

Global Economic Prospects: Opportunities for Thailand in an Uncertain World

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February 25, 2026



ANNUAL MEETINGS
2026 | THAILAND
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

**Thailand will host the
International Monetary Fund
(IMF) and World Bank Group
(WBG) Annual Meetings in
October 2026 for the second
time,
an opportunity to showcase
the nation's forward-looking
development vision.**

EXECUTIVE SUMMARY



Global economy shows surprising resilience to trade tensions and policy uncertainty



2026 growth projected at 2,6%



Significant divergence: Advanced economies recovering robustly vs. EMDEs lagging



Many low-income countries still below pre-pandemic levels



Need for domestic reforms and structural improvements in EMDEs



Key Risks and Challenges

Downside Risks



Escalating trade tensions



Tighter financial conditions



Geopolitical conflicts

Upside Opportunities



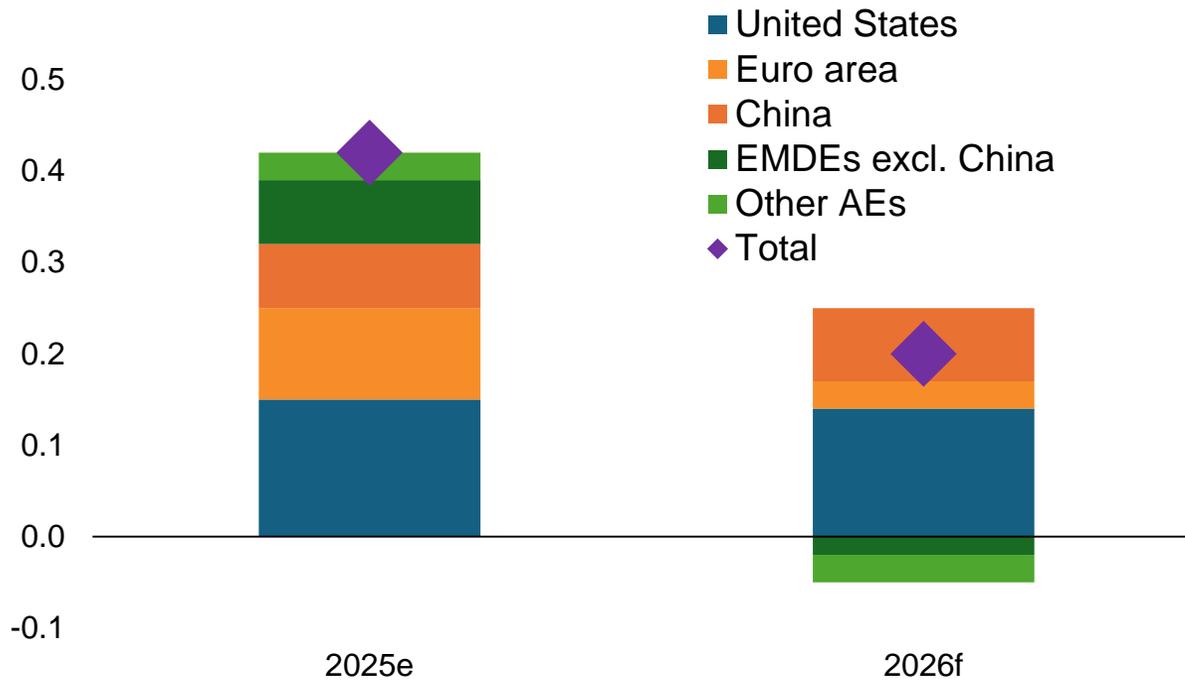
Firms' adaptability to trade conditions



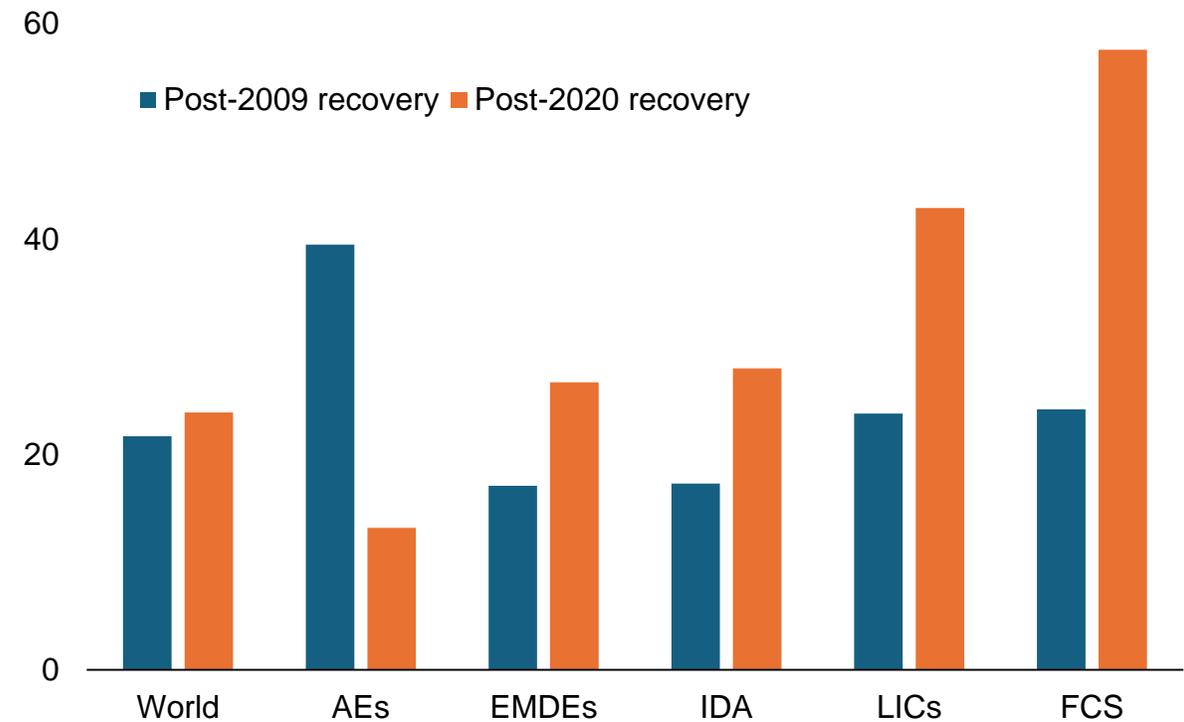
Broadening AI-related activity

Global growth slows but proved more resilient than expected

Contributions to global growth revisions
(Percentage Points)



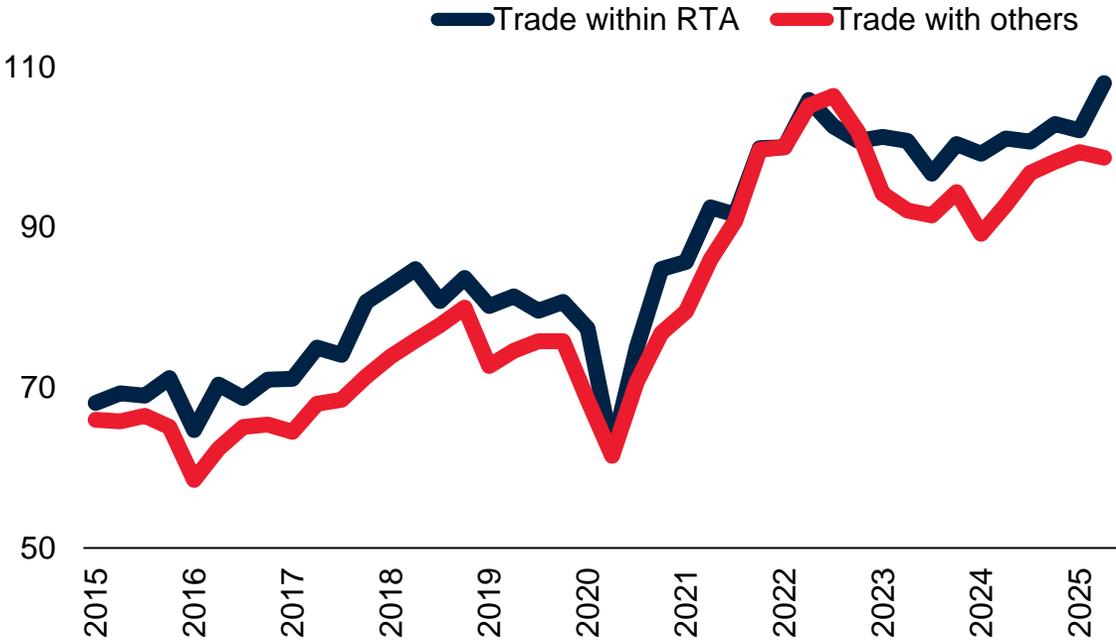
Countries with lower per capita GDP five years after global recessions
(percent of countries)



