



THAILAND ECONOMIC MONITOR

ADVANCED GREEN
MANUFACTURING
FOR GROWTH



What are the key challenges?

1

**Global
economy
slows**

2

**Structural
headwinds are
rising**

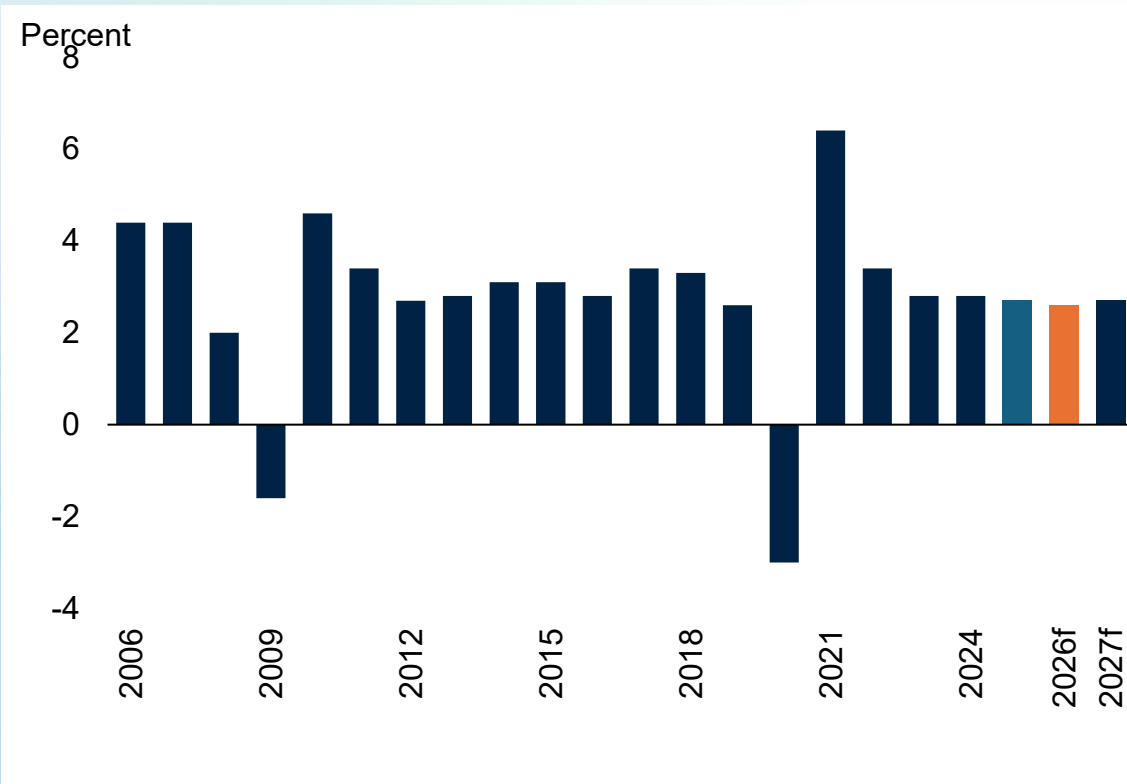
3

**Fiscal space is
narrowing**

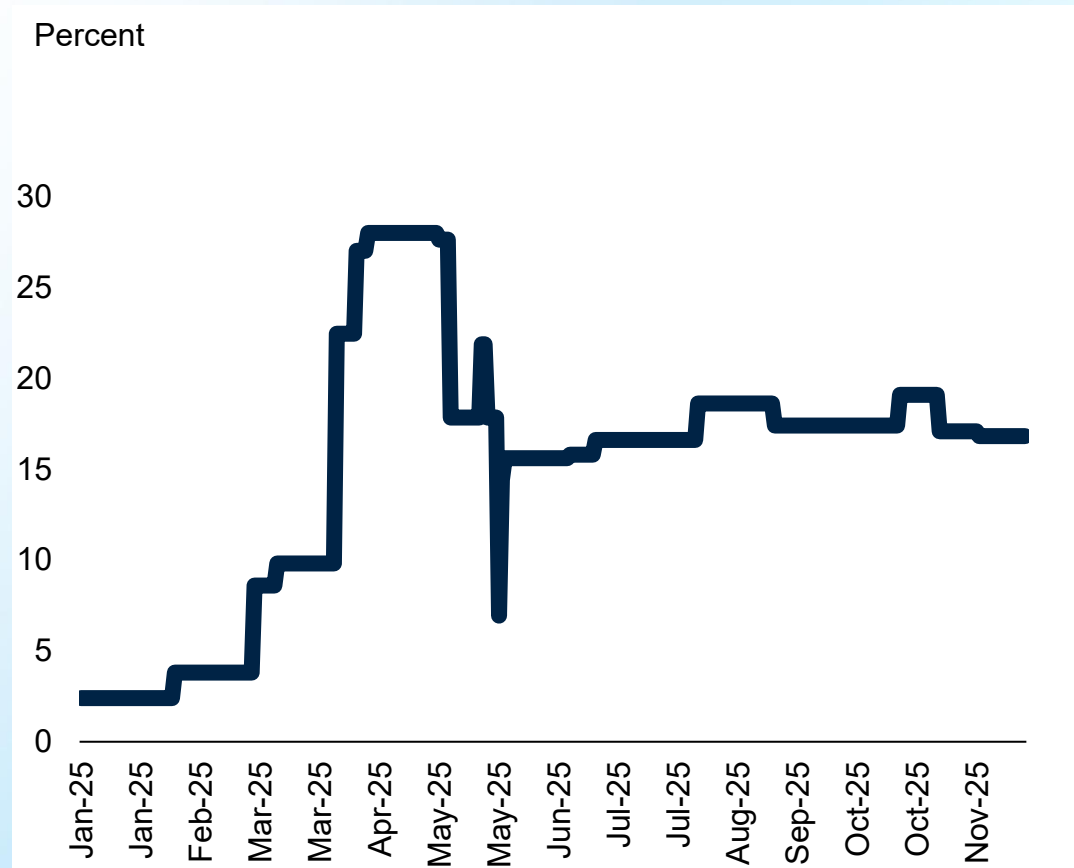


Global growth slows but proved more resilient than expected

Global output growth
(Percentage points)



Average effective US tariff rate
(Percent)

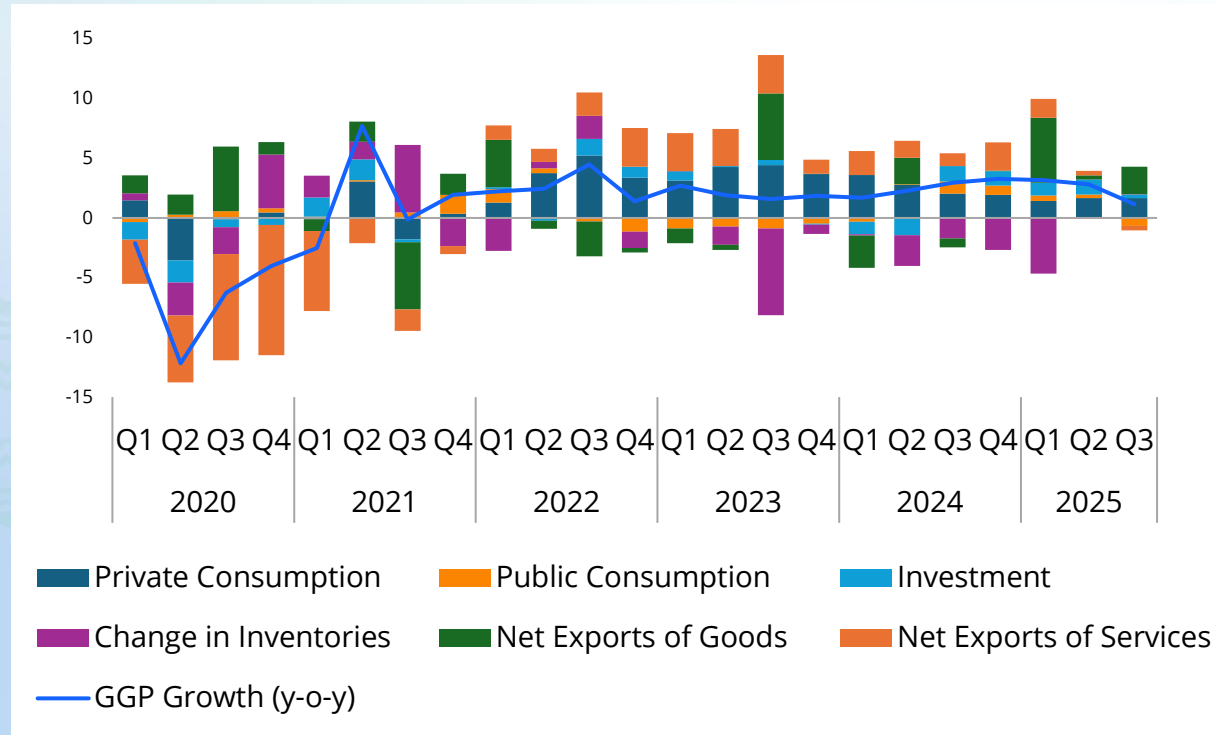


Source: NESDC; CEIC; World Bank staff calculations.

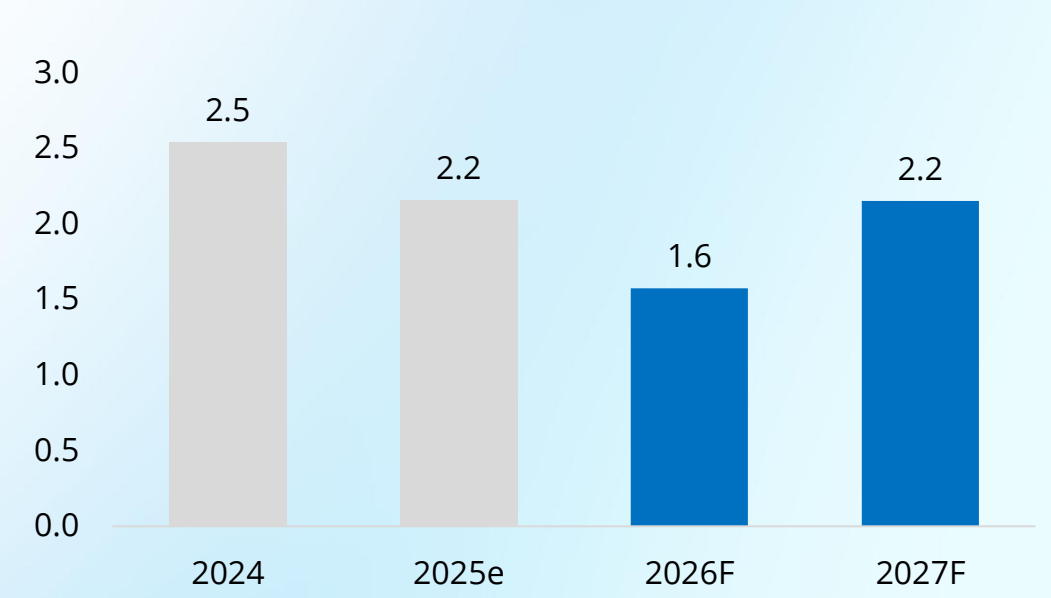


Thailand's GDP growth slows amid weak private consumption and tourism

Domestic demand moderated further (Percentage-point contribution to real GDP growth, year-on-year)



