



BANK OF THAILAND



BOT Press Release

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Monetary Policy Committee's Decision 3/2022

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 8 June 2022 as follows.

The Committee voted 4 to 3 to maintain the policy rate at 0.50 percent. Three members voted to raise the policy rate by 0.25 percentage point.

The Committee assesses that the Thai economy will continue to recover and could expand faster than previously expected owing to stronger domestic demand and the pickup in foreign tourists. Headline inflation would increase and remain elevated for longer than previously estimated, due to the increase in oil prices and higher cost passthrough. The Committee deems that a very accommodative monetary policy will be less needed going forward. However, to ensure that the recovery will continue to gain traction as anticipated, most members voted to maintain the policy rate in this meeting and will reassess the risks to growth and inflation going forward. Meanwhile, three members view that policy normalization is warranted in this meeting given the increased upside risks to both growth and inflation.

The Committee assesses that the Thai economy will expand at 3.3 percent in 2022 and 4.2 percent in 2023 on the back of better-than-expected recovery in domestic consumption, especially in the services sector. Foreign tourist arrivals also improve following the faster relaxation of border controls in Thailand and other countries. Furthermore, the labor market and household income show signs of improvement as economic activities continue to expand in tandem with the relaxation of containment measures. Meanwhile, the impact of COVID-19 and the conflict between Russia and Ukraine on the Thai economy will be limited. However, the Committee will monitor key risk factors to economic recovery, especially the impact of higher prices on living costs for households.

Headline inflation is projected to be at 6.2 percent in 2022 and 2.5 percent in 2023. Inflation will exceed the upper bound of the target range in 2022 due to increasing domestic energy prices and higher cost passthrough that have broadened into wider ranges of products. The rise in inflation has been mainly due to cost-push factors while medium-term inflation expectations remain anchored within the target range. Nonetheless, inflation risks increase significantly from uncertainties surrounding global energy prices, the possibilities of broader and faster cost passthrough, and rising demand-side inflationary pressure as the economic recovery gains strength. The Committee would closely monitor inflation dynamics, cost passthrough, and medium-term inflation expectations.

Overall financial system remains resilient. Commercial banks have high levels of capital fund and loan loss provision. Liquidity in the financial system remains ample, although liquidity distribution still varies across economic sectors. Some households and businesses remain vulnerable to rising living and production costs as their incomes have not fully recovered in addition to their high levels of debt. The Committee views that financial institutions should continue with debt restructuring in a sustainable manner to have broader impacts and be consistent with borrowers' long-term debt serviceability, especially with a focus on targeted measures for vulnerable groups.

Overall financial conditions remain accommodative albeit volatilities increase in financial markets. On exchange rates, the baht has depreciated relative to the US dollar in line with regional currencies. Long-term government bond yields rose in tandem with the monetary policy outlook in advanced economies and the expectation of domestic monetary policy normalization in the period ahead. The Committee will closely monitor developments and volatilities in financial markets.

Under the monetary policy framework with objectives of maintaining price stability, supporting sustainable and full-potential economic growth, and preserving financial stability, the Committee assesses that the economic recovery has continued to gain more traction, while the upside inflationary risks continued to increase. Thus, the Committee deems that a very accommodative monetary policy will be less needed going forward. The Committee will assess the appropriate timing for a gradual policy normalization in accordance with the shift in the outlook and risks surrounding growth and inflation.

