



ธนาคารแห่งประเทศไทย
BANK OF THAILAND



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Analyst Meeting No. 4/2022

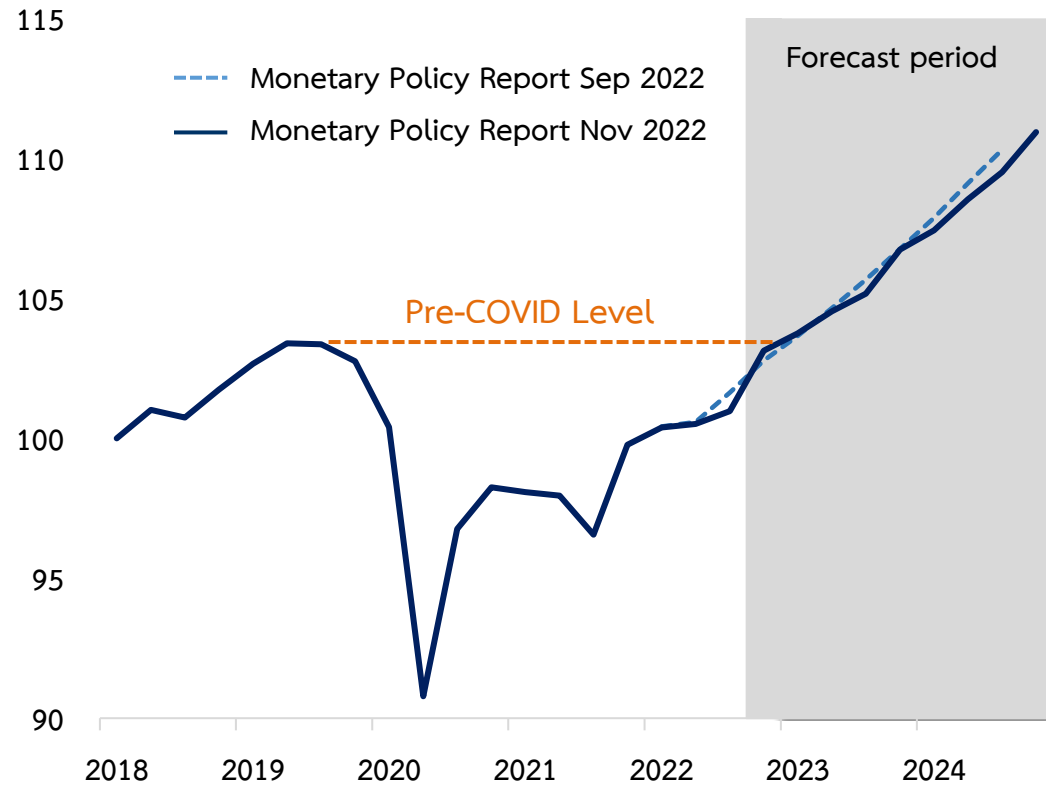
19 December 2022

(The economic projections are based on data as of 29 November 2022)

Thailand's economic and inflation outlook

Real GDP index

Index (2018 = 100)



The Thai economy is expected to continue expanding driven mainly by tourism and private consumption

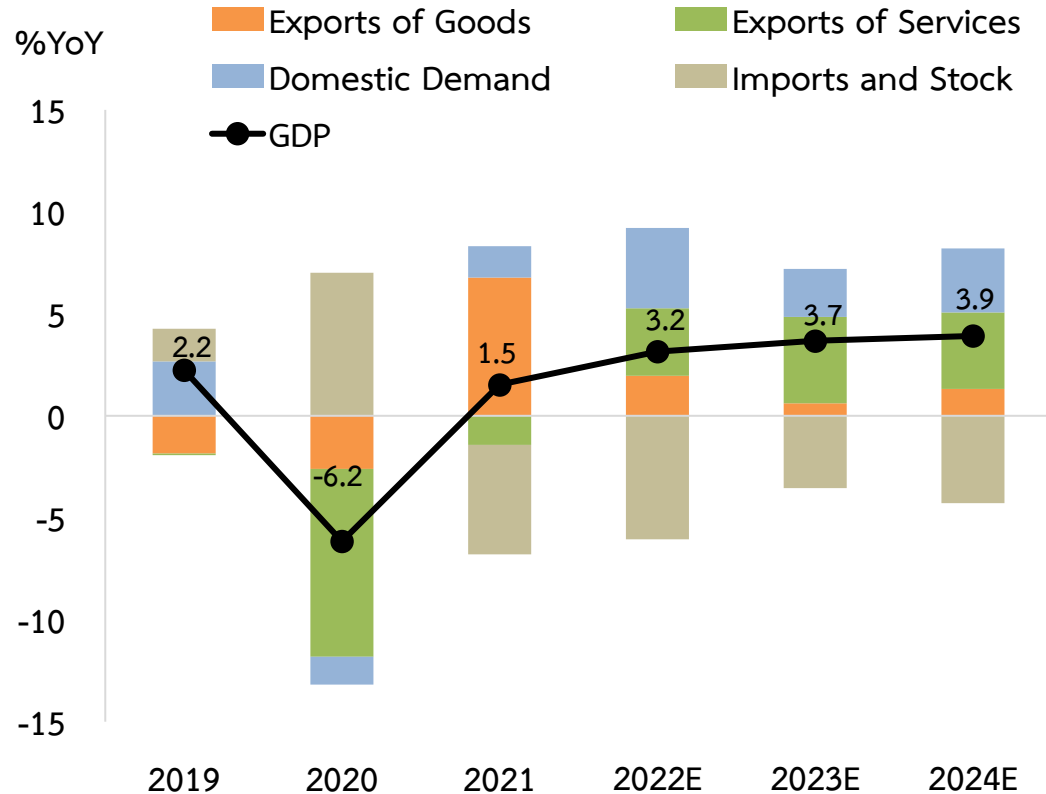
Growth (%YoY)	2021*	2022		2023		2024
		Sep 2022	Nov 2022	Sep 2022	Nov 2022	Nov 2022
GDP Growth	1.5	3.3	3.2	3.8	3.7	3.9
Domestic Demand	1.6	3.4	4.1	2.5	2.4	3.2
Private Consumption	0.3	5.6	6.1	3.3	3.4	3.2
Private Investment	3.3	3.3	5.1	3.9	3.4	4.0
Government Consumption	3.2	-2.2	-0.2	-1.1	-1.4	0.8
Government Investment	3.8	1.7	-1.5	2.3	1.8	7.0
Exports of goods and services	10.4	9.1	9.0	6.5	7.0	6.6
Imports of goods and services	17.9	6.6	7.1	3.1	3.0	4.7
Current account (billion U.S. dollars)	-10.3	-14.4	-16.5	3.8	3.8	12.2
Value of merchandise exports (%YoY)	18.8	8.2	7.4	1.1	1.0	2.6
Value of merchandise imports (%YoY)	23.4	16.8	18.1	1.8	0.4	3.3
Number of foreign tourists (million persons)	0.4	9.5	10.5	21.0	22.0	31.5

Note: *outturn

Source: NESDC, BOT Forecast

The recovery in tourism and private consumption would help alleviate the impact from the global economic slowdown

