

“Working Together for Sustainable Growth”
Special Address by Dr. Veerathai Santiprabhob
Governor of the Bank of Thailand
WFE General Assembly & Annual Meeting Programme
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Khun Kesara Manchusree, President of the Stock Exchange of Thailand,

Ms. Nandini Sukumar, Chief Executive Officer of World Federation of Exchanges,

Chairpersons, Presidents, Chief Executive Officers and top management of leading global exchanges,

Ladies and gentlemen,

A very good evening to you all.

First of all, I would like to thank the World Federation of Exchanges (WFE) and the Stock Exchange of Thailand (SET) for inviting me to be a part of this annual event. I must admit that while I was at the SET, I looked forward to participating in this forum every year, as it often generated good new ideas and reaffirmed our commitments to enhance capital market for the benefit of the global economy.

I am delighted to be back at the WFE General Assembly and Annual Meeting. But this year, I join the meeting in another capacity - wearing a different hat. It is my great honour and pleasure to be among distinguished guests and former colleagues.

Ladies and gentlemen,

Let me start by saying that it is an exciting time for the Thai economy and our region. The Thai economy continues to expand at a faster-than-expected pace. We are witnessing strong growth in exports and tourism. Government large-scale infrastructure investments are making good progress. Public investment, together with the government’s strategy to attract investments in industries for the future, will step up Thailand’s competitiveness and lay a strong foundation for sustainable growth.

Thailand’s external position remains strong with large current account surplus of around 11% of GDP¹ and high level of international reserves, roughly more than 3.5 times of the short-term external debt. Financial conditions remain accommodative, and business financing through credit and capital market continues to expand. Furthermore, our capital account liberalisation and recent efforts to reform foreign exchange regulations will help create a

¹ Source: Office of the National Economic and Social Development Board Gross Domestic Product: Q2/2017 Report (page 33) http://www.nesdb.go.th/ewt_dl_link.php?nid=5166&filename=QGDP_report

conducive environment for financial market development and financial connectivity in the region.

Our regional efforts towards deeper economic integration provide immense opportunities for Thailand and the ASEAN region. ASEAN is projected to grow at 4.8% in 2017², and is home to more than 600 million people³. According to the Asian Development Bank, the share of ASEAN's middle class is estimated to increase to 65% by 2030. The growing middle class with increased purchasing power inevitably serves to boost demand and productivity for the regional economies over the medium to long term.

In addition, increased regional connectivity has led to expanding trade and investment prospects. Infrastructure investment is gaining momentum throughout the region. UNCTAD has estimated infrastructure investment needs in ASEAN at \$110 billion per year through to 2025⁴. Within ASEAN: Cambodia, Laos, Myanmar, Vietnam and Thailand, or the CLMVT sub-region, is going through substantial infrastructure transformation and connectivity enhancement. These public infrastructure investments will certainly crowd in private investments, catalyzing further growth and development.

The strategic location of Thailand and the tremendous demand for financing in ASEAN, especially the CLMVT sub-region, present large opportunities for our capital market for a number of reasons. Thailand has strong trade relations and large-scale direct investments in ASEAN countries. Thailand's capital market infrastructure is ready to facilitate regional investment and growth prospects. Our capital market serves as a promising connector for global investors and regional financing demands.

Ladies and Gentlemen,

With all these promising prospects, however, Thailand, ASEAN, and the rest of the world face common challenges. We are going through a challenging time in the global economy and geo-political environment. In the current stage of gradual economic recovery, policy uncertainties, excess global liquidity, and technology disruption will all contribute to an increasingly volatile, uncertain, complex, and ambiguous environment, or the VUCA world in short. Let me elaborate on some of the challenges we are facing.

The global economy has observed **prolonged periods of low-growth and low-yield** conditions. The unconventional monetary policy measures undertaken to stimulate economic recovery in advanced economies resulted in huge excess global liquidity that has spilled over to other economies. The growing search-for-yield behaviour induce under-pricing of risks and volatilities in the global financial system, which could lead to financial fragility in the long term.

