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INDUSTRY HORIZON

January 2023



Krungsri Research

Key environments influencing the outlook of Thailand's industry

Macro environment

- **Global economy:** sluggish growth coupled with geopolitical and recession risk
- **Thai economy:** growth driven by reopening and infrastructure investment
- **Structural changes:** impacts on industry
  - **Shortening global value chains:** adding competitive pressures for industry
  - **Modern technology:** the wave of the digital revolution
  - **ESG regulations**: help companies grow sustainably, but may put pressure on some heavy industries
  - **Infrastructure investment:** Phase 2 of EEC action plan

Industrial environment

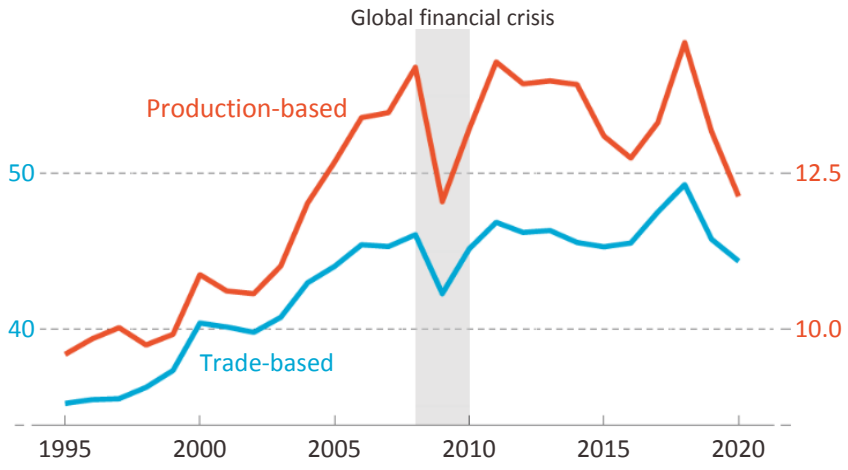
- **Competitiveness:** limitation of innovation development
- **Regulatory changes:** many changes in government rules affecting Thai industries e.g., measures allowing foreign-own companies to own land, extension and suspension of some government's measures, plans for transition in energy sector, tourism promotion campaigns and regulations on financial institutions

Industry outlook

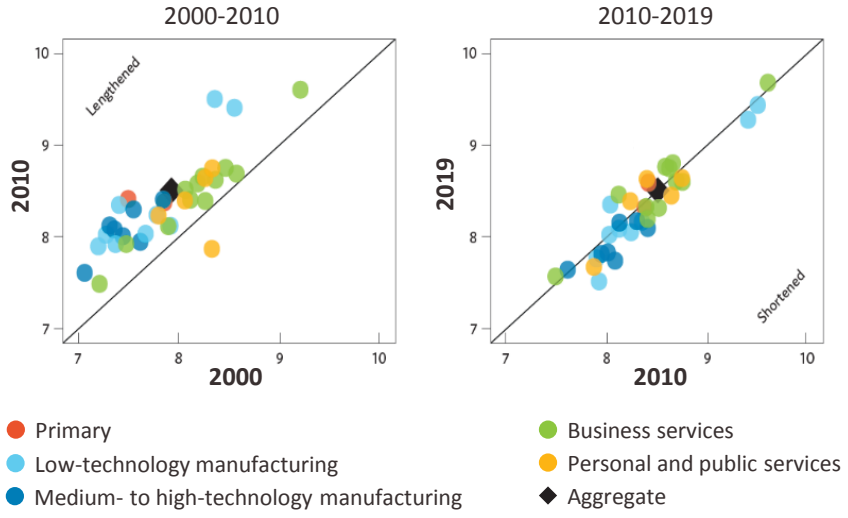


Global value chains are shortening as countries are moving to increase their self-reliance and to boost their capacity for domestic technological innovation

Global Value Chain Participation Rate (%)



Global Value Chain Production Lengths by Sector



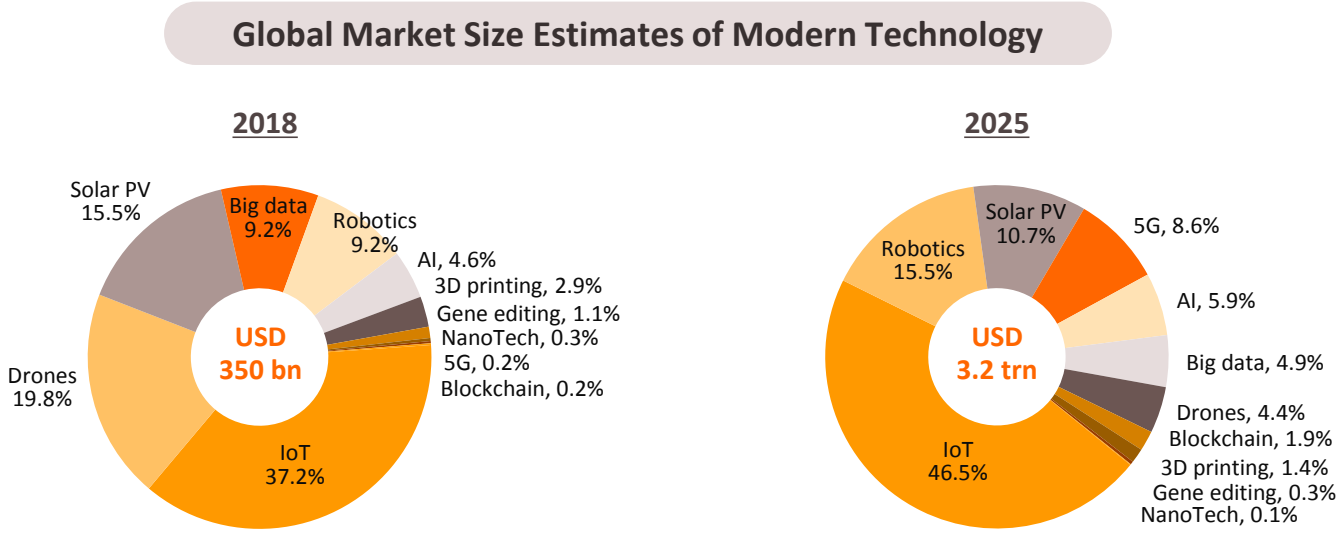
The COVID-19 pandemic and intensifying geopolitical tensions e.g.; Ukraine-Russia war, the US-China conflict over Taiwan, have caused many developed economies to try to increase the domestic production of technology-intensive intermediate goods to replace imports. As a result, global value chain is expected to shorten even further.

- Countries will increase their self-reliance to develop new technology in upstream industries, especially in key strategic industries such as chips and electronics.
- Barriers to trade will continue to be tightened by the major economic powers, especially non-tariff barriers (NTBs).

Highly polarized world economy is in turn forcing countries to become more reliant on the intra-regional sourcing of inputs, shortening the GVCs especially for products that depend on mid- and high-tech manufacturing processes. This includes electronic components, computers, and auto industries.

Note: GVC share of trade is proxied by the share of foreign value added in exports, based on the UNCTAD-Eora GVC database 2019
Source: ADB (Nov 2021), Krungsri Research.

Modern technology transforming industry towards growth sustainability



The wave of the digital revolution is now carrying the whole world along, is not just building added value across the economy, but it is also helping to increase the sustainability of economic growth and adding to the security of supply chains.

