



BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision 7/2020

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 18 November 2020 as follows.

The Committee voted unanimously to maintain the policy rate at 0.50 percent to support economic recovery while placing emphasis on more targeted measures.

The Committee assessed that despite the recent better-than-expected outturn, the Thai economy would recover slowly and need support from the continued low policy rate. Nonetheless, the economic recovery would remain fragile and highly uncertain. The Committee thus voted to maintain the policy rate at this meeting and to preserve the limited policy space in order to act at the appropriate and most effective timing.

The Thai economy in the third quarter of 2020 improved more than expected. However, the recovery would remain slow and vary significantly among economic sectors. Overall economic activities were projected to take approximately two years before returning to the pre-pandemic level. Consequently, the labor market would remain fragile, especially as labor incomes remained low. This would in turn weigh on private consumption, particularly among low-income households, following a phase-out of temporary supporting factors. Public expenditure was expected to be lower than previously assessed. The financial system remained sound, despite increasing vulnerabilities given the economic outlook and risks to the financial positions of businesses and households. Meanwhile, headline inflation would be less negative in line with increasing energy prices and would stay close to the lower bound of the target range in 2021. Medium-term inflation expectations remained anchored within the target.

Despite ample liquidity in the financial system and low financing costs, some businesses, especially SMEs, and households in need of liquidity have not gained access to credits. The baht appreciated rapidly against the US dollar owing to risk-on sentiment following the US presidential election outcome and the progress of COVID-19 vaccine development. The Committee expressed concerns over the rapid appreciation of the baht as this affected the fragile economic recovery. Therefore, the Committee would closely monitor developments in foreign exchange markets and capital flows as well as consider the necessity of implementing additional appropriate measures.

The Committee viewed that policy coordination among government agencies would be critical to support the economic recovery going forward. Monetary policy must remain accommodative. Financial and credit measures should expedite liquidity distribution to the affected groups in a targeted and timely manner, and financial institutions should accelerate debt restructuring to have a broader impact. Fiscal measures continued to play an important role

in shoring up the economy. The government should thus accelerate budget disbursement and assist the vulnerable target groups. In addition, implementation of supply-side policies should be accelerated to support business restructuring and upskilling of labor, which would help support sustainable economic recovery in the long term.

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 economic recovery. The Committee would monitor the adequacy of the government measures and various risks, including domestic political uncertainties, progress of protocols for admitting foreign tourists, and financial position of businesses and households, in deliberating monetary policy going forward. The Committee would stand ready to use additional appropriate monetary policy tools if necessary.

Bank of Thailand
18 November 2020

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ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 7/2020

Mr. Titanun Mallikamas

Assistant Governor, Monetary Policy Group



Overall interest rates in the financial markets were at historic lows.

Nonetheless, distribution of liquidity remained uneven due to heightened credit risk.

Interest rates

Borrowing cost indicators*	Max	Min	Historical avg.	Pre-COVID**	Latest***
Policy rate (%)	3.50	1.25	1.98	1.00	0.50
Government bond yield 5Y (%)	3.93	1.25	2.62	0.88	0.88
MLR 14 commercial banks (%)	7.60	6.34	7.01	6.67	6.11
New Loan Rate (NLR) (%)	5.68	3.68	4.51	3.52	3.56
12-month fixed deposit 14 commercial banks (%)	3.10	0.97	1.88	1.17	0.70
Savings rate 14 commercial banks (%)	1.10	0.55	0.74	0.53	0.34

