

2<sup>nd</sup> ASEAN Workshop

# Thailand's Macroeconomic Situation: Coexist with COVID-19



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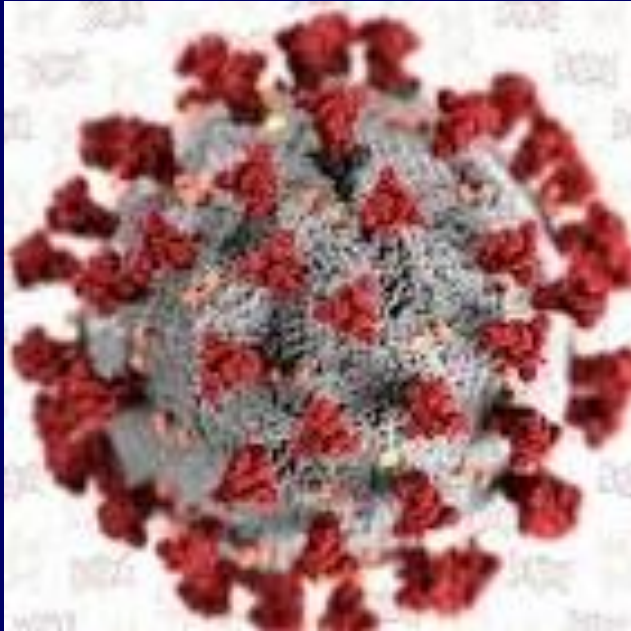
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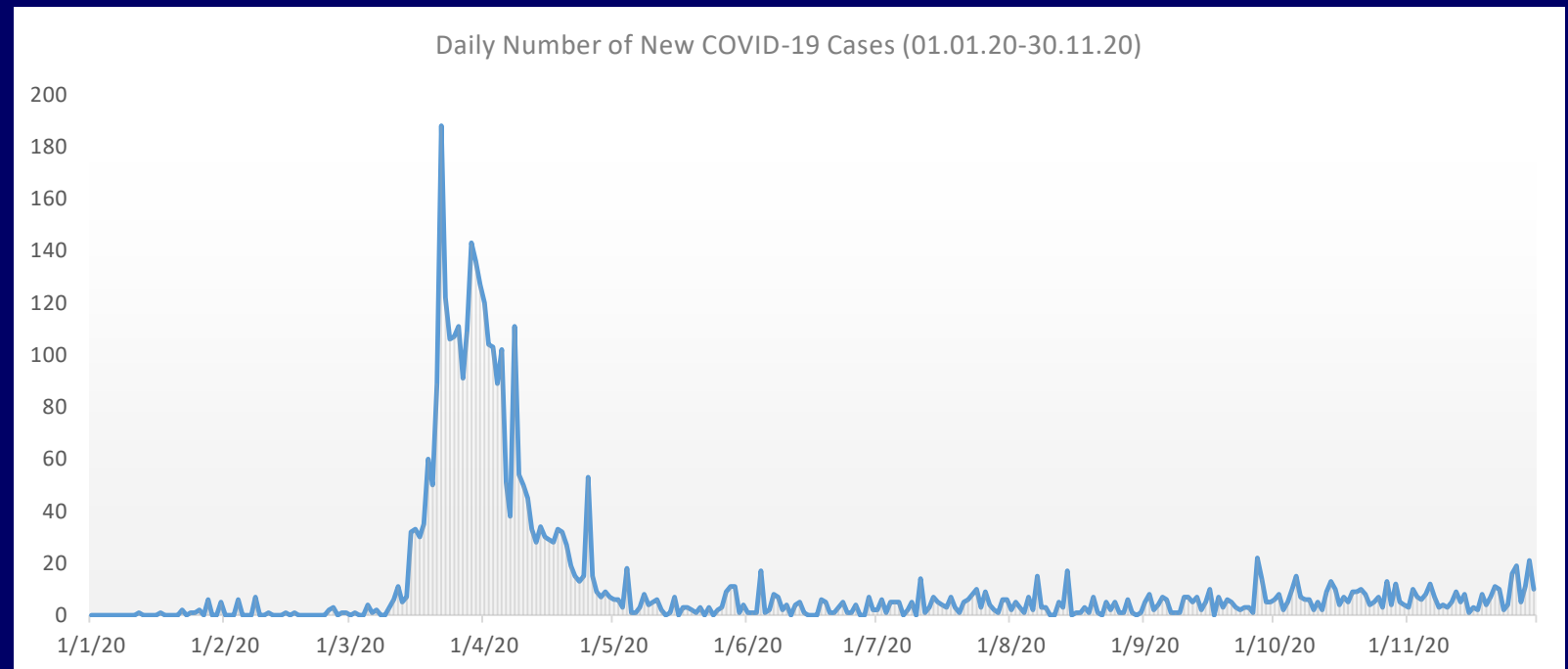
# 2020: The Year Our World Will Never Be the Same (I)

## 2020 was no doubt the Year of COVID-19

At the beginning of 2020, COVID-19 outbreak, drought and budget delay were cited as key economic drivers. However, COVID-19 pandemic had dominated the economic landscape for the rest of the year.