GDP growth is projected slow to 1.6 percent in 2026 (Percent)

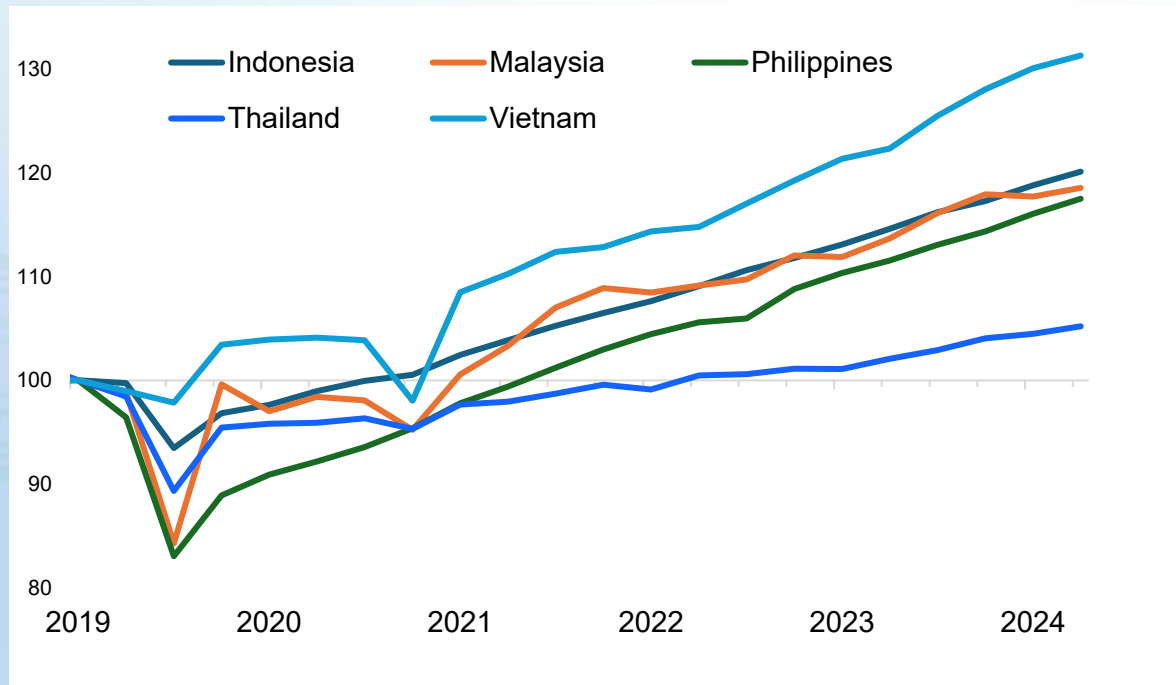


Source: NESDC; World Bank staff calculations, Q4 2025 are projected growth rates

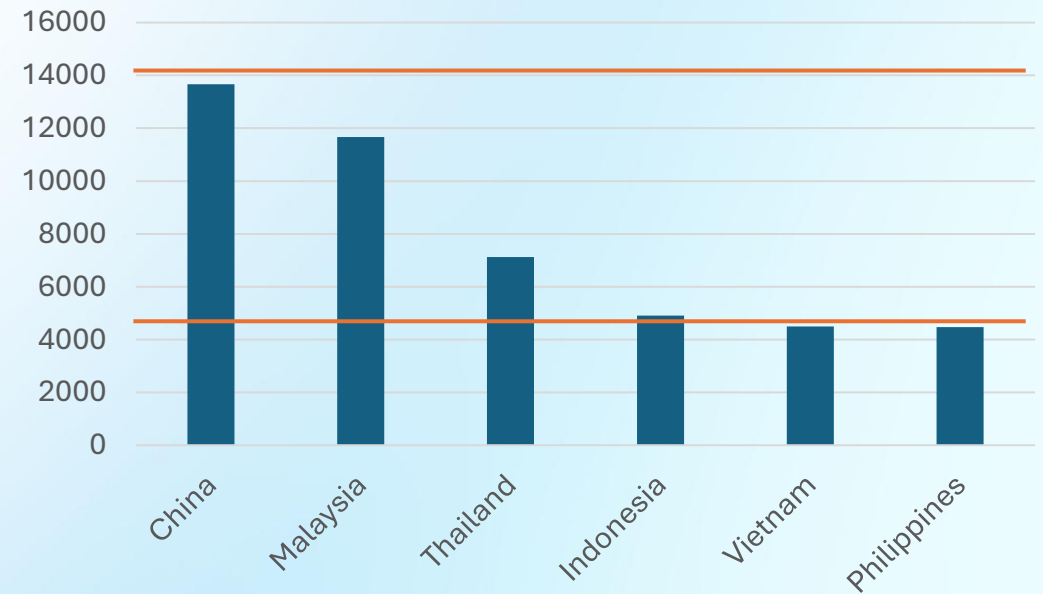


Thailand's GDP growth slows amid weak private consumption and tourism

Thailand's post-pandemic recovery lagged behind ASEAN peers
(GDP Index, seasonally adjusted, Q4 2019 = 100)



Thailand has achieved upper-middle income but remains well below high-income threshold
(GNI per capita)

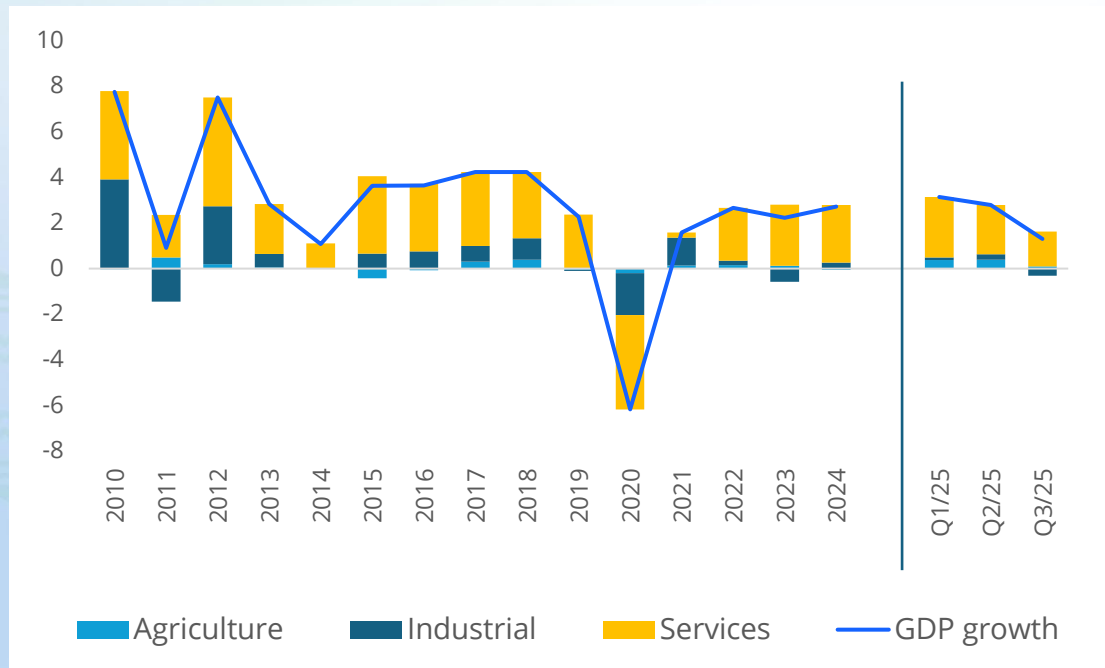




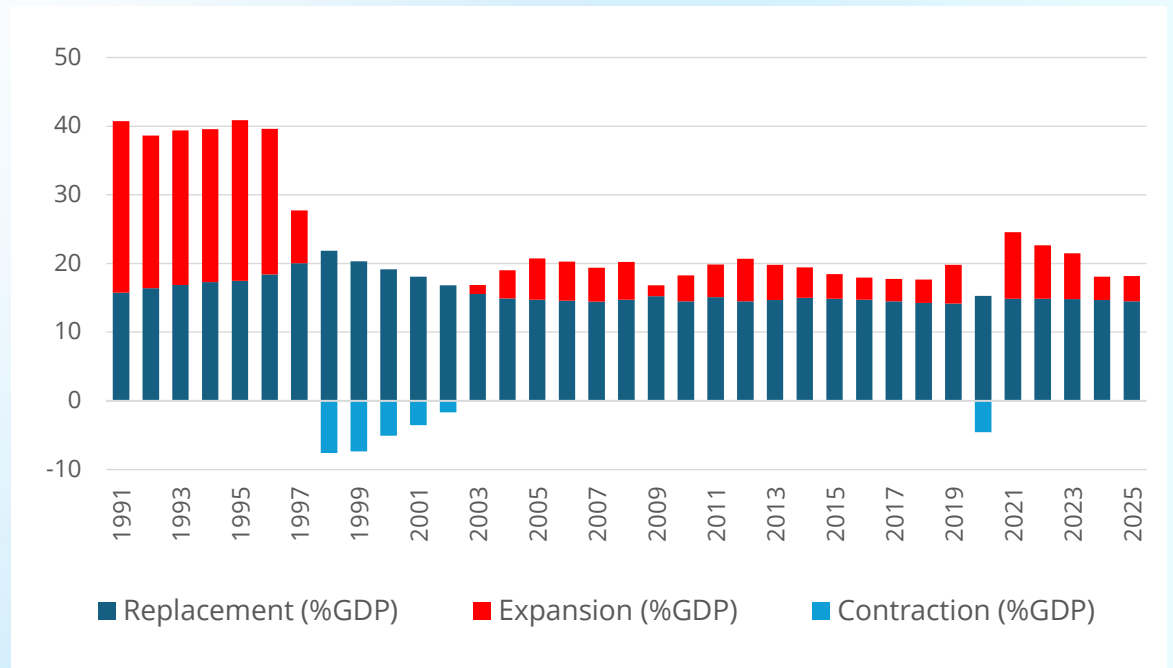
Manufacturing and investment remain subdued

Manufacturing contracted and set back the services-led recovery

(Index, sa)



