

**Embassy of India
Bangkok**

BAN/COM/201/2/ 2014

21st April 2014

ECONOMIC & COMMERCIAL REPORT FOR THE MONTH OF FEBRUARY, 2014

EXECUTIVE SUMMARY

- ❖ **Due to prolonged political protests, economic activities in February 2014 softened further from the previous month. Households and businesses continued to hold back spending, while imports and manufacturing production contracted. On the stability front, unemployment remained low. Inflation rose on the back of fresh and prepared food prices.**
- ❖ **Thailand's total trade during the period January-February 2014 was US Dollars 73.30 billion. Exports worth USD 36.27 billion and Imports worth USD 37.02 billion.**
- ❖ **Thailand's total trade with India during the period January-February 2014 was US Dollars 1.37 billion [Import from India USD 0.52 billion, Export to India USD 0.85 billion].**
- ❖ **During the month of February, 2014 headline inflation edged up to 1.96 percent (yoy) and Core inflation was 1.22 percent.**
- ❖ **Thai GDP in the fourth quarter of 2013 increased by 0.6%, a slowdown from a 2.7% rise in the previous quarter.**
- ❖ **During the period January – February 2014, two (02) applications from India for projects worth 179 million baht were received while four (04) applications worth 335 million baht were approved.**

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Economic & Commercial Report for the month of February, 2014

1. Business Sentiment

Due to prolonged political protests, economic activities in February 2014 softened further from the previous month. Households and businesses continued to hold back spending, while imports and manufacturing production contracted. On the stability front, unemployment remained low. Inflation rose on the back of fresh and prepared food prices. The trade balance and the current account balance registered surpluses owing mainly to a drop in imports. The capital account recorded a deficit as financial institutions repaid short-term foreign loans, foreign investors reduced portfolio investment in Thailand, and Thai investors increased holding of debt securities abroad. Overall, the balance of payments posted a deficit. Merchandise imports registered 14,254 million U.S. dollars, down 18.9 percent from last year as more countries issued travel advisory warnings. Merchandise exports recovered this month thanks to improving foreign demand. Merchandise export value totaled 18,150 million U.S. dollars, up 2.2 percent from the same period last year. Tourism was also affected by the protests. Tourist arrivals totaled 2.2 million, down 8.1 percent from the same period last year. The decline in the number of tourists was attributable in part to those from China, Japan, Malaysia, and Hong Kong.

2. GDP

Thai GDP in the fourth quarter of 2013 increased by 0.6%, a slowdown from a 2.7% rise in the previous quarter. This was a result of contraction in domestic demand. Household consumption and investment decreased by 4.5% and 11.3%, respectively. Government consumption grew at slower rate while inventories had increased. Net exports of goods and services grew by 25.3% as exports of goods and services expanded while imports declined. After seasonal adjustment, GDP on the quarter-by-quarter basis increased by 0.6%, slowing down from a 1.4% growth in previous quarter. GDP for the year 2013 grew by 2.9%. Agricultural sector grew by 2.3% due to a 3.7% increase in agriculture, hunting and forestry compared to a 0.9% increase in previous quarter. Fishery continued to fall by 5.2%. Non-agricultural sector grew at slower rate by 0.4%. Manufacturing sector decreased by 2.9% as domestic demand sharply fell, causing contractions in almost all types of products. Similarly, production of construction and electricity, water supply and gas separation decreased. On the other hand, transport and communication, wholesale and retail trade, hotels and restaurants and financial intermediation slowed down.

3. INFLATION

During the month of February, 2014 headline inflation rose to 1.96 percent (yoy) due to rising fresh food prices and a higher pass-through of liquefied petroleum gas (LPG) prices to prepared food prices. Core inflation was 1.22 percent.

4. TOTAL THAILAND TRADE DURING THE PEIROD JAN. – FEB., 2014 COMPARED WITH SAME PERIOD IN THE PREVIOUS YEAR AND BALANCE OF TRADE DURING THE PREVIOUS YEAR:

Trade during JAN.- FEB. 2014	Trade during JAN.- FEB., 2014	Rate of growth compared to same period in 2013	Total imports during 2013	Total exports during 2013	Balance of trade during 2013
<i>(Amount in billion US\$)</i>					
	Total Tr. 73.30				

73.30	Export: 36.27 Import: 37.02 Tr. Bal: (-) 0.750	-8.70%	249.99	228.53	(-)22.19
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Source: Ministry of Commerce, Govt. of Thailand

5. TOTAL TRADE IN US\$ AND ITS GROWTH TO 20 COUNTRIES DURING THE PERIOD JAN. – FEB., 2014 (Amount in billion US\$):

Sl. No.	Country	Thai imports	Thai exports	Total trade
1.	China	5.74	4.39	10.13
2.	Japan	5.77	3.70	9.47
3.	USA	2.41	3.57	5.98
4.	Malaysia	2.16	1.99	4.15
5.	Indonesia	1.27	1.57	2.84
6.	Singapore	1.17	1.44	2.61
7.	United Arab Emirates	2.39	--	2.39
8.	Australia	0.82	1.47	2.29
9.	South Korea	1.48	0.66	2.14
10.	Hong Kong	--	1.95	1.95
11.	Saudi Arabia	1.58	0.27	1.85
12.	Taiwan	1.14	0.56	1.70
13.	Vietnam	0.53	1.05	1.58
14.	Germany	0.89	0.68	1.57
15.	India	0.52	0.85	1.37
16.	Philippines	0.44	0.87	1.31
17.	Myanmar	0.46	0.69	1.15
18.	Switzerland	0.58	0.55	1.13
19.	The Netherlands	--	0.74	0.74
20.	Qatar	0.68	--	0.68