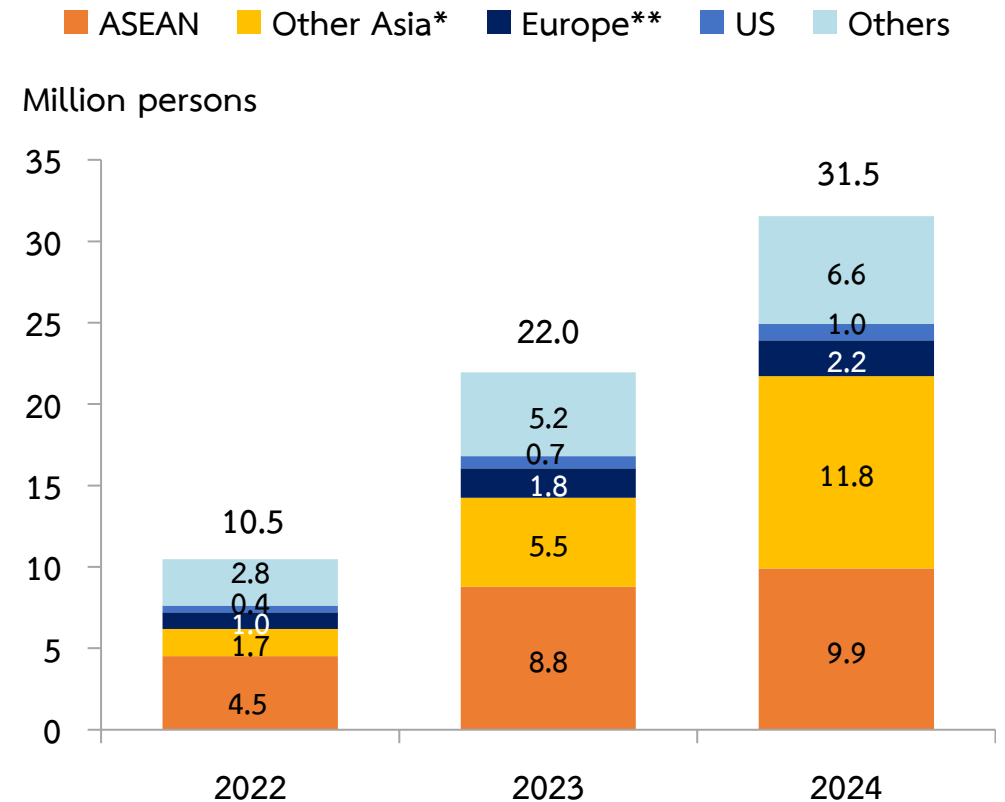
Contribution to GDP growth



Note: E denotes forecast

Source: NESDC, BOT Forecast

Foreign arrivals forecast by nationality

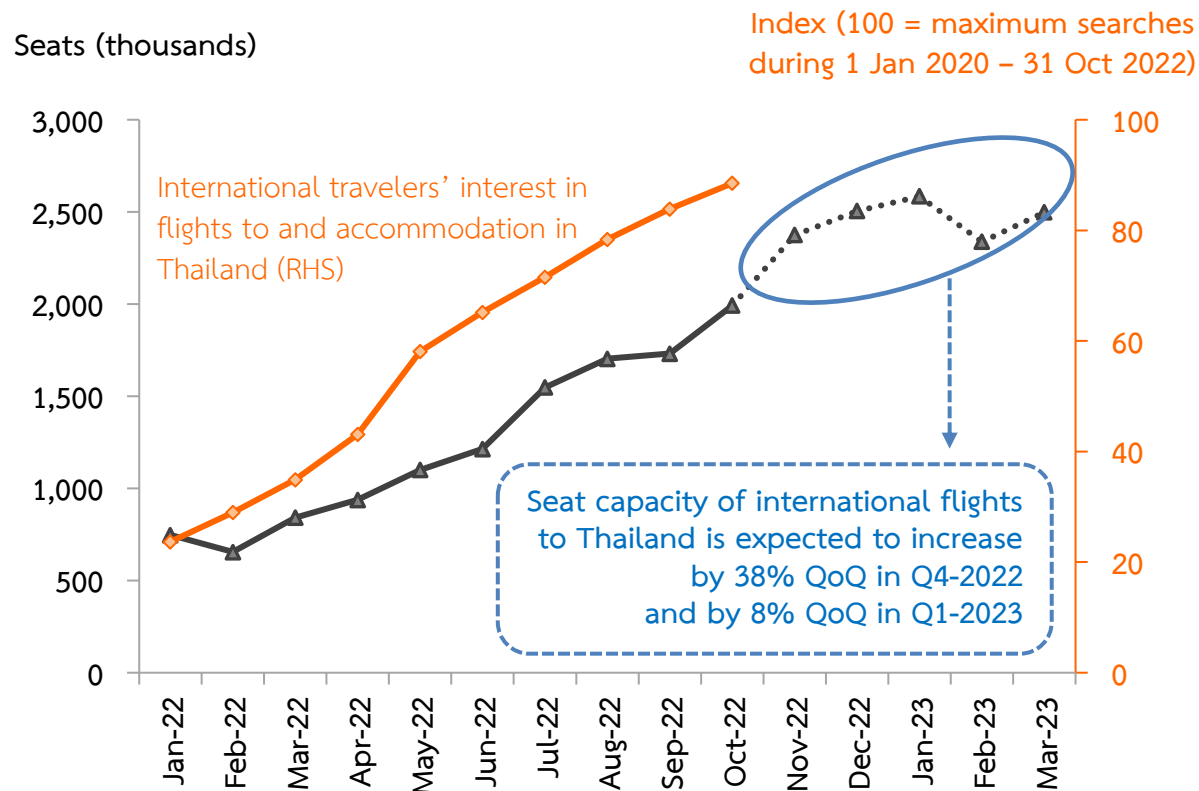


Note: * includes Middle East and China ** includes only UK, Germany, and France

Source: Ministry of Tourism and Sports, BOT Forecast

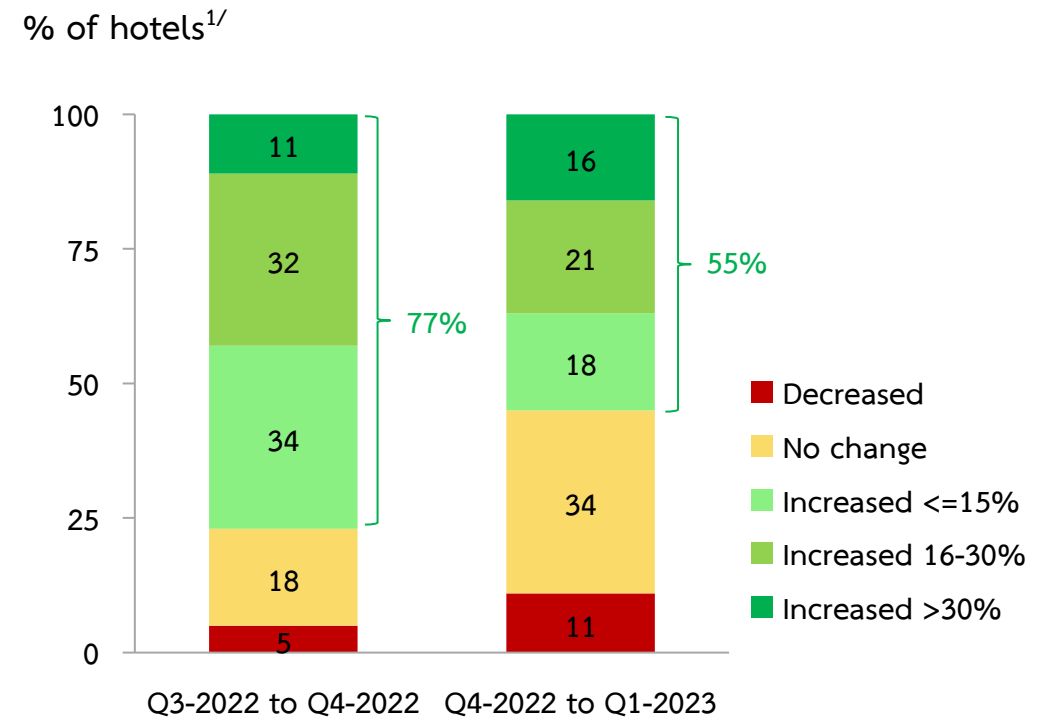
Leading indicators show a continued recovery in tourism. Survey results show that businesses expect foreign arrivals to be higher in Q4-2022 and Q1-2023

Seat capacity and international travelers' search interest in flights to and accommodation in Thailand



