

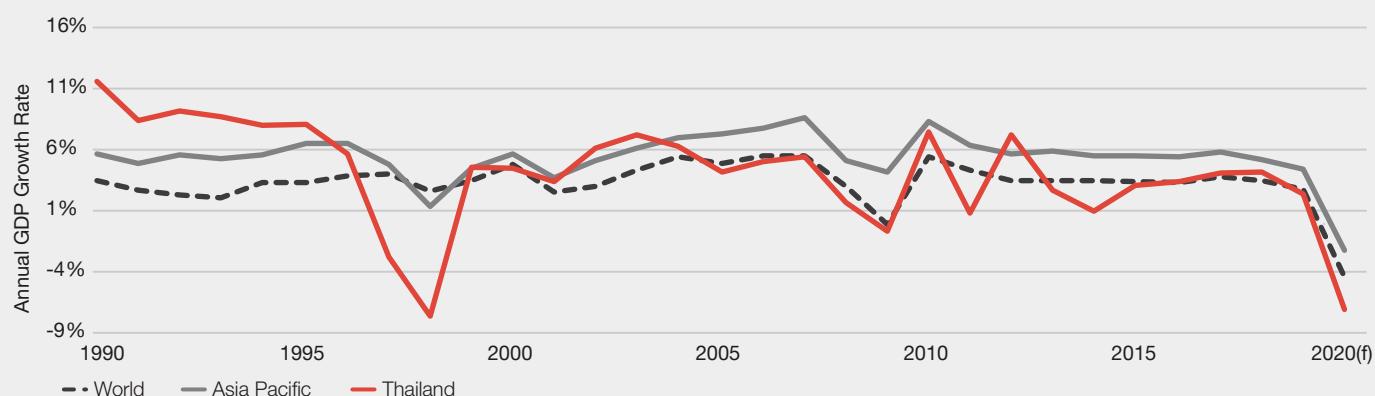


Time to Act Thailand

A nation on the move

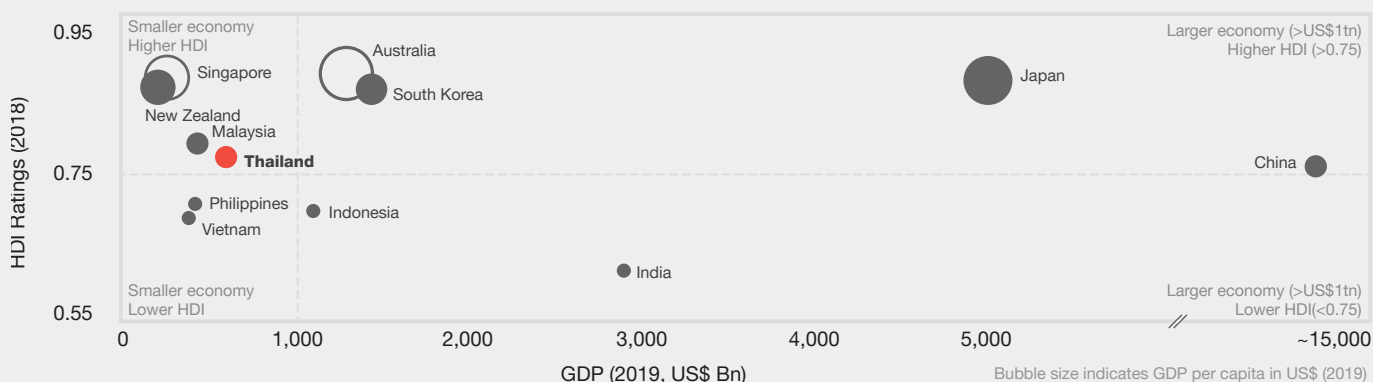
Thailand has witnessed notable economic and social development over the past three decades – with its gross domestic product (GDP) rising six times over 1990 to touch US\$544 billion in 2019 – while also recording a significant drop in the nation's poverty rate, from 65 per cent in 1988 to only around 10 percent in 2018. Multiple factors have played a role in the nation's historical growth – with trade-focused reforms, infrastructure development, a shift towards high-tech manufacturing sectors such as automotive and electronics and the emergence of a strong services sector led by healthcare and tourism – positioning Thailand as a major investment destination within Asia Pacific. Technology adoption has also shaped into a new growth driver in recent years – marked by rising mobile internet penetration, increasing e-commerce sales and a growing push amongst government and business stakeholders to boost digital adoption.¹

