



# Thailand Monthly Economic Monitor

22 April 2022

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The Omicron wave and the Ukraine war have further set back Thailand's recovery and prompted a downward revision of the World Bank's growth projection to 2.9% in 2022. Inflation surged to a 13-year high on the back of rising global energy prices while consumer confidence fell to a 6-month low amid the Omicron wave. The government has announced new fiscal measures to help mitigate the rising cost of living. Foreign tourist visits increased in February as borders reopened but remains well below pre-COVID levels. The current account remained in deficit due to the large fuel and services trade deficit. The Thai baht continued to depreciate in April as US treasury yields surged and investor confidence waned.

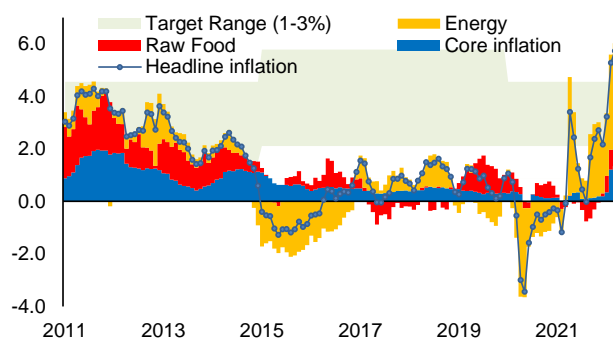
## Rising global energy prices in the wake of the Ukraine war have driven the surge in inflation.

Headline inflation rose to 5.7% in March from 5.3% in February, the highest rate in 13 years, breaching the Bank of Thailand's target range of 1-3% for the third consecutive month. Rising prices of fuel, food, and electricity continued to drive this surge, while core inflation climbed to 2% (Fig. 1). Second-round inflation pressures are expected to remain contained due to subdued domestic demand and well-anchored inflation expectations. Inflation expectations remain below 2% for both short-term (1-year ahead) and medium-term (5-year ahead) expectations, according to the BOT's survey on businesses and the consensus forecast. However, the increase in the producer price index (PPI) of 9.8% in the first quarter, mainly due to the rise in the prices of energy, chemical products, metal products, and food has yet to be fully passed through to consumers. Also, PPI and CPI inflation rates surpassed those of regional peers (Fig. 2). Meanwhile, the Bank of Thailand reaffirmed that it will maintain monetary accommodation, keeping the policy rate at 0.50% to support economic recovery.

## The government approved additional fiscal measures to mitigate the rising cost of living.

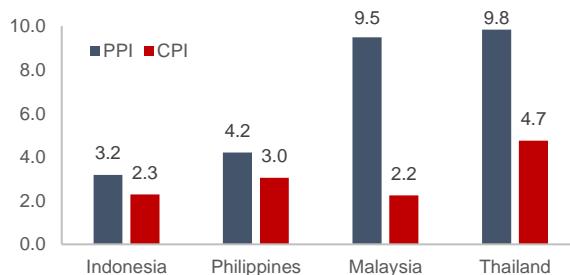
To counteract price pressures and support vulnerable households, the government announced new fiscal measures amounting to THB 120 billion (0.7% of GDP). These measures include the extension of the co-payment scheme by THB 43 billion (0.26% of GDP), which was announced in January, and a new set of measures totaling THB 77 billion (0.46% of GDP) (Table 1). These measures include cuts to employers' and employees' contributions to the Social Security Fund, welfare subsidies targeting lower-income groups, and a cap on diesel prices at THB 30 /liter until the end of April. After the cap is removed the government will raise the price at a gradual pace by subsidizing half or more than half of the diesel price above 30 baht per liter. Funding for these new measures will be drawn from the budget and additional off-budget borrowing, totaling 0.26% of GDP, as well as other sources such as the state-

Figure 1: Inflation Continued to Rise Above Target (Percent year-on-year)



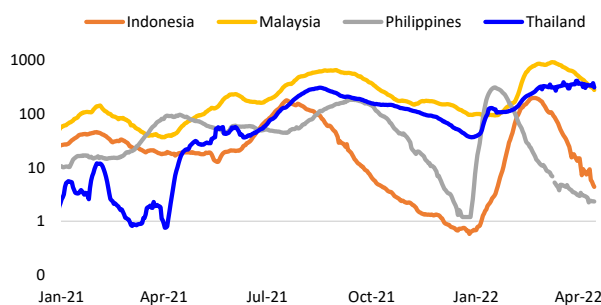
Source: MOC; CEIC; World Bank staff calculations

Figure 2: PPI and CPI Were Higher Than Peers (Percent year-on-year, average Q1 2022)



\*Average of January and February for the Philippines and Malaysia  
Source: CEIC; World Bank staff calculations

Figure 3: New Cases Continued to Rise in Thailand (New COVID-19 cases per million, smoothed, log-scale)



Source: Ourworldindata; World Bank staff calculations

owned oil and energy company, PTT. Public debt rose to 60.2% of GDP by the end of February, and it is projected to rise to 62.6% by end-2022.

