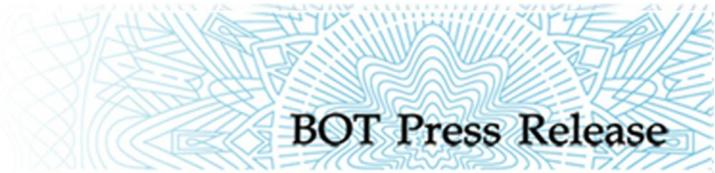




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No. 16/2020

Monetary Policy Committee's Decision 2/2020

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 25 March 2020 as follows.

The Committee voted 4 to 2 to maintain the policy rate at 0.75 percent. Two members voted to cut the policy rate by 0.25 percentage point. One MPC member attended the meeting through video conference but did not vote.

Due to the coronavirus (COVID-19) outbreak, the Thai economy would significantly contract in 2020 and headline inflation would become negative. Nonetheless, the financial system was sound overall, with financial markets starting to function normally. The Committee viewed that the spreading of the COVID-19 in the period ahead would be severe and the situation would take some time before returning to normal. In this situation, the Committee supported the government's implemented measures to alleviate adverse impacts especially on the affected groups. In addition to the policy rate cut at the previous special meeting, addressing liquidity strains and accelerating debt restructuring for borrowers, especially households and SMEs, must be urgently implemented to have meaningful impacts. The Committee viewed that targeted measures designed to address liquidity needs would be of great importance. Most members thus voted to maintain the policy rate at this meeting. However, two members voted to cut the policy rate by 0.25 percentage point due to the significant economic contraction.

The Committee viewed that the Thai economy would markedly contract in 2020 as tourist figures and merchandise exports were severely affected by the COVID-19 outbreak, the slowdown of trading partner economies, and supply chain disruptions in many countries. Business and household incomes were increasingly affected. As a result, domestic demand, both private investment and consumption, was projected to contract. In this situation, fiscal measures must be a key mechanism to alleviate the impact on the economy and assist various groups affected by the COVID-19 outbreak. Furthermore, financial institutions' assistance measures to borrowers would alleviate the impact on borrowers as well as contribute to the Thai economic expansion next year should the outbreak subside. Meanwhile, the annual average of headline inflation was projected to be negative this year in tandem with declining energy prices and the contracting economy. The Committee would closely monitor external risks and the impact of the COVID-19 outbreak, together with the effectiveness of the government's relief measures and each financial institution's assistance to borrowers.

Stability of Thai financial markets, especially the bond markets, improved after the Bank of Thailand implemented measures to enhance liquidity in financial markets, although developments still warranted close monitoring. Declines in commercial banks' lending rates following the previous policy rate cuts partly helped reduce interest burdens of borrowers. Regarding exchange rates, the

baht depreciated against trading partner currencies, in particular the major currencies, and would likely be volatile. The Committee viewed that Thailand's external stability remained robust, reflected in a high level of international reserves, and would continue to closely monitor developments in the financial markets as well as foreign exchange markets amid high uncertainties.

The financial system remained sound overall. Commercial banks had robust capital fund and loan loss provision levels. Nonetheless, vulnerabilities increased in some pockets, especially those related to debt servicing capability of households and SMEs that could deteriorate owing to the significant economic contraction. In this situation, coordination between financial and fiscal measures was urgently needed to support households and SMEs.

Looking ahead, the Committee would monitor developments of economic growth, inflation, and financial stability, together with associated risks, especially the impact of COVID-19 outbreak, in deliberating monetary policy going forward. The Committee would stand ready to use additional policy tools in an appropriate and timely manner. Such tools included the policy rate and other monetary measures that would help enhance the policy rate transmission as well as loan extension by financial institutions to reach the target groups.

Bank of Thailand
25 March 2020

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Thai Economic Outlook 2020 - 2021

