



BoT Symposium 2020

เศรษฐกิจไทยท่ามกลางความไม่แน่นอน: ปรับกระบวนทัพ รับความท้าทาย

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กันยายน 2020

Key contributions from the paper

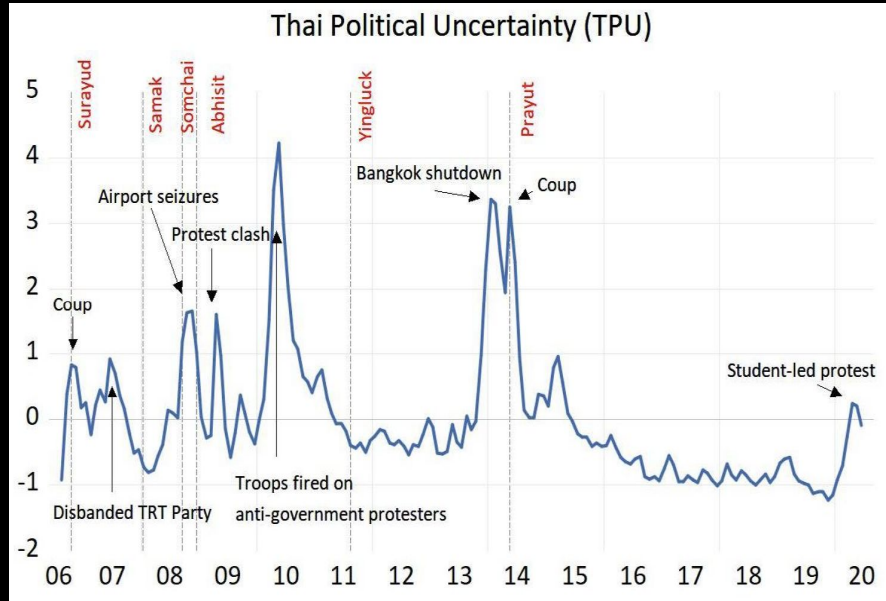
**The Tools:
Measuring Uncertainty**

**The Insights:
Economic Impact**

**The Policy
Discussion**

The Tools: Sources of 'news' produce different results?

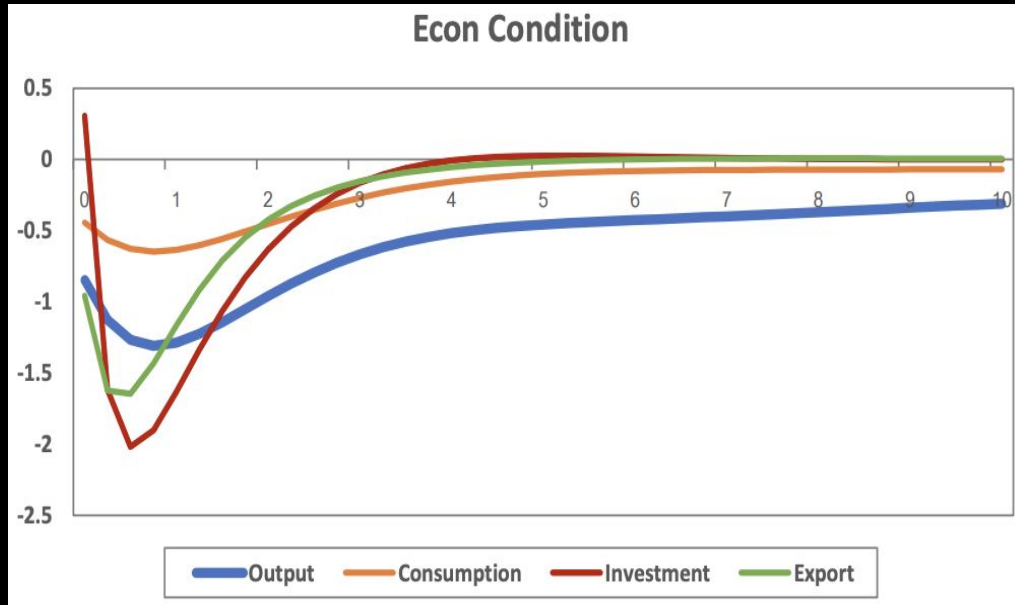
Text-based approach in the 'new normal'



How to account for the changes in the media/news industry?

