ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Monetary Policy Report
Q4/2024

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 17 December 2024 (1 day prior to the monetary policy decision)

Executive Summary of Monetary Policy Report Q4/2024

Economic growth, inflation, and financial stability

The Thai economy overall is projected to grow close to potential, headline inflation is gradually rising towards the target range, and long-term financial stability risks have receded as reflected by the gradual decline in household debt to GDP levels. However, there are 3 key recent developments in the Thai economy and financial system:

(1) Economic growth has become more uneven. The Thai economy is projected to grow 2.7% in 2024 and 2.9% in 2025. Tourism and service sectors are expected to perform well, while merchandise exports would improve, particularly electronics and machinery products, in line with the global tech cycle such as hard disk drives benefiting from data center businesses. Nonetheless, certain manufacturing and merchandise export sectors continued to face pressures, notably the automotive and parts industry deteriorated due to industry-specific factors (Box 1: Thai automotive industry: developments and outlook). **Additionally, exports in categories like chemicals, metals, and electrical appliances are under pressure from increased competition from China**. Therefore, it is necessary to monitor developments in these industries and their knock-on effects on production, labor market, as well as implications for the overall economy.

(2) Economic outlook has become more uncertain. Uncertainties surrounding the global economy and the Thai economy have increased significantly due to US economic policies, especially tax and tariff measures which would impact international trade and present a downside risk to global growth. Moreover, these policies remain highly uncertain in terms of their design, intensity, implementation timeline, and potential retaliation measures from various countries. Therefore, it is crucial to monitor the development of those risk factors and their impact on the Thai economy going forward (Box 2: Through which channels will trade tensions impact the Thai economy?)

(3) Credit growth declined but the overall economy would continue to expand. Credit growth has recently slowed down, attributed to decreased investment demand in certain business sectors, the repayment of loans taken during the COVID-19 pandemic, and heightened credit risks. For instance, credit growth in tourism-related services slowed as increasing income has reduced reliance on borrowing while some businesses continued repaying their debts that were front-loaded during the pandemic. Meanwhile, economic activities in the service sector have recently experienced significant growth and are expected to continue its expansion, serving as a key driver of the Thai economy in the period ahead. Conversely, credit growth for SMEs and manufacturing industries facing intensified competition declined, partly due to heightened credit risks. Therefore, it is necessary to monitor the impact of credit slowdown on economic activities in these sectors, as well as the impact on the overall economy.

Monetary policy decision in Q4-2024

The Monetary Policy Committee (MPC) assessed that while economic growth remain uneven across sectors, but still aligns closely with previous assessments; headline inflation is rising towards the target range; and long-term financial stability risks have receded. There, however, remains the need to monitor credit quality and the slow recovery in credit among businesses as well as their implications for the overall economy. The implementation of targeted debt assistance for retail and SME debtors by the government would help alleviate debt burdens for vulnerable groups.

At the MPC Meeting on 18 December 2024, the MPC deemed it appropriate to maintain the policy rate at a broadly neutral stance, consistent with the economy trajectory remaining close to potential, inflation moving towards the target range, and the safeguarding of long-term macro-financial stability. **Additionally, the Committee assessed that preserving monetary policy space had become increasingly necessary amid heightened uncertainty.** The economy policies of major economies remained highly uncertain both in terms of their intensity and implementation timeline. Therefore, maintaining sufficient monetary policy space to respond appropriately at the right time was deemed essential to maximize the effectiveness of monetary policy. The MPC would continue to monitor the economic growth and inflation outlook in deliberating monetary policy going forward.

The global economy is projected to continue expanding but faces greater uncertainties from policies of advanced economies

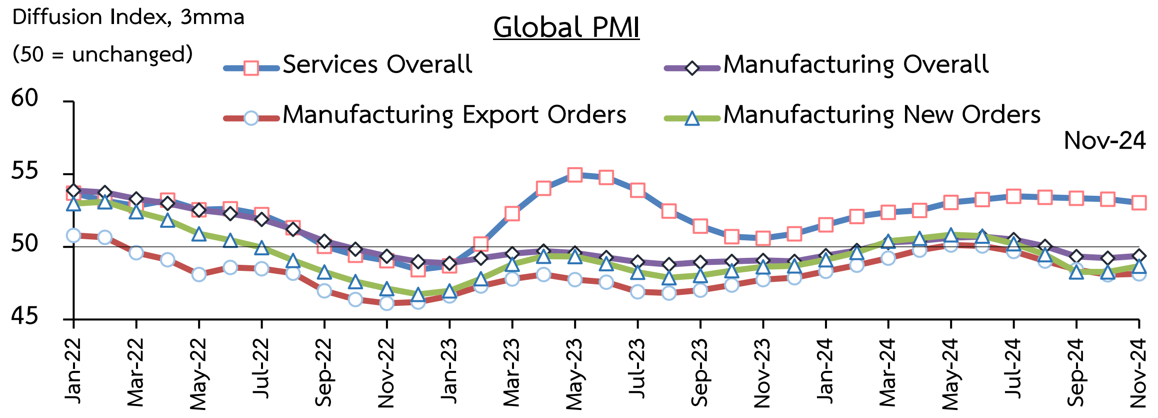
The global economy is on an expansionary trajectory, primarily driven by services sectors in advanced economies. In Asia, manufacturing sectors have improved on the back of merchandise exports especially high-tech goods.

Headline inflation in many countries is on a downward trend, but core inflation remains stable. The Fed is likely to slowdown the policy rate cuts in 2025.

Downside risks increased from economic policies of advanced economies, the retaliation measures adopted by various countries, as well as geopolitical risks.

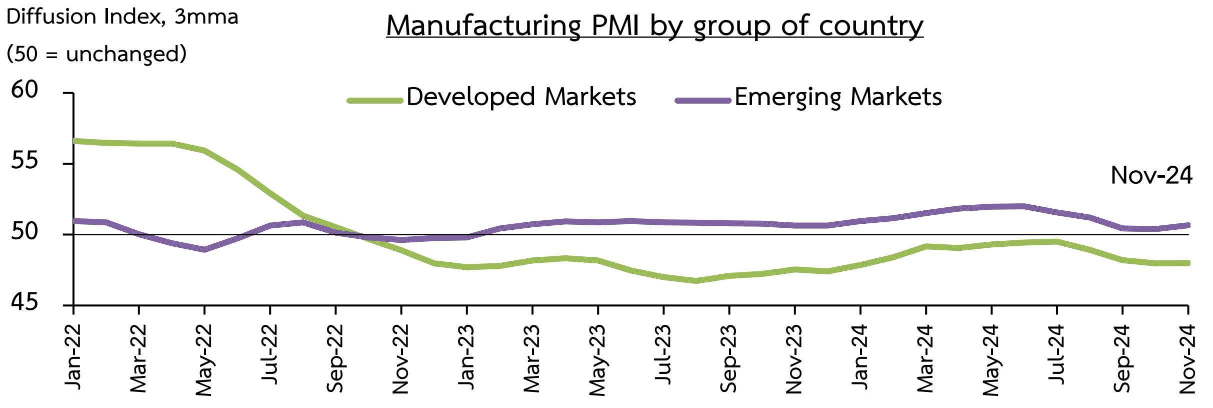
The global economy continues to be driven by the services sector, while manufacturing in major economies remains subdue. However, manufacturing in Asian economies is supported by merchandise exports, particularly in the technology sector.

The global economy continues to be driven by the service sector, as reflected by the continuing expansion of PMI service sectors, while the manufacturing sector remains subdued by lower new orders.



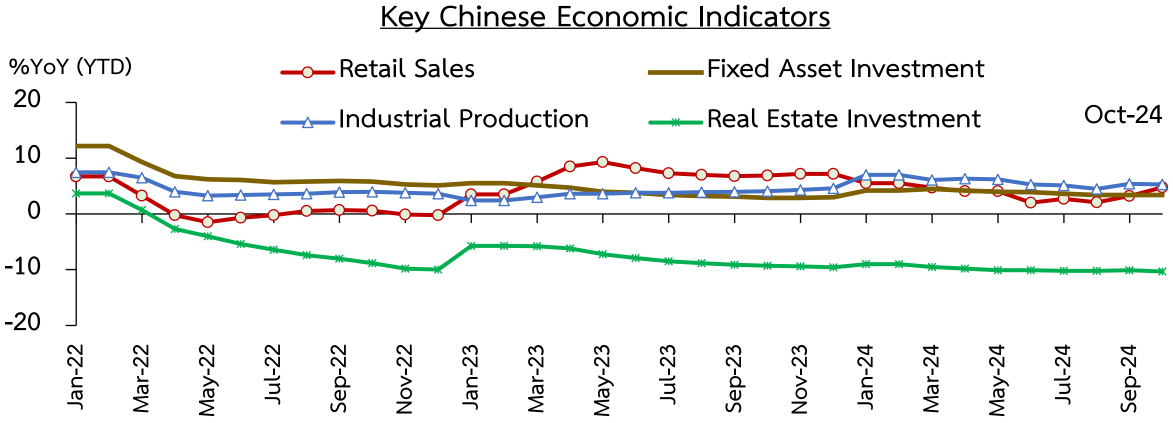
Source: JP Morgan, BOT calculation

Manufacturing sectors in advanced economies continue to contract, while those in emerging markets are experiencing expansion.



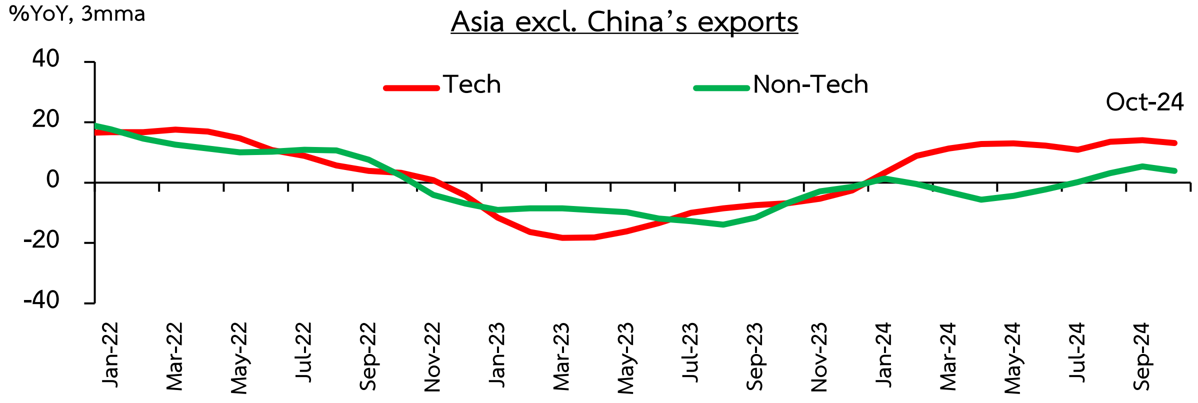
Note: Developed Markets and Emerging Market follows S&P Global, Source: CEIC, BOT calculations

China's economy has shown some improvement following the Chinese government's continuous implementation of economic stimulus measures, while the real estate sector remains weak.



Source: CEIC, BOT calculation

Asian merchandise exports are likely to recover, especially technology products, following the global electronics cycle.



Note: Asia excl. China Tech exports consists of MY, SG, JP, KR, TW and PH. For other exports consist of MY, SG, JP, KR, TW, PH and ID
Source: CEIC, BOT calculations

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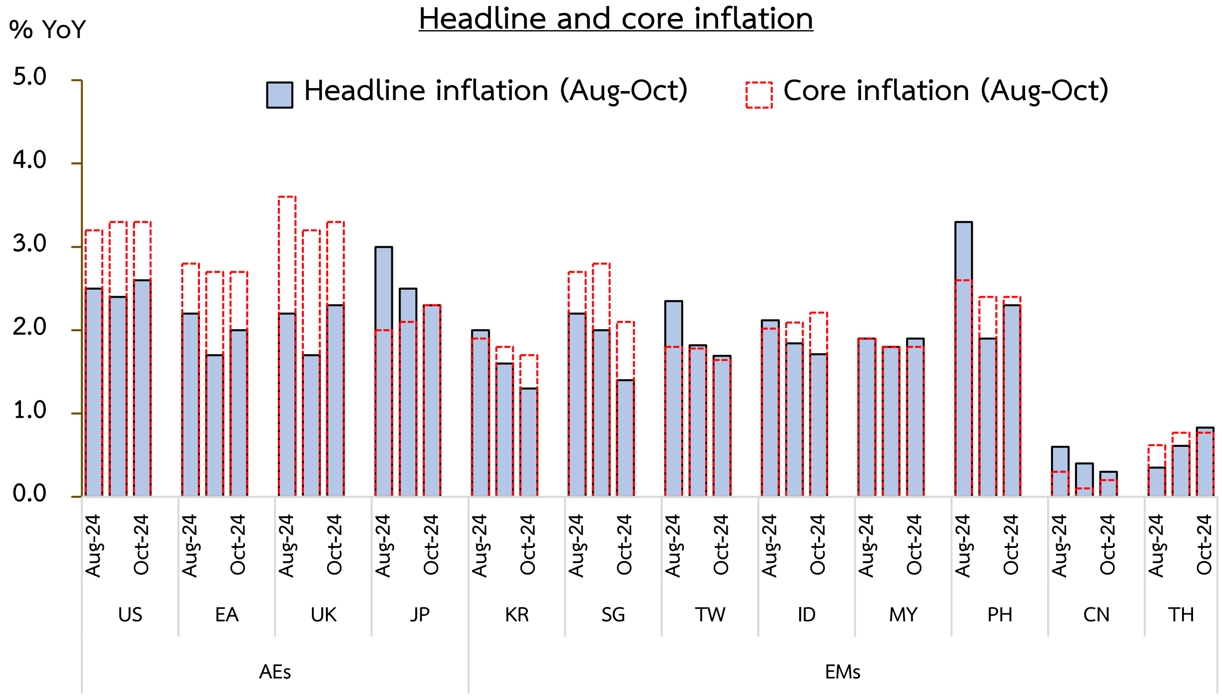
Headline inflation is on a downward trend in most countries, while core inflation remains stable in many countries.

It is expected that the Fed, the ECB, and Asian central banks would continue cut rates in 2025.



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	3.75 – 4.00 (3.25 – 3.50)

Note: * denotes outturn, ( ) denotes forecast in Monetary Policy Report Q3-2024

The Federal Reserve (Fed) cut its policy rate by 25 bps at the FOMC Meeting on 18 December 2024, amounting to a cumulative cut of 100 bps in 2024. It is expected that the Fed is likely to slow the pace of the policy rate cuts as US economic growth remains strong and core inflation remains high. The Fed is anticipated to cut interest rates by additional 50 bps in 2025, bringing the policy rate to 3.75% - 4.00% by the end of 2025. The Trump administration's policies, including tariff increases and immigration policies, may exert upward pressure on inflation and disrupt the labor market, posing a key risk that could cause the Fed to slow down interest rate cuts.

The European Central Bank (ECB) cut its policy rate by 25 bps at the Governing Council Meeting on 12 Dec 2024 to 3.00%, totaling a cumulative cut of 100 bps in 2024. Headline inflation in the euro area declined sharply on account of energy prices. Meanwhile, labor market started to show signs of slowing down as reflected in PMI employment. This suggests that the ECB is likely to accelerate its rate cuts. It is expected that the ECB will reduce the policy interest rate at every meeting in the first half of 2025, with four 25-bps cuts, bringing the terminal rate to 2.00%.

Most Asian central banks gradually cut their policy rates following the Fed's rate cut in September, except some central banks who still kept their policy rate on hold such as the Central Bank of the Republic of China and Bank Negara Malaysia because their respective economies were still expanding strongly.

Trading partner economies are projected to continue expanding in 2025 although risks to the outlook is tilted to the downside due to uncertainties pertaining to US economic policies.

Assumption of trading partners' growth

%YoY	Share of exports in 2023[1/] (%)	2023	2024		2025	
			MPR Q3/24	MPR Q4/24	MPR Q3/24	MPR Q4/24
US	17.2	2.9	2.6	2.7	1.8	2.1
Euro area	7.7	0.5	0.7	0.8	1.2	1.0
Japan	8.7	1.7	0.0	-0.2	1.1	1.1
China	12.0	5.2	4.8	4.8	4.5	4.4
Asia[2/]	21.8	3.2	4.0	4.2	3.6	3.6
Total[3/]	73.0	2.9	2.8	2.8	2.6	2.7

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 partner economies are projected to grow by 2.8% and 2.7% in 2024 and 2025 respectively, although the outlook has faced more uncertain due to economic policies of major economies. The US economy would expand well, driven mainly by the consumption of goods and services, with continued momentum into 2025. Meanwhile, the European economies are expected to grow at a lower rate. China's economy continues to expand through export of goods, economic stimulus measures, and monetary policy easing. Similarly, the Asian economies are continuously growing due to the recovery of exports, benefiting from the electronics cycle.

Trading partners' outlook is more uncertain, with risks tilted to the downside

Downside risks:

1) The US policy of imposing import tariffs on China and other countries, as well as trade retaliation measures from various countries, could impact global trade and investment.
2) The Chinese economy may turn out weaker than expected due to uncertainties surrounding the economic recovery and the impact of US tariffs.
3) Geopolitical tensions, especially in the Middle-East and Russia-Ukraine, may escalate and intensify.

Upside risks:

1) US economic growth could turn out stronger than expected, and international tourism could see stronger growth.

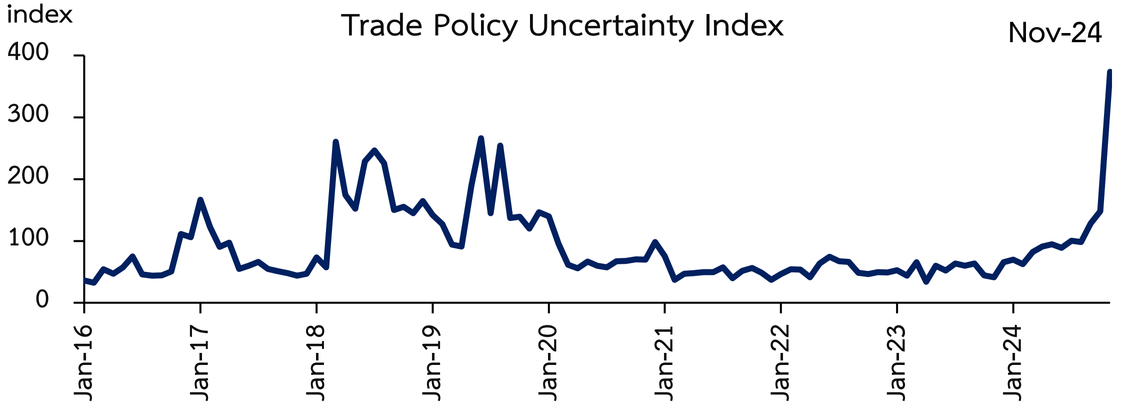
US policies under the Trump administration remains highly uncertain in terms of their intensity and implementation timeline.

Summary of key policies and their expected implementation timeline

	Policies with high likelihood	Policies that remain uncertain
H1-2025	- Crackdown on illegal immigrants - Ease environment policies - Continued support for Israel	- Cut military support for Ukraine
H2-2025	- **Import tariffs on Chinese goods** - Extend tax cuts under the Tax Cuts and Jobs Act (TCJA) that would otherwise expire in 2025 - Ease business regulations such as antitrust investigations	- **Import tariffs on all goods from all countries** - Introduce additional tax cuts such as lower corporate tax, tax exemptions for tips and social security benefits
2026	-	- Deport the many illegal immigrants residing in the US

Source: Various sources consolidated by BOT

Trade policy risks increased significantly after Trump won the election in November 2024



Source: Caldara et al. (2020)

Trump's policies possess high degrees of uncertainty in 2 dimensions:

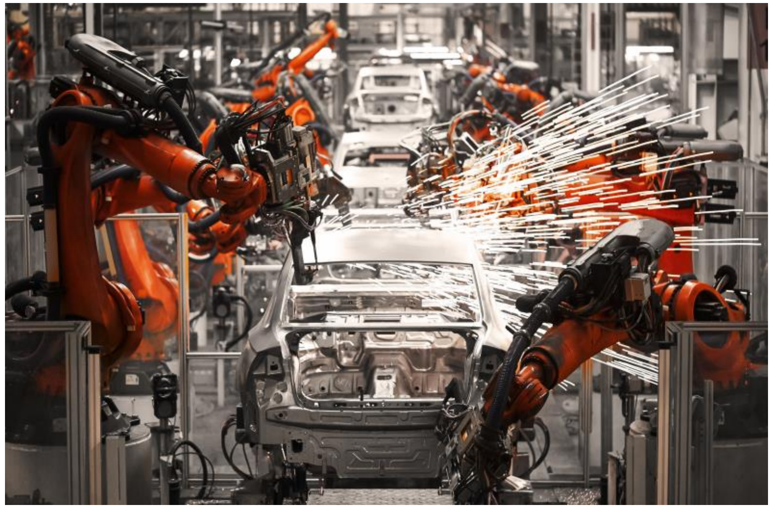
1. **The intensity of policies implementation could deviate from the campaign promised.** If all pledged policies are implemented, the US economy could be significantly impacted. As a result, certain policies may be scaled back to mitigate these effects.
2. **Implementation timeline is uncertain.** Many policies must undergo the legislative process and are subject to lawsuits. Therefore, it is unclear when those policies would be implemented. Even for policies that can be enacted through presidential authority, such as the imposition of import tariffs, there could be international negotiations beforehand, that could delay the actual implementation date.

