



The Thai Economy in Q1/2021 and the Outlook for 2021

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

The Thai Economy in Q1/2021

The Thai Economy in the first quarter of 2021 contracted by 2.6 percent, recovering from a 4.2-percent decrease in the previous quarter. After seasonally adjusted, the economy expanded by 0.2 percent from the fourth quarter of 2020 (%QoQ sa).

On expenditure side: the main supporting factors were the return to positive growths of export of goods and private investment, the continual expansions of government expenditure, and the accelerated government investment while private consumption and export of services declined due to the impact from a resurgence in the new COVID-19 infections. **Private consumption expenditure** dropped by 0.5 percent, compared with a 0.9-percent growth in the previous quarter. Consumption of semi-durable products continued to decline by 10.8 percent, following the decreases in the expenditure on furnishing, household equipment and routine maintenance of the house and clothing and footwear. On the other hand, the consumption of miscellaneous goods and services grew by 0.3 percent, decelerating from 7.5 percent in the previous quarter due to the decelerated expenses on medical services, and housing, water, electricity, gas and other fuels. Meanwhile, the consumptions of hotels and restaurants, and of recreation and culture continued to contract. The consumption of non-durable products expanded by 2.5 percent, accelerating from 1.1 percent in the previous period. This was in line with the increase in expense on food and non-alcoholic beverages which is partially supported by government stimulus measure. Furthermore, the decreased private consumption expenditure in this quarter was in line with a lower consumer confidence which was at 42.5, compared with 44.3 in the previous quarter. **Government consumption expenditure** expanded by 2.1 percent, continued from a 2.2-percent increase in the previous quarter. In detail, compensation of employees (wage and salary), purchases from enterprises and abroad, and social transfers in kind increased by 1.2 percent, 5.7 percent, and 2.0 percent, respectively. The government budget disbursement rate in this quarter was at 20.0 percent of the total budget, lower than 32.8 percent in the previous quarter and 28.2 percent in same quarter of the last year.

Total investment grew by 7.3 percent, recovering from a 2.5-percent contraction in the previous quarter. **Private investment** showed the first expansion in 5 quarters of 3.0 percent, compared with a drop of 3.3 percent in the previous quarter, due to the expansion of machinery and equipment of 3.8 percent. However, the construction investments remained subdued by 0.4 percent. **Public investment** increased by 19.6 percent, rising from a growth of 0.6 percent in the previous quarter, where government investment increased by 28.4 percent, due to the low-based disbursement in FY2020. The disbursement rate of capital budget in this quarter was at 13.3 percent of the total budget, higher than 11.3 percent in the previous quarter, and

11.6 percent in the same quarter of the last year. Besides, the investment of state-owned enterprises expanded by 9.3 percent.

Export value was recorded at 64.0 billion USD or a 5.3-percent growth, the first expansion in 4 quarters, compared with a decline of 1.5 percent in the previous quarter. This was in line with the significant recovery of the world economy and an increase in global commodity price. Export volume and export price increased by 3.1 percent and 2.1 percent, respectively. Export items with increases in value included machinery and equipment (17.3 percent), passenger cars (13.2 percent), pick up and trucks (44.8 percent), vehicle parts and accessories (17.7 percent), petrochemical products (23.8 percent), parts of electrical appliances (5.7 percent), integrated circuits & parts (13.9 percent), rubber products (53.1 percent), rubber (38.1 percent), and tapioca (72.5). On the other hand, export items with decreases in value included computer parts & accessories (-5.0 percent), petroleum products (-6.0 percent), rice (-21.9 percent), and sugar (-47.6 percent). Exports to major economies expanded steadily while exports to the ASEAN (9) and the Middle East (15) decreased but at a slower pace. After excluding exports of unwrought gold, export value grew by 11.8 percent in US dollar term. Export value in Thai Baht term increased by 1.9 percent. Meanwhile, **import values** was recorded at 56.6 billion USD, increasing by 9.5 percent, compared with a contraction of 5.9 percent in the previous quarter, while import volume and import price rose by 6.7 percent and 2.6 percent, respectively.

