

UOB Business Outlook Study 2023 (SME & Large Enterprises)

 Thailand Report



Foreword

ASEAN is an interconnected, young, and dynamic economic region of more than 650 million people, offering unique and diverse business opportunities. Amidst market turbulence and uncertainty, ASEAN has weathered recessionary risks well and continues to show strong growth potential.

Today's multipolar world should expect a new post-Covid era of re-globalisation, even regionalisation, alongside a different set of geopolitical objectives. This means new investment opportunities for ASEAN that bring opportunity for business growth.

As a strategic partner to businesses, we have commissioned the UOB Business Outlook Study 2023 (SME & Large Enterprises) to capture key insights from over 4,000 companies across industries and 7 markets, to understand current business sentiments and how we can continue to support their resilience, growth and needs.

The insights cover three key areas:

1. The trends that are shaping the growth of businesses, in the areas of Sustainability, Digitalisation, Supply Chain Management and Overseas Expansion;
2. How companies are adapting to a changing business landscape and adopting growth strategies;
3. How UOB and industry partners can continue to support businesses with their growth ambitions

ASEAN remains competitive - in terms of its cost, young labour force, and infrastructure - all of which are beneficial for businesses. The region's part in achieving sustainable development also requires the need for businesses to strategically look at business sustainability, from day-to-day operations and long-term succession planning, to net zero goals through transition towards ESG goals.

In an awakening region, business leaders need strategic partners with the ambition and capability to build the future of ASEAN. This is especially true for SMEs that form the backbone, specifically, 97% of ASEAN's economies.

As the One Bank For ASEAN, UOB connects businesses with and within ASEAN, and to Greater China, and the rest of the world.

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Group Wholesale Banking

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Background and Methodology

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.

> What



15-minute online surveys



Total of 530 interviews



Data collection:
28 December 2022 - 20 January 2023

> Coverage

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

Business classification:

Small Enterprises: Annual turnover
THB 30m -< THB 400m

Medium Enterprises: Annual turnover
THB 400m -< THB 7.5b

> Who



Businesses with revenue of between
THB 30 million to THB 7.5 billion



Covers both SMEs and Large Enterprises
across key industry verticals

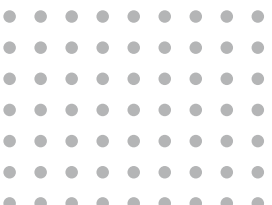


Owners/chief executive level/management
level who are involved with business
decision making

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



2. | Business Sentiments



> Business environment in 2022



Over **3 in 5**
businesses in Thailand said the
business environment was
positive in 2022.

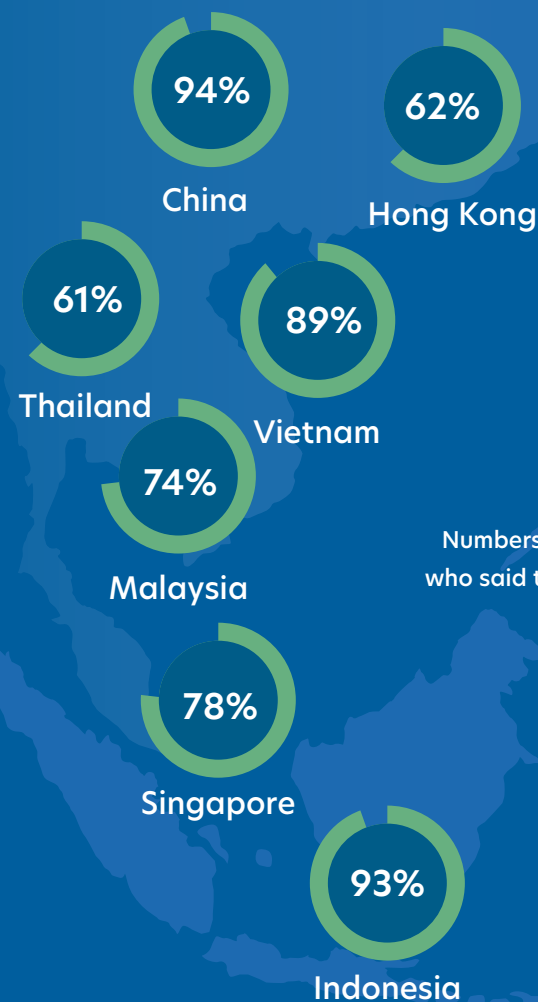
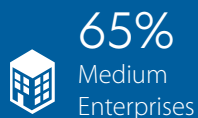
Most positive sentiments (sectors)



Most positive sentiments (cities)



Most positive sentiments (enterprises)



Numbers represent percentage of businesses who said the current environment is somewhat or very positive in 2022.

Increased revenue in 2022 has contributed to the positive sentiment among businesses

> Revenue improvement in 2022 vs 2021



Over **8 in 10** businesses in Thailand have seen an increase in their revenue in 2022.

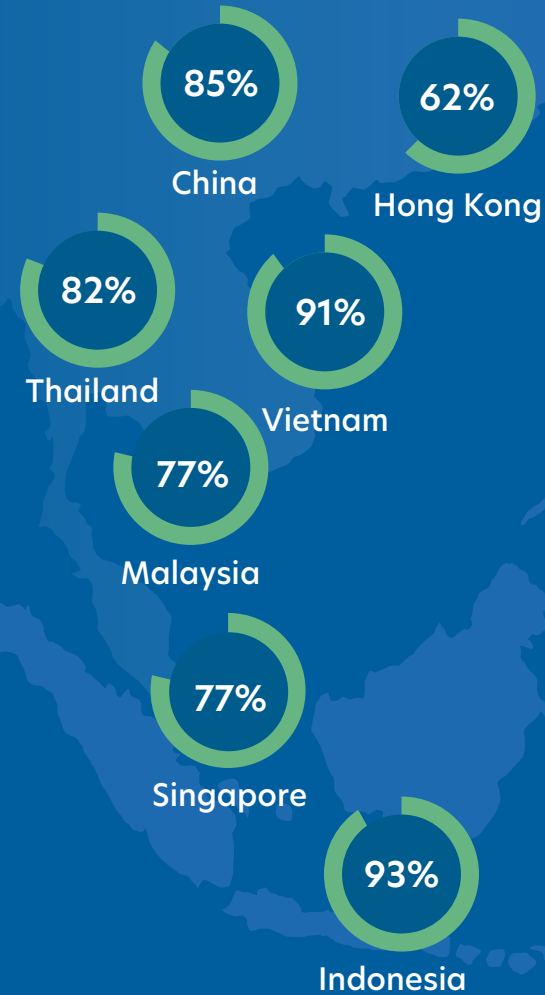
Most revenue growth (sectors)



Most revenue growth (cities)



Most revenue growth (enterprises)

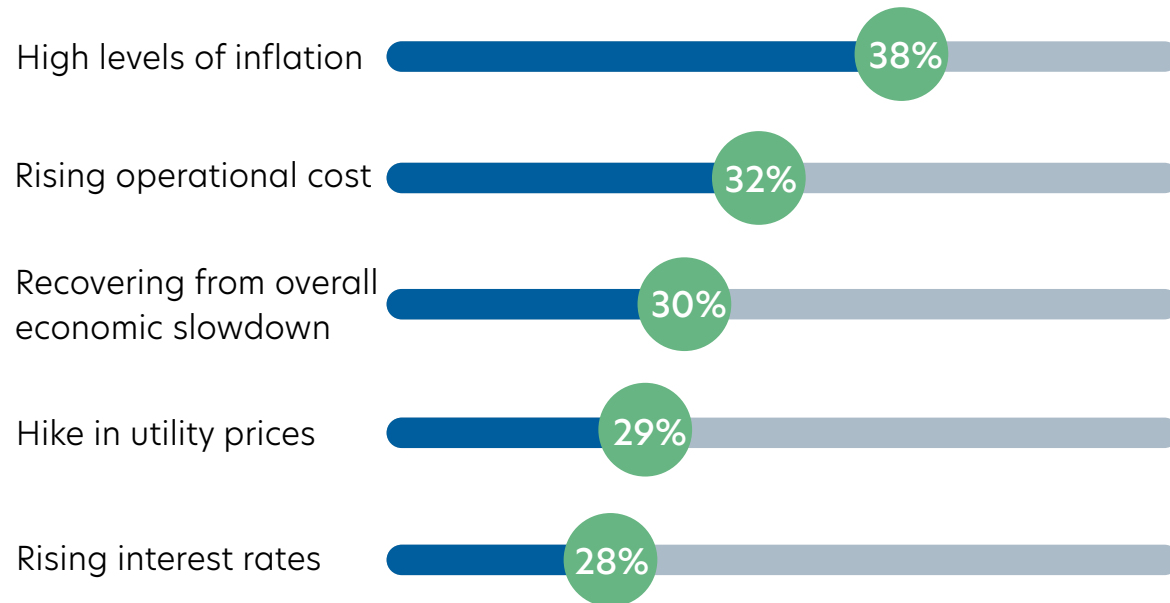


Q) How has your company's revenue changed in 2022 as compared with 2021? Base: Total (530)

The positive business sentiment is in spite of macro factors like high level of inflation and rising operational costs impacting businesses in 2022



> Macro factors impacting businesses



> Most impacted sectors

High levels of inflation



Recovering from overall economic slowdown



High levels of inflation had a bigger impact on businesses in Real Estate/Hospitality while those in Wholesale Trade were impacted more by the overall economic slowdown.

These macro factors have led to rising operating expenses and cost cutting

Over 1 in 3 businesses in Thailand say their operating expenses have increased.

