

ASEAN-5

12 December 2024

Minimum wages set to be higher in 2025

- Minimum wages are set to rise across the region in 2025 and remain broadly supportive of consumption spending.
- Although policy makers in the region have been largely pragmatic regarding minimum wage hikes, recent trends have turned more mixed.
- The region remains primed for further FDI inflows and, as minimum wages rise, competitiveness considerations will become increasingly pertinent.

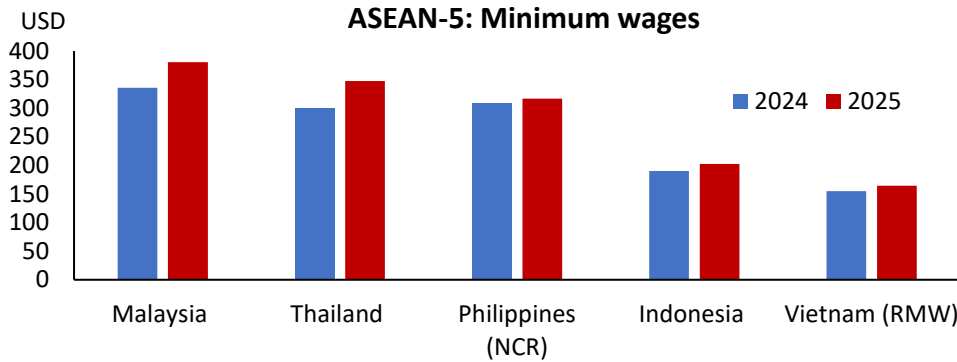
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Authorities in this region are in the process of finalising minimum wage increases for the coming year. For 2025, minimum wages increases have been broadly finalised for Indonesia, Malaysia and Thailand. Minimum wage increases for Vietnam and the Philippines took effect in July 2024 and we expect these wages to remain until the next round of potential negotiations in 2025.

Country	Minimum wage announcement for 2025	Date of announcement
Indonesia	President Prabowo announced a 6.5% increase in minimum wages for 2025	29-Nov-24
Malaysia	PM Anwar announced a 13.3% increase in minimum wages from February 2025	18-Oct-24
Philippines	Department of Labor and Employment (DOLE) working with regional administrations on wage increases. The wage increases for the National Capital Region (NCR) of ~6% was effective 17 July 2024	n.a
Thailand	The government plans to increase daily minimum wages to THB400 in 2025, i.e., ~15% increase from 2024 levels and to THB600 by 2027. The Joint Standing Committee on Commerce, Industry and Banking (JSCIB) is submitting a petition to delay the plan	8-Nov-24
Vietnam	Regional minimum wages were increased by 6% starting 1 July 2024	n.a

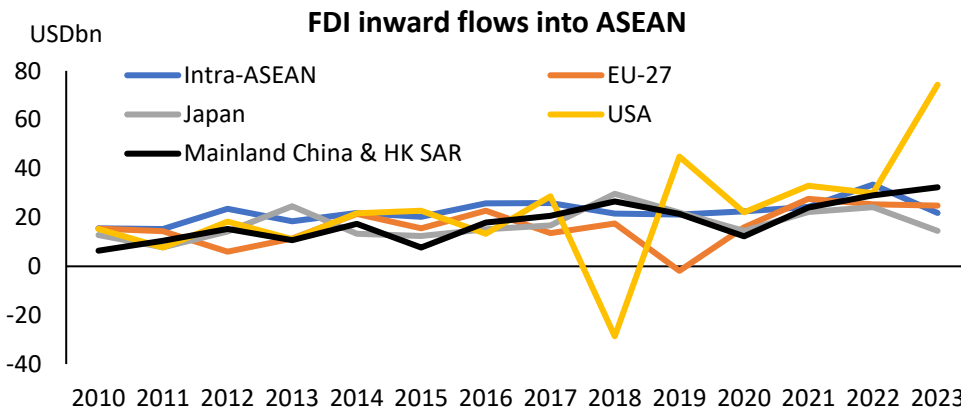
Sources: Jakarta Post; Ministry of Finance, Malaysia; Department of Labour and Employment, Philippines; Bangkok Post, OCBC.

Within the region, Vietnam’s minimum wages are still lower than regional peers while similar wages are the highest in Malaysia. The increase in minimum wages for the ASEAN-5 economies in 2025 are set to be higher than the expected rise in inflation. Put another way, real wages are likely to rise next year, which suggests that income growth is likely to remain supportive of broader consumption expenditures.



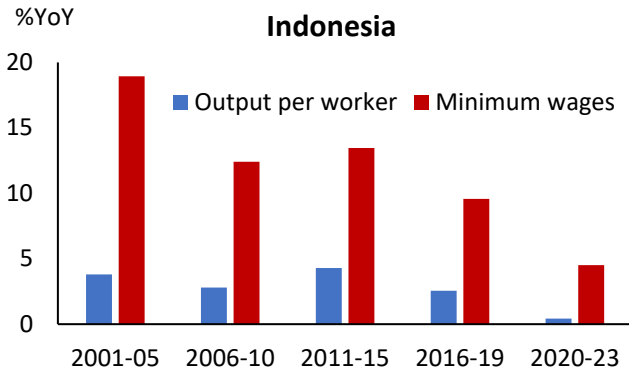
Source: Philippines DOLE; Vietnam Briefing; ASEAN Briefing; OCBC.
 For Vietnam, RMW stands for regional minimum wages. Monthly minimum wages are computed from daily wages for 30 days. The exchange rate used is as of 12 December 2024.

However, as minimum wages rise each year, there are crucial considerations to be given to overall competitiveness. The ASEAN-5 economies have been attracting FDI inflows from across the globe and remain primed for further inflows, geopolitical and tariff announcements notwithstanding. It is therefore crucial for wage increases to be commensurate with labour productivity increases, at least on average.

