

# **Thailand's Economic Outlook and Policies for Growth**

**for Discover Thailand Seminar:  
Business Opportunities**

**at House of Commerce,  
Iceland Federation of Trade**

**6 September 2016**

**Ms. Ketsuda Supradit**  
**Minister (Economic and Finance)**  
**for UK and Europe**



# Outline

**1. Key facts**

**2. Recent Economic Situation and Outlook**

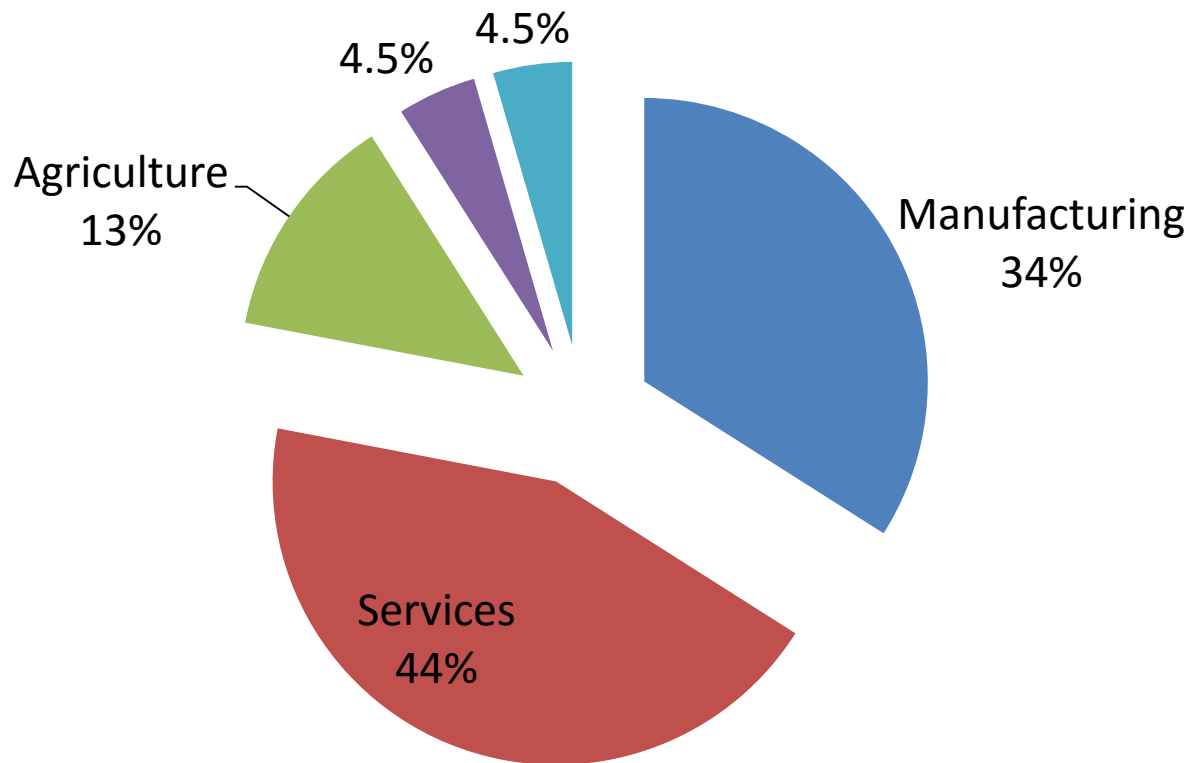
**3. Economic Policies for Growth**

**4. Why should you invest in Thailand?**

# Key facts....

- **Area:** 513,120 sq km
- **Population:** 67 million
- **Top five cities by GPP:** Rayong (East), Chacherngsao (East), Bangkok (Central), Chonburi (East), Ayudhaya (Central)
- **Currency:** Baht (current 1 Euro = 36 Baht)
- **GDP:** US\$395.3bn (2015), 2<sup>nd</sup> largest economy of Southeast Asia
- **Real GDP growth:** 7.8pc (2010), 0.1 pc (2011), 6.5pc (2012), 2.8pc (2013), 0.9 pc (2014), 2.8 pc (2015) 3.0-3.5 pc (2016)
- **GNI per capita :** US\$5,410, a upper-income country since 2011.
- **GDP share of world total:** 0.5pc

# Thailand's GDP composition

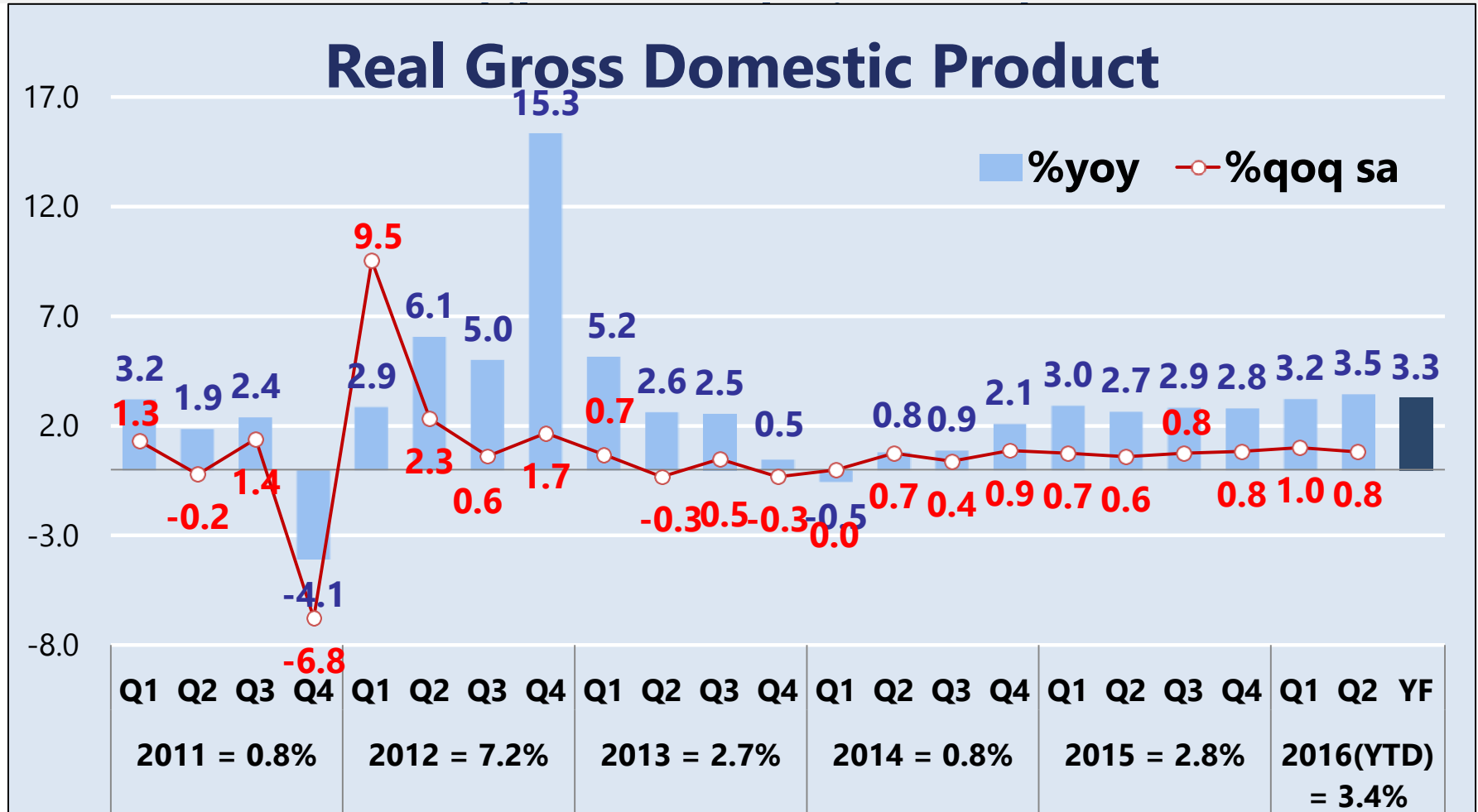


Services (44 pc) (consists of wholesale and retail trade (13 pc), transport, storage and communication (7 pc) hotels and restaurants (5 pc) Manufacturing (34 pc), Agriculture (13 pc)

## **2. Recent Economic Situation and Outlook**

# 1. Recent Economic Situation

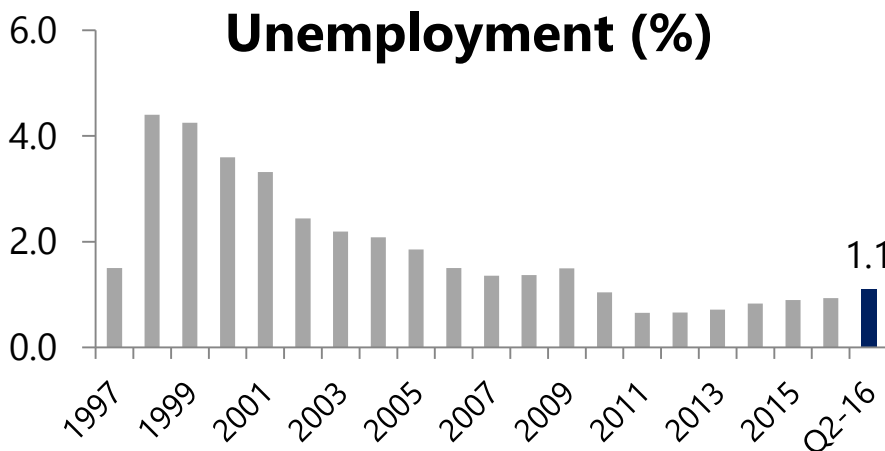
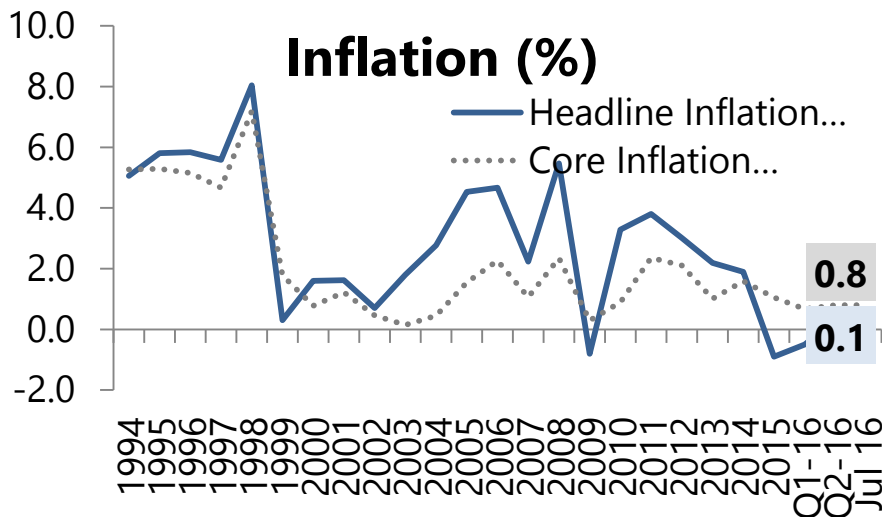
Thai economy in Q2/16 expanded by 3.5%, accelerating from the previous quarter mainly due to domestic demand



