

Thailand: Structural Transformation, Inequality and Inclusive Growth

Peter Warr

Australian National University

and

Waleerat Suphannachart

Kasetsart University

•

Main points:

In 2017 real GDP per person was 13 times its level in 1951, having grown for two-thirds of a century at an average annual rate of 4 per cent.

The output and employment shares of agriculture have contracted and those of manufacturing and especially services expanded.

For every 100 workers leaving agriculture, 25 went to manufacturing, 65 to services and the remaining 10 to non-manufacturing industry and government.

The available data indicate that income inequality increased between 1969 and 1992 and declined thereafter, to be lower in 2017 than its level in 1969.

These shifts coincided with changes in the functional distribution of income. Labour's share fell, until about 1991, then increased.

The *level* of inequality has remained high and this is a more important point than the small *changes* in inequality that have happened.

Main points (continued):

The distributional story that is most important for Thailand is not rich vs. poor households. It is rich vs. poor regions.

Incomes of people living in Bangkok and the south (even including the three impoverished Muslim provinces in the far south) have remained much higher than those in the north and northeast.

In the Thai context, these between-region disparities have been more important politically than within-region inequalities.

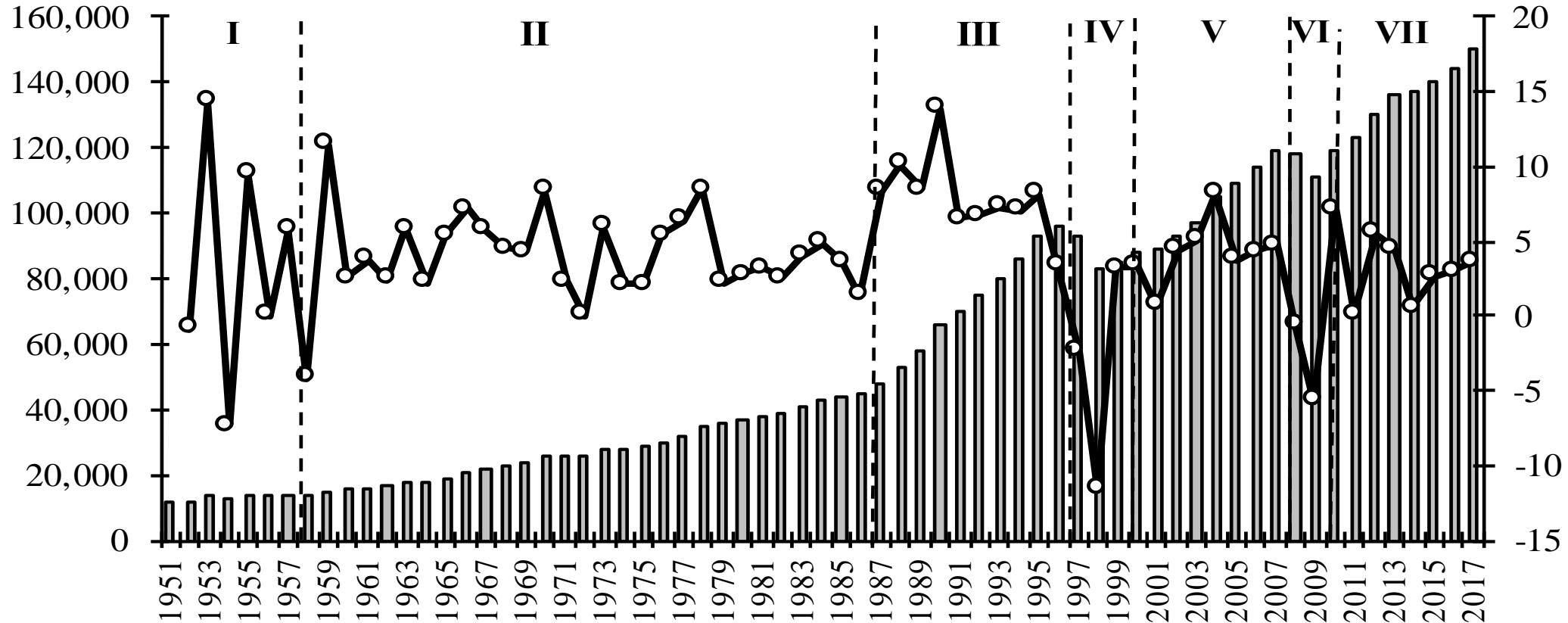
The *level* of between-region inequality has been more consequential than the minor *changes* that have occurred in it.

High levels of between-region inequality have meant that the absolute gains from economic growth have accrued heavily to the richest regions.

