



BANK OF THAILAND

BOT Press Release

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No. 40/2022

Monetary Policy Committee's Decision 4/2022

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 10 August 2022 as follows.

The Committee voted 6 to 1 to raise the policy rate by 0.25 percentage point from 0.50 to 0.75 percent, effective immediately. One member voted to raise the policy rate by 0.50 percentage point.

Economic recovery has continued to strengthen. The Thai economy is expected to return to the pre-COVID level by the end of this year and will continue to gain traction. Headline inflation will remain at a high level for some time. The Committee assesses that the extraordinarily accommodative monetary policy undertaken in response to the COVID-19 pandemic has become less needed. Most members thus voted to raise the policy rate by 0.25 percentage point at this meeting. One member voted to raise the policy rate by 0.50 percentage point to reduce the risk of having to increase the policy rate aggressively later and views that such a rate increase will not significantly affect the economic recovery.

The Thai economy is projected to continue recovering with strong momentum. This is attributable to a larger-than-expected number of foreign tourist arrivals following the relaxation of international travel restrictions and improved travel sentiments. In addition, private consumption would continue to recover in line with improvements in labor market conditions and household incomes. Although the risk of global slowdown has heightened, the impact on the Thai economy would be limited. Nonetheless, there remains a need to monitor risks to the growth outlook in the period ahead, especially the impact of rising living costs on private consumption.

Headline inflation will remain at a high level throughout 2022, largely unchanged from the previous forecast, before gradually falling into the target range in 2023 as the supply-side inflationary pressures subside. Meanwhile, medium-term inflation expectations have not increased significantly. Going forward, the inflation outlook is still subject to upside risks, including potentially higher and faster cost pass-through to core inflation. The Committee will continue to closely monitor inflation dynamics, cost pass-through, and 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. Debt serviceability of households and businesses has improved in line with the economic recovery. However, there are certain

vulnerable groups, particularly some SMEs that have yet to fully recover as well as low-income households that are sensitive to the rising living costs. The Committee views that financial institutions should continue to press ahead with debt restructuring and deems it important to have targeted measures and sustainable solutions in place for vulnerable groups.

Overall financial conditions remain accommodative but with high volatility. The baht has depreciated against the US dollar mainly due to the strengthening of the US dollar following concerns about the global economic slowdown and the Fed tightening. The Committee will closely monitor developments and volatilities in financial and exchange rate 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 judges that the Thai economic recovery will continue to gain traction, and thus the extraordinarily accommodative monetary policy will become less needed. The Committee views that the policy rate should be normalized to the level that is consistent with sustainable growth in the long term. Monetary policy normalization should be done in a gradual and measured manner consistent with the growth and inflation outlook in the period ahead.

