

EXIM Thailand Encourages SMEs to Use FX Risk Hedging Tool To Drive Thai Export Growth

Mr. Pisit Serewiwattana, President of Export-Import Bank of Thailand (EXIM Thailand), said in a seminar on the Foreign Exchange (FX) Risk Management Project for SMEs at EXIM Thailand's Head Office on February 23, 2018 that the number of Thai SME exporters is still very small compared with that of developed countries. This is because they do not have sufficient knowledge and information to support their business start-up or expansion overseas, especially amidst Thai baht fluctuations. From the end of 2017 until the beginning of 2018, Thai baht kept strengthening and hit the 31.24 baht mark against the US dollar in mid-February 2018, strongest in more than four years similar to the direction of other currencies in the region. As a consequence, Thai exporters' income when converted into Thai baht is likely to decline. EXIM Thailand has thus collaborated with the Ministry of Industry, the Office of Small and Medium Enterprise Promotion (OSMEP), the Bank of Thailand (BOT) and the Thai Bankers' Association in launching a FX risk management project for SMEs since November 2017 under which SMEs will be provided with knowledge on FX risk hedging and other relevant financial know-how. Eligible seminar participants would be granted a premium line of 30,000 baht per business for use to buy FX option contracts on a trial basis from the eight participating commercial banks.

Mr. Pisit said further that 2,037 SMEs have so far been granted premium lines under the FX risk management project for SMEs to buy FX option contracts on trial, involving a total of 61.11 million baht or 41% of the project budget amount of 150 million baht approved by the Cabinet. Several SMEs have been reluctant to participate in the project as they lack knowledge and understanding of the benefits of FX options. Some would take a wait-and-see approach on the FX direction while others consider there is still time for them to make decision by the end of the project in June 2018. Therefore, EXIM Thailand has joined hands with its allies to organize a seminar on the FX risk management project for SMEs at EXIM Thailand's Head Office in February 2018 and will provide online training via video clips which feature the training sessions by EXIM Thailand in the service areas of the participating organizations, such as branches of the eight participating commercial banks, i.e. Bangkok Bank, Krung Thai Bank, Bank of Ayudhya, Kasikorn Bank, CIMB Thai Bank, TMB Bank, Siam Commercial Bank and United Overseas Bank (Thai), BOT regional offices, regional industrial promotion centers of Department of Industrial Promotion in 11 provinces, OSMEP, New Economy Academy under the Department of International Trade Promotion of the Ministry of Commerce, SME Development Bank, and so on.

“Due to volatility, FX direction is hard to predict. However, exporters can hedge FX risk to relieve their concerns so that their business would not be disrupted or face loss despite FX fluctuations. Purchase of FX options can be a tool for FX risk hedging, with which the Government encourages Thai exporters to acquaint themselves and make a trial purchase so that they may convert FX risk into definite income or profit from each export transaction,” added Mr. Pisit.

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