
THAILAND: OPPORTUNITIES & RISKS AFTER COVID-19

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NOTABLE TRENDS POST-COVID

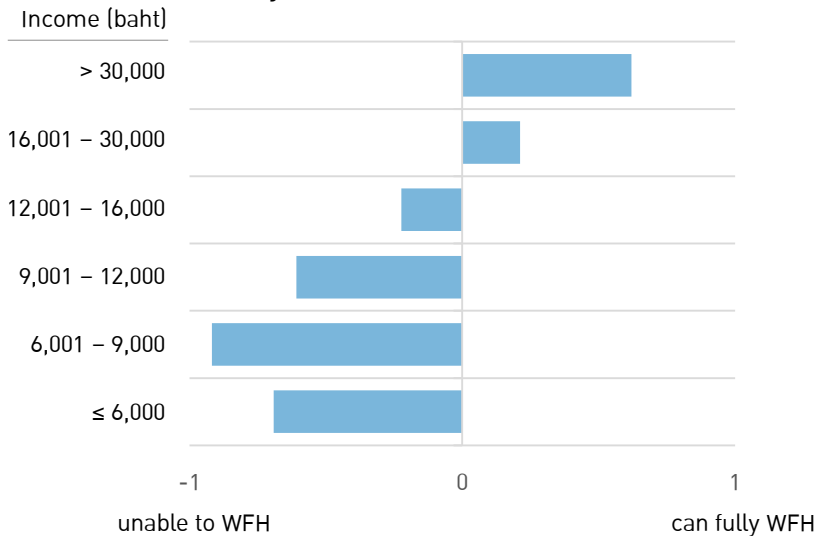
ACCELERATING TRENDS



INCREASING INEQUALITY

- Informal workers tend to lose more wealth because of inaccessibility to government support.
- Poor households are less likely to work from home, so they benefit less from efficiency gains.
- Low skill workers will have difficulty finding jobs
- Implication: Lower purchasing power

Ability to Work from home (WFH)

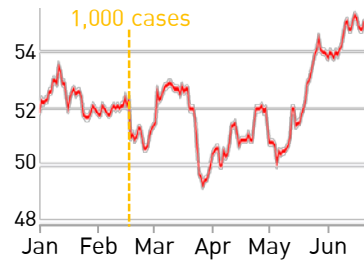


Source: PIER from LFS2019Q3



RISING POLITICAL TENSION

President Trump Job Disapproval



- COVID-induced inequality create political instability and potential chaos.
- Implications: rise of populist government worldwide and reversed globalization.

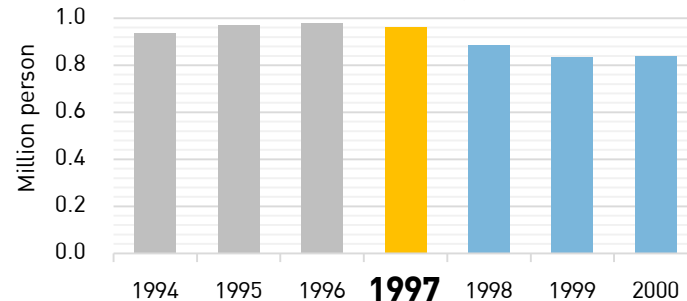
Source: RCP



DEEPENING AGING SOCIETY

- Birthrate will decline as it normally does in economic downturns.
- Implications: Lower demand for child-related businesses and more opportunities for grey economy

