

Project SEA – Macro Report Thailand

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1. THAILAND BUSINESS ENVIRONMENT OVERVIEW

1.1 MACROECONOMIC ENVIRONMENT

2018 GDP growth highest in six years

As the second largest economy of Southeast Asia, Thailand is an upper middle-income country with an open, export-orientated economy; with exports accounting for approximately half of GDP. In fact, Thailand has free trade agreements with Australia, China, India, Japan, New Zealand and South Korea. It is also a prominent member of the Association of Southeast Asian Nations (ASEAN) that brings more than 640 million people in 10 countries together in a single market. In 2018, Thailand achieved its strongest economic growth in six years, with GDP posting a 4.1% increase to reach THB16.3 trillion, slightly higher than the 4% increase in 2017. In fact, Thailand differentiates itself from other ASEAN countries such as the Philippines, in which the GDP growth rate has experienced a slight deceleration in the last couple of years. In 2018, the GDP per capita also grew at a solid 5.3% to reach THB240,544.9. Thai consumers indeed spent beyond expectations during the year's final quarter.¹

Thailand ranks high in the Ease of Doing Business Index and remains one of the world's key players in the food market

In 2019, Thailand ranked 27th out of 190 countries in the World Bank's Ease of Doing Business Index. The agriculture industry concentrates a large part of the Thai GDP (8.7%) and provides work for 40% of the population in 2017 thanks to Thailand's abundant natural resources and key competitive advantage in the food processing industry. The kingdom is also one of the world's leading suppliers of commodities such as sugar, rice and cassava; as well as fresh and canned fish, shrimp, and various fruits and vegetables. In order to remain a key player in the global food market, the Thai government is working at implementing international standards of food safety and hygiene, as well as to increase advanced technology investment.²

In 2018, the industries of manufacturing, wholesale, retail trade and repairing, hotels and restaurants, and transport and communications all posted solid growth. In the fourth quarter of 2018 for example, the manufacturing sector grew by 3.3% in

¹ <https://www.bangkokpost.com/business/news/1631206/4-1-gdp-gain-in-2018>

² <https://www.rvo.nl/sites/default/files/2019/01/doing-business-in-thailand.pdf>

capacity. The Manufacturing Production Index (MPI) , a reference list of revenue from manufacturing output by subsector (automotive, petroleum, and so on), in fact posted positive growth of vehicles (13.5%), sugar (54.4%), luggage and handbags (131.4%), tobacco (41%), other general-purpose machinery (13.7%), refined petroleum products (8.8%), electronic components (3.3%), soft drinks (10%), processing and preserving of fish (4.5%), and concrete and cement (7%).³ The hotels and restaurant sector also grew due to a strong growth of household consumption as well as an increase in the number of foreign tourists leading to an average occupancy rate of 71.1% in the fourth quarter of 2018; up from 65.4% in the previous quarter and 69.4% in the same quarter in 2017.

In 2016, the government also introduced the economic model “Thailand 4.0” that aims to lead the kingdom to become a high-income country with a tech-centred innovative and value-based industry. This model emphasises not only economic prosperity, but also social wellbeing, human values and environmental protection.

Solid investment growth in machinery and equipment as well as construction

In 2018, private investment in Thailand (both local and FDI) grew by 3.9%, posting the highest growth in the last six years, due in part to a 3.9% increase in machinery and equipment investment with a 5.6% increase in the last quarter of 2018. The increased investment in machinery and equipment in fact coincided with a growth in the capacity utilisation rate of the manufacturing sector and a general improvement of business sentiment. Investment in construction also grew by 4.1% in 2018 with a 5.1% growth in the fourth quarter of 2018; in line with a 7.9% increase in the sales of construction materials and an increase in public infrastructure. In 2019, the Thai economy is projected to grow in the range of 3.5% to 4.5%, supported by a favourable growth momentum of private consumption; an improvement of private investment due to rising capacity utilisation and increased BOI’s investment applications; a recovery of the tourism sector; and a redirection of global trade, production and investment, which is expected to help ease the impacts from a global economic slowdown.⁴