Thailand: Real GDP per capita and its growth rate, 1951 to 2017

Real GDP per capita - level

Real GDP per capita - growth

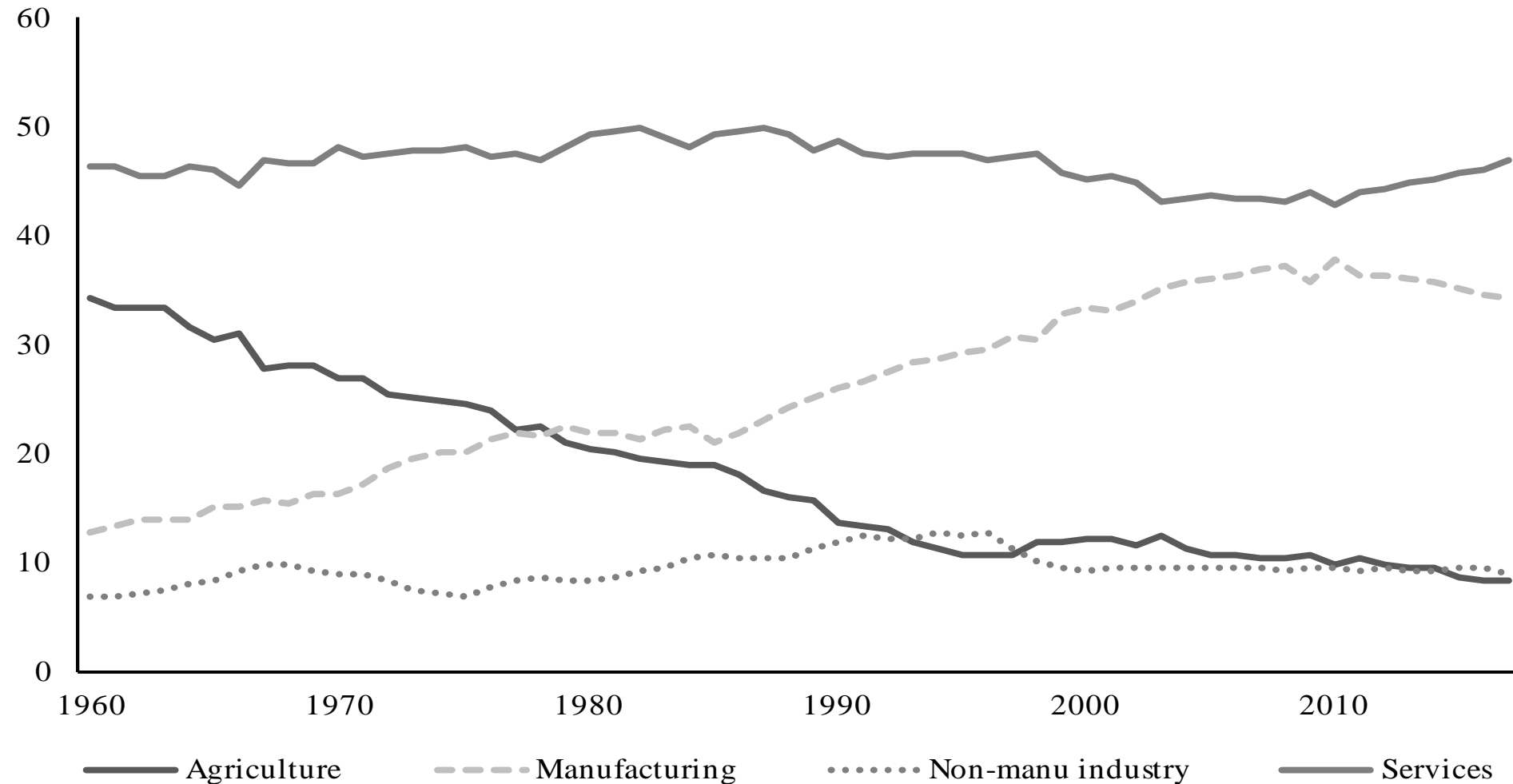


Level of real GDP per capita at 2003 prices, baht, per year - LHS axis

Growth rate of real GDP per capita at 2003 prices, per cent, per year - RHS axis

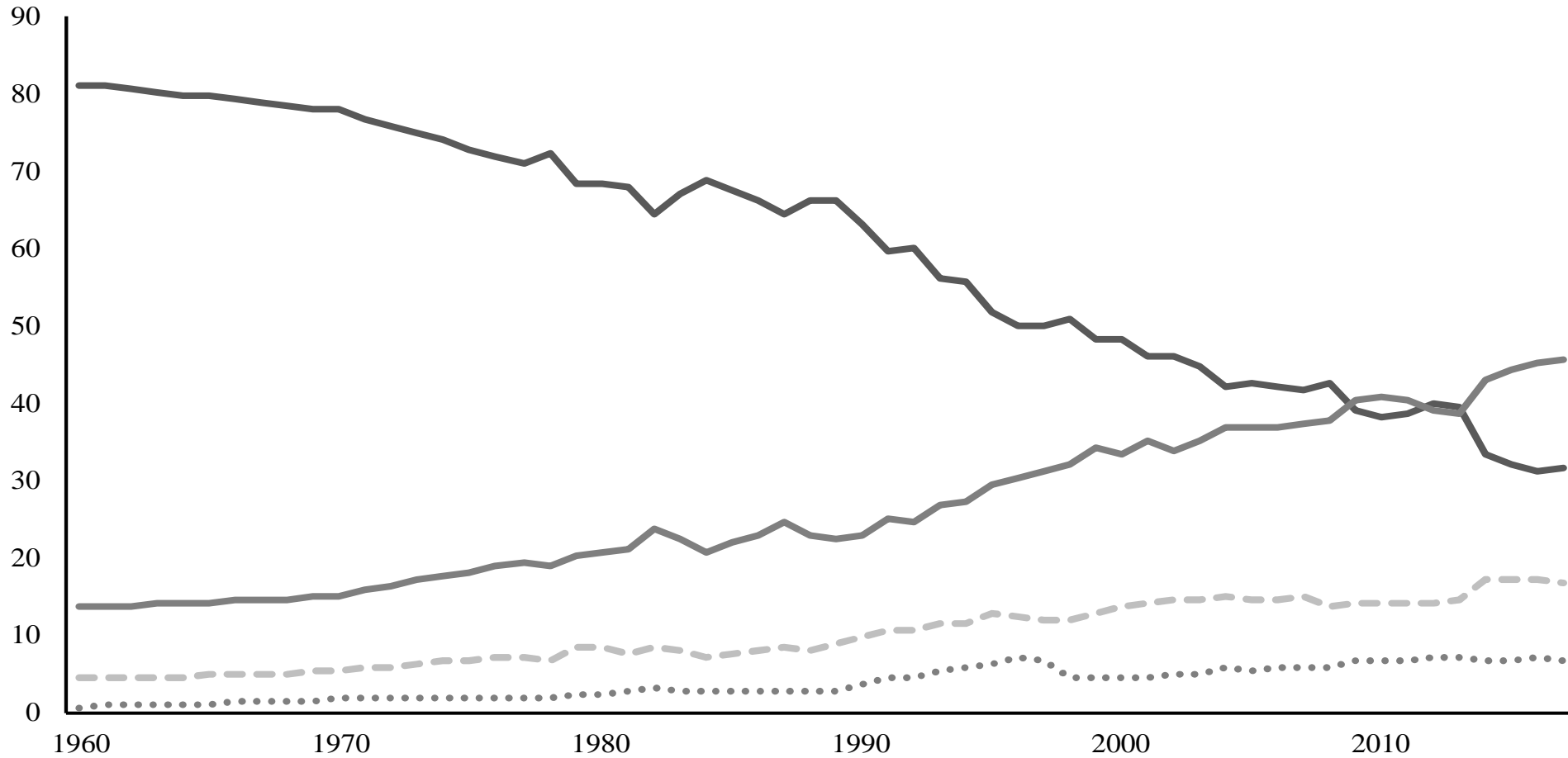
GDP shares by sector, 1960 to 2017

GDP share (%)



Employment shares by sector, 1960 to 2017

Employment share (%)



— Agriculture

- - - Manufacturing

..... Non-manu industry

— Services

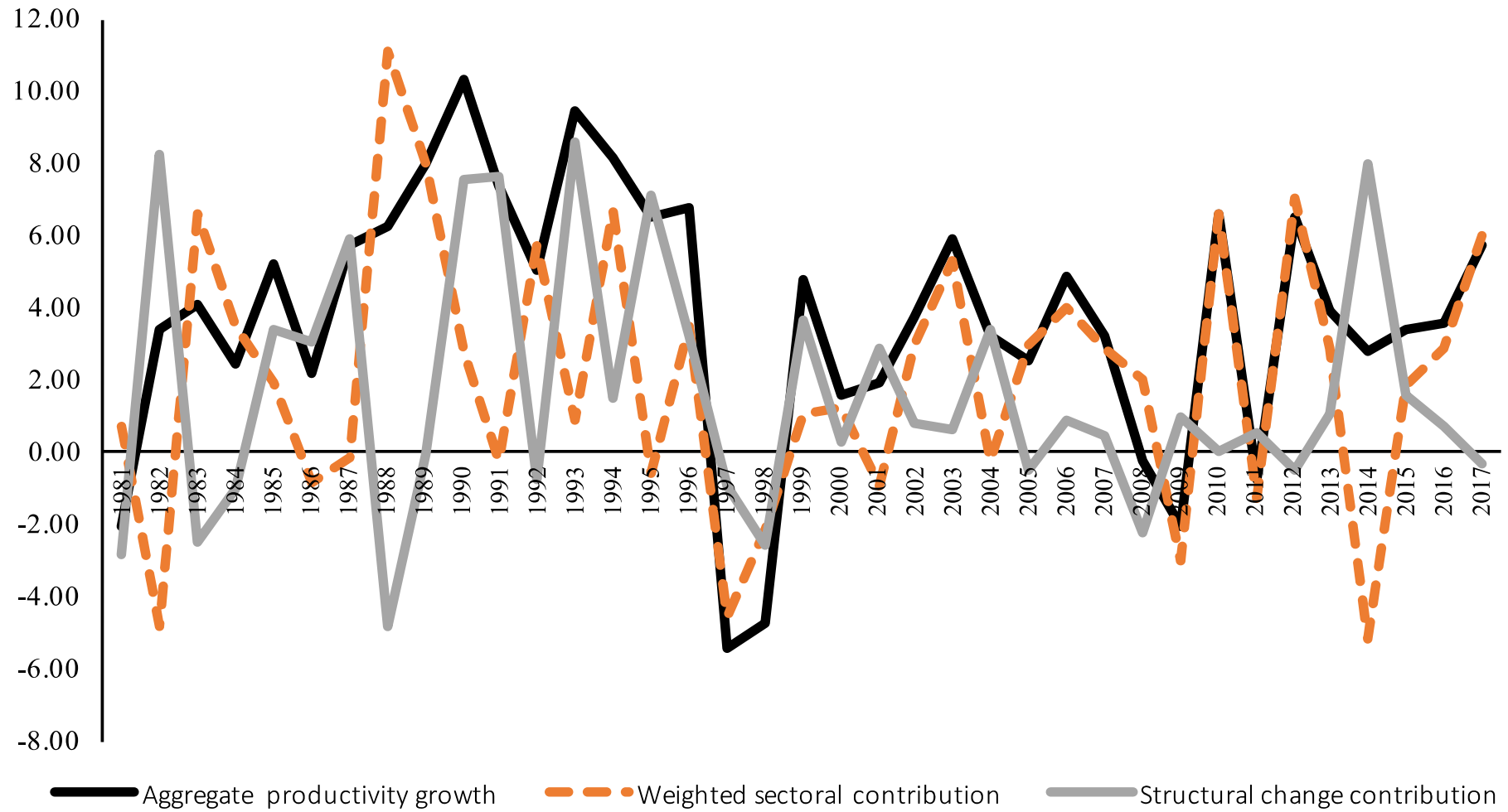
Labour productivity and structural change: an *ex-post* decomposition

