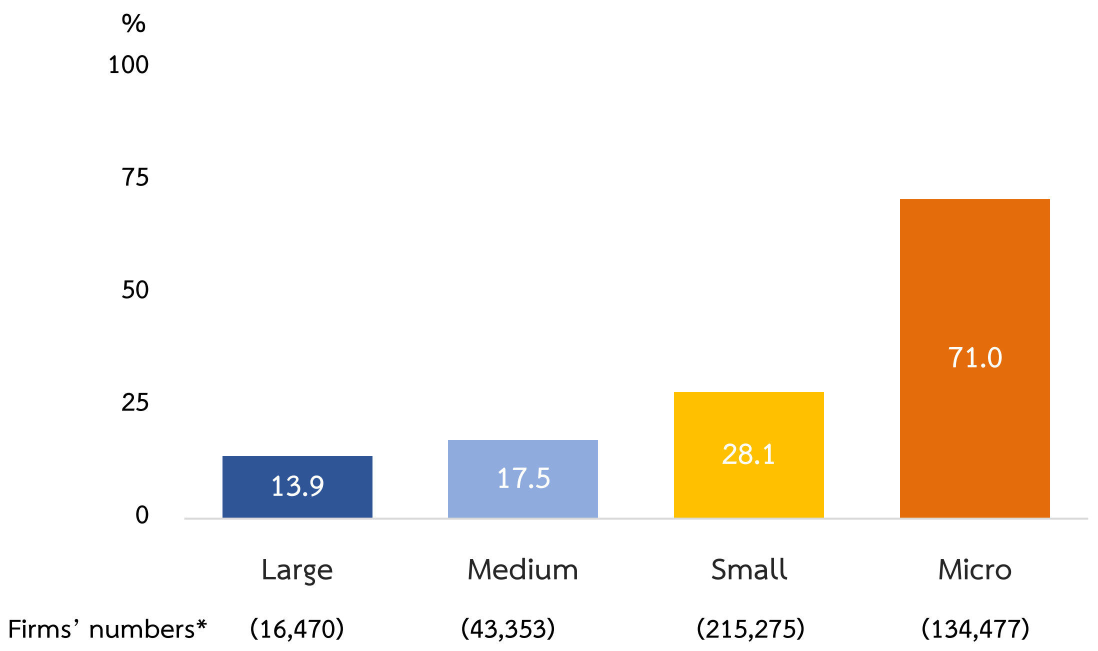
(2) The last two data points are those of July and August 2024.

Source: BOT

Many vulnerable SMEs and households currently have weak balance sheets.

Proportion of small businesses with weak balance sheets is quite high.

