Auto Industry in Thailand

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It could be argued that, in Thailand, many foreigners have come and gone, and the number of people who are considered to be Thai have traveled abroad in a great number.

— Bhumibol Adulyadej —
Cultural Environment

- Thai people value:
  - Respect
  - Self-control
  - Non-confrontational attitude
- Religion - 95% Buddhist
- Strong sense of culture
  - Street food
  - Cultural outfits
  - Dances/Music/Celebration
Cultural Environment

- The greatest shame for a Thai person is showing anger and emotion in public
  - Reason Thai people are strong business people
  - Customer service is simply amazing
  - Lost of respect and care for their own people
- Family is the central piece to Thai life
  - Extended Families
  - Very Traditional align with many other asian cultures
- Sanuk
  - Sense of playfulness that all people in Thailand
  - A serious offense in America, would be considered funny in Thailand
Cultural Environment

- Individualistic vs. Collectivistic
  - Highly collectivistic

- Power Distance
  - High power distance, scores 64 over the U.S. 40 in the Hofstede’s analysis

- Uncertainty Avoidance
  - High uncertainty avoidance

- Long Term vs. Short Term Thinking
  - 7th highest in long-term thinking

- Masculine vs. Feminine
  - Feminine, not much competitiveness, behavior

- Indulgence vs Restraint
  - In the middle scored 45 so can’t be determined
Over the last generation, Thailand has moved from being a low-income country to an upper-income country.

Children are now getting more years of education, and virtually everyone is now covered by health insurance.

Poverty declined substantially over the last 30 years from 67% in 1986 to 7.2% in 2015 during periods of high growth and rising agricultural prices.
# Social Trends - Comparison

## Table 1: Social Trend and Governance Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Thailand</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Vietnam</th>
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</thead>
<tbody>
<tr>
<td>Population (millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>47.3</td>
<td>230.0</td>
<td>27.5</td>
<td>92.0</td>
<td>87.3</td>
</tr>
<tr>
<td>2009</td>
<td>67.8</td>
<td>7,995</td>
<td>20.6</td>
<td>71.3</td>
<td>130.0</td>
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<tr>
<td>Per capita GDP, PPP (current international $)</td>
<td>1,064</td>
<td>4,199</td>
<td>14,012</td>
<td>3,542</td>
<td>2,953</td>
</tr>
<tr>
<td>Population growth rate (% p.a.)</td>
<td>2.22</td>
<td>1.15</td>
<td>1.66</td>
<td>1.79</td>
<td>1.23</td>
</tr>
<tr>
<td>Dependency ratio (% working age population)</td>
<td>76.4</td>
<td>49.2</td>
<td>52.0</td>
<td>61.5</td>
<td>47.2</td>
</tr>
<tr>
<td>Urban Population (% to total population)</td>
<td>26.8</td>
<td>51.5</td>
<td>70.4</td>
<td>64.9</td>
<td>27.8</td>
</tr>
<tr>
<td>Human Development Index</td>
<td>0.48</td>
<td>0.60</td>
<td>0.74</td>
<td>0.64</td>
<td>0.57</td>
</tr>
<tr>
<td>Expenditure per student, tertiary (% of GDP per capita)</td>
<td>NA</td>
<td>23.0</td>
<td>16.1</td>
<td>49.4</td>
<td>11.6</td>
</tr>
<tr>
<td>Literacy (% of people age 15 and above)</td>
<td>88.0</td>
<td>92.0</td>
<td>92.1</td>
<td>93.6</td>
<td>92.5</td>
</tr>
<tr>
<td>Life expectancy at birth (total years)</td>
<td>65.9</td>
<td>70.8</td>
<td>74.4</td>
<td>71.8</td>
<td>74.4</td>
</tr>
<tr>
<td>Infant mortality (per 1000 birth)</td>
<td>46.4</td>
<td>29.8</td>
<td>5.7</td>
<td>26.2</td>
<td>19.5</td>
</tr>
<tr>
<td>Fertility (child per woman)</td>
<td>3.4</td>
<td>1.8</td>
<td>2.1</td>
<td>2.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Political Stability Worldbank WGI</td>
<td>47.6</td>
<td>24.1</td>
<td>46.7</td>
<td>10.8</td>
<td>51.4</td>
</tr>
<tr>
<td>Rule of Law Worldbank WGI</td>
<td>69.0</td>
<td>34.4</td>
<td>65.1</td>
<td>35.4</td>
<td>41.5</td>
</tr>
</tbody>
</table>