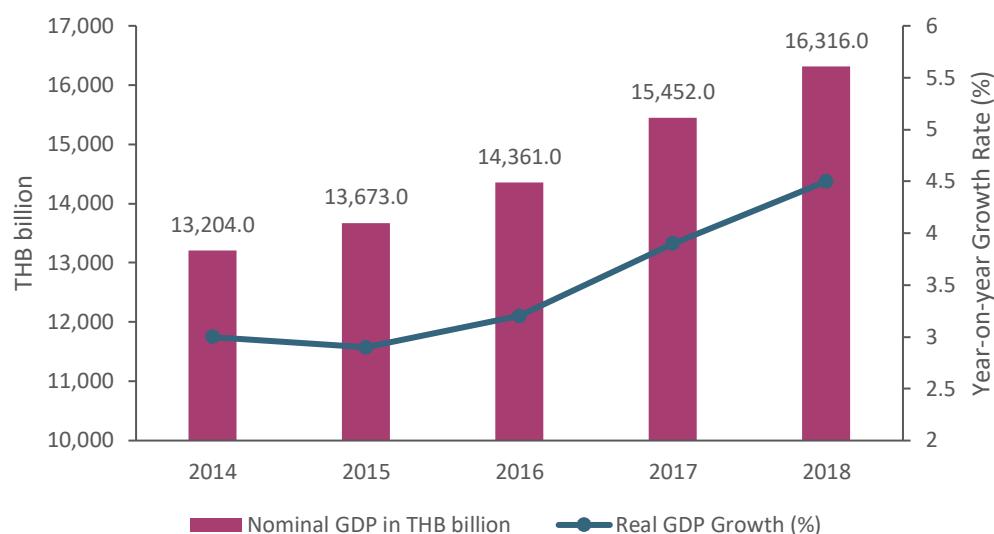
3

http://www.nesdb.go.th/nesdb_en/ewt_dl_link.php?nid=4376&filename=Macroeconomic_Planning

4

http://www.nesdb.go.th/nesdb_en/ewt_dl_link.php?nid=4376&filename=Macroeconomic_Planning

Table 1 Nominal GDP and Real GDP growth in Thailand (2014-2018)



Sources: [World Bank](#)

1.2 FOREIGN TRADE OVERVIEW

Despite most of Thailand's trade being linked to the industrial sector, there is a rising trend in the import of consumer goods

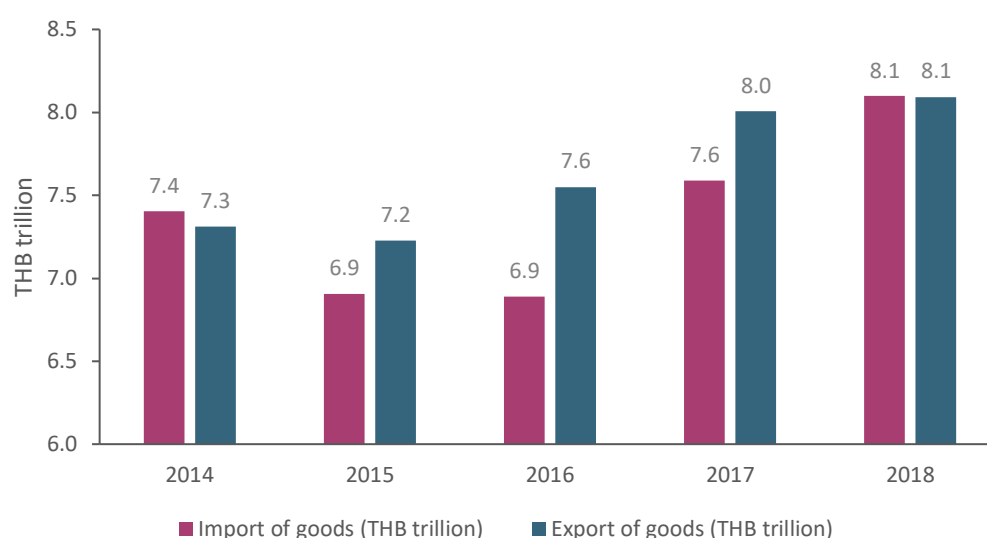
According to the Bank of Thailand, total exports and imports in 2018 were identical, reported as THB8.1 trillion for both resulting to a negative trade balance of THB4.7 billion. In January 2019, the top export destinations in terms of countries were the USA, Japan, China, Vietnam, Australia and Hong Kong, and including economic blocks, ASEAN, NAFTA, Japan, EU, China. Top import origins in January 2019 were China, the US, Japan, Malaysia, and South Korea, and including economic block: China, ASEAN, NAFTA, Japan, and the EU.

