Thai Q2 GDP growth slows sharply amid weak global demand, gov't cuts outlook

BANGKOK — Thailand's economy grew at a much slower-than-expected pace in the second quarter (Q2), data showed on Monday, as weak exports and slower investment undercut strength in tourism and prompted the government to downgrade its 2023 growth forecast.

Southeast Asia's second-largest economy has been hobbled by slackening global growth, led by its main trading partner China and falling investor confidence due to a protracted period without a government following elections in May.

Thailand's gross domestic product (GDP) grew 1.8% in the April-June period from a year earlier, the National Economic and Social Development Council (NESDC) said, well below the 3.1% expansion expected by economists in a Reuters poll.

GDP had risen 2.6% year on year in the first quarter, revised down from 2.7% stated earlier.

The second quarter was hurt by export volumes falling 5.7% year on year and dragging manufacturing output down by 3.3%, while government spending also declined 4.3%. All of this put a further dampener on fixed asset investment, which was down 2.8% on-quarter.

The global demand weakness prompted the government to cut its 2023 GDP growth forecast to between 2.5% and 3.0% from a range of 2.7% to 3.7%, meaning the central bank may not rush to raise rates again.

"With inflation below target and the economic recovery showing signs of faltering already, we believe the Bank of Thailand is unlikely to deliver further rate hikes this year," said Shivaan Tandon, emerging Asia economist at Capital Economics.

The Bank of Thailand has raised its benchmark interest rate seven times to 2.25% since last August to tame inflation and help foster a smooth economic recovery.

Central bank Governor Sethaput Suthiwartnarueput this month said the current level of the key rate was nearly balanced and could be held steady or hiked at the next meeting on Sept. 27.

Capital Economics said it is downgrading its annual 2023 GDP forecast sharply to 3.0% from 4.5% previously. Thailand posted full year growth of 2.6% last year. — *Reuters*

FULL STORY

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China surprises with modest rate cut amid rising yuan risks

SHANGHAI/SINGAPORE — China cut its one-year benchmark lending rate on Monday as authorities seek to ramp up efforts to stimulate credit demand, but surprised markets by keeping the five-year rate unchanged amid broader concerns about a rapidly weakening currency.

The recovery in the world's second-largest economy has lost steam due to a worsening property slump, weak consumer spending and tumbling credit growth, adding to the case for authorities to release more policy stimulus.

However, downward pressure on the yuan means Beijing has limited room for deeper monetary easing, analysts say, as a further widening of China's yield differentials with other major economies could trigger yuan selloffs and capital flight.

The one-year loan prime rate (LPR) was lowered by 10 basis points (bps) to 3.45% from 3.55% previously, while the five-year LPR was left at 4.20%.

In a Reuters poll of 35 market watchers, all participants predicted cuts to both rates. The 10 bps cut in the one-year rate was smaller than the 15 bps cut expected by most poll respondents.

"Probably China limited the size and scope of rate cuts because they are concerned about downward pressure on the yuan," said Masayuki Kichikawa, chief macro strategist at Sumitomo Mitsui DS Asset Management.

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"Chinese authorities care about currency market stability."

Most new and outstanding loans in China are based on the one-year LPR, while the five-year rate influences the pricing of mortgages. China cut both LPRs in June to boost the economy.

The onshore yuan eased in early trade to 7.3078 per dollar, compared with the previous close of 7.2855, while benchmark Shanghai Composite index and the blue-chip CSI 300 index also declined.

The yuan has lost nearly 6% against the dollar so far this year to become one of the worst performing Asian currencies.

The reduction in the one-year LPR came after the People's Bank of China (PBoC) unexpectedly lowered its medium-term policy rate last week.

The medium-term lending facility (MLF) rate serves as a guide to the LPR and is widely read by markets as a precursor to future changes to the lending benchmarks.

China's central bank has also pledged to keep liquidity reasonably ample and its policy "precise and forceful" to support the economic recovery, amid rising headwinds, according to its second-quarter monetary policy implementation report.

