

THAILAND SYSTEMATIC COUNTRY DIAGNOSTIC UPDATE 2024

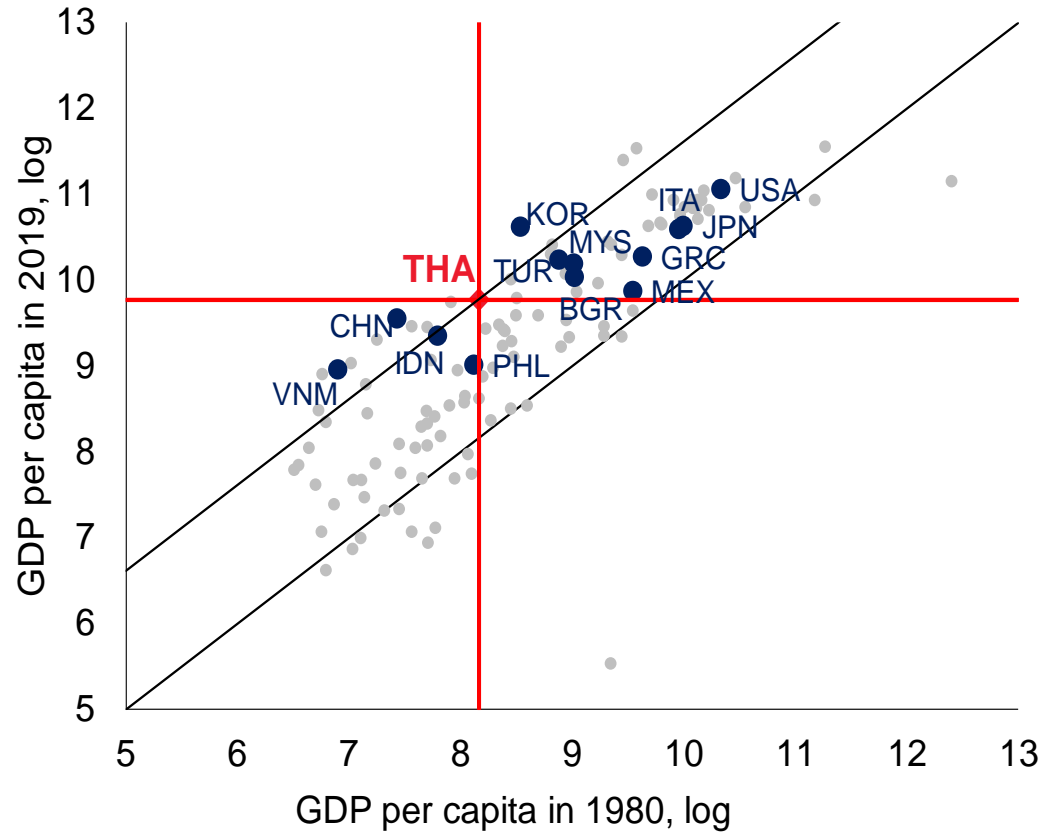
Shifting gears: Toward sustainable growth and inclusive prosperity

How has Thailand performed
from a big-picture perspective?