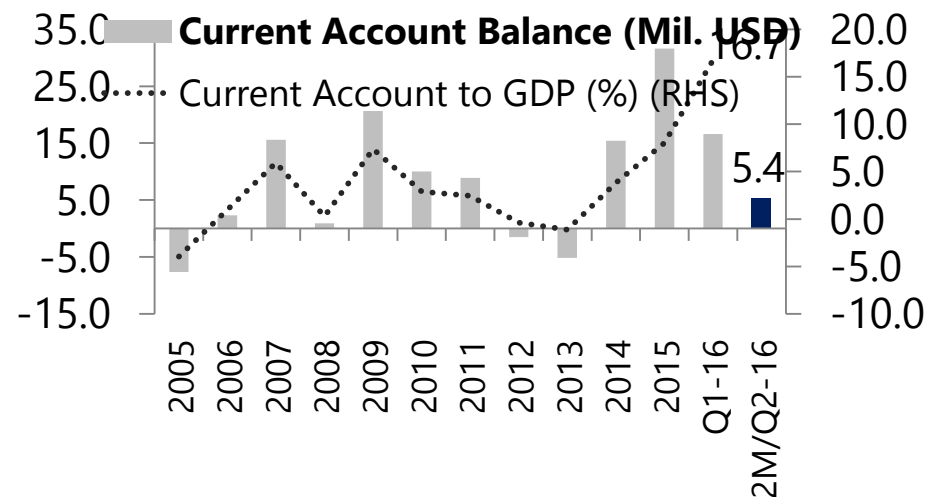
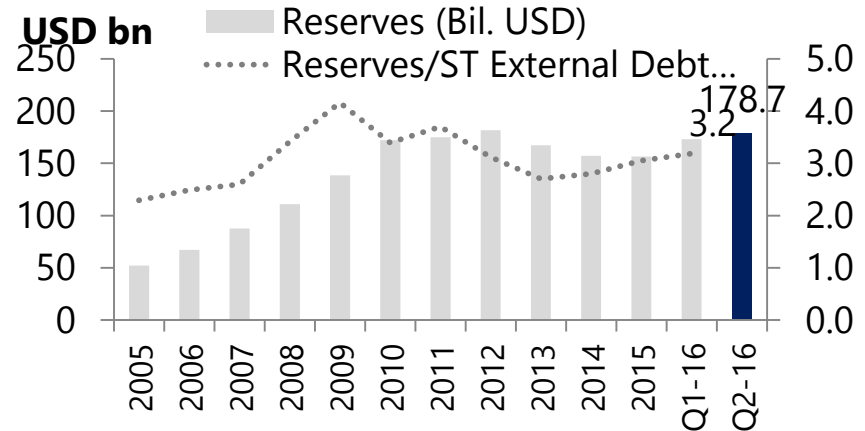
Source: National Economic and Social Development Board, Thailand

# 1. Economic Situations and Outlook: Internal and External Stability

## Internal economic stability



## External economic stability

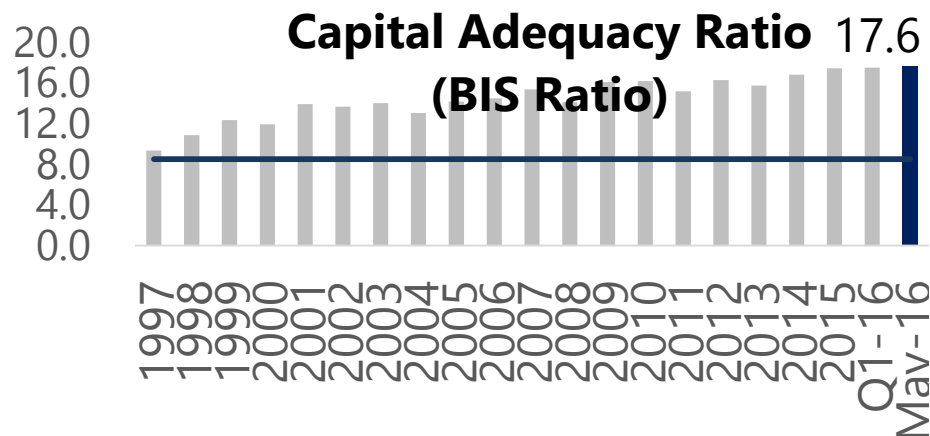


**Source:** Ministry of Commerce, National Statistics Office, and Bank of Thailand

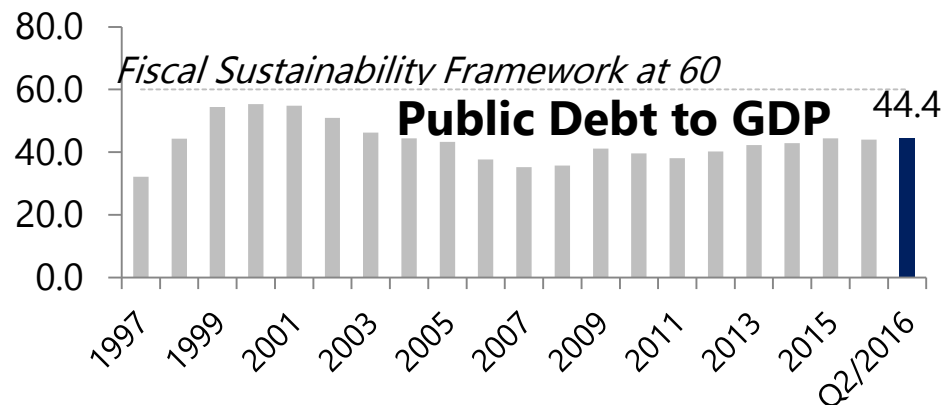


# 1. Economic Situations and Outlook: Financial and Fiscal Stability

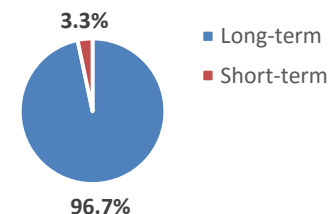
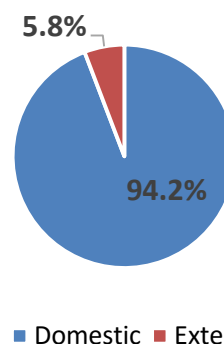
## Financial Sector



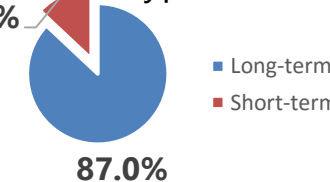
## Fiscal Sector



## Public Debt Component



## By instrument types



## By remaining maturity

**Source:** Bank of Thailand, Ministry of Finance, and IMF Fiscal Monitor (April 2015)

# Main Challenges

**1. Export Declining**

**2. Income Inequality**

**3. Aging Society**

**4. Middle Income Trap**

# Thailand's Economic Indicators : Exports

Growth rate : %YOY	2558	2558				2559				
(Share of GDP)		Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	YTD
Exports (Volume) (61.7%)	-3.4	-2.5	-3.9	-1.8	-5.6	1.0	-2.5	-	-	-0.8
Value \$ term (Custom Dep.) %yoy	-5.8	-4.7	-5.0	-5.3	-8.1	0.9	-4.1	-0.1	-6.4	-2.3
Price \$ term (Ministry of Commerce) %yoy	-2.3	-1.8	-1.8	-2.9	-2.7	-2.4	-0.8	-0.4	0.3	-1.4
Volume \$ term (FPO) %yoy	-3.6	-3.0	-3.3	-2.4	-5.6	3.4	-3.3	0.3	-6.7	-0.9
Export values (Share of values 2014 >> 2015)										
Electronic goods (14.5>>15.2%) %yoy	-1.3	2.2	-0.2	-3.8	-3.0	-4.2	-4.3	2.1	0.5	-3.6
Volume \$ term %yoy	-0.7	2.1	0.6	-2.8	-2.2	-3.4	-4.5	1.4	-0.1	-3.4
Electrical appliance (10.4>>10.4%) %yoy	-5.2	-0.5	-4.2	-4.7	-11.2	-6.8	-5.1	-2.5	-8.1	-6.3
Volume \$ term %yoy	-5.2	-1.2	-4.3	-4.5	-10.8	-6.7	-5.2	-2.6	-8.3	-6.3
Vehicle (13.5>>14.6%) %yoy	2.3	4.7	-4.8	7.1	1.9	0.5	6.8	21.9	-17.3	0.2
Volume \$ term %yoy	1.8	4.0	-5.1	6.8	1.3	-0.2	6.1	21.2	-18.0	-0.4
Agro-industry (7.5>>7.8%) %yoy	-2.4	0.5	-7.0	-2.0	-0.5	7.0	4.5	8.7	-4.7	4.1
Volume \$ term %yoy	-0.9	0.7	-5.4	1.0	0.5	9.5	4.9	7.7	-6.3	5.0
Agriculture (9.8>>9.4%) %yoy	-9.9	-14.1	-0.3	-11.1	-12.8	-5.7	-8.3	-11.9	-22.4	-9.2
Volume \$ term %yoy	-4.2	-9.1	4.3	-5.1	-5.7	3.2	-6.1	-10.4	-23.1	-4.6
Mineral and fuel (5.0>>3.8%) %yoy	-28.6	-29.6	-19.2	-34.1	-30.8	-37.1	-37.4	-39.9	-31.1	-36.2
Volume \$ term %yoy	-20.6	-21.1	-11.9	-25.3	-23.5	-26.5	-34.9	-39.8	-30.7	-31.0

