

Prepared by the New Zealand Embassy in Bangkok

Summary

- COVID case numbers in Thailand remained low through 2020, with sustained periods in which the only cases were those entering Thailand from overseas through its managed quarantine system.
- Thailand has been praised for its COVID public health response. It was ranked fourth in the Lowy Institute's COVID Performance Index in January 2021. The Thai Government continues to require all those entering Thailand to quarantine for 14 days in a hotel. Alongside this, there is an extremely high level of compliance with COVID prevention measures by the general public, such as social distancing, and mask wearing. Most shops, restaurants, offices, and apartment buildings also check the temperatures of everyone on entry, and masks are mandated on public transport. Thailand has amongst the strongest public and private health systems in the ASEAN region.
- Unfortunately towards the end of 2020, a number of clusters were identified that have been linked to travel between Thailand and neighbouring Myanmar, and likely failures to quarantine as required under Thai law. These clusters spread quickly to 56 of Thailand's provinces.
- Since late December, strict control measures have been implemented by authorities in 28 "high risk" provinces – including Bangkok. While these measures vary depending on the province, they have generally included restricted operating hours for restaurants and bars, restrictions on selling alcohol, the closure of schools and the banning of gatherings. Interprovincial travel has also been restricted for some "maximum control" provinces, which have experienced particularly high case numbers.
- The Government is still finding COVID cases in the community, through testing of high-risk groups and contact tracing (as at time of writing in February 2021), however, some control measures have been eased by local authorities. While the 'new wave' has not been contained fully, the Thai health system appears to be coping with current case levels, the majority of which presently remain concentrated in one province.
- Meanwhile, Thailand is preparing to launch its COVID vaccination programme in February with the arrival of the Sinovac vaccine from China, to be followed shortly after by the AstraZeneca vaccine. From around June, Thailand will start manufacturing the AstraZeneca vaccine in-country. The Government has publicly stated that it is aiming to vaccinate at least 50% of the Thai population by the end of 2021. At this stage, it is unclear whether Thailand's vaccination programme will include foreign citizens.
- The Thai Government has not yet made any decisions as to when it may be prepared to re-open the border without quarantine. New Zealanders with interests in Thailand should plan on the basis that this policy could continue well into 2021. New Zealanders should also note that only certain categories of people are currently able to enter Thailand. Anyone considering travel to Thailand should check first that they fall within one of the categories that is able to obtain a visa.
- Beyond COVID, New Zealanders should be mindful of recent student-led demonstrations that have been held around Thailand, predominantly in Bangkok. While these have been largely peaceful, protest activities look likely to continue on some level in 2021. There remains a possibility that these protests, or the Government's response to them, could escalate. This could lead to disruptions (e.g. to transport networks), especially in Bangkok and other major cities.

Report

Thailand's economy

With the tourism industry said to account for up to 20% of Thailand's GDP directly and indirectly, COVID – and the resulting border restrictions in Thailand – have had an inevitably negative impact on the Thai economy. According to CEIC Data, hotel occupancy in Thailand dropped to a low of 2.3% in April 2020, while managing to reach a post-COVID high of 34.8% in November 2020. Small to medium tourism enterprises have been hit particularly hard, with a study by the Asia Foundation reporting in August 2020 that 75% of small tourism businesses had no income at all, with 61% at risk of closing permanently. The effects, however, have gone far beyond the tourism industry, with a wide range of business in Thailand dependent on custom from the approximately 40 million tourists that would usually visit Thailand in a year.

As an export-oriented economy, Thailand has been further impacted by lower than normal demand for a number of its main export products, coupled with a strong Thai baht, and a shortage of containers that has resulted in delays in international shipping. While Thailand's exports started to pick up towards the end of 2020, the Thai Ministry of Commerce has reported that overall, the value of exports fell by 6.9% in the period of January-November 2020, compared to 2019.

According to World Bank figures, expectations are that the Thai economy would have contracted by around 6.5% in 2020 – a sharp decline, but better than initially feared after an improved second half of the year. Thailand's economic recovery was likely aided by its low rates of COVID transmission, which meant that for much of the year, businesses and factories could operate without heavy restrictions. In addition, the Thai Government introduced a COVID relief package which included some fiscal stimulus measures.

However, reflecting the speed at which circumstances can change with COVID, the recent outbreak has caused Thailand's Ministry of Finance to adjust its forecast for 2021, from a likely 4.5% growth scenario to 2.8%. The Thailand Development Research Institute has projected that the economy will not return to 2019 growth levels until the end of 2022.

