

Grant Thornton International Business Report

Q3 2024

Agenda

1	Thailand's Economic Landscape	3
2	What is the IBR?	11
3	Business Health in Thailand	16
4	Business Conditions	24
5	Future Investment Intentions	29
6	Constraints to Business Growth	34
7	Country-specific Questions	40
8	Future Points to Consider	43
9	Q&A	44

Thailand's Economic Landscape



GDP:

- Thailand's economy **grew by 2.3%** in second quarter 2024, faster than the 1.6 % growth attained in the first quarter, driven by private and government consumption, as well as exports.
- The accommodation and food services sector had **the highest growth (7.8%)**, backed by strong domestic and international tourism.
- Wholesale and retail trade grew slower at 3.0 percent, while manufacturing recorded a turnaround to grow 0.2 percent.



Private Consumption:

- Private consumption growth **slowed to 4.0%** in Q2 (down from 6.9% in Q1), with service sector spending halving, particularly in hotels, restaurants, finance, healthcare, education, arts, and entertainment.



Trade:

- Exports **grew 4.5 percent** to US \$73.3 billion, reversing the 1.1% contraction experienced in the first quarter.
- Imports were recorded at US \$67.8 billion, **an increase of 1.2 %**, though slower than 3.3% in the preceding quarter.

Thailand's Economic Landscape



Industrial Activity:

- **Manufacturing sector:** Expanded by **0.2% in Q2, reversing a 3.0%** decline from Q1, ending six consecutive quarterly contractions. Domestic industries grew 2.5%, while export-oriented industries contracted by 1.5%. Strong performers included oil palm, animal food, and starch products with double-digit growth
- **Purchasing Managers' Index (PMI) improvement:** PMI rose from **51.7 in June to 52.8 in July**, the highest in over a year, driven by improved business confidence, faster output growth, and stabilizing new orders.



Labour:

- Thailand's unemployment rate **increased to 1.1% in Q2** from **0.98%** in Q1.
- The number of unemployed workers rose by **19,000** during the quarter to an estimated 379,000 as of June



Inflation:

- **Inflation decreased to 0.6% in June** from a 1.5% peak in May, mainly due to slower price increases in food, beverages, housing, and utilities.
- **First half of 2024:** Average annual headline inflation **was flat at 0.0%**, with a core rate of 0.41%. The government maintains its inflation forecast between 0.0% and 1.0% for the year.

Thailand's Economic Landscape



Currency:

- The Thai baht **depreciated by over 6%** against the US dollar in Q2, trading at 36.4 baht per dollar.
- It **rebounded nearly 7%** by August, reaching its highest level in 13 months, driven by expectations of a potential US interest rate cut by the Federal Reserve.



Policy Rate:

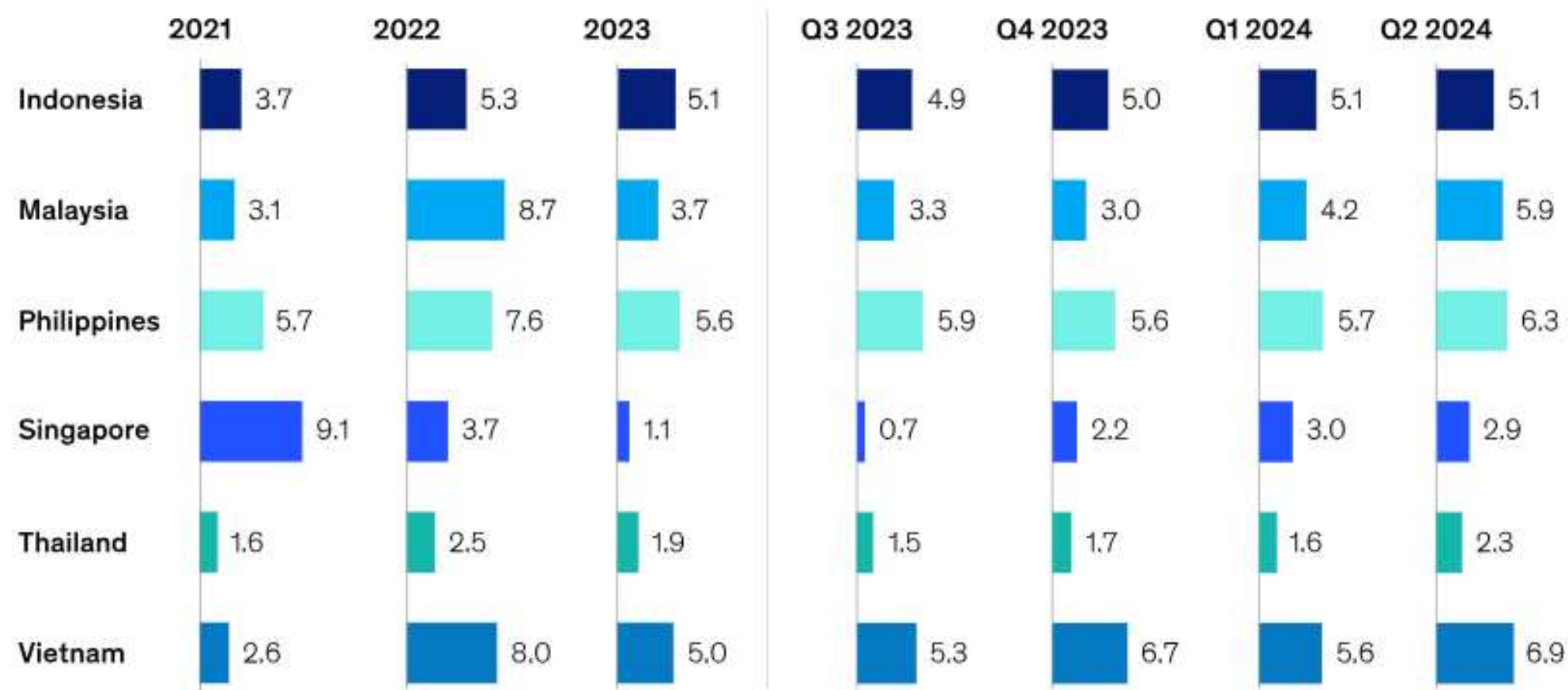
- The Bank of Thailand (BOT) maintained its **interest rate at 2.5%** during the August 2024 meeting, marking the 5th consecutive meeting with no change after previous hikes totaling 200 basis points between August 2022 and September 2023.
- BOT considers the current rate aligned with economic conditions and crucial for maintaining macro-financial stability. In the policy review on 16th October 2024, the interest rate **was reduced by 0.25%**



Capital Inflows:

- FDI inflows reached **US \$9.5 billion** in Q2, more than **double** the US \$4.6 billion from the previous quarter
- The **machinery and automobile sectors** attracted the highest share at **21%**, followed by **electronics** at **19%** and **metal industries** at **12%**.

Real GDP growth rate vs previous period, %



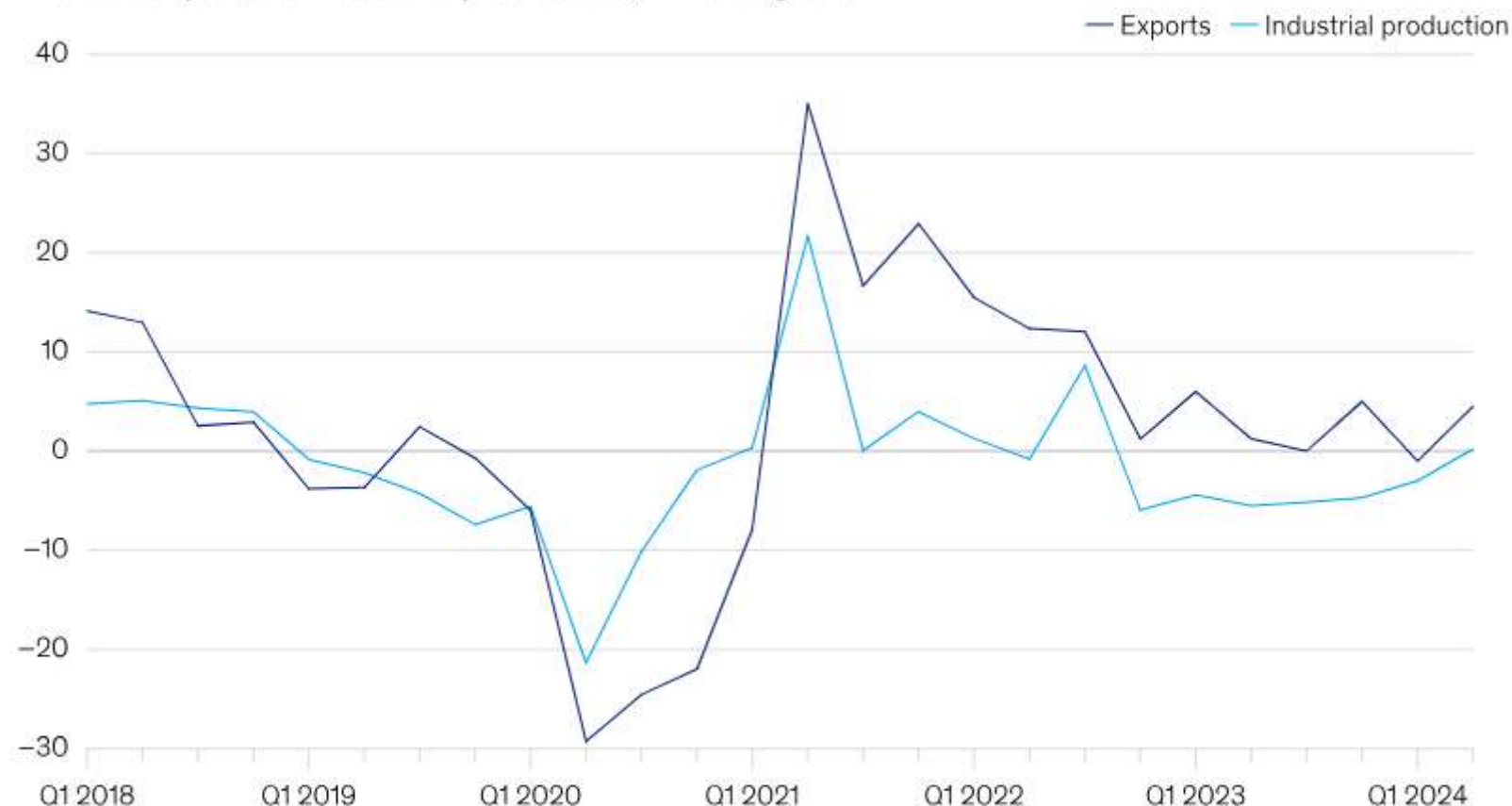
Source: Countries' national statistics offices; Oxford Economics

McKinsey & Company

Thailand exports vs industrial production



Thailand exports vs industrial production,¹ % value growth



¹Year-on-year change, quarterly, through Q2 2024.

Source: Countries' national statistics offices; Oxford Economics

Key Finding

- Thailand's GDP growth **accelerated to 2.3% in Q2**, up from 1.6% in the previous quarter, with exports **growing by 4.5%** and production increasing by 0.2% for the first time since 2022.
- Full-year 2024 growth is expected between **2.3% and 2.8%**, driven by tourism recovery, strong domestic and government consumption, investment, and export improvements.

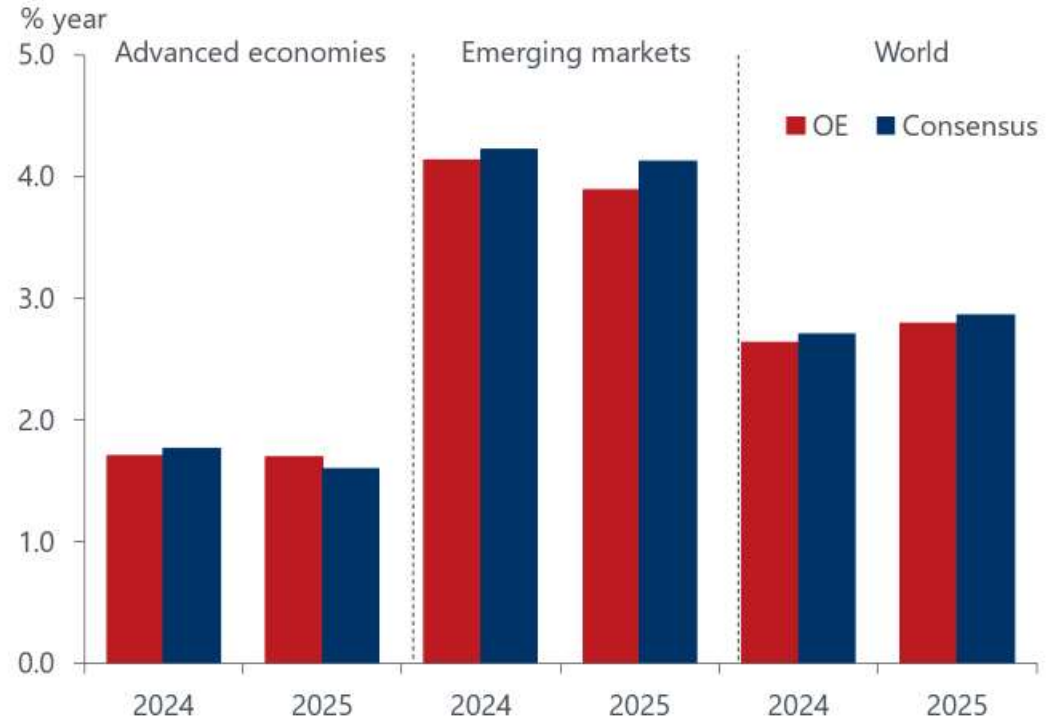
Upgrade in 2024 outlook since June, with growth moderating as we move towards 2025.

