The Thai economy continued to expand in 2022 due to robust private consumption and tourism recovery. Tourism and private consumption are expected to be the main growth drivers in 2023–2024. However, a global economic slowdown may derail the Thai economy from its recovery path as risks are tilted to the downside. Transitioning to a net-zero carbon emissions economy is a policy challenge, but the economy is highly vulnerable to global climate change.

**Economic Performance**

In 2022, the Thai economy continued to recover gradually from the pandemic as the government lifted domestic mobility restrictions and reopened to international travel. GDP growth was 2.6%, up from 1.5% in the previous year (Figure 2.30.1). Externally, the export of goods and services grew strongly by 6.8%. Merchandise exports value in US dollar terms expanded by 1.3%, mainly manufacturing products. Major manufacturing exports such as integrated circuits, air conditioners, electrical appliances, and machinery increased, partly due to COVID-19 restrictions relief in several countries.

However, exports of petroleum products fell, and palm oil shipments declined because Indonesia, the world’s largest palm oil producer and exporter, removed the palm oil export levy.

Regarding agricultural products, rice exports expanded particularly to Iraq, which had not imported rice from Thailand for several years. In addition, the export of chilled and frozen fresh chicken, as well as prepared chicken, recorded double-digit growth because of a chicken supply shortage in Malaysia. Agro-industry product exports expanded, particularly sugar, as India, the world’s second-largest sugar exporter, implemented sugar export restrictions to control domestic prices. The value of merchandise exports started to slow down in the last quarter of 2022 due to a slowdown in trading partners’ demand.

The export of services grew by 65.7% thanks to the significant return of international tourists after Thailand opened its borders to vaccinated travelers and dropped the pre-departure test requirement in July 2022. The number of international tourists in 2022 was 11.2 million, increasing from 427,869 tourists in 2021 (Figure 2.30.2). Private consumption benefited from the robust tourism recovery as workers in tourism-related sectors were able to return to work. The government also extended a co-payment scheme and tourism stimulus packages to revitalize the economy.
By sector, agriculture expanded by a paltry 2.5% due to lower yields of major crops, such as cassava, and fruits, especially durian and pineapple, partly caused by floods and unfavorable weather in the third quarter of 2022. Industry increased by 2.6% in line with a continued rise in merchandise exports and a rebound in private consumption. The services sector grew by 4.3%, mainly driven by accommodations and food service activities, transportation and storage, as well as wholesale and retail trade, supported by a pickup in international tourist arrivals (Figure 2.30.4).

Figure 2.30.3 Public Debt
Fiscal stability remained sound.

GDP = gross domestic product.
Source: Public Debt Management Office.

However, higher costs of living caused by the rise of energy and food prices dampened private consumption somewhat. Therefore, private consumption expanded by 6.3%, compared to 0.6% in 2021.

Private investment expanded by 5.1% in line with improving economic activities, particularly in service sectors. However, construction slowed because major construction projects were completed in 2021 and there were no new construction projects.

Public consumption declined by 0.04% year on year because of the budget cut in fiscal year 2022 (FY2022, ended 30 September 2022). In FY2022, annual budget expenditure was set at 3.1 trillion, with a 5.7% decrease compared to FY2021. The budget cut was attributable to decreased purchases of materials and supplies of health care services. Public investment also declined by 4.9% year on year due to a lower disbursement for roads, bridges, and office building construction. The government ran a fiscal deficit of 3.6% of GDP, down from 4.9% in FY2021. Public debt at the end of FY2022 stood at 60.4% of GDP, below the ceiling of 70% of GDP (Figure 2.30.3).

External stability remained sound. Imports expanded by 4.1% in line with the continued expansion of merchandise exports and increases in import prices. In the third quarter of 2022, external debt to GDP stood at 37%. Gross international reserves were enough to cover 2.2 times of short-term external debt and 7.1 months of imports. However, the current account as a percentage of GDP recorded a deficit of 3.4% in 2022. This was because of a significant rise in energy import prices and high profit and dividend transfers abroad in the first half of 2022.

Figure 2.30.2 Monthly International Tourists
Tourism strongly recovered after the country reopened.

Million visitors

Source: CEIC Data Company.

External stability remained sound. Imports expanded by 4.1% in line with the continued expansion of merchandise exports and increases in import prices. In the third quarter of 2022, external debt to GDP stood at 37%. Gross international reserves were enough to cover 2.2 times of short-term external debt and 7.1 months of imports. However, the current account as a percentage of GDP recorded a deficit of 3.4% in 2022. This was because of a significant rise in energy import prices and high profit and dividend transfers abroad in the first half of 2022.

Figure 2.30.4 Supply-Side Contributions to Growth
Services led economic growth on robust tourism recovery.

Percentage points

Source: Office of the National Economic and Social Development Council.

