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What does a post-COVID-19 recovery look like for Thailand?

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2020 a write-off

Worst recession since the Great Depression for the advanced economies, but ASEAN has seen worse. China to avoid full-year contraction. Thailand's economy one of the hardest hit in the region.

GDP growth (%)	AFC	GFC	CV19
	1998	2009	2020(f)
World	2.6	-0.1	-2.9
US	4.5	-2.8	-5.7
Eurozone	2.9	-4.5	-8.5
Japan	-2.0	-5.4	-5.0
China	7.9	9.4	1.8
India	4.1	3.9	-5.0
ASEAN-6	-7.5	1.9	-2.1
Thailand	-7.6	-0.7	-5.5

This is no ordinary recession

COVID-19 is first and foremost a health crisis

Government response to contain the outbreak is what has led to an economic crisis.

Travel bans, lockdowns and cautious behavior by businesses and households behind the slump in activity.

Not turning into a financial crisis (yet)

Unprecedented policy support by major central banks have provided ample liquidity to support the financial system.

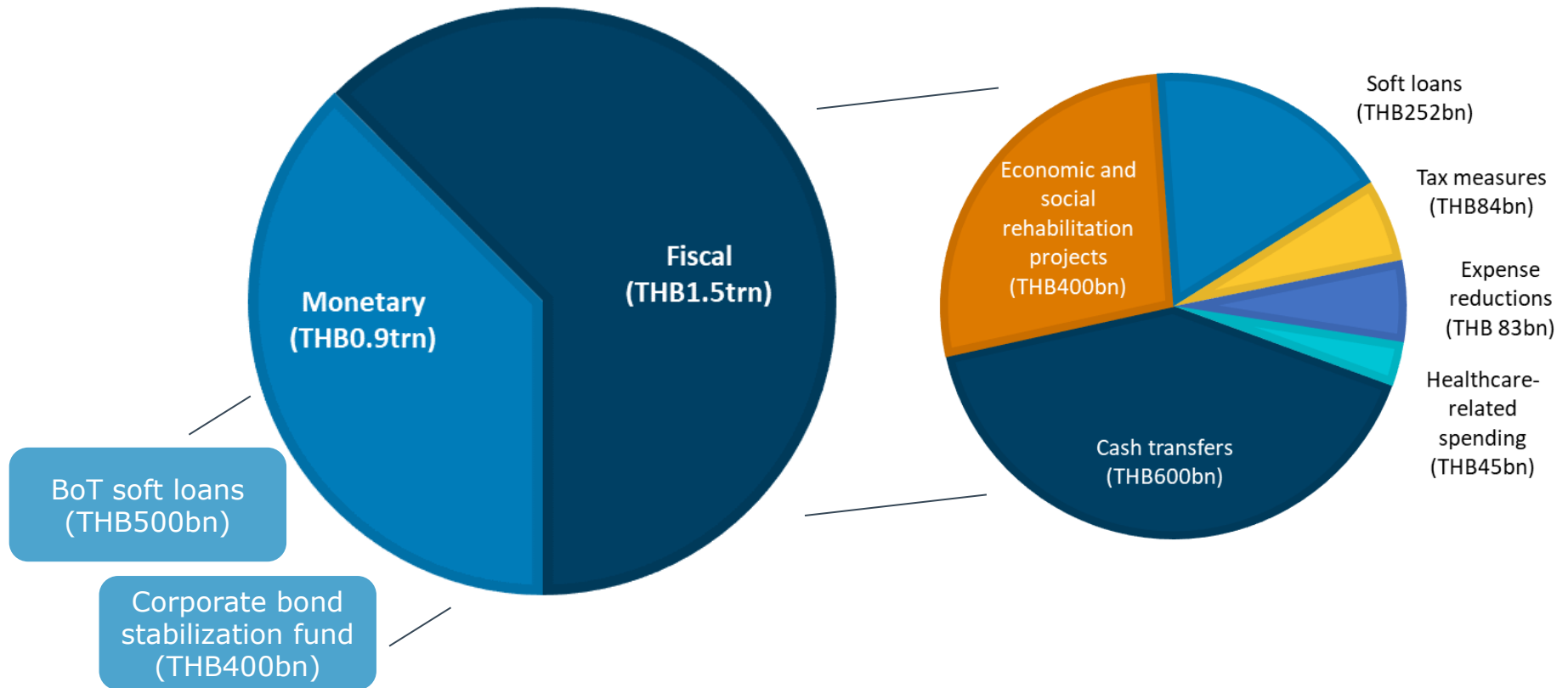
Unlike during the GFC, a credit crunch will be avoided.