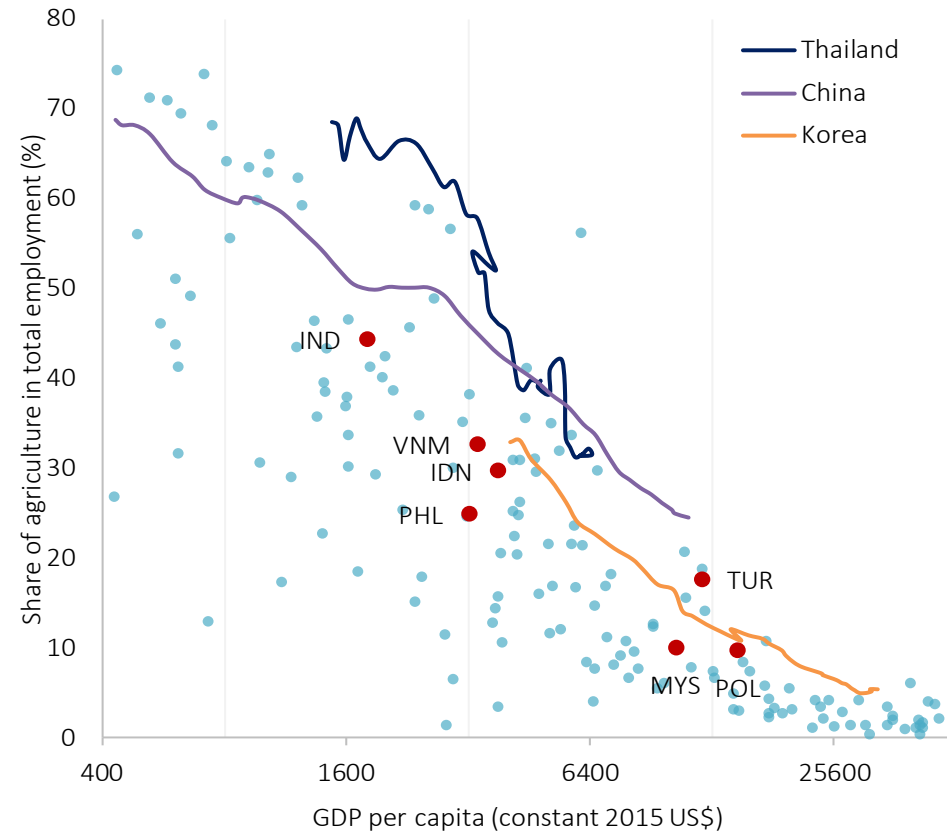


Big Picture: Impressive Growth and Poverty Reduction

GDP per capita



Structural transformation

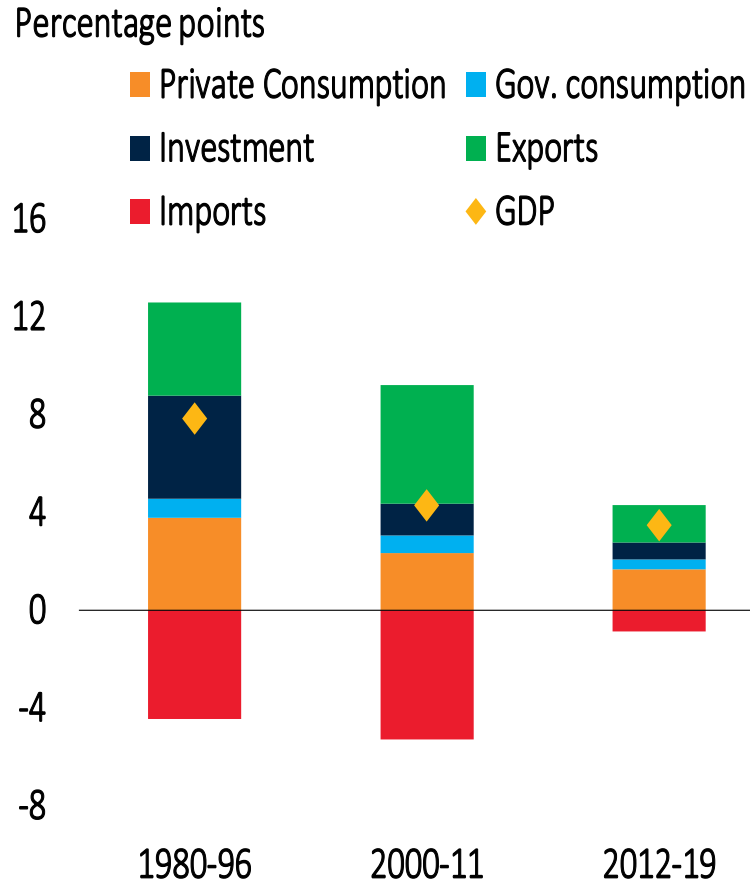


Source: Haver Analytics; World Bank.

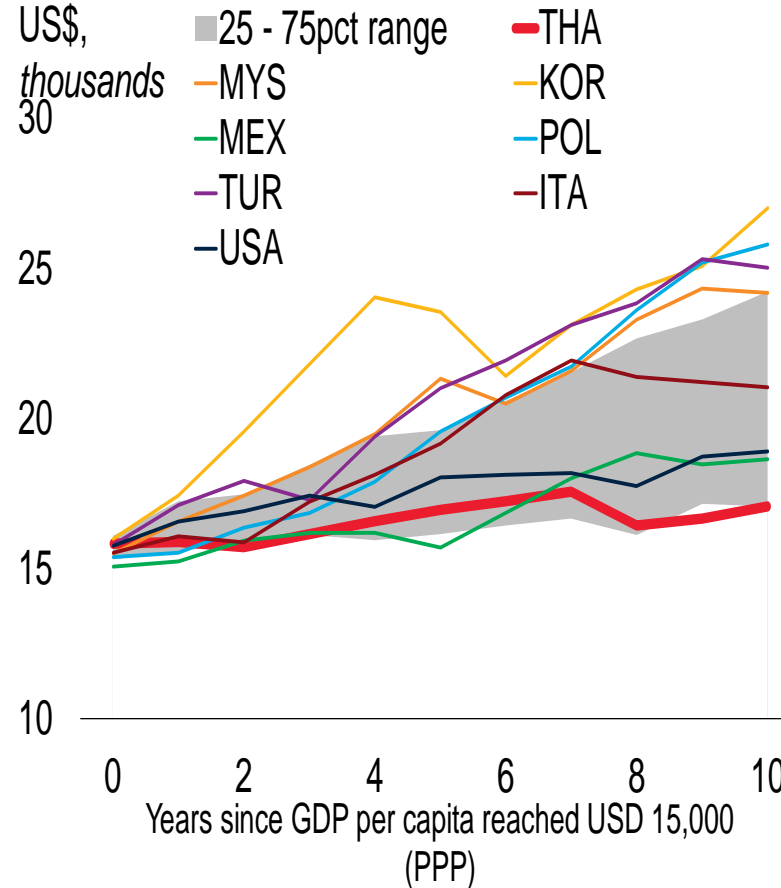
Left panel: Figure shows GDP per capita (constant price PPP) in 1980 and in 2019. Gray lines show 45-degree lines crossing the origin and Thailand. The latter line indicates constant income gap with Thailand. The sample includes countries with a population of more than two million. Right panel: 1980–2019 for Thailand, China, and Korea. 2020 for other countries. ILO Modelled Estimates.

