



BANK OF THAILAND

BOT Press Release

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No. 93/2021

Monetary Policy Committee's Decision 8/2021

Mr. Piti Disyatat, Secretary of the Monetary Policy Committee (MPC), announced the outcome of the meeting on 22 December 2021 as follows.

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

The Committee assessed that the Thai economy would continue to recover. Headline inflation increased temporarily mainly due to energy prices, but there remained a need to monitor developments of global inflation and cost pass-through. Meanwhile, the spread of the Omicron variant would be a key risk to the economic outlook and therefore warranted close monitoring. 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 Committee expected that the Thai economy would grow 0.9 percent in 2021 and would continue to expand 3.4 and 4.7 percent in 2022 and 2023, respectively, driven by domestic spending and a gradual improvement in foreign tourist figures. Meanwhile, the recovery in various business sectors was expected to improve in line with economic activities. The Committee assessed that the Omicron outbreak would affect the economy in early 2022. The impact could be more severe and prolonged than expected due to downside risks such as the severity of the outbreak and the strictness of corresponding containment measures. However, there remained a need to monitor the labor market recovery, especially with regard to employment and income which were still below pre-pandemic levels.

Inflation was expected to remain within the target in the medium term, with headline inflation projection at 1.2, 1.7, and 1.4 percent in 2021, 2022, and 2023, respectively. Headline inflation increased temporarily due to supply-side factors, particularly energy prices, which were expected to subside in the second half of 2022. The likelihood of second-round effects remained low due to limited cost pass-through given the slow economic recovery as well as weak employment and labor income. Nevertheless, the Committee assessed that headline inflation would be subject to upside risks given higher global inflation and thus warranted close monitoring.

Overall liquidity remained ample, but credit risks continued to pose a challenge to liquidity distribution, particularly to SMEs. Government bond yields were mostly unchanged. On exchange rates, the volatility of the baht relative to the US dollar remained high due to uncertainties surrounding the COVID-19 situation which could escalate as well as monetary policy in advanced economies amid high inflationary pressures. 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. Fiscal measures should support the economic recovery in a targeted manner, with a focus 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 consolidation and 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 mutations of COVID-19 virus, adequacy of fiscal, financial, and credit measures, and higher cost pass-through. The Committee would stand ready to use additional appropriate monetary policy tools if necessary.

Bank of Thailand
22 December 2021

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BANK OF THAILAND

Press Conference

Monetary Policy Committee's Decision 8/2021

22 December 2021

Piti Disyatat

Assistant Governor, Monetary Policy Group



%yoy	2020*	2021	2022	2023
GDP growth	-6.1	0.9 (0.7)	3.4 (3.9)	4.7
Domestic demand	-1.6	1.7 (1.9)	4.3 (4.7)	3.2
Private consumption	-1.0	0.4 (0.0)	5.6 (5.7)	3.8
Private investment	-8.4	4.0 (4.2)	5.4 (6.7)	5.0
Government consumption	0.9	2.1 (3.3)	-0.3 (-0.5)	0.3
Public investment	5.7	5.5 (8.0)	3.6 (6.4)	1.4
Exports of goods and services	-19.4	9.3 (8.7)	5.5 (6.1)	9.7
Imports of goods and services	-13.3	17.4 (15.3)	4.6 (4.8)	4.6
Current account (billion U.S. dollars)	21.2	-10.0 (-15.3)	1.5 (1.0)	19.7
Value of merchandise exports	-6.5	18.0 (16.5)	3.5 (3.7)	2.9
Value of merchandise imports	-13.8	22.3 (23.8)	4.8 (4.8)	3.7
Number of foreign tourists (million person)	6.7	0.28 (0.15)	5.6 (6.0)	20.0
Dubai crude oil price (U.S. dollars per barrel)	42.1	69.0 (66.4)	68.3 (65.5)	69.5
Headline inflation	-0.8	1.2 (1.0)	1.7 (1.4)	1.4
Core inflation	0.3	0.2 (0.2)	0.4 (0.3)	0.7

