THAI ECONOMY FALTERING AMID COVID-19 PANDEMIC

Executive summary

The Covid-19 outbreak will have a drastic impact on the Thai economy in 2020, leading to an updated forecast for full-year economic contraction of 5-6%, the deepest decline since the Asian Financial Crisis in 1997. The pandemic is expected to take a heavy toll on Thailand’s tourism and exports this year. Even though the infections could come under control in the first half, the economy particularly a turnaround for tourism will take time to recover.

The key area to be observed is employment. Given the almost complete stop of tourism activities and the cancellation of events, unemployment is expected to rise in the first half of 2020.

The manufacturing and agriculture sector are mainly affected from subdued demand rather than supply. Industrial products at risk include automobiles and parts, electrical circuits, machinery, plastic pellets, and chemicals. The hardest hit agricultural produce is poultry, fisheries, floriculture and tropical fruits due to vanishing of foreign tourists and cancellations of social events.

On the other hand, the outbreak has prompted consumers in affected countries to stock supplies of food and articles of daily needs, resulting in positive impact on some Thai products, notably canned fish, rice, and rubber gloves. Thailand is unlikely to experience any shortage of food supplies as domestic demand accounts for 50% of total production.

The partial lockdown has created opportunities for traditional retail business, online shopping and food delivery. Other businesses to benefit from the pandemic include the medical industry, medical supplies, hygiene sanitary services, life and health insurance, food packaging, and digital technology.

As Thailand has been struggling in its battle with Covid-19 transmission, the government has declared a state of emergency from 26 March to 31 May and imposed a night-time curfew, starting from 3 April. The mobility restrictions are not expected to have a significant impact on the demand side but unclear implementation especially in the beginning could affect the operation of factories and the transportation of goods.

In an attempt to shield businesses and consumers from the worst of the impact, the government has rolled out three phases of relief measures worth around 12% of GDP. The measures are mainly financial aid, debt suspension and restructuring, and a liquidity boost through soft loans. The highlight is monthly 5,000 baht cash handouts for three months to temporary employees and self-employed workers who are not covered by the social security fund, and farmers.

The third phase approved on 7 April worth 1.9 trillion baht (EUR 54 billion) is dramatically larger than the tally of the first two and is the country’s largest-ever budget used for economic remedies. The package focuses on making credit more affordable and available to SMEs, stabilizing the financial and capital market, and people living in rural areas consists of three parts. The first is a government debt issuance of 1 trillion baht to finance income loss compensation and public health improvements. The second is the Bank of Thailand (BOT)’s soft loans for SMEs to the tune of half a trillion baht. The last is the establishment of a 400-billion-baht Corporate Bond Stability Fund managed by the BOT, aimed at cushioning the sizeable corporate bond market which has the total outstanding amounting to 3.6 trillion baht.

Concerns have been raised on high public debt and the unusual role of the BOT to buy corporate bonds on the primary market, which is not quantitative easing where central banks buy bonds from only secondary markets under an open market process. But the government has confirmed commitment to maintaining fiscal discipline. The country’s fiscal and monetary status remains strong, with US$230 billion in foreign reserves.

Other support includes measures to reduce the cost of living and assist people working from home e.g. lower electricity and water bills, free internet data (10GB) and automatic upgrade of high speed fixed broadband, as well as free mobile call (100 minutes).
INTRODUCTION

Businesses, from multinational corporations to small-scale startups, are struggling with being in a partial lockdown. Before the emergency decree taking effect on 26 March, Bangkok and several other provinces had already ordered all shopping malls, salons, entertainment and sporting venues to close, while food stalls and restaurants can open only for take-out and delivery. The measures have led to job losses, leave without pay and salary cuts.

On 25 March, the government declared a state of emergency from 26 March to 30 April, and recently extended to 31 May, instructing the closure of all entry points to the country by all modes and means of transport. The orders mainly target foreign passengers. Exceptions are provided to operators of vehicles/vessels suggesting that international trade and good in transit remain open. However, there may be some disruptions for freight transport via land borders from neighbouring countries as they have to enter the country only at the designated border posts in order to facilitate the controls.

A continued rise in local virus infections had compelled the government to impose a nation-wide curfew banning people from leaving their homes from 10pm to 4 am, starting from 3 April onwards, with exceptions for workers in essential services such as medical care and transportation of necessary commodities e.g. food, agriculture products, fuel, medicine and medical equipment.

