



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 6/2024

18 December 2024

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Assistant Governor, Monetary Policy Group



The Committee voted unanimously to hold the policy rate at 2.25 percent.

- The Thai economy faces challenges from increased competition from external factors and heightened uncertainties especially from major economies' policy going forward. However, overall economic projections remain close to the previous assessment.
- Headline inflation is expected to remain low, while medium-term inflation expectations remain consistent with the target.
- The recent slowdown in credit is due to the decrease in investment demand for some business sectors, debt repayments for loans borrowed during COVID-19, and credit risks that remains heightened. The Committee deems it necessary to monitor credit growth developments and the implications for economic activities, together with the impact of the government's measures aimed at alleviating debt burden for fragile groups.

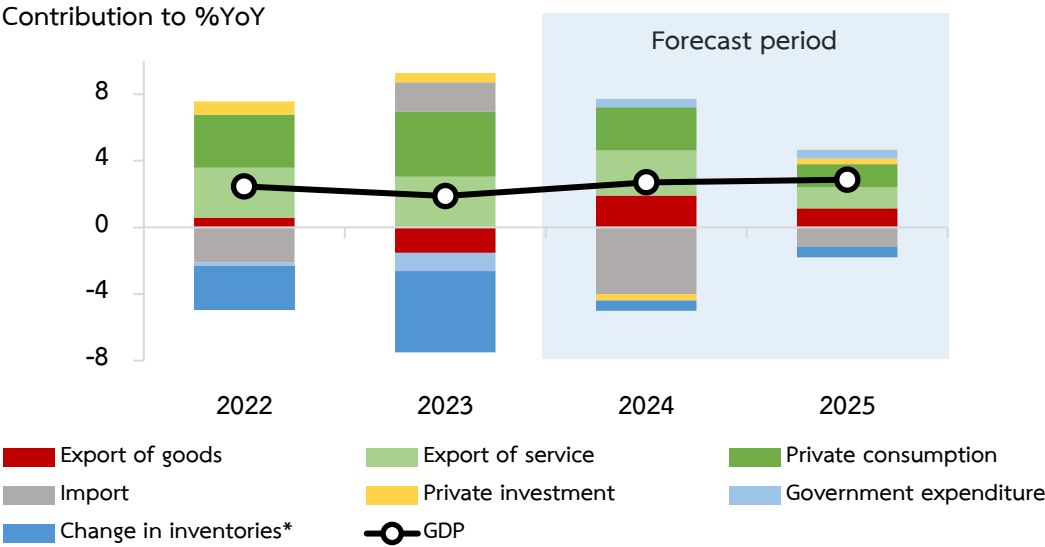
The Committee deems the current rate is consistent with the economic and inflation outlook, and safeguarding long-term macro-financial stability, together with preserving policy space amid increasing uncertainties going forward.



Overall economy is expected to expand consistent with previous projection

Growth drivers have changed

Contribution to GDP growth

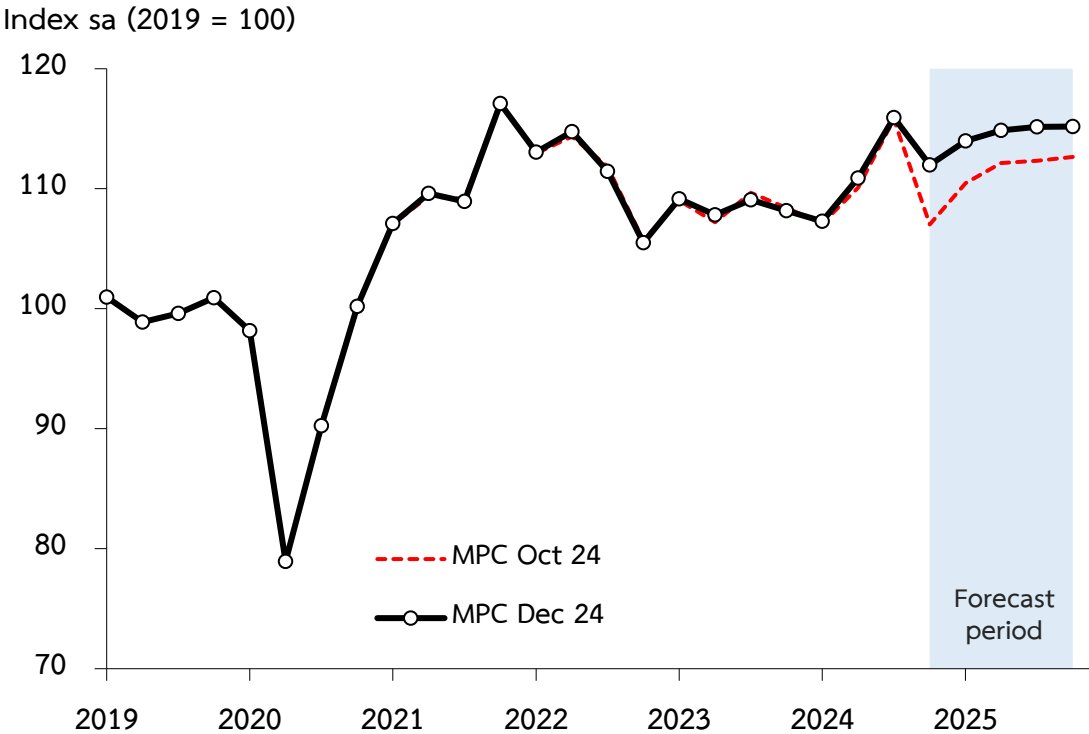


GDP growth	Avg. 15-19	2023	2024F		2025F	
			H1	H2	H1	H2
%YoY	3.4	1.9	1.9	3.5	2.9	2.8
%QoQ sa*	0.8	0.4	1.3	0.7	0.7	0.6

