



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

# Analyst Meeting No. 2/2021

## 12 July 2021

(The economic projection was based on data as of 22 June 2021)



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# Thailand's economic outlook



## Thailand's economic outlook

The most important issue for the Thai economy at present would be the procurement and distribution of appropriate vaccines adequately and timely. The economy would expand at a slower pace due to more prolonged and severe outbreak situation, and would still face significant downside risks from virus mutations.

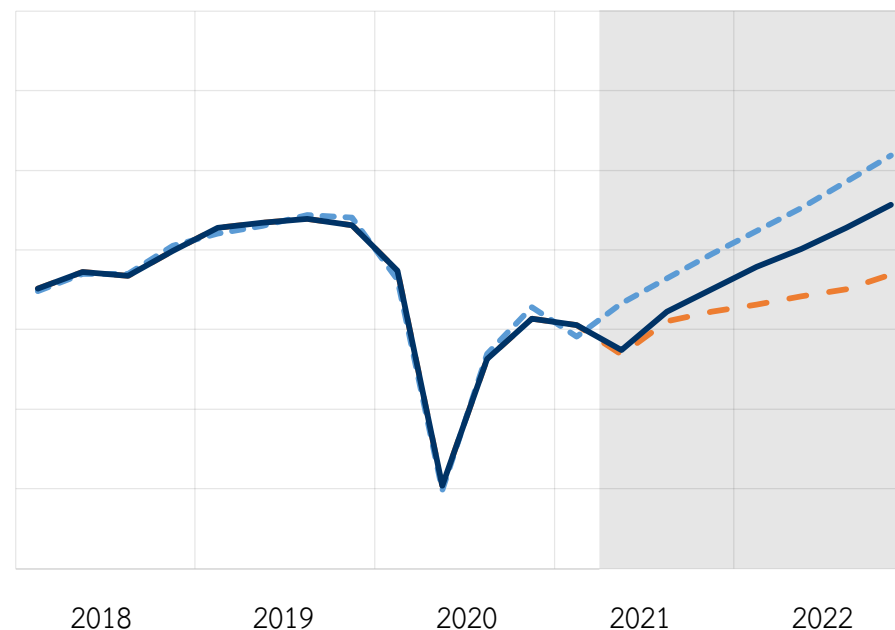
	2020*	2021 <sup>E</sup>	2022 <sup>E</sup>
GDP Growth	-6.1	1.8 (3.0)	3.9 (4.7)
Headline Inflation	-0.8	1.2 (1.2)	1.2 (1.0)
Core Inflation	0.3	0.2 (0.3)	0.3 (0.4)

\*Outturn, <sup>E</sup> Estimation

( ) Monetary Policy Report, March 2021

Source: Monetary Policy Report, June 2021

Real GDP



— Monetary Policy Report Jun 2021 – Baseline  
--- Monetary Policy Report Jun 2021 – More prolonged outbreak  
--- Monetary Policy Report Mar 2021



## Key assumptions for Thailand's economic projection based on data as of June 22, 2021

Economic projection in the June 2021 issue of *Monetary Policy Report* was based on data as of June 22, 2021. Underlying assumptions were as follows.

- (1) Thailand would be able to contain the third-wave outbreak by the beginning of the fourth quarter of 2021.
- (2) Thailand would be able to procure and distribute at least 100 million doses of vaccines by 2021, achieving the government's target. However, a prolonged and severe outbreak would delay the reopening plan to foreign tourists.
- (3) The projection had taken into account the additional economic stimulus from the new Emergency Decree authorizing 500 billion baht.

### Key Event Timeline

Contained the third-wave outbreak	The beginning of Q4-21
Reduced quarantine days for foreign tourists	H1/22
Herd immunity in Thailand	
Open for commercial flights	H2/22



## Details of the economic forecasts

(% YoY)	2020	2021 <sup>E</sup>		2022 <sup>E</sup>	
		Mar 21	Jun 21	Mar 21	Jun 21
GDP Growth	-6.1	3.0	1.8	4.7	3.9
- Private Consumption	-1.0	3.0	2.5	2.7	3.4
- Private Investment	-8.4	6.0	7.0	5.5	6.0
- Government Consumption	0.8	5.2	4.1	-3.1	-1.0
- Government Investment	5.7	11.6	9.5	0.8	5.7
- Exports of Goods and Services	-19.4	5.2	8.8	13.9	7.8
- Imports of Goods and Services	-13.3	9.2	15.0	7.5	5.5
Current Account (Billion USD)	17.6	1.2	-1.5	25.0	12.0
- Value of Merchandise Exports	-6.5	10.0	17.1	6.3	4.9
- Value of Merchandise Imports	-13.8	15.2	22.7	6.8	6.6
Headline Inflation	-0.8	1.2	1.2	1.0	1.2
Core Inflation	0.3	0.3	0.2	0.4	0.3
Assumptions					
- Number of Tourists (Million)	6.7	3.0	0.7	21.5	10.0
- Dubai Oil Price (USD/Barrel)	42.2	60.0	62.3	62.5	65.5

### Important factors contributing to forecast revision

- ( - ) Domestic demand weighed down by the 3<sup>rd</sup> outbreak
- ( - ) Lower-than-expected foreign tourist figures from severe outbreaks at home and abroad
- ( + ) Progress in vaccine procurement and distribution
- ( + ) Greater fiscal support
- ( + ) Improving merchandise exports thanks to global economic recovery

### Significant risks affecting the economic outlook

- More severe outbreaks and virus mutations
- Continuity of fiscal support
- Deteriorating businesses' financial positions that possibly trigger layoffs
- More-serious-than-expected supply disruption