Source: Google Travel Insights and PATA

Quarterly change in number of hotel guests

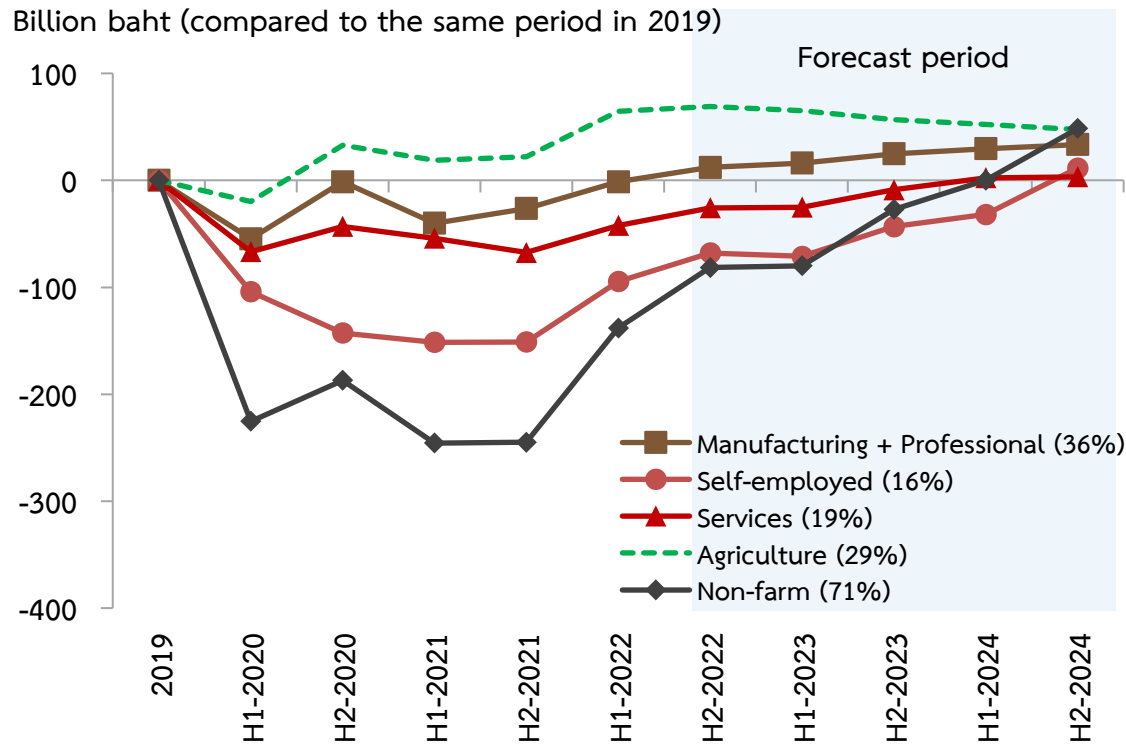


Note: ^{1/} Hotels that >50% of guests are foreigners

Source: Hotel Business Operator Sentiment Index Survey (HIS as of Oct 2022) conducted by the Thai Hotel Association and BOT

Private consumption has continued to recover with the resumption in economic activities and improvements in employment and labor income. Those that were unemployed earlier are now gradually returning to work, especially in key economic regions.

Income recovery by sector (excluding relief measures)



Note: 1/ Total labor income (including farm income) in 2021 was 5 trillion baht
 2/ () denotes each sector's share to total labor income in 2021 (excluding relief measures)
 Source: National Statistic Office's Labor Force Survey, BOT calculation and forecast

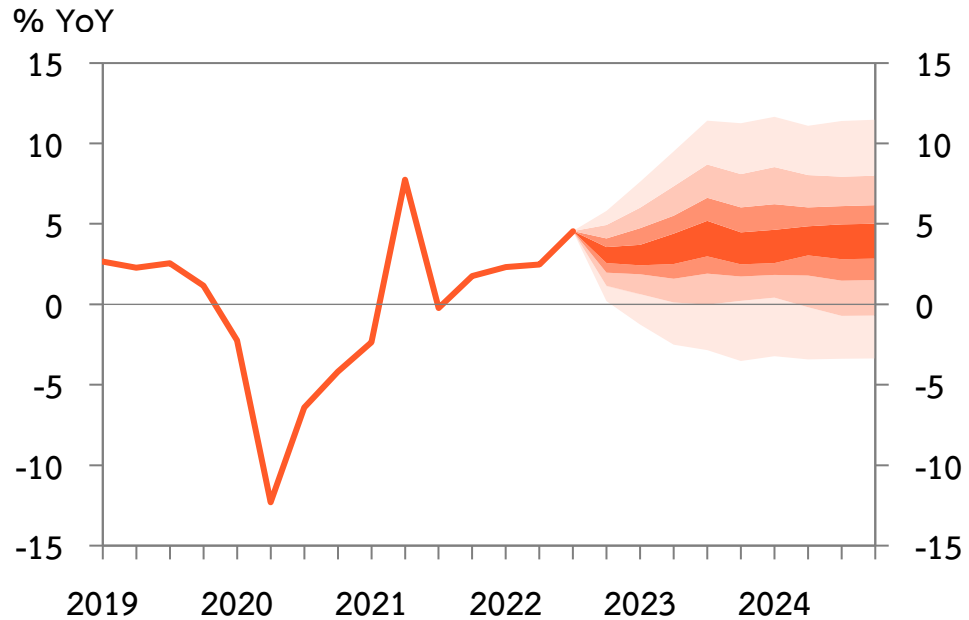
Employment status of labor before returning to work by sector in Q3-2022



Source: National Statistic Office's Labor Force Survey, BOT calculation

Risks to Thailand's growth outlook is balanced

GDP growth



Upside risks

- + Higher-than-expected foreign tourist figures
- + International travel restrictions in China are relaxed sooner than expected

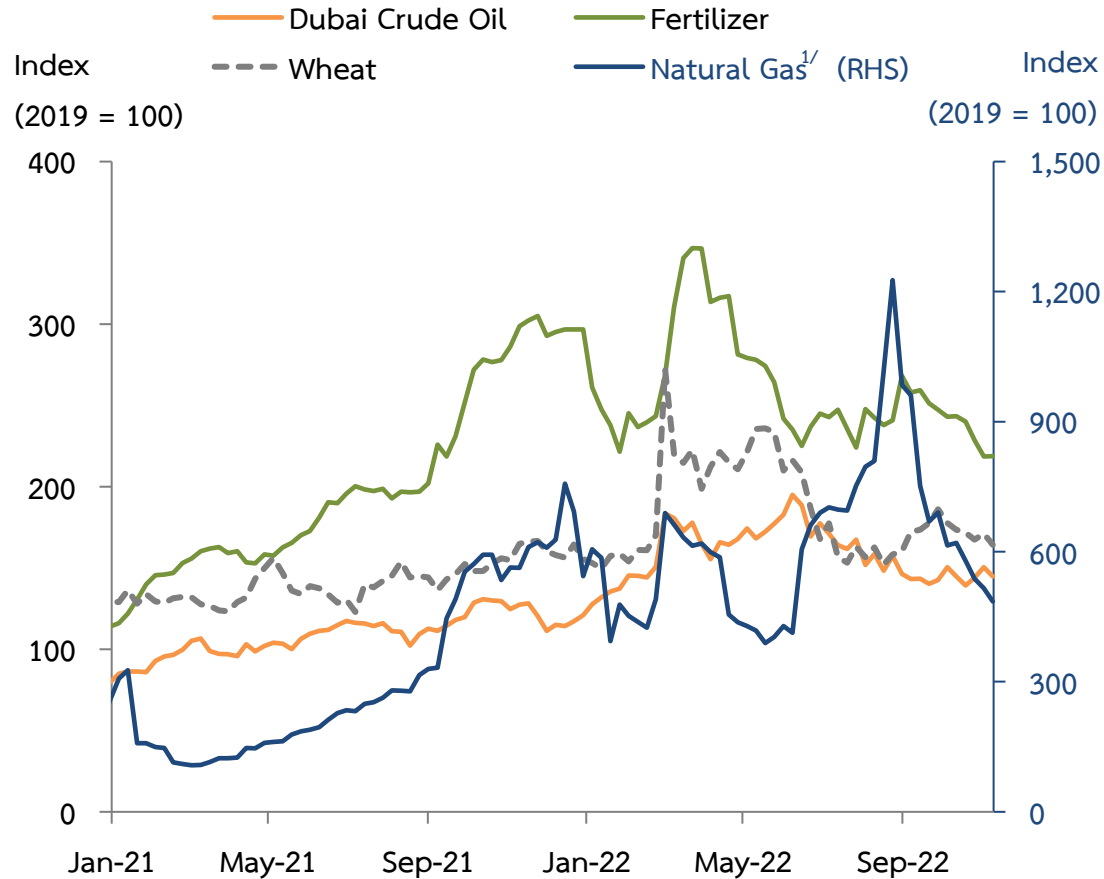
Downside risks

- Slower-than-expected global economic growth
- China's economic slowdown could impact Thai exports

Headline inflation receded from its peak in Q3-2022 on account of declining energy prices.

