



INTERNATIONAL CONFERENCE

THAILAND MOVING FORWARD

“ECONOMIC REFORMS UNDER THE INTERIM GOVERNMENT”

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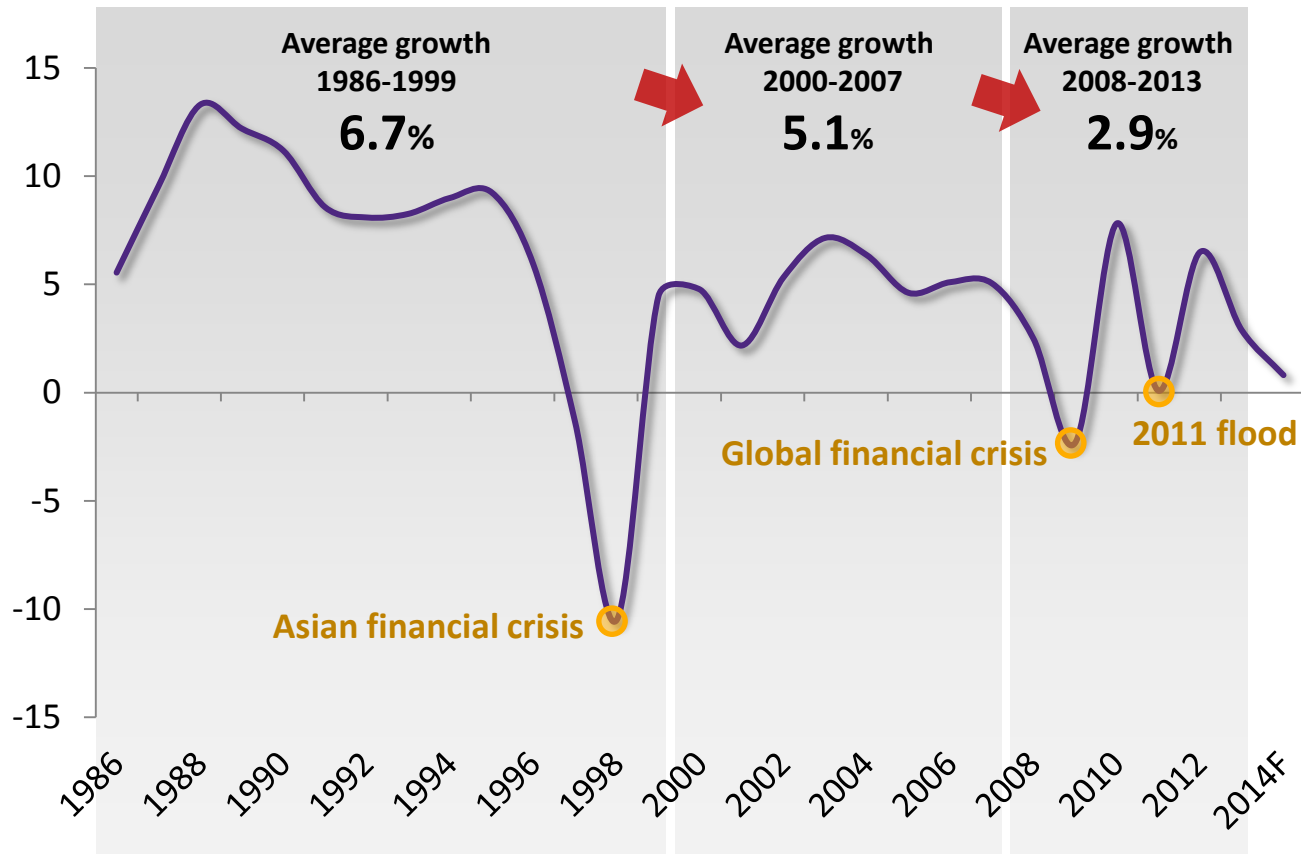
29 January 2015



Thailand's growth has been bumpy and lower since 2008

Real GDP Growth

(% YOY)

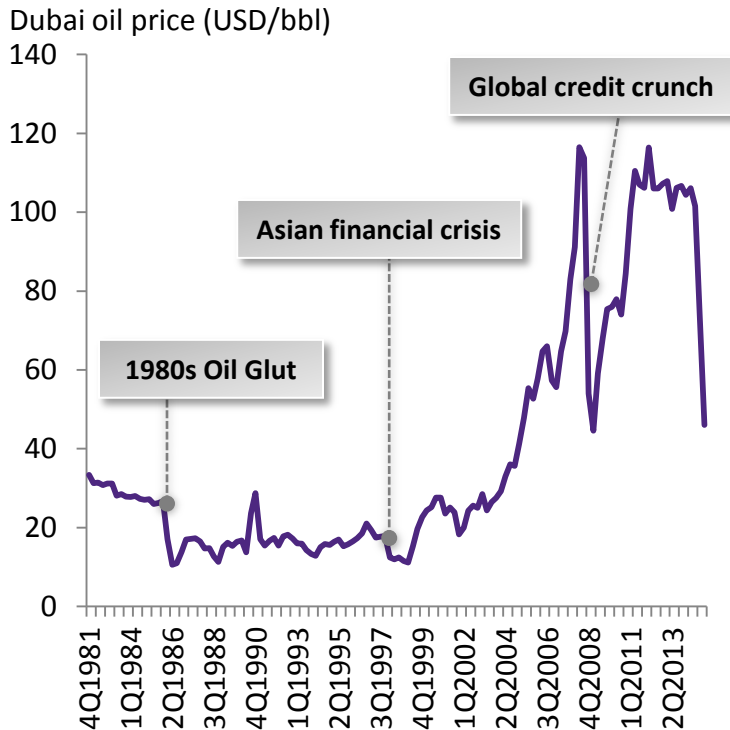


Where are we heading next?