Note: * including statistical discrepancy or CVM additive error
Source: NESDC, BOT calculations

Exports growth improves with upside from technology merchandize

Merchandise exports (excluding gold) forecast

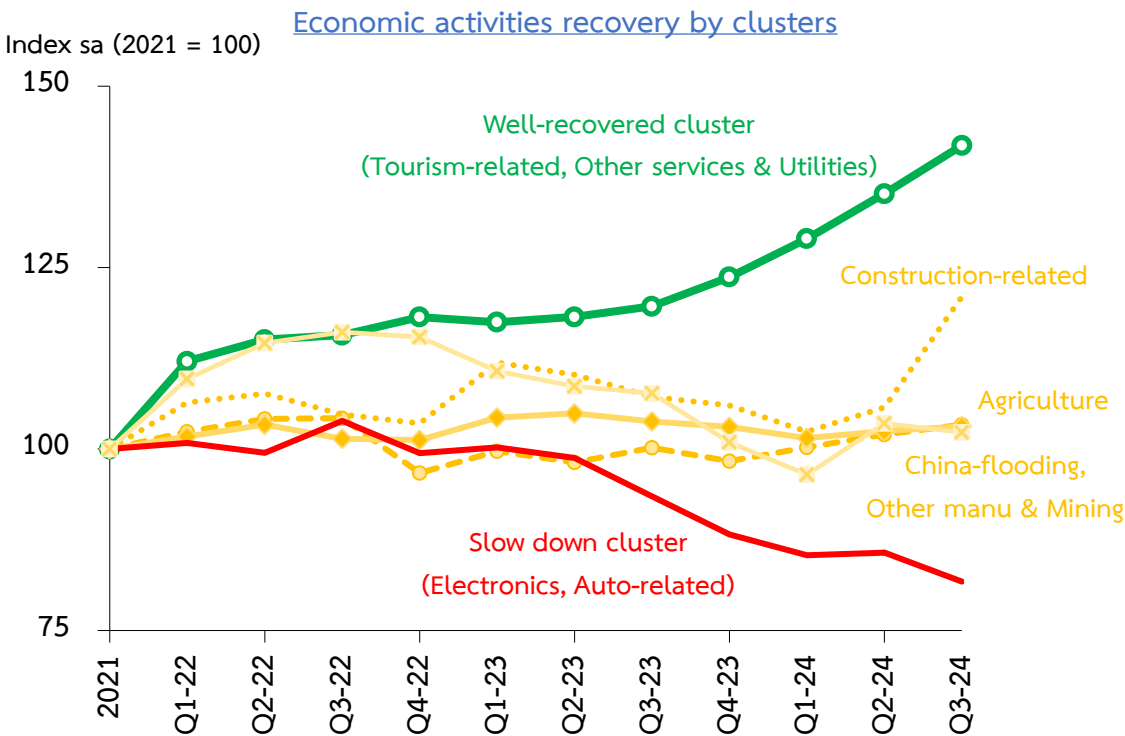


Note: For 2023, the value of merchandise exports in 2023 is revised from -1.7%YoY to -1.5%YoY and the quantity of merchandise exports is revised from -2.6%YoY to -2.4%YoY
Source: Customs department and Ministry of Commerce, calculated and forecasted by BOT



However, the economic recovery is uneven across sectors

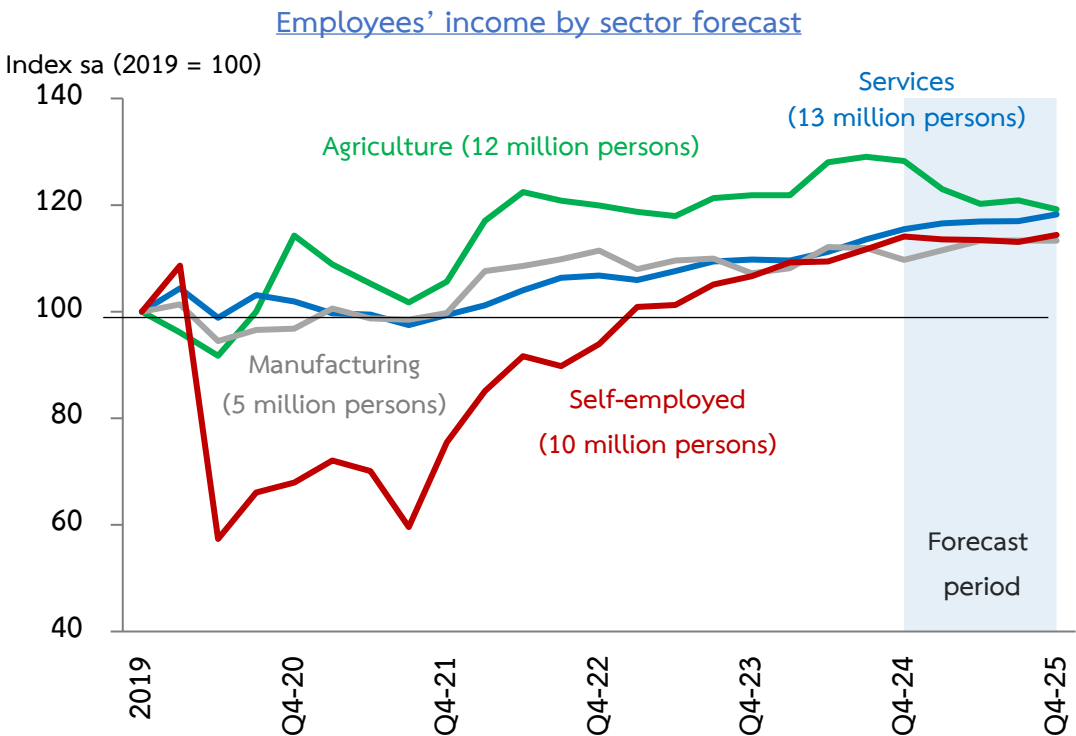
The recovery across business sectors has become more divergent