ECONOMIC IMPACT

Research houses concur that the Covid-19 pandemic will take a heavy toll on the Thai economy. The Thai Bankers’ Association (TBA) estimates the country could suffer a loss of 1.3 trillion baht (EUR 37 billion), representing 7.7% of GDP from the spiraling spread of the Covid-19, on par with the impact of the Asian financial crisis in 1997. Similarly, the University of the Thai Chamber of Commerce (UTCC) foresees the pandemic to cause economic damage worth 1-1.5 trillion baht in the first half, primarily from loses in tourism revenue. Overall, the economy could shrink by 4-6% this year as the country is plagued with myriad risks.

Taking into account the fact that the outbreak is spreading on a wider scale than previously estimated, think tanks have drastically revised down Thailand’s economic forecast for 2020, from 2-2.5% growth to 5-6% contraction. The Asian Development Bank now predicts a negative of 4.8% in 2020 before recovering to 2.5% in 2021. Standard Chartered Bank and the World Bank foresee a drop of 5% in a worst case scenario, while The Bank of Thailand (BOT) and Siam Commercial Bank forecast a deeper decline of 5.3% and 5.6% respectively.

The most pessimistic forecast is from the IMF which recently downgraded the Thai economic performance to a contraction of 6.7%, the worst performer among ASEAN peers, but with a strong rebound of 6.1% growth in 2021. Thailand’s heavy reliance on exports (over two-thirds of GDP) and tourism (13-16% of GDP) makes the country more exposed to the Covid-19 impacts than any other in the region. The plummet of external demand from key trading partners and tourist arrivals will add double downwards on the already struggling economy from severe drought, delays in the government’s budget disbursement, and global economic uncertainties.

The Thai economy is however expected to pick up strongly in 2021 as the tourism turnaround and a broader global recovery will fuel recovery. Health concerns when boarding an airplane will rule the market sentiment which make short-haul destination a key mover in Asia’s travel recovery. The China Thailand Travel Sentiment Survey conducted in mid-April revealed 53% of Chinese tourists would like to already travel this year and the preference to travel to Thailand was highest, at 71%. The country’s strategic location, good infrastructure, and strong supply chains in many industries (e.g. automotive, electronics, food etc.) will also support the investment resumption after the crisis.

Indexes are falling amid concerns from the pandemic. Business sentiment in March plunged to 37.5, from 44.9 in February and 45.4 in January, a 33-month low since January 2018 as the sector worried that the escalating Covid-19 outbreak would drag the economy into a deeper contraction than Thailand saw during the 1997 financial crisis.

Consumer confidence also slumped to a historic low in March, to 50.3 from 64.8 in February and 67.3 in January. This was the 12th straight monthly decline and the lowest level since April 1999.

The most severely affected areas will be tourism and related businesses, such as hotels and restaurants as well as transport. Merchandise exports will also be hardly hit due to the slowdown of trading partner economies and supply chain disruptions in many countries.
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IMPACT ON KEY SECTORS

Tourism and related businesses

Tourism and related businesses (hotels, restaurants, tour groups, recreation, transport and trade) are expected to be the most affected areas, with significant knock-on effects on domestic consumption and employment. The pandemic will significantly reduce tourist arrivals and, in turn, hit overall consumption growth due to weaker activity in the retail sector. These sectors are also largely dominated by SMEs which generally have a low financial buffer to absorb shocks. The country is relying on tourism because the sector accounts for 13-16% of GDP.

The Tourism and Sports Ministry reported the first-quarter tourism revenue decreased nearly 40% to 335 billion baht, with all source markets facing the same setbacks to a different degree. International visitors numbered 6.7 million, down 38%, with a dip of at least 4.1 million travelers since travel restrictions were imposed in March.

However, the industry has not bottomed out yet. The figures in March alone showed a glimpse of further decline looming as more airlines and hotels close, bringing tourist numbers down by 76.1% to 830,892. Figures will deteriorate further in the second quarter, as all tourism related activities have been put on hold and will not likely resume until the pandemic is completely under control.

The Tourism Authority of Thailand’s revised outlook estimates the country will welcome only 16 million international tourists, 60% below the pre-Covid-19 targets of 40 million, and will lose 1.9 trillion baht in revenue compared with last year, which saw arrivals soar to 39.8 million and revenue climb to 1.93 trillion baht. Meanwhile, domestic tourism will likely plunge to 60 million trips from 167 million last year, with receipts down to 380 billion baht from 1.08 trillion baht in 2019. Combining domestic with international receipts – projected at only 740 billion baht – total revenue this year is set to drop by 62.8% to 1.12 trillion baht from 3 trillion baht last year.

