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May 13, 2021

**Statement by Mr. Tanaka and Mr. Kuretani on Thailand
(Preliminary)
Executive Board Meeting
May 17, 2021**

We thank staff for the informative reports and Ms. Mahasandana and Mr. Dacharux for their BUFF statement. We commend the authorities for implementing a multipronged package to mitigate the economic impact of COVID-19. In light of the heightened uncertainty regarding the path of the pandemic, it is critical to maintain ample policy support to protect the vulnerable, while addressing long-standing structural challenges and limiting long-term scarring from the pandemic. We would like to offer comments on the following points:

Fiscal Policy

We agree that pandemic-related policy support should be maintained to protect the vulnerable and that premature tapering should be avoided. We welcome that the authorities' three successive fiscal packages of pandemic response measures have helped to cushion the impact of the pandemic. However, we note the drag on contact-intensive sectors, such as tourism, is expected to continue for most of 2021 due to uncertainties. *In this context, we would appreciate staff views on the efficacy and adequacy of the fiscal package launched in early May 2021.*

Monetary Policy

We concur with the authorities that due consideration is warranted regarding the efficacy of further monetary easing. Given that the policy rate is approaching its effective lower bound, we share the authorities' view that a further interest rate cut at this time may not necessarily be effective in addressing the fundamental issues of heightened credit risks and impaired credit flows. *In this regard, we would appreciate it if staff could elaborate on the*

difference of views between the authorities and staff regarding the efficacy of further rate cuts (given the low for long environment) and unconventional monetary policy.

Financial Sector Policy

We concur with staff that a differentiated approach should be taken to support firms based on their viability. In this regard, proper assessment of the viability of a firm is a prerequisite in applying such an approach. *In this context, we would appreciate staff views on the efficacy of the two measures introduced in April to support and transform viable businesses, while avoiding the evergreening of non-viable firms.* We commend the authorities' recent steps taken to continue strengthening their AML/CFT framework in line with the 2019 FSAP recommendation.

Structural Reforms

We concur with staff that measures should be taken to achieve sustainable economic growth by working towards an inclusive, green and digital economy. To this end, government-supported initiatives for further private investment would be important for a move to lower-density tourism with higher unit revenue. This will require enhancing the social welfare system and promoting investment in human capital. We commend the authorities' agenda to build an inclusive society through improving infrastructures and expanding access to digital technology and educational opportunities.