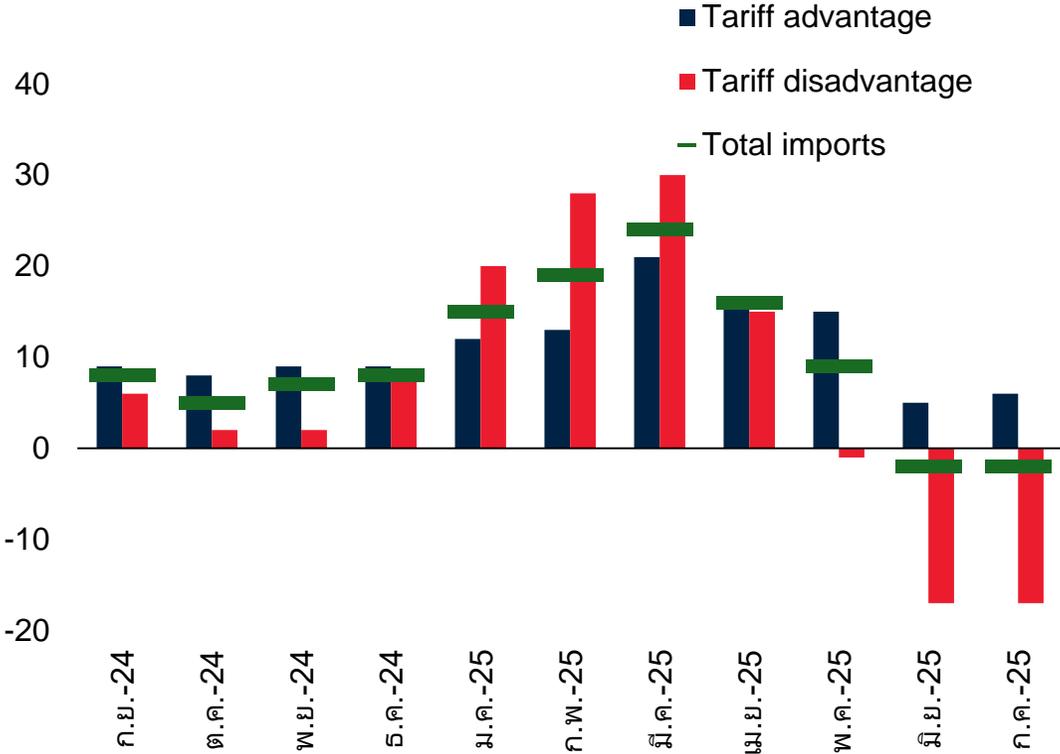
Source: NESDC; CEIC; World Bank staff calculations.

Global trade headwinds are picking up

Goods trade with regional trade agreements
(Index, 100=2022Q1)



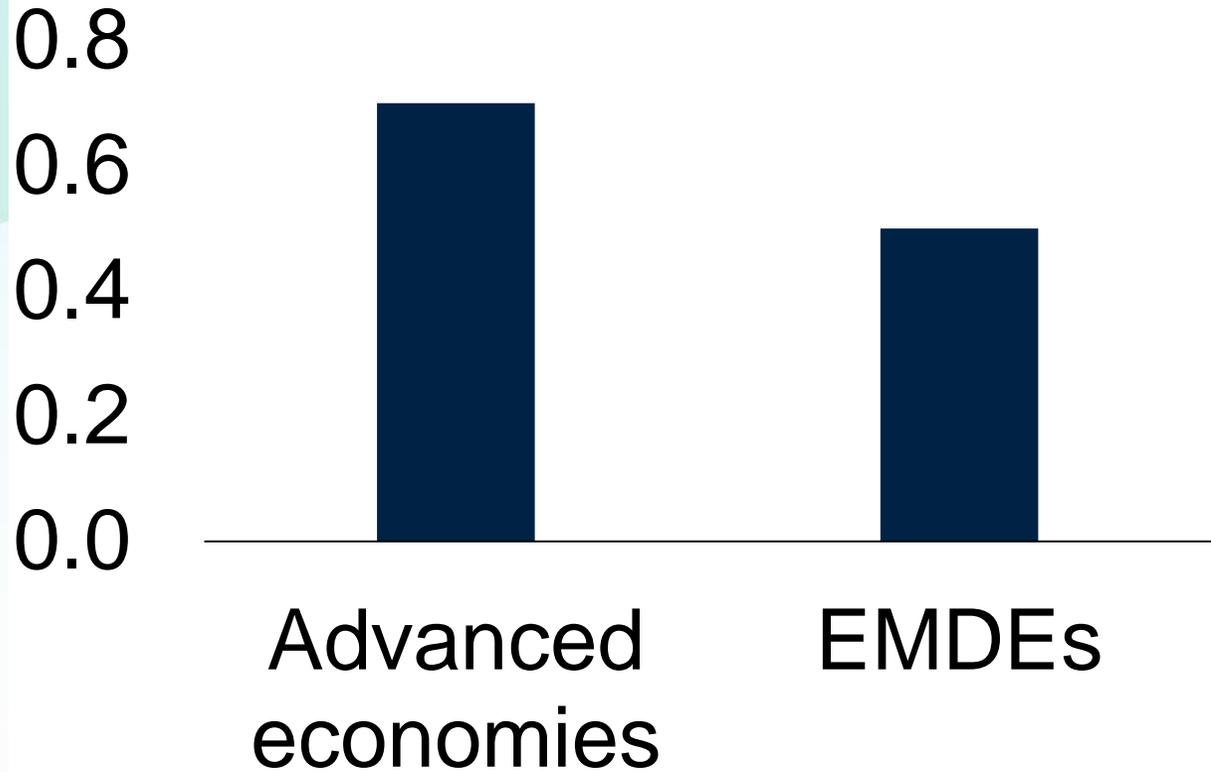
Growth in US goods import values
(percent)



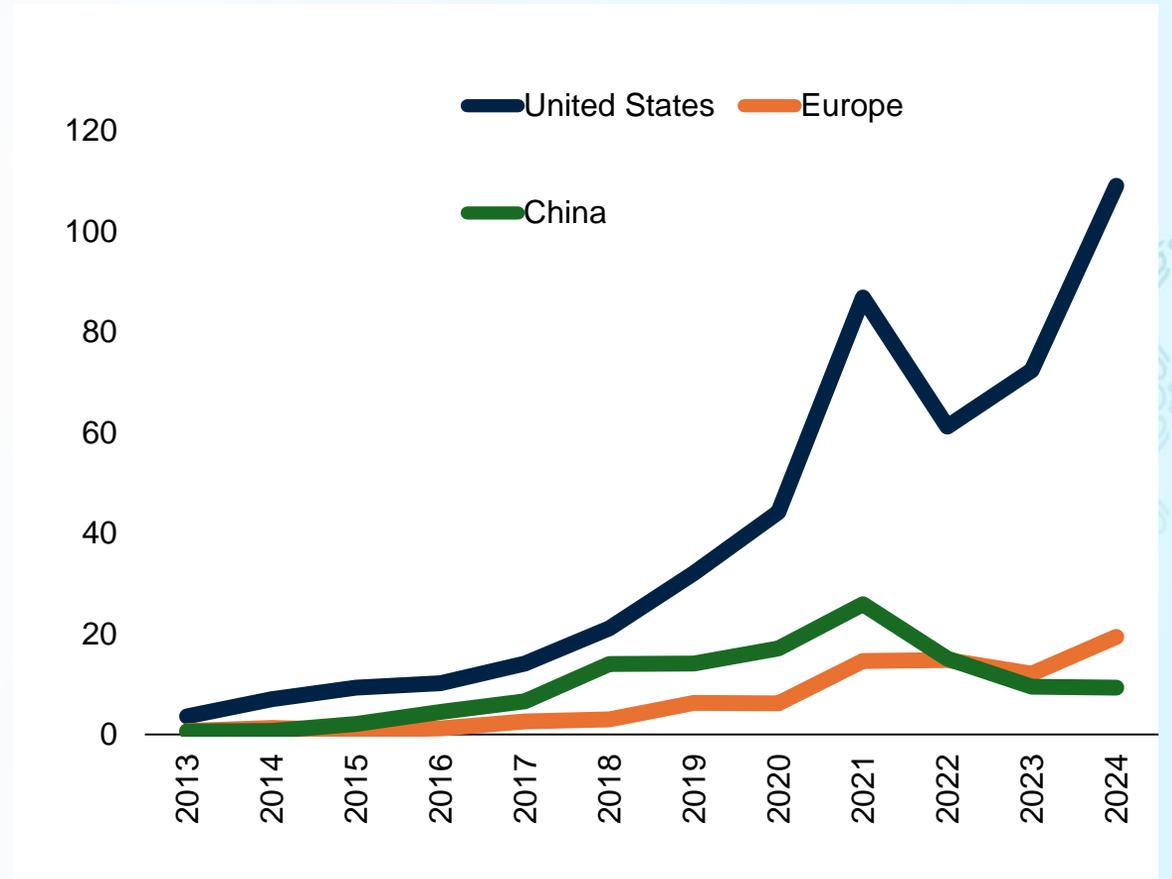
Source: NESDC; CEIC; World Bank staff calculations.

