



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

Press Conference  
Monetary Policy Committee's Decision 4/2024  
21 August 2024  
Piti Disyatat  
Assistant Governor, Monetary Policy Group



The Committee voted 6 to 1 to maintain the policy rate at 2.50 percent.

One MPC member voted to cut the policy rate by 0.25 percentage point

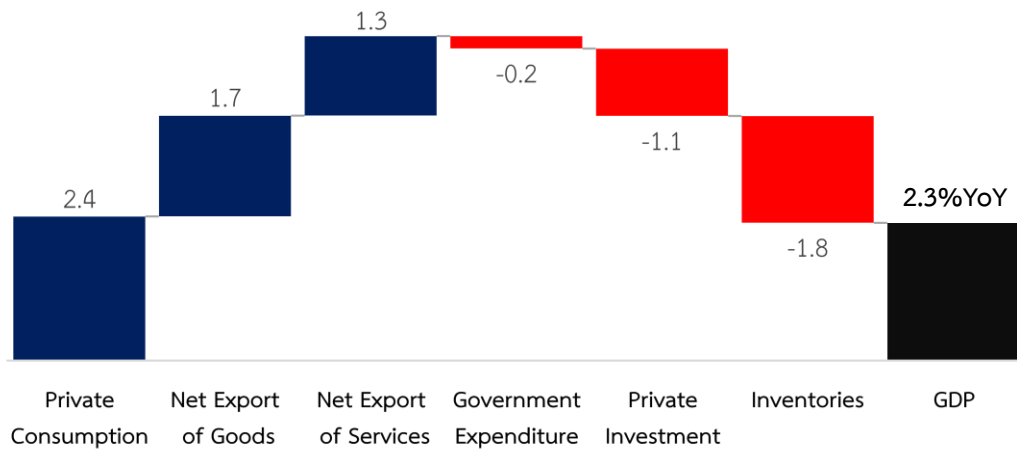
- The Thai economy is expected to grow as anticipated, driven by tourism and domestic demand, despite an expected slowdown in private consumption after a period of strong growth. Meanwhile, merchandise exports are gradually recovering. Going forward, it is crucial to monitor downside risks from private investment and consumption.
- Headline inflation is anticipated to gradually return to the target range by the end of 2024 and is expected to remain low partly due to structural factors
- Financial conditions for SMEs and vulnerable households have tightened somewhat. Credit quality has worsened, partly due to deterioration in debt serviceability of SMEs and vulnerable households as a result of slow income recovery
- The policy rate remains consistent with economic growth and inflation outlooks, while fostering macro-financial stability in the longer term. The impacts of deterioration in credit quality on borrowing costs and overall credit growth, which could affect economic activities, need to be closely monitored

The Committee will closely monitor macroeconomic and financial developments, as well as the interlinkages between them, and will take into account growth and inflation outlooks in deliberating monetary policy going forward

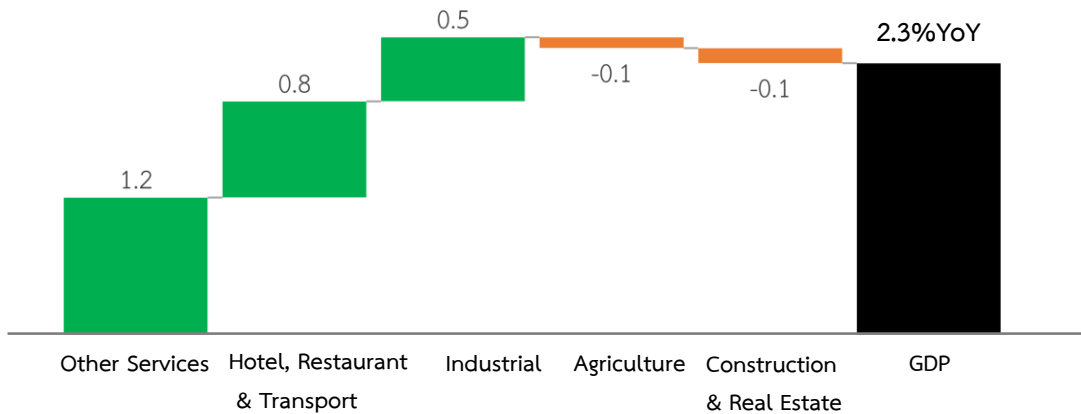


The Thai economy in Q2 2024 has grown as anticipated

Sources of GDP growth in Q2 (demand side)

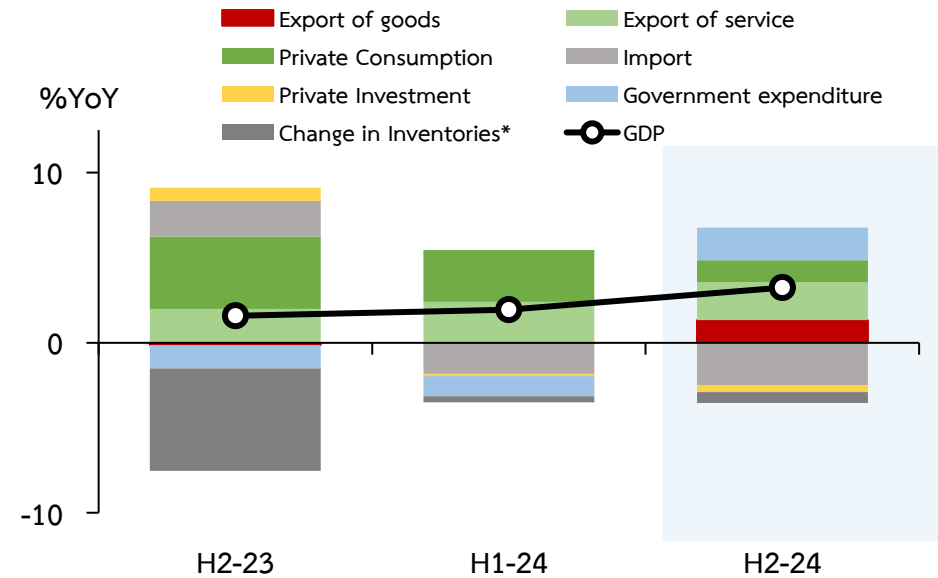


Sources of GDP growth in Q2 (supply side)



