

EXIM Thailand Predicts Thai Export Growth in 2018 amid Rising Risks Assisting Thai Entrepreneurs in Forging ahead with New Market Penetration and Product Innovations

Mr. Pisit Serewiwattana, President of Export-Import Bank of Thailand (EXIM Thailand), anticipated continued growth of Thai export in the second half of 2018 (2H2018) to 127,387-132,120 million US dollars, up from 125,812 million US dollars in the first half of the year, resulting in an expected total export value in 2018 of 253,199-257,932 million US dollars, which represents a 7-9% year-on-year growth. Such forecast was based on three factors: **1. Robust global economic growth**, especially in developing countries and new frontiers, hence high growth prospects in 2018 for Thai export to new frontiers, such as the CLMV comprising Cambodia, Lao PDR, Myanmar and Vietnam (8.5%), India (24.2%), Africa (11.2%) and China (4.1%). **2. High oil and commodity prices** will benefit Thailand's export of such oil price-related goods as finished oil, chemicals, plastic resin and rubber products, aggregately expected to expand by 17.5%, and agricultural products by 6.6%. **3. Continued expansion of leading global manufacturers' production bases in Thailand**, as evident from net foreign direct investment (FDI) which in quarter 2 of 2018 (2Q2018) increased significantly by 85% year-on-year. This should contribute to Thai export in 2H2018, particularly export of the products of which Thailand has been major production bases. These products include automobile & parts, electronics and mechanical products. Thailand's export value in 2018 of automobile is expected to expand by 8.4%, electronics products by 4.8%, and mechanical products by 4.5%.

However, certain risk factors looming over Thai exports in 2H2018 include: **1. Intensifying trade protectionism**, the U.S.-China trade war in particular. At present, the U.S. has raised import tariffs to 25% on Chinese goods worth 34,000 million US dollars and planned to further increase tariffs on imports from China with likely repercussions on Thai export one way or the other; **2. Increasing Thai baht fluctuations**, due to divergence in monetary policies of world economic powers. This will trigger quicker and fiercer capital flows across countries. **3. Ongoing eruption of conflicts and natural disasters**, e.g. violence in the Middle East, internal unrest in Spain, and such natural disasters as storms, floods and earthquakes, which are likely to take place more often.

EXIM Thailand has in place a policy to promote investment with a view to drive export, whether it is investment in large-scale projects or investment by SMEs at home or abroad. Special emphasis is placed on the areas where the government has policies to incentivize investors and promote investment toward sustainable national development. EXIM Thailand has offered full-fledged credit facilities to promote investment in special zones, investment for national development, clean energy development, maritime business, and overseas investment. Thai entrepreneurs will thus have more options in their export endeavors and will be better positioned to encounter trade protectionist measures taken by developed countries.

EXIM Thailand also stands ready to support Thai entrepreneurs' expansion of export to markets with high potential and demand for Thai goods, particularly new frontiers like the CLMV nations which have now become significant players in global trade and economies. New frontiers' GDP to global GDP has risen from 22% in 1997 to 40% at present. Trade proportion among developed countries has dropped from 63% during 1990-1994 to only 38% at present, while trade between developed countries and developing countries, and trade among developing countries have surged from 37% during 1990-1994 to 62%. Thai entrepreneurs are thus encouraged to focus more on penetrating new frontier markets. These markets are attractive in various dimensions. They are not yet saturated, market competition remains relatively low, and population is large, mostly with young generation. Moreover, the number of middle-class consumers has been increasing at a rapid pace. Toward these ends, EXIM Thailand has developed new products and services to serve Thai entrepreneurs, particularly SMEs, by enhancing their potential, production capacity and working capital, and readiness to tap new markets with greater confidence, as well as expanding their export with more payment assurance from buyers overseas.

In 1H2018, EXIM Thailand posted a net profit of 754 million baht. As of the end of June 2018, the Bank's outstanding loans amounted to 96,477 million baht, an 11,087 million baht or 12.98% growth year-on-year, comprising 31,538 million baht in trade finance and 64,939 million baht in investment finance. This contributed to a business turnover of 85,999 million baht. The Bank had also supported entrepreneurs, particularly high potential SMEs to be competitive exporters and investors beyond Thailand. Outstanding SME loans were recorded at 32,968 million baht, which contributed to an SME business turnover of 49,241 million baht.

The Bank's non-performing loan ratio (NPL ratio) as of the end of June 2018 stayed at 3.39%, down by 0.22% year-on-year, with NPLs amounting to 3,274 million baht. Its allowance for doubtful accounts was 8,708 million baht, up by 759 million baht from the end of 2017. Of the total allowance, 3,912 million baht was minimum provision required by the Bank of Thailand, representing a ratio of loan loss provision against the regulatory requirement of 222.61%, hence enabling the Bank to maintain a strong financial status.

In 2Q2018, EXIM Thailand recorded 44,137 million baht in export credit and investment insurance business turnover, up by 8,777 million baht year-on-year and of which 8,012 million baht or 18.15% of the Bank's accumulated insurance business turnover came from SMEs' export. As for support of Thai entrepreneurs' international trade and investment, EXIM Thailand currently has a total accumulated loan approval amount of 68,497 million baht for international projects, with outstanding loans as of the end of 2Q2018 accounting for 38,308 million baht. The Bank has remained steadfast in promoting Thai trade and investment expansion to such emerging markets as the CLMV, with outstanding loans amounting to 29,077 million baht, which was a 1,182 million baht growth from the end of 2017. In 2017, the Bank opened a representative office in Yangon City of Myanmar. This year it has recently opened a representative office in Vientiane City of Lao PDR and will also open one in Cambodia in 2019.

“EXIM Thailand is ready to promote and support Thai entrepreneurs in adapting to and catching up with new global trends, whether they are developments towards the ageing society, or emergence of trade innovations and platforms of the new era, growing health concerns and awareness of environmental protection. Thai entrepreneurs must be enabled to upgrade the supply chain capabilities of the manufacturing sector to avoid price competition, enhance their potential to develop or innovate Thai goods to best respond to the needs of consumers of the new era, and boost long-term competitiveness in high-end markets, especially new ones that come with vast opportunities for Thai entrepreneurs,” added Mr. Pisit.

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