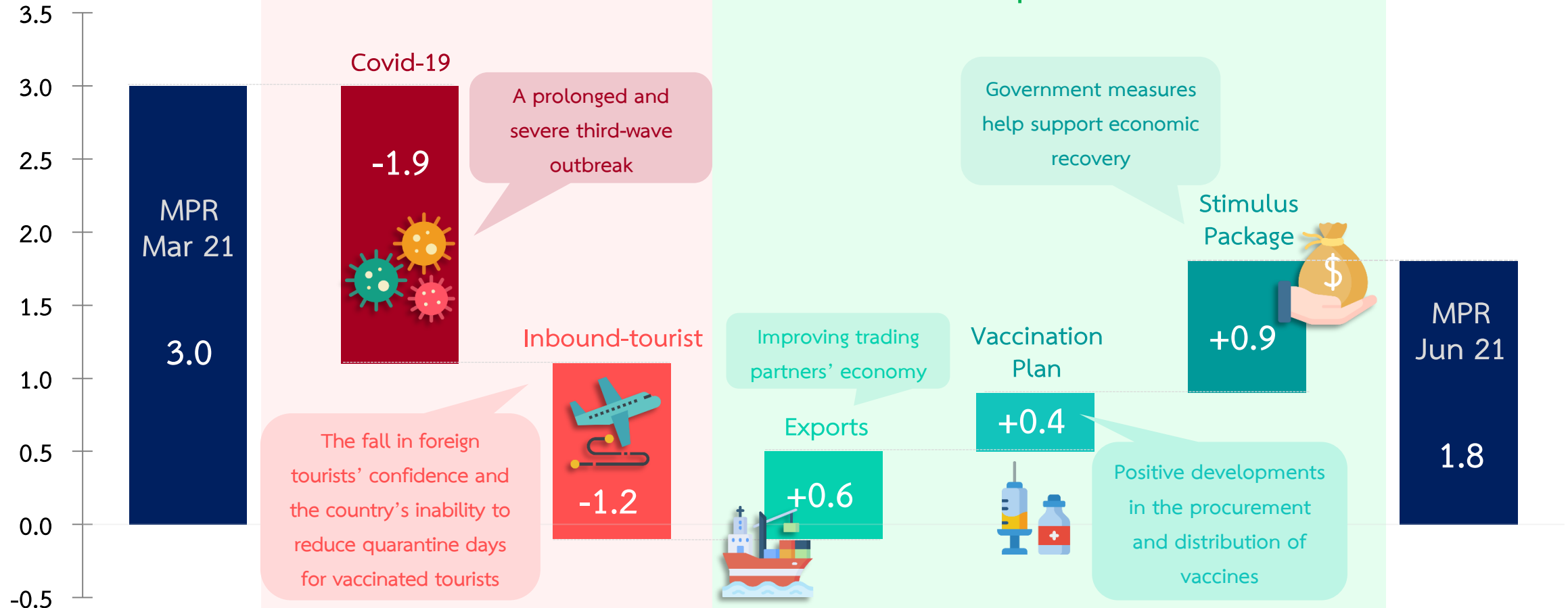
Note: <sup>E</sup> Estimated

Source: Monetary Policy Report, June 2021



# Factors affecting Thailand's economic forecast for 2021

2021 GDP  
growth (%)

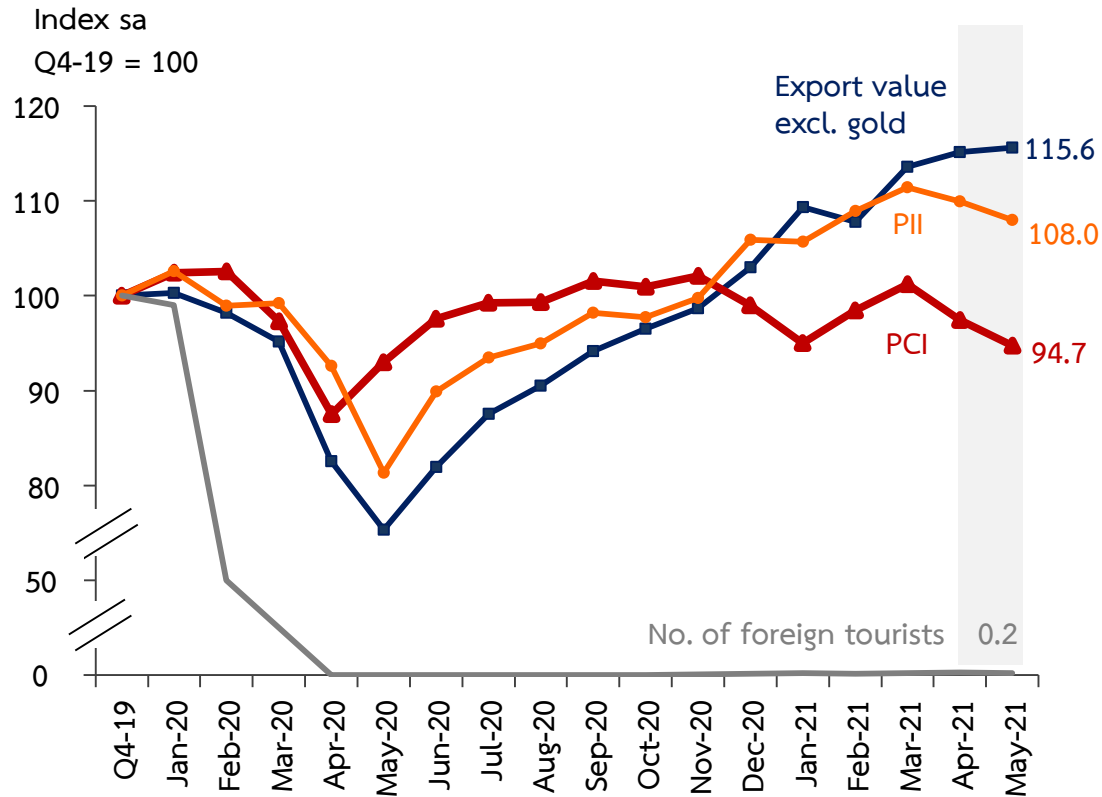


Source: Bank of Thailand



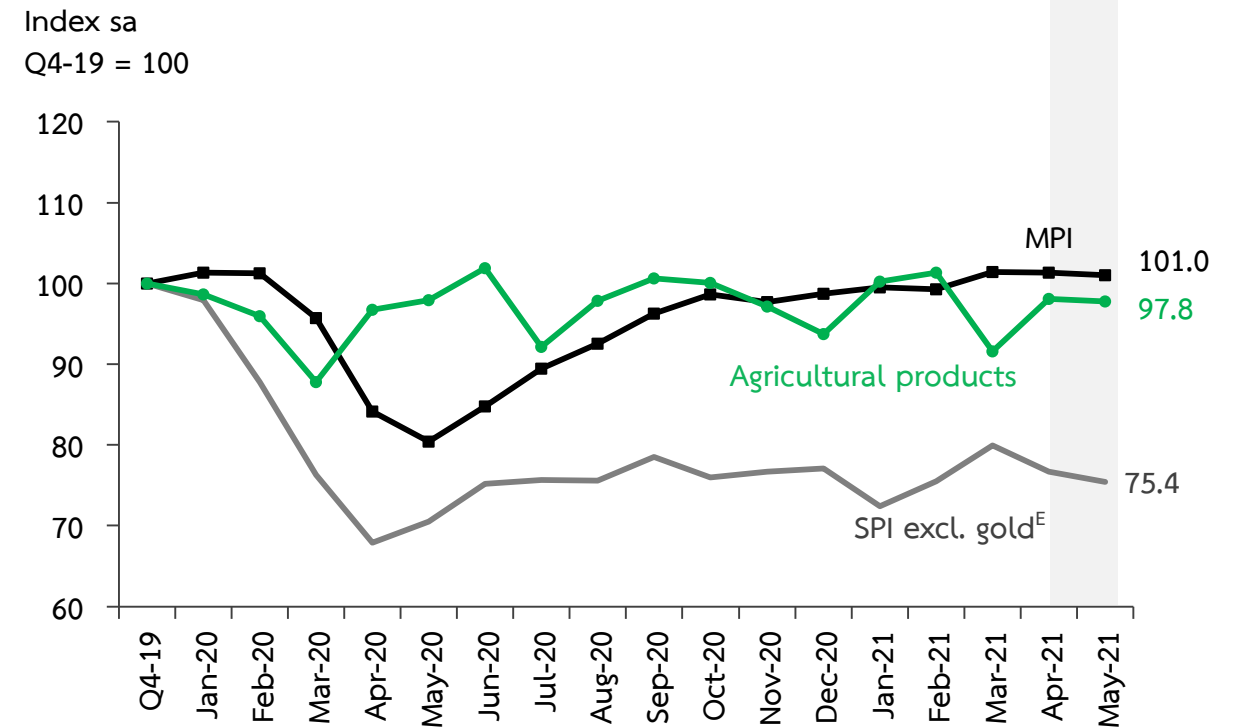
Domestic spending, especially in the services sector, had been affected by the third-wave outbreak. Meanwhile, exports and production expanded continuously.

## Demand-side indicators



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

## Supply-side indicators



Note: MPI = Manufacturing Production Index

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

E = Estimated data



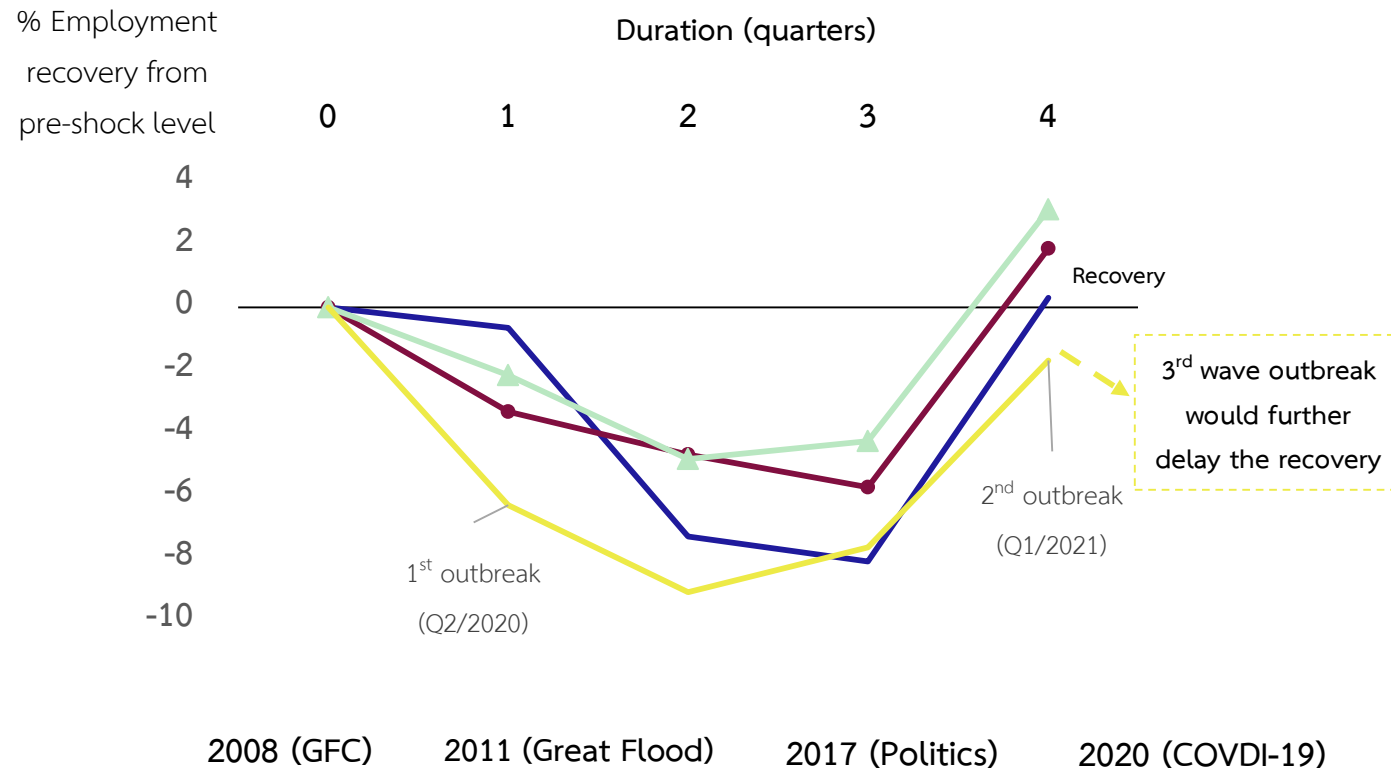
## Fragile labor markets





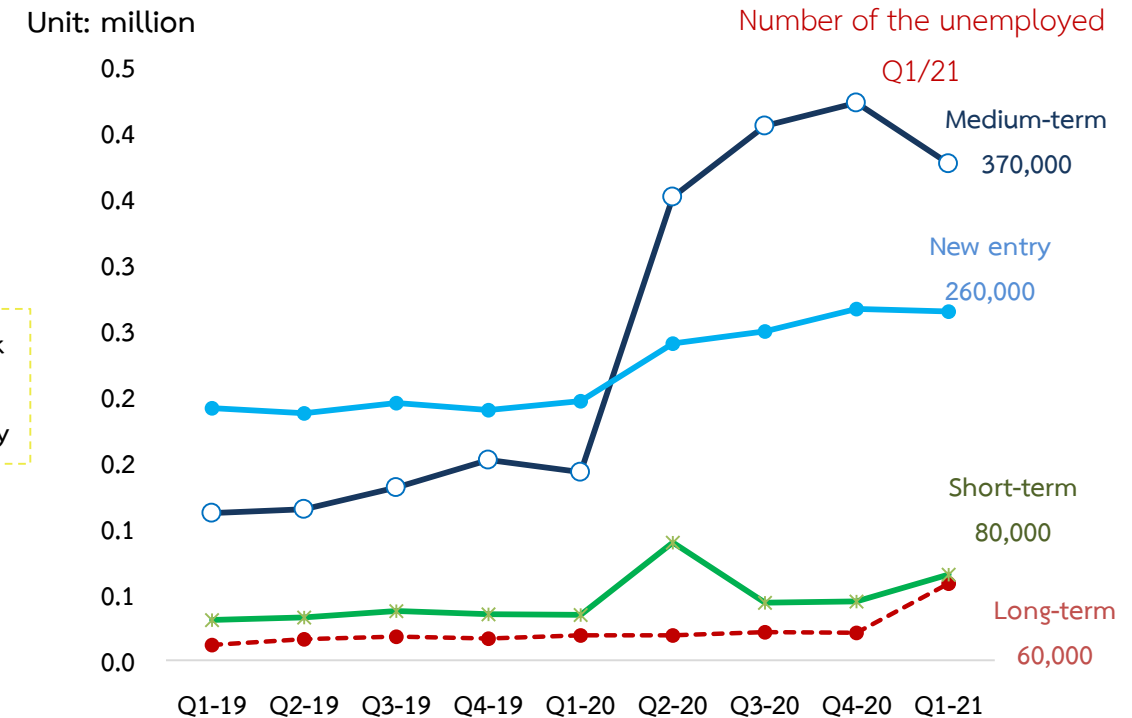
## Recovery in labor markets would be W-shaped and slower than in the past.

