



BANK OF THAILAND

BOT Press Release

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No. 69/2021

Monetary Policy Committee's Decision 6/2021

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 29 September 2021 as follows.

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

The Committee assessed that the Thai economy in 2021 and 2022 would expand close to the projection from the previous meeting, but uncertainties surrounding the economic outlook remained high. Nonetheless, progress on vaccination and earlier-than-expected relaxation of the containment measures would help support the economy in the period ahead. The most important issue for the Thai economy at present was the implementation of public health measures that would help facilitate the economic and income recovery. The Committee viewed that government measures should be expedited to support the economic recovery. Despite some progress on financial measures, liquidity distribution and debt restructuring should be expedited further for those who were affected. The Committee viewed that financial measures would be more effective than a further reduction in the policy rate, which was already low, and thus voted to maintain the policy rate.

The Thai economy was projected to expand 0.7 and 3.9 percent in 2021 and 2022 respectively, largely unchanged from the August projection. Although the economy in the third quarter of 2021 was affected by the containment measures and a slowdown in exports, significant progress on vaccination and earlier-than-expected relaxation of the containment measures would help restore private sector confidence and boost private consumption for the rest of 2021. The economy in 2022 would gradually recover mainly owing to domestic spending in tandem with improving confidence. Foreign tourist figures were expected to recover slowly, while merchandise exports would continue to be affected by shortages of containers and semiconductors. The labor market improved from higher income of workers in the services sector and the self-employed in line with economic activities. Headline inflation would remain subdued in line with weak domestic demand. Nonetheless, headline inflation forecast and medium-term inflation expectations remained anchored within the target. The Thai economy would still be highly uncertain. Thus, there remained a need to monitor the development in the outbreak and relaxation of containment measures, private sector confidence, as well as the momentum of government measures as these factors would affect the economic recovery going forward.

Despite ample overall liquidity, the distribution of liquidity remained uneven due to increased credit risks, particularly among SMEs and households. Nonetheless, the special loan facility for businesses helped enhance credit access for SMEs. On exchange rates, the baht relative to the US dollar exhibited more volatile movements owing to developments of monetary policy in advanced economies and uncertainties in the Thai economic recovery outlook. 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 strike a balance between containing the outbreak and supporting the recovery of economic activities and income. Fiscal measures should help facilitate the economic recovery by emphasizing on generating income and preparing measures to raise potential growth. Monetary policy must contribute to continued accommodative financial conditions overall. Financial and credit measures should be expedited to distribute 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 implementation and relaxation of the domestic containment measures 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
29 September 2021

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BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 6/2021

29 September 2021

Mr. Titanun Mallikamas

Assistant Governor, Monetary Policy Group

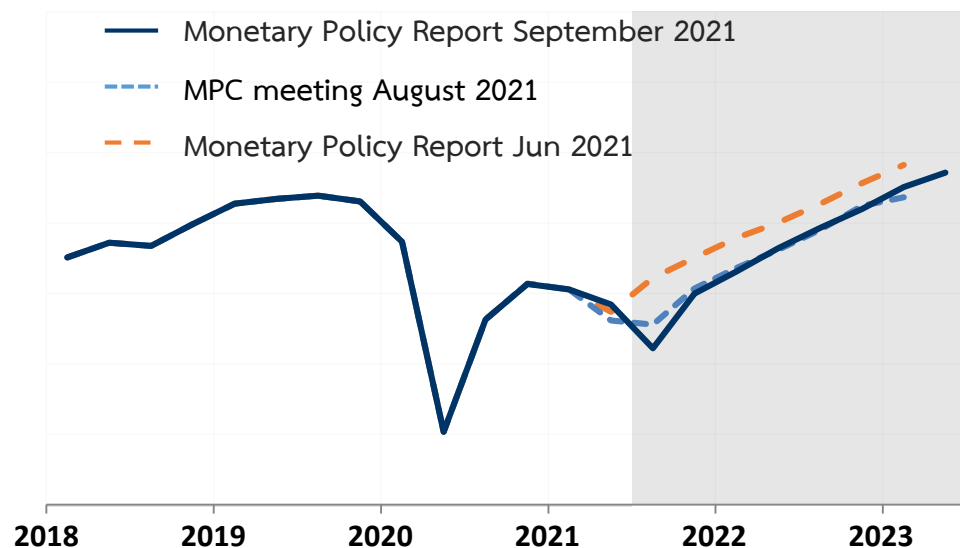


Compared with the previous Monetary Policy Report,

the Thai economy in 2021 is expected to slow down due to the spread of Delta variant.

However, the economy would rebound due to the progress in vaccination and the relaxation of containment measures. The projection in 2022 thus remains close to the previous assessment.