Periodic Analysis: Economic Slowdown Amid Shocks

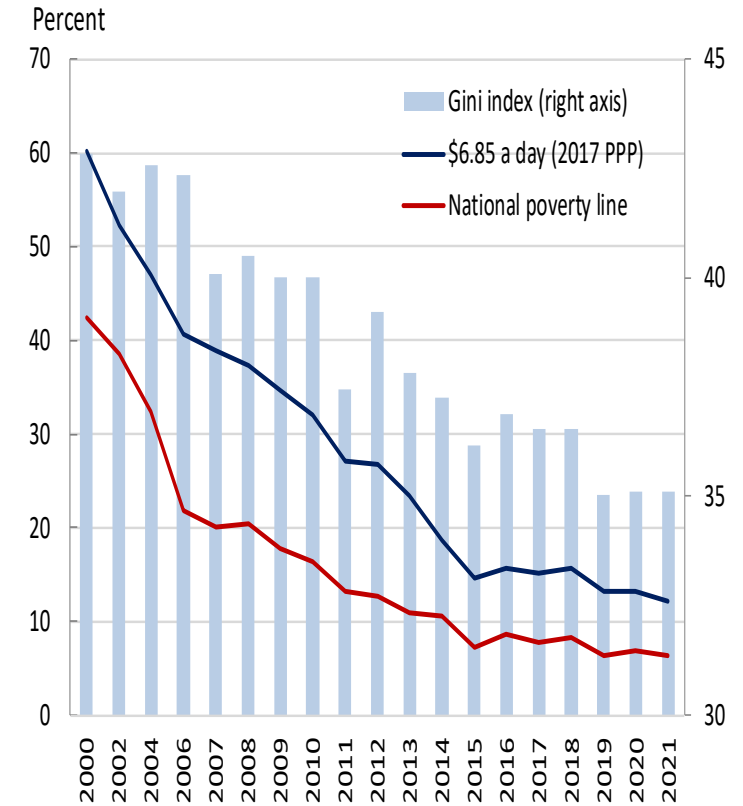
GDP demand components



Trajectory of income growth



Poverty and inequality trends

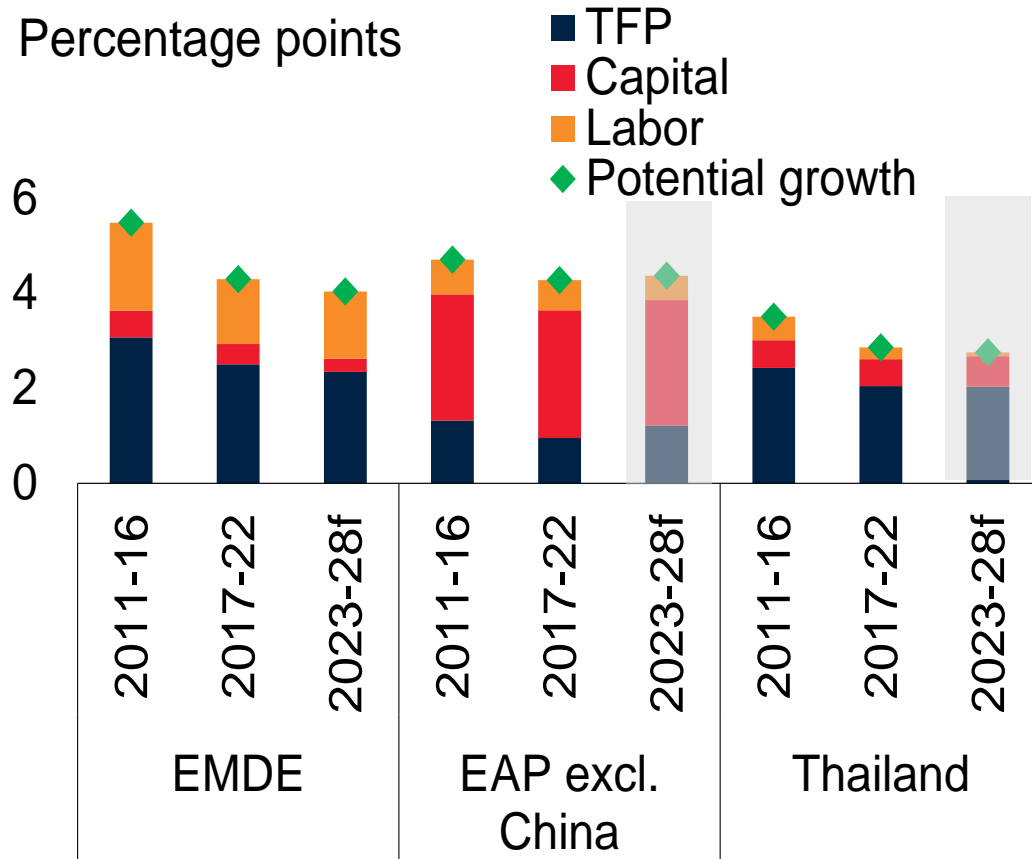


Source: Haver Analytics; Penn World Table, version 10; International Monetary Fund; WDI; Thailand's Labor Force Survey and Household Socio-Economic Survey. World Bank staff calculations.

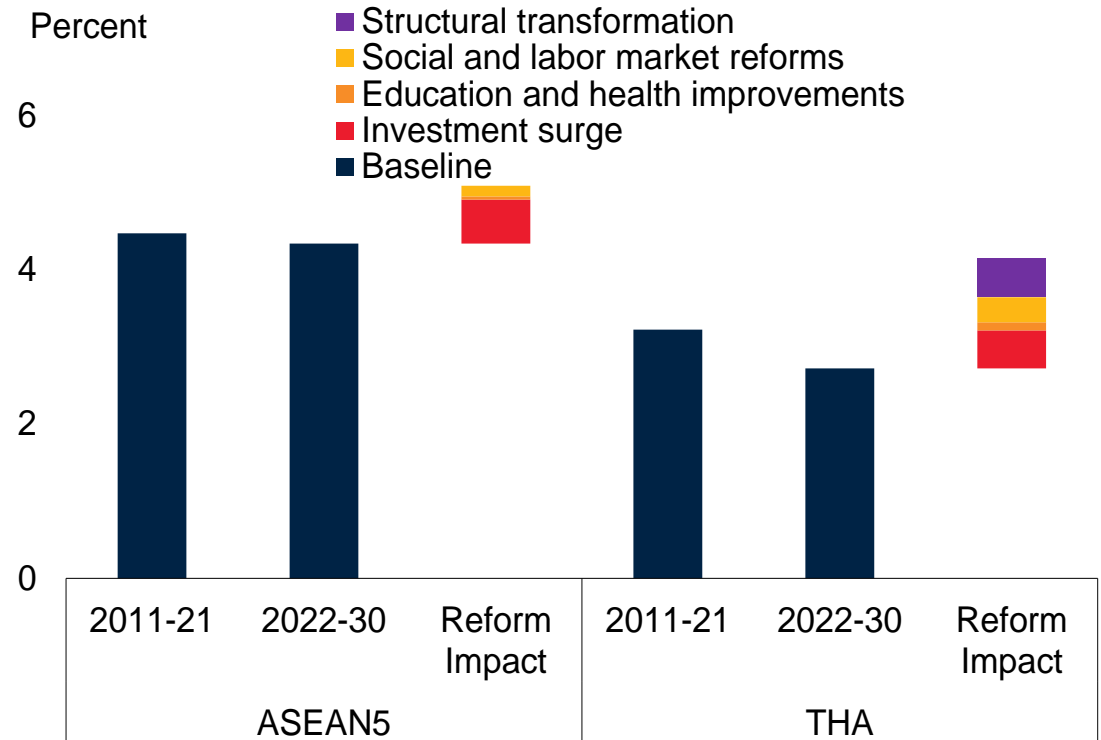
Left panel: Investment stands for Gross Capital formation. Middle panel: Y-axis shows GDP per capita (constant PPP basis), and X-axis shows years since the country reached US\$15,000 (Thailand is in 2012). The latest datapoint is 2022.

