

Country Report



4 September 2019

By Thai Contractors Association under H.M. the King's Patronage

1. Overview of the Macro Economy and the Construction Industry

Gross Domestic Product in the second quarter of 2019 expanded by 2.3%, decelerating from a 2.8% rise in 2019Q1, driven mainly by a slowdown in domestic demand and a decrease in external sectors. On the production side, agricultural sector decreased by 1.1% from an expansion of 1.7%. Non-agricultural sector increased by 2.6%, slowing down from a rise of 2.9% in 2019Q1. Non-agricultural sector decelerated as a result of a slight increase in industrial sector and a slowdown in service sector, attributed to a 0.2% fall of manufacturing sector due to a drop of export-oriented industries and a slight deceleration of domestic demand. Meanwhile, transportation and storage, wholesale and retail trade; repair of motor vehicles and motorcycles, accommodation and food service activities, and financial and insurance activities grew by 2.5%, 5.9% 3.7% and 1.8%, respectively which slowed down from the first quarter. However, mining and quarrying; electricity, gas, steam and air conditioning supply; construction; and information and telecommunication accelerated. On the expenditure side, private and government final consumption expenditure, and domestic investment increased 4.4%, 1.1%, and 2.0%, respectively, compared to 4.9%, 3.4%, and 3.2% in 2019Q1. For the external sector, exports and imports of goods and services decreased 6.1% and 2.7%, respectively. After seasonal adjustment, the Thai economy in 2019Q2 expanded by 0.6%.

A. GDP Growth

Table 1 Growth Rate of Thailand's GDP from 2013 to 2018

Year	GDP Growth Rate (%)
2011	0.8
2012	7.2
2013	2.7
2014	1.0
2015	3.0
2016	3.3
2017	3.9
2018	4.1

Source: Office of the National Economic and Social Development Council

B. Construction Sector Growth

Table 2 Growth Rate of Construction Sector's GDP from 2013 to 2018

Year	Construction Growth Rate (%)
2011	-4.3
2012	7.9
2013	-0.3
2014	-2.4
2015	17.1
2016	8.6
2017	-2.1
2018	2.9

Source: Office of the National Economic and Social Development Council

Construction Sector in 2019

Construction grew 3.4%, improving from a rise of 3.0% in the previous quarter. An acceleration was obviously seen from public construction while private construction slowed down. Public construction continued to expand, mainly driven by government construction, especially the construction of roads and bridges of the Ministry of Transport and other buildings of the Ministry of Agriculture and Cooperatives. Meanwhile, state enterprise construction rose due to the on-going projects for the construction of the previous quarter. However, private construction slowed down in this quarter due partly to the decrease in residential building construction, according to a decrease in permission for construction of condominiums and almost all of residential buildings in Bangkok and its vicinity area, as well as in municipal area. However, residential buildings construction in the sub-district administrative areas continued to increase. Moreover, the construction of non-residential buildings increased favorably, namely more than 16 floors office buildings, industrial factories, commercial buildings, transportation buildings, and other non-residential buildings.

- Private construction grew 0.9%, slowing down from 1.8% in the previous quarter, due to a 2.9% fall in residential building construction, compared to a fall of 2.6% in the previous quarter. The construction of residential buildings in Bangkok and vicinities; and in municipal areas decline. However, the construction of residential buildings in the Sub district Administrative Organization areas increased. Non-residential buildings construction grew at a rate of 6.5%, compared to 6.0% in the previous quarter, led by construction for commercial buildings, industrial plants, and other construction with a rise of 8.4%, 9.0%, and 8.0%, respectively.
- Public construction rose 5.8%, continuously accelerating from a 4.1% growth in 2019Q1. The government construction grew 8.1%, accelerating from a rise of 5.5% in the previous quarter, due to an expansion in disbursement of investment in land and construction items, especially from Ministry of Transport and Ministry of Agriculture and Cooperatives. In this quarter, state enterprises construction increased 1.8%, compared to a rise of 1.1% in 2019Q1. In this quarter, there was no mega project of state enterprises construction.

Mostly, on-going projects for the construction have been carried out. The on-going projects for the construction of state enterprises included the Seventh-Ninth Bangkok Water Supply Improvement Project of the Metropolitan Waterworks Authority; the construction of the pipeline system of the Provincial Waterworks Authority (PWA), the Orange Line construction project (Thailand Cultural Center - Min Buri) of the Mass Rapid Transit Authority of Thailand, and Double Track Railway: Thanon Jira – Khon Kaen section, Lop Buri – Pak Nam Pho section, Nakhon Pathom—Chumphon section of the State Railway of Thailand.

