



# Thailand in the Time of COVID-19

Thailand Economic Monitor Roundtable  
July 30, 2020

# Outline

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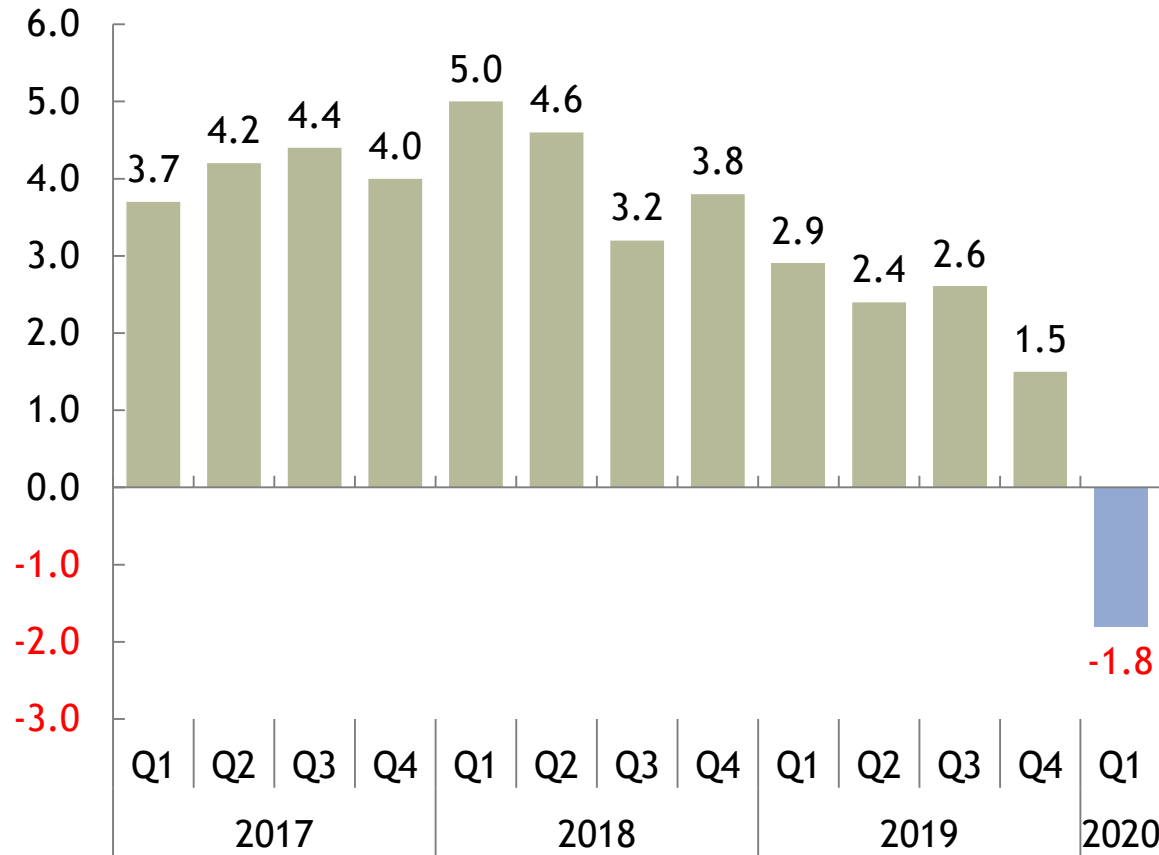
- **Recent Economic Developments, Outlook and Risks**
- **Protecting Vulnerable Firms and Households from the COVID-19 Outbreak**
- **Q&A**

## RECENT DEVELOPMENTS

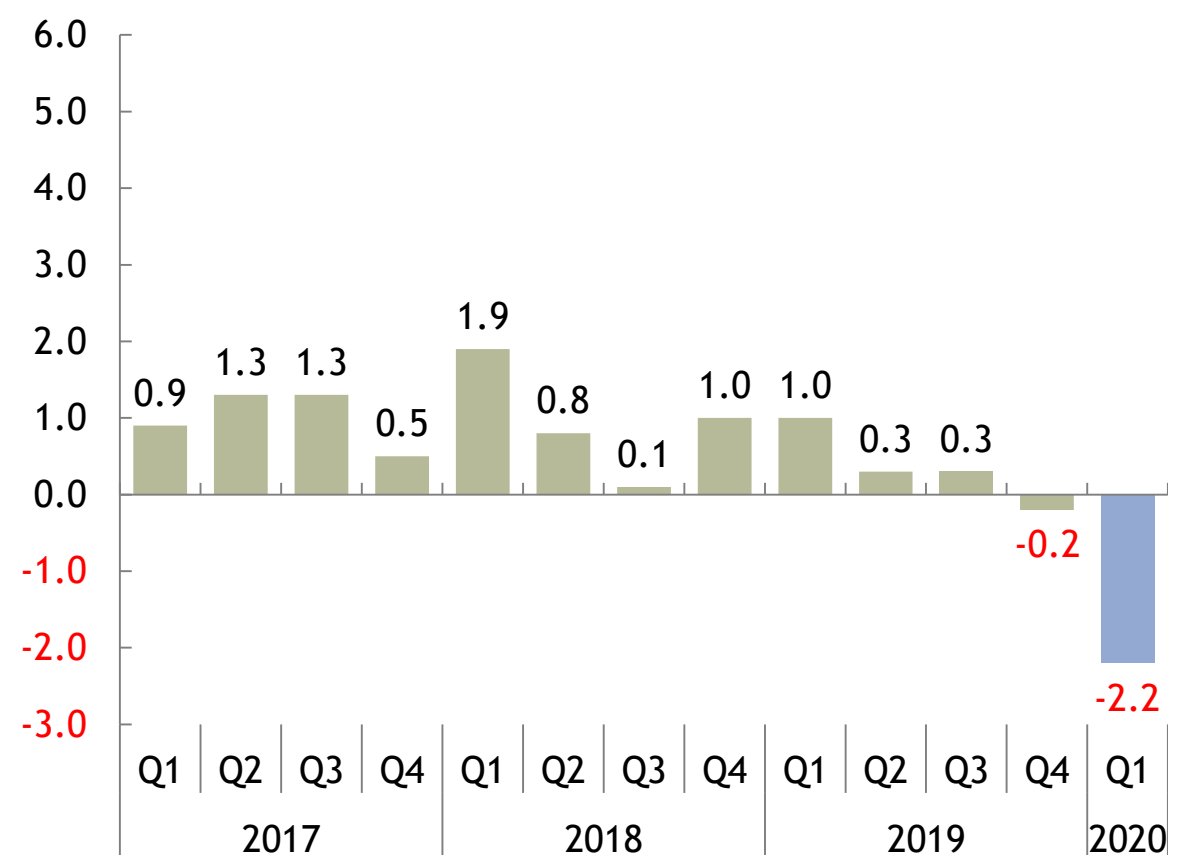
- ▶ **THE COVID-19 SHOCK HIT THAILAND IN EARLY 2020 ADDING TO PRE-EXISTING VULNERABILITIES. GROWTH CONTRACTED SHARPLY TO 1.8 PERCENT Y-O-Y IN Q1 2020.**
- ▶ **ECONOMIC IMPACT OF COVID-19 HAS BEEN SEVERE, PARTICULARLY DUE TO THAILAND'S OPENNESS TO TRADE AND EXPOSURE AS A TOURISM HUB.**
- ▶ **NUMBER OF WORKERS AFFECTED IS ESTIMATED TO BE 8.3 MILLION. IN THE SHORT-TERM, INCOME LOSS WILL RESULT IN AN EXPANSION OF THE ECONOMICALLY INSECURE AND A REDUCTION OF THE MIDDLE-CLASS.**