Source: MoPH

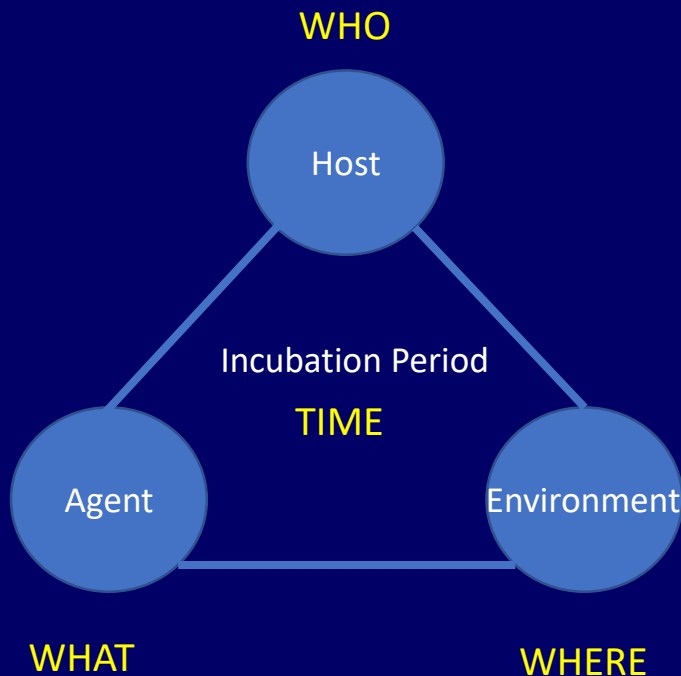


# 2020: The Year Our World Will Never Be the Same (II)

## EPIDEMIOLOGY of COVID-19 and Its Economic Implication

We'd better understand COVID-19 to understand how Thailand's economy will take shape

The Epidemiologic Triangle



The Agent = What = Coronavirus

The Host = Who = Infected Individuals

The Environment = Where = Favorable Surrounding for Transmission

The Incubation Period = Time = 2-14 days

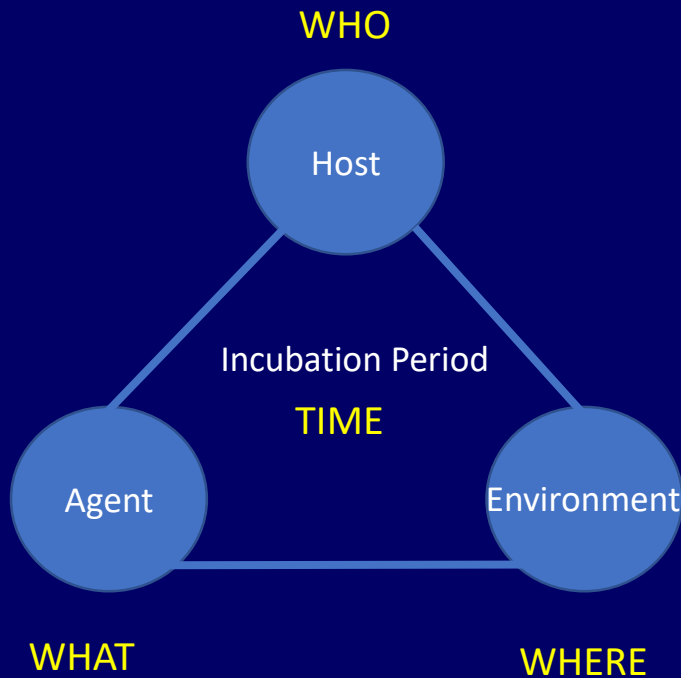
To Stop the outbreak we need to break the triangle.

About 99% of the people who get infected and develop symptoms will do so within 14 days.

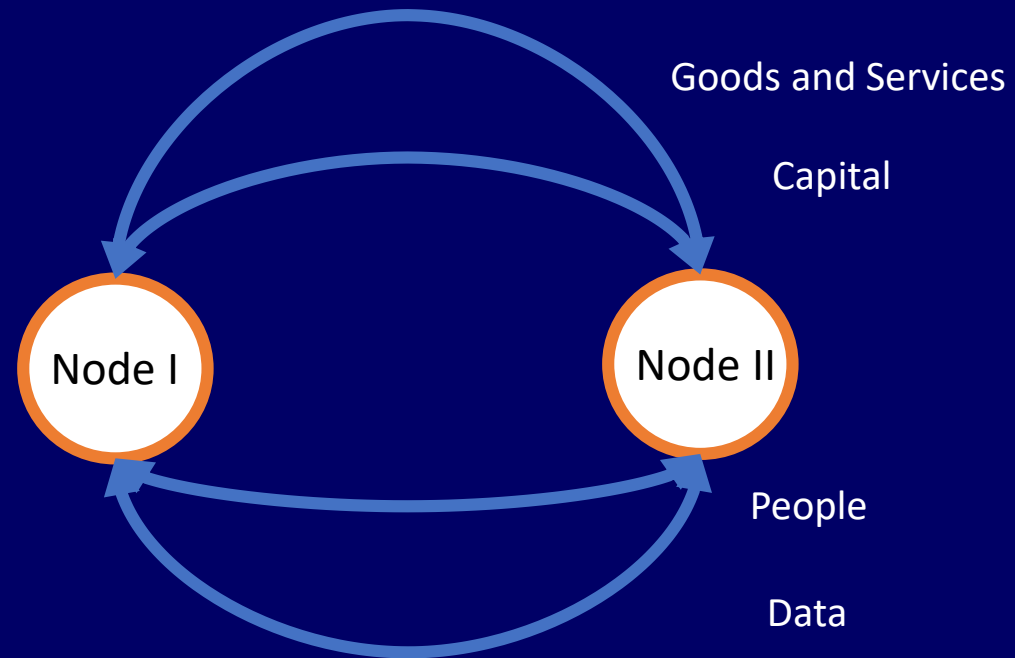
# 2020: The Year Our World Will Never Be the Same (II)

## EPIDEMIOLOGY of COVID-19 and Its Economic Implication

The Epidemiologic Triangle



Economy Activities as flows of Goods and Services, Capital, People and Data.