Summary of key US policies that are likely to be implemented, and their impact on the global economy

	Policies as promised during the campaign	Policies expected to be implemented	Impact of actual implementation on the global economy and the US economy
Trade policies	**Pre-election** - Impose a 60% import tariff on Chinese goods - Impose import tariffs of 10%-20% on goods from other countries **Post-election** Trump announced through his social media that the following tariffs would become effective on his first day of taking office: - Impose a 25% tariff on Canadian and Mexican goods - Impose an additional 10% tariff on Chinese goods	- The tariff on Chinese goods is still implemented, but at a lower rate than what was campaigned. - Refrain from imposing tariff on goods from other countries, but use the threat of tariffs as a bargaining tool in negotiations. The tariffs would be implemented in H2-2025 because it must undergo the legislative procedures before taking effect.	- Global economic growth would slow down due to lower trade volumes. - The US economy would slow down, but inflation would rise due to cost passthrough from higher tariffs to consumer prices. - China’s economy would slow down due to lower exports to the US. - Inflation in most countries would decline due to the intensifying issue of China flooding exports.
Tax policies	- Extend all tax cuts under the Tax Cuts and Jobs Act (TCJA) that would otherwise expire in 2025 - Lower corporate income tax to 15% - Tax exemptions for various incomes such as tips and social security benefits	- All tax cuts under TCJA are extended - Further tax cuts from the TCJA would be limited due to concerns regarding fiscal deficits. The passage of new tax legislation is expected to be implemented in H2-2025 as they must undergo negotiations and receive Congress approval.	- The US economy would improve because of economic stimulus measures. - Other economies would benefit from increased exports to the US.
Immigration policies	- Mass deportation of illegal immigrants	- The number of new immigrants will be decreased but the mass deportations will be limited. New immigration laws are expected to begin on the first day in office through presidential authority. However, if deportations do occur, they are expected to start in 2026 due to preparation time and possible court processes.	- Labor market conditions would tighten, potentially resulting in higher inflation in the US. - US economy slow down slightly.

Source: Various sources, aggregated by BOT

The Thai economy overall is projected to expand, but with more divergent growth across sectors and heightened uncertainties stemming from economic policies of advanced economies.



Thailand's economic growth is more uneven across sectors. Tourism and services sectors would perform better, but SMEs and certain manufacturing sectors still face structural headwinds and intensified competition such as the automotive industry.

Looking ahead, economic policies direction of advanced economies are highly uncertain especially the US tariff policy which would impact Thai merchandise exports and investment outlook. Therefore, developments in these risk factors must be monitored.

Headline inflation would gradually rise towards the target range. Energy prices would remain low in line with oil prices, while core inflation would increase in tandem with improved economic outlook and cost passthrough for food items.

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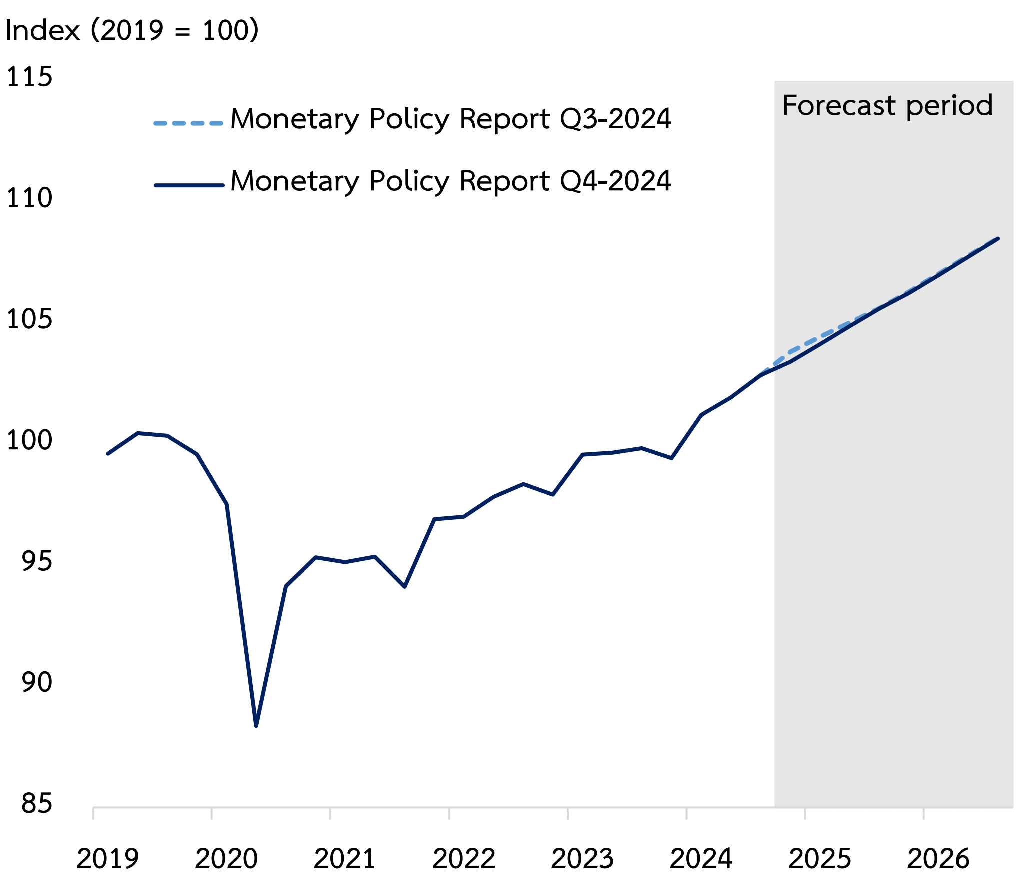
The Thai economy overall is projected to expand, although growth would still be uneven across sectors. Growth momentum would be supported by tourism, domestic demand, and exports, which benefited from the technology product cycle. Meanwhile, the recovery of certain manufacturing sectors would remain weak.

Real GDP



Economic projection

Growth (%YoY)	2023*	2024	2025
GDP growth	1.9	2.7 (2.7)	2.9 (2.9)
Domestic Demand	3.5	2.8 (2.4)	2.4 (2.7)
Private Consumption	7.1	4.5 (4.2)	2.4 (2.5)
Private Investment	3.2	-2.2 (-2.8)	2.2 (2.9)
Government Consumption	-4.6	2.1 (2.0)	1.5 (2.6)
Public Investment	-4.6	2.9 (1.1)	5.1 (4.5)
Export volume of goods and services	2.1	7.1 (4.8)	3.5 (2.8)
Import volume of goods and services	-2.3	6.3 (4.4)	1.8 (1.4)
Current account (billion U.S. dollars)	7.4	9.0 (10.0)	15.0 (16.0)
Value of merchandise exports (%YoY)	-1.5	4.9 (2.8)	2.7 (2.0)
Value of merchandise imports (%YoY)	-3.8	6.4 (5.1)	1.7 (0.4)
Number of foreign tourists (million persons)	28.2	36.0 (36.0)	39.5 (39.5)

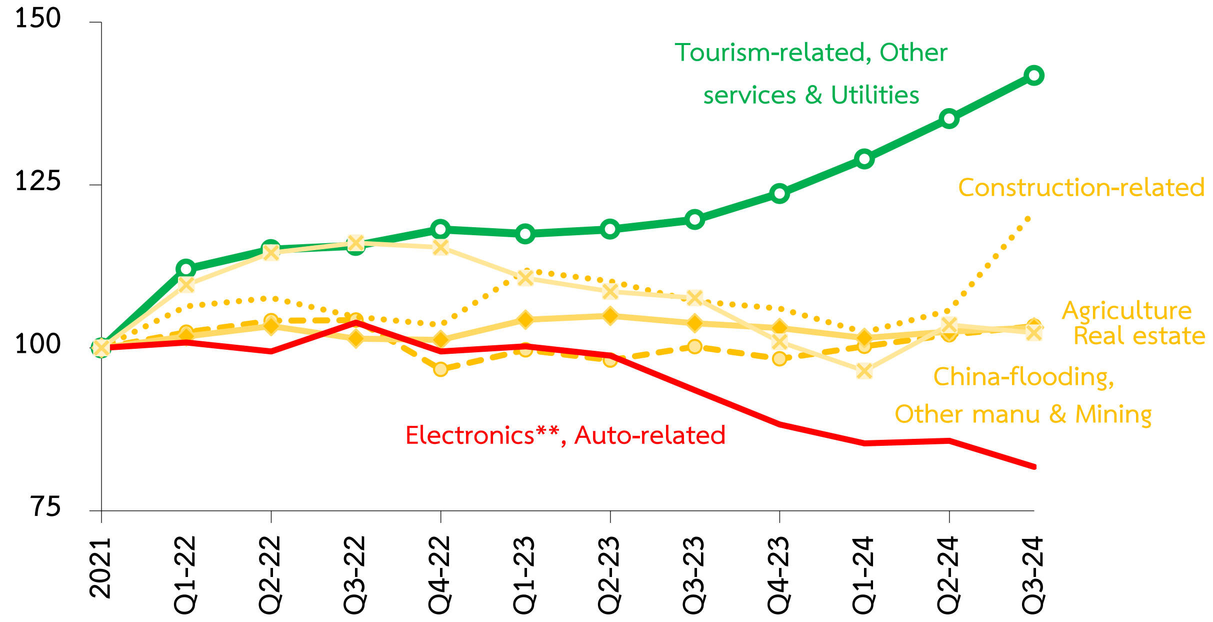
Note: * denotes outturns
( ) denotes previous forecast in the Monetary Policy Report Q3-2024
Source: NESDC, BOT forecasts

Increasing growth divergence across sectors would result in an uneven recovery in household income.

Tourism-related services would continue to expand, while certain manufacturing sectors deteriorated especially those facing intensified competition.

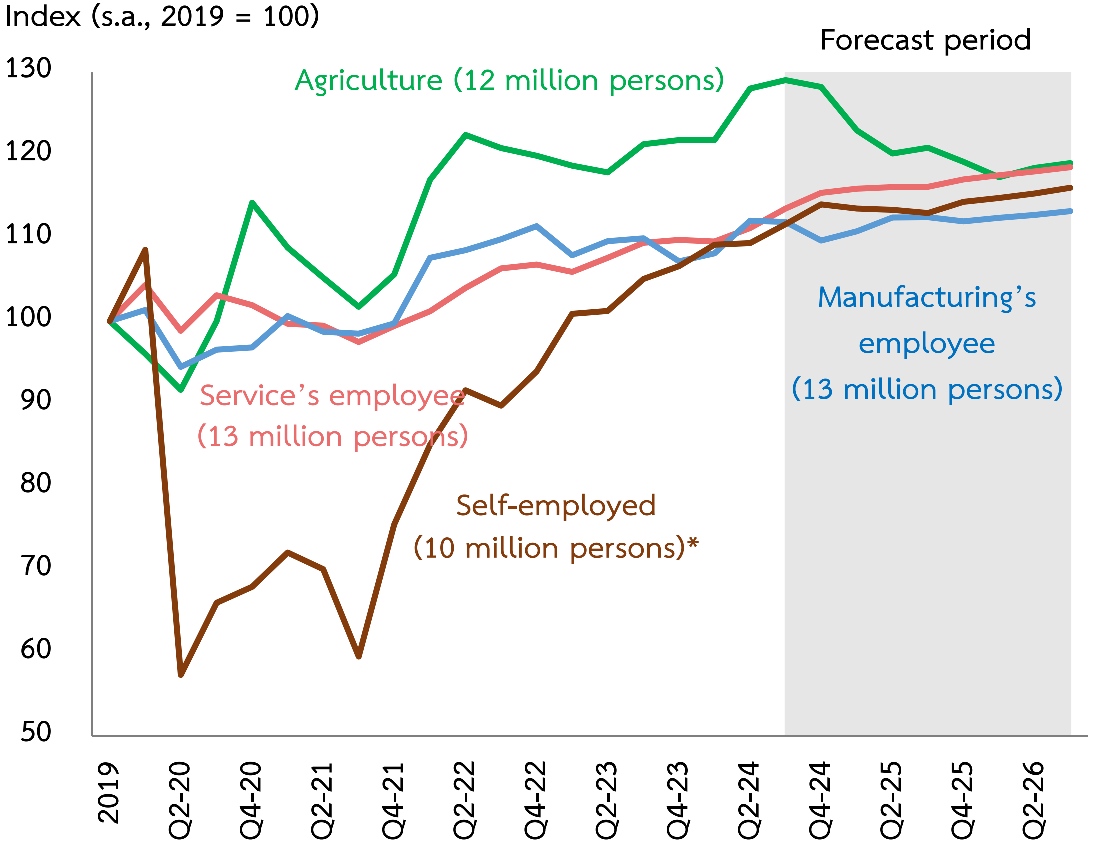
Labor income would slow down in 2025. There remains the need to monitor income of farmers and the self-employed.

Economic activity indices by cluster*



Note: *Indices are constructed from data relevant to each cluster whereby:
(1) Tourism and Other services is based on average sales VAT per company
(2) Real estate and Construction is based on average sales VAT per company in the construction sector
(3) Products affected by competition from Chinese products / Electronics / Auto-related products / Other products are based on the Manufacturing Production Index (MPI) data
** Electronics includes only HDD and IC & Semiconductors
Source: Office of Industrial Economics, Thai Customs, BOT calculation

Non-farm employees' income by sector

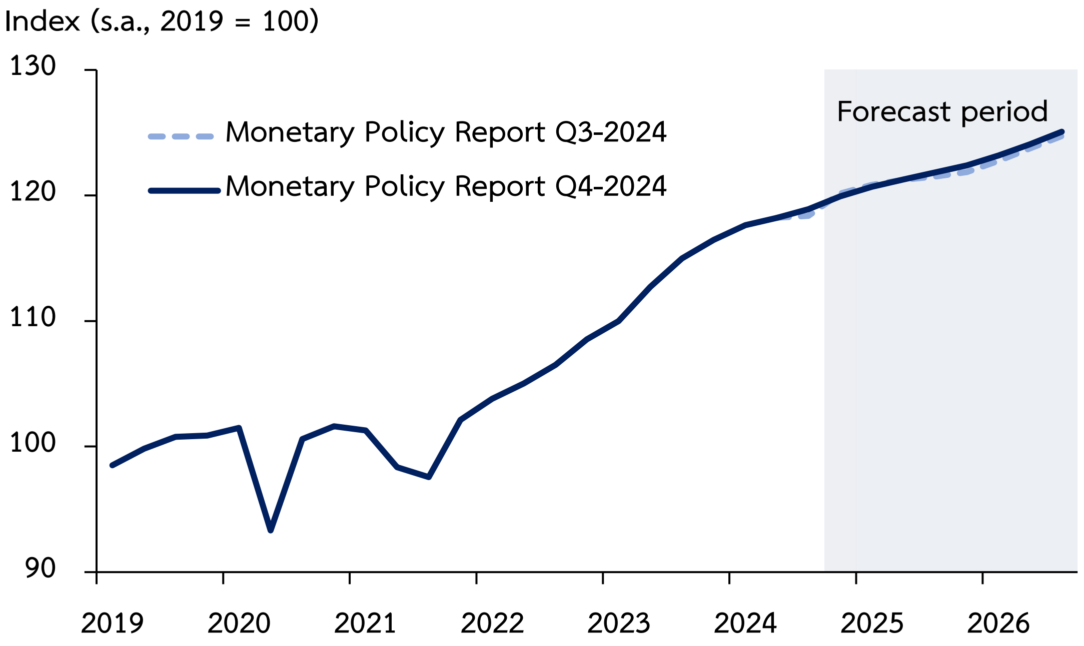


Note: ( ) denotes each sector's employees in 2023, * including employer
Source: National Statistics Office's Labor Force Survey and Household socio-economic survey and Office of Agricultural Economics, BOT calculation and forecast

Private consumption would grow at a slower pace. Labor income and high household debt would continue to weigh on private consumption.

Private consumption growth would slow down after having accelerated in 2023 and 2024.

Real Private Consumption



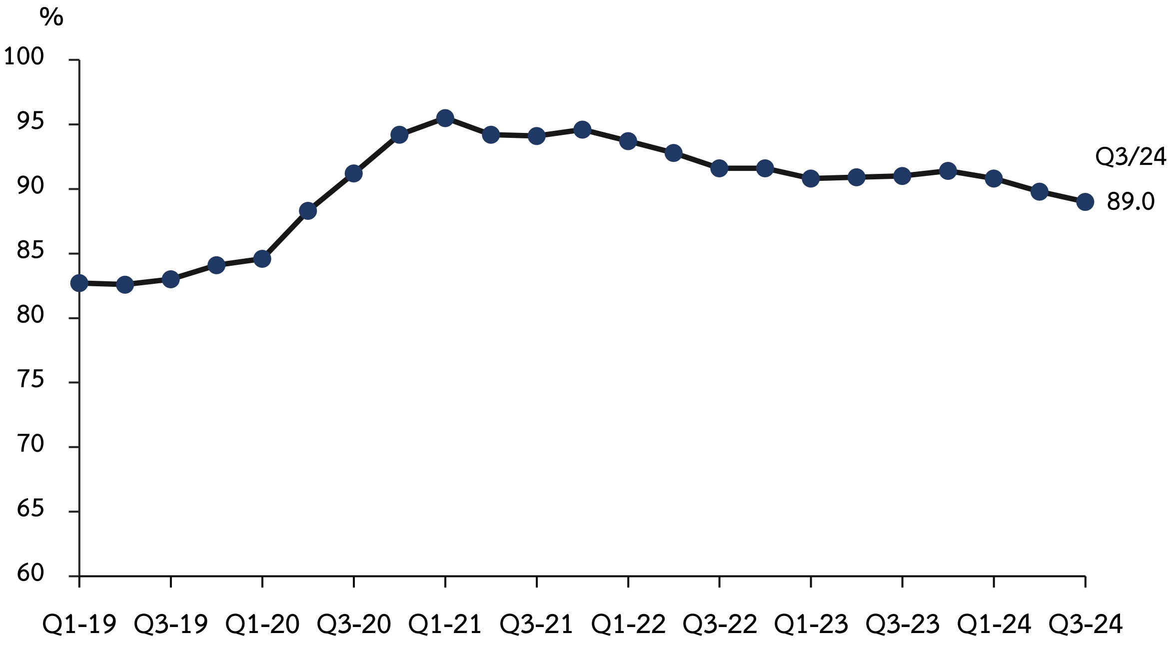
Source: BOT forecast

Private consumption projection

%YoY	2023*	2024	2025
Private consumption	7.1	4.5 (4.2)	2.4 (2.5)

Household debt remains high, although it has started to decrease.

Household debt to GDP (%)



Note: Household debt to GDP is calculated by dividing the amount of household borrowing by the sum of the gross domestic product at annual prices, totaling the previous 4 quarters from the referenced quarter.

Source: BOT

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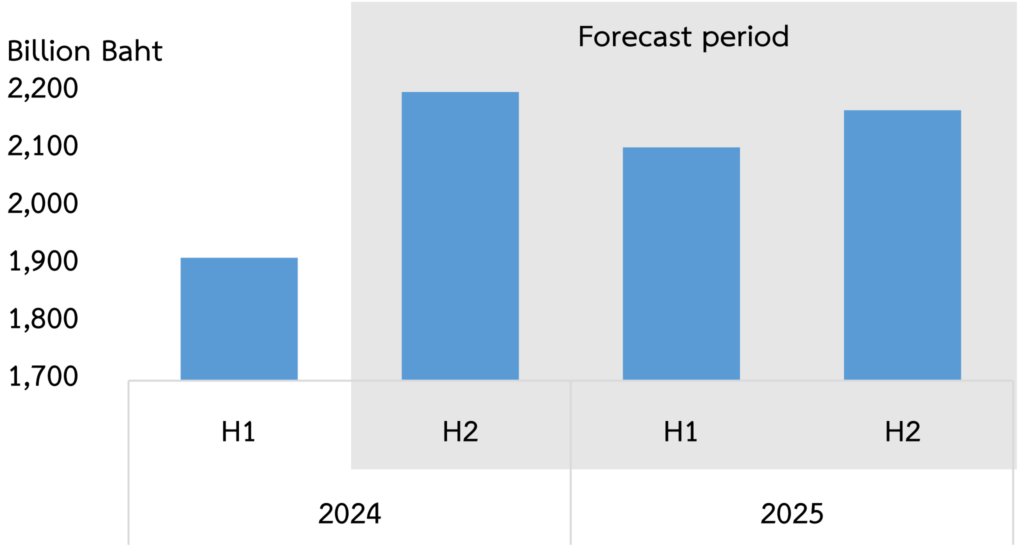
Public expenditure would be a key driver of growth in the period ahead, stemming from the disbursements of carryover funds from the 2024 fiscal budget and the disbursements of the 2025 fiscal budget. Additionally, economic stimulus measure through cash handout for the elderly is expected to commence in Q1-2025.

Public Expenditure [1/]



Note : [1/]General government final consumption expenditure and Public investment (SNA)
Source : NESDC, BOT calculation

- **Public expenditure accelerated in the latter half of 2024** partly due to disbursement of carryover funds from FY2024 budget turning out higher than in previous years.
- **Public expenditure in 2025 would proceed as planned** as the FY2025 budget became effective on 1 Oct 2024.

