

THAILAND

Table 1	2021
Population, million	70.0
GDP, current US\$ billion	506.0
GDP per capita, current US\$	7233.4
Upper middle-income poverty rate (\$5.5) ^a	6.4
Gini index ^a	35.0
School enrollment, primary (% gross) ^b	102.2
Life expectancy at birth, years ^b	77.2
Total GHG Emissions (mtCO ₂ e)	392.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2020), 2011 PPPs.
 b/ WDI for School enrollment (2020); Life expectancy (2019).

The economy expanded by just 1.6 percent in 2021 as tourism remained dormant and a surge in COVID-19 cases hit economic activity. Economic activity is expected to return to pre-pandemic levels by early 2023 supported by private consumption and services exports. The pace of recovery is expected to remain protracted and hinges on the evolution of COVID-19 infections, the resumption of tourism, and the fallout from the Ukraine-Russia war. Goods exports are likely to be affected by weakening global demand. Government relief measures are expected to gradually decline, amid ongoing fiscal consolidation.

Key conditions and challenges

The economy is on a recovery path following the reopening of borders and relaxation of lockdown measures. Growth is projected to reach 2.9 percent in 2022 after expanding by just 1.6 percent in 2021. However, risks to growth are skewed to the downside as several uncertainties cloud the outlook. The global trajectory of the pandemic remains unpredictable and the probability of future new vaccine-resistant strains of coronavirus could affect domestic consumption and border restrictions. The recovery will in part depend on continued progress with the vaccination rollout and booster shots, the ongoing implementation of other preventive and testing/tracing measures, and the sustained reopening of international borders.

The pandemic shock is expected to inflict lasting scars on productivity and socioeconomic development in Thailand. A decline in capital investment in 2020 diminished potential output, exacerbating the adverse effects of demographic aging and slow factor reallocation. Employment and learning losses were uneven with vulnerable groups disproportionately affected, worsening inequalities in income and human capital accumulation. Meanwhile, increasing levels of corporate and household debt could pose risks, including risks to the financial sector once existing forbearance measures expire. On the other hand, a deferral of productive investments due to weakened firm balance

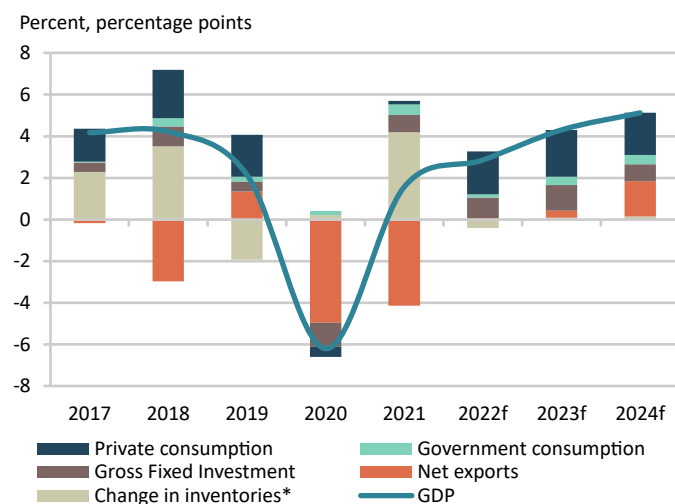
sheets would reduce potential output over the longer-term.

The Ukraine-Russia war is likely to have a substantial impact on domestic oil prices and consumer prices as Thailand is a net commodity importer. High consumer prices will weigh on household welfare. As the economic recovery is expected to be gradual, continued but scaled-down social assistance and government relief programs are necessary to mitigate the welfare impact of rising prices on household livelihoods.

Recent developments

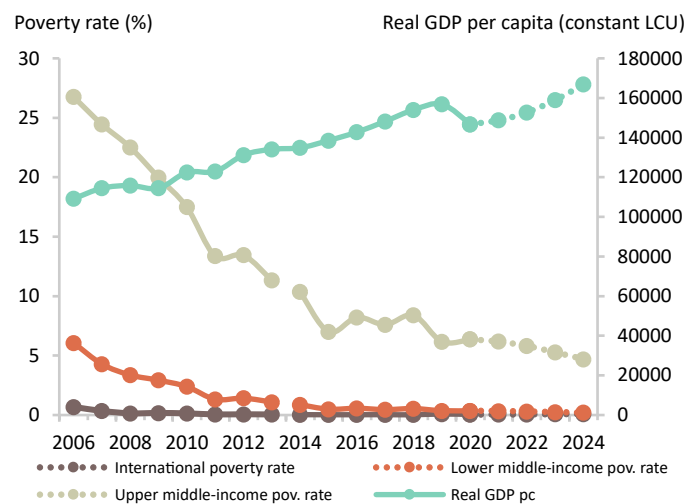
The economy expanded by 1.6 percent in 2021 as a surge in COVID-19 cases hit economic activity. This followed a contraction of 6.2 percent in 2020 - the worst since the Asian Financial Crisis. Private consumption weakened due to the COVID-19 outbreak and the containment measures in 2021. Goods exports were the main source of growth, following the pickup in global demand. The economy gained traction in the fourth quarter, growing by 1.9 percent (yoy), up from -0.2 percent in the previous quarter. Contributing factors included the relaxation of lockdown measures, the reopening of borders for vaccinated visitors, and continued COVID-19 relief measures. The central government fiscal deficit widened significantly in FY21 (year ended September) to 8.7 percent of GDP due to further increases in pandemic-response spending. Expenditures rose to 26.4 percent of GDP, up from 23.5 percent in FY20. Public debt increased to 57.8 percent of

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.

