



BANK OF THAILAND

BOT Press Release

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Monetary Policy Committee's Decision 8/2020

Mr. Titanun Mallikamas, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 23 December 2020 as follows.

The Committee voted unanimously to maintain the policy rate at 0.50 percent to support the economic recovery which remained highly uncertain. One MPC member was unable to attend the meeting.

The Committee assessed that the Thai economy continued to recover but downside risks and uncertainties remained high in the period ahead. The economy would thus need support from the continued low policy rate. The Committee voted to maintain the policy rate at this meeting to preserve the limited policy space in order to act at the appropriate and most effective timing.

The Committee projected that the Thai economy would contract 6.6 percent in 2020, which was better than previously assessed due to improvement in private consumption and merchandise exports. The economy would expand at 3.2 percent and 4.8 percent in 2021 and 2022, respectively. Nonetheless, the economic recovery remained highly uncertain which would in the short term depend on the situation of the new wave of COVID-19 outbreak and corresponding containment measures. At a longer horizon, it would depend on the recovery in foreign tourist figures, efficacy and coverage of COVID-19 vaccination, and labor market situation in which numbers of unemployed and underemployed workers remained high. Furthermore, uneven recoveries across economic sectors would affect the sustainability of the economic growth going forward. Financial system remained sound while vulnerabilities among households and SMEs remained. Headline inflation was projected to return to the target in the middle of 2021 and would stay close to the lower bound of the target range throughout the forecast period. 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 movement of the baht against the US dollar was volatile in line with regional currencies. The Committee expressed concerns over potential rapid appreciation of the baht owing to risk-on sentiment in financial markets and the weakening outlook of the US dollar. The Committee would closely monitor developments in foreign exchange markets, consider the necessity of implementing additional appropriate measures, as well as continue to expedite 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 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, for instance, through credit guarantee schemes in order to curb credit risks, while financial institutions should accelerate debt restructuring to have a broader impact. Fiscal measures must continue to sustain the economy. In particular, the government should expedite budget disbursement under the restoration plan and simultaneously implement supply-side policies 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 the economic recovery. The Committee would monitor the adequacy of the government measures and various risks, especially the new wave of the domestic outbreak in deliberating monetary policy going forward. The Committee would stand ready to use additional appropriate monetary policy tools if necessary.

Bank of Thailand
23 December 2020

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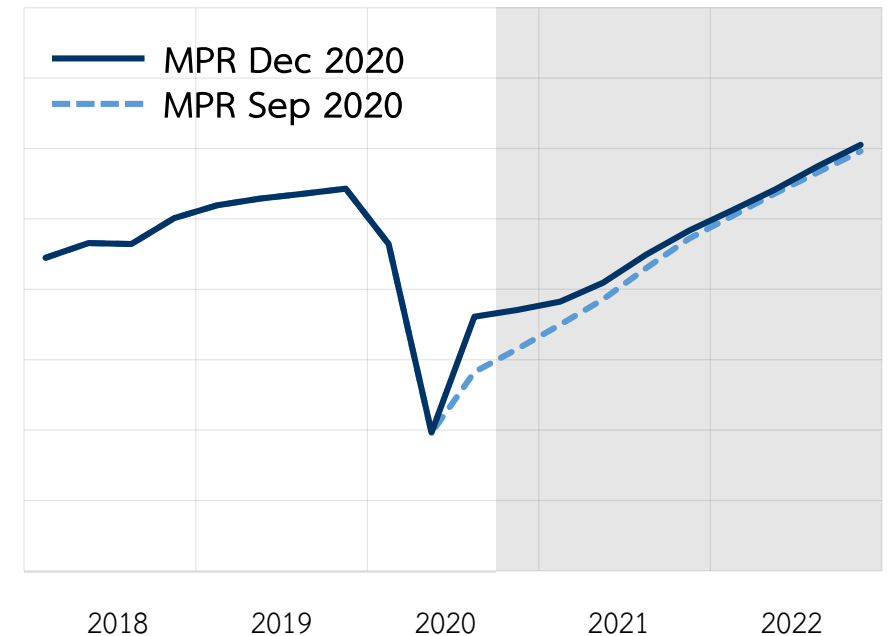
The Thai economy continued to recover but downside risks and uncertainties remained high in the period ahead. The recovery would be subject to the situation of the new wave of COVID-19 outbreak, corresponding containment measures, and the recovery in foreign tourist figures which would depend on efficacy and coverage of COVID-19 vaccination.

