

# Country Report



On September 30, 2022

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

## 1. Economic and Construction Situations (Q1 2021 data prior to third wave Covid)

The Thai Economy in the second quarter of 2022 expanded by 2.5 percent (%YoY), accelerating from a 2.3-percent growth in the previous quarter. After seasonally adjusted, the economy increased by 0.7 percent from the first quarter of 2021 (%QoQ sa). In the first half of 2022, the economy grew by 2.4 percent. Thai GDP growth forecast for 2022 at +3.1%, premised on stronger domestic spending and recovering tourism activity. However, upside would be limited by high inflation, rising interest rates, and other headwinds. 2022 forecast for foreign tourist arrivals has been revised up to 10.4mn (from 8mn previous projection). Private consumption growth has been nudged up to +4.7% from +4.2% previous forecast, to reflect surprise gains from reopening tailwinds and rising pent-up demand. However, overall investment growth forecast to reflect delayed infrastructure investment, global economic slowdown, and higher external uncertainty.

Krungsri Research Forecast		2020	2021	2022F	
				Previous	Latest
GDP growth	YoY (%)	-6.2	1.5	3.1	3.1
Private Consumption Expenditure	YoY (%)	-1.0	0.3	4.2	4.7 ▲
Government Consumption Expenditure	YoY (%)	1.4	3.2	-0.5	-0.5
Private Investment	YoY (%)	-8.2	3.3	3.0	2.8 ▼
Public Investment	YoY (%)	5.1	3.8	1.8	0.2 ▼
Nominal Exports in USD (f.o.b.)*	YoY (%)	-6.5	19.2	7.5	7.5
Nominal Imports in USD (f.o.b.)*	YoY (%)	-13.8	23.9	17.0	17.0
Current Account Balance	USD, bn	20.3	-11.0	-12.0	-16.5 ▼
Tourist Arrivals	Mn, persons	6.7	0.4	8.0	10.4 ▲
Headline Inflation	YoY (%)	-0.8	1.2	6.1	6.1
Exchange rate (end of period)	THB/USD	30.0	33.4	34.8	35.5 ▲
Policy Interest rate (end of period)	(%)	0.50	0.50	1.00	1.25 ▲
Dubai crude price - period average	USD/bbl	41.5	69.0	98.0	98.0

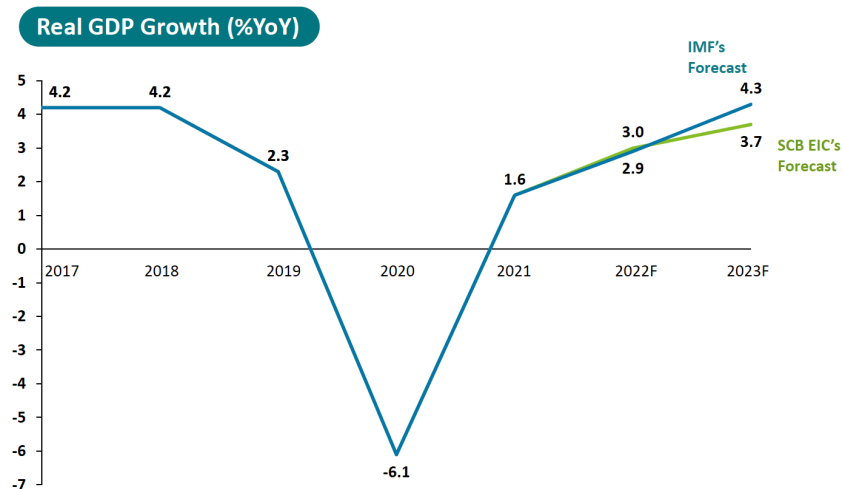
Export growth forecast is kept at +7.5% compared to +11.5% in the first 7 months of this year. Headline inflation is expected to peak in August

but core inflation could rise further the rest of the year and exceed 3% driven by recovering domestic demand and pass-through effects of production costs onto consumer prices. On interest rate outlook, given the Fed's more-aggressive-than-expected monetary policy tightening and rising domestic core inflation, we now expect

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## A. GDP Growth

### Growth Rate of Thailand's GDP from 2017 to 2023 (F)



Source : Office of the National Economic and Social Development Council, Thailand