Economic growth trends for Thailand, compared to regional and global averages

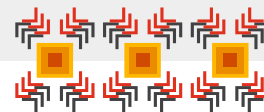


Source: International Monetary Fund (October 2020)

Economic and Human Development Index (HDI) performance of key Asia Pacific markets



Source: International Monetary Fund (October 2020); United Nations



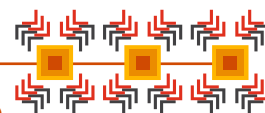
The need for change

While Thailand has made notable progress in the past few decades, economic growth has slowed down in recent years, with sluggish global demand and geopolitical tensions impacting trade prospects. With the onset of the COVID-19 crisis, overcoming key growth challenges needs to be of utmost priority as Thailand seeks to revive growth and design a stronger future trajectory – creating an urgency to act now.²

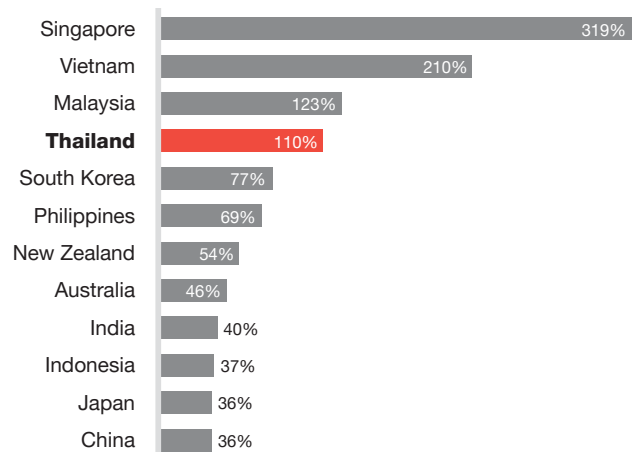
Trade tensions: Rising trade uncertainties pose new growth risks for export-led economies such as Thailand, with a trade to GDP ratio of more than 100 per cent. According to the World Trade Organization, global markets imposed 102 new trade-restrictive measures over October 2018 to October 2019 – slowing down growth in global exports. Consequently, Thai exports of goods and services also declined by 2.6 per cent in 2019 over the previous year. As a result of the COVID-19 disruption, exports fell by 3.9 per cent in October and by 7.3 per cent in the first 9 months of 2020. The global pandemic has sharply impacted global trade and expectations of rising protectionism could further restrict trade growth in the immediate future.³

Evolving demographics: Thailand also faces the issue of a fast ageing demographic, with old-age dependency ratio for the country projected to reach 29.6 per cent by 2030 – much above the world average of 18 per cent by then. Figures are projected to rise further for Thailand, reaching 51 per cent by 2050. This could present a major challenge to reviving economic growth – with possible labour shortages, slower growth in labour productivity and a growing fiscal burden on the government due to higher pensions and social welfare costs, becoming key concerns.⁴

Environmental sustainability: Warming temperatures, rising sea levels and changing weather patterns make climate change a key challenge for Thailand. Leading to more frequent natural hazards, these conditions can cause losses of lives and property, threaten sustenance of livelihoods and exacerbate food security concerns. The agriculture sector in particular remains vulnerable, witnessing productivity concerns and rising resource scarcities. Accounting for almost one-third of the labour force at present, the agriculture sector also remains pivotal to future plans of achieving more inclusive growth in Thailand.⁵

