

Thailand in Global Supply Chain after COVID-19

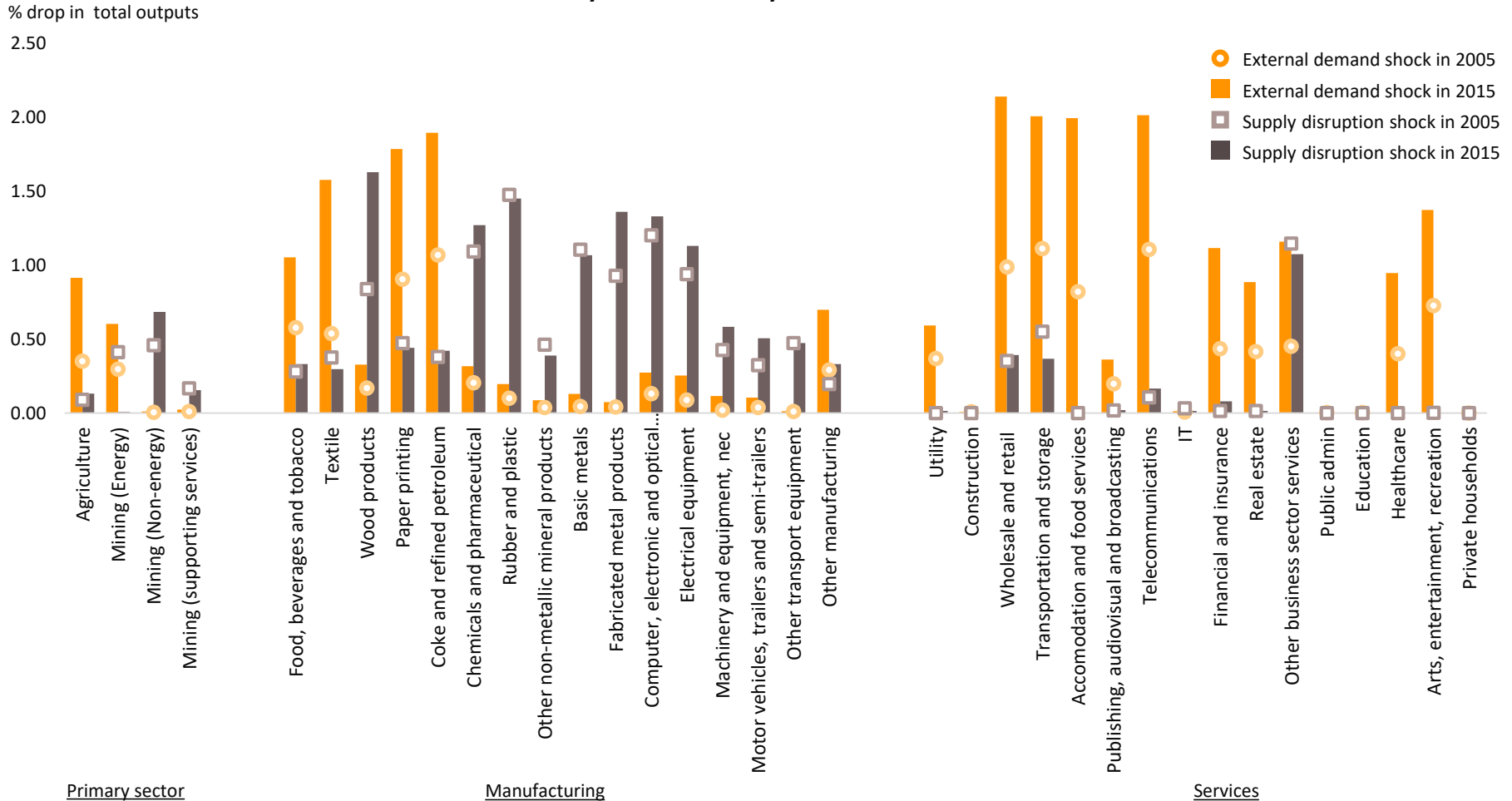
Krungsri Research
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Most Thai industries encounter increasing external risks

Our analysis on OECD input-output suggests that Thai industries are vulnerable to both supply disruption and external final demand shocks. Services and basic manufacturing have high exposure to external demand. Meanwhile, hi-tech industries are highly exposed to supply disruption. In addition, risks from external shocks are increasing during 2005-2015.

