

# Macroeconomic Update

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**13 May 2021**

# Agenda



**Global Economy (IMF)**



**United States**



**Eurozone**



**China**

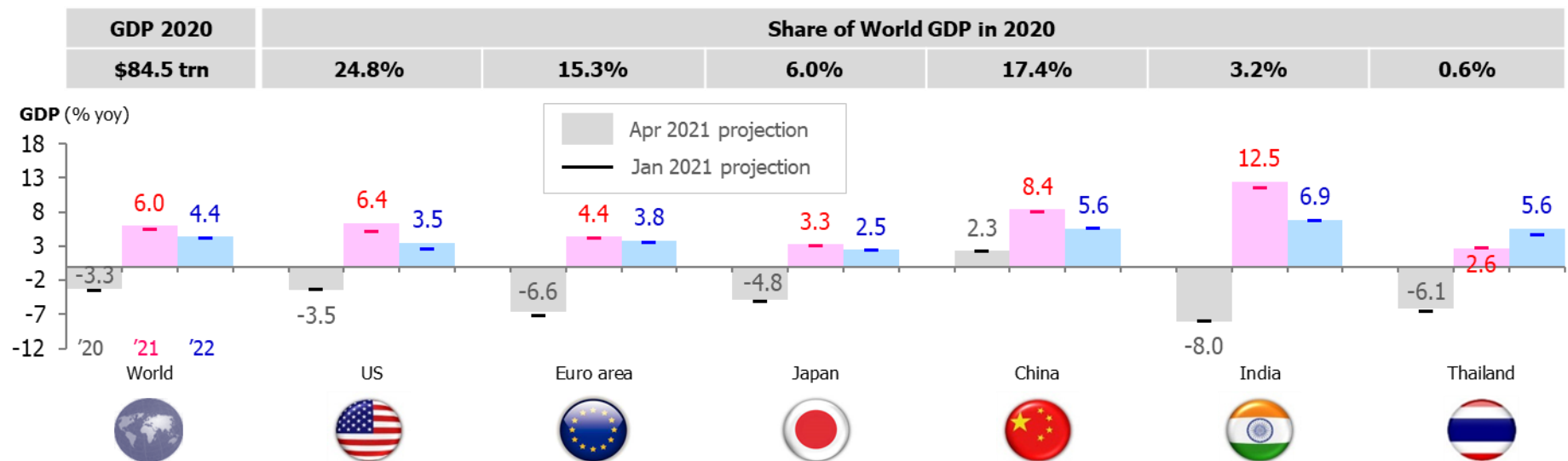


**Thailand**



**Special Report**

# IMF WEO (Apr 2021): Managing Divergent Recoveries



Source: IMF WEO (Apr 2021)

- **Global economy projected to grow 6.0% in 2021** (0.5 percentage point above Jan 2021 forecast) and 4.4% in 2022 (0.2 percentage point above Jan 2021 forecast)
  - The upward revision reflecting additional fiscal support in a few large economies (particularly the US), the anticipated vaccine-powered recovery in H2/2021, and continued adaptation of economic activity to subdued mobility
- **However, economic recoveries diverging across countries and sectors**, as economies with slower vaccine rollout, more limited policy support, and more reliance on tourism do less well
  - The US projected to return to end-of-2019 activity levels in H1/2021 and Japan in H2/2021; while in the euro area, activity to remain well-below end-of-2019 levels into 2022
  - China already returning to pre-COVID-19 GDP in 2020; whereas many other emerging and developing economies not expected to do so until well into 2023

## Risks to Growth

- + **Upside:** faster progress with vaccinations, additional policy support
- **Downside:** more prolonged pandemic (with virus variants that evade vaccines), tighter financial conditions (in response to adverse COVID-19 developments or premature withdrawal of policy support), reevaluation of inflation risks (following inflation surprises in the context of large monetary and fiscal support)

## IMF Alternative Scenarios

### Upside

Vaccine rollout 10% faster than in the baseline\* and effective against new variants; quickly receding disease concerns to lead to faster-than-expected normalization of mobility, boosting confidence of both households and firms; well-anchored inflation expectations assumed

### Downside

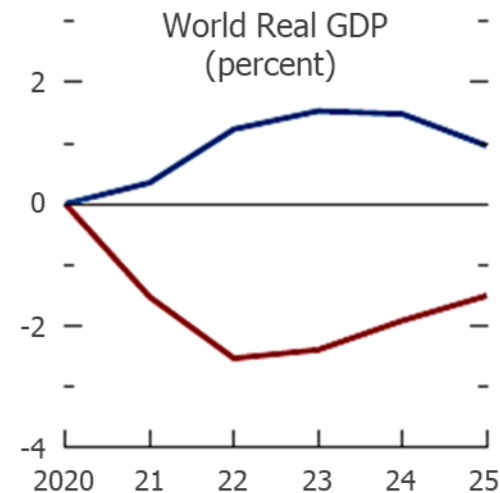
Vaccine supply bottlenecks to lead to delays in reaching herd immunity of about six months in advanced economies and nine months in emerging market and developing economies, slowing the normalization in mobility and the recovery in demand in contact-intensive sectors

IMF WEO (Apr 2021)

