



Issue 76/2563

July 30, 2020

Thailand's Economic Projections for 2020

“The Thai economy is expected to contract by -8.5 percent in 2020 mainly due to the coronavirus disease 2019 (COVID-19) outbreak, and recover in the range of 4.0 - 5.0 percent in 2021”

Mr. Lavaron Sangsnit, Director General, the Fiscal Policy Office (FPO), and acting as Spokesman of Ministry of Finance together, stated that the Thai economy is expected to contract by -8.5 percent in 2020 (within the range of -9.0 to -8.0 percent). It is expected to slowdown from the previous year which expanded by 2.4 percent, mainly due to the widespread of the coronavirus disease 2019 (COVID-19) outbreak, which results in the slowdown of the major Thailand's trading partner economies and the decline in the number of foreign tourists. The value of Thai merchandise exports in 2020 would experience a sharp decline by -11.0 percent (within the range of -11.5 to -10.5 percent) while the total number of foreign tourists would decrease by -82.9 percent. In addition, private consumption and private investment are expected to decline by -2.6 percent (within the range of -3.1 to -2.1 percent) and -12.6 percent (within the range of -13.1 to -12.1 percent), respectively, in line with Thailand's economic slowdown. However, public expenditure is anticipated to continuously grow from the acceleration of the Fiscal year 2020 budget's disbursement, the reallocation of the budget structure under the Budget Expenditure Transfer Act, B.E. 2563 (A.D. 2020), and the budget under the Emergency Decree Authorizing the Ministry of Finance to Raise Loans to Solve Problems, to Remedy and Restore the Economy and Society as Affected by the Coronavirus Disease Pandemic, B.E. 2563 (2020) of 1 trillion Baht. Accordingly, public consumption and public investment are projected to grow by 4.3 percent (within the range of 3.8 to 4.8 percent) and 9.7 percent (within the range of 9.2 to 10.2 percent), respectively.

The Ministry of Finance expects that the Thai economy will gradually recover after business sectors have resumed their operations resulting in increased economic activity. Moreover, relief measures of phases 1-3 to alleviate people and businesses affected by the spread of the COVID-19 outbreak as well as “We Travel Together” campaign would both support private consumption, maintain the level of employment in labor markets, and stimulate domestic economic activities of the country. In other word, it is expected that the Thai economy already passed the lowest point in the second quarter of this year and would have shown signs of recovery in the following quarter onwards.

For the internal economic stability, the headline inflation in 2020 is expected to stand at -1.3 percent (within the range of -1.8 to -0.8 percent), decreasing from the previous year due to a sharp decline in crude oil and energy prices from the spread of the COVID-19 outbreak, which in turn results in the falling of global oil consumption and domestic demand. For external stability, the current account is projected to register a surplus of 13.3 billion US dollars, or 2.7 percent of GDP (within the range of 2.2 to 3.2 percent of GDP).

The Ministry of Finance spokesperson also added that, “the Ministry of Finance closely monitors the economic risk factors and additional limitations, for example, the situation of the COVID-19 outbreak, the development of the vaccine or the treatment against the COVID-19 infection, and the gradual relaxation of travel restriction in many countries. These factors will have a significant impact on the number of foreign tourists visiting to Thailand in the remaining month of 2020 and Thailand’s economic outlook of 2020. Looking ahead, customer goods and digital-related products would recover faster along with changing patterns of consumer behaviors under the New Normal way of life would support the growth digital and e-commerce businesses more than expected. Nevertheless, the Ministry of Finance is certain that relief measures to alleviate the direct and indirect effects of the COVID-19 on the Thai economy in Phase 1-3 is one of the important mechanisms that resolve and remedy for affected people and private sectors from the COVID-19 outbreak in supporting the stable recovery of the Thai economy in the near future. Given these stimulus measures, the Thai economy is projected to grow in the range of 4.0 -5.0 percent in 2021. Under high uncertainties of the COVID-19 pandemic, the Ministry of Finance continues to closely monitor the current situation and stands ready to take additional measures as necessary.

Major Assumptions and Economic Projections for 2020

	2018	2019	2020f	
			as of July 20	
			Avg	Range
Projections				
1) GDP Growth Rate (percent y-o-y)	4.2	2.4	-8.5	-9.0 to -8.0
2) Real Consumption Growth (percent y-o-y)				
- Real Private Consumption (percent y-o-y)	4.6	4.5	-2.6	-3.1 to -2.1
- Real Public Consumption (percent y-o-y)	2.6	1.4	4.3	3.8 to 4.8
3) Real Investment Growth (percent y-o-y)				
- Real Private Investment (percent y-o-y)	4.1	2.8	-12.6	-13.1 to -12.1
- Real Public Investment (percent y-o-y)	2.9	0.2	9.7	9.2 to 10.2
4) Export Volume of Goods and Services (percent y-o-y)	3.3	-2.6	-27.8	-28.3 to -27.3
5) Import Volume of Goods and Services (percent y-o-y)	8.3	-4.4	-19.5	-20.0 to -19.0
6) Trade Balance (USD billion)	22.4	26.7	30.7	28.4 to 32.9
- Export Value of Goods in USD (percent y-o-y)	7.5	-3.3	-11.0	-11.5 to -10.5
- Import Value of Goods in USD (percent y-o-y)	13.7	-5.6	-14.2	-14.7 to -13.7
7) Current Account (billion U.S.)	28.5	38.4	13.3	10.9 to 15.7
- Percentage of GDP	5.6	7.1	2.7	2.2 to 3.2
8) Headline Inflation (percent y-o-y)	1.1	0.7	-1.3	-1.8 to -0.8
Core Inflation (percent y-o-y)	0.7	0.5	0.2	-0.3 to 0.7
Major Assumptions				
<u>Exogenous Variables</u>				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.9	3.1	-4.1	-4.6 to -3.6
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	69.4	63.5	42.0	37.0 to 47.0
<u>Policy Variables</u>				
3) Exchange Rate (Baht per U.S. dollar)	32.3	31.1	31.7	31.2 to 32.2
4) Public Expenditure (Trillion Baht)	3.60	3.69	3.94	3.89 to 3.99
5) Number of foreign tourists (Million)	38.2	39.8	6.8	6.3 to 7.3