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Thailand's Economic Projections for 2021

“Thai economy in 2021 is expected to expand by 1.3 percent due to the third wave of COVID-19 outbreak started at the end of the second quarter of 2021. However, merchandise exports are expected to grow strongly in line with trading partner economies’ growth. Meanwhile, the Thai economy in 2022 would pick up and expand in the range of 4.0 - 5.0 percent thanks to increasing foreign tourist admissions and continuous export growth.”

Ms. Kulaya Tantitemit, Director General of the Fiscal Policy Office, and Spokesperson of Ministry of Finance, stated that the Thai economy is expected to expand by 1.3 percent in 2021 (within the range of 0.8 to 1.8 percent) compared to the previous projection as of April 2021 of 2.3 percent. This decline primarily stems from to the third wave of COVID-19 outbreak started at the end of the second quarter of 2021, affecting the domestic economic activities, international travel, and foreign tourist figures. However, exports of goods would see robust expansion in line with trading partner economies’ growth. As indicated, the value of merchandise export expanded by 14.5 percent for the first 5 month of 2020. Consequently, it is expected that the value of Thai merchandise exports would grow at 16.6 percent (within the range of 16.1 to 17.1 percent), improving from the previous forecast at 11.0 percent.

In addition, the continuity support from government measures would be a critical part to help the recovery of the Thai economy. These stimulus measures in response to COVID-19 include Half-Half Scheme Phase 3, Spend More Get More Scheme, Section 33 We Love Each Other Scheme, State Welfare Card Holders Phase 3, Additional Allowances for vulnerable population groups, and financial measures to mitigate the effects of the COVID-19 pandemic on people and businesses through the Specialized Financial Institutions. In addition, 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 and the Additional Emergency Decree Authorizing the

Ministry of Finance to Borrow Money to Address Economic and Social Issues from the COVID-19 Outbreak with an Authorized Amount of 500 billion Baht, B.E. 2564 (2021) would continue to support domestic consumption, strength business sectors and maintain a higher level of employment. Accordingly, public consumption and public investment are projected to grow up by 4.2 percent (within the range of 3.7 to 4.7 percent) and 9.5 percent (within the range of 9.0 to 10.0 percent), respectively. With regard to private sectors, private consumption would grow by 1.0 percent (within the range of 0.5 to 1.5 percent) while private investment would remain high at 4.1 percent (within the range of 3.6 to 4.6 percent).

For the internal stability, headline inflation in 2021 is projected to be at 1.2 percent (within the range of 0.7 to 1.7 percent), lower than the previous forecast owing to the government measure to temporarily reduce electricity bills. For the external stability, the current account would record a slight deficit of -2.9 billion US dollars, or -0.5 percent of GDP (within the range of -1.0 to 0.0 percent of GDP) mainly due to a deficit in service balances.

However, the Thai economy in 2022 would pick up and expand in the range of 4.0 – 5.0 percent. This recovery would be driven by increasing foreign tourist admission in the tandem with a gradual decline in COVID-19 cases in Thailand and abroad. Under this projection, the number of foreign tourists is projected to increase to 12 million in 2022. Likewise, merchandise exports would continuously exhibit strong growth, facilitating the resumption of economic activities, especially business sectors, employment, and domestic demand.

The Ministry of Finance Spokesperson also added, “Thailand’s economic outlook could be affected by the following relevant factors: (1) prolonged outbreaks and virulent virus mutations both the existing and new variants, (2) restrictions on the re-opening plan to admit foreign tourists, (3) the increase in the crude oil price from geopolitical risks and sustainable energy policy, (4) high volatility of capital flows due to global financial conditions. However, the continuity of government measures and policy coordination among government agencies as well as structural reform policies, in particular digital infrastructure, would help foster a sustainable economic recovery going forward.”

Major Assumptions and Economic Projections for 2021

	2019	2020	2021f	
			as of Jul 21	
			Avg	Range
Projections				
1) GDP Growth Rate (percent y-o-y)	2.3	-6.1	1.3	0.8 to 1.8
2) Real Consumption Growth (percent y-o-y)				
- Real Private Consumption (percent y-o-y)	4.0	-1.0	1.0	0.5 to 1.5
- Real Public Consumption (percent y-o-y)	1.7	0.9	4.2	3.7 to 4.7
3) Real Investment Growth (percent y-o-y)				
- Real Private Investment (percent y-o-y)	2.7	-8.4	4.1	3.6 to 4.6
- Real Public Investment (percent y-o-y)	0.1	5.7	9.5	9.0 to 10.0
4) Export Volume of Goods and Services (percent y-o-y)	-3.0	-19.4	8.2	7.7 to 8.7
5) Import Volume of Goods and Services (percent y-o-y)	-5.2	-13.3	12.1	11.6 to 12.6
6) Trade Balance (USD billion)	26.7	40.9	34.8	32.7 to 36.8
- Export Value of Goods in USD (percent y-o-y)	-3.3	-6.5	16.6	16.1 to 17.1
- Import Value of Goods in USD (percent y-o-y)	-5.6	-13.8	23.5	23.0 to 24.0
7) Current Account (billion U.S.)	38.2	17.6	-2.9	-5.5 to -0.4
- Percentage of GDP	7.0	3.5	-0.5	-1.0 to 0.0
8) Headline Inflation (percent y-o-y)	0.7	-0.8	1.2	0.7 to 1.7
Core Inflation (percent y-o-y)	0.5	0.3	0.4	-0.1 to 0.9
Major Assumptions				
<u>Exogenous Variables</u>				
1) Average Economic Growth Rate of Major Trading Partners (percent y-o-y)	3.0	-3.0	5.7	5.2 to 6.2
2) Dubai Crude Oil Price (U.S. dollar per Barrel)	63.5	42.3	66.7	61.7 to 71.7
<u>Policy Variables</u>				
3) Exchange Rate (Baht per U.S. dollar)	31.1	31.3	31.5	31.0 to 32.0
4) Public Expenditure (Trillion Baht)	3.70	3.79	4.06	4.01 to 4.11
5) Number of foreign tourists (Million)	39.9	6.7	0.3	0.1 to 0.6