

## Thailand Watch

## Scaling down the handout

**Taking a step back**

Deputy Finance Minister Julapun Amornvivat reportedly said that the government was considering scaling down the “digital wallet” policy. The scheme previously planned to give Bt10,000 to everyone above 16 years of age, with a total cost of Bt550bn or about 3.2% of GDP. The handout would need to be spent within a six-month period. The policy is highly controversial in terms of its economic impact, opportunity costs, and how to finance it.

**Three options**

The subcommittee is now considering various options for the measures to be targeted. The options include (1) giving the handouts only to the poor registered with the public welfare program at around 15-16mn (the total costs are expected to reduce to Bt160bn or 0.9% of GDP), (2) giving it to all but those earning above Bt25,000 per month or having more than Bt100,000 in bank accounts (total costs of Bt430bn or 2.5% of GDP), and (3) giving it to all but those earning above Bt50,000 per month or having more than Bt500,000 in bank accounts (total costs of Bt490bn or 2.5% of GDP).

**The fiscal constraints**

It remains unclear how the government would finance the program, considering its size and various fiscal limits. As we [discussed earlier](#), there are several binding fiscal constraints. To fit a program this size, some fiscal parameters need to be lifted. The main committee, chaired by the prime minister, is expected to make a decision by next week. The program is expected to be delayed to 2Q24.

**Ironing out the details**

There are other details of the program that need to be finalized. The program envisaged limiting the spending to a 4km radius from where the recipient lives. Given the criticism and technical issues, this is likely to be enlarged to the provincial or town level. Another issue is who would be able to convert the “digital handout” into cash, which would affect the liquidity needs of the program.

**Alleviating the market concerns**

Since the government announced the program, the market has been [concerned](#) about the additional bond supply to finance the program and the risk of credit rating downgrades. Bond yields have risen substantially and the baht has weakened over the past several months. Although the market impacts were in large part due to global factors, scaling down the program would alleviate market concerns and reduce pressure on rates and the baht.

**Economic impact**

Our current 2024 GDP forecast of 3.3% does not include the impact of the handouts. We had assumed a fiscal multiplier of 0.3x, given that it was a general transfer. Our forecast for 2024 remains subject to the size and the details of the program.

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GEM Economics  
Asia | Thailand

**Pipat Luengnaruemitchai**  
Emerging Asia Economist  
Kiatnakin Phatra Securities  
+66 2 305 9221  
[pipat.luen@kcpfg.com](mailto:pipat.luen@kcpfg.com)

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