Impacts on New Zealand exporters to Thailand

Despite the contraction in the Thai economy, export values for many New Zealand products have not fallen significantly below 2019 levels, with some exports even seeing an increase in value in 2020. One of the primary reasons for this is that New Zealand exports to Thailand tend to be high-end, premium products, with a target market of those in the middle to high income bracket. The purchasing power of middle to high earners in Thailand has remained remarkably resilient over the last year, which has helped to insulate New Zealand exporters.

The decline in tourists, however, has had a knock-on impact for some New Zealand companies. Prior to the pandemic, a large source of demand for premium imported food and beverage products came from Thailand's many upscale restaurants and hotels, many of which have far fewer customers with the sharp drop-off in international tourists. Accordingly, New Zealand exporters focused on selling direct to the foodservice industry have experienced a decline in demand.

Fortunately, there are a number of examples where exporters have managed to successfully switch to focus on retail sales. For example, following an unprecedented interest in home baking that started during Thailand's first lockdown in April, opportunities have opened up for New Zealand dairy exporters, as consumer demand for products like butter increased.

Overall, 2020 saw dairy exports to Thailand increase in value to \$469 million NZD for 2020, up from approximately \$443 million NZD in 2019. This increase will have been aided by the lifting of tariff rate quotas on a number of key dairy exports under the Australia-New Zealand-ASEAN Free Trade Agreement (AANZFTA) in early 2020.

The value of some fruit exports to Thailand did see a drop in 2020 – overall there was about a 20% decline in value (year on year) averaged across all fruit exports. Part of the reason for the fall in export volumes may have been higher freight costs, particularly a factor for highly perishable fruits requiring airfreight. As at February 2021, THAI Airways' direct Bangkok-Auckland flight continues to be suspended, with the only available airfreight options being more costly indirect routes. Additionally, New Zealand fruits would usually experience a boost in demand around the end of year festive season. Demand was dampened this year by the December outbreak and resultant lockdown, with most gatherings and large celebrations cancelled.

Overall, however, Thailand remains a good market for New Zealand products. This is borne out in the total figures for goods exports in 2020 which saw just a slight decrease in value from \$995.5 million NZD in 2019 to \$957 million NZD in 2020.

New Zealand exports to Thailand should continue to hold up throughout 2021, particularly after the lifting of special agricultural safeguards on a number of dairy and meat products in January, under the Thailand-New Zealand Closer Economic Partnership. Exports across the board will likely see a further boost when Thailand is in a position to re-open its border to international tourists.

Opportunities for New Zealand exporters in the Thai market

Exporters that were successful in the Thai market in 2020 were those who spent time building their brands in Thailand. Thai consumers are extremely brand conscious, and are willing to pay for products that they know and trust. According to in-market assessments by NZTE, where New Zealand exporters had strong product brands, demand remained largely stable in 2020 – even in cases where prices had to be increased due to higher freight costs. On the other hand, commodity products, sold without any particular branding, did not appear to sell as well.

There is a clear opportunity for exporters to build off New Zealand's excellent reputation as a country producing safe and high-quality products. The past year has seen New Zealand's reputation continue to strengthen in Thailand, following increased publicity around what is seen as a successful COVID response.

Alongside this, there is a growing focus in Thailand on health and wellness, including nutritious food. There is an opportunity for exporters of New Zealand food products to capitalise on this trend – it already aligns well with a positive perception in Thailand that New Zealand food products tend to be natural and/or healthy.

Exporters should also consider the growing role of the internet in informing Thai consumers' choices. Online marketing is a hugely important tool in Thailand, particularly social media channels. Facebook, as an example, has more than 48 million users in Thailand. Research suggests that 90% of online shoppers will research products on Facebook before making a purchase.

COVID has also contributed to a boom in e-commerce across the country. According to Priceza Insight, Thailand's e-commerce market was set to reach over \$10 billion NZD in 2020, following 35% growth year on year.

There continues to be opportunities in Thailand in services, particularly in sectors that have experienced growth over the past year, such as e-commerce, IT solutions, and services related to healthcare.

There are also opportunities for New Zealand technology, and digital solutions and automation in a number of sectors such as agriculture. The economic outlook following COVID has made Thai companies more cautious, however. Accordingly, fewer companies may be in the position of considering making large purchases in the near future.

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