# Exports by Destination

Major trade partners (Export share 2014 >> 15 )	2558	2558				2559				
		Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	YTD
Exports to the world (%yoy)	-5.8	-4.7	-5.0	-5.3	-8.1	0.9	-4.1	-0.1	-6.4	-2.3
1.USA (10.5% >> 11.2%)	0.7	5.6	2.6	0.2	-4.9	-3.2	0.6	4.7	0.0	-1.1
2.China (11.0% >> 11.1%)	-5.4	-14.4	1.2	-1.0	-6.3	-6.4	-10.3	-11.9	-13.5	-9.2
3.Japan (9.6% >> 9.4%)	-7.7	-9.2	-3.9	-8.2	-9.6	5.7	-7.5	-3.8	-8.5	-2.0
4.EU(9.2% >> 9.3%)	-5.7	-3.9	-8.4	-4.4	-5.9	-0.5	-1.0	0.9	-11.7	-2.4
5.Malaysia (5.6% >> 4.8%)	-20.2	-14.7	-18.3	-18.7	-28.5	-4.1	-12.9	-12.8	-14.0	-9.3
6.Hong Kong (5.6% >> 5.5%)	-6.2	-11.5	-9.0	-2.0	-1.9	0.6	-8.2	2.2	-5.6	-3.9
7.Middle East (5.1% >> 4.8%)	-10.0	-6.4	-23.7	-6.4	-3.0	-9.5	-2.5	-0.9	-20.6	-8.3
8.Australia (4.8% >> 5.3%)	5.3	10.1	7.6	8.4	-3.5	5.5	12.4	56.0	4.2	8.1
9.Singapore (4.6% >> 4.1%)	-16.2	-5.4	0.3	-26.1	-31.0	22.5	-35.7	-49.7	-9.6	-10.7
10.Indonesia (4.2% >> 3.7%)	-17.6	-15.4	-20.6	-21.0	-12.7	8.9	-7.3	-16.6	10.8	2.1
11.Africa (3.7% >> 3.2%)	-20.2	-14.5	-15.9	-22.1	-27.9	-11.7	-9.8	1.4	-31.2	-13.9
12.Vietnam (3.5% >> 4.2%)	13.0	17.7	16.7	8.3	10.9	3.1	-0.1	-6.8	-4.7	0.4
13.Philippines (2.6% >> 2.8%)	2.1	7.4	-3.4	-6.4	10.8	15.4	13.5	21.5	-0.6	12.3
14.India (2.5% >> 2.5%)	-5.7	6.1	-4.8	-11.5	-11.8	-9.1	-2.4	-0.1	-7.1	-6.0
15.South Korea (2.0% >> 1.9%)	-9.2	0.6	-16.4	-10.7	-8.6	-9.7	-8.3	-4.3	-9.6	-9.1
16.Taiwan (1.8% >> 1.6%)	-12.0	4.7	-11.5	-15.3	-23.1	-18.1	-1.1	1.2	-19.7	-11.4
PS.ASEAN-9 (26.1% >> 25.7%)	-7.2	-2.5	-5.9	-10.6	-9.3	3.9	-10.4	-16.9	-6.0	-3.8
PS.ASEAN-5 (17.0% >> 15.3%)	-15.1	-9.5	-11.8	-19.5	-19.1	9.1	-38.0	-23.0	-4.9	-3.5
PS.Indochina-4 (9.1% >> 10.4%)	7.7	10.5	5.5	7.2	7.9	-4.0	-3.5	-6.8	-7.7	-4.3

## **2. Economic Policies for Growth**

## **2. Economic Policies for Growth**

**How can we get out?**

**1. Stimulate Domestic Growth**

**2. Raise Productivity**

**3. Promote Inclusive Economic Growth**

## **2. Economic Policies for Growth**

### **New Growth Strategies**

**1. Maintain Strong Economic Foundation**

**2. Strengthen the existing industries or S-curves industries**

**3. Seed the new S-curves or Hi-tech industries**

## 2. Economic Policies for Growth

### 3 Main Focuses

#### 1. Improve supporting infrastructure

➤ **physical infrastructure**

➤ **Fintech: PromptPay**



## 2. Economic Policies for Growth

### 3 Main Focuses

#### 2. private investment:- in future industries

- encourage immediate investment.
- facilitate private sector participation in large public investment projects
- border towns near our high growth neighbours will be established.
- tax and non-tax incentives provided to hi-tech industries (S-Curve Industries)

## 2. Economic Policies for Growth

### 3 Main Focuses

#### 3. Improve productivity

- Promote research and development (R&D)
- incentives for private sector to do more R&D
- Encourage more coordinate between businesses and academic sector

## 2. Economic Policies for Growth

4 Layers to thoroughly support economic growth and boost private investment



# 2. Economic Policies for Growth

## 2.1 Local-level short-term treatments and competitiveness enhancements

**1. Village funds for investment**

**2. Village and sub-district funds**

**3. Drought treatments and Competitiveness Enhancement**

**3.1 Soft loans for urgent expenses in 1 year**


**3.2 Soft loans for SME per sub-district in 10 years**

**3.3 Soft loans to modify crops in 1 years**



# 2. Economic Policies for Growth

## 2.2 New PIT Deduction and Allowances for 2017 tax year onward



Deduction	
Current	New
40% of assessable income but not exceed ฿ 60,000	50% of assessable income but not exceed ฿100,000
Allowances	
Current	New
Personal : ฿ 30,000 Child : ฿15,000 each (limited to 3 children)	Personal : ฿ 60,000 Child : ฿30,000 each (for all children)

Reduce tax burden  
and improve  
income distribution

Please visit [www.mof.go.th](http://www.mof.go.th)

### Personal Income Tax Structure

Taxable Income up to 150,000 baht	Exempt
150,000 – 300,000 baht	5%
300,001 – 500,000 baht	10%
500,001 – 750,000 baht	15%
750,001 – 1,000,000 baht	20%
1,000,001 – 2,000,000 baht	25%
2,000,001 – <u>5,000,000</u> baht	30%

## 2. Economic Policies for Growth

### 2.3 SMEs empowerment: Financial Assistance

**1. Guarantee Scheme**

**4. Credit Guarantee for  
Micro entrepreneurs**

**2. Venture Capital Fund**

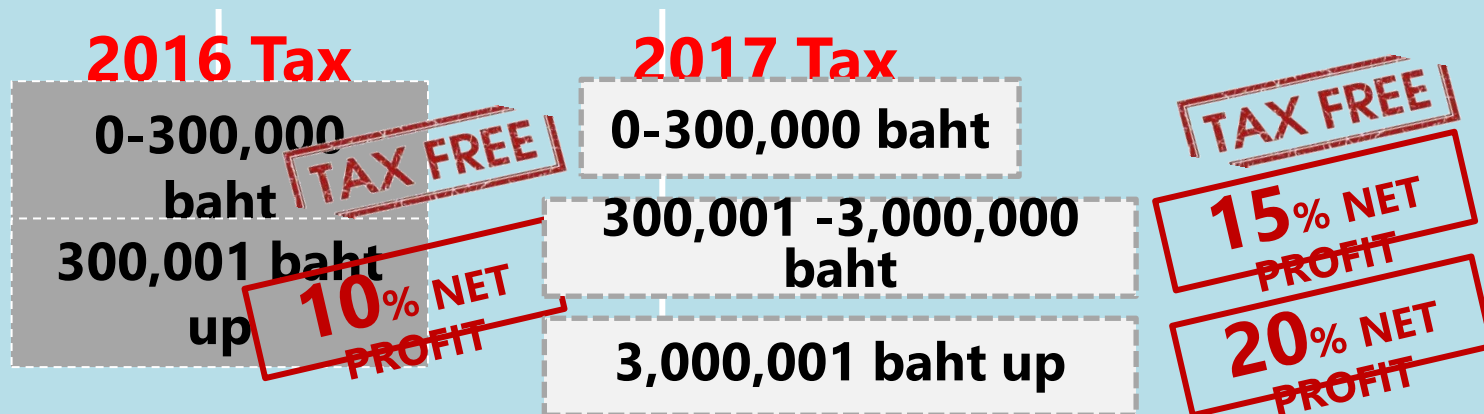
**5. Soft Loan for Replacing  
New Machines and  
Expanding Factories**

**3. Policy Loan**

# 2. Economic Policies for Growth

## 2.3 SMEs empowerment: Corporate Income Tax Privileges

### 1. SMEs OUT of One Bookkeeping System



### 2. SMEs IN One Bookkeeping System (Consolidate financial accounts and enter tax system)

2016 Tax year

TAX  
FREE

2017 Tax

0-300,000 baht  
Net Profit

300,001 baht up  
Net Profit

TAX FREE

10% NET  
PROFIT

## **2. Economic Policies for Growth**

### **2.4 New Start-up: Tax Privileges and Credit Guarantee Scheme**

- **S-Curve industry – CIT Exemption**
- **Innovation Technology Credit Guarantee Scheme**
- **Tax Exemption for Venture Capital Fund of dividends and capital gain for New Start-up company**



