

UOB Business Outlook Study 2024 (SMEs & Large Enterprises)



Thailand Report



Foreword

In 2023, while uncertainties such as geopolitical tensions persist and global economic activity moderated on the back of slower demand, changing macroeconomic factors still brought about opportunities for businesses to adapt to the changing market dynamics.

Closer to home, ASEAN economies have remained resilient and continue to evolve in the global economy with strong foundations driven by growing consumer markets, a young and dynamic workforce, increased interconnectivity and foreign direct investments.

We are well-positioned to operate in this sweet spot of more than 650 million people in partnering businesses to leverage growth levers to strengthen supply chain management, accelerate digitalisation and progress towards net zero.

The UOB Business Outlook Study 2024 (SMEs and Large Enterprises) surveys over 4,000 companies across industries and 7 markets (525 companies in Thailand across industries), to capture current business sentiments and to understand how we can continue to support their needs, to develop resilience and build growth.

Insights from this Study cover three key areas:

1. The trends that are shaping the growth of businesses, in the areas of Sustainability, Digitalisation, Supply Chain Management, 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

In a region that holds rich potential for business opportunities, SMEs need strategic partners with the ambition and capability to unlock the region's potential and build the future of ASEAN. This is especially critical for companies that are looking to expand their business networks and grow beyond domestic markets.

As the One Bank for ASEAN, we are committed to realise the potential of businesses and facilitate economic flows within and with ASEAN for long-term growth. We connect businesses to opportunities in the region with our industry insights and strong sector expertise. Together with our extensive regional footprint, as well as deep local market knowledge, we enable businesses to navigate market complexities and seize growth opportunities in ASEAN and the rest of the world.

We look forward to connecting you to new growth opportunities across the region and beyond.

Eric Lian

Head, Group Commercial Banking
Group Wholesale Banking

Sayumrat Maranate

Country Head, Business Banking, Thailand
Group Wholesale Banking

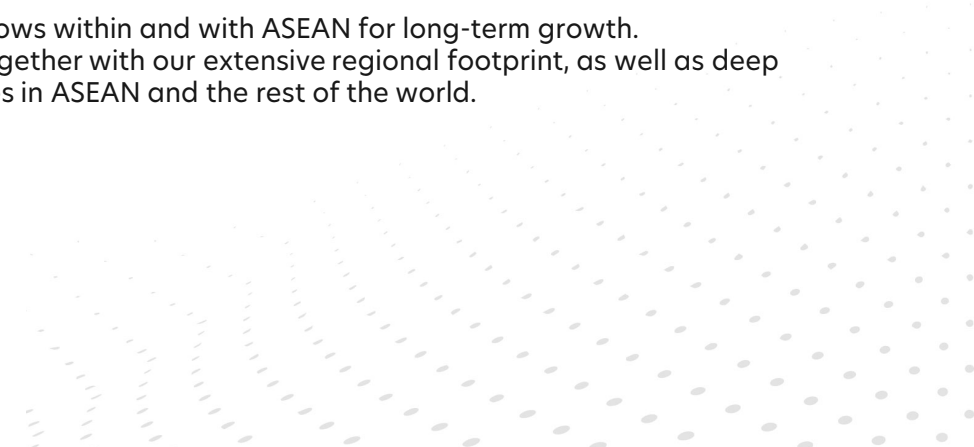


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Background & Methodology

UOB conducted a Business Outlook Study in Thailand covering 525 business owners and key executives from SMEs and Large Enterprises.

The Business Outlook Study provides a comprehensive understanding of the current business sentiment, inflation impact and outlook among businesses across various sectors in Thailand.

By capturing robust insights around key themes such as Sustainability, Digitalisation, FinTech Adoption, Overseas Expansion and Supply Chain Management this study can help Thailand businesses better understand the current environment they are operating in and plan for future opportunities and challenges.

▶ WHAT

 15-minute online survey

 Data collection:
End-Dec 2023 – mid-Jan 2024

 Total of **525** interviews

▶ WHERE

 Thailand

▶ WHO

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

 Covers SMEs across key industry verticals

 Owners/C-suite/Management level who are involved with business decision making

Industries

Sample

Consumer Goods	57
Real Estate & Hospitality	57
Community & Personal	56
Tech, Media & Telecom	56
Business Services	56
Construction & Infrastructure	55
Manufacturing & Engineering	53
Wholesale Trade	53
Professional Services	50
Industrials, Oil & Gas	32

Industry verticals: Consumer Goods; MFG & Engineering; Tech, Media & Telecoms; Construction & Infrastructure; Community & Personal; Business Services; Wholesale Trade; Professional Services; Real Estate & Hospitality; Industrials, Oil & Gas

Classification of businesses used: Small Enterprises: annual turnover of THB 30m to <400m, Medium Enterprises: annual turnover of THB 400m to <7.5b

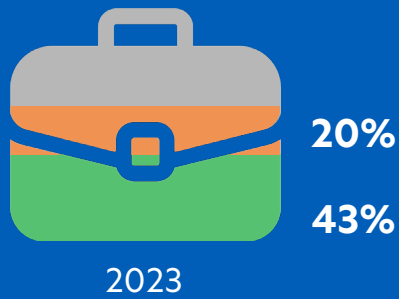


Business sentiment and outlook



1 in 5 businesses in Thailand believe the current business environment is very positive.

▶ Current environment in Thailand



20%
43%

- Very positive
- Somewhat positive

Most positive sectors



Business environment has declined in 2023 vs 2022

- 2022
- 2023

Most positive cities



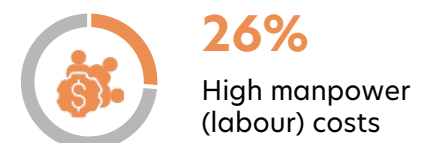
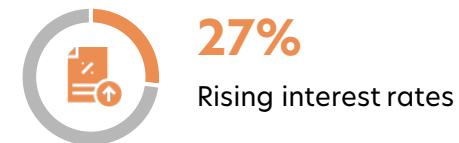
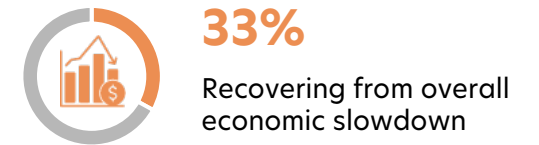
Q. How do you perceive the current business environment in Thailand?
Base: Total 2023 (525), 2022 (530)

But businesses have been impacted by high inflation, recovery from economic slowdown and rising interest rates.

▶ Factors impacting businesses in 2023

Over 3 in 10 businesses in Thailand are impacted by high levels of inflation and recovery from economic slowdown.

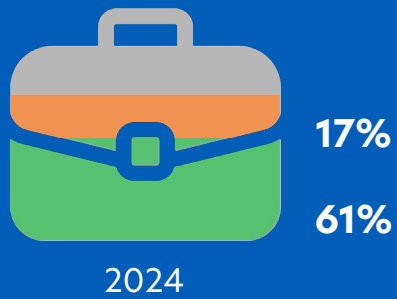
Nearly 3 in 10 businesses in Thailand are impacted by interest rates and manpower costs.



Q. Which of the factors below had the biggest impact on your business in 2023? Select up to 5.
Base: Total, 2023 (525)

Nearly 1 in 5 businesses in Thailand expect a vastly improved business performance in 2024. Cost reduction will be a top priority.

