

Thailand Economic Monitor:

Thailand's Pathway to Carbon Neutrality: The Role of Carbon Pricing

14 December 2023

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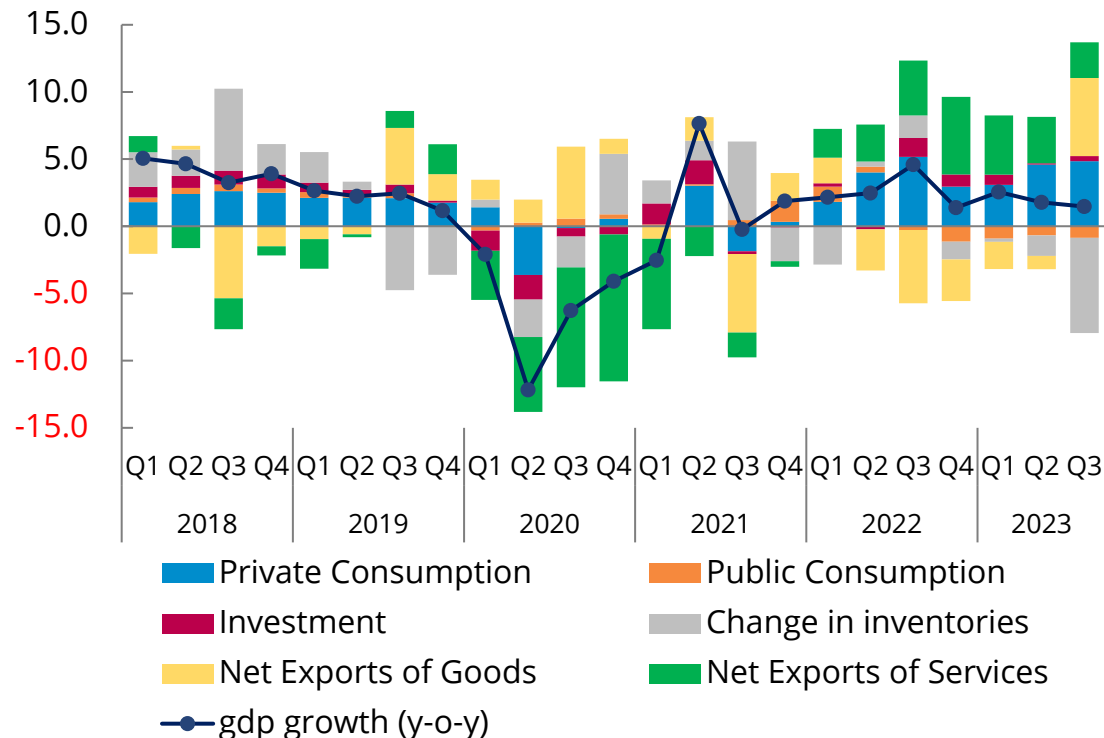
Remarks at Launch of 2023 OECD Economic Survey for Thailand

Kiatipong Ariyapruchya
World Bank
December 7, 2023

Global headwinds and structural vulnerabilities have set back the recovery

Large destocking waned economic recovery as manufacturing and goods export contracted

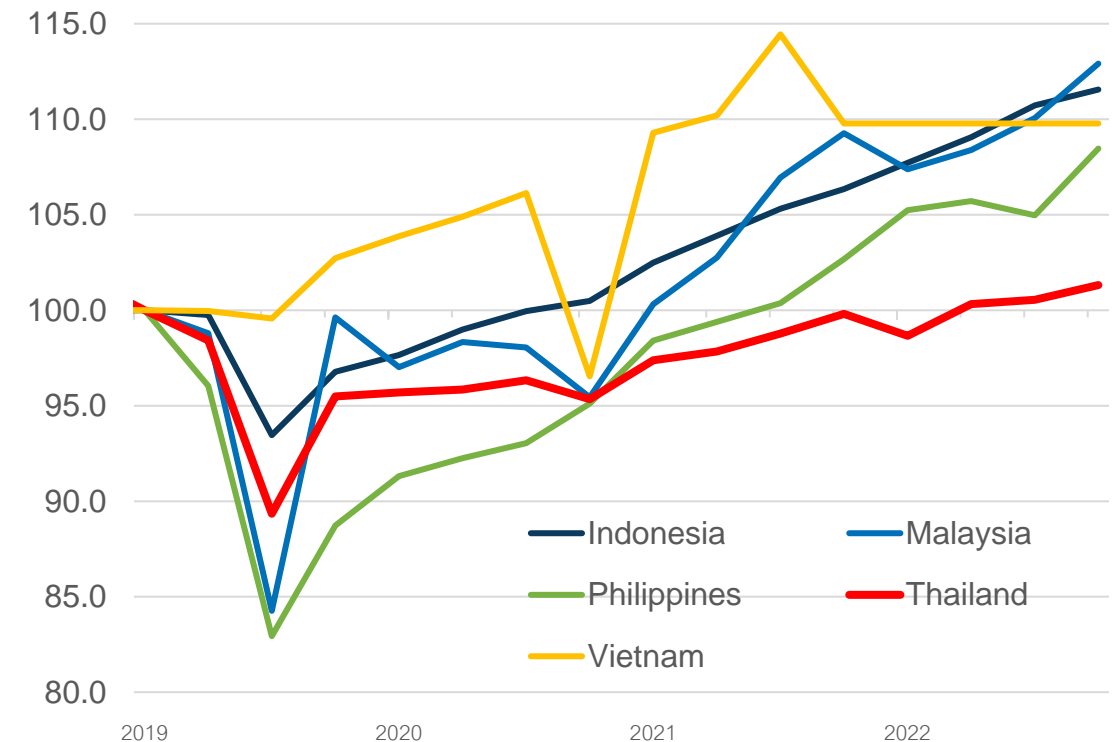
(Percentage point contribution to year-on-year growth)



