

Navigator

Now, next and how for business

Thailand

Thailand

Optimistic Thai firms prepare for “Thailand 4.0”

Thai firms are benefiting from a positive external picture, but the relative strength of the baht is a concern for exporters’ competitiveness. This optimism is reflected in the HSBC Navigator survey, with more than nine out of ten (92%) of Thai businesses having a positive outlook on the global trade environment.

What is happening now

Thai firms on track for another record year

Thailand’s recovery has maintained good momentum so far this year, helped by strengthening domestic demand. Although goods exports have slowed amidst softening external demand and continued strength in the baht, services exports should perform well this year. Although tourist arrivals suffered a setback in Q3 after the sinking of two tourist boats in early July, an expected rebound in Q4 should ensure growth is solid for the year as a whole.

The HSBC Navigator survey indicates that Thai businesses are optimistic about their prospects, with 92% of respondents reporting a positive view on the outlook for international trade. Respondents identified rising consumer confidence as a key factor boosting their optimism (50% of respondents), with global economic growth also frequently cited as a positive influence (44%). Thai companies are noticeably more confident that they will succeed in the current international trading environment than the global average (96% of Thai respondents compared to 81% globally). China and Japan are Thailand’s largest trading partners and they were most frequently cited in the survey as key markets where businesses are looking to expand (Fig. 1).

Fig. 1: Which are the top 3 markets where your business will look to expand in the next 3-5 years? (Share of respondents identifying each market)



Source: TNS Kantar

How your business can respond

- ◆ Ensure you understand the potential indirect impacts on your supply chain of the US-China trade dispute.
- ◆ Examine potential opportunities for your company to gain market share as international trade flows shift in response to global protectionism.

Policy Developments

Potential new trade deals on the horizon

With the promise from the military government to hold elections in coming months, Western governments have initiated a gradual political re-engagement with Thailand. This includes the prospect of reinvigorating stalled negotiations on a free-trade agreement with the EU. The EU is currently Thailand’s third-largest trade partner, after China and Japan.

Still, Thai businesses also appear acutely aware of rising global protectionism. Survey responses show that more than four fifths (81%) of Thai companies feel that foreign governments are becoming more protective of their domestic businesses, a significantly higher proportion than the global benchmark (63%).

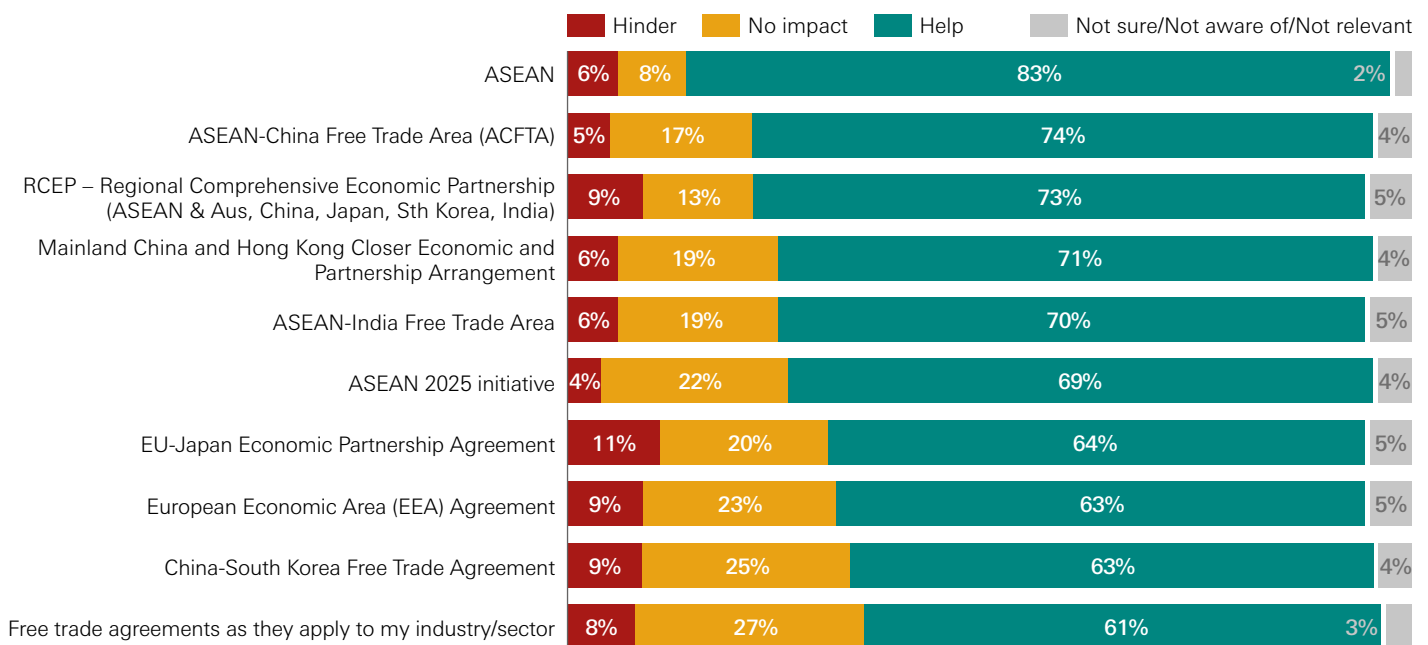
Thailand’s business environment is generally favourable, with the World Bank ranking the country 26th out of 190 countries in its **Ease of Doing Business** report (2018). Moreover, our survey indicates that Thai businesses feel that domestic policymakers keep them well informed and engaged with regulatory developments. Almost all respondents (94%) reported that their business has the ability to influence the development of regulations, well ahead of the global average (62%). Focussing on the impact of regulations, attitudes were more mixed, with 42% of Thai respondents reporting that they increase the competitiveness of their business, but 31% of respondents noting that they increase the cost of doing business.