$$Z = GDP/L = \sum_{j=1}^J V^j / L = \sum_{j=1}^J S^{Lj} Z^j$$

$$dZ = \sum_{j=1}^J S^{Lj} dZ^j + \sum_{j=1}^J Z^j dS^{Lj}$$

$$\hat{Z} = \sum_{j=1}^J S^{Vj} \hat{Z}^j + \sum_{j=1}^J S^{Vj} \hat{S}^{Lj}$$

Labour productivity and structural change: an *ex-post* decomposition



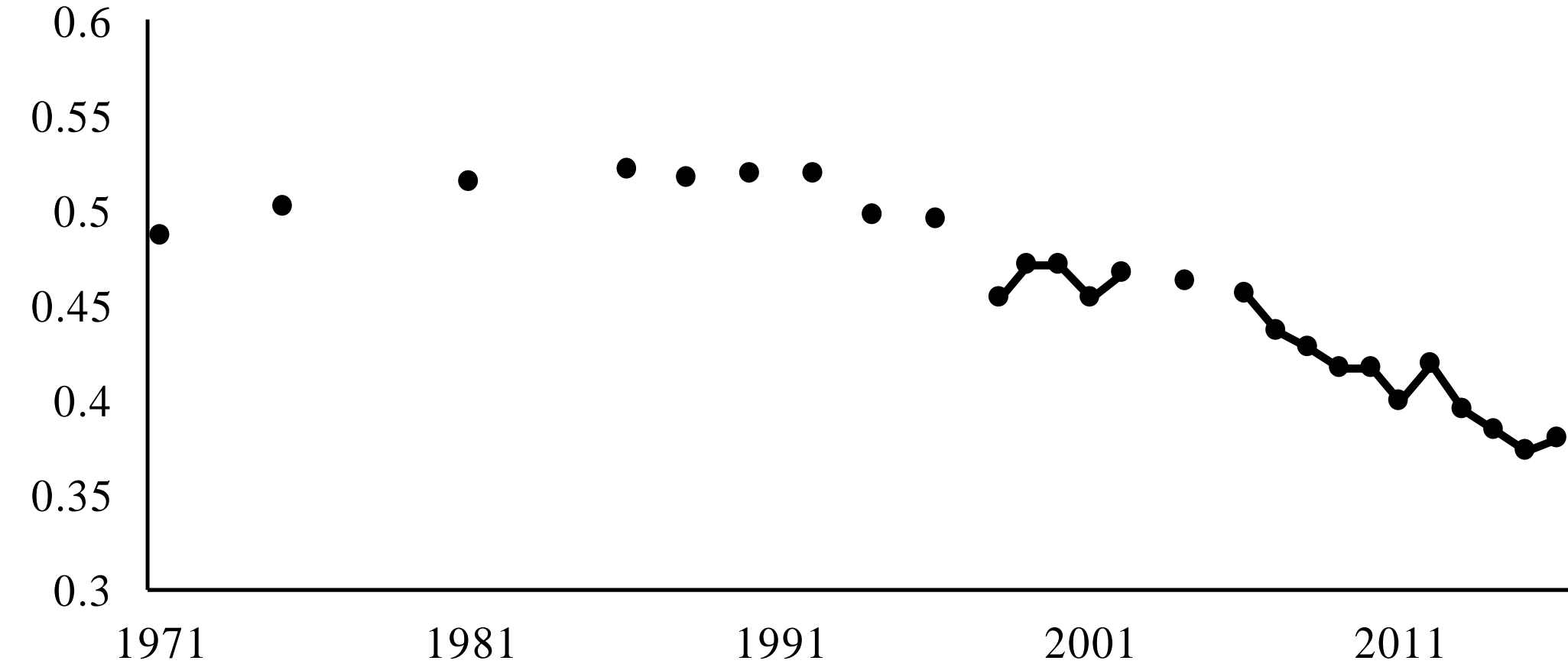
Labour productivity and structural change: an *ex-post* decomposition

⊕

| Period | Mean annual growth of real GDP per worker | GDP-share weighted mean annual growth of sectoral real VA per worker | | | Contribution of sectoral productivity growth | Contribution of structural change |
|--|---|--|----------|----------|--|-----------------------------------|
| | | Agriculture | Industry | Services | [5] = | [6] = |
| | [1] | [2] | [3] | [4] | [2] + [3] + [4] | [1] – [5] |
| Pre-crisis 1981 - 1996 | 5.56 | 0.53 | 1.09 | 1.18 | 2.80 | 2.76 |
| Crisis 1997 - 1999 | -1.81 | 0.37 | 0.47 | -2.74 | -1.73 | 0.08 |
| Post-crisis 2000 - 2017 | 3.13 | 0.34 | 0.89 | 0.87 | 2.10 | 1.03 |
| Full period 1981 - 2017 | 3.78 | 0.42 | 0.94 | 0.71 | 2.08 | 1.70 |
| (Percent contributions 1981 – 2017) | (100) | (11) | (25) | (19) | (55) | (45) |

