



Office of National Economic and Social Development Council

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สภာพัฒน



สภာพัฒน Update

## The Thai Economy in Q3/2020 and the Outlook for 2021

The Office of the National Economic and Social Development Council (NESDC) announced the Thai Gross Domestic Product (GDP) in the third quarter and the economic projection for 2020 – 2021 as follows:

### The Thai Economy in Q3/2020

The Thai Economy in the third quarter of 2020 declined by 6.4 percent, improving from a 12.1-percent contraction in the previous quarter. After seasonal adjustment, the economy increased by 6.5 percent from the second quarter (%QoQ sa). In the first 9 months of 2020, the Thai economy contracted by 6.7 percent.

**On expenditure side:** government expenditure and public investment expanded, while private consumption, private investment, and export of goods declined at a slower pace compared with the previous quarter. Export of services dropped consecutively. **Private consumption expenditure** dropped by 0.6 percent, improving from a 6.8-percent contraction in the second quarter. The improvement was due to the easing of lockdown measure and domestic travel restriction, coupling with the implementation of government policies, which resulted in the recovery of economic activity and domestic consumption. The expenditure on non-durable goods expanded by 2.7 percent, accelerating from a 1.6-percent expansion in the previous quarter. Major spending categories, specifically food and non-alcoholic spending increased by 2.9 percent. Meanwhile, service expenditure grew by 3.8 percent, compared with a decrease of 7.6 percent in the preceding period in which that spending on housing (water, electricity, gas and other fuels), health, and education expanded by 3.7 percent, 4.3 percent, and 0.7 percent, respectively. Expenditure on semi-durable goods decreased by 14.0 percent, improving from a 15.7-percent drop in the previous quarter. Accordingly, spending on furnishings, household equipment and routine maintenance of the house, and clothing and footwear decreased by 5.2 percent and 20.4 percent, respectively. Expenditure on durable goods decreased by 19.3 percent, compared with a 30.4-percent decrease in the previous quarter, mainly due to a contraction in purchase of vehicles by 17.6 percent. **Government consumption expenditure** grew by 3.4 percent, a consecutive increase from a 1.3-percent growth in the previous quarter contributed mainly by an 8.0-percent expansion of social transfers in kind–purchased market production. The government budget disbursement rate was at 21.6 percent of total budget (a significant increase from 21.0 percent disbursed in the same period of last year). **Total investment** dropped by 2.4 percent, recovered from an 8.0-percent contraction in the previous quarter. **Private investment** decreased by 10.7 percent, compared with a decline of 15.0 percent in the second quarter. This was in line with a 14.0 percent decrease in machinery and equipment investment, compared with a drop by 18.4 percent in previous quarter; while investment in construction returned to growth of 0.3 percent. **Public investment** expanded by 18.5 percent in consequence of increases in government capital investment and State-Owned Enterprises (SOEs) investment by 29.5 percent and 0.9 percent, respectively. The disbursement rate of capital budget in this quarter was 30.8 percent of the total budget compared with 19.2 percent in the previous quarter and 21.6 percent in the same quarter last year.

In term of international trade, **export value** in the third quarter was recorded at 57.99 billion USD, decreasing by 8.2 percent and improving from a 17.8-percent contraction in the previous quarter due to the recovery of trading partners' economies and the expansion of some export products benefiting from the pandemic. The export volume index and the export price dropped by 7.6 percent, and 0.7 percent, respectively. **Export items with increased value** were tapioca (27.9 percent), fish canned, prepared, or preserved (10.1 percent), rubber products (34.1 percent), ovens (71.8 percent), and refrigerators (21.9 percent). On the other hand, **export items with decreased value** but at a slower pace included rubber (-35.5 percent), computer parts & accessories (-1.8 percent), passenger cars (-22.9 percent), pick up and trucks (-29.5 percent), vehicle parts & accessories (-16.0 percent), and petrochemical products (-6.7 percent). **Import value** in the third quarter was recorded at 45.294 billion USD, decreasing by 17.8 percent and improving from a 23.4 percent contraction in the previous quarter associated with the slower economic activities than the same period last year but improved from the previous quarter. **Import quantity** decreased by 16.5 percent, compared with a 19.3-percent decline in the previous quarter. Also, the price of imports decreased by 1.5 percent, compared with a 5.1-percent decrease in the previous quarter.