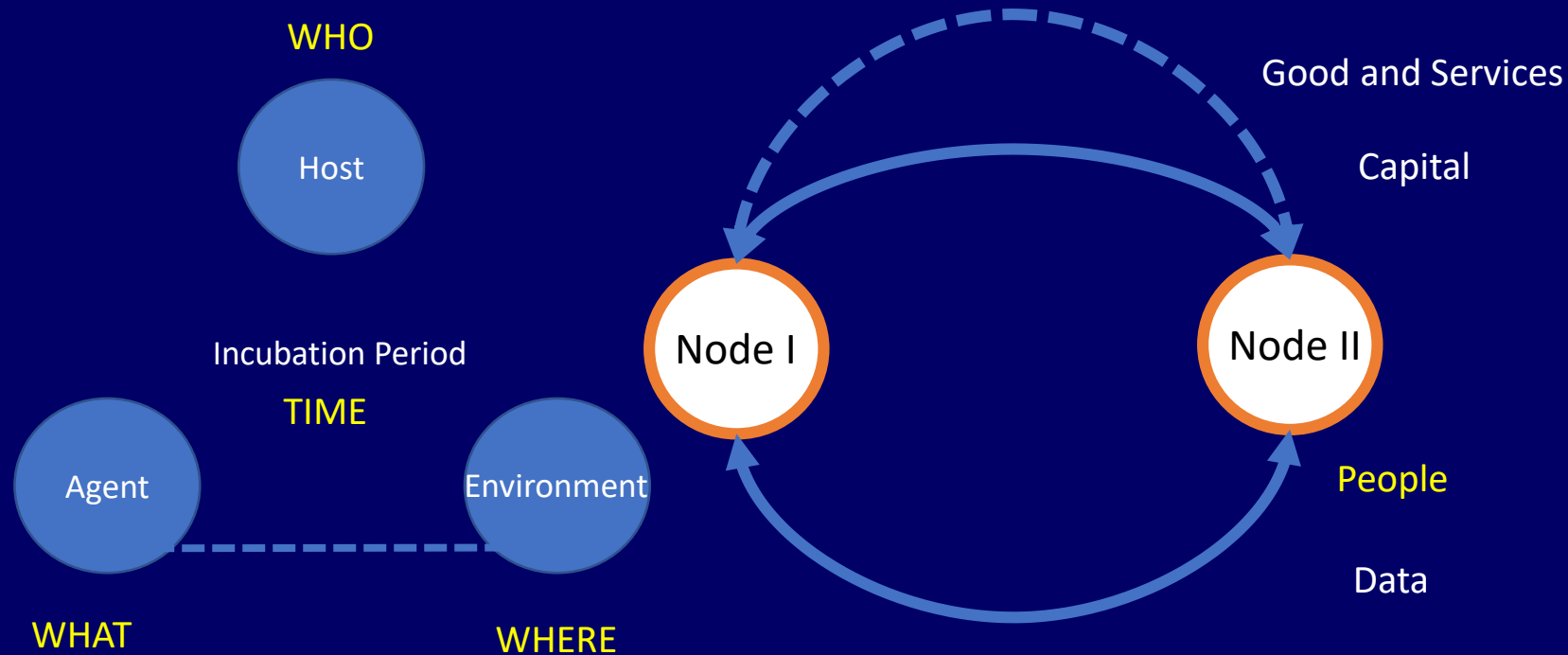


# 2020: The Year Our World Will Never Be the Same (II)

## EPIDEMIOLOGY of COVID-19 and Its Economic Implication



### The Epidemiologic Triangle



### Break the Host and the Agent Linkage:

Reduce the number of new hosts through isolation and personal hygiene

### Break the Host and the Environment Agent Linkage:

Separate hosts and avoid gathering

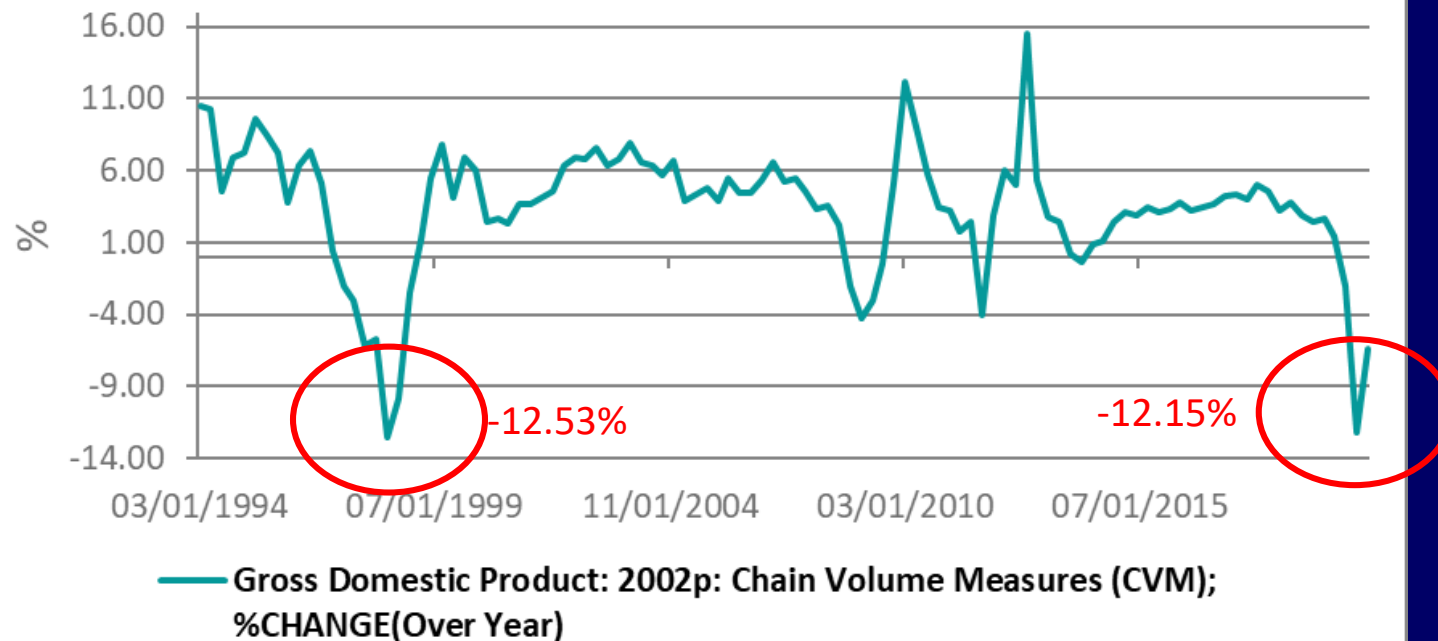
### Break the People link in the Economy:

Impact on the service sectors like tourism and then the rest of the economy.