Growth drivers will be more balanced

Contribution to GDP growth



GDP growth	Avg. 2010-2019	2023H2	2024H1	2024H2**
%QoQsa	0.8	-0.1	1.2	0.7

Note: \* including statistical discrepancy or CVM additive error

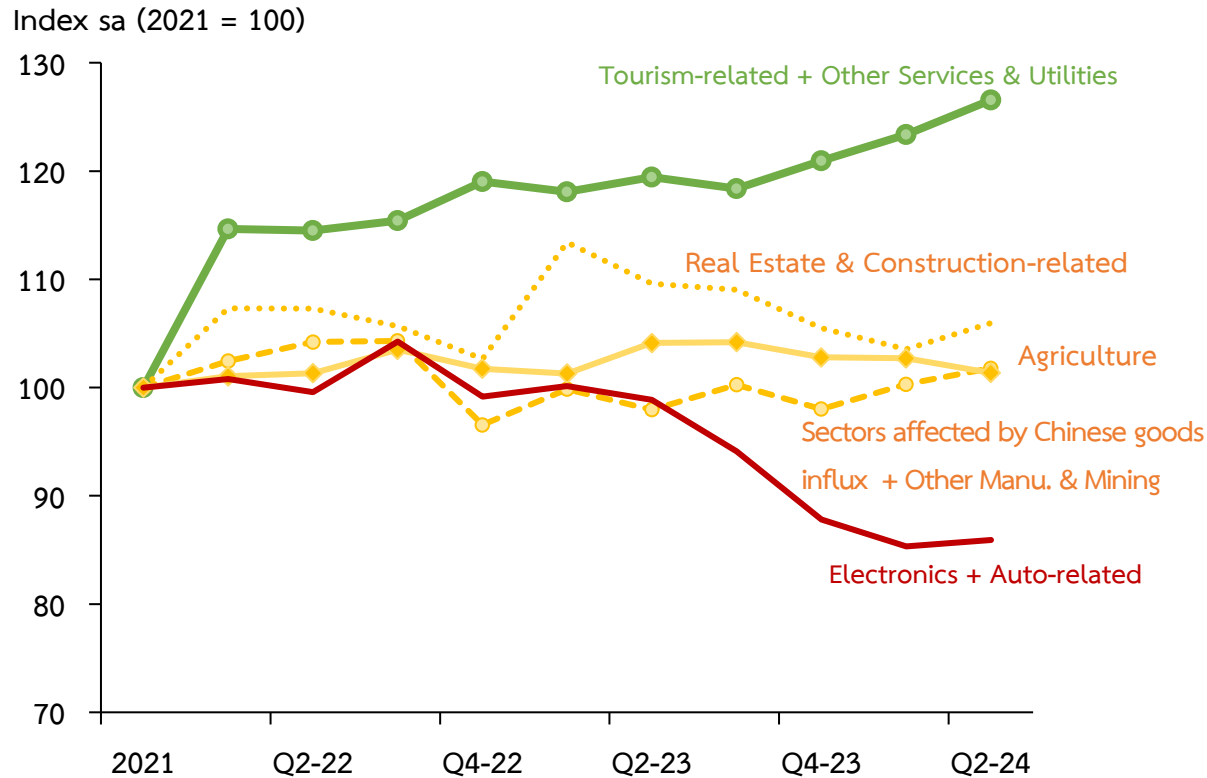
\*\* calculated using GDP forecast published in MPR2/67

Sources: NESDC, BOT Calculations



# Overall economy is expanding but there are variations across sectors

## Economic activities



**Note:** Tourism-related and Other Services & Utilities are proxied by average sales per firm, where sales are estimated using VAT data (excluding beverage production, government service and legal lottery)

Real Estate & Construction-related is proxied by average per firm in construction, where sales are estimated using VAT data

Agriculture is proxied by agricultural production index

Sectors affected by Chinese goods influx / Electronics / Auto-related / Other Manufacturing & Mining are proxied by

Manufacturing Production Index (MPI)

Sources: OEI, OAE and The Revenue Department, BOT calculation

## Business sector groups

## Recovery

### Solid recovery:

60% of GDP  
44% of labor force  
64% of companies

Tourism and services sectors e.g. trade

- Continues to expand overall
- Within-sector variations e.g. tourism-related firms in less-visited cities and smaller firms have received limited benefits from recovery

### Moderate recovery:

34% of GDP  
51% of labor force  
30% of companies

• Real estate and construction sectors were affected by delayed government disbursement. Construction and mortgage loan growth slowed due to worsened credit quality

- Agricultural sector – El niño exerted downward pressures on output, but weather conditions should improve going forward
- Sectors affected by Chinese goods influx - Goods ranging from electronic appliances, textiles, and furnishings pressured by Chinese competition. Growth remains subdued going forward

### Slow recovery:

6% of GDP  
5% of labor force  
6% of companies

• Automotive-related industry – Whole supply chain facing structural and cyclical pressures, both in the past and going forward

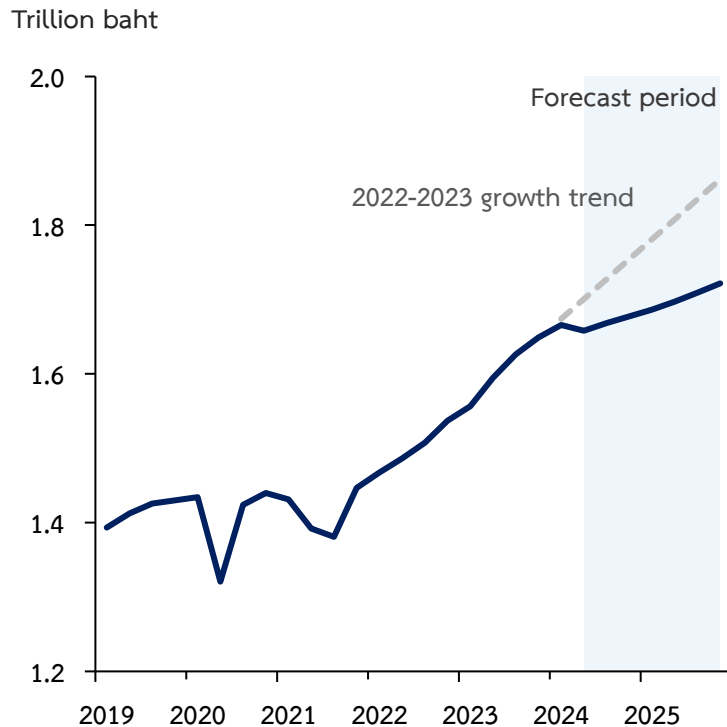
- Integrated circuits received limited benefits from the upswing in electronic cycle and will face pressures from global slowdown
- Hard disk drives are being replaced by solid state drives