- GDP Growth Forecast for 2022 at +3.1%
- Economic Activity has improved on easing containment measures but the growth might be limited by high inflation, Ukraine War, China's Zero-Covid policy, and rising global interest rates.
- Stronger domestic spending and recovering tourism activity. (Forecast of Foreign tourist arrival will be up to 10.4 Million, compare to 40 million in pre-covid)

## B. Construction Sector Growth

### Real Gross Fixed Capital Formation Growth Rates (%YoY)

	Average Growth Rate (% per year)			
	2010-2012	2013-2015	2016-2018	2019-2021
Public Construction	4.7	8.0	4.0	4.4
Private Construction	14.5	0.4	2.0	-0.1
<b>Total Construction</b>	<b>9.1</b>	<b>4.0</b>	<b>3.1</b>	<b>2.5</b>

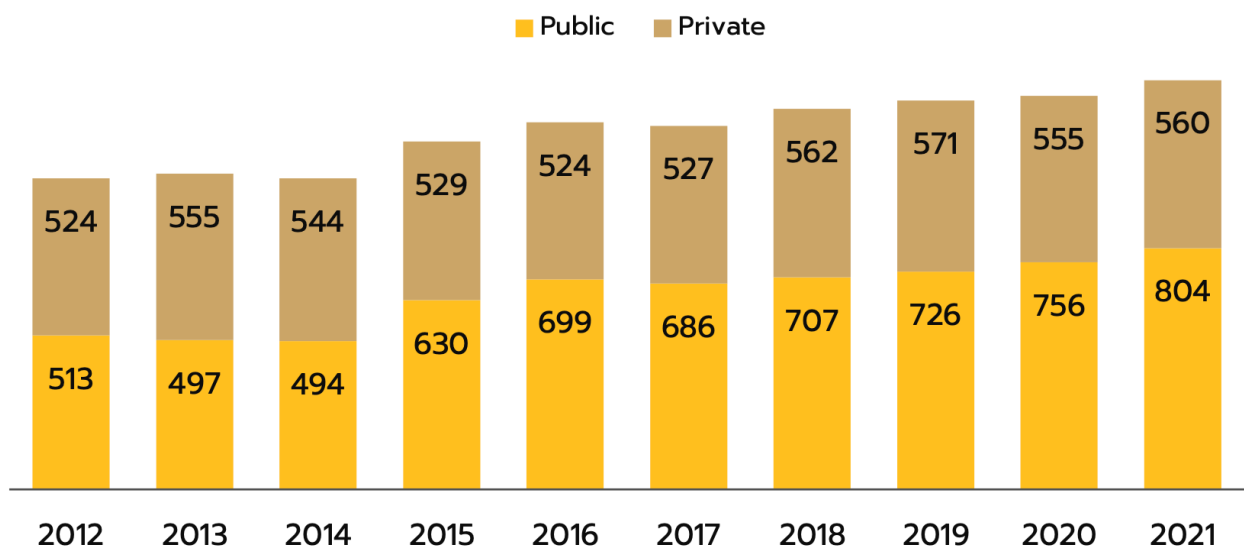
Source : Office of the National Economic and Social Development Council, Thailand

### Construction Sector in 2022

- Over the years 2012 to 2021, the construction investment value averaged an 8.1% share of gross domestic product, most of which was attributable to the domestic market. The sector can be split into the two major segments of public and private construction, for which 2021 construction spending was split in the ratio 59:41.
  - o **Public construction investment:** The largest share of public-sector construction is accounted for by the build-out of infrastructure. This runs to around 82% of the segment's total value, with the remainder being accounted for by the building of offices for government agencies (16%) and housing for civil servants (2%). Large companies typically enjoy advantages when contracting for government work, especially for infrastructure megaprojects, due to their experience, knowledge and expertise, financial security, and ability to utilize specialist techniques and technologies. SMEs thus tend to sub-contract for larger corporations when working on publicly-funded projects. Public Construction Investment expanded 6.4% to a total of THB 804.5 billion. The main driver of growth was spending on ongoing infrastructure megaprojects.
    - Infrastructure projects (81% of all public-sector spending on construction): Expenditure rose 5.8% in the year, with the most important projects being: (1) the 3 new MRT lines in Bangkok that are due to be opened in 2022, namely (i) the Orange Line from Thailand Cultural Center to Minburi (Suwinthawong), which is 89.5% complete, (ii) the Yellow Line from Lat Phrao to Samrong, which is 88.7% complete, and (iii) the Pink Line from Khae Rai to Minburi, which is 83.9% complete (information correct as of December 2021); and (2) phase 3 of the development of the Map Ta Phut Port in the EEC, for which ground was broken in July 2021.

