



BANK OF THAILAND

BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. +66 2283 5016-7 Fax. +66 2283 6969 www.bot.or.th

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Monetary Policy Committee's Decision 3/2021

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 5 May 2021 as follows.

The Committee voted unanimously to maintain the policy rate at 0.50 percent.

The Committee assessed that the Thai economy would expand at a much lower rate due to the third wave of the COVID-19 outbreak which affected domestic spending and the recovery of foreign tourist figures. The Committee viewed that procurement and distribution of vaccines in an adequate and timely manner was the most important issue for the Thai economy at the present. Regarding financial measures, the most important one would be the distribution of liquidity to the businesses and households additionally affected by the new outbreak. In particular, credit measures and expedited debt restructuring would reduce financial burden in a more targeted manner than cutting the policy rate, which was already at a low level and remained supportive of economic recovery. The Committee thus 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 would expand at a much lower rate due to the third wave of the outbreak which affected domestic spending. In addition, the recovery of foreign tourist figures would be affected by the longer-than-expected delay in the re-opening of the country and the uncertain international travel restriction measures. The main driving force of the economy would be merchandise exports, which improved in line with the expansion of trading partner economies. However, the impact on the overall labor market would be limited. Meanwhile, the government's relief and financial measures additionally announced would partly support the economic recovery in the short term. Nevertheless, fiscal stimulus for fiscal year 2022 would decrease somewhat owing to the expedition of budget disbursement under the Emergency Decree Authorizing the Ministry of Finance to Raise Loans to Solve Problems, to Remedy and Restore the Economy and Society as Affected by the Coronavirus Disease Pandemic, B.E. 2563 (2020) that was front-loaded to the current fiscal year. Significant risks to the Thai economy in the period ahead included (1) the distribution and efficacy of COVID-19 vaccination, (2) uneven recovery across economic sectors resulting in a more vulnerable labor market which would affect household income and private consumption, and (3) more fragile financial positions, particularly among SMEs and tourism businesses that had lower debt servicing capability in line with lower incomes; while household savings as a share of income declined and reduced capability to cushion expenses. Headline inflation would temporarily increase in the second quarter of 2021 due to the low level of crude oil prices in the same quarter of last year. 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. Credit expansion thus needed to be more broad-based after the commencement of the special loan facility for businesses. Long-term government bond yields gradually declined from the previous period. On exchange rates, the Thai baht depreciated against the US dollar relatively more than regional currencies. The Committee would closely monitor developments in both the global and domestic financial markets 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 impacted by the new outbreak. The measures to accelerate the procurement and distribution of vaccines would prevent the outbreak from being prolonged. Fiscal measures should ensure the continuity of fiscal impulses, mitigate the impacts of the outbreak, and support the economic restoration going forward. Monetary policy must remain accommodative. The new financial rehabilitation measures to support business recovery post- COVID- 19 should accelerate the distribution of liquidity to the affected groups in a targeted manner, reduce debt burden, and support the economic recovery. In addition, financial institutions should accelerate debt restructuring. The Bank of Thailand would closely monitor the progress and assess the efficacy of financial and credit measures.

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. In addition, the Committee would monitor key factors to the economic outlook, namely the new outbreak, the distribution and efficacy of COVID-19 vaccines, and the adequacy of government measures as well as financial and credit measures. The Committee would stand ready to use additional appropriate monetary policy tools if necessary.

