

# Impact of Tidal Waves Disaster on Overall Thai Economy and Measurements to Support

Bureau of Macroeconomic and International Policy  
Translation by TISC

## 1. Facts

❖ The massive earthquakes and tidal waves in Indonesia had spread their destructive force to Thailand on 26 December 2004 and left the 6 southern provinces including Phuket, Phang-Nga, Ranong, Krabi, Trang, and Satun in a total wreck, of which the damaged value and total number of deaths are still being assessed. **The negative effects on tourism industry in the areas can be reflected from the number of tourists in the 6 provinces.**

Table 1: Number of tourists and tourism income of the provinces struck by the disaster

	January - June 2547			Whole year (forecast)
	Thai	Foreigner	Total	Total
<b>Phuket</b>				
Tourists	697,108	1,612,964	2,310,072	4,620,144
Income (million baht)	6,605	29,029	35,634	71,268
<b>Phang-Nga</b>				
Tourists	581,866	1,017,444	1,599,310	3,198,620
Income (million baht)	1,057	2,949	4,006	8,012
<b>Ranong</b>				
Tourists	141,963	9,198	151,161	302,322
Income (million baht)	457	16	472	944
<b>Krabi</b>				
Tourists	508,408	576,718	1,085,126	2,170,252
Income (million baht)	2,561	6,021	8,582	17,164
<b>Trang</b>				
Tourists	357,672	4,4940	402,612	805,224
Income (million baht)	1,476	289	1,765	3,530
<b>Satun</b>				
Tourists	206,437	38,980	245,417	490,834
Income (million baht)	444	116	560	1,120
<b>6 provinces total</b>				
Tourists	2,493,454	3,300,244	5,793,698	11,587,396
Income (million baht)	12,600	38,420	51,019	102,038

Remarks: - Data from the Tourism Authority of Thailand (TAT)

- Assumed that the number of tourists in the second half of the year is similar to that of the first half

❖ Total GPP of the 6 provinces made up for 29.0% of GRP and 2.7% of GDP.

In Phuket and Krabi, hotels and restaurants are the largest sector, fisheries is the speciality in Ranong and Satun, while agriculture and farmings are the biggest in Phang-Nga

and Trang. Also, total GPP of the provinces made up for 29.0% of GRP and 2.7% of GDP, which is twice the number of the three southern boarder provinces (Pattani, Yala, and Narathiwat)

Table 2: Southern provinces GPP to 2002 GDP ratios (at constant price)

Province (Rank of percentage of GPP to GDP 2002)	Percentage of GPP to GRP		Percentage of GPP to GDP	
	2001	2002	2001	2002
Phuket (4)	9.6	8.5	0.86	0.80
Trang (5)	6.7	6.6	0.60	0.60
Krabi (8)	5.3	5.2	0.48	0.47
Phang-Nga (11)	3.3	3.4	0.30	0.32
Satun (13)	3.5	3.2	0.32	0.30
Narong (14)	2.3	2.1	0.21	0.20
<b>6 Provinces Total</b>	<b>30.7</b>	<b>29.0</b>	<b>2.77</b>	<b>2.69</b>
Songkhla (1)	17.2	19.8	1.55	1.95
Nakhon Si Thammarat (2)	15.3	15.0	1.38	1.36
Surat thani (3)	13.0	13.0	1.17	1.17
Chumphon (6)	5.1	5.5	0.46	0.50
Pattani (7)	5.8	5.4	0.52	0.50
Narathiwat (9)	5.0	4.8	0.45	0.43
Yala (10)	4.4	4.1	0.40	0.38
Phattalung (12)	3.5	3.5	0.32	0.32
<b>Regional Total</b>	<b>100.0</b>	<b>100.0</b>	<b>9.0</b>	<b>9.3</b>

Source: NESDB

Remarks: - GRP; Gross Regional Product  
- GPP; Gross Provincial Product

## 2. Impact of the disaster on Thailand's overall economy

### 2.1. The impact will have negative effect on the economic in the year 2005

From the figure 1, the fourth quarter of each year is the time when most tourists come to Thailand. But since the disaster unfolded towards the end of the fourth quarter and thus the negative effect of the disaster on Thailand macroeconomic is expected to show in the year 2005.