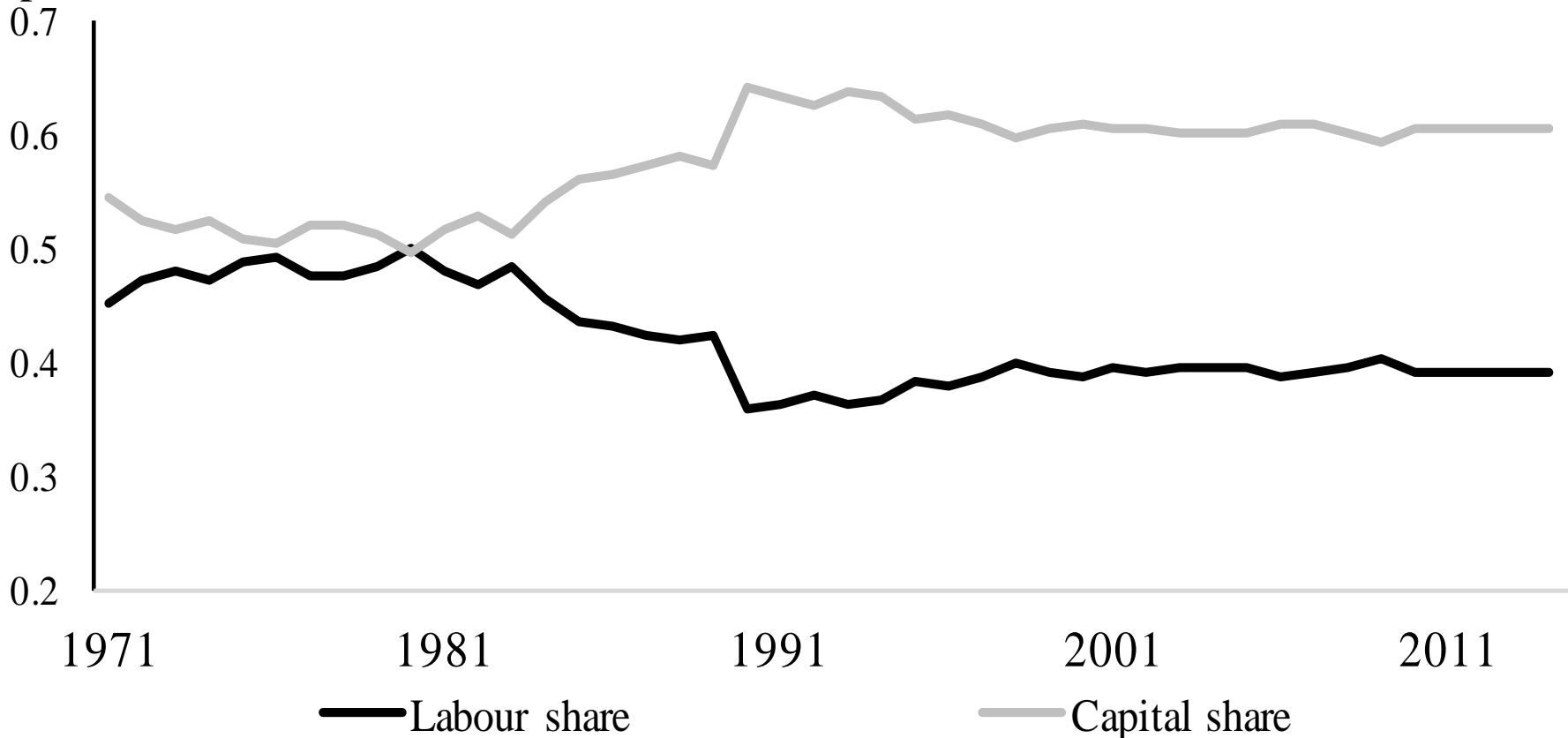
Gini coefficient, 1971 to 2017

Gini, gross



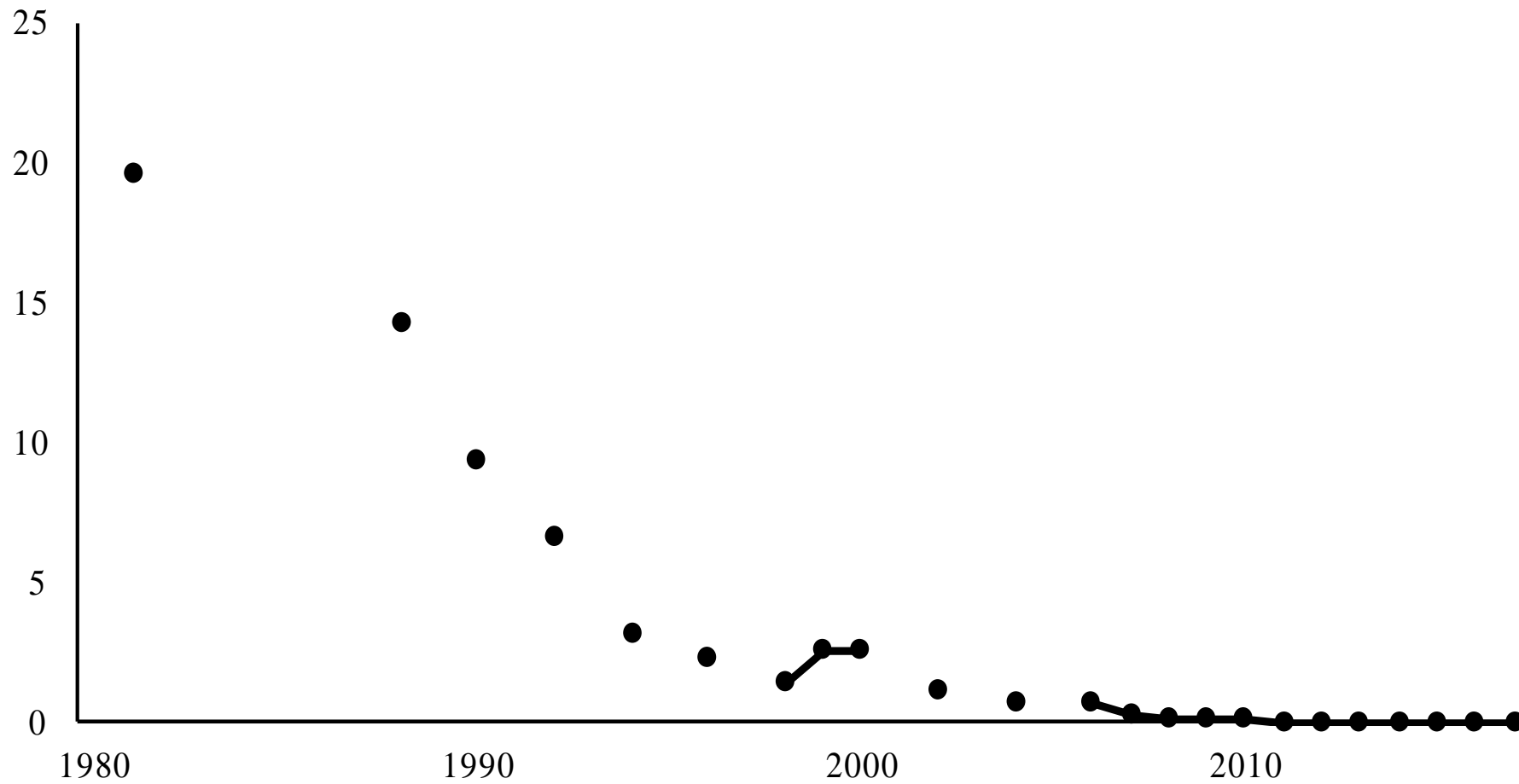
Capital and labour shares of GDP at factor cost, 1971 to 2014

Capital and labour shares



Povcal data on poverty incidence at US\$1.90 per day

Poverty incidence at US \$1.90 (%)



Povcal data on poverty incidence at US\$10.00 per day

Poverty incidence at US \$10.00 (%)

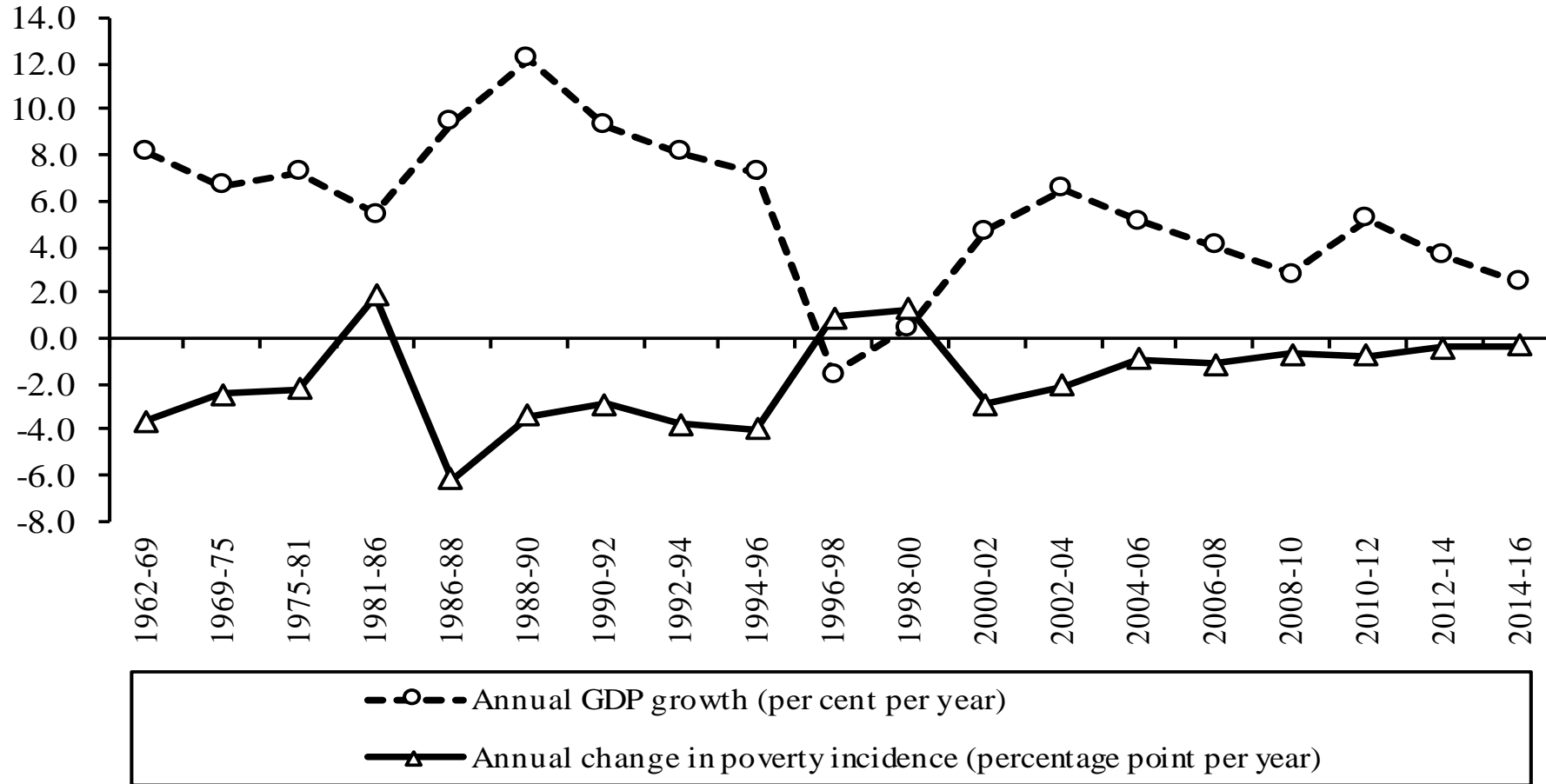


Thailand: Poverty incidence and Gini coefficient, 1988 to 2016 (income-based)