Tour agencies have been battered by the outbreak, with cancellations mounting since the end of January when the Covid-19 spread to major tourist destinations globally. The Tourism Council of Thailand sees approximately 5,000 tour operators have already closed or temporarily stopped operations. If the pandemic lasts until July, at least 10,000 (out of 50,000) particularly SMEs like souvenir shops, spas, restaurants, tour buses and tour guides will have to close down.

Of 32,564 hotels registered in Thailand, some 95% or 30,936 expect to have zero income in April when they temporarily stop operations, according to the Thai Hotels Association.

Most employers are opting to reduce workdays or offer leave without pay, with layoffs as a last resort. More than 50% of 4 million workers in the tourism sector would not receive their salary in March-April as employers lack sufficient liquidity to support monthly fixed cost. But this unpredictable event may trigger a lot larger unemployment rolls. About 25-30% or 1-1.2 million employees are expected to lose their jobs.

Eight Thai airlines – THAI Smile, Bangkok Airways, Nok Air, Nok Scoot, Thai AirAsia, Thai AirAsia X, Thai Lion Air, and Thai VietjetAir – have sought in total a 25-billion-baht soft loans from the Finance Ministry to sustain their businesses and pay their employees while services are suspended. According to the International Air Transport Association, the industry employs 4.27 million people and contributes 15.5% of GDP.

The Restaurant Association expects 10-15% of the large and mid-size operators exiting the market (but gives no figure for the smaller restaurants in the tourist centres). Major conferences and events have been postponed or cancelled, including Songkran (the traditional Thai New Year holidays and a major tourism highlight in the year).

Export

UTCC’s Center for International Trade Studies forecasts the impact of the outbreak to cause Thai export value to shrink by $US13.48 billion. Agricultural and agro-industrial products are expected to see the most impact, largely because of stringent inspection procedures to prevent virus spread.

Supply chains for electronics and automotive, critical to exports, have also felt the sting. Industrial exports at risks include automobiles and parts, electrical circuits, machine and parts, plastic pellets, and chemical products.
On the other hand, the outbreak has prompted consumers in the affected countries to stock supplies of food and articles of daily need. This had a positive impact on Thai exports of some products, notably, canned fish products (Italy and the US), rice (Hong Kong and the US), and rubber gloves (China and the Middle East).

Overall, the Bank of Thailand foresees a 8.8% decline in exports.

However, the government remains hopeful that exports will not plunge that much. The Ministry of Commerce (MOC) reported on 21 April that exports unexpectedly rose 4.2% in March to US$22.4 billion, marking the biggest expansion in eight months and the highest value in 19 months. Exports in industrial products expanded 6.4% with strength in electronics such as computers and parts (+17.6%), steel and steel products (+29.5%), and air conditioners (+8.1%).

Moreover, exports of agro-industrial products expanded in response to rising demand for food and other essential goods. Items performed well include sugar (+17.5% in March), fresh, frozen and processed fruits and vegetables (15.8%), fresh, frozen and processed chicken (+7.5%), and pet food (+11.5%).

Also, the MOC still sees promising export prospects for five essential product sectors: daily use products; medical products; health products; home entertainment; and intermediate industrial products such as auto parts and appliance components. Thailand is also maintaining exports of rubber products and processed rubber as global demand surges for those relating to virus protection such as rubber gloves and synthetic rubber used to make such gloves.

**Manufacturing**

The Thai Industries Sentiment Index in March hits its lowest level in 28 months, dropping to 88.0 points from 90.2 in February, primarily due to the economic consequences of the Covid-19 outbreak, the government curfew and the drought, reports of the Federation of Thai Industries (FTI).

Most of the manufacturing sector is facing diminishing consumer and export demand. Supply side difficulties are expected to gradually soften when China takes up production again.

Manufacturers of electronics, automotive parts, chemicals, petroleum, wood products, gems and jewellery, biotechnology products, foods, cosmetics and herbal products have reported significant impacts from Covid-19 outbreak. Difficulties they are facing include delays in transportation and raw material shortages as well as higher purchasing prices.

Manufacturers of vehicles, air conditioners, ceramic ware, garment, glass, steel, medicine and leather products so far only experienced moderate impacts as they do not experience difficulties in switching sources of supply away from China or can rely on stocks. But falling demand is now becoming an increasing problem.

