

# ECONOMIC UPDATE & FDI NEWSLETTER

## Highlight:

- Cargill group announced plan to invest over USD70 million in the next two years.
- The government gears up for the dual-track train project to improve connectivity between the Eastern region and seaports in the EEC area.

Issue: December 2018



# ECONOMIC UPDATE



- Thai economy performs well due to growing consumption, private investment and exports.
- Energy price and consumption demand are main factors influencing the inflation rate.

	Unit	Sep. 2018	Oct. 2018	Details
<b>Exchange Rate</b>	(THB/US)	32.4	33.1	Thai Baht is weakness against US Dollar in line with forceful net sales of foreign investors in the stock market.
<b>Private Consumption</b>	% Y-o-Y	2.5	6.5	Private consumption expands due to the higher spending in every product segment.
<b>Private Investment</b>	% Y-o-Y	-1.8	2.5	Private investment turns around because of investments in construction, machinery and equipment.
<b>Public Investment</b>	% Y-o-Y	-1.9	-20.7	Government investment expenditure contracts due to the delay in budgetary disbursement by Provincial Waterworks Authority and Bangkok Mass Transit Authority.
<b>Exports</b>	% Y-o-Y	-5.2	8.7	Export rate increases dramatically due to a larger volume of gold exports and an acceleration of Thai exports to China and Japan.
<b>Imports</b>	% Y-o-Y	9.9	11.2	Imports surges in line with higher imports of fuel, raw and semi-finished materials, consumer goods, vehicles and transport equipment.
<b>No. of Inbound Tourists</b>	Person (Million)	2.7	2.7	The number of Chinese tourists drops but the number of tourist arrivals from other countries such as India increases.

# FDI HIGHLIGHT



The Cargill Group, a major producer of food and agricultural commodities from the US, announced plan to invest over USD70 million in the next two years. Of the total, USD65 million will be used to incorporate technology in the poultry supply chain and expand its production base in Nakhon Ratchasima, while the other USD5 million will go to the Technology Application Center for research and development for the aquaculture industry in Phetchaburi to meet an increasing demand for food in the global market.

## NOTE

Thailand is a strong production base for food industry, thanks to its high degree of bio diversity and the government's support to upgrade food industry by using modern innovation. Additionally, the Office of the Board of Investment offers investment incentives to promote research and development as well as food innovation and technology to cater to a higher demand of the growing market. Therefore, foreign investors have chosen to invest in Thailand to benefit from the readily available infrastructure and investment incentive measures.



# EEC CORNER



The infrastructure development program in the Eastern Economic Corridor (EEC) area receives a positive response from Thai and international investors, whereas the sales of bidding document for the developments of U-Tapao Airport, the aerotropolis project and Phase 3 of Map Ta Phut seaport began in November.

## U-Tapao Airport and Aerotropolis

42 buyers of bidding document	Total (entity)
Thai	24
Foreign (China, France, Germany, India, Japan, Malaysia and Turkey)	18

<b>Accept bidding</b>	<b>February 28, 2019</b>
Announce the winning bidders (receiving the right to manage the project for 50 years)	April, 2019