Proportion of firms with vulnerable balance sheet (ICR<1) in 2023

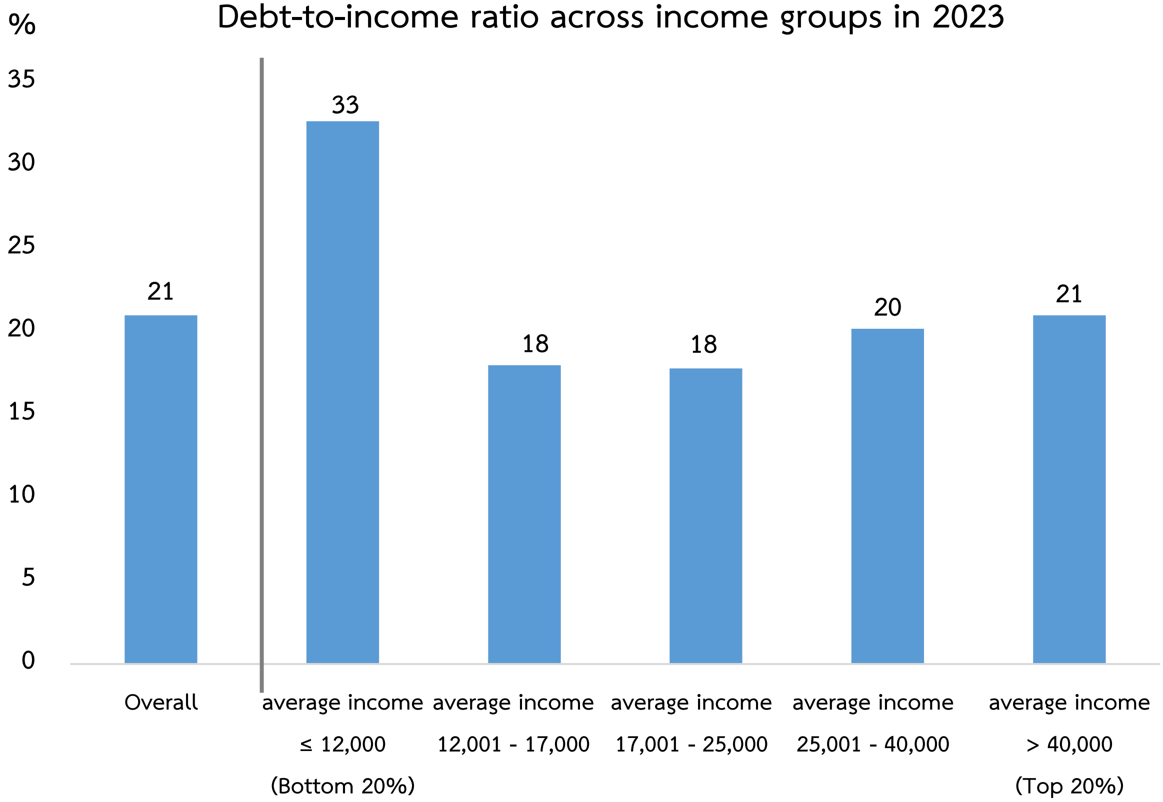


Note: (1) ICR is Interest Coverage Ratio
(2) OSMEP's criteria is used to categorized firm's size.
(3) * represents number of firms from CPFS database that can be categorized by firm's size.
(4) firms from CPFS database that can be used to calculate ICR are 131,370 firms in total.

Source: Corporate Profile and Financial Statement (CPFS) database, BOT calculations

Low-income households (bottom 20%) have relatively higher debt-service ratio than other income groups.