	2019*	2020 ^E	2021 ^E	2022 ^E
GDP Growth	2.4	-6.6	3.2	4.8
		(-7.8)	(3.6)	
Headline Inflation	0.7	-0.9	1.0	1.0
		(-0.9)	(1.0)	
Core Inflation	0.5	0.3	0.3	0.4
		(0.3)	(0.2)	

* Outturn, ^E Estimation

() Monetary Policy Report, September 2020

Real GDP





Details of the economic forecasts

(% YoY)	2019	2020 ^E		2021 ^E		2022 ^E
		Sep 20	Dec 20	Sep 20	Dec 20	Dec 20
GDP Growth	2.4	-7.8	-6.6	3.6	3.2	4.8
- Private Consumption	4.5	-3.5	-1.4	2.0	2.8	3.0
- Private Investment	2.8	-11.4	-9.9	4.2	4.9	5.0
- Government Consumption	1.4	3.4	2.5	5.1	5.1	1.0
- Public Investment	0.2	8.8	10.0	11.4	7.9	0.2
- Exports of Goods and Services	-2.6	-21.2	-20.2	4.3	3.6	12.3
- Imports of Goods and Services	-4.4	-16.6	-14.3	4.4	5.0	7.5
Current Account* (Billion USD)	38.2	14.0	16.2	14.6	11.6	29.1
- Value of Merchandise Exports	-3.3	-8.2	-7.4	4.5	5.7	5.0
- Value of Merchandise Imports	-5.6	-13.7	-14.1	4.4	7.7	6.7
Headline Inflation	0.7	-0.9	-0.9	1.0	1.0	1.0
Core Inflation	0.5	0.3	0.3	0.2	0.3	0.4
Assumptions						
- Number of Tourists (Million)	39.9	6.7	6.7	9.0	5.5	23.0
- Dubai Oil Price (USD/Barrel)	63.5	41.5	41.7	45.8	47.3	51.5

Note: *2020 data is subject to change and will be published on 30 Dec 2020.

^E Estimation

□ The impact of prolonged outbreak of COVID-19 abroad and the new outbreak in Thailand would delay the recovery of tourism sector. Although the development of COVID-19 vaccines has seen progress, the distribution would be limited. The tourism sector would significantly recover in 2022 and become the key driver of economic growth.

□ Domestic demand, especially private consumption, improved due partly to fiscal stimulus measures and the recovery of economic activities following the relaxation of containment measures. However, downside risks remained high in the period ahead.

□ The continuity of government measures and policy coordination among government agencies would be critical to support the economic recovery. Fiscal measures must continue to sustain the economy. In particular, the government should expedite budget disbursement under the restoration plan.

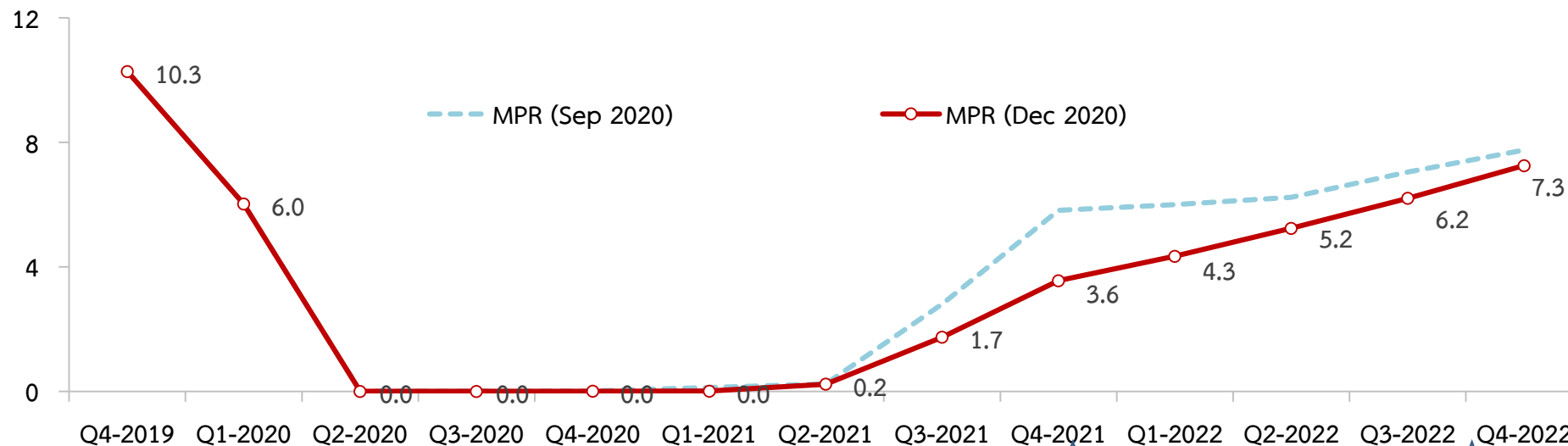


Key considerations in the Monetary Policy Committee meeting 8/2020

The projection of foreign tourist figures in 2021 was revised down due mainly to delayed re-opening of the country

BOT projection of foreign tourist figures

Million person, seasonal adjustment



Assumptions

Timeline of COVID-19 vaccine distribution

Timeline of Thailand's re-opening to foreign tourists

Timeline of COVID-19 vaccine distribution and Thailand's re-opening to foreign tourists:

- Q2-2021:** Vaccination coverage in advance economies >30% of population. Re-opening for foreign tourists with **Special Tourist Visa which requires 14-day quarantine period**.
- Q3-2021:** Vaccination coverage in key countries for the Thai tourism >30%. Commencement of re-opening for vaccinated foreign tourists **with no quarantine requirements**. Vaccination and infection test certificates are required.
- Q4-2021:** Vaccination coverage approx. 20% in Thailand.
- H2-2022:** Most countries, including Thailand, would achieve herd immunity (60-70% vaccination coverage). Commencement of re-opening for commercial flights **with no vaccination and quarantine requirements**.