

The Thai Economy: Growing amid Global Uncertainty

เศรษฐกิจไทย: เติบโตท่ามกลางความไม่แน่นอนของโลก

10th Chiang Mai University – Bank of Thailand – WB Annual Conference

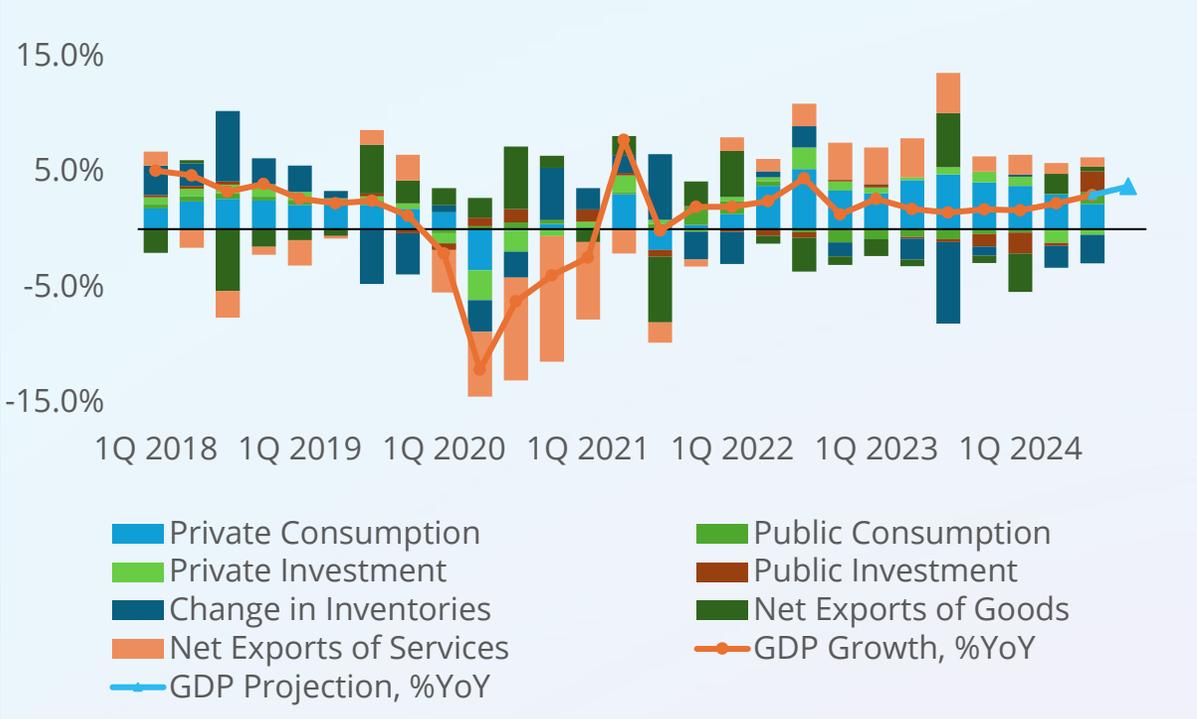
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26 February 2025



The economic recovery picked up in 2024 but continued to lag behind ASEAN peers

The Thai economy accelerated in Q3 and expected to accelerate further in Q4 2024 due to fiscal stimulus and net exports.

(Percentage-point contribution to real GDP growth, year-on-year)



Source: NESDC; World Bank staff calculations, Q4 2024 is estimated

Thailand's post-pandemic recovery lagged behind ASEAN peers

(GDP index, sa, Q4 2019 = 100)



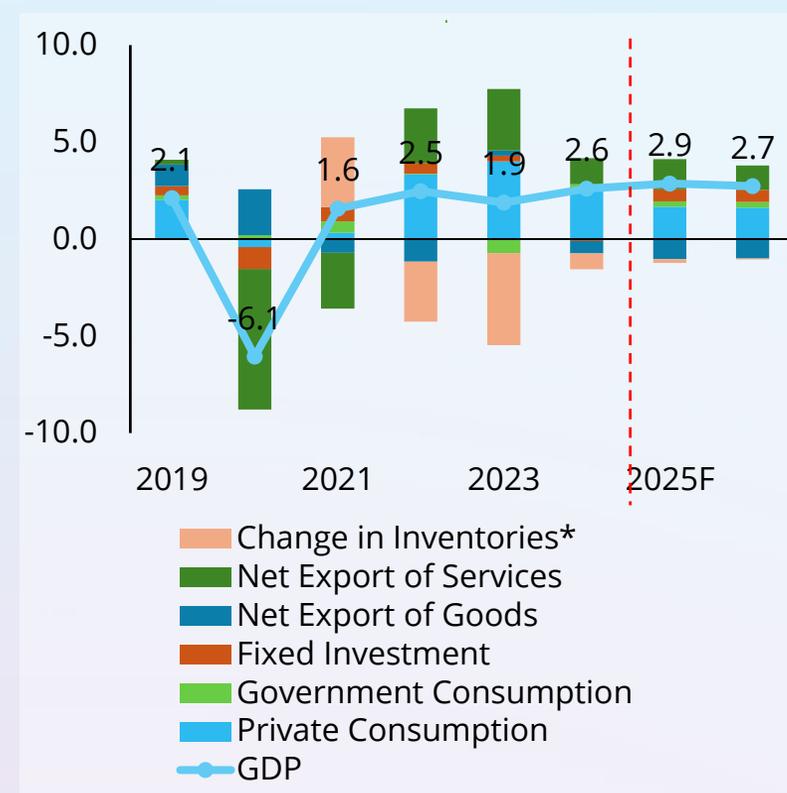
Source: World Bank staff projections

Thailand's GDP growth projection

The economy is set to gain momentum in 2025, driven by stronger domestic demand, while external factors will slow slightly.