- Other construction projects: This category includes office buildings for government agencies (17% of the total) and residential accommodation for civil servants (2%), for which spending rose by respectively 8.4% and 14.3%, as efforts were made to meet completion targets that had been disrupted a year earlier by the outbreak of COVID- 19. The majority of these projects were undertaken by SME contractors, many of which have been hit by cashflow problems and labor shortages.
- **Private construction**: Private construction work is mostly on residential accommodation, which contributes 52% of total private construction investment value. The remainder is split between industrial and commercial buildings (20%), and other developments (28%), a category that includes facilities such as hotels and hospitals (source: the Office of the National Economic and Social Development Council, correct as of 2020). Private construction tends to be affected by investor confidence, the overall state of the economy, the degree of political stability in the country, the extent of infrastructure spending, and government's measures to stimulate investment. Private-sector construction expanded by just 0.9% in 2021, bringing the total to THB 560.3 billion as the segment struggled against depressed conditions in the market for residential housing.
  - Residential accommodation (50% of all private-sector construction by value): Overall investment in the residential market slipped 1.8% in the year, while the number of new properties coming to market in the Bangkok Metropolitan Region and the 4 major provinces of Chiang Mai, Chonburi, Khon Kaen, and Phuket fell 14.2% in 2021. This decline is explained by: (i) the move by property developers to switch from working on new projects (both low- and high-rise) to running down their existing stock of unsold properties as they tried to maintain liquidity and cashflow, by implementing strategies that included increasing price discounts, renting out units, and allowing 1-2 years' free accommodation; (ii) the effect of the recession on consumer purchasing power and the decision by lenders to tighten the release of new credit, although interest rates remained extremely low; and (iii) the imposition of a state of emergency, which from June 28<sup>th</sup> to July 24<sup>th</sup>, 2021 forced the closure of construction sites and of laborers' camps in the Bangkok Metropolitan Region. A portion of migrant workers from elsewhere in Thailand and from neighboring countries working in the construction sector then left the greater Bangkok region and numbers have yet to fully return to normal, thus delaying work on many projects.
  - Non-residential construction: Investment in this segment, which encompasses commercial and industrial property, factories, and buildings used for the provision of services and transport grew 3.8%. Growth was sustained by stronger spending on factories and offices on industrial estates, especially in the EEC, where businesses have benefitted from growth in manufacturing for export.

- In 2021, the construction materials price index climbed 8.0%, having fallen back 1.8% in the previous year. Price rises were seen in almost all product categories, though these were highest for steel and related goods (23% of all construction material costs for the industry as a whole), which jumped 33.9% on a fall in output in China that then led to higher global prices for the scrap and billet that is imported to make construction steel. However, the cost of cement (13% of the total) declined 1.1% on a slowdown in work by the private sector as players waited for the economy to rebound (the private sector accounts for 60% of cement use).



*Public and Private Construction Investment (at current prices, THB bn)*

- Thai construction companies, especially larger corporations, have also been expanding their customer base into overseas markets, in particular to the CLMV countries (Cambodia, Laos PDR, Myanmar and Vietnam), attracted by the high level of investment in infrastructure and utilities in these countries, for example, in road networks, rail links and power stations, as well as for the construction, repair and renovation of housing and other structures.
- In 2021, construction contractors enjoyed a continually expanding market, as indicated by total investment that grew 4.1% YoY to a value of THB 1.37 trillion. The market was buoyed by the inflow of public-sector funds (59% of all spending on construction in the year), especially for infrastructure megaprojects, including phase 3 of the Map Ta Phut Industrial Port development and ongoing projects such as work on Bangkok's Pink, Yellow and Orange MRT lines. However, the impact of the COVID-19 pandemic on the economy and subsequent sluggish conditions in the housing market led to a drop off in work on residential accommodation, and so

despite an increase in work on non-housing projects, especially for factories on industrial estates, overall investment in construction by the private sector remained largely unchanged from a year earlier.

