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

“Thai economy in 2020 is expected to contract by -6.5 percent in 2020 while the economy is projected to expand by 2.8 percent in 2021, down from the previous projection, mainly due to the new epidemic of the COVID-19 in many countries. However, the government stimulus measure would continue to play an important role in sustaining the economy amid uncertainties.”

Ms. Kulaya Tantitemit, Inspector General of the Ministry of Finance, Acting Director General of the Fiscal Policy Office and Spokesperson of the Ministry of Finance, stated that the Thai economy is expected to contract by -6.5 percent in 2020 (within the range of -6.8 to -6.3 percent), which would be a smaller contraction than the previous forecast at -7.7 percent as of October 2020. This recovery primarily stems from effective controls on the spread of the COVID-19 together with relief measures and stimulus packages by the government which eventually resulted in the continuity of the economic recovery in the second half of 2020. It is expected that private consumption and private investment would contract by -0.9 percent (within the range of -1.2 to -0.7 percent) and -8.9 percent (within the range of -9.2 to -8.7 percent), respectively. These two components improved from the previous forecast, which stood at -3.0 percent and -9.8 percent, respectively. In addition, the value of Thai merchandise exports in 2020 would show a gradual improvement by -6.6 percent (within the range of -6.8 to -6.3 percent), better-than-previous projection, which was at -7.8 percent, thanks to the recovery in global economic activities after the relaxation of outbreak containment measures in the main trading partners' economies.

For the Thai economy in 2021, the Ministry of Finance expects the Thai economy to expand by 2.8 percent (within the range of 2.3 to 3.3 percent), lower than previously assessed, mainly due to an emergence of the new epidemic of the COVID-19 in many countries, including Thailand. Consequently, this could affect Thailand's economic activities, international arrivals, and limited admission to Thailand, causing a significant decline in the number of foreign tourists. However, effective COVID-19 vaccines coupled with extensive vaccination coverage, ongoing fiscal measures, including Half-half Scheme, We Win, and additional financial measures by Specialised Financial Institutions (SFIs) as well as the continuation of the remaining disbursement on 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 would be the key driver to mitigate adverse impacts on the economy going forward. These

government's implemented measures would support private consumption and maintain the level of employment in labor markets in the period ahead. Accordingly, private consumption and private investment are projected to grow up by 2.5 percent (within the range of 2.0 to 3.0 percent) and 3.4 percent (within the range of 2.9 to 3.9 percent), respectively. With regard to public sectors, public consumption would grow by 6.1 percent (within the range of 5.6 to 6.6 percent) while public investment would remain high at 12.1 percent (within the range of 11.6 to 12.6 percent). Meanwhile, the value of Thai merchandise exports is expected to pick up at 6.2 percent (within the range of 5.7 to 6.7 percent) in line with the outlook of the main trading partners' economies. For the internal stability, headline inflation in 2021 is projected to turn positive at 1.3 percent (within the range of 0.8 to 1.8 percent) owing to a gradual rise in crude oil prices and a significant recovery in domestic demand."

The Ministry of Finance Spokesperson also added, "The Thai economy in 2021 would gradually recover in tandem with the recovery of global economic activities, supported by the efficacy and distribution of the COVID-19 vaccine and stimulus packages in many countries. Nevertheless, the economic recovery would remain highly uncertain and depend on 1) effective controls of the 2019 COVID outbreak, 2) vaccine efficacy and vaccination coverage in many countries, and 3) uncertain economic policies in advanced economies and greater vulnerabilities in the global financial system. However, Thailand has a sound economic fundamental and strong fiscal position as well as sufficient liquidity, leading the Ministry of Finance to ready take additional tools in an appropriate and timely manner.

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*Major Assumptions and Economic Projections for 2020 and 2021*

|   | 2018 | 2019 | 2020f        |                | 2021f |                |
|---|------|------|--------------|----------------|-------|----------------|
|   |      |      | as of Jan 21 |                |       |                |
|   |      |      | Avg          | Range          | Avg   | Range          |
| <b>Projections</b>  |      |      |              |                |       |                |
| 1) GDP Growth Rate (percent y-o-y)  | 4.2  | 2.4  | -6.5         | -6.8 to -6.3   | 2.8   | 2.3 to 3.3     |
| 2) Real Consumption Growth (percent y-o-y)                                |      |      |              |                |       |                |
| - Real Private Consumption (percent y-o-y)                                | 4.6  | 4.5  | -0.9         | -1.2 to -0.7   | 2.5   | 2.0 to 3.0     |
| - Real Public Consumption (percent y-o-y)                                 | 2.6  | 1.4  | 2.7          | 2.5 to 3.0     | 6.1   | 5.6 to 6.6     |
| 3) Real Investment Growth (percent y-o-y)                                 |      |      |              |                |       |                |
| - Real Private Investment (percent y-o-y)                                 | 4.1  | 2.8  | -8.9         | -9.2 to -8.7   | 3.4   | 2.9 to 3.9     |
| - Real Public Investment (percent y-o-y)                                  | 2.9  | 0.2  | 9.3          | 9.0 to 9.5     | 12.1  | 11.6 to 12.6   |
| 4) Export Volume of Goods and Services (percent y-o-y)                    | 3.3  | -2.6 | -19.5        | -19.8 to -19.3 | 3.1   | 2.6 to 3.6     |
| 5) Import Volume of Goods and Services (percent y-o-y)                    | 8.3  | -4.4 | -13.5        | -13.7 to -13.2 | 2.1   | 1.6 to 2.6     |
| 6) Trade Balance (USD billion)  | 22.4 | 26.7 | 37.7         | 35.4 to 40.0   | 37.0  | 38.4 to 35.7   |
| - Export Value of Goods in USD (percent y-o-y)                            | 7.5  | -3.3 | -6.6         | -6.8 to -6.3   | 6.2   | 5.7 to 6.7     |
| - Import Value of Goods in USD (percent y-o-y)                            | 13.7 | -5.6 | -12.5        | -12.7 to -12.2 | 7.8   | 7.3 to 8.3     |
| 7) Current Account (billion U.S.)   | 28.4 | 38.2 | 19.5         | 17.0 to 22.0   | 12.5  | 9.8 to 15.3    |
| - Percentage of GDP   | 5.6  | 7.0  | 3.9          | 3.6 to 4.1     | 2.3   | 1.8 to 2.8     |
| 8) Headline Inflation (percent y-o-y)                                     | 1.1  | 0.7  | -0.8         | -1.1 to -0.6   | 1.3   | 0.8 to 1.8     |
| Core Inflation (percent y-o-y)  | 0.7  | 0.5  | 0.3          | 0.0 to 0.5     | 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  | -3.6         | -3.9 to -3.4   | 5.2   | 4.7 to 5.7     |
| 2) Dubai Crude Oil Price (U.S. dollar per Barrel)                         | 69.4 | 63.5 | 42.3         | 39.8 to 44.8   | 50.5  | 45.5 to 55.5   |
| <u>Policy Variables</u>   |      |      |              |                |       |                |
| 3) Exchange Rate (Baht per U.S. dollar)                                   | 32.3 | 31.0 | 31.3         | 30.8 to 31.8   | 29.9  | 28.90 to 30.90 |
| 4) Public Expenditure (Trillion Baht)                                     | 3.60 | 3.69 | 3.87         | 3.84 to 3.89   | 4.24  | 4.19 to 4.29   |
| 5) Number of foreign tourists (Million)                                   | 38.2 | 39.9 | 6.7          | 6.2 to 7.2     | 5.0   | 4.0 to 6.0     |