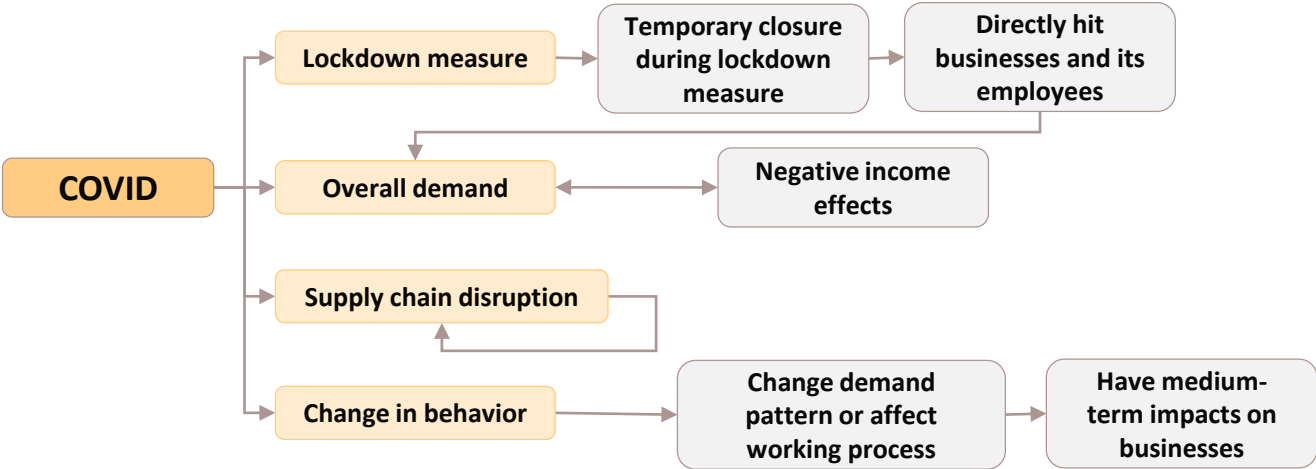
Vulnerability of Thai Industry from External shocks



COVID-19 outbreak affects Thai economy on both domestic and external shocks, creating supply disruption and demand shocks

Overall, COVID hits an economy in four channels: business closure following lockdown measures, a decline in overall demand, a disruption in global supply chains, and changes in medium- to long-term behavior. These will determine a path of sectoral recovery. The sectors hit by a lockdown measures, such as retail trades, would be severely affected but it could rebound faster than other sectors. However, the sectors affected by a change in demand pattern, such as air transportation and hospitality, would take a longer time to recover.