### Recovery of private non-farm employment\* from the level before the shock



\* Calculated from a sample of 11.4 million private sector employees outside the agricultural and construction sectors

### Number of unemployed persons (seasonally-adjusted) classified by duration of unemployment



Note: The definitions for the duration of unemployment are as follows.

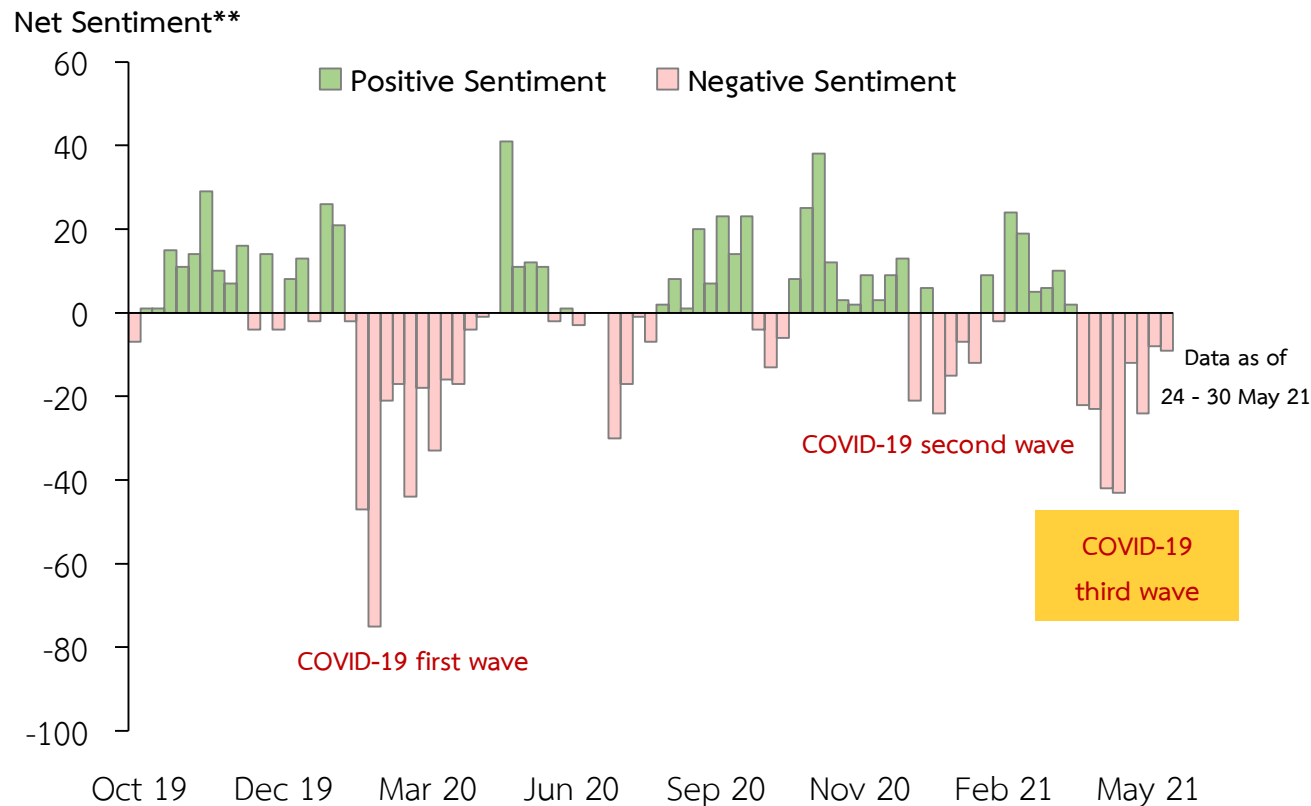
Short-term: less than 1 month, medium-term: 1 month – 1 year, long-term: more than 1 year

Source: Labor For Survey, National Statistical Office of Thailand, calculations by BOT







Economic scars from more fragile labor markets, especially in the services sector and among the self-employed, would be harder to resolve without timely intervention.

### Sentiment of self-employed workers from Social Listening\* data



Note: \* Calculated from a collection of posts and comments from various social media platforms that contain keywords related to “Day-to-day jobs”, “Grab drivers”, and “E-commerce” and assessed both the positive and negative sentiment related to being self-employed.

\*\* Net Sentiment is calculated from the number of positive posts – number of negative posts

	Impact of the third-wave outbreak on income and employment
 Manufacturing	<b>Income stabilized</b> <ul style="list-style-type: none"><li>Factories in high-risk areas were somewhat affected by the containment measures e.g. by reducing workers in each shift</li></ul>
 Real estate	<b>Income stabilized</b> <ul style="list-style-type: none"><li>Lack of foreign workers in some areas</li></ul>
 Trade	<b>Income decreased</b> <ul style="list-style-type: none"><li>Started to lay-off workers</li><li>Rotated workers to come for work</li></ul>
 Services	<b>Income significantly decreased</b> <ul style="list-style-type: none"><li>Reduced work days by half</li><li>Shifted some employment types to part-time</li></ul>

Source: Business Liaison Program of the Bank of Thailand from 24 May – 21 June 2021



## Fragile households

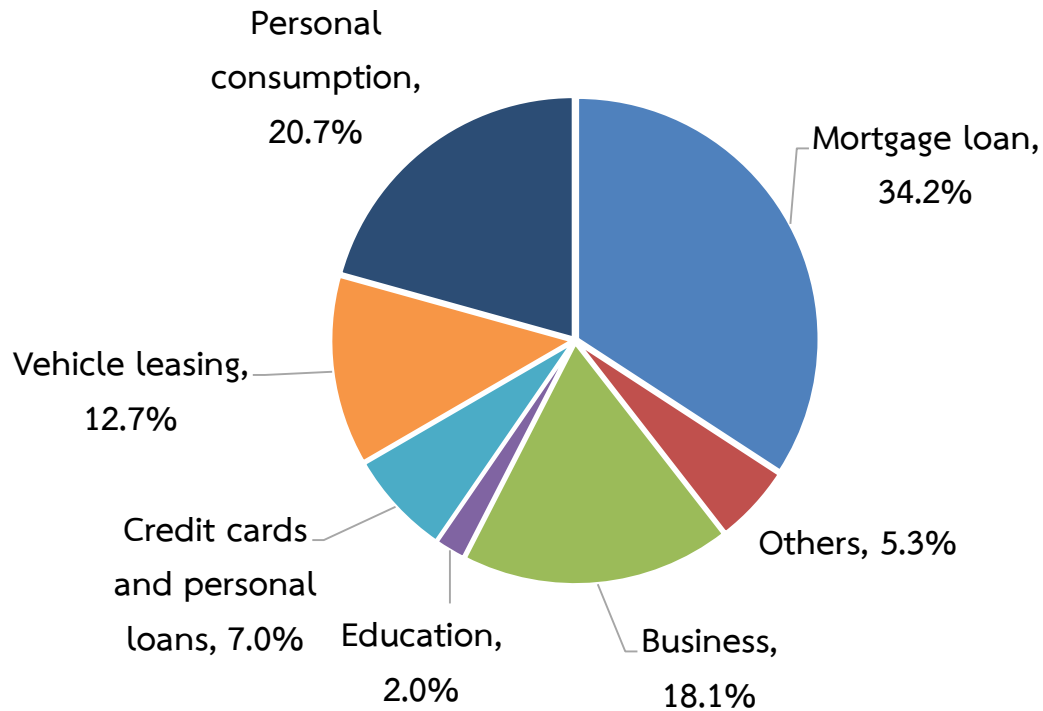


Most household debt is short-term and carries high interest rates.

Meanwhile, there is a significant income fall especially for the self-employed workers.

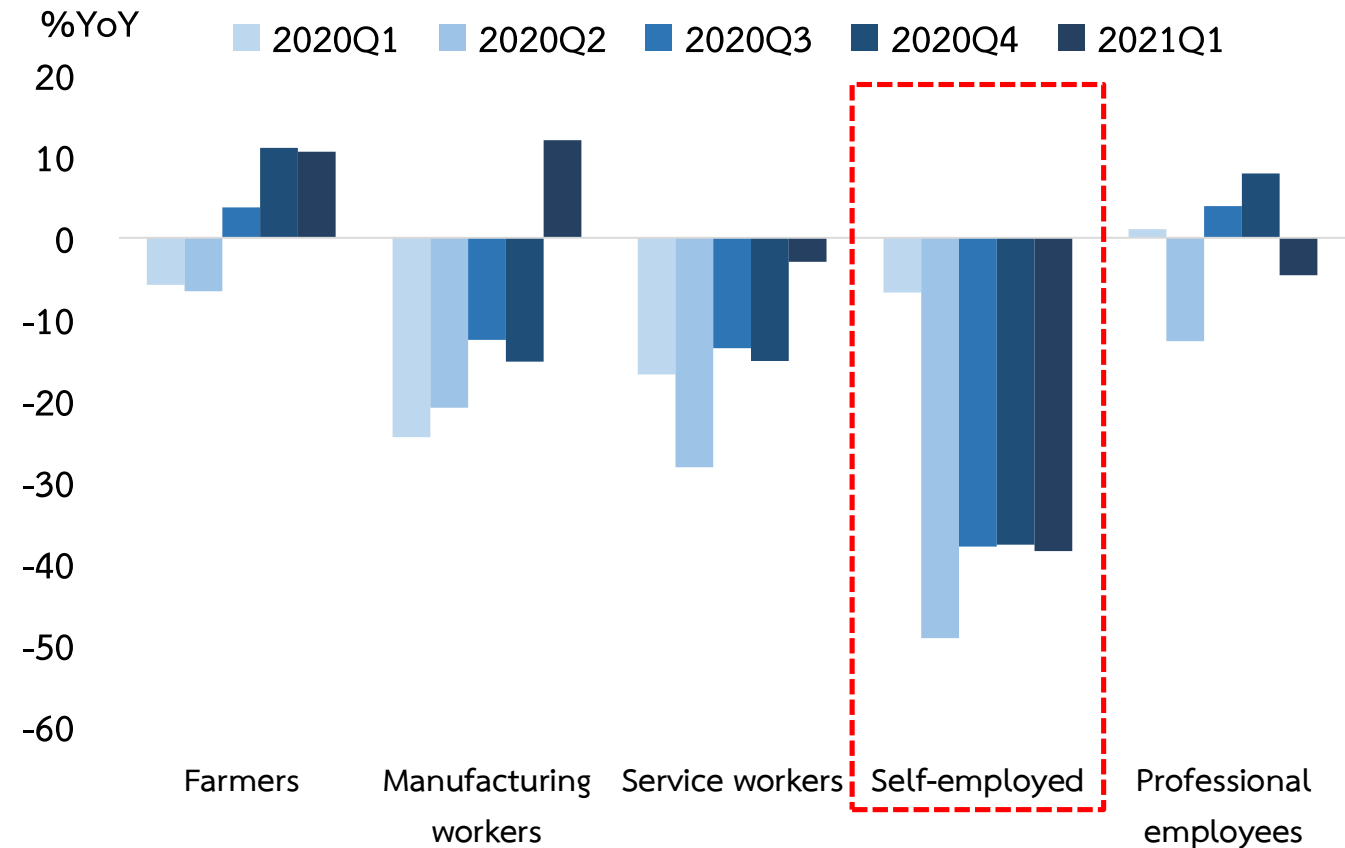
### Thai household debt classified by purpose

