



Thailand Monthly Economic Monitor

18 April 2023

The economy expanded moderately as private consumption and tourism improved. However, lingering soft global demand continued to weigh on manufacturing goods exports. Inflation slowed and returned to the Bank of Thailand's target range of 1-3 percent, amid easing global energy prices. However, pressure from high producer prices on consumer prices remains. As a result, authorities continued to implement cost-of-living support, maintained interest rate normalization and extended the SME soft loan facility. The Thai baht appreciated in line with most major ASEAN currencies in early April as the current account returned to surplus and the US dollar weakened.

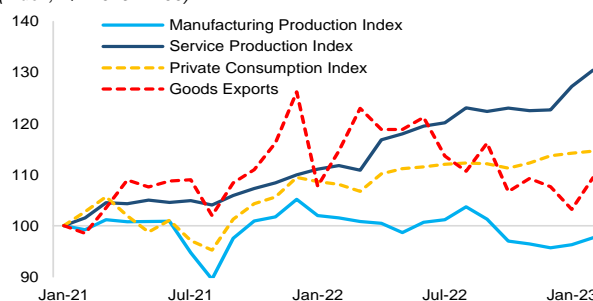
The economy continued to expand in February, boosted by private consumption and tourism recovery. In February, services increased by 16.7% (year-on-year), supported by strong private consumption and improving consumer confidence as the labor market and tourism continued to recover (Fig. 1). Private consumption increased for the fourth consecutive month and consumer confidence reached a post-pandemic high. The unemployment rate fell to below 1.0 percent in February. However, manufacturing production contracted for the fifth consecutive month at 3.8% (year-on-year), remaining below its pre-pandemic level, due to the fall in external demand.

Tourism recovery slowed slightly over the past 2 months as arrivals from ASEAN and India declined. Tourist arrivals reached 59.4 percent of the pre-pandemic level, up from 57.6 percent in the previous month. Arrivals from China continued to surge and reached 15 percent of the 2019 level (Fig. 2). However, tourists from India continued to decline due to a Covid testing requirement for those returning from Thailand, effective until February 13. In addition, arrivals from ASEAN decelerated after a strong pick-up in December and January.

Goods exports remained weak due to falling global demand for manufacturing goods. Goods export growth contracted for the fifth consecutive month by 4.1 percent (year-on-year) in February, the second weakest in ASEAN after the Philippines. Falling manufacturing exports, especially electronics, electrical appliances, chemicals, and steel, contributed to the overall contraction, similar to other major exporters in Asia and in-line with the subdued Global Manufacturing Purchasing Manager Index (PMI) (Fig. 3). In contrast, exports of agricultural and agro-industrial products expanded by 3.6 percent (year-on-year).

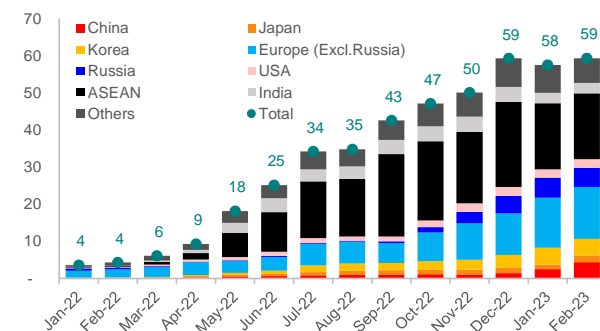
The fiscal deficit narrowed due to lower spending and higher revenue collection. The central government's deficit narrowed to 7.3 percent of GDP in the first five months of fiscal year 2023 (Oct 2022 - Feb 2023), down from 8.0 percent of GDP in the same period last year. This reflected a decrease in total expenditures to 22.9 percent of GDP, down from 24.5 percent

Figure 1: Services and Manufacturing Growth Diverged Further
(Index, Q4 2019 = 100)



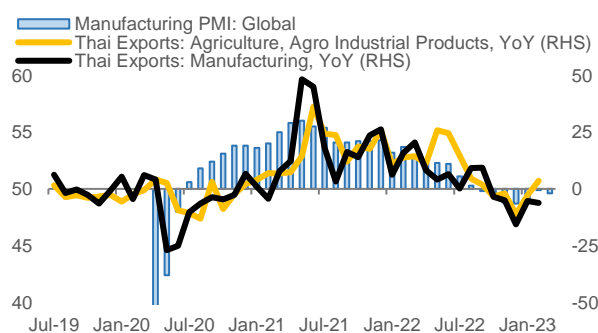
Source: CEIC; World Bank staff calculations.

Figure 2: Tourism Recovery Slowed
(Percent of 2019 level*)



Note: *Average of 2019 is adjusted for seasonality
Source: CEIC; World Bank staff calculations.