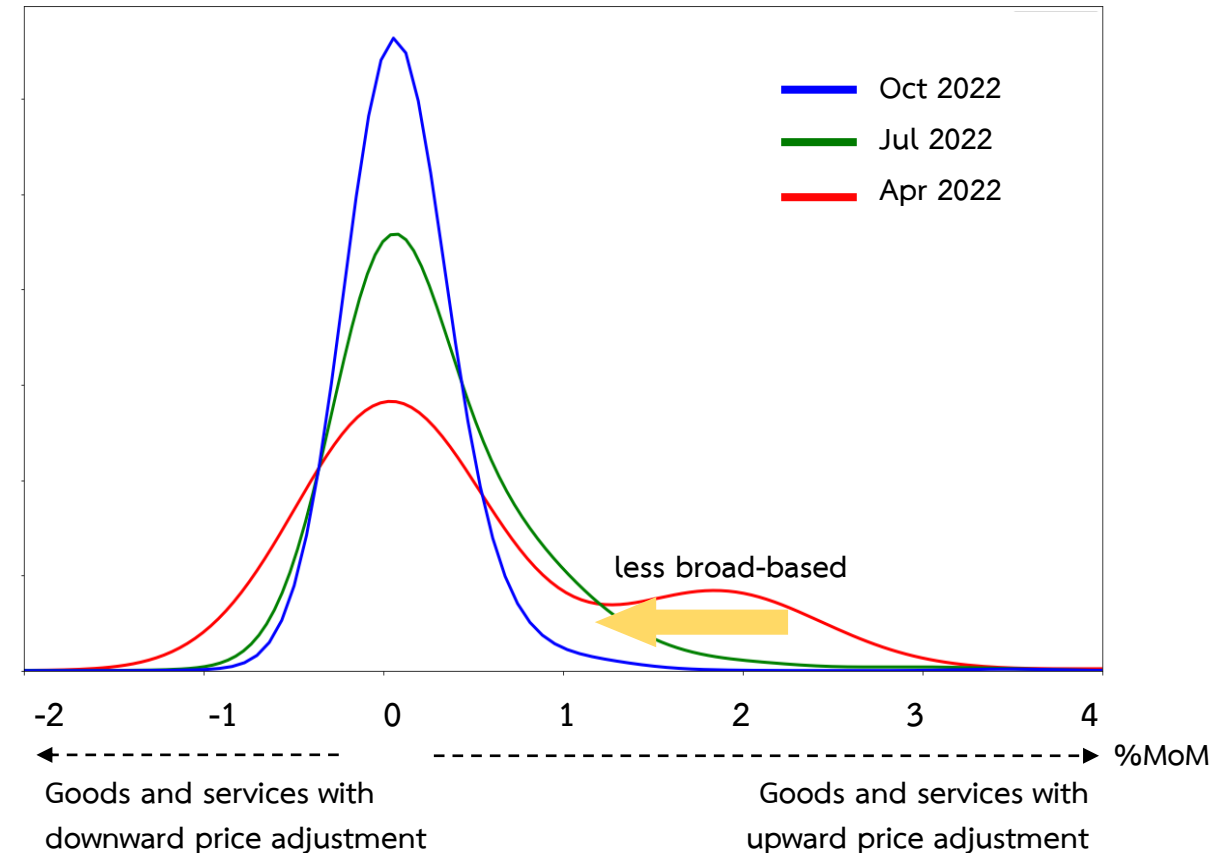
Change in prices of goods and services in CPI basket has become less broad-based.

Commodity price indices



Note: ^{1/} Natural gas price data from Japan Korea Marker (JKM)
Source: Bloomberg (Data as of 4 Nov 2022)

Distribution of price changes by item for goods and services in CPI basket

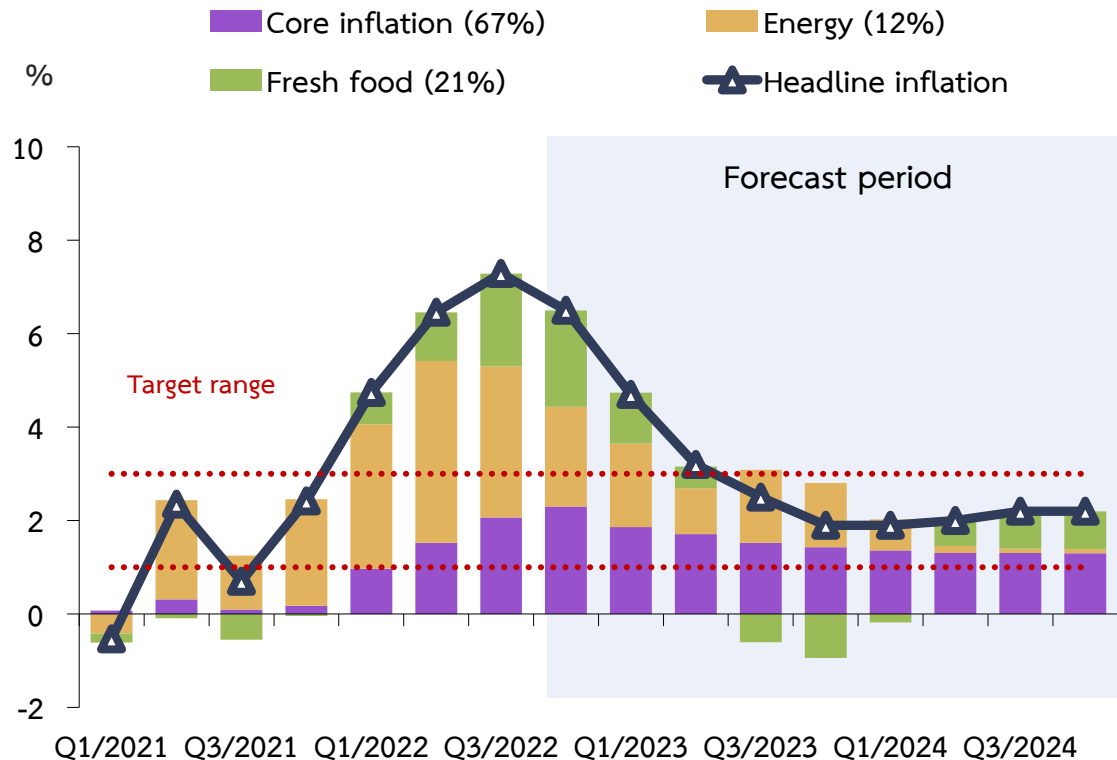


Note: Density plot of 3-month average %MoM change in price of 430 items of goods and services in the CPI basket
Source: Ministry of Commerce, BOT calculation

Headline inflation forecast for 2023 is revised up on account of domestic energy prices but it is expected to fall within the target range by end-2023.

Core inflation forecast is largely unchanged.

Contributions to headline inflation



Note: () denotes weight in CPI basket

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

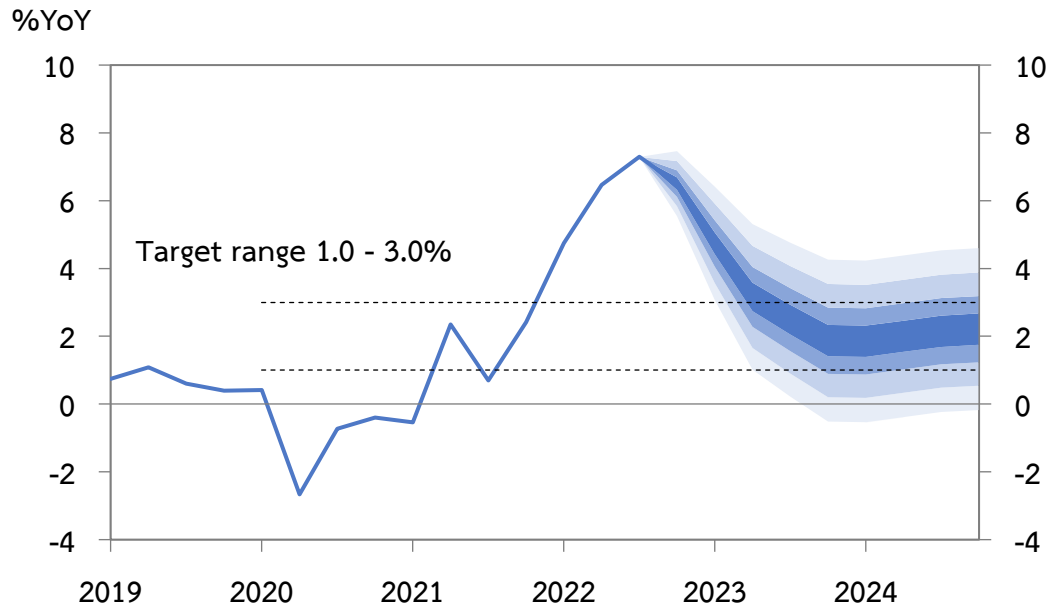
Inflation forecast

%YoY	2022	2023	2024
Headline inflation	6.3 (6.3)	3.0 (2.6)	2.1
Core inflation	2.6 (2.6)	2.5 (2.4)	2.0