(% share of total debt outstanding)



Note: Other households debt comprises loans for purchasing securities and loans for unclassified purposes.

### Average changes in income relative to 2019



Note: Income of the self-employed are estimates from economic activities

Source: SES and LFS (National Statistical Office), OAE, calculated by the BOT



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# Supply disruptions



The manufacturing sector was somewhat affected by the supply disruption, but most supply shortages were expected to alleviate within the first half of 2022.

Sector	Domestic factors		Foreign and domestic factors		
	Migrant labor shortages	COVID-19 outbreak in factories	Container shortages and higher transportation costs	Higher steel and input prices	Chipset shortages
Auto & auto parts		✓	✓	✓	✓✓
Electrical appliances		✓	✓	✓	✓✓
Food	✓	✓	✓✓	✓	
Electronics (IC & HDD)		✓	✓	✓	
Rubber & plastics		✓	✓		
Construction materials			✓	✓	
Petroleum & chemicals			✓	✓	
Textiles & apparel	✓		✓	✓	
Beverages				✓	
Expected period of shortage alleviation	Q2/22 Many foreign workers returned to their home countries since the first wave and did not return yet.	Q3/21 There could be potentially recurring outbreaks until new wave abates.	Q1/22 Production of containers in China could not meet global demand. Recent closures of China's major ports due to the outbreak exacerbated container shortages.	Q1/22 Prices would remain high due to low supply from India despite some re-opening of steel factories in Europe.	Q2/22 The expansion in chipset production would not meet the surge in demand this year.

Note: ✓ = Impact on either production costs or quantities    ✓✓ = Impact on both production costs and quantities

## MPR Box: Reflation in Thailand is coming?

Headline inflation would rise temporarily in Q2/21 from the low-base effect before edging toward the lower bound of the target range.

Factors driving  
inflation to rise

- Inflation increased due to the low-base effect
- Reflation in advanced economies and supply shortages have limited impact on domestic inflation

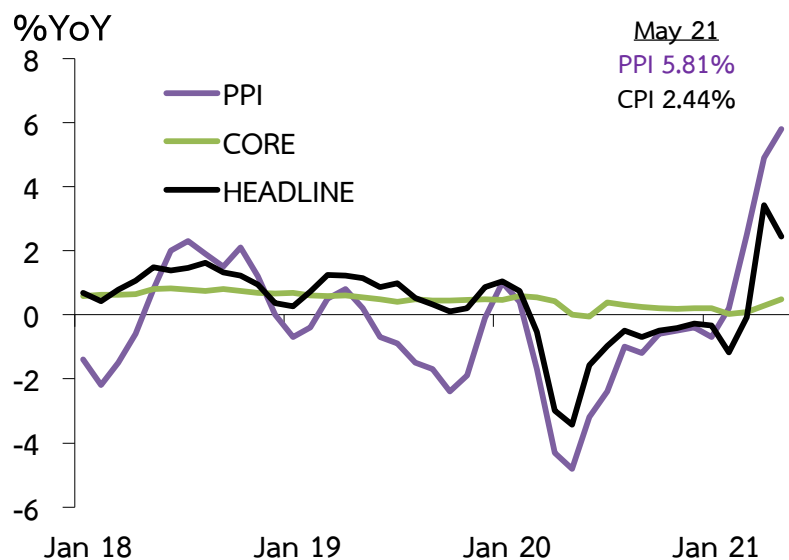
Factors pulling inflation  
towards the lower bound  
of the target range

- High household debt and fragile labor markets
- Raw food prices would decrease as the risks of drought subsided

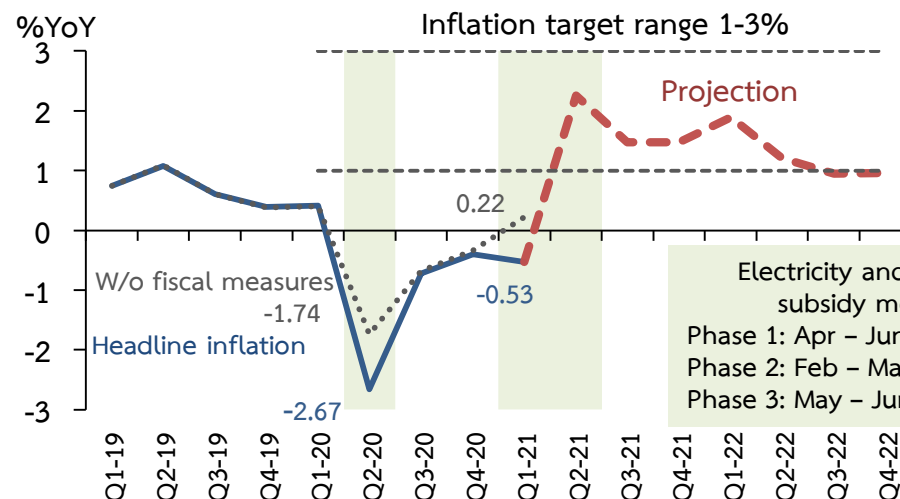
Global reflation and supply shortages  
would have limited impact on Thai inflation

- CPI basket has low Import content (16% share)
- Increase in PPI is limited to certain products (7% share in CPI basket)
- Producers bore the rising cost of production due to difficulties of price pass-through

Inflation



Headline inflation projection





## Risk on economic outlook





A prolonged outbreak and virus mutations were the most important risk factors for the Thai economy.

### Impacts of a prolonged outbreak and virus mutations



Reduce vaccine efficacy and delay herd immunity attainment

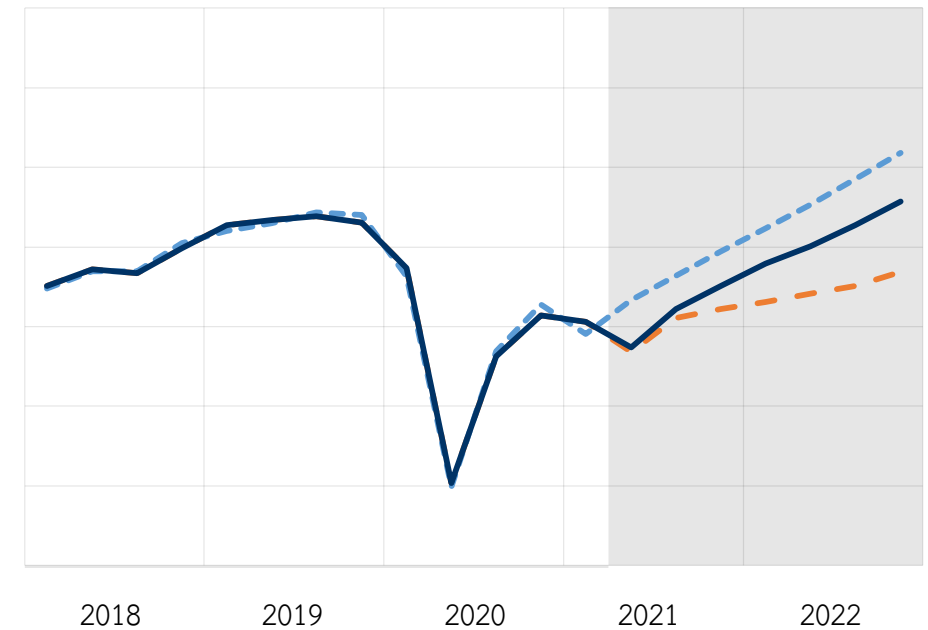


Impacts on domestic confidence and the possibility of entering into a public health crisis could adversely affect domestic spending



