NOTE

SCB Economic Intelligence Center

# Thailand's household debt to GDP ratio stood at 89.3% in Q2/2021, slowed down yet remained high. EIC views the high household debt would be a perennial problem, and the low-income earners are facing with a huge burden.

7 October 2021


## Key summary


- **In Q2/2021, Thailand's household debt continued to rise from the previous quarter to THB 14.3 trillion, but the ratio of household debt to GDP slightly dropped to 89.3% as GDP improved from low base in 2020. Nonetheless, the ratio remained far above its pre-pandemic level and the highest among developing countries.**
- **The mounting household debt in Q2/2021 was driven by personal loans, since households still demanded lending to offset their liquidity loss amidst a subdued economy.**
- **Going forward, EIC expects Thailand's household debt to GDP ratio will remain high and continue to deter spending recovery, household financial position, as well as overall economic growth. In particular, the indebted low-income group would be left further disadvantaged. According to EIC Consumer Survey, the low-income group are struggling to repay debt and over one-fourth of them are already in debt distress.**
- **Households with heavy debt will enter a deleveraging phase, reducing debt to income ratio, to restore their balance sheets. To this end, the government relief programs—such as debt restructuring and financial reliefs during the lockdown, along with employment supports and labor reskill-upskill to uplift future income—would continue to play an important role to facilitate household debt deleveraging and, at the same time, prevent downside risks to an economic recovery ahead.**

**As of Q2/2021, Thailand's household debt rose to THB 14.3 trillion or increased by 5.0%.** The figure accelerated from the previous three months and marked the highest increase in 6 quarters. The growth has picked up among major lenders led by commercial banks, saving cooperatives, and credit card-leasing-personal loan companies. Notably, the lending from commercial banks—which held the largest share in loan to households—expanded by 6.0%YOY, the highest rise since Q4/2019, whereas loans issued by specialized financial institutions (SFIs)[1] have softened (Table 1).

### Table 1: Thailand's household debt level in Q2/2021 rose faster than the previous quarter.

| | *Share Q2/2021* | Average growth rate 2015-19 (%YOY) | Growth rate compared to the same period last year (%YOY) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2020 | Q1/20 | Q2/20 | Q3/20 | Q4/20 | Q1/21 | Q2/21 |
| Loans to Household (classified by lenders) | *100.0%* | 3.9% | 4.0% | 4.1% | 3.8% | 3.9% | 4.0% | 4.7% | 5.0% |
| Commercial Banks | *43.0%* | 4.1% | 3.8% | 3.9% | 3.3% | 3.7% | 3.8% | 4.9% | **6.0%** |
| Depository Specialized Financial Institutions | *28.1%* | 3.2% | 5.2% | 2.6% | 3.9% | 4.4% | 5.2% | 5.5% | **4.3%** |
| Saving Cooperatives | *14.9%* | 3.5% | 2.3% | 2.6% | 2.5% | 2.5% | 2.3% | 2.2% | **2.4%** |
| Credit Card, Leasing and Personal Loan Companies | *10.5%* | 4.2% | 5.2% | 11.1% | 7.5% | 6.2% | 5.2% | 5.5% | **7.2%** |
| Pawnshops | *0.5%* | 4.0% | -8.4% | -1.0% | -7.2% | -8.2% | -8.4% | -2.2% | **0.7%** |
| Other Financial Institutions | *3.0%* | 8.6% | 4.1% | 7.3% | 7.9% | 4.9% | 4.1% | 5.6% | **5.9%** |

Source: EIC analysis based on data from Bank of Thailand

On a closer look into the source of commercial banks' loan growth, **personal loans were the main fuel behind an acceleration in commercial bank lending.** In Q2/2021, outstanding consumption loans at commercial banks rose 5.7%YOY, up from a 5.3%YOY increase in Q1. The growth was attributed to personal loans (22.5% share in total consumption loans issued by commercial banks), which recorded a high growth at 8.4%YOY from 5.9%YOY in Q1. By contrast, commercial banks' consumption loans in other areas all softened or standed steady. Mortgage issued by commercial banks grew at the same rate as in Q1 at 6.8%, while auto loan and credit card saw a slowdown (Table 2).