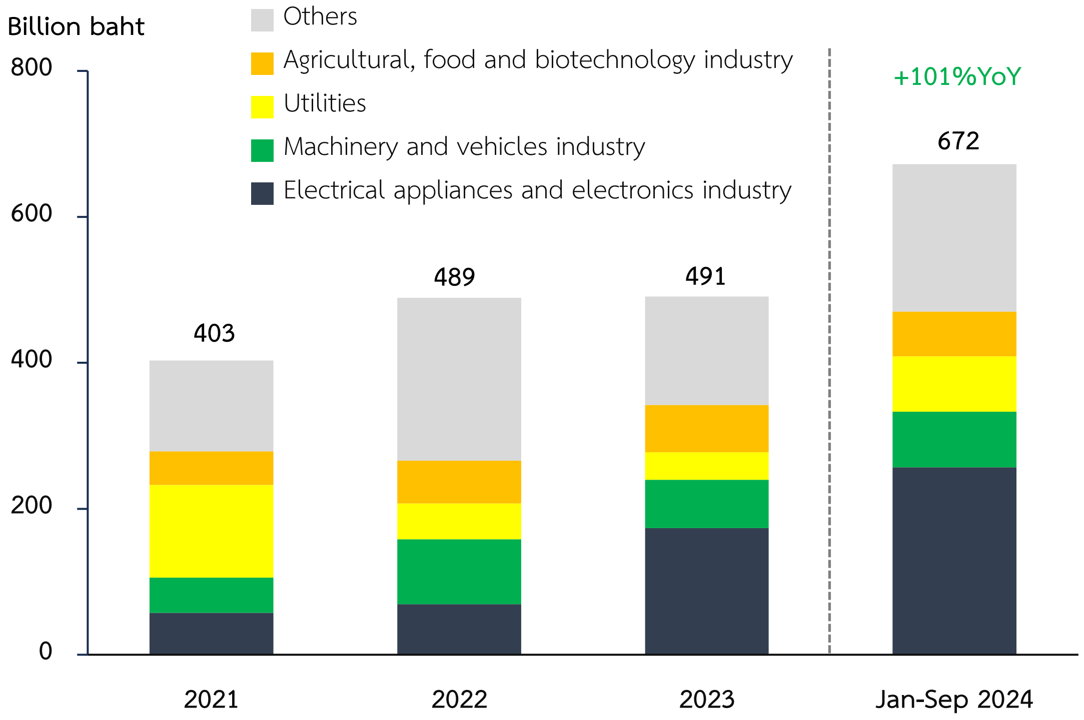
Details of economic stimulus measure through cash handout for the elderly

Source of funds	Billion baht	Conditions and process
Central budget for economic stimulus totaling 187.7 billion baht (FY2025 Budget Act)	40	- 10,000-baht cash transfer to each senior citizens (age 60 and above) through PromptPay system. - Target recipients are those who successfully registered through the government's app, meet the qualification criteria, and have not already received cash transfer from the recent economic stimulus measure through state welfare card holders and people with disabilities scheme. - Expected number of recipients not exceeding 4 million people.

For remaining expenditures for stimulating the economy and strengthening the economic system under the central budget, there remains the need to monitor the design and implementation of schemes that would be utilizing the budget.

Private investment would expand in 2025 driven by increased investment in machinery and equipment, while motor vehicles investment would remain slow in line with the outlook of the automotive industry. However, businesses might delay new investments due to uncertainties surrounding the economic policies of advanced economies.

Value of BOI promotion certificate issued



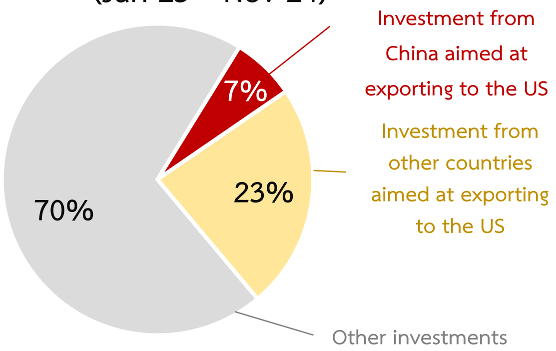
Source: Thailand Board of Investment

There are risks that businesses might delay new investments until there is clarity regarding the US economic policies especially (1) Chinese companies that primarily export to the US market and (2) The US companies that might relocate back to the US in line with reshoring policies, all of which could affect the investment outlook in Thailand.

The value of BOI promotion certificates issued to Chinese companies that export to the US market is 7% of total investments that received BOI promotion.

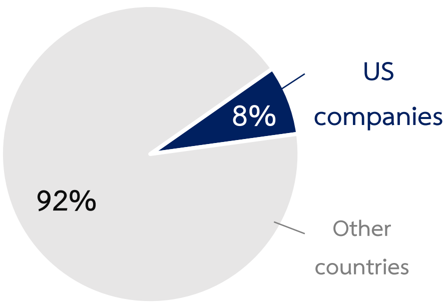
The value of BOI promotion certificates issued to the US companies is 8% of total investments that received BOI promotion.

Value of BOI promotion certificate* (Jan 23 – Nov 24)



Note: This data pertains to investment projects valued at over 200 million baht, which had been approved for promotion by the BOI from 2023 to November 2024, totaling 740 projects.
Source: Thailand Board of Investment, BOT calculation

Value of BOI promotion certificate (Jan 23 – Sep 24)



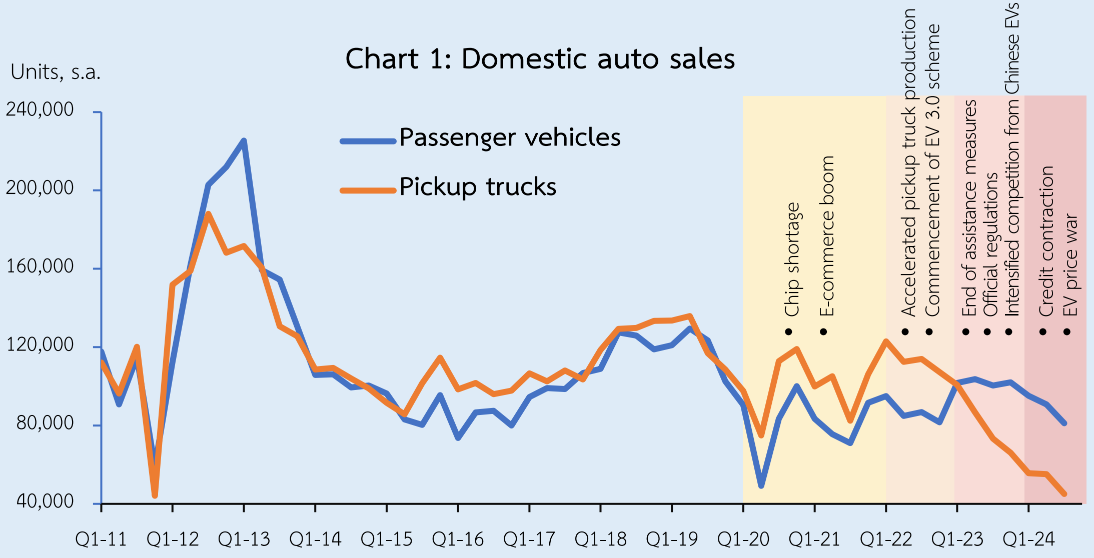
Source: Thailand Board of Investment, BOT calculation

Box 1: Thai automotive industry: development and outlook

Manufacturing output of the automotive industry contracted by 20% year-on-year during the first 10 months of 2024 mainly due to contraction in domestic sales. Manufacturing of pickup trucks and passenger vehicles contracted 52% and 25%, respectively. However, manufacturing for exports fared better, contracting by just 5%. As a result, the ratio of manufacturing for domestic sales to manufacturing for exports fell from 48:52 in 2019 to 31:69.

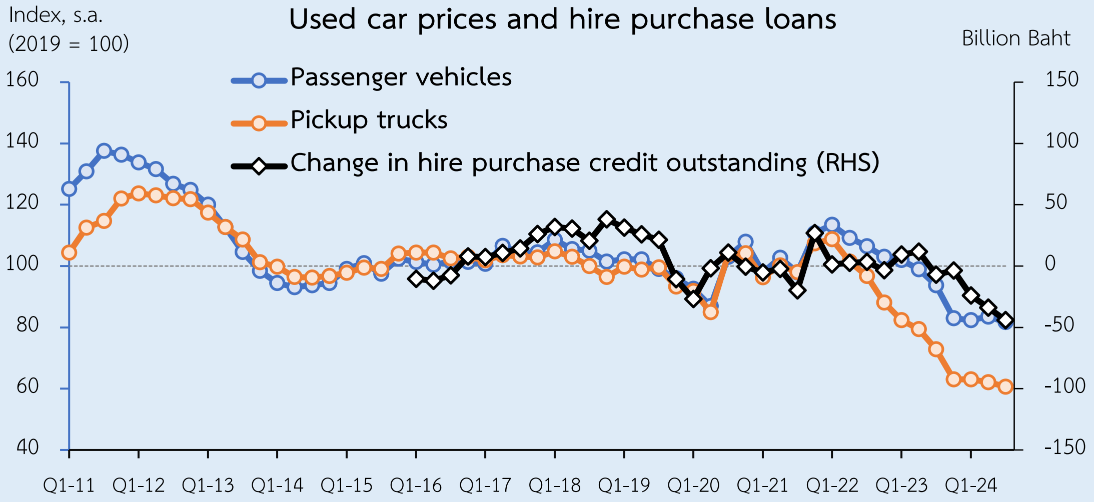
The contraction in domestic auto sales stems from several factors including industry-specific, cyclical, and structural factors. The contraction began in 2020 during the COVID-19 pandemic when the global chip shortage occurred. In response, Thai auto manufactures focus more on manufacturing and selling pickup trucks, which require fewer chips than passenger vehicles. This was also in part driven by the strong pickup demand from logistics businesses due to the e-commerce boom during the COVID-19. As a result, pickup truck sales recovered faster than passenger vehicles during the 2020-2022 period (Chart 1). **However, since the phasing out of financial assistance measures in 2023, combined with uneven economic recovery, those car buyers who borrowed to purchase faced difficulties in paying their installments** resulting in many cars being repossessed and auctioned off, especially pickup trucks which were owned by farmers and the self-employed whose income recovery were slow and uncertain. **Consequently, this had a knock-on effect causing a sharp and rapid decline in used car prices, leading to substantial rise in the loss given default for financial institutions. In response, financial institutions have become more cautious in approving hire purchase loans** as reflected in the decline in auto loans[1/] (Chart 2). Moreover, regulations such as interest rate ceiling on auto loans and measures to promote responsible lending, have also compelled financial institutions to adopt stricter lending practices.

Chart 1: Domestic auto sales



Source: The Federation of Thai Industries, BOT calculation

Used car prices and hire purchase loans



Source: Union Auction Public Company Limited, calculated by BOT

Note: [1/]change in auto loans outstanding is quarter-on-quarter.

Box 1: Thai automotive industry: development and outlook (continued)

Meanwhile, the decline in used car prices also caused consumers who intended to sell their old vehicles to fund new purchases to delay their buying decisions. In addition, the decline in goods delivery after the cities re-opened, and delayed in government budgets that affected construction activities have further dampened demand for pickup truck purchases among businesses. These factors have exacerbated a sharp contraction in pickup truck sales since 2023 (Chart 1).

Passenger vehicles underwent a similar situation albeit less severe. This is partly because passenger vehicle buyers are primarily those earning salary with higher and more stable income than those of pickup truck buyers. As a result, the proportion of non-performing loans (NPLs) is lower, in line with used passenger vehicle prices which contracted less than pickup truck prices (Chart 2). **Nonetheless, passenger vehicles were affected by the growing EV market, which is a structural factor.** EV manufacturers engaged in price competition since 2023, which became more severe overtime causing internal combustion engine vehicle manufacturers to also compete by lowering sale prices. Some consumers therefore held off purchase of new cars until pricing became more certain. Meanwhile, some consumers also held off EV purchases until they were more confident about the battery technology, which was rapidly evolving, as well as the readiness of the EV ecosystem in Thailand such as EV charging stations, pricing and warranties of EVs, and the used car market for EVs.

The decline in the Thai automotive industry resulted in a year-on-year decline in employment and wages in related industries (cars and auto parts manufacturing, auto sales and repairs) during the first 3 quarters of 2024. In addition, businesses viewed that auto parts manufacturers and car dealerships were more severely impacted compared to earlier parts of the year, and this has started to affect related businesses such as auto and parts transports who reduced their delivery to one-third of normal operations, as well as some commercial businesses and real estates in the industrial park areas.

For 2025, the outlook for domestic auto sales remain highly uncertain and the price outlook for used cars must be closely monitored. This is because they will significantly influence both loan approvals among financial institutions and down payments for new cars. While some businesses viewed that used car prices would improve as the number of cars being seized and sold off in auctions have declined during late-2024, there are uncertainties such as price competition from EVs which could become more intensified, and the 2025 economic outlook. **It is expected that pickup truck sales would recover more slowly than passenger vehicles** due to the slower recovery of income among pickup truck buyers. Additionally, the demand for investing in pickup trucks for construction businesses is likely to remain weak because residential construction projects are slowing down, despite supports from increased government construction projects. Conversely, passenger vehicle sales could see positive growth due to the growing popularity of hybrid vehicles and the segment's core customer based still have relatively high purchasing power.

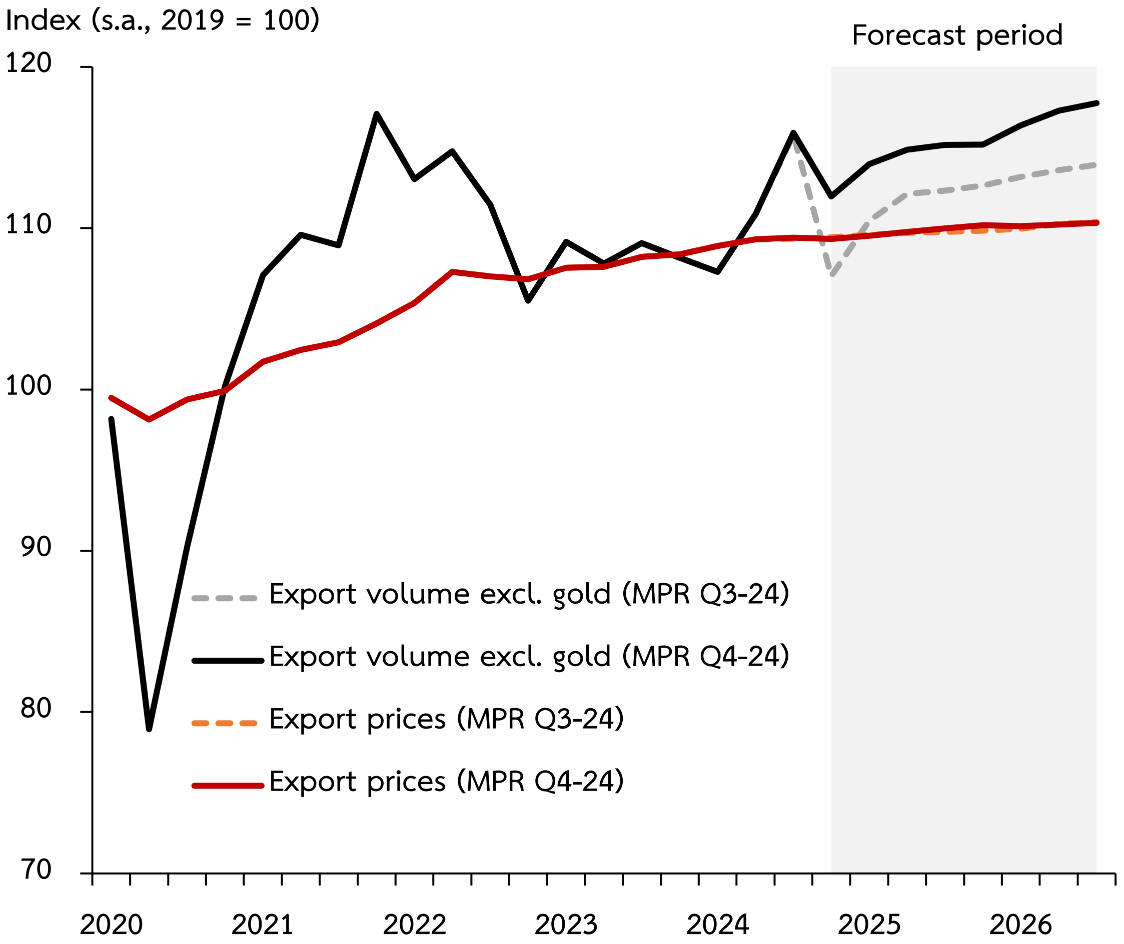
Over the medium-term, the Thai automotive industry would still face challenges. The extent in which the industry could make a comeback as a key growth driver of the Thai economy would depend on the industry's adaptability to the ongoing structural shifts; these include domestic market saturation as Thailand moves towards an ageing society and the behavior of younger consumers who prefer using public transportation, ride-hailing apps, and renting rather than owning cars. Additionally, a crucial adaptation involves elevating Thailand's automotive industry to become Asia's EV production hub, including their business models and manufacturing processes, and how much value-added this could bring to the Thai economy.

Note: In 2023, cars and auto parts industry constitute 8.2% share of GDP from the industrial sector, 2.0% of total GDP, and 15.6% of total exports value. The industry also employs 0.5-0.6 million workers (could be as high as 2 million workers if also counting related industries such as auto repairs, dealerships, and gas stations)

Source: NESDC, Thai Customs, National Statistics Office, BOT calculations

Merchandise exports are expected to expand, driven mainly by electronics and machinery exports, which benefit from the recovery in the technology product cycle. However, there remains the need to monitor the impact of global trade policy uncertainties on exports in the period ahead.

Projected merchandise exports (excl. gold)



- **Exports would expand** driven mainly by exports of electronic, machinery and equipment, which benefit from the relocation of manufacturing base to Thailand and continued demand for hi-tech products in line with the global technology product cycle. Moreover, global trade policy uncertainties could result in an acceleration in exports during the H1-2025 before the US could impose import tariffs.
- **Export prices would remain high** in line with commodity prices.
- **Key risks to exports:** (1) global trade policy uncertainties, especially imposition of US tariffs which could impact global trade volumes (Box 2: Through which channels will trade tensions impact the Thai economy ?); and (2) environmental policies such as Australia's New Vehicle Emission Standard (NVES) that could affect manufacturers and exporters of cars and auto parts.

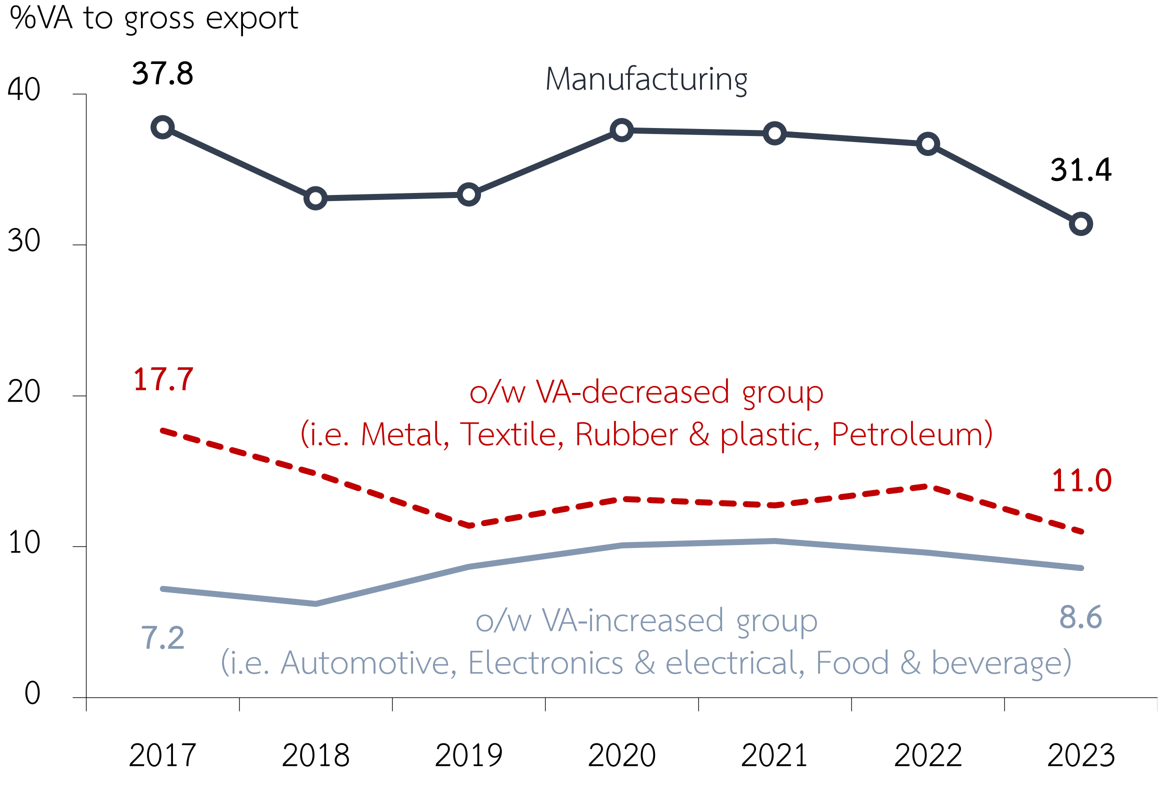
Merchandise exports projection

Growth (%YoY)	2023*	2024	2025
Export value	-1.5	4.9 (2.8)	2.7 (2.0)
Export prices	1.2	1.3 (1.3)	0.7 (0.5)
Export volume	-2.7	3.5 (1.5)	2.0 (1.5)

Note: * denotes outturn and ( ) denotes previous forecast in Monetary Policy Report Q3-2024

In addition, exports would still face challenge due to declining value-added in some industries especially those facing structural headwinds.

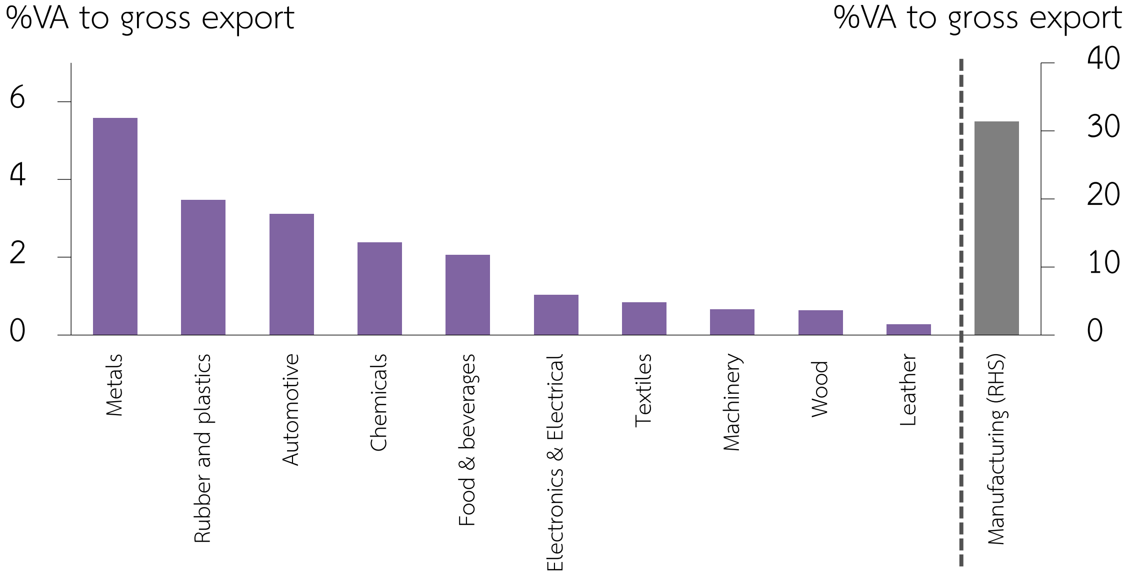
Value-added (VA) of export goods, categorized by product groups



Note: The value-added of Thai exports is calculated using the Inter-Country Input-Output Table by applying the formula: Value-added x Leontief x Exports, where Leontief represents the input-output coefficients.