Bank of Thailand
8 June 2022

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Press Conference

Monetary Policy Committee's Decision 3/2022

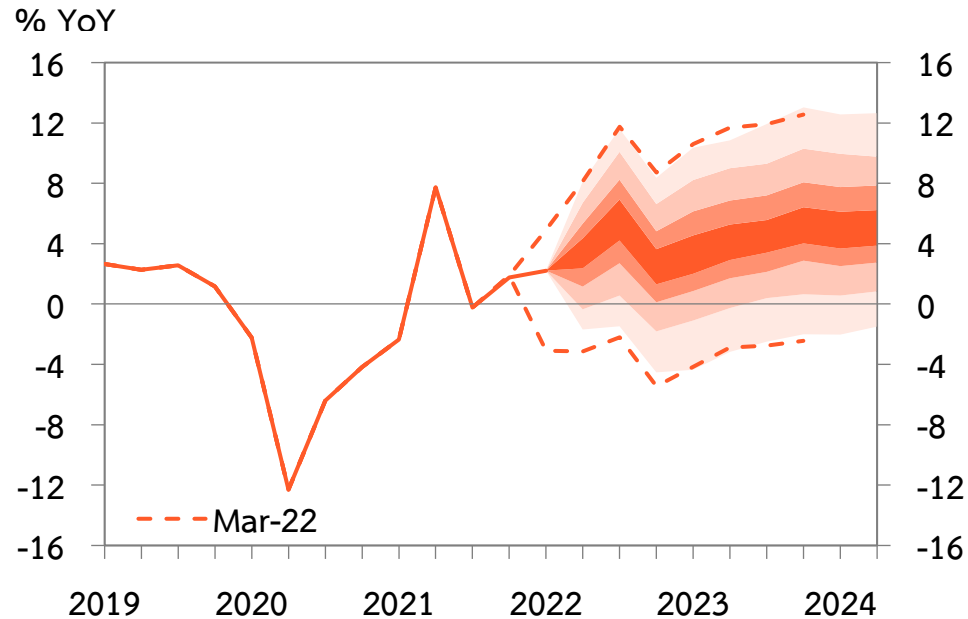
8 June 2022

Piti Disyatat

Assistant Governor, Monetary Policy Group

Thai economic recovery gains more traction

GDP growth

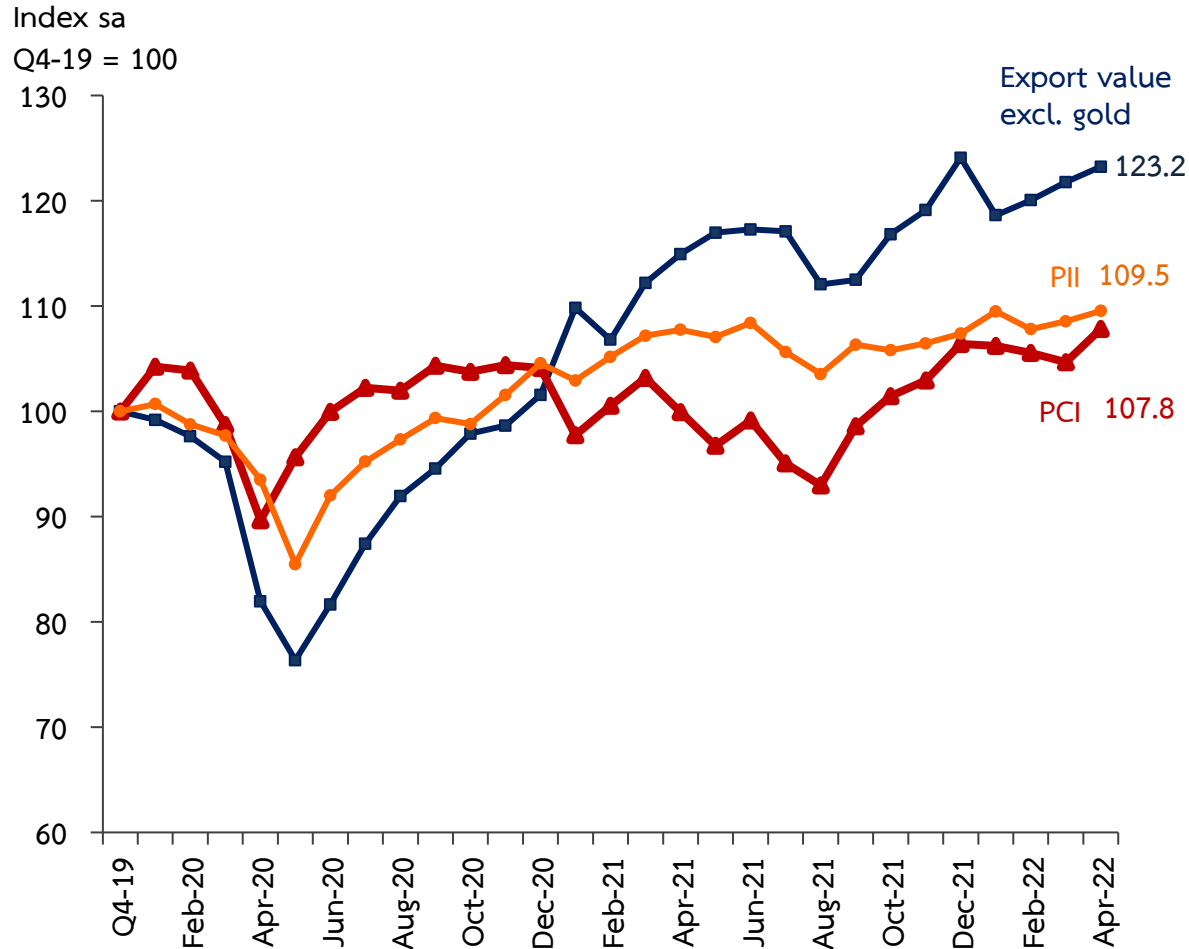


GDP growth (%YoY)	2022	2023
Previous projection (March 2022)	3.2	4.4
- Better-than-expected GDP Q1/2022	0.2	
- Higher foreign tourist figures from country re-opening	0.2	
- Lower merchandise exports from slower global economy	-0.1	-0.1
- Impact from higher living costs	-0.1	-0.1
- Decreasing fiscal impulse	-0.1	
Total changes from the previous projection	+0.1	-0.2
Latest projection (June 2022)	3.3	4.2
Average %QoQ*	0.7	1.2

* Average %QoQ during 2010 – 2021 is 0.8% while the average %QoQ during 2010 – 2012 is 1.2% which is the recovery 3 years following the Global Financial Crisis.

Economic activities have continued to recover while foreign tourist figures are projected to increase