### Scenario Figure

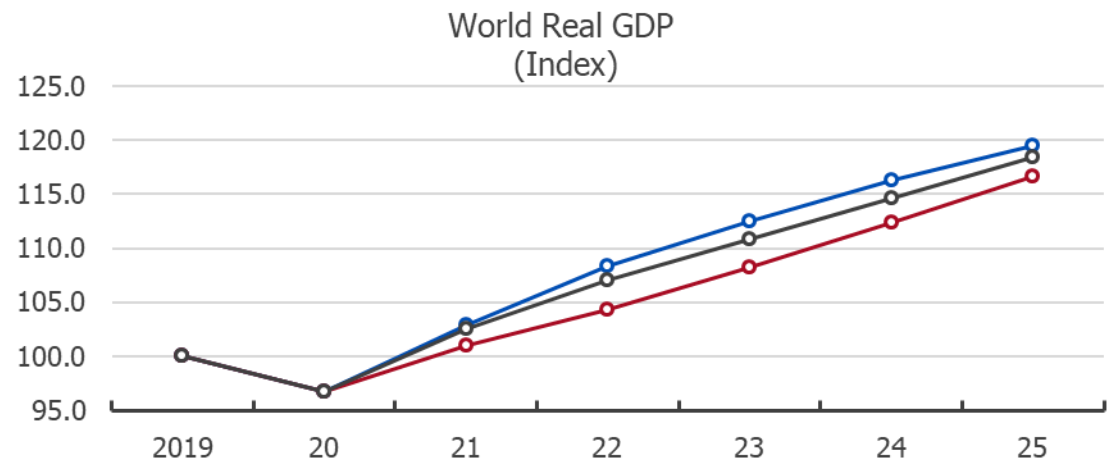
(Deviation from baseline)

— Upside scenario  
— Downside scenario



### World Real GDP Growth by Scenario (%)

	2019	2020	2021	2022	2023	2024	2025
Baseline			6.0	4.4	3.5	3.4	3.3
Blue	2.8	-3.3	6.4	5.3	3.8	3.3	2.8
Red			4.4	3.3	3.7	3.9	3.8



References: IMF WEO (Apr 2021)/IIRE staff calculation

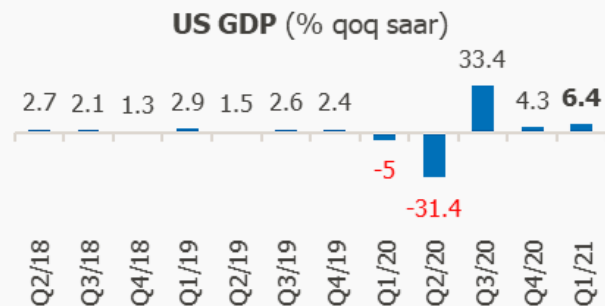
\* In the baseline, broad vaccine availability in advanced economies and some emerging market economies expected for the summer of 2021 and in most countries by H2/2022



## 1 US Economic Rebound Gains Momentum in Q1

**Apr 29:** US GDP advancing 6.4% in Q1 amid massive fiscal stimulus, widespread vaccinations, and easing of lockdowns

- This biggest Q1 growth since 1987 bringing real GDP to just 1% below pre-pandemic level



### US vaccination update (as of May 11)

334.1 mn doses administered	116.6 mn Americans fully vaccinated (35% of population)
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### Looking Ahead:

- The Fed, signaling it is in no rush to remove its ultra-easy monetary policy, projecting 6.5% growth this year (vs. -3.5% in 2020)

Sources: FT/ US Department of Commerce/ CNBC/ Trading Economics/ NY Times

## 2 Biden Unveils \$2 Trillion US Infrastructure Plan and Big Corporate Tax Rise

**Mar 31:** Biden unveiled **infrastructure plan worth roughly \$2trn** over 8 years, which to be paid for over 15 years by **raising corporate tax rate and taxes on companies' foreign earnings**; this multitrillion-dollar effort to reshape US economy came after \$1.9trn COVID-19 relief bill

### Spending plan

- Transportation infrastructure and EV: **\$621 bn**
- Green housing, schools, power and water upgrades: **\$561 bn**
- Mfg. subsidies, R&D: **\$480 bn**
- Elder and disability care: **\$400 bn**
- Broadband and job training: **\$200 bn**

### Revenue plan

- Increasing corporate tax to 28% from 21%: **\$695 bn**
- Raising minimum tax on US companies' foreign profits to 21% from 10.5%: **\$495 bn**
- Repeal tax loophole for intangible income: **\$217 bn**
- End fossil fuel tax breaks and anti-inversion measures: **\$54 bn**

**Looking forward:** According to Jeffries economists, the plan could add between 0.5-1 percentage point to US 2022 GDP growth forecast of 5.2%, from an estimated 6.9% in 2021

Sources: FT/ WSJ/ The White House/ Forbes/ Jeffries/ MarketScreener/ Reuters/ CNBC

## 3 Biden's New Goal: Get 70% of Americans Vaccinated by 4th of July

**May 5:** Biden set a new vaccination goal in giving at least one shot to 70% of adult Americans and having 160mn adults fully vaccinated by July 4



- Biden's new goal took into account an increasing, though not unexpected, challenge of getting shots into the arms of people who are hesitant about the vaccine
- To meet the broader target, the gov't has begun encouraging vaccination sites to offer walk-in appointments, funding more pop-up and mobile clinics, and allocating more doses of the vaccine to rural communities

Sources: Reuters / CNBC / Bloomberg / NPR / APnews

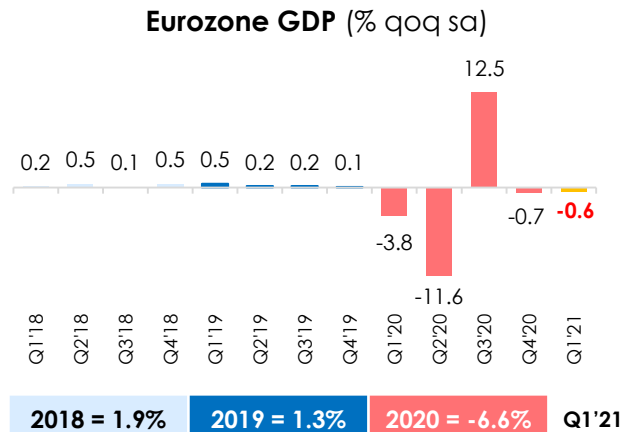
# Eurozone Update

1

## Eurozone GDP Slips into another Recession amid tighter lockdowns

**Apr 30:** The Eurozone economy shrank 0.6% qoq sa in Q1'21, as slow vaccine rollouts and extended lockdowns delayed a hoped-for recovery, amid a 3<sup>rd</sup> wave of coronavirus infections