Source: Ministry of Commerce, Govt. of Thailand

6. TOTAL TRADE WITH INDIA
(Amount in billion US\$)

Description	2008	2009	2010	2011	2012	JAN. – FEB., 2014
Total Trade	5.97	4.95	6.64	8.19	8.68	1.37
Export	3.34	3.22	4.39	5.18	5.48	0.85
Import	2.63	1.73	2.25	3.01	3.20	0.52
Trade Balance	0.71	1.49	2.14	2.17	2.28	0.33
Growth Rate %	26.34	-17.13	34.23	23.29	5.77	(-)18.80

Source: Ministry of Commerce, Govt. of Thailand

7. TRADE FIGURES OF TOP 10 COMMODITIES WITH INDIA:

7 (a) Imports from India during the period JANUARY – FEBRUARY, 2014

SI No	Commodity	Import value (Value: billion US\$)
1	Vegetables & vegetable products	0.070
2	Jewellery including silver bars and gold	0.065
3	Chemicals	0.055
4	Machinery & parts	0.048
5	Parts & accessories of vehicles	0.044
6	Other metal ores, metal waste scrap and products	0.030
7	Yarn and Fibres	0.028
8	Medicinal and pharmaceutical products	0.026
9	Iron Steel and products	0.024
10	Electrical machinery and parts	0.019

Source: Ministry of Commerce, Govt. of Thailand

7 (b) Exports to India during the period JANUARY – FEBRUARY, 2014

SI No	Commodity	Export value (Value: billion US\$)
1	Chemical Products	0.087
2	Polymers of ethylene, propylene, etc. in primary forms	0.085
3	Air-conditioning machines and parts thereof	0.060
4	Precious Stones and jewellery	0.050
5	Spark ignition reciprocating internal combustion piston	0.047

	engines & parts thereof	
6	Motor cars, parts & accessories	0.044
7	Iron & steel and their products	0.040
8	Machinery and parts thereof	0.039
9	Automatic data processing machines and parts thereof	0.033
10	Rubber	0.030

Source: Ministry of Commerce, Govt. of Thailand

8. MAJOR INVESTMENTS IN THAILAND

8 (a) According to latest data available, the Board of Investment, Thailand approved 320 projects during the period January - February, 2014 with a total investment of 24.3 billion baht. Out of 320 projects, 99 were 100% foreign investment, 57 JVs and 164 were 100% Thai investment.

INVESTMENT STRUCTURE

Year	No. of Projects				Investment (billion US\$)			
	100% Thai	100% Foreign	JVs	Total	100% Thai	100% Foreign	JVs	Total
2011	672	608	372	1652	4.90	5.66	4.41	14.97*
2012	813	886	563	2262	7.96	9.41	14.31	31.88**
2013	677	808	531	2016	10.92	7.66	14.86	33.44***
Jan- Feb., 2014	164	99	57	320	0.30	0.23	0.21	^^0.74

*US\$ 1 = Baht 30 (Average: 2011)

**US\$ 1 = Baht 31.06 (Average: 2012)

***US \$1= Baht 30.73 (Average: 2013)

^^ US \$1= Baht 32.80 (Average rate for the period Jan. – Feb., 2014)

8 (b) INVESTMENT FROM INDIA TO THAILAND

Several Indian companies are operating in Thailand. Indian FDI into Thailand is around US\$2 billion since 1970s. 13 new FDI proposals/projects from India were approved with a total investment of 1740 million baht (US\$ 56 million) in 2010. In 2011, 15 projects with a total value of 1693 million baht (US\$ 56 million) were approved. In 2012, twenty seven (27) applications worth 18415 million baht were received, while twenty five (25) applications worth 6100 million baht were approved. In 2013, seventeen (17) applications worth 5296 million baht were received, while sixteen (16) applications worth 1621 million baht were approved.

During the period January – February 2014, two (02) applications for projects worth 179 million baht were received while four (04) application worth 335 million baht were approved. Major investments from India to Thailand were seen in the following sectors:

(1) Agricultural products (2) Minerals & Ceramics (3) Light Industry (4) Metal Products and Machinery (5) Electric and Electronic products (6) Chemical & Paper (7) Textiles

8 (c) INVESTMENTS FROM THAILAND TO INDIA

Actual inflow of FDI from Thailand into India from April, 2000 to January, 2014 (for the period data are available) is registered as **US \$171.27 million**. Thai investments are mainly in infrastructure, real estate, food processing sectors, chemicals, hotel and hospitality sector. [Source: DIPP, MOC, GOI]

8 (d) INVESTMENT NEWS

According to Thai Board of Investment, during the period January – February, 2014, 151 applications of Foreign Direct Investment with investment value of 14.068 billion Baht were approved which showed decrease in applications by 22.96 percent (from 196 applications during Jan-Feb 2013) and decrease in value by 61.31 percent (from 36.361 billion Baht during Jan-Feb 2013). Out of total 151 approved applications, 99 were 100% foreign investment.

Japan remained largest foreign investor in Thailand with investment of 7.216 billion Baht and the second was Singapore with 1.736 billion baht. China was third with 1.430 billion Baht.

9. INDIA'S INVESTMENT INTERESTS

With the signing of the India-ASEAN free trade agreement and the ASEAN free trade agreement (AFTA), Thailand is expected to become an attractive destination for Indian investment, particularly in software development, textile & garment, automobile, infrastructure development, railway construction etc. Since 2005, Indian investments were seen primarily in Agricultural Products, Minerals and Ceramics, Light Industries/Textiles, Metal Products and Machinery, Electric and Electrical Products, Chemicals and Paper and Services.