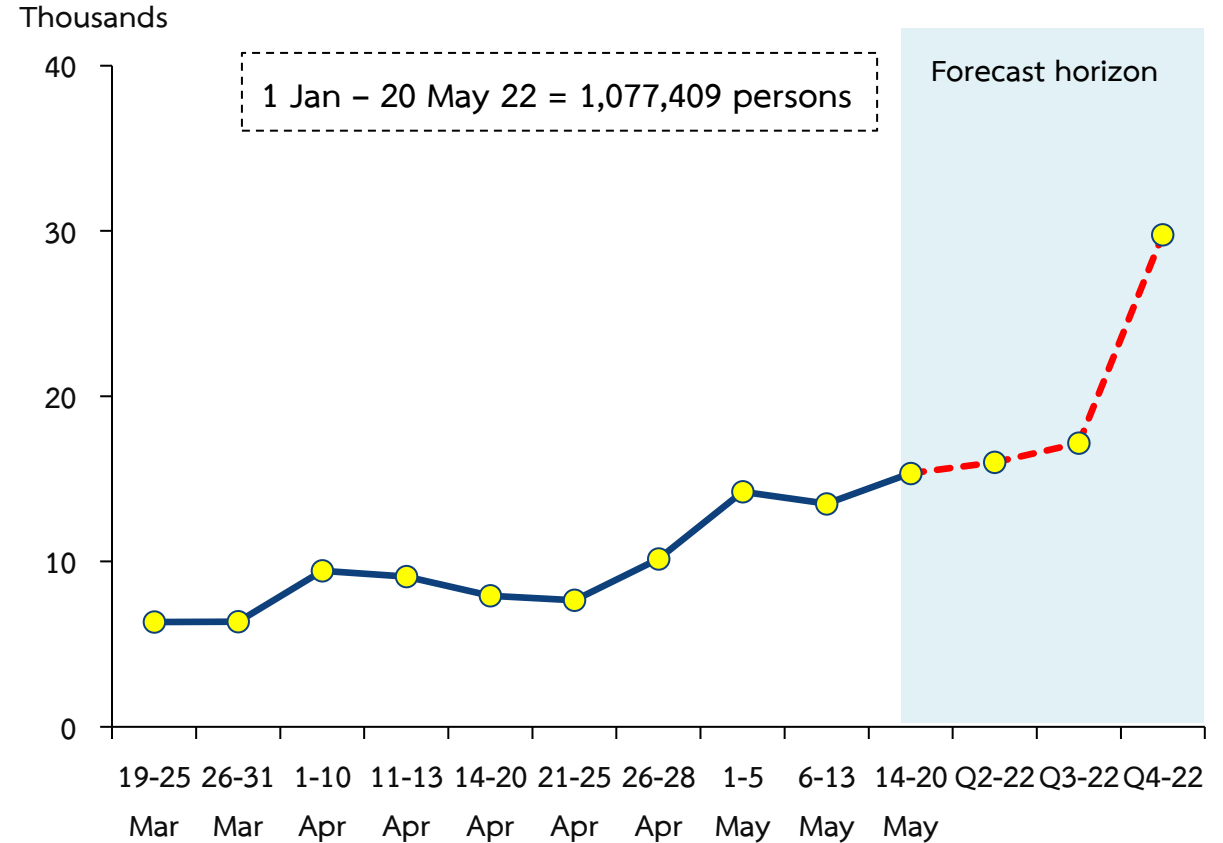
Demand indicators



Note: PCI = Private Consumption Indicators PII = Private Investment Indicators

Source: BOT

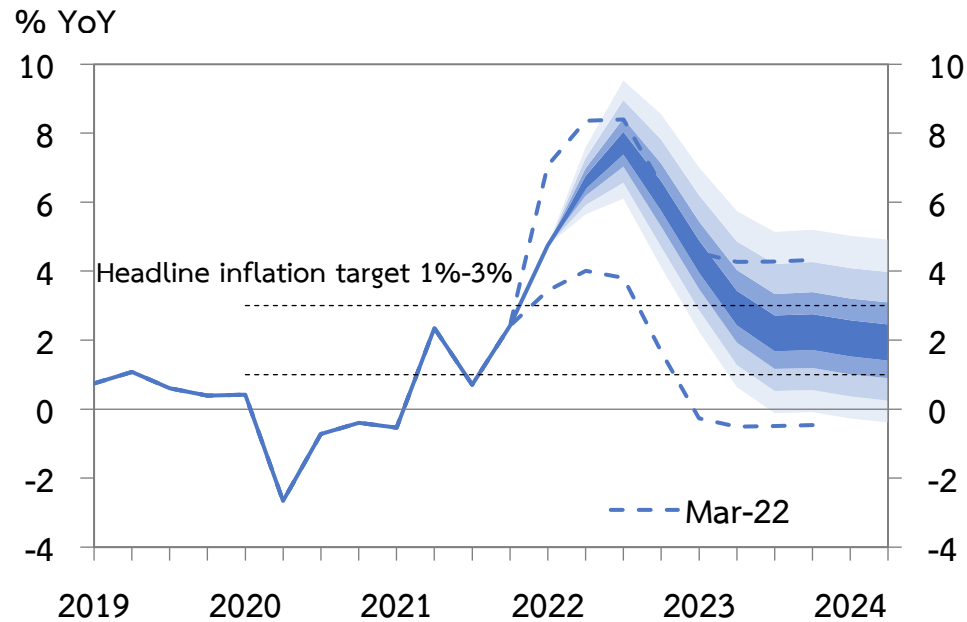
