



Thailand

Economic Outlook

Kasikorn Research

22 October 2020



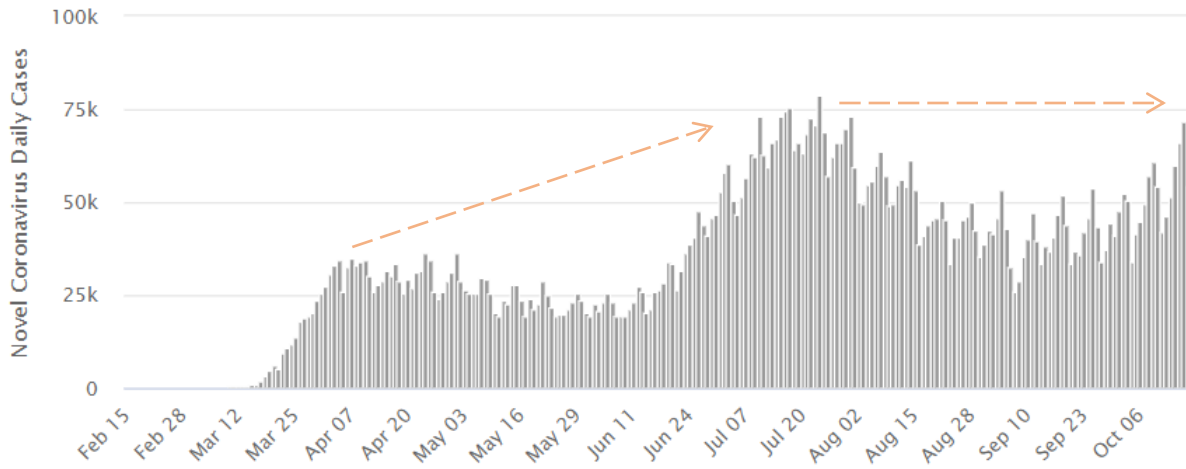
Topics of Discussion

- 1. Thailand's economic outlook and time to reach pre-COVID activities, as well as stability issues such as banks' balance sheets, liquidity, and interest rates.**
- 2. Outlook after the US elections.**
- 3. Challenges that the Thai economy will face in the post-COVID world.**

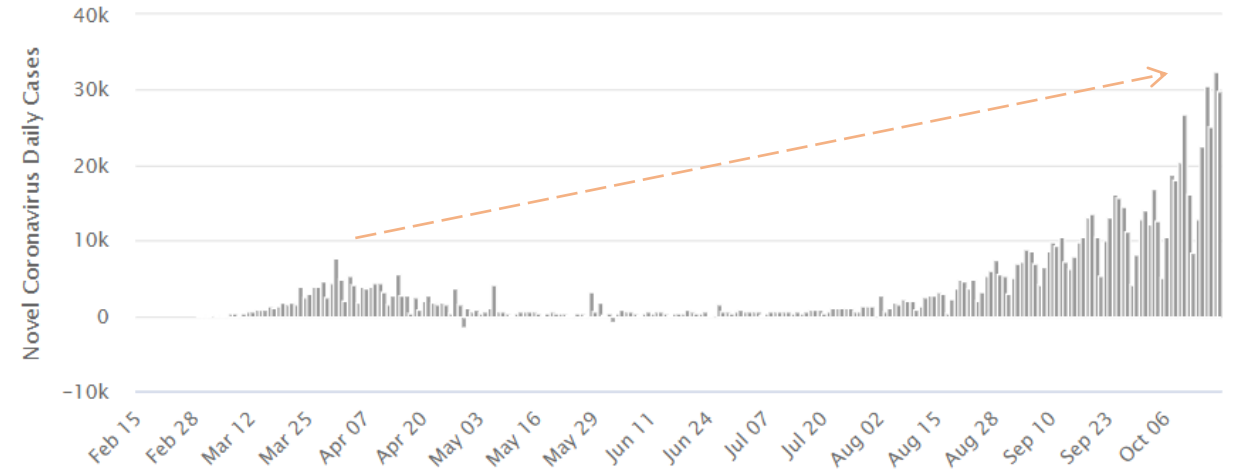
I.) TIME REQUIRED TO REACH PRE-COVID ACTIVITES & STABILITY ISSUES

COVID-19 : Many countries are facing second waves that are even bigger than the first ones