10. THE TOP FIVE PRINCIPAL IMPORT SOURCES & INDIA DURING THE PERIOD OF JANUARY – FEBRUARY, 2014:

Sl. No.	Country	Import value (Billion US\$)
1	Japan	5.77
2	China	5.74
3	USA	2.41
4	United Arab Emirates	2.39
5	Malaysia	2.16
14.	India	0.52

Source: Ministry of Commerce, Govt. of Thailand

11. THE TOP FIVE PRINCIPAL EXPORT DESTINATIONS & INDIA DURING THE PERIOD OF JANUARY – FEBRUARY 2014:

Sl No	Country	Export value (billion US\$)
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1	China	4.39
2	Japan	3.70
3	USA	3.57
4	Malaysia	1.99
5	Hong Kong	1.95
10.	India	0.85

Source: Ministry of Commerce, Govt. of Thailand

12. THE TOP FIVE PRINCIPAL IMPORT ITEMS OF THAILAND DURING THE PERIOD OF JANUARY – FEBRUARY 2014:

Sl No	Commodity	Import Value (billion US\$)	India's share (billion US\$)
01	Crude Oil	6.29	Nil
02	Machinery & Parts	3.51	0.048
03	Electrical machinery and parts	2.35	0.019
04	Chemicals	2.34	0.054
05	Iron, Steel & products	2.07	0.024

Source: Ministry of Commerce, Govt. of Thailand

13. THE TOP FIVE PRINCIPAL EXPORT ITEMS OF THAILAND DURING THE PERIOD OF JANUARY – FEBRUARY 2014:

Sl. No.	Commodity	Export Value (billion US\$)	India's share (billion US\$)
01	Motor cars, parts & accessories	3.89	0.044
02	Automatic data processing machines and parts thereof	2.93	0.033
03	Precious stones and jewellery	1.86	0.050
04	Refine fuels	1.67	0.003
05	Polymers of ethylene, propylene etc. in primary forms	1.57	0.085

Source: Ministry of Commerce, Govt. of Thailand

14. BILATERAL NEWS/NEWS ON INDIA

Gold may be excluded from free-trade agreement with India

India is considering withdrawing some products from the Free-Trade Agreement (FTA) with Thailand after facing a huge trade deficit, with gold likely to be excluded from the pact. Mr. Somkiat Triratpan, Deputy Director-General to the Department of Trade Negotiation, Thailand said that India had asked Thailand to review the FTA in order to reduce its trade deficit with the Kingdom. India suspended an exemption on tariff for Thai gold from the agreement in February 2013, leading to lower exports of gold from Thailand to India. The Directorate of Revenue Intelligence (DRI), Ministry of Finance, which controls import inspections and control of illegal goods, wants India to review the FTA with many countries, including Thailand. The agency has proposed increasing the power of the tax collection agency to immediately ban any imports automatically if it finds some problems such as the rule of origin.

According to the DTN, trade between Thailand and India grew continuously after the FTA. In 2013, Thai exports to India were valued at US\$5.4 billion, while imports were valued at \$3.4 billion. India, thus, faced a trade deficit with Thailand. India has levied a low import tariff on Thai gold of only 1.01 per cent, while the normal tariff is 15 per cent. This has led to some traders using the opportunity to export gold under the Thailand-India FTA. India has started to collect the higher tariff on Thai gold since February 2013, citing unclear rules of origin. As a result, Thai gold shipped to India was valued at only US\$9.37 million in 2013, down sharply from \$123.95 million in 2012. Gold ornaments exported to India also dropped from \$52.73 million in 2012 to only \$1.48 million in 2013. India has not only stringently limited gold imports from Thailand but also other countries in order to reduce its huge trade deficit. Last year, gold imported from India was down largely by 88 per cent. Other major gold suppliers to India are the United Arab Emirates and Hong Kong. Mr. Somkiat also said that Indian people favour Thai gold ornaments because of better quality and beautiful designs. With the low tariff, the demand for Thai gold in India is high. To ensure that Thai gold exports to India do not face any problem, Mr. Somkiat urged traders to stringently stick to the rules of origin.

Thailand has shown interest in importing the oil from India

Thailand, which has an established market for rice bran oil, has shown interest in importing the oil from India. India, on the other hand, is a net importer of edible oil to meet its domestic demand. Mr. B V Mehta, executive director, The Solvent Extractors' Association of India (SEA), said that Thailand has shown in importing rice bran oil from India. However, as per government policy, bulk exports of edible oil is not allowed. India is one of the major producers of rice brand oil globally. The country produces around 900,000 tonnes of rice bran oil annually, while the global production is around 1.2 million tonnes. Japan and Thailand produce around 70,000 tonnes and 60,000 tonnes respectively, while China produces around 50,000 tonnes per annum. India is increasing production by 50,000 tonnes per annum.

Indian Investors looking for quick end to Thai political crisis

Indian investors in Thailand are looking forward to a quick end to the political conflict and expect the country to recover within six months. They believe Thailand can link India to Asean and serve as a second base of investment after the motherland. However, if the crisis drags out to a year, some Indian investors may find alternative places to do business. Mr. Susheel Saraff, President of the India-Thai Chamber of Commerce (ITCC) said that with advent of Asean Economic Community (AEC) other countries might offer more competitive and conducive business environments in certain industries. However, so far no members of ITCC have indicated such plans to move their business to other Asean countries, although some are exploring new ventures in other countries post-AEC. He added that Thailand could bounce back from this situation very fast. Indian tourists still come to Thailand, despite some worries. The Indian government may be the last country that would issue a warning to its citizens. The Indian business community thinks that the current situation is a temporary phase and in the long run the growth and investment scenario would be in favour of business especially after the integration into the AEC region. Indian businesses that are looking to invest more and use Thailand as an Asean hub are in such industries as in steel, electronics, motors, rubber tyres, jewellery, nylon, textile, medicine, real estate, service and hospitality. To promote more investment from India, the chamber called on the government and agencies to encourage the signing of a comprehensive bilateral free-trade agreement this year after more than 29 rounds of negotiations. He also mentioned that a roadway connecting Northeast India to Thailand should be developed to make trade, logistics and investment easier. He also said that many regulations need to

be made practical and flexible as some rules have hindered trading and investment by foreigners including Indians.

