



No. 16/2023

Monetary Policy Committee's Decision 2/2023

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 29 March 2023 as follows.

**The Committee voted unanimously to raise the policy rate by 0.25 percentage point from 1.50 to 1.75 percent, effective immediately.**

The Thai economy should continue to expand, driven mainly by tourism and private consumption. Exports of goods are recovering and expected to gain strength in the second half of this year. However, the global economic uncertainty has increased, in part from persistent inflationary pressures and episodes of banking stresses in advanced economies. Headline inflation would likely return to the target range in the middle of the year, but core inflation remains elevated with upside risks from higher cost pass-through and demand pressures. The Committee deems a continuation of gradual policy normalization to be appropriate in light of the growth and inflation outlook, and voted to raise the policy rate by 0.25 percentage point at this meeting.

The Committee projects the economic growth to be 3.6 and 3.8 percent in 2023 and 2024, respectively. A key impetus is the broad-based recovery in tourism, which should promote employment and labor income, in turn sustaining private consumption. Meanwhile, merchandise exports show signs of rebounding after contracting at the end of last year, and should gather momentum in the second half of this year. However, persistently high inflation and banking stresses in some advanced economies pose risks to the global economic outlook.

Headline inflation would likely return to the target range by mid-2023, and is projected to decline to 2.9 and 2.4 percent in 2023 and 2024, respectively. Easing supply-side pressures, notably from electricity and oil prices, are key contributing factors. Core inflation is projected to fall to 2.4 and 2.0 percent in 2023 and 2024, respectively. However, persistently high inflation remains a risk, as producers could pass on higher costs absorbed in the past and demand-side pressures could pick up as the recovery gains traction. The Committee will continue to closely monitor price developments.

The overall financial system remains resilient. Recent banking stresses in some advanced economies have not had a significant impact on the Thai financial system, as Thai financial institutions and corporations have limited linkages with the troubled banks and risky assets. Moreover, financial institutions maintain high levels of capital and loan loss provision. However, as the situation remains fluid and uncertain, there is a need to closely monitor the developments and continuously assess potential impact on Thailand's



financial stability. As for households and businesses, the ongoing economic recovery has improved debt serviceability. Financial fragilities nonetheless remain for some SMEs and certain households exposed to rising living costs and higher debt burden. The Committee agrees that financial institutions should continue to press ahead with debt restructuring and deems it important to have in place targeted measures and sustainable debt resolution for vulnerable groups.

Overall financial conditions remain accommodative, tightening somewhat from higher private sector funding costs consistent with the policy interest rate. On balance, financial conditions are supportive of the ongoing recovery and mobilization of funds by the private sector. The baht continues to fluctuate against the US dollar, driven by the Federal Reserve's uncertain policy outlook and financial market volatility induced by banking stresses in advanced economies. The Committee is closely monitoring developments in the financial market and any impact on the domestic financial market including the exchange rate.

Under the prevailing monetary policy framework, the Committee seeks to maintain price stability, support sustainable growth in line with potential, and preserve financial stability. In view of these objectives, the Committee judges the broad contour of economic recovery to be on track with some upside risks to inflation stemming from demand pressures. The Committee thus decided to increase the policy interest rate to normalize the monetary policy stance in a gradual and measured manner toward a level consistent with long-term sustainable growth. The Committee is prepared to adjust the size and timing of policy normalization should the evolving growth and inflation outlook differ from the current assessment.

Bank of Thailand  
29 March 2023

Monetary Policy Strategy Office  
Tel: +66 2283 6186, +66 2356 7872  
E-mail: [MPSO@bot.or.th](mailto:MPSO@bot.or.th)