The risk is that it turns into a solvency crisis

If economic activity does not recover sufficiently, business failures will accelerate, leading to job losses and a downward spiral resulting in a renewed downturn.

Stimulus measures sizeable, but implementation is key

THB2.4trn (14% of GDP) in stimulus announced over 3 phases

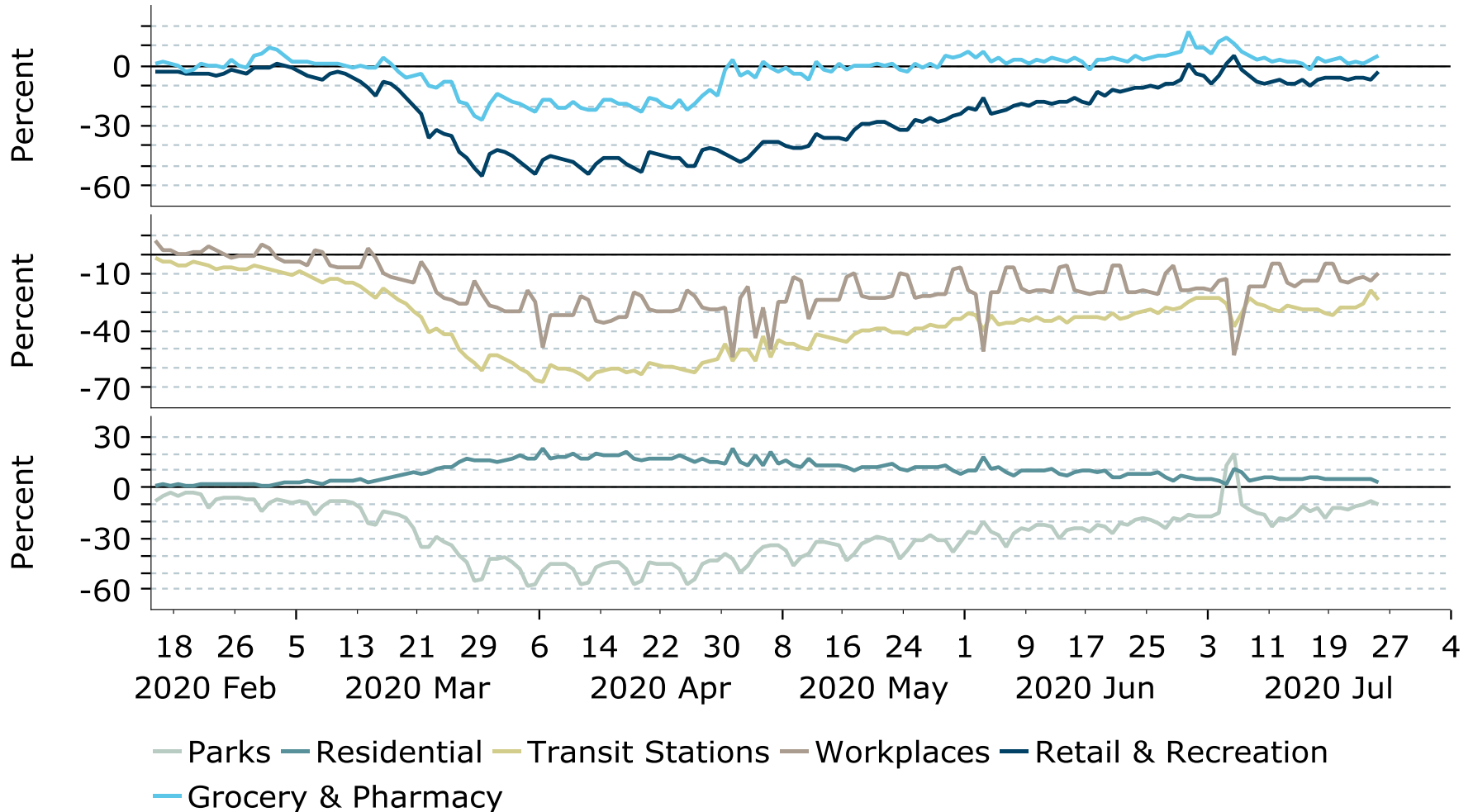