# Thailand's GDP growth contracted at its sharpest rate in five years

**GDP growth rate** (% change, year-on-year)



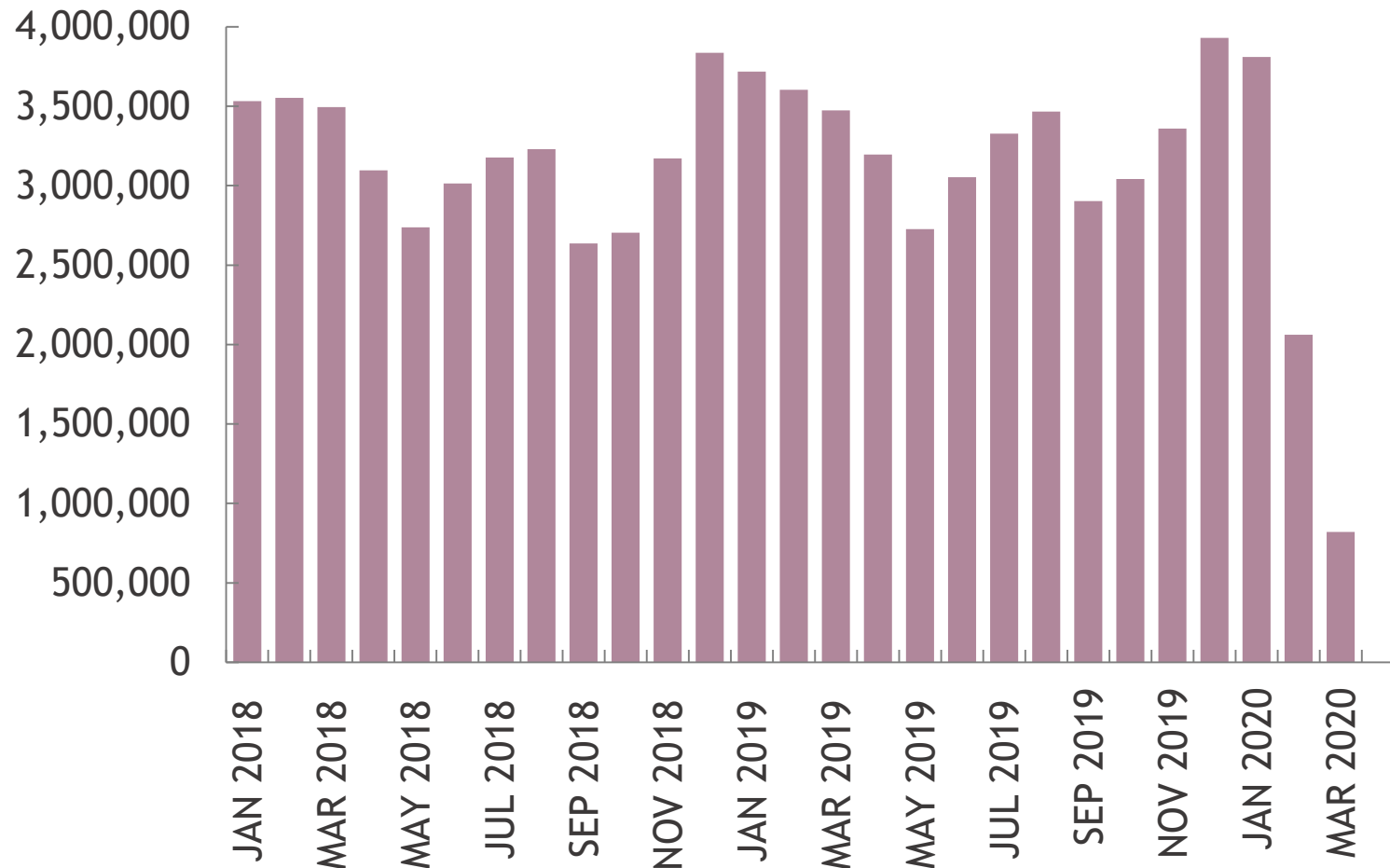
(% change, quarter-on-quarter, Seasonally Adjusted)



