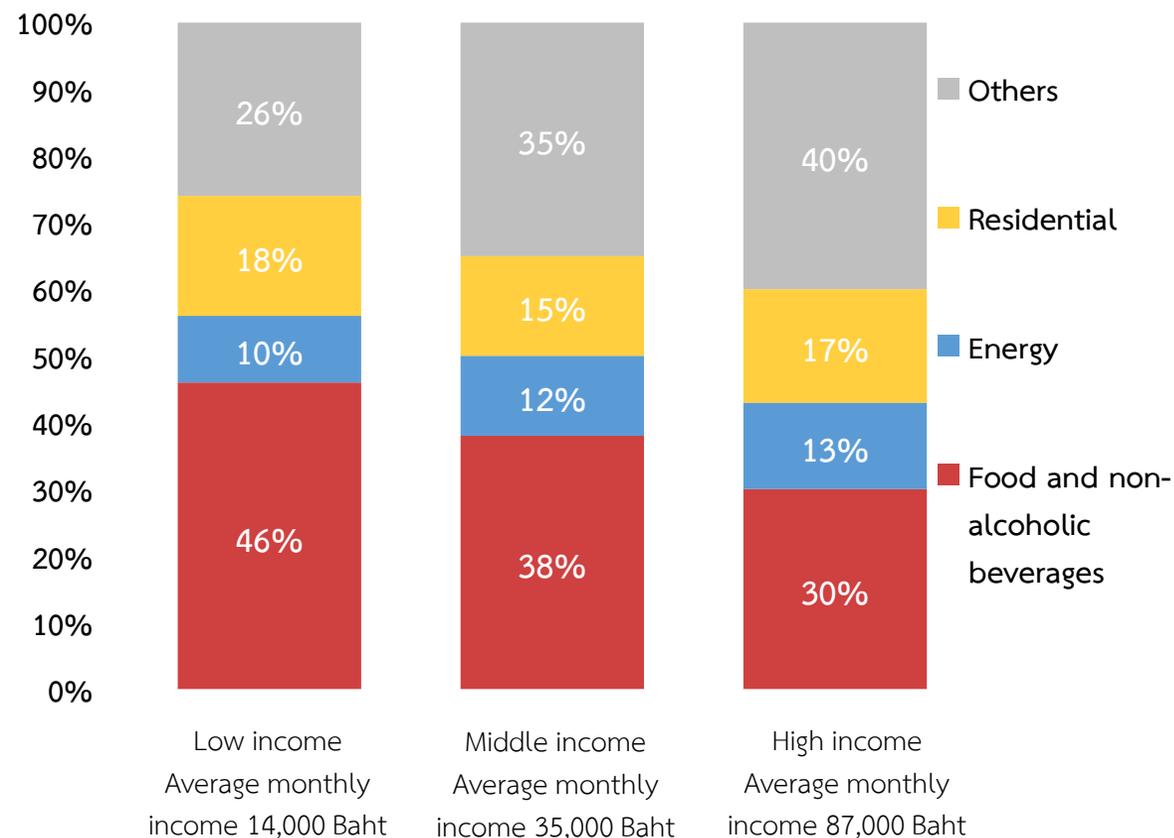


Overall, the Thai economy is gradually recovering from its trough in 2020 and headline inflation is rising due to cost-push pressures. Detailed analysis shows that the recovery remains uneven across sectors and that the impact of rising inflation is also uneven between people of different income groups (double K-shaped recovery).

In the recent period, inflation in Thailand rose sharply, especially in energy and food prices which saw a much larger increase compared to other goods with price increases for both fresh food and prepared food. **While higher inflation would impact the cost of living for the whole population, the severity of the impact would vary across different households depending on their spending structure.** For instance, households who spends a large share of their income on energy and food would be more affected in comparison.

An analysis of household socio-economic data found that **low-income households would face higher living costs from spending on food more so than high-income households.** This is because the share of spending on food and non-alcoholic beverages among low-income households is as high as 46% of total spending, while the share of those same spending among high-income households is less than 30%. Meanwhile, the impact of higher energy prices is not so different between the two income groups. The share of energy spending for low-income households and high-income households are similar at 10% and 13% of total spending, respectively (Chart 1).

Chart 1: Proportion of expenditure basket for each income group (proportions as of 2021)

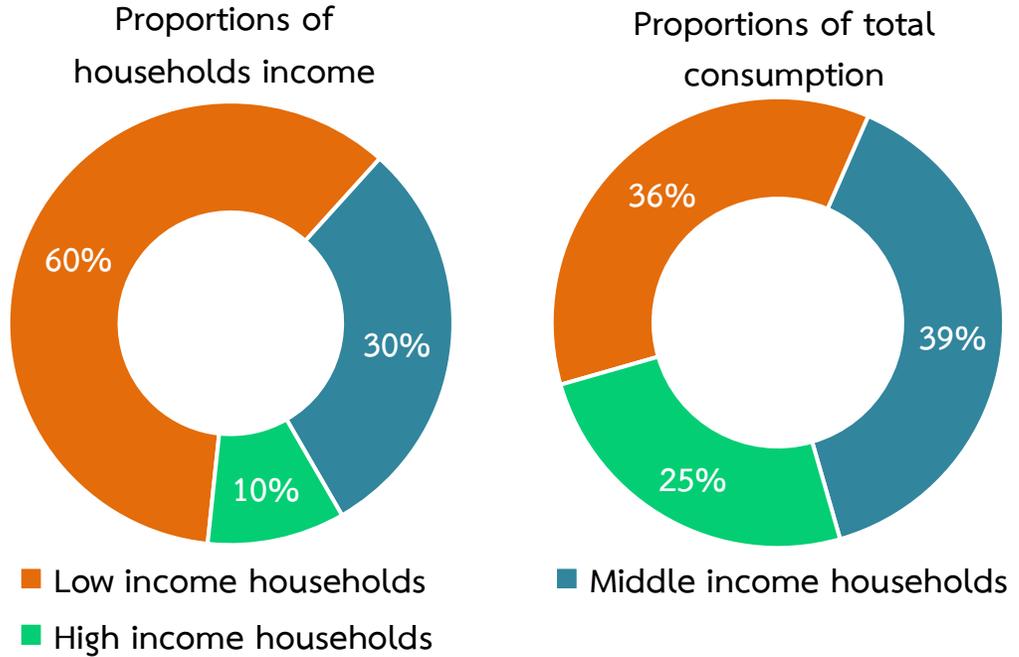


Source: Household socio-economic survey conducted by the National Statistical Office of Thailand, calculated by the Bank of Thailand

Low-income households also face challenges stemming from elevated debt levels and their income not having fully recovered yet. About two-thirds of low-income households are indebted (Chart 2). Most low-income households are also self-employed or working in the service sectors which were directly impacted by the outbreak of COVID-19 and thus wages are recovering more slowly than other occupations.

All of the aforementioned factors hinder household purchasing power, especially low-income households which make up a large share of Thailand's population (60%) and account for one-third of total consumption spending (Chart 3). Not only do those factors affect the cost of living and quality of life of low-income households, they might also hold back private consumption and the overall economic recovery in the period ahead.

Chart 3: Proportions of households and consumption of each income group



**Note:** Household income are categorized by the 60<sup>th</sup> and 90<sup>th</sup> percentile, with low income households categorized according to the definition set by the Ministry of Commerce.

**Source:** Household socio-economic survey conducted by the National Statistical Office of Thailand, calculated by the Bank of Thailand

Chart 2: Proportions of household debt for each income group