Note: (1) Tourism-related and Other services & Utilities are proxied by VAT-based sales per firm
(2) Construction-related proxied by average VAT-based sales per firm in construction
(3) Agriculture proxied by the Agricultural Production Index
(4) Sectors affected by Chinese good influx / Electronics / Auto-related / Other manufacturing & Mining are proxied by the Manufacturing Production Index (MPI), with Electronics covering only HDD and IC & Semiconductors
(5) Real Estate proxied by the number of residential property transfer units

Source: Office of Industrial Economics, Office of Agricultural Economics, The Revenue Department, REIC, calculated by BOT

Self-employed and manufacturing sector incomes are likely to slow down, while those in the services sector improve compared to historical averages



Note: (1) Income for self-employed individuals includes employer, while the data points for 2023 were proxied as the survey has not yet been conducted
(2) Non-farm income excluding government measures was at 4.5 trillion baht in 2019
() denotes each sector's employees in 2023

Source: Office of Agricultural Economics and National Statistics Office, calculated and forecasted by BOT

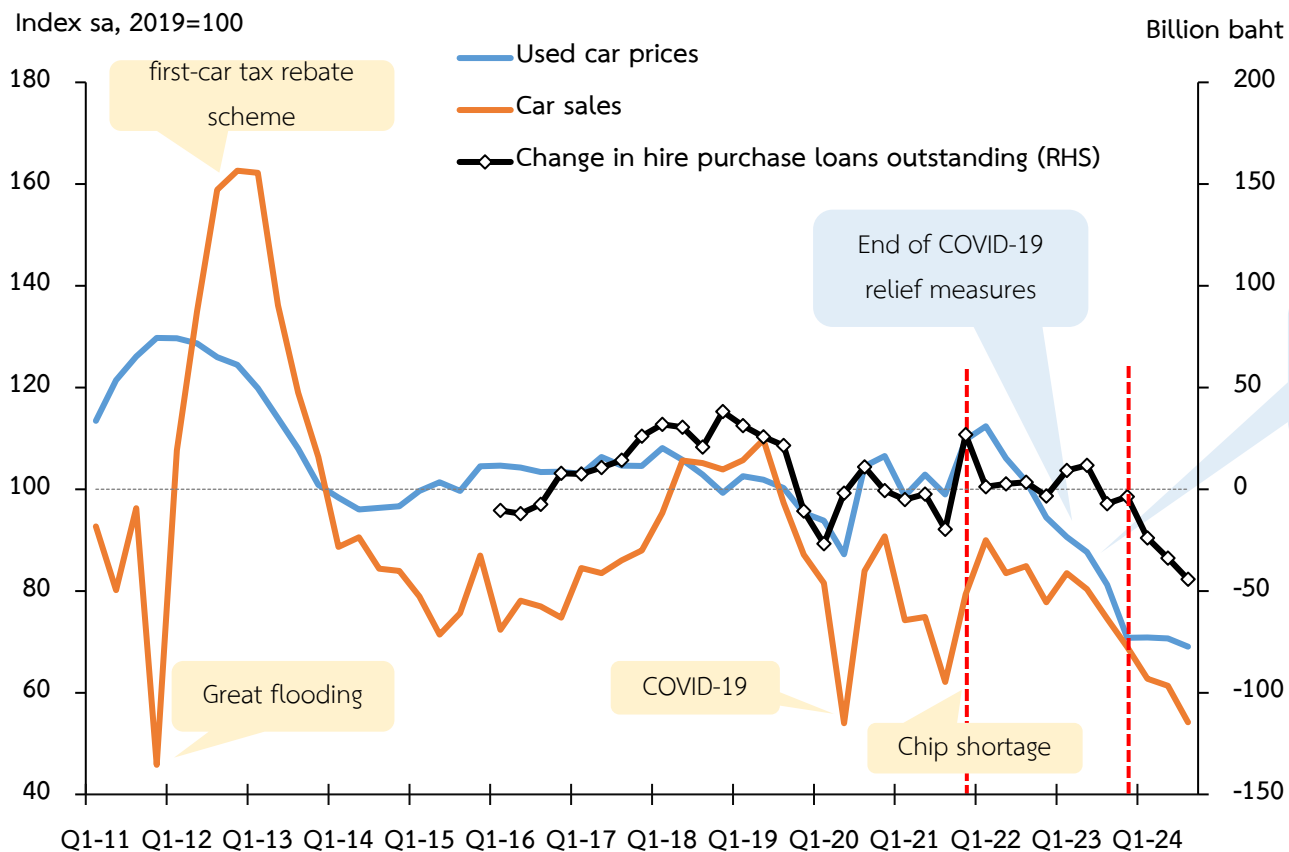


The automotive industry has been affected by idiosyncratic factors and slow income recovery in vulnerable groups

