



BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision 5/2021

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 4 August 2021 as follows.

The Committee voted 4 to 2 to maintain the policy rate at 0.50 percent. Two members voted to cut the policy rate by 0.25 percentage point. One MPC member was unable to attend the meeting.

The Committee assessed that the Thai economy in 2021 would be affected by the COVID-19 outbreak more than expected with significant downside risks. The most important issue for the Thai economy at present was to accelerate containment of the outbreak and distribution of vaccines to restore confidence and support the recovery in economic activities and income. Fiscal and financial measures must be expedited to assist affected groups in a more targeted and timely manner in line with the current situation. The Committee viewed that risks to the economic outlook remained high. The support must be provided by accelerating the distribution of liquidity and reduce debt burden for those who were affected. Most members viewed that financial measures would be more effective than a further reduction in the policy rate which was already low. Most members thus voted to maintain the policy rate. Nevertheless, two members voted to cut the policy rate to support other measures in shoring up the economy and mitigate heightened risks in the period ahead.

The Thai economy was projected to expand 0.7 and 3.7 percent in 2021 and 2022 respectively. This would be lower than the previous projection due to private consumption which was greatly affected this year and foreign tourist figures which were expected to be significantly lower next year. The labor market would be more fragile, particularly the services sector 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). The support would also come from the improving merchandise exports, although parts of the manufacturing sector were affected by the outbreak in factories and temporary shortages in raw material. Headline inflation would be largely unchanged, while medium-term inflation expectations remained anchored within the target. Downside risks to the economic outlook remained significant from the possibility of the outbreak situation in Thailand and other countries becoming more severe. The Committee would closely monitor these risks which would affect private consumption as well as income and employment in addition to impacts on foreign tourist figures.

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. Nonetheless, the special loan facility for businesses

helped enhance credit access for SMEs. On exchange rates, the Thai baht relative to the US dollar depreciated more than regional currencies owing to domestic factors. The Committee would closely monitor developments in both global and domestic financial markets and continue to expedite the new foreign exchange ecosystem.

The Committee viewed that the government measures and policy coordination among government agencies would be critical to support the economic recovery. Public health measures should aim at accelerating the procurement and distribution of effective vaccines to prevent the outbreak from being prolonged. Fiscal measures should help alleviate the adverse impacts and support the economy by more actively addressing vulnerabilities in the labor market and business sector in an adequate and timely manner. Monetary policy must contribute to continued accommodative financial conditions overall. Financial and credit measures should be adjusted quickly to enhance effectiveness in order to expedite the distribution of liquidity to the affected groups in a targeted manner and help reduce debt burden. These measures included the special loan facility, asset warehousing scheme, and other measures by specialized financial institutions (SFIs). In addition, financial institutions should accelerate debt restructuring to have broader impacts and be consistent with borrowers' long-term debt serviceability.

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 outbreak situation in Thailand and abroad, 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
4 August 2021

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BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 5/2021