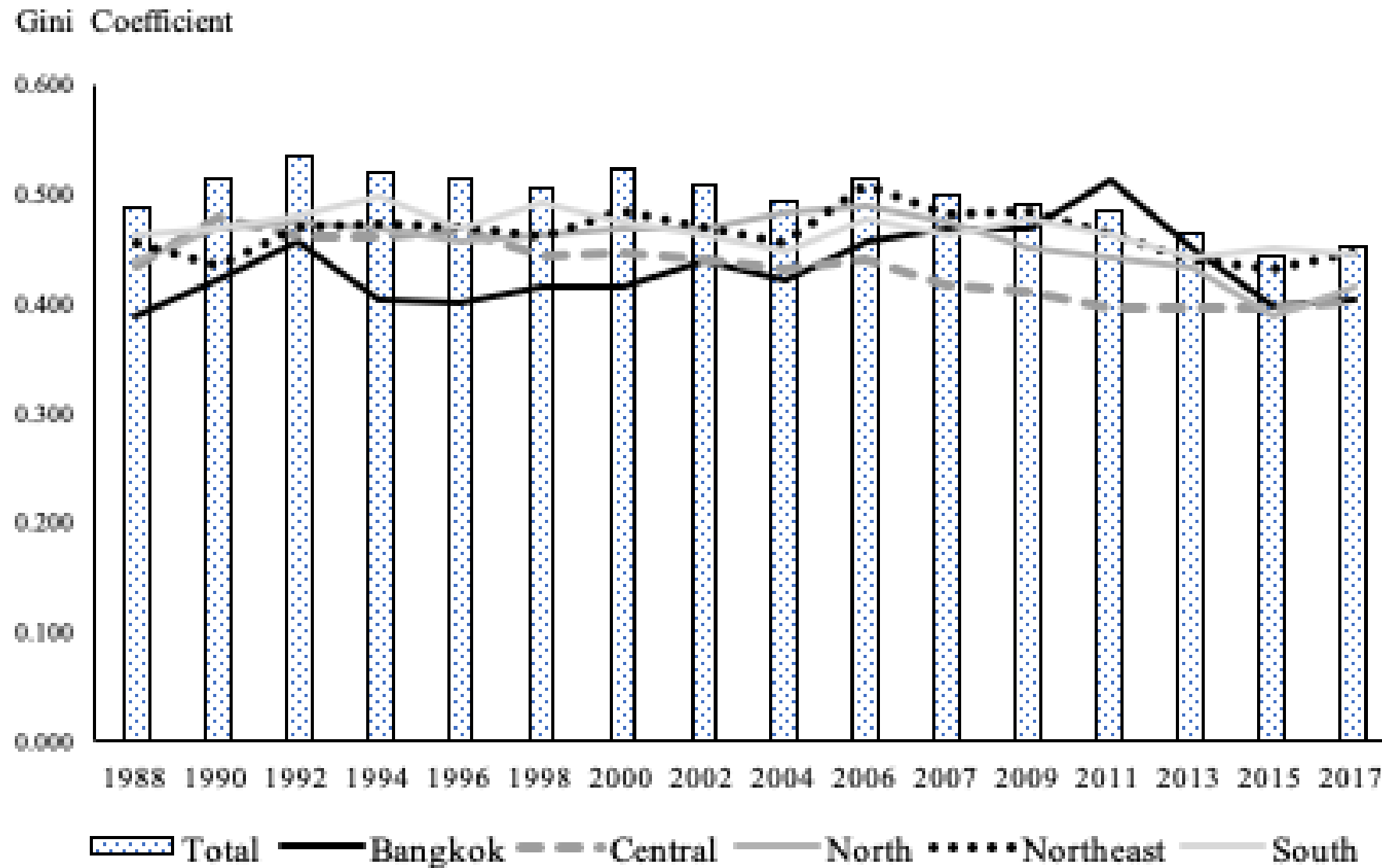
| | Poverty incidence | | | Inequality |
|------|---|-------|-------|--------------------|
| | (headcount measure, per cent of population) | | | (Gini coefficient) |
| | Aggregate | Rural | Urban | Aggregate |
| 1988 | 44.9 | 52.9 | 25.2 | 0.488 |
| 1990 | 38.2 | 45.2 | 21.4 | 0.515 |
| 1992 | 32.5 | 40.3 | 14.1 | 0.536 |
| 1994 | 25.0 | 30.7 | 11.7 | 0.521 |
| 1996 | 17.0 | 21.3 | 7.3 | 0.513 |
| 1998 | 18.8 | 23.7 | 7.5 | 0.507 |
| 2000 | 21.3 | 27.0 | 8.7 | 0.522 |
| 2002 | 15.5 | 19.7 | 6.7 | 0.508 |
| 2004 | 11.3 | 14.3 | 4.9 | 0.493 |
| 2006 | 9.5 | 12.0 | 3.6 | 0.515 |
| 2008 | 7.2 | 9.0 | 2.9 | 0.499 |
| 2010 | 5.8 | 7.3 | 2.6 | 0.490 |
| 2012 | 4.3 | 5.5 | 2.0 | 0.484 |
| 2014 | 3.5 | 4.3 | 1.9 | 0.465 |
| 2016 | 2.8 | 3.5 | 1.5 | 0.445 ^a |