Domestic car sales and used car prices had declined prior to credit deceleration



Business insights



Source: The Federation of Thai Industries and BOT, calculated by BOT

- Tier 1 and Tier 2 supply chains and dealers have been severely impacted which created **spillovers to related sectors, including:**
 - Logistics: reduction in transportation of vehicles and parts (from 75 trips per month down to 25 trips per month)
 - Trade and real estate activities surrounding industrial areas that focuses on automotive production have slowed
- Looking forward: Businesses expect to see stabilization of used car prices and expect financial institutions to increase hire purchases lending after credit quality improves, following earlier tightening in credit standards

- Increase in car repossession
- EV 3.0 policy

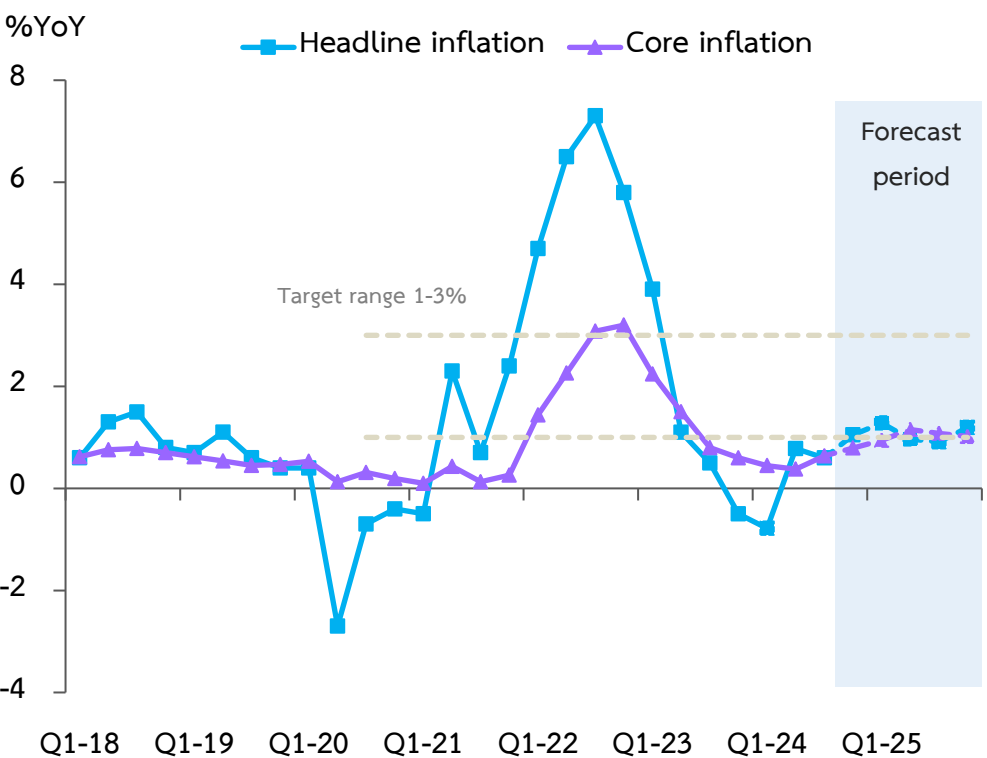
Source: Interviews conducted with 13 companies and representatives from the automotive industry



Headline inflation is expected to remain near the lower bound of the target range, and does not reflect deflation risk