▶ Future outlook 2024



- Vastly improving
- Somewhat improving

Most improved sectors



Businesses outlook for 2024 has remained the same as 2023

- Vastly improving, 2023
- Vastly improving, 2024

Most improved cities



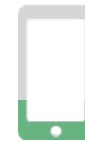
▶ Business priorities for the next 1-3 years



34%
Reduce costs



33%
Source for new customer base



26%
Digitalise the business to achieve business efficiencies



23%
Develop new sources of revenue



22%
Move my business towards ESG practices in operational processes and product development

Future priorities reflect the current market reality of high inflation and recovery from economic slowdown. Businesses plan a prudent mix of short-term measures like reducing costs and long-term measures like sourcing new customers.

Customer experience focus and automation are key priorities for businesses to drive growth. Businesses are looking to automate and leverage new technologies or AI tools to enhance customer interactions.

▶ Plans to achieve business priorities



▶ Focus on customer service or experience

Higher focus sectors

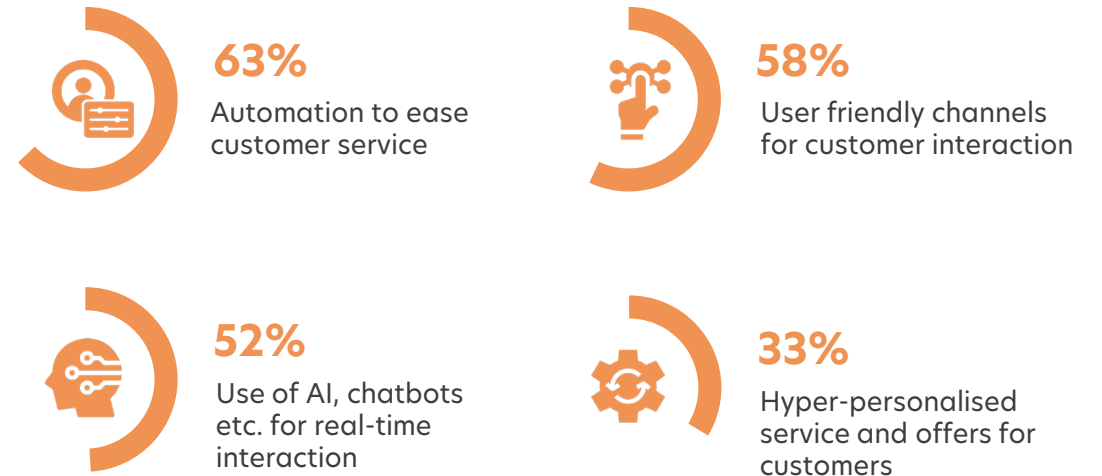


Higher focus cities



Q. How do you plan to achieve these priorities?
Base: Total, 2023 (525)

▶ Key capabilities to improve



▶ Automation to ease customer service:

Higher focus sectors



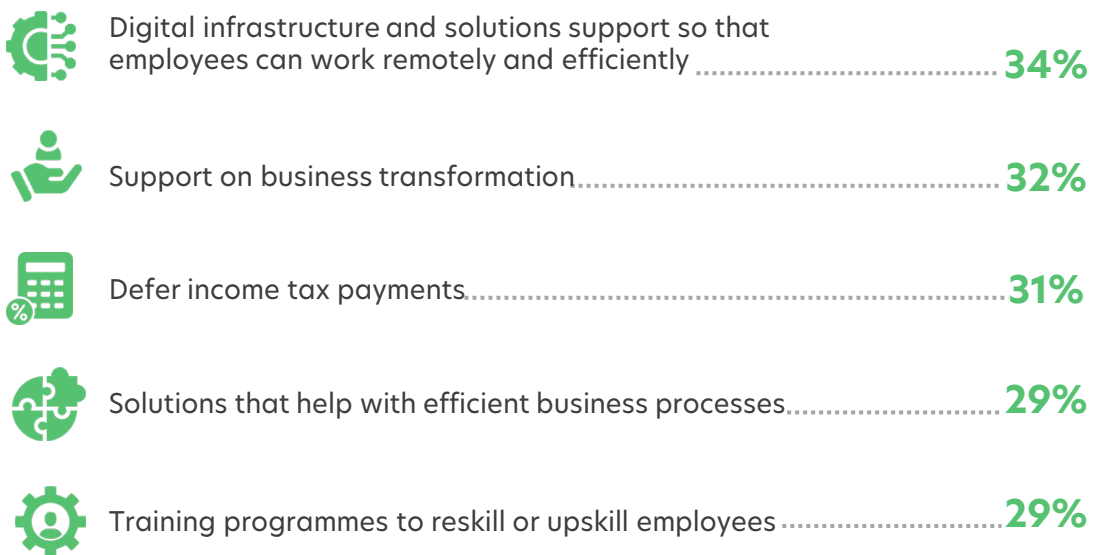
Higher focus cities



Q. What are the key channels/capabilities that your business needs to improve to handle this change in customer engagement expectations?
Base: Total, 2023 (525)

Digital infrastructure and solutions support is the need of the hour for businesses, particularly in Manufacturing & Engineering and Wholesale Trade.

► Support for future business success



► Top support areas

Digital infrastructure and solutions support

Most needed sectors



Support on business transformation

Most needed sectors



Q. What type of support would help your company towards business success in 2024 and beyond? This support could be from government, industry bodies etc.

Base: Total, 2023 (525)

► What can banks and Financial Institutions do?



Providing digital infrastructure and business transformation support is critical for future business success. Collateral-free loans can help accelerate digital infrastructure projects and business transformation.

Q. Going forward, what support can banks and financial institutions offer to help companies with their business growth through 2024 and beyond?

Base: Total, 2023 (525)



Overseas expansion



A desire to grow revenue is fuelling interest in overseas expansion in nearly 7 in 10 businesses in Thailand.

▶ Level of interest in overseas expansion

Interested (Very or slightly) **86%**

Very interested



Slightly interested



Neutral or Not interested



▶ Most expansion interest

Most interested sectors



Most interested cities



▶ Motivation for overseas expansion



66%
Grow revenue



52%
Improve profitability



49%
Build reputation as an international business



36%
Leverage my company's regional or global network

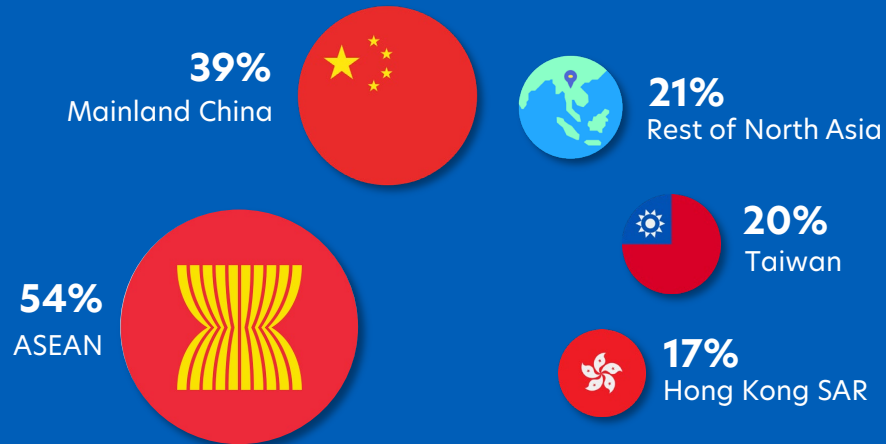


30%
Take advantage of opportunities for my products and services

Cross-border digital trade platforms are a popular means of overseas expansion with nearly 9 in 10 businesses showing interest in using them.

