The World Bank

THE MIDDLE INCOME TRAP

CAN THAILAND ESCAPE IT?

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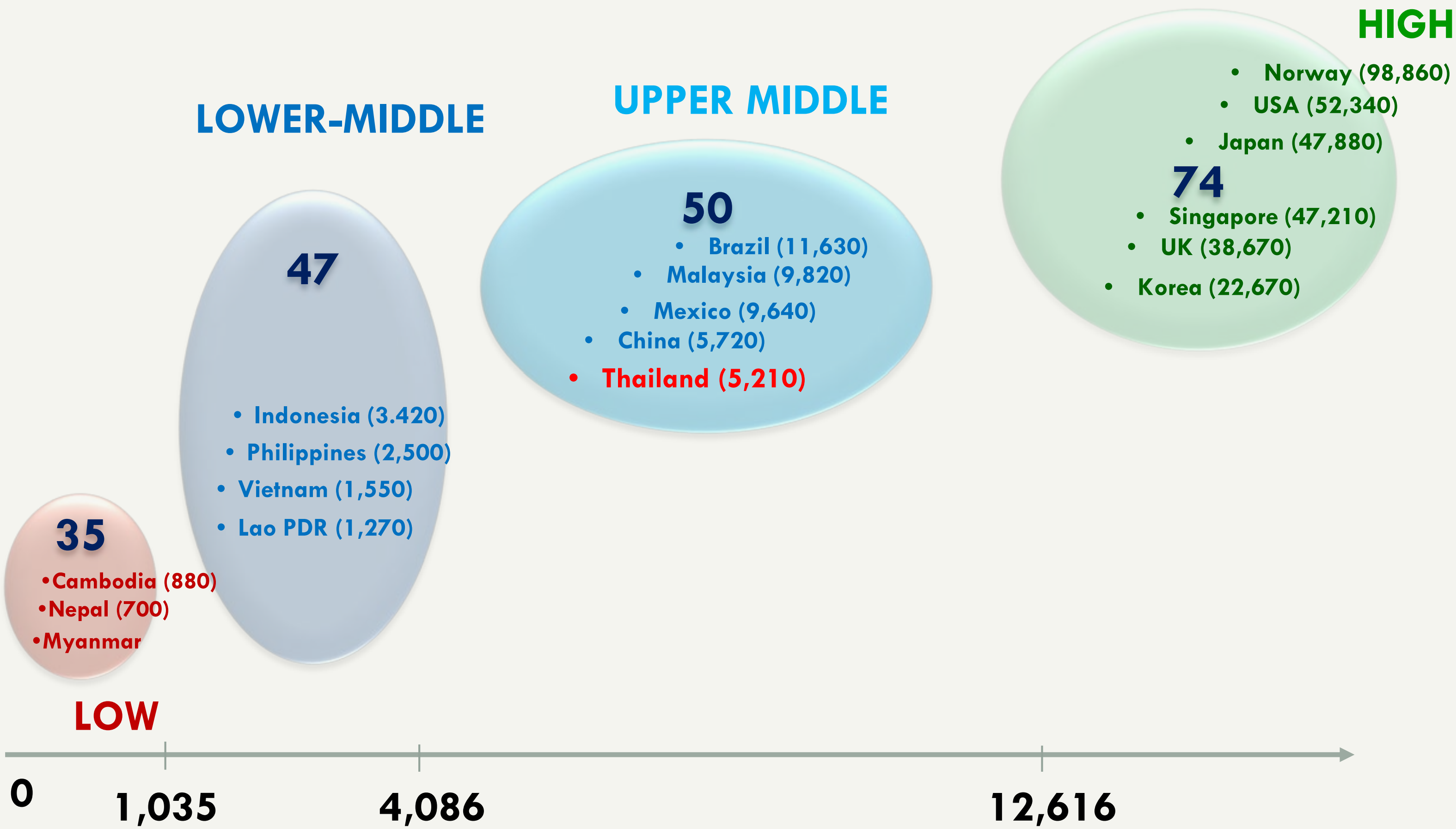
Where is Thailand today?

GNI per Capita levels per annum (Atlas Method,Current US$ as of 2012)

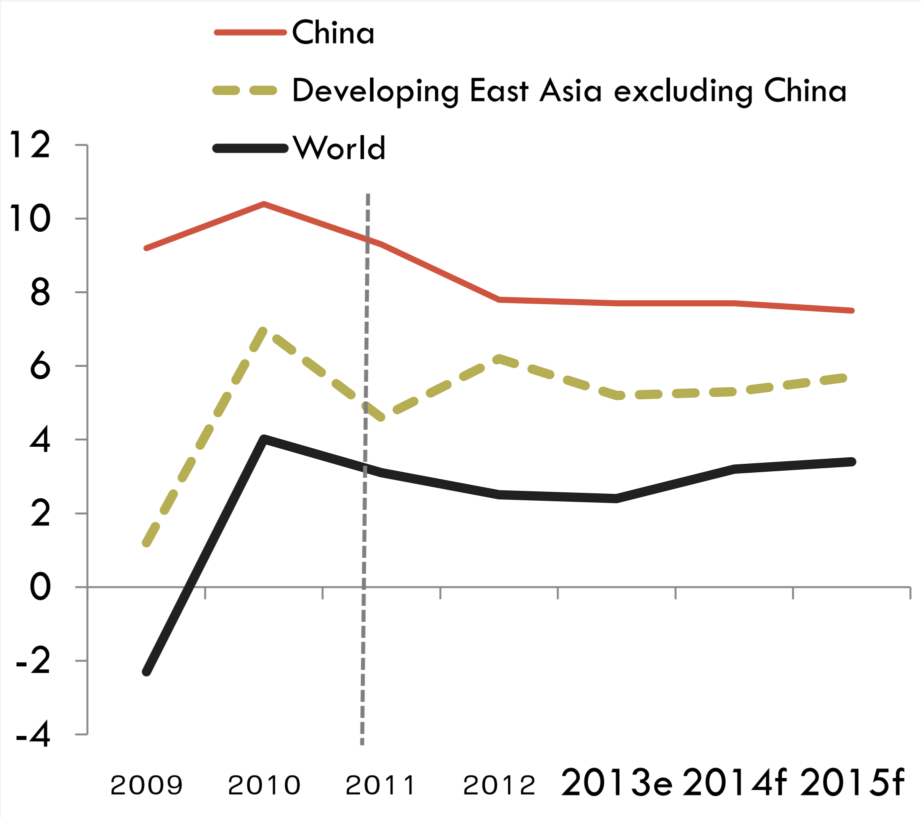


Source: World Bank

Challenges for Thailand in the New Global Order

- **Slow recovery in global economy**
- **Softening of key agriculture prices e.g. rice and rubber**
- **Competition from of other countries in East Asia, that are "catching up" with Thailand, especially from China**
- **Thailand is aging**
- **Higher risks of natural disasters**

Real GDP Growth (% year-on-year)

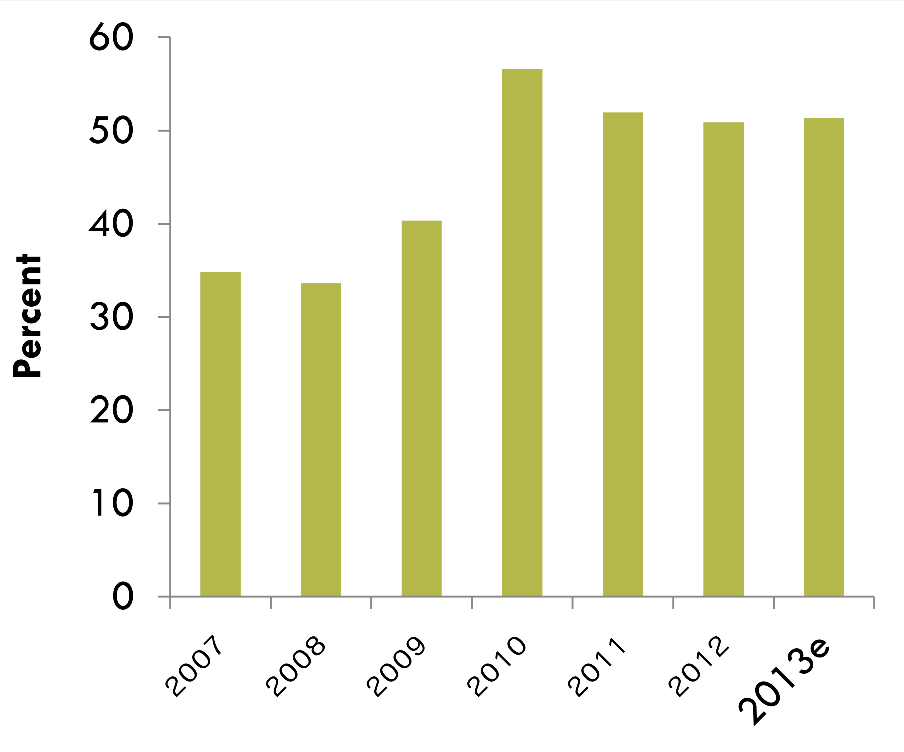


Source: Global Economic Prospects (GEP) Jan 2014, and East Asia and Pacific Economic Update October 2013, The World Bank
e = estimate; f = forecast