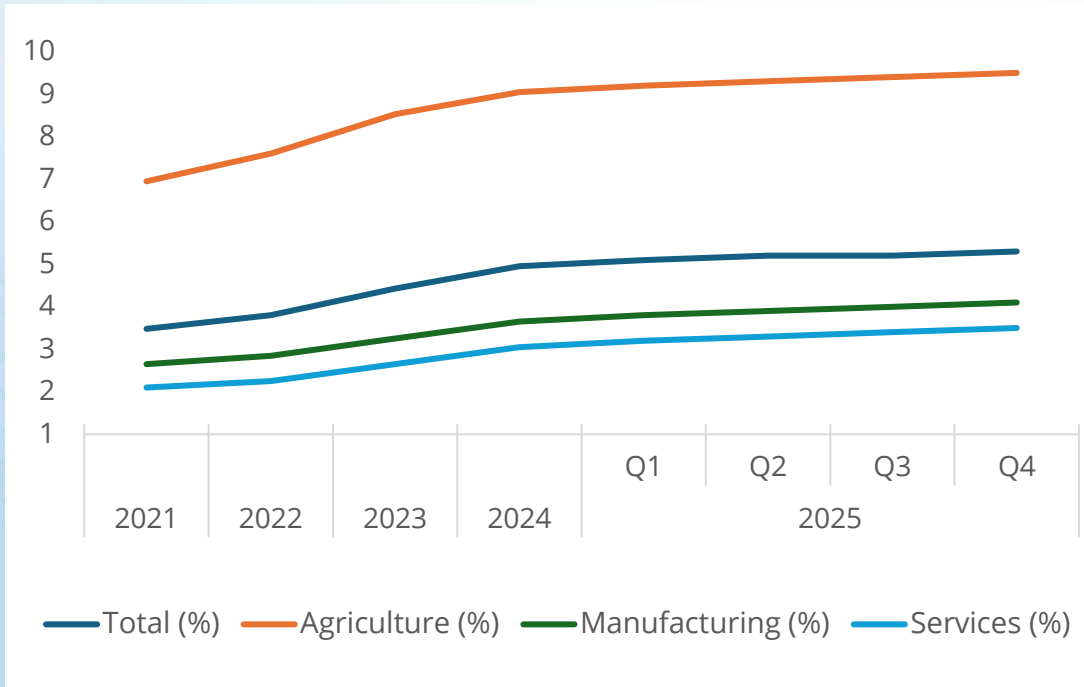
Investment remained low and focused on maintenance (Percentage of GDP)



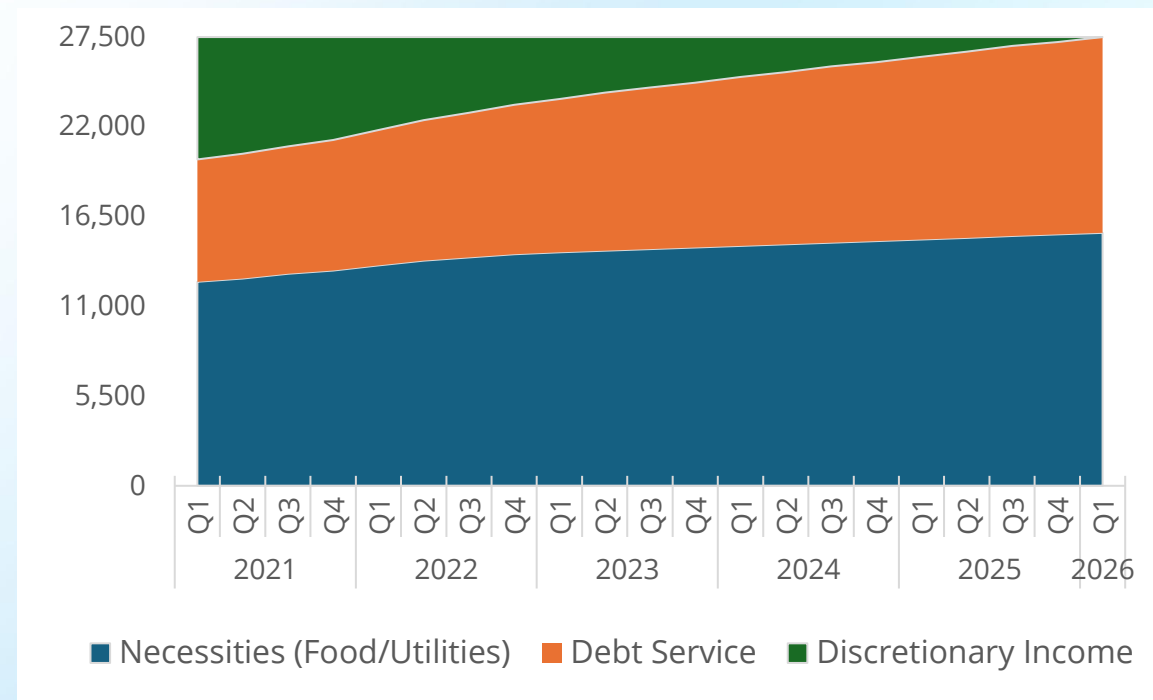


Household debt overhang and a stagnant labor market put pressure on workers

Quasi unemployment in agriculture has risen
 (Percentage)



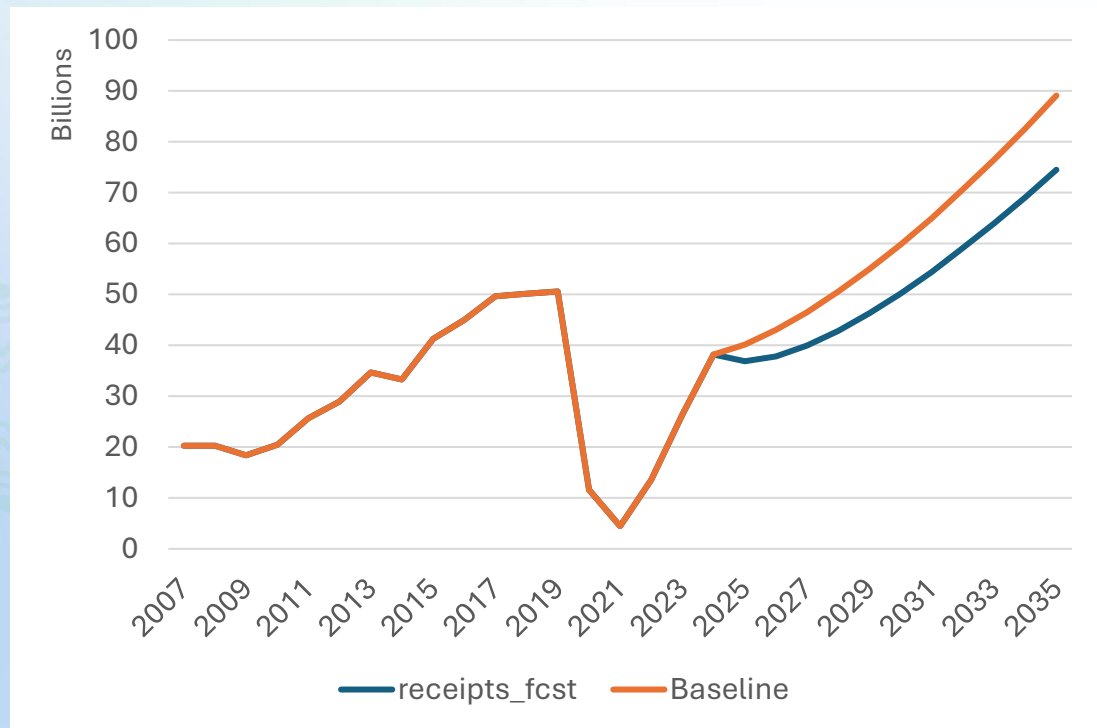
Households are facing rising debt payments and falling discretionary income
 (THB)



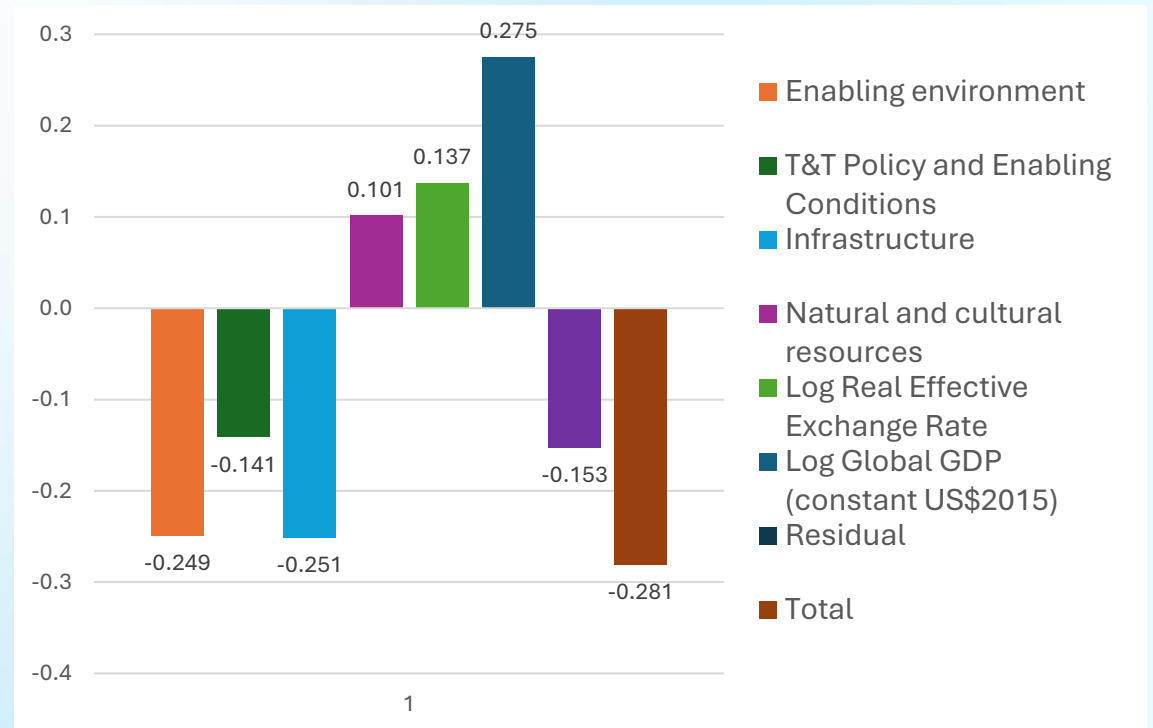


Tourism faces structural headwinds

Tourism receipts have fallen despite recovering tourism numbers



Structural challenges such as safety & security and infrastructure have risen.

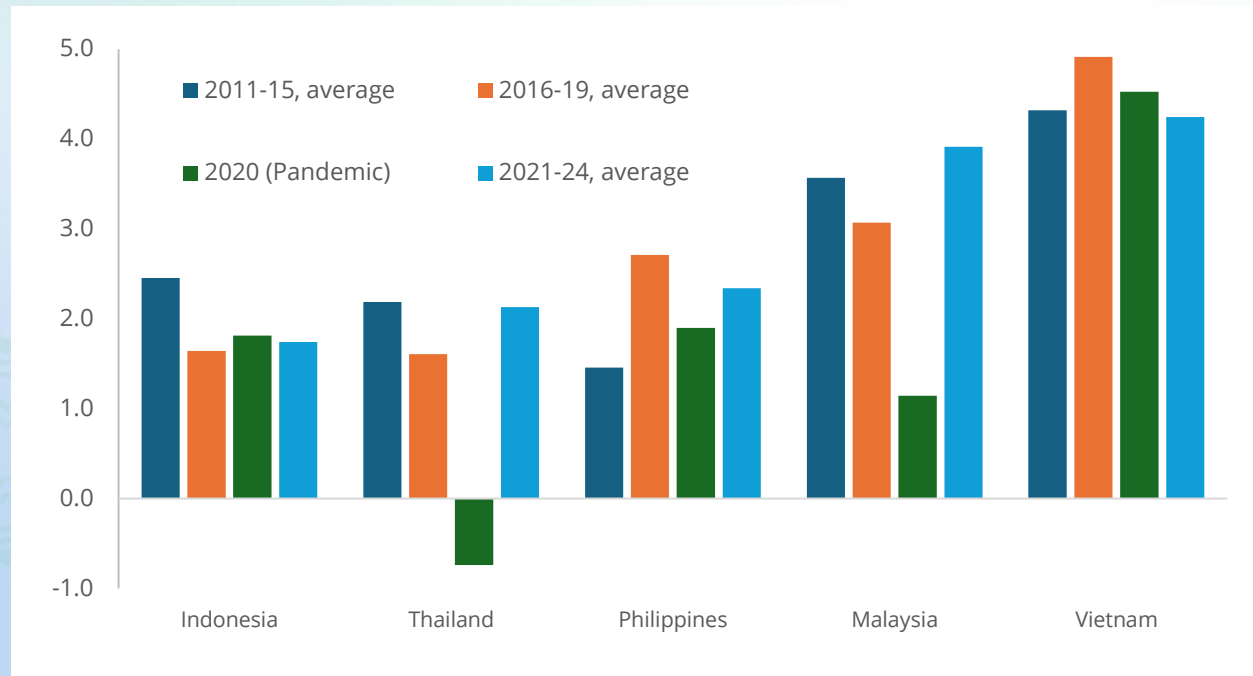


Source: CEIC; World Bank staff calculations.

