

Country Report



On November 18th, 2016

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

1. Overview of the Macro Economy and the Construction Industry

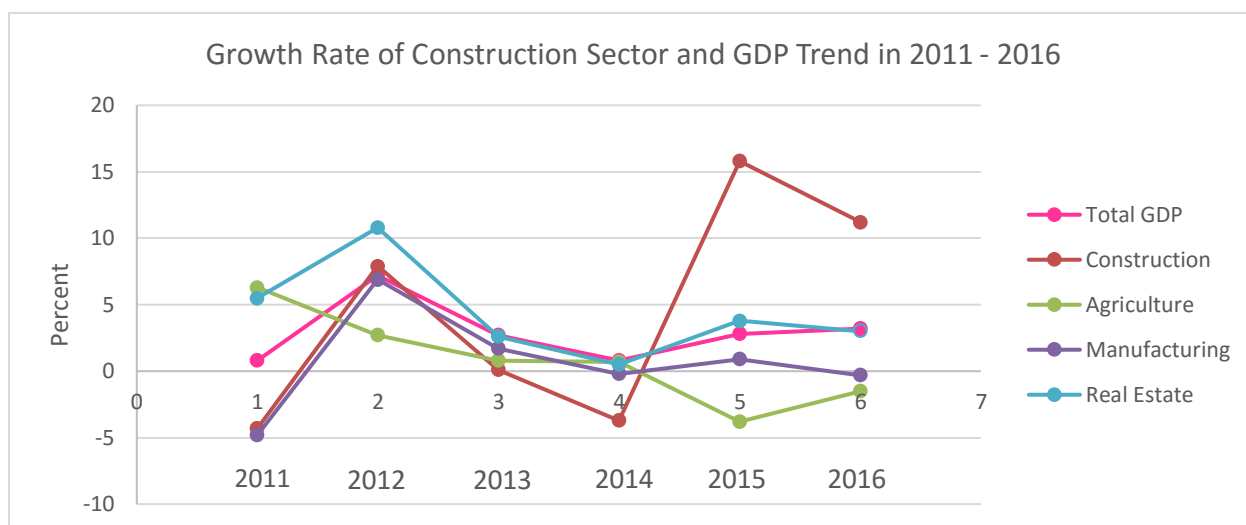
The Thai economy in first half of 2016 is growing as planned in the range of 3.0 – 3.5 percent, improving from 2.8 percent in 2015, and expect to continually grow in second of 2016. The supporting factors for growth includes (i) acceleration in government spending and investment; (ii) the stimulus measures announced by the government for September 2015 – March 2016; (iii) low oil price; and (iv) the expected recovery of the agricultural sector in second half of 2016. It is forecasted that export value will fall by 1.7 percent; private consumption and total investment will increase by 3.8 and 2.7 percent, respectively. Manufacturing and exports rebounded strongly in August but the current state of mourning and the downbeat atmosphere are likely to drag on growth, as well as for the tourism, general investment atmosphere.

A. GDP Growth

Table 1 Growth Rate of Construction Sector and GDP in 2011 and 2015

| Year | GDP Growth Rate | Construction Growth Rate |
|---------|--------------------|-----------------------------|
| 2011 | 0.8 | - 4.3 |
| 2012 r | 7.3 | 7.9 |
| 2013 r | 2.8 | 0.1 |
| 2014 p | 0.9 | -3.7 |
| 2015 p1 | 2.8 | 15.8 |
| 2016 Q1 | 3.2 | 11.2 |
| 2016 Q2 | 3.5 | 7.5 |