## 2. Labour Wages

### Bangkok Minimum Wage 2016 - 2022

Year	Minimum Wage (USD)	Minimum Wage (THB)
2016	7.98	300
2017	8.25	310
2018	8.65	325
2019	8.65	325
2020	8.94	336
2021	8.94	336
2022	9.48	354

Source: The National Statistic Office of Thailand 2022

Note: Exchange Rates 37.57 Thai Baht/USD

The government has approved raising the minimum wage to reflect higher cost of living. This has stirred concerns in key industries like agriculture, construction and hotels that are already dealing with rising costs for commodities, key components and other necessities.

The new rate was in effect on Oct. 1, bringing the minimum daily wage to a range of \$8.94 to \$9.48. The higher wages will be paid in the parts of the country with the highest costs of living.

### 3. Major Building Materials Prices and Changes

#### Price of Construction Material in Bangkok

Descriptions	Unit	Price in Cash (USD) / 2022			
		June	July	August	September
Ready Mixed Concrete 240 ksc, Cube	m <sup>3</sup>	64.41 (THB 2,420)	64.41 (THB 2,420)	64.41 (THB 2,420)	64.41 (THB 2,420)
Concrete Block Standard Type 19 x 39 x 7 cm	pcs	0.19 (THB 7)	0.19 (THB 7)	0.19 (THB 7)	0.19 (THB 7)
Concrete block: Light Weight 20 x 60 x 7.5 cm	m <sup>3</sup>	4.25 (THB 160)	4.25 (THB 160)	4.25 (THB 150)	4.25 (THB 150)
Clay Brick 7 x 16 x 3.5 cm	pcs	0.04 (THB 1.44)	0.04 (THB 1.44)	0.04 (THB 1.44)	0.04 (THB 1.44)
PVC water pipe class 8.5 ½" x 4 m	pcs	1.16 (43.43)	1.13 (THB 42.42)	1.08 (THB 40.40)	0.98 (THB 36.81)
Round bar SR.24 6 mm x 10 m	ton	736.39 (THB 27,666)	683.15 (THB 25,666)	657.44 (THB 24,700)	652.12 (THB 24,500)

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

Note : Exchange Rates 37.57 Thai Baht / USD

### 4. Issues related to the Construction Industry and Ways TCA has taken to overcome

- Extensive Study to revise the Government Procurement and Supplies Management Act: Government Procurement and Supplies Management Act had been enforced since 2017, controversial issues frequently occurred between parties resulting from the Act. TCA has been working closely with Thailand Development and Research Institute to get feedbacks from different parties, including TCA's Members, Engineering Institute of Thailand, as well as Anti-corruption Organization of Thailand, to bring in different perspectives, and shape the public procurement to be more pragmatic, while maintain transparency and fairness to induce sustainable growth of the industry. TDRI and TCA will have a joint public presentation about the study in early October, and will propose the recommendation to the government, subsequently.
- Construction Contract Comparison with FIDIC: The Comptroller General's Department has initiated the dialogue to compare current construction contract with FIDIC to find the possibilities to better the contract to be more standardized.

- **Ending of COVID-19 Emergency Decree:** Thailand's center of COVID-19 Situation Administration (CCSA) announced the ending of the nationwide COVID-19 Emergency Decree on September 30<sup>th</sup>, 2022, as the kingdom reclassifies COVID-19 from "a dangerous communicable disease" to "a communicable disease under surveillance" from October 1<sup>st</sup>, 2022. All the construction extension of time on Public Construction Projects due to COVID-19 has discontinued on June 30<sup>th</sup>, 2022.
- **Labor Shortage:** The COVID-19 pandemic triggered a shortage of labor and this will delay work on construction projects. The number of overseas migrant laborers working in the construction sector has yet to return to its pre-COVID-19 level, while Thai workers from upcountry have also not fully reentered construction labor markets in the Bangkok Metropolitan Region. TCA has been working closely with Ministry of Labor to expedite the process, and need to collaborate with the officials of Laos, Cambodia, and Myanmar, and eventually, successfully opened the borders thru the new MOU, and brought in more labors. The situation start to look better in the past month.

