



# Thailand Monthly Economic Monitor

20 January 2022

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Omicron cases surged as Thailand neared its end-2021 mass vaccination target of 70%. The government tightened international travel restrictions but refrained from reimposing a national lockdown to support the ongoing economic recovery. In Q4 2021, economic activity improved significantly but mobility fell in January as tighter restrictions were imposed. In the latest [Thailand Economic Monitor](#), the World Bank projected economic growth to increase to 3.9% in 2022, but risks related to new variants remain. With an expected economic recovery, fiscal support is projected to be less expansionary in FY22 despite recently announced measures. Inflation continued to climb due to supply-side disruptions while remaining within the Bank of Thailand's target range. Like other regional currencies, the Thai baht depreciated against the USD in December, despite net financial inflows to bond and equity markets.

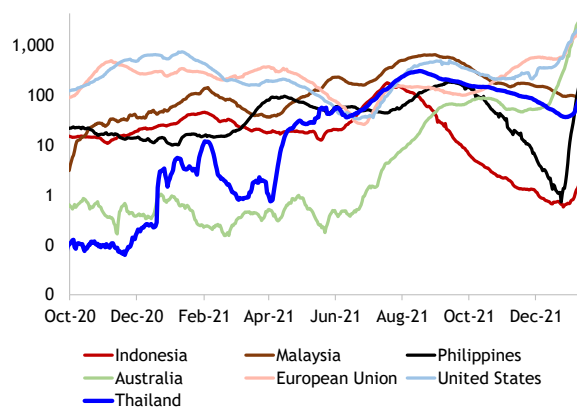
**COVID-19 cases surged after the New Year holidays, due to the fast-spreading Omicron variant.** New COVID-19 cases rose to 5,679 per day on average during the first two weeks of January, up from 3,500 in December (Fig. 1), with 70% of the COVID-cases were infected with the Omicron variant (Fig. 2). The Center for Disease Control and Prevention projects the baseline spread of the Omicron variant could bring new cases to 15,000 per day in the next 3-4 months. In the worst case scenario, new cases could reach 30,000 per day. The number of deaths continued to decline from 30 per day in December to 13 per day during the first two weeks of January. The COVID death rate is one of the lowest in the region at 0.2 per million population.

**The government tightened international travel restrictions by suspending quarantine-free entry for fully vaccinated visitors.** The suspension started from December 22 as Omicron cases increased among foreign visitors. However, the sandbox programs for Phuket and the three southern provinces, Surat Thani, Krabi, and Phangnga, were retained. Visitors will have to undergo 7-10 days of mandatory quarantine. The short-lived opening of borders from November 1 to January 8 attracted 490,207 tourist arrivals (79% Test & Go and 17% Sandbox program).

**The government raised the COVID-19 alert level to 4, stopping short of a national lockdown.** The level 4 restrictions are designed to allow much economic activity to continue. For example, they include encouraging people to work from home and suspend non-essential interprovincial trips. However, authorities have closed high-risk establishments as well as pubs and bars, and limited the number of people at gatherings until at least -January 31.

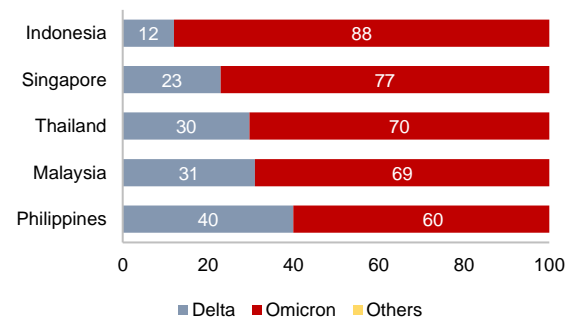
**The vaccination rate is close to the 70% government target and administered booster doses are on the rise.** The share of the population vaccinated with at least one dose

**Figure 1: COVID-19 Cases Rose**  
(Per Million People, Log scale)



Source: OWiD; World Bank staff calculations

**Figure 2: Omicron has Become the Dominant COVID Variant in Asia**  
(Percent of sequenced analyzed over the past two weeks)



Source: OWiD, Data as of January 8 for Thailand based on MOH report, Data as of January 2 for the Philippines based on DOH report

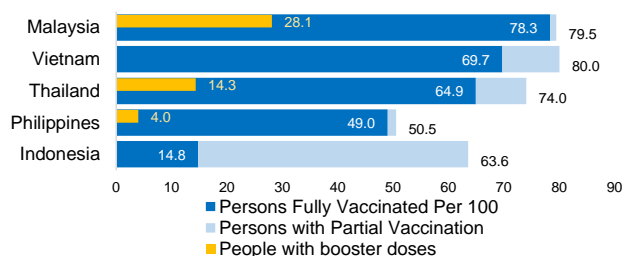
climbed to 74% while the share of those fully vaccinated reached 65% (Fig. 3). In the region, Thailand lags behind only Malaysia and Vietnam in terms of full vaccination. The government accelerated the vaccination campaign for booster shots as the number of Omicron cases began to rise. The share of the population with a booster dose reached 14%.

