



No. 44/2024

Monetary Policy Committee's Decision 6/2024

Mr. Sakkapop Panyanukul, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 18 December 2024 as follows.

The Committee voted unanimously to maintain 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. Tourism-related services continue to improve, while recovery for manufacturing production slows especially businesses facing pressures from declining competitiveness. The Committee voted to maintain the policy rate, deeming the current rate is consistent with the economic trajectory close to potential, inflation moving towards the target range, and safeguarding long-term macro-financial stability, together with preserving policy space amid increasing uncertainties going forward.

The Thai economy is projected to expand by 2.7 and 2.9 percent in 2024 and 2025, respectively. Tourism and domestic demand continue to be the main drivers, as well as exports of electronics and machinery in line with the expected recovery in the global technology cycle. However, the economic recovery remained uneven across sectors. Whereas tourism-related services improved, the recovery for SMEs and certain manufacturing industries faced pressures from declining competitiveness. For example, developments in the automotive industry have been adversely affected by both price and demand factors. This resulted in uneven income recovery for households. Looking forward, major economies' policies remain highly uncertain, so it is critical to monitor such developments which could affect merchandise exports and private investment for Thailand going forward.

Headline inflation is expected to be at 0.4 and 1.1 percent in 2024 and 2025, respectively. Energy inflation is projected to remain low given global crude oil prices. Core inflation is forecasted to be at 0.6 and 1.0 percent in 2024 and 2025, respectively, in tandem



with the economic outlook and cost passthrough for food items. Overall, 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 remain heightened. Credit growth for sectors such as tourism and services decelerated from debt repayments and increased in income. Meanwhile, credit growth for SMEs in manufacturing industries that faced increased competition declined in line with heightened credit risks. The Committee deems it necessary to monitor credit growth developments and the implications for economic activities, as well as the impact of the government’s “Khun Soo, Rao Chuay” program in helping alleviate debt burden for fragile groups in a targeted manner.

The baht depreciated against the U.S. dollar since the previous meeting, due to the adjustments in Fed funds rate expectations. Meanwhile, Thai government bond yields declined in line with the previous policy rate cut. The Committee will keep monitoring global financial markets development, which is likely to be volatile due to major economies’ policies, and its impact on Thailand’s financial markets.

The prevailing monetary policy framework seeks to maintain price stability, support sustainable growth, and preserve financial stability. 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.

Bank of Thailand

18 December 2024

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