Country Report

On 5 February 2015

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

1. Overview of the Macro Economy and the Construction Industry

The Thai economy in the third quarter of 2014 expanded by 0.6%, improving from 0.4% growth in the second quarter. The improvement was contributed by the recovery of private consumption and investment expenditure. However, the slowdown of agriculture sector, the contraction of exports and slow recovery of the tourism sector rendered the economic recovery to be lower than earlier anticipated. The expenditure side was supported by the expansion of government expenditure, private consumption expenditure, and private investment, while exports declined. On the production side, the real estate sector started to expand, agricultural sector continued to expand but at a lower rate, while the manufacturing and construction sectors continued to contract but at a decelerating rate. After seasonal adjustment, the Thai economy in the third quarter of 2014 expanded by 1.1% from the second quarter (%QoQ AS). In the first nine months of 2014, the Thai economy contracted by 0.2%

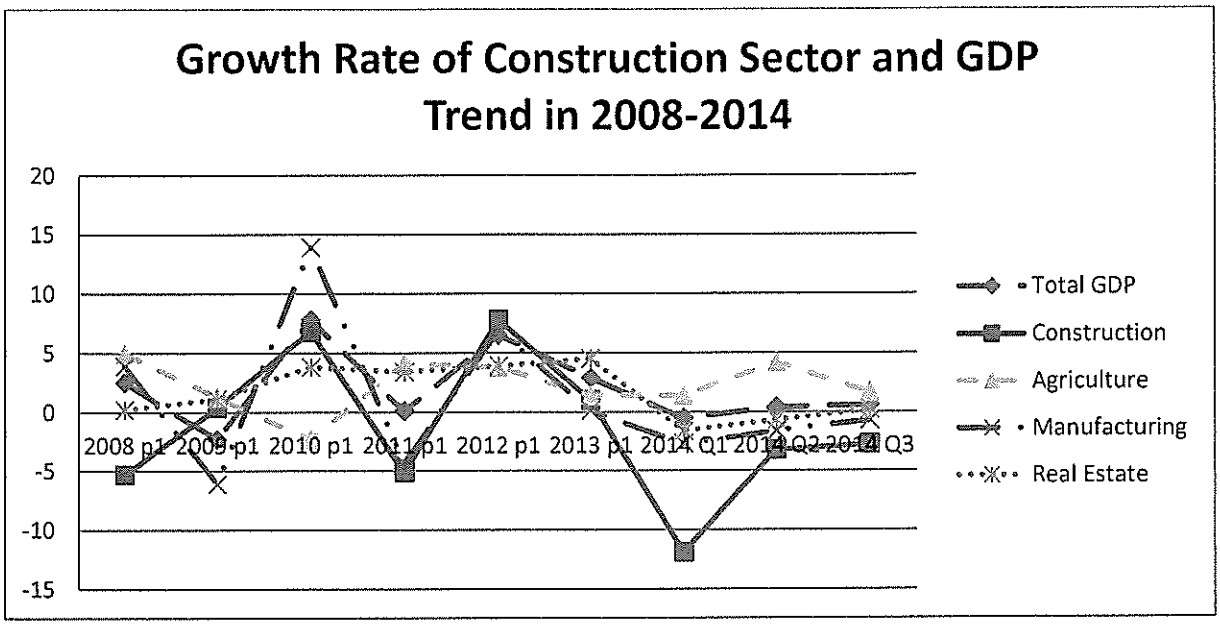
A. GDP Growth

Table 1 Growth Rate of Construction Sector and GDP in 2008 and 2014

Year	GDP Growth Rate	Construction Growth Rate
2008 p1	2.5	-5.3
2009 p1	-2.3	0.4
2010 p1	7.8	6.8
2011 p1	0.1	-5.1
2012 p1	6.5	7.8
2013 p1	2.9	1.0
2014 Q1	-0.5	-11.9
2014 Q2	0.4	-3.2
2014 Q3	0.6	-2.7

Source: The Office of National Economic and Social Development Board

B. GDP Trend of Construction Sector



Source: The Office of National Economic and Social Development Board

Construction Sector in Q3/2014

In the third quarter, construction sector dropped by 2.7% compare with 3.2% contraction in previous quarter both public and private which fell by 1.9 and 3.6%, respectively. This was consistent with the reductions in sale volume of metal products (12.6%) and cement sales (2.9%), permitted construction areas (11.0%), and wholesale trade index (construction material) (3.3%). However, construction material price rose by 1.2% in response to higher cost of raw material, particularly cement and concrete products.