Figure 3: Manufacturing Exports Contracted
(left: diffusion index; right: Percent year-on-year)



Source: CEIC; World Bank staff calculations

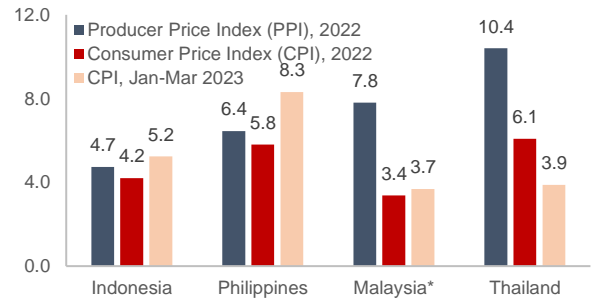
last year, while revenue increased from 14.9 percent to 15.7 percent. However, the deficit remained above the 2019's pre-pandemic level of 2.0 percent. Fiscal consolidation has been constrained by extended cost-of-living support measures through social benefits, subsidies, and the excise tax cut on diesel. The State Oil Fund remained in deficit by THB 92 billion (0.6 percent of GDP), as the cost of the LPG price subsidy continued to rise.

Inflation slowed due to softening energy prices, while the Bank of Thailand continued to raise the policy rate. Headline inflation fell to 2.8 percent (year-on-year) in March reflecting the decline of the global oil price and a cut to the regulated price of diesel. The diesel price was reduced further to THB 33 per liter in April from its peak of THB 35 per liter in H2 2022. Inflation returned to the Bank of Thailand's target range of 1-3 percent for the first time since January 2022. Core inflation also declined, reaching 1.8 percent. However, strengthening domestic consumption and a strong pick-up in producer prices since 2022 may exert more pressure on consumer prices (Fig. 4). Consequently, the Bank of Thailand maintained gradual monetary policy normalization, by raising the policy rate by 25 basis points to 1.75 percent while extending its SME soft loan facility by one more year until April 2024 to support economic recovery.

The Thai baht appreciated in early April as the US dollar fell and the current account balance returned to surplus. In March, the Nominal Effective Exchange Rate (NEER) depreciated, similar to most Asian currencies. Bond and equity markets recorded net outflows, mainly due to outflows from the equity market. However, in the first week of April, the NEER appreciated, as investors lost confidence in the US dollar and the current account returned to a surplus. The current account recorded a surplus of THB 1.3 billion or 3.2 percent of GDP, as the trade balance turned to surplus due to the deceleration of the goods import growth while the services income balance continued to expand (Fig. 5).

Figure 4: Consumer Prices may Face Pressure From High Producer Prices

(Percent, year-on-year)

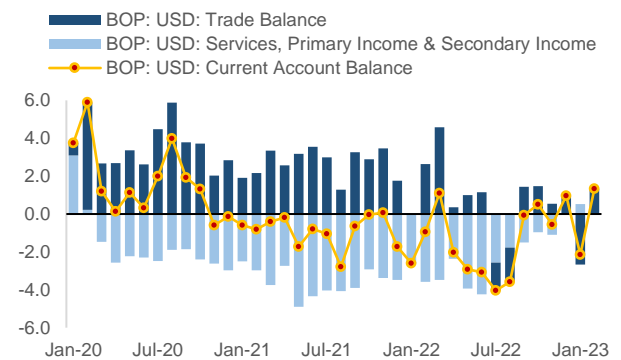


Note: *Malaysia CPI as of Feb 2023

Source: MOC; CEIC; World Bank staff calculations.

Figure 5: The Current Account Balance Returned to Surplus in February

(USD billion)



Source: Haver Analytics; World Bank staff calculations.

News Highlights:

- World Bank maintains Thailand's 2023 growth outlook at 3.6 percent (Reuters, [Link](#)).
- High pollution levels in northern provinces are keeping tourists away (CNN, [Link](#)).
- Bank of Thailand raised its policy rate, more tightening likely (Reuters, [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 would the general election results affect Thailand's economic outlook?

