

# Macro Note

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## Thailand: Bank Of Thailand Downgrades GDP Growth Outlook For 2021; Keeps Policy Rate Unchanged

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### Highlights

- **The Bank of Thailand (BOT) kept its one-day repurchase rate unchanged at 0.50%** as widely expected for the ninth consecutive meeting on 23 June 2021. The last time it made a move was in May 2020, when the benchmark rate was cut by 25 bps. The decision to keep its policy rate unchanged was voted unanimously by all committee members.
- **The latest monetary policy statement kept its relatively bearish outlook**, citing that “the Thai economic recovery would be slower and more uneven than the previous forecast due to the third wave of the COVID-19 outbreak.” Moreover, “downside risks to the economic outlook also remained significant from the possibility of the outbreak situation in Thailand and abroad becoming more severe owing to virus mutations”.
- **In view of the decline in tourism-led demand given the COVID-19 pandemic, BOT downgraded its 2021 GDP growth outlook to 1.8%**, from its previous outlook of 3.0%. Note that in the previous policy meeting in May, policy-makers had already cited downside risks to its GDP growth outlook in 2021, and hinted at a downgrade to a range of between 1.0% and 2.0%. For 2022, BOT is expecting a GDP growth of 3.9%, against its previous outlook of 4.7%. This compares to our outlook for Thailand’s GDP to expand by 1.5% in 2021, and 3.5% in 2022.
- **The reopening of Thailand’s borders may inject marginal upside risks to our full-year GDP outlook of 1.5% in 2021.** As of 16 June 2021, Prime Minister Prayut Chan-o-cha has announced a full reopening of Thailand’s borders in 120 days. This means that Thailand’s borders would reopen as early as October 2021. Moreover, the schedule to open Phuket’s borders on 1 July 2021 is still on track, as the vaccination rate in Phuket has been increasing steadily to 60% of population (versus ~5% of population nationwide). Thailand’s urgency to reopen its borders by October is crucial to its economic outlook, as tourism revenue accounted for a sizeable one-fifth of its economic output during the pre-COVID-19 period.
- **Risks to Thailand’s economic outlook remain centred on COVID-19 developments.** While Prime Minister Prayut’s decision to allow more social activity in Bangkok as of 21 June should support consumer spending and overall confidence, COVID-19-related risks still remain very elevated. According to Thailand’s COVID-19 spokesperson Taweetilp Visanuyothin, most COVID-19 patients are situated in Bangkok and the surrounding provinces, and Thailand is “seeing a higher number of serious infections and increased deaths without underlying conditions.”<sup>1</sup> As of 22 June 2021, total COVID-19 cases rose to 225.4 thousand, a significant increase as compared to merely 6,884 cases at the start of 2021.

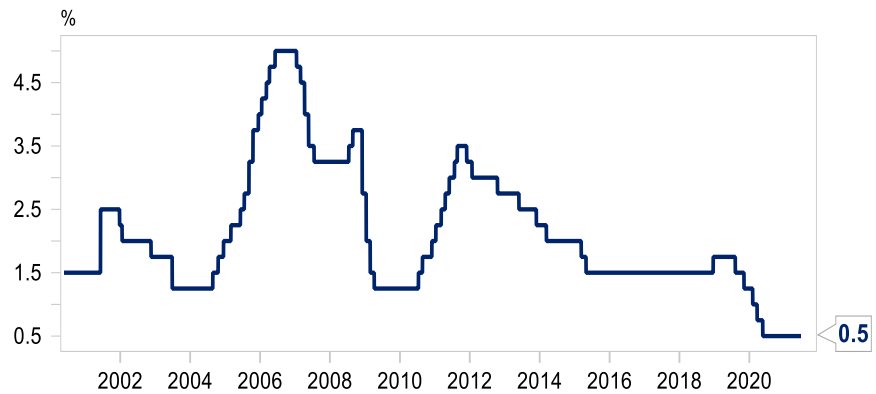
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<sup>1</sup> Bloomberg, Thailand Reports Record Daily Covid Deaths; Adds 3,174 Cases, 23 June 2021

- We continue to observe that policy space remains very limited**, while fiscal policies will likely do the heavy lifting in supporting economic growth. In all, we keep our call for BOT to leave its benchmark rate unchanged at 0.50% for the whole of 2021. Still, Thailand's economic growth is likely to be uneven, amid pronounced downside risks should COVID-19 worsens. Should macroeconomic fundamentals stay unexpectedly subdued into 2H21, a 25 bps rate cut could materialise then.

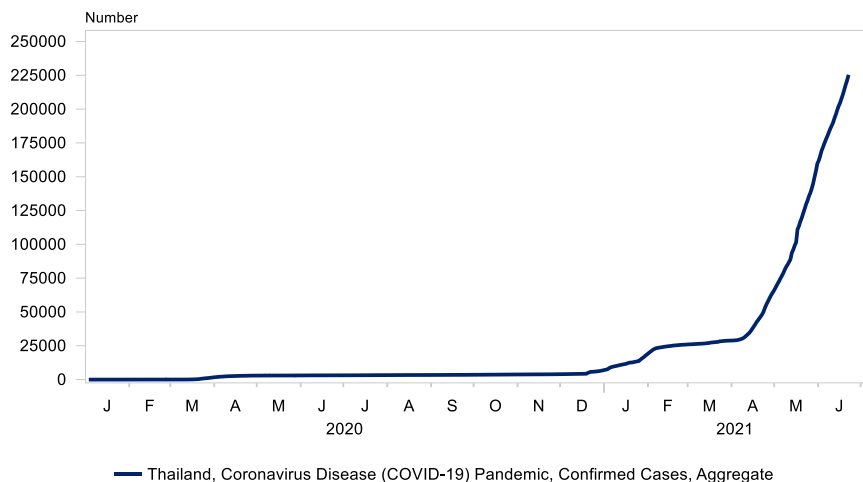
### Exhibit 1: BOT Kept Its One-Day Repurchase Rate Unchanged For The Ninth Straight Meeting At 0.50% In June 2021

Source: Macrobond, UOB Global Economics & Markets Research



### Exhibit 2: Total COVID-19 Cases In Thailand Continued To Increase In June As The Economy Battles A Third COVID-19 Wave

Source: Macrobond, UOB Global Economics & Markets Research



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