# Thailand and EEC Focus

## Quarterly Bulletin Q1/2022

EEC
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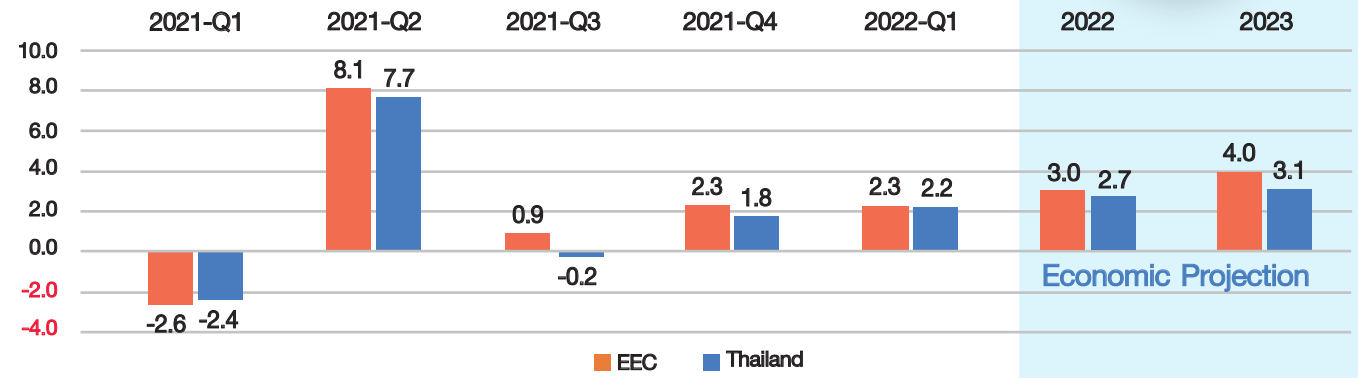
## Economic Growth Rate

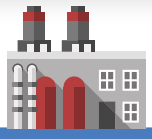



### Positive Factors

- The global economy continues to recover, enabling Thai exports to grow well.
- Loosening COVID-19 restrictions and the entry rules for foreign tourists has resulted in a continuous growth of tourism.

### Negative Factors

- The commodity prices are on the rise in the domestic market due to increasing prices of raw materials and intermediate goods, especially oil prices.
- The conflict between Russia and Ukraine, including the global supply chain and logistics system disruption leads to increasing product prices and production costs



### Thai Economy in Q1/2022

In Q4/2021, the Thai economy expanded 2.2% and 1.1% after seasonally adjusted from the previous quarter.

- Private consumption accelerated from the previous quarter due to gradually easing pandemic control measures, higher income and the continual stimulus scheme.
- Exports surged but at the lower rate from the previous quarter due to the global supply chain disruptions in automotive sector, while the global economy continue growing.
- Private investment improved from the previous quarter driven by investment in equipment and machinery, especially in motor vehicle group, in line with the improvement of business confidence.
- Government spending expanded at slower pace because of government's expenditure for consumption and investment decreased.



### EEC Economy in Q1/2022

The EEC economy in the first quarter grew by 2.3%.

- The industrial sector continued to expand from export recovery but tended to slow down.
- The service sector continued to recover as a result of the loosening COVID-19 restrictions and the entry rules for foreign tourists through the Test and Go policy. However, the epidemic of various types of viruses still needed to be closely monitored.
- Agricultural sector expanded from the previous quarter, supported by higher prices and larger volumes of agricultural products.



### Economic Trend in the Next Period

Thai and the EEC economies are likely to grow amidst risk factors from abroad

- The Thai and the EEC economies in 2022 are projected to grow by 2.7% and 3.0% respectively. They are forecasted to be 3.1% and 4.0% in 2023.
- The expanded list of pilot areas for tourism, an opening policy for foreign tourists, and deceleration of new cases of COVID-19 infection support the recovery of Thailand's domestic economy and tourism. In addition, the number of foreign tourists is expected to increase by 7.5 million in 2022 to 14.5 million in 2023
- However, the prolonged Russia-Ukraine war and sanctions from leading countries cause the production costs on an upward trend, estimating the inflation rate to stay high at 6.4% in 2022 and 5.9% in 2023. They are risk factors for the recovery of the Thai economy going forward.

Note: Data in the report were estimated as of May 20, 2022



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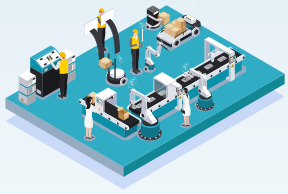
# EEC Economic Outlook in 2022



### Exports

Thailand's exports continue to grow as trading partners recover. Furthermore, many countries worry about the ongoing war and start to stockpile more goods. Exports are expected to grow by 10.5%. As a results, the EEC economy is expanding due its high share of exporting manufacturing. However, in the first quarter of 2022, the exports of automotive industry still suffer from the shortage of computer chips and hence some automotive manufactures decide to slow down their production capacity.