- ❖ How would the chart look if we use new media/social media sources?
- ❖ What are the relationships between the uncertainty index constructed from traditional news sources vs social media?

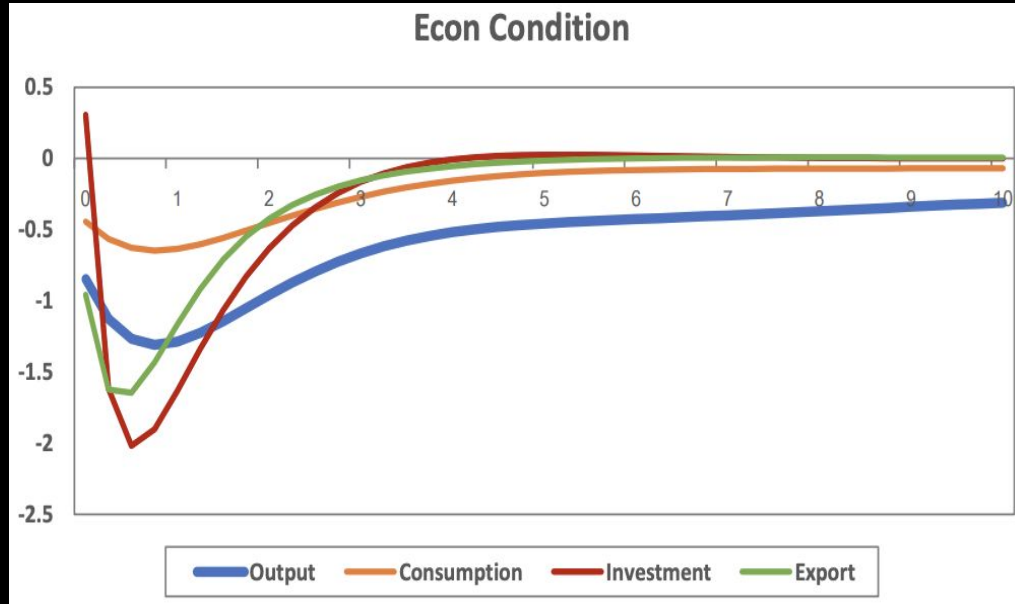
The Insights: Impact of Economic Uncertainty on Growth



Key Insights 1: Investment and imports highly sensitive to uncertainty

- ❖ Explaining “Baht puzzle”: Why Thai baht tend to stay resilient during episodes of domestic uncertainty
- ❖ Import down → Trade Balance up → Baht up