A number of automotive makers (Ford, Mazda, Mitsubishi, Honda, Toyota, and one plant of Nissan) have announced a temporary suspension of their manufacturing operations. This could last until April, except for Ford (resumption date not yet announced). The concern is a knock-down impact on part suppliers, many of which are SMEs. It is estimated that between 10 – 20 auto parts suppliers are at risk closing business if the government does not provide support. The FTI has cut its car production estimates for 2020 to 1.33 million units from 2 million. The automotive and auto parts industries employ about 750,000 people. The two industries have no plans to lay off workers, but car makers have cut hours for many employees.

**Agriculture and food supplies**

The outbreak has negatively affected Thai agriculture and agro-food industry on demand and logistics, but not on the supply. The sudden vanishing of foreign tourists and the cancellations of social gathering and events have obviously shrunk domestic demand. Poultry, fisheries, floriculture and tropical fruits are the most hardly hit with consumption dropping significantly.

Thailand is the world’s 11th largest food exporter with 2.5% of global market share, and the 2nd in Asia after China. Its export value of food is worth US$33.1 billion per year. The country has been placing priorities on food security, food safety, innovation and productivity for agriculture and agro-food industry value chain, especially during the Covid-19 crisis. It has also been alert and prepared for the resumption after Covid-19.
Thailand is unlikely to experience a food security crisis or shortage of food supplies as domestic demand accounts for just 50% of total production. But the country is set to bear the brunt of a logistics problem for food exports, as other countries have imposed lockdown measure to curb the outbreak. Thailand itself has encountered a similar logistic problem, as it needs to import certain raw materials such as wheat.

The Agriculture and Cooperatives Minister has already ordered state agencies to ensure the entire food supply chains, including logistics, operates efficiently and increases distribution channels via e-marketplaces.

According to Office of Agricultural Economics, the production of key agricultural products e.g. rice, fishery products, meat products, palm oil, cassava, coconut and sugarcane will not be affected by Covid-19. The government has also said the country has no plans to limit rice exports despite growing food security fears worldwide.


**Banking and financial market**

The banking sector is strong enough to cushion against a potential upsurge in bad debt and debt restructuring. At the end of 2019, the banking system’s capital funds totalled 2.85 trillion baht, with a capital adequacy ratio of 19.6% and loan-loss provision of 701.2 billion baht, according to the central bank data. Banks have also taken precautionary measures and tested their business continuity management plans in an effort to avoid potential disruptions.

Meanwhile, Thailand’s stock market has witnessed a series of sharp drops and turbulence. The SET index closed at 1,125.86 in March, down 28.7% from year-end 2019 and 16% from February. The SET circuit breaker has been activated three times to handle high-volatility trading because of Covid-19 related concerns. The situation is being improved after temporary measures including revisions of the regulations for triggering a circuit-breaker and short-selling of securities are taken.

The Thai baht has weakened by 7% from the average 30.4 baht/USD (33.8 baht/EUR) in January to 32.6 baht/USD (35.5 baht/EUR) in April, as foreign tourists dry up and investors pull out amid concerns over the outbreak. The SCB Asset Management foresees the baht could depreciate to 33.7 baht/USD this year due to the pressure from the global economic contraction and continued fluctuations in the financial market. However, the baht is likely to strengthen again as the country is expected to contain the spread of the virus before countries in Europe and the US.

**Businesses with increasing opportunities**

Food delivery is cited as among the few businesses that will benefit from the outbreak. Others include the medical industry, medical suppliers, hygiene sanitary services, life and health insurance policies, food packages and digital technology. With more and more Thai practicing social distancing and staying at home, food delivery companies including online food delivery platforms have seen a considerable rise in their business.

An opportunity is also created for online shopping and traditional retail businesses such as grocery stores while shopping malls and all shops (except food and pharmacies) have been closed. Since the outbreak of the pandemic, grocery stores have seen sales grow by 10-20%, depending on location, as more people are opting to shop at neighborhood stores.

**Employment and social impacts**

There are about 44 million working-age individuals in Thailand, of whom about 38 million are employed. Based on the National Statistical Office’s Labour Force Survey calculated by the BOT, 32% is in non-farm sector, followed by 31% in agriculture. The tourism related businesses account for 20%, leaving the remaining 16% in manufacturing.