Other monetary measures

- 75bp worth of policy rate cuts
- FIs contribution to FIDF cut from 0.46% to 0.23% of the deposit base for 2 years
- A loan payment holiday of 6 months for all SMEs with a credit line not exceeding THB100mn

Mobility is normalising

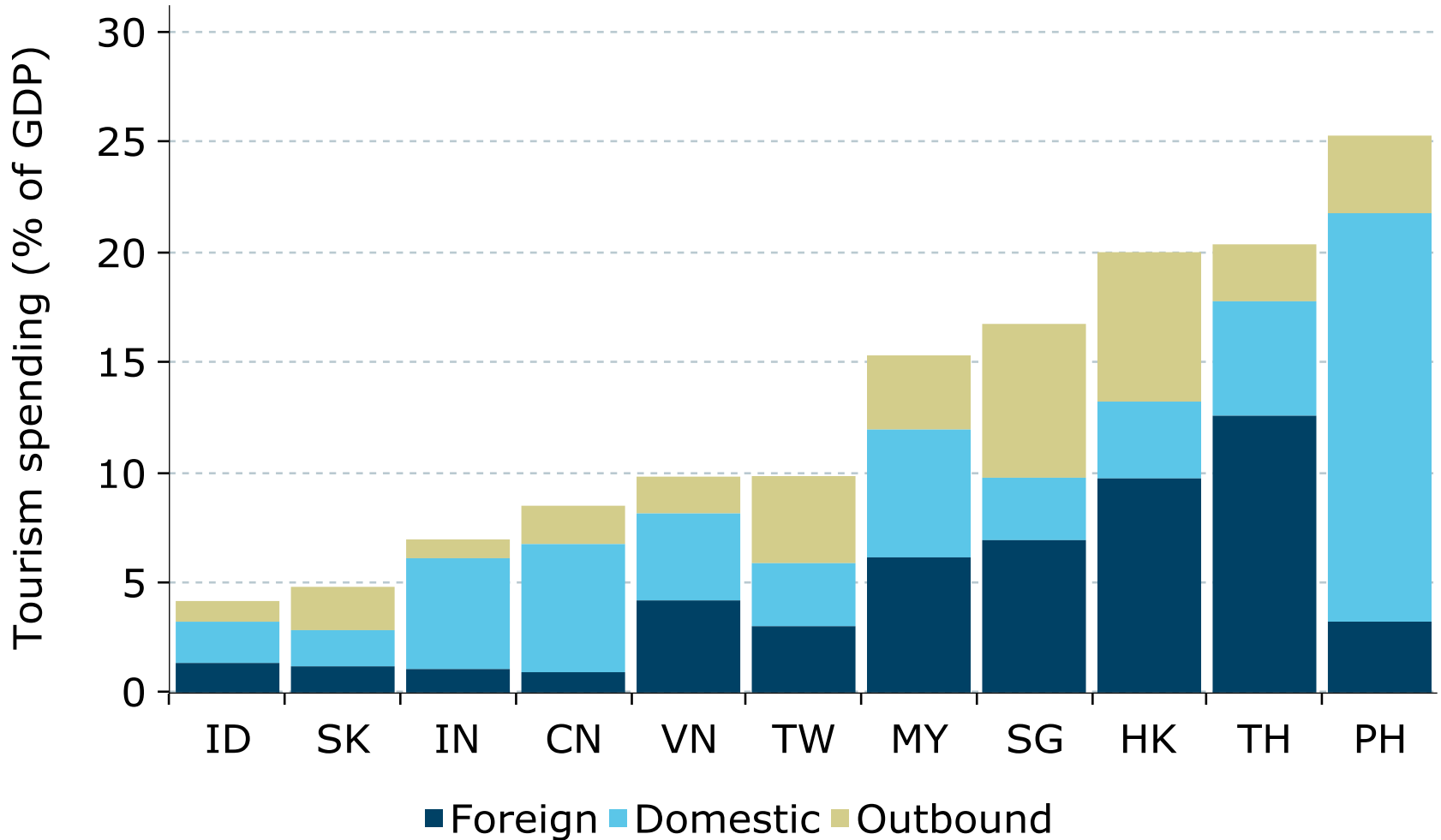
Containment of outbreak allowed restrictions to ease and activity to resume