Global: Real GDP growth



Source: Oxford Economics/Haver Analytics

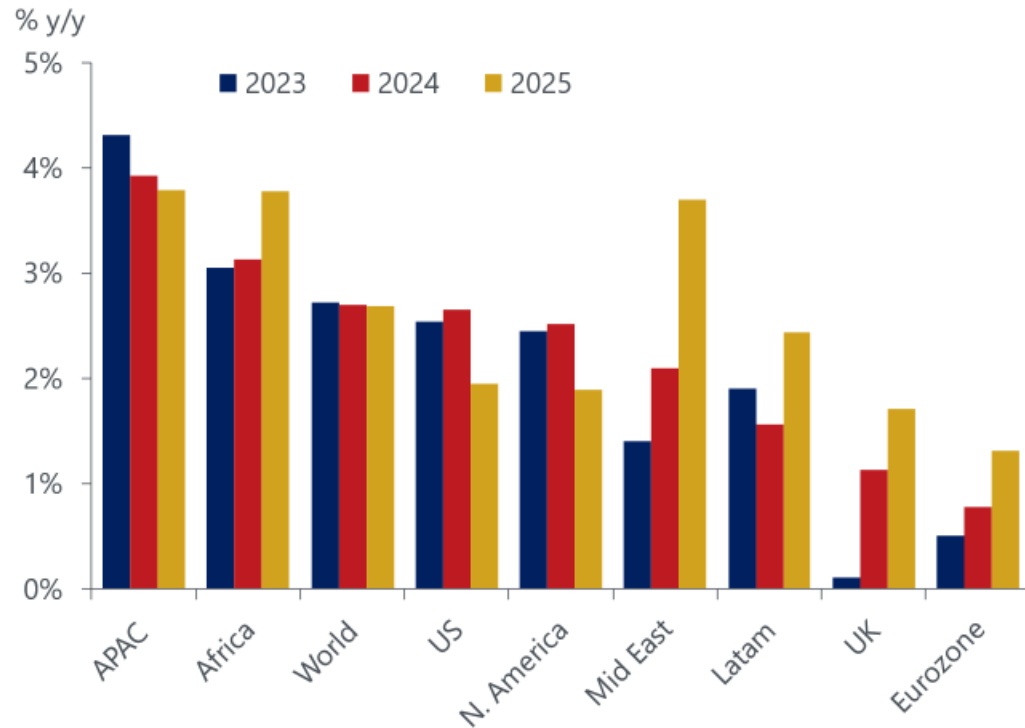
GDP: OE v consensus



Source : Oxford Economics/Refinitiv

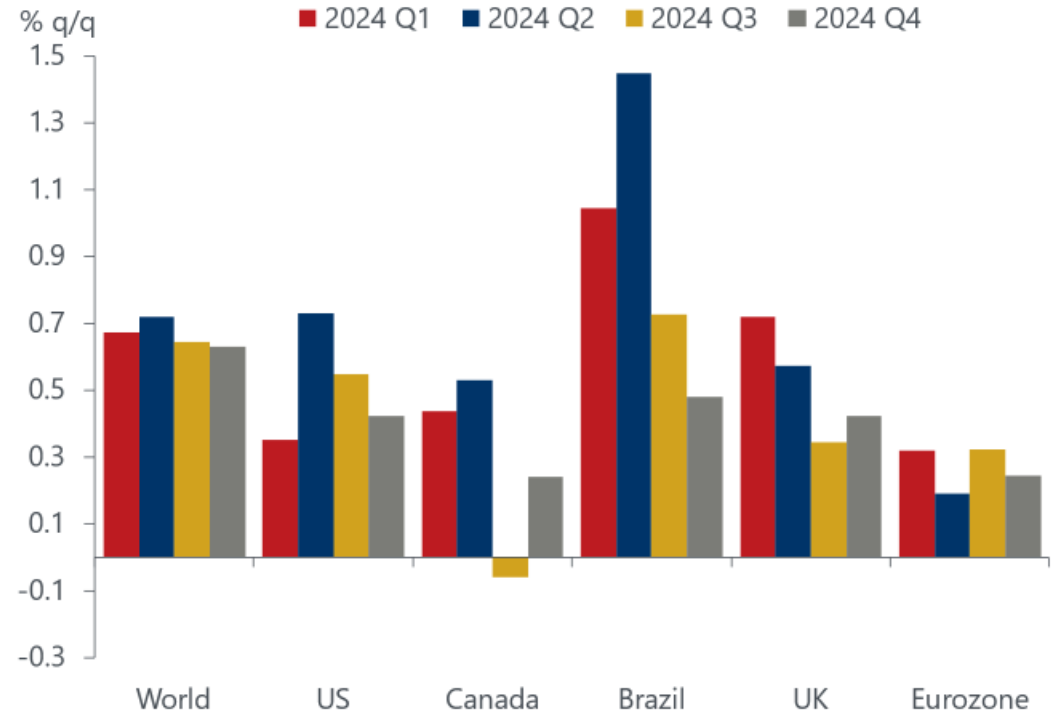
Weak growth in the UK and Eurozone this year, with stronger growth expected in APAC, Africa, North America, and the Middle East.

Real GDP growth



Source: Oxford Economics/Haver Analytics

Real GDP growth



Source: Oxford Economics/Haver Analytics

1 What is the IBR?

International Business Report (IBR)

What is the IBR?



The Grant Thornton International Business Report (IBR) is a **survey of mid-market businesses**. Launched in 1992, the IBR provides insight into the overall **sentiment** of around **3,748 C-Suite-Level Leaders across 31 economies** by assessing business leaders' views and expectations.



Questionnaires are translated into local languages and fieldwork is undertaken quarterly, through **both online and telephone interviews**. The data for this release is from interviews conducted between 29 July – 6 September 2024 with chief executive officers, managing directors, chairpersons, or other senior executives from all industry sectors.

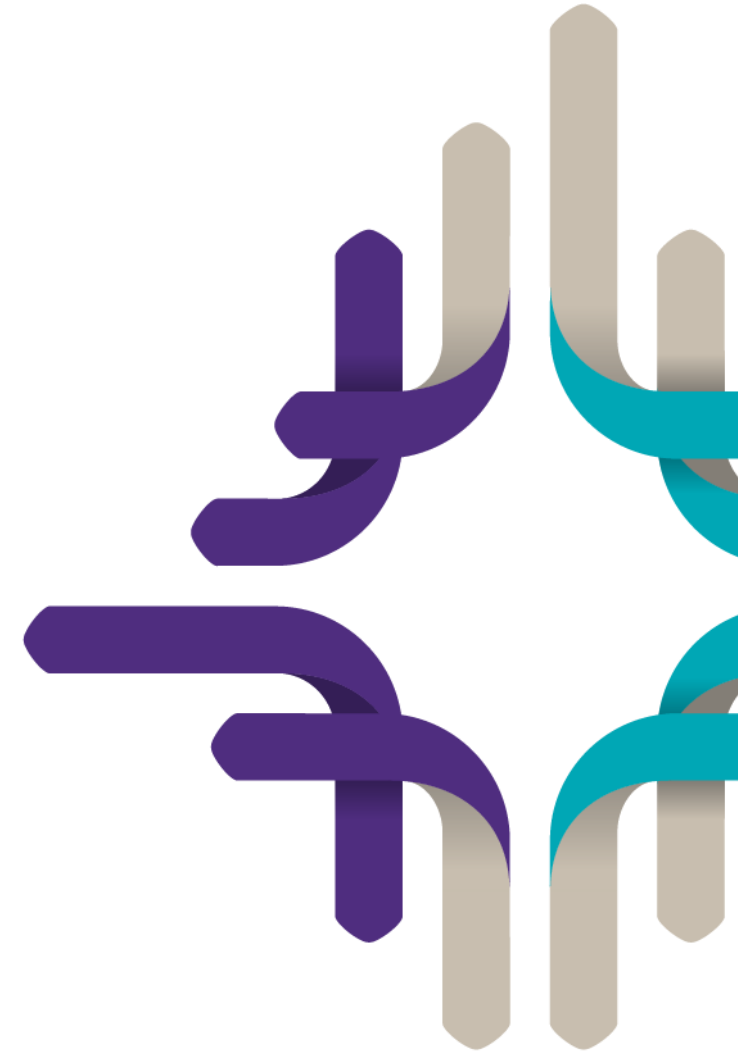


The latest wave of IBR research took place from **29 July – 6 September 2024**. This data relates to the third quarter of the year and should be referred to as 'Q3 2024'. **90 mid-market business leaders in Thailand** were interviewed during this wave of research.

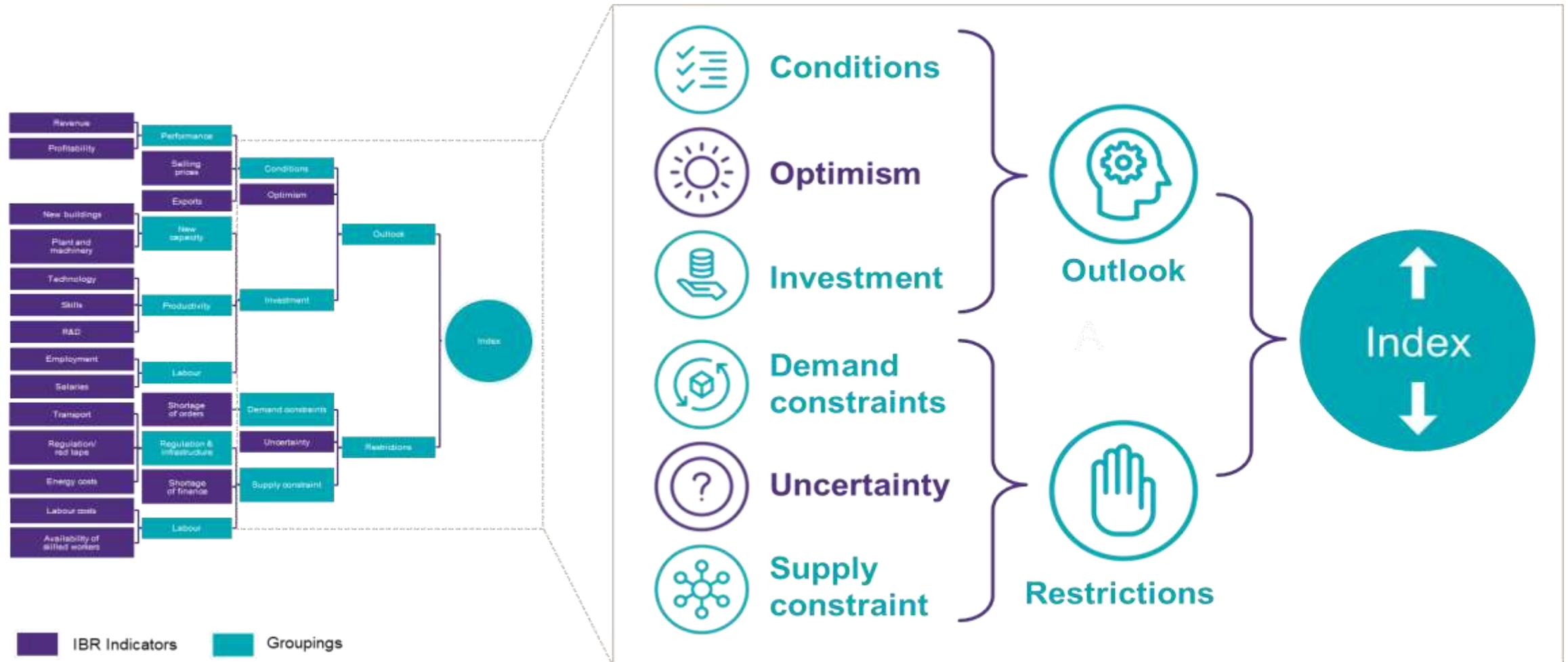


Oxford Economics, a provider of global economic forecasting and quantitative analysis, supports Grant Thornton International Ltd. in analysing and interpreting the results from the IBR after each round of research. They also developed our unique index into mid-market health that was launched in 1992. Among other things, the work on the index involved analysing the indicators, developing the underlying model and calculating the weightings and scores, and testing the correlation between the index and other macroeconomic indicators

