



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
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Thailand economic and market update



MARKET REPORT

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Summary

- While the Thai economy continues to face some headwinds, forecasts suggest that Thailand can expect GDP growth of close to 4% in 2023, largely due to the recovery of its tourism industry.[1]
- As the second-largest economy within ASEAN, with a large population and ‘upper middle income’ status, Thailand is a market with significant potential for New Zealand exporters – particularly those looking to diversify into multiple markets.
- Thailand also offers preferential market access under the Thailand New Zealand Closer Economic Partnership (TNZCEP), as well as the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA).
- New Zealand’s tourism and education exports to Thailand are making a gradual recovery following the pandemic. There is good potential in Thailand for both sectors. Pre-COVID, Thailand was the largest source market for New Zealand education in South East Asia. Thailand was also New Zealand’s number one ‘off-peak season’ tourism market.

- New Zealand's goods exports have grown through COVID – 8% since 2019 – reaching a total annual value of just over NZ\$1 billion in 2021, led by dairy. There are good opportunities for further growth for New Zealand food and beverage exporters in Thailand. It is important, however, for exporters to give consideration to building their brand, in what is a very brand-conscious market.
- The manufacturing environment in Thailand remains productive. Manufacturers have benefited from lower shipping costs in 2022, as compared to earlier in the pandemic.
- Meanwhile, the nascent but growing renewable energy sector presents opportunities for New Zealand companies with relevant expertise

Report

Thai economy in 2022

Thailand's economy was significantly impacted by the pandemic, with a 6.1% contraction in GDP in 2020, followed by growth of just 1.9% in 2021. This can largely be attributed to Thailand's dependence on the tourism industry – tourism constitutes 12% of Thailand's GDP, and more broadly, generates jobs and stimulates domestic consumption.

In 2022, 11.15 million tourists visited Thailand, a figure that surpassed expectations, but is still considerably lower than pre-COVID numbers, which were close to 40 million per year. With one third of pre-COVID tourist arrivals coming from China, the recent resumption of Chinese outbound travel should be a significant boon for Thailand's tourism sector.

The other engine room of the Thai economy continues to be its goods exports sector. While this remained strong over 2020 and 2021, Thailand has started to see signs of weakening demand, ahead of an expected global economic slowdown.

On balance, however, 2022 was a reasonably good year for Thailand, with 3% growth expected on the back of increasing tourist numbers.[2] A global economic slowdown would predictably have consequences for an export-reliant economy, integrated into regional supply chains. However, Thailand's economy is not expected to enter into a recession in 2023. Economists are currently predicting growth of close to 4% for the year[3].

New Zealand's trade with Thailand

As the second-largest economy within ASEAN, with a population of 70 million people and 'upper middle income' status, Thailand is a solid market for New Zealand exporters. Thailand is New Zealand's ninth-largest two-way trading partner overall (year ending December 2021).

New Zealand's goods exports to Thailand have grown by 8% since 2019, reaching a total annual value of just over NZ\$1 billion in 2021. Top export categories for 2021 were dairy, fruit, aluminium, wood pulp and medical ventilators. Dairy has particularly dominated New Zealand's export profile to Thailand, with Thailand now New Zealand's fifth-largest dairy market.

Conversely, New Zealand's services exports to Thailand remain below pre-pandemic levels. In 2021, New Zealand exported NZ\$76.53 million of total services to Thailand – in 2019, this figure was NZ\$226 million. Services exports are expected to increase in 2023, particularly with travel restrictions in both Thailand and New Zealand now lifted.

As of December 2022, connectivity between New Zealand and Thailand is good, with a number of transit flights available. There are, however, fewer flights as compared to 2019, and no direct flight at present. At times this has meant reduced options for exporters using airfreight, as well as for Thais considering travelling to New Zealand for tourism or education purposes. It is hoped that connectivity will continue to improve in 2023, to the benefit of New Zealand businesses.

Tourism and education

New Zealand's tourism and education exports to Thailand are making a gradual recovery following the pandemic.

