

Personnel Management Association of Thailand (PMAT)

**Bangkok, Thailand
March 21, 2017**

1. Current economic and political situation in the country

Economy and labor market situation

Thailand's domestic spending in the fourth quarter of 2016 on goods and services improved toward the end of 2016 due to the government measures to stimulate holiday and tourism spending. Merchandise exports improved in industries such as electronic products, food, and processed food, and electronical appliances. On the other hand, tourism sector was sluggish as a result of the government's curb on illegal tour operator but the impact was expected to be short-lived and concentrated mostly in predominantly Chinese tourists' attractions in Bangkok and Pattaya. The real estate sector continued to slow down as buyer's purchasing power remained constrained. Private investment continued to stay low and concentrated mostly in the trade and services sector. Investment in manufacturing sector was mostly in machineries for improving productivity, labor replacement, and product development. (Bank of Thailand, 2017)

According to the Bank of Thailand, Thailand's business conditions in the first quarter of 2017 is expected to continue expanding at a gradual pace. Private consumption is expected to continue improving from the recovery of both agricultural and non-agricultural incomes, in tandem with the overall economic recovery. The tourism sector is expected to recover as sentiment improved and firms have observed rising number of advanced bookings. This is further supported by continued government measures to support the economy and businesses' adjustments to emphasize the quality of tourists. Merchandise exports is expected to increase in line with the economic recovery of the trading partners. However, concerns are highlighted in regards to the impact of the USA and China trade policy on the Thai exports. Businesses are confident that clear and concrete government infrastructure projects and development of special economic zones will be the supportive factor for the overall investment going forward. (Bank of Thailand, 2017)

SCB EIC or Siam Commercial Bank's Economic Intelligence Center, established to provide business executives with valuable insights for effective decision making, provides that even 2016's risk factors still linger; growth expected to be bolstered by domestic spending. As a result, the center forecasts a 3.3% growth is expected for the Thai economy in 2017. (Economic Intelligence Center (EIC), 2017)

SCB EIC (2017) concludes the factors supporting Thai economy growth in 2017 are

1. More household purchasing power after the end of loan payment for cars from the first-car policy
2. Household purchasing power to be boosted by government measures including cash transfers to low-income earners and new personal incom tax structure
3. Investment in infrastructure megaprojects to double after bidding
4. Rising oil price to help pick up export value
5. Low cost for bank loans thanks to the likely stable 1.5% policy rate

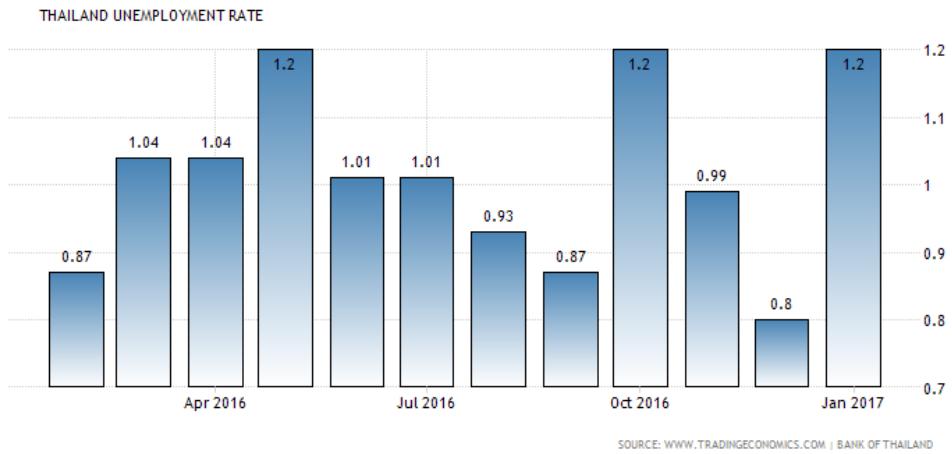
There are also risk factors to be mentioned as follows