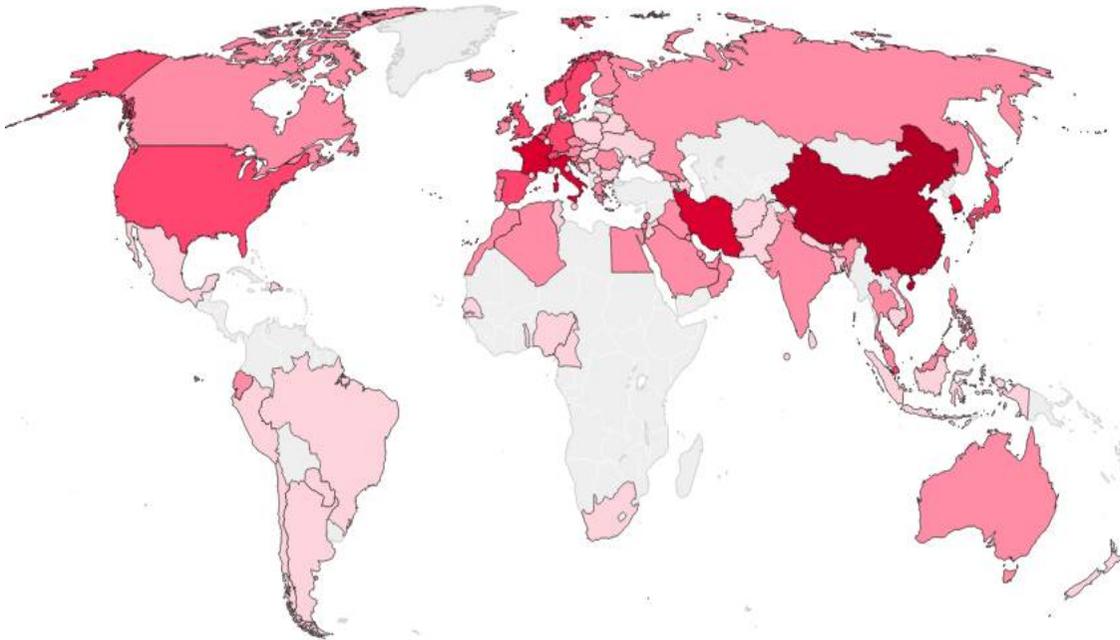


The COVID-19 outbreak continued to intensify and spread to many regions

The outbreak was still expanding to many countries...

Jurisdictions with cases confirmed as of March 9, 2020, 9:30 AM GMT+7

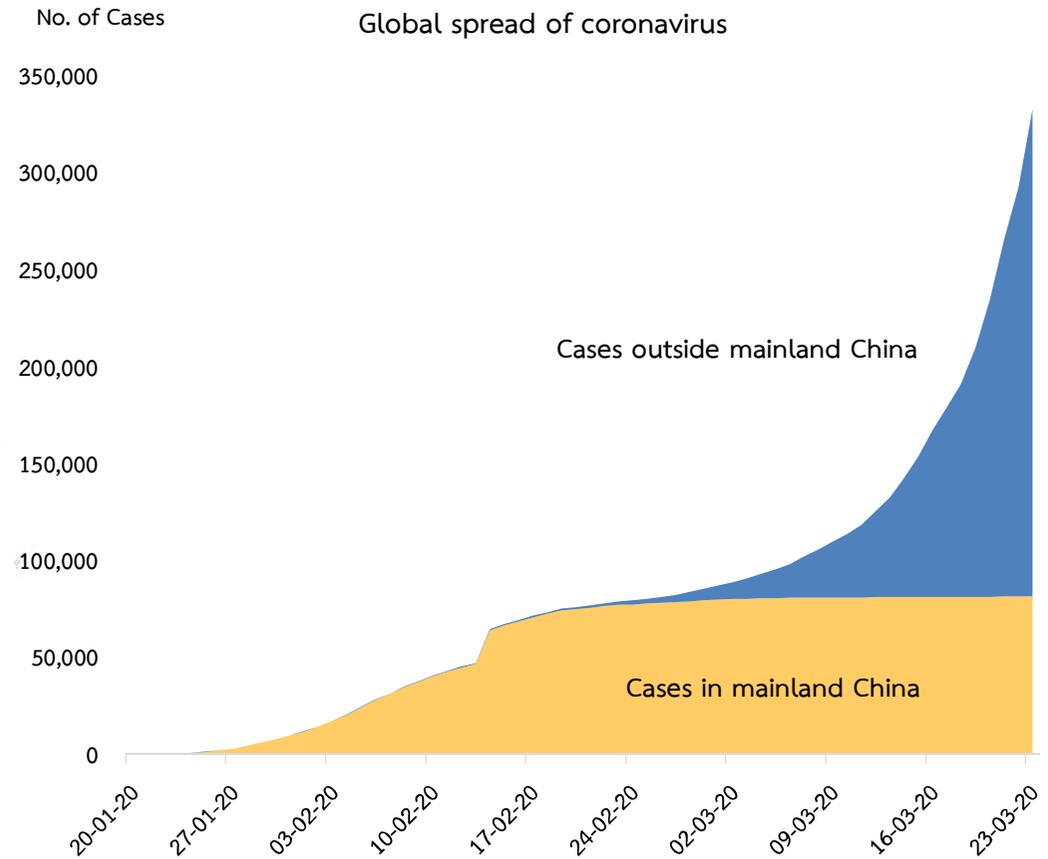
1-9 10-99 100-999 1,000-9,999 10,000 or more



Note: Cases and deaths for the Diamond Princess cruise include patients of various nationalities. None of the deaths associated with the cruise occurred on board the ship.