Bank of Thailand
5 May 2021

For further information, please contact: Monetary Policy Strategy Division
Tel: +66 2283 6186, +66 2356 7872
E-mail: MPStrategyDiv@bot.or.th



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BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 3/2021

5 May 2021

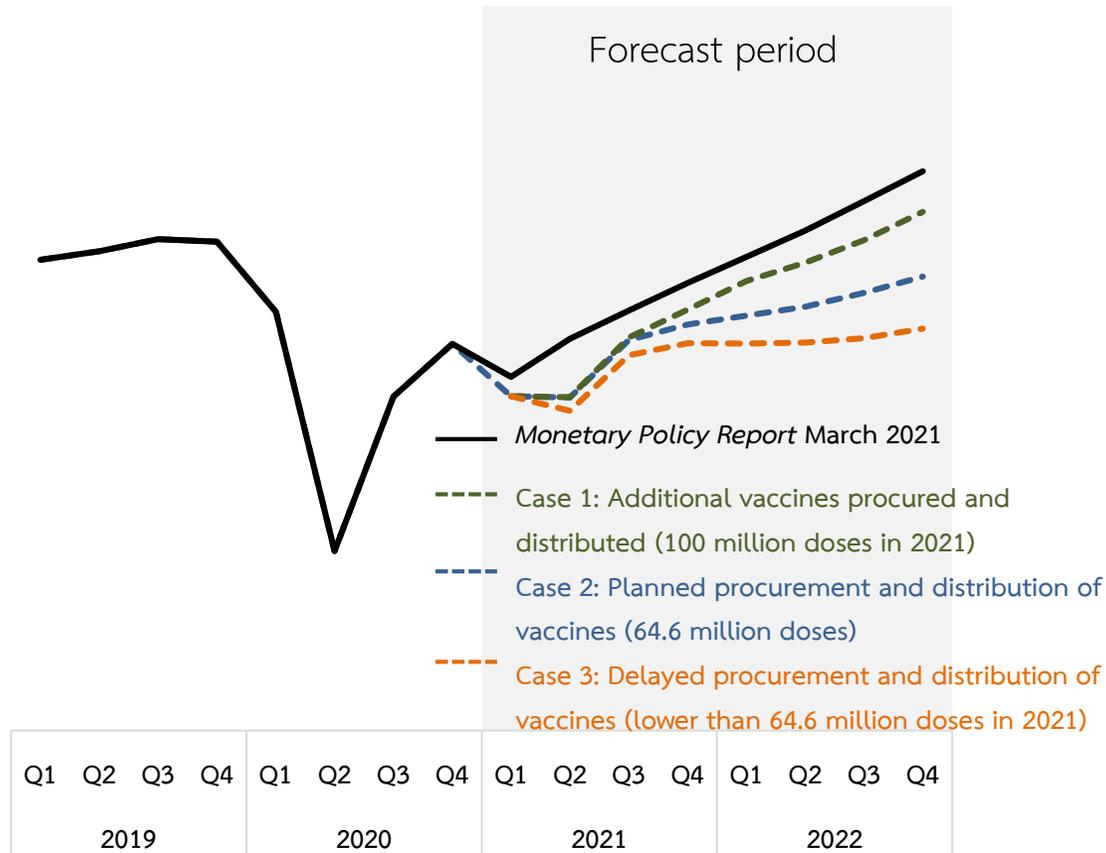
Mr. Titanun Mallikamas

Assistant Governor, Monetary Policy Group



The pace of the Thai economic recovery would be much slower due to the third wave of the COVID-19 outbreak. Recovery in the period ahead would mainly depend on the procurement and distribution of the vaccines.

