



BANK OF THAILAND



BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

No. 68/2022

Monetary Policy Committee's Decision 6/2022

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 30 November 2022 as follows.

The Committee votes unanimously to raise the policy rate by 0.25 percentage point from 1.00 to 1.25 percent, effective immediately.

The Thai economic recovery has continued to gain traction. Tourism and private consumption will continue to be key economic drivers going forward and help alleviate the impact of global slowdown on the Thai economy. Headline inflation is expected to be higher than the previous projection for 2023 due to domestic energy prices. However, it is still expected to decline and return to the target range within 2023. The Committee deems that a gradual policy normalization remains an appropriate course for monetary policy given the growth and inflation outlook, and thus votes to raise the policy rate by 0.25 percentage point at this meeting.

The Thai economy is projected to continue growing at 3.2 percent in 2022, 3.7 percent in 2023, and 3.9 percent in 2024. The tourism sector continues to strengthen as the number of foreign tourists continues to rise. Additionally, private consumption is supported by improving economic activities, as well as a more broad-based recovery in employment and labor income. The trajectory of Thai economic growth remains largely unchanged in 2023 and 2024 as the strength of the tourism sector and private consumption will help lessen the impact of the global slowdown on the Thai export sector. Nonetheless, the Committee will monitor the downside risks to the highly uncertain global economic outlook as well as the momentum of the tourism sector.

Headline inflation is expected to be at 6.3 percent in 2022, peaking in the third quarter, before declining to 3.0 percent in 2023 and 2.1 percent in 2024. Headline inflation is expected to be higher than previously assessed for 2023 on the back of the upward adjustment of electricity charges, but it is expected to return to the target range by the end of 2023. Core inflation projection is close to the previous assessment at 2.6 percent in 2022, 2.5 percent in 2023, and 2.0 percent in 2024. Meanwhile, medium-term inflation expectations remain anchored within the target range. However, the Committee will continue to closely monitor risks to inflation, especially a potential increase in cost pass-through as well as domestic energy prices which remain uncertain.

Overall financial system remains resilient. Commercial banks maintain high levels of capital and loan loss provision. Debt serviceability of households and businesses has improved in line with the economic recovery. However, the financial positions of some SMEs

and households remain fragile and sensitive to the rising living costs and debt burden as incomes have yet to fully recover. 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. Funding costs in the private sector gradually rise in tandem with the policy rate but remain conducive for business financing, with credit and funding in the bond market still seeing growth. The baht against the US dollar has been highly volatile owing mainly to expectations surrounding the monetary and macroeconomic policy in major economies. The Committee will continue to closely monitor developments in the financial market and volatilities in the foreign exchange market.

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 be on track, albeit with risks to inflation. The policy rate should be normalized to the level that is consistent with sustainable growth in the long term in a gradual and measured manner. Given the heightened uncertainties surrounding the global economy, the Committee is ready to adjust the size and timing of policy normalization should the growth and inflation outlook shift from the current assessment.

Bank of Thailand
30 November 2022

For further information, please contact: Monetary Policy Strategy Division
Tel: +66 2283 6186, +66 2356 7872
E-mail: MPStrategyDiv@bot.or.th



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Press Conference

Monetary Policy Committee's Decision 6/2022

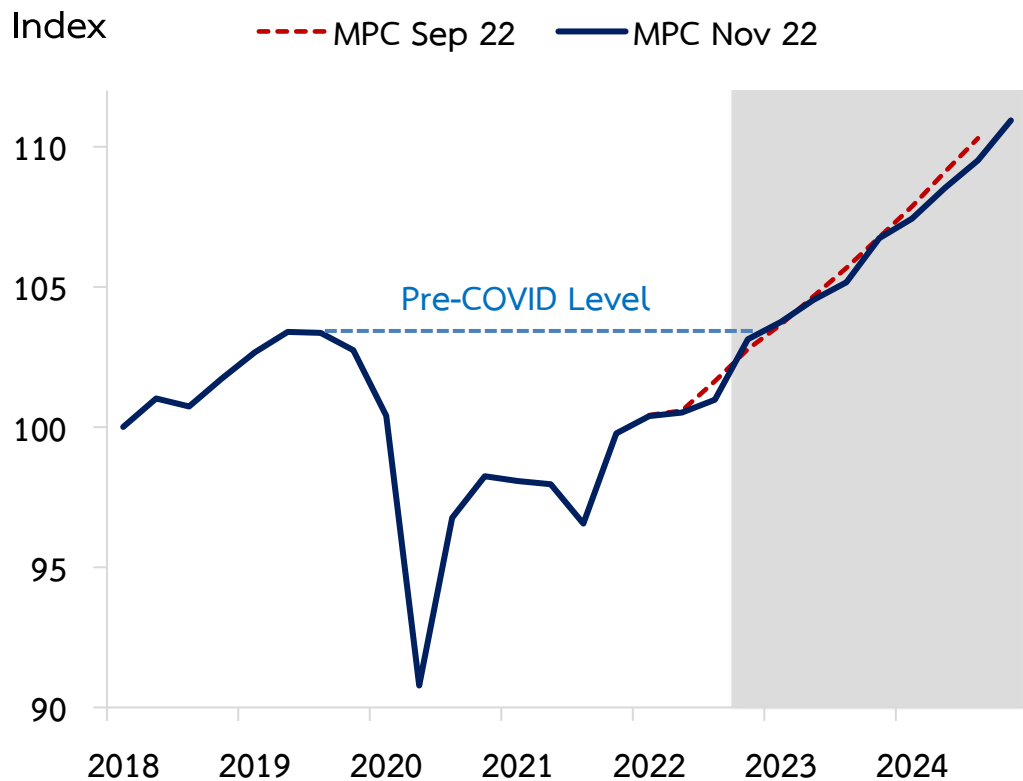
30 November 2022

Piti Disyatat

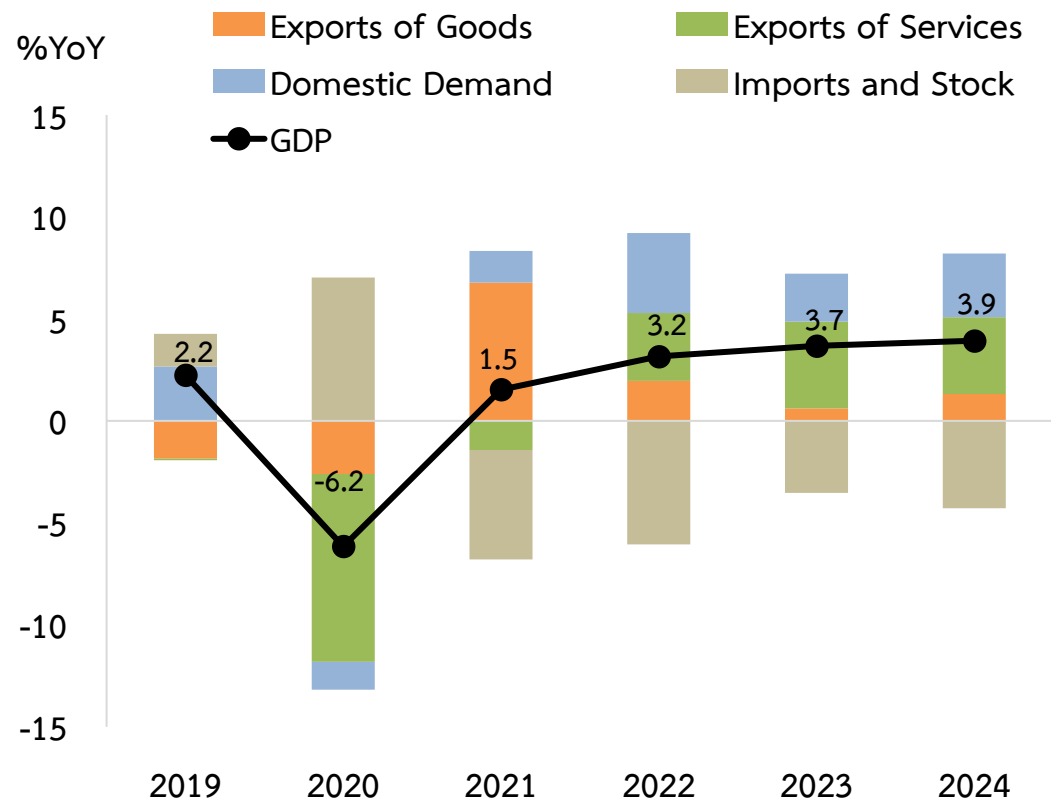
Assistant Governor, Monetary Policy Group

