



# Thailand Economic Monitor

## Inequality, Opportunity, and Human Capital

March 2019



# รายงานตามติดเศรษฐกิจไทย

## ความเหลื่อมล้ำ โอกาส และทุนมนุษย์



# Outline

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- ❖ Part 1: Recent economic developments, outlook, and emerging risks
- ❖ Part 2: Focus: inequality, opportunity, and human capital
- ❖ Part 3: Q&A

## KEY MESSAGES

- ❖ **The outlook for the global economy has darkened amid elevated trade tensions.**
- ❖ **Despite external shocks to trade and tourism, the Thai economy growth accelerated to 4.1 percent in 2018.**
- ❖ **In line with trends in the global economy, a slight economic slowdown is expected in 2019.** The Thai economy is projected to slow to 3.8 percent in 2019, ticking up only slightly to 3.9 percent in 2020.
- ❖ **The balance of risks is tilted downward.** The US and Chinese economies could slow further due to trade tensions. There is thus a risk that a continued slowdown in external demand may undermine Thailand's exports.
- ❖ **Public infrastructure investment key to supporting growth.**



# KEY MESSAGES

- ❖ แนวโน้มเศรษฐกิจโลกยังคงไม่สดใสท่ามกลางความตึงเครียดทางการค้า
- ❖ ถึงแม้ว่าจะมีผลกระทบจากปัจจัยภายนอกที่ส่งผลต่อการค้าและการท่องเที่ยว แต่ถูกชดเชยบางส่วนจากการบริโภคภายในประเทศ เศรษฐกิจไทยคาดว่าจะเติบโตเพิ่มขึ้นที่ร้อยละ 4.1 ในปี พ.ศ. 2561 เมื่อเทียบกับปีที่ผ่านมา
- ❖ เศรษฐกิจไทยคาดว่าจะปรับตัวลดลงเล็กน้อยในปีพ.ศ. 2562 ตามแนวโน้มเศรษฐกิจโลก เศรษฐกิจไทยมีแนวโน้มจะชะลอการเติบโตอยู่ที่ร้อยละ 3.8 ในปีพ.ศ. 2562 และฟื้นตัวขึ้นเล็กน้อยที่ร้อยละ 3.9 ในปีพ.ศ. 2563
- ❖ เศรษฐกิจอาจมีความเสี่ยงเพิ่มขึ้น เศรษฐกิจของสหรัฐฯ และจีนอาจชะลอตัวลงอีกเนื่องจากความตึงเครียดทางการค้า ดังนั้น ความต้องการภายนอกอาจมีความเสี่ยงที่จะลดลงอย่างต่อเนื่องซึ่งมีผลต่อการส่งออกของไทย
- ❖ ประเทศไทยควรเดินหน้าดำเนินโครงการโครงสร้างพื้นฐานและปฏิรูปเศรษฐกิจอย่างต่อเนื่อง ซึ่งจะช่วยส่งเสริมการเติบโตของเศรษฐกิจในระยะกลาง

# ▶ PART 1.

## MACROECONOMIC DEVELOPMENTS AND OUTLOOK



## RECENT ECONOMIC DEVELOPMENTS



A World Bank Group  
Flagship Report

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TUESDAY, JANUARY 8, 2019 AT 4:00 PM EST (9:00 PM UTC/GMT)

JANUARY 2019

# Global Economic Prospects

Darkening Skies



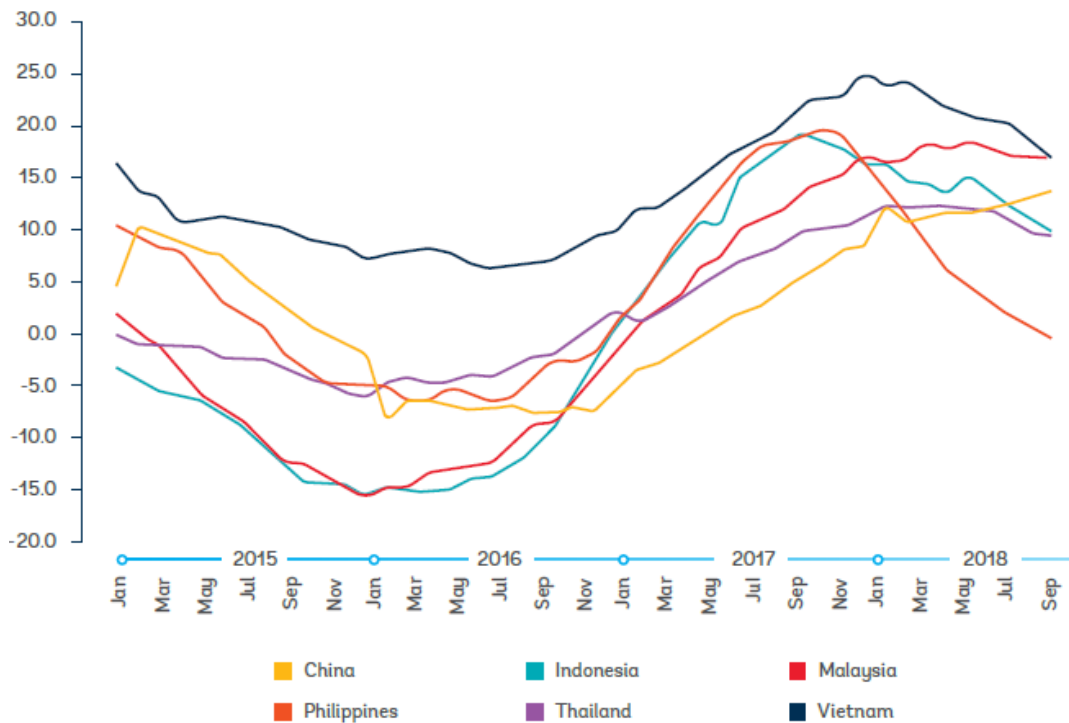
# Resiliency amid external headwinds

- ❖ Thai economy expanded by 4.1 percent in 2018.
- ❖ Unfavorable external environment
  - ❖ *Decelerating exports*
  - ❖ *Drop in the number of foreign tourists*
- ❖ Strengthening domestic environment
  - ❖ *Upswing in private consumption and private investment*
  - ❖ *Expanding public infrastructure spending*
- ❖ Macroeconomic fundamentals remain strong and stable
  - ❖ *Inflationary expectations anchored, external stability and financial system stable*

# Weakening global trade is weighing on Thailand's export-led recovery

## Value of Exports – Regional

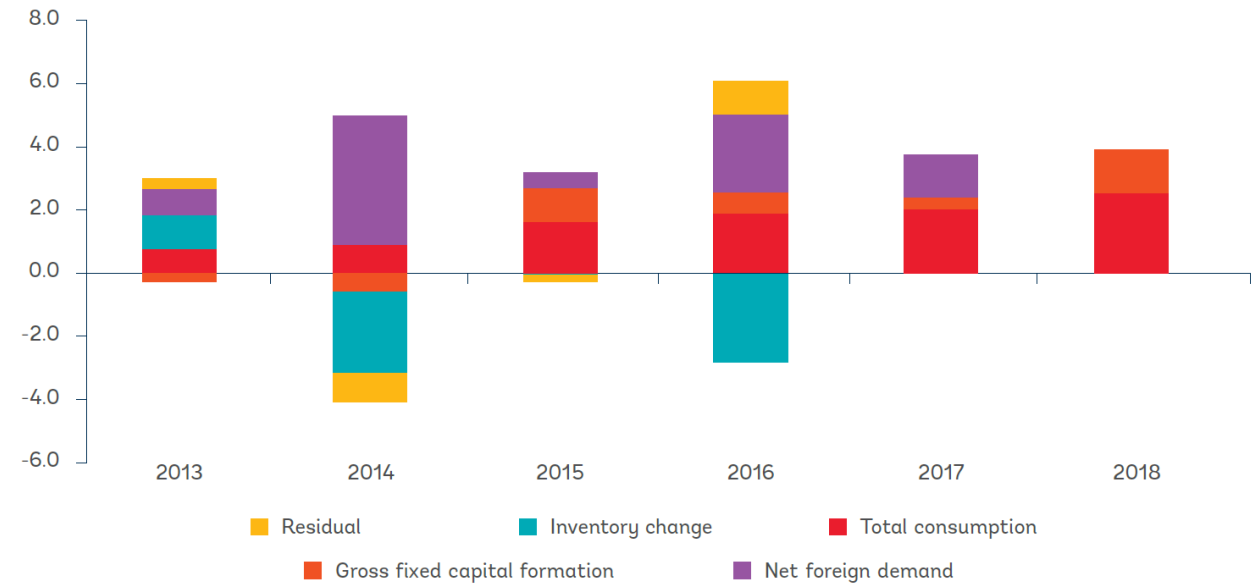
/ Export value yoy growth rates, 12-month moving average