## 5. Present & Future Construction Projects and Investment Opportunities

- **Public spending on construction** is expected to grow by 5.0-6.0% annually over 2022- 2024. Disbursements will be made for ongoing work on megaprojects as the authorities try to meet the deadlines set out in the 2019 Transportation Action Plan, itself part of the 20-year strategy for the development of Thailand's communications system.
  - Work on road and rail megaprojects in the EEC related to phase 1 of the action plan for developing EEC transport and logistics infrastructure (2017-2021) should begin in earnest in 2022. This will include: (i) the high-speed rail-link connecting the area's three airports (Don Muang-Suvarnabhumi-U Tapao), though work will begin with the Suvarnabhumi-U Tapao section; and (ii) phase 3 of the development of Laem Chabang Port. It is expected that phase 2 of the action plan (for 2022-2026) will help to cement Thailand's place as a regional center of trade, investment, transport, and logistics, as well as providing support for the future development of the EEC. Initially, funding of THB 386.57 billion has been secured for 131 projects, of which 43% is for rail and mass transit systems
  - Other major projects include Terminal 2 or the 'north expansion' of Suvarnabhumi passenger facilities, the southern extension of the Purple Line (Tao Poon-Rat Burana), and the Den Chai-Chiang Khong and Khon Kaen-Nong Khai double-track railway lines



## Complete Strategic Location Creating an Inclusive Environment

### A captivating past

The Eastern Economic Corridor (EEC) is an area-based development initiative, aiming to revitalize the well-known Eastern Seaboard where, for 30 years, numerous business developers have experienced a rewarding investment journey and exceptional achievements. The EEC project initially focused on the 3 Eastern provinces, namely Rayong, Chonburi, and Chachoengsao. The IEEC development plan envisages a significant transformation of both physical and social development, uplifting the country's competitiveness.

### A promising future

With a clear regulatory and governance structure, EEC overall development plan has been well established. An integrated infrastructure is developed for EEC to become the prime gateway to both South East Asia and the Asia Pacific in the upcoming years.