Record rice exports expected from India

Rice shipments from India, the world's largest producer after China, would probably expand to a record as buyers from Iran to Saudi Arabia boost purchases of aromatic basmati grain used in biryani and pilaf dishes. Mr. M.P. Jindal, President of the All India Rice Exporters Association said that exports are set to increase 7.8% to 11 million metric tons in the 12 months period starting from March 2013. Sales of basmati may jump 14% to 4 million tonnes as cargoes of non-basmati varieties advance 4 percent to 7 million tonnes. According to the Indian Ministry of Agriculture, India is targeting production of 106.3 million tonnes this year compared with a record 105.3 million tonnes in 2011 and 2012. According to the Agricultural and Processed Food Products Export Development Authority (APEDA), India also supplies 65% of the overseas basmati rice market, while Pakistan accounts for the rest. Saudi Arabia and Iran are the two major buyers of Indian basmati, while Africa is a major destination for non-basmati varieties.

Toyota clarifies tax evasion allegation with India

Toyota Motor Thailand has stepped up to clarify allegations of tax evasion of 10 billion baht, blaming the problem on legal interpretation. In response to the allegation that Toyota Motor Thailand was alleged over "tax evasion of 10 billion baht", Senior Vice President Mr. Wuttikorn Suriyachantananon explained that his company paid correct amount of tax for the import of transmissions for the commercial purpose from India under the Thai-India agreement. However, the problem arose from the third-country invoicing the company made under the normal agreement. Thai Customs Department viewed that the company could not exercise such privilege as stated in the agreement and asked the company to pay extra tax and a fine. Mr. Wuttikorn claimed that in 2012 the Customs Department allows importers to use the third country invoicing for products imported into Thailand with payment made via third countries. A re-invoicing option has been allowed for Thailand-Asean, Thailand-New Zealand, etc.

Tata Steel concerned about dumping in Thai steel market

In spite of falling demand and uncertainty over anti-dumping assistance from the Thai government, Tata Steel (Thailand) remains on course to achieve a turnaround in its operations and return profits after four years of losses. Mr. Rajiv Mangal, President and CEO of Tata Steel (Thailand), Thailand's largest producer of long steel products, said that the company had booked a net profit of Bt4 million in the nine-month fiscal period from April to December 2013. This marks a huge turnaround from a loss of Bt991 million in the previous fiscal year. The firm's third-quarter performance from October to December 2013 was marginally affected by the ongoing political turmoil but still showed a net profit of Bt4 million, compared to the Bt487-million loss in the previous fiscal year. The turnaround has been achieved through increased production and export of reinforced steel bars, which Tata sells under its Tiscon brand, and a higher profit margin. The production has been raised to 60,000 tonnes a month during the past 12 months, up sharply from 40,000-45,000 tonnes in the past. Concurrently, the company reduced the production of commoditised wire rods. Mr. Mangal also said that ninety per cent of company's exports are reinforced bars and they are trying to increase its production further but this depends on the plant's adaptability. It will take some time and some investment. He added that Thailand's overall steel consumption has increased every year since 2009, going up from 10.76 million tonnes in 2009 to 17.7 million tonnes last year. However, it is a matter of concern that while growth in imports had risen from 8.09 million tonnes to 12.25 million tonnes during the same period domestic steel production had recorded no growth.

Demand in Thailand for steel products started to decline in the final quarter of 2013 although there was full-year growth of 4.6 per cent. Steel imports, however, grew by 8.5 per cent last year. The impact was more severe for long steel products in which Tata Steel is a major player, as consumption grew by 5 per cent but imports surged 18 per cent in 2013. Imports marginally slowed down in the last quarter, thanks to a temporary anti-dumping measure imposed on high-carbon wire rods imported from China. Imports from China resumed at the end of the temporary anti-dumping measure on December 7, 2013. Due to the political turmoil and the "shutdown" of government offices, the Commerce Ministry's decision on extending the anti-dumping measure has been delayed. Mr. Thana Ruangsilasingha, Tata's chief operating officer, said that there was clear evidence that Chinese

producers received nine per cent subsidy for their steel exports, besides enjoying a 5-per-cent tax benefit by exploiting a loophole in the Thai customs duty structure.

Thailand-based firm to invest Rupees 571 crore in Punjab

Charoen Pokphand (India) Pvt. Ltd., a Thailand based company, signed a memorandum of understanding (MoU) with Punjab Government to invest Indian Rupees 571.2 crore for establishing a five modern units in the fields of Poultry and Pig Farming in the state. A delegation led by Vice-Chairman of CP (Thailand), Mr. Chaiyaporn Montha, met Chief Minister of Punjab and apprised him about their investment plans. Mr. Montha said that the company would establish its five units namely a Feed Mill (Rs. 120 crore), a Hatchery (Rs. 24 crore), a Breeding Farm (Rs. 102 crore), a Broiler Farm (Rs. 324 crore) and a Swine Farm (Rs. 1.2 crore) in the state and complete the proposed investment by the year 2018.