# 2020: The Year Our World Will Never Be the Same (III)

**Gross Domestic Product: 2002p: Chain Volume Measures (CVM)**

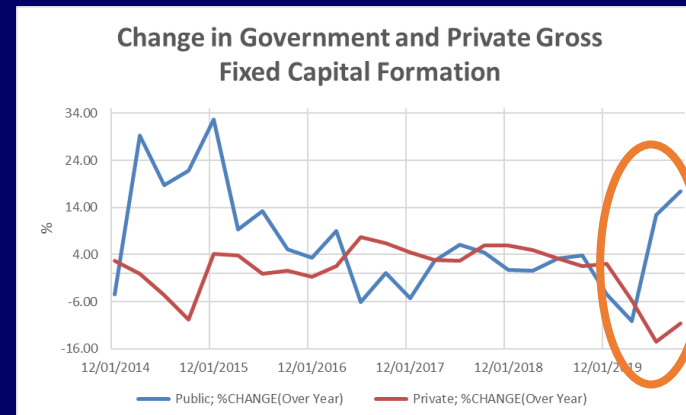
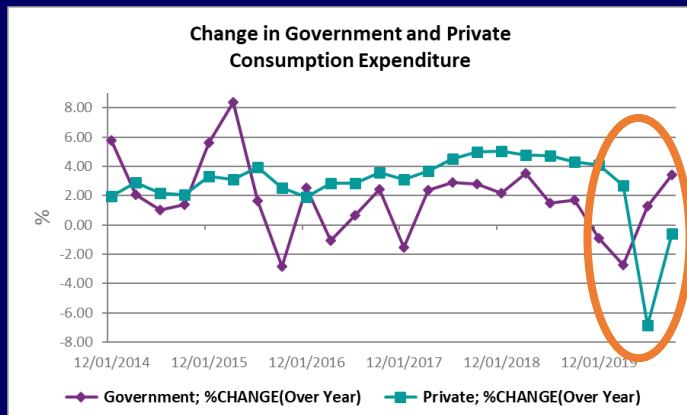
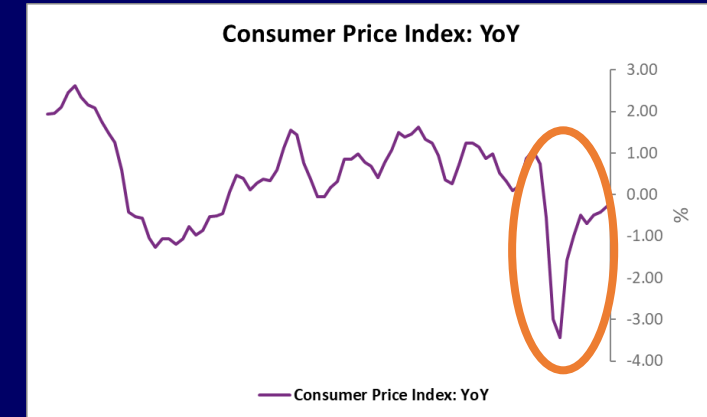
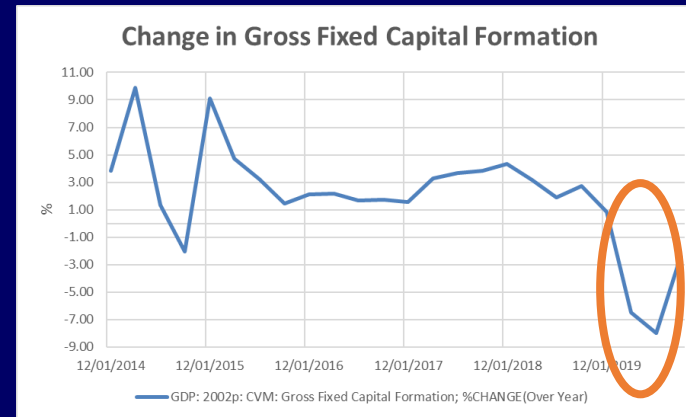
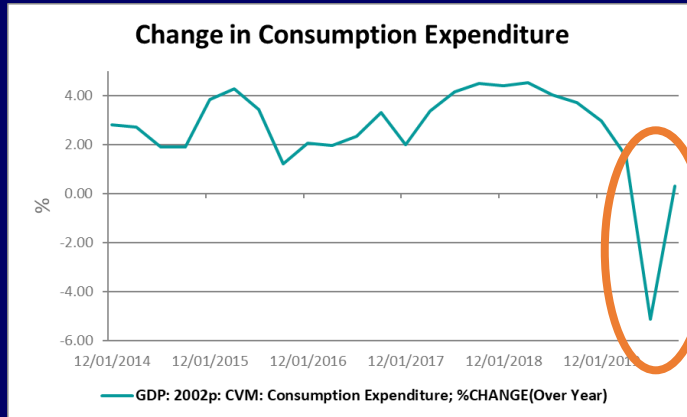


Thai economy was hit very hard in 2020. It contracted sharply in 2020 Q2 by 12.15%, comparable to 1998 Q2 level of 12.53% during the Asian financial Crisis. Although we saw a sign of improvement in Q3, the economy still registered negative growth of 6.41%. FPRI expect that Thailand's economy will shrink by 6.20% in 2020.

Source: CEIC

# 2020: The Year Our World Will Never Be the Same (III)

## Demand Side



Both consumption and investment dropped sharply in Q2 and then rebounded, but private consumption and investment were more heavily affected. Public investment helped to mitigate the impact of the COVID-19.

