



Thailand Monthly Economic Monitor

15 May 2023

Private consumption and the recovery of tourism supported economic expansion in March. In contrast, weak external goods demand continued to weigh on manufacturing production and investment. The government extended energy price controls to alleviate pressure on household budgets. Inflation slowed to an 18-month low due to broad-based price deceleration. While price controls, particularly price caps on electricity and cooking gas and excise tax cuts on diesel helped lessen inflationary pressure and alleviate poverty, the fiscal burden is expected to constrain consolidation of the budget deficit. The Thai baht appreciated in line with most major ASEAN currencies in April as the current account surplus widened and the US dollar weakened.

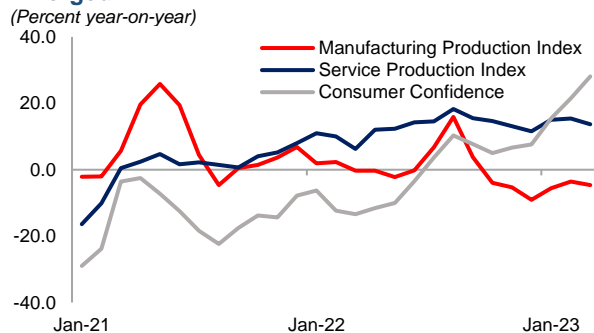
The economy continued to expand moderately with support from domestic demand, while declining goods exports weighed on growth. In March, services continued to grow at 13.7 percent (year-on-year), supported by strong private consumption and improving consumer confidence. A strong labor market and tourism recovery continued to support consumption (Fig. 1). Private consumption saw its strongest growth in six months, at 7.0 percent. On the other hand, manufacturing production deepened its decline to 4.6 percent (year-on-year) due to the fall in external demand. Investment also contracted by 1.5 percent (yoy), in line with subdued goods exports and manufacturing production.

Tourism rebounded in March boosted by the return of Chinese tourists. Tourist arrivals reached 62.4 percent of the pre-pandemic level, up from 55.5 percent in the previous month. Arrivals from China surged to 27 percent of the 2019 level, with the resumption of Chinese outbound group tour services in February (Fig. 2). Visitors from other major sources of demand, such as ASEAN, India and Europe, also improved. However, advance hotel bookings in Northern Thailand plunged between January and March due to hazardous air pollution. Booking rates remained strong in other regions.

Goods export growth contracted by 5.8 percent (year-on-year) in March, the largest contraction in three months. Nevertheless, the contraction proved to be the smallest among major Asian exporters with the exception of China and Hong Kong. Declines in manufacturing goods such as petroleum products, machinery, computers, and computer parts contributed to the overall contraction, in line with the falling Global Manufacturing Purchasing Manager Index (PMI) (Fig. 3). In contrast, exports of agricultural and agro-manufacturing products expanded for the second consecutive month at 3.6 percent (year-on-year).

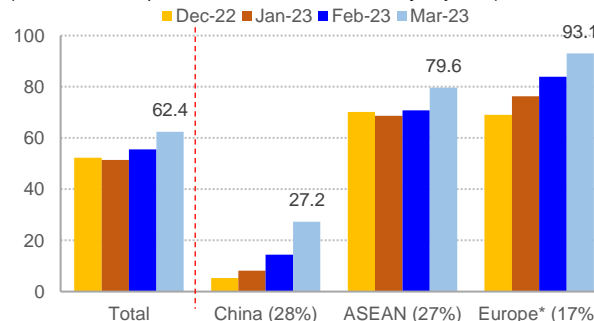
Inflation slowed to an 18-month low due to broad-based price deceleration. Headline inflation slowed to 2.7 percent (year-on-year) in April, reflecting declines in core and raw food

Figure 1: Services and Manufacturing Growth Diverged



Source: Haver Analytics, CEIC; World Bank staff calculations.

Figure 2: Tourist Visitors Supported Service Activity



Source: CEIC; World Bank staff calculations.

