Weekly Economic & Commercial Report (7th July - 13th July 2018)

**Internal**

**Bonds favoured amid market strains**
*The Nation 12.07.2018*

The Thai bond market remains attractive for investors despite a weakening in the baht triggered by a hardening of positions by the protagonists in a global trade war, a securities expert says. The declines in the baht against the US dollar have spooked foreign investors, resulting in a sell-off of short-term bonds that has reached Bt81.9 billion this year, said Tada Phutthitada, president of the Thai Bond Market Association (ThaiBMA), yesterday. The currency’s depreciation has seen foreign holders of bonds with a maturity less than a year left with losing positions on their investments, Tada said. In contrast to the pressure on short-term bonds, foreign investors have bought Bt84 billion in long-term bonds, resulting in net purchases of Bt2.1 billion – against their net sales of more than Bt190 billion in the stock market. Foreigners have been investing in government bonds and central bank bonds, while shying away from corporate bonds.

**Somkid to prod budget use**
*Bangkok Post 12.07.2018*

Deputy Prime Minister Somkid Jatusripitak plans to call a meeting next week with related state agencies to prod them to speed up disbursement of the fiscal 2018 budget, as the budget period ends in two months. Budget disbursement has to be accelerated in the latter half of the year to boost economic growth past 4%, he said. However, he admitted the stricter Government Procurement and Supplies Management Act has had a knock-on effect on budget disbursement, particularly for state agencies in the second and third quarter this year.

 **VAT return scheme for poor shaping up**
*Bangkok Post 12.07.2018*

The planned repayment of value-added tax (VAT) to government welfare smartcard holders is expected to take shape by the end of this year, a move meant to improve their purchasing power. The Finance Ministry is preparing to install a system to pay back consumption tax to the recipients of the government's welfare scheme, said Finance Minister Apisak Tantivorawong. When smartcard holders swipe their cards at shops with electronic data capture terminals, the paid VAT will be returned to them at a later time, he said. The period over which the VAT is returned might run for a specific interval.

**Exports drive growth in SME share of economy**
*The Nation 13.07.2018*

The country’s ranks of small and medium-sized enterprises (SMEs) have enjoyed strong growth this year, aided in large measure by brisk demand for sales of products to elsewhere in Asia, Commerce Minister Sontirat Sontijirawong said yesterday. Sontirat said that the number of SMEs had reached more than 3 million in the first quarter of this year, with their gross domestic product (GDP) growing 6 per cent to Bt1.74 trillion – representing 42.8 per cent of the nation’s GDP. It is evident that SMEs play a significant role in the domestic economy, Sontirat told a seminar titled Giving Wings to Thai SMEs to Fly Higher in the Global Market. “In today's rapidly changing business world, SMEs are facing stiffer competition, technological disruption and challenges,” the minister said.

**Ministry raises its growth forecast to 9%**
*Bangkok Post 13.07.2017*

The Commerce Ministry is raising its export growth forecast to 9% this year from 8%, boosted by the global economic recovery and the government's close cooperation with exporters to tackle obstacles and drive shipments. Commerce Minister Sontirat Sontijirawong yesterday said despite risks from the escalating trade war, the ministry still strongly believes overall exports will exceed the original 8% growth target this year. His comments were delivered at a seminar organised by the Commerce Ministry, International Trade Promotion Department, Foreign Trade Department, the New Economy Academy and Post Today newspaper.

**Actions to prop up baht trim reserves**
*The Nation 13.07.2018*

The Bank of Thailand’s periodic actions to limit the pace of declines in the baht have reduced the country’s holdings of foreign currency reserves, the central bank’s chief said. BOT governor Veerathai Santipraphob, acknowledging the institution’s interventions to head off currency depreciation to an extent that can affect the financial markets and businesses, said the reduction in the reserves also reflected changes in the values of a mix of currencies that makes up the country’s reserves. The BOT’s interventions have been in the line with its policy since Thailand adopted a floating exchange rate regime. Movements in the baht - up or down - that are deemed to be rapid, can affect the markets and the business sector. As a means of reducing such impacts, the BOT makes interventions from time to time.

 **EEC applications beat full-year target**
*Bangkok Post 13.07.2018*

Investment applications for the government's flagship Eastern Economic Corridor (EEC) scheme have reached 400 billion baht, beating its target of 300 billion for the year, says the EEC Office. Kanit Sangsubhan, secretary-general of the EEC Office, said the positive result can increase investor confidence. The EEC Act was implemented in May, unlocking many obstacles to propelling EEC-related projects, he said. He also touted "political stability" as a positive investment sentiment factor. The Board of Investment (BoI) expects overall investment applications in 2018 to reach 720 billion baht because the global economy is recovering and the government is keen to put on road show abroad. "The country will see actual investment flows from 2019 as infrastructure projects are being sped up," he said.

**External**

**Europeans eye equal treatment**
*Bangkok Post 10.07.2018*

European businesses are keen to invest more in pharmaceuticals, mass transit systems, double-track rail and a high-speed rail network. But they called on the Thai government to offer additional privileges and treatment on par with Thai firms. The European Association for Business and Commerce (EABC), led by President Stefan Molnar, met yesterday with Kobsak Pootrakool, minister to the PM's Office, to propose the Thai government support additional tax measures for foreign companies that invest in pharmaceutical manufacturing here as well as the inclusion of drugs on Thailand's innovation list.

