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Thailand at Stall Speed: A Middle-Income Reckoning

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Thailand isn't collapsing, but it is stuck in a low-growth equilibrium. Real GDP per capita has inched up over the past decade—enough to avoid stagnation, but nowhere near the take-off achieved by regional peers. Meanwhile, structural drags have hardened: weak learning outcomes, a rapidly aging workforce, policy stop-start, and a household debt overhang. Put together, it looks and feels like a middle-income trap.

The diagnosis from multilaterals is consistent. The IMF's latest assessment places Thailand's near-term growth at roughly the low-2% range, explicitly slower than peers, and calls for productivity-raising reforms to lift potential growth. The World Bank's 2024 Systematic Country Diagnostic goes further, arguing that Thailand's potential is "diminishing" amid reduced investment, slowing productivity, and demographic headwinds. In short: several forces are working at once, and they're pulling in the same direction.

A growth model losing lift

For years, Thailand's industrial policy has sought fresh "S-curves," most prominently through the Eastern Economic Corridor and a pivot to electric vehicles (EVs). On paper, it's working; investment applications surged to a decade high in 2024, led by data centers and electronics. But applications aren't factories, and pipelines aren't productivity. Net FDI inflows, solid by historical standards, remain too small to be transformative for a US$500bn-plus economy unless more of that pipeline turns into plants, labs, and engineering jobs.

Autos capture the transition risk. Thailand is ASEAN's legacy champion in internal-combustion engines. The EV shift is real, and new plants (including Chinese entrants) are welcome. Policy has become more pragmatic, easing some local-production requirements and recognizing exports in content ratios but the transition is painful for incumbent suppliers. Domestic car sales slumped through 2024 and into 2025 amid tighter credit and softer incomes. Without a broader upgrade in capabilities and supplier depth, the EV bet will create islands of success rather than an economy-wide productivity lift.

The human-capital fulcrum

Education is the hinge on which productivity turns. In the OECD's 2022 PISA assessment, Thai 15-year-olds scored materially below OECD averages in mathematics, reading, and science; only about a third reached basic proficiency in math. This predates COVID and reflects system issues—teacher quality, curriculum relevance, and weak school-to-work pathways. Unless Thailand raises foundational learning and aligns upper-secondary and TVET tracks with target value chains, no amount of tax incentives will generate the skills to power a new S-curve.

Demography turns from dividend to drag

Thailand has crossed into “aged society” territory. The share of citizens 65+ is now in the mid-teens, and fertility hovers well below replacement. That means a shrinking working-age base unless net immigration rises. Dependency ratios will increase, public finances will feel the strain, and potential growth will keep edging down, unless productivity and participation rise sharply, through later retirement, higher female participation, and targeted skilled migration.

Politics, predictability, and the price of hesitation

Macro policy has been broadly prudent, but politics has made it hard to play the long game. Coalition churn and shifting priorities translate into regulatory uncertainty. In September 2025, Fitch cut Thailand’s sovereign outlook to Negative, citing fiscal and political risks. That isn’t just a credit-rating footnote; it raises risk premia and slows conversion of “maybe” investments into “break ground” decisions, particularly for long-gestation projects in skills, infrastructure, and industry.

The external tide is less forgiving

Thailand’s openness is a strength, but it cuts both ways. China’s overcapacity pushes cheaper EVs and components into ASEAN; the U.S.–China tech split reshapes supply chains; and tourism’s normalization, while welcome, has been slower and more volatile than hoped. Add a highly leveraged household sector, debt still near the high-80s to ~90% of GDP and private consumption, two-thirds of the economy, is less responsive to policy support than in past cycles.

What will actually move the needle

Rewire human capital—fast. Shift from inputs to outcomes. Invest in teachers, update pedagogy, and tie accountability to learning gains. Align upper-secondary and TVET with the talent maps of EVs, electronics, advanced food processing, and data-center operations. This is the highest-return lever for total factor productivity.

Make aging a growth strategy, not a tax. Phase up effective retirement ages, expand the “silver economy” (care, health tech, age-friendly housing), and create targeted, high-skill immigration paths that anchor labs and design centers in Thailand. Demography is no longer negotiable; policy must be.

Turn the EV/electronics bet into capability, not just capacity. Keep incentives predictable but performance-based: local value-add, supplier upgrading, engineering headcount, export capability. Use public procurement to seed niches—battery components, power electronics, thermal management—where Thai firms can specialize. Support reskilling in legacy ICE clusters to avoid stranded communities.

Clean up household balance sheets without moral hazard. Scale structured workouts (income-linked repayments, targeted interest relief for viable borrowers) and streamline bankruptcy while protecting credit discipline. The objective is a durable lift in consumption and credit quality, not a sugar high.

Lower the policy-uncertainty premium. Investors will accept many things—taxes, compliance, complex logistics—if they get predictability. Lock core reforms (skills, competition, climate, infrastructure) into medium-term frameworks that outlive electoral cycles. Clear, consistent rules convert boardroom slides into shovels in the ground.

Can Thailand break free?

Yes, if it chooses to. The economy still has enviable fundamentals: macro stability, a deep manufacturing base, and trade connectivity. What's missing is momentum. The combination of flatlining productivity, rapid aging, policy unpredictability, and leveraged households leaves Thailand at stall speed—but none of these are destiny. Lift learning, intensify competition, and lock credibility into industrial policy and household-debt repair. Put simply, skills + competition + predictability as Thailand's new S-curve.