> Factors impacting business operations

Increase in operating expenses

33%

Needed to cut costs

29%

Difficulty in retaining customers

28%

Drop in customer demand/revenues

26%

Delays in customer payments

22%

> Most impacted sectors/cities


Needed to cut costs

34%

Bangkok and vicinity

Difficulty in retaining customers

41%

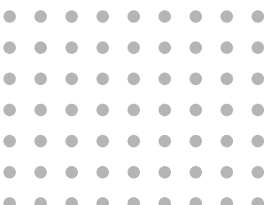
 Consumer Goods

Q) How have the above factors affected your business in 2022? Base: Total (530)



Business Sentiments

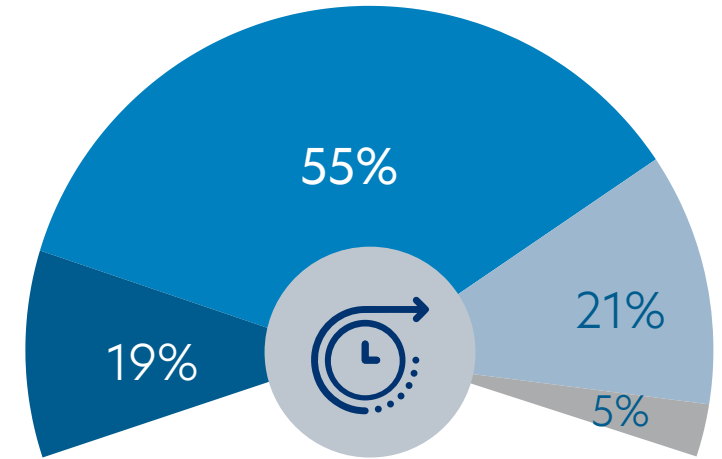
Business Outlook 2023 and Beyond



Over **7 in 10** businesses in Thailand have a positive business outlook in 2023

> Outlook for 2023

- Very positive
- Somewhat positive
- Neutral
- Somewhat/Very negative



Most positive outlook (sectors)

80%
 Manufacturing & Engineering

79%
 Real Estate/ Hospitality

78%
 Community & Personal Services

Most positive outlook (cities)

75%
 Bangkok and vicinity

73%
 Rest of Thailand

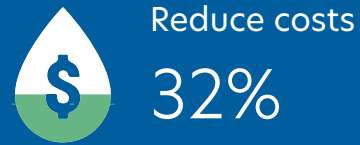
Most positive outlook (enterprises)

76%
 Medium Enterprises

Q) How would you describe the outlook for your business in 2023? Base: Total (530)

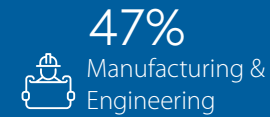
Sourcing for new customers, reducing costs and developing new sources of revenue are key priorities for businesses in Thailand in the next 3 years

> Priorities in the next 1-3 years



> Priorities by sectors

Reduce costs



Develop new sources of revenue



Digitalisation is a key business priority as it improves customer service and helps businesses extend their range of products/services to new customers.

Improving customer experience and seeking export opportunities are top actions taken by businesses in Thailand to drive growth

> Top actions for growth



33%

Focus on improving customer service/experience



32%

Seek export opportunities



31%

Use digital marketing tools to build the company's brand



27%

Adopt digital solutions to automate processes



26%

Work with ecosystem partners



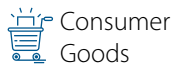
26%

Extend our range of products and services

> Most prioritised in

Seek export opportunities

45%



Use digital marketing tools to build the company's brand

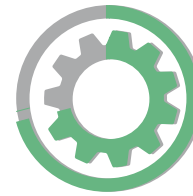
46%



Automation to ease customer service and user-friendly channels, for customer interaction will play a key role in improving customer experience

Over **7 in 10** businesses are looking to improve automation to ease customer service.

> Capabilities for better customer experience



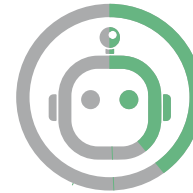
71%

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

> Most prioritised in

Automation to ease customer service

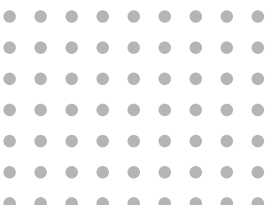
74%

Bangkok and vicinity

Q) What are the key channels/capabilities that your business needs to improve upon to handle this change in customer engagement expectations? Base: Total (530)



3. | Inflation Impact on Businesses



> Extent of inflation affecting businesses in 2022



Over **9 in 10** businesses in Thailand have felt the impact of high inflation.

91%

90%

92%

Net affected

43%

43%

42%

48%

47%

50%

■ Highly affected
■ Somewhat affected

Total

Small
Enterprises

Medium
Enterprises

Q) To what extent has high inflation affected your business this year? Base: Total (530)

High inflation has affected both Small and Medium Enterprises in Thailand.

> Extent of inflation by sectors/cities

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

Many businesses have seen an increase in cost of operations and raw materials

> Impact of inflation on business operations



Increase in cost of operations
61%



Increase in cost of raw materials
56%



Reduction in profit levels
44%



Increase in utility costs
36%



Increase in staff salaries
32%



Difficulty in retaining talent
26%



Over **3 in 5** businesses in Thailand say that high inflation has led to an increase in cost of operations.

Nearly **3 in 5** businesses have seen an increase in cost of raw materials.

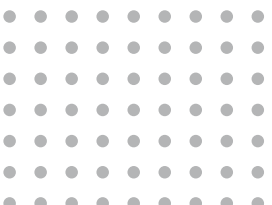


Inflation is also impacting the profitability of businesses in Thailand. Businesses in Construction & Infrastructure and Tech, Media & Telecom have witnessed a greater reduction in profits.



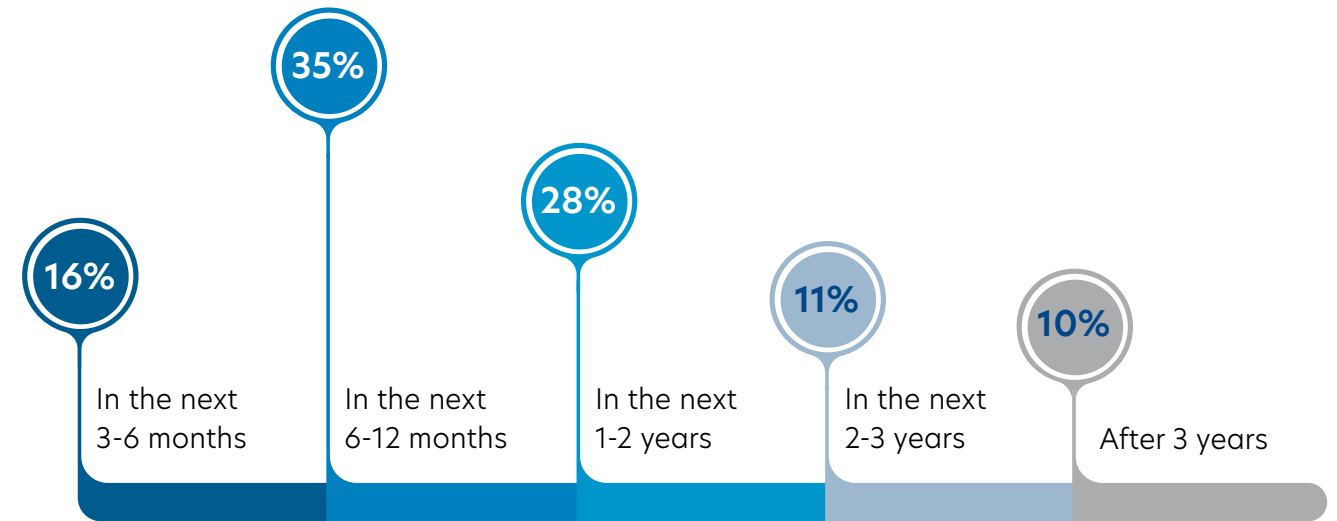
Inflation Impact on Businesses

Inflation Expectation in 2023



Most businesses expect inflation to reduce within the next 12 months

> Expectations of inflation



Most affected sectors

62%
Manufacturing & Engineering

59%
Consumer Goods

58%
Wholesale Trade

Most affected cities

54%
Bangkok and vicinity

48%
Rest of Thailand

Most affected enterprises


53%
Medium Enterprises

Q) By when do you expect the high inflation to reduce? Base: Total (530)

While waiting for inflation to drop, businesses are focusing on productivity improvement and stronger price negotiation with suppliers to mitigate impact of inflation

> Ways to combat inflation

Improving productivity to save costs
 46%

Stronger price negotiations with suppliers/vendors
 39%

Digitalisation processes to drive cost savings
 36%

Retrenchment/hiring freeze
 35%

Cost cutting on company activities
 35%



Nearly **1 in 2**
businesses are improving
productivity to combat inflation.

> Differences in combating approach

Stronger price negotiations with suppliers/vendors

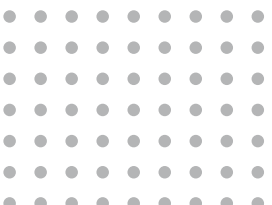
43%
Bangkok
and vicinity

Retrenchment/hiring freeze

49%
Wholesale
Trade



4. | State of Sustainability and Future Plans



Sustainability is important to a vast majority of businesses in Thailand

> Importance of sustainability

96%



Total

96%



Small
Enterprises

95%



Medium
Enterprises

Leading sectors

100%



Wholesale
Trade

98%



Professional
Services

98%



Manufacturing &
Engineering

Leading cities

96%

Bangkok
and vicinity

96%

Rest of
Thailand

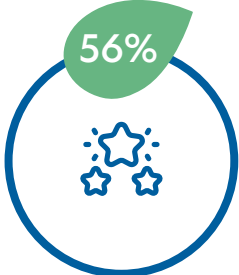
Q) How important is sustainability (Environmental, Social and Governance considerations) to your business?
Base: Total (530)

Sustainability helps businesses improve their reputation, enables talent retention and attracts investors

Nearly **3 in 5** businesses say that sustainability helps to improve their business reputation and branding.

Over **1 in 2** businesses say that adopting sustainable practices enables talent retention/attraction.