ASEAN and Mainland China are key markets for future expansion. Within ASEAN, Singapore and Vietnam are top destinations.

▶ Top locations seeking to enter



▶ Top locations by sectors

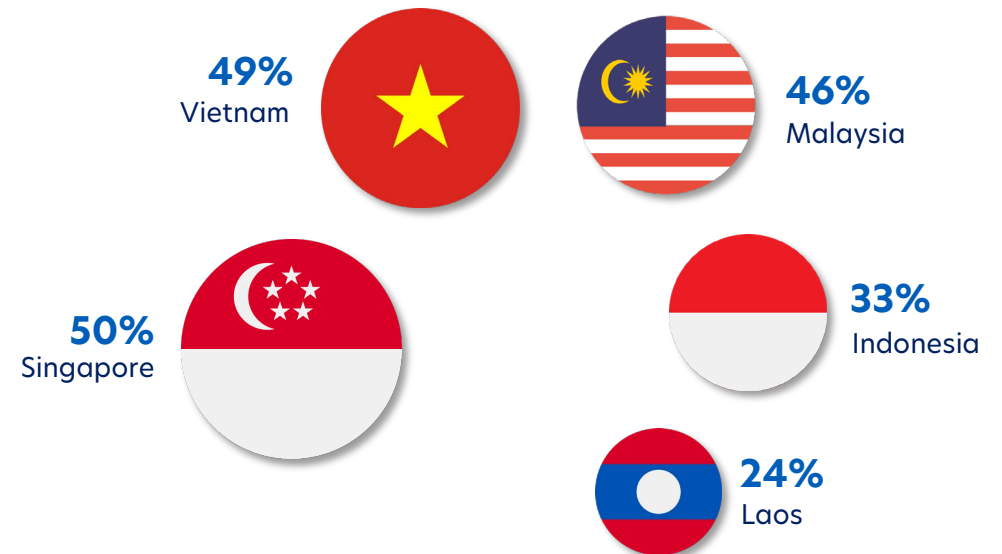
Venture into ASEAN



Venture into Mainland China



▶ Top ASEAN locations seeking to enter



▶ Top ASEAN locations by sectors

Venture into Singapore



Venture into Vietnam

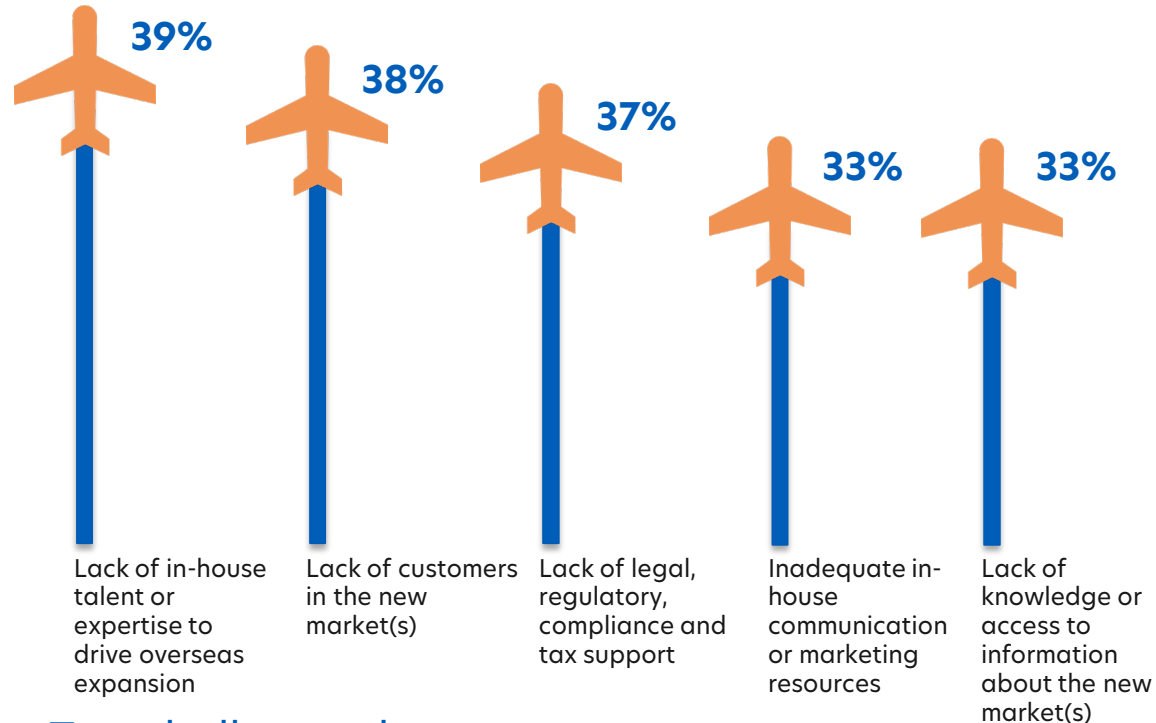


Q. Please select the most important countries (up to 3) in ASEAN that your company is intending to venture into within the next 3 years (by 2026).
Base: Interested in expanding within ASEAN 2023 (246)

Q. Which of these markets is your company intending to venture into within the next 3 years (by 2026)?
Base: Interested in overseas expansion (456)

Overseas expansion is challenging due to lack of in-house talent or expertise, lack of customers in the new markets, and lack of legal, regulatory, compliance and tax support.

▶ Top barriers for overseas expansions



▶ Top challenges by sectors

Lack of in-house talent or expertise to drive overseas expansion

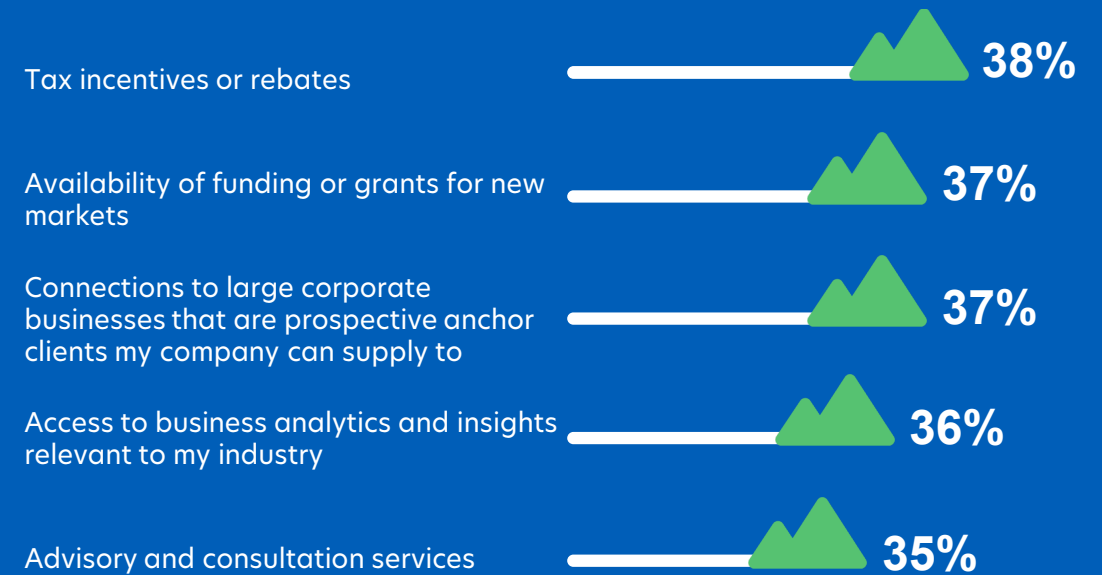


Lack of customers in the new markets



Q. What are the key barriers in your effort for overseas expansion?
Base Total (525)

▶ Expected support measures



Financial support is the key to encouraging businesses to expand overseas. Businesses can also benefit from connections to large corporates that are anchor clients and access to business analytics and insights.

