FLASH

SCB Economic Intelligence Center

**Thai GDP in Q4/2021 expaned stronger than expected following export and domestic demand recovery,** with further boosts from easing containment curbs and economic stimulus packages launched during the year-end.

22 February 2022

# Thai GDP in Q4/2021 expaned stronger than expected following export and domestic demand recovery, with further boosts from easing containment curbs and economic stimulus packages launched during the year-end.

## KEY SUMMARY

### The Thai economy returned to growth in Q4/21.

**During the last quarter of 2021, the Thai economy started to recover from the delta outbreak.** Thailand's economic grew by 1.9% in Q4/2021 compared with the same period last year. In terms of quarter-on-quarter figure, growth returned to 1.8%QOQ sa (seasonally adjusted) in Q4/21, as the casualties from the delta outbreak eased from the previous quarter. As such, the Thai economy grew by 1.6% in 2021, exceeding forecasts from higher-than-anticipated demand for goods and services, as well as easing coronavirus curbs and recovering tourism and export conditions in late 2021.

### Uneven recovery across different economic sectors.

**Nevertheless, recovery from COVID-19 casualties remained uneven across different sectors in Thailand.** In 2021, although the Thai economy managed to rebound from the major outbreak experienced during mid-2021, the recovery remained gradual due to economic scars from high household debt levels and slow labor market recovery. Economic sectors that recovered and performed better compared with pre-COVID-19 levels included exports and public consumption. Meanwhile, activities in the banking and construction sector also improved to levels higher than before the outbreak. However, the recovery in many other sectors remained at a slower pace compared with before the outbreak, in particular, the recovery of the tourism, accommodations, and restaurants sectors.

### The pace of Thailand's economic growth should accelerate in 2022.

**In 2022, EIC views that Thailand's economic growth should accelerate from the previous forecast of 3.2% following the continual recovery of domestic and external demand.** Headwinds from the Omicron COVID-19 spread and inflationary pressures should slow domestic spending, especially private consumption, during the first half of the year. However, the overall economy should continue to recover following better tourism conditions during the second half of the year. Moreover, merchandise exports should continue to be one of the main economic growth drivers for Thailand.

## KEY POINTS

**Thai GDP reverted to a 1.9% growth in Q4/2021 compared with the same period during the previous year, after contracting by -0.2% in the previous quarter.** In terms of the quarter-on-quarter figure, growth returned to 1.8%QOQ sa (seasonally adjusted) in Q4/21, as the casualties from the delta outbreak eased from Q3/21. As such, the Thai economy grew by 1.6% in 2021, after tumbling by -6.2% in 2020.

