

Thailand Politics

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News Update

Election results a surprise

- **Move Forward Party wins the most seats**
- **At the biggest expense to Pheu Thai which comes second**
- **New government down to two scenarios**
- **We see more uncertainty for the market**

Thailand's election results are of a big surprise with Move Forward Party (MFP) winning the most seats with Pheu Thai (PT) trailing behind. See unofficial results in Exhibit 1 below. We see more uncertainty to the market. While the face of the new government remains uncertain given no landslide win to make a one-party government, a scenario with MFP leading a coalition government can result in a short-lived government.

- Our earlier base-case scenario was when PT wins an election, chooses to form the government with the existing conservative camp and leaves MFP in the opposition bench. In this scenario, we believe the government would last longer with the ex-PM Thaksin Shinawatra also having a good chance of returning home.
- Now with MFP winning the most seats, PT has two choices to make in our view. One is to lead the new government, despite winning fewer seats than MFP, and form a coalition with the conservative camp and still has around 313 coalition seats in the House (Exhibit 2). This scenario is the same as our earlier base-case scenario and we still believe it is a more positive scenario for the market with the new government likely being able to last longer than the scenario below. In addition, we believe Mr.Thaksin would have a better chance of returning home under this scenario.
- The other choice for PT is to join MFP, which will lead the government with around 328 House seats (Exhibit 3). This choice, however, means less chance for Mr. Thaksin to return home in our view. We believe this scenario has three risks. One is the government stability given MFP's PM candidate Mr.Pita Limjaroenrat likely to have a legal case on his small shareholding in a media company, which is prohibited by Thai law for member of parliament candidates. Two is a deadlock in government forming process in case the Senate doesn't vote for Mr.Pita to be the prime minister. Three is an uncertainty that may result from MFP proposing changes to laws regarding the monarchy and the military reform and budget.
- As for economic policies, in both scenarios there will be a lot of populist promises to be delivered with short-term gain, long-term pain to Thai economy. This should be in market expectation to a certain degree. However, the degree of populism and welfare spending are likely to be more in the scenario of the MFP-PT government. There is also higher risk on aggressive increase in minimum wage given MFP's election promise of Bt450 within a year or 28% increase.

Ex 1: Unofficial Election Results

	Total	Constituency	Party List
Move Forward	151	113	38
Pheu Thai	140	111	29
Bhumjaithai	71	68	3
Palang Pracharath	40	39	1
United Thai Nation	36	23	13
Democrat	25	22	3
Chart Thai Pattana	10	9	1
Prachachart	9	7	2
Thai Srang Thai	6	5	1
Others	12	3	9
Total	500	400	100

Sources: Election Commission; Thanachart estimates

Ex 2: Scenario 1 – PT Forms A Coalition Government

	Government	Opposition
Move Forward		151
Pheu Thai	140	
Bhumjaithai	71	
Palang Pracharath	40	
United Thai Nation		36
Democrat	25	
Chart Thai Pattana	10	
Prachachart	9	
Thai Srang Thai	6	
Others	12	
Total	313	187

Source: Thanachart estimates

Ex 3: Scenario 2 – MFP Forms A Coalition Government

	Government	Opposition
Move Forward	151	
Pheu Thai	140	
Bhumjaithai		71
Palang Pracharath		40
United Thai Nation		36
Democrat		25
Chart Thai Pattana	10	
Prachachart	9	
Thai Srang Thai	6	
Others	12	
Total	328	172

Source: Thanachart estimates

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