



Thailand Annual Salary Increment 2004

Compensation Surveys for 2004 - 2005

- *Agro-chemical and Veterinary*
- *Automotive Assemblers and OEM Suppliers*
- *Chemical*
- *Consumer Products*
- *Eastern Seaboard*
- *Eastern Seaboard Industrial Estate*
- *Property Development/ Shopping Centers*

Human Resources Management

- *Job Analysis and Job Descriptions*
- *Job Evaluation and*
- *Designing Salary Grade Structure*
- *Mergers and Acquisitions*
- *Human Resources Audit*

MERC contacted participants in the MERC 2003 Compensation Survey, asking them for their actual base salary increment was in January 2004 and bonus paid for 2003. The analysis of the data is as follows:

| TABLE OF CONTENTS | Page |
|--|-------------|
| DEFINITIONS | |
| Quartiles and Average..... | 2 |
| Seniority Levels..... | 2 |
| BASE SALARY AND BONUS INFORMATION | |
| ALL COMPANIES | |
| Base Salary Increment All Companies 2004..... | 3 |
| Base Salary Increment All Companies 1996 – 2004..... | 3 |
| Base Salary Increment (Median) vs GDP vs CPI 1996 – 2004..... | 4 |
| Bangkok vs. Upcountry Companies – Manufacturing vs. Non-Manufacturing Companies..... | 5 |
| Base Salary Increment by Industry 2004 | 5 |
| Fixed vs. Variable Bonus 2003 – All Companies..... | 6 |
| Variable Bonus 2003 – All Companies..... | 6 |
| BY INDUSTRY - This section for MERC SURVEY PARTICIPANTS ONLY | |
| Automotive & Original Equipment Manufacturers..... | 7 |
| Chemical Industry..... | 8 |
| Petrochemical Industry..... | 9 |
| Consumer Products..... | 10 |
| Construction and Engineering Industry..... | 11 |
| Electronics & Electrical Appliances..... | 12 |
| Property Development/ Shopping Centers, Pharmaceutical and Other Industries..... | 13 |
| BY LOCATION – MANUFACTURING & NON-MANUFACTURING | |
| Bangkok Companies..... | 14 |
| Upcountry Companies..... | 15 |
| Manufacturing Companies..... | 16 |
| Non-Manufacturing..... | 17 |
| Eastern Seaboard..... | 18 |
| GENERAL INFORMATION | |
| Annual Salary Review Date..... | 19 |
| Companies Providing Commission/ Incentives to Sales Staff..... | 19 |

DEFINITIONS

Quartiles and Average

All Analyzed Salary Increments and Bonus are ranked from high to low and the Quartiles are determined.

Upper Quartile (Q₃): 75% of the ranked population in the benchmark or seniority level receives less than this amount and 25% receive more.

Median (Q₂): 50% of the ranked population in the benchmark or seniority level receives less than this amount and 50% receive more.

Lower Quartile (Q₁): 25% of the ranked population in the benchmark or seniority level receives less than this amount and 75% receive more.

The minimum sample size required for analysis of quartiles is five.

Average: The Average is the arithmetical Mean, i.e. the sum of increments divided by the number of sample. A minimum sample size of three is required to enable average salary to be calculated. One problem with the average is that extreme values will greatly influence its value.

For comparison the Midquartile range or middle 50 percent is the most useful indicator of the span of the range, eliminating the effects of the widely divergent values at either end of the of the pay spectrum.

The Median is considered a more representative measure of central tendency than the average because, unlike the average, the median is not greatly affected by extreme values.

Seniority Levels (examples of manufacturing job positions)

Senior Management

Chief Executive Officer, Production Director, Factory Manager

Middle Management

SHE Manager, Assistant Factory Manager, Quality Control Manager, Production Planning Manager, Production Manager, Technical Training Manager, Process Control Manager, Chief Chemist, Production Superintendent

Professional Staff & Lower Management

Safety Engineer, Technical Training Engineer, Process Control Engineer, Q.C. Supervisor, Laboratory Chemist, Production Planner, R&D Engineer

General Staff

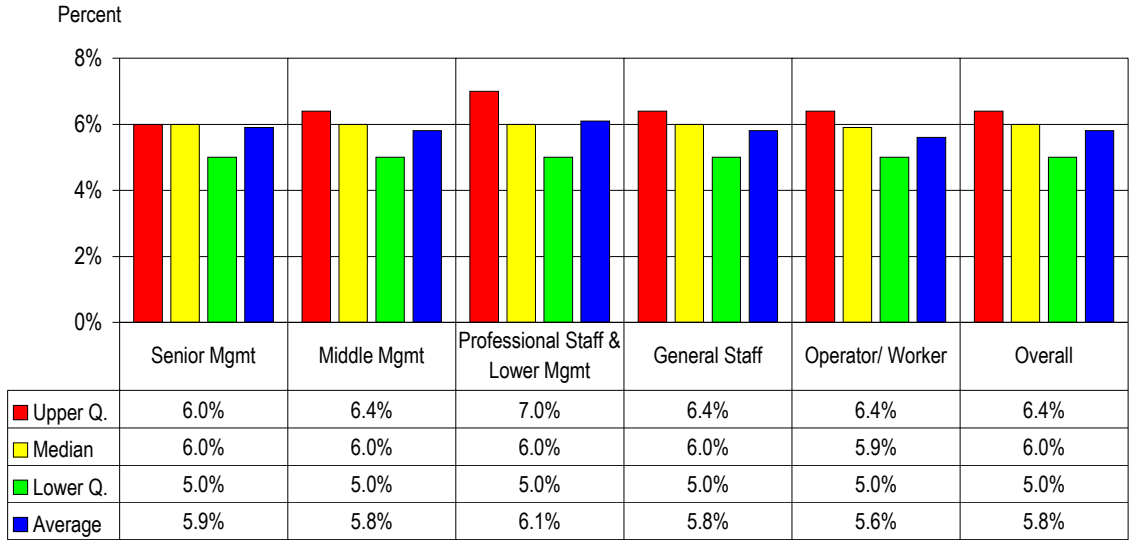
Engineer (New Graduate), Production Foreman, Senior Laboratory Technician, Quality Inspector, Production Supervisor, Senior Technician

Operators/ Workers

Safety Inspector, Quality Technician, Laboratory Operator, Welder, Production Operators

Fig 1

Base Salary Increment All Companies 2004
 Percentage of Salary Increment by Levels of Seniority
 Average, Quartiles and Median