### Private Consumption

Private consumption improved, with consumption forecast to grow by 2.7%. Despite more severe spread of Omicron strain, the new cases of COVID-19 infection have started to be under control. Moreover, the Omicron strain has inflicted less damages than the previous waves of COVID-19. This is due to the fact that the vaccination coverage of Thai population reached 70-80%. With the strong recovery in industrial exports and agriculture production, incomes of industrial workers and farmers are increasing.



### Private Investment

Private investment increases approximately by 3.3%, especially in machinery and equipment. Similarly, construction activities drop from rising costs of construction materials. This, in turn, leads to lower value of investment promotion applications of THB 60,360 million from 107 projects, falling by 2.5% from last year. However, the infrastructure projects in EEC are still on track.



### Number of Tourists

The number of tourists is rising tourism from abroad about 7.5 million people as a result of the adoption of the Test and Go policy for foreign tourists, the relaxation of COVID-19 infection control measures, and extended time for alcohol consumptions in restaurants. The tourism industry starts to gain some ground.

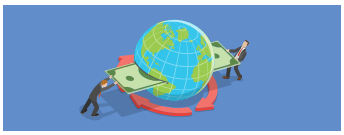
# Future Risks



Easing control of the spread of COVID-19 after the country reopens and a virus mutation abroad could cause another wave of outbreaks.




In the event of a prolonged Russian -Ukraine war or additional sanctions on Russia, commodity, energy, and oil prices would be even higher and more volatile. In addition, prolonged disruption of global supply chains and logistics systems, related to important raw material costs, could impact the entrepreneurs' production and transportation costs.



Global financial markets and international investments movement are volatile. Since the central banks raise their policy interest rates to mitigate increasing inflationary pressures, it may result in uncertainty in financial markets and exchange rates.



The high level of private debt burden hinders recovery in domestic demand and debt service coverage during rising interest rates.Moreover, the labor market has not fully recovered, and there is quite high unemployment rate in some sectors, especially the business tourism, hotel, and communication activities.

Note: Data in the report were estimated as of May 20, 2022



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# Thailand and EEC Economic Projection

### Thailand and EEC Economic Projection

| %YoY | 2020 | | 2021 | | 2022f | | 2023f | |
|---|---|---|---|---|---|---|---|---|
| | Thailand | EEC | Thailand | EEC | Thailand | EEC | Thailand | EEC |
| Real GDP growth rate | -6.2 | -7.1 | 1.5 | 3.3 | 2.7 | 3.0 | 3.1 | 4.0 |
| Agriculture | -3.5 | -1.3 | 1.0 | 2.4 | 1.9 | 2.3 | 1.9 | 4.3 |
| Industry | -5.9 | -6.0 | 3.4 | 3.8 | 1.1 | 1.8 | 1.6 | 3.8 |
| Services | -6.7 | -9.9 | 0.7 | -0.4 | 3.6 | 5.2 | 3.9 | 4.3 |

### Investment Promotion (Cumulative Value of Applications Received)

| Targeted Area In the 1st Quarter | Number of Projects | | Investment Value (MB) | |
|---|---|---|---|---|
| | Jan - Mar 2021 | Jan - Mar 2022 | Jan - Mar 2021 | Jan - Mar 2022 |
| Thailand | 374 | 378 | 118,400 | 110,730 |
| EEC (MB) | 109 | 107 | 61,910 | 60,360 |
| (%YoY) | | -1.83 | | -2.50 |
| Rayong (MB) | 49 | 39 | 27,200 | 46,410 |
| (%YoY) | | -20.41 | | 70.63 |
| Chonburi (MB) | 44 | 56 | 24,760 | 12,040 |
| (%YoY) | | 27.27 | | -51.37 |
| Chachoengsao (MB) | 16 | 12 | 9,960 | 1,910 |
| (%YoY) | | -25.00 | | -80.82 |
| % of EEC to the whole country | 29.14 | 28.31 | 52.29 | 54.51 |

Source: BOI as of May 17, 2022

### New Factories in EEC

| Province | Q3/2021 | | Q4/2021 | | Q1/2022 | |
|---|---|---|---|---|---|---|
| | No. of Factories | Value (MB) | No. of Factories | Value (MB) | No. of Factories | Value (MB) |
| Chachoengsao | 13 | 2,355 | 23 | 1,519 | 24 | 679 |
| Chonburi | 70 | 3,490 | 46 | 3,020 | 49 | 3,785 |
| Rayong | 26 | 1,820 | 30 | 1,446 | 26 | 1,496 |
| EEC | 109 | 7,665 | 99 | 5,985 | 99 | 5,960 |

Source: The department of Industrial Works

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