

**Opening Speech and Keynote Address
by H.E. Mr. Arkhom Termpittayapaisith,
the Minister of Finance
Thailand Focus 2022:
The New Hope
“Thailand’s Economic Reopening and Enhancing
Competitive Advantage”
24 August 2022, 09.10 - 09.40 hrs.
at the Grand Hyatt Erawan Bangkok.**

Outline

- 1. Thailand’s post-Covid-19 economic outlook**
- 2. Economic policies to support the economy**
- 3. Medium and long term policies**
- 4. Roles and expectations of capital market in post-Covid 19**

Distinguished participants,

Ladies and Gentlemen

It gives me a great pleasure to deliver this keynote address to the Thailand Focus 2022 Conference organized by the Stock Exchange of Thailand today. I would like to take this opportunity to share my viewpoint on 4 main topics which are Thailand’s post-Covid-19 economic outlook, economic measures to enhance the economy, medium and long-term policy direction, and roles and expectations of the capital market in post-Covid 19.

1. Thailand's Post-Covid-19 Economic Outlook

Distinguished Guests

On Thailand's economic outlook, along with many other countries, the prolonged conflict between Russia and Ukraine since February 2022 is a crucial factor affecting the prices of goods and energy in the global market and also Thailand to increase. The elevated global inflation suppresses living standards worldwide, especially in the large developed economies such as the United States and the Euro area. To tame inflation, tighter monetary policy will be inevitable, however, in the case of Thailand, a modest rate hike could be required to protect economic growth.

To encounter inflationary pressure, I would like to assure you that the Thai government will continue to support the economy through fiscal and monetary policies with close coordination among economic agencies. Regarding the role of the Ministry of Finance, we will do its uttermost to support economic activities through fiscal policies without sacrificing fiscal integrity. For maximizing utilities subject to a sizable budget allocated, targeted fiscal support will be implemented to lessen the impact on the affected groups.

Distinguished Guests

I would like to begin by highlighting key economic development which can offer insights on the Thai economy.

On the latest economic situation, Thai economy has been supported by the continued expansion of the tourism sector, both by foreign tourists and domestic visitors. Impressively, the number of foreign tourists and Thai visitors in June 2022 reached 767,497 people and 15.7 million people, respectively. Meanwhile, an increase in real farm income by 9.6 percent YoY in June also stimulated private consumption.

Recently, the government has rolled out three support programs with a total expenditure of 27,426 million Baht. The programs include an additional Cash handout to state welfare cardholders Phase 5, Cash handout to people who need special assistance Phase 3, and Co-Payment Phase 5. Regarding the measures, the programs aimed to sustain the level of domestic consumption and there will be 42 million people benefited.

On economic stability and economic fundamental, Thai economy remains strong. International reserves remain high and resilient as international reserves to short-term external debt in the first quarter of 2022 was almost 3 times. The unemployment rate was at 1.5 percent as of the first quarter of 2022, the lowest rate since 2nd quarter of 2020. Unfortunately, the impact of the Russia-Ukraine conflict caused a higher cost of livings in Thailand. This was reflected through the inflation for the first six months of 2022, which stood at 5.6 percent YoY, mainly due to the need for Thailand to rely on foreign oil imports. Although the Inflation rate remains high due to the negative spillovers from the war, we expected that it will reach its peak in the 3rd quarter of this year and gradually decline to its inflation target range of 1-3 percent in 2023.

On the recent economic growth according to the NESDC, the Thai economy expanded 2.5 percent YoY in the 2nd quarter of 2022, an increase from the previous quarter as a consequence of substantial exports and the revival of tourism. In addition, private consumption maintained its growth momentum despite the rising inflation. Altogether, in the first half of 2022, Thai economy grew by 2.4 percent YoY.

On economic forecast, the Ministry of Finance has projected Thailand economic growth in 2022 to be 3.5 percent due to strong domestic demand which is well supported by a recovery of the tourism sector after Covid-19. The Bank of Thailand has recently projected GDP growth at 3.3 percent in 2022 and recovery at 4.2 percent in 2023, while the National Economic and Social Development Council has projected GDP growth within a range of 2.7-3.2 percent in 2022.

2. Economic Policies to Support the Economy

Distinguished Guests

I would not reject that the Covid-19 outbreak has affected our economy intensively during these few years and it would be considered one of the biggest crises that our country has experienced in many decades. You may notice that fiscal measures were executed widespread by the international governments to support their economies while many countries now have lifted their lockdown and allowed business to run their economic activities as usual. The world has still been facing challenges from the geopolitical conflicts between China and Taiwan, Russia and Ukraine, and last but not least the inflation crisis.