Opportunities for Thailand

- A bigger middle-income class, especially in China – higher purchasing power
- Greater investments/capital flows into East Asia
- Greater Regional integration and openness (AEC & FTAs)

Net Foreign Direct Investments (FDI) inflows to Developing E. Asia as % of total net FDI inflows to developing countries



Source: World Bank's World Development Indicators

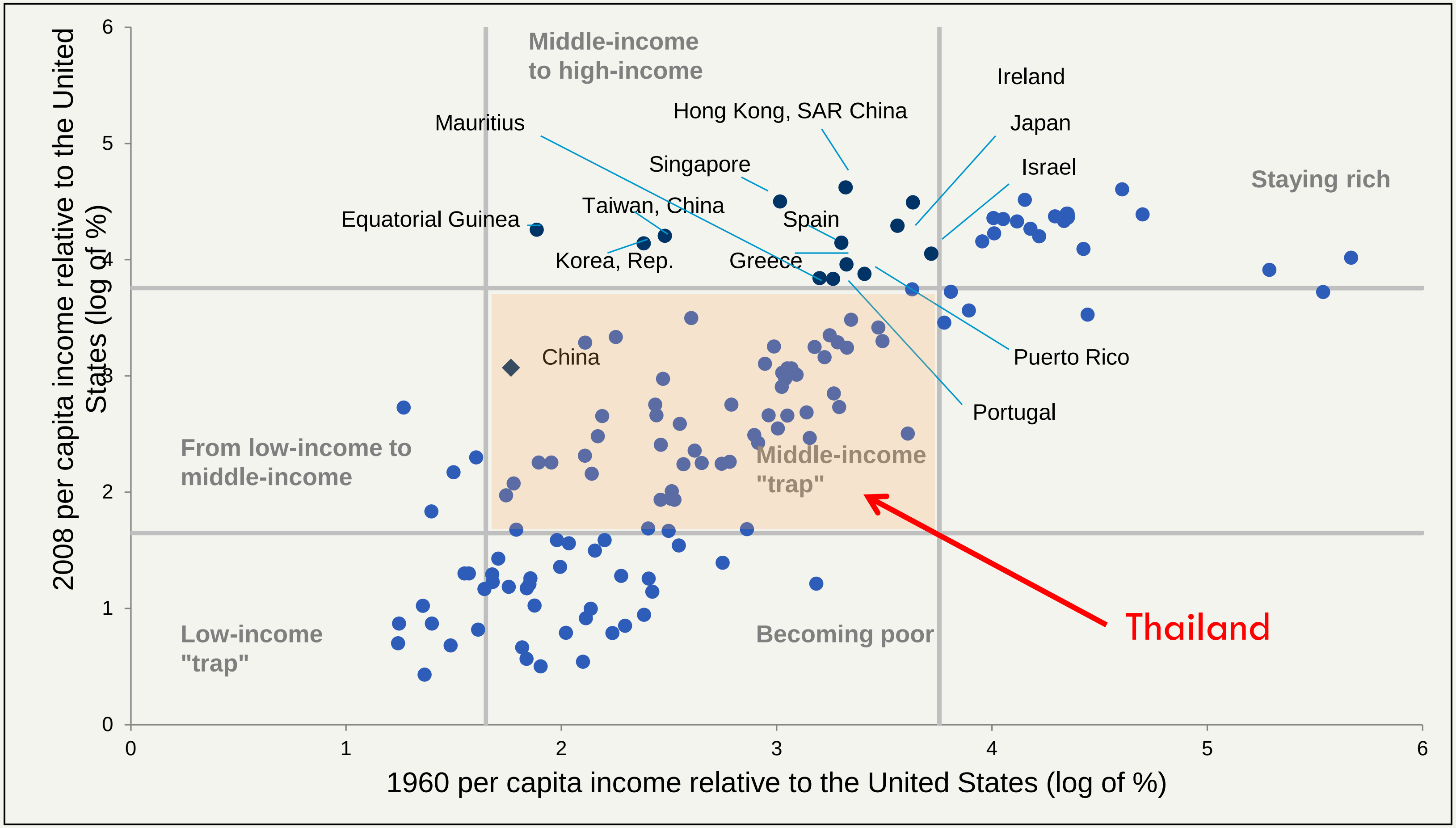
Thailand needs to escape the "Middle Income Trap" and make sure Growth is "Inclusive"

- **GROW to escape the "Middle Income Trap"**
  1. Training and education system needs to prepare labor force for a higher value-added economy
  2. Unprotect the services sector to unleash its productivity and growth

- **Ensure growth is INCLUSIVE**
  - Further poverty reduction (13% poor in 2011)
  - Reduce inequality of incomes and opportunities

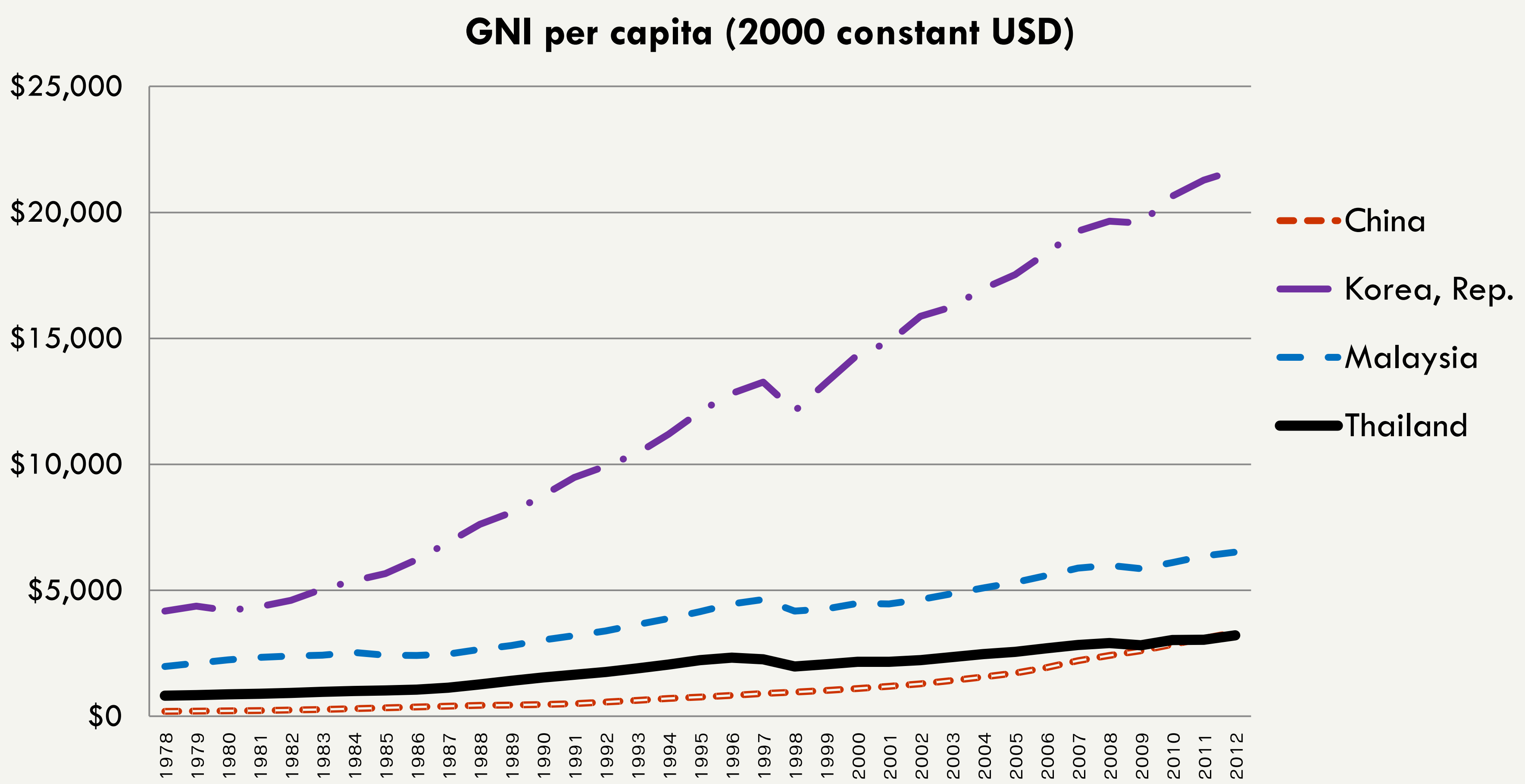
Thailand has been a middle income country since late 1980s