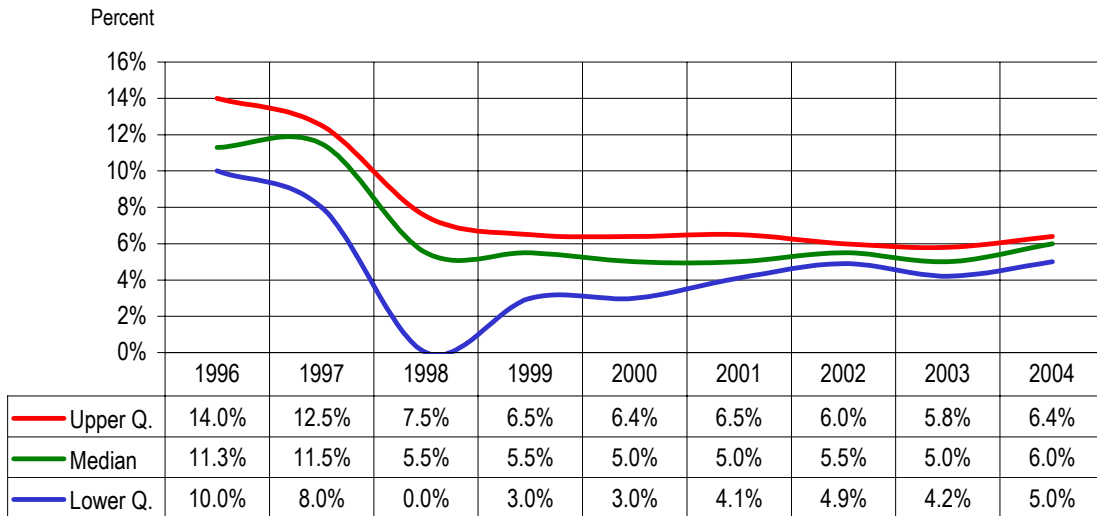


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 1, All Companies Base Salary Increment 2004. The median for all levels is 6%.

Fig 2

Base Salary Increment All Companies
 1996–2004 by Quartiles and Median



Source: MERC Thailand Compensation Survey 1996-2004
 GDP, CPI 1996-2003 Actual and 2004 Forecast: Economist Intelligence Unit (EIU)

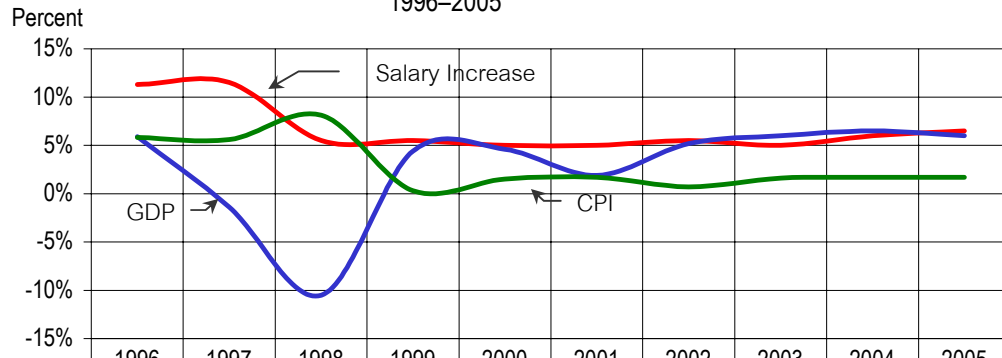
Fig 2, above shows the salary adjustments from 1996 to 2004. The financial crisis is clearly visible in 1997.

Comment: This year shows the highest median salary increase since 1997.

Fig 3

Base Salary Increment (Median) vs. GDP vs. CPI

1996–2005



| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|-------|-------|--------|------|------|------|------|------|------|------|
| Salary Increase | 11.3% | 11.5% | 5.5% | 5.5% | 5.0% | 5.0% | 5.5% | 5.0% | 6.0% | 6.5% |
| GDP | 5.9% | -1.4% | -10.5% | 4.4% | 4.6% | 1.9% | 5.2% | 6.0% | 6.5% | 6.0% |
| CPI | 5.8% | 5.6% | 8.1% | 0.3% | 1.5% | 1.7% | 0.7% | 1.6% | 1.7% | 1.7% |

Source: MERC Thailand Compensation Survey 1996-2004 and forecast 2005
 GDP, CPI 1996-2003 Actual and 2004 and 2005 forecast: Economist Intelligence Unit (EIU)

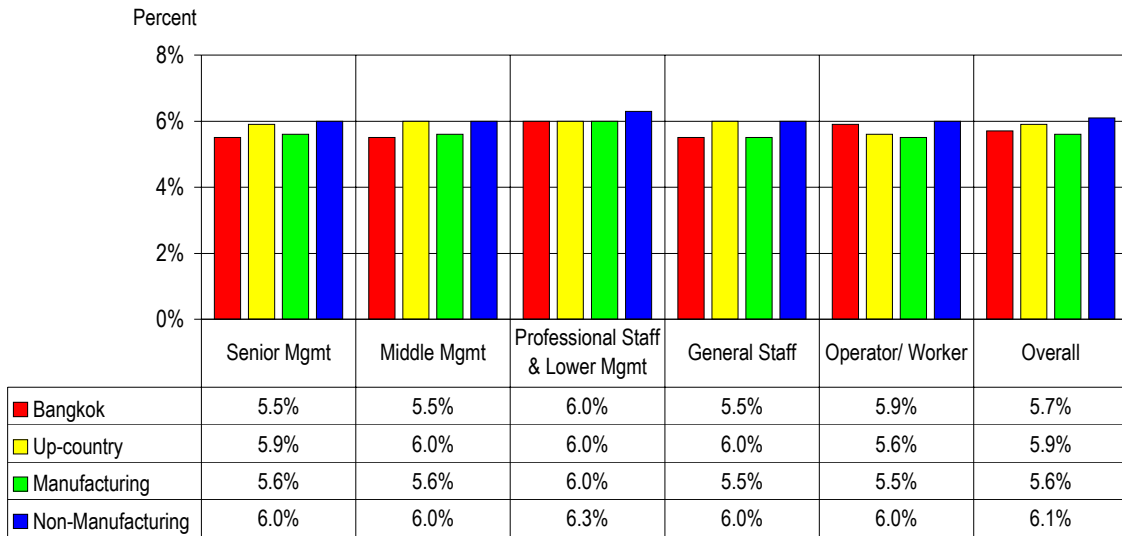
The only consensus that can be reached on GDP growth over the 2004/2005 period is that it will be significantly higher than all previous forecasts, most of which had been in the 5% to 5.5% range. While conservative forecasters are viewing 2004 in the 5.5% to 6.0% range, the National Economic and Social Development Board is forecasting scenarios of development in the 6.5% to 8.5% range, whereas Prime Minister Thaksin Shinawatra is confident of 8% in 2004 rising in 2005 to 10%. In the short run, government can achieve whatever GDP growth level it targets, by proactive stimulation of consumer demand along with its ambitious infrastructure investment strategies, for which Baht 1.5 trillion is to be spent over six years. However, this dynamic policy could run out of steam along the track, especially once interest rates rise, and the diversion of funding from other sectors results in fall-off of export growth and the return of current account surpluses into deficits.