Source: CEIC, World Bank staff calculations

## Contribution to Real GDP Growth

/ In Percent

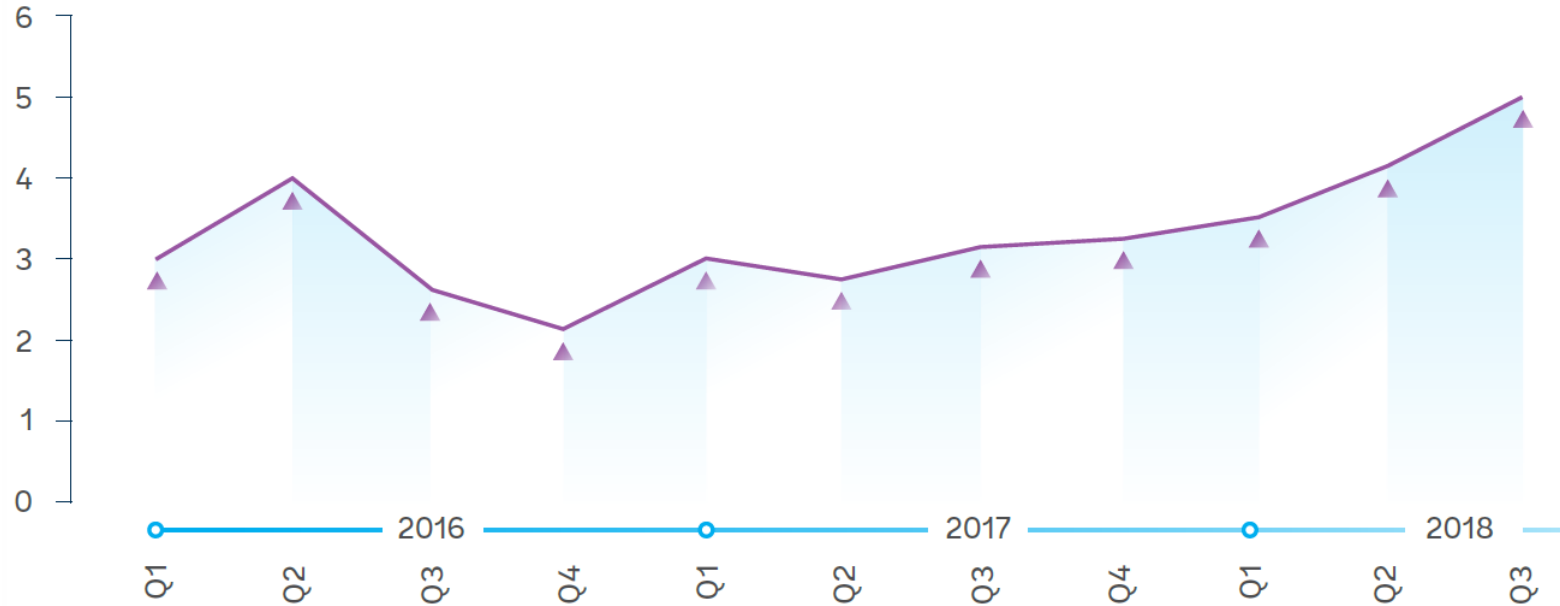


Source: NESDB, World Bank staff calculations



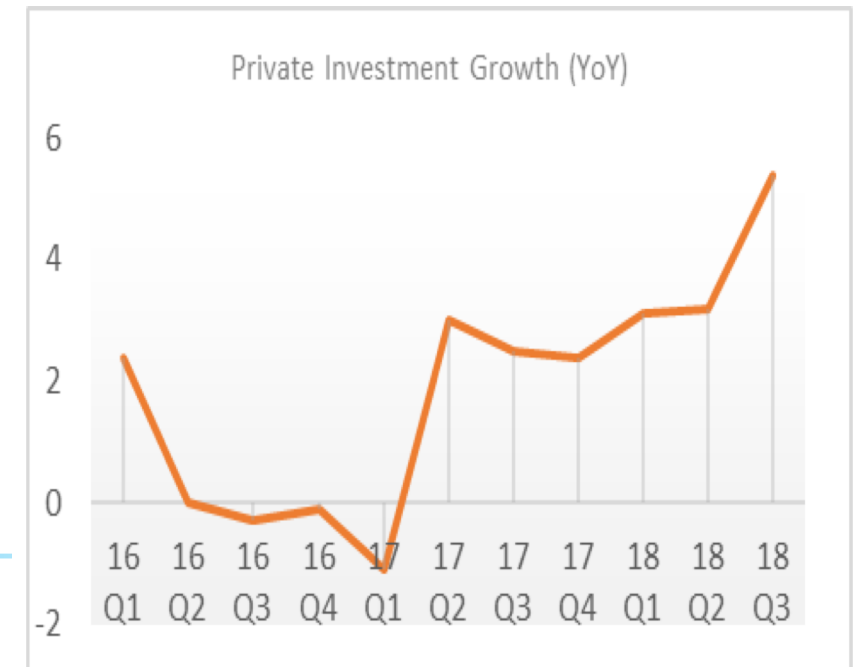
# Offsetting the sluggish external demand, private consumption steadily recovered, and so has private investment

Private consumption growth  
/ Percent change from previous year



Source: NESDB

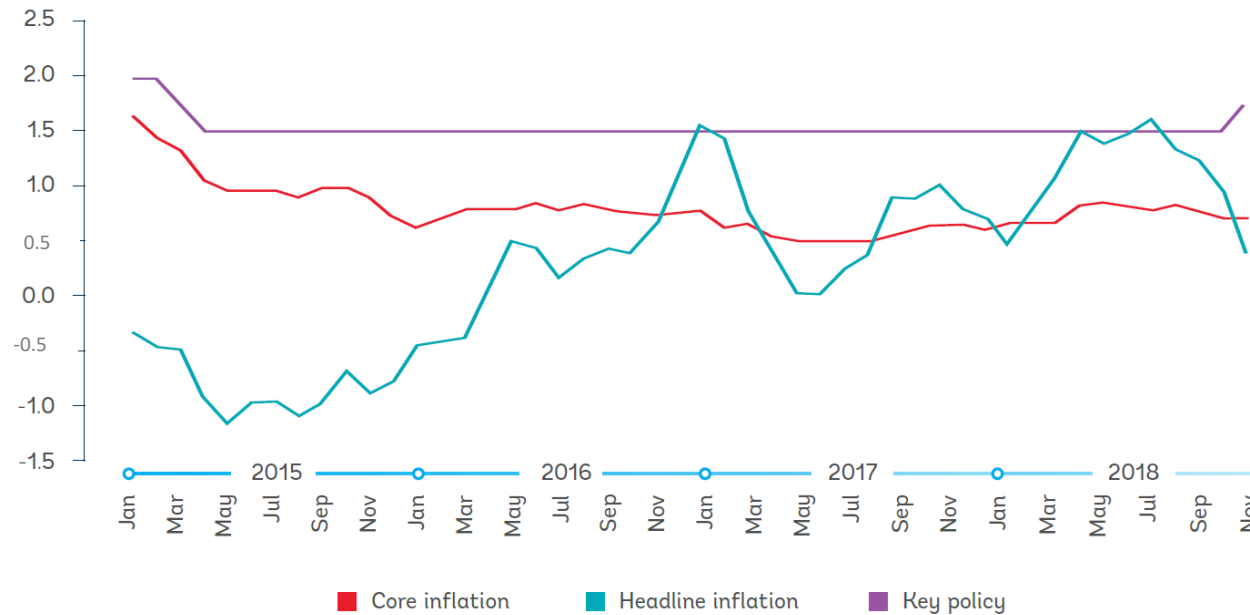
Private investment growth  
/ Percentage change from previous year



Source: NESDB

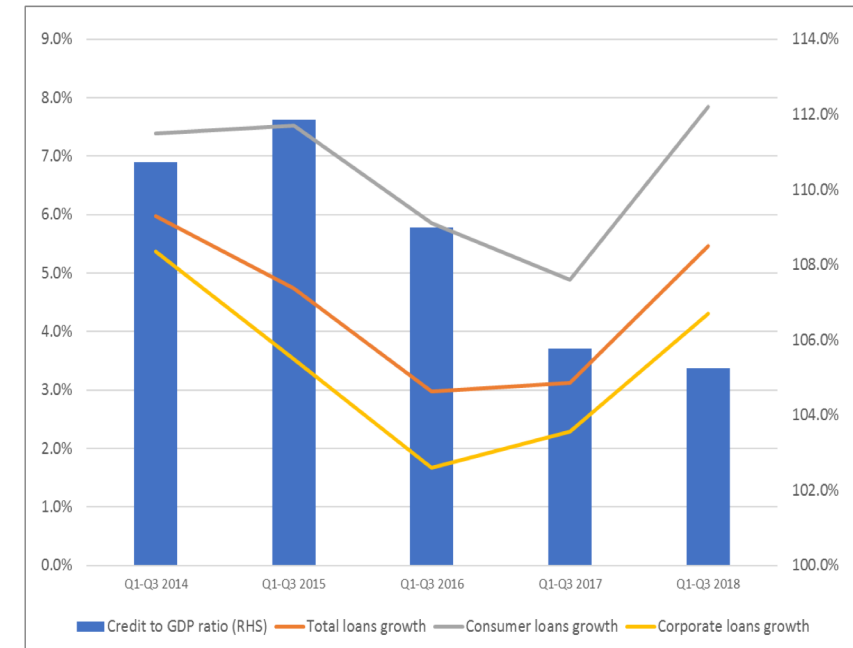
# Monetary policy remains accommodative supporting credit growth

## Headline and Core Inflation / Y-O-Y Percentage Change



Source: Bank of Thailand

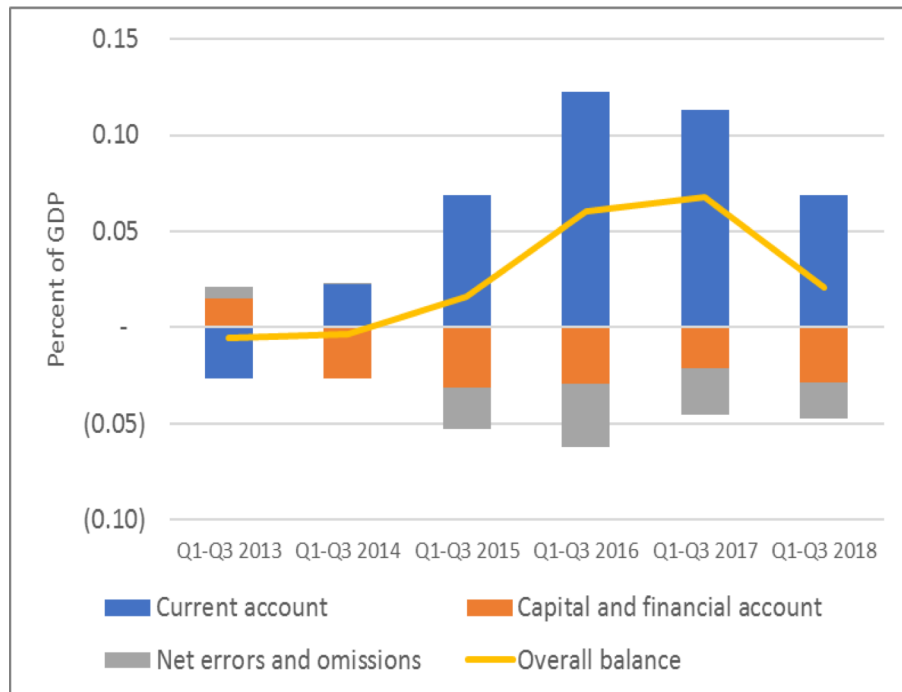
## Corporate and Consumer Credit / Y-O-Y Percentage Change