AI investments are flowing into US

AI Preparedness Index
(Index, 0-1, higher is better)

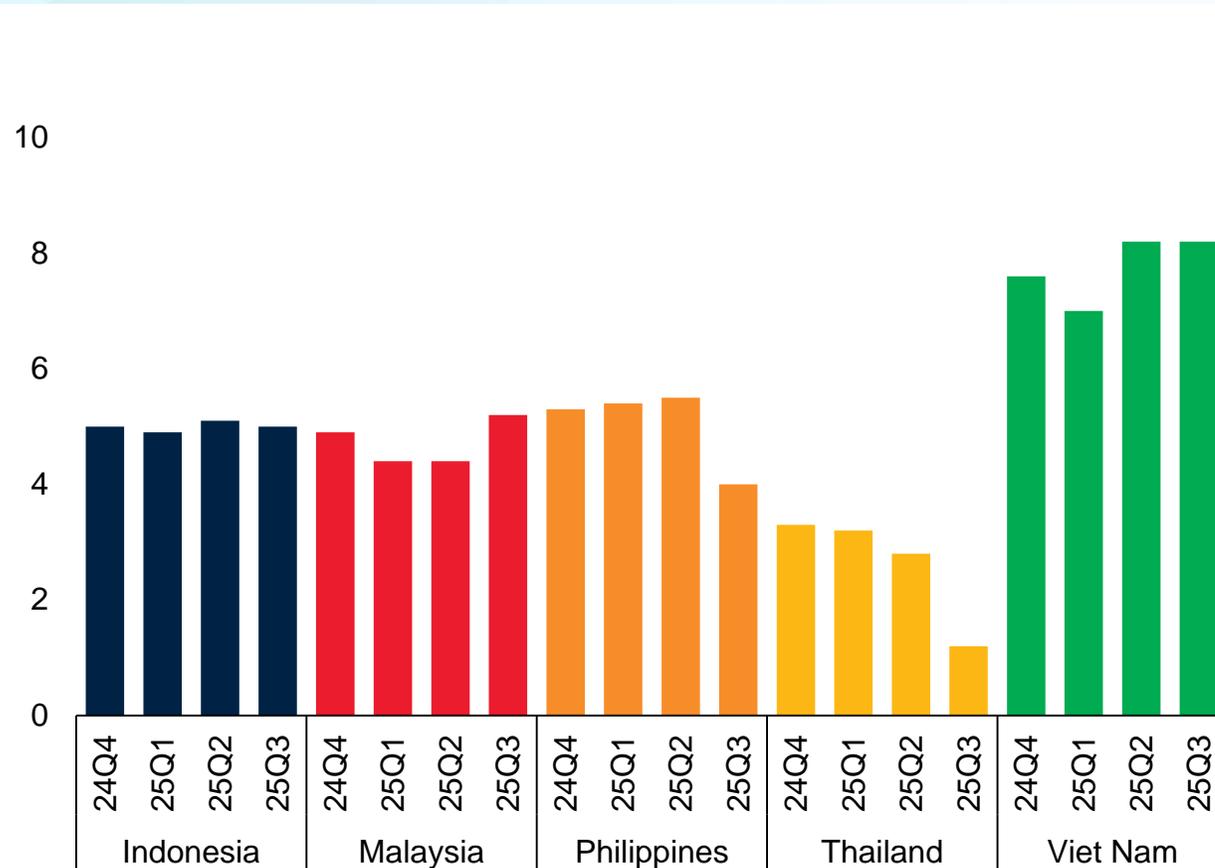


Investment in AI
(USD billions)