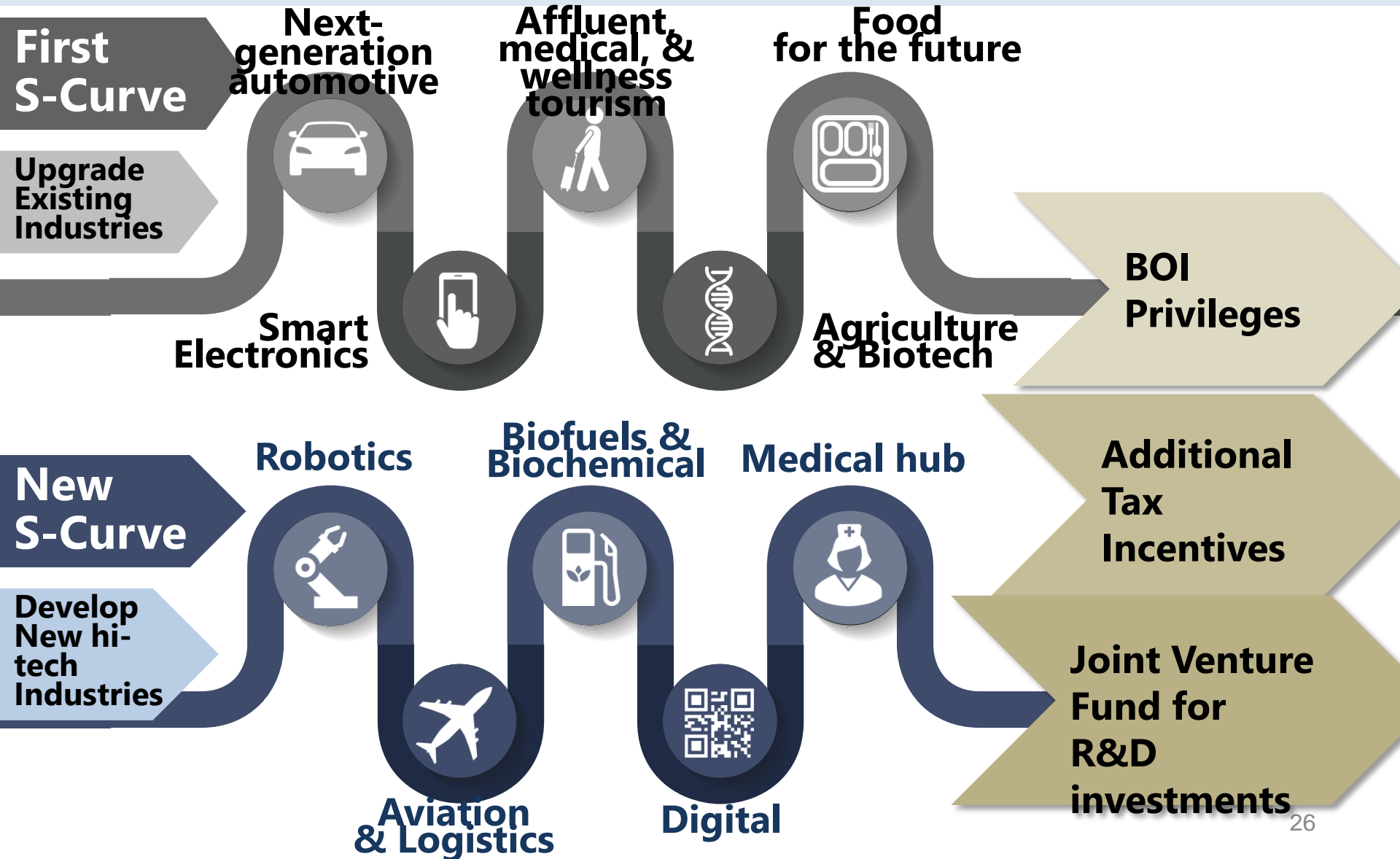
# 2. Economic Policies for Growth

## 2.6 Strengthen the Super Clusters



# 2. Economic Policies for Growth

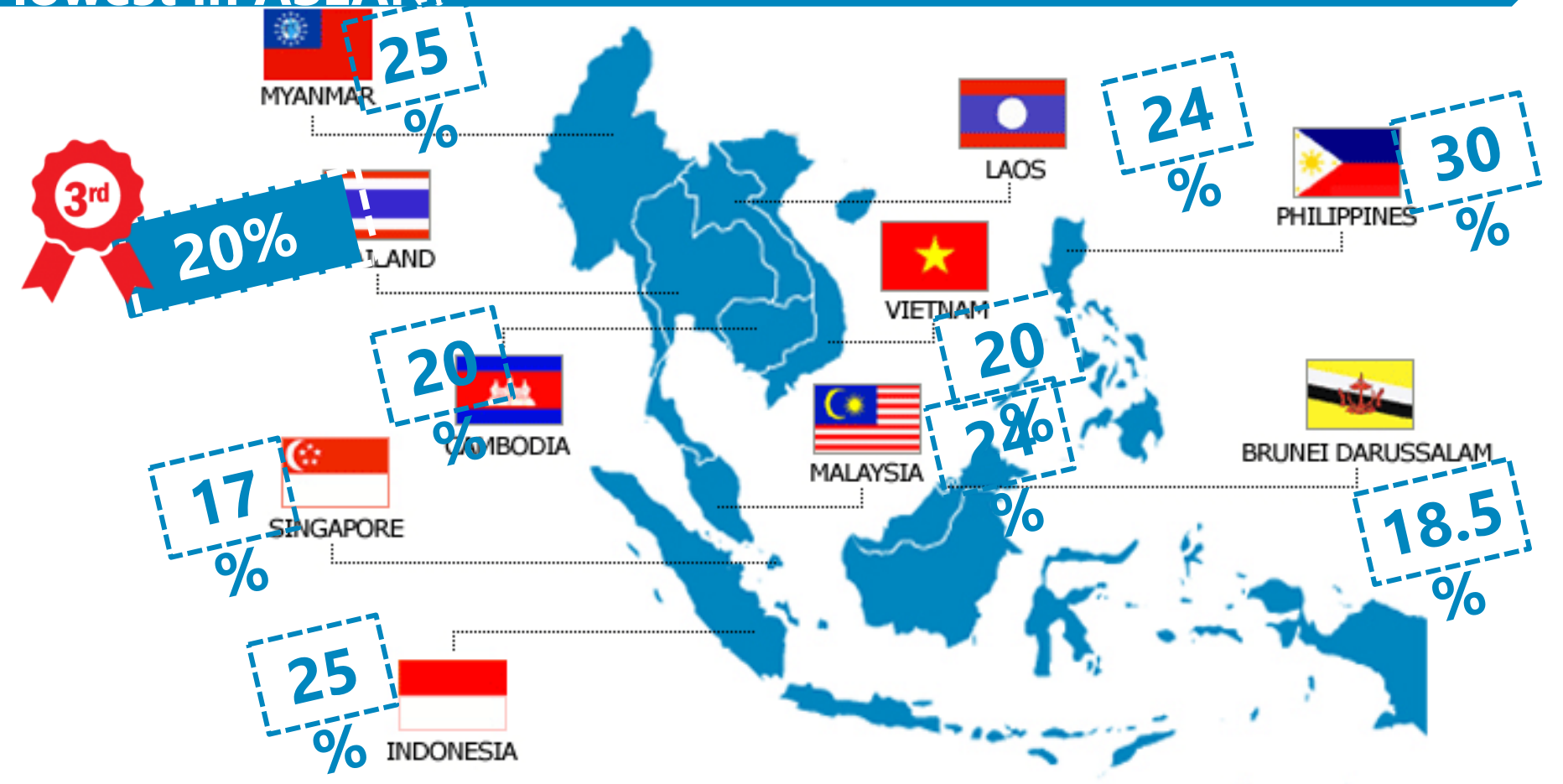
## 2.7 Seeding the New S-Curves



# 2. Economic Policies for Growth

## 2.8 Business Competitiveness Enhancement

Lower Corporate Income Tax to 20% permanently, the 3<sup>rd</sup> lowest in ASEAN.



# 2. Economic Policies for Growth



## 2.9 Business Competitiveness Enhancement

- Reinforce digital economy development   Improve social welfare management
- Reduce cash handling & transaction cost   Enhance efficiency and transparency

