



BANK OF THAILAND

BOT Press Release

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No. 42/2021

Monetary Policy Committee's Decision 4/2021

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 23 June 2021 as follows.

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

The Committee assessed that the Thai economic recovery would be slower and more uneven than the previous forecast due to the third wave of the COVID-19 outbreak. Downside risks to the economic outlook also remained significant from the new wave of the outbreak. The Committee viewed that financial measures, particularly special loan facility for businesses as well as debt restructuring, should be expedited. These measures would reduce financial burden for the businesses and households affected by the outbreak in a more targeted manner than cutting the policy rate, which was already at a low level. The Committee thus voted to maintain the policy rate at this meeting and stand ready to use the limited policy space at the most effective timing.

The Thai economy was projected to expand by 1.8 and 3.9 percent in 2021 and 2022 respectively. This would be lower than the previous projection owing to lower foreign tourist figures and domestic demand held down by the third wave of the outbreak. The labor market would be more fragile and recover slowly, particularly the service sectors and the self-employed. However, the economy would be supported by higher public expenditure thanks to the Emergency Decree Authorizing the Ministry of Finance to Raise Additional Loans to Solve Economic and Social Problems as Affected by the Coronavirus Disease Pandemic, B.E. 2564 (2021) as well as by the improving merchandise exports in line with the global economic recovery. 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. Meanwhile, higher inflation in advanced economies and global supply shortages would have limited impact on domestic inflation. Medium-term inflation expectations remained anchored within the target. Downside risks to the economic outlook also remained significant from the possibility of the outbreak situation in Thailand and abroad becoming more severe owing to virus mutations. The Committee would closely monitor these risks which would affect foreign tourist figures as well as domestic economic activities.

Despite ample overall liquidity, the distribution of liquidity remained uneven due to increased credit risks, particularly among SMEs and households that were additionally impacted by the third wave of the COVID-19 outbreak. Long-term government bond yields remained stable. On exchange rates, the Thai baht relative to the US dollar depreciated 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. Short-term measures to accelerate the procurement and distribution of vaccines would prevent the outbreak from being prolonged. Fiscal measures would play a crucial role in driving the economic recovery amid high uncertainties. Thus, the government should accelerate the disbursement of relief and other fiscal support measures to provide adequate and continuous economic stimulus as well as address vulnerabilities in the labor market. Meanwhile, monetary policy must remain accommodative. The new financial rehabilitation measures to support business recovery post-COVID-19 and other measures by specialized financial institutions (SFIs) 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 put emphasis on supporting the economic recovery. In addition, the Committee would monitor key factors affecting the economic outlook, namely the distribution and efficacy of COVID-19 vaccines, the possibility of the outbreak situation in Thailand and abroad becoming more severe owing to virus mutations, as well as the adequacy of fiscal, financial, and credit measures. The Committee would stand ready to use additional appropriate monetary policy tools if necessary.

Bank of Thailand
23 June 2021

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BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 4/2021

23 June 2021

Mr. Titanun Mallikamas

Assistant Governor, Monetary Policy Group



The most important issue for the Thai economy at present would be the procurement and distribution of appropriate vaccines adequately and timely. This would help address slower growth in line with the more prolonged and severe outbreak situation. The economy would still face significant downside risks from virus mutations.

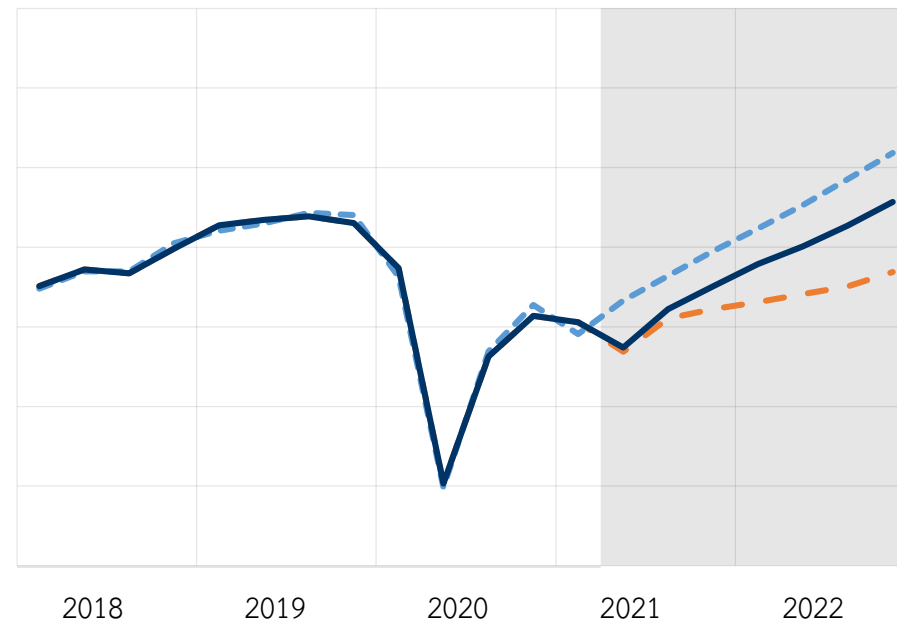
Percent	2020	2021 ^E	2022 ^E
GDP Growth	-6.1	1.8	3.9
		(3.0)	(4.7)
Headline Inflation	-0.8	1.2	1.2
		(1.2)	(1.0)
Core Inflation	0.3	0.2	0.3
		(0.3)	(0.4)