**Economic activity improved in the fourth quarter of 2021, with key indicators approaching their highest level for the year.** The high rate of vaccination, relaxation of lockdown measures, and the reopening of the borders for fully vaccinated visitors have boosted domestic consumption. In the fourth quarter, the Mobility Index rebounded to its strongest level in 2021 (Fig. 4). However, the index fell in January after new restrictions were imposed. Consumer confidence improved from a historical low of 40.6 in the third quarter to 45.0 in the fourth quarter. The manufacturing production index and the service production index in November also increased, rising 4.8% (yoy) and 3.1% (yoy), respectively. This reflects the continued expansion of goods exports at 23.7% (yoy) from 17.0% (yoy) in the previous month, and the recovery in domestic activity. Domestic travel in November rose for the third month and continued to be the main source of tourism activity (Fig. 5).

**The World Bank projects GDP to accelerate in 2022 and 2023.** The GDP growth is projected to increase from 1.0% in 2021 to 3.9% in 2022, reaching 4.3 percent in 2023, driven by a recovering service sector (Fig. 6). Domestic consumer confidence and international tourist confidence are expected to strengthen, assuming achievement of a high rate of vaccination and containment of new infections. The number of international tourists is projected to rise to almost 7 million in 2022, with a sharp increase in the second half of the year, before increasing further to around 20 million arrivals in 2023—about half of the numbers seen in 2019. In contrast, the contribution of goods exports to GDP growth in 2022 is projected to be smaller than in 2021, reflecting softening global demand. However, renewed outbreaks and new variants continue to pose a risk to the economic outlook. In the downside scenario, the Thai economy could shrink in 2022. The World Bank projects a GDP contraction at 0.3 percent in 2022 should a new vaccine-resistant strain of coronavirus lead to nationwide lockdown and strict border control measures in the first half of 2022. Under this scenario, the number of foreign tourists is projected to remain low at 0.9 million in 2022.

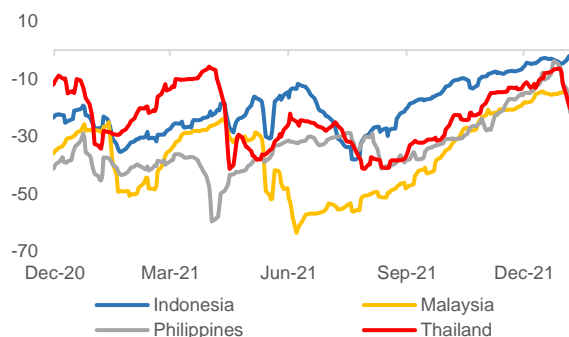
**Additional fiscal support is expected to moderate in FY22.** The government announced additional measures in the first quarter of FY22. The measures include four measures: (1) the extension of the existing co-payment subsidy program, (2) a tax deduction for individual taxpayers of up to 30,000

**Figure 3: Thailand's Vaccination Rate is Close to the 70% Government Target**  
(Percent of total population)



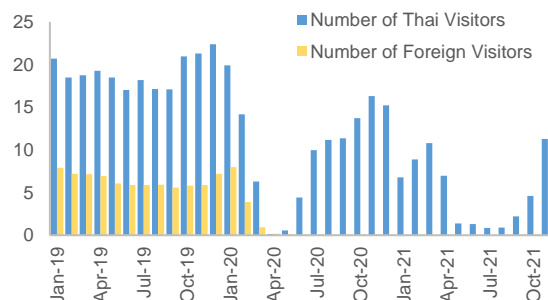
Source: OWiD; World Bank staff calculations

**Figure 4: Mobility Surged, but is Now Declining**  
(Google Index, average of transit, retail and recreation, and workplace)



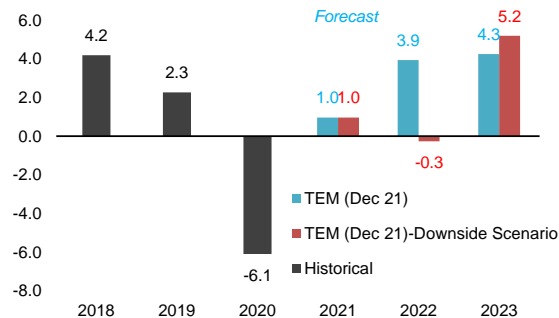
Source: CEIC; World Bank staff calculations