Source: Google, Macrobond, ANZ Research

Heavy reliance on foreign tourists is a bane

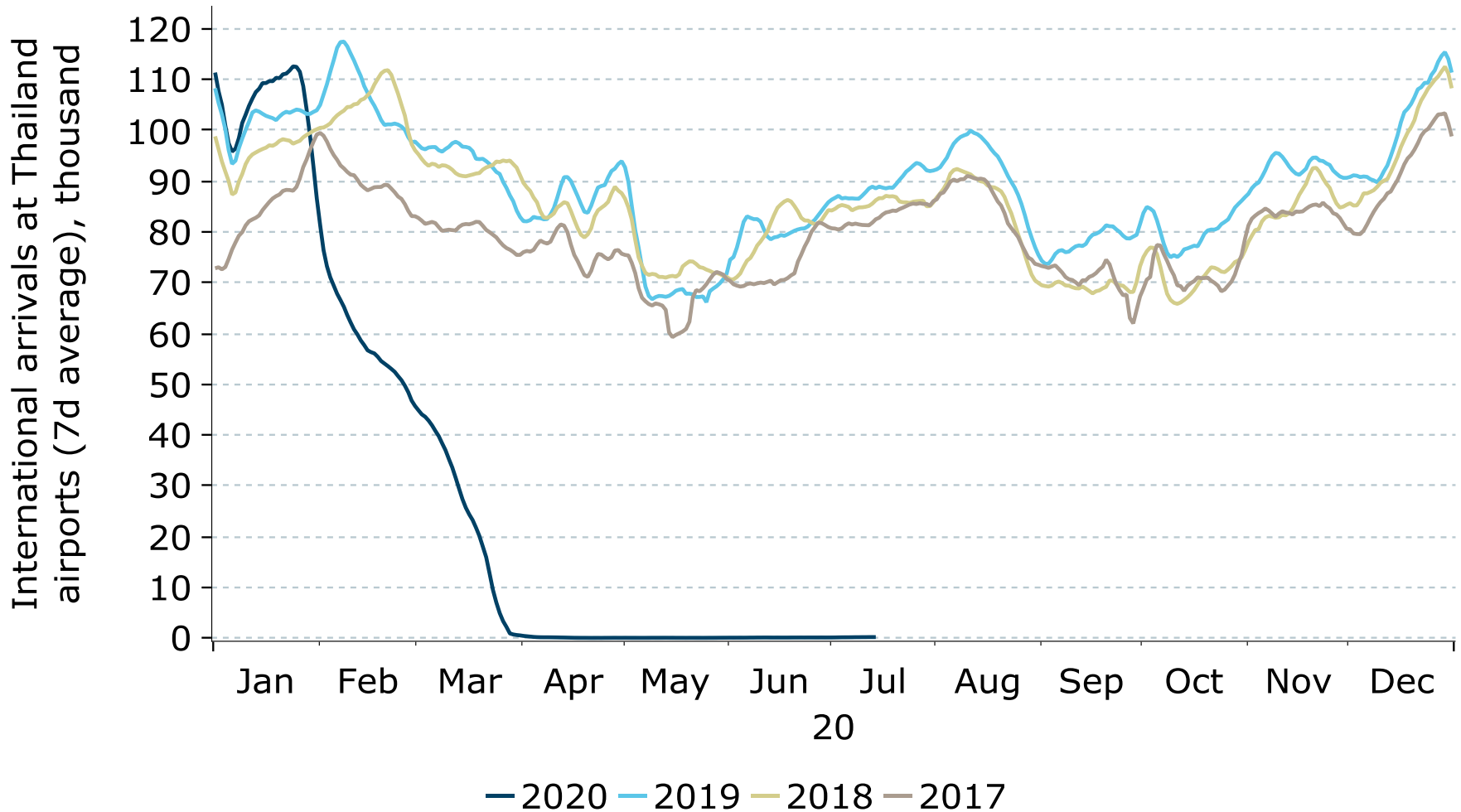
Domestic tourism cannot offset losses in foreign tourist arrivals