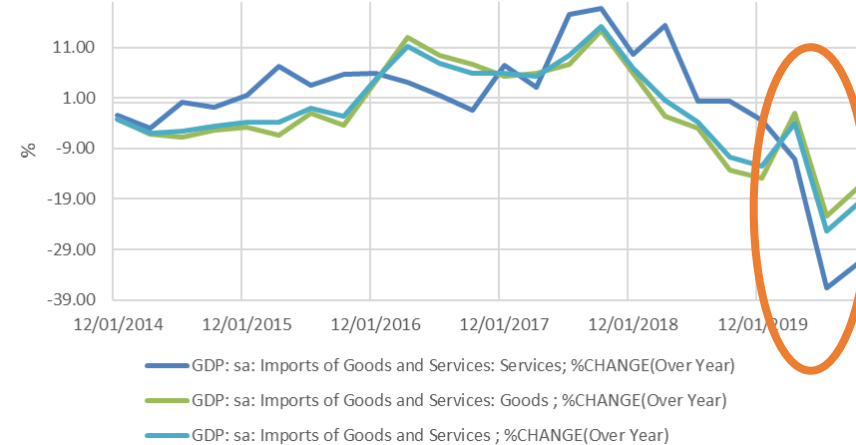
Inflation rate became negative as oil price plummeted.

# 2020: The Year Our World Will Never Be the Same (III)

Exports of Goods and Services Growth

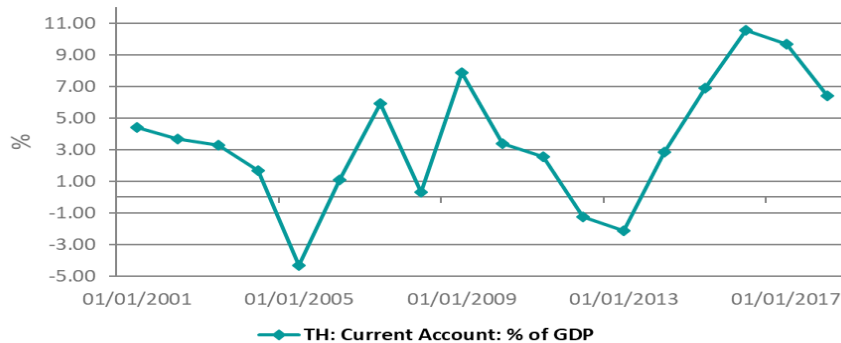


GDP: sa: Imports of Goods and Services

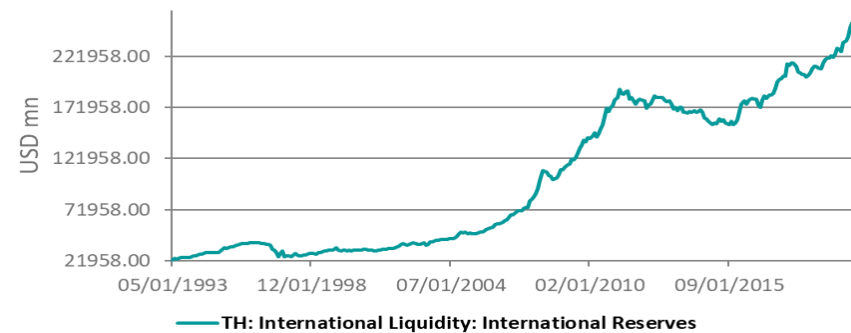


Services sector especially tourism suffered most and still could not recover. As part of GVC, Thailand's export and import of goods usually moved in the same direction.

TH: Current Account: % of GDP



TH: International Liquidity: International Reserves

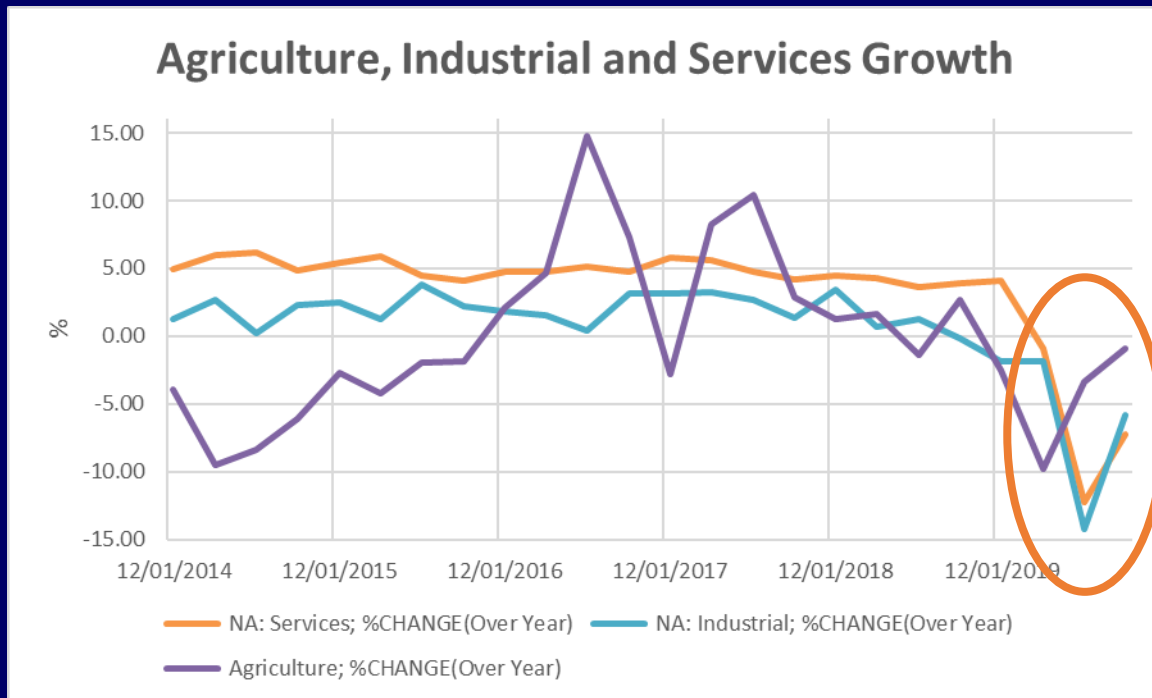


Current account was solid and the level of international reserves were at all time high. Therefore, Thailand macroeconomic stability was strong.