Percentage change	Share of GDP (2023)	Forecast				Contribution to GDP growth	
		2023	2024e	2025F	2026F	2025F	2026F
GDP	100.0%	1.9	2.6	2.9	2.7	2.9	2.7
Private Consumption	60.0%	7.1	4.4	2.8	2.7	1.7	1.6
Government Consumption	14.4%	-4.6	1.6	1.9	2.0	0.3	0.3
Fixed Investment	23.5%	1.2	-0.4	2.7	2.7	0.6	0.6
GFCF-Private	17.6%	3.2	-0.8	2.4	2.7	0.4	0.5
GFCF-Public	5.9%	-4.6	1.0	3.5	2.5	0.2	0.2
Exports of Goods and Services	71.1%	2.1	5.8	4.1	3.2	3.0	2.3
Imports of Goods and Services	67.1%	-2.3	3.9	3.5	3.0	2.3	2.0
		2023	2024e	2025F	2026F		
Exports of Goods, USD term		-1.5	5.1	2.7	2.4		
Imports of Goods, USD term		-3.8	5.2	4.0	3.8		
Goods trade Balance, USD Billion		19.4	19.9	17.0	13.3		
Current Account Balance, USD Billion		9.6	12.8	20.5	23.6		
Current Account Balance (% of GDP)		1.9	2.4	3.6	3.9		
Headline CPI		1.2	0.4	0.8	1.0		

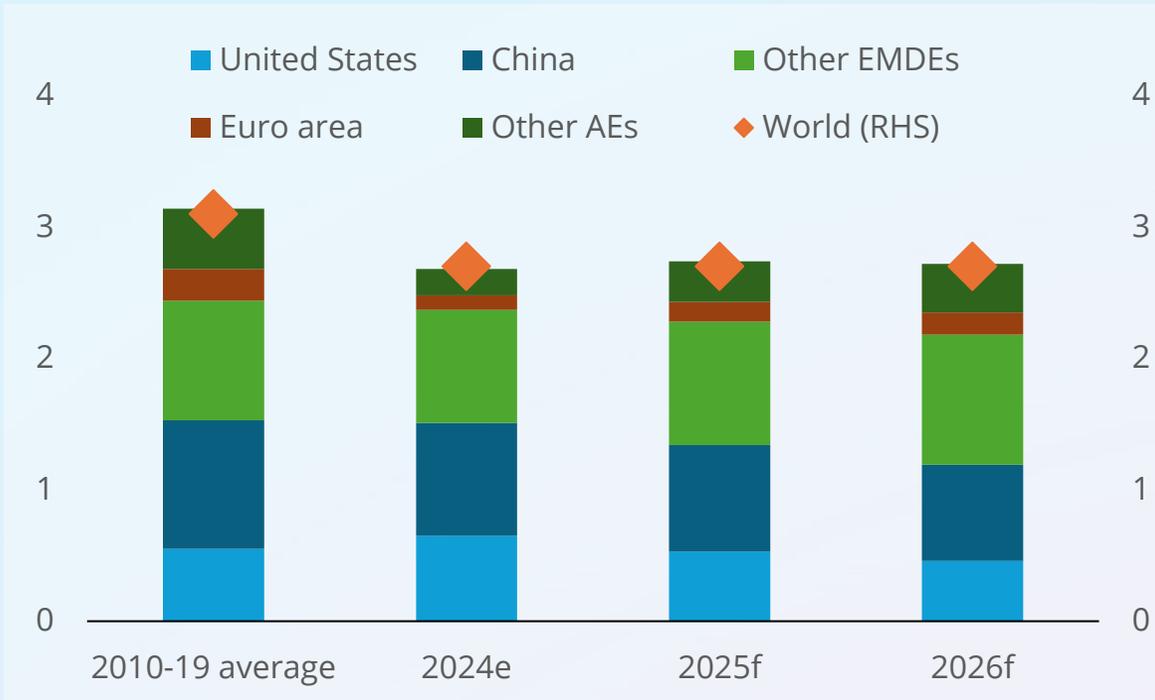
Output will be supported by domestic demand and tourism (Contribution to GDP growth, Percent year-on-year)



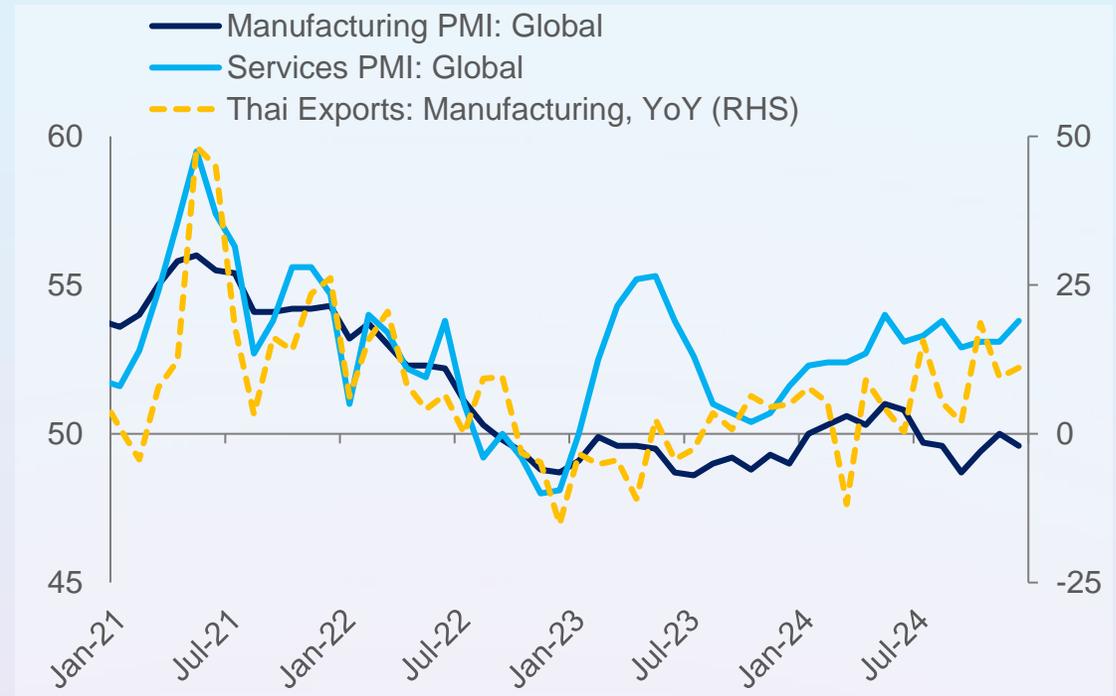
Source: NESDC; World Bank staff calculations.