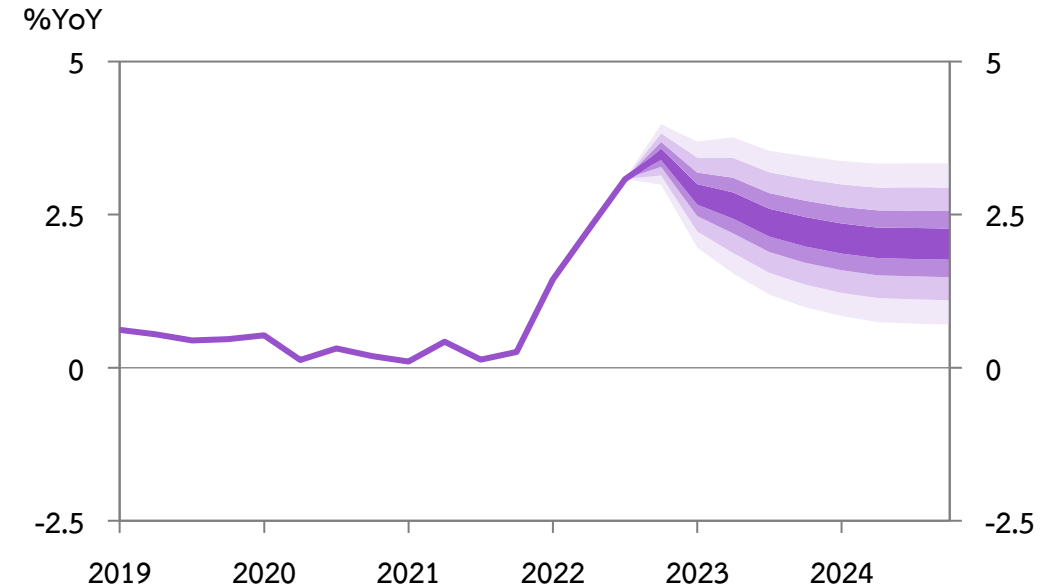
Note: () Previous projection in Monetary Policy Report Sep 2022

Risks to inflation is balanced but there remains risks to be closely monitored

Headline inflation forecast



Core inflation forecast



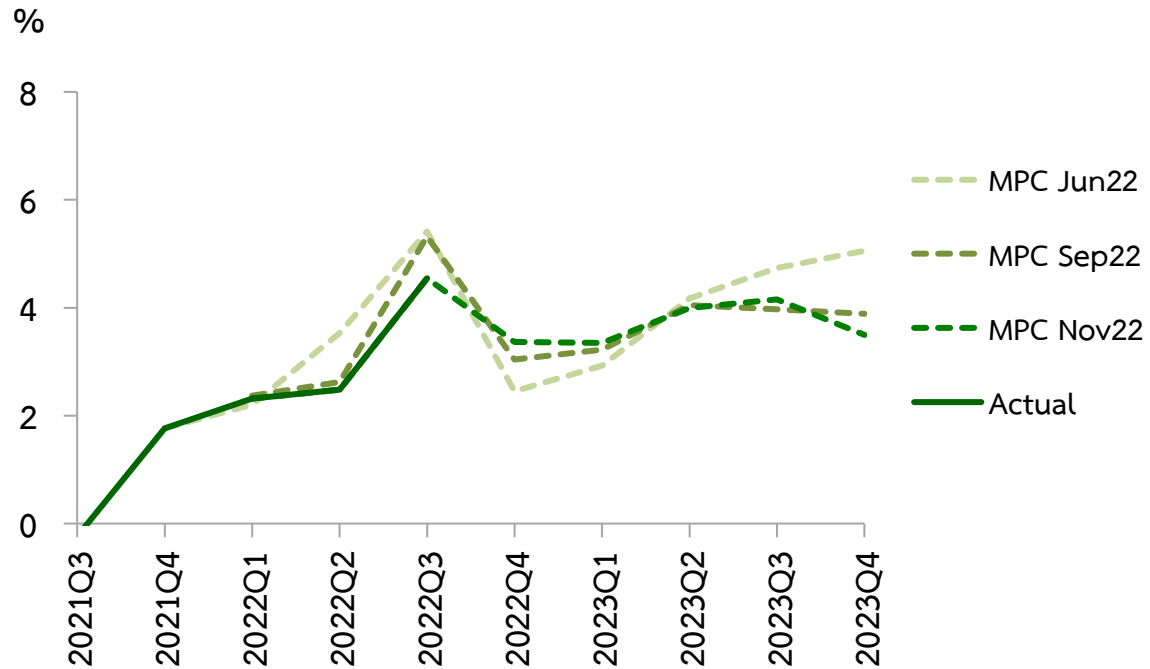
Factors that could cause inflation to be higher or lower than the baseline projection

- Higher- and faster-than-expected cost passthrough from producers given high input costs all around, and the likely increase in electricity costs.
- Uncertainties pertaining to government relief measures such as subsidies for electricity charges and other living costs.
- Slower-than-expected global economic growth resulting in a sharper-than-expected decline in global energy and commodity prices.

Key monetary policy discussions

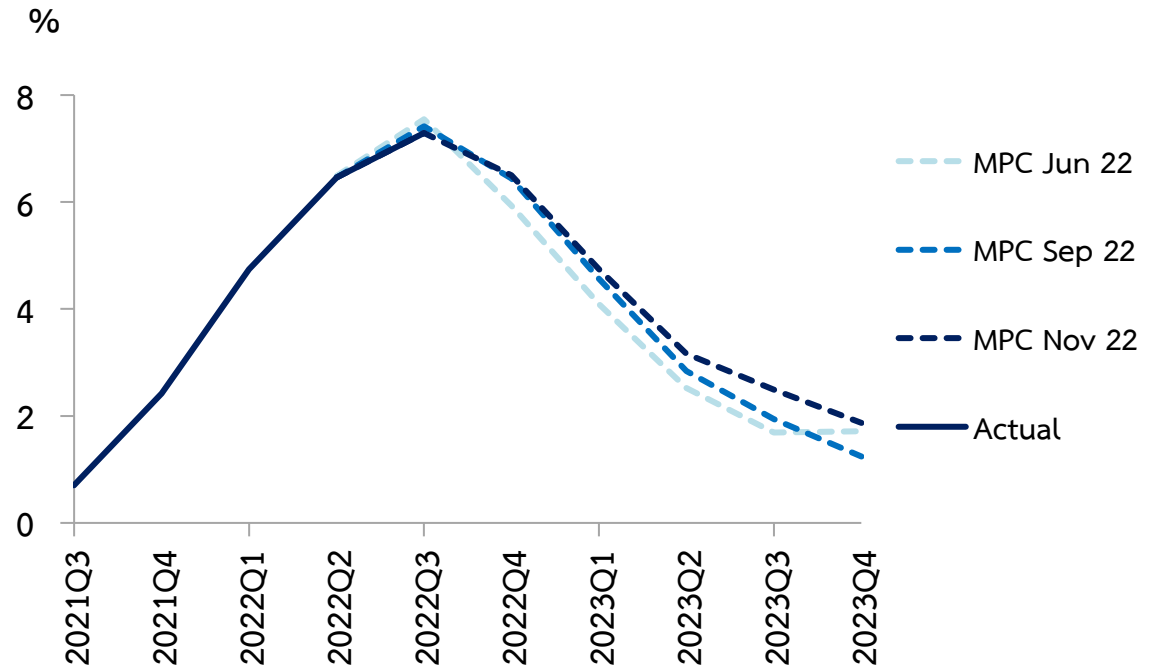
The overall growth and inflation outlook is consistent with the previous assessment