- **The Internet of Things (IoT);** IoT will have (1) a greater role to play in gathering data from sensors placed in everyday gadgets and smart factory machines and (2) a growing number of uses involving a higher processing speed machine learning through sensor system.
- **Robotics;** Robots are able to carry out precision work and increase work safety in manufacturing and services sectors. While most industrial applications are of “cobots”, it is estimated that the global robotics industrial market is estimated to grow 10% over 2020-2028.
- **5G;** Globally, 5G is rapidly used in helping with the remote control of drones and robots while the development of 5G infrastructure is being push by the Thai government to support cloud AI systems and metaverse platforms.
- **Artificial Intelligence (AI)**; AI are deployed in a wide range of industries including the auto and electronics industries in reducing waste, the pharmaceutical industry in tracking the spread of infections, and the real estate industry in designing buildings.
- **Drones;** Drones are reducing companies’ dependency on labor and cutting the time taken to survey land, especially in agricultural and construction site.

Source: UNCTAD 2021, Krungsri Research

ESG goals will help companies grow sustainably, though this may also put pressure on some heavy industries

Converting Climate Pledges into Action

	Renewable Energy target	Resubmitted NDC	Phase out coal	Carbon pricing	EV target	TCFD in Legislation	Net zero commitment
Australia							
China							2060
India							2070
Indonesia			2055				2060
Japan							
Malaysia							
New Zealand							Long lived Gas only
Philippines							
Singapore							
South Korea							2050
Taiwan							
Thailand							
Vietnam							

- There is a commitment to develop policy/legislation sometime in the future
- Investment in building overseas coal fired power plants has stopped
- No target has been set, but policies implemented to support uptake of EV
- Policy/legislation exists to support this climate action exists
- No policy/legislation exists

ESG is now being used as a tool to strategically manage risk, to assure partners and stakeholders of the security of the core business, and to guarantee safe long-term returns to investors. Within this, the 'environment' in ESG is both the most urgent and that has the most impact on businesses. Those carbon-intensive heavy industries may be adversely affected by this trend, and so businesses dealing with cement, metals (steel and aluminum), and chemical fertilizers will need to act rapidly to overhaul their operations, as they are subjected to carbon tax by the EU (Carbon Border Adjustment Mechanism: CBAM).

Source: PwC, Krungsri Research

Regulatory changes affecting Thai industry

Real estate

- **Creating new opportunities for non-Thais to own land:** allow foreign-own companies to own land for use as offices or for residential purposes. (effective June 13, 2022)
- **Reintroducing LTV rules:** BOT will reinstate the LTV rules after suspending them during the COVID pandemic (Jan 2023)

Manufacturing

- **Installation requirement of Continuous Emission Monitoring Systems (CEMS) on large industrial sites:** expect to reduce air pollution. (effective June 10, 2023, for newly constructed sites and June 9, 2024, for pre-existing sites)
- **EU revision on regulation of the sale of batteries:** affect Thai battery manufacturers sold in EU market as they will need to accept standard chargers and to display their carbon footprint. (effective July 1, 2024)

Energy & Environment

- **The roadmap for transition to low-carbon economy:** aim to help Thailand to reach carbon neutrality by 2050 and net-zero greenhouse gas emissions by 2065 and support energy-related investments such as electricity generation. (effective 2023)
- **Adjustment in energy mix in PDP Rev. 1:** focus on renewables and reduction in the importance of fossil fuels. (2021-2023)

Tourism

- **Postponement of enforcement of regulations on business offering short-term accommodation:** expect to make competition on price fairer as hotels have more time to bring businesses in line with the law. (2021-2024)
- **Extension of suspension of the registration fee for hotels of THB 40/room :** help to offset some of the problems caused by COVID-19. (July 1, 2022, to June 30, 2024)

Finance

- **Revision to assistance provided by BOT:** Contribution to Financial Institution Development Fund (FIDF) back to normal level of 0.46%: allow FIDF debts to run down as economy recovers (effective 2023)
- **The new Consumer Protection Board's regulations on the maximum annual interest rates** that can be charged for auto hire-purchase agreement: 10% for new cars, 15% for secondhand cars, and 23% for motorcycles (effective Jan 10, 2023)

Others

- **Digital service tax levied on foreign companies offering online services:** help to increase Thai players' competitiveness (effective Sep 1, 2021)

Source: Compiled by Krungsri Research

Important sectors generally show improving prospect

Automobile: Demand increasing on economic recovery in domestic market, while exports continuingly expanding

- Domestic market will see a strong demand for commercial vehicles and BEVs
- Exports will be boosted by the move of Japanese companies' production base to Thailand for export especially to ASEAN.

Hospital: Enjoy a steady growth from a return of foreign patients and healthcare concerns

- Strengthening demand will come from steadily aging society and foreign patients that need more complex treatments
- Large players continue to expand branches and partnership for providing services to a wide rage of patients.

Industrial Estate: Demand increasing on improved confidence and infrastructure spending especially in EEC

- Eastern region: Demand is anticipated to strengthen rapidly as infrastructure spending of phase 2 EEC development plan rises
- Central region: The area's communications links will continue to support industrial space in this region.

Hotel: Foreign arrivals expected to meet pre-COVID level in early 2025

- Foreign arrivals are forecast to reach 25-28m in 2023, 37-38m in 2024, and 41-43m in 2025.
- Hotels in Bangkok, Pattaya, and Phuket, other tourist destinations: income will strengthen from the reopening and government stimulus packages
- Hotels in other provinces: Recovery in income will be slow and occupancy rates will remain low

Modern trade: Growth returning to normal level thanks to the reopening to international tourism

- Supermarket and convenient stores show solid growth, followed by department and discount stores.

Construction: Public construction growing further on a progress of megaprojects investment

- Public investment on EEC-related projects that fall under phase 2 of the Action Plan on EEC Infrastructure and Public Utilities (2023-2027) will be accelerated.

Cassava: Demand rising from China mostly for use in alcohol, ethanol, and animal feed production

- Cassava: Demand improves from downstream industries both in Thailand and abroad.
- Demand from China will strengthen for cassava chip, while pellets and native and modified starch are helped by downstream industries.

Sugar and Molasses: Output increasing from expected favorable climate

- Outputs will rise from the extension of La Niña conditions, ongoing government and refineries support, and the incentive provided by high prices.
- Recovery in downstream industries will help both domestic and export markets.

HDD: Softer demand for low-storage HDDs as they are gradually replaced by SSDs

- Sales of high-capacity HDDs will continue to rise, given growing demand for big data-related uses in cloud computing and data center applications.

IC: Exports strengthening on growth in IoT uptake and EVs; chip shortages expected to ease in 2H23

- Global sales of semiconductors would increase by 4.7% in 2023 (WSTS) and would grow even further in 2024.
- Value of the semiconductors used in each vehicle will climb from USD 712/vehicle in 2022 to USD 931/vehicle in 2025 (Gartner).