1. Fragile recovery of the global economy, with persisting issues in financial sectors in China and Europe
2. Global political uncertainties due to Brexit, upcoming key elections in Europe, as well as Donald Trump's economic policy, which may reverse the flow of free trade
3. After the zero-dollar tour crackdown, tourism sector's slowdown may take longer than expected to recover
4. Volatility in the financial market due to different countries' monetary policies
5. Cost of financing through corporate bonds to rise in line with US Treasury yield

NESBD (2017) also projects 3.0 – 4.0 percent growth of the Thai economy supported by (1) an expansion of the export sector which will further support the recovery of the manufacturing production and private investment, (2) an acceleration of the agricultural production and farm income which will support the expansion of household consumption, (3) an acceleration of public investment, (4) the 190-billion-baht supplementary budget in the fiscal year 2017, and (5) the favorable expansion of tourism receipts. It is expected that value of export of goods will grow by 2.9 percent, private consumption and total investment will grow by 2.8 and 5.3 percent respectively. The headline inflation rate will be in the range of 1.2 – 2.2 percent and the current account will record a surplus of 9.4 percent to GDP.

Thai CPI as of February 2017 is 1.44 which is a hike due to continuous (1) oil and energy price and (2) fresh food price increase. The export of fresh food from Thailand has a good sign of recovery and leads to gradual and stable inflation.

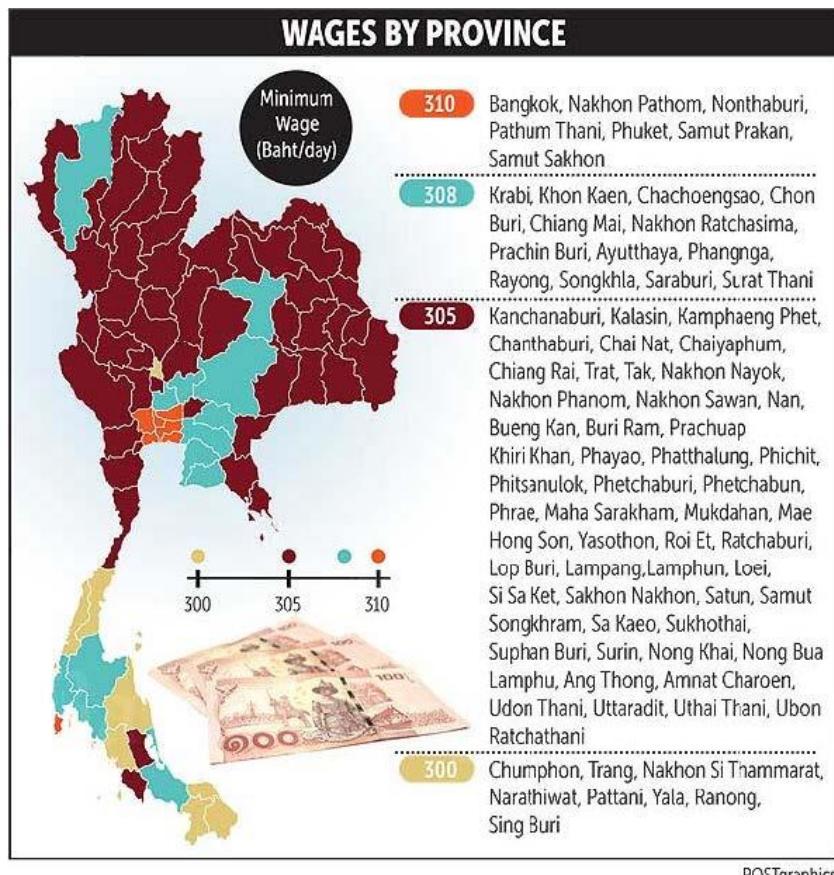
Trading Economics (2017) reported that as of January 2017, unemployment rate of Thailand is 1.2%, higher than 0.8% unemployment rate in December 2016.