Note: * Outturn

() Monetary Policy Report, Sep 2021

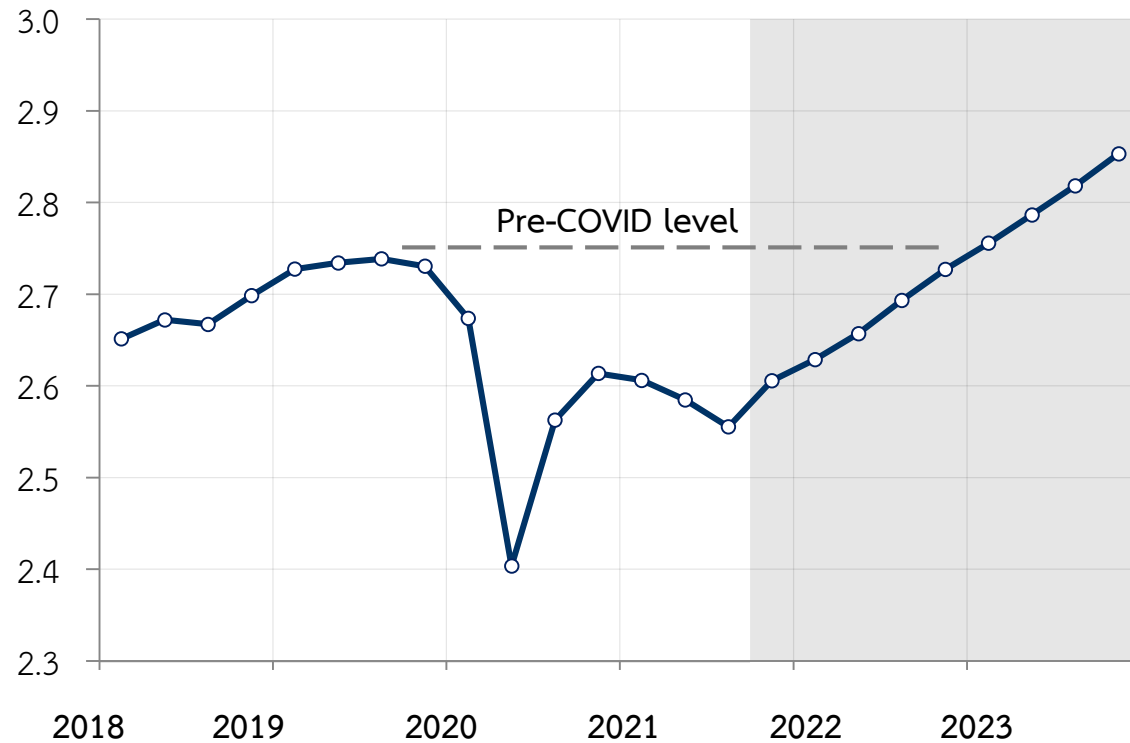


The Thai economy would continue to recover and gradually return to the pre-COVID level in the beginning of 2023.

The spread of the Omicron variant would be a key risk that warranted close monitoring.