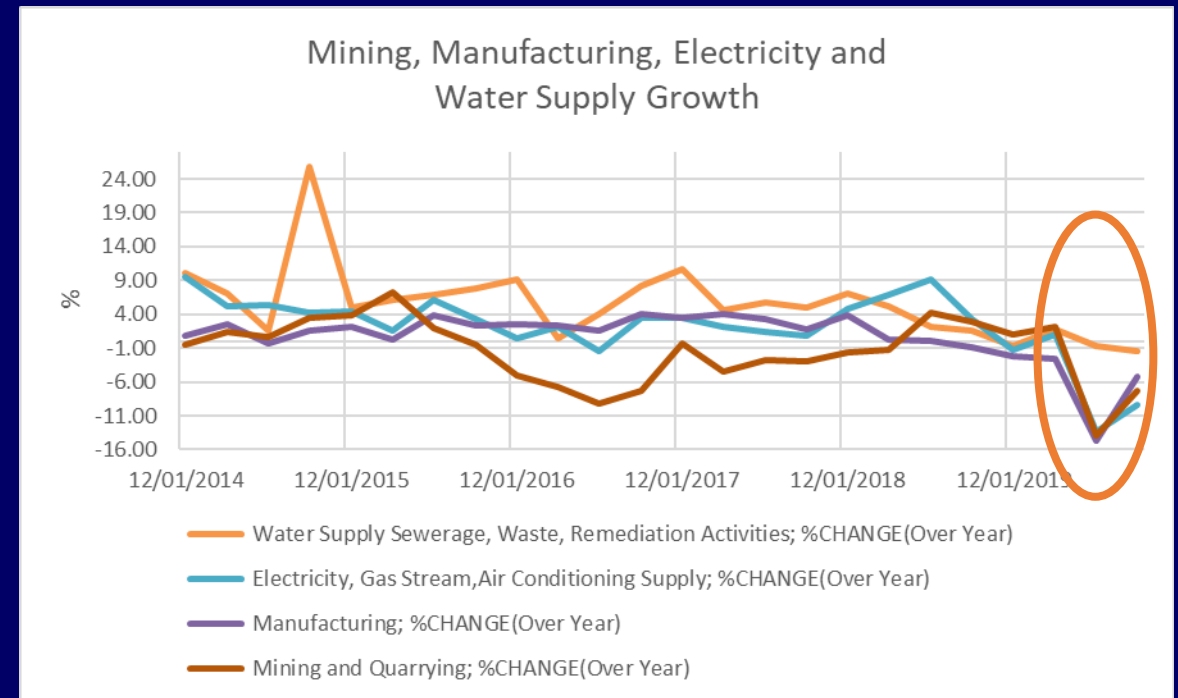


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## Supply Side

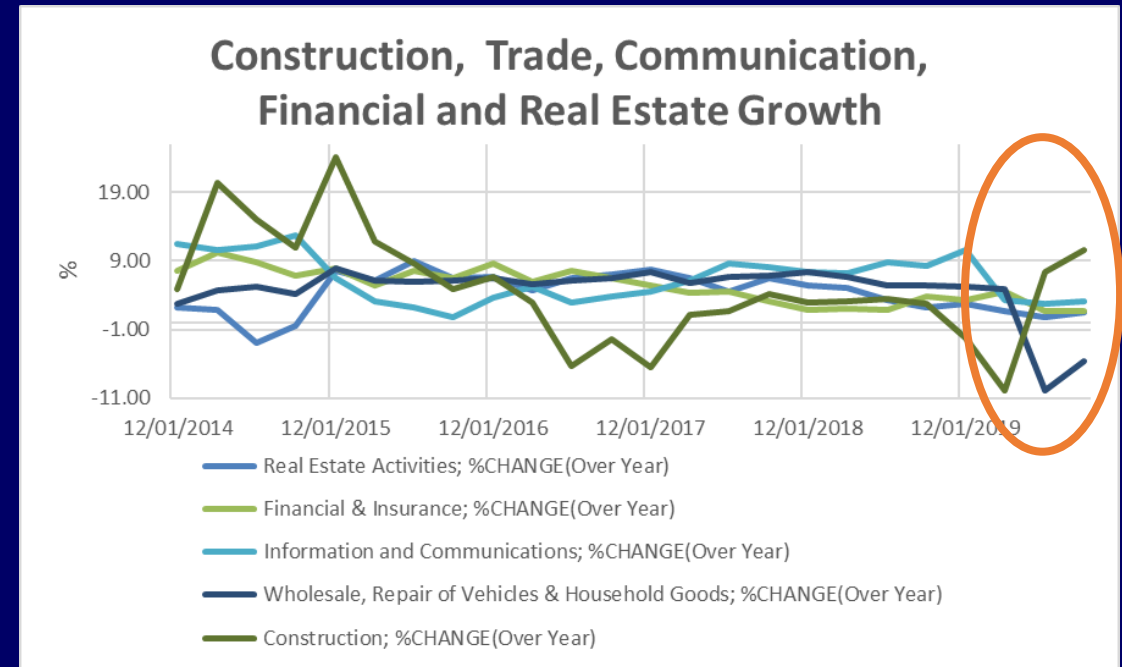


Industrial and services were severely affected and would take time to recover.



Mining, manufacturing and electricity almost moved in tandem since Q2 as demand fell, while water supply was declining.

