

Navigator

Now, next and how for business

Thailand



Together we thrive

Overview

Thailand stands strong

In Thailand, businesses remain confident, undeterred by an uncertain trade environment and downtrodden economic conditions. Though a strong baht has affected export performance and tourism¹, this hasn't dampened enthusiasm for the country's economic prospects. In August 2019, the Thai government announced a USD10 billion economic stimulus package² that many believe will provide an extra boost to the economy.

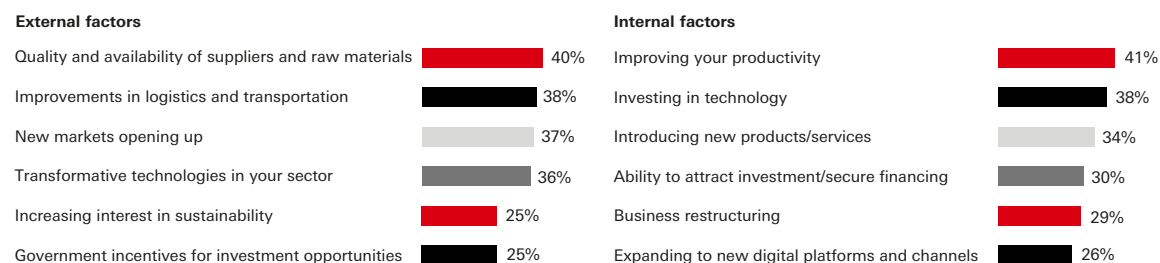
State of play

Optimism at home and abroad

Thai business leaders' growth expectations for the short and medium-term surpass those of their peers in other parts of Asia-Pacific (APAC) as well as globally. 32% of Thai businesses are high-growth companies, meaning they expect to grow by 15% or more in the next year.

The overwhelming majority of Thai businesses are also upbeat about their prospects for global trade, though corporates have become slightly more conservative about their forecasts over the last one to two years. China and Japan remain Thailand's most important trading markets, while trade with the US is also increasing.

Key contributors to expectations of sales growth over the next year



What you need to know

- 1 32% of Thai businesses expect to grow by at least 15% in the next year, compared to 22% globally.
- 2 92% of businesses expect growth to continue over the next five years.
- 3 Improvements in productivity (cited by 41% of Thai companies), the quality and availability of suppliers and raw materials (40%) and investment in technology (38%) are among the key factors fuelling business optimism.

What your business can do



Focus on productivity. This is the factor most Thai businesses see as critical to growth.



Consider moving into new markets. 33% of Thai companies are adopting this strategy to counter potential threats.



Look beyond your own operations. 27% of Thai businesses are reviewing their suppliers or investing in higher quality raw materials.

¹ <https://www.thephuketnews.com/panel-slashes-gdp-forecast-yet-again-73116.php#k5z1zPz3vX82CmtH.97>

² <https://www.ft.com/content/2e8749e0-c22c-11e9-a8e9-296ca66511c9>

Trade outlook

A source of growth, a force for good

Thai business leaders are resoundingly positive about prospects for international trade. 94% of companies have a sunny outlook, with smaller firms and service businesses even more enthusiastic. Thai businesses are also more likely than most to see international trade as a force for good, with nine in 10 (94%) believing it will drive innovation, provide new business opportunities (93%) and raise incomes (91%).

China is ahead of Japan and the US as the most important trading partner for Thai firms, who are attracted primarily by the availability of new suppliers and partners in China as well as for its culture of innovation.

Markets such as Singapore and Australia have also increased in importance for Thai businesses. Meanwhile Thai companies that are predicting strong growth are also targeting markets further afield such as Canada, Austria and France.

Future trading expansion markets over the next three to five years

Asia-Pacific

1.	Mainland China	28%
2.	Japan	22%
3.	Hong Kong	14%
4.	Vietnam	10%
5.	Australia	8%
6.	Cambodia	8%

Europe

1.	France	9%
2.	United Kingdom	6%
3.	Austria	5%
4.	Belgium	4%
5.	Germany	3%
6.	Italy	3%
7.	Switzerland	3%

North America

1.	United States	18%
2.	Canada	8%
3.	Mexico	3%



What you need to know



China and Japan are Thailand's top two trading partners.



29% of Thai businesses plan to trade in Europe over the medium term, and 25% in North America.



Thai traders are most attracted to countries that encourage innovation or provide a gateway into a neighbouring region.

What your business can do



Think about the US. 18% of Thai companies plan to expand there in the next three to five years.



Digitise your supply chain. Faster speed to market (cited by 41%) and better access to international customers (38%), are the top benefits that Thai firms are looking to achieve through supply chain transformation.



Seek out partners in countries that plan to strengthen their trade with Thailand, notably Malaysia, Singapore and Indonesia.