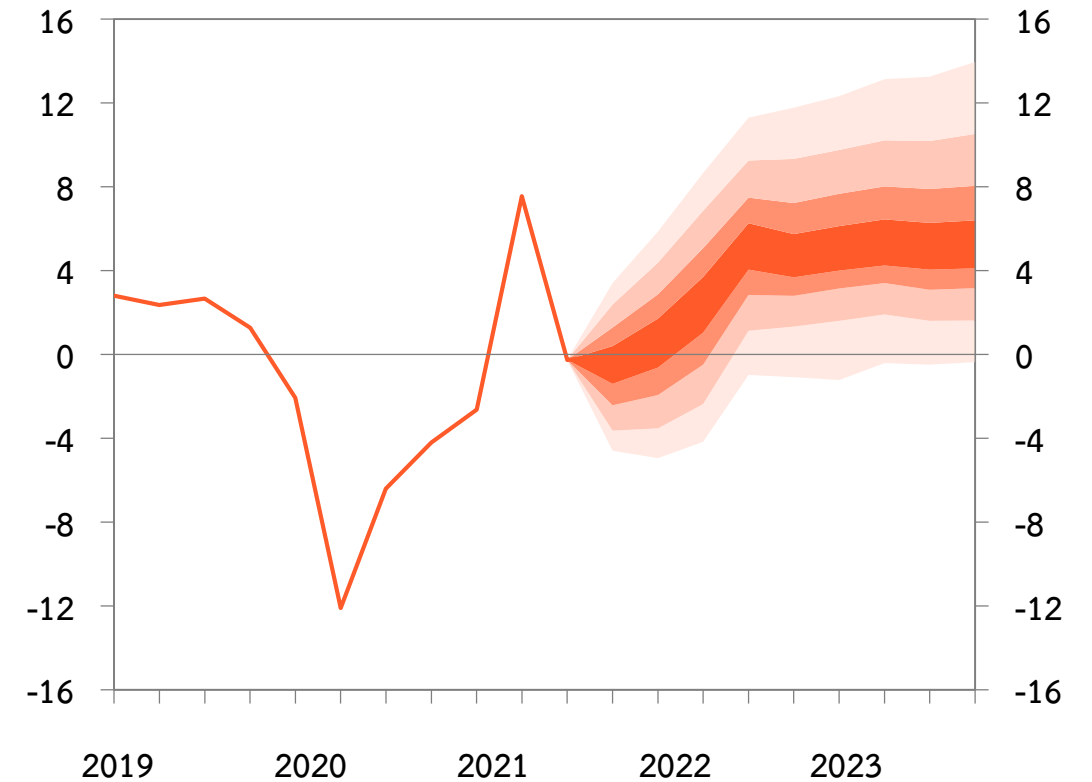
Real GDP

Trillion baht



GDP growth would be subject to downside risks in the short term