15. ECONOMIC/INDUSTRY NEWS FROM THAILAND

China cancels rice deal with Thailand

China has pulled out of a deal to buy 1.2 million tonnes of Thai rice amid a corruption probe. The deal cancellation has added to the financial difficulties of the trouble-plagued rice-pledging scheme. Deputy Prime Minister and Commerce Minister Niwatthamrong Bunsongphaisan of Thailand said that China lacks the confidence to do business with Thailand after the National Anti-Corruption Commission started investigations into the transparency of rice deals between Thailand and China. Thai government signed a contract in November 2013 to sell 1.2 million tonnes of 5% white rice on a government-to-government basis. However, in a bid to accelerate its rice sales, Mr Niwatthamrong said that government would open a tender offer to sell 400,000 tonnes of rice from state stocks. Interested bidders would be required to submit their bids by Feb 12. The bids would opened on Feb 13 and successful bidders announced on Feb 14, 2014.

Thai Rice Exporters Association (TREA) said that overall Thai rice purchase orders are unlikely to be affected by China's decision to cancel a deal to buy 1.2 million tonnes of Thai rice from the government.

Chinese firm cancels tablet contract

Education Minister Mr. Chaturon Chaisang said that Chinese company, Shenzhen Yitao Intelligent Control Co, has terminated contracts to supply over 800,000 tablets for Prathom 1 students. The contract was for the 2013 academic year, which ends next month. The ministry would take back its 120-million-baht deposit and file charges against the company for further damages. Mr. Chaturon further said that the Chinese company failed to meet delivery deadlines last December and the Office of the Basic Education Commission (Obec) received a letter from the company on 30.01.2014 informing they have decided to terminate the two contracts it has to supply the tablets. In June 2013, Obec organized a one-day electronic auction to procure a total 1.63 million tablets for all Prathom 1 and Mathayom 1 (Grade 7) students and their teachers, worth 4.611 billion baht of the 2013 fiscal budget, under the second phase of the Thai government's One Tablet per Child scheme. Shenzhen Yitao Intelligent Control Co won two contracts to supply 804,742 tablets. A Thai firm, Supreme Distribution, grabbed the bid to supply 426,683 devices for Mathayom 1 students and teachers in Zone 3 covering central and southern provinces.

After the Chinese supplier failed to meet its delivery deadline, the Education Ministry would hold a second round of tablet auctions for two zones of the second phase of the government's One Tablet per Child scheme by April 2014.

CCI hit 26-month low

According to a survey conducted by the University of the Thai Chamber of Commerce, consumer confidence hit a 26-month low in January 2014. The UTCC's consumer confidence index (CCI) for January 2014 stood at 71.5 points, down from 75 points in December 2013. This was due to political uncertainty, a sluggish domestic

economy and the uncertainty of a global economic recovery. Any index score below 100 indicates low confidence. The UTCC may revise down the country's economy growth forecast this year from 3-4 per cent to below two per cent in the second quarter, after finding out that 63.8 per cent of SMEs have been affected by the political crisis, with 20.9 per cent citing the plunge in tourism business in the current quarter. Domestic consumption and confidence have also declined.

New Industrial estates approved

The Industrial Estate Authority of Thailand (IEAT) approved five new industrial estates with the goal of attracting 300 billion baht worth of new investments to support the expansion of the country's industrial sector. Mr. Vitoon Simachokedee, the Permanent Secretary for industry, said that an IEAT board of projects would be developed with the cooperation of the IEAT and companies. The private sector would act as the investor, developer and provider of basic utilities. The new estates will consist of 8,719 rai and are projected to create 120,000 jobs. They are expected to drive development of complementary businesses in the area.

BoI policy on machinery presents challenge to auditors

One of the major challenges faced by companies promoted by the Board of Investment (BoI), and their auditors, is a new practice that has recently been adopted by the BoI. Just like any other company, one that has received promotional privileges from the BoI is subject to an independent audit. In the latter case, one of the purposes of the audit is to form an opinion as to whether the performance and nature of the project comply with the conditions stipulated in the BoI certificate. If the report provided by the auditor shows that the company has satisfied the conditions, the agency would authorize the company to use the privilege of corporate-income-tax exemption. Under the new practice, the BoI requires the auditor to examine certain information regarding the machinery used by promoted companies because it has found that some companies have not complied with such conditions. In most cases, it is a requirement that the machinery to be used in a project must be new and imported or purchased locally after the application for privileges or after the certificate, BoI has been granted. If the machinery was imported or purchased locally prior to the date on which the BoI application was filed, it would be considered used or old machinery and would not qualify. If the company fails to comply with this requirement, the amount of corporate income tax to be exempted could be adversely affected. At present, the BoI has to rely on the auditor's confirmation report because it does not have its own evidence to prove the status of the machinery, and the report of the independent auditor is considered valid and reliable. Therefore, every BoI company will have to consult with a professional adviser and its independent auditor carefully in order to defend its position on such matters.

NESDB cuts GDP growth forecast to 3-4 per cent

The National Economic and Social Development Board (NESDB) has cut its forecast for 2014 economic growth to 3-4 per cent after the fourth quarter of 2013 saw gross domestic product expand by a mere 0.6 per cent year on year. Fourth quarter of 2013 was when the political protests in Bangkok started, and they have continued unabated. The NESDB's earlier estimate for 2014 GDP growth was 4-5 per cent. As per NESDB statement, the economy grew by 2.9 per cent for the whole of 2013. Exports contracted 0.2 per cent and imports shrank 0.4 per cent. The NESDB estimate for 2014 export growth has been revised down to 5-7 per cent from the previous projection of 7 per cent, while its projection for 2014 import growth is cut to 5.7 per cent from the previous forecast of 6.7 per cent. In 2013, Thailand's trade account was in a surplus of US\$6.4 billion (Bt207 billion). The country's current account was in a deficit of \$2.8 billion. In 2014, the current account is expected to face a deficit of \$600 million. In 2013 inflation stayed at 2.2 per cent. Core inflation was 1.7 per cent. In 2014, inflation is expected to be in a range of 1.9-2.9 per cent, down from the previous projection of 2.1-3.1 per cent, due to low expansion in domestic demand and rises in oil prices. Unemployment was still low at no more than 1 per cent.