Per capita income relative to the United States, 1960 and 2008



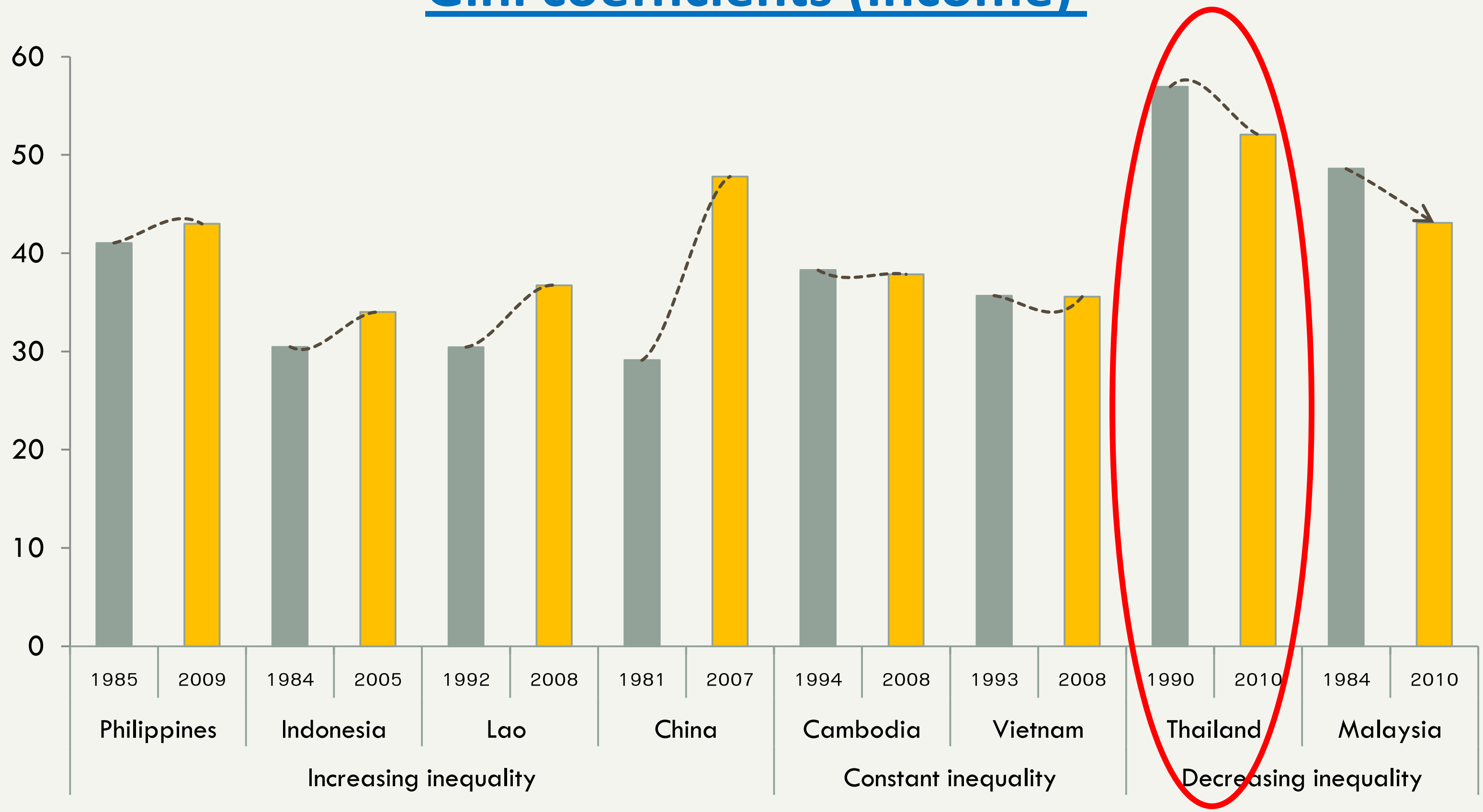
Source: *China 2030*, World Bank and Development Research Center (2012)

Thailand will have to grow faster to get out of the Middle Income Trap



Thailand was able to grow & reduce poverty, but income inequality remains high

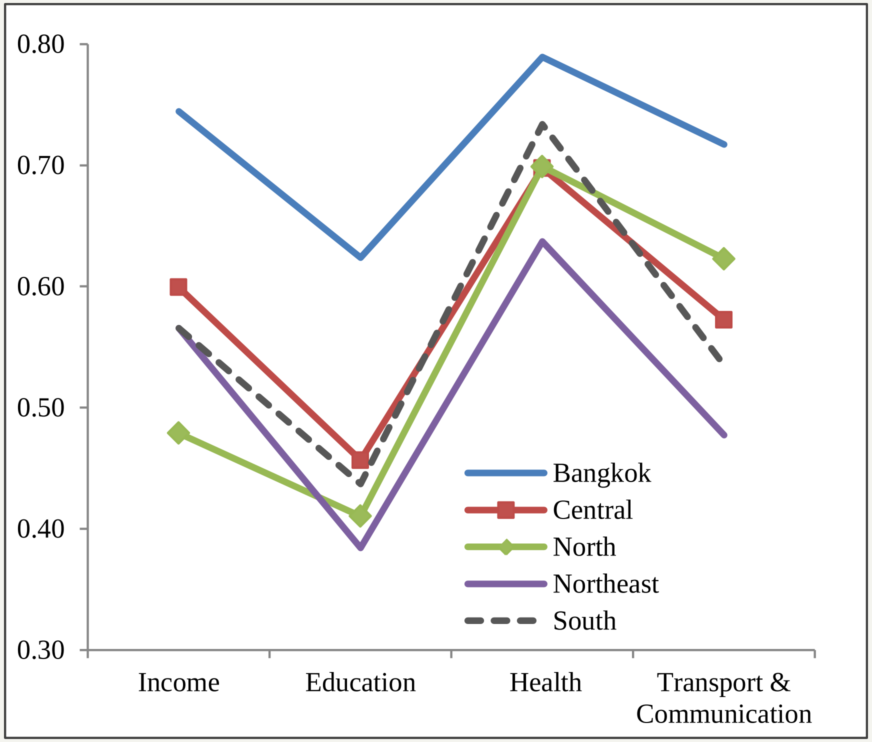
Gini coefficients (Income)



