



Weekly Economic News
[5th to 11th May 2014]

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➤ **Bilateral**

India emerging market for CP group

India and Indonesia are emerging as the two countries with the best growth potential for Thailand's largest agricultural conglomerate, Charoen Pokphand Group. CP Group, which, with a presence in most Asean countries as well as the rest of Asia, has been pushing for business expansion in many emerging economies. Its presence in Indonesia is currently stronger than in India. CP Group has a presence in various fields in India but the scale remains small and is concentrated in the feed mill and aquaculture segments. It was only recently that it brought its 5 Star grilled-chicken business to Indian cities, a positive move by CP group. Mr. Dhanin Chearavanont, Chairman of CP group, would not like to be limited to aquaculture, poultry and ready-to-eat chicken but also include a bigger role for the Makro chain of cash-and-carry stores, one of CP's biggest recent acquisitions.

Tesac Usha plots B1bn high-wire act

Tesac Usha Wire Rope Co expects to generate annual revenue of 1 billion baht over the next five years from its new Pathum Thani plant. A joint venture between Tesac Wire Rope Japan and Usha Siam, a subsidiary of India's Usha Martin, Tesac Usha makes specialized wire rope used in high-speed elevators for tall buildings. Mr. Amogh Sharma, Managing Director of Usha Siam said that producing wire rope in Thailand allows them to offer competitive prices for elevator wires compared with production in Japan. Tesac and Usha Siam have worked together for many years under technical and marketing agreements. The construction of the Tesac Usha Wire Rope plant began in April 2013, and production started within 7 months in December. The Pathum Thani factory has total space of 10.2 rai, with production space occupying 7.2 rai. Around 250 million baht was invested to develop the first phase of the plant. Total investment cost is 500 million baht for four phases which would be completed in five years. Located at Navanakorn Industrial Estate, the new factory will initially produce 200 tonnes of wire rope a month, eventually expanding to 1,000 tonnes in the final phase. About 80% will be exported, mostly to Southeast Asia and China.

➤ **Internal**

Low Import in Q1 of 2014

According to the Bank of Thailand, a large trade surplus, return of service account and foreign investment income, and net transfers drove the current account surplus to US\$8.23 billion (266 billion baht) in the January-to-March 2014. Thailand's current account balance showed a deficit for the second straight year in 2013 at \$2.8 billion, widening from \$1.5 billion the previous year. Import growth in 2014's first quarter sank by 14.8% year-on-year, compared with a 7.6% shrinkage in last year's final quarter. Merchandise exports were decreased by 0.8% sequentially in the first quarter and were restrained by temporary plant shutdowns for maintenance and a retreat in global commodity prices. Declining imports of both capital goods and gold bullion were the main causes of import contraction in the first three months. Last year, a record \$11.6 billion worth of gold was imported, mainly in the first quarter when demand was strong from people seeking a safe-haven asset. There was no net import of gold in the first quarter of this year.

BoI expects fall in interest

According to the Board of Investment (BoI), investment applications in 2014 are likely to fall from the target of 900 billion baht to 700 billion if the political impasse is not resolved within six months. From January to April, 2014, investment applications fell 13% from a year earlier to 230 billion baht. However, projects submitted by foreign investors surged 30% to 195 billion. Mr. Nattapon Nattasomboon, director-general of the Department of Industrial Works, said that 1,280 new factories were established in the first four months of 2014, down 10% from last year. The department plans to shorten procedures for factory permit issuance for environmentally friendly small and medium-sized enterprises to 30 days from 90 days to facilitate investments.

Srithai looks abroad as domestic sales fall

Srithai Superware Plc, the world's leading manufacturer of melamine tableware, expected its sales revenue to rise to more than 10.5 billion baht in 2014 from 9.4 billion last year, due to rising exports making up for weak domestic consumption. Chairman Mr. Sanan Angubolkul said that domestic demand fell by 20% this year because of the political conflict. Instead, Srithai will increase exports to Asean and other markets to offset the shrinking domestic demand. About 180 million baht would be spent on a new factory in India that will begin operations in November, 2014, while 100 million will be spent in Vietnam and the rest on new machinery.

Leading contractors looking up for overseas investment

Leading construction companies are expanding their investment in overseas markets and power-plant projects, as Thailand's Bt2-trillion mega-infrastructure programme continues to be delayed due to the prolonged political turmoil. Italian-Thai Development, the Kingdom's leading construction firm, has successfully pursued new construction projects in Mozambique, Myanmar and India, worth more than Bt150 billion combined. Other construction companies like Ch Karnchang, Sino-Thai Engineering and Construction and Demco are also looking for foreign destinations.

UTCC predicts GDP growth below 2%

According to a report of the University of the Thai Chamber of Commerce (UTCC), consumer confidence hit an almost 13-year low last month as the political unrest drags on, while academics warn that the crisis, if left to continue, may trim the country's economic growth to lower than 2% this year. The index fell to 67.8 points in April from 68.8 in March 2014. It has fallen for 13 months in a row and stands at its lowest level since November 2001. Overall confidence in the economy fell to 57.7 points last month from 58.7 in March. Confidence about job opportunities dropped to 61.9 points from 62.9, while confidence about future income slid to 83.8 from 84.9 in March. A score below 100 points indicates pessimism among consumers over issues such as tepid export performance, the high cost of living, fragile global economic prospects and political uncertainty.

Rice exports more than expected

Thai rice exports are quite likely to top 10 million tonnes this year, mainly due to low prices for Thai grains. Mr. Surasak Riangkrul, Director-General of the Foreign Trade Department, said that lower prices and drought-related natural disasters worldwide are expected to push Thailand's full-year rice shipments past the 8.5-million-tonne figure predicted earlier. Authorities are also revving up efforts to sell rice stocks and are due to visit the Middle East and Africa this month for talks about Thai rice sales. Iraq, Nigeria and several other African countries have shown an interest in buying Thai rice. The country is offering 5% broken rice at US\$385-\$395 (12,506 to 12,831 baht) a tonne free-on-board, compared with Vietnam's offered price of \$385-\$395, India's \$415-\$425, Pakistan's \$415-\$425 and Cambodia's \$435-\$445.

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[Inputs for this Report have been garnered from various media reports, press releases and communications issued by various government and private agencies]