In terms of types of goods, in January 2019 Thailand mainly imported raw materials and intermediate, non-agro manufacturing products, machinery and equipment, fuel, parts of electronics, and consumer goods. On the other hand, the country exported manufacturing products, automotive, electronics, machinery, and agro-manufacturing products. Much of Thailand's trade is linked to the industrial sector, with a rising trend towards importing more consumer goods.

In 2017, the main import products in terms of value were gold, vehicle parts, integrated circuits, crude petroleum, and office machine parts. Virtually, these goods are also the ones that have been through the most substantial growth in five years,

apart from crude petroleum, which decreased 3% over the last five years. Imports of consumer electronics such as telephones, have increased since the last five years, Thailand has imported USD 3.1 billion worth of telephones in 2017, up from USD 2.5 billion in 2012. Imports of ready-to-wear apparels, baby and maternity, and home and garden appliances are negligible, virtually at less than USD 100 million worth of product per year.⁵

Table 2 Total Import and Export of Goods in Thailand in THB trillions (2014-2018)



Source: [Bank of Thailand](#)

1.3 POLITICAL AND REGULATORY LANDSCAPE

Thailand's democracy shaken by 2014 coup d'état

Thailand is a democracy that has yet to mature, and political analysts from universities, think tanks, and media outlets, are increasingly doubting on its ability to do so. After a successful coup d'état to an elected government five years ago, Former junta leader Prayuth Chan-ocha won the general legislative elections of June 2019, making him de facto the new elected Prime Minister, ruling over a government coalition of 19 parties. As an article from the Nikkei Asian review put it, Thailand has now returned to its half democratic era of the 1980's.⁶ Some key events led to this situation. The clashes between the red shirts, popular votes supporting self-exiled elected billionaire Thaksin Shinawatra, and the yellow shirts, conservative

⁵ <https://atlas.media.mit.edu/en/profile/country/tha/#Imports>

⁶ <https://asia.nikkei.com/Spotlight/Comment/Prayuth-s-return-as-prime-minister-takes-Thailand-back-to-1980s>

supporters of the Monarchy and the army, have animated much of the country's political events in the last decade. The army did a coup d'état in 2006 and banished Shinawatra out of Thailand. After a few years, the army decided it was time for new elections. Thaksin's sister, Yingluck Shinawatra, took his place and reformed a political party, winning the 2011 elections, but was ousted by a new coup d'état in 2014, led by general Prayuth Chan-ocha. In 2017, the army revised the constitution again, and enacted that 250 seats of the Senate was now reserve for the military. Out of the 350 votes needed in both chambers, Prayuth only needed 100 votes to win the elections. The defeated opposition leader was the billionaire and political leader Thanathorn Juangroongruangkit, who was elected leader by the Democratic Front, a seven parties coalition (including Shinawatras' Pheu Thai party) that wants to remove the military from politics⁷.

Hong Kong and Thailand have long been important trade partners, and Hong Kong was the fourth largest foreign investor in Thailand in 2018

In 2017, Hong Kong signed the long-awaited Free Trade Agreement with the ASEAN. Thailand has been recently occupying the chairmanship of the ASEAN. In 2019, according to a tribune in the Bangkok Post by Don Pramudwinai, Foreign Affairs Minister of Thailand, the Hong Kong Economic and Trade Office (HKETO) opened in Bangkok, being the third in the region after Singapore and Jakarta. Its role is to promote, coordinate, and support, the economic cooperation, bilateral trade, and facilitate investment to and from both countries. The HKETO is also responsible for regional policy initiatives in Myanmar, Cambodia, and Bangladesh, making de facto Thailand the regional hub in Indochina for its economic and business initiatives. Thailand hopes it will strengthen its status for regional offices and international organisations. The two countries have long been important trade partners, in 2018, Hong Kong was Thailand's ninth-largest trading partner with a total volume of USD15.5 billion, trading products such as integrated circuits, office machine parts, telephones and gold⁸. and Thailand exported USD12.5 billion worth of products. From Hong Kong's perspective, in 2017 Thailand was its second top export destination, and overwhelmingly exported gold (51%), followed by broadcasting

⁷ <https://www.irrawaddy.com/news/asia/parliament-confirms-thai-coup-leader-prayuth-prime-minister.html>