Bank of Thailand
10 August 2022

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Press Conference

Monetary Policy Committee's Decision 4/2022

10 August 2022

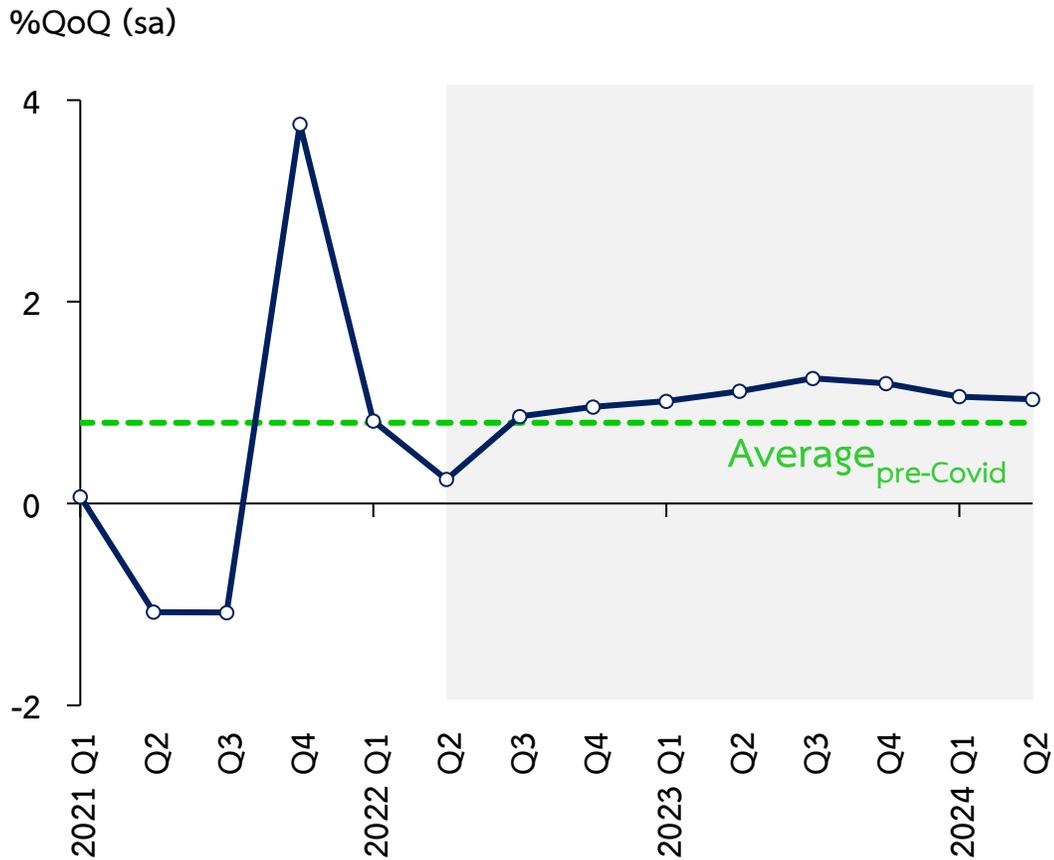
Piti Disyatat

Assistant Governor, Monetary Policy Group

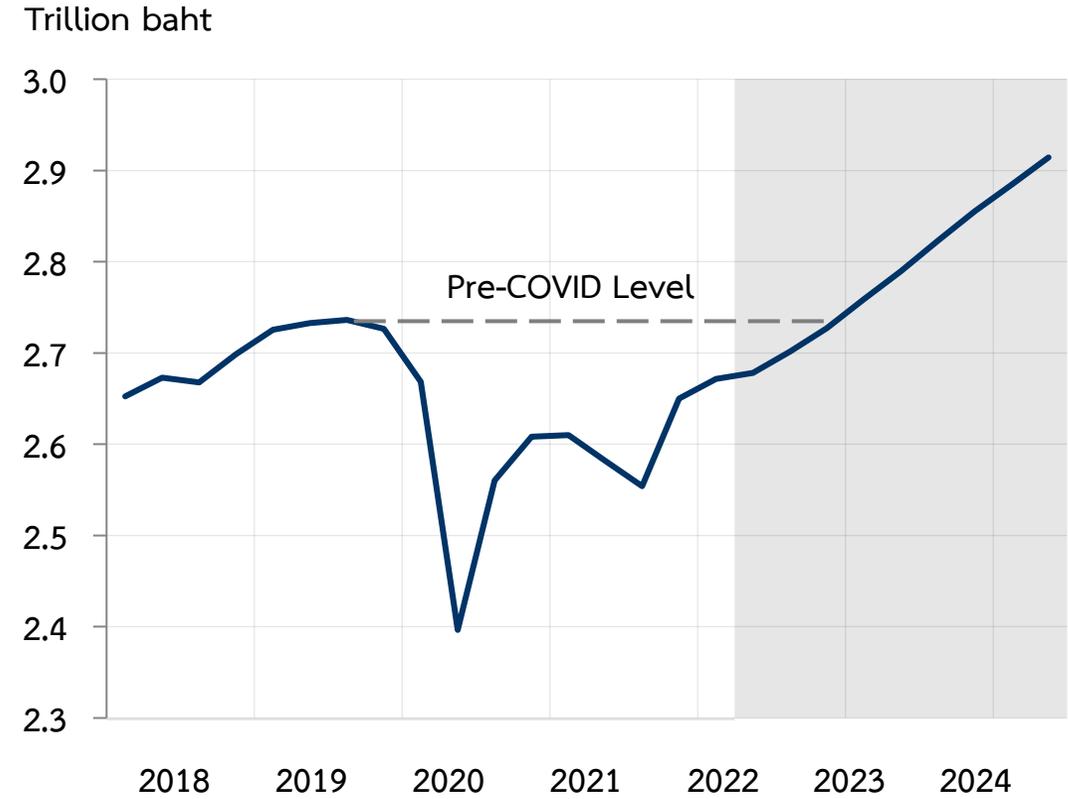


The Thai economy would continue to recover and gain traction

Real GDP Growth

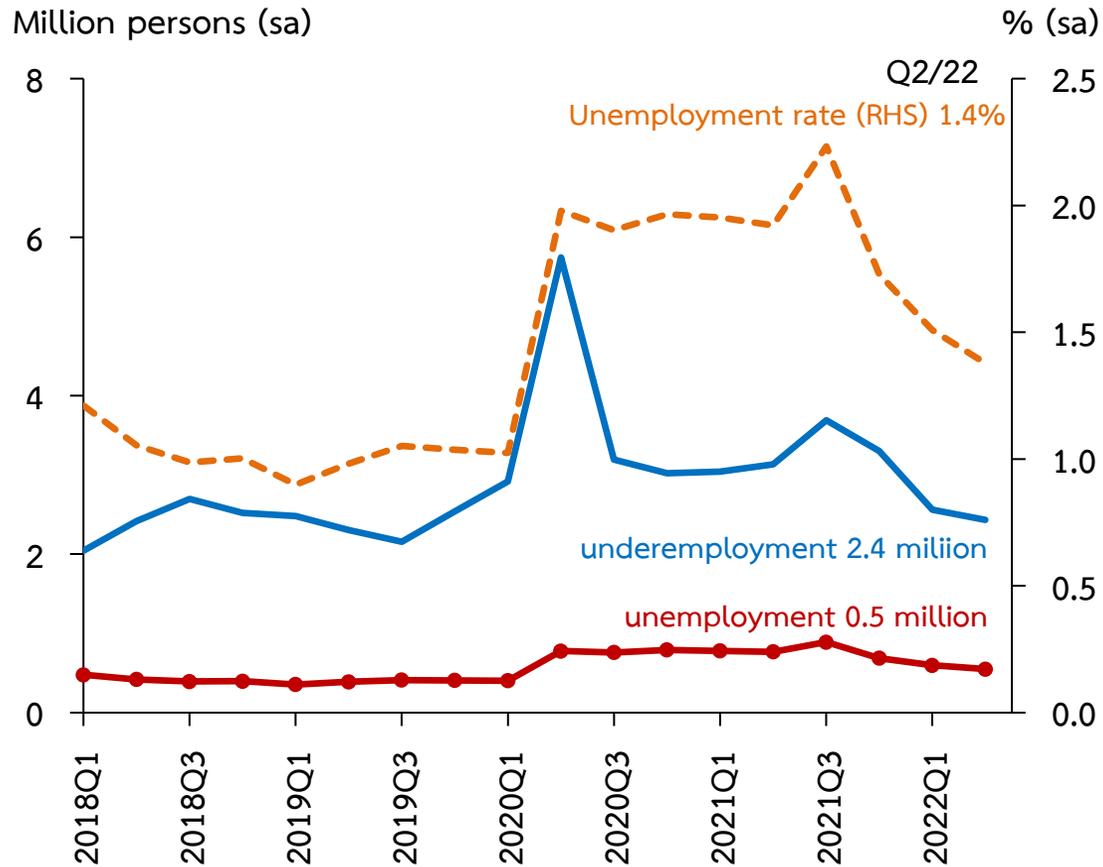


Real GDP

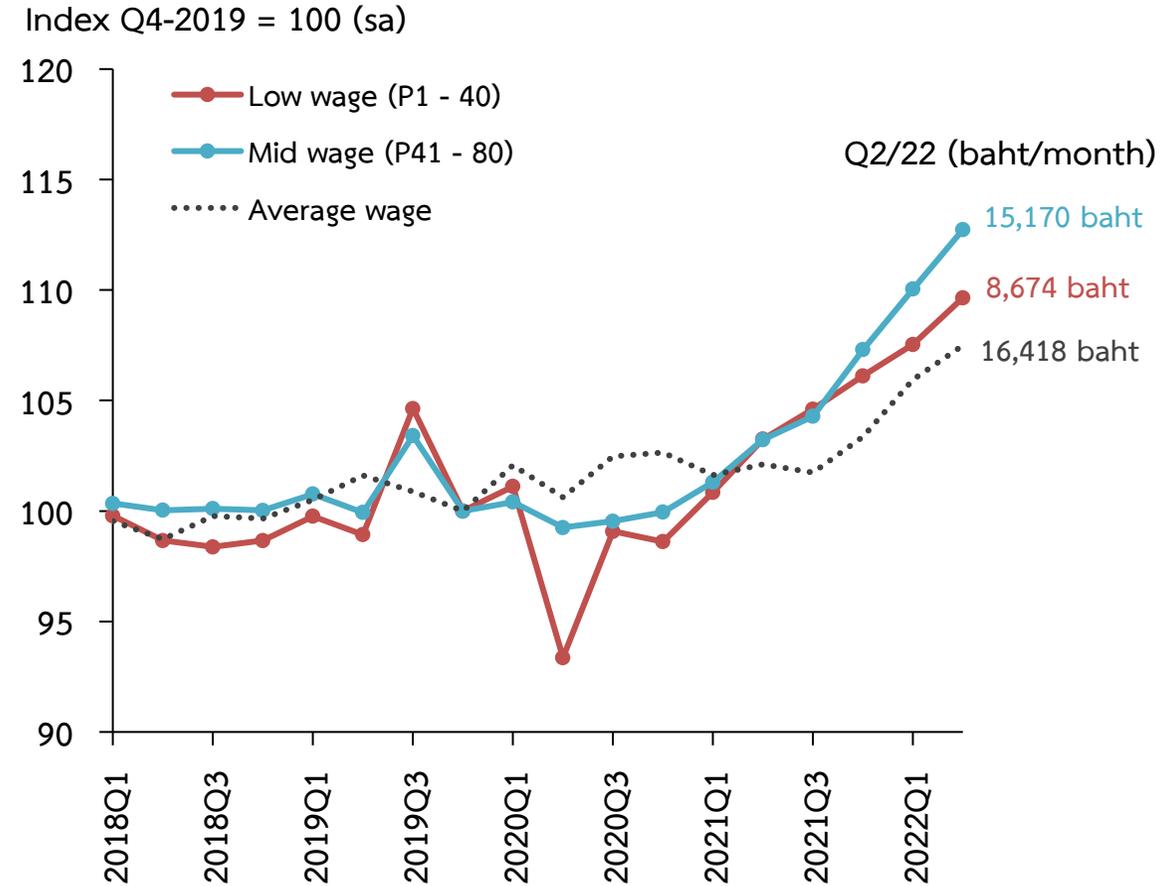


