



BANK OF THAILAND

Thailand's Economic Conditions in 2021



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Summary of the Global and the Thai Economies in 2021

Overall, the global economy in 2021 picked up from the previous year. Many countries showed signs of economic recovery from the COVID-19 pandemic and economic growth tended to normalize despite experiencing another wave of the COVID-19 outbreak towards the end of 2021, which induced restrictive containment measures in several countries. Nevertheless, good progresses on vaccination as well as the living with COVID strategy among many countries had helped support the economic recovery. Risks to the global economy, however, remained in terms of uncertainties regarding virus mutations and problems of supply disruption, including shortages of semiconductors and freight containers.

Going forward, the global economy would likely continue to recover as the outbreak subsided with vaccination rate reaching a desirable target, while the problems of supply disruption were likely to improve within the second half of 2022. Several additional risks warranted a close monitoring, including normalization of monetary policy from central banks, which could increase volatility in the financial markets.

For Thailand, the economy in 2021 expanded by 1.5 percent from the previous year and was driven by recoveries in both external and domestic demands. The impact of the new wave of infections on the Thai economy was not as severe as the first wave thanks to less restrictive containment measures compared to the previous year, and the support from additional government measures. Meanwhile, merchandise exports expanded well in line with improving trading partners' economies and had also benefited from the upward cycle of electronic products. Thus, improvement in exports was broad-based across categories, which included automotive, chemical and petrochemical products, as well as electrical appliances.

Private consumption displayed a subdued growth and remained below the pre-pandemic level. This was due to the severe outbreak occurred in the third quarter of 2021, which deteriorated employment, household income, and consumer confidence despite having several supportive government measures, such as the co-payment schemes and allowance for vulnerable groups in an attempt to shore up household consumption. Private investment, nevertheless, expanded from the previous year from higher investment in the machinery and equipment category on the back of improving external and domestic demands.

Government expenditure played an essential role in supporting the economy. Public consumption and investment increased due to expedited disbursement of funds under the 1 trillion-baht Emergency Decree, together with the additional 500-million-baht Emergency Decree, all of which helped support household's purchasing power as well as helped strengthen healthcare capacity with provisions of medical equipment and vaccine in order to cope with the pandemic. Nevertheless, Thailand's economic recovery remained vulnerable and uneven, with the tourism sector being slower to recover compared to other industries, resulting in a continued contraction in exports of services. Although, the situation improved to some extent in the second half of the year thanks to the gradual reopening of the country to foreign tourists through the Phuket Sandbox and the Test & Go scheme, the number of foreign tourist arrivals, remained low due to travel restrictions imposed by many countries.

Economic and Financial Stability

The annual headline and core inflation were at 1.23 and 0.23 percent, respectively. Headline inflation increased from the previous year due to higher domestic retail oil prices, following in line with the global oil price movement. Meanwhile, core inflation decreased due to lower housing rent, public transportation fares and the government's subsidy on education fees. The labor market remained fragile after experiencing several waves of the COVID-19 outbreak but started to improve towards the end of year. This was reflected by a decline in the numbers of unemployed workers, the increase in numbers of insured person in the social security system and the growing positive sentiments of self-employed individuals outside the agricultural sector.

The overall stability in the household and corporate sectors remained vulnerable as continuous outbreaks affected income and debt serviceability of household and businesses, especially SMEs in the tourism sector which saw a growing number of firms facing liquidity problems. Nevertheless, stability of financial institutions remained strong with high levels of capital, loan loss provision and liquidity. External stability was also resilient with high levels of international reserves.

On exchange rate, both the annual average of Thai Baht against US Dollar and the Nominal Effective Exchange Rate (NEER) in 2021 depreciated from the previous year. The baht weakened since the beginning of the year due mainly to current account deficit, following a significant decline in foreign tourists. In addition, the US Dollar also continuously appreciated after the US Federal Reserve signaled to

gradually reduce its accommodative stance, following a good outturn in economic recovery as well as a continuously high inflation.

Financial conditions remained accommodative

In 2021, the Monetary Policy Committee (MPC) voted to maintain the policy interest rate at 0.50 percent throughout the year to support the economic recovery which remained highly uncertain from the Covid-19 outbreak. Furthermore, the Bank of Thailand temporarily eased the Loan-to-Value (LTV) ratio for mortgage lending, aiming to help boost the property sector. Financial and credit measures, such as the special loan facility, asset warehousing scheme, and debt restructuring, were also expedited to distribute liquidity to the affected groups in a targeted manner and to help reduce debt burden.

Looking forward to 2022, the Thai economy would continue to recover on the back of domestic consumption and tourism as the outbreak was expected to recede with greater vaccination coverage and less international travel restrictions. Nevertheless, several risks to the economy remained, including (1) the developments of the COVID-19 outbreak and the corresponding containment measures, (2) the continuity of government's measures and support, and (3) the tightening of global financial conditions as well as rising volatilities in the financial markets, resulting from the synchronized monetary policy normalization of the advanced economies to curb inflation.