Real GDP



Source: BOT

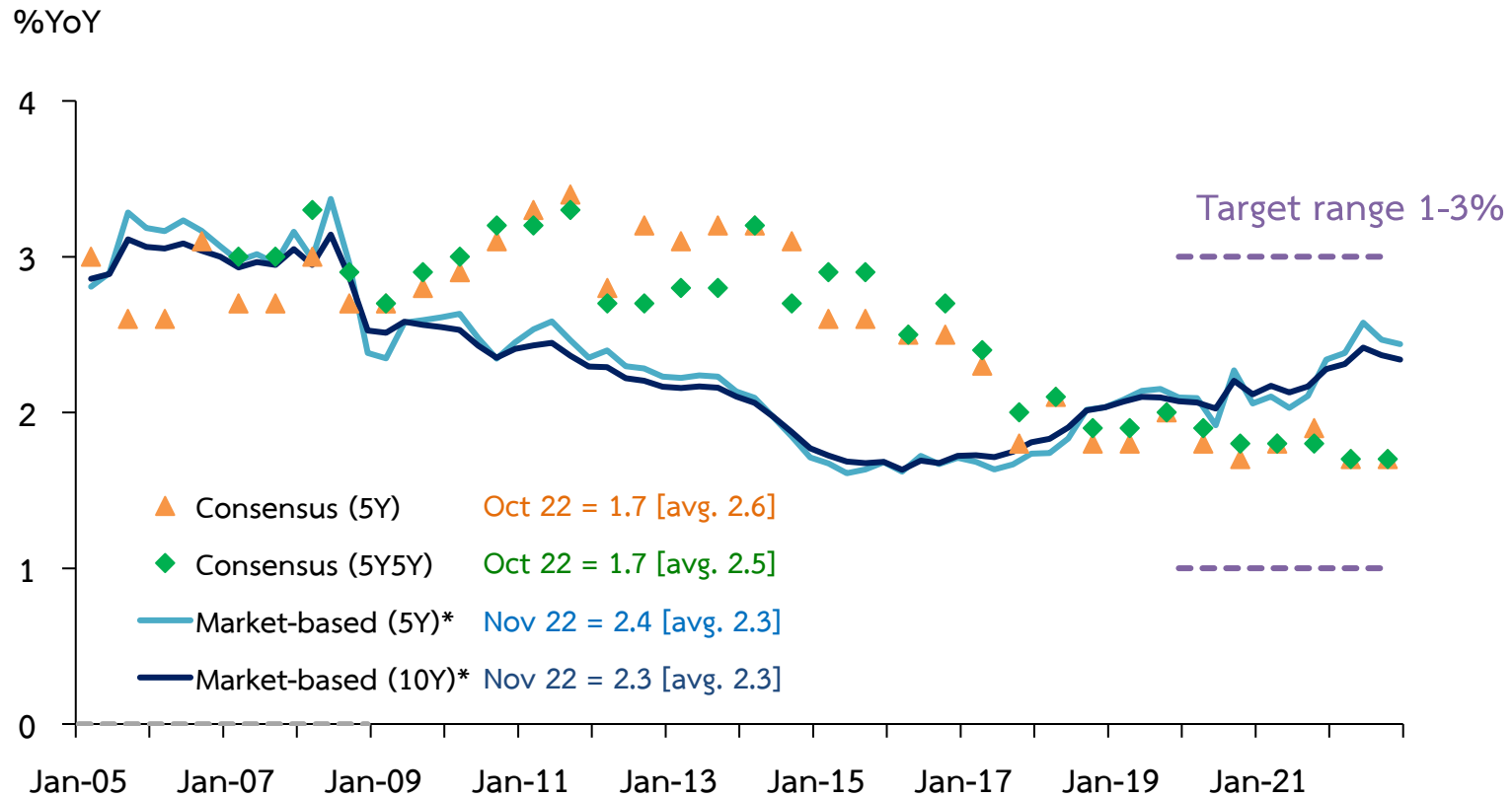
Headline inflation



Source: BOT

Medium-term inflation expectations remain anchored within the target range

Inflation expectations

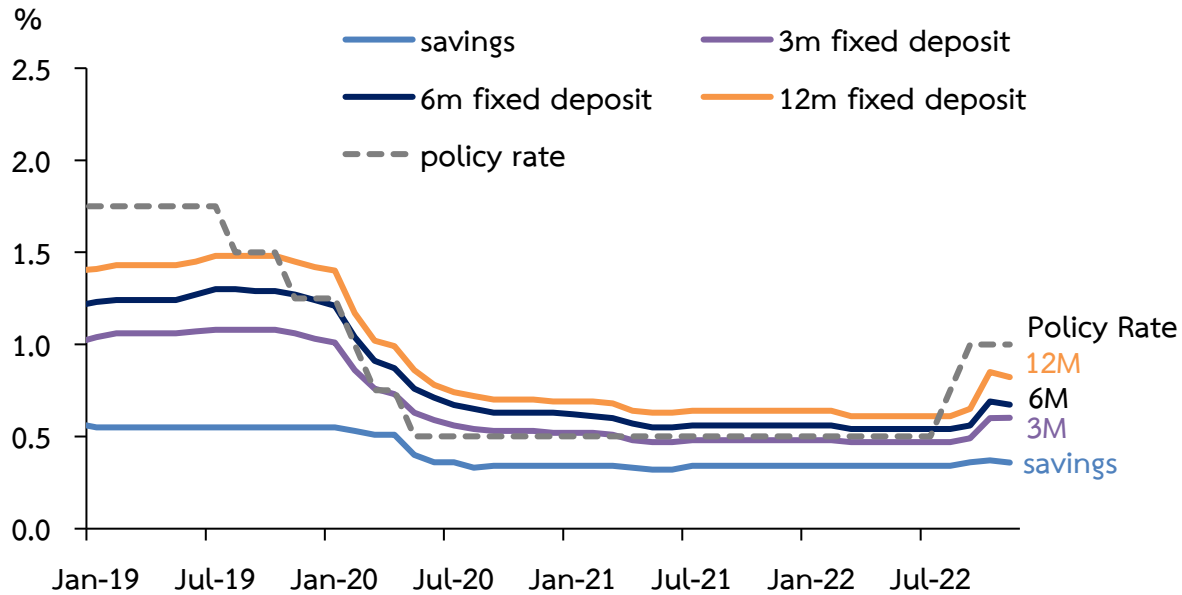


Note: [] refers to the average since Jan 05 * forecasted using the affine term structure model, with data inputs from yield curve and macroeconomic variables

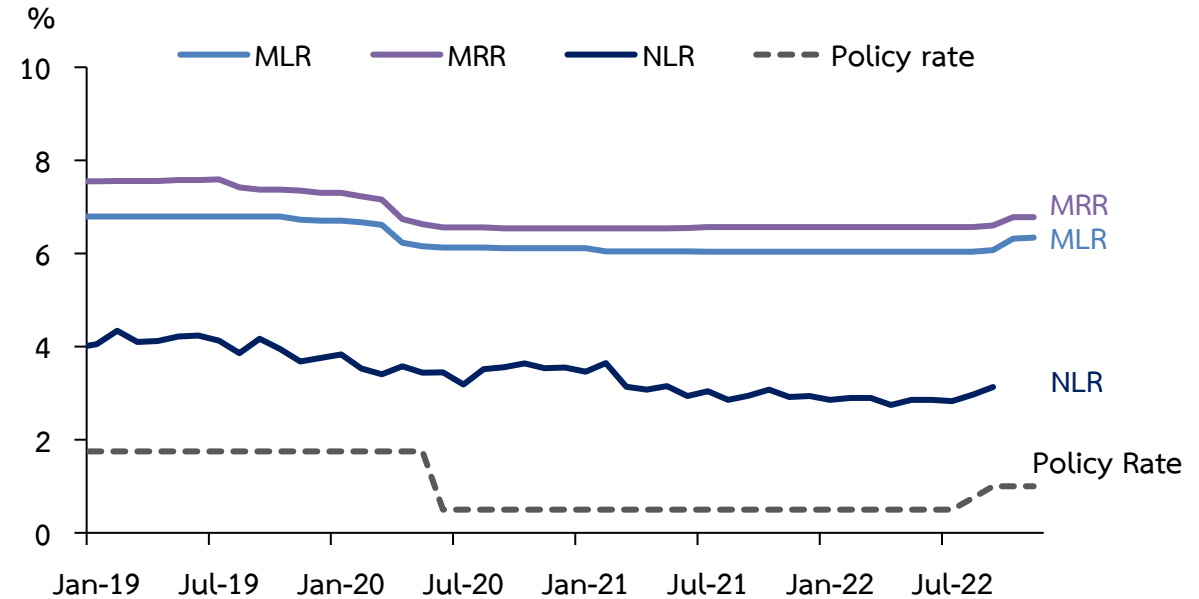
Sources: Asia Pacific Consensus Economics, Ministry of Commerce

Commercial bank interest rates are gradually increasing in line with the policy rate path