Source: Bank of Thailand

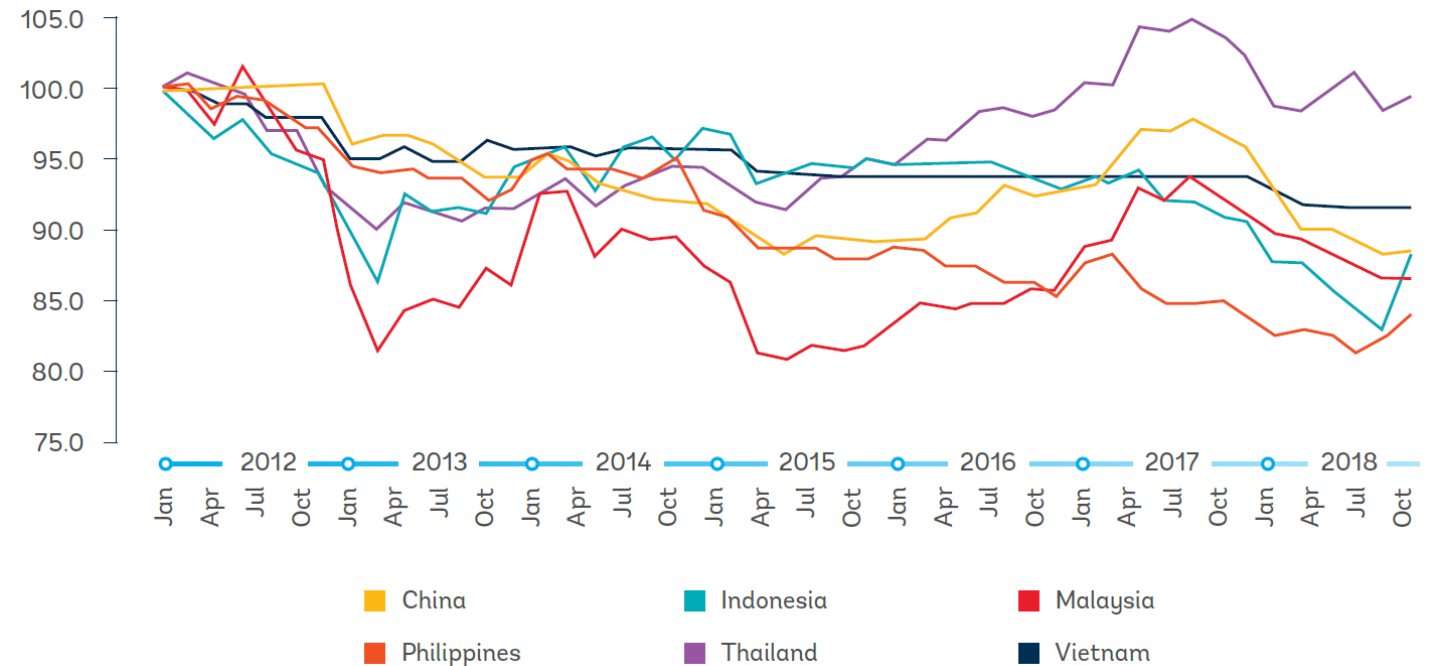
# Current account surplus narrowed and the baht appreciated

**BOP Balance**  
/ % of GDP, seasonally adjusted



Source: Bank of Thailand

**Index of USD to Local Currency**  
/ January 2015 = 100



Source: Haver Analytics



 **OUTLOOK AND EMERGING CHALLENGES**

# Darkening skies over the global economy

- ❖ Continued slowdown in global growth
  - ❖ Decelerating industrial production and trade
  - ❖ Softening external demand
  - ❖ Tightening financial conditions
  - ❖ Heightened policy uncertainty
- ❖ EMDE growth downgraded to 4.5 percent in 2019

# Projected slowdown in Global Economy

	2017	2018e	2019f
<b>World</b>	3.1	3.0	2.9
<b>Advanced Economies</b>	2.3	2.2	2.0
<b>United States</b>	2.2	2.9	2.5
<b>Japan</b>	1.9	0.8	0.9
<b>Euro Area</b>	2.4	1.9	1.6
<b>Emerging Markets and Developing Economies</b>	4.3	4.2	4.2
<b>East Asia and Pacific</b>	6.6	6.3	5.3
<b>China</b>	6.9	6.5	6.2
<b>Thailand</b>	3.9	4.1	3.8

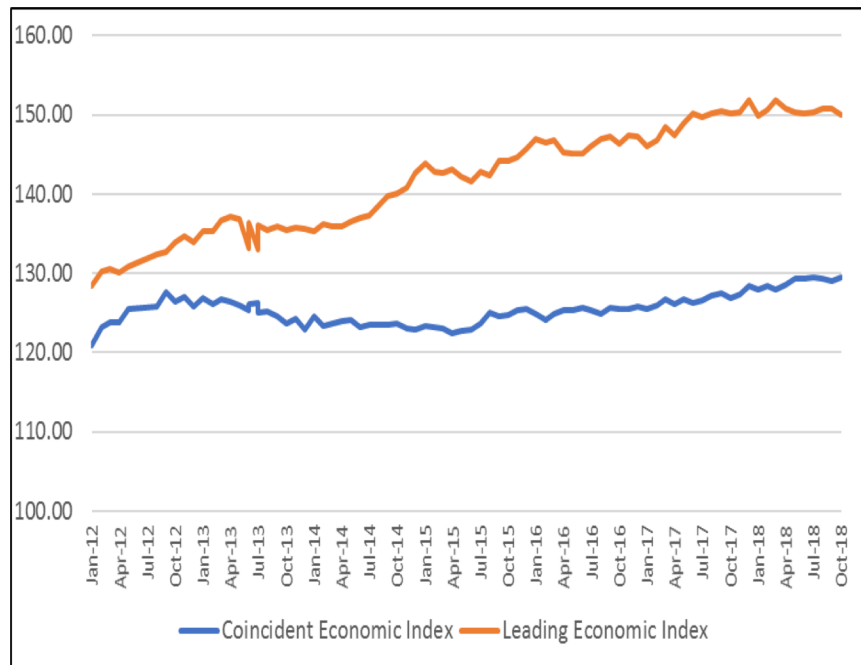
Source: World Bank Estimates

# Continued resiliency in the Thai economy

- ❖ Expected softening to 3.8 percent in 2019 and 3.9 percent in 2020
- ❖ Continued slowdown in exports due to the weak external environment
- ❖ Sustained private consumption growth
- ❖ Continued growth in public and private investment
- ❖ Strong and stable macroeconomic fundamentals

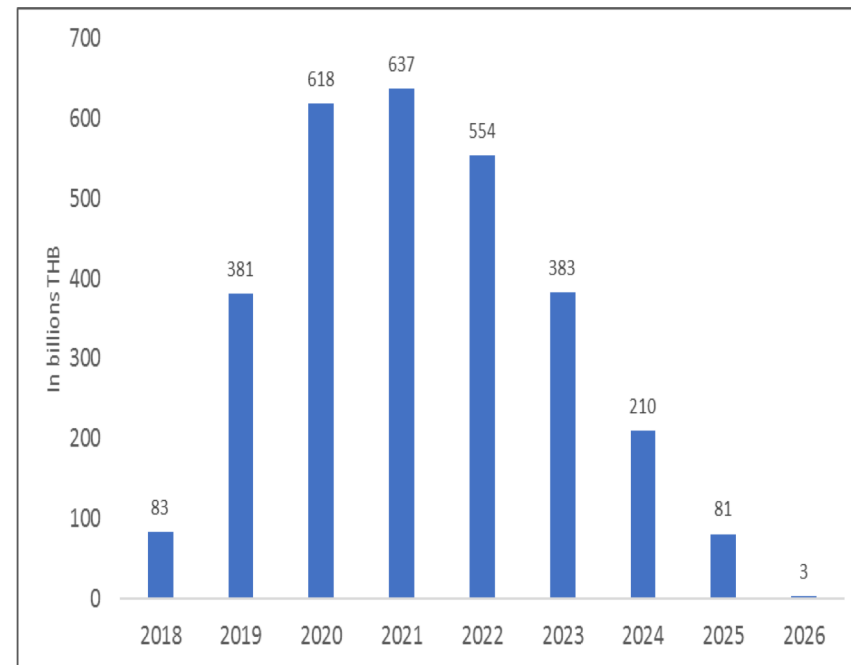
# Leading Indicators and Fiscal Plans Indicate Strengthening Recovery

CEI and LEI Index  
/ Monthly, Seasonally Adjusted, Jan 2000 = 100



Source: Bank of Thailand

Value of Mega Infrastructure Investment Projects  
/ Public Investments (THB, billions)



Source: Krungsri Bank Research

# Growth forecast to slow to 3.8 percent in 2019, and economic stability maintained

	2015	2016	2017	2018	2019f
<b>Real gross domestic product</b>	3.0	3.3	3.9	4.1	3.8
<b>Private consumption</b>	2.3	3.0	3.2	4.6	4.4
<b>Government consumption</b>	2.5	2.2	0.5	4.6	4.6
<b>Gross fixed capital investment</b>	4.3	2.8	0.9	5.4	5.5
<b>Exports, goods and services</b>	1.6	2.8	6.0	5.9	5.7
<b>Imports, goods and services</b>	0.0	-1.0	7.2	7.2	7.1
<b>Consumer Price Index, average</b>	-0.9	0.2	0.7	1.2	1.4
<b>Fiscal Balance, % of GDP</b>	-2.6	-2.6	-3.5	-3.0	-3.0
<b>Current account balance, % of GDP</b>	8.0	11.7	11.0	7.6	6.0