Source: Asian Development Bank (ADB MRIO 2024), BOT calculation

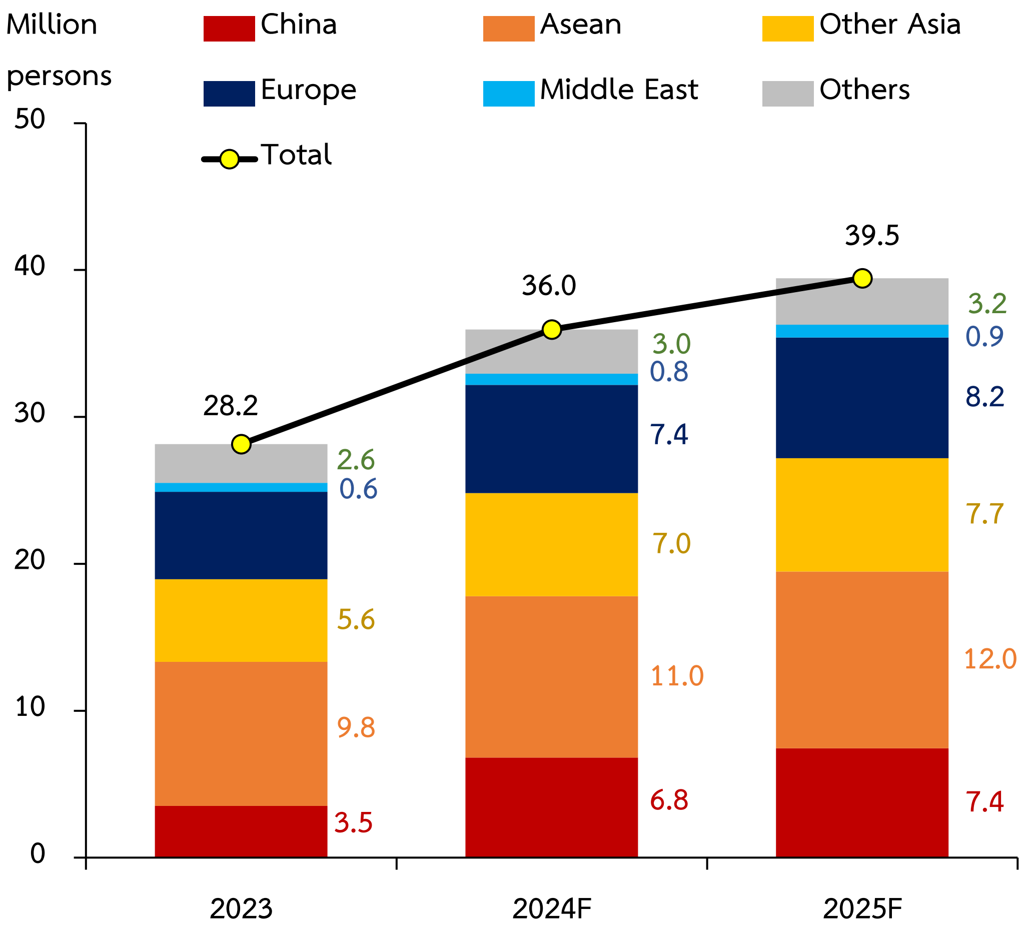
Value-added (VA) of export goods in 2023



Overall value-added of Thai exports is showing a downward trend due to (1) lower value-added of certain industrial goods, especially goods facing structural headwinds which rely more on importing raw material from China and create less domestic value-added in recent periods. These include metals, textiles, rubber and plastics, and petroleum products; and (2) The main driving products of future exports have lower value-added compared to the products that performed well in the past. Specifically, the electronics and machinery groups (new drivers) import a high proportion of raw materials and parts, thus generating less value-added compared to the automotive group (old driver) which uses a higher proportion of domestic parts, has stronger linkage with domestic industries, and create higher value-added.

Foreign tourist arrivals would continue to increase but there remains the need to monitor the spending patterns of tourists as well as global economic uncertainties that could impact income and tourism demand.

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 (36.0)	39.5 (39.5)
% of 2019 figure	-	28%	71%	90% (90%)	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 Q3-2024

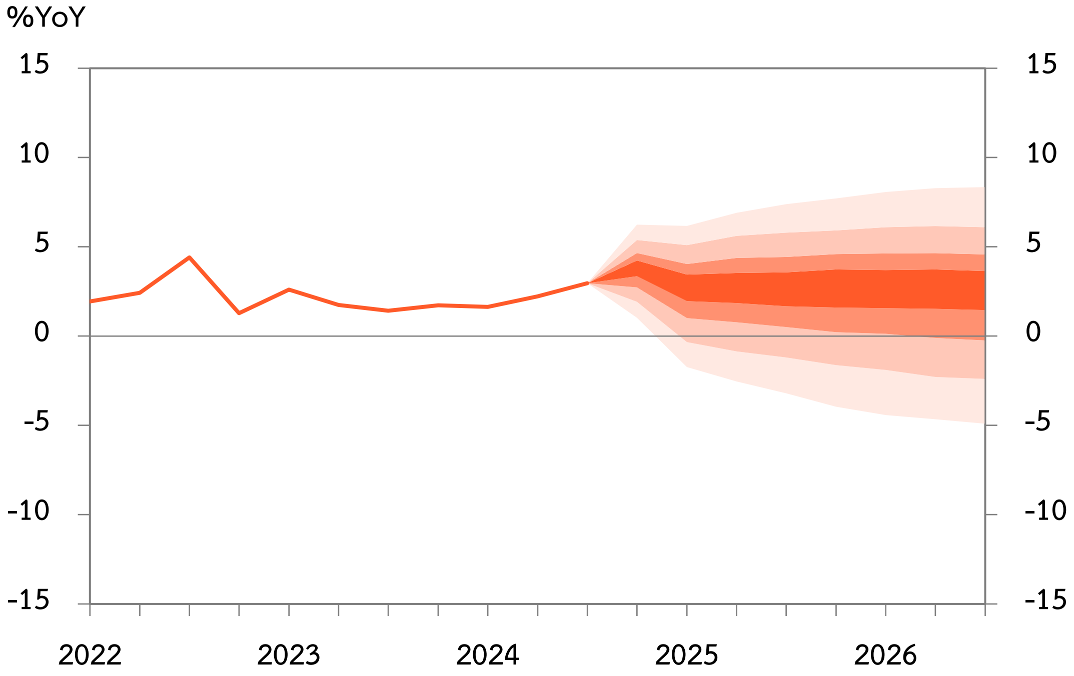
- **Foreign tourist arrivals would increase** despite slowing down in Q4-2024 due to idiosyncratic factors such as (1) Chinese tourists traveling more domestically due to the Chinese's government promotion of domestic tourism; and (2) Malaysian tourists being affected by the floods in southern Thailand. Notwithstanding, foreign tourist arrivals are still increasing in line with global tourism demand as reflected in the increasing number of flights and new flight routes as well as the fact that Thailand remains one of the top destinations according to tourist surveys conducted in many countries.
- **Tourism receipt is projected to increase** in line with higher spending on accommodation and tourism activities. However, there remains the need to monitor key factors affecting tourism receipt namely the length of stay and tourists' spending patterns, all of which could be affected by global economic uncertainties that could impact income and tourism demand in the period ahead.

Summary of economic forecast by component

Private consumption	**Private consumption is projected to slowdown after having accelerated earlier.** Private consumption growth would be mainly supported by the income recovery and government economic stimulus measures. However, there remains the need to monitor factors that could weigh on private consumption in the period ahead namely household debt levels which remains high despite recent declines, and the recovery in labor income which could be impacted by the uneven economic recovery.
Private investment	**Private investment would contract in 2024** due to a contraction in investment in motor vehicles and construction, although investment in machinery and equipment would still expand. **In 2025, Private investment growth is expected to turn positive** supported by 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 being shifted to 2025. However, uncertainties pertaining to economic policies of advanced economies could impact the investment outlook because businesses could delay their decision to make new investments, especially Chinese companies that focus on exporting to the US.
Merchandise exports (value)	**Merchandise exports would expand** driven by exports of electronics and machinery, which benefit from continued global demand in line with the global technology product cycle as well as the relocation of manufacturing bases for technological goods to Thailand. However, there remains the need to monitor uncertainties pertaining to US tariffs that could have both direct and indirect impact on Thai exports.
Services exports	**Services exports would continue to expand** due to both higher foreign tourist arrivals, which is expected to reach 39.5 million persons in 2025, and higher spending per head especially on accommodations and tourism activities. There remains the need to monitor the length of stay and tourists' spending pattern in the period ahead. In addition, the projected expansion in both merchandise exports and services exports would result in an increase in the current account surplus from 9 billion US dollars in 2024 to 15 billion US dollars in 2025.

Risks to the growth outlook are tilted to the downside

GDP growth forecast



Upside risks:

- Impact of government stimulus measures might be larger than expected.

Downside risks:

- Economic policies of advanced economies, which have high degrees of uncertainties especially US tariffs, could impact the global economy as well as the Thai economy in the period ahead.
- Tightening credit conditions in some pockets could impact vulnerable households and SMEs more than expected.

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Box 2: Through which channels will trade tensions impact the Thai economy?

US tariff policy has once again become a concern for countries around the world ever since Trump was elected for a second term as the US President. In the short-term, it is expected that tariffs would help improve the trade balance of the US economy and benefit the US manufacturing sectors as well as labor market. However, this would come at the expense of the global economy in many dimensions, especially global trade, which would slow down. Nonetheless, there are still many unclear aspects regarding tariffs, which puts the global economy in a state of heightened uncertainty. The International Monetary Fund (IMF) assessed that if the US, China, and Europe impose additional 10% tariff on imports from each other, coupled with the US also imposing an additional 10% tariff on other countries, global economic growth would decline by 0.4 and 0.6 percentage point in 2025 and 2026[1/], respectively. On the whole, import tariffs and global trade tensions are expected to impact the Thai economy primarily through investment and trade channels as follow:

(1) Investment would benefit from the relocation of manufacturing base from China to Thailand, but there is also a risk that investment could slow down due to global economic uncertainties. Since the trade war started during Trump's first term as the US President, Chinese companies started to relocate their manufacturing base to a third country to export goods to the US market. So far, Thailand benefited from the relocation of manufacturing base away from China, especially hi-tech products. Since 2018, investment inflow from China to Thailand totaled over 37.3 billion baht, equivalent to a compound average growth of 20.1%. In the first 9 months of 2024, the Thailand Board of Investment (BOI) issued 146.4 billion baht worth of investment promotion certificates to Chinese companies. This was a 74.5% increase from the 83.9 billion baht issued during the same period last year. Most of those investment outlays were concentrated in industrial machinery and automobiles, electrical appliances and electronics, and metals and materials, all of which would benefit the Thai economy through increased value-added and increased investments. However, Thailand's investment outlook faces risks stemming from the highly uncertain global economy. Thus, both Thai and foreign businesses could delay their investment decisions until there is greater clarity regarding policies and the global economic growth trajectory.

(2) Thailand would benefit from exporting goods to the US in place of China (substitution effect). The relocation of manufacturing to Thailand and increased investment in Thailand would also play a part in driving Thai export growth. Since 2018, Thailand's exports of technology products to the US have been increasing (Chart 1) thanks to both the growing global demand for technology products as well as the relocation of manufacturing out of China. During the first 3 quarters of 2024, Thai exports of technology products to the US accounted for 32% of total technology product exports, increasing 17% from 2017. However, Thailand is at risk of facing trade protectionist measures from the US if the US views that Thailand has become a channel for China to circumvent trade barriers, especially goods that has relied heavily on imported raw material and intermediary goods from China. This could pose additional risks to the trading ties between Thailand and the US, as well as Thai exports going forward.

Chart 1: Share of Thai exports to the US to total Thai exports by product

Export goods	Thai Export share to the US			
	2009	2017	2023	2024 Q1-Q3
Electrical appliances	10%	16%	31%	31%
Electronics	15%	21%	34%	38%
Mechinery and equipment	11%	14%	25%	26%
Total	13%	17%	30%	32%

Source: Thai Customs, BOT calculation.

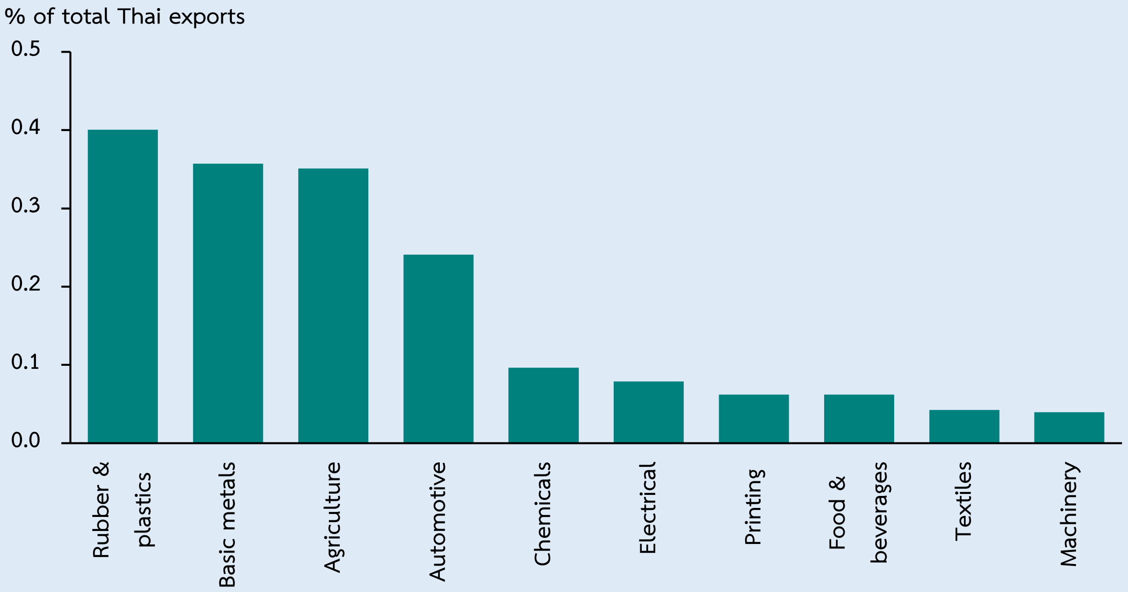
Note: [1/] Data from World Economic Outlook Database, October 2024, IMF

Box 2: Through which channels will trade tensions impact the Thai economy? (continued)

(3) Thai exports and tourism would be negatively affected by the slowdown of Chinese economy due to trade protectionist measures. In 2023, Thai exports to China accounted for 12% of total exports. Most analysts assessed that a 30-60% increase in US tariff on Chinese imports would result in a 0.5-2.0[2/] percentage point decline in China's GDP growth. In this regard, China's import demand for Thai goods would decline through 2 channels: (1) demand for final goods (final demand effect) and (2) demand for intermediate goods exported to China for production of final goods that are exported to the US (supply chain effect) such as rubber and plastic, metals, and auto parts (Chart 2), most of which are raw materials for the manufacturing of goods in the automotive industry, electrical appliances, and machinery. Tourism, one of the key drivers of the Thai economy, could also be affected by China's economic slowdown if it becomes broad-based to the point that it impacts consumer confidence and tourism demand among the Chinese people. In 2024, the number of Chinese tourists was the highest among all nationalities, accounting for 19.3% of all foreign tourist arrivals[3/] in Thailand.

(4) The flooding of Chinese exports (China Flooding) into Thai and ASEAN markets had become more severe due to China's manufacturing overcapacity. The trade war between China and the US, which began in 2018, coupled with China's manufacturing overcapacity, resulted in the Thai and ASEAN markets becoming an outlet for Chinese exports. Should US tariffs become more severe, there is high probability that China would adapt by exporting more to other markets instead of the US, adding further pressure on the competitiveness of Thai exporters in the period ahead. China Flooding would impact Thailand's manufacturing and exports through 2 main channels:

Chart 2: Value added share of Thai intermediate goods exported to China for production of final goods exported to the US



Note: calculation of actual value added in Thailand using export value of raw materials and intermediate goods to China for production of final goods exported to the US. based on Asian Development Bank Multi-Regional Input-Output table.

Source: Asian Development Bank Multi-Regional Input-Output 2024, BOT calculation

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Note:

[2/] Referring to analyses from Goldman Sachs, Deutsche Bank, Barclays, Standard Chartered, OCBC, Citi, and Morgan Stanley

[3/] Rapid indicators between 1 Jan – 8 Dec 2024 from the Ministry of Tourism and Sports

Box 2: Through which channels will trade tensions impact the Thai economy? (continued)

(4.1) Thai manufacturing sector losing domestic market share to China. Comparing the ratio of imported goods to total goods sold in Thailand during the 2016-2019 period to 2023 showed that Thai consumption had increasingly relied more on Chinese imports, especially goods from industries dependent on domestic demand, such as metals, passenger vehicles, and furniture.

(4.2) Thai exports losing market share in ASEAN to China. ASEAN's and Thailand's trade deficits with China have continued to increase and likely to widen further. It is assessed that Thai export goods that are most at risk of losing market share to China are electrical appliances and chemical products. This is reflected in the declining share of Thai exports of these goods to the ASEAN markets despite growing demand from ASEAN, while Chinese exports of those goods to ASEAN have clearly increased [4/].

The aforementioned impacts align with businesses' views about the export outlook[5/]. Most businesses viewed that in 2025, the impacts of US policies during Trump's second term as the US President are uncertain and difficult to predict. Export goods that are expected to be negatively affected by US policies are those that China is likely to export more to the Thai and ASEAN markets instead of the US. These include mass market goods that are facing competition from Chinese imports, and goods from industries facing structural headwinds such as automobiles, metals and small electrical appliances, petrochemical and chemical products. However, some goods are expected to benefit from US trade protectionist measures because the tariffs are not directly applied to Thai goods, which provides an opportunity for Thailand to export those goods in place of China. These include vegetable, canned or frozen fruits, sugar, and tapioca starch. At the same time, some export products have already benefited from the relocation of manufacturing base to Thailand since the previous round of trade protectionist measures such as electronic parts.

Note:

[4/] Kerkkiat et al (2024), "Impact of China Flooding on Thailand's Economy", Economic Pulse no 8, Bank of Thailand

[5/] Interviews under the Business Liaison Programme (BLP) between 1 Oct – 9 Dec 2024 conducted with 135 companies encompassing all regions.

In addition, US tariffs could impact Thai inflation through the slowdown in global demand, resulting in a decline in crude oil and commodity prices. China Flooding could also result in domestic goods prices declining or make it difficult for businesses to raise prices.

In summary, global trade tensions would impact the Thai economy mainly through exports and investments. However, the severity remains highly uncertain depending on the actual implementation of US tariffs as well as potential retaliation and adaptation by US trading partners. Thailand would mainly be impacted by the second-round effect through China due to strong interlinkages between the two economies. Should the impact of global trade tensions become more severe, it could result in reduced employment in some industries, especially those that rely heavily on exports, or slower-than-expected growth in the Thai tourism sector, resulting in reduced employment and income, which would weigh on household purchasing power and consumption in the period ahead.

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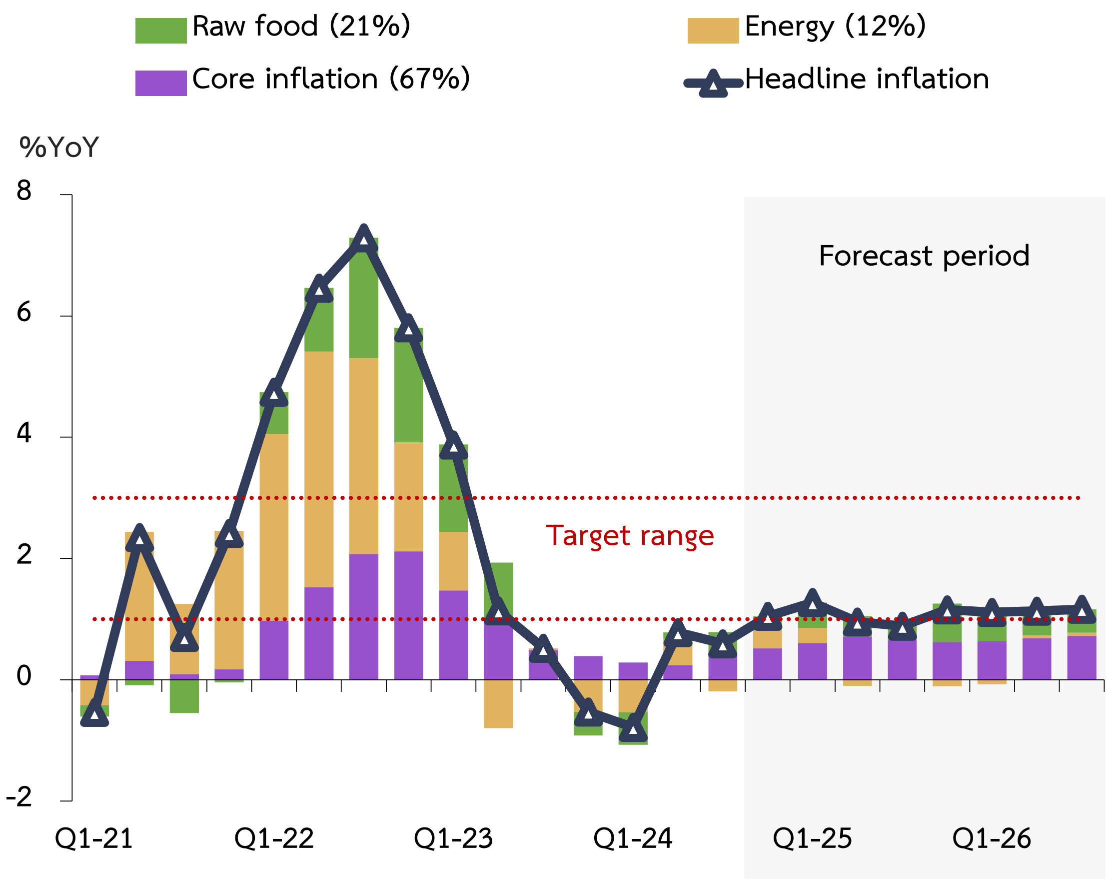
Headline inflation would gradually rise towards the target range due to the base effect of low energy prices as well as cost passthrough to food prices. For 2025, headline inflation is expected to be largely stable, with energy prices remaining low in line with oil prices.

