

THE IMPACT OF SARS ON THE THAILAND ECONOMY

By Asia-Pacific Economic Cooperation

The Ministry of Finance has revised the GDP forecast downward due to the effect of the spreading of the severe acute respiratory syndrome (SARS). It previously forecasted that GDP would grow at a rate of 5.1% in 2003. However, due to the fact that SARS still cannot be controlled in the most affected economies (China; Hong Kong, China; Chinese Taipei; and Singapore), the GDP in 2003 would dropped by 0.4%.

The major effect of SARS is on tourism. Tourist arrivals to Thailand have dropped by 12% in March as a result of both the war in Iraq and the outbreak of SARS. Moreover, SARS is likely to further reduce the number of tourists to 35% below the normal figure by the end of April 2003.

Taking into account the similar fall in outbound tourism, and therefore a reduction in spending overseas by Thai residents, the net loss in foreign exchange earnings in 2003 will be around 26 billion baht (US\$0.6 billion) or about half the inbound revenue loss.

The Thai government and the Tourism Authority of Thailand have responded by providing additional fiscal stimulus and tourism promotions aiming at domestic travelers in order to compensate for the shortfall in international tourism revenue.

However, if the SARS problem could be solved by the end of Q3 (high season in Thailand) we hope that tourism activity would increase quickly. 🌐

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