Source: NESDC

# The tourism sector has been severely impacted with a near cessation of international tourist arrivals since March 2020

*International tourist arrivals (number of persons)*



Source: Haver Analytics

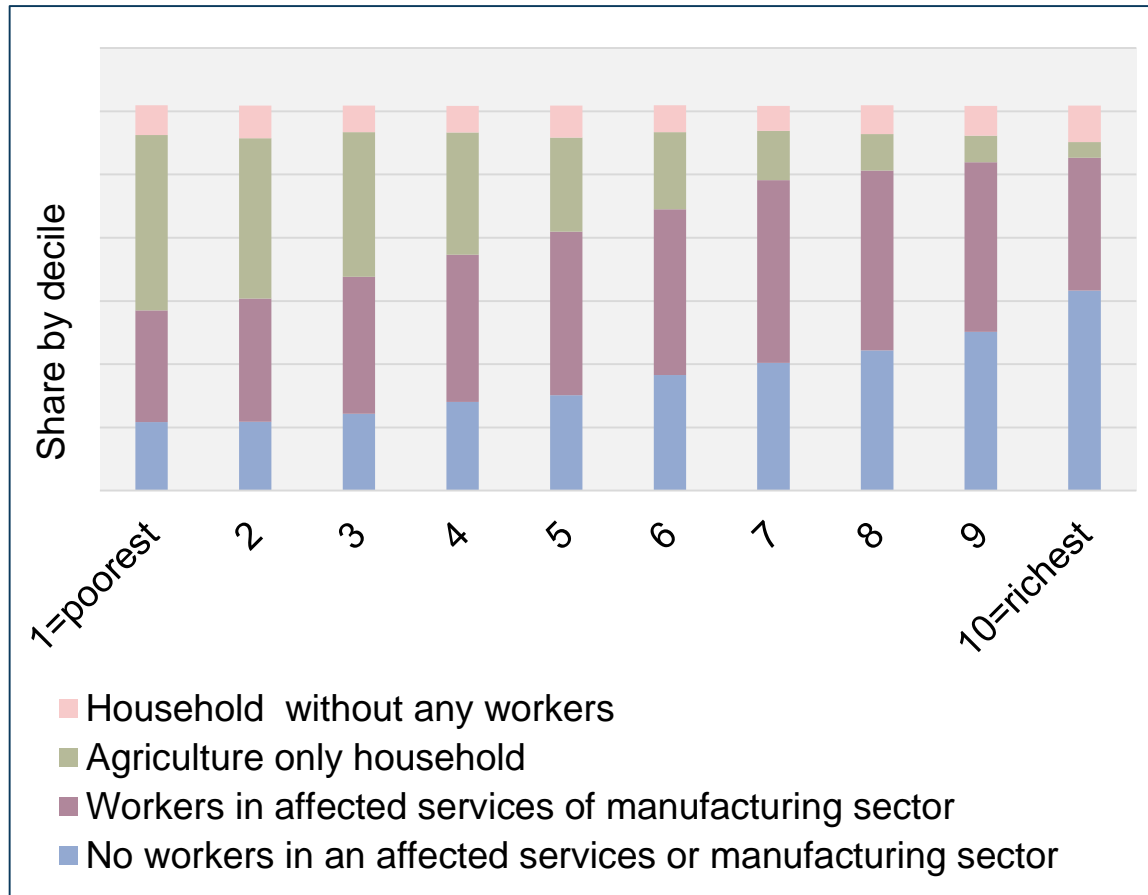
# Mobility restrictions have severely dented private consumption. This is reflected also in the sales of durables

## *Change of Private consumption*

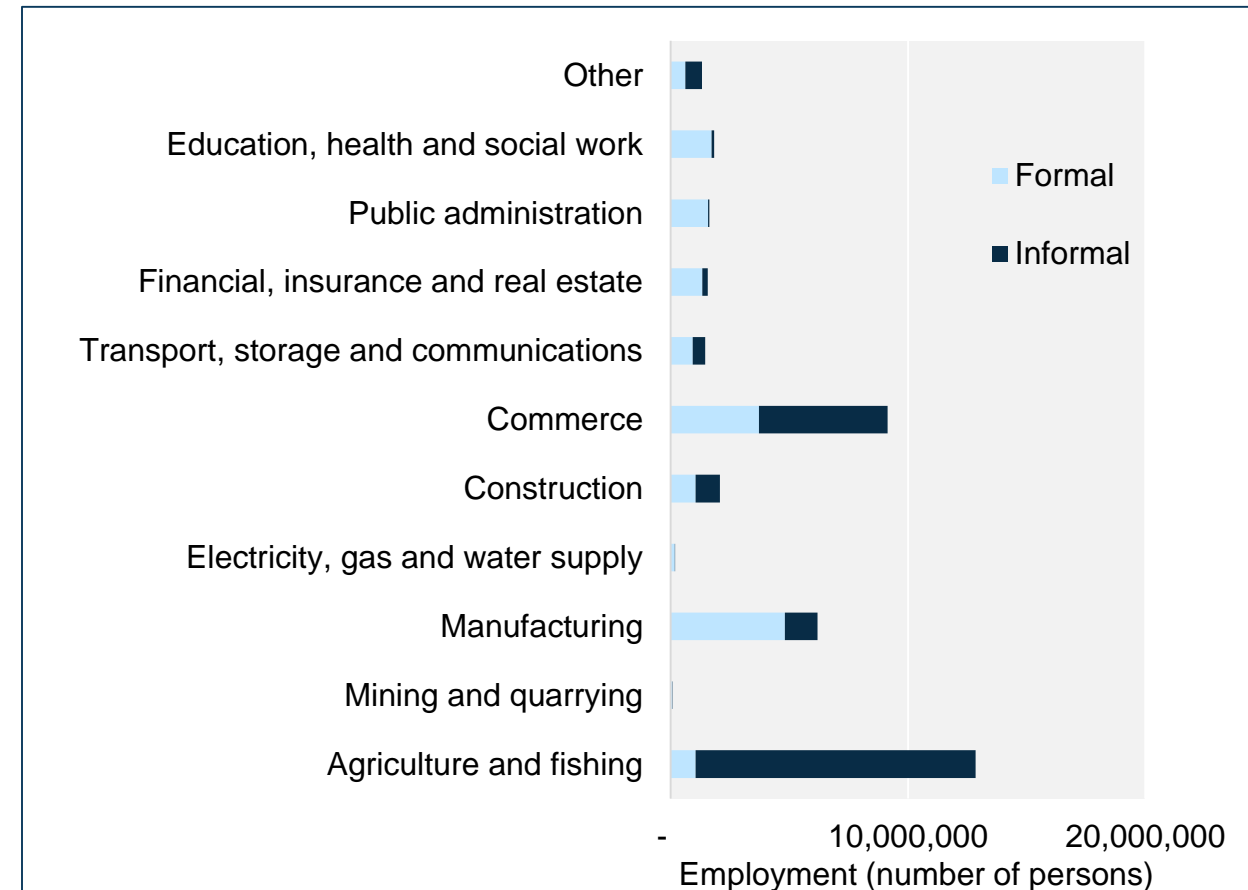
% yoy	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
Private Consumption Index	4.3	2.7	1.3	2.0	1.3
Non-durables Index	2.7	3.6	1.9	1.2	0.6
Semi-durables Index	1.8	1.1	0.4	-0.7	-2.2
Durables Index	5.9	0.5	-3.4	-8.9	-12.0
Services Index	3.9	3.3	2.1	2.1	-9.2
Non-residents expenditure Index	-1.4	5.6	3.2	-7.0	-44.2