Source: NESDB, BOT, BOB and WB Staff Forecasts



# Risks tilted to the downside, especially from external demand

- ❖ The continued slowdown in global trade remains a risk to Thailand's nascent domestic demand recovery.
- ❖ Delay in public infrastructure spending due to policy discontinuity
- ❖ Slowdown in private investment recovery due to concerns over political uncertainty.
- ❖ Implementation delay of planned large and more complex public infrastructure projects

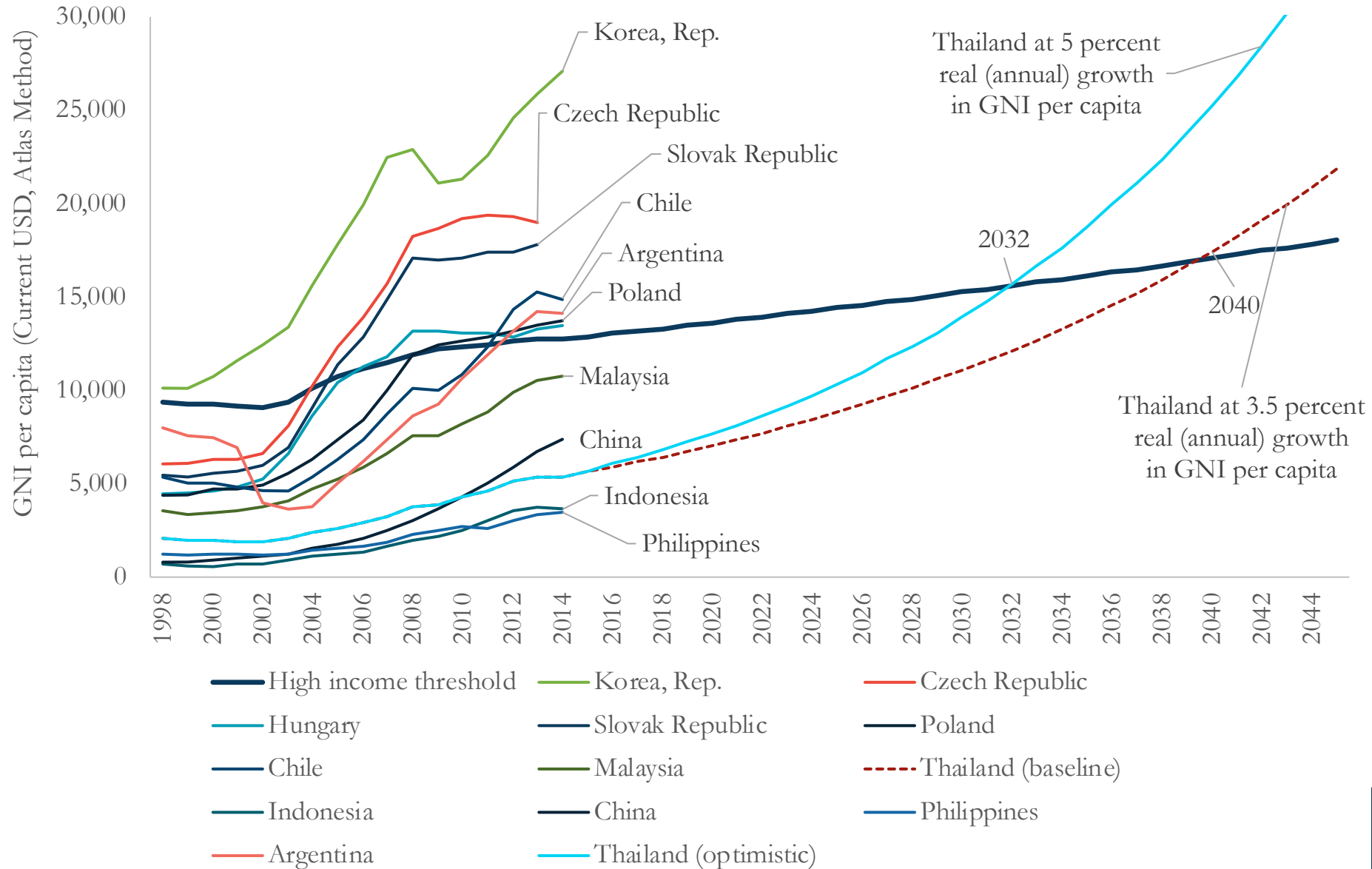
- ❖ Budget Procedures Act 2018
- ❖ Timely implementation of public investment projects key to supporting near- and medium-term growth
- ❖ Eastern Economic Corridor, Water Management, Land and Building Tax

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**Question:**  
**When will Thailand reach high income?**

- a) 2030**
- b) 2040**
- c) 2050**
- d) 2060**

# Thailand: how many years to high income?



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## Question:

**How can inclusive growth be achieved?**

- a) Public investment in infrastructure**
- b) Education**
- c) Health care**
- d) Competitive markets**
- e) Bureaucratic efficiency**

# 3 Structural Challenges

## Growth

- Services

## Inequality

- Human Capital

## Institutions

- Public investment

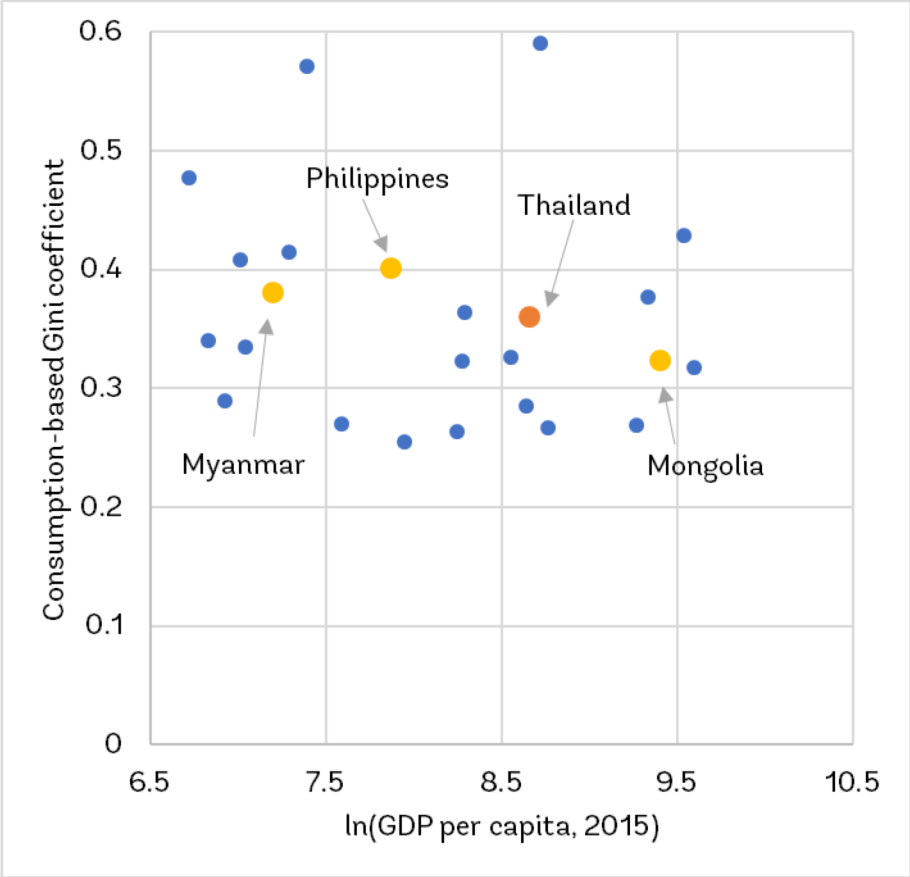


## PART 2.

# INEQUALITY, OPPORTUNITY, AND THE HUMAN CAPITAL INDEX

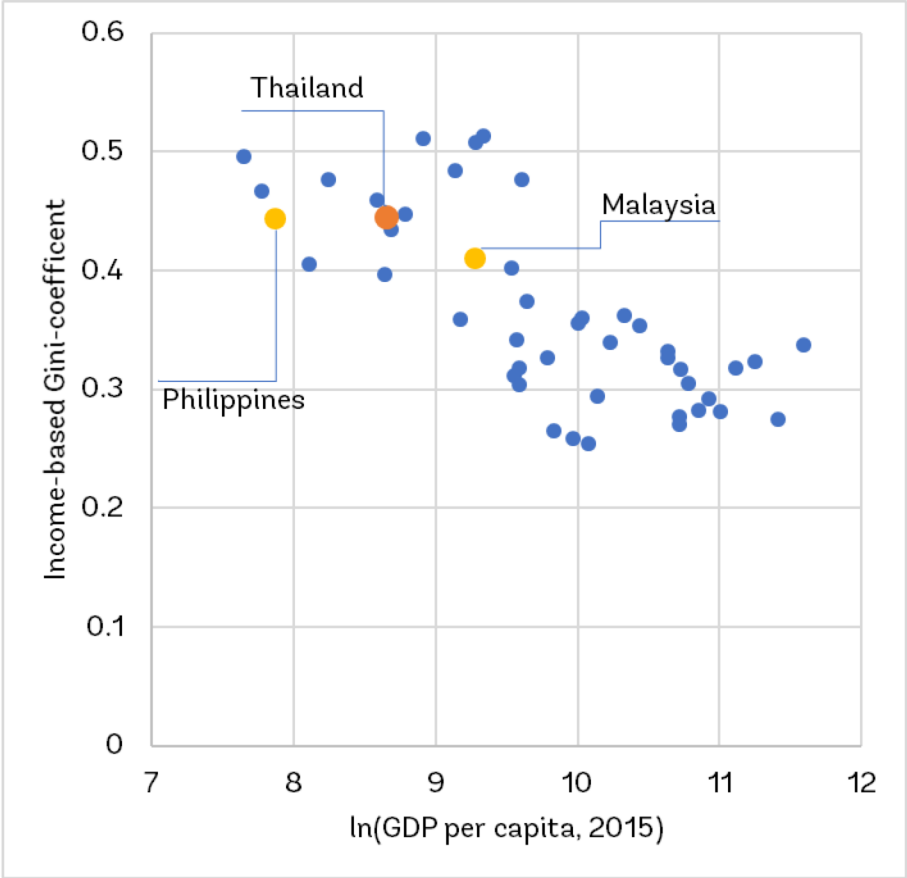
# Consumption & Income-based Gini Coefficients