# 2020: The Year Our World Will Never Be the Same (III)

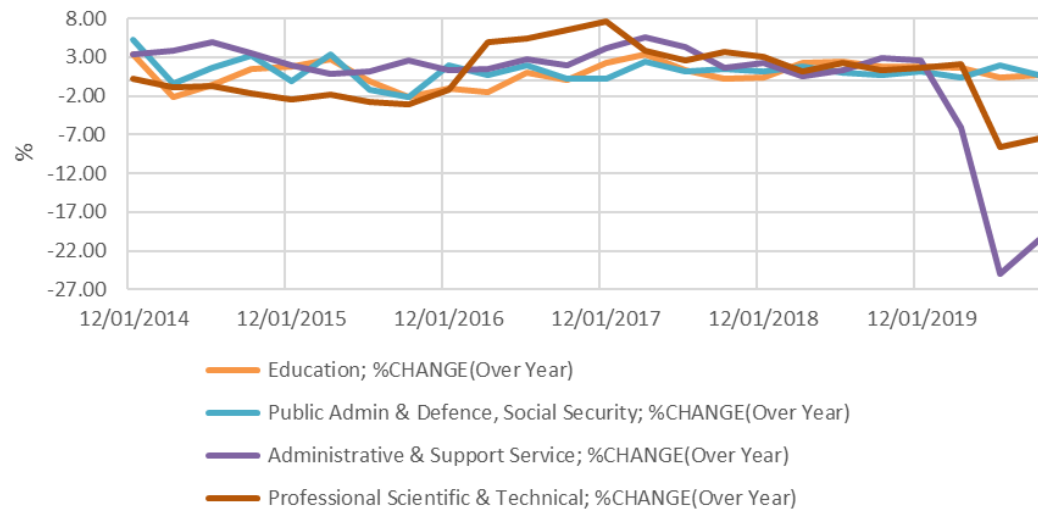


As expected, growth in tourism related sector shrank by 40-50%.

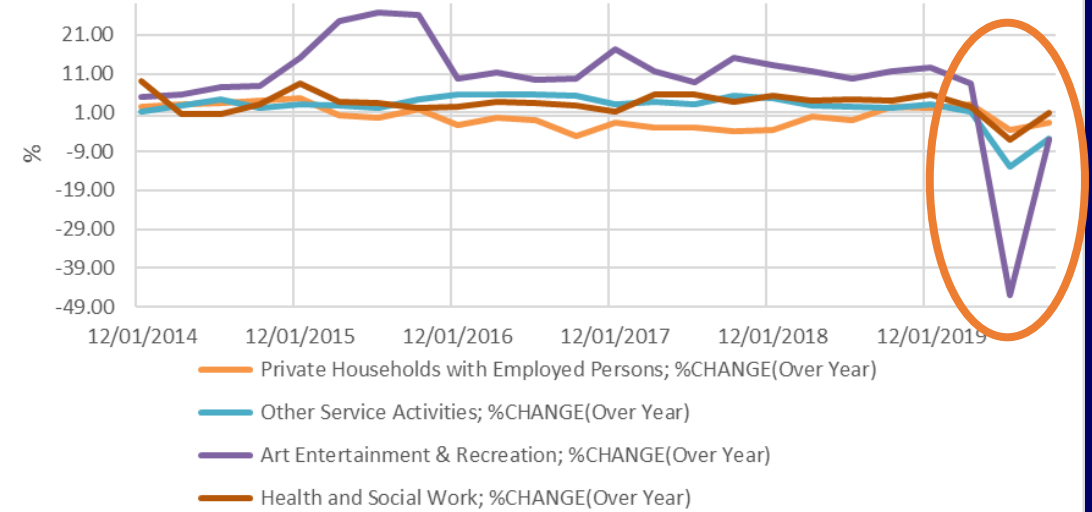
On the other hand, construction recovered fastest as real estate started to grow. However, trade sector was very slow to rebound.

# 2020: The Year Our World Will Never Be the Same (III)

**Professional, Administrative, Public Administration and Education Growth**



**Health, Entertainment, Other Services and Self-Employed Growth**



Art and entertainment, which involved large group of people, fell sharply in Q2.

# 2021: What Would Have Been Our Hopeful Scenario? And Why would it has never happened ?

Toward the end of 2020, many economic agencies including FPRI projected that Thailand would grow by 3-4.5% in 2021.

Agency	GDP Growth in 2021
IMF	4.0%
ADB, MOF	4.5%
NESDC	3.5-4.5%
BOT	3.2%
FPRI	3.6%

2.8%  
MOF 1/21

But this scenario is not likely to happen. Why? **The New Round of COVID-19 Outbreak.**

## 2021: Factors to Watch for Thailand: External Factors

- Global Economic Recovery
- COVID-19 Situation
- Possibility of COVID-Debt Crisis
- Relationship between the U.S. and China
- President Biden's New Policies



# 2021: Factors to Watch for Thailand: External Factors

- **Global Economic Recovery**
  - The world Economy is expected to expand at the rate of 4-5.5%
- **COVID-19 Situation**
  - New variant of COVID-19 was discovered. The number of cases exceeds 100 M and death toll reached 2.2 M. The vaccine deployment has started.
- **Possibility of COVID-19 Debt Crisis**
  - Global debt was at record high in 2019 prior to the COVID-19 pandemic. With 11.7 trillion USD (as of September 11, 2020 ) of fiscal stimulus worldwide, the level of debt is even higher.