The cost-of-living index is likely to indicate low levels of inflation for the foreseeable future, below 2% per year. However the National Economic and Social Development Board, with its much higher GDP growth forecasts, envisages a 2.3% inflation in the case of a GDP growth rate of 6.5%, rising to 3% if GDP growth hits the “best case” scenario of 8.5%. A strengthening baht, along with falling duty rates arising from AFTA and bilateral trade agreements, will cheapen imports. But conversely, exports will experience more challenging times, with higher productivity and more stringent cost control being the prime concerns for corporate budgets.

(information and commentary supplied by Dataconsult Ltd, operators of the Economist Thailand Regional Forum, and of the Thailand Corporate Finance Forum, peer group forums for CEOs and top-level management).

Fig 4

**Bangkok vs. Upcountry Companies
Manufacturing vs. Non-Manufacturing Companies**
Median Salary Increment by Levels of Seniority

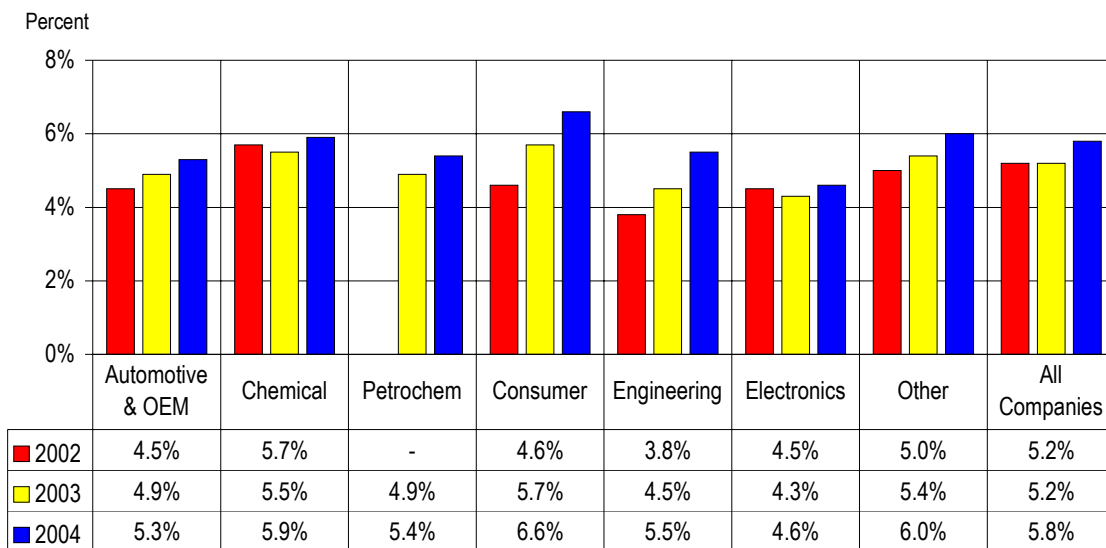


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 4, shows the majority of personnel in Upcountry companies received a larger salary increase than Bangkok personnel, except Operator/ worker, whose salary increase is 5.6%. Non-Manufacturing companies received a larger salary increase than the Manufacturing sector.

Fig 5

Base Salary Increment as January 2004 by Industry
Percentage of Salary Increment - Average



Source: MERC February 2004 Questionnaire to Survey Participants

Fig 5, Compared to 2003, salary increase across all sectors in 2004 are higher.

Fig 6

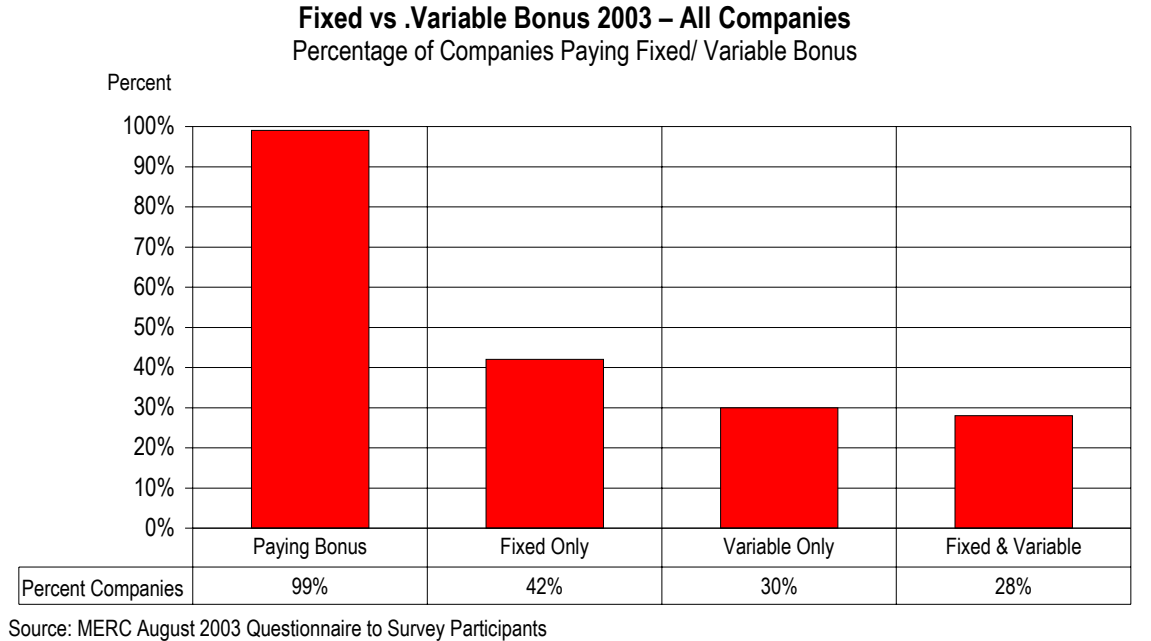


Fig 6. above shows only 1% of all companies not paying any bonus in 2003. The number of companies paying fixed bonus continues to decrease each year, whereas, variable bonus is on the increase.