### PromptPay & Card Usage Promotion

- To enable e-Payment using alternative ID
- To promote debit card usage

### e-Tax

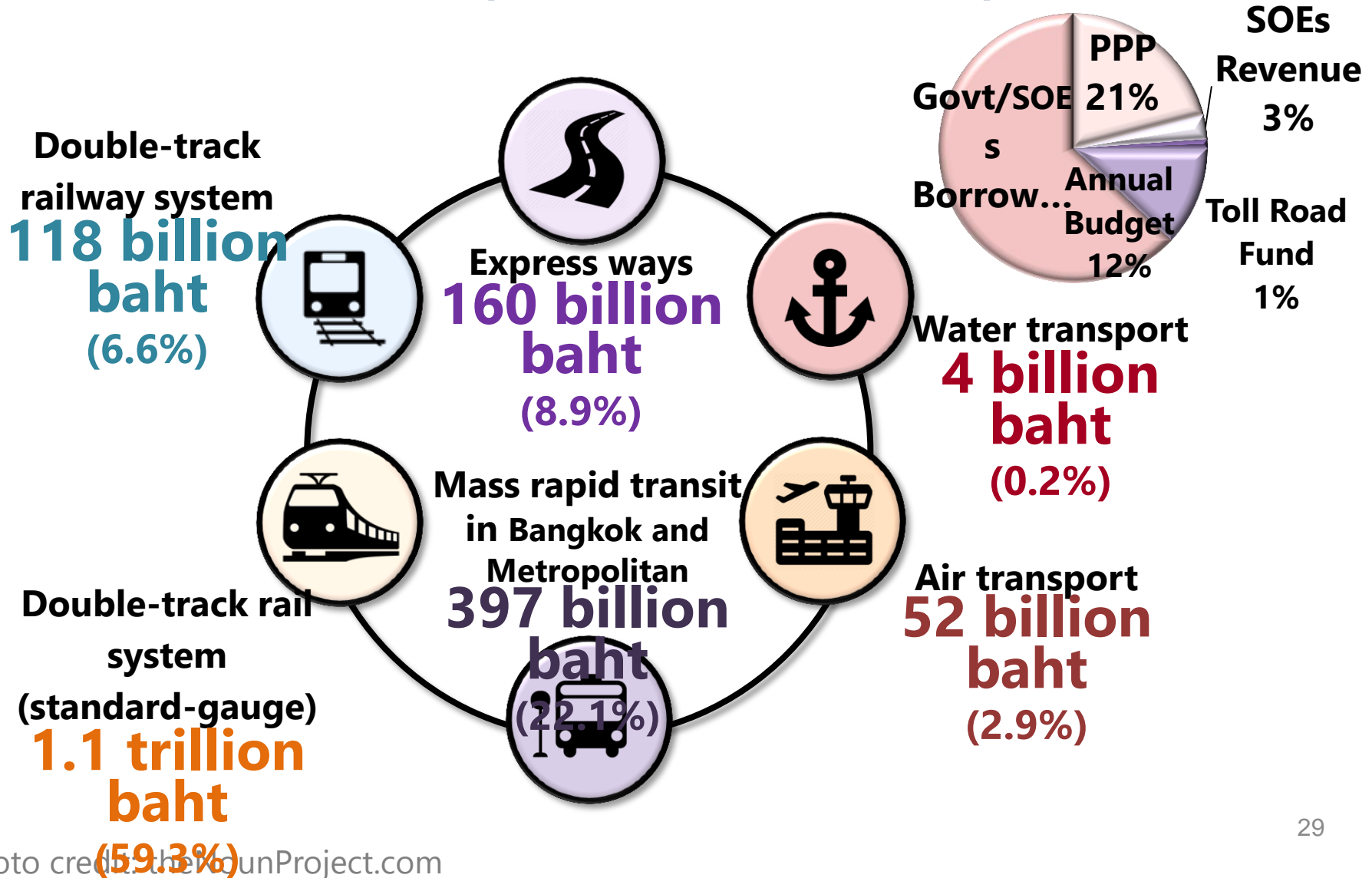
- e-Withholding Tax
- e-Tax Invoice and e-Receipt
- e-Filing

### Government e-Payment

- To integrate social welfare database
- To promote e-Payment for government transactions

## 2. Economic Policies for Growth

### 2.10 Logistic Infrastructure Investment Projects in FY2015-2023 (฿1.796 tril., \$51.3 bil.)



# 2. Economic Policies for Growth

## 2.10 Logistic Infrastructure Investment progress

### Under Construction

- Double Tracks (Jira – Khonkaen), ฿26 bil.
- Laem Chabang Sea Port A, ฿1.8 bil.
- Laem Chabang Shipping Center Development Phase I, ฿2 bil.
- Motorways (Pattaya – Mabtaput) , ฿17.8 bil.

### Under Bidding Process

- Motorways (Bangpa In – Nakhon Ratchasima) , ฿76.6 bil.
- Motorways (Bang Yai – Kanchanavuri) , ฿49.1 bil.
- Suvarnabhumi International Airport Phase II, ฿50.3 bil.
- Pink line (Karai – Minburi) , ฿56.7 bil.
- Yellow line (Ladprao – Samrong) , ฿54.6 bil.
- Orange line (Cultural Center – Minburi) , ฿109.5 bil.
- Double Tracks (Prachuab – Chumporn) , ฿17.2 bil.

### Prepare for Cabinet Consideration

- SRT Light Red line and Dark Red line in suburb zone
- Double Tracks (Nakornpathom – Hua Hin)
- Double Tracks (Lopburi – Paknumpo)
- Double Tracks (Marbkabao – Jira)
- Purple line (Taopoon – Ratburana)

### Feasibility Study / Project Preparation

- Standard Gauge (Bangkok - Huahin)
- Standard Gauge (Bangkok – Rayong)
- Standard Gauge (Bangkok - Nakhon Ratchasima)
- Standard Gauge (Bangkok - Phitsanulok)



# 2. Economic Policies for Growth

## 2.10 PPP Fast Track for Infrastructure Investment

25  
Months

### PPP Fast Track

9  
Months

8-10  
Months



#### 01 PROJECT PREPARATION



Working Team:  
PO, LM, NESDB, BB, PDMO, ONEP, SEPO



Project  
Proposal  
Completed

3.5  
Months

6-8  
Months



#### 02 PROJECT PROPOSAL



APPROVED

Relevant Agencies:  
NESDB, BB, PDMO, AGO,  
OCS, CGD, SEPO

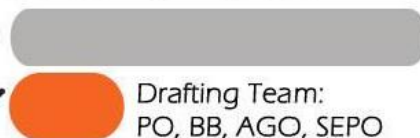
Project  
Proposal  
Approved

4  
Months

5-7  
Months



#### 03 PRIVATE SELECTION



Drafting Team:  
PO, BB, AGO, SEPO



- Invitation to tender for private investment
- Term of Reference
- Draft contract

1.5  
Months

Normal

Note: PO = Project Owner, LM = Line Ministry, NESDB = Office of the National Economic and Social Development Board, BB = Bureau of the Budget, PDMO = Public Debt Management Office, ONEP = Office of Natural Resources and Environmental Policy and Planning, SEPO = State Enterprise Policy Office, AGO = Office of the Attorney General, OCS = Office of the Council of State, CGD = The Comptroller General's Department

