

Krungsri Research slashes 2020 GDP growth forecast to -10.3% due to COVID-19 impact, before recovering to 2.9% growth in 2021

Bangkok (6 July 2020) – **Krungsri Research** revises down Thailand's GDP growth forecast to -10.3% for 2020 from previous forecast of -5% on expectation of rising downside risk from the prolonged slowdown of economic activities as a result of the outbreak of the 2019 coronavirus or COVID-19 that are harder and longer than expected, and its repercussions into several economic sectors.

Dr. Somprawin Manprasert, Head of Krungsri Research and Chief Economist, said, "Despite zero new infection in Thailand for more than a month and some easing lockdowns, the containment measures, such as continued social distancing and a ban of international flights, as well as signs of behavioral changes, continue to depress economic activities. Thus, Krungsri Research revises this year's economic growth forecast to a contraction of 10.3%, lower than the 1998 Asian financial crisis, but expects a gradual recovery with a growth of 2.9% in 2021."

Global COVID-19 cases have exceeded 10 million, with the possibility of persistent increase in the number of infections. With risks of second wave of pandemic in several countries, the implementation of international flight ban measures will be longer than earlier expected, which will greatly undermine the tourism sector. Thailand relies heavily on tourism revenue, making it one of the vulnerable countries affected by the COVID-19 outbreak. Foreign tourist arrivals in Thailand are expected to decline by 83% this year. Even though Thailand will open borders by implementing the Travel Bubble Policy, the number of foreign tourist arrivals is likely to be lower than 1 million per month as of the middle of 2021.

The slowdown of economic activities and the negative consequences that are extended to various economic sectors could affect about 80% of employment during the peak of COVID-19 outbreak compared to previous forecast of 50%. In the last quarter of this year, about 30% of employment are likely to be affected, compared to previous forecast of 10%, which will undermine household income and consumers' purchasing power.

The reduction in policy interest rate to a record low of 0.5% and easing monetary measures could lessen the economic impact to some degree. However, it is expected that debts of households and businesses could rise shortly after the ending of relief measures to alleviate the impact of COVID-19 outbreak on households and businesses, which will increase the risk of unemployment and the financial sector.

“Apart from the impact of the COVID-19 outbreak, which could weight down the Thai economy by 10.6 percentage points this year, the delays in infrastructure investments and drought crisis could drag down GDP growth by 1.0 and 0.4 percentage points, respectively. Although the stimulus measures could add about 1.7 percentage points to economic growth this year, the fiscal and monetary easing measures are unlikely to fend off an economic recession and might not be large enough to encourage household spending and private investment. Therefore, Krungsri Research expects the Thai economy will be in U-shaped recovery, but with higher risk of L-shaped recovery, mainly because the pandemic is likely to hit the economy harder and longer than previous forecast.” Dr. Somprawin added.

-Ends-

About Krungsri

Krungsri (Bank of Ayudhya PCL and its group companies) is the fifth largest financial group in Thailand in terms of assets, loans, and deposits, and one of Thailand's five Domestic Systemically Important Banks (D-SIBs) with 75 years of history in the country. Krungsri is a strategic member of the Mitsubishi UFJ Financial Group (MUFG), Japan's largest financial group and one of the world's largest financial organizations. Krungsri provides a comprehensive range of banking, consumer finance, investment, asset management, and other financial products and services to individual consumers, SMEs, and large corporations through 688 branches (648 Banking Branches and 40 Auto Business Branches) and over 33,255 service outlets nationwide. The Krungsri Group is the largest card issuer in Thailand with 9.3 million credit cards, sales finance, and personal loan accounts in its portfolio; a major automobile financing service provider (Krungsri Auto); one of the fastest growing asset management companies (Krungsri Asset Management); and a pioneer in microfinance (Ngern Tid Lor).

Krungsri is strongly committed to the highest level of integrity in conducting its business. All Krungsri Group companies have been awarded accreditation from the Private Sector Collective Action Coalition Against Corruption (CAC) in collaboration with industry peers and stakeholders on a zero tolerance approach to corruption.

About MUFG (Mitsubishi UFJ Financial Group, Inc.)



Mitsubishi UFJ Financial Group, Inc. (MUFG) is one of the world's leading financial groups. Headquartered in Tokyo with over 360 years of history, MUFG is a global network with over 3,000 offices in more than 50 markets. The Group has over 180,000 employees, and offers services including commercial banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing. The Group aims to "be the world's most trusted financial group" through close collaboration among our operating companies and flexibly respond to all of the financial needs of our customers, serving society, and fostering shared and sustainable growth for a better world. MUFG's shares trade on the Tokyo, Nagoya, and New York stock exchanges. For more information, visit <https://www.mufig.jp/english>.

For further information, please contact:

Public Relations Department

Bank of Ayudhya PCL

Tel: 02 296 4023

Email: Krungsri.PR@krungsri.com