

## Daily Thai News Summary: 30 March 2016

### 1. IMF sees 3% GDP growth

Source: **The Nation** ([Link](#))

The International Monetary Fund pegs Thailand's GDP growth at 3 per cent this year and 3.2 per cent in 2017 after the economy recovered last year, with gross domestic product expanding by 2.8 per cent. The latest forecast came after economic adviser Ana Corbacho led an IMF mission from March 3-18 to conduct the 2016 Article IV Consultation. The mission exchanged views on recent economic developments and the country's outlook with the government, the Bank of Thailand and other public institutions. It also met with private-sector analysts and academics. According to Corbacho's statement after the conclusion of the visit, the Thai economy recovered in 2015 after a slowdown induced by political uncertainty. Headline inflation dropped by 0.9 per cent, undershooting the central bank's target of 2.5 per cent plus or minus 1.5 percentage point  $\pm$  1.5 percent, mostly due to the fall in energy prices. Core inflation and inflation expectations also declined. The current-account surplus rose to 8.8 per cent of GDP, thanks to a sizeable improvement in the terms of trade, soaring tourism and import compression associated with tepid domestic demand. Thailand's financial markets weathered relatively well the repeated episodes of global financial volatility. The recovery is expected to strengthen moderately. A slight improvement in confidence and low energy prices foreshadow a pick-up in private consumption.

### 2. Underestimating the economic power of ASEAN would be a mistake

Source: **The Nation** ([Link](#))

Spanning countries as diverse as Thailand, the Philippines and Singapore, the Association of Southeast Asian Nations tends to get far less attention than China and India. To underestimate the region, however, would be a mistake. The GDP of its ten members now totals more than \$2.5 trillion - about 25 per cent more than India's. If Asean were one economy, and current growth trends continue, it could be the world's fourth-largest economy by 2050. Rising affluence means the number of middle-class households will top 120 million by 2025, roughly double the 2010 number.

The question is: How can the region turn impressive projections into a future reality? Boosting intra-regional trade is one sure way of spreading wealth. Intra-Asean trade accounts for approximately 25 per cent of Southeast Asia's total, compared to 50 per cent in the EU. To help address this shortfall in potential, Asean's member countries have formed the Asean Economic

Community (AEC), which aims to liberalise the flow of goods, services, capital, and ultimately, skilled labour across the region. If fully implemented, the extra steps envisaged under the AEC could raise Asean's GDP by 5 per cent by 2030 - a welcome development for countries like Thailand following subdued growth and currency volatility in 2015.

The opening up of services across the region under the AEC framework will be of particular interest to Thailand. Asean's intra-regional flow of services has lagged that of goods - a paradox given the service sector's importance to most Asean economies, including Thailand, where it accounts for just over 50 per cent of GDP. Despite its domestic importance, the services share of intra-regional trade only hit 20 per cent in 2015. There is plenty of scope for the AEC to help drive that proportion higher. The AEC gives Thai companies a clear platform to expand abroad to take advantage of growth in neighbouring countries, and Thailand has been pro-active in preparing for AEC. The corporate sector has a strong degree of awareness, and this should ultimately help the country take the most advantage of further integration.

### **3. Cabinet approves tax deduction for Songkran expenses**

Source: **The Nation** ([Link](#))

The Cabinet has approved economic stimulus measures for the Songkran Festival from April 9-17, encouraging people's spending and travel with a maximum tax deduction of Bt15,000 per person. The Cabinet also agreed to extend the tax deduction for hotel accommodation until the end of this year after the measure expired on December 31, 2015. That deduction also has a Bt15,000 maximum per person. *"Those who spend on hotels during the Songkran Festival will be eligible for two types of tax deduction, including the tax measure for the festival itself and that for tourism. Therefore, the maximum tax deduction will be Bt30,000 per person for the whole year. This is not expected to have much impact on the government's revenue,"* said Finance Minister Apisak Tantiworawong. The Tourism and Sports Ministry forecasts a 20-per-cent increase in the number of tourists to 2.6 million during the April 9-17 period, putting an estimated Bt15 billion into circulation. Of the total number of tourists projected, 2.1 million are expected to be Thais and the rest foreigners.