Given the almost complete stop of tourism activities and the cancellation of events, unemployment is expected to rise in the first half of 2020. Currently, employers are opting to reduce workdays or offer leave without pay but if the situation prolongs, about 1-1.2 million out of 4 million workers in the tourism sector are expected to lose their jobs.
The Joint Standing Committee on Commerce, Industry and Banking predicts up to 7 million workers will be out of a job by June because of shutdowns from the pandemic. The figures could reach 10 million if the pandemic prolongs and there is no additional support from the government. Most of the layoffs will affect low-paid workers, with 6 million workers losing their jobs earning less than 20,000 baht a month. As estimated 4.2 million retail and shopping mall workers will lose their jobs, along with 1 million construction workers, 978,000 hotel workers, 250,000 restaurant workers, 200,000 spa and massage workers and 200,000 garment factory workers.

Moreover, the orders to close a wide range of businesses have severely affected self-employed individuals particularly in Bangkok and surrounding provinces who normally depend on daily income to make ends meet. Although a safety net for these people is returning to home provinces for agricultural production, the logistics lockdown and the difficulty experienced by informal workers in reopening their businesses are a double whammy for them.

Covid-19 has caused not only economic hardship, but also amplified social inequalities for millions of vulnerable families. For low-income earners, losing slight income means grave challenges. Besides insufficient money for food and other basic needs, they are not equipped to implement effective infection prevention measures – ensuring clean and hygienic living conditions, access to alcohol gel/soap, clean water and masks, as well as spaces to self-quarantine. They will also find it difficult to access formal financing due to lack of guarantees, ending up being victim to loan sharks.

After five weeks of lockdown with strict measures, there has been a rise in the number of suicides and failed attempts made by people who have slipped through the state’s safety net. According to a study by Thailand Science Research and innovation, 28 people have committed suicide from 1 to 21 April, and at least another 10 unsuccessfully attempted to take their own lives.

A recent UNICEF-led survey revealed that more than 8 in 10 children and young people in Thailand were deeply worried on the effect of their household income as their parents may not be able to work regularly due to business shutdown and layoffs. The survey also found that more than 70% thought the pandemic is affecting their mental health.

THE GOVERNMENT’S ECONOMIC MEASURES

The government has established a new committee, chaired by the permanent secretary of finance ministry, tasked with handling relief measures for people affected by the pandemic.

Relief packages

In an attempt to shield businesses and consumers from the worst of the impact, the government has rolled out three phases of relief measures focused on financial aid, debt suspension and restructuring, and a liquidity boost.

Phase 1: 10 March 2020

The cabinet approved an estimated 400-billion-baht relief package to help alleviate the impact of the epidemic on business operators and individuals. The package includes 150-billion-baht soft loans to support liquidity for business operators, debt restructuring measures, tax benefits, and deferral of payments, as well as measures to lower business expenditures such as reducing rent on state land, utility prices and contributions to social security fund.

For businesses:
- Government Savings Bank (GSB) will provide low interest loan of 150 billion baht to financial institutions with interest of 0.1% per annum, and the financial institution shall provide loan to enterprises with interest rate of 2% on the first 20 million baht loan for the first 2 years.
- Deferral of payment and interest reduction for the Special Financial Institutions (SFI)’ clients.
- Relaxation of debt restructuring requirements by the BOT.
- The Social Security Office (SSO)’s measures to promote employment, including 30 billion baht in soft loans starting at 3% interest for SSO-registered entrepreneurs.
- Reduction of withholding tax rate for the withholding tax paid via electronic from 3% to 1.5% for the payment made from 1 April - 30 September 2020 and to 2% for the payment made from 1 October - 31 December 2021.
- Acceleration of VAT refund process – for goods exporters.
- Reducing and delaying water and electricity bills as well as returning electricity meter deposits
- Reduction of Social Security Fund (SSF) contribution, from 5% to 4% or from 9% to 7%.
1.5-time deduction for interest for SMEs participating in low-interest loan programme and registered for the single financial account programme from 1 April - 31 December 2020.

SMEs can deduct expense 3 times of the amount paid as employees’ salaries from April to July 2020 for the employees who are insured persons and receive salaries not exceeding 15,000/month (to encourage companies not to lay off staff).

The government agencies and state enterprises will reduce, defer or postpone the payment of rental, government fee, service fee or other payments for the business operators.