Most respondents (83%) believe membership of ASEAN has a positive influence on their business prospects (Fig. 2), with almost three-quarters (74%) also having a positive view of the ASEAN-China FTA. There does appear some concern over the EU-Japan Economic Partnership Agreement, with 11% of respondents saying it hinders their business, which may reflect the potential for trade diversion away from Thai businesses.

How your business can respond

- ◆ Consider partnering with local companies to support your strategy of diversification into new markets.
- ◆ Engage with policymakers and allow adequate space to embrace ongoing development of the regulatory regime.

Fig. 2: Relevance and impact of policy developments in the next 3 years



Source: TNS Kantar

*May not total 100% due to rounding

What is happening next for business strategy

A digital future for Thai companies

Respondents to the HSBC Navigator survey most frequently cited an increased emphasis on digitisation (41% of responses) as the key action being taken to influence their company strategy (Fig. 3). These developments are also being encouraged through the “Thailand 4.0” initiative, which aims to build a modern economy focussed around innovation and technology.

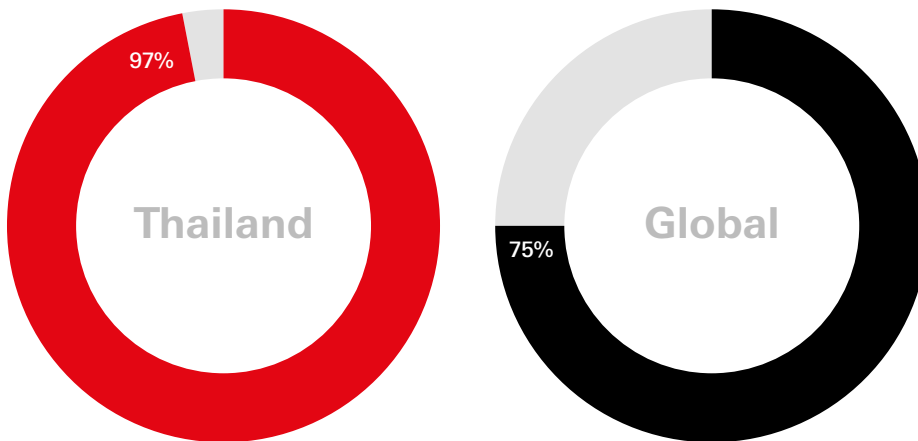
Data and analytics are already frequently used to optimise performance, with 97% of Thai respondents reporting their use compared to 75% of companies globally (Fig. 4). The data sets most frequently used by respondents were operational (60% of respondents), market (58%) and transactional data (57%). The majority of Thai companies were also positive on the potential benefits of new innovations, with additive manufacturing (84% of respondents) and the Internet of Things (78%) most frequently identified as offering business opportunities. Conversely, firms were most frequently concerned about the impact of increasing demands for customer information (21% of respondents).