Protectionism and geopolitics

External challenges force firms to get creative

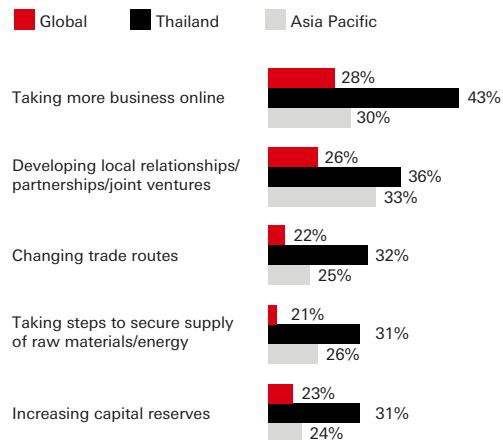
Thai businesses are feeling the impact of geopolitics more strongly than companies affected in any of the other markets surveyed.

Businesses have been creative in finding ways to address these challenges. Four in 10 (43%) have turned to online business models. Around a third (36%) have developed local partnerships, and a similar proportion have changed trade routes. These initiatives are more widespread in Thailand than globally.

Thai businesses also feel the effects of protectionism more heavily than their global counterparts. 84% of businesses feel that governments in their trading markets are becoming more protective of domestic businesses.

Protectionist measures like rising tariffs, tougher regulations and restrictions on foreign ownership are the most commonly cited downward effects. However, there are two sides to the coin. Of those who see protectionism as a trend, two-thirds of Thai businesses believe it works in their favour.

Ways in which businesses are coping with geopolitics



What you need to know



Almost nine in 10 (88%) Thai businesses feel the impact of geopolitical uncertainty; 35% feel this very strongly compared with 25% worldwide.



Two-thirds (66%) of Thai companies believe they make a net gain from protectionism, compared to 11% that feel an overall adverse impact.



Cutting costs (cited by 36%) and entering joint ventures with local companies (35%) are the most common responses to protectionism cited by Thai businesses.

What your business can do



Consider taking more business online. 43% of Thai businesses are adopting this strategy in response to trade tensions.



Join forces. Partnerships are among the most common solutions to overcome protectionism and geopolitics.

The sustainable future

Enthusiasm and hurdles on the road to better business

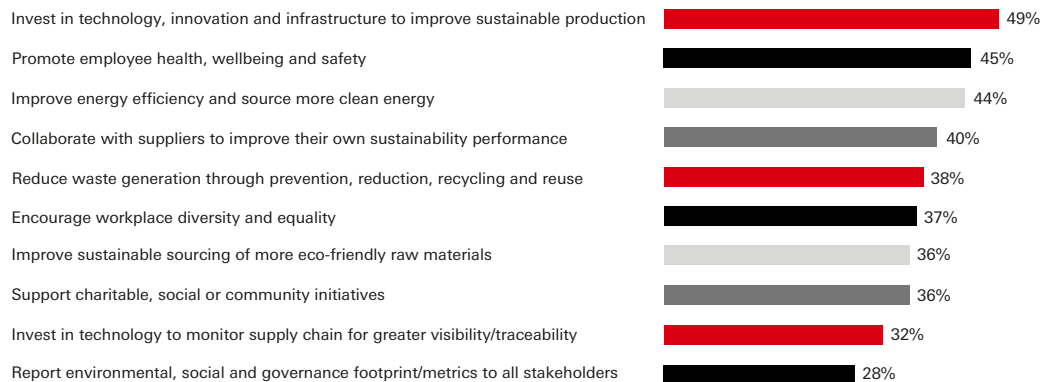
Thai firms are increasingly recognising the importance of sustainability and the benefits it brings. Around a third (35%) see it as essential to their long-term viability and a similar proportion are leveraging sustainability measures to improve operational efficiency.

Over the next five years, Thai businesses expect to see rising expectations from consumers (41%), governments (40%) and investors (39%), which will deepen sustainable practices even further.

Thai companies are addressing and monitoring their performance across a range of sustainability indicators, spanning governance, social factors and the environment. They also report high engagement with the UN's Sustainable Development Goals, with 89% of Thai businesses saying they believe they have a role to play in delivering results. This is the second highest proportion across surveyed markets.

However, the transition will not be straightforward unless businesses can find the right expertise and support. Four in 10 (41%) Thai businesses say they lack the understanding and knowledge to effectively integrate sustainability into their operations; while many businesses point to a lack of support and advice, and challenges of adopting new technologies (both 36%).

Sustainable investment priorities over the next five years



What you need to know



Thai businesses perceive greater challenges to sustainability efforts than their global peers, citing a lack of knowledge and support as hurdles.



Sustainability plans over the next five years predominantly include investment in energy efficiency, sustainable production and employee wellbeing.



More than nine in 10 (95%) Thai companies offer, or are planning to offer, flexible working, in-house support groups and other employee wellbeing policies.

What your business can do



Seek expert advice from trade bodies on drawing up and implementing your firm's sustainability strategy.



Connect with suppliers to improve sustainability efforts. 40% of Thai businesses have plans to do this.



Prioritise your workforce. Initiatives to improve wellbeing can foster loyalty and productivity.