* Outturn, ^E Estimation

() *Monetary Policy Report*, March 2021

Source: *Monetary Policy Report*, June 2021

Real GDP



- *Monetary Policy Report Jun 2021 – Baseline*
- - - *Monetary Policy Report Jun 2021 – More prolonged outbreak*
- - - *Monetary Policy Report Mar 2021*



Details of the economic forecasts

(% YoY)	2020	2021 ^E		2022 ^E	
		Mar 21	Jun 21	Mar 21	Jun 21
GDP Growth	-6.1	3.0	1.8	4.7	3.9
- Private Consumption	-1.0	3.0	2.5	2.7	3.4
- Private Investment	-8.4	6.0	7.0	5.5	6.0
- Government Consumption	0.9	5.2	4.1	-3.1	-1.0
- Public Investment	5.7	11.6	9.5	0.8	5.7
- Exports of Goods and Services	-19.4	5.2	8.8	13.9	7.8
- Imports of Goods and Services	-13.3	9.2	15.0	7.5	5.5
Current Account* (Billion USD)	16.3	1.2	-1.5	25.0	12.0
- Value of Merchandise Exports	-6.6	10.0	17.1	6.3	4.9
- Value of Merchandise Imports	-13.5	15.2	22.7	6.8	6.6
Headline Inflation	-0.8	1.2	1.2	1.0	1.2
Core Inflation	0.3	0.3	0.2	0.4	0.3
Assumptions					
- Number of Tourists (Million)	6.7	3.0	0.7	21.5	10.0
- Dubai Oil Price (USD/Barrel)	42.2	60.0	62.3	62.5	65.5

Note: ^E Estimation

Source: *Monetary Policy Report*, June 2021

Important factors contributing to forecast revision

- (-) Domestic demand weighed down by the 3rd outbreak
- (-) Lower-than-expected foreign tourist figures from severe outbreaks at home and abroad
- (+) Progress in vaccine procurement and distribution
- (+) Greater fiscal support
- (+) Improving merchandise exports thanks to global economic recovery

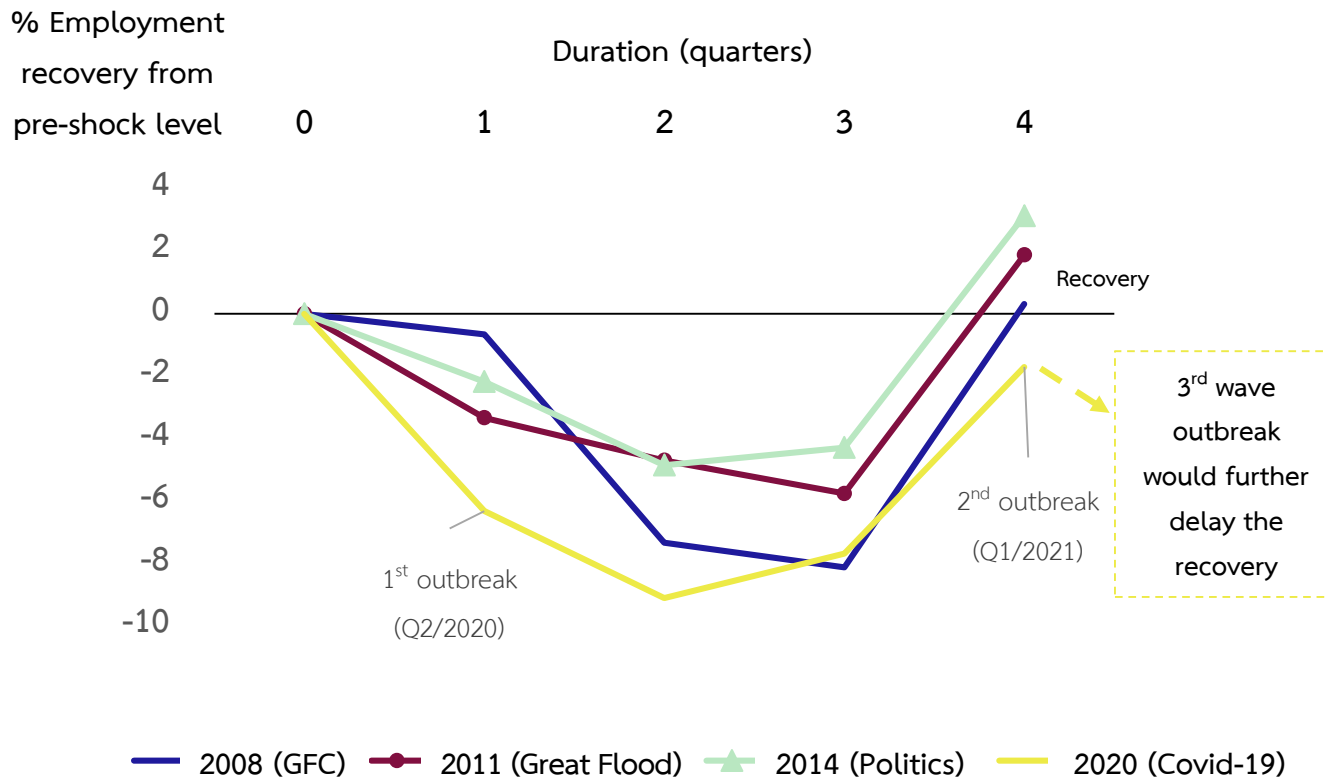
Significant risks affecting the economic outlook

