

## Thailand's economy picks up in 3Q somewhat, but not by much

Thailand's third-quarter growth numbers prompt us to revise our full-year forecast to -6.2% however, risks remain tilted to the downside as the second wave of the pandemic threatens the recovery of the economy which is heavily reliant on tourism and exports



Source: Shutterstock

# 6.5%

3Q GDP growth

QoQ, SA

Better than expected

### No visible growth drivers

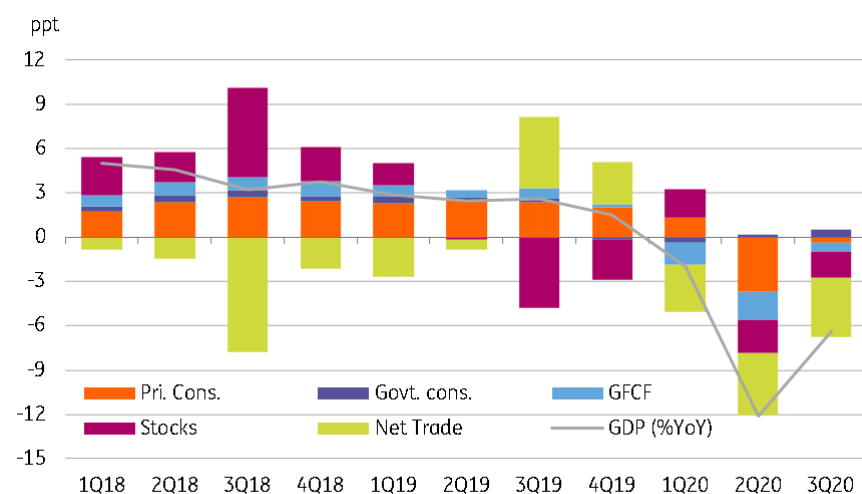
All the curiosity about Thailand's third-quarter growth numbers were about the extent of the bounce back from the slump seen in the second quarter rather than year-on-year growth turning a corner just yet.

Third-quarter GDP grew by 6.5% quarter-on-quarter, but this was only a partial reversal of the -9.7% contraction seen in 2Q and still left year-on-year growth in the negative territory at -6.4%. The outcome was still better than our estimates of +4.6% QoQ and -8.2% YoY estimates.

Unsurprisingly, exports and tourism - the main drivers of the Thai economy remain missing from action in the last quarter. Aside from government spending, there was nothing really visible as a source of GDP growth, and, that too was rather lacklustre on the face of a record Covid-19 stimulus equivalent to over 14% of GDP the government announced from March to June. The contribution of government consumption to headline GDP growth in 3Q was up only marginally, to 0.6 percentage point from 0.2ppt in 2Q. And, the drags from all other GDP components persisted, albeit to a lesser extent.

From the supply side, services remained the biggest source of YoY GDP fall in 3Q, accounting for 5.0ppt of the headline GDP fall as against 7.5ppt in 2Q. Manufacturing made up for the rest.

## Sources of year-on-year GDP growth



Note: Bars may not stack up to GDP growth due to statistical discrepancy  
Source: CEIC, ING

## Downside growth risk persists

Still, GDP remains well below its pre-Covid level and getting it back up there this year seems unlikely, especially as the second wave of the pandemic keeps tourists away and also dampens prospects recovery in external demand for Thai goods. The gradual opening of the borders for foreigners is a welcome boost for the economy, though this continues to face headwinds. As such, we believe the negative YoY GDP growth trend has further to run, at least for the next two quarters, until a low base effect swings it back into positive territory in 2Q21.

We aren't rushing to revise our 4Q20 GDP growth forecast, currently, -4.8% YoY, though above-forecast 3Q growth still pushes our full-year growth view up by half a percentage point, to -6.2% from -6.7% aligning with Thailand's National Economic and Social Development Council's forecast of -6.0% contraction in 2020, which they have just revised upward from -7.8% to -7.3% forecast range earlier.

## No more policy support ahead

Even as downside growth risk persists, there is nothing more to expect from macro policy to stimulate the economy further. The authorities are frequently talking up their stimulus efforts, though we believe both fiscal and monetary policies have almost reached their limits. On the contrary, the ongoing political uncertainty will likely make the fiscal stimulus extremely slow to trickle down.

And, with its policy rate sitting at an all-time low of 0.5% there is nothing more the central bank can do to provide more monetary support. We don't think negative rates or quantitative easing are an option just yet.