Debt-to-income ratio across income groups in 2023

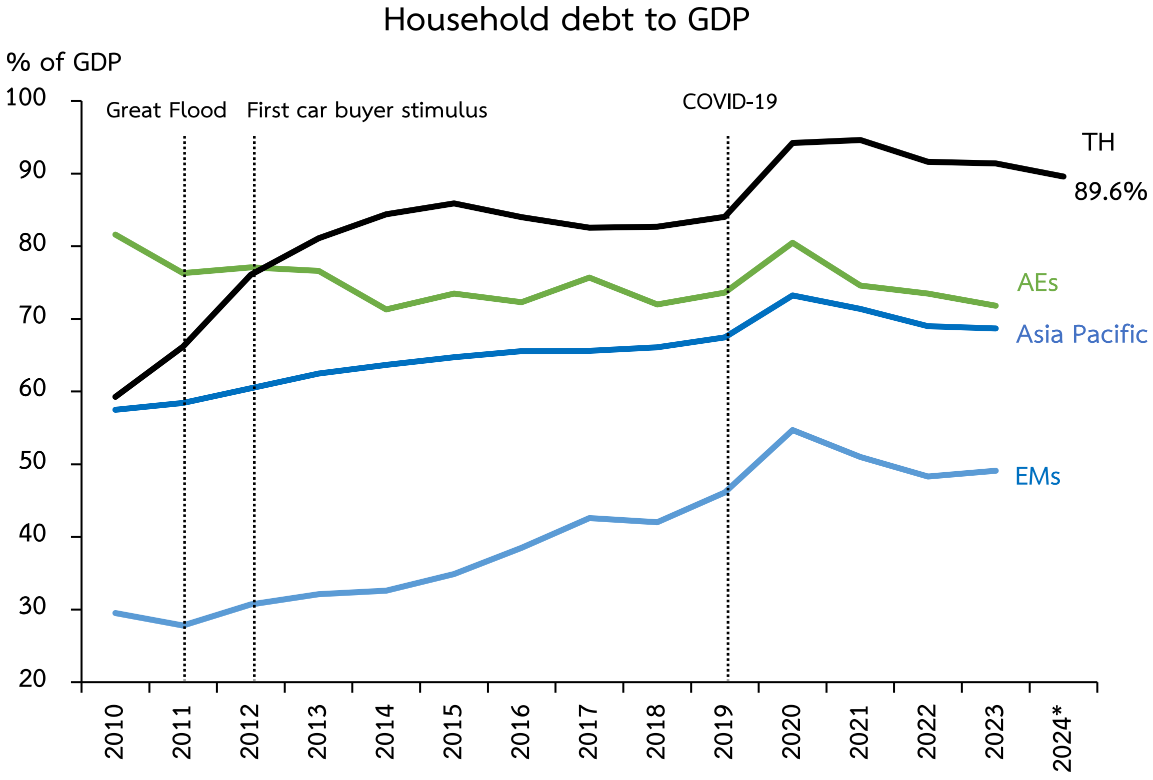


Note: average income per each household per month

Source: SES survey, BOT calculations

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

Household debt levels in Thailand remains elevated compared to other countries

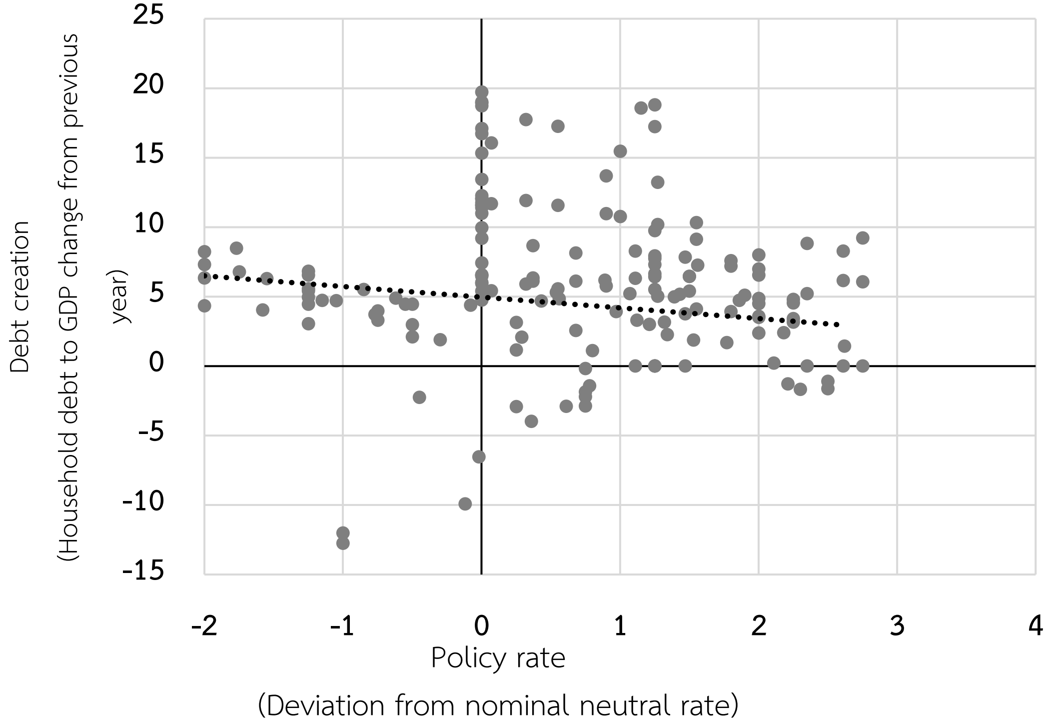


Note: Asia Pacific calculated by the average of AU CN HK ID IN JP MY NZ SG TH

*data as of Q2/2024

Source: BIS and BOT

Interest rates being too low could lead to built-ups of financial imbalances.



Note: [1]/ Sample includes US, Spain, Portugal, Ireland, Korea, and Thailand

[2]/ Neutral rates for Thailand and US are calculated from IMF's nominal rate and long-term inflation consensus forecast (5Y5Y); nominal neutral rates for Spain, Portugal, and Ireland are from ECB; nominal neutral rate for Korea is calculated by averaging nominal interest rates since 2000.

Source: World Bank, IMF, Calculated by BOT

The economic and inflation outlook is consistent with the previous assessment, while long-term financial stability risks have receded. The MPC therefore decided to cut the policy rate to maintain a neutral monetary policy stance given tightened financial conditions and a slowdown in loan growth.

MPC Meeting No. 5/2024
(16 October 2024)

The MPC voted 5 to 2

to cut the policy rate by 0.25 percentage point to

2.25%

2 members voted to maintain the policy rate at 2.50%

The Thai economy would continue to expand driven by domestic demand and tourism. Private consumption may receive additional support from economic stimulus measures, while exports and manufacturing of some goods would still be affected by structural factors. Inflation would gradually rise and return to the target range by the end of 2024.

