



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

No. 80/2021

Monetary Policy Committee's Decision 7/2021

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 10 November 2021 as follows.

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

The Committee assessed that the Thai economy had bottomed out in the third quarter of 2021 and entered the recovery phase following the relaxation of containment measures and the re-opening of the country. Meanwhile, downside risks to the economic projection decreased on account of the accelerated vaccination progress. However, the fragile recovery would remain subject to uncertainties. Headline inflation increased temporarily mainly due to the global energy prices. The Committee viewed that the continued accommodative monetary policy would help support overall economic growth, and thus voted to maintain the policy rate. In addition, the ongoing financial and fiscal measures, with the focus on rebuilding and enhancing potential growth would play an important part in bolstering the robust recovery of income.

The Thai economy would expand at a pace close to the previous projection for 2021 and 2022 on the back of domestic spending that gradually recovered following the relaxation of containment measures, partially offsetting the adverse impact of higher global energy prices. Looking ahead, fiscal support would decline following the substantial stimulus earlier. Merchandise exports would decelerate in tandem with growth in trading partner economies, while foreign tourist figures were expected to recover slowly. Meanwhile, 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 increase temporarily owing to supply-side factors, particularly the energy prices which would likely decline by early next year. Nevertheless, headline inflation would remain within the target, with upside risks including the elevated global energy prices persisting longer than expected and global supply constraints becoming more prolonged. However, the slow recovery of income and purchasing power would lead to subdued demand-side inflationary pressures. Meanwhile, medium-term inflation expectations remained anchored within the target. The fragile economic recovery outlook would still be subject to uncertainties. Thus, there remained a need to monitor the outbreak situation following the re-opening of the country, the momentum of fiscal support, and the pass-through of global energy prices, as these factors would affect the economic recovery going forward.

Overall liquidity remained ample but credit risks remained a challenge to liquidity distribution, particularly to SMEs and households. The special loan facility for businesses helped in part alleviate the problem. Government bond yields increased in tandem with those of developed markets. On exchange rates, the baht relative to the US dollar exhibited more volatile movements owing to 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, particularly through supporting SMEs in hedging against risks from exchange rate volatility.

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 particularly after the re-opening of the country. Fiscal measures should be more targeted in facilitating the economic recovery by focusing on generating income and expediting measures to rebuild and enhance potential growth. Monetary policy should 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 in a sustainable manner through the scheme launched on September 3, 2021 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 outbreak situation following the re-opening of the country, the adequacy of fiscal, financial, and credit measures, and the global energy price pass-through. The Committee would stand ready to use additional appropriate monetary policy tools if necessary.