Source: Grant Thornton, Oxford Economics

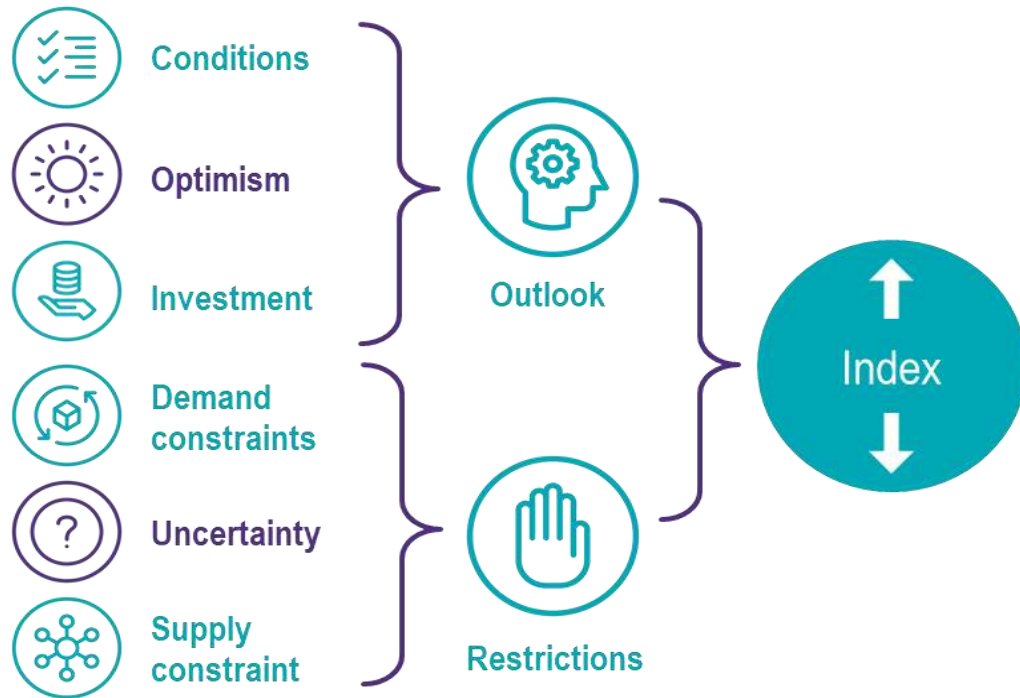


The IBR Index: Indicators, Elements of Health



How the Index Scoring Works

What is the IBR?



Grant Thornton's Global business pulse is a single figure calculated from an underlying model consisting of 20 forward-looking indicators. The index is calculated every six months and can be compared across time and across different geographies and sectors, to assess the relative health of mid-market firms. The higher the score, the healthier the mid-market, and the greater likelihood of growth.

Outlook:

This sub-index shows the outlook for mid-market businesses and consists of 10 indicators covering future business conditions (including growth), economic optimism, and future investment intentions. **These indicators are scored positively and result in a score for this sub-index of between 0 and 100**

Restrictions:

This sub-index shows the extent of restrictions to mid-market growth and consists of 10 indicators covering demand and supply constraints and economic uncertainty. **These indicators are scored negatively and generate a score for this sub-index of between 0 and -100.**

The final index value is the weighted sum of these two sub-indices and ranges from -50 to +50

- **+50** would represent perfect health with no restrictions, an ideal outlook and the likelihood of high growth in the future
- **-50** would represent dire health, with crushing restrictions, an appalling outlook and the likelihood of decline in the future

Thailand's Sample Size: Deep dive into the 90 respondents

Most respondents were female



Most respondents were CEO and Director level



Most respondents were aged between 25 – 44



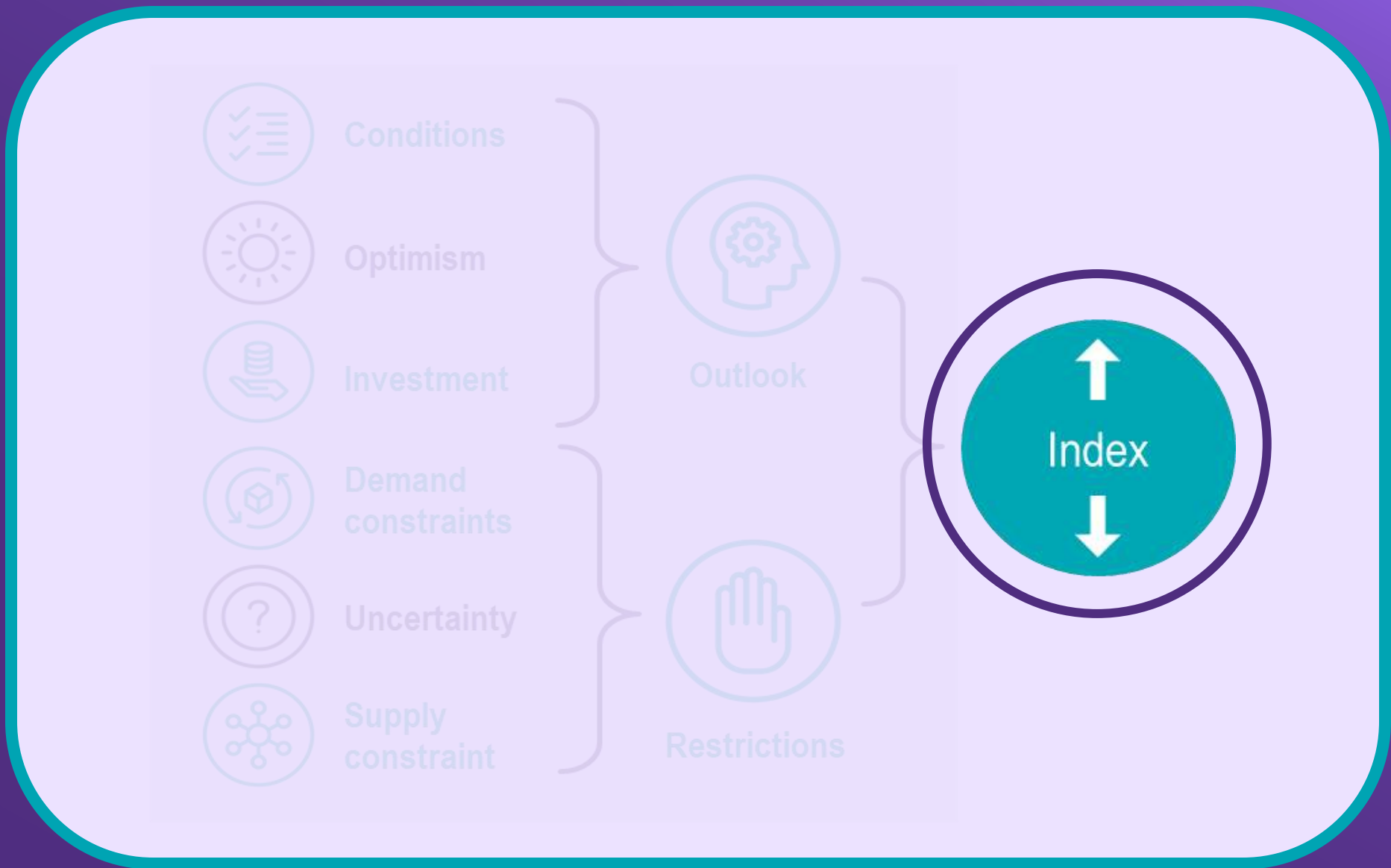
Most respondents were from businesses with 50 – 149 employees



Only 4 respondents were aged 55+

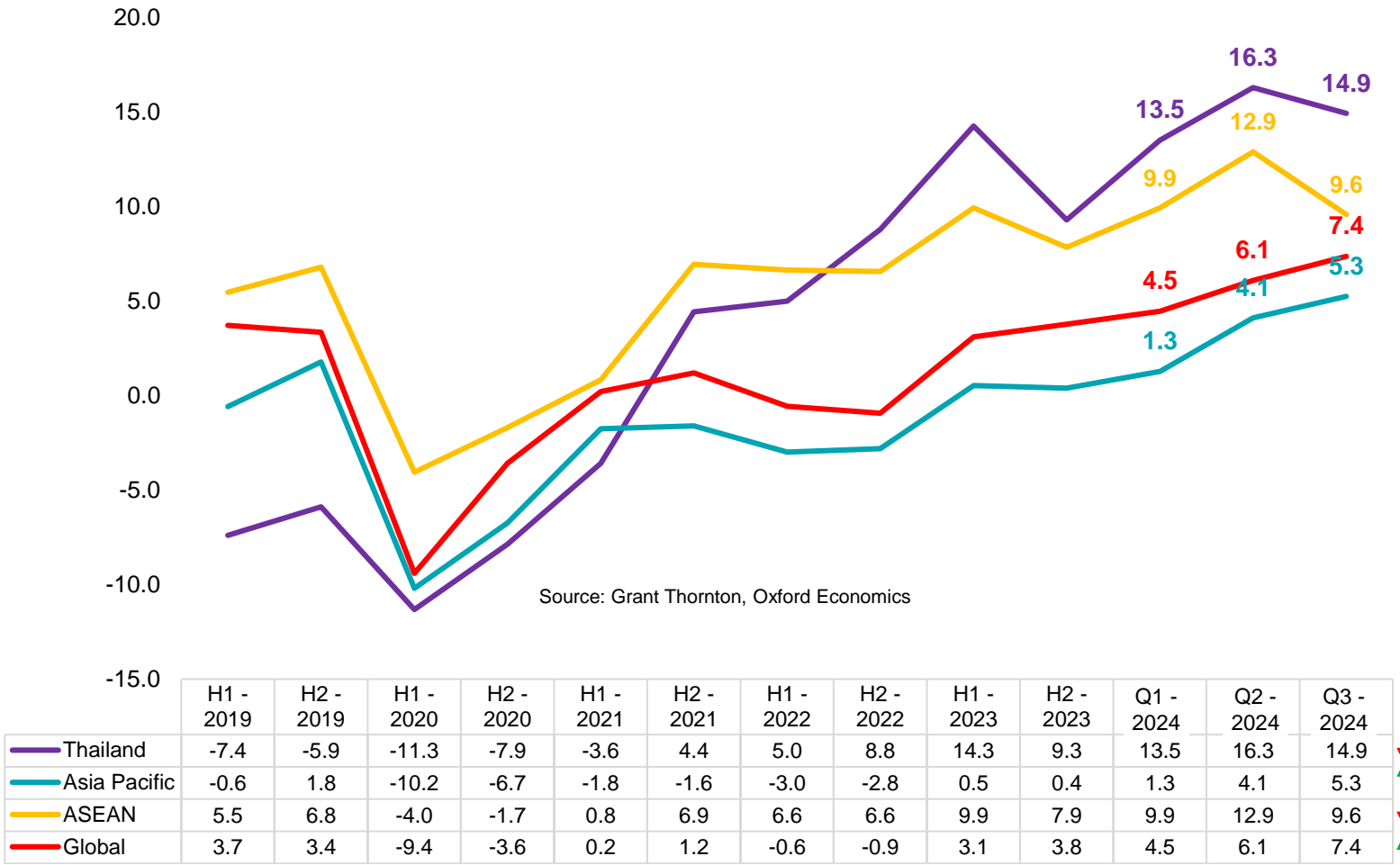
Source: Grant Thornton

2 Business Health in Thailand



Weaken Business Health in Thailand – Index

The Thai mid-market shows an increase in business health in Q3 2024. The index scores witness business health in Thailand continue to weak compare to APAC and global averages.