The Thai economy will continue to recover on the back of tourism and private consumption, which will help alleviate the impact of global slowdown.

Real GDP

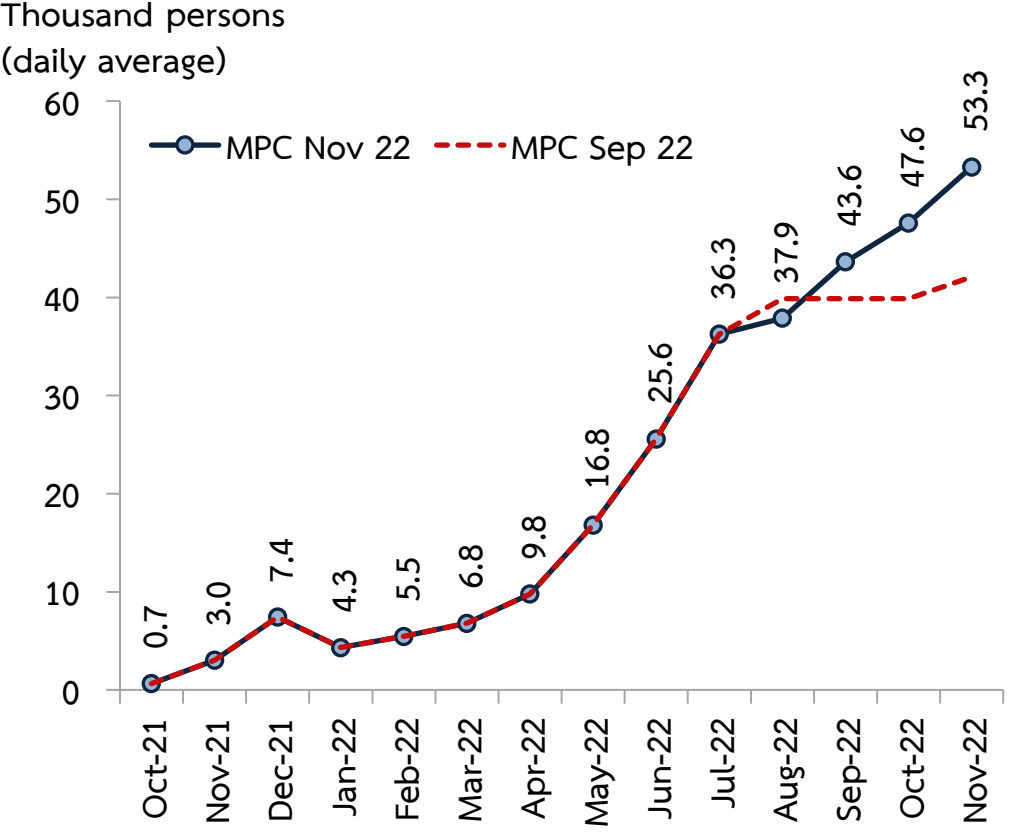


Contribution to GDP growth



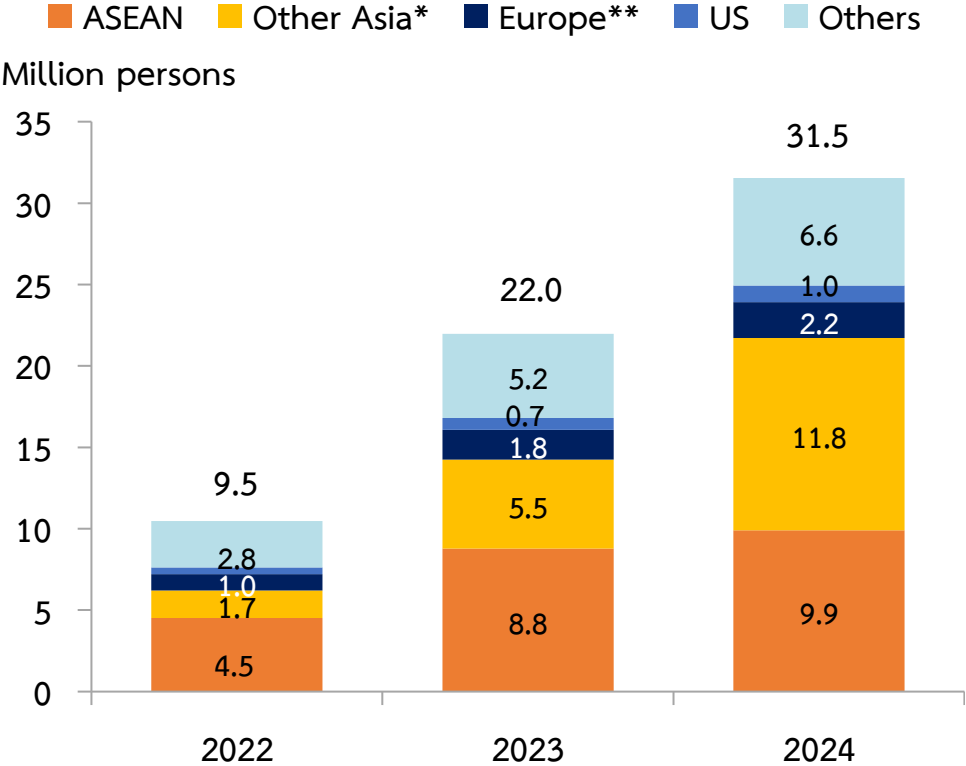
Tourism will recover strongly and will be a key growth driver