Economic projection after the third wave of the outbreak



Risks and uncertainties going forward

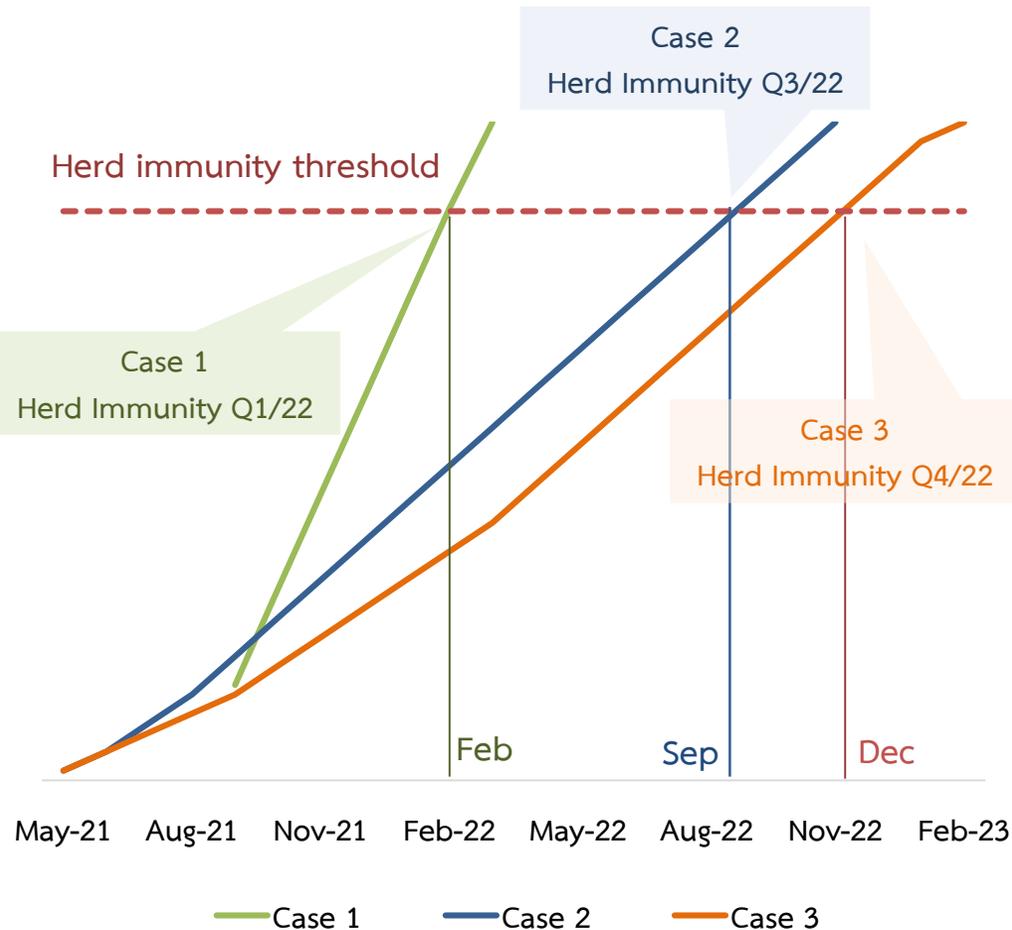
- Severity and duration of the third wave of outbreak
- Additional fiscal stimulus measures
- Procurement and distribution of vaccines, which would affect sentiment, domestic spending, and border re-opening to foreign tourists

Vaccination benefits

- Reduced likelihood of additional waves of outbreak and reduced burden of fiscal relief measures
- Sooner re-opening of the country to foreign tourists (“sandbox measure”) in time for the tourist season of 2021, which would contribute to tourism recovery in Thailand
- Reduced long-term impact on businesses and employment



Expected vaccination path and timing of herd immunity attainment



Timely vaccination would facilitate economic expansion
by 3.0%-5.7% of GDP during 2021-22.

	Case 1		Case 2		Case 3	
	Additional vaccines procured and distributed (100 million doses in 2021)		Planned procurement and distribution of vaccines (64.6 million doses)		Delayed procurement and distribution of vaccines (below 64.6 million doses in 2021)	
Herd immunity attainment	Q1/22		Q3/22		Q4/22	
	2021	2022	2021	2022	2021	2022
GDP (%YoY)	2.0	4.7	1.5	2.8	1.0	1.1
Foreign tourist figures (millions)	1.2	15.0	1.0	12.0	0.8	8.0
Economic impact from delayed vaccination and herd immunity*	-		-3.0% of GDP (THB 460 bn)		-5.7% of GDP (THB 890 bn)	
Unemployment and underemployment at the end of 2022 (millions)	2.7		2.8		2.9	