Long-term financial stability risks have receded. Household debt deleveraging is still ongoing and proceeding at a gradual pace amid tightened financial conditions from slowing credit growth.

Most members voted to cut the policy rate to maintain a neutral monetary policy stance given tightened financial conditions and a slowdown in loan growth. The lower policy rate would help mitigate risks of financial conditions affecting the overall economy, allow the ongoing household debt deleveraging process to proceed in a manner appropriate to debtors' debt serviceability, and alleviate debt-servicing burdens for borrowers. The lower policy rate at present remains adequate to address risks to the outlook for the economy, inflation, and financial stability.

Percent	2022	2023	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
GDP growth	2.5	1.9	4.4	1.3	2.6	1.8	1.4	1.7	1.6	2.3
Production										
Agriculture	2.5	2.0	-1.8	3.6	6.2	1.5	1.1	-0.6	-2.7	-1.1
Non-agriculture	2.5	1.9	4.9	1.0	2.3	1.8	1.5	2.0	2.1	2.6
Manufacturing	0.7	-3.2	6.5	-4.6	-2.6	-3.5	-4.4	-2.4	-2.9	0.2
Construction	-2.4	-0.6	-2.4	3.3	3.8	0.3	0.5	-8.8	-17.3	-5.5
Wholesales and retail trade	3.7	3.8	4.1	3.7	3.3	3.4	3.3	5.1	4.3	3.0
Transport and storage	8.0	8.5	11.3	11.0	12.5	7.4	7.1	7.0	9.7	8.1
Accommodation and Food Service	34.5	18.0	47.6	26.3	34.4	15.3	15.0	9.8	11.8	7.8
Information and Communication	5.2	3.3	4.8	3.9	3.5	3.7	3.1	2.8	6.6	5.1
Financial intermediation	-2.3	3.1	-2.7	-3.1	0.9	2.4	4.2	4.7	2.8	1.9
Real estate and renting	2.3	1.9	3.2	2.0	1.9	2.5	1.9	1.1	0.8	1.1

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

Percent	2022	2023	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
GDP growth	2.5	1.9	4.4	1.3	2.6	1.8	1.4	1.7	1.6	2.3
Expenditure										
Domestic demand	4.0	3.5	6.0	3.1	3.0	3.6	3.9	3.6	2.6	1.1
Private consumption	6.2	7.1	9.1	6.4	5.9	7.3	7.9	7.4	6.9	4.0
Private investment	4.7	3.2	10.7	4.3	2.8	1.4	3.5	5.0	4.6	-6.8
Government consumption	0.1	-4.6	-1.5	-7.1	-6.0	-4.3	-5.0	-3.0	-2.1	0.3
Public investment	-3.9	-4.6	-5.6	2.7	4.2	-2.1	-3.4	-20.1	-27.7	-4.3
Imports of goods and services	3.6	-2.3	8.9	-5.4	-0.2	-2.6	-9.4	3.9	5.2	0.5
imports of goods	1.2	-3.8	6.7	-10.2	-3.6	-4.8	-10.4	5.0	4.3	-1.0
imports of services	13.6	4.2	18.2	13.6	14.5	6.4	-5.2	2.1	9.1	6.6
Exports of goods and services	6.1	2.1	7.5	-2.3	1.9	0.9	1.1	4.9	2.5	4.8
exports of goods	1.1	-2.8	1.8	-10.5	-5.6	-5.3	-3.0	3.4	-2.0	1.9
exports of services	59.9	38.3	69.7	78.1	66.9	53.7	30.6	14.9	24.7	19.8
Trade balance (billion, U.S. dollars)*	13.5	19.4	-0.9	4.2	4.6	3.2	6.7	4.9	1.6	5.5
Current account (billion, U.S. dollars)*	-17.2	7.4	-7.8	0.3	3.6	-3.0	3.1	3.7	2.5	0.8
Financial account (billion, U.S. dollars)*	6.7	-11.9	-2.3	4.2	-0.4	-0.8	-6.2	-4.6	-5.1	-2.7
International reserves (billion, U.S. dollars)	216.6	224.5	199.4	216.6	224.5	218.2	211.8	224.5	223.4	224.3
Unemployment rate (%)	1.3	1.0	1.2	1.2	1.0	1.1	1.0	0.8	1.0	1.1
Unemployment rate, seasonally-adjusted (%)	n.a.	n.a.	1.2	1.2	1.1	1.0	1.0	0.8	1.0	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