ที่มา: World Bank, World Development Indicators

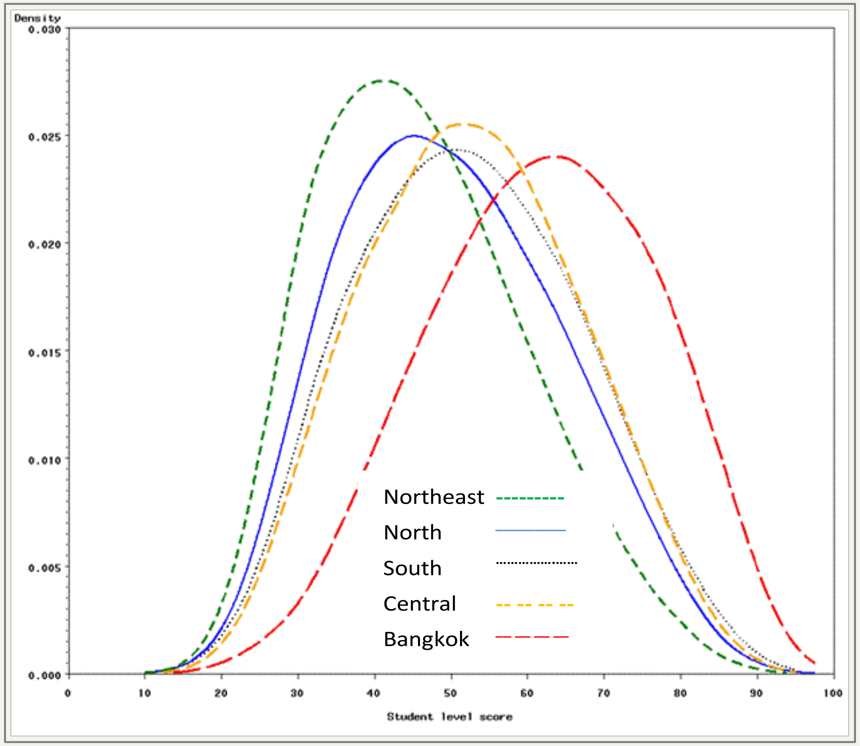
North and Northeast lag behind

Human Achievement Index in Thailand by Region



Note: 0.8 = highest; 0 = lowest
Source: Thailand Development Report 2010, UNDP

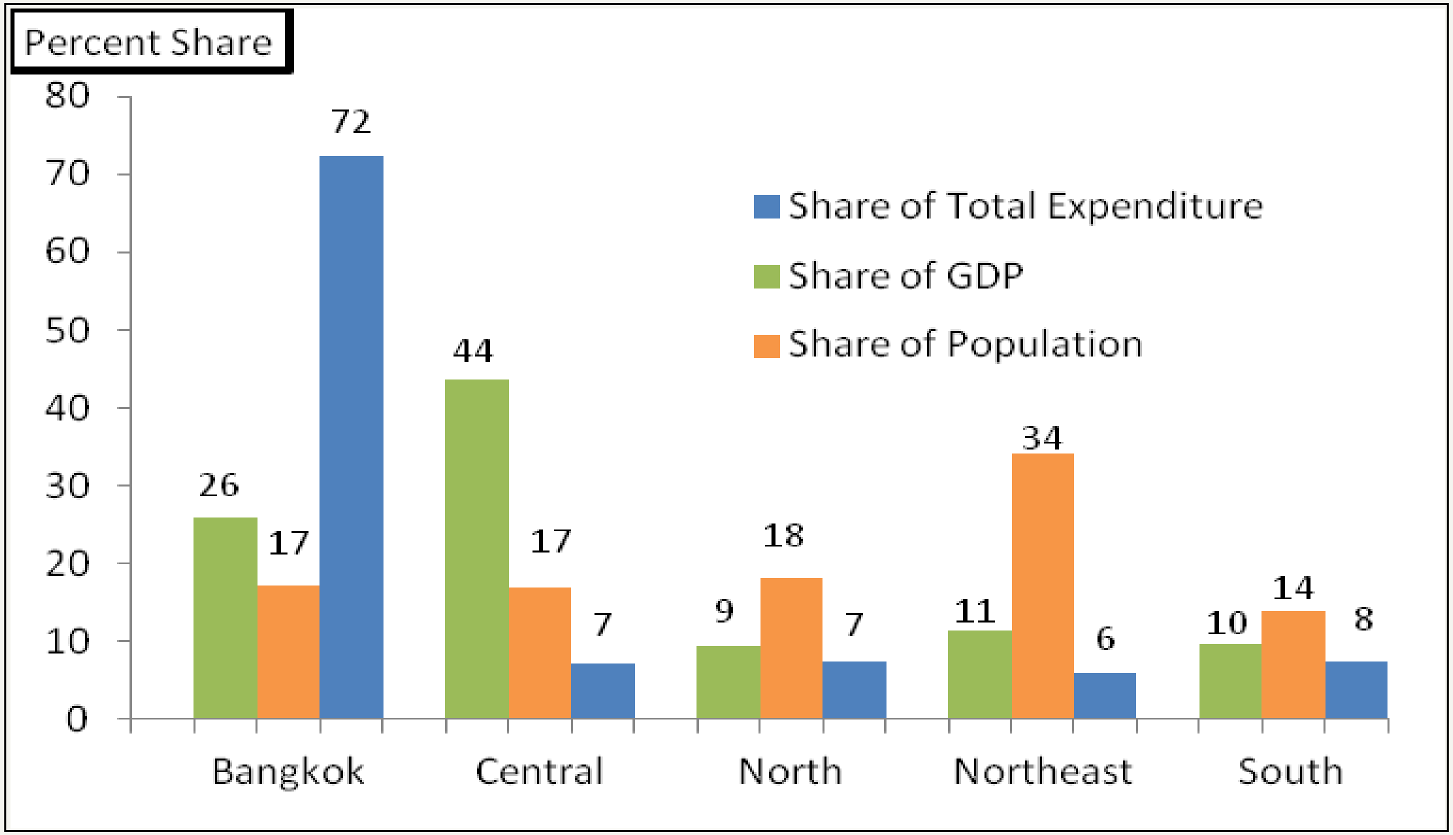
O-NET Scores in Thailand



Source: Office of Basic Education, in Parandekar (2011)

Government spending per capita is lowest in North & Northeast

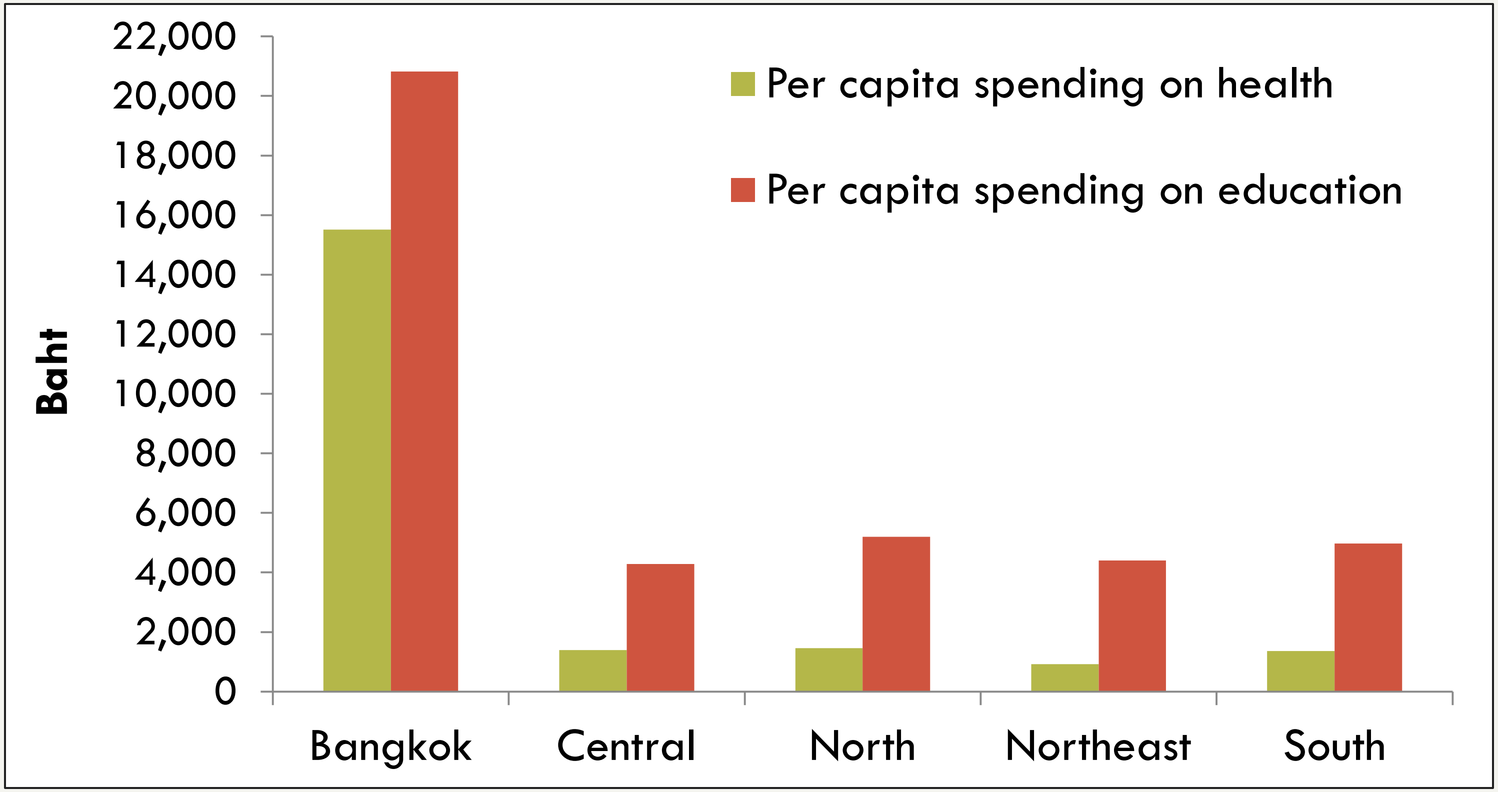
Total Government Spending by Region, 2010



Source: Public Financial Management Report 2012, World Bank

Government spending per capita for health & education is lowest in Northeast

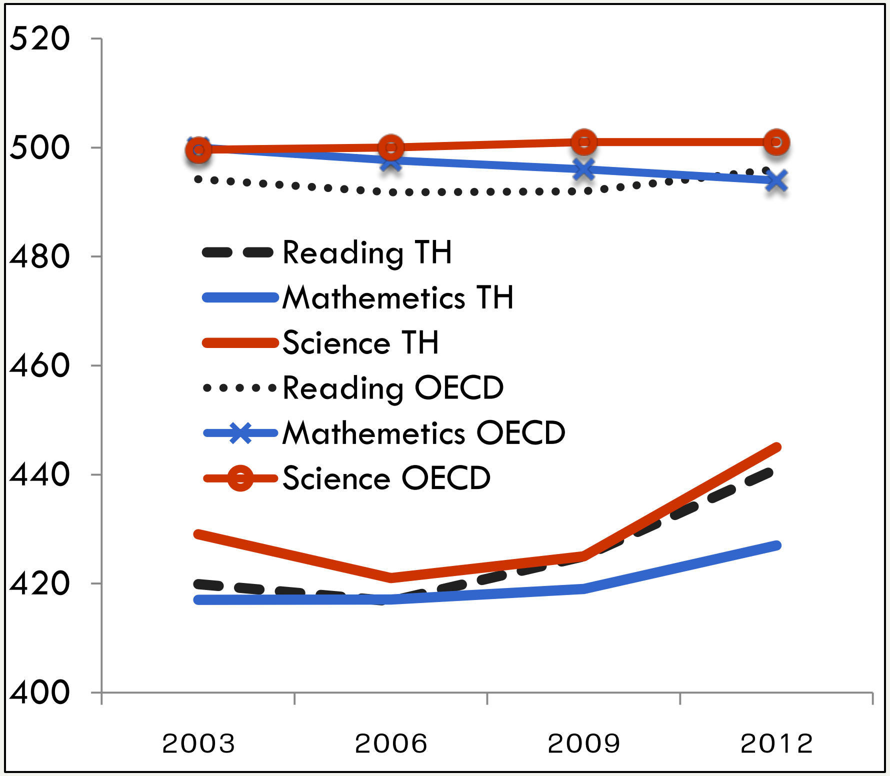
Government Spending In Health & Education by Region, 2010