Sources: Bloomberg, CEIC

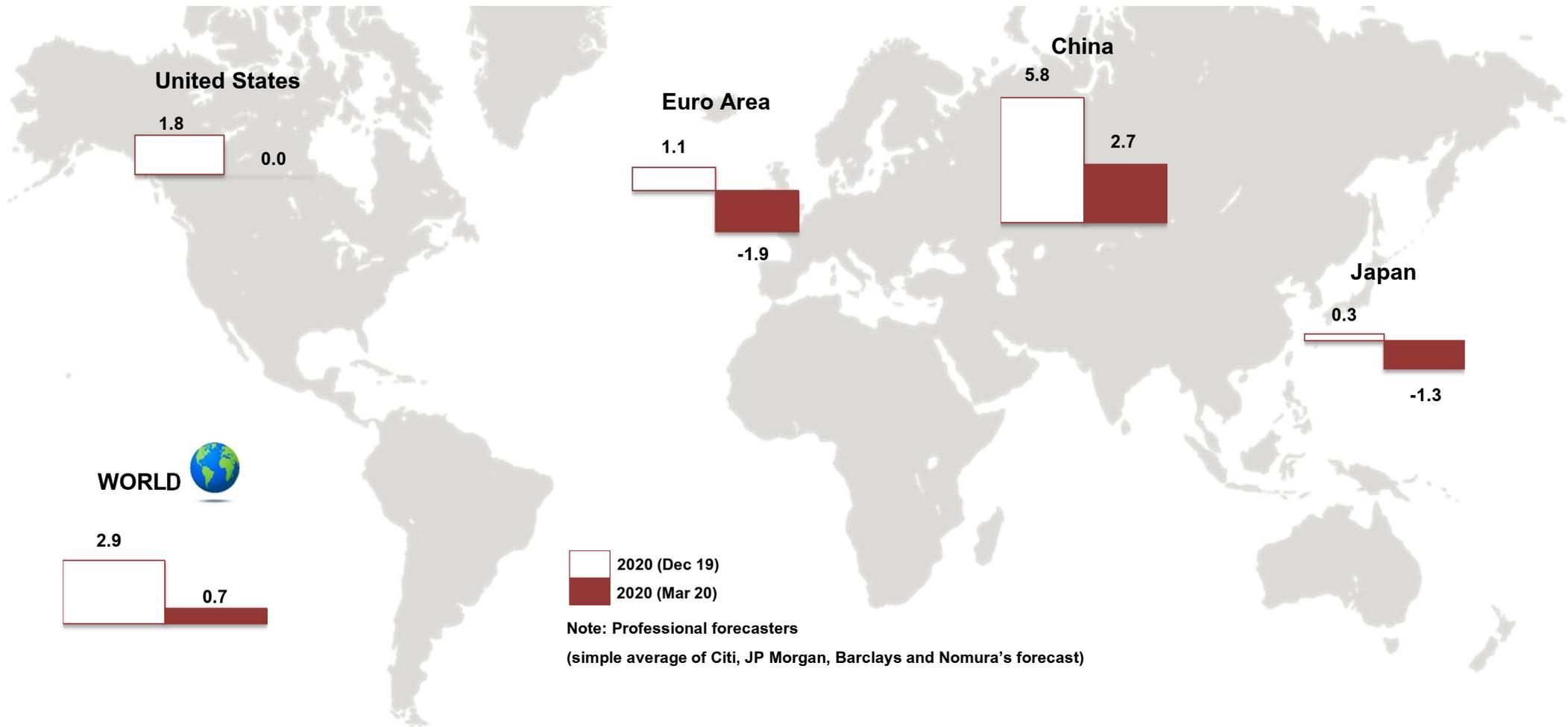
...and confirmed cases outside China continued to surge, although confirmed cases in China stabilized



