



ธนาคารแห่งประเทศไทย  
BANK OF THAILAND

# Analyst Meeting No. 1/2021

## 9 April 2021

(The economic projection was based on data as of 23 March 2021)



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# Thailand's economic outlook



## Thailand's economic outlook

	2020*	2021 <sup>E</sup>	2022 <sup>E</sup>
GDP Growth	-6.1	3.0 (3.2)	4.7 (4.8)
Headline Inflation	-0.8	1.2 (1.0)	1.0 (1.0)
Core Inflation	0.3	0.3 (0.3)	0.4 (0.4)

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

( ) Monetary Policy Report, December 2020

Source: Monetary Policy Report, March 2021

- ❑ The Thai economy would expand at a slower pace due to the new wave of the COVID-19 outbreak in the beginning of 2021 and the re-opening plan that was less relaxed than expected.
- ❑ Headline inflation in 2021 is projected to increase in tandem with the rise in crude oil prices and would return to the target range in the middle of the year. As for 2022, inflation is expected to remain close to the lower bound of the target range throughout the forecast period.
- ❑ Economic and inflation forecasts in the period ahead would remain highly uncertain and could underperform the baseline projection.



## Details of the economic forecasts

(% YoY)	2020	2021 <sup>E</sup>		2022 <sup>E</sup>	
		Dec 20	Mar 21	Dec 20	Mar 21
GDP Growth	-6.1	3.2	3.0	4.8	4.7
- Private Consumption	-1.0	2.8	3.0	3.0	2.7
- Private Investment	-8.4	4.9	6.0	5.0	5.5
- Government Consumption	0.8	5.1	5.2	1.0	-3.1
- Government Investment	5.7	7.9	11.6	0.2	0.8
- Exports of Goods and Services	-19.4	3.6	5.2	12.3	13.9
- Imports of Goods and Services	-13.3	5.0	9.2	7.5	7.5
Current Account (Billion USD)	16.3	11.6	1.2	29.1	25.0
- Value of Merchandise Exports	-6.6	5.7	10.0	5.0	6.3
- Value of Merchandise Imports	-13.5	7.7	15.2	6.7	6.8
Headline Inflation	-0.8	1.0	1.2	1.0	1.0
Core Inflation	0.3	0.3	0.3	0.4	0.4
Assumptions					
- Number of Tourists (Million)	6.7	5.5	3.0	23.0	21.5
- Dubai Oil Price (USD/Barrel)	42.1	47.3	60.0	51.5	62.5

Note: <sup>E</sup> Estimated

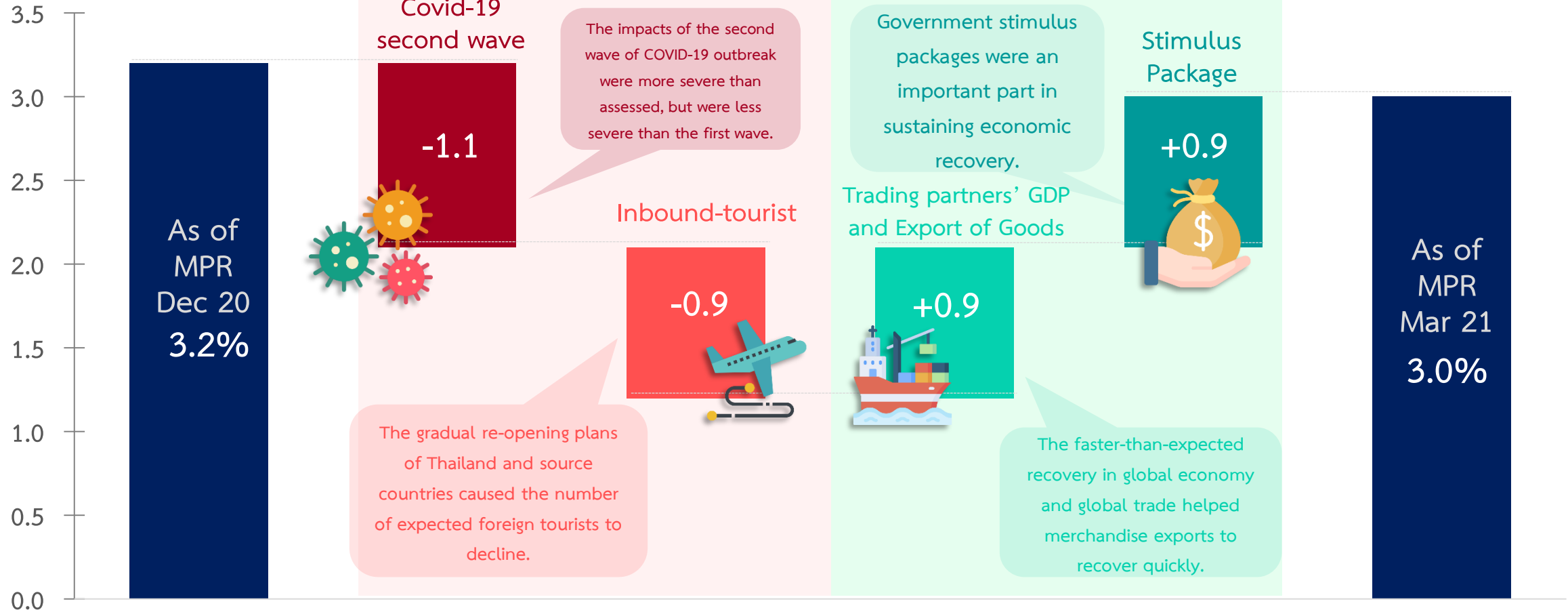
Source: Monetary Policy Report, March 2021

- Despite the impacts of the new wave of the COVID-19 outbreak on the Thai economy, the timely and targeted government measures and the less stringent containment measures relative to last year facilitated economic recovery.
- In addition, a sustained recovery in the international trade supported the recovery in domestic demand for both private investment and private consumption.
- However, the recovery remained uneven. Tourism receipts would still be weighted down by the gradual re-opening plans of Thailand and source countries.
- 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, especially disbursements under the restoration plan.
- Current account surplus declined in tandem with the reduction in foreign tourist figures projection, the rise in oil prices assumptions, and the substantial increase in net gold imports during the first two months of 2021.



