

Thai News Update: 21 June 2018

1. Thai Business Outlook Weakest In ASEAN Due To Political Instability

Source: Nikkei Asian Review ([Link](#))

Thailand's business outlook is the weakest among the Association of Southeast Asian Nations as political instability still weighs on investor confidence, according to the latest survey by Grant Thornton, a global consultancy company. The Thai economy had turned a corner since the first quarter of 2017 and registered an expansion of 3.9% in gross domestic product in 2017. But despite that, Grant Thornton's quarterly "International Business Report" showed that only 16% of local and global corporations were optimistic about Thailand's business outlook, compared with 98% for Indonesia, 74% for the Philippines, 34% for Singapore and 28% for Malaysia. Nonetheless, the rate for Thailand had improved from 4% in second quarter of 2017, 8% in third quarter of 2017, 10% in the fourth quarter and 16% in the first quarter of 2018. Grant Thornton interviewed more than 10,000 companies globally for the report.

2. BOT Wary Of The Impact From US-China Trade War

Source: The Nation ([Link](#))

Central bank keeps policy rate unchanged to facilitate growth; forecasts for GDP and export growth revised upwards amid weakening of the baht. Protectionism stirred by the trade disputes between the United States and China remains the biggest risk to the Thai economy and was partly responsible for the Monetary Policy Committee (MPC) keeping the policy rate unchanged to further accommodate economic growth, the central bank said on June 20. Soraphol Tulayasathien, director of Economic Stability Analysis Division at the Finance Ministry's Fiscal Policy Office, said that the current fall in stock values were a result of short-term volatility as the market was reacting to the threat of a trade war. Soraphol said the Thai economy was resilient to shoulder the impact of a volatile financial market. This is because the country has strong international reserves of US\$212 billion (Bt6.9 trillion), equivalent to 3.6 times short-term foreign debt or 9.8 times the monthly import value, he said. Thailand has also diversified its export markets, and was not dependent only on China and the US. Soraphol said the Thai economy was resilient to shoulder the impact of a volatile financial market. This is because the country has strong international

reserves of US\$212 billion (Bt6.9 trillion), equivalent to 3.6 times short-term foreign debt or 9.8 times the monthly import value, he said. Thailand has also diversified its export markets, and was not dependent only on China and the US. Soraphol said the prospects for exports and tourism looked promising.

3. Thai PTT Reaches Deal For French Company's Unit

Source: Nikkei Asian Review ([Link](#))

Global Power Synergy, the power generating subsidiary of Thailand's state-owned energy giant PTT, said on June 20 that it has agreed to buy the local arm of French utility company Engie. The deal, expected to close by year-end upon approval of authorities and shareholders, will help PTT diversify its portfolio which is now heavily reliant on oil and gas businesses. Glow Energy is one of the largest independent power producers in Thailand and the acquisition will nearly triple Global Power's generation capacity. According to stock exchange filings, Global Power has agreed to pay 97.56 billion baht for the 69.11% stake in Glow Energy directly and indirectly owned by Engie. The purchase price of 96.5 baht per share represents a 4.6% premium to Glow Energy's June 19 closing price of 92.5 baht. Global Power will launch a tender offer bid for the remaining 30.89% stake at the same price of 96.5 baht per share. The total acquisition will cost 141 billion baht, or \$4.3 billion, representing more than six times Global Power's revenue in 2017.

4. Thai Central Bank Stands Pat, Raises Growth Forecasts A Little

Source: The Star ([Link](#))

Thailand's central bank on June 20 held its benchmark interest rate, as widely expected, and raised its forecasts for growth and exports this year, saying Southeast Asia's second-largest economy continues to gain traction. Thailand has kept policy settings unchanged for more than three years. A current account surplus and low inflation mean that unlike some other emerging market central banks - such as Indonesia and India, which have external deficits - Thailand is under no immediate pressure to follow the U.S. Federal Reserve in shifting away from low interest rates. All 21 analysts in a Reuters poll predicted the Bank of Thailand's Monetary Policy Committee (MPC) would leave the one-day repurchase rate key rate at 1.50 percent. The vote to hold was 5-1. One member voted for a quarter-point increase and another was absent. The accommodative monetary policy stance

"remained conducive" to economic growth and should support the rise of headline inflation "toward target in a sustainable manner," the MPC said.