### Growths of Real GDP and Exports of Goods of Major Economies

%YoY	Real GDP					Exports				
	2018	2019	2020			2018	2019	2020		
	Year	Year	Q1	Q2	Q3	Year	Year	Q1	Q2	Q3
US	3.0	2.2	0.6	-9.0	-2.8	7.9	-1.5	-3.1	-30.1	-13.4
Eurozone	1.9	1.3	-3.3	-14.8	-4.4	8.7	-2.6	-4.5	-25.0	-3.9
United Kingdom	1.3	1.3	-2.1	-21.5	-9.6	10.2	-3.5	-10.4	-25.8	-
Australia	2.8	1.8	1.5	-6.4	-	11.3	5.3	-6.8	-14.7	-13.0
Japan	0.3	0.7	-1.8	-9.9	-	5.7	-4.4	-4.4	-23.7	-12.0
China	6.7	6.1	-6.8	3.2	4.9	9.7	-0.1	-13.3	0.1	8.9
India	6.8	4.9	3.1	-23.9	-	8.8	-0.1	-12.7	-36.5	-5.5
South Korea	2.9	2.0	1.4	-2.7	-1.3	5.4	-10.4	-1.8	-20.3	-3.4
Taiwan	2.7	2.7	2.2	-0.6	3.3	5.9	-1.5	3.7	-2.4	6.0
Hong Kong	2.8	-1.2	-9.1	-9.0	-3.5	6.8	-4.1	-8.8	-3.2	2.3
Singapore	3.4	0.7	-0.3	-13.3	-7.0	10.3	-5.2	-3.7	-17.0	-4.9
Indonesia	5.2	5.0	3.0	-5.3	-3.5	6.6	-6.8	1.2	-12.5	-6.5
Malaysia	4.8	4.3	0.7	-17.1	-2.7	14.2	-3.4	-2.5	-18.4	3.5
Philippines	6.3	6.0	-0.7	-16.9	-11.5	0.9	2.3	-5.1	-29.2	-6.7
Vietnam	7.1	7.0	3.7	0.4	2.6	13.3	8.4	7.8	-6.9	10.6

Source: CEIC, compiled by Office of the National Economic and Social Development Council

**On the production side**, construction section accelerated, while the accommodation and food service activities, manufacturing, agriculture, transportation and storage, wholesale and retail trade, and repair of motor vehicles and motorcycles, and electricity, gas, steam, and air conditioning supply sectors all declined but at a slower pace than the preceding quarter. **Agriculture sector** declined by 0.9 percent, but improved from a drop by 3.3 percent in the previous quarter. The contraction was observed mainly in major crops due to the impacts from drought and lagged precipitation which had led to lower level of water in most reservoirs and natural water resources. The production of agricultural products that declined but at a slower rate includes paddy (-4.2 percent) and rubber (-2.3 percent).

Those that continued to decline includes oil palm (-5.6 percent) and cassava (-0.8 percent). On the other hand, the production of agricultural products that expanded includes maize (22.7 percent), poultry (6.7 percent), and fruits (2.5 percent). Fisheries contracted by 1.9 percent while livestock grew by 2.7 percent. Overall, **agricultural price index** increased by 6.4 percent, contributed especially by the increase in price indices of paddy (6.4 percent), oil palm (44.2 percent), and fruits (8.8 percent). In contrast, some major agricultural price index of some products fell, such as poultry (6.2 percent) and egg (0.4 percent). The rise in agricultural price index led to an increase for the first time in 3 quarters of the overall **farm income index** by 6.2 percent.

**Manufacturing sector** dropped by 5.3 percent, but improved from the sharp drop by 14.6 percent in the preceding quarter. Manufacturing Production Index of the industries with 30 - 60 percent export share to total production declined by 23.9 percent, Manufacturing Production Index of export-oriented industries (with export share of more than 60 percent to total production) declined by 6.0 percent, and Manufacturing Production Index of the domestic-oriented industries (with export share of less than 30 percent to total production) declined by 1.6 percent, an improvement from a 7.7-percent drop. The **average capacity utilization rate** stood at 60.5 percent, a rise from 52.9 percent in the previous quarter, but a decline from 64.8 percent in the same quarter last year. Manufacturing Production Index with negative growth in the third quarter includes vehicles (-30.2 percent), sugar (-65.2 percent), and petroleum products (-7.5 percent), while Manufacturing Production Index with positive growth includes household electrical appliances (25.6 percent), fertilizer (30.7 percent), and pharmaceuticals (15.5 percent). **Accommodation and food service activities sector** declined by 39.6 percent, compared with a 50.2-percent decrease in the previous quarter becoming the third consecutive decline. In this quarter, **total number of foreign inbound tourists was recorded zero**, which is a second consecutive quarter of 100-percent contraction, due to the COVID-19 pandemic in several countries. **Total revenue from tourism stood at 116 billion baht and declined by 84.3 percent**, which wholly came from Thai tourists in this quarter. However, Thai tourism receipts declined by 55.9 percent. The **average occupancy rate was at 26.76 percent**, an increased from 6.51 percent from the previous quarter, but a drop from 64.03 percent in the same quarter of last year. **Transportation and storage sector** declined by 23.6 percent, from a 38.8-percent decrease in the previous quarter. This decline was attributed by a 71.9-percent fall in air transport services, 17.2-percent in land and tubes transport services, 0.6-percent in water transport services, and 22.7-percent in shipping support services. However, postal services increased by 5.0 percent, in line with the higher revenue of entrepreneurs.

