

## THE IMPACT OF COVID-19 PANDEMIC ON ECONOMY OF THAILAND

Irina V. Onyusheva  
Patthamaphon Chompuprapet  
Thawarat Panusokul  
Preeyaporn Lekwatthanarot

Stamford International University, Bangkok, Thailand

*Thailand has been one of Asia's worst-hit economies by the coronavirus in 2020. In terms of government actions, as a second wave strikes, the government is trying to avoid the economic damage of a full lockdown, finding the ways of fast economic recovery.*

*The present status of Thailand's economy is examined in this study, which considers GDP and its components such as consumption, investment, government expenditure, exports, and imports. Paper detected Thailand's advantages and disadvantages based on conducting the comparative analysis of existing patterns of macroeconomic development, and socio-political*

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### Irina V. Onyusheva



Dr., Prof., Stamford International University, Bangkok, Thailand.

Interests – economics, strategic management, formation, ensuring and increasing economic competitiveness on both micro- and macro- levels; human capital development; HR management; knowledge economy; knowledge management; project management; management in education.

E-mail: [dr.irina.onyusheva@gmail.com](mailto:dr.irina.onyusheva@gmail.com)

### Patthamaphon Chompuprapet



MBA, Stamford International University, Bangkok, Thailand.

Interests – international business management, strategic management.

E-mail: [pat.chompuprapet@gmail.com](mailto:pat.chompuprapet@gmail.com)

### Thawarat Panusokul



MBA, Stamford International University, Bangkok, Thailand.

Interests – international business management, strategic management.

E-mail: [karn.t.p@gmail.com](mailto:karn.t.p@gmail.com)

### Preeyaporn Lekwatthanarot



MBA, Stamford International University, Bangkok, Thailand.

Interests – international business management, strategic management.

E-mail: [preya.lekwatthanarot@gmail.com](mailto:preya.lekwatthanarot@gmail.com)

*aspects. It has been suggested the possible solutions and recommendations on how to improve the current economic state of the country.*

**Keywords:** economy; Thailand; GDP; COVID-19; pandemic.

## **Introduction**

The ongoing COVID-19 epidemic has had worldwide health consequences, and countries have imposed certain restrictions on mobility. Economic activity has been disrupted as a result of these limitations. Before the pandemic, 20% of Thailand's economy was driven by the tourism industry. But in 2020, tourism revenue dropped for 70% (KResearch, 2021).

In 2020, Thailand was one of Asia's worst-affected economies by coronavirus. Nowadays the government is attempting to prevent economic consequences of a complete lockdown of 2020-2021. Even the public health situation grows, bars, massage parlors, and eateries are still struggling.

COVID-19 also had a significant impact on the world financial markets. Many countries' disease-prevention policies have resulted in considerable economic losses, unemployment increase, transportation, service and manufacturing industries disruptions.

Because disease outbreaks are unlikely to go away anytime soon, swift international action is required to save lives while maintaining an economic development. Owing to early deaths, workplace absenteeism, and productivity losses, the COVID-19 pandemic has had a direct impact on income, as well as a negative supply shock, with manufacturing activity halting due to global supply chain disruptions and plants closures.

As a result of the epidemic's impact on productive economic activity consumer behavior altered mostly due to income and household resources decrease.

The COVID-19 pandemic will have a diverse economic impact throughout the country's wealth distribution, as well as obvious health disparities, particularly in countries without universal healthcare coverage. Office employees, for example, are more likely to convert to flexible working arrangements during the limitations, but many industrial, tourist, retail, and transportation sectors will suffer a significant decrease in work owing to community restrictions and low demand for their goods and services.

Currently, the majority of countries are facing a slump. The International Monetary Fund (IMF) confirmed that the global economy declined by 4.4% in 2020, the worst drop since the Great Depression of the 1930s (Pak et al., 2020).

Furthermore, tourism and hospitality industries have been severely impacted, with lose of millions jobs and countless businesses bankruptcies. Rooms' reservations were falling down in all travel destinations. In 2020, billions of dollars were lost, and while the outlook for 2021 is better, many analysts anticipate that international travel and tourism would not return to pre-pandemic levels before 2025.

## **Materials and Methods**

The primary research methodology used in this paper is based on conducting the comparative analysis of existing patterns of macroeconomic development, socio-economic and political features of Thailand within COVID-19 pandemic period. The given macroeconomic analysis is conducted according to consideration of key fundamental components forming and reflecting the GDP level.