- It marked the 2nd consecutive quarter of contractions, meaning the region is in a technical recession
- Among the bloc's biggest economies, Germany, Italy and Spain fell back into contraction territory, while France's economy returned to growth, as the gov't delayed the imposition of lockdown measures



- **Outlook:** The IMF ([Apr 2021](#)) revised up Eurozone GDP growth to 4.4% in 2021

Sources: The Guardian / CNBC / DW / CNN / McKinsey

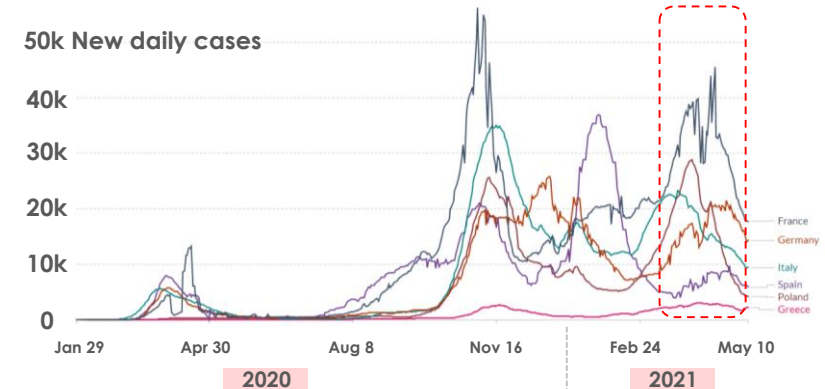
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## Third COVID-19 Wave Hits Europe: Lockdowns Imposed and Vaccines Remain a Problem

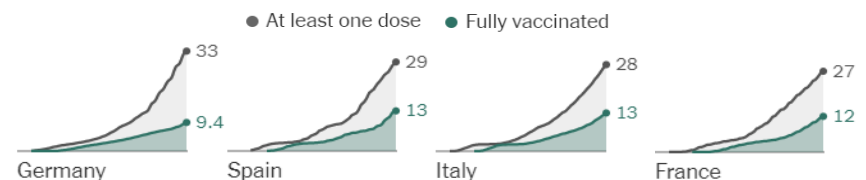
**Mar 22:** Several European countries were extending or reintroducing lockdown measures as a 3<sup>rd</sup> wave of the pandemic sweeps the continent fueled by more contagious new variants of COVID-19

- The bloc's vaccine rollout remained sluggish and contentious due to production problems with the Pfizer, Moderna and AstraZeneca vaccines
- According to McKinsey, Europe's vaccine supply seems sufficient to vaccinate 68% of adults by June'21, while herd immunity is more likely to happen in Q4'21

Several European countries are entering a third wave of the pandemic



**Tracking vaccination rates by country** (Share of population vaccinated)

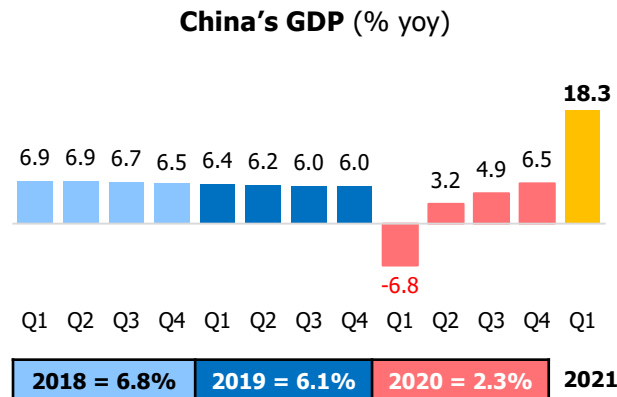


Sources: The Guardian/ CNBC/ DW/ CNN/ McKinsey/ **STRICTLY CONFIDENTIAL**  
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## 1 China Q1'21 GDP hit a new high

**Apr 16:** China's economy surged a record 18.3% YoY in Q1'21 due to low base effect and increasing in global demand

- The growth rate was just 0.6% QoQ in Q1'21, slowing from pace 3.2% QoQ growth in Q4'20.



### Looking Ahead:

- This “first into the pandemic, first out” momentum will slow over the rest of 2021, amid China's policy normalization in the aftermath of Covid19.
- Chinese government targets 2021 GDP growth at “6% above”.

Sources: NBS of China, WSJ, Nikkei Asia

## 2 China's 14th Five-Year Plan to Lead Global Recovery

**Mar 8:** China is set to lift its economic, technological and national strength to a new higher stage in the next 5 years, under a sweeping blueprint that has put heavy emphasis on improving domestic economic conditions, boosting technological innovation, while leaving sufficient room to cope with mounting risks and challenges

### Economics

- Not setting a specific GDP target for the 2021-2025 period, allowing more flexibility to respond to uncertainty, instead, a new target to be set each year, with over 6% in 2021
- To creation of more than 11 million new urban jobs

### Science and Technology

- To increase R&D spending by at least 7% each year through 2025
- To focus on domestic capabilities in a number of technological areas, including semiconductors, AI, quantum computing, biotech, blockchain, etc.