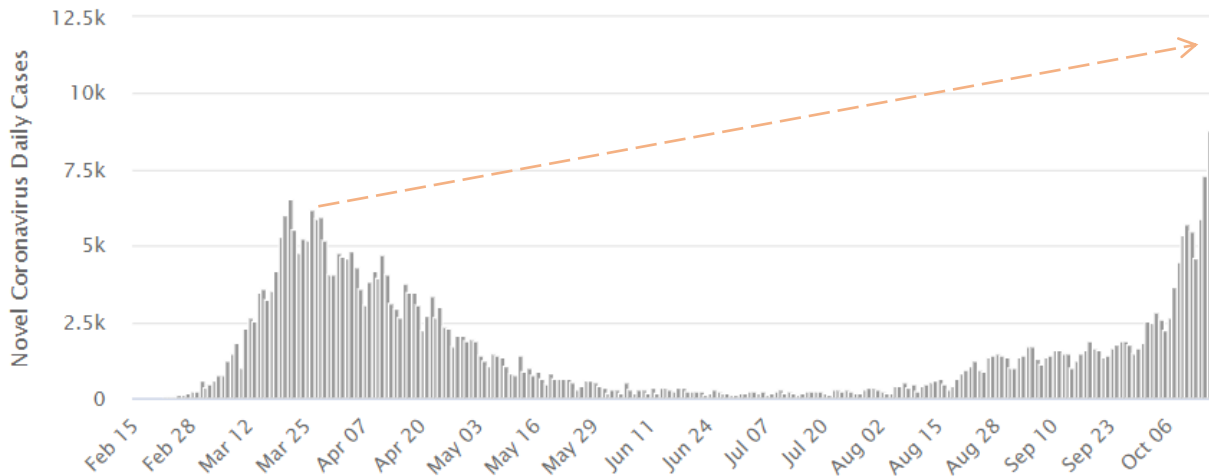
Daily New Cases in the United States



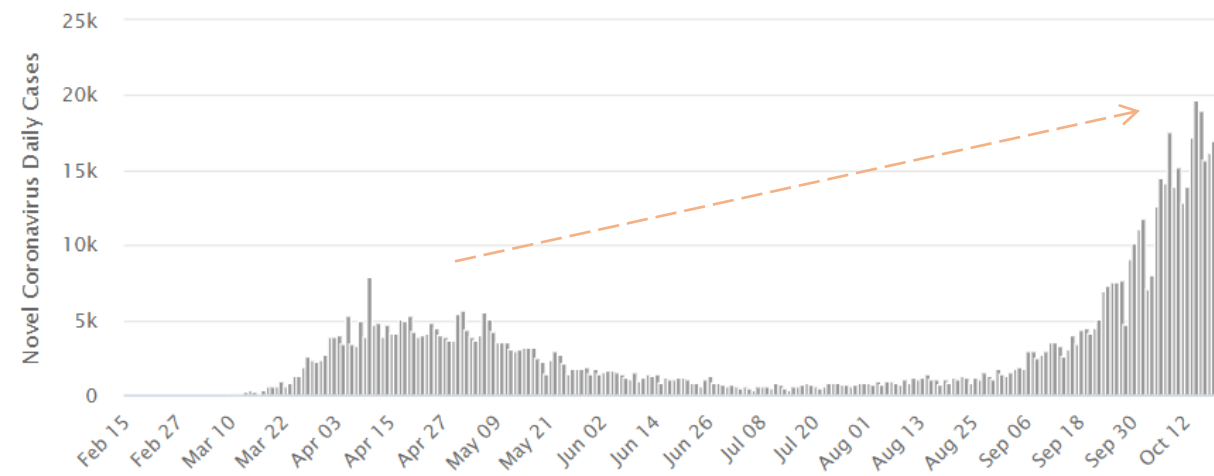
Daily New Cases in France



Daily New Cases in Italy

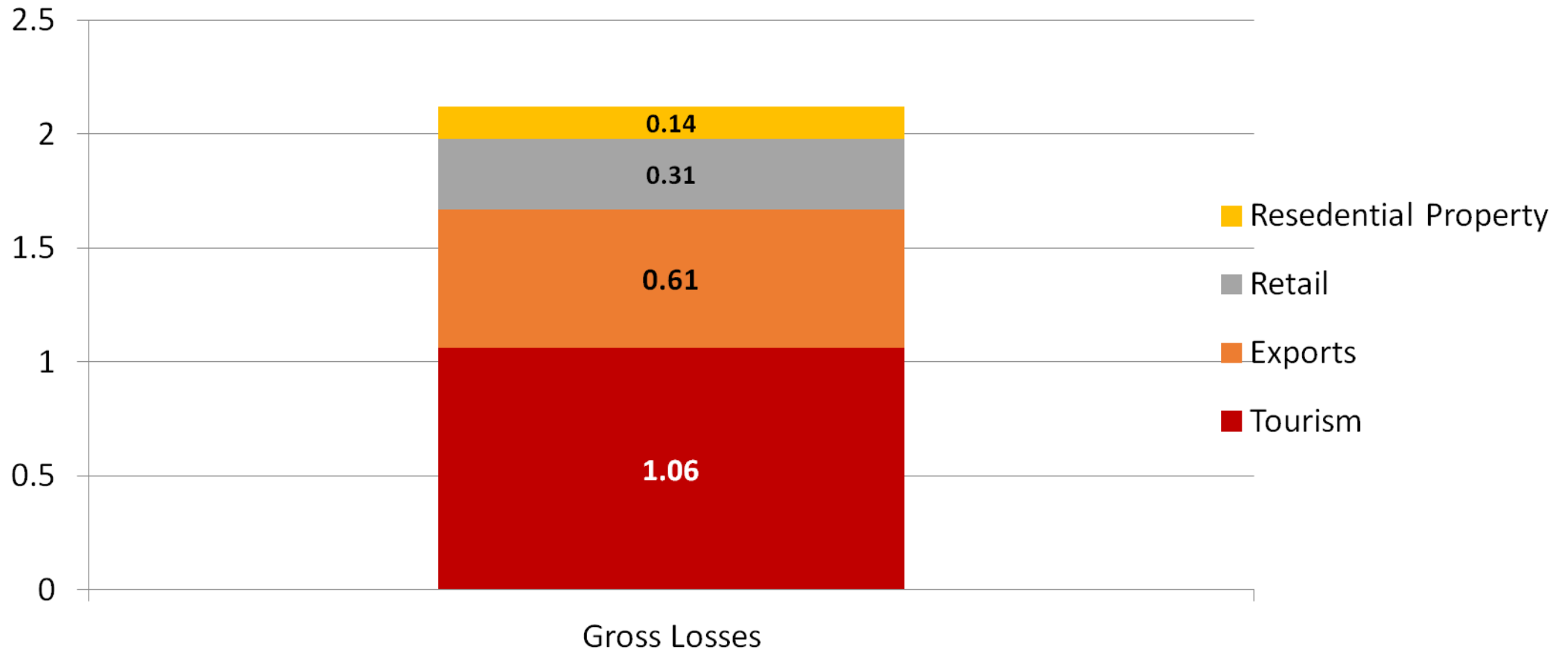


Daily New Cases in the United Kingdom



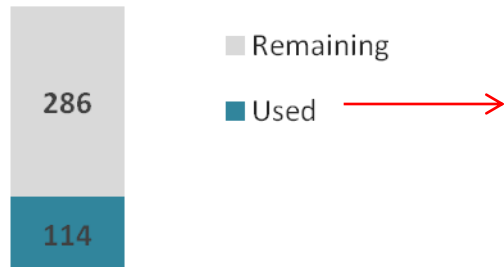
Gross impacts from COVID-19 might exceed THB 2 trillion or 12.6% of GDP

THB trillion



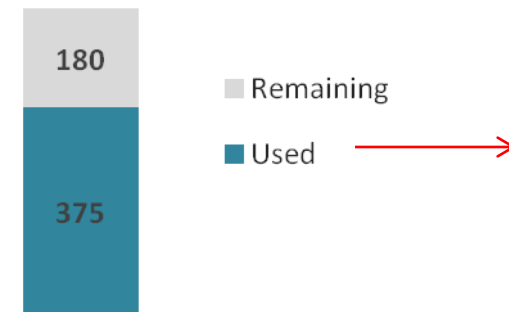
So far, the government has spent **THB 489 billion** in stimulus measures, while **THB 606 billion** are still available

1. 400 Bn for Economic and Social Rehabilitation



- 2 stimulus packages to revitalize domestic tourism
- 5 projects to boost tourism and support household and farmers
- 3 projects to help create 39,000 jobs
- Employment subsidy for 260,000 new graduates
- Co-pay consumption stimulus and cash transfer to welfare cards

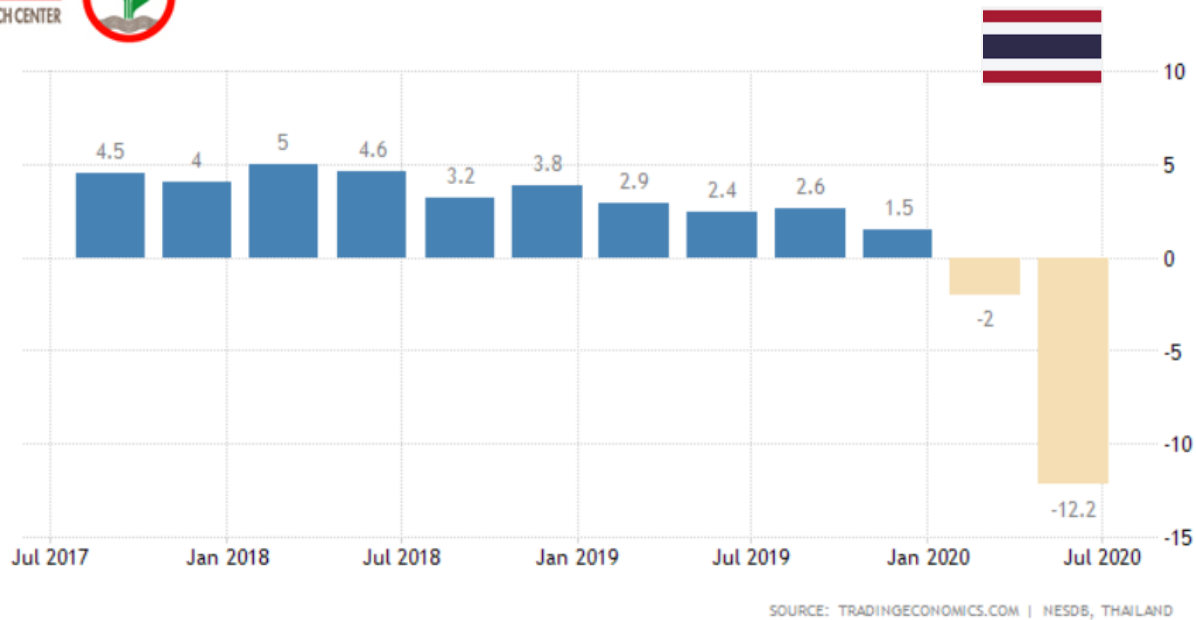
2. 555 Bn for COVID-19 Relief Measures



- Cash handouts**
- 15 Mn Informal workers
 - 8 Mn Farmers
 - 1 Mn Holders of state welfare cards
 - 7 Mn People in a fragile state
 - 60,000 unemployed workers under Section 33 who have been contributing to the social security fund for less than six months

3. FY2021 Budget for COVID-19

140 billion baht



With a 12.2% YoY contraction in Q2, Thailand recorded the worst downturn since the second quarter of 1998

Units: % YoY or otherwise indicated	2019	2020	
		Latest Forecast	Previous Forecast
GDP	2.4	-7.5	-5.5
Private Consumption	4.5	-3.1	-1.7
Private Investment	2.8	-10.2	-4.2
Exports	-3.3	-10.0	-8.0
Current Account (USD bn)	38.4	12.6	24.0
Inflation	0.7	-1.0	-1.0

The NESDC has also cut its GDP forecast for this year to -7.5% from the previous forecast of -5.5%

Bank of Thailand's forecast for the Thai economy

Units: % YoY	2019	2020	2021
GDP	-2.4	-7.8 (-8.1)	3.6 (5.0)
Exports	-3.2	-8.2 (-10.3)	4.5 (4.5)
No. of Foreign Tourists	4.2	-83.2 (-79.9)	34.3 (102.5)
Gov. Consumption	1.4	3.4 (3.8)	5.1 (3.1)
Public Investment	0.2	8.8 (5.8)	11.4 (14.1)

* The figures in parentheses are the BOT's previous forecasts in Jun 2020

Source: The Bank of Thailand

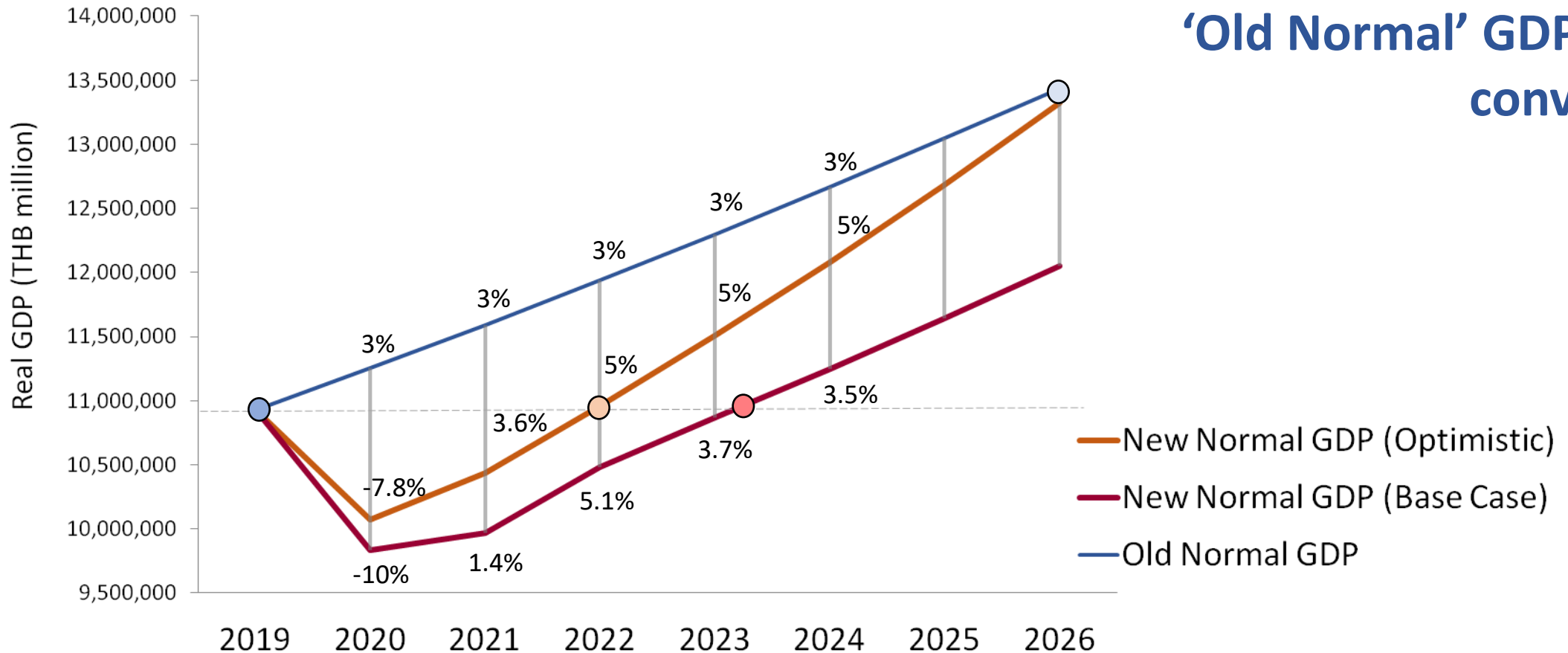
% YoY	2019	2020F	2021F	2022F	2023F
GDP	2.4	-10.0	1.4	5.1	3.7
Private consumption	4.5	-3.3	2.0	2.7	2.5
Private investment	2.8	-12.1	1.6	0.5	0.5
Public investment	0.2	6.0	5.4	5.0	4.8
Exports (Custom basis)	-2.7	-12.0	-1.8	1.0	3.4
Imports (Custom basis)	-4.7	-16.8	-3.7	2.0	3.5