Source: WTTC, Macrobond, ANZ Research

Will be a while before we see tourists returning

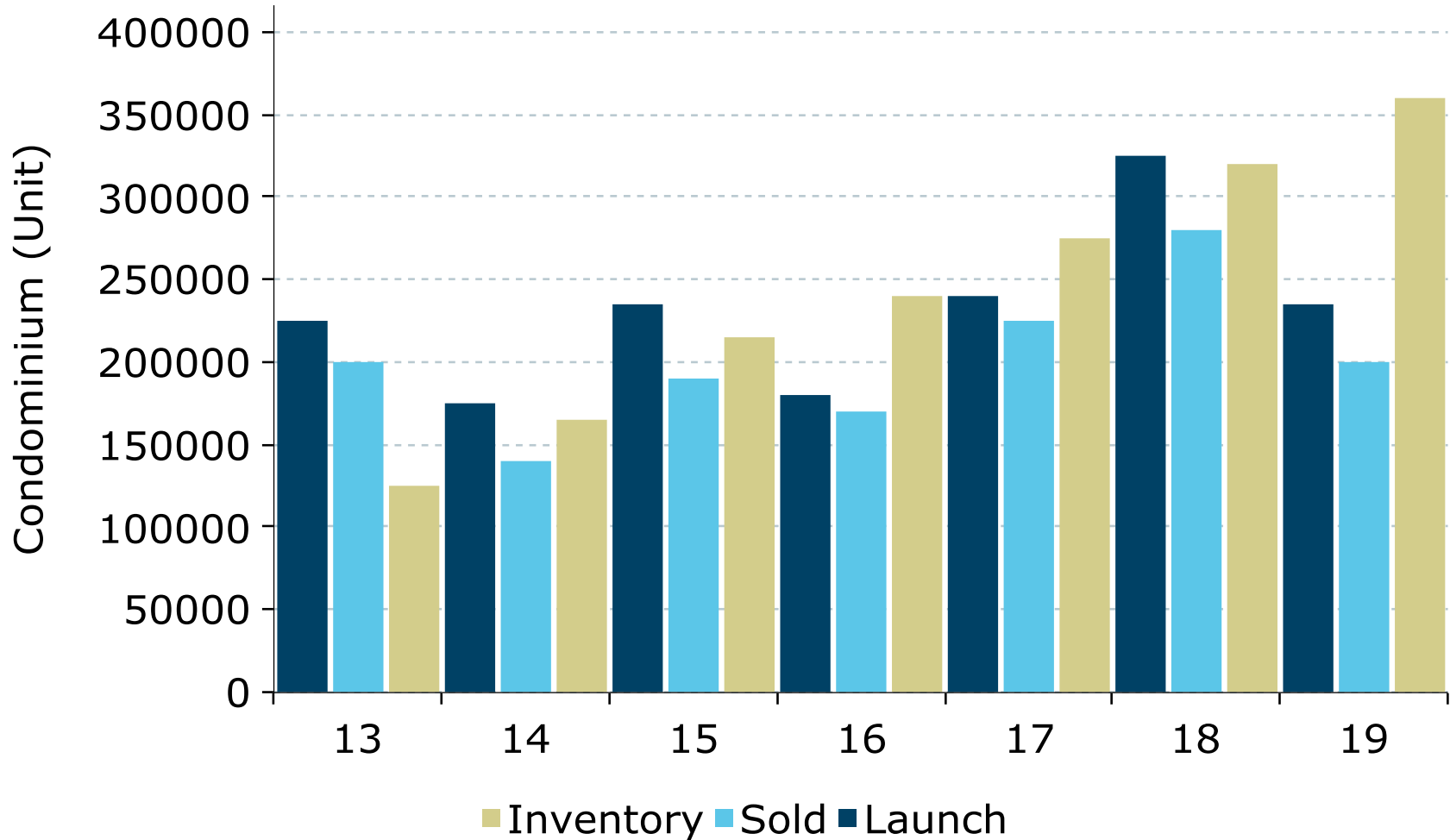
Collapse in international arrivals to Thailand