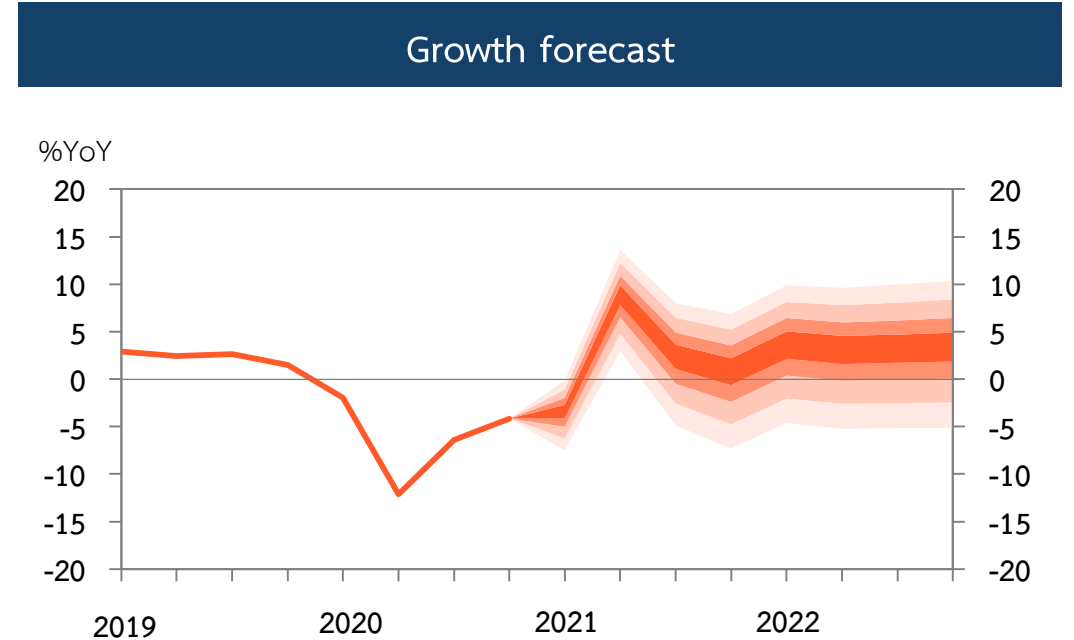
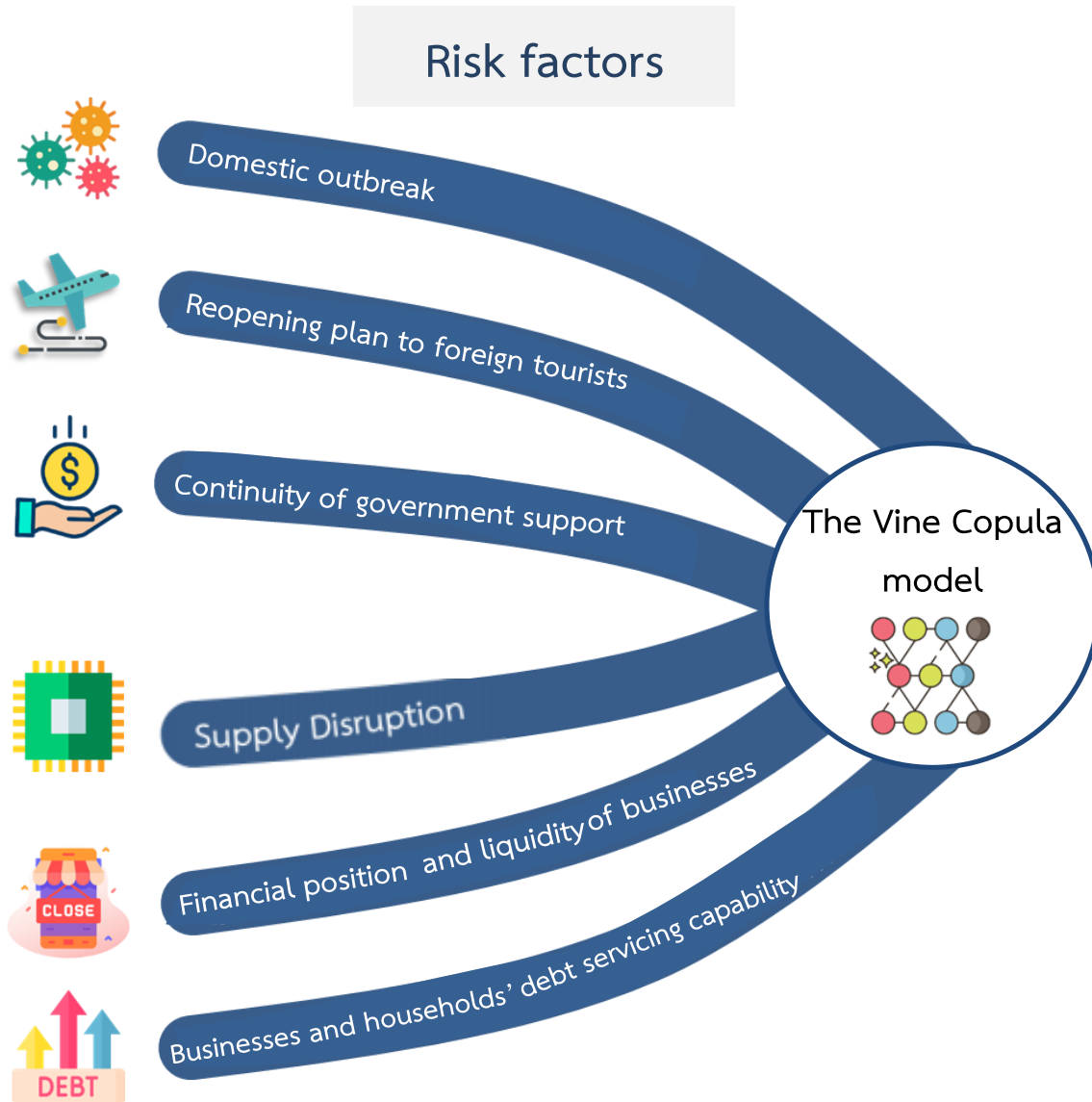
Delayed reopening plan to admit foreign tourists

Real GDP



- Monetary Policy Report Jun 2021 – Baseline
- - - Monetary Policy Report Jun 2021 – More prolonged outbreak
- - - Monetary Policy Report Mar 2021

The Thai economy faced significant downside risks and uncertainties from various factors that needed to be closely monitored.



**Benefits of the new risk assessment model**

- 1) Transparent and less expert judgement
- 2) Able to specify sources and impacts of risks
- 3) Inclusion of macro-financial linkages
- 4) More complexity in risk impact assessment



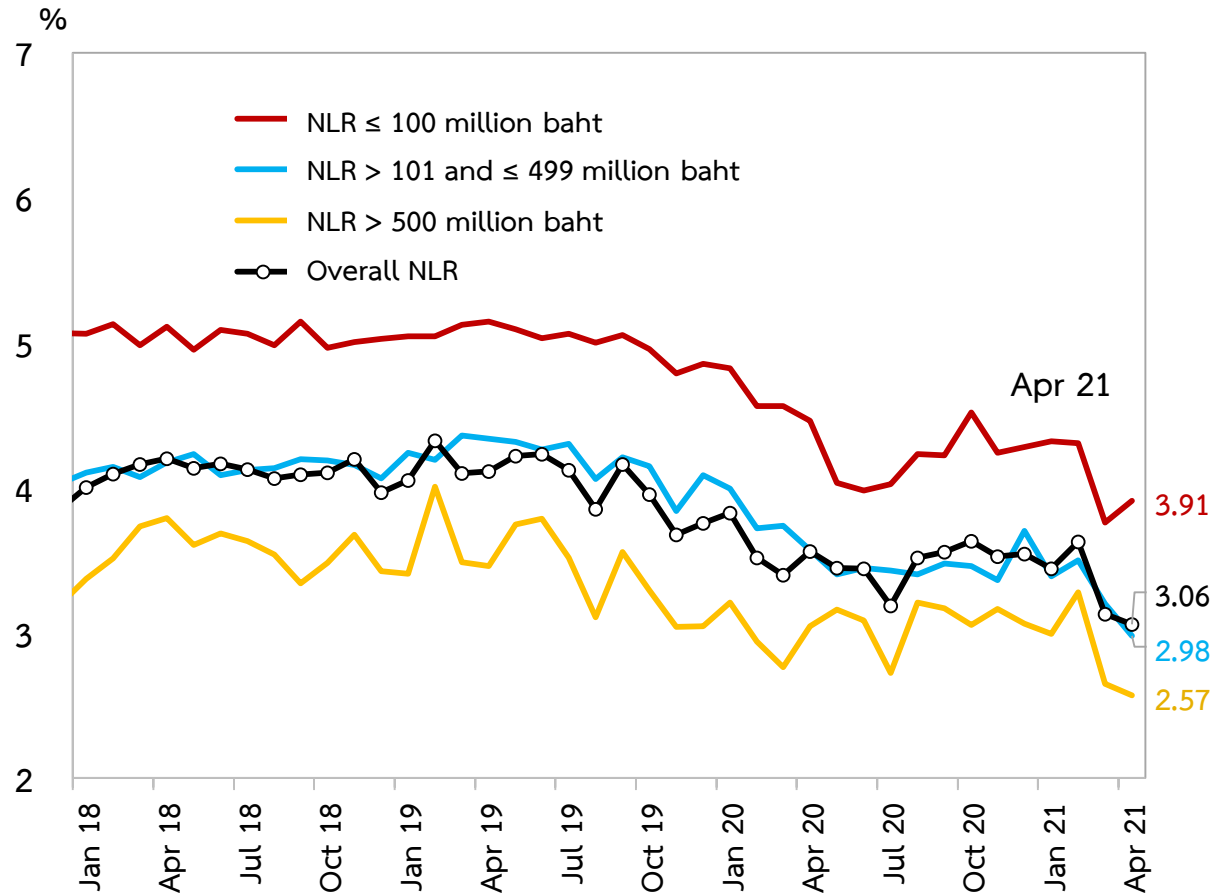
# Accommodative financial conditions



The overall financial conditions in Thailand remained accommodative.

