



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

# Press Conference

## Monetary Policy Committee's Decision 1/2025

26 February 2025

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Assistant Governor, Monetary Policy Group



The Committee voted 6 to 1 to cut the policy rate by 0.25 percentage point to 2.00 percent.  
One member voted to maintain the policy rate.

- The Thai economy is projected to expand slower than anticipated, owing to structural impediments in manufacturing production as well as competition from imported goods, despite support from domestic demand and tourism. The economy is also subject to heightened risks from trade policies of major economies.
- Inflation is expected to be close to the previous assessment. The stable low inflation rate, driven by supply factors, is not indicative of future deflation but instead helps alleviate high costs of living and business expenses.
- Financial conditions remain tightened. However, there remains a need to monitor the outlook of loan growth and credit quality of SMEs and vulnerable households, as well as implications for economic activities.

Most Committee members voted to cut the policy rate in this meeting to align financial conditions with the economic and inflation outlook as well as financial stability, and to better cope with increasing downside risks to the economy.

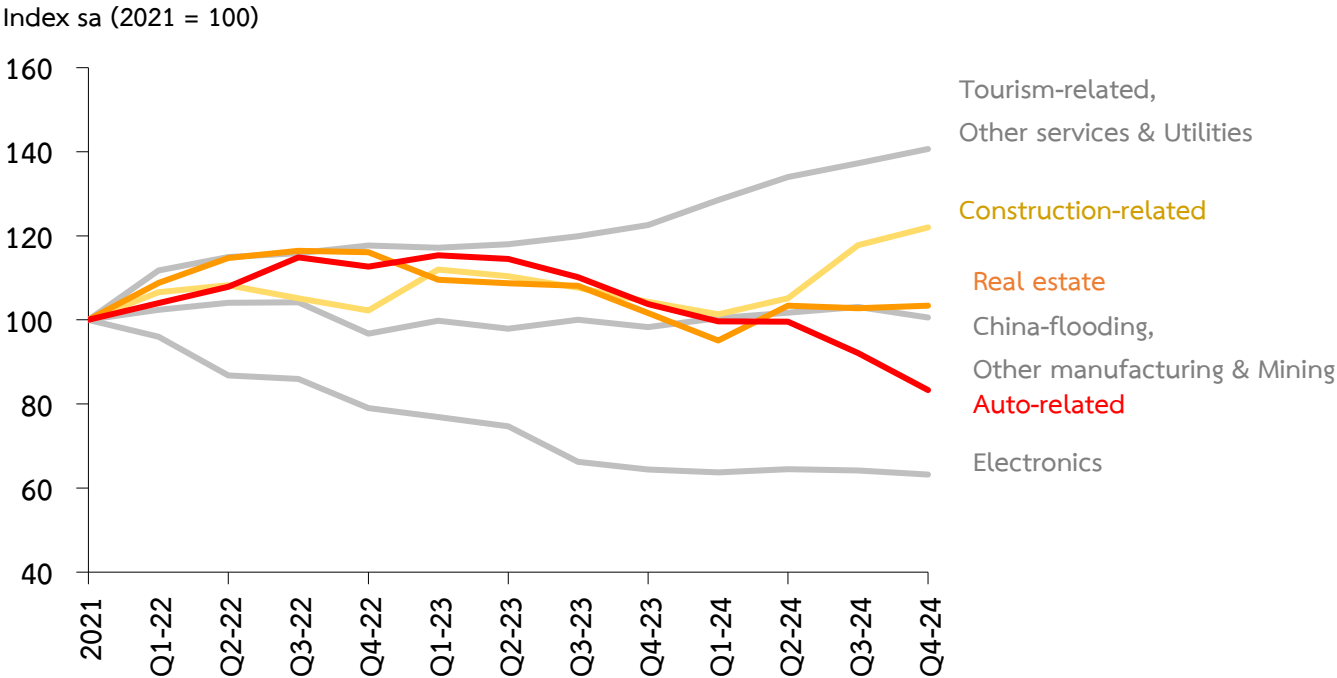
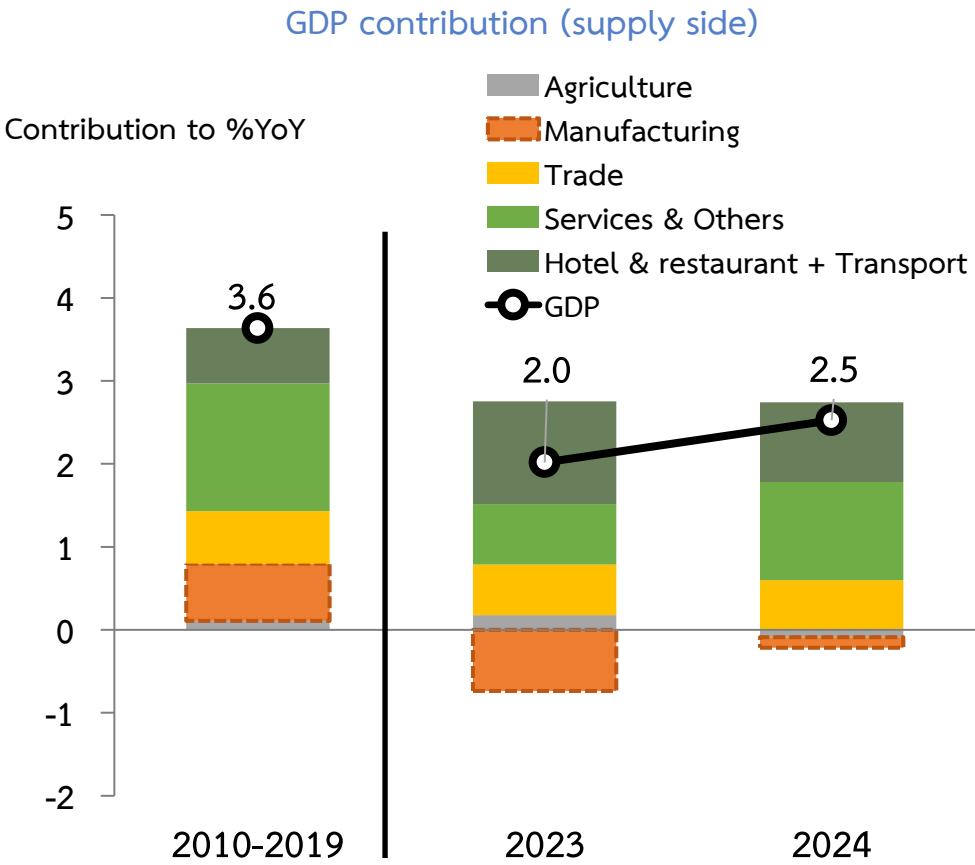
One member voted to maintain the policy rate due to greater emphasis on preserving monetary policy space to deal with heightened uncertainties going forward.