Source: Bank of Thailand and World Bank staff calculations

# A third of households earned income from COVID-19 impacted sectors, and over 8 million workers could be impacted



Notes: Households are grouped by decile based on household consumption per capita, the welfare aggregate used to compute poverty.  
Source: WB calculations using THA SES-2017.

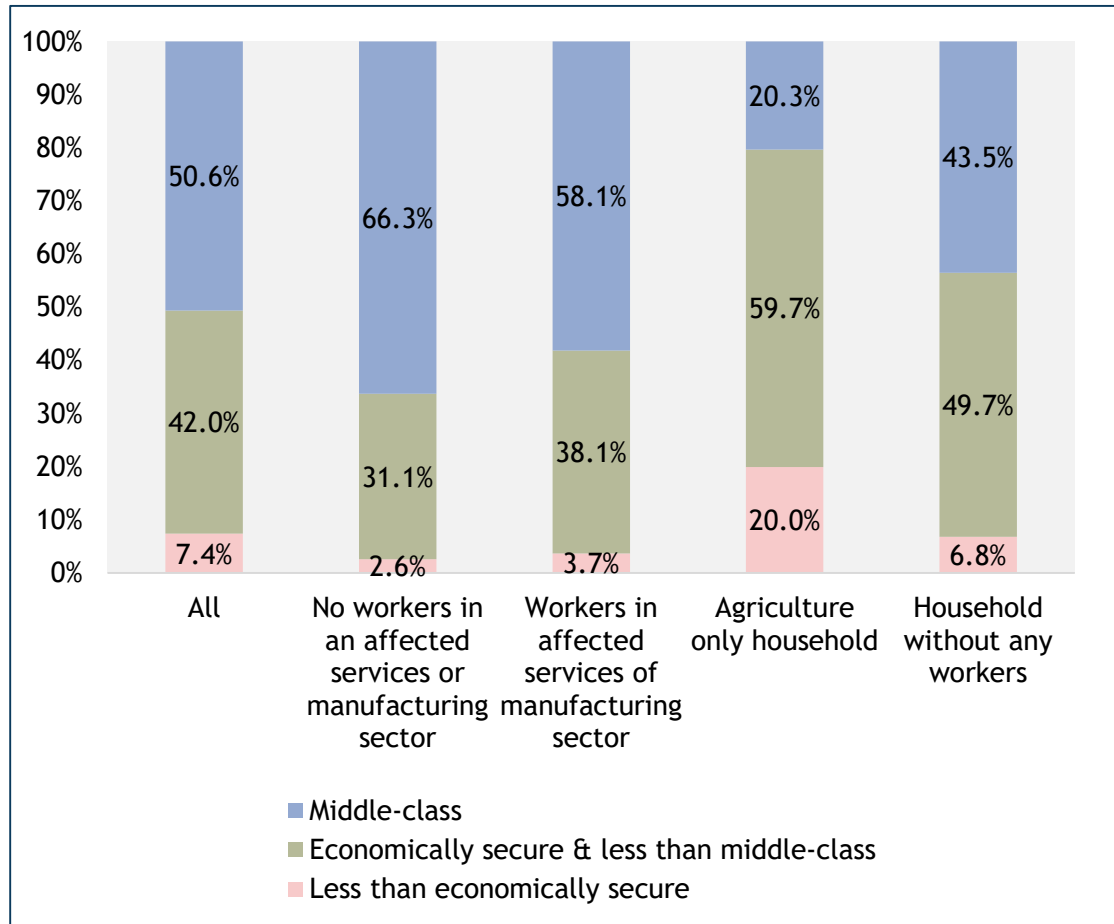


Source: Informal Employment Survey, 2018-Q3  
Notes: Employment is formal if the worker is subscribed to a Social Security Scheme