Source: TAT, Bloomberg, Macrobond, ANZ Research

COVID-19 exacerbates housing market woes

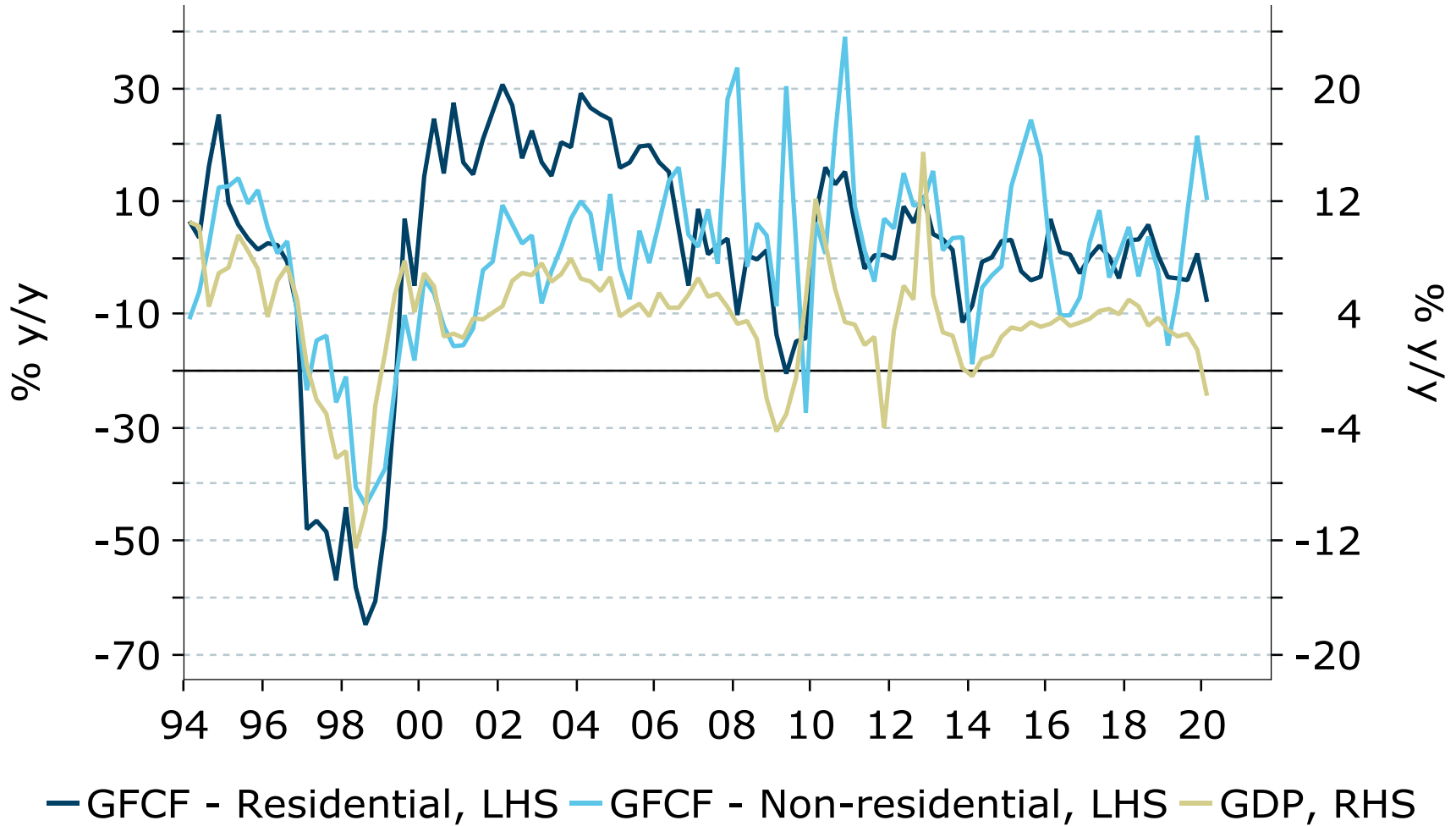
Condominium market already under pressure pre-pandemic



