

Global Connections: Connecting Thailand and the world

September 2023

Thailand

General positioning

Thailand is an important market for the international businesses in our survey, with 37% of the sample already operating in the country. These companies are also likely to have operations in other major ASEAN markets: 50% also operate in Singapore, 41% in Malaysia and 39% in Indonesia. German companies are especially well represented: 45% of the German companies in our survey report having operations in the country.

A quarter (24%) of companies with current operations in Thailand plan to prioritise growth there over the next two years. Among those multinational firms without current operations in Thailand, 18% are planning to enter the Thai market over the next two years.

Businesses who currently have operations in Thailand plan to prioritise growth there over the next two years

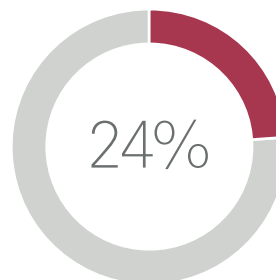


Figure 1

Opportunities and attractions

Thailand has been a major manufacturing hub since the 1990s, and it remains a critical component of many global supply chains. The international businesses in our survey rate Thailand's skilled workforce as the most attractive feature of the market, with 28% of them stating that it made further expansion there particularly attractive. The drivers of expansion plans, however, are shifting. For instance, competitive wage prices which

ranked as the primary driver in 2022, has seen a decrease from 30% to 25% in the 2023 survey.

Thailand's growing digital economy is considered to be one of its the most attractive features, with 27% of companies with Thai operations identifying this as supportive for their expansion. The same percentage are attracted by Thailand's young population and demographics. (Figure 2)

Top 5 reasons why Thailand is attractive for business expansion



Figure 2

Thailand

Challenges

The top issue noted by foreign companies operating in Thailand is one of culture; for 31% of foreign firms, the local language and ways of doing business are particularly challenging. Closely following culture as a source of particular challenge are issues around staffing and regulatory change. 30% of foreign firms operating in this market see problems in finding the right talent for their local needs; and 30% note the challenge posed to their business by the fast pace of regulatory and policy change.

The main challenges have again shifted since 2022, when broader macro-economic challenges and supply chain challenges due to the pandemic were the most serious issues facing international businesses. While supply chain constraints have eased with the passing of the Covid-19 pandemic, some pressures remain. Executives in US and Chinese firms operating in Thailand were especially likely to point to disruptions in the availability and cost of supplies as particularly challenging issues. A third of Chinese companies operating in the Thai market flagged this as a concern, as did 29% of USA companies.

Digitisation

35% of the businesses who joined our survey expect technology to drive a substantial increase in economic growth in Thailand over the next 10 years. German and French companies are especially bullish on this point; 39% of Germany respondents and 32% of French respondents believe they will see such growth. International businesses are expecting advances in technology to transform many aspects of their operations in Thailand. 44% expect a significant impact in security and cybersecurity, while 42% predict technology will transform research and development and payments. AI (Artificial Intelligence)

and machine learning (38%) and digital payments (35%) are seen as the most transformative for companies operating in Thailand over the next 10 years. More than four in 10 (41%) respondents, however, say they lack skilled personnel to digitise their organisation.

Sustainability considerations

Thailand's importance to European supply chains is reflected in the priorities of businesses operating in the country. Supply chain due diligence is a particular focus, with 44% saying they are reviewing the sustainability credentials of their suppliers. Following the introduction of due diligence regulations in Europe, notably with Germany's supply chain law coming into force in January 2023, this has risen to the top of the priority list for businesses operating in Thailand. Support for local communities – the top sustainability priority in Thailand in our 2022 report – remains important, with 42% prioritising this over the next 12 months.

Three quarters of international companies operating in Thailand are already spending at least 5% of their operating profits on sustainability initiatives. However, there are challenges: nearly a third (29%) of international companies in Thailand worry that new regulations and rules on carbon reduction could harm their business. 28% also indicated a belief that Thailand lags behind other countries in regard to its green credentials.

The ability to hire employees with sustainability expertise remains the main barrier to action on sustainability for those operating in Thailand, with 36% of businesses citing this hurdle.

Conclusion

Our survey demonstrates that international businesses are accelerating their growth in the ASEAN region. To do so, they are embracing M&A activity, expanding into new markets, and investing heavily in technological innovation. Given its strength as a manufacturing hub backed by a skilled workforce, Thailand remains a critical component of many global supply chains.

With a high emphasis placed on human capital, labour costs, and labour relations, international business perceptions of ASEAN markets remain dominated by its role within production-related and operational segments of corporate value chains – but with personal affluence continuing to grow, regional markets offer increasingly large opportunities for consumer-facing businesses.

Methodology

Online survey conducted from 25th July to 2nd August 2023 with n=3,509 businesses with turnover from USD5 million giving us a global sum of over USD3 trillion across 9 markets (China, India, UK, France, Germany, USA, Australia, Hong Kong, and GCC countries (UAE, KSA, Bahrain, Qatar, Oman or Kuwait)). Results were weighted to ensure an equal representation and by company size to ensure

comparability for trended countries. The languages used were English, German, French, Arabic, and Chinese (Simplified). 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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