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# **Press Conference**

## **Monetary Policy Committee's Decision 2/2023**

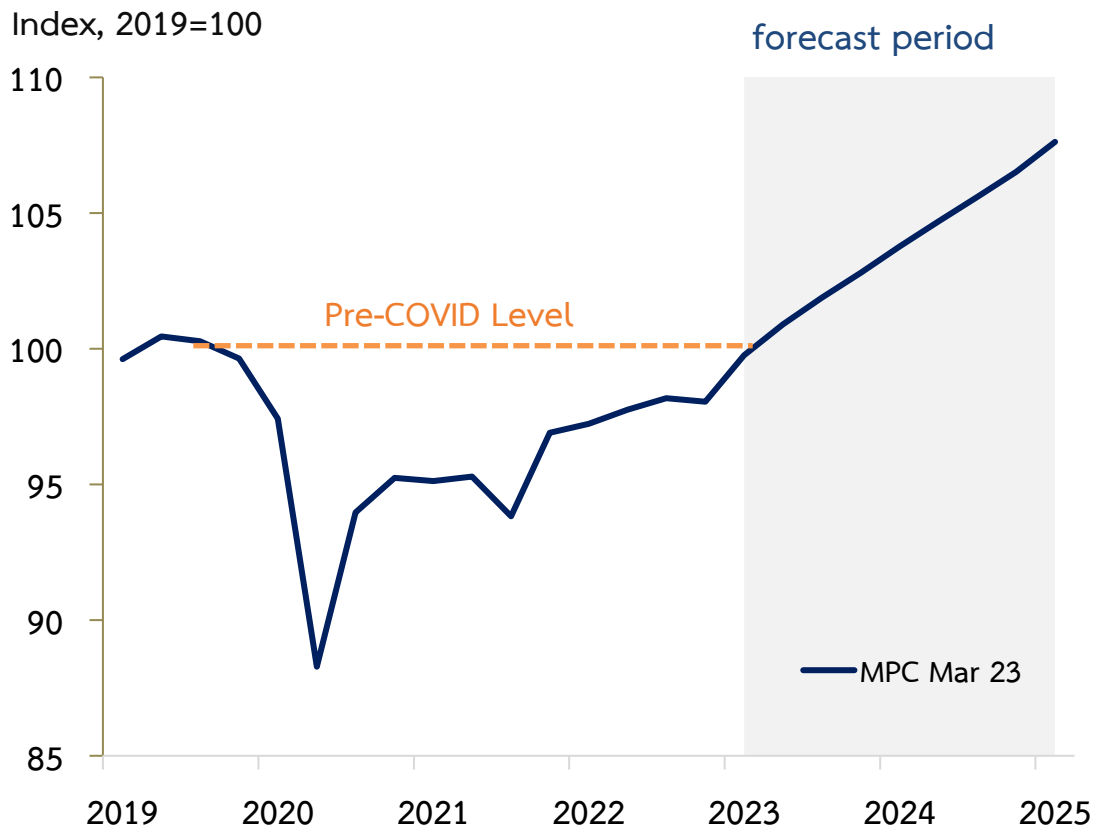
**29 March 2023**

**Piti Disyatat**

Assistant Governor, Monetary Policy Group

# Thai economy should continue to expand, while exports show signs of rebounding after contracting in Q4/22

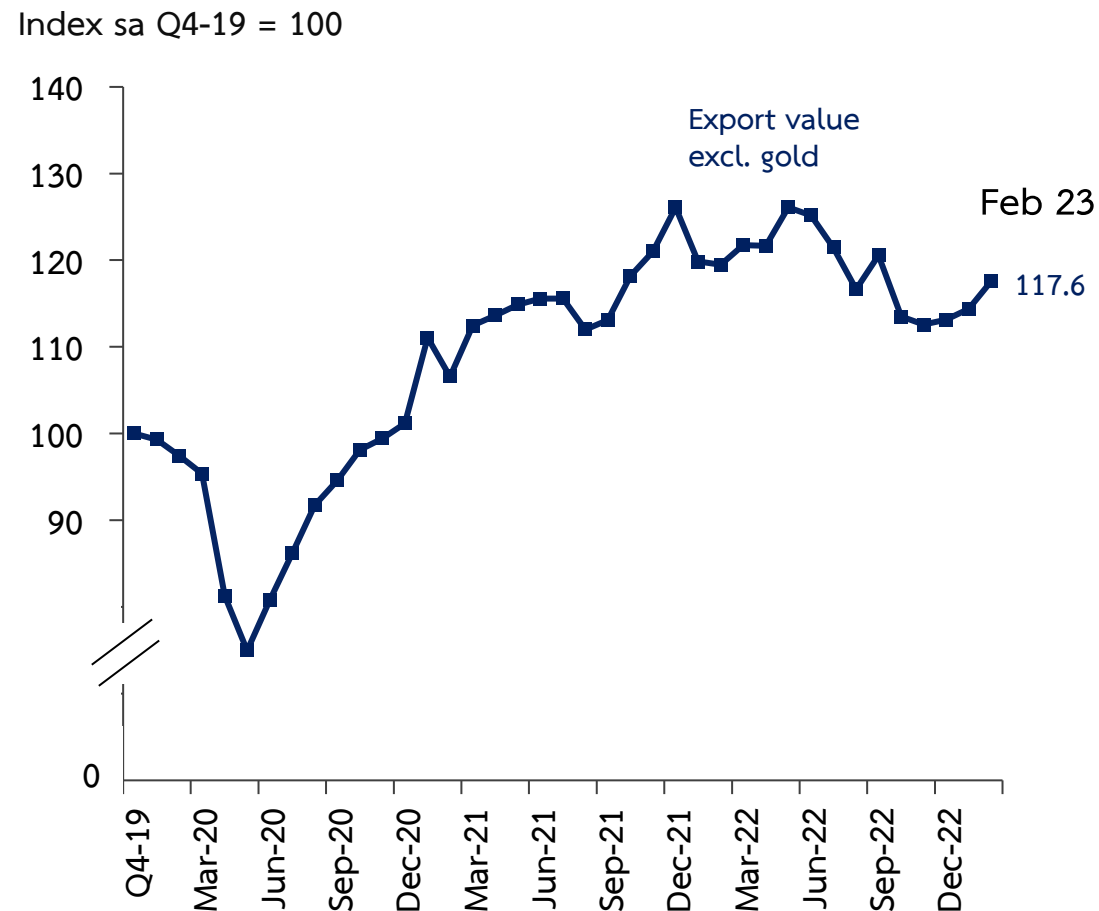
## Real GDP



%YoY	2022	2023	2024
Mar23 (Nov22)	2.6	3.6 (3.7)	3.8 (3.9)