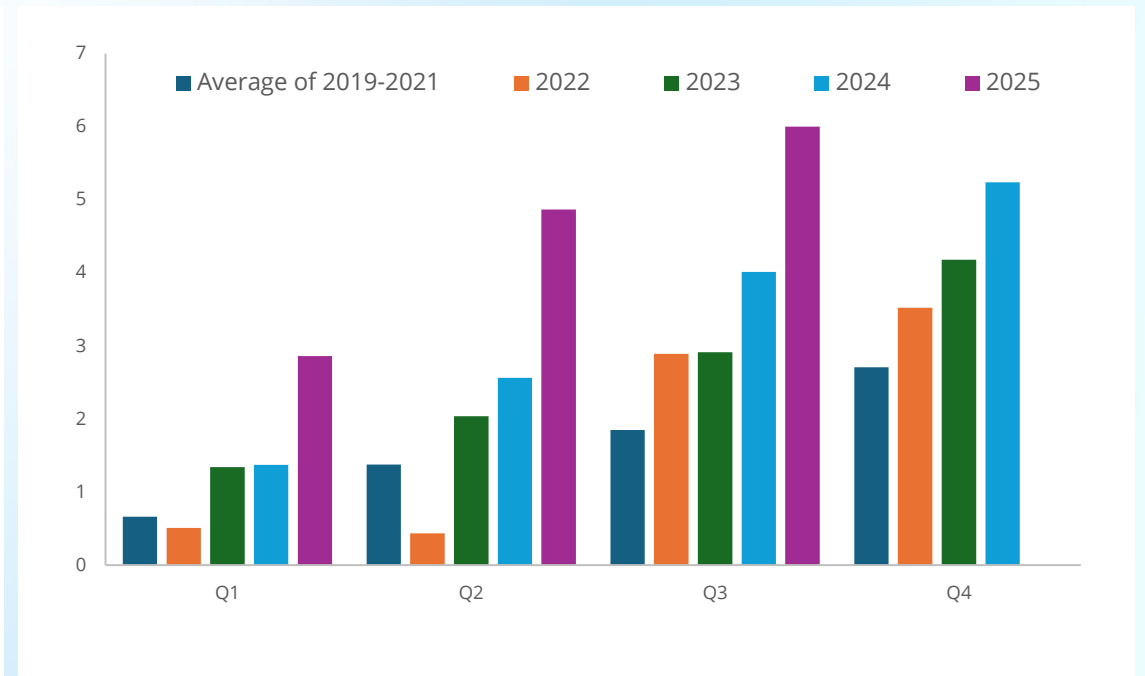


Thailand FDI applications have surged

FDI inflows in 2021-24 improved but lagged behind peers
 (Percentage of GDP)



Applications for investments in targeted sectors surged
 (Percent of GDP quarterly)

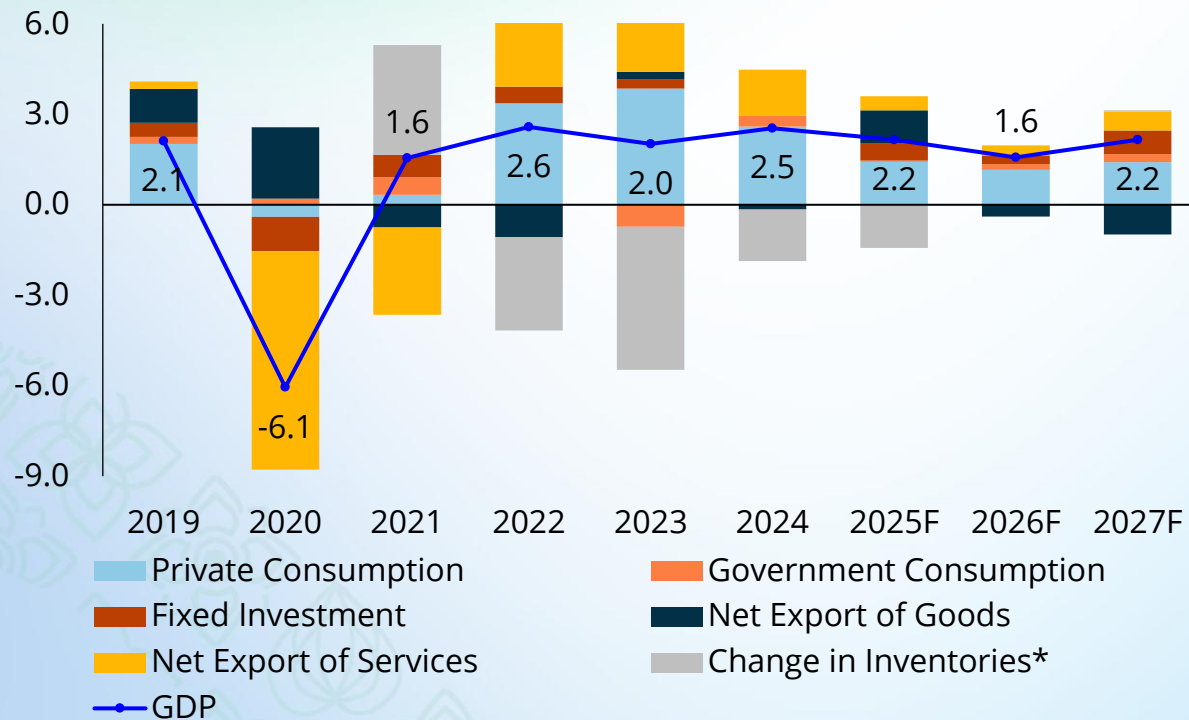




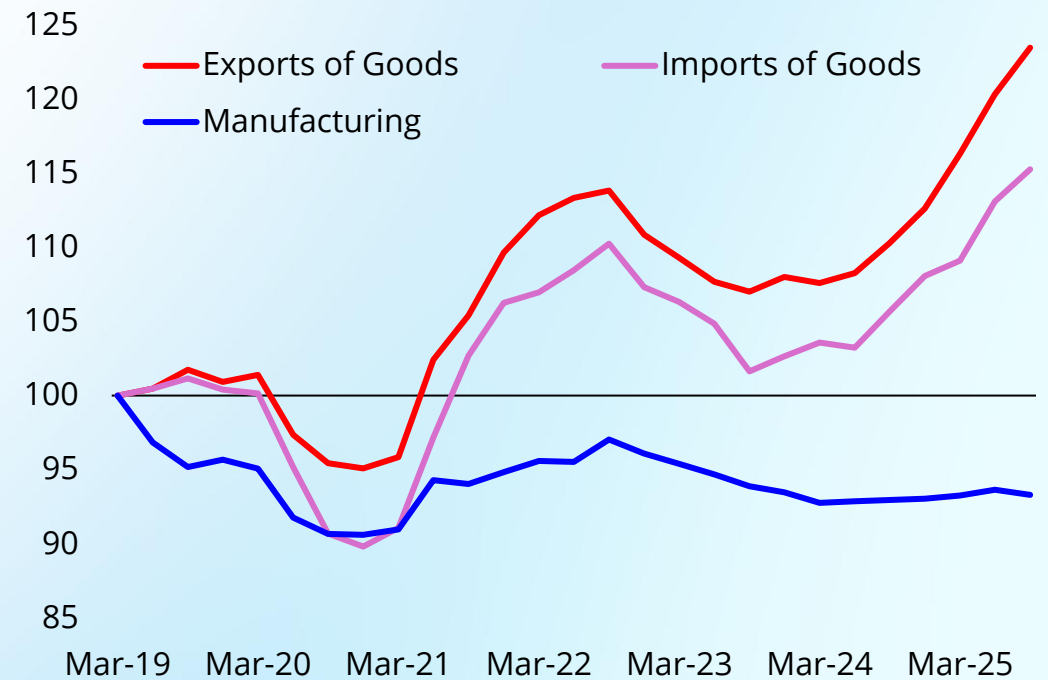
Growth is expected at 2.2% in 2025, but cut to 1.6% in 2026

Growth is expected to weaken due to fading goods exports after the strong front loading to avoid tariff and softer domestic demand

(Contribution to GDP growth, %)



Manufacturing output has remained weak, suggesting recent export growth was supported by stock depletion and higher imports

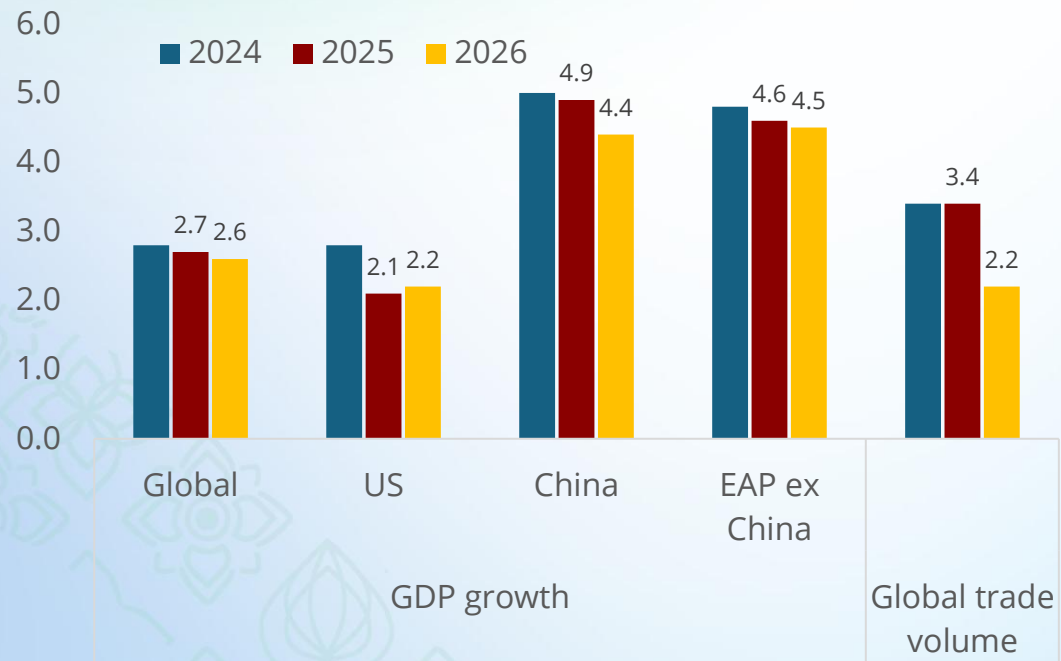


Source: NESDC; CEIC; World Bank staff calculations.

