



Thailand Monthly Economic Monitor

11 February 2022

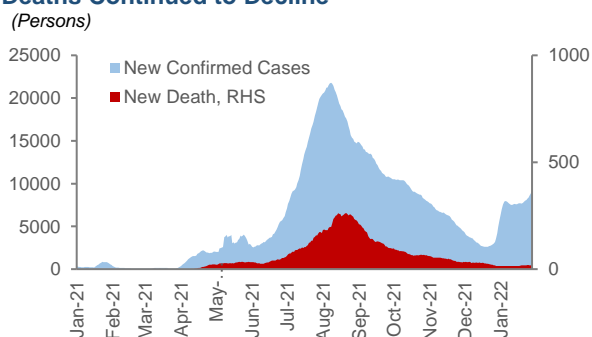
New COVID-19 cases rose, on average, to 10,533 per day during the first ten days of February, up from 7,000 cases per day in January, as the fast-spreading Omicron variant became dominant. However, preliminary data suggests that Omicron is less severe than the Delta variant. The government also resumed quarantine-free entry for fully vaccinated visitors (Test & Go) on February 1. Economic activity surged in the fourth quarter to its the highest level since the pandemic began, boosted by broad-based recovery in private consumption and investment, expansion in exports of goods, and the continuation of the COVID-19 relief and recovery program. Inflation climbed further in January, fueled by a surge in global oil prices. The Thai baht appreciated in January as investors regained confidence in the Thai equity and bond markets.

Authorities have resumed the test and go program and relaxed containment measures amid a wave of the potentially milder Omicron variant. New COVID-19 cases rose, on average, to 10,533 per day during the first ten days of February, up from 7,000 cases per day in January, as the Omicron variant became dominant. There are signs that Omicron is less severe than the Delta strain, due to increased immunity in the population owing to vaccination and past infections. As cases doubled in January, patients with severe symptoms requiring ventilation declined by half. The number of deaths also declined from 30 per day to 15 per day, during the same period (Fig. 1). The COVID death rate is currently at 0.2% of confirmed cases, down from 0.9% in December. As of February 5, the share of the fully vaccinated population reached 69.6% (Fig. 2). The government accelerated the vaccination campaign for booster shots as the number of Omicron cases began to rise. The proportion of the population with a booster dose reached 23%.

The resumption of quarantine-free entry for fully vaccinated visitors (Test & Go) is expected to attract more international tourists in 2022. From December to January, the number of arrivals dropped from 290,617 to 189,193. This decrease was anticipated as the Test & Go program was temporarily stopped in January to prevent imported cases of Omicron. The number of arrivals, however, is expected to bounce back in February as the government resumed the Test & Go scheme on February 1. In December the number of hotel occupants recovered to 49% of the pre-COVID number, driven by both domestic and international tourists (Fig. 3).

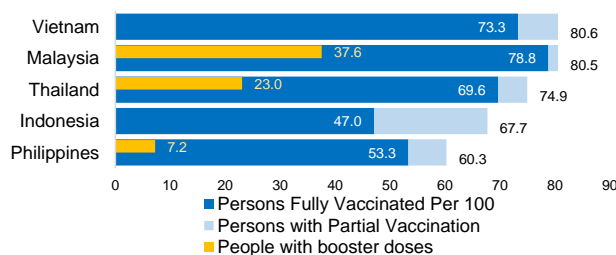
Domestic activity rebounded in the fourth quarter, reaching its highest level since the pandemic began. Manufacturing production rose 8.2% (qoq) in Q4 2021, supported by rebounding private consumption (8.2%qoq) and exports (10.1% qoq) (Fig. 4). The improvement in private consumption reflected the high rate of vaccination, relaxation

Figure 1: COVID-19 Cases Remained High While Deaths Continued to Decline



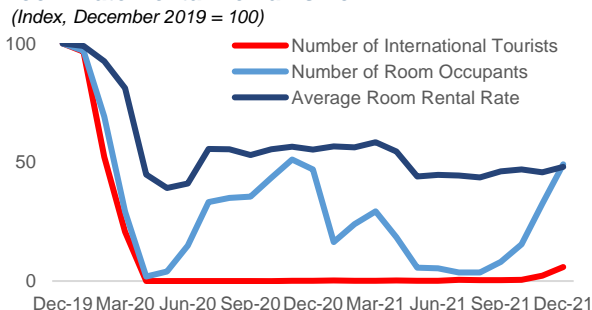
Source: CEIC; World Bank staff calculations