### Green Development

- To achieve peak carbon emissions by 2030 and carbon neutrality by 2060
- To cut the economy's carbon intensity per unit of GDP growth by 18% — the same level as in the last five-year plan

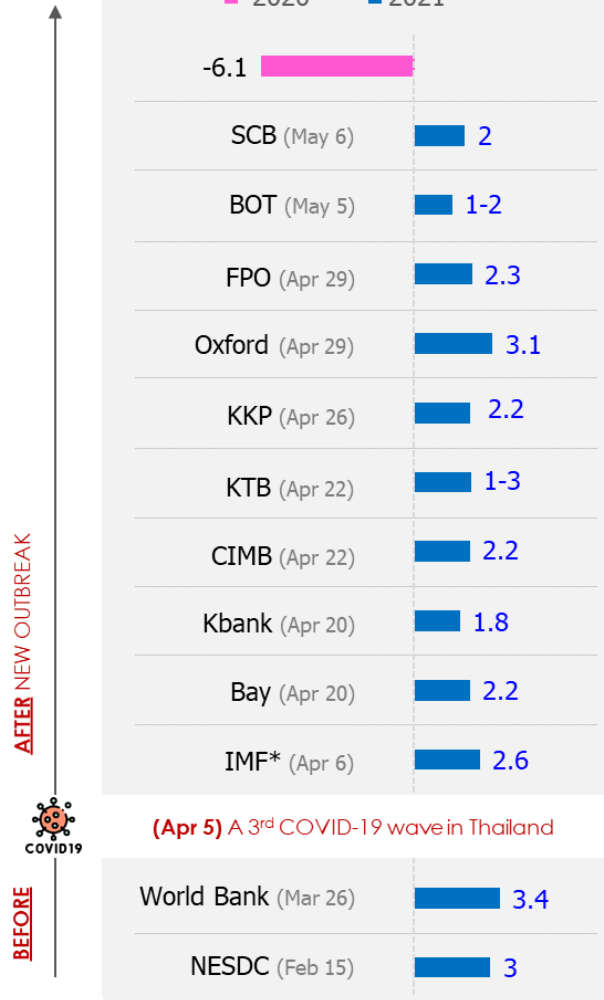
### International Policy

- To accelerate free trade negotiations with Japan and South Korea, and actively consider joining CPTPP

Sources: CNBC/ Nytimes/ China-briefing/ Globaltimes/ The Standard/ Nikkei/ FT/ Aljazeera/ ICIS

# Thailand Update

## Thailand real GDP (%)



\* IMF forecast not yet taking into account 3<sup>rd</sup> COVID-19 wave in Thailand



According to economic forecast from various sources, Thai economy will grow 1.0 – 3.4% in 2021, amid Virus Resurgence and Slow Vaccine Rollout



### GDP Drivers in 2021

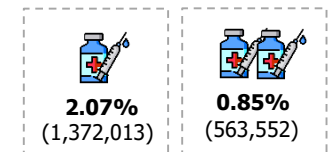
- + Improving global growth prospects to help support merchandise exports
- + Vaccine rollouts, though slower than elsewhere, to allow for a firmer recovery in H2/2021, with the government pledging 100 million vaccinations in 2021
- + Additional COVID-19 relief measures, and fiscal and monetary stimulus

- Virus resurgence and reintroduction of some social distancing posing near-term drag
- Subdued cross-border tourism until the pandemic is brought under control everywhere
- Scarring from COVID-19, i.e. firm closures, unemployed workers, and changed behavior



### Factors to Watch

- As of 11 May, only 2.07% of Thailand's population received at least 1 dose of vaccine
- According to Bloomberg, the latest vaccination rate is 57,120 doses per day, which will take another **4.9 years to cover 75% of the population**
- In order to inoculate at least **50 million people (70 %) by end-2021**, it require a challenging vaccination goal of more than **400K doses per day** in the next 8 months



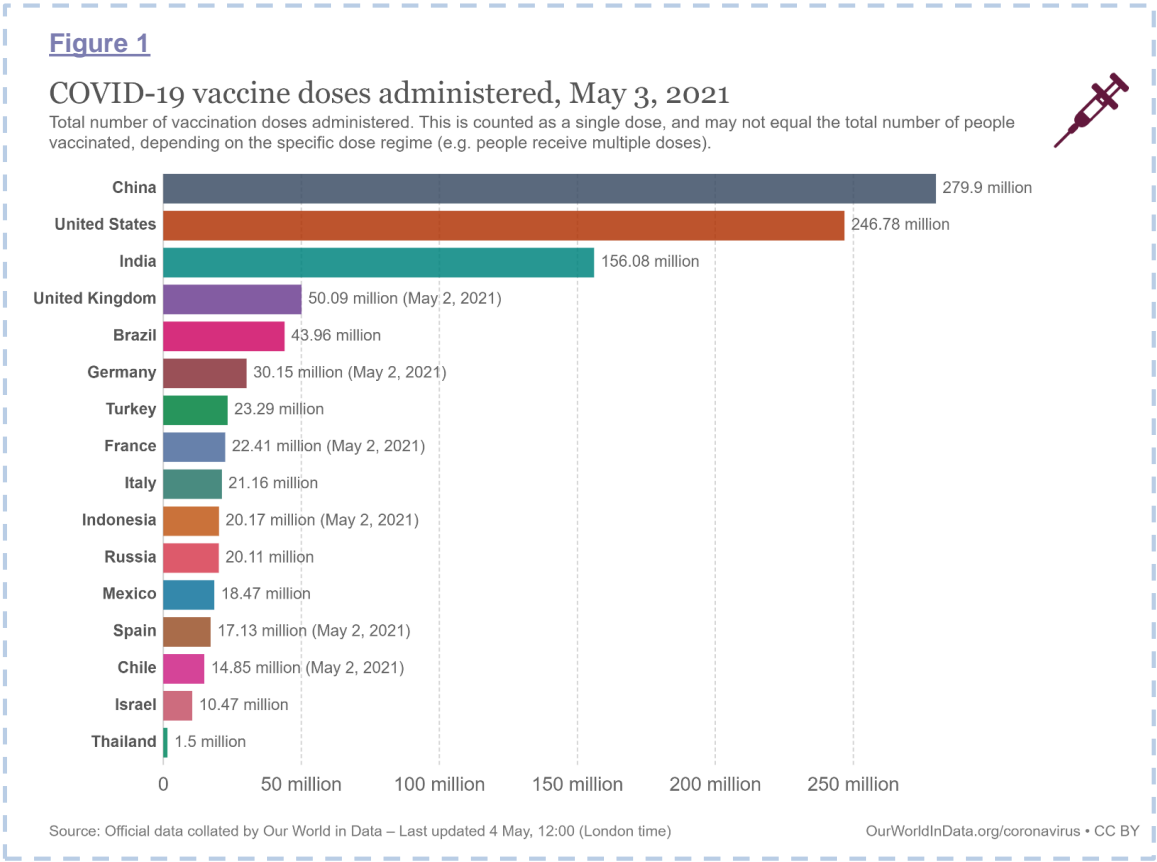
Sources: Reuters / Bangkok Post/ Nation / Krungsri / K-Research / KKP / Bloomberg