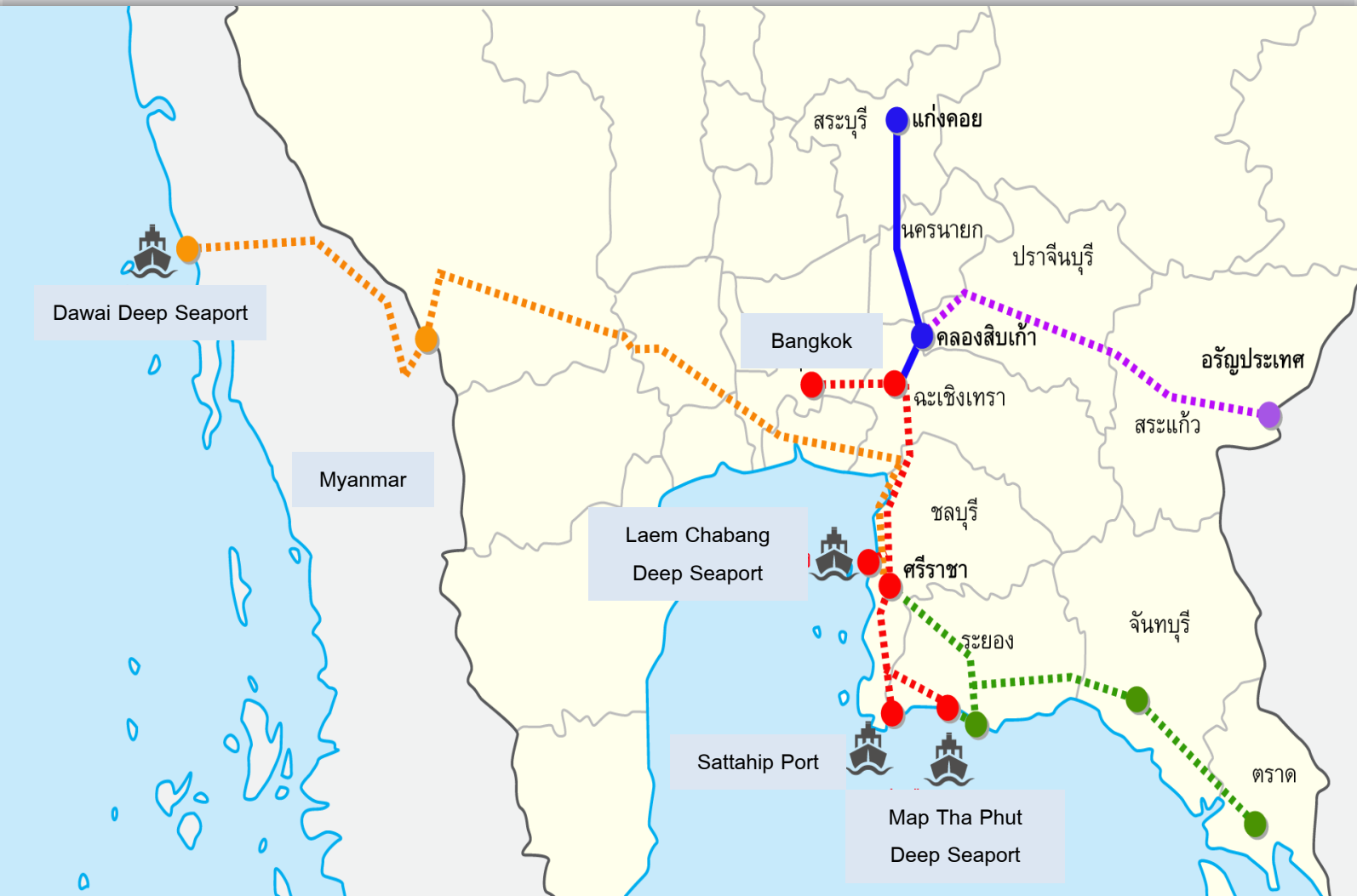
# INFRASTRUCTURE UPDATE

The government gears up the development of the dual-track train project to improve connectivity of logistic systems in the Eastern region and seaports in the EEC area. The dual-track train project is designed to serve expanding economic activities in the Eastern region and transportation among and from the main regional cities to three major ports in the EEC to distribute goods to overseas markets.



# INFRASTRUCTURE UPDATE

## Dual-track rail development plan



Route	Length (kilometer)	Status
Chachongesao-Khlong Sib Kao-Kaeng Khoi	106	Approved
Laem Chabang port-Sattahip port-Map Ta Phut port	200	Under study
Si Racha-Map Tu Phut-Rayong-Chanthaburi-Trat	230	Under study
Khlong Sib Kao-Aranyaprathet	170	Under study
Laem Chabang port-Dawei deep sea port	440	Under study

# INFRASTRUCTURE UPDATE

## “Dry Port Development Plan in Four Provinces”



The Office of Transport and Traffic Policy and Planning (OTP) plans to invest over USD300 million to develop inland container depots (dry ports) in four provinces namely, Chachoengsao, Nakhon Ratchasima, Khon Kaen and Nakhon Sawan. The dry ports will be located along the dual-track train lines to facilitate rail transportation between the main EEC ports and other parts of the country. In addition, the dry port project will link logistic routes to the border-trade gateways such as Mae Sot, Nong Khai, Nakhon Phanom and Mukdahan, contributing to the growth of Thailand’s border trade with neighboring countries and propelling Thailand toward becoming a regional logistic hub or a logistic center for CLMV countries.