Ratch board approved 3 projects

Ratchaburi Electricity Generating Holding's board of directors have given the nod to two solar-farm projects in Japan and a coal-fired power project in Myanmar, which would require a combined investment of nearly Bt20

billion. Ratch would also initiate a major change in its strategy to accelerate growth and pursue overseas expansion more aggressively.

First two quarters could see Bt90-bn blow to tourism

The Tourism Authority of Thailand (TAT) believes the financial damage from the current political unrest could reach Bt90 billion for the first two quarters of 2014, especially if the situation becomes more violent or drags on into April 2014. [Mr. Thawatchai Arunyik](#), Governor of TAT said that eight tourism associations are trying to restore the confidence of tourists to achieve the target of 900,000 foreign visitors in the final two quarters of 2014. Group tours, which account for 30-35 per cent of inbound tourists, are most affected by the situation. [TAT](#) is working with the Tourism Council of Thailand (TCT), the Association of Thai Travel Agents and the Thai Hotel Association, with an emphasis on value-added attractions targeting Asians tourists, for whom the journey to Thailand is shorter than for those in the West.

Industries Sentiment Index hits 55-month low in January 2014

The Federation of Thai Industries has urged the government to resolve the political unrest quickly to restore investor confidence after the Thai Industries Sentiment Index (TISI) for January 2014 fell for the 19th straight month to its lowest level in 55 months. The FTI also requested relevant government agencies to help restore confidence with Thailand's trading partners by assuring them that delivery deadlines would be met. The organization wants state banks to extend low-interest loans to reinforce liquidity for small and medium-sized enterprises and arrange more trade fairs to help producers distribute their goods to consumers.

Car sales hit two-year low

Domestic car sales in Thailand hit a 25-month low in January, 2014 as the political impasse and late payments to farmers under the rice-pledging scheme weakened potential buyers' spending while the expiry of the first-time car buyers scheme makes new purchases less attractive. These unfavourable prospects have led the Federation of Thai Industries (FTI) to forecast that domestic sales in 2014 would stand at only 60,000 to 70,000 units a month compared with an average 100,000 units in 2013. According to a report by the FTI's automotive industry club, January 2014 sales plunged 45.5% year-on-year and 39.9% month-on-month to 68,508 vehicles. In January, 2014, vehicle output fell by 31.1% year-on-year to 162,652 vehicles but rose by 2.36% month-on-month whereas car exports totaled 81,025 units, down by 6.93% year-on-year.

BoI appointments delayed

The appointment of a new Board of Investment (BoI) of Thailand would delay until the formation of a new government in Thailand. The caretaker government consulted the EC about whether it is eligible to appoint new board members and whether the new board can approve promotional privileges for new investments. The Election Commission (EC) mentioned recently that it has no authority to get involved in the BoI and appointment of new members. A BoI source said that the EC also ruled that BoI is eligible to approve new applications without asking for approval, but it noted the approval should not be bound to the new government. Normally, the committee of the BoI board meets every month. The prime minister chairs it and members include ministers and permanent secretaries of economic ministries, four experts and the chairpersons of the Federation of Thai Industries, the Thai Chamber of Commerce and the Thai Bankers' Association. The terms of present members expired in October 2013. Investment applications worth 500 billion baht are awaiting the BoI's approval. The BoI's subcommittee is by law allowed to approve investment privileges to applications valued below 200 million baht. Those of greater value need to go through the BoI board. Given a political transition, the National Economic and Social Development Board suggested that the government help to facilitate projects that have already won the BoI's approval in order to help private investment and the economy this year.

Exports down in January

According to Thai Ministry of Commerce, exports for January 2014 dropped 1.98% comparing with January 2013, and were worth a total of US\$17.91 billion. While, imports were also down 15.50% and were worth \$20.43 billion, resulting in a trade deficit of \$2.52 billion. However, the ministry said that the trade deficit figure is not a cause for concern because imports were largely raw materials to be used in the production of exports in the coming months. According to the ministry, factors that could derail export expansion for the year include ongoing political turmoil, which risks affecting the confidence of Thai produce importers, and the possibility of a drought that could reduce agricultural output. Drought could also lead to an increase in agricultural product prices, which would affect price competitiveness of the country. Report also mentioned that if investment in the electronics industry does not increase, the country's future exports potential could be curtailed.

Thai handicrafts export

The Support Arts and Crafts International Center of Thailand (SACICT) specified that political chaos in Bangkok does not impact handicrafts export and is set to penetrate new export markets including South Korea and India. According to Mr. Pimpapan Charmsilp, Director of the SACICT, Thailand's handicrafts export would grow by four percent or account for US dollars 898 million as targeted in 2014 in spite of political rallies because sources of handicrafts production are in other provinces. Meanwhile, the SACICT would emphasize on expanding new markets into South Korea and India because the markets are likely to grow well. SACICT will coordinate with the public and the private sector and open shops in such countries.