4 August 2021

Mr. Titanun Mallikamas

Assistant Governor, Monetary Policy Group

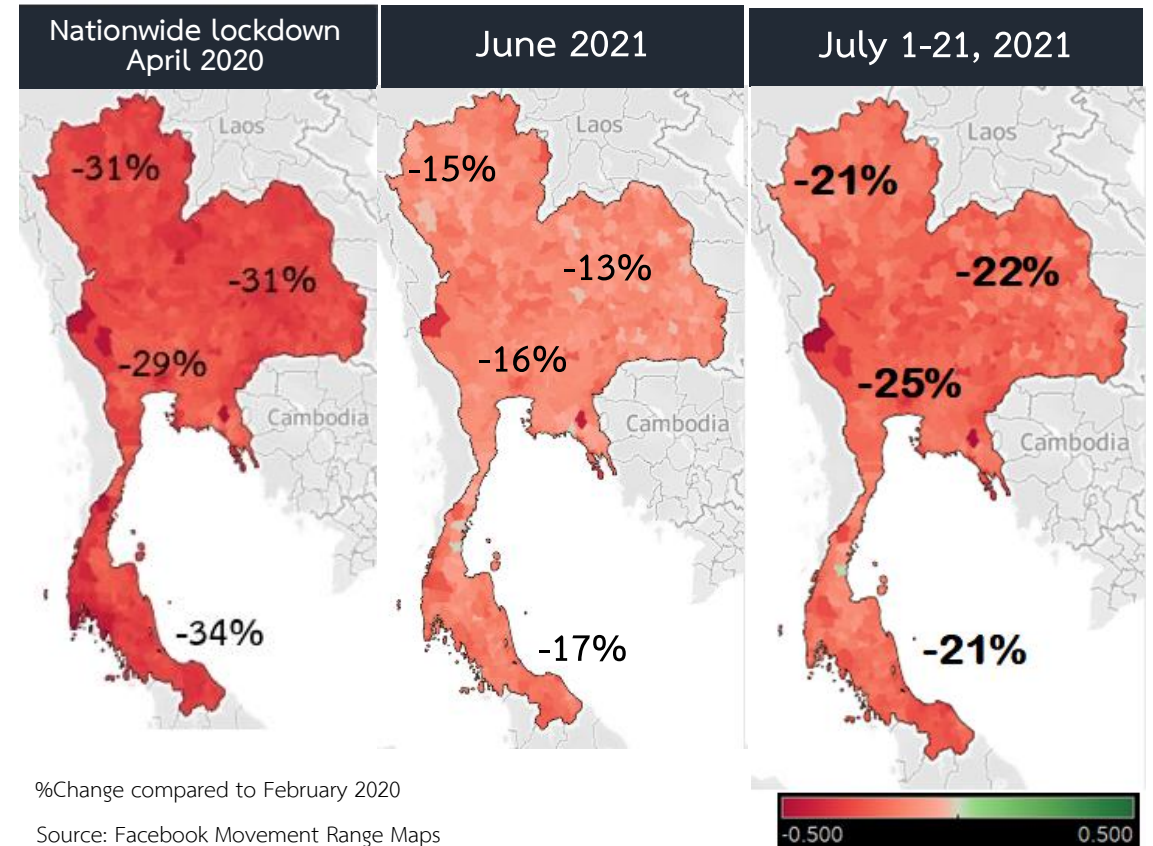
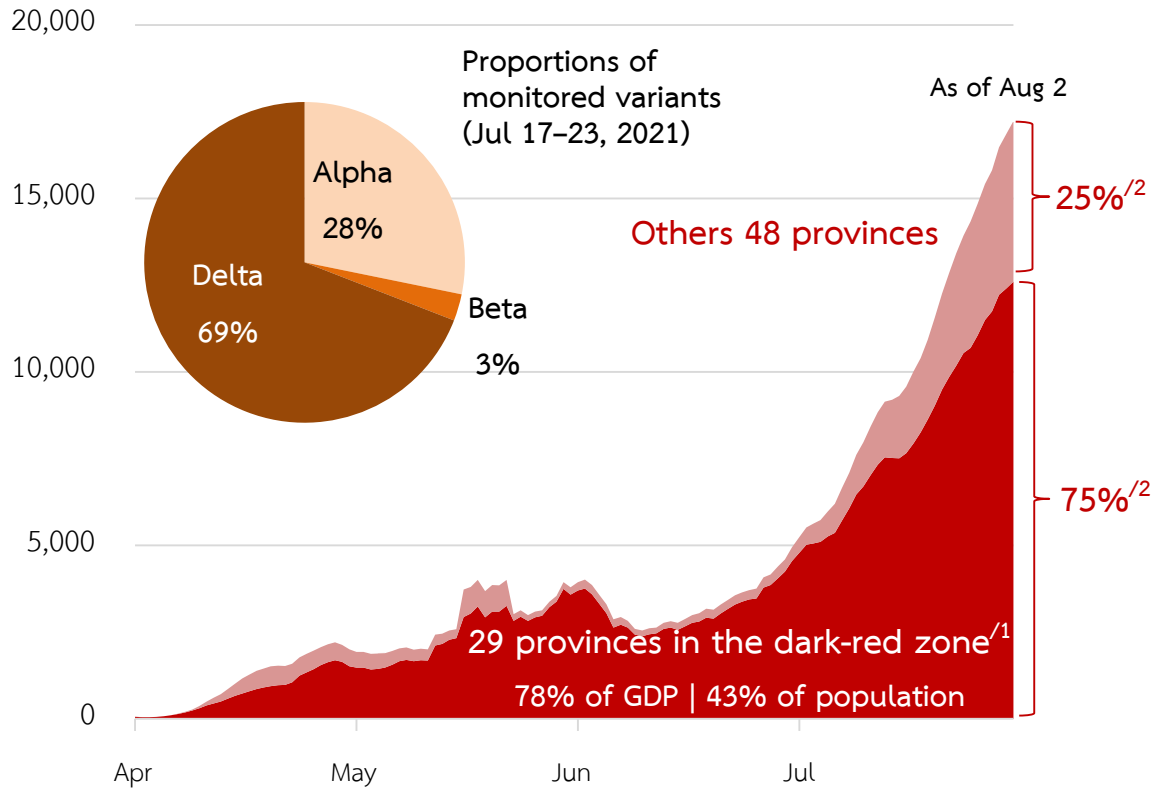