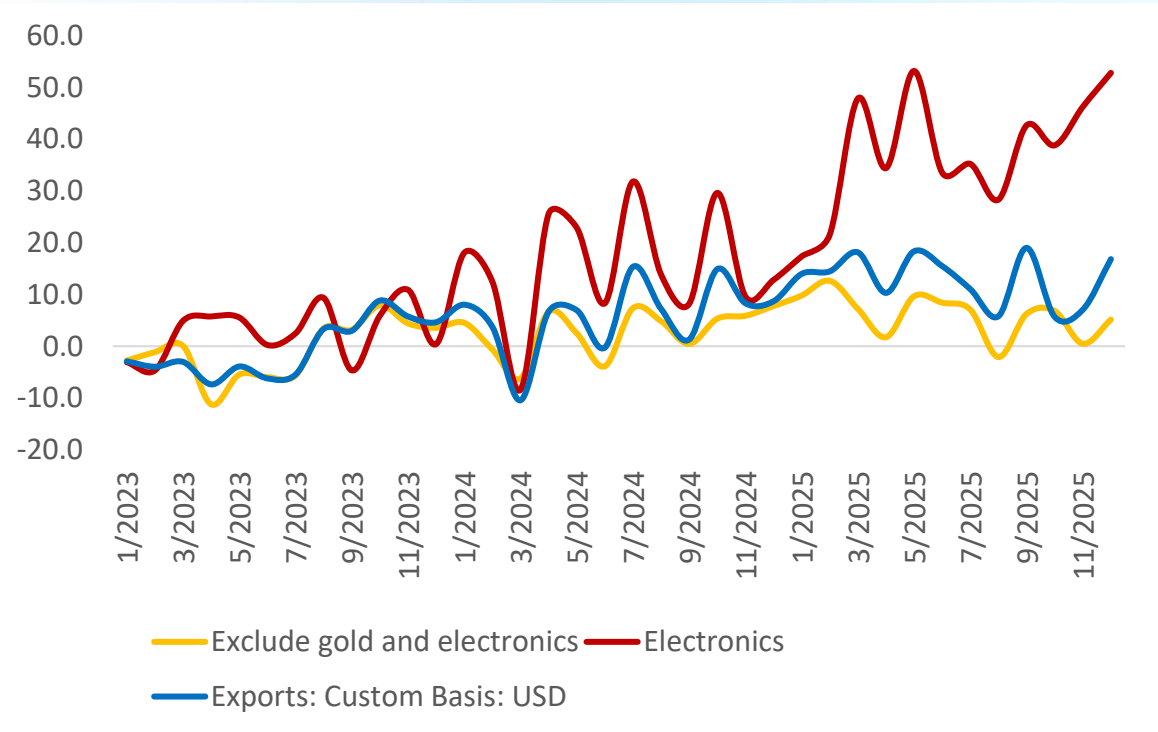


In 2026, goods export growth is projected to slow due to shifts in global trade policy...though demand for electronics-related products will help cushion the impact

Global growth and trade are forecast to edge down, reflecting the rise in trade barriers and elevated policy uncertainty (%)



Exports has been driven by electronics exports, boosted by investment in AI related technology and data center (Growth, %yoy)



Source: World Bank Global Economic Prospects, January 2026

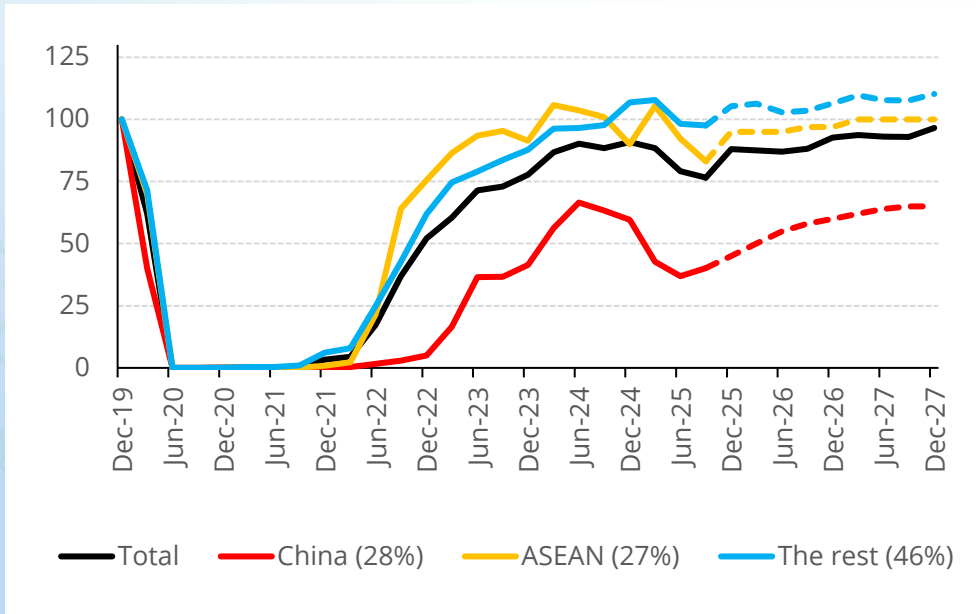
Source: CEIC; World Bank staff calculation.



Tourism recovery is expected to slow through 2026–27 amid more moderate Chinese visitors recovery and global headwinds

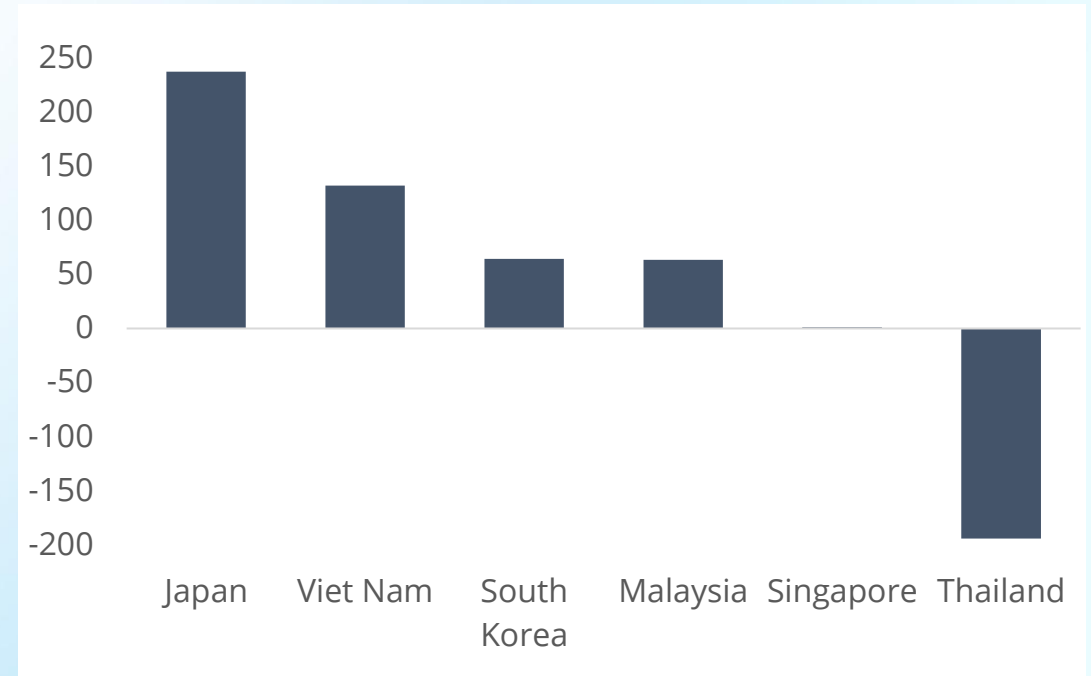
Tourist arrivals are projected to remain below pre-pandemic levels over the forecast period

(Percent of pre-pandemic level in 2019)



Chinese tourists in Thailand declined in the ten months of 2025 but increased in other major Asian destinations.

(Change in monthly Chinese tourists, Jan-October 2025 versus 2024)



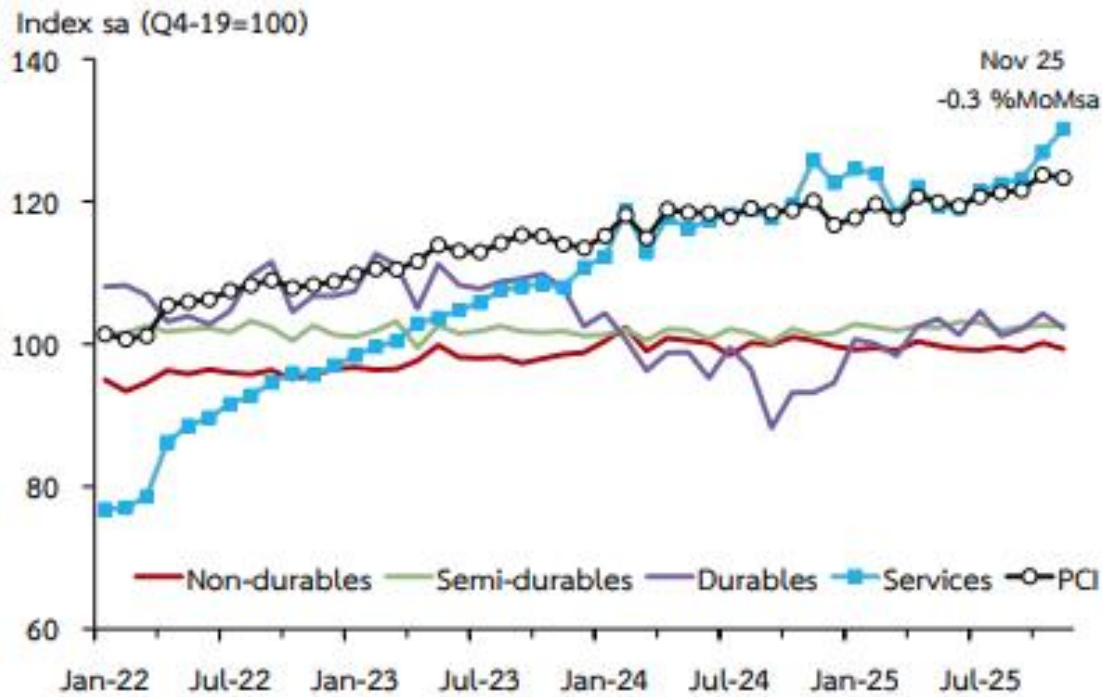


Private consumption is expected to moderate due to household deleveraging, though fiscal stimulus will provide some cushioning

Private consumption index showed stronger services activity boosted by tourism and the effect of fiscal stimulus