The increase in daily average foreign arrivals is higher than expected



Source: Ministry of Tourism and Sports

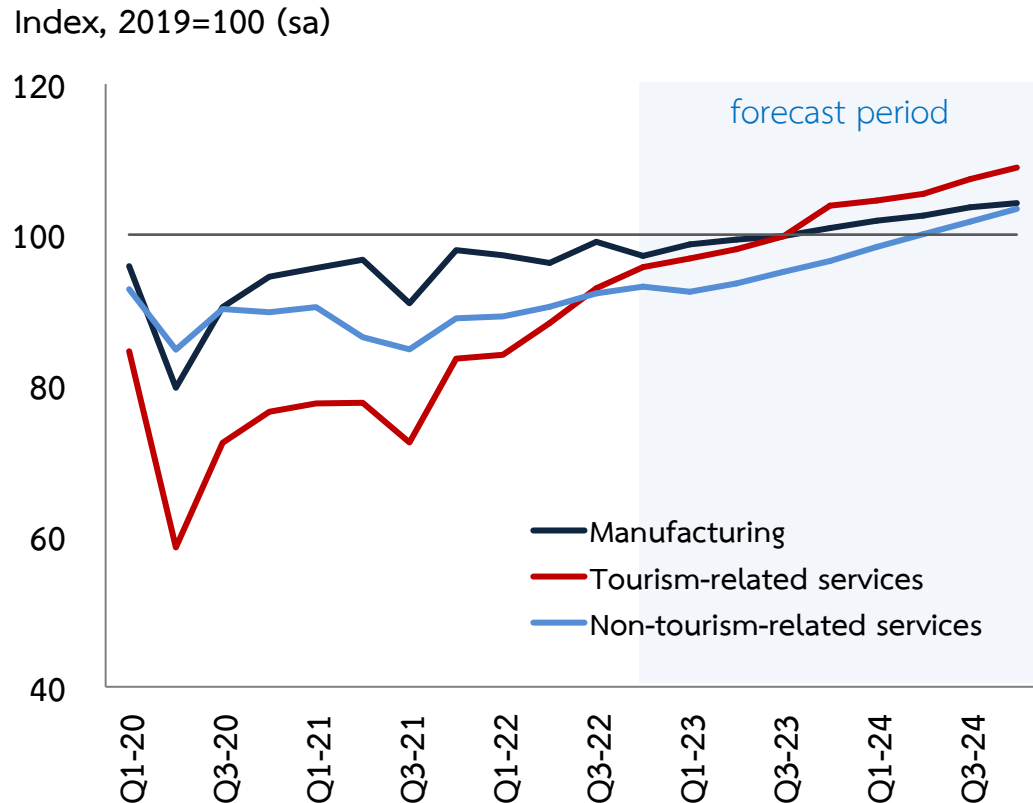
Foreign arrivals projection by nationality



Note: * including Middle East and China
Source: Ministry of Tourism and Sports, forecasts by BOT

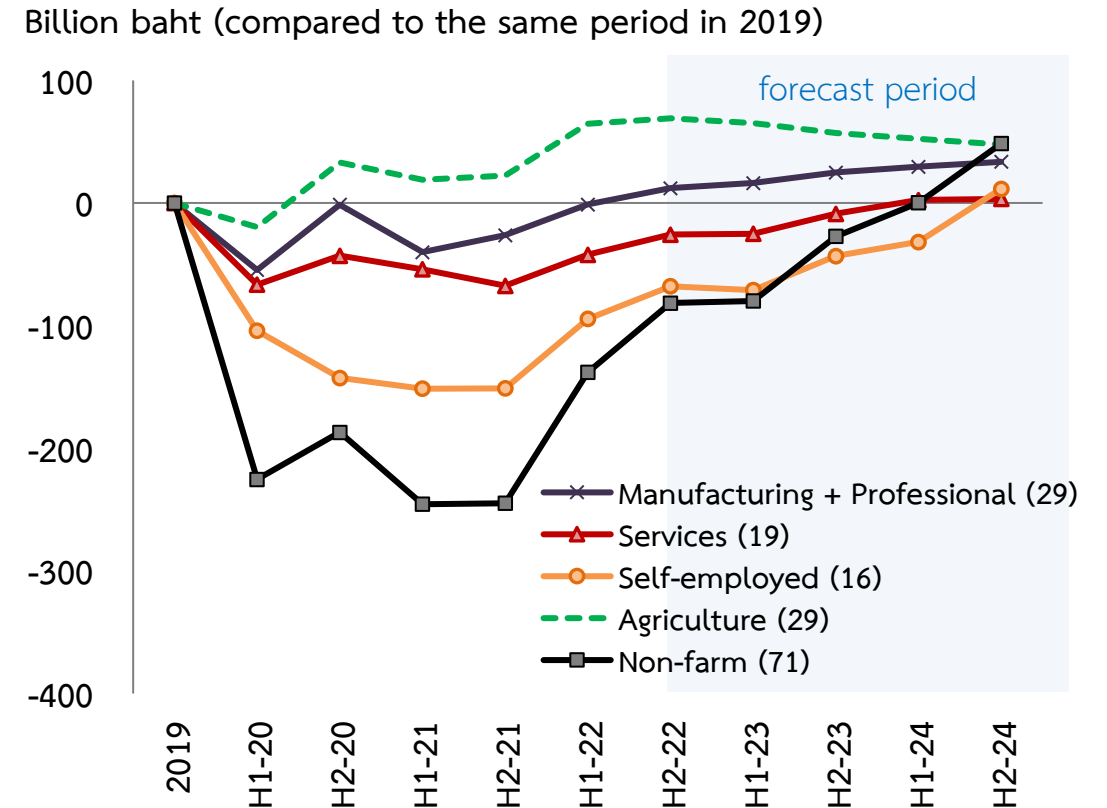
Improving economic activities and income will support private consumption

Recovery path of economic activities by sector



Note: Tourism-related services include hotels, restaurants, trade, and passenger transport
 Non-tourism-related services include construction, real estate, and merchandise transport
 Sources: Office of Industrial Economics, Revenue Department, Department of Land, Business Liaison Program interviews, calculations and forecasts by BOT

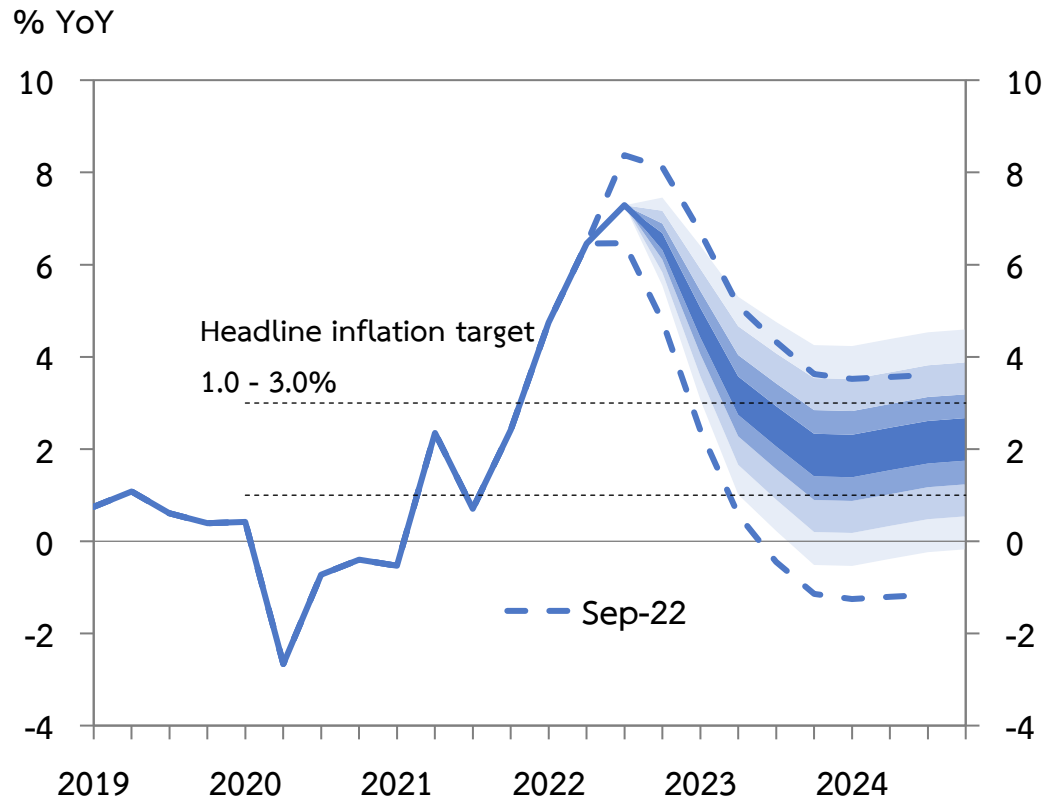
Income recovery by sector (excl. relief measures)



