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SCB Securities Company Limited

# Thai Q3/2021 GDP shrank by -0.3%YOY following the global COVID-19 outbreak including Thailand. Various economic sectors were hampered, especially private consumption.

15 November 2021

## Key summary

**Thai Q3/2021 GDP contracted by -0.3%YOY and -1.1%QOQ_sa following the worsening conditions from the global Delta-variant COVID-19 outbreak that also impacted Thailand. In terms of the seasonally adjusted quarter-on-quarter growth (%QOQ_sa), many of Thailand's key sectors saw weakened conditions. One notable sector was the exports of goods and services sector that continued to improve on a %YOY basis, though contracted on a %QOQ_sa basis, in line with the slowing global economic growth from the severe outbreak in early Q3. Meanwhile, the domestic sector was hampered by weakened private consumption and investment for 3 consecutive quarters (%QOQ_sa). Such conditions suggested that the domestic economy was still sluggish and vulnerable. In terms of the production approach, the agriculture sector continued to expand. However, other key sectors, including manufacturing, construction, and hotel and restaurant contracted from the previous quarter.**

**Looking forward to Q4/2021, the economy should gradually recover following improving outbreak conditions, easing containment measures, and increasing vaccinated persons. Given such situations, various types of economic activities resumed. High frequency data from Google and Facebook also suggested signs of continued economic improvement starting from September onwards. As for 2022, EIC forecasts that the economic conditions will accelerate from the current year following robust demand recovery from both domestic and overseas. Exports of merchandise will be one of the main drivers with anticipated growth according to better global economic conditions. Meanwhile, the vaccination progress on a global scale will boost tourism and domestic private consumption. However, such improvements will be gradual as the number of tourists should remain low, especially compared to with normal times. Damages from the deep economic scars that accumulated during the past 2 years, including worsening net new business establishments, fragile labor market conditions, and high debt levels, will also continue to weigh on recovery.**

**Risk factors that warrant monitoring include 1) potential waves of severe global COVID-19 outbreaks, including in Thailand, especially due to virus mutations or declining vaccine efficiency, 2) greater-than-anticipated damages from economic scars that could impair the ability to repay debt on a large scale, 3) heightened inflation following the surge in energy prices that could be prolonged with more severe implications, thereby, obstructing global economic recovery, 4) China's economic condition with risks from the energy crisis and the troubling real estate sector, and 5) political instability.**

**Overall, the -0.3%YOY GDP contraction posted in Q3/2021 is in line with EIC's economic forecast as of September 2021 that predicts a contraction of -0.6%YOY. EIC estimates that the Thai economy in 2021 and 2022 shall improve by 0.7%YOY and 3.4%YOY, respectively. However, from close monitoring of the mobility indexes published by Google and Facebook, the economic conditions in Q4/2021 could recover by a faster-than-anticipated pace. Such hastened domestic recovery momentum and the anticipated recovery in the global tourism sector could push economic growth in 2022 to recover at a faster pace. EIC is currently conducting in-depth analyses of the current economic situations as well as future prospects and will publish such economic forecasts again during early December.**

## Key points

**Thai GDP contracted by -0.3%YOY in Q3/2021, after improving by 7.6%YOY in the previous quarter.** In terms of seasonally adjusted quarter-on-quarter growth (%QOQ_sa), the Thai economy contracted by -1.1%QOQ_sa. As such, during the first 3 quarters of 2021, the Thai economy expanded by 1.3%YOY.

**Figure 1: Thai GDP in Q3/2021 weakened from the severe global Delta-variant COVID-19 outbreak. Thailand saw particularly harsh conditions during Q3.**