Bank of Thailand
10 November 2021

For further information, please contact: Monetary Policy Strategy Division

Tel: +66 2283 6186, +66 2356 7872

E-mail: MPStrategyDiv@bot.or.th



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 7/2021

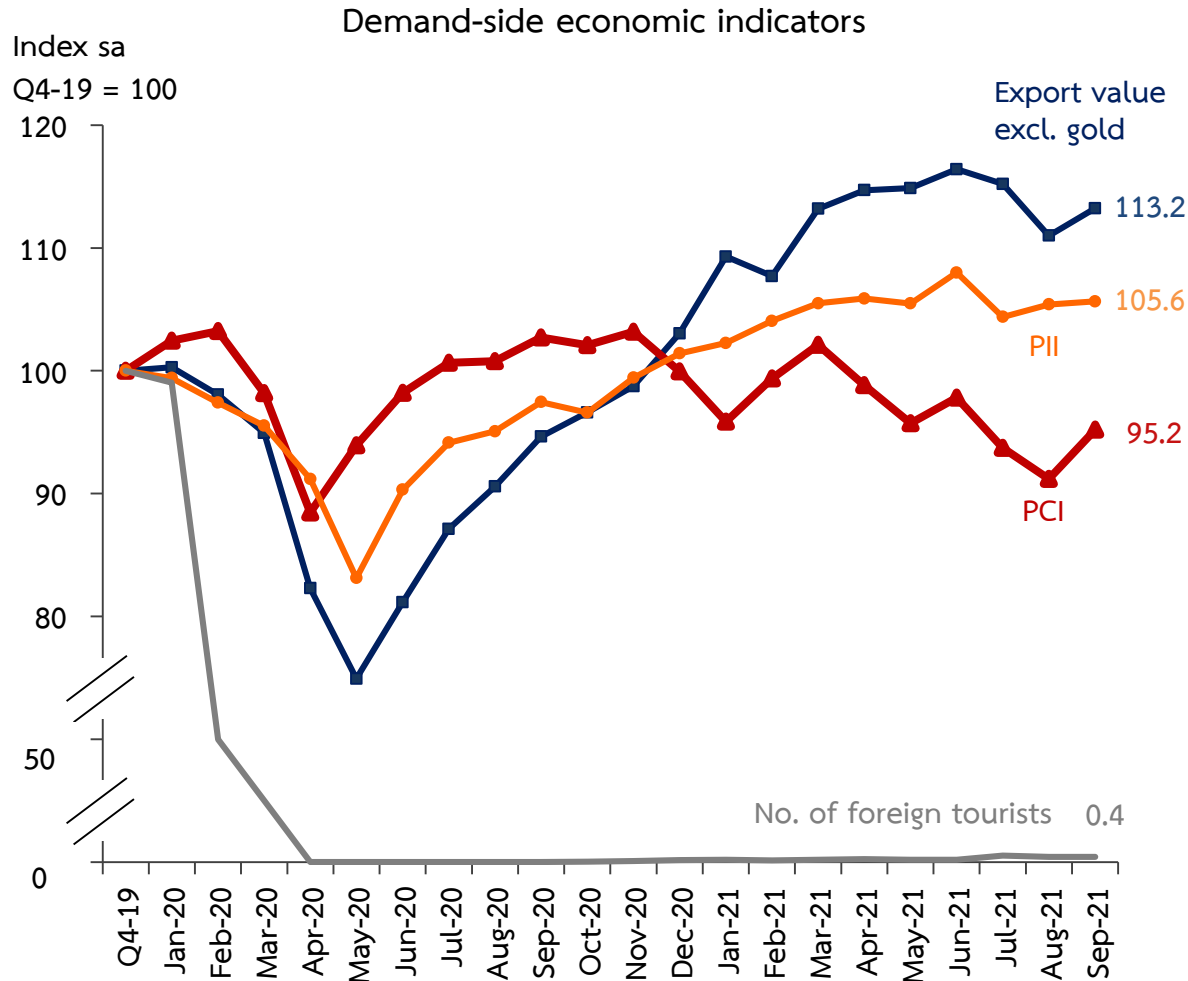
10 November 2021

Piti Disyatat

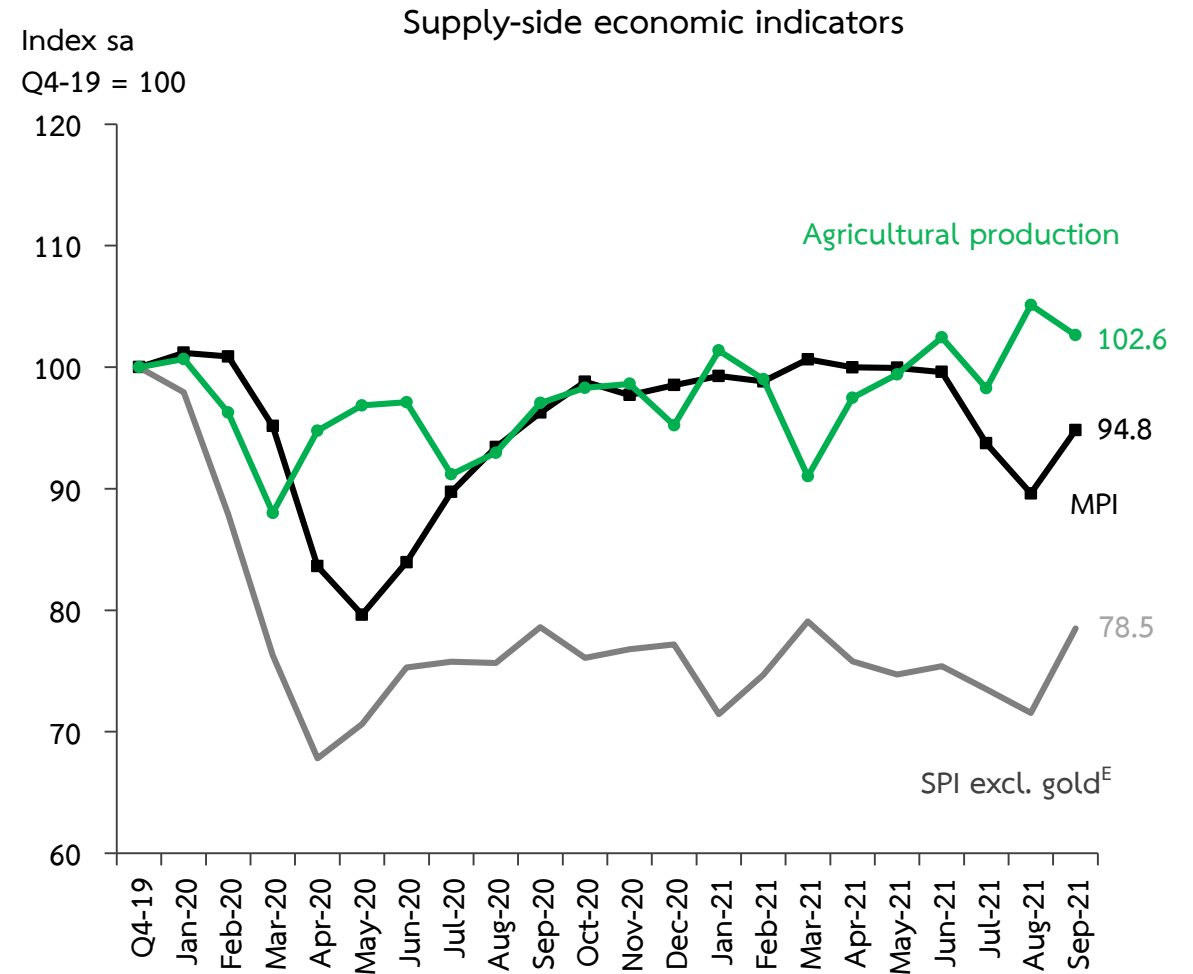
Assistant Governor, Monetary Policy Group