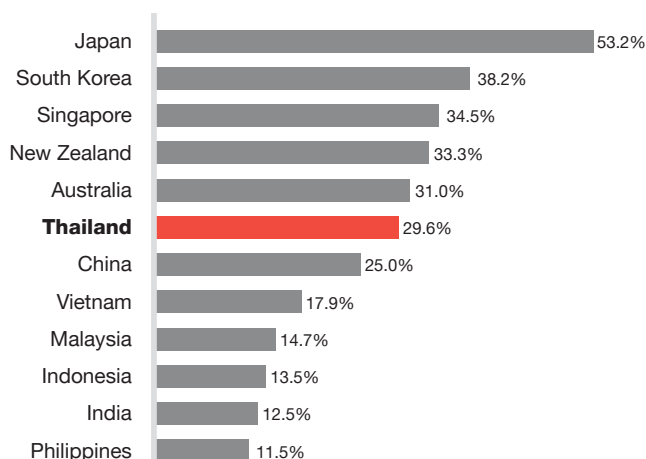


Trade to GDP ratio, 2019



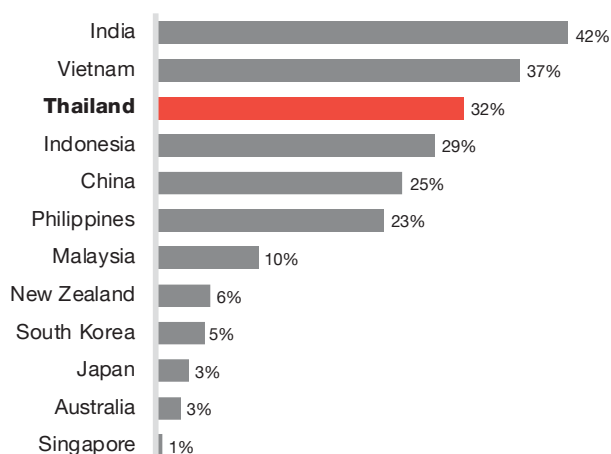
Source: World Bank

Old-age dependency ratio, 2030



Source: International Labour Organization

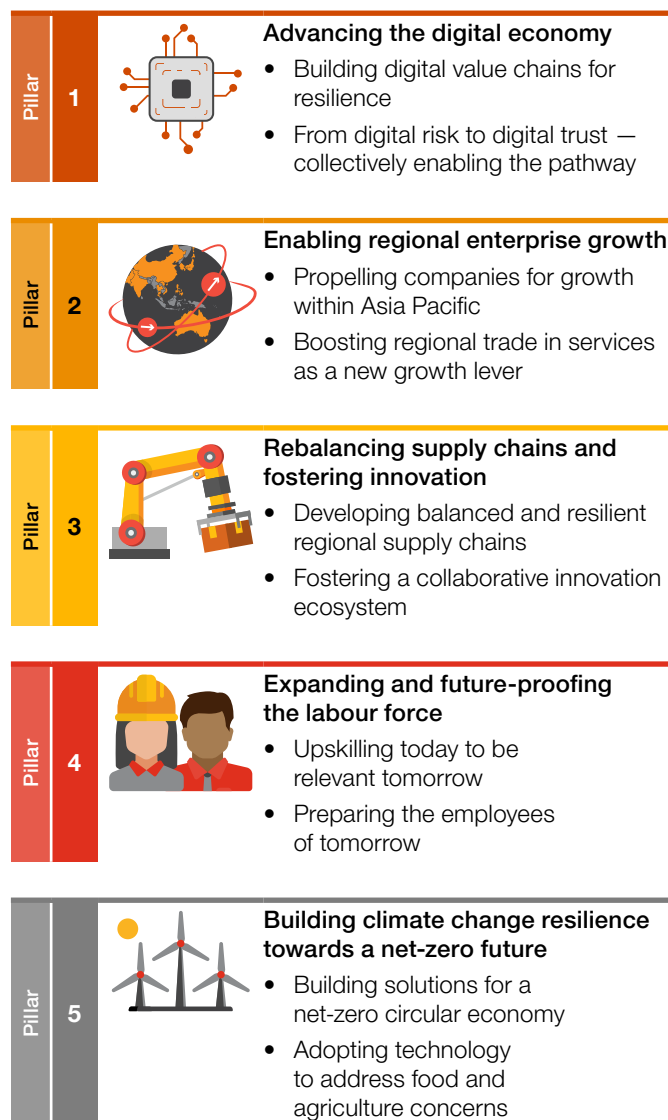
Agriculture employment, % of total employment, 2018



Source: World Bank

Building a new future

Tackling these growth challenges has become necessary to repair, redesign and rebuild Thailand's economy for a post-COVID-19 future – while enabling a more socially inclusive and environmentally sustainable growth trajectory. This requires all stakeholders (the government, businesses and the society) to shift from old conventional growth models and build new growth pillars for the future.