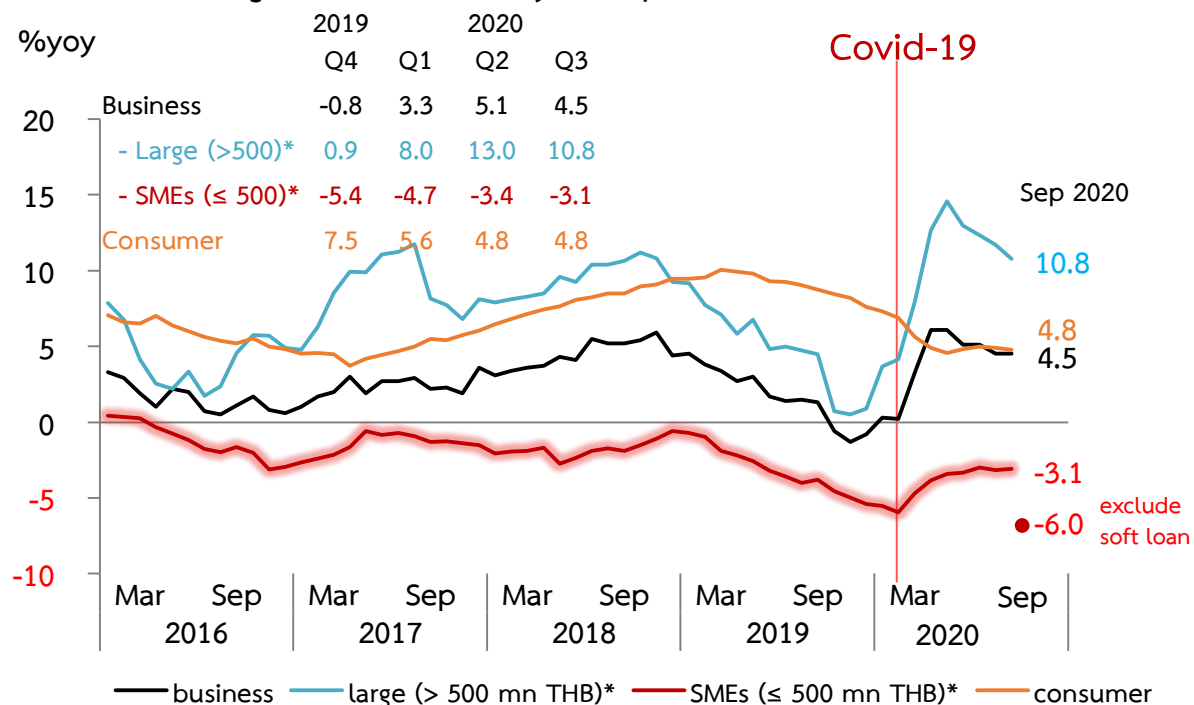
* Maximum, minimum, and average values during Jan 2010 to Dec 2019

** Feb 2020

*** As of 16 Nov 2020, except for NLR which is as of Sep 2020

Business loans expanded owing to large corporates, while SME loans contracted despite the support of soft loan programs.