Consumption



Notes: 27 countries with survey data in 2015.  
Source: PovcalNet

Income

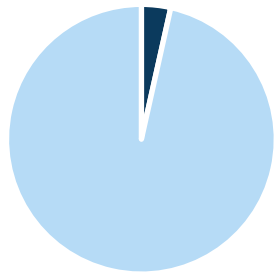


Notes: 46 countries with survey data in 2015.  
Source: PovcalNet, NESDB

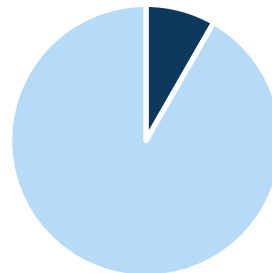
# Inequality measured using household surveys may be excluding data from rich households

Share of household consumption/income of the Top 1%

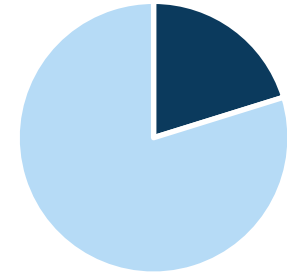
2017 Consumption (SES)



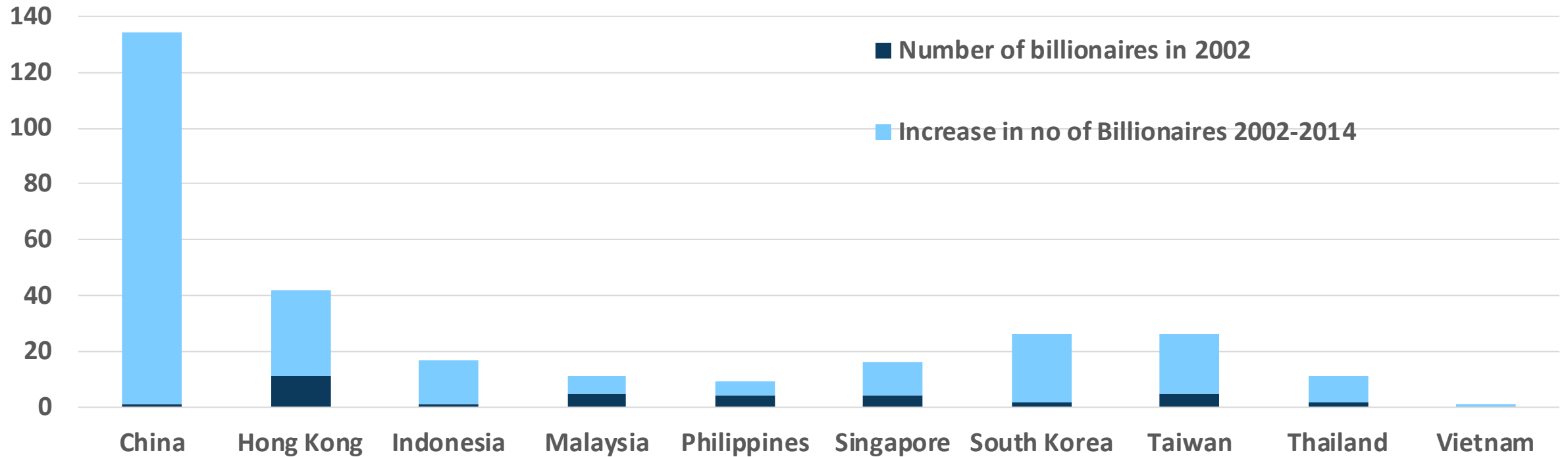
2017 Income (SES)