**On the economic stability**, unemployment rate was 1.9 percent, a slightly drop from a 2.0-percent in the preceding quarter, but still above the 1.0 percent in the same period last year. Meanwhile, the headline inflation was -0.7 percent. The current account recorded a surplus of 6.3 billion USD or 197.3 billion baht or accounted for 5.1 percent of GDP. International reserves at the end of September stood at 251.1 billion USD and the public debt at the end of September was 7,848.2 billion baht or 49.4 percent of GDP.

### **The Thai Economic Outlook for 2020**

The Thai economy in 2020 is projected to decrease by 6.0 percent. Export value of goods in US dollar terms is anticipated to decrease by 7.5 percent. Meanwhile, private consumption expenditure and total investment are expected to contract by 0.9 percent and 3.2 percent, respectively. Headline inflation is estimated to decline by 0.9 percent and the current account is projected to record a surplus of 2.8 percent of GDP.

### **The Thai Economic Outlook for 2021**

The Thai economy in 2021 is expected to expand within the range of 3.5 – 4.5 percent. The growth will be mainly supported by (i) the improvement of domestic demand, (ii) the recovery of the world economy and global trade, (iii) the government budget's disbursement and economic stimulus measures, and (iv) the low growth base in 2020. Consequently, it is expected that export values of goods, private consumption expenditure, and total investment will increase by 4.2 percent, 2.4 percent, and 6.6 percent, respectively. Meanwhile, the headline inflation is expected to be in a range of 0.7 - 1.7 percent, and the current account tends to register a surplus of 2.6 percent of GDP.

Key growth components include as follows:

**1. Total consumption: (1) Private consumption expenditure** is expected to increase by 2.4 percent, compared with a 0.9-percent decline in 2020, owing to the lifts of lockdown measures, the continual government's economic stimulus, the improved consumer confidence from the successful domestic control, and the recovery of income base from export sector. **(2) Government consumption expenditure** is projected to expand by 4.7 percent, increasing from a 3.6-percent growth in 2020. This is in line with the assumption of current budget disbursement rate which is expected to be at 98.0 percent of total budget in FY2021, rising from 97.4 percent in FY2020. Additionally, the budget under the 1-trillion bath loan decree<sup>1</sup> is expected to be disbursed around 403,249 million baht in FY2021, a significant increase by 34.8 percent from FY2020.

**2. Total investment** is expected to register a 6.6-percent growth, picking up from a decrease of 3.2 percent in 2020. **(1) Public investment** is estimated to increase by 12.4 percent, a continual growth from a 13.7-percent growth in 2020. This was in accordance with an increase in the FY2021's capital budget framework by 17.0 percent compared with FY2020 as well as support from the budget under the 1-trillion bath loan decree. **(2) Private investment** is expected to grow by 4.2 percent, recovering from an 8.9-percent decline in the previous year. This owes mainly to the recovery of the world economy that leads to the acceleration of exports.

**3. Export value of goods in US dollar terms** is anticipated to increase by 4.2 percent, improving from a 7.5-percent contraction in 2020. The export volume is forecasted to grow by 3.2 percent, increasing from a decline of 6.6 percent in 2020, owing to the world economy and global merchandized trade recovery in 2021. Additionally, the export price is expected to increase by 1.0 percent, compared with a 0.9-percent decrease in 2020; in line with the increasing trend of global oil price. Meanwhile, the export of services is expected to be impacted by international travel restrictions. Consequently, revenues from foreign tourists in 2021 is projected to be 0.49 trillion baht, compared with 0.46 trillion baht in 2020, and an increase of 7.0 percent. Thus, in 2021, the export quantity of goods and services is estimated to increase by 0.1 percent, compared with a 19.5-percent decline in 2020.