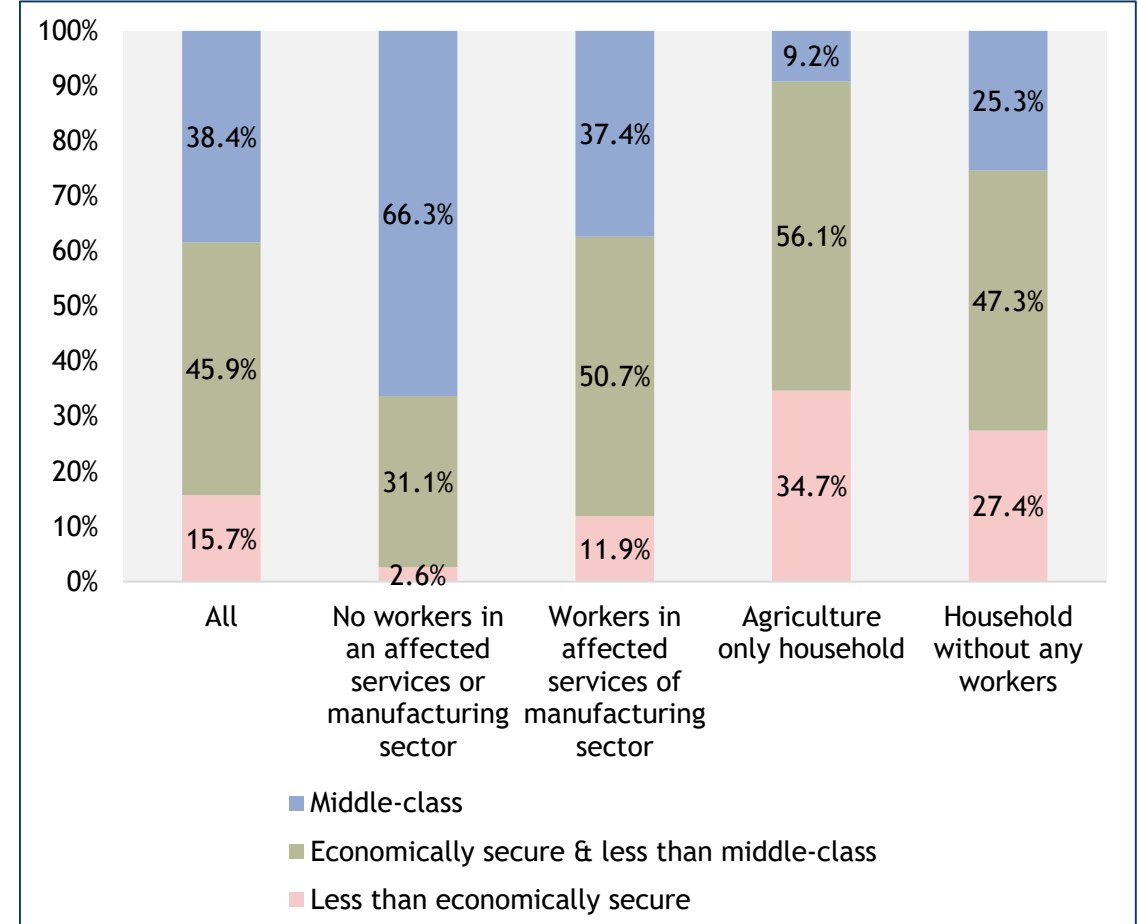


# In the short-term, income loss will result in an expansion of the economically insecure and a reduction of the middle-class

**Q1 Pre-COVID scenario**



**Q2 – 75% income loss + 5000baht cash transfer scenario**



Notes: Pre-scenario are based on existing conditions in 2017. The economically secure are those living above USD5.5/day 2011PPP per capita. The middle-class are those that live above USD15/day 2011PPP per capita