Source: EIC analysis based on data from NESDB

The oil price tumble means more than just cheap oil

The sharp contraction of oil prices is not new..



..but, this time, it has brought a new market dynamics with mixed consequences

1

Oil is now unlikely to be scarce

2

The oil cartel has become ineffective

3

Boost to global economy will be offset by weak demand

4

The cheap oil will expose Thailand's sharply bifurcated economy

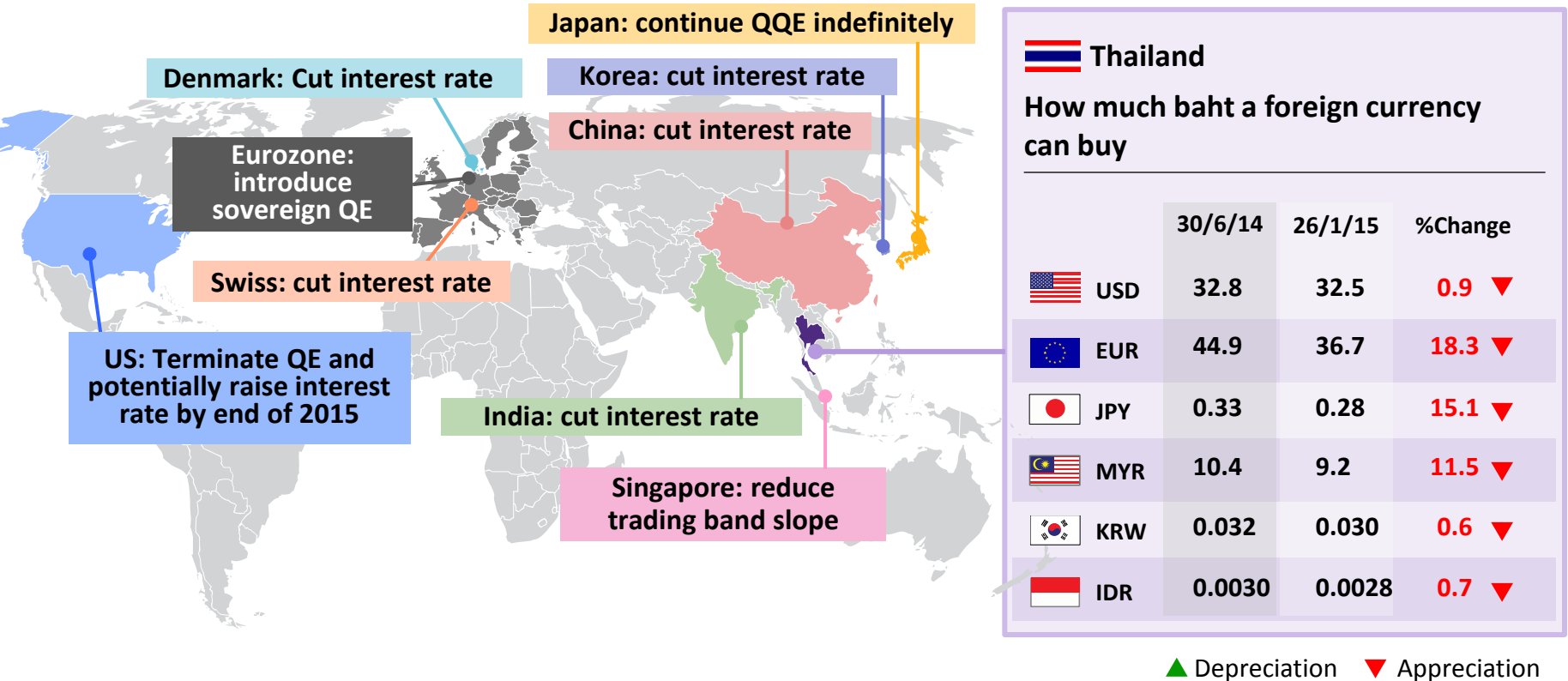
The oil dynamics is changing. Will it bring down another empire?