More severe and widespread outbreak had larger impacts on the economic activities.

Number of new infections accelerated across regions and was higher than previously assessed. Most cases were from Delta variant with more severe symptoms.

The recent outbreak led to tighter containment measures, resulting in lower economic activities in all regions.

Number of new infections (7-day average)



¹ 29 provinces included Bangkok, Chachoengsao, Chonburi, Nakhon Pathom, Nonthaburi, Narathiwat, Pathum Thani, Pattani, Ayutthaya, Yala, Songkhla, Samut Prakan, Samut Sakhon, Kanchanaburi, Tak, Nakhon Ratchasima, Prachuap Khiri Khan, Prachinburi, Phetchaburi, Phetchabun, Rayong, Ratchaburi, Lopburi, Sing Buri, Samut Songkhram, Saraburi, Suphan Buri and Ang Thong



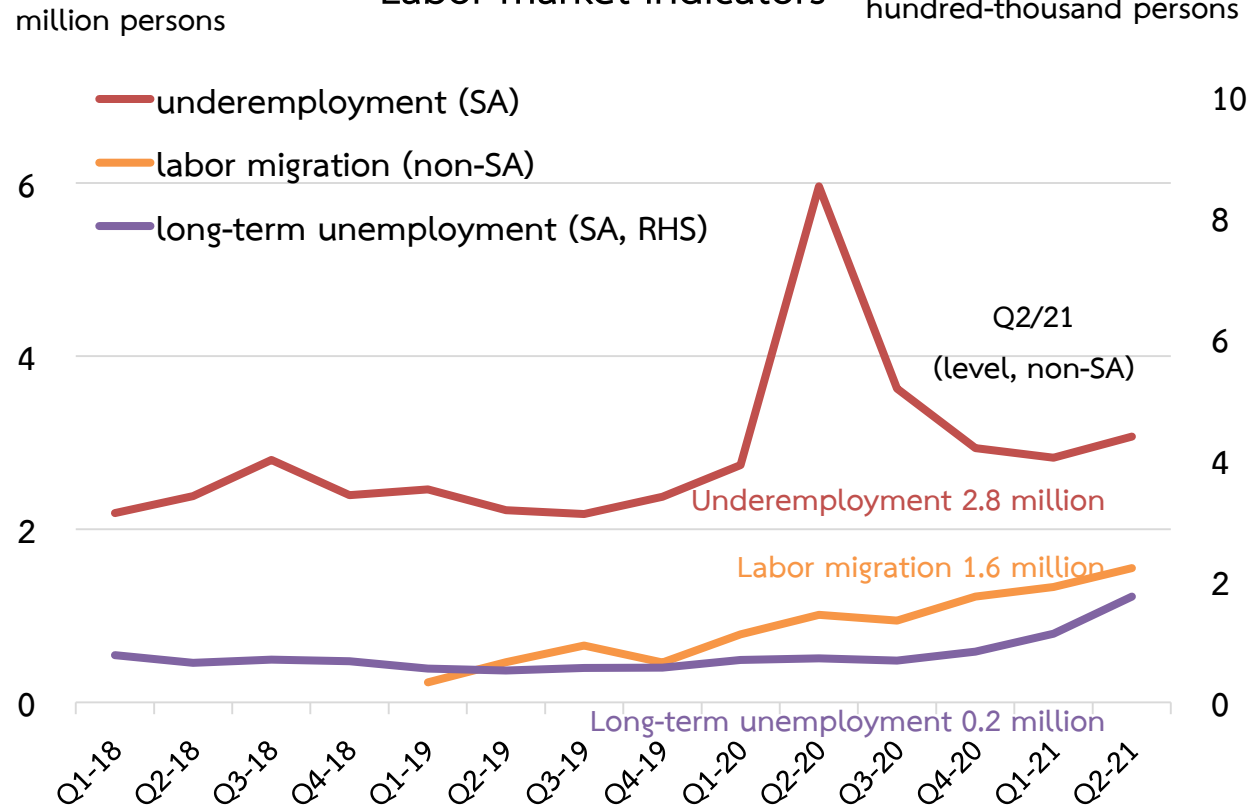
The labor market was severely affected by the 3rd wave outbreak in Q2/21 and was expected to deteriorate given the potentially more severe and prolonged outbreak

The 3rd wave outbreak resulted in a more fragile labor market:

- (1) a rise in underemployment for the first time in a year,
- (2) an increase in labor migration back to their home provinces,
- and (3) an acceleration of long-term unemployment