Key Assumptions :

- The Thai government will run fiscal deficits around 4% of GDP during 2021-2023
- Mass vaccination in Thailand is not likely to take place before 2022
- Global air traffic will not return to pre-COVID levels before 2024
- No major second-wave outbreak in the country

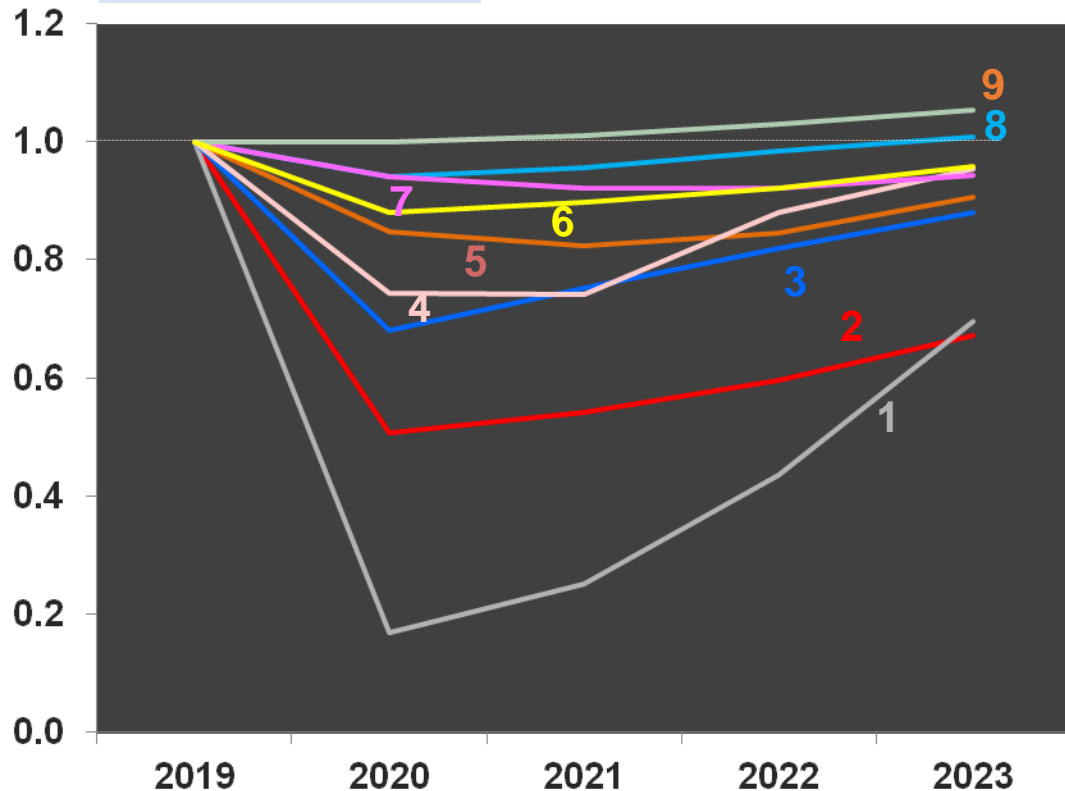
It may not be sooner than 2022 that economic activities can return to pre-COVID levels

And it might not be until 2026 that the 'New' and 'Old Normal' GDP will converge



For many industries, near-term growth will be due mainly to low-base comparison

Pre-COVID Level
2019 = 1



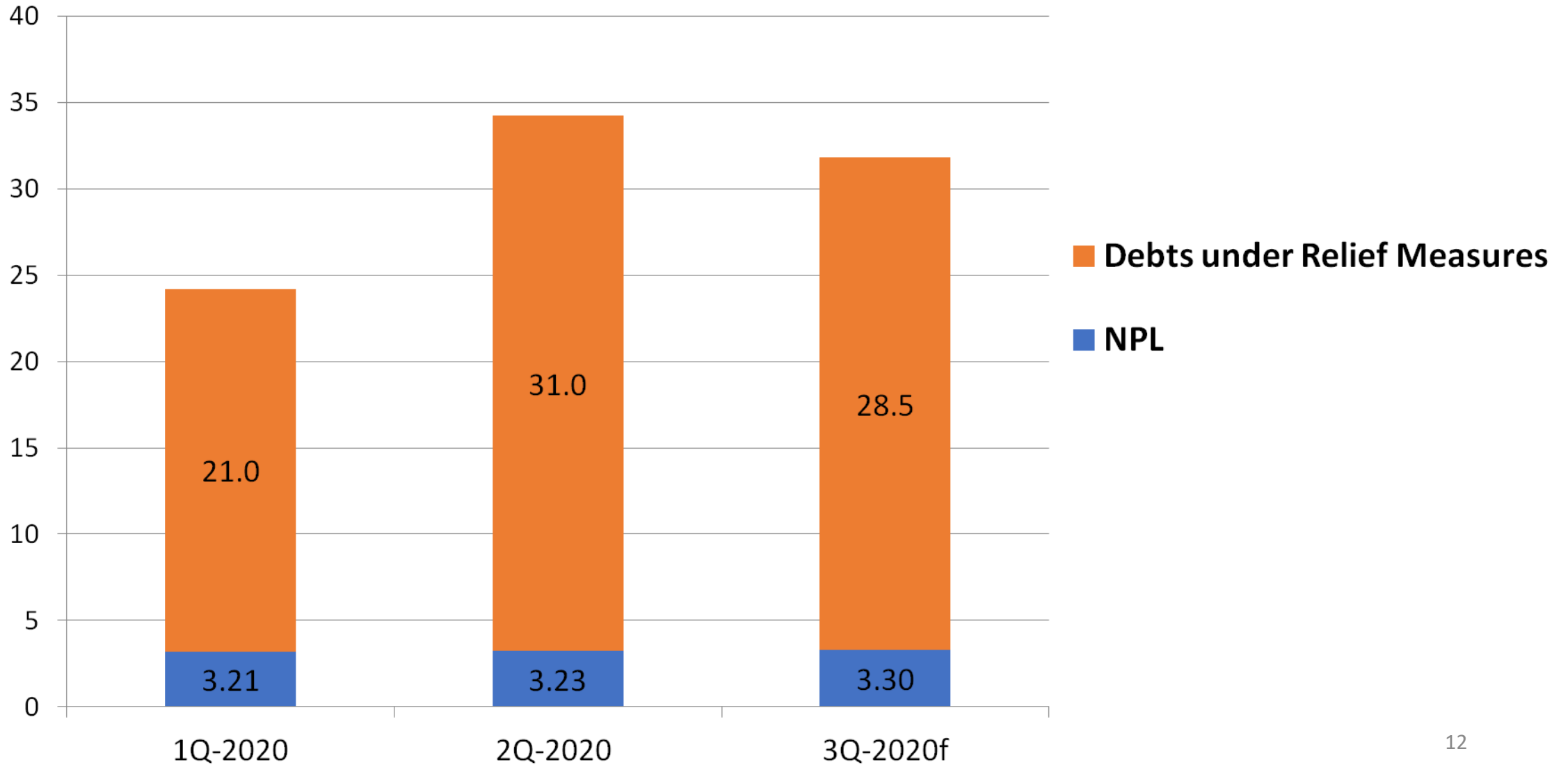
Units: YoY % or otherwise indicated

Industry Growth Projection**	2020	2021	2022	2023
1. No. of Foreign Tourists (Million Persons)	6.72	10.0	17.3	27.7
2. Hotels & Restaurants (in Private Consumption)	-49.3%	6.8%	10.0%	13.0%
3. Auto Production (Units)	-32.0%	10.6%	8.9%	7.6%
4. Transport & Storage (in GDP)	-25.7%	-0.1%	18.5%	8.5%
5. Residential Transfers (Units in Bangkok & Vicinity)	-15.2%	-2.8%	2.7%	7.0%
6. Private Hospitals (Revenues)	-11.9%	2.0%	2.5%	4.0%
7. Retail Sales (in Private Consumption)	-6.0%	-2.0%	0.0%	2.5%
8. Exports of Electrical & Electronics	-5.8%	1.4%	3.0%	2.4%
9. Foods & Beverages (in Private Consumption)	0.0%	1.0%	2.0%	2.3%