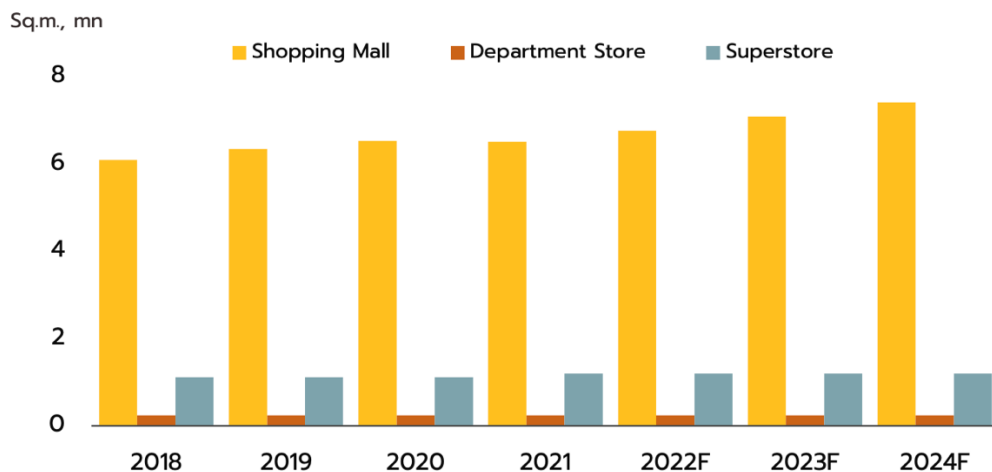


## Eastern Economic Corridor

Mega Projects of Transport Infrastructure Development	Investment Value (THB, bn)	Period
1. Motorway: Bang Khun Tien to Bang Buang Thong (M9), Western Outer Ring road	56	2022-2025
2. Motorway M9: Uttaraphimuk Tollway Extension Rangsit-Bang Pa-in	27	2023-2026
3. Motorway: The network connects M6, Bang Pa-in - Nakhon Ratchasima, and Lor. 32	4.7	N/A
4. Motorway M7: Srinagarindra - Suvarnabhumi	29	2024-2027
5. Motorway M8: Nakhon Pathom - Cha Am (Nakhon Pathom - Pak Tho period)	51	N/A
6. Expressway: Stage 3, Northern Lines N1 and N2	37	2024-2027
7. Expressway: Chalongrat - Chatuchok	22	2024-2027
8. Expressway: Ka thu - Patong, Phuket	14	2024-2027
9. Expressway: Muang Mai - Koh Kaew - Ka thu, Phuket	30	2025-2028
10. Aircraft Maintenance, Repair and Overhaul (MRO) Road to The Third Thai-Laos Friendship Bridge, Nakhon Panom	16	2022-2024
11. The Sixth Thai-Laos Friendship Bridge Ubon Ratchathani in Thailand - Saravan in Laos PDR	4.7	2023-2025
12. Dual Track Railway: Den Chai - Chiang Rai - Chiang Khong	85	2022-2026
13. Dual Track Railway: Ban Phai - Nakhon Phanom	68	2022-2026
14. Mass Transit System: Orange Line (Bang Khun Non - Thailand Cultural Center)	120	2022-2027
15. Mass Transit System: Purple Line (Tao Pun - Rat Burana)	120	2022-2027
18. High-Speed Rail Linking 3 Airports: Don Mueang - Suvarnabhumi - U-tapao	220	2022-2028
19. Airport: Don Mueang Airport Development Phase 3	36	2022-2029
20. Regional Airport: Chiang Mai Airport; Phase 1	15	2022-2026
21. Regional Airport: Chumphon Airport; Phase 2	3.2	2022-2027
22. Regional Airport: Ranong Airport; Phase 3	3.5	2022-2028
23. Logistics Center: Nakhon Panom	1.3	2022-2024

Sources: The office of Transport and Traffic Policy & Planning (as of December 2021)

- **Investment in construction by the private sector** should steadily increase at an average rate of 3.0-4.0% annually over 2022-2024. This outlook is supported by the following.
  - The residential segment will pick up and over 2022-2024, the number of new properties coming to market should increase by an average of 10.0% to around 70,000 units per year. Developers will tend to increase the share of low-rise properties in their portfolios, especially for developments in more suburban areas as they look to meet rising real demand for residence attracted to the market by extensions to motorways and mass transit systems that have reduced travel times between the suburbs and the city center. Work on condominiums will also pick up in certain areas, most notably in central districts and along some mass transit lines, though this will mostly benefit larger developers. However, in the short term (i.e., over 2022), construction work may slow with the greater cost of fuel and construction materials. Although developers have the option of responding to higher costs by putting up their own prices, weak consumer spending power limits the room for this. As such, the Thai Home Builders Association expects house prices to rise by 5-8% from April 2022.



*Bangkok Retail Supply by TYPE*

- Work on factories and industrial estates will benefit from an acceleration in spending on public-sector infrastructure projects, especially those in the EEC. Players in the industrial estates segment have plans to respond to expansion in the government's targeted S-curve industries by investing in new projects for sale and development. Examples of these include the Nong Lalok Industrial Estate in Baan Khai in Rayong, which is expected to open within 2

years, and Apex Green Industrial Estate in Plaeng Yao in Chachoengsao (to be jointly operated with Industrial Estate Authority of Thailand, or IEAT). The latter should begin operations in 2023.

Project Name	NLA (sq.m.)	Retail Format	Completion Year
Terminal 21 Harbour	40,000	Enclosed Mall	2022
Smile Square	28,000	Office, Hotel, Residential	2022
The EmSphere	60,000	Enclosed Mall	2022
The Forestias	180,000	Residential, Office, Hotel	2023
One Bangkok	180,000	Condo, Hotel, Office	2023-2024
Central Ratchapruek	80,000	Condo, Hotel, Office	2023
Bangkok Mall	90,000	Enclosed Mall	2023
Asiatique 2.2	100,000	Mixed-use Mall	2023
Bangkok Midtown (Phase I)	59,000	Enclosed Mall	2023
Dusit Central Park	70,633	Condo, Hotel, Office	2024
The Mall 2 Ramkhamhaeng	32,712	Enclosed Mall	2024
Asiatique 2.1 (Parking Space)	30,000	Community Mall	2024
Robinson Sukhumvit (Renovation)	13,000	Department Store	2024

*Major Investment of Commercial Building and Mixed-use Project to be completed in 2022-2024*

- Commercial developments are split between (i) retail space, which will grow in line with developers' investment plans to meet the rebound in the tourism sector and in private- sector consumption, and (ii) office buildings, for which growth will be determined by expansion in business investment. In addition, mixed-use developments that respond to modern urban lifestyles are becoming increasingly popular, and over 2022-2024, work will be carried out on a total of around 1 million sq.m. of these developments

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