**For individuals:**
- Reducing and delaying water and electricity bills, and returning electricity meter deposits.
- Reduction of SSF contribution, from 5% to 4% or from 9% to 7%.
- Waive the rental of government land for residential and agricultural purposes for 1 year.
- Double the size of Super Saving Fund, which places investment at least 65% in securities registered in Stock Exchange of Thailand, from 200 billion baht to 400 billion baht (to create confidence in the capital market).
- Provide extra money ‘risk payments’ to medical workers in an amount between 1,000-1,500 baht per shift in compensation for working with Covid-19 patients.

### Phase 2: 24 March 2020

Measures under the second package, worth 200 billion baht, are similar to phase 1, including tax payment deadline delays, liquidity for business operators and financial assistance to those affected by Covid-19, with focus on specific soft loans for tourism businesses. The highlight is 5,000 baht cash handouts to temporary employees and self-employed workers who are not covered by the social security fund. Other measures are tax payment deadline delays to workers and business operators.

**For contract employees, temporary employees, and self-employed individuals who are not covered by the social security system affected by Covid-19:**
- Monthly 5,000-baht cash handout for three months.
- An emergency loan of 10,000 baht per person at 0.1% monthly interest, for up to two and a half years and no collateral required.
- Special loan of 50,000 baht per person at 0.35% monthly interest, collateral required.
- Allocate 2 billion baht allocated for state-run pawn shops nationwide, where interest rates for loans will be no more than 0.125% per month.
- State-run pawnshops to charge loan interest rates of no more than 0.125% per month (the government will subsidise 2 billion baht).
- Date for filing personal income tax extended to August 2020.
- Deductions for health insurance premiums increased to 25,000 baht from 15,000 baht for income tax filing in 2020 fiscal year.
- Tax exemption on risk payments for medical workers.
- Training for income earners.

**For businesses:**
- Special loans up to 3 million baht for each SME at 3% interest rate for the first two years.
- Extending the corporate income tax payment deadline by three months to August (for Por Ngor Dor 50) and September (for Por Ngor Dor 51).
- Extending the deadline for VAT and special business tax payments by one month.
- Extending the deadline for excise tax payments by entertainment and services businesses for three months to 15 July.
- Extending the deadline for excise tax payments for oil products operators to the 15th of the following month, for the next three months.
- Exemption of customs taxes for imported products related to the fight against Covid-19 for 6 months (until September 2020).
- Exemption of taxes and fee cuts for debt restructuring with non-financial institution creditors e.g. leasing, from 1 January 2020 – 31 December 2021.

Moreover, the government has approved additional measures for tourism businesses.
- Allocating 10 billion baht from the 150-billion-baht soft loan (in Phase 1) specifically to tourism businesses and task GSB to speed up the execution.
- Postponing the payments for renting government lands to September 2020.
- Reducing oil excise tax for jet planes from 4.726 to 0.2 baht/litre until 30 September 2020.
Later on, the cabinet approved to waive VAT on imported goods for treatment, diagnosis or prevention of Covid-19 which are earmarked for hospitals and other medical facilities. The waiver will be applied to imports and donations made from 1 March until 28 February 2021. A similar waiver has also been approved on income tax and VAT for companies or juristic persons who make donations to help fight the outbreak. All the waivers will cost the state about 500 million baht.

**Phase 3**: 7 April 2020

The cabinet passed the third phase of relief measures totaling 1.9 trillion baht, dramatically larger than the tally of the first two packages and is the country’s largest-ever budget used for economic remedies (>10% of GDP). The package, which focuses are on making credit more affordable and available to SMEs, stabilizing the financial and capital market, and people living in rural areas, will be backed by three executive decrees.

The first decree will allow the government to borrow 1 trillion baht through bond issuance.
- 600 billion baht will go to health-related plans (50 billion baht) and financial aid to affected people (550 billion baht). This includes 5,000-baht monthly handouts for three months to 16 million informal workers and 10 million farming households.
- The remaining 400 billion baht will go towards economic and social rehabilitation through projects aimed at creating jobs, strengthening communities and building infrastructure.

The second decree will authorise the BOT to issue soft loans to help SMEs.
- BOT will provide 500 billion baht in soft loans at 0.01% annual interest rate to financial institutions to relend to SMEs with a maximum credit line of 500 million baht each at 2% interest per year for two years with a six-month interest free. The government will absorb interest cost for six months for those who receive soft loans and partly compensate financial institutions for losses that might be incurred on these new loans.
- Commercial banks and SFIs will automatically offer a six-month grace period on principal and interest to SMEs with a credit line not exceeding 100 million baht each.