Changes in poverty incidence and economic growth, 1962 to 2016

Per cent change
per year



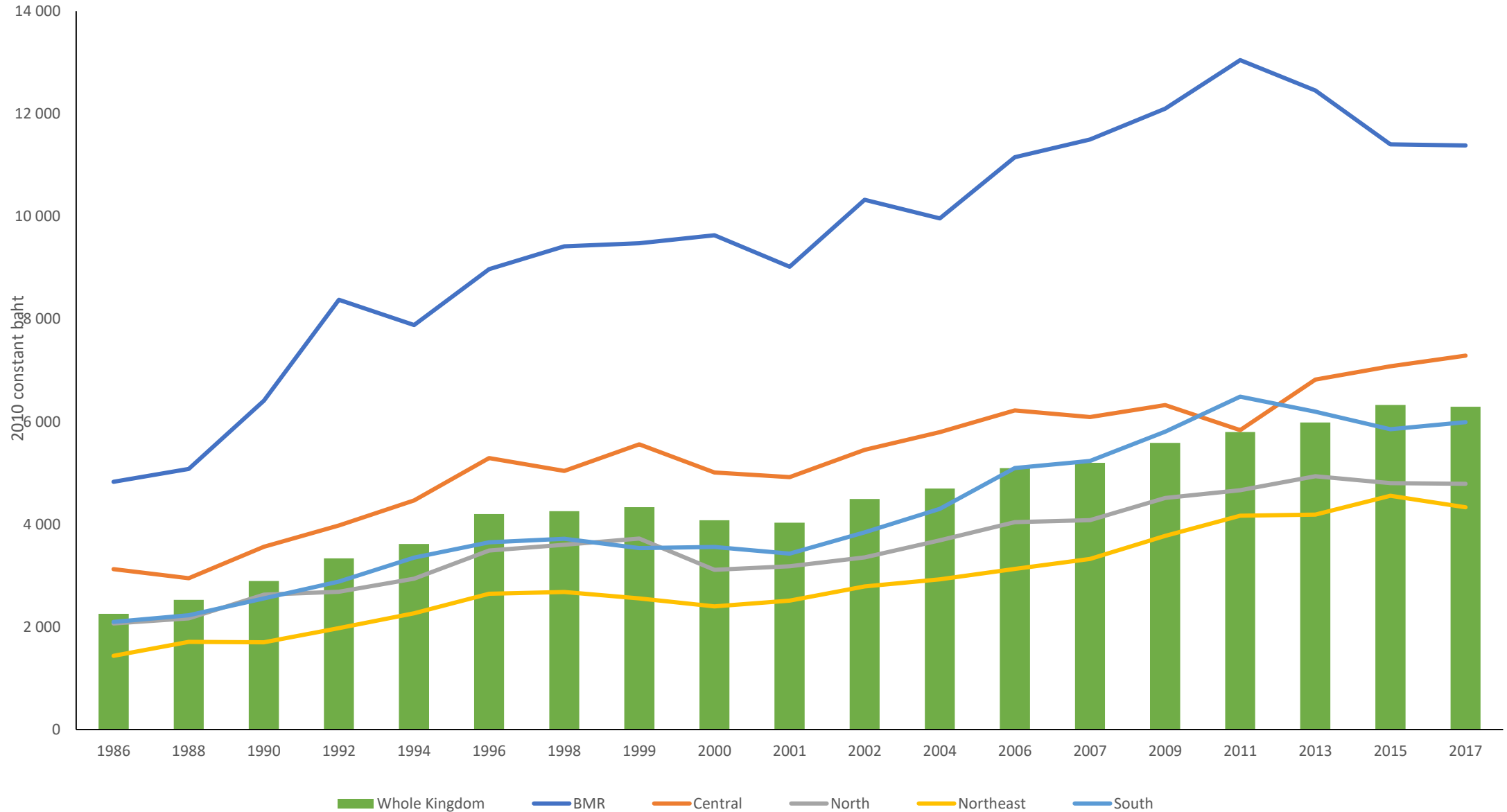
Gini coefficient, national level and within regions



Change in real expenditure per person

| Quintile group | 1996 - 1986 | 2006 - 1996 | 2017 - 2006 | 2017 - 1986 |
|-----------------------|----------------|----------------|----------------|----------------|
| Quintile 1 (poorest) | 220.9 | 316.0 | 915.3 | 1,452.2 |
| Quintile 2 | 319.0 | 579.2 | 1,267.5 | 2,165.7 |
| Quintile 3 | 363.9 | 917.7 | 1,653.4 | 2,935.0 |
| Quintile 4 | 493.9 | 1,337.6 | 2,115.4 | 3,947.0 |
| Quintile 5 (richest) | 1,714.9 | 2,447.3 | 2,558.9 | 6,721.1 |
| Population mean | 622.8 | 1,118.9 | 1,702.1 | 3,443.8 |
| Decile 10 (richest) | 2,538.1 | 3,031.6 | 2,582.6 | 8,152.3 |
| Centile 100 (richest) | 9,050.6 | 3,816.4 | 2,293.9 | 15,161.0 |

