



BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision 2/2021

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 24 March 2021 as follows.

The Committee voted unanimously to maintain the policy rate at 0.50 percent to support the economic recovery which remained highly uncertain.

The Committee assessed that the Thai economy continued to expand, but downside risks and uncertainties surrounding the economic outlook remained high in the period ahead. The economy would thus need support from the continued low policy rate. The Committee therefore voted to maintain the policy rate at this meeting to preserve the limited policy space to act at the appropriate and most effective timing.

The Thai economy was projected to expand by 3.0 and 4.7 percent in 2021 and 2022 respectively, somewhat lower than the previous projection in line with lower tourist figures and the impacts of the new wave of the COVID-19 outbreak. However, the economy would be supported by a fast recovery in merchandise exports, which was in line with the expansion of trading partner economies, as well as the economic stimulus measures additionally announced. Nonetheless, the recovery would remain uneven across economic sectors. Significant risks included the efficacy and distribution of COVID-19 vaccination, the recovery in foreign tourist figures, and the continuity of fiscal support. The financial system remained sound despite vulnerabilities in some segments due to the negative shocks from the recent COVID-19 outbreak, particularly low-income households and SMEs. Headline inflation was projected to return to the target in the middle of 2021 and would stay close to the lower bound of the target range throughout the forecast period. Medium-term inflation expectations remained anchored within the target.

Despite ample overall liquidity and low financing costs, the distribution of liquidity remained uneven due to increased credit risks. This was a result of more fragile financial positions, particularly for businesses that experienced slow recovery and households that were additionally affected by the recent outbreak. Long-term government bond yields rose in tandem with US Treasury yields. On exchange rates, the Thai baht depreciated against the US dollar in line with regional currencies. The Committee would closely monitor developments in the financial markets and assess their implications on the recovery in the period ahead, as well as continue to expedite the new foreign exchange ecosystem.

The Committee viewed that the continuity of government measures and policy coordination among government agencies would be critical to support the economic recovery going forward. Monetary policy must remain accommodative. The Committee encouraged the expedition of the new financial rehabilitation measures to support business recovery post-COVID-19 to ensure distribution of liquidity to the affected groups in a targeted manner,

reduce debt burden, and support the economic transformation in the period ahead. While financial institutions should accelerate debt restructuring, fiscal measures must continue to sustain the economy. In particular, the government should expedite budget disbursement under the restoration plan once the new wave of the outbreak become well contained. In addition, the government should simultaneously implement supply-side policies to support business restructuring and upskilling of labor, which would help support sustainable economic recovery in the long term.

Under the monetary policy framework with objectives of maintaining price stability, supporting sustainable and full-potential economic growth, and preserving financial stability, the Committee continued to emphasize supporting the economic recovery. The Committee would monitor the adequacy of the government measures and various risks, especially the outbreak situation in Thailand and abroad, in deliberating monetary policy going forward. The Committee would stand ready to use additional appropriate monetary policy tools if necessary.

Bank of Thailand
24 March 2021

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ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision

2/2021

Mr. Titanun Mallikamas

Assistant Governor, Monetary Policy Group



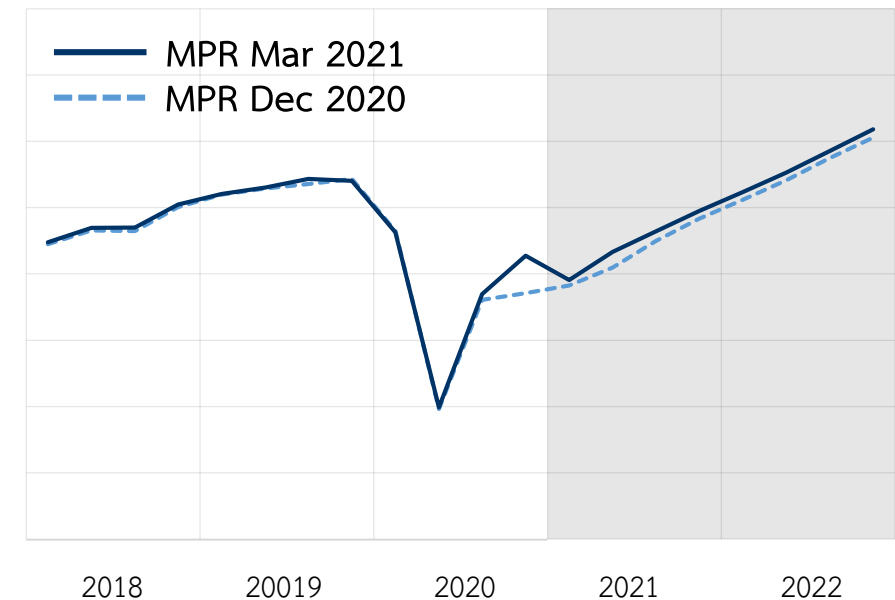
Outlook of the Thai Economy

The Thai economy would expand somewhat lower than the previous projection in line with lower tourist figures and the impacts of the new wave of the COVID-19 outbreak.