New-borns in Thailand, 1994-2000



Source: NSO, 2019

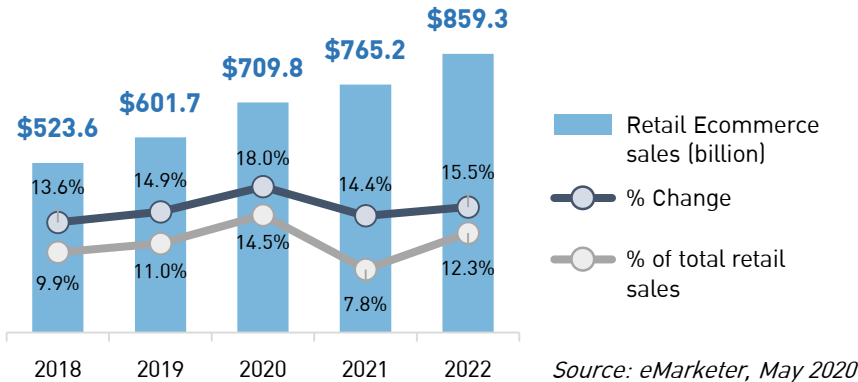
ACCELERATING TRENDS: DIGITALIZATION



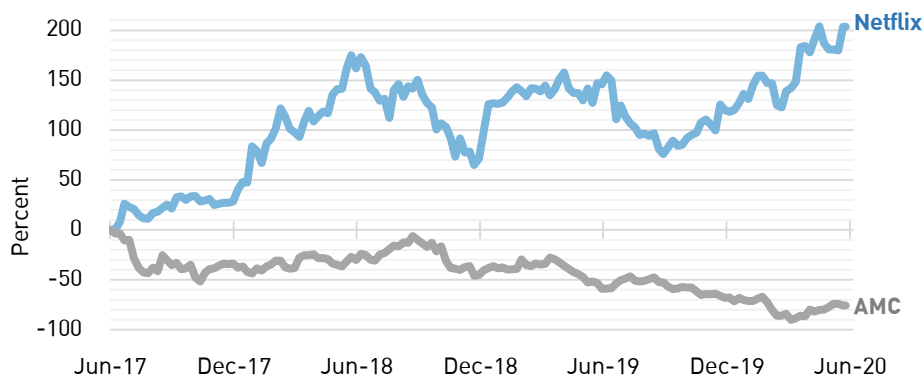
ONLINE COMMERCE/SERVICE

- E-commerce, related businesses and on-demand entertainment will keep growing after big jump during COVID-19.

Retail Ecommerce Sales in USA



Netflix & Cinema (AMC) Stock Performance



FROM-HOME ECONOMY

From-home economy will drop from current level but will continue as it saves money and helps attract employees, and related infrastructure has already been invested. As a result, there will be

- demand for technology enablers (5G, platform, cloud service, electronic device) and employment of IT workers.
- some shifts to suburban homes for WFH workers.



TELEMEDICINE

COVID-19 has migrated patients to telemedicine

- US expected 1billion online doctor visits in 2020 and expanded Medicare to cover online doctor visits.
- Ping An Good Doctor's users grew 900% (Dec 2019 to Jan 2020) and is eyeing on ASEAN market
- Doctor Raksa, partnered with Bamrungrad, saw its registered online users increased from 300K to 400K in April 2020 alone.
- ASEAN has potential for telemedicine due to low access to medical services.

TOURISM WILL RECOVER POST-COVID

Domestic tourism



- Domestic tourism will start recovering in Q3/2020 with FIT, seminars, conferences, and leisure travel; it will not fully recover to pre-COVID level until 2022.
- Government's domestic tourism stimulus packages of Bt22.4 billion from July to October 2020 will also help..

Foreign tourism



- International tourism will start to slowly recover end-2020 with focus on selected business, medical, and long-stay travelers.
- Foreign tourists who are vaccinated can start to come in end-2021
- Full recovery to pre-Covid level will not be until end-2022.

POST-COVID

- Pre-COVID patterns of tourism will return (e.g. tour groups, large hotels)
- Regional tourism will increase as international tourists, especially from China, will reduced their travel budgets; Chinese tourists will prefer to travel to countries that do not have an anti-Chinese sentiment.
- There will be opportunities in medical tourism and wellness as Thailand has strengthened its reputation from handling the pandemic e.g. Dusit Thani has partnered with a hospital to start a wellness facility in Hua Hin.

TRANSITION PERIOD

- COVID-19 has confirmed the need for companies to balance cost effectiveness with risk management by
 - relocating the production for non-Chinese markets out of China
 - diversifying sources for raw materials and parts
 - increasing stock levels

POST-COVID

- Global supply chain for manufacturing could be in 3 overlapping models:



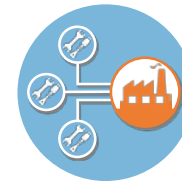
IN CHINA, FOR CHINA

Production that serves the Chinese market will remain in China.



RELOCATION/ON-SHORING

Relocation of production for non-Chinese market out of China.



DIVERSIFICATION

Sourcing of raw materials and parts are diversified away from China. Although the cost is higher but lowers risks of supply disruption.