Labor market conditions continue to improve

Numbers of unemployed and underemployed persons & unemployment rate



Average incomes of non-farm workers



Note: Underemployment is defined as those who work less than 4 hours per day

Data has been adjusted according to the NESDC's Report of the Population Projections for Thailand 2010 - 2040 (Revision)

Source: The Labor Force Survey by the National Statistical Office of Thailand, calculations by BOT

Note: monthly income includes regular wage per month and overtime pay

Underlying inflation indicators

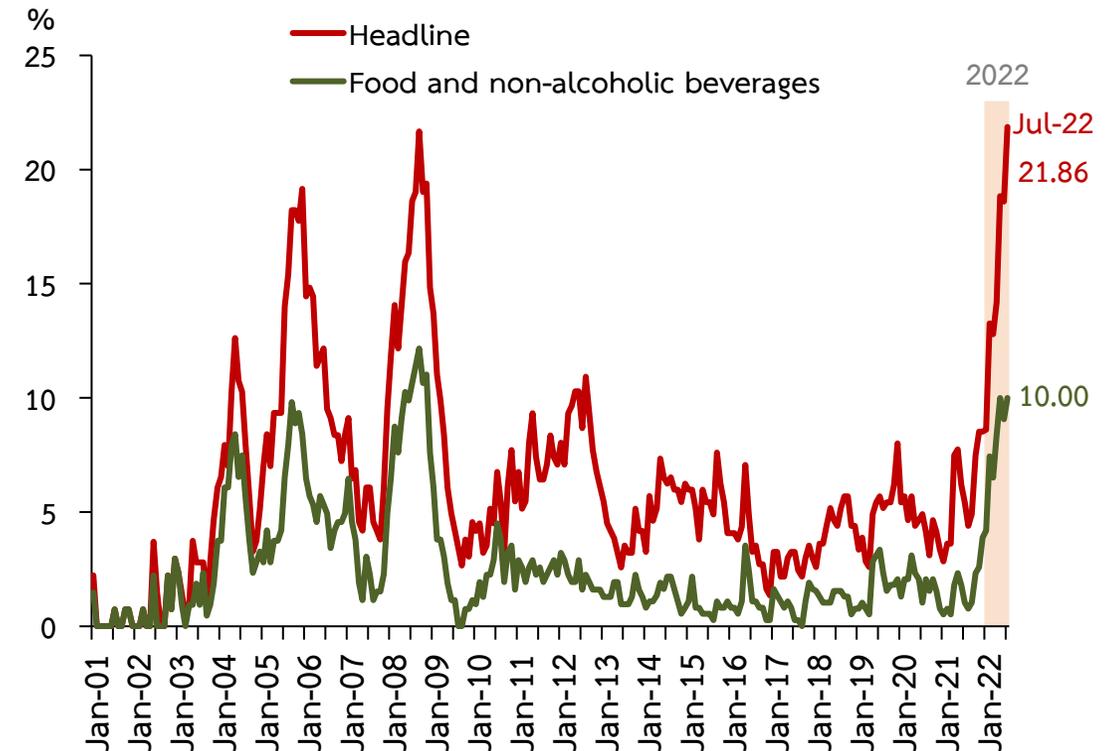
Underlying inflation indicators	2022						
	Jan	Feb	Mar	Apr	May	Jun	Jul
Core CPI	0.5	1.8	2.0	2.0	2.3	2.5	3.0
Core CPI (ex rent & measures)	0.7	2.2	2.4	2.6	2.8	3.0	3.6
PCA	0.5	1.1	1.3	1.5	2.0	2.5	3.2
Symmetric trimmed mean CPI	1.2	2.1	2.4	2.4	3.2	3.7	4.0
Sticky CPI	0.5	2.4	2.8	2.7	3.2	3.5	4.2
Common component CPI	1.4	1.8	1.9	2.0	2.3	2.4	
MUCSVO Trend	2.5			3.0			