Commercial bank deposit rates



Commercial bank lending rates

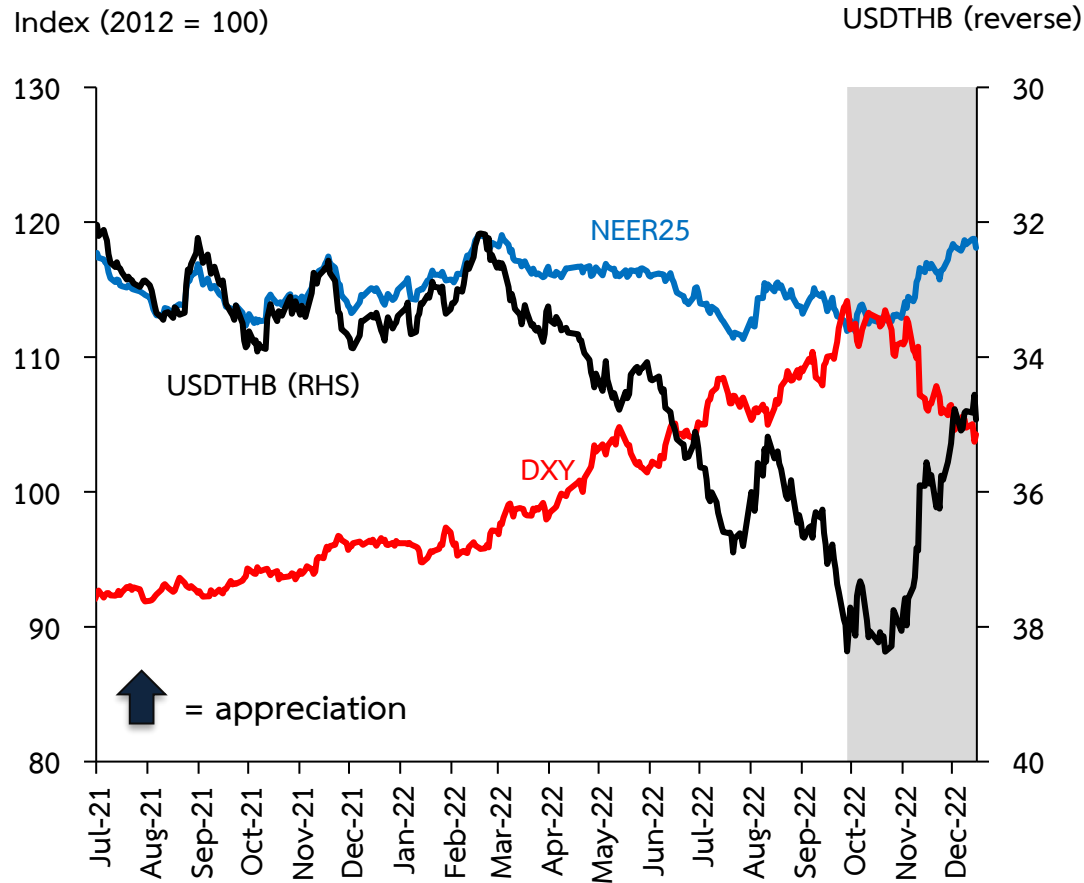


Note: (1) Monthly average of 13 commercial banks (data as of 29 Nov 2022). In Nov 2022, the interest rates on savings and some fixed deposits decreased slightly after United Overseas Bank (UOB) acquired Citibank’s consumer banking business in Thailand;
 (2) New loan rate (NLR) (data as of Sep 2022)

Source: BOT

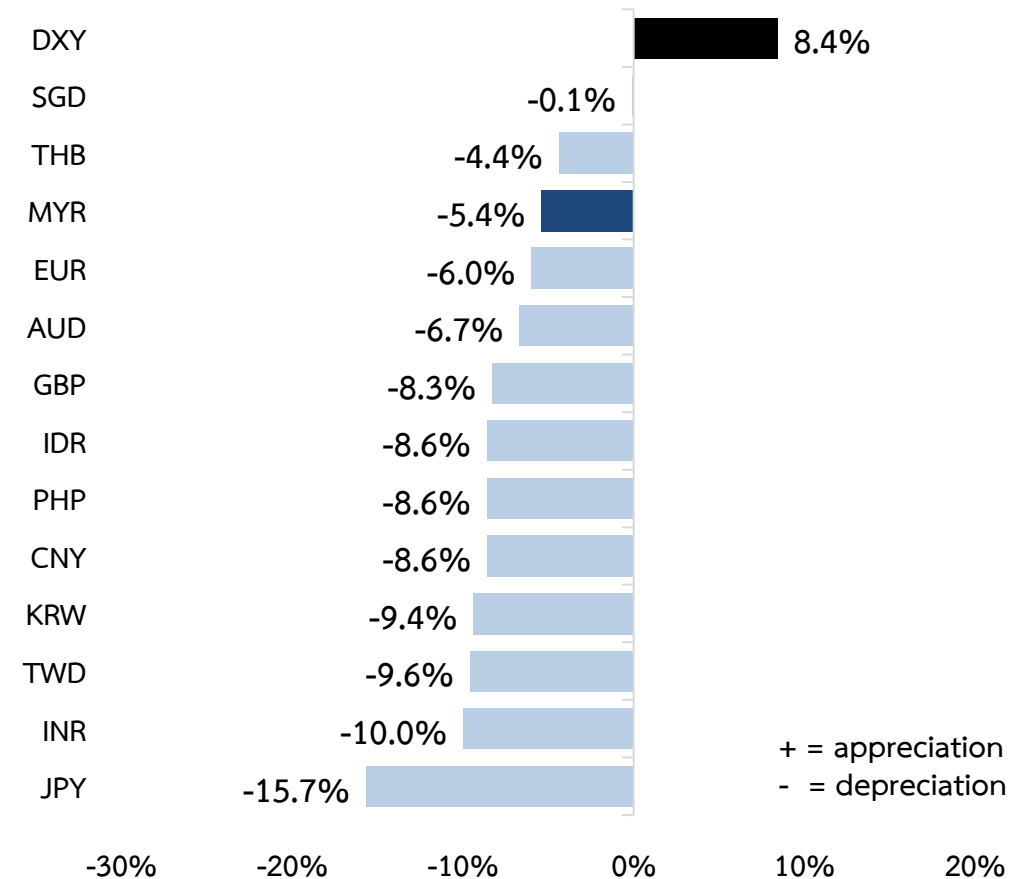
Global financial tightening has limited impact on Thai financial conditions

USDTHB, NEER, and DXY



Source: Refinitiv, BOT calculation (data as of 15 Dec 2022)

Currency movements (Year-to-date)



Source: Refinitiv (data as of 15 Dec 2022)

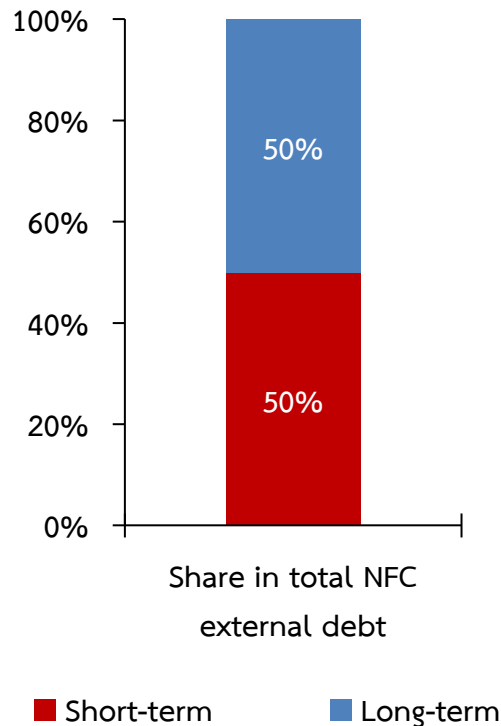
Global financial tightening has limited impact on Thai financial conditions