Source: Public Financial Management Report 2012, World Bank

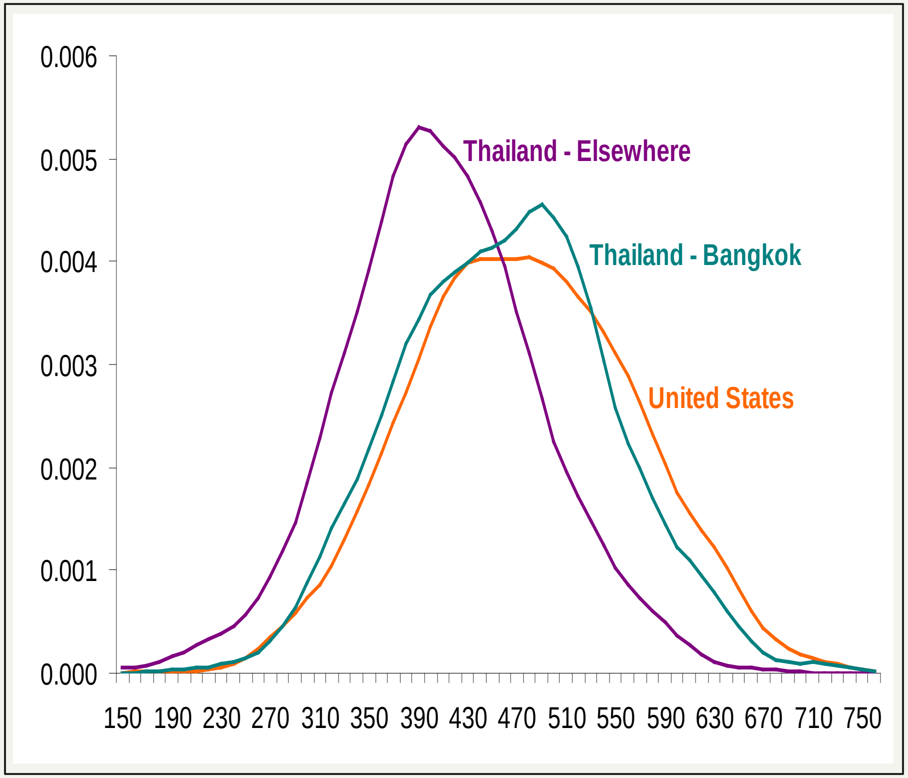
Secondary education outcomes outside Bangkok are low

Average OECD and Thailand's PISA scores



Source: PISA 2000-2012 Results (OECD database)

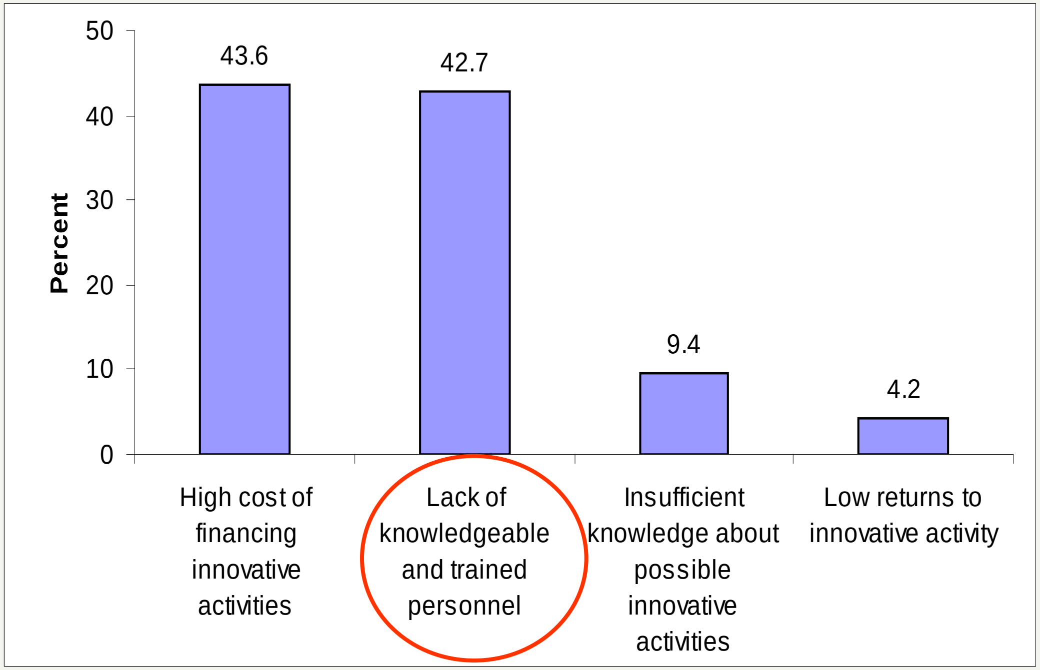
PISA Scores in Bangkok and outside of Bangkok



Source: Office of Basic Education Commission database, in Parandekar 2011

Lack of qualified personnel limits firms innovation efforts in Thailand

Percent of firms reporting these as a reason for not engaging more in innovative activities

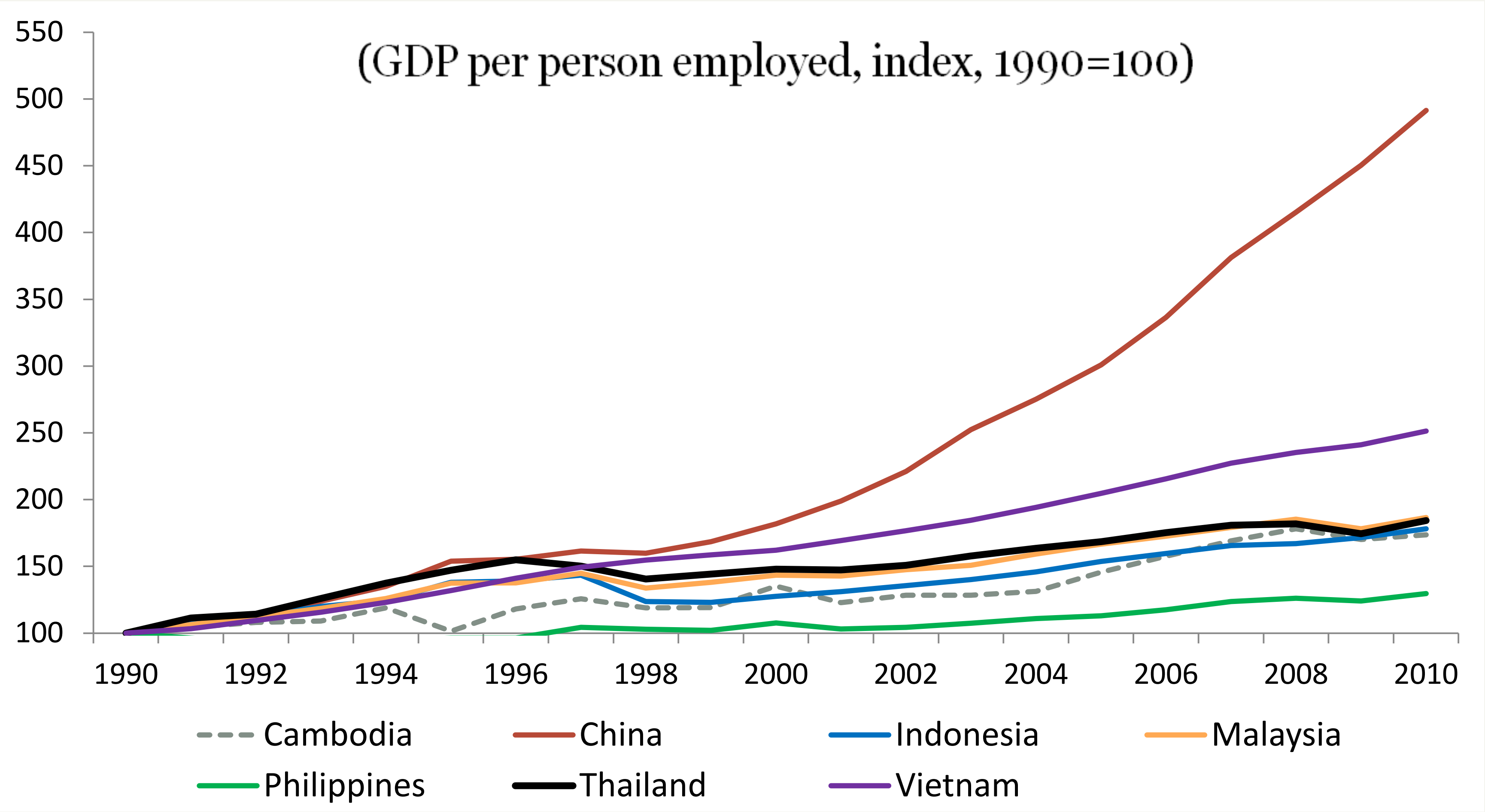


Innovative Activities includes

1. Technological innovation e.g. upgrading of machinery
2. Process innovation e.g. new process of producing the same product
3. Product innovation e.g. developing new products
4. Commercial innovation e.g. joint ventures
5. Marketing innovation e.g. branding