Fast Track

## 2. Economic Policies for Growth

### 2.11 Why should you invest in Thailand?

Double Tax  
Expense for  
Acquiring New  
Assets in 2016

PPP Fast Track



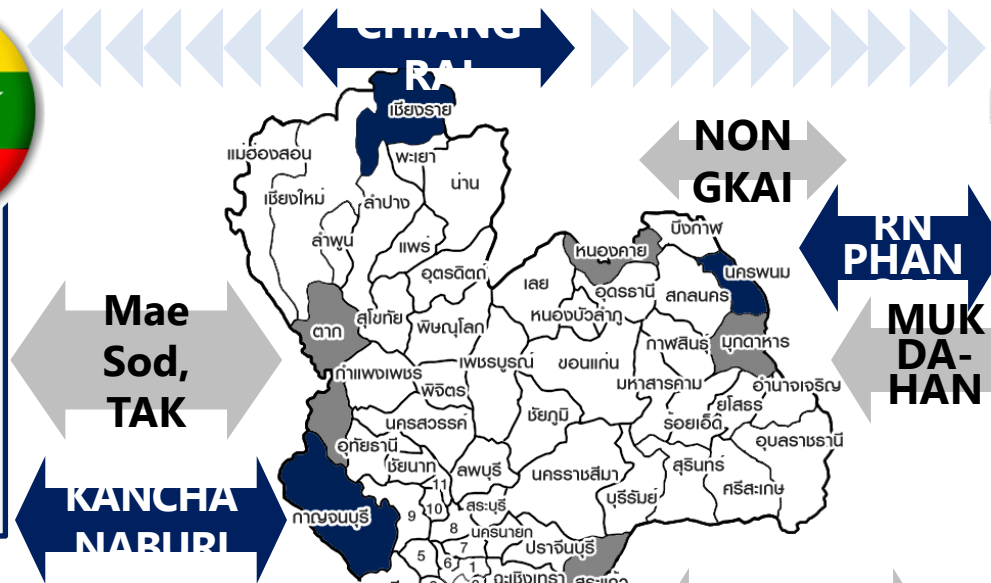


# Thailand as Strategic Gateway to CLMV and ASEAN



## Myanmar

- 2014 GDP growth = 7.7%
- 2014 Border Trade growth = 8.9%



## Lao PDR

- 2014 GDP growth = 7.4%
- 2014 Border Trade growth = 14.3%



## Malaysia

- 2014 GDP growth = 6.0%
- 2014 Border Trade growth = 1.2%

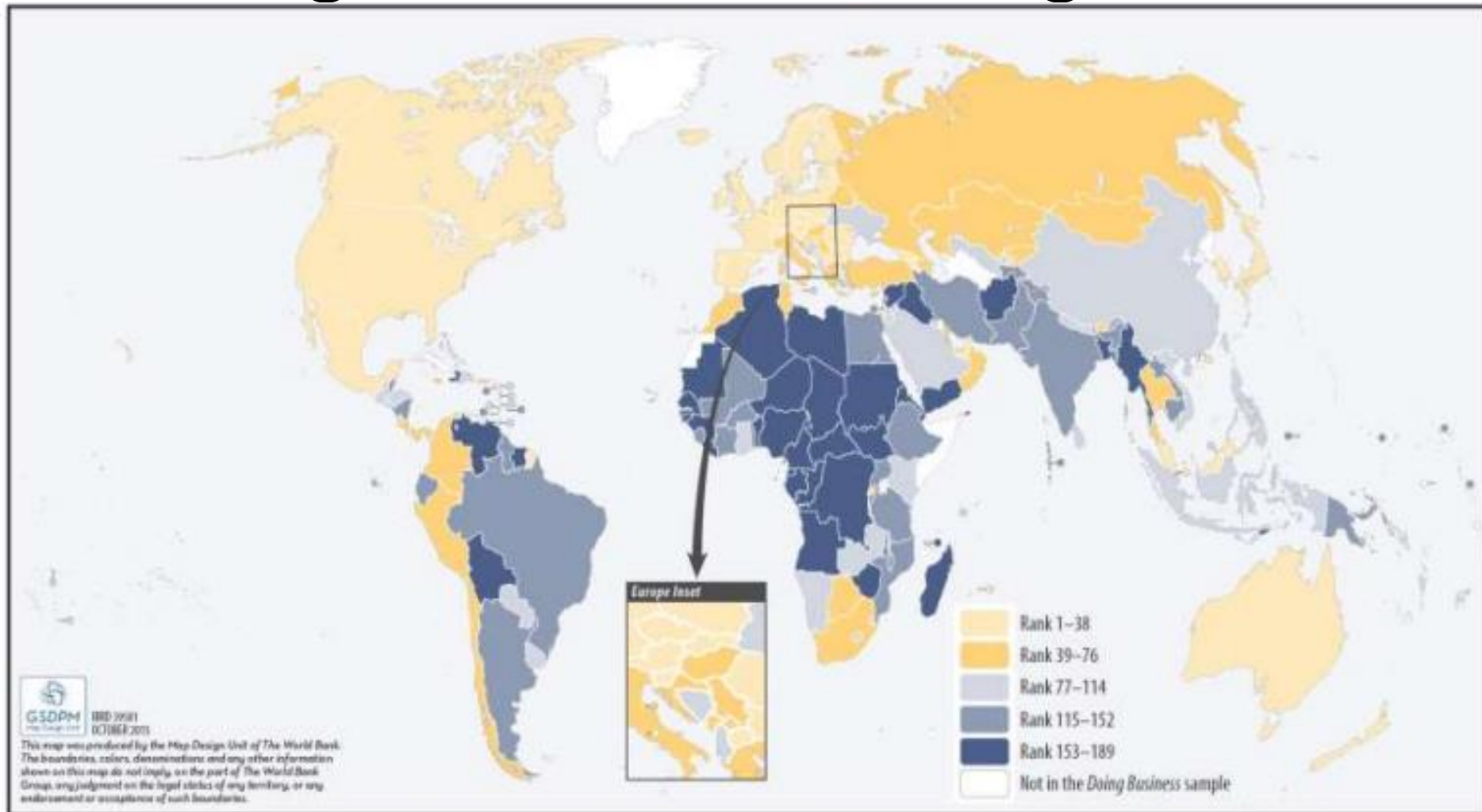


## Cambodia

- 2014 GDP growth = 7.0%
- 2014 Border Trade growth = 22.0%

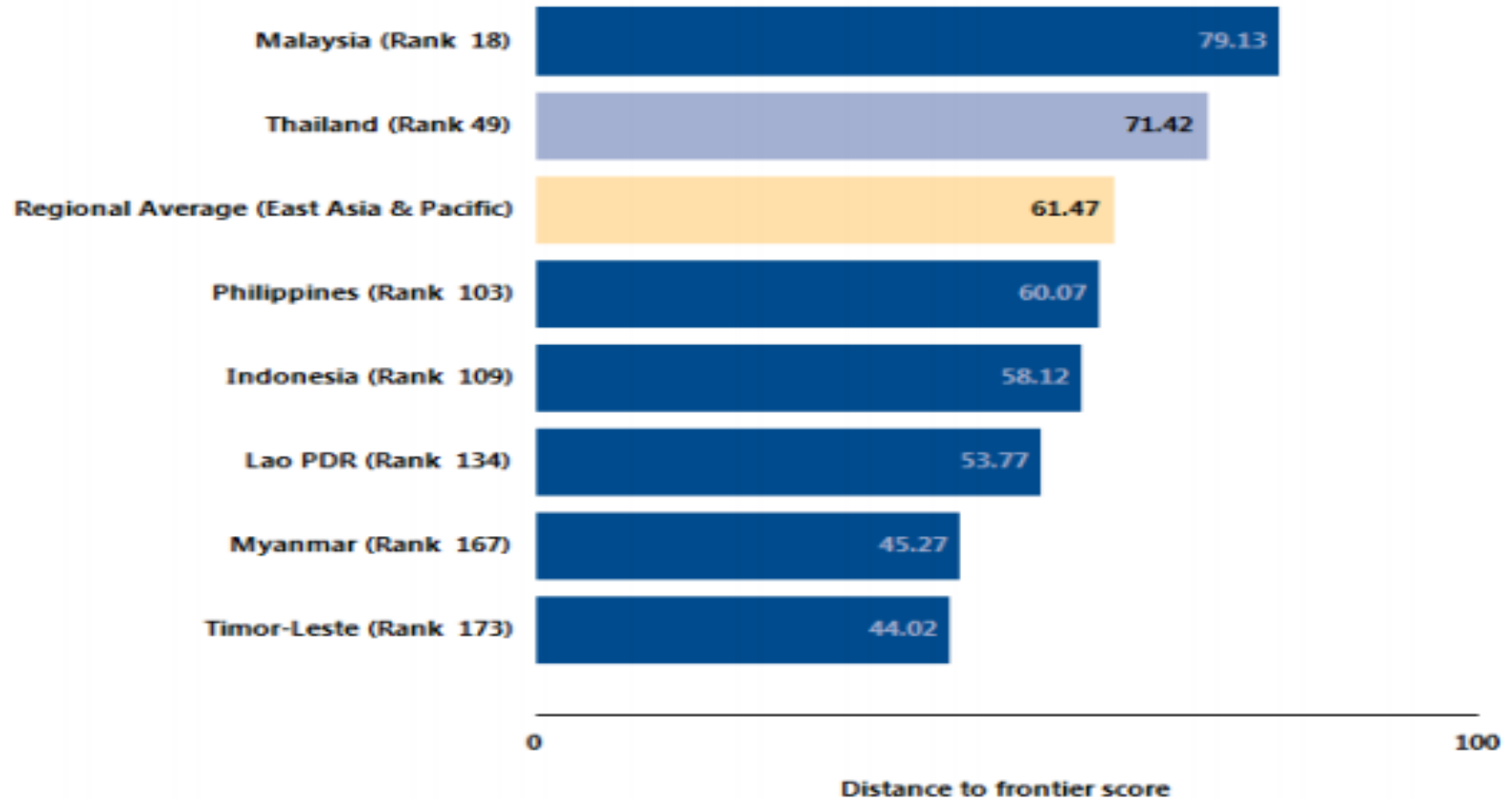
**How is Thailand doing business  
compared to 189 countries?**

# Where economies stand in the global ranking on the ease of doing business



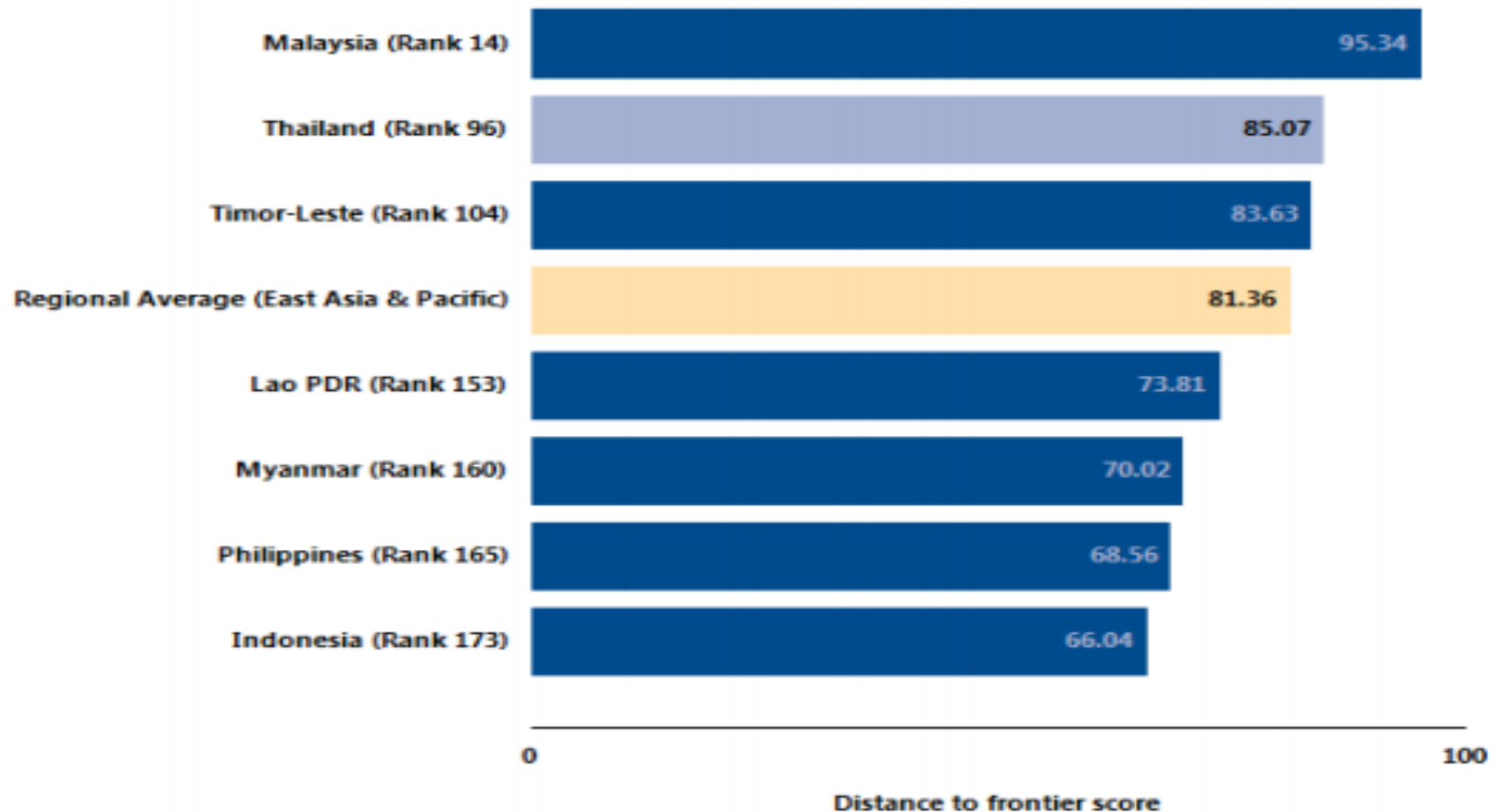
Source: Doing Business 2016, The World Bank