# Cyclical drag shows signs of dissipation in some sectors that previously experienced slow recovery

Private consumption continues to expand but with slower momentum

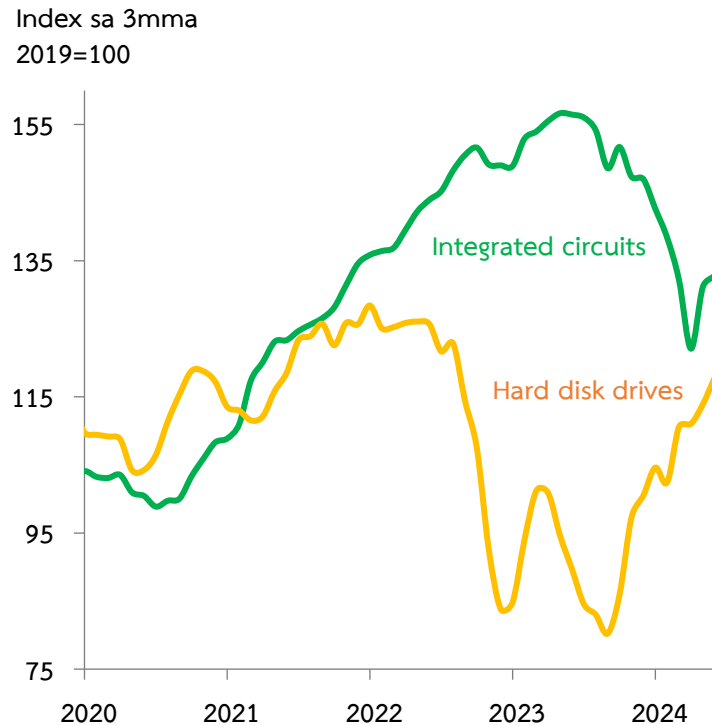
Private Consumption Expenditure



Sources: NESDC, BOT calculations

Electronics exports seeing signs of bottoming out

Raw material import value for major exporters

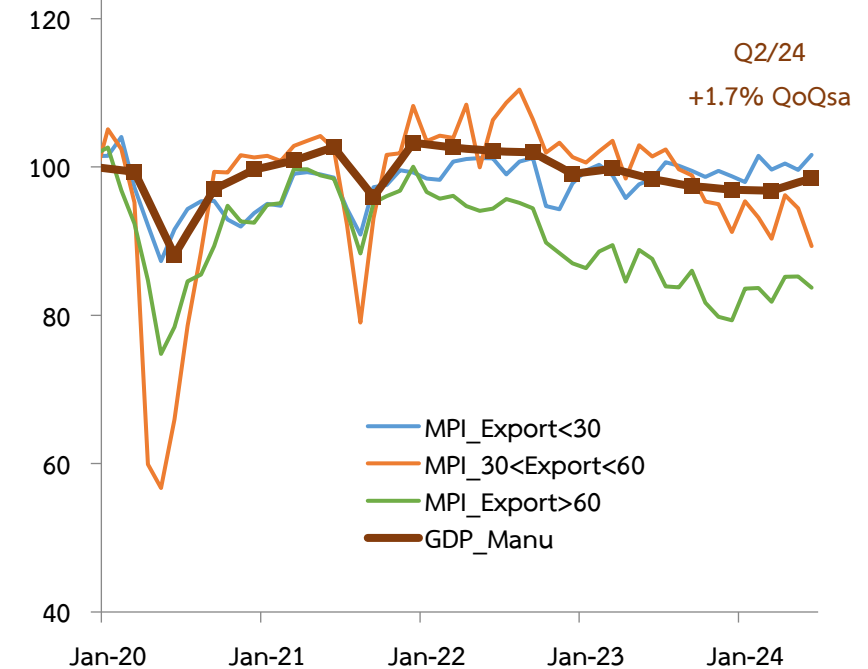


Note: Import value for major exporters (top quintile) for imported goods

Sources: Thai Customs, OEI and NESDC, BOT calculations

Manufacturing sector starting to stabilize except for automotive sector

Index, sa  
Q4 2019 = 100



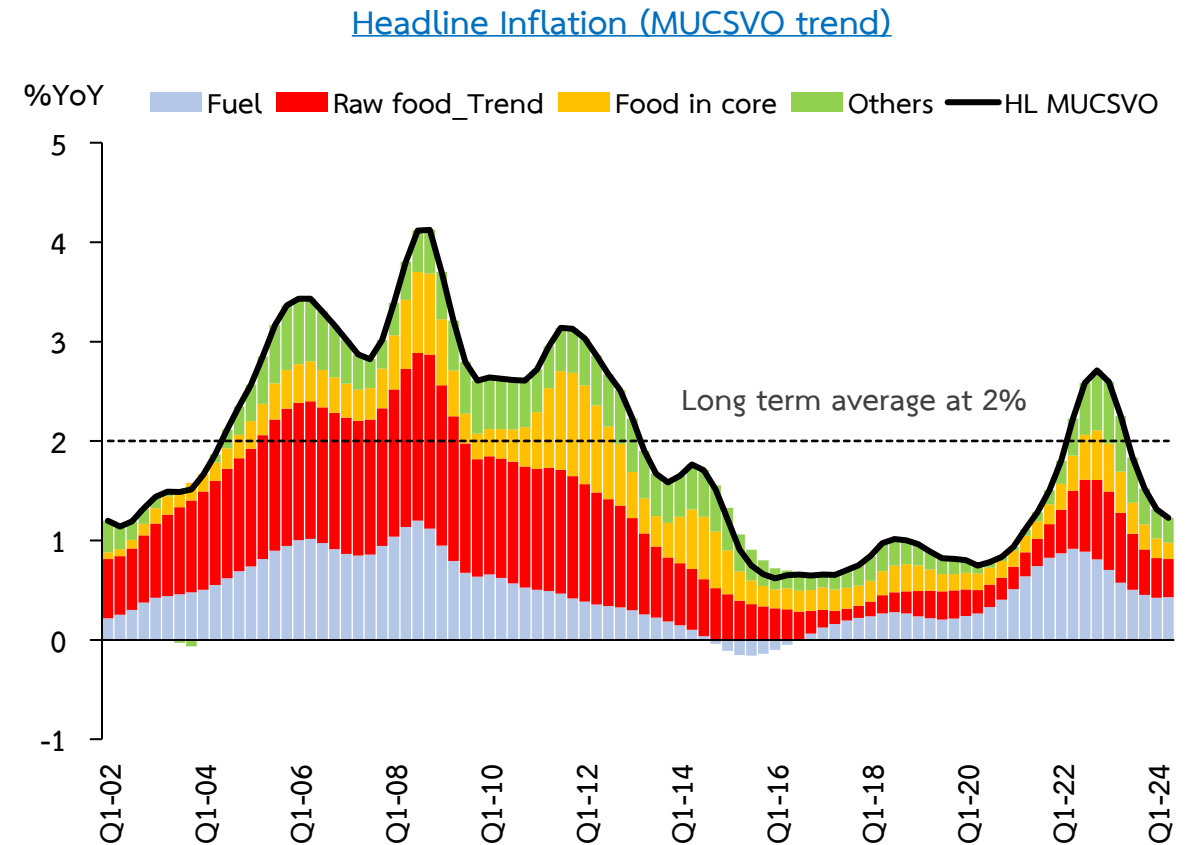
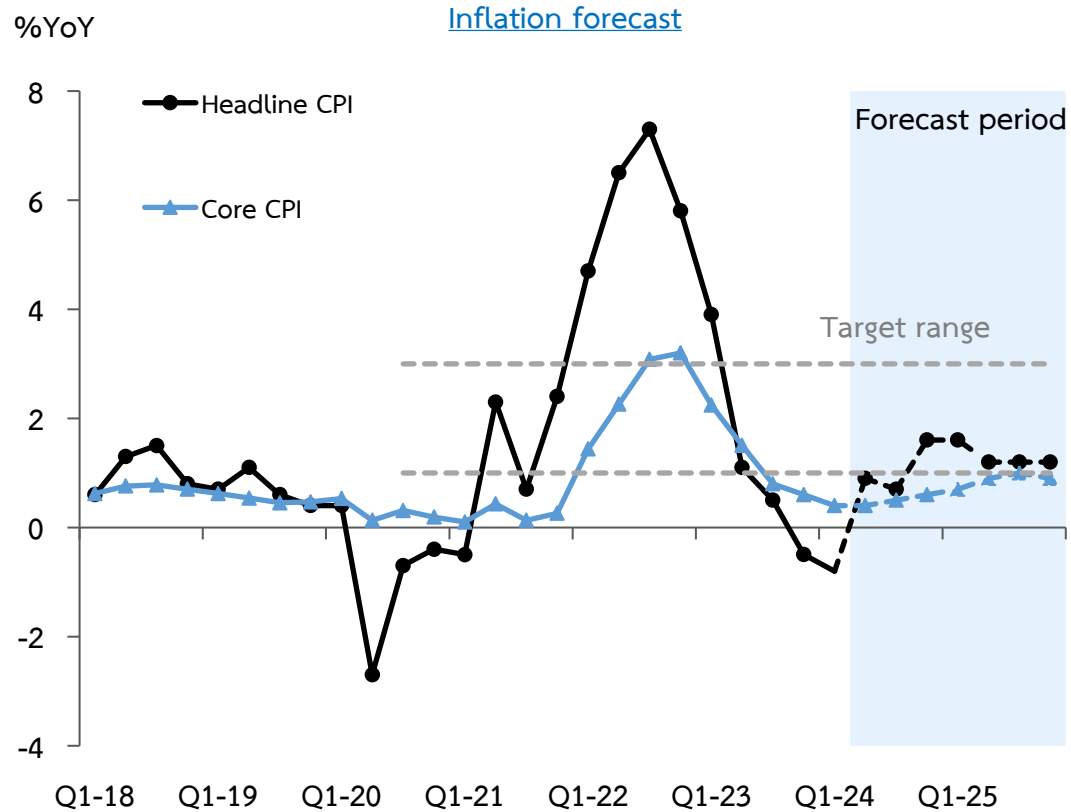
Note: Most automotive parts manufacturers have export shares between 30%-and 60%