The Thai Economic outlook for 2015

The Thai economy in 2015 is forecasted to grow by 3.5-4.5%, contributed significantly by (1) an improvement in export sector in line with further recovery of the global economy, (2) a recovery of tourism sector and investment following stronger global economy as well as favorable domestic conditions and supportive policies, (3) an expansion in private investment especially the BOI's investment projects which were approved in 2014, (4) an expedition of public expenditure and investment, (5) an improvement in car sales and production, and (6) a further decline in crude oil prices that help contain inflationary pressure and raise purchasing power. It is expected that export value will expand by 4.0% while private consumption and total investment will grow by 2.6% and 5.8%, respectively. The headline inflation is expected to lie between 1.4-2.4% and the current account is likely to register a surplus of 2.2% of GDP

C. Output Value of Construction Sector

An overview of the country, construction sector dropped by 2.7%, recovering from previous quarter. All types of private construction improved from the previous year, especially on residential building construction in response to higher demand of condominium. Public construction kept falling for five consecutive quarters, owing to state enterprise construction which mainly committed to long term project such as the Blue Line (Hua Lam Phong – Bang Kae and Bang Sue – Tah Phra), the Green Line (Bearing – Samut Prakan) of Metropolitan Rapid Transit Authority, Expressway Phase 3 of Expressway Authority of Thailand, water supply improvement project of Metropolitan Waterworks Authority.

Table 2 Gross Fixed Capital Formation at Current Market Price (Billion USD)

Year	Construction by Private Sector	Construction by Public Sector	Total	Growth Rate (YoY)
2008 p1	11.85	12.32	24.17	-4.6
2009 p1	10.55	12.40	22.95	0.3
2010 p1	12.03	13.10	25.12	6.8
2011 p1	13.60	11.91	25.51	-5.1
2012 p1	15.23	13.53	28.77	8.8
2013 p1	15.83	13.03	28.86	1.0
2014 Q1	3.69	2.75	6.44	-8.6
2014Q2	3.92	3.37	7.3	-1.1
2014 Q3	4.15	3.94	8.09	-1.2

Source: The office of National Economic and Social Development Board
Note: Average Interbank Exchange Rates 32.988 Thai Baht/USD (Bank of Thailand on 13 January 2015 2015)

D. Gross value of Construction works performed

Construction sector contracted by 2.7% compared with 3.2% contraction in the previous quarter. Both private and public sector construction contracted. In the first nine months of 2014, construction sector contracted by 5.8% with 5.2% contraction in public sector and 5.5% contraction in private sector.

Table 3 Gross National Product at 1988 Price (Billion USD) in 2011-2014

Year	Gross Domestic Product	Growth Rate (Y-o-Y)	Construction	Growth Rate (Y-o-Y)	Real Estate	Growth Rate (Y-o-Y)
2011	142.58	0.1	3.00	-5.1	5.67	3.4
2012	151.83	6.5	3.23	7.8	5.89	3.9
2013	156.15	2.9	3.26	1.0	6.16	4.5
2014 (Q1)	38.57	-0.5	0.75	-11.9	1.48	-1.6
2014 (Q2)	38.98	0.4	0.80	-3.2	1.52	-0.7
2014 (Q3)	39.40	0.6	0.78	-2.7	1.55	0.2

Source: The Office of National Economic and Social Development Board
Note: Average Interbank Exchange Rate: 32.988 Thai Baht/USD (Bank of Thailand on 13 January 2015)

2. Update/Issue Related to the Construction Industry in Thailand

A. Building/Construction Material Cost Indices

The average of building material price index in 2014 decrease by -1%, when compared with price from last year. PVC water pipe class 8.5 was the highest claimer of the price increase for 2014 increased by 3.09%. On the other hand, concrete block light weight price was reduced by -6.25%.