**Figure 5: Tourism Activity was Driven by Thai Visitors**  
(Million visitors)



Source: CEIC; World Bank staff calculations

**Figure 6: World Bank Projects GDP Growth to Pick Up in 2022**  
(Percent)



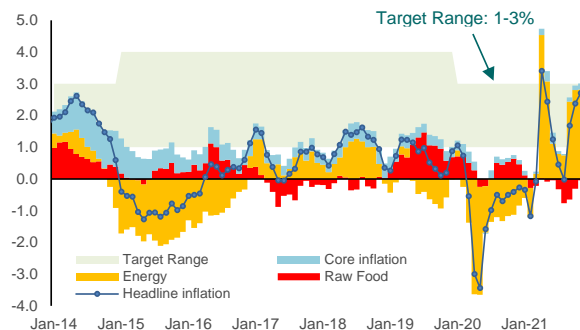
Source: NESDC; World Bank staff calculations

baht when purchasing goods or services from January 1 to February 15, (3) an extension of the property transfer tax cut until Dec 31, 2022, and (4) an extension of excise tax reductions for jet fuel until June 30, 2022. The size of the additional fiscal support is expected to be smaller, relative to the support provided in FY21. The World Bank projects public debt to peak at 62.2% of GDP by the end of FY22, well below the debt ceiling of 70%. In November, public debt increased further to 59.6% of GDP. Fitch Ratings affirmed Thailand's sovereign credit rating at BBB+ with a stable outlook, citing robust external finances, well-managed public finances, and a strong macroeconomic policy framework.

**Inflation continued to climb due to supply disruptions but remained within the Bank of Thailand's target range of 1-3%.** Inflation stayed above 2% for the third consecutive month, reaching 2.2% in December, as energy prices remained high and raw food price inflation turned positive for the first time in 8 months (Fig. 7). Core inflation remained muted at 0.2%. The retail price of pork increased by 25%, from THB 147 per kg in December to THB191 during the first two weeks of January. On January 6, the government announced a ban on exports of live pigs until April in an effort to cool the price rally. The BOT expects inflation to rise to 1.7% in 2022 due to pressure from the increasing oil price, electricity price, and supply disruptions. However, core inflation is expected to rise only slightly to 0.4% due to the slow economic recovery.

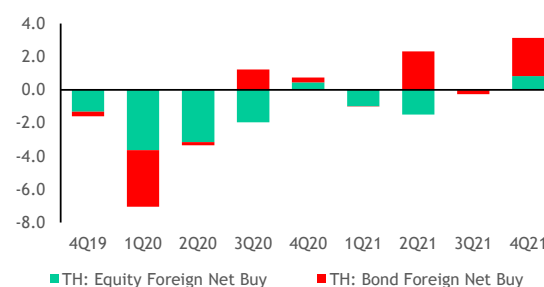
**The Thai baht depreciated in December due mainly to the stronger US dollar.** The baht depreciated by 1.4% to 33.6 against the US dollar in December, compared with November. Thailand experienced the largest depreciation compared to the regional peers. The Real Effective Exchange Rate (REER) depreciated 1.0% during the same period. However, financial flows to Thai bond and equity markets turned positive in Q4, at USD 3.1 billion, after net outflows of USD 0.3 billion in the previous quarter (Fig. 8).

**Figure 7: The Surge in Oil Prices Drove Inflation**  
(Contribution to inflation, Percent year-on-year)



Source: CEIC; World Bank staff calculations

**Figure 8: Financial Flows to Thai Bond and Equity Markets Turned Positive In Q4**  
(USD billion)



Source: CEIC; World Bank staff calculations

#### Issues to Watch:

- **COVID-19:** Will Omicron spread as widely as seen in the US and Europe?
- **Tourism:** To what extent does the suspension of the Test & Go affect inflows of the foreign tourist visitors?
- **Inflation:** Will rising prices of raw food and energy significantly affect inflation?