Source: EIC analysis based on data from Bloomberg



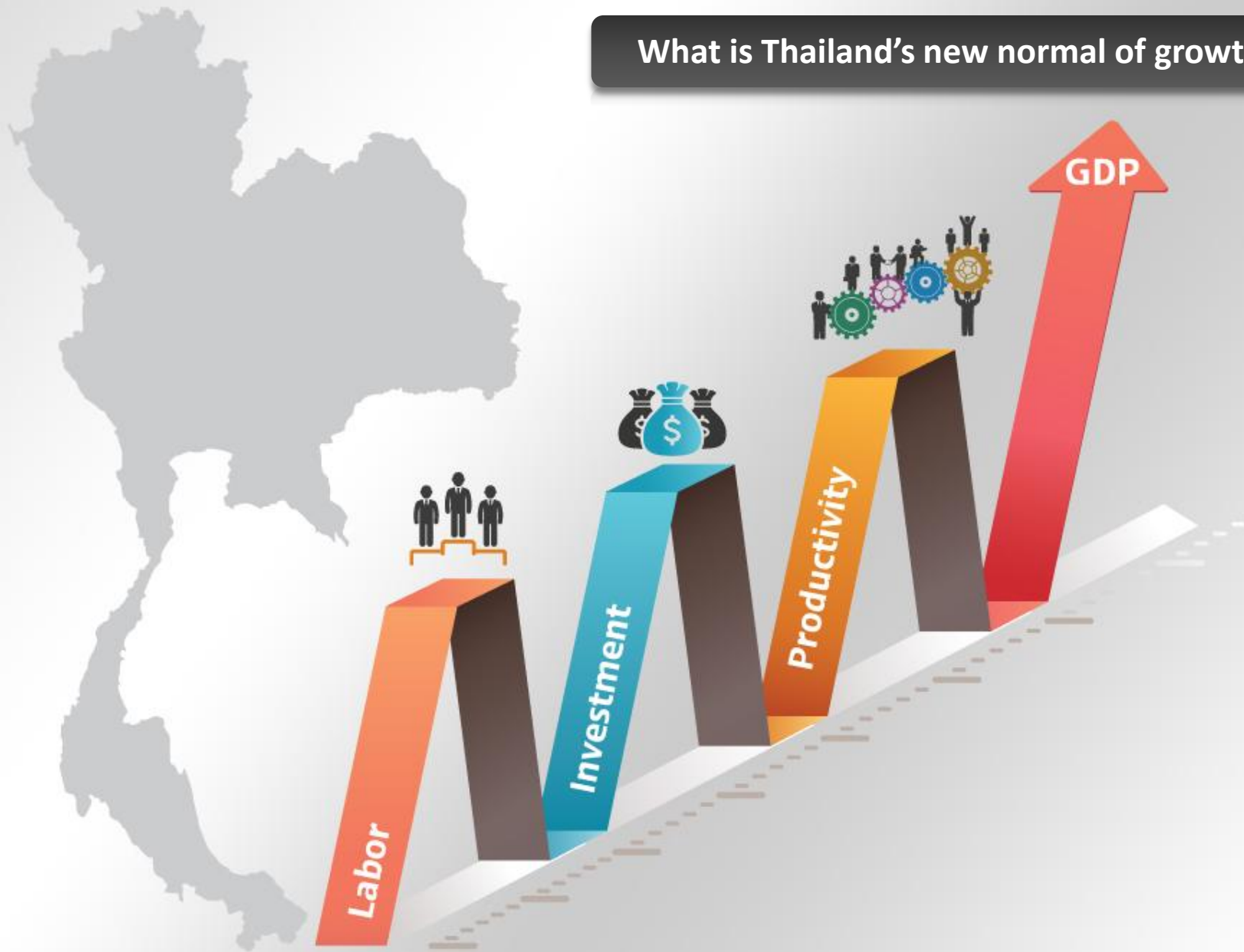
Divergence among advanced economies add more uncertainties to the global economy

Actions by selected central banks since 2014H2



Source: EIC analysis based on data from Bank of Thailand

What is Thailand's new normal of growth?