Source: WB staff calculations

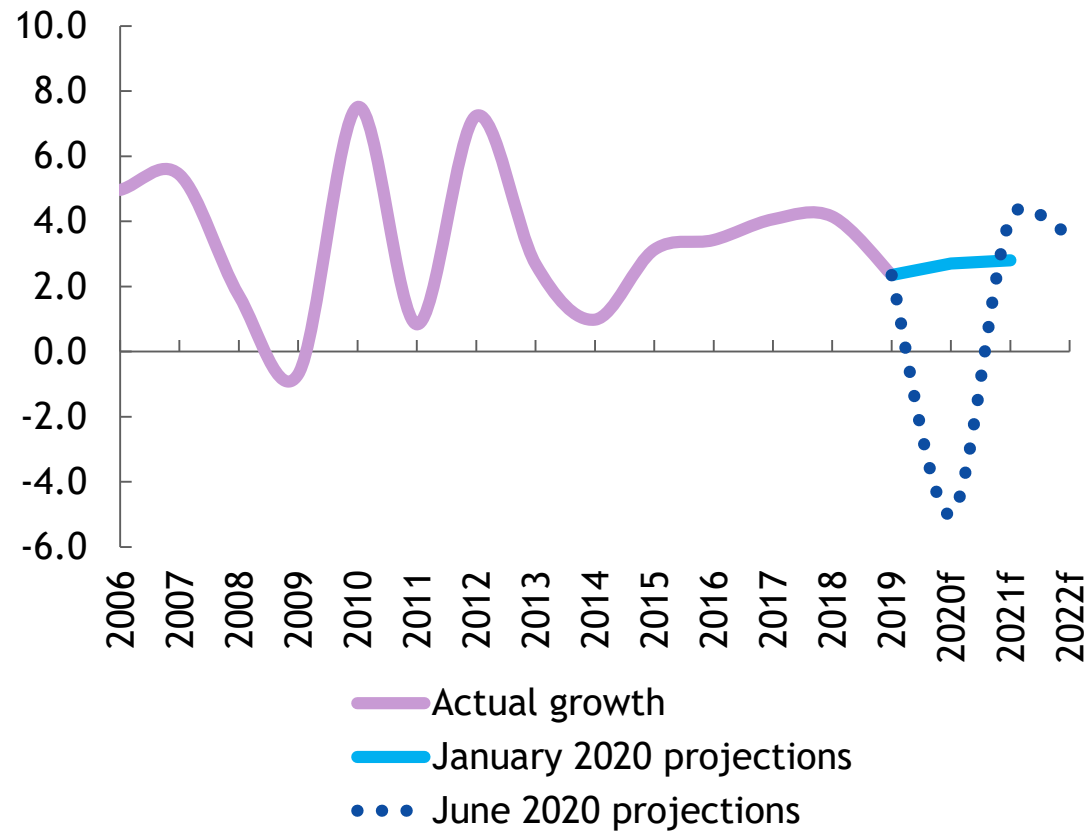


## OUTLOOK AND RISKS

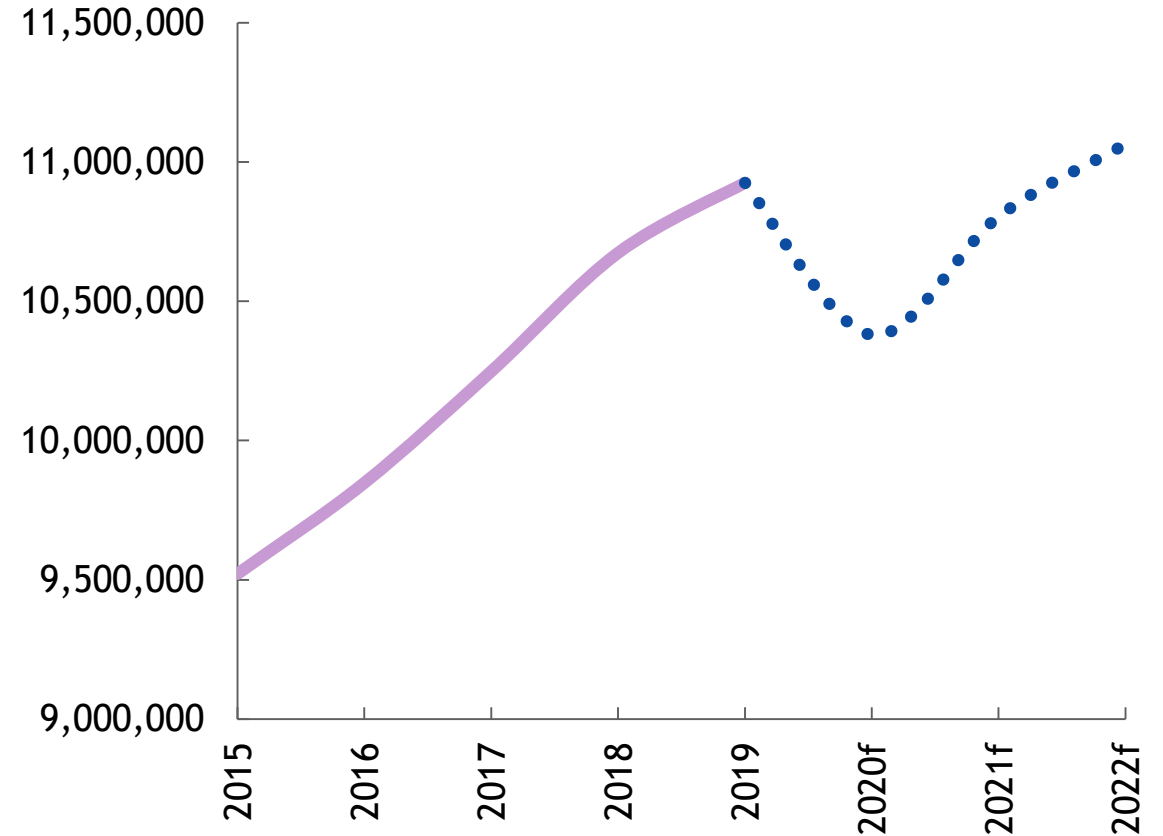
- ▶ **THAI ECONOMY IS PROJECTED TO CONTRACT BY 5.0 PERCENT IN 2020, WHICH IS AMONG THE SHARPEST PROJECTED DECLINES IN THE REGION.**
- ▶ **THE SHAPE OF THE ECONOMIC RECOVERY WILL BE DRAWN-OUT AND UNCERTAIN, WITH A PROJECTED RECOVERY TO PRE-COVID OUTPUT LEVELS IN AROUND TWO YEARS.**
- ▶ **DOWNSIDE RISKS DOMINATE AND INCLUDED PROLONGED OUTBREAKS, DISRUPTIONS TO GLOBAL VALUE CHAINS AND LOWER FISCAL AND MONETARY SPACE FOR RESPONSE.**