Note: Reported data are for 1980, 2009 or closest years available to each.
# Economic Indicators

<table>
<thead>
<tr>
<th>Main Indicators</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017 (e)</th>
<th>2018 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (billions USD)</td>
<td>406.52</td>
<td>399.22</td>
<td>406.95</td>
<td>432.90</td>
<td>458.88</td>
</tr>
<tr>
<td>GDP (Constant Prices, Annual % Change)</td>
<td>0.9</td>
<td>2.9</td>
<td>3.2</td>
<td>3.0</td>
<td>3.3</td>
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<tr>
<td>GDP per Capita (USD)</td>
<td>5,921</td>
<td>5,799</td>
<td>5,899e</td>
<td>6,265</td>
<td>6,633</td>
</tr>
<tr>
<td>General Government Balance (in % of GDP)</td>
<td>-0.4</td>
<td>0.5</td>
<td>0.6e</td>
<td>-1.5</td>
<td>-1.9</td>
</tr>
<tr>
<td>General Government Gross Debt (in % of GDP)</td>
<td>43.4</td>
<td>42.7</td>
<td>42.2e</td>
<td>41.8</td>
<td>42.0</td>
</tr>
<tr>
<td>Inflation Rate (%)</td>
<td>1.9</td>
<td>-0.9</td>
<td>0.2</td>
<td>1.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Unemployment Rate (% of the Labour Force)</td>
<td>0.8</td>
<td>0.9</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Current Account (billions USD)</td>
<td>15.10</td>
<td>32.15</td>
<td>46.41</td>
<td>42.03</td>
<td>35.76</td>
</tr>
<tr>
<td>Current Account (in % of GDP)</td>
<td>3.7</td>
<td>8.1</td>
<td>11.4</td>
<td>9.7</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: IMF – World Economic Outlook Database, 2017

Note: (e) Estimated Data
The industrial and service sectors are the main sectors in the Thai gross domestic product, with the former accounting for 39.2 percent of GDP.

<table>
<thead>
<tr>
<th>Breakdown of Economic Activity By Sector</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment By Sector (in % of Total Employment)</td>
<td>32.3</td>
<td>23.7</td>
<td>43.9</td>
</tr>
<tr>
<td>Value Added (in % of GDP)</td>
<td>8.3</td>
<td>35.8</td>
<td>55.8</td>
</tr>
<tr>
<td>Value Added (Annual % Change)</td>
<td>0.6</td>
<td>2.0</td>
<td>4.3</td>
</tr>
</tbody>
</table>
Thailand’s Economic Environment

- Heavily dependent on exports - it accounts for more than two-thirds of its GDP
- Between 1960-1996, Thailand’s economy grew at an average annual rate of 7.5% in what was considered their “booming” years.
- Between 1999-2005, Thailand’s economy grew at an average annual rate of 5% in what was considered the Asian financial crisis.
- Between 2005-2015, Thailand’s economy grew at an average annual rate of 2.3%, but is now on the path to recovery. Projections estimate growth rates in 2017 and 2018 to be 3.5% and 3.6%, respectively.
- Currently, Thailand has faced a contraction in two consecutive quarters, meaning that it is in a Recession.
As of 2015, Thailand’s Auto Industry is 12th largest in the world.

Thai automobile industry, on average, experienced 12% year to year growth (2000-2010).

Export markets in the various Auto Industries have been expanding, despite temporary decline in overall exports:
- Political Instability
- Slowing Demand
- High Household Debt
- Low Consumer Confidence

High tariffs have been established on many imports to discourage importing:
- Questionable - automotive part imports are more expensive

In 2011, two major disasters occurred, leading to supply chain disruptions:
- March 2011 - Tsunami in Japan
- October 2011 - Great Flood in Thailand