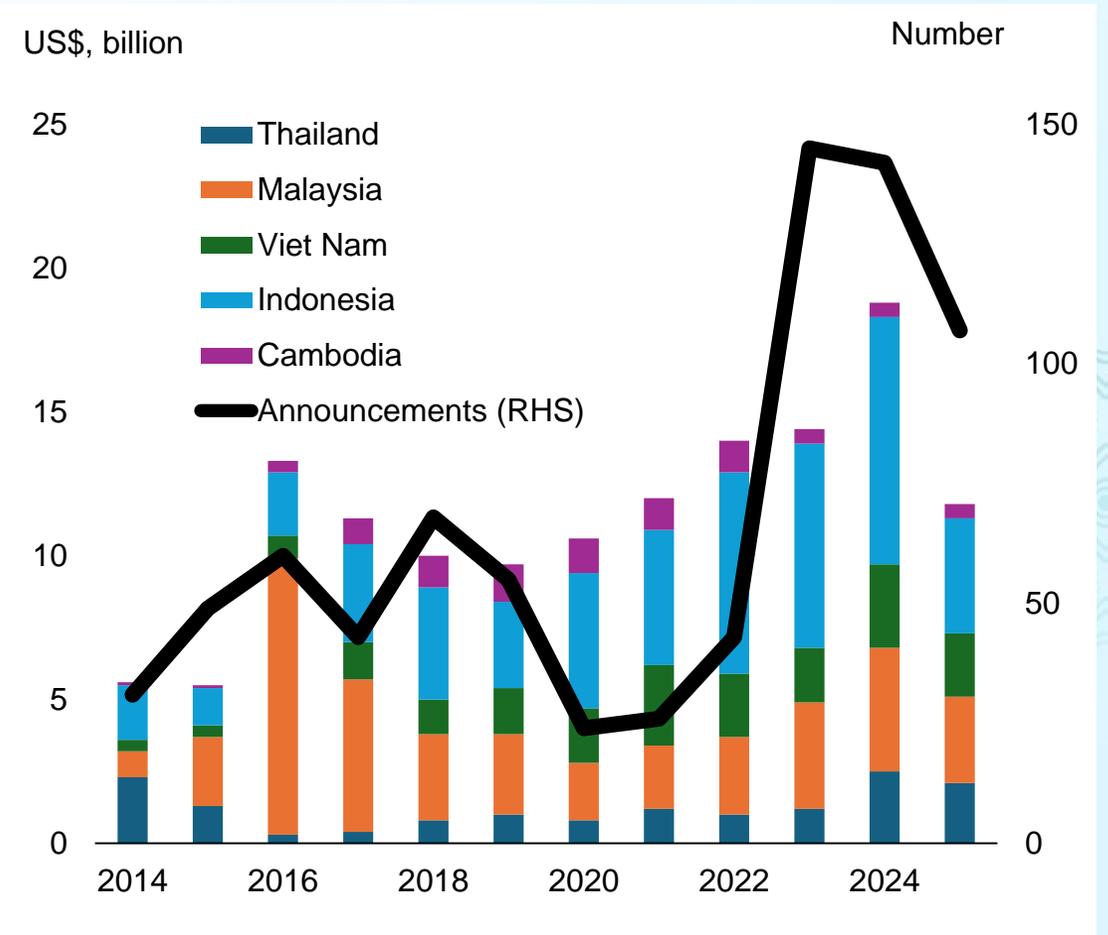


Growth and FDI in East Asia

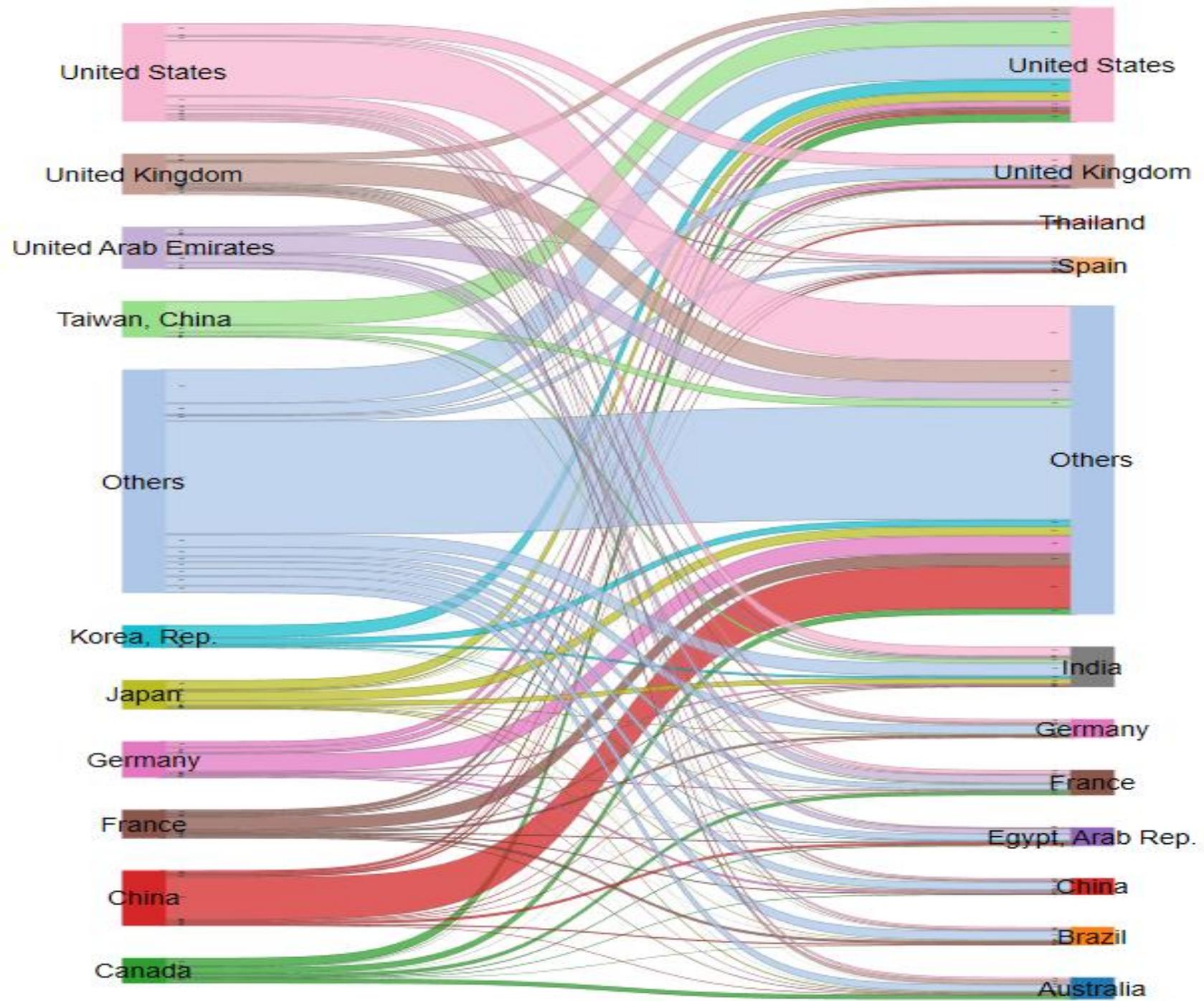
Growth In East Asia
(Percentage growth)



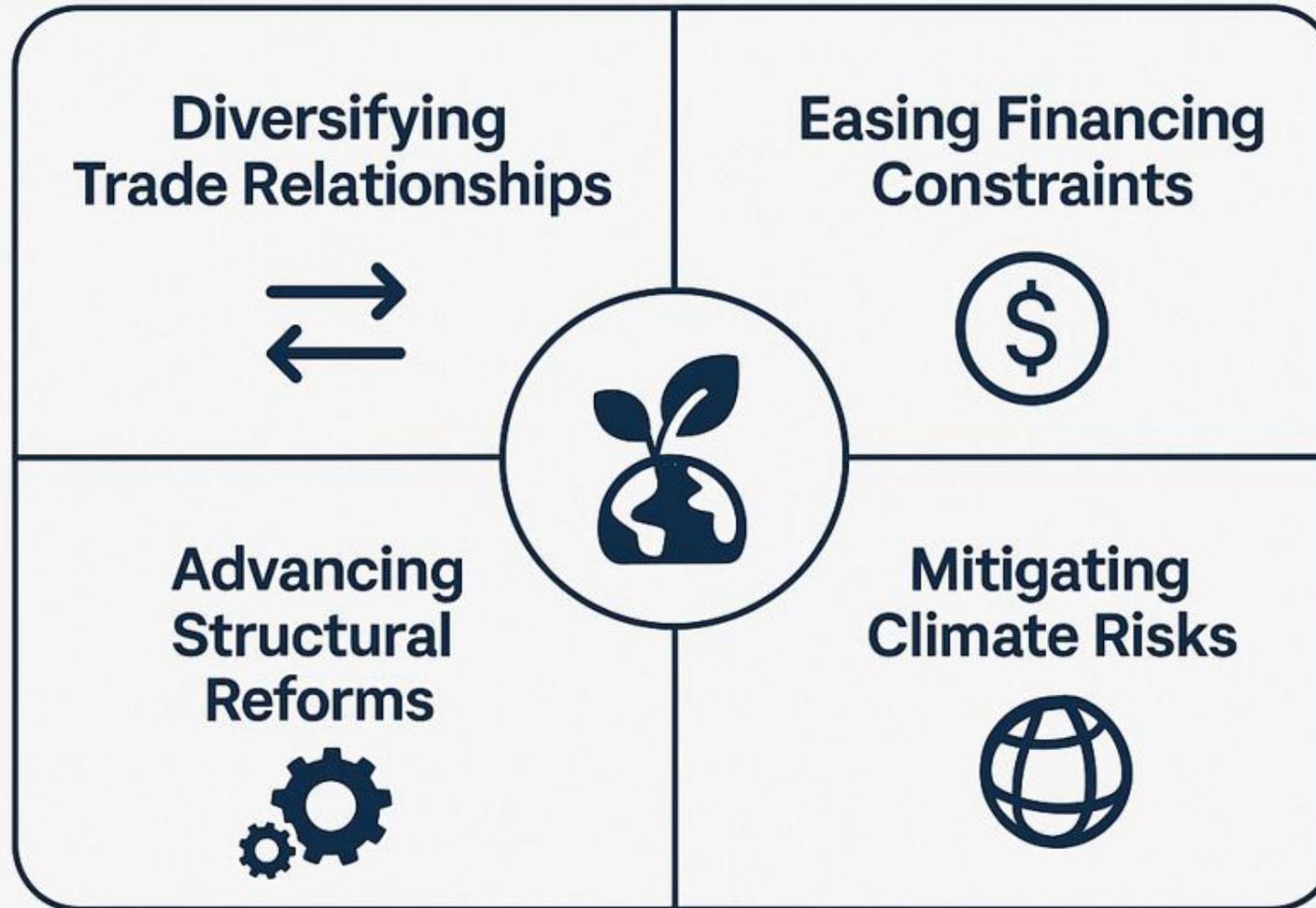
China FDI announcements and FDI transactions



Where is
greenfield
FDI
flowing?



EMDE Policy Challenges



Key Policy Recommendations

Strategic Actions for Sustainable Growth and Stability



For EMDEs: Implement domestic reforms, strengthen macroeconomic frameworks



Implement domestic reforms: Enhance governance, improve public sector efficiency, and reduce corruption to build trust and attract investment.



Strengthen macroeconomic frameworks: Maintain price stability, ensure debt sustainability, and build fiscal buffers to weather shocks.



Fiscal Policy: Design effective fiscal rules, invest in credibility



Design effective fiscal rules: Establish transparent, flexible rules with escape clauses to manage volatility and ensure long-term prudence.



Invest in credibility: Commit to transparent reporting, independent oversight, and consistent policy implementation to anchor market expectations.



Structural Reforms: Focus on investment climate and job creation



Focus on investment climate: Simplify regulations, protect property rights, and foster competition to encourage private sector growth.



Job creation: Invest in education and skills training, and support sectors with high employment potential, particularly for youth and women.



Financial Integration: Balance opportunities with stability



Balance opportunities with stability: Manage capital flows carefully, use macroprudential tools, and deepen local financial markets to reduce vulnerability.