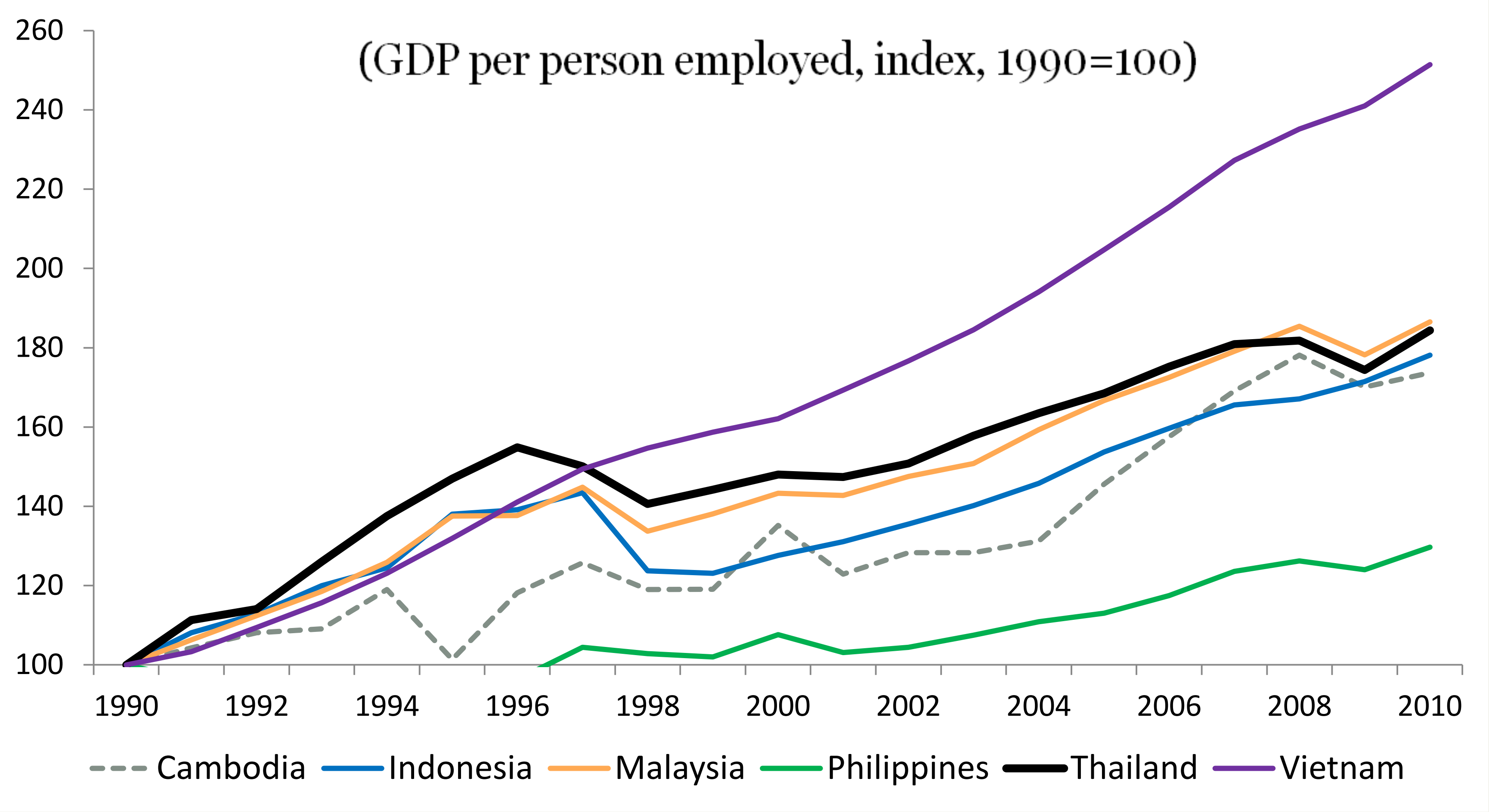
Source: Thailand Investment Climate Assessment (2008)

Labor productivity has grown across the region with China experiencing explosive growth



Source: ILO, Key Indicators of the Labor Market, and WB staff estimates

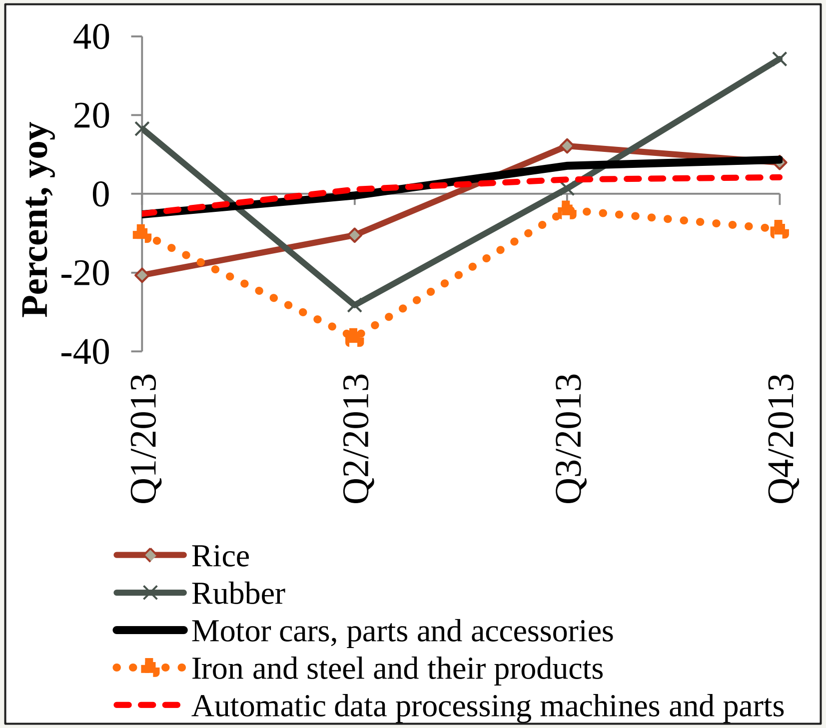
Thailand's Labor productivity is being caught up by regional neighbors



Source: ILO, Key Indicators of the Labor Market, and WB staff estimates

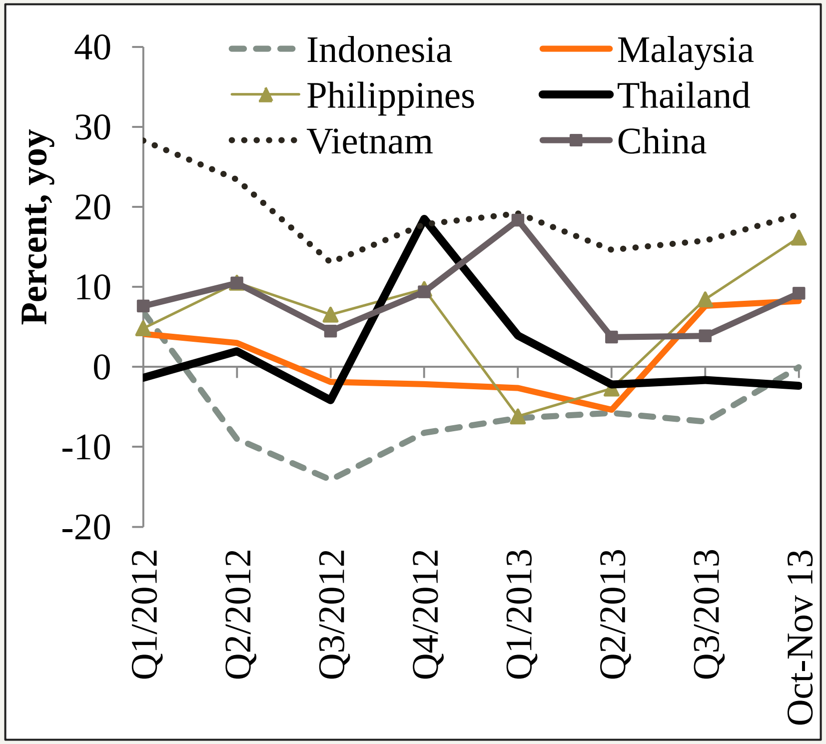
Improving competitiveness remains an important agenda for Thailand

Growth of Thai exports by key export products (% year-on-year)



Source: MOC (Customs basis)