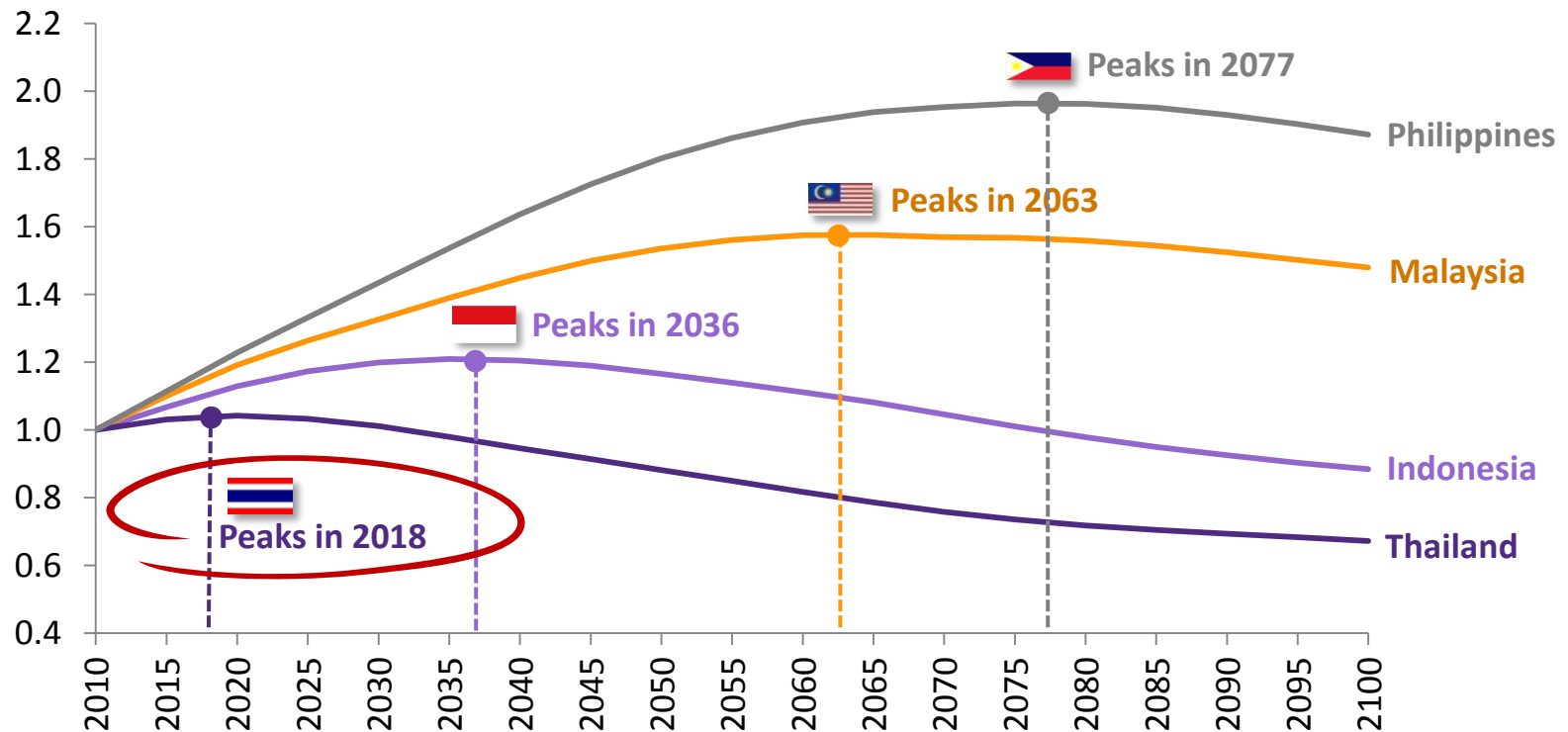


Thailand will no longer get an economic boost from having a young workforce



Our demographic picture is much worse than other ASEAN competitors

Forecast of working-age population in select ASEAN countries (Index: 2010=1)



Note: Working population is defined as those aged 15-65.

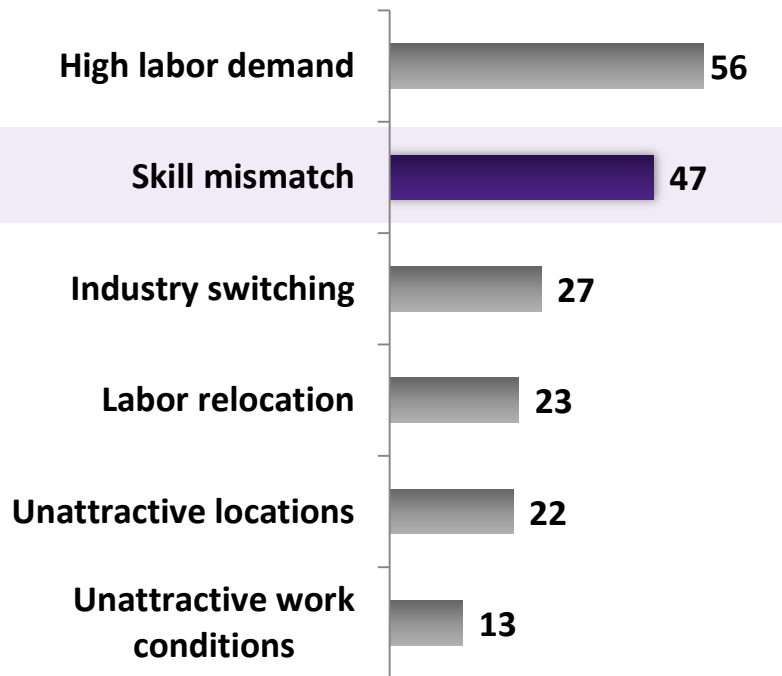
Source: EIC analysis based on data from World Bank, NSO, and US Census

In addition to labor being scarce, there is also a serious skill mismatch in our labor market