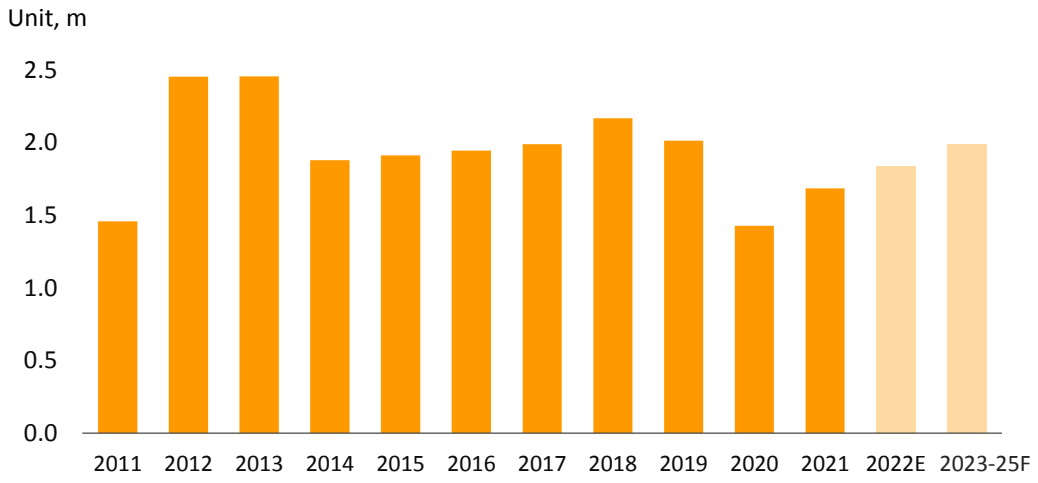
Housing (BMR) : Sales strengthening with emphasis on usable space of low-rise housing

- Demand will be supported by a progress of megaprojects esp. new metro lines, recovery in tourism, and demand from non-Thais and expats.
- New housing supply is expected to rise by 5-8% with developers focusing more on low-rise projects to meet real demand.

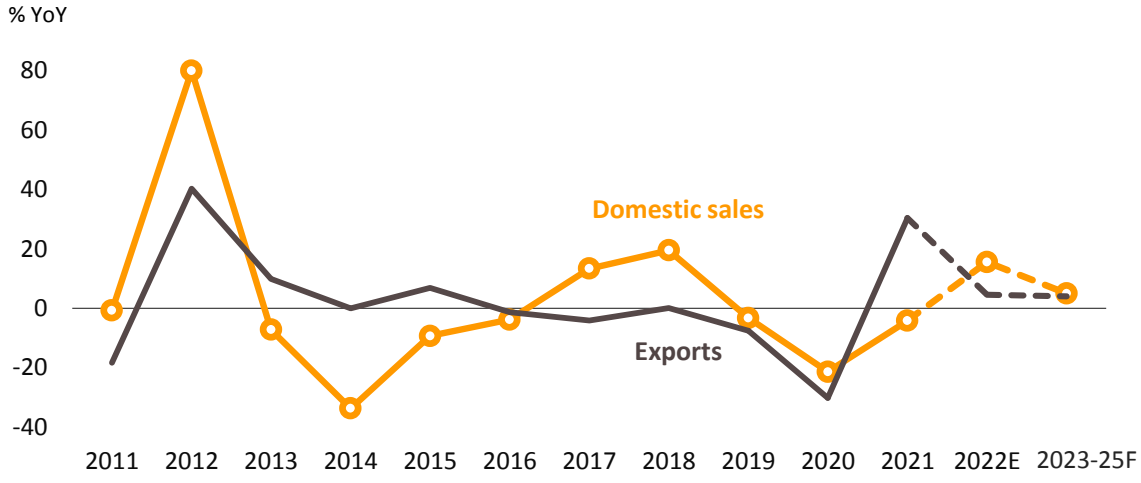
Source: Krungsri Research

Automobile: Normalized demand following economic recovery and easing of chip shortages

Automobile Production



Growth in Automobile Sales

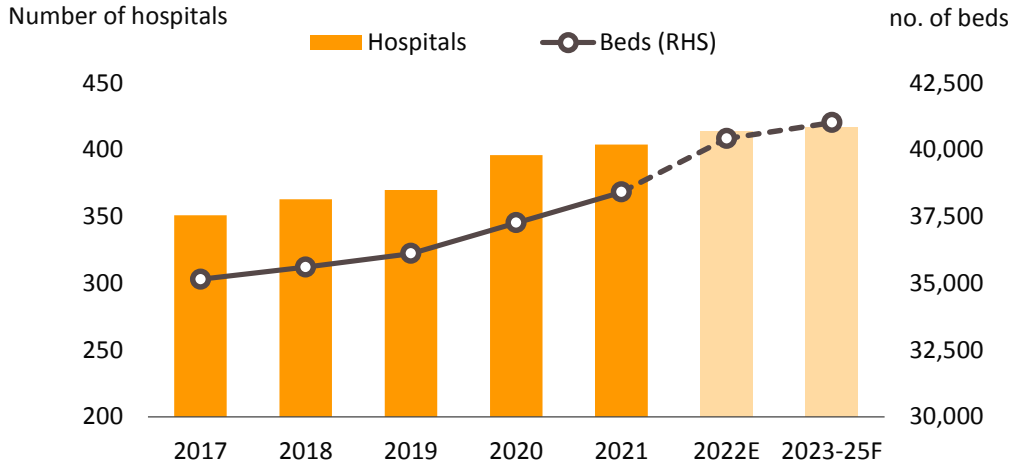


Output is forecast to expand by an average of 3.5-4.5% per year, though growth will be held back by periodic disruptions to the supply of chips caused by rising US-China tensions playing out in the tech arena. During this period, **the domestic market should grow by 4.5-5.5% annually**, helped by: (i) ongoing growth in the Thai economy; (ii) continuing government support for the purchase and use of BEVs; and (iii) a better outlook for the construction, online retail, and logistics industries that will support much greater demand for commercial vehicles. **Exports will grow at the slower rate of 3.5-4.5% annually.** In 2023, weak consumer spending power will weigh on export markets, and although the situation will improve in 2024 and 2025, growth will continue to be held back by (i) barriers to trade with export markets (e.g., the ban by Myanmar on imports of autos from July 2022 onwards), and (ii) the move by many countries to phase out sales of vehicles powered by internal combustion engines (ICE) (by value, 97% of 9M22 exports were of ICE-powered vehicles).

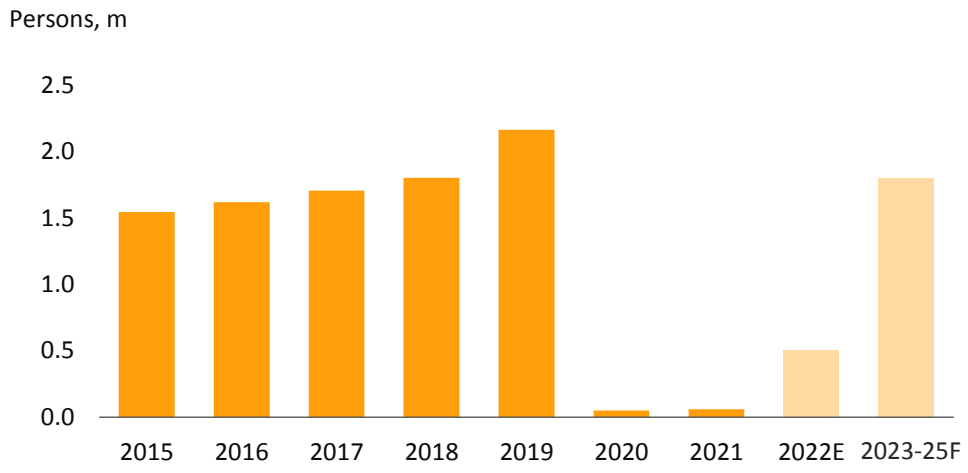
Source: The Federation of Thai Industries (FTI), Toyota, forecast by Krungsri Research

Private Hospital: Enjoy a steady growth from a return of foreign patients and healthcare concerns