Expenditure Approach

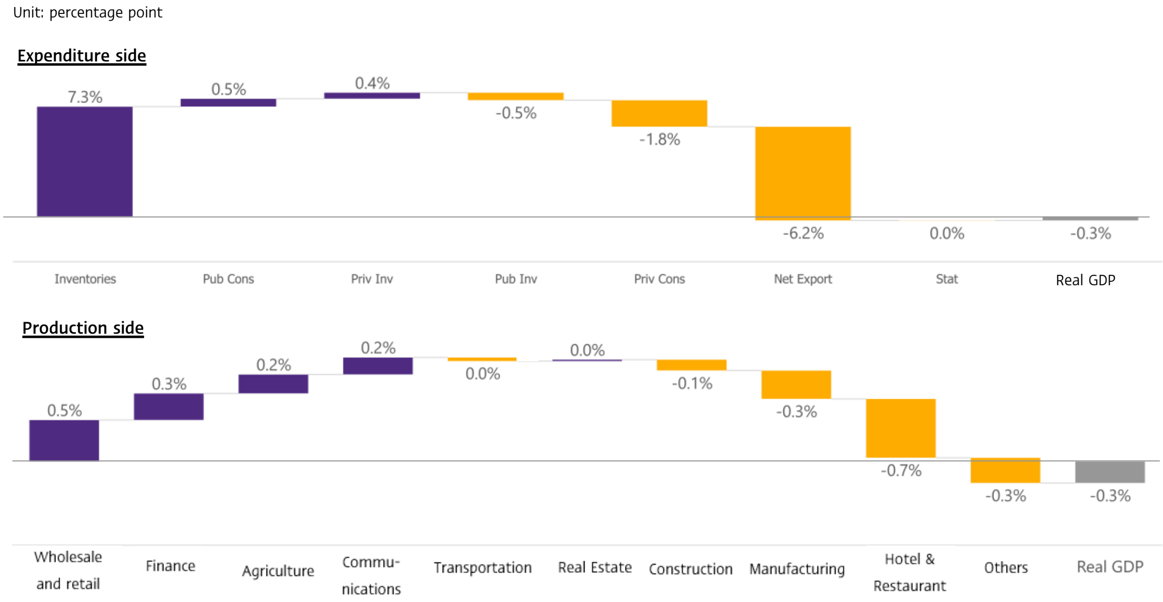
| %YoY | % of GDP | 2019 | 2020 | 2020Q3 | 2020Q4 | 2021Q1 | 2021Q2 | 2021Q3 | YTD |
|---|---|---|---|---|---|---|---|---|---|
| **RGDP** | **100.0%** | **2.3%** | **-6.1%** | **-6.4%** | **-4.2%** | **-2.6%** | **7.6%** | **-0.3%** | **1.3%** |
| Private Consumption | 54.6% | 4.0% | -1.0% | -0.6% | 0.9% | -0.3% | 4.8% | -3.2% | 0.4% |
| Public Consumption | 15.7% | 1.7% | 0.9% | 2.5% | 2.2% | 2.1% | 1.0% | 2.5% | 1.9% |
| Total Investment | 24.2% | 2.0% | -4.8% | -2.6% | -2.5% | 7.3% | 7.6% | -0.4% | 4.7% |
| Private Investment | 17.4% | 2.7% | -8.4% | -10.6% | -3.3% | 3.0% | 9.2% | 2.6% | 4.8% |
| Public Investment | 6.7% | 0.1% | 5.7% | 17.6% | 0.6% | 19.6% | 4.1% | -6.0% | 4.6% |
| Export G&S | 61.0% | -3.0% | -19.4% | -23.3% | -21.5% | -10.5% | 27.7% | 12.3% | 7.8% |
| Export Goods | 54.4% | -3.7% | -5.8% | -7.5% | -1.5% | 3.2% | 30.7% | 12.3% | 14.5% |
| Export Services | 7.2% | -0.5% | -60.1% | -73.1% | -75.2% | -63.6% | 0.1% | 11.8% | -35.2% |
| Import G&S | 59.1% | -5.2% | -13.3% | -19.3% | -7.0% | 1.7% | 30.3% | 27.8% | 18.6% |
| Import Goods | 49.2% | -5.8% | -11.2% | -18.1% | -3.1% | 6.4% | 32.2% | 26.8% | 20.8% |
| Import Services | 10.0% | -2.7% | -21.1% | -23.9% | -22.1% | -15.5% | 22.8% | 31.8% | 10.0% |