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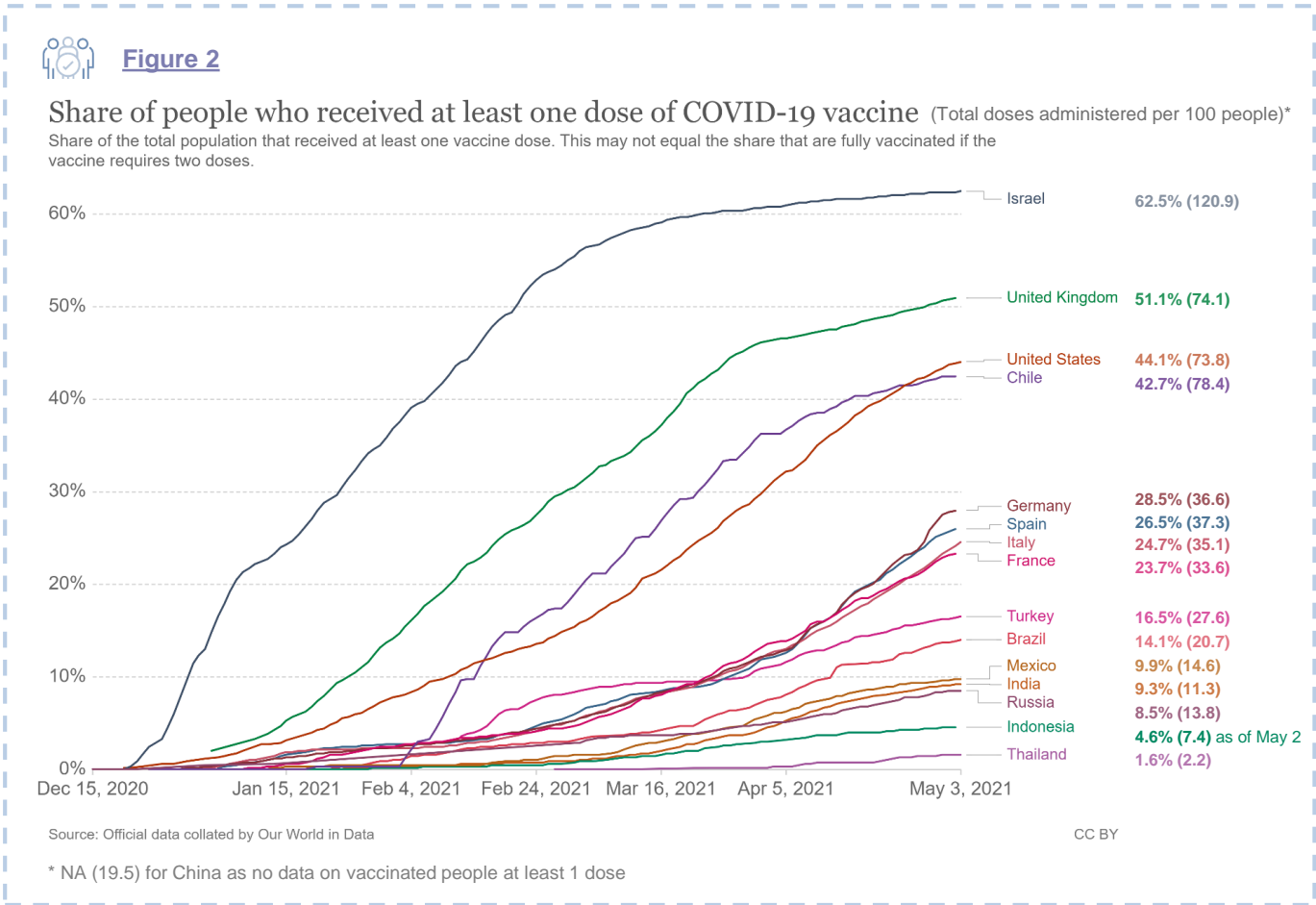
- This study explores the policy, logistics, obstacles and controversies involved in procuring and distributing COVID-19 vaccines.
- Under investigation are 15 countries with the most total doses administered (more than 10 million doses each as of Apr 14, 2021) and Thailand, all together accounting for 84% of the total doses administered worldwide (706.5 million out of 840.9 million).
- As of May 3, Figure 1 showed vaccine doses have been administered in those 16 countries with a total of 976.5 million from 1.18 billion around the world, accounting for 83% of the total doses.