Note: Median is 2% which is the mid-point of the 1-3% target range

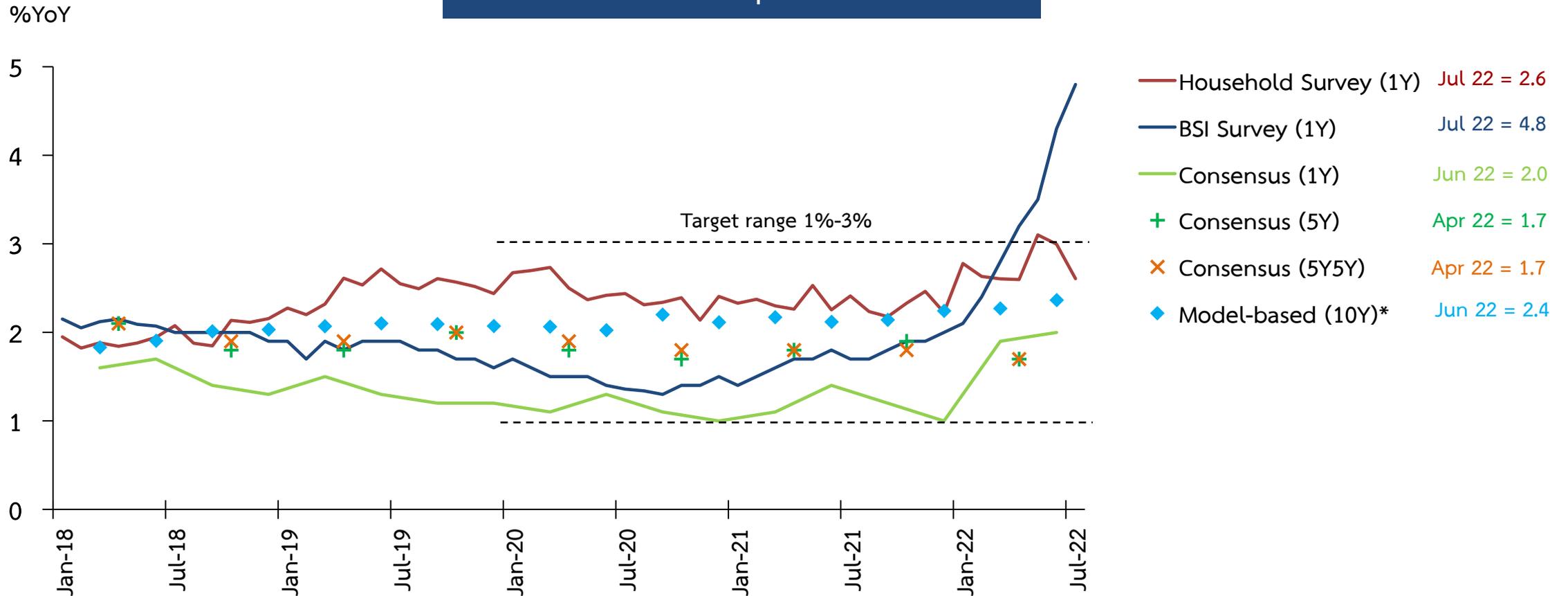
Inflation is still subject to upside risks

Share of goods and services in the CPI basket whose prices have increased significantly*



