



Kingdom of the Netherlands

# **THAILAND ECONOMIC UPDATE**

## **A REVIEW OF 2021 AND OUTLOOK TO 2022**

The Embassy of the Kingdom of the Netherlands in Bangkok regularly publishes economic updates about Thailand, Thai-Dutch bilateral trade and investment and our business support services to Dutch companies.



## Economic Review Thailand

### Thailand's economic performance in 2021

After being severely hit by a surge of COVID-19 cases in the second and third quarter, Thailand's economic activity rebounded in the fourth quarter following the country's reopening to foreign visitors on 1 November and the relaxation of the COVID control measures. Overall, the Thai economy expanded by 1.6% in 2021, recovering from a 6.2% contraction in 2020.

A strong increase in merchandise exports was the main contributor to the economic growth. Private investment and household consumption recovered, supported by the government's responsive measures. On the production side, the agriculture and manufacturing sector, as well as wholesale and retail trade expanded, while tourism related services i.e. accommodation, food and transport remained negative.

In 2021, Thailand's export value (on customs returns basis) rose by 17.1% in USD terms to 271.1 billion USD, already surpassing the pre-pandemic level of 246.3 billion USD in 2019. The positive growth was recorded in all major exporting markets i.e. ASEAN, US, China, Japan, and the EU, and in principal products such as vehicles, computers & parts, rubber products and plastics.

The expansion in exports led to a favourable growth of 4.9% in the manufacturing sector and an increase in private investment especially in machinery and equipment. For the whole year, total investment increased by 3.4%. Farming, forestry, and fishery also expanded supported by accommodative weather conditions and rising external demand, but livestock particularly swine decelerated in the last quarter, resulting in an overall growth of the agriculture sector at 1.4%.

The government implemented a large-scale social assistance scheme to mitigate the impact of the crisis on consumption and livelihoods. These included cash handouts, co-payments for consumer purchases, and cash/tax rebates, as well as compensation to workers affected by the containment measures. Following also the gradual improved condition of the COVID-19 pandemic and the easing of the control measures, private consumption recovered to a 0.3% growth in 2021.

Accommodation and food services activities improved in the fourth quarter thanks to domestic tourism and a significant increase in the number of international tourist arrivals. However, the sector contracted by 14.4% for the entire year. The total number of foreign tourists in 2021 was 427,869 people, declining 93.6% from 2020.

The labour situation also began to recover in last quarter with the unemployment rate dropping to 1.6% representing 632,000 workers. The drop was mainly attributed to a decrease in the number of unemployed persons who worked before in the labour-intensive manufacturing sector. For the whole 2021, the unemployment rate was at 1.9%. Household debt at the end of the third quarter rose by 4.2% year-on-year but decelerated from 5.1% in the second quarter.

For the economic stability, the headline inflation was at 1.2% and public debt to GDP was at 59.6%. The current account registered a deficit of 2.2% of GDP, but the international reserves remained high at 246.0 billion USD at the end of 2021.



## Thailand's economic outlook for 2022

Thailand's economy has bottomed out in the third quarter of 2021 and is projected to continue growing in 2022. However, the economy will not recover to the pre-COVID-19 level yet. Despite growth prospects, the Thai economy is facing various risk factors such as persistent COVID-19 outbreaks, rising inflation and relatively hefty household debt, as well as domestic political disturbance. The Russian invasion in Ukraine creates additional uncertainties and adds more pressure to the already fragile economic recovery.

Before Russia's invasion of Ukraine, research centers forecasted Thailand's economy to expand by 3.5–4.5% in 2022. If the conflict is prolonged, the country's economic growth could be cut to 2-3%, with the inflation rising to 5%.

Russia and Ukraine are Thailand's 30th and 63rd trading partner, respectively. The consequences of the invasion has already hit Thailand's import and export trade, with both manufacturers and consumers experiencing the indirect results of surging oil prices and higher costs of raw materials such as wheat and corn for animal feeds, fertilisers, and steel, as well as ores and gas used in electronic/chip production.

Russia is also a major tourism market for Thailand, with over 1 million visitors pre-Covid. The sanctions, resulting in a plunging ruble, have weakened Russian purchasing power and demand for overseas travelling. Soaring oil prices and limited airspace might also affect tourists from other countries, dampening the overall prospect of the tourism sector.