Growth Prospects

Potential growth, baseline scenario



Potential growth, illustrative reform scenario



Source: Kose and Ohnsorge (2023); World Bank.

Left panel: EMDE = emerging market and developing economies. Right panel: ASEAN5 includes Thailand (THA), Indonesia (IDN), Malaysia (MYS), and the Philippines (PHL). For Thailand, the structural transformation scenario assumes that the share of employment in agriculture will fall by five percentage points over 10 years starting in 2022 and be equally redistributed to the more productive manufacturing and services sector.

What challenges is
Thailand encountering
when viewed from a
global perspective?

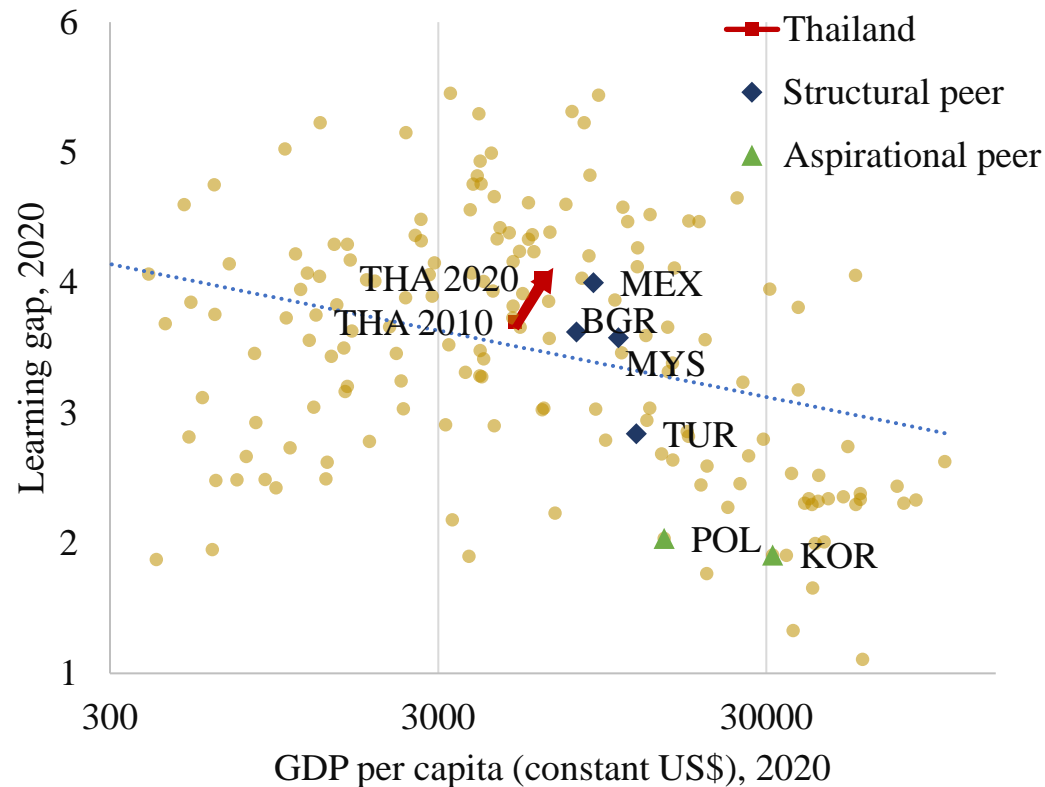


Five Key Challenges

- ❑ Inadequate human capital
- ❑ An economy that is lagging
- ❑ Infrastructure and connectivity gaps
- ❑ Environmental degradation and climate risks
- ❑ Weak institutions

Inadequate and Unequal Human Capital

Learning gap



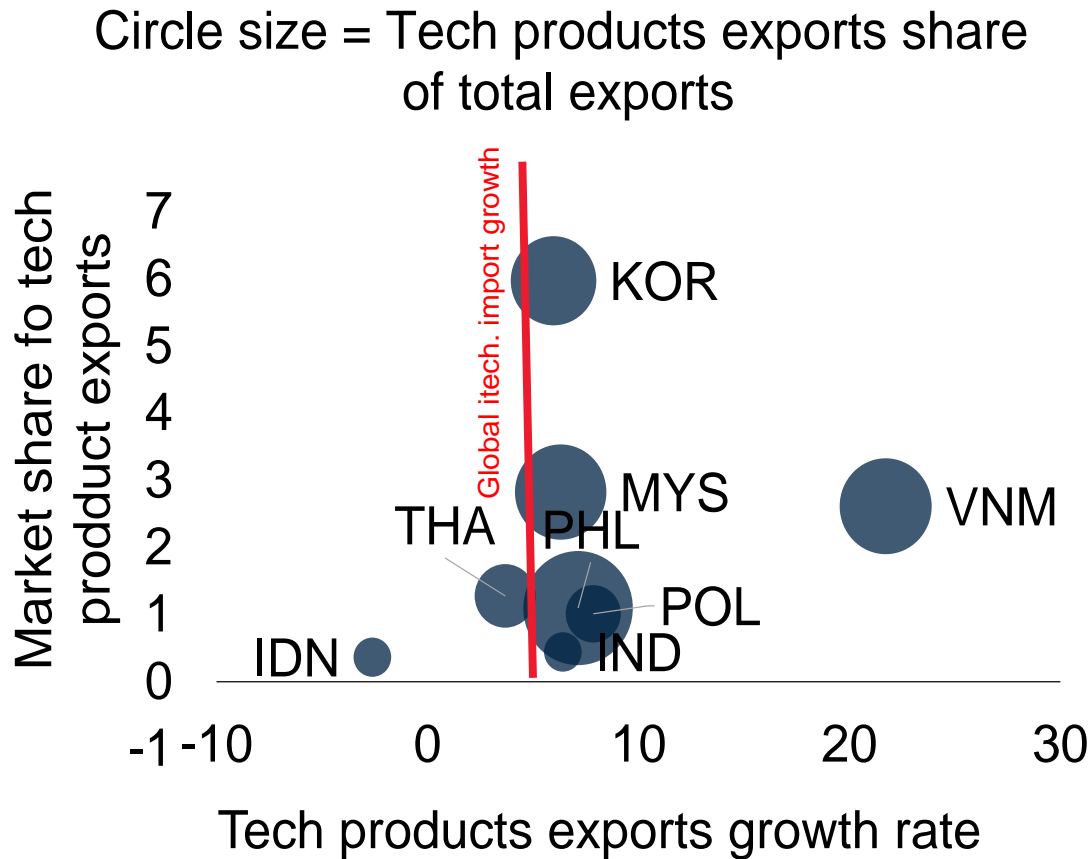
- ❑ Thailand is experiencing rapidly aging population and will become a super-aged society by 2030.
- ❑ Thai students have the learning gap of 4 years, and the gap has widened.
- ❑ Certain vulnerable groups face exclusion from resources and opportunities