> Drivers of sustainability



Improved reputation/
better branding of the
company



Enables talent
retention/attraction



Helps attract
investors

> Stronger drivers

Enables talent retention/attraction



Wholesale
Trade

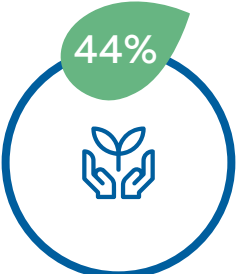
Helps attract investors



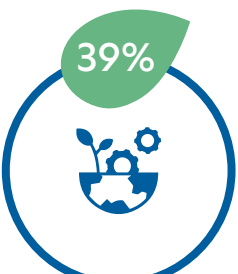
Consumer
Goods



Bangkok and
vicinity



Easier to work with
MNCs who are
increasingly establishing
their sustainability goals



Helps my business fit
better into the
ecosystem

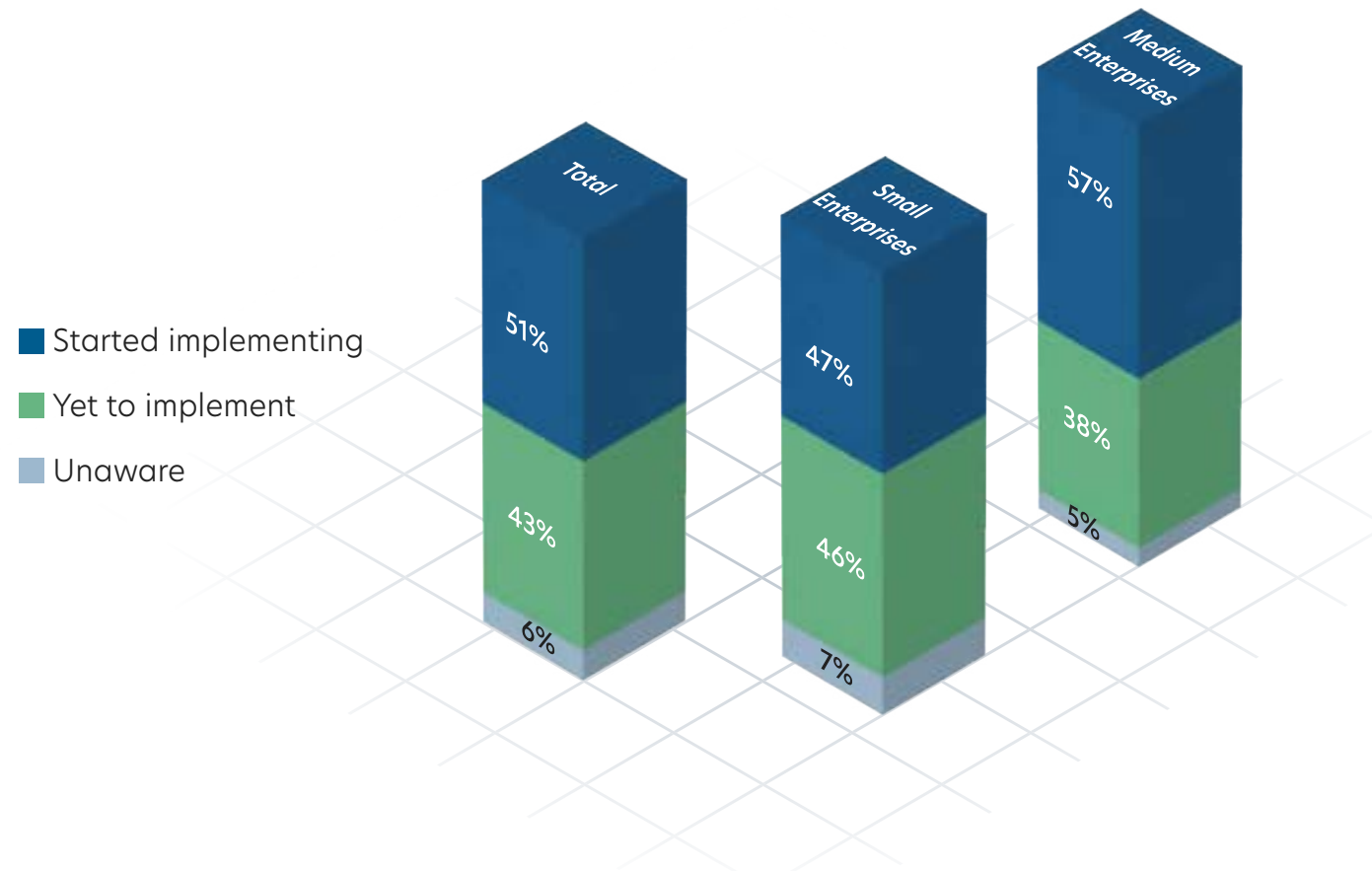


To build an
environmentally and
socially sustainable
future for the market

Q) Why is sustainability important to your business? Base: Those who regard sustainability as important (507)

Yet, less than half of all businesses have started implementing sustainable practices

> Current stage of sustainability adoption



Implementing sectors

61%
Consumer Goods

60%
Industrials, Oil & Gas

56%
Wholesale Trade

Implementing cities

52%
Rest of Thailand

50%
Bangkok and vicinity

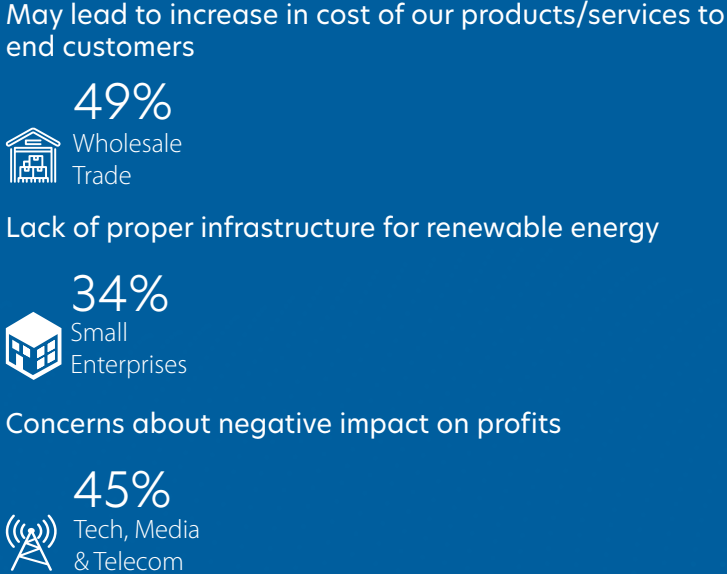
Q) What stage is your company at today in the adoption of sustainability practices? Base: Total (530)

Concerns prevail about the increase in cost of products/services to end customers and lack of proper infrastructure for renewable energy

> Key barriers to implementation



> Stronger barriers



Q) What are the major barriers to implementing sustainability practices in your company? Base: Total (530)

But businesses are convinced about implementing practices like efficient use of resources and energy efficient equipment and technologies

> Practices planning to implement

More efficient use of resources to minimise waste

45%

Use energy efficient equipment and technologies

39%

Ensure employee welfare

38%

Tap sustainable financing such as green loans

38%

Procure from businesses with sustainable practices


36%

Implement clear operational policies and processes

34%

> Prioritised areas

Tap sustainable financing such as green loans

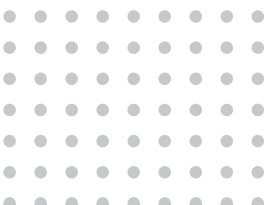
75%
 Industrials, Oil & Gas

45%
 Rest of Thailand

Q) What sustainable practices (based on the ESG considerations) do you plan to incorporate within your business in future?
 Base: Those who have not implemented sustainability practices (261)

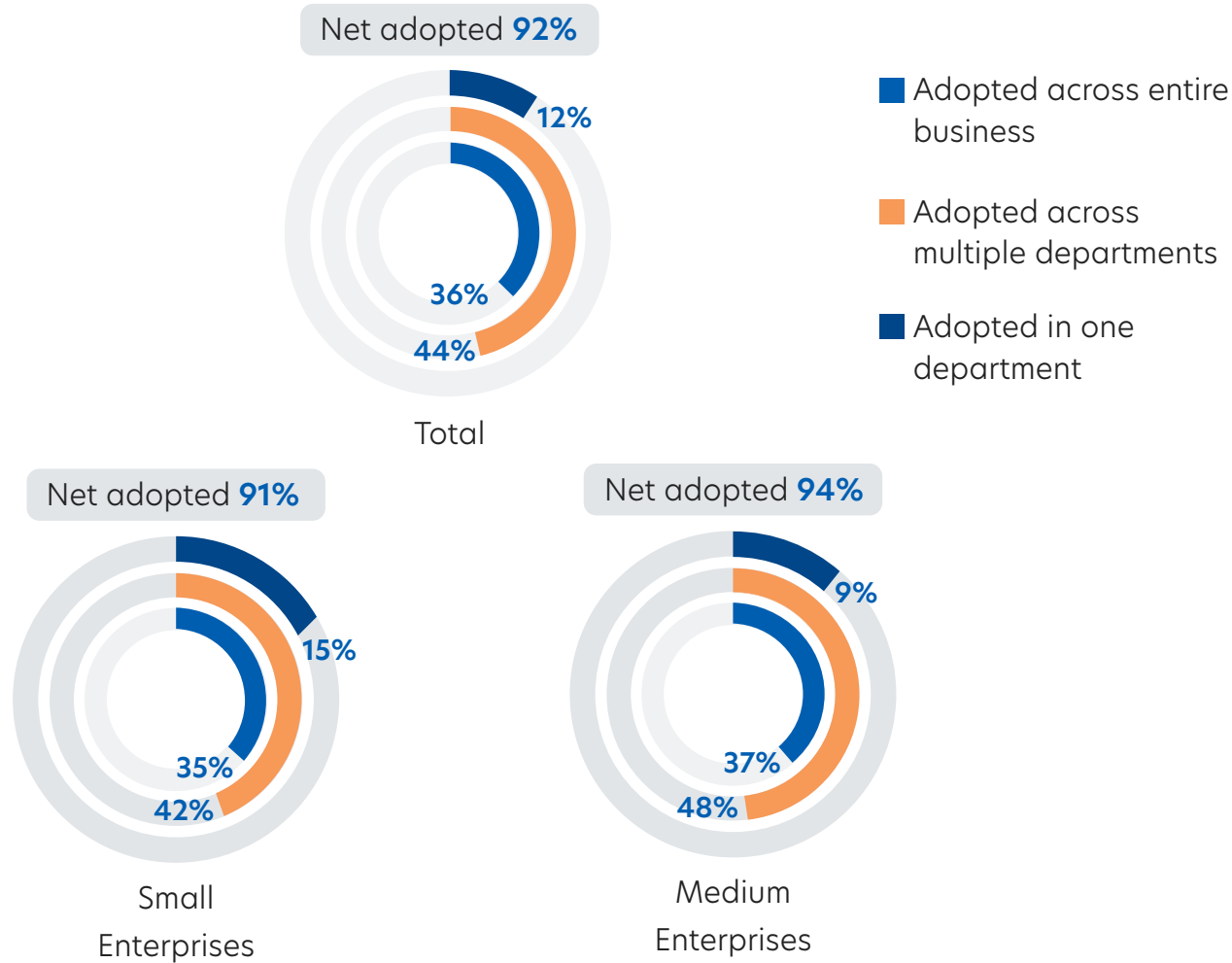


5. | State of Digitalisation



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

> Current state of digital adoption



Q) What is the current state of digital adoption in your company? Base: Total (530)