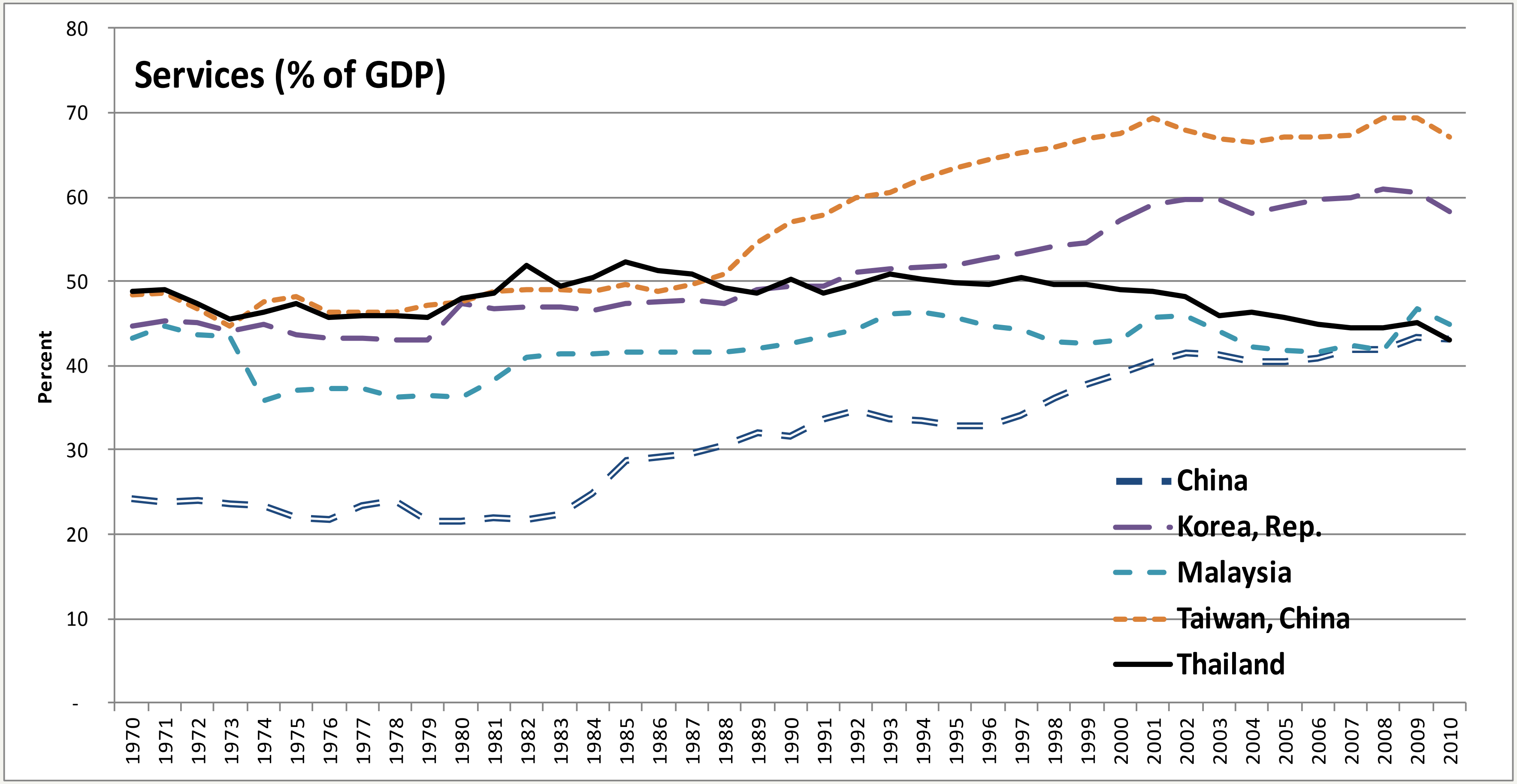
Export growth of selected East Asian countries (% year-on-year)



Source: CEIC

Service sector could be the future engine of growth for Thailand

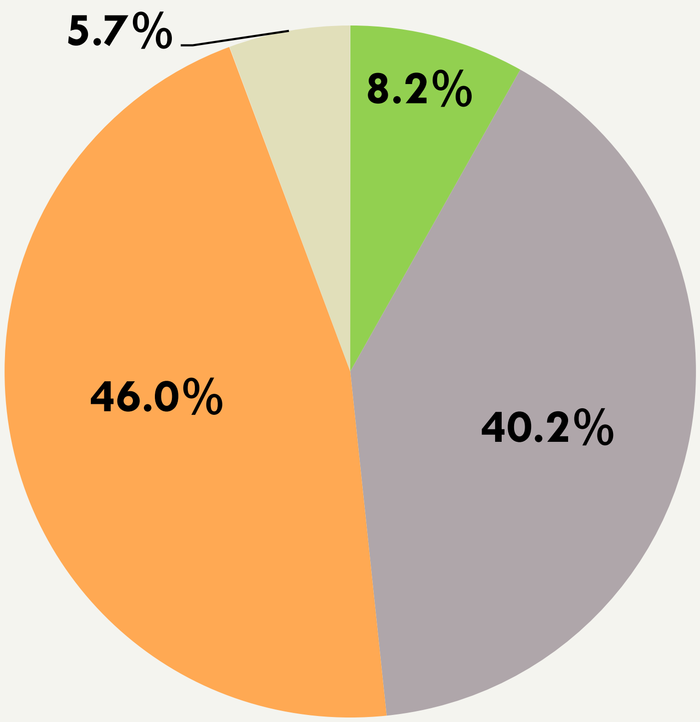
Share of Services in GDP



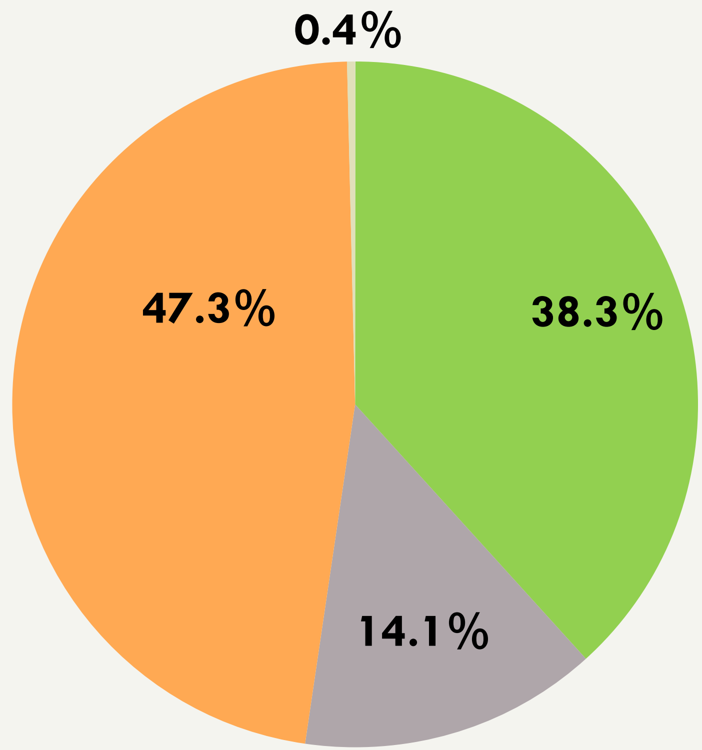
Source: World Development Indicators (World Bank)

Labor productivity of services sector is much lower than of manufacturing

Share of Real GDP, 2010



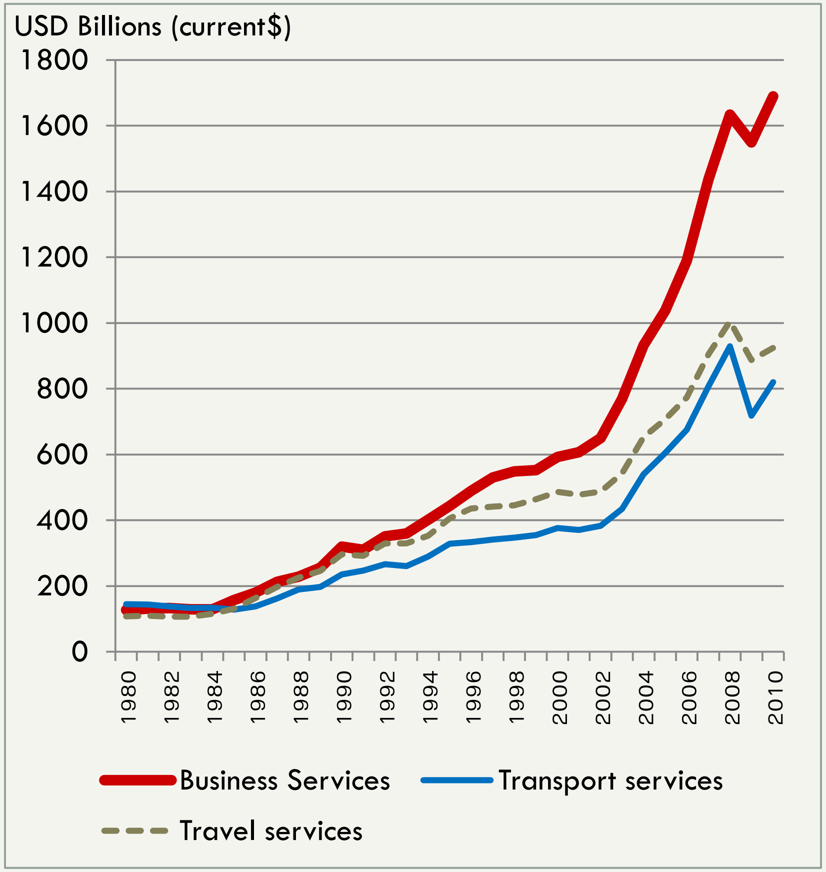
Share of Employment, 2010



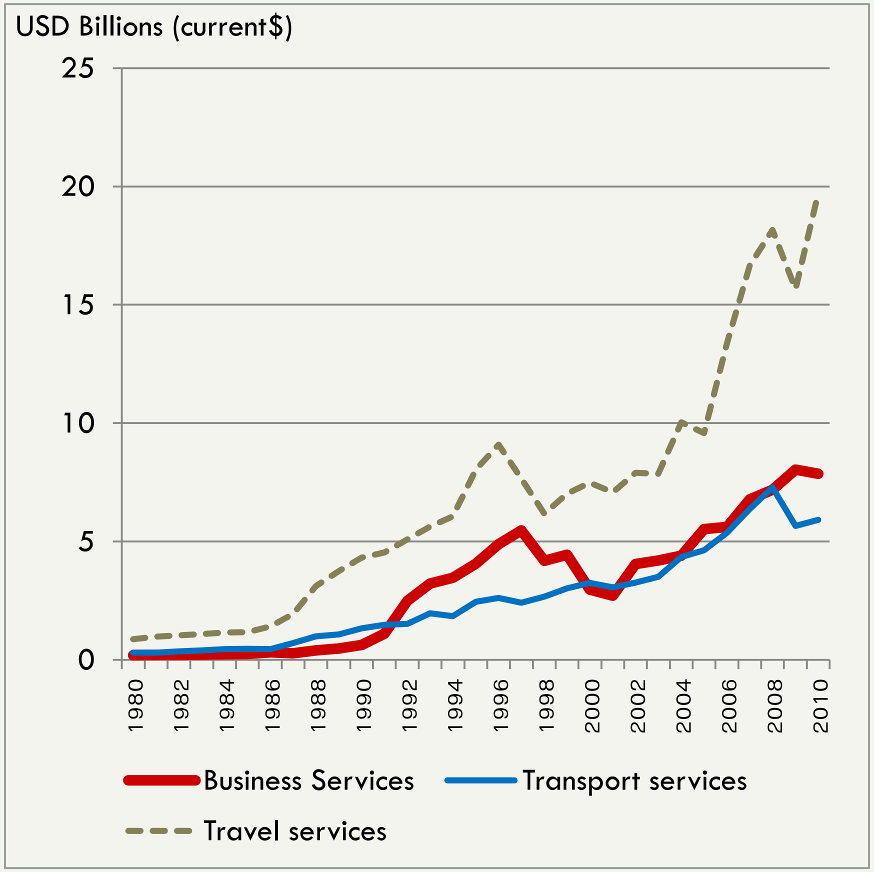
Agriculture
Manufacturing
Services
Others