Source: WDI, World Bank's HCI.

Learning gap is the difference between the expected years of school and the learning-adjusted years of school.

Economic Inertia and Lagging Reforms

High tech exports

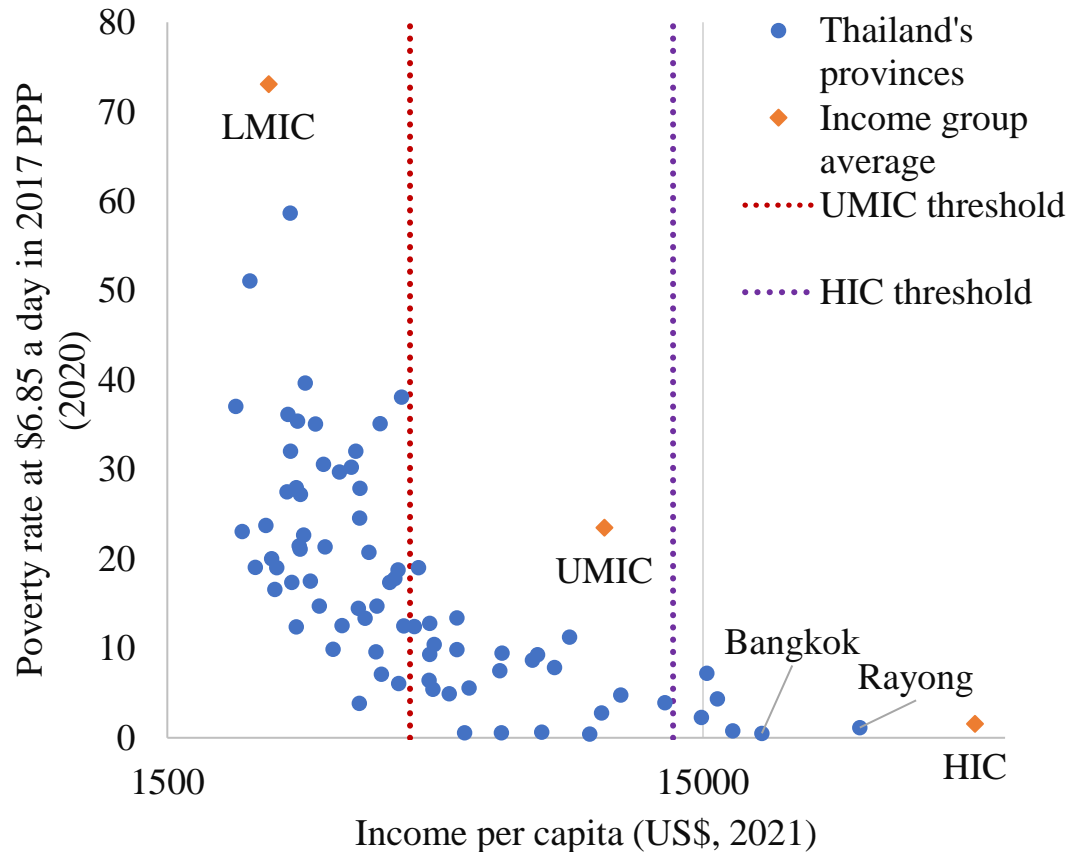


- ❑ Thailand's competitiveness in the global market has declined – underperformance in high-tech manufacturing and advanced service sectors.
- ❑ Entry of small and innovative disruptors has declined, lagging regional peers

Source: WDI, World Bank.
2012-21 average growth rates.

Spatial Disparity and Connectivity Gaps

Income and poverty by province



- ❑ Centralization of resources and investment has resulted in infrastructural deficiencies outside Bangkok
- ❑ More than half of Thailand's provinces fall behind the upper-middle-income country (UMIC) threshold
- ❑ Lack of integration between transportation and logistics networks, and between urban areas and border regions

Source: NESDC; World Development Indicator Database.
2012-21 average growth rates.

GDP per capita for Thailand provinces. GNI per capita for income group averages and thresholds. Poverty rate based on US\$6.85 a day in 2017 PPP. The UMIC and HIC income thresholds as of July 2022 and US\$ 4,256 and US\$ 13,206, respectively.

Environmental degradation and Climate Risks

Impact of different categories of climate damages on GDP (% from baseline)