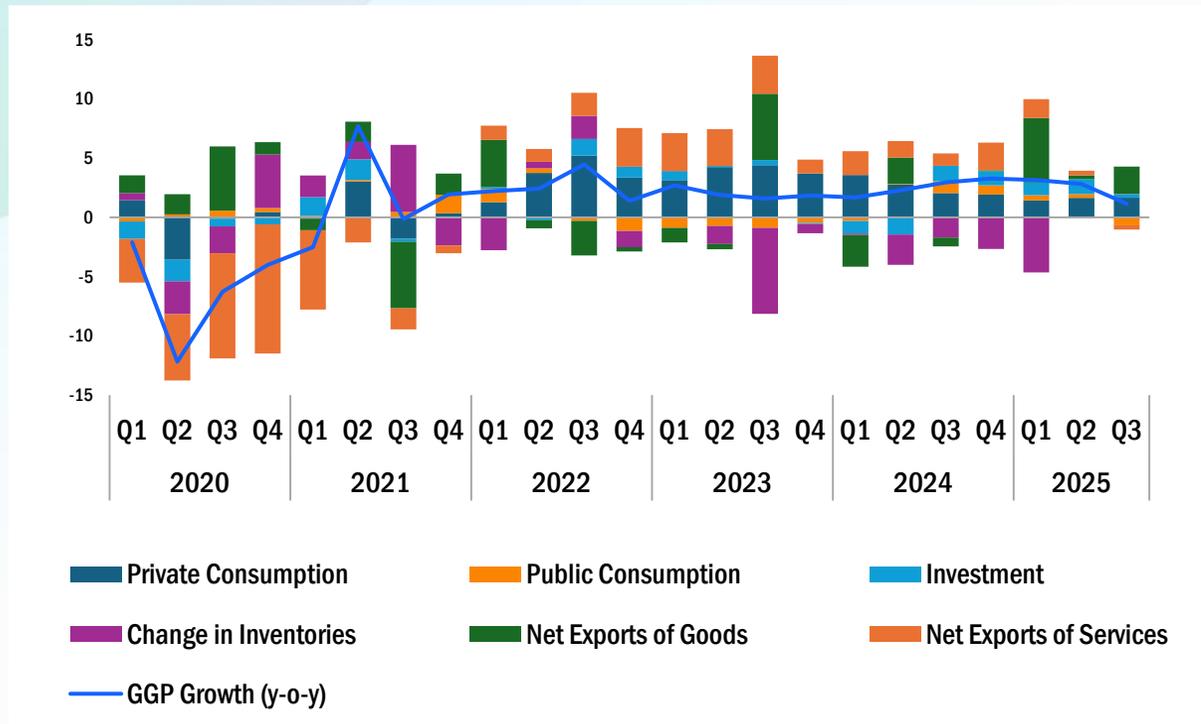


Strengthen regulation & supervision: Enhance cross-border cooperation and align with international standards to mitigate systemic risks.

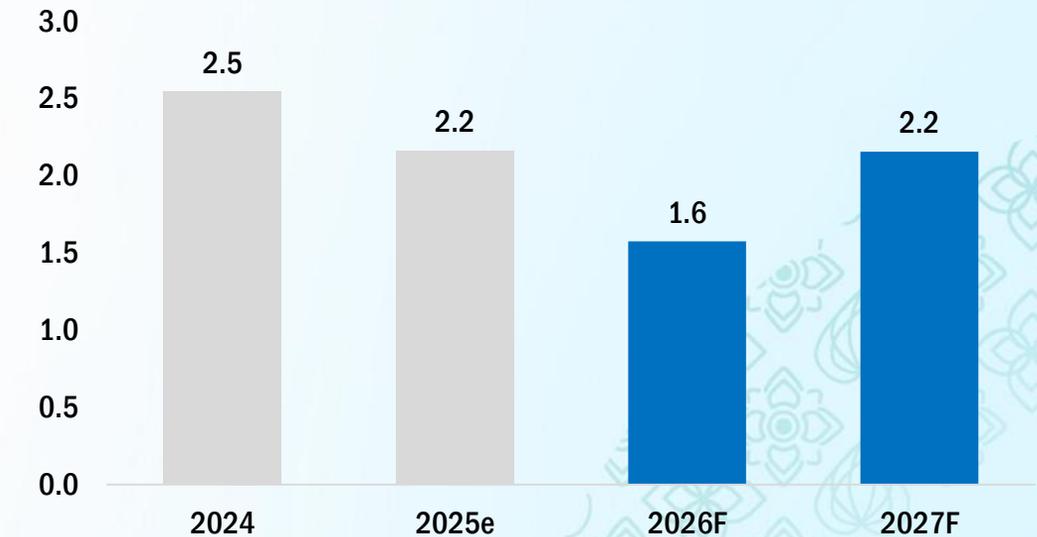


Thailand's GDP growth slows amid weak private consumption and tourism

Domestic demand moderated further (Percentage-point contribution to real GDP growth, year-on-year)

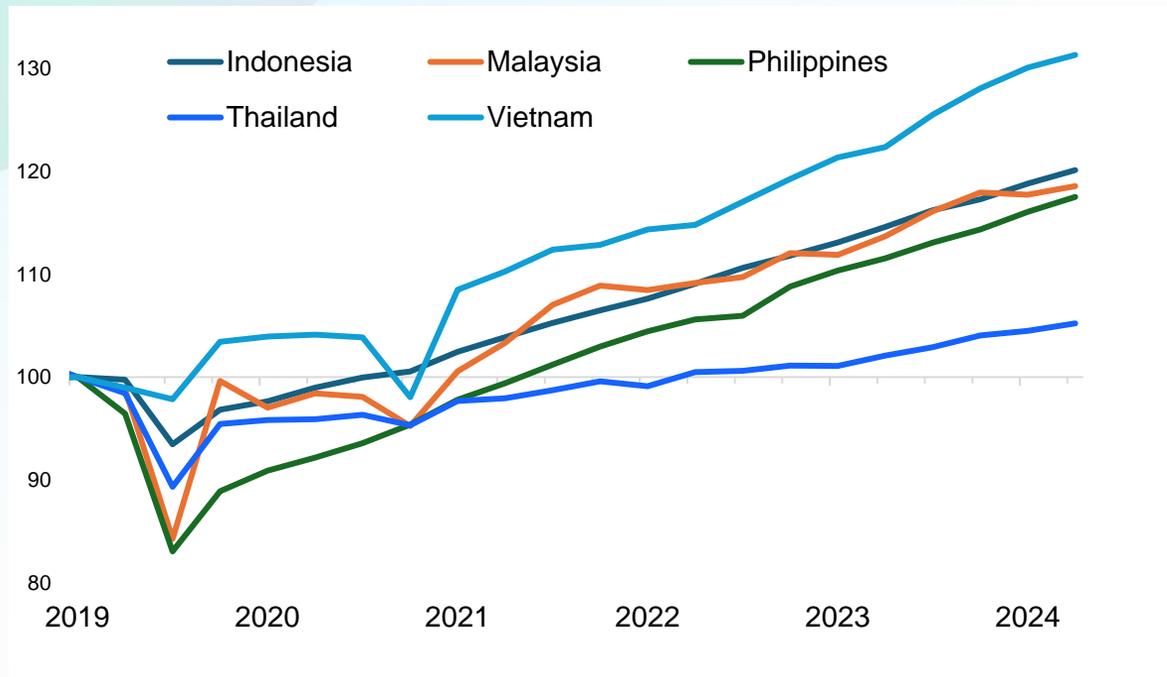


GDP growth is projected slow to 1.6 percent in 2026 (Percent)

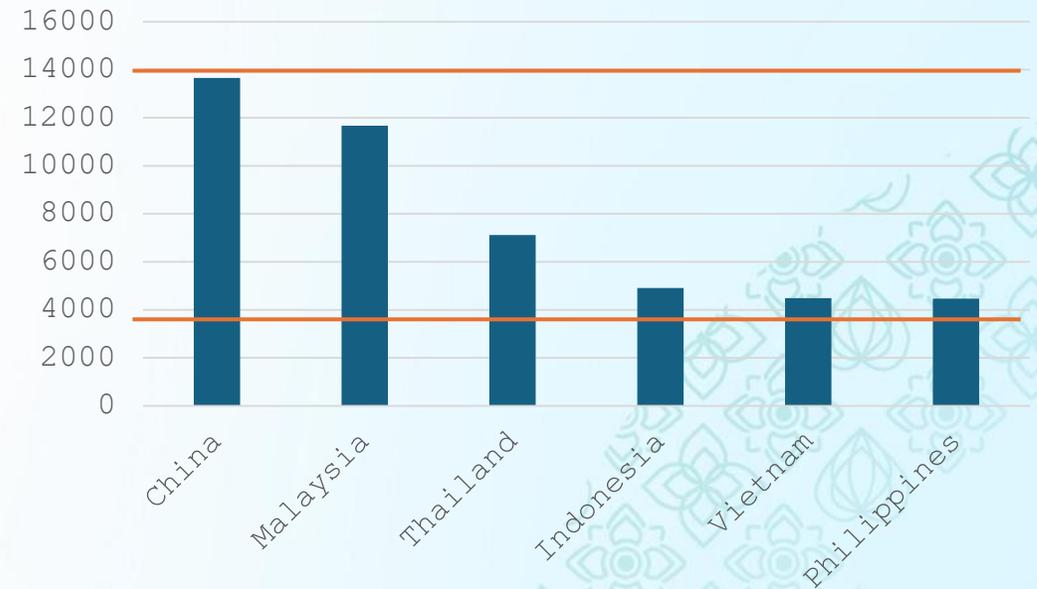


Thailand's GDP growth slows amid weak private consumption and tourism

Thailand's post-pandemic recovery lagged behind ASEAN peers
(GDP Index, seasonally adjusted, Q4 2019 = 100)

