

## **Global institutional investors' enthusiasm for Thailand Focus 2021 indicates strong interest in Thai capital market**

Thailand Focus 2021 has drawn great interest from global institutional investors, an indicator that Thailand and the Thai capital market are on foreign investors' radar, thanks to economic resilience in medium to long-term despite the COVID-19 pandemic.

A total of 192 institutional investors, of which 110 are foreign investors – up from 88 in Thailand Focus 2020, participated The Stock Exchange of Thailand's (SET) annual flagship roadshow organized as a virtual event under the theme "Thriving in the Next Normal" in 2021. Foreign participants are mainly from Hong Kong, Singapore, UK, US, and other ASEAN peers such as Indonesia, Malaysia, and Vietnam.

At the conference, the Thai financial authorities said the country is facing economic challenges following the new COVID-19 wave but along with private enterprises they foresee numerous possibilities that lie ahead for Thailand in the post-pandemic world.

Minister of Finance Arkhom Termpittayapaisith, Governor of Bank of Thailand (BOT) Sethaput Suthiwartnarueput and representatives from government offices and the private-sector community admitted that the economic shock is not yet over, but urged all to leverage the country's strengths in shaping the future in the medium and long term.

In his opening speech and keynote address, the Finance Minister said the economic recovery will take some time, due mainly to the slump in tourism and domestic activities. While the export sector regained strength, the government will put efforts in injecting funds into the economy particularly hard-hit sectors like the SMEs and low-income earners along with accelerated vaccination.

The ministry recently revised down the 2021 GDP growth projection to 1.3% due to the new wave of infections, despite the 7.5% year-on-year growth in the first quarter. With strong fiscal positions and relatively low debt-to-GDP ratio at 56%, the government will make utmost efforts to ramp up economic activities especially gradual reopening the economy, and the economy is then expected to expand 4-5% in 2022.

The minister stressed that government supports would continue as they are critical to the future growth prospects. "Going forward, if there is a need to increase our debt ceiling, the Fiscal Policy Committee setup under the State Fiscal and Financial Disciplines Act can revisit and raise this threshold," he said.

Despite short-term hiccups, he said the Thai government would push ahead long-term development plans. "The pandemic has not altered our objectives. In fact, it has strengthened our resolution to strive towards growth that not only sustainable but also inclusive and environment friendly," he said, adding that the task to lay foundation for Thailand's long-term growth continues,

with focus on reducing inequalities, infrastructure investment, decarbonization, supports to competitive and future industries, as well as the Micro, Small, and Medium Enterprises (MSMEs).

In the session entitled "Living in Next Normal: COVID-19 Lessons Learned and Future Directions", Director of Macroeconomic Analysis Division of the Ministry of Finance's Fiscal Policy Office, Pisit Puapan, explained that Thailand has ample funds: about USD 5.18 billion (THB 170 billion) from the USD 30.45 billion (THB 1 trillion) stimulus package that are yet to be disbursed and USD 13.25 billion (THB 435 billion) from the recent USD 15.23 billion (THB 500 billion) package is not yet allocated.

In his speech, BOT Governor Sethaput added the central bank will launch flexible and pragmatic approaches, that include the low policy rate, targeted measures to address uneven recovery and the foundation for lasting recovery beyond the COVID-19.

"We are willing to do, have been willing to do and remain willing to do what it takes us to get out of crisis. Statement that we have been using internally is to say that all reasonable policy options are on the table," he said. "One thing I like to see is a move from short-term measures and debt moratorium to longer term and more targeted solutions...We will take advantage of opportunities in the post-COVID world which will be greener and more digital than before," he said, adding green and digital initiatives will propel Thailand in the next phase of growth.

The BOT Governor praised SET for its sustainable development initiatives. Envisaging similar development within the banking sector, the BOT is working with other regulatory bodies like the Ministry of Finance and the Securities and Exchange Commission on green taxonomy, the governor said.

To strengthen listed companies' resilience, SET devoted a session to promote sustainable investing: "Accelerating Sustainable Investing in Thai Capital Market". Chief Executive Officer of TMBThanachart Bank pcl Piti Tantakasem stressed that sustainable investing will become standard and Thai companies must do it as in process, making it the core of their strategies, not add-on, for the benefits of stakeholders, the general public and the world.

