

**Comment on**

**Uncovering Productivity Puzzles in  
Thailand:  
Lessons from Microdata**

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## **Macro-data Analysis indicates .....**

1. Manufacturing sector's contribution to growth has been slowing down after the great flooding.
2. TFP is fading away from being a major source of GDP growth.



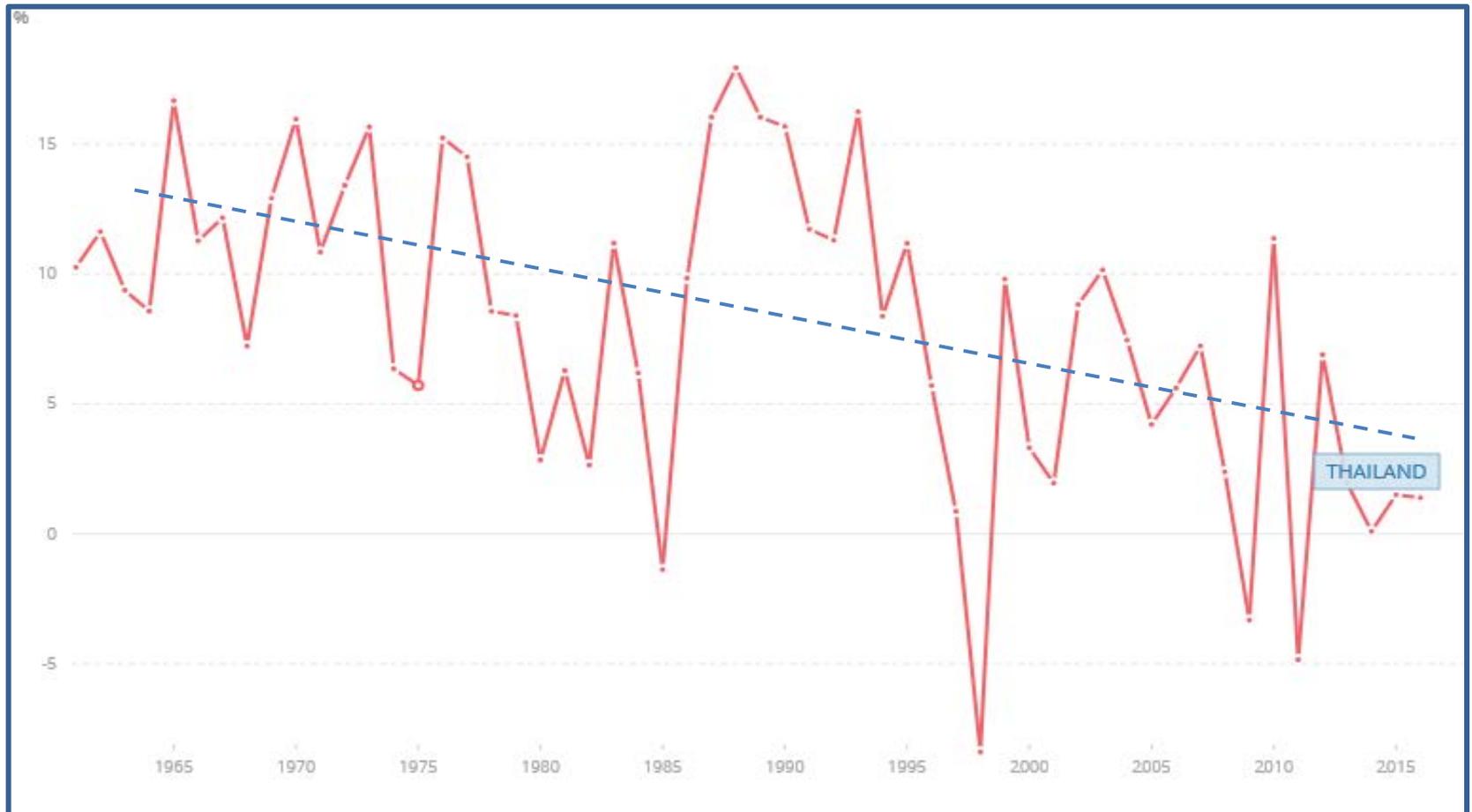
How about the findings in micro-data analysis