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

Headline inflation is lower than anticipated ...

... partly due to a decline in trend growth of raw food prices



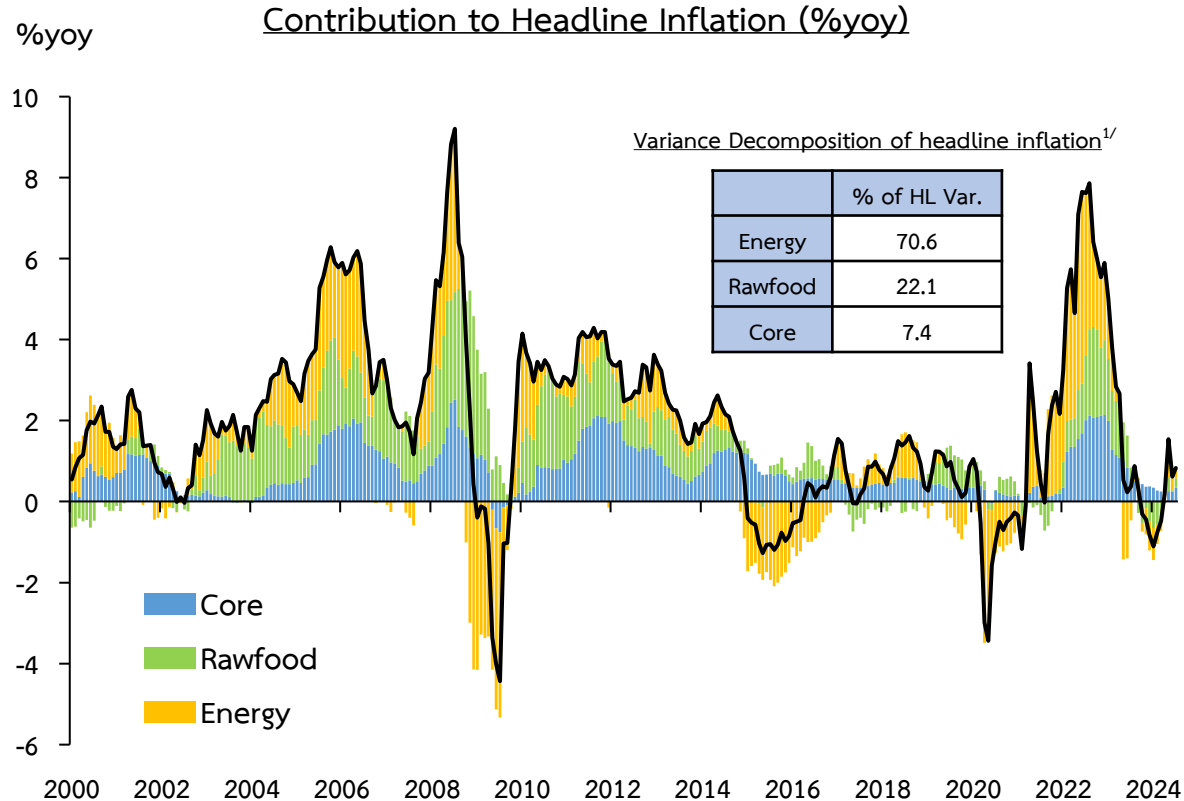
Source: Ministry of Commerce, BOT calculations

Note : MUCSVO trend is calculated based on Stock and Watson (2016)