## Factors affecting Thailand's economic forecast for 2021

2021 GDP growth (%)

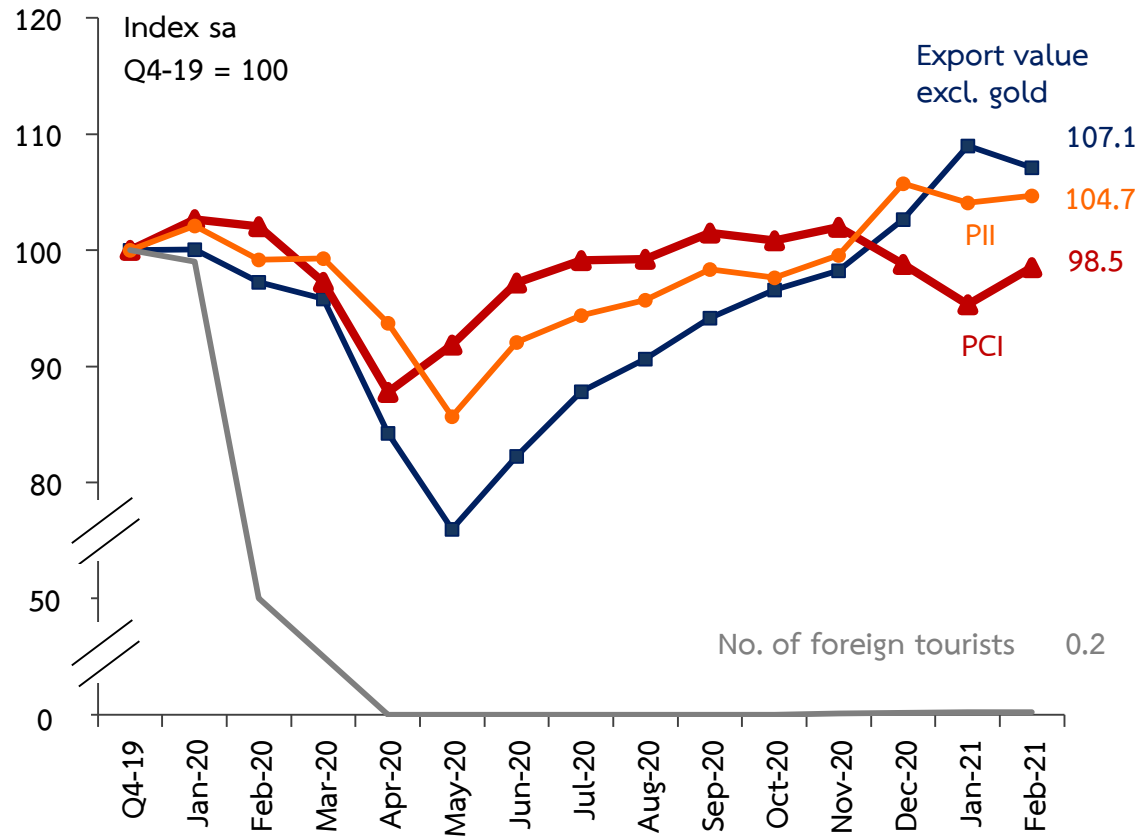




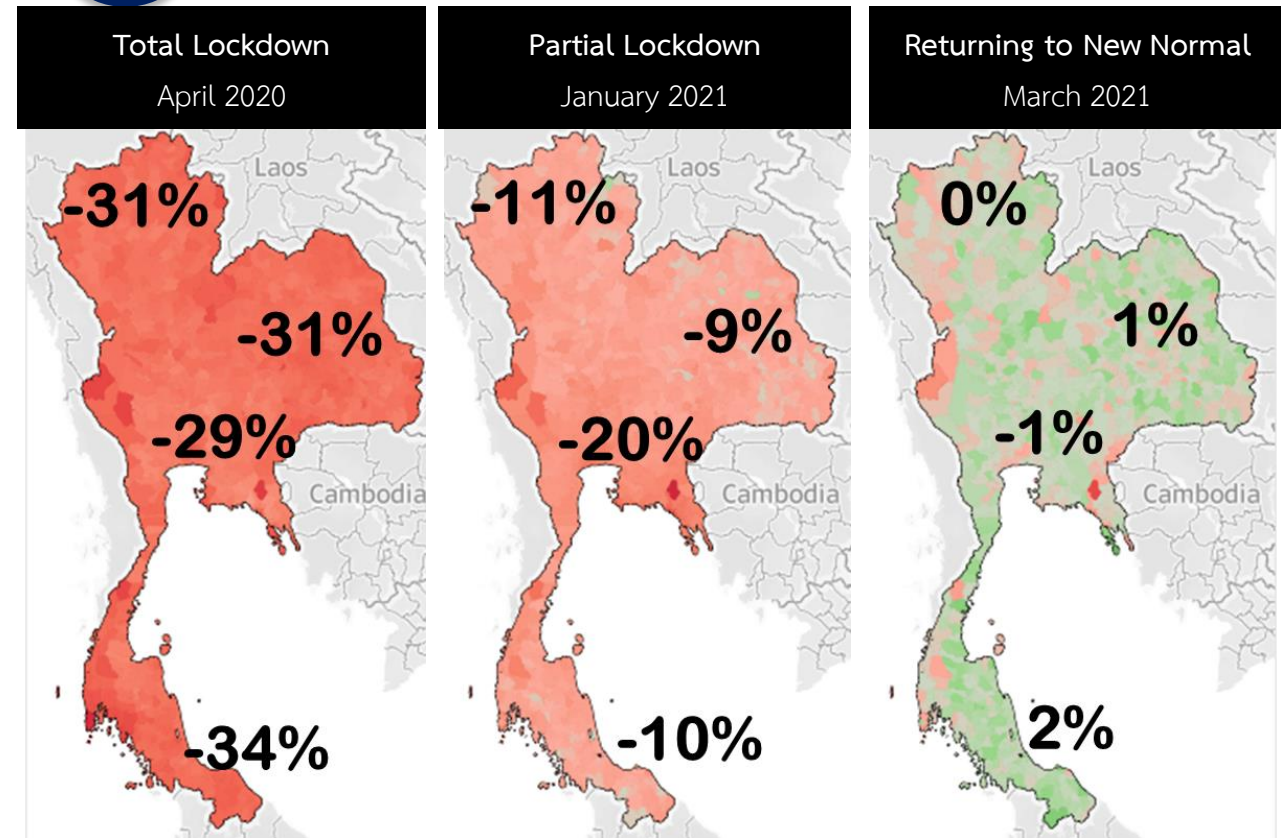
Although the economy is affected by the second wave of the COVID-19 outbreak, the impacts are less severe compared to the first wave and economic activities would continue to improve in all regions.



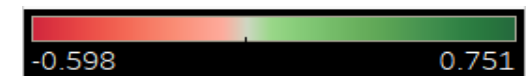
### Demand-side indicators



### Facebook Movement Range



Unit: % change compared to the baseline (Feb 20)



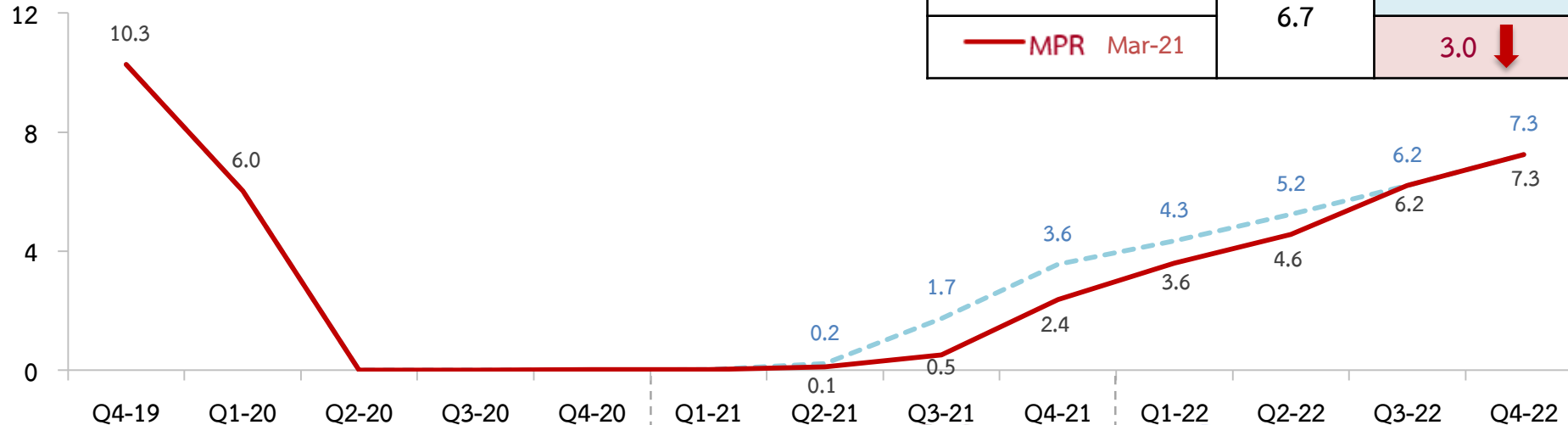


Nevertheless, the recovery remained uneven especially for tourism-related sectors.



## Foreign tourist figures projection

Million person, sa



Countries with 30%-50% vaccination coverage delayed by 1 quarter since the assessment in Dec 20



Measures for re-opening to foreign tourists

- Measures already implemented
- Measures to be implemented

Timeline of re-opening to foreign tourists

Re-opening for foreign tourists with Special Tourist Visa which requires 14-day quarantine.

**Vaccine Certificate**  
Vaccinated tourists  
\*quarantine requirements reduced to 7 days and 10 days for unvaccinated tourists from low-risk areas.

Re-opening for vaccinated foreign tourists with no quarantine requirements. Vaccination and infection test certificate are required.

Re-opening for commercial flights with no vaccination and quarantine requirements.

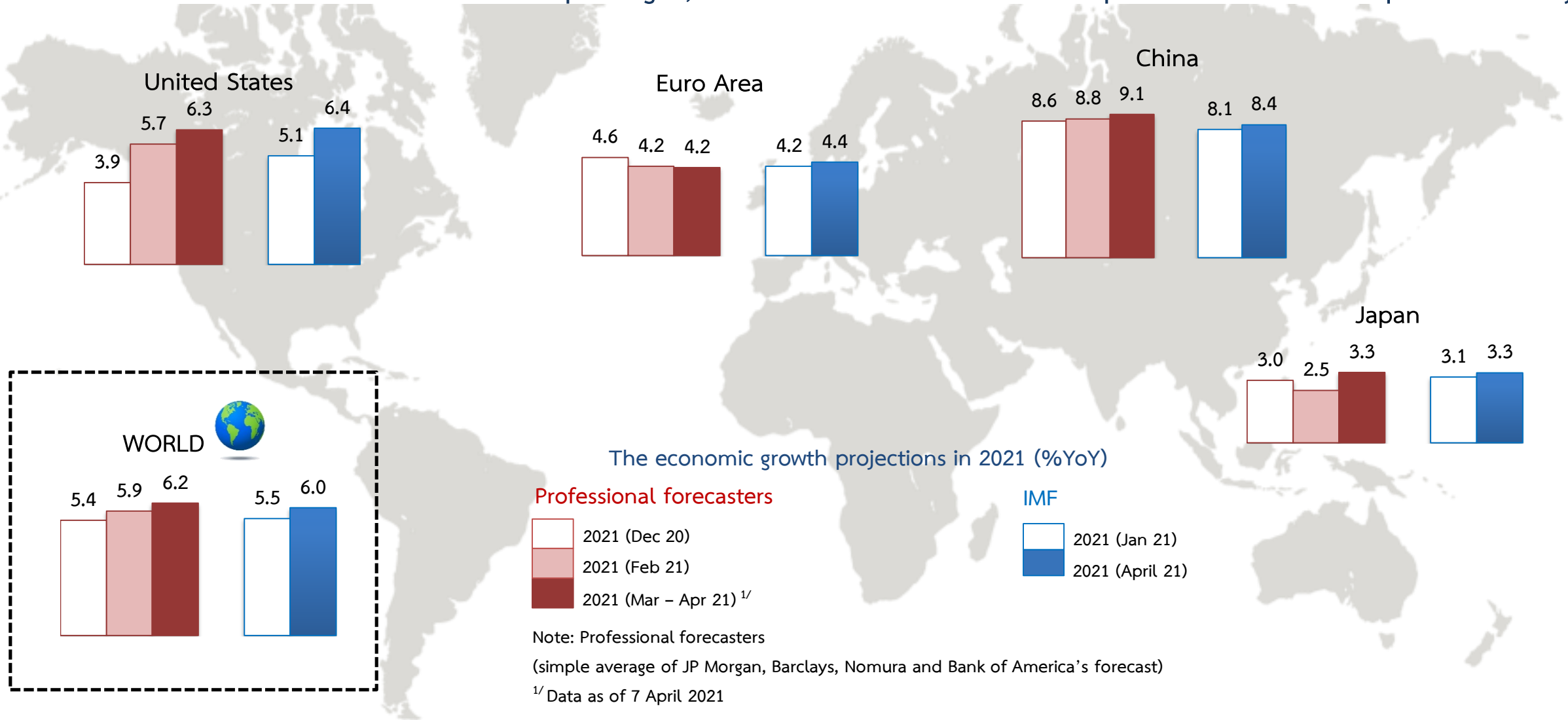
\* Vaccination and infection test certificate are required





The global economic outlook has improved beyond the assessments of various forecasters.

