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Monetary Policy Committee's Decision 3/2024

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 12 June 2024 as follows.

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 continues to expand, driven mainly by domestic demand and tourism. Export growth remains subdued as some merchandises are facing additional pressures from higher competition. Inflation is projected to gradually increase towards the target range since the fourth quarter of 2024. The majority of the Committee deems that the current policy interest rate is consistent with the economy converging to its potential, as well as conducive to safeguarding macro-financial stability. Most members thus voted to maintain the policy rate at this meeting. One member voted to cut the policy rate by 0.25 percentage point to reflect Thailand's lower potential growth as a result of structural challenges, and to partly alleviate debt-servicing burden for borrowers.

The Thai economy is projected to expand by 2.6 and 3.0 percent in 2024 and 2025, respectively. This year's economic growth is driven by (1) stronger-than-expected domestic demand in the first quarter, (2) continued recovery in tourism, and (3) acceleration in government disbursement during the second quarter. Meanwhile, exports will continue to grow at a subdued level, reflecting structural headwinds particularly deteriorating competitiveness. Additionally, certain merchandises, especially in the automotive sector, face increasing pressures from the slowdown in foreign demand. Going forward, uncertainties surrounding exports and manufacturing recovery as well as the impact from government stimulus measures should be monitored in the second half of the year.

Headline inflation is projected at 0.6 and 1.3 percent for 2024 and 2025, respectively. Meanwhile, core inflation is forecasted at 0.5 and 0.9 percent for 2024 and 2025, respectively. Inflation has turned positive and is expected to increase, as the effects from domestic diesel price subsidy and excess supply of certain raw food items are gradually



phased out. Overall, headline inflation is anticipated to gradually return to target range by the fourth quarter of 2024 onwards, with medium-term inflation expectations remaining consistent with the target.

Overall financial conditions remain stable. The baht depreciated against the US dollar, primarily influenced by the Federal Reserve's monetary policy outlook and domestic developments. Meanwhile, Thai government bond yields increased somewhat following adjustments in market's expectations on Thailand's monetary policy. Private sector funding costs via commercial banks remained largely unchanged. Overall loans outstanding of businesses expanded, while those of households expanded at a slower pace driven by hire purchase and credit card loans as credit quality deteriorated.

The Committee expresses concerns over the high level of household debt, and views that credit growth should be consistent with the on-going debt deleveraging to foster long-term financial stability. Thus, the Committee supports the Bank of Thailand's policy of implementing measures through financial institutions to align lending with borrowers' debt repayment capacity, coupled with debt restructuring to assist debtors with repayment difficulties. Moreover, the Committee recognizes the importance of addressing credit access issues, particularly for SMEs, and therefore supports targeted measures such as credit guarantee schemes. These measures will help increase credit access for SMEs which is necessary for economic growth.

The prevailing monetary policy framework seeks to maintain price stability, support sustainable growth, and preserve financial stability. Most Committee members deem that the policy rate remains consistent with improving growth and inflation outlook, while fostering macro-financial stability in the longer term. However, it remains essential to monitor economic developments, especially the recovery of exports and government measures. The Committee will take into account growth and inflation outlook in deliberating monetary policy going forward.

Bank of Thailand
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