Goods export growth in 2025 is expected to moderate due to weaker demand from US and China

Growth deceleration in the US and China—is expected to be offset by firming growth elsewhere (Percentage Points)



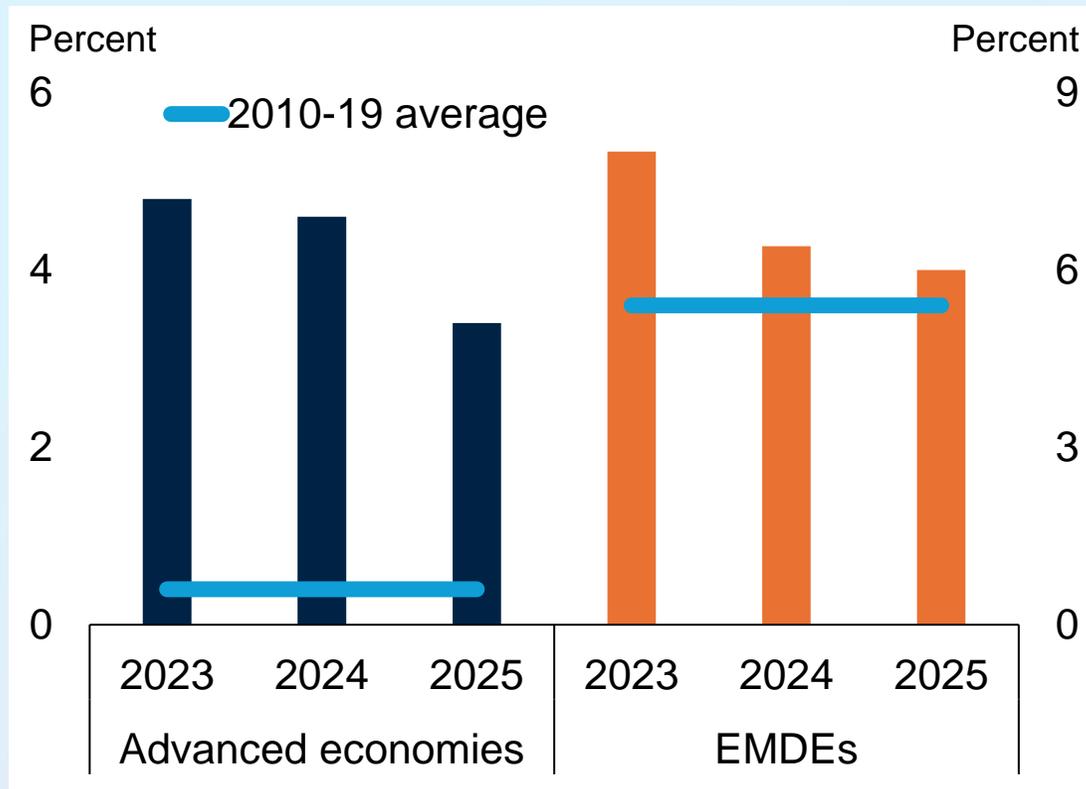
Global Purchasing Manager Index continued to contract (LHS: Diffusion Index; RHS: Percent year-on-year)



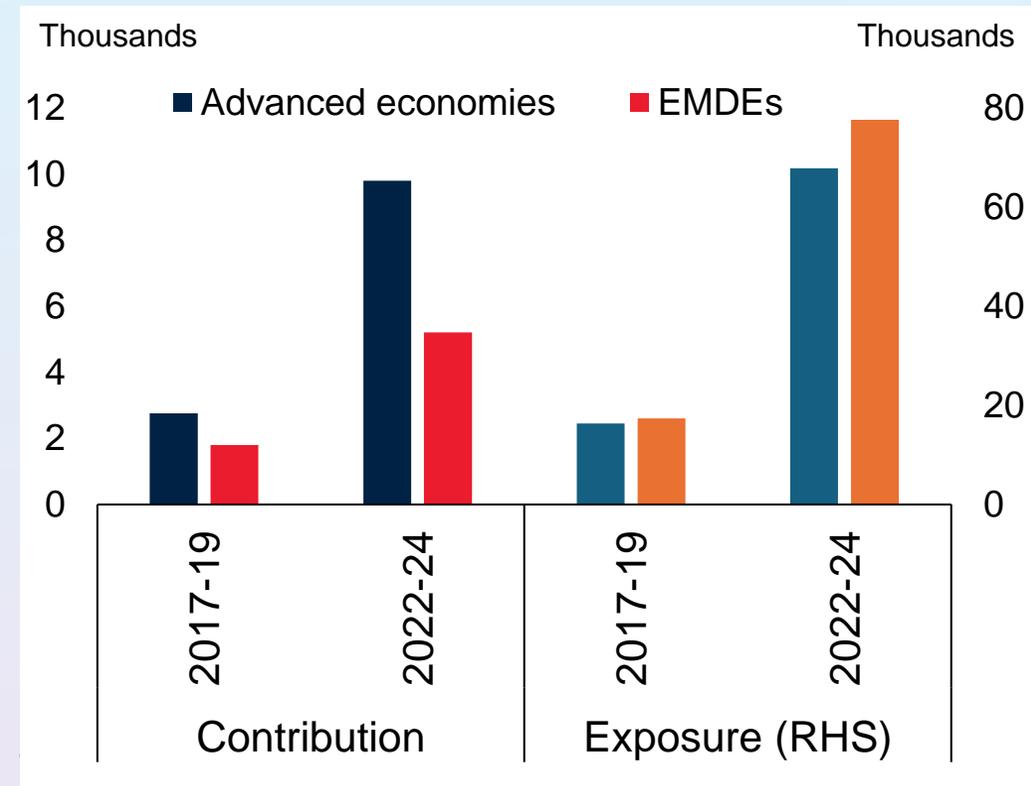
Source: NESDC; CEIC; World Bank staff calculations.

