



**Weekly Economic News
[27th January to 2nd February 2014]**

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➤ **Bilateral**

Tata Motor's MD died in Bangkok

Tata Motors Managing Director Mr. Karl Slym apparently committed suicide by jumping out of the window of his hotel room in Bangkok where he was attending a board meeting. He had been Tata's managing director since joining the country's leading automotive group in 2012. He had led Tata's operations in India and international markets, excluding the Jaguar and Land Rover businesses.

➤ **Internal**

FTI unveils proposals to assist SMEs

The Federation of Thai Industries has proposed various measures to the caretaker and the incoming governments in support of SMEs, especially in the tourism and retail industries, which were the hardest hit by the political crisis. According to the FTI, export sector remained largely oblivious to the unrest. The FTI predicted SME growth for this year at 3-4 per cent if the situation normalizes by the first half. Besides the impact of the political turmoil, SMEs face other problems including lower competitiveness. FTI also suggested that government should support the development of SMEs by helping them raise the quality of their products and lower cost while maintaining the minimum wage at Bt300 per day. From the survey conducted by the FTI from January 17-22, 2014, 70 per cent of SMEs predicted their operating results to be lower than last year.

Government plans to borrow to make payments to rice farmers

Rice farmers could be paid for their crops next month after the Public Debt Management Office (PDMO) opens bidding to domestic financial institutions for funds to shore up the rice-pledging scheme. According to PDMO sources, they would gradually borrow in small batches of not more than Bt30 billion each and this would reach farmers' within one-month time. PDMO was waiting for formal advice from the Council of State on whether borrowing Bt130 billion for the scheme would contravene Article 181 of the Constitution. With the Council's preliminary interpretation that the government can borrow for the scheme, the PDMO would take out short-term bridge loans from commercial banks. Bidding for loans is the PDMO's normal process to manage its financing costs.

Mid-sized stores disturbed from turmoil

At least 100 medium-sized information technology stores would close this year due to the unfavorable economic climate and political impasse. According to Mr. Nath Natnithikarat, Chief Executive of Advice Holding Group, the operator of the Advice IT franchise, IT shops sized over 64 square metres are likely to shut down in the second half of this year as they would not be able to shoulder higher inventory costs due to poor sales. However, larger IT retail chain stores would survive due to their strong financial health and capacity to diversify into a greater variety of mobile device products. He acknowledged that his eight franchised stores had been already closed down in overlapping locations.

Industrial production index down

In year 2013, Thailand's overall industrial production index contracted by 3.2 per cent amid a 64.38-percent production utilization capacity rate. Mr. Somchai Harnhirun, Director-General of the Office of Industrial Economics (OIE) said that 6.1-per-cent year-on-year decline in the industrial production index last month was attributed to lower output of vehicles, hard-disk drives, and canned and frozen seafood products. The production index last quarter declined by 7.1 per cent from the fourth quarter of 2012 amid a 62.20-percent production utilization capacity rate. This was attributed to a slowdown in exports due to sluggish global economy, coupled with weaker domestic consumption and demand for autos that led to lower vehicle outputs. However, the OIE expected that gross domestic product this year could grow by 3-4 per cent if the current political unrest ends within the next three months.

Bt50 bn loss expected in Q1 revenue from tourism

The tourism industry has lost income so far in the New Year due to the political turmoil afflicting Bangkok. According to Ms. Piyamarn Techapaibul, President of Tourism Council of Thailand (TCT), hotel occupancy in the affected areas of Bangkok has dropped to 50 per cent, while those in central business district near protest sites have seen their rates dwindle to 40 per cent. The TCT's 2014 revenue target for the tourism industry is Bt1.3 trillion. She added that due to the protests and the government's decision to declare a state of emergency in metro Bangkok, the industry was expected to see around Bt50 billion worth of income loss in the current quarter. That loss could swell to Bt80 billion if the situation turns violent or remains unsolved until the next quarter. She also mentioned that in the past three months there was a loss of around one million tourist out of total 7.5 million tourists expected to visit Thailand.

Auto-parts sector affected

According to the Thai Auto Parts Manufacturers Association (TAPMA), truck makers have cut down parts orders by 70 per cent as sales slow due to intensifying political tension. TAPMA honorary President Mr. Prasartsilp On-aht said that dealers are facing hard times selling big trucks. Meanwhile, small trucks could find buyers, but combined vehicle sale volume could fall below forecasts. He added that the auto production in Thailand might fall from the 2.7 million-unit target in 2014 to 2.55 million. The auto-parts industry of Thailand generates annual revenue of about Bt700 billion.