Note: BOT forecast as of 29 Mar 2023

## Merchandise Exports Value Indices

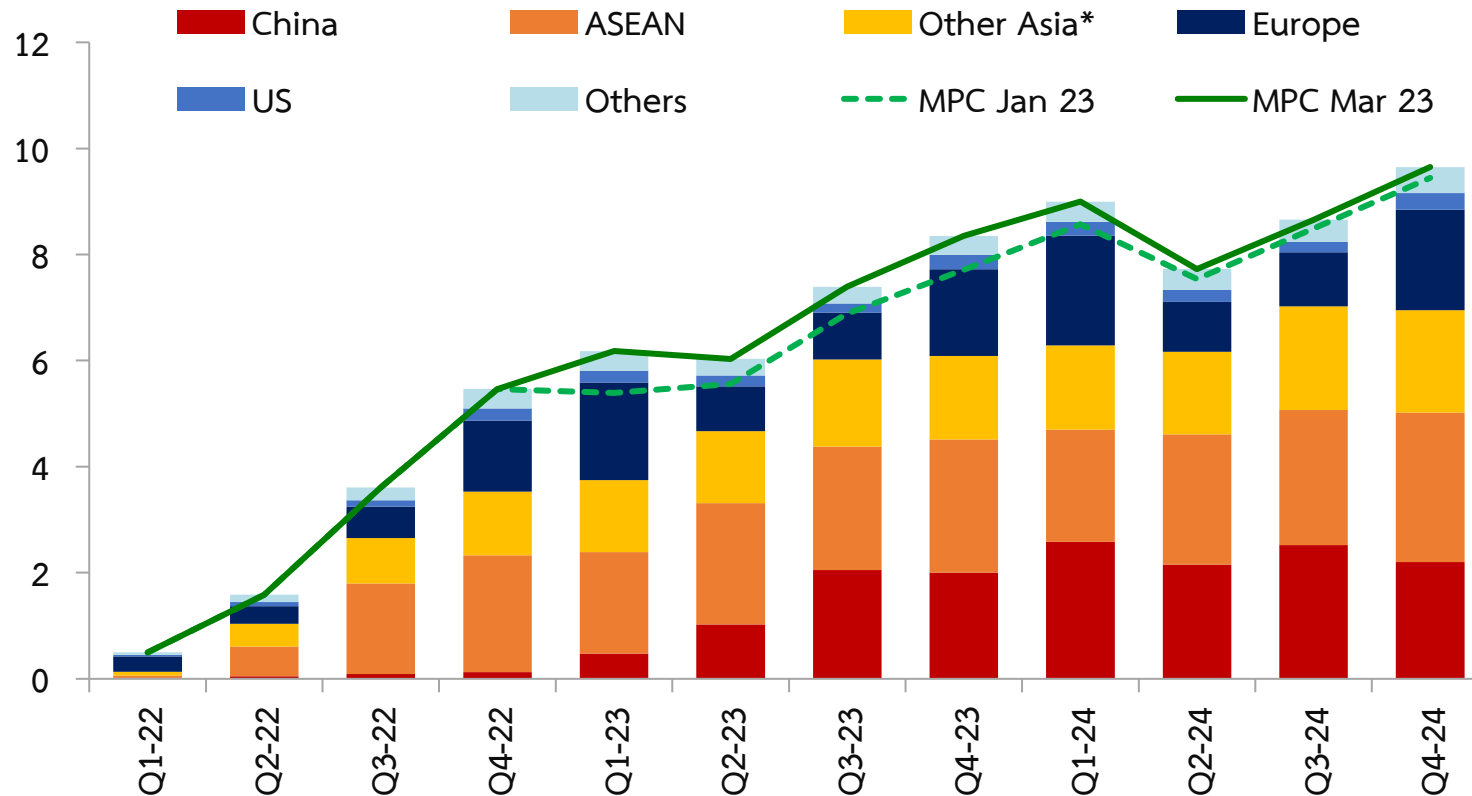


Source: BOT

# Foreign tourists should continue to increase for all nationalities