**Figure 1: Thai GDP in Q4/2021 recovered from severe COVID-19 casualties in Q3/2021.**

**Expenditure Approach**

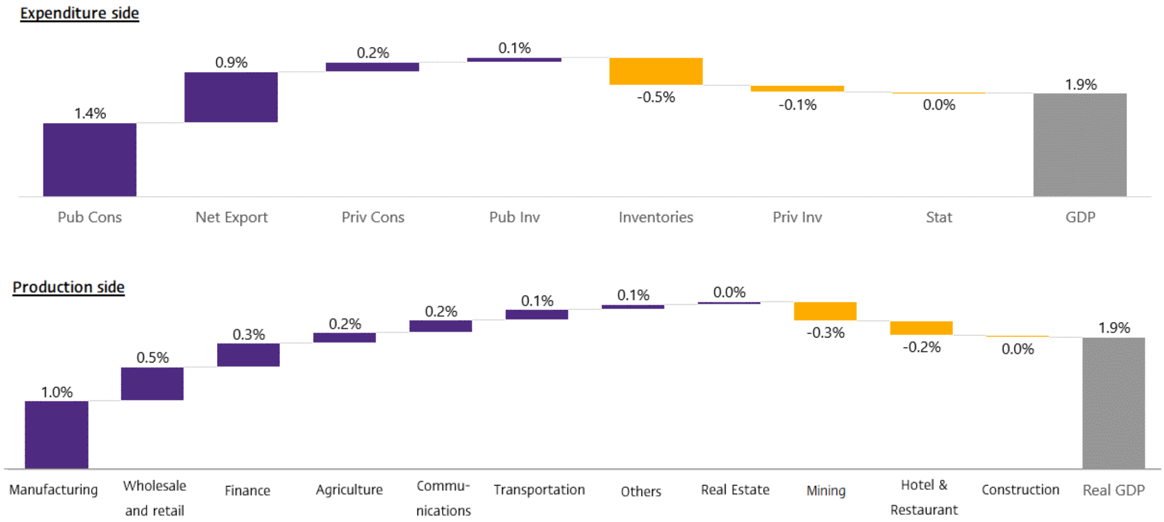
| %YoY | % of GDP | 2019 | 2020 | 2020Q4 | 2021Q1 | 2021Q2 | 2021Q3 | 2021Q4 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **RGDP** | **100.0%** | **2.2%** | **-6.2%** | **-4.2%** | **-2.4%** | **7.7%** | **-0.2%** | **1.9%** | **1.6%** |
| Private Consumption | 54.7% | 4.0% | -1.0% | 0.8% | -0.3% | 4.7% | -3.2% | 0.3% | 0.3% |
| Public Consumption | 15.8% | 1.6% | 1.4% | 2.4% | 2.2% | 1.0% | 1.5% | 8.1% | 3.2% |
| Total Investment | 24.3% | 2.0% | -4.8% | -2.5% | 7.3% | 7.4% | -0.4% | -0.2% | 3.4% |
| Private Investment | 17.5% | 2.6% | -8.2% | -3.2% | 3.1% | 9.2% | 2.6% | -0.9% | 3.2% |
| Public Investment | 6.7% | 0.1% | 5.1% | 0.0% | 19.8% | 3.4% | -6.2% | 1.7% | 3.8% |
| Export G&S | 60.9% | -3.0% | -19.7% | -21.7% | -10.3% | 28.4% | 12.3% | 17.7% | 10.4% |
| Export Goods | 54.5% | -3.7% | -5.8% | -1.4% | 2.9% | 30.8% | 12.0% | 16.6% | 14.9% |
| Export Services | 7.0% | -0.5% | -61.3% | -76.2% | -62.3% | 4.8% | 14.7% | 30.5% | -22.8% |
| Import G&S | 58.6% | -5.2% | -14.1% | -8.4% | 1.0% | 28.7% | 29.5% | 16.6% | 17.9% |
| Import Goods | 49.7% | -5.8% | -10.6% | -3.8% | 4.6% | 29.9% | 28.0% | 14.0% | 18.3% |
| Import Services | 9.2% | -2.7% | -27.8% | -26.4% | -13.4% | 23.6% | 37.1% | 28.8% | 16.2% |

**Production Approach**

| %YoY | % of GDP | 2019 | 2020 | 2020Q4 | 2021Q1 | 2021Q2 | 2021Q3 | 2021Q4 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **RGDP** | **100.0%** | **2.2%** | **-6.2%** | **-4.2%** | **-2.4%** | **7.7%** | **-0.2%** | **1.9%** | **1.6%** |
| **Agriculture** | 6.3% | -0.9% | -3.5% | -0.2% | 1.0% | 2.1% | 2.2% | 0.7% | 1.4% |
| **Industrial** | 31.9% | -0.1% | -5.9% | -2.2% | -0.3% | 14.2% | -1.7% | 2.6% | 3.4% |
| Mining | 2.0% | 1.7% | -8.9% | -11.5% | -6.2% | 3.2% | -11.4% | -13.4% | -7.1% |
| Manufacturing | 26.6% | -0.8% | -5.6% | -0.4% | 1.1% | 17.0% | -0.9% | 3.8% | 4.9% |
| Electricity, gas | 2.8% | 4.5% | -8.0% | -12.9% | -9.1% | 1.0% | -2.4% | 2.1% | -2.5% |
| **Services** | 62.8% | 3.8% | -6.7% | -5.9% | -3.8% | 5.3% | 0.3% | 1.6% | 0.7% |
| Construction | 2.9% | 1.6% | 1.3% | -0.9% | 13.5% | 3.1% | -4.2% | -0.9% | 2.7% |
| Wholesale & Retail | 15.9% | 4.5% | -3.2% | -3.1% | -2.4% | 5.0% | 2.7% | 2.9% | 1.7% |
| Transport & Storage | 5.6% | 2.8% | -22.9% | -21.0% | -16.9% | 10.3% | -1.4% | 3.2% | -2.9% |
| Hotel & Restaurant | 4.3% | 7.7% | -37.5% | -34.0% | -36.8% | 16.4% | -19.0% | -4.9% | -14.4% |
| Info & Communication | 6.0% | 11.4% | 1.1% | 1.8% | 4.5% | 5.6% | 6.8% | 5.9% | 5.7% |
| Finance | 8.1% | 1.9% | 5.1% | 6.3% | 6.4% | 5.9% | 6.1% | 4.4% | 5.7% |
| Real Estate | 4.3% | 3.8% | 1.5% | 1.4% | 2.2% | 2.7% | 0.7% | 1.3% | 1.7% |
| Public | 5.2% | 1.4% | 1.6% | 2.2% | 1.4% | 1.0% | 0.1% | 0.1% | 0.6% |
| Education | 3.3% | 1.2% | 1.3% | 2.0% | 0.7% | 0.5% | 0.5% | 0.8% | 0.6% |