### Table 2: Commercial banks' consumption loan growth picked up, led by personal lending.

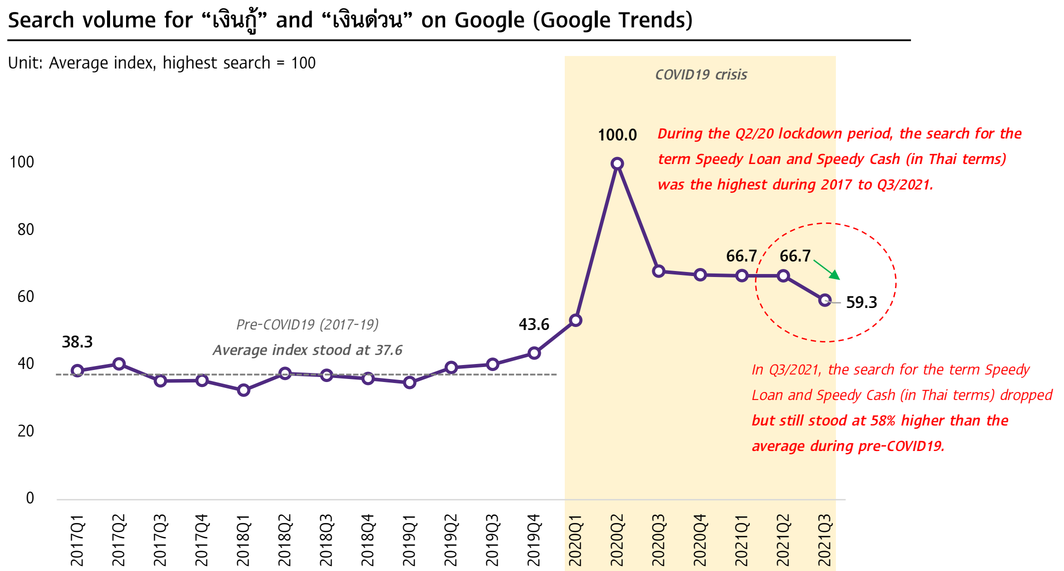
| | *Share Q2/2021* | Average growth rate 2015-19 (%YOY) | Growth rate compared to the same period last year (%YOY) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 2020 | Q1/20 | Q2/20 | Q3/20 | Q4/20 | Q1/21 | Q2/21 |
| **Commercial banks' consumption loan** | ***100.0%*** | **7.0%** | **4.4%** | **5.6%** | **4.8%** | **4.8%** | **4.4%** | **5.3%** | **5.7%** |
| Mortgage | *49.9%* | 7.0% | 5.9% | 3.4% | 4.4% | 5.4% | 5.9% | 6.8% | **6.8%** |
| Auto loan | *22.8%* | 6.1% | 2.4% | 6.1% | 4.1% | 3.5% | 2.4% | 1.2% | **1.0%** |
| Personal loan | *22.5%* | 8.1% | 4.8% | 10.9% | 7.8% | 5.6% | 4.8% | 5.9% | **8.4%** |
| Credit card | *4.8%* | 6.6% | -2.1% | 2.0% | -0.7% | 1.0% | -2.1% | 6.6% | **5.0%** |

Source: EIC analysis based on data from Bank of Thailand

[1] In this context, SFIs consist of (1) Government Savings Bank, (2) Government Housing Bank, (3) Bank of Agriculture and Agricultural Cooperatives, (4) Export-Import Bank of Thailand, (5) Small and Medium Enterprise Development Bank, and (6) Islamic Bank of Thailand

Commercial banks' loan growth driven by personal lending, coupled with a high and expediting growth of loans issued by credit card-leasing-personal loan companies, have **reflected the alarming trend among Thai households—seeking loans to cover living expenses and liquidity loss.** The trend has been ongoing for a year **as falling household income continues to fuel household debt accumulation.** Google Trends data also pointed in the same direction. Although, Google search volume of words related to "Speedy Loan" and "Speedy Cash", in Thai terms, slowed in Q3/2021, but it is still significantly above its pre-pandemic level (Figure 1)—noted that search results of these terms can be both formal and informal lending options. The figure indicated that household demand for loans remains high to make up for ebbing liquidity in the time of stagnant income. Nonetheless, since most financial institutions remain heedful on lending, particularly to low-income households, such high demand for loans might not be entirely covered by formal lending options. As a result, some households could bank on the informal credit market who often charge extremely higher interest and thus becoming more exposed to the risk of over-indebtedness.

