THAILAND

Table 1	2020
Population, million	69.3
GDP, current US$ billion	501.6
GDP per capita, current US$	7238.1
Upper middle-income poverty rate ($5.5)[a]	6.2
Gini index[a]	34.9
School enrollment, primary (% gross)[b]	101.1
Life expectancy at birth, years[b]	77.2
Total GHG Emissions (mtCO2e)	408.3

Source: WDI, Macro Poverty Outlook, and official data.
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2019).

The economy expanded by 2.0 percent in the first half of 2021 amid the third wave of the COVID-19 pandemic, after suffering its worst contraction since the Asian financial crisis in 2020, and is not expected to recover to pre-COVID-19 levels until 2023. Despite the subdued outlook for domestic activity, a recovery in merchandise exports due to stronger global demand is expected to support growth. Extended government relief measures will continue to support the poor and affected workers.

Key conditions and challenges

Immediate challenges include implementation of the government's mass vaccination drive and continuing support to households and firms. The timely procurement and distribution of vaccines is critical for the resumption of domestic and tourism activities. The government acted quickly to support vulnerable households by substantially expanding social assistance to mitigate income losses. However, additional relief remains necessary to support livelihoods as well as keep viable businesses afloat in the current lockdown. Implementing planned public infrastructure investments can help support economic activity and job creation.

The deep economic downturn is projected to reduce potential output growth by 0.3 ppts over 2021-2022 compared to pre-pandemic growth through lower productivity, investment and human capital. The large drop in capital stock growth due to the pandemic, rapidly declining share of the working-age population and slow factor reallocation have contributed to the potential output losses. High uncertainty and firm closures will harm investment, while job loss and school closures will lead to lower human capital over the longer term.

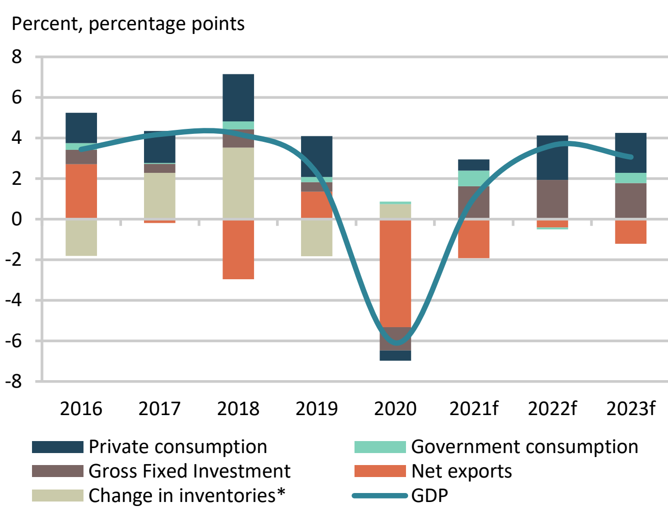
Raising productivity through structural reforms will be critical to support long-term growth. The liberalization of trade in services and other measures to promote economic openness could attract knowledge-intensive foreign direct investment (FDI). FDI will be critical for Thailand's integration into more complex global value chains for higher-value-added goods and services. Further strengthening social safety nets can help support the transition of workers into new higher-value-added sectors.

Recent developments

The economy grew 7.8 percent (yoy) in Q2, registering its first expansion in six quarters due to a rebound from its low base in 2020 as well as the recovery in merchandise exports. Compared to the previous quarter, the economy expanded by 0.4 percent (qoq). Exports of goods rose by 10.8 percent (qoq) but private consumption and investment both declined for the second consecutive quarter. The third wave of infections and reimposition of containment measures as of April have reduced mobility and negatively affected consumption and business sentiment.

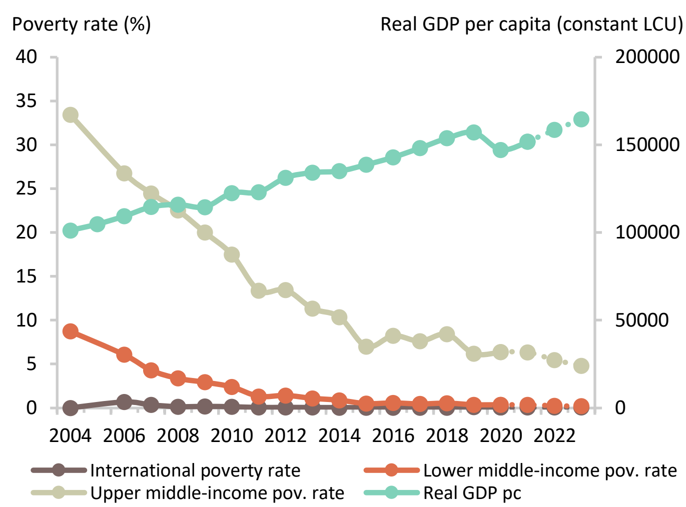
Delays in the COVID-19 vaccine rollout amid supply constraints have weighed on domestic activity and tourism recovery. At current rates of vaccination of 40 percent, Thailand is expected to reach its mass vaccination target of 70 percent by mid-2022, well beyond the government's end-2021 target. The reopening of borders to international travel and revival of the international tourism receipts (11 percent of GDP in 2019) will hinge on a successful vaccination rollout. In 2021, the number of international tourists is expected to remain small at just less than 1 percent of pre-pandemic levels. This is despite the gradual reopening of

FIGURE 1 Thailand / Real GDP growth and contributions to real GDP growth



Sources: World Bank staff calculations and NESDC.
Note: * Includes statistical discrepancy.