Production Approach

| %YoY | % of GDP | 2019 | 2020 | 2020Q3 | 2020Q4 | 2021Q1 | 2021Q2 | 2021Q3 | YTD |
|---|---|---|---|---|---|---|---|---|---|
| **RGDP** | **100.0%** | **2.3%** | **-6.1%** | **-6.4%** | **-4.2%** | **-2.6%** | **7.6%** | **-0.3%** | **1.3%** |
| **Agriculture** | 6.3% | -0.6% | -3.6% | -1.1% | 0.4% | 1.3% | 1.9% | 4.3% | 2.3% |
| **Industrial** | 31.9% | 0.0% | -5.9% | -5.8% | -2.3% | -0.3% | 14.2% | -2.0% | 3.6% |
| Mining | 2.1% | 1.7% | -6.9% | -7.1% | -9.6% | -4.6% | 4.9% | -9.6% | -3.2% |
| Manufacturing | 26.5% | -0.7% | -5.7% | -5.3% | -0.7% | 1.0% | 16.9% | -1.4% | 5.0% |
| Electricity, gas | 2.8% | 4.6% | -8.4% | -9.4% | -13.3% | -9.1% | 0.8% | -2.6% | -3.8% |
| **Services** | 62.9% | 3.9% | -6.5% | -7.2% | -5.9% | -4.3% | 5.1% | 0.2% | 0.0% |
| Construction | 2.9% | 1.6% | 2.3% | 10.8% | -0.3% | 12.7% | 3.9% | -4.1% | 3.7% |
| Wholesale & Retail | 15.8% | 4.5% | -3.7% | -6.1% | -3.1% | -2.2% | 5.5% | 3.3% | 1.7% |
| Transport & Storage | 5.7% | 3.0% | -21.0% | -22.2% | -21.1% | -17.7% | 11.2% | -0.9% | -4.9% |
| Hotel & Restaurant | 4.3% | 7.8% | -36.6% | -39.3% | -35.2% | -35.5% | 14.6% | -18.7% | -17.2% |
| Info & Communication | 6.2% | 12.3% | 4.6% | 4.5% | 5.4% | 4.7% | 5.7% | 6.8% | 5.8% |
| Finance | 7.9% | 2.2% | 2.7% | 1.6% | 3.3% | 3.4% | 2.6% | 3.5% | 3.1% |
| Real Estate | 4.2% | 3.8% | 1.4% | 1.5% | 1.3% | 2.2% | 2.7% | 0.7% | 1.9% |
| Public | 5.2% | 1.4% | 1.7% | 0.3% | 2.3% | 1.1% | 0.5% | 0.9% | 0.9% |
| Education | 3.3% | 1.2% | 2.0% | 2.9% | 3.1% | 1.3% | 0.7% | 0.5% | 0.8% |

Source: EIC analysis based on data from NESDC

**Figure 2: Contribution to contraction of Real GDP in Q3/2021**




Source: EIC analysis based on data from NESDC

**Considering the expenditure approach, private consumption and public investment contracted. On the contrary, private investment, public consumption, exports of goods and services expanded.**

- **Private consumption reverted to a -3.2%YOY contraction, after improving by 4.8%YOY in the previous quarter.** Such conditions during the quarter were driven by the severe and prolonged outbreak as well as the strict government virus containment measures. Private consumption weakened in nearly all product categories with the most pronounced impact on durable goods that saw a contraction at -14.1%YOY. However, consumption of ~~non-alcoholic~~ food and non-alcoholic beverage expanded by 1.3%YOY.

- **Government investment also reverted to a -6.0%YOY contraction,** worsening from the growth of 4.1%YOY in the previous quarter. Such conditions were partly attributed to the high base in the prior year and the closure of construction workers' camps that weakened government construction by -6.2%YOY. Machinery and tools investment also shrank by -5.3%YOY. **Meanwhile, government consumption continued to expand by 2.5%YOY.**

- **Private investment expanded by 2.6%YOY,** stalling from the 9.2%YOY growth in the previous quarter. Such growth followed slowing machinery and tools investment (3.7%YOY) according to exports of goods. Meanwhile, construction investment continued to drop for 4 consecutive quarters with the latest quarter contraction at -0.5%YOY.

- **The value of merchandise exports in real terms stalled to 12.3%YOY,** after surging by 30.7%YOY in the previous quarter from the high base and slowing global economic conditions due to the global Delta-variant COVID-19 outbreak.