Source: World Bank staff projection

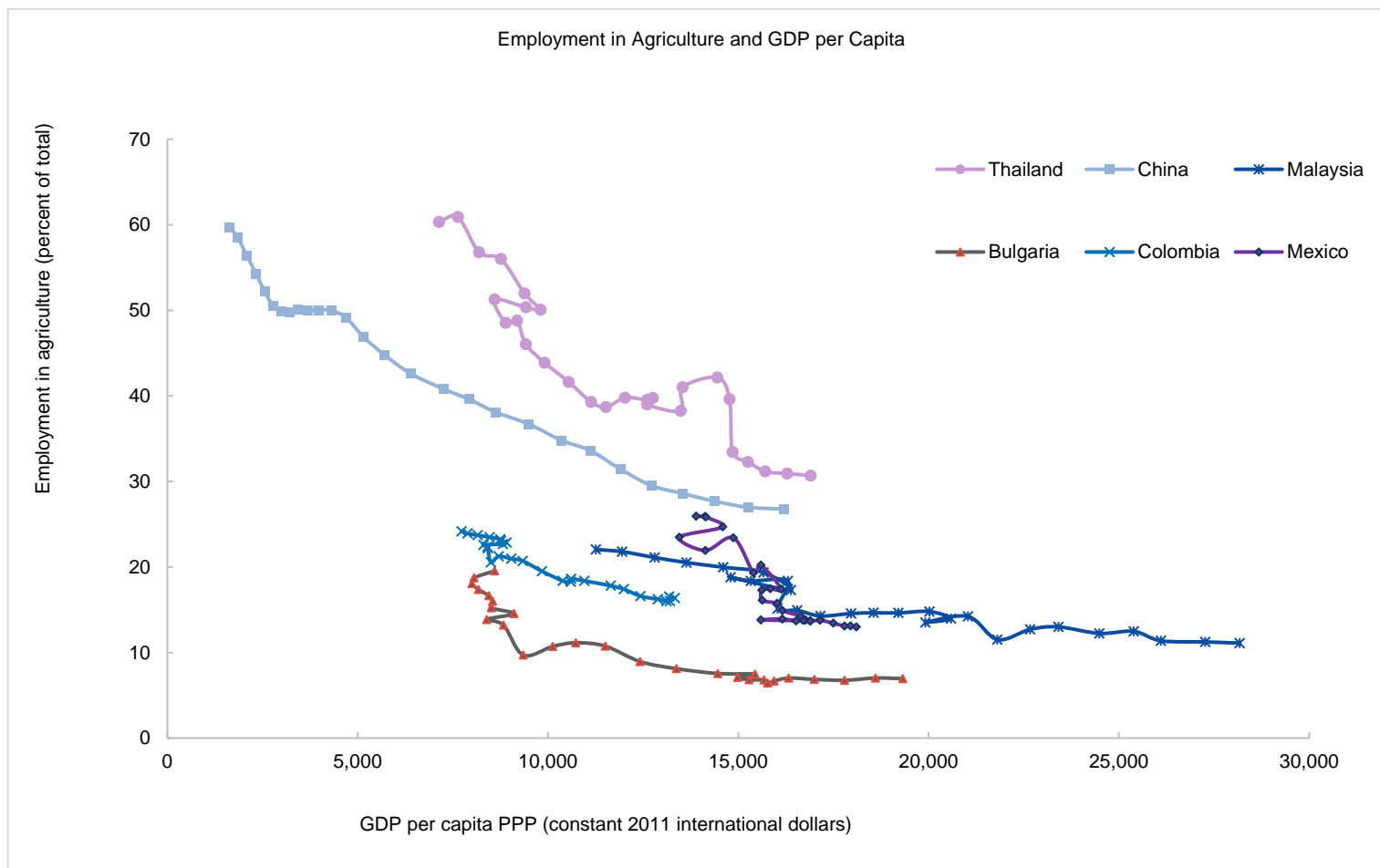
Wider recovery gap compared to ASEAN peers about 7-10 percent of GDP