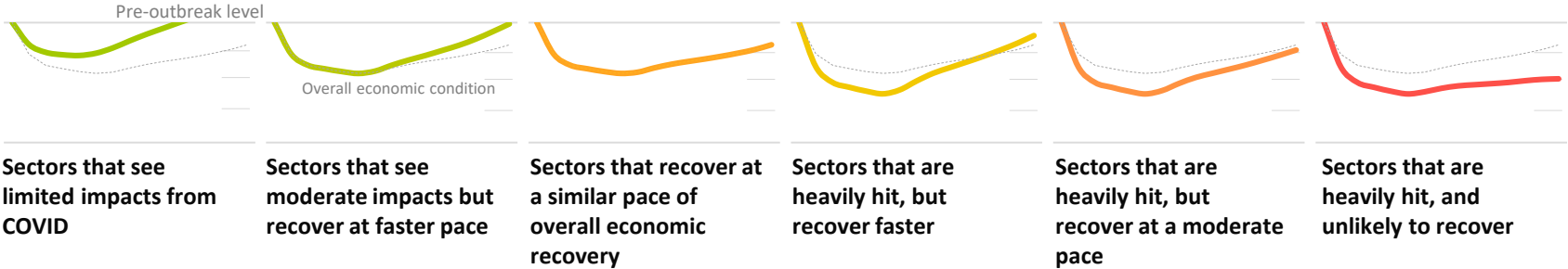
COVID impacts on the economy



Affected Sectors

Sectors that are closed during lockdown period	Hospitality, restaurant, retail and wholesales
Sectors that are sensitive to income	Durable-goods manufacturing, Housing
Sectors that are in upstream	Electricity and gas, Petroleum refinery, oil and gas
Sectors that would change after the outbreak	Transportation, recreation, movie theater, hospitality, restaurant

Path of Industry recovery

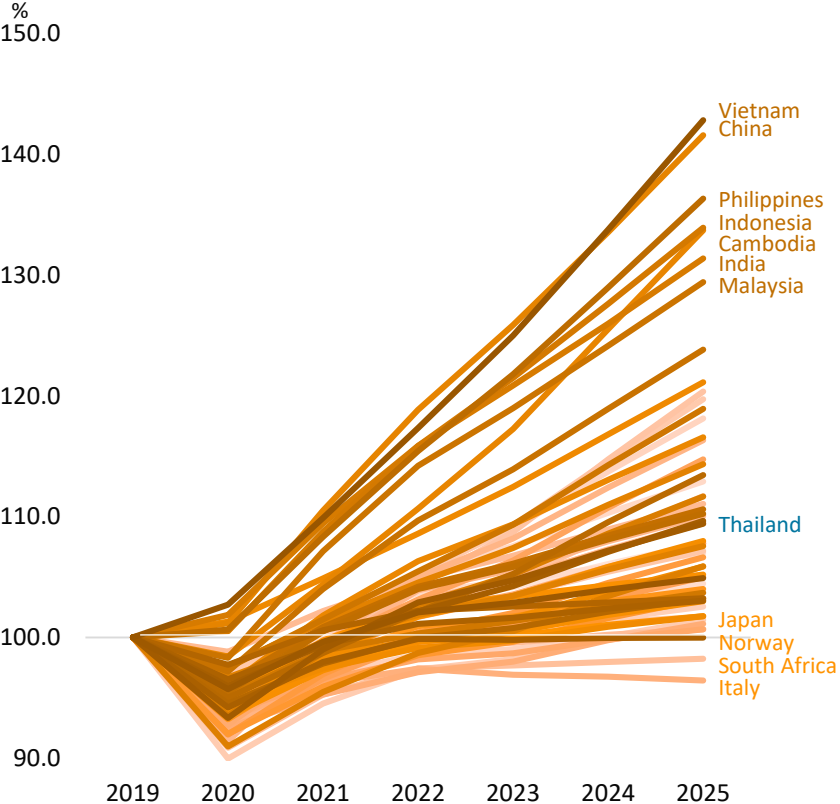


COVID outbreak hits global economy differently. Most countries return to pre-outbreak level by 2022

