Krungsri Research expects Thai economy to take two and a half years to recover to pre-outbreak level

Bangkok (18 June 2020) – **Krungsri Research** expects the Thai economy is likely set for a U-shaped recovery and it may take two and a half years for economic activity to return to pre-outbreak level in the fourth quarter of 2022, while the sectors affected by the spread of the 2019 coronavirus disease 2019 or COVID-19 will recover at different times.

Dr. Somprawin Manprasert, Head of Krungsri Research and Chief Economist, said, "The COVID-19 outbreak has unprecedentedly affected the Thai economy. Thus, Krungsri Research keeps our 2020 GDP projection unchanged at 5% contraction, and it is likely that the economy will gradually recover, while business sectors have to adapt to new trends which will be clearer in 2021."

The COVID-19 outbreak has affected not only the current economic activities, but also those in the medium to long term through 4 channels; business closure due to lockdown measures, a decline in overall demand, a disruption in global supply chains, and a change in consumer behavior. Therefore, these will determine a path of sectoral recovery. The sectors hit by the lockdown measures would be severely contracted but they would rebound relatively faster than other sectors. However, the sectors affected by the change in consumer behavior would take longer time to recover. Therefore, relief measures and business adjustments should be different and vary depending on the path of recovery for each sector.

Krungsri Research's analysis on the COVID-19 impact on the business sectors found that 26 out of 60 sectors, accounting for 46% of the total output, are severely affected by the outbreak. Meanwhile, another 24 sectors, representing 43.1% of the total output, are moderately hit. Meanwhile, there would be only 10 sectors out of 60 sectors, or 10.9% of the total output, that face only mild impacts from the outbreak. Krungsri Research anticipates that hospital and food manufacturing sectors would be able to return to the pre-outbreak level in 2021, while the retail, wholesale, and electricity and natural gas sectors would be severely affected, but may rebound relatively faster than other business sectors. However, the sectors affected by a change in demand, such as air transportation and hospitality, would take a longer time to recover. Tourism will be among sectors that were severely hit by the outbreak, while the sectors, which are related to physical touch or public gatherings, will take a longer time to recover than others.

"Overall, almost all sectors in Thailand are unlikely to recover to the pre-crisis state by 2021, although Thailand has a strong potential on effective public health management, which enables us to efficiently control the outbreak within the first half of 2020. However, the outbreak has severely affected the global economy and led to shifts in daily behaviors. Therefore, we expect the global economy to bottom out in the second quarter, but negative consequences would last longer into the next year. For Thailand, funds from the government's relief measures will be released in the system in the third quarter, which will help shore up the economy. However, it remains to be seen whether assistance measures will be effective enough to revive the economy and able to create jobs or generate more employment that will generate more money to circulate in the economy and help ensure that households have sufficient income to repay their debts, thus mitigating risks in the financial sector, and whether there are appropriate measures to help each sector get back on the path to recovery." Dr. Somprawin added.

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About Krungsri

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