The Thai economy had bottomed out in the third quarter of 2021, as reflected in most economic indicators in September 2021 following gradual relaxation of containment measures.



Notes: PCI = Private Consumption Indicators PII = Private Investment Indicators



Notes: MPI = Manufacturing Production Index

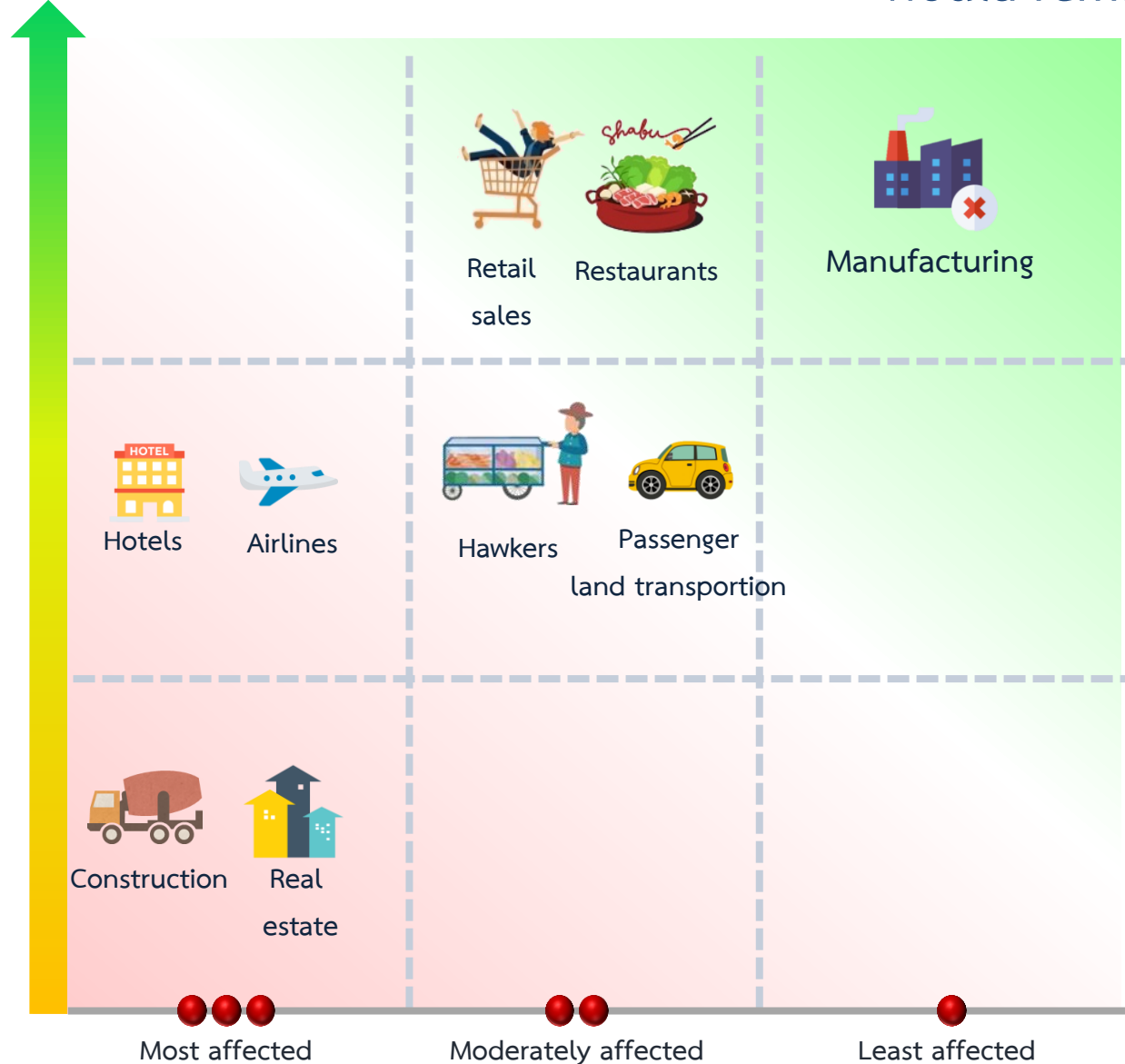
SPI = Service Production Index (Excludes public administration and services, and gold activities)

