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**Price Determination in the Thai Market:  
Insights from Input-Output Model and Survey Analysis**

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## Preface

In recent years, while global inflation has continued, Thailand, an emerging Asian country, has experienced a relatively subdued rise in prices compared to other countries. According to IMF data, Thailand’s inflation rate reached 6.1% in 2022, but sharply decreased to 1.2% in 2023 and further to 0.5% in 2024, which is an exceptionally low level globally.

Whether this price trend should be considered “stable” is open to discussion. Price formation is significantly influenced by market structure and the pricing behavior of firms. If, as seen in Japan, there is a challenge of “cost pass-through not progressing” in the Thai market, this could suggest a problem with market stability. Therefore, it is important to analyze and verify the market conditions reflected in Thailand’s price trends.

This study analyzed the factors that influence price fluctuations in Thailand, focusing on the supply-side aspects of the economy. Two approaches were proposed to achieve this. The first was a factor decomposition analysis across time periods using a price determination model based on the international input-output framework, which aimed to clarify the contribution of production cost factors to price fluctuations. The second approach involved a survey of the pricing behavior of Japanese and Thai companies. The first approach provides a macro perspective, analyzing quantitatively based on international interdependencies, while the second takes a micro perspective, capturing price formation in the Thai market through companies’ pricing behavior. By combining these approaches, complementary results can be obtained, leading to a deeper understanding of the Thai market.

The results of the factor decomposition analysis suggest that price formation factors changed significantly before and after the COVID-19 pandemic, highlighting structural shifts in the key determinants of price formation in Thailand and other Global South countries in Asia. Furthermore, regarding the survey results, the differences in cost pass-through behavior between Thai and Japanese firms suggest distinct pricing strategies with implications for market stability and competitiveness.

This report is structured in two chapters. Chapter 1 quantitatively analyzes the factors behind price fluctuations through an input-output analysis. This reveals that the key determinants of price formation notably shifted between the pre- and post-pandemic periods. Chapter 2 examines firms’ pricing behavior through a survey, showing that Thai and Japanese companies exhibit different cost pass-through and price strategy characteristics. By combining these approaches, this study analyzed how cost factors are passed on to prices from multiple perspectives and provides a deeper understanding of current inflationary trends.

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