Q. What support does your business require to expand overseas? This support could be from government, banks, industry bodies etc.
Base: Interested in overseas expansion (472)

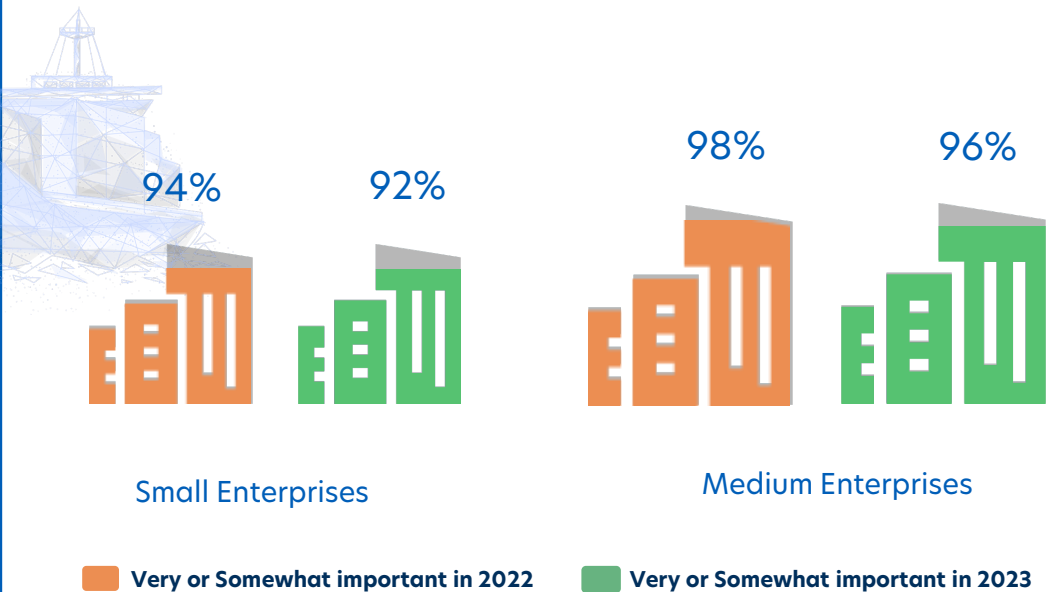


Supply Chain Management (SCM)



SCM continues to be important for businesses across both Small and Medium Enterprises.

► Importance of SCM



► Most important by sectors and cities

Most important sectors

98%
Manufacturing & Engineering

98%
Tech, Media & Telecom

Most important cities

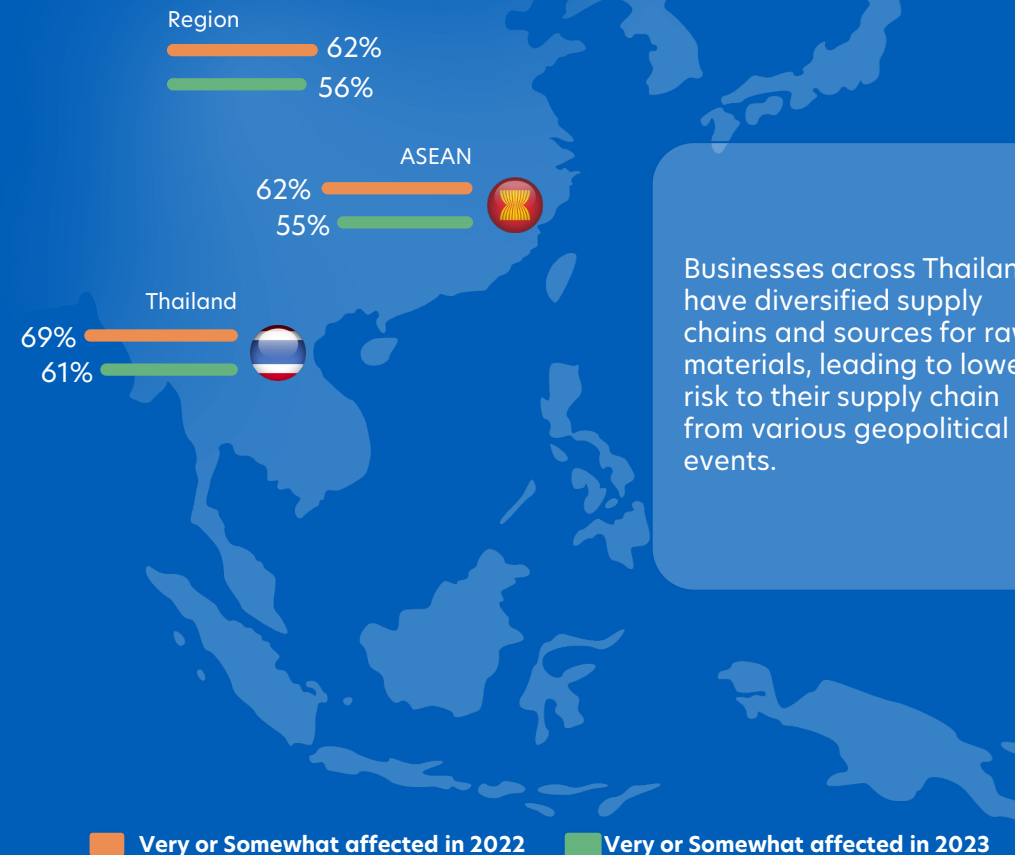
94%
Bangkok & vicinity

93%
Rest of Thailand

Q. How important is supply chain management to your business?
Base: Total 2023 (525), Small Enterprises (322), Medium Enterprises (203)

Fewer businesses are now impacted by geopolitical tensions compared to 2022, both in Thailand and across the region.

► Impact of geopolitical tensions on supply chain



Q. To what extent has your company's supply chain been affected by geopolitical tensions such as US-China trade tensions, Russia-Ukraine conflict, Israel-Hamas conflict etc.?
Base: Total 2023 (525), 2022 (530)

Rising supply costs and difficulty in procuring supplies are key challenges. Businesses are adapting by exploring alternative sources of raw materials and diversifying suppliers.