The Insights: Impact of Economic Uncertainty on Growth

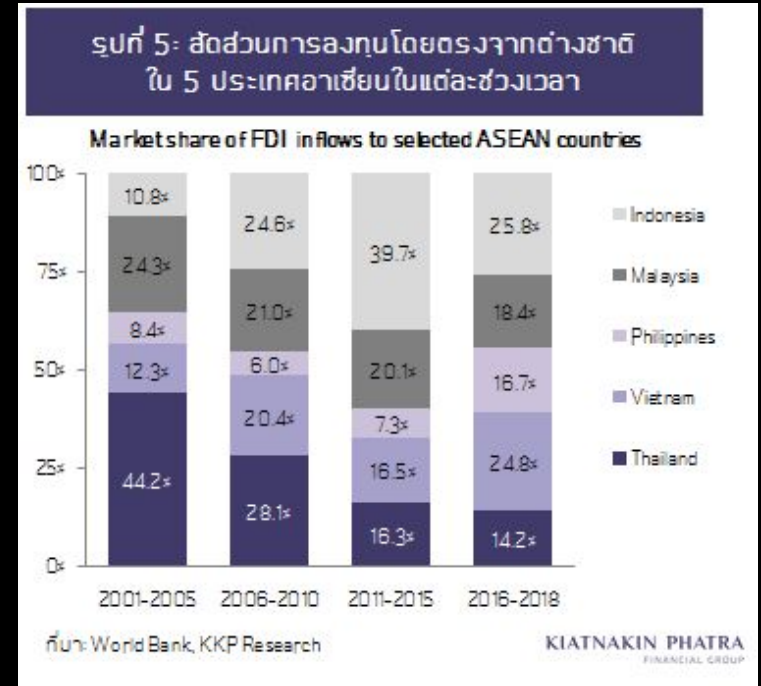
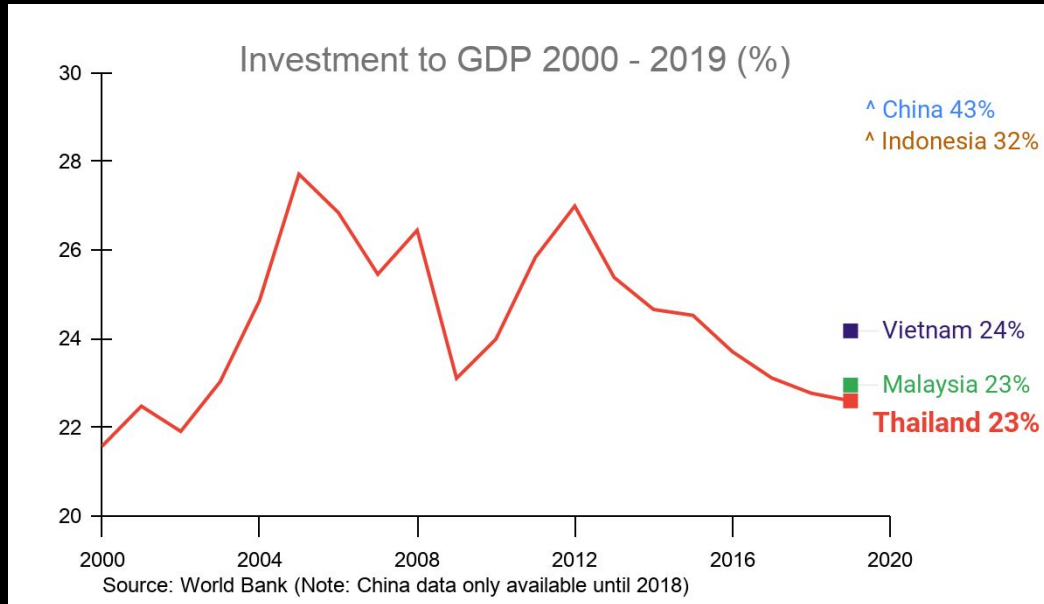


Key Insight 2:

Impact of uncertainty on investment can be very persistent

- ❖ Negative impact from domestic uncertainty on investment can last a few years
- ❖ Non-linearity: Any difference between small vs large shocks (BoE's “unusually uncertain” times)

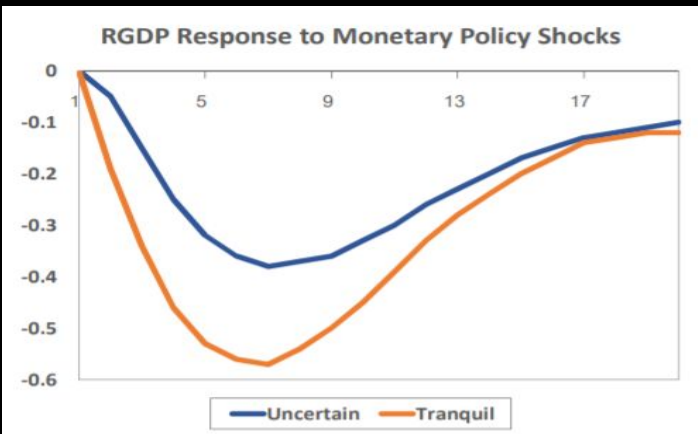
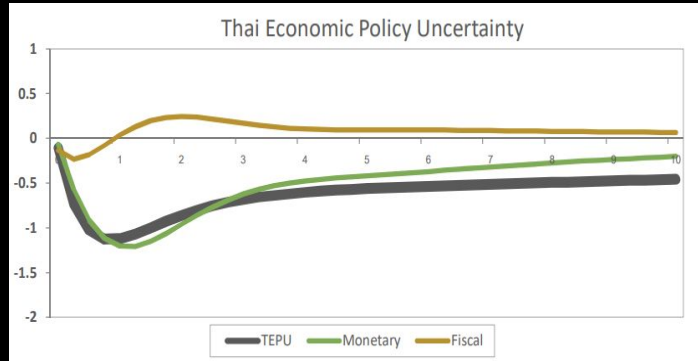
Did shocks from uncertainty play a role in our prolonged investment slump?