Growths of Real GDP and Exports of Goods of Major Economies

%YoY	Real GDP					Exports				
	2019	2020			2021	2019	2020			2021
	Year	Q3	Q4	Year	Q1	Year	Q3	Q4	Year	Q1
US	2.2	-3.5	-2.8	-2.4	0.4	-1.5	-13.2	-3.1	-30.1	1.8
Eurozone	1.3	-6.7	-4.1	-4.9	-1.8	-2.5	-7.2	-4.5	-25.1	2.4*
United Kingdom	1.4	-9.8	-8.5	-7.3	-6.1	-0.3	-15.6	-6.2	-20.6	-5.7
Australia	1.9	-2.5	-3.9	-0.9	-	5.3	-7.5	-6.8	-14.3	28.1
Japan	0.3	-4.8	-5.8	-1.4	-	-4.4	-9.1	-4.4	-23.7	8.8
China	6.0	2.3	4.9	6.5	18.3	-0.1	4.0	-13.5	0.1	48.8
India	4.8	-6.9	-7.3	0.4	-	-0.2	-14.8	-12.7	-36.6	19.2
South Korea	2.0	-1.0	-1.1	-1.2	1.8	-10.4	-5.5	-1.9	-20.3	12.5
Taiwan	3.0	3.1	4.3	5.1	8.2	-1.5	4.9	3.6	-2.4	24.6
Hong Kong	-1.7	-6.1	-3.6	-2.8	7.9	-4.1	-0.5	-8.8	-3.2	33.5
Singapore	1.3	-5.4	-5.8	-2.4	0.2	-5.2	-4.1	1.7	-14.4	11.2
Indonesia	5.0	-2.1	-3.5	-2.2	-0.7	-6.8	-2.6	1.2	-12.5	17.1
Malaysia	4.4	-5.6	-2.7	-3.4	-0.5	-3.4	-2.6	-2.5	-18.4	21.4
Philippines	6.1	-9.6	-11.6	-8.3	-4.2	2.3	-8.1	-1.6	-25.6	7.6
Vietnam	7.0	2.9	2.7	4.5	4.5	8.4	6.9	7.8	-6.9	23.7

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

Note: * January and February data

On the production side, the manufacturing sector and the construction sector returned to expansion, while the agricultural sector, the information and communication sector, and the financial and insurance activities sector continued to expand. On the other hand, the accommodation and food services sector, the transportation and storage sector, the electricity, gas, steam, and air conditioning supply sector, and the wholesale and retail trade sector continued to decline.

Agricultural sector increased by 1.9 percent, the second consecutive quarter of expansion, accelerating from the growth of 0.4 percent in the previous quarter. The acceleration was due to the increase of the major agricultural products supported by favorable weather condition and sufficient water supply. Major agricultural products with increased production included paddy (8.8 percent), fruits (7.9 percent), maize (21.4 percent), and cassava (5.5 percent). Besides, major agricultural products with declined production included sugarcane (-9.7 percent), and oil palm (-7.3 percent). Livestock continued to expand for the thirteenth consecutive quarters by 2.7 percent, while fishery production dropped, for the fifth consecutive quarter, by 13.2 percent. **Agricultural Price Index** rose for the third straight quarter by 9.7 percent, compared with 11.1 percent in the previous quarter. This was mainly attributed to the increasing price of rubber (42.7 percent), fruits (13.8 percent), sugarcane (30.4 percent), swine (9.6 percent), and oil palm (17.5 percent). In contrast, prices of paddy and poultry decreased by 7.2 percent and 11.1 percent, respectively. Rises in both agricultural production and price indices led to the third consecutive increase in the overall **Farm Income Index**, by 10.8 percent in this quarter.