Monetary policy has eased but surging trade distortionary measures pose downside risks to global activity

Policy rates have fallen (Percent)

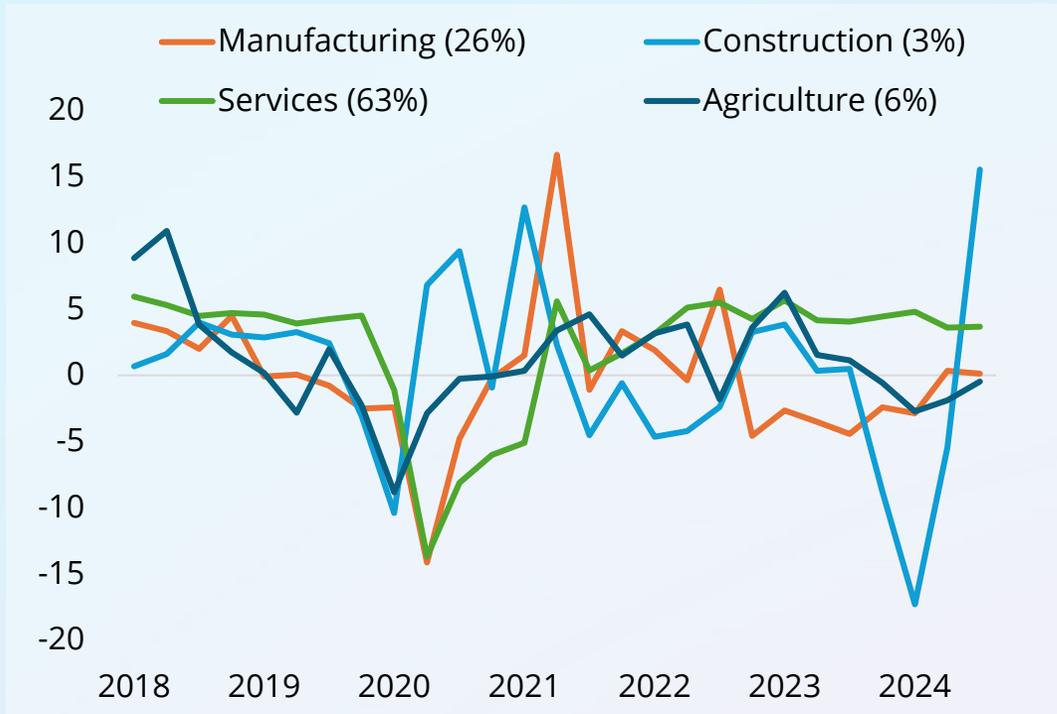


Trade distortionary measures have surged (implemented interventions)

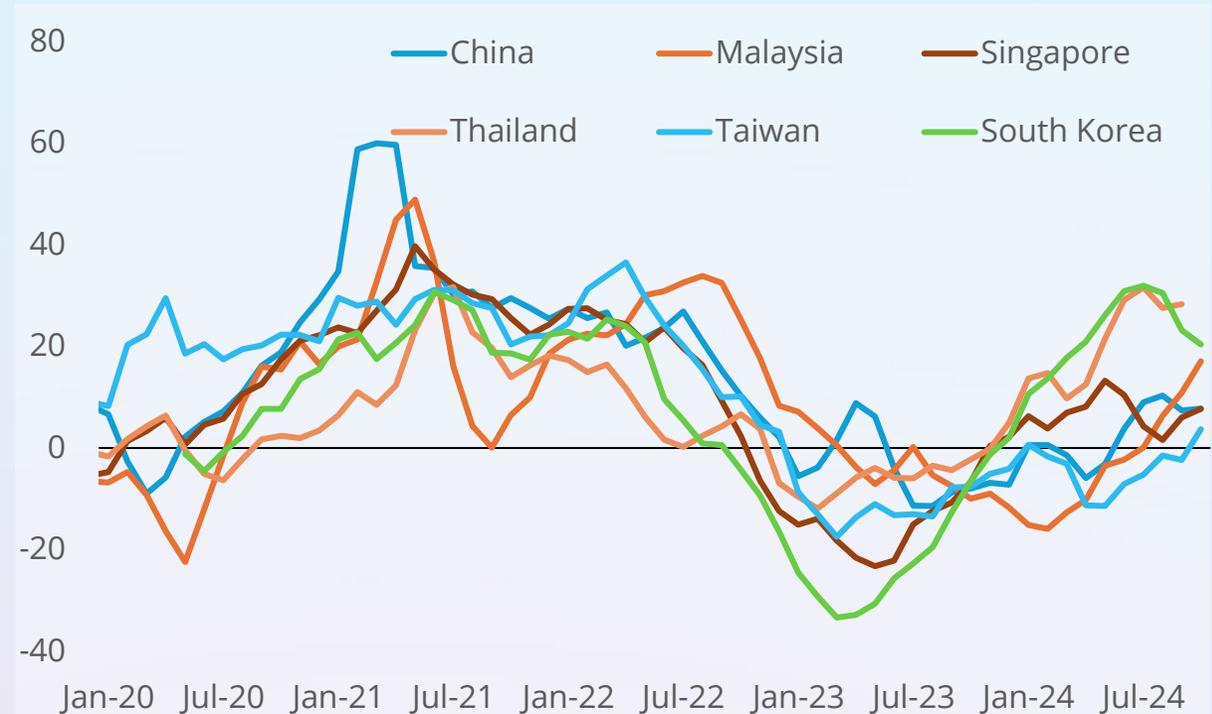


Recent data suggest an expansion in manufacturing moving forward

Manufacturing output showed smaller contraction in recent quarters (Percent year-on-year)



Exports of electronic and electrical products showed strong recovery (Exports of electrical and electronic products, %YoY, 3mma)