The Thai economy expanded slower than expected,  
weighed down by manufacturing

Manufacturing sector contracted in 2023 and 2024

Economic activity by cluster



**Note:** Economic indicators by clusters are as follow

- (1) Tourism-related and Other services & Utilities are proxied by VAT-based sales per firm
- (2) Construction-related is proxied by average VAT-based sales per firm in construction
- (3) China-flooding, Electronics, Auto-related, Other manufacturing & Mining are proxied by the Manufacturing Production Index (MPI), with Electronics covering only HDD and IC & Semiconductors
- (4) Real Estate is proxied by the number of residential property transfer units

**Source:** Office of Industrial Economics, REIC, calculated by BOT



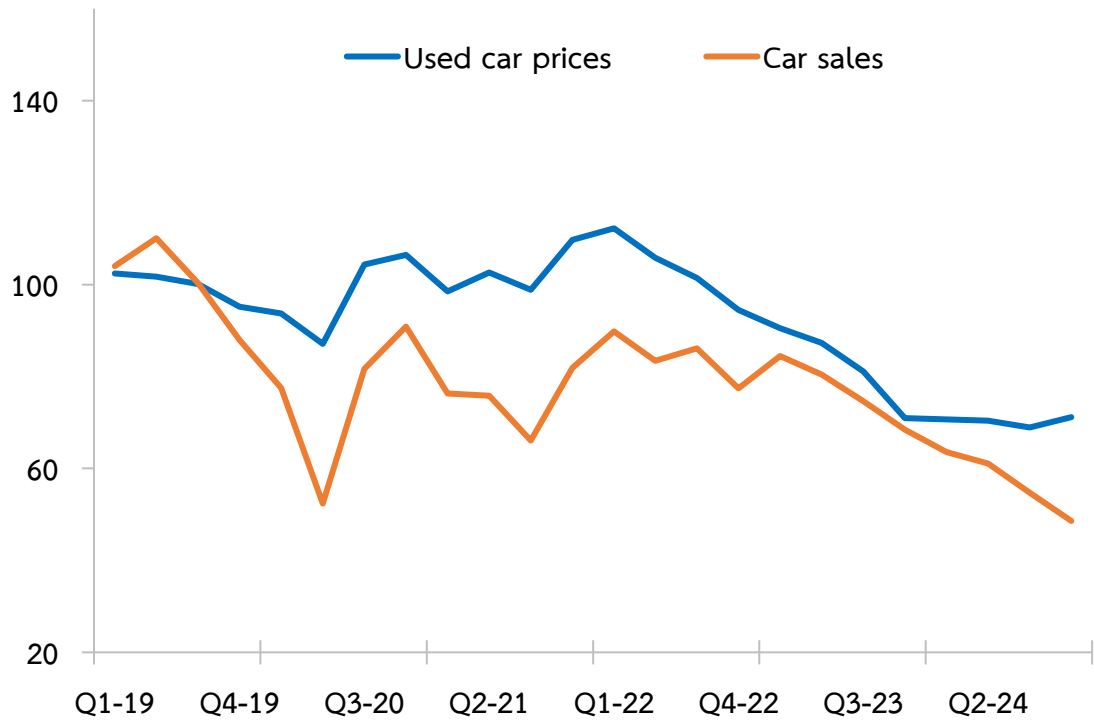
# Manufacturing production continues to face structural problems and intense competition

Manufacturing sector, roughly 10% of GDP, has been pressured by various factors

|             | Sectors in manufacturing                                    | Share in GDP671/ | MPI | Key risk factors   |
|-------------|---|------------------|-----|--|
| 9.6%        | Solid recovery sectors such as food & beverages / petroleum | 9.6              |     | (-) global competition (small electrical appliances)                     |
|             | Improving at-risk sectors                                   | 1.6              |     |  |
| 1.6%        | Steel and metal   | 1.1              |     | global competition   |
|             | HDD   | 0.5              |     | (+) data center (-) substitution by SDD                                  |
| 8.6% of GDP | Slow recovery sectors                                       | 8.4              |     |  |
|             | Automotives   | 2.0              |     | (-) technological changes  |
|             | Chemicals   | 2.2              |     | (-) global competition (petrochemicals)                                  |
|             | Rubber and plastics   | 1.5              |     | (-) global competition (+) EUDR  |
|             | IC & semiconductors   | 1.1              |     | (-) trend AI (+) PCB relocation  |
|             | Construction materials                                      | 0.9              |     | global competition   |
|             | Textiles and apparel  | 0.8              |     | (+) innovative products (-) high wages, no FTA with key trading partners |

Automotive industry is under pressure from specific factors and competition with electric vehicles

Index sa (2019=100)



Note: Car sales include BEV and PHEV  
Source: BOT, The Federation of Thai Industries, calculate by BOT