E = Estimated data



Looking ahead, the recovery of economic activities and employment would remain uneven across economic sectors.

Recovery Pace







Factors to watch

- New outbreaks
- Rising costs
- Purchasing power
- Supply disruption

Impact in Q3/21



Headline inflation would temporarily rise on the back of supply-side factors, particularly energy prices. Upside risks include the elevated global energy prices persisting longer than expected and global supply constraints becoming more prolonged.

Key drivers of rising inflation		Assessment of impact on Thailand's inflation		
		Mitigating factors	Impact on inflation	Upside risks
<u>Cost-push factors</u>				
	<ul style="list-style-type: none"> Energy prices <ul style="list-style-type: none"> - Crude oil - Natural gas (LPG, LNG) 	Diesel subsidies/LPG price caps Ft subsidy	Short-term: limited impacts thanks to relief measures. Greater impacts could materialize if Ft rises	If elevated oil prices persist, the Oil Fund may have limited room to subsidize energy prices
	<ul style="list-style-type: none"> Global reflation due to <ol style="list-style-type: none"> 1. other commodity prices 2. supply constraints 	Businesses absorbing higher costs due to commodity prices and exchange rates	Limited pass-through from PPI to CPI, while exchange rate pass-through mainly occurs via domestic retail oil prices	If supply disruption is prolonged, businesses may not be able to absorb rising costs
	<ul style="list-style-type: none"> Baht depreciation 	Only a small share of goods in the CPI basket affected by baht depreciation		
<u>Demand-pull factors</u>				
	<ul style="list-style-type: none"> Pent-up demand 	Fragile purchasing power and labor market	Somewhat larger pass-through to CPI	Faster economic recovery, or sustained pent-up demand