Figure 2: Thailand's Vaccination Rate is Close to the 70% Government Target



Source: OWiD; World Bank staff calculations

Figure 3: Number of Hotel Occupants Increases, But Room Rate Rental Remains Low



Source: MOTs, CEIC; World Bank staff calculations

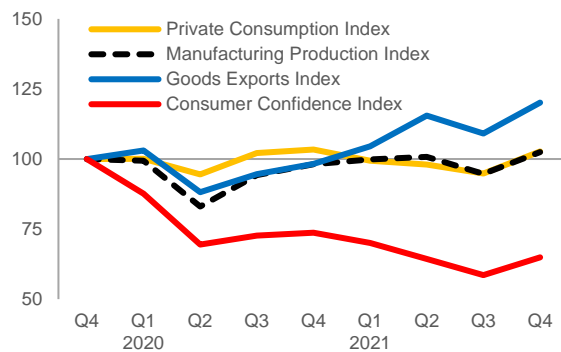
of lockdown measures, pent-up demand for durables, the reopening of borders for fully vaccinated visitors, and the continuation of the COVID-19 relief and recovery program. Though the spread of the Omicron variant weighed on domestic confidence and mobility in January (Fig. 5), the economy is expected to improve over the rest of Q1, with less restrictive virus containment measures and the continuation of the Test & Go program.

Exports of goods continued to grow at a strong pace as global demand remained solid and supply disruptions waned. In December, exports continued to expand at 24.2% (yoy) from 24.7% in the previous month, driven by stronger export growth of agricultural products, automobiles, and electronics. Apart from strong global demand, easing pressures from the global chip shortage and logistics bottlenecks also helped boost exports. Overall in 2021, exports expanded for the first time in three years at 17.1% but continued to perform worse than most regional peers in 2021 as Thai exports have been benefitted less from the surge in global demand for electronics and rise in the global oil price relative to the regional peers (Fig. 6). The government projects exports to expand further in 2022, based on the economic growth of major trading partners, the easing of container shortages, a strong demand for technology-related products due to the growing digital economy, and the Regional Comprehensive Economic Partnership (RCEP) which came into effect on January 1.

The government approved THB 200 billion to fund the COVID-19 relief and recovery program. The latest measures worth THB 53 billion (0.3% of GDP) for Q1 and Q2 2022 (calendar year) are drawn from the THB 500 billion off-budget borrowing envelope for the COVID-19 relief and recovery program. The measures include the extension of the co-payment subsidy and domestic travel subsidy programs, as well as cash handouts for social welfare card holders and special groups. Overall, the borrowing envelope for FY22 is more than 50% lower than the amount spent to fight the third COVID wave in FY21 (Fig. 7). The fiscal stance is projected to become less expansionary in FY22.

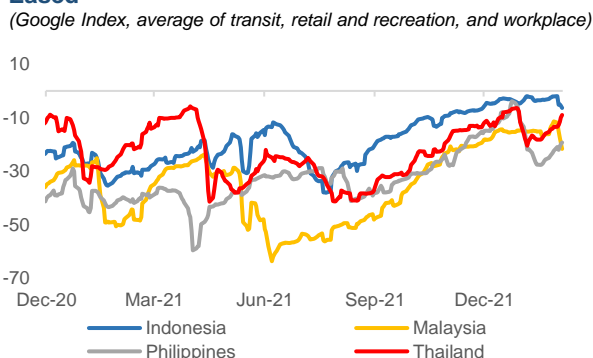
Inflation ticked up in January fueled by a surge in the global crude oil price and domestic swine flu. Inflation rose from 2.2% to 3.2%, a 9-month high, due mainly to surges in energy and fresh food prices. However, the rise in global oil prices was not fully passed through to domestic prices as retail diesel prices have been capped at 30 baht per liter since September 2021, subsidized by the State Oil Fund (Fig. 8). The government approved the borrowing of THB 30 billion in the form of commercial bank loans, in order to replenish the fund. Core inflation climbed to 0.52% from 0.29% in the previous month. The Bank of Thailand expects inflation to

Figure 4: Economic Activity Improved in Q4
(Index SA, Q4 2019=100)



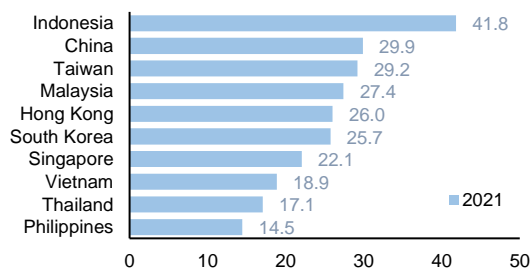
Source: CEIC; World Bank staff calculations