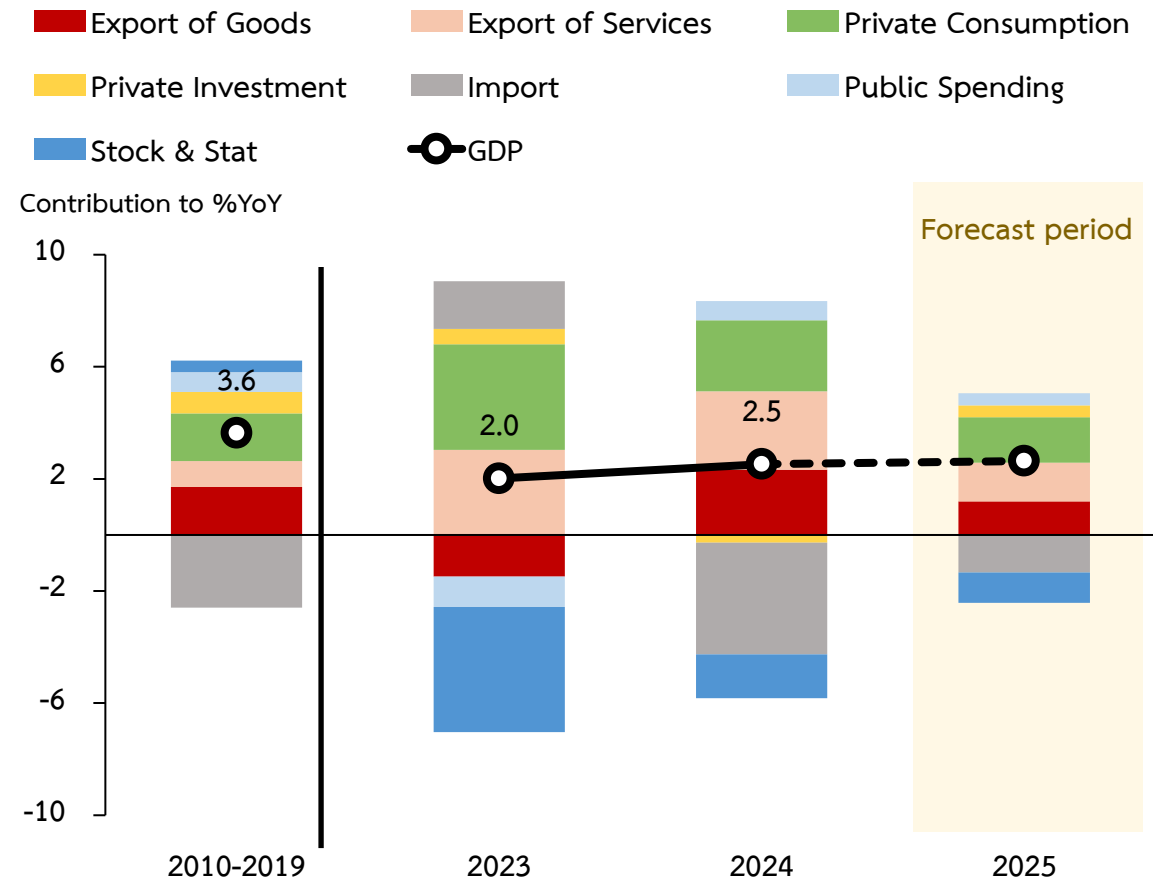
Note: PCB = Printed Circuit Board EUDR = EU Deforestation Regulation which is a legislation on the import of goods contributing to deforestation

Source: Office of Industrial Economics, forecasted by BOT



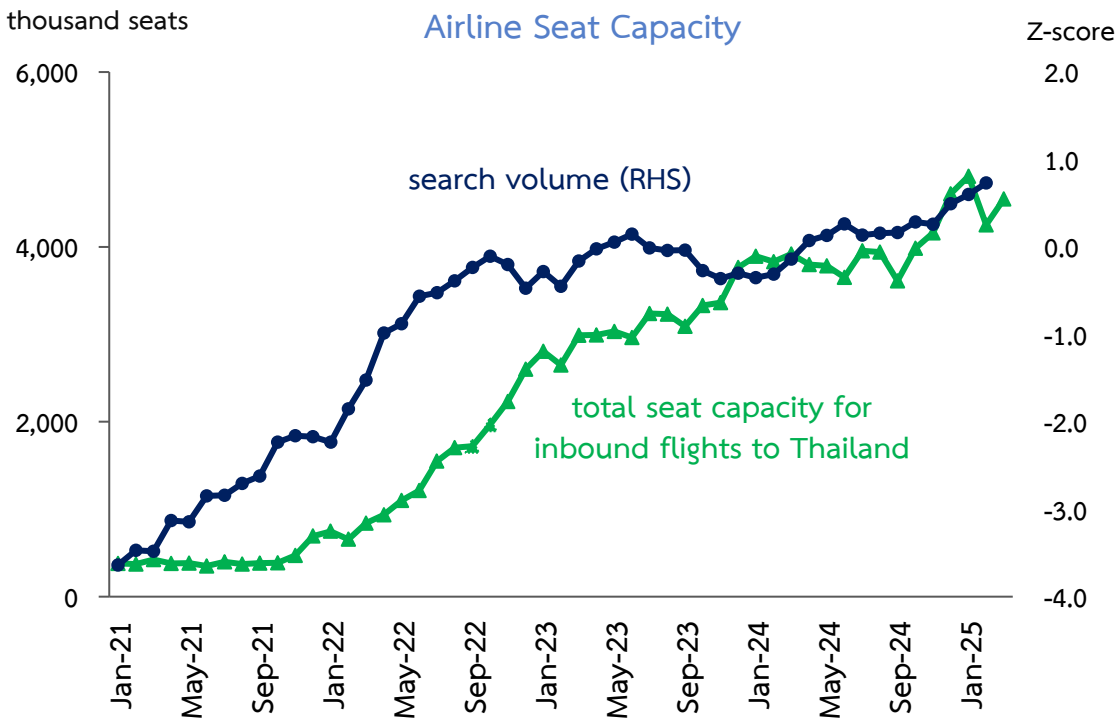
On the demand side, growth composition in 2025 and 2026 are expected to return to historical levels, with tourism remaining a key driver