Source: AREA, Macrobond, ANZ Research

Weakened economy will weigh on real estate

A difficult period for real estate lies ahead



Source: NESDC, Bloomberg, Macrobond, ANZ Research

Slow, uneven, bumpy recovery ahead

Not all sectors will make a full recovery

International travel the last to recover, and not to the full extent.

Social distancing the new normal, which will alter spending and mobility patterns.

Consumer and business behaviour has changed

Households will be more cautious, and likely to increase their rate of savings, denting consumer spending.

Excess capacity and lower future demand means businesses will reduce investment plans.

Larger firms will manage better, leading to more industry concentration

SMEs and those involved in the underground economy will be worst hit.

Finite government fiscal support ultimately means national champions will be favoured over the rest.

Widespread vaccination is key

COVID-19 vaccine development progress



Vaccine candidate frontrunners

Developer	Earliest potential approval
Oxford/AZN	Sep. 20
Sinovac	Oct. 20
Sinopharm	Dec. 20
Moderna	1H21
CanSino	1H21
Pfizer/BNTX	Oct. 20

Potential scenarios

Base case

Scenario 1

Outbreak/
Vaccine

Domestic outbreak well-contained. Travel bubbles in place in Q3. Global outbreak peaks in Q3. Vaccine roll-out in 1H20.

Economic
assumptions

Foreign tourists: 10mn in 2020, 20mn in 2021. Stimulus disbursement ramps up materially in 2H2020.

Growth
forecasts

2020 growth: -6.8%
2021 growth: 7.8%
GDP returns to pre-COVID levels in 2H2021.

Scenario 2

Domestic outbreak well-contained. Travel bubbles in place in Q4. No major global shutdowns. Vaccine roll-out in a year.

Foreign tourists: 8mn in 2020, 16mn in 2021. Stimulus disbursement proceeds but with some delays.

2020 growth: -8.2%
2021 growth: 4.6%
GDP returns to pre-COVID levels in 1H2022.