Maybe uncertainty hurts us in different way?: Economic 'Scarring'



The Policy Discussion: Uncertainty and Monetary Policy Effectiveness



Policy insight 1:

Impact of uncertainty from monetary policy is large and long lasting

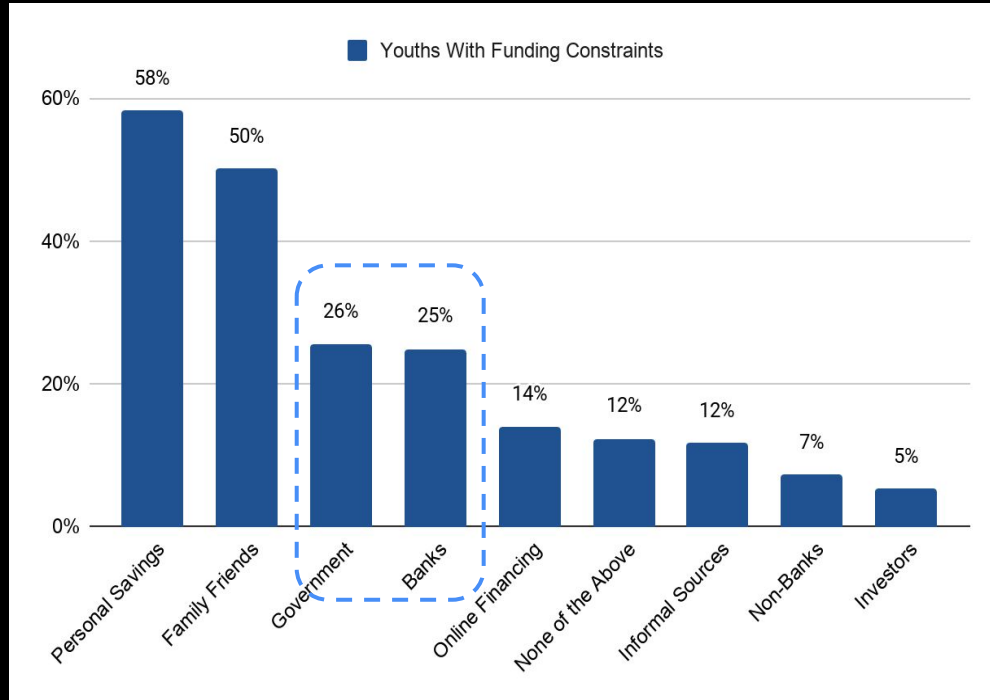
- ❖ How can we minimise the uncertainty around monetary policy? Would better communication help?

Policy insight 2:

Monetary Policy is less effective during times of heightened (global) uncertainty

- ❖ **Policy mix:** What about other tools of monetary policy other than interest rates? - Credit regulations? Quantitative measures? Exchange rates?
- ❖ What about fiscal policy?

The Policy Discussion: Liquidity Support for the 'good' businesses



Policy insight 3:

Need to support certain firms with solid businesses but hit by uncertainty shocks

- ❖ Recent Survey by Sea-WEF found that start-ups, social enterprises and entrepreneurs are most likely to struggle with funding during Covid-19
- ❖ Government is the third most important funding sources

Putting it all together

The Tools: Measuring Uncertainty

Global

Political

Economic Policy

Economics & Financial

The Insights: Economic Impact

GDP & its components

Firms' perf/behavior

Sectors' perf/behavior

The Policy Discussion

Is monetary policy effective during times of uncertainty?