# Thai economy is expected to contract by close to 5 percent in 2020, recovering to pre-COVID output in two years.

**Real GDP growth projections (% change, year-on-year)**



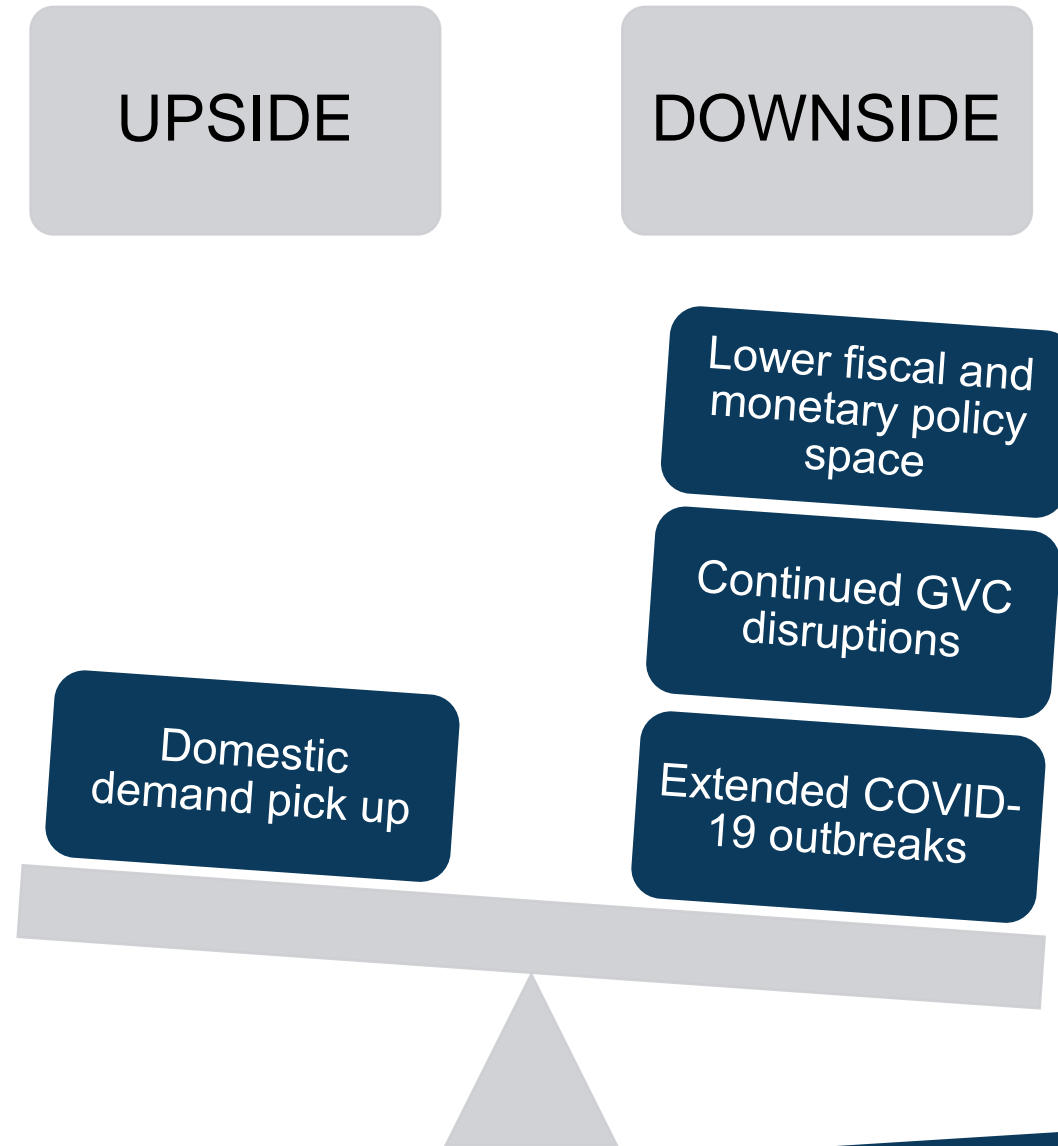
**Real GDP level projections (Millions of Baht)**