Sectors leading in digital adoption

100%
Consumer Goods

96%
Real Estate/
Hospitality

95%
Manufacturing
& Engineering

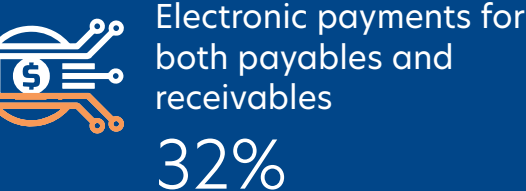
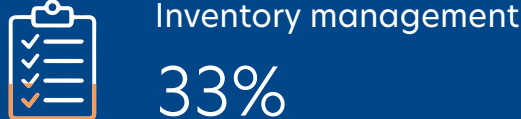
Cities leading in digital adoption

93%
Bangkok
and vicinity

92%
Rest of
Thailand

Customer Service, Expense Management and Marketing are a priority for digitalisation

> Top priorities for digitalisation



> Priority areas

Customer Service



Expense management



Marketing



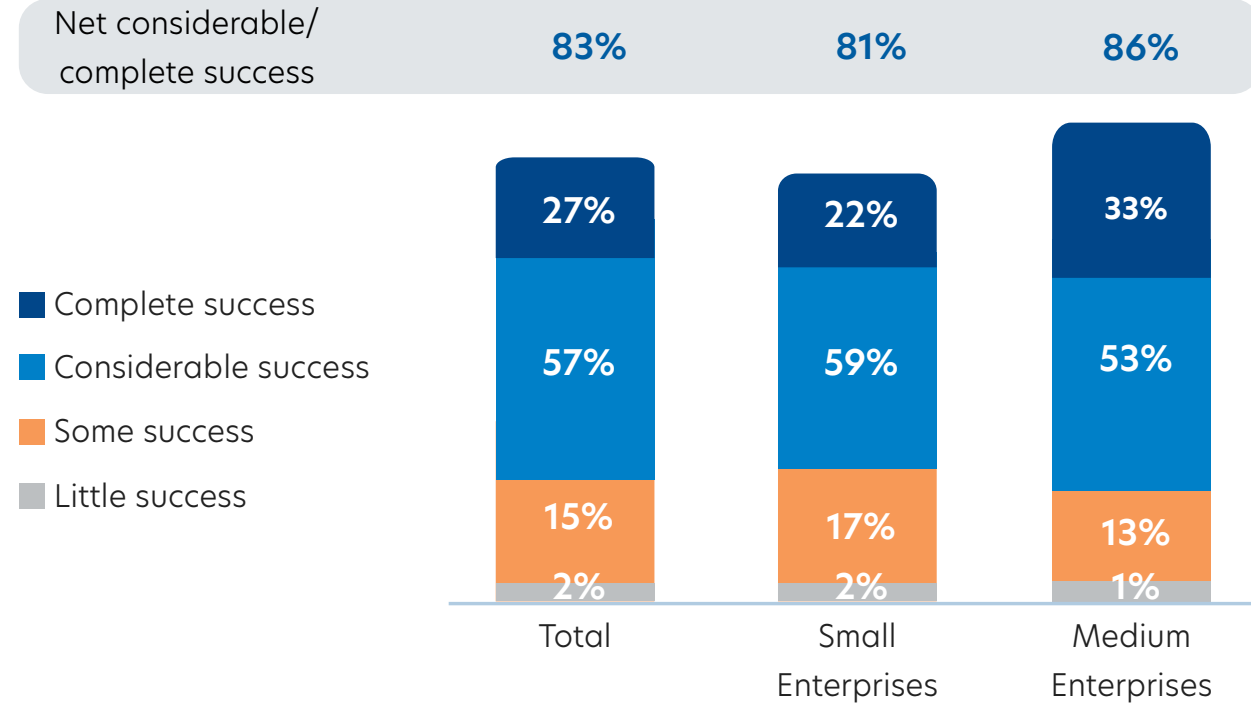
Q) Which of these processes did your company digitalise specifically to help your business perform better in 2022? Base: Those currently trialling or adopted digitalisation in at least one department (520)



Businesses that adopted digitalisation have been successful in their efforts

Over **8 in 10** businesses have seen success in their digitalisation efforts.

> Success with digitalisation



More success with digitalisation (sectors)

91%
Consumer Goods

91%
Wholesale Trade

89%
Real Estate/Hospitality

More success with digitalisation (cities)

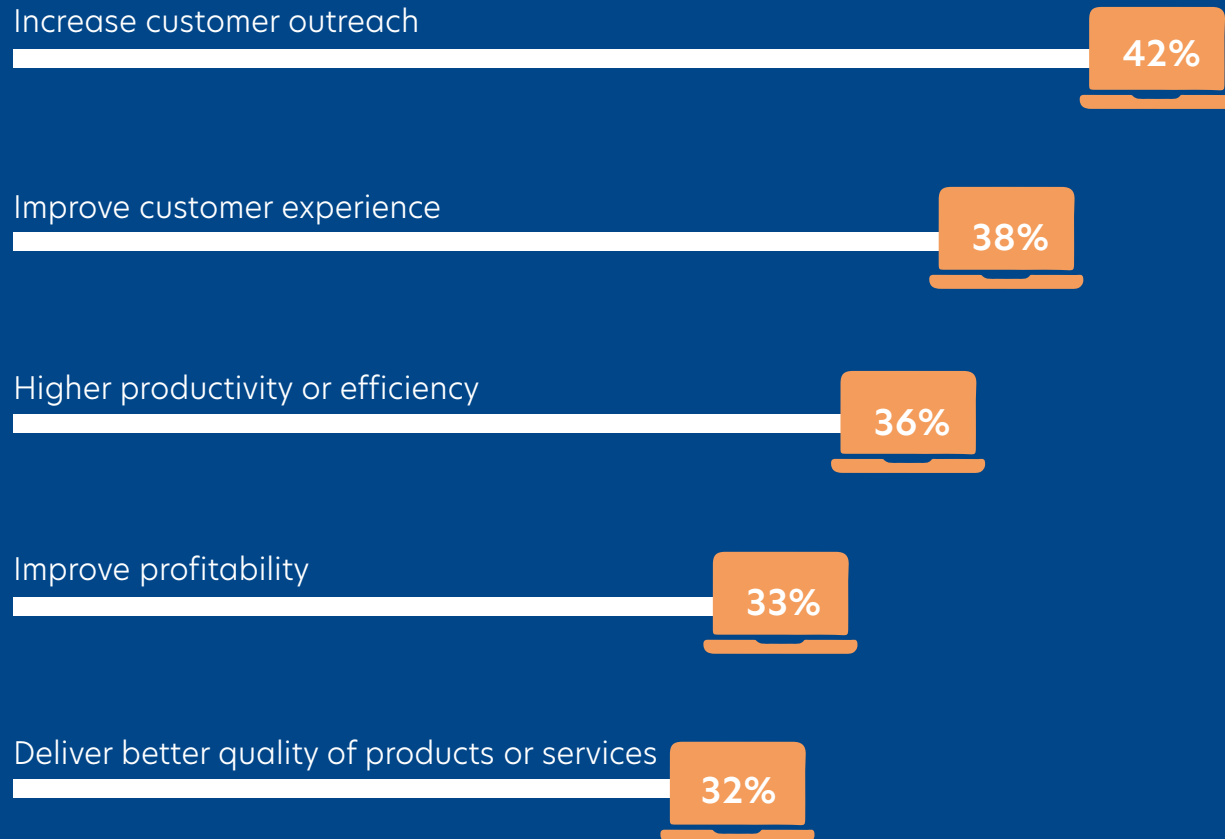
84%
Rest of Thailand

82%
Bangkok and vicinity

Q) How much success has your company had so far in its digital adoption journey?
Base: Those currently trialling or adopted digitalisation in at least one department (520)

Digitalisation has led to improved customer outreach and experience and higher productivity