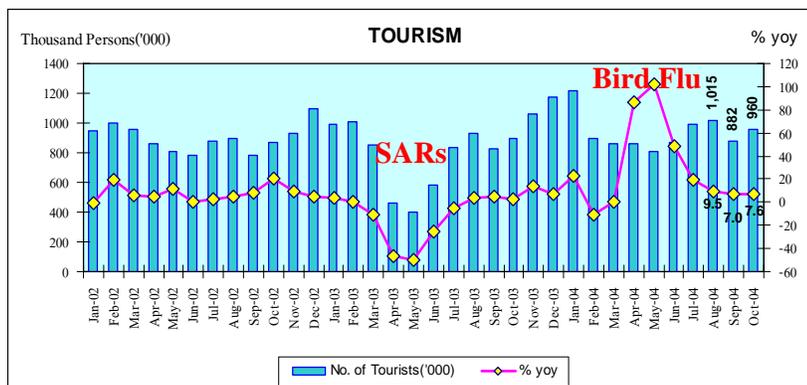


Figure 1: Monthly number of tourists nationwide

## 2.2. Assumptions used in analysis of the impact from the disaster to Thailand's economy

2.2.1. In measuring the impact on the demand side, export growth is assumed to be at normal rate while the import alters according to domestic demand and private investment.

2.2.2. The number of tourists in areas other than the effected ones is growing at the previously assumed rates.

2.2.3. In strong impact case, the decline in the number of tourists from the normal situation of the year 2005 are  $\frac{3}{4}$  in the first quarter,  $\frac{1}{2}$  in the second quarter,  $\frac{1}{3}$  in the third quarter and back to normal in the forth quarter.

## 2.3. The results from the analysis of the disaster on Thailand's overall economy

The result shows that the disaster will curb the overall economic growth by 0.3 percent

Table 3: Effects from tidal waves on Thailand macroeconomic

	Unit	2005	2005	
		Base case	Aftermath forecast	Effect
<i>The decline in the number of tourists from the normal situation of the year 2005 are <math>\frac{3}{4}</math> in the first quarter, <math>\frac{1}{2}</math> in the second quarter, <math>\frac{1}{3}</math> in the third quarter and back to normal in the forth quarter</i>				
National income from tourism	Mill.USD	10,233	9,901	-332.0
	%yoy	16.8	13.0	-3.8
(Only 6 effected provinces)	Mill.USD	847.8	512.2	-335.6
	%yoy	17.0	-29.3	-46.3
<b>Economic growth</b>	<b>%yoy</b>	6.0	5.7	-0.3

Source: Macroeconomic Model

## 3. Supporting measures

### 3.1. Short-term measures

3.1.1. Lessen the panic of the public by providing real and updated information while also tracking the supporting measures announce by the government.

3.1.2. Dispatch all related departments, such as military units for search and rescue mission, medical units to help the victims, and police units to safeguard the area, to the affected areas.

3.1.3. Ministry of Public Health is to acquire sufficient medical supplies and locations for victims.

3.1.4. Ministry of Interior is to be the center to coordinate with all related parties.

3.1.5. Work in conjunction with embassy of the nations that has affected tourists in Thailand

### 3.2. Medium term measures

- 3.2.1. Government is to expedite the 2005 budgetary expenditure to compensate the lost in tourism income, while also set aside additional budget for reconstruction of basic utility facilities in the 6 provinces.
- 3.2.2. Financial institutions are to provide grace period and help affected people.
- 3.2.3. Assign Department of Internal Trade to ensure the faire price of goods and services in those areas
- 3.2.4. Tourism Authority of Thailand is to boost the public relation to regain the country's tourism image.

### 4. The result from the government expenditure increase to alleviate the negative effect of the disaster

Government aims to keep the 2005 economic growth at 6.0 percent per annum, with 700,000 more employments. There fore, the government will have to increase the expenditure by at least 40,000 million Baht in order to achieve the growth target before the onset of the disaster.