1

Pillar 1 - Advancing the digital economy

Digitalisation has become a significant need for ageing economies such as Thailand, to help improve its market competitiveness. Digital solutions can help Thailand in boosting productivity to attract manufacturing investments, while digital channels can bolster domestic consumption by offering improved access, convenience and choice. This has become even more vital in the future, with COVID-19 related disruptions making resilience a key priority. Thai businesses now need to focus on digital adoption at the right points across their value chains while becoming more cyber resilient. The government is also required to extend greater support to transform small and medium-sized enterprises (SMEs) and take steps to strengthen the society's trust in digital systems.⁶

2

Pillar 2 - Enabling regional enterprise growth

Moving outside domestic shores has become crucial for business growth, prioritising expansion within Asia Pacific to target rising regional demand. Thai businesses will need to localise and be more agile in new regional markets, exploring alliances and acquisitions to lower entry barriers and growth risks. Government support will also be crucial to help businesses internationalise. Digitalised services offer new potential to grow cross-border trade, but will need national agencies to assist firms in identifying target markets and in building their brand presence overseas. Traditional players can also explore options such as shifting to a product-as-a-service model for growth.⁷

3

Pillar 3 - Rebalancing supply chains and fostering innovation

Leading businesses in Thailand need to rebalance their fragmented global operations with more integrated regional networks to improve resilience. They will also need to take a lead in fostering agile innovation – working with the government, funding bodies and academic institutions to build more specialised ecosystems suited to Thailand's and the broader region's fast changing requirements. Local suppliers need to become future-ready as well, building stronger propositions (e.g. engineering excellence or technology leadership) and participating in innovation initiatives to become preferred partners for firms building regional supply chains in Asia Pacific.⁸

4

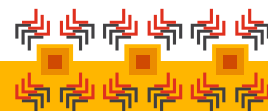
Pillar 4 - Expanding and future-proofing the labour force

Aligned with Thailand's changing growth requirements, its workforce also needs to be equipped to foster digitalisation and drive higher value addition. The government needs to take a lead in this regard, highlighting its growth vision and driving more targeted engagement with other ecosystem participants, all across the education journey. Businesses need to build a more focused and agile talent development plan, in line with their industry's growth trajectory and the evolution of specific roles – while helping SMEs in their supply chains to bridge key capability gaps.⁹

5

Pillar 5 - Building climate change resilience towards a net-zero future

Facing growing sustainability risks, Thailand needs to prioritise action on minimising the economic and social costs of climate change. The agriculture sector requires government and business attention. Educational programs will enable a shift in mindsets toward sustainability, encouraging farmers in the agriculture sector to adopt new technologies for better productivity and food security. Meanwhile, conglomerates will need to balance profits and business ethics through a tri-entirety partnership between governments, businesses and communities – to move collectively towards a net-zero economy.¹⁰



The way forward

There is now an urgent need for action. The government needs to become more proactive in enabling change, businesses need to take a lead in driving new solutions and the society needs to become a more active collaborator for long term impact. Regional collaboration has become a necessity to make Asia Pacific more resilient, requiring key growth markets such as Thailand to evolve into a regional role – serving as providers of an aspirational workforce and testing grounds for consumer-focused innovation. Thailand in particular, also has the potential to emerge as a centre for entrepreneurship and lower-cost innovation – the benefits of which can be spread across Asia Pacific. E.g. affordable healthcare models and solutions from Thailand could help manage concerns around rising healthcare costs in other regional markets.¹¹

Much needs to be done. It's now the **'Time to Act'** and move together towards a stronger shared future.



Endnotes

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- 3 World Trade Organization, 'Report shows trade restrictions by WTO members at historically high levels', December 2019; World Trade Organization, 'Trade set to plunge as COVID-19 pandemic upends global economy', April 2020; Nikkei Asia, 'Thailand GDP growth slows to 2.4%, lowest in five years', February 2020; Bangkok Post, 'Shipment contraction thins again', October 2020
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- 5 World Bank, 'Thailand's Poverty on the Rise Amid Slowing Economic Growth', March 2020; UNDP Climate Change Adaptation, 'Thailand', 2020; International Monetary Fund, 'Boiling Point', September 2018; World Bank, Statistics on agriculture employment and share to GDP, 2020
- 6 Bangkok Post, 'A better digital future', September 2020; PwC discussions with subject-matter specialists
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- 8 Bangkok Post, 'Supply chain shake-up', September 2020; Bangkok Post, 'Global supply chain renovation', May 2020; PwC discussions with subject-matter specialists
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