> Impact of digitalisation



> Most impacted areas by sectors/cities

Higher productivity or efficiency

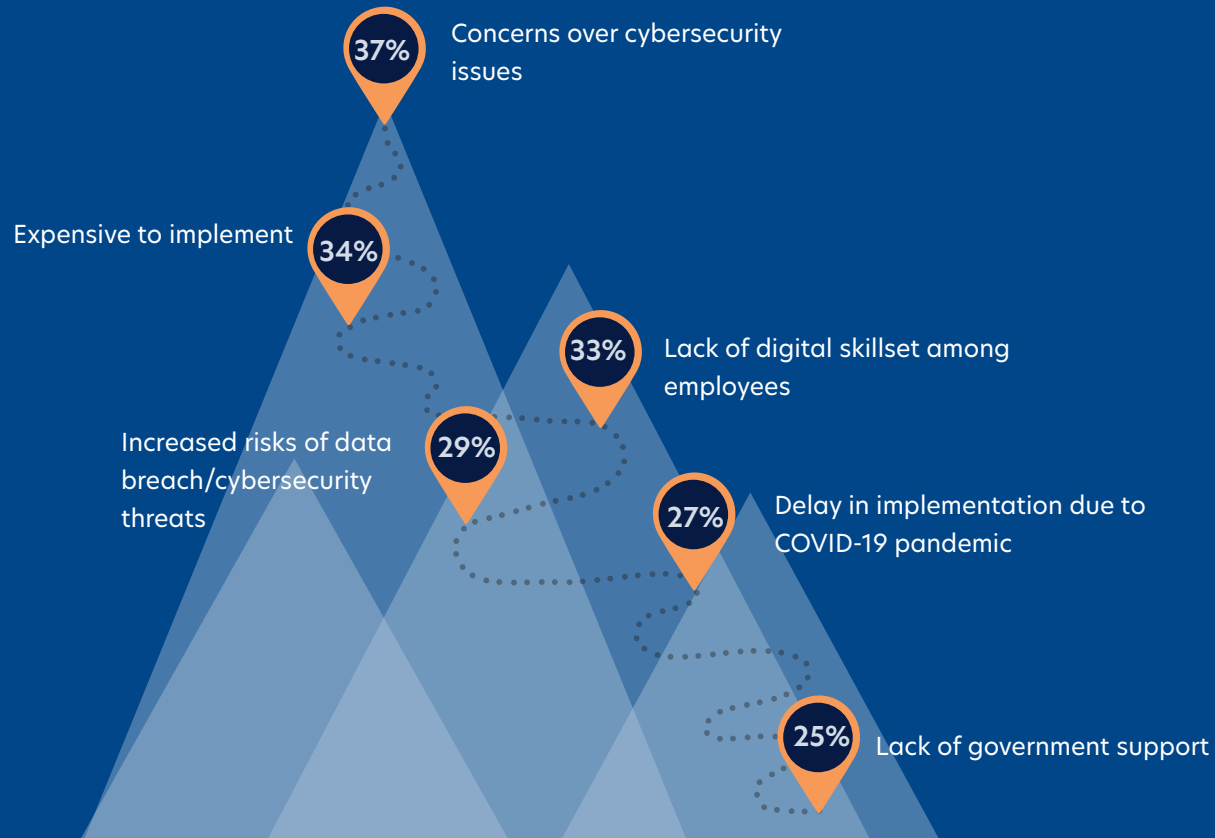
48%
Consumer Goods

Deliver better quality of products or services

37%
Bangkok and vicinity

Yet, there are several challenges that need to be addressed

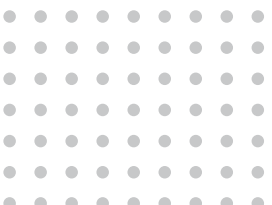
> Top challenges in digitalisation





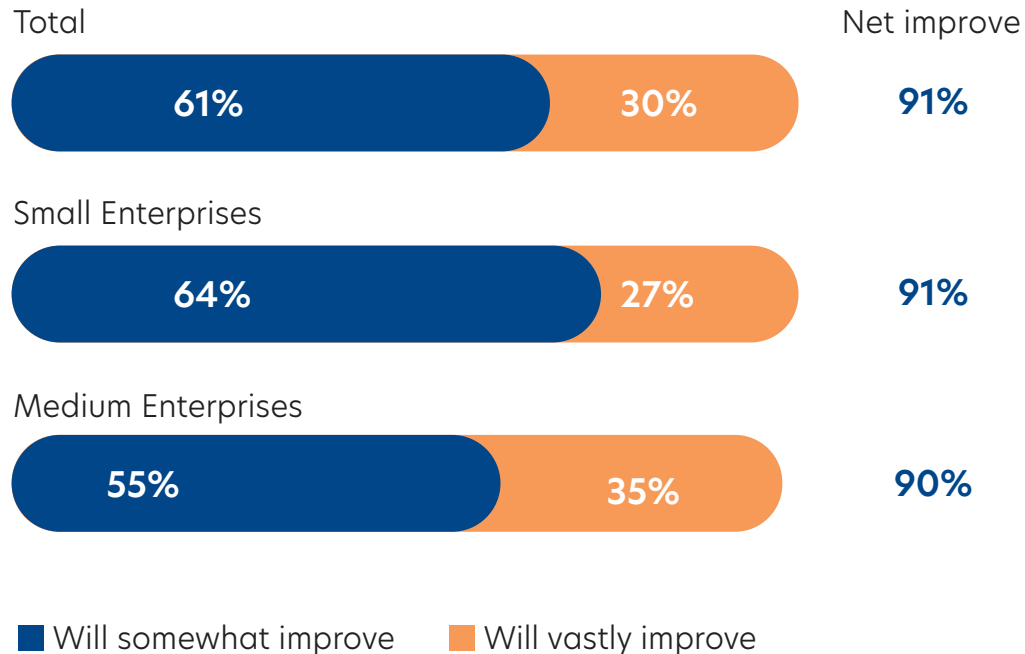
State of Digitalisation

Outlook for 2023



Post digitalisation business outlook is expected to be positive

> Business outlook post digitalisation



Most positive outlook (sectors)

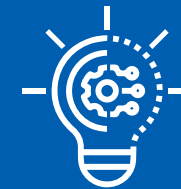
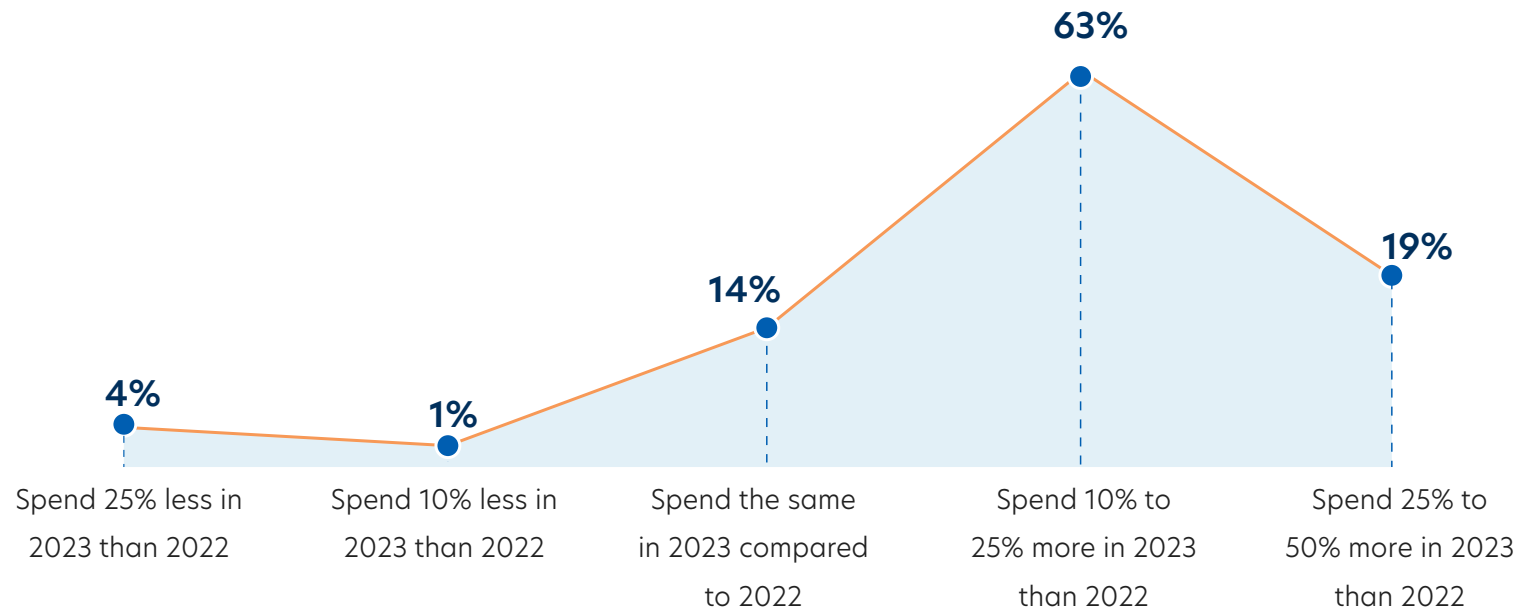


Most positive outlook (cities)



Hence, businesses are continuing their digitalisation journey. Most expect to spend more on it in 2023

> Future expenditure in 2023



82%
of businesses foresee spending more on digitalisation in 2023.



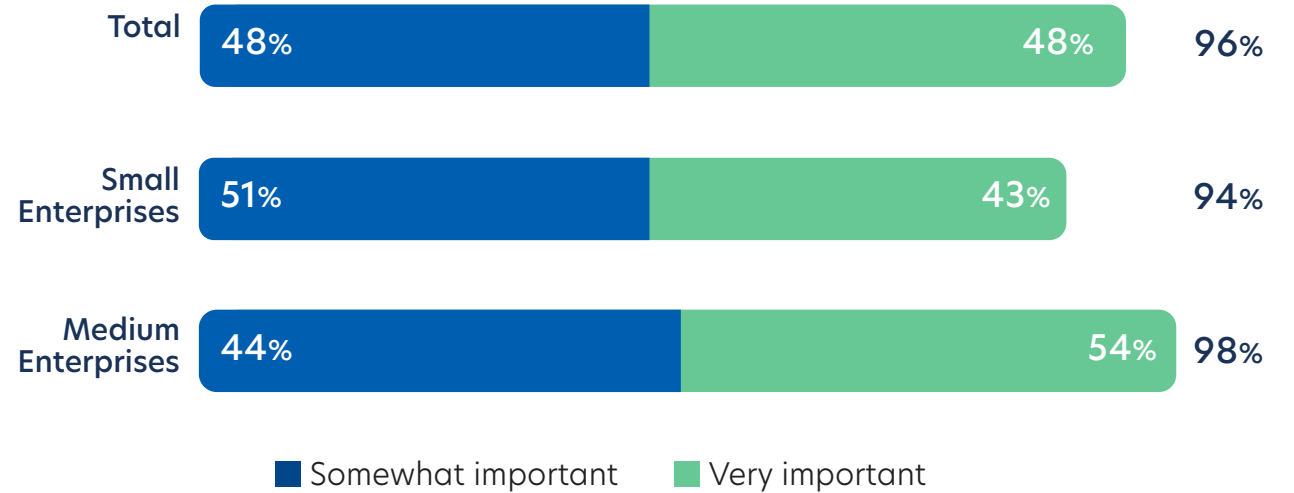
6. | Supply Chain Management (SCM)

SCM is important to most businesses in Thailand

Nearly **1 in 2** businesses consider SCM very important.