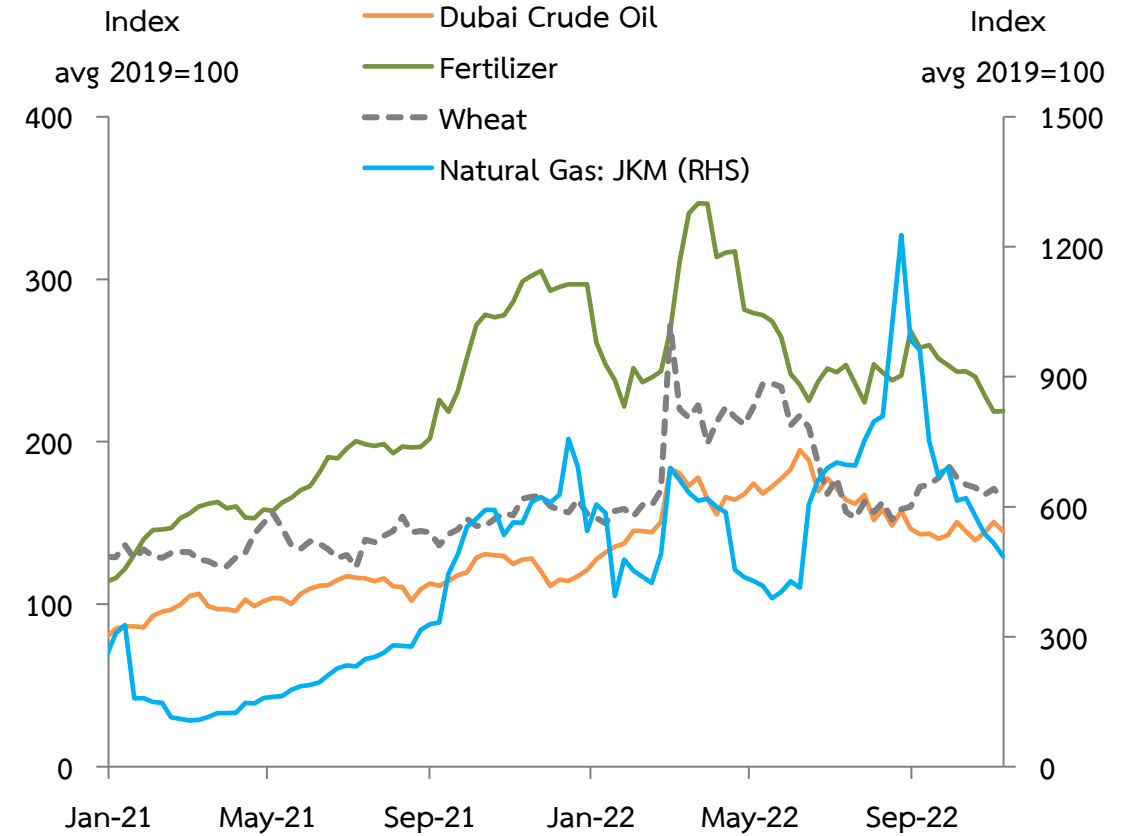
Notes: 1/ Total labor income (including farm income) in 2021 stands at 5 trillion baht
 2/ () refers to the share in total labor force in 2021 (excluding relief measures)
 Source: Labor Force Survey by the National Statistics Office, calculations by BOT

Headline inflation has peaked and will decline as supply shocks subside

Headline inflation forecast



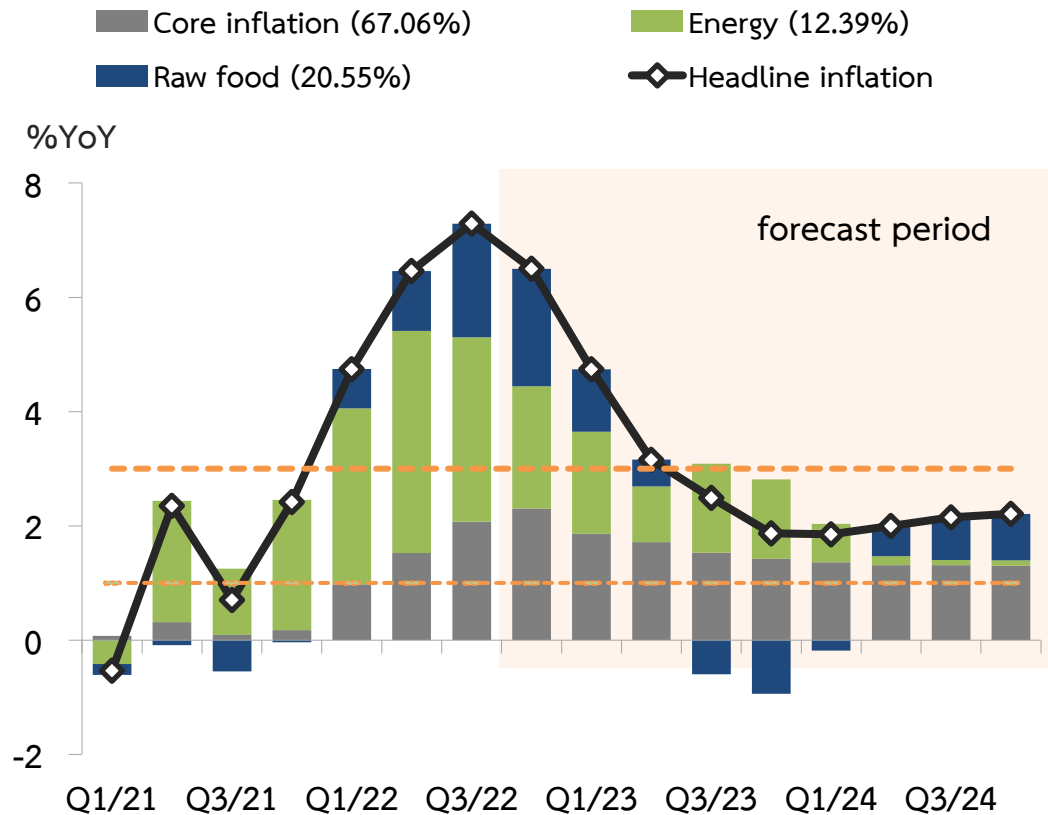
Commodity Price Indices



Source: Bloomberg (data as of 4 Nov 22)

Headline inflation will be higher than previously projected for 2023 but will still return to target by the end of the year

