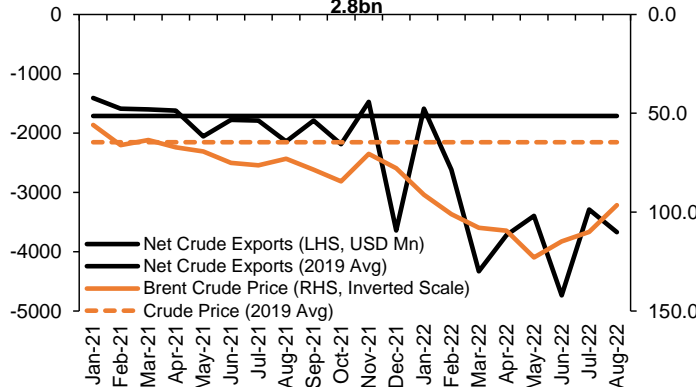


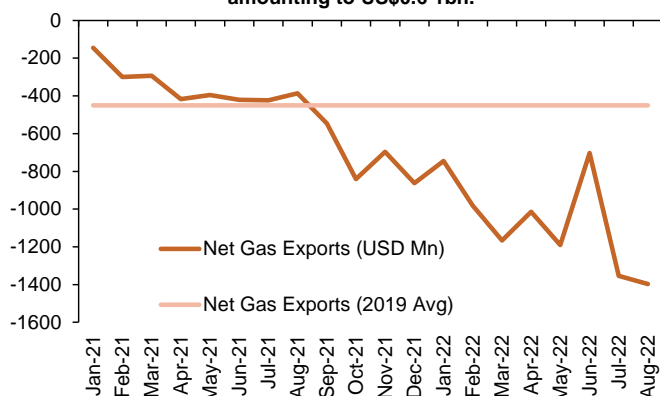
Thailand: Of Deficits and Slippery Moving Parts

With oil prices staying near \$85-\$95, the **additional monthly burden from net crude deficit will amount to US\$2.3-2.8bn**



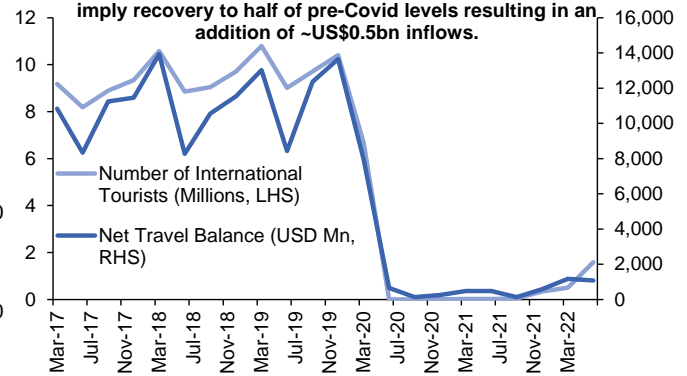
Source: CEIC; Mizuho Bank

High gas prices also weigh with **additional monthly burden amounting to US\$0.6-1bn**.



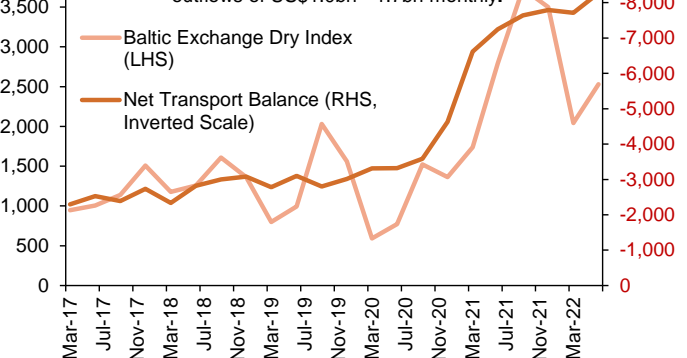
Source: CEIC; Mizuho Bank

Monthly tourist arrivals was at 35% of pre-Covid levels in August. An **additional 500k of tourist arrivals monthly will imply recovery to half of pre-Covid levels resulting in an addition of ~US\$0.5bn inflows**.



Source: CEIC; Mizuho Bank

A key reason behind the **underwhelming services balance is the rise in transportation cost** which results in additional outflows of US\$1.0bn - 1.7bn monthly.



Source: CEIC; Mizuho Bank

- While the tourism recovery is on-going, firmer tourism inflows in Thailand is keenly awaited and critical as the **current account balance remains entrenched in a deficit** in 2022.
- The **issue here is not that the initial tourism recovery pace is lacklustre**, the broader picture is also very much **a heavier post-Covid burden resulting from higher energy prices**.
- Receipts from tourism remain a **backstop for the slipping THB** rather than impetuous for a sustained surge at this juncture. This last quarter of 2022 remains one which serves to form firmer foundations for recovery in 2023.
- With tourist arrivals at 35% of pre-Covid levels, a further recovery of tourist arrivals by 500k will enable aggregate tourist numbers to reach half that of pre-Covid levels by end-December. This recovery will allow approximately additional US\$0.5bn of monthly inflows.
- In contrast, the elevated energy prices arising from Russian-Ukraine geo-political conflict and OPEC+ actions have resulted in **deepening deficits on multiple fronts: i) crude oil, ii) gas and iii) transportation**.

- With Brent crude prices ranging US\$85-95/barrel, **costlier crude oil imports** add approximately US\$2.3-2.8bn of payment outflows a month relative to pre-Covid periods. Similarly, the **surge in gas prices** also worsens the issue of the energy import reliance to a magnitude of US\$0.6-1.0bn.
- The indirect effects of higher energy prices also exerted **drags on the services balance through the transport balance**. Higher fuel prices alongside supply side disruptions such as route changes and port congest pass through to **increase in freight costs** (proxied by Baltic Dry Index).
- The transport balance within the BoP services balance which has historically recorded a deficit ranging US\$2-3bn quarterly (US\$0.7-1bn monthly) has imploded to a range of US\$5-8bn quarterly (US\$1.7-2.7bn monthly). This **adds an additional burden of US\$1.0-1.7bn each month and as such the services balance stayed in a deficit in recent months despite a rather decent tourist arrival pace**.
- Admittedly, the additional revenues from tourism looks overwhelmed by these various drags at this point. That said, the **nature of tourism revenues is such that these inflows tend to be more consistent and at this juncture have room for improvement**.
- Meanwhile, there are **multiple volatile moving parts which are dragging the current account** into a deficit and these risks are currently **amplified by a strengthening USD**.
- In fact, these drags from energy prices are correlated and therefore heightens THB volatility. As such, a bumpy THB recovery is par for the course in 2023 with the extent **contingent on some fundamental fade** of these drags alongside stabilising BoT-Fed policy rate differentials.

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