UOB Business Outlook Study 2023

(SME & Large Enterprises)

UOB conducted a Business Outlook Study in **Thailand** covering **530 business owners** and **key executives** from **SMEs** and **Large Enterprises.**

This study provides a comprehensive understanding of the current business sentiments, inflation impact and outlook among businesses across various sectors in Thailand. The study also captures insights around key themes such as Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion.

Thailand

WHAT

- 15-minute online surveys
- Total of 530 interviews
- Data collection: 28 December 2022 - 20 January 2023

WHO

- Businesses with revenue of between THB 30 million to THB 7.5 billion
- Covers SMEs and Large Enterprises across key industry verticals
- Owners/ chief executive level/ management level who are involved with business decision making

Classification of businesses:
Smaller: annual turnover THB 30 million to <THB 400 million
Larger: annual turnover THB 400 million to <THB 7.5 billion

COVERAGE

Cities	Sample
Bangkok and vicinity	304
Rest of Thailand	226
Total	530

Industries	Sample
Construction & Infrastructure	57
Consumer Goods	56
Tech, Media & Telecom	56
Real Estate/ Hospitality	56
Manufacturing & Engineering	55
Community & Personal Services	55
Business Services	55
Wholesale Trade	55
Professional Services	55
Industrials, Oil & Gas	30
Total	530

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Overview

Business Sentiment

61% of businesses said the business environment in Thailand was positive in 2022

74% of businesses have a positive outlook for 2023

Most positive sentiments (sectors)

- 67% Business Services
- 65% Professional Services
- 62% Community & Personal Services

Most positive sentiments (cities)

- 61% Rest of Thailand
- 61% Bangkok and vicinity

Impact of inflation

91% of businesses in Thailand have been affected by high inflation

43% of businesses in Thailand are highly affected

Most affected sectors

- 96% Community & Personal Services
- 95% Tech, Media & Telecom
- 95% Manufacturing & Engineering

Most affected cities

- 92% Rest of Thailand
- 90% Bangkok and vicinity

Sustainability

51% of businesses in Thailand have started implementing sustainability practices

Businesses are looking for more support in

- 36% Tax incentives or rebates
- 33% Easier access to funding or grants
- 33% Connections to industry partners

Leading sectors

- 61% Consumer Goods
- 60% Industrials, Oil & Gas
- 56% Wholesale Trade

Leading cities

- 52% Rest of Thailand
- 50% Bangkok and vicinity

Digital adoption

State of digital adoption

Over 9 in 10 businesses in Thailand have adopted digitalisation in at least one department

Success with digitalisation

Nearly 4 in 5 businesses have seen success in their digitalisation efforts

Sectors leading in digital adoption

- 100% Consumer Goods
- 96% Real Estate/ Hospitality
- 95% Manufacturing & Engineering

Cities leading in digital adoption

- 93% Bangkok and vicinity
- 92% Rest of Thailand

Supply Chain Management (SCM)

96% of businesses in Thailand consider SCM important

69% of businesses say their supply chain has been impacted by geopolitical issues

Most impacted sectors

- 80% Tech, Media & Telecom
- 73% Manufacturing & Engineering
- 73% Community & Personal Services

Most impacted cities

- 73% Rest of Thailand
- 66% Bangkok and vicinity

Interest in overseas expansion

Nearly 9 in 10 businesses are looking to expand overseas in the next 3 years

Businesses in the Wholesale Trade and Industrials, Oil & Gas sectors in Thailand, are more interested in overseas expansion than others

Most interested sectors

- 96% Wholesale Trade
- 93% Industrials, Oil & Gas
- 93% Manufacturing & Engineering

Most interested cities

- 90% Bangkok and vicinity
- 88% Rest of Thailand

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Business Sentiment

Business environment in 2022

61% of businesses said the business environment in Thailand was positive in 2022

Businesses in the Business Services and Professional Services sectors were more positive about their current business environment.

Most positive sentiments (sectors)

- 67% Business Services
- 65% Professional Services
- 62% Community & Personal Services

Most positive sentiments (cities)

- 61% Rest of Thailand
- 61% Bangkok and vicinity

82% of businesses in Thailand have seen an increase in their revenue in 2022

Positive business sentiment is driven by strong revenue growth in 2022.