Business Services trade is now a global trend but Thailand still lags

World

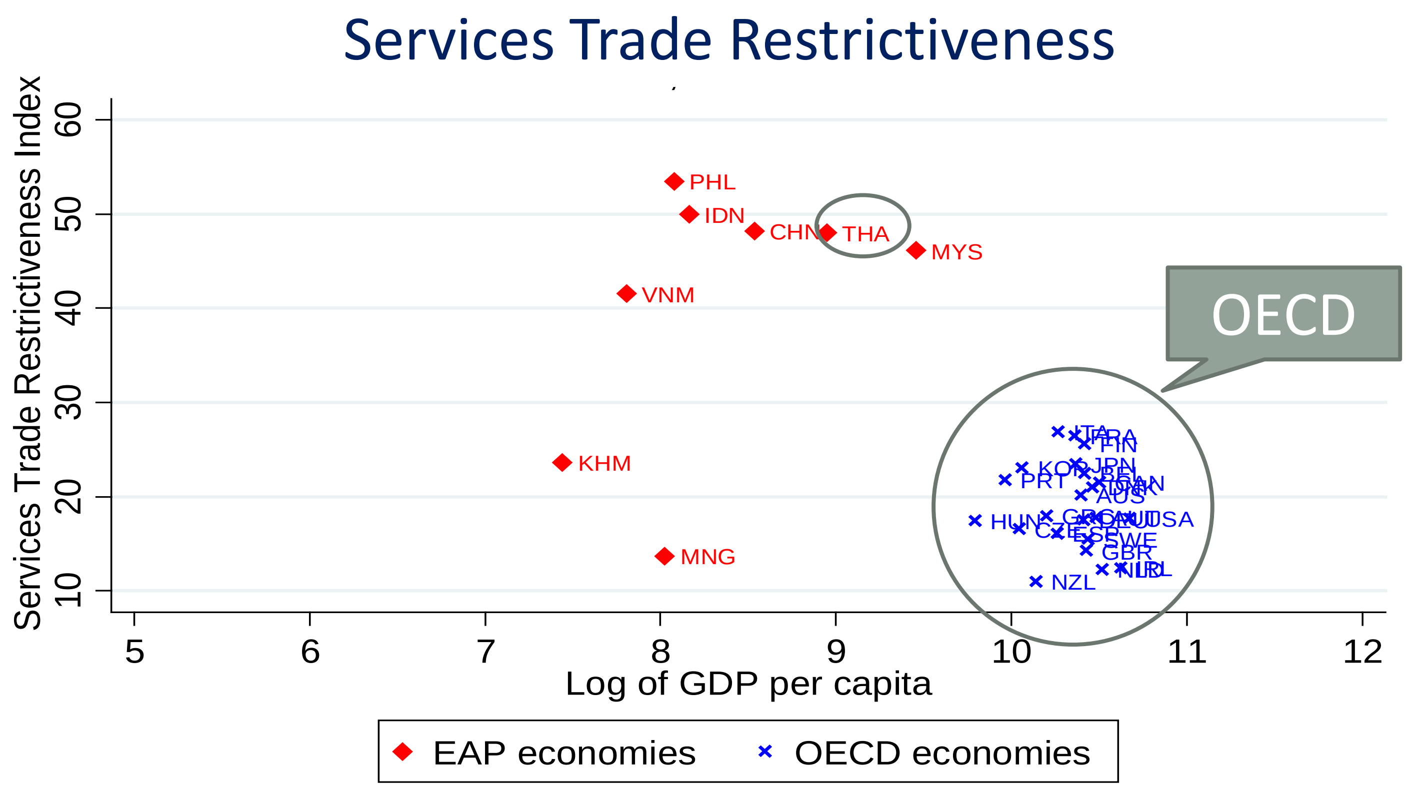


Thailand



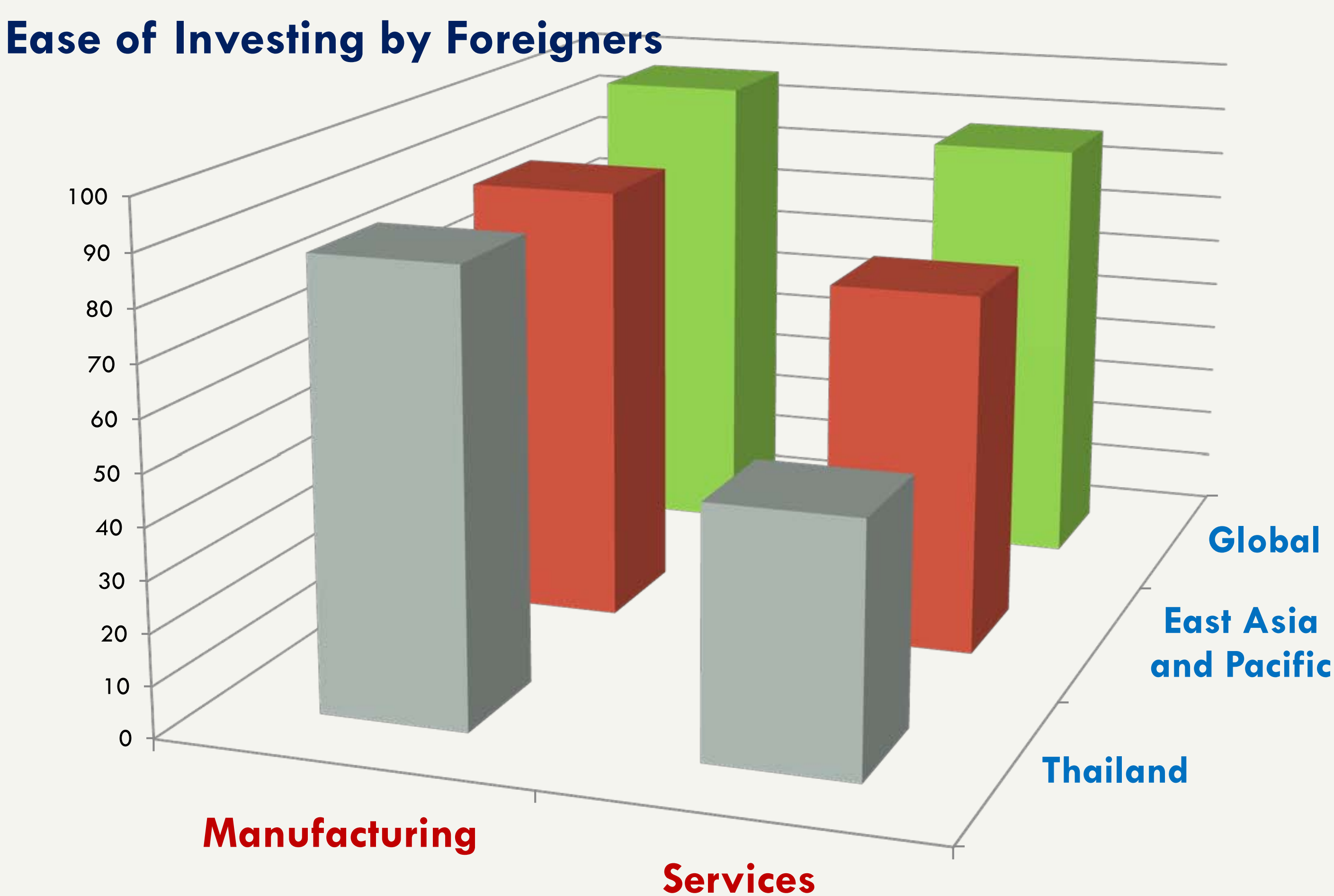
Source: World Bank, World Development Indicators

Thailand, along with ASEAN, have a high level of restrictiveness in business services trade



Source: Borchert, Gootiiz and Mattoo, "Policy Barriers To International Trade in Services: New Empirical Evidence", World Bank: forthcoming.
Note: GDP per capita taken from WDI, 2007 PPP data in constant 2005 international US$

FDI into services sector is highly restricted in Thailand



Source: IFC Investing Across Borders 2010

Thank You

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