⁸ https://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/tha/hkg/show/2017/

equipment (11%)⁹. The two countries set a trade target of USD20 billion by 2020. Finally, Hong Kong was the fourth largest foreign investor in Thailand in 2018, with USD 15.7 billion cumulative investments. On the other hand, Hong Kong is Thailand's largest overseas investment destination with USD18 billion in cumulative investments.¹⁰

1.4 ECONOMIC LANDSCAPE

Despite consistent growth, Thailand remains a high middle-income economy

Since 2011, Thailand has been considered a high middle-income economy by the World Bank.¹¹ However, according to the Nikkei, the country is struggling to get out of the middle-income trap. Thailand has been successful at building an industrial capacity through becoming a large auto-maker and electronics manufacturer. However, the country now needs to invest more in skill-centric jobs and position itself as a more innovation-friendly destination to attract more FDI. In the region Thailand has been lagging behind its ASEAN neighbours such as Singapore, Malaysia, and Indonesia on the Innovation rankings¹².

The amount of loans granted to businesses and individuals continue to grow due to low interest rates

According to the Bank of Thailand's press release in March 2019, the policy rate will remain at 1.75% amid lower prediction of GDP growth. The Thai economy is indeed expected to grow at a slower pace, and inflation remains low around 1.2%, which poses a risk for the country's financial stability. The central bank of Thailand has kept its interest rates below 2% since 2014 to keep economic growth afloat. The release also stated that there is enough liquidity in the financial system, and that loans to business and individuals are growing due to the low real interest rates. The Baht currency has been volatile in the last few years, and has depreciated against the dollar due to the US-China trade war threat, which leads to uncertainties. Private household

⁹ https://atlas.media.mit.edu/en/visualize/tree_map/hs92/import/tha/hkg/show/2017/

¹⁰ <https://www.bangkokpost.com/opinion/opinion/1637822/trade-office-shows-thai-hong-kong-ties-thriving>

¹¹ <http://www.worldbank.org/en/news/press-release/2011/08/02/thailand-now-upper-middle-income-economy>

¹² <https://asia.nikkei.com/Politics-Economy/Economy/Thailand-struggles-to-escape-middle-income-trap>

debts are still closely monitored due to an accumulation of debt because of the spread of car and auto-related loans.

Thailand is ASEAN's leader in terms of access to finance

Thailand is ASEAN's leader in SME lending in terms of contribution to GDP. Bank loans are the main sources of financing for SMEs, but it used to be under certain strict conditions. In 2016, the Thai government in fact put into action the Secured Transactions Act, which aims to give SMEs and start-ups an easier access to financing by allowing them to use inventory, raw materials, and intellectual property as collateral.¹³ Before the act, approximately 70% of companies used to place their land as collateral, and the other 30% used other assets. Thailand has made great efforts in the past decade to ease business conditions and liberalise the economy, making financing ever more easier for local SMEs and international companies settling in the country. SMEs contribute to 37% of the GDP and employ around 81% of the total workforce¹⁴.

Real estate investment driven by foreigners and the number of condominiums continue growing in Bangkok

In recent years, Thailand has been one of the most vibrant and sought after places in the world for residential investments. For over a decade, the property market has experienced a slow yet consistent growth. One of the main drivers of the real estate investments drive is the large number of foreigners who come live in Thailand¹⁵. As of 2018, 88,000 foreigners applied for a work permit in Bangkok alone. Condominiums increase in numbers each year in cities like Bangkok and Chiang Mai, and occupancy rates and prices keep going up despite a shrinking demand in the past few years. In 2009 for example, there were less than 100,000 condominiums in Bangkok, and in 2018 the number hit 550,000. Prices also doubled from THB 60,000 to THB 120,000 per square meter. Supply continues to grow, and 117,000 residential units are expected to be launched by developers this year¹⁶. Even if prices in central Bangkok decreased slightly, there is notable increase in price in suburban areas.