Foreign tourist figures* (average per day)



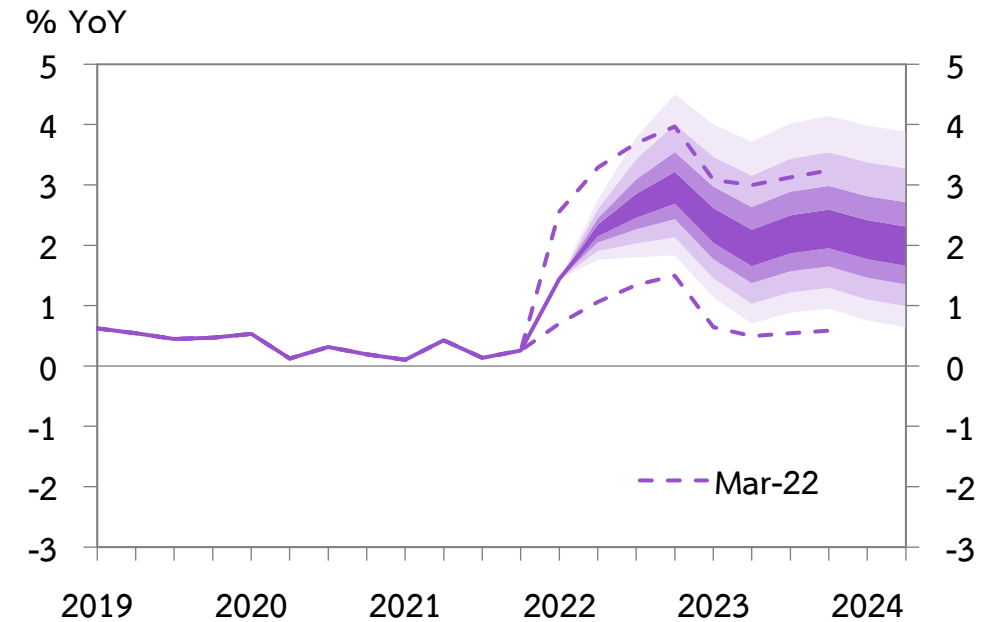
* Actual data from the weekly tourism report, Economics Tourism and Sports Division, Ministry of Tourism and Sports and projection by the BOT