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The study presents macroeconomic analytical overview of the current situation in Thailand, particularly, considering Thai economy of tourism. Analysis was conducted based on the secondary data provided by Thailand government entities, together with economic statistic data from the world statistic agencies.

GDP serves as a complete assessment of a country's economic health since it is a wide measure of entire domestic production (Fernando, 2021). Conventional equational (expenditure) formulation of GDP:

$$Y = C + I + G + (X - M) \quad (1),$$

Where:

C (consumption) is the largest GDP component in the economy, and consists of private expenditures (household final consumption expenditure). Personal expenses can be classified into one of the following categories: services, durable goods, and non-durable goods.

I (investment) include, for example, a company's investment in equipment, but exclude asset swaps.

G (government spending) is the total amount of money spent by government on final products and services (public employee wages, military equipment purchases, any investment expenditures made by government).

X (exports) refers to total exports.

M (imports) represents gross imports. Imports are subtracted since imported goods will be included in “G”, “I”, or “C”, and must be deducted to avoid counting foreign supply as domestic (Lumen, n.d.)

### Results and Discussion

Analyzing the economic situation of Thailand, it is important to underline that tourism is one of the most essential industries forming the country's economy.

It involves the buying and selling of services and goods, with compensation paid by a buyer (the visitor) to a seller. It is a source of foreign exchange earnings that stimulates a country's national output, and it is subject to the rigors of the international marketplace (UNWTO, n.d.).

The pandemic resulted in a complete cessation of tourism and considerable reduction in economic activity. Thailand's economy decrease by 6,1% in 2020, the biggest fall since Asian financial crisis. The tourism industry, which accounts approximately a fifth of Thailand GDP and 20% of jobs, has been hit particularly hard by travel ban.

Low-skilled employees, as well as informal and migratory workers, have been also severely impacted, especially women and youth, who have been disproportionately affected by reduced job prospects in contact-intensive industries, which will carry a large share of the layoffs in 2020.

The financial sector has fared well so far in the epidemic, but tension is rising in the small and medium business sector.

The contribution of tourism to Thailand's GDP is presented in Fig. 1 for the period 2017-2020.

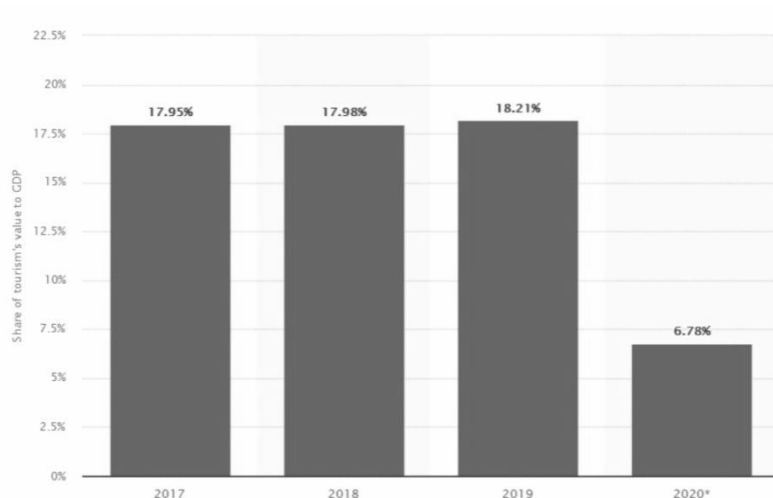


Figure 1 - Share of Tourism Contribution to the GDP value in Thailand, 2017-2020  
(Source: Statista, 2021)

Further we can analyze inflation, trade surplus (value of exported goods –value of imported goods) and GDP growth rate (Fig. 2).