This is due to the progress in vaccine distribution and the continuity of economic stimulus packages, which resulted in Thailand's quick merchandise exports recovery.







In addition, the coordinated, timely, and targeted government measures helped support economic recovery.

*“Alleviating short-term impacts to support the economy through the crisis and restructuring the economy for the post-COVID world”*

Relief measures during Q1-Q2 2021\*

- ♥ “We Win” financial aid (210 billion baht)
- ♥ Financial aid via the State Welfare Card in Phase 2 (21 billion baht)
- ♥ “Section 33 We Love Each Other” financial aid (37 billion baht)

- Targeted liquidity distribution helps support the recovery of income
- Exchange rate is not an impediment to economy recovery

## Fiscal measures

Economic relief and restoration measures



Income

Gradual improvement in income will strengthen financial position



## Financial measures

Debt restructuring, Soft loan, Asset warehousing



Financial position  
(Sectoral balance sheets)

*“Reducing debt burden and strengthening financial position will help alleviate financial stability problems.”*

## Monetary Policy

(low-for-long policy rate)

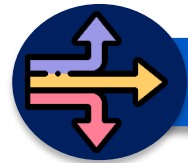
Low interest burden supports debt deleveraging

*“Support the economy to reach its full potential growth and achieve price stability”*



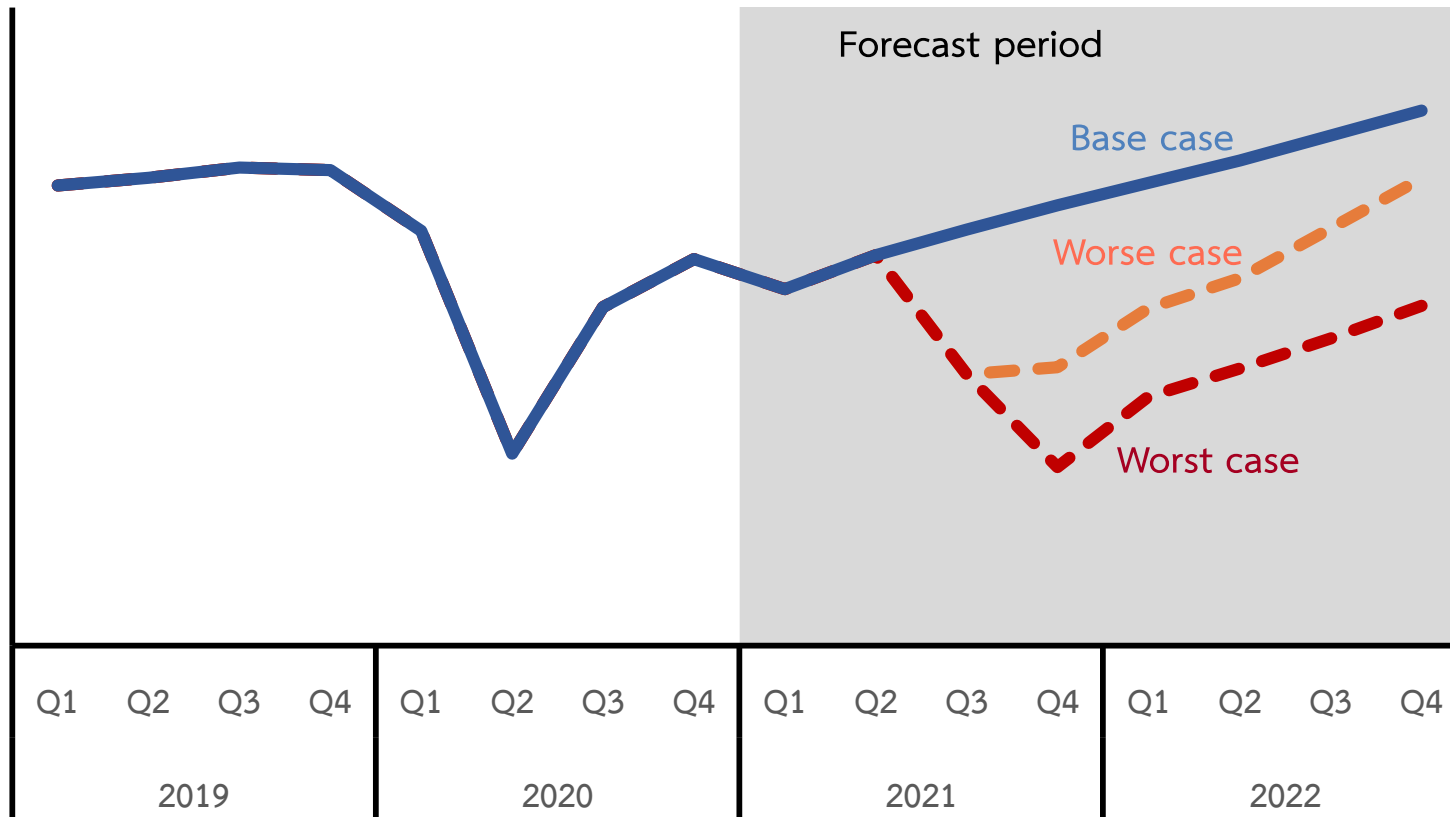


Uncertainties remained high in the period ahead , particularly vaccine efficacy, virus mutations, and Thailand's foreign tourist figures projection.



### Thailand's economic outlook under different scenarios

Real GDP, seasonally adjusted



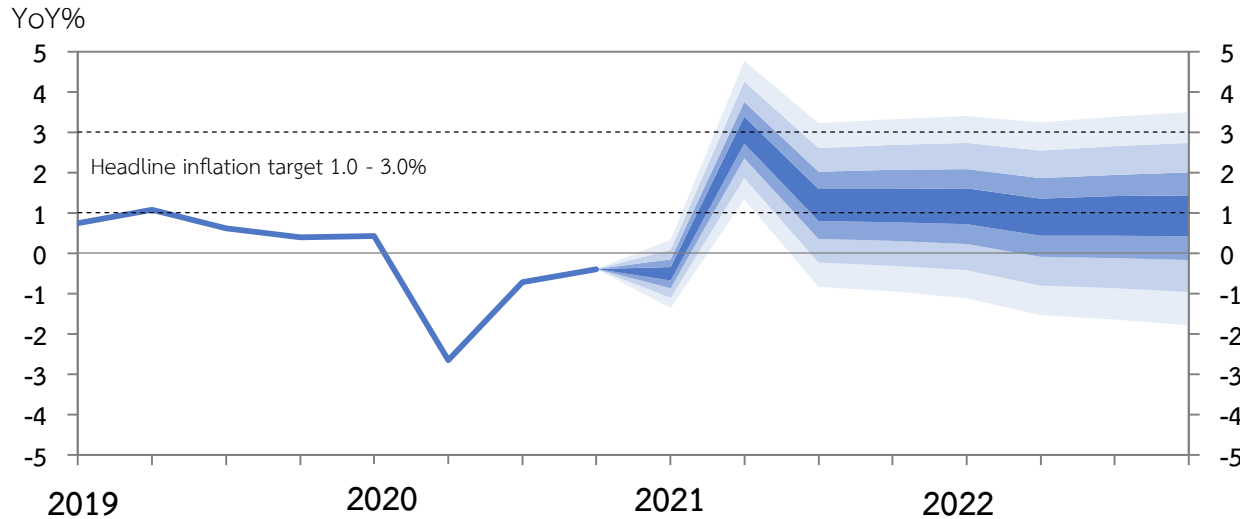
Scenario	Key assumptions
Worse case	<ul style="list-style-type: none"><li>➤ A third wave of domestic infections in H2/21.</li><li>➤ The efficacy of the vaccine remains, but the vaccination coverage in Thailand is push back further.</li><li>➤ Delay in Thailand's border re-opening to 2022.</li></ul>
Worst case	<ul style="list-style-type: none"><li>➤ A virulent virus mutation led to vaccine inefficacy that requires new vaccine development.</li><li>➤ A new wave of global outbreaks affecting the global supply chain.</li><li>➤ Delay in Thailand's border re-opening to 2023.</li></ul>



Headline inflation adjusted upward in tandem with the rise in oil price and is expected to return to the lower bound of the target range in the middle of 2021.



Fan chart of headline inflation



Inflation projection

% YoY	2020*	2021	2022
Headline inflation	-0.8	1.2 (1.0)	1.0 (1.0)
Core inflation	0.3	0.3 (0.3)	0.4 (0.4)

- **Headline inflation projection for 2021 is revised upward.** Despite the temporary decline in the first quarter of 2021 from subsidizing measures in electricity and water bill, headline inflation would spike in the second quarter of 2021 due to the low base effect last year. This would push headline inflation to return to the target range in the middle of 2021.
- **Core inflation projection remains unchanged** with the outlook of gradually adjusting upwards in tandem with economic conditions.