Contribution to headline inflation



Note: ( ) denotes weight in CPI basket

Source: Ministry of Commerce, BOT calculation and forecast as of 18 Dec 2024

Inflation forecast

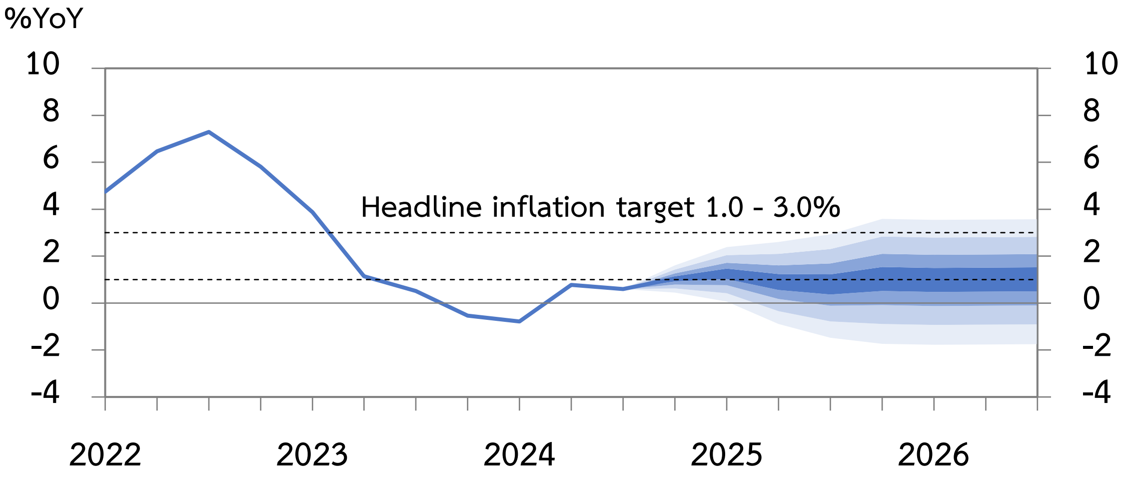
%YoY	2023*	2024	2025
Headline inflation	1.2	0.4 (0.5)	1.1 (1.2)
Core inflation	1.3	0.6 (0.5)	1.0 (0.9)

Note: * denotes outturn and ( ) indicates previous forecast in the Monetary Policy Report Q3-2024

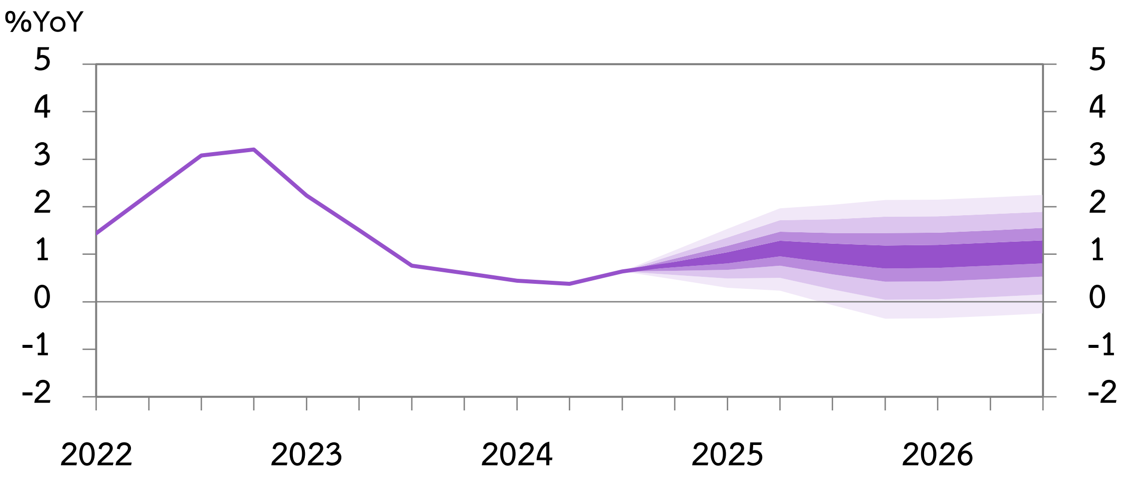
- **Headline inflation would gradually increase towards the target range** due to the base effect of low energy prices in the previous year and rising core inflation as a result of cost passthrough to prepared food prices. **For 2025, headline inflation is expected to stabilize at low levels** in line with energy prices, in which global oil prices would decline due to slower demand from China. Meanwhile, fresh food prices would increase somewhat due to volatile weather conditions.
- **Core inflation is projected to gradually increase in 2025** in line with the projected economic expansion, which would facilitate cost passthrough by businesses.

Risks to the inflation outlook are tilted to the downside mainly due to potentially lower energy prices.

Headline inflation forecast



Core inflation forecast



Upside risks:

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

Downside risks:

- Potentially lower energy prices due to slower-than-expected global economic growth

Summary of key forecast assumptions

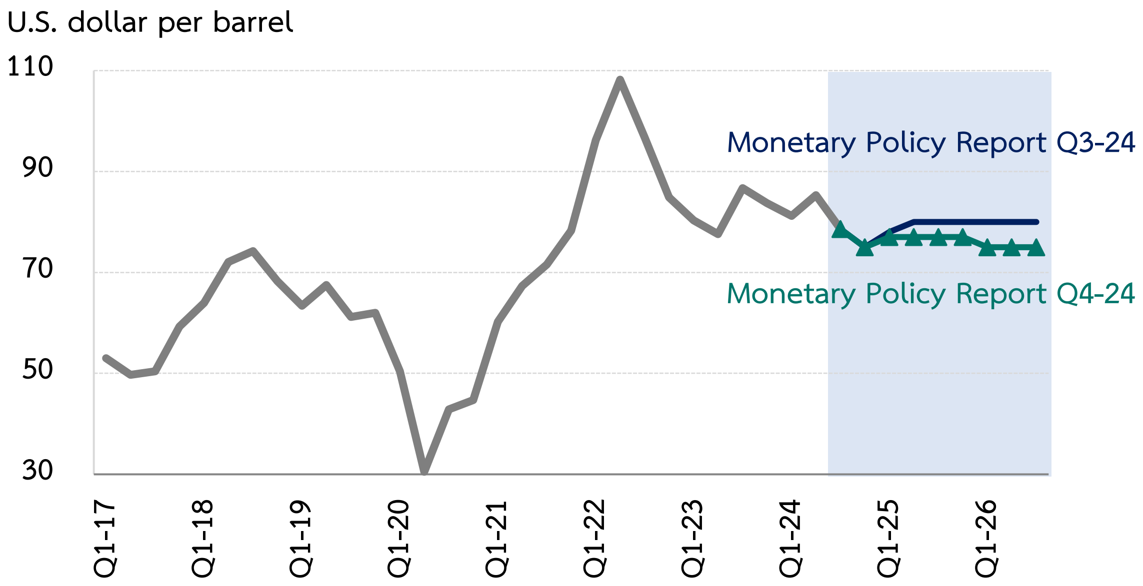
Annual percentage change	2023*	2024	2025
Trading partners' growth (%YoY)[1/]	2.9	2.8 (2.8)	2.7 (2.6)
Fed funds rate (% at year-end)	5.25 - 5.50	4.25 – 4.50 (4.25 – 4.50)	3.75 – 4.00 (3.25 – 3.50)
Regional currencies (excl. China) vis-à-vis the U.S. dollar (index) [2/]	166.2	169.3 (167.8)	167.4 (158.7)
Dubai crude oil prices (U.S. dollar per barrel)	82.1	80.0 (80.0)	77.0 (80.0)
Farm income (%YoY)	-0.1	5.8 (4.3)	-4.7 (-3.4)
Government consumption at current price (billion baht)	2,983	3,085 (3,081)	3,160 (3,193)
Public investment at current price (billion baht)	1,011	1,044 (1,028)	1,114 (1,089)

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 Q3-2024 (including economic stimulus plan in 2024)

- **Trading partners' growth** for 2024 would continue to expand driven by the US, the euro area, and Asia. For 2025, trading partners' growth would slow down, especially China, where consumption is likely to remain weak. In addition, there are increased uncertainties stemming from US economic policies.
- **The Federal Funds Rate** in 2024 was cut by 100 bps. For 2025, it is expected that the Fed would slow the pace of rate cuts, cutting the policy rate by a cumulative of 50 bps. The Federal Funds Rate is expected to be 3.75-4.00% at the end of 2025.
- **Regional currencies (excluding the Chinese yuan)** would depreciate in line with the US dollar's appreciation due to concerns about US economic policies which could impact the US economic outlook, inflation, and policy rate. For 2025, regional currencies would see some appreciation due to more accommodative monetary policy stances among advanced economies.
- **Dubai crude oil prices** assumption is revised down on account of slowing demand from China in line with the slow economic recovery and adoption of alternative energy. Meanwhile, global oil supply would increase especially from producers in the US, Latin America, and Canada.
- **Farm income (excluding government measures)** in 2024 would expand on the back of higher rubber and palm oil prices due to tighter supply as a result of weather conditions. For 2025, farm income would contract due to the base effect of high rubber prices in the previous year as well as lower rice prices due to increased rice exports from India.
- **Public spending at current prices** in 2025 would be higher than the previous year in line with the annual budget plan and investment by state-owned enterprises, despite some government consumption expenditure under the FY2026 budget (which will come into effect in Q4-2025) being allocated to replenish the treasury reserve.

Dubai crude oil price assumption for 2025 is revised down on account of slowing demand from China and gradual increase in oil supply from non-OPEC producers

Projected Dubai crude oil prices



Projected Dubai Crude oil prices

ดอลลาร์ สรอ. ต่อบาร์เรล	2023*	2024	2025
ข้อสมมติราคาน้ำมันดิบดูไบเฉลี่ยทั้งปี	82.1	80 (80)	77 (80)

Note: * Outturns

( ) Previous forecast in the Monetary Policy Report Q3-2024

Source: BOT forecast

Dubai crude oil prices in 2024 remained low

- Dubai crude oil prices remained low mainly due to slowing demand from China

Dubai crude oil price assumption for 2025 is revised down due to:

- **Slowing demand from China** due to the weak economic recovery and adoption of alternative energy in line with the Chinese government's policy to support EVs.
- **Oil supply from non-OPEC producers would continue to increase** especially from US, Latin America, and Canada. Meanwhile, OPEC+ countries would extend their voluntary output cuts of 2.2 million barrels per day until March 2025 and collective output cuts of 3.65 million barrels per day until the end of 2026.

Risks to Dubai crude oil prices outlook are tilted to the downside

- **Upside risks: Geopolitical tensions could impact oil infrastructures** such as the Russia-Ukraine conflict, the Israel-Hamas conflict, the Israel-Iran conflict, and the Red Sea crisis; and **production cuts by OPEC+ countries could last longer or be steeper than expected.**
- **Downside risks: A slowdown in global economic growth** especially China due to the impact of US tariffs; and **oil supply from non-OPEC countries could be higher than expected** especially from the US due to the new administration's policy to support the extraction and usage of fossil fuels.

Credit growth has slowed in the recent period. The baht appreciated from the previous quarter, and depreciated towards the end of the year due to global trade uncertainties.

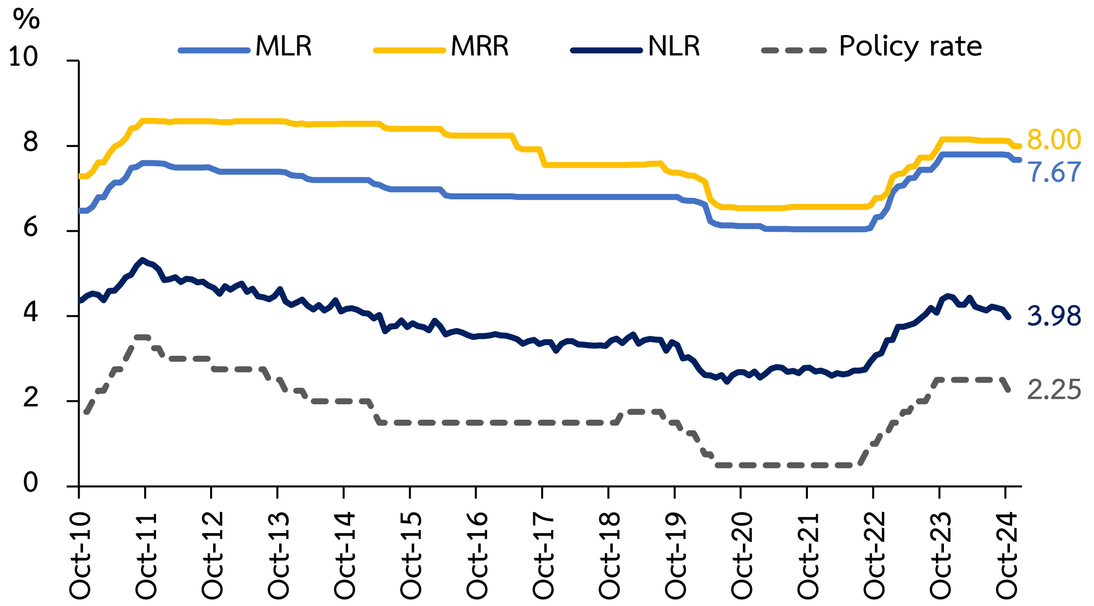
Commercial bank interest rates declined in line with the policy rate cut previously, both for deposit and lending rates.

Credit growth slowed down due to lower loan demand, debt repayments on loans borrowed during the COVID-19 pandemic, and heightened credit risks.

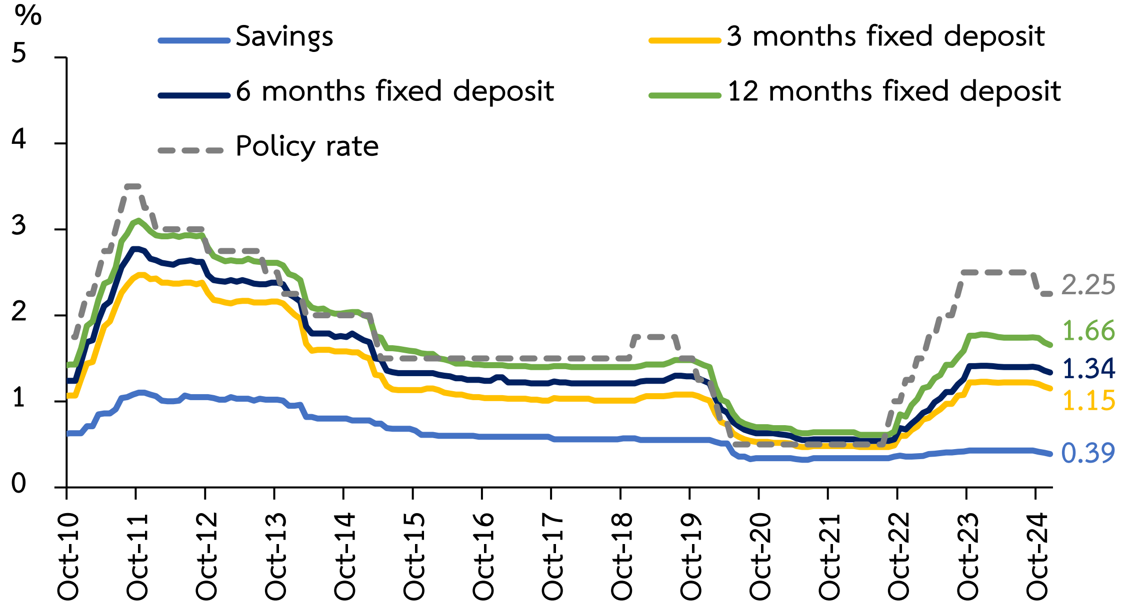
The baht appreciated from the previous quarter due to monetary easing in advanced economies. However, the baht faced depreciation pressure following the US Presidential election and uncertainties in global trade policies.

Commercial bank interest rates declined in line with recent policy rate cut, both deposit and lending rates.

Commercial bank lending rates



Commercial bank deposit rates



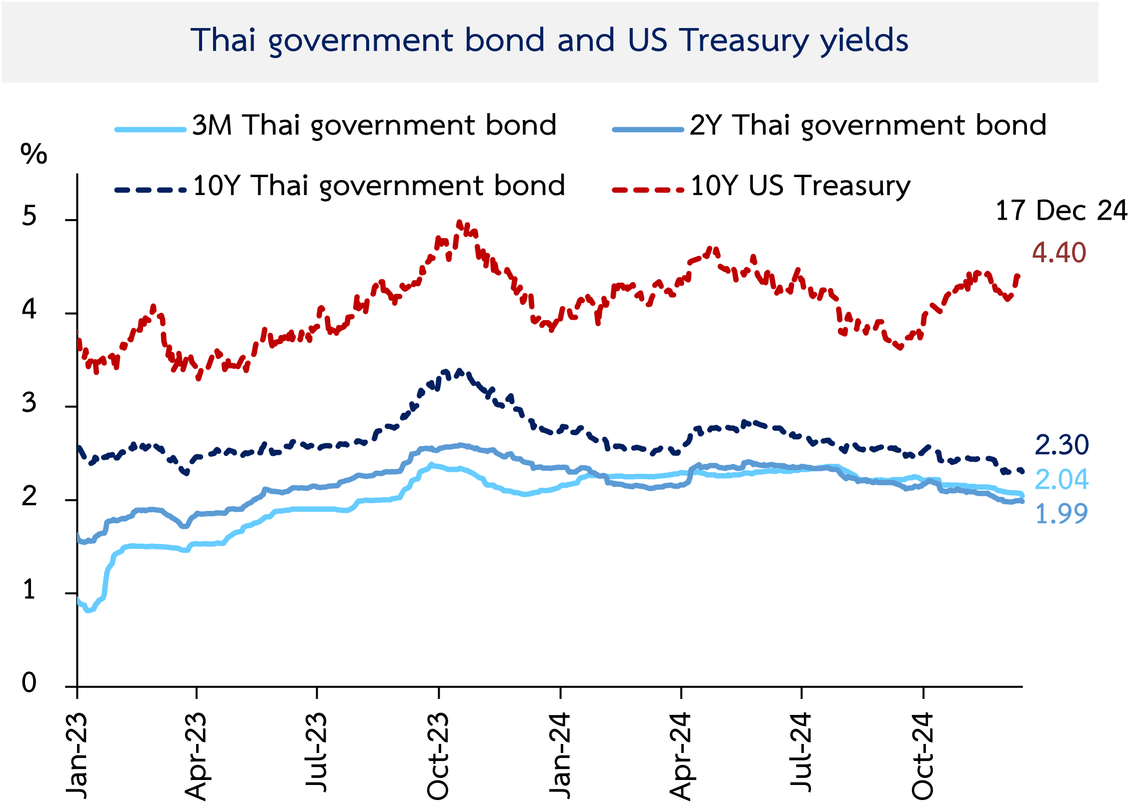
Note: (1) Monthly average of 14 commercial banks (data as of 17 Dec 2024)

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

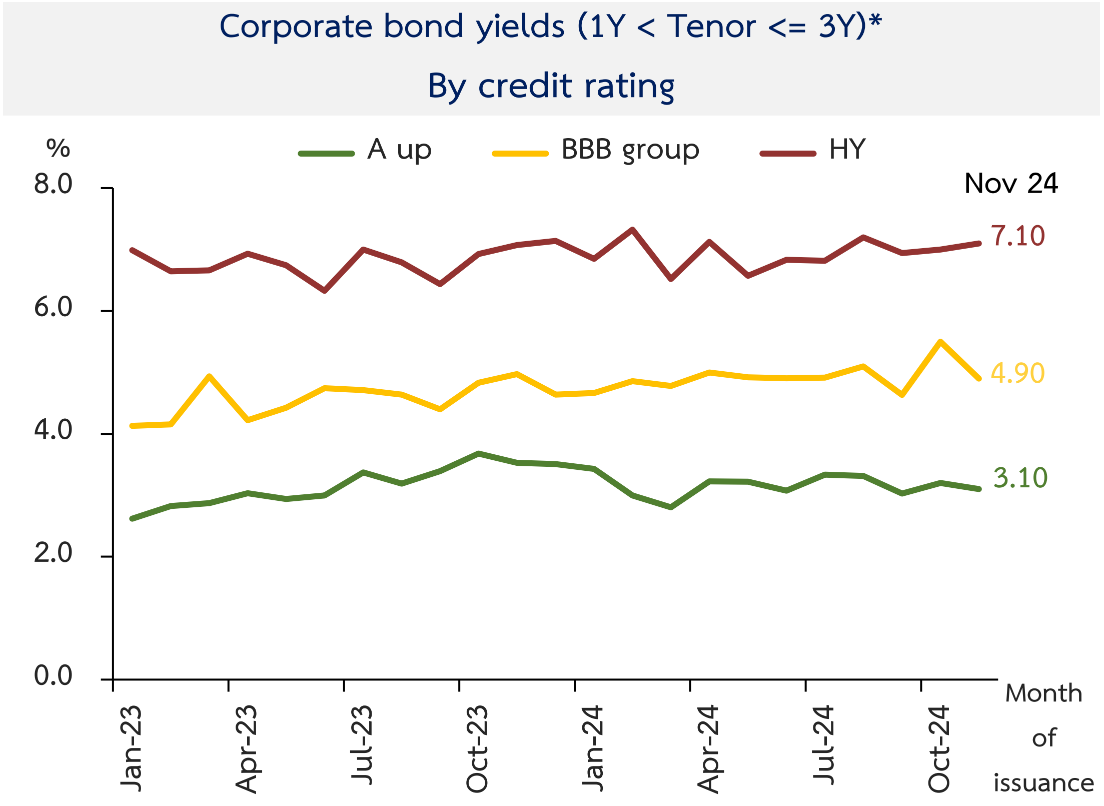
Source: BOT

Commercial bank lending and deposit ranks declined overall in line with the policy rate cut on 16 October 2024. The minimum loan rate (MLR) fell to 7.67% and the minimum retail rate (MRR) fell to 8.00%, constituting a transmission from the policy rate of 55% for MLR and 61% for MRR. The new loan rate (NLR) as of end-Oct 2024 fell to 3.98%. Saving and fixed deposit rates also declined.