Fig 7

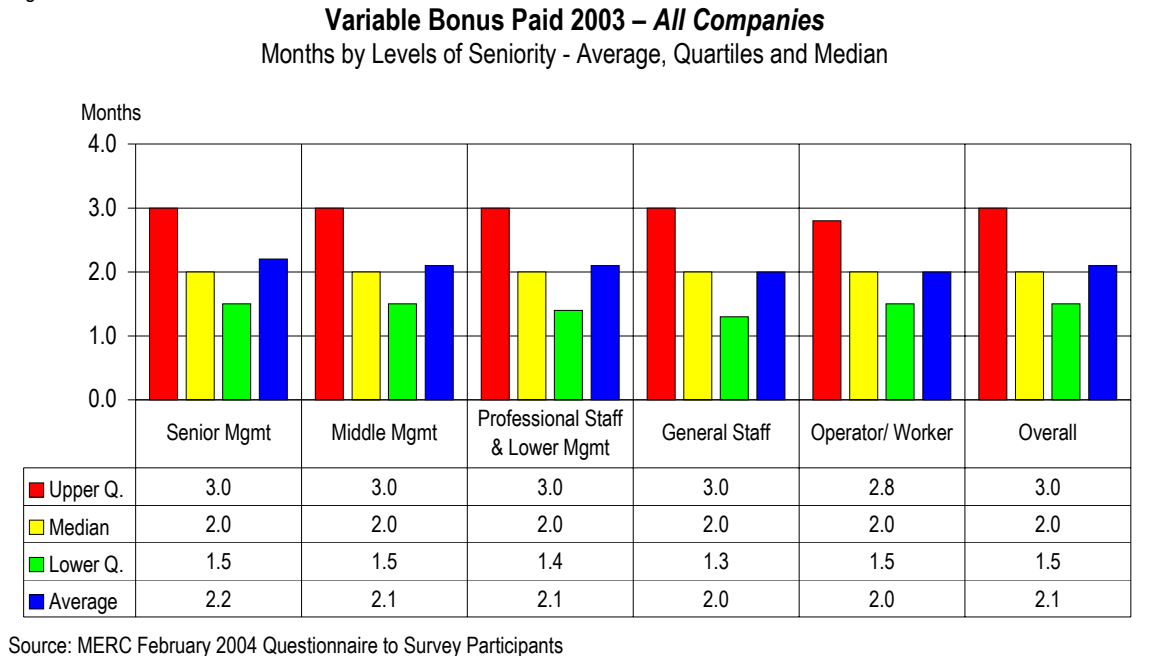
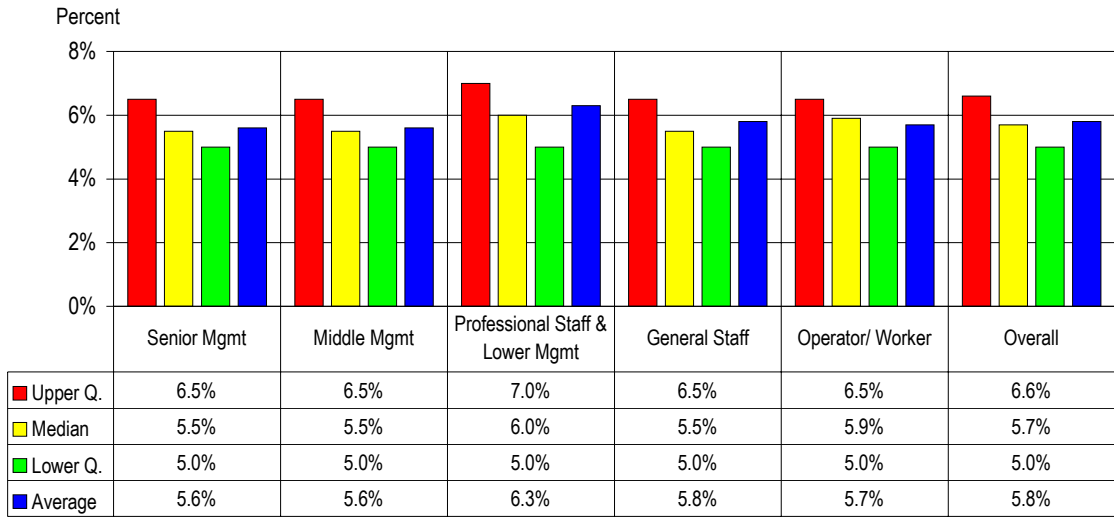


Fig 7, shows above is the variable bonus paid 2003 by All Companies for personnel by levels of seniority. Fixed bonus where paid is usually as a 13th month salary and quartile analysis of all companies in this survey confirms 1 month being paid.

Fig 22

Base Salary Increment 2004 - Bangkok Companies
 Percentage of Salary Increment – Average, Quartiles and Median

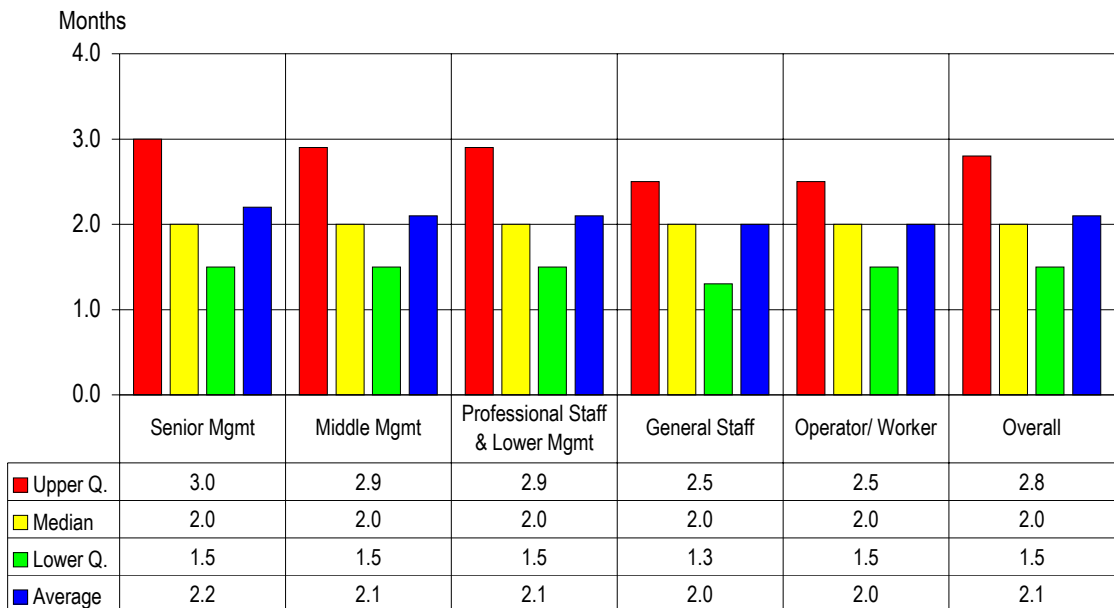


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 22, shown above is an analysis of the base salary increase for all companies located in Bangkok by seniority level.