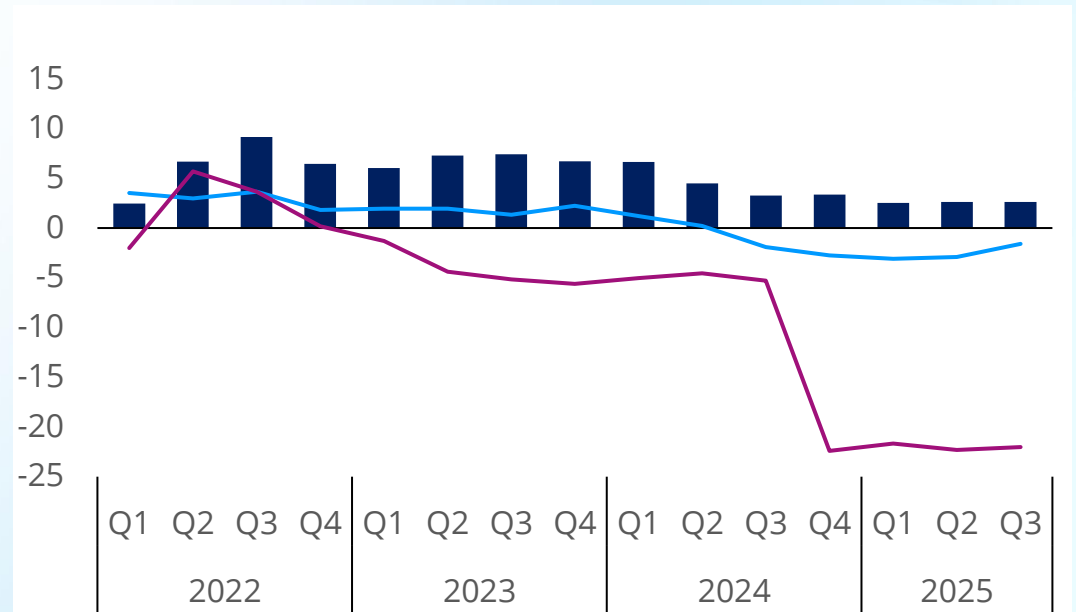
However, private consumption will continue to be limited by stringent loan approval and high level of household debt

(Percent year-on-year)



Note: PCI by category reflects domestic expenditures, including those by foreign tourists. However, the aggregate PCI excludes foreign tourist expenditures and includes Thai tourist expenditures abroad to accurately reflect Thai private consumption.

Source: Bank of Thailand



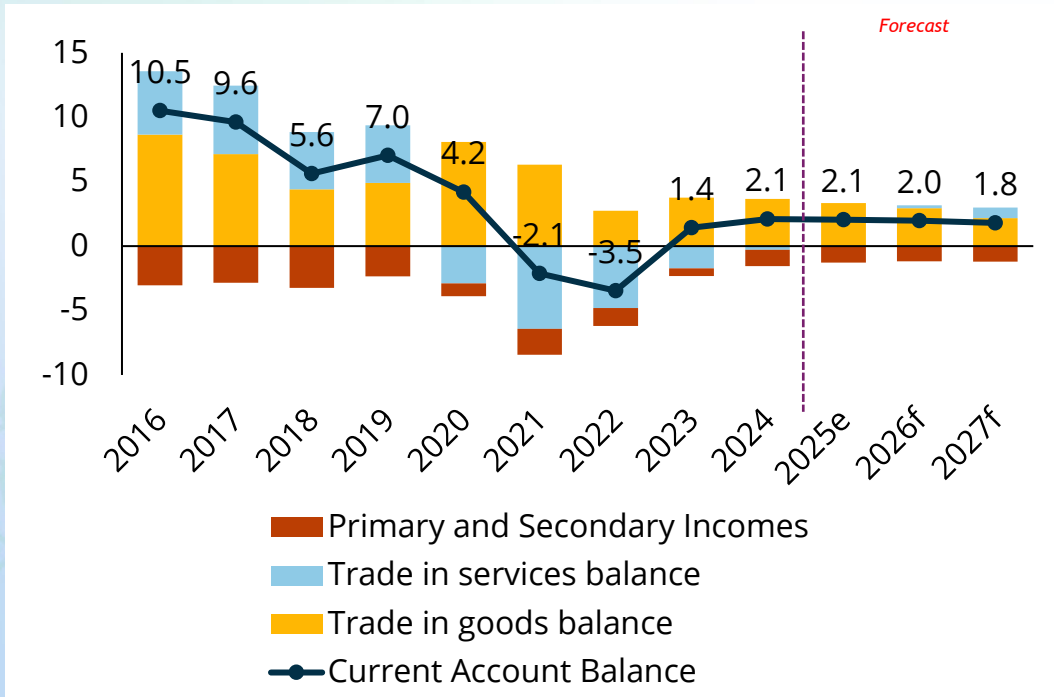
- Private Consumption Expenditure, %yoy
- Loan for personal consumptions
- Loans to SMEs (excl Fin and Ins)



External and internal stability is projected to remain intact

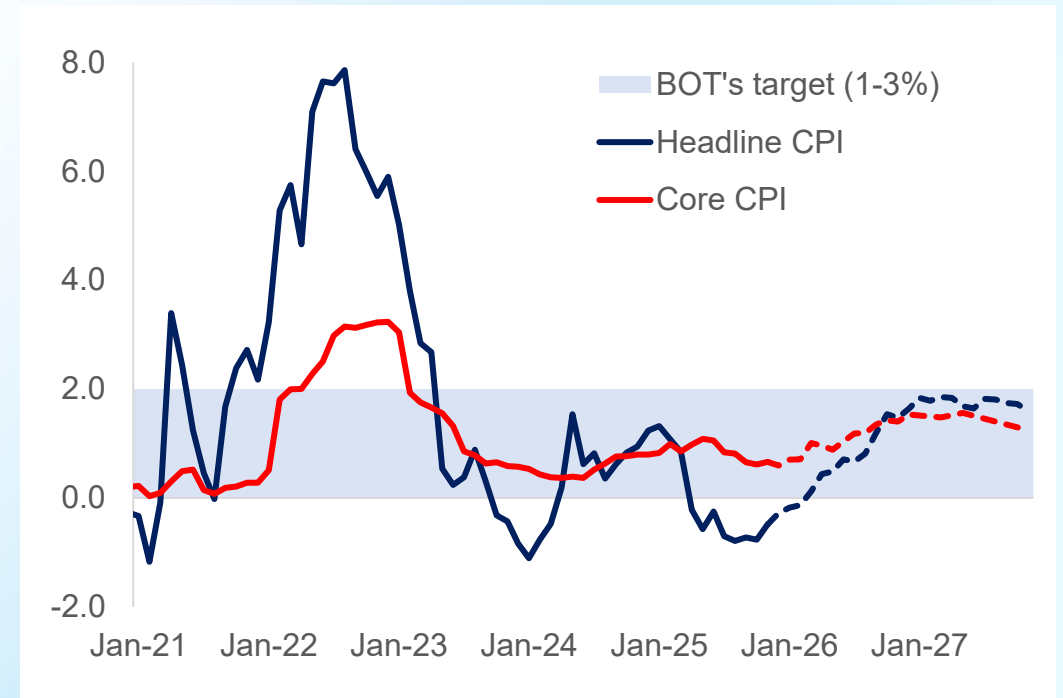
The current account balance will remain well below pre-pandemic levels

(Percent of GDP)



Headline inflation is projected to return to BOT's target range of 1-3 percent by Q2 2026

(Percent of GDP)

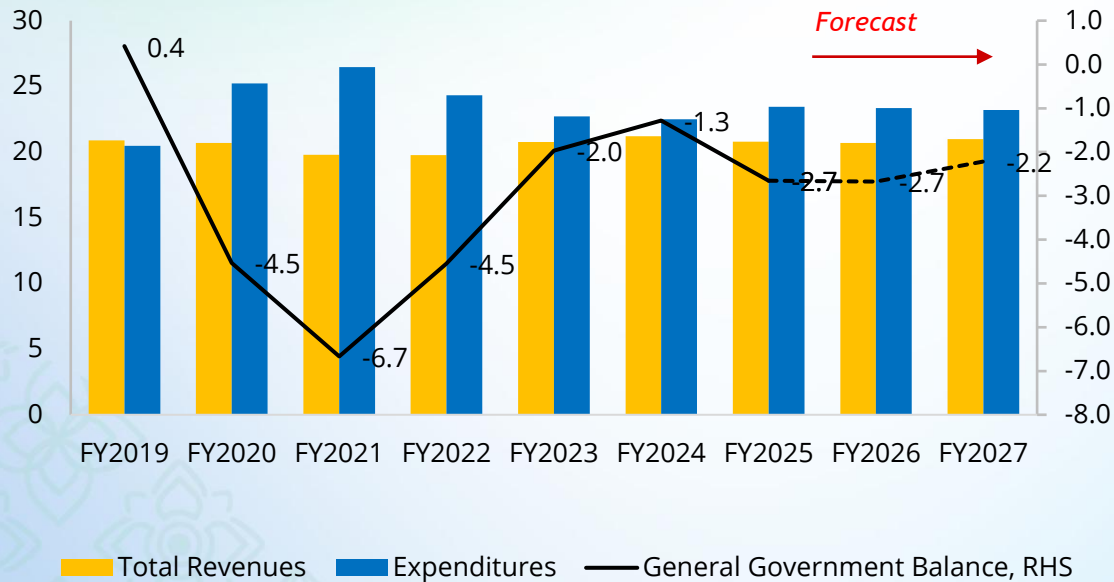


Source: CEIC; World Bank staff projection

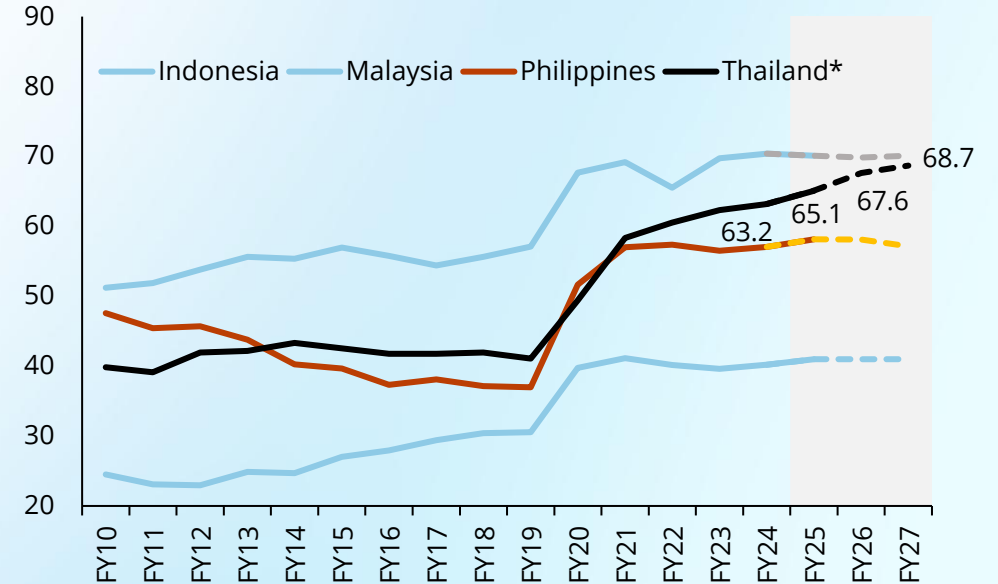


Fiscal policy is expected to remain expansionary to support growth and public debt increase

The general government deficit is projected to narrow in FY26 (Percent of GDP)



Public debt is projected to increase (Percent of GDP)



Source: Top: IMF WEO; World Bank staff projections, Bottom: Budget Bureau, Note: Note: share of GDP in parenthesis; *Public debt is based on PDMO projection; projection as of January 2025



Key fiscal-responsibility indicators remain within their established parameters

Key fiscal responsibility, percent or otherwise specified	Ceiling (percent)	FY21	FY22	FY23	FY24	FY25
Public Debt / GDP	70	58.4	60.5	62.3	63.2	65.1
Government Debt Service / Revenue	35	8.6	8.1	8.2	9.0	10.5
External Debt / Public Debt	10	1.8	1.7	1.4	1.0	0.8
External Debt Service / Exports	5	0.08	0.15	0.17	0.24	0.14
Principal repayment / Annual budget expenditure	2.5-4.0	2.1	2.1	2.2	2.8	3.6
Average Time to Maturity		9 years 1 month	8 years 9 months	8 years 9 months	9 years 2 months	9 years 2 months**
10-year government bond yields*		1.6	2.4	2.7	2.7	1.6

Note: *average of the period, **PDMO website, December 2025

Source: Public Debt Management Office, Ministry of Finance; World Bank staff calculations.



