



BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision 1/2021

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 3 February 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, while the new wave of the COVID-19 outbreak and the containment measures would affect the Thai economy in the short term, the economic recovery continued to be on track thanks to government measures and export recovery. Nevertheless, uncertainties surrounding the economic outlook remained high with considerable downside risks. 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 Committee assessed that the impact of the recent outbreak on the Thai economy would be less severe than last year due to less strict containment measures. Additional support from the timely and targeted government measures together with the export recovery would support economic growth. The Committee thus expected the economy to expand somewhat lower than the previous forecast. Nonetheless, the recovery prospect remained highly uncertain, which would in the short term depend mainly on the situation of the new wave of the COVID-19 outbreak and corresponding containment measures. At a longer horizon, it would depend on (1) the recovery in foreign tourist figures, (2) efficacy and coverage of COVID-19 vaccination, (3) continued and sufficient fiscal support, and (4) the labor market situation, which became more fragile as the numbers of unemployed and underemployed workers were expected to rise in the short term. Furthermore, recoveries across economic sectors were likely to be more uneven which would affect the sustainability of the economic growth going forward. The financial system remained sound despite increasing vulnerabilities in some segments due to the negative shocks from the recent outbreak. In particular, low-income households and SMEs became more vulnerable. 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. The movement of the baht against the US dollar was in line with regional currencies. The Committee would closely monitor developments of the baht, consider

the necessity of implementing additional appropriate measures, and 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. Financial and credit measures should expedite liquidity distribution to the affected groups in a targeted and timely manner, for instance, through credit guarantee schemes in order to curb credit risks, while financial institutions should accelerate debt restructuring to have a broader impact. Other additional measures should also be considered to increase the effectiveness of liquidity distribution and to support the economic recovery going forward. 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. Besides, 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  
3 February 2021

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BANK OF THAILAND

# Press Conference

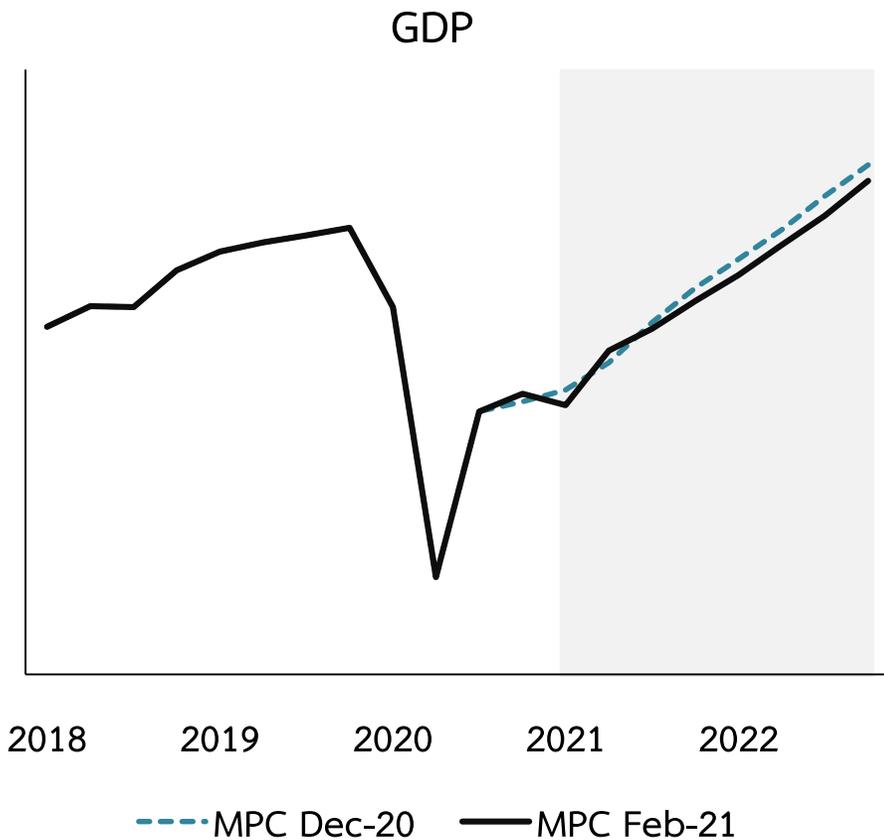
## Monetary Policy Committee's Decision 1/2021

**Mr. Titanun Mallikamas**

Assistant Governor, Monetary Policy Group

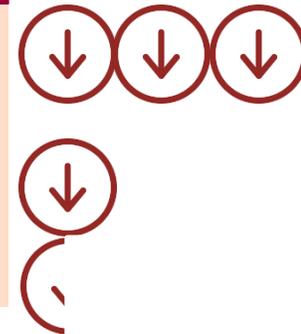


The economic recovery continued to be on track, but the expansion would be somewhat lower than the previous forecast, in line with the Fiscal Policy Office’s projection.



### Negative shocks since the previous MPC, namely

- More severe economic impacts from the COVID-19 containment measures than previously assessed
- Lower-than-expected foreign tourist figures
- Lower-than-assessed public expenditure for FY2022



### were partially offset by some positive developments:

- Additional fiscal stimulus measures in the first and second quarters of 2021
- Export recovery for almost all categories of merchandises
- Postponement of the budget disbursement from the fourth quarter of 2020 to 2021





The economic recovery would be more uneven,  
which would require appropriate, targeted, and sufficient measures for each group