Tourism Authority of Thailand is positive towards Arrivals in 2014

The Tourism Authority of Thailand (TAT) is still confident of achieving its target of 28.1 million visitors in 2014 despite the continuous drop of international arrivals due to the current political unrest. According to TAT Governor Mr. Thawatchai Arunyik, some charter flights to Bangkok have been cancelled and many tour groups from Asian countries such as China, Japan, Hong Kong and Vietnam do not want to come to Thailand. TAT estimate that they would lose up to 900,000 visitors during the first half of this year. He added that TAT is positive to achieve the arrivals target it set itself for 2014. It will join forces with private-sector bodies including the Tourism Council of Thailand (TCT), the Association of Thai Travel Agents and the Thai Hotels Association plus individuals involved in the domestic tourism industry to launch campaigns to lure more visitors from abroad.

New company registrations drop 35 per cent in January 2014

According to the Thai Business Development Department, the number of new companies registered in Thailand dropped by 35 per cent year on year to 5,317 companies in January 2014 compared with January 2013, due to impact from the political unrest. However, the figure was 83 per cent higher than in December 2013.

16. ECONOMIC AND BUSINESS NEWS RELATED TO OTHER COUNTRIES:

Asean+6 set to finalise free-trade pact by 2015

Asean and six of its major trading partners, China, Japan, South Korea, India, Australia and New Zealand, have agreed to finalize the Regional Comprehensive Economic Partnership (RCEP) by 2015, resulting in the world's largest free-trade agreement. The pact would create a seamless market among 16 countries, liberalizing trade, services and investment, as well as promoting closer economic cooperation, protection of intellectual property rights, increasing competitiveness, and establishing a dispute-settlement mechanism. The next meeting on the RCEP would be held in Nanning, China, in April 2014. According to the Thai Department of Trade Negotiations (DTN), the value of total trade between Thailand and the RCEP group is about US\$255 billion (Bt8.36 trillion), or 56 per cent of all Thai trade. It is expected that, once it is in place, the RCEP would be able to increase that figure. A study by the DTN and the Thailand Development and Research Institute found that after the RCEP is ratified, the country's gross domestic product would increase by 4.03 per cent. Thai products that will enjoy more trade liberalization are mainly processed fruits and vegetables, processed food, electrical appliances, electronic goods, auto parts, rubber and plastic.

BOT governor views on outflows driven by US policy

The governor of the [Bank of Thailand](#) said that he was not concerned about capital outflows after the US Federal Reserve reduced its monetary stimulus, while he expected Thailand's gross domestic product to post 3-per-cent growth in the latter half of 2014. Mr. Prasarn expressed more concern over slowdowns of domestic consumption and investment, due to the ongoing political unrest. Consumption and investment will take some time to recover. He said that he expect the Thai economy to expand by about 3 per cent in the second half of 2014. Thai GDP expanded 2.9 per cent for the whole of 2013, with a sharp economic slowdown in the last quarter. He also said that the aim was to balance financial stability and long-term economic expansion. He added that for now, the US monetary stimulus is not an issue for Thailand.

Asean agrees to push integration beyond AEC launch

During the recent 25th ASEAN senior officials meeting in Yangon, ASEAN permanent secretaries have agreed to continue promoting Asean trade and economic integration even after the full realization of the Asean Economic Community next year. The "Asean Miracle and AEC plus 2015" plan was also formulated during this meet. Ms. Srirat Rastapana, permanent secretary of the Thai Commerce Ministry, said that the plan would be proposed to the Asean Economic Ministers meeting in August 2014. It would continue to promote closer ties in all aspects, including trade, services, investment, trade competitiveness, economic development and logistics linkages. The Economic Research Institute for Asean and East Asia has drafted four key proposals for post-2015 Asean – (i) Continue reducing and eliminating non-tariff barriers and increase trade facilitation, (ii) Increase competitiveness for Asean investors by focusing on innovation, technology and human-resources development, (iii) Strengthen cooperation in food security, energy, disaster management and the development of SMEs and (iv) Enhance Asean's role on the global stage and amend each country's laws and regulations to be more effective and up-to-date.

Govt eyes income from 1m-tonne G2G China rice sale

The caretaker government hopes of bringing in some funding from the sale of 1 million tonnes of rice from the state stockpile via a government-to-government deal to pay what it owes farmers under the rice-pledging programme. An industry source said that the Chinese government could sign an agreement for the deal in the next few weeks depending on the Thai government's readiness. This G2G deal has to be done with China's state-owned enterprise COFCO as the Thai government's counterpart.

17. TRADE ENQUIRIES HANDLED BY THE EMBASSY DURING THE MONTH OF FEBRUARY 2014:

From Thailand: 04

From India: 15

[Approximately 100 -115 trade enquiries attended over telephone]

18. BUSINESS VISAS ISSUED IN FEBRUARY 2014: 601

19. DETAILS OF EXHIBITIONS & FAIRS TO BE HELD IN BANGKOK DURING 2014 ARE ATTACHED AS ANNEXURE-A.

20. SELECT WEBSITES

ORGANIZATION	WEB ADDRESS
Ministry of Commerce (Govt. of Thailand)	www.moc.go.th
ASEAN Secretariat	www.aseansec.org
Embassy of India, Bangkok	www.indianembassy.in.th
Royal Thai Embassy, New Delhi	www.thaiemb.org.in
India-Thai Chamber of Commerce(ITCC)	www.itcc.or.th
The Thai Chamber of Commerce & Board of Trade of Thailand	www.thaichamber.com
The Federation of Thai Industries (FTI)	www.fti.or.th
Department of Export Promotion(DEP)	www.depthai.go.th
Department of Business Development(DBD)	www.dbd.go.th
Board of Investment (BOI)	www.boi.go.th
Bank of Thailand(BOT)	www.bot.or.th
Bangkok Post (Newspaper)(BP)	www.bangkokpost.com
The Nation (Newspaper)(TN)	www.nationmultimedia.com
The National Economic & Social Development Board (NESDB)	www.nesdb.go.th