> Importance of SCM



Higher importance to SCM (sectors)

100%
Manufacturing & Engineering

100%
Wholesale Trade

97%
Industrials, Oil & Gas

Higher importance to SCM (cities)

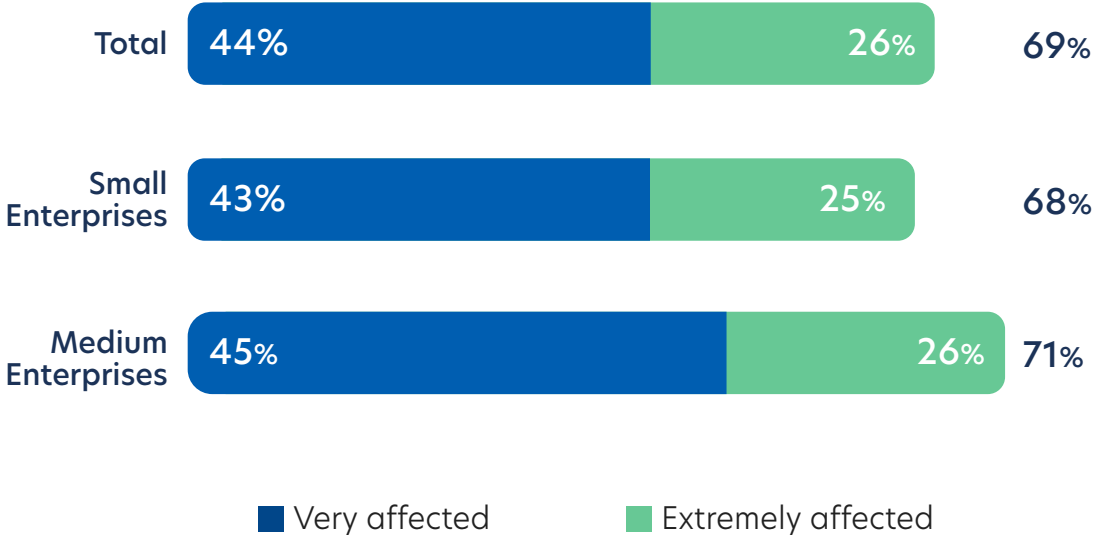
97%
Bangkok and vicinity

94%
The rest of Thailand

Q) How important is supply chain management to your business? Base: Total (530)

Geopolitical tensions are having an adverse impact on supply chains

> Geopolitical impact on supply chains



Nearly **7 in 10** businesses say their supply chain has been affected by geopolitical tensions.

Most impacted sectors



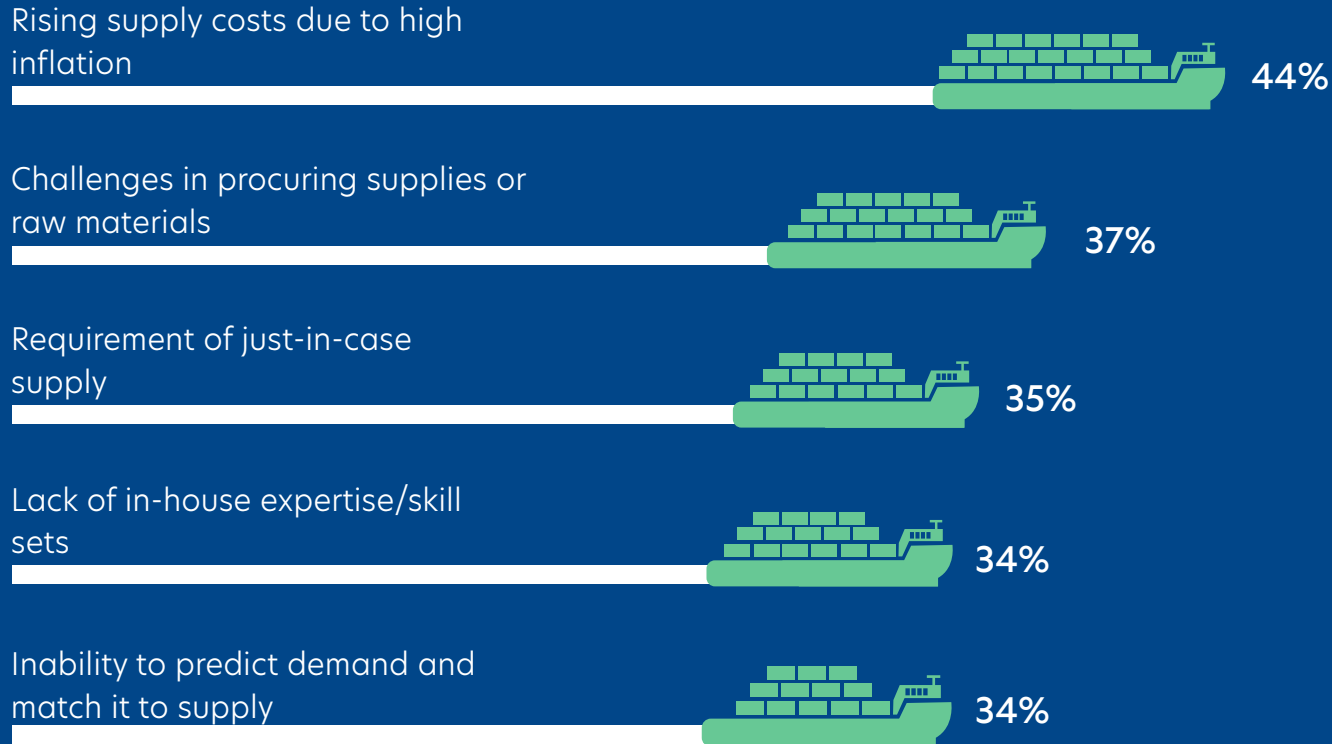
Most impacted cities



Q) To what extent has your company's supply chain been affected by geopolitical tensions such as Russia-Ukraine conflict, US-China trade tensions, or by COVID-19 restrictions etc.? Base: Total (530)

This has led to rising supply costs and challenges in procurement

> Key supply chain challenges



> Higher challenge cities

Lack of in-house expertise/skill sets

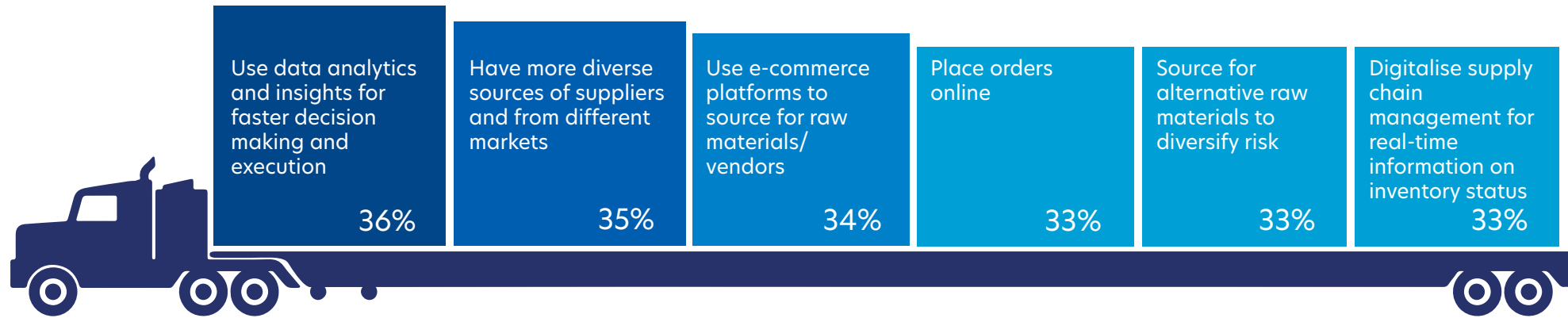
39%
Rest of
Thailand



Over **2 in 5** businesses say their key supply chain challenge is rising supply costs due to high inflation.

To address these challenges, businesses are using data analytics and insights, as well as diversifying sources of suppliers

> Actions for supply chain stability



> Top actions by sectors

Have more diverse sources of suppliers and from different markets



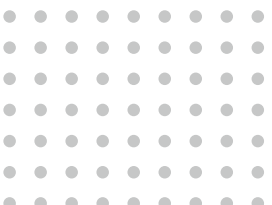
Use e-commerce platforms to source for raw materials/vendors



Q) What steps, if any, have you taken or are planning to take to ensure a stable supply chain in the future? Base: Total (530)

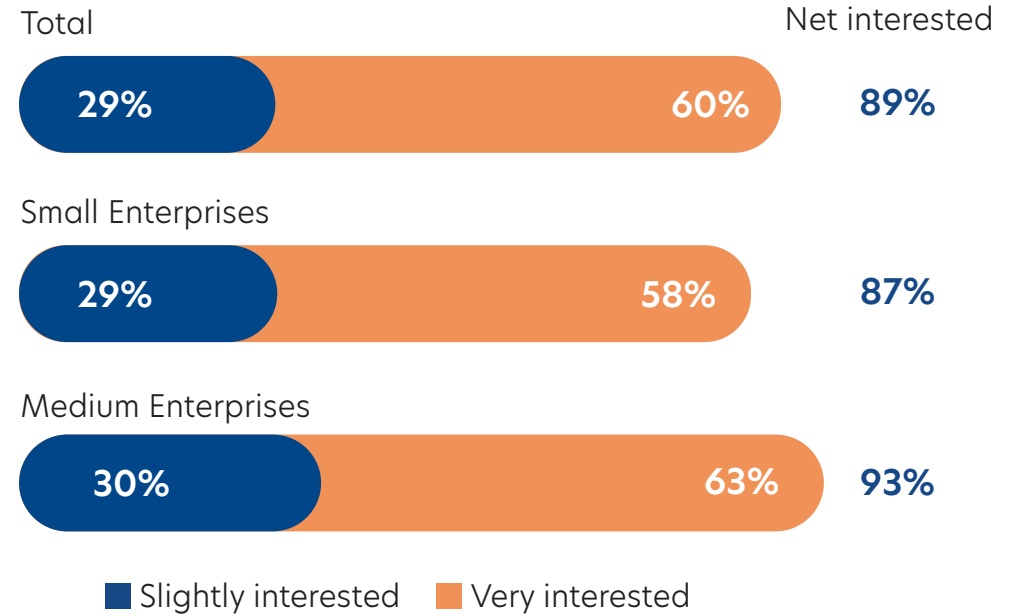


7. | Interest in Overseas Expansion



Nearly 9 in 10 businesses in Thailand are interested to expand overseas

> Interest in overseas expansion



■ Slightly interested ■ Very interested

Most interested sectors

96%
Wholesale Trade

93%
Industrials, Oil & Gas

93%
Manufacturing & Engineering

Most interested cities

90%
Bangkok and vicinity

88%
Rest of Thailand

Q) How interested is your business in expanding overseas in the next three years? Base: Total (530)