¹³ <https://www.bangkokpost.com/business/finance/1466698/world-bank-urges-sme-access>

¹⁴ <https://www2.deloitte.com/content/dam/Deloitte/sg/Documents/financial-services/sea-fsi-digital-banking-small-medium-enterprises-noexp.pdf>

¹⁵ <https://www.asiapropertyhq.com/thailand-property-market/>

¹⁶ <https://www.propertyoul.com/2018/06/16/buying-condos-bangkok/>

According to the Bangkok Post, caution must be taken, as the Bangkok condominium market is heavily oversupplied. There is nevertheless no crash in sight as the market remains stable because of steady demand.¹⁷ Other residential property markets in the country such as Chiang Mai have been on the rise, with the number of condominiums doubling from 15,000 in 2012 to 32,000 in 2018. There was also a 5% surge in prices from 2017 to 2018. However, there is an unequal development in the residential market in Thailand, with places such as Pattaya and Phuket remaining more fragile. Pattaya's property market crashed a few years ago, and is failing to recover properly. Phuket's residential property market is highly dependent on countries such as Russia and China where political risk is high, and an overdependency can be dangerous as it leads to high customer concentration. Customer concentration is a measure of how total revenue is distributed among a customer base. A company serving a large number of small-volume customers has a lower customer concentration than a firm where a handful of large customers account for the majority of its business. High customer concentration carries substantial risks that can outweigh benefits. Due to Phuket's residential market's high dependency on China, it could potentially suffer consequences from the China-US Trade War.

1.5 SOCIO-DEMOGRAPHIC LANDSCAPE

Thailand has a large population that posts very limited growth

Based on the latest United Nations estimates, the population of Thailand in 2019 is of approximately 69.3 million and is the world's 20th most populated country. Despite official figures, the Thai Ministry of Foreign Affairs estimates that there are a large number of unregistered population including 2.2 million migrants. Until recently, Thailand's population grew at fast rates, but in 2018 the growth rate was estimated at a mere 0.2%.¹⁸ ; possibly due to government-funded family planning programmes that have emerged in recent years. According to the World Bank, the life expectancy is extending and was recorded at 75.7 years in 2018¹⁹. There are, however, a number of health threats to the population such as AIDS. At least 700,000 Thais citizens have AIDS or are HIV positive (2% of males and 1.5% of females), the most affected segments of the population were respectively, men who have sex with men (MSM),

¹⁷ <https://property.bangkokpost.com/news/1417998/condo-market-on-a-rollercoaster?fa=lowres>

¹⁸ <https://www.worldometers.info/world-population/thailand-population/>

¹⁹ <http://worldpopulationreview.com/countries/thailand-population/>

female sex workers, and transgender people. Condom use can go down as far as 68% for MSM and 50% for transgender people²⁰.

Private consumption expenditure grows steadily with a solid increase in the consumption of consumer goods

In 2018, private consumption expenditure grew by 4.6%; the highest pace in six years, compared to 4% in 2017. In fact, private consumption expenditure expanded by 5.3% during the fourth quarter of 2018. The consumption of durable goods increased with the purchase of cars growing by 9.8%. The consumption of other consumer goods also increased, especially of semi-durable and non-durable goods. The expansion of private consumption expenditure in the fourth quarter of 2018 was supported by a more broad-based expansion for economic activities; an improvement of income and higher employment rates; low inflation and interest rates; as well as government measures to support low income groups.²² According to the local government's last Household Socio-Economic Survey from 2017, households in Thailand earned on average THB 26,946 per month, with the major source of income being economically active (71.9%) such as wages and salaries (45.1%), net profit from non-farm business (18.1%) and net profit from farming (8.7%). Economically inactive income mainly came from assistance from people outside the household or the government (11.6%) and income from assets and property rentals (1.4%). In 2017, households spent an average of THB21,437 per month; of which 35% was spent on food, beverages and tobacco; expense on housing and household appliances (20.3%); vehicles and transportation (17.4%); personal care/clothing/footwear (5.2%); communication (3.4%); education (1.8%); medical (1.6%); recreation and entertainment (1.2%); and activities related to religion (1%). Furthermore, households also posted 13% on non-consumption expenditure such as expenses on taxes, gifts, insurance, lottery and interest payment.²³

Thai consumers are both increasingly tech-savvy and brand-conscious

Thailand is currently experiencing an increasing demand for a wide variety of products due to the population's rising incomes and general optimism. Thai

²⁰ <https://www.unaids.org/en/resources/campaigns/globalAIDSupdate2017>

²²

http://www.nesdb.go.th/nesdb_en/ewt_dl_link.php?nid=4376&filename=Macroeconomic_Planning

