

# THAILAND

**Table 1** **2022**

Population, million	71.7
GDP, current US\$ billion	495.4
GDP per capita, current US\$	6910.0
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	12.2
Gini index <sup>a</sup>	35.1
School enrollment, primary (% gross) <sup>b</sup>	101.7
Life expectancy at birth, years <sup>b</sup>	78.7
Total GHG emissions (mtCO2e)	438.4

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2021), 2017 PPPs.  
b/ WDI for School enrollment (2022); Life expectancy (2021).

*Thailand's economic recovery continued to trail ASEAN peers, and the decrease in goods exports is adding to the challenge. In 2023, private consumption and gradual recovery in tourism will contribute to a pick-up in economic growth and poverty reduction. Falling inflation and energy subsidies will reduce the pressure on living costs and private consumption. The latter, however, will delay fiscal consolidation. Elevated household debt, climate impacts, and geopolitical tensions pose downside risks to the outlook.*

## Key conditions and challenges

The economic recovery faces major headwinds from the global trade slowdown. Contracting goods exports weigh on manufacturing activity and private investment. By contrast, a strong labor market and falling inflation support private consumption and, therefore, the recovery. Although inflation has fallen to a regional low, risks to inflation persist through the potential supply disruptions caused by El Niño and geopolitical tensions.

Fiscal response to high energy prices supported the recovery but slowed the path toward consolidation. The forthcoming formation of a government following the national elections in May 2023, would support the implementation of ongoing public investment projects and scaling up of social assistance transfers. The existing transfers have provided livelihood support to low-income households and played a significant role in reducing poverty. Nonetheless, the occurrence of additional shocks, such as a resurgence in energy prices, could increase inequality and further erode fiscal space, unless social assistance expenditure programs are better targeted.

In the medium term, Thailand faces structural challenges that limit its growth potential. These obstacles include aging, climate change, insufficient capital investment accumulation, declining export competitiveness, and sizable household debt.

Financial stress related to debt overhang and the escalating impact of climate events on low-income and vulnerable households remain significant obstacles to achieving poverty reduction.

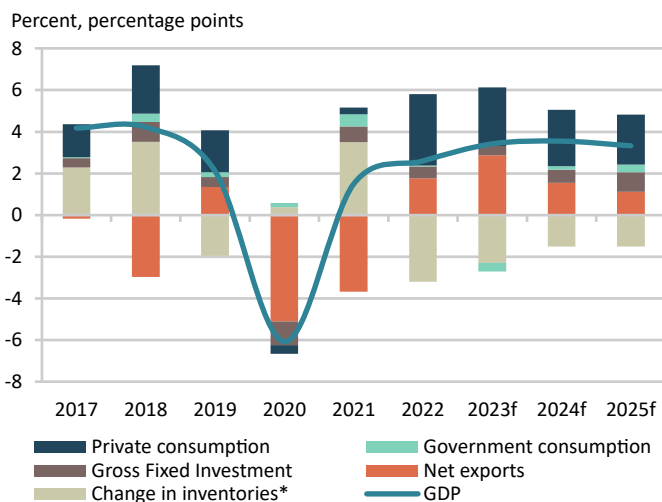
## Recent developments

Growth decelerated more than expected to 1.8 percent (y/y) in 2023Q2, amid the global trade slowdown, but remained flat on a quarterly basis. Private consumption remained robust, buoyed by a strong labor market and the gradual tourism recovery. By June, tourism arrivals reached 80 percent of their pre-pandemic level helped by the reopening of China and matching that of ASEAN peers. Manufacturing production, however, contracted by 4.6 percent in the first half of 2023, mirroring the decline in goods exports, private investment, and global trade.

The current account registered a deficit of 1.5 percent of GDP in 2023Q2, reflecting net remittance outflows of profits and dividends and a reduced goods trade surplus. This negative trend, however, marked an improvement compared to the same period last year, helped by the recovery of tourism receipts. During 2023Q2, the Nominal Effective Exchange Rate (NEER) depreciated, aligning with the current account deficit and portfolio outflows amidst political uncertainty.

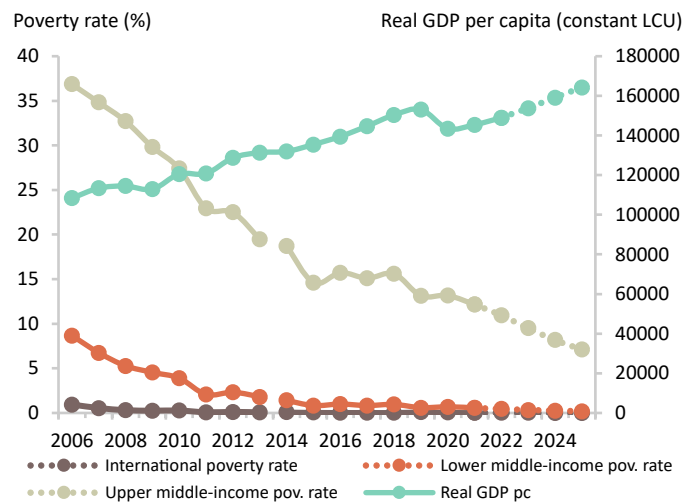
Headline inflation experienced the greatest decline among ASEAN countries, reaching a mere 0.4 percent (y/y) in July, while monetary and fiscal measures sought to

**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.

curb cost-of-living pressures. This drop was primarily driven by a fall in energy prices, with no significant upward pressure on other prices. Core inflation declined compared to last year but remained above its pre-pandemic level. In August, the Bank of Thailand continued its normalization efforts by raising its policy rate to 2.25 percent, citing inflationary risks linked to the El Niño impact on food prices. Nevertheless, the estimated real policy rate remained lower compared to those of ASEAN peers. The fiscal deficit of the central government narrowed in FY2023 owing to the expiration of emergency COVID-19-related expenditures. Nonetheless, the process of fiscal consolidation remained gradual due to subsidies aimed at alleviating the cost-of-living pressures.