Table 4 Price of Construction Material in Bangkok, 2013-2014

Descriptions		Units	Price in cash (USD)			
			2013	2014 Mar	2014 Jul	2014 Sep
Ready Mixed	240 ksc, Cylinder	m^3	76.08	76.08	76.08	76.08
White Portland Cement	40 kgs / Bag	Ton	257.97	257.97	257.97	257.97
Concrete Block Standard Type	19 x 39 x 7 cm	pcs	0.20	0.21	0.21	0.21
Concrete Block: Light Weigh	20 x 60 x 7.5 cm	m^3	7.27	6.82	6.82	6.82
Clay Brick	7 x 16 x 3.5 cm	pcs	0.04	0.04	0.04	0.04
Glass Block: Value Type	190 x 190 x 80 cm	pcs	1.69	1.69	1.69	1.69
Galvanize Steel Pipe BS-M	½" x 6 m x 2.6 mm	pcs	9.27	9.20	9.20	9.20
PVC water pipe class 8.5	½" x 4 m	pcs	1.16	1.22	1.19	1.19
Round bars SR.24	6 mm x 10 m	Ton	661.70	672.66	671.45	654.55
Granite Tile Gray Colour	60 x 60 cm	m^2	18.18	18.18	18.18	18.18
Gypsum Board ceiling	120 x 240 x 9 cm	pcs	7.21	7.21	7.21	7.21
Aluminum (T-shape, White)	1" x 1" x 6 m	pcs	3.64	3.54	3.54	3.64
Glass	5 mm (Thk)	ft^2	0.47	0.44	0.44	0.44

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

Note: Average Interbank Exchange rate 32.988 Thai Baht/USD (Bank of Thailand on 13 January 2015)

B. Labour/Human Resource (including Safety & Health)

Over all of the country employment resumed its expansion for the first time in five quarter, employment rose by 0.3% while unemployment rate declined to 0.8% compare with 1.0% in previous quarter. Transportation sector increased 5.27%, on the other hand construction sector was reduce by -0.09% from previous quarter.

Table 5 Number of Employees in the Construction Industry (Thousand People) 2011-2014

Industry	2011	2012	2013	2014 Q1	2014 Q2	2014 Q3
Agriculture	14,618	15,141	14,150	12,110	13,600	13,500
Production	5,479	5,732	6,330	6,590	6,270	6,280
Construction	2,375	2,460	2,120	2,690	2,220	2,200
Transportation	971	963	1,029	1,240	1,240	1,156.3
Property Development	110	134	150	190	150	150
Others	14,903	14,520	14,861	15,080	14,900	15,163.7
Total	38,456	38,950	38,640	37,900	38,380	38,450

Source: The National Statistic Office

Construction Projects in Thailand

For year 2015, State enterprise – the mass-transit train network within greater Bangkok will continue its projects including expansion of Green Line from Mor-Chit to Kukod 1.78 Billion USD. The network will cover roughly 260 km compare with 90 km currently. In 2015, some of the projects will be put for tender, some other projects will enter the study stage

The expansion of railway network projects for year 2015-2018 with an investment 1.92 Billion USD, the additional projects will start in 2016-2020 with estimate of investment 1.94 Billion USD. The project will cover 6 provinces with 1,300 km. This will help to increase domestic logistic from 1.5% to 5% in year 2020. With the expansion of the network will be the benefit of transportation between countries and southern part of China.

Moreover, the government approved water-management project for 1.7 Billion USD in order to tackle floods and water shortages. This will be long-term water management plan which will be financed mainly by the annual budget.

Real Estate sector, for 2015, it still unclear for the sector, condominium projects in major cities such as Chonburi, Udon Thani, and Korn Keng effect of over supply some of the projects had stopped and refund the deposit to buyers. Therefore, condominium project in greater Bangkok, only those projects near sky train will be the benefit from the expansion of sky train projects.

Source: Ministry of Transportation, www.prachachat.net