Thai government bond yields declined, while financing costs in the corporate bond market remained stable.



Source: Thai BMA (data as of 17 Dec 2024)

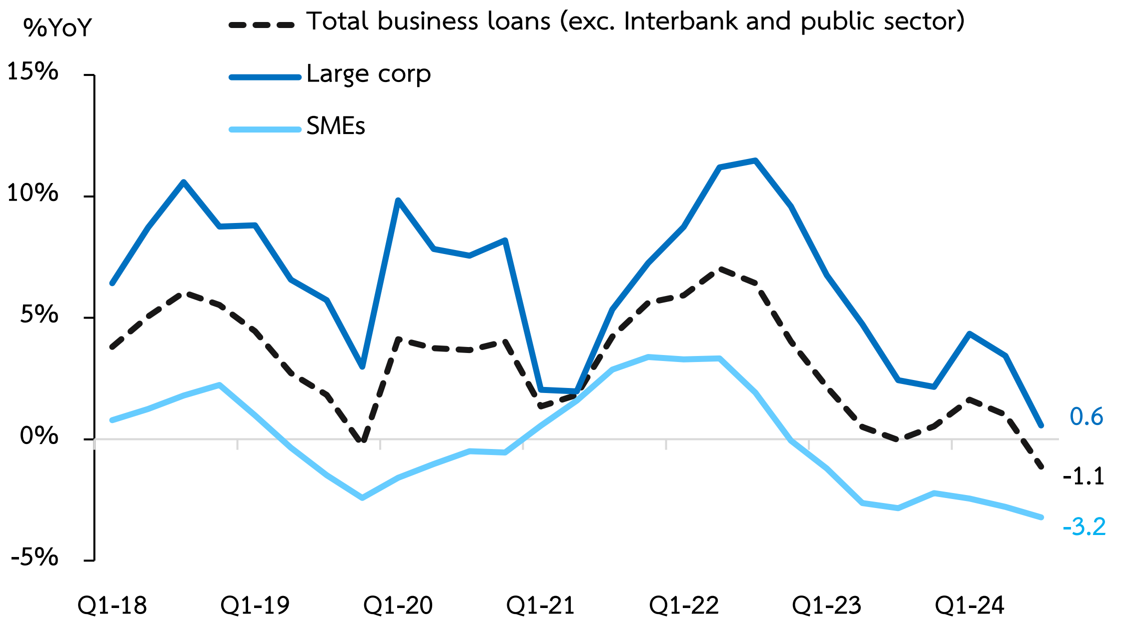


Source: * Weighted coupon rate in primary market

Both short-term and long-term government bond yields declined from the previous quarter in line with the policy rate cut on 16 October 2024 and strong demand from domestic investors. This is different from US Treasury yields, which increased due to expectations that the Fed would slow down its rate cuts. **Corporate bond yields were stable overall**, with yield movements driven primarily by idiosyncratic factors of some issuers. Corporate bond yields among BBB and high-yield groups remain high, reflecting investors' caution in investing in bonds of risky issuers.

Business loans declined in line with falling loan demand, repayment on loans borrowed during the COVID-19 pandemic, and heightened credit risks. Retail loans growth slowed down overall due to heightened credit risks and idiosyncratic factors such as in the case of auto loans.

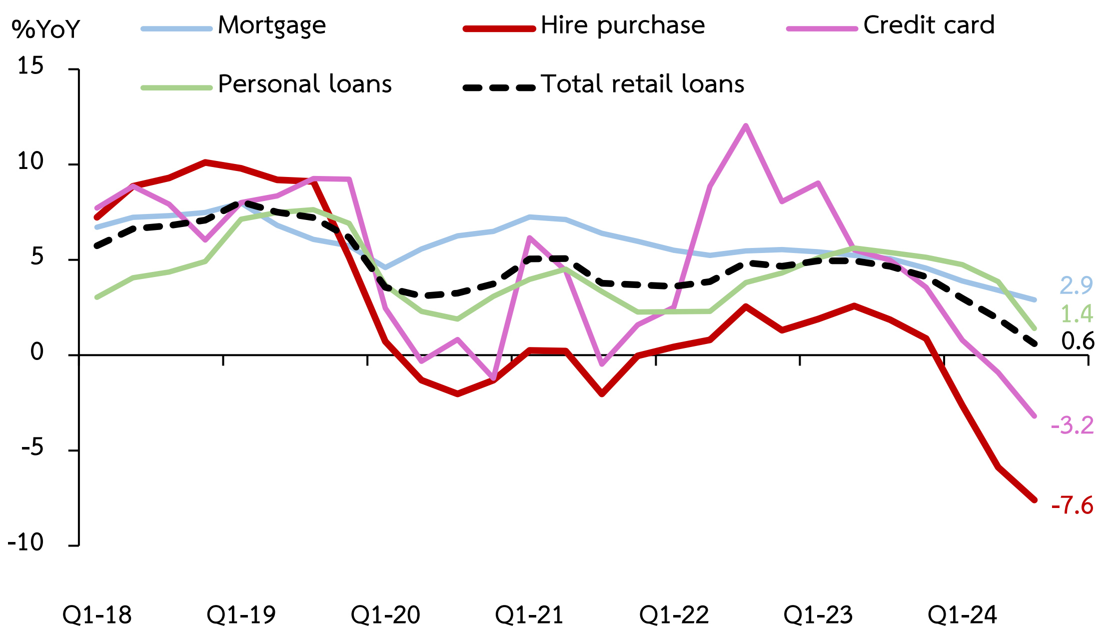
Business credit growth by firm size



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

(2) For loans from commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Sep 2024 is used to categorize Large corp. (credit line > 500 MB) and SMEs (credit line <= 500 MB). For SFIs, OSMEP's criteria is used (based on income and employment). For non-banks, the data covers Nano Finance and personal loan for businesses under BOT supervision (excluding title loan).

Retail credit growth by portfolio



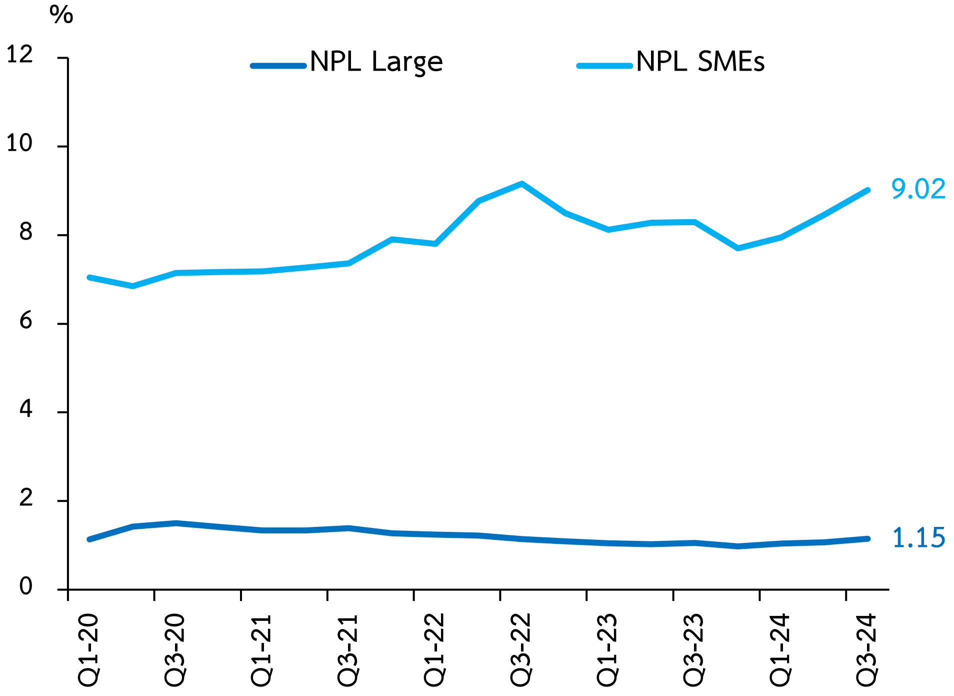
Note: Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under BOT supervision

Source: BOT

Large corporate loans growth slowed down. Business loans growth among tourism and services businesses slowed down due to debt repayments and increased income. Meanwhile, business loans contracted among businesses facing competitiveness problems especially petrochemical, electronics, and the automotive industries. SME loans growth remained negative in line with increased credit risks among borrowers and lower competitiveness. **Household loans growth slowed down overall**. Auto loans and credit card loans contracted due to heightened credit risks and idiosyncratic factors.

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

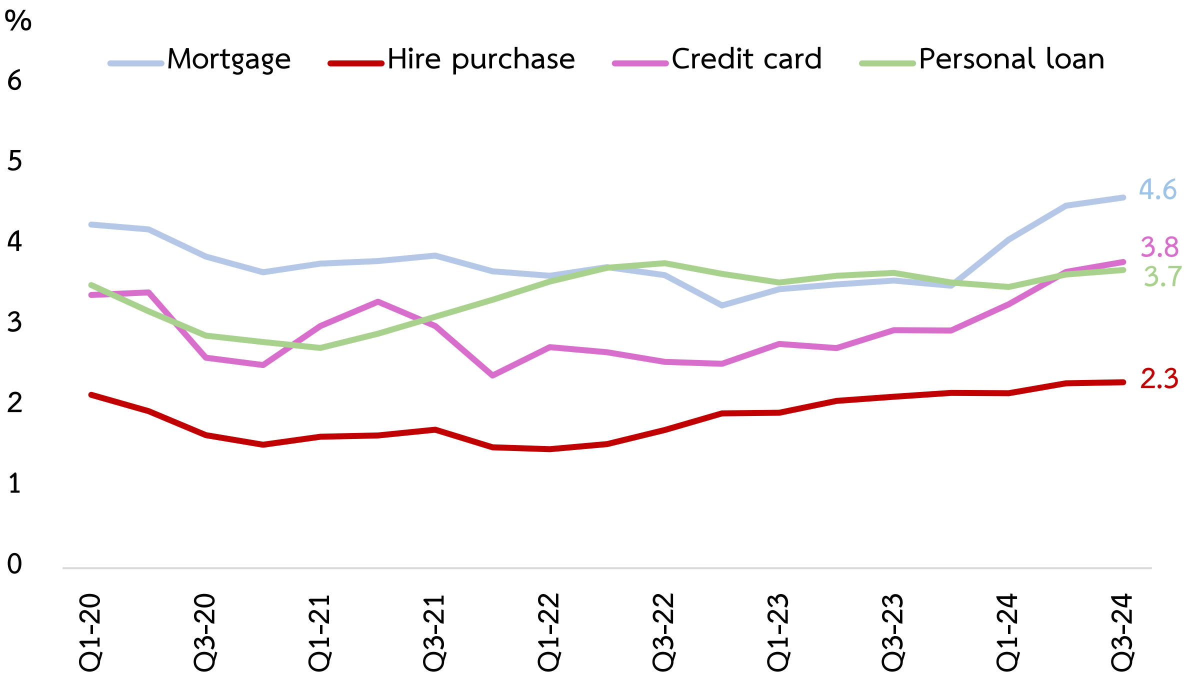
Stage 3 (NPL) of business loans by size



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

Source: BOT

Stage 3 (NPL) of retail loans by portfolio



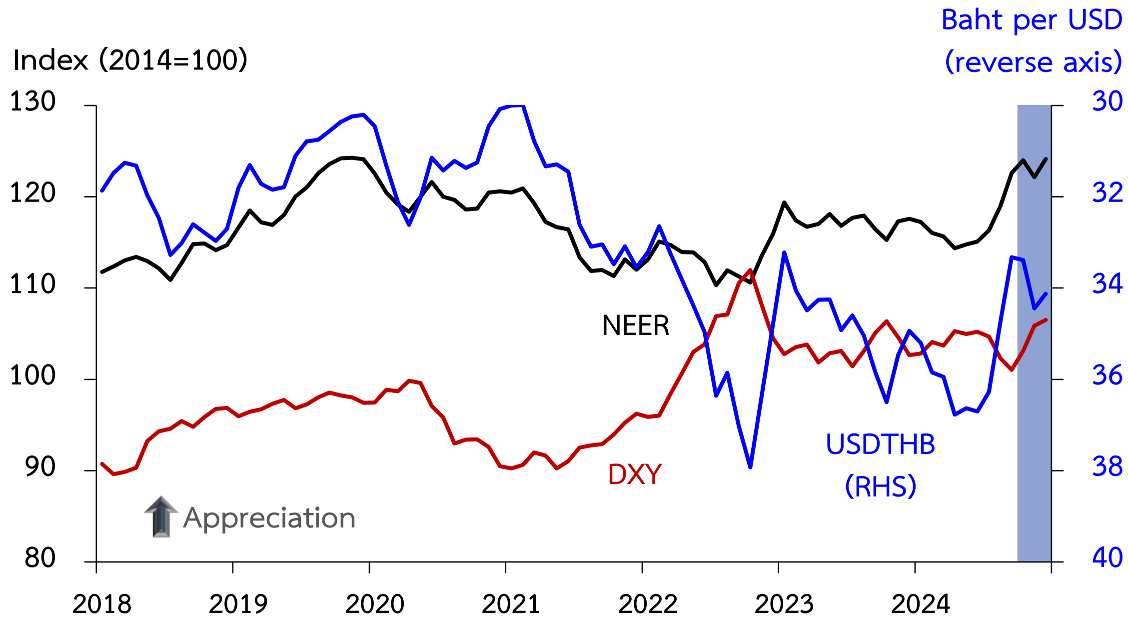
Note: Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under BOT supervision.

Source: BOT

Overall debt serviceability deteriorated as reflected by the increasing proportion of non-performing loans (NPL or stage 3 debt), especially for SME loans. 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.

The baht on average appreciated from the previous quarter in line with monetary easing by advanced economies. However, the baht faced depreciation pressure following the US Presidential election and uncertainties in global trade policies.

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

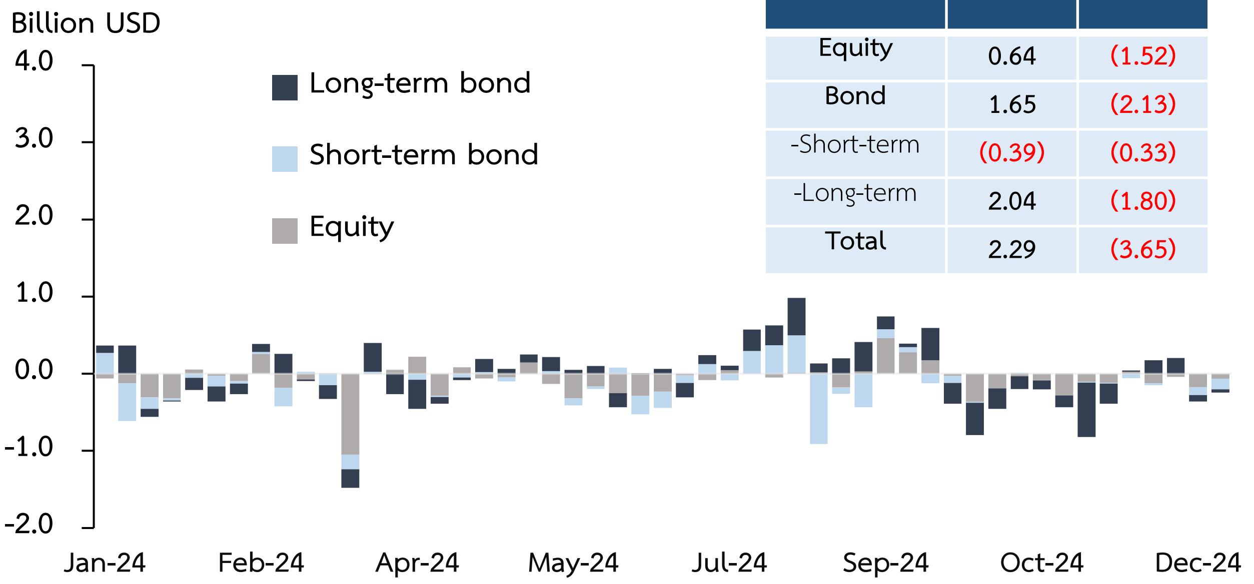


Note: Monthly average (as of 17 December 2024)

Source: BOT and Bloomberg

Capital flow into Thai securities

Billion USD	Q3/24	Q4/24
Equity	0.64	(1.52)
Bond	1.65	(2.13)
-Short-term	(0.39)	(0.33)
-Long-term	2.04	(1.80)
Total	2.29	(3.65)



Note: Weekly data, cumulative from the first trading day (as of 17 December 2024)

Source: ThaiBMA

In Q4-2024, the baht averaged 33.96 per U.S. dollar, appreciating from the previous quarter. The appreciation was due to monetary easing by advanced economies and rising gold prices. However, the baht faced depreciation pressure following the US Presidential election as the market become concerned that Trump's policies could result in rising US inflation, which could delay or impact the size of the Fed's policy rate cut. The baht also faced additional depreciation pressure from concerns about US tariffs on China that could have negative impact on Thailand due to strong trade linkages between the two economies. There were net capital outflows from both the bond and stock markets like other regional markets due to concerns about Trump's policies. **The nominal effective exchange rate averaged 123.4, appreciating from the previous quarter** due to the baht having appreciated more relative to trading partners' and competitor's currencies.

Monetary Policy Decision: Summary of Key Considerations

Economic growth

The economy is facing challenges from intensified external competition and heighted uncertainties in the period ahead, especially policies of advanced economies. Nonetheless, the economy would expand at rates close to the previous assessment.

Inflation

Inflation is projected to stabilize at low levels. Medium-term inflation expectations remain well-anchored within the target range.

Financial stability

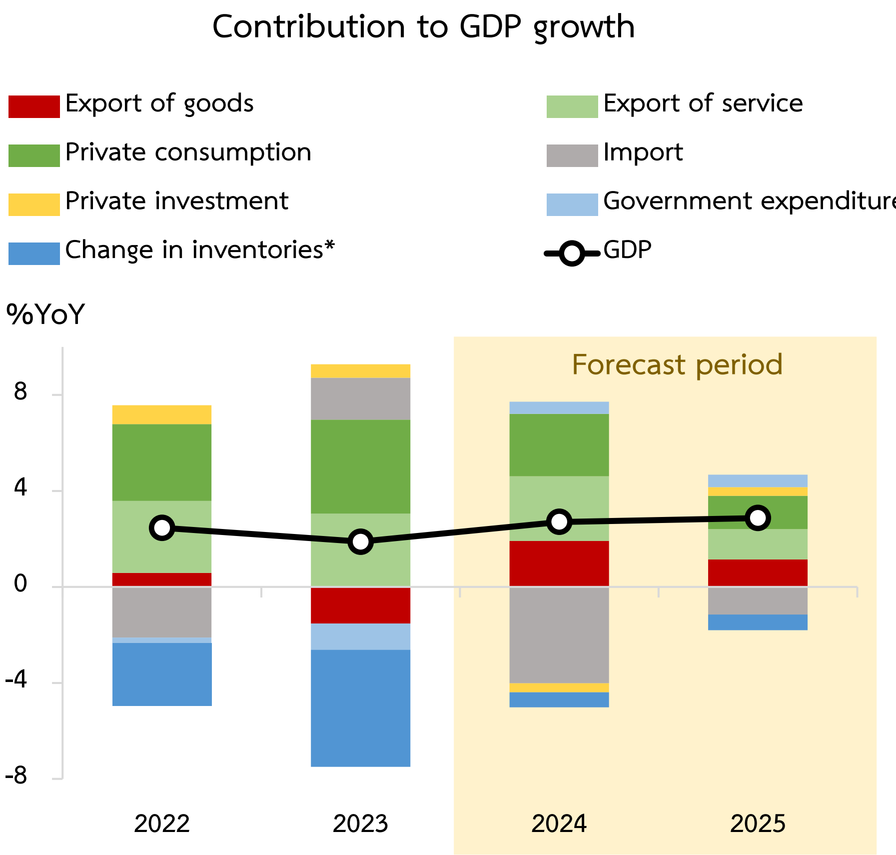
Credit growth slowed down recently in part due to recovering tourism-related businesses becoming less reliant on credit. However, there remains the need to monitor the credit outlook and credit quality of businesses that are still recovering slowly and of vulnerable households.

Monetary Policy Decision

The current policy rate is consistent with the economic and inflation outlook, the safeguarding of long-term macro-financial stability, and preserving policy space to accommodate increased uncertainties.

The overall economy is projected to grow at rates close to the previous assessment, although the recovery remains uneven at the micro-level.