Headline inflation stabilizes near the lower bound of the target range

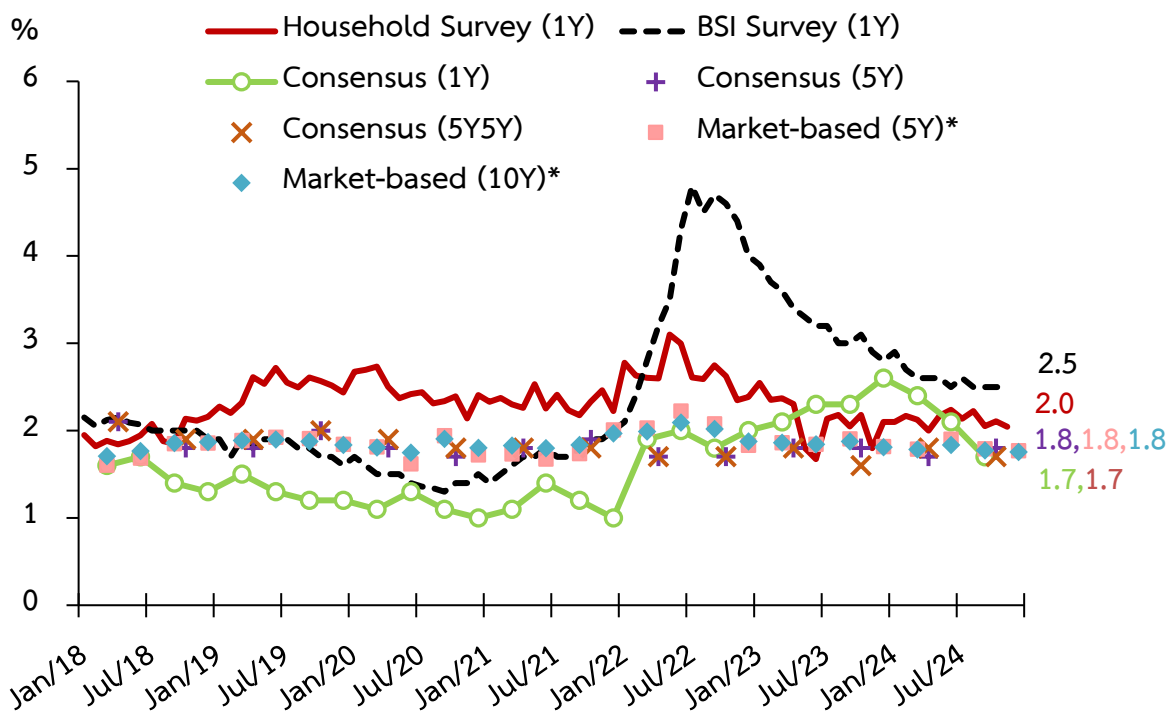
Inflation forecast



Source: Ministry of Commerce, calculated by BOT

Medium-term inflation expectations remain consistent with target

Inflation expectations

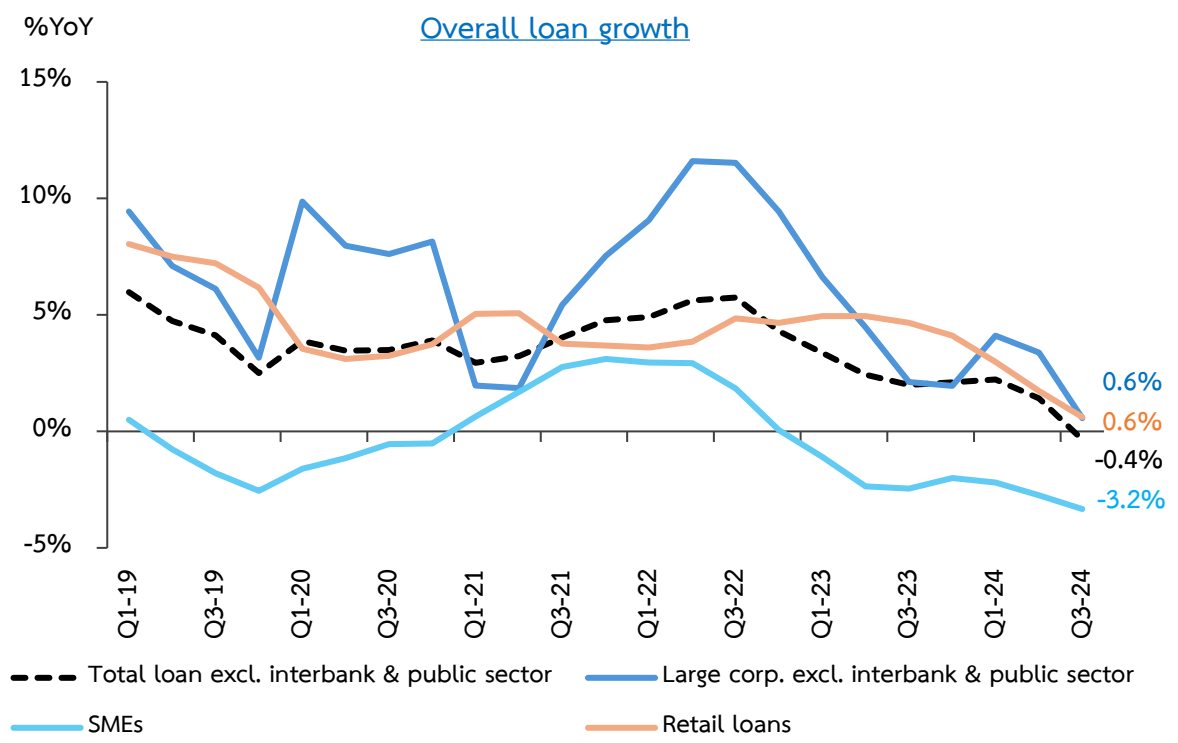


Source: Asia Pacific Consensus Economics, Business Sentiment Survey (BOT), Consumer Confidence Index (Ministry of Commerce)
Note: [] denotes the average value since Jan 2018; *estimated with affine term structure model utilizing yield curve macroeconomic variables as inputs



Overall credit growth declined in part due to well-recovered businesses becoming less reliant on loans compared to during COVID-19. However, monitoring economic recovery and credit developments for moderate- and slow-recovering businesses is warranted.

Loan growth for retail and large corporates decelerates, while SME loan growth continues to contract



Note: (1) The financial system includes commercial banks (and their subsidiaries), SFIs, and non-banks that are not subsidiaries of commercial banks
(2) Definition for each business loan size is as follows: For loans from commercial banks and subsidiaries, business's credit line per bank (excluding interbank) as of Sep 24 is used to categorize Large corporate (credit line > 500 MB) and SMEs (credit line ≤ 500 MB). For SFIs, OSMEP's criteria is used. For Non-banks: it includes Nano Finance and regulated personal loans that are not secured by vehicle registration and are intended for business purposes

Sectors	Credit	Economic activities
1. Solid recovery sectors such as businesses related to tourism, services, and large corporate commerce	✓ Increased debt repayments ✓ New loans slowed in line with demand	Improving
2. Moderate recovery sectors such as SMEs in commerce and businesses in real estate, construction and manufacturing production that faced declining competitiveness	○ New loan slowed especially for SMEs	Pressured by various factors, especially from increased competition
3. Slow recovery sectors such as businesses in the automotive industry and for some electronics	○ Demand decreased from uncertainties	Worsening
4. Idiosyncratic factor such as businesses in the utility sector	Use alternative sources	Unchanged

Note: Solid recovery sector includes hotels and restaurants, food and beverage manufacturing, transportation, large-scale trade businesses and other services. Moderate recovery sector includes real estate, constructions, SMEs in commerce and other manufacturing production. Slow recovery sector includes automotive and electronics. Idiosyncratic factor is utility.