To relieve the economic slowdown previously, the ministry of finance took responsibility to incur 2 major additional emergency loan decrees, which are a 1.0 trillion-baht emergency loan decree in FY 2020, and a 500 billion-baht emergency loan decree in FY 2021. These two additional bills were excluded from the regular fiscal budget bills and mainly determined to fix the COVID-19 situation with substantial resources.

However, the 1.0 trillion-baht emergency loan decree expired last year. Currently, the 500 billion baht still exists and it would be effective until the end of the fiscal year 2022. During these few years, many fiscal measures have been rolled out under both additional emergency loan decrees to tackle the ongoing situation affected by the COVID-19 outbreak by the ministry of finance other than the vaccination programs, for example; Rao Mai Ting Gun scheme, we win scheme, cash handout to state-welfare cardholders, cash handout to people who need special assistance, half-half phase 1 – 4, and Shop More, Get More scheme, etc.

With the remaining 500 billion-baht emergency loan decree amount, the cabinet recently approved again the Measure to maintain

domestic consumption Phase II on July 26th, 2022 proposed by the ministry of finance including;

- the program to increase purchasing power for welfare card holders phase V, giving an additional monthly allowance of 200 Baht per month for 2 months to state-welfare cardholders. The handout can be spent during September 1st – October 31st 2022.

- the program to increase purchasing power for special assistance individuals phase III, additional monthly allowance of 200 Baht per month for 2 months to state-welfare cardholders. The handout can be spent during September 1st – October 31st 2022.

- Half-half Phase V, co-payment scheme, which allows registered individuals to receive 50 percent subsidy for their daily expense with maximum credit at 150 THB. The eligible participants can receive the subsidy during September 1st – October 31st 2022.

I could ensure you that the hardest hit from the COVID-19 pandemic has passed already and we all have received a positive signal from various economic indicators. I hope this programme would be our very last measure to tackle with COVID-19 impact. However, I would emphasize that our fiscal position remains strong and prudent. The latest public debt ceiling-to-GDP remains at 60.17 per cent, which is still under 70 per cent as stated in the State Fiscal and Financial Disciplines Act B.E. 2019. Even though we extended the debt ceiling-to-GDP from 60 per cent to 70 per cent last year, the Ministry of Finance has been monitoring our fiscal numbers closely to maintain the appropriate level of public debt to GDP. Going forward, if there is an unnecessary, the Fiscal Policy Committee set up under the State Fiscal and Financial Disciplines Act can revisit and adjust this threshold down again.

About the financial measures, the ministry of finance through the policy guidance to Specialised Financial Institutions (SFIs) and in close collaboration with the Bank of Thailand have launched various programmes to alleviate the private sectors, especially households, SMEs and corporate, from the COVID-19 pandemic for the past few

years and additionally enhance the financial liquidity via soft loans, credit guarantee, debt moratorium, debt clinic, and debt mediation.

3. Medium- and Long-Term Prospect

Distinguished Guests

From now on, I would address about Thailand's future beyond the end of COVID-19 era. From my point of view, Thailand still has strong foundation in term of medium- and long-term development. Looking forward, the prime minister just announced the new campaign, called the 3-pronged programme. This programme mainly aims to boost the economy and tackle the poverty effectively by restructuring under the collaboration between public and private sectors in the long run as following;

First, **to develop the Thailand's infrastructure with integration**, the government has continued to invest in infrastructure projects including road, railway, and aviation. These projects are key to creating regional connectivity. Moreover, we have put resources into the Eastern Economic Corridors (EEC) as catalyst to innovation and future industries.

Second prong, **to boost the entire industrial sector**, the government would continue to support potential industries, especially automotive and its related industries. As you may know, Thailand's automotive industry is very crucial and it has been the most significant driver for our economy through past 30 years. The arrival of electric vehicles could be one of the threats that attract foreign manufacturers in Thailand to move out. Hence, the government would try to keep the auto-manufacturer here and provide an essential supporting programme for the electric vehicle production.

The last foundation would relate **to the commercial bank improvement**. Due to the fact that, half of Thais cannot access to the financial services: for example; having a bank account, receiving a

bank loan, etc. because the financial institutions prefer to consider applications based on the data available. To make our country prosperous, we would empower these people to access financial services by implementing digital technology instead of considering the submitted documents traditionally. These changes would create entrepreneurial spirits for our young generations, covering both SMEs and startups, in the near future.

Last but not least, we intend to steer our economy to grow sustainably. To reach that target, Bio-Circular-Green Economy model would be integrated with all these strategies.

4. Roles and expectation of capital market in post-covid 19

Distinguished Guests

The capital market plays an important role in the efficient mobilization and allocation of economic resources, linking and transferring capital between investors and businesses that need funding. Over the past decades, Thailand's capital market has tremendously contributed to the development of the country's competitiveness, maintained a sustainable financial system, and spurred growth for the overall economy.