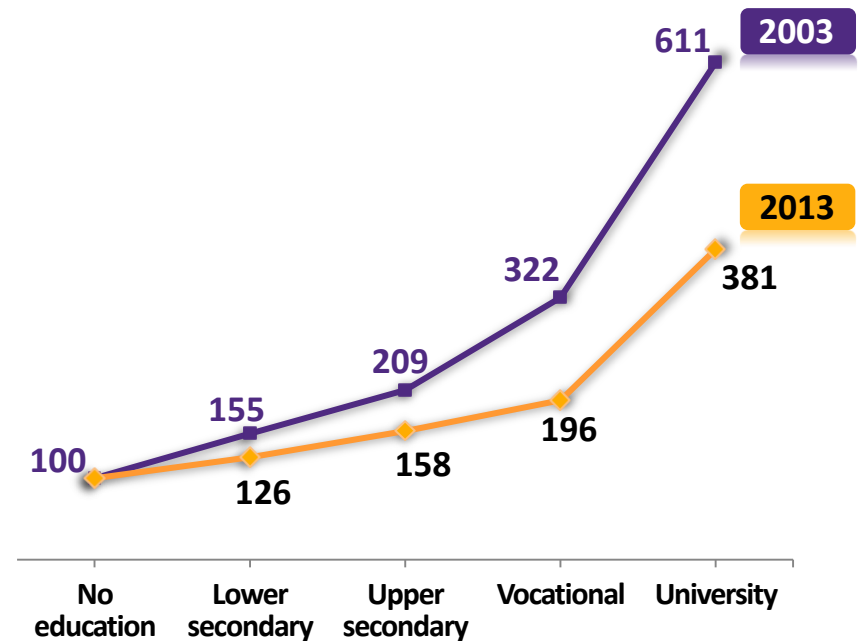
EIC Survey: Why is your business facing shortage of labor?

Unit: Percent of all firms surveyed



Salary by education levels (2003 vs.2013)

Unit: Index (No education = 100)



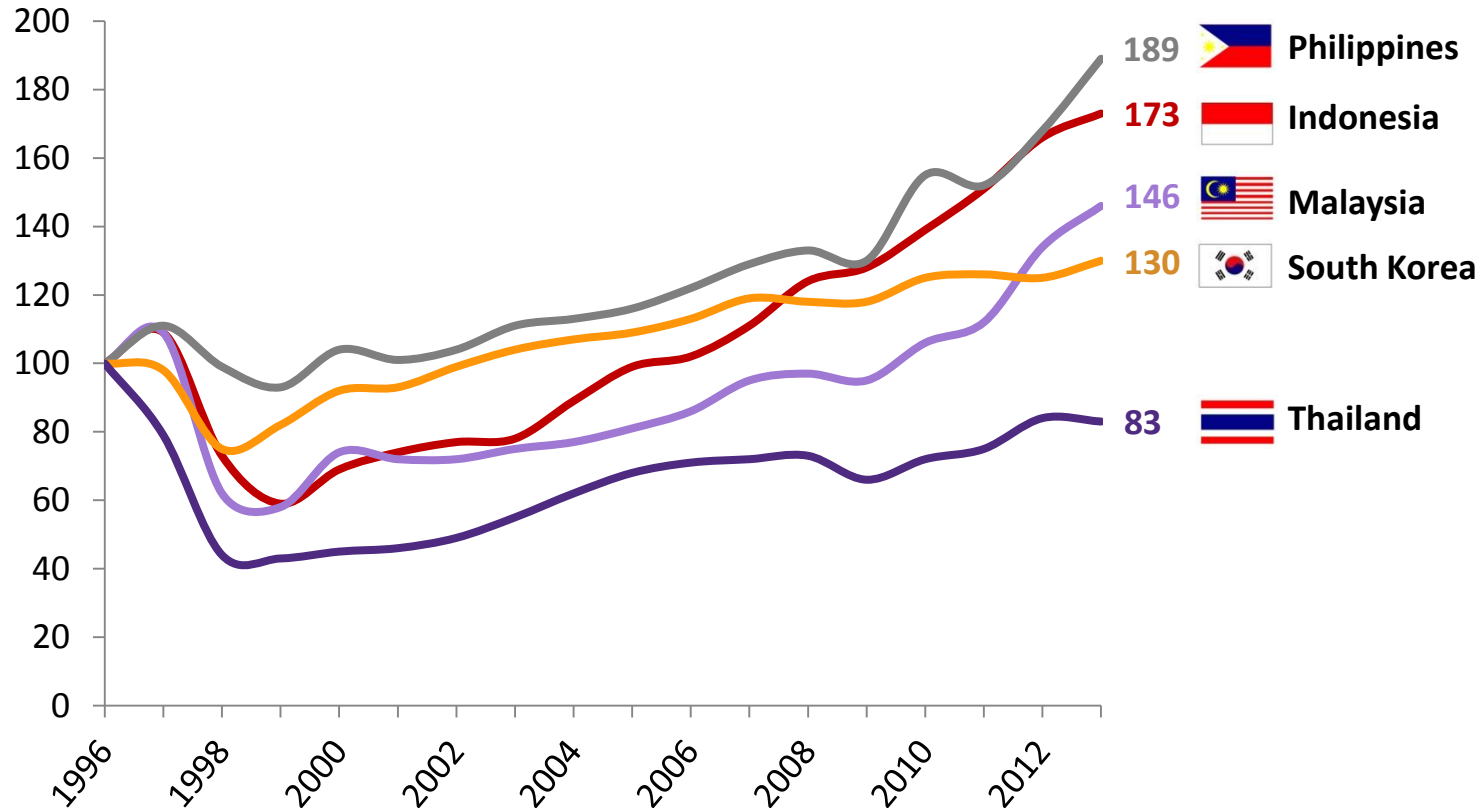
Source: EIC analysis based on EIC survey and LFS

Thailand has been underinvesting in the past two decades



Thailand's real investment is still below its pre-Asian-Financial-Crisis level

Real investment (Index: 1996=100)

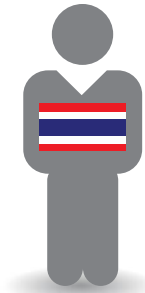


Source: EIC analysis using data from World Bank.