# REGULATION UPDATE

The Office of the Board of Investment (BOI) has approved a set of new promotion measures covering diverse investment types and sizes. The new measures increase incentives and provide greater opportunities for foreign investors with prospects to invest in a wide array of business segments in other parts of Thailand, in addition to the EEC area. The measures are aimed at distributing wealth upcountry and into different regions. The new measures are categorized into four groups:

## 1. Special measures to promote investment in 2019

**(Submit applications from November 19, 2018-December 30, 2019)**

Conditions	Rights and Privileges
<ul style="list-style-type: none"> <li>• Be classified as A1, A2 and A3 except for projects without a business premise such as aviation and shipping. In addition, the project must receive corporate income tax (CIT) exemptions for no more than eight years in total.</li> <li>• Have an investment value (excluding land price and working capital) of at least THB1 billion.</li> <li>• Apply for additional privileges and seeking the BOI approval to start operations within the required timeframe and before the expiration of CIT exemptions per Section 31, irrespective of the CIT timeframe or the amount of money subject to CIT exemptions.</li> <li>• Be entitled to establishing a business premise in every province except for Bangkok.</li> </ul>	<p>Additional 50-percent CIT reduction for three years from the date the existing tax holiday of the project expires.</p>



# REGULATION UPDATE

## 2. Smart City investment promotion

Conditions	Rights and Privileges
<b>1. Smart City development business</b>	
General conditions:	
1) Provide smart services in seven areas (Smart Mobility, Smart People, Smart Living, Smart Economy, Smart Governance, Smart Energy and Smart Environment)	
2) Have a majority of Thai shareholders	
1.1 ) Provide all seven smart services	Eight-year CIT exemption (with investment cap)
1.2) Not provide all seven smart services	Five-year CIT exemption
1.3) Located in the EEC	Additional 50-percent CIT reduction for another five years after the existing CIT holiday period ends.
<b>2. Smart City System development business</b>	
2.1 Be part of the Smart City development project approved by committees or organizations directly responsible for Smart City development.	Eight-year CIT exemption (with investment cap).
2.2) Located in the EEC	Additional 50-percent CIT reduction on net profit for five years after the existing CIT tax holiday period ends (with investment cap).
<b>3. Smart Industrial Estate or Smart Industrial Park development business</b>	
Provide all seven smart service systems in the area	Eight-year CIT exemption (with investment cap)
Have a majority of Thai shareholders	

# REGULATION UPDATE

## 3. Measure for investments supporting grassroots economy

(Submit applications from January 2, 2019 to December 30, 2019)

Conditions	Rights and Privileges
<ul style="list-style-type: none"> <li>Minimum investment of THB500,000</li> <li>Thai citizens holding at least 51 percent of registered capital</li> </ul>	Five to eight years of CIT exemption
<ul style="list-style-type: none"> <li>Net fixed assets or capital (excluding land price and working capital) totaling less than THB50 million</li> <li>Be able to utilize second-hand machinery which has been used domestically in some part of the operation</li> </ul>	The total CIT exemption value accounts for up to 200 percent of the investment capital (excluding land price and working capital)

## 4. Investment promotion for Maker Space or Fabrication Laboratory

Conditions	Rights and Privileges
<ul style="list-style-type: none"> <li>Eligible project must allocate space for a laboratory for innovation and prototype creation. Basic infrastructure such as a high-speed fiber optic communication system and power backup system must be included.</li> </ul>	Eligible projects will receive five-year CIT exemption and import duty exemption on machinery.



# OUR SUPPORT - AEC+ BUSINESS ADVISORY AND MATCHING



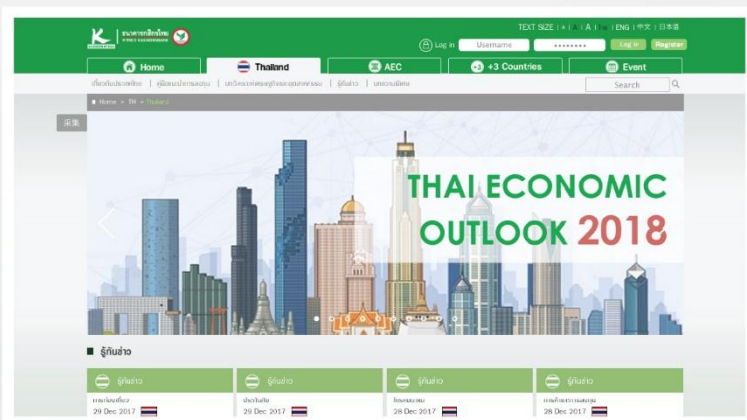
## CONTACT US:

[Kbank\\_world\\_business\\_advisory@kasikornbank.com](mailto:Kbank_world_business_advisory@kasikornbank.com)

**AEC+**  
Business Advisory   
Market Insights  
Knowledge Partner

**AEC+**  
Business Matching   
Market Access  
Business Network

## KEEP IN TOUCH



**FIND** out latest market insights and how to do business in AEC+3

**JOIN** our coming events – seminars and business matching

**SUBSCRIBE** to our latest publications and events



Website: <https://aecplusadvisory.askkbank.com>