▶ Top challenges in SCM



▶ Top challenges by sectors



Q. What are the current challenges faced by the business in supply chain management?
Base: Total 2023 (525)

▶ Actions to stabilise supply chain









▶ Top actions by sectors



Q. What steps, if any, have you taken or are planning to take to ensure a stable supply chain in the future?
Base: Total 2023 (525)

Businesses seek tax incentives, and connections to industry peers and ecosystem partners.

► Preferred support for supply chain stability

	Top support areas		
	Total	Small Enterprises	Medium Enterprises
Tax incentives or rebates	46%		
Connections to industry peers and ecosystem partners to learn best practices	42%		
Faster turnaround of loan applications for working capital efficiency	39%		
Connections to the right technology and solution providers	39%		
Training programmes to reskill or upskill employees	37%		

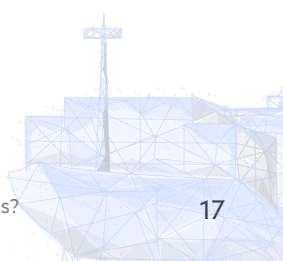
Q. What support in your opinion should be available to businesses to ensure supply chain stability? This support could be from government, banks, industry bodies etc.
Base: Total 2023 (525)

Trade credit insurance, import services and export services are top trading needs for businesses.

► Trading needs among businesses

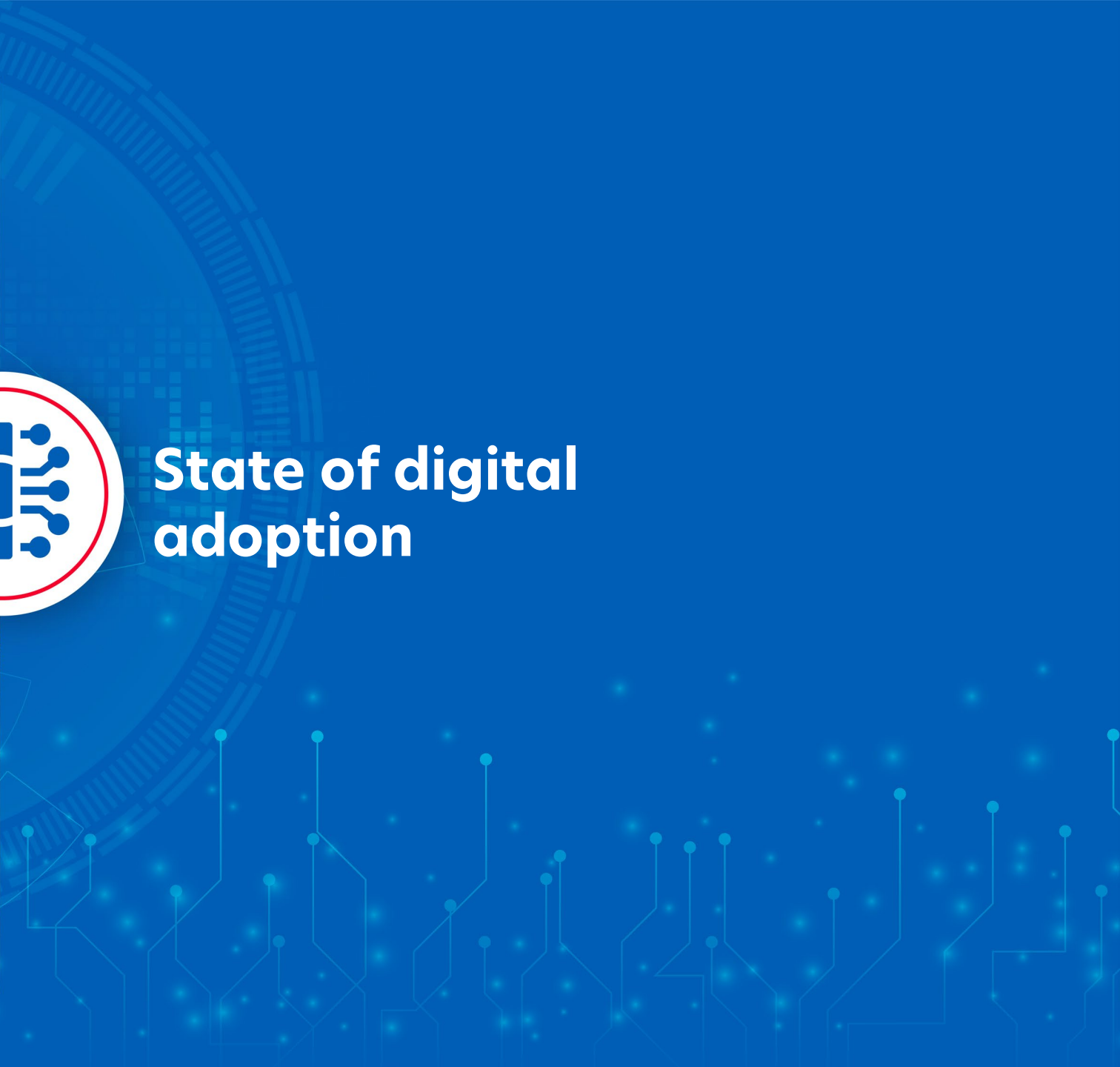


Q. What trade services do you think your financial partner should provide to support your trading needs?
Base: Total 2023 (525)



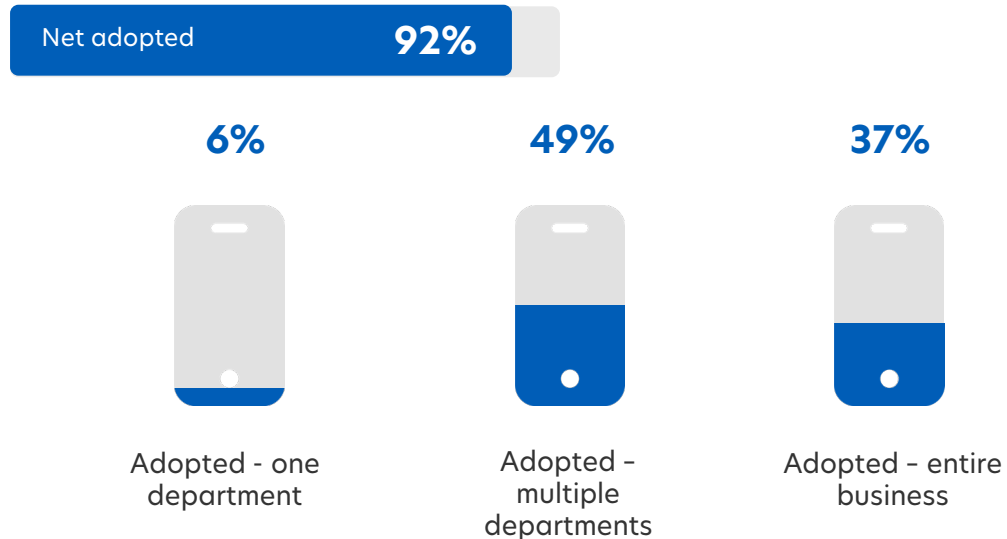


State of digital adoption



Over 9 in 10 businesses have adopted digitalisation. Most have digitalised multiple departments.

▶ Current state of digital adoption



▶ Most digitalised by sectors and cities

Most digitalised sectors



Most digitalised cities



Over 7 in 10 businesses have achieved considerable or great success with digitalisation.