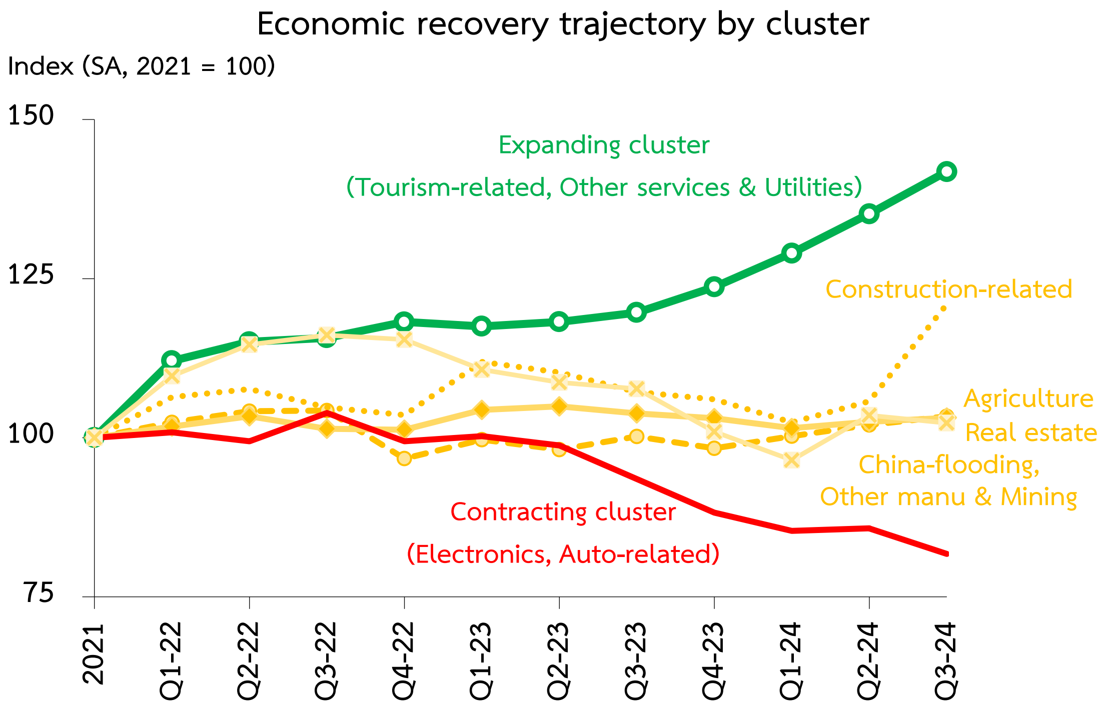
The economic growth engine has shifted.



Note: *including statistical discrepancy or CVM additive error

Source: NESDC, calculation and forecast by BOT.

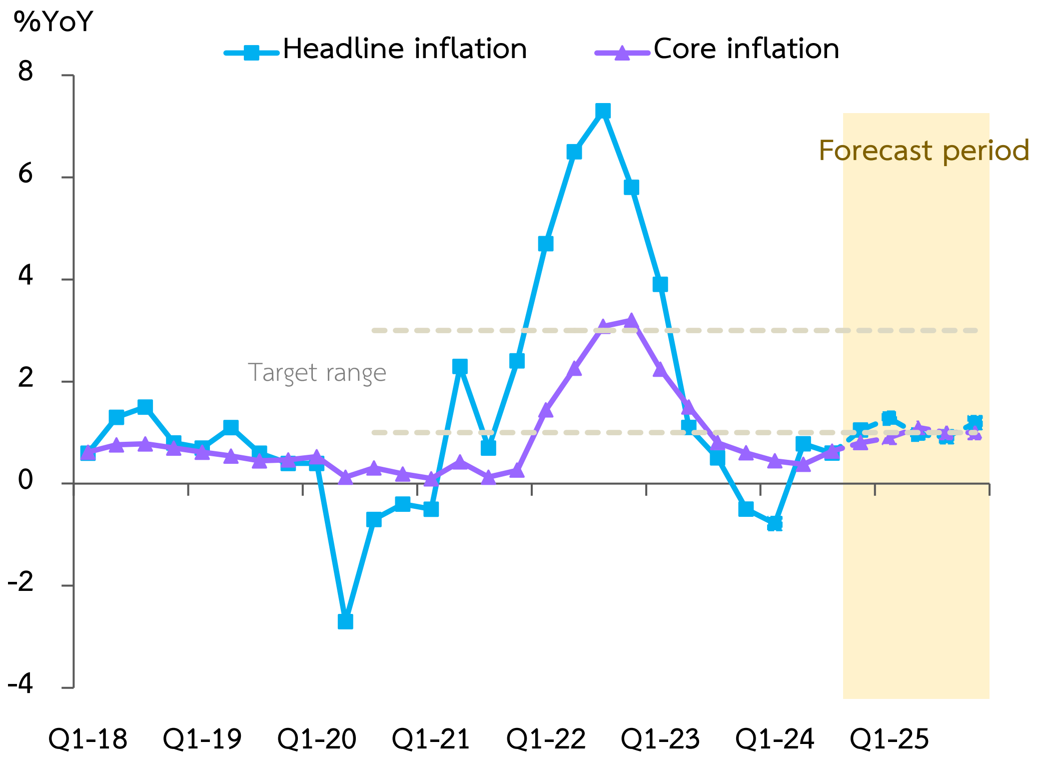
Economic recovery becomes more uneven.



Note: Gauging economic activities by cluster using the following indicators: (1) Tourism-related and Other services & Utilities cluster was calculated from average VAT sales (2) Construction-related cluster was calculated from average VAT sales in construction sector (3) Agriculture cluster using agricultural production index (4) China-flooding, Electronics, Auto-related, Other manu & Mining cluster using manufacturing production index (MPI). For Electronics, the data covers HDD and IC & Semiconductors, and (5) Real Estate cluster using residential property transfer amount. Source: OIE, OAE, The Revenue department, REIC, BOT calculation.

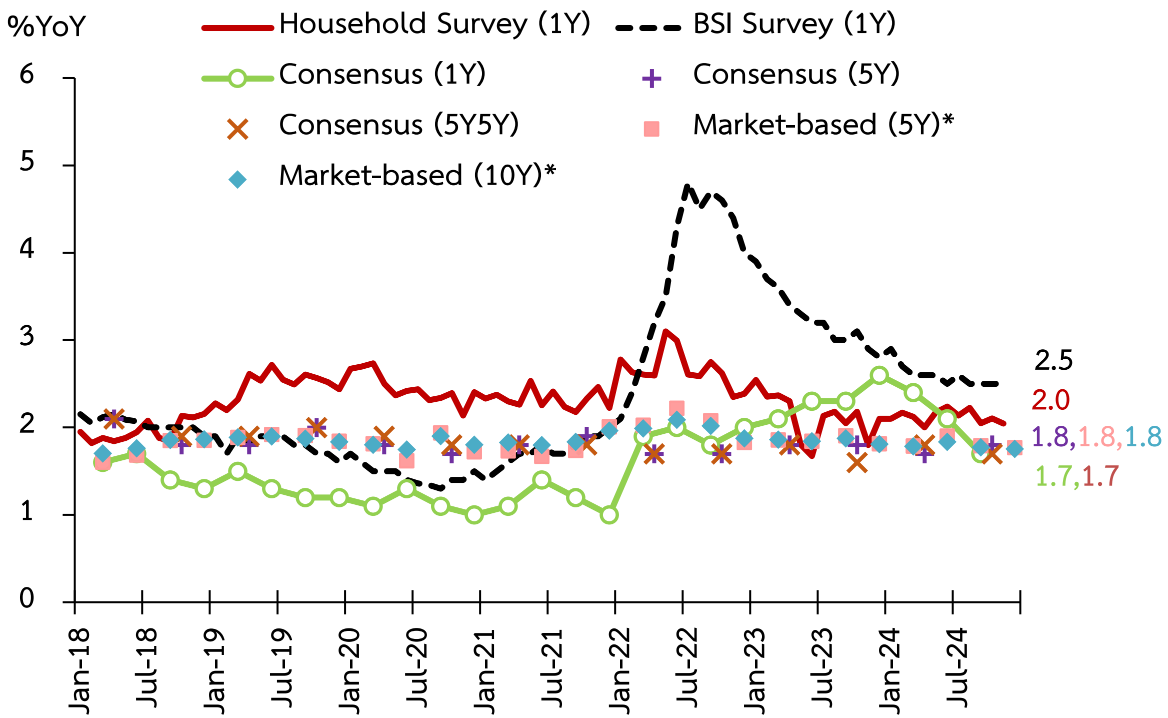
Headline inflation is projected to stabilize near the lower bound of the target range, while medium-term inflation expectations remain well-anchored within the target range.

Inflation forecast



Source: Ministry of Commerce, BOT calculation

Inflation expectations

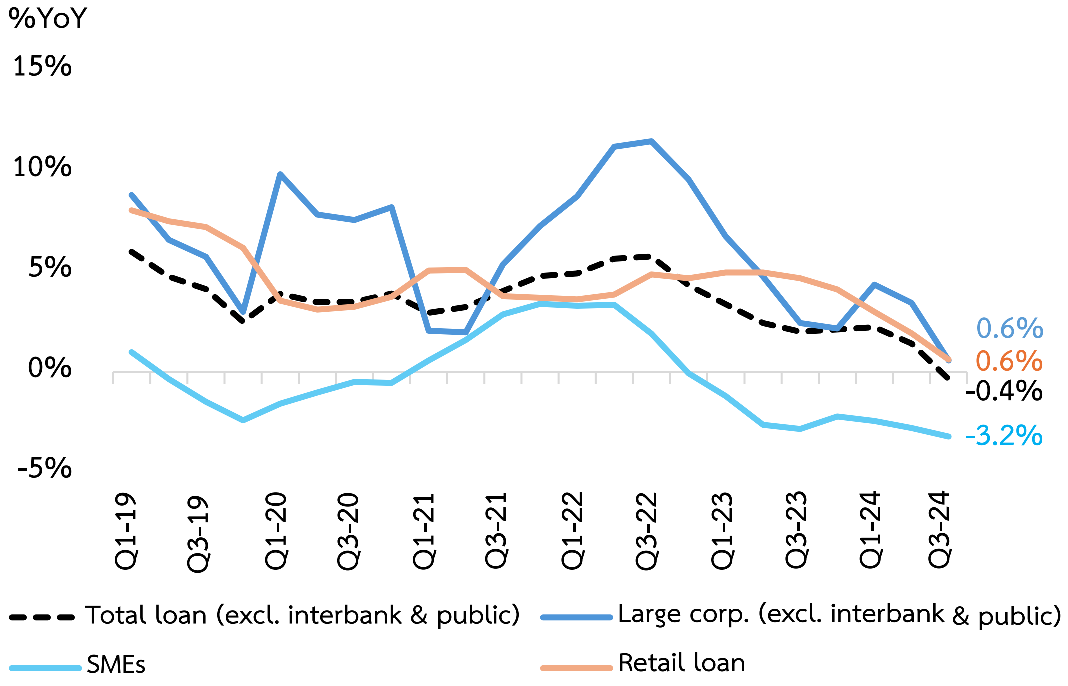


Note: *Estimated by affine term structure model using yield curve and macro data.

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

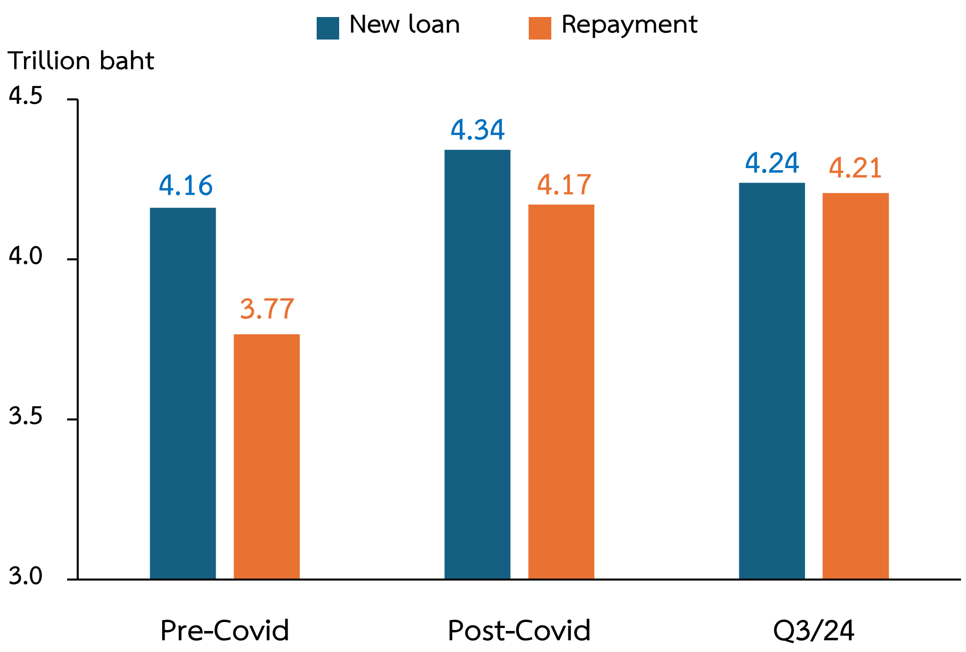
Credit growth has declined due to unusually high debt repayments post-COVID, while new loans are slowing down due to lower loan demand from some sectors and heightened credit risks.

Credit growth



Note: (1) Data covers loan from commercial banks and subsidiaries, SFIs, and non-bank under BOT supervision.
(2) For business loans from commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Sep 2024 is used to categorize large corp. (credit line > 500 MB) and SMEs (credit line <= 500 MB). For SFIs, OSMEP's criteria is used (based on income and employment). For non-banks, the data covers Nano Finance and personal loan for businesses under BOT supervision (excluding title loan).

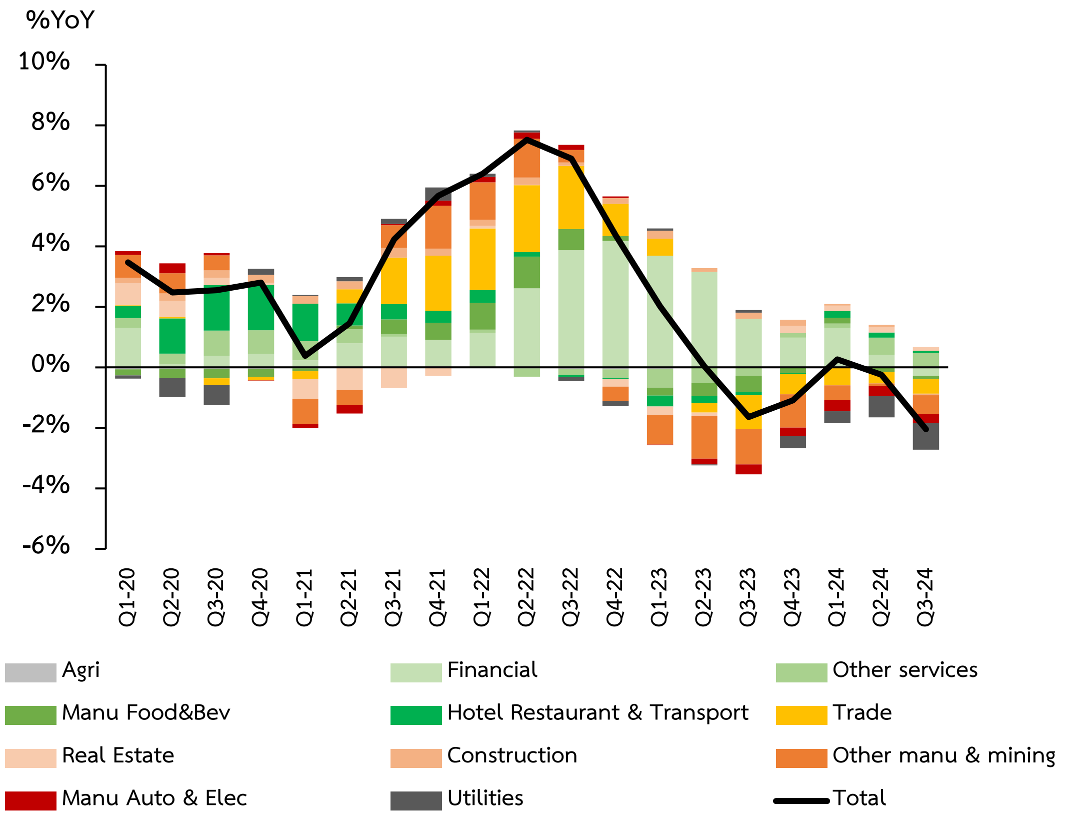
Amount of new loan and repayment



Note: New loan (including rollover) and loan repayment of commercial banking system, quarterly average data. Pre-Covid period = Q1/2017 - Q1/2020 and Post-Covid period = Q3/2022 - Q4/2023.

Business loans declined overall, but there remains the need to monitor the credit outlook and economic activities of businesses that have not yet fully recovered and are recovering slowly.

Contribution to corporate credit growth



Note: Corporate credit growth covers business credit of commercial banking system

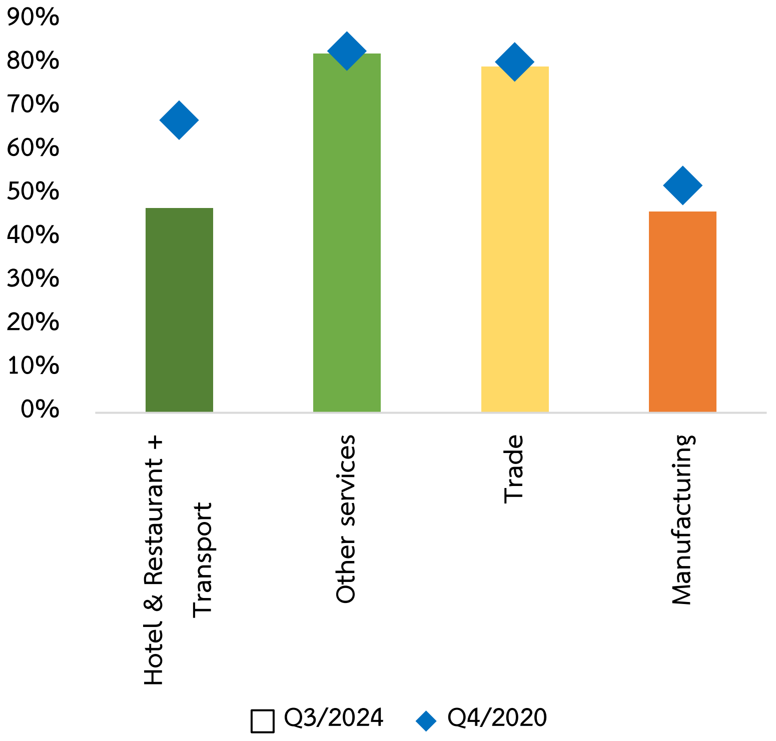
Source: BOT

Grouping	Credit developments	Economic activities
1. Strong recovery: Tourism-related businesses, services, and retail (large)	✓ increased debt repayments ✓ new loan slowed with loan demand	Improved
2. Not yet fully recovered: Retail SMEs, real estate, construction, and manufacturing sectors with declining competitiveness	○ new loan slowed especially SMEs	Under pressure from idiosyncratic factors especially intensified competition
3. Slow recovery: automotive and some electronics	○ loan demand declined due to uncertainties	Deteriorated
4. **Special circumstance:** Utilities	Switched to alternative financing source	Normal

Note: Businesses experiencing strong recovery are hotels and restaurants, food and beverage manufacturing, logistics, large retail businesses, and other services; Businesses that have not yet fully recovered are real estate, constructions, retail SMEs, and other manufacturing; Businesses that are recovering slowly are automotive and electronics manufacturers; Businesses with special circumstance are utilities.

While business loans growth has slowed somewhat, the overall economy would still expand with some businesses becoming less reliant on borrowing.

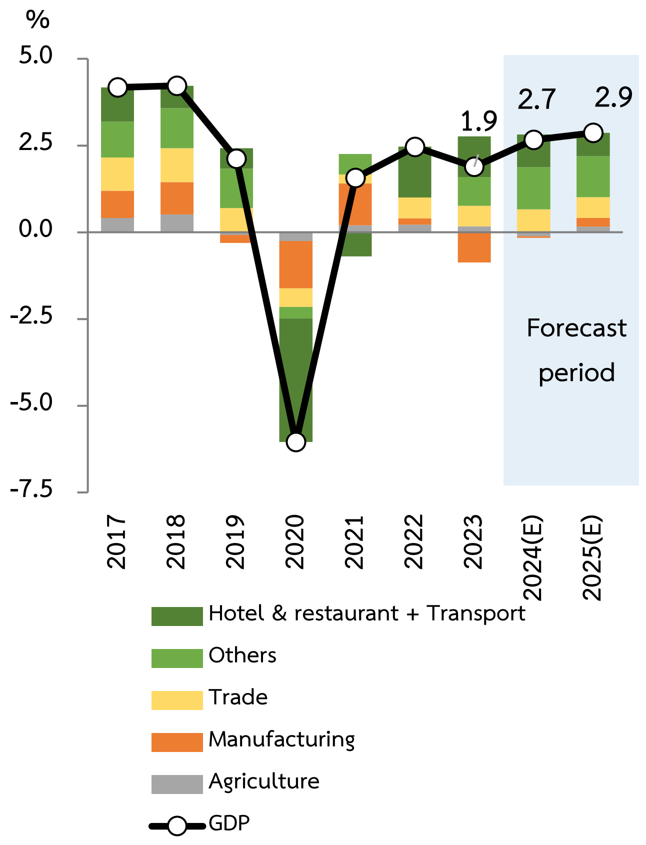
Credit intensity



Note: Sectoral credit intensity was calculated using loan outstanding (covering loans of commercial banking system and SFIs) divided by nominal GDP (4Q moving cumulative)

Source: BOT and NESDC, BOT calculation

Contribution to GDP by sector



Source: NESDC and BOT

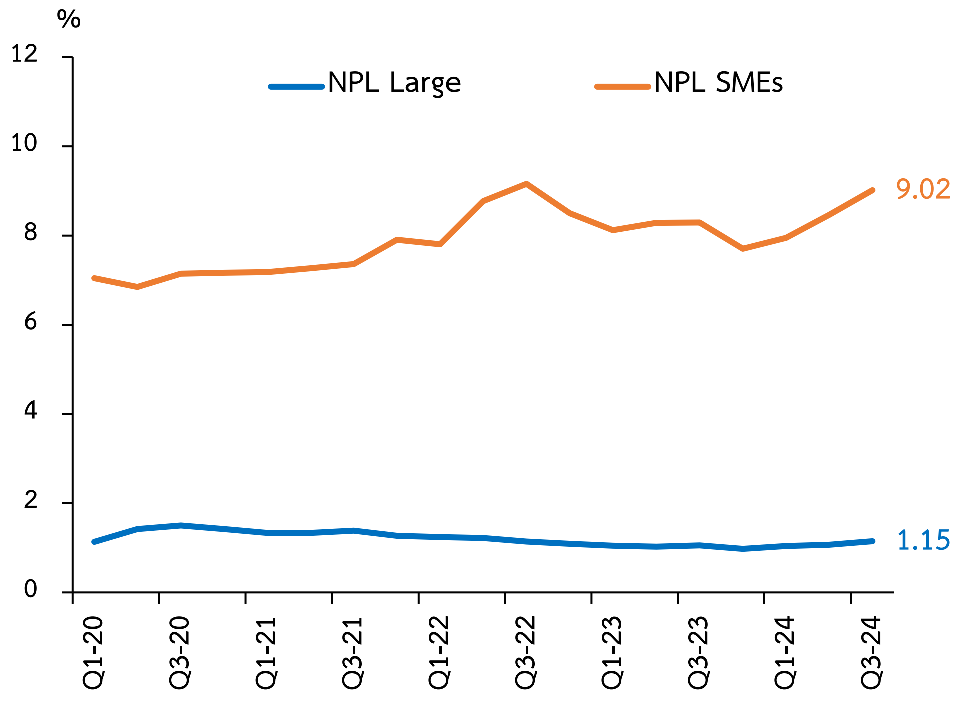
The overall economy would still expand despite loans declining. This is partly because (1) tourism-related businesses in the service sector, which is recovering strongly, are relying less on loan financing, unlike during the COVID-19 pandemic, and (2) their demand for working capital has slowed. Tourism and services would remain key growth drivers for the Thai economy in the period ahead despite slowing credit growth.