## Figure 1: Google search for "เงินกู้" and "เงินด่วน" among Thai people remained high.



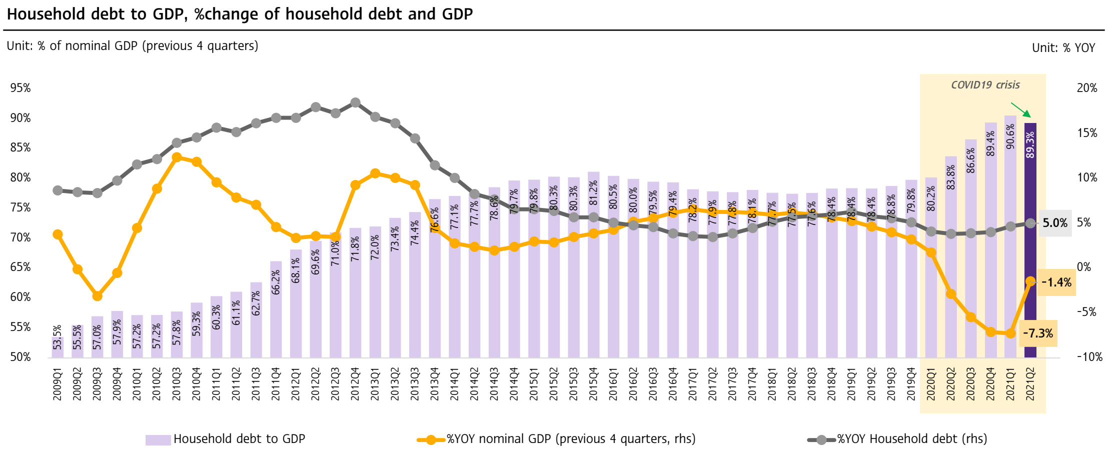

Note: Google Trends index for the terms speedy loan-speedy cash could be understated. Some searchers, who found their matching lenders and have already contacted for services, may skip the google search and access the lender's website directly.

Source: EIC analysis based on data from Google Trends (data updated as of 30 September 2021)

**Financial institution supports for retail lenders—in the form of debt moratorium and debt restructuring—are other key factors that restrain household debt from slowing down in line with the current economic condition.** With such relief measures, household debt service have been lower than usual, but we reckon the effects would peter out as some relief programs begin to expire.

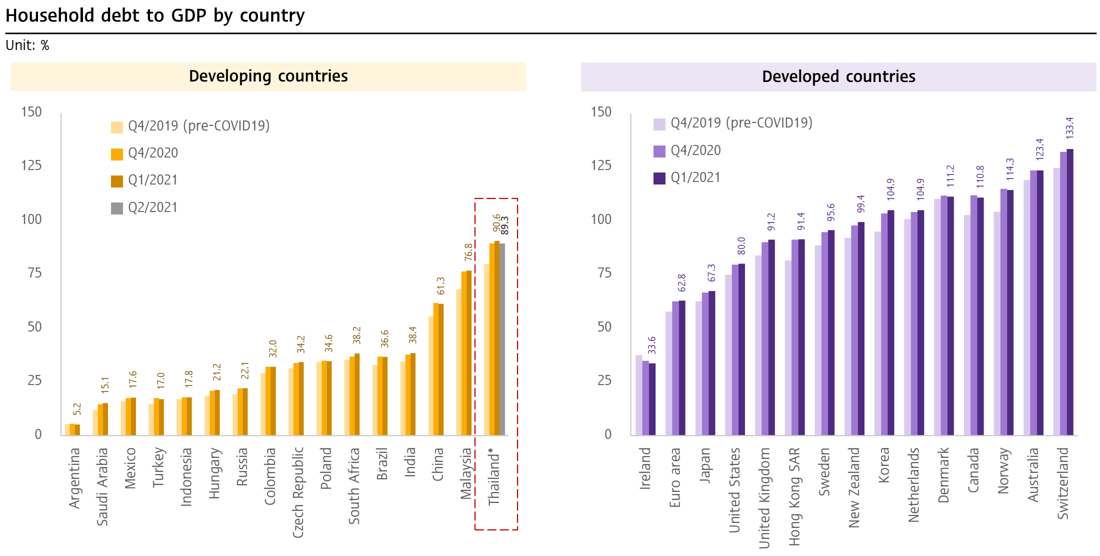
**Despite Thailand's household debt grew at a faster pace in Q2/2021, the household debt to GDP ratio receded to 89.3% from 90.6% in the previous quarter thanks to GDP growth which improved from a low-base effect.** In Q2/2021, GDP at current prices (nominal GDP) saw an upbeat with 10.7%YOY growth, due partly to a low base in last year when nominal GDP sharply contracted by -14.7%YOY. As a result, total GDP values for debt-to-income ratio calculation[2] tweaked from -7.3% in Q1 to -1.4% in Q2/2021. Still, the ratio of household debt to GDP at 89.3% in Q2 is considered remarkably high compared to the pre-pandemic era, where the figure was only 79.8% at year-end 2019 (Figure 2). Data from the Bank of International Settlement also pinpointed that, **despite the ratio descending from its peak, Thailand's household debt to GDP still ranked the highest among developing economies** (Figure 3).