2016 WID

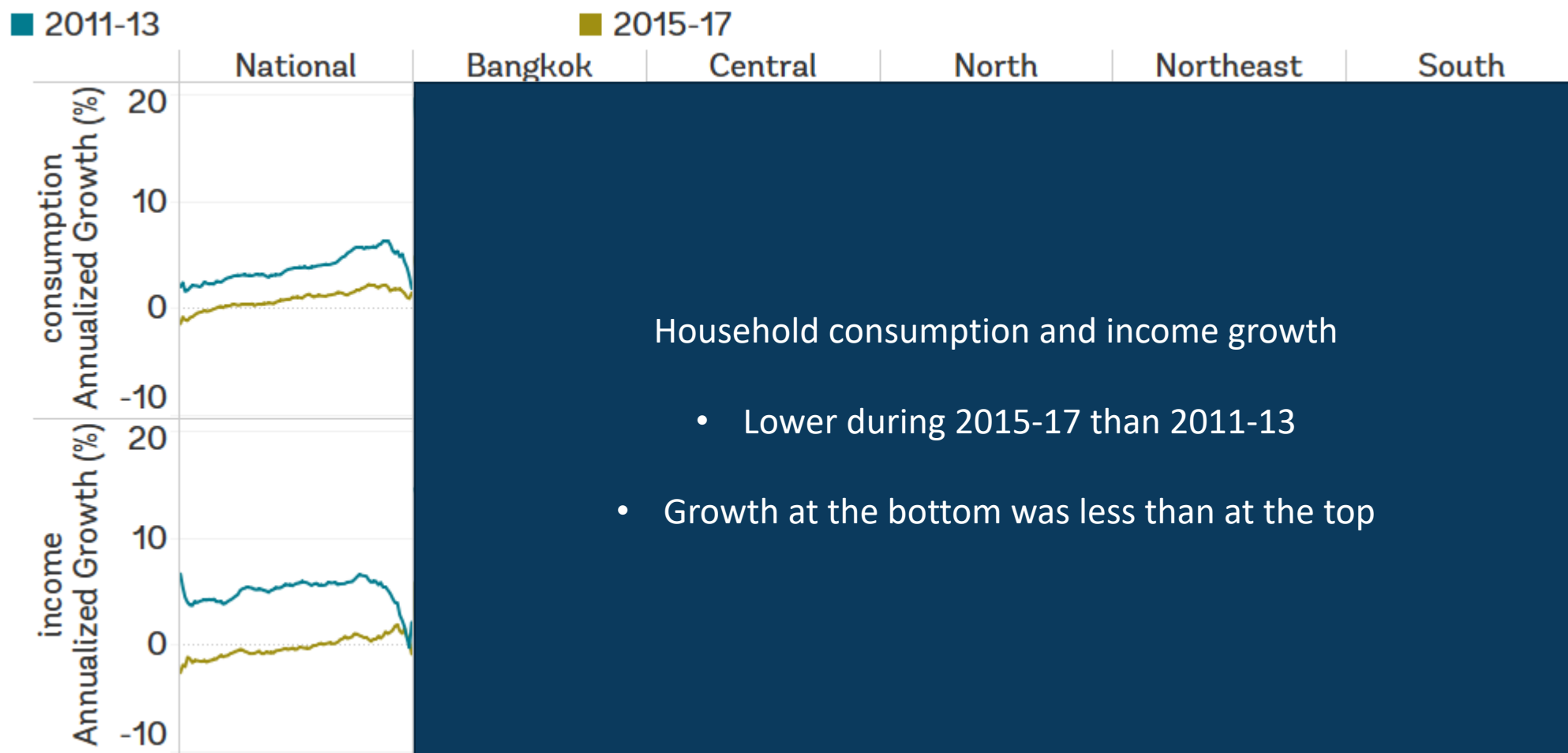


# Visible signs of growing extreme wealth, concentrations of wealth appears to be growing

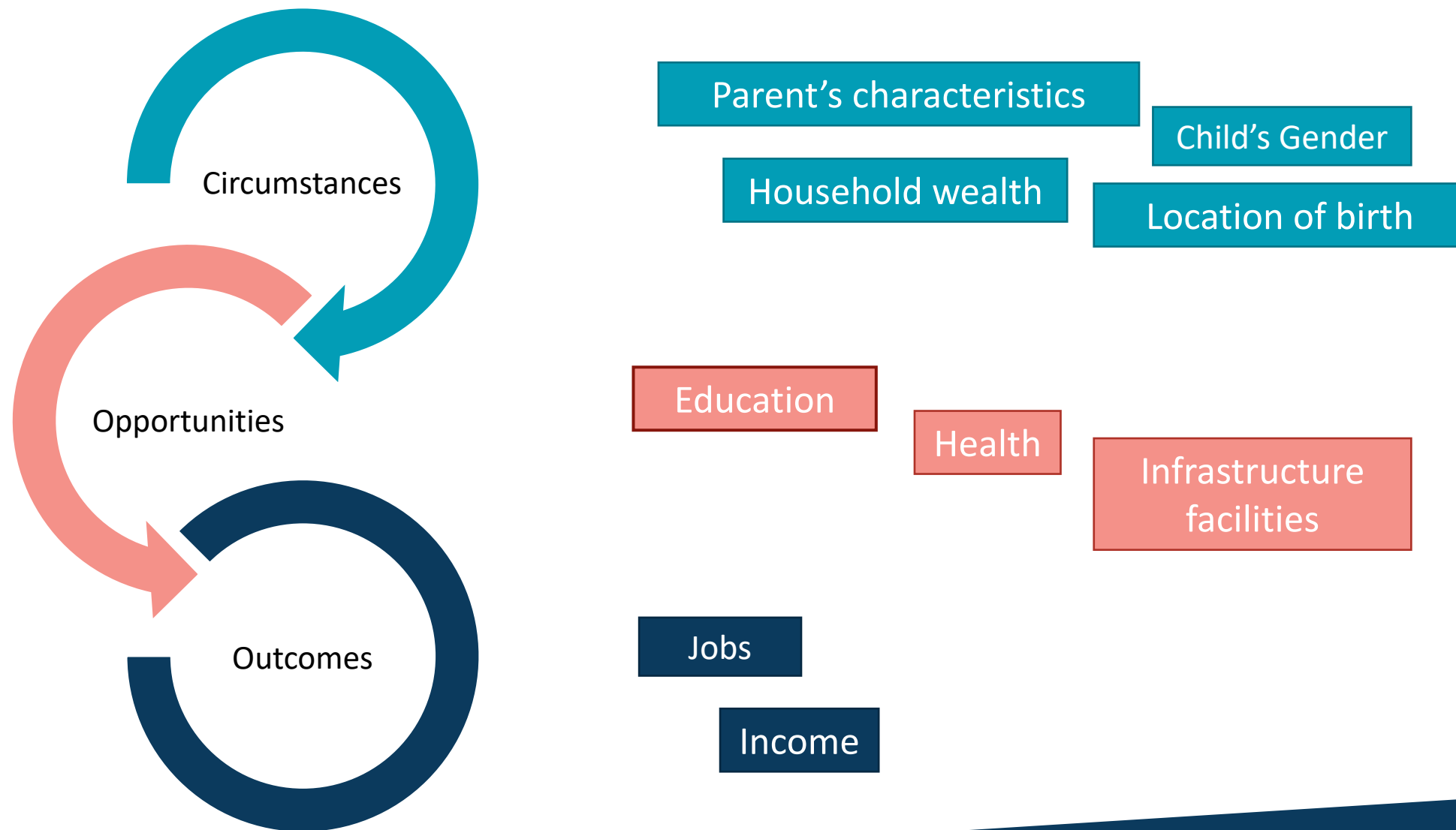


Source: Ruggeri Laderchi 2018

# Growth along the distribution and across regions is uneven



# How does inequality affect children and outcomes of the next generation





# Inequality experienced by children contributes to lifelong disparities in social and economic outcomes

- ❖ Thailand's future will rely on the next generation being as productive as possible
- ❖ One way to reduce inequality for the next generation is to equalize opportunities
- ❖ This can be facilitated via **equitable** investment in **human capital development** of the next generation

# The Human Capital Index shows the impact of investments in children today on future productivity



**CHILD  
SURVIVAL**

**X**



**SCHOOL**

**X**



**HEALTH**

**=**



**HUMAN  
CAPITAL  
INDEX**

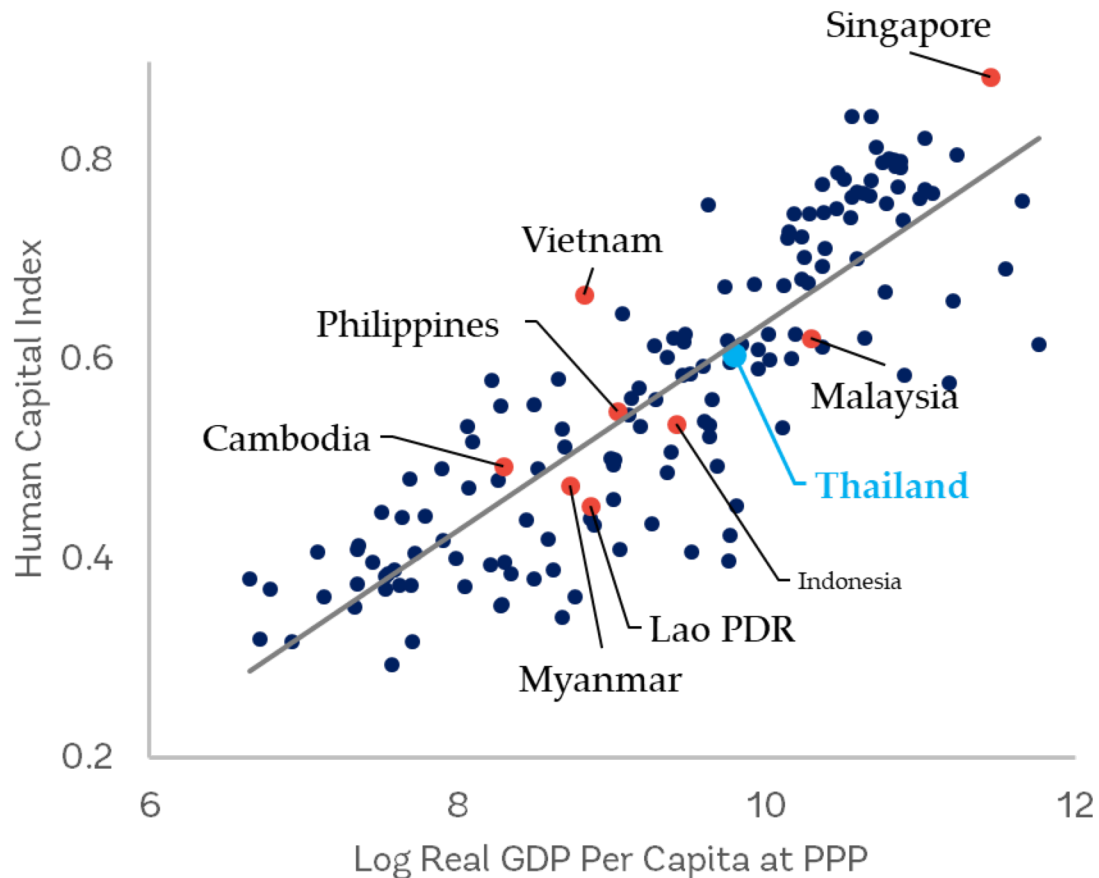
Productivity of future worker  
relative to maximum  
potential

# The overall value of the Human Capital Index for Thailand is 0.60

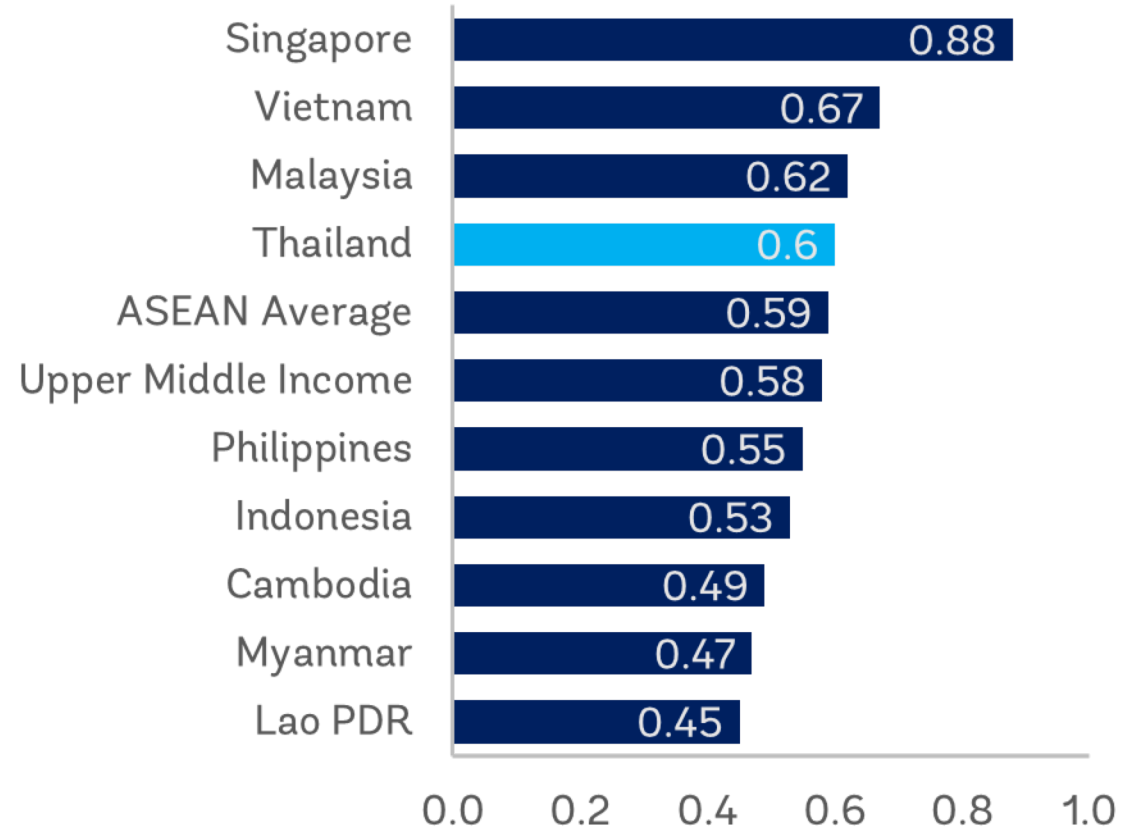
- ***Interpretation:*** a child born today in Thailand can expect to be only 60% as productive as a future worker as she would be if she enjoyed complete education and full health