Numbers of Private Hospitals & Beds



Number of Foreign Patients in Thailand



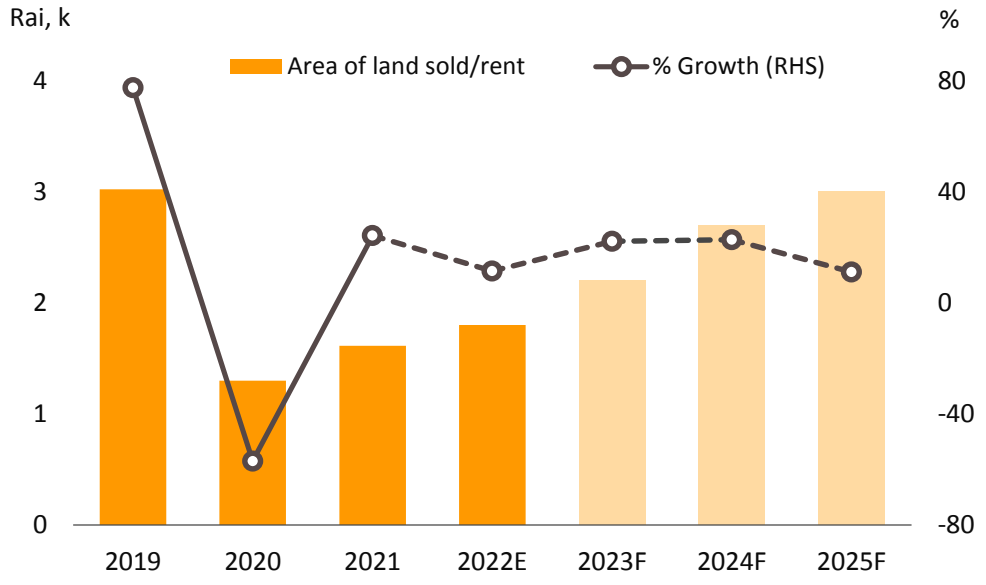
For private hospitals, income is expected to strengthen by an average of 13.0-15.0% annually due to 1) Thai society is aging, and the Office of the National Economic and Social Development Council estimates that Thailand will become a completely aged society (i.e., over 20% of the population will be over 60) in 2023. This will then add to demand for ongoing and more complicated treatments, 2) **Domestic and foreign patients will tend to rebound.** Domestic economic and social life will return to normal, and international arrivals will rise rapidly (foreign tourist arrivals should return to their pre-Covid level in 2025, and this total will include a large number of medical tourists), 3) **Income will increase from the treatment of Covid-19,** which has now become an endemic disease much like other seasonal illnesses, and 4) **Consumers are increasingly concerned about their health and about preventing illness**, and this will allow hospitals to increase their income from wellness services.

- **Large hospitals:** These hospitals are expanding their ability to meet patients' needs and to offer highly specialized services in dedicated units. The large corporations behind these run extensive networks of hospitals and partner with other businesses to expand their reach and connect with much more targeted groups of patients and consumers. This allows them to broaden their income base, and as such, these players will continue to see solid rates of growth in the coming period.
- **Small and mid-sized hospitals:** These players are generally looking for partners to work with, and in particular they wish to join with large private hospital chains. Hospitals that treat patients under the government health insurance scheme will be better placed to reduce fluctuations in income, but intensifying competition will mean that independent hospitals that operate outside broader commercial networks will struggle.

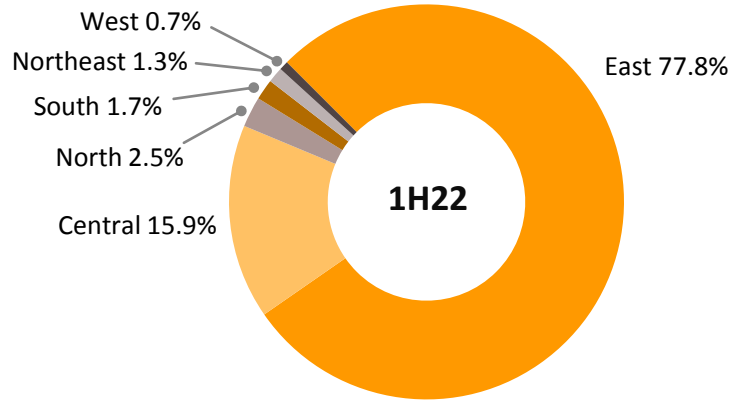
Source: NSO, MoPH, estimated and forecast by Krungsri Research

Industrial Estate: Demand increasing on improved confidence and infrastructure spending especially in EEC

Sold/Rent Industrial Estate Area Forecast



Industrial Estate Area, by Region



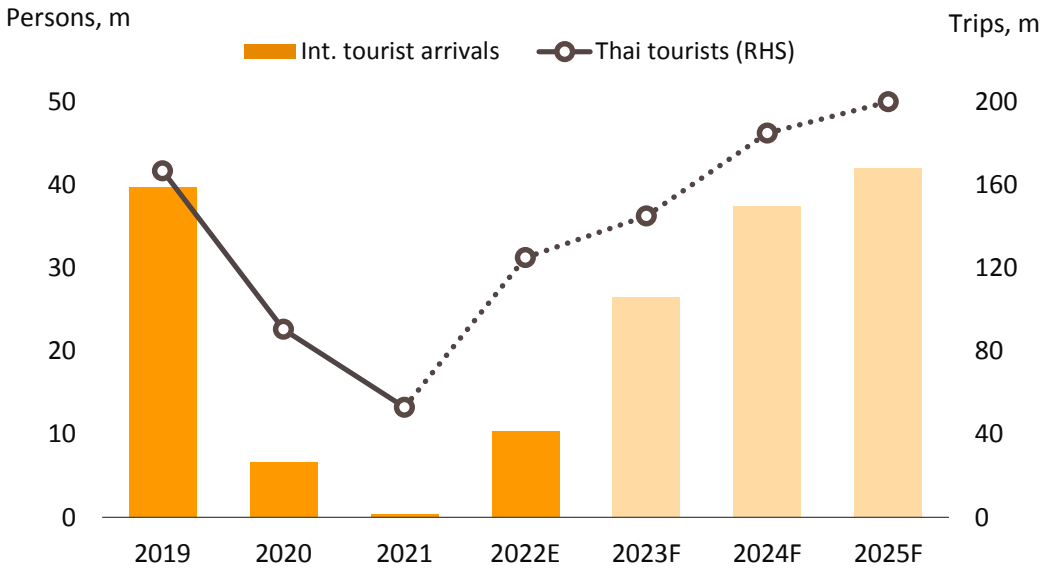
Sales and leases of land on industrial estates are forecast to increase by 18.0-20.0% per year on (i) improved investor confidence from the easing of COVID-19 and the reopening of the country, (ii) international companies' expansion of production capacity to ASEAN due to worsening US-China tensions, (iii) progress on government-backed infrastructure projects, especially in the EEC; and (iv) the continuation of government investment support schemes.