Do we have too much exposure to risky sectors?

**Traditional vs
new/social media
sources**

Is it linear?

**Impact on LT
competitiveness?**

**Can better policy communication
helps reduce uncertainty?**

**What policies are more effective
during global uncertainty?**

**How can we improve access to
liquidity for good firms during
uncertainty**

Thank you!

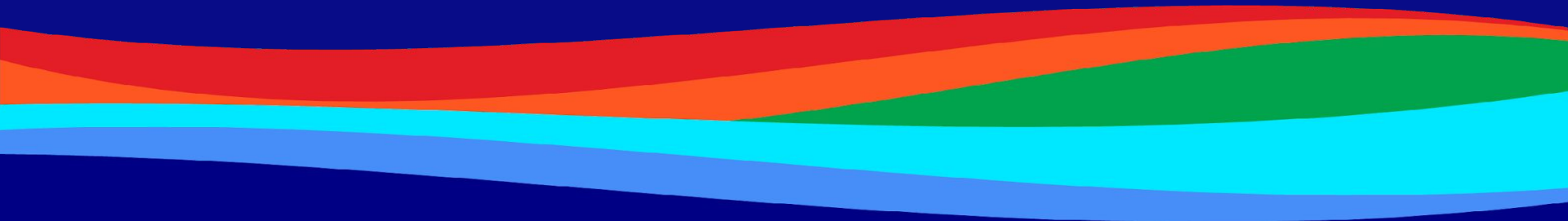
Cảm ơn bạn

Salamat

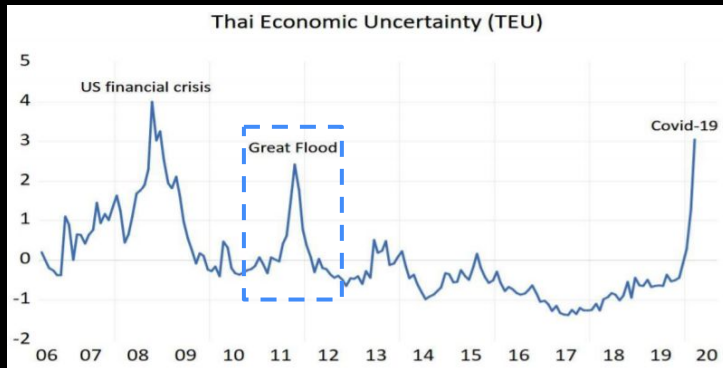
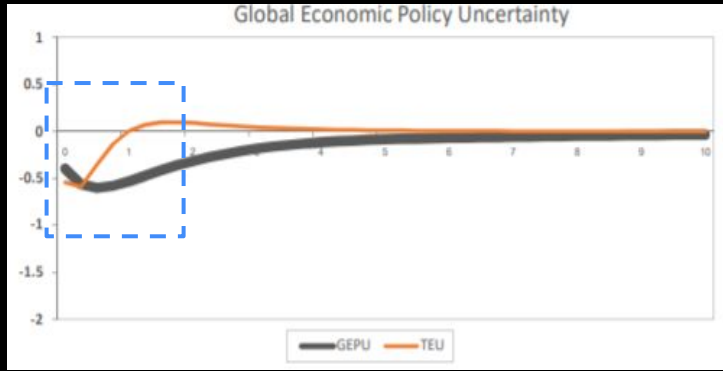
ขอบคุณ

謝謝

Terima kasih



The Insights: Impact of Uncertainty on Growth



Key Insight 1: Global vs Domestic Uncertainty

- ❖ Shocks from domestic uncertainty is short lived
- ❖ But driven by just the great floods?

How about non-linearity?