²³

<http://www.nso.go.th/sites/2014en/Survey/social/household/household/2017/whole%20kingdom/Full%20Report.pdf>

consumers are very brand-conscious and brand-loyal, for which they are willing to pay more, and are enthusiastic about trying new products. The richest 10% of the population and the middle classes are increasingly willing to spend more on Western types of products and have an aversion to low quality products. Furthermore, women have a strong purchasing power in most categories, even in products traditionally consumed by men. Women are also more prone to doing prior research on products, as well as to buy online²⁴. Price, quality and availability all play an important role for the Thai consumer. Indeed, Thai consumers are the most brand-conscious and brand loyal in the Southeast Asian region, and they will pay more for premium brands²⁵. Consumers also appreciate receiving free samples such as in supermarkets and shopping malls; and are fairly receptive to advertising and trade promotion as marketing tools, especially for the sale of consumer goods, automobiles and telecommunication. Word-to-mouth also has a strong impact on suppliers' sales and reputation.

Compared to the rest of Southeast Asia, Thais are quite digitally savvy and understand payment and delivery methods, recognise different online platforms and know how to evaluate online and offline deals. Social media has an increasingly important role in driving commerce. In fact, almost 40% of purchases are digitally influenced, and consumers have reported 50% to 60% of their online research for a wide variety of products on websites such as Facebook and Instagram. Thailand has in fact developed a social media model for online sales where consumers can sell to one another.²⁶

Thailand's birth rate keeps decreasing, worrying the government

In 2018, Thailand had a low birth rate of 1.5 per woman. According to the World Bank, the birth rate has dropped sharply and consistently since the 1960s from an astonishing 6 children per woman. Aside from China, Thailand has the highest proportion of elderly people of any developing country in East Asia, and numbers are increasing. It is estimated that the population will begin to decrease by 2030, which will lead to potential economic problems such as labour shortages and a smaller base of income tax payers as the working-age population shrinks. The decreasing birth rate

²⁴ <https://www.bcg.com/publications/2017/globalization-go-to-markets-five-consumer-trends-watch-thailand.aspx>

²⁵ <https://www.bcg.com/publications/2017/globalization-go-to-markets-five-consumer-trends-watch-thailand.aspx>

²⁶ <https://en.portal.santandertrade.com/analyse-markets/thailand/reaching-the-consumers>

is worrying the Thai government that has introduced a variety of schemes such as tax incentives in order to boost birth. They have however not yet proved successful.²⁷

Unemployment rates remain extremely low, with agriculture; wholesale and retail trade; and accommodation and food service activities attracting the majority of workers

In 2018, the unemployment rate in Thailand was at only 1.2%; ranking 4th out of 2015 countries with the lowest unemployment rates. The extremely low unemployment rate has been attributed to the government's efforts to promote job creation and make access to employment easier. The government has for example established employment service centres across the country, organised job bazaars, introduced job placement services on mobile phones (through 'smart job applications'), and encouraged workplaces to employ students, people with disabilities and older persons.²⁸

Approximately 32.3% of the total employed people in Thailand work in the agricultural sector, and 67.8% in the non-agricultural sector. Meanwhile, the highest proportion of employees work in wholesale and retail trade (16.6%), accommodation and food service activities (7.5%), construction (5.4%), and public administration and defence, compulsory social security (4.3%).²⁹

Education available to all children but educational outcomes remain poor

Overall, the education system in Thailand is well developed and protected by law, with all children having a basic right to education. Compulsory education covers six years of elementary school and three years of lower secondary school. The government also provides three years of non-mandatory pre-school and three years of upper secondary education.³⁰ However, there is a polarisation in the quality of education as a consequence of rising inequality between urban middle classes and rural populations.

²⁷ <https://www.reuters.com/article/us-valentines-day-thailand/thailand-bets-on-magic-pills-to-boost-declining-birth-rate-idUSKCN1FY0Z5>

²⁸ <https://www.thaiembassy.be/2018/07/02/thailand-listed-among-the-countries-with-the-lowest-unemployment-rate/?lang=en>

²⁹

http://www.nso.go.th/sites/2014en/Survey/social/labour/LaborForce/2018/Full%20Report_Q4_18.pdf