Average incomes per person by region, 1986 to 2017

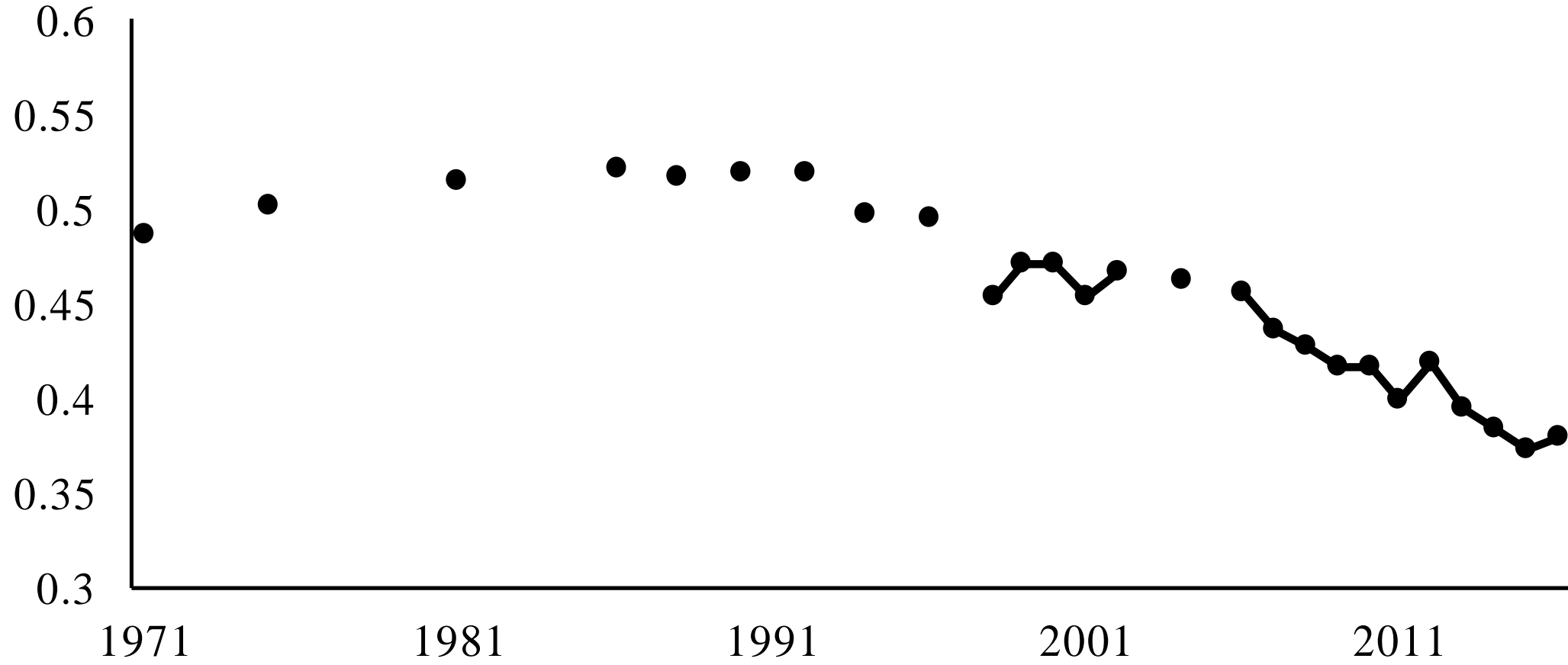


Change in real average income per person by region

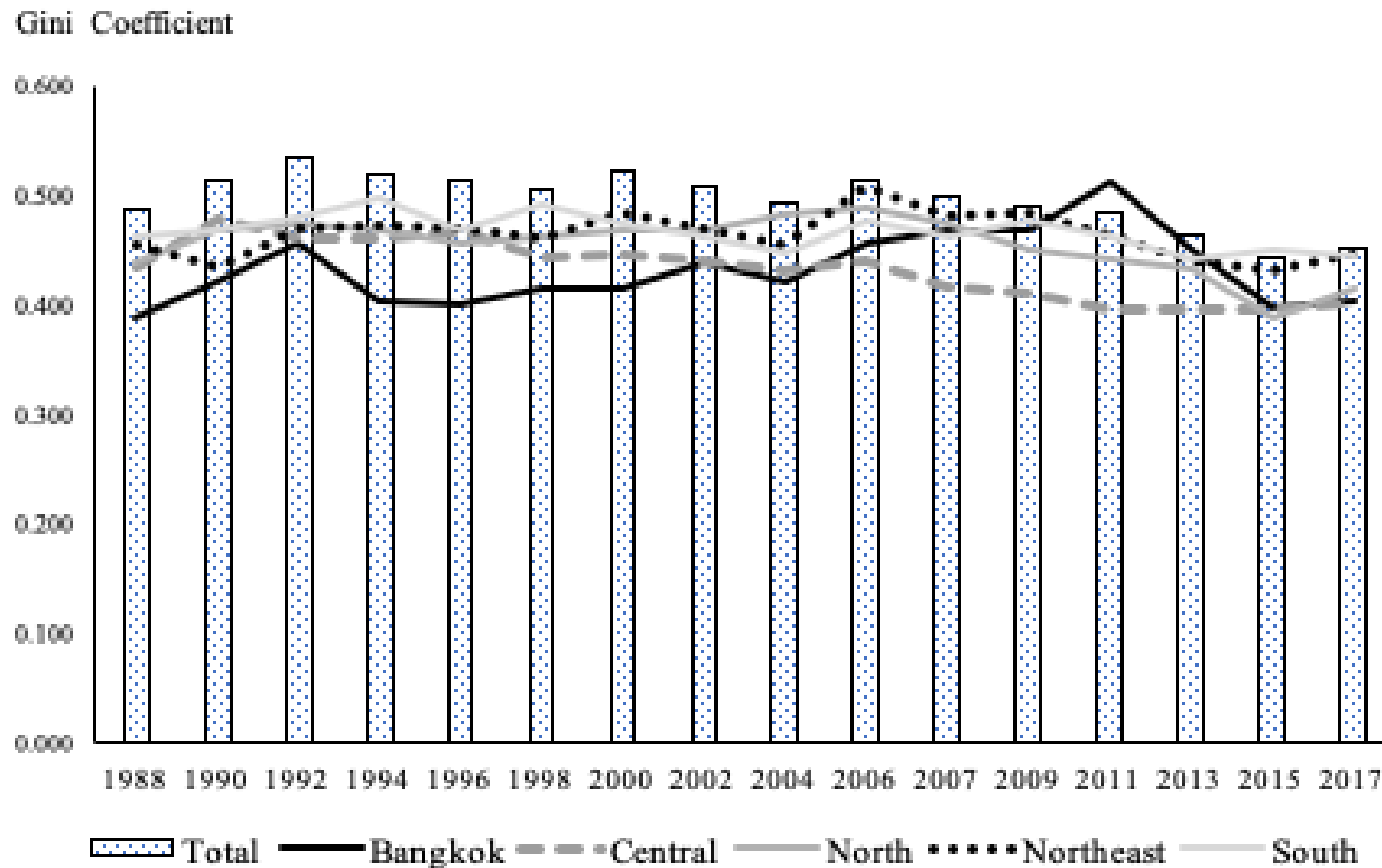
| Region | 1996-1986 | 2006-1996 | 2017-2006 | 2017-1986 |
|---------------|-----------|-----------|-----------|-----------|
| BMR | 4,146 | 2,182 | 229 | 6,556 |
| Central | 2,168 | 926 | 1,070 | 4,165 |
| North | 1,419 | 553 | 748 | 2,720 |
| Northeast | 1,208 | 487 | 1,199 | 2,894 |
| South | 1,555 | 1,445 | 893 | 3,893 |
| Whole Kingdom | 1,944 | 895 | 1,196 | 4,035 |

Gini coefficient, 1971 to 2017

Gini, gross



Gini coefficient, national level and within regions

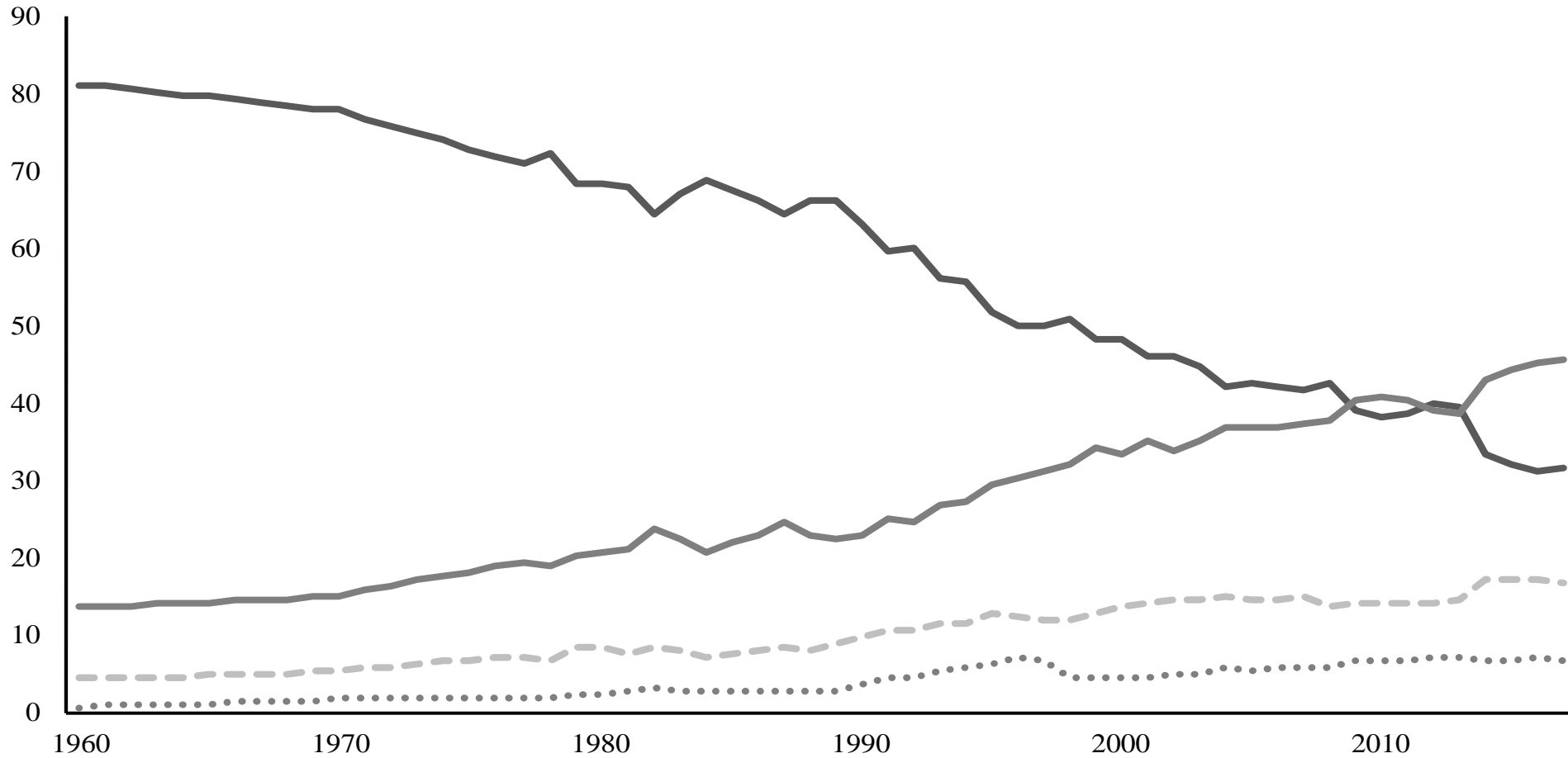


Thailand: Poverty incidence and Gini coefficient, 1988 to 2016 (income-based)

| | Poverty incidence | | | Inequality |
|------|---|-------|-------|--------------------|
| | (headcount measure, per cent of population) | | | (Gini coefficient) |
| | Aggregate | Rural | Urban | Aggregate |
| 1988 | 44.9 | 52.9 | 25.2 | 0.488 |
| 1990 | 38.2 | 45.2 | 21.4 | 0.515 |
| 1992 | 32.5 | 40.3 | 14.1 | 0.536 |
| 1994 | 25.0 | 30.7 | 11.7 | 0.521 |
| 1996 | 17.0 | 21.3 | 7.3 | 0.513 |
| 1998 | 18.8 | 23.7 | 7.5 | 0.507 |
| 2000 | 21.3 | 27.0 | 8.7 | 0.522 |
| 2002 | 15.5 | 19.7 | 6.7 | 0.508 |
| 2004 | 11.3 | 14.3 | 4.9 | 0.493 |
| 2006 | 9.5 | 12.0 | 3.6 | 0.515 |
| 2008 | 7.2 | 9.0 | 2.9 | 0.499 |
| 2010 | 5.8 | 7.3 | 2.6 | 0.490 |
| 2012 | 4.3 | 5.5 | 2.0 | 0.484 |
| 2014 | 3.5 | 4.3 | 1.9 | 0.465 |
| 2016 | 2.8 | 3.5 | 1.5 | 0.445 ^a |