GDP contribution on demand side



Source: NESDC, BOT forecast

Seat capacity and search volume of terms related to Thailand tourism are continuously improving



**Note:** Google trends index is calculated using 1<sup>st</sup> and 2<sup>nd</sup> common components from the search volume of terms related to Thailand tourism, including (1) hotel and accommodation (2) tourist destination (3) land travel (4) tour services (5) shopping and services (6) weather



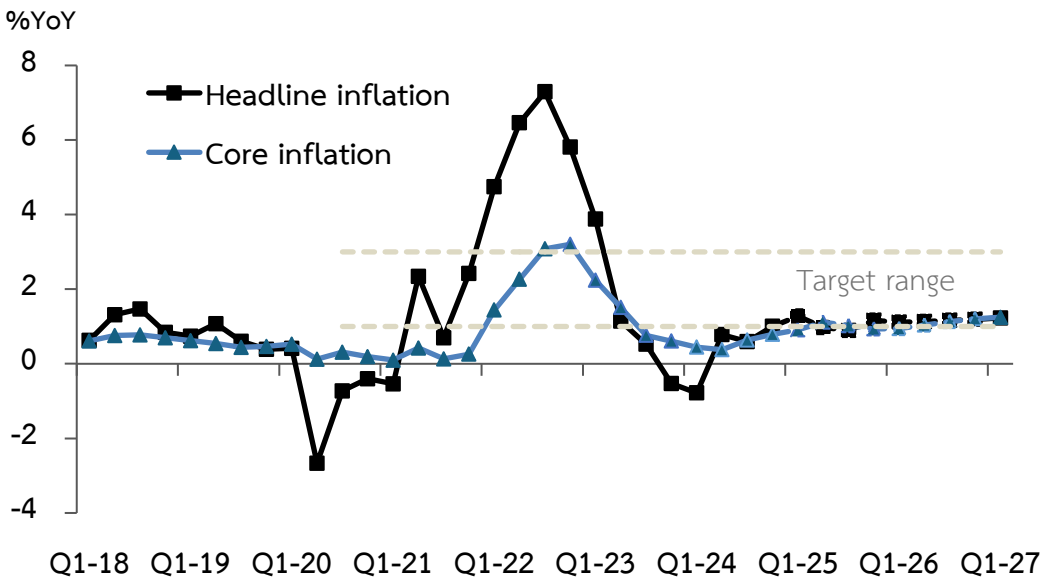
There are downside risks to the Thai economy from global trade policies under high uncertainty

|                | Potential measure  | Effective date    |
|----------------|--|-------------------|
| Trade policy   | Raising the tariff on Chinese goods from 10% to 20%  | Has been enforced |
|                | Impose a 25% tariff on Mexico and Canada   | Mar. 2025         |
|                | Steel and aluminium Tariff   | Mar. 2025         |
|                | Impose reciprocal tariff on numerous trading partners  | Apr. – Oct. 2025  |
|                | Universal tariff   | Still uncertain   |
|                | Retaliatory measures among major economies   | Still uncertain   |
| Other policies | <ul style="list-style-type: none"><li>• Tax policy under the new TCJA plan may be scaled down compared to 2017</li><li>• Foreign policy such as pressuring NATO member countries to pay more, will be detrimental to the economy</li></ul> |                   |



Inflation outlook is consistent with previous assessment

Headline inflation stabilizes  
near lower bound of target range



| Contribution to headline inflation (%) | 5-year historical average | 2024 |
|--|---------------------------|------|
| Headline inflation                     | 1.69                      | 0.40 |
| Raw food                               | 0.52                      | 0.02 |
| Energy                                 | 0.51                      | 0.01 |
| Core inflation                         | 0.65                      | 0.37 |

Source: Ministry of Commerce, calculated by BOT

Low inflation helps alleviate rising cost of living  
following recent high inflation period