Thailand's Economic Conditions

	2019	2020			2021		
	Year	H1	H2	Year	H1	H2	Year
<i>(Annual percentage change, unless specified otherwise)</i>							
Gross Domestic Product ^{1/}	2.2	-7.1	-5.3	-6.2	2.3	0.8	1.5
Demand (expenditure)							
Private consumption expenditure	4.0	-2.1	0.1	-1.0	2.1	-1.4	0.3
General government consumption expenditure	1.6	-0.4	3.1	1.4	1.6	4.6	3.2
Gross fixed capital formation	2.0	-7.0	-2.6	-4.8	7.4	-0.3	3.4
- Private	2.6	-9.8	-6.6	-8.2	5.9	0.7	3.3
- Public	0.1	0.8	9.7	5.1	11.0	-3.1	3.8
Exports of goods and services	-3.0	-16.7	-22.6	-19.7	6.0	15.0	10.4
Imports of goods and services	-5.2	-13.6	-14.7	-14.1	13.3	22.6	17.9
Supply (production)							
Agriculture	-0.9	-6.1	-0.7	-3.5	1.5	0.5	1.0
Manufacturing	-0.8	-8.4	-2.6	-5.6	8.3	1.6	4.9
Construction	1.6	-1.8	4.8	2.7	7.9	-2.8	2.7
Services and others	3.8	-6.8	-6.6	-6.7	0.3	1.0	0.7
Domestic stability							
Headline Consumer Price Index	0.71	1.13	0.56	-0.85	0.89	1.56	1.23
Core Consumer Price Index (excluding raw food and energy)	0.52	0.32	0.25	0.29	0.27	0.19	0.23
Unemployment (percent of total labor force)	1.0	1.5	1.9	1.7	1.9	2.0	1.9
Public debt (end of period, billion baht) ^{2/}	5,450	5,655	5,624	8,136	8,825	9,644	9,644
Share of GDP (end of period, percent) ^{2/}	45.7	47.1	46.3	52.0	55.4	59.6	59.6
External Stability (billion U.S. dollars)							
Trade balance	26.7	18.0	22.8	40.9	20.3	19.6	39.9
Current account balance	38.3	12.6	8.5	21.1	-4.3	-6.0	-10.3
Capital account balance ^{2/}	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance ^{2/}	-14.8	-3.1	-8.6	-11.7	-9.4	3.4	-6.0
Balance of payments	13.6	15.4	2.9	18.4	-8.5	1.4	-7.1
Gross international reserves (end of period)	224.3	241.6	258.1	258.1	246.5	246.0	246.0
External debt (end of period) ^{2/}	171.9	171.9	190.7	190.7	185.2	196.3	196.3
International reserves to short-term debt (ratio)	3.1	3.2	3.0	3.0	2.9	2.7	2.7
External debt to GDP (percent)	34.2	33.7	36.9	36.9	35.7	38.0	38.0
External debt to export value (percent)	53.9	54.7	62.8	62.8	62.5	67.1	67.1
Short-term debt to external debt (percent)	34.8	36.1	39.2	39.2	38.6	38.1	38.1
Monetary statistics (end of period) (billion baht)							
Financial institutions' deposits including bills of exchange ^{3/}	20,418.5	21,995.1	22,478.3	22,478.3	22,694.3	23,499.9	23,499.9
<i>Annual percentage change</i>	3.8	10.5	10.1	10.1	3.2	4.5	4.5
Financial institutions' private credits ^{4/}	24,978.5	25,513.3	26,232.4	26,232.4	26,739.1	27,488.6	27,488.6
<i>Annual percentage change</i>	3.7	3.8	5.0	5.0	4.8	4.8	4.8
Bank Liquidity Indicator (end of period) (percent)							
Loan / Deposit and B/E ratio (Excluding Interbank)	96.2	92.8	92.3	92.3	92.8	94.2	94.2
Liquidity Coverage Ratio: LCR	186.2	183.0	179.5	179.5	186.5	189.2	189.2
Interest rates (end of period) (percent per annum)							
- Repurchase rate, one-day	1.25	0.50	0.50	0.50	0.50	0.50	0.50
- Overnight interbank rates (mode)	1.15	0.49	0.40	0.40	0.40	0.50	0.50
- Time deposit rate, one year ^{5/}	1.33	0.49	0.49	0.49	0.42	0.45	0.45
- Prime rate (MLR) ^{5/}	6.08	5.36	5.36	5.36	5.36	5.49	5.49
Exchange rate (average) (baht per U.S. dollar)	31.04	31.60	30.97	31.29	30.81	33.14	32.00
Nominal Effective Exchange Rate^{6/} (average) (2012=100)	123.17	122.93	122.22	122.58	121.05	114.69	117.81

หมายเหตุ: 1/ Chained volume measure

2/ Preliminary data as of 15 December, 2022

3/ Financial institution consist of all deposit-taking institutions except the Bank of Thailand

4/ Including (1) loans extended to household, NPISH, and other non-depository financial institutions;

(2) loans extended to non-financial corporates (excluding state enterprises) issued by other depository financial institutions, other non-depository financial institutions, and external sources; and (3) bonds issued by non-financial corporates (excluding state enterprises)

5/ Average rate of six largest commercial banks (TMBthanachart was included since July, 5 2021)

6/ Higher NEER means that the baht appreciated compared to trading partners' and competitors' currencies

Sources: Office of the National Economic and Social Development Council, Ministry of Commerce, National Statistical Office, Public Debt Management Office and Bank of Thailand