Anchoring medium-term inflation expectations is critical

Inflation expectation

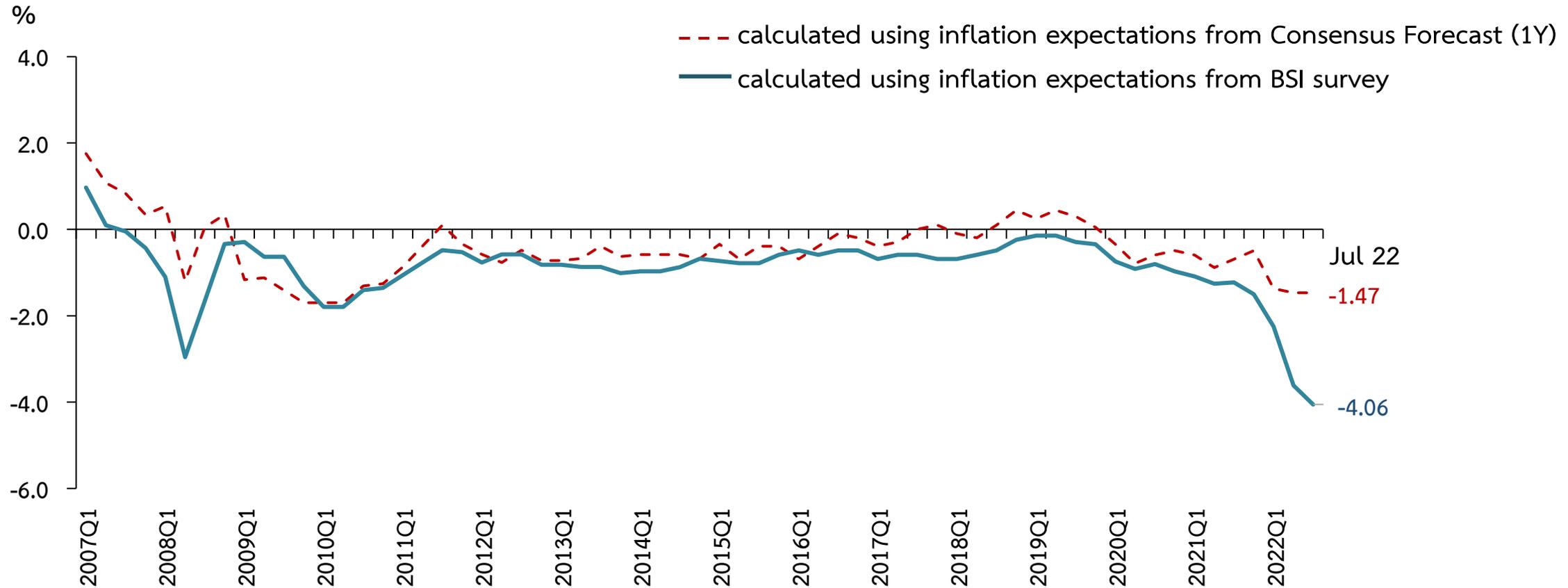


Note: * forecasted using the affine term structure model, with data inputs from yield curve and macroeconomic variables

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

Ultra-accommodative monetary policy has become less needed

Real policy rate



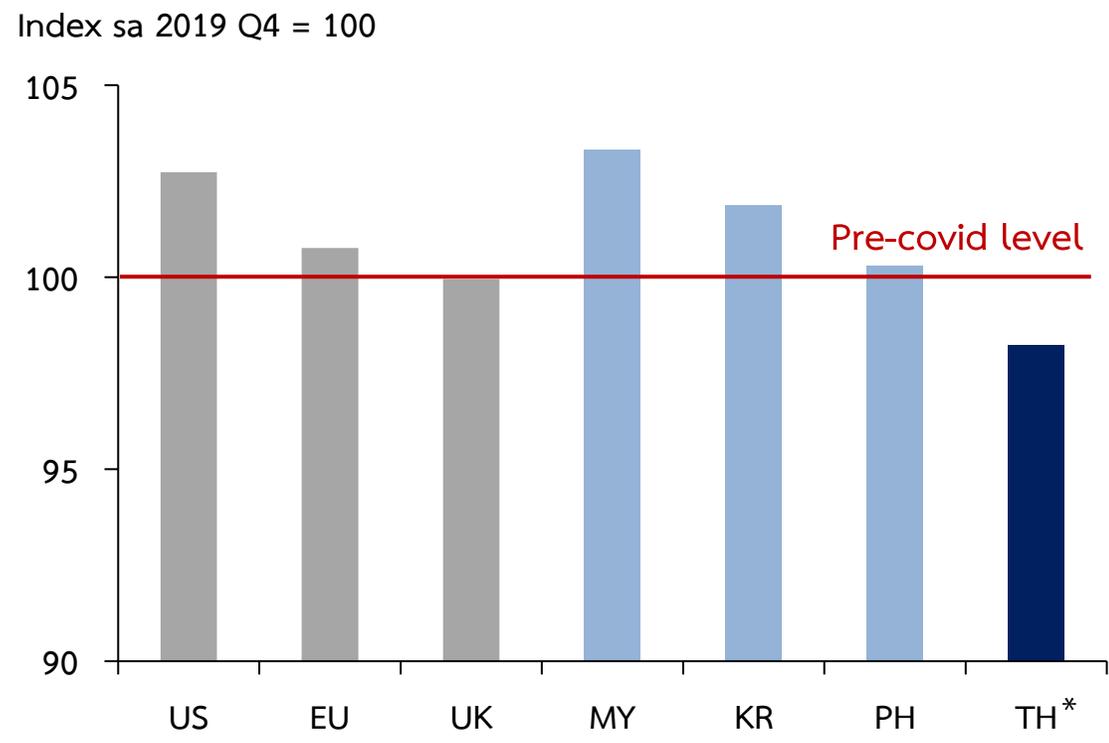
Source: Consensus Economics and BOT

Monetary accommodation should be gradually reduced and normalized in a manner that is consistent with the Thai context

(1) The Thai economy is on recovery path and expected to return to pre-COVID level by this year

(2) Inflation would decline by the end of this year mainly due to subsiding supply-side pressures