2. Update Issue Related to the Construction Industry in Thailand

A. Building/Construction Material Cost Indices

Table 3 Price of Construction Material in Bangkok

Descriptions	Unit	Price in cash (USD)			
		2018 Jul	2018 Oct	2019 Jan	2019 Aug
Ready Mixed 240 ksc, Cube	m ³	70.44 (THB2,183.70)	71.25 (THB2,208.80)	71.25 (THB2,208.80)	???
Concrete Block Standard Type 19 x 39 x 7 cm	pcs	0.21 (THB6.50)	0.21 (THB6.50)	0.21 (THB6.50)	0.21 (THB6.50)
Concrete Block: Light Weigh 20 x 60 x 7.5 cm	m ³	4.52 (THB140.00)	4.52 (THB140.00)	4.52 (THB140.00)	4.35 (THB135.00)
Clay Brick 7 x 16 x 3.5 cm	pcs	0.048 (THB1.48)	0.048 (THB1.48)	0.048 (THB1.48)	0.048 (THB1.48)
PVC water pipe class 8.5 ½” x 4 m	pcs	1.19 (THB36.96)	1.17 (THB36.12)	1.17 (THB36.12)	1.17 (THB36.12)
Round bars SR.24 6 mm x 10 m	Ton	707.53 (THB21,933.33)	667.74 (THB20,700.00)	636.56 (THB19,733.33)	???

Source: Bureau of Trade and Economic Indices, Ministry of
Commerce, Thailand

Note: Exchange Rates 31 Thai Baht/USD

B. Labour/Human Resource

The number of construction labour decreased to 2.01 million people in July 2019. This may be due to slow down in construction projects coupled with labour shortage in Thailand.

Table 4 Number of Employees in the Thailand Industry (Million People) in 2018-2019

Industry	Jan-18	Apr-18	Jul-18	Feb-19	Jul-19
Agriculture	11.38	10.74	12.59	10.58	11.95
Retail Sale	6.34	6.38	6.43	6.65	6.17
Production	6.08	6.06	5.94	6.53	5.89
Hotel	2.99	3.08	2.83	2.86	3.17
Construction	1.9	2.32	2.06	2.41	2.01
Public Officer	1.62	1.72	1.66	1.69	1.64
Transportation	1.28	1.28	1.39	1.25	1.38
Education	1.22	1.22	1.25	1.15	1.25
Service	0.84	0.91	0.94	1	0.82
Health	0.69	0.76	0.7	0.64	0.64
Others	2.73	2.81	2.84	3.02	2.7
Total	37.07	37.28	38.63	37.78	37.62

Source: The National Statistic Office of Thailand 2019

Table 5 Minimum Wage in 2014 - 2019

Year	Minimum Wage (USD)
2014	9.68
2015	9.68
2016	10.00
2017	10.00
2018	10.48
2019	10.64

Source: Ministry of Labour

Note: Exchange Rates 31 Thai Baht/USD

Table 6 Minimum Wage by Region

Region	Minimum Wage Range (USD)
North	10-10.32
Central	10-10.64
Northeast	10-10.32
South	9.94-10.65

Source: Ministry of Labour, effective 1 April 2018

Note: Exchange Rates 31 Thai Baht/ USD

C. Contracts and Practices

Government Procurement and Supplies Management Act 2017

The Government Procurement and Supplies Management Act 2017 consists of measures to curb and suppress corruption in government projects, and that information on every step of procurement would be disclosed, making corruption practices difficult. Based on the Government Procurement and Supplies Management, assessments should be made in three steps: during the planning of a project, before giving approval, and after the implementation of the project.

The Government Procurement and Supplies Management Act, was made effective as of 23 August 2017, which allowed private companies and the general public to take part in anti-corruption efforts in government projects by signing an Integrity Pact.

The agreement will ensure that the procurement of materials for government projects is carried out with transparency and fairness. The process can be viewed online via the government procurement website. Moreover, the Comptroller General's Department has developed the e-Government Procurement (e-GP), which involved e-market and e-bidding. The new system has increased efficiency of the government procurement and meets international standards.

