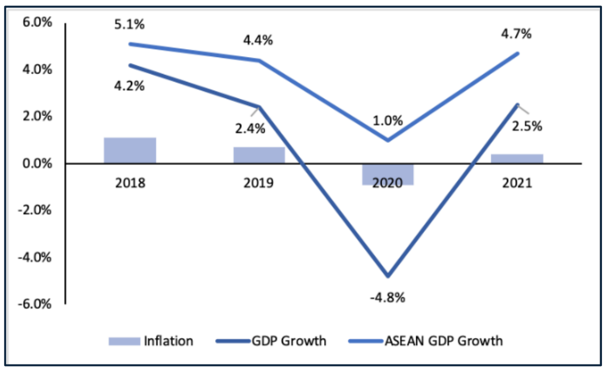
18 May 2020

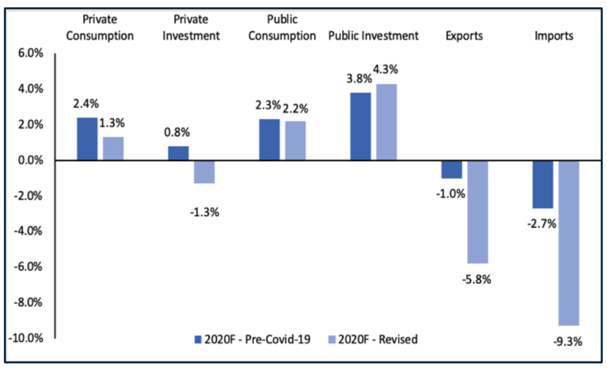
Country Insights - Covid-19 in Thailand

Fig 1: Thailand's Growth Rate, Inflation & ASEAN Growth Rate



Source: ADB Asian Outlook 2020

Fig 2: Revised Forecast of Macroeconomic Variable Growth Rates



Source: Siam Commercial Bank Economic Intelligence Centre

"We can feel relaxed a little now but we should never lower our guard. We cannot be reckless. Finally, we may be among the first countries able to end the hardship brought by this disease."

Dr. Taweeslip Visanuyothin, Spokesman for the Centre for Covid-19 Situation Administration, Thailand.

As Thailand registered its first case of Covid-19 on January 12th, the world's most visited city for four years in a row, Bangkok, began to lull into a standstill. Thai Prime Minister Prayut Chan-o-cha declared a state of emergency on March 24th, and enacted a lockdown on April 3rd. Eventually, measures were eased by May 3rd after effective enforcement. Finally, on May 13th, Thailand reported no new cases for the first time since March 9th as the nation heaved a collective sigh of relief. As of May 13th, the total number of cases stood at 3017, with 56 fatalities. Thus, the outbreak was relatively contained, and Dr.Visanuyothin, spokesman for the Centre for Covid-19 Situation Administration said that Thailand 'may be among the first countries able to end the hardship brought by this disease'.

Nonetheless, the economic impact of the outbreak is still significant, as evidenced by the revisions of GDP growth projections by the World Bank from 2.9% to -5% and the ADB from 2.2% to -4.8% (Fig 1). The government predicts a 5.3% contraction, and the International Monetary Fund predicts a 6.7% drop, which is the steepest fall within ASEAN. This is mainly due to weak domestic consumption from wage losses, fall in production for key exports such as electronics and automotive and fall in tourism, which accounted for 20% of the country's GDP in 2019. There is a silver lining in that the World Bank predicts recovery by 2021, with an estimated GDP expansion of 4%, and 3.5% the next year.

Financials- Ensuring Liquidity to Allay Concerns

The Thai stock market has fallen by 29% since January 2020, causing the Baht to be Asia's second-worst performing major currency after the Rupiah. This is due to foreign investors pulling out $4.6 billion worth of stocks and bonds, in the wake of fear surrounding the pandemic. Consequently, the Central Bank spent over $3.1 billion mid-March buying government bonds to backstop market stability. On March 13, foreign reserves stood at $229.2 billion, down by $7.1 billion from the previous week. Such drastic measures were last taken in 2008, but it paid off as the yield on the 10-year Thai bond jumped to 1.68% on March 20, up from 0.83% on March 9. The Central Bank also released a statement that it was cutting the policy rate from 1.0 to 0.75% in March, to alleviate liquidity strains in the markets. It urged financial institutions to take active roles in addressing liquidity problems of SME's and households, and accelerating debt restructuring to carry the nation through the crisis.

Widening the Inequality Gap

One of the most pernicious impacts of this outbreak is the cleavages it widens in an already stratified society. Thailand's World Bank Gini Index stood at 0.453 in 2017, and Credit Suisse's 2018 Global Wealth Report found that Thailand was one of the only four countries in the world where the richest 1% controlled over 50% of total wealth in the country, while the bottom 10% claimed 0% of wealth (due to unemployment and household debt). Moreover, the National Statistics Office finds that 54.3% of the country's 38 million strong labor force are employed in the informal sector. This segment of society, including tourism-dependent taxi drivers and food stall owners, will bear the brunt of the pandemic, as the lockdown forces them into involuntary unemployment. Consequently, the Thai Chamber of Commerce's head Kalin Sarasin reported that the Chamber estimates job loss between 7-10 million jobs, depending on the length of the outbreak. Given that opportunities to work or study from home aren't an option for the 79% of Thai citizens without access to computers at home, the digital divide reinforces economic gaps in this time of lockdown. This is evidenced by a study on suicide attempts in the kingdom after enactment of the lockdown, which linked at least 38 suicide attempts due to job losses and financial insecurity, mostly from the more vulnerable sections of society. Thus, it is imperative that policy measures address targeted needs of the population.

Evaluating the Stimulus Package

The government has responded to the crisis by releasing a 3-tiered stimulus package worth $58bn. The measures include assistance to businesses through low-interest loans, tax exemptions and debt restructuring .The 'No One Left Behind' scheme provides income for 3 months to informal workers, though criticisms have been raised about the poor implementation. Thailand also received help from China, in the form of donation of masks, PPE and lowered import costs. Additionally, the Bank of Thailand is providing soft loans worth 500bn baht, setting up a corporate bond stabilization fund worth 400bn baht, and lending 30bn baht from the security fund at 3% interest. Support for utilities and higher tax benefits from long-term fund investments are also in place to boost the stock market. The measures have been perceived as well-planned, though the household aid requires careful distribution to reach those who need it most urgently.