In this session, Srikanya Yathip, Secretary General of Thailand's Government Pension Fund, stressed that as an institutional investor, GPF cares for risks and returns. In this regard, ESG comes into play as it can be either a risk or return alpha generator. In the short term, ESG may not generate higher returns, but if a listed company fails because of lack of ESG, its share price may fall to nothing. She added that as "universal owners" which are exposed to negative externalities caused by the companies they invest in, large investors need to take actions to ensure the companies adhere to best practices.

"We must consider ourself as a universal owner in doing good, doing it together," she said. "If we join hands, if ESG generates returns and positive impacts, that'll be good for Thai society."

Many young companies apparently realized the significance of ESG. In the session entitled “Thailand Innovative Business”, NR Instant Produce plc CEO Dan Pathomvanich said his company’s goal is to decarbonize the world of food. The rich of resources and the ecosystem make it imperative for Thailand to transform, especially in food perspectives. We can be the production base of the world,” he said.

Listed on SET in 2020, the plant-based meat producer enjoys greater growth profile, liquidity, access to funding and sustainability strategies, as well as interest from new institutional investors, Dan added.

Sarun Sutuntivorakoon, director of YGGDrazil Group Co., Ltd, said the listing status means security for employees, through Employee Stock Option Program (ESOP) that offers both value and liquidity to support the employees and their families. That was aside from exposure to partners with business expertise. He added that innovation is risky and its impact depends on capital. With more capital, more experimentations can be executed while risks are better managed for greater impacts.

At aCommerce, a major e-commerce enabler in ASEAN, gender diversity is supported. Paul Srivorakul, Group CEO of aCommerce, said: “Basically, just having a diverse viewpoint of business really enables you to be much more innovative and open-minded”.

Like NR Instant Produce, other innovative businesses present at the conference started off from customers’ pain points. While NR Instant Produce satisfies global consumers’ demand for environmental-friendly products, aCommerce focuses on workflow management, to deal with logistic complexities at local levels so that customers can execute their strategies. Paul foresees huge opportunities in the next 10-20 years when traditional businesses will adopt e-commerce.

In the session entitled “How Thai Business Adapt to Current Crisis”, President and Chief Executive Officer of Siam Cement Group, Roongrote Rangsiyopash emphasizes the reassessment of customer’s needs during the pandemic is crucial, and leading to offering new services such as renovation and e-commerce platform. It is an opportunity to leverage company’s core values by riding on new technology and innovation. In particular, chemical industry, the circular economy, and bio-plastics would be the focus areas.

Chief Executive Officer of Central Retail Corporation, Yol Phokasub stresses that products and services have to adapt in accordance with changing consumer behavior, by applying an e-commerce channel, omni-channel, and focusing more on customer-centric. To cope with the next normal, there are three focus areas: Strengthening employee capabilities to be receptive to organizational changes; Re-thinking the business model and focusing on business’s key strengths; and Re-thinking of the investment not only for the return in value but also the return on experiences of customers and employees.

Looking ahead, President of Bangkok Bank plc, Chartsiri Sophonpanich believes the Thai economy will get back on track once the COVID-19 outbreak returns to a manageable situation.

He foresees new opportunities that Thailand could grasp based on current strengths. That include the manufacturing of pharmaceuticals and medical equipment, electronic parts and electric vehicle parts. Meanwhile, the government needs to accelerate spending on infrastructure like ports, roads and railroads and move forward with the Eastern Economic Corridor initiative, while helping the unemployed start businesses.

“We must transform, diversify and catch new opportunities from future industries,” he said.

SET President Pakorn Peetathawatchai said in his welcome address that amid market jitters, the exchange has experienced success in executing its plans to strengthen the capital market. The IPO market capitalization reached US\$5 billion in 2020, pushing Thailand to the top 10 in the world, the top 5 in Asia and No. 1 in ASEAN. The momentum continued to this year, as the value has already reached US\$3 billion, confirming the Thai market’s pivotal role in fund raising.

Thai listed companies have also shown their resilience, with 21 companies included in the 2020 Dow Jones Sustainability Indices (DJSI) – the highest number in ASEAN.

Looking forward, SET plans to adopt more technology to strengthen competitiveness through digital platforms that promote ESG disclosure, products and services.

“To thrive further, SET focus on ensuring a smooth transition to the ‘Next Normal’ by embracing new digital technology and enhancing connectivity for investors to global markets, to strengthen its competitiveness,” Pakorn added.