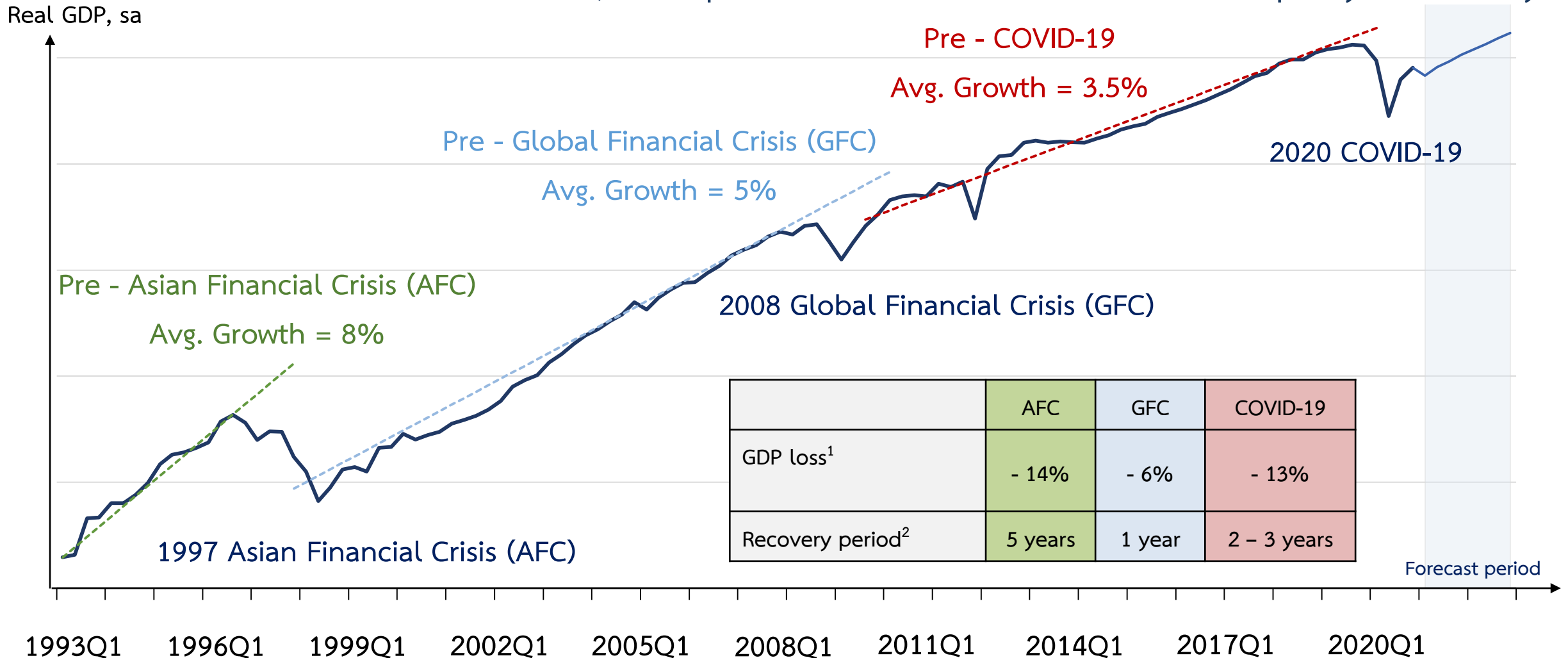
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# Thailand's monetary policy



The growth potential of the Thai economy shifted downward after each crisis,  
with COVID-19 leaving scarring effects on the economy.

As such, the expedition of economic structural reform policy is necessary.



Note: <sup>1</sup>GDP loss is the difference between the pre-crisis peak and the post-crisis trough. <sup>2</sup>The recovery period is the duration for GDP to return to the pre-crisis level.

Source: The Office of the National Economic and Social Development Council, calculated by the Bank of Thailand



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# Integrated Policy Framework under the COVID-19 context

Forward-looking  
& Scenario analysis



Price stability



Economic growth



Financial stability

Objectives

## Financial conditions

interest rates, bond yields, liquidity, FX, market sentiment

## Growth stimulus

potential growth

Policy tools



### FX policy & CFMs

- Measures to prevent baht speculation
- FX ecosystem



### Monetary policy

- Policy rate cut
- **FIDF fee cut\***
- Unconventional monetary policy study



### Macroprudential & Microprudential policy

- Regulatory forbearance\* (LCR, NSFR, SICR)
- Macroprudential policy measures



### Financial policy

- **Soft loans\***
- Debt holiday\*
- Debt restructuring
- **Credit guarantee scheme**
- **Financial rehab. measures\***
- **Asset warehousing\***

### Fiscal policy

- Economic stimulus and rehabilitation measures
- Public health
- Quasi-fiscal (SFI)

### Structural policy

- Labor policy
- Sectoral policy

Communication

BOT

Policy coordination

Government



# The Thai economy face high uncertainties in the period ahead

from the progress in vaccination coverage and the re-opening to foreign tourists.

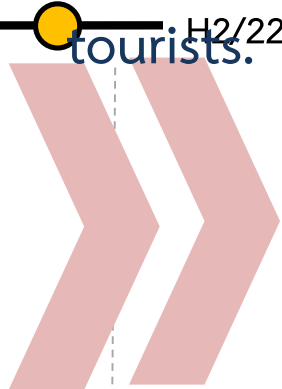
Q1/21 Q2/21 Q3/21 Q4/21 H1/22 H2/22

## Risk factors

A new wave of outbreak in Thailand

Progress in COVID-19 vaccination coverage

Delays in the re-opening to foreign tourists\*  
The continuity of government measures



## Impact on the economy

Businesses revenue / labor income have not yet recovered and are further impacted by the new wave of the COVID-19 outbreak.

Delays in the border re-opening during the high season will impact the recovery of the tourism sector and related businesses.

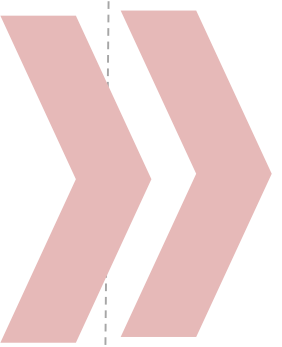
Risks to the waning of government stimulus could increase without any additional backup measures.

## Policy priority

Liquidity injections/remedies are necessary during COVID-19 outbreaks.

During the restoration period, the priority should be to expedite the package of rehabilitation measure which have flexibility to address future uncertainties.

Government measures must be continuous when the economy is fragile and is highly uncertain.  
Supply-side policies to help business model adjustments together with labor upskilling and reskilling.



\* No quarantine requirements for vaccinated foreign tourists. Vaccination and infection test certificate are required.



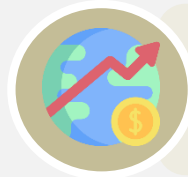


The Monetary Policy Committee maintains an accommodative monetary policy and stand ready to use additional appropriate monetary policy tools if deemed necessary.

The MPC meeting No.1 (3 Feb) and No.2 (24 Mar)  
in 2021

The Committee  
voted unanimously  
to maintain the  
policy rate at

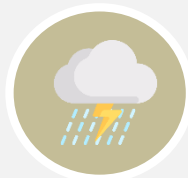
**0.50**  
percent



Put emphasis on supporting the economic recovery.



In the current context with ample liquidity and low financial costs, the implementation of monetary and credit measures to distribute liquidity to affected businesses and households are necessary.



The economy would continue to recover, but the recovery remains highly uncertain with downside risks to growth.



Preserve the limited policy space to act at the appropriate and most effective timing.



Stand ready to use additional monetary policy tools if deemed necessary.