GDP. The central bank continued to pursue accommodative monetary policy and the targeted distribution of liquidity support to SMEs. The current account balance turned negative for the first time in 8 years at 2.2 percent of GDP, reflecting the widening service exports deficit due to muted tourism receipts and soaring freight costs. The Real Effective Exchange Rate (REER) depreciated by 4.8 percent in 2021, the second worst-performing currency in Asia after the Japanese yen.

Employment has picked up following the relaxation of lockdown measures and the reopening of borders, but labor market conditions remained weaker than before the pandemic. The unemployment rate declined to 1.6 percent in Q4 2021 but remained above the level of 1.0 percent in 2019. Average household income grew 4.5 percent per year (in nominal terms) during 2019 – 2021, driven by incomes from social assistance and COVID-19 relief measures. Household debt surged during the same period, reaching 89.3 percent of GDP in 2021, which is high compared to regional

peers. The poverty headcount rate (based on the upper middle-income poverty line of 5.5 dollars a day, 2011 PPP) was estimated to have declined from 6.4 percent in 2020 to 6.2 percent in 2021 due to significant fiscal support to households.

Outlook

The economy is expected to return to pre-pandemic levels by early 2023. Growth is projected to reach 2.9 percent in 2022 and 4.3 percent in 2023, driven by increased private consumption and services exports. But weakening global demand will slow growth in goods exports. The fallout from the Ukraine-Russia war will weigh on domestic consumption, external demand, and tourism. Government relief measures are expected to gradually decline amid fiscal consolidation. Headline inflation is expected to rise markedly to 3.7 percent in 2022 due to supply-side driven factors, including the surge in global oil prices following the

Ukraine-Russia war. However, second-round inflation pressures are projected to remain contained due to the remaining output gap, price administration, and anchored inflation expectations.

The pace of recovery will hinge on the evolution of COVID-19 infections and the resumption of tourist arrivals. Despite the reopening of borders, the pace of the tourism recovery is likely to be gradual due to the ongoing Omicron wave, continued travel restrictions by China, and the Ukraine–Russia war.

Labor market conditions are expected to gradually improve as the tourism sector continues to recover. Social assistance income is expected to rise due to an expansion of eligible beneficiaries of the state welfare card scheme from 13.5 million in 2021 to 20 million in 2022. Following the growth rebound, the expansion of the social assistance programs, and the continuation of the COVID-19 recovery programs, household income is expected to increase and the poverty headcount rate is projected to decline to 5.8 percent in 2022.

TABLE 2 Thailand / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	2.2	-6.2	1.6	2.9	4.3	5.1
Private Consumption	4.0	-1.0	0.3	3.8	4.1	3.7
Government Consumption	1.6	1.4	3.2	0.9	2.5	2.9
Gross Fixed Capital Investment	2.0	-4.8	3.4	4.0	4.9	3.3
Exports, Goods and Services	-3.0	-19.7	10.4	6.7	5.7	7.8
Imports, Goods and Services	-5.2	-14.1	17.9	6.5	5.1	5.3
Real GDP growth, at constant factor prices	2.2	-5.6	1.6	2.8	4.3	5.1
Agriculture	-0.5	-3.2	1.3	1.3	1.2	1.2
Industry	-0.7	-5.3	3.4	4.8	3.9	3.9
Services	4.2	-6.0	0.6	1.9	4.9	6.3
Inflation (Consumer Price Index)	0.7	-0.8	1.2	3.7	0.9	1.1
Current Account Balance (% of GDP)	7.0	4.2	-2.2	-2.4	0.2	2.2
Net Foreign Direct Investment (% of GDP)	-1.0	-4.8	0.6	0.5	0.5	0.5
Fiscal Balance (% of GDP)	0.4	-4.5	-7.8	-3.9	-2.2	-2.0
Debt (% of GDP)	40.9	50.1	57.7	62.6	63.2	61.8
Primary Balance (% of GDP)	1.4	-3.6	-6.5	-2.8	-0.9	-0.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	0.1	0.0	0.0	0.1	0.1	0.1
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	0.3	0.3	0.3	0.3	0.2	0.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	6.2	6.4	6.2	5.8	5.3	4.7
GHG emissions growth (mtCO₂e)	0.0	-6.0	1.8	-0.7	1.8	3.6
Energy related GHG emissions (% of total)	61.3	59.5	60.1	59.4	59.6	60.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

a/ Calculations based on EAPPOV harmonization, using 2014-SES, 2019-SES, and 2020-SES. Actual data: 2020. Nowcast: 2021. Forecasts are from 2022 to 2024.

b/ Projection using annualized elasticity (2014-2019) with pass-through = 0.7 based on GDP per capita in constant LCU.