Press Release

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**TRIS Rating Sees the Thai Economy to Grow at a Slower Pace in 2019
and Key Challenges in Some Business Sectors**

In a seminar today hosted by TRIS Rating Co., Ltd. at Crown Plaza Hotel, Mr. Sakda Pongcharoenyong, President of TRIS Rating and senior analysts share their perspectives on the outlook of Thai economy and some key business sectors in 2019. Participants in the seminar include institutional investors, bond underwriters, and financial advisors.

GDP Growth – TRIS Ratings sees 3.9% GDP growth in 2019

TRIS Rating estimates Thailand's GDP growth in 2018 to register at 4.0%, adjusted from a previous forecast of 4.2%. The slight drop reflects the weaker-than-expected key economic indicators. TRIS Rating forecasts the Thai economy to grow at a slower pace of 3.9% in 2019. While ongoing public and private investments will likely remain the key growth engines in lifting the economy, private consumption has weakened in recent months. The weak trend in private consumption will likely continue in 2019. TRIS Rating views an economic slowdown in China and the on-going U.S.-China trade tensions as the major downside risks in 2019, which could affect Thailand's exports and push the GDP growth to fall below 3.9% in 2019.

Commercial Banks – Thai banks proved resilient amid tough operating environment

TRIS Rating sees a stable outlook for Thailand's banking industry. Thai commercial banks have proved resilient amid an increasingly tough operating environment. Most banks managed to attain satisfactory financial results in 2018, despite lower fee income from transaction banking. Strong capital and ample system liquidity should continue to support the banks' credit profile. Meanwhile, TRIS Rating forecasts loan growth for the rated banks to be around 7% in 2019. High-yield retail lending, particularly in personal loans, which is a focus for many banks this year will act as a catalyst for yield enhancement for banks. Asset quality appears to be under control for most banks. However, signs of asset quality deterioration in the auto hire-purchase segment are emerging, while the quality of housing loans remains vulnerable. Overall, persistently high level of NPL relapses means that NPL resolution remains a challenge for the banking sector.

Nonbank Lending Industry – IFRS9 the key challenge

The most notable challenge for the nonbank lending industry over the next 12 months is the operators' ability to cope with the new accounting standard. The International Financial Reporting Standards No. 9 (IFRS9) requires higher provision for loan losses. The implementation of IFRS9 in 2020 is expected to materially affect the operators' profitability and capitals due to the rise in credit costs from the stricter rules on provisioning. Asset quality in vehicle loans has deteriorated somewhat in 2018, calling for close monitoring over the next 12 months. The trend of rising interest rates also poses significant risk of margin compression. We expect the nonbank lending industry to continue attaining healthy profit and credit growth, although at a lower rate in 2019. Overall, we expect most of the rated operators to cope well with the challenges in 2019.

Agricultural and Food Industry – Oversupply to persist in 2019

The agricultural and food industry has been in the grips of a downturn, and the downturn is expected to persist over the next 12 months. There are no signs the oversupply of livestock, sugar, and other agricultural products will abate in the near future. The ability of businesses in this volatile industry to mitigate business risk is critically important to withstand long periods of adverse market condition. Market leaders in the livestock industry have long resorted to product diversification and vertical integration to mitigate the effect of price volatility, and improve profitability. Power generation has long become a significant part of major businesses in the sugar industry which has proved a right strategy from the business diversification perspective.

Power Industry – Overseas expansion the solution for growth

The growth of power consumption in Thailand has moved at almost the same pace as the country's GDP growth over the past ten years. As there are limited growth opportunities in the domestic market, many operators have sought expansion in offshore markets to meet their growth objectives. However, offshore opportunities that offer the right balance of risk and return have proved hard to find. Counterparty and regulatory risks are often cited as the key concerns for investment opportunities in some new frontier markets. Renewable power, once highly sought after investment opportunities, has passed its peak period in the domestic market as competition has driven down the tariffs on offer. Notwithstanding the limited growth opportunities, the power industry in Thailand continues to be characterized by its stable operating environment with low counterparty and regulatory risks, and supported by solid power purchase agreements.

Real Estate Investment Trusts (REITS) – Investor interest to draw more REIT debt issues

REITS as a new asset class in the Thai capital market, have drawn considerable interest from investors in recent years. We have seen an increasing number of REITS tapping the bond market to meet their leverage targets. Characterized by their stable income streams, the credit risk of REITS are driven by a few key drivers in occupancy rate, contractual arrangements with tenants, funding policy, liquidity management, and track record of REIT managers. As the REITS presently offered in the market are predominantly sponsor related, potential conflict of interest with the related sponsor also needs to be managed. TRIS Rating views that the markets for retail property, office space and factory for rent will stay stable over the next 12 months. However, some new large-size mixed use projects currently under construction are expected to hugely alter the supply landscape of commercial property space in Bangkok when they are completed in the next three to five years.

Property Sector – Developers adapt to changes in market condition

After hitting record highs in new project launches and sales in 2018, the Thai property sector is expected to experience a significant slowdown in 2019. The Bank of Thailand's tightened rules on mortgage loan extension by commercial banks that will take effect on 1 April 2019, are expected to have significant impact on market demand. Most property developers are rushing title transfers of completed units before the new mortgage lending rules come into effect. In the meantime, we expect most developers to be more cautious in launching new projects until they see a clearer picture of market reaction in the second quarter of 2019. There are concerns that the demand from foreign buyers which accounted for 33% of total condominium presales value in 2018, could also drop in 2019. However, we have not seen clear signs of that happening at this point in time. A significant slowdown in the property market could potentially affect the developers' profitability, delay title transfers as some buyers may face difficulty in obtaining financing which in turn could push up the developers' financial leverage. While we see the risk of negative impact from a potential slowdown over the next 12 months, we maintain our view that the Thai property market has healthy in the medium and long term prospects, and that most of the rated large and mid-sized developers should be capable of adapting to changes in market condition.

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