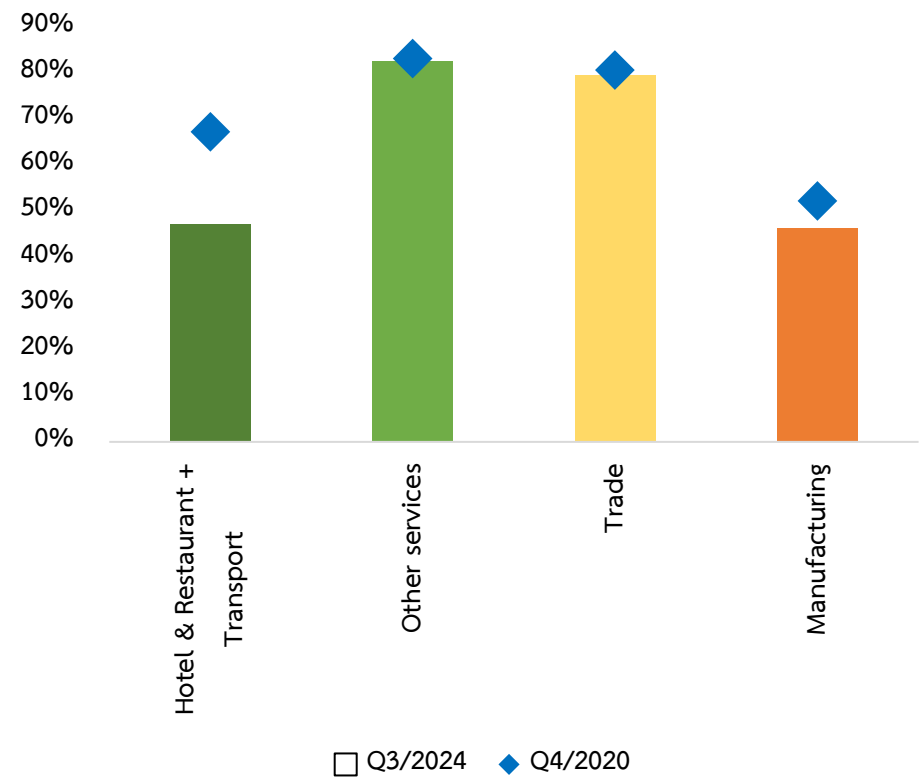


The overall economy is expected to expand despite slowdowns in business credits

Well-recovered businesses especially in tourism sector have become less reliant on loans, which have surged during COVID-19

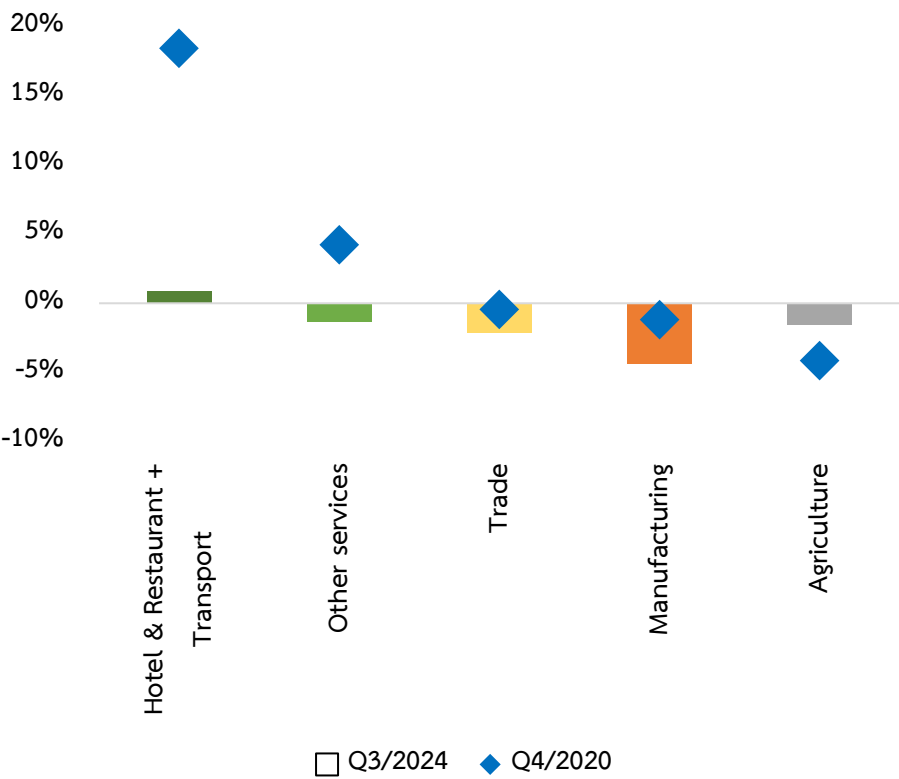
Tourism and services sectors continue be key drivers of economic growth going forward despite credit slowdown

