



Decide with Confidence

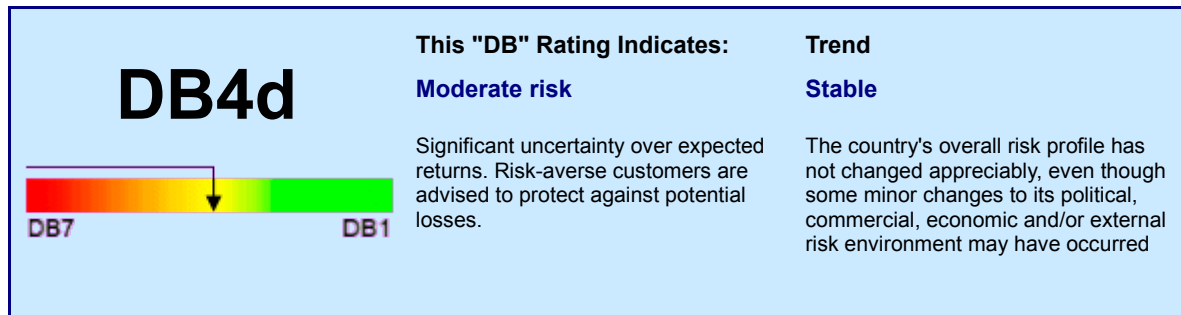
D&B Country RiskLine Report

THAILAND

Region : Asia Pacific

Edition : October 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	67.0m
Surface area (sq km):	514,000
Capital:	Bangkok
Timezone:	GMT +07:00
Official language:	Thai
Head of state:	King BUMIBHOL Adulyadej
GDP (USD):	390.2bn
GDP per capita (USD):	5,704
Life expectancy (years):	74
Literacy (% of adult pop.):	92.6

Country Overview:

Thailand is located in Southeast Asia and borders Myanmar, Malaysia, Cambodia and Laos. The country was ruled by an absolute monarchy until 1932, and the monarchy retains a powerful position in society, commanding enormous respect across the political spectrum.

Since 1932, Thailand has alternated between periods of weak elected coalition governments and military-backed governments; the most recent coup was when former Prime Minister Thaksin Shinawatra was toppled in September 2006. The country returned to civilian rule in early 2008, but national politics has been volatile since. Neither pro-Thaksin governments nor the pro-establishment groups backed by the army elite and Bangkok middle class have been able to consolidate legitimacy.

Thailand has a free-market economy, but state influence remains in some areas, and corruption is a serious problem. Exports (and high-tech manufacturing in particular) are a key growth driver: the country is still one of the world's largest producer of hard disc drives. However, Thai firms are being seen as increasingly uncompetitive against low-cost Chinese producers of high-tech goods.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-2 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:

0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

According to official data, Thai exports grew by 1.5% year on year in Q2, the fastest pace in five quarters. The Thai state planning agency now expects exports to grow by 2.0% in the 2014 as a whole, following a marginal contraction of 0.2% in 2013. The expected recovery of exports into Q4 should support an improvement in Thailand's current account position in 2014. In terms of the currency, after an 8.0% decline versus the US dollar in 2013, the Thai baht has been largely stable thus far this year, generally fluctuating in a narrow 3.0% range compared with the start of the year. While ongoing US monetary policy normalisation remains a risk, we expect the baht to remain broadly stable in the remainder of the year.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	ST cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

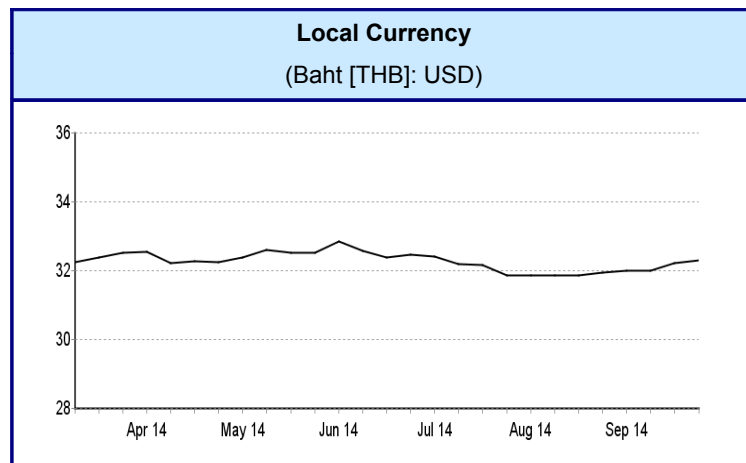
Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	0.2	6.5	2.9	1.8	4.1
Inflation, annual ave, %	3.8	3.0	2.2	2.5	3.4
Govt balance, % GDP	-0.7	0.3	-2.7	-2.9	-2.8
Foreign debt, % GDP	33.7	38.0	36.1	36.9	37.5
C/A balance, % GDP	2.6	-0.4	-0.7	2.8	1.2

Economic Indicators: Government balance data are for fiscal years (October-September).