Sources: Our World in Data/ Global News/ Duke/ The Lancet/ ASEAN Today/ WFPHA/ CFR

As of May 3, several countries such as Israel (62.5% of population received at least 1 dose of vaccine) and UK (51.1%) making swift progress immunizing their citizens, while vast majority having either vaccinated only small fractions of their populations or yet to start (Figure 2)

As of May 3, 2021	World	Thailand
Population (Million)	7,794.8	69.8
COVID-19 cases (Million)	153.6	0.07
Total doses administered (Million)	1,179.1	1.5
People vaccinated with at least 1 dose (Million)	611.0	1.1
% of people with at least 1 dose	7.8%	1.6%
Total doses administered per 100 people	15.1	2.2



Sources: Our World in Data/ Global News/ Duke/ The Lancet/ ASEAN Today/ WFP/HA/ CFR



Why is public sector needed?

Vast majority of COVID-19 vaccine purchases and distribution have been through **public sector**



Procurement and Distribution



COVID-19 vaccine viewed as a public good, govt **to ensure equitable access and allocate vaccines to priority groups**, particularly elderly and health-care workers, with some countries such as **Indonesia** prioritizing social media influencers to increase public's trust



**Vaccine suppliers** such as Pfizer-BioNTech, AstraZeneca-Oxford Univ., and J&J **to work only with govt during the pandemic**



**COVID-19 vaccines currently registered for emergency use**, meaning **responsibility for any side effects from inoculation lay with the govt** so that they can only be imported under govt's contract



**Large public purchase to help reduce costs and give stronger negotiation position** (EU negotiating purchase of vaccine on behalf of its member states e.g. **Germany, France, Italy, and Spain**)



**Strong relationship between govts could help procure early access of vaccines** e.g. **Israel, Chile and Turkey**



For countries (e.g. **Israel, UK, Chile, and US**) with **better public health infrastructure** (e.g. developed electronic health records system, well-trained community-based health care providers), **distribution and administration of vaccines by govt to surely be more efficient**



**Public procurement strategies** specifically EU's joint procurement strategy, **India, Brazil, and Thailand** widely criticized for being too slow and bureaucratic at a time when speed was of the essence



**Govt decision makers' biases and nationalism could lead to limited vaccine alternatives and skepticism** (e.g. **Chile, Turkey China, Russia, and Thailand**)



**Limited govt know-how could prove a drag to wider vaccination**, especially large country, with differing climate like **India and Russia**

Sources: Our World in Data/ Global News/ Duke/ The Lancet/ ASEAN Today/ CFR/ UNODC/ Politico/ Europa/ BBC/ Forbesindia/ CNBC/ WFP/ ESSA/ FT/ WSJ/ The Conversation/ AA

### Why is private sector needed?

So far private sector involvement often by govt invitation, as some countries struggle to ensure both supply and distribution

### Procurement and Distribution



**To reduce budget burden for govt, govt allowed private sector to directly import vaccines from international suppliers** e.g. **Mexico, India and Brazil** (firms required to donate half of their vaccine to public system)



In some countries, private sector to acquire doses by own budget, though through public sector procurement **to benefit from size and bargaining power to keep price affordable**

- **Indonesia** (for employee for free) and **Thailand** (tentative plan)



**Private healthcare sector's infrastructure and resources can be utilized to ensure quick inoculation within vaccine expiry period**



**To deliver vaccines to last mile and bolster vaccination efforts**

- **US:** Starbucks, Microsoft, and Costco to help distribute, deliver vaccine in effective, strategic, and timely manner
- **France:** Hiring consultants, McKinsey to help in defining logistical framework, Accenture for IT system,
- **China:** Incentives like supermarket vouchers and cash prizes used to persuade reluctant residents to get vaccinated



**Inequitable access** amid profit-maximizing preference of private sector over social benefits, higher vaccine price making it more inaccessible for low-income people and delaying immunization of priority groups



**Likelihood of black market for vaccines**



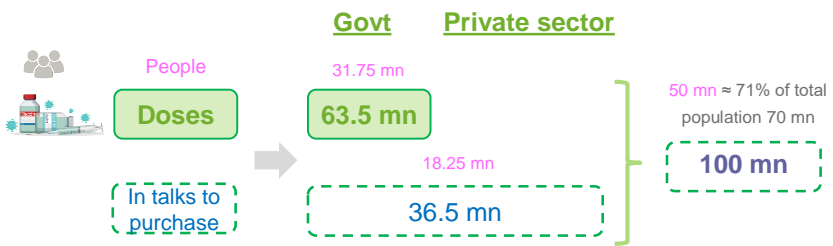
**Concern over uncoordinated private provision creating extra logistical challenges for follow-up**

Sources: Our World in Data/ Global News/ Duke/ The Lancet/ ASEAN Today/ CFR/ UNODC/ Politico/ Europa/ BBC/ Forbesindia/ CNBC/ WFP/ WFP/ ESSA/ FT/ WSJ/ The Conversation/ AA



# Thailand COVID-19 vaccine rollout strategy

Target: “100 mn doses of COVID-19 vaccine for 50 mn people in 2021”



Vaccine approved by FDA (as of May 3)	Plan (arrivals) (mn doses)	In talk to purchase (mn doses)
AstraZeneca-Oxford Univ.	61 (0.1)	
Sinovac	2.5 (2.5)	5-10
Johnson & Johnson		5-10
Pfizer-BioNTech		5-10
Sputnik V		5-10
Moderna or Sinopharm		7*

