

HSBC Navigator: Thailand in Focus



HSBC

Opening up a world of opportunity

Thailand

General positioning

Thailand is seen by international companies as a strong destination for investment. It was the most popular choice for companies planning expansion into new Southeast Asian markets, with 23% intending to enter Thailand in the next 2 years. It was also the second most preferred Southeast Asian market for expansion after Singapore, for foreign firms who already have operations on ground (37%).

Confidence in Thailand is therefore high. It was rated second only to Singapore across a range of key areas of economic and governmental performance. It was seen to have weathered the storm well; 27% of international companies agreed that Thailand has handled the COVID-19 pandemic effectively, placing it second only to Singapore for the quality of its response (27%). On the technological front, Thailand was seen as having particular strength in biotech, where 17% of respondents stated it was a leading Southeast Asian country, and edge computing, where 14% did so.

Opportunities/attractions

Competitive wage prices, increasing domestic consumer income/wealth, and a growing digital economy were all seen as particularly attractive in encouraging greater investment into Thailand. 1 in 3 international companies with Thai investments mentioned the wage advantage, 29% pointed to increasing domestic wealth, and 28% raised the digital economy (Figure 1).

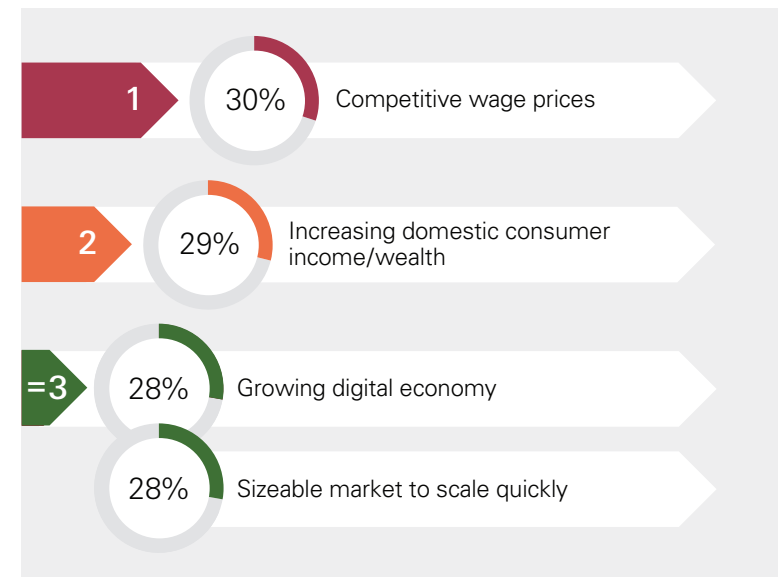
Challenges

International companies operating in Thailand were most likely to find financial stability, pandemic related supply challenges, and talent resourcing to be particularly challenging; 34%, 33% and 32% of them respectively found these to be of concern.

Chinese companies had particular concern regarding the perception that Thailand lags behind other regions in terms of ESG credentials; 48% of Chinese executives raised this, making it second only to their concerns regarding Thailand's financial stability.

Figure 1.

What makes Thailand particularly attractive for business expansion?



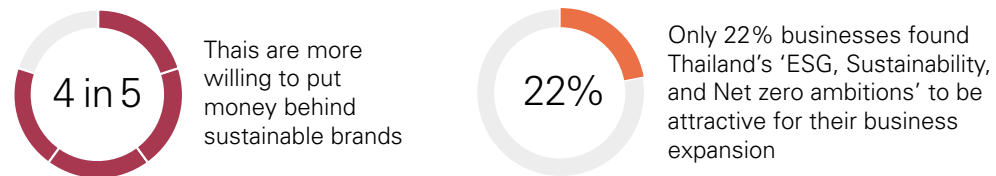
Thailand was the most popular choice for companies planning expansion into new Southeast Asian markets.

Sustainability Considerations

Both state and society in Thailand demonstrate clear belief in ESG principles. Initiatives such as the launch of Thailand's first Sustainability Bond in August 2020 illustrate government commitment to the ESG agenda, while in wider society external research indicates 4 in 5 Thais are more willing to put money behind sustainable brands (Figure 2). With foreign brands dominating Thailand's sustainability space, this is a large opportunity for international businesses.

Nevertheless, international companies are mainly drawn to Thailand by other factors. Thailand's 'ESG, Sustainability, and Net zero ambitions' were seen as the least attractive attribute of the market by our respondents, with only 22% stating that these would make it attractive for their business expansion (Figure 2).

Figure 2.



Conclusion

International businesses are planning for strong expansion into Thailand, which was seen as the leading destination for expansion by the companies participating in our survey. As Thailand's economically influential tourist trade recovers to its pre-pandemic norm, the spending habits of foreign tourists will also play an important role in facilitating Thailand's short-term prosperity.

Overall Conclusion

Despite the shadows cast by the global pandemic and other market uncertainties, international companies view the coming years as a period of great promise for Southeast Asia. A market of more than 600 million people, increasingly affluent and increasingly educated, with a startup scene that rivals any other in the world, Southeast Asia is indeed brimming with potential. To convert these opportunities, businesses need to invest to improve their sustainability and better harness the power of technology – not to mention better understand the intricacies and benefits free trade agreements have to offer in the region.

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Methodology for the Report:

Survey with n=1,596 businesses with turnover of \$5M USD or more from 6 markets globally including China, India, UK, France, Germany, USA, conducted 11-15 March 2022. Survey respondents were key decision-makers from companies already doing business in Southeast Asia or those considering doing so. Please note percentages have been rounded and as a consequence may not add up to 100%.

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