## Projection of foreign tourist arrivals by nationality

Million persons



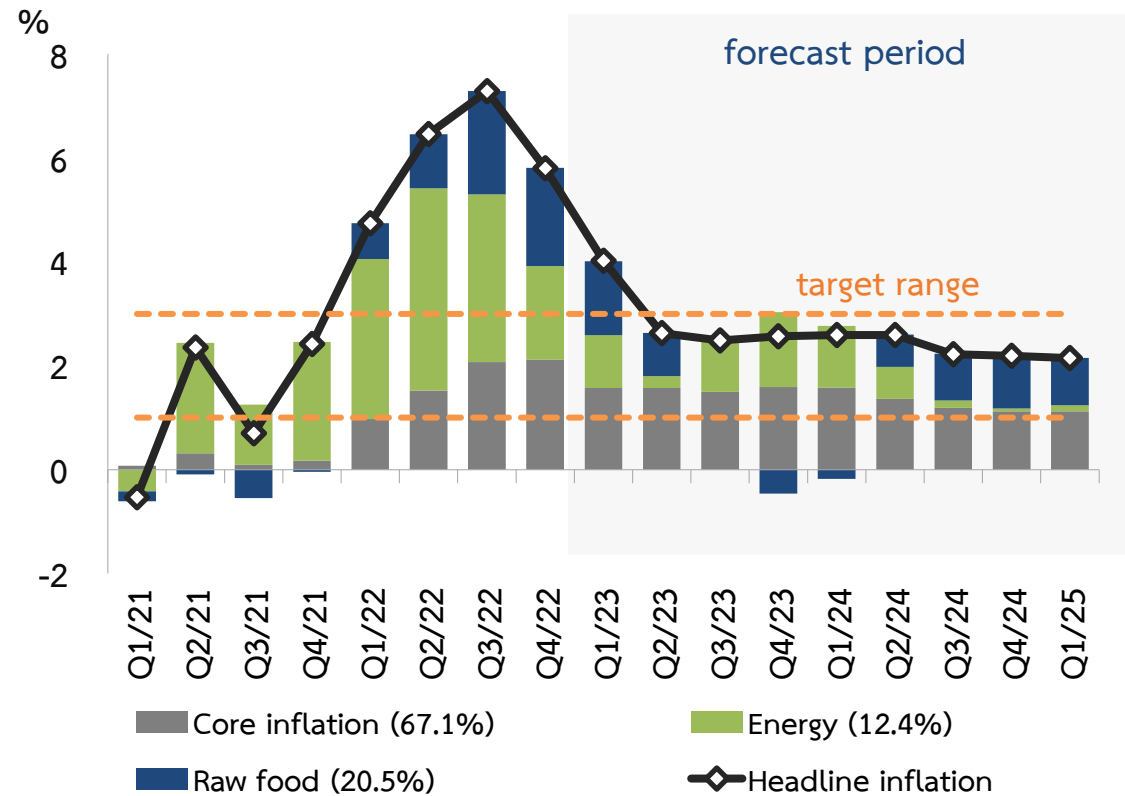
Million persons	2022	2023	2024
Mar23	11.2	28.0	35.0
Jan23	11.2	25.5	34.0
Change		↑2.5	↑1.0