³⁰ <https://wenr.wes.org/2018/02/education-in-thailand-2>

According to data provided in the UNESCO 2017/2018 Global Education Monitoring Report, in Thailand 99% of children complete primary education and 85% complete lower secondary education. However, 12% do not achieve a minimum proficiency level in mathematics at the end of primary. At the end of lower secondary education, only 50% have a minimum proficiency level in reading and only 46% in mathematics. Only 45% of schools have basic sanitation facilities, and only 60% have access to drinking water. 80% of the children at the poorest level of population complete lower secondary education compared to 100% of the richest children. There is also inequality between men and women, as 62% of school drop out at the lower secondary level are adolescent girls.³¹ In fact, despite Thailand ranking higher in educational attainment than the Asia Pacific average, it ranks low compared to more advanced-economy peers. Poor educational outcomes in Thailand leads to skills shortages in the labour market, particularly in the manufacturing and IT sectors. Trade sources indeed report that approximately half of employers have difficulties filling vacancies due to a shortage of skills.

Social inequalities persist despite strong development

Thailand is one of the world's examples of rapid yet equitable development. The country has in fact risen from a low-income to upper-income status in less than 30 years, and the proportion of Thais below the poverty line has decreased drastically due to economic growth. However, there remain problems such as an urban-rural divide, low quality jobs and a large share of workers stuck in vulnerable forms of employment such as prostitution. In fact, social protection remains fragmented, and persisting social inequalities can lead to skills shortages as many young people will prioritise working to support their families rather than pursuing an education. Skills shortage can therefore be an issue for businesses looking to penetrate the Thailand market.

1.6 TECHNOLOGY AND INFRASTRUCTURE LANDSCAPE

³¹ <https://bangkok.unesco.org/content/20172018-global-education-monitoring-report-thailand-highlights>

Government working for more digitalisation and cashless payments on the way to making Thailand a high-income nation

The Thai government and the Central Bank have made repeated efforts in the past few years to push the Thai economy towards more digitalisation. They believe the key to making Thailand a high income nation lies in its technological development. In 2017, the government launched the Thailand 4.0 initiative. They identified 10 S-curve industries, divided into two groups- S curve and new S-curve. The term S-curve was elaborated by acclaimed Harvard Business School Innovation professor Clayton Christensen, and describes a technology's lifecycle taking the form of an S variable in comparison to another variable. S-curve are existing industries such as food technology, automotive, medical tourism, and smart electronics, whereas new S-curve refers to robotics, digital sector, biofuels, medical hubs, etc. One of the key pilot projects is to develop 100 smart cities, and the government is now experimenting with three pilot cities: Phuket, Chiang Mai, and Khon Kaen³². The central bank has also been pushing for cashless payment and dematerialisation for consumers and companies. The Thailand E-payment Trade Association announced in 2017 that the country could be cashless within 3 years.³³ Since then, Thailand has already standardised its QR payment platform, and the country's largest banks updated their mobile apps to support QY payment methods. At the end of 2017, there were 18 million users of cashless mobile payments reaching THB694 billion in transactions, and companies have been capable of leveraging the data from cashless sales to analyse consumer spending habits. SMEs were able to increase their sales by 17% by setting up an e-payment option, and large businesses increased theirs by 22%, de facto reducing transaction costs.³⁴ The ministry of finance has also taken part in the cashless promotion, by distributing 550,000 electronic data capture terminals in the whole country. They also launched PromptPay in 2017 for citizens to receive cashless payments from government agencies.

New infrastructure projects to ease congestion in large cities and develop eastern parts of the country

Although the country witnessed an outstanding economic development in the last decades, and leveraged the tourism boom to build better land, sea, and air infrastructure. Despite this, there is still room for the country's infrastructure to

³² <https://theaseanpost.com/article/thailands-smart-cities-herald-thailand-40>

³³ <http://www.nationmultimedia.com/detail/Economy/30325327>

³⁴ <https://www.aseantoday.com/2018/02/thailand-could-go-cashless-within-three-years/>

improve.³⁵ In fact, logistics and transportation costs are high, and traffic congestion in urban areas is dire. In 2016, the International Monetary Fund (IMF) assessed that Thailand's infrastructure is relatively weak compared with its ASEAN neighbours through for example poor railway infrastructure. On the one hand, the State Railway of Thailand is a state-owned enterprise that is underperforming. As a result, it does not lead the government's budget bureau to allocate more funds to it, leaving the sector chronically underfunded. On the other hand, Thailand's continuous political instability and frequent change of leadership have prevented the government from committing to long-term infrastructure projects³⁶. The government has however issued its Transport Infrastructure Development Master Plan 2015-2022 that includes a development plan for an inter-city rail network, a public transportation network development plan for Bangkok Metropolitan Region (e.g. extending the mass transit railway system in Bangkok and vicinities), a maritime transport development plan (e.g. improving the seaport on the Thai gulf), and a plan to enhance the capacity for the highway network to link key areas of the country to neighbouring countries.

