

With a recovery of its tourism industry difficult to forecast, Thailand has laid out a new domestic growth strategy

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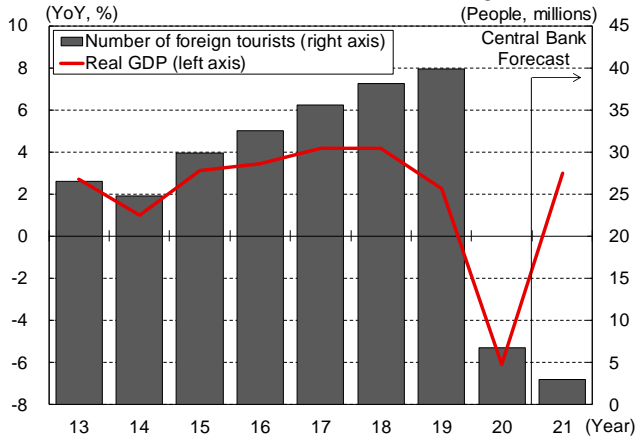
Thailand is heavily reliant on its tourism industry – tourism income from foreign tourists (approximately 40 million in 2019) accounts for around 10% of its nominal GDP – and the real economy and tourism industry are normally highly interwoven (Chart 1). The Bank of Thailand estimates the real GDP growth rate for this year will be 3.0% YoY yet, in order to achieve this, the number of foreign tourists – which currently stand at around zero – will need to number at 3 million or more this year. If this number is lower than 100,000, it is expected to put around -1.7% points of downward pressure on real GDP and there are concerns that a slow recovery in the tourism industry will have a direct impact on the economy. As a result, the Thai government set out a policy in March that will waive the quarantine period for foreign tourists entering Thailand and announced it would implement the policy in areas such as Phuket from July onwards. However, the current rise in new COVID-19 cases threatens the implementation of this policy. Enacting an effective policy that attracts foreign tourists is still difficult as it is likely to be some time yet before the global pandemic comes to an end. As such, it is difficult to predict when a full-scale recovery for the tourism industry will occur.

Meanwhile, the Thai government acknowledges that being heavily reliant on the tourism industry is a weakness in the economy and, in January this year, devised a new national strategy focused on after the COVID-19 pandemic: the Bio-Circular-Green Model (Table 1). Up until now, Thailand has been focusing on attracting foreign-owned enterprises and developing high-tech industries as set out by its 2016 policy, Thailand 4.0. In addition to this, the BCG Model makes clear the government's focus on the environment in line with the global trend, and is a strategy that tries to invigorate the country's strength – agriculture – by connecting it to environmental conservation. Prior to the policy, the Board of Investment of Thailand lowered tax for foreign-owned enterprises that had carried out investment related to BCG. According to a press release, BCG-related inward direct investment last year was 17.2% YoY and appears to be rising, despite the significant decrease in total investment due to the pandemic.

The concept for the BCG Model is expected to spark investment needs for corporations from developed countries, which are highly interested in environmental fields, and may become a foothold for creating industries with a new focus in order to achieve sustainable growth. A concrete framework for investment plans has not yet been made and it would be wrong to hold excessive expectations at this point; however, it will be important as a new development model

for emerging countries that rely on tourism amid the ongoing sense of uncertainty about a recovery of international tourism.

Chart 1: Thailand's Real GDP and Foreign Tourists



Source: National Economic and Social Development Council, MUFG Bank Economic Research Office

Table 1: Thailand's Major Policies

Thailand 4.0 (2016-2036)	
Summary	Policy to develop high-tech industries by attracting foreign investment to become a high-income country
Important fields	10 fields including next generation automobiles, smart electronics, digital and robots
Bio-Circular-Green (BCG) Model (2021-2026)	
Summary	<ul style="list-style-type: none"> A 5-year plan that aims to develop the economy using Thailand's strength - agriculture A strategy that brings the focus on environment from Thailand 4.0 to the fore
4 Strategies	<ol style="list-style-type: none"> Build sustainability that balances environmental conservation with use of resources Develop regional economies with technological innovation Encourage sustainable competitiveness as part of a BCG economy Improve capacity to respond to changes towards becoming an international society
4 Important Fields	<ol style="list-style-type: none"> Food and agriculture Medicine and health Bioenergy and biomaterials Tourism and creative economy (eco tourism, sports and culture)

Source: Various news reports, MUFG Bank Economic Research Office

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