(Naveen Saxena)
First Secretary (Economic & Commerce)

**List of Fairs & Exhibitions in
Thailand During the Calendar
Year 2014**

ANNEXURE-A

Sl. No.	From Date	To Date	Event(s)	Venue
1.	8-Apr-14	10-Apr-14	<u>FIAAP ASIA 2014</u>	BITEC
			<u>Ingredients & Additives used within the production of animal feeds, petfoods, and aquafeeds</u>	
2.	8-Apr-14	10-Apr-14	<u>VICTAM ASIA 2014</u>	BITEC
			<u>Equipment & Technology used in the processing of animal feeds, petfoods, and aquafeeds</u>	
3.	8-Apr-14	10-Apr-14	<u>GRAPAS ASIA 2014</u>	BITEC
			<u>Equipment, Technology & Ingredients used in rice & flour milling & grain processing</u>	
4.	23-Apr-14	25-Apr-14	<u>Asian Paper 2014</u>	QSNCC
			<u>Asia's Premier Event for Pulp, Paper & Board Industry, equipments, machineries, chemicals, services and suppliers for pulp, paper, board and tissue production</u>	
5.	28-Apr-14	1-May-14	<u>Thailand Auto Parts & Accessories 2014</u>	BITEC
			<u>Trade Days : 28-30 April, 2014 (10.00-18.00 hrs.) / Public Day : 1 May, 2014 (10.00-18.00 hrs.)</u>	
6.	15-May-14	17-May-14	<u>SUBCON THAILAND 2014</u>	BITEC
			<u>ASEAN's Leading International Industrial Subcontracting Event</u>	

7.	15-May-14	18-May-14	<u>INTERMACH</u>	BITEC
			<u>ASEAN Leading International Machinery & Subcontracting Exhibition</u>	
8.	15-May-14	18-May-14	<u>SHEET METAL ASIA 2014</u>	BITEC
			<u>Asian International Sheet Metal Fabrication technology and Machinery Exhibition</u>	
9.	15-May-14	18-May-14	<u>AUTOMOTIVE ENGINEERING ASIA 2014</u>	BITEC
			<u>Asian International Sheet Metal Fabrication technology and Machinery Exhibition</u>	
10.	15-May-14	18-May-14	<u>MACHINE TOOLS THAILAND 2014</u>	BITEC
			<u>Thailand's Specialised Machine Tool and Metal Cutting Exhibition</u>	
11.	15-May-14	18-May-14	<u>MOLDEX 2014</u>	BITEC
			<u>International Special Tooling and Machining Exhibition</u>	
12.	15-May-14	18-May-14	<u>WELDTECH 2014</u>	BITEC
			<u>Thailand's Specialised Technology Trade Show</u>	
13.	15-May-14	18-May-14	<u>IA ROBOTICS 2014</u>	BITEC
			<u>Thailand's Only Industrial Automation Show</u>	
14.	15-May-14	18-May-14	<u>LOGISPRO THAILAND</u>	BITEC
			<u>Thailand Specialised Logistics transport and Materials Handling Show</u>	
15.	4-Jun-14	7-Jun-14	<u>ENTECH POLLUTEC ASIA 2014</u>	BITEC

			<u>The 23rd International Exhibition of Environmental Protection and Pollution Control System</u>	
16.	4-Jun-14	7-Jun-14	<u>RENEWABLE ENERGY ASIA 2014</u>	BITEC
			<u>The 9th International Renewable Energy Technology Exhibition and Conference</u>	
17.	4-Jun-14	7-Jun-14	<u>PUMPS & VALVES ASIA 2014</u>	BITEC
			<u>The 14th International Specialized Pumps & Valves, Pipes & Fitting Hardware Exhibition</u>	
18.	4-Jun-14	7-Jun-14	<u>BOILEX ASIA 2014</u>	BITEC
19.	16-Jul-14	19-Jul-14	<u>Plastic Extrusion Week 2014</u>	BITEC
			<u>International Exhibition & Conference on Plastic Extrusion Technologies</u>	
20.	24-Jul-14	27-Jul-14	<u>Thailand Franchise & Business Opportunity (TFBO)</u>	BITEC
			<u>ASEAN's No. 1 franchise and biz opz show</u>	
21.	24-Jul-14	27-Jul-14	<u>Thailand Retail, Foods & Hospitality Services (TRAFS)</u>	BITEC
			<u>Thailand's No. 1 international show on food equipment and supplies for Hotels, Resorts, Serviced Apartments, Fine Dining, Restaurants, Catering and retail businesses</u>	
22.	1-Sep-14	3-Sep-14	<u>PHARMEX Asia 2014</u>	BITEC
			<u>The international pharmaceutical, medical and healthcare exhibition of manufacturing technology, equipment, product and services for Asia</u>	
23.	2-Sep-14	4-Sep-14	<u>Oil&Gas Thailand</u>	BITEC
24.	3-Sep-14	4-Sep-14	<u>World Sugar Expo</u>	BITEC

25.	4-Nov-14	6-Nov-14	<u>Cosmex</u>	BITEC
			Machinery, packaging , Processing Equipment	
26.	13-Nov-14	16-Nov-14	<u>Pumps & Systems Thailand</u>	IMPACT
			<u>This event showcases products like pumping equipment&systems, piston pumps, water pumps</u>	
27.	19-Nov-14	22-Nov-14	<u>Metalex Thailand</u> <u>Metalex ranks as one the most widely-anticipated trade show events related to the Manufacturing industry happening in Thailand.</u>	BITEC

