



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Manatū Aorere

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Thailand: Bangkok becomes world's most visited city

MARKET INTELLIGENCE REPORT

Summary

- Thailand presents substantial opportunities for New Zealand exporters. There are opportunities to further consolidate market positions over the next few years in advance of other trading partners, such as the EU and EFTA, potentially securing wide ranging FTAs with Thailand.
- Based on 2022 data, Thailand is New Zealand's 10th largest export market, and 8th largest import market. New Zealand dairy exports to Thailand grew by 47% in 2022.
- Thailand's economic growth slowed to 1.8% in the second quarter of 2023 (compared with Q1) on the back of weak export demand.
- Inflation is predicted to reach 1% in the 2023 calendar year, one of the lowest rates in ASEAN.
- In 2025, the benefits of New Zealand's bilateral free trade agreement with Thailand will be fully realised, when the last tariffs under the agreement are removed.

- New Zealand food and beverage products are sought-after in Thailand, where New Zealand consistently ranks top in consumer preferences. Exports of wine in particular have grown by 140% in the last year.
- Thai consumers value convenience and are willing to pay for it.
- Tourism has rebounded significantly and international arrivals are expected to reach around 75% of pre-COVID levels by the end of the year.

Report

Thai GDP growth slows against sluggish global outlook

Thailand's economy grew 1.8% in the second quarter of 2023, down from 2.6% in the January-March quarter. This performance was significantly below estimates of around 3.1%. While household expenditure remains high, government expenditure contracted significantly following high levels of healthcare spending in 2022. Lower yields in the agricultural sector resulted in a modest 0.5% growth in Q2/2023, compared to 6.2% in Q1/2023.

Exports, which account for around 60% of GDP, also decreased on the back of sluggish global demand for goods, particularly from China, Thailand's biggest trading partner. Exports of goods contracted 5.7% in Q2/2023, extending a 6.4% fall in the previous quarter due to weak global demand. Services increased significantly (54.6% in Q2/2023) due to the growing number of foreign tourists visiting Thailand.

The National Economic and Social Development Council has maintained its 2023 economic growth forecast of 2.7% to 3.7%, as consumption and tourism are expected to continue to support economic growth.

Based on Ministry of Commerce (MoC) data from June 2023, inflation was at 0.23% when compared to the same period in 2022. This rate is one of the lowest among ASEAN members. This modest rise comes off the back of a large base last year, as well as consecutive decreases in food and energy prices. The MoC has revised its inflation forecast for the 2023 calendar year to 1%, down from 2%.

Investors are increasingly relocating to Thailand as geopolitical tensions rise. Given uncertainty in the Chinese business market (including Hong Kong), many companies have begun to proactively relocate. Thailand has been the second highest recipient of these relocations, especially for Japanese, Taiwanese and Chinese companies in the automotive, electrical, tech and IT/data industries.

Thailand is New Zealand's 10th largest export market

Customs data for the 2022 calendar year places Thailand as New Zealand's 10th largest market for exports, and 8th largest for imports. With \$1.6 billion in exports to Thailand, Thailand made up 1.98% of New Zealand's total exports. Dairy continues to dominate New Zealand's export footprint, making up 49% of our trade (\$786 million). This is followed by machinery and appliances (12.6%), and fruit (4.8%).

In 2022, 13.5% of all new vehicle imports into New Zealand originated in Thailand. Imports of machinery and appliances, and plastic products took out the second and third most imported commodities.

New Zealand wine exports to Thailand have grown by 140% from June 2022-June 2023. While the total value is modest (at \$5.67 million), this is a significant increase in what have been relatively steady export figures over the last decade.

Dairy dominates New Zealand exports to Thailand

Thailand is the 5th largest market for New Zealand dairy. New Zealand dairy exports to Thailand grew by 47% in 2022 (compared to 2021). Over 40% of Thailand's total dairy imports come from New Zealand, and this is expected to grow steadily as Thailand's demand for dairy increases.

New Zealand dairy products are sought-after in Thailand, where New Zealand consistently ranks top in consumer preferences. The majority (70-80%) of Thailand's dairy manufacturers use New Zealand dairy ingredients to incorporate into products, which they sell in Thailand, while 20-30% use New Zealand dairy ingredients for finished goods.

By 2040, Thai consumers are predicted to consume 54kg of milk per year, a 75% increase on the 31kg of milk per capita currently consumed (compared with current consumption of 103kg in New Zealand). Thailand's rapidly aging society means less demand for infant formula, but increased demand in the lifestyle and aged sector.

Although Thailand has seen a consistent increase in its national herd and dairy production in recent years, there remains an ongoing challenge of domestic demand surpassing local production. A significant share of the local milk supply is directed towards Thailand's milk-in-schools programme, prompting Thailand to import large quantities of milk powder annually to supplement its overall production.

Thailand is also positioning itself as a regional exporting hub for UHT and ready-to-drink dairy products. Already, Thailand is the largest milk exporter in ASEAN, and the world's

2nd largest exporter of flavoured UHT milk-based drinks. Almost all of Thailand's dairy exports are produced from imported dairy products, the majority of which comes from New Zealand.

From 1 January 2025, the final two tariffs under the 2005 Thailand New Zealand Closer Economic Partnership (TNZCEP) will fall away. These tariffs cover skim milk powder and liquid cream and will result in considerable savings for New Zealand exporters. This will also support further growth in Thailand's dairy production sector.

Thai consumer trends

For New Zealand food, beverage and agricultural exporters, Thailand is a stable and secure market, where we enjoy privileged market access. New Zealand is seen as a premium supplier, based on our reputation for food safety and nutrition.

Thai people spend around 28% of their total expenditure on food and beverages, and about 16-20 million middle-to-upper income consumers regularly purchase imported food products. Thailand's urban population, around 52% of the population, is increasingly spending more on imported food items and has become relatively brand conscious. The Thai food processing and manufacturing industry is looking for new ingredients and shows a strong interest in importing safe and healthy food ingredients.

COVID-19 has made Thai consumers more health focused. There is an increased interest in products which support a healthy immune system – especially functional and convenient food and drink. Since 2019, Thais are spending 44% more on healthcare products. About 60% of Thais believe that having good health relies more on diet than exercise.

Given the large proportion of time spent out of the home, Thai consumers value convenience and are willing to pay for it. Food and beverages which are quick, nutritious and easy to eat and drink are becoming more popular than ever.

From Land of Smiles to Land of Arrivals

In 2023, Bangkok overtook Paris as the world's most visited city. Thailand received 17.57 million foreign tourists from January to August this year. With tourism accounting for around 18% of GDP, it is driving much of Thailand's economic growth. Foreign tourist arrivals are forecast to reach 25-30 million this year, still much lower than the pre-pandemic level of 39 million in 2019. In large part, this gap is due to much reduced numbers of tourists coming from China.

From January to July 2023, 46,925 New Zealanders entered Thailand. Extrapolated to a full 12 months, this will equate to around 80,000 visitors in 2023, down on the 112,680 who entered Thailand pre-COVID in 2019. The lack of direct air connectivity between Thailand and New Zealand continues to keep numbers down.

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