Moreover, recovery in the period ahead would remain uncertain, depending on (1) the recovery in tourist figures in line with COVID-19 vaccine efficacy and coverage and (2) continuity of fiscal support.

Percent	2020	2021 ^E	2022 ^E
GDP Growth	-6.1	3.0	4.7
		(3.2)	(4.8)
Headline Inflation	-0.8	1.2	1.0
		(1.0)	(1.0)
Core Inflation	0.3	0.3	0.4
		(0.3)	(0.4)

Real GDP



* Outturn, ^E Estimation

() Monetary Policy Report, December 2020

Source: Monetary Policy Report, March 2021



Details of the economic forecasts

	2020	2021 ^E		2022 ^E	
		Dec 20	Mar 21	Dec 20	Mar 21
GDP Growth (percent)	-6.1	3.2	3.0	4.8	4.7
- Private Consumption	-1.0	2.8	3.0	3.0	2.7
- Private Investment	-8.4	4.9	6.0	5.0	5.5
- Government Consumption	0.8	5.1	5.2	1.0	-3.1
- Public Investment	5.7	7.9	11.6	0.2	0.8
- Exports of Goods and Services	-19.4	3.6	5.2	12.3	13.9
- Imports of Goods and Services	-13.3	5.0	9.2	7.5	7.5
Current Account* (Billion USD)	16.5	11.6	1.2	29.1	25.0
- Value of Merchandise Exports	-6.6	5.7	10.0	5.0	6.3
- Value of Merchandise Imports	-13.5	7.7	15.2	6.7	6.8
Headline Inflation (percent)	-0.8	1.0	1.2	1.0	1.0
Core Inflation (percent)	0.3	0.3	0.3	0.4	0.4
Assumptions					
- Number of Tourists (Million)	6.7	5.5	3.0	23.0	21.5
- Dubai Oil Price (USD/Barrel)	42.1	47.3	60.0	51.5	62.5

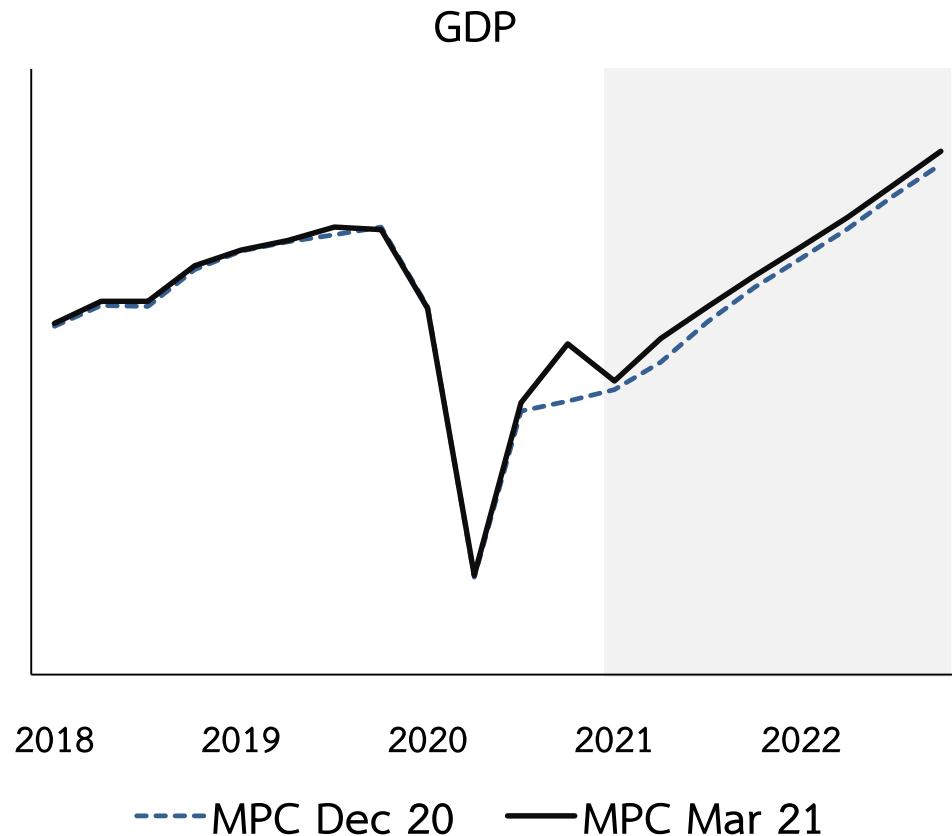
Note: ^E Estimation

Source: Monetary Policy Report, March 2021

- ❑ The Thai economy would expand somewhat lower than the previous projection in line with lower tourist figures and the impacts of the new wave of the COVID-19 outbreak in the beginning of 2021. However, the timely and targeted government measures, as well as outbreak containment measures which were not as stringent as in the previous year, facilitated economic recovery.
- ❑ Value of merchandise exports quickly recovered, helping to shore up domestic demand.
- ❑ Value of merchandise imports increased in line with oil prices and higher merchandise exports.
- ❑ The continuity of government measures and policy coordination among government agencies would be critical to support the economic recovery. Fiscal measures must continue to sustain the economy, especially disbursements under the restoration plan.