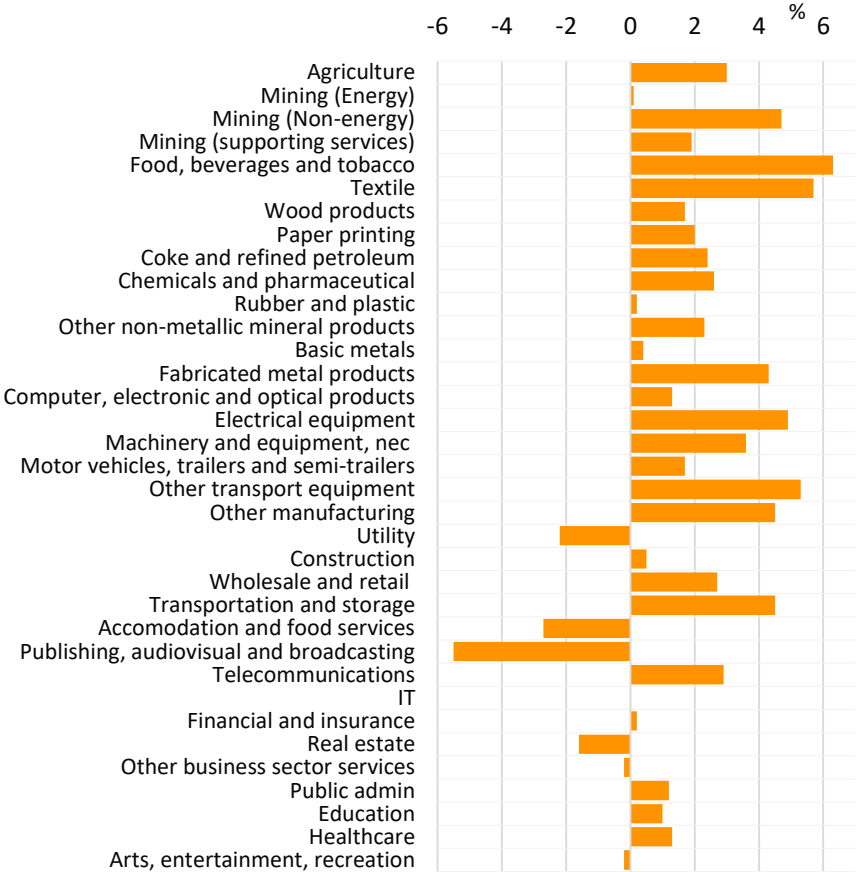
Almost all economies encounter deep recession in 2020 due to supply disruption and demand shocks. Our analysis suggests that most of them return to pre-outbreak level by 2022. Vietnam, China, and Philippines are among fastest-growing economies. Meanwhile, even in 2025, Italy and South Africa cannot return to its level in 2019. By sector, F&B and textile might see good growth in exports.

