

How would Thai industries recovery after Covid-19?

Under the “new normal” scenario, TMB Analytics foresees three recovery paths for Thai industries: V-shape recovery for domestic necessity goods, U-shape recovery for export goods and industries that benefit from business reopening, and L-shape recovery for businesses that are still heavily impacted from decreasing demand. Overall, Industries in V and U shape recovery paths account for 11 million jobs, which are 70% of the total labor force. Government should put strong emphasis on helping L-shape industries to adapt to the new trend along with keeping the economy to grow inclusively in order to help both businesses and households.

The Covid-19 outbreak has transformed the way people live. With less mobility, there were fewer economic activities during the lockdown. As a result, business earnings and firms’ well-beings deteriorated during this period. Sequentially, the Covid-19 outbreak impacted more than 16 million people in the labor force. Given that the situation in Thailand has improved in that the country does not have any local cases of Covid-19 for more than a month, the economy is starting to recover after the lockdown ended.

Two main factors that could determine how businesses will recovery after the reopening include structural risks from business model that may not fit under the new normal lifestyle and market demands, both domestic and foreign, that may return differently across industries after the outbreak.

TMB analytics sees the developments after Covid-19 in 3 main ways. First, The V-shape recovery industries are industries in which we believe should recover within 3 months due to strong domestic demands and necessity to daily life. The V-shape recovery industries include businesses in Consumer products, both retail and wholesale, Hospitals, ICT, and Livestock farming. Industries in this group account for 4.8 million workers or 29.6% of business employment in the country, mainly from retail and wholesale businesses.

Second, The U-shape recovery industries are industries in which we believe should take about 3 to 6 months to recover since consumer demands in these industries require some time to recover. Also, some industries in this group rely on global demands, which depend largely on the global outbreak that still continues in many countries. TMB Analytics views that majorities of Thai industries will fall under this category. The U-shape recovery industries include businesses in Food and beverage, Construction, Business services, Electronics, Machinery and parts, and Chemicals. These Industries account for 6.4 million workers or 39.5% of business employment in the country, making the U-shape recovery to be the main recovery path for Thai economy.

Third, The L-shape recovery industries are industries that are severely impacted or even disrupted by the Covid-19 outbreak. The L-shape recovery should take longer than 6 months to recover. Recovery paths for industries in this group will not fully recover by the end of this year and likely to face a downturn further next year. Some businesses in these industries risk facing solvency and credit risks that might force business to close down. The L-shape recovery industries include Restaurants, Automobile and parts, Aviation, Furniture, Fashion products, Hotel, and Entertainments. This group consist of industries that had to permanently close during the lockdown and faced weak demands once reopening due to decreasing purchasing powers under the economic slowdown and new normal lifestyle under social distancing rules. We expect both temporary and permanent layoffs for certain businesses in these industries in order to be able to continue their operations. The L-shape recovery path might need time to recover. TMB Analytics views that businesses in this recovery path should recover in 2022 and will be able to retain workers near 2019 level at 5.0 million people or 29.6% of business employment in the country, mainly from hospitality businesses and automobile supply chain.

With three different recovery paths, not all industries will recovery at the same time. Hence, it's vital for business owners to understand their positions and their recovery trend in order to plan their business with a suitable strategy. For instance, V-shape recovery businesses should plan for their marketing strategies to fully capitalize on the demand after reopening. Businesses with U-shape recovery path might need to organize their supply in order to match sluggish demand, while figuring out the business plan in the next 6 months. L-shape recovery businesses will have to work really hard under the new circumstance. They may need to restructure their businesses to cover their core businesses by cutting unnecessary costs.

Government and policy makers should use these three recovery paths as a guidance that can provide a proper strategy to help Thai businesses to recover from the Covid-19 outbreak. Different industries will require different type of policies to help facilitating the recovery. Receiving suitable policies from the government will definitely help Thai business to recovery pass the Covid-19 crisis and help Thai economy to recover as well. □

Recovery Outlook after Covid-19 lockdowns unlocked