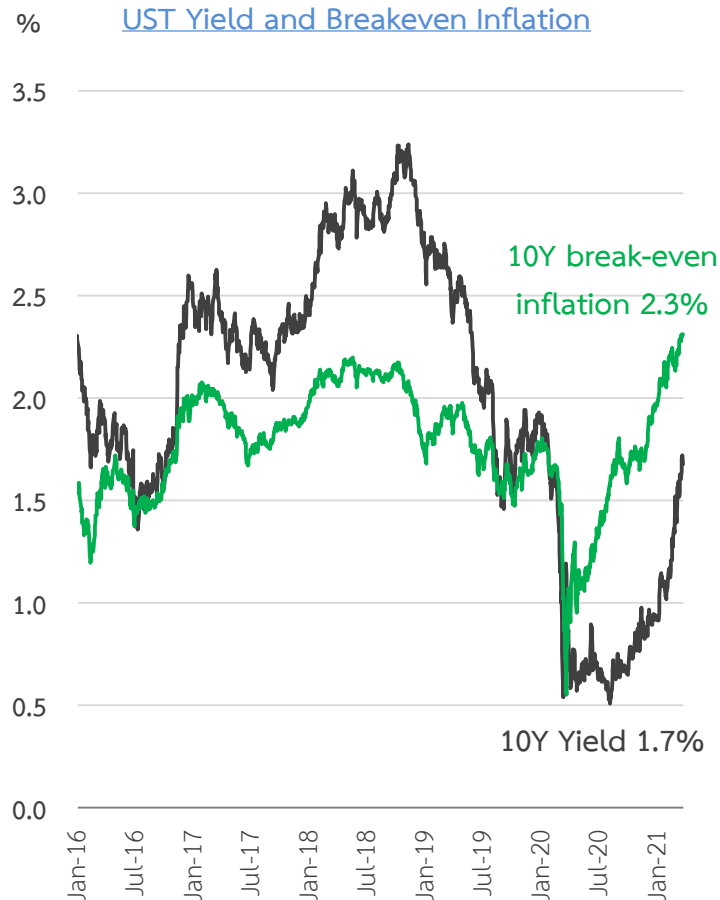
# Thailand's financial conditions



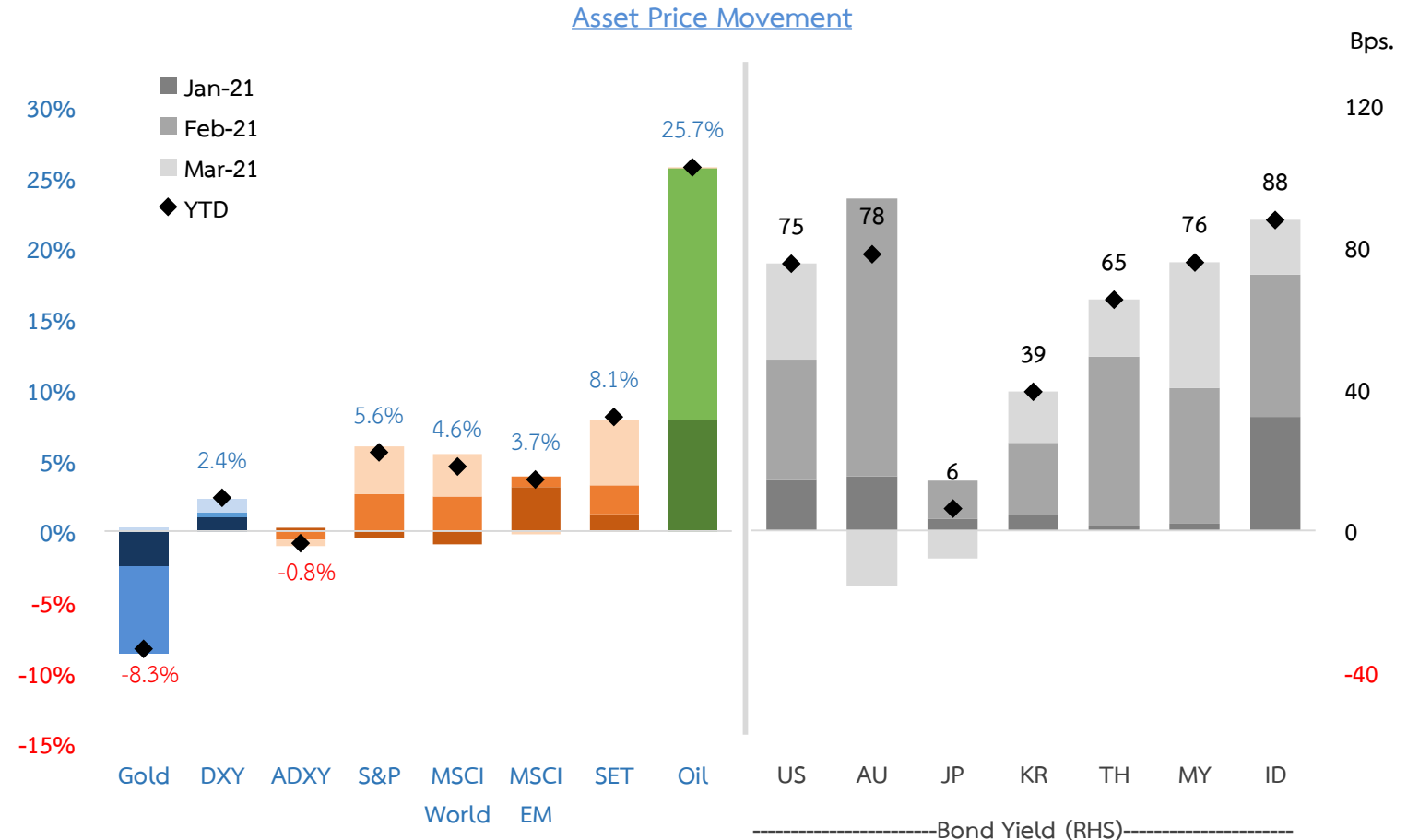
Asset prices reflected views on the economic prospects during reflation in tandem with the increase in inflation expectations and the US economic recovery prospects.

US Treasury yields rose fast in line with US inflation expectations, growth prospects, and the increasing supply of US Treasury.

The prices of commodities and equities rose, while safe asset prices fell. Most government bond yields in many countries increased in tandem with US Treasury yields.



Source: Bloomberg (data as of 22 Mar 2021)



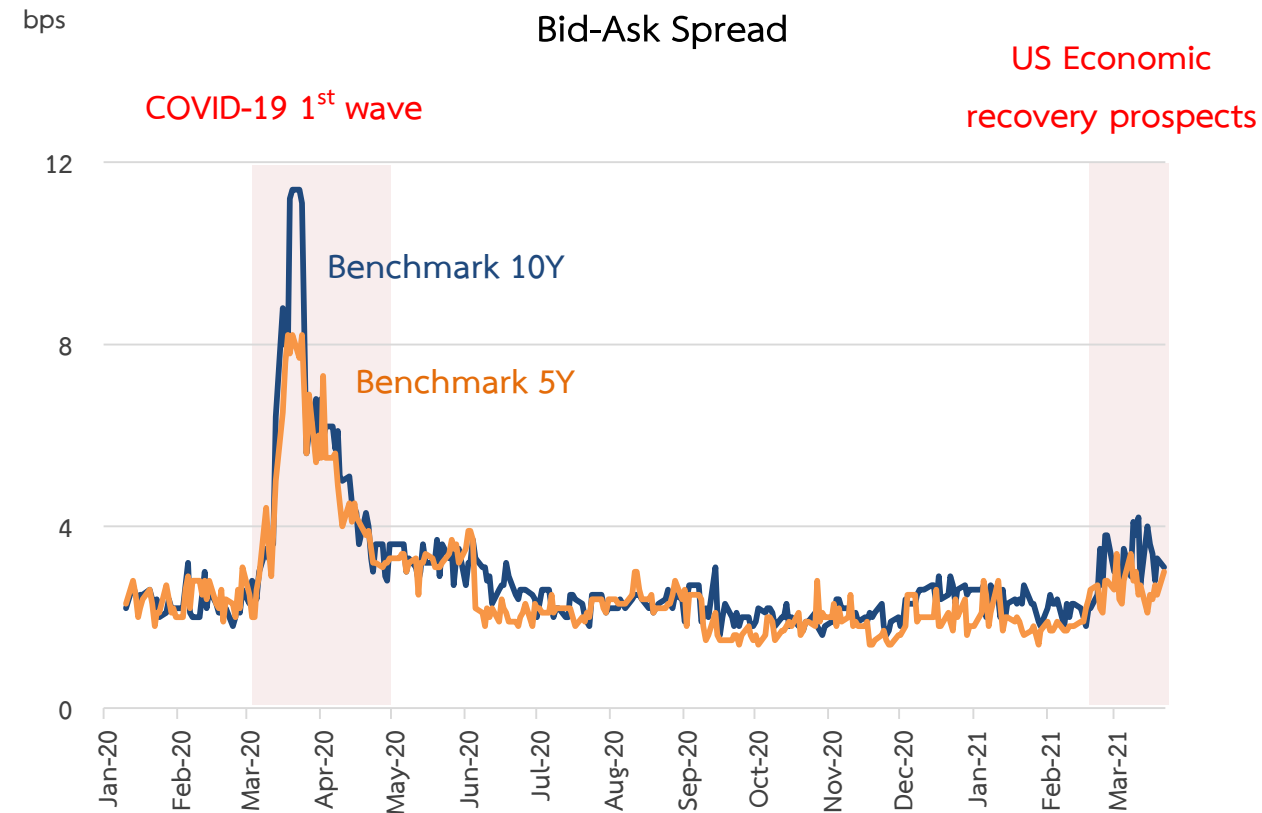
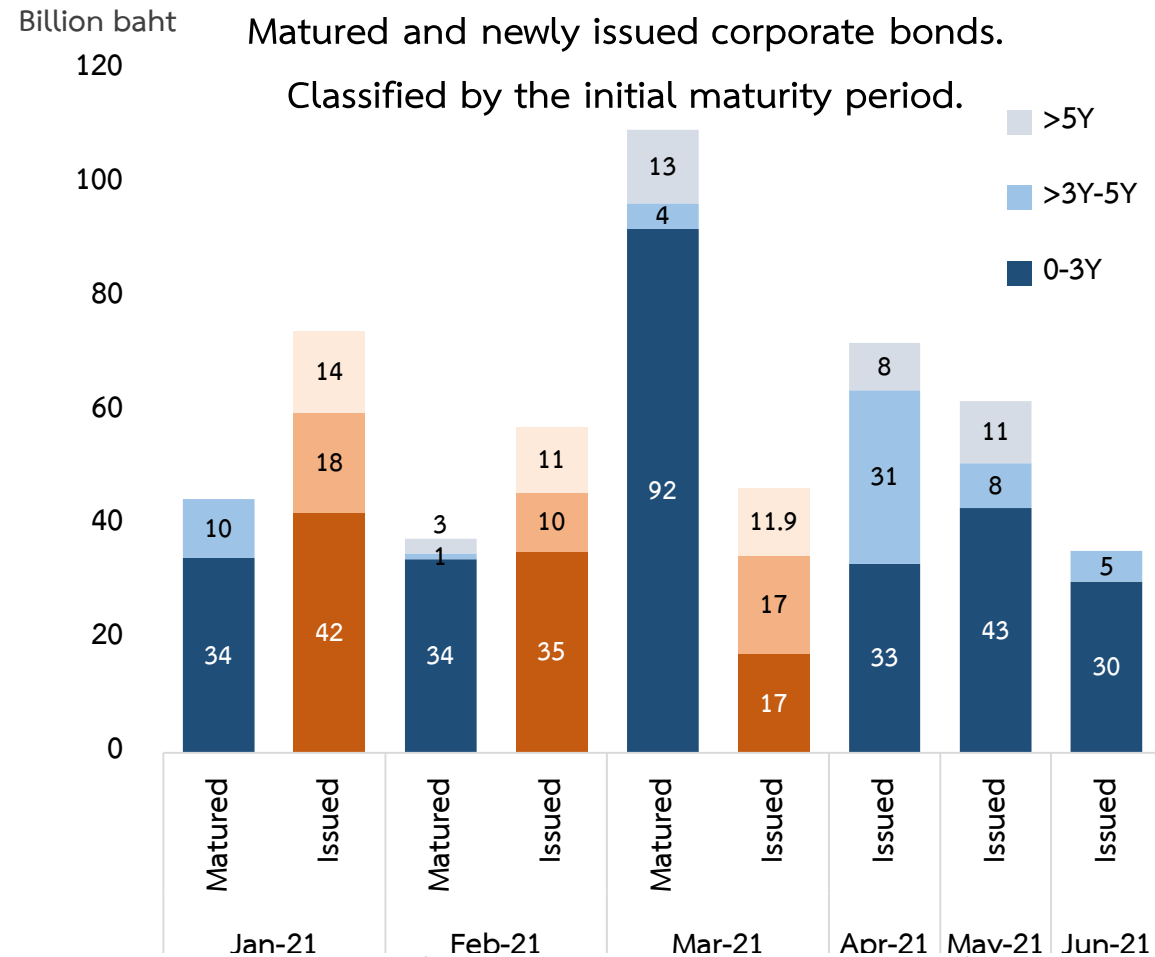
Source: Bloomberg (data as of 22 Mar 2021)



The recent increase in government bond yields had limited impact on Thailand's financial markets. This is due to 1. Businesses could still raise funds while some were able to secure pre-fund in advance 2. The bond market mechanisms function as normal

The majority of businesses could still raise funds as usual, while some have secured pre-fund in advance.