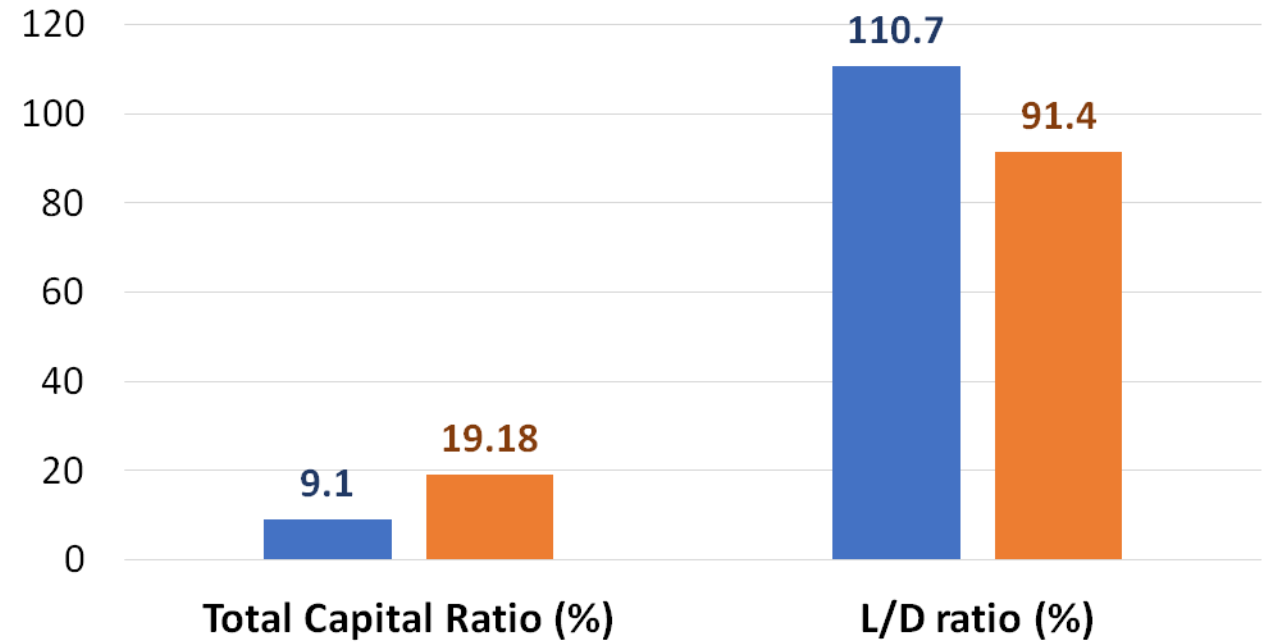
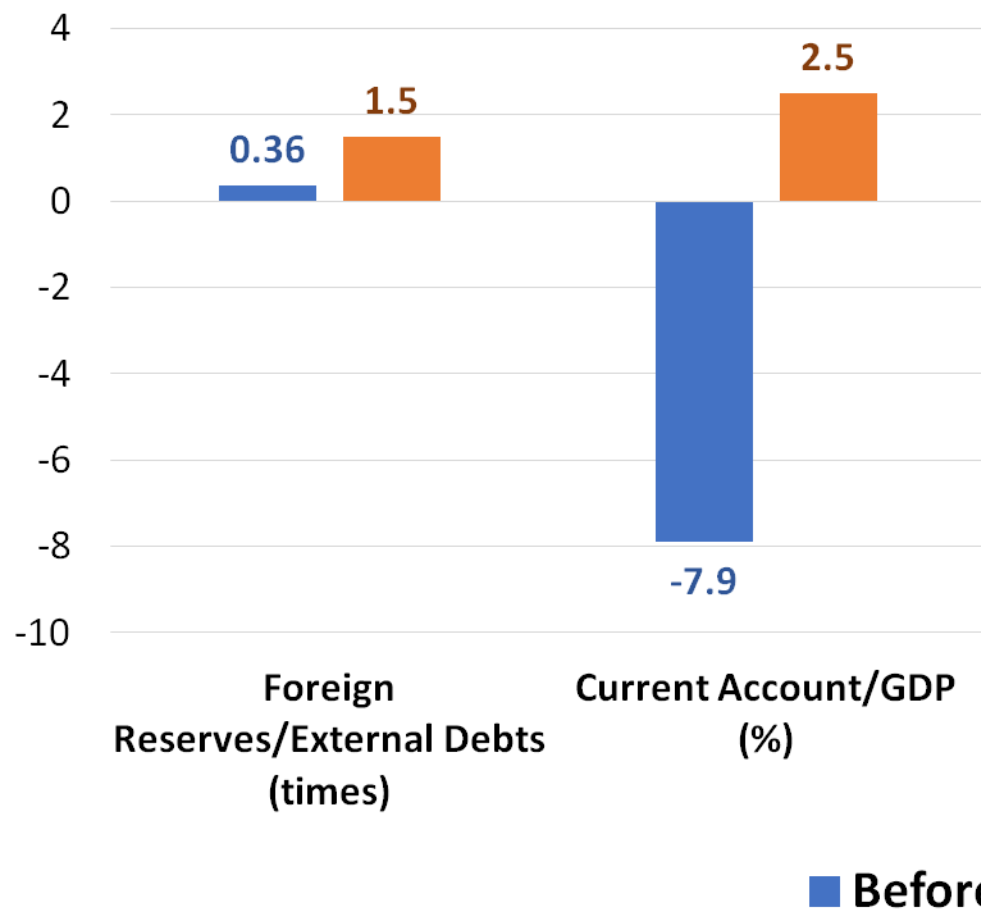
** Preliminary, KResearch Base-Case Forecast (Oct 2020)

Debts under relief measures, because of their size, could have material impact on Thai banks' capital