By sector, agriculture expanded by a paltry 2.5% due to lower yields of major crops, such as cassava, and fruits, especially durian and pineapple, partly caused by floods and unfavorable weather in the third quarter of 2022. Industry increased by 2.6% in line with a continued rise in merchandise exports and a rebound in private consumption. The services sector grew by 4.3%, mainly driven by accommodations and food service activities, transportation and storage, as well as wholesale and retail trade, supported by a pickup in international tourist arrivals (Figure 2.30.4).

Notwithstanding higher inflation, monetary policy gradually normalized as the ultra-low policy interest rate in response to the pandemic became less needed. Headline inflation in 2022 rose by 6.1% from a year earlier due mainly to rising energy prices
Economic trends and prospects in developing Asia: Southeast Asia

Economic Prospects

The Thai economy is forecast to expand moderately even as the global economy slows. Real growth should be led by tourism and private consumption. Overall, real GDP growth is projected to expand by 3.3% in 2023 and 3.7% in 2024, while inflation should ease (Table 2.30.1 and Figure 2.30.6).

On the external front, exports of goods and services in 2023 and 2024 are expected to grow moderately by 6.6% and 6.3%, respectively. A global economic slowdown in 2023 and local currency appreciation would cause a slowdown in merchandise exports. However, in 2024, merchandise exports should bounce back in line with the improving global economic outlook. As for service exports, international tourism receipts are forecast to pick up mainly due to the return of tourists from the People's Republic of China. The number of international tourists is projected to be 28 million in 2023 and 35 million in 2024, approaching the pre-pandemic level of 40 million.

Private consumption should gain traction led by improvement in employment, especially in the service sectors. Another factor that drives private consumption is increases in minimum daily wages across the country by an average of 5%. New daily minimum wages in Thailand announced in October 2022 range from the lowest at $8.59 per day to the highest at $9.27. Wages purchasing power fell because of rising inflation in 2022, and these increases should help workers relieve the high cost of living situation and stimulate private consumption in 2023 and 2024. It is thus projected to expand by 3.0% in 2023 and 3.6% in 2024.

Although merchandise exports are forecast to slow, private investment will continue to grow this year and next. Private investment is forecast to grow by 2.5% in 2023 and 3.5% in 2024, reflecting the high number of applications for investment promotion in 2021 and 2022. In 2023, most investment would be in services sectors to serve rising demand. In 2024, investment in manufacturing sectors should rise with support from the government. Thailand’s Board of Investment launched new incentives for foreign investors in late 2022, targeting the high-tech, innovative, and

---

**Table 2.30.1 Selected Economic Indicators, %**

Moderate growth is expected in 2023 and 2024.

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth</td>
<td>1.5</td>
<td>2.6</td>
<td>3.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.2</td>
<td>6.1</td>
<td>2.9</td>
<td>2.3</td>
</tr>
</tbody>
</table>

GDP = gross domestic product.
Source: Asian Development Bank estimates.

**Figure 2.30.5 Inflation and Policy Interest Rate**

Inflation increased significantly last year, and the policy rate was hiked at year-end.

Source: CEIC Data Company.

**Figure 2.30.6 GDP Growth**

The economy is expected to continue to expand, driven by tourism and private consumption.

Source: Asian Development Outlook database.
green sectors. They come into force in 2023, running until 2027. Special incentives will be given for foreign direct investments in sustainable new industries, including electric vehicle battery swapping stations, manufacturing hydrogen vehicles, novel and organic food production, and hydrogen production. A 10–13 year corporate income tax exemption is offered for upstream industries investment, such as biotech, nanotech, and advanced materials. In addition, the Board of Investment also launched a relocation program covering headquarters as well as research and manufacturing facilities. This program grants an additional corporate income tax exemption for 5 years to companies relocating all their activities to Thailand. This could attract more foreign direct investment inflows to the country.

**Public consumption is expected to contract by 1.3% this year and return to positive growth of 0.9% next year.** The government plans to keep its budget deficit to no more than 3% of GDP, narrowing from the pandemic period. Public investment for 2023 and 2024 is projected to expand by 2.3% and 5.4%, respectively. The expansion in FY2023 is according to the FY2023 investment budget framework, amounting to B695 billion, which increases from B613 billion in FY2022. In addition, the continued progress of the state-owned enterprises’ investment in major infrastructure projects, particularly railway, expressway and electricity transmission development projects could boost public investment this year and next.

**Imports of goods and services are forecast to rise by 2.6% in 2023 and 4.1% in 2024, in line with growing exports, private consumption, and investment.** The import of services is expected to rise continually following increasing numbers of outbound travelers. Meanwhile, import prices are expected to decrease in line with the assumption of declining energy prices.

**By sector, the agriculture sector is projected to grow by 3.0% this year and 3.3% next year.** Favorable weather and sufficient water levels should contribute to the expansion of agricultural production in the crop year 2023/2024. Industry growth is expected at 2.9% this year and 3.2% next year, supported primarily by improving private consumption. The services sector is expected to expand by 9.4% and 9.7% this year and next, thanks to the strong recovery in tourism-related sectors.