- More severe outbreaks at home and abroad from virus mutations
- Potential decline in vaccine efficacy
- Continuity of fiscal support



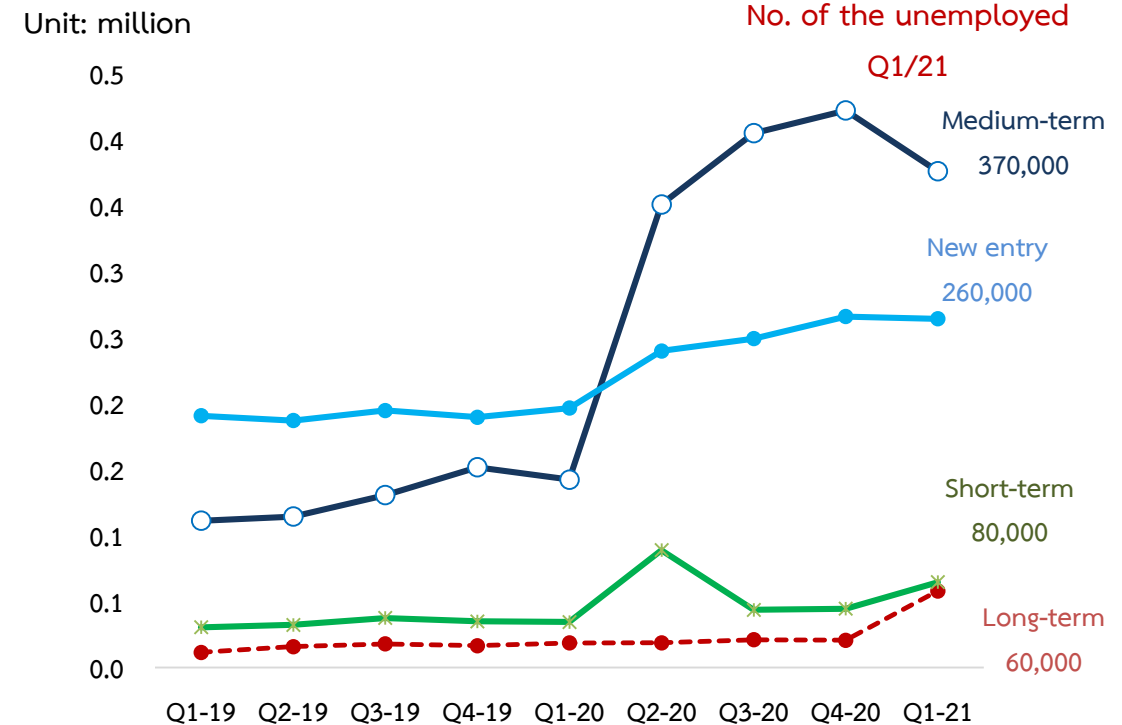
Recovery in labor markets would be W-shaped and slower than the past.
Economic scars from more fragile labor markets, especially the service sectors and the self-employed, would be harder to resolve without timely intervention.