Headline inflation will exceed the upper bound target range in 2022 while inflation risks increase significantly

Headline inflation projection



Core inflation projection



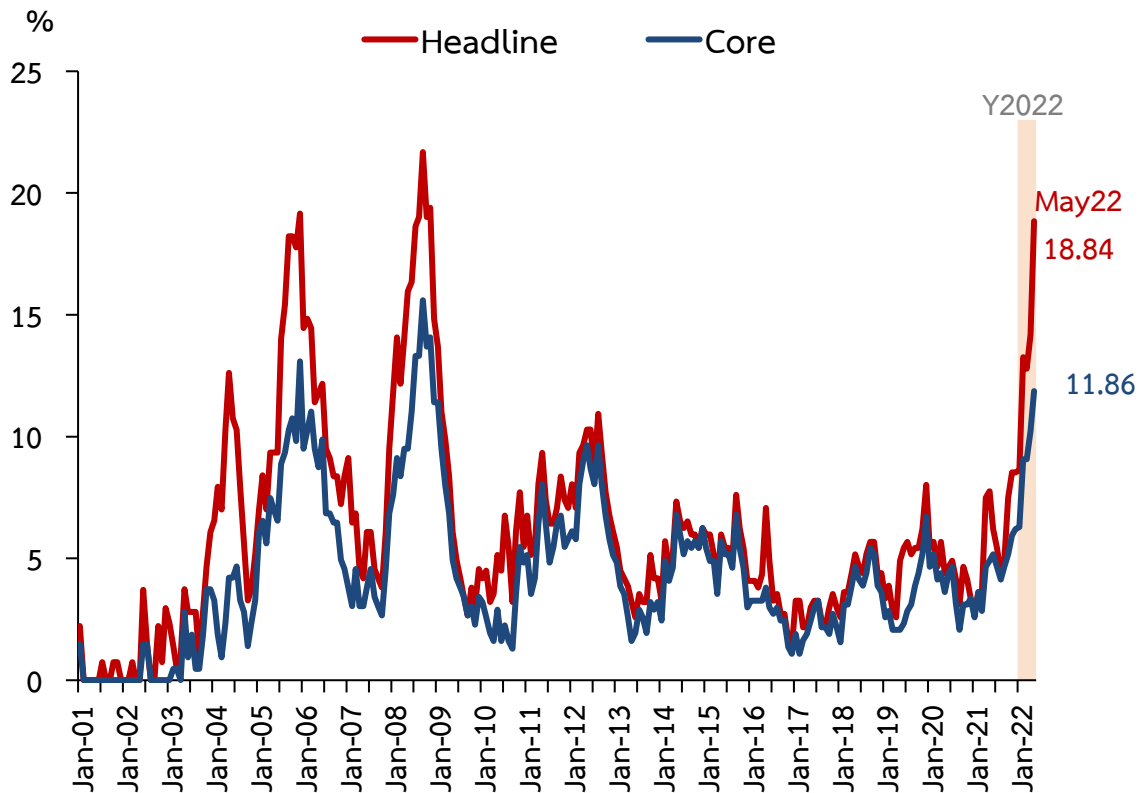
%YoY	2021	2022	2023
Headline inflation	1.2	6.2 (4.9)	2.5 (1.7)
Core inflation	0.2	2.2 (2.0)	2.0 (1.7)

() Previous projection in March 2022

Source: Ministry of Commerce and BOT

Price increases have broadened with continued price increases in some groups, particularly those in the food category

Proportion of food and services in the CPI with significant price increases*



* Calculated by %YoY of average increase in price of goods in the past 5 years with more than 2 SD. Core refers to number of goods in the core category in relation to every goods in the CPI.