More recently, the world's economic landscapes have faced significant challenges posed by the COVID-19 pandemic. For Thailand, severe fluctuations in the capital market and the financial sector have adversely affected entrepreneurs, the industry, and the general public. A variety of monetary and fiscal policies have been implemented in order to support recovery. As for the capital market, a diverse array of recovery measures has also been carried out. Led by the Ministry of Finance, the Securities and Exchange Commission, the Stock Exchange of Thailand, and other affiliated organizations, these restorative measures have effectively mitigated the damages posed by COVID-19 and reinstated the health and growth of the country's stock indices and stimulated capital flows. For instance, the SET index,

Initial Public Offerings (IPO), and Secondary Offerings (SO), have been recovered and resume their growth potentials. Especially, the capital market-related measures have driven the fundraising volumes in the country's capital market into the top-ten ranking in the world during 2020 –2021.

Looking forward, Thailand's capital market is expected to evolve and support the future economic and social megatrends. Specifically, we envision that the country's capital market will serve as a primary mechanism that incorporates the Environmental, Social, and corporate Governance, conforms to the Bio-Circular-Green Economy, as well as accommodates both the aging society and the new generation. Other future priorities for the roles and functions of Thailand's capital market include 1) the support for competitiveness of the financial sector and the overall economy; 2) the provision of accessibility to the market for all; 3) the development and implementation of technologies to reinforce the digitalized economy; 4) the progression towards the balanced and sustainable capital market; and 5) the creation of novel investment possibilities for the general public to motivate and maintain financial literacy and financial well-being. The aforementioned strategies are currently being formulated within the new Capital Market Development Plan under the vision "Capital Market (to the fourth power) for the economic revitalization towards robust growth", which will serve as a master plan for the advancement and transition of Thailand's capital market into the new era throughout the upcoming 6 years.

It is particularly crucial to emphasize the impending role of capital market and the financial sector in spurring financial literacy. Financial literacy is an essential life skill for people and is important to the economic stability. Especially in the post COVID-19 era, the technological disruption will make traditional financial services and products more diverse and complicated. The development of financial literacy is therefore important for tackling the problem at its roots. Establishing financial literacy would allow people to acquire effective financial management and planning skills which will guide them to have an appropriate amount of debt and sufficient savings throughout their lives, get access to reliable financial information, and be selective

about financial products that are suitable for them. This will also enhance financial immunity and financial well-being of the people. Owing to the aforementioned reasons, the Ministry of Finance and relevant agencies have designed the Financial Literacy Action Plan B.E. 2565 –2570 to be Thailand’s financial literacy development framework. The plan aims at developing a conducive financial literacy ecosystem for a wide array of target groups to work collaboratively. Under this plan, we envision Thai people to have better awareness, knowledge, and skills for efficient financial management and are financially disciplined to be able to enhance individual and household security and well-being.

5. APEC Finance Ministers’ Process 2022

Distinguished Guests

On the occasion that Thailand is hosting APEC in 2022, Thailand’s Ministry of Finance is also highlighting the role of the capital market in the pursuit of sustainable development and the digital transformation. Specifically, the capital market, and the financial sector as a whole, have to be proactive in bridging the sustainability concept and the financial conduct, and in employing digital tools to deliver financial services.

For sustainable finance, we have discussed, among APEC member economies, how public and private financing tools can serve sustainable development objectives and comply with the standards for sustainability-linked financial products, both when funds are raised and when they are spent. The practice has been exemplified by Thailand’s sovereign sustainability bonds which are now listed in the Luxembourg Stock Exchange, and the increasing adoption of the Environmental, Social, and Governance, or the ESG, principle in Thailand’s capital market. This type of financing will soon become the norm as investors increasingly demand for green and socially responsible financial products.

For the employment of digital tools, it is apparent that the tools have been widely leveraged in the financial sector, as new financial

products in recent times are often in digital forms and delivered through digital channels. In the 2022 APEC Finance Ministers' Process, aside from cross-border digital payments and remittance transfers, we also seek to take advantage of the digital advancement to establish digital fundraising platforms, especially for the benefits of small businesses. Best practices and conducive ecosystem for these platforms would foster financial inclusion, and growth, of small businesses, even further boosting their contribution to the economy, while also creating safe investment opportunities for the public as a whole.

6. Conclusion

Distinguished guests

I cannot reiterate more strongly what an important role the capital market has in the development of the Thai economy and the evolution in the global megatrends. Therefore, I hope that all international and domestic investors will gain further insights on Thailand's economy and learn more about Thailand from many prominent speakers today, and that today's event will offer you confidence in the resilience of the Thai economy and capital market, and most importantly, encourage you to continue contributing to the growth and the transformation of the Thai economy. Thank you very much for your attention.