Figure 3: Manufacturing Exports Contracted



Source: CEIC; World Bank staff calculations

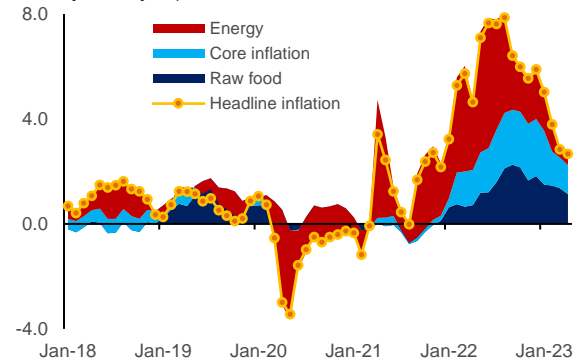
inflation (Fig. 4). Core and raw food inflation continued to wane, reaching 1.1 percent. Energy price inflation rose slightly from 2.4 percent to 3.2 percent, as domestic gasoline price deceleration slowed. Following the fall in global oil prices, the diesel price cap was reduced for the fifth time since February, by THB 2.5 per liter, to THB 32.5 per liter. However, the government continued to impose caps on other energy prices, including electricity and cooking gas, which also helped contain inflation pressure. Inflation remained within the Bank of Thailand's target range of 1-3 percent for the second consecutive month.

The fiscal deficit narrowed due to lower spending while cost-of-living support measures will constrain fiscal consolidation. While price controls and subsidies can be effective in reducing inflation and alleviating poverty, they can be fiscally costly, especially if not well calibrated. The central government fiscal deficit narrowed to 7.0 percent of GDP in the first five months of fiscal year 2023 (Oct 2022 - Feb 2023), down from 9.6 percent of GDP in the same period last year (Fig. 5). This reflected a decrease in total expenditures to 22.8 percent of GDP, down from 25.8 percent last year, while revenue increased slightly from 15.0 percent to 15.8 percent. However, the deficit remained above the 2019 pre-pandemic level of 5.5 percent and the trend is likely to continue due to the extended cost-of-living support measures. The government extended these measures from May to August, including an electricity price cap of THB 4.70 per unit, lower than the planned increase to THB 4.77 and the previous price of THB 4.72. This assistance also includes measures that target vulnerable households including: (1) tiered discounts for households consuming up to 300 units of electricity per month from May through August and (2) cash support of THB 150 for houses consuming up to 500 units of electricity in the May billing cycle. The measures will cost THB 10.4 billion and draw on the central budget for emergency spending. On the revenue side, shortfalls persist due to the excise tax cut on diesel which has helped alleviate pressure from the elevated global oil price. The tax cut will remain in place until July 2023.

The government, however, proposed a medium-term revenue mobilization plan with four targets for tax reforms. The targets include: (1) reviewing the tax structure and tax benefits to ensure competitiveness and sustainable growth; (2) aligning the tax system with the digital economy; (3) promoting a green economy by offering tax deductibles for environmentally beneficial activities; and (4) promoting fairer tax treatments such as canceling the financial transaction tax waiver. Achieving these targets should help raise the speed of consolidation under the medium-term fiscal framework, which currently projects that revenue share of GDP will remain around 13-14 percent until 2027, well below the pre-pandemic level.

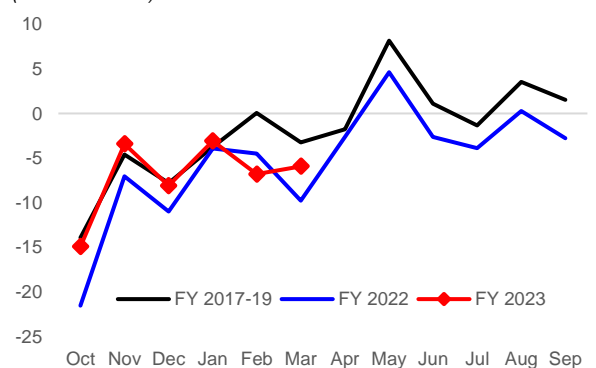
The current account surplus widened and supported the appreciation of the Thai baht. The current account surplus reached 3.2 percent of GDP in March, an all-year high, after

