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### Thailand's Economic Projections for 2020 and 2021

“Thai economy is expected to contract by -7.7 percent in 2020, improving from the previous forecast, mainly due to further easing of the government to control the spread of the Coronavirus disease 2019(COVID-19) as well as stimulus measures to support economic recovery. Furthermore, Thai economy would show a positive recovery with a 4.5 percent growth in 2021.”

Mr. Pornchai Thiraveja, Financial Policy Advisor of the Fiscal Policy Office and Deputy Spokesperson of the Ministry of Finance stated that the Thai economy is expected to contract by -7.7 percent in 2020 (within the range of -8.2 to -7.2 percent), improving from the previous forecast at -8.5 percent as of July 2020. This recovery primarily stems from 1) further relaxation of the containment measures on the Coronavirus disease 2019 (COVID-19) and the re-opening of the country, leading to the recovery of economic activities, 2) a faster-than-expected recovery of Thailand's trading partner economies, especially China and Vietnam, resulting in a gradual improvement on the value of Thai merchandise exports, and 3) effective controls on the spread of the COVID-19 by the government, boosting confidence among people, private sectors, and international investors. It is expected that private consumption and private investment would contract by -3.0 percent (within the range of -3.5 to -2.5 percent) and -9.8 percent (within the range of -10.3 to -9.3 percent), respectively. In addition, the value of Thai merchandise exports in 2020 would show a gradual improvement by -7.8 percent (within the range of -8.3 to -7.3 percent), better-than-previous projection, which stood at -11.0 percent.

Moreover, in the second half of the year, the government continuously implements additional stimulus measures in order to support economic recovery. These include 1) “Increasing spending power of state welfare card holder program”, and 2) “Half-Half scheme, and 3) “Shop and Payback scheme”, which all of these measures support private consumption, maintain the level of employment in labor markets, and stimulate domestic economic activities of the country. Accordingly, public consumption and public investment are projected to grow by 4.0 percent (within the range of 3.5 to 4.5 percent) and 10.5 percent (within the range of 10.0 to 11.0 percent), respectively. Furthermore, it is expected that 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. The stability of Thai economy is expected to remain strong. For the internal economic stability, the headline inflation in 2020 is expected to stand at -0.9 percent (within the range of -1.4 to -0.4 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. For the external stability, the current account is projected to register a surplus of 14.1 billion US dollars, or 2.8 percent of GDP (within the range of 2.3 to 3.3 percent of GDP).

For the Thai economy in 2021, the Ministry of Finance expects the Thai economy to expand at 4.5 percent (within the range of 4.0 to 5.0 percent). In particular, the value of Thai merchandise exports is expected to pick up at 6.0 percent (within the range of 5.5 to 6.5 percent) in line with the outlook of the main trading partners' economies. Meanwhile, private consumption would grow at 2.6 percent (within the range of 2.1 to 3.1 percent). With regard to government expenditure, both the budget structure under the Budget Expenditure Transfer Act, B.E. 2564 (A.D. 2021), 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 are expected to be continuously disbursed. For the internal stability, headline inflation in 2021 is projected to turn positive at 1.0 percent (within the range of 0.5 - 1.5 percent) due to the recovery of domestic demand.”

The Deputy Spokesperson also added, “the Ministry of Finance closely monitors the economic risk factors and additional limitations, for example, the second-wave outbreak of the COVID-19 in many countries, geopolitics and the 2020 US election that may determine the future trend of the world trade and the global growth, the withdrawal from the European Union of the United Kingdom (Brexit), impacts of the global financial system due to the implementation of fiscal and monetary policies in many countries. However, Thailand’s fiscal position remains strong, leading the Ministry of Finance to ready take additional measures in response to changes in the future economic situation.

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Bureau of Macroeconomic Policy, Fiscal Policy Office  
Tel. 0 2273 9020 ext. 3223 3273 Fax. 0 2298 5602

*Major Assumptions and Economic Projections for 2020 and 2021*

	2018	2019	2020f		2021f	
			as of Oct 20			
			Avg	Range	Avg	Range
<b>Projections</b>						
1) GDP Growth Rate (percent y-o-y)	4.2	2.4	-7.7	-8.2 to -7.2	4.5	4.0 to 5.0
2) Real Consumption Growth (percent y-o-y)						
- Real Private Consumption (percent y-o-y)	4.6	4.5	-3.0	-3.5 to -2.5	2.6	2.1 to 3.1
- Real Public Consumption (percent y-o-y)	2.6	1.4	4.0	3.5 to 4.5	5.8	5.3 to 6.3
3) Real Investment Growth (percent y-o-y)						
- Real Private Investment (percent y-o-y)	4.1	2.8	-9.8	-10.3 to -9.3	4.0	3.5 to 4.5
- Real Public Investment (percent y-o-y)	2.9	0.2	10.5	10.0 to 11.0	12.2	11.7 to 12.7
4) Export Volume of Goods and Services (percent y-o-y)	3.3	-2.6	-20.9	-21.4 to -20.4	5.4	4.9 to 5.9
5) Import Volume of Goods and Services (percent y-o-y)	8.3	-4.4	-14.4	-14.9 to -13.9	5.7	5.2 to 6.2
6) Trade Balance (USD billion)	22.4	26.7	34.4	32.1 to 36.7	32.7	30.5 to 34.9
- Export Value of Goods in USD (percent y-o-y)	7.5	-3.3	-7.8	-8.3 to -7.3	6.0	5.5 to 6.5
- Import Value of Goods in USD (percent y-o-y)	13.7	-5.6	-12.3	-12.8 to -11.8	8.0	7.5 to 8.5
7) Current Account (billion U.S.)	28.5	38.4	14.1	11.6 to 16.6	13.1	10.4 to 15.7
- Percentage of GDP	5.6	7.1	2.8	2.3 to 3.3	2.5	2.0 to 3.0
8) Headline Inflation (percent y-o-y)	1.1	0.7	-0.9	-1.4 to -0.4	1.0	0.5 to 1.5
Core Inflation (percent y-o-y)	0.7	0.5	0.3	-0.2 to 0.8	0.4	-0.1 to 0.9
<b>Major Assumptions</b>						
<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	5.1	4.6 to 5.6
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	69.4	63.5	41.5	36.5 to 46.5	44.5	39.5 to 49.5
<u>Policy Variables</u>						
3) Exchange Rate (Baht per U.S. dollar)	32.3	31.1	31.4	30.9 to 31.9	30.9	29.89 to 31.89
4) Public Expenditure (Trillion Baht)	3.60	3.69	3.90	3.85 to 3.95	4.26	4.21 to 4.31
5) Number of foreign tourists (Million)	38.2	39.8	6.7	6.2 to 7.2	8.0	7.0 to 9.0