Thai economic outlook



	GDP growth (%YoY)		Foreign tourists (million person)	
	2021	2022	2021	2022
Jun-21	1.8	3.9	0.7	10.0
Aug-21	0.7	3.7	0.2	6.0
Sep-21	0.7	3.9	0.2	6.0

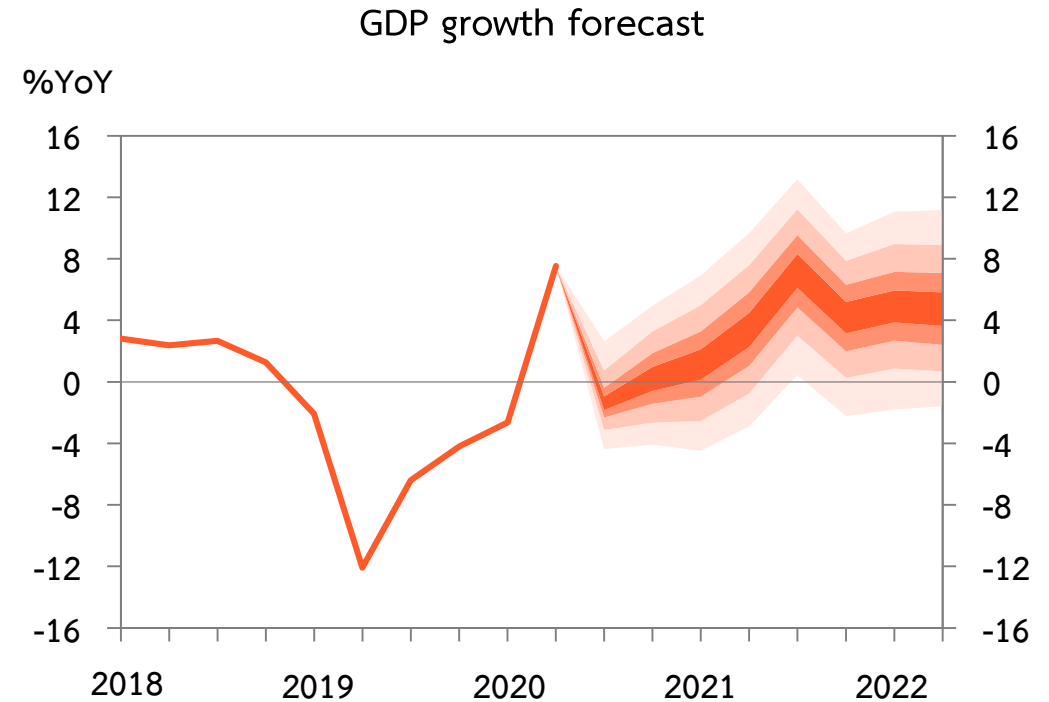
GDP growth (%YoY)	2021	2022
Jun-21 forecast	1.8	3.9
Better-than-expected outturn in Q2/21	0.1	-
Additional government measures	0.2	0.3
Net impacts of the COVID-19 outbreak (Delta variant) and better vaccination progress on domestic spending	-0.9	0.9
Worse-than-expected outlook of merchandise exports	-0.1	0.1
Expected lower number of foreign tourists	-0.3	-1.3
Total change from the previous Monetary Policy Report	-1.1	0.0
Sep-21 forecast	0.7	3.9



Despite the improvement in economic recovery, uncertainties remain high.

Key risks to be monitored

- Outbreak situation and virus mutations
- Containment measures and the re-opening plan to admit foreign tourists
- Household and business confidence after the relaxation of containment measures
- Continuity of government stimulus
- Supply disruption problems



Note: The fan chart covers a 90% likelihood of occurrence



Economic projections (as of September 2021)

	%YoY	2020*	2021	2022
GDP growth		-6.1	0.7 (1.8)	3.9 (3.9)
Domestic demand		-1.6	1.9 (4.1)	4.7 (3.2)
Private consumption		-1.0	0.0 (2.5)	5.7 (3.4)
Private investment		-8.4	4.2 (7.0)	6.7 (6.0)
Government consumption		0.9	3.3 (4.1)	-0.5 (-1.0)
Public investment		5.7	8.0 (9.5)	6.4 (5.7)
Exports of goods and services		-19.4	8.7 (8.8)	6.1 (7.8)
Imports of goods and services		-13.3	15.3 (15.0)	4.8 (5.5)
Headline inflation		-0.8	1.0 (1.2)	1.4 (1.2)
Core inflation		0.3	0.2 (0.2)	0.3 (0.3)
Current account (billion, U.S. dollars)		17.6**	-15.3 (-1.5)	1.0 (12.0)
Value of merchandise exports		-6.5	16.5 (17.1)	3.7 (4.9)
Value of merchandise imports		-13.8	23.8 (22.7)	4.8 (6.6)
Number of foreign tourists (million person)		6.7	0.2 (0.7)	6.0 (10.0)

Note: * Outturns

** Balance of payment figures for 2020 are subject to revision by the end of September 2021

() Monetary Policy Report June 2021