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<sup>1</sup> Emergency decree authorizing the Ministry of Finance to raise loans to solve problems, to remedy and restore the economy and society as affected by the Coronavirus disease pandemic B.E. 2563 (2020)

### **Economic management for the remainder of 2020 and the year 2021**

**Economic management for the remainder of 2020 and the year 2021** need to put emphasis on the policy implementation as follows: **(1) Preventing the second wave of the Covid-19 outbreak in Thailand**, **(2) Assisting sectors experiencing some limitations on the recovering process** by (i) expediting and monitoring implemented measures to precisely alleviate the target groups, together with considering additional measures and refining existing measures to remedy the sectors and regions that experience some limitations associated with the economic recovery, (ii) supporting effected workers, (iii) promoting domestic tourism, (iv) re-opening to foreign tourists under careful and efficient containment and preventive measures, and (v) preparing for the process of vaccine manufacturing and distribution, **(3) Driving government expenditure**, by (i) expediting the FY2021's annual budget disbursement rate to be at least 94.4 percent of the total budget, (ii) accelerating the state-owned enterprises' capital budget disbursement rate to be at least 70.0 percent, (iii) speeding up the carry-over budget disbursement rate to be at least 85.0 percent, and (iv) ensuring that the 1-trillion bath loan decree is disbursed at least 70.0 percent of the 1 trillion baht budget within FY2021, **(4) Driving export of goods to encourage the recovery of manufacturing sector and private investment**, by (i) driving exports of goods that benefited from the outbreak, (ii) extending economic and trade cooperation, (iii) highlighting key international agreements that might lead to trade restrictions; (iv) reducing production costs of major products, (v) preventing risks from exchange rate fluctuations, and (vi) supporting active marketing through online channels, **(5) Stimulating private investment**, by (i) speeding up projects already approved and issued the investment promotion certificates during 2018-2020 to start their operations, (ii) promoting exports to enhance capacity utilization, (iii) eliminating obstacles hindering foreign investments and businesses; (iv) publicizing Thailand's strengths; and (v) emphasizing longer term measures for strengthening long-run potential growth, **(6) Supporting prices of major agricultural products** in some areas during harvesting season, and **preparing counteractions in case of drought**, **(7) Preserving domestic political environment**, and **(8) Preparing for cushioning and preventing the impact of world economic fluctuations along with maintaining domestic economic stability**.

Office of the National Economic and Social Development Council

16<sup>th</sup> November 2020

Table 1 GDP, Production Side

%YoY	2019						2020			
	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M
Agriculture	-0.2	1.7	-1.4	2.7	0.9	-2.5	-9.8	-3.3	-0.9	-5.2
Non-Agriculture	2.6	3.0	2.8	2.5	2.8	2.0	-1.3	-12.9	-6.8	-6.9
Manufacturing	-0.7	0.2	0.1	-0.8	-0.1	-2.2	-2.6	-14.6	-5.3	-7.4
Service	4.0	4.3	3.6	3.9	3.9	4.1	-0.9	-12.2	-7.3	-6.7
Construction	1.9	3.0	3.4	2.7	3.1	-2.1	-9.9	7.4	10.5	2.6
Wholesale and Retail Trade	5.7	6.7	5.5	5.3	5.9	5.2	4.8	-9.8	-5.5	-3.0
Transportation and Storage	3.4	3.7	3.0	3.1	3.3	3.9	-6.0	-38.8	-23.6	-22.2
Accommodation and Food Service Activities	5.5	5.0	3.6	6.7	5.1	6.8	-23.3	-50.2	-39.6	-37.2
Information and Communication	8.8	7.1	8.8	8.2	8.1	10.6	3.2	2.7	3.1	3.0
Financial and Insurance Activities	2.7	2.0	1.8	3.8	2.6	3.4	4.5	1.7	1.6	2.6
GDP	2.4	2.9	2.4	2.6	2.7	1.5	-2.0	-12.1	-6.4	-6.7
GDP_SA (QoQ)		1.2	0.5	0.0		-0.3	-2.2	-9.9	6.5	

