Mizuho Flash: Thailand

Economics & Strategy | Asia ex-Japan

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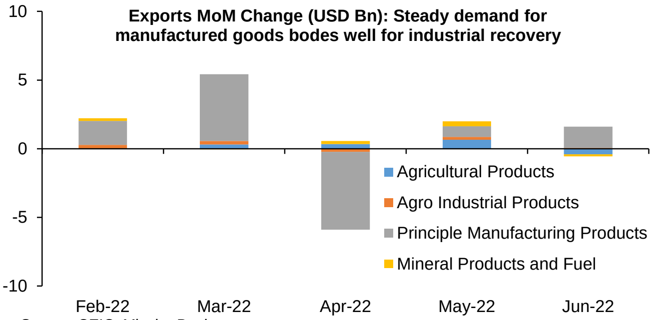
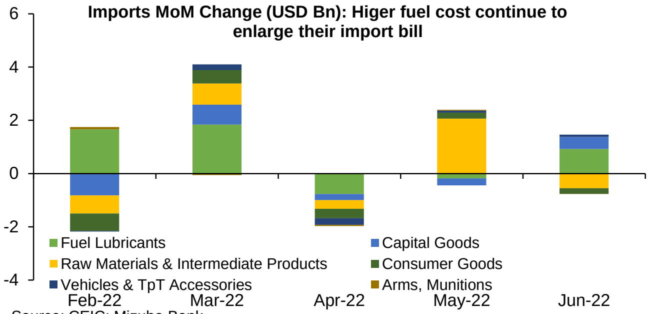
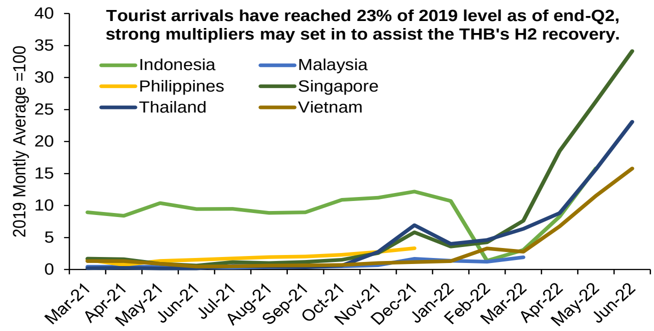
Thailand: Of Trade deficit, Tourism Revival and Sticky Inflation



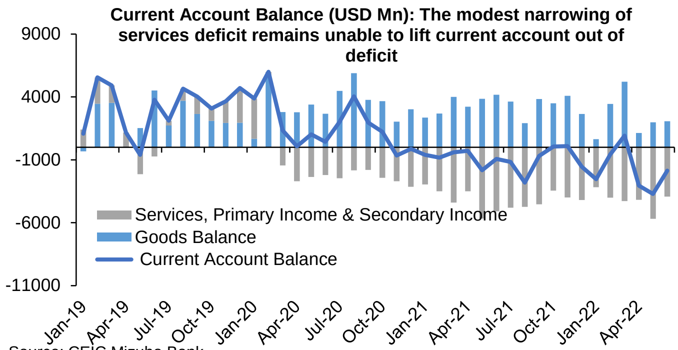
Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank



Source: CEIC; Mizuho Bank
Note: Most recent available data used.



Source: CEIC Mizuho Bank

- **Customs trade balance data** release at US$1.5bn deficit confirmed our expectations of continued entrenchment in **deficit territory as outflows continued for the third consecutive month**. While exports continue healthy expansion on **higher demand for manufactured products** which bodes well for underlying economic activity, **rising energy and fuel cost** led to a **burgeoning import bill** pressuring overall trade balance into deficit.

- As such, Thailand's economic outlook in H2 continues to rely on their tourism recovery setting off virtuous multiplier effects. **Visitor arrivals in June has reached almost a quarter that seen in 2019** with neighbours Malaysia taking the largest share (16%) followed by India. Meanwhile, the **absence of Chinese tourist remains stark** forming only a mere 3% share of arrivals and 2% of their pre-Covid levels.

- Looking ahead, tourist arrivals will continue increasing with the simplification of administrative hurdles such as the removal of Thailand Pass, however, the pace may slow amid on-going flight disruptions and high base effects. Into Q4, tourist arrivals look to head above 50% of pre-Covid levels contingent on steady resumption of airlines' and airports' capabilities and capacities.

- The tourism recovery is also reflected in a **smaller services balance deficit** though the improvement was **unable to lift the current account which stayed in a deficit** of US$1.9bn. Accordingly, a return to surplus position may only be seen in early 2023 and allow concomitant recovery in THB.

- What's troubling though will be **inflation print next week as it is set to be nudged higher** with administrative upward adjustments on electricity tariffs and likely **broader cost-pass through as tourism recovery drives strong multipliers of income and employment**. Given the likelihood of prolonged elevated energy prices, the broader challenge may not be delayed peak in cost-push, but instead, demand recovery leading to **sticky inflation persistently** exceeding BoT's 3% limit.

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