Source: Ministry of Commerce, BOT calculations



Inflation variations are mainly driven by energy and raw food

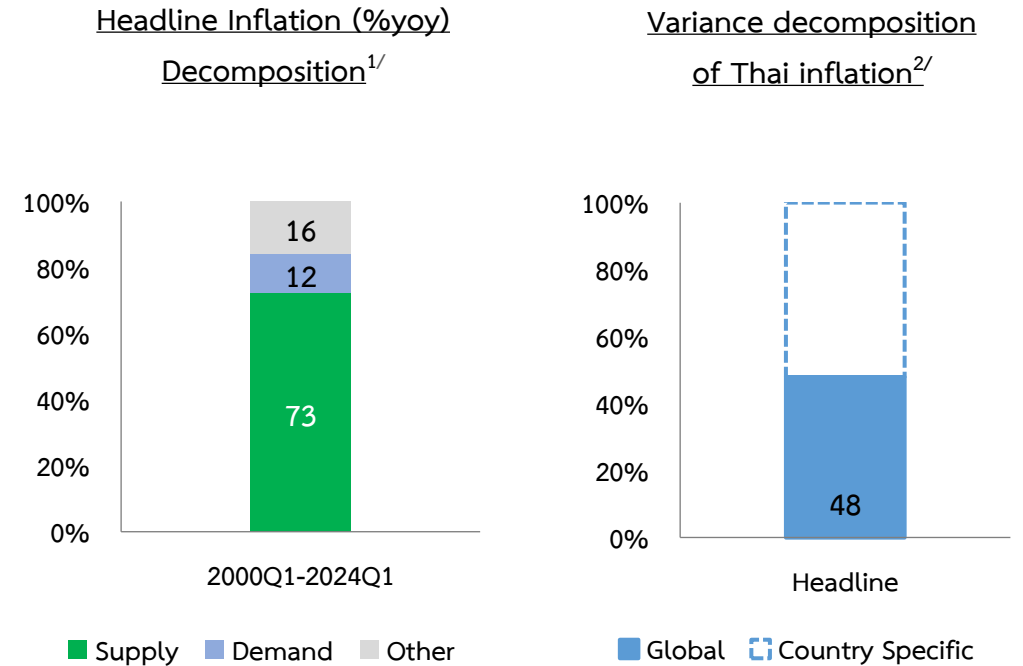


**Note:** <sup>1/</sup> Variance decomposition is calculated from quarterly data between 2000-2023

**Source:** Ministry of Commerce, BOT calculations

## Headline inflation is primarily driven by supply-related and external factors

Thai inflation is largely driven by supply-related and external factors



**Note:** <sup>1/</sup> Integrated Policy Macroeconomic Model (IPMM)

<sup>2/</sup> Principal Component Analysis. Using data of headline and sectoral components of global inflation

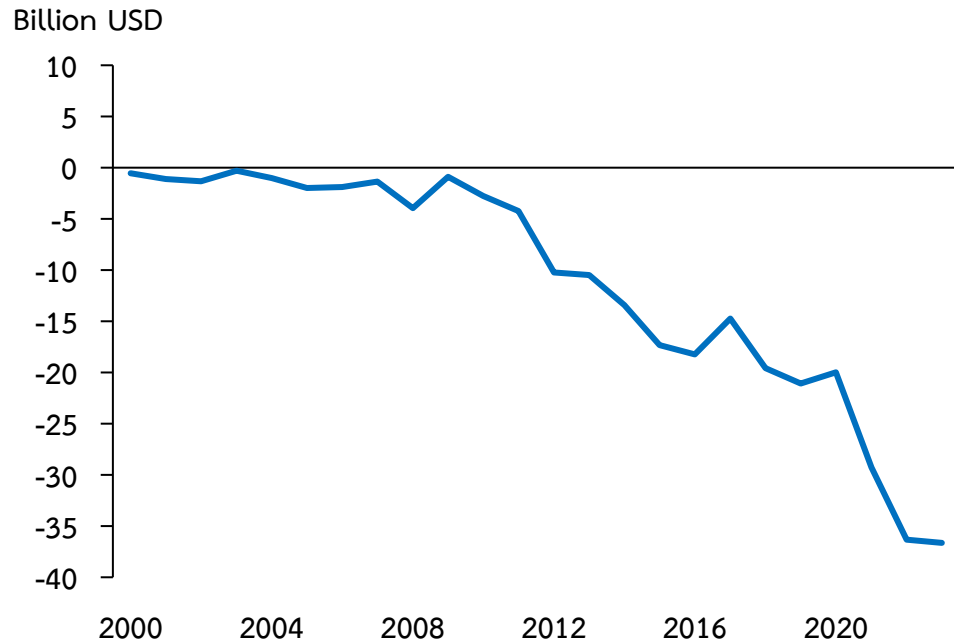
**Source:** Ministry of Commerce, BOT calculations



## Increased competition from imported goods exerts downward pressure on Thai inflation

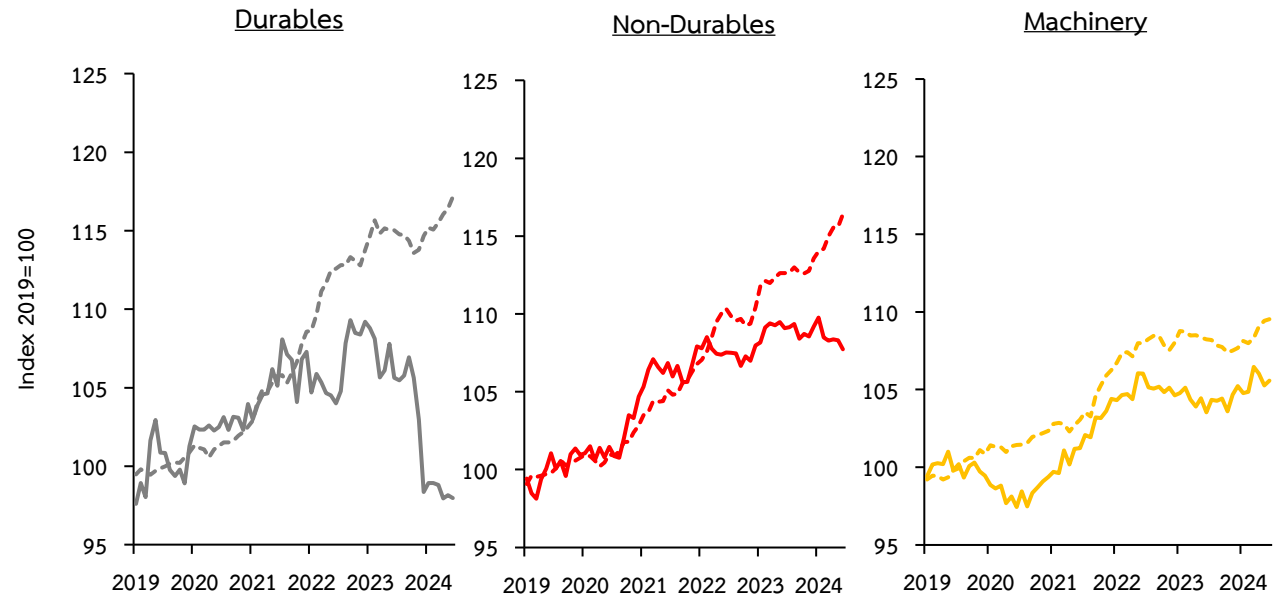
Thailand has increasingly imported low-price products from China

Trade deficit with China has grown since 2000



Price index of imported goods from China is lower than overall import price index

Price index of imported goods from China (solid line)  
vs overall import price index (dashed line)