Fig 23

Variable Bonus Paid 2003 - Bangkok Companies
 Months by Levels of Seniority – Average, Quartiles and Median



Source: MERC February 2004 Questionnaire to Survey Participants

Fig 23, shown above is the variable bonus for Bangkok companies paid in 2003 for personnel by levels of seniority.

Fig 24

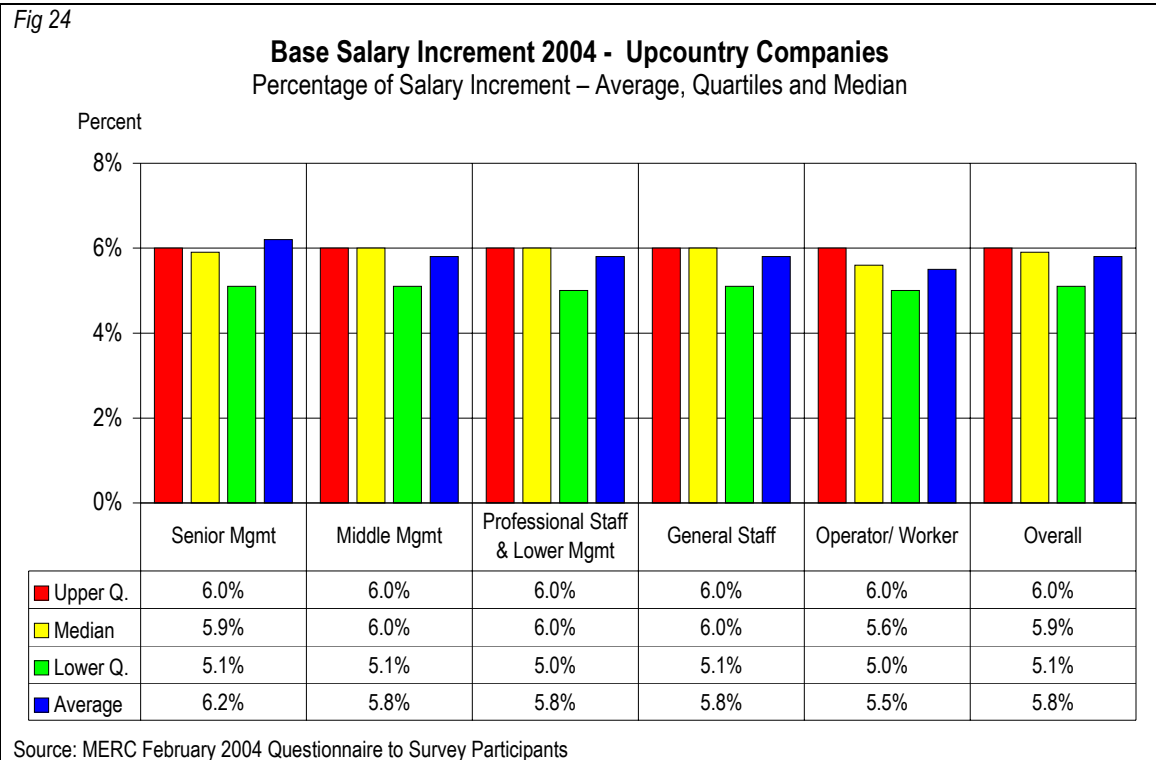


Fig 24, shown above is an analysis of the base salary increase for all upcountry companies by levels of seniority.