Household spending accelerated in 2022, supported by economic growth and labor market recovery. The unemployment rate dropped to 1.1 percent in 2023Q1, down from 1.5 percent in 2022Q1. The average wage for private sector jobs increased by 1.9 percent, with most gains registered in the agricultural and service sectors. Per capita household consumption grew by 8.1 percent between 2021 and 2022, with the bottom 40 percent experiencing

a more rapid growth rate. The poverty headcount rate, at the 6.85 dollars a day (2017 PPP) poverty line, was estimated at 12.2 percent in 2021. The consumption-based Gini index stood at 35.1 points, while the income-based Gini index was higher at 43.1 points. It is anticipated that both poverty and inequality measures will have decreased in 2022. Household debt remained elevated at 90.6 percent of GDP in 2023 Q1, driven primarily by real estate and personal loans.

## Outlook

Growth is projected to accelerate from 2.6 percent in 2022 to 3.4 percent in 2023, primarily driven by the recovery of tourism and strong private consumption. Goods exports, however, are expected to contract by 2.1 percent (in US dollar terms) owing to reduced demand from major advanced economies. The long transition towards a new government will delay public and private investment. Growth in 2024 and 2025 is projected at 3.5 percent and 3.3 percent, respectively. Tourism and private consumption are expected to offset the subdued external demand. Tourist arrivals are

projected to reach their pre-pandemic level by the end of 2024.

Headline inflation is projected to moderate to 1.5 percent in 2023, which is lower than the levels seen in most emerging market economies. This trend is attributed to easing global energy prices and the ongoing implementation of price caps. However, there are still upside risks to core inflation related to increased consumption and elevated global food prices. With the slow progress of fiscal consolidation owing to extended energy subsidies, public debt is expected to remain above 60 percent of GDP till the end of 2023. The current account is expected to shift from its substantial deficit over the past two years and enter positive territory in 2023.

The labor market is expected to remain robust, supported by the ongoing economic recovery. A slowdown in inflation will ease some pressures on households, while the expansion of the state welfare card scheme is expected to additionally contribute to poverty reduction in 2023. Consequently, the projected poverty headcount, measured at the upper-middle-income poverty line of \$6.85 in 2017 PPP, is anticipated to decline to 9.1 percent in 2023 and maintain a downward trajectory throughout 2024 and 2025.

**TABLE 2 Thailand / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2020	2021	2022	2023e	2024f	2025f
<b>Real GDP growth, at constant market prices</b>	-6.1	1.5	2.6	3.4	3.5	3.3
Private consumption	-0.8	0.6	6.3	5.0	4.7	4.2
Government consumption	1.4	3.7	0.2	-2.6	1.1	2.5
Gross fixed capital investment	-4.8	3.1	2.3	1.8	2.6	3.9
Exports, goods and services	-19.7	11.1	6.8	4.8	5.8	4.2
Imports, goods and services	-13.9	17.8	4.1	0.6	3.8	2.8
<b>Real GDP growth, at constant factor prices</b>	-5.3	1.9	2.6	3.4	3.5	3.3
Agriculture	-2.9	2.6	0.5	2.6	2.2	2.2
Industry	-5.1	6.0	-1.0	-1.1	0.1	1.3
Services	-5.6	-0.5	4.9	6.0	5.4	4.4
<b>Inflation (consumer price index)</b>	-0.8	1.2	6.1	1.5	0.7	1.3
<b>Current account balance (% of GDP)</b>	4.2	-2.1	-3.5	0.5	2.6	3.6
<b>Net foreign direct investment inflow (% of GDP)</b>	-4.7	-0.9	0.4	-0.5	-0.8	-1.0
<b>Fiscal balance (% of GDP)</b>	-4.5	-7.0	-4.5	-2.4	-2.1	-2.2
<b>Revenues (% of GDP)</b>	20.7	20.0	19.8	20.2	20.1	20.0
<b>Debt (% of GDP)</b>	50.1	57.8	59.7	60.2	59.6	59.5
<b>Primary balance (% of GDP)</b>	-3.6	-5.7	-3.2	-0.5	-0.2	-0.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>a,b</sup></b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>a,b</sup></b>	0.7	0.6	0.4	0.3	0.2	0.2
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>a,b</sup></b>	13.2	12.2	11.0	9.5	8.2	7.1
<b>GHG emissions growth (mtCO<sub>2</sub>e)</b>	-4.1	4.2	0.3	0.3	2.9	2.8
<b>Energy related GHG emissions (% of total)</b>	57.4	58.6	58.3	57.7	58.2	58.6

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-SES, and 2021-SES. Actual data: 2021. Nowcast: 2022. Forecasts are from 2023 to 2025.

b/ Projection using annualized elasticity (2014-2020) with pass-through = 1 based on GDP per capita in constant LCU.