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Indicators	2022	2023	2022		2023				2024	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1. Financial market sector										
Bond market										
Bond spread (10 years - 2 years)	1.0	0.4	1.3	1.0	0.6	0.4	0.6	0.4	0.4	0.3
Equity market										
SET index (end of period)	1668.7	1,415.9	1,589.5	1668.7	1609.2	1503.1	1,471.4	1,415.9	1,377.9	1,301.0
Actual volatility of SET index[1/]	11.0	11.8	9.9	9.4	12.0	11.6	10.2	13.2	10.0	10.5
Price to Earnings ratio (P/E ratio) (times)	18.2	18.4	17.5	18.2	19.3	18.0	20.3	18.4	18.1	17.1
Exchange rate market										
Actual volatility of Thai baht (%annualized)[2/]	8.7	9.1	9.3	11.9	10.9	7.9	8.0	9.4	8.6	6.4
Nominal Effective Exchange Rate (NEER)	115.5	119.8	113.6	115.9	120.3	119.8	119.8	119.2	118.8	117.2
Real Effective Exchange Rate (REER)	103.3	104.3	101.7	103.2	106.1	104.4	104.1	102.4	100.9	100.0
2. Financial institution sector[3/]										
Minimum Lending Rate (MLR)[4/]	6.00	7.25	5.55	6.00	6.56	7.00	7.04	7.25	7.25	7.25
12-month fixed deposit rate[4/]	0.98	1.65	0.50	0.98	1.15	1.40	1.49	1.65	1.65	1.65
Capital adequacy										
Capital funds / Risk-weighted asset (%)	19.4	20.1	19.2	19.4	19.4	19.5	19.9	20.1	20.1	19.9
Earning and profitability										
Net profit (billion, Thai baht)	238.0	251.0	60.0	63.0	60.0	74.0	65.0	53.0	68.0	76.0
Return on assets (ROA) (times)	1.0	1.1	1.0	1.1	1.0	1.3	1.1	0.9	1.1	1.3
Liquidity										
Loan to Deposit and B/E (%)	92.0	91.0	94.5	92.0	90.6	92.0	92.4	91.0	90.1	89.7

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	
			Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
3. Household sector										
Household debt to GDP (%)	91.6	91.4	91.6	91.6	90.8	90.9	91.0	91.4	90.7	89.6
Financial assets to debt (times)	2.7	2.6	2.8	2.7	2.8	2.7	2.6	2.6	2.7	2.7
Non-Performing Loans (NPLs) of financial institutions (%)										
Consumer loans	3.1	3.3	3.3	3.1	3.2	3.3	3.4	3.3	3.6	3.9
Housing loans	3.3	3.5	3.6	3.3	3.5	3.5	3.6	3.5	4.1	4.5
Auto leasing	1.9	2.2	1.7	1.9	1.9	2.1	2.1	2.2	2.2	2.3
Credit cards	2.5	3.0	2.6	2.5	2.8	2.7	3.0	3.0	3.3	3.7
Other personal loans	3.7	3.5	3.8	3.7	3.5	3.6	3.7	3.5	3.5	3.6
4. Non-financial corporate sector 5/										
Operating profit margin (OPM) (%)	7.7	7.4	7.3	6.2	7.4	7.3	7.8	7.1	8.0	7.8
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)	5.6	4.8	4.9	4.3	4.9	4.4	5.2	3.9	5.3	4.5
Current ratio (times)	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.7
Non-Performing Loans (NPLs) of commercial banks (%)										
Large businesses	1.2	1.2	1.2	1.2	1.2	1.1	1.2	1.1	1.1	1.1
SMEs	6.8	6.7	6.7	6.8	6.7	6.7	6.7	6.7	6.9	6.9