Scenario 3

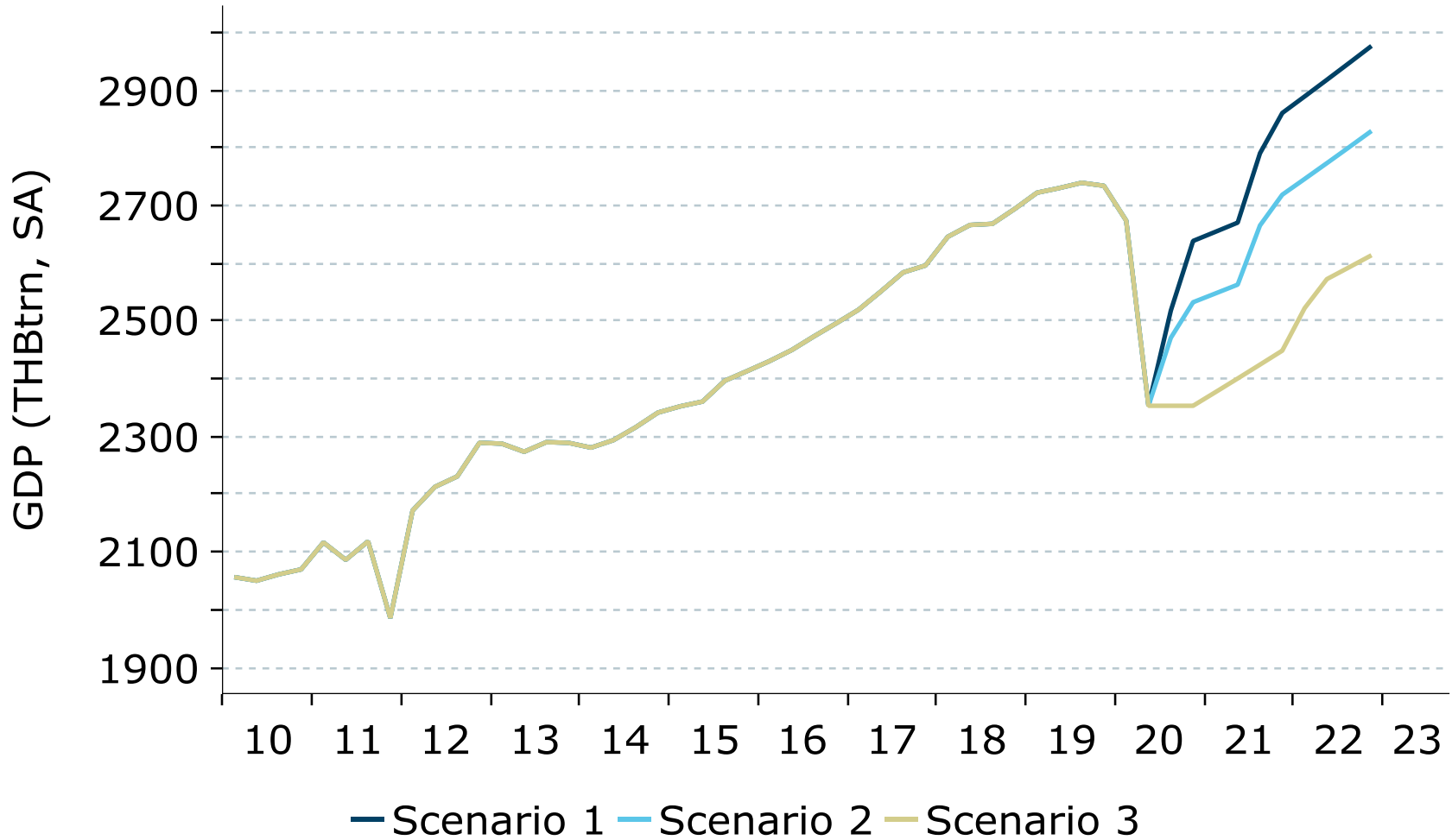
No travel bubbles in place in 2020. Re-tightened restrictions worldwide. Vaccine roll-out only in 2022.

Foreign tourists: 7mn in 2020, 7mn in 2021. Stimulus disbursement slow-going.

2020 growth: -11.0%
2021 growth: -0.9%
GDP does not return to pre-COVID levels even in 2022.

Shape of the recovery paths

GDP path based on scenarios



Source: Macrobond, ANZ Research

GDP growth forecasts

GDP growth (%)	2017	2018	2019	2020(f)	2021(f)
World	3.9	3.6	2.9	-2.9	4.5
US	2.4	2.9	2.3	-5.7	3.0
Eurozone	2.5	1.9	1.2	-8.5	5.8
Japan	2.2	0.3	0.9	-5.0	2.5
China	6.9	6.7	6.1	1.8	7.9
India	7.0	6.1	4.2	-5.0	5.5
ASEAN-6	5.3	5.0	4.3	-2.1	4.9
<i>Indonesia</i>	5.1	5.2	5.0	-0.5	4.5
<i>Malaysia</i>	5.8	4.8	4.3	-2.4	4.5
<i>Philippines</i>	6.9	6.3	6.0	-2.5	5.8
<i>Singapore</i>	4.3	3.4	0.7	-5.9	4.6
<i>Thailand</i>	4.1	4.2	2.4	-5.5	4.0
<i>Vietnam</i>	6.8	7.1	7.0	3.3	7.4