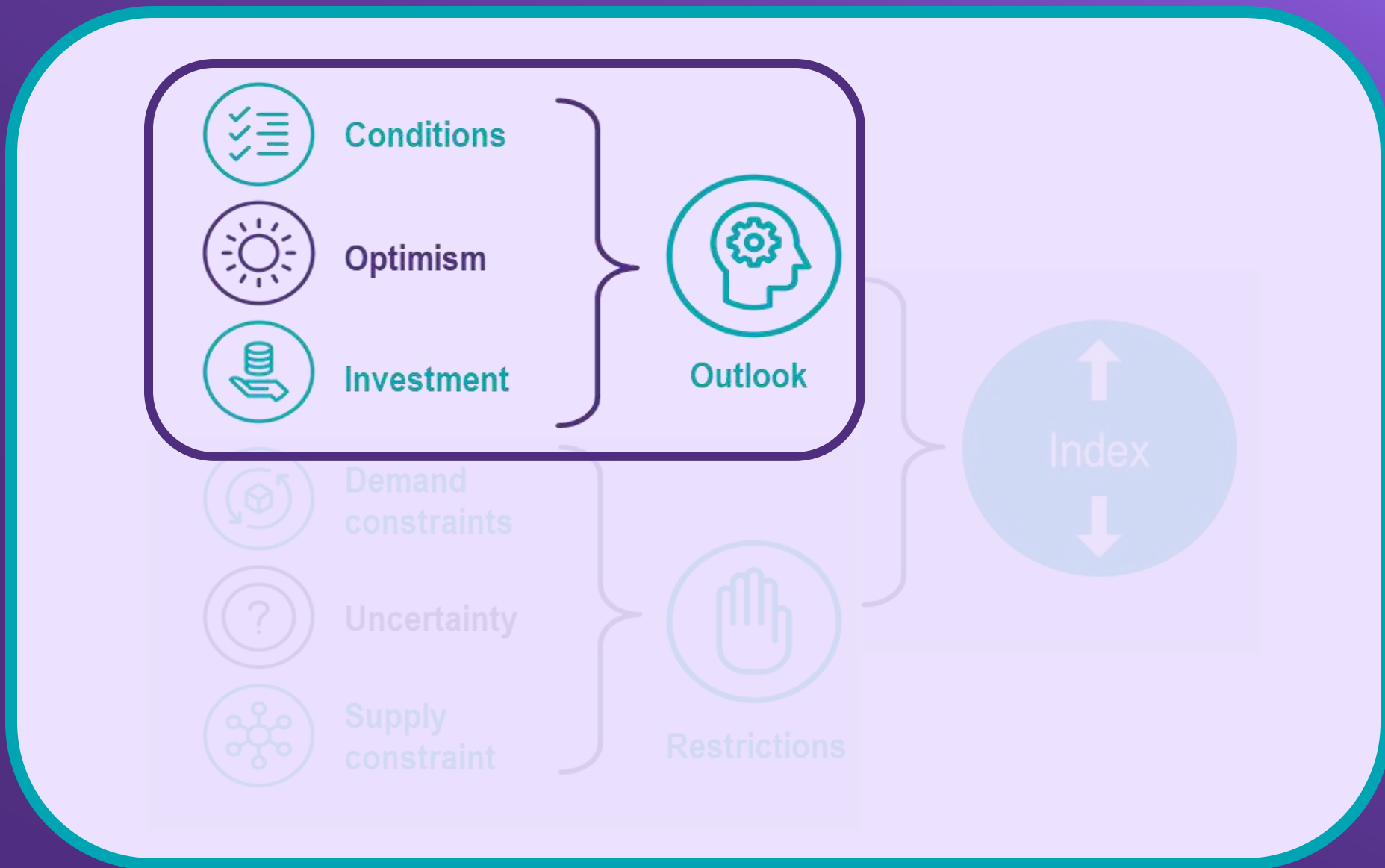


Business Health

- Global and Asia Pacific indices have strengthened to **7.4 and 5.3pp** respectively.
- ASEAN and Thailand indices have fallen to **9.6 and 14.9pp** respectively.
- In Q3 2024, Thailand's index number **down by 1.4pp**

ASEAN Countries: Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam

Asia Pacific: Australia, China, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Thailand, Vietnam



Thailand: Outlook

Conditions, Optimism, and Investment



Source: Grant Thornton, Oxford Economics

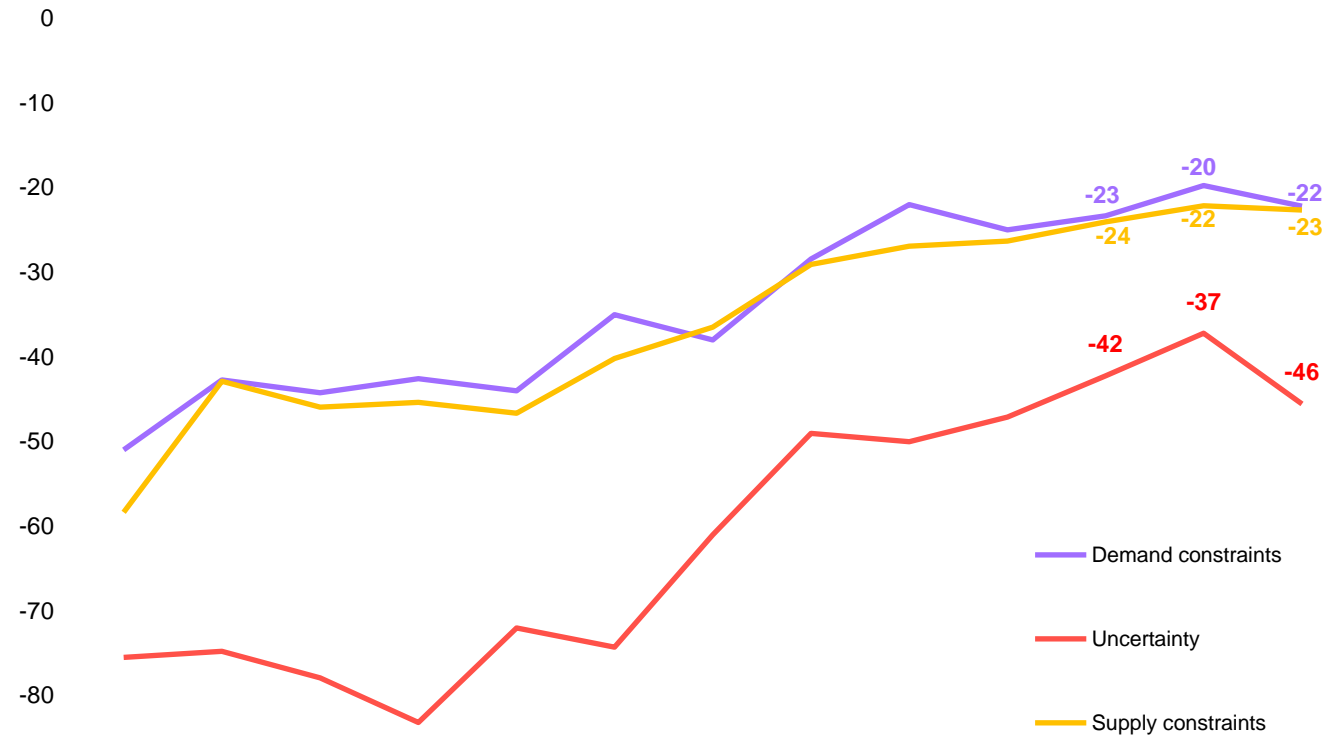
Outlook

- Business conditions remain at 69%
- Investment intentions grew by 1 percentage point
- Optimism rebounds by 1 percentage point



Thailand: Restrictions

Demand Constraints, Uncertainty, and Supply Constraints



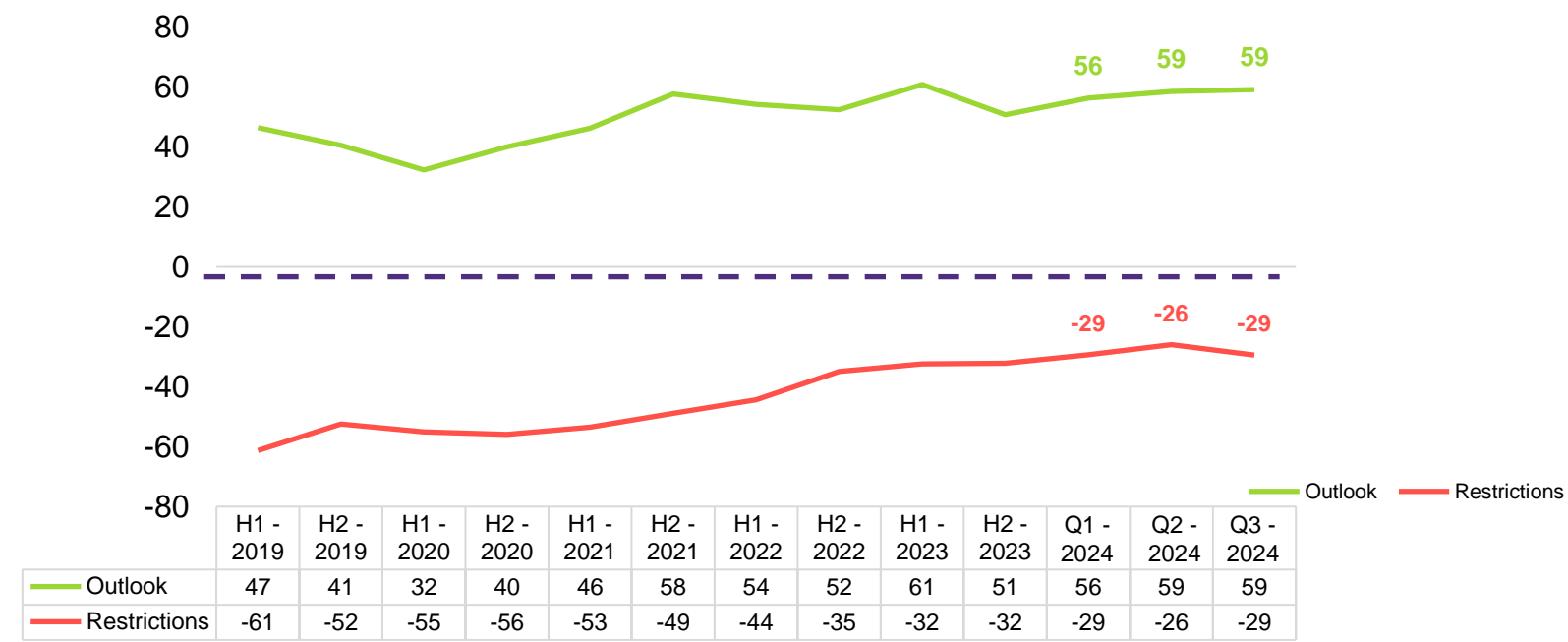
	H1 - 2019	H2 - 2019	H1 - 2020	H2 - 2020	H1 - 2021	H2 - 2021	H1 - 2022	H2 - 2022	H1 - 2023	H2 - 2023	Q1 - 2024	Q2 - 2024	Q3 - 2024
Demand constraints	-51	-43	-44	-43	-44	-35	-38	-28	-22	-25	-23	-20	-22
Uncertainty	-75	-75	-78	-83	-72	-74	-61	-49	-50	-47	-42	-37	-46
Supply constraints	-58	-43	-46	-45	-47	-40	-37	-29	-27	-26	-24	-22	-23

Source: Grant Thornton, Oxford Economics

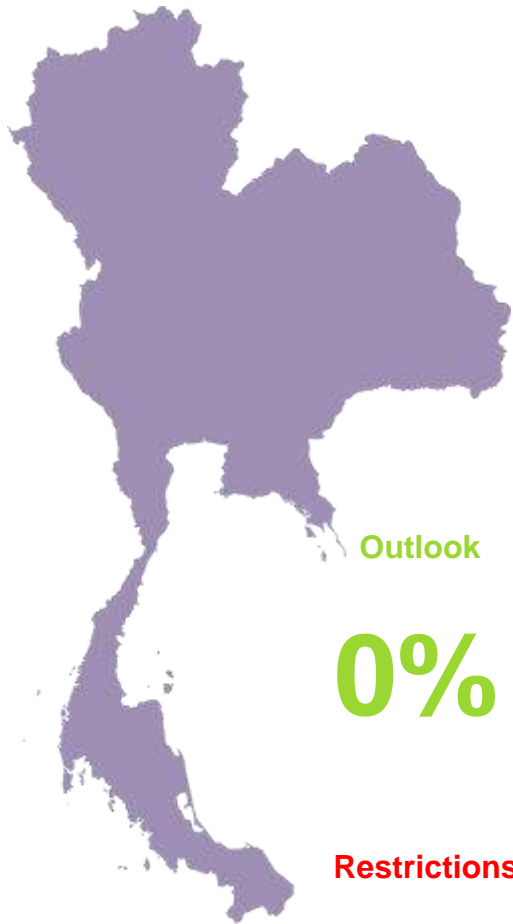
Restrictions

- Supply Constraints and Uncertainty worsen by 1 and 9 percentage points, respectively
- Demand constraints also worsen -20 to -22pp.