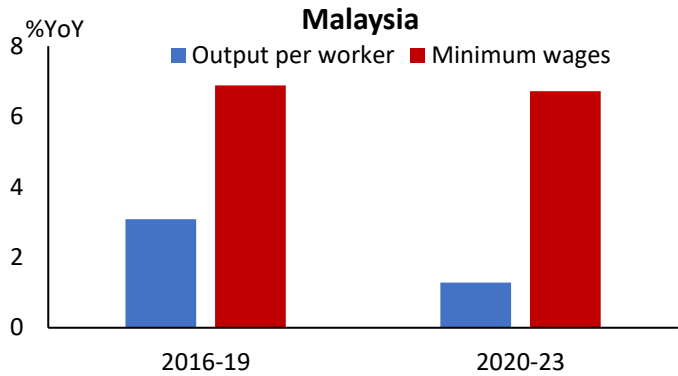


Source: ASEAN Secretariat; OCBC.

The evidence on this is mixed depending on the economy. For example, minimum wage increases in Indonesia have outpaced labour productivity, i.e., output per worker, growth. This is similar for Malaysia, where minimum wage increases have outstripped labour productivity growth. Malaysia introduced minimum wages in 2013, and the wage was initially set at MYR900/month in Peninsular Malaysia and MYR800/month in Sabah, Sarawak and the Federal Territory of Labuan.

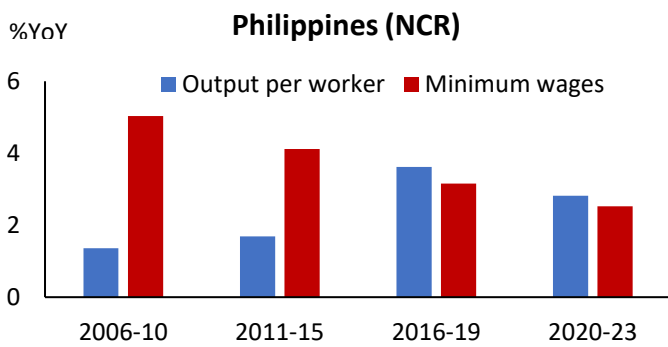


Source: CEIC; OCBC.

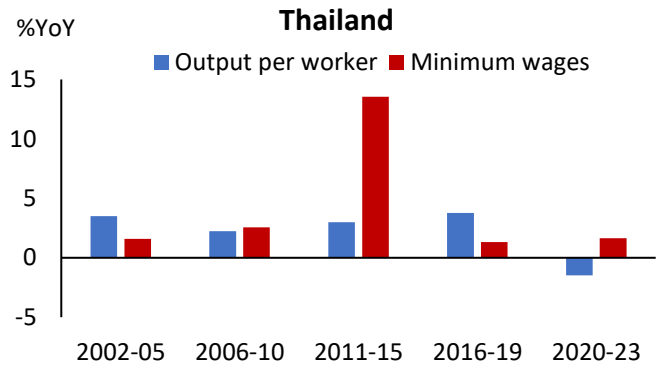


Source: CEIC; OCBC.

For the Philippines, recent minimum wage increases for the National Capital Region have been lower than productivity gains. For Thailand, labour productivity has declined in recent years compared to modest increases in minimum wages. However, the planned 15% increase in daily minimum wages for 2025 and further 50% increase from those levels in 2027 suggests that labour productivity and economic growth need to rise rapidly in coming years to validate the cost increases for businesses. Indeed, the wage increase of 15% to THB400 was already delayed from October 2024 to January 2025 and industry participants are looking to further delay the implementation¹.



Source: CEIC; OCBC.

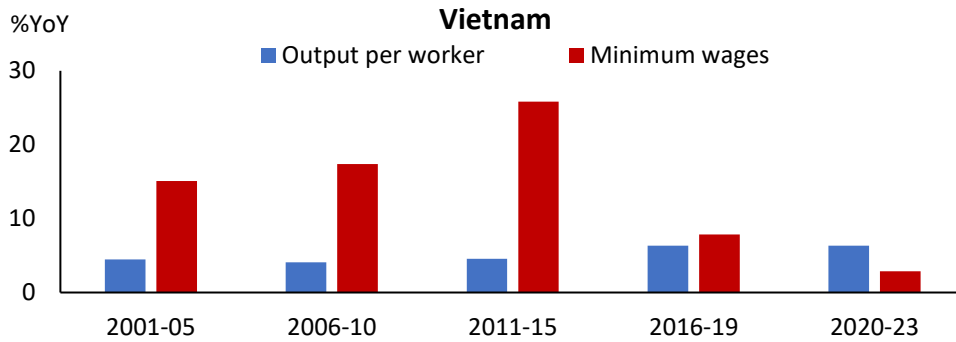


Source: CEIC; OCBC.

Meanwhile, for Vietnam, regional minimum wages rose sharply through to 2019. Although labour productivity growth, as measured by real GDP per employed person, did not keep pace with minimum wage rises, top-line strength in GDP growth and fundamental progress on economic reforms kept the broader attractiveness of the economy in check. More recently, minimum wage increases

¹ Panel aims to delay wage hike, *Bangkok Post*, 5 December 2024.

have been broadly in line with labour productivity growth, reflecting a pragmatic approach to minimum wage changes.



Source: CEIC; OCBC.

In conclusion, higher minimum wage across the ASEAN-5 region will remain supportive of consumption in 2025. However, as the region remains focussed on attracting further FDI inflows, an important consideration for minimum wage increases would be whether they are commensurate with productivity gains. The minimum wage increases pencilled in for next year suggest that labour productivity gains will need to be larger in 2025 compared to the recent few years.

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