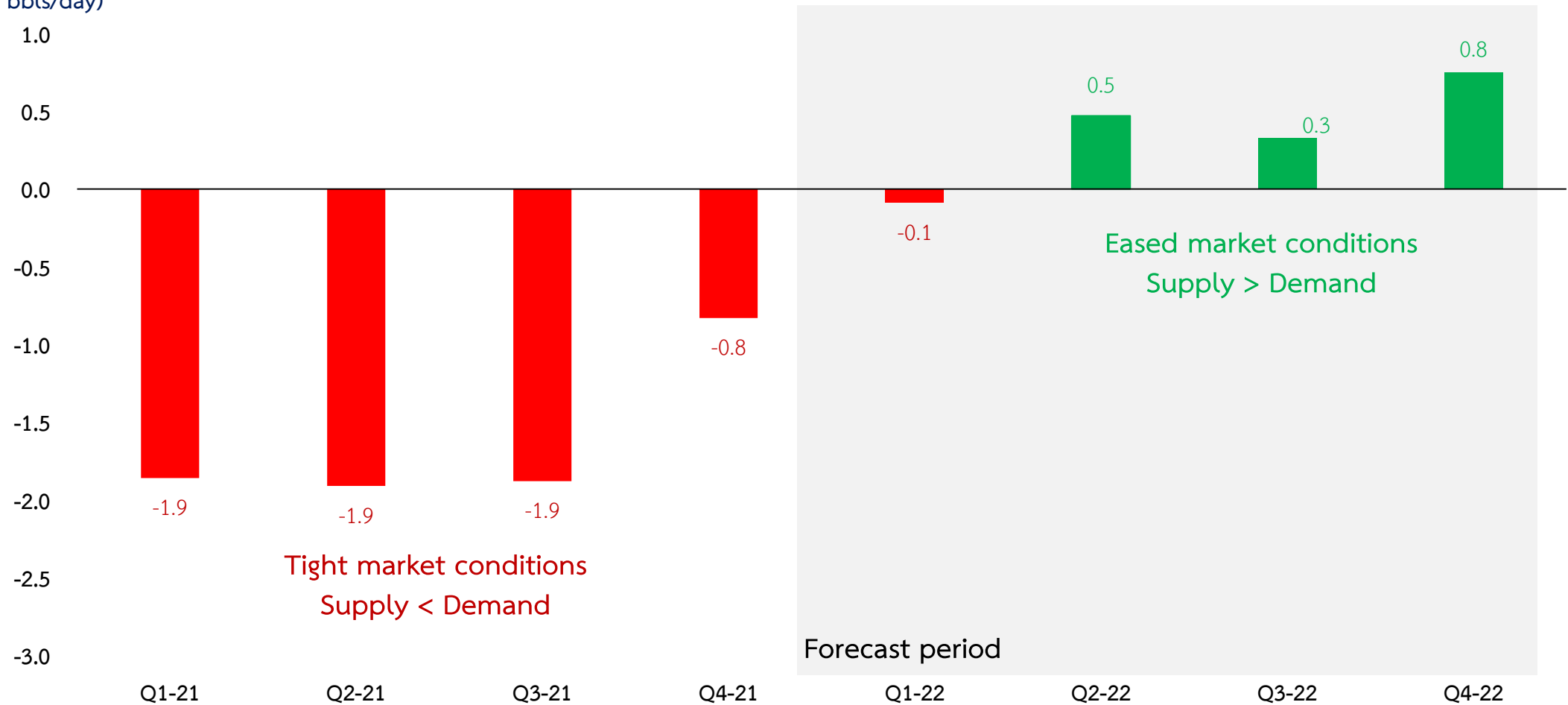


Global energy prices would accelerate due to transitory factors.

Looking forward, energy prices would likely fall as oil supply increases.

Differences between
oil supply and demand
(mn bbls/day)