Figure 4: Inflation Continued to Decline in April
(Percent, year-on-year)



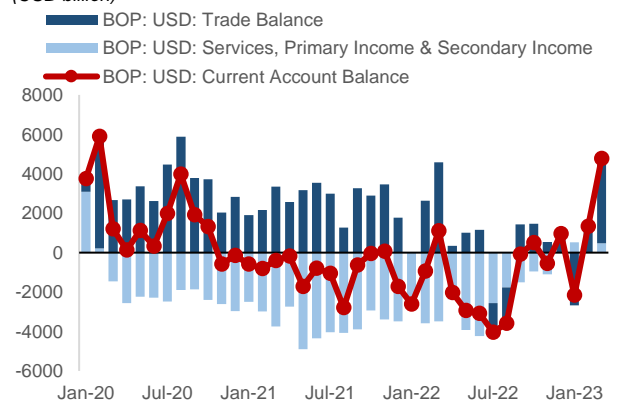
Source: MOC, CEIC; World Bank staff calculations.

Figure 5: The Central Budget Deficit is gradually improving
(Percent of GDP)



Source: Haver Analytics; World Bank staff calculations.

Figure 6: The Current Account Balance Surplus Widened in March
(USD billion)



Source: Haver Analytics; World Bank staff calculations.

turning positive in the previous month (Fig. 6). The surplus reflected the fall in the oil import bill and improved tourism revenue. In April, the Nominal Effective Exchange Rate (NEER) appreciated in line with the current account surplus, similar to most Asian currencies except the Philippine peso, as investors lost confidence in the US dollar.

News Highlights:

- Thailand election handout pledges risk debt pileup (Nikkei, [Link](#)).
- Finance Ministry has set four targets for tax reform (Bangkok Post, [Link](#)).
- TAT hopes the Chinese market can surge to 1 million arrivals per month in October, as occurred in 2019 (Bangkok Post, [Link](#)).

Issues to Watch:

- Tourism: Will Chinese tourists recover as fast as projected in 2023?
- Inflation: Will inflation continue to decline, despite rising demand?
- Politics: How will the general election results affect Thailand's economic outlook?

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Selected Economic and Financial Indicators