Businesses in Community & Personal Services and Professional Services have seen more growth than those in other sectors

Highest growth sectors

- 91% Community & Personal Services
- 87% Professional Services
- 86% Consumer Goods

Highest growth cities

- 82% Rest of Thailand
- 81% Bangkok and vicinity

Factors that impacted businesses in 2022

- 38% High levels of inflation
- 32% Rising operational costs
- 30% Recovering from overall economic slowdown
- 29% Hike in utility prices
- 28% Rising interest rates

High levels of inflation have impacted businesses in Real Estate/Hospitality and Tech, Media & Telecom sector the most.

Outlook for 2023

74% of businesses have a positive outlook for 2023

Businesses in Manufacturing & Engineering and Real Estate/ Hospitality sectors have a more positive outlook.

Most positive sectors

- 80% Manufacturing & Engineering
- 79% Real Estate/ Hospitality
- 78% Community & Personal Services

Most positive cities

- 75% Bangkok and vicinity
- 73% Rest of Thailand

Top future business priorities

To drive future growth, businesses are:

- 37% Tapping into new customer base
- 35% Differentiating business from other competitors
- 32% Reducing costs
- 30% Developing new sources of revenue
- 29% Digitalising their business model

Businesses in sectors like Consumer Goods and Wholesale Trade are at the forefront in digitalising their business model to drive growth.

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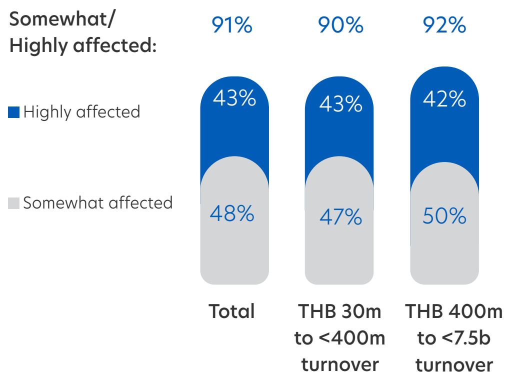
Inflation Impact & Mitigation

Impact of inflation

91% of businesses in Thailand have been affected by high inflation

Both larger (THB 400m to <7.5b turnover) and smaller businesses (THB 30m to <400m) have been affected by inflation to the same extent.

Extent affected by inflation



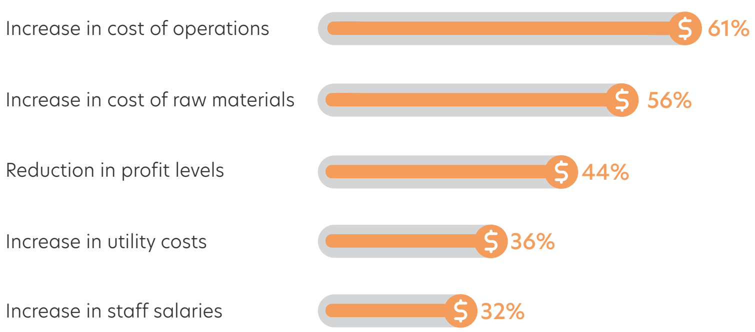
Most affected sectors

- 96% Community & Personal Services
- 95% Tech, Media & Telecom
- 95% Manufacturing & Engineering

Most affected cities

- 92% Rest of Thailand
- 90% Bangkok and vicinity

Areas affected by high inflation



61% of businesses have seen an increase in cost of operations

56% have seen an increase in cost of raw materials

Inflation is also impacting the profitability of businesses in Thailand, particularly in Construction & Infrastructure and Tech, Media & Telecom sectors.

Top measures to mitigate inflation

Nearly **1 in 2** businesses in Thailand are focused on improving productivity to tackle inflation

- Improve productivity to save costs — 46%
- Stronger price negotiations with suppliers/ vendors — 39%
- Digitalise processes to drive cost savings — 36%
- Retrenchment/ hiring freeze — 35%
- Cost cutting on company activities — 35%
- Increasing the selling price of goods/ services — 34%

Businesses in Wholesale Trade and Manufacturing & Engineering sectors are leading the way in improving productivity.