The Thai economic recovery will continue to be supported mainly by the export sector, in line with a global economic recovery. Domestic demand including local tourism is expected to regain following the relaxation of the pandemic control measures. Thailand will declare the COVID-19 an endemic disease from 1 July 2022.

Foreign tourist arrivals are expected to gradually improve in the second half of the year, given that cross-border travel measures for both Thailand and other countries are essential to improving the sector.

The government's economic management for the short term is therefore focused on assisting affected business and the sectors experiencing difficulties to recover, and alleviating the adverse impact from rising inflationary pressure. At the same time, Thailand needs to implement its economic restructuring policy aiming in particular at enhancing competitiveness, improving income distribution, and moving towards a low-carbon society.

In terms of economic stability, the Thai economy has proven to be resilient due to strong fundamentals in three main areas: (1) high international reserves with low level of external debts; (2) a healthy financial position of the banking sector (capital adequacy ratio of 20%); and reasonable level of public debt even after the significant increase in borrowing (at around 60% of GDP) with low cost of finance.



# The Netherlands-Thailand Trade and Investment

## Bilateral trade

According to CBS, bilateral merchandise trade in 2021 increased by 14.1% year-on-year, to 4.7 billion euros. Positive developments were recorded in both exports and imports. The Netherlands' exports to Thailand grew by 9.4% to 1.0 billion euros and the Netherlands' imports from Thailand expanded by 15.5% to 3.7 billion euros.

Thailand's main import items from the Netherlands are electronic integrated circuits, machinery & parts, chemicals, medicinal & pharmaceutical products, other metal ores & scrap, and scientific & testing instruments, as well as food, dairy and animal products.

Thailand's top export items to the Netherlands are mainly industrial goods i.e. computers & parts, electrical equipment/transformers & parts, lens, machinery & parts, as well as electronic integrated circuits. For agricultural products, principal exports are rubber products and prepared poultry.

## Bilateral investment

Based on the Bank of Thailand's statistics on Thailand's cumulative investment position, investment from the Netherlands is the biggest EU source of foreign direct investment (FDI) in Thailand, and stood at 14.1 billion USD at the end of the third quarter of 2021, and No. 5 globally (following Japan, Singapore, Hong Kong, and the U.S.).

The Netherlands is also the No.1 EU destination for Thai Direct Investment (TDI) abroad, with accumulated investment of 12.5 billion USD, and No. 3 globally (after Hong Kong and Singapore).

## Business Support Services by The Embassy

In 2021, the Embassy continued to proactively provide business support services despite the COVID-19 interruptions. In 2021, the team completed support to 507 trade requests. The Agriculture & Food sector still received the most requests mainly concerning market access barriers.

While a number of business events and physical visits were postponed or cancelled due to the pandemic, the Embassy turned to virtual or hybrid meetings and utilized digital platforms to provide support and updates to Dutch businesses.

For example, the Embassy organized two hybrid events in March 2021: 1) A Climate Adaptation Conference to exchange knowledge and share Dutch solutions on nature-based solutions for coastal erosion and Agri-food value chains; and 2) The Netherlands-Thailand Water Dialogue, including the signing of an MoU on Water Resource Management.

We also organized/co-organised a number webinars e.g. on Maritime Cooperation, Rooms for Rivers, Salt Intrusion, Livestock, Animal Feed Safety, Circular Design, and Electric Vehicles, as well as the Netherlands-Thai Business Forum and a Green Finance and Investment session.

In addition, the Embassy actively supported the virtual trade mission on Life Sciences & Health to Thailand, Indonesia, and Malaysia which was held from 28 June – 1 July 2021.



This update is prepared by the Embassy of the Kingdom of the Netherlands in Bangkok, Thailand

W <http://www.netherlandsworldwide.nl/countries/thailand>

E [ban-ea@minbuza.nl](mailto:ban-ea@minbuza.nl)

Follow us on:

[Facebook](#) (Embassy of the Netherlands in Thailand)

[LinkedIn](#) (Embassy of the Kingdom of the Netherlands in Thailand)