Post-COVID Economic Growth and Exports

Economic growth

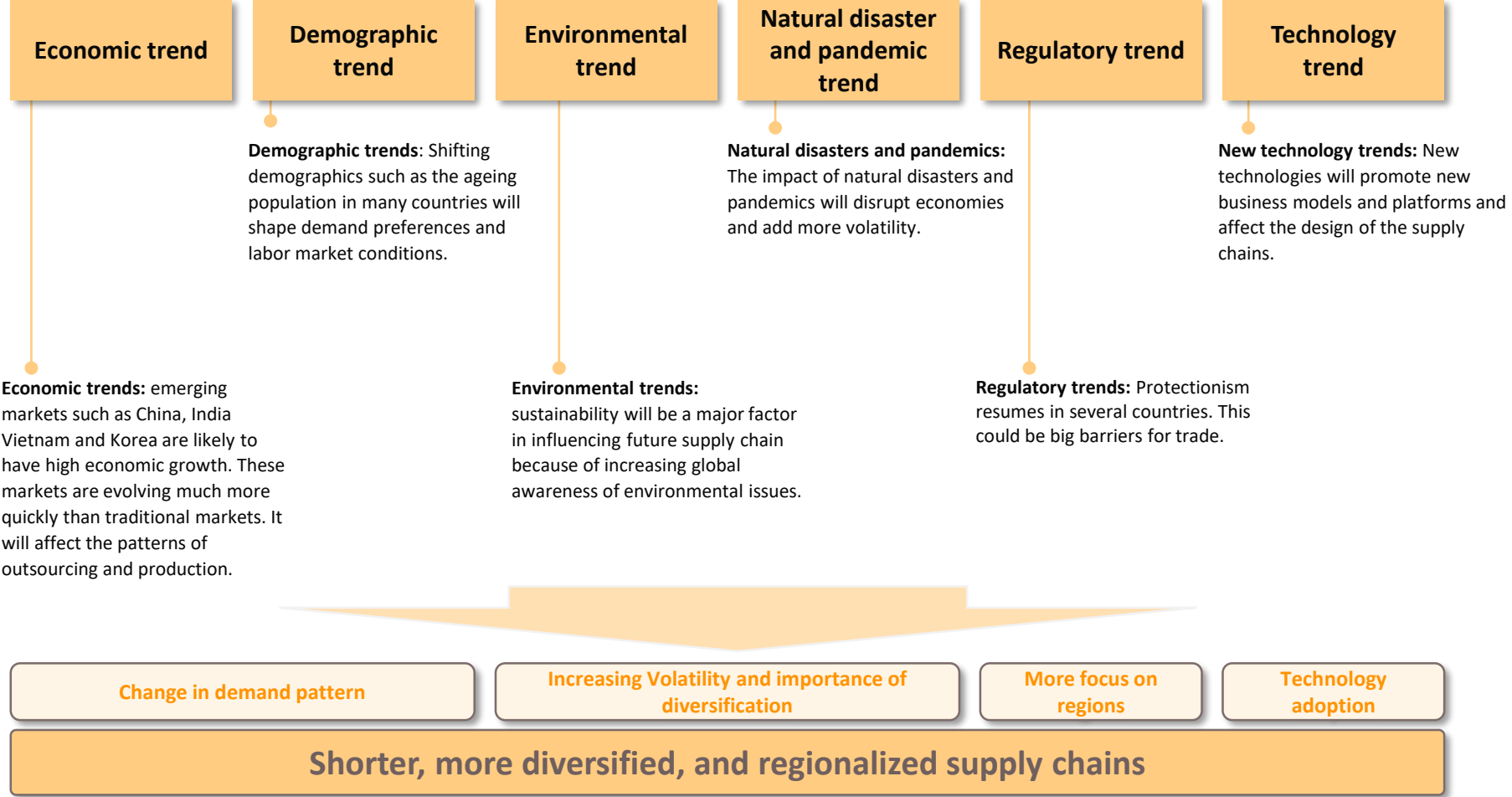


Export growth (2020-2025)



COVID will leave scars on economy while economic, social, regulatory, and technology trends are also shaping future supply chains

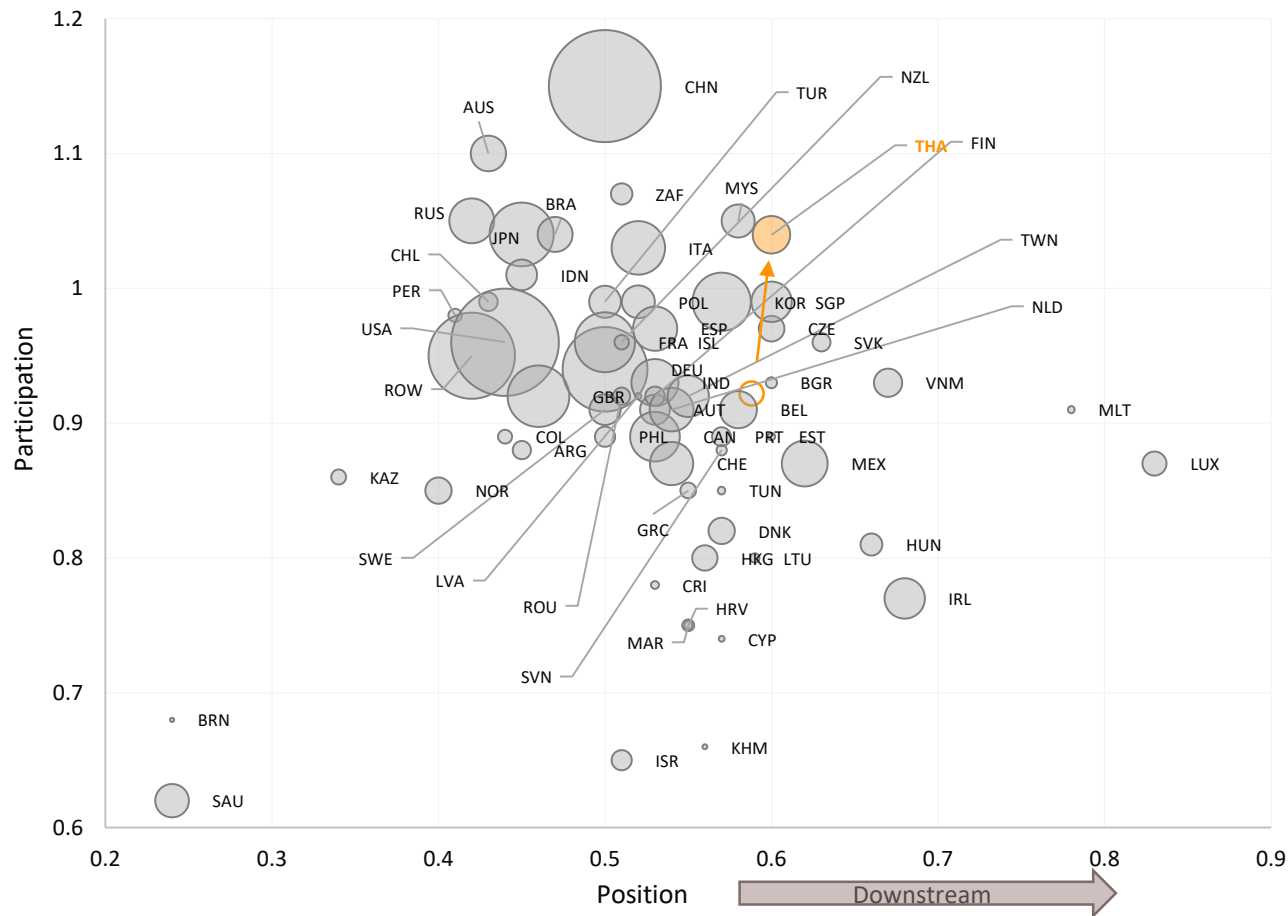
Global supply chain is not only shaped by only COVID-19 but also economic, demographic environment, regulatory, and technology trends. This leads to changes in pattern of trade and consumption. In addition, key consideration is to balance between efficiency and resiliency as global economy and internal trade become more volatile. Consequently, the new global supply chain is expected to move toward shorter, more diversified, and regionalized supply chains.