Manufacturing sector grew for the first time in 7 quarters by 0.7 percent, recovering from a 0.7-percent decline in the previous quarter. This was driven primarily by domestic-oriented and export-oriented industries. **Manufacturing Production Index of the domestic-oriented industries** (with export share of less than 30 percent of total production) increased by 1.4 percent, compared with the previous quarter's 1.5-percent decline, and **Manufacturing Production Index of the export-oriented industries** (with export share of more than 60 percent of total production) grew for the first time in 10 quarters at a gradual pace of 0.6 percent, improving from a 4.5-percent contraction in the previous quarter. In contrast, **Manufacturing Production Index of the industries with 30-60 percent export share of total production** fell by 0.5 percent. **The average capacity utilization rate** was at 67.09 percent, increasing from 63.77 percent in the previous quarter and higher than 66.94 percent in the first quarter of last year. **Manufacturing production indices with positive growths** encompassed the manufacture of basic iron and steel (14.7 percent), furniture (29.3 percent), and plastics and synthetic rubber in primary forms (10.9 percent). **Manufacturing production indices with negative growths** included the manufacture of refined petroleum products (-13.9 percent), the manufacture of wearing apparel (except custom tailoring shop) (-17.5 percent), and the weaving of textiles (-17.2 percent).

Accommodation and food service activities sector declined by 35.0 percent, continuing from 35.2-percent decrease in the previous quarter. This follows the continual contraction in the number of foreign tourists by 99.7 percent due to the international travel restriction during the COVID-19 outbreak. **Thai tourism receipts** were recorded at 93 billion baht, declining by 51.0 percent continuing from the previous quarter's 45.1 percent contraction. The implementation of the Special Tourist Visa (STV) measure resulted in 20,172 inbound foreign tourists (including Thailand Privilege Card tourists). **The average occupancy rate** was at 16.15

percent, decreasing from 32.49 percent in the previous quarter and was lower than 52.40 percent in the same period of the last year.

Transportation and storage sector contracted by 17.7 percent, continuing from the 21.1-percent decrease in the previous quarter, as a result of the COVID-19 pandemic. Air transport services declined by 61.9 percent, continuing from a 68.1-percent decrease in the previous quarter. Land and tube transport services dropped by 11.0 percent, compared with the 12.7-percent decline in the previous quarter. Water transport services decreased by 3.2 percent. Shipping support services dropped by 18.7 percent, a gradual improvement from a contraction of 22.1 percent in the previous quarter. However, postal services expanded by 25.9 percent, continuing from 27.2 percent in the previous quarter. This is in line with the continued high growth in the business' revenue.

On economic stability, the unemployment rate was at 2.0 percent, slightly higher than 1.9 percent in the previous quarter and higher than 1.0 percent in the same quarter of the last year. Meanwhile, the headline inflation was at (-0.5) percent. The current account registered a deficit of 2.6 billion USD (equivalent to 77.1 billion baht or 1.9 percent of GDP). At the end of March 2021, the international reserves stood at 246 billion USD and public debt was recorded at 8.47 trillion baht, accounted for 53.3 percent of GDP.

The Thai Economic Outlook for 2021

The Thai economy in 2021 is expected to show an expansion in the range of 1.5 – 2.5 percent, improving gradually from a 6.1-percent contraction in 2020, mainly supported by (i) the significant recovery of the global economy and merchandised trade, (ii) the government expenditure, and (iii) the low growth base in 2020. In all, it is expected that export values of goods, private consumption expenditure, private investment and public investment will increase by 10.3 percent, 1.6 percent, 4.3 percent, and 9.3 percent, respectively. Meanwhile, the headline inflation is expected to be in a range of 1.0 – 2.0 percent, and the current account tends to register a surplus of 0.7 percent of GDP.

Key growth components include as follows:

1) **Total consumption: (i) Private consumption** is expected to grow by 1.6 percent, improving from a decrease of 1.0 percent in 2020, but downwardly revised from a 2.0-percent growth in the previous estimation. This adjustment is mainly due to the resurgence of domestic infections which has been more severe than expected and tends to impact consumer spending particularly of those in a close-contact transaction. In addition, the government has had to uplift disease control measure in certain high-risk areas of infection. This is in line with a consumer confidence index in April that hit the record low of 40.3; and **(ii) Government consumption expenditure** is estimated to expand by 5.1 percent, accelerating from a 0.8-percent growth in 2020, but remained unchanged from the previous projection. This is in line with the unchanged assumptions of disbursement rates for the current budget under the FY2021 and the 1-trillion-bath loan decree at 98.0 percent and 80.0 percent of total budget at the end of FY2020.