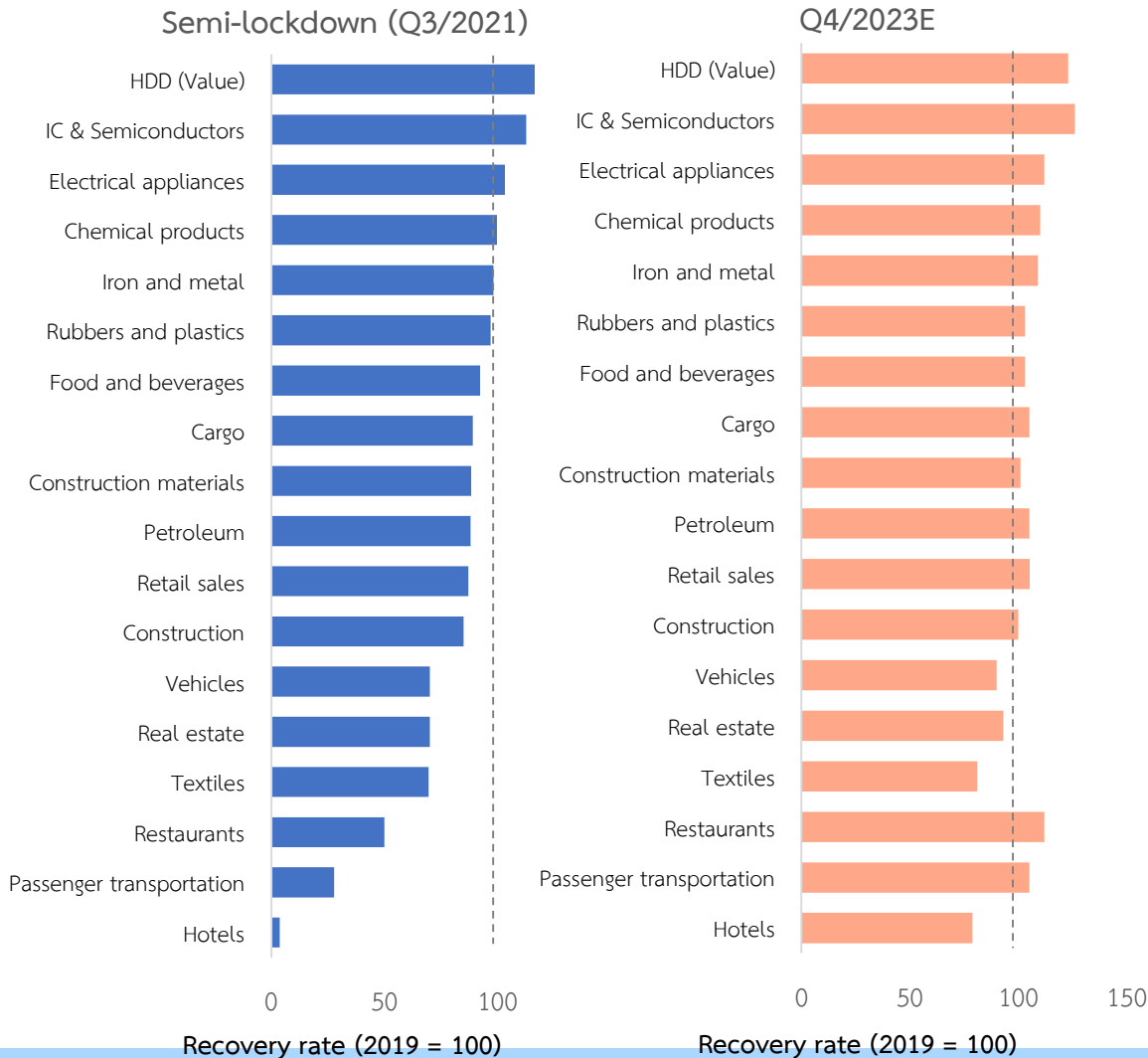
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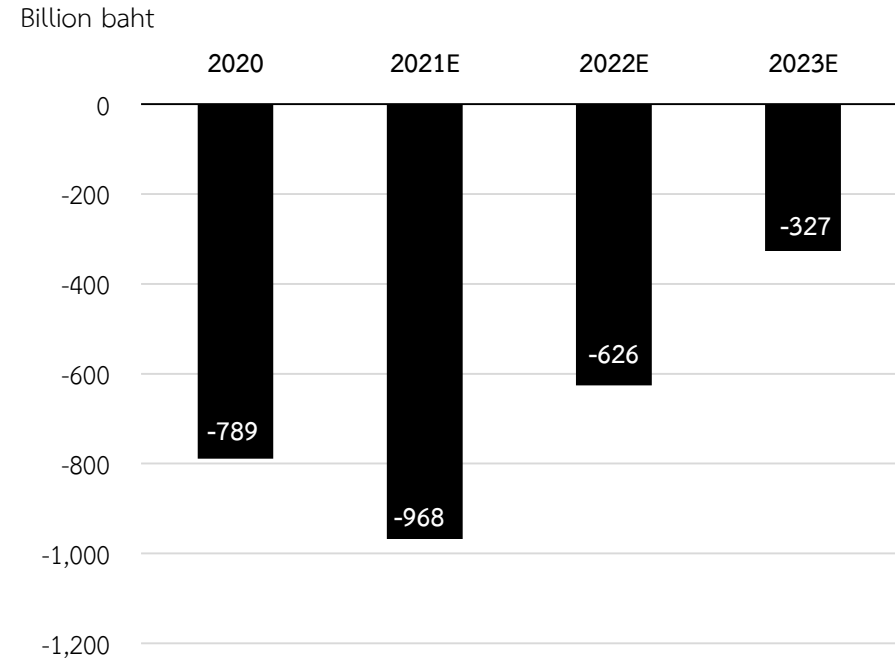