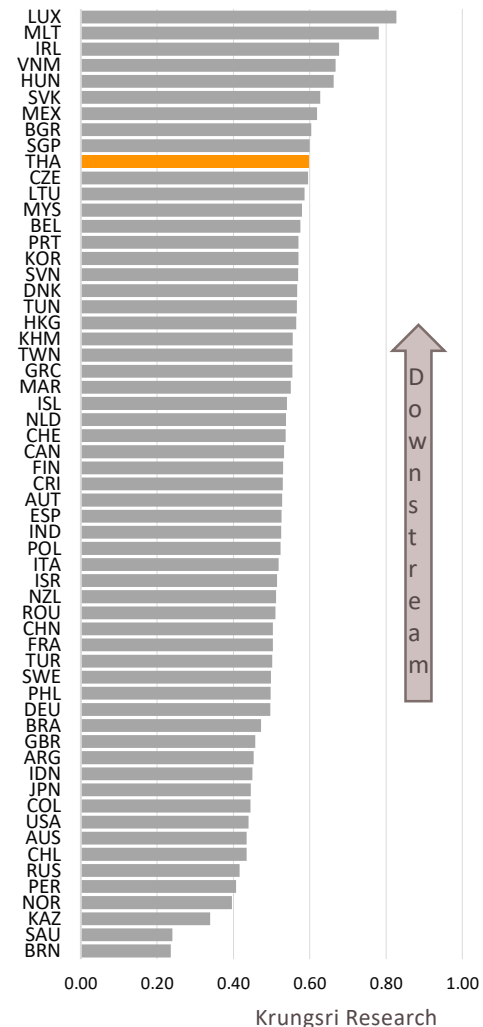
Thailand tends to increase participation in new global supply chains

In new shorter, more diversified, and regionalized supply chain, our analysis on OECD input-output table suggests that Thailand tends to increase its participation in global value chains. Participation index increases from below 1 to 1.03. Meanwhile, position for Thailand in global supply chain remains unchanged.