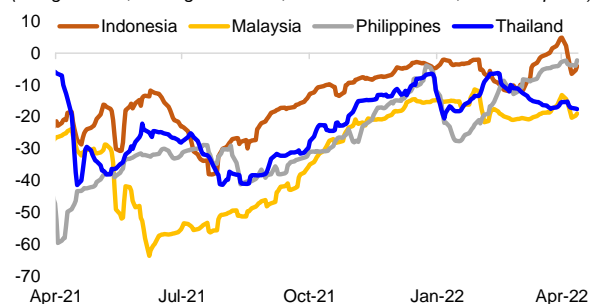
**The Omicron wave continued to weigh on consumer confidence.** While the relaxation of lockdown measures and reopening of borders supported private consumption, rising COVID-19 cases weighed on consumption recovery. Average new daily COVID-19 cases stayed above 20,000 cases during the first two weeks of April (Fig. 3). The COVID death rate edged up from 0.2% of confirmed cases in January and February of 2022 to 0.4% in April, although still well below the 1.3% of September 2021. Consumer confidence declined to a 6-month low, from 63.4 pts in February to 61.5 pts in March. The survey results show that rising energy costs due to the Ukraine war and concerns about the Omicron variant outbreaks have affected consumer spending. The mobility index dropped in March (Fig. 4)

**The ongoing Omicron wave and the Ukraine war are setting back the recovery.** Growth is now projected at 2.9% in 2022, revised downward from 3.9% (Thailand Economic Monitor December 2021), due to the Ukraine-Russia conflict and an expected economic slowdown in the US and China. The increase in energy prices is projected to slow private consumption, while weaker global demand is expected to weigh on merchandise exports. Despite the recent relief measures, the fiscal deficit is projected to decline from 7.8% to 3.9%. The return to pre-pandemic output levels is expected to be delayed to 2023.

**Tourist arrivals are projected to increase as borders reopen.** Tourist arrivals were 153,954 in February, up from 133,903 in the previous month as the Test & Go program resumed (Fig. 5). Tourists from Europe (excluding Russia), ASEAN, and the Middle East were the main contributors to the increase. Since the reopening of the borders in November, Thailand has received 600,000 arrivals which remains 95% below the same period in 2019. Tourist arrivals are projected to increase to around 6 million in 2022 or 16% of the arrivals in 2019 as remaining restrictions are likely to be removed by the second half of the year. However, the recovery is likely to be gradual due to the ongoing Omicron wave, continued travel restrictions by China, and the impact of the Ukraine–Russia war.

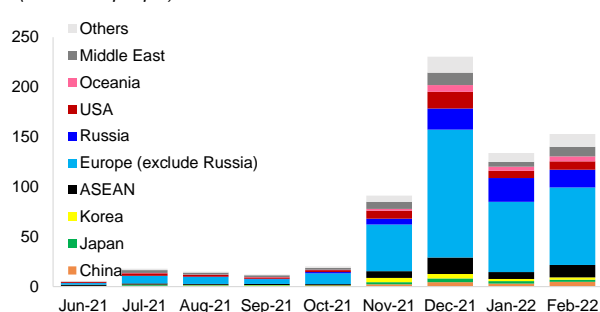
**Exports of goods expanded in February but weakening external demand has dimmed the outlook.** Goods exports increased by 16.0% (yoy), up from 7.9% in the previous month, due to higher exports of metal and steel, petro-related products, and electronics. However, weakening global demand is likely to slow exports going forward. As of March, the global purchasing manager index, which provides an

**Figure 4: Mobility Fell as Cases Increased**  
(Google Index, average of transit, retail and recreation, and workplace)



Source: CEIC; World Bank staff calculations

**Figure 5: Foreign Tourism was Driven by Europe**  
(Thousand people)



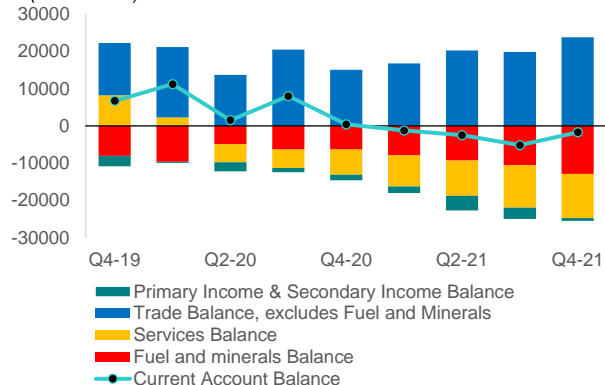
Source: MOTS, CEIC; World Bank staff calculations