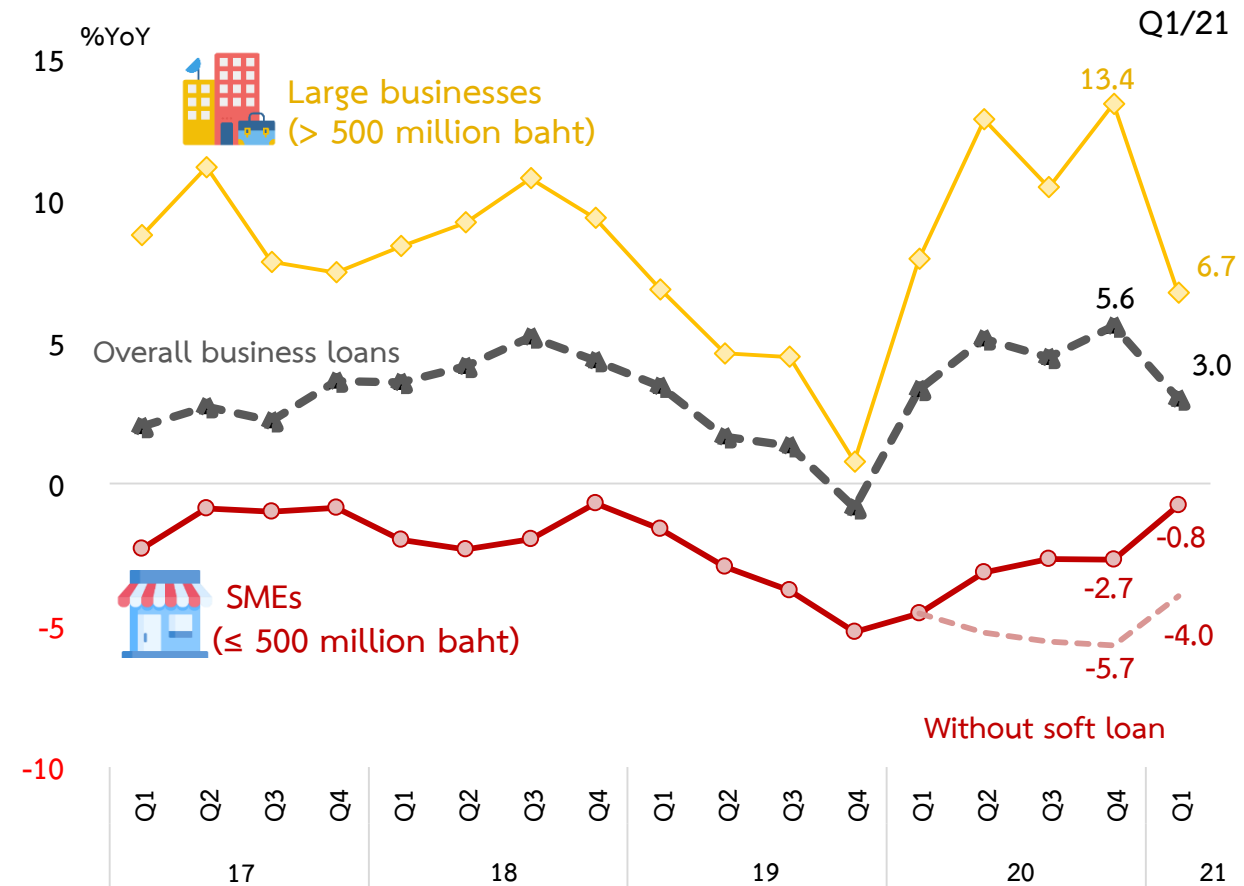
The loan borrowing costs declined and the corporate sector continued to expand.

### New loan rates (NLR) declined



Source: Bank of Thailand

### Overall expanded and distributed better



Source: Bank of Thailand



The special loan facility made progress that would achieve the targets and will help to improve SMEs loans.

### The progress of the Bank of Thailand's special loan facility

Loan approval

66,898 million baht

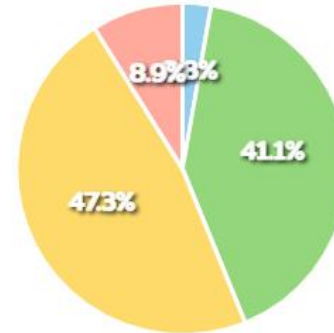
Number of SMEs borrowers

21,929 borrowers

Average loan approval

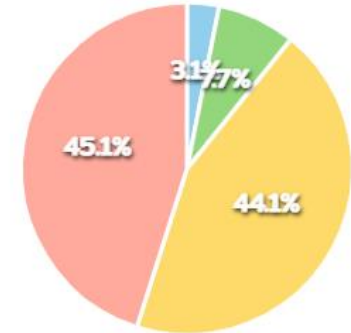
3.1 million baht per borrower

Classified by original credit limit (outstanding amount)

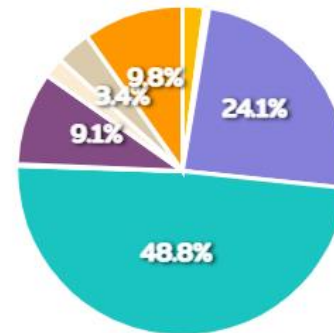


Legend for credit limit classification:  
New debtors (blue)  
Micro = Original credit limit not exceeding 5 million baht (red)  
SMEs = Original credit limit 5-50 million baht (yellow)  
Corp = Original credit limit 50-500 million baht (green)

Classified by original credit limit (No. of borrowers)

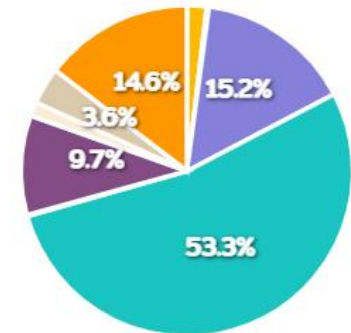


Classified by business type (outstanding amount)



Legend for business type (outstanding amount):  
Agriculture and forestry (yellow)  
Construction (dark purple)  
Business related to real estate (light orange)  
Mining and quarrying (pink)

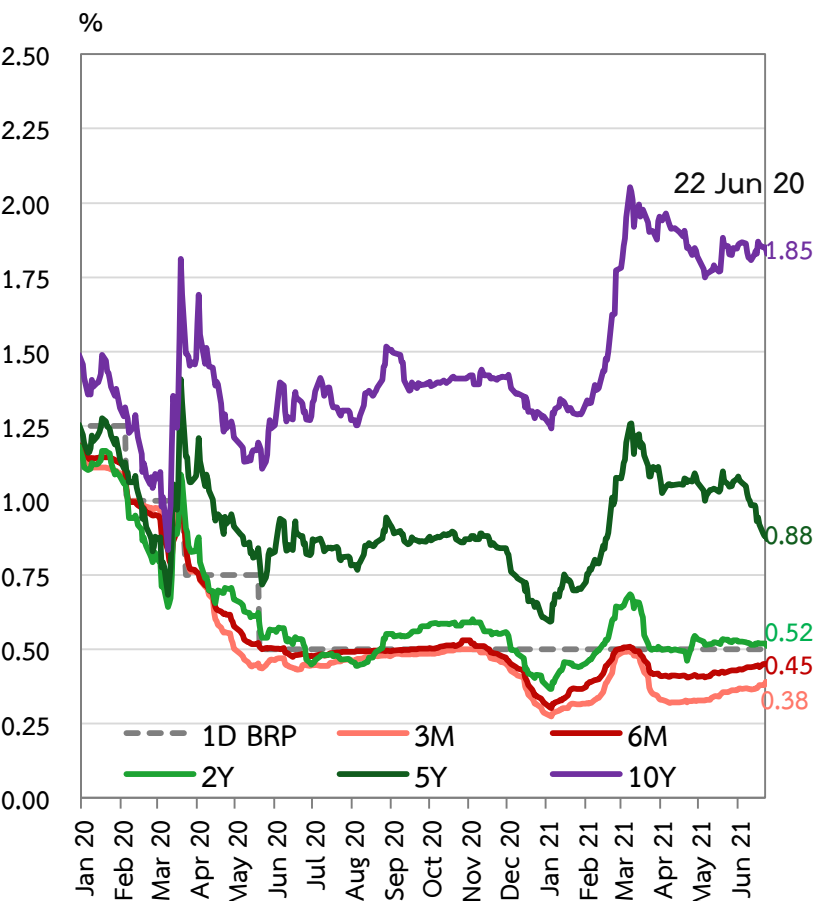
Classified by business type (No. of borrowers)



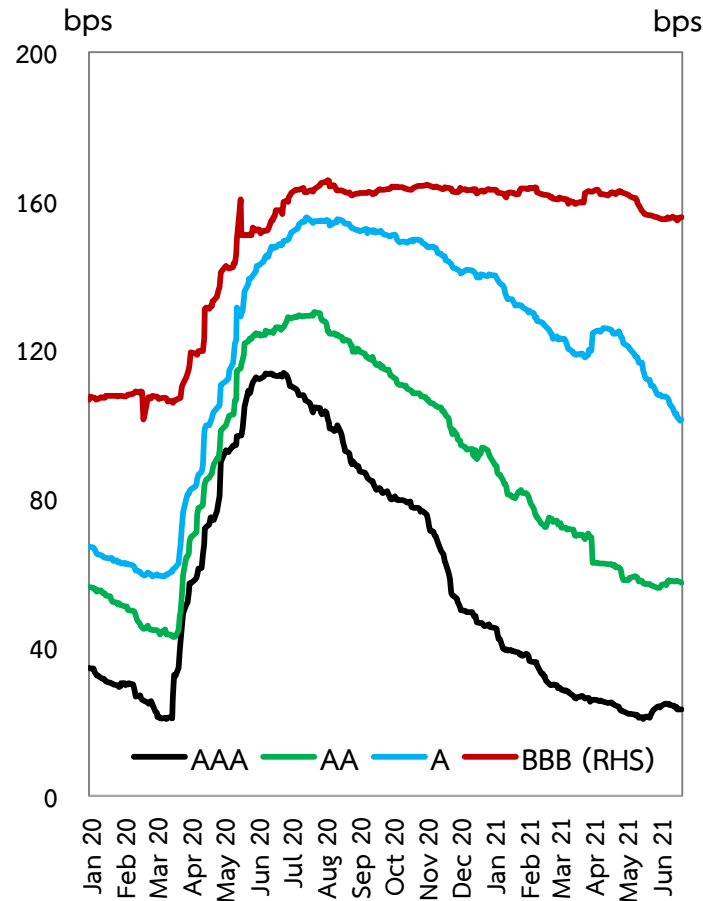
Legend for business type (No. of borrowers):  
Manufacturing (purple)  
Commerce (teal)  
Services (orange)  
Public utility (brown)  
Finance (blue)  
Others (pink)

Long-term government bond yields declined mainly in line with US Treasury yields. The 5-year bond yields declined quickly after the government announced a borrowing plan under the new Emergency Decree, implying a lower-than-expected supply in Q3. Meanwhile, financing in the private bond market functioned as usual.