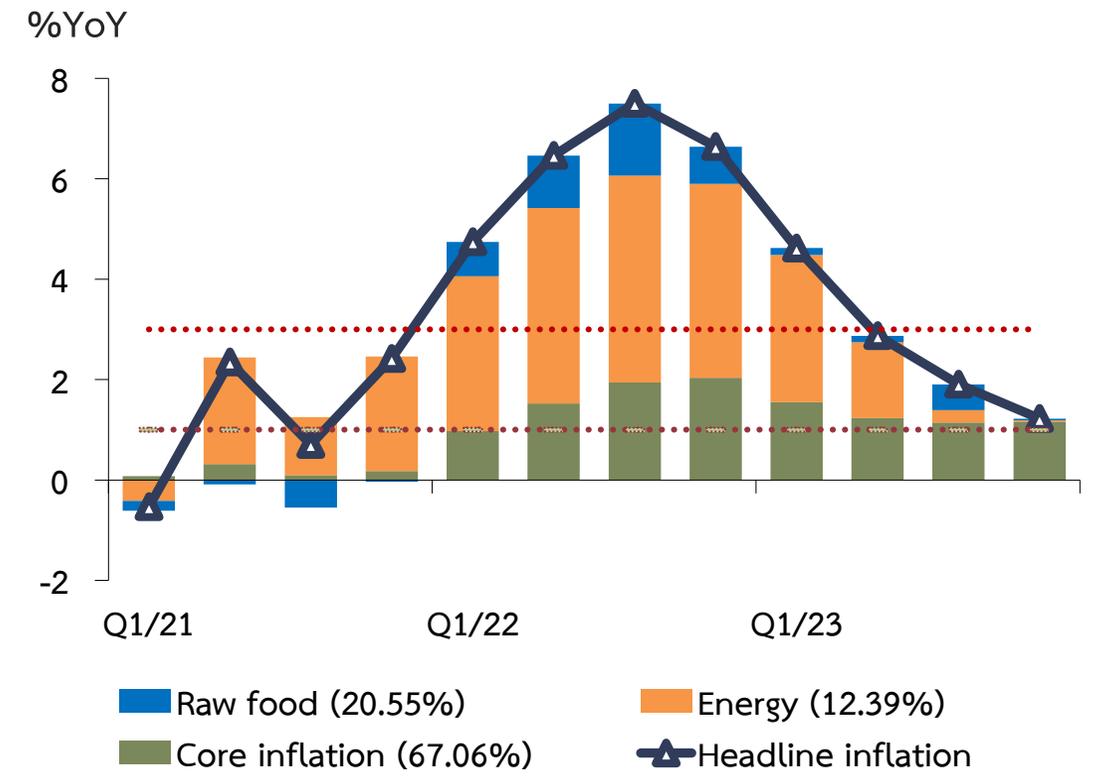
GDP level announced as of central bank's 1st hike



First hike Q1/22 Q3/22 Q4/21 Q2/22 Q3/21 Q2/22

* Calculated using the forecast of Q2/22 GDP by BOT

Contribution to headline inflation



Source: Ministry of Commerce, forecasted by BOT

Financial measures will still be in place to support vulnerable groups

Existing measures (still effective)

Current measures are flexible, targeted, and can be adjusted when situations warrant.

Addressing existing debt

- Long-term debt relief measures 3 September (effective until end-2023)
- Asset warehousing (effective until Apr 2023)

Liquidity support

- Special loan facility (effective until Apr 2023)

Extra channels

- Debt Clinic Scheme
- Debt Mediation Scheme
- Debt Doctor Scheme

Additional measures for vulnerable retail borrowers

Especially for retail borrowers who have low and unstable income, often rely on unsecured loans, and are further affected by rising costs of living while their incomes have yet to fully recover.

For loans with normal status:

- Maintain the minimum debt payment rate at 5% for credit card loans until 2023
- Maintain the debt repayment period extension for digital personal loans until 2023

For loans that are non-performing:

- Adjust repayment conditions under the Debt Clinic Scheme*
- Arrange a debt mediation fair (credit card/personal loan/hire purchase /registration loan/nano-finance/AMC) in the third quarter of this year**

*Provide additional repayment options where debtors who choose a plan with short repayment period will receive more favorable interest rate conditions

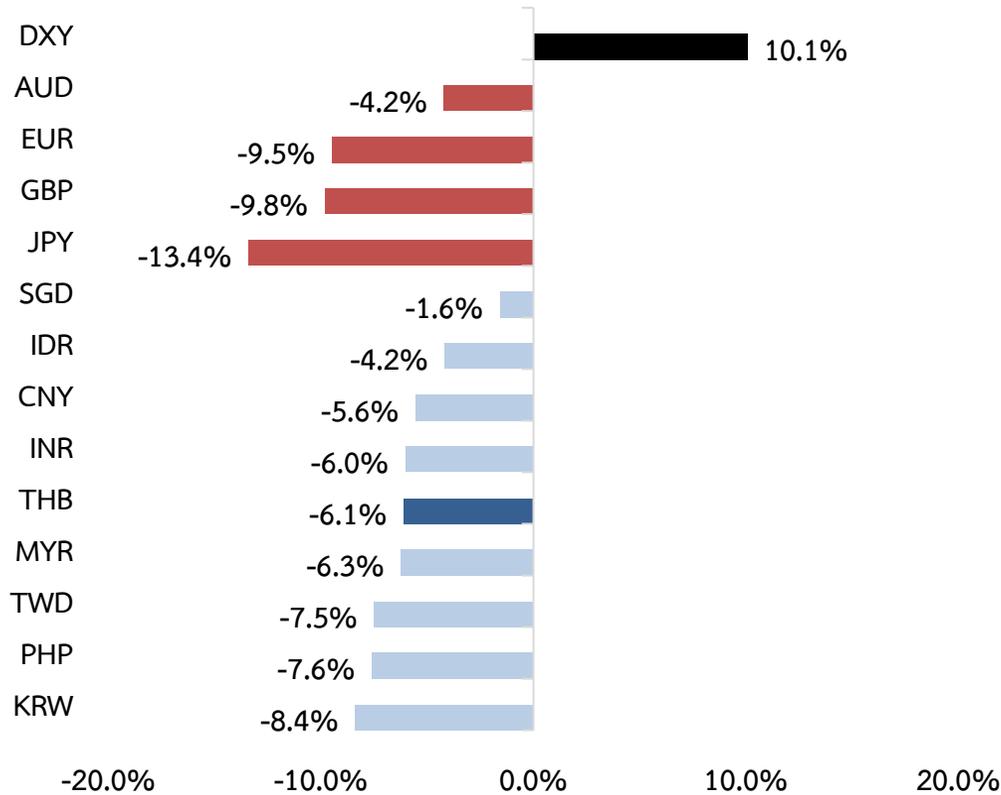
**Eligible loans include non-performing loans and normal-status loans in which borrowers have difficulty repaying the debt