Contribution to headline inflation



%YoY	2021	2022	2023	2024
Headline inflation	1.2	6.3 (6.3)	3.0 (2.6)	2.1
Energy Inflation	11.9	25.2 (26.9)	9.9 (7.3)	1.6
Core Inflation	0.2	2.6 (2.6)	2.5 (2.4)	2.0

() Previous projection in Monetary Policy Report Sep 2022

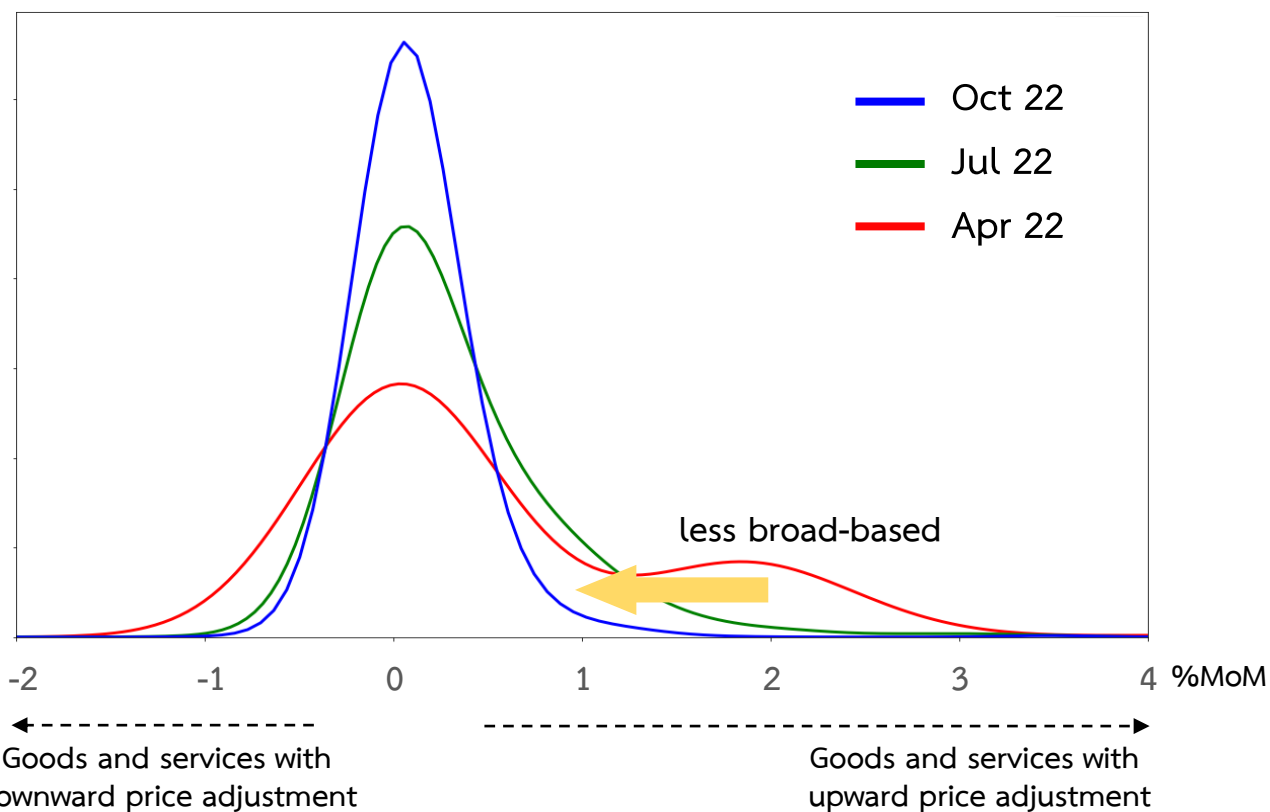
Note: () denotes share in CPI basket

Source: Ministry of Commerce, calculations and forecasts by BOT as of Nov 2022

Core inflation projection is close to the previous assessment

Price increases are less broad-based

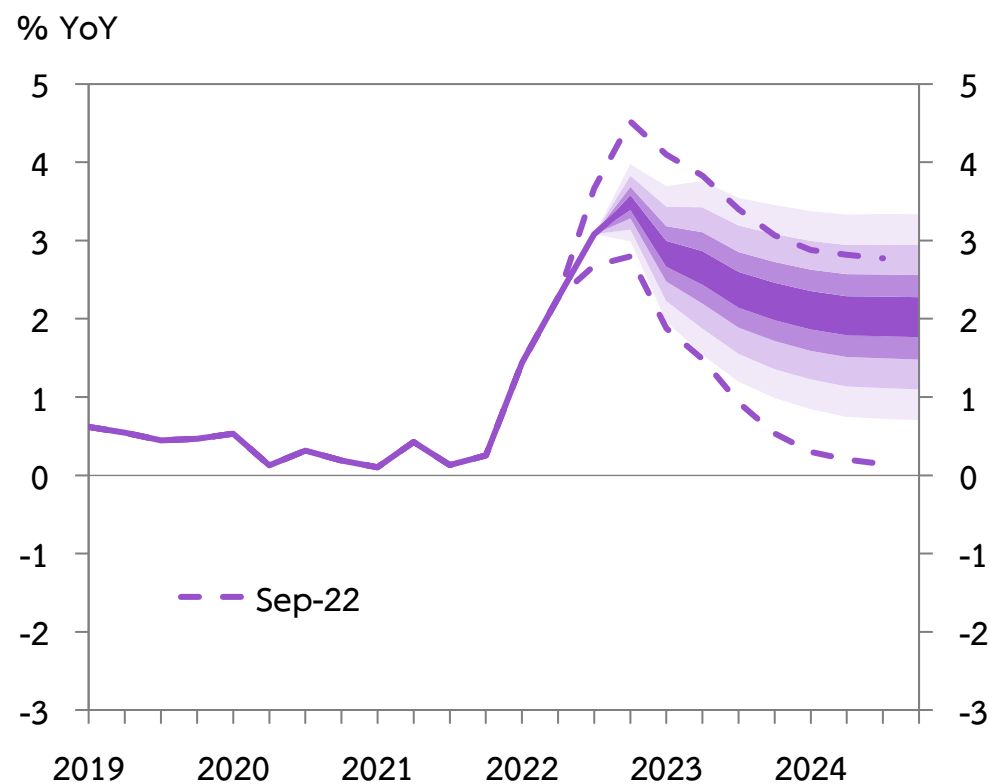
Distribution of %mom price changes by item for goods and services in CPI basket^{1/}



