

EXIM Foresees Innovation as Main Driver of Export Growth **Exporters, Particularly, SMEs Must Enter New Markets to Expand Customer Base and** **Achieve Sustainable Growth**

EXIM Thailand projects that Thai export growth in the second half of 2019 will hinge upon products with unique characteristics, yet meeting the global market expectation while emphasizing diversification into new markets and innovation to meet modern consumers' demand. EXIM Thailand has stepped up its support to exporters, especially SMEs to help them start or expand export business, reflecting in a sharp increase of 69% in SMEs credit outstanding over the past five years. Such growth resulted from continued product and service development and incubation of new exporters.

Mr. Pisit Serewiwattana, President of Export-Import Bank of Thailand (EXIM Thailand), revealed that, in the first half of 2019, Thai export shrank by 2.9% as a result of the ongoing trade war between the US and China which had continuously dampened Thai export in the supply chains with heavy dependence on the Chinese market, such as computers and parts, printed circuit boards, plastic resin, etc. The gloomy outlook led EXIM Thailand among other agencies to revise down their export growth forecast to merely 0.2% for 2019.

Thai export growth in the second half of 2019 will depend largely on **a group of rising star products** that have recorded consistent growth for the past years amid several looming risks. This group of products comprise consumer goods in which Thailand has high expertise, especially processed foods, fruits and vegetables, beverages, seasonings and cosmetics. Meanwhile, certain goods have benefited from Thai tourism which helps highlight Thai identity on the global market, comprising Thai foods, herbs and kitchenware. In addition, the side effects of the **US-China Trade War have indirectly helped Thai products** bearing certain similarities and serving as close substitutes for Chinese goods to increase US market shares such as car tires, toys, garments, electrical appliances, and so on.

Concurrently, a number of products continue to maintain competitiveness, thanks to Thai producers' adaptability and ability to evade the trade war impacts. These are **products taking refuge in alternative markets**. Most of these products are part of the Chinese supply chains, including *computers and parts* of which high growth is seen in India, Mexico, Vietnam, etc., *printed circuit boards* which have grown healthily in Mexico and Belgium, and *wood and products* the impressive expansion of which is seen in the Cambodia, Lao PDR, Myanmar and Vietnam (CLMV) and India. Even though these markets cannot absolutely replace the Chinese market, they have reduced the prevailing adverse impact and sustained Thai export to some extent. At the same time, certain **products respond to existing demand and expand in new markets**, somewhat substituting demand shrinkage in the existing markets. Demand for *rubber*, for example, contracted as resulted from pricing problem and slowing demand from China which is Thailand's largest rubber market, but robust growth is witnessed in such markets as East Europe, Canada, etc. However, Thai rubber requires greater development to better compete in the long term. Likewise, export of *auto and parts* to Australia which is Thailand's largest export market for the product has continued to contract in the backdrop of economic slump. On the contrary, export to the CLMV and India has expanded as driven by the increasing middle-class population and continued demand for oil fueled cars. Nevertheless, **in the long run, Thai products need to use production technology and innovation to fulfill the changing demand of new generation consumers**. For example, with the increasing awareness of environmental protection and energy saving in several countries, demand for electric vehicles (EV) and bio-chemicals has been on an upward trend.

Another engine that may help sustain Thai export comes from the **service sector**. Apart from Thai tourism which has already reached a top 10 on the global scale in terms of both revenues and number of visitors, other service sectors such as construction, logistics and recreation have grown in reputation, giving a boost to export of other related industries.

Mr. Pisit further said that EXIM Thailand has recently accelerated support for Thai exporters, particularly SMEs, for their business start-up and expansion. Outstanding loans to SMEs surged from 22,930 million baht in 2014 to 38,834 million baht as of the end of June 2019, representing a growth of 69% in the past five years and 17.79% year-on-year. Total outstanding loans of the Bank in the first half of 2019 amounted to 107,183 million baht, a 10,706 million baht or 11.10% growth year-on-year. This contributed to a business turnover of 94,750 million baht, of which 52,953 million baht came from SMEs. SME exporters continue to gain greater access to EXIM Thailand's financial facilities, representing 12.48% of SME exporters across the country attributable to the Bank's product and service development and Thai entrepreneurs to exporters incubation projects.

At present, EXIM Thailand has extended loans for international projects in a total amount of 86,024 million baht with outstanding loans of 41,330 million baht as of the end of June 2019. Outstanding loans to support Thai entrepreneurs' trade and investment expansion to the CLMV amounted to 30,415 million baht, a 1,338 million baht year-on-year increase.

Besides, EXIM Thailand has rendered export credit insurance to enhance Thai entrepreneurs' confidence in penetrating new frontier markets or expanding export. In the first half of 2019, the Bank recorded 53,920 million baht in export credit and investment insurance business turnover, up by 9,153 million baht year-on-year, of which 11,487 million baht came from SMEs' export, representing 21.56% of the Bank's accumulated insurance business turnover.

In view of operating results in the first half of 2019, EXIM Thailand posted a net profit of 523 million baht. NPLs ratio as of the end of June 2019 stood at 4.26%, with NPLs amounting to 4,566 million baht. Allowance for doubtful accounts was 10,027 million baht, a 1,318 million baht increase from the corresponding period of the previous year. Of the total allowance, 6,167 million baht was minimum provisioning requirement by the Bank of Thailand, which represented a ratio of loan loss provision against the regulatory requirement of 162.58%, hence enabling the Bank to maintain a strong financial status.

“Thai export has contracted but we have stronger immunity than several peer countries thanks to our unique and distinctive identity that has earned global recognition. That is why Thai products are still in high demand abroad. However, changes in global circumstances and behaviors of new generation consumers are hard to predict. Thai exporters need to keep abreast of latest news and developments, improve their products and services to attract consumers, meet and lead their demand for successful and sustainable market making. EXIM Thailand stands ready to support Thai exporters of goods and services, including indirect exporters in the supply chains by providing consultancy as well as recommending financial and risk mitigation tools that will facilitate sustainable expansion of Thai goods to consumers with high purchasing power in both existing and new frontier markets. This will subsequently contribute to Thailand's national development even amid the global economic volatility,” added Mr. Pisit.

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