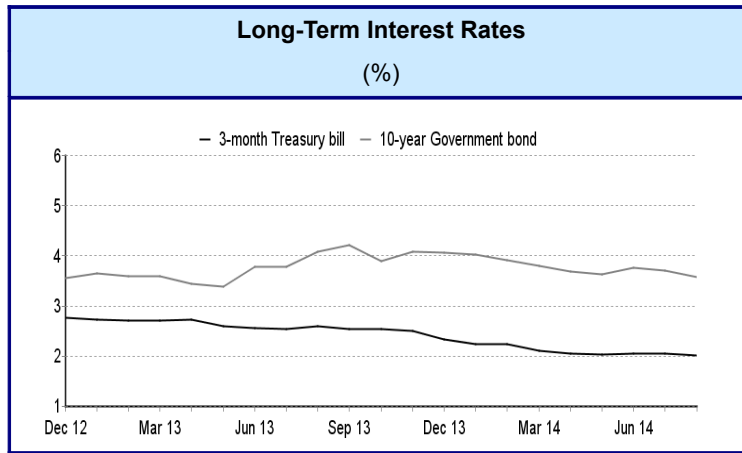
Currency Information

Exchange Rates	
(London, 26 Sep 14)	
EUR	41.0018
GBP	52.46
JPY*	29.5715
USD	32.295
*(x 100)	



Local Currency						
(Baht [THB]: USD)						
	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14
Week 1	32.530	32.370	32.830	32.390	31.840	31.975
Week 2	32.210	32.600	32.570	32.180	31.840	31.975
Week 3	32.270	32.510	32.380	32.160	31.850	32.210
Week 4	32.230	32.510	32.462	31.840	31.940	32.295
Week 5						

Long-Term Interest Rates



Data Table						
Dec 12	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14
2.76	2.71	2.55	2.53	2.33	2.1	2.04
3.55	3.6	3.79	4.21	4.07	3.8	3.76

Risk Factor

Business Environment Quality: Business continuity looks assured in the near term as the ruling military regime executes its plans to impose a new, more controlled form of democracy. In late August, the coup leader and now prime minister, General Prayuth Chan-ocha, unveiled his cabinet; as expected, it will be dominated by top military figures close to Prayuth. Two key appointments are General Anupong Paochinda, as the head of the interior ministry, and General Prawit Wongsuwan, who will be the defence minister and deputy prime minister. Staunch royalists like Prayuth himself, both men played key roles in the 2006 coup that ousted the elected government of Thaksin Shinawatra. In terms of civilian appointments, the most noteworthy was that of Pridyathorn Devakula, as the deputy prime minister with responsibility for the economy. After the 2006 coup, he was appointed finance minister and attracted criticism in this role for his ineffective attempt to impose capital controls in December 2006, which had to be swiftly reversed when the Thai stockmarket fell precipitously.

Short-Term Economic Outlook: The economic outlook continues to improve thanks in large part to the military regime's imposed stability and macro-support initiatives. Consumer confidence, as measured by the University of the Thai Chamber of Commerce's *Consumer Confidence Index*, rose to 80.1 points in August, its highest level since July last year and up from 78.2 points the previous month. The index has now improved for four months in a row, following 13 months of decline up to April 2014. Although it is below the neutral 50-point level, the Bank of Thailand's *Business Sentiment Index* strengthened to 49.6 points in July (from 48.0 in June), the highest reading since the middle of 2013. More importantly, Thai businesses' view of the outlook is improving with the 3.0-month *Expected Business Sentiment Index* picking up from 54.0 in June to 56.1 points in July, the highest level in four months. In particular, in terms of the components of the *Forward-Looking Diffusion Index*, the production, performance and order book categories were the three factors where the biggest improvement in survey responses was seen in July.

Market Potential: As anticipated, the key tourism sector (which directly accounts for around 10% of GDP) has been one of the main beneficiaries of improved stability in the post-coup period. Based on preliminary data, total tourist inflows in July jumped by 22.8% over the month, while the rate of decline slowed considerably in year-on-year terms to 10.9% in July (from 24.4% in the previous month). Positively, the military regime is taking steps to further support tourism; in early early September it announced free visas for Chinese tourists, a group that accounted for 18.0% of total tourists in July.

Glossary & Definitions

DEFINITIONS

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Usual Terms:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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