Sources: Thai Customs, Ministry of Commerce, BOT calculations

Sources: Thai Customs, Ministry of Commerce, BOT calculations



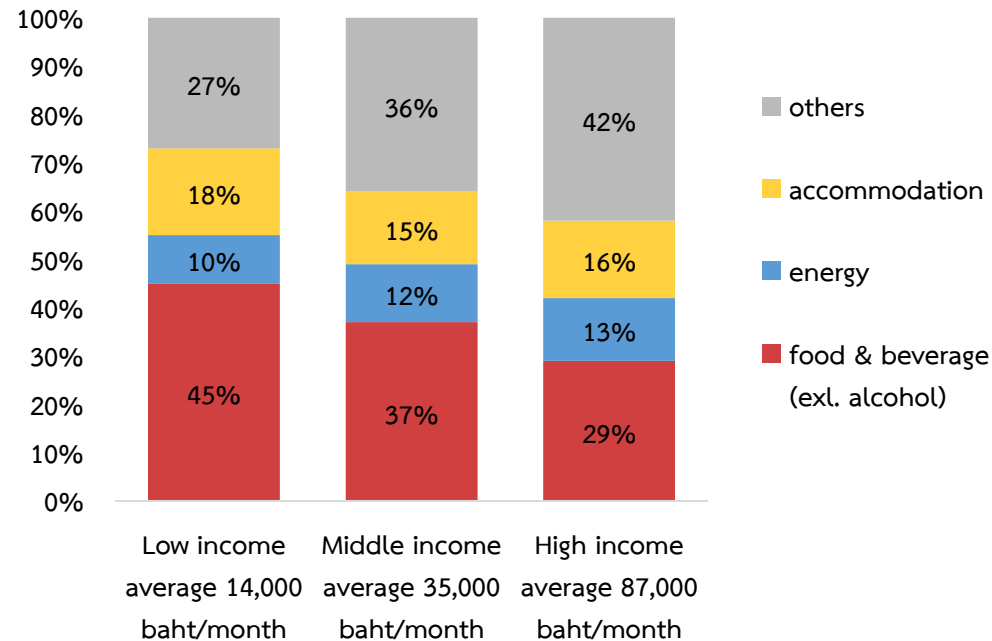


## Low inflation helps limit rising costs of living

Low-income groups bear higher costs of living than middle-to-high income groups due to higher proportion of food consumption and accelerating raw food prices during high inflation episodes

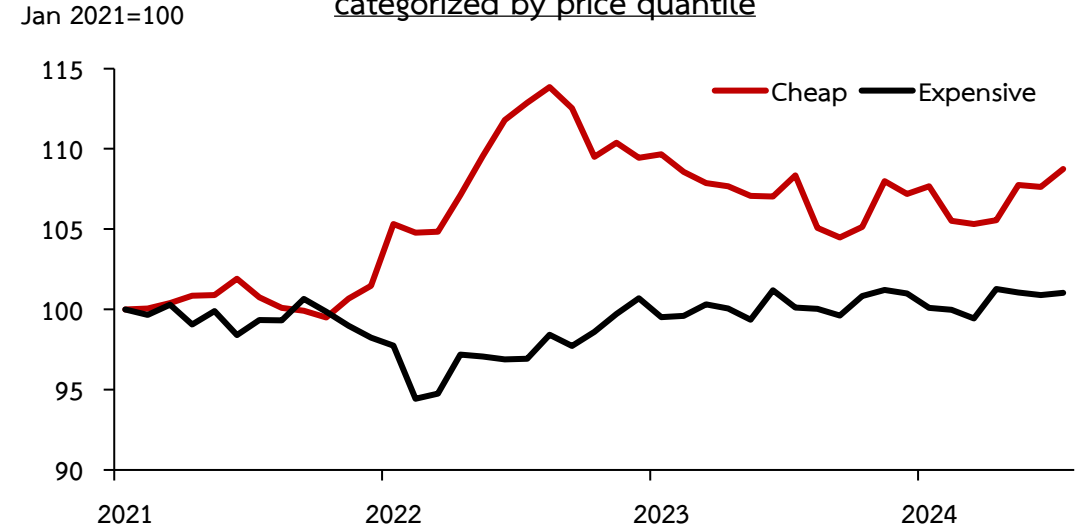
Low-income groups could experience higher inflation as prices of cheaper goods tend to rise more than those of expensive ones (cheapflation)

Expenditure share categorized by income group  
(data as of 2021)



Sources: Household Socio-Economic Survey, National Statistical Office, BOT calculations

Price index of selected online products  
categorized by price quantile



Note: indices are calculated by averaging price per unit of goods in the first quartile (cheap goods) and that of the fourth quartile (expensive goods) covering 13 items, which composed of 80% food and beverage and 20% utilities. Based on Cavallo and Kryvtsov, 2024

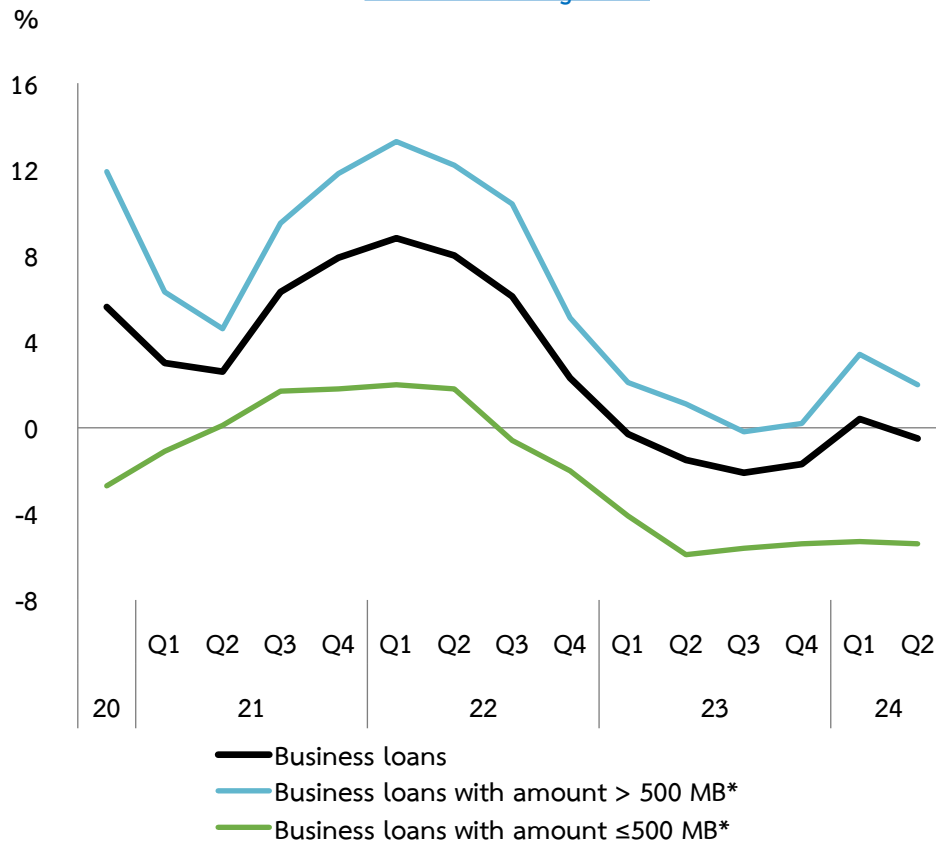
Sources: BigC, Tesco and Tops online, BOT calculations