3. Current Highlight of Construction Industry in Thailand

A. Opportunities in Thailand

Construction of the Fifth Thai-Lao Friendship Bridge

The Cabinet, during its meeting on 4 June 2019, approved the construction of the fifth Thai-Lao Friendship Bridge, linking Bueng Kan province in Thailand with Pakxan town in Bolikhamxay province of Lao PDR. The total construction cost is \$126.77 (3,930 million baht). Of this amount, Thailand will spend \$84.84 (2,630 baht) from its annual budget to finance the project, which will provide logistic convenience and facilitate travel between the two countries.

Laos intends to seek a loan of \$41.94 (1,300 million baht) from the Neighboring Countries Economic Development Cooperation Agency (Public Organization) to finance the project on its side. The Ministry of Transport reported that the Department of Highways had entrusted Consulting Engineering Group with conducting a feasibility study of the Thai-Lao Friendship Bridge project. A Thai-Lao coordination working group met on 6 June 2018, when it agreed that the construction period of the project would be 36 months.

At the same meeting, the Cabinet approved the proposal by the Ministry of Transport for the signing of an agreement between Thai and Lao governments on the construction of the fifth Thai-Lao Friendship Bridge (Bueng Kan – Bolikhamxay).

Tata Projects executes 41.42-km transmission line in Thailand

The total line length is 78.5 km and Tata Project-TEDA consortium executed the major portion comprising 41.42 km. Tata Projects has successfully executed a 41.42-km transmission line project of 500kV in Thailand. A consortium of Tata Projects Ltd and TEDA Company Ltd was earlier awarded this prestigious transmission line project by the Electricity Generating Authority of Thailand (EGAT). The total line length is 78.5 km and Tata Project-TEDA consortium executed the major portion comprising 41.42 km. This 500kV Roi Et 2 – Chaiyaphum 2 Transmission Line is part of the transmission system improvement project in north eastern, lower northern, central regions and Bangkok Area. It will further assist in enhancing system security. Completion of this project will support the ASEAN Power Grid (APG) system under the Alternative Energy Development Plan (AEDP) of the government, it added. Across Thailand's transmission line network, Tata Projects consortium is the only one to have used safety fall protection system during project's erection and stringing activities. The equipments related to safety fall protection system will be imported from India. The project will provide opportunities for small Thai sub-contractors (115 & 230 kV) to work for 500kV under the guidance of Tata Projects' expert team. This will ultimately help to increase resources, especially manpower skills in Thailand for execution of 500kV projects in future.

Public Private Partnership Project Updates

1. Bang Pa-In – Nakhon Ratchasima Intercity Motorway Project and Bang Yai – Kanchanaburi Intercity Motorway Project, Operation and Maintenance

The Department of Highways disclosed that three groups of investors bid for the system installation, operation and maintenance (O&M) of two motorway contracts – the Bang Pa-In to Nakorn Ratchasima project (east of Bangkok), and the Bang Yai to

Kanchanaburi project (west of Bangkok). The projects are under a PPP gross cost basis with a combined value of about \$1.96.

The three groups that submitted bids, include:

- 1) Bangkok Expressway and Metro (BEM)
- 2) UN-CCCC JV (i.e. Unique Engineering & Construction (UNIQ) and China Communication and Construction)
- 3) BGSR JV (i.e. BTS Group (BTS), Gulf Energy Development (GULF), Sino-Thai Engineering (STEC) and Ratch Group (RATCH)).

The Bang Pa-In to Nakhon Ratchasima Intercity motorway (196km long) and Bang Yai to Kanchanaburi motorway (96km) have been included in the fast-track infrastructure investment projects of the Ministry of Transport. The projects are currently under construction. The bid winner will undertake the following work: facilities design, financial sourcing, system construction, a toll-collection system, a traffic control and management system, data communications, power distribution, a weight-control system, maintenance, emergency rescue, a public information service and user assistance.

The project value is divided into two phases – design and equipment installation work of Bt8bn for the Bang Pa-In project and Bt6bn for the Bang Yai scheme with completion over a three-year period. Then the 30-year O&M contracts including toll collection management will be split into Bt33bn for Bang Pa-In to Nakorn Ratchasima and Bt27bn for Bang Yai to Kanchanaburi. The motorway projects are scheduled to commence operations in 2023 and 2025, respectively.