Opportunities

1

**Boosting
competitiveness**

2

Upgrading skills

3

**Rebalancing fiscal
policy for growth
and sustainability**



Opportunities



**Boosting
competitiveness**



Upgrading Skills



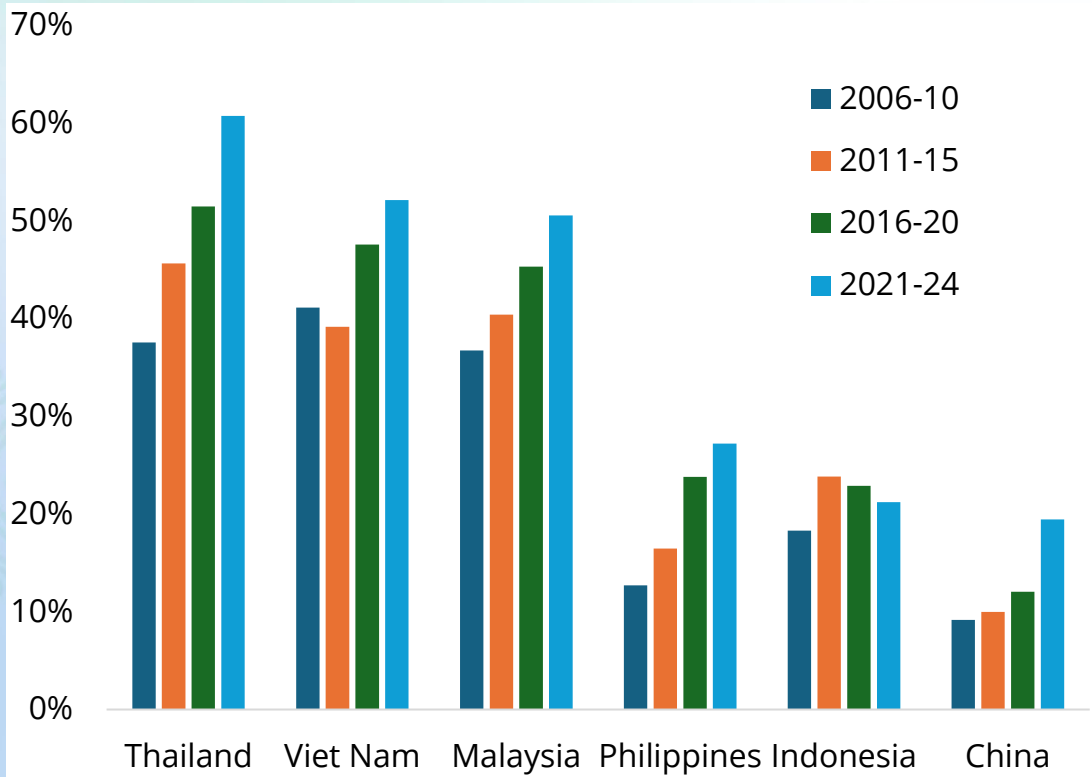
**Rebalancing fiscal
policy**



Boost foreign direct investment

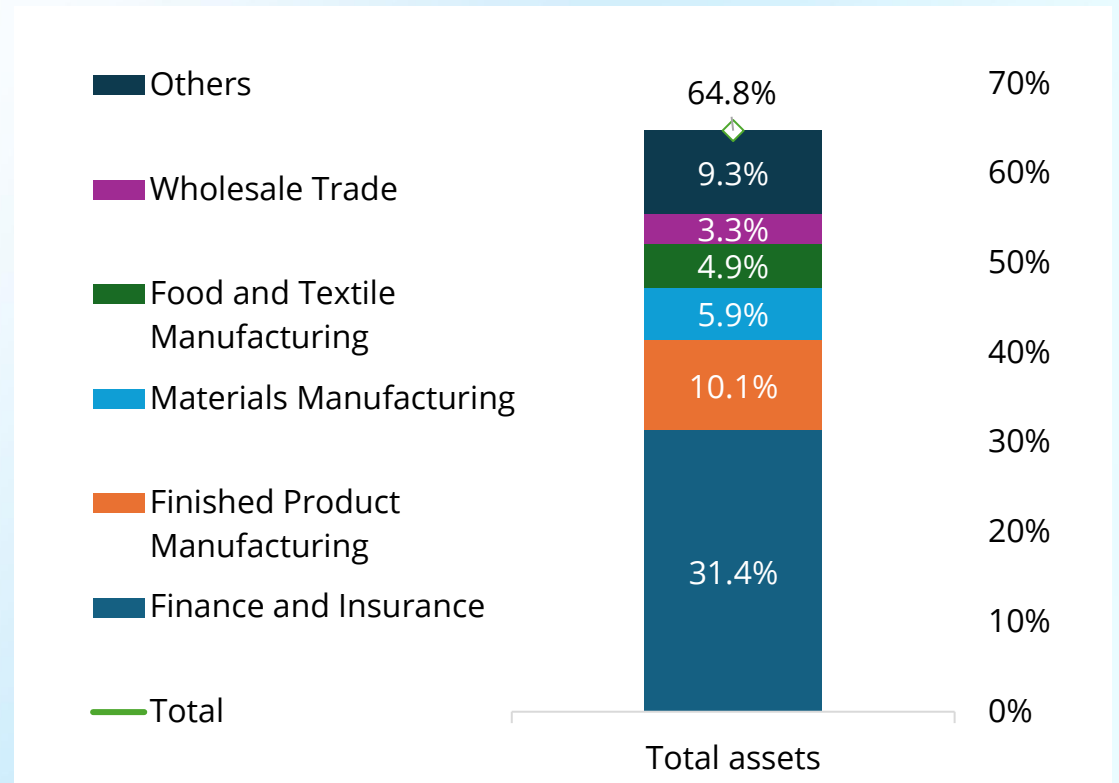
Among regional peers, Thailand holds the largest share of FDI stock

Thailand's stock of FDI is large compared to its regional peers ...
(Stock of FDI, % of national GDP)



Source: UNCTAD, World Bank staff calculation

... mostly invested in the finance and insurance sector
(Total assets invested in sectors of Thailand, % of GDP)

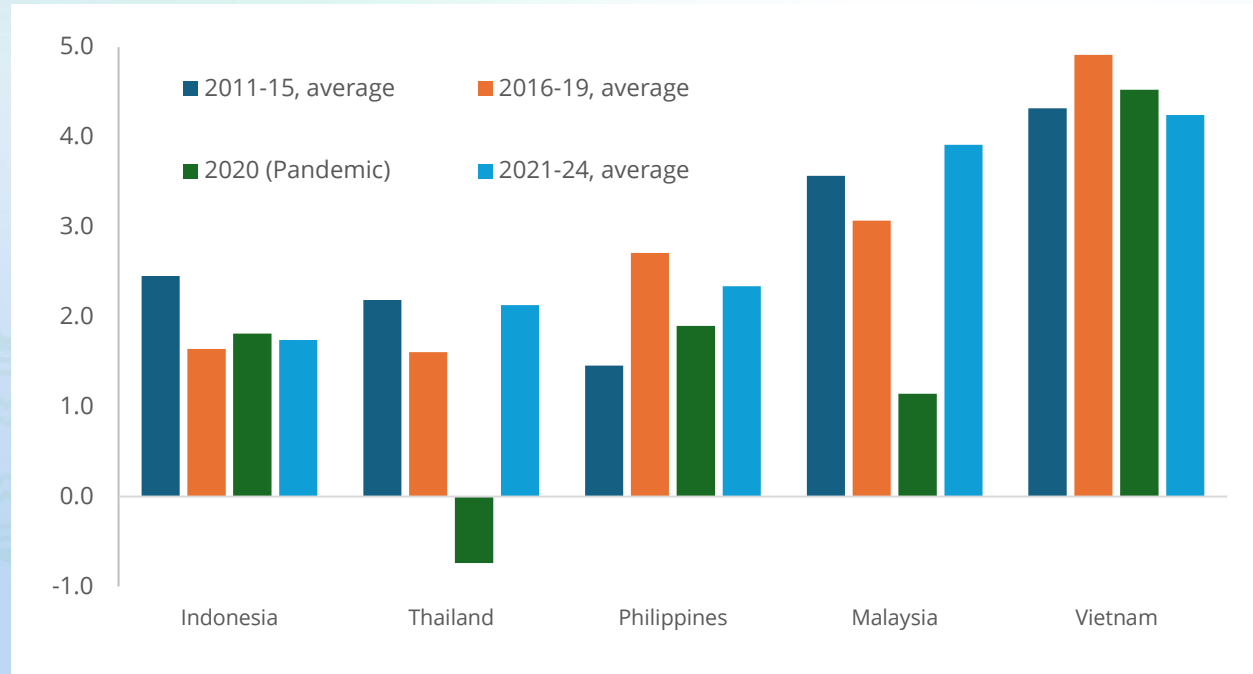


Source: The Multinational Revenue, Employment, and Investment Database (MREID), World Bank staff calculation

