

## K-Shaped Recovery

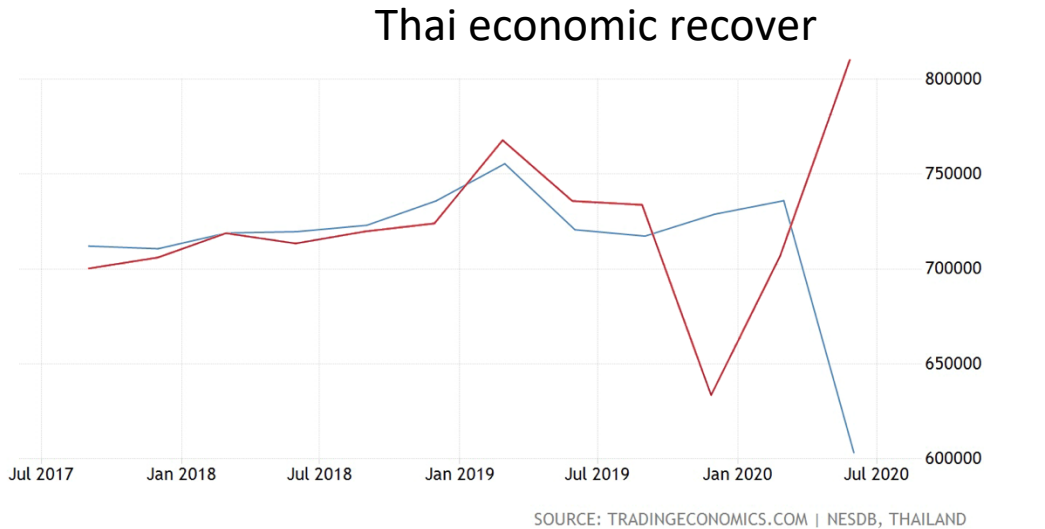
During the recession of economy due to COVID-19, the global economy could be entering a new growth cycle or downside risks. Firms and employees have been stark by the impacted of pandemic's uneven economic. There are new theory that can clearly explain economic recovery which is a K-shaped recovery. It is one in which the performance of different parts of the economy diverges like the arms of the letter "K."

After a recession, a K-shaped recovery happens when distinct parts of the economy rebound at various rates, periods, or magnitudes. It is opposit to uniform recovery across other sectors of firms and labors. A K-shaped recovery result in changes in the structure of the economy or the broader society as economic outcomes and relations are fundamentally changed before and after the recession. This form of recovery is known as K-shaped because the path of different parts of the economy which can be explain by two arms of "K."

For the upper arm of letter K, it represents the plus side which is some retail businesses and technology companies that can drive productivity and service to support basic needs for daily life in pandemic. In addition, these businesses have ability to operate and adapt their production in the situation which make they can expand the productivity to satisfy people's need. So, these companies make remote work, learning, and telemedicine to be effectively, moreover; they ensure to deliver food, supplies, and medicine to individuals. They make stock market hovering around all-time highs and is expected to drive the strongest growth rate because of their success.

On the other hand, for the lower arm of K-shaped recovery, the situation is worst. Because of pandemic, it mostly affecting businesses in travel, entertainment, leisure, hospital, and food; there is no end in sight to the economic malaise. Strict policy of social distancing and public health restriction contribute these businesses to impossible to get back to strength such as airline business; number of tourists sharply decline which lead to negative effects or shutdown companies. For more example, restaurant and travel businesses has continued to decrease because more chains have gone bankrupt. Furthermore, uneven recovery makes companies loss more. Additionally, K-shaped recovery show in employment rate. It has already recovered 94% of its pre-pandemic employment in financial sector. In contrasts to Leisure and entertainment sector that recovered only 74% of the workforce. There are some sectors that very hard to recover; many companies hardest layoffs employees which led to high unemployment rate. In more detail, jobs that least possible to recover are low-wage jobs, transportation workers, and cleaners.

In conclusion, aggregate macroeconomic data can separate to suggest the K-shaped theory. Some industries can rapidly get back to strength and continue to growth in productivity, but other business decrease output. While some industrial rise in asset value, there are companies that continue to loss asset value. Moreover, some segments gain more wealth, but other segments lose wealth and income. It is possible to occur in K-shaped recovery.



The upper graph illustrates the result of Thailand GDP from manufacturing and construction from January 2017 to July 2020. The graph cover period of the COVID-19 pandemic and also recover period. It is clear that Thailand GDP from construction is continue to growth while Thailand GDP from manufacturing, blue line, is continues to decline. Refer to K-shaped recovery theory, this graph is good data to represent the two arms of K. The upper arm of letter K, it represents the plus side which is Thailand GDP from construction; red line. The pandemic cause Thailand's construction sector to shrink a lot, but this sector is positively increase during the recovery period. On the other hand, for the lower arm of K-shaped recovery, Thailand GDP from manufacturing keep reducing. Manufacturing production shrank by 14.4%; compare to decrease of 2.6% in previous quarter. The major sector that negatively affect manufacturing production is capital industries which shrink by 28.6%; compare to decrease of 1.3% in previous quarter. Because of COVID-19, it contributes production of passenger and commercial car in line with domestic and external demand to rapidly decline.

Reference: <https://www.investopedia.com/k-shaped-recovery-5080086>  
<https://www.finnomena.com/dr-jitipol/k-shape-recovery/>  
<https://www.businessinsider.com/what-is-a-k-shaped-recovery-coronavirus-pandemic>  
<https://tradingeconomics.com/thailand/gdp>