Position of Thai industry in Global Supply Chain



Position

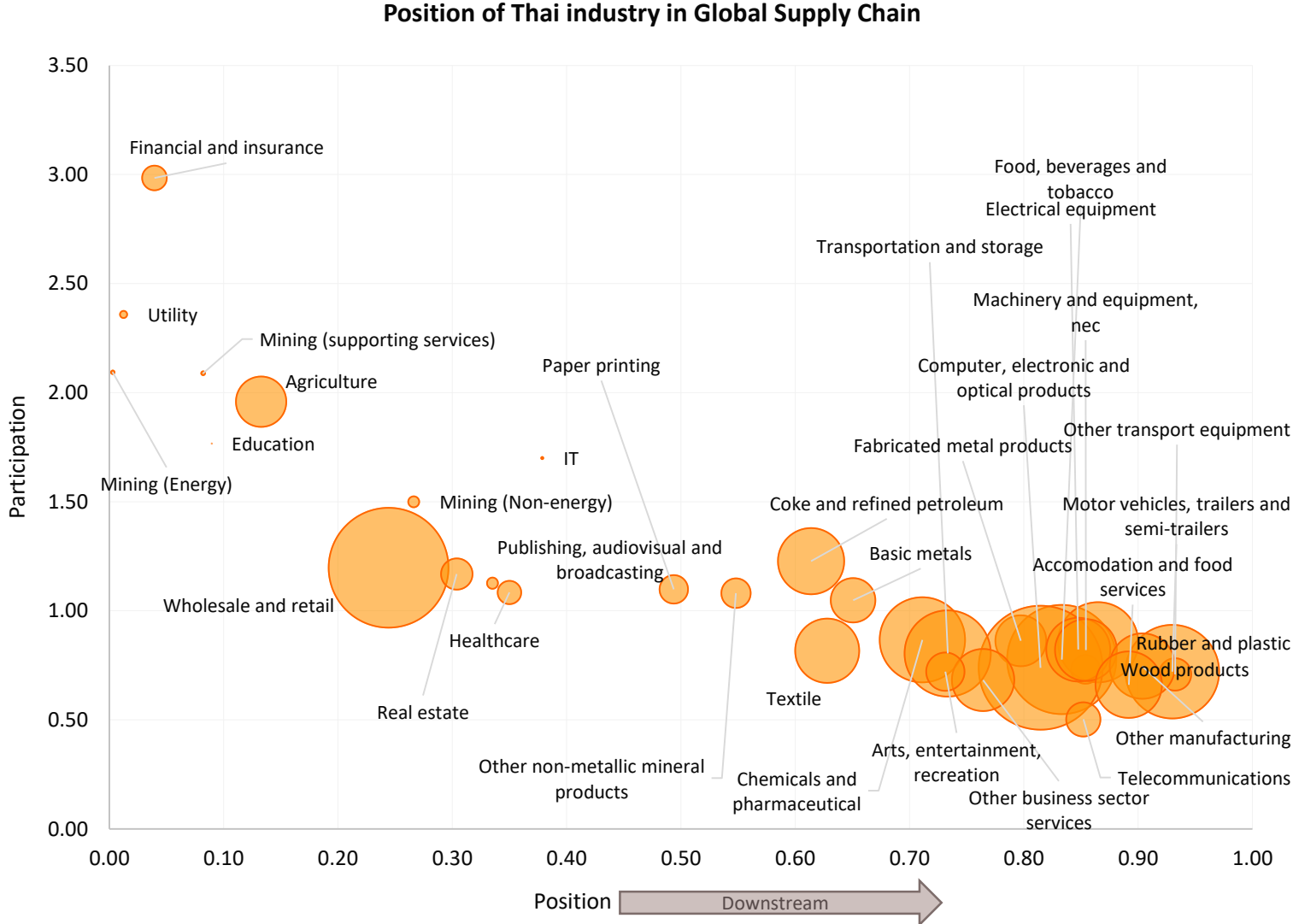


F&B sees high growth of exports and moves downstream while financial sector increase participation in global supply chains

Food and beverage, utility, and financial sectors are among sectors that increase their participation in global supply chains while agriculture and mining sector participate at lower degree. Primary sectors and services are seen moving more downstream. Overall exports are increasing with large jump in computer and F&B.