▶ Success with digitalisation



Success in digitalisation is not just about extensive adoption across departments or entire business. Even businesses with more extensive digital adoption can be unsuccessful in digitalisation due to high cost of digital solutions and lack of enthusiasm among employees.

▶ Most success with digitalisation

Most successful sectors



Most successful cities



In future, businesses are likely to be more focused on customer service and procurement processes for digitalisation.

▶ Currently digitalised processes



39%

Customer Service



33%

Expense management



32%

Payroll



32%

Marketing



31%

Electronic invoicing

▶ Processes for future digitalisation



36%

Customer service



35%

Procurement



32%

Inventory management



31%

Expense management



31%

Marketing

Q. Which of these processes did your company digitalise specifically to help your business perform better in 2023?
Base: Those currently trialling or adopted digitalisation in at least one department (511)

Q. What business process/es are you looking to digitalise in 2024 to drive business success?
Base: Total, 2023 (525)

▶ Digitalisation spending in 2024

Nearly 8 in 10 businesses in Thailand are planning to spend more on their digitalisation efforts in 2024, with most budgeting an increase of 10% to 25%.

59%



Spend 10% to 25% more than 2023

19%



Spend 25% to 50% more than 2023

▶ Most digitalisation spending in 2024

Most spending sectors



Most spending cities



Q. Do you foresee spending more on digital solutions and/or technology in 2024 compared with 2023?
Base: Total 2023 (525)

Increased customer outreach and improved customer experience from digitalisation efforts are widely acknowledged.

Digitalisation impact experienced (Among adopters)

Digitalisation impact expected (Among non-adopters)



Top impact areas

Increase customer outreach

Most impacted sectors

53%
Real Estate & Hospitality

50%
Professional Services

Improve customer experience

Most impacted sectors

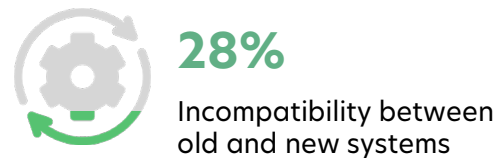
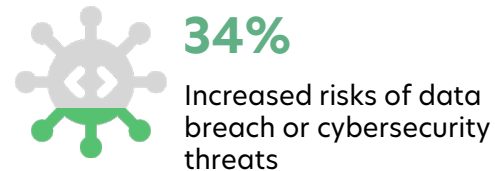
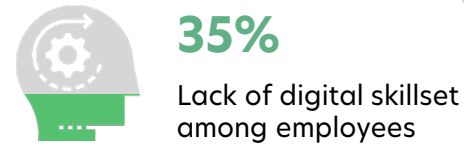
43%
Business Services

40%
Construction & Infrastructure

Digitalisation has helped both labour-intensive and service-oriented sectors alike to increase customer outreach, improve customer experience and speed to market.

Implementation cost, inadequate skillsets, and security concerns are major constraints in digitalisation efforts.

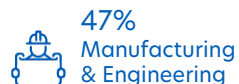
▶ Top challenges for digitalisation



▶ Top challenges by sectors

Expensive to implement

Most impacted sectors



Lack of digital skillset among employees

Most impacted sectors



▶ Top support needed for digitalisation



Financial support through tax incentives or rebates can help to tackle high implementation cost of digitalisation. Training programmes are needed to address the lack of digital skillsets. Connections to industry peers and ecosystem partners can help businesses to learn their best practices.



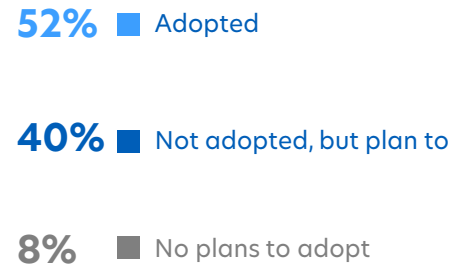
Fintech adoption



There is high FinTech adoption in Thailand, particularly for solutions around payments, remittances and finance & accounting technology.

► Status of FinTech adoption

Net Adopted or Plan to adopt **92%**

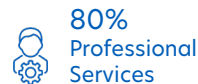


► Adopted or plan to adopt by sectors

Most adopted/planned sectors



Least adopted/planned sectors



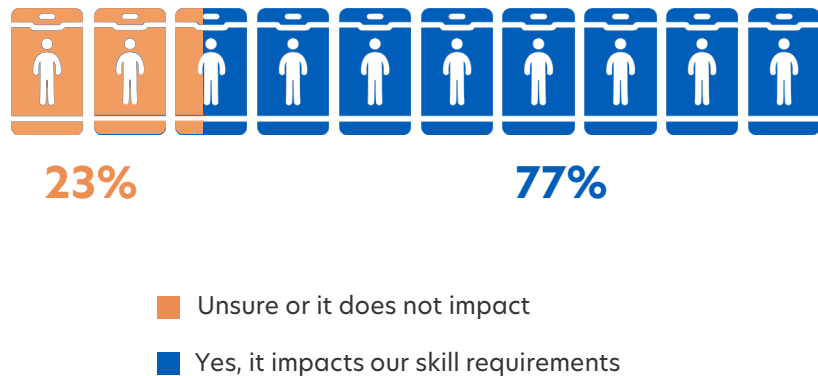
► Top FinTech solutions adopted or planned



Consumer Goods sector adopts FinTech most for payments and remittances. Professional Services adopt it most for finance and accounting solutions. Manufacturing & Engineering sector uses investment technology solutions the most.

Most businesses believe that FinTech impacts their skill requirements. But only 7 in 10 have invested in training or hiring new staff.

▶ Impact of FinTech on skill requirements

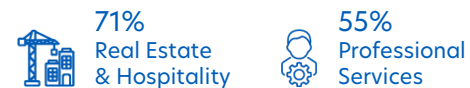


▶ Impact of Fintech adoption by sectors

Most impacted sectors



Least impacted sectors



▶ What are businesses doing about it



Not doing anything



Plan to train or hire new staff



Invested in training or hiring new staff

There is a need to bridge the investment gap in training or hiring new staff to harness the value of FinTech solutions, particularly among sectors like Construction & Infrastructure and Professional Services that are lagging.

▶ Invested in training or hiring

Most prepared sectors



Least prepared sectors



FinTech solutions are seen to be convenient, quick and cost-effective. But concerns around lack of knowledge and security hamper wider adoption.