# How Thailand and comparator economies rank on the ease of doing business



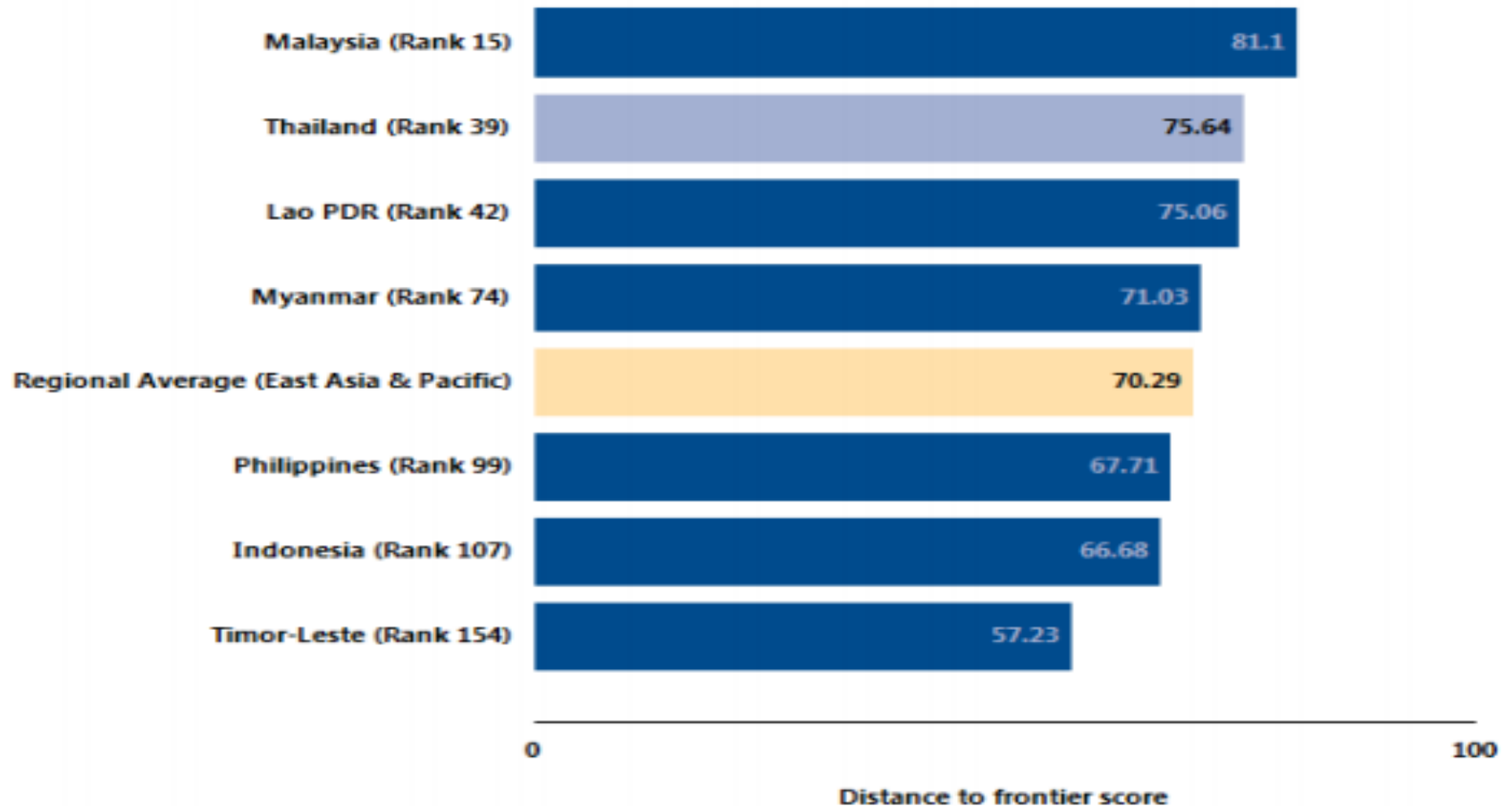
Source: Doing Business 2016, The World Bank