<table>
<thead>
<tr>
<th></th>
<th>September 2015</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Domestic Sales</td>
<td>Export</td>
</tr>
<tr>
<td>Car (units)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>63,643</td>
<td>26,613</td>
<td>45,762</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>107,853</td>
<td>35,256</td>
<td>79,190</td>
</tr>
<tr>
<td>Total</td>
<td>171,496</td>
<td>61,869</td>
<td>124,952</td>
</tr>
<tr>
<td>Motorcycle (units)</td>
<td>Production</td>
<td>Domestic Sales</td>
<td>Export</td>
</tr>
<tr>
<td></td>
<td>149,234</td>
<td>134,434</td>
<td>22,530</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>September 2017</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Production</td>
<td>Domestic Sales</td>
<td>Export</td>
</tr>
<tr>
<td>Car (units)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>77,101</td>
<td>34,053</td>
<td>42,105</td>
</tr>
<tr>
<td>Commercial Vehicles</td>
<td>113,171</td>
<td>43,539</td>
<td>78,549</td>
</tr>
<tr>
<td>Total</td>
<td>190,272</td>
<td>77,592</td>
<td>120,654</td>
</tr>
<tr>
<td>Motorcycle (units)</td>
<td>Production</td>
<td>Domestic Sales</td>
<td>Export</td>
</tr>
<tr>
<td></td>
<td>172,085</td>
<td>N/A</td>
<td>29,914</td>
</tr>
</tbody>
</table>
Monetary Environment
Monetary environment

- Official Currency - Thai Baht
- Currency Rate - $1 USD = ฿33.27 THB
- Purchasing Power – Big Mac $5.30 USD / ฿3.50 THB
- Issuance - Bank of Thailand
- Value is largely determined by market supply and demand but can also be driven by internal factors including the political situation

This bill features his Majesty, Rama IX, King of Thailand.
Trade Environment
Trade Environment

- Original member of ASEAN trade agreement, which promoted free trade between 5 countries (Indonesia, Malaysia, Philippines, Singapore and Thailand.)
- Auto parts exported to ASEAN nations are duty free
- The tariff remains one of Thailand's main trade policy instruments, and a relatively significant, albeit declining, source of tax revenue
- The average applied MFN (most favored nation) tariff rate rose from 11.2% in 2011 to 13.4% in 2014 - Peak ad valorem rates stood at 80% for motor vehicles
- Government procurement remains an important instrument of economic policy, with a price preference margin of 7% given to domestic suppliers
- Thailand ratified the WTO Agreement on Trade Facilitation on 5 October 2015 and was to establish a National Committee on Trade Facilitation under the WTO.
Legal Environment

- Thailand has a king as Head of State
  - Places many laws restricting foreigners to start business in Thailand
  - Constitutes civil law that is influenced a bit by common law

- Foreign Business Act
  - Prohibits foreigners from starting businesses in Thailand without permit
  - Very difficult to receive a permit
  - Only receive permission if:
    - Started a business prior to the regulation
    - Starting an operation must be vested with the Director General and committee
  - Most opt to start a business under a Thai subsidiary

- Laws are focused on helping domestic businesses flourish
Political Environment
Political System

Military Junta

- In power since 2014
- Crime has actually gone down after military takeover
- Still don’t know what the political future holds for Thailand, only time will tell
Political Risk

- Military junta
- Political instability
- Death of old king (70 years reign)
- Many support democratic system while others are loyal to the king
- Thailand is still considered developing nation, which equates to higher risk
Size and Growth of Car Industry
Trends
Trends

- Promotion of Alternative Fuels, Hybrids and Electric Vehicles
  - Carbon Dioxide Excise Duty (Effective in 2016)
  - Eco Car Program Phase One and Two; lift car production from 1.9 to 3 million by 2019
    - 10 manufacturers currently signed up for program
  - Electric Vehicles new to Thailand market; Government Support help with emerging market
    - ‘Thai Automotive Industry 4.0’ strategy
- 2011-2012 First-Time Car Buyer Tax-Break Program
  - End of five-year ownership period
- New Technologies
  - Honda - Apple CarPlay (C-HR)
  - Mazda - G-vectoring and i-ACTIVSENSE (Mazda3)
  - Suzuki - 360-degree camera, autonomous emergency braking and lane-keeping assist (Swift)
Competitors

TOYOTA

ISUZU

HONDA

MITSUBISHI

NISSAN

Ford
Structure of Thai Automotive Industry

Assembler
(18 car makers, 8 motorcycle makers)
100,000 workers

Foreign J/V

Tier 1
(709 companies)

Foreign Majority 54%
Thai Majority 23%
Pure Thai 23%

Tier 2, 3
(1,700 companies)

Local Suppliers

LSEs
Large Scale Enterprises

SMEs
Small & Medium Enterprises

Source: Thai Autoparts Manufacturers Association, 2014
Competitive Environment - Domestic