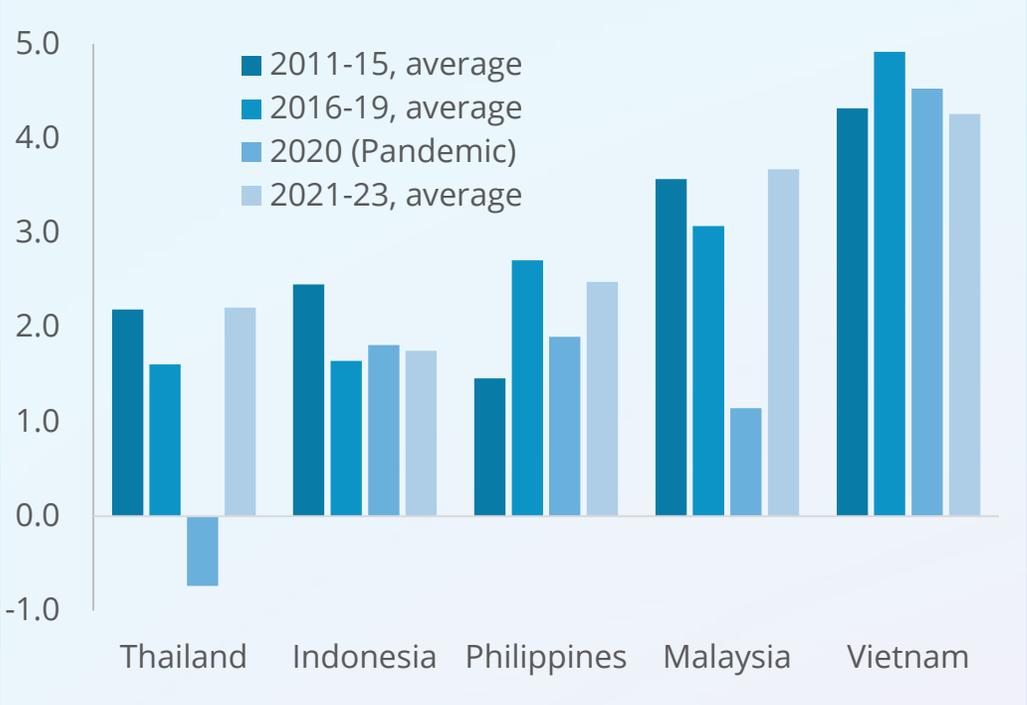


Source: NESDC; CEIC; World Bank staff calculations.

Foreign direct investment remained subdued

largely due to a decline in manufacturing; however, Thailand has recently attracted more prospective investors

FDI inflows in 2021-2023 improved but remained behind Philippines, Malaysia and Vietnam (Percent of GDP)



Source: CEIC; World Bank staff projections.

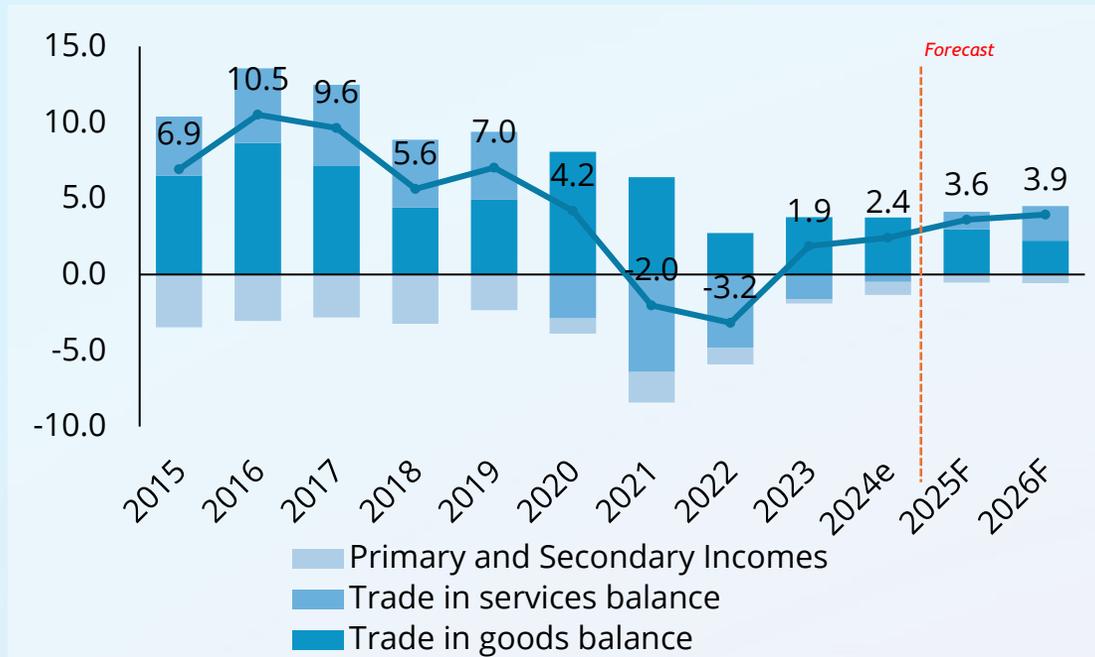
Applications for investments in targeted sectors reached its record high (Percent of GDP)



Source: Board of Investment; World Bank staff calculation

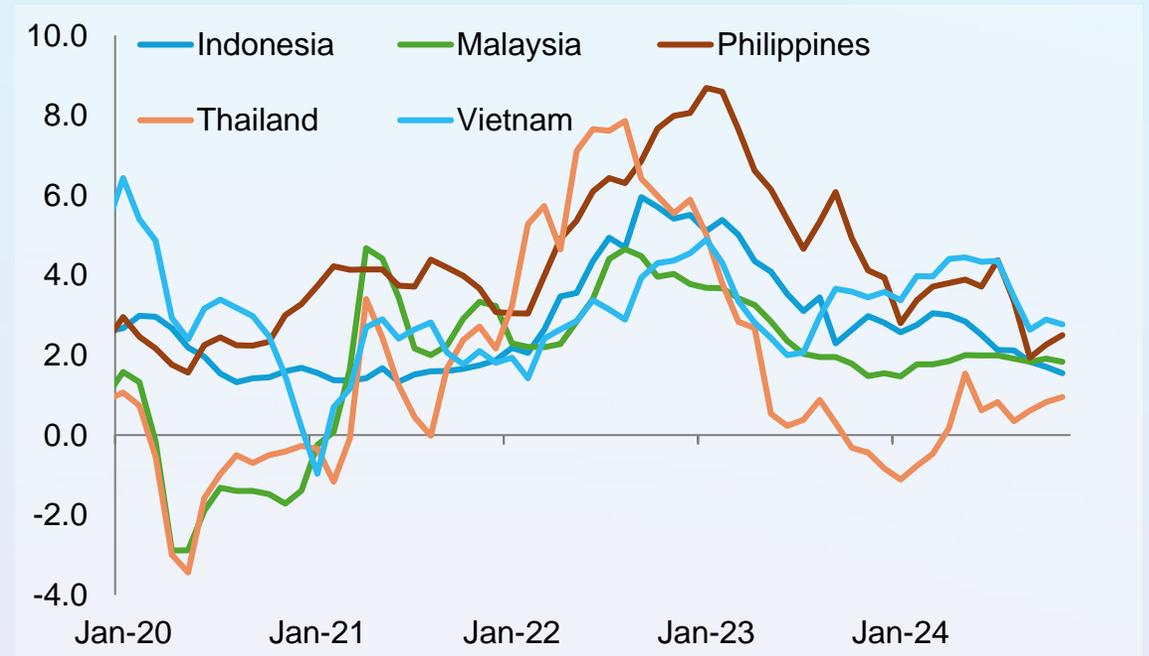
External and internal stability improved