Credit intensity



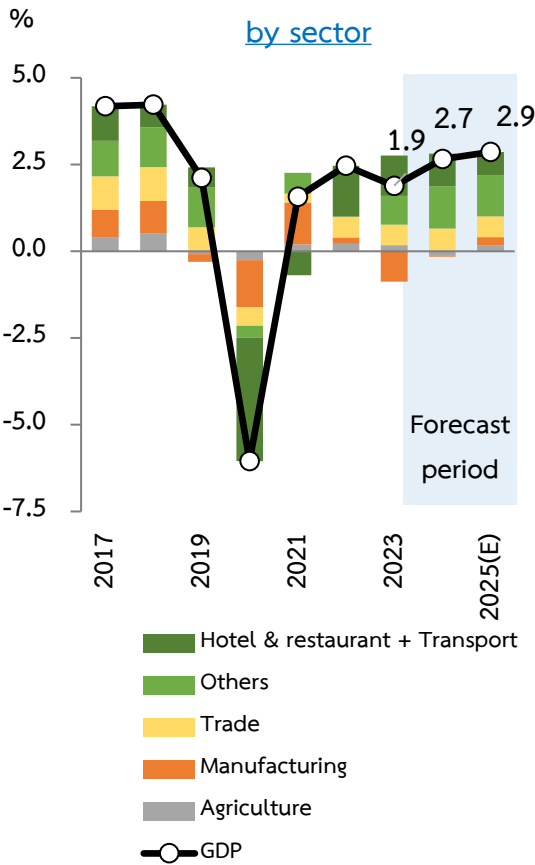
Note: The sectoral credit intensity assessments uses outstanding loans (encompass loans from commercial banks and SFIs) divided by nominal GDP (last 4 quarters)
Source: BOT and NESDC, calculated by BOT

Business loan growth



Note: Includes business loans (excluding interbank and public sector) from commercial banks
Source: BOT