▶ Top differentiators for FinTech solutions



▶ Top differentiators by sectors

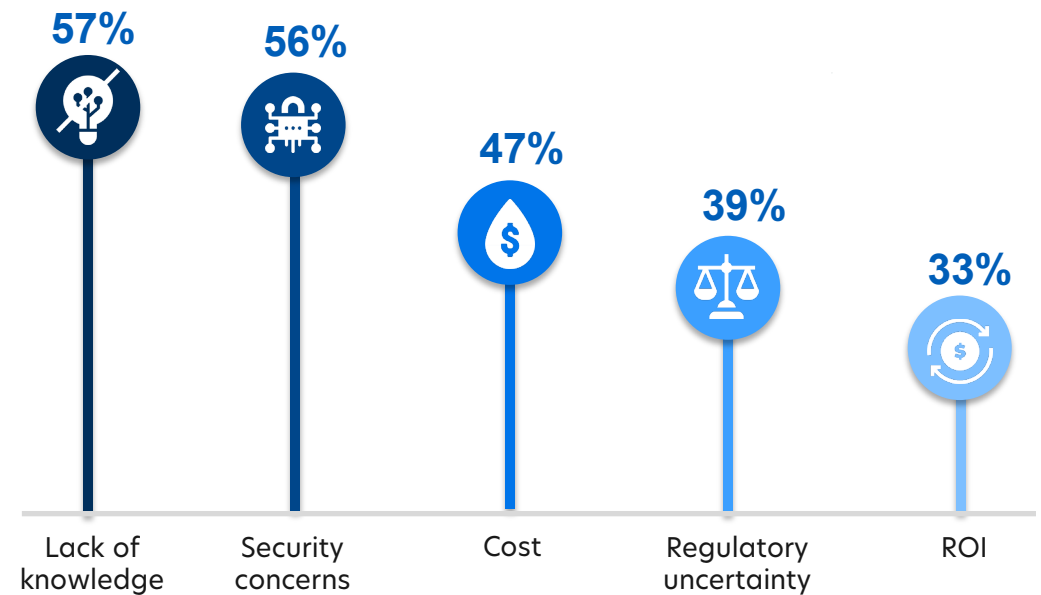
More convenient



Better speed of service and transactions



▶ Top challenges of FinTech solutions



More Medium Enterprises have adopted FinTech solutions compared to Small Enterprises. Consequently, they encounter more challenges particularly around lack of knowledge, security concerns and regulatory uncertainty.

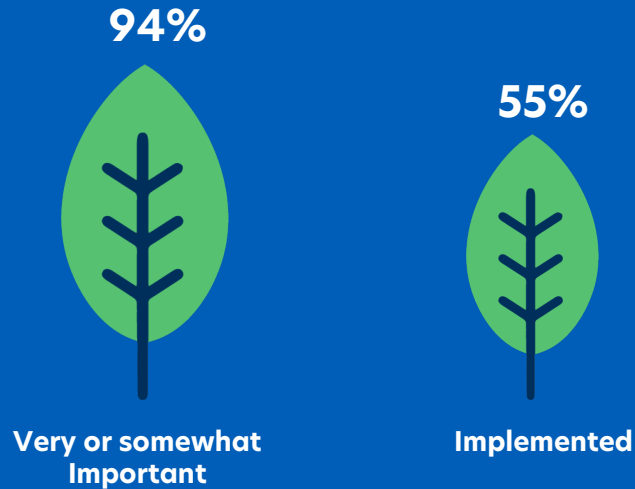


Sustainable business



There is a clear disconnect among businesses on importance of sustainability versus actual adoption.

▶ Current state of sustainability



▶ Least adopted by sectors and cities

Least adopted sectors



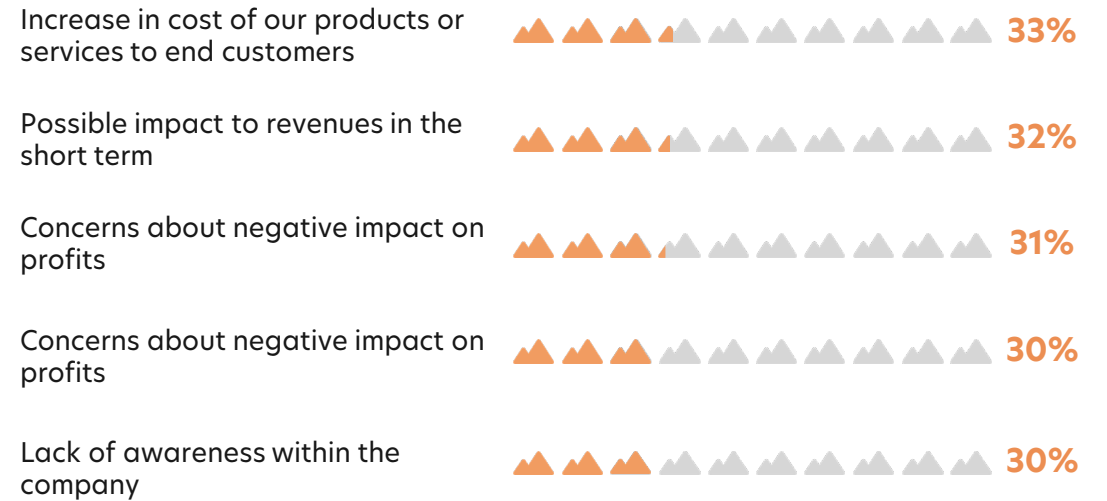
Least adopted cities



Q. How important is sustainability (Environmental, Social and Governance considerations) to your business?
 Q. What stage is your company at today in the adoption of sustainability practices?
 Base: Total 2023 (525)

Increase in cost to customers, impact to revenues and inadequate financial support are holding back higher adoption.