Examples of products and prices of essential goods that people regularly consume

| Product               | Price from 5 years ago* (baht) | Current price** (baht) | Change (%) |
|-----------------------|--------------------------------|------------------------|------------|
| Cooking oil (bottle)  | 40                             | 56                     | +40.0      |
| Gasoline 95 (liters)  | 27.7                           | 35.8                   | +29.2      |
| Diesel (liters)       | 26.5                           | 32.9                   | +24.2      |
| Pork loin (kg.)       | 155                            | 192                    | +23.9      |
| Whole chicken (unit)  | 68                             | 80                     | +17.6      |
| LPG (15 kg. cylinder) | 364                            | 423                    | +16.2      |
| Chicken egg (unit)    | 4                              | 4.4                    | +10.0      |

Note: \* average price in 2019, \*\* prices as of Feb 2025

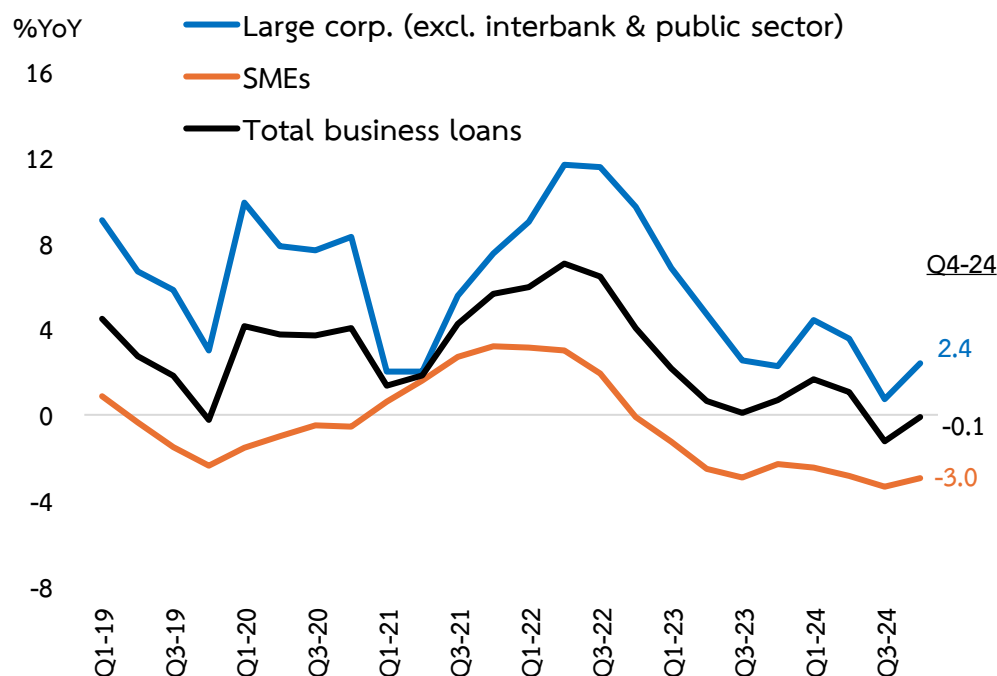
Source: Ministry of Commerce, EPPO, calculated by BOT