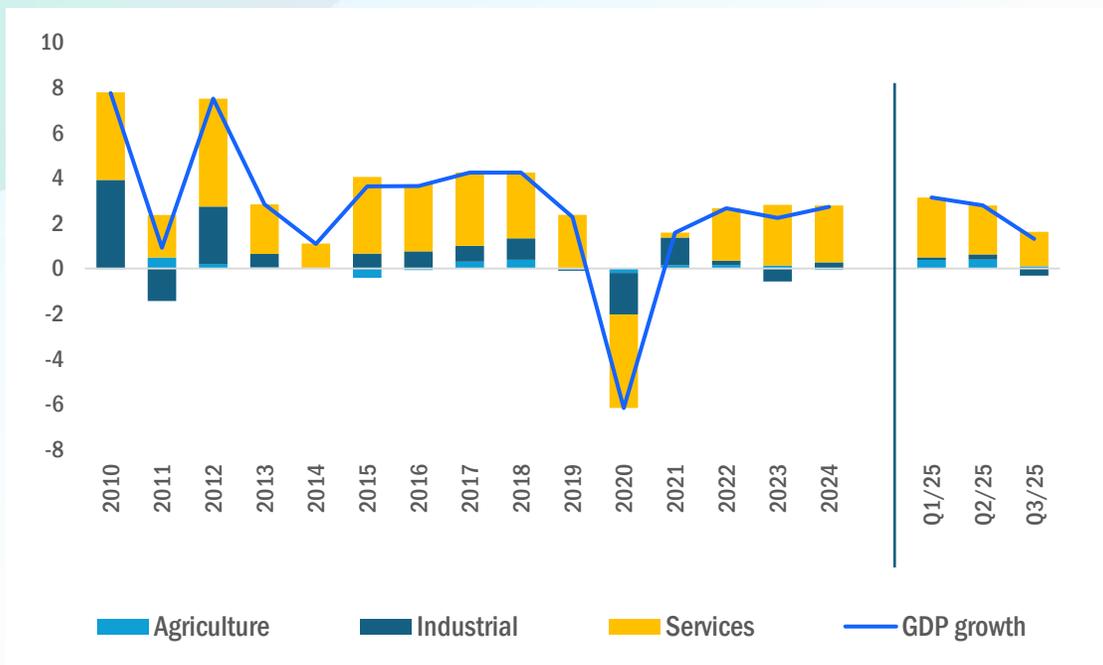


Thailand has achieved upper-middle income but remains well below high-income threshold
(GNI per capita)

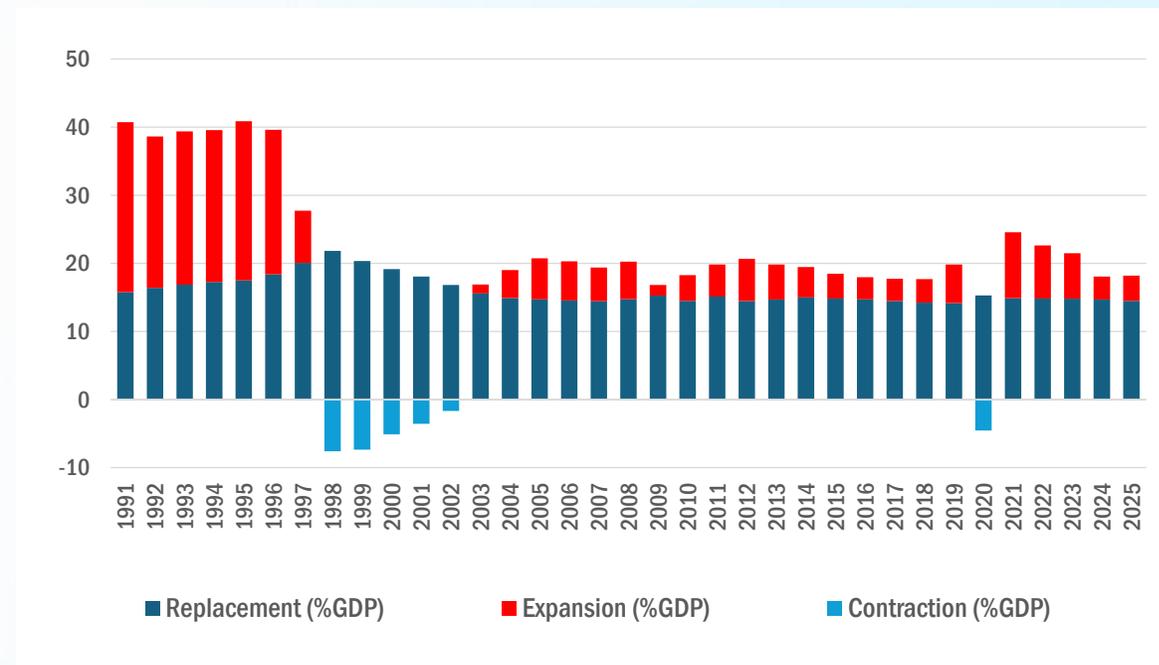


Manufacturing and investment remain subdued

Manufacturing contracted and set back the services-led recovery
(Index, sa)

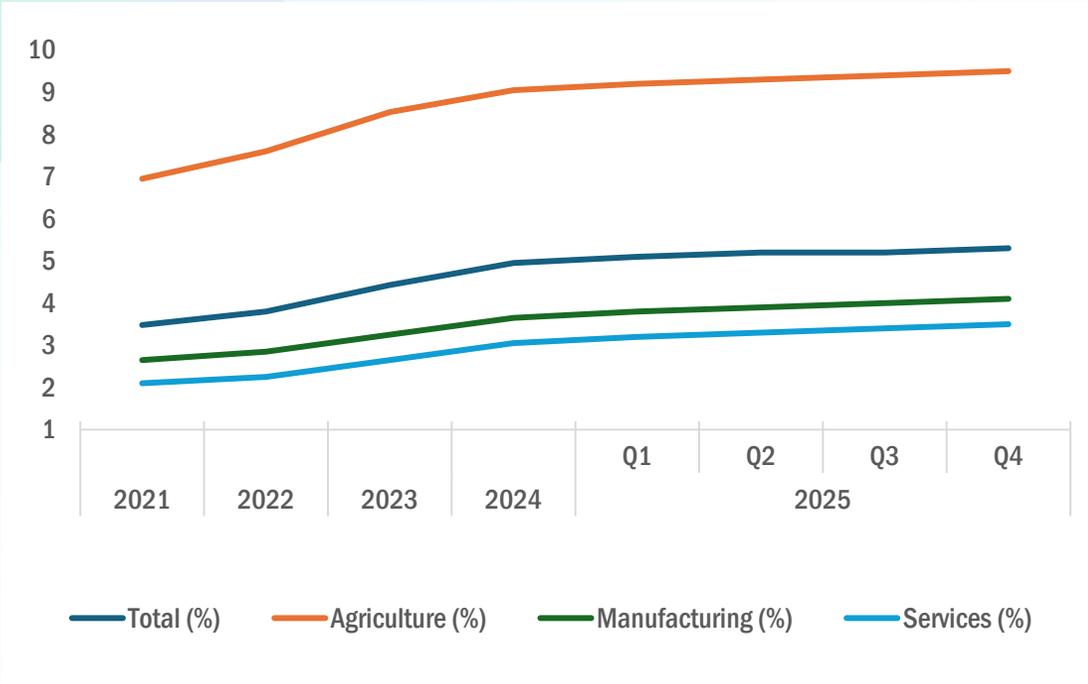


Investment remained low and focused on maintenance
(Percentage of GDP)