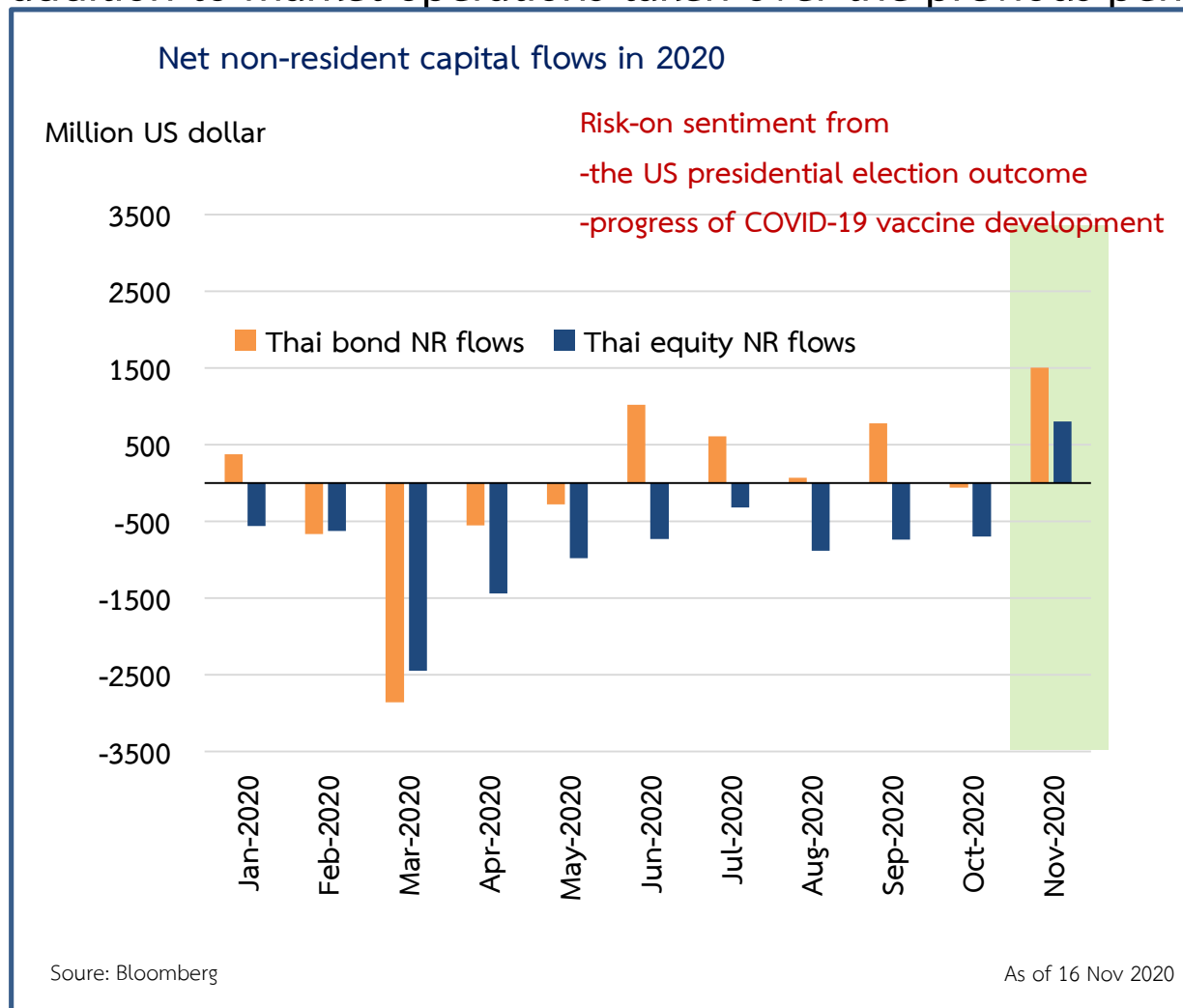
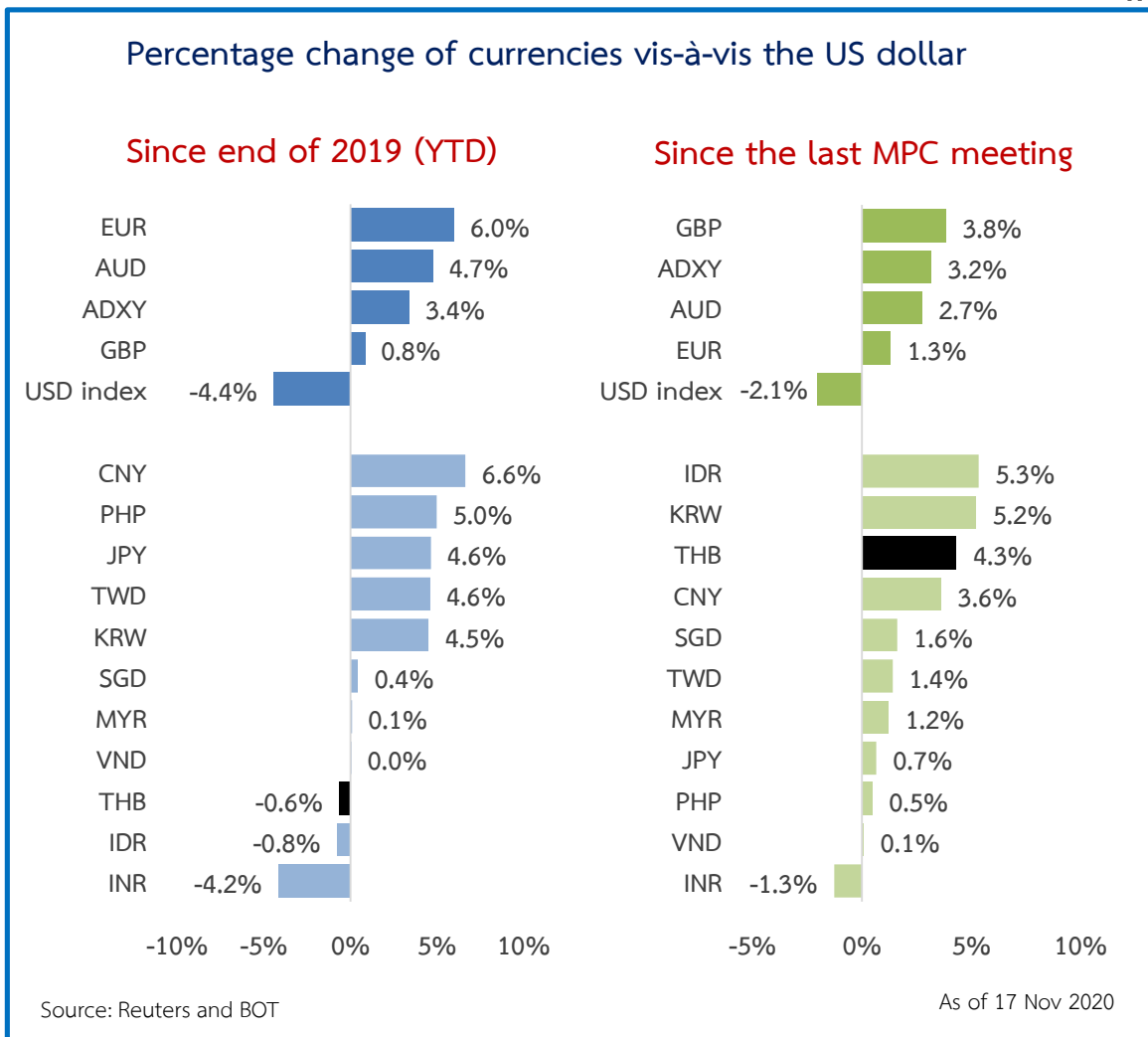
Business loan growth classified by loan portfolios and size of credit line