Contribution to GDP growth by sector

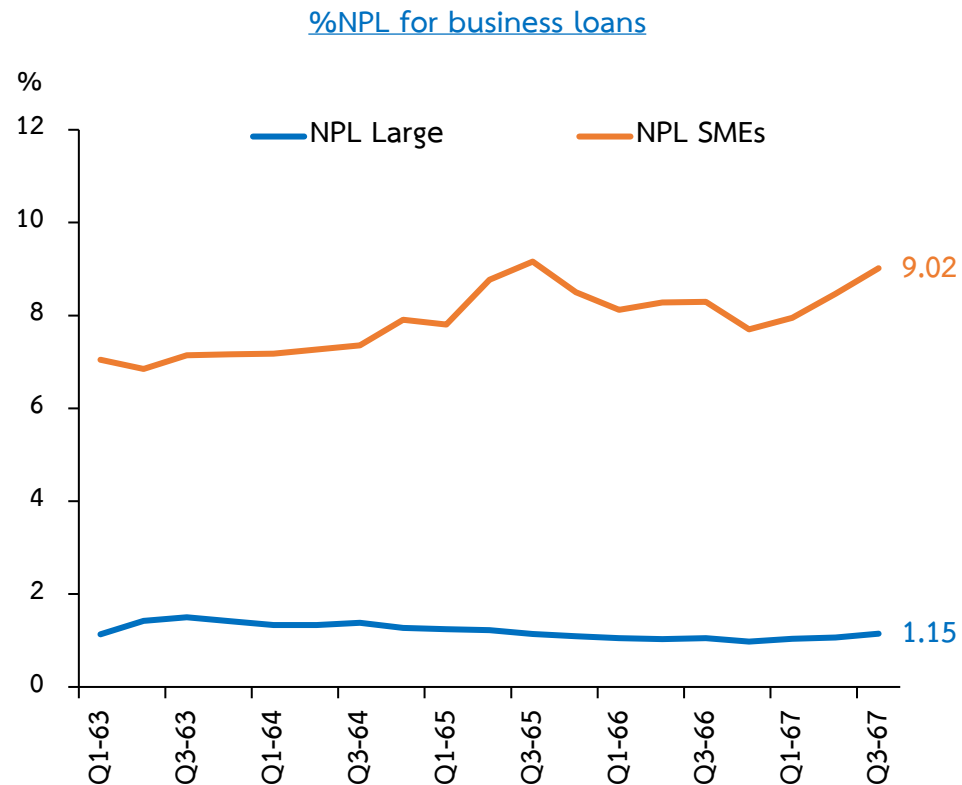


Source: NESDC and BOT

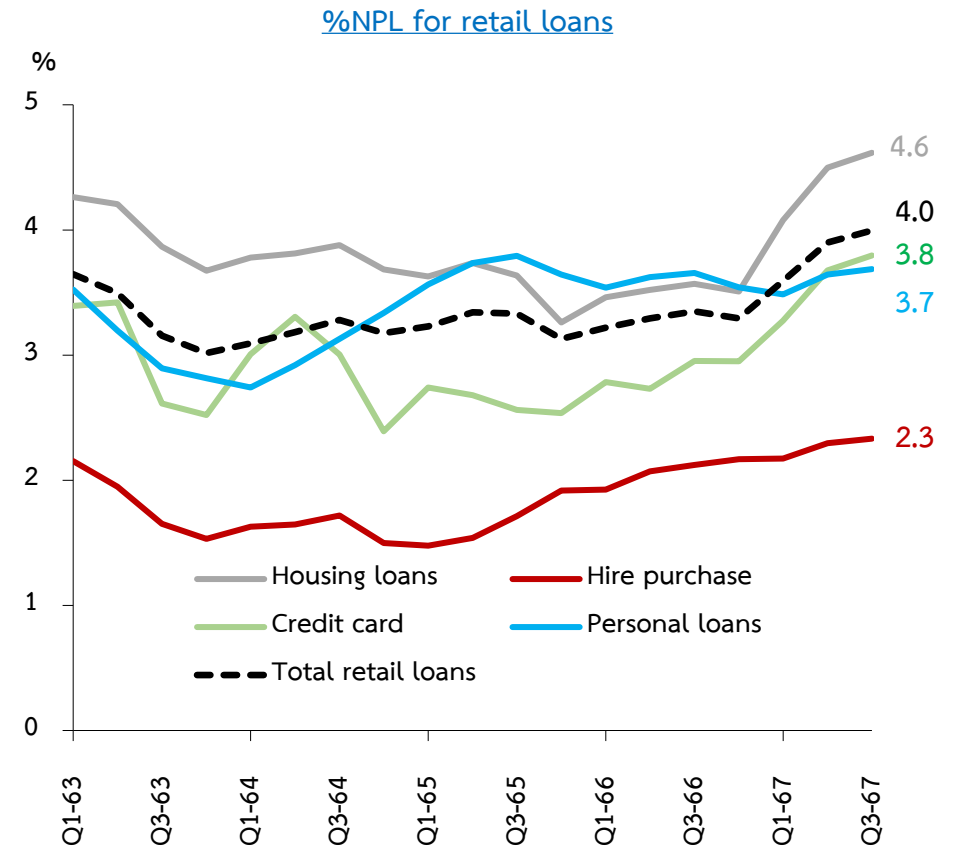


It is critical to monitor deterioration in credit quality for vulnerable groups, especially loans to SMEs and households with slow income recovery and high debt burden

Credit quality deteriorated especially for SMEs



Credit quality for households continues to deteriorate



Note: (1) The financial system includes commercial banks (and their subsidiaries), SFIs, and non-banks that are not subsidiaries of commercial banks

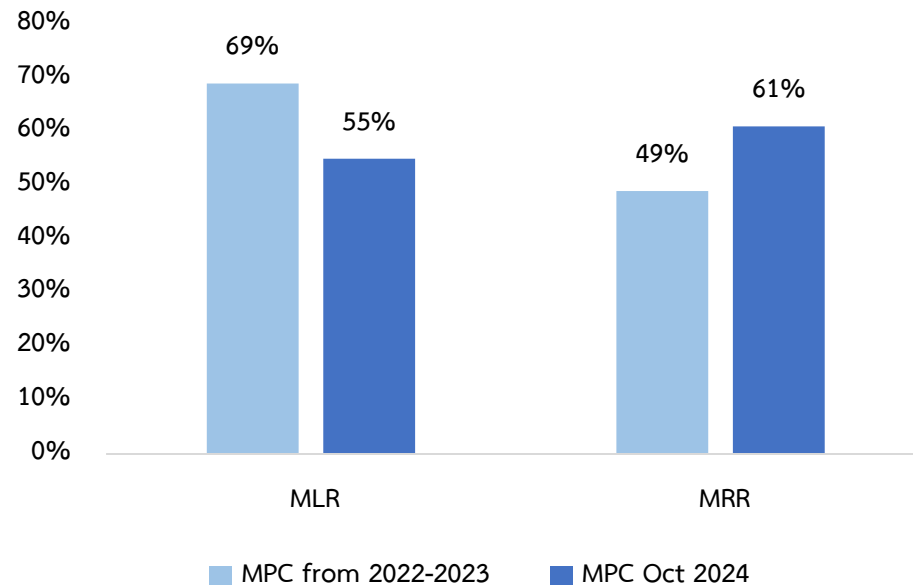
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The previous policy rate cut and targeted measures assisting retail borrowers and SMEs have helped alleviate debt burden for vulnerable groups

Interest rate passthrough

Commercial bank's 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.

Debt relief measures

Existing measures

- 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

1. “Jai Trong Kong Sup” for retail borrowers (housing loans and hire purchase) and SMEs

Reduced repayments:

First year	Pay 50% of installment
Second year	Pay 70% of installment
Third year	Pay 90% of installment

Interest payments are deferred and all installments will apply directly to principal. If the debtor can meet the 3-year repayments condition, then the interest will be waived entirely.

2. “Jai Pid Job” for retail borrowers with debt outstanding per account not exceeding 5,000 baht: debtors only have to partially repay in order to fully pay off.



Looking forward, the economy faces high uncertainty from various factors such as:

- Global trade policy
- Geopolitical risks
- Impact of credit quality on overall financial conditions and the economy

The Committee recognizes the heightened uncertainty going forward and deems it necessary to monitor economic growth and inflation outlook in deliberating monetary policy going forward



Macroeconomic projection as of December 2024

Annual percentage change	2023*	2024	2025
GDP growth	1.9	2.7	2.9
Domestic demand	3.5	2.8	2.4
Private consumption	7.1	4.5	2.4
Private investment	3.2	-2.2	2.2
Government consumption	-4.6	2.1	1.5
Public investment	-4.6	2.9	5.1
Exports of goods and services	2.1	7.1	3.5
Imports of goods and services	-2.3	6.3	1.8
Current account (billion, U.S. dollar)	7.4	9.0	15.0
Value of merchandise exports (%YoY)	-1.5	4.9	2.7
Value of merchandise imports (%YoY)	-3.8	6.4	1.7
Number of foreign tourists (million persons)	28.2	36.0	39.5
Dubai crude oil price (U.S. dollars per barrel)	82.0	80.0	77.0
Headline inflation	1.2	0.4	1.1
Core inflation	1.3	0.6	1.0

Note: * Outturns