The current account balance will remain well below pre-pandemic levels
(Percent of GDP)



Source: CEIC; World Bank staff projection

Inflation turned positive but remained well below other ASEAN economies
(Percent year-on-year)



Source: CEIC; World Bank staff projections

WHAT DOES THE
NEXT 50 YEARS
HOLD IN STORE FOR
THAILAND

WHAT ABOUT
THE NEXT 10 YEARS

WHAT ABOUT
NEXT YEAR



Artificial
intelligence

Geopolitical
risks

Trade
distorting
policies

Climate
change

Robots

Aging
population

Trade policy uncertainty poses a significant threat given Thailand's openness to trade

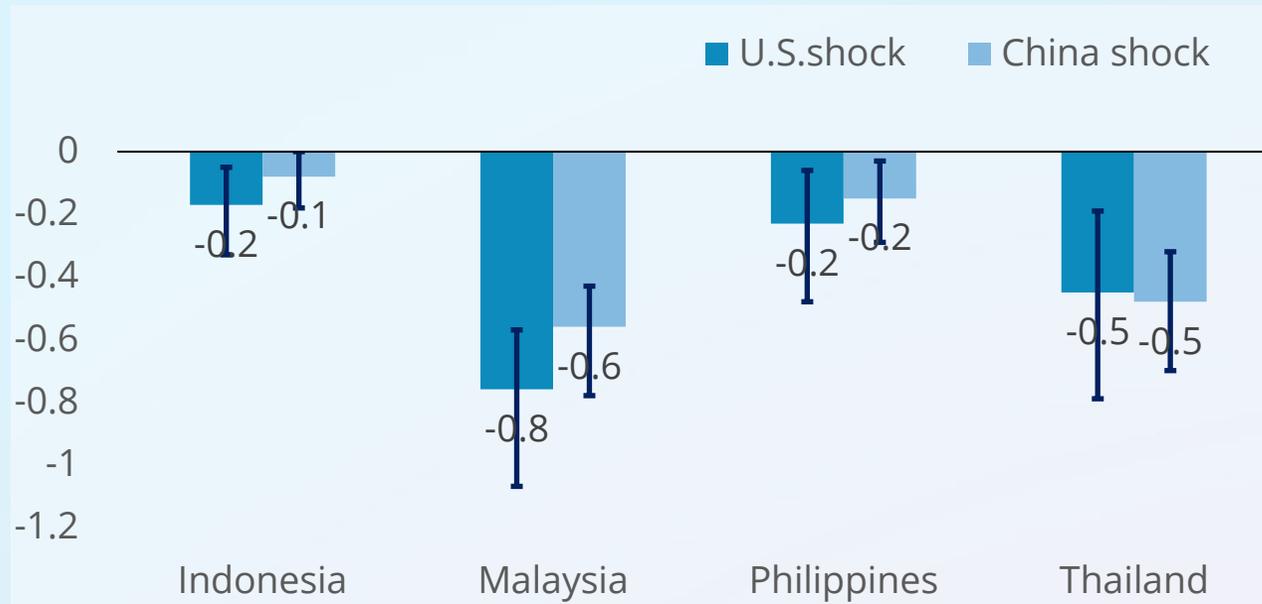
Thailand's direct exposure to US trade tariffs remained limited, due to its relatively smaller trade

Ranks	(a) US trading partners	(b) Trade balance with US, last 12 months, USD mn	(c) Trade balance, last 12-month, USD mn	(d) Current account, 4q average, % of GDP	(e) Exports to US, % of GDP	(f) Imports from China, growth deviation from historical average, ppts*	(g) FX depreciation against USD*
1	China	353,723	992,155	1.6	2.8		2.7
2	Mexico	260,528	(6,515)	(0.4)	27.6	11.2	2.8
3	Vietnam	104,399	24,307	5.1	25.5	-0.3	0.4
4	Germany	74,892	262,305	6.2	3.7	3.7	4.0
5	Canada	73,031	(5,229)	(0.2)	19.4	2.0	3.6
6	Taiwan	63,300	80,625	14.4	14.2	1.5	1.5
7	Japan	57,903	(35,562)	4.7	3.5	1.7	2.6
8	South Korea	54,236	51,592	4.4	6.8	3.9	5.7
9	Ireland	52,710	95,548	14.1	13.9	12.2	4.0
10	Italy	41,787	59,032	1.2	3.0	10.9	4.0
11	India	37,888	(262,176)	(0.7)	2.2	16.0	1.1
12	Switzerland	37,446	76,604	5.7	7.0	-7.3	3.5
13	Thailand	34,557	(6,280)	2.0	10.3	7.2	2.2
14	Malaysia	15,686	30,071	1.2	9.7	6.3	3.7
15	Indonesia	13,937	31,043	(0.7)	1.8	10.8	3.1

Source: CEIC; World Bank staff calculations.
Note: *annual average Imports growth in 2020-2024, deviation from average of 2011-2020; FX depreciation between October and December 2024

Thailand will be exposed to potential slowdown in the US and China

Output growth declines in China and the United States will negatively affect growth in Asia
(Percentage points)