% of Total Loans



But the Thai economy and banking system are much healthier than back in 1997

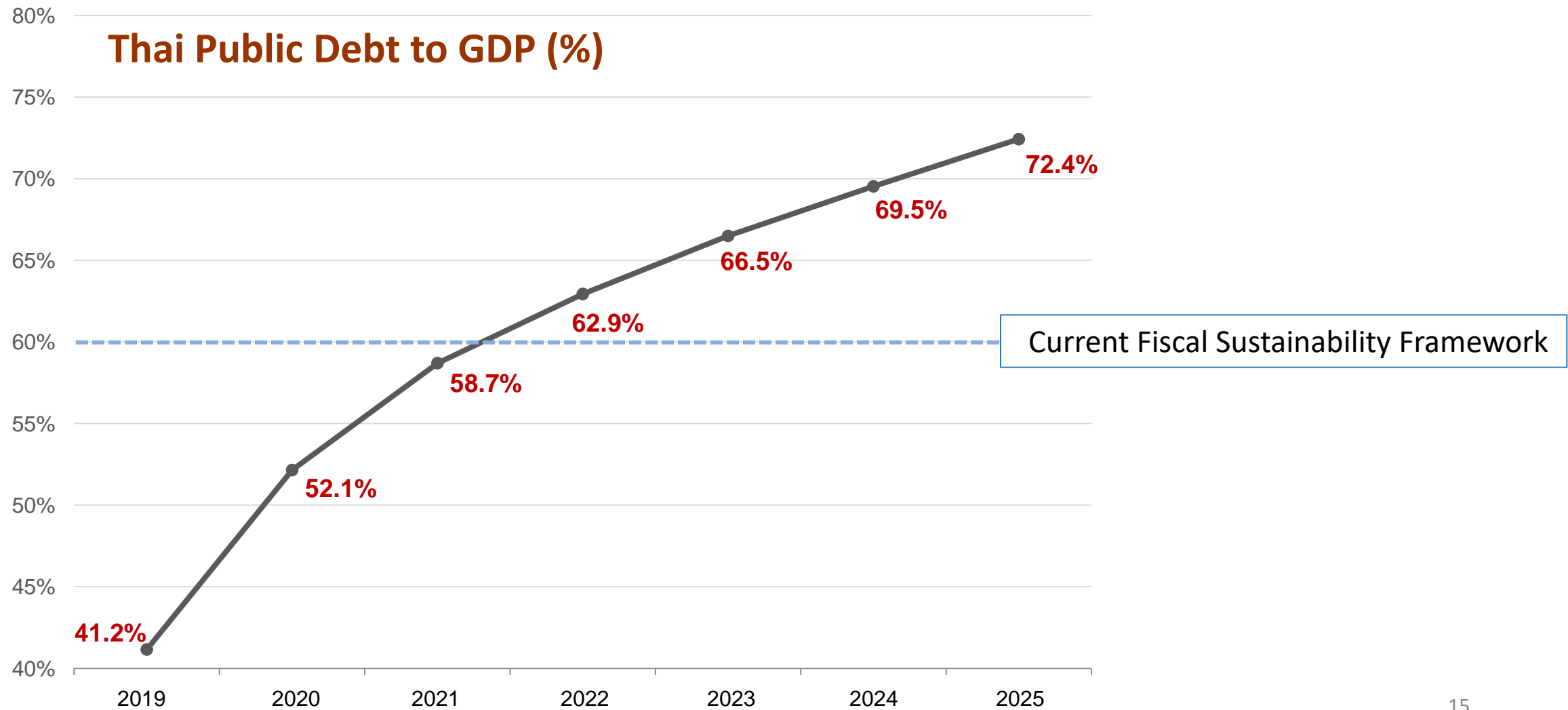


Thai banks' capital and liquidity are strong and healthy

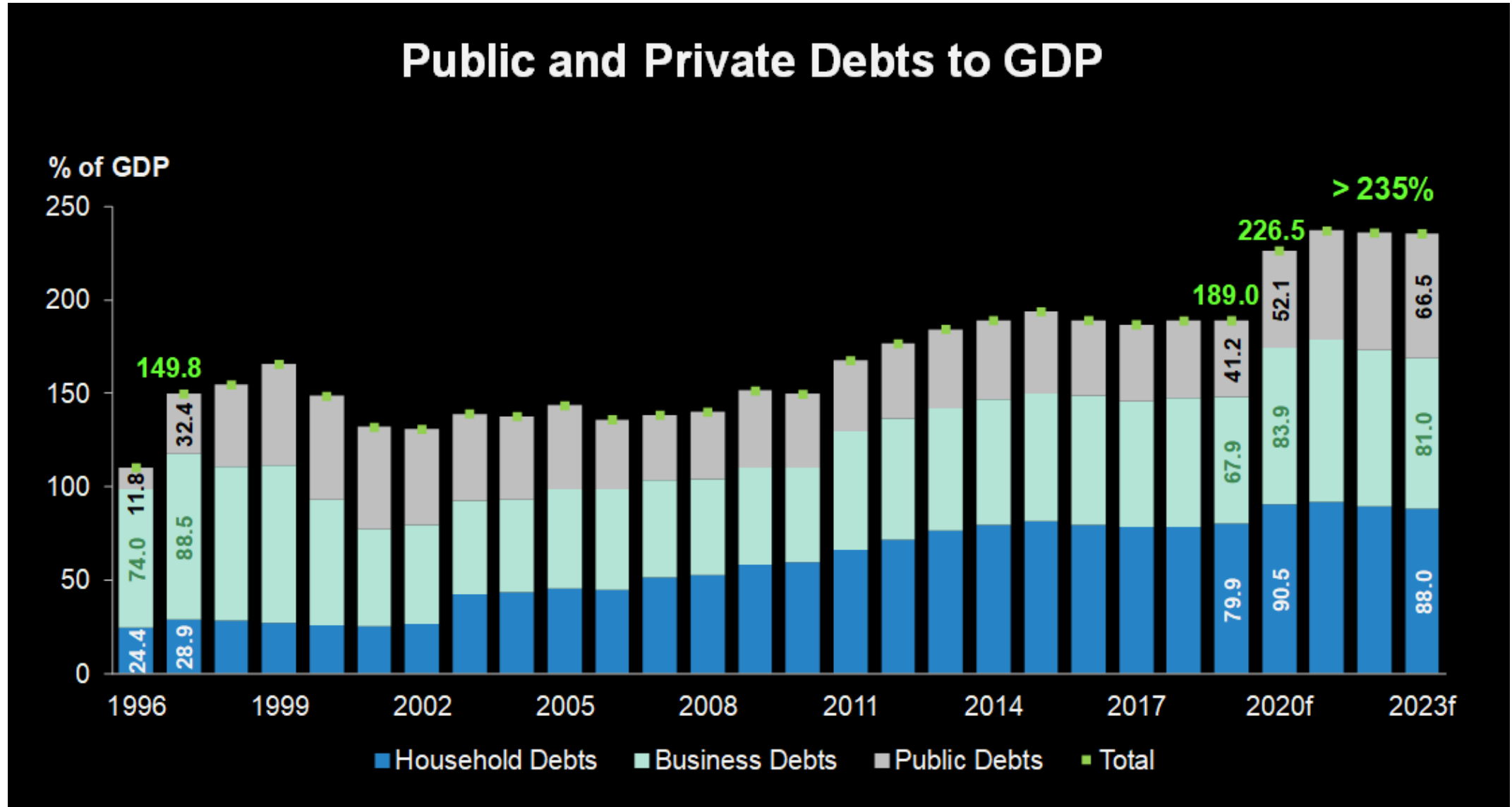
%		Thailand ¹⁾	EU ²⁾	UK ⁴⁾	US ⁵⁾
Capital Ratio	Total Capital	19.18	17.79	20.4	15.95
	Tier I	16.17	15.50	17.2	14.06
	CET I	16.08	14.46	15.0	12.69
Liquidity Ratio	LCR	194.44	145-150 ³⁾	145	117 ⁶⁾

- Notes:
- 1) Thailand's data as of the end of August 2020
 - 2) Euro area banks' capital ratio as of the end of March 2020
 - 3) Euro area banks' liquidity coverage ratio as of the end of December 2019
 - 4) UK banks' data as of the end of March 2020
 - 5) US banks' capital ratio as of the end of June 2020
 - 6) US banks' liquidity ratio as of the end of March 2020

Government borrowing will push up public debt



Thailand's domestic debts will reach multiple record highs



II.) OUTLOOK AFTER THE US ELECTIONS



The President

Chance of Winning the Electoral College

92%

Biden



7%

Trump



US elections:
*Looks like it
might be a
blue sweep*

The Senate

Chance of Controlling the Senate

76%

Democrats



24%

Republicans



The House

Chance of Winning the House Majority

99%

Democrats



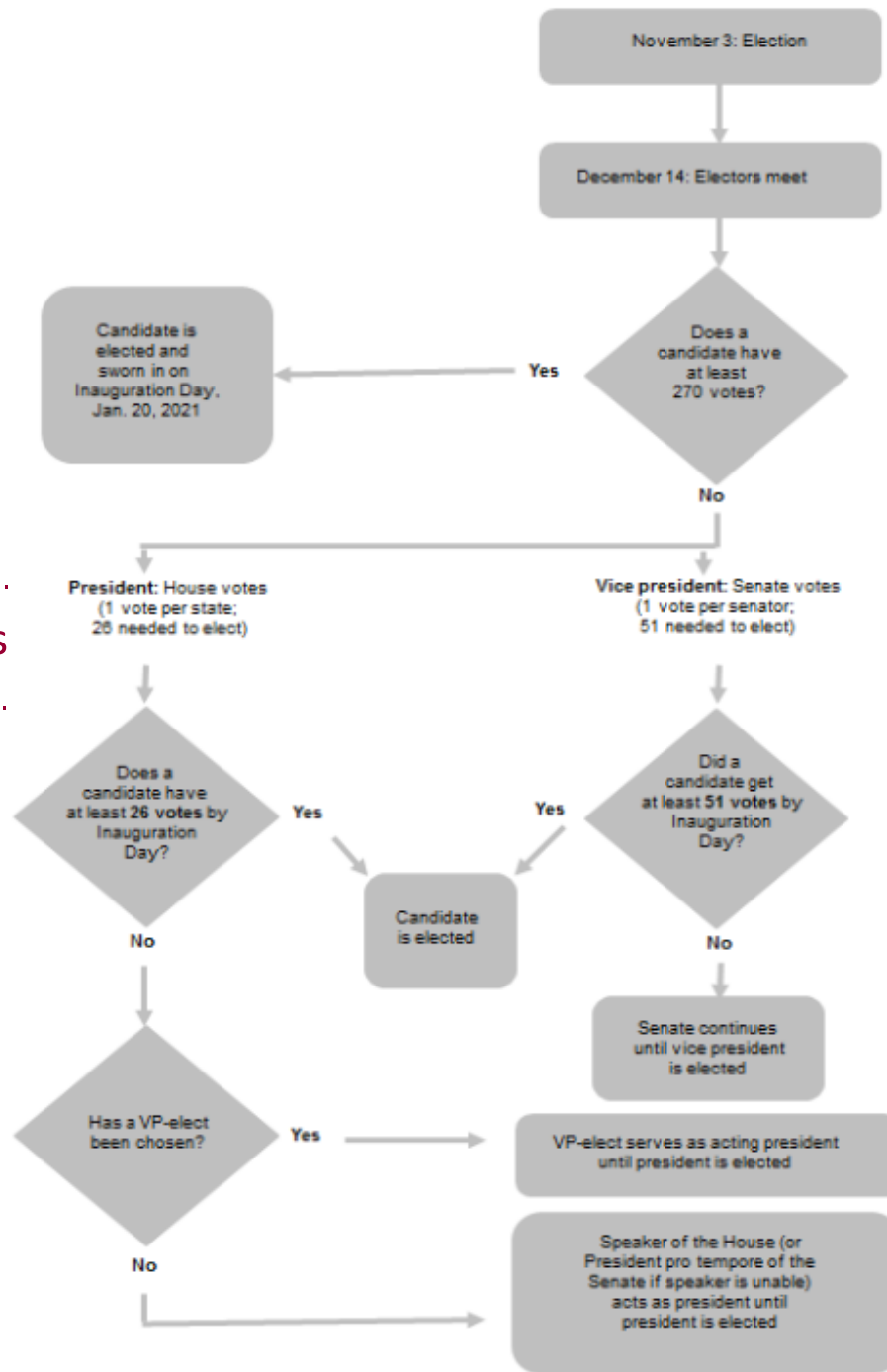
1%

Republicans



Key Timeline

- Nov 3 - Elections Day
- Dec 8 – States certify election result
- Dec 14 – Electoral College meets
- Jan 3 – New Congress
- Jan 6 – Congress to count votes submitted to it.
- Jan 20 –The term of the current President ends & inauguration of the newly elected President .