Source: Ministry of Commerce and BoT

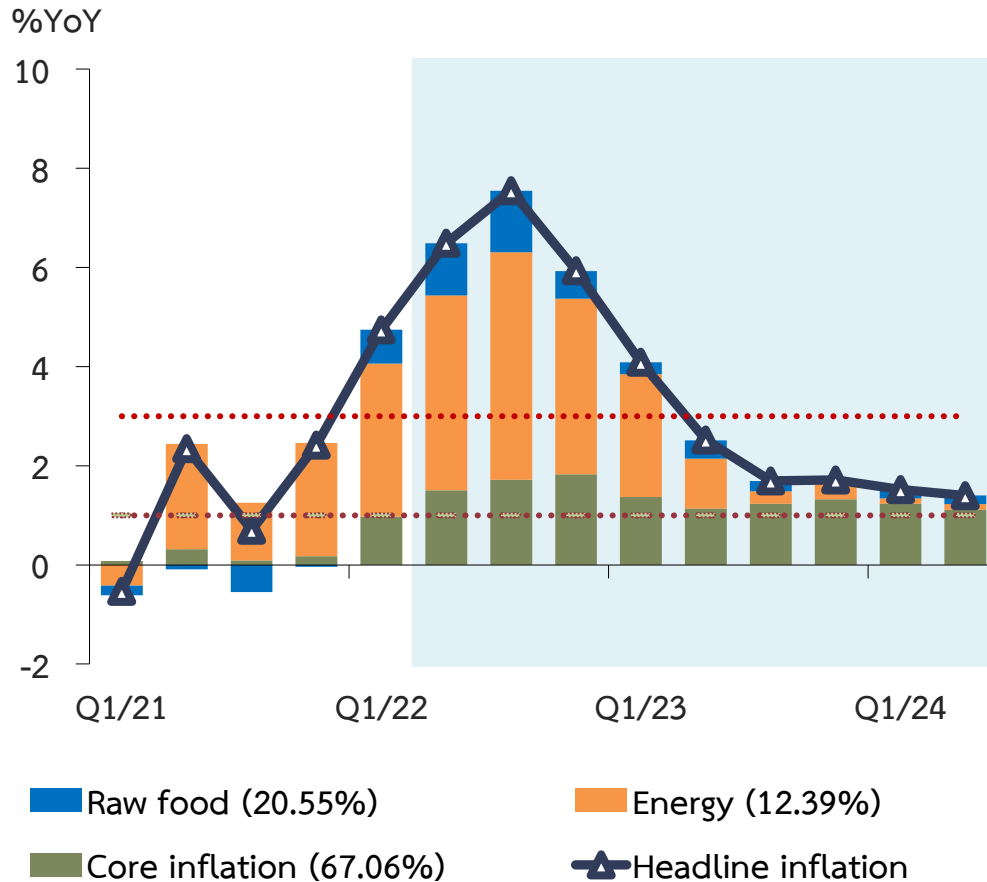
Price increases in the CPI basket

Continuity in price increases (%MoM)		Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Raw food category	Rice, flour and cereal products	Green	Green	Red	Green	Red	Red
	Meat, poultry and fish	Red	Red	Green	Red	Red	Red
	Egg and dairy	White	Red	White	Red	Red	Red
	Vegetables and fruits	Green	Green	White	Red	Red	White
Energy category	Oil	Green	Red	Red	Red	Red	Red
	Cooking gas	White	White	White	White	Red	Red
	Electricity	White	White	White	White	White	White
General category	Seasonings and condiments	Red	Red	Red	Red	Red	Red
	Prepared food	White	Red	Red	Red	Red	Red
	Electric devices and house furnishing	White	Red	White	Red	Red	Red
	Cleaning supplies	Green	White	Red	Red	Red	Red
	Personal care expenditures	Red	White	White	White	Red	Red
	Public transportation services	White	White	White	Red	White	White
	Tobacco and alcoholic beverages	White	White	White	Red	White	White
	Recreation and education	White	White	White	White	White	Red
	Apparel and footwear	White	White	White	White	White	Red
	Water supply	Green	White	White	Green	Green	White
House rent	Green	White	White	Green	Green	White	