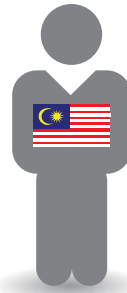
Thailand lags behind in terms of labor productivity



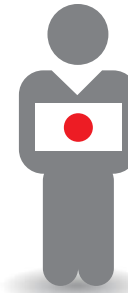
In 1 man-day



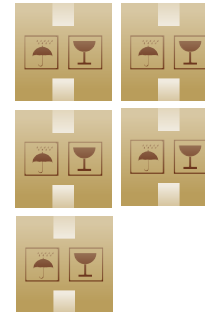
Thailand



Malaysia



Japan



US

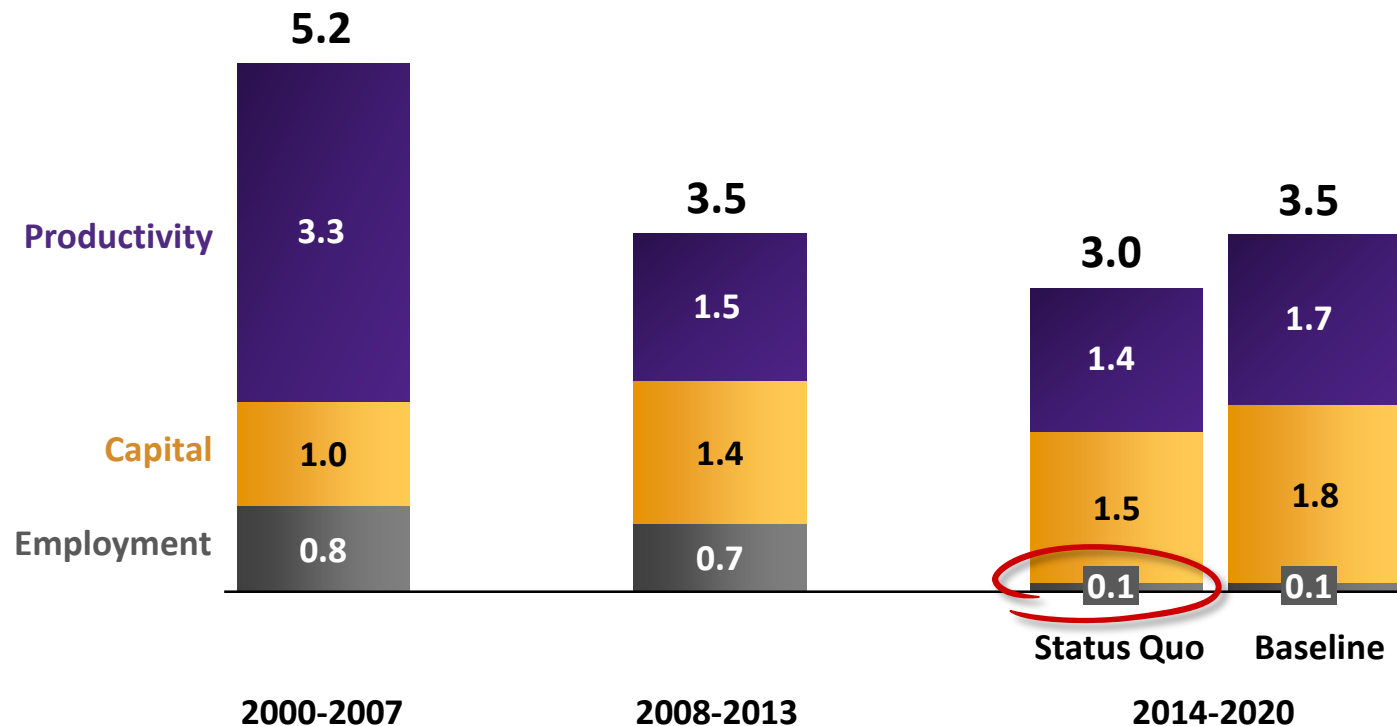


Given Thailand's bad cards, the outlook on growth potential is quite discouraging



Potential GDP growth and its contributions

Unit: %



Source: EIC analysis based on data from NESDB, LFS, and Barro-Lee dataset.

What can we do to help uplift our new normal 3.5% growth?