Figure 5: Mobility Rebounded as Fears of Omicron Eased
(Google Index, average of transit, retail and recreation, and workplace)



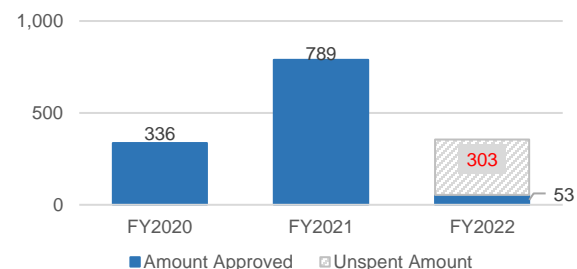
Source: CEIC; World Bank staff calculations

Figure 6: Thai Exports Lagged Behind Peers in 2021
(Growth, Percent year-on-year)



Source: CEIC; World Bank staff calculations

Figure 7: There Remains Fiscal Space to Provide Additional Support Under THB 1.5 Billion Borrowing
(THB billion)



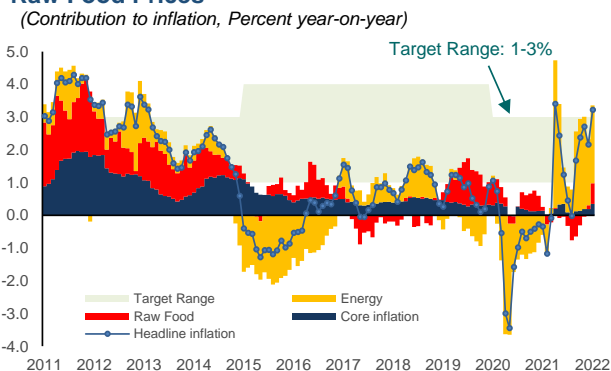
Source: NESDC; World Bank staff calculations

stay within the target range (1-3%) but to closely monitor the path of global energy prices and cost pass-through.

The Thai baht appreciated in January as investors regained confidence in the Thai equity and bond markets.

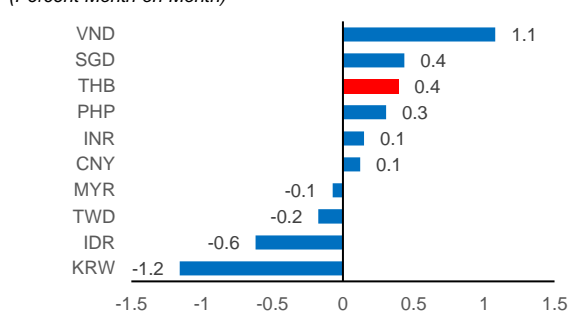
The baht stayed at 33.4 against the US dollar at the end of January. The Real Effective Exchange Rate (REER) appreciated 0.4% during the same period (Fig. 9). The Thai baht appreciated as foreign investors regained confidence in Thailand's economic outlook after the reopening of the border for international tourists despite the Federal Reserve's move to accelerate tapering and plans to increase interest rates. Portfolio inflows of the Thai bond and equity markets continued to register positive flows for the fourth consecutive month in January, at THB 84 billion, the largest flows since June 2019.

Figure 8: Rising Inflation Was Driven by Energy and Raw Food Prices



Source: CEIC; World Bank staff calculations

Figure 9: Thai Baht Appreciated in January (REER)



Source: Haver Analytics; World Bank staff calculations

Issues to Watch:

- **COVID-19:** Will the spread of the Omicron variant bring new cases to 30,000 per day as the Department of Disease Control projected under the worst case scenario?
- **Tourism:** Will the resumption of the Test & Go lead to surges in foreign tourists inflows?
- **Inflation:** Will rising prices of raw food and energy significantly affect core inflation?

News Highlights:

- The Public Health Ministry plans to declare Covid-19 an endemic disease by the end of this year (Bangkok Post, [Link](#))
- The Bank of Thailand predicts inflation for full-year 2022 will remain within the target range (Bangkok Post, [Link](#))
- The Association of Thai Travel Agents urges movement on travel bubble schemes (Bangkok Post, [Link](#))

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Selected Economic and Financial Indicators