Fig 25

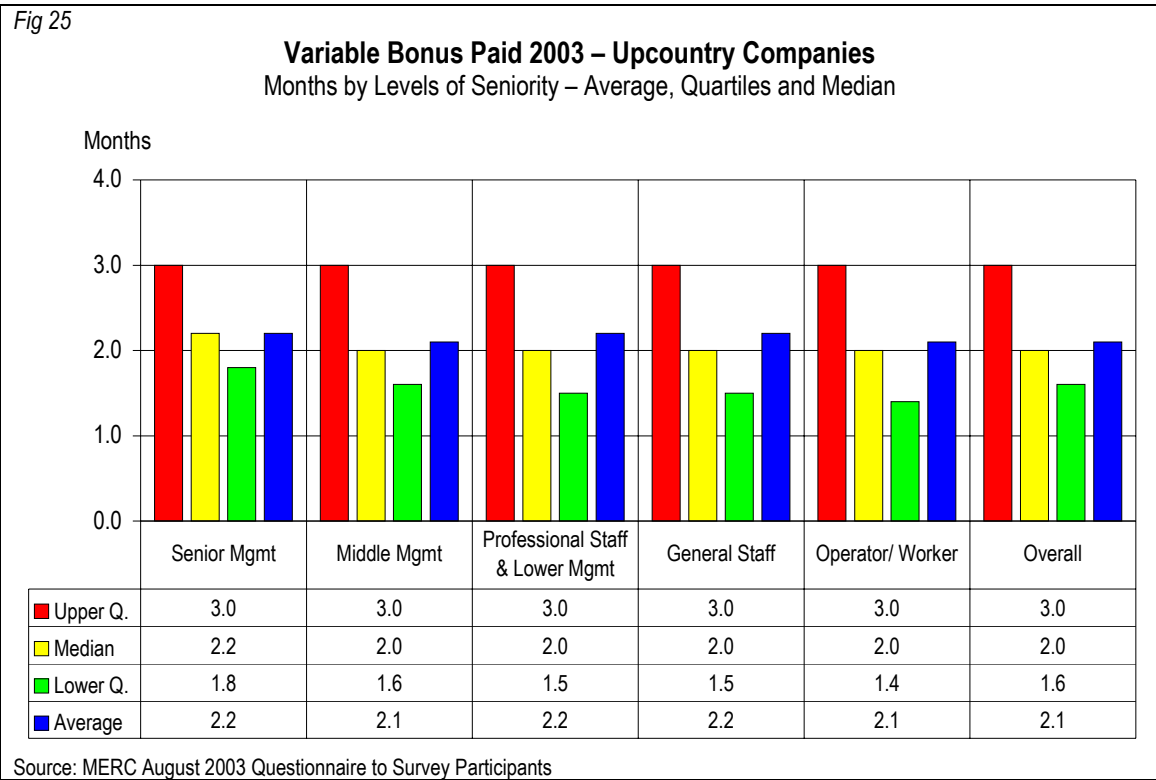
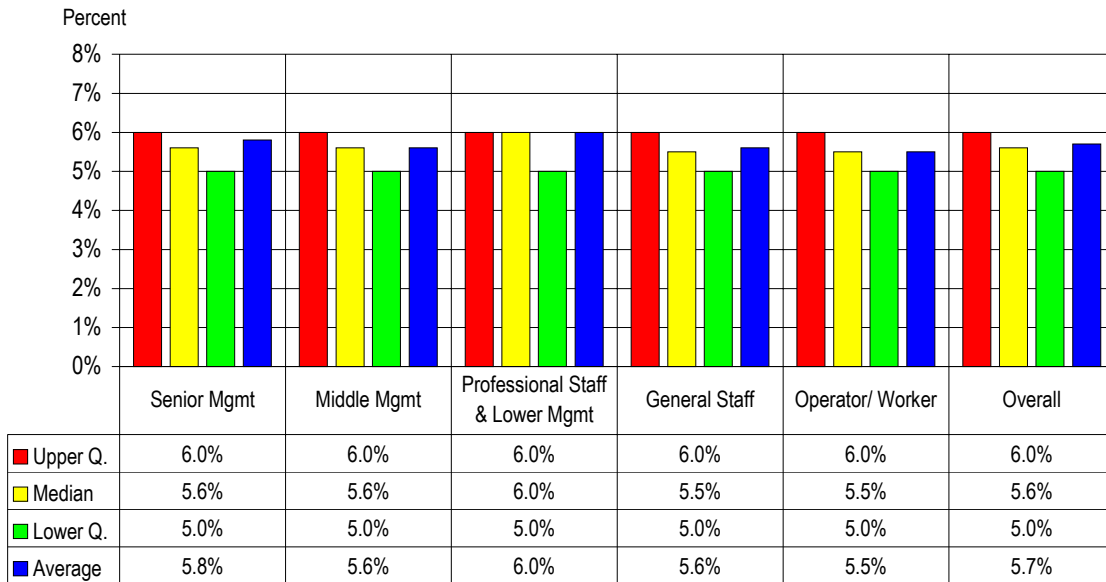


Fig 25, shown above is the variable bonus of 2003 forecast for upcountry companies for personnel by levels of seniority.

Fig 26

Base Salary Increment 2004 - Manufacturing Companies
 Percentage of Salary Increment – Average, Quartiles and Median

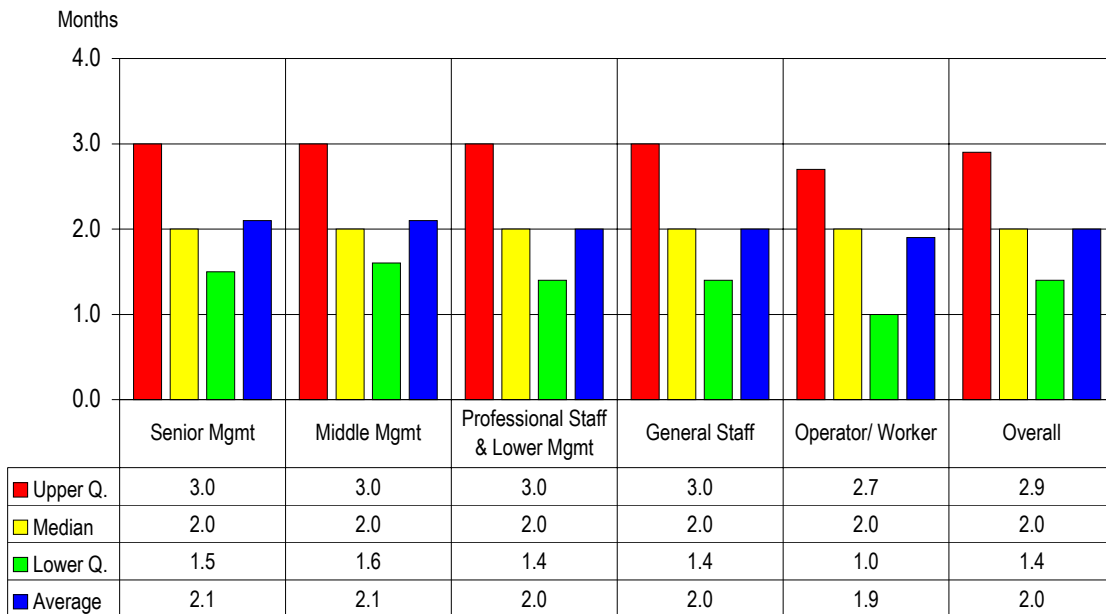


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 26, shown above is an analysis of the base salary increase for all manufacturing companies by seniority level.

Fig 27

Variable Bonus Paid in 2003 – Manufacturing Companies
 Months by Levels of Seniority – Average, Quartiles and Median