Source: EIC analysis based on data from NESDC

**Figure 2: Contribution to growth of Real GDP in Q4/2021**




Source: EIC analysis based on data from NESDC

**Considering the expenditure approach, merchandise exports and public consumption saw robust growth. Private consumption and public investment also grew. On the contrary, change in inventory undermined growth.**

- Private consumption returned to growth of 0.3%YOY (compared with the same period in the prior year), improving from the -3.2% contraction in the previous quarter. Improving conditions were supported by the vaccination progress and the lower number of new daily COVID-19 cases that prompted the government to ease containment measures. Similarly, the economic stimulus packages launched by the government also boosted growth. During the quarter, non-durable goods consumption grew. Meanwhile, consumption in other categories continued to contract, though at a slower rate compared to the previous quarter.
- Public consumption continued to soar by 8.1%, accelerating from the 1.5% growth in the previous quarter. Growth was witnessed in all major categories. Social transfer in kind – purchased market production particularly soared by 38.5%. Such growth was mainly driven by the increase in COVID-19 related expenses.
- Public investment reverted to a 1.7% expansion, after contracting by -6.2% in the previous quarter. Investments in machinery and equipment surged by 10%, partly due to disbursements to buy medical equipment according to the THB 500 billion Emergency Decree. Meanwhile, construction investment slowed to 0.7% as there were no new construction projects from state-owned enterprises during the quarter. Such mentioned projects were only ongoing projects.
- Private investment reverted to a -0.9% contraction, worsening from the 2.6% growth in the previous quarter. Investments in machinery and equipment contracted by -0.9% , mostly due to contraction in the automotive industry. Meanwhile, construction investment continued to decline for 5 consecutive quarters with -0.9% contraction during the quarter.

- **The growth of merchandise exports value in real terms accelerated to 16.6%,** improving from the 12% growth in the previous quarter due to easing containment measures as well as better global trade and economic recovery.
- **The growth of merchandise imports value slowed to 14%,** with growth in all key categories. Meanwhile, imports of services grew by 28.8% due to continually soaring transportation fees.
- **Exports of services improved considerably by 30.5%** from 14.7% in the previous quarter following higher revenue from merchandise transportation, other business services, and tourism.
- **Change in inventories dropped compared to the same period in the previous year. However, the figure improved from the previous quarter by as high as THB 303,343 million.** During the quarter, both agriculture and industrial sectors had higher accumulating stocks. In particular, electronics and integrated circuits with higher production to serve growing domestic and external demand. Furthermore, higher product prices also boosted the value of inventory during the quarter.

**Regarding the production approach, the agriculture, the industrial, and the service sectors improved during the quarter.**