2) **Total investment** is projected to rise by 5.3 percent, compared with a 4.8-percent decrease in 2020, and revised downward from 5.7 percent growth in the previous anticipation. **(i) Public investment** is estimated to increase by 9.3 percent, revised down from a 10.7-percent expansion in the previous prediction due to a downward adjustment in the assumptions of FY2020 capital budget disbursement to 70 percent of total budget from 75 percent in the previous

projection. This adjustment was in line with the lower-than-expected actual capital budget disbursement in the first half of FY2020. **(ii) Private investment** is projected to grow by 4.3 percent, compared with a decrease of 8.4 percent in 2020, and an upward revision from a 3.8-percent growth in the previous prediction. This adjustment is corresponding to the recovery trends of the world economy and global trade volume assumptions.

3) **Export value of goods in US dollar terms** is anticipated to grow by 10.3 percent, improving from a 6.6-percent contraction in 2020, and an upward revision from a 5.8-percent expansion in the previous projection. Export volume is forecasted to grow by 7.3 percent, revised upwardly from 3.8 percent in the previous projection due to the improvement of the world economy and merchandise trade assumption. Moreover, the export price is expected to be higher than the previous assumption following an escalating crude oil price in the global market and the upward tendencies of commodity prices. Nevertheless, the export of services is expected to decline in tandem with the expected decline in number of foreign tourists to be at 0.5 million persons in 2021, a downward revision from 3.2 million persons in the previous estimate. Consequently, the export quantity of goods and services in 2021 is estimated to increase by 1.8 percent, compared with a 0.2-percent contraction in the previous projection, and a 19.4-percent decline in 2020.

Economic Management for the remainder of 2021

The economic management during the year 2021 need to address the following policy recommendation which includes:

(1) Containing the domestic outbreak in order to minimize the infection cases as soon as possible, as well as preventing new wave of pandemic by (i) Enforcing the disease control and preventive measures strictly, along with enhancing active disease surveillance and investigation especially in high-risk areas, monitor and control high-risk activities, and prevent the entry of additional variants from abroad especially through visitors and border areas, and (ii) Expediting the process of vaccine acquisition and distribution in order to achieve herd immunity, and prioritizing the distribution to high-risk groups of people upon public health guidance, as well as considering restoration of economic activities in key tourism destinations and manufacturing production bases, and allowing for flexibility to cope with uncertainty, (iii) Continually enhancing public health capabilities to efficiently control the current situation and preparing to cope with (if any) additional waves of outbreak, and (iv) Providing precise and accurate information to the public in order to build confidence about vaccination and campaigning the public health guidelines, to prevent additional outbreaks and to reduce possible risk of the post-vaccination infections.

(2) Implementing targeted economic measures to support affected people, labor, and businesses together with the economic recovery policies, by (i) Monitoring closing the ongoing economic measures to efficiently support the target groups, together with considering additional measures and conforming the existing measures to be more coincide with changing situation and to be able to assist economic sectors and areas experiencing with difficulties during the recovery path, (ii) Considering measures assisting the labor force through labor retention measure, especially within the affected SMEs, along with new job creation, upskilling, and reskilling labors for those in need, and (iii) Considering additional economic measures to stimulate and restore the economy after the outbreak starts to be well-contained.

(3) Encouraging export of goods, to increase foreign income and bolster manufacturing and private investment recovery by focusing on: (i) Boosting exports target to major markets that

experiencing strong economic rebound as well as expanding new markets for potential products, (ii) Developing quality and standards of the agricultural, food, and manufactured products to be in accordance with the importing countries' requirements, (iii) Utilizing benefits from Regional Comprehensive Economic Partnership (RCEP), along with extending economic and trade cooperation under key international agreements in forms of bilateral or multilateral agreements, (iv) Expediting the ongoing Free Trade Agreement (FTA) negotiations and preparing for future negotiations with new partners, especially the EU, European Free Trade Association (EFTA), and the UK after Brexit, as well as prioritizing international agreements that could be used as obligations and lead to trade restrictions, and (v) Cushioning the export sector from exchange rate fluctuation and producer price inflation in order to advance Thailand's competitiveness.