# What is happening?



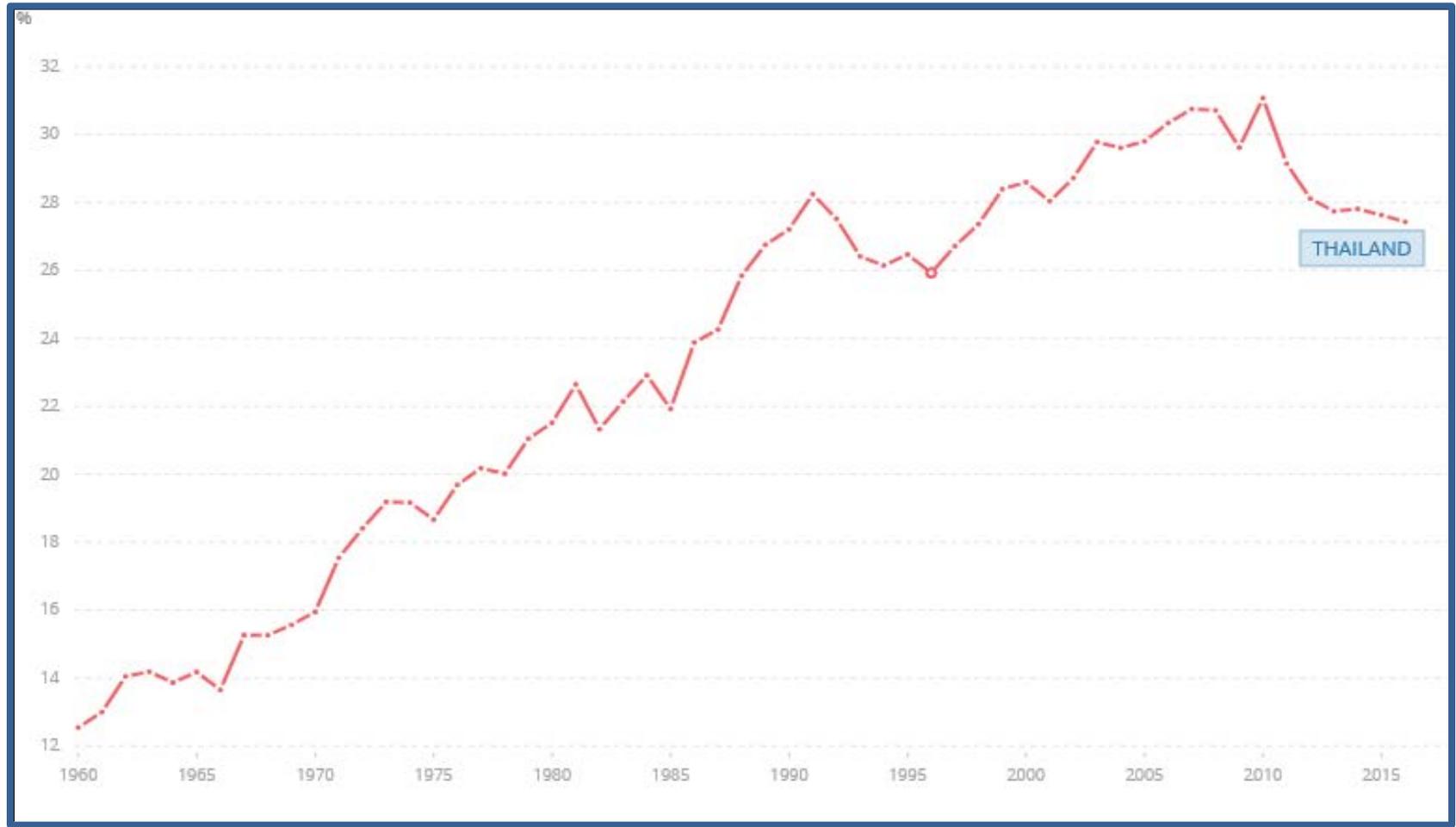
Source: World Bank

# Manufacturing GDP growth rate

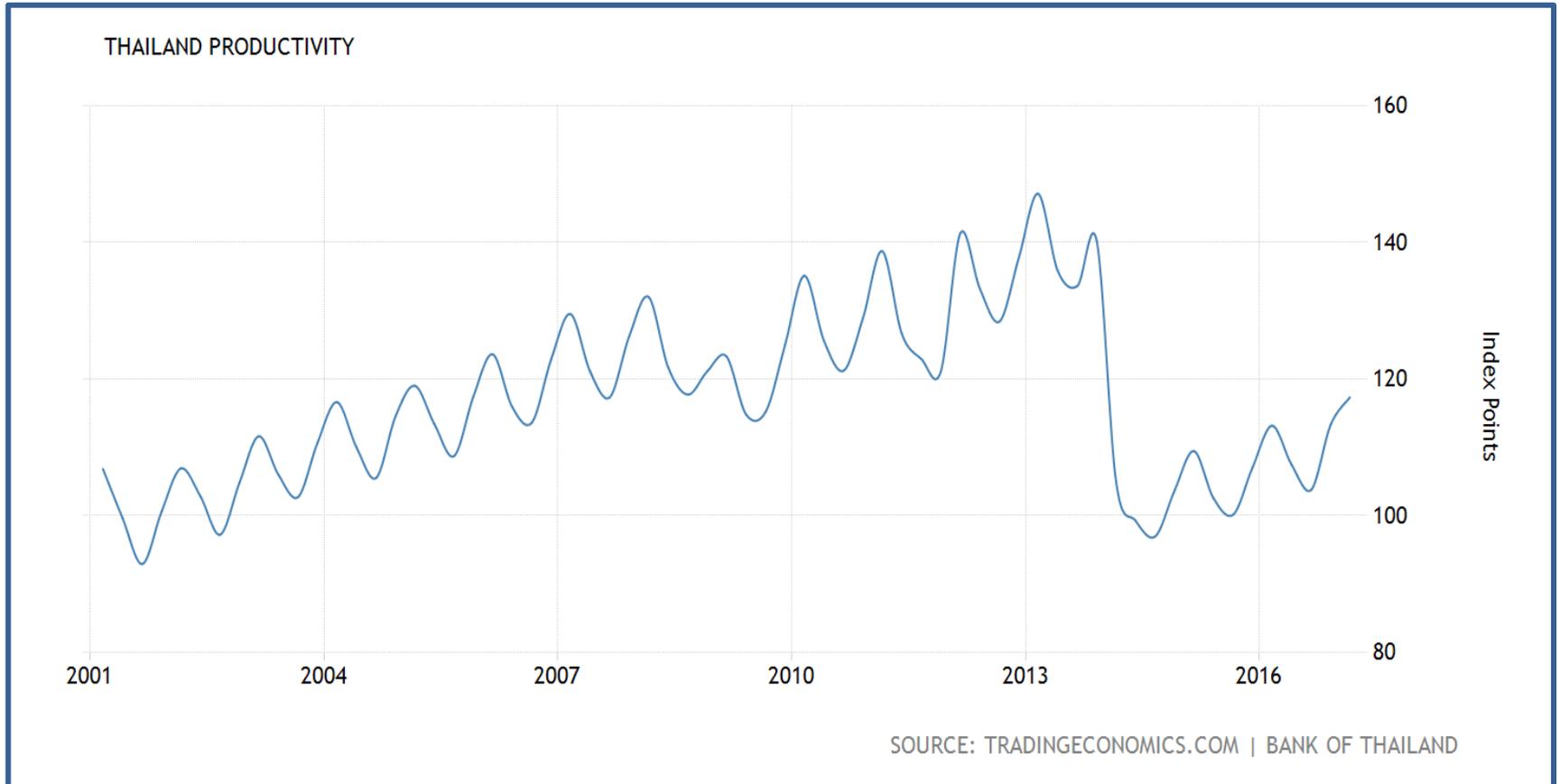


Source: World Bank

# Share of Manufacturing in GDP



# What is happening?



# Industry data analysis

There is weak link or no link between TFP ..... with

- Average No. of employees
- Average age of shop
- Ratios of plants in industry with R and D investment
- Ratios of plants with FDI

1. TFP might be underestimated ....
2. Or other factors may be omitted from calculation

Service sector analysis is opposite .... New innovation could be match with their new business model with no constraint and time lag

# Findings

**TFP**  Allocative efficiency is low and is going down

 Smaller plant is less constraint than the bigger for firm with 50 employees or less

**Distortionary effects of size-dependent policies: What kind of policies are significant and why only with 50 employees .... Why not between 50 employees and more .... They want to be small because the favor policy or because business's nature.**

# SME in Economy

ปี 2559

Number

Employee

Value  
(million THB)



LE จำนวนคนงานเกิน  
กว่า 200 คน



SME จำนวนคนงาน  
ต่ำกว่า 200 คน

9,025 (0.3%)

3,032,908  
(20.5%)

6,228,741  
(43.4%)

3,004,679  
(99.7%)

11,747,093  
(77.5%)

6,061,143  
(42.2%)

Total

3,013,722

ราย

14,780,001

คน

14,366,557

ล้านบาท

ที่มา : รายงานสถานการณ์ SME ประจำปี 2560 ของ สำนักงานส่งเสริมวิสาหกิจขนาดกลางและขนาดย่อม

# Findings

- **Plant level:** There is Correlated Distortions (ARPK, ARPL and TFPQ) and more productive plants face higher distortion than the less productive plants ... **what causes what?**
- The older they are, the more employment they have and the more productivity they are.....**different point of business life cycle?**.
- Size at 50 employees really matter for (R&D and employment.....**per employment?)** new businesses

