Thai News Update: 12 April 2018

1. ADB Forecasts 2018 GDP Growth At 4%
Source: Bangkok Post (Link)

The Asian Development Bank (ADB) forecasts Thailand's economic growth to inch up to 4% this year and 4.1% next, underpinned by increasing public and private investment and domestic consumption. Public investment is expected to rebound after its lacklustre performance last year, with 900 billion baht in infrastructure projects planned under the Transport Infrastructure Action Plan 2017 for double-track railways, extending mass rapid transit lines and expanding highways, the ADB said in a report on economic trends and prospects called "Developing Asia: Southeast Asia." Public investment, which had grown by 28.4% in 2015 and 9.5% in 2016, declined by 1.2% last year as a new Government Procurement Act caused delays in procurement and project implementation. Five large projects in the Eastern Economic Corridor (EEC) selected for fast-tracking are targeted for approval by the end of this year, with immediate implementation through public-private partnerships (PPP), the report says. ADB's 2018 economic growth forecast for Thailand is more conservative than the World Bank's, which earlier this week raised its growth forecast to 4.1% from 3.6% previously. The Bank of Thailand late last month upgraded this year's economic growth projection to 4.1% from 3.9% predicted in December, while the Fiscal Policy Office (FPO) raised its growth forecast to 4.2% in January from 3.8%.

2. Thai Bond Yields Hang Below US's For Six Months
Source: Bangkok Post (Link)

Thai government bond yields have, for the first time ever, stayed below the returns of US government bonds for longer than six months. A persistent current account surplus and prolonged low inflation rates have led to the situation, says the Thai Bond Market Association (TBMA). The yields on two-year and 10-year Thai government bonds have been lower than those of corresponding US treasuries since October, said TBMA president Tada Phutthitada. The interest rate environment and inflationary pressure, both of which have remained low for extended periods, together with an increase in the trade surplus, are reasons contributing to the low bond yields, with ample savings and liquidity in the domestic financial market, Mr Tada said. He said the market expects Thailand's policy interest rate to remain unchanged at 1.5% throughout this year because inflation is projected to be lower than 1%. Despite how returns generated from Thai bonds are lower than those in the US and other developed markets, foreigners are still investing in the domestic bond market, expecting the baht's value to remain strong and the currency appreciating further down the road on the back of Thailand's strong fiscal position, Mr Tada said.

3. Limited Impact On Thai Economy From Trade War
Source: The Nation (Link)

With President Trump following through on his protectionist campaign promises, issues of trade wars dominate global economic agenda in the past several weeks. As the world's largest and second largest economies intensify their rhetoric, global trade is at risk. We attempt to gauge the impact of US-China trade spat on Thailand's economy by analysing the list of products that would be subject to import tariff in both countries. As part of China supply chain, the most vulnerable part of Thailand's exports includes rubber and products, computer and parts, chemicals, auto parts, integrated circuits and electrical appliances. Taken together, they worth around US$14 billion or almost 6 per cent of total exports in 2017. Some of these products will be re-exported to US, while the others will be for domestic use or re-exported to other countries. We use OCED data to gauge the extent to which China re-export these products to US, and find that Thailand exports would likely be hit by 0.66 per cent. Finally, we estimate the impact on Thai GDP by using the value added to GDP by each industry and conclude that negative impact on Thai economy would be limited to 0.17 per cent of GDP.

4. TCEB Gears Forward Thailand MICE Industry With 10 S-Curve Industries
Source: Bangkok Post (Link)

With Thai MICE industry continuing to grow last year, generating total revenue of over 200 billion baht, the Thailand Convention and Exhibition Bureau (TCEB), a public organisation, has initiated and presented business directions to drive the Thai economy through MICE. The strategies incorporate Thai public and private sectors and focus on 10 targeted S-Curve industries and the Thailand 4.0 initiative. TCEB Senior Vice President Nichapa Yoswee revealed the organisation’s strategies for conducting Thai MICE (Meetings, Incentive Travel, Conventions and Exhibitions) that TCEB performs the role of the country's marketing agency and to attract organizers of MICE event to host MICE activities in Thailand. TCEB is mandate to establish Thailand as a dynamic MICE destination where an ecosystem of ideas, people, and technology draws on vibrant knowledge and wide networks to tailor success for event organizers and business travellers. Business travellers are considered quality customers with three times higher spending than tourists. TCEB Senior Vice President Nichapa Yoswee concluded that: "One of the success story of attracting new business events profiling under 10 s-curve industries is an anchor of new international exhibition namely; 'Future Energy Asia 2018', the European energy exhibition that will be hosted for the first time in Thailand this December.

5. Bot Offers Seasonal Narrative
Source: Bangkok Post (Link)

The Bank of Thailand has sought to dispel fears that the ratio of household debt to GDP accelerated in the final quarter of last year, saying the higher family debt load could be attributed to seasonal spending by mostly middle- to upper-income earners. The purchasing power and debt-servicing ability of middle- to upper-class earners remains strong, while lower income groups' debt accumulation ability is still limited even as their income shows signs of improvement, said assistant governor Jaturong Jantarangs. The country's household debt ratio edged up from 77.3% in the third quarter to 77.5% in the fourth, mainly driven by credit cards and auto loans. But the seasonally adjusted household debt ratio fell to 77.2% during the October-to-December quarter from 77.5% in the previous three months. Moreover, improvement in earnings of low-income households has begun as employment-related businesses and the tourism sector have risen. Commercial loan demand from both large companies and small- and medium-sized enterprises (SMEs) has continued to increase in line with the economic recovery.