Outlook and Restrictions



Source: Grant Thornton, Oxford Economics

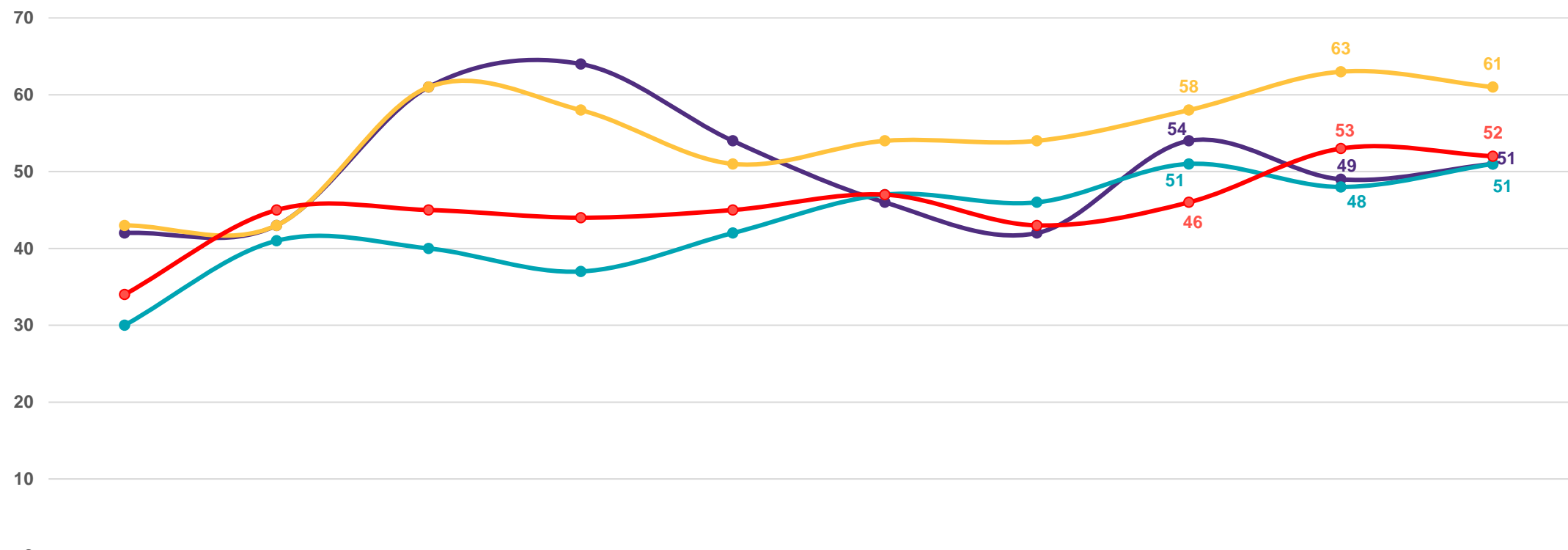


Outlook
0% =
Restrictions
-3% ↓

3 Business Conditions

Exports

% of businesses expecting an increase over the next 12 months

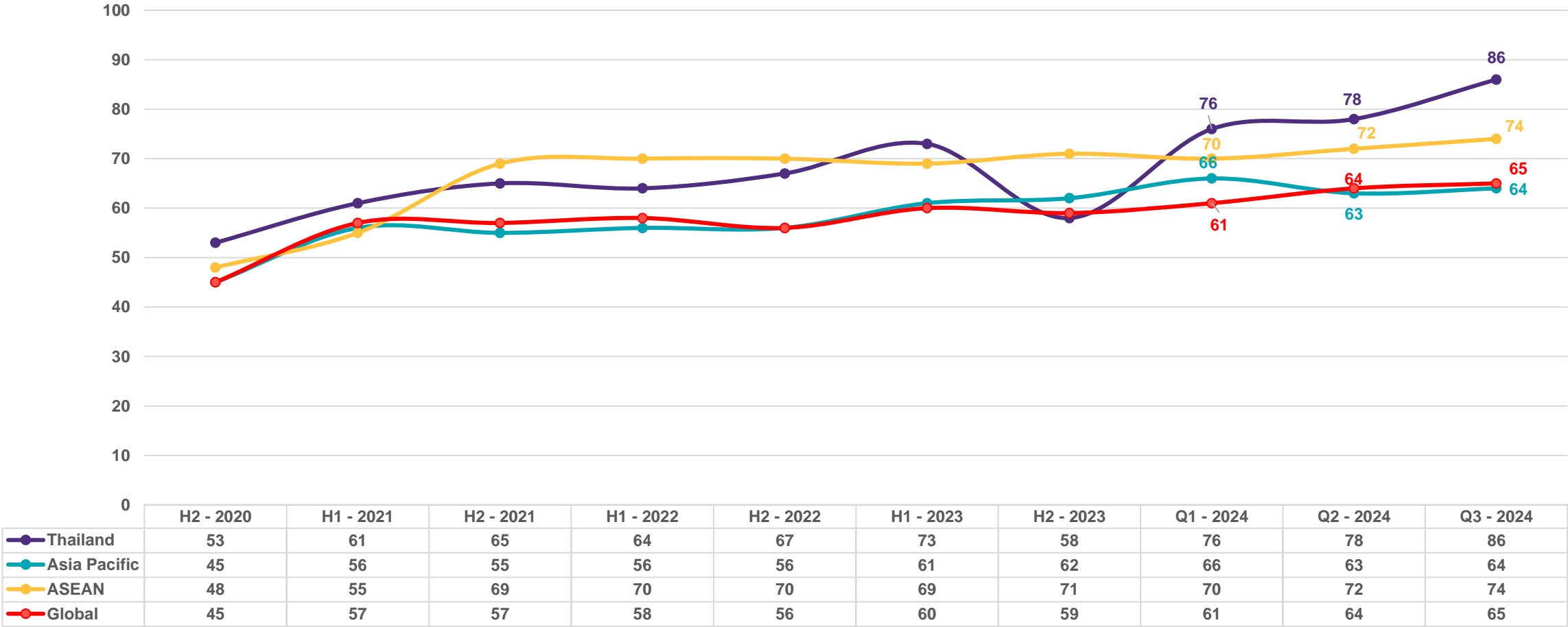


	H2 - 2020	H1 - 2021	H2 - 2021	H1 - 2022	H2 - 2022	H1 - 2023	H2 - 2023	Q1 - 2024	Q2 - 2024	Q3 - 2024
Thailand	42	43	61	64	54	46	42	54	49	51
Asia Pacific	30	41	40	37	42	47	46	51	48	51
ASEAN	43	43	61	58	51	54	54	58	63	61
Global	34	45	45	44	45	47	43	46	53	52



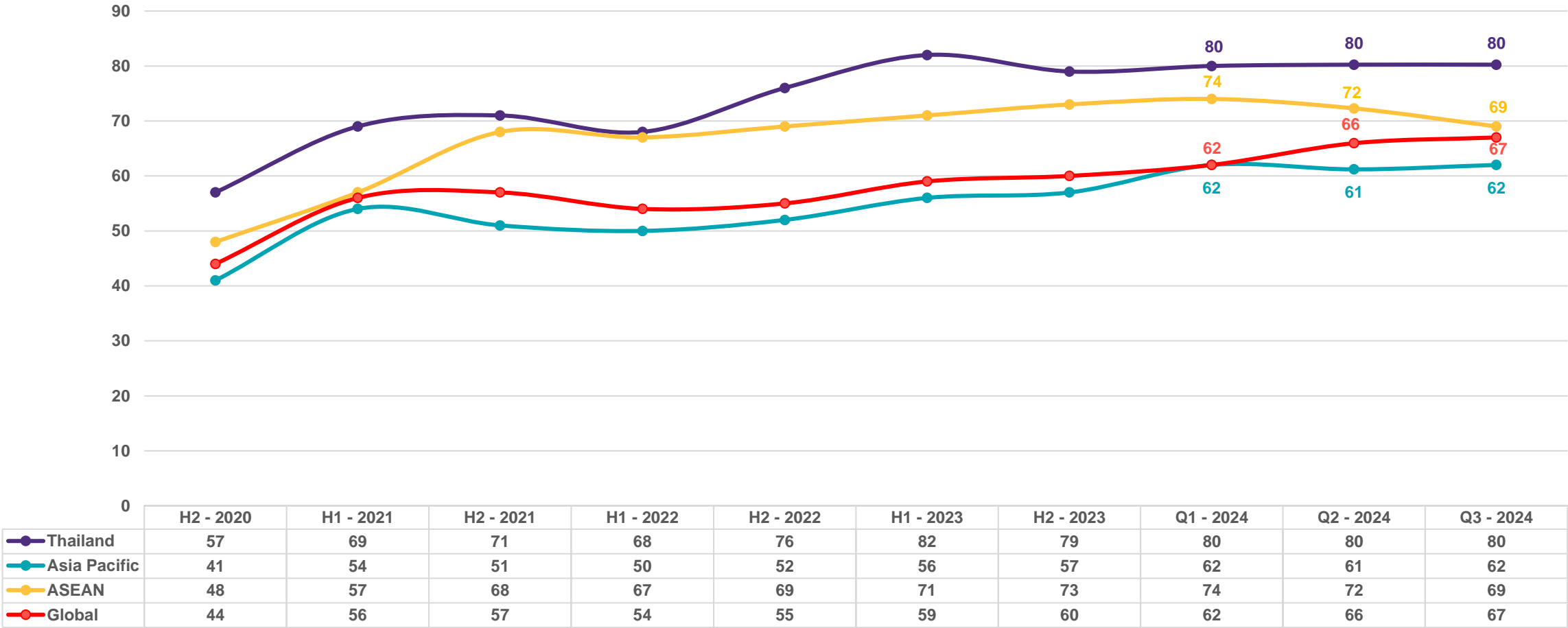
Revenues

% of businesses expecting an increase over the next 12 months



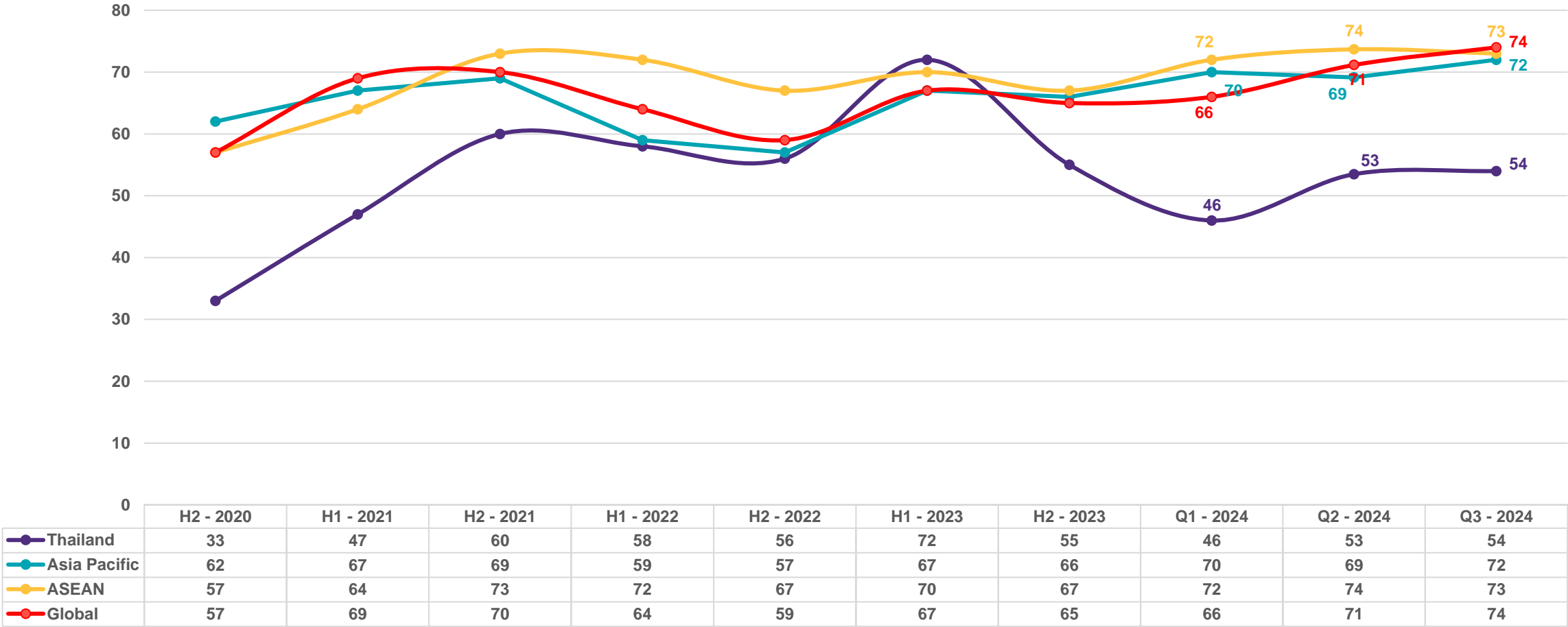
Profitability

% of businesses expecting an increase over the next 12 months



Economic Optimism

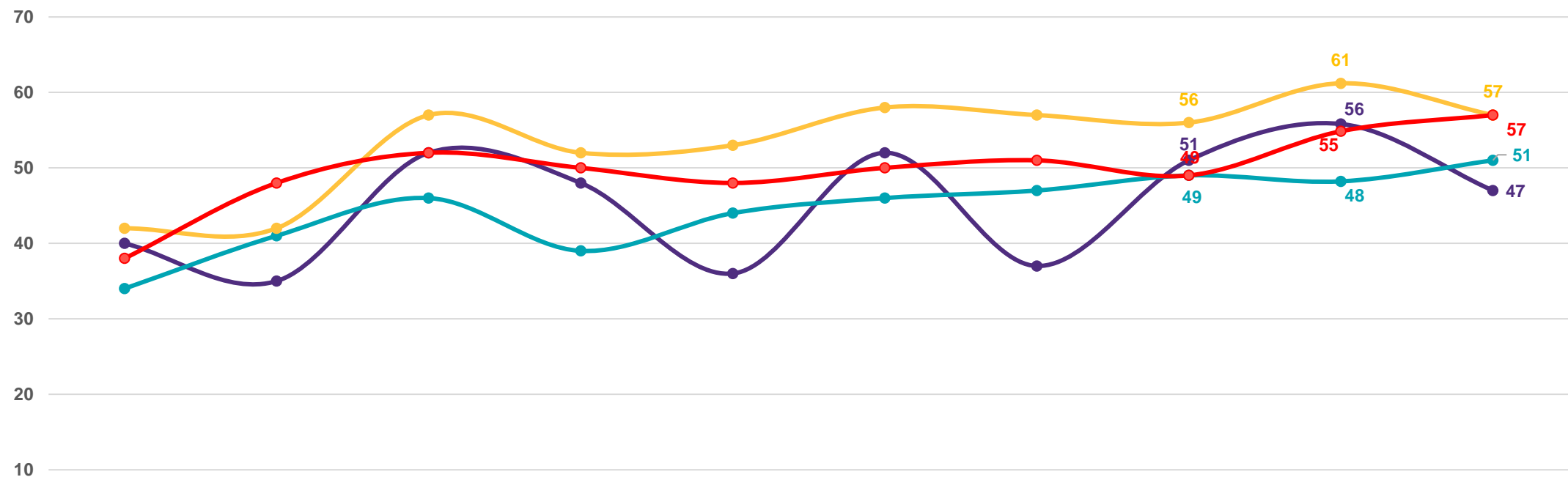
% of businesses expecting an increase over the next 12 months