IT staff shortage to worsen by 2016

According to a survey conducted by the technology research firm IDC, Thailand's emerging information technology (IT) networking industry is expected to see **a 30% shortage of skilled professionals by 2016 due to the proliferation of internet devices and the economic slowdown**. As per the survey, last year the shortage of IT networking professionals in the Thai market was 28% or 21,330 people and that would rise to 30% or 35,357 by 2016. For Asia-Pacific excluding China and Japan, IDC estimated the shortage of 252,732 IT networking professionals at the end of 2012 would increase to 482,671 by 2016. The unfilled ICT-related jobs would reach 2 million globally within the next 10 years. IDC was commissioned by the world's largest networking firm, Cisco Systems Inc, to work on its global study entitled "The Evolution of the Networking Skills Gap in Asia-Pacific". IDC conducted 504 interviews in Thailand, Australia, India, Indonesia, South Korea, Malaysia, the Philippines and Vietnam.

BoI narrows SME focus to raise competitiveness

The Board of Investment (BoI) has adjusted its investment promotion for small and medium-sized enterprises, focusing on four groups of SMEs. With the latest adjustment, 39 types are listed in the BoI's SME policy, down from 57 in 2011. The four sectors in which the BoI aims to boost competitiveness are value-added agricultural products, creative industries, services and tourism, and supporting industries that require skills in production. After the expiry of the SME policy in 2011, the BoI in October 2013 decided to adjust the measures for supporting SMEs to bring them in line with new target groups under the main investment promotion policy. With the new policy, projects that were approved by the BoI would be offered an eight-year corporate income tax holiday and a waiver on tax for imported machinery, regardless of zoning. In 2011, 432 projects worth 19.45 billion baht received BoI privileges under the SME policy, covering 57 business types. In 2010, 252 projects worth 7.14 billion baht were approved for 10 business

types. The BoI will hold a seminar on March 20, 2014 at the Miracle Grand Convention Hotel in Bangkok to explain the details of the new policy, such as the waiving of tax on machinery, raw materials and corporate income. In 2013, 2,437 projects sought BoI privileges worth 1.1 trillion baht, 20% higher than the target. The figures were slightly lower than 2,437 projects worth 1.18 trillion in 2012. Originally, the agency projected applications would reach 900 billion baht in 2013.

Business registration up 5 per cent in 2013

According to a report released by Ministry of Commerce, Kingdom of Thailand, in 2013, 67,000 companies nationwide filed for business registration, an increase of 3,457 or 5 per cent over the 63,845 companies registered in 2012. Most of the business registrations were in the construction and property sectors. As of December 31, 2013, the number of registered business nationwide stood at 559,713, with registered capital totalling Bt10.75 trillion, comprising 381,436 limited companies, 1,038 public listed firms and 177,239 limited partnership/registered ordinary partnership firms.

Thai Exports down 0.31% year-on-year

Ms. Srirat Rastapana, Permanent Secretary in Ministry of Commerce, Thailand said that exports for 2013 contracted by 0.31% year-on-year, worth a total value of US\$228.53 billion. Imports were up 0.29% last year, worth \$250.72 billion, resulting in a trade deficit of \$22.19 billion. She added that exports for Dec 2013 rose 1.87% on Dec 2012, worth \$18.44 billion. Imports for the month were down 9.90%, with a total value of \$18.72 billion, posting a trade deficit of \$285 million.

➤ **External**

Japan to provide aid to ASEAN

Japan will provide 660 billion yen (212 billion baht) in financial assistance to Asean members' infrastructure projects over the next three years. Much of the money, in the form of grants and loans, will go towards investment projects under the Greater Mekong Subregion (GMS) regional cooperation. For Japan, Asean is a strategic area due to large amount of activity in the region by Japanese investors, especially industrial development. Infrastructure projects linking Asean members are therefore seen as crucial and among these projects particular important is the Southern Economic Corridor, which would create a smooth logistics link from Cambodia through Thailand and Myanmar to India. The GMS has a five-year infrastructure plan comprising 55 projects with combined investment of US\$44.4 billion to build roads, railways, bridges and ports.

Thai Garment exports to benefit from US, Japan recovery

Thailand's garment industry anticipates an improved export situation in 2014. Mr. Sukij Kongpiyajarn, President of the Thai Garment Manufacturers Association, said that foreign shipments would improve by 5% from last year on the back of the economic recovery in the US and Japan. Meanwhile, the euro zone's economy would neither worsen nor improve much, while Asean markets are still growing. In the first 11 months of 2013, garment exports totaled US\$3 billion, down by 4.2% year-on-year. The latest round of domestic political unrest has not directly affected the export sector, but it could affect more if the protests start disrupting logistics.

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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]