The Thai economy would expand somewhat lower than the previous projection, and the recovery would remain uneven across economic sectors



Main drivers

- Quick export recovery in line with the expansion of trading partner economies
- Additional fiscal stimulus measures

Significant risks

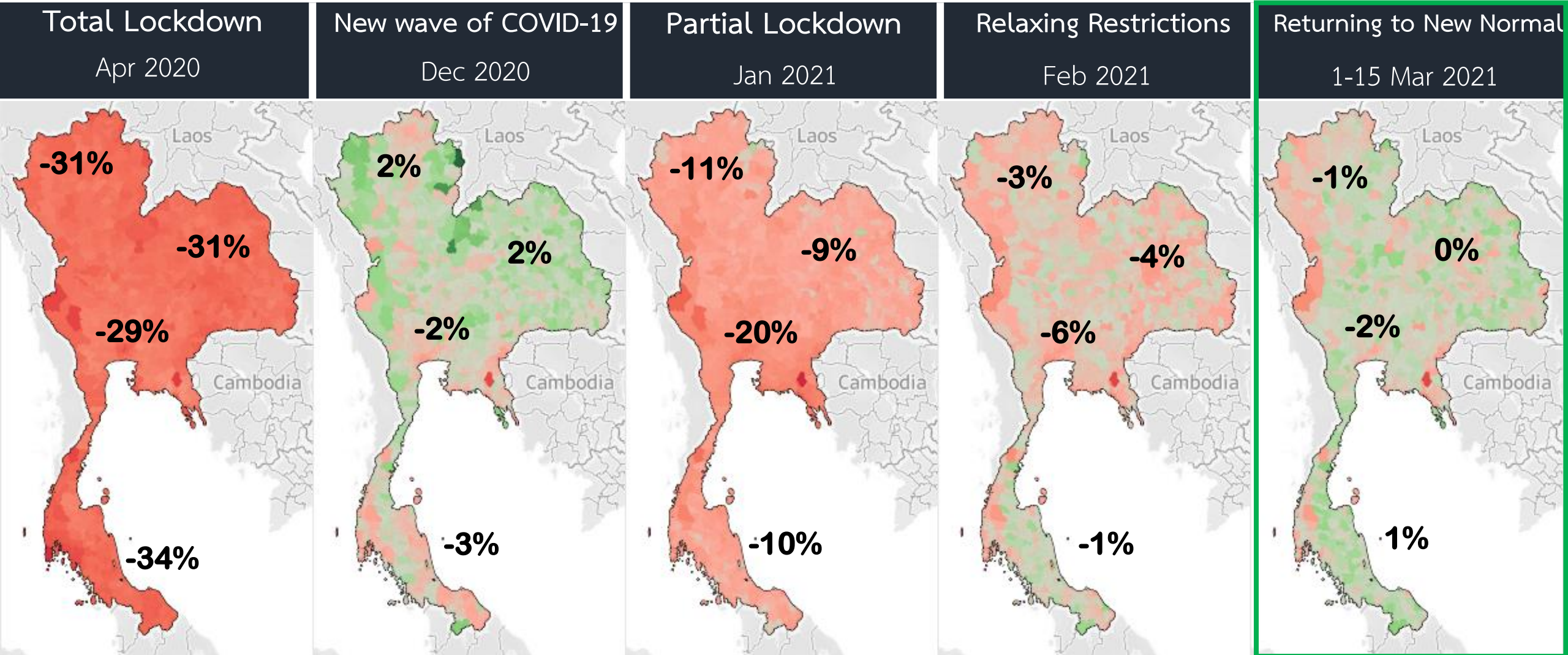
- Efficacy and distribution of COVID-19, and the recovery of foreign tourist figures
- Continuity of fiscal support

The Thai economy would require sustained support from government measures



Economic activities in March 2021
continued to improve in all regions

Facebook Movement Range



Unit: % change relative to Feb 2020

Source: Facebook Movement Range Maps

-0.598 0.751



Need to expedite the new financial rehabilitation measures to distribute liquidity in a targeted manner, reduce the debt burden, and support the economic transformation in the period ahead



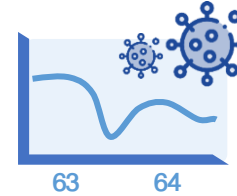
Stakeholder engagement



e.g. not enough credit line / limited access to capital / terms and conditions on loans not sufficiently reflecting risks

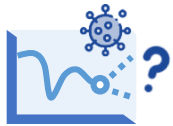


New wave of COVID-19 outbreak



Not as severe as the previous wave but exacerbated financial positions of some businesses and households

New assistance measures



Flexible in case of uncertainties



Comprehensive solutions



Inclusive for different needs of affected borrowers in the near and long term



1 Soft loan facility for businesses

(Budget: THB 250 bn)



2 Asset warehousing program

(Budget: THB 100 bn)