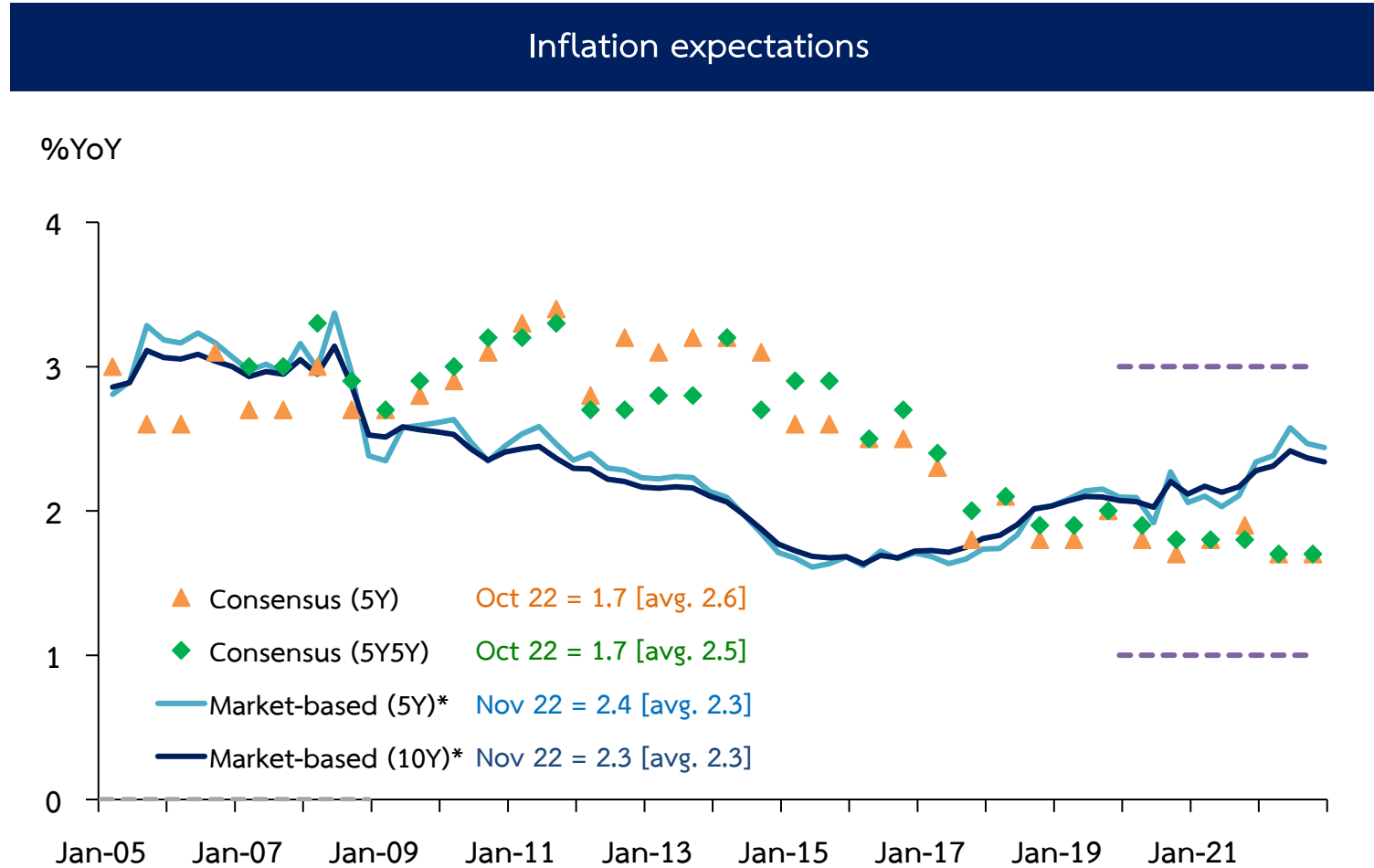
Note: 1/ Density plot of %mom 3-month average price changes for 430 items of goods and services in the CPI basket

Source: Ministry of Commerce, calculations by BOT

Core inflation forecast



Medium-term inflation expectations remain anchored within the target range

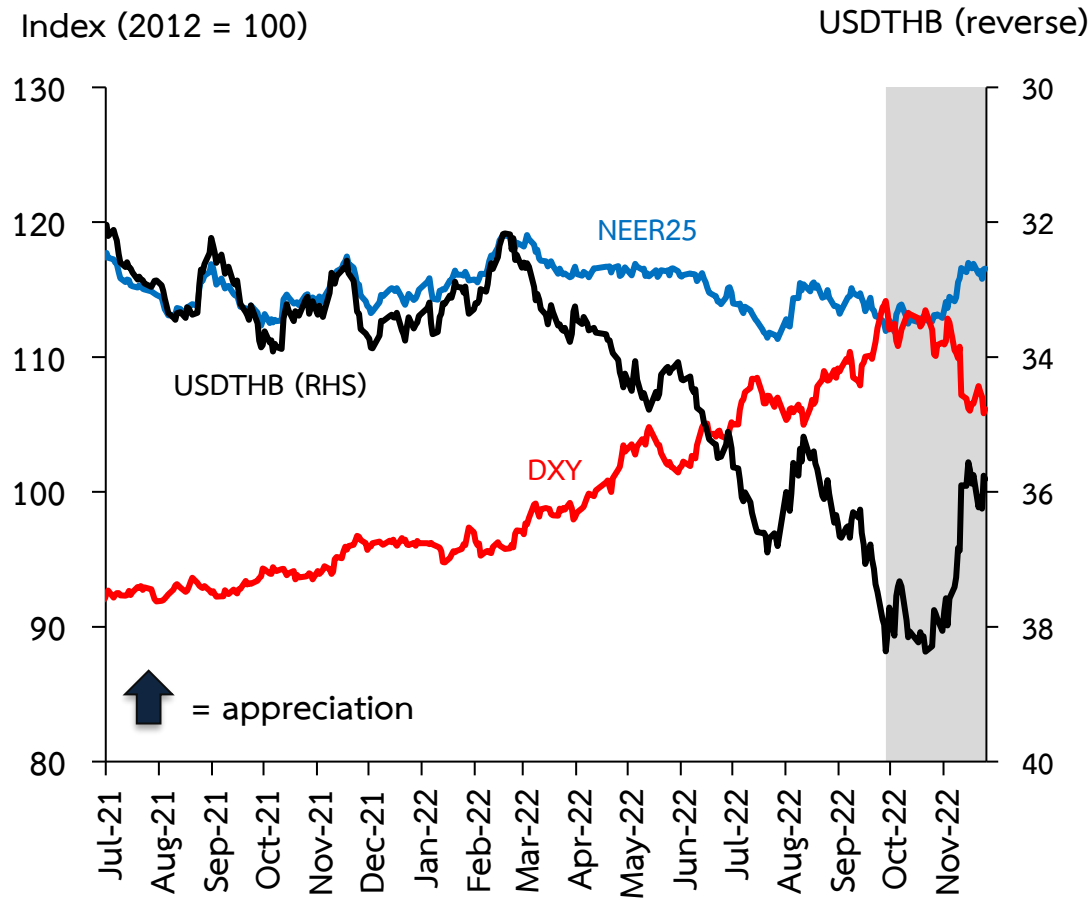


Note: [] refers to the average since Jan 05 * forecasted using the affine term structure model, with data inputs from yield curve and macroeconomic variables