- **Eastern region:** Demand is anticipated to strengthen rapidly as infrastructure spending of phase 2 EEC development plan rises
- **Central region:** The area's communications links will continue to support industrial space in this region
- **Other regions:** Demand will remain weak until the government stimulating additional private-sector investment and spending more on communication infrastructure

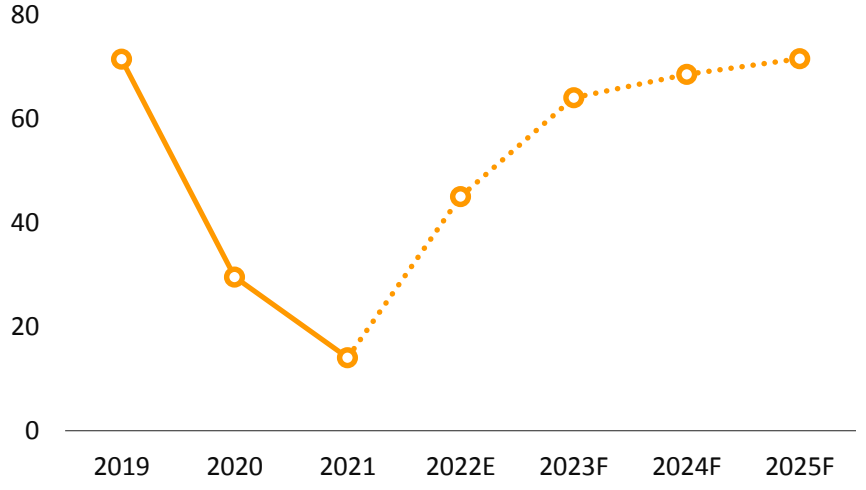
Source: REIC, forecast by Krungsri Research

Hotel: Foreign arrivals expected to meet pre-COVID level in early 2025

Tourist Numbers in Thailand



Occupancy Rate (%)



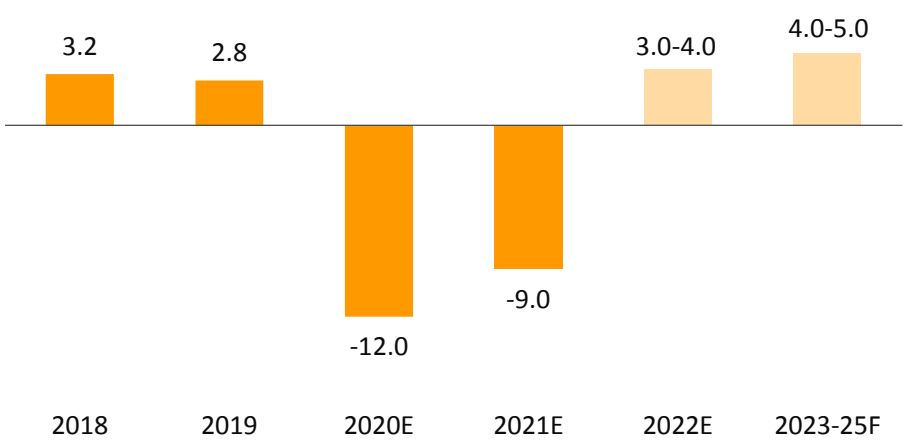
The recovery of hotel industry will accelerate, and the *foreign arrivals are expected to return to its pre-COVID level in late 2024 to early 2025***.** For the domestic market**,** it is expected to return even quicker to its pre-COVID level of 185m in 2024 due mainly to ongoing government stimulus measures. As a result, the national occupancy rate is forecast to improve to 63-65% in 2023, 68-69% in 2024, and 71-72% in 2025, close to its 2019 pre-COVID level.

- **Hotels in major tourist destinations (Bangkok, Pattaya, and Phuket):** Income will continue to strengthen and average occupancy rates may be as high as 75% by 2025.
- **Hotels in tourist destinations and regional centers:** Income will improve with greater demand from domestic tourists, boosted by ongoing government stimulus packages.
- **Hotels in other provinces:** Recovery in income will be slow and occupancy rates will remain low.

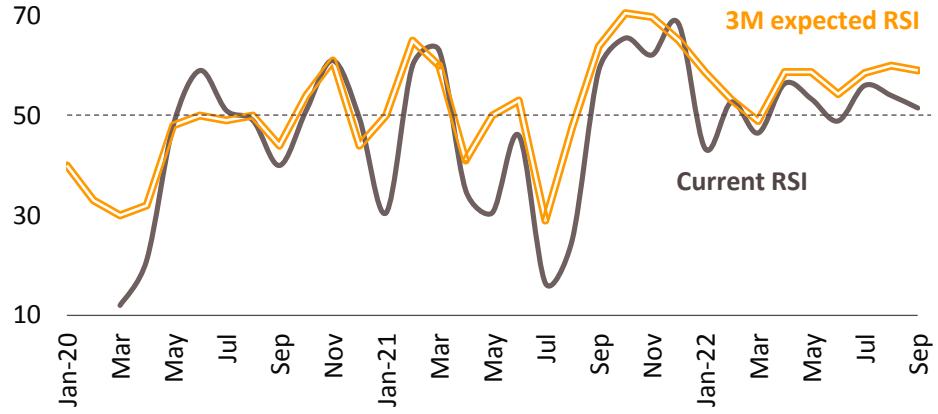
Source: MOTS, BOT, forecast by Krungsri Research

Modern trade: growth will return to normal level thanks to the reopening to international tourism, while high inflation and household debt remain major headwinds

Retail Business Growth (% YoY)



Retailer Sentiment Index (RSI)



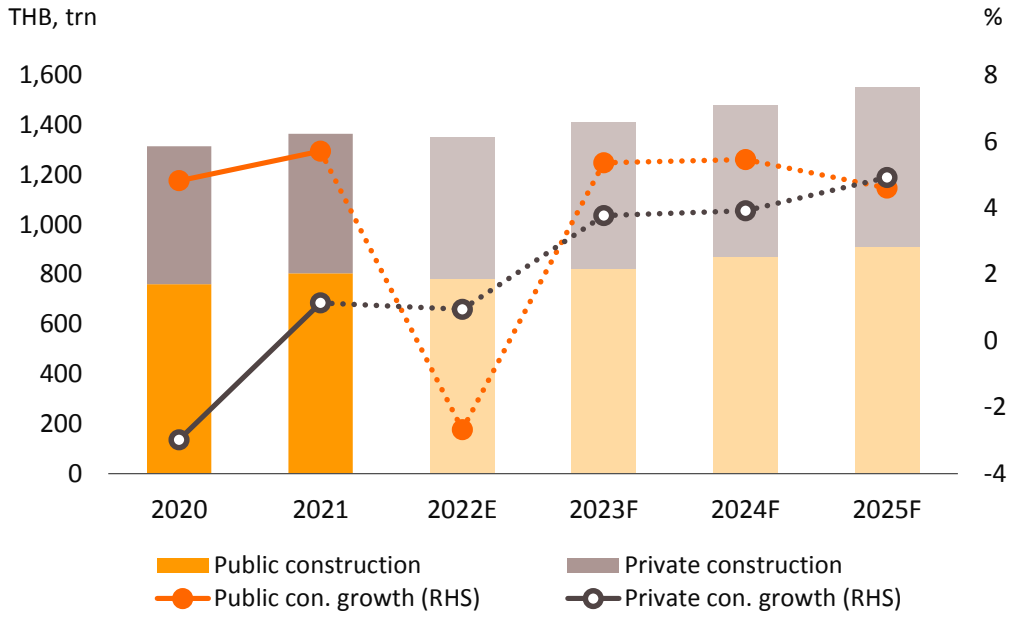
Income is forecast to expand at an average annual rate of 4.0-5.0% thanks to: (i) Thailand's economic growth of 3.0-4.0% per year that will then lift consumer spending power; (ii) accelerating rebound in the number of foreign tourists that is expected to return to the pre-Covid level in 2025; (iii) ongoing growth in online sales; and (iv) continuing expansion in the reach of branch networks. **Income growth trends for each segment are given below:**

- **Department stores:** Income growth should accelerate to 4.0-5.0% annually (from 3.5% in 2022). Operators will benefit from their investments in developing omnichannel platforms and the use of 5G and AR technology, though they will also continue to invest in new branches in high-potential locations both at home and abroad, especially in neighboring countries.
- **Discount stores:** Growth should average 3.0-4.0% annually (3.0% in 2022). Businesses will be helped by a change in player's strategies increase their offerings of high-quality fresh foods and premium goods, and of upgrading their branches to offer a lifestyle and image that appeals to a wider range of consumers. Businesses are also increasingly penetrating local communities by expanding their partnerships to include traditional retailers while also extending their reach by developing online platforms.
- **Supermarkets:** Having enjoyed growth of 6.0% in 2022, supermarkets should see growth of 6.0-7.0% annually. Supermarkets are benefiting from the fastest growth in the retail sector since they have been best able to adjust their outlets and offerings to match changing consumer demand, especially in high-spending mid- to upper-income groups (e.g., by adding premium lines, health goods, and clean, safe and organic produce).
- **Convenience stores:** Growth should average 4.5-5.5% per year, close to 2022's 4.5% rise in oncome, benefitting from their change of strategy, including the move to selling ready-to-eat and fresh produce, and the shift to online distribution. However, competition is intense since players in other segments are shrinking their branch sizes, close to convenience stores.