The baht's movement is in line with regional currencies

The baht moves in line with regional currencies

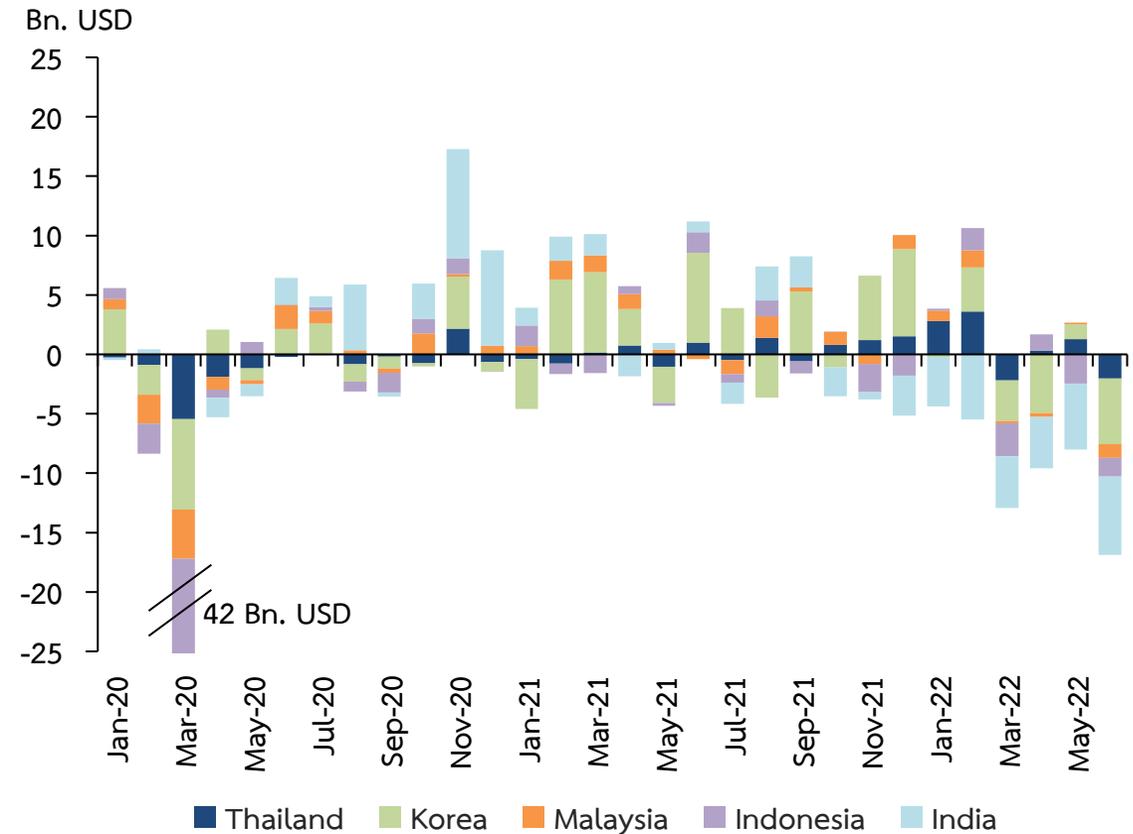
Thailand's portfolio flows are in tandem with other regional countries

YTD movements



Source: Reuters (as of 5 Aug 2022)

Regional portfolio flows



Source: Bloomberg (as of June 2022)

Thai economic recovery will continue to gain traction,
and thus the extraordinarily accommodative monetary policy will become less needed.

The Committee voted 6 to 1 to raise the policy rate
by 0.25 percentage point from 0.50 to 0.75 percent at this meeting

The Committee views that the policy rate should be normalized to the level that is consistent with sustainable growth in the long term. Monetary policy normalization should be done in a gradual and measured manner consistent with the growth and inflation outlook in the period ahead.