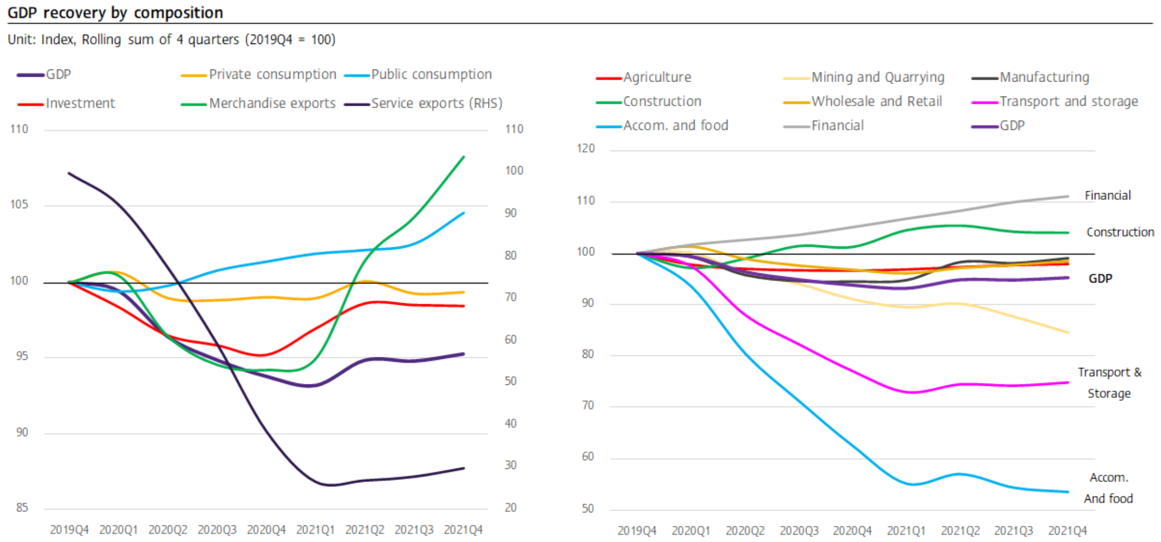
- **Agricultural production stalled to 0.7%, after expanding by 2.2% in the previous quarter.** Key products that drove the expansion were rubber, factory sugarcane, oil palm, and pineapple. On the contrary, products that dragged growth were livestock category that saw harsh implications from the epidemic and in-season rice.
- **Industrial production returned to 2.6% growth,** after contracting by -1.7% in the previous quarter. The manufacturing sector mainly drove growth with 3.8% expansion following higher domestic and external demand for products, after contracting by -0.9% in the previous quarter. On the contrary, the mining and quarrying sector slowed growth with -13.4% contraction.
- **Services expanded by 1.6%,** accelerating from the 0.3% growth in the previous quarter. Sectors that drove the expansion included retail and wholesale, financial services, communications, and transportation. Meanwhile, accommodation and food services dropped by -4.9%, improving from the -19% contraction in the previous quarter.

## IMPLICATIONS

**During the last quarter of 2021, the Thai economy started to recover from the delta COVID-19 outbreak** from both external and domestic factors. Notable external factors included global trade and economic recovery, especially among advanced economies. Meanwhile, domestic factors included the vaccination progress, the lower number of new daily COVID-19 cases, easing containment measures, and economic stimulus packages launched by the government. Border reopening policies to allow tourists to enter Thailand also supported growth. The Thai economy grew by 1.9% in Q4/2021. Such higher-than-anticipated growth in Q4/2021 stemmed from merchandise exports and increasing public consumption with as high as 8.1% expansion. Such growth was partly driven by increasing expenditures of the National Health Security Fund and the Social Security Fund for COVID-19 patients. As such, the Thai economy grew by 1.6% in 2021. It is noteworthy that the change in inventories in Q4/2021 dropped, **reflecting higher economic value in terms of the expenditure approach compared to the production approach, in line with the recovery of demand that heightened during the year-end.**

**Recovery from the COVID-19 casualties remained uneven across different economic sectors.** In terms of the expenditure approach, the export and public consumption sector recovered and returned to pre-COVID-19 levels following the recovery of external demand and the increasing expenditure from the government to aid those affected by COVID-19. **Meanwhile, exports of services with tourism as the main component remained considerably lower than pre-COVID-19 levels** (Figure 3 left). As for the production approach, various sectors, including the hotel, restaurant, and transportation sectors, still required time to recover and return to pre-outbreak levels. Furthermore, the overall economic conditions remained at a lower level compared with before the outbreak. However, the banking and construction sector already recovered to levels higher than before the outbreak (figure 3 right).