\*expected to be acquired by private sector

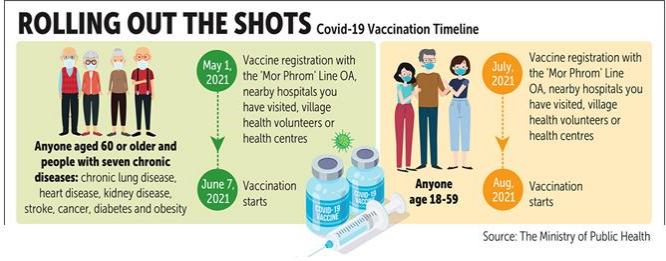


## How private sector purchases COVID-19 vaccine?

- 1.) Private companies to buy vaccine via GPO, due to many manufacturers not selling directly to private sector
- 2.) Private companies with import license from Thai Food and Drug Administration and letter of intent from Thai govt to directly import from suppliers

- Mar 31, govt allowed private hospitals to acquire vaccine doses via procurement by Government Pharmaceutical Organization (GPO), to accelerate vaccinations
- Apr 19, Thai Chamber of Commerce and its network of private firms supporting govt to speed up vaccine rollout, with firms to be split into 4 teams for
  - > **Team A** Distribution and logistics  
Provide personnel and equipment support, additional vaccination areas e.g. Central, SCG, The Mall, Siam Piwat, Big C and Tesco Stores
  - > **Team B** Communication  
Inform people who may be worried about vaccine safety e.g. Line, Google, Facebook
  - > **Team C** IT operation  
Develop a vaccination registration system by IBM-led tech firm and provide technical support to the state's official Line account "Mor Phrom"
  - > **Team D** Extra vaccine procurement  
Buy and offer alternative vaccines to private company staff
- Apr 28, private companies expecting to buy 7 mn doses, providing alternative vaccines e.g. Moderna and Sinopharm, while about 30 mn doses to be acquired by govt

- As of May 3, 1.5 mn doses administered, with 1.1 mn people vaccinated with at least 1 dose or 1.6% of population
- In order to inoculate at least **50 mn people by end-2021**, it require a challenging vaccination goal of more than **400k doses per day in the next 8 months** (the latest rate ≈ 70k doses per day)



Sources: Our World in Data/ The Lancet/ ASEAN Today/ Thaiger/ Thairath/ Hfocus/ Prachachat/ Workpoint Today/ TNN/ PPTV/ Thaigov/ BBC/ The MATTER/ Thai PBS/ Bangkok post/ The Nation/ The Standard



## Policy Implication



**Complementary roles of the public and private sectors in vaccine rollout**



**Govts need to determine many of the details for private vaccine programs**, including procurement strategy, pricing, distribution plans, accessibility and other technical issues



**Policy makers should urgently engage with communities** to improve confidence in vaccines and combat misinformation and rumours



Both globally and nationally, **availability of diversified sets of vaccine options likely to be needed** to bring the global pandemic under control



# BACK UP

# Highlights

1

## Biden Unveils \$2 Trillion US Infrastructure Plan and Big Corporate Tax Rise

**Mar 31:** US president Joe Biden unveiled **infrastructure plan worth roughly \$2 trn over 8 years**, **which to be paid for over 15 years by raising the corporate tax rate and increasing taxes on companies' foreign earnings**; this second multitrillion-dollar effort to reshape US economy came less than a month after \$1.9 trn coronavirus relief bill

### Spending plan

- Transportation infrastructure and electric vehicles (EV): **\$621 bn**
  - E.g. to propose \$174 bn investment in EV market, including to establish grant and incentive programs for state and local govt and private sector, and to build a national network of 500,000 EV chargers by 2030
  - \$115 bn to modernize bridges, roads and mass transit
- Green housing, schools, power and water upgrades: **\$561 bn**
  - E.g. \$213 bn to make homes more energy-efficient
  - \$100 bn to modernize electricity grid, tax credits for clean energy generation and storage and to plug orphan oil and gas wells, following the path to achieving 100% carbon-free electricity by 2035
  - \$100 bn to upgrade and build new public schools
- Manufacturing subsidies, R&D: **\$480 bn**
  - \$300 bn in manufacturing subsidies, including help for chipmakers
  - \$180 bn in R&D in new technologies such as artificial intelligence, biotechnology, and computing
- Elder and disability care: **\$400 bn**
- Broadband and job training: **\$200 bn**



### Revenue plan

- Increasing corporate tax to 28% from 21%: **\$695 bn**
- Raising minimum tax on US companies' foreign profits to 21% from 10.5%: **\$495 bn**
- Repeal tax loophole for intangible income: **\$217 bn**
- End fossil fuel tax breaks and anti-inversion measures: **\$54 bn**

### Looking forward:



- If passed by Congress, the plan would add a massive new layer of fiscal support to US economy
  - In the Senate, "budget reconciliation" allowing legislation to pass with simple majority, rather than the supermajority 60-vote most bills require
- According to Jeffries economists, the plan could add between 0.5-1 percentage point to US 2022 GDP growth forecast of 5.2%, from an estimated 6.9% in 2021
- The plan to be split into two programs, the first to focus on infrastructure, including green-energy programs, as it would be easier to get Republican support for infrastructure investments, before turning toward the second plan to improve education and expand paid leave and health-care coverage
- However, economists warning the govt risks piling on higher debt, overstimulating the economy and causing inflation, as well as business groups indicating tax increases to damp investment, undercutting the boost to growth

# Global Economy Outlook 2021

## IMF Forecast – 2021 GDP Growth



\* India's mismanagement of COVID-19 crisis leading to a surge in new infections of more than 300,000 daily cases since late Apr, with analysts expecting ensuing local lockdowns could shave off 1-3 percentage points of GDP growth



## A Firmer Footing, but with Divergent Recoveries



**Additional fiscal support** in a few large economies (particular, the Biden administration's \$1.9 trillion rescue package approved in Mar)



**Anticipated vaccine-powered recover in H2/2021**, as hundreds of millions of people are being vaccinated in many countries