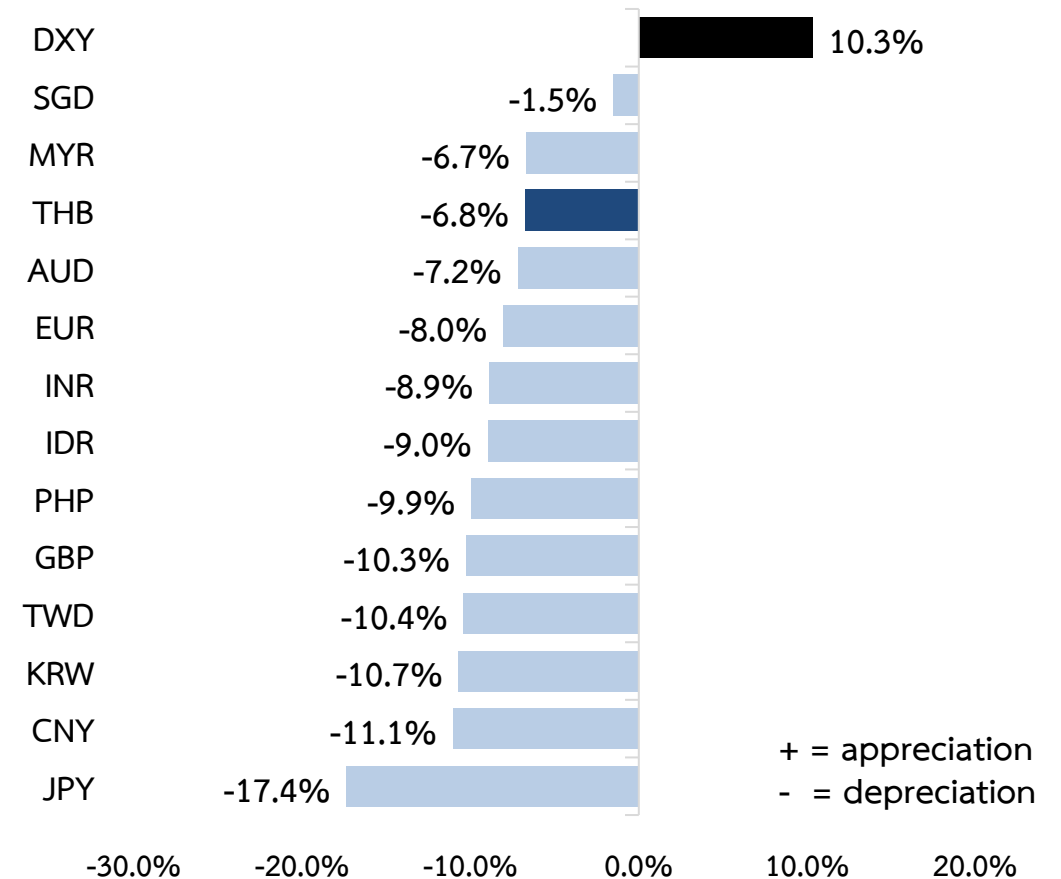
Sources: Asia Pacific Consensus Economics, Ministry of Commerce

Global financial tightening has limited impact on Thai financial conditions

USDTHB NEER and DXY



YTD movements



Sources: Refinitiv, Bloomberg, calculations by BOT (data as of 25 Nov 2022)

Sources: Refinitiv (data as of 25 Nov 2022)

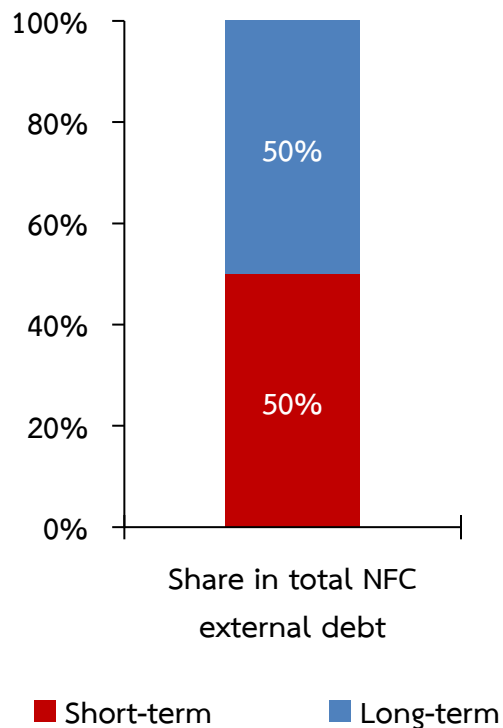
Global financial tightening has limited impact on Thai financial conditions

Foreign currency denominated debt of NFCs^{1/} accounts for 20% of GDP, half of which is short-term

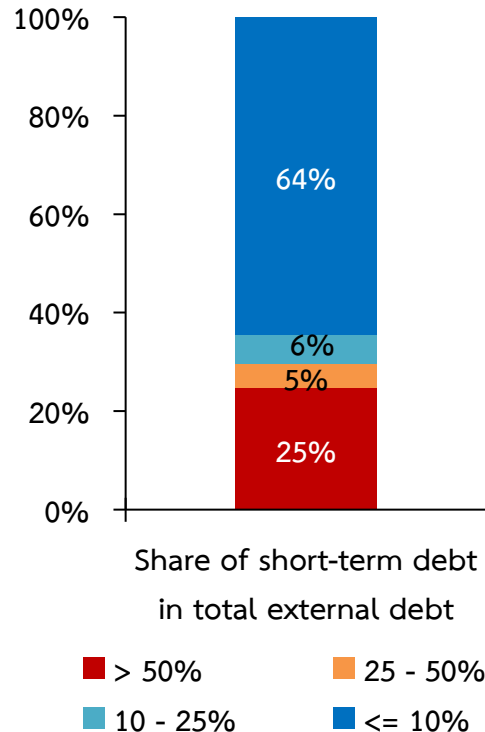
Only 25% of firms with external debt have high share of short-term debt

Most firms manage FX risk

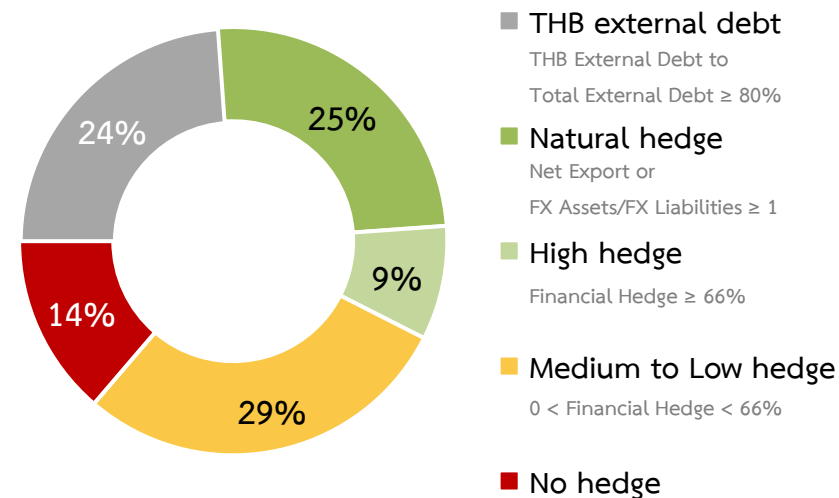
NFC external debt by maturity



Firms with external debt by share of short-term debt in total external debt



Share of NFC external debt by FX hedging ratio



Notes: 1/ NFC: non-financial corporate 2/ Share is computed as weighted-average outstanding external debt of 700 firms
Source: Bank of Thailand (as of Q2/2022)

Monetary policy normalization is consistent with the growth and inflation outlook.
Sustainable solutions for household debt should be pressed ahead.