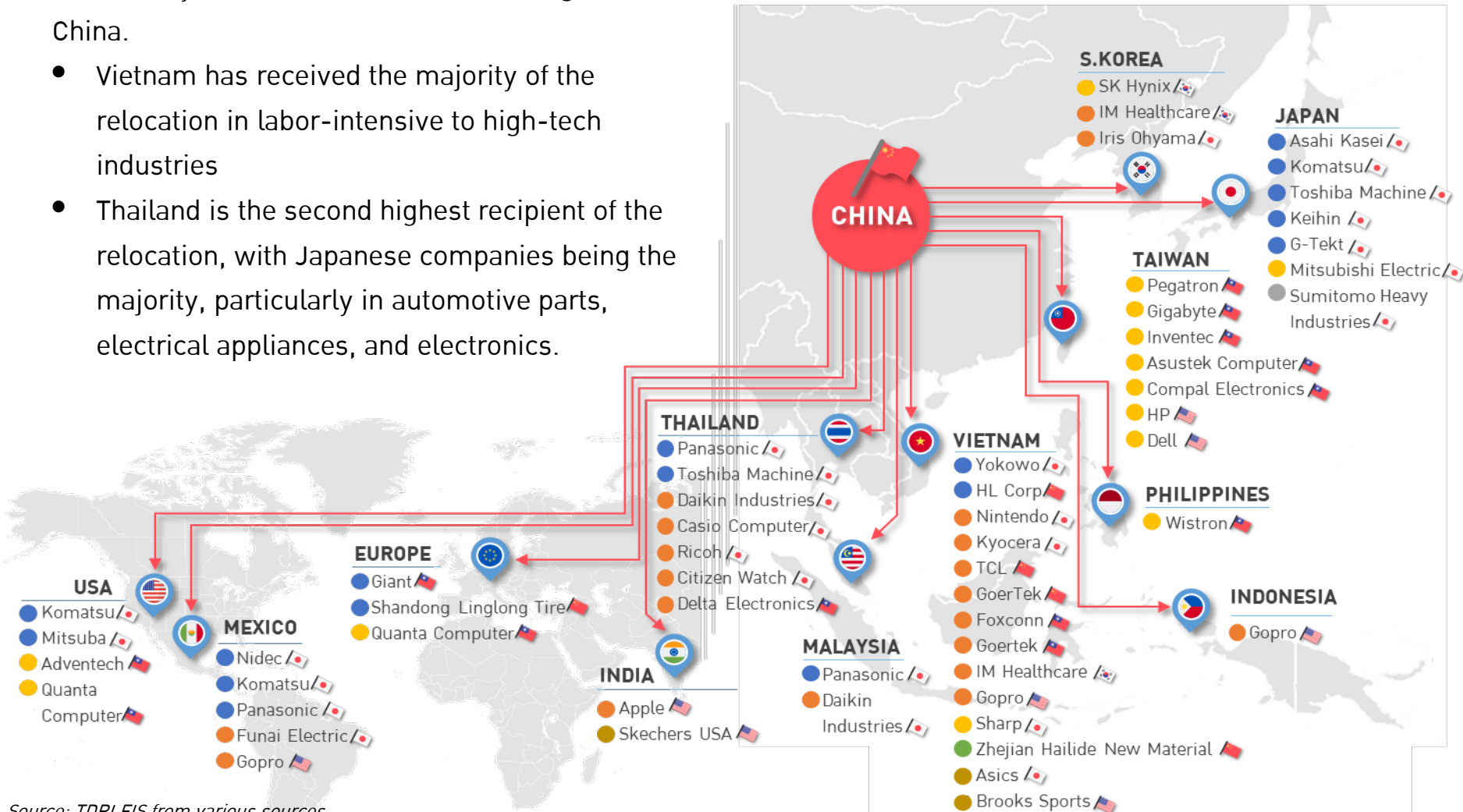
Automotive sector

- Car sales this year could fall 50% from last year, mostly from passenger cars.
- **Transition period:** More eco/small cars will be produced to serve higher demand for personal cars when purchasing power is lower; manufacturers are proactively diversifying sourcing of parts.
- **Post-COVID:** Ride-sharing will return as it is economical; full EV will be delayed as oil price is low and government reduce subsidies e.g. in China; hybrid cars will a likely option in the transition from oil-based cars to EV.

COMPANIES FROM CHINA HAVE RELOCATED TO THAILAND

- To diversify risks, firms have been moving out of China.
- Vietnam has received the majority of the relocation in labor-intensive to high-tech industries
- Thailand is the second highest recipient of the relocation, with Japanese companies being the majority, particularly in automotive parts, electrical appliances, and electronics.

Examples of relocation from China in 2019



Source: TDRI EIS from various sources

Note: ● Automotive & Parts ● Computer & Parts ● Electrical Appliances ● Petro-chemical Products ● Footwear ● Machinery

are Japanese, American, South Korean, Chinese and Taiwanese companies, respectively

2020

- The total number of registered housing units fell since February both yoy and qoq as purchases from both Thais and foreigners (around 10% of annual purchases) fell.
- Property sales, particularly of condominiums, were subdued, limiting new property projects, while sale prices of units in existing projects are reduced.

Transition Period

- Freeze new condo projects; finish existing projects
- Move to single detached houses and townhouse projects in suburbs near expressways
- Reduce cost e.g. bargains with suppliers and use digital technology for marketing as unit prices are to remain subdued.
- Secure liquidity – many small developers & hotels that have low liquidity are selling their properties

Post-COVID-19

- Mix of condos and houses in Bangkok will not change much; there may be small shifts to suburban houses for those who can afford transportation expenses and can work remotely.
- Housing and condominiums in EEC and industrial estates will return as manufacturing production picks up.
- Large hotels will be back in demand and so will co-working spaces.
- High-end senior housing and facilities as well as wellness facilities will be in increasing demand.