# Findings (industry level)

Determinants	
Less Domestic competition and high capital intensity improve allocative efficiency	<ul style="list-style-type: none"><li>• No competition in finding resource and cost of factors also reduce</li><li>• In process we didn't see firm's adjustment (we might <b>get data at the end of adjustment process of firm</b>) ---- competition force firms to improve their efficiency ----</li></ul>
Trade openness intensifies resources misallocation	<ul style="list-style-type: none"><li>• <b>Good point:</b> imported input substitution</li><li>• I expect this would occur in most supporting industries</li></ul>
VAT exemption for SME	<ul style="list-style-type: none"><li>• <b>Hard truth (expansion or not might be on business opportunities .... Benefit rather than cost)</b></li></ul>

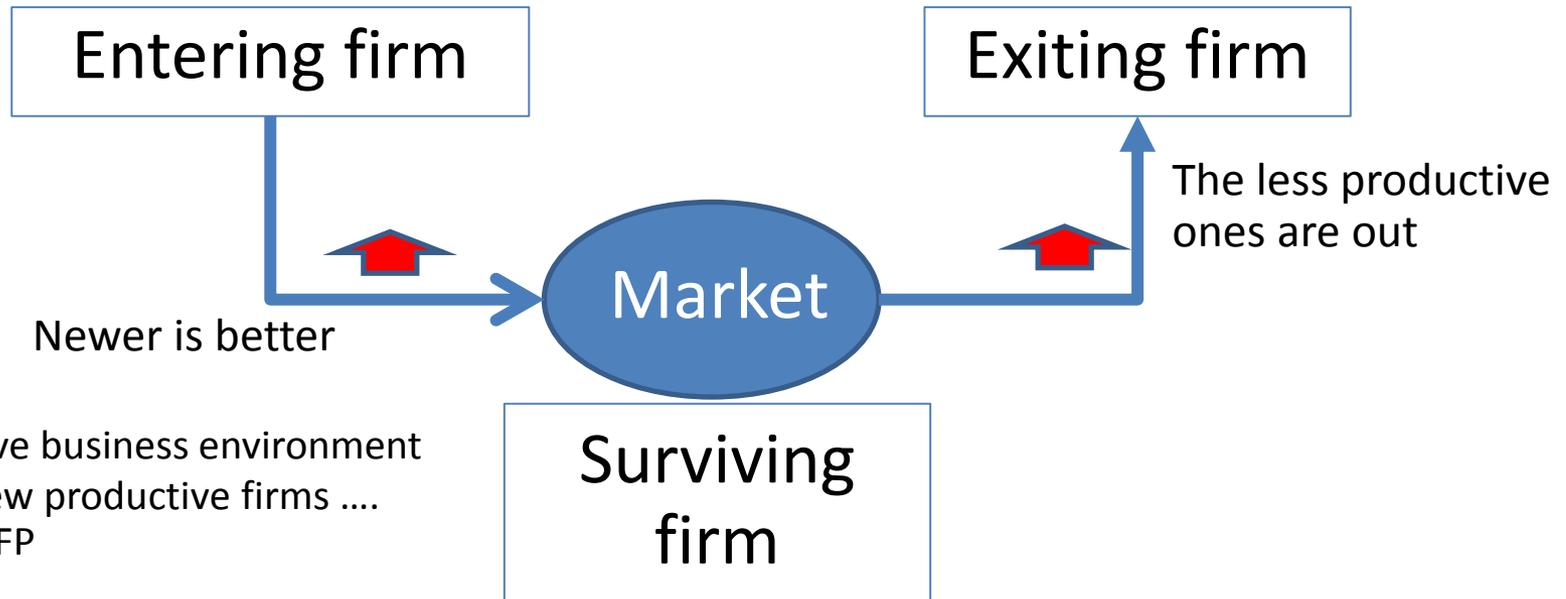
# Findings

## Determinants

More foreign share of ownership and FDI

- Overall might be possible ..... but in some industries their import requirement especially raw materials or parts from their parent firm could worsen allocative efficiency

# Firm Dynamics



Competitive business environment  
bring in new productive firms ....  
Improve TFP

## In industry level:

Top four ..... TFP contribution positive ..... comes from market expansion  
Bottom four ..... Contribute negative ..... Lower within-productivity survival plants

**Surprisingly:** bottom four they are highly knowledge base and capital intensity as well as high share of foreign ownership

# Policy Sugestions

Spillover R&D  
and Innovation

Enhance firm  
productivity  
from within

Improve  
Productivity

Reduce cost of  
entry and exit  
(Reform market  
structure to be  
freer)

Financial and  
Knowledge  
access to SME

Reduce size-  
dependent  
policy