Note: \* including Middle East

Source: Ministry of Tourism and Sports, forecasts by BOT

# Inflation declined but upside risks remain

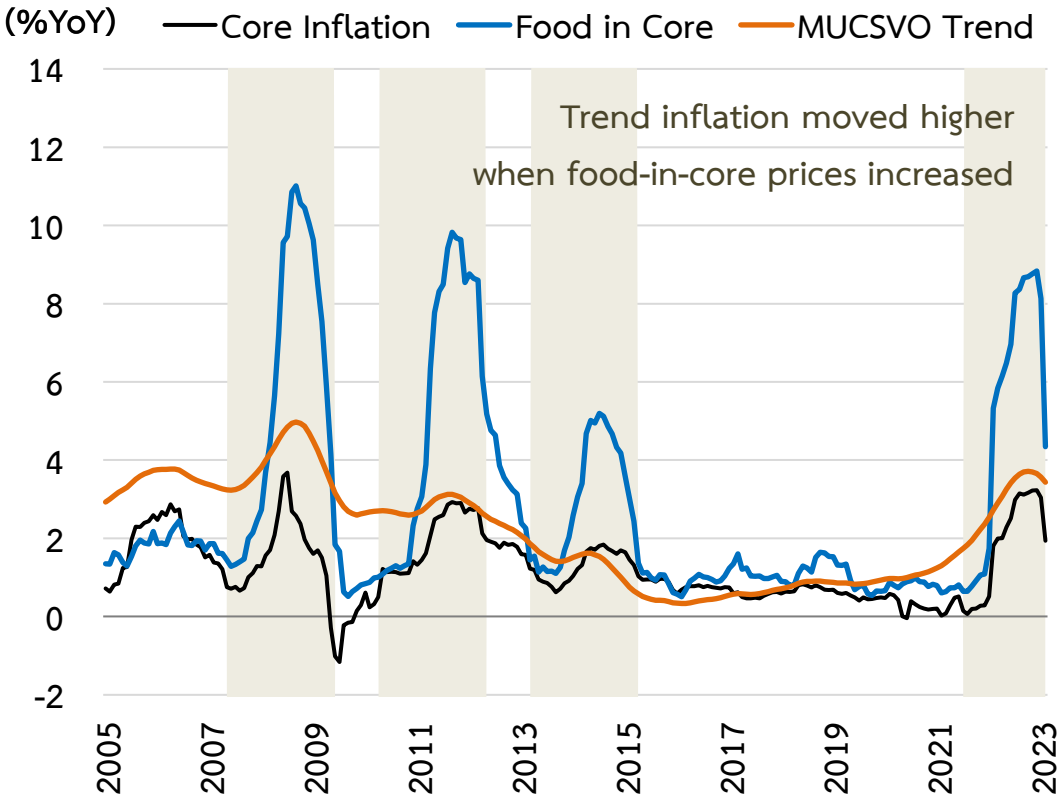
Contribution to headline inflation



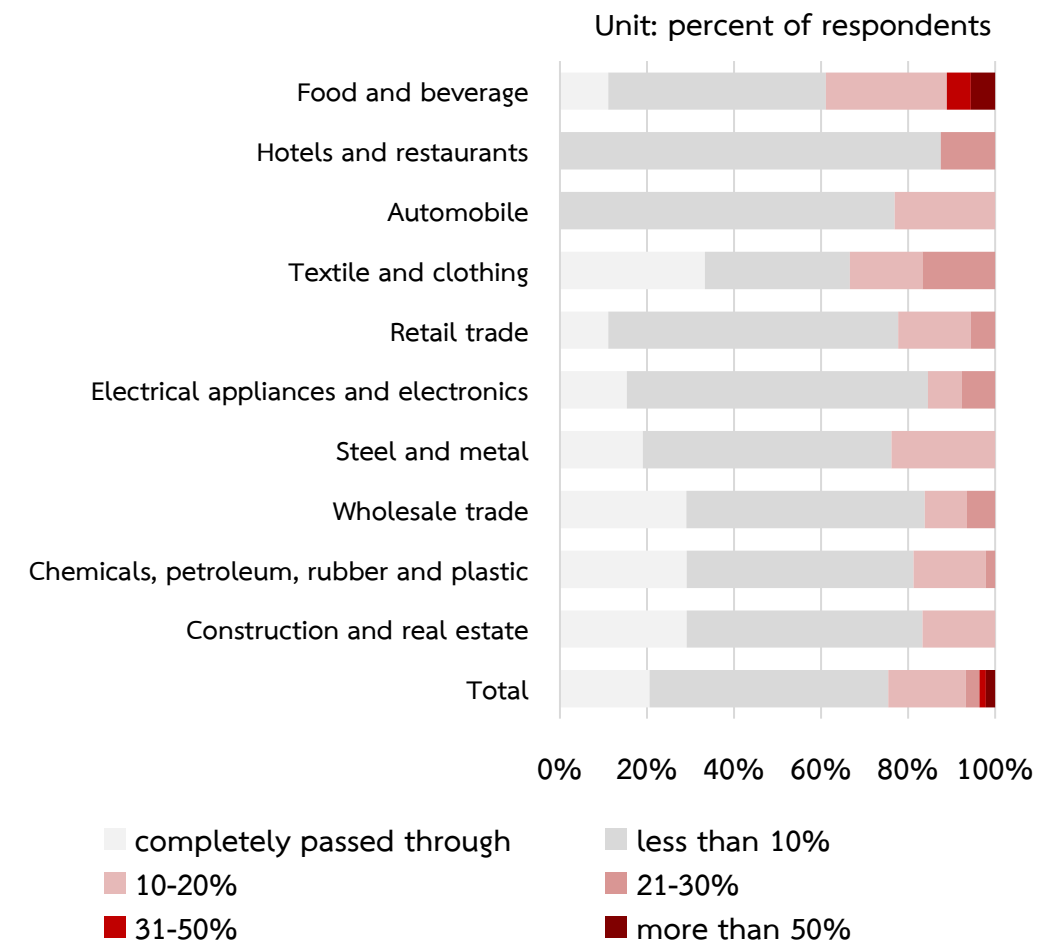
Note: ( ) denotes share in CPI basket  
Source: Ministry of Commerce,  
calculations and forecasts by BOT  
as of Mar 2023

%YoY	2022	2023	2024
Mar 23 (Nov 22)			
Headline	6.1	2.9 (3.0)	2.4 (2.1)
Core	2.5	2.4 (2.5)	2.0 (2.0)