* Exclude financial business, each commercial bank's credit line is as of Sep 2020



The Committee expressed concerns over the rapid appreciation of the baht as this affected the fragile economic recovery, and would consider the necessity of implementing additional appropriate measures in addition to market operations taken over the previous period.



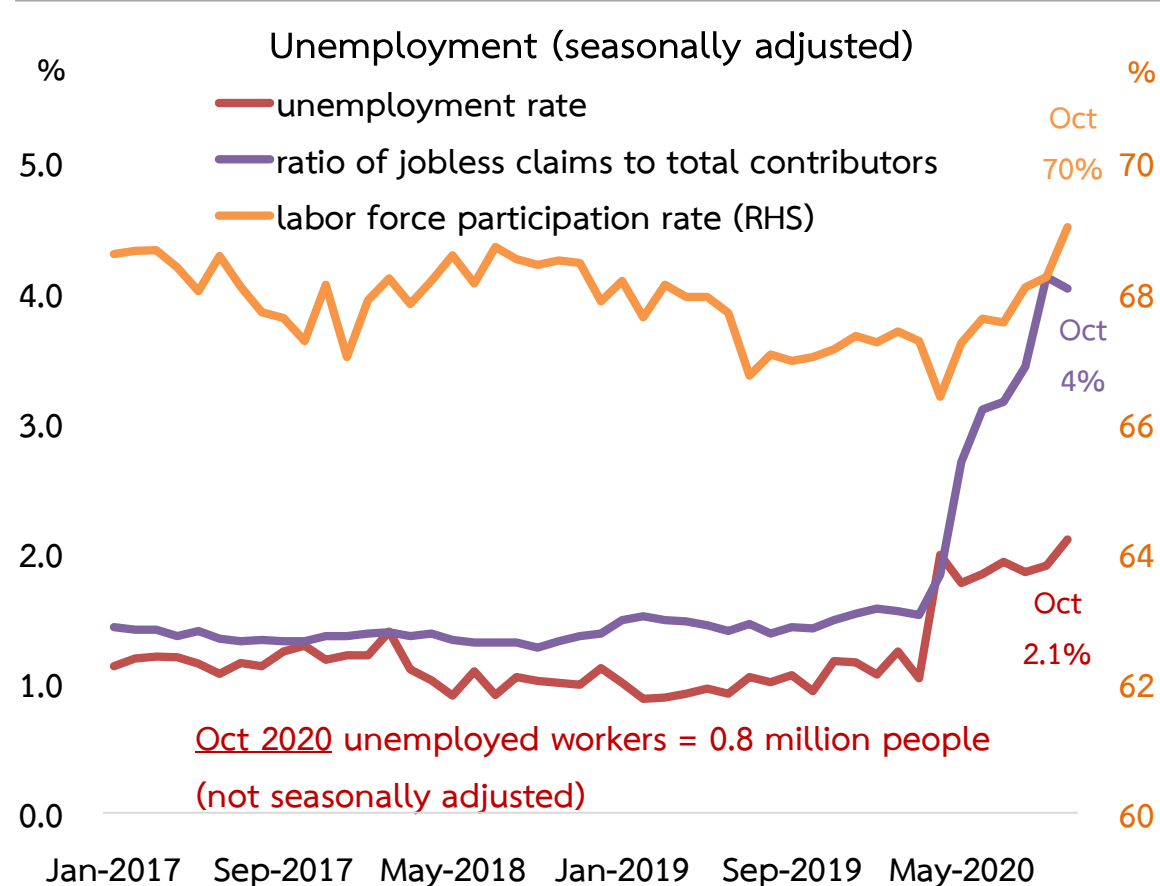
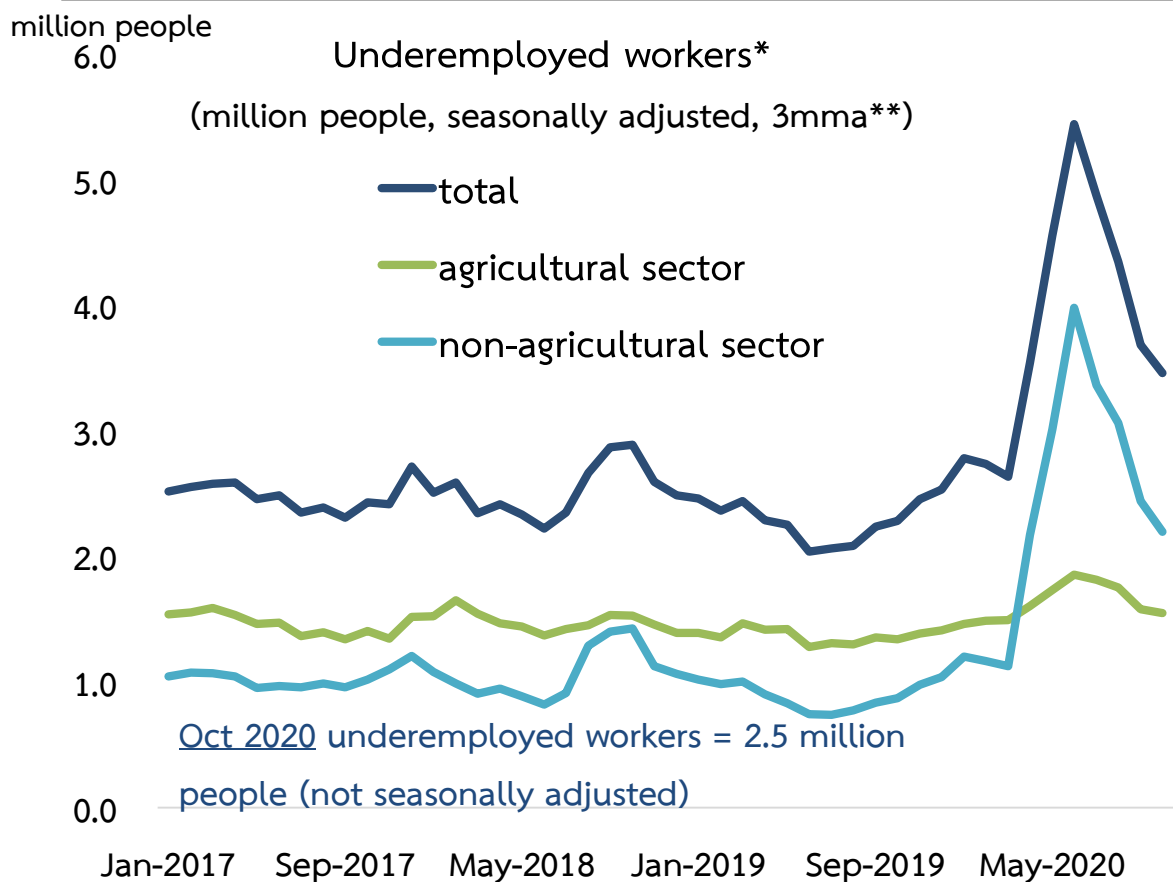


Although the labor market in the third quarter improved more than expected,

labor incomes continued to be fragile particularly for self-employed workers in the service sector.

The number of underemployed workers decreased to 2.5 million people and declined in both agricultural and non-agricultural sectors

Unemployment rate slightly rose to 2.1% as labor force participation rate increased



Note: *Underemployed workers are those who work 0-20 hours/week in agricultural sector and 0-24 hours/week in non-agricultural sectors **3mma: 3-month moving average