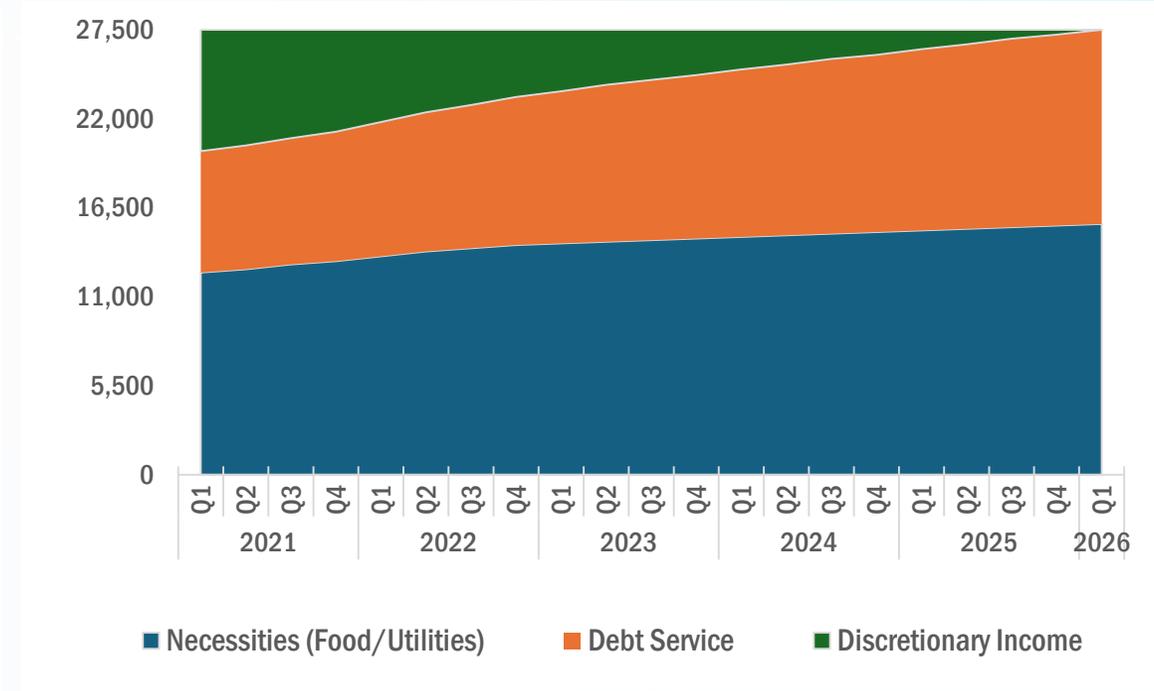


Household debt overhang and a stagnant labor market put pressure on workers

Quasi unemployment in agriculture has risen
(Percentage)

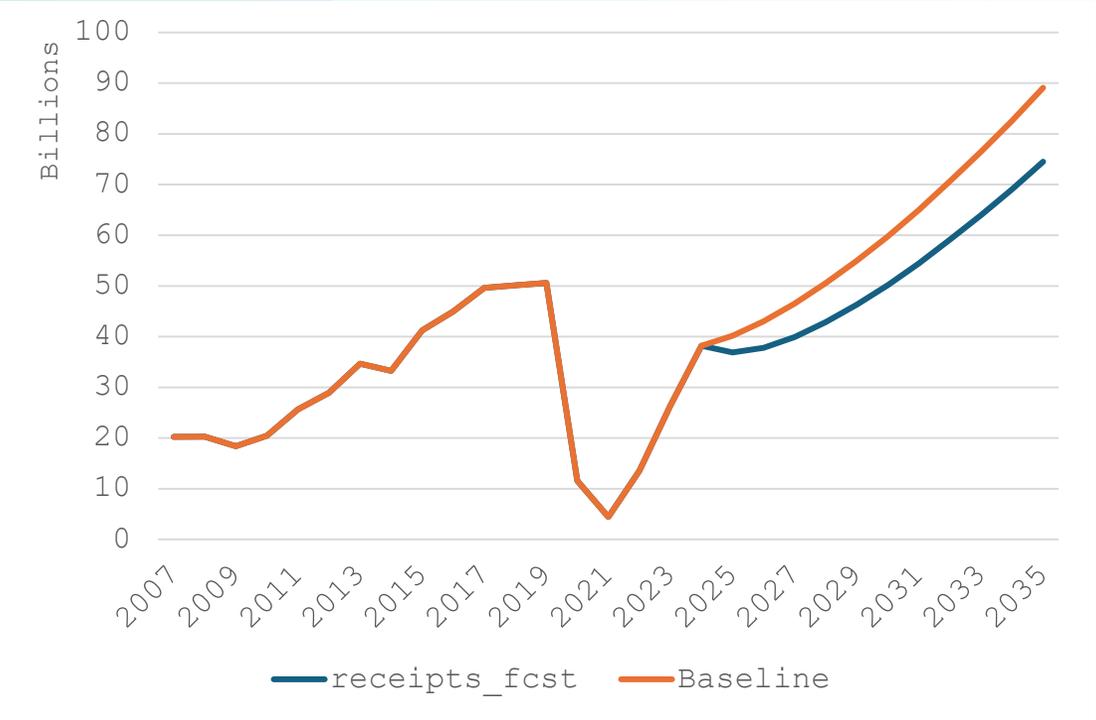


Households are facing rising debt payments and falling discretionary income
(THB)

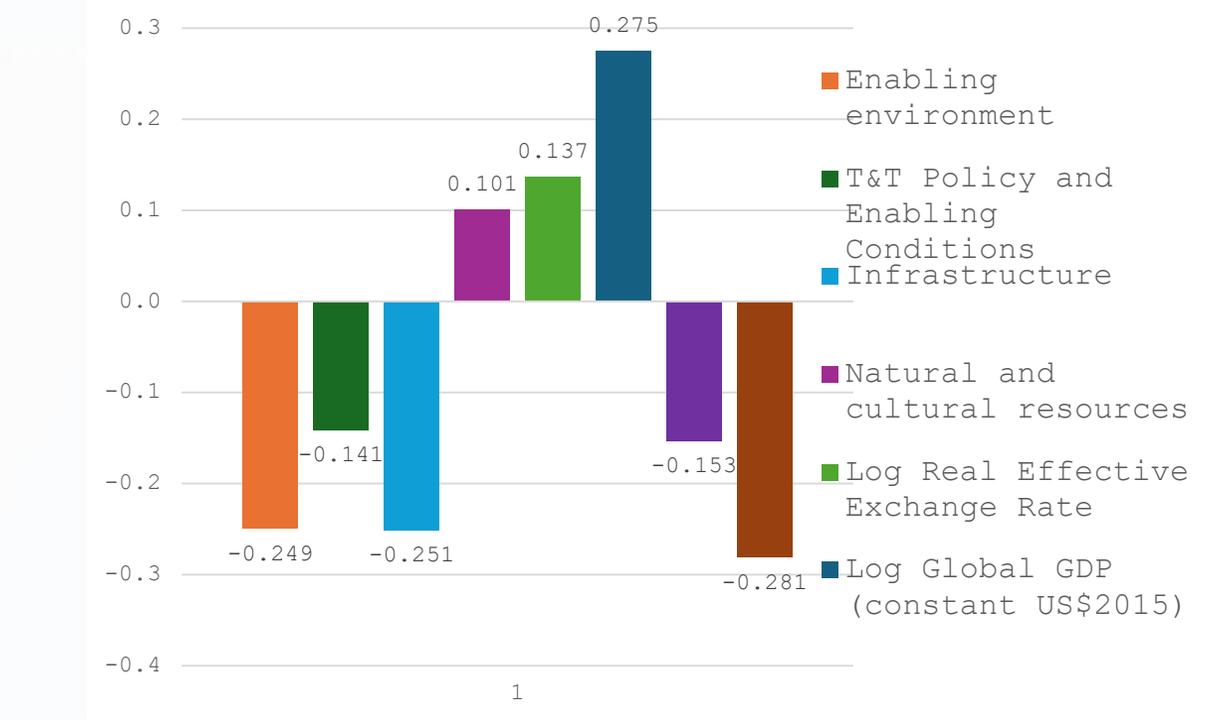


Tourism faces structural headwinds

Tourism receipts have fallen despite recovering tourism numbers



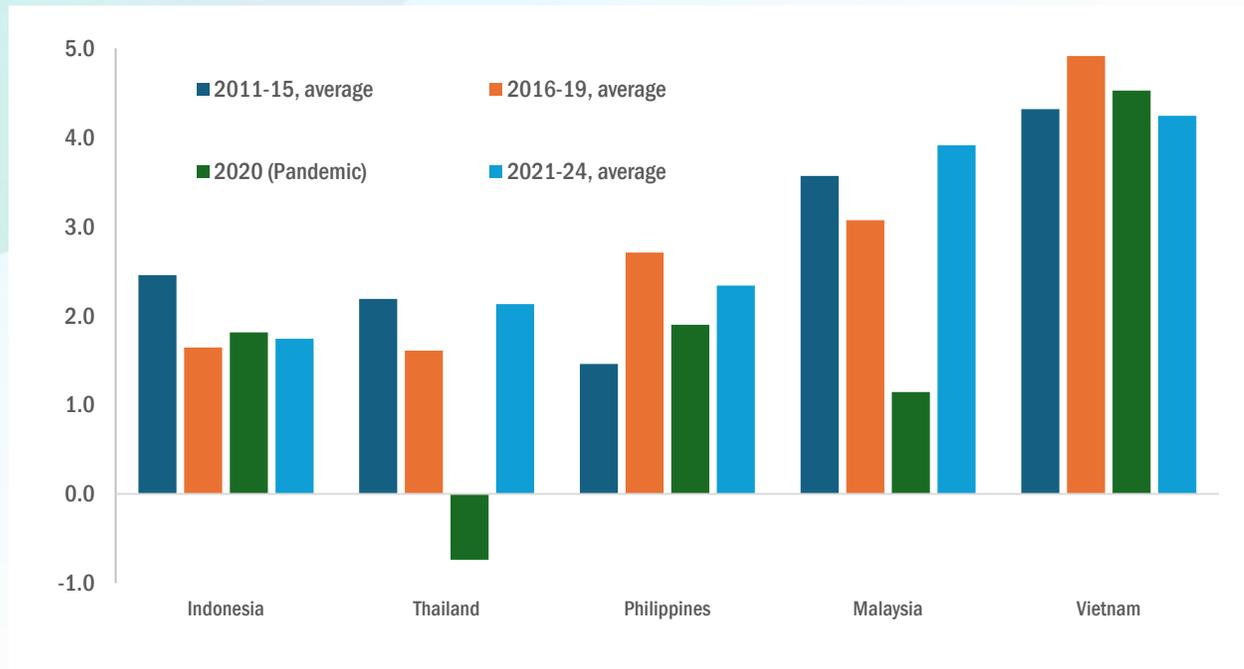
Structural challenges such as safety & security and infrastructure have risen.