Sources: CEIC, WHO as of 23 March 2020



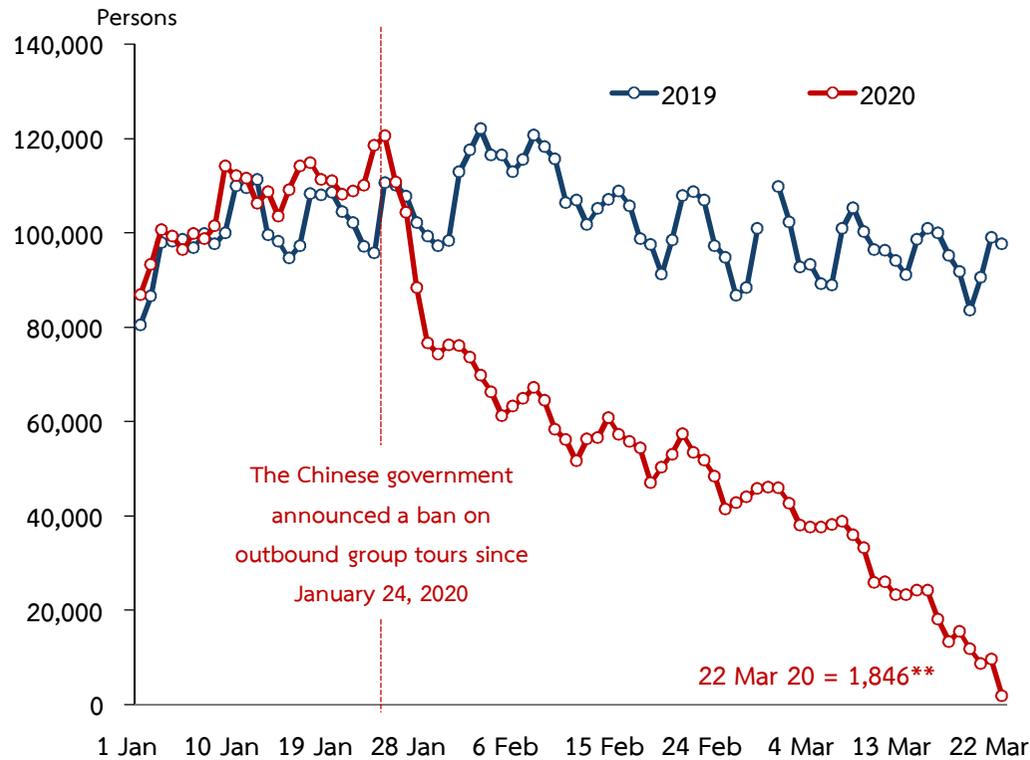
The global economy was expected to slow down significantly in 2020 due to the COVID-19 outbreak





Foreign tourist figures had been falling since late January 2020

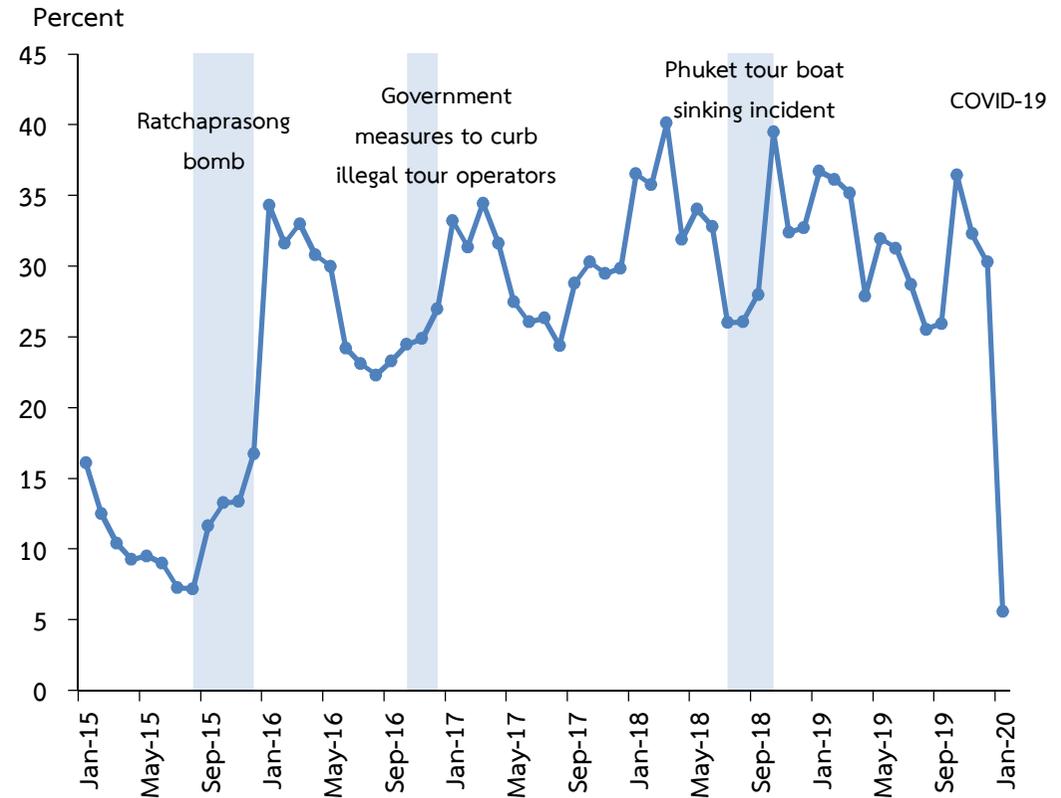
Number of daily foreign tourist arrivals through 5 major airports*