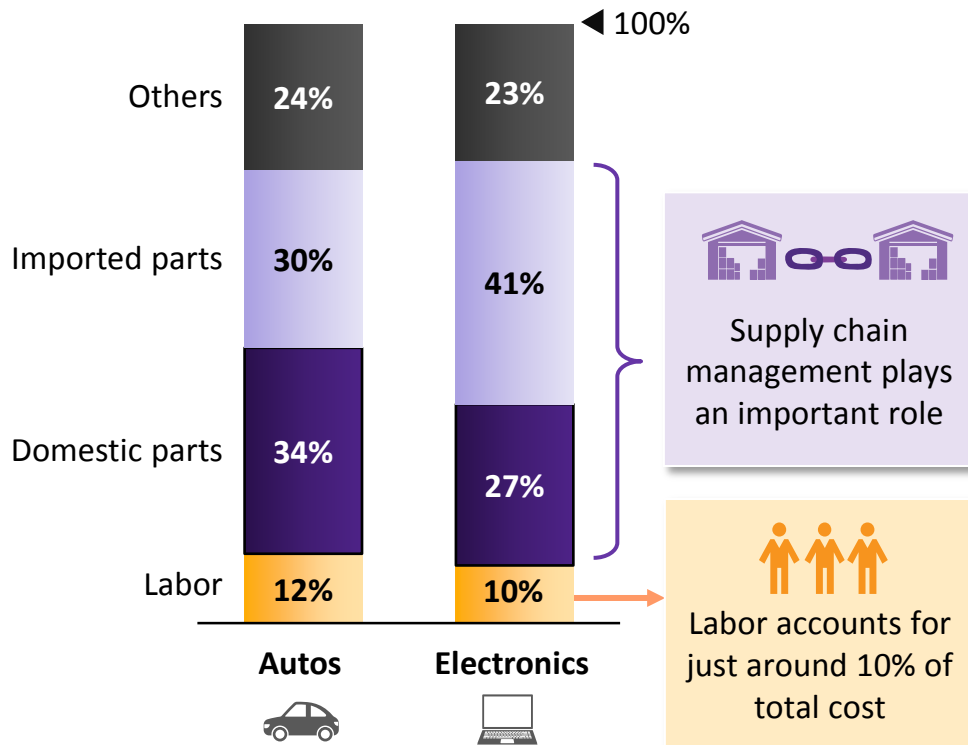
Infrastructure investment needs to be complemented with better software



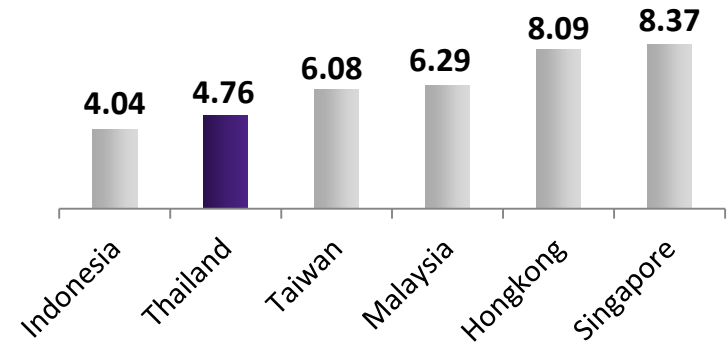
Better logistics gives us a chance to lure world class technology manufacturers..

..but we still have to take care of the software issues

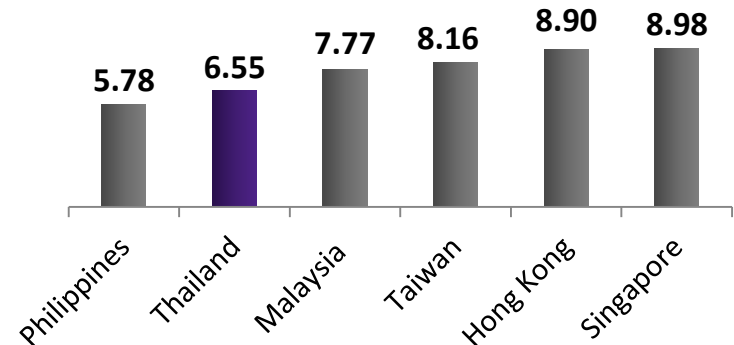
Unit: % of Total Cost



Custom clearing efficiency (score)



Logistic management efficiency (score)



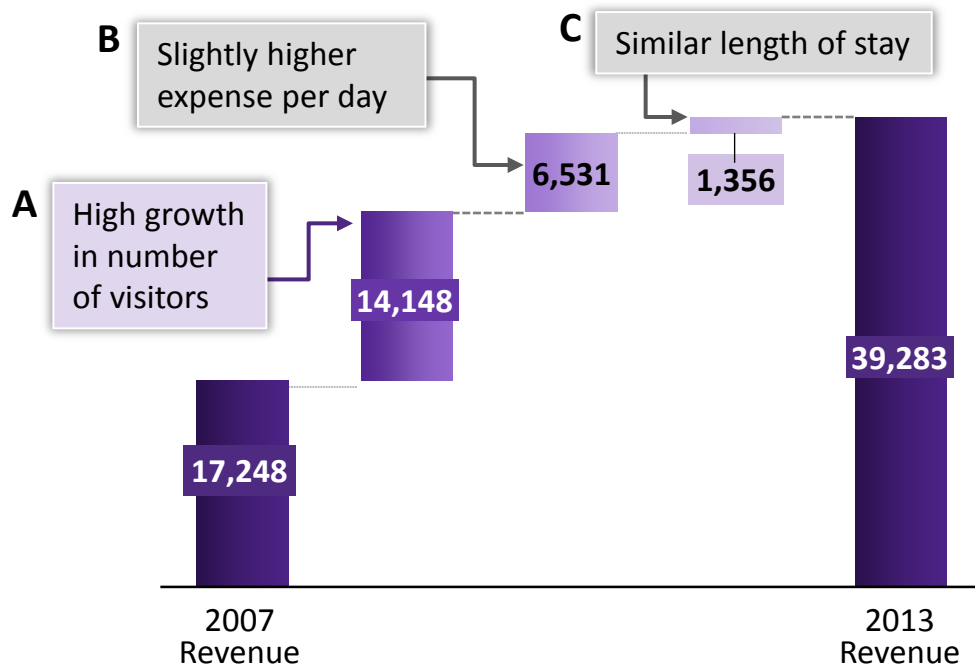
Source: EIC analysis based on data from ERIA, IMD

