Thailand

January 2021

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 September 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Fair

Sector value added is expected to increase 2.5% in 2021. Agricultural output and turnover are expected to increase in 2021 due to more rain and the available water in dams, accelerating cultivation and increasing crop yields. In addition, agricultural prices could increase due to rising demand resulting from a global economic recovery and measures to boost and stabilize output, especially crop price guarantee schemes. Prices of major crops such as rubber, palm oil, sugarcane and maize are likely to rise in 2021.

Automotive/Transport

Remains Poor

In H1 of 2020, many automotive producers cut costs through employee layoffs and reduced production. In H2 of 2020, there was a slow but steady recovery. The credit risk of SME Tier II and III suppliers remains high, as they often produce low-tech/substitutable products and suffer from liquidity strains and cash shortfalls. Output and unit sales are expected to recover in 2021 and 2022 by 3%-4% annually, driven by a rebound in spending power with the recovery of the economy.

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. Transport value added is expected to decrease by almost 19%, followed by a 16% rebound in 2021.

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 8% 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 3.5% in 2020, followed by a 3% rebound in 2021.

Construction/ Construction Materials

Remains Fair

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 increased in 2020, especially among small construction businesses. In 2021 the industry is forecast to grow by 5%, due to the expected commencement of key projects related to the Eastern Economic Corridor. Thailand's construction sector will grow further in the mid- and long-term, driven by investment in transport infrastructure, as the government aims to transform the country into a regional hub.

Consumer Durables

Remains Poor

Private consumption of non-food consumer goods deteriorated in 2020 due to the coronavirus impact. Demand for household appliances, furniture, jewellery and leisure articles sharply decreased as a result of weakened consumer spending. The number of late payments and store closures in the non-food retail segment increased substantially in H2 of 2020.

Consumer durables sales are expected to rebound by about 2% in 2021. The recovery will also be supported by the government stimulus measures enacted in H2 of 2020.

Electronics/ICT

Remains Fair

The electronics/ICT sector was severely impacted in short-term by supply chain disruptions during the lockdown. While the market situation started to recover, pressure remains due to weaker purchasing power. The government has provided significant support on electronic investors in the form of tax concessions and other subsidies. ICT value added is expected to grow 3% in 2021 after a 1.5% increase in 2020. The ICT sector is projected to be a major growth industry in the long-term, contributing about 30% to GDP in 2030, up from 10% at present.

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Financial Services

Remains Good

The Thai banking sector is healthy, as banks are well capitalized. However, the economic downturn has led to rising loan defaults and tighter lending conditions for SMEs. The Bank of Thailand has launched relief measures (e.g interest rate reduction, provision of additional credit and debt restructuring) to help struggling businesses. Finance value added is forecast to increase by about 1.5% in 2021.

Food

Remains Good

Domestic food spending is expected to grow 3.2% in 2021. 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 and beverage exports are expected to grow up to 5% in 2021. However, the ongoing second wave of the pandemic could affect exports, especially the fishery products segment (the sector employs a large number of migrant workers affected by infections).

Machines/Engineering

Remains Fair

Companies in this industry are generally financially resilient. However, the business outlook has been impacted by lower production, reduced machinery replacement and lower investment due to the economic downturn. Engineering value added is expected to contract by about 14.8% in 2020, followed by a 7.8% 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. Metal value added is expected to increase by about 3.5% in 2021, after a 6% contraction in 2020. However, a second wave of the pandemic remains a downside risk, potentially impacting supply chains and investments.

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 slightly increase (by about 1%) in 2021 after a contraction of almost 4% 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 industry. Tourism and related businesses generate more than 13% of Thailand's GDP. 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. In 2020 hotel and catering value added is estimated to decrease by more than 35%. Payment delays increased in the affected service segments, while many hostels, guesthouses, tour operators, and restaurants shutting down.

The rebound of the tourism sector is expected to be slow in H1 of 2021, due to ongoing travel restrictions and concerns over infections. Mass vaccination may boost foreign tourist arrivals to reach 4 million in Q4 of 2021 (39.8 million in 2019), but it could take at least 2-3 years to return to pre-crisis levels.

Steel

Remains Poor

Steel consumption is expected to decrease further in H1 of 2021, due to a new wave of infections since the end of 2020, sluggish market conditions, tough competition and cheap imports from China and Vietnam. However, government infrastructure investment projects in the Eastern Economic Corridor are expected to support demand for steel. Steel value added is expected to grow by about 2% in 2021 after a 6% contraction in 2020.

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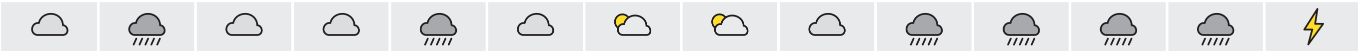
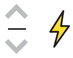


Source: Atradius

Industry performance

Changes since September 2020 · Sources: Atradius, Oxford Economics

Textiles



Remains Bleak

Even prior to the coronavirus outbreak, textile producers and retailers suffered from overcapacity, fierce competition and working capital pressure. Their performance further deteriorated in 2020. Textiles value added is estimated to shrink by 11% in 2020, after large contractions in 2018 and 2019. Payment delays increased, and many business were forced to shut down.