**Figure 6: Falling Global PMI Is Pointing to Weaker Exports Outlook**  
(Index, sa)



Source: CEIC; World Bank staff calculations

**Figure 7: The Current Account Stayed in Deficit**  
(USD Million)



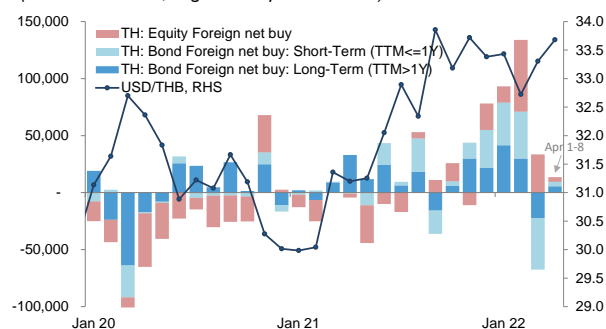
Source: Bank of Thailand; CEIC; World Bank staff calculations

indication of demand for Thai exports, dropped to 53.0 pts, the lowest level in 18 months (Fig. 6). As a result, the current account balance is expected to continue to register a large deficit as external demand softens, while consistently high energy prices will drive strong import bills (Fig. 7). In the first 2 months of Q1, the current account deficit widened to 3.4% of GDP from 1.0% of GDP during the same period last year.

**The Thai baht continued to depreciate in April as US treasury yields surged.** The Real Effective Exchange Rate (REER) continued to weaken in April after falling by 0.7% (mom) in March, due to global investors' expectations that the Fed would move rapidly to reduce its balance sheet, pushing US treasury yields higher. The Thai baht depreciated more than regional peers, due to the monetary policy divergence between the Fed and the BOT, falling domestic confidence due to the Omicron wave, as well as the current account deficit. The Thai bond and equity markets registered small net inflows of THB 10.3 billion during the first 2 weeks of April (Fig. 8).

**Figure 8: Financial Inflows Rose Substantially During Jan-Feb 2022**

(Left: THB million, Right: THB per US dollar)



Source: SET; Thai BMA; CEIC; World Bank staff calculations

**Table1: Summary of Government Relief Measures**

measures		Fiscal cost		Budget
		THB mn	% of GDP	
<b>Feb-22: Co-payment Phase 4: A subsidy program under which the government pays 50% of the cost of food and general goods purchased by participants</b>		<b>43,500</b>	<b>0.26%</b>	<b>Borrowing for COVID relief</b>
<b>Mar-22: Measures to mitigate rising costs of living due to energy prices</b>		<b>43,260</b>	<b>0.26%</b>	
1. Subsidy of diesel oil and gas	- Cap on diesel at THB 30 per liter until April - Cap on cooking gas at THB 333 per kg. from April 1 (up from THB 318)	39,520	0.24%	Borrowing for the State Oil Fund
2. Welfare subsidies	- Cook gas price subsidy of 100 baht/3 months for welfare cardholders (April - June) - Monthly cash handout of 250 baht/month for 3 months for motorcycle taxi drivers to purchase fuel (May - July) - Limited increase in electricity price to 0.22 baht/unit for households using electricity below 300 units per month (May - August)	3,740	0.02%	Central Budget
3. Cuts to Social Security contributions for employees and employers	Employers' and employees' contributions lowered from 5% to 1% (11.2 million employees), former employees under Article 39 (1.9 million), and freelance/self-employed under Article 40 (10.7 million) from May to July	-	-	Social Security Fund
4. Additional energy measures from PTT Plc.	- Cap on NGV price (THB 15.59 per kg) - Cut to NGV price for taxi drivers to 13.62 baht per kg - Cook gas price subsidy of 100 baht/month for street vendors who hold the state welfare card	-	-	PTT Plc.
<b>Total</b>		<b>86,760</b>	<b>0.5%</b>	

**Issues to Watch:**

- **Inflation:** Will inflationary expectations remain well-anchored?
- **Trade:** Will the Russia-Ukraine conflict cause a significant decline in merchandise exports, disrupt supply chains and lower tourism receipts?
- **COVID-19:** Will the government continue loosening COVID-19 restrictions as planned?