**UK boosts support fund for British investments in Thailand**
*The Nation 11.07.2018*

Thai Ambassador to the UK Pisanu Suvanajata has welcomed the announcement by the UK Export Finance (UKEF) of a 4.5-billion pounds financing in support UK investors’ ventures and sourcing of materials in Thailand. The amount represents an increase from 2.25 billion pounds, announced by the UK Secretary of State for International Trade Liam Fox, on a recent visit to Thailand, and highlights the potential of UK-Thai trade.“It is good news that the British government has offered a great opportunity for UK businesses to explore the Thai market by allocating a 4.5-billion pounds funding through the UKEF ,” Pisanu said. This will not only stimulate the economic cooperation between the two countries, but has also come at the right time ahead of Brexit as it will help drive British businesses to look for future markets in other regions. “We are prepared to welcome all British friends to take their opportunities to invest in Thailand, which serves as a genuine gateway to other countries in Southeast Asia.

**FTA talks with Sri Lanka begin**
*Bangkok Post 13.07.2018*

Prime Minister Prayut Chan-o-cha and Maithripala Sirisena, president of Sri Lanka, yesterday jointly announced the first round of free trade agreement talks after meeting in Colombo. The first round is scheduled to begin today, with trade negotiators hashing out the details. Sri Lanka and Thailand first began considering an FTA in 2016, when Deputy Prime Minister Somkid Jatusripitak made an official visit. The two countries signed a MoU on technical cooperation, a letter of intent on cooperation in small and medium-sized enterprise development and a joint programme on tourism for  2016-18. Sri Lanka is the fourth-largest trading partner of Thailand in South Asia. During 2013-17, bilateral trade between Thailand and Sri Lanka averaged $491 million a year.

**Somkid calls for rise in EEC investments from S Korea**
*The Nation 13.07.2018*

Thailand has called for South Korea investors to increase their investments in Thailand’s Eastern Economic Corridor and other areas, while indicating its readiness to serve as a gateway for South Korea businesses in this region. In a speech marking the 60th anniversary of Thailand-South Korea relations at a ceremony yesterday, Deputy Prime Minister Somkid Jatusripitak said he wants to see more foreign direct investments from South Korea, given its current share of just 3 per cent or about US$500 million, in Thailand. Exports drive growth in SMEs’ share of economy

**Bilateral**
 **MEGA team up with allie in India**
*Khao Hoon 08.07.2018*

Mega Lifesciences Public Company Limited entered joint venture agreement with Indian’s firm MSN Laboratories Private Limited in order to manufacture Active Pharmaceutical Ingredients and finished drugs for segments including but not limited to Oncology (Cancer ad Tumor), Diabetes and Cardiac ailments in Thilawa Special Economic Zone, Myanmar with an investment of USD 35,500,000. Both the companies are having 50% share.

 **Samsung's Indian factory world's biggest**
*Bangkok Post 11.07.2018*

Samsung Electronics Co Ltd has formally opened a new factory in India, which the South Korean tech group says is the world's biggest mobile phone manufacturing plant, part of its plans to expand production in the world's fastest growing major mobile phone market. "The factory in Noida, on the outskirts of New Delhi, will allow Samsung to make phones at a lower cost due to its scale at a time when other phone making hubs such as China are getting more expensive," analysts tracking the sector said. The factory, inaugurated jointly on Monday by Indian Prime Minister

**India muscles past France**
*Bangkok Post 12.07.2018*

India has become the world's sixth-biggest economy, pushing France into seventh place, according to updated World Bank figures for 2017. India's gross domestic product (GDP) amounted to $2.597 trillion at the end of last year, against $2.582 trillion for France. India's economy rebounded strongly from July 2017, after several quarters of slowdown blamed on economic policies pursued by Prime Minister Narendra Modi's government. India, with around 1.34 billion inhabitants is poised to become the world's most populous nation, whereas the French population stands at 67 million. This means that India's per capita GDP continues to amount to just a fraction of that of France which is still roughly 20 times higher, according to World Bank figures. Manufacturing and consumer spending were the main drivers of the Indian economy last year, after a slowdown blamed on the de-monetisation of large banknotes that Modi imposed at the end of 2016, as well as a chaotic implementation of a new harmonised VAT regime.

**Experts urge use of online tools**
*Bangkok Post 13.07.2018*

Thai businesses should understand customer preferences, have a target group of users and use online marketing and social media to empower cross-border trade opportunities in China and India, says business ad tech experts. "The value of international trade between Thailand and India is UScopy1 billion (366 billion baht)," said Rakesh Singh, director of the Thailand-India Business Council. Speaking at a Post Today seminar on small businesses expanding to China, India and Asean, Mr Singh said India is a diverse country with myriad cultures and languages. "Brands that want to sell in India should research specific target groups rather than the whole country," he said. The average millennial in India is 27 years old, and with massive urbanisation, there are lots of smart city projects, said Mr Singh. "India will have the largest population by 2030, outpacing China, and this is very large opportunity for businesses. The government has also eliminated outdated regulations, allowing businesses to simply run," he said.

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