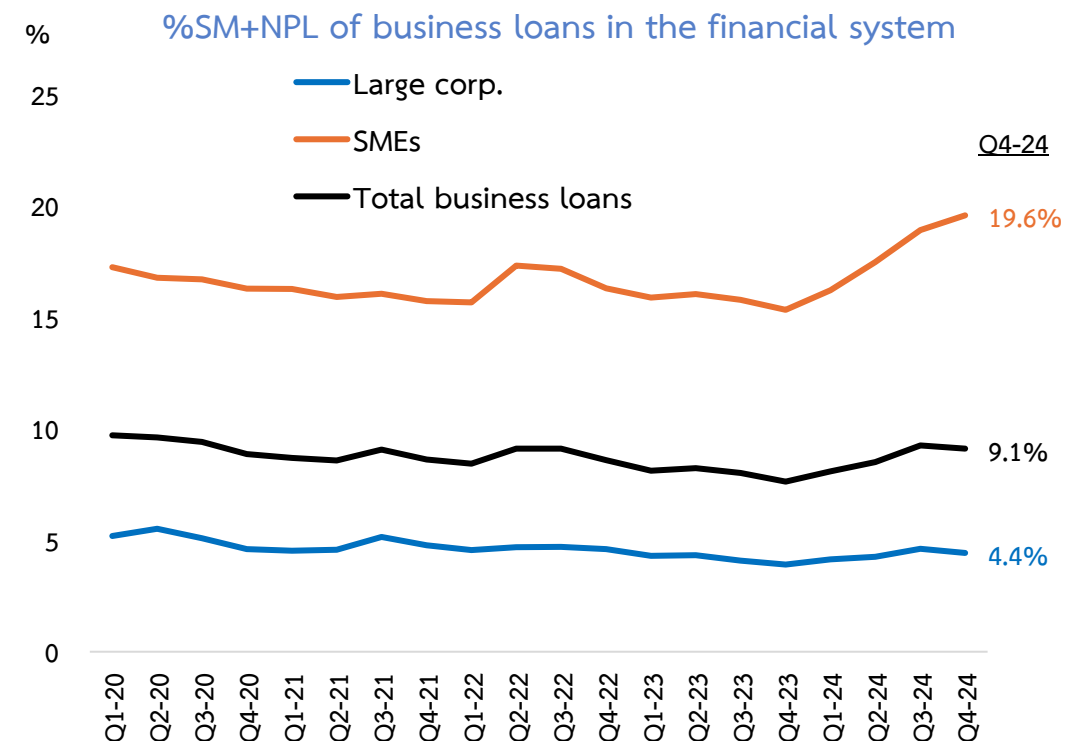
# Financial conditions remain tight but there are signs of stabilization of loan growth and credit quality which should be monitored going forward

SME loans continued to contract  
but large corporate loans slightly improved

Business loan growth in the financial system



Credit quality of SMEs deteriorated



**Note:** (1) The financial system includes commercial banks (and their subsidiaries), SFIs, and non-banks that are under the supervision of the BOT and 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 Dec 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