But the steady five-year tenor caught many traders and analysts off the guard, with some expecting the troubled property sector and rising default risks at some developers would have led to deeper cuts to the benchmarks.

"We interpret the status quo of five-year LPR was a signal that the Chinese banks are reluctant to cut rates at the expense of rate differential margin," said Ken Cheung, chief Asian FX strategist at Mizuho Bank.

"It flagged a problem on the effectiveness of PBoC's policy guidance pass-through into the market, and the Chinese authorities may be lacking effective tools to stimulate the property sector and economy via monetary easing."

Mr. Cheung added that the unexpected rate outcome should be "negative to China growth outlook and the yuan exchange rate."

The central bank said it will optimize credit policies for the property sector, while coordinating financial support to resolve local government debt problems, it said in a statement on Sunday. — *Reuters*

AllHome, AllDay set to resume store expansion

LISTED companies AllDay Marts, Inc. and AllHome Corp. are set to begin expanding their retail stores starting next year, its top official said.

"By next year, we will resume our expansion. We will start the expansion of AllDay and AllHome," Manuel B. Villar, Jr., the companies' chairman, told reporters in a recent briefing.

Mr. Villar said the companies' expansion efforts would begin with smaller freestanding projects.

"Smaller *siya pero pareho pa rin*, freestanding *pero mas maliit*," he said.

(It's much smaller but still the same as previous projects, freestanding but smaller.)

He added that the Villar group's retail businesses were largely affected by lower foot traffic mainly attributed to the pandemic.

"We will come back strongly next year," he said. "Most of our [retail businesses] are mall-based."

Both companies said earlier that part of the proceeds from their initial public offering would be used for store expansions, with the rest for debt repayment and capital expenditures.

AllDay conducted its maiden listing on the Philippine Stock Exchange in 2021, while AllHome held its market debut in 2019.

For the second quarter, AllHome reported an 8.1% decline in attributable net income to P229.85 million from P250.02 million, mainly attributed to higher expenses by 3.8% to P2.75 billion.

Its top line for the three-month period inched up by 3% to P3.12 billion from P3.03 billion in the same period last year.

Meanwhile, AllDay's attributable net income for the second quarter fell by 4.4% to P83.40 million from P87.21 million a year ago.

Its revenues rose 6.8% during the April-to-June period to P2.46 billion from P2.30 billion in the same period last year.

The company's first-half attributable income surged to P171.97 million, a significant rise from P11.63 million a year earlier.

Last Friday, AllDay shares went up by 0.6% or P0.001 to P0.169 apiece while AllHome shares rose by 1.25% or two centavos to P1.58 apiece last Friday. — **Adrian H. Halili**

San Miguel prepares to train new engineers for MRT-7 operations

SAN MIGUEL Corp. (SMC) on Monday is set to train about 115 recently graduated engineers to helm the Metro Rail Transit Line 7 (MRT-7) project.

"MRT-7 promises to be a game-changer for the Philippine transportation landscape, and we are confident our young professionals will set new benchmarks in efficiency, safety, and service excellence," San Miguel President and Chief Executive Officer Ramon S. Ang said in a statement.

The company said the engineers will undergo extensive training for the commercial operation of MRT-7 by 2025.

It added that the new graduates have started their training in the country, while 40 engineers were sent to Korea for training under Korea Railroad Corp. or Korail.

The company said the remaining cadets are undergoing mandatory fundamental training courses under the Philippine Railway Institute.

San Miguel has partnered with the Korean railway operator and the Philippine Railway Institute for industry-level insights and understanding in train operations and railway maintenance.

"Investing in the growth, development and well-being of young local talents is part of our commitment to nation-building and ensuring our country's long-term success and prosperity," Mr Ang said.

"We want to be able to provide them with the tools they need to enhance their competencies, prepare them for when the MRT-7 starts operating and eventually make meaningful contributions to the wider community," he added.

The company, through its infrastructure unit, SMC Infrastructure, recently acquired a P100-billion loan to hasten the project completion by 2025. — **Adrian H. Halili**

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