Core inflation and trend inflation



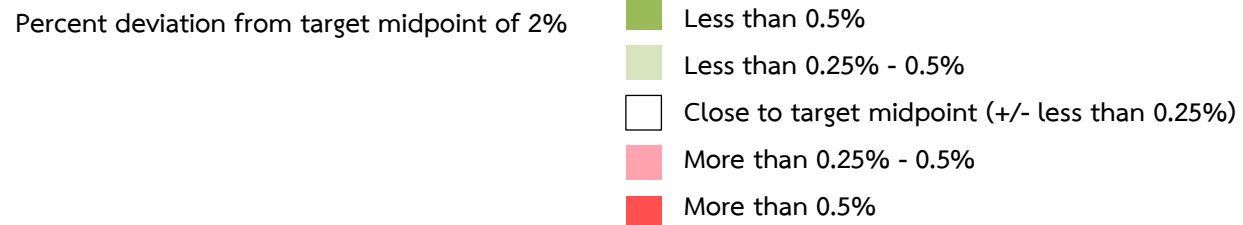
## Producers could pass on higher costs absorbed in the past



Source: Business Liaison Program special surveys conducted in Mar 23 with 340 responses

## Most underlying inflation indicators remain elevated

	2022												2023	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Core CPI	0.5	1.8	2.0	2.0	2.3	2.5	3.0	3.2	3.1	3.2	3.2	3.2	3.0	1.9
Core CPI (ex rent & subsidies)	0.7	2.2	2.4	2.6	2.8	3.0	3.6	3.7	3.8	3.9	4.0	4.0	3.8	2.3
Symmetric trimmed mean CPI	1.2	2.1	2.4	2.4	3.2	3.7	4.0	4.2	4.2	4.2	4.1	4.2	3.7	2.9
Sticky price CPI	0.5	2.4	2.8	2.7	3.2	3.5	4.2	4.7	4.6	4.7	4.9	4.9	4.6	3.1
Common CPI	0.9	1.7	1.8	2.2	2.5	2.8	3.2	3.6	3.7	3.8	4.1	4.3	4.3	3.8
MUCSVO Trend	2.9			3.4			3.8			3.2				



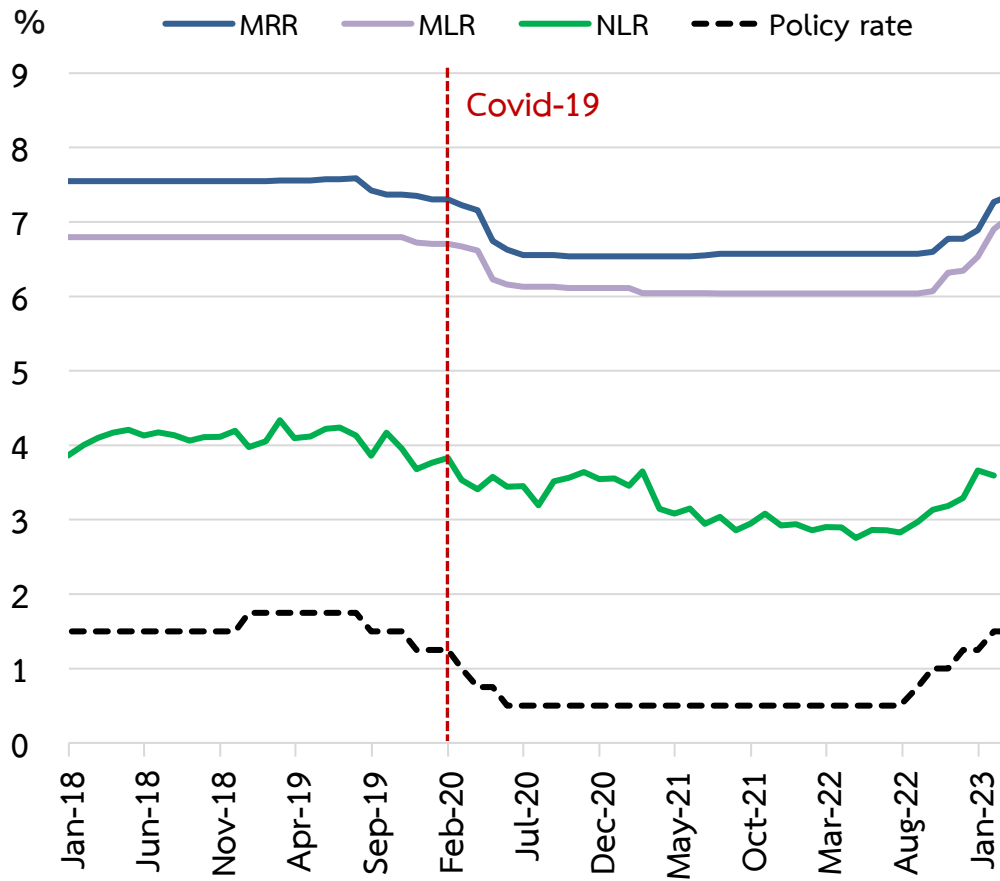
Note: %YoY is calculated on a monthly basis except MUCSVO which is calculated on a quarterly basis from goods and services prices in 10 categories