2022

2023



Economic Take-off

- ✓ **Growth** continues to recover and is more broad-based
- ✓ **Inflation** has peaked and will gradually fall as assessed
- ✓ **Financial stability** remains sound as overall employment and income improve

Fiscal and financial measures such as FIDF fee reduction and LTV regulation relaxation

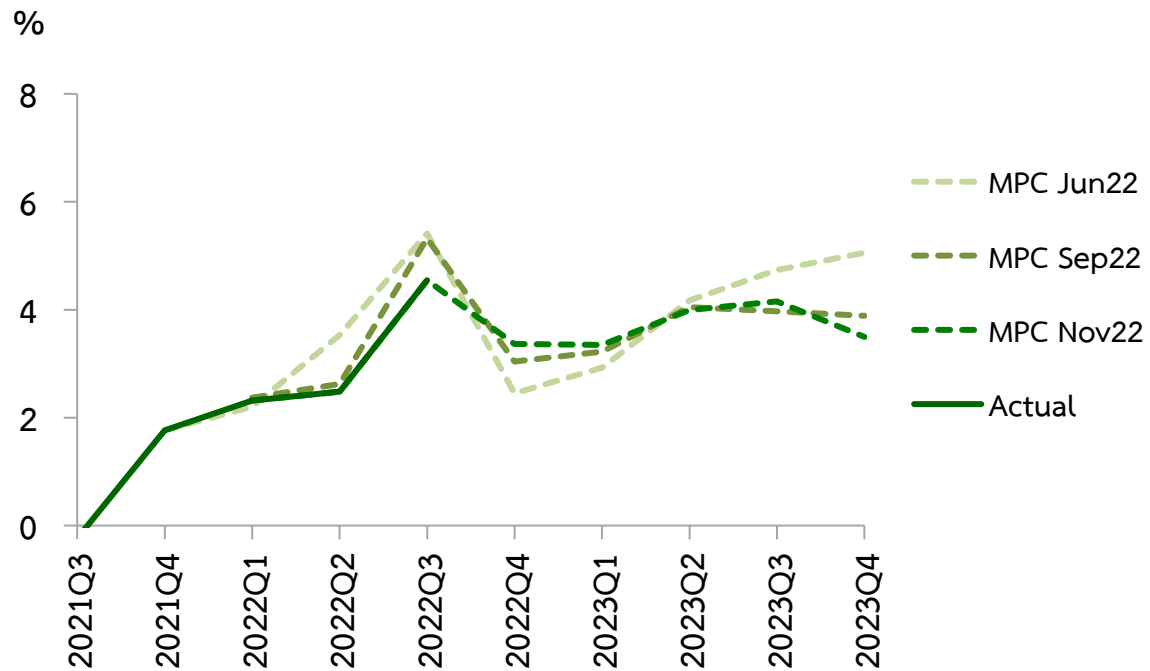
BOT's liquidity measures such as soft loans and rehabilitation loan

Solutions for household debt to support vulnerable groups affected by COVID-19 and provide sustainable debt solutions

Monetary policy normalization to ensure stable economic growth in the long run

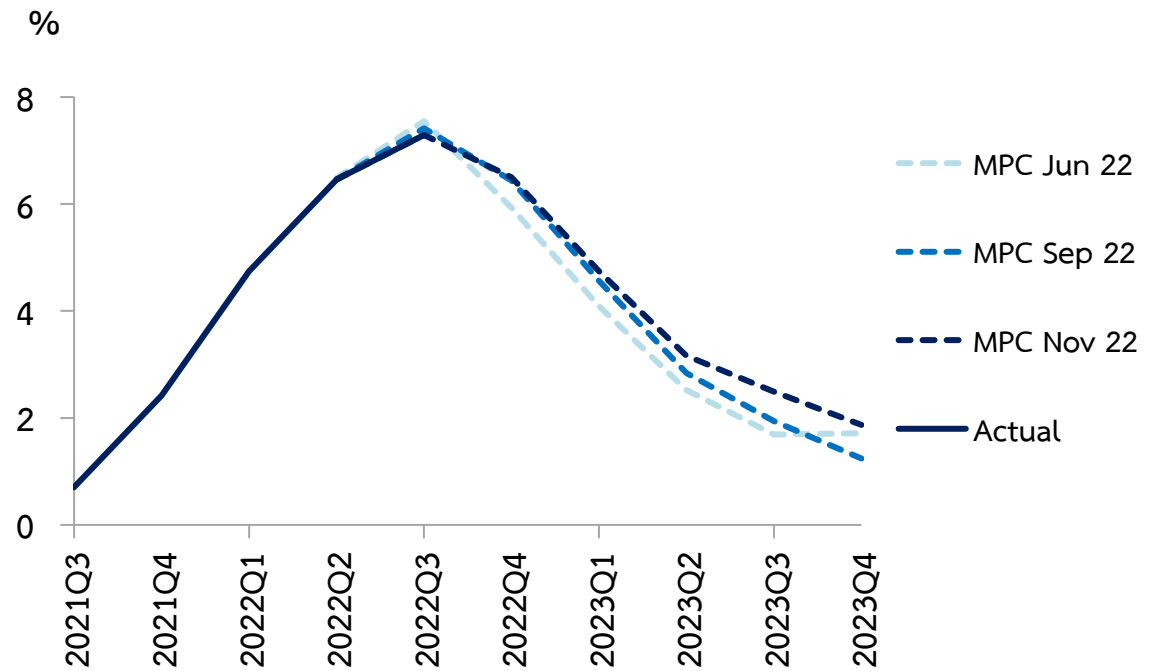
The overall growth and inflation outlook is consistent with the previous assessment

Real GDP



Source: BOT

Headline inflation



Source: BOT

Key risks to growth and inflation outlook

1. Highly uncertain global economic outlook which could affect the momentum of Thailand's economic growth
 - Growth in advanced economies could be lower than expected
 - Uncertainties surrounding the Chinese economy
2. Potential increase in cost pass-through as well as domestic energy prices which remain uncertain

A gradual policy normalization remains an appropriate course for monetary policy given the growth and inflation outlook.

The Committee voted unanimously to raise the policy rate by 0.25 percentage point from 1.00 to 1.25 percent at this meeting.

Given the heightened uncertainties surrounding the global economy, the Committee is ready to adjust the size and timing of policy normalization should the growth and inflation outlook shift from the current assessment.

Macroeconomic projection as of Nov 2022

Annual percentage change	2021*	2022	2023	2024
GDP growth	1.5	3.2 (3.3)	3.7 (3.8)	3.9
Domestic demand	1.6	4.1 (3.4)	2.4 (2.5)	3.2
Private consumption	0.3	6.1 (5.6)	3.4 (3.3)	3.2
Private investment	3.3	5.1 (3.3)	3.4 (3.9)	4.0
Government consumption	3.2	-0.2 (-2.2)	-1.4 (-1.1)	0.8
Public investment	3.8	-1.5 (1.7)	1.8 (2.3)	7.0
Exports of goods and services	10.4	9.0 (9.1)	7.0 (6.5)	6.6
Imports of goods and services	17.9	7.1 (6.6)	3.0 (3.1)	4.7
Current account (billion, U.S. dollars)	-10.3	-16.5 (-14.4)	3.8 (3.8)	12.2
Value of merchandise exports (%YoY)	18.8	7.4 (8.2)	1.0 (1.1)	2.6
Value of merchandise imports (%YoY)	23.4	18.1 (16.8)	0.4 (1.8)	3.3
Number of foreign tourists (million persons)	0.4	10.5 (9.5)	22.0 (21.0)	31.5
Dubai crude oil price (U.S. dollar per barrel)	69.4	98.0 (102.0)	95.0 (100.0)	90.0
Headline inflation	1.2	6.3 (6.3)	3.0 (2.6)	2.1
Core inflation	0.2	2.6 (2.6)	2.5 (2.4)	2.0

Notes: * Outturn

() Previous projection in Monetary Policy Report Sep 2022