- **Exports of services expanded by 11.8%YOY** following higher revenue from merchandise transportation and other business services as global trade conditions improved. However, revenue from tourism and passenger transportation remained low due to the sluggish tourism industry.
- **The value of merchandise imports slowed to 26.8%YOY** following merchandise exports. **Meanwhile, imports of services accelerated by 31.8%YOY**, increasingfrom the continually risingtransportation fees.
- **Change in inventories increased** following accumulating stocks in the manufacturing sector, such as higher production of electronics and integrated circuits according to overseas orders. Other products with higher stocks included computers and peripheral equipment, jewelry, petroleum products, and crude oil. On the contrary, products with lower stocks were agricultural products, particularly rice and cassava, following lower production and continually increasing agricultural exports.

**Regarding the production approach, the agriculture sector saw robust growth, the manufacturing sector shrank, and the service sector deaccelerated considerably.**

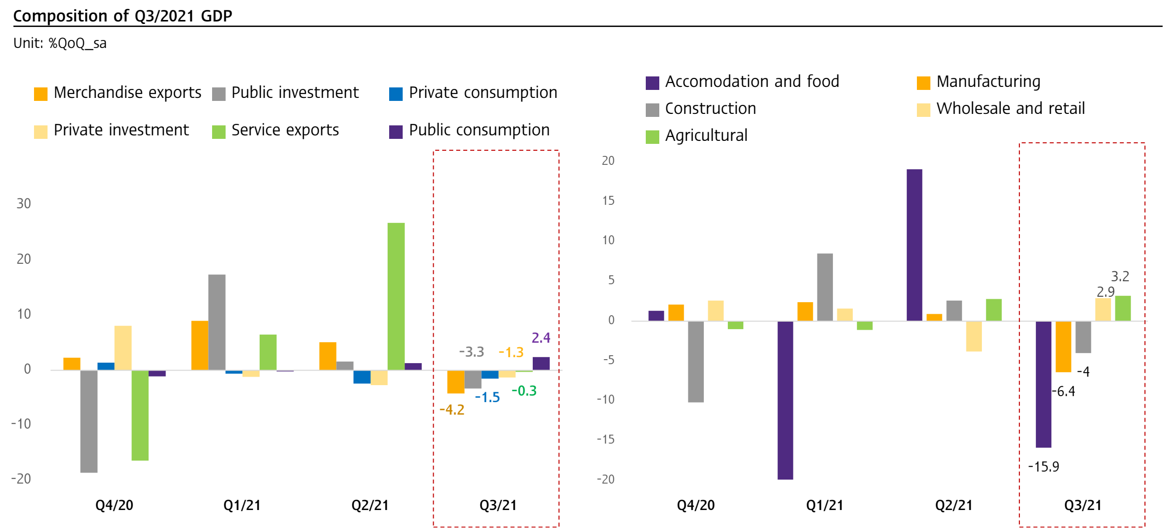
- **Agricultural production accelerated by 4.3%YOY,** improving from the 1.9%YOY growth in the previous quarter. Key products that drove the expansion included crops, livestock, and fisheries.
- **Manufacturing production reverted to a -1.4% contraction,** after soaring by 16.9% in the previous quarter following weakening domestic demand.
- **Retail and wholesale improved by 3.3%YOY**, compared to the 5.5%YOY growth in Q2. Such an expansion stalled following domestic demand.
- **Accommodation and food services shrank by -18.7%YOY,** after improving by 14.6%YOY in Q2 due to the casualties from the domestic outbreak that required strict containment measures.

## Implications

**During Q3/2021, the Thai economy was battered by the global Delta-variant COVID-19 outbreak.** According to Figure 3 (left), nearly all components of the expenditure approach of GDP contracted in terms of the seasonally adjusted quarter-on-quarter growth (%QOQ_sa). Exports of goods and services, one of Thailand's key sectors, continued to improve on a %YOY basis, though contracted on a %QOQ_sa basis, in line with the slowing global economic growth from the severe outbreak in early Q3. Meanwhile, the domestic sector was hampered by weakened private consumption and investment for 3 consecutive quarters (%QOQ_sa), despite continual introductions of government stimulus packages. Such conditions suggested that the domestic economy was still sluggish and vulnerable. Furthermore, government consumption was the only sector that improved from the previous quarter.

