Economic Outlook of 2011 Thailand Floods

In 2011, Thailand was confronted with its worst flood in 70 years, leaving severe damages to both the economy and society. The great flood, which was a consequence of the Tropical Storm Nock-ten, took 6 months from late-July 2011 to mid-January 2012, causing impacts on over 13.4 million people and damaging 1.43 trillion property. The water spreaded from northern and northeastern to other regions of the country, which resulted in the ruins of housing, farmland, and industrial estates. Thus, the Gross Domestic Product (GDP) of the whole year shrank to 1% due to the disaster in Q4, as represented through each component; consumption, investment, government spending, and net export.

Consumption was mainly affected by the contemporary freezing of production. As the 10-metre high barrier collapsed, a large amount of water entered the 7 industrial estates in Ayutthaya and Pathumthani, and left them inaccessible. Also, the agricultural crops and transportation routes were flooded; therefore, these three factors led to the supply chain disruption and the shortage of goods. The floods also impacted labour income and employment in the affected area, and that influenced the purchasing power of consumers.

As the flood ruined the industrial area and agricultural area, which are the main sectors in Thai economy, private investment was directly slowed down. In the first three quarters of 2011, there were continuing investments from the previous year because of confidence from investors to expand their businesses and loans provided by financial institutions. Then, there was a disruption in the fourth quarter, the shortage of capital goods and difficulties in transportation became the variables to consider. Some businesses had to relocate their base, and some had to import supply to continue their manufacture. However, the investments were later favorable as businesses are still continuing and restoring themselves.

On the other side, government spending did not have a big role in the first three quarters of 2011 like the investment. The government set a less deficit fiscal policy for the year 2011 as the predicted economy expanded well, so there is less necessary to stimulate it. When the floods came in Q4, the government spent a big lump of money for aiding, such as, housing aid, wage subsidy, agricultural subsidy, and loan lending. However, the government yet maintained nearly the same amount of deficit policy in 2012, but it also set another borrowing plan of 350 billion baht to invest in infrastructure for future flood protection.

Lastly, the net export of the year 2011 also represented the downfall of GDP of the whole year. As the floods blocked the manufacturing plants and transportation, there were insufficient amounts of goods to export, so the export value fell down around 5 billion dollars. Especially in the hard disk drive industry that Thailand ranked the second largest producer in the world, it even caused the world shortage that lasted throughout 2012. Inversely, some businesses had to order raw materials from the international market to solve the supply chain disruption as well; therefore, the net export of the year slowed down.

In summary, the great flood in 2011 did not cause Thailand only enormous damage to society but a gigantic amount of economic losses. This crisis should be a lesson for both public and private sectors to plan and cope with the future floods that could happen again any time and any parts in Thailand. The operation needs to be structural and run concisely, both for the public protection and business management. Thus, the country will suffer less in the future natural disaster.

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