² ASEAN Economic Integration Brief 2017 http://asean.org/storage/2017/06/AEIB_No.01-June-2017_rev.pdf

³ Source: http://asean.org/storage/2012/05/ASEAN_Stats_Leaflet2016_web.pdf

⁴ ASEAN Investment Report 2015; Infrastructure Investment and Connectivity, ASEAN Secretariat and UNCTAD (Page 65) <http://asean.org/storage/2016/09/ASEAN-Investment-report-2015.pdf>

In addition, potential growth is hampered by **ageing population** and **large debt overhang**. According to United Nations' World Population Ageing Report⁵, the number of people aged 60 years or over is projected to increase by 56% by 2030. On top of that, debt overhang has undermined private investment and consumption. These conditions could dampen demand and threaten long-term economic growth. Along with these challenges, movements towards protectionism and geo-political uncertainties could trigger adverse shocks to the global economy.

Against this backdrop, we also face profound changes in technology. While technology advancement is needed to improve productivity and our standard of living, its unprecedented speed of change could be disruptive for incumbents in many industries ranging from taxi services to financial services. In the area of exchanges, we see changes in exchange and brokerage business models, the emergence of algorithmic trading, alternative trading, and robo-advisor. Distributed Ledger Technology (DLT) could potentially transform payment, settlement and custodial services. We should be mindful that technology advancements also bring along new forms of risks to the financial system ranging from cyber risks to strategic risks of existing business models.

Ladies and Gentlemen,

These circumstances pose challenges not only for regulators but also players in the financial market. To ensure that our financial system serves our economy and society well in the VUCA world, I believe that there are three imperatives we must focus on. These are **(1) productivity**, **(2) immunity**, and **(3) inclusivity**. Allow me to highlight some initiatives that have been implemented to advance these objectives in Thailand.

First, on the **productivity** front, we are committed to supporting the use of technology for greater productivity. Digitization will help enhance efficiency in financial services. There has been remarkable progress in the electronic payment ecosystem. For instance, our PromptPay, which was launched early this year, is among the most efficient faster payment systems in the region. Last week, we launched the standardised QR code for payment services. This was the world-first collaboration from the five major global credit card service providers. These payment platforms and standards will improve convenience and efficiency, and provide foundation for innovative financial services.

On building **immunity** to safeguard financial system resilience, Thai commercial banks constantly maintain high level of capital and loan loss reserves. In addition, we place much emphasis on proper market conduct, good governance, and most importantly, fortifying trust. The Banking Industry Code of Conduct has recently been revised to promote a culture of good governance and ensure fairness in the industry. This year, the Bank of Thailand

⁵ World Population Ageing Report 2015 (page 2)

http://www.un.org/en/development/desa/population/publications/pdf/ageing/WPA2015_Report.pdf

embarks on a new initiative to enhance banks' understanding of risks associated to their behaviour and culture.

While striving for economic growth, we must not forget that **inclusive growth** is a prerequisite for sustainable development. I could not agree more with the United Nations' 2030 agenda for sustainable development that "*no one should be left behind*"⁶. Thus, various measures to promote financial inclusion have been implemented and many more are in the pipeline, to ensure that everyone has access to financial services at fair prices. More importantly, empowering people with financial literacy and financial planning capability is an important element of inclusive growth.

Ladies and gentlemen,

Sustainable economic growth requires concerted effort from all parties involved. Initiatives from the banking sector alone will not be sufficient. The capital market and exchange can and should play an important role.

I am very pleased to see that the agenda of this year's WFE conference is well in line with the aforementioned three imperatives. It is encouraging that the exchange industry is working together to find meaningful ways to boost **productivity** through fostering growth and embracing new technology; build **immunity** from mitigating emerging risks and building resilience; and promote **inclusivity** via increasing retail investor participation. WFE has shown, once again, its commitment to support the development of fair and efficient markets, embracing the role of exchanges to facilitate the efficient allocation of resources and thus promote the real economy and the well-being of the people at large.

Ladies and Gentlemen,

Our world is rapidly changing. To keep up with the changes and reap the benefits without leaving the majority of people behind, financial services should serve the real economy to promote sustainable well-being of the public at large. The complementary roles of banks and capital markets to enhance "**Productivity, Immunity, and Inclusivity**" will definitely generate desirable outcomes.

On that note, I wish you all a successful and productive conference and an enjoyable stay in Thailand.

Thank you for your attention.

Sawasdee Krub

⁶ Source: <http://www.un.org/apps/news/story.asp?NewsID=52992>