

Economics

# Thailand's First Twin Deficit in Nearly a Decade to Hit Baht

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► **Tourism collapse leads to first current account gap since 2013**

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► Budget deficit seen widening to 10.1% this fiscal year

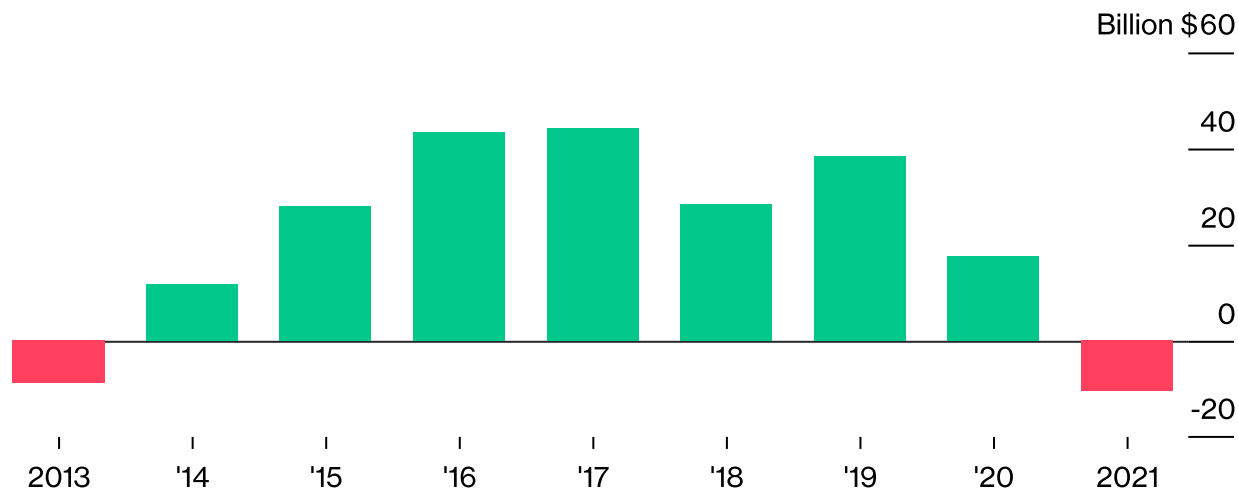
Thailand is heading for a rare current account deficit this year with the country missing out on the billions of dollars earned from tourism, likely piling more pressure on the nation's already battered currency.

Southeast Asia's second-largest economy may post a current account shortfall of \$10.3 billion, or 2% of gross domestic product, the first deficit since 2013, the National Economic and Development Council estimates. Add to it a budget deficit seen topping 10% of GDP for the 12 months through September, it's a double blow for the baht, which was on a U.S. manipulator watch list earlier this year.

The reversal of fortunes for Asia's worst-performing major currency this year echoes the damage wrecked by the pandemic on Thailand's economy. With the nation reeling under the deadliest phase of the Covid outbreak so far, authorities have imposed growth-sapping restrictions on businesses and movement. That's dented any chances of a quick recovery and plans for a wider reopening of borders to foreign visitors, who contributed more than \$60 billion to the economy before the pandemic.

**Missing Surplus**

Thailand set to swing into current account deficit as Covid batters tourism



Sources: Bank of Thailand, National Economic & Social Development Council  
 Note: 2021 figure is from NESDC's forecast in August

“Thailand’s weak growth outlook, especially because of its reliance upon tourism, has soured sentiment toward the baht,” said Dhiraj Nim, a foreign exchange strategist at Australia & New

Zealand Banking Group Ltd. "Its usual current account surplus has also turned into a deficit in recent months, eroding support for the currency."

The baht has tumbled 10.2% this year to trade near a three-year low and is on course for its biggest annual drop since 2000, according to data compiled by Bloomberg. More losses and volatility may be in store for baht because of the domestic factors, according to [Bank of Thailand's Monetary Policy Committee](#).

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The worsening outlook for growth and the raging outbreak have spurred foreign investors to pull out a net \$3.34 billion from Thailand's stocks, weighing further on the currency. Bank of Thailand sees downside risks to its GDP forecast of 0.7% for this year and Governor Sethaput Suthiwartnarueput this week called for 1 trillion baht in additional government spending to cushion the pandemic blow to the economy.

The government doesn't see the need for additional borrowing to combat the outbreak as a previously approved 500 billion baht debt plan is adequate, the Bangkok Post newspaper reported Friday, citing Finance Minister Arkhom Termpittayapaisith.