Rather than celebrating record arrivals, we must shift focus towards quality and sustainability of our tourism sector



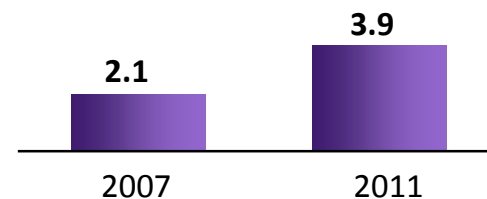
Boost in tourism revenue came mainly from the increase in the number of tourists

Unit: Million dollars

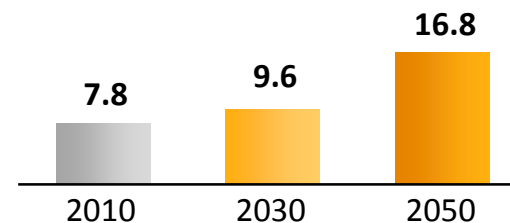


With the world aging fast, Thailand has to capture the elderly tourists

Thailand's share of tourist aging 65+ (%)



Share of global population aging 65+ (%)



By tapping the elderly, Thailand will attract tourists who have lower carbon footprint and higher per capita spending

Source: EIC analysis based on data from TAT

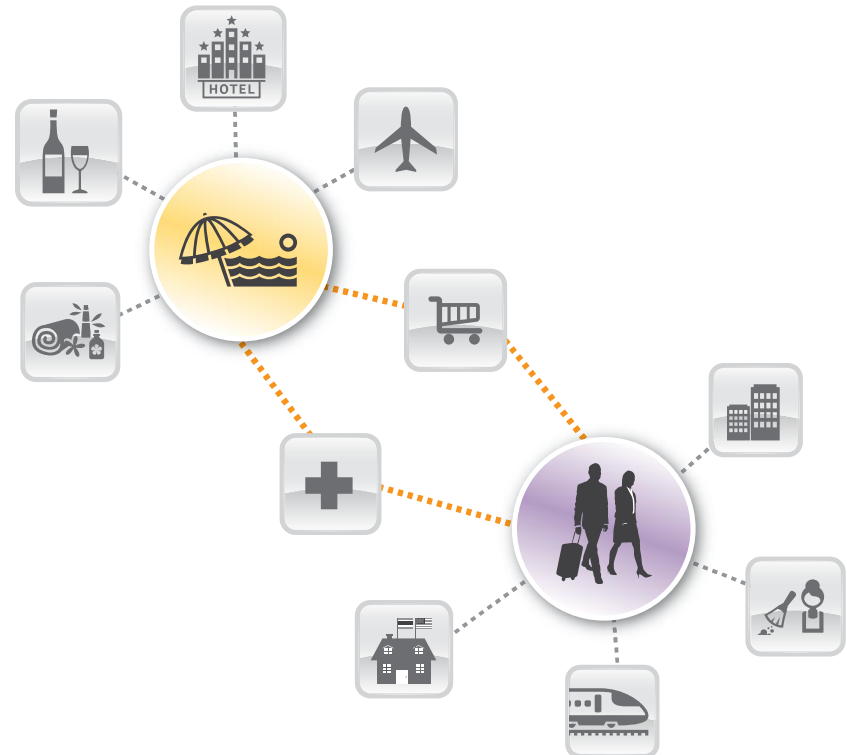
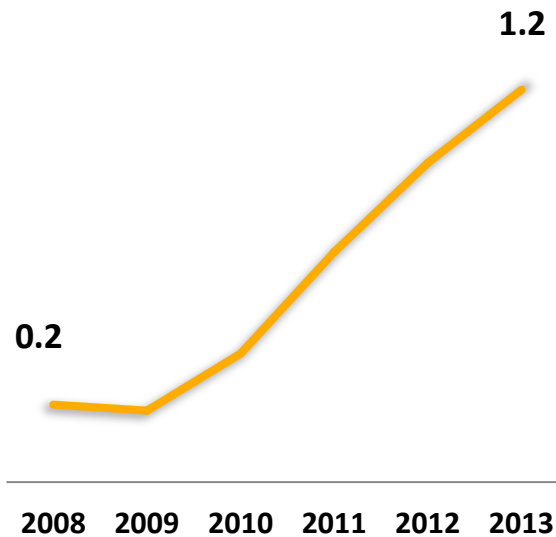
Integration with CLMV, in itself, will not be enough to make Thailand an International HQ



We are witnessing the rise of expats in Thailand..

..but, to capture this trend, we need amenities that are up to international standard

Total number of expats in Thailand (million people)



Source: EIC analysis based on data from MOL



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