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

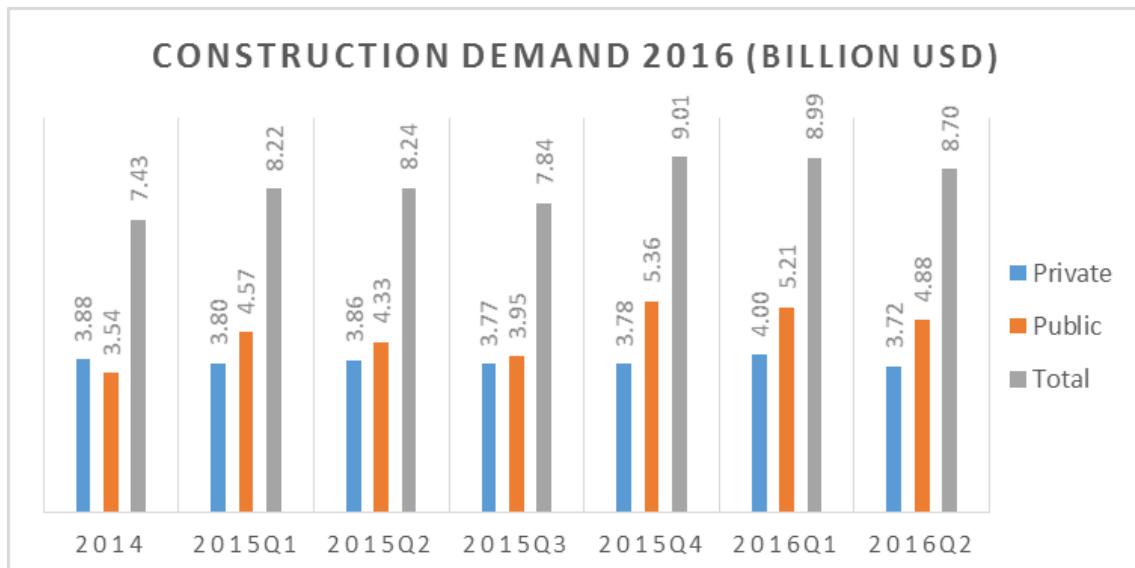
Construction Sector in Q2/2016

Construction Sector expanded by 7.5 percent which slightly contracted from a 11.2 percent growth in the previous quarter. Both public and private construction expanded. Public construction rose by 15.5 percent, with 15.8 percent growth in government construction, and 14.7 percent growth in state enterprises construction, respectively. Meanwhile, the private construction fell by -2.1 percent, which is in line with slow down of condominium project along Bangkok Mass Transit System routes in Bangkok and vicinities, as well as that of factory construction projects.

The Thai Economic Outlook for 2016

The Thai economy in 2016 is projected to grow in the range of 3.0 – 3.5 percent, improving from 2.8 percent in 2015. The supporting factors for growth includes (i) acceleration in government spending and investment; (ii) the stimulus measures announced by the government for September 2015 – March 2016; (iii) low oil price; and (iv) the expected recovery of the agricultural sector in second half of 2016. It is forecasted that export value will fall by 1.7 percent; private consumption and total investment will increase by 3.8 and 2.7 percent, respectively.

C. Construction Demand for 2016



Source: The Office of National Economic and Social Development Board

Note: Average Interbank Exchange Rates 35.029 Thai Baht/USD (Bank of Thailand on Nov 1st, 2016)

D. Output Value of Construction Sector

An overview of the country, construction sector expanded in both public and private sector. In the second quarter of 2016, construction sector expanded by 7.5 percent which slightly contracted from a 11.2 percent growth in the previous quarter. In details, public construction rose by 15.5 percent, (government project rose by 15.8 percent, and state enterprises increased by 14.7 percent, respectively) decelerating from a 33.0 percent growth in the previous quarter. Meanwhile, the private construction fell by -2.1 percent, decelerating from a 7.0 percent contraction in the previous quarter which was in line with the contraction of key indicators, including an expansion of condominium project along Bangkok Mass Transit System routes in Bangkok and vicinities, as well as factory construction projects.

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) |
|---------|--------------------------------|-------------------------------|-------|-------------------|
| 2014 | 3.88 | 3.54 | 7.43 | 1.4 |
| 2015 Q1 | 3.80 | 4.57 | 8.22 | 6.7 |
| 2015 Q2 | 3.86 | 4.33 | 8.24 | 0.2 |
| 2015 Q3 | 3.77 | 3.95 | 7.84 | -4.8 |
| 2015 Q4 | 3.78 | 5.36 | 9.01 | 14.9 |
| 2016 Q1 | 4.00 | 5.21 | 8.99 | -0.2 |
| 2016 Q2 | 3.72 | 4.88 | 8.70 | -3.2 |

Source: The Office of National Economic and Social Development Board

Note: Average Interbank Exchange Rates 35.029 Thai Baht/USD (Bank of Thailand on Nov 1st, 2016)

E. Gross Value of Construction Works Performed

Construction sector remarkably improved by 20.1 percent compared with a 7.6 percent contraction in the same quarter of last year. Public construction rose by 34.2 percent and private construction sector rose by 2.3 percent.