Outlook for oil market balance

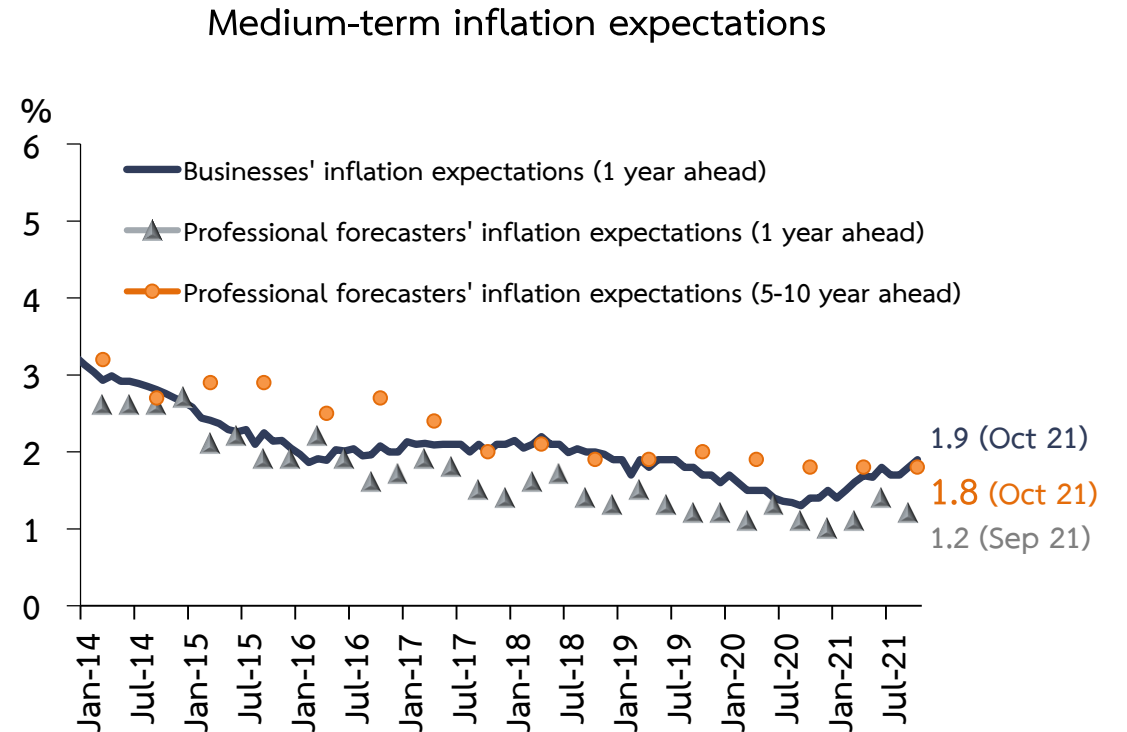
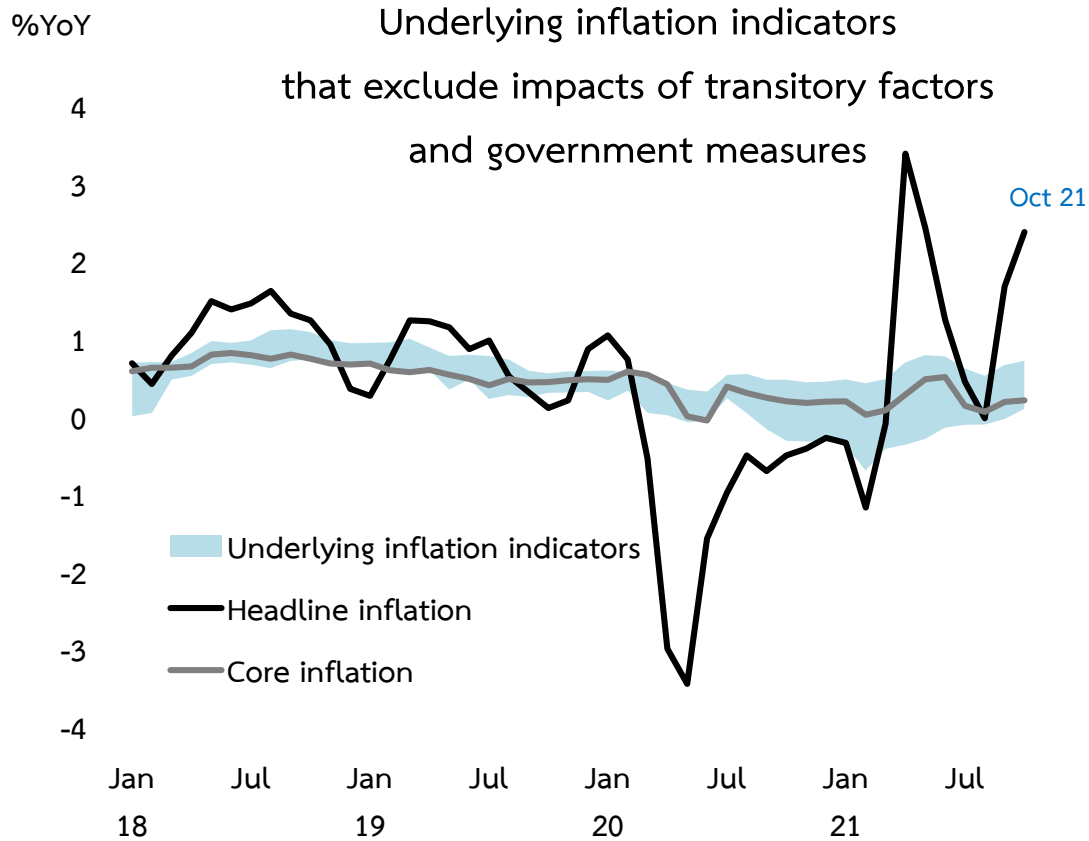


Sources: US Department of Energy, calculated by BOT



Underlying inflation indicators reflected subdued price pressures as demand gradually recovered.

Meanwhile, medium-term inflation expectations remained anchored within the target.



Sources: Bank of Thailand and Consensus Economics

Source: Bank of Thailand