Most Thai industries have downstream position in new global supply chain

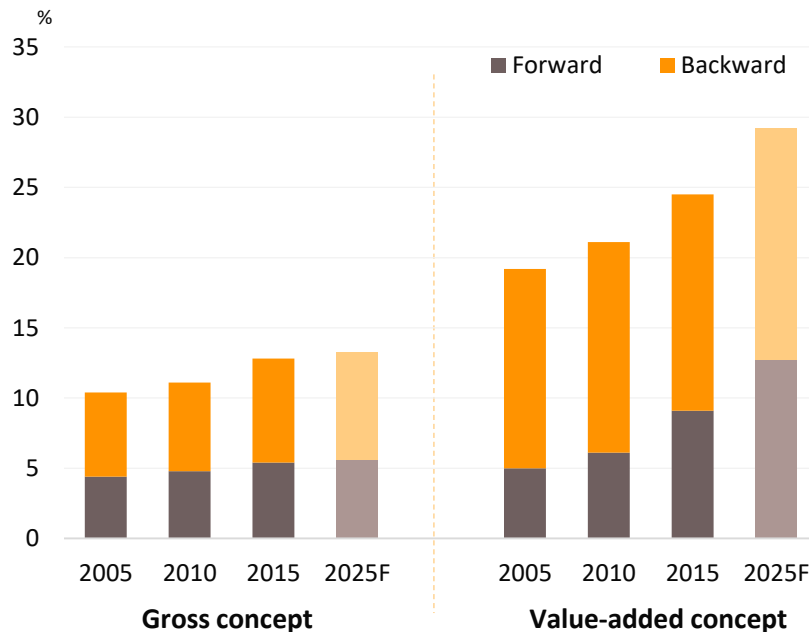


Source: OECD, calculation by Krungsri Research

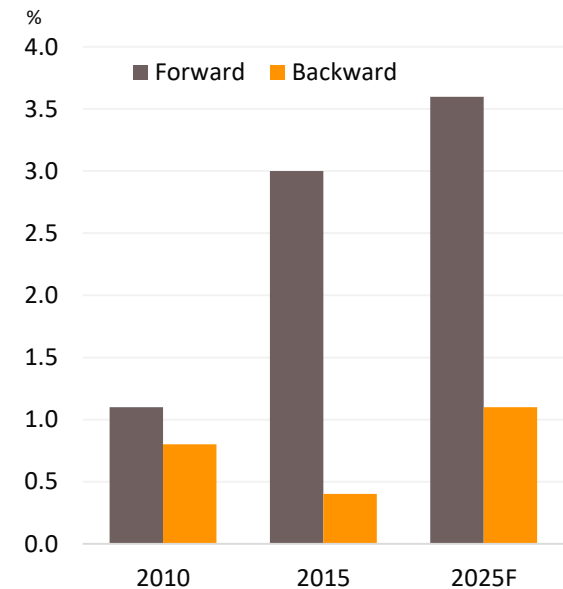
Implication I: Servicification of manufacturing would continue its trend while borders between industries become blurred

Services sectors play more significant roles in global value chains in term of both gross concept and value-added concept. A share of services in value-added concept is much higher. In addition, forward linkage of service sector are larger. This suggests the rise of servicification of manufacturing. It could say services are becoming important inputs in manufacturing sector. It implies that industry in global level are transforming in some ways and interconnects among sectors are increasing.

Participation of Service sector in Global Value Chain



An Increase of Service Contribution in Global Supply Chains



Implication II: Regionalization or glocalization are becoming new norms

Supply chains is shifting from “seeking for materials” to “seeking for customer’s satisfaction”. Regionalized or glocalized supply chains help build resiliency while it enhances efficiency to serve different demands. Several countries show increasing participation in global value chains, and participation by individual country is rising at a faster pace than a region participation. It implies value-added created within a region is larger. This suggests that industry might need to focus on regional market and their products are competing in regional market.

Regionalized Supply Chains in ASEAN plus China, Japan, Korea, and India