Source: EAP update (April 2022); World Bank staff calculations

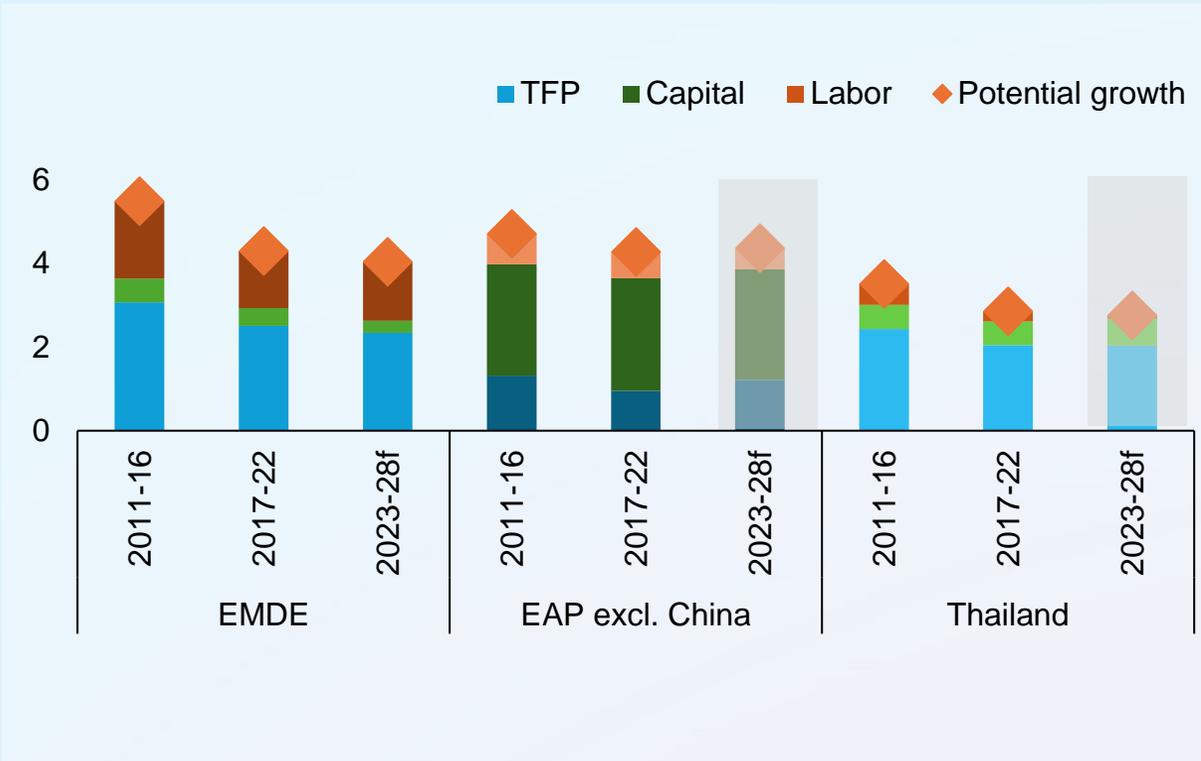
Note: shock refers to a one percentage point decline in China and US growth, respectively. Effects are estimated using a structural VAR model. other controls include G7 countries' GDP growth, VIX index, EAP country-specific commodity price growth, EAP country GDP growth, and real effective exchange rate.

Impact channels of potential U.S. trade tariffs on the Thai economy:

- **Global Economic and Trade Slowdown:** A slowdown in major trading partners' economies and reduced global trade volume may affect Thai exports.
- **Increased Financial Volatility:** Heightened uncertainty could lead to greater financial market instability.
- **Rising U.S. Tariff Exposure:** If Thailand becomes a connector country for China, it may face increased exposure to U.S. tariffs.
- **Impact of Chinese Oversupply:** An oversupply from China could result in an influx of cheap Chinese products into Thailand, adversely affecting local production.

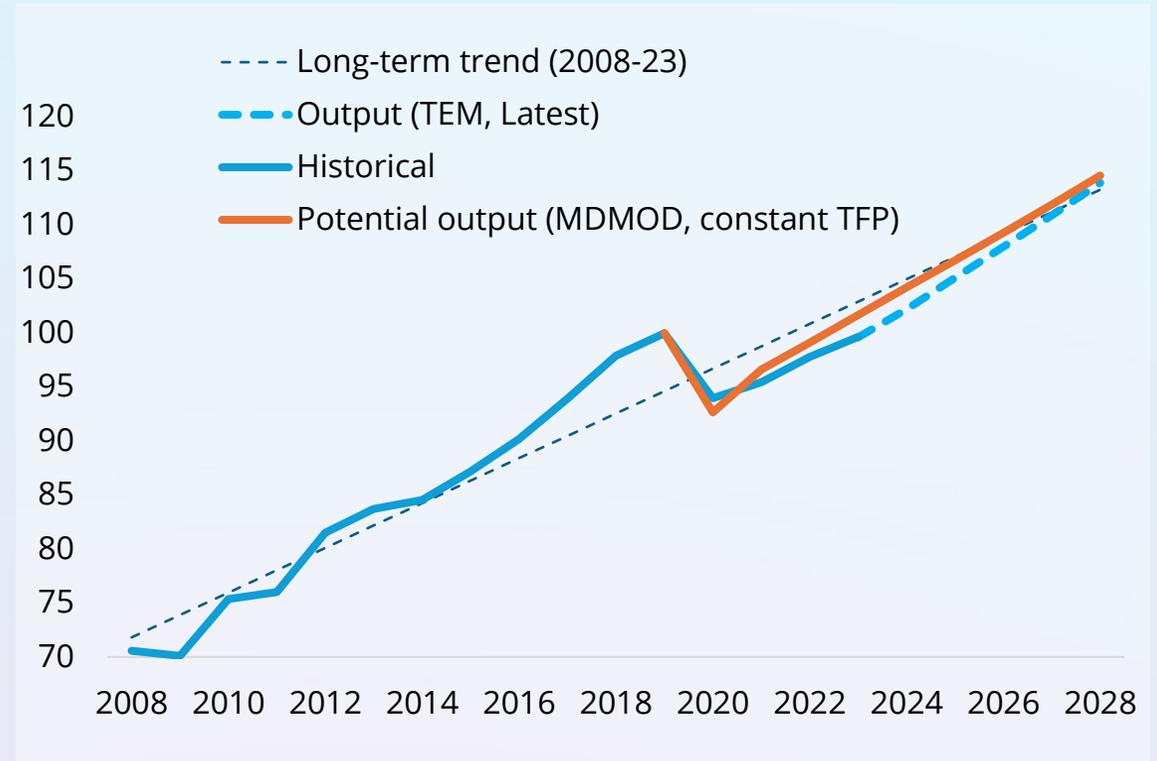
Potential growth can be uplifted by investments and structural reforms