# Business loans roughly unchanged; financial conditions of SMEs to be closely monitored

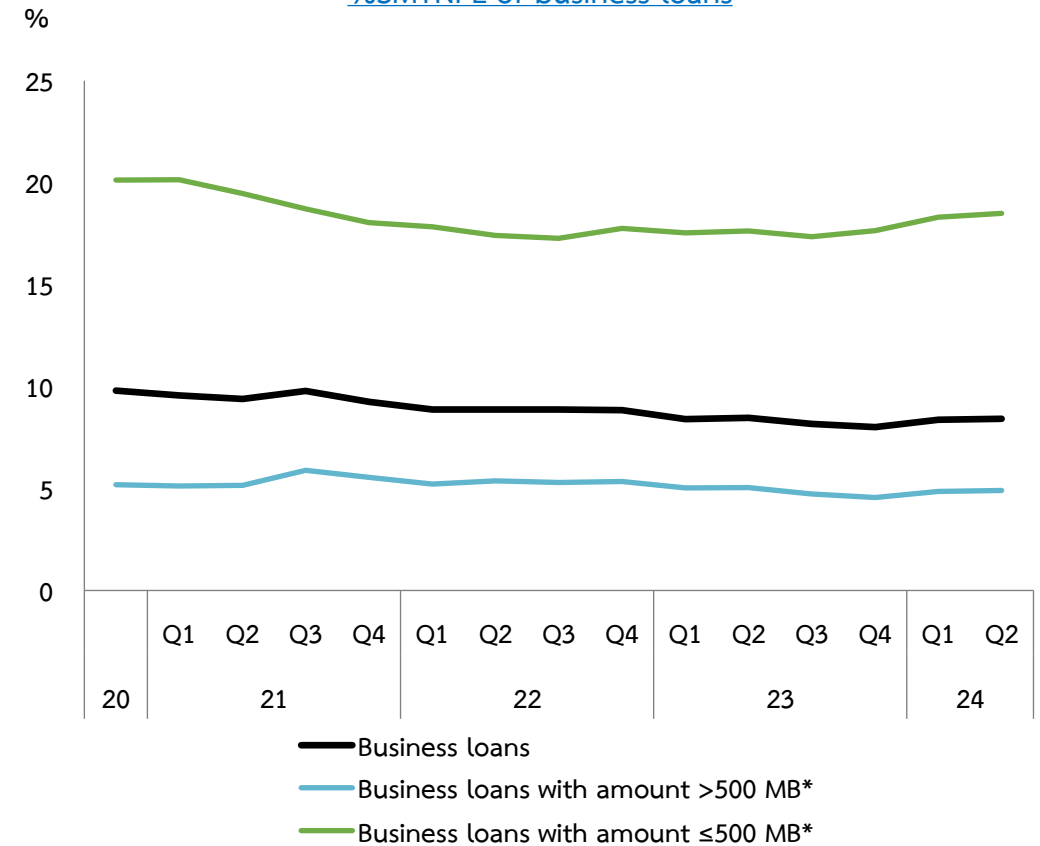
## Business loans roughly unchanged

Business loan growth



## Credit quality deteriorated somewhat especially for SMEs

%SM+NPL of business loans

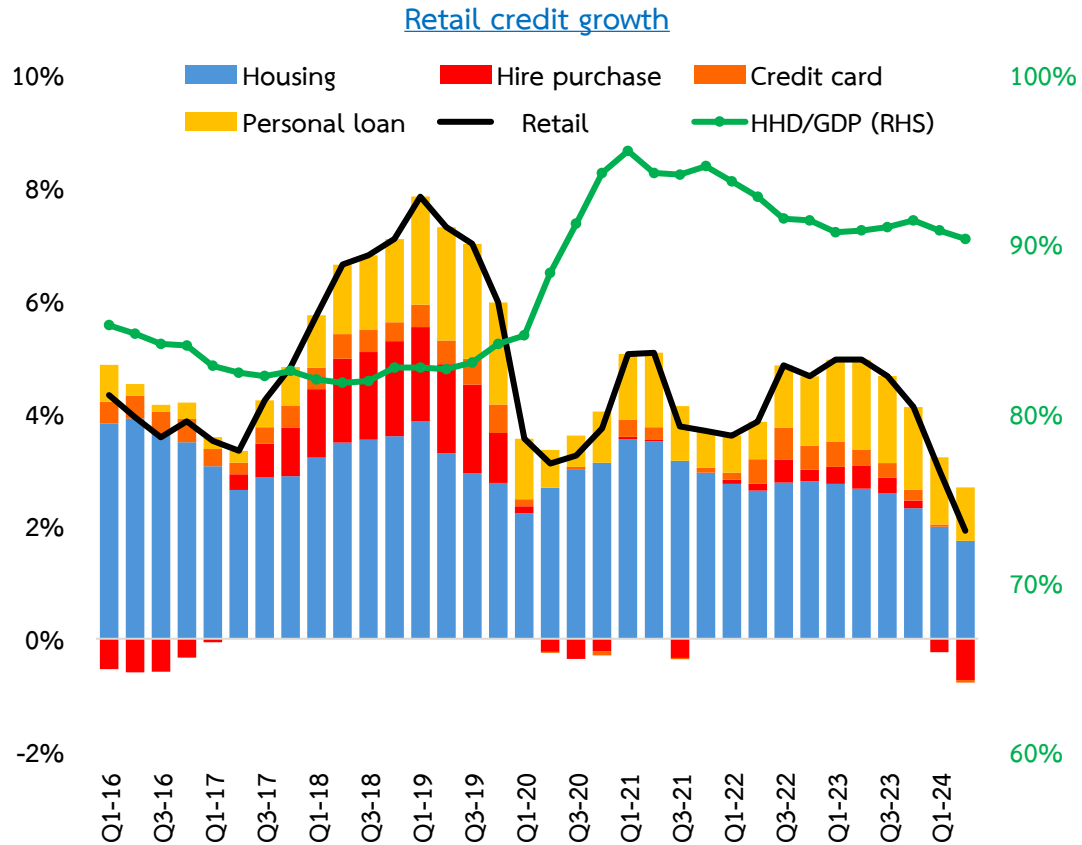


Note: (1) \* Businesses with credit line at each commercial banks as of Jun 2024  
(2) Dataset covers all commercial banks' private credit