4 Future Investment Intentions

Employment

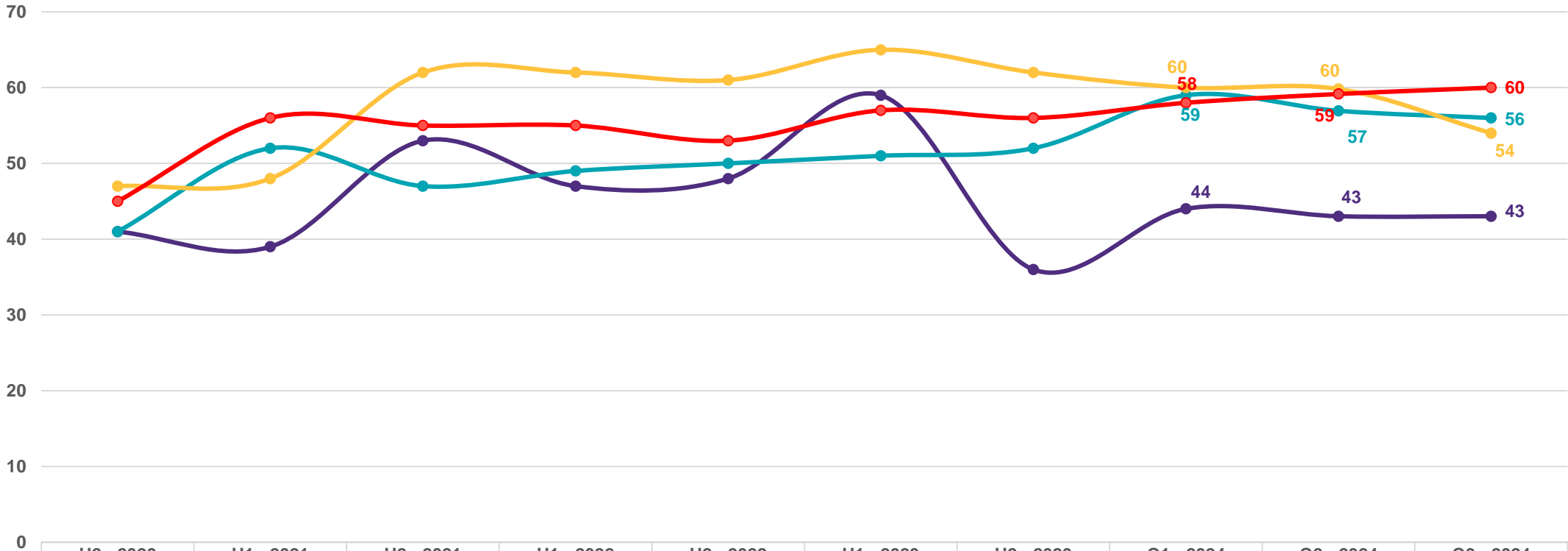
% of businesses expecting an increase over the next 12 months



	H2 - 2020	H1 - 2021	H2 - 2021	H1 - 2022	H2 - 2022	H1 - 2023	H2 - 2023	Q1 - 2024	Q2 - 2024	Q3 - 2024	
Thailand	40	35	52	48	36	52	37	51	56	47	↓
Asia Pacific	34	41	46	39	44	46	47	49	48	51	↑
ASEAN	42	42	57	52	53	58	57	56	61	57	↓
Global	38	48	52	50	48	50	51	49	55	57	↑

Investment in People

% of businesses expecting an increase over the next 12 months

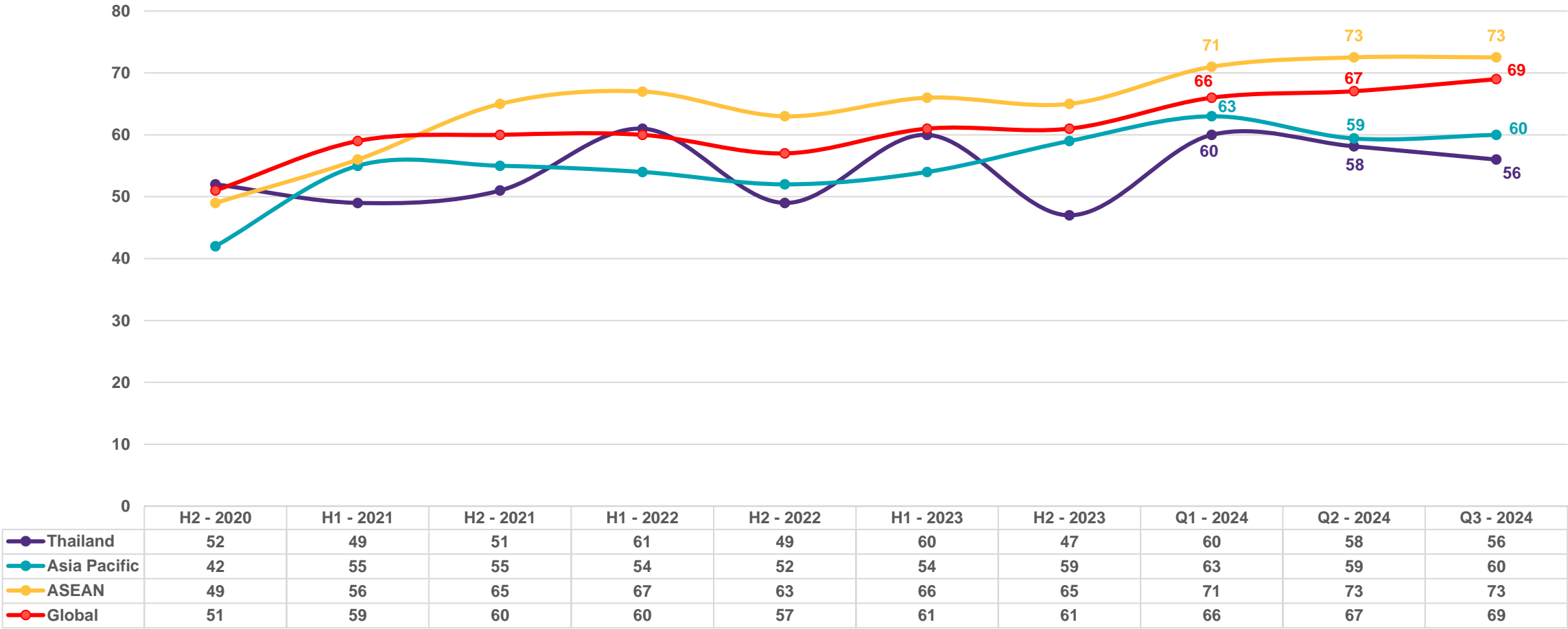
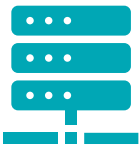


	H2 - 2020	H1 - 2021	H2 - 2021	H1 - 2022	H2 - 2022	H1 - 2023	H2 - 2023	Q1 - 2024	Q2 - 2024	Q3 - 2024
Thailand	41	39	53	47	48	59	36	44	43	43
Asia Pacific	41	52	47	49	50	51	52	59	57	56
ASEAN	47	48	62	62	61	65	62	60	60	54
Global	45	56	55	55	53	57	56	58	59	60

=
↓
↓
↑

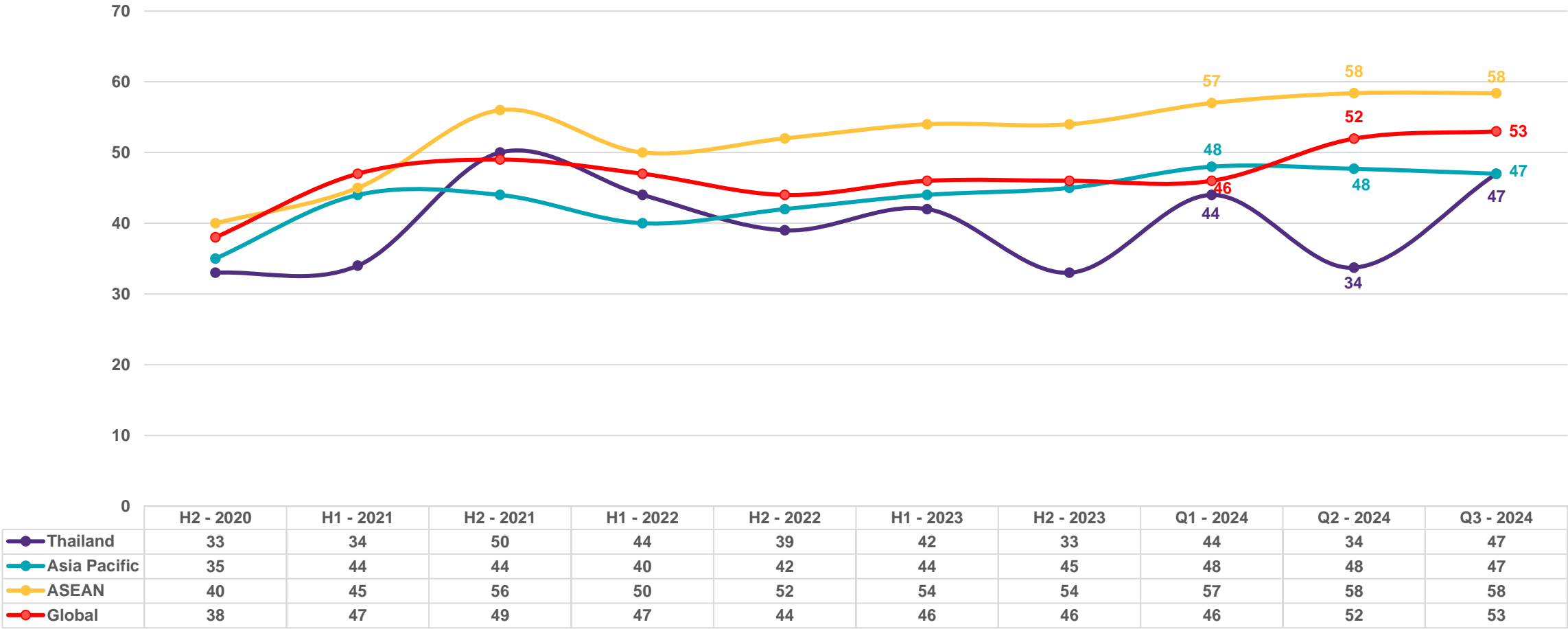
Investment in Technology

% of businesses expecting an increase over the next 12 months



Investment in Plant & Machinery

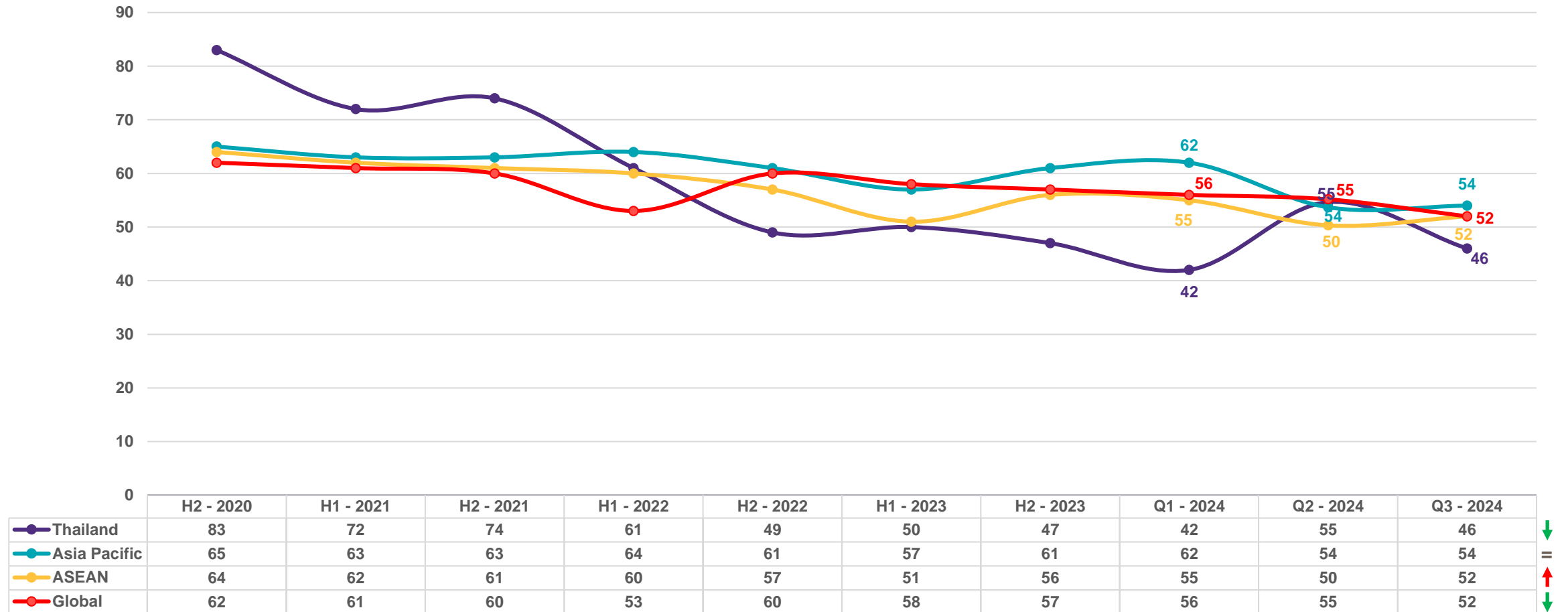
% of businesses expecting an increase over the next 12 months