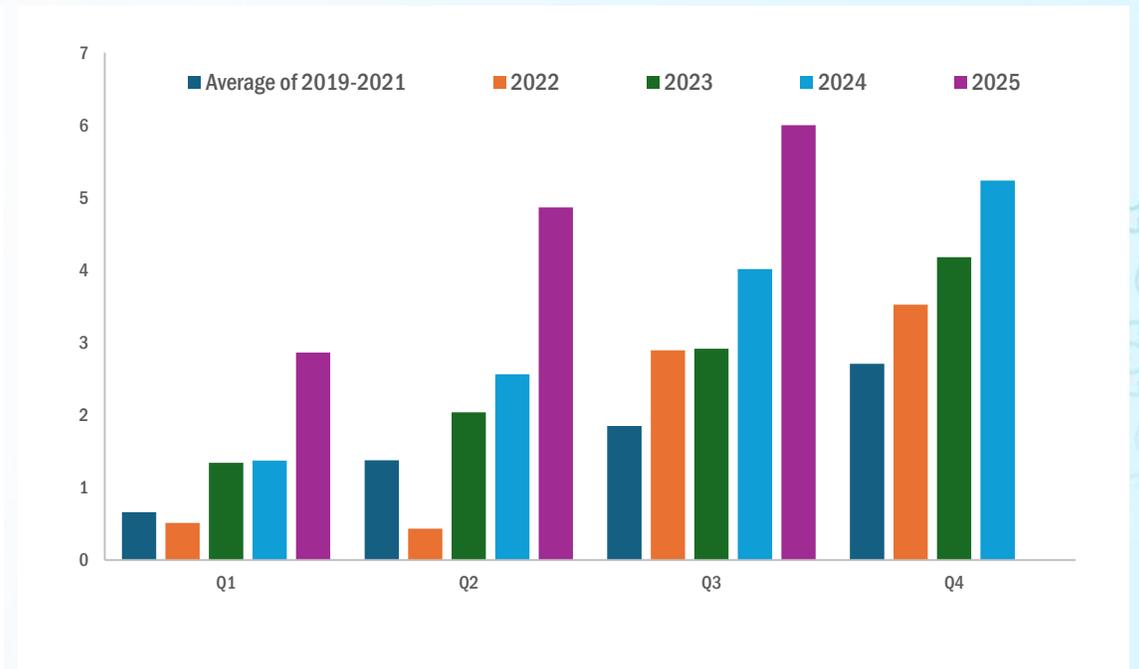
Source: CEIC; World Bank staff calculations.

Thailand FDI applications have surged

FDI inflows in 2021-24 improved but lagged behind peers
(Percentage of GDP)

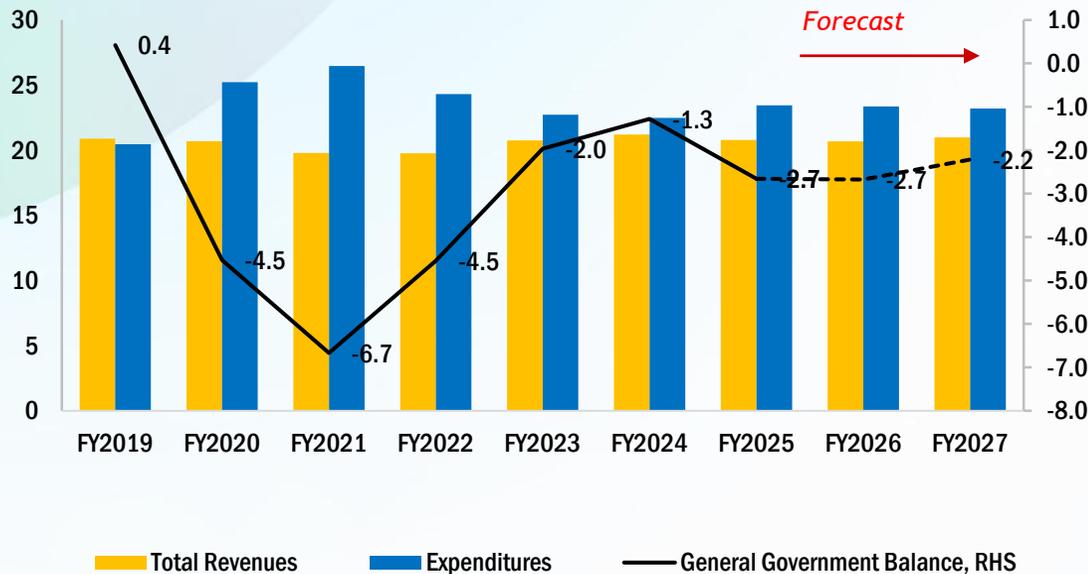


Applications for investments in targeted sectors surged
(Percent of GDP quarterly)

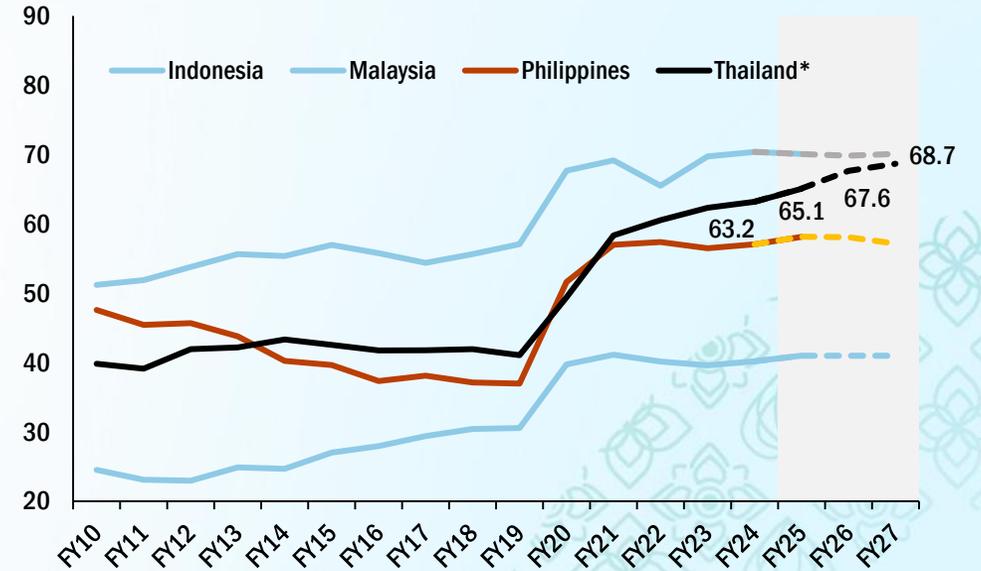


Fiscal policy is expected to remain expansionary to support growth and public debt increase

The general government deficit is projected to narrow in FY26 (Percent of GDP)



Public debt is projected to increase (Percent of GDP)



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 Focus



Competition

Goal: Improves efficiency, lowers costs, and unlocks domestic and foreign investment in high-value activities

Advance competition-enhancing reforms in services, digital infrastructure, logistics, and other backbone sectors; streamline and update regulations that currently hinder market entry, scale-up, and innovation.



Skills

Goal: Reduces skill gaps, increases employability, and strengthens workforce readiness for structural transformation.

Expand industry-aligned training and reskilling to address mismatches and prepare workers for fast-growing sectors (EVs, advanced electronics, digital services, green manufacturing).



Fiscal Rebalancing

Goal: Rebuilds fiscal space, supports productive investment, and enhances resilience to shocks.

Reduce the deficit in line with the Medium-Term Fiscal Framework; prioritize efficient public investment and targeted social protection; broaden the revenue base, including through VAT normalization and strengthening digital tax administration.