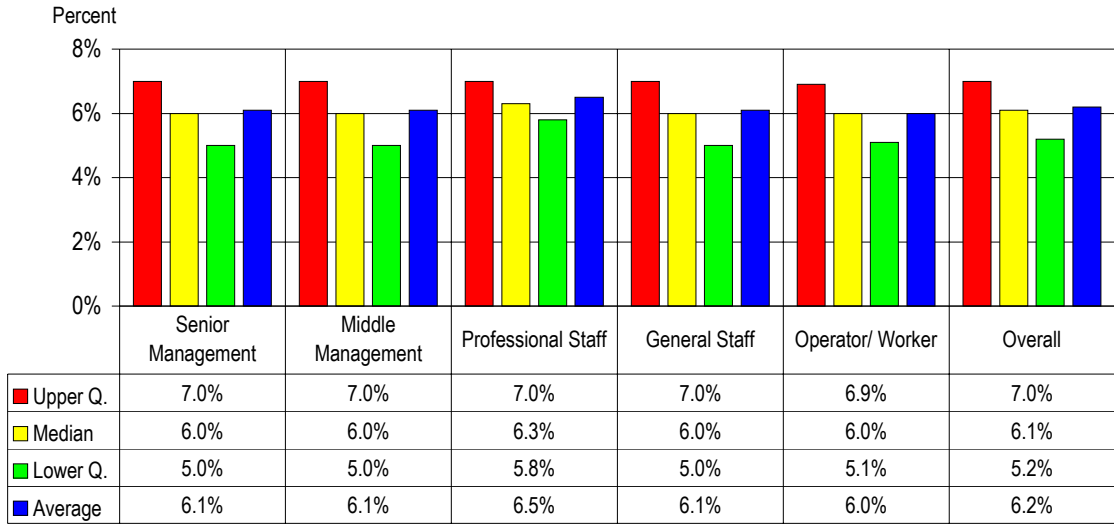


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 27, shown above is the variable bonus forecast for 2003 by manufacturing companies for personnel by levels of seniority.

Fig 28

Base Salary Increment 2004 - Non-Manufacturing Companies
 Percentage of Salary Increment – Average, Quartiles and Median

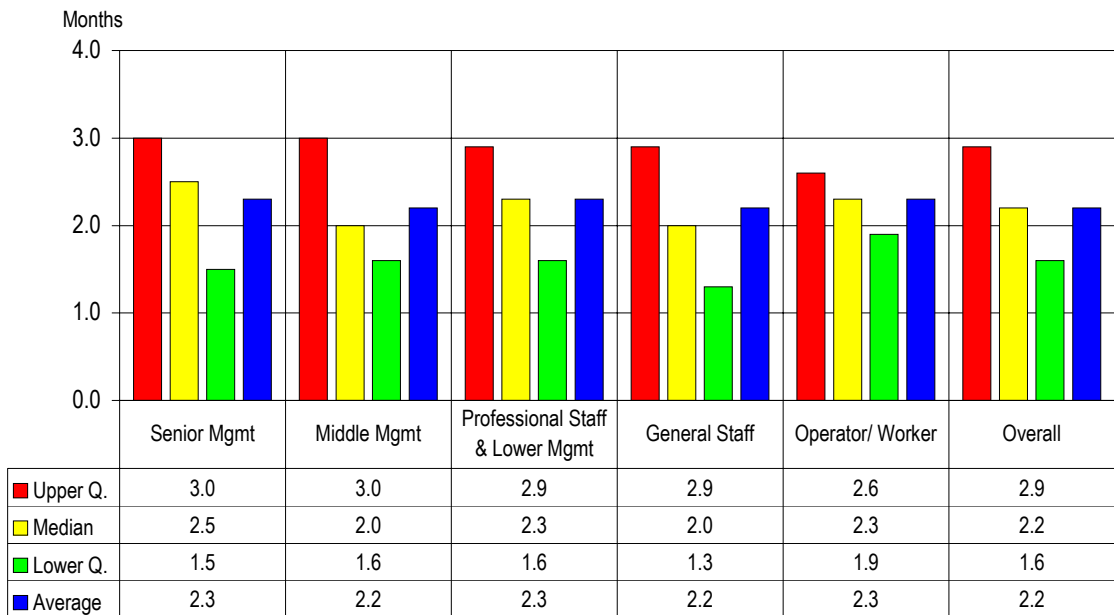


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 28, shown above is an analysis of the base salary increase for all non-manufacturing companies by seniority level.

Fig 29

Variable Bonus Paid 2003 – Non-Manufacturing Companies
 Months by Levels of Seniority – Average, Quartiles and Median

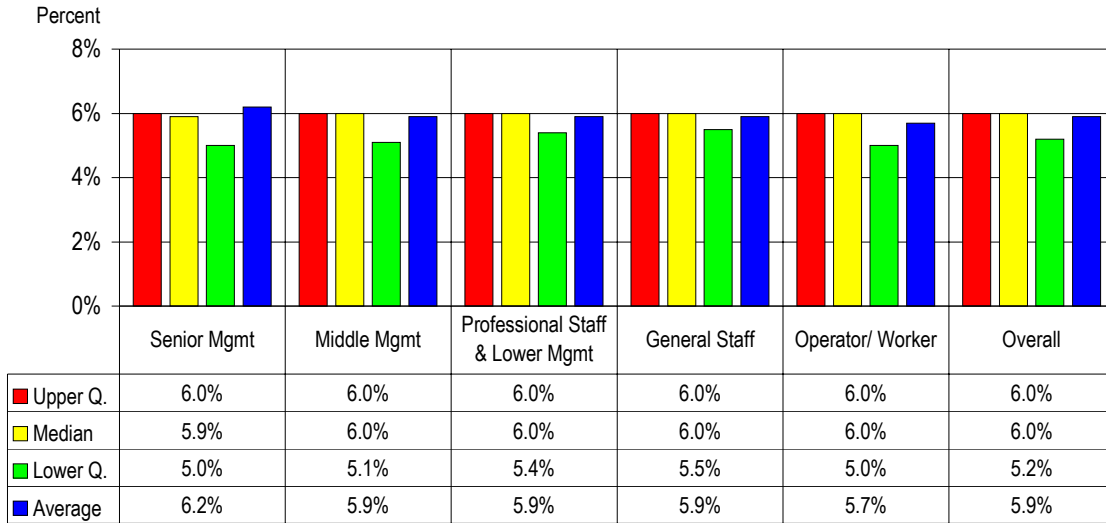


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 29, shown above is the variable bonus paid in 2003 by non-manufacturing companies for personnel by levels of seniority.