Source: Thai Retailers Association (TRA), Bank of Thailand of Thailand (BOT), estimate and forecast by Krungsri Research

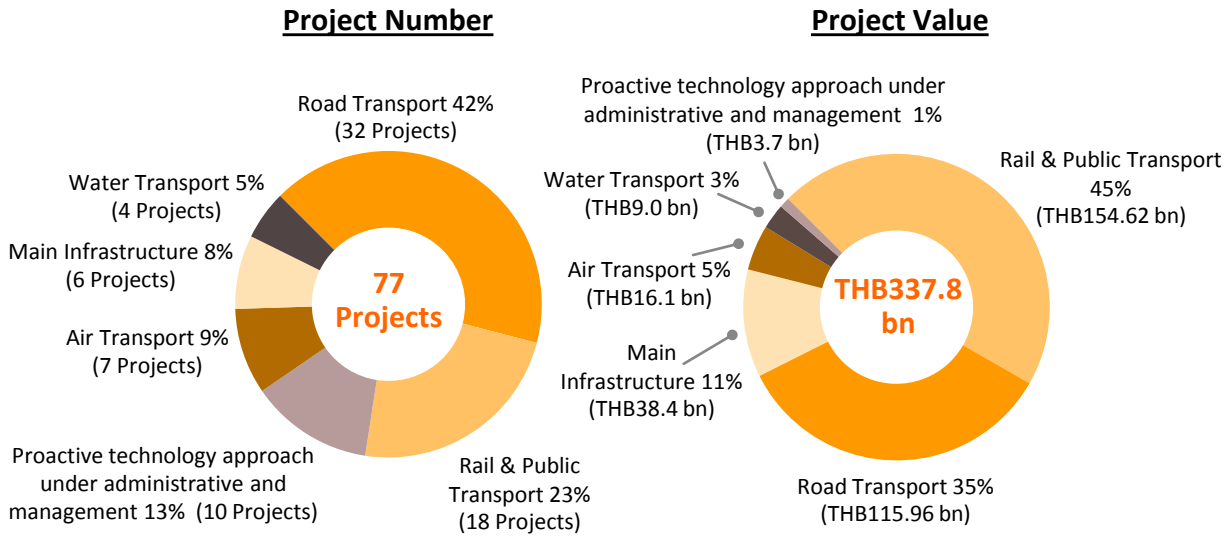
Construction: Public construction growing further on a progress of megaprojects investment

Construction Investment Trends



EEC Infrastructure Projects

Action Plan on EEC Infrastructure and Public Utilities (2023-2027)



Construction investment is forecast to strengthen by 4.5-5.0% annually, driven principally by an acceleration of government spending on megaprojects, in particular those connected to the Eastern Economic Corridor (EEC), and work on commercial and residential projects as economic outlook improves steadily.

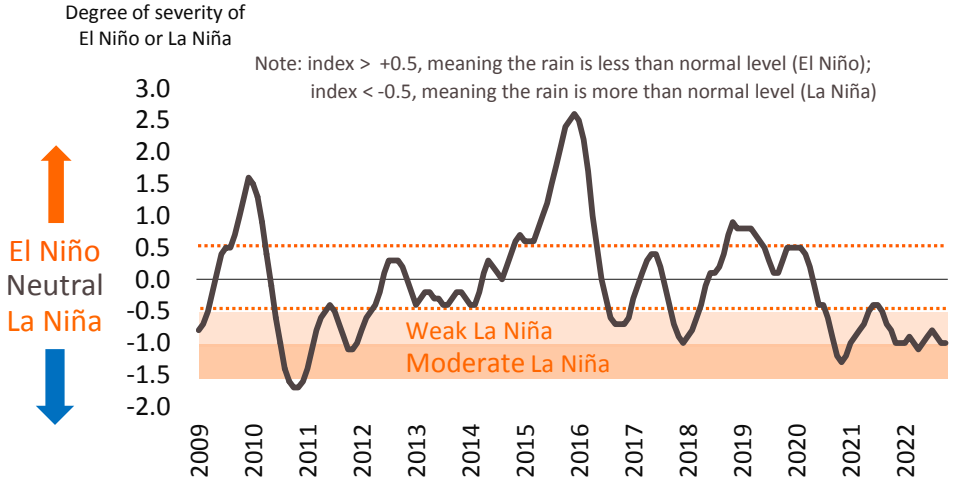
- **Public construction** is predicted to increase by 5.0-5.5% as works on EEC-related projects that fall under phase 2 of the Action Plan on EEC Infrastructure and Public Utilities (2023-2027) are accelerated. These covers 77 projects and for which THB 337.8bn has been earmarked for construction work. Greater progress is also expected to be made on megaprojects in other parts of the country.
- **Private construction** should expand by 4.0-4.5% on: (i) an acceleration in work on public-sector infrastructure projects that will then attract greater private-sector investment, especially along or near new communication routes/links; (ii) heavier spending in the EEC that will support an uptick in work on factories and industrial estates in the area; and (iii) a generally improving outlook for the residential housing market.

Source: Office of the National Economic and Social Development Council (NESDC), State Enterprise Policy Office (SEPO), Price Waterhouse Cooper (PwC), EEC Office and Krungsri Research

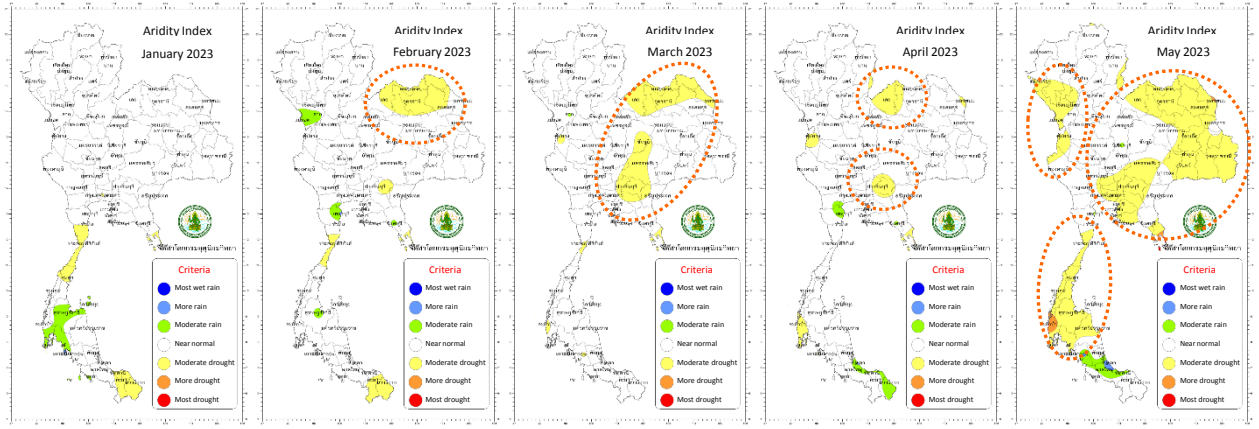
The ONI Index indicates that in 2023 the global climate will gradually return to neutral. However, Thailand will still face slightly more-than-average rainfall and hence low risk of drought

Global outlook: In 2023 la Niña is likely to subside into neutral level in February onwards.
Thailand outlook: At the end of 2022, there was a total of 35,311 million cubic meters of usable water stored in reservoirs across the country (represented 50% of storage capacity), similar to the high agriculture's output growth situation in 2017-2018 crop years. However, some parts of the north and northeast of Thailand may still experience water shortages, especially areas outside the reach of irrigation systems that repeatedly faced with drought. This is premised on: (i) rainfall is higher than normal; and (ii) usable water levels are expected to be sufficient for economic activities*.

