



Trade Digest

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20% Film Production Incentives Bring in 900M Baht during Q1

Thailand has recorded earnings over 900 million baht in revenue from international film and television production during the first quarter of 2017. The large sum has been largely attributed to special new incentives given to film producers since January 2017.

According to Ms. Wanasiri Morakul, Director General of the Department of Tourism, it is projected that Thailand will reach its target of 3 to 4 billion baht of foreign investment from foreign film productions this year. A total of 239 foreign films were shot in Thailand from January to March. The United States is the country's top investor, followed by the United Kingdom.

It is forecast that the incentives will further drive revenue to 5 billion baht in 2018, up from the current average of 2 billion a year. Other related industries including studio services and film equipment, car rental services, actors, location shooting services, visual effects, movie theatres, food and catering are all expected to benefit as well.

Introduced in January 2017, the incentive offers a 15% rebate on international film and television productions that spend at least 1.5 million USD filming in Thailand. An additional 3% is available for films that use key Thai cast or crew when shooting in the country and a further 2% bonus rebate is offered for films that promote Thai tourism and culture. The incentive is now being administered by the Thailand Film Office through a one-stop service center for issuing permits, which can be granted within 3 to 14 days.

Presently, Thailand is one of Asia's most popular filming locations but has been facing competition from countries that offer their own incentives such as Australia and Malaysia.

Apart from the new incentives, the Department has also launched marketing and promotional campaigns to attract more foreign film productions to use Thailand as a filming location. Furthermore, the

Department of International Trade Promotion, the Ministry of Commerce is also working on developing a human resources development plan for film-related personnel with the aim of improving Thai workers' skill levels to meet international standards.

Optimism for Thailand's Investment in 2017

In the first quarter of 2017, new investment in Thailand declined, according to both investment promotion applications submitted to the Board of Investment (BOI) and actual investment¹. Investment applications submitted to the BOI stood at 62 billion baht, down from 75 billion during the same time last year, and actual investment in the first quarter was 80 billion baht, which is only 16% of the year's total investment target of 600 billion baht. In spite of these concerns, the BOI expects investment to accelerate over the coming months and remains optimistic about investment trends this year, said Mrs. Hiranya Suchinai, Secretary General of the BOI.

The decrease in new investment during the first quarter of 2017 has ignited concern among some, but the actual investment value normally lags far behind investment application value because many companies need one or two quarters after approval from the BOI to start their new investment, Ms Hiranya explained. That time lag includes loan approval and market evaluation to determine whether it is a suitable time to start real investment. In addition, the actual investment can sometimes be lower than the original application value.

The Bank of Thailand expects private investment to grow by 2.4% in 2017, up from the 0.4% growth recorded in 2016, said Mr. Mathee Supapongse, Deputy Governor overseeing monetary stability at the Bank of Thailand. A more robust recovery in merchandise exports is expected to drive private investment growth in the second half of this year although there was a contraction in private investment in the first quarter. Furthermore, a strong recovery in private consumption is also expected to help accelerate private investment for the remainder of the year. In addition, the reduction of banks' borrowing rates could partly support investment for small and medium-sized businesses.

¹ Actual investment, reported by Board of Investment (BOI), is the total amount of investment expenditures undertaken by a business sector during a period of time, including both planned and unplanned outlays of capital.



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The BOI remains optimistic, expecting new investment promotion policies in 2017 such as the Competitiveness Enhancement Act, designed to promote investment that is in line with Thailand 4.0 and the National Agenda, to boost investment in the targeted industries and lead to a substantial increase in the investment value during the rest of the year. In the next step, the BOI and related organizations should monitor the investment situation closely and thoroughly. Other external factors that could raise investors' concerns, such as shifts in the global political and economic landscape, should be taken into consideration and if something undesirable is found to be taking place, the government should have in place an efficient instrument which to cope with it promptly.

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If you have any comments or questions regarding Trade Digest or any matters discussed herein, or if you are interested in finding out more about Bolliger & Company (Thailand) services, please contact any of the persons below:

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