Key channels/ capabilities to improve

Over **7 in 10** businesses in Thailand are looking to improve automation to ease customer service and meet changing customer expectations

- 71% Automation to ease customer service
- 55% User-friendly channels for customer interaction
- 42% Use of AI, chatbots etc. for real time interaction
- 28% Hyper-personalised service/offer for customers

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State of sustainability adoption

96% of businesses in Thailand consider sustainability important

51% of businesses in Thailand have started implementing sustainability practices

	Unaware	Yet to implement	Implementing
Thailand	6%	43%	51%
THB 30m-400m turnover	7%	46%	47%
THB400m-<7.5b turnover	5%	38%	57%

Leading sectors

- 61% Consumer Goods
- 60% Industrials, Oil & Gas
- 56% Wholesale Trade

Leading cities

- 52% Rest of Thailand
- 50% Bangkok and vicinity

Top sustainability drivers

Improved reputation/ better branding of the company	56%
Enables talent retention/ attraction	53%
Helps attract investors	47%
Easier to work with MNCs	44%
Helps my business fit better into the ecosystem	39%

56% of businesses consider sustainability important as it improves their reputation/ branding of their company

Businesses in Tech, Media & Telecom and Manufacturing & Engineering sectors find it more important to adopt sustainable practices to help improve their brand reputation.

Top barriers in sustainability adoption

Over **1 in 3** businesses are concerned about increase in cost of products/services to end customers

May lead to increase in cost of our products/ services to end customers	33%
Lack of proper infrastructure for renewable energy	31%
Concerns about negative impact on profits	30%
Inadequate non-financial support for such initiatives	29%
Insufficient knowledge to identify and execute the right initiatives for our company	29%

There are risks to continued sustainability adoption during times of economic uncertainty as many businesses believe that implementing sustainability practices can impact their revenues and profits.

Support required for sustainability adoption

Nearly **2 in 5** businesses are looking for tax incentives or rebates as support measures for their sustainability plans

Tax incentives or rebates	36%
Easier access to funding or grants	33%
Connections to industry peers and ecosystem partners	33%
Provide options for sustainable financing	33%
Advisory and consultation services	32%

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State of digital adoption

Over 9 in 10 businesses in Thailand have adopted digitalisation in at least one department

A key challenge for digitalisation will be encouraging businesses who have just started their journey to continue with digitalisation, expanding it from one or a few departments into the entire business

Sectors leading in digital adoption

- 100% Consumer Goods
- 96% Real Estate/ Hospitality
- 95% Manufacturing & Engineering

Cities leading in digital adoption

- 93% Bangkok and vicinity
- 92% Rest of Thailand

Success with digitalisation

83% of businesses have seen success in their digitalisation efforts

82% of businesses foresee spending more on digitalisation in 2023

Success with digital adoption (sectors)

- 91% Consumer Goods
- 91% Wholesale Trade
- 89% Real Estate/ Hospitality

Success with digital adoption (cities)

- 84% Rest of Thailand
- 82% Bangkok and vicinity

Impact of digitalisation

- Increase customer outreach 42%
- Improve customer experience 38%
- Higher productivity/ efficiency 36%
- Improve profitability 33%
- Deliver better quality of products/ services 32%
- Drive business performance 32%

Over 8 in 10 businesses have succeeded with digitalisation. On average, each business has benefitted in at least 4 ways.

Digitalisation can play a key role in helping businesses improve productivity to mitigate inflation.

Digitalisation is having a major impact in helping businesses become more customer centric by enabling their customer outreach efforts.

Challenges faced in digitalisation

Concerns over cyber security issues	37%
Expensive to implement	34%
Lack of digital skillset among employees	33%
Increased risks of data breach/ cyber security threats	29%
Delay in implementation due to COVID-19 pandemic	27%
Lack of government support	25%

Nearly 2 in 5 businesses have concerns about cyber security issues

Support required for digitalisation

Over 2 in 5 businesses want tax incentive/rebates to support their digitalisation journey

Tax incentives or rebates	42%
Opportunities to collaborate with industry bodies, government-linked companies etc.	37%
Connections to the right technology and solution providers	37%
Easier access to funding or grants	36%
Training programmes to reskill/ upskill employees	36%
Advisory and consultation services	36%

Lack of digital skillset among employees and increased risks of data breach are a key challenge for many businesses. They need support through connections to the right technology providers and easier access to funding or grants.

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Supply Chain Management (SCM)

Importance of SCM

96% of businesses in Thailand consider SCM important

Impact of SCM on supply chain

69% of businesses say their supply chain has been impacted by geopolitical issues

Majority of businesses in Thailand have seen an impact on their supply chains. Sectors like Tech, Media & Telecom and Manufacturing & Engineering have been affected more than others.