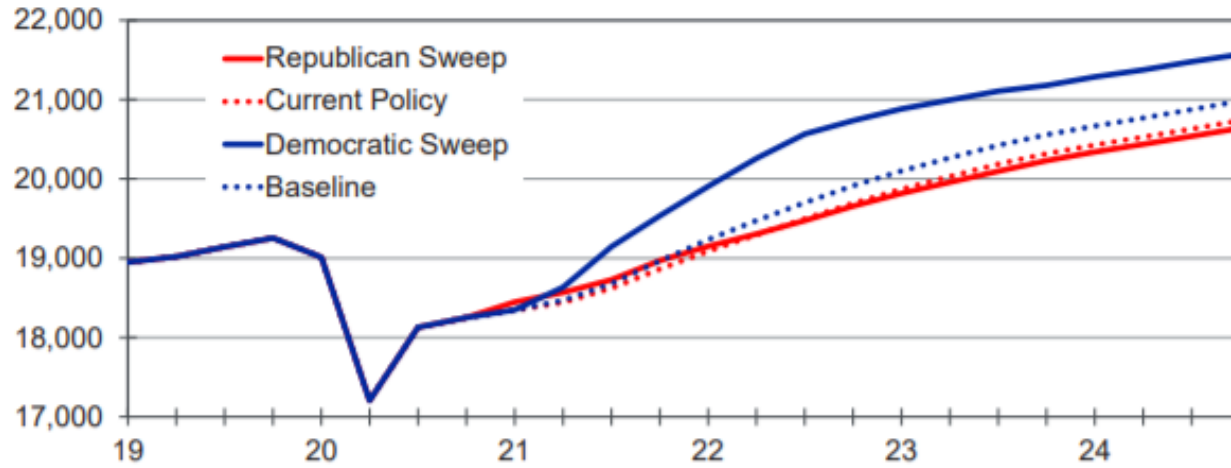


Electing the President if no candidate has the necessary majority in the Electoral College

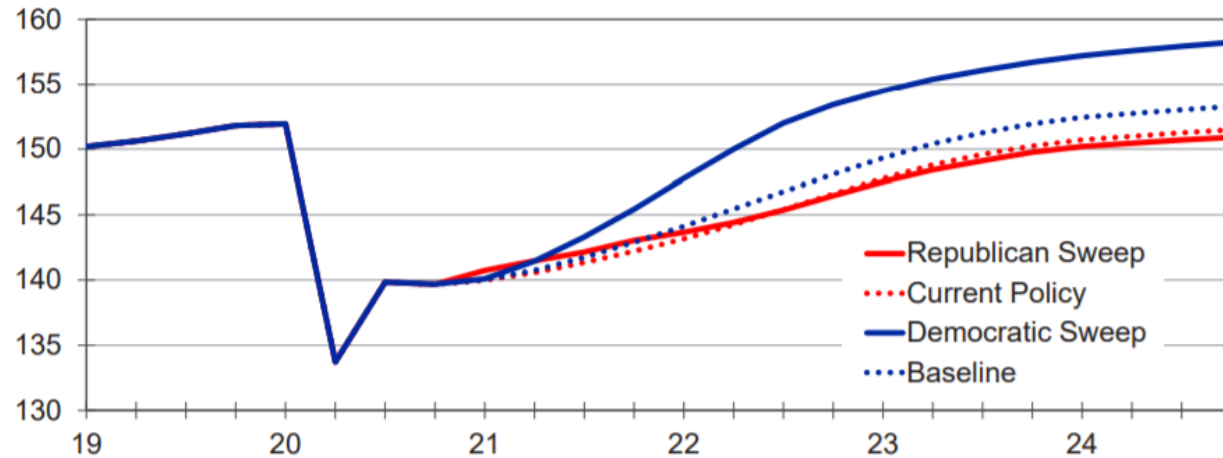
Source: Commerzbank

With Joe Biden and the Democrats' wins, the US economy is expected to perform better, but with higher debts

Real GDP, 2012\$ bil



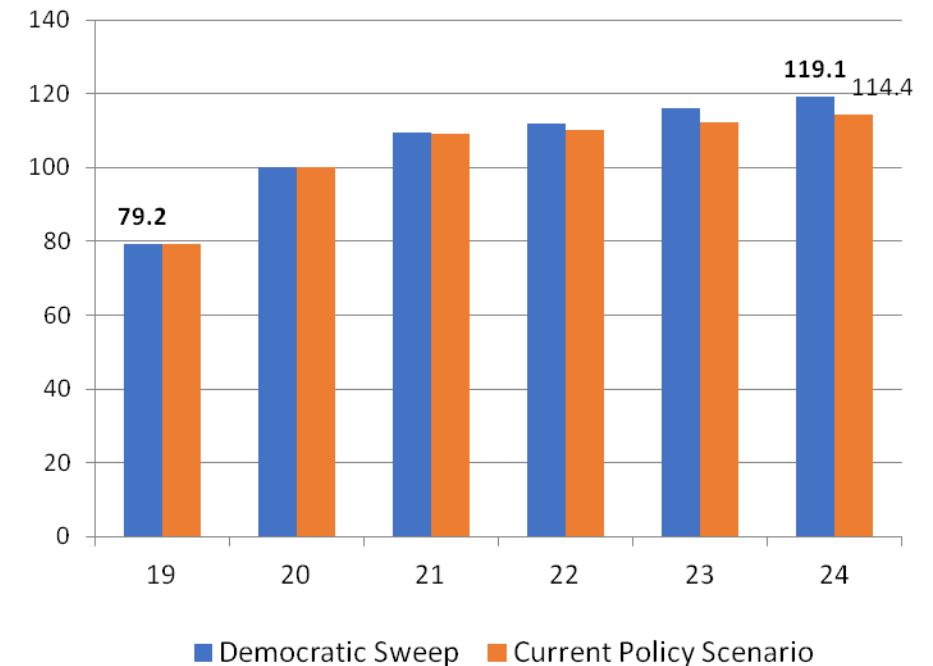
Nonfarm employment, mil



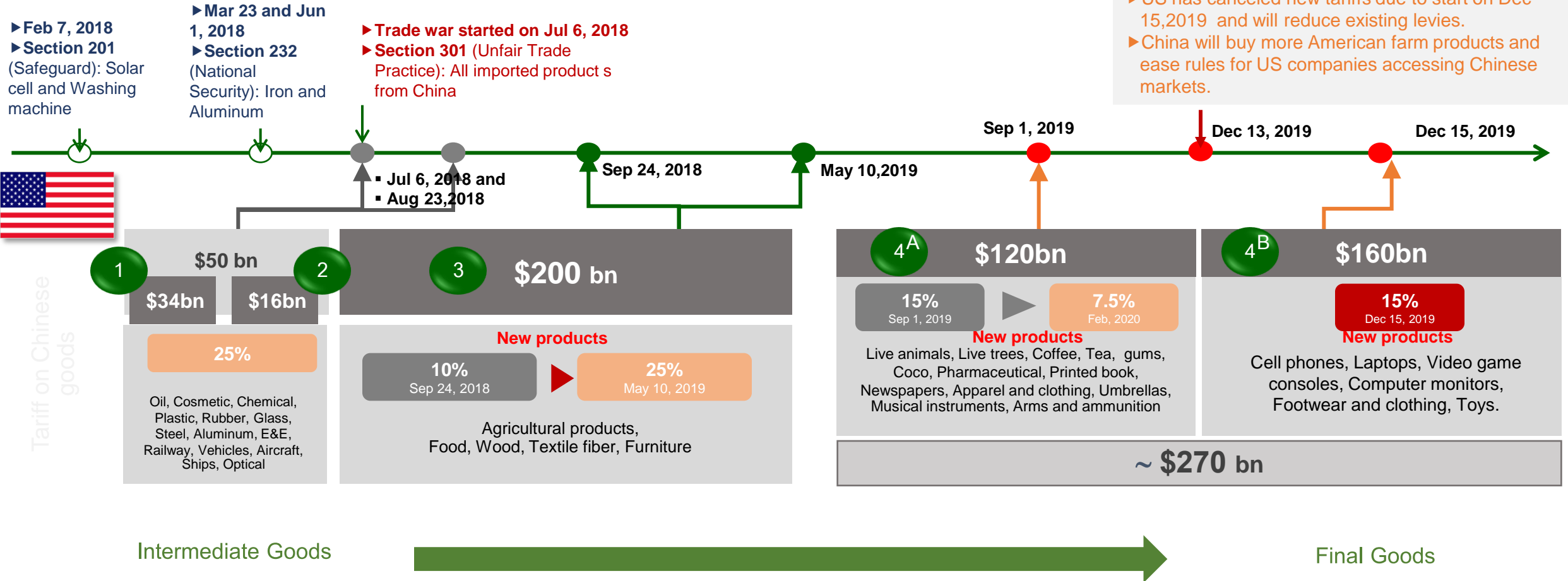
Sources: BEA, Moody's Analytics

US Federal Debts to GDP (%)

excluding intra-governmental debts



US-China Trade War



Impacts on the Thai economy from Increases in Tariffs during 2018-2019

Exports:

-1,100 USD mn

- + Thai exports to US to replace Chinese goods: **+80** USD mn
- + Thai exports to China to replace US goods: **+220** USD mn
- China to dominate CLMV as Thailand set to lose out:

- 1,400 USD mn

FDI:

+550 USD mn

1

E&E (both final and intermediate goods)

2

Products with locally-sourced in Thailand, i.e., rubber products

Additional impacts on the Thai economy if the Trade War escalates

Assumption: Tariff on 4A round (\$120bn) rises to 15% and US decides to impose 15% tariff on the remaining 4B round (\$160bn)

Exports:

Direct effect through lower demand of intermediate goods (E&E equipment, plastic pallets)