(4) Stimulating private investment by: (i) Speeding up projects already approved and holding investment promotion certificates during 2018 – 2020 to start their actual investments, especially those projects within the target industries as specified under Thailand's investment promotion policy, (ii) Solving difficulties and obstacles hindering foreign investors and entrepreneurs from investing and conducting businesses in Thailand in order to create properly investing ecosystem, such as the restrictions to work and invest for foreigners, infrastructure development, and factors to attract investment in new industries, (iii) Implementing proactive investment promotions and facilitate investors particularly in target industries, (iv) Encourage investments in Eastern Economic Corridor (EEC), Special Economic Zones (10 provinces) and southern border provinces, in order to boost up regional investments, , and (vi) Stimulating investment in the key economic areas and transport infrastructure to be in accordance with the prospecting plan, along with restructuring the major manufacturing and service sectors in order to uplift Thailand's long-run potential economic growth.

(5) Maintaining growth momentum from government expenditure and investments, by (i) Expediting the FY2021's annual budget disbursement rate to be at least 92.5 percent of the total budget, with current and capital budget disbursement rates of no less than 98.0 and 70.0 percent, respectively, (ii) Accelerating the state-owned enterprises' capital budget disbursement rate to be no less than 70.0 percent of the total budget, and (iii) Ensuring the budget disbursement of the 1 trillion-Baht loan under the 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) to be at least 80.0 percent.

(6) Preparations for re-opening to foreign tourists, in order that the tourism and related sectors promptly recover after wide and sufficient vaccination both in Thailand and tourist origin countries, to ensure confidence regarding international travel and health safety. The main considerations include (i) The adequacy of vaccine allocation in the pilot travel destinations, along with (ii) Preparing the areas to accommodate visitors in terms of the disease investigation and control systems, the improvement of accommodation and traveling sites to follow safety and health standards as well as to be environmentally friendly areas, the improvement of life and property safety as well as journey's experience, and the enhancement of public transport service quality.

(7) Preserving domestic political environment, not to become additional downward risk to the economy amidst vulnerabilities arising from COVID-19 outbreak.

Table 1 GDP, Production Side

%YoY	2019	2020	2019				2020				2021
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Agriculture	-0.6	-3.6	1.5	-2.0	2.1	-3.1	-9.9	-3.1	-1.1	0.4	1.9
Non-Agriculture	2.5	-6.3	2.9	2.7	2.6	1.8	-1.3	-12.9	-6.7	-4.7	-3.0
Manufacturing	-0.7	-5.7	-0.0	0.1	-0.6	-2.2	-2.4	-14.7	-5.3	-0.7	0.7
Service	3.9	-6.5	4.2	3.5	4.0	3.8	-1.2	-12.1	-7.2	-5.9	-4.2
Construction	1.6	2.3	2.9	3.3	2.5	-3.1	-9.3	7.5	10.8	-0.3	12.7
Wholesale and Retail Trade	4.5	-3.7	5.8	4.1	4.0	3.9	3.6	-10.9	-6.1	-3.1	-2.1
Transportation and Storage	3.0	-21.0	3.3	2.5	2.7	3.4	-5.5	-36.6	-22.2	-21.1	-17.7
Accommodation and Food Service Activities	7.8	-36.6	7.1	5.9	9.0	9.3	-23.3	-49.9	-39.3	-35.2	-35.0
Information and Communication	12.3	4.6	10.1	12.6	12.0	14.2	4.4	4.1	4.5	5.4	4.6
Financial and Insurance Activities	2.2	2.7	1.8	1.3	3.1	2.5	4.3	1.7	1.6	3.3	3.4
GDP	2.3	-6.1	2.8	2.4	2.7	1.3	-2.1	-12.1	-6.4	-4.2	-2.6
GDP_SA (QoQ)			1.6	0.8	-0.1	-1.2	-1.5	-9.5	6.3	1.1	0.2

