

# Thailand Monument Builder Looks Abroad as Growth Stalls: Economy

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Bangkok's Democracy Monument was erected to commemorate the 1932 coup that ended [Thailand's](#) seven-century reign of kings, and became a rallying point last year for protesters seeking to oust the government. Now, the landmark's builder is going abroad for the first time in its 84-year history as political instability saps demand at home.

"Because of the uncertainty, government projects are on hold and some have been canceled," said Khushroo Wadia, managing director at Christiani & Nielsen Thai Pcl. "We are looking for opportunities in neighboring countries like Myanmar, [Laos](#) and [Cambodia](#) as a way to diversify our risk."

Thai companies have endured eight straight years of political tension marked by violent street clashes, making them increasingly desperate as orders decline and capacity is idled. With no end in sight to the unrest that began late-October to unseat Prime Minister Yingluck Shinawatra, the danger is more firms may follow Christiani & Nielsen in search of new markets as the monetary authority and the [World Bank](#) cut growth forecasts and ratings companies warn of potential downgrades.

"Any business that relies only on local demand will have a hard time this year, with weak consumption and investment both from the private and public side," said Tim Leelahaphan, an economist at Maybank Kim Eng Securities Thailand Pcl in Bangkok. "Thailand's already fragile economy is facing deteriorating confidence."

## Confidence Sinks

The Bank of Thailand last month cut its key interest [rate](#) to 2 percent, the lowest since Dec. 2010, and reduced its growth forecast for this year to 2.7 percent from 3 percent. [Consumer confidence](#) sank to more than a 12-year low in March. The central bank's next monetary policy meeting is on April 23.

The unrest has weighed on financial markets, with the [SET Index \(SET\)](#) down 5.1 percent in the past six months, the most among Asian benchmarks. The baht has weakened 3.5 percent against the [U.S. dollar](#) in the same period, the biggest drop among [Asia's](#) major emerging market currencies tracked by Bloomberg.

"The deadlock will have a big impact on the economy through 2015," said Prapas Tonpibulsak, chief investment officer at Krungsri Asset Management Co., which oversees \$6.8 billion. "No new investments in infrastructure are possible until a full-time government is formed."

As government contracts dry up, companies are looking beyond Thailand's borders. [Nawarat Patanakarn \(NWR\)](#) Pcl said last month it's bidding for private infrastructure contracts and may seek jobs in Myanmar and Laos. Italian-Thai Development Pcl, the biggest construction company by revenue, is developing an industrial estate in Myanmar and Ch. Karnchang Pcl, the biggest by market value, is building a hydropower plant in Laos.

## Street Rallies

Hundreds of thousands of people began protesting on Oct. 31, calling for Yingluck to step down and allow electoral rules to be rewritten to erase the political dominance of her family. They accuse the ruling Pheu Thai party of buying votes with populist policies. Parties linked to former premier [Thaksin Shinawatra](#) have won the past five elections, including the 2011 poll that brought his sister to power.

Twenty-five people have been killed in political clashes and demonstrators have occupied large swathes of Bangkok including ministries and the offices of the army and police.

The [Constitutional Court](#) last month nullified a Feb. 2 general election after protesters obstructed the vote, frustrating Yingluck's efforts to form a new government. The same court rejected a 2 trillion baht (\$62 billion) infrastructure spending bill that was approved by parliament.

## Uneven Recovery

The political deadlock has crippled almost all of the country's main economic drivers. The private consumption index and private investment index have both contracted since the third quarter of last year. Tourist arrivals fell 8.1 percent in February from a year earlier, according to the central bank, and [exports \(THCTEXPY\)](#) fell in four of the six months through February.

Thailand's outlook is also threatened by an uneven global recovery, with [China \(CNGDPYOY\)](#) reporting this week growth slowed to 7.4 percent in the first quarter from a year earlier. The [International Monetary Fund](#) has cut its forecast for worldwide expansion in 2014 and urged [emerging markets](#) to prepare for capital flows back to advanced economies.

Thailand's finance ministry last month lowered its growth forecast for this year to 2.6 percent, and said the budget that should start in October may not be approved until the second quarter of 2015. Phatra Securities Pcl last month cut its 2014 gross domestic product forecast to 1.1 percent, and Kasikorn Research Center lowered its estimate to 1.8 percent.

## Rating Outlook

The outlook on Thailand's debt rating may be reassessed if the deadlock stretches into the second half, [Fitch Ratings](#) said March 20. Fitch and Moody's Investors Service last month kept their credit ratings unchanged with a stable outlook, citing strong economic fundamentals, while warning of risks to creditworthiness if the political gridlock continues.

First-quarter investment applications fell 48 percent from a year earlier, even as those for the [auto industry](#) tripled, data showed last week. Exports rose a more-than-estimated 2.43 percent in February from a year earlier, and are forecast by the government to grow 5 percent this year.

"While exports will be the main growth engine for the Thai economy this year, they are unlikely to be strong enough to make up for domestic demand weakness," said Krystal Tan, a Singapore-based economist at [Capital Economics](#).

For the builder of Democracy Monument, which symbolically guards the nation's constitution, going overseas may help diversify risk and provide new revenue sources.

"I have seen Thailand come up and go down," [Christiani & Nielsen \(CNT\)](#)'s Wadia said. "This time it is very challenging."

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