**Figure 2: Household debt to GDP ratio in Thailand slowed in Q2/2021 as GDP readings improved. Yet, household debt level kept swelling high.**




Source: EIC analysis based on data from Bank of Thailand and Office of the National Economic and Social Development Council (NESDC)

**Figure 3: Thailand's household debt to GDP ratio still ranked the highest among developing economies.**




Note: * Thailand's household debt to GDP ratio was compiled by the Bank of Thailand; the rest were from the Bank of International Settlement (BIS) (latest data was Q1/2021)

Source: EIC analysis based on data from Bank of Thailand and BIS

[2] Calculated from a total GDP at current prices in 4 previous quarters (including Q2/2021)

**Based on EIC's assessment, Thailand's household debt to GDP ratio might surge again this year.** Under EIC's forecast that Thailand's real GDP will grow 0.7% in 2021, we expect **the household debt to tally 90-92% of GDP at year-end 2021, meaning that the ratio might bounce back during the rest of this year.** Particularly, the Thai economy was further damaged after a severe hit by the COVID-19 resurgence and stringent lockdown in Q3/2021. Given such circumstances, the household debt to GDP ratio would be back on a rise, or worse, witness a new high if household indebtedness keeps soaring while the economy still remains in a recession.

These days, as COVID-19 outbreaks started to subside, the government gradually lifted lockdown rules, and economic activities looks to resume. Yet, **high household debt would remain a major setback that takes years to get solved.** Some chunks of this high debt are currently under a temporary moratorium scheme. So, **the indebted household—especially those with liquidity constraints—would face striking challenges to manage debt and spending once the payment due dates are back on schedule.** Besides, household income would rebound at a slow pace since the labor market was hit hard by the outbreaks and needs some time to recover. Several jobs, particularly in the tourism sector, have faced massive cuts, and will faced with slow recovery. Also, the post-pandemic rising industries such as e-commerce and IT businesses will not look for the same old skills. As a result, workers losing jobs during the COVID-19 outbreaks may find difficulties returning to the job market and earning the same rate they got paid pre-COVID-19.

**The bleak outlook on income recovery has hindered household's ability to deal with a high debt—the alarming stress for most people, particularly the low-income earners.** EIC conducted the Consumer Survey during 27 August-27 September 2021 and also asked questions related to debt burden. The survey result shows that **more than half (55.4%) of indebted respondents view that debt service has troubled them for the past six months** (these include people who replied that debt burden is "*a serious problem*" *and* "*somewhat a problem*"). **The striking concerns are that: (1) 78% of indebted respondents who earn less than THB 15,000 per month consider themselves having debt problems, and (2) more than one-fourth (27.4%) of them already fell into the state of serious indebtedness.** Meanwhile, the share of respondents with debt problems is notably lower among high-income cohorts (Table 3). The survey outcome indicates that most Thai people are either more or less facing debt problems—but to a much greater extent for vulnerable low-income groups.

**Table 3: Debt service burden is a big financial distress, especially among the low-income earners.**

*EIC Consumer Survey 2021**

***Question: During the past 6 months, to what extent is the debt service a financial burden on your household?***

*(Debt service is the repayment on the principal and interest of outstanding loans)*

Unit : % of "indebted" respondents in each income group**

| Income group (THB per month) | *Share of "indebted" respondents (%)* | *(1) "debt service is a serious problem"* | *(2) "debt service is somewhat a problem"* | *(3) "debt service is not a problem"* |
|---|---|---|---|---|
| "indebted" respondent | *100%* | 15.7% | 39.7% | 44.6% |
| 0-15,000 (low-income) | *39%* | 27.4% | 50.6% | 22.0% |
| 15,001-30,000 | *20%* | 10.1% | 45.7% | 44.2% |
| 30,001-50,000 | *17%* | 8.8% | 29.6% | 61.6% |
| 50,001-100,000 | *15%* | 6.9% | 27.8% | 65.3% |
| 100,001-200,000 | *6%* | 6.2% | 17.8% | 76.0% |
| Above 200,000 | *4%* | 5.8% | 20.9% | 73.3% |

Note: *EIC Consumer Survey conducted between 27 August-27 September 2021 (the results are calculated based on 3,205 responses). **Of total respondents, 75.7% are "indebted" while the remaining 24.3% are "debt-free."

Source: EIC analysis

**In our view, high-debt households will enter the stage of balance sheet repair and undergo the process to cut down spending, avoid unnecessary new borrowing, and increase their income to bring down the debt-to-income ratio.** This debt deleveraging action is expected to proceed gradually, taking at least 2-3 years, and would hold back household spending in the period ahead. Thailand's policy rate will likely remain low during the period that household debt stays high. EIC expects the central bank to keep its policy rate steady at 0.5% during 2022-2023, with potential rate hikes in 2024, albeit at a slow pace. Furthermore, EIC views that **relief measures from the government and financial institutions will play a crucial role in keeping both economy and financial stability safe and sound as household deleveraging makes headway.** These measures could come in the form of: (1) income reliefs especially for fragile households, (2) employment supports, (3) worker reskill-upskilling to enhance household's earning potential, (4) debt restructuring to help schedule debt installment in line with household income, which has been decreased and slow to pick up, and (5) liquidity injection for fragile households so they can be less reliant on informal loans, thus preventing the household debt situation from getting worse.

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