- Price decrease more than 0.5 SD
- Price change less than 0.5 SD
- Price increase more than 0.5 SD
- Price increase more than 1 SD

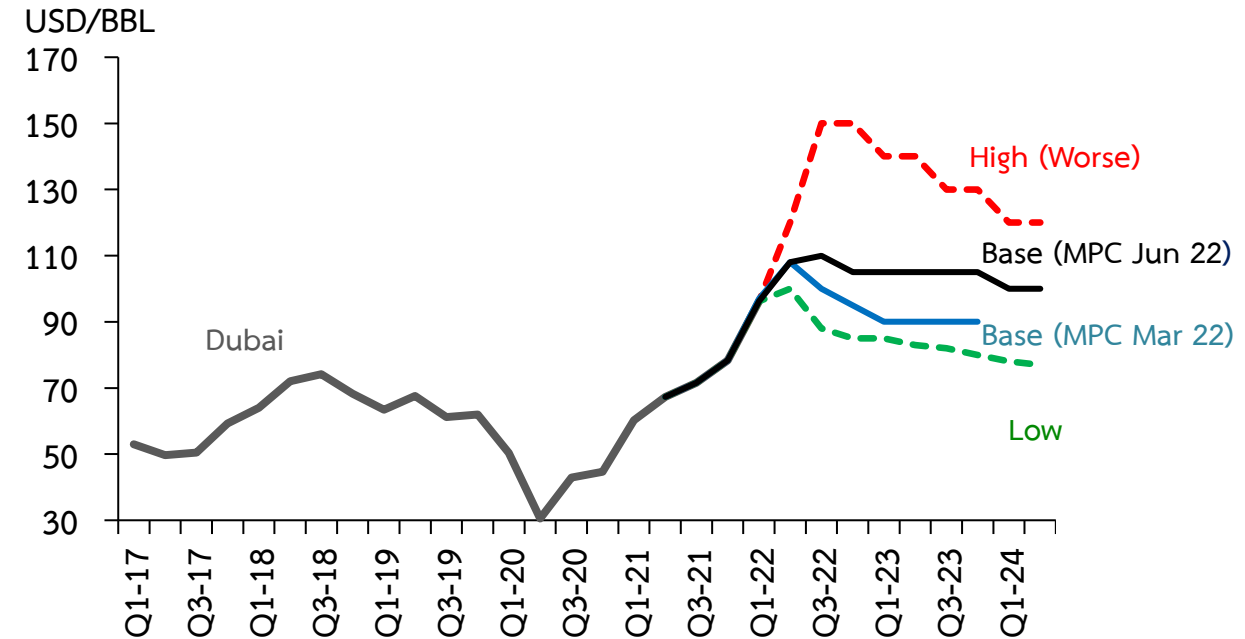
The rise in inflation has still been mainly due to cost-push factors