Interest in expansion is fuelled by a desire to grow revenue, improve profits and build an international reputation

> Motivators for overseas expansion



Grow revenue
65%



Improve profitability
58%



Build reputation as an international business
54%



Take advantage of government policies/schemes to expand
38%



Leverage my company's regional/global network
36%



Reduce business risk by diversifying into other markets
31%

> Top motivators by sectors/cities

Grow revenue

72%
Bangkok and vicinity

Improve Profitability

73%
Manufacturing & Engineering

Build reputation as an international business

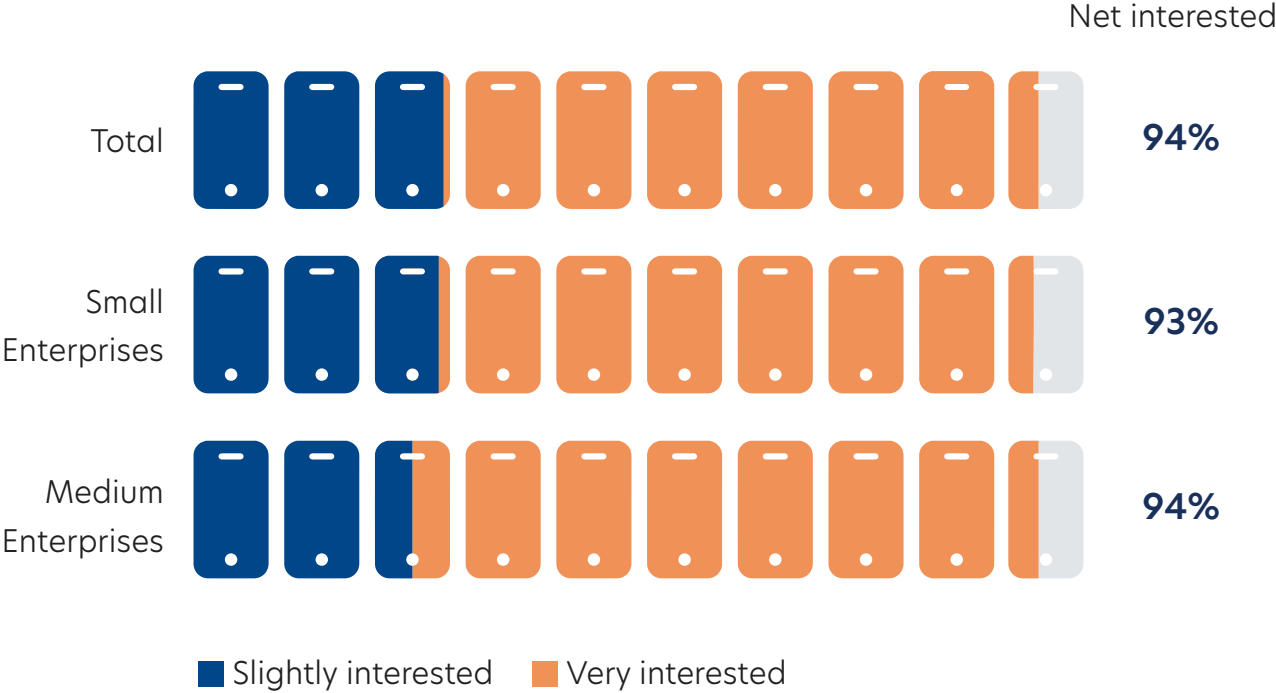
71%
Industrials, Oil & Gas



Nearly **7 in 10** businesses are looking to expand overseas to grow revenue.

Thus, cross-border digital trade platforms as a means for overseas expansion have high interest

> Interest in using cross-border digital trade platforms



Over **9 in 10** businesses are interested in leveraging cross-border digital trade platforms for their overseas expansion.

More interested sectors

- 98% Manufacturing & Engineering
- 98% Real Estate/Hospitality
- 96% Wholesale Trade

More interested cities

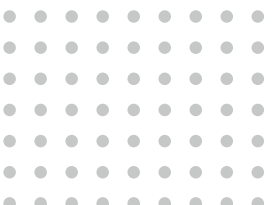
- 95% Bangkok and vicinity
- 95% Rest of Thailand

Q) How interested is your company in using cross-border digital trade platforms as a means for overseas expansion?
Base: Total (530)



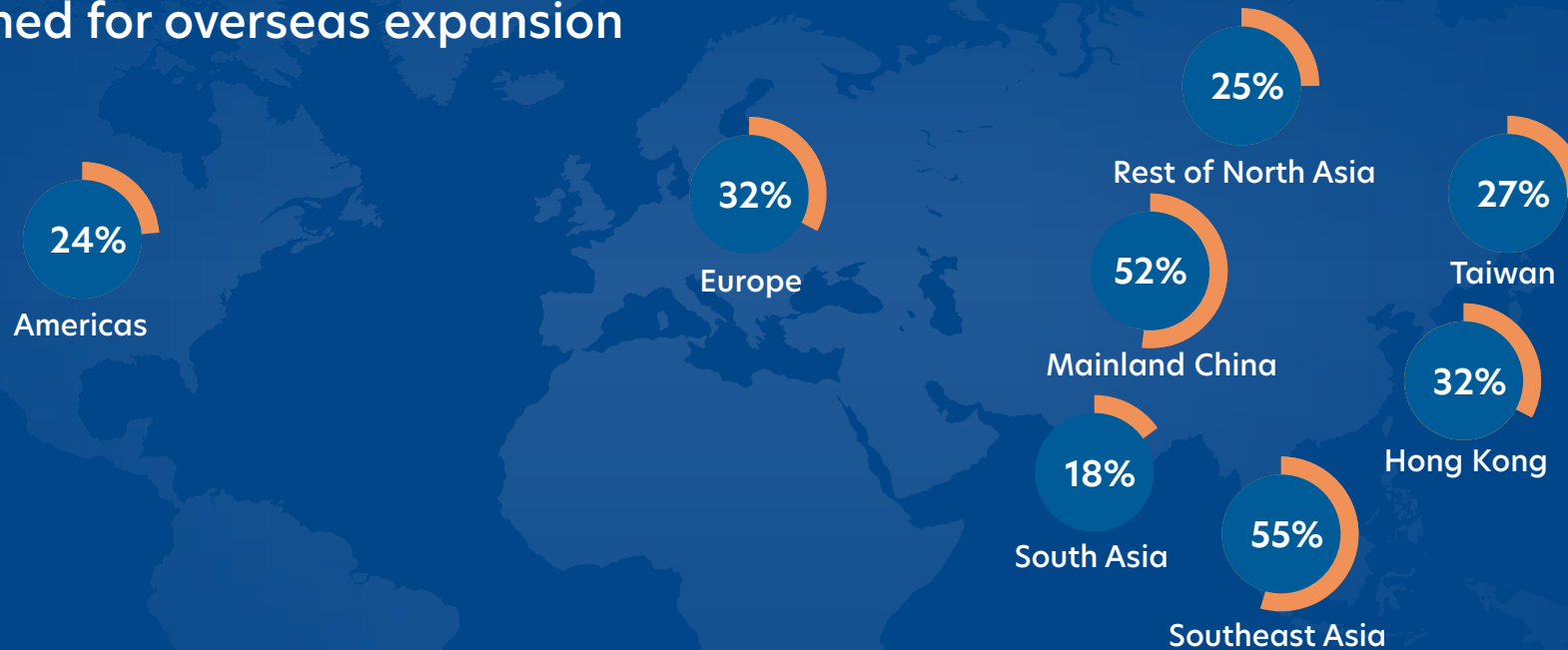
Interest in Overseas Expansion

Future Expansion Plans



Southeast Asia, Mainland China and Hong Kong are key markets of interest for overseas expansion