- ❖ Big vs small shocks - BOE's "Unusually uncertain"

The Policy Discussion: Uncertainty and Unequal Opportunities

	All	SMALL	MEDIUM	LARGE
1. Global	-0.02	-0.02	-0.02	-0.02
Trade	-0.03	-0.02	-0.03	-0.04
ASEAN	-0.02	-0.01	-0.02	-0.03
China	-0.01	-0.01	-0.01	-0.02
US	-0.01	-0.01	-0.01	-0.01
2. Policy	-0.01	-0.01	-0.01	-0.01
Fiscal	-0	-0	-0	-0
Monetary	-0	-0		
3. Politics	0.041	0.031	0.042	0.053
Protest	0.012	0.008	0.014	0.013
Martial	0.004	0.003	0.004	0.004
Coup	0.026	0.019	0.027	0.035
Election	0.026	0.024	0.024	0.031
Reform	0.015	0.01	0.018	0.019



Policy Insight 3:

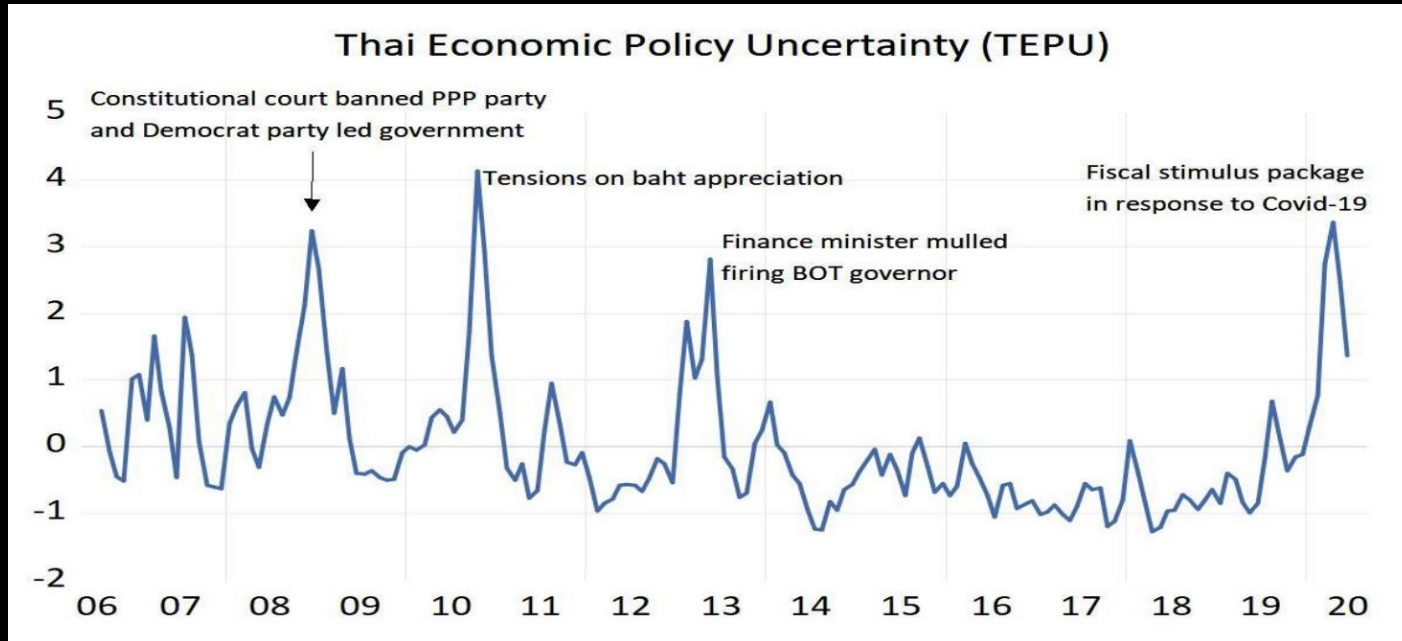
Businesses switch to push their sales overseas during times of domestic political uncertainty

- ❖ Small businesses are much less likely to shift to export their products than large firms
- ❖ Political uncertainty may SMEs more than large companies
- ❖ How can we help SMEs internationalise?



The Tools: Some sources of uncertainty are avoidable?

The need for better policy communication



Did shocks from uncertainty play a role in our prolonged investment slump?