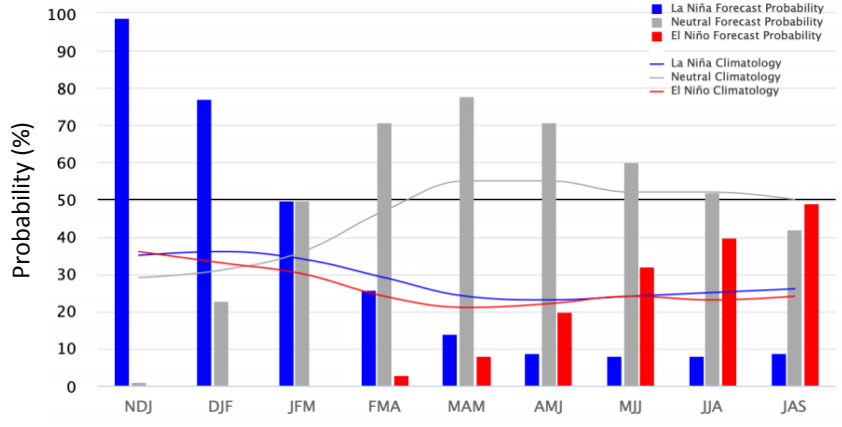
Oceanic Nino Index (ONI)



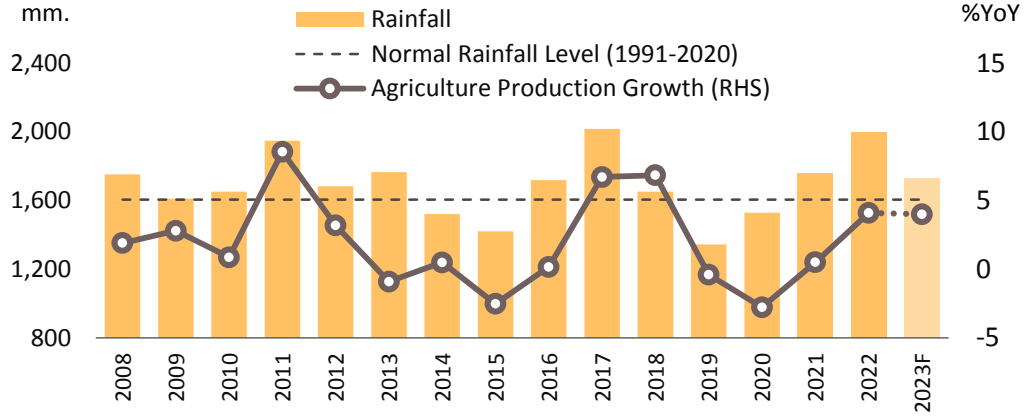
Thailand aridity index 1H2023 by region



Probabilistic ENSO Forecast



Thailand rainfall



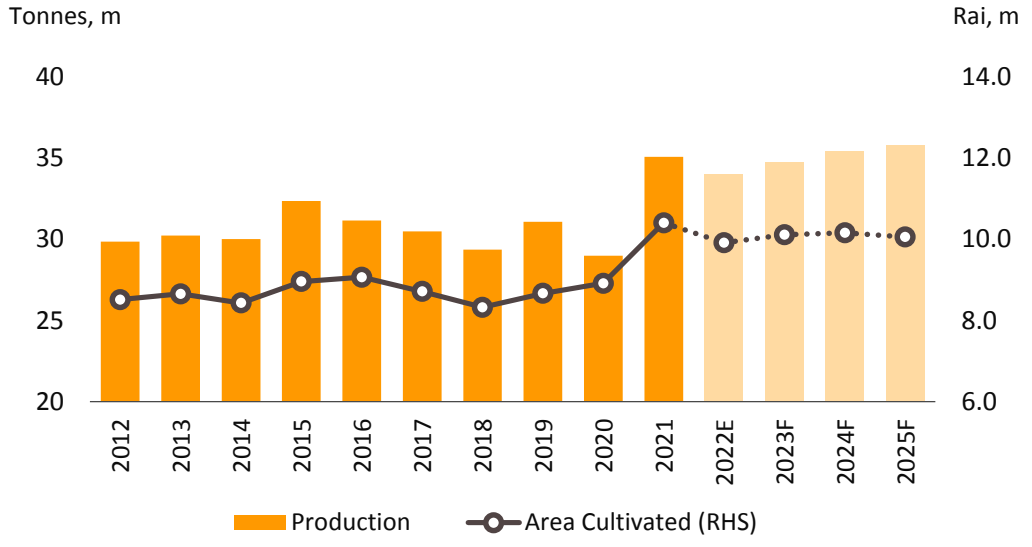
Note: * The water in storage and that will be available for use must now be managed to meet four different sources of demand, by order of importance

(i) direct consumption and supply to municipal water systems,
(ii) maintenance of environmental systems, for example to prevent saltwater intrusion, distribute waste water, or preserve riverine ecosystems,
(iii) farming activity, and
(iv) industrial activities.

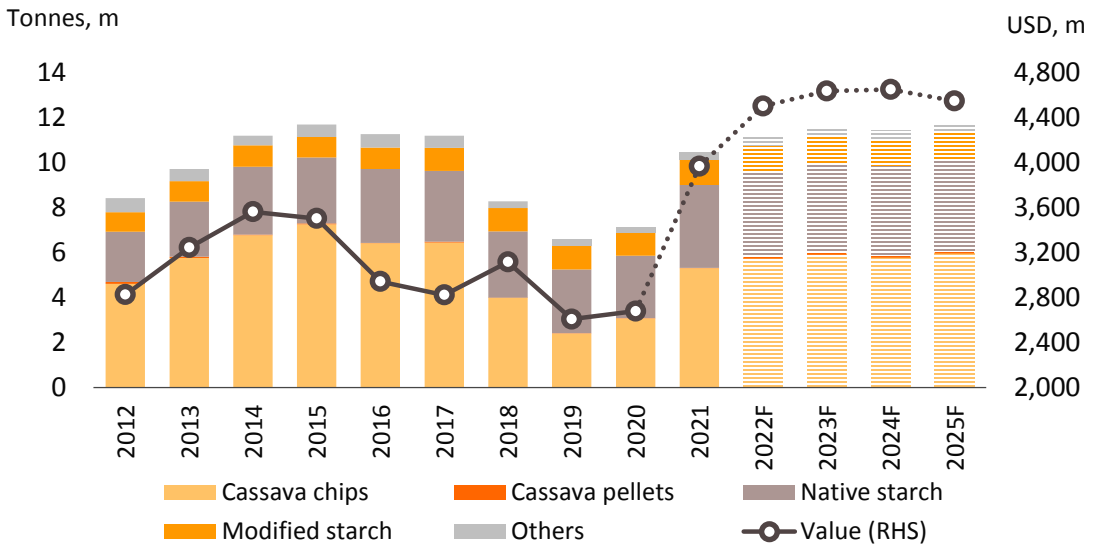
Source: NOAA, ONWR, HII, Royal Irrigation Department, Thaiwater, Thailand Meteorological Department Climatological Center, Krungsri Research

Cassava: Demand improves from downstream industries both in Thailand and abroad

Thailand Cassava Root Production Forecast



Thailand Cassava Product Exports Forecast



Outputs of fresh cassava should edge up by another 1.5-2.5% over the next few years due to: (i) high prices that will encourage farmers to maximize their harvests; (ii) stronger demand driven by growth in downstream industries and by ongoing worries about food security from Ukraine-Russia war has created; and (iii) likely favorable weather.