> Location planned for overseas expansion



> Top locations by sectors/cities/enterprises

Southeast Asia

74%
Consumer Goods

Mainland China

59%
Bangkok and vicinity

Hong Kong

39%
Bangkok and vicinity

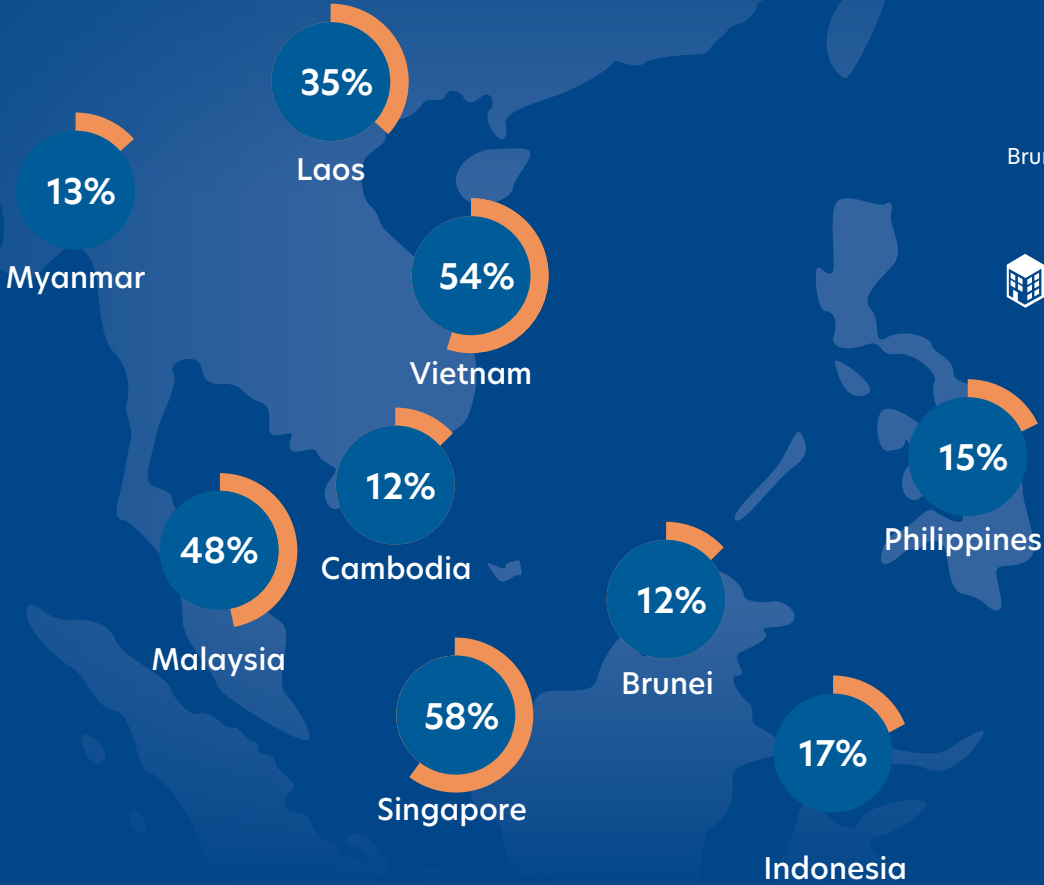


40%
Medium Enterprises

Q) Which of these markets is your enterprise intending to venture into within 3 years (by 2025)? Base: Interested in overseas expansion (473)

Singapore, Vietnam and Malaysia are the top 3 expansion markets within ASEAN

> Priority markets within ASEAN



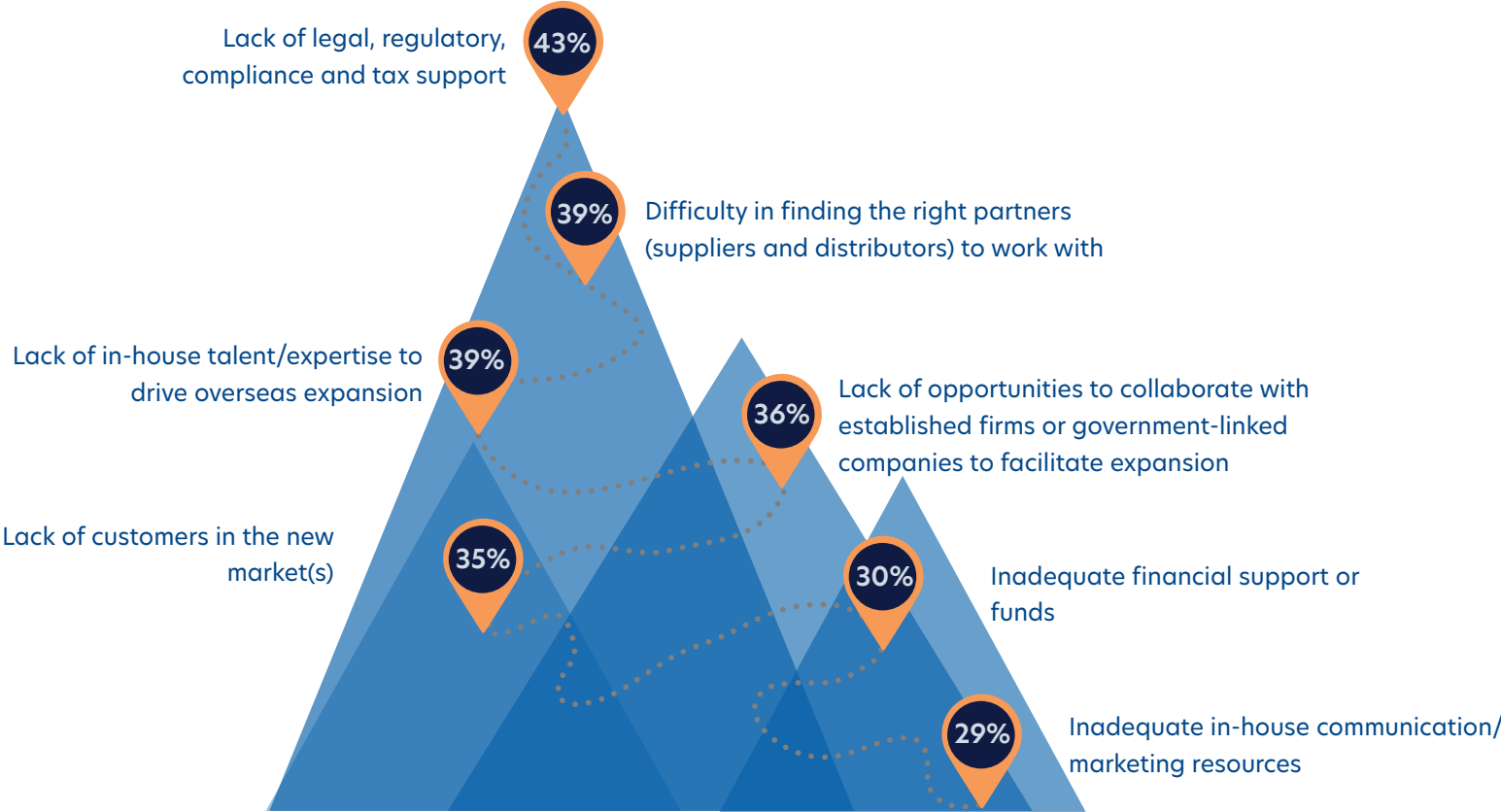
> Top ASEAN locations



Q) Please select the most important countries (up to 3) in ASEAN that your enterprise is intending to venture into within 3 years (by FY2025).
Base: Interested in expanding within ASEAN (115)

Lack of legal, regulatory, compliance and tax support and difficulty in finding the right partner are key hurdles to expansion

> Expected challenges for overseas expansion



> Top challenges by sectors

Difficulty in finding the right partners (suppliers and distributors) to work with



Lack of opportunities to collaborate with established firms or government-linked companies to facilitate expansion



Q) What are the key barriers in your effort for overseas expansion? Base: Total (530)

Support from government and UOB (1/2)

SMEs may also look to government programmes and value-added services from UOB to realise their business ambitions.

Financial support

SME Transformation Loan: Bank of Thailand (BOT) has introduced a transformation loan facility under the Soft Loan Emergency Decree to help enhance cheap-funding access for SMEs who have survived the COVID-19 pandemic to improve, develop, and strengthen their business capabilities through the adoption of digital technology, green business practices, or investment in innovation. The facility offers a credit line of 150 million baht to each borrower with the average interest rate over the first 5 years $\leq 5\%$, and average interest rate over the first 2 years $\leq 2\%$, and interests will be subsidised by the government during the first 6 months). The transformation loan facility will be available until April 2024 as with the existing special loan facility.

UOB Business Loan: Offers up to 40 million baht maximum loan per borrower by bundling the BOT SME Transformation Loan with UOB BizSolution to support either SME working capital loan and long-term business loan at the preferential interest rate to help SMEs strengthen their business capabilities in the post COVID-19 period.

Sustainability support

Thailand's Bio-Circular-Green (BCG): An economic model is helping many SMEs achieve a sustainable recovery from the pandemic. The BCG model intends to increase the competitiveness of Thailand's strategic industries - food & agriculture, energy & material, health & medicine, and tourism & service - by focusing on the country's strength in biological and cultural diversity. The model is expected to enable Sustainable Development Goals (SDGs) through the promotion of sustainable agriculture, clean energy and responsible consumption and production, ensuring the conservation and sustainable utilisation of biodiversity, and protecting environment and ecosystem. Through enhanced innovation capacity and the BCG model, Thai SMEs will also be able to contribute to the climate goal that Thailand and other 60 countries pledged at COP 26 to reach net zero greenhouse gas emissions by 2065.

Digitalisation support

Thailand Digital Catalog: Thailand Digital Catalog: An initiative with a goal to enhance efficient public-private partnerships and allow Thais across segments to access a range of standardised digital products and services available at reasonable prices. The catalog is expected to serve as a mechanism enhancing digital products and services of digital startups and digital service providers to meet international standard. Meanwhile, the digital catalog also provides government and private sectors including general public to access and select a range of standardised digital products and services at listed price through the Digital Economy Promotion Agency (DEPA)'s TECHHUNT platform.

Thailand's 8-Step Strategy: Thailand's National Digital Economy and Society Commission (ONDE) unveiled eight projects for 2023 that aim to propel Thailand's digital development as it continues with its plans to expand existing progress and strengthen the foundation that has already been built. Example of the key projects are ranging from to manage the curriculum accreditation of government agencies, to develop the Thailand Digital Outlook Study Project for 2023, to foster the 5G ecosystem for the commercial application of 5G technology, to strengthen the country's Digital Security and Infrastructure Service Development Project as well as the Government Data Center and Cloud Service (GDCC), and to promote, support and provide assistance and research grants for innovation and digital transformation through the Digital Economy and Society Fund.

Support from government and UOB (2/2)

UOB BizSmart: Offers a suite of digital solutions from accounting, HR and payroll to digital transactions, digital marketing and collaboration, to drive business efficiency and growth. SMEs can enjoy free trial period or special subscription packages of various digital solutions exclusively provided to UOB SMEs customers.

UOB SME LINE Official Account: A new communication channel between SMEs customers and UOB thru the most popular chat application in Thailand, which helping SMEs to easy access to UOB contact center via chat in addition to email and phone call.

 **Overseas expansion/supply chain support**

SMEs Pro-active program: The program aims to empower Thai SMEs to expand overseas sales channels, thereby raising their competitive advantage in the global market. Participating entrepreneurs may choose applicable activities they deem fit according to the companies' marketing strategies such as overseas trade fair, virtual trade exhibition, or business opportunities & partnership by which SMEs will get subsidy on the expenses occurred from participated activities. The SMEs will benefit directly from international market penetration and expansion through new trade channels.

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Right By You

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