Fig. 3: Top 3 actions for future company direction



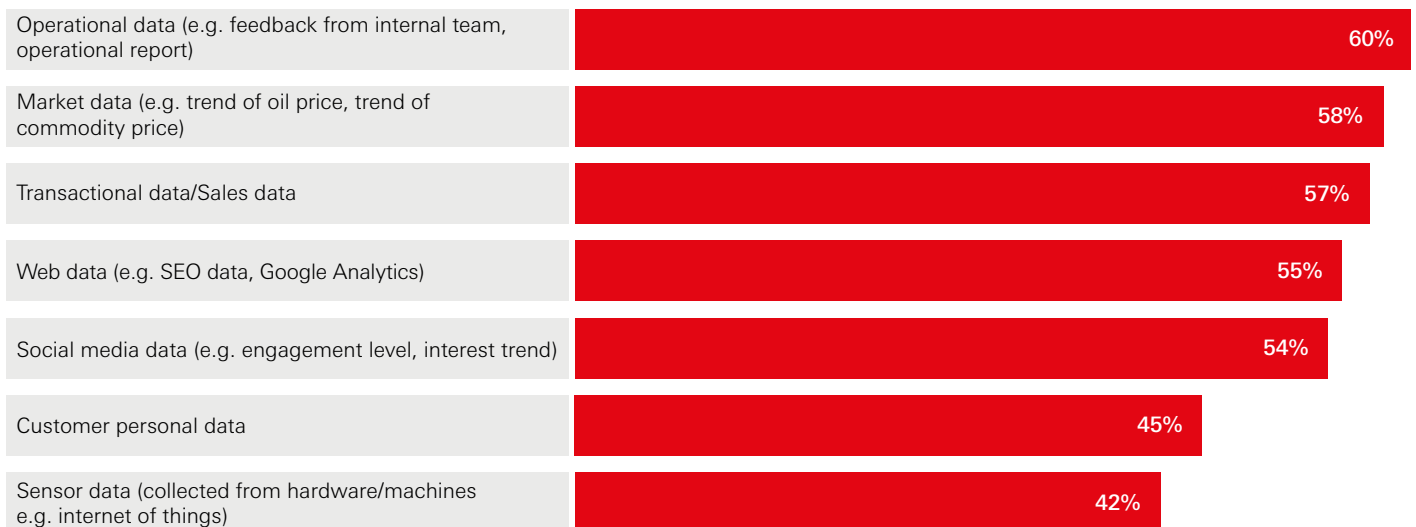
Fig. 4: Using data in business

Share of respondent firms using data to optimise performance



Source: TNS Kantar

Data sets currently being used



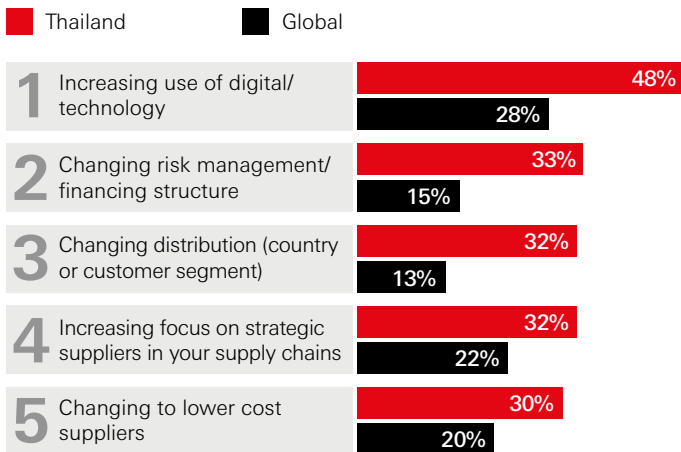
Source: TNS Kantar

Goods exporters confident on supply chain outlook, services could be looking to relocate

Focussing on supply chains, the most commonly planned change identified by goods producers was increased use of technology (Fig. 5). Other frequently planned changes included adjustments to risk management practices and changes to distribution strategies. This may reflect concerns over the knock-on impacts of the US-China trade dispute, given the importance of Chinese demand for intermediate goods as a driver of Thai exports.