Table 3 Gross Domestic Product at Current Market Price (Billion USD) in 2011-2016

| Year | Gross Domestic Product | Growth Rate (Y-o-Y) | Construction | Growth Rate (Y-o-Y) | Real Estate | Growth Rate (Y-o-Y) |
|---------|------------------------|---------------------|--------------|---------------------|-------------|---------------------|
| 2011 | 322.49 | 4.6 | 8.75 | 1.2 | 21.17 | 7.8 |
| 2012 r | 352.33 | 9.3 | 9.74 | 11.4 | 23.99 | 13.3 |
| 2013 r | 367.99 | 4.4 | 9.97 | 2.4 | 24.92 | 3.9 |
| 2014 p | 374.67 | 1.8 | 9.71 | -2.6 | 25.19 | 1.1 |
| 2015 p1 | 386.24 | 3.1 | 10.88 | 12.0 | 25.99 | 3.2 |
| 2016 Q1 | 99.07 | 1.2 | 2.88 | -2.7 | 6.65 | -1.1 |
| 2016 Q2 | 100.84 | 1.8 | 2.82 | -2.0 | 6.56 | -1.4 |

Source: The Office of National Economic and Social Development Board

Note: Average Interbank Exchange Rates 35.029 Thai Baht/USD (Bank of Thailand on Nov 1st, 2016)

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

A. Building/Construction Material Cost Indices

There was an increased in cement sale volume which was in line with an expansion in public and private construction sector. The steel price in the fourth quarter has decreased due to temporary oversupply from China. Overall, construction material prices is stable, but expect to increase in the next few months, due to higher demand from expected new government construction project.

Table 4 Price of Construction Material in Bangkok, 2015-2016

| Descriptions | | Unit | Price in cash (USD) | | | |
|------------------------------|-------------------|----------------|----------------------|----------------------|----------------------|----------------------|
| | | | 2016 Apr | 2016 Jun | 2016 Aug | 2016 Oct |
| Ready Mixed | 240 ksc, Cylinder | m ³ | 64.66 (THB2,265) | 64.66 (THB2,265) | 64.66 (THB2,265) | 64.66 (THB2,265) |
| White Portland Cement | 40 kgs / Bag | Ton | 263.07 (THB9,215) | 263.07 (THB9,215) | 263.07 (THB9,215) | 263.07 (THB9,215) |
| Concrete Block Standard Type | 19 x 39 x 7 cm | pcs | 0.17 (THB6.00) | 0.17 (THB6.00) | 0.19 (THB6.50) | 0.19 (THB6.50) |
| Concrete Block: Light Weigh | 20 x 60 x 7.5 cm | m ³ | 4.73 (THB165.75) | 4.00 (THB140.00) | 4.00 (THB140.00) | 4.00 (THB140.00) |
| Clay Brick | 7 x 16 x 3.5 cm | pcs | 0.04 (THB1.57) | 0.04 (THB1.57) | 0.04 (THB1.47) | 0.04 (THB1.47) |
| Galvanize Steel Pipe BS-M | ½" x 6 m x 2.6 mm | pcs | 7.69 (THB269.31) | 7.36 (THB257.84) | 7.20 (THB252.12) | 7.03 (THB246.39) |

| Descriptions | | Unit | Price in cash (USD) | | | |
|---------------------------|------------------|-----------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | | 2016 Apr | 2016 Jun | 2016 Aug | 2016 Oct |
| PVC water pipe class 8.5 | ½" x 4 m | pcs | 1.01 (THB35.28) | 1.09 (THB38.22) | 1.09 (THB38.22) | 1.12 (THB39.06) |
| Round bars SR.24 | 6 mm x 10 m | Ton | 541.46 (THB18,966.67) | 522.42 (THB18,300.00) | 476.75 (THB16,700.00) | 482.46 (THB16,900.00) |
| Granite Tile Gray Colour | 60 x 60 cm | m ² | 15.70 (THB550) | 15.70 (THB550) | 15.70 (THB550) | 15.70 (THB550) |
| Gypsum Board ceiling | 120 x 240 x 9 cm | pcs | 6.79 (THB238) | 6.79 (THB238) | 6.79 (THB238) | 6.79 (THB238) |
| Aluminum (T-shape, White) | 1" x 1" x 6 m | pcs | 1.65 (THB57.75) | 1.62 (THB56.60) | 1.62 (THB56.60) | 1.62 (THB56.60) |
| Glass | 5 mm (Thk) | ft ² | 0.41 (THB14.47) | 0.41 (THB14.47) | 0.41 (THB14.47) | 0.41 (THB14.47) |