Recovery of private non-farm employment* from the level before shock



* Calculated from a sample of 11.4 million private sector employees outside the agricultural and construction sectors

No. of unemployed persons (seasonally-adjusted) classified by duration of unemployment



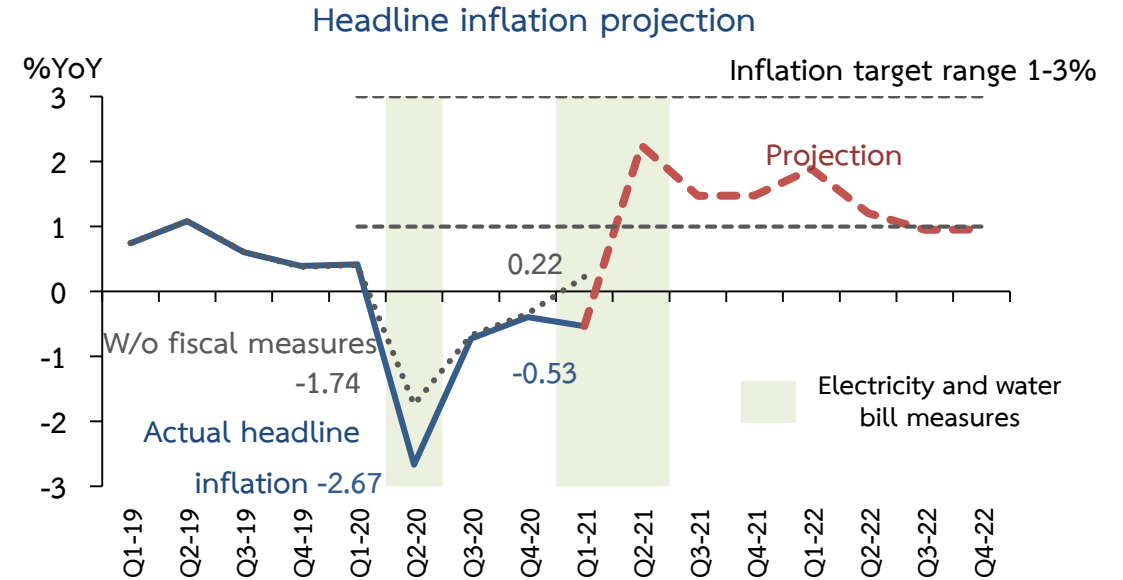
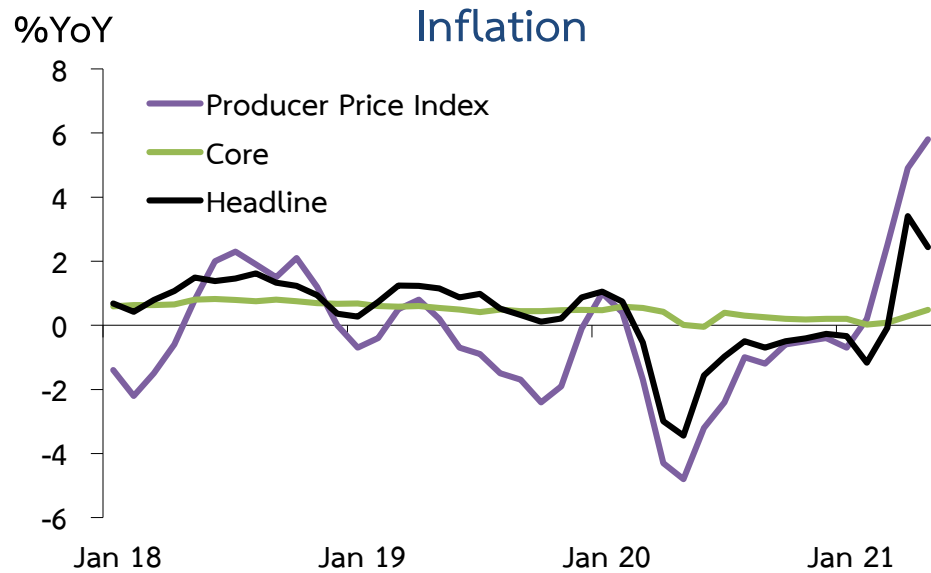
Note: The definitions for the duration of unemployment are as follows.

Short-term: less than 1 month, medium-term: 1 month – 1 year, long-term: more than 1 year

Source: Labor Force Survey, National Statistical Office of Thailand, calculations by BOT



Headline inflation would rise temporarily in Q2/21 from the low-base effect before edging toward the lower bound of the target range.



Reflation in the AEs, the rise in global commodity prices, and supply shortages would have limited impact on Thai inflation

Spillover from reflation in the AEs

- Only 16% of the CPI basket is imported
- Crude oil prices would not rise significantly thanks to prospects of supply increase in the period ahead

Commodity price increases and supply shocks

- PPI increased in some industries which made up only 7% of the CPI basket
- Supply shortages would alleviate by early 2022