- **Specialize in 1-Ton Pick-ups**
  - Largest producer globally
  - Highest percentage of domestic sales (80%)
    - Toyota Hilux
    - Isuzu D-Max

- **Fuel efficient cars emerging market**
  - Toyota at top (C-HR)
  - Honda, Mazda and Nissan close behind

- **Original Equipment Manufacturing (OEM) facilities located in Thailand considered most capable in South East Asia**
  - Almost 100% of local supply of pick-ups; 60% of passenger car components
Competitive Environment - Global

- Japanese or affiliated companies dominate the auto manufacturing market (85%)
  - Mainly Toyota, Nissan, Isuzu and Honda
- Large # of major auto manufacturers (19) export worldwide
  - Exported 14th highest $ amount ($11.6 billion; 1.6% of total car exports)
  - Trade surplus in auto industry; 9th in positive net exports with $10.1 billion in 2016 (up 151.4%)
  - Rumor that C-HR assembly in Thailand = more exports and Japanese dominance
- Toyota, Honda and Nissan recently established R&D test centers in Thailand for new car technologies
- Japanese or affiliated companies account for 90% of OEM market
  - Approval required from Japanese and U.S. headquarters to import parts
## Competitors

Thai Light Vehicle Production Forecast by Make (Cars, SUVs, and 1-Ton Trucks)

<table>
<thead>
<tr>
<th>SALES GROUP</th>
<th>GLOBAL MAKE</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>1,951,516</td>
<td>2,132,693</td>
<td>2,301,261</td>
<td>2,369,210</td>
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<tr>
<td><strong>Toyota Group</strong></td>
<td>Toyota</td>
<td>612,719</td>
<td>718,155</td>
<td>780,838</td>
<td>795,267</td>
</tr>
<tr>
<td></td>
<td>Hino</td>
<td>121</td>
<td>108</td>
<td>117</td>
<td>108</td>
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<tr>
<td><strong>Toyota Group sub-total</strong></td>
<td></td>
<td>612,840</td>
<td>718,263</td>
<td>780,955</td>
<td>795,375</td>
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<tr>
<td><strong>Renault-Nissan Group</strong></td>
<td>Mitsubishi</td>
<td>339,109</td>
<td>328,193</td>
<td>349,472</td>
<td>348,469</td>
</tr>
<tr>
<td></td>
<td>Nissan</td>
<td>142,036</td>
<td>181,843</td>
<td>184,070</td>
<td>185,349</td>
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<tr>
<td><strong>Renault-Nissan Group sub-total</strong></td>
<td></td>
<td>481,145</td>
<td>510,036</td>
<td>533,542</td>
<td>533,818</td>
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<td><strong>Isuzu Motors</strong></td>
<td>Isuzu</td>
<td>246,729</td>
<td>245,159</td>
<td>278,262</td>
<td>218,407</td>
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<tr>
<td><strong>Ford Group</strong></td>
<td>Ford</td>
<td>152,225</td>
<td>186,287</td>
<td>204,938</td>
<td>237,528</td>
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<tr>
<td><strong>Honda Group</strong></td>
<td>Honda</td>
<td>194,689</td>
<td>205,706</td>
<td>204,490</td>
<td>216,721</td>
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<td><strong>Mazda Motors</strong></td>
<td>Mazda</td>
<td>121,964</td>
<td>124,080</td>
<td>143,468</td>
<td>118,682</td>
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<tr>
<td></td>
<td>Isuzu</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>91,943</td>
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<tr>
<td><strong>Mazda Motors sub-total</strong></td>
<td></td>
<td>121,964</td>
<td>124,080</td>
<td>143,468</td>
<td>210,625</td>
</tr>
</tbody>
</table>

[Chart](https://www.marklines.com/en/report_all/rep1560_201701#report_area_10)

(Note) Ren-Niss includes Mitsubishi.
Conclusion

- Thailand is very similar to other Asian countries culture, but women have a lot more respect in Thailand
- Economic growth has grown drastically
- Exports are main source of GDP
- High tariffs on imports
- Uses Foreign Business Act to favor domestic businesses
- Strong military
- Thailand is 3rd in exporting automobiles around the world
Work Cited

Social Indicators (page 11)

Social Trends (page 9)

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https://www.wto.org/english/res_e/publications_e/wtr11_forum_e/wtr11_2feb11_e.htm (Slide 9)