

Thailand: Brief Profile

September 2022

Domestic Economy

- ❖ Real GDP of Thailand increased by 1.6% in 2021 after witnessing a contraction of 6.3% in 2020, representing a weak performance and modest growth despite to low base effect. This was due to the spread of the Delta and Omicron variants of the coronavirus and continued uncertainty over restriction measures in 2021.
- ❖ In absolute terms, GDP amounted to US\$ 505.8 bn in 2021, while the GDP per capita was US\$ 6983.
- ❖ Consumer price inflation stood at 1.2% in 2021, compared to a deflation of 0.8% in 2020, owing to surge in global commodity prices.
- ❖ Services accounted 58.3% of GDP in 2020, while industry accounted for 33.1% and agriculture accounted for 8.6% of GDP in the same year.
- ❖ Thailand's leading industries include tourism, textiles and garments, agricultural processing, beverages, tobacco, cement, light manufacturing such as electric appliances, computers and parts, integrated circuits, furniture, plastics, automobiles and automotive parts.

BASIC FACTS

Land area: 514,000 sq km

Population: 71.6 mn (2021, est)

Language: Thai

Currency: Baht (Bt)

GDP: US\$ 505.8 bn (2021)

Exports: US\$ 270.6 bn (2021)

Imports: US\$ 230.7 bn (2021)

Sovereign Rating: BBB+ (S&P's)

Trade and Current Account Balance

- ❖ Thailand's exports increased by 19.2% to US\$ 270.6 billion in 2021, over the previous year's exports of US\$ 227 billion.
- ❖ Imports also increased to US\$ 230.7 billion in 2021, recording an increase of 23.9% over the previous year's US\$ 186.1 billion.
- ❖ Accordingly, Thailand's trade surplus narrowed to US\$ 40.0 bn in 2021, as compared to US\$ 40.9 billion in 2020.

- ❖ Thailand's principal exports in 2021 were machinery & mechanical appliances accounting for 16.8% of Thailand's total exports. Other major exports include electrical machinery and equipment (15% of total exports), vehicles other than railway (11.9%), rubbers and articles (7.4%), plastic and articles (5.8%), and pearls and precious stones (3.7%).
- ❖ Electrical machinery and equipment accounted for 19.7% of total imports of Thailand in 2021. Other major imports in 2021 were mineral fuels, oils, and its distillation products (15.4%), machinery and mechanical appliances (11.2%), iron and steel (5.7%), pearls and precious stones (4.6%), vehicles other than railway and tramway (4.1%), and plastics and articles (3.9%).
- ❖ USA was the major destination of exports, accounting for 15.5% of Thailand's total exports in 2021. Other important destinations of exports in the same year were China (13.7%), Japan (9.2%), Vietnam (9.2%), Malaysia (4.5%), Hong Kong (4.3%), Australia (4.0%) and Singapore (3.3%).
- ❖ China was the main origin of Thailand's imports, accounting for 24.8% of Thailand's total imports in 2021. Other important destinations of imports in the same year were Japan (13.3%), USA (5.4%), Malaysia (4.5%), Taiwan (3.9%) and South Korea (3.7%).
- ❖ Current account surplus changed to a deficit of US\$ 11 billion (2.2% of GDP) in 2021 from a surplus of US\$ 20.3 billion (4.1% of GDP) in 2020.

Foreign Direct Investment, Foreign Exchange Reserves and Exchange Rate

- ❖ According to *UNCTAD's World Investment Report 2022*, foreign direct investment (FDI) inflows to Thailand stood at (-) US\$ 11.4 billion in 2021, compared to (-) US\$ 4.8¹ billion in 2020.

¹ FDI flows are presented on a net basis, i.e. as credits less debits. Thus, in cases of reverse investment or disinvestment, FDI may be negative.

- ❖ According to the same source, FDI outflows from Thailand decreased to US\$ 17.3 billion in 2021, from US\$ 19 billion in 2020.
- ❖ Total international reserves moderated to US\$ 246 billion in 2021, from US\$ 258.1 billion in 2020. Reserves represented an import cover of over 12 months in the same year.
- ❖ The currency of Thailand is Baht. The exchange rate depreciated to Bt 32: US\$ 1 in 2021 from Bt 31.4: US\$ 1 in 2020.