Source: Office of the National Economic and Social Development Council

Table 2 GDP, Expenditure Side

%YoY	2019						2020			
	Year	Q1	Q2	Q3	9M	Q4	Q1	Q2	Q3	9M
Private Consumption	4.5	4.8	4.7	4.3	4.6	4.1	2.7	-6.8	-0.6	-1.7
Government Consumption	1.4	3.5	1.5	1.7	2.2	-0.9	-2.8	1.3	3.4	0.7
Investment*	2.1	3.2	1.9	2.7	2.6	0.8	-6.5	-8.0	-2.4	-5.6
Private	2.8	4.3	2.1	2.3	2.9	2.6	-5.4	-15.0	-10.7	-10.3
Public	0.2	0.0	1.5	3.7	1.8	-5.1	-9.3	12.5	18.5	7.3
Exports	-2.6	-3.5	-4.0	0.6	-2.3	-3.4	-7.3	-27.8	-23.5	-19.4
Goods	-3.6	-4.4	-4.6	-0.1	-3.0	-5.1	2.0	-15.9	-7.7	-7.2
Services	0.5	-1.1	-1.7	3.2	0.1	1.7	-32.2	-68.0	-73.3	-56.3
Imports	-4.4	0.1	-3.4	-5.9	-3.1	-7.9	-3.1	-23.2	-20.3	-15.6
Goods	-5.5	-2.8	-3.7	-6.8	-4.5	-8.6	-0.3	-19.3	-17.0	-12.3
Services	0.5	13.0	-2.1	-2.1	2.6	-5.3	-13.0	-37.4	-32.8	-27.6
GDP	2.4	2.9	2.4	2.6	2.7	1.5	-2.0	-12.1	-6.4	-6.7

Source: Office of the National Economic and Social Development Council

**Economic Projection for 2020 – 2021<sup>1/</sup>**

	Actual Data		Projection			
	2018	2019	2020		2021	
			Aug 17 <sup>th</sup> , 2020	Nov 16 <sup>th</sup> , 2020	Nov 16 <sup>th</sup> , 2020	
GDP (at current prices: Bil. Baht)	16,365.6	16,875.9	15,610.2	15,711.5	16,528.5	
GDP per capita (Baht per year)	236,815.0	243,466.9	224,578.4	226,035.1	237,178.6	
GDP (at current prices: Bil. USD)	506.5	543.6	498.7	502.0	536.6	
GDP per capita (USD per year)	7,329.4	7,841.9	7,175.0	7,221.6	7,700.6	
GDP Growth (CVM, %)	4.2	2.4	-7.5	-6.0	3.5 – 4.5	
Investment (CVM, %) <sup>2/</sup>	3.8	2.1	-5.8	-3.2	6.6	
Private (CVM, %)	4.1	2.8	-10.2	-8.9	4.2	
Public (CVM, %)	2.9	0.2	8.6	13.7	12.4	
Private Consumption (CVM, %)	4.6	4.5	-3.1	-0.9	2.4	
Government Consumption (CVM, %)	2.6	1.4	3.6	3.6	4.7	
Export volume of goods & services (%)	3.3	-2.6	-20.9	-19.5	0.1	
Export value of goods (Bil. USD)	251.1	242.7	218.7	224.5	233.9	
Growth rate (%) <sup>3/</sup>	7.5	-3.3	-10.0	-7.5	4.2	
Growth rate (Volume, %) <sup>3/</sup>	3.9	-3.7	-9.0	-6.6	3.2	
Import volume of goods & services (%)	8.3	-4.4	-16.3	-15.3	0.3	
Import value of goods (Bil. USD)	228.7	216.0	183.0	186.2	196.0	
Growth rate (%) <sup>3/</sup>	13.7	-5.6	-15.4	-13.8	5.3	
Growth rate (Volume, %) <sup>3/</sup>	7.7	-5.7	-12.4	-11.3	3.8	
Trade balance (Bil. USD)	22.4	26.7	35.7	38.3	37.9	
Current account balance (Bil. USD)	28.4	38.2	12.6	14.0	13.9	
Current account to GDP (%)	5.6	7.0	2.5	2.8	2.6	
Inflation (%)						
CPI	1.1	0.7	(-1.2) – (-0.7)		-0.9	0.7 – 1.7
GDP Deflator	1.5	0.7	(-0.3) – 0.2		-0.9	0.7 – 1.7

Source: Office of the National Economic and Social Development Council, 16<sup>th</sup> November 2020

Notes: <sup>1/</sup> Data were calculated based on new National Accounts Office's series, published on [www.nesdc.go.th](http://www.nesdc.go.th).

<sup>2/</sup> Investment means Gross Fixed Capital Formation.

<sup>3/</sup> Export and import are based on the Bank of Thailand's data, which is in compliance with the Balance of Payment recording system.