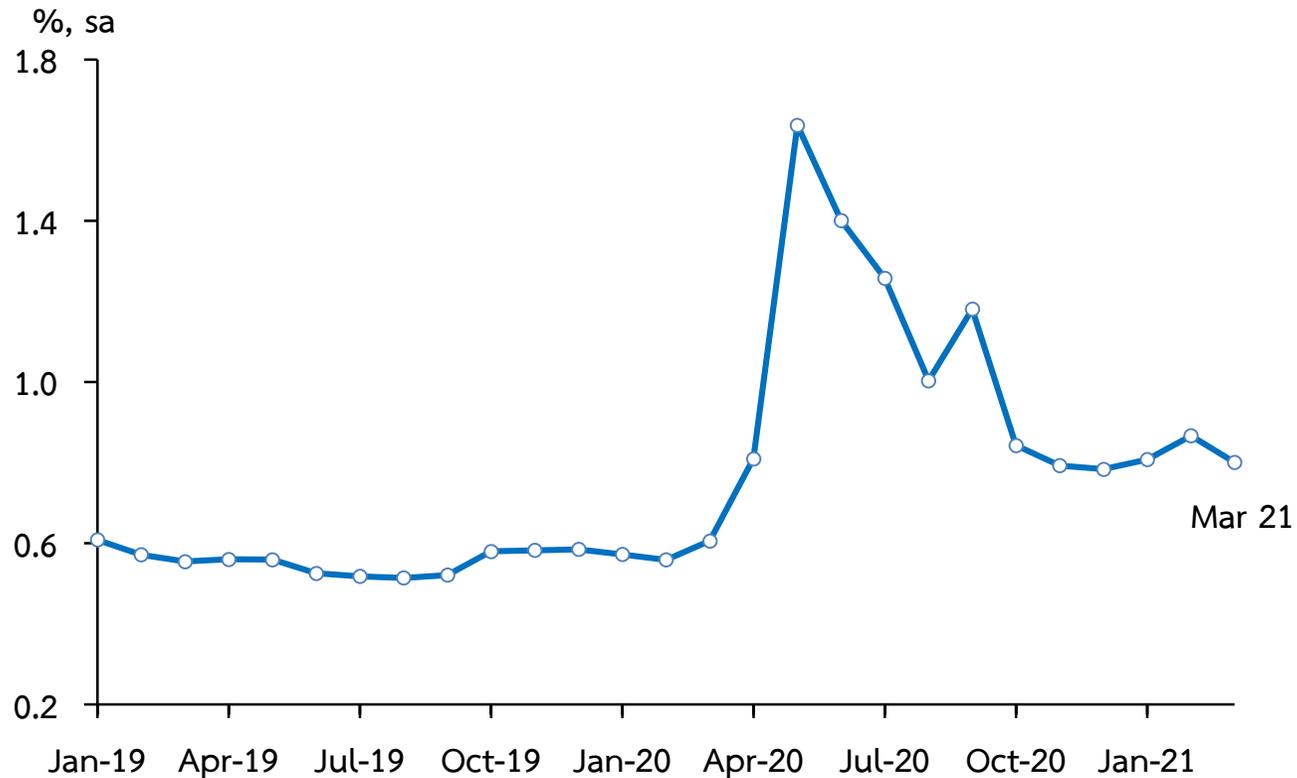
*Differences in total economic value for the period 2021-2022 compared to Case 1

The projection does not include potential additional government measures to offset the shock.



The labor market remained fragile. Some workers became unemployed for longer, potentially leading to more scarring effects.

Ratio of initial jobless claims to total number of insured persons



- The labor market remained fragile and would be exacerbated by the new outbreak
 - Some workers may experience longer periods of unemployment
 - Some workers may leave the labor force due to failure to find jobs
- These workers may thus lose skills, leading to economic scars that weigh on long-term growth