Daily Thai News Summary: 4 January 2016

1. Analysts see better year for economy

Source: **The Nation** (Link)

Thai GDP growth is expected to be better than in 2015; rosier forecast for exports as global situation improves. The Thai economy heads into 2016 with a brighter outlook than last year, thanks to a stronger global economy and multiple measures taken by the government to reinvigorate various economic engines. Both Kasikorn Research and Siam Commercial Bank forecast gross-domestic-product growth of no less than 3 per cent this year, compared to expected growth of 2.5-2.7 per cent in 2015, while the Bank of Thailand is more bullish with a 2016 growth projection of 3.5 per cent.

The economy is expected to gain from more positive external and internal factors this year, according to Montri Sokatiyanuluk of the National Institute of Development Administration (NIDA). Externally, the global economy will be aided by recoveries in the US, Japan and the European Union, as well as in China, he said. This in turn would help the Thai export sector, which should return to a growth rate of 2-3 per cent after a contraction last year. Domestically, mega-infrastructure and transportation projects worth a combined Bt400 billion, as well as state enterprises' investment budgets worth Bt350 billion, will be a key driver of economic growth.

2. Prayut vows further support to rubber industry

Source: **The Nation** (Link)

Two Chinese tyre makers have shown interest in investing in rubber compound processing projects in Thailand, said Prime Minister Prayut Chan-o-cha in his weekly TV programme. He said that these companies were driven by Thailand’s potential in terms of raw material and logistics, as well as the government’s commitment in materalise the "Rubber City" scheme.

On Monday, he visited Rubber City in Songkhla. In the programme, he said the scheme was kicked off for some time, but it remains far from success. Success requires more investment and linkage with other economic sectors, he noted. He asserted that Thailand expected at least 70 new investment projects with combined investment of at least Bt8 billion by 2021. This would boost the annual demand up to 200,000 tonnes a year. He also vowed to support the rubber industry through a series of plans, to promote logistics, research and development, as well as industrial processing.

3. Cabinet eyes revised bill on land and building tax

Source: **The Nation** (Link)

The revised Land and Building Tax Bill will be put up for Cabinet approval in the new year as the Finance Ministry has prioritised tax reforms with the aim of expanding the tax base and increasing tax-collection efficiency. This will be done alongside the National E-payment Master Plan, the single business account scheme, and a programme to encourage small and medium-sized enterprises to register within the tax system. *"All I can say now is that the draft bill for the land and building tax will definitely go before the Cabinet within the next 365 days, but the details on its structure and rates cannot be revealed until the Cabinet approves them,"* permanent secretary Somchai Sujjapongse told reporters at the ministry yesterday.

The former deputy prime minister in charge of economic affairs, MR Pridiyathorn Devakula, and former finance minister Sommai Phasee had signed off on the bill and it was about to go before the previous Cabinet for approval before a reshuffle. The current economic team led by Deputy Prime Minister Somkid Jatusripitak decided to put the matter on hold for further revision. Under the previous draft, a tax rate of 0.05 per cent would have been collected from farmland, a rate of 0.1 per cent was to be applied to properties used as private residences, and vacant or unutilised land were to be subject to 0.5 per cent. Homes with appraised value of Bt1.5 million or less would have been exempt from tax, while a 0.05-per-cent tax on private residences appraised at Bt1 billion to Bt5 million was also proposed. These rates and exemptions were put under revision. Somchai said there would be a lot of positive changes after the revision that would make the tax *"more acceptable for the public, as there is flexibility and local governments will also receive higher income"*. He said the revision was almost *"100 per cent finished"*, as the Fiscal Policy Office had handed the draft to Finance Minister Apisak Tantivorawong yesterday for final touches.

4. Thai exports "will return to growth this year"

Source: **The Nation** (Link)

Following a third consecutive year of contraction, the Commerce Ministry has projected Thai shipments will grow by 5 per cent to US$225 billion (Bt8.12 trillion) this year, while the private sector forecasts growth in the region of 2-4 per cent. The Thai National Shippers' Council foresees exports growing 2 per cent, while the University of the Thai Chamber of Commerce's Economic and Business Forecasting Centre predicts expansion of about 4 per cent.

However, the Bank of Thailand expects export growth to be flat this year, with its forecast taking into account a sharper slowdown in China and other Asian economies, the adverse impact of geopolitical conflicts on global demand and tourist confidence, and a further severe drought in Thailand. In 2016, according to the International Trade Promotion Department's outlook, many factors will influence Thai shipments. Positive factors include the |global economy, which is expected to grow by 3.6 per cent, against 3.1 |per cent last year, while the International Monetary Fund forecasts global trade to expand by 2.4 per cent - following a contraction of |11.2 per cent last year. The government's measures to support small and medium-sized enterprises in regard to financing and innovation, the promotion of super-cluster investment and investment in 10 special economic zones, and free-trade agreement policies will also help drive export expansion, the department said.

5. CPF eyes East African market

Source: **The Nation** (Link)

After four decades of expansion in Asean, Charoen Pokphand Foods is eyeballing East Africa as its new market for investment for the next 10-20 years. *"We will not enter South Africa because the big players from Europe are strongly established there, while East Africa has plenty of business opportunities with a total population of 1.2 billion,"* said Adirek Sripratak, president and chief executive officer of CPF. This month, he visited Tanzania, Kenya and Ethiopia to study market prospects. The company sees the countries in East Africa as attractive for farming.

However, the company must be cautious about investing in these emerging markets. There are opportunities but also investment risks. The company will start with small projects, each with investment budgets in the millions of baht. CPF's wholly owned subsidiary in Tanzania is now building broiler and animal feed-mill plants. With a population of 53 million, Tanzania has high demand for broilers. Adirek also visited Poland three months ago to survey the market. Poland has enjoyed high growth in its farm sector. For the Australian market, CPF mainly focuses on lamb and beef to develop ready-to-eat meals. The company is now seeking a local partner there, as the design of the plant is finished. CPF's strategy for future growth still revolves around the creation of a value chain of products, which is still its core business model, the widening of opportunities in markets including Africa, the Americas, Europe and Australia, and the takeover of companies to expand its overseas operations.

6. After high office space occupancy in 2015, rents seen as rising

Source: **The Nation** (Link)

Thailand's Grade A office market enjoyed high occupancy in 2015, with expectations of low supply and increasing rents this year, according to Knight Frank Thailand. Research by the property consultancy found that the overall performance of the Grade A office rental market last year was good, characterised by higher occupancy rates. Rental fees are also likely to rise, with new office buildings concentrated in the Ratchada-Rama IX area of Bangkok.

This year, the market is expected to be favourable for landlords or owners of buildings, who will have enhanced bargaining power in terms of negotiating rents with tenants. Risinee Sarikaputra, director and head of research and consultancy, Knight Frank (Chartered) Co, said Bangkok's office property market had great prospects. Office space was increasingly rented throughout 2015; in the first nine months of the year, there was almost 200,000 square metres of new space rented. For the full, it was expected that there would be no less than 250,000sqm of new space rented. Currently, there is about 300,000sqm of office space available for rent, at a rental rate of 93 per cent. As for the average rental fee for Grade A offices in the central business district (CBD), it stands at Bt905 per square metre, with a rental rate of 93.5 per cent. The new emerging area for office buildings is the Ratchada-Rama IX area. Its Grade A office buildings featured higher rents of up to Bt800 per square metre, which is expected to rise to Bt900 this year.

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