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Selected Economic and Financial Indicators

	2021	2022	2022				2022			2023	
			Q1	Q2	Q3	Q4	Oct	Nov	Dec	Jan	Feb
GDP and Inflation (%YoY)											
GDP growth (real)	1.6	2.6	2.2	2.5	4.6	1.4					
Contribution to GDP growth:											
Private consumption	0.3	3.4	1.8	4.0	5.2	3.0					
General Government consumption	0.6	0.0	1.1	0.4	-0.3	-1.3					
Gross fixed capital formulation: Private	0.5	0.9	0.5	0.4	1.9	0.8					
Gross fixed capital formulation: Public	0.2	-0.3	-0.3	-0.6	-0.5	0.1					
Net Exports of goods and services	-3.7	1.7	4.5	0.3	-0.8	2.6					
Change in Inventory	1.5	-0.6	-2.9	0.4	1.7	-1.1					
Residual and errors	2.1	-2.6	-2.6	-2.4	-2.6	-2.7					
GDP, nominal (USD Billion)	506	496	130	123	119	125					
GDP, nominal (THB Billion)	16,167	17,367	4,286	4,214	4,337	4,530					
Consumer Prices Index: Headline	1.2	6.1	4.7	6.5	7.3	5.8	6.0	5.6	5.9	5.0	3.8
Consumer Prices Index: Core	0.2	2.5	1.4	2.2	3.1	3.2	3.2	3.2	3.3	3.1	1.9
Output Indicators											
Manufacturing Production Index (%YoY)	6.5	0.6	1.5	-1.1	7.9	-6.0	-4.3	-5.3	-8.4	-4.4	
Capacity Utilisation (%)	63.3	62.8	66.8	61.2	62.8	60.3	60.1	61.3	59.6	62.3	
Farm Production Index (%YoY)	2.0	1.0	2.7	3.0	-4.8	3.0	2.0	1.7	5.4	2.6	
Service Index (%YoY)	0.3	12.9	9.0	13.3	16.1	13.1	15.1	13.0	11.2	13.8	
Labor Market											
Unemployed workers (Thousand Persons)	748	527.0	607.6	546.6	491.4	462.5					
Unemployment rate (%)	2.0	1.3	1.5	1.4	1.2	1.2					
Underemployment/1 (Thousand Persons)	584	273	319	264	235	275.9					
Underemployment (%)	1.5	0.7	0.8	0.7	0.6	0.7					
Balance of Payments (USD million)											
Current account	-10,646	-16,942	-2,447	-8,027	-7,688	1,219	562	-445	1,102	-2,002	
Current account (% of GDP)	-2.1	-3.5	-1.9	-6.5	-6.5	1.0	1.4	-1.1	2.7	-4.8	
Trade Balance	32,354	10,814	7,186	2,509	-1,851	2,970	1,466	542	963	-2,670	
Exports of goods (%YoY)	20.0	5.8	14.2	9.6	6.7	-7.5	-3.6	-5.5	-12.9	-3.4	
Imports of goods (%YoY)	28.8	15.5	16.5	22.7	23.2	-0.3	3.1	8.2	-10.5	9.1	
Service, primary and secondary Income	-43,000	-27,756	-9,633	-10,536	-5,837	-1,751	-903	-987	139	668	
Tourist Arrivals (Thousand Persons)	428	9,958	498	1,582	2,413	5,465	1,475	1,748	2,241	2,145	
Financial account	-5,980		3,738	-183	-3,485	-					
Financial account (% of GDP)	-1.1		2.9	-0.1	-2.9	-					
Foreign direct Investment, net	-4,511		1,964	-363	-353	-					
Portfolio flows	-11,894		2,650	1,911	-765	-					
Others Investments	11,581		-734	-1,647	-2,816	-					
Central Government Budget (Fiscal Year, THB billion)/2											
Revenue	2,857	2,992	632	883	833	684	232	205	247	249	
Expenditure	4,124	3,845	840	892	925	1,076	453	259	365	293	
Central Government balance	-1,266	-852	-208	-9	-91	-392	-221	-53	-118	-44	
Central Government balance (% of GDP)	-7.9	-3.9	-4.8	-0.2	-2.1	-8.7					
Public debt (% of GDP)	58.8	60.5	60.6	61.0	60.5	61.0	60.8	60.7	61.0	61.3	
Financial Markets Indicators											
Policy rate (%)	0.50	1.25	0.50	0.50	1.25	1.25	1.00	1.25	1.25	1.50	1.50
M2 (%YoY)	6.0	5.20	5.9	6.1	4.7	4.10	4.0	4.3	4.1	3.2	-
Household Debt (sa, % of GDP)	89.7	-	89.2	88.4	87.0	-					
SET Index	1,658	1,669	1,695	1,568	1,590	1669	1,609	1,635	1,669	1,671	1,622
Thai government bond yield, 10 year (%)	1.90	2.45	2.26	2.81	3.08	2.45	3.10	2.52	2.45	2.45	2.50
Foreign exchange reserve and FX forward position (USD billion)	279	246	273	251	228	246	229	239	246	252	245
USD/THB, end of period	33.42	34.56	33.30	35.30	37.91	34.56	38.03	35.37	34.56	32.79	35.15
THB NEER, average	117.4	115.5	116.7	116.0	113.5	115.8	113.0	115.9	118.4	121.9	119.9

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.