**Headline inflation is expected to decline from 2022.** In 2023, it is projected to decline by 2.9%. Supply-side inflationary pressures would gradually decline, consistent with lowering global energy and commodity prices. However, core inflation is projected to remain high in the first half of 2023 before slowly decreasing in the rest of the forecast period. Tourism recovery could increase demand-side inflationary pressures and the prices of tourism-related goods and services, including food prices. For 2024, headline inflation should slow to 2.3% as supply-side pressures ease (Figure 2.30.7). The current account relative to GDP is expected to post a surplus of 2.8% and 3.4% this year and next, mainly driven by high international tourism receipts (Figure 2.30.8).

**Risks to the outlook are tilted to the downside.** Externally, geopolitical tensions could result in supply disruptions and continued high production costs. Furthermore, if the global economic slowdown is more

---

**Figure 2.30.7 Inflation**

*Oil prices are projected to decline, easing inflation pressures.*

<table>
<thead>
<tr>
<th>%</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0</td>
<td>-2.0</td>
<td>-1.5</td>
<td>-1.5</td>
<td>-1.5</td>
<td>-1.5</td>
<td>-1.2</td>
<td>-1.2</td>
</tr>
</tbody>
</table>

Source: Asian Development Outlook database.

**Figure 2.30.8 Current Account Balance**

*The balance will return to the surplus in 2023 and 2024.*

<table>
<thead>
<tr>
<th>% of GDP</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.0</td>
<td>-4.0</td>
<td>-4.0</td>
<td>-4.0</td>
<td>-4.0</td>
<td>-4.0</td>
<td>-4.0</td>
<td>-4.0</td>
</tr>
</tbody>
</table>

GDP = gross domestic product.
Source: Asian Development Outlook database.
severe and longer than expected, Thailand’s recovery would be affected by weaker goods exports and tourism demand. At the same time, the economy is highly dependent on tourism, and the resulting foreign exchange inflows could lead to baht appreciation hampering merchandise exports and domestic manufacturing. The forthcoming general election in Thailand this year is a key risk domestically as it could cause budget delays.

Policy Challenge—Transitioning to a Net-Zero Carbon Emissions Economy

Thailand is highly vulnerable to the impact of climate change. It experienced more severe and intensified weather impacts nationwide during 2000–2019. Floods and droughts regularly occur nowadays. In 2021, Thailand was ranked ninth by Germanwatch’s Global Climate Risk Index to be the country most affected by extreme weather events, with a significant risk that the poorest and marginalized groups will experience disproportionately more substantial loss and damage.

The country has committed to reducing annual greenhouse gas (GHG) emissions by 30% from the projected business-as-usual level by 2030, according to the nationally determined contribution (NDC). At the 26th UN Climate Change Conference of the Parties (COP 26) in 2021, Thailand committed to reaching carbon neutrality by 2050 and net-zero GHG emissions by 2065. Later in November 2022, the country revised its pathway containing these targets in the long-term low greenhouse gas emission development strategy (LT-LEDS). The second updated NDC was also announced to increase the GHG emissions reduction target to 40% by 2030. Furthermore, the Climate Change Act, Thailand’s first climate legislation is formulated to provide regulatory measures and incentive mechanisms to help promote a climate-friendly investment. According to LT-LEDS, the Climate Change Act will establish an Environmental Fund, the first domestic climate financing mechanism, with resource allocation to support climate mitigation and adaptation projects and research activities. Sustainable finance initiatives were also introduced by the Ministry of Finance, the Bank of Thailand, the Securities Exchange Commission, the Office of Insurance Commission, and Thailand’s Stock Exchange to help channel financial flows to the real economy’s transition towards sustainability.

Although Thailand’s commitment to climate policies has grown in recent years with ambitious mitigation targets, much remains to be implemented. The Climate Action Tracker rates Thailand’s overall rating as “critically insufficient,” meaning that Thailand’s current climate policies and commitments reflect minimal action and are inconsistent with the Paris Agreement. Under the current policies, carbon emissions in Thailand will continue to rise more than 4°C, which is not consistent with the criteria of the 1.5°C temperature limit, stated by the Intergovernmental Panel on Climate Change (Figure 2.30.9).

To achieve these ambitious targets, all sectors will be required to reduce GHG emissions significantly, especially the energy sector, which accounts for the largest volume of carbon emissions among all sectors. The challenge going forward has to do with investment in GHG emissions reduction technology that could affect the short-term performance of businesses because the cost of technology is high. Some companies are facing a lack of capital from investors. Another challenge is collaboration among government, companies, and consumers to realize the net-zero goal collectively. In Thailand, there is hardly any discussion among the general public about the need to reduce GHG emissions. The government should work more closely with the general public to raise awareness of the environmental imperative to combat rising global temperatures.

Figure 2.30.9 Thailand’s Overall Climate Performance

Under current climate policies, it will be difficult to achieve climate commitments.

- GHG emissions projections excluding LULUCF
- 1.5°C compatible

Metric tons of carbon dioxide equivalent per year

Source: Climate Action Tracker.