In the year ending November 2022, 2,939 Thais visited New Zealand as compared to almost 30,000 over the same period in 2019. While Thailand is not one of New Zealand's largest tourism markets, it was the number one 'off-peak season' market pre-pandemic, with Thais tending to travel during the country's Songkran holiday in April, or in October. Accordingly, the Thailand tourism market continues to present potential for New Zealand.

Thai students have also started returning to New Zealand, though numbers remain below pre-pandemic levels, when Thailand was the largest source market for New Zealand education in South East Asia. In November 2022, Education New Zealand held its first Education Fair in Thailand since the onset of COVID. The response exceeded expectations with over 1,000 attendees speaking to New Zealand education representatives about studying in New Zealand.

Food and beverage

For New Zealand food and beverage exporters, Thailand is a stable and secure market, offering privileged market access (from 2025, all tariffs will have lifted under the TNZCEP).

While some New Zealand companies experienced the effects of dampened domestic demand during COVID, followed in 2022 by a period of inflation, Thai consumers generally have good purchasing power compared to some other markets in the region. 19 percent of households have an annual income of more than NZ\$23,000, and are considered by major retailers to be 'target consumers' for imported products.

Demand for fresh temperate fruit – including apples – is expected to grow in Thailand. Thailand is also a budding market for cherries, avocados and persimmons.

There are also opportunities in Thailand for New Zealand beef exporters. From January to September 2022, Thailand imported over NZ\$250 million worth of beef, up from NZ\$113 million for the whole year in 2019. Australia, however, retains the lion's share of the market at present (at 64%), with a recent market study suggesting that there is work to do in building awareness of New Zealand beef.

Thai consumers tend to be brand-conscious. New Zealand food and beverage exporters should ideally have a promotional budget to support their brand in Thailand, and be able to communicate the point of difference between New Zealand products and those of major competitors, whether it is superior taste, product safety, quality, or sustainable production practices (all of which are of interest to the Thai consumer). This is especially important given that New Zealand products tend to be priced higher than those from competitor countries. Many Thai consumers are willing to pay the price for premium quality products, but they must first be able to understand the case for doing so.

Manufacturing

A number of New Zealand companies manufacture in Thailand, with products ranging from appliances to clothing and fashion accessories.

Thailand is generally not selected for low-cost manufacturing, given that it has higher wage rates compared to other countries in the region. Thailand is, however, favoured for its skilled manufacturing workforce. This has led recently to multinationals taking steps to increase the number of more complex design and engineering functions they have in Thailand.

Companies manufacturing in Thailand report a high degree of satisfaction with the business environment. A large number of international manufacturers continue to be based in industrial parks in the eastern seaboard of Thailand, which is close to ports, airports, and has good infrastructure. This is important for New Zealand companies, which generally export their products out of Thailand into other markets.

As in most countries worldwide, companies in Thailand experienced shipping challenges following the global container shortage in 2021. Vessel sailings are still not at the same frequency as pre-2020, but container availability is now much improved in Thai ports, with companies reporting that shipping costs have fallen significantly over 2022.

Renewable energy

The renewable energy sector in Thailand is nascent but growing, and presents opportunities for New Zealand companies with relevant expertise.

This has partially been driven by the Thai Government's own policies and international commitments, including a target for renewable energy to generate 30% of Thailand's total energy consumption by 2037, and carbon neutrality by 2050. With Thailand running mostly on natural gas and coal, it will need to transition at some speed. Momentum has also come from international companies operating in Thailand (including large manufacturers), which must increasingly meet corporate commitments to green their supply chains.

While there is a growing interest in Thailand to reduce emissions and develop renewable energy, there continues to be a lack of high-value technology and expertise. There are opportunities for New Zealand companies, including those with experience in alternative energy sources such as solar, and in the area of low emissions transport. There may also be opportunities for New Zealand companies in the sustainability advisory space, for example, in the area of regulatory reform.

[1] [The Economist Intelligence Unit \(eiu.com\)](#)

[2] [Thailand's GDP growth accelerates in the third quarter \(eiu.com\)](#)

[3] [The Economist Intelligence Unit \(eiu.com\)](#)

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