Arom Pongpangan Foundation (2017) suggested that Thai labor force is still lack of IT and technology skills and therefore less productive comparing to Singapore and Malaysia. There is also concern due to demographic change that Thailand is now entering an aging society. Short term employment will be increased but will face a downward trend in the future. It is to mention that the number of labor force in manufacturing and services industries is subject to political situation while agricultural labor force is affected by natural disaster and pulling factor of manufacturing and services industry due to minimum wage increase in 2012.

Labor market cannot fulfill requirements of industries as there are still lacks in lower level workers. Education development still does not meet the demand of entrepreneur to develop vocational labor force and generate qualified labor from the education system.

The Thai National Wage Committee recently approved a resolution to set new rates for minimum wage in Thailand, which is effective since 1 January 2017. This increases the general minimum wage rates between Baht 5 to Baht 10 per day in 69 provinces and retains the rate of Baht 300 per day in eight provinces.

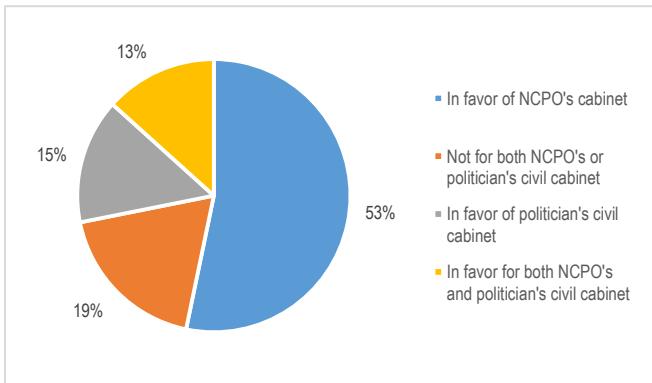


Source: <http://www.tilleke.com/resources/thailand-introduces-new-minimum-wage-rates-2017>

There is going to be a new executive decree on administration of foreign workers that will give better protection to foreign workers and ensure they will have a good quality of life while working in the kingdom. The labor ministry is preparing a draft of the document to be submitted to the cabinet for approval. The executive decree will merge content in the Alien Working Act and the Royal Decree on Recruitment of Foreigners into one document which will cover aspects to ensure foreign workers will receive pay and welfare as stated in labor law and work in healthy conditions. The decree will set out details of the application process needed to work in Thailand legally and a list of employers' responsibilities to their employees. It will also contain types of work which foreign workers are allowed to do to promote the Thai employment market. One section will cover foreign worker levies for employers who hire foreign workers to work in their companies.

Political situation

Recently, there is a poll conducted by Suan Dusit University on opinion of Thai citizen towards NCPO's cabinet and that of politician.



The poll result shows that the majority (53.27%) of participants is in favor of NCPO's cabinet for its strong, robust, planned work and anti-corruption focus. Three most favorable works of NCPO's cabinet under the lead of Prime Minister Prayuth Chan-ocha are

1. Counter corruption and drugs
2. Domestic peace keeping
3. Robust work style

While three most unfavorable works are

1. Poor economic situation
2. Cannot be monitored as easy as civil government
3. Not being a government from democratic election process

2. HR challenges

PMAT held the "HR Trends in 2017: The future HR trends you need to understand from 15 industries" which is conducted by Assoc. Prof. Chiraprapa Akaraborworn Ph.D. of the Graduate School of Human Resource Development, National Institute of Development Administration.

The key HR trends in Thailand are

1. Performance Management
2. Employee Relations regarding employee engagement
3. Organization Development, mainly focus on the implementation of planned change not change management

3. PMAT project and initiatives

- On January, PMAT held HR Trends 2017 at S31 Hotel, Bangkok, Thailand.
- This year PMAT launch its first phase of PMAT's Salary Survey Application which aims to facilitate the client in report generation. In this first phase, the application will provide the following reports
 - Starting rate (by education level and industry)
 - Salary by job
 - Pay position comparison (all industry, within its industry, cross industry)

4. Scheduled Conferences

- Thailand HR Forum 2017 with the theme "HR Transformations to the Digital Economy" is to be held in June

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