

Thailand Elections: Unsettled Continuity

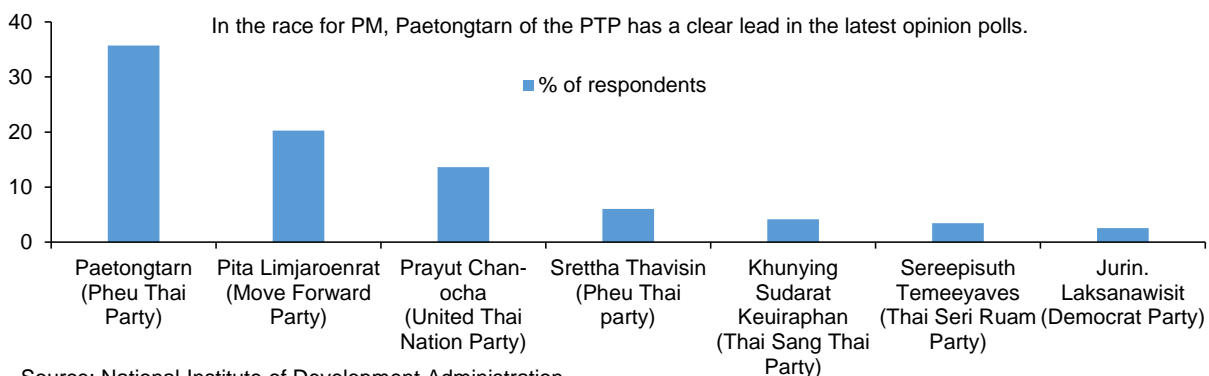
In a Nutshell: Thailand’s general elections which will be held on 14 May will inevitably incite a myriad of sentiments ranging from worries of street protests which necessitated a state of emergency in 2020, to the optimistic hopes of pre-and post- election spending boost. A closer look reveals a **base case of political and economic continuity with significant potential for upheavals.**

In particular, the race of PM is a high bar even for opinion poll front runners Paetongtarn Shinawatra of the Pheu Thai Party and Pita Limjaroenrat of the Move Forward Party facing **an incumbent favouring Senate** having an outsized role in PM selection and the **potential of support base overlap** of these two opposition candidates. Specifically, the bar for opposition is the need to secure 75% of the House seats to overcome the Senate’s traditional pro-establishment support. On the other hand, PM Prayuth joining the United Thai Nation Party from the ruling Palang Pracharath Party (PPRP) implies **facing off or at the very least dividing the pro-status quo electorate** with his mentor General Prawit who is standing for PM under the PPRP. As such, **coalition governments look par for the course and may ironically impart greater stability than narrow single party win outcomes which may be subject to election rule violations and judicial controversies.**

While the fiscal budget approval for FY24 may be delayed due to the need for approval from the new government, election spending boost look to **add 0.3% point to GDP as consumption rises.** Post elections, **many broad based campaign pledges such as cash transfers and higher minimum wages may need to concede to the need for fiscal consolidation.** Nonetheless, a slower pace of fiscal consolidation in FY24 may avail room for measured policies to lift poorer segments of the population or provide more assistance for farming communities.

The Race for PM – Unsettled, Even If Not Unrest

While the May 14 election will directly determine the 500 strong House of Representatives with **400 constituency seats and 100 party seats**, the race to be Thailand’s next prime minister is filled with complications.



First, given that the **Prime Minister (PM) is now selected by the 250-member senate and the House of Representative**, the establishment filled senate implies that a simple majority in the Lower House by the opinion poll leading Pheu Thai Party (PTP) will not be enough as the bar required is at 75%. That said, falling **just shy of these targets** will invite **political manoeuvring and backroom deal making** at best and **outright instability** at worst. While a resurgence of youth unrest is not a base case, **newly minted young votes represent an unsettled pool of the electorate** which consist of about 6% of

eligible voters will be important in the opposition party's attempt to secure the high bar for PM seat.

Second, while the main contenders are rather clear, their **background complication and consequent implications will matter for social and economic stability**. The main contenders for the PM seat are Paetongtarn of the PTP, current PM Prayuth of United Thai Nation (UTN) party, Pita Limjaroenrat of the Move Forward Party (MFP) and Prawit Wongsuwon of the Palang Pracharat Party (PPRP).

Being the youngest daughter of former PM Thaksin Shinawatra, Paetongtarn Shinawatra has been the front runner in opinion polls and at age 36 will be the youngest PM in Thailand if elected. Nonetheless, despite her party's strong likelihood of securing the most seats, premiership may be too far a stretch without garnering support from other parties.

Lined with postgraduate academic credentials from Harvard and MIT, 42 years old Pita Limjaroenrat of the MFP has featured second in the latest opinion polls and in fact holds a slim lead in popularity in Bangkok. Admittedly, while the Move Forward Party has called for **reforms of traditional military and monarchy powers as well as political dynasties**, a non-trivial **degree of overlap between the support base of these two younger candidates is likely to exist** which exacerbates the difficulty of securing premiership for the opposition.

In a rather odd similarity, current PM Prayuth, who jumped to the UTN from ruling party PPRP, has come in either second or third in recent opinion polls look to **split the status quo favouring electorate and military support base** with General Prawit of PPRP. Though the latter has lagged behind in opinion polls and rejected offer of public debate citing public skills as the "least desirable tool for assessing knowledge and ability", his wide and deep political and military networks should not be easily dismissed. All said, given their **close military ties**, the **odds of a coalition government will certainly be enhanced**.

Of Boost and Delays – Election Spending and Fiscal Budget

Prior to the dissolution of Parliament, a range of approvals from extending diesel excise tax rebates, increases in salary for municipal offers and corn farmer income guarantees sets the stage for further consumption boosting in the election season. While the election spending from the Election Commission (EC) alone is set at relatively small 5.95bn THB (0.03% of GDP), spending by candidates and political parties could provide some short term **consumption** boost. Using the **maximum limits of spending** set by the Election Commission for each **candidate and political parties** as well as the current **registered number of candidates and parties**, we approximate that overall boost to growth is at about **0.3% of GDP taking into account multiplier effects in view of the direct nature of such spending**.

Meanwhile, Thailand's Budget Bureau has already indicated that approval of the **Budget Bill** for the next fiscal year starting 1 October 2023 **may be delayed** as it requires the approval of the new government which throws up the possibilities of major revamp.

Pledges and Pragmatism

That said, while election pledges galore in the campaign season, pragmatism may concede to realities of fiscal consolidation needs. Inevitably, promises of broad-based cash handouts or drastic lifting of minimum wages will have to give way to **more targeted means-based approach of lifting the living standards of poorer segments**. At this juncture, the **draft budget bill is set for fiscal consolidation** with a decline in budget deficit for FY24 to 3.0% of GDP from 3.9% of GDP in FY23. Admittedly, a slower pace of fiscal consolidation can then accommodate new measures of a target nature or small programs for communities in need.

All in, while realities will reveal after election euphoria, the tensions are just about to get tighter into May as political uncertainties will increase and **political risks premiums on the THB may be exacted**.

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