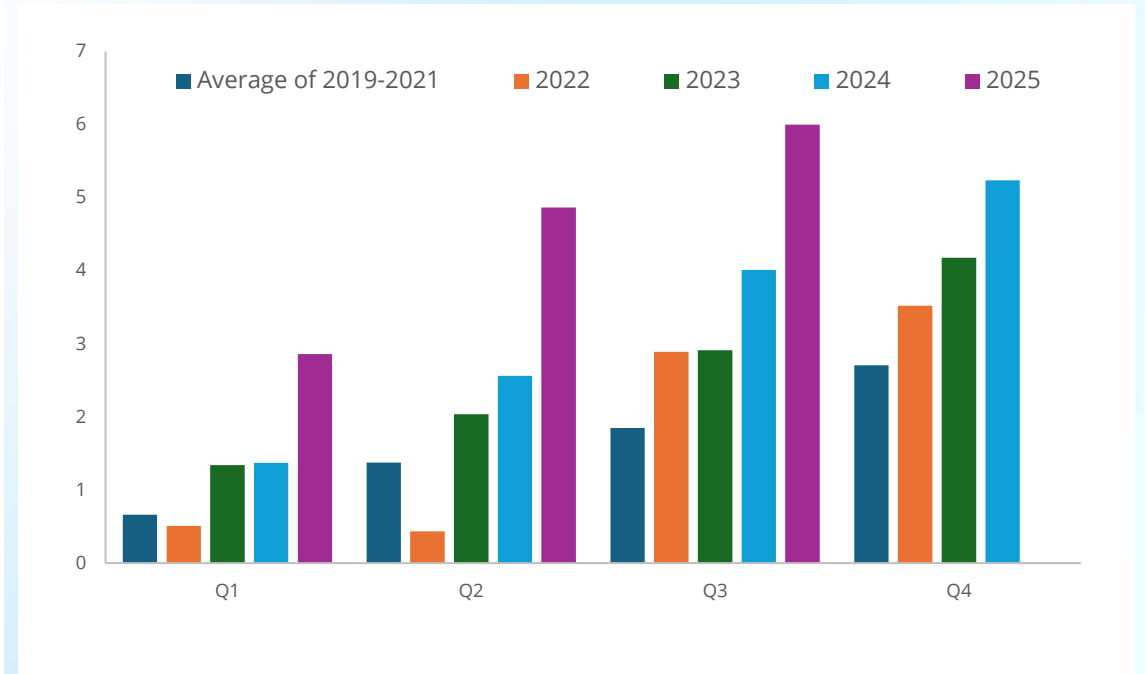


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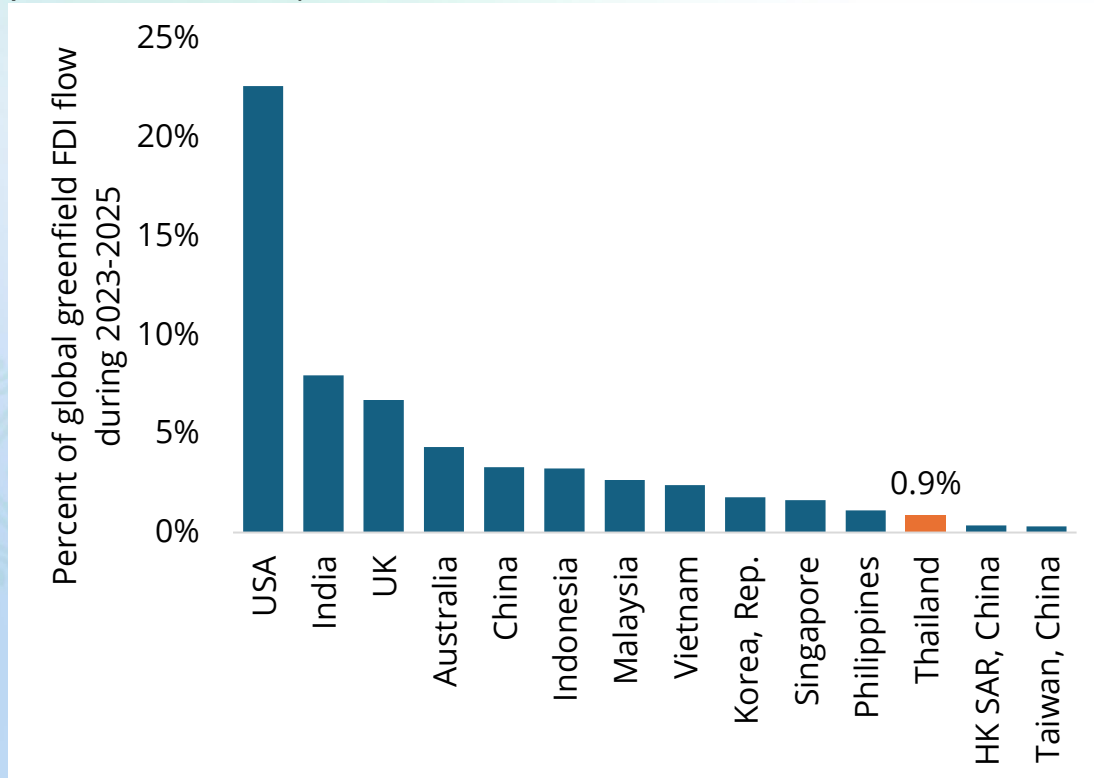




Global FDI is rising

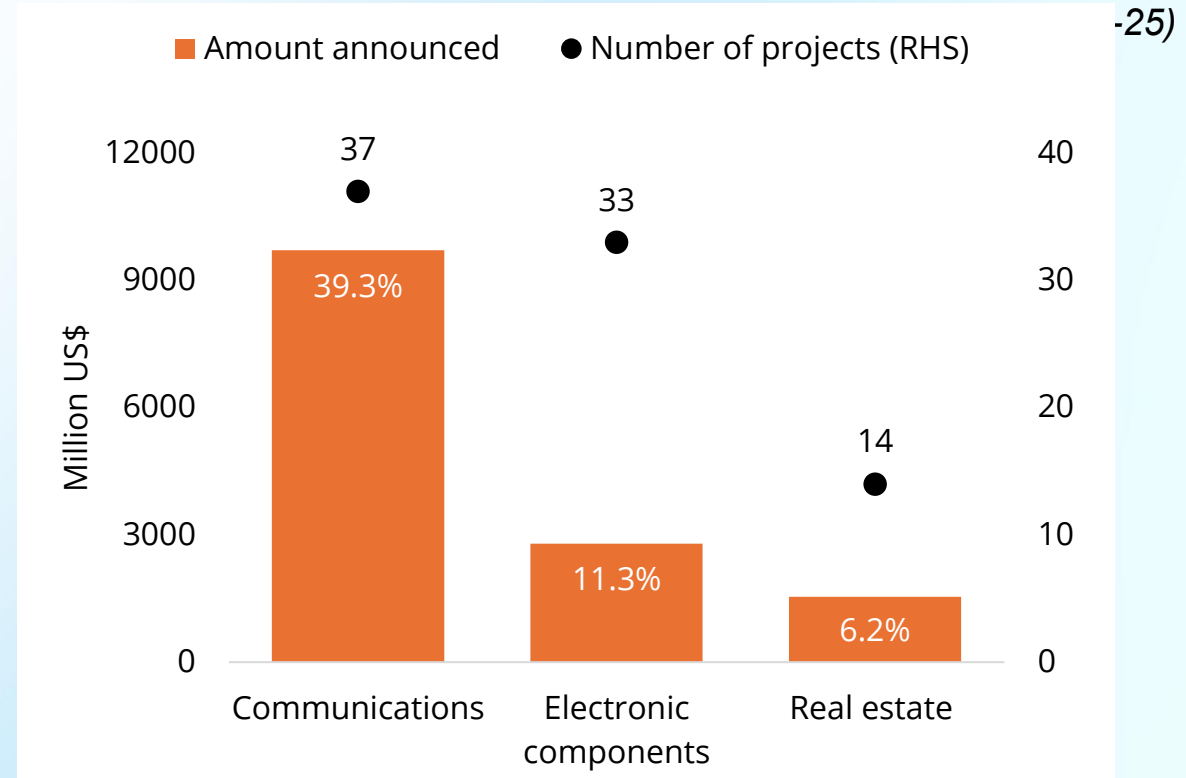
Thailand is ranked 22nd globally in terms of top recipient of greenfield FDI flow

Thailand does not attract as much greenfield FDI as ASEAN peers
(Countries attracting large shares of global greenfield FDI, and selected peers of Thailand)



Source: fDI markets database, World Bank staff calculation

Globally, projects of renewable energy, communications, and semiconductors were popular, while for Thailand, communications projects were the most attractive



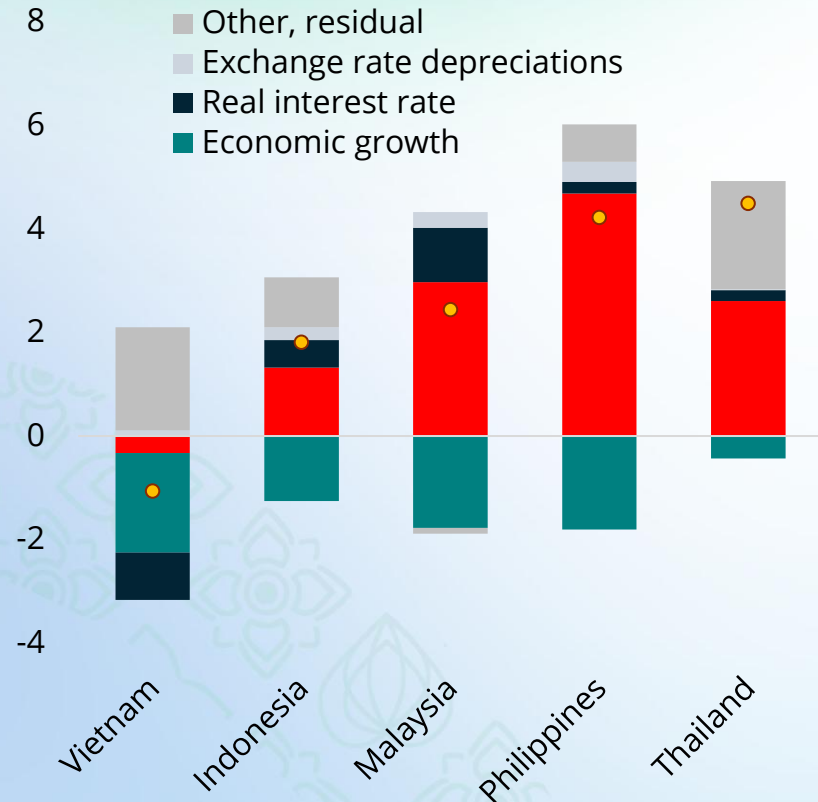
Source: The Multinational Revenue, Employment, and Investment Database (MREID)



Thailand will need to prioritize growth-enhancing spending while maintaining fiscal sustainability

Increased public debt was driven by fiscal deficit financing and subdued growth

(Debt creating flows, Percentage points of GDP, average of 2020-24)



Policy priorities: spending for growth with fiscal sustainability

Boost growth-enhancing public investment

- **Scale up public investment in connectivity and urban infrastructure** to unlock growth in secondary cities.
- **Invest in resilient infrastructure**, flood control, coastal erosion prevention, water management to reduce economic losses and protect human capital
- **Expand renewable energy and resilient power systems** to support green investment and long-term competitiveness.
- **Accelerate digital government investment** to improve service delivery, spending efficiency, and fiscal transparency

Increase spending on human capital and skills

- **Scale up reskilling and upskilling programs** to support labor mobility and structural transformation
- **Strengthen STEM, technical skills, and foundational skills** (literacy, numeracy, digital skills) to close gaps in high-tech sectors and raise productivity

Maintain medium- to long-term fiscal sustainability through tax reform

- **Gradually raise the VAT rate**, with targeted support for vulnerable groups.
- **Streamline personal income tax deductions** to broaden the tax base and improve equity.
- **Strengthen tax administration and compliance** through digitalization to expand the tax base and reduce leakages



Policy Focus



Competition

Goal: Improves efficiency, lowers costs, and unlocks domestic and foreign investment in high-value activities

Advance competition-enhancing reforms in services, digital infrastructure, logistics, and other backbone sectors; streamline and update regulations that currently hinder market entry, scale-up, and innovation.



Skills

Goal: Reduces skill gaps, increases employability, and strengthens workforce readiness for structural transformation.

Expand industry-aligned training and reskilling to address mismatches and prepare workers for fast-growing sectors (EVs, advanced electronics, digital services, green manufacturing).



Fiscal Rebalancing

Goal: Rebuilds fiscal space, supports productive investment, and enhances resilience to shocks.

Reduce the deficit in line with the Medium-Term Fiscal Framework; prioritize efficient public investment and targeted social protection; broaden the revenue base, including through VAT normalization and strengthening digital tax administration.