The third decree is to set up a 400-billion-baht Corporate Bond Stabilisation Fund (BSF) aimed at cushioning the corporate bond market which has the total outstanding of 3.6 trillion baht or more than 20% of the GDP. The BOT will be allowed to buy investment-grade bonds from companies that are unable to fully roll over their bonds maturing during 2020-21. The BSF will have a lifespan of up to five years, and the government’s loss compensation will be capped at 40 billion baht.

Additionally, the BOT will halve the rate that financial institutions must contribute to the Financial Institutions Development Fund (FIDF) from 0.46% of deposit base to 0.23% for two years to encourage financial institutions to immediately pass on such cost savings to businesses and households by further reducing their loan rates. [The country’s six largest commercial banks have already responded by trimming their prime lending rates by 40 basis points.]

The three parts, however, have raised concerns that the country’s public debt could swell to the point of hitting the ceiling of 60% of GDP set by the Finance Ministry’s fiscal sustainability framework. Public debt is estimated to touch 57% of the country’s GDP in the next fiscal year after taking into account the 1 trillion baht in borrowing and a 600-billion-baht budget deficit for fiscal 2021, compare with 41.4% of GDP currently.

Some also argue that the planned corporate bond purchases go beyond the central bank’s duty and any damage could come at a cost to the public as the purchase plan is not quantitative easing as implemented by many countries, where they have bought bonds from only secondary markets under an open market process. The BOT will buy corporate bonds on the primary market. Moreover, many reports have pointed out that the government has made serious errors in identifying those hit by the crisis, which the result that they missed out on state help.

Besides the 1.9-trillion-baht package, the cabinet has approved appropriating 10% of the fiscal 2020 budgets of each ministry, worth in total 100.4 billion baht, for a central fund to fight the pandemic and habilitate the economy.

The cabinet has also approved cutting the investment and regular budgets in fiscal 2021 by 50% and 25% respectively, to mobilise funding to ease the financial burden arising from the pandemic. Funds for seminars, training programmes, public relations, allowances, lodging, vehicles and overseas trips are suggested for the chop. The budget in 2021 will focus mainly on social and...
economic restructuring, economic growth stability, income redistribution to remote areas, local economy development and income disparity reduction.

**Monetary policy and financial instruments**

The BOT’s Monetary Policy Committee decided to cut the policy interest rate by 25 basis points to a historic low of 0.75% at its special meeting on 20 March in response to the reassessment of economic impacts foreseen from the outbreak.

Measures have also been launched to stabilize the financial market and stem liquidity crunch. The BOT has expanded the scope of a special credit facility to provide liquidity to mutual funds by allowing banks to repurchase all money market and daily fixed-income funds, but the central bank will repurchase only underlying assets that meet its requirements. This Mutual Fund Liquidity Facility was announced after some mutual fund companies ceased the redemption process for fixed-income funds following a sell off triggered by growing concerns over the outbreak.

The BOT has injected additional liquidity into the economy by repurchasing the government bonds and reducing the issuance of new bonds. While the BOT will continue repurchasing the government bonds, it will also inject more liquidity into the fixed income mutual fund market (1 trillion baht planned) and the corporate bond market (70 – 100 billion baht planned). This will be implemented via the investments of commercial banks, insurance businesses and the government pension fund.

In a pre-emptive move to prevent debt defaults, the BOT has set guidelines for minimum assistance that financial institutions must offer to debtors – individuals and corporates – to ease their financial burden amid the pandemic, effective from 1 April. All lenders, comprising commercial banks, specialized financial institutions, and non-bank and leasing companies are required to comply with the guidelines covering six types of loan product: credit cards; personal and car title loans; auto and motorcycle loans; machinery leasing; mortgages; and SME; nanofinance and microfinance loans. For example, the minimum amount due on credit cards and revolving loans under the guideline is cut to 5% until 2021, rising to 8% in 2022 and returning to 10% in 2023. Borrowers are allowed to refinance their unsecured loans into longer-term loans with lower interest rates.

The guidelines are additional to the debt restructuring measures the BOT issued in late February. Individual financial institutions are also offering their own debt restructuring plans to help customers.

**Employment**

For formal workers in regular employment (workers insured under Section 33 of the Social Security Act) affected by the pandemic, the Social Security System will provide financial compensation 62% of the daily wage for up to 90 days but no more than 15,000 baht a month. The compensation will covers workers whose employees were ordered by the government to suspend operations, as well as those who work for businesses which were not ordered shut by the government but had stopped or suspended operations due to the outbreak, as it is considered ‘force majeure’.