The recovery in various business sectors was expected to improve.
However, employment and labor income must be monitored.

Recovery in economic activities by business sector



Non-farm workers' income loss projection (compared to 2019)



Notes: E = Estimated data

Source: Labor Force Survey and Household Socio-Economic Survey of the National Statistical Office, calculated and forecasted by Bank of Thailand (as of Dec 21)

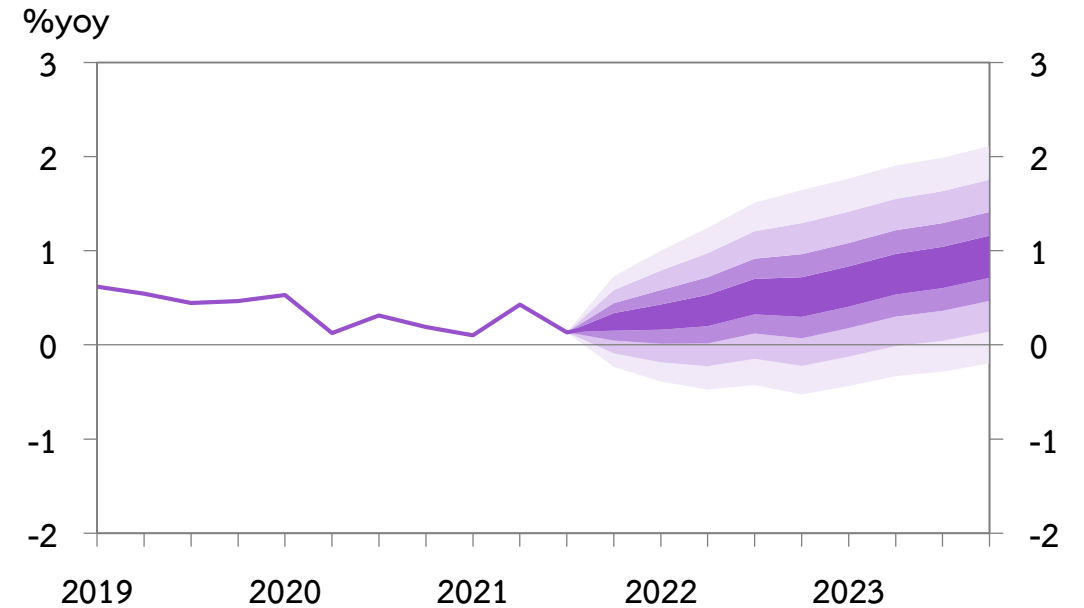
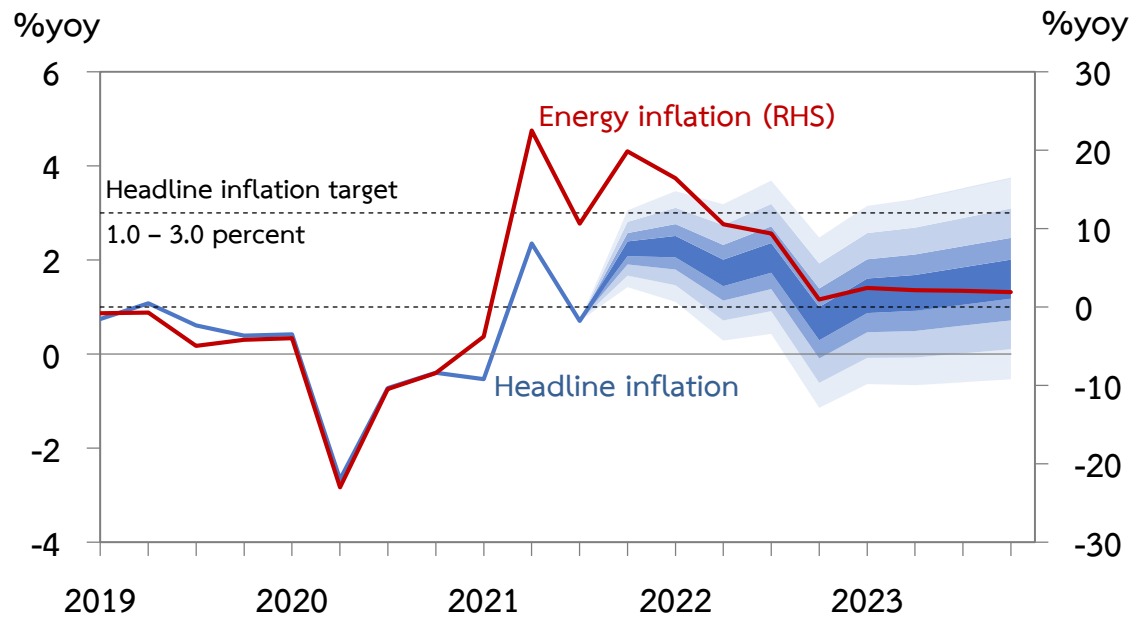


Inflation was expected to rise temporarily in H1/22, but would gradually decline to the lower bound of the target range in the remaining of the forecast period.

However, there remained upside risks.