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

Indicators	2022	2023	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2
5. Real estate sector										
Number of approved mortgages from commercial banks (Bangkok and Vicinity) (units)										
Total	64,636	52,877	17,113	17,776	11,860	14,656	14,407	11,954	10,857	12,198
Single-detached and semi-detached houses	19,471	16,163	4,805	5,056	3,709	4,392	4,178	3,884	3,333	3,733
Townhouses and commercial buildings	19,752	16,065	5,226	5,216	3,906	4,456	4,299	3,404	3,158	3,339
Condominiums	25,413	20,649	7,082	7,504	4,245	5,808	5,930	4,666	4,366	5,126
Number of new housing units launched for sale (Bangkok and Vicinity) (units)										
Total	107,051	101,536	24,966	27,912	22,263	25,963	22,500	30,810	16,559	16,886
Single-detached and semi-detached houses	24,748	30,929	8,678	7,188	4,961	5,759	8,922	11,287	6,769	5,260
Townhouses and commercial buildings	28,525	21,577	6,957	7,898	5,395	5,306	6,259	4,617	4,071	3,733
Condominiums	53,778	49,030	9,331	12,826	11,907	14,898	7,319	14,906	5,719	7,893
Housing price index (2011 = 100)										
Single-detached houses (including land)	141.5	147.1	140.9	145.3	146.7	145.5	146.7	149.5	150.7	151.1
Townhouses (including land)	167.4	174.1	168.4	169.2	172.0	173.2	174.7	176.4	177.7	179.4
Condominiums	184.4	193.2	181.6	188.9	194.7	188.9	190.4	198.9	197.8	197.0
Land	180.2	182.5	178.0	184.3	175.0	181.6	184.8	188.5	185.9	187.1
6. Fiscal sector										
Public debt to GDP (%)	60.9	61.9	60.5	60.9	61.3	61.7	62.4	61.9	63.7	63.4
7. External sector										
Current account balance to GDP (%)	-3.5	1.5	-6.5	0.2	2.8	-2.3	2.5	2.8	1.9	0.7
External debt to GDP (%)[6/]	40.0	38.8	37.0	40.0	40.2	38.5	37.8	38.8	37.7	36.8
External debt (billion, U.S. dollars)	200.3	196.5	187.9	200.3	201.8	195.0	191.9	196.5	190.2	185.5
Short-term (%)	40.0	41.3	40.7	40.0	39.7	40.8	42.1	41.3	42.4	43.4
Long-term (%)	60.0	58.7	59.3	60.0	60.3	59.2	57.9	58.7	57.6	56.6
International reserves / Short-term external debt (times)[7/]	2.3	2.5	2.2	2.3	2.4	2.4	2.3	2.5	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

Probability distribution of GDP growth forecast

%	2024		2025				2026		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
> 16	0	0	0	1	1	2	3	3	3
14.0-16.0	0	0	0	0	1	1	1	0	1
12.0-14.0	0	0	1	1	1	1	1	1	0
10.0-12.0	0	1	1	1	1	1	1	0	1
8.0-10.0	0	4	3	3	2	2	3	2	3
6.0-8.0	2	16	7	7	6	5	7	7	7
4.0-6.0	16	37	23	19	18	13	16	18	19
2.0-4.0	50	26	35	34	29	24	25	25	22
0.0-2.0	30	12	19	24	24	26	23	21	23
(-2.0)-0.0	3	3	7	7	10	15	13	12	13
(-4.0)-(-2.0)	0	1	2	1	3	6	5	5	5
(-6.0)-(-4.0)	0	0	1	1	1	1	2	2	2
(-8.0)-(-6.0)	0	0	1	1	1	1	1	1	1
< -8	0	0	1	1	2	3	2	2	1

Probability distribution of inflation forecast

Probability distribution of headline inflation forecast

%	2024		2025				2026		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
> 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	0	1	1	2	2	2
3.0-4.0	0	0	1	3	6	7	7	7	7
2.0-3.0	0	1	15	15	17	18	18	18	17
1.0-2.0	0	75	53	35	27	28	28	27	27
0.0-1.0	100	23	29	33	27	26	25	25	25
(-1.0)-0.0	0	0	3	13	16	15	14	15	15
(-2.0)-(-1.0)	0	0	0	2	5	5	5	5	5
< -2	0	0	0	0	1	1	1	1	1

Probability distribution of core inflation forecast

%	2024		2025				2026		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
> 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	0	1	1	1	2
2.0-2.5	0	0	0	2	3	4	4	5	6
1.5-2.0	0	0	3	13	12	13	14	15	16
1.0-1.5	0	9	27	32	25	25	25	25	25
0.5-1.0	100	72	47	34	29	28	27	26	25
0.0-0.5	0	19	20	16	20	19	18	17	17
(-0.5)-0.0	0	0	2	3	8	8	8	8	7
< -0.5	0	0	0	0	2	2	3	3	3

Pursuing Sustainable Economic Well-Being

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