# Thailand's HCI value is about as expected given its development level, and higher than the ASEAN average

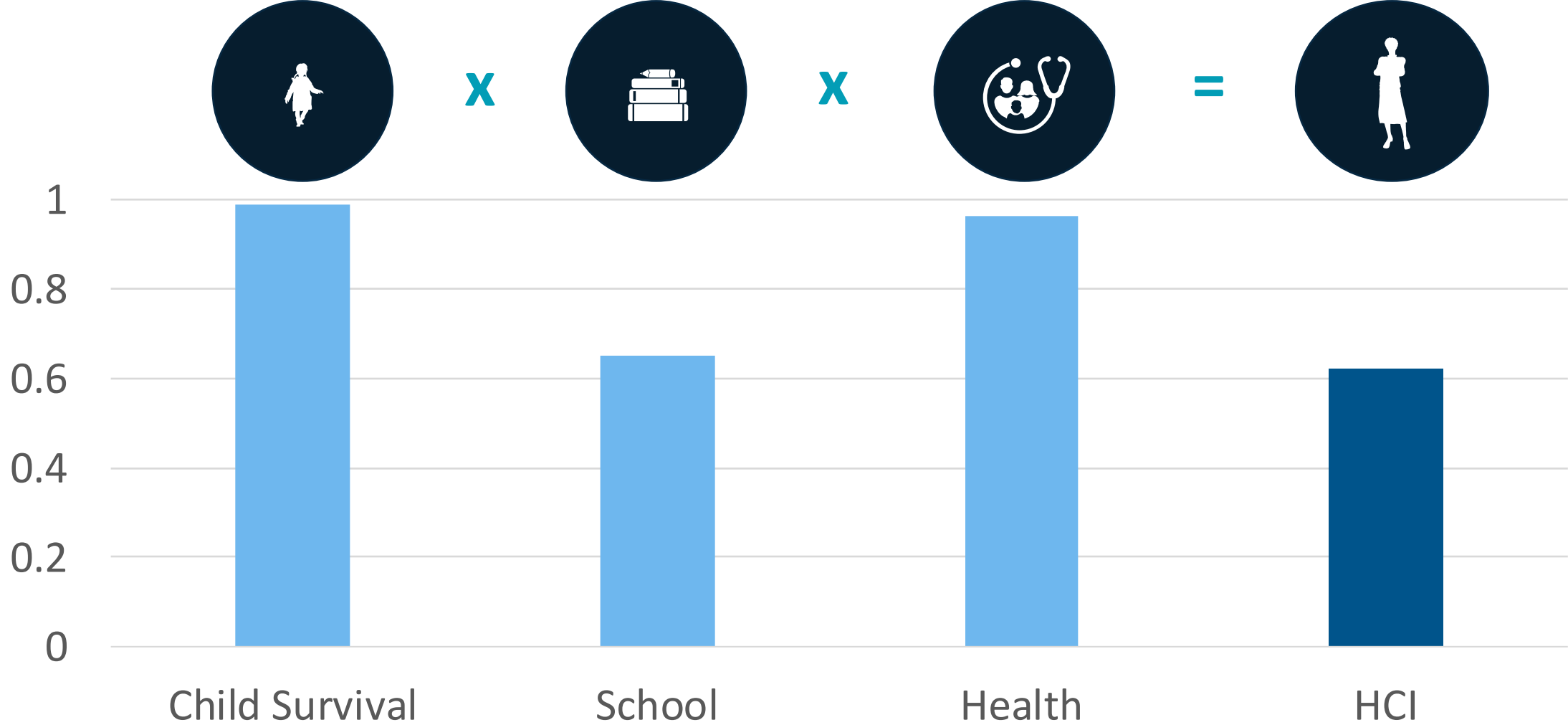
Human Capital Index vs. GDP per capita



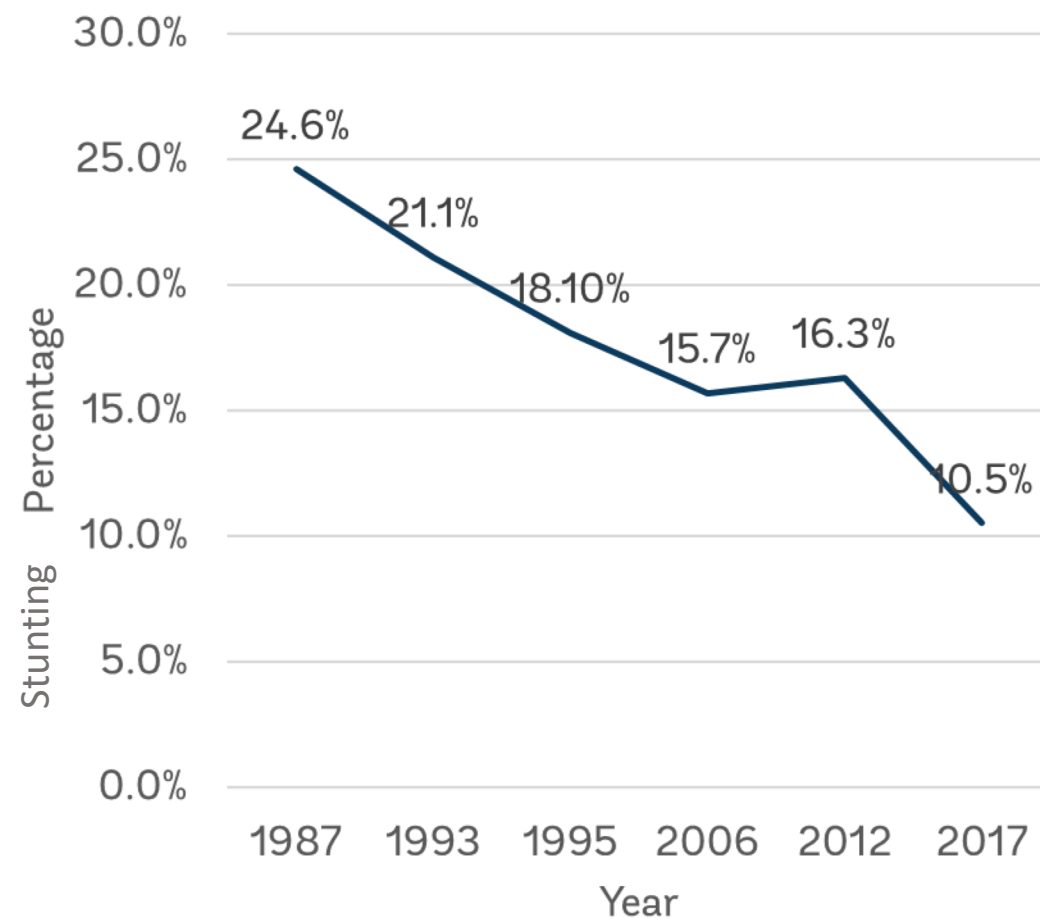
Human Capital Index



# The contribution to productivity from schooling is lowest



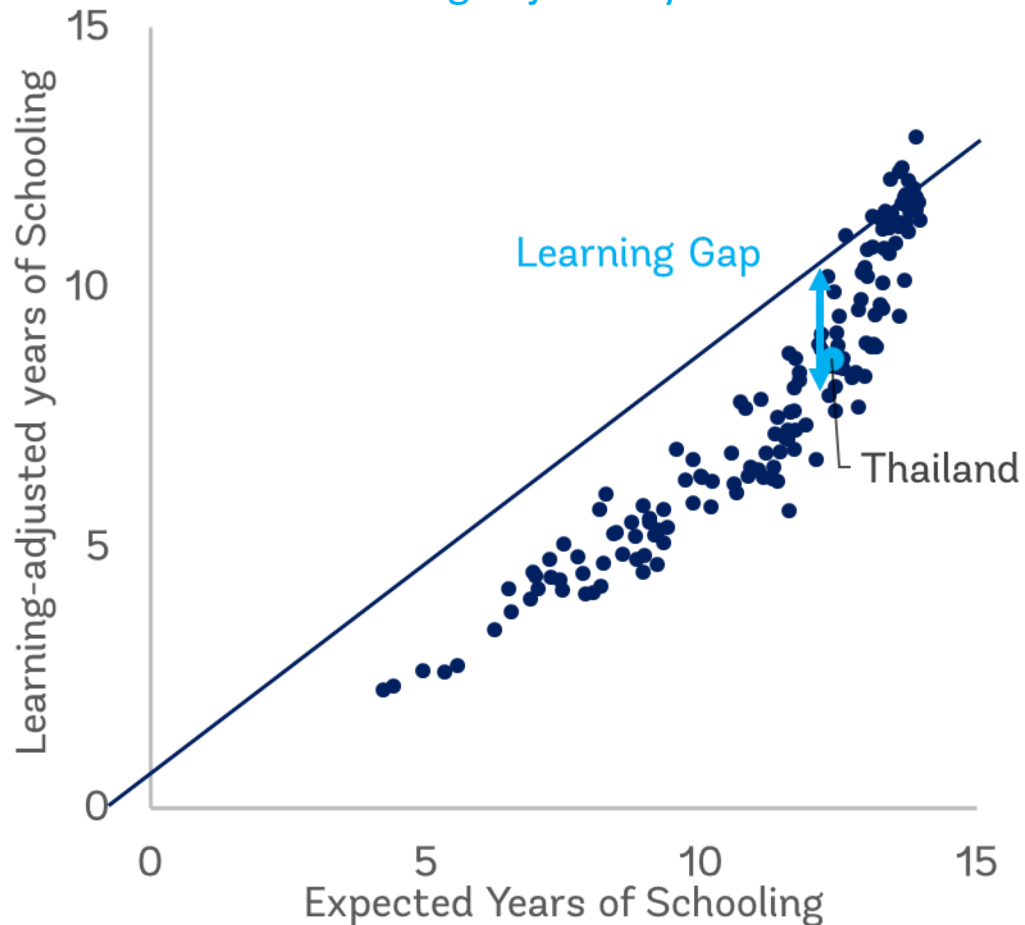
# Success in combating stunting and increasing nutrition