	2020	2021	2021				2021				2022
			Q1	Q2	Q3	Q4	Sep	Oct	Nov	Dec	Jan
GDP and Inflation (%YoY)											
GDP growth (real)	-6.2	-	-2.6	7.6	-0.3	-					
Contribution to GDP growth:											
Private consumption	-0.5	-	-0.2	2.8	-1.8	-					
General Government consumption	0.1	-	0.3	0.2	0.4	-					
Gross fixed capital formation: Private	-1.5	-	0.5	1.6	0.4	-					
Gross fixed capital formation: Public	0.4	-	1.1	0.3	-0.5	-					
Net Exports of goods and services	-5.3	-	-8.0	-1.4	-8.5	-					
Change in Inventory	0.7	-	3.6	4.1	9.8	-					
GDP, nominal (USD Billion)	502	-	134	125	119	-					
GDP, nominal (THB Billion)	15698	-	4071	3924	3931	-					
Consumer Prices Index: Headline	-0.8	1.2	-0.5	2.4	0.7	2.4	1.7	2.4	2.7	2.2	
Consumer Prices Index: Core	0.3	0.2	0.1	0.4	0.1	0.3	0.2	0.2	0.3	0.3	
Output Indicators											
Manufacturing Production Index (%YoY)	-9.2	6.6	0.8	20.7	-0.2	-0.5	0.3	3.0	4.9	6.8	
Capacity Utilisation (%)	61.0	64.2	67.4	64.7	59.3	61.1	62.1	64.1	65.8	66.3	
Farm Production Index (%YoY)	-5.5	2.0	0.2	4.8	4.1	1.4	-0.6	-3.2	-0.9	1.1	
Service Index (%YoY)	-12.8	-2.1	-10.7	-0.7	-1.8	4.7	-0.7	3.5	3.3	7.4	
Labor Market											
Unemployed workers (Thousand Persons)	651	-	758	732	871.3	-					
Unemployment rate (%)	1.7	-	2.0	1.9	2.3	-					
Underemployment/1 (Thousand Persons)	485	-	651	469	778	-					
Underemployment (%)	1.3	-	1.7	1.2	2.1	-					
Balance of Payments (USD million)											
Current account	21,178	-10,902	-1,222	-2,478	-5112	-2090	-791	-1,058	346	-1,378	
Current account (% of GDP)	4.2	-2.2	-0.9	-2.0	-4.3	-1.8	-2.4	-3.3	1.1	-4.3	
Trade Balance	40,856	39,955	8,885	10,929	9264	10876	4,007	3,804	4,238	2,835	
Exports of goods (%YoY)	-6.4	19.6	5.0	36.4	15.7	21.3	17.8	17.0	23.7	23.0	
Imports of goods (%YoY)	-13.7	24.5	6.5	39.0	31.8	20.6	20.4	20.1	13.5	28.2	
Service, primary and secondary Income	-19,677	-50,857	-10,108	-13,407	-14,375	-12,966	-4,798	-4,862	-3,892	-4,213	
Tourist Arrivals (Thousand Persons)	6,701	428	20.2	20.3	45.4	342.0	12.2	20.3	91.3	230.5	
Financial account	-11,991	-	-5,142	-1,927	2196.9	-					
Financial account (% of GDP)	-2.4	-	-3.8	-1.5	1.8	-					
Foreign direct Investment, net	-23,847	-	1,104	-1,726	-1166.0	-					
Portfolio flows	-12,148	-	-9,697	-3,757	158.1	-					
Others Investments	24,414	-	3,550	4,160	3475.8	-					
Central Government Budget (Fiscal Year, THB billion)/2											
Revenue	2,822	2,858	591	842	824	657	354	215	192	251	
Expenditure	3,669	4,205	1,017	934	1209	1210	508	519	284	407	
Central Government balance	-896	-1,397	-431	-97	-418	-553	-170	-303	-96	-156	
Central Government balance (% of GDP)	-5.8	-8.7	-11	-2	-11	-14					
Public debt (% of GDP)	49.4	58.76	52.0	56.09	57.98	58.76	57.98	58.76	59.58	59.57	
Financial Markets Indicators											
Policy rate (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
M2 (%YoY)	9.2	6.0	9.5	4.1	3.9	4.2	6.0	6.3	5.2	5.0	
SET Index	1,449	1,658	1587	1588	1522	1639	1,606	1,623	1,569	1,658	
Thai government bond yield, 10 year (%)	1.13	1.90	1.76	1.57	1.56	1.57	1.89	1.98	1.85	1.90	
Foreign exchange reserve and FX forward position (USD billion)	274	258	267	263	263	261	257	258	257	258	
USD/THB, end of period	30.04	33.42	31.34	32.05	32.90	32.39	33.92	33.18	33.69	33.42	
THB NEER	123.2	114.4	121.9	118.9	115.8	114.3	114.35	113.69	115.54	114.41	

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