# 2021: Factors to Watch for Thailand: External Factors

- Relationship between the U.S. and China
  - The rivalry between the two should continue. But in what areas?
- President Biden's New Policies
  - The American Rescue plan could boost Thailand's export of medical products and might strengthen THB
  - Thailand may consider to join CPTPP

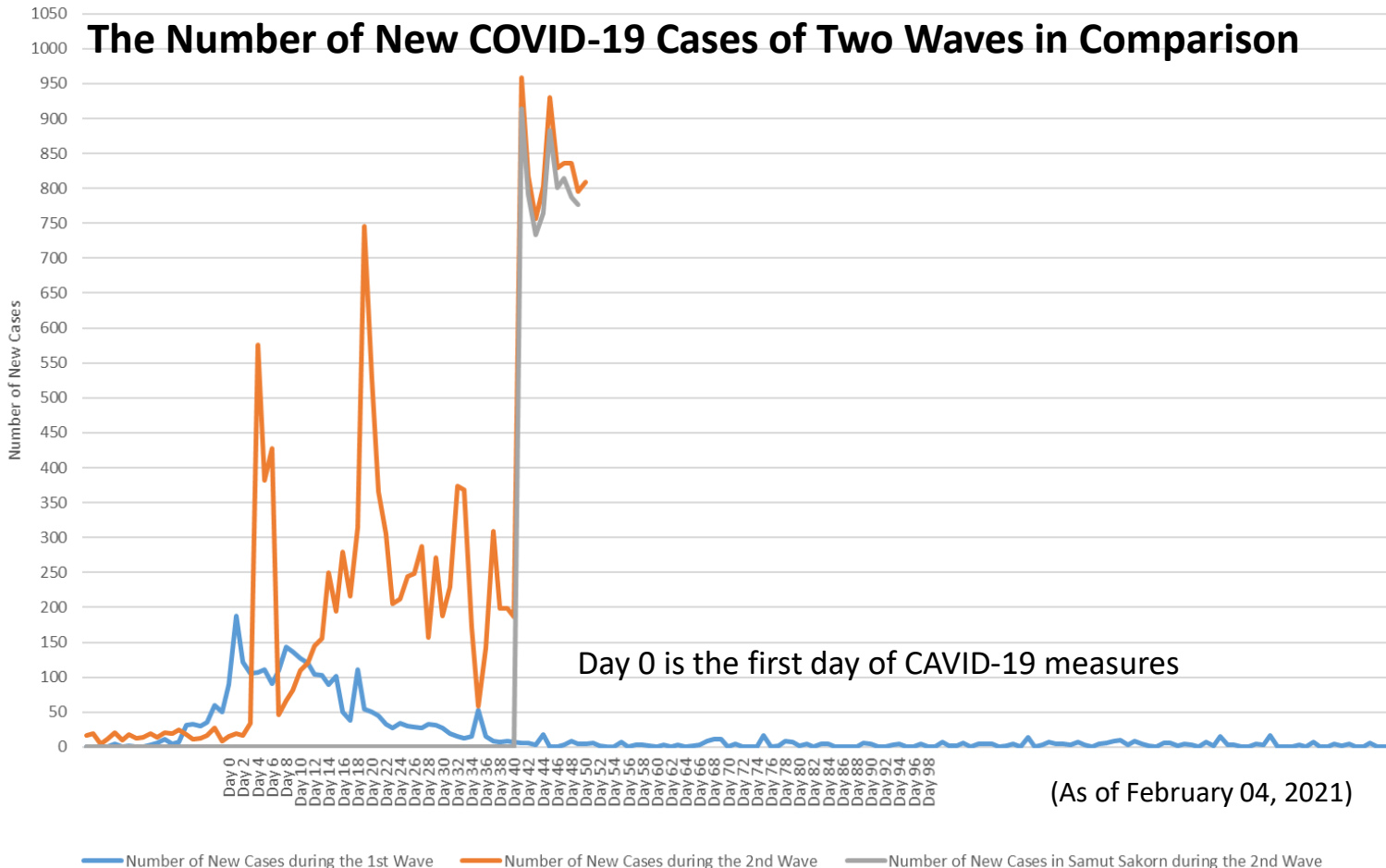
## 2021: Factors to Watch for Thailand: Internal Factors

- New Wave of COVID-19
- SME Debts
- Infrastructure Investment
- Political Conflict

# 2021: Factors to Watch for Thailand: Internal Factors

- **New Wave of COVID-19**
  - The new wave results in another round of economic uncertainty.
- **SME Debts**
  - SME debts are under targeted debt relief measures (restructuring, repayment period extension)
- **Infrastructure Investment**
  - Transport infrastructure investment continues to be key driving forces.
- **Political Conflict**
  - Different views persist but the situation is manageable.

# 2021: What Makes It Different This Time Around?



## Plus

- Lessons learned from the previous wave
- Strength of public health system
- More flexible measures: Zoning + local decision making
- Availability of COVID-19 vaccine

## Minus

- Larger number of cases and Multiple Clusters
- New variant of COVID-19
- Linkage to illegal activities: Gambling and illegal foreign workers



# 2021: Opportunity for More Trials of **Precision** Fiscal Policy

## Government Policy

Eat-Shop-Spend Scheme to boost consumption and tourism. (Cash + Rebate)



2019

2020



No one will left behind Scheme to give 5,000 THB subsidy a month

We Travel Together Scheme to promote domestic tourism through discount for hotels and airplane tickets



Let's Go Halves Scheme or copayment scheme to stimulate consumption at local small vendors or street foods

We-Win Scheme to give cash to 35 million people



2021

## Infrastructure



Common money transfer network using ID or phone number, introduced in 2016.



Welfare card for registered poor people as ATM/Cash Card/ID for other benefits



E-Wallet for Consumer & Mobile Payment App.



Another Mobile Payment App.

## 2021: Coexist with COVID-19

The Arrival of COVID-19 vaccine does not mean zero transmission.  
The vaccine only helps reduce the risk of infected individuals, lower probability of transmission and shorten duration of infectiousness.

WEARING MASKS, WASHING HANDS OFTEN and PRACTISING SOCIAL-DISTANCING are still necessary until we can totally control COVID-19 at the global scale.

Our economy needs to continue to adapt as COVID-19 is likely to stay with us and has a great impact for the remaining of the year.



Thank you