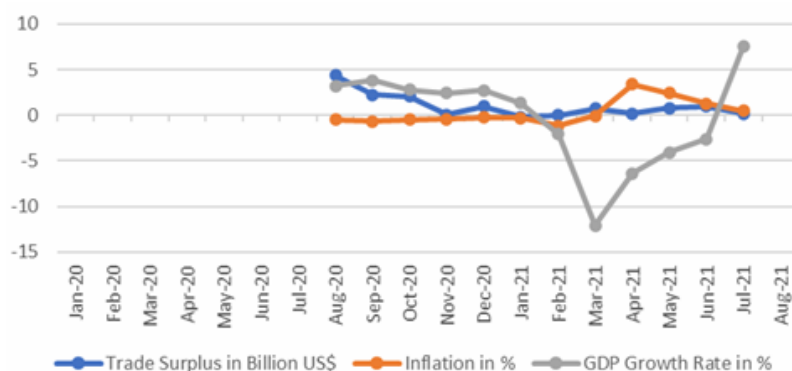


Figure 2 - Trade surplus, inflation and GDP growth rate in Thailand, 2021  
(Source: IMF, 2021)

In 2020 the trade surplus was at peak for last 5-6 years (\$20,43 bln), whereas in 2019 the trade surplus was only \$5.3 bln. Hence the Bank of Thailand did not intervene and kept exchange rate at 30.78 THB/US\$ average.

Bank of Thailand could have intervened during COVID period to further boost the export by weakening the Thai Baht and encouraging the domestic industry to export. This could have led to improved economic activity at micro and macro level and would have not allowed negative inflation to happen.

If we compare the THB valuation at around 33 Baht/US\$ now is still very high. For example, after Tom yum Kung crisis in 1998, when GDP reduced for 7.6% Thai Baht valuation dropped from 25 to 55 THB/US\$ in very short period.

Exports of regional countries and Thailand contracted sharply in the second quarter of 2020. In May, Thai exports shrank by 23% compared to the fourth quarter of 2019 (see Fig.

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5, shaded blue). While Thai exports had already recovered by around 50% from the bottom and registered 12% contraction in July 2020.

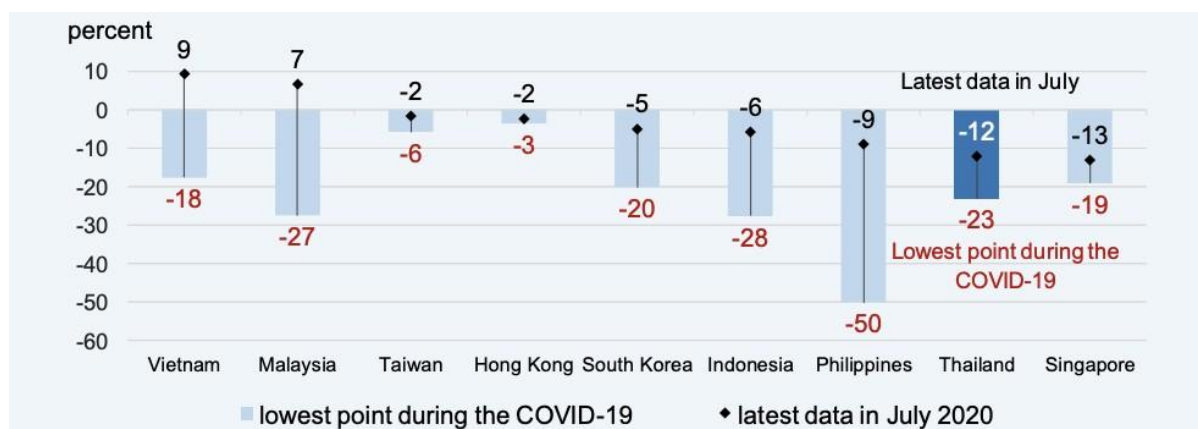


Figure 3 - Percentage change of Thai export value, 2020  
(Source: BOT, 2020)

### Recommendations

The following recommendations are made based on an examination of the present state of Thailand's economy. The COVID-19 epidemic provided a chance to reconsider our approach to work. Businesses and governments had to deal with several, competing goals at the same time during the COVID-19 epidemic. One of the most difficult issues is how to maintain an economy and to protect residents from illness (McKinsey, 2021).

The recovery of Thai exports remained slow and at a lower level than regional countries, with the risk of declining participation in the global supply chains in the long term. Boosting the competitiveness of Thai exports is therefore critically important at this juncture, both by expediting the negotiations of trade agreements, especially the multilateral agreements, improving necessary infrastructure, and ensuring technology adoption particularly for SMEs.

Moreover, both business models and products should be adjusted to suit the post-COVID environment, in order to increase participation in the global supply chains and enhance competitiveness of Thai exports sector in the future.

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