	2021	2022	2022			2023	2022	2023			
			Q2	Q3	Q4	Q1	Dec	Jan	Feb	Mar	Apr
GDP and Inflation (%YoY)											
GDP growth (real)	1.5	2.6	2.5	4.6	1.4	2.7					
Contribution to GDP growth:											
Private consumption	0.3	3.4	4.0	5.2	2.9	2.8					
General Government consumption	0.6	0.0	0.4	-0.3	-1.2	-0.9					
Gross fixed capital formulation: Private	0.5	0.9	0.4	1.9	0.8	0.5					
Gross fixed capital formulation: Public	0.2	-0.3	-0.6	-0.5	0.1	0.3					
Net Exports of goods and services	-3.7	1.8	0.3	-0.8	2.7	2.7					
Change in Inventory	1.5	-0.6	0.4	1.7	-1.3	-0.5					
Residual and errors	2.0	-2.6	-2.4	-2.6	-2.7	-2.2					
GDP, nominal (USD Billion)	506	496	123	119	125	134					
GDP, nominal (THB Billion)	16,167	17,370	4,214	4,337	4,533	4,531					
Consumer Prices Index: Headline	1.2	6.1	6.5	7.3	5.8	5.5	5.9	5.0	3.8	2.8	2.7
Consumer Prices Index: Core	0.2	2.5	2.2	3.1	3.2	3.2	3.3	3.1	1.9	1.7	1.6
Output Indicators											
Manufacturing Production Index (%YoY)	6.5	0.6	-1.1	7.9	-6.0	-3.9	-8.4	-4.8	-2.4	-4.6	
Capacity Utilisation (%)	63.3	62.8	61.2	62.8	60.3	63.7	59.6	62.2	62.8	66.1	
Farm Production Index (%YoY)	2.9	2.0	4.2	-3.3	3.3	7.5	4.2	4.0	8.7	9.9	
Service Index (%YoY)	0.4	12.8	13.3	16.1	12.9	14.6	11.1	14.9	15.6	13.4	
Labor Market											
Unemployed workers (Thousand Persons)	748	527.0	546.6	491.4	462.5	421.1					
Unemployment rate (%)	2.0	1.3	1.4	1.2	1.2	1.1					
Underemployment/1 (Thousand Persons)	584	273	264	235	275.9	-					
Underemployment (%)	1.5	0.7	0.7	0.6	0.7	-					
Balance of Payments (USD million)											
Current account	-10,646	-17,230	-8,027	-7,684	927	3,962	967	-2,149	1,332	4,779	
Current account (% of GDP)	-2.1	-3.5	-6.5	-6.5	0.7	3.0	2.3	-5.2	3.2	11.6	
Trade Balance	32,354	10,814	2,509	-1,851	2,970	2,945	963	-2,670	1,311	4,305	
Exports of goods (%YoY)	20.0	5.8	9.6	6.7	-7.5	-4.6	-12.9	-3.4	-4.1	-5.8	
Imports of goods (%YoY)	28.8	15.5	22.7	23.2	-0.3	1.3	-10.5	9.1	1.8	-5.7	
Service, primary and secondary Income	-43,000	-28,044	-10,536	-5,833	-2,043	1,017	5	521	22	474	
Tourist Arrivals (Thousand Persons)	428	9,958	1,582	2,413	5,465	6,478	2,241	2,145	2,114	2,219	
Financial account	-5,980	2,208	-183	-3,496	2148.4	-					
Financial account (% of GDP)	-1.1	1.5	-0.1	-2.9	1.7	-					
Foreign direct Investment, net	-4,511	1,815	-363	87	126.6	-					
Portfolio flows	-11,894	5,761	1,911	-756	1956.4	-					
Others Investments	11,581	-5,572	-1,647	-3,225	34.7	-					
Central Government Budget (Fiscal Year, THB billion)/2											
Revenue	2,857	2,992	883	833	694	677	248	249	195	233	
Expenditure	4,124	3,845	892	925	1,076	906	365	293	294	319	
Central Government balance	-1,266	-852	-9	-91	-382	-229	-117	-45	-99	-86	
Central Government balance (% of GDP)	-7.9	-3.9	-0.2	-2.1	-8.4	-5.0					
Public debt (% of GDP)	58.8	60.5	61.0	60.5	61.0	61.2	61.0	61.3	61	61	
Financial Markets Indicators											
Policy rate (%)	0.50	1.25	0.50	1.25	1.25	1.75	1.25	1.50	1.50	1.75	1.75
M2 (%YoY)	6.0	5.20	6.1	4.7	4.10	3.20	4.1	3.1	4.0	2.4	-
Household Debt (sa, % of GDP)	89.8	-	88.5	87.2	-	-					
SET Index	1,658	1,669	1,568	1,590	1,669	1609	1,669	1,671	1,622	1,609	1,529
Thai government bond yield, 10 year (%)	1.90	2.45	2.81	3.08	2.45	2.23	2.45	2.45	2.50	2.23	2.47
Foreign exchange reserve and FX forward position (USD billion)	279	246	251	228	246	252	246	252	245	252	252
USD/THB, end of period	33.42	34.56	35.30	37.91	34.56	34.10	34.56	32.79	35.15	34.10	34.14
THB NEER, average	117.4	115.5	116.0	113.5	115.8	120.3	118.4	121.9	119.9	119.2	119.5

1/ Underemployment accounts for workers who are occupied less than 35 hours per week and are available for additional work (defined by BOT).

2/ Fiscal Year 2023 begins in October 2022 and ends in September 2023, Fiscal Balance according to GFS.

Source: Office of the National Economic and Social Development Council, Bank of Thailand, Office of Industrial Economics, Ministry of Industry National Statistical Office of Thailand, Fiscal Policy Office, Public Debt Management Office, Haver Analytics.