Domestic demand will also improve, rising by around 3.0-4.0% per year on: (i) post-Covid-19 growth in the food processing industry; (ii) use in the production of ethanol; and (iii) continuing health worries that will underpin greater demand for cassava chips for use in the production of disinfecting alcohol.

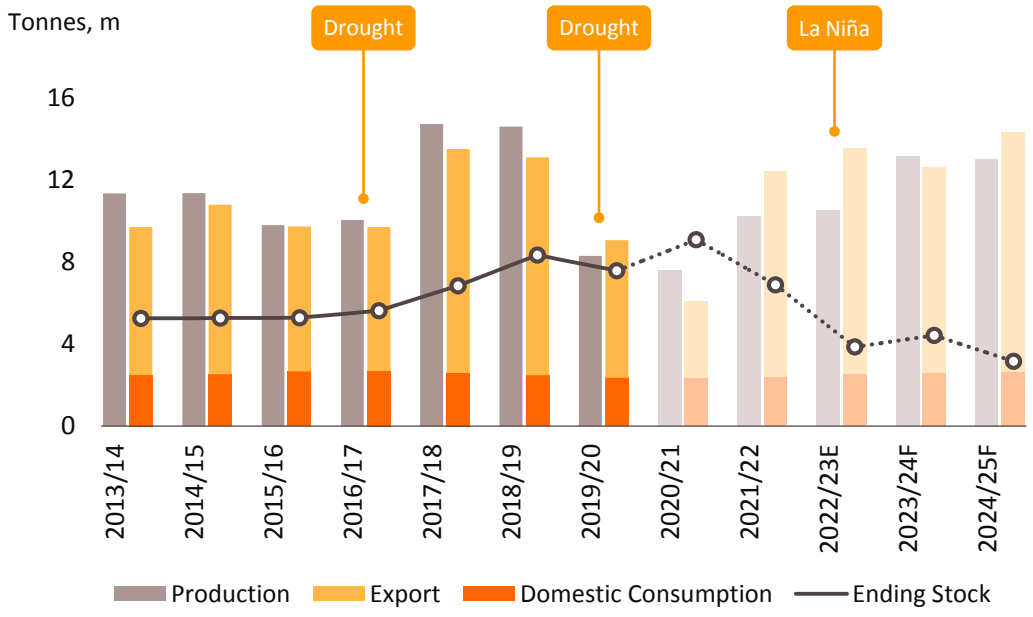
Exports of cassava products would expand by 5.0-6.0% annually.

- **Cassava chip:** exports will edge up 1.0-2.0% to 5.8-6.0m tonnes, helped by the continuing strength of Chinese demand (the main market) for cassava chip for use as an animal feed and in the production of disinfecting alcohol and ethanol, the latter for use as a power source and in the construction sector.
- **Cassava pellets:** Exports will remain low at around 10-15 thousand tonnes, with demand mostly from biofuel and animal feed.
- **Native starch:** Exports will grow by 2.0-3.0% to 3.9-4.1m tonnes. Demand will strengthen from F&B and paper industries, but competition from CLMV (Chinese investment) may arise.
- **Modified starch:** Exports are forecast to strengthen to 1.2-1.3m tonnes per year (up 3.0-3.5%) from players in food, cosmetics, and pharmaceutical industries.

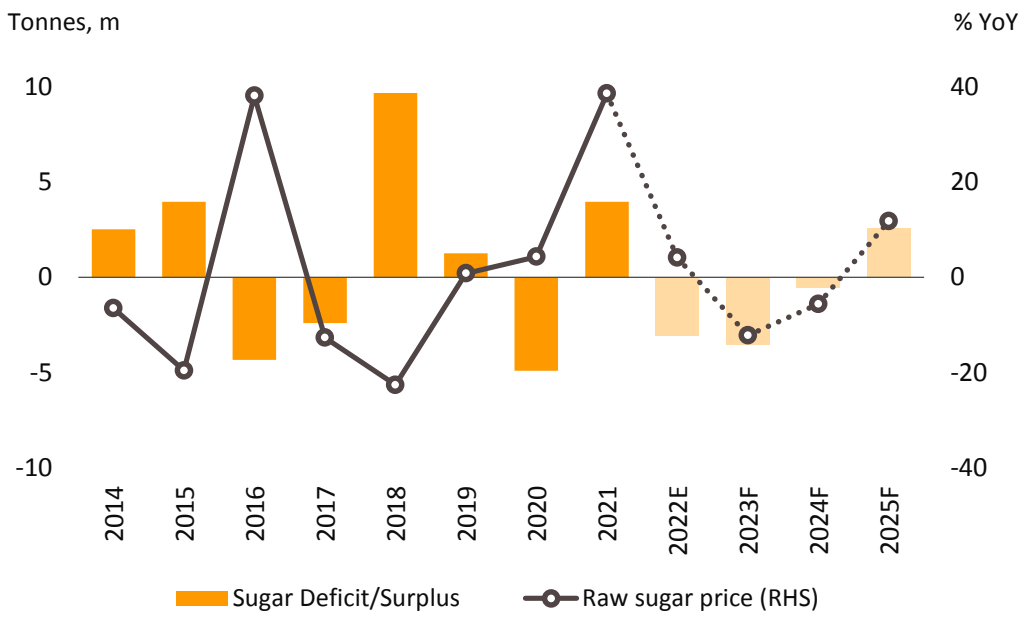
Source: Office of Agricultural Economics (OAE), Ministry of Commerce (MOC), forecast by Krungsri Research

Sugar and molasses: Output increases from expected favorable climate, while exports grow strongly from demand from industrial consumers

Thailand's Sugar Balance



Global Sugar Flow

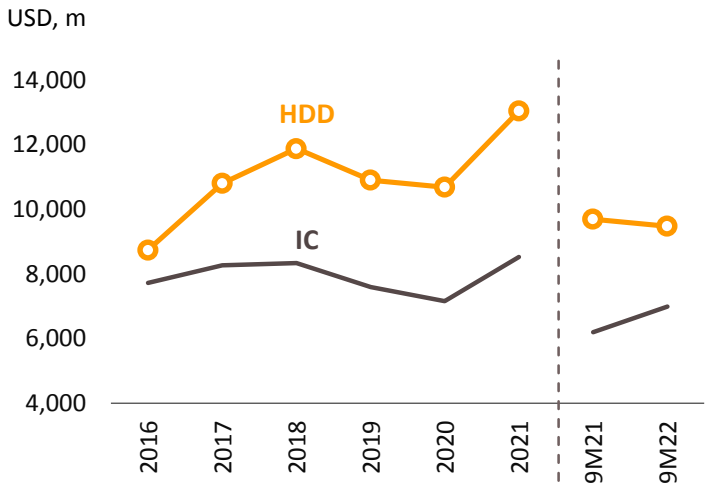


- **Sugarcane outputs will continue to rise**, lifted by the extension of La Niña conditions