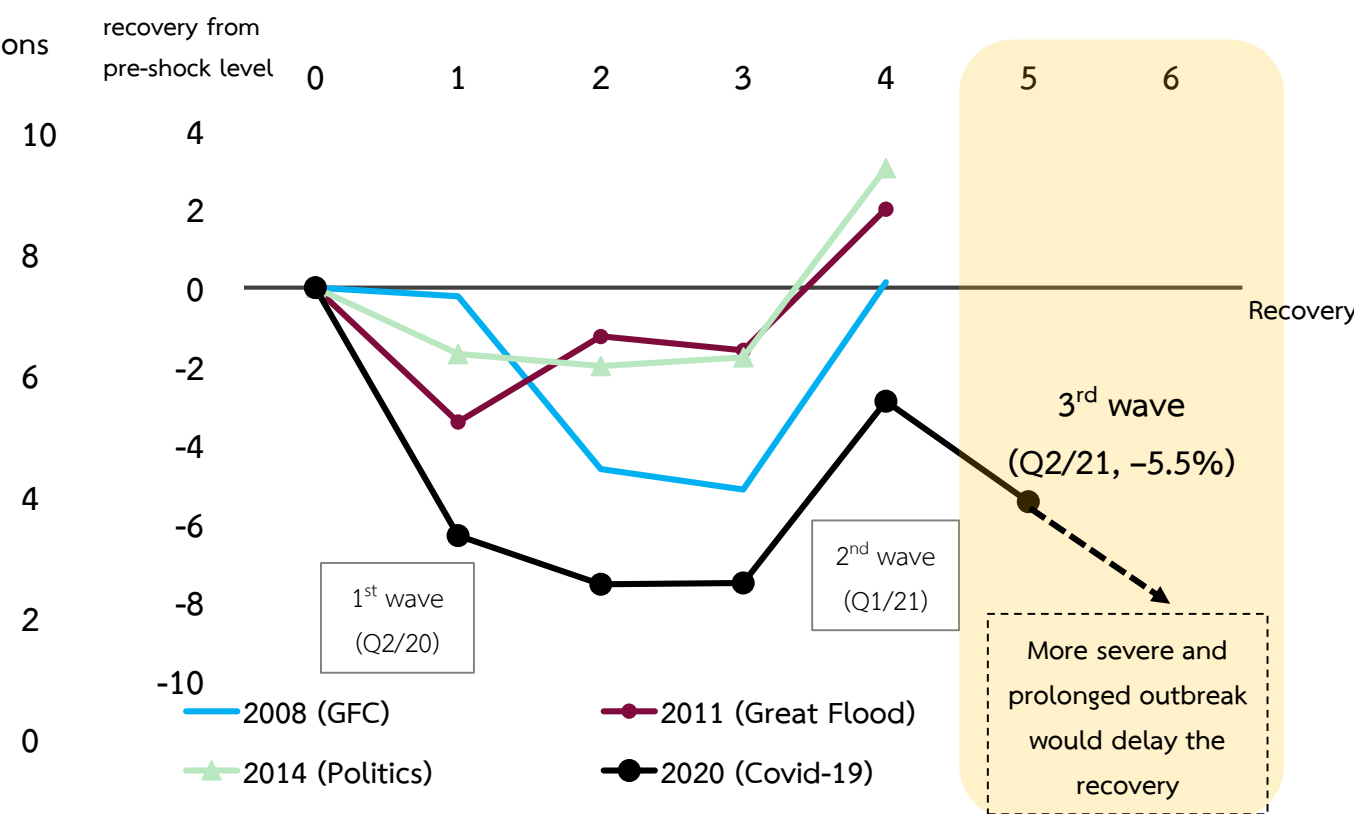
Employment recovery would be W-shaped and slower than the past

Labor market indicators



Duration of recovery in private non-farm employment*

% employment recovery from pre-shock level (quarters)



Note: Long-term unemployment refers to unemployment for longer than 1 year

Source: The Labor Force Survey by the National Statistical Office of Thailand and True Corporation,

calculations by BOT

Note: * Calculated from a sample of 11.4 million private sector employees outside the agricultural and construction sectors (30% of labor force)

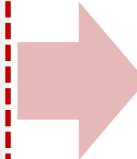
Source: The Labor Force Survey by the National Statistical Office of Thailand, calculations by BOT 2/4



In the period ahead, significant risks to the economy included domestic outbreak and vaccine development, which could affect the re-opening plans to foreign tourists throughout the forecast horizon.

Significant issues to be monitored

- Domestic outbreak situation
 - Vaccine development including both efficacy and distribution
 - Containment measures and re-opening plans to foreign tourists
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- The outbreak situation, especially owing to virus mutation, in other countries
 - Supply disruption which could affect merchandise exports
 - Continuity of public measures including both fiscal and financial measures to support businesses



Scenarios	Baseline		Baseline minus	
	2021	2022	2021	2022
The outbreak situation	To be contained gradually relax containment measures in early Q4/21		To be prolonged relax containment measures at the end of Q4/21	
No quarantine for foreign tourists	Q2/22		Q3/22	
No. of foreign tourists (million persons)	0.15	6.0	0.1	2.0



In the baseline, the economy would grow significantly slower than the previous projection.

GDP growth (%YoY)	2021	2022
Jun-21 forecast	1.8	3.9
Headwind		
Lower-than-expected Q2/21 economic indicators	-0.2	0.2
Impacts of more prolonged and severe COVID-19 outbreak	-1.1	0.6
Delayed reopening and lower confidence among foreign tourists	-0.3	-1.3
Tailwind		
Additional government measures	0.4	0.3
Better-than-expected export outlook	0.1	-
Total change from the previous forecast	-1.1	-0.2
Aug-21 forecast	0.7	3.7