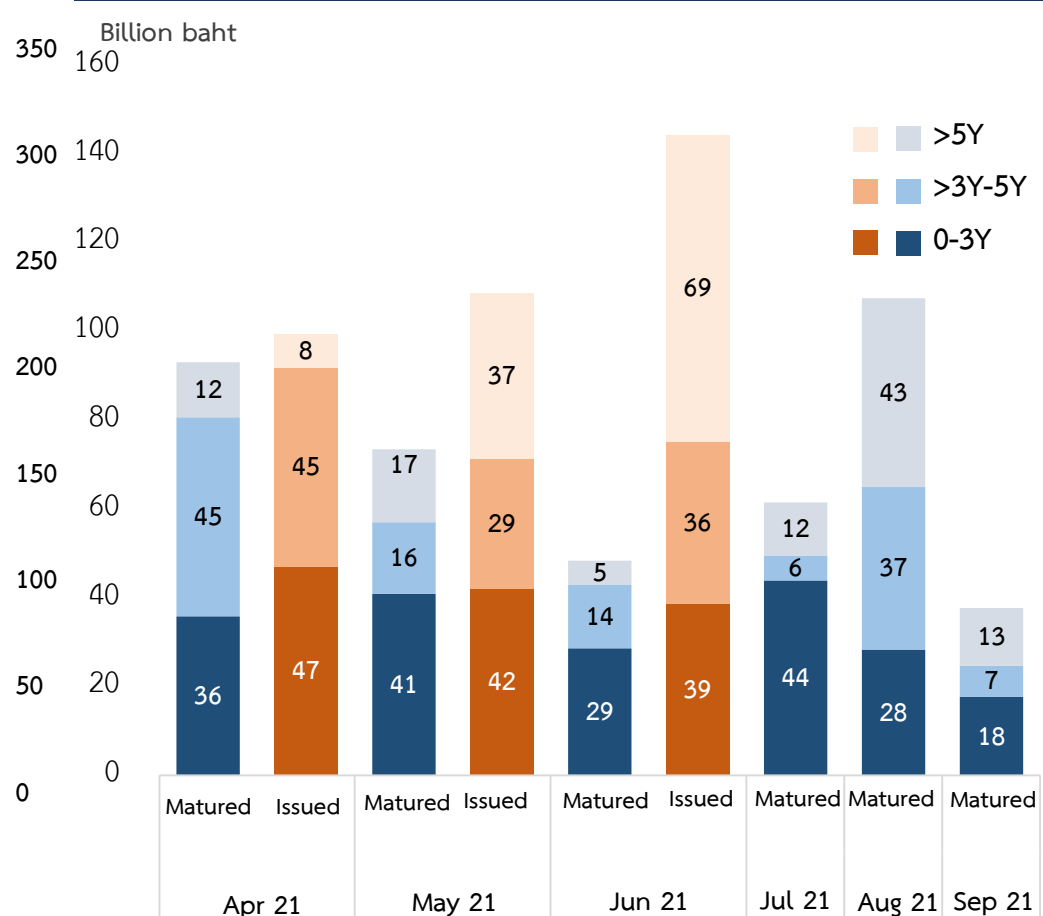
### Government bond yields



### Corporate Credit Spread (< 3 Yrs.)



### Matured and newly issued corporate bonds. Classified by the original maturity period.



Source: Bank of Thailand and ThaiBMA

Latest data as of 22 June 2021

Note: Excluding investment in private debt securities in the financial sector



The baht depreciated from the previous quarter relatively more than most regional currencies.

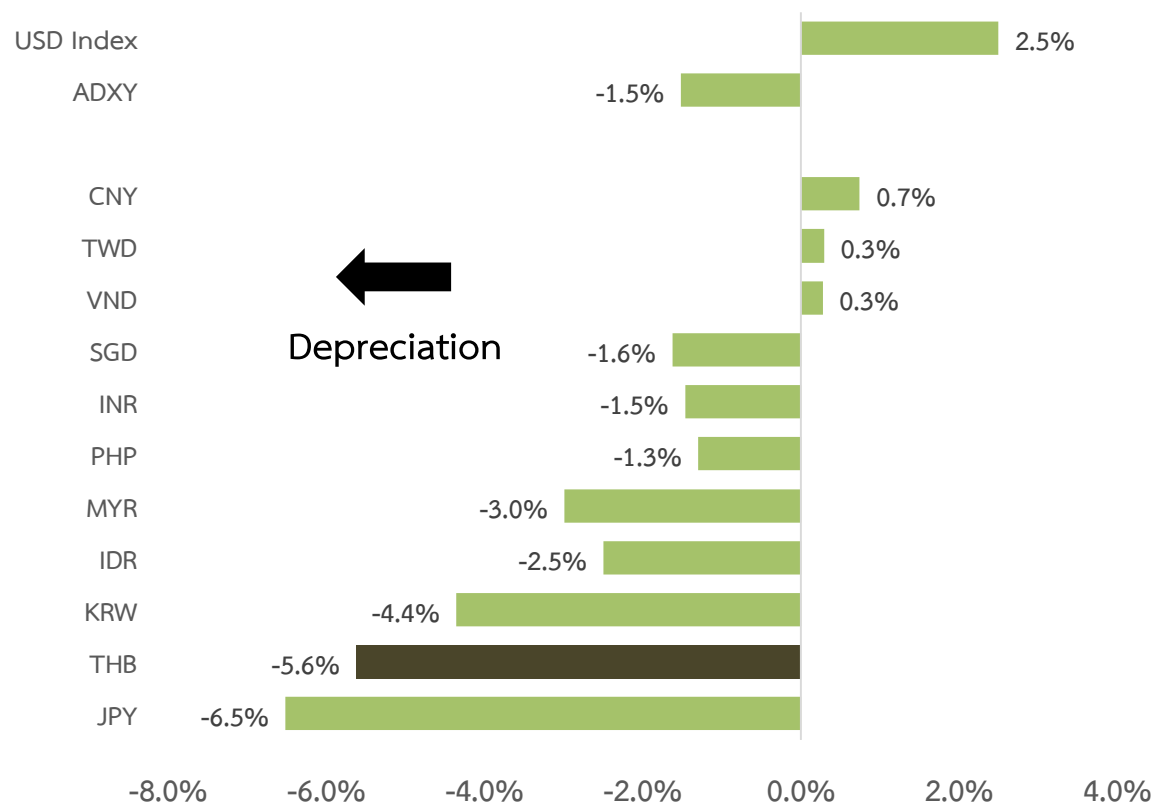
This was due to concerns over domestic outbreak and lower current account surplus.

The Committee would closely monitor developments and continue to expedite the new FX ecosystem.

The baht depreciated due to concerns over the domestic COVID-19 outbreak, while the USD appreciated.

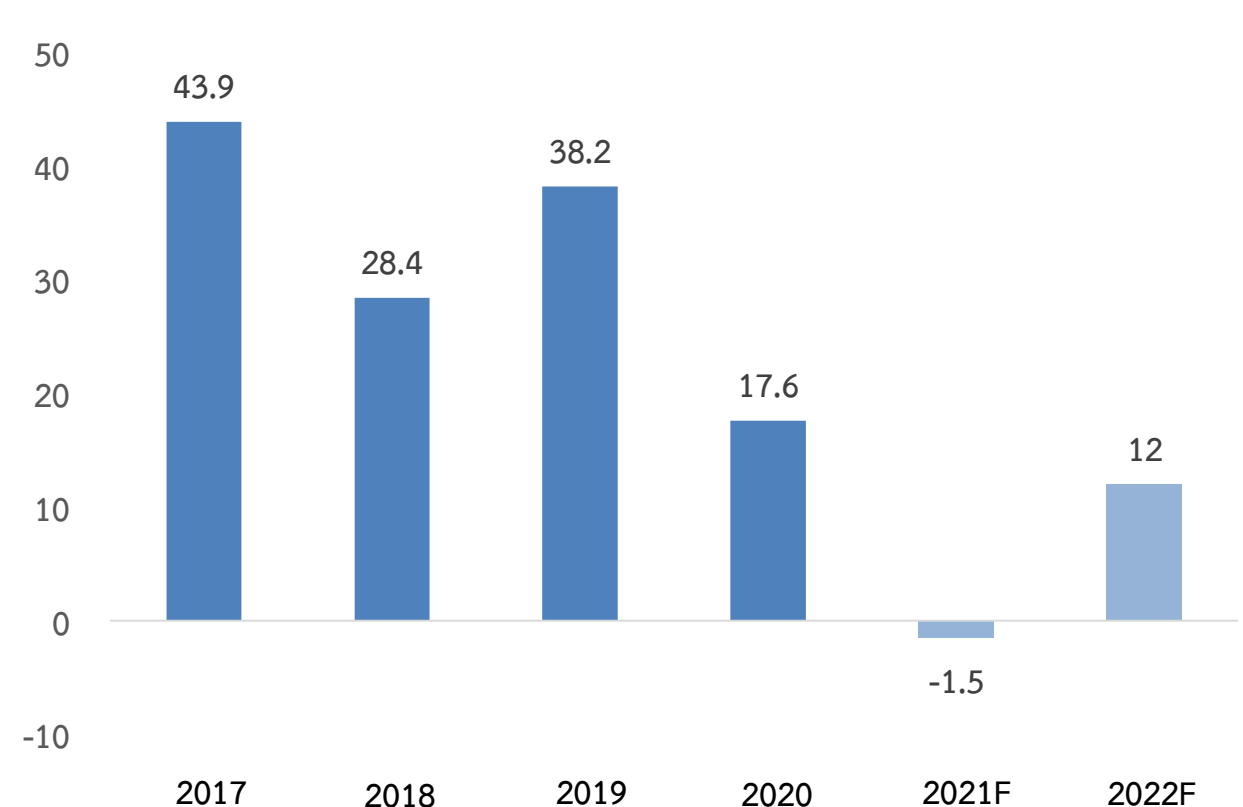
The pressure on the baht would abate in tandem with the substantial reduction in the current account surplus in 2021.

Change relative to USD in 2021 (YTD)



Source: Bloomberg, Refinitiv and calculations by the Bank of Thailand (Data as of 22 June 2021)

Billion USD



Source: Bank of Thailand



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# Monetary policy in Thailand



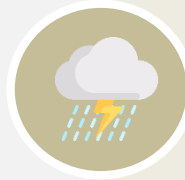


The Monetary Policy Committee maintains an accommodative monetary policy and stand ready to use additional appropriate monetary policy tools if deemed necessary.

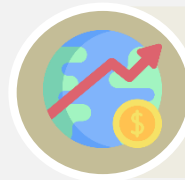
The MPC meeting No.3 (5 May) and No.4 (23 Jun) in 2021

The Committee  
voted unanimously  
to maintain the  
policy rate at

**0.50**  
percent



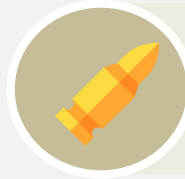
The economic recovery would be slower and more uneven, which could underperform the baseline. The most important issue for the Thai economy would be the procurement and distribution of appropriate vaccines adequately and timely to prevent a prolonged and severe outbreak.