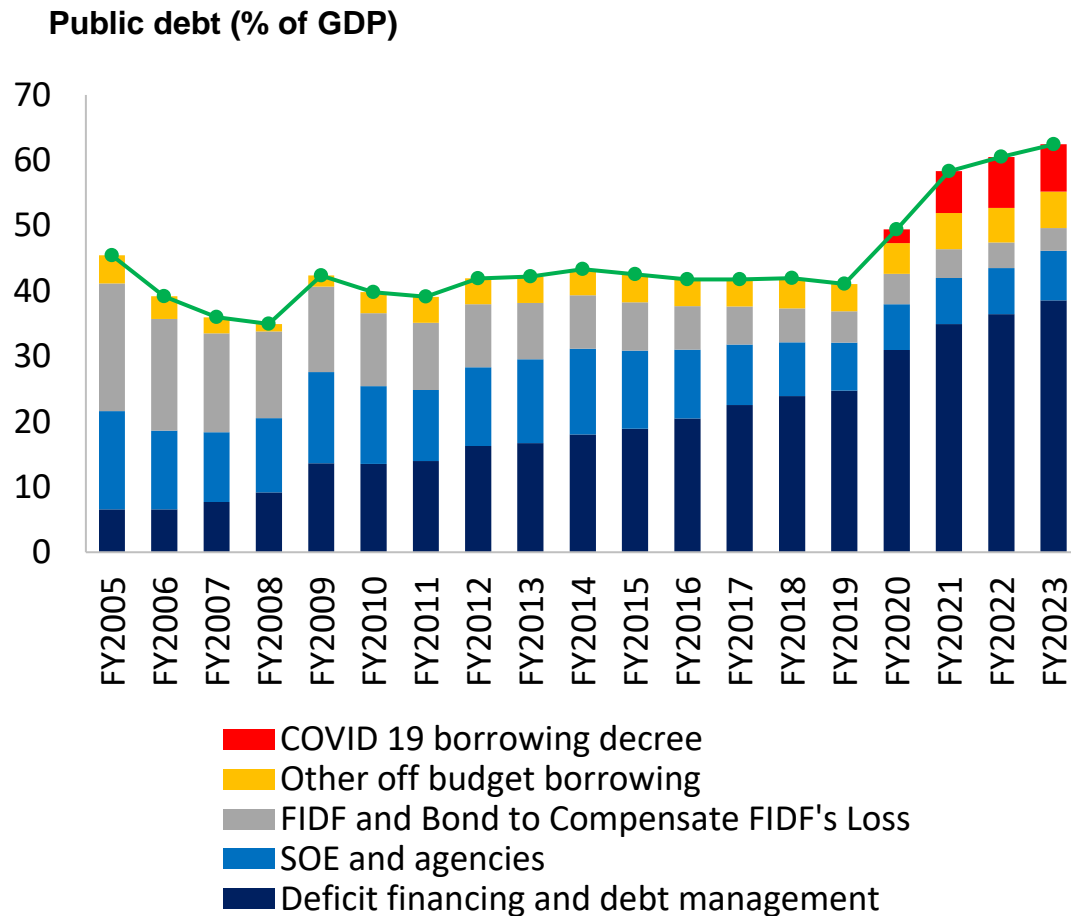


Source: World Bank. Staff estimates

- ❑ Natural resources are being depleted, with deforestation and worsening air quality
- ❑ Climate change could result in 4% GDP loss by 2050 (without considering extreme events)
- ❑ GHS emissions have steadily increased, challenging carbon neutrality goal by 2050

Institutional Challenges

Public debt



Source: PDMO; World Bank.

- ❑ Compared to aspirational peers, Thailand faces challenges in combating corruption, ensuring transparency, and promoting accountability
- ❑ Low tax revenue compared to similar income countries, poses challenges to long-term fiscal sustainability
- ❑ Control of fiscal resources in Thailand is mostly concentrated in Bangkok, which is leading to regional disparities

How can Thailand leverage this evolving global landscape to pivot towards sustainable growth and foster inclusive prosperity?

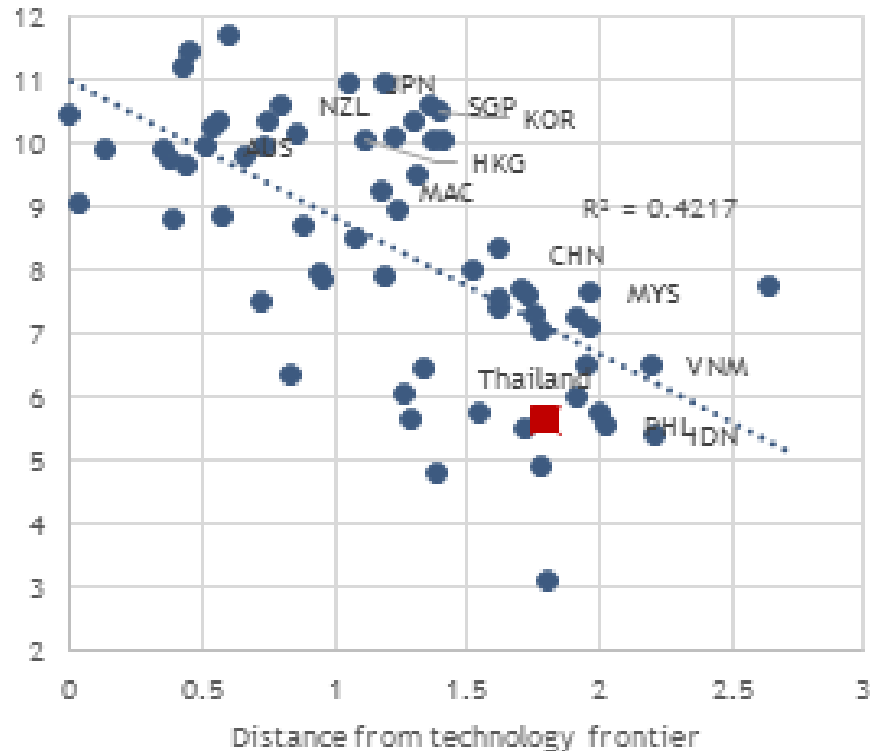


Five High Level Outcomes

- ❑ Strong human capital
- ❑ A competitive and innovative economy
- ❑ Low carbon and resilient urban development and connectivity
- ❑ Sustainable development and protection against natural disasters and climate change
- ❑ Enabling institutions

HLO 1: Strong Human Capital

Learning-adjusted years of schooling (Age 25+)



