

Economics

Thailand Cuts 2021 GDP Growth Forecast on Worst Covid Wave

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August 16, 2021, 9:47 AM GMT+7

Updated on August 16, 2021, 10:37 AM GMT+7

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- ▶ Council now sees the economy growing just 0.7%-1.2% this year
 - ▶ Economic agency is latest state body to cut Thailand's outlook
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A Covid-19 vaccination center set up at the Bang Sue Grand Station in Bangkok. *Photographer: Nicolas Axelrod/Bloomberg*

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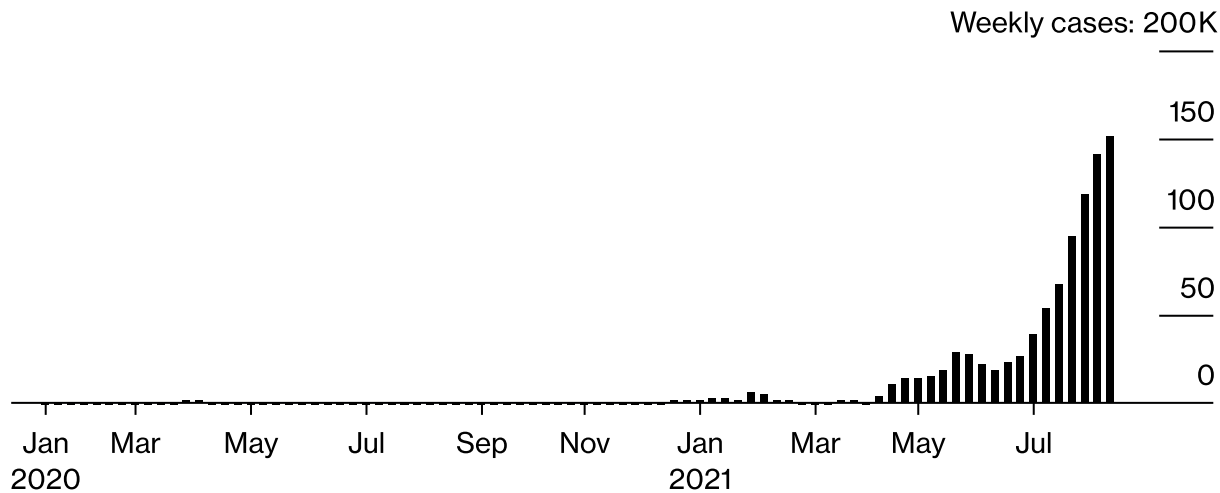
Thailand's main economic planning body cut this year's economic growth forecast as the nation's worst Covid-19 outbreak leads to record deaths, falling local demand and delayed tourist arrivals.

Gross domestic product now is expected to grow 0.7%-1.2% this year, down from the 1.5%-2.5% predicted in May, the National Economic and Social Development Council said Monday as it reported final second-quarter data.

"The Thai economy hasn't entered recession yet, but it has lost growth momentum since the flareup of the outbreak in April," Danucha Pichayanan, the council's secretary-general, said via Facebook Live on Monday. "Once the outbreak is contained to a certain degree, we'll need to boost local spending and tourism."

Relentless Surge

Thailand's weekly infections have surpassed 100,000 cases in August



Sources: Center for Covid-19 Situation Administration, Bloomberg

The NESDC is the latest Thai state agency to cut its 2021 growth forecast as the highly contagious delta variant leads to lockdown-like restrictions that now cover 40% of the population. Earlier this month the Bank of Thailand cut its estimate to 0.7% growth, while the Finance Ministry last month trimmed its prediction to 1.3%.

The baht fell 0.3% against the dollar, a second day of decline. The benchmark SET Index dropped 1% as of 10:20 a.m. in Bangkok, poised for its lowest close since March 2.

What Bloomberg Economics Says...

“The rebound in Thailand’s economy to year-on-year growth last quarter is likely to be temporary. We expect GDP to contract both in sequential and year-earlier terms in the third quarter.”

-- Tamara Mast Henderson, Asean economist

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The council noted further downside risks to its forecast, including the tenuous financial situation of many households and businesses and potential difficulties for exports and manufacturing given outbreaks in key industrial areas. The government needs to ramp up vaccination, address labor shortages and plan packages for economic recovery, while avoiding any escalation in the political situation, the council said.

Quarterly Growth

Gross domestic product rose a seasonally adjusted 0.4% in April-June from the previous quarter, the council said Monday, compared with the median estimate of a 1.1% contraction in a Bloomberg survey of 14 economists. That was better than the 0.20% growth in the prior three months.

GDP rose 7.5% in the second quarter from a year earlier, versus the survey's median estimate of 6.6% growth.

"The better-than-expected out-turn in the second quarter does not change the fact that the outlook has taken a dramatic turn for the worse in recent weeks," Gareth Leather, senior Asia economist at Capital Economics Ltd., wrote after the data. "Any recovery further ahead is set to be slow and bumpy."

According to the latest weighted average of 36 economists surveyed by Bloomberg, GDP should grow 1.8% this year. That's particularly weak considering it's a comparison to last year, when Thailand's economy contracted 6.1%, the most in more than two decades.

Thailand's new daily Covid cases stayed above 20,000 for a sixth straight day, authorities said Monday. Total cases rose to 928,314, of which 97% have come since the latest wave began in April, official data show. The government said the daily infections may jump to 45,000 by mid-September if the current trend continues.

The nation has administered about 23 million vaccine doses, enough to cover about 17% of the population, according to the Bloomberg Covid-19 Vaccine Tracker.

Other points from the briefing:

Second-quarter growth was powered by exports and private consumption

GDP grew 2% in the first half of the year

Headline inflation to average 1%-1.5% this year

Current-account deficit for 2021 seen at 2% of gross domestic product

The baht should average 31.3 to 32.3 to the U.S. dollar this year

– *With assistance by Anuchit Nguyen*

(Updates with market reaction in fifth paragraph, Bloomberg Economics quote in text box, analyst comment in ninth paragraph. An earlier version of this story corrected the 1H growth estimate in a bullet point toward the end of the story.)

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