Source: Ministry of Commerce, calculations by BOT

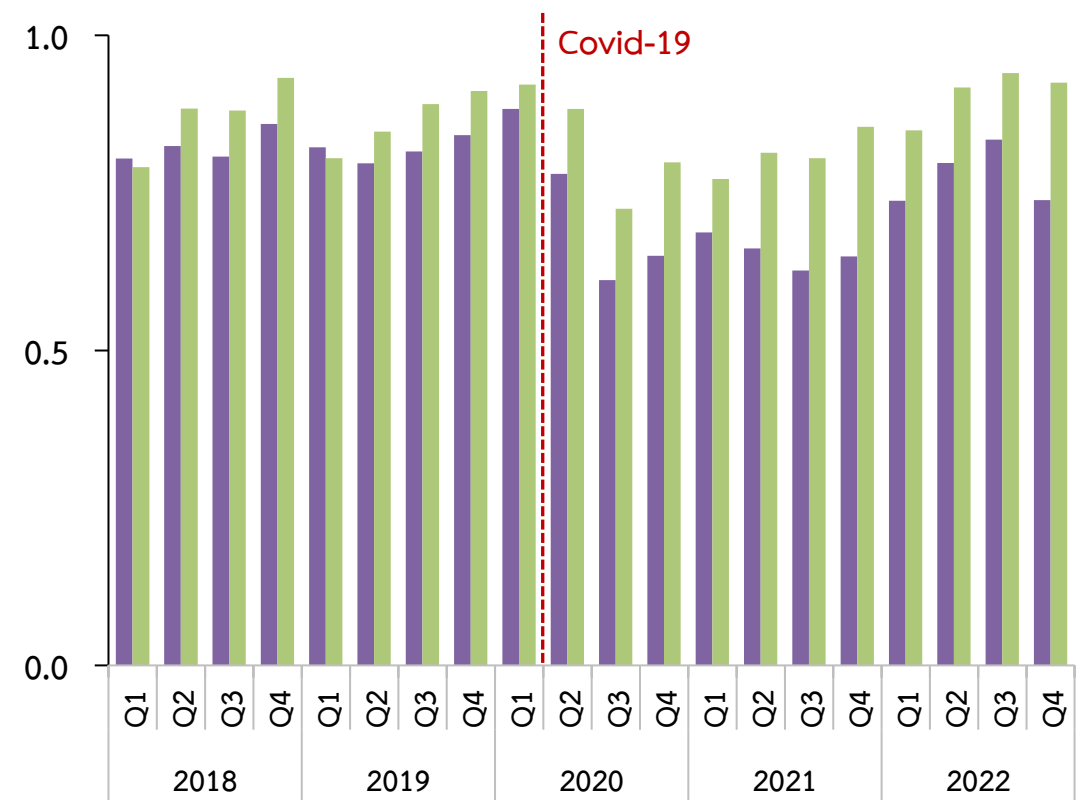
# Despite higher funding costs, overall financial conditions remain accommodative for private-sector financing

Bank lending rates have increased but are still close to Pre-COVID levels

Business loans, esp. to trade and services sector, continue to expand



Trillion baht Manufacturing (41.8%) Trade and services (47.2%)



Note: Minimum loan rate (MLR) refers to the interest rate at which a bank charges its creditworthy major borrowers;  
Minimum retail rate (MRR) refers to the interest rate at which a bank charges its creditworthy retail borrowers;  
New loan rate (NLR) is the contract-amount weighted average of interest rates on new loans