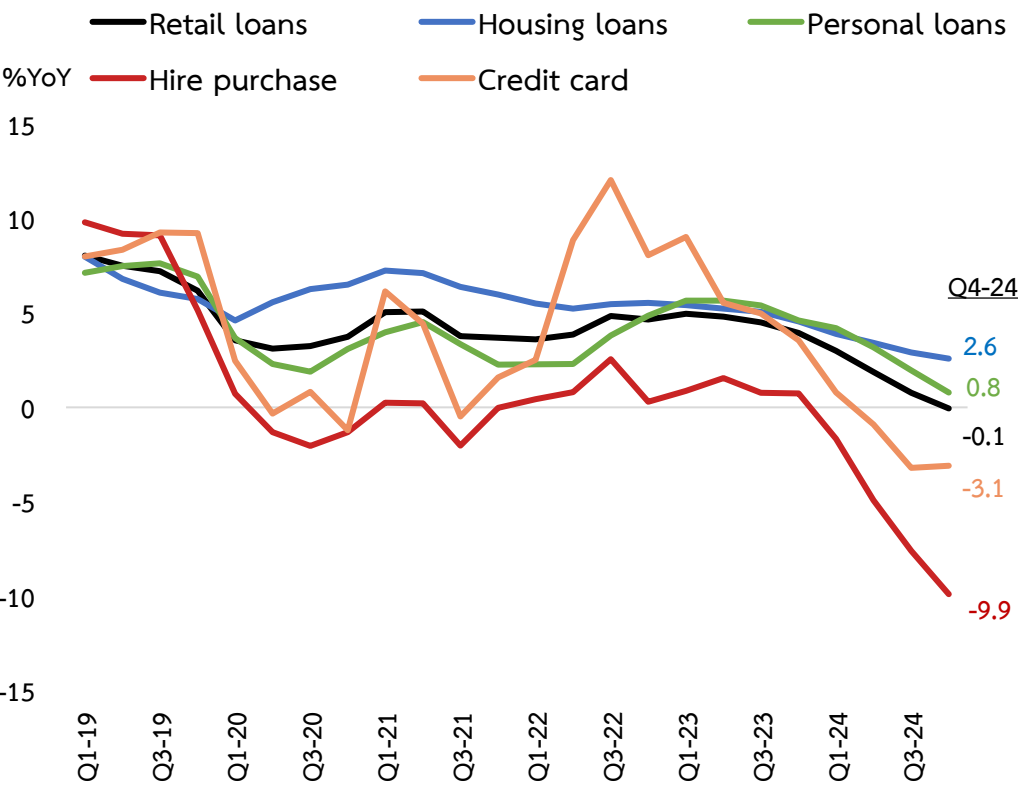




Retail loan growth slowed down; and credit quality must be monitored

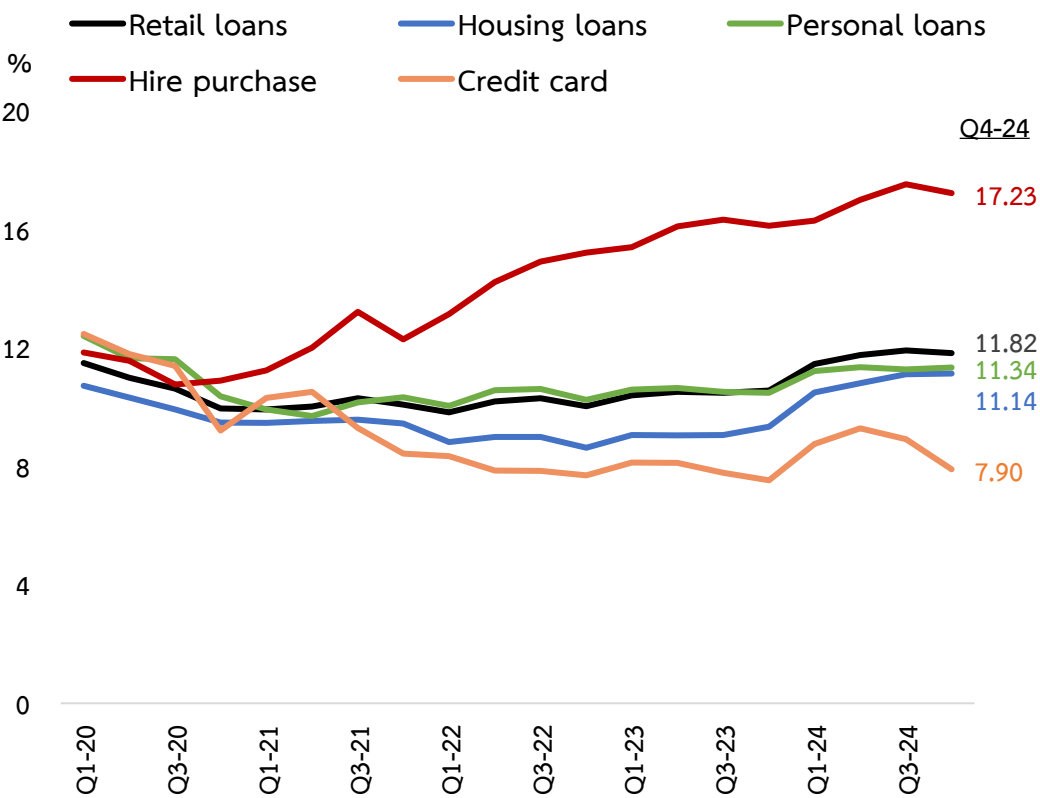
Retail loan growth slowed down

Retail loans in the financial system



Credit quality must be monitored, especially for housing loans

%SM+NPL of retail loans in the financial system



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



# Targeted financial measures to assist vulnerable households are in progress

BOT, in collaboration with the government, is continuously promoting debt relief measures

|   |   |
|---|---|
| Debt restructuring<br><small>(cumulative amount Jan - Dec 24)</small>         | Cumulative loans outstanding under assistance<br>2.66 trillion baht     |
|   | Cumulative number of accounts under assistance<br>7.18 million accounts |
| Debt Clinic<br><small>(cumulative amount Jun 17 – Jan 25)</small>             | Cumulative number of accounts under assistance<br>0.24 million accounts |
| “Khun Soo, Rao Chuay”<br><small>(cumulative amount as of 24 Feb 2025)</small> | Number of registered debtors<br>0.89 million debtors                    |



The policy rate at 2.00 percent is consistent with the current assessment of the economic outlook and remains robust to risks going forward.

The slower economic outlook is a result of structural problems, which require policies to increase economic competitiveness and enhance potential growth.

The Committee will closely monitor developments in financial and economic outlook.

Going forward, there are key factors to monitor:

- Manufacturing production outlook
- Impact of major economies' trade policies on economic outlook
- Outlook for loan growth and credit quality, as well as implications for economic activities