▶ Key barriers to sustainability

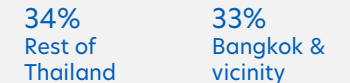


Increase in cost of products or services

Most concerned sectors



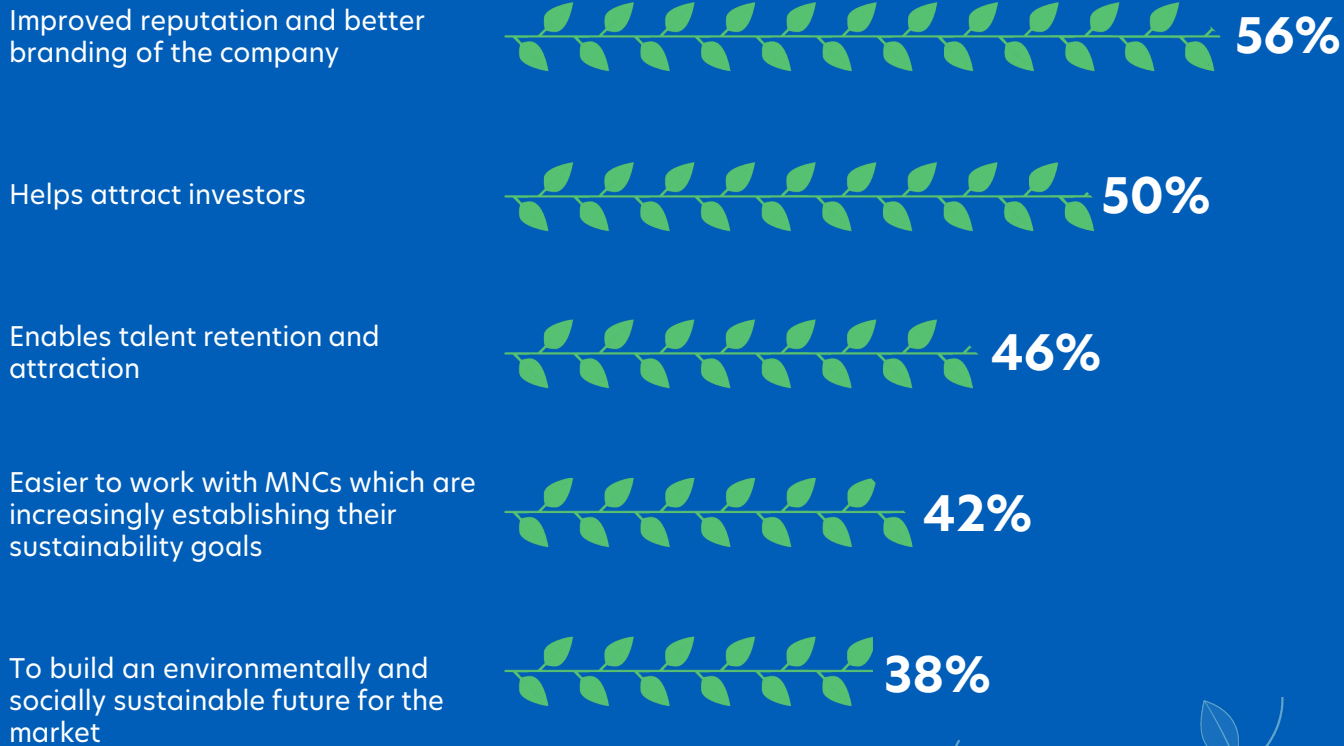
Most concerned cities



Q. What are the major barriers to implementing sustainability practices in your company?
 Base: Total 2023 (525)

Sustainability helps build business reputation, attracts investors and enables talent retention.

▶ The motivators for sustainability adoption



▶ Motivators by sectors and cities

Improved reputation and better branding

Sectors most important in



Cities most important in



Helps attract investors

Sectors most important in



Cities most important in



Sustainable practices leading to efficient use of resources, equipment and technologies are prioritised by businesses.

▶ Current vs future sustainable practices



▶ Most incorporated by sectors and cities

More efficient use of resources

Most incorporated sectors



Most incorporated cities



▶ Most planned by sectors and cities

Use energy-efficient equipment and technologies

Most planned sectors



Most planned cities



Q. What sustainable practices (based on the ESG considerations) have you already incorporated within your business at present?

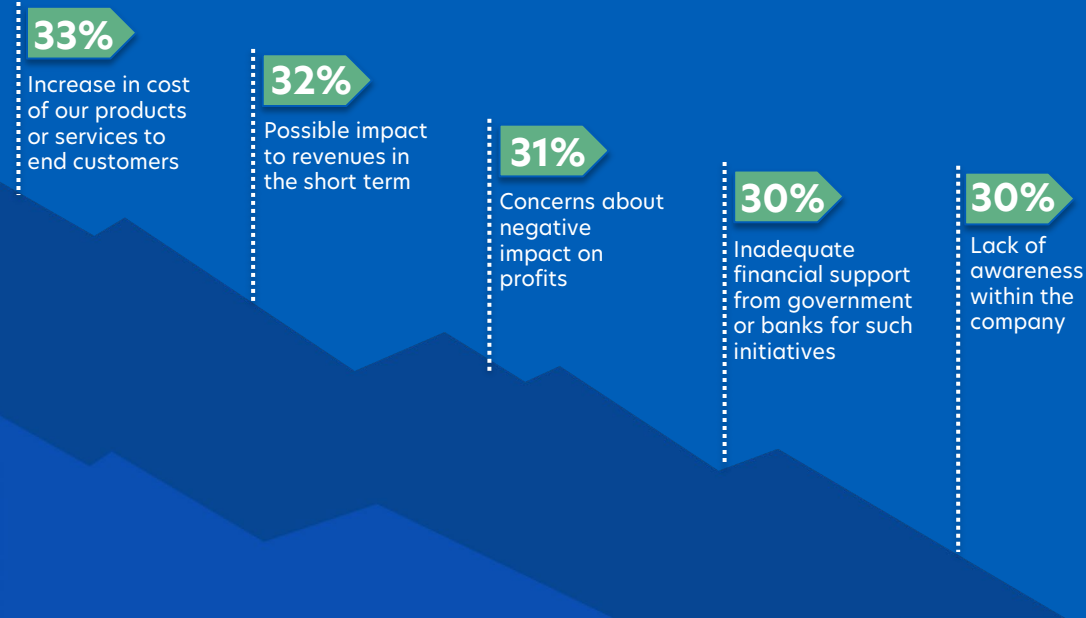
Base: Those who have implemented sustainability practices (287)

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 (238)

Businesses are most concerned about increase in cost to customers once sustainability is implemented. Financial measures like tax incentives can help allay these fears.

▶ Top sustainability challenges



▶ Biggest barriers by sectors and cities

Increase in cost of our products or services to end customers

Most concerned sectors

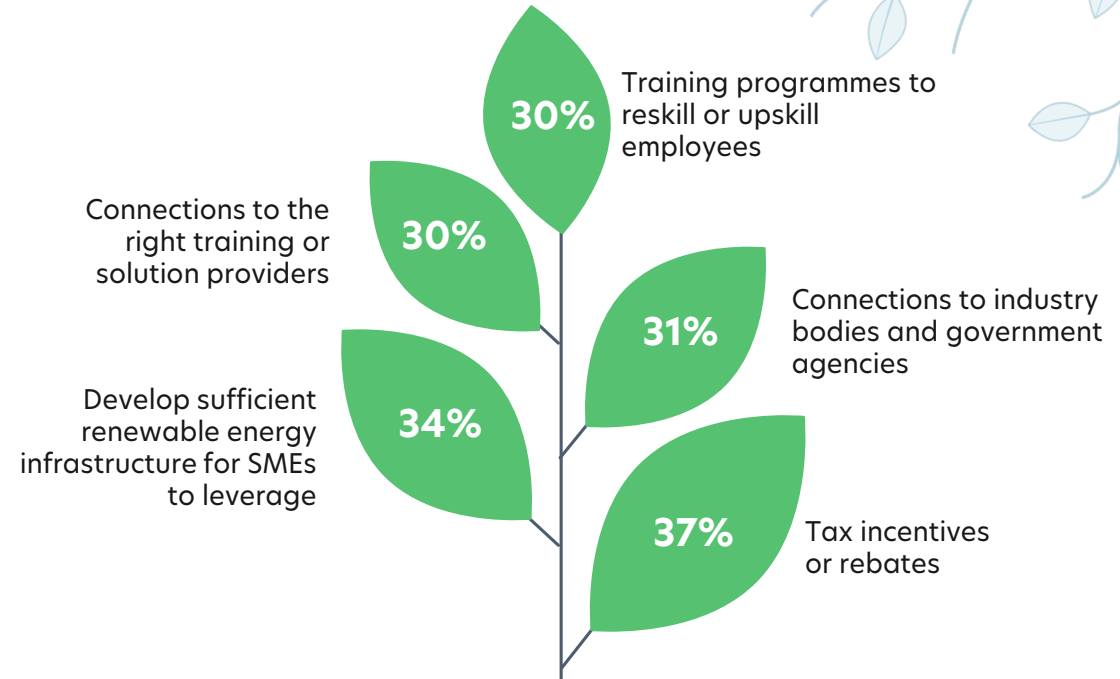


Most concerned cities



Q. What are the major barriers to implementing sustainability practices in your company?
Base: Total, 2023 (525)

▶ Top support areas for sustainability



Training programmes to reskill or upskill employees can address concerns around lack of knowledge among 1 in 3 businesses.

Q. What support would you like in helping your business incorporate sustainable practices into your business?
This support could be from government, banks, industry bodies etc.
Base: Total, 2023 (525)



Right By You

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