(Seasonally adjusted real GDP indexed to 2019 Q4 = 100)



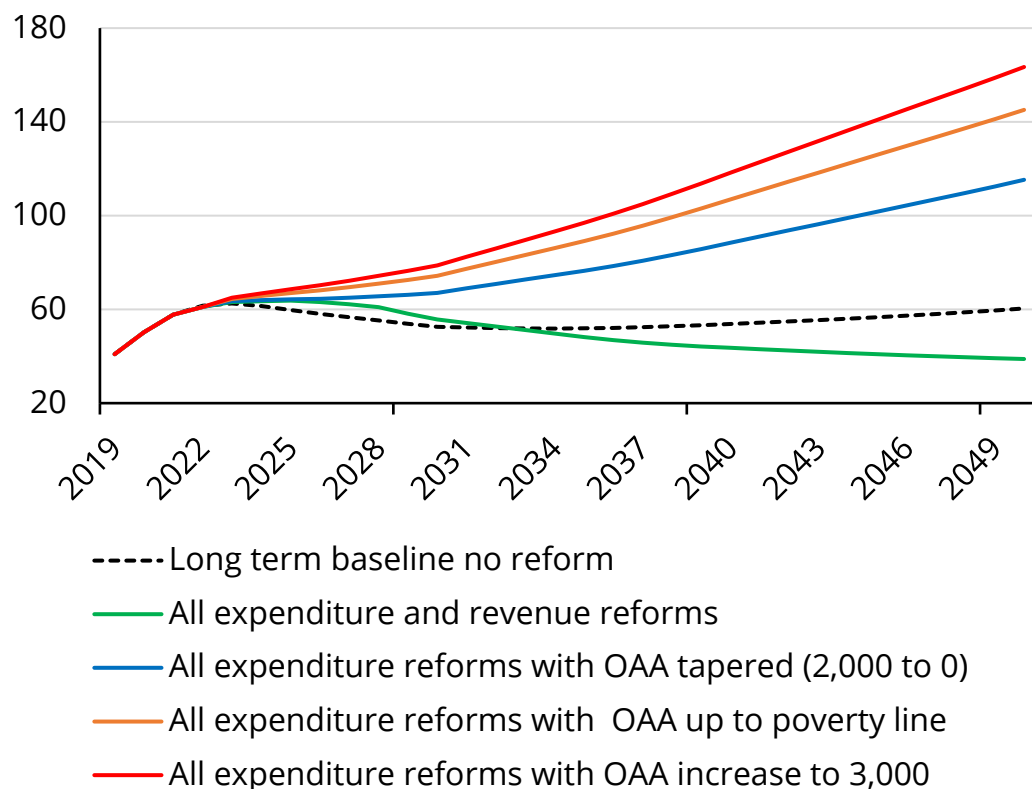
Source: CEIC; World Bank staff calculations

Structural transformation has stalled



3 Over the longer term, maintaining fiscal sustainability will require actions on the targeting and efficiency of spending

Public debt is projected to decline under a scenario with targeted OAA and revenue reforms (Percent of GDP)



By implementing all spending reform priorities, public debt could surpass its ceiling of 70 percent to GDP by 2028 (orange line)

- (i) higher **education** spending at the pre-primary and secondary level;
- (ii) a permanent increase in **Old Age Allowance** to the poverty line and **other social welfare benefits**;
- (iii) higher **investment in climate adaptation** by improving water resource management, protecting against flood damage in Bangkok, and increasing the climate resilience of transport and other public infrastructure,

If a **more targeted social assistance policy** is implemented, the fiscal cost would be lower with positive progressive impact (blue line).

If the government can also successfully **raise tax revenue** through reforms, public debt will decline, instead of rising (green line).

Note: the THB 2,329 per month poverty line, based on the USD5.5/day (2011 PPP) benchmark

Source: World Bank staff estimates