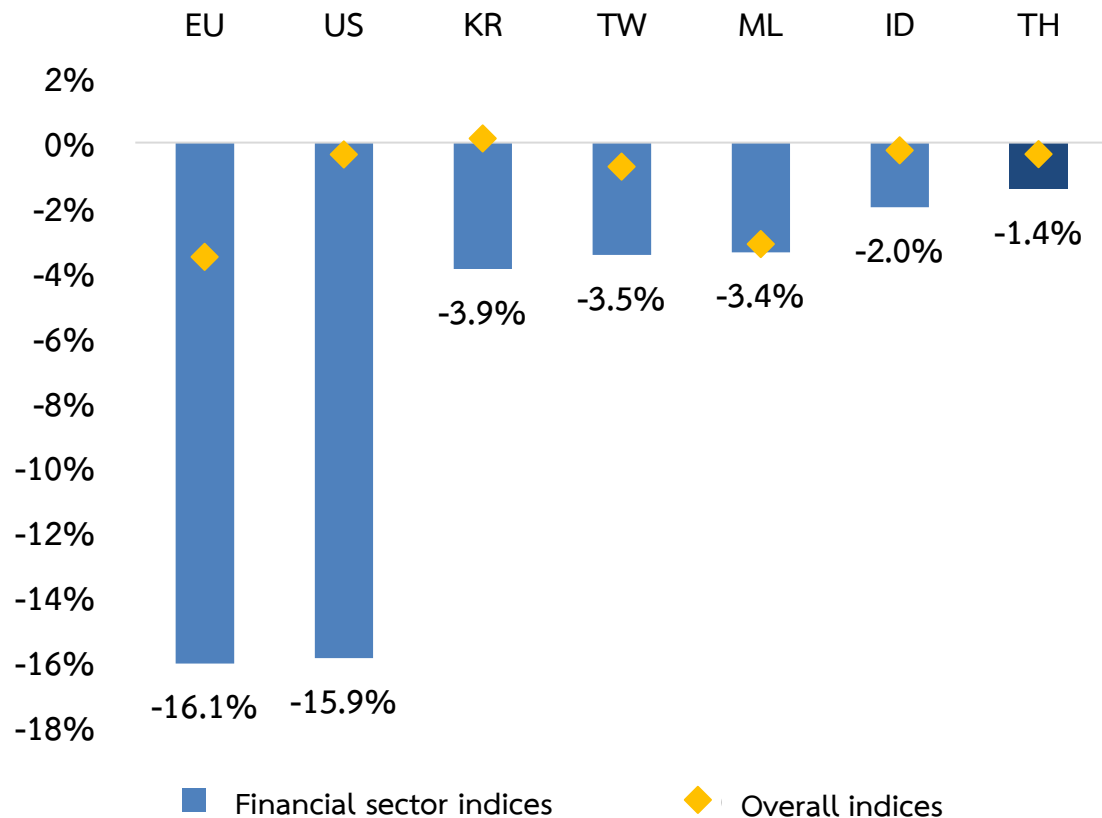
Note: ( ) denotes each sector's share to total new loan  
other sectors include Agriculture (0.7%) and others (10.3%) e.g. Utilities

Source: MLR and MRR are averages of Thai commercial banks' rates; NLR calculated by BOT



# Recent banking stresses have not had a significant impact on the Thai financial system, but there remains a need to closely monitor the developments

## Change in stock indices (8 Mar to date)



Note: Financial Sector index of EU US and TH excludes Insurance

Source: Bloomberg data as of 28 Mar 2023, except for EU and US with data as of 27 Mar 2023

## Uncertainty warrants close monitoring on the developments

No significant impact on the Thai financial system to date

### Banking sector

Banking system remains resilient<sup>1/</sup>

- Capital (BIS ratio) 19.4%<sup>2/</sup>
- Liquidity (LCR) 197.3%
- NPL coverage ratio 171.9%

The share of foreign assets to total assets is negligible  
with low exposure to the troubled assets

### Capital market

The share of investment position related to the troubled assets is at low level for all investor types

Note: 1/ data at the end of 2022

2/ higher than the minimum requirement at 8.5%, mainly from Common Equity Tier 1 capital (CET1)

## Key factors to monitor

1. Inflation could remain high for longer than expected
  - Producers could pass on higher costs absorbed in the past
  - Demand-side pressures could pick up as the recovery gains traction
2. Heightened uncertainty surrounding global economic outlook
  - Inflation outlook and monetary policy stance in advanced economies
  - Banking stresses in some advanced economies

Recovery on track with upside inflation risks from demand side.  
Continued policy normalization remains appropriate given growth and inflation outlook.

The Committee voted unanimously to raise the policy rate  
by 0.25 percentage point from 1.50 to 1.75 percent at this meeting

The Committee is prepared to adjust the size and timing of policy normalization  
should the growth and inflation outlook differ from the current assessment



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## Macroeconomic projection as of Mar 2023

Annual percentage change	2022*	2023	2024
GDP growth	2.6	3.6 (3.7)	3.8 (3.9)
Domestic demand	4.1	2.5 (2.4)	3.3 (3.2)
Private consumption	6.3	4.0 (3.4)	3.1 (3.2)
Private investment	5.1	2.1 (3.4)	4.8 (4.0)
Government consumption	0.0	-2.2 (-1.4)	1.1 (0.8)
Public investment	-4.9	3.7 (1.8)	7.8 (7.0)
Exports of goods and services	6.8	6.8 (7.0)	7.4 (6.6)
Imports of goods and services	4.1	1.4 (3.0)	5.5 (4.7)
Current account (billion, U.S. dollars)	-16.9	4.0 (3.8)	12.5 (12.2)
Value of merchandise exports (%YoY)	5.5	-0.7 (1.0)	4.3 (2.6)
Value of merchandise imports (%YoY)	15.3	1.2 (0.4)	4.2 (3.3)
Number of foreign tourists (million persons)	11.2	28.0 (22.0)	35.0 (31.5)
Dubai crude oil price (U.S. dollar per barrel)	96.4	86.0 (95.0)	90.0 (90.0)
Headline inflation	6.1	2.9 (3.0)	2.4 (2.1)
Core inflation	2.5	2.4 (2.5)	2.0 (2.0)

Notes:       \* Outturn

( ) Previous projection in Monetary Policy Report Nov 2022