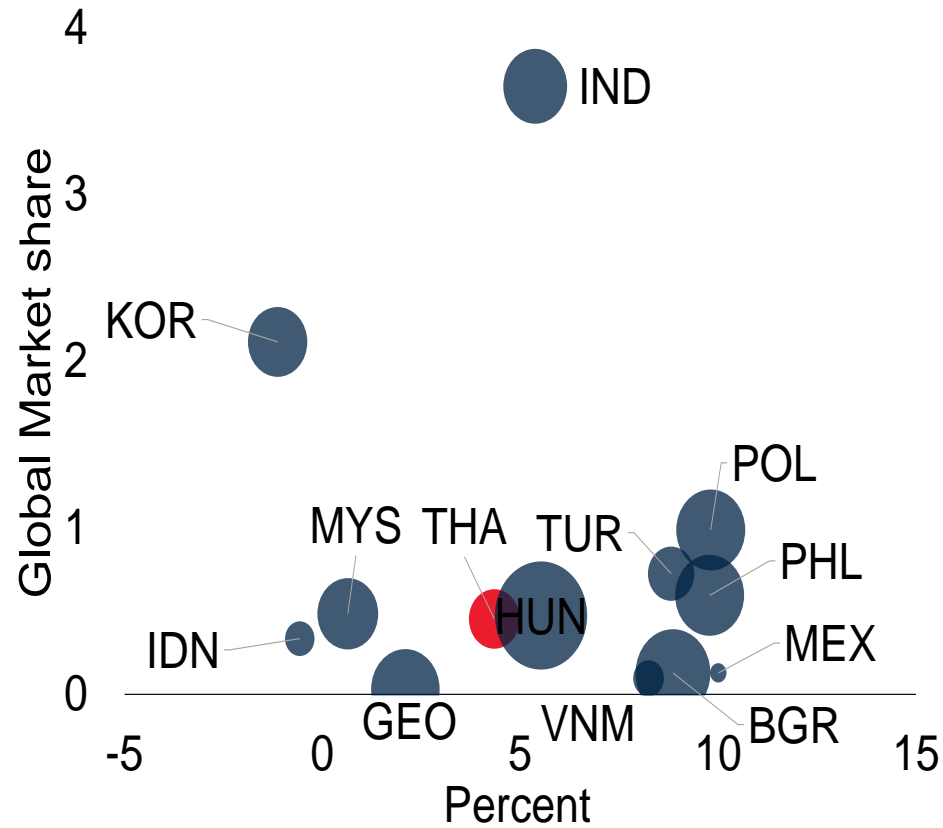
- ❑ Equal and lifetime access to good quality education
- ❑ Enhance social inclusion and safeguards for vulnerable populations
- ❑ Strengthen the social protection, labour market, and health systems to address the impacts of the aging population and intensified shocks

Source: Haver Analytics; World Bank.

Distance from the global technological frontier is measured using the log TFP gap.

HLO 2: A Competitive and Innovative Economy

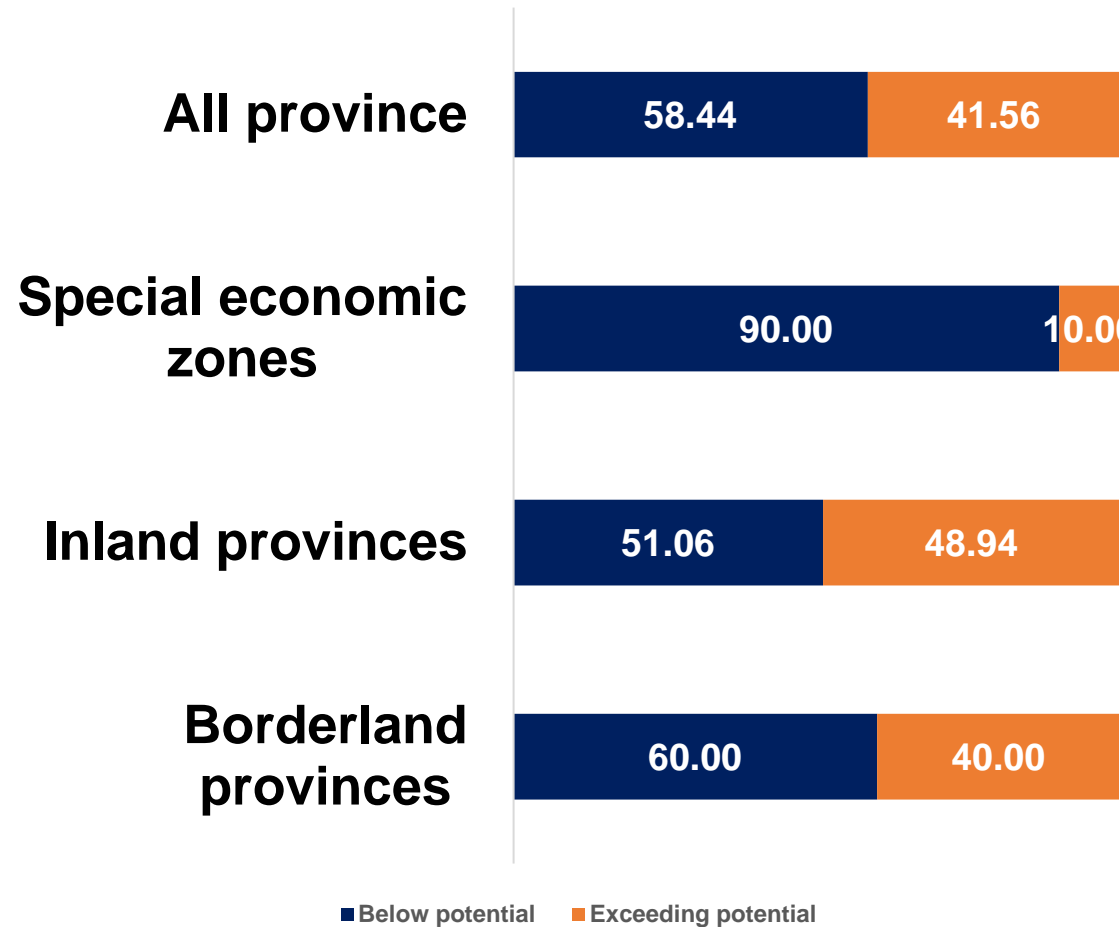
Services exports, excluding tourism,
global market share and growth



- Promote competition, innovation, and technology adoption
- Mobilize sustainable finance

Source: Haver Analytics; World Bank.
Circle size is proportional to export share in GDP. Average 2012-19.