Somchai Jitsuchon, research director of inclusive development at the Thailand Development Research Institute, said the third series of stimulus measures that would be presented to the Cabinet were on the right track and could not be called populism. The measures may be able to start during this period when the economy is sluggish with export slowdown and more-than-expected droughts, he said. A subsidy programme that will pay each low-level civil servant and other low-income earners Bt1,000 will pour approximately Bt10 billion into the economic system, he said.

#### **4. Amata takes lead in national R&D drive**

Source: **The Nation** ([Link](#))

AMATA Group is in talks with three ministries to make its planned “science city” in Chon Buri a reality and turn Thailand into an innovation-based society. *“This can be a model to enable Thailand to exit the middle-income trap,”* Somhathai Panichewa, chairwoman of Amata Group's investment board, said yesterday at the annual conference of the Thailand Development Research Institute (TDRI). This would be a pilot project for other industrial estates to boost research and development, she said. Less than 5 per cent of R&D of foreign companies operating in Amata's industrial estates in Thailand is done in the Kingdom. The foreign companies account for 80 per cent of more than 1,200 operators, 60 per cent of which come from Japan. “The biggest obstacles are the shortage of talent, lack of grants and unattractive incentives from the government,” she said.

The science city is aimed at facilitating these activities. Located next to industrial plants, researchers can work closely with businesses. Somhathai is negotiating for grants and incentives as well as other assistance from the Finance, Science and Technology, and Industry ministries. According to Somhathai, public investment is now geared towards developing logistics along the border. The Eastern Seaboard, which generates about 40 per cent of gross domestic product, is ignored in the infrastructure investment plan.

#### **5. Chewathai given green light to list on the MAI after postponement by SEC**

Source: **The Nation** ([Link](#))

CHEWATHAI, a developer of residential properties and ready-built factories for rent, is now ready to float its shares on the Market for Alternative Investment (MAI), after a week of postponement. The Securities and Exchange Commission (SEC) earlier this month ordered the company to suspend its plan for an initial public offering (IPO) because it had given information to the media that went beyond what was shown in its official filing documents. Ratachai Teratanavat, managing director of RHB Securities (Thailand), financial adviser and joint lead underwriter of Chewathai, said the stock-market authorities had now given their approval for the company to resume its listing plan. The subscription period is now set for today and tomorrow. It expects to make its debut under the trading symbol “CHEWA” on the MAI on April 5. The IPO price is finalised at Bt1.60, about 11 times its 2015 earning. The company booked revenue of Bt1.43 billion last year, rising 217.9 per cent from 2014, and net profit of Bt83.22 million, up 92.6 per cent.

Ratachai said Chewathai's strengths lay in the profiles of its shareholders, which include TEE Development, a subsidiary of Singapore-listed TEE Land, which holds 49 per cent of the

company. The remaining 51 per cent is held by Chartchewa of the famous Thai business family Panichewa. Second, Chewathai is well established and has a portfolio of properties in good locations. As of the end of last year, its backlog stood at 321 units, worth a total of Bt949 million, in five projects. These are Chewathai Ramkhamhaeng, Chewathai Interchange, Hallmark Chaeng-wattana, Hallmark Ngamwongwan, and Chewathai Residence Bang Pho, which are expected to provide a revenue stream for the company this year and next. Third, Chewathai's managing director Boon Choon Kiat is a certified financier who is capable of seeking merger and acquisition opportunities, besides developing greenfield projects that will take more time. The Chewathai Interchange was among the projects that were acquired from a previous owner.

Chewathai will offer 262 million IPO shares, which will represent 34.93 per cent of its total issued and outstanding stocks. Its current authorised capital stands at Bt750 million, divided into 750 million shares at a par value of Bt1 each, and paid-up capital of Bt488 million. The funds raised from the IPO will be used to finance project development, repaying loans, and reserves for working capital.

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