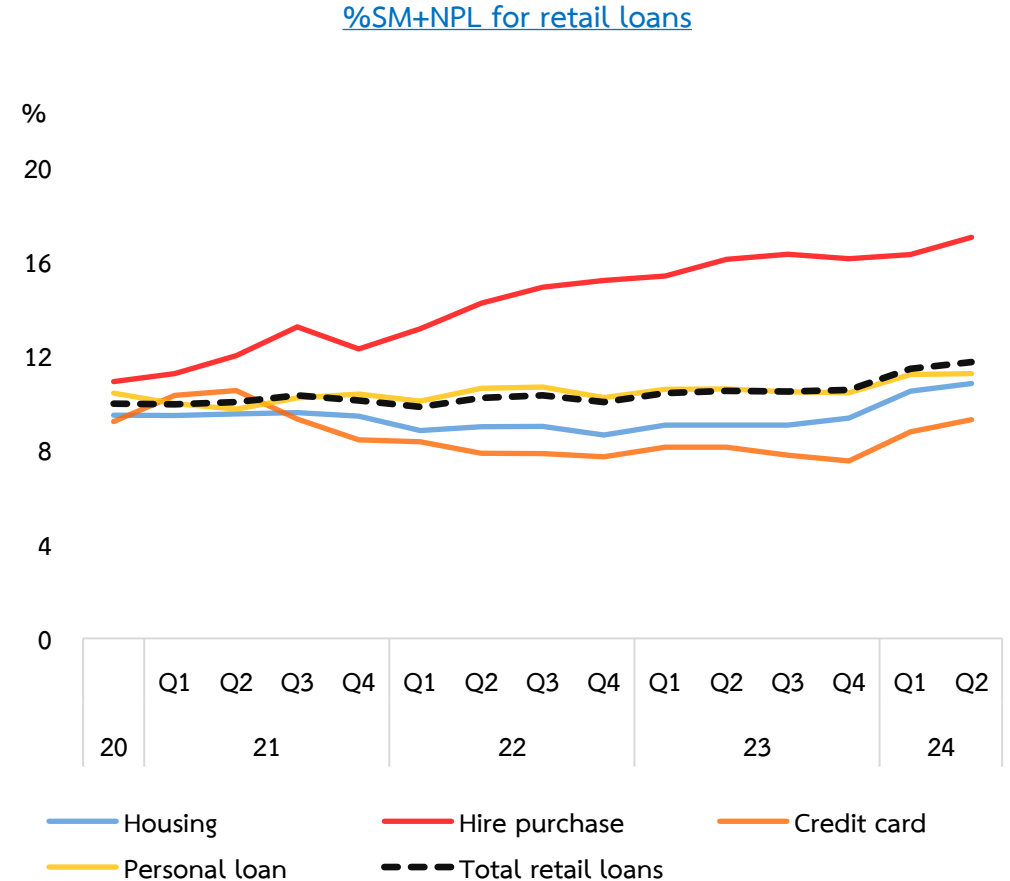


## Household credit slowed, with deteriorated quality

Growth of hire purchase and credit card loans declined relatively more than other loan types



Credit quality deteriorated but in line with expectations



Note: Dataset covers retail loans from commercial banks and subsidiaries, SFIs and non-banks under the supervision of the BOT, which accounts for 60% of total household debt (different dataset from the Banking Sector Report which denotes retail loans from commercial banks as 33.5% of household debt)

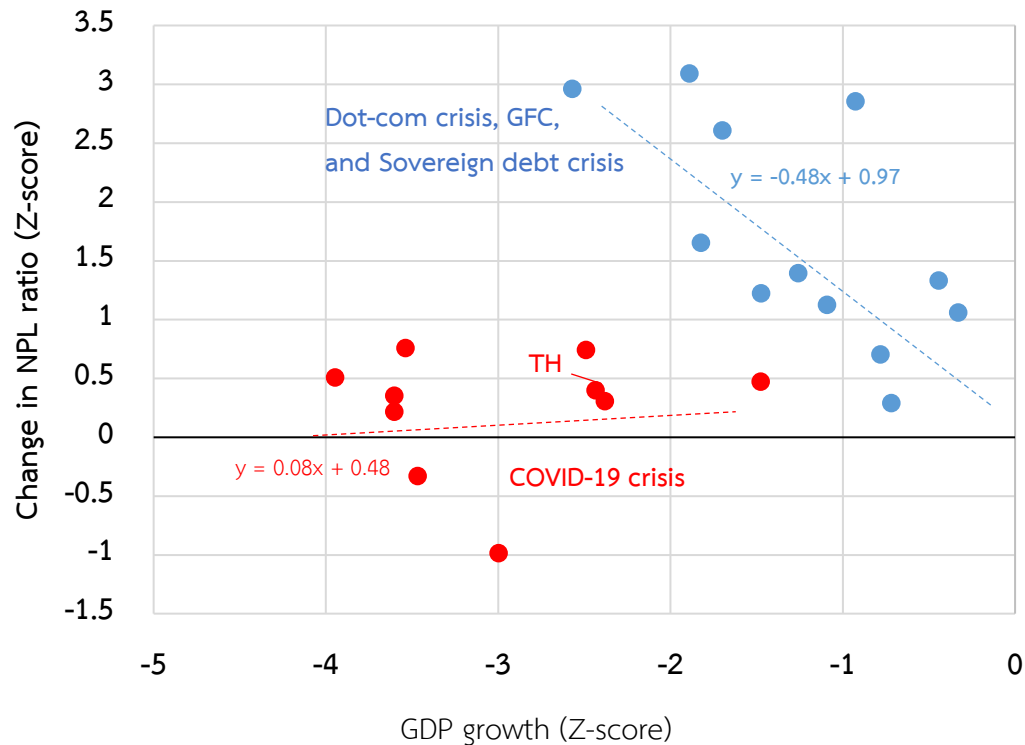
Sources: BOT and NESDC



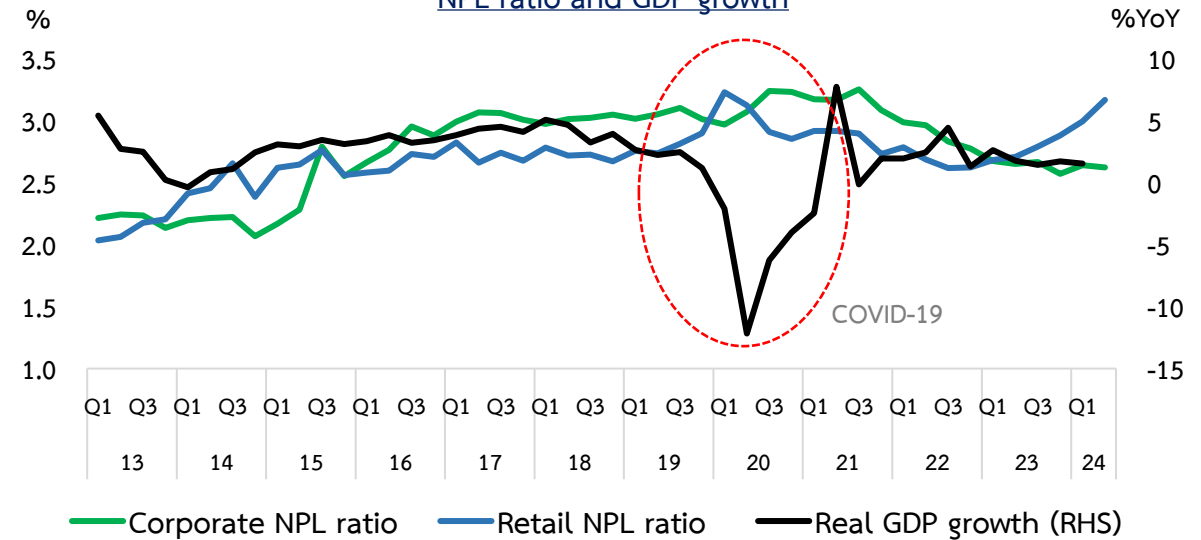
COVID-19 relief measures limit increase in NPL  
compared to past crises

Credit quality needs to be closely monitored, especially in  
vulnerable groups

Change in NPL ratio & GDP growth



NPL ratio and GDP growth



The Committee deems it is crucial to closely monitor the impacts  
of deterioration in credit quality on borrowing costs and overall  
credit growth, which could affect economic activities

Note: Data between 1999-2020 including US UK JP IT FR ES MY ID PH and TH  
Sources: World Bank, IMF, Calculated by BOT