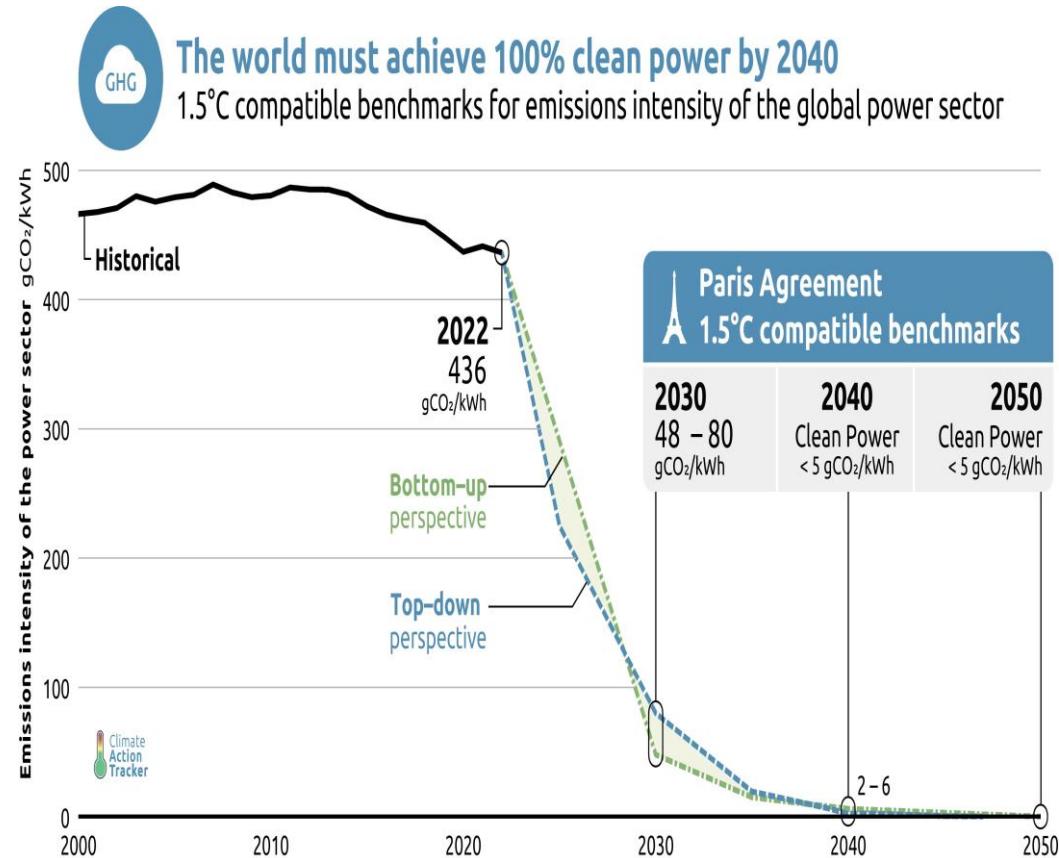
HLO 3: Low Carbon Urban Development and Connectivity



- ❑ Apply an area-based approach to development to unlock investment and growth potential
- ❑ Close infrastructure gaps
- ❑ Unlock the potential of digital data infrastructure

Source: Haver Analytics; World Bank.

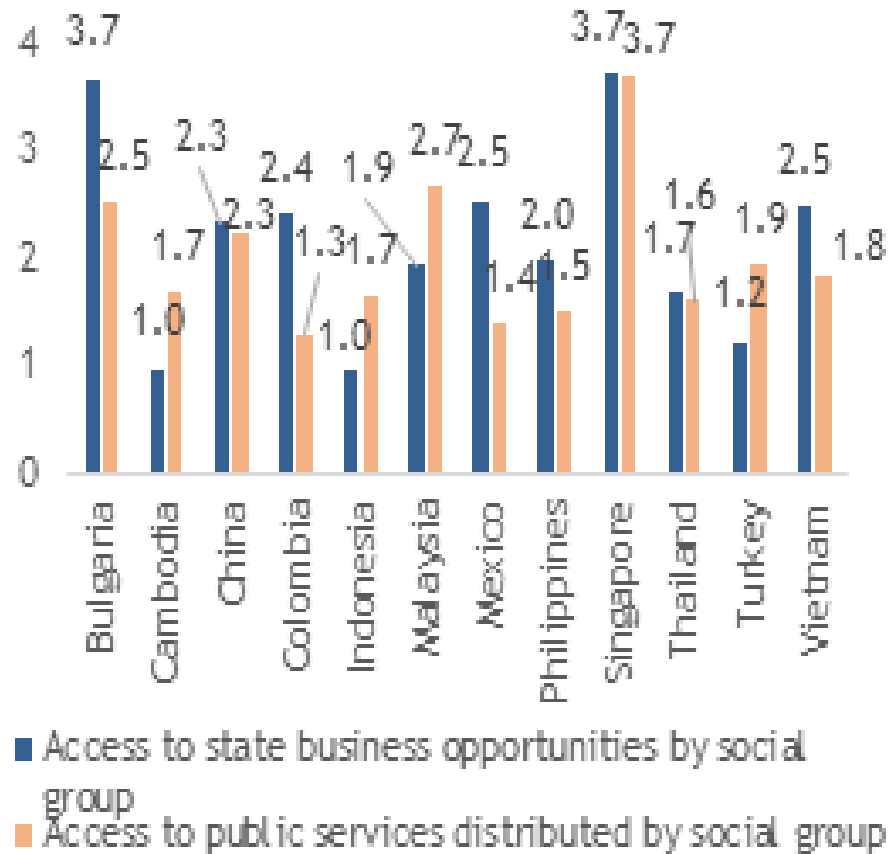
HLO 4: Sustainable Development and Protection Against Natural Disasters and Climate Change



- Promote environmental sustainability
- Increase resilience to natural shocks and the effects of climate change
- Support a sustainable energy transition

Source: Haver Analytics; World Bank.

HLO 5: Enabling Institutions



- ❑ Reform fiscal institutions and public finance
- ❑ Move towards decentralization
- ❑ Engage in open and participatory processes
- ❑ Improve the governance of state-owned enterprises

Source: Haver Analytics; World Bank.

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