The bond market mechanisms function as normal. The bid-ask spread increased slightly, but is relatively small compared to the first outbreak.

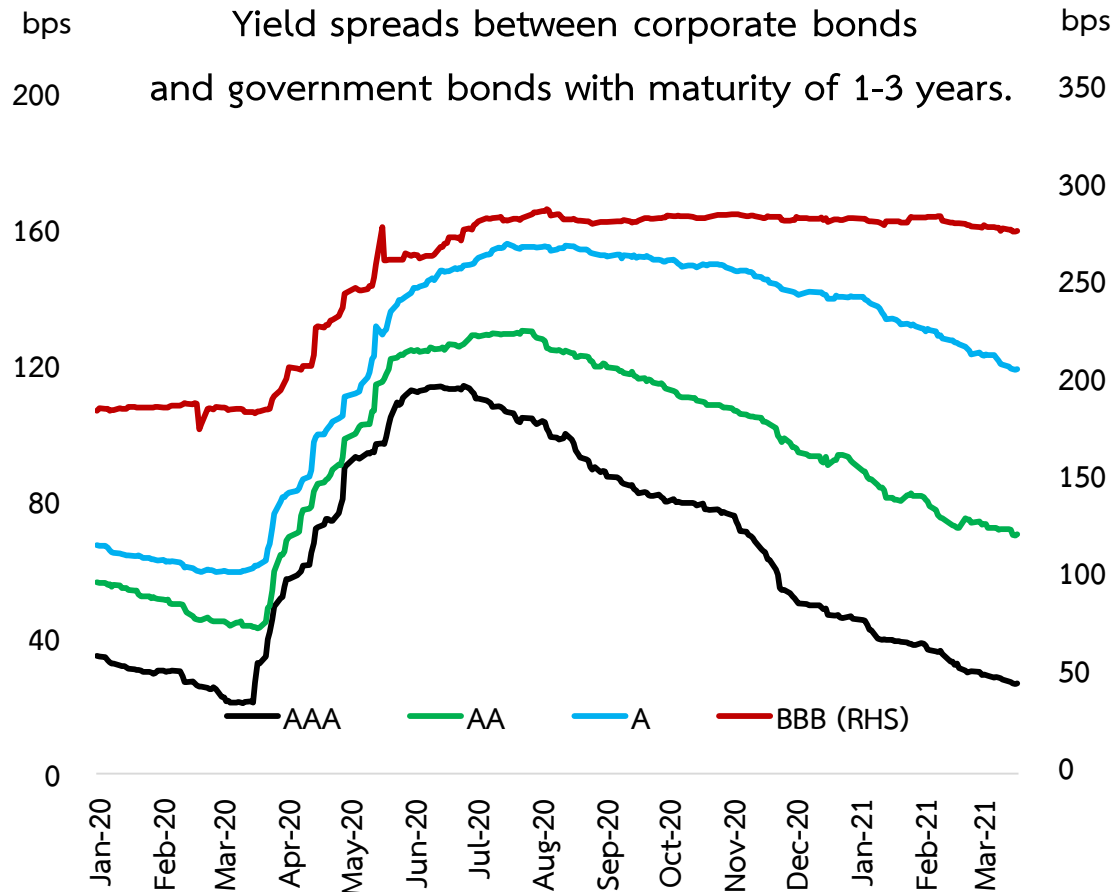


Source: Bloomberg and ThaiBMA (data as of 22 Mar 2021)



3. Corporate credit spread did not increase and 4. The private sector experienced limited impact, as the majority raised funds through commercial banks.

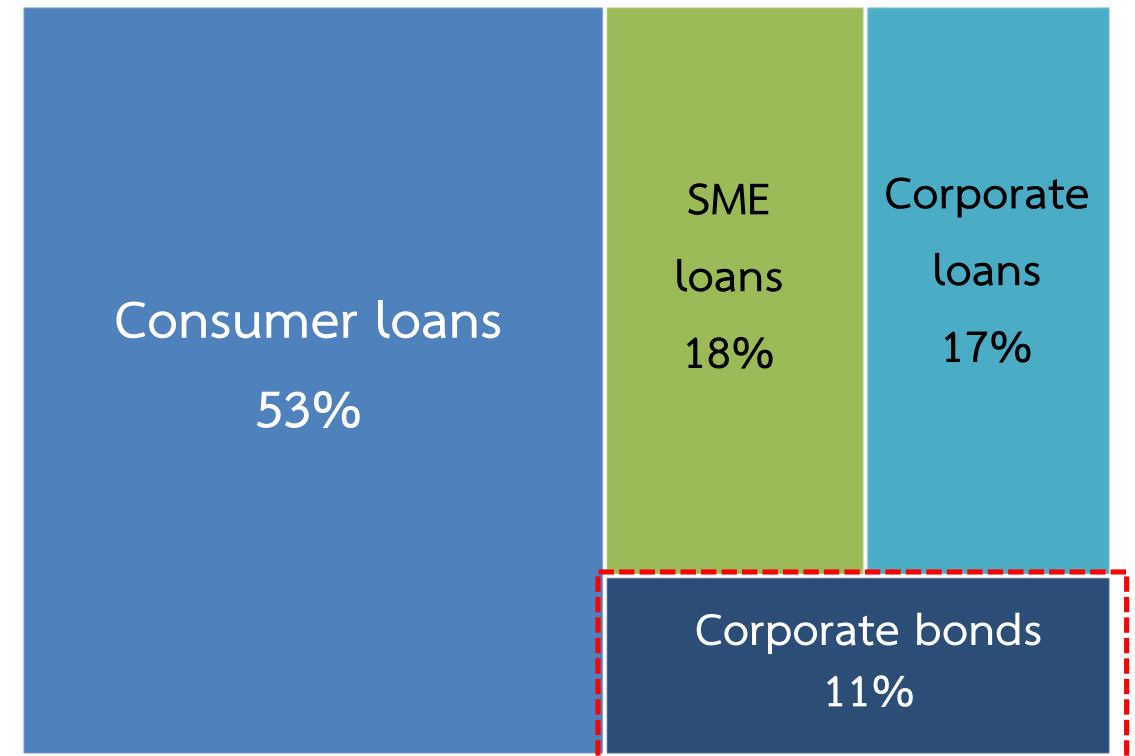
Corporate credit spread declined continuously, especially for the A group and higher. However, spread in the BBB group remained high due to credit risk concerns.



Source: ThaiBMA (TTM basis) as of 19 March 2021

The spike in government bond yields have limited impact on households and businesses financing as the majority raised funds through commercial banks.

Thailand's' private sector financing structure



Note: Data as of Jan 21. Consumer loans 14.1 trillion baht, SMEs loans 4.8 trillion baht (Bank loans < 500 million baht and business loans of SFIs, OFCs, savings cooperatives and others), Corporate loans 4.6 trillion baht (Not including financial corporations), Corporate bond 2.9 trillion baht (Not including financial corporates).

