



Decide with Confidence

D&B Country RiskLine Report

THAILAND

Region : Asia Pacific

Edition : September 2012

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:	69.5m
Surface area (sq km):	514,000
Capital:	Bangkok
Timezone:	GMT +07:00
Official language:	Thai
Head of state:	King Bumiphol Adunyadet
GDP (USD):	319.2bn
GDP per capita (USD):	4592
Life expectancy (years):	71
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 the political environment has been volatile. Street protests in 2008 forced the Thaksin government from office, allowing a new military-backed coalition to assume power.

Thailand has a free-market economy, but state influence remains in some areas, and corruption is a serious problem. Exports (and high-tech manufactures in particular) are a key growth driver: the country is the world's largest manufacturer of computer keyboards. 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

Although some firms that suffered damage during the severe floods of late 2011 will not resume production until Q4, most have already returned to full capacity. By Q2, Thailand's overall capacity utilisation rate had already returned to its long-term average level (69%). The larger challenge at this juncture is softening external demand. Delinquencies and defaults have been contained since the floods by debt forgiveness and restructuring; however, payment risks will rise as the export sector faces a renewed downturn. Fortunately, Thailand's external position will remain stable; in August, FX reserves stood at USD175.9bn, sufficient for import cover of more than 9.0 months. D&B recommends LC terms with Thailand-based counterparties.

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

	2009	2010	2011	2012f	2013f
Real GDP growth, %	-2.3	7.8	0.1	4.9	4.6
Inflation, annual ave, %	-0.8	3.3	3.8	3.3	3.5
Govt balance, % GDP	-4.0	-4.2	-3.8	-3.2	-3.0
Foreign debt, % GDP	26.3	25.2	25.2	29.0	29.2
C/A balance, % GDP	7.7	9.9	6.7	8.6	9.8

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

Currency Information

Exchange Rates

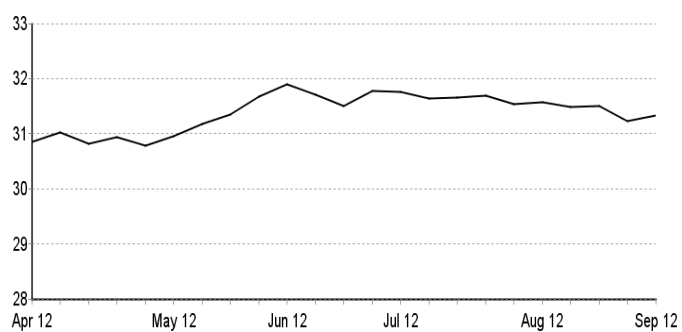
(London, 27 Aug 12)

EUR	39.0844
GBP	49.3808
JPY*	39.7012
USD	31.225

*(x 100)

Local Currency

(Baht [THB]: USD)

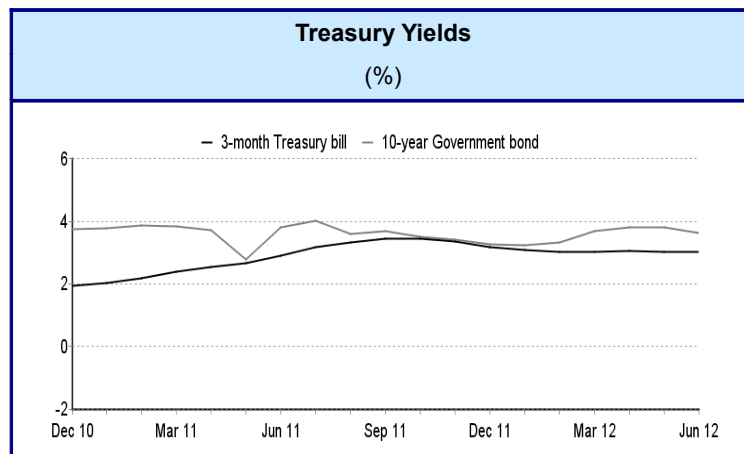


Local Currency

(Baht [THB]: USD)

	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12
Week 1	30.850	30.960	31.900	31.760	31.565	31.335
Week 2	31.015	31.175	31.705	31.645	31.490	
Week 3	30.820	31.340	31.505	31.655	31.500	
Week 4	30.930	31.665	31.770	31.685	31.225	
Week 5	30.790			31.530		

Treasury Yields



Data Table						
Dec 10	Mar 11	Jun 11	Sep 11	Dec 11	Mar 12	Jun 12
1.95	2.39	2.92	3.45	3.17	3.02	3.03
3.74	3.83	3.8	3.68	3.28	3.69	3.62

Risk Factor

Thailand's economy continues to rebound from the devastating floods of late 2011. According to data released by the National Economic and Social Development Board in August, the economy grew by 3.3% in seasonally-adjusted quarter-on-quarter terms and by 4.2% in year-on-year (y/y) terms in Q2. The expansion was again driven by fixed investment, private consumption and changes in inventories, with net exports creating a drag on growth (as import growth outpaced that of exports). The construction sector performed particularly well in Q2, benefitting from reconstruction projects post floods and expanding by 6.9% y/y. While an impressive turnaround from late 2011, this bullish growth is set to ease. A drawdown in stocks, built up during the first half of 2012, will limit growth prospects as they are drawn down over the quarters ahead. Most manufacturers have now re-invested in order to repair flood damage. Meanwhile, the impact of a 40% rise in the country's minimum wage in April is likely to undermine profits and investment.

Thailand's economy remains reliant on its export-oriented manufacturing sector, even if exports have been a prominent drag on overall output in recent quarters. A renewed export downturn will have significant knock-on effects across the entire economy. In June, exports fell by 4.2% in y/y terms after rising by 6.7% in May. Shipments to the EU fell sharply, while those to China and the US both slowed. We expect exports to weaken further in the months ahead. In July, the central bank announced its readiness to ease monetary policy if external conditions weaken further; it has held its benchmark interest rate at 3.0% since January. However, the bank is unlikely to drop rates very far. Although headline CPI inflation was up by just 2.7% y/y in July, inflation will see upward pressure from rising global food prices in the months ahead, limiting the bank's room for manoeuvre.

The political tensions that had built during Q2 have subsided at least temporarily. In mid-July, the country's constitutional court ruled that the constitutional changes proposed by the government of Prime Minister Yingluck Shinawatra did not threaten the monarchy. The government is now likely to proceed by attempting to change the constitution through parliamentary amendments. This will be a slow process and, as such, will help to contain the near-term risk of a renewed, disruptive political stand-off. However, the situation remains fragile. Any controversial move by the government that might facilitate the return of Yingluck's ousted and exiled former prime minister brother, Thaksin Shinawatra, to the country would create fresh tensions and almost certainly trigger renewed demonstrations by both pro-Thaksin 'red-shirt' supporters and their opposing anti-Thaksin pro-monarchist, pro-military 'yellow-shirt' supporters.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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Recommended Terms:

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Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

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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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D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

USA

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CustomerService@dnb.com

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