Headline inflation projection

Core inflation projection



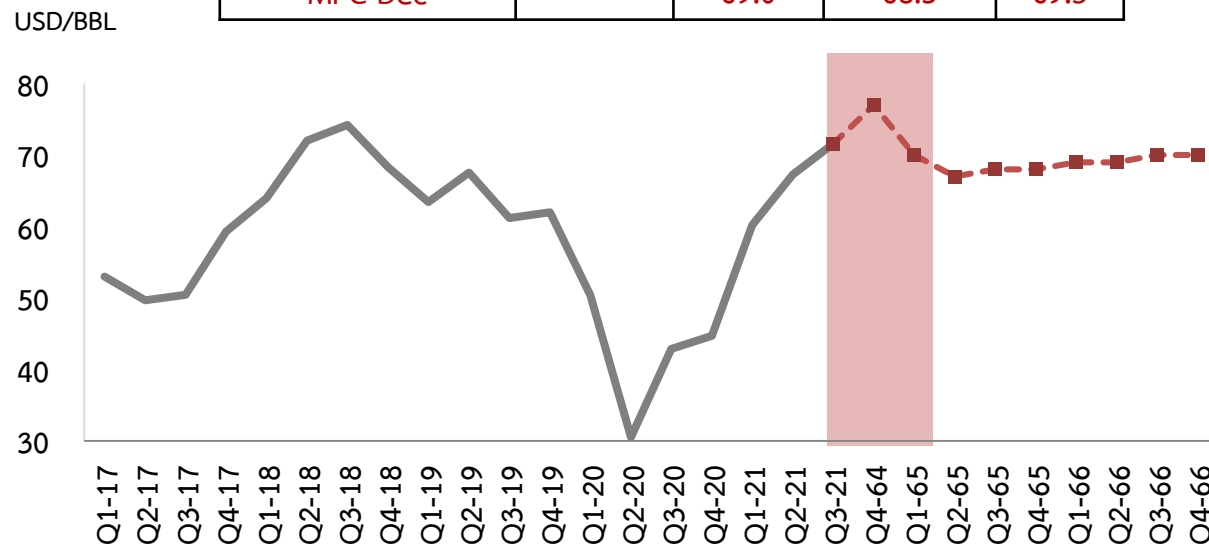


Crude oil prices were expected to increase temporarily, but cost pass-through should be monitored

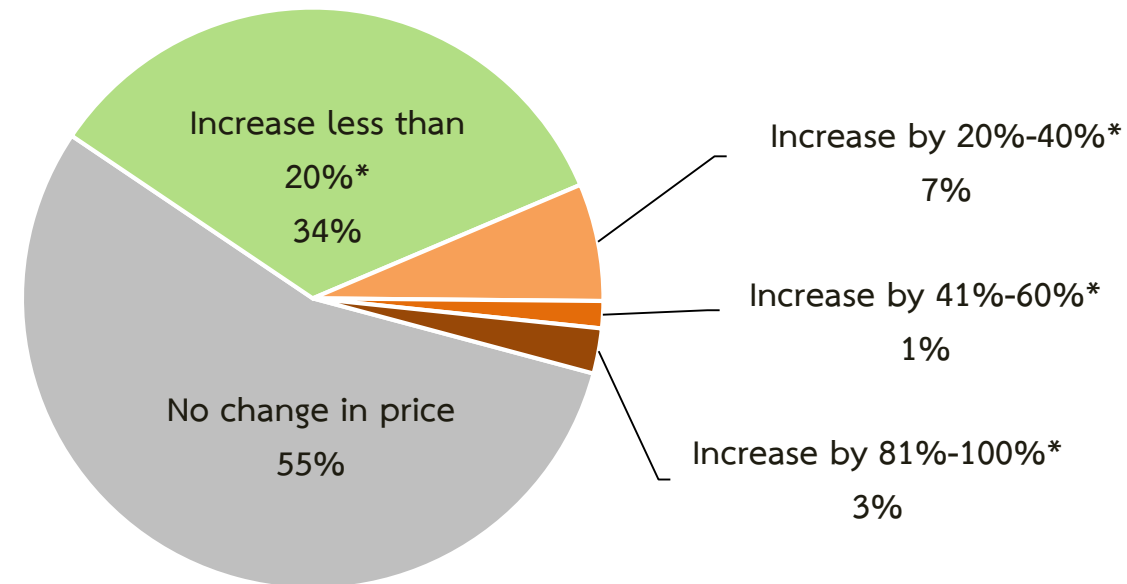
Dubai crude oil prices increased temporarily
and would gradually decrease in H2/2022

Survey suggested that 55% of businesses
decided not to adjust their prices

Dubai crude oil price (USD/BBL)	2020*	2021	2022	2023
MPC Sep	42.2	66.4	65.5	N/A
MPC Dec		69.0	68.3	69.5



Tendency to increase prices in the next 3 months



Note * Outturn

Source: EIA as of 7 Dec 21, calculated by Bank of Thailand

Note: *percentage increase in costs

Source: Survey of 199 businesses on the impact of COVID-19 in Nov 21