#### News Highlights:

- A ban on the export of live pigs has been enforced to tackle the surging price of pork (Bangkok Post, [Link](#))
- The Bank of Thailand is concerned with higher prices for living costs (Bangkok Post, [Link](#))
- The government extended suspension of the Test & Go programme for air travellers (Bangkok Post, [Link](#))

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## Selected Economic and Financial Indicators

	2020	2021				2021				
		Q4	Q1	Q2	Q3	Aug	Sep	Oct	Nov	Dec
<b>GDP and Inflation (%YoY)</b>										
GDP growth (real)	-6.2	-4.2	-2.6	7.6	-0.3					
Contribution to GDP growth:										
Private consumption	-0.5	0.5	-0.2	2.8	-1.8					
General Government consumption	0.1	0.3	0.3	0.2	0.4					
Gross fixed capital formulation: Private	-1.5	-0.6	0.5	1.6	0.4					
Gross fixed capital formulation: Public	0.4	0.0	1.1	0.3	-0.5					
Net Exports of goods and services	-5.3	-10.7	-8.0	-1.4	-8.5					
Change in Inventory	0.7	6.3	3.6	4.1	9.8					
GDP, nominal (USD Billion)	502	135	134	125	119					
GDP, nominal (THB Billion)	15698	4133	4071	3924	3931					
Consumer Prices Index: Headline	-0.8	-0.4	-0.5	2.4	0.7	-0.02	1.7	2.4	2.7	2.2
Consumer Prices Index: Core	0.3	0.2	0.1	0.4	0.1	0.1	0.2	0.2	0.3	0.3
<b>Output Indicators</b>										
Manufacturing Production Index (%YoY)	-9.2	-1.6	0.8	20.7	-0.2	-4.7	0.3	3.0	4.8	
Capacity Utilisation (%)	61.0	63.8	67.4	64.7	59.3	57.1	62.1	64.1	65.8	
Farm Production Index (%YoY)	-5.5	2.3	0.2	4.9	4.1	7.8	-0.6	-2.3	-0.4	
Service Index (%YoY)	-12.8	-15.1	-10.6	-0.6	-2.1	-3.5	-1.0	1.7	3.1	
<b>Labor Market</b>										
Unemployed workers (Thousand Persons)	651	727.1	758	732	871.3					
Unemployment rate (%)	1.7	1.9	2.0	1.9	2.3					
Underemployment/1 (Thousand Persons)	485	510	651	469	778					
Underemployment (%)	1.3	1.3	1.7	1.2	2.1					
<b>Balance of Payments (USD million)</b>										
Current account	21,178	424	-1,222	-2,478	-5111.5	-2,731	-791	-1,058	346	
Current account (% of GDP)	4.2	0.3	-0.9	-2.0	-4.3	-8.4	-2.4	-3.3	1.1	
Trade Balance	40,856	8,698	8,885	10,929	9264	1,895	4,007	3,804	4,238	
Exports of goods (%YoY)	-6.4	-1.4	5.0	36.4	15.7	8.2	17.8	17.0	23.7	
Imports of goods (%YoY)	-13.7	-6.7	6.5	39.0	31.8	39.6	20.4	20.1	13.5	
Service, primary and secondary Income	-19,677	-8,275	-10,108	-13,407	-14375	-4,626	-4,798	-4,862	-3,892	
Tourist Arrivals (Thousand Persons)	6,701	9.6	20.2	20.3	29.8	15.1	12.2	20.3	91.3	
Financial account	-11,991	-2,021	-5,142	-1,927	2196.9					
Financial account (% of GDP)	-2.4	-1.5	-3.8	-1.5	1.8					
Foreign direct Investment, net	-23,847	-12,150	1,104	-1,726	-1166.0					
Portfolio flows	-12,148	-3,867	-9,697	-3,757	158.1					
Others Investments	24,414	14,095	3,550	4,160	3475.8					
<b>Central Government Budget (Fiscal Year, THB billion)<sup>2</sup></b>										
Revenue	2,834	601	591	849	799	244	336	216	190	
Expenditure	3,730	1,052	1,023	946	1217	362	506	519	286	
Central Government balance	-896	-450	-431	-97	-418	-119	-170	-303	-96	
Central Government balance (% of GDP)	-5.8	-10.9	-11	-2	-11					
Public debt (% of GDP)	46.2	50.5	52.0	56.09	57.98	57.01	57.98	58.76	59.58	
<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)	9.2	10.4	9.5	4.1	3.9	4.9	6.0	6.3	5.2	-
SET Index	1,449	1449	1587	1588	1522	1,639	1,606	1,623	1,569	1,658
Thai government bond yield, 10 year (%)	1.13	1.13	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	274	267	263	263	261	257	258	257	258
USD/THB, end of period	30.04	30.04	31.34	32.05	32.90	32.39	33.92	33.18	33.69	33.42
THB NEER	123.2	121.9	121.9	118.9	115.8	114.27	114.35	113.69	115.54	114.40

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