Country Ratings

- ❖ *As per Standard & Poor's (S&P) Sovereign Ratings* dated September 2022, Thailand was rated BBB+ (considered the lowest investment grade by market participants), with a 'stable' outlook.
- ❖ *Dun and Bradstreet's (DB) Country Risk Indicator*², September 2022, rates Thailand as DB4d (Moderate risk: Significant uncertainty over expected returns).
- ❖ *Moody's Investor Services*³, as on July 29, 2022, rated Thailand as Baa1 (Have speculative elements and are subject to substantial credit risk), with a stable outlook.
- ❖ According to *Organization for Economic Co-operation and Development (OECD)*⁴ country risk classifications of July 2022, Thailand was placed at '3' category

² The DB risk indicator is divided into seven bands (DB1 to DB7, in the increasing order of risk). Each band is further divided into quartiles (a-d, ranging low to high), except the DB7 band.

³ Moody's Investor services ranks countries in nine categories Aaa, Aa, A, Bbb, Bb, B, Ccc, Cc and C, according to increasing order of risk. Numerical modifiers 1, 2, and 3 are appended to each generic rating classification. The modifiers 1, 2 and 3, respectively indicate that the obligation ranks in the higher end, mid-range, and lower end of its generic rating category.

⁴ The OECD Country Risk Classification measures country credit risk, i.e. the likelihood that a country will service its external debt, on a scale of 0 -7 (where 0 is the lowest risk category and 7 is the highest).

Macroeconomic Outlook

- ❖ Economic growth expected to accelerate from 1.6% in 2021 to 2.8% in 2022, representing only a modest improvement considering the depth of the pandemic-induced contraction (-6.3%) in 2020. Prospects for 2023 continue to be challenged by an incomplete recovery in tourism, the war in Ukraine, and heightened global geopolitical risks. These factors will keep energy and commodity prices elevated, disrupt the global supply chain, weighing domestic demand recovery.
- ❖ Average consumer price inflation is expected to rise from 1.2% in 2021 to 6% in 2022, driven mainly by exogenous factors as a result of the impacts of the Russia-Ukraine war and global supply-chain disruptions.
- ❖ The delay in the recovery of the tourism sector and a current-account deficit has weakened the macroeconomic fundamentals underpinning the baht. The currency is expected to remain weak throughout 2022, as the policy interest-rate differential between the US and Thailand widens. It is expected to depreciate to Bt 35.3:US\$1 in 2022 from Bt 32:US\$1 a year earlier.
- ❖ The current account is likely to register a deficit in 2022, equivalent to 0.5% of GDP, following a contraction of 2.2% of GDP in 2021. The service account would register a smaller deficit owing to a modest and incomplete recovery in the tourism sector. Thailand's exports of merchandise goods has expanded at a decent pace, with demand holding up in many of the country's major trading partners in the first half of 2022, but the pace will slow into 2023.

Thailand: Economic Structure

Economic Indicators	2017	2018	2019	2020	2021	2022 ^f	2023 ^f
GDP (US\$ bn)	456.2	506.6	544.1	499.3	505.8	491.8	522.7
Real GDP growth (%)	4.2	4.2	2.2	-6.3	1.6	2.8	3.9
Consumer price inflation (avg, %)	0.7	1.1	0.7	-0.8	1.2	6.0	2.0
Population (mn)	70.9	71.1	71.3	71.5	71.6 ^e	71.7	71.8
Merchandise exports fob (US\$ bn)	233.7	251.1	242.7	227.0	270.6	330.1	347.8
Merchandise imports fob (US\$ bn)	201.1	228.7	216.0	186.1	230.7	310.7	326.7
Current-account balance (US\$ bn)	44.0	28.4	38.0	20.3	-11.0	-2.4	11.7
Total international reserves (US\$ bn)	202.6	205.6	224.3	258.1	246.0	229.5	248.2
Total external debt (US\$ bn)	161.6	172.5	179.8	204.1	211.4 ^e	215.2	219.7
Average exchange rate Bt : US\$ Currency of Thailand is Baht (Bt)	33.9	32.3	31.0	31.4	32	35.3	34.7

Note: ^e-Estimates; ^fForecasts.

Source: EIU Country Reports.