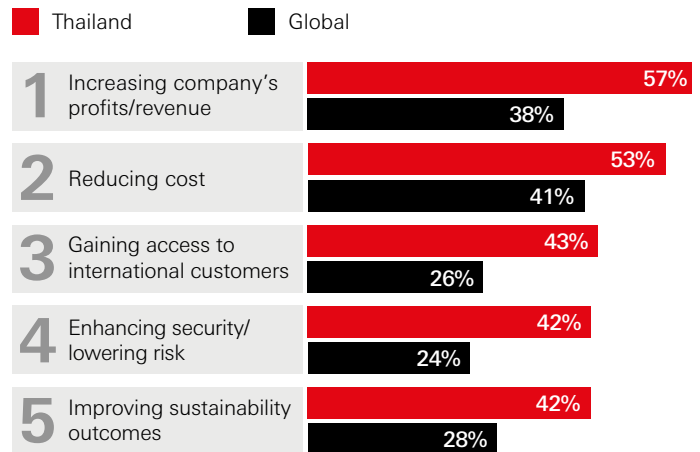
Fig. 5: Supply chain changes for goods

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes

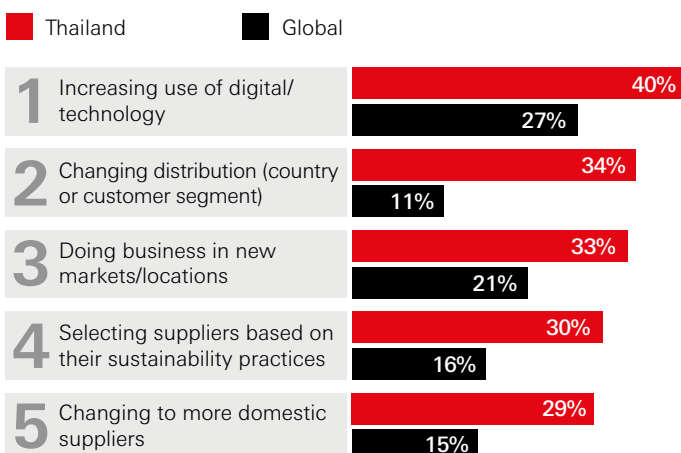


Increasing profits and reducing costs were the most frequently cited objectives of planned changes to supply chains. Only a very small proportion (1%) of goods producers claim that ethical and environmental standards are not a focus for their company.

Increasing use of technology also ranks as the most frequently planned change to supply chains in the services industry (Fig. 6). But services companies are more likely than goods firms to aim at doing business in new markets. With services exports dominated by tourism, this may reflect a desire to diversify the appeal of Thailand as a holiday destination. Ethical and environmental sustainability is also seen as an important consideration for the service sector, with very few (4%) respondents reporting that it is not a focus for their company.

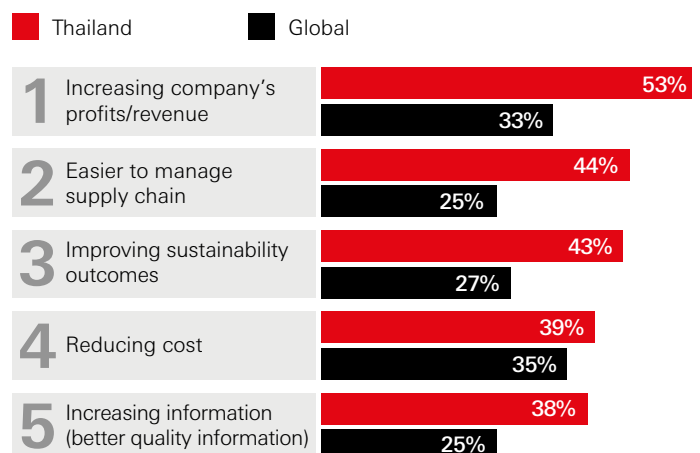
Fig. 6: Supply chain changes for services

Top 5 planned supply chain changes in the next 3 years



Source: TNS Kantar

Top 5 objectives behind the changes



About HSBC Navigator Thailand

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar TNS. It is compiled from responses by decision-makers at over 8,650 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 34 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Thailand. Global results are based on an average of the 34 markets (using weights based on each market's share of world trade). The survey was conducted over a six-week period from July to September 2018.

Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

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