Source: NESDC; World Bank staff calculations

Note: f is forecasted GDP growth rate by the World Bank staff

# Downside risks dominate

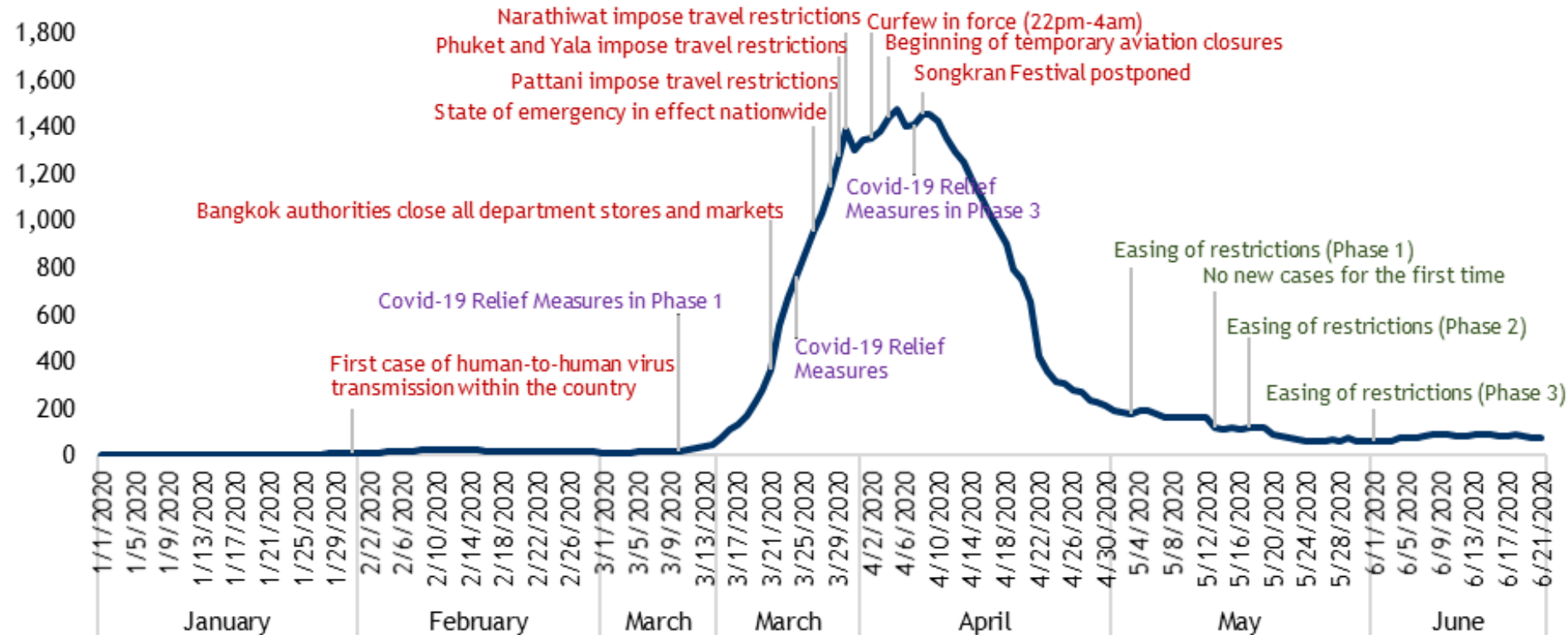


# PROTECTING VULNERABLE FIRMS AND HOUSEHOLDS

- ▶ **THAILAND HAS STEMMED THE TIDE OF COVID-19 INFECTIONS AND ANNOUNCED A LARGE COVID-19 RESPONSE PACKAGE (13 PERCENT OF GDP) FOCUSED ON PROVIDING RELIEF TO VULNERABLE HOUSEHOLDS AND AFFECTED FIRMS.**
- ▶ **COVERAGE OF VULNERABLE HOUSEHOLDS COULD BE EXPANDED BY IMPROVING CONNECTIVITY TO REGISTER FOR BENEFICIARIES AND BY BUILDING AN INTEGRATED SOCIAL REGISTRY FOR TARGETING OF VULNERABLE GROUPS.**
- ▶ **FIRM INTERVENTIONS COULD BE BETTER TAILORED TO SECTORS THAT HAVE BEEN ESPECIALLY HIT HARD BY COVID-19 WHILE MAINTAINING COVERAGE OF VULNERABLE FIRMS.**
- ▶ **IN THE LONGER TERM, ECONOMIC RESILIENCY CAN BE INCREASED THROUGH REBUILDING FISCAL BUFFERS AND BUILDING A BETTER TARGETED SOCIAL PROTECTION SYSTEM**

# Government's public health policy response to the COVID-19 effectively stemmed the tide of infections within three months

## Number of Hospitalized Cases



Source: Department of Disease Control, Ministry of Public Health

# Thailand can consider building a better targeted social protection system using lessons learnt from its rapid response to COVID-19 to protect vulnerable households

## Important Steps:

- Most immediate priority is ensuring a minimum package of benefits for the most vulnerable
- Over time, it could consider establishing programs with universal benefits to help cushion epidemic outbreaks complemented by more targeted (and generous) programs for the poor
- An integrated social registry can improve targeting through timely information of vulnerable groups and feedback for policy makers on program design and program design's gaps
- In both the medium and long term, social protection will need to be complemented by labor market policies tailored to the needs of a knowledge-based economy

## Going forward, Thailand's firm support could be more targeted at sectors hardest hit by COVID-19.

- In the near term, more targeted public support for hard-hit tourism firms could include:
  - (i) grants or subsidies for professional cleaning and sanitization expenses
  - (ii) expanded training programs for tourism industry workers, while having the training expenses and worker salaries fully or partially-subsidized
- Supporting SMEs in manufacturing and services to navigate new digital distribution channels, enhancing their access to markets and GVCs, and increasing the access to digital government services will be more important than ever.
- Governments can prepare for recovery by creating enabling environments to restructure debt and firms including strengthening insolvency and resolution and legal frameworks for corporate and consumer debt restructuring, and out-of-court reconciliation and resolution measures.
- For large firms, a wider range of instruments are available, including: extraordinary policies to provide liquidity support, guarantees, trade finance, factoring, capital markets solutions, tax credits or concessional lending.



# Q&A

# BACKGROUND

# Thailand's economic response packages are unprecedented in terms of size, coverage and variety of instruments

## Summary of Thailand's policy responses

	Billion baht	% GDP	Discretionary fiscal	Budget FY2020	SFIs and SSO measures	BOT credit measures	Notes
<b>Relief measures in Phase 1</b>							
Soft loans by Government Savings Bank	150	0.89			x		
Soft loans to promote employment by Social Security Office	30	0.18			x		
Measures to assist people affected by the COVID-19 from central fund	20	0.12		x			The government agencies propose aid measures for those affected by COVID-19 such as reducing service fees or rental for tenants or lowering management cost to employ more staffs.
Measures to postpone principal payments, reduce interest and extend repayment period for debtors affected by COVID-19						x	
<b>Relief measures in Phase 2</b>							
Emergency loans without collateral by GSB and BAAC	40	0.24			x		
Special loan with collateral by GSB	20	0.12			x		
Loans to the Office of the Government Pawnshop by GSB	2	0.01			x		
Loans to support SMEs by Small and Medium Enterprise Development Bank	10	0.06			x		

# The response packages are unprecedented for Thailand in terms of size, coverage and variety of instruments (continued)

## Summary of Thailand's policy responses (continued)

	Billion baht	% GDP	Discretionary fiscal	Budget FY2020	SFIs and SSO measures	BOT credit measures	Notes
<b>Relief measures in Phase 3</b>							
Ministry of Finance Decree to borrow to fund the government's relief cash transfers, medical response and economic and social rehabilitation in the aftermath of the COVID-19 pandemic.	1,000	5.92	x				555 billion baht has been budgeted for cash transfers to vulnerable households while 400 billion baht has been earmarked for projects to create jobs and build infrastructure in local communities. The tourism stimulus packages worth 22.4 billion baht will be funded from the 400 billion baht plan.
Bank of Thailand Decree to provide soft loans to SMEs via commercial banks and Specialized Financial Institutions (SFIs).	500	2.96				x	As of 15 June 2020, disbursement stood at 82.7 billion baht or 16.5% of total credit limit.
Bank of Thailand Decree to stabilize the financial market by setting up Corporate Bond Liquidity Stabilization Fund (BSF)	400	2.37				x	
<b>Total relief measures</b>	<b>2,172</b>	<b>12.87</b>	<b>5.9</b>	<b>0.1</b>	<b>1.5</b>	<b>5.3</b>	<b>-</b>