Fig 30

Base Salary Increment 2004 - Eastern Seaboard
 Percentage of Salary Increment – Average, Quartiles and Median

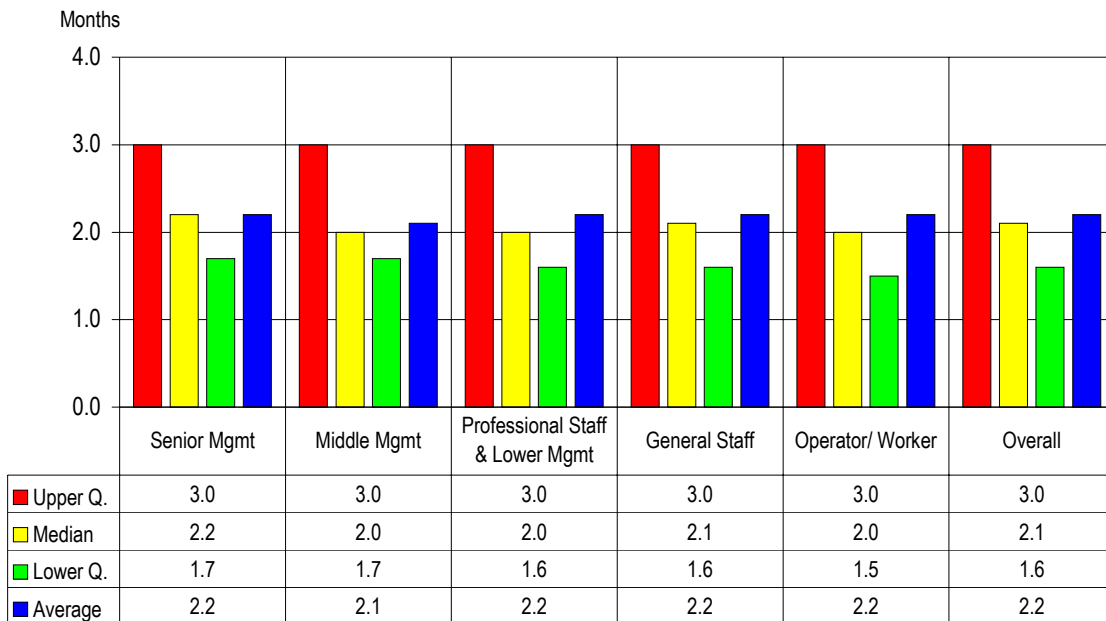


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 30, shown above is an analysis of the base salary increase for Eastern Seaboard by seniority level.

Fig 31

Variable Bonus Paid 2003 – Eastern Seaboard
 Months by Levels of Seniority – Average, Quartiles and Median

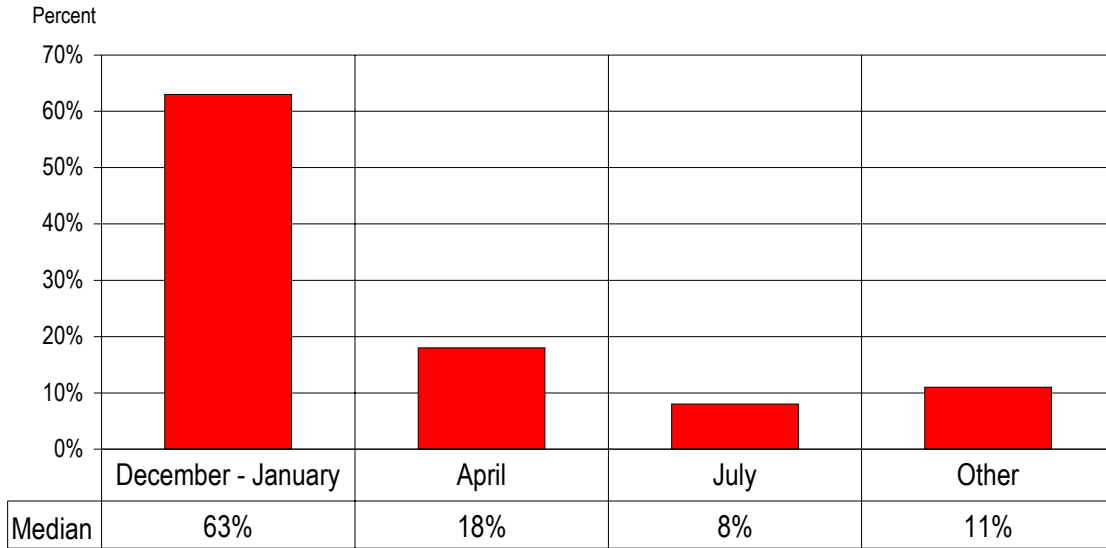


Source: MERC February 2004 Questionnaire to Survey Participants

Fig 31, shown above is the variable bonus paid in 2003 Eastern Seaboard for personnel by levels of seniority.

Fig 32

Annual Salary Review Date



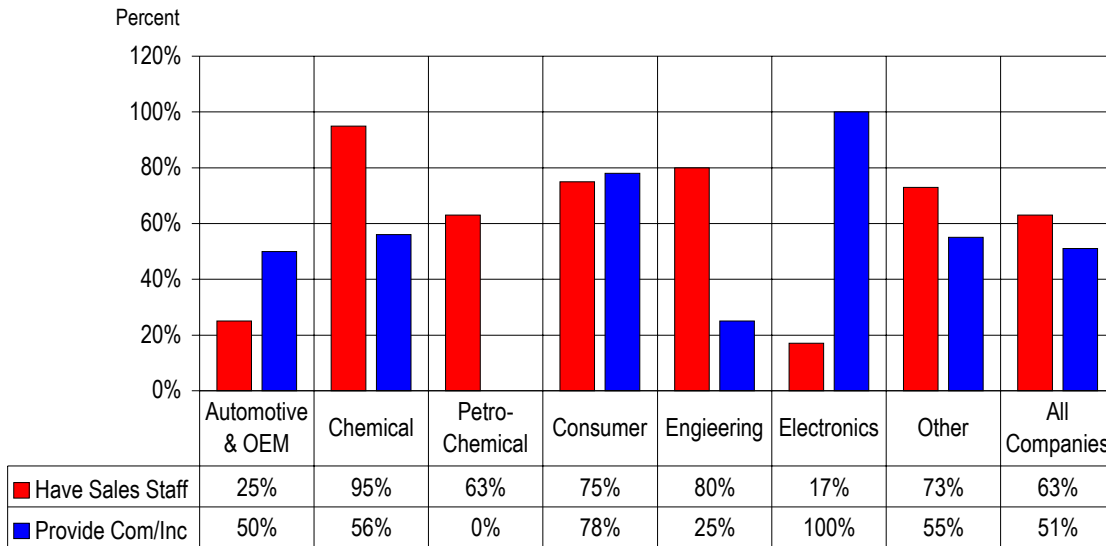
Source: MERC February 2004 Questionnaire to Survey Participants.

63% of the participating companies have their annual salary review at the end of the calendar year (December), effective January of the following year; 18% in April; 8% in July; and 11% at other dates during the year.

Fig 33

Companies Providing Sales Staff with Commission/ Incentives

Companies that have Sales Staff – Percentage of Companies with Commission/ Incentive Schemes



Source: MERC February 2004 Questionnaire to Survey Participants