Contribution to headline inflation



Source: Ministry of Commerce and BOT

Dubai crude oil price projection

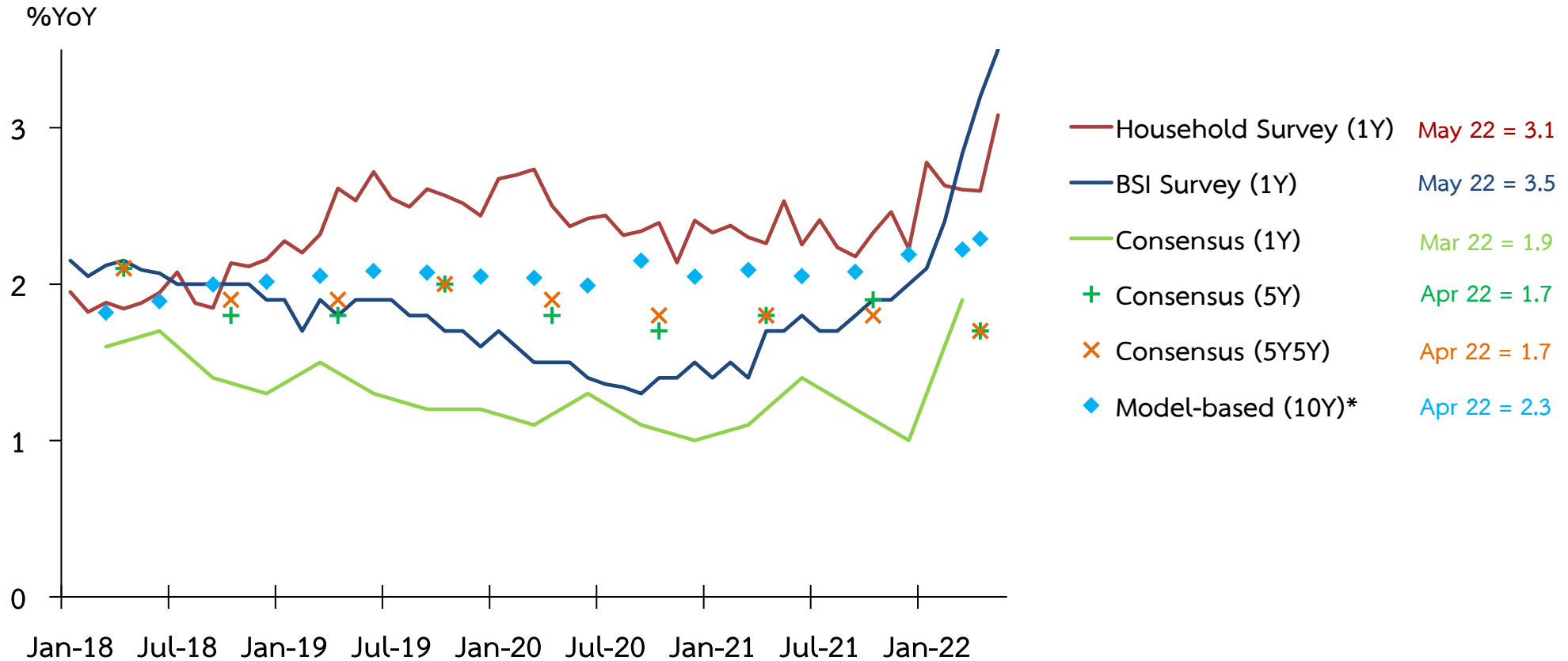


Crude oil assumption (USD/BBL)	2020	2021	2022	2023
MPC Mar			100	90
MPC Jun	42.2*	69.4*	105	105

* Outturns

Source: PPT and BOT

Despite an increase in short-term inflation expectations, medium-term inflation expectations remain within the target range



* Estimated with affine term structure model using yield curve and macroeconomic variables

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



GDP forecast as of June 2022

Annual percentage change	2021*	2022	2023
GDP growth	1.5	3.3 (3.2)	4.2 (4.4)
Domestic demand	1.6	3.6 (3.4)	3.0 (3.2)
Private consumption	0.3	4.9 (4.3)	3.6 (4.1)
Private investment	3.2	5.4 (4.7)	4.5 (4.8)
Government consumption	3.2	-1.9 (-0.7)	-0.5 (-1.7)
Public investment	3.8	3.5 (4.2)	3.4 (4.4)
Exports of goods and services	10.4	7.1 (6.3)	8.2 (8.5)
Imports of goods and services	17.9	5.3 (4.9)	4.2 (4.2)
Current account (billion, U.S. dollars)	-10.6	-8.0 (-6.0)	5.0 (10.0)
Value of merchandise exports	18.8	7.9 (7.0)	2.1 (1.5)
Value of merchandise imports	23.4	13.8 (11.6)	3.5 (2.0)
Number of foreign tourists (million person)	0.4	6.0 (5.6)	19.0 (19.0)
Dubai crude oil price (U.S. dollar per barrel)	69.4	105.0 (100.0)	105.0 (90.0)
Headline inflation	1.2	6.2 (4.9)	2.5 (1.7)
Core inflation	0.2	2.2 (2.0)	2.0 (1.7)

หมายเหตุ: *Outturns

() Monetary Policy Report March 2022

Given the increased upside risks for economic recovery and inflation, the current accommodative monetary policy would be less needed going forward

The Committee will assess the appropriate timing for a gradual policy normalization in accordance with the shift in the outlook and risks surrounding growth and inflation.

- The continuation of economic recovery
- Prolonged high inflation from oil prices and higher cost passthrough