**Economies continuing to adapt to pandemic life and new ways of working** despite reduced mobility



**The virus yet to be defeated**, with virus mutations and accelerating cases in many countries forcing occasional and localized lockdowns



**Divergences in the speed of recovery both across and within countries**, as economies with slower vaccine rollout, more limited policy support, and more reliance on tourism do less well



## Factors to Watch

- **Troubled Covid-19 vaccine rollout**; including limited access to COVID-19 vaccines, effectiveness of vaccines, and also fraction of population refusing vaccination
- **The new variants and resurgence of COVID-19**
- **Debt crisis and fiscal position in many countries**
- **Geopolitical tensions and trade policy uncertainty**

Sources: IMF/ OECD/ DW/ The World Bank

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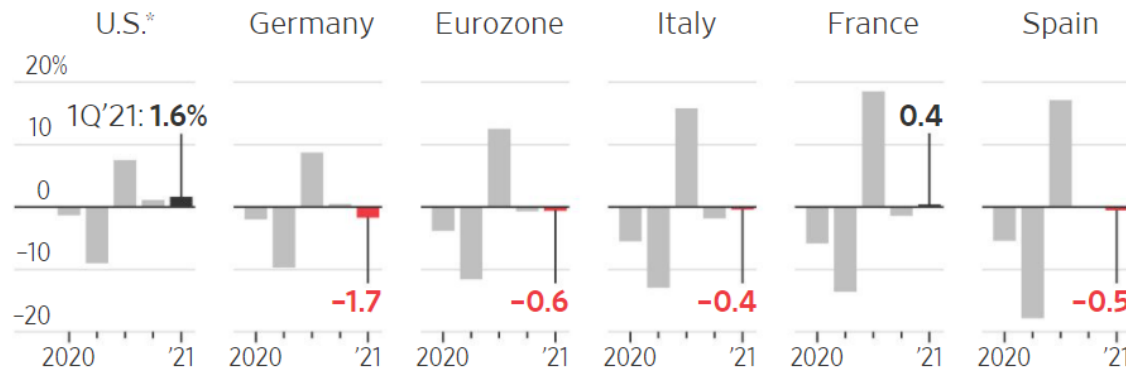


# EURO AREA - BACKUP

## Growth Gap

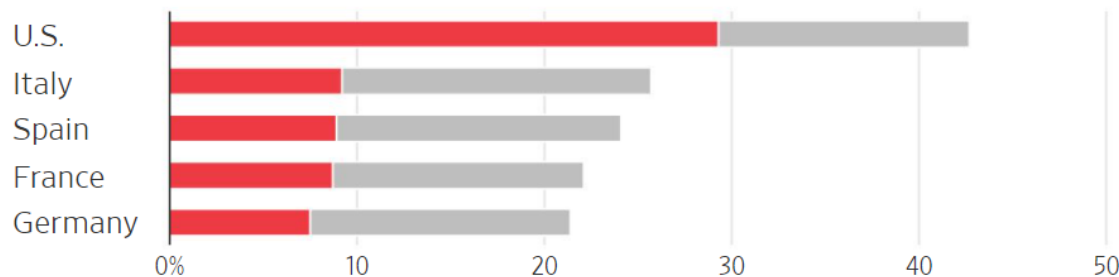
The U.S. and most European economies parted ways at the start of the year as vaccination programs moved at varying speeds.

### GDP, change from previous quarter



### Share of population vaccinated against Covid-19

■ Fully vaccinated ■ Received one dose

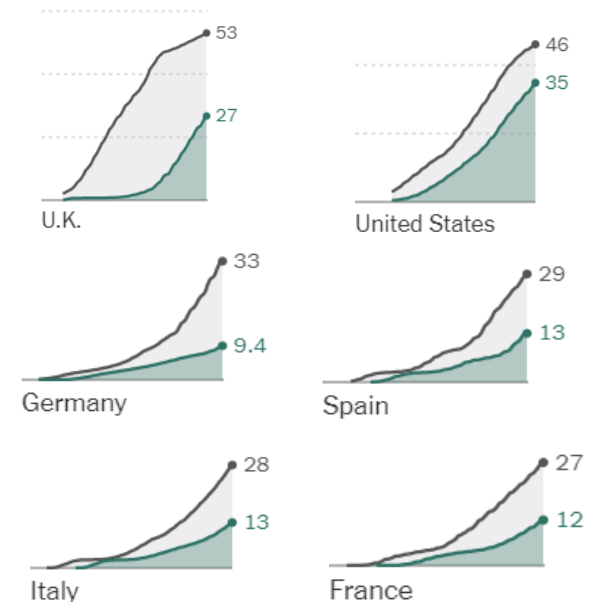


\*Seasonally and inflation adjusted

Notes: GDP seasonally and calendar adjusted; vaccinations as of April 28 except Spain and France (April 27)

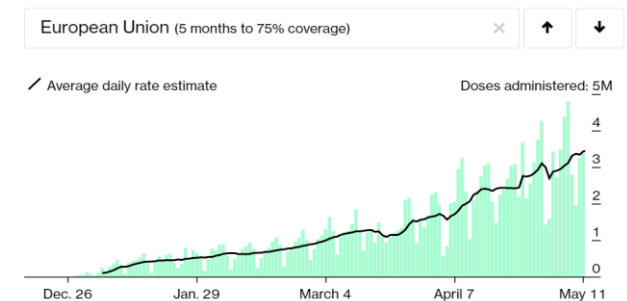
## Tracking vaccination rates by country

● At least one dose ● Fully vaccinated



### The Path to Immunity Around the World

In the European Union, the latest vaccination rate is **3,431,715 doses** per day, on average. At this pace, it will take another **5 months** to cover 75% of the population.



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