Put emphasis on supporting the economic recovery



Given ample liquidity and low-for-long interest rates, monetary and credit measures to distribute liquidity to affected businesses and households are necessary.



Stand ready to use the limited policy space at the most effective timing



Stand ready to use additional monetary policy tools if necessary



All parties should expedite various measures to produce results and support the economy, especially in the next six months amidst high uncertainties.

*“Short-term compensation for vulnerable workers”*

*“Stimulus must be continuous and adequate”*

### Labor markets measures

Measures to support employment and income for vulnerable groups, e.g. the co-payment scheme

### Fiscal measures

Economic relief and restoration

### Financial measures

- Financial institutions: Debt restructuring, special loan facility, asset warehousing
- Specialized financial institutions (SFIs): E.g. “Im Jai” loan and “Su Pai COVID-19” loan by the Government Savings Bank

*“Reduce debt burden and strengthen financial position will help alleviate financial stability problems”*

#### Relief measures for H2/21

- ♥ Financial aid via the State Welfare Card in Phase 3 (16 billion baht)
- ♥ Financial aid for those with special needs (3 billion baht)
- ♥ Half-Half Phase 3 (93 billion baht)
- ♥ Ying Chai Ying Dai cashback scheme (28 billion baht)

measures



Income

Gradual improvement in income will strengthen financial position



Financial position  
(Sectoral balance sheets)

- Targeted liquidity distribution helps support income recovery
- Exchange rate is not an impediment to economic recovery

### Monetary policy

(low-for-long)

Low interest burden  
Deleveraging debt

*“Support the economy to grow at full potential and achieve price stability”*



Adjusted the supervision policy to channel additional assistance from financial institutions (FIs) to debtors affected by the COVID-19 outbreak.

## Financial Institutions Supervision Policy (Announced 10 June 2021)

1

Extend debt moratorium for affected SMEs until **21 December 2021**

2

Induce FIs for debt restructuring in line with the debtor's potential

3

Allow FIs to pay interim dividends at specified rates



Retail



SMEs



Large businesses



Temporary liquidity shortage

Increase income via fiscal measures

Increase working capital via SFIs

Soft loan

Special loan facility

Bond Stabilization Fund (BSF)

Provide liquidity backstop to support and stabilize funding in the corporate bond market



Solve  
existing  
debt

Limited impacts  
(Can repay debt)

Significant impacts  
(Cannot repay debt)

2

**Debt restructuring through additional assistance**



Measures to help retail  
borrowers – Phase 3

Debt mediation

1

**Loan repayment holiday**  
(If cash flow cannot  
be assessed)

Asset warehousing  
(If collateral is eligible)

New guidelines to change interest rate on default



Financial  
institutions

3

Support FIs' stability and adjust FIs regulations to accelerate debt restructuring in line with debtors' future cash flow and appropriate risk management





Structural reform policies are needed to raise Thailand's long-term potential growth and to strengthen the economy against future economic shocks.

Recurring outbreaks exacerbated  
existing structural problems

More uneven recovery across sectors

★ **Income inequality**

Dismissed workers are unemployed for longer  
Self-employed workers face income fall

★ **Debt overhang**

Increase fragility of businesses and households' financial positions

★ **Excess capacity**

Some businesses hardly accessed credit, especially those with excess capacity

All parties should expedite  
policy implementation

Identify target groups and both short-term  
and long-term policy guidelines

★ **Resource reallocation**

Adjust business models, upskill and  
reskill labor for the post-COVID  
environment

★ **Debt deleveraging**

★ **Digital infrastructure and digital  
finance** for better credit access of  
businesses and households



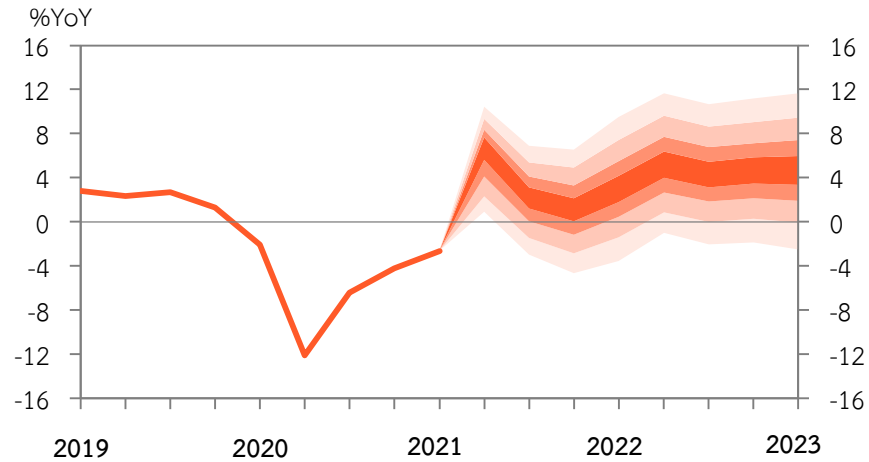
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# Appendix

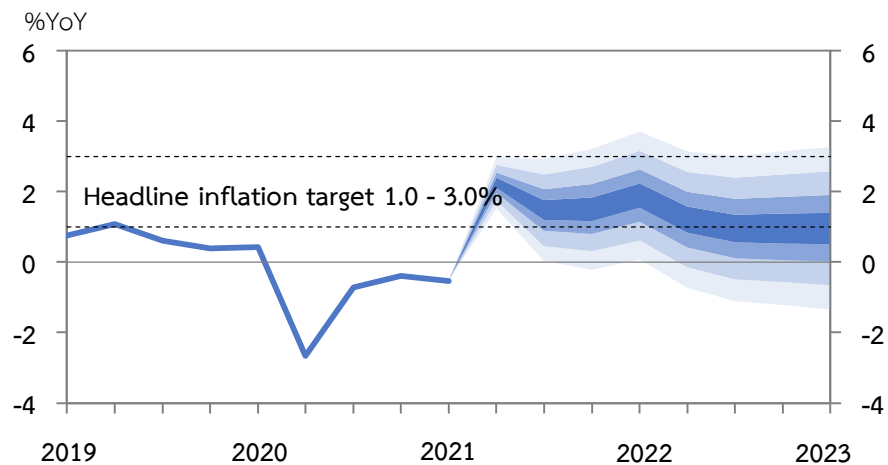


## Risks to growth and inflation projections tilt downward

Growth forecast



Headline inflation

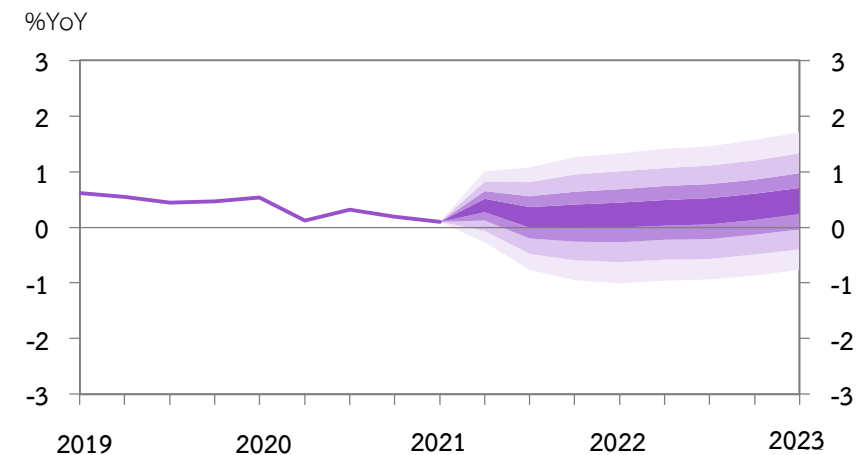


Key risks on economic outlook



- Prolonged outbreak and virus mutations
- Lower-than-expected government spending on economic relief and restoration
- Financial position and liquidity of businesses
- Supply disruption

Core inflation forecast





## Forecast assumptions

%YoY	2020*	2021	2022
Trading partners' GDP growth (% YoY) <sup>2/</sup>	-3.5	6.0 (5.5)	4.1 (3.8)
Fed funds rate (% year end)	0.00 - 0.25	0.00 - 0.25 (0.00 - 0.25)	0.00 - 0.25 (0.00 - 0.25)
Regional currencies per USD (excl. RMB) <sup>3/</sup>	157.1	152.9 (150.6)	153.1 (149.6)
Dubai oil price (USD per barrel)	42.1	62.3 (60.0)	65.5 (62.5)
Farm income (% YoY)	0.0	6.9 (1.6)	0.6 (2.7)
Government consumption (billion baht) <sup>1/</sup>	2,779	2,948 (2,982)	2,980 (2,948)
Government investment (billion baht) <sup>1/</sup>	1,011	1,120 (1,142)	1,199 (1,166)

Note: <sup>1/</sup>assumption includes spending on infrastructure investment plans

<sup>2/</sup>weighted by each trading partners' share in Thailand total exports

<sup>3/</sup> increasing index represents depreciation. Decreasing index represents appreciation

\* Outturn

( ) previous assumptions in *Monetary Policy Report*, March 2021



## Assumptions on trading partner's GDP growth

(%YoY)	Weight (%)	2020*	2021	2022
United States	20.4	-3.5	6.6 (5.9)	4.5 (4.0)
Euro Area	9.2	-6.7	4.5 (4.3)	4.0 (3.2)
Japan	13.9	-4.7	2.5 (2.5)	2.6 (2.3)
China	18.1	2.3	8.4 (8.5)	5.2 (4.9)
Asia (excluding Japan and China)**	30.6	-4.6	6.0 (5.1)	4.0 (3.8)
Total***	100	-3.5	6.0 (5.5)	4.1 (3.8)

Note: \*Outturn

\*\*weighted by 7 trading partners' shares in Thailand's exports in 2020: Singapore (5.8%) Hong Kong (6.9%)

Malaysia (5.3%) Taiwan (2.3%) Indonesia (4.7%) South Korea (2.6%) and the Philippines (3.1%)

\*\*\*weighted by proportion of Thailand exports to 13 trading partners' countries in 2020 (including the UK and Australia)

( ) *Monetary Policy Report*, March 2021