5 Constraints to Business Growth

Economic Uncertainty

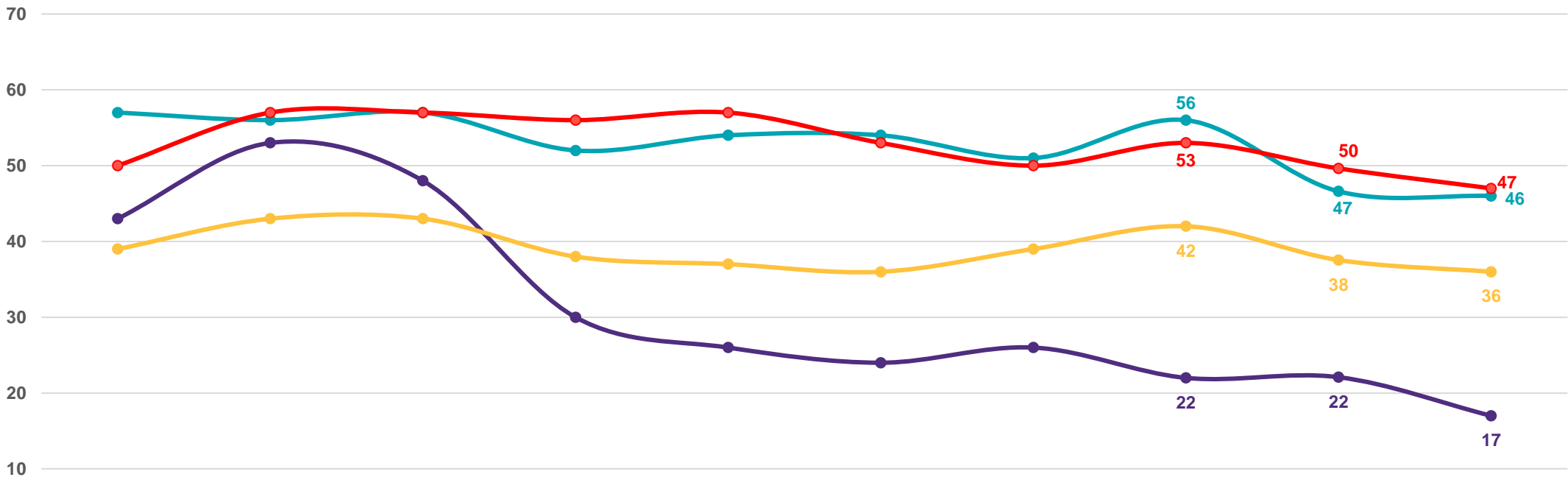
% answering 4 to 5 on a 1-5 scale where 5 is a major constraint



*The lower the figure the better

Availability of Skilled Workforce

% answering 4 to 5 on a 1-5 scale where 5 is a major constraint

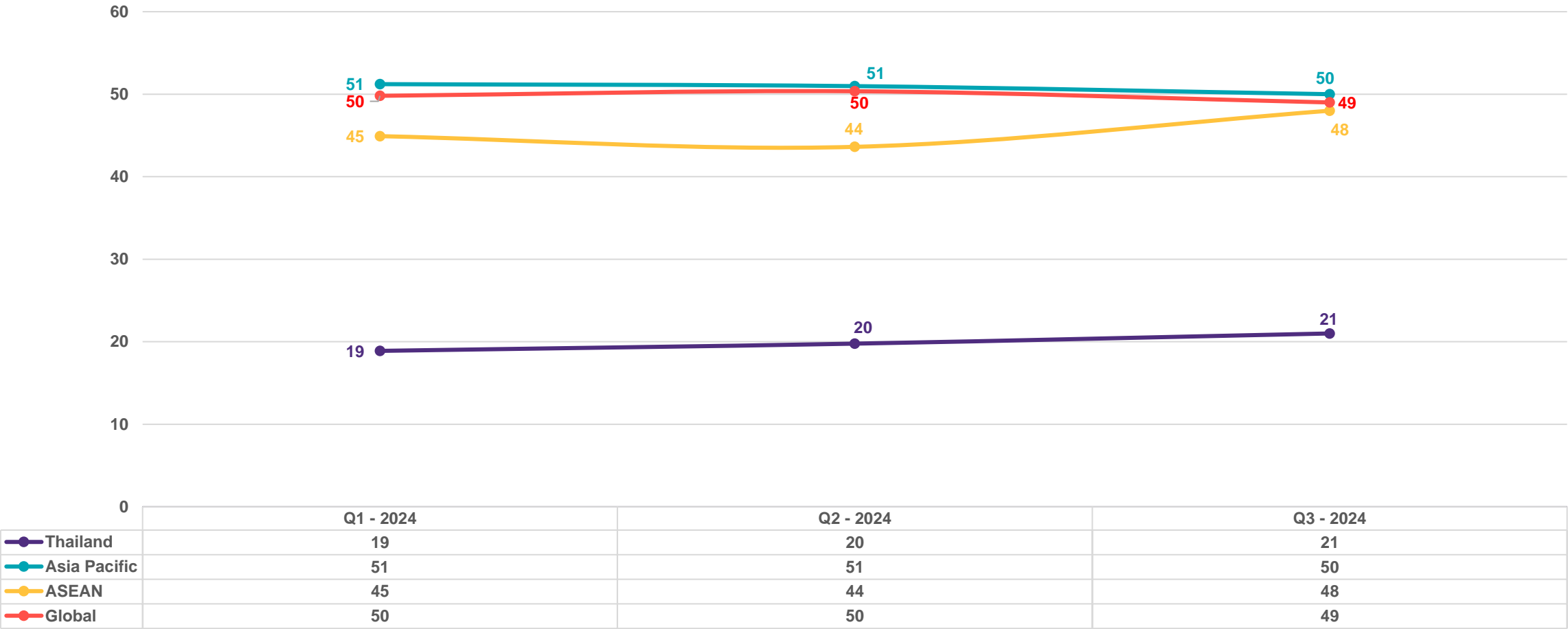
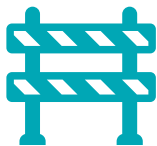


	H2 - 2020	H1 - 2021	H2 - 2021	H1 - 2022	H2 - 2022	H1 - 2023	H2 - 2023	Q1 - 2024	Q2 - 2024	Q3 - 2024	
Thailand	43	53	48	30	26	24	26	22	22	17	↓
Asia Pacific	57	56	57	52	54	54	51	56	47	46	↓
ASEAN	39	43	43	38	37	36	39	42	38	36	↓
Global	50	57	57	56	57	53	50	53	50	47	↓

*The lower the figure the better

Cyber Security / Digital Risk*

% answering 4 to 5 on a 1-5 scale where 5 is a major constraint

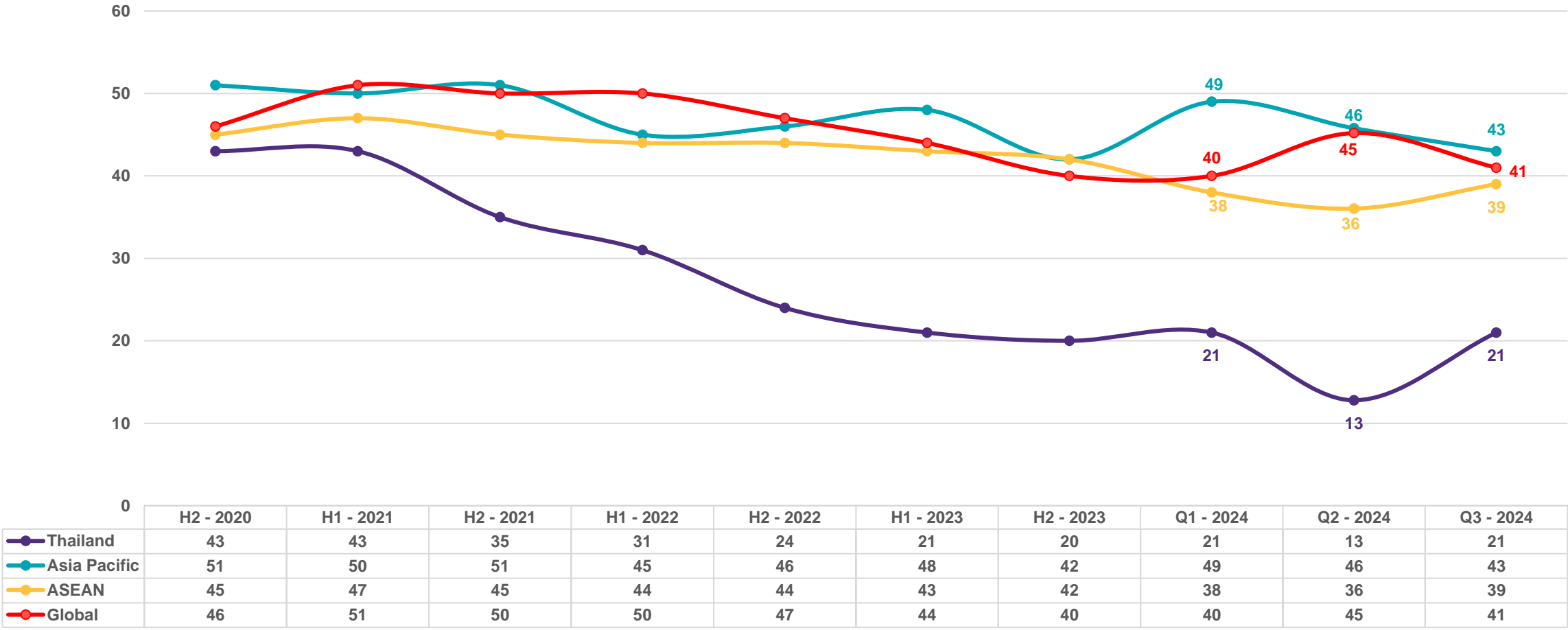


*Cyber Security / Digital Risk was introduced as a new indicator in Q1 2024

*The lower the figure the better

Finance Shortage

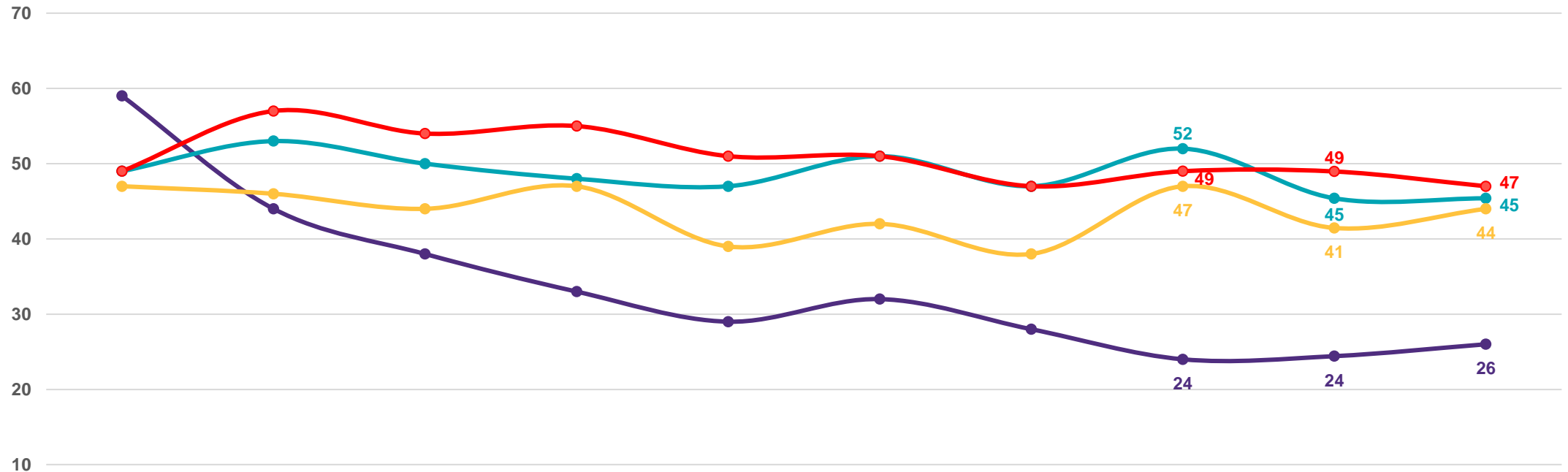
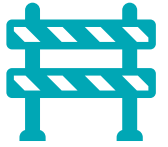
% answering 4 to 5 on a 1-5 scale where 5 is a major constraint