Note: * 5 majors airports include Suvarnabhumi Airport, Donmuang Airport, Chiang Mai Airport, Hat Yai Airport and Phuket Airport, which accounts for 83 percent of total foreign tourists.

**Data on 22 March 2020 excluded numbers of foreign tourist arrivals through Chiang Mai Airport and Hat Yai Airport. The latest foreign tourist figures through Chiang Mai Airport on 21 March 2020 were 84 persons while the latest foreign tourist figures through Hat Yai Airport on 20 March 2020 were 6 persons.

3-months advance booking rate (whole country)





The Thai economic outlook remained highly uncertain and depended on



Duration and the extent of COVID-19 outbreak, subject to various countries' public health measures as well as the development of vaccines and medicines



Shock absorption capacity and the global economic recovery



Domestic financial and fiscal measures



Key forecast assumptions

- The global economy entered into a recession from the COVID-19 outbreak
- The outbreak in Thailand would be controlled by Q2 2020 according to the Ministry of Health estimate. However, the recovery in foreign tourist figures would take some time
- Any further financial and fiscal measures not included



	2019*	2020 ^E	2021 ^E
GDP Growth	2.4	-5.3 (2.8)	3.0
Headline Inflation	0.7	-1.0 (0.8)	0.3
Core Inflation	0.5	-0.1 (0.7)	0.1

* Outturn, ^E Estimation

() *Monetary Policy Report*, December 2019

- ❑ The Thai economy would significantly contract due primarily to exports of goods and services, before expanding in 2021
- ❑ Headline inflation in 2020 and 2021 were projected to be lower than the inflation target in line with energy prices and significantly lower-than-expected economic growth
- ❑ Economic and inflation forecasts would be subject to downside risks owing to potentially prolonged COVID-19 outbreak



Forecasts in the *Monetary Policy Report* as of March 2020

(% YoY)	2019*	2020 ^E		2021 ^E
		Dec 19	Mar 20	Mar 20
GDP Growth	2.4	2.8	-5.3	3.0
- Private Consumption	4.5	3.0	-1.5	2.1
- Private Investment	2.8	3.4	-4.3	2.2
- Government Consumption	1.4	2.6	2.6	2.2
- Public Investment	0.2	6.3	5.8	8.1
- Exports of Goods and Services	-2.6	1.4	-16.4	5.0
- Imports of Goods and Services	-4.4	1.6	-11.6	4.3
Current Account (Billion USD)	37.3	30.0	19.4	19.2
- Value of Merchandise Exports	-3.2	0.5	-8.8	0.2
- Value of Merchandise Imports	-5.4	1.4	-15.0	-0.4
Headline Inflation	0.7	0.8	-1.0	0.3
Core Inflation	0.5	0.7	-0.1	0.1
Assumptions				
- Number of Tourists (Million)	39.8	41.7	15.0	20.0
- Dubai Oil Price (USD/Barrel)	63.5	62.5	35.0	34.0

Note: * Outturn, ^E Estimation

- ❑ Exports of goods and services would be severely affected by the COVID-19 outbreak, the slowdown of trading partner economies, and supply chain disruptions in many countries
- ❑ Business and household incomes were increasingly affected. As a result, domestic demand, **both private investment and consumption**, was projected to contract
- ❑ In this situation, **fiscal measures** must be a key mechanism to alleviate the impact on the economy and assist various groups affected by the COVID-19 outbreak