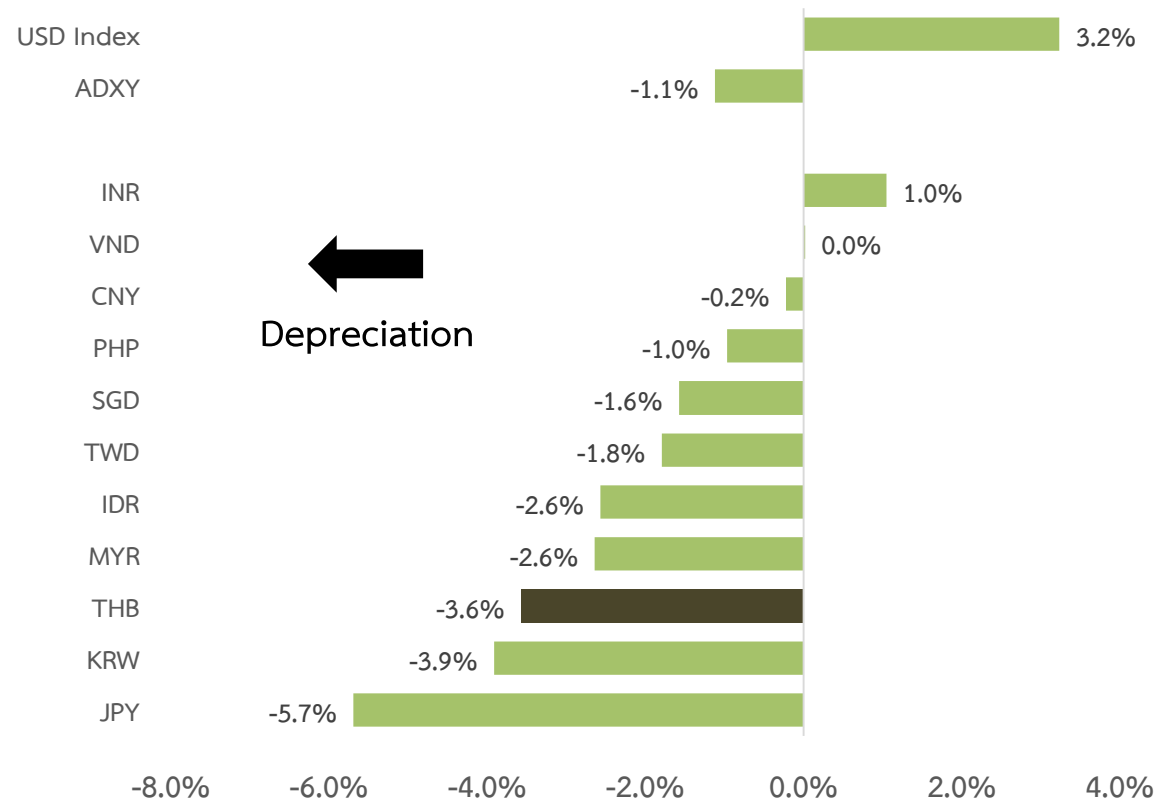


The baht depreciated from the previous quarter in tandem with the decline in the current account surplus. However, the baht could be volatile in the period ahead due to various factors. The Committee will closely monitor developments and continue to expedite the new FX ecosystem.

The baht and other regional currencies depreciated, while the USD appreciated.

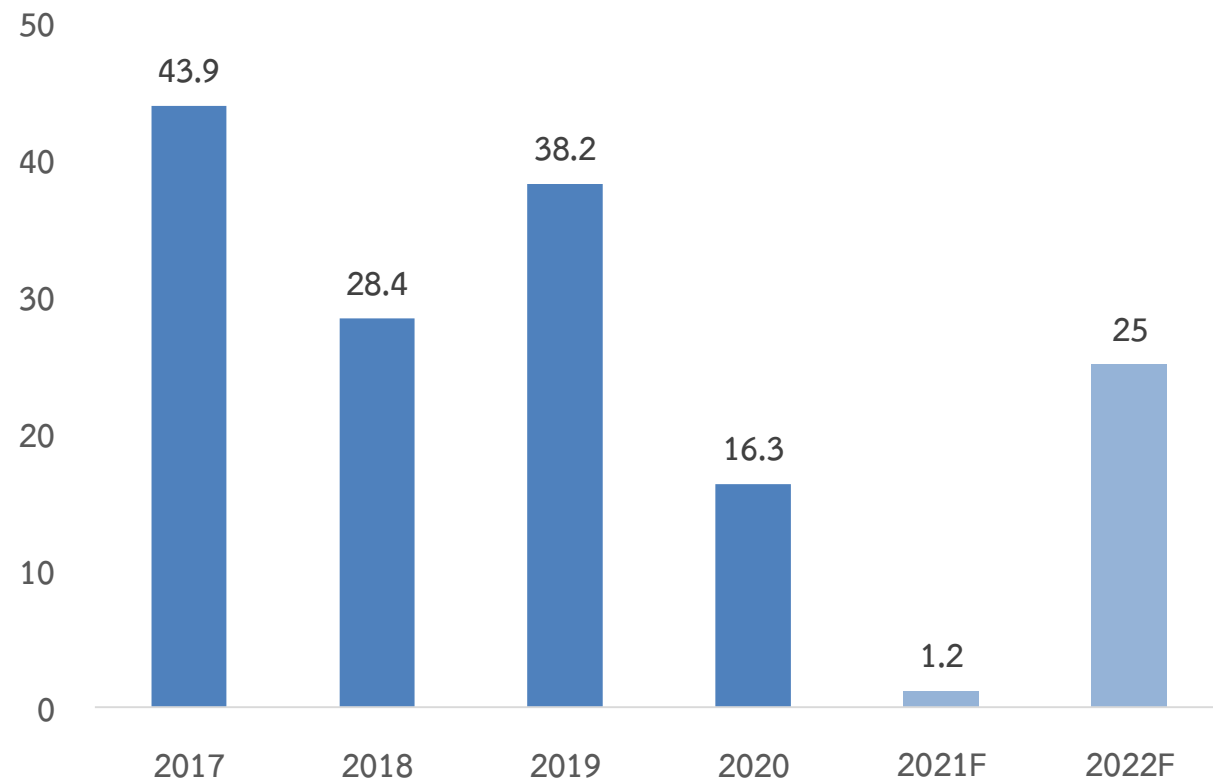
The pressures on the baht abated in tandem with the substantial reduction in the current account surplus in 2021.

Change relative to USD in 2021 (YTD)



Source: Reuters, Bloomberg, and the Bank of Thailand (8 Mar 21)

Billion USD



Source: Bank of Thailand



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# Financial Rehabilitation measures to support the business sector





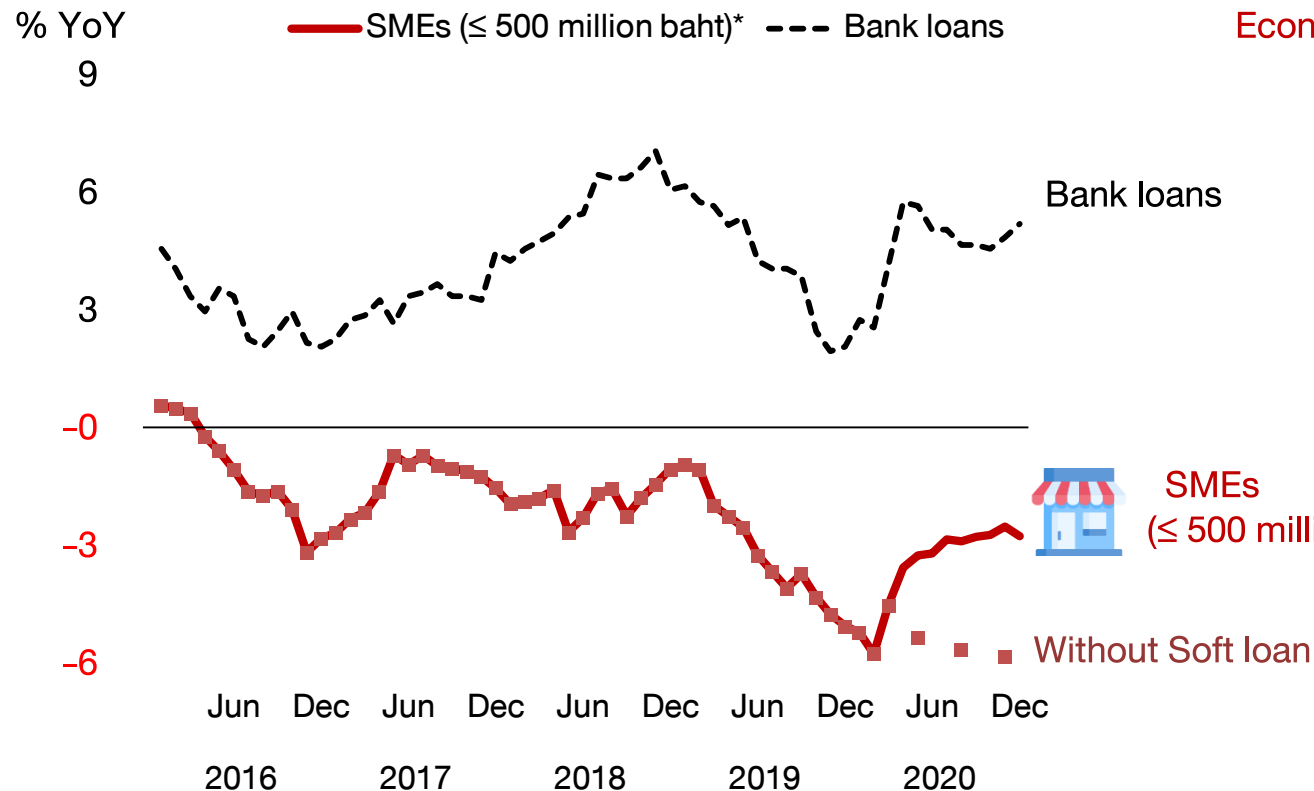
The increase in credit risks has caused SMEs loans to decline continuously.

Meanwhile, tourism-related businesses are slow to recover.

As such, mechanisms to mitigate credit risk and reduce excess capacity are necessary.