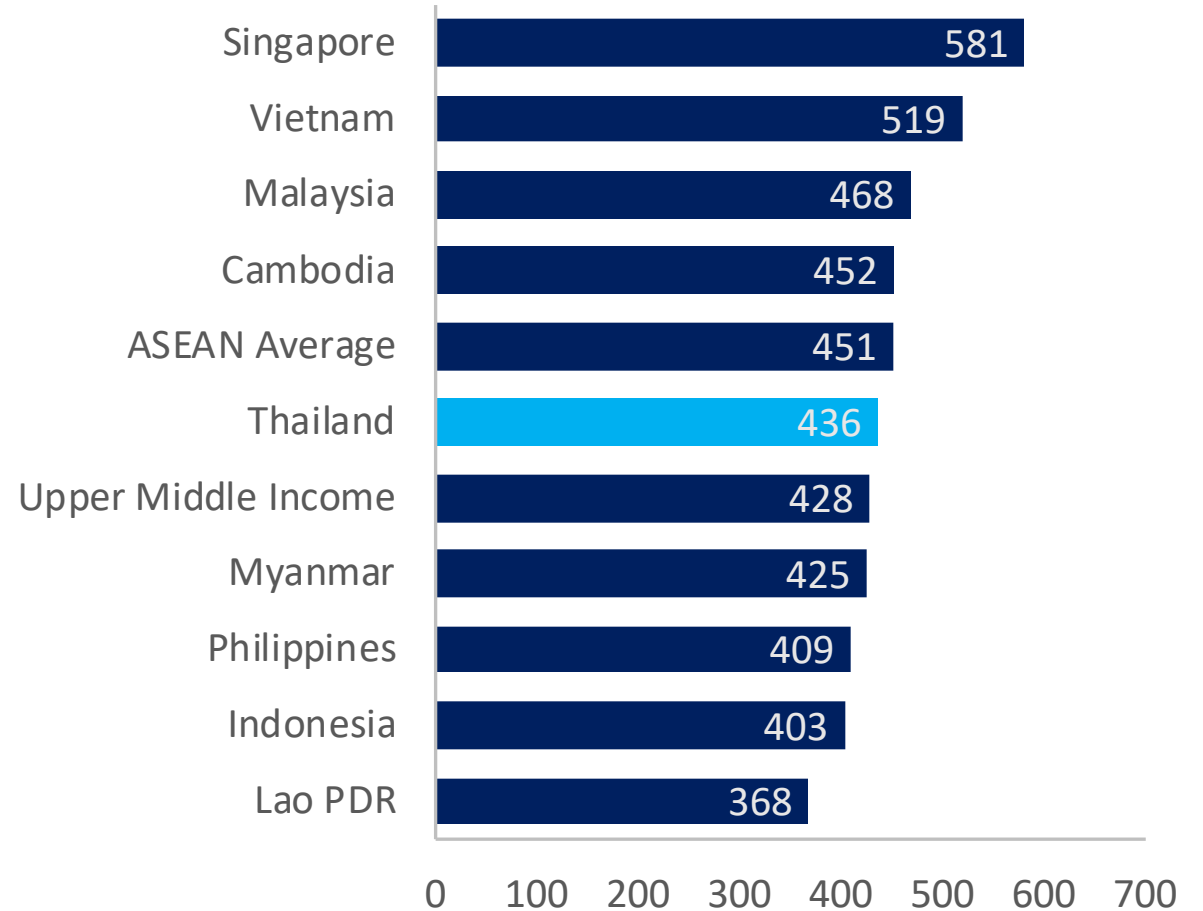


# The learning gap is higher than the ASEAN average

Average years of schooling is 12.4, but learning adjusted years is 8.6

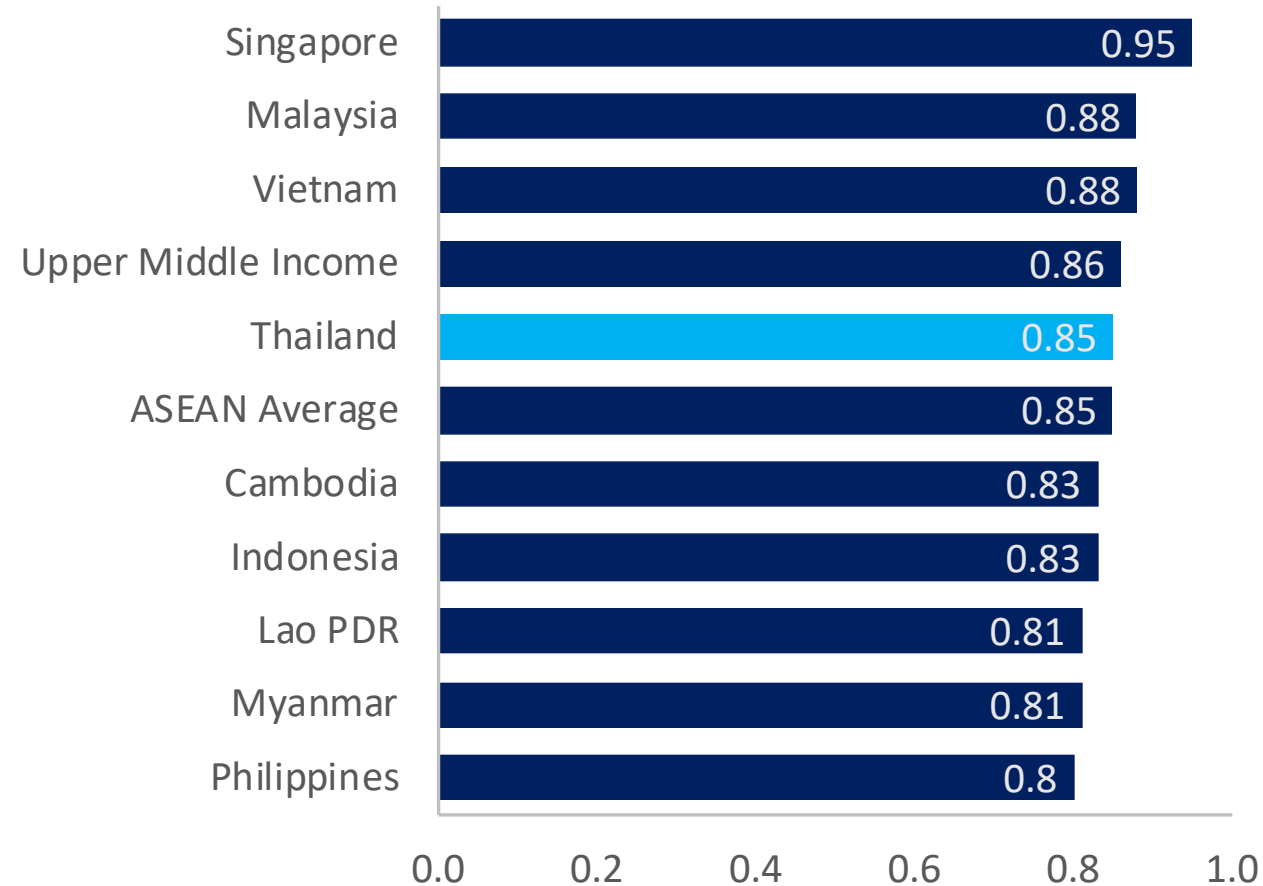


## Harmonized Test Scores



# Adult survival rates are lower than half of all countries, and rates of non-communicable diseases are increasing

Adult Survival Rate



# Implications of the Human Capital Index for Thailand

- ❖ A child born today in Thailand can expect to be only 60% as productive as a future worker as she would be if she enjoyed complete education and full health
- ❖ Thailand is a high performer in terms of high child survival and low stunting
- ❖ Education quality is lagging
- ❖ Adult survival rates in Thailand are lower than half of all other countries

# Policies to improve HCI

## CHILD SURVIVAL



Rising rates of teenage pregnancies

## SCHOOL



Low Education Quality

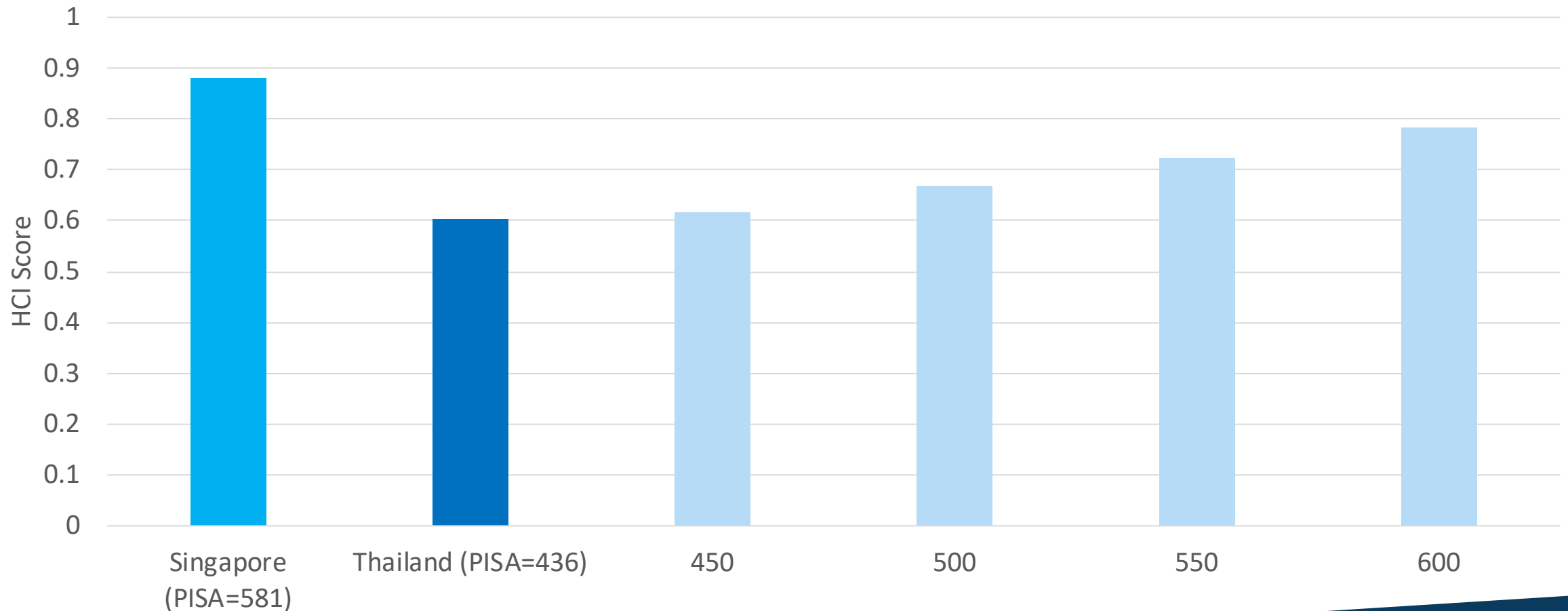
## HEALTH



Low Adult Survival Rates, rising NCDs

# A focus on all aspects of human capital must be taken

Increasing PISA scores alone will not lift the HCI score to the highest possible levels



# Importance of equalizing opportunities to promote equitable outcomes

- ❖ Reducing inequality of opportunities can set in motion a virtuous cycle.
- ❖ When the outcomes of children become less tied to the circumstances of their birth or the characteristics of their parents, relative mobility is high, inequality traps are broken, economic growth is stimulated.
- ❖ Equitable investment must be paired with good macroeconomic management, institutions, a functioning labor market.
- ❖ These positive changes foster a more inclusive process of growth, and in turn helps mobility rise further.



▶ PART 3.

DISCUSSION AND Q&A