# How Thailand and comparator economies rank on the ease of starting a business

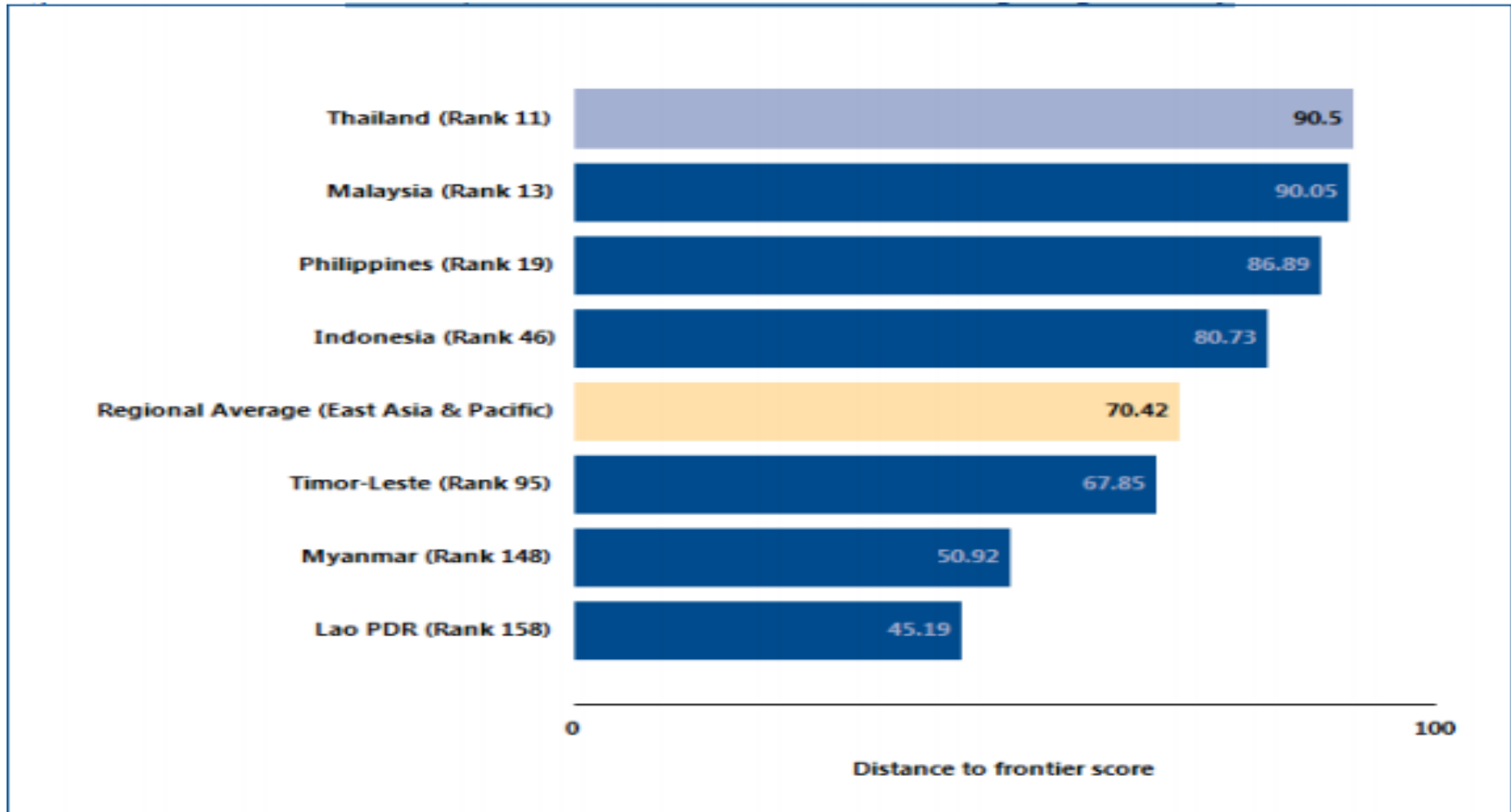


Source: Doing Business 2016, The World Bank

# How Thailand and comparator economies rank on the ease of dealing with construction permits

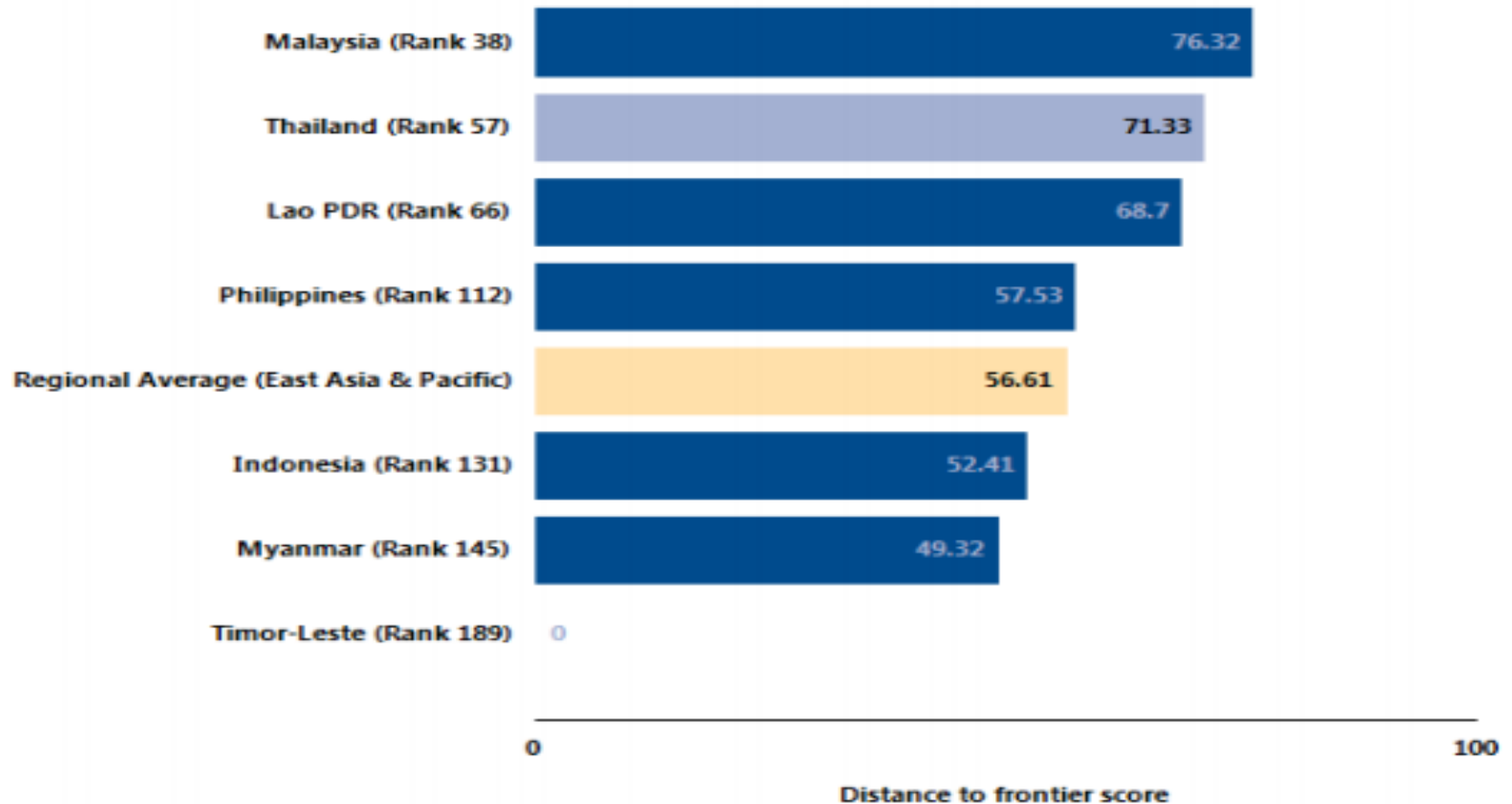


# How Thailand and comparator economies rank on the ease of getting electricity



Source: Doing Business 2016, The World Bank

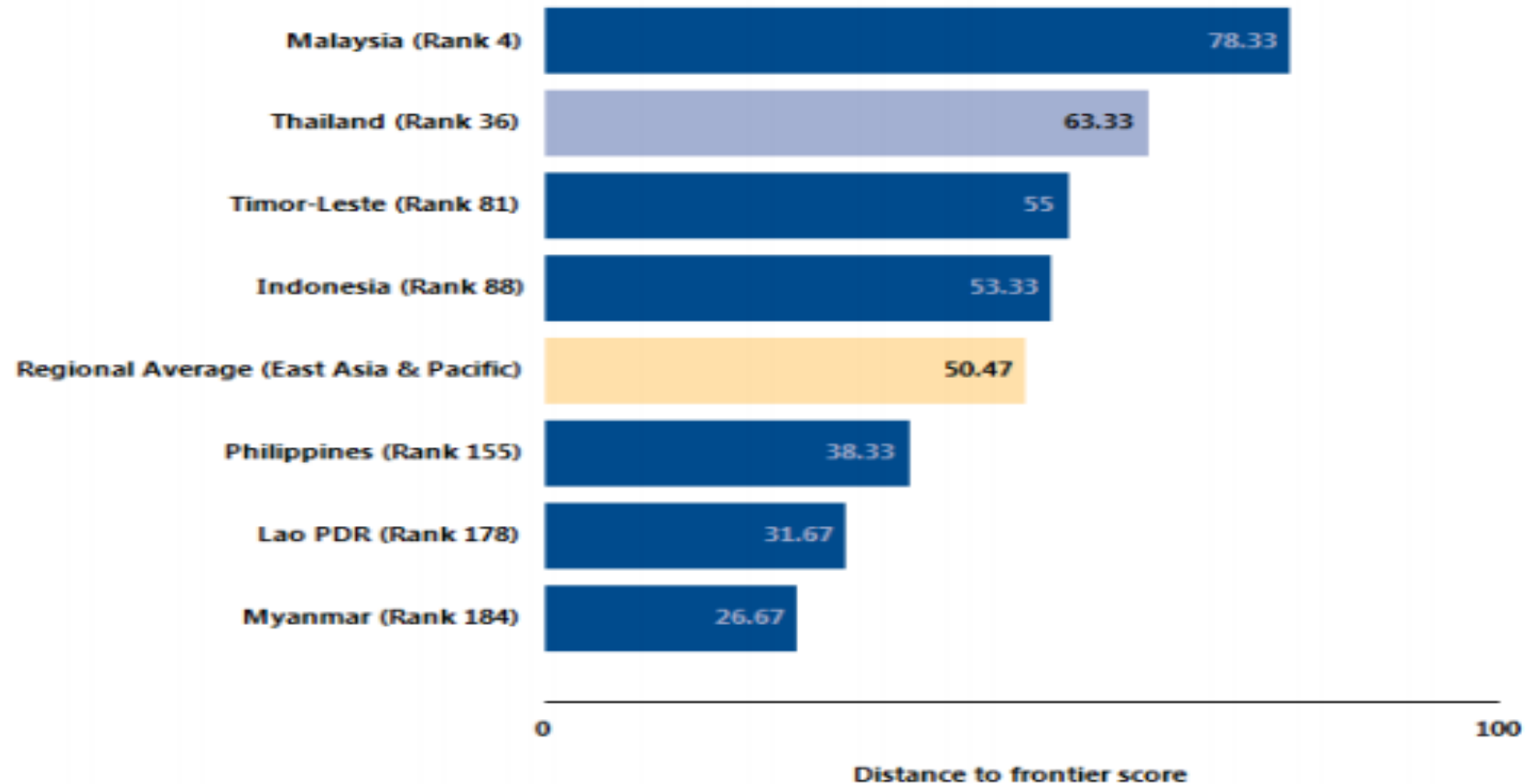
# How Thailand and comparator economies rank on the ease of registering property



Source: Doing Business 2016, The World Bank

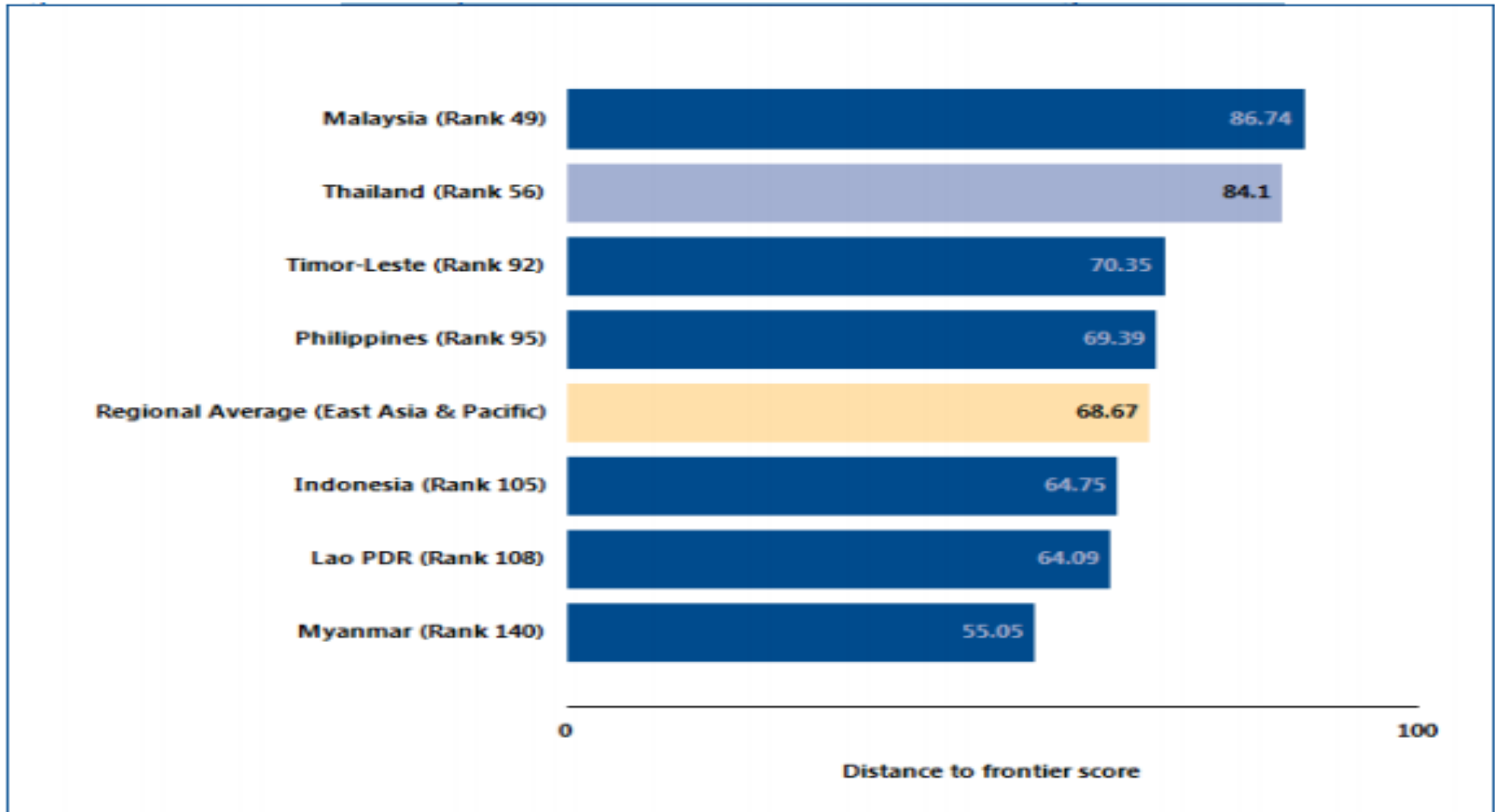


# How Thailand and comparator economies perform on the strength of minority investor protection index



Source: Doing Business 2016, The World Bank

# How Thailand and comparator economies rank on the ease of trading across borders



Source: Doing Business 2016, The World Bank

# Thank you

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**(Press release English)**