-770
USD mn

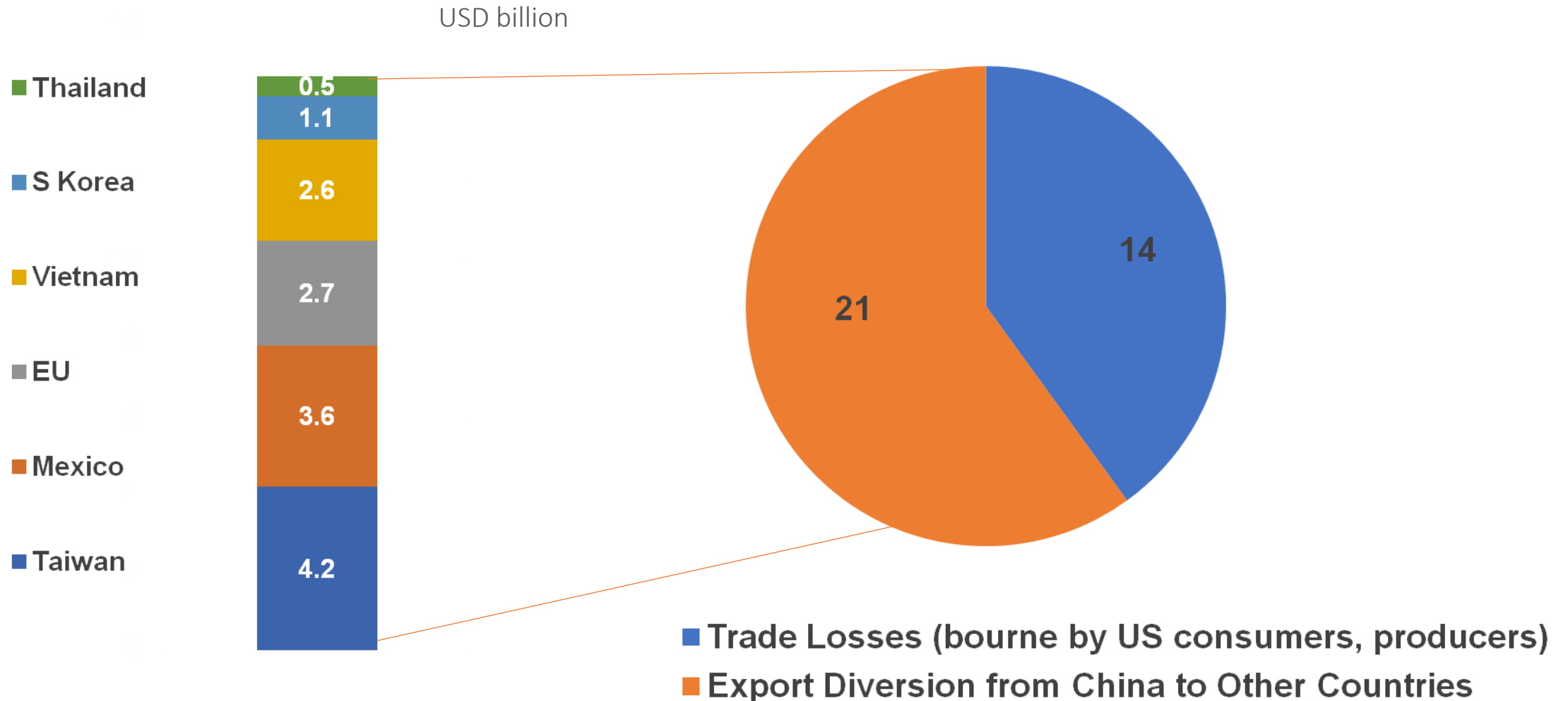
FDI

De-globalization triggered by the Trade War and other factors

Likely Negative

Source: Kasikorn Research

US tariffs inflicted a \$35 billion blow to Chinese exports in the in the first half of 2019, according to UNCTAD



III.) CHALLENGES IN THE POST-COVID WORLD



Thailand will likely face several challenges:

De-globalization/Regionalization of Trade

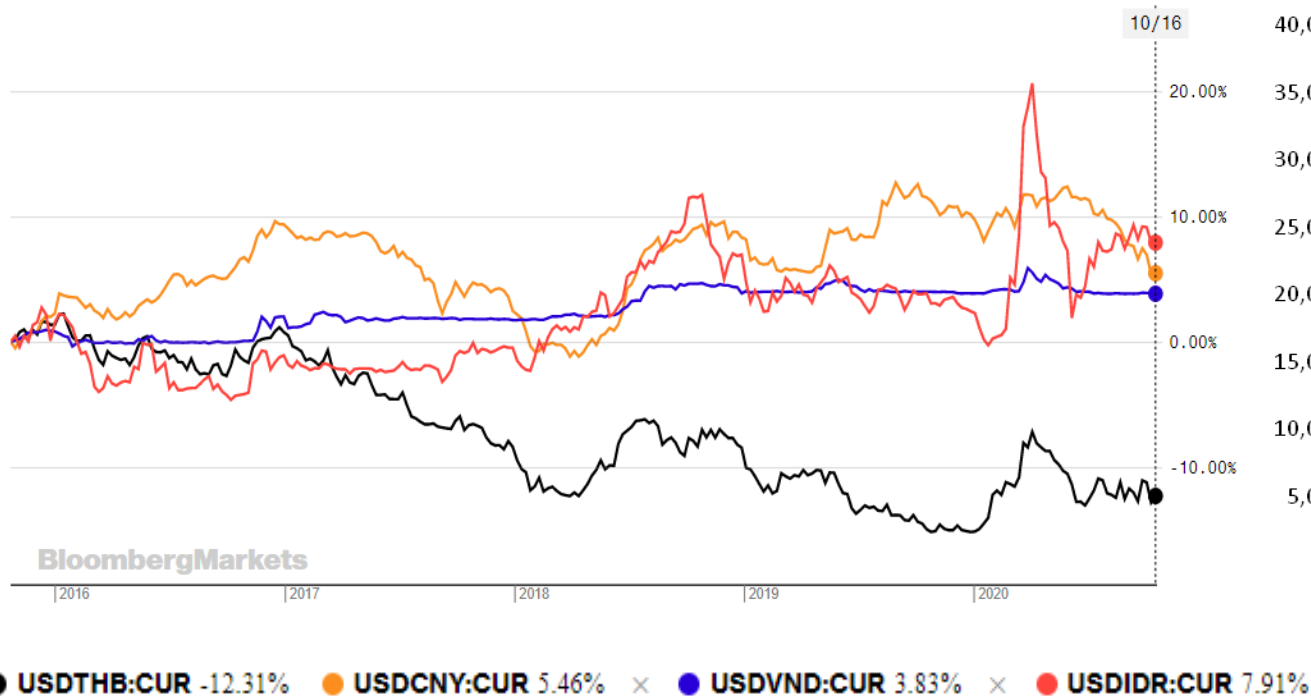
Technological Changes

Labor and Demographics

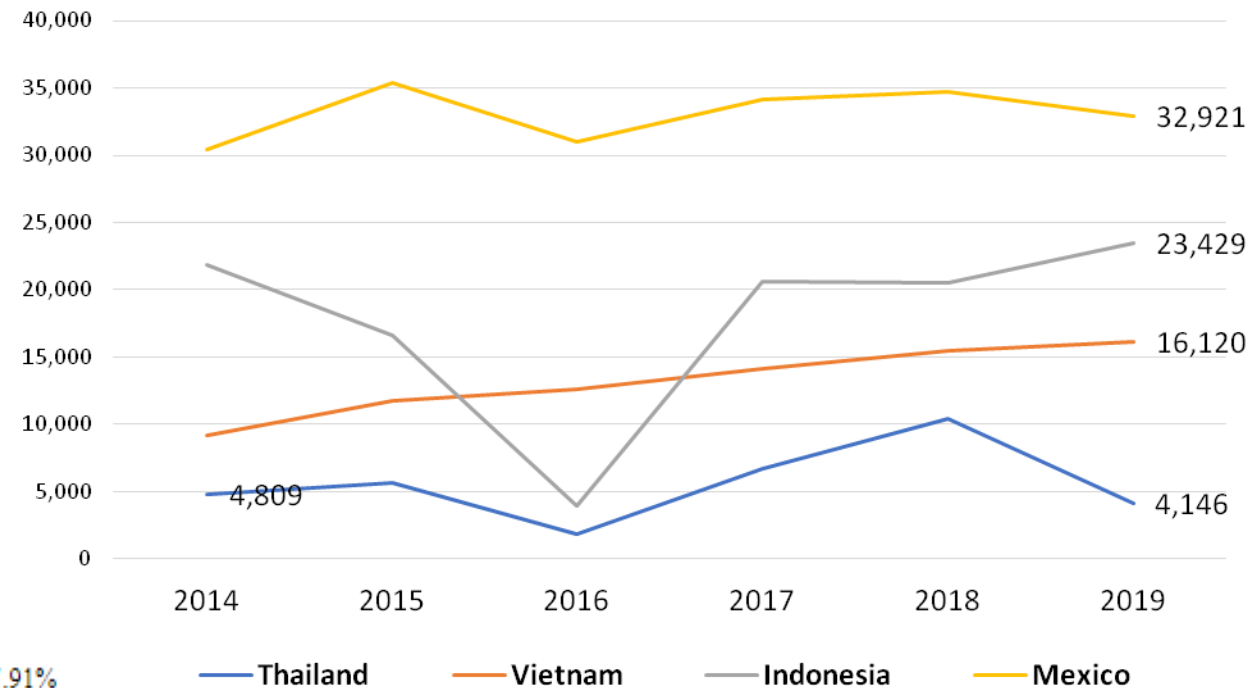
Political Uncertainty

Before the pandemic, Thailand was already trailing key competitors in attracting FDI