*The lower the figure the better

Regulation & Red Tape

% answering 4 to 5 on a 1-5 scale where 5 is a major constraint

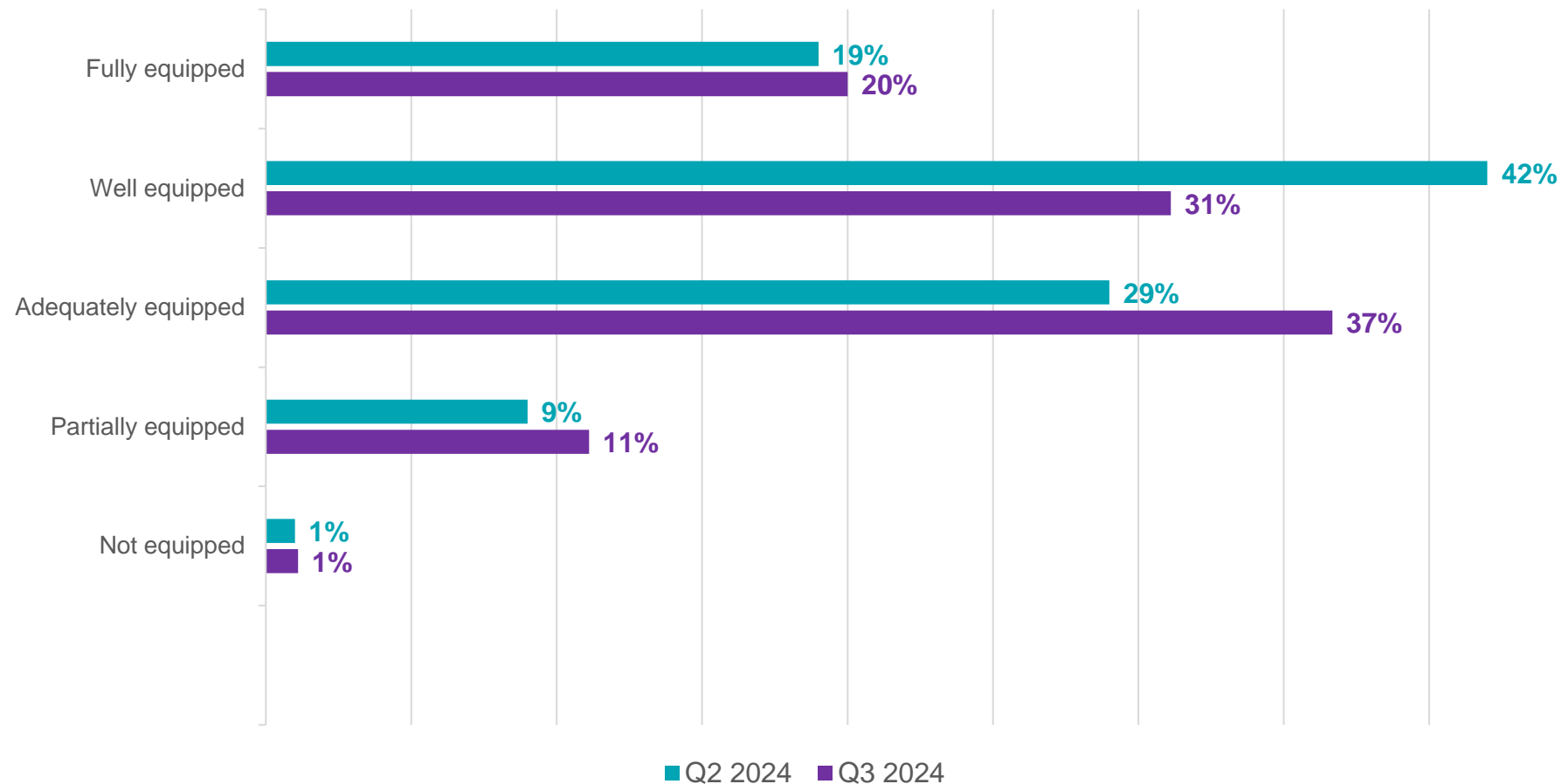


	H2 - 2020	H1 - 2021	H2 - 2021	H1 - 2022	H2 - 2022	H1 - 2023	H2 - 2023	Q1 - 2024	Q2 - 2024	Q3 - 2024
Thailand	59	44	38	33	29	32	28	24	24	26
Asia Pacific	49	53	50	48	47	51	47	52	45	45
ASEAN	47	46	44	47	39	42	38	47	41	44
Global	49	57	54	55	51	51	47	49	49	47

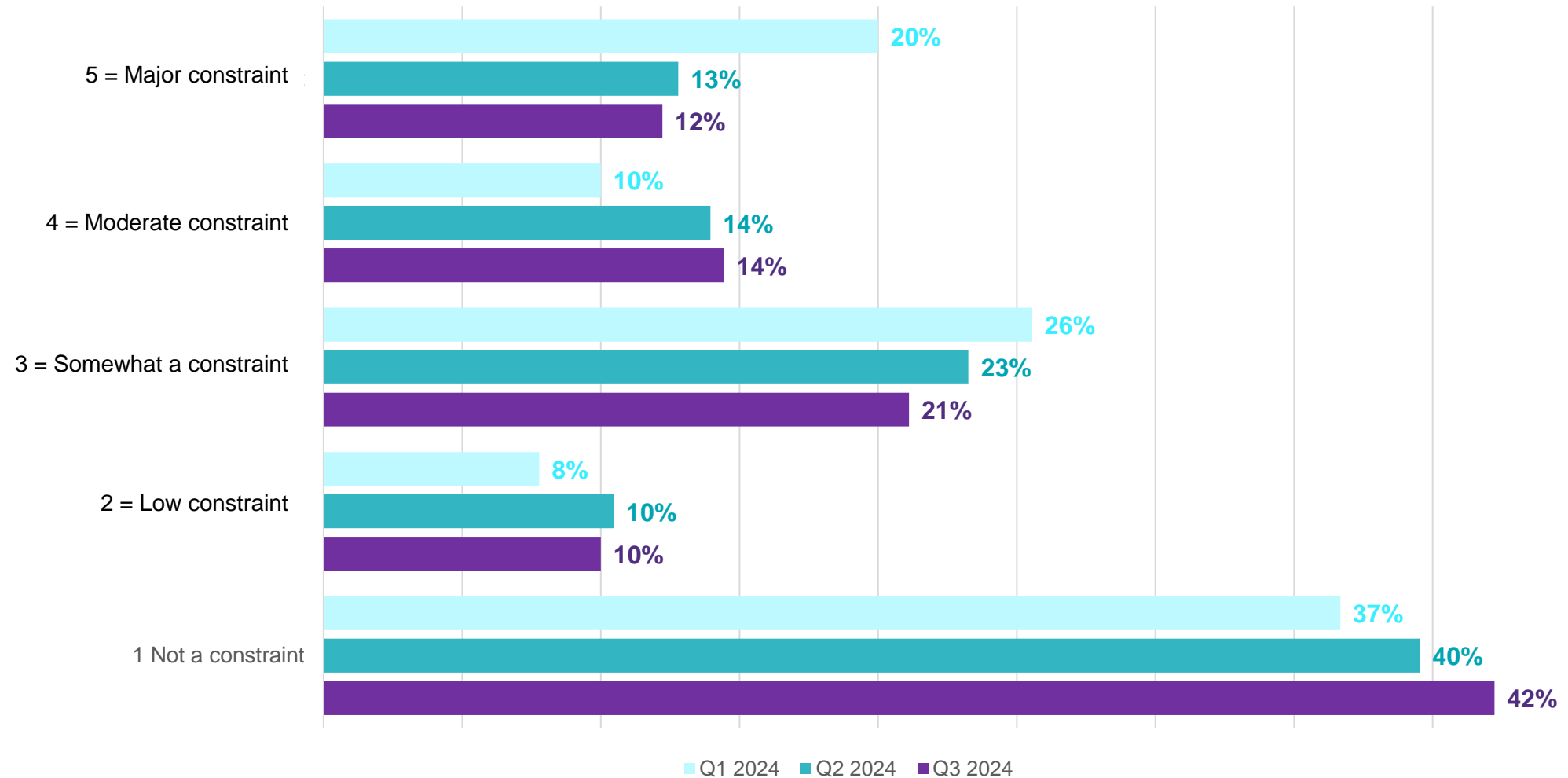
↑
=
↑
↓

6 Country-specific Questions

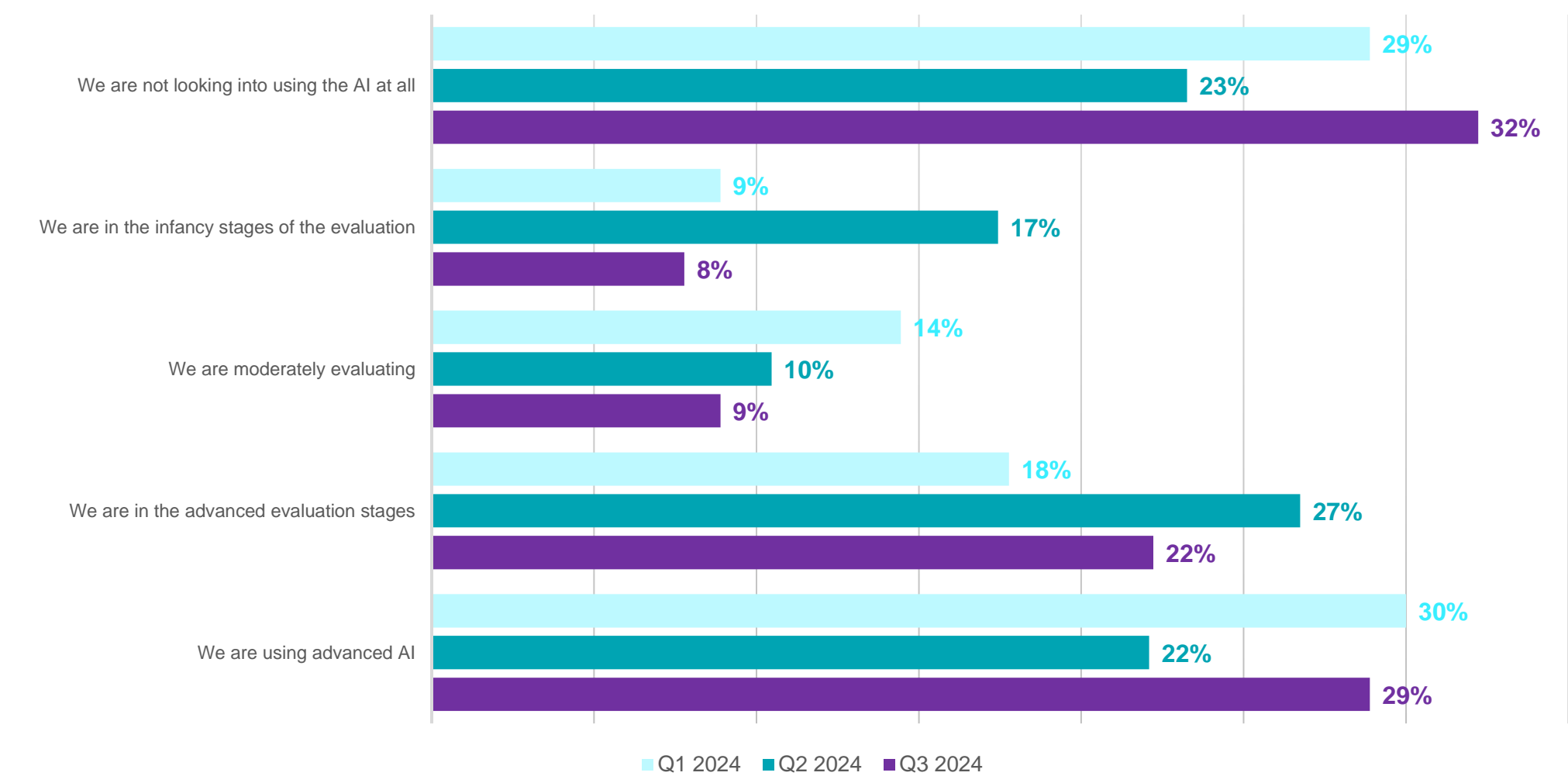
TQ1: Do you believe the workforce you are currently (or will be) recruiting is equipped with the necessary skills training to fully utilise emerging technologies?



TQ2: To what extent is Thailand's aging population impacting your business?



TQ3: Are you evaluating the worth and potential of Artificial Intelligence (AI) in your business?



Future Points to Consider

Strength of Thai Baht and interest rates

USA Elections

The Chinese economy

Geo-political tensions/Changes in the world order

Backlash against uncontrolled tourism



Q&A



© 2024 Grant Thornton. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.