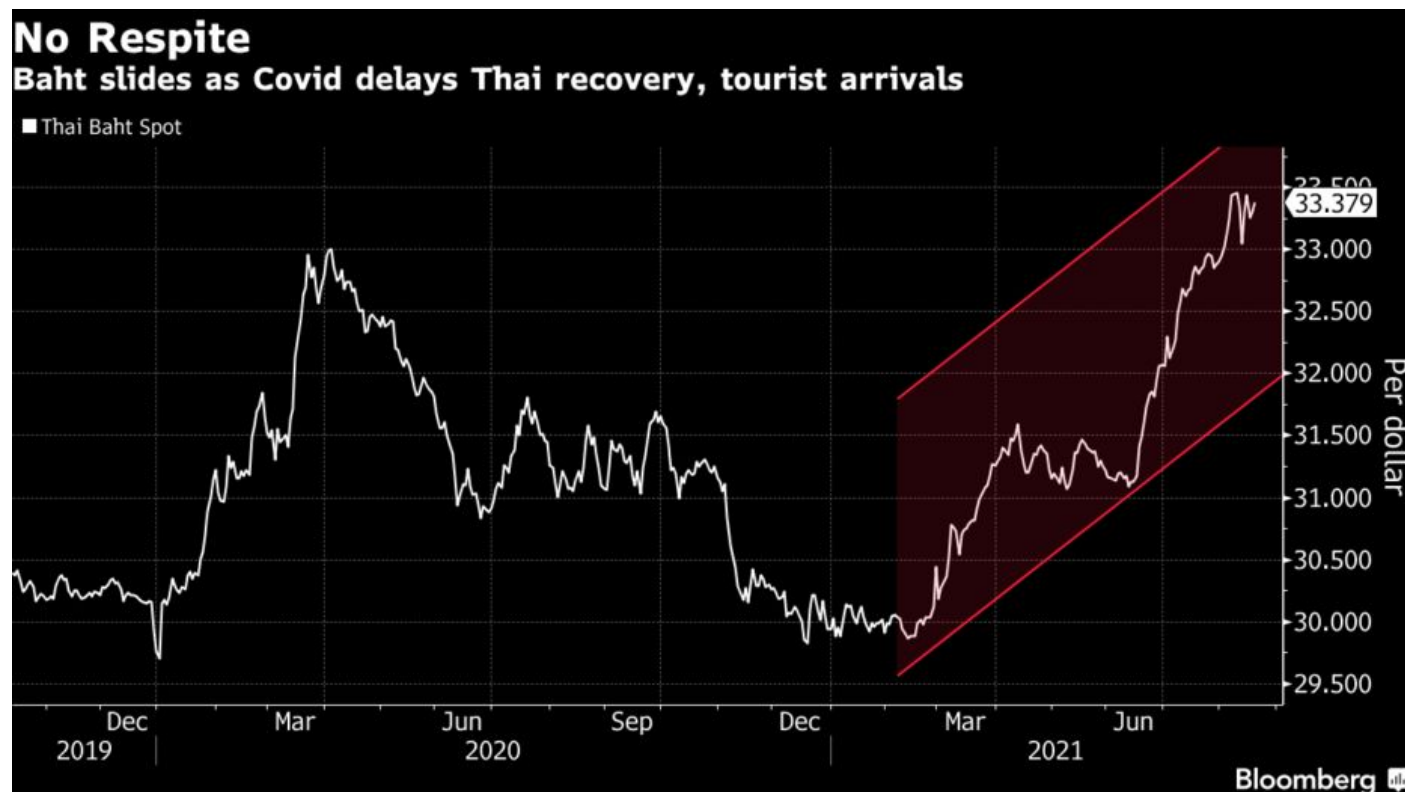
## Bumpy Recovery

While Standard Chartered Bank Plc expects Thai [economy to shrink](#) for a second straight year because of the bumpy recovery seen from the pandemic, Nomura Holdings Inc. sees the country's current account deficit lasting at least until the second quarter of 2022. Both the banks expect the Bank of Thailand to cut interest rate at its next meeting in September.

Nomura expects the baht to weaken to 34 to the dollar in the near term, supported by a more pro-growth central bank that's likely to lower its key rate and a wider current account deficit on weak tourism outlook, economists led by Charnon Boonnuch and Euben Paracuelles said in a note this week.

While a weaker baht is beneficial to Thai exports, the central bank should be more active in curbing excessive volatility as the currency has fallen more than its regional peers, according to Kobsidthi Silpachai, head of capital market research at Kasikornbank Pcl in Bangkok.

“The BOT might be forgetting its mandate of managed float,” Kobsidthi said. “Excessively moves in the currency is counterproductive economically as businesses cannot plan and price their products and service properly.”



The fiscal deficit will balloon to 10.1% in the year ending September, from 6.4% the previous fiscal, as tax revenue trails target and the government borrows more to fund virus stimulus, according to Nomura. The public debt-to-GDP ratio may be raised to 70% next month to meet the need for greater borrowing, it said.

The baht may also have to contend with risks from global financial market volatility, especially as the U.S. Federal Reserve draws closer to eventual tapering, ANZ's Nim said. But “ebbing of the pandemic cases can help reverse the sentiment toward the baht,” he said.

*(Updates with comment from finance minister in seventh paragraph.)*

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