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

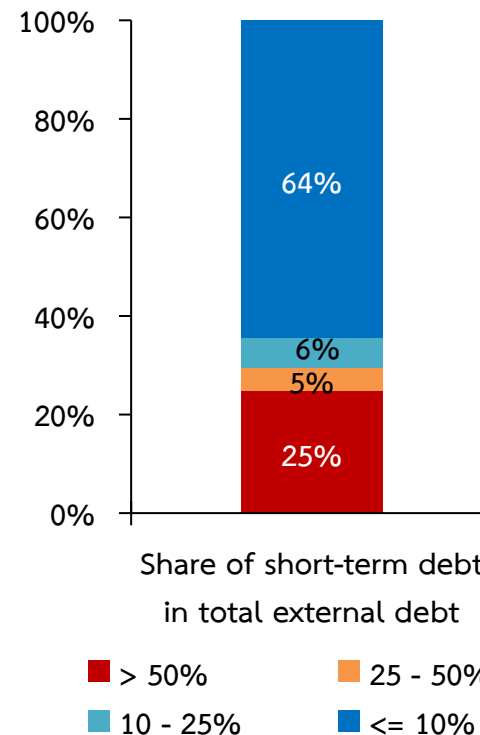
Only 25% of firms with external debt have high share of short-term debt

Most firms manage FX risk

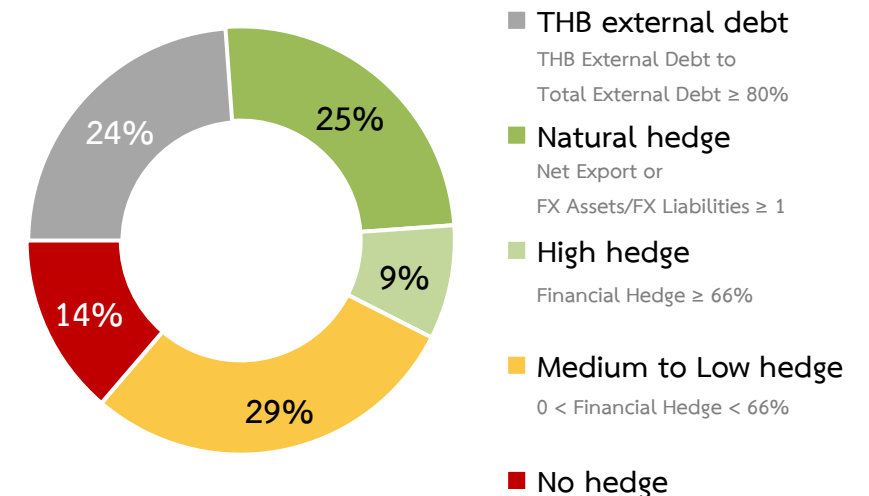
NFC external debt by maturity



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



Share of NFC external debt by FX hedging ratio

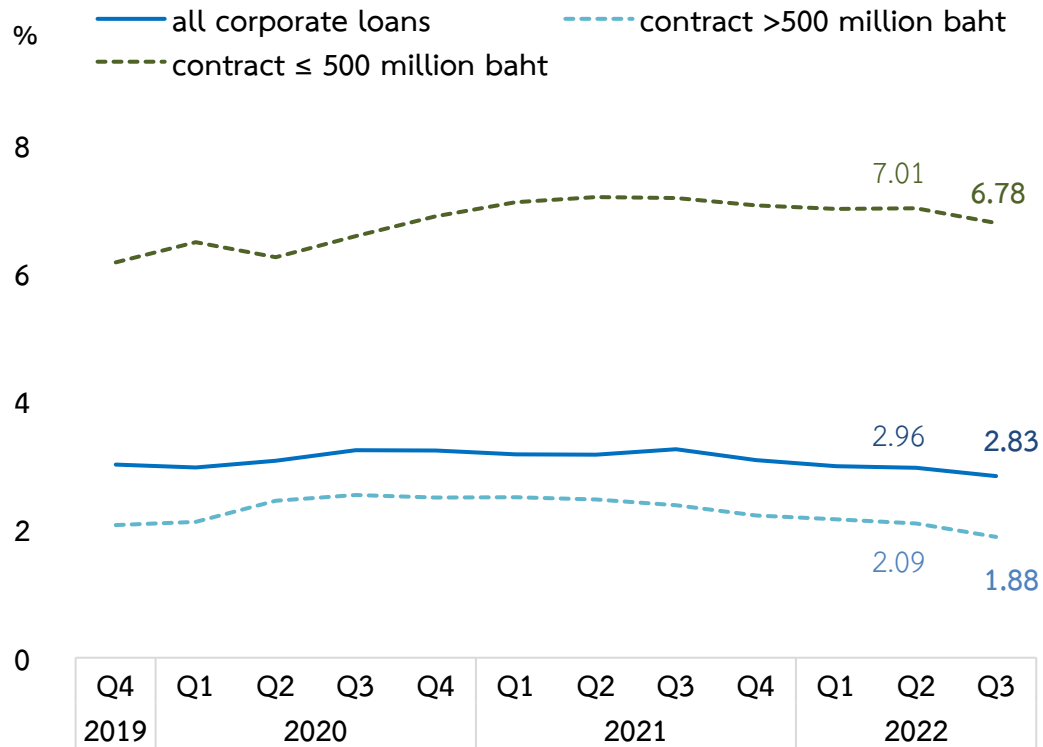


Notes: 1/ NFC: non-financial corporate 2/ Share is computed as weighted-average outstanding external debt of 700 firms

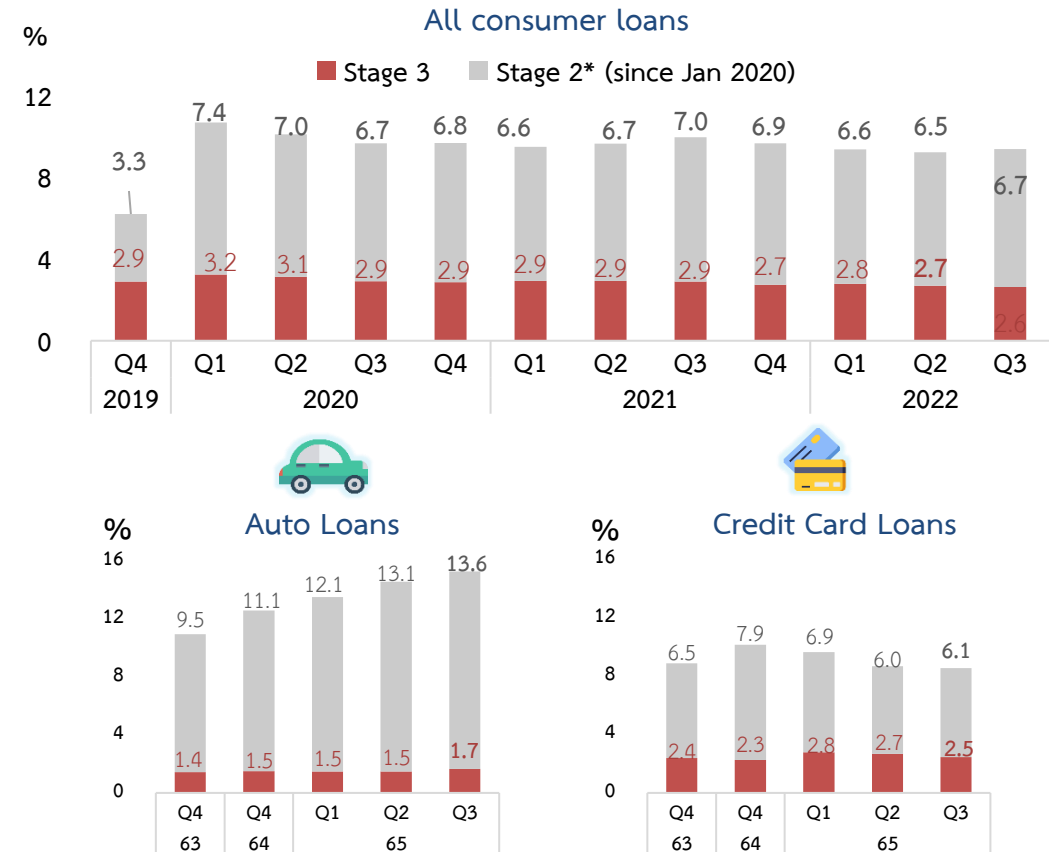
Source: Bank of Thailand (as of Q2/2022)

Financial stability remains sound overall but debt serviceability of SMEs and vulnerable households must continue to be monitored

Stage 3 (NPL) corporate loans by contract size



Stage 3 (NPL) and Stage 2 consumer loans



Note: Stage 2 loans are loans with significant increase in credit risk, which covers a broader set of loans than the Special Mentioned category from pre-TFRS 9 loan classification.

Source: BOT

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

Gradual and measured monetary policy normalization to ensure stable economic growth in the long run

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.