### Commercial bank loans

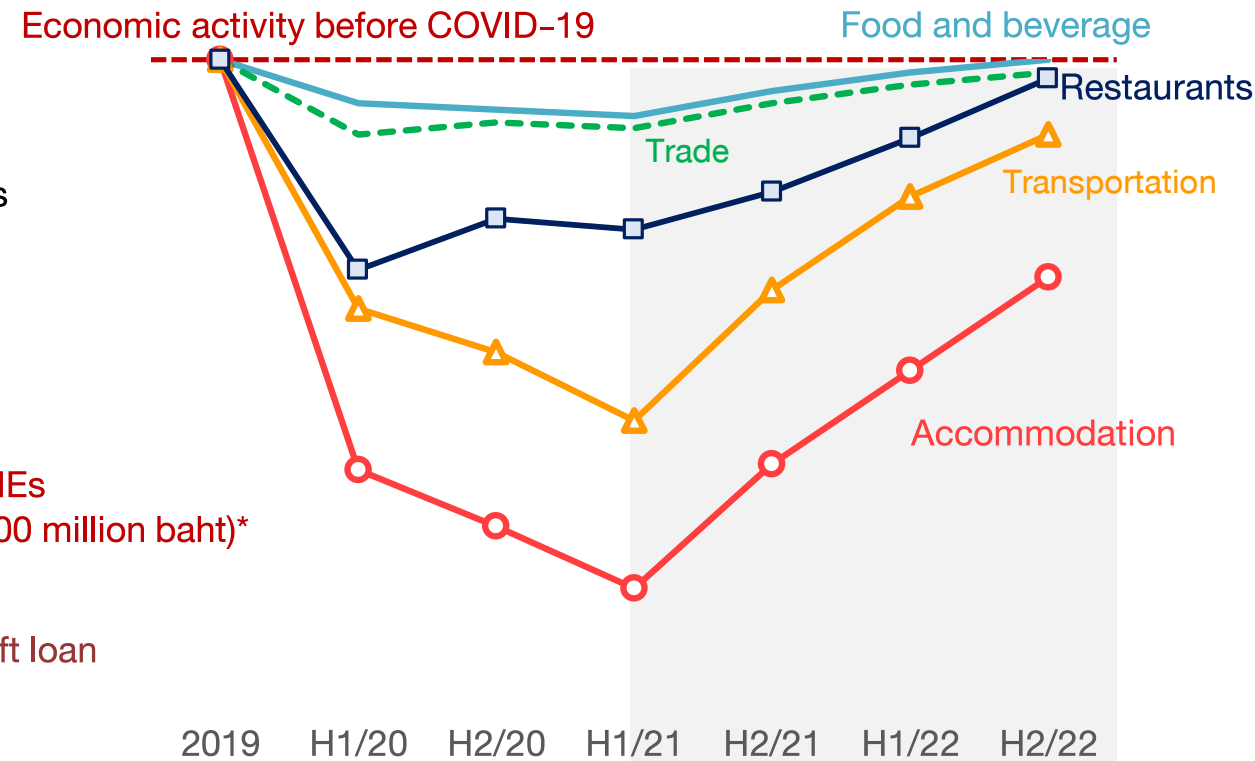


Note: \*Businesses that have a credit line with each commercial banks (excluding financial corporates)

Source: Bank of Thailand



### Business recovery outlook



Note: \*Estimations based on interviews with entrepreneurs and various indicators.

Source: Bank of Thailand



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The measures engaged all stakeholders to correspond with the latest situations, focusing on 1. flexible 2. comprehensive and 3. inclusive of both near and long term needs.

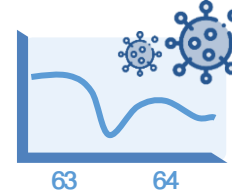


### Stakeholder engagement



e.g. not enough credit line / limited access to capital /  
terms and conditions on loans not sufficiently reflecting risks

### New wave of COVID-19 outbreak



Not as severe as the previous wave  
but exacerbated financial positions  
of some businesses and households

## New assistance measures



Flexible in dealing  
with uncertainties



Comprehensive  
solutions



Inclusive for different needs of affected  
borrowers in the near and long term



**1 Soft loan facility  
for businesses**

(Budget: THB 250 bn)



**2 Asset warehousing  
program**

(Budget: THB 100 bn)



The soft loan facility and asset warehousing program are part of the financial rehabilitation measures to help individuals and the business sector as a whole.



Entrepreneurs



SMEs



Large businesses



Temporary liquidity shortage  
requires additional liquidity

Increase income via  
fiscal measures  
Increase working capital  
via SFIs



soft loan  
has limitations

Soft loan facility

Bond Stabilization Fund (BSF)

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



Solve  
existing  
debt  
burden

Limited impacts  
Enable to repay debt

Large impacts  
Unable to  
repay debt

Loan repayment holiday / Debt restructuring

Debt restructuring /  
Debt mediation



Debt restructuring

Asset warehousing  
(eligible with assets as collateral)

Improve the calculations of default interest rate



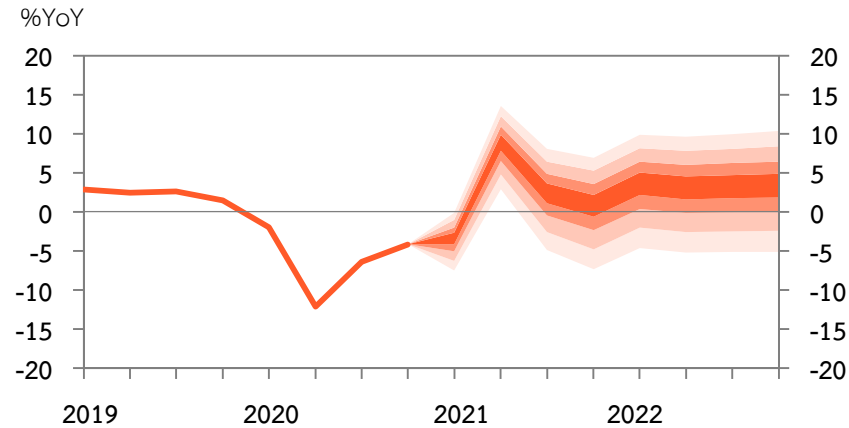
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# Appendix

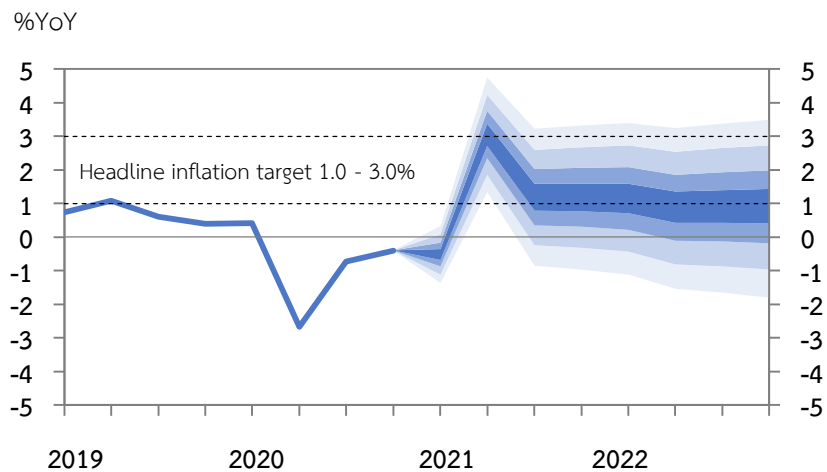


## Risks to growth and inflation projections tilt downward.

Growth forecast



Headline inflation forecast

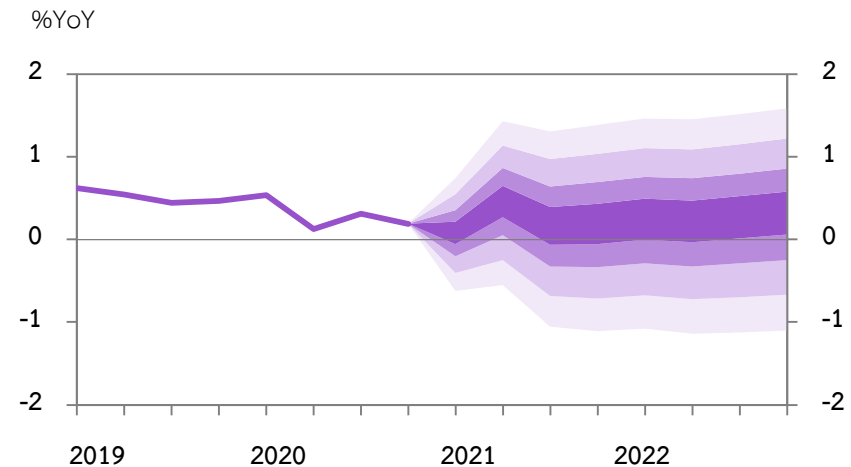


Key risk factors on economic outlook



- The efficacy and coverage of the COVID-19 vaccines, and the return of foreign tourists
- The continuity of government stimulus
- The financial position and liquidity of businesses

Core inflation forecast





## Forecast assumptions

%YoY	2020*	2021	2022
Trading partners' GDP growth (% YoY) <sup>2/</sup>	-3.5	5.5 (4.8)	3.8 (3.1)
Fed fund 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	150.6 (151.4)	149.6 (150.3)
Dubai oil price (USD per barrel)	42.1	60.0 (47.3)	62.5 (51.5)
Farm income (% YoY)	1.6	1.6 (0.6)	2.7 (4.8)
Government consumption (billion baht) <sup>1/</sup>	2,779	2,982 (3,016)	2,948 (3,116)
Government investment (billion baht) <sup>1/</sup>	1,011	1,142 (1,156)	1,166 (1,174)

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

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

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

\* Outturn

( ) previous assumptions in *Monetary policy Report*, December 2020



## Assumptions on trading partner's GDP growth

(%YoY)	Weight (%)	2020*	2021	2022
United States	20.4	-3.5	5.9 (3.3)	4.0 (2.5)
Euro Area	9.2	-6.8	4.3 (4.3)	3.2 (1.9)
Japan	13.9	-4.8	2.5 (2.4)	2.3 (1.7)
China	18.1	2.3	8.5 (8.3)	4.9 (4.7)
Asia (excluding Japan and China)**	30.6	-4.5	5.1 (4.8)	3.8 (3.4)
Total***	100	-3.5	5.5 (4.8)	3.8 (3.1)

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 Thai exports to 13 trading partner's countries in 2020 (including the UK and Australia)

( ) *Monetary policy report*, December 2020