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NOTABLE RISKS

RISKS

EXTERNAL

- Decline in globalization affects Thai exports
- Thai exports to US decline if US joins CPTPP, while Thailand has not
- US-China conflicts prompts Thailand to balance its relationship with the two countries.
- Financial crisis in a mid-size country in Asia with high debt creates contagion to Thailand.

DOMESTIC

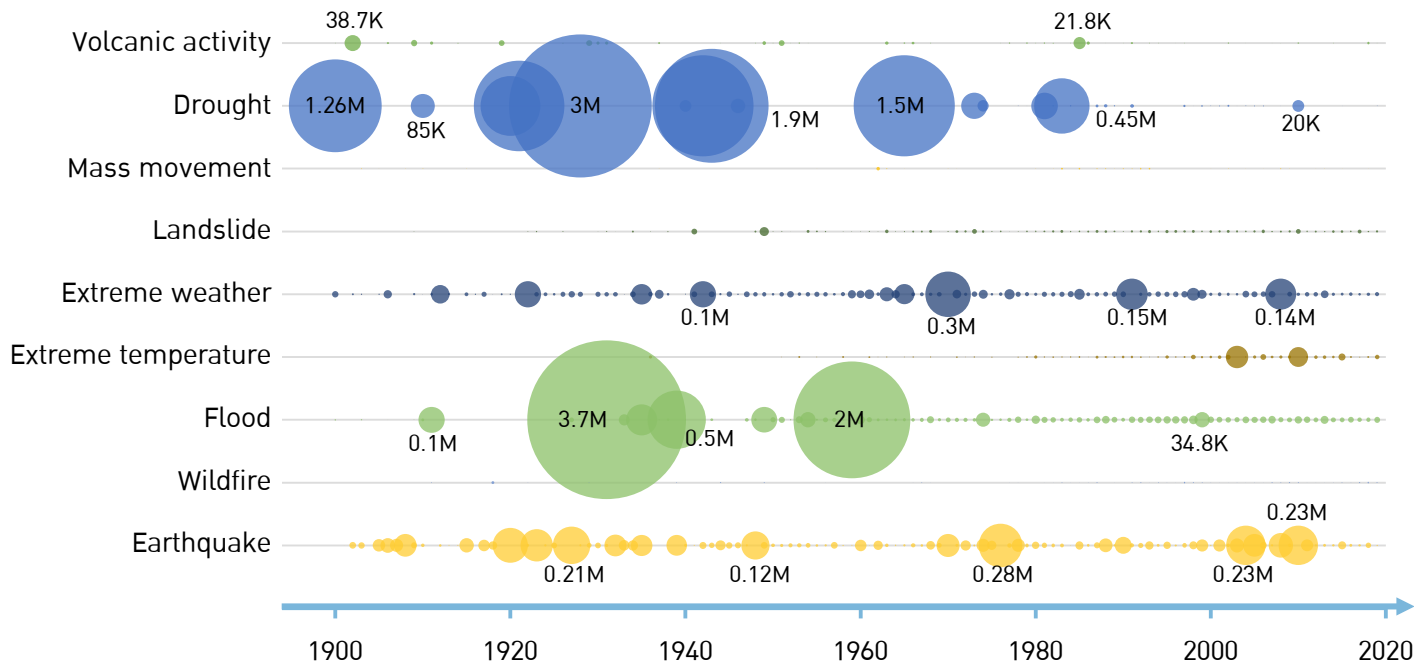
- Economic recovery delayed by
 - Slow recovery of SMEs and purchasing power post-COVID
 - Greater market power of large firms, limiting competition
 - Thailand's reduced competitiveness compared to Vietnam as few new initiative & reforms are taking place during this period
 - Inadequate government systems and collaboration among agencies to implement reforms and respond to crises.
- Thailand's rapidly aging society limits domestic demand.
- Widening inequality leading to political unrest
- Parliamentary dissolution or another Coup d'Etat.

RISKS AND BLACK SWANS OVER THE NEXT 5 YEARS (II)

BLACK SWAN

- COVID-19 PANDEMIC CONTINUES FOR THE NEXT 5 YEARS OR A NEW PANDEMIC OCCURS
- PHYSICAL WAR BETWEEN US AND CHINA
- LARGE NATURAL DISASTERS

Global deaths from natural disasters (1900-2019)



Source: Our world in data
 Note: The size of the bubble represents the total death count per year, by type of disaster

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THANK YOU