**News Highlights:**

- Thailand approves support measures to cope with high energy prices (Reuters, [Link](#))
- The government will next week consider scrapping the Test & Go entry scheme and Thailand Pass registration (Bangkok Post, [Link](#))
- Agency maintains Thai credit rating with a stable outlook, but government debt likely to rise (Bangkok Post, [Link](#))

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## Selected Economic and Financial Indicators

	2021	2021			2022	2021		2022		
		Q2	Q3	Q4	Q1	Nov	Dec	Jan	Feb	Mar
<b>GDP and Inflation (%YoY)</b>										
GDP growth (real)	1.6	7.7	-0.2	1.9						
Contribution to GDP growth:										
Private consumption	0.2	2.7	-1.9	0.2						
General Government consumption	0.5	0.2	0.3	1.2						
Gross fixed capital formulation: Private	0.6	1.6	0.4	-0.2						
Gross fixed capital formulation: Public	0.3	0.3	-0.5	0.1						
Net Exports of goods and services	-4.1	-0.1	-9.2	0.5						
Change in Inventory	4.2	3.1	10.7	0.1						
GDP, nominal (USD Billion)	506	125	119	129						
GDP, nominal (THB Billion)	16,180	3,914	3,918	4,296						
Consumer Prices Index: Headline	1.2	2.4	0.7	2.4	4.7	2.7	2.2	3.2	5.3	5.7
Consumer Prices Index: Core	0.2	0.4	0.1	0.3	1.4	0.3	0.3	0.5	1.8	2.0
<b>Output Indicators</b>										
Manufacturing Production Index (%YoY)	6.5	21.0	-0.3	4.7		4.6	6.7	2.0	2.8	
Capacity Utilisation (%)	63.0	62.7	58.5	64.5		65.2	65.2	65.7	64.8	
Farm Production Index (%YoY)	1.3	2.2	4.1	-1.4		-1.9	0.8	0.9	8.5	
Service Index (%YoY)	-2.3	-0.6	-1.8	4.0		3.3	5.7	10.1	9.5	
<b>Labor Market</b>										
Unemployed workers (Thousand Persons)	748	732	871.3	631.9						
Unemployment rate (%)	2.0	1.9	2.3	1.6						
Underemployment/1 (Thousand Persons)	584	469	778	438						
Underemployment (%)	1.5	1.2	2.1	1.2						
<b>Balance of Payments (USD million)</b>										
Current account	-10,582	-2,478	-5,173	-1,709		380	-1,611	-2,204	-652	
Current account (% of GDP)	-2.1	-2.0	-4.4	-1.3		0.9	-3.8	-5.2	-1.5	
Trade Balance	39,955	10,929	9,264	10,876		4,238	2,835	596	3,391	
Exports of goods (%YoY)	19.6	36.4	15.7	21.3		23.7	23.0	7.9	16.0	
Imports of goods (%YoY)	24.5	39.0	31.8	20.6		13.5	28.2	18.4	14.2	
Service, primary and secondary Income	-50,537	-13,407	-14,437	-12,586		-3,857	-4,446	-2,801	-4,043	
Tourist Arrivals (Thousand Persons)	428	20	45	342		91	231	134	153	
Financial account	-2,140	-1,927	2,636	2,293						
Financial account (% of GDP)	-0.3	-1.5	2.2	1.8						
Foreign direct Investment, net	-5,881	-1,726	-763	-4,495						
Portfolio flows	-11,284	-3,757	158	2,012						
Others Investments	16,181	4,160	3,410	5,062						
<b>Central Government Budget (Fiscal Year, THB billion)<sup>2</sup></b>										
Revenue	2,858	842	824	671	-	192	260	260	186	-
Expenditure	4,205	934	1209	1232	-	292	414	311	247	-
Central Government balance	-1,346	-91	-385	-561	-	-100	-154	-51	-62	-
Central Government balance (% of GDP)	-8.4	-2.3	-9.8	-13.1						
Public debt (% of GDP)	58.75	56.1	58.31	59.61	-	59.66	59.61	59.88	60.17	-
<b>Financial Markets Indicators</b>										
Policy rate (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
M2 (%YoY)	6.0	4.2	4.9	5.4	5.5	5.2	4.9	5.4	5.6	-
SET Index	1,658	1,588	1,606	1,658	1,695	1,569	1,658	1,649	1,685	1,695
Thai government bond yield, 10 year (%)	1.90	1.57	1.89	1.90	2.26	1.85	1.90	2.11	2.15	2.26
Foreign exchange reserve and FX forward position (USD billion)	258	263	257	258	251	257	258	255	255	251
USD/THB, end of period	33.42	32.05	33.92	33.42	33.30	33.69	33.42	33.43	32.73	33.30
THB NEER, average	117.4	119.3	114.8	114.5	116.7	115.5	114.4	115.5	117.6	117.1

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

2/ Fiscal Year 2021 starts in October 2020 to September 2021, 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