Breakthrough tech

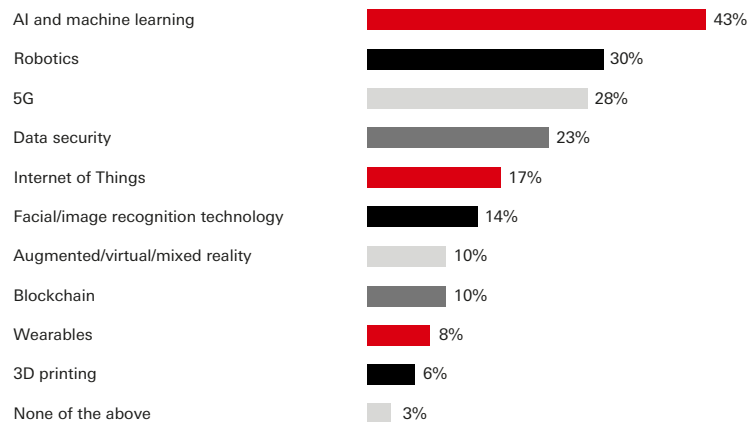
Businesses look to AI for transformation

Thai businesses have big expectations for transformative technologies. Looking ahead to the next five years, artificial intelligence (AI) and machine learning are the platforms most often cited as having a transformational impact. In fact, Thai businesses are much more likely to cite the potential of AI (43% rank it as one of the most important, compared to 25% globally). AI is expected to generate improvements in the quality of products and services, as well as boost productivity.

Robotics and 5G – the second and third highest rated technologies – are also linked with higher productivity. For Thai firms, one of the largest benefits of adopting robotics is believed to be cost reduction, while one of 5G's top benefits is boosting business transparency and compliance.

Looking overseas, Thai businesses see the US as the world's technology hub for data security and AI. But neighbours in APAC rate highly too. China is seen as the key hub for 5G and Japan is cited by Thai firms as the top hub for robotics and IoT.

Technologies businesses think will be important over the next five years



What you need to know



More than half of respondents believe AI will improve productivity and the quality of products and services over the next five years.



Thai companies view AI and robotics as the technologies that will have the largest impact on their operations; contrary to their global peers who cite data security as their most significant technological investment.



Thai companies identify the US (45%), Japan (42%), and China (41%) as leading hubs for AI.

What your business can do



Evaluate transformative technologies and the impact they could have on your business.



Seek out partnerships in markets that are global innovation hubs.



Ensure your technology investments are backed up with strong data and cybersecurity strategies. 51% of firms who feel they will be impacted by data security technologies say it will help them improve business transparency and compliance.

About HSBC Navigator Thailand

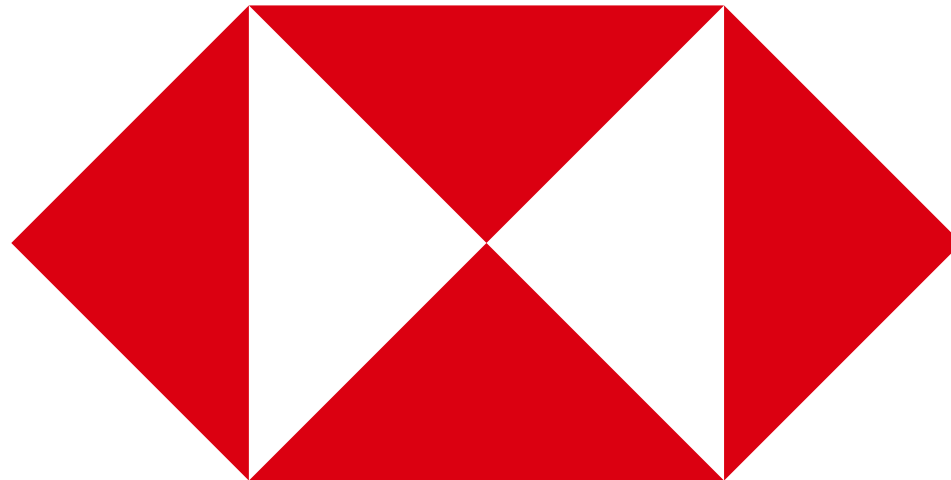
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 201 businesses surveyed in Thailand. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. 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.

Data visualisations based on the following:

Page 2: companies who expect their sales to grow in the next year. n=175

Page 3, 5 & 6: all companies. n=201

Page 4: companies who are impacted by geopolitics. n=8629/197/3051



For media enquiries please contact:

Varanandha Sutthapreeda

Communications, HSBC Thailand

varanandhasutthapreeda@hsbc.co.th

All images copyright © HSBC Holdings plc. All reasonable efforts have been made to obtain copyright permissions where required. Any omissions and errors of attribution are unintentional and will, if notified in writing to the publisher, be corrected in future printings.

Photo Credits: Getty Images

Note: Whilst every effort has been made in the preparation of this report to ensure accuracy of the statistical and other content, the publishers and data suppliers cannot accept liability in respect of errors or omissions or for any losses or consequential losses arising from such errors or omissions. The information provided in this report is not intended as investment advice and investors should seek professional advice before making any investment decisions.

Issued by HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom www.hsbc.com