Workers’ monthly contribution to the Social Security Scheme will be cut from 221 baht to 86 baht.

**Energy**

In response to the government’s relief measures approved in Phase 1, the state power enterprises (Electricity Generating Authority of Thailand, Metropolitan Electricity Authority, and Provincial Electricity Authority) are returning cash deposits to home and small business owners, ranging from 300 baht of deposit for a very small residence to 6,000 baht for the biggest size of the meter.

They also reduce electricity bills across the country by 3% for April to June, maintain the fuel tariff (Ft) for May to August, and waive minimum charges for medium-sized and large power consumers for three months. Hotels and accommodation services will be able to delay electricity bill payments for April and May for up to six months.

Additionally, the cabinet on 21 April approved to temporarily waive or lower electricity bills for households to help cut expenses during the pandemic. The measure, estimated to cost 23.6 billion baht, is effective from March to May. About 22 million households across the country will benefit.

- For houses with a power meter size not over 5 amps, free electricity is given if their consumption does not exceed 150 units Kw/hour (increased from 90 units approved previously). Up to 10 million households are expected to benefit from this.
• For households with a power meter size over 5 amps, if their consumption does not exceed 800 units, they will pay as much as they did in February bill. The amount exceeding 800 units will be subject to a 50% discount.
• Large houses that consume more than 3,000 units will get a 30% discount.

For mid-sized and large businesses, they will be charged electricity at cost instead of mandatory minimum pricing from April to June. The existing minimum charge is based on the average consumption per month of a business over the last 12 months. Since many businesses have shut down operations because of the outbreak, the current rate is unsuitable.

For fuel, the Energy Ministry has reduced the retail price of compressed natural gas (CNG) for public transport by three baht per kilogram for three months, effective 1 April, and through a reduction in levy collection to the Oil Fuel Fund, the price of liquefied petroleum gas (LPG) is reduced by 3 baht per kg for all segments of LPG consumers.

**Water**

Same as electricity bills, the government has approved cutting water bills across the country by 3% for three months.

The Metropolitan Waterworks Authority (MWA) has also rolled out additional relief measures to further alleviate economic hardship. Households across Greater Bangkok will not have to pay for the first 10 cubic metres ($m^3$), while water usage beyond the initial $10m^3$ will be charged at 20% discount. Moreover, hotels and households are allowed to defer their bill payments up to six months.

**Digital technology**

To support people work from home, the National Broadcasting and Telecommunications Communication (NBTC) Board has approved the allocation of 3 billion baht from the Broadcasting and Telecommunications Research Fund (BRTF) to provide mobile users with free 10GB of data. Some 30 million people are expected to benefit from the scheme.

Another assistance from NBTC is to support subscribers of fixed internet broadband services by upgrading their packages to speeds of at least 100 megabits per second, starting on 10 April. Around 1.2 million household subscribers are expected to benefit. Moreover, the NBTC has confirmed with nine internet service providers to provide services that operate efficiently in terms of internet quality and speed.

The NBTC board has also resolved to reduce annual fees collected from digital TV operators for the BRTF, also known as the Universal Service Obligation fee, to assist operators during this difficult time. The new rates, which have been pushed down by more than 50%, are divided into eight tiers based on the operator revenues.

In addition, the NBTC, in collaboration with five mobile operators, offers 100 minutes of voice calls for 45 days. Mobile users can apply for the scheme from 1-15 May. It applies to both postpaid and prepaid. However, subscriptions by foreigners or corporate names are not eligible for the scheme. Some 50 million subscribers are expected to benefit.

On a separate note, the board agreed to spend 1 billion baht from BRTF to assist state hospitals in buying medical equipment to deal with the outbreak.

Moreover, the Digital Economy Promotion Agency will divert 90 million-baht budget planned for Digital Thailand Big Bang symposium, which was scrapped because of the outbreak, to support startups working to develop core tech and infrastructure.

**Education**

34 universities which are members of the Council of the University Presidents of Thailand have agreed to introduce remedial measures worth more than four billion baht to cushion the effects of the Covid-19 pandemic on students and faculty members. The measures include the registration of a 400-million-baht fund to financially assist students in their remaining years in university and sustain the employment of staff. Tuition fee deadlines and other expenses will be deferred until the next academic period in the middle of this year.

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