Most impacted sectors

- 80% Tech, Media & Telecom
- 73% Manufacturing & Engineering
- 73% Community & Personal Services

Most impacted cities

- 73% Rest of Thailand
- 66% Bangkok and vicinity

Challenges in SCM

Over 2 in 5 businesses find rising supply costs as the main challenge in managing their supply chain

Rising supply costs due to high inflation	44%
Challenges in procuring supplies or raw materials	37%
Requirement of just-in-case supply	35%
Lack of in-house expertise/ skill sets	34%
Inability to predict demand and match it to supply	34%

Top actions taken for SCM

Nearly 2 in 5 businesses in Thailand are looking to have more use of data analytics and insights for faster decision making and execution to manage their supply chains better

Use data analytics and insights for faster decision making and executio	36%
Have more diverse sources of suppliers and from different markets	35%
Use e-commerce platforms to source for raw materials/ vendors	34%
Place orders online	33%
Source for alternative raw materials to diversify risk	33%

Top support measures for SCM

Connections to industry partners is a key support measure that businesses in Thailand need to manage their supply chains better

Businesses in Tech, Media & Telecom and Manufacturing & Engineering can benefit more from tax incentives

Over 2 in 5 businesses are looking for connections to industry partners to help them with better SCM

Connections to industry peers and ecosystem partners to learn best practices	44%
Tax incentives or rebates	43%
Training programmes to reskill/ upskill employees	43%
Access to business analytics and insights relevant to my industry	42%
Opportunities to collaborate with industry bodies, government-linked companies or large businesses	42%

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Interest in overseas expansion

Nearly 9 in 10 businesses in Thailand are looking to expand overseas in the next 3 years

Businesses in the Wholesale Trade and Industrials, Oil & Gas sectors in Thailand are more interested in overseas expansion than other sectors

Most interested sectors

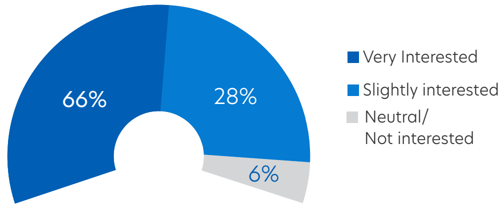
- 96% Wholesale Trade
- 93% Industrials, Oil & Gas
- 93% Manufacturing & Engineering

Most interested cities

- 90% Bangkok and vicinity
- 88% Rest of Thailand

Interest in cross-border digital trade platforms

The interest in overseas expansion is leading to higher interest in cross-border digital trade platforms. Nearly 2 in 3 businesses are 'Very interested' in using such platforms.



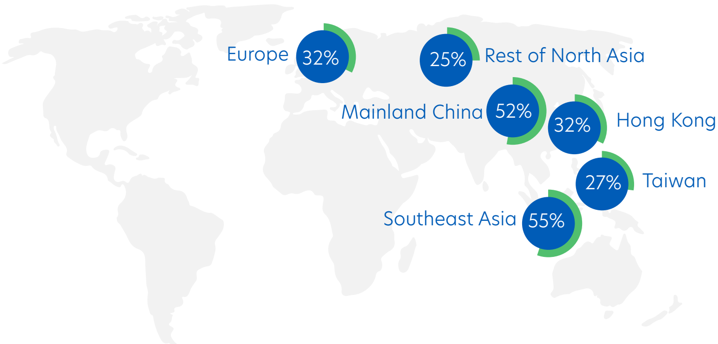
Top motivators for overseas expansion

Nearly 2 in 3 businesses are motivated to expand overseas for revenue growth

Sectors like Tech, Media & Telecom and Manufacturing & Engineering are more inclined to expand overseas for revenue growth

- 65% Grow revenue
- 58% Improve profitability
- 54% Build reputation as an international business
- 38% Take advantage of government polices/ schemes to expand
- 36% Leverage my company's regional/ global network

Top locations for overseas expansion



Nearly 3 in 5 businesses in Thailand have their eyes on Southeast Asia for their future expansion plans

1 in 2 businesses, particularly those in Tech, Media & Telecom and Manufacturing & Engineering are looking to expand into Mainland China

Singapore, Vietnam and Malaysia are the preferred Southeast Asia destinations for businesses in Thailand.

Key challenges in overseas expansion

Over 2 in 5 businesses in Thailand cite the lack of legal, regulatory, compliance and tax support as their biggest challenge for overseas expansion

Lack of legal, regulatory, compliance & tax support	43%
Difficulty in finding the right partners	39%
Lack of in-house talent/ expertise	39%
Lack of opportunities to collaborate	36%
Lack of customers in the new market(s)	35%

Difficulty in finding the right partners is also a major challenge that businesses, particularly those in the Real Estate/Hospitality and Consumer Goods sectors, need to overcome when they look to expand overseas.