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In 2018, the Thai government set up an ambitious plan: the Eastern Economic Corridor (EEC). The country plans on developing its eastern provinces including Chonburi, Rayong, and Chachoengsao into a technological manufacturing and services hub. The plan also looks to strengthen connections to ASEAN neighbours by building logistics and infrastructure such as roads, ports, and airports. Predicted to cost around USD43 billion (financed by a mix of state funds, public-private partnerships and FDI over the next 5 years), the country aims to improve infrastructure, create innovation and business hubs, incentivise tourism, and build new cities through smart urban planning.³⁸

Thailand's transport infrastructure is fairly developed but needs improving

According to the World Bank Logistics' performance index (LPI)³⁹, Thailand was ranked 32nd in the world, and second in ASEAN after Singapore. Also, in the World

³⁵ <http://www.icrc.gov.ng/assets/uploads/2017/10/The-Truth-about-Thailand%E2%80%99s-Transport-Infrastructure-Development-and-Financing.pdf>

³⁶ <https://www.railway-technology.com/features/high-speed-rail-project-thailand/>

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<https://www.boi.go.th/upload/content/5.%20Enhancing%20Infrastructure%20Development%20f92919.pdf>

³⁸ <https://www.aseanbriefing.com/news/2018/06/29/thailand-eastern-economic-corridor.html>

³⁹ <https://lpi.worldbank.org/international/global>

Economic Forum's "Global Competitiveness Report 2018", Thailand was ranked 43rd out of 137 countries. It ranked highest for air transport infrastructure at 39th, and lowest for railways at 72nd, revealing a high inequality in its logistics framework⁴⁰. Thailand's logistics industry is competitive on a global scale, and the country has the ambition to become the regional hub by leveraging its position as a crossroads between Myanmar, Laos, Cambodia, and Malaysia.

Air transport has received a large amount of funding and government attention over the years in order to develop tourism through 103 airports, including 11 international, as well as making Thai Airways one of the market leaders in the region and in the world (the Thai government being a 51% stakeholder in the company). However, the company has been through structural change and an adjustment in its strategy, and was unable to generate positive results in 2015, because of over-expansion it could not support. Thailand's airports, and notably its two Bangkok international airports, Suvarnabhumi and Don Mueang, have been running at overcapacity and need renovation and refurbishment.

The railway networks have been the responsibility of the State Railway of Thailand (SRT), the least performing, and most debt-ridden SOE of the country. According to the Bangkok Post, the SRT is losing around THB 2 billion per year, and is suffering from a great debt of around THB 100 billion. The trains are half a century old, and although the routes and equipment are decaying, the workers' syndicate make any push towards liberalization impossible⁴¹.

The Port Authority of Thailand pledged in 2016 to invest THB 120 billion to renovate and enlarge the Bangkok port, Laem Chabang port, Ranong port, Chiang Khong port, and Chiang Sen port in order to become regional logistics hub in both the Bay of Thailand and the Andaman sea. For example, the deep sea port of Laem Chabang has entered in its third and last phase, and is set to open for 2025. It will be the largest port of Thailand for goods and people⁴².

In terms of road network, the goal of the government is to develop four-lane roads to connect key economic regions. It also wants to build new motorways, including ones with tolls, to reduce transit times. Finally, the government wants to improve the Mass Transit System in Bangkok and its vicinity, adding routes to the existing network and improving old ones⁴³.

⁴⁰ <http://www3.weforum.org/docs/GCR2017-2018/05FullReport/TheGlobalCompetitivenessReport2017%E2%80%932018.pdf>

⁴¹ <https://www.bangkokpost.com/business/tourism-and-transport/1665332/court-orders-srt-to-stump-up>

⁴² <http://www.nationmultimedia.com/detail/Economy/30339060>

⁴³ <https://www.bangkokpost.com/business/news/1057613/thailand-as-asean-logistics-hub>