Thailand's growth potential has fallen
(Percentage Points)



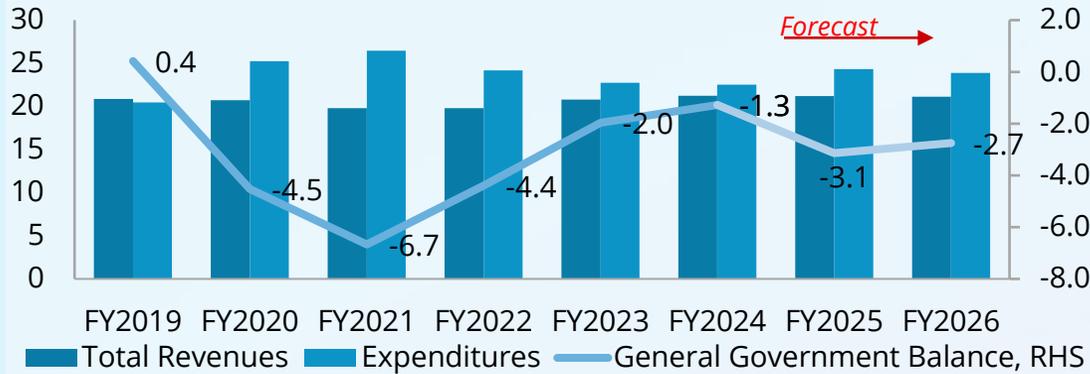
Sources: World Bank Staff Projection

Output remained below potential, despite slowing long-term potential
(Output index versus potential output index, 2019=100)

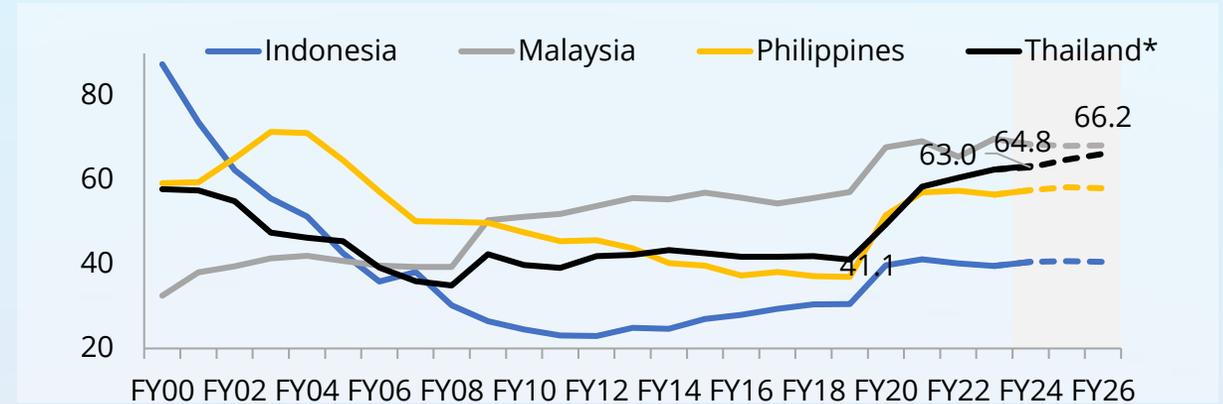


The fiscal stimulus and acceleration in budget execution are expected to lead to a supportive fiscal policy stance.

The general government deficit is projected to narrow as spending wanes
(Percent of GDP, GFS basis)



Public debt is projected to increase (Percent of GDP)



The Government's Medium-Term Fiscal Forecast, Cash Basis

Budget Structure (THB million)	Actual	Medium-Term Fiscal Forecast				
	FY2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total Revenues	2,791,721 [15.2]	2,887,000 [15.1]	2,920,600 [14.7]	3,096,400 [14.9]	3,244,100 [15]	3,389,700 [15.1]
Total Expenditures	3,542,397 [19.3]	3,752,700 [19.6]	3,780,600 [19]	3,855,000 [18.5]	3,966,000 [18.3]	4,093,000 [18.3]
Fiscal Surplus/Deficit	-750,676 [-4.1]	-865,700 [-4.5]	-860,000 [-4.3]	-758,600 [-3.6]	-721,900 [-3.3]	-703,300 [-3.1]
Public Debt*	63.3	65.6	67.3	68.5	69.2	69.3

Source: Top: IMF WEO; World Bank staff projections, Bottom: Budget Bureau, Note: Note: share of GDP in parenthesis; *Public debt is based on PDMO projection; projection as of January 2025

Policy Recommendations: Focus on what is within your control

- **Fiscal policy**

- Reduce regressive energy subsidies and instead focus on more targeted social assistance and transfers to effectively support vulnerable households and poverty alleviation.
- Raise tax revenue, promote equity, and create fiscal space. Despite improved revenue collection of 16 percent of GDP in FY24, it continues to lag behind its upper-middle-income peers. Reforms to adjust VAT rates and exemptions to increase revenue while reducing poverty by simultaneously introducing VAT rebates can be implemented, for example.
- Accelerate investments. Public investments in infrastructure, new technology and complementary human capital can crowd in private sector investments and connect lagging regions

- **Monetary and financial sector policies**

- Providing targeted household debt relief while minimizing credit tightening, communicating an exit strategy and maintaining financial stability.

- **Raising long-term growth potential**

- Promote competition and entry of new firms, integration with global value chains, and a new investment cycle
- Raise female labor force participation rate, and keep its working-age population constant through more flexible immigration laws



THANK YOU

Global Economic Prospects:

<https://www.worldbank.org/en/publication/global-economic-prospects>

Thailand Economic Monitor Reports:

<https://www.worldbank.org/en/country/thailand/publication/thailand-economic-monitor-reports>



Appendix

ESCAPING THE MIDDLE-INCOME TRAP AND MEETING THAILAND'S HIGH-INCOME TARGET BY 2037 WILL BE HARD