Employment shares by sector, 1960 to 2017

Employment share (%)



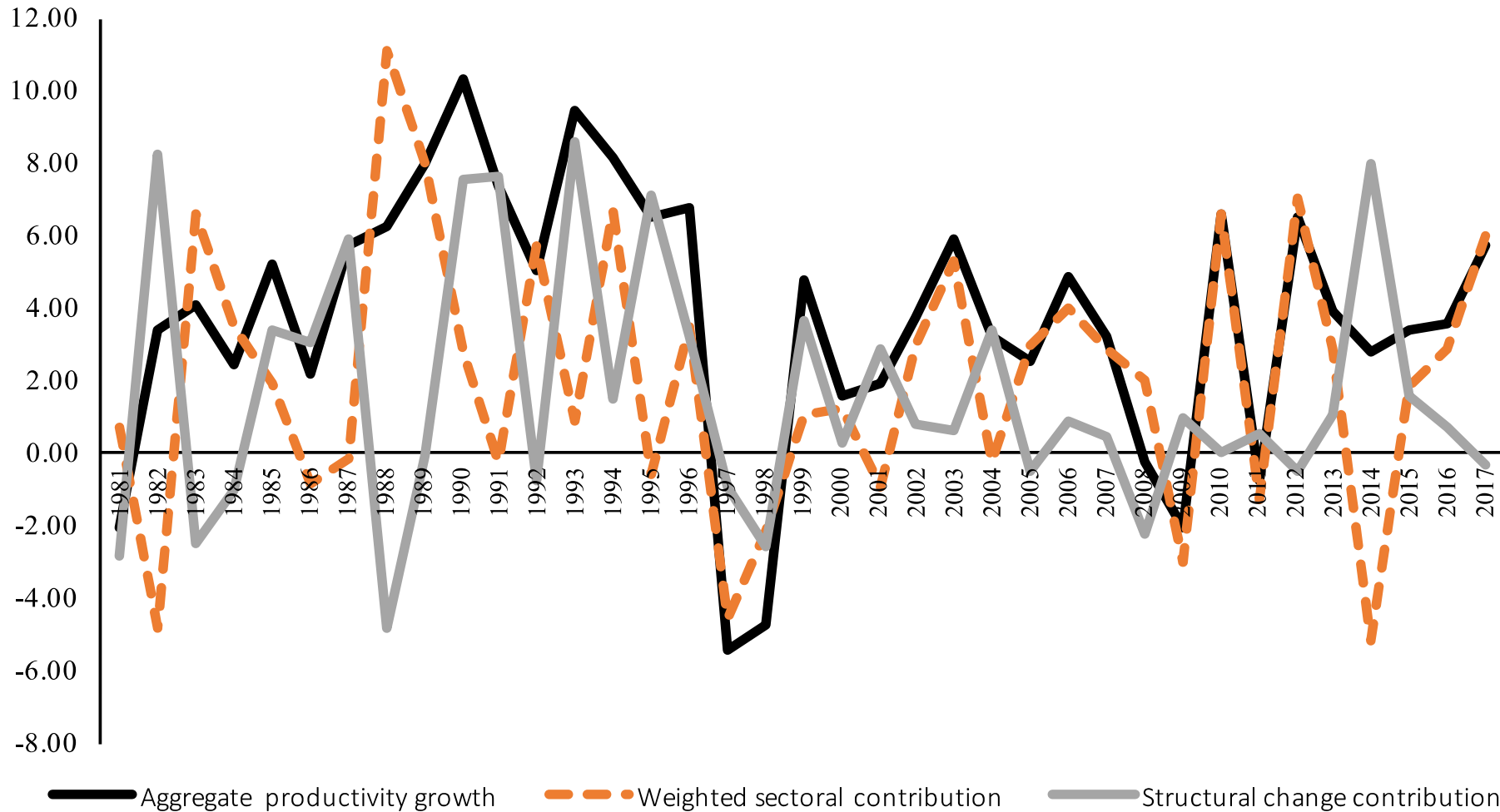
— Agriculture

- - - Manufacturing

..... Non-manu industry

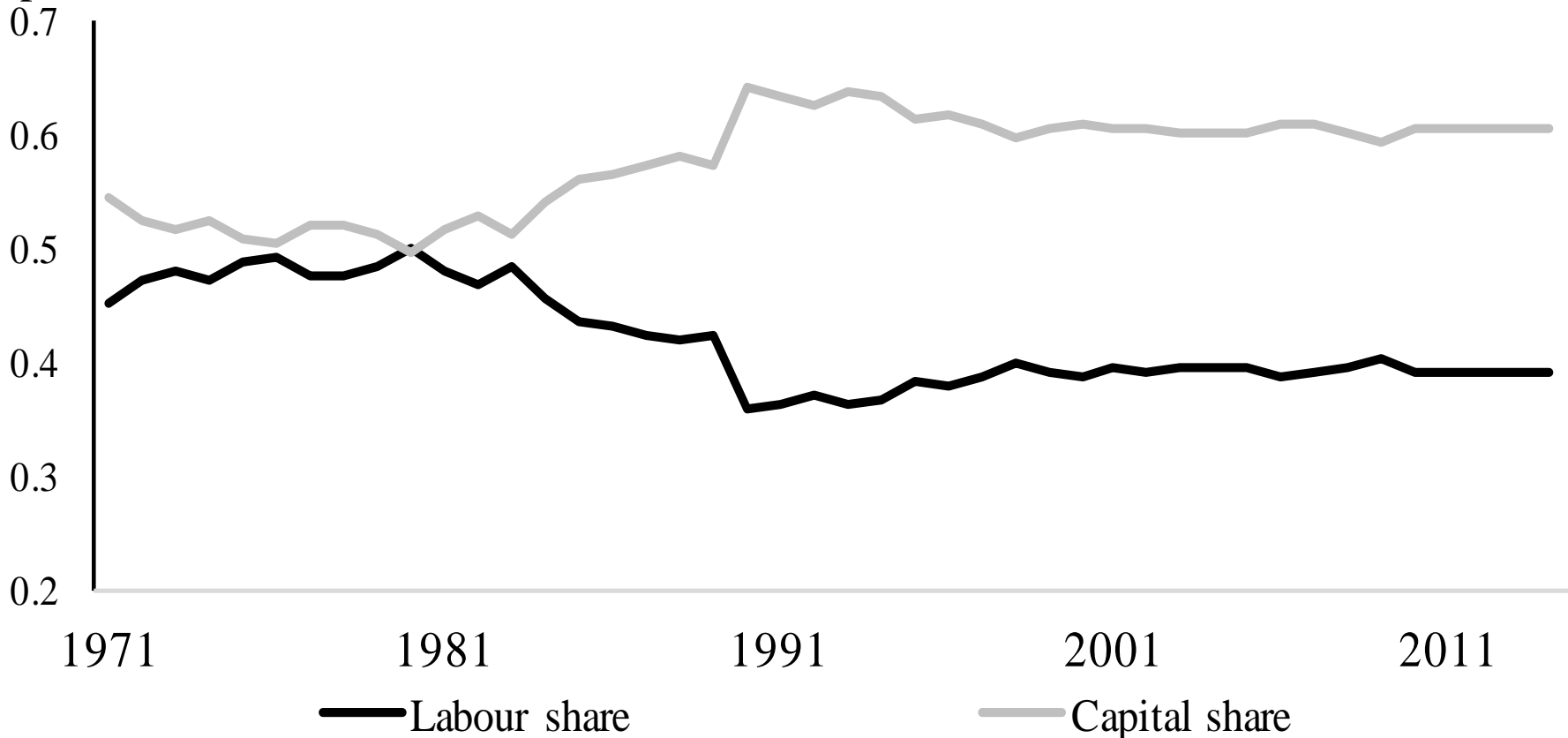
— Services

Labour productivity and structural change: an *ex-post* decomposition



Capital and labour shares of GDP at factor cost, 1971 to 2014

Capital and labour shares



Thanks for listening