However, there remains the need to monitor credit conditions of SMEs and businesses in the real estate and construction sectors as well as some industries facing structural headwinds and competitiveness problems. While these businesses might have investment demand, financial institutions are also more cautious in lending out to these businesses due to their heightened credit risks.

Credit quality deteriorated overall, especially among SMEs and households that are experiencing slow income recovery and are highly indebted.

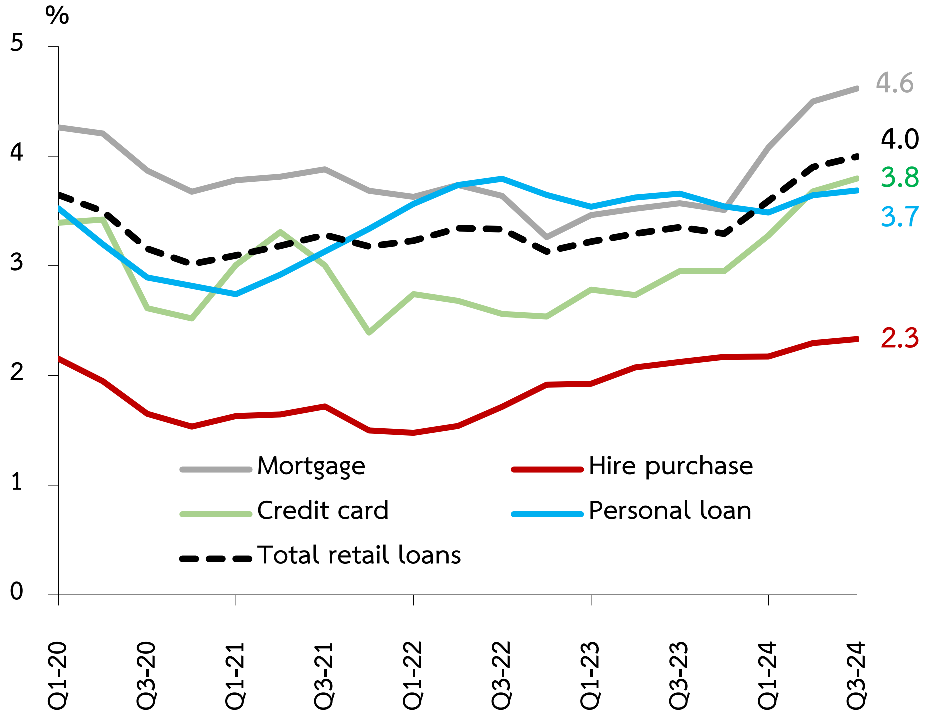
Business credit quality deteriorated especially SMEs

Stage 3 (NPL) of business loans in financial institutions' system



Retail credit quality continues to deteriorate

Stage 3 (NPL) of retail loans in financial institutions' system

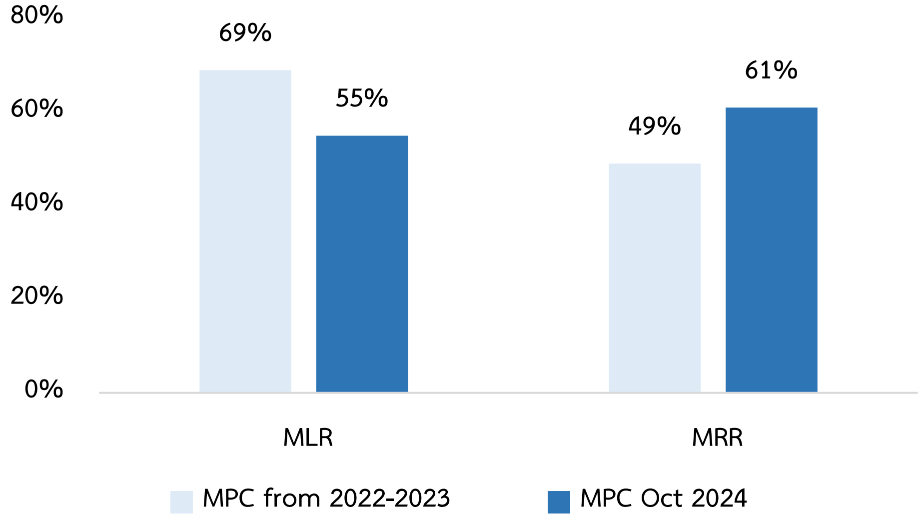


Source: (1) Financial institutions' system includes commercial banks and subsidiaries, SFIs, and non-banks which are not commercial bank subsidiaries.

(2) Definition of each business loan size is as follows: for commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Sep 2024 is used to categorize Large corp. (credit line > 500 MB) and SMEs (credit line <= 500 MB). For SFIs, OSMEP's criteria is used (based on income and employment). For non-banks, the data covers Nano Finance and personal loan for businesses under BOT supervision (excluding title loan).

The recent policy rate cut coupled with targeted measures to assist retail debtors and SMEs have alleviated debt burden of the vulnerable groups.

Commercial banks' lending rate passthrough



Note: The interest rate passthrough is calculated from the change in weighted average interest rate based on the outstanding loans of 14 Thai commercial banks, excluding the effect of FIDF fees.

During the 2022-2023 period, increases in the policy rate were transmitted through to smaller debtors (through the MRR) less than larger debtors (through the MLR). Meanwhile, in October 2024, the policy rate cut was transmitted through to the MRR more than the MLR, reflecting commercial banks' efforts to assist the vulnerable groups.

Debt assistance measures

Measures implemented

- Debt Clinic, Express Debt reconciliation
- Debt doctor
- Thai Rehabilitation Law for retail borrowers
- Responsible lending
- Open data, Financial literacy

Additional measures

"Khun Soo, Rao Chuay" Program
(announced on 11 Dec 2024)

1. "Jai Trong Kong Sup" : Reduced installment payments for retail debtors (mortgage and auto loans) and SMEs

Year One – 50% of original installment amount
Year Two – 70% of original installment amount
Year Three – 90% of original installment amount

Interest payments are deferred, and all installments will apply directly to principal.

If the debtor can comply with the terms for all 3 years, all outstanding interest charges during the program are waived.

2. "Jai Pid Job" : measure for retail debtors with outstanding debt not exceeding 5,000 baht per account. Debt is re-restructured so that the debtor can repay just a portion of their debt for the debt to be considered fully repaid so that it could be concluded sooner.

For more details, see : "Khun Soo, Roa Chuay" Program (in Thai)

The MPC kept the policy rate on hold. The MPC deemed the current policy rate to be consistent with the economic and inflation outlook, the safeguarding of long-term macro-financial stability, and preserving monetary policy space to accommodate increased uncertainties in the period ahead.

MPC Meeting No. 6/2024
(18 December 2024)

The MPC voted 7 to 0

to maintain the policy rate at

2.25%

The Thai economy faces challenges from intensified competition and increased uncertainties in the period ahead but would still expand at rates close to the previous assessment. Inflation is projected to stabilize near the lower bound of the target range. Medium-term inflation expectations remain well-anchored within the target range.

Financial system remains resilient. Credit growth slowed down due to lower loan demand from some sectors, debt repayment on loans borrowed during the COVID-19 pandemic, and heightened credit risks. The Committee sees the need to monitor credit growth in the period ahead and its implications on economic activities, as well as the effectiveness of the “Khun Soo, Rao Chuay” Program in alleviating the debt burdens of the vulnerable groups.

The current policy rate is deemed to be consistent with the economic trajectory close to potential, inflation moving towards the target range, the macro-financial stability being safeguarded, and preserving monetary policy space to accommodate heightened uncertainties in the period ahead.

Percent	2022	2023	2022 Q4	2023 Q1	Q2	Q3	Q4	2024 Q1	Q2	Q3
GDP growth	2.5	1.9	1.3	2.6	1.8	1.4	1.7	1.6	2.2	3.0
Production										
Agriculture	2.5	2.0	3.6	6.2	1.5	1.1	-0.6	-2.7	-1.9	-0.5
Non-agriculture	2.5	1.9	1.0	2.3	1.8	1.5	2.0	2.1	2.6	3.2
Manufacturing	0.7	-3.2	-4.6	-2.6	-3.5	-4.4	-2.4	-2.9	0.3	0.1
Construction	-2.4	-0.6	3.3	3.8	0.3	0.5	-8.8	-17.3	-5.5	15.5
Wholesales and retail trade	3.7	3.8	3.7	3.3	3.4	3.3	5.1	4.3	3.0	3.5
Transport and storage	8.0	8.5	11.0	12.5	7.4	7.1	7.0	9.7	8.1	9.0
Accommodation and Food Service	34.5	18.0	26.3	34.4	15.3	15.0	9.8	11.8	7.8	8.4
Information and Communication	5.2	3.3	3.9	3.5	3.7	3.1	2.8	6.6	5.4	3.4
Financial intermediation	-2.3	3.1	-3.1	0.9	2.4	4.2	4.7	2.8	1.7	1.8
Real estate and renting	2.3	1.9	2.0	1.9	2.5	1.9	1.1	0.8	1.1	0.7

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

Percent	2022	2023	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
GDP growth	2.5	1.9	1.3	2.6	1.8	1.4	1.7	1.6	2.2	3.0
Expenditure										
Domestic demand	4.0	3.5	3.1	3.0	3.6	3.9	3.6	2.6	1.6	4.3
Private consumption	6.2	7.1	6.4	5.9	7.3	7.9	7.4	6.9	4.9	3.4
Private investment	4.7	3.2	4.3	2.8	1.4	3.5	5.0	4.6	-6.8	-2.5
Government consumption	0.1	-4.6	-7.1	-6.0	-4.3	-5.0	-3.0	-2.1	0.3	6.3
Public investment	-3.9	-4.6	2.7	4.2	-2.1	-3.4	-20.1	-27.7	-4.0	25.9
Imports of goods and services	3.6	-2.3	-5.4	-0.2	-2.6	-9.4	3.9	5.2	1.3	9.6
imports of goods	1.2	-3.8	-10.2	-3.6	-4.8	-10.4	5.0	4.3	-1.0	8.3
imports of services	13.6	4.2	13.6	14.5	6.4	-5.2	2.1	9.1	10.8	15.2
Exports of goods and services	6.1	2.1	-2.3	1.9	0.9	1.1	4.9	2.5	4.7	10.5
exports of goods	1.1	-2.8	-10.5	-5.6	-5.3	-3.0	3.4	-2.0	1.9	8.3
exports of services	59.9	38.3	78.1	66.9	53.7	30.6	14.9	24.7	19.6	21.9
Trade balance (billion, U.S. dollars)*	13.5	19.4	4.2	4.6	3.2	6.7	4.9	2.5	5.7	5.8
Current account (billion, U.S. dollars)*	-17.2	7.4	0.3	3.6	-3.0	3.1	3.7	3.4	1.1	2.2
Financial account (billion, U.S. dollars)*	6.7	-11.9	4.2	-0.4	-0.8	-6.2	-4.6	-5.1	-2.4	-0.5
International reserves (billion, U.S. dollars)	216.6	224.5	216.6	224.5	218.2	211.8	224.5	223.4	224.3	243.0
Unemployment rate (%)	1.3	1.0	1.2	1.0	1.1	1.0	0.8	1.0	1.1	1.0
Unemployment rate, seasonally-adjusted (%)	n.a.	n.a.	1.2	1.1	1.0	1.0	0.8	1.0	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

ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Indicators	2022	2023	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
1. Financial market sector										
Bond market										
Bond spread (10 years - 2 years)	1.0	0.4	1.0	0.6	0.4	0.6	0.4	0.4	0.3	0.3
Equity market										
SET index (end of period)	1,669	1,416	1,669	1,609	1,503	1,471	1,416	1,378	1,301	1,449
Actual volatility of SET index[1/]	11.0	11.8	9.4	12.0	11.6	10.2	13.2	10.0	10.5	12.7
Price to Earnings ratio (P/E ratio) (times)	18.2	18.4	18.2	19.3	18.0	20.3	18.4	18.1	17.1	18.0
Exchange rate market										
Actual volatility of Thai baht (%annualized)[2/]	8.7	9.1	11.9	10.9	7.9	8.0	9.4	8.6	6.4	7.9
Nominal Effective Exchange Rate (NEER)	115.5	119.8	115.9	120.3	119.8	119.8	119.2	118.8	117.2	121.8
Real Effective Exchange Rate (REER)	103.3	104.3	103.2	106.1	104.4	104.1	102.4	100.9	100.0	103.6
2. Financial institution sector[3/]										
Minimum Lending Rate (MLR)[4/]	6.00	7.25	6.00	6.56	7.00	7.04	7.25	7.25	7.25	7.25
12-month fixed deposit rate[4/]	0.98	1.65	0.98	1.15	1.40	1.49	1.65	1.65	1.65	1.65
Capital adequacy										
Capital funds / Risk-weighted asset (%)	19.4	20.1	19.4	19.4	19.5	19.9	20.1	20.1	19.9	20.5
Earning and profitability										
Net profit (billion, Thai baht)	238.0	251.0	63.0	60.0	74.0	65.0	53.0	68.0	76.0	71.0
Return on assets (ROA) (times)	1.0	1.1	1.1	1.0	1.3	1.1	0.9	1.1	1.3	1.2
Liquidity										
Loan to Deposit and B/E (%)	92.0	91.0	92.0	90.6	92.0	92.4	91.0	90.1	89.7	89.1

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

Indicators	2022	2023	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3
3. Household sector										
Household debt to GDP (%)	91.6	91.4	91.6	90.8	90.9	91.0	91.4	90.8	89.8	89.0
Financial assets to debt (times)	2.7	2.6	2.7	2.8	2.7	2.6	2.6	2.7	2.7	n.a.
Non-Performing Loans (NPLs) of financial institutions (%)										
Consumer loans	3.1	3.3	3.1	3.2	3.3	3.4	3.3	3.6	3.9	4.0
Housing loans	3.3	3.5	3.3	3.5	3.5	3.6	3.5	4.1	4.5	4.6
Auto leasing	1.9	2.2	1.9	1.9	2.1	2.1	2.2	2.2	2.3	2.3
Credit cards	2.5	3.0	2.5	2.8	2.7	3.0	3.0	3.3	3.7	3.8
Other personal loans	3.7	3.5	3.7	3.5	3.6	3.7	3.5	3.5	3.6	3.7
4. Non-financial corporate sector[5/]										
Operating profit margin (OPM) (%)	7.7	7.4	6.2	7.3	7.3	7.8	6.8	7.9	7.8	6.8
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	4.3	4.9	4.4	5.3	3.9	5.3	4.7	4.0
Current ratio (times)	1.8	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.8
Non-Performing Loans (NPLs) of commercial banks (%)										
Large businesses	1.2	1.2	1.2	1.2	1.1	1.1	1.0	1.1	1.1	1.2
SMEs	6.8	6.7	6.8	6.6	6.6	6.7	6.7	6.8	6.8	7.1

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

Indicators	2022	2023	2022	2023				2024		
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
5. Real estate sector										
Number of approved mortgages from commercial banks (Bangkok and Vicinity) (units)										
Total	64,636	52,877	17,776	11,860	14,656	14,407	11,954	10,857	12,198	12,405
Single-detached and semi-detached houses	19,471	16,163	5,056	3,709	4,392	4,178	3,884	3,333	3,733	3,606
Townhouses and commercial buildings	19,752	16,065	5,216	3,906	4,456	4,299	3,404	3,158	3,339	3,209
Condominiums	25,413	20,649	7,504	4,245	5,808	5,930	4,666	4,366	5,126	5,590
Number of new housing units launched for sale (Bangkok and Vicinity) (units)										
Total	107,051	101,536	27,912	22,263	25,963	22,500	30,810	16,559	16,886	8,512
Single-detached and semi-detached houses	24,748	30,929	7,188	4,961	5,759	8,922	11,287	6,769	5,260	3,617
Townhouses and commercial buildings	28,525	21,577	7,898	5,395	5,306	6,259	4,617	4,071	3,733	3,149
Condominiums	53,778	49,030	12,826	11,907	14,898	7,319	14,906	5,719	7,893	1,746
Housing price index (2011 = 100)										
Single-detached houses (including land)	141.5	147.1	145.3	146.7	145.5	146.7	149.5	150.7	151.1	152.1
Townhouses (including land)	167.4	174.1	169.2	172.0	173.2	174.7	176.4	177.7	179.4	182.2
Condominiums	184.4	193.2	188.9	194.7	188.9	190.4	198.9	197.8	197.0	204.1
Land	180.2	182.5	184.3	175.0	181.6	184.8	188.5	185.9	187.1	186.3
6. Fiscal sector										
Public debt to GDP (%)	60.9	61.9	60.9	61.3	61.7	62.4	61.9	63.7	63.4	63.3
7. External sector										
Current account balance to GDP (%)	-3.5	1.5	0.2	2.8	-2.3	2.5	2.8	2.6	0.9	1.6
External debt to GDP (%)[6/]	42.2	39.1	42.2	39.4	37.9	37.9	39.1	37.6	37.4	38.1
External debt (billion, U.S. dollars)	201.4	196.5	201.4	204.3	195.0	191.9	196.5	190.2	185.5	200.9
Short-term (%)	59.7	58.7	59.7	59.5	59.2	57.9	58.7	57.6	56.6	56.4
Long-term (%)	40.3	41.3	40.3	40.5	40.8	42.1	41.3	42.4	43.4	43.6
International reserves / Short-term external debt (times)[7/]	2.3	2.4	2.3	2.2	2.3	2.2	2.4	2.4	2.4	2.4

หมายเหตุ: [6/] Using the World Bank methodology, external debt / 4-quarter rolling cumulative nominal GDP

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

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Probability distribution of GDP growth forecast

%	2024	2025				2026		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
> 16	0	0	0	1	1	2	3	3
14.0-16.0	0	0	0	0	0	0	0	1
12.0-14.0	0	0	0	1	1	1	1	1
10.0-12.0	0	0	1	1	1	1	1	1
8.0-10.0	1	1	2	3	2	2	2	2
6.0-8.0	5	3	5	6	6	7	6	6
4.0-6.0	39	20	20	19	20	19	19	19
2.0-4.0	36	37	32	28	27	28	27	26
0.0-2.0	16	23	20	20	18	16	15	16
(-2.0)-0.0	2	11	12	12	13	12	12	13
(-4.0)-(-2.0)	1	3	5	6	6	6	8	8
(-6.0)-(-4.0)	0	1	1	2	2	3	3	4
(-8.0)-(-6.0)	0	1	1	1	1	1	1	1
< -8	0	1	1	2	2	3	2	2

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Probability distribution of headline inflation forecast

%	2024	2025				2026		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
> 10	0	0	0	0	0	0	0	0
9.0-10.0	0	0	0	0	0	0	0	0
8.0-9.0	0	0	0	0	0	0	0	0
7.0-8.0	0	0	0	0	0	0	0	0
6.0-7.0	0	0	0	0	0	0	0	0
5.0-6.0	0	0	0	0	0	0	0	0
4.0-5.0	0	0	0	1	2	2	2	2
3.0-4.0	0	1	2	4	8	7	7	8
2.0-3.0	0	13	12	14	17	16	16	17
1.0-2.0	53	50	32	26	24	24	24	24
0.0-1.0	46	32	34	28	23	23	23	23
(-1.0)-0.0	0	4	16	18	15	16	16	16
(-2.0)-(-1.0)	0	0	4	7	8	8	8	8
< -2	0	0	0	2	4	4	4	4

Probability distribution of core inflation forecast

%	2024	2025				2026		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
> 5.5	0	0	0	0	0	0	0	0
5.0-5.5	0	0	0	0	0	0	0	0
4.5-5.0	0	0	0	0	0	0	0	0
4.0-4.5	0	0	0	0	0	0	0	0
3.5-4.0	0	0	0	0	0	0	0	0
3.0-3.5	0	0	0	0	0	0	0	0
2.5-3.0	0	0	0	1	1	1	2	2
2.0-2.5	0	0	4	5	6	6	7	7
1.5-2.0	0	6	19	17	15	16	17	18
1.0-1.5	12	36	36	29	25	25	25	25
0.5-1.0	81	45	29	27	25	24	24	23
0.0-0.5	7	12	10	15	17	17	16	15
(-0.5)-0.0	0	1	2	5	8	8	7	7
< -0.5	0	0	0	1	3	3	3	3

Pursuing Sustainable Economic Well-Being

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