FIGURE 2 Thailand / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

borders, starting with the launch of the Phuket Sandbox, a quarantine-free travel destination for vaccinated tourists.

The fiscal deficit continued to widen in the first three quarters of FY 2021 (year ended September) to 8.3 percent of GDP compared with 6.8 percent in the same period last year. The government ramped up the size of COVID-19-related spending by approving another COVID-response package (3 percent of GDP), on top of the 6 percent of GDP approved last year, most of which has already been disbursed. Public debt has increased to 56.1 percent of GDP up from 42 percent prior to the pandemic.

Monetary policy has remained accommodative, and the central bank has continued to focus on providing more targeted liquidity support to firms. The current account has remained in deficit since the fourth quarter of 2020. Muted tourism receipts and soaring freight costs have caused the net services deficit to increase by 2 percent of GDP since the fourth quarter of 2020. By August 2021, the Thai baht had depreciated by 7.0 percent from end-2020 levels (on a real effective exchange rate basis), making it the worst performing currency in Asia.

The poverty rate increased from 6.2 percent in 2019 to 6.4 percent in 2020 (based on the upper middle-income poverty line of 5.5 dollars a day, 2011 PPP) with 150,000 people falling into poverty. Sizable social assistance in 2020 (3.2 percent of GDP) helped contain the increase in poverty. The number of people falling into poverty could have been 710,000 higher or 1.0 percentage points larger during 2020 in the absence of the government's response.

Outlook

The economy is expected to remain subdued in 2021 and the path of recovery remains uncertain due to the spread of highly transmissible COVID-19 variants, delays in mass vaccination and implications for tourism. Real GDP is projected to expand 1.0 percent in 2021 due to subdued domestic demand, and then pick up to 3.7 percent in 2022. GDP is expected to remain below its pre-pandemic 2019 level until 2023, on the assumption that the government's target to fully vaccinate 70 percent of population by end-2021 will not be achieved until the first half of 2022. However, fiscal spending is expected to remain sizeable and supportive. Public debt is projected to rise further to 62 percent due to the additional planned fiscal support. On the external side, merchandise exports are expected to be the major driver of growth given strengthening external demand, while tourism will only start to see a significant recovery in late 2022 once the mass vaccination target is achieved. The overall growth projection for 2022 assumes that the number of international tourists increases to 1.7 million (4 percent of pre-pandemic levels) next year.

The spread of the highly transmissible variants globally means that risks to the outlook remain high. Rising COVID-19 cases globally could dampen the outlook for export recovery and further delay the reopening of borders for international travel. More stringent containment measures may need to be reimposed if outbreaks of new variants cannot be contained amid logistical challenges in procuring and distributing vaccines. The risk of political instability has increased as reflected by ongoing anti-government protests seeking constitutional reform and the resignation of the Prime Minister. Continued expansion of protests could reduce foreign investment and delay the recovery. The poverty rate is estimated to stay relatively unchanged in 2021 at 6.3 percent. Compared with the pre-COVID level in 2019, an additional 160,000 people have fallen into poverty. In 2022, the poverty rate is projected to trend downward, and fall below pre-pandemic level.

TABLE 2 Thailand / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020	2021 e	2022 f	2023 f
Real GDP growth, at constant market prices	4.2	2.3	-6.1	1.0	3.6	3.1
Private Consumption	4.6	4.0	-1.0	1.0	4.0	3.6
Government Consumption	2.6	1.7	0.9	5.0	-0.6	3.3
Gross Fixed Capital Investment	3.8	2.0	-4.8	6.6	7.5	6.5
Exports, Goods and Services	3.4	-3.0	-19.4	11.2	6.9	5.2
Imports, Goods and Services	8.3	-5.2	-13.3	14.8	7.5	6.9
Real GDP growth, at constant factor prices	4.2	2.4	-6.0	1.0	3.7	3.0
Agriculture	5.8	-0.6	-3.6	1.4	1.3	1.2
Industry	2.9	0.1	-5.3	8.8	4.8	3.9
Services	4.8	4.0	-6.6	-3.5	3.2	2.6
Inflation (Consumer Price Index)	1.1	0.7	-0.8	1.0	1.1	1.3
Current Account Balance (% of GDP)	5.6	7.0	3.2	-0.4	1.2	1.6
Net Foreign Direct Investment (% of GDP)	-0.8	-1.0	-4.5	0.6	0.5	0.5
Fiscal Balance (% of GDP)	0.1	-0.8	-4.8	-7.4	-6.0	-3.7
Debt (% of GDP)	41.4	40.8	50.0	59.0	62.2	62.7
Primary Balance (% of GDP)	1.1	0.2	-3.8	-6.1	-4.8	-2.5
International poverty rate ($1.9 in 2011 PPP)[a,b]	0.0	0.1	0.0	0.0	0.0	0.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	0.5	0.3	0.3	0.3	0.3	0.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	8.4	6.2	6.4	6.3	5.5	4.8
GHG emissions growth (mtCO2e)	0.6	0.3	-5.7	0.3	1.4	0.8
Energy related GHG emissions (% of total)	58.2	57.0	56.0	56.2	56.5	56.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate. f = forecast.

(a) Calculations based on EAPPOV harmonization, using 2014-SES, 2020-, and 2019-SES.Actual data: 2019. Nowcast: 2020. Forecast are from 2021 to 2023.

(b) Projection using point-to-point elasticity (2014-2020) with pass-through = 0.7 based on GDP per capita in constant LCU.