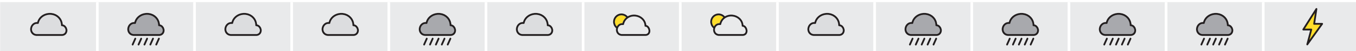
Thailand

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles



Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

The sector has been impacted a severe drought and lockdown measures (e.g. transport and supply chain issues). After several years of increases, agriculture value added growth is forecast to level off or to grow only modestly in 2020, but the prospects for a rebound are good.

Automotive/Transport

Remains Poor

Many automotive producers have cut costs through employee layoffs and reduced production. Even before the coronavirus outbreak, this sector already suffered from weaker domestic demand and lower exports resulting from Baht appreciation. After a 2.8% decrease in 2019, automotive value added is forecast to contract by more than 28% in 2020. The supply chain line suffers, as many car manufacturers in China and Japan have lowered production. The credit risk of Tier 2 suppliers has especially increased, as they often produce low-tech/substitutable products and suffer from liquidity strains and cash shortfalls.

In the transport segment, airlines have been severely impacted by the coronavirus outbreak. Thai Airways International has entered into a rehabilitation process under the Central Bankruptcy Court. In order to alleviate losses, the company has cut salaries and other allowances of executives by 15%-25% for six months as of March 1, 2020. Transport value added is expected to decrease by almost 7%.

Chemicals/Pharmaceuticals

Remains Fair

Chemicals and pharmaceuticals businesses generally show robust business financials, good payment records and low insolvency rates compared to other industries. The coronavirus pandemic is driving higher spending on health personnel, medical equipment and drugs, with pharmaceuticals value added expected to grow by more than 3% in 2020. However, the deteriorating demand from key buyer sectors like automotive has had a negative impact on chemicals performance, and sector value added is forecast to decrease by about 4% in 2020.

Construction/ Construction Materials

Remains Fair

In 2020 construction orders and output will suffer from the severe economic recession (GDP forecast down almost 6%). Construction value added is expected to shrink by 10% in 2020, after two years of solid annual growth. In 2021 a rebound of more than 10% is expected. Currently, construction activity is sustained by some major public infrastructure projects, such as the Airport High-Speed Rail link in Bangkok and the expansion of Map Ta Phut Seaport. However, late payments have recently increased in the industry.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods has deteriorated due to the coronavirus impact, with many businesses temporarily closed due to the lockdown. Demand for household appliances, furniture, jewellery and leisure articles has sharply decreased. Ongoing subdued consumer sentiment and rising unemployment could hamper a rebound in the short-term. Purchasing patterns have completely changes, as consumers are placing a greater focus on essential spending categories. Retail value added is expected to contract by 7.5% in 2020, and the number of late payment and store closures in the non-food retail segment is expected to increase in the coming months.

Electronics/ICT

Remains Fair

The electronics/ICT sector has been severely impacted in short-term by supply chain disruptions during the lockdown. While the market situation has started to recover, pressure remains due to weak purchasing power. Domestically, demand for electronic components from the automotive industry has deteriorated. There is also a weaker demand in key export markets for hard disk drives. In H2 of 2020, demand for PCs, notebooks and related devices is expected to increase again due to the reopening of schools and New Year spending. ICT added value is expected to decrease by more than 4% in 2020, followed by a 6.5% rebound in 2021.

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Financial Services

Remains Good

The Thai banking sector is healthy, as banks are well capitalized. However, increased financial troubles for businesses and consumers alike due to the economic downturn could lead to more loan defaults for banks and tighter lending conditions. Finance value added is forecast to decrease by about 1% after solid growth rates in 2018 and 2019.

Food

Remains Good

Food exports remain a major asset to Thailand´s export performance, due to large overseas demand for rice, seafood, frozen food, processed food products and ready-made foods. Food value added is expected to increase 1% in 2020

Machines/Engineering

Remains Fair

Companies in this industry are generally financially resilient. However, the business outlook has been impacted by decreasing orders on hand and lower production due to the economic downturn, especially subdued demand from key buyer sectors like automotive. Engineering value added is expected to contract by about 8% in 2020, followed by a 5.5% rebound in 2021.

Metals

Remains Poor

In 2019 the metals industry already showed a subdued performance, with rising pressure on margins and lower demand from key sectors like automotive. In 2020 the situation has further worsened due to the economic downturn triggered by the coronavirus pandemic, including suspension of automobile production and holding off on new projects from the private sector. Metal value added is expected to decline by about 8% in 2020, after a 0.7% contraction in 2019, and payment delays could increase in the coming months.

Paper

Remains Poor

Production in the books and print media segment continues to decrease, as demand for printing, writing paper and newsprint is declining, due to the increasing importance of digital media and the internet. Environmental issues (e.g. green economy) also play a role in this. Printing and publishing value added is forecast to decrease by 3.5% in 2020.

Services

Remains Poor

The impact of the coronavirus pandemic is particularly felt in Thailand's tourism sector, weighing on the performance of the services sector. Tourism generates more than 10% of Thailand's GDP, while Chinese tourists accounted for more than 25% of tourism revenues in 2019. Due to the comprehensive lockdown measures in early 2020 and the ongoing entry restrictions, many segments have suffered heavily, especially hotels and catering, restaurants, bars, entertainment and cultural events, travel agencies and tour operators. Hotel and catering value added is expected to contract by 20% in 2020. Payment delays have started to increase in the affected service segments, while many hostels, guesthouses, tour operators, and restaurants have shut down.

Steel

Remains Poor

Since 2005, Thailand has consistently recorded a trade deficit in steel. In 2019 the steel industry already showed a subdued performance, with lower demand from key sectors like automotive, and rising pressure on margins. In 2020 the situation has further worsened, due to the economic downturn triggered by the coronavirus pandemic, including suspension of automobile production and cancellation of new projects from the private sector. Steel value added is expected to decline 12% in 2020, after a 7.5% contraction in 2019.

Textiles

Remains Bleak

Producers already suffered in 2019 from overcapacity, fierce competition and working capital pressure. Wholesalers and retailers are negatively affected by changes in customer behaviour and increased competition from new online retailers. Their performance has further deteriorated due to low sales during the lockdown in early 2020. Garment and textile exports are also expected to drop by 40-50% due to order cancellation from foreign buyers. Textiles value added is expected to shrink by 11% in 2020, after large contractions in 2018 and 2019, with further rising payment delays and business failures. Currently, it is expected that about 50% of textile and textile-related businesses will be forced to shut down, leaving up to 200,000 people unemployed.