USD has fallen against THB but gained against VND, IDR, CNY



FDI Inflows (USD millions)



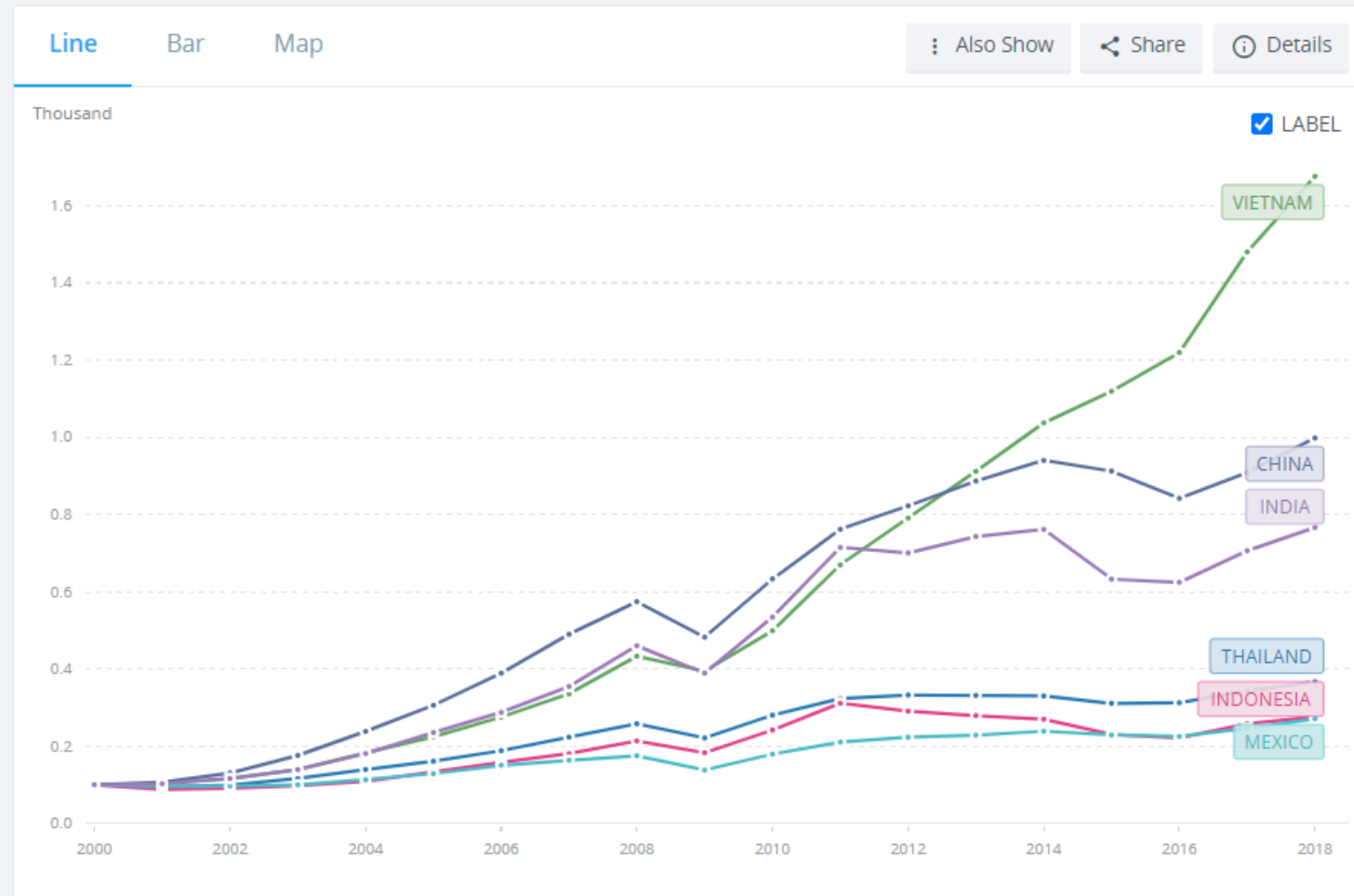
Source: UNCTAD

Thailand has trailed behind Vietnam and China in exports

Export value index (2000 = 100) - Thailand, Vietnam, China, Indonesia, Mexico, India

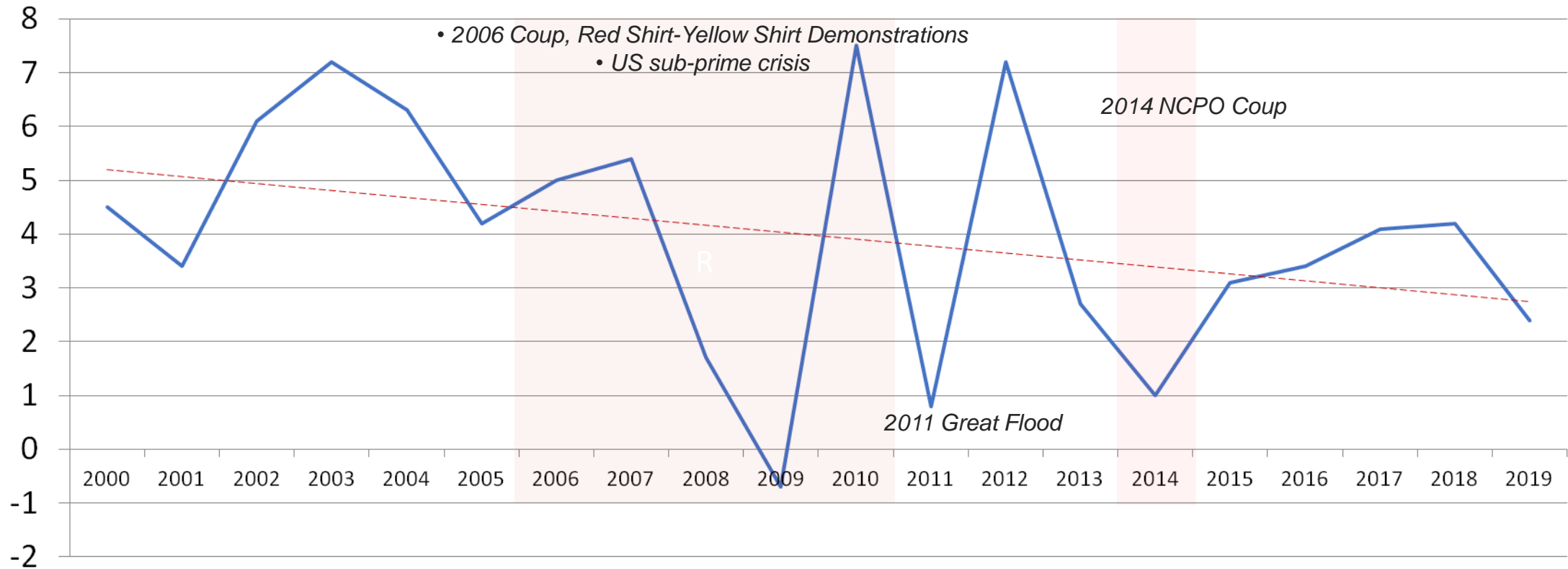
United Nations Conference on Trade and Development, Handbook of Statistics and data files, and International Monetary Fund, International Financial Statistics.

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Political instability, among other factors, may have contributed to slowing GDP growth

Thailand's GDP growth (% YoY)





Summary

- **Although many economies - including Thailand's – seem to have passed the worst, outlooks remain highly uncertain.** It will not be sooner than 2022 that economic activity will return to pre-COVID levels and might take longer than that for the 'Old' and 'New Normal' GDP to converge, implying that many resources in the economy, including labor, will likely be underutilized for quite some time.
- **Regarding the US-China trade tension, we do not expect any sudden change in policy after the US elections.** De-escalation process will take time and subject to political and economic conditions in both US and China, as the dispute is not only in trade but has expanded into security and other issues.
- **In the post-COVID world, Thailand will also have to contend with other challenging issues,** including de-globalization or regionalization of trade, technological changes, fear of another pandemic, loss of competitiveness, and political uncertainty.



Thank You



APPENDIX

Industries Hardest Hit by COVID-19

Tourism industry alone, 3.6 million jobs are at stake

	Sales (THB mil.)			Number of Businesses			Number of Employment			
	Total	LEs	SMEs	Total	LEs	SMEs	Total	LEs	SMEs	
Tourism Industry	Hotels & Accommodations	760,000	136,800	623,200	40,000	400	39,600	1,700,000	255,000	1,445,000
		100%	18%	82%	100%	1%	99%	100%	15%	85%
	Foods & Restaurants	630,000	37,800	592,200	500,000	14,500	485,500	1,400,000	280,000	1,120,000
		100%	6%	94%	100%	2.9%	97.1%	100%	20%	80%
	Transportation	274,884	108,584	166,300	10,334	34	10,300	502,000	75,000	427,000
		100%	39.5%	60.5%	100%	0.3%	99.7%	100%	15%	85%
Exports	7,628,262	6,604,549	1,023,713	37,343	13,404	23,939	5,107,401	4,877,850	229,551	
	100%	86.6%	13.4%	100%	35.9%	64.1%	100%	95.5%	4.5%	
Retail	3,900,000	1,300,000	2,600,000	240,060	60	240,000	6,000,000	1,000,000	5,000,000	
	100%	33%	67%	100%	0.02%	99.98%	100%	17%	83%	
Property	560,000	313,600	246,400	4,880	98	4,782	223,000	22,300	200,700	
	100%	56%	44%	100%	2%	98%	100%	10%	90%	

Source: Kasikorn Research