Source: Office of the National Economic and Social Development Council

Table 1 GDP, Expenditure Side

%YoY	2019	2020	2019				2020				2021
	Year	Year	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Private Consumption	4.0	-1.0	4.4	4.0	3.9	3.6	2.7	-6.7	-0.6	0.9	-0.5
Government Consumption	1.7	0.9	3.2	1.6	2.7	-0.8	-2.5	1.0	2.5	2.2	2.1
Investment*	2.0	-4.8	3.1	1.8	2.6	0.6	-6.3	-7.9	-2.6	-2.5	7.3
Private	2.7	-8.4	4.2	1.9	2.1	2.5	-5.3	-14.9	-10.6	-3.3	3.0
Public	0.1	5.7	0.1	1.4	3.8	-5.7	-9.1	12.6	17.6	0.6	19.6
Exports	-3.0	-19.4	-4.6	-4.5	0.3	-3.0	-5.8	-27.5	-23.3	-21.5	-10.5
Goods	-3.7	-5.8	-4.3	-4.6	-0.4	-5.5	1.7	-15.8	-7.5	-1.5	3.2
Services	-0.5	-60.1	-5.8	-3.7	2.9	4.9	-26.8	-67.7	-73.1	-75.2	-63.5
Imports	-5.2	-13.3	-0.3	-3.5	-7.0	-9.5	-3.0	-23.6	-19.3	-7.0	1.7
Goods	-5.8	-11.2	-2.7	-3.7	-7.3	-9.1	-2.2	-21.2	-18.1	-3.1	6.4
Services	-2.7	-21.1	10.1	-2.7	-5.8	-11.0	-6.2	-32.4	-23.9	-22.1	-15.4
GDP	2.3	-6.1	2.8	2.4	2.7	1.3	-2.1	-12.1	-6.4	-4.2	-2.6

Source: Office of the National Economic and Social Development Council

Note: * Investment means Gross Fixed Capital Formation

Economic Projection for 2021^{1/}

	Actual Data			Projection for 2021	
	2018	2019	2020	Feb 15 th , 2021	May 17 th , 2021
GDP (at current prices: Bil. Baht)	16,368.7	16,898.1	15,698.3	16,409.7	16,250.5
GDP per capita (Baht per year)	236,861.1	243,787.1	225,845.7	235,474.0	233,190.7
GDP (at current prices: Bil. USD)	506.4	544.3	501.6	547.0	541.7
GDP per capita (USD per year)	7,328.3	7,852.2	7,216.6	7,849.1	7,773.0
GDP Growth (CVM, %)	4.2	2.3	-6.1	2.5 - 3.5	1.5 - 2.5
Investment (CVM, %) ^{2/}	3.8	2.0	-4.8	5.7	5.3
Private (CVM, %)	4.1	2.7	-8.4	3.8	4.3
Public (CVM, %)	2.8	0.1	5.7	10.7	9.3
Private Consumption (CVM, %)	4.6	4.0	-1.0	2.0	1.6
Government Consumption (CVM, %)	2.6	1.7	0.9	5.1	5.1
Export volume of goods & services (%)	3.4	-3.0	-19.4	-0.2	1.8
Export value of goods (Bil. USD)	251.1	242.7	226.7	239.9	250.1
Growth rate (%) ^{3/}	7.5	-3.3	-6.6	5.8	10.3
Growth rate (Volume, %) ^{3/}	3.9	-3.7	-5.9	3.8	7.3
Import volume of goods & services (%)	8.3	-5.2	-13.3	-0.5	4.7
Import value of goods (Bil. USD)	228.7	216.0	186.9	199.0	211.4
Growth rate (%) ^{3/}	13.7	-5.6	-13.5	6.5	13.1
Growth rate (Volume, %) ^{3/}	7.6	-5.8	-10.1	4.0	9.1
Trade balance (Bil. USD)	22.4	26.7	39.8	40.8	38.7
Current account balance (Bil. USD)	28.4	38.2	16.3	12.4	3.6
Current account to GDP (%)	5.6	7.0	3.3	2.3	0.7
Inflation (%)					
CPI	1.1	0.7	-0.8	1.0 - 2.0	1.0 - 2.0
GDP Deflator	1.4	0.9	-1.1	1.0 - 2.0	1.0 - 2.0

Source: Office of the National Economic and Social Development Council, 17th May 2021.

Notes: ^{1/}Data were calculated based on new National Accounts Office's series, published on www.nesdc.go.th.

^{2/}Investment means Gross Fixed Capital Formation.

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