**Figure 3: The recovery of different economic sectors in Thailand remained uneven.**

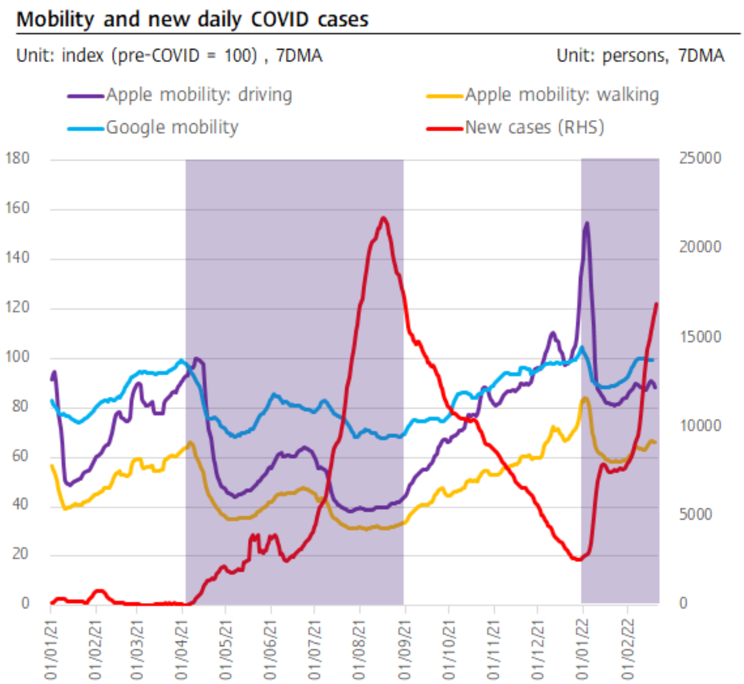



Source: EIC analysis based on data from NESDC

**In 2022, EIC views that Thailand's economic growth should accelerate following the continual recovery of domestic and external demand.** Headwinds from the Omicron spread and inflationary pressures both from domestic and external factors should drag growth during the first half of the year. However, the overall economy should continue to recover. The tourism sector may not fully recover during the first quarter as the global tourism conditions remained sluggish and some pauses on the Test & Go policy to prevent another domestic spreads. On the contrary, tourism conditions during the second half of 2022 should improve despite the lack of Chinese tourists. Meanwhile, merchandise exports will continue to be the main economic driver in 2022. Export should continue to expand, though at a slower rate following global trade and economic conditions. Furthermore, exports to developing countries should accelerate. Other notable export drivers include the Regional Comprehensive Economic Partnership (RCEP) free trade agreement that entered into force in early 2022.

**Domestic spending should also recover as more economic activities resume** following the vaccination progress and the low number of fatal cases and deaths from Omicron compared to the previous periods, despite the increasing number of new daily COVID-19 cases (Figure 4). Pent-up demand from individuals with purchasing power will also boost spending. Furthermore, improving exports and private consumption conditions will drive investment and industrial production as well. However, the recovery will be gradual as the number of tourists will still be much lower than pre-COVID. Other notable drags include the accumulated damages from economic scars during the past two years triggered by sluggish business establishments dynamics compared to the times before the crisis, fragile labor market conditions, and high household debt. Meanwhile, public investment should continue to improve from state-owned enterprise and Public-Private Partnership (PPP) investments. However, the overall growth momentum from the government should slow from the prior year due to more limited government consumption from the lower budget. Even though THB 110 billion remained from the THB 500 billion Emergency Decree, the value is still less than the amount introduced for additional measures in 2021.

**Figure 4: The current mobility readings are higher than during the Delta outbreak, despite worsening outlooks of new daily infections.**




Source: EIC analysis based on data from the Ministry of Public Health, CCSA, Apple, and Google

**Risk factors that could weigh on recovery** include 1) potential waves of severe global or domestic COVID-19 outbreaks, especially due to virus mutations or sub-lineage mutations, such as the Omicron BA.2 that could lower vaccination efficiency, 2) global inflation and tightening financial conditions due to changes in policy directions from central banks of key economies with implications on global economic recovery, including Thailand, 3) greater-than-anticipated damages from economic scars that could impair the household and business sectors' ability to repay debt on a large scale, 4) China's lower-than-anticipated growth due to implications from economic restructuring policies and the debt-ridden real estate sector, and 5) higher inequality caused by COVID-19 that may lead to political instability.

**In 2022, the economy is likely to expand faster than previously anticipated.** According to the economic indicators, COVID-19 related figures, and mobility indexes, the economic conditions in Q1/2022 may see lower-than-anticipated damages from the Omicron outbreak with special mention on the tourism sector with reinstated Test & Go measures in February. As such, in 2022, Thailand's economic growth is likely to exceed previously forecasted figures. EIC will release updated economic forecasts in early March 2022.

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