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

Note: Average Interbank Exchange Rates 35.029 Thai Baht/USD (Bank of Thailand on Nov 1st, 2016)

B. Labour/Human Resource

In the third quarter of 2016, employment decreased by 0.5 percent following a decline of 1.7 percent in agricultural employment due to unfavorable price and weather for agricultural production. However, construction employment rose by 2.9 percent compared with previous quarter -17.0 percent.

Table 5 Number of Employees in the Construction Industry (Million People) 2011-2015

| Industry | 2012 | 2013 | 2014 | 2015 Q3 | 2015 Q4 | 2016 Q3 |
|----------------|-------|-------|-------|---------|---------|---------|
| Agriculture | 16.33 | 16.26 | 13.04 | 11.46 | 12.94 | 12.72 |
| Production | 5.25 | 5.29 | 6.47 | 6.51 | 6.41 | 6.30 |
| Construction | 2.35 | 2.32 | 2.15 | 2.47 | 2.05 | 2.11 |
| Transportation | 0.91 | 0.96 | 1.23 | 1.23 | 1.23 | 1.12 |
| Others | 14.75 | 14.26 | 15.10 | 15.95 | 15.73 | 15.47 |
| Total | 39.59 | 39.09 | 38.26 | 37.61 | 38.37 | 38.17 |

Source: The National Statistic Office

Construction Projects in Thailand

National Policy for infrastructure projects between 2015 and 2022 include road network, railway, water transit and air transportation with budget of investment of 56 billion USD. This will create need of workforce for engineers, technicians, and construction labors about 400,000 positions.

In order to improve the road network, 3 motorways with 324 kilometers, and the construction budget of 142.3 bn Baht (or 4 bn USD) has been approved, and progressed as follows:

1. Pattaya-Mabtaput : (East Direction) 32 kilometers, 14.2 bn Baht (or 405 Million USD). Current Status: All contracts signed, and under construction
2. Bangpa-in – Korat : (Northeast Direction) 196 kilometers (both at grade, and elevated), 77.9 bn Baht (or 2.22 bn USD). Current Status: All contracts are bid, the construction started and expect to finish in 2019.
3. Bangyai – Kanchanaburi: (West Direction) 96 kilometers, 50.2 bn Baht (or 1.43 bn USD) Current Status: Partially bid, and most are under procurement process. About 50% of the projects have started.

All the projects are designed, and monitored by Department of Highway (DOH), with 100% Thai Government funding, and expected to be completed by the end of 2019.

As rail system is a part of Thailand's strategic transport connectivity plan, linking the mass transit systems of major cities to small towns and neighboring countries. There are 3 phase of development as follows:

- Phase 1: Including 6 lines, totalling 903 km. as follows:
 1. Chachoengsao-Klong19 (106 km.) Contract Signed, Under Construction.
 2. Jira-Khonkaen (185 km.)
 3. Prajuaab-Chuporn (167 km.)
 4. Lopburi – Bangpo (148 km.)
 5. Mabkabao – Jira (132 km.)
 6. Nakhonpathom – Huahin (165 km.)[Project 2-6 plan to go for Bidding in 2016Q3, and start construction in December 2016]
- Phase 2: Including 8 lines, totalling 1,646 km.
- Phase 3: Including 3 lines, totalling 688 km.

As Airport Improvement, Suvannabhumi Airport's the 1st package of the 2nd phase expansion has started and the rest 6 packages are expected to bid by 2017 Q1

Law and Regulation

National Assembly endorses public procurement draft act on 2 July 2016

Thai government plans to avoid corruption in public procurement process. The regulatory framework for public procurement in Thailand is currently based on Regulation of the Prime Minister on Procurement in 1992, and are criticized with significant deficiencies. Risk to integrity in Thailand's non-regulated public procurement process are rife because of the large amounts of money at stake and the interface between the government and private sector, which is characterized by a high volume of transactions.

The classification of contractors under the new procurement act is likely to remain unchanged to standardize and avoid the unfair selection process.