**In terms of the production approach, the agriculture sector saw robust growth, while other key sectors weakened due to the COVID-19 outbreak.** According to Figure 3 (right), agricultural output continued to increase, contradicting manufacturing output that reverted to a contraction following slowing merchandise exports, sluggish domestic demand during the severe outbreak, and strict containment measures. Nevertheless, other key economic sectors also contracted. One of the most impacted sectors was the construction sector that was battered by sluggish demand and delayed work progress from the closure of construction workers' camps in July. Other sectors included the hotel and restaurant sector that continued to tumble following strict containment measures and citizens' fear of COVID-19 in early Q3. On the other hand, the wholesale and retail sector improved from the previous quarter following accelerated spendings in early September due to improving outbreak conditions, easing containment measures, as well as additional injections from government stimulus packages.

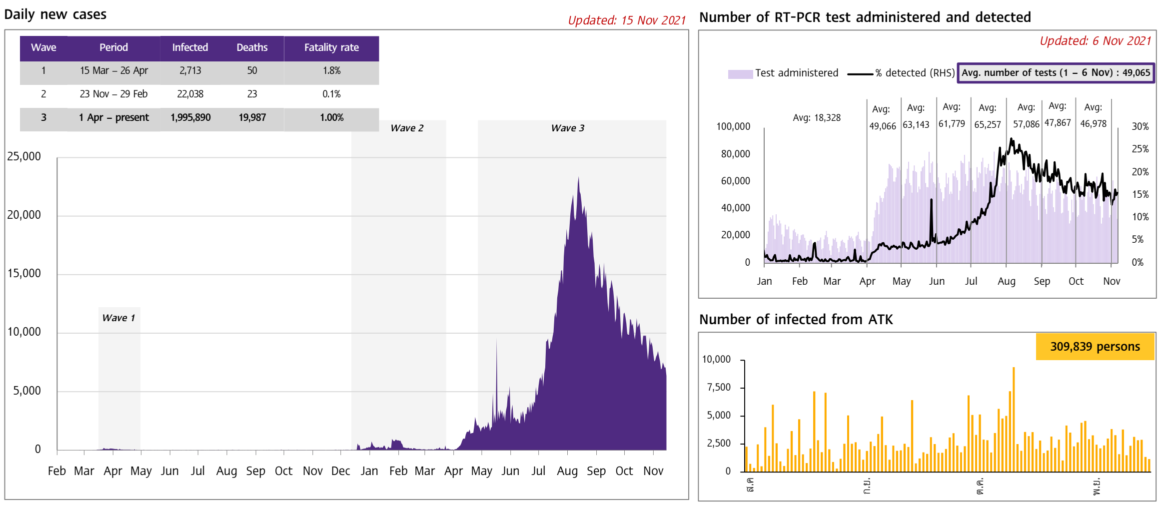
**Figure 3: In Q3/2021, many of Thailand's key sectors weakened from the previous quarter (%QOQ_sa), both in terms of the expenditure and production approach.**




Source: EIC analysis based on data from NESDC

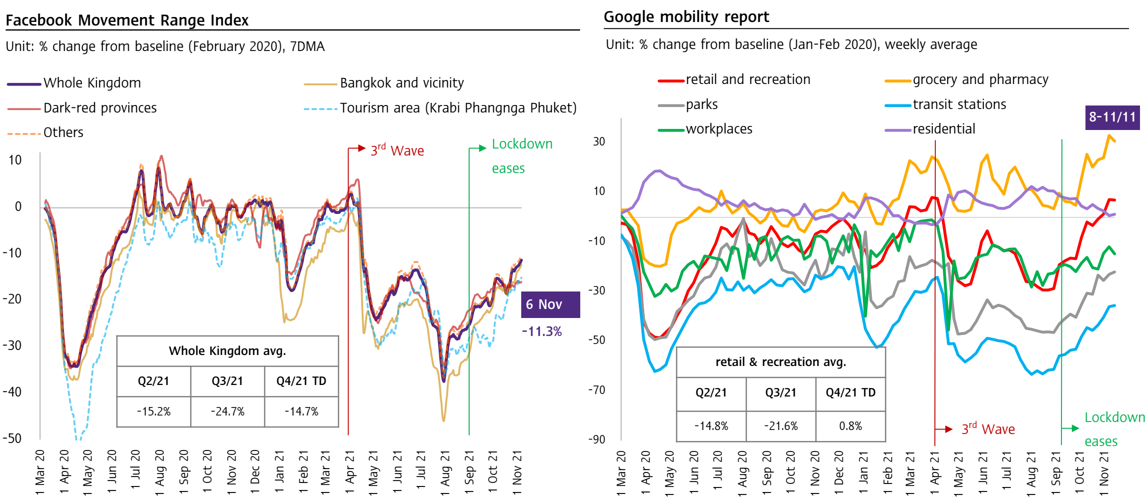
**Looking forward to Q4/2021, the economy should gradually recover following improving outbreak conditions, easing containment measures, and increasing vaccinated persons.** According to the latest data, the domestic outbreak conditions continued to ease (Figure 4) in line with the increasing number of vaccinated persons. As of 12 November 2021, 64.1% of the population received at least 1 dose of vaccine, while 51.2% of the population received the full dose. By the end of the year, the vaccination proportion should reach 76-80% and 68-72%, respectively. For such reasons, the government continued to gradually ease containment measures. The government's latest move was to lift the curfew in Bangkok and provinces in the pilot tourism campaign as well as lower the number of maximum and strict controlled provinces (dark-red zone) from 29 provinces to 6 provinces. Given such situations, various types of economic activities resumed. The activities will particularly boost tourism from both locals and foreigners. Furthermore, the government approved additional measures to stimulate economic activities, including additional handouts for the Kon La Krueng Phase 3 scheme, extra money to state welfare cardholders, and the SME job retention scheme. Furthermore, high frequency data from the mobility indexes published by Google and Facebook (Figure 5) suggested signs of continued economic improvement starting from September onwards. However, the readings were still in the negative range, which meant that the movements of activities were still lower than the usual rate before COVID-19.

**Figure 4: The number of new confirmed COVID-19 cases and mortality in Thailand continued to drop from September onwards.**




Source: EIC analysis based on data from Center for COVID-19 Situation Administration (CCSA), Department of Medical Sciences Ministry of Public Health, and Department of Disease Control

**Figure 5: The damages incurred from the outbreak escalated in July and August, with declining severity from September** onwards.




Source: EIC analysis based on data from Facebook and Google

**As for 2022, EIC forecasts that the economic recovery will accelerate from the current year to a growth of 3.4% following demand recovery from both domestic and overseas.** Exports of merchandise should continue to improve, though at a slowing rate following global economic conditions. Meanwhile, the higher number of vaccinated persons in Thailand and Asian countries should facilitate inter-region travel and support tourism recovery. Domestic consumption should also recover as economic activities should return to nearly normal levels. However, recovery will be gradual as the number of tourists should remain low, especially compared to normal times.

Damages from the deep economic scars that accumulated during the past 2 years, including worsening net new business establishments, fragile labor market conditions, and high debt levels, will also continue to weigh on recovery. As for the government-related sectors, despite the continual investment growth from state-owned enterprises and public-private partnerships (PPP), the overall momentum should stall from the previous year following lower budget allocations for government consumption. Moreover, the remaining budget of THB 260 billion from the THB 500 billion Emergency Decree was lower than the amount injected as additional measures in 2021.

**Risk factors that could weigh on recovery** include 1) potential waves of severe global COVID-19 outbreaks, including in Thailand, especially due to virus mutations or declining vaccine efficiency, 2) greater-than-anticipated damages from economic scars that could impair the ability to repay debt on a large scale, 3) heightened inflation following the surge in energy prices that could be prolonged with more severe implications, thereby, obstructing global economic recovery, 4) China's economic condition with risks from the energy crisis and the troubling real estate sector, and 5) political instability.

**In summary, the -0.3%YOY GDP contraction posted in Q3/2021 is in line with EIC's economic forecast as of September 2021 at -0.6%YOY. EIC estimates that the Thai economy in 2021 and 2022 will improve by 0.7%YOY and 3.4%YOY, respectively. However, from close monitoring of the mobility indexes published by Google and Facebook, the economic conditions in Q4/2021 could recover by a faster-than-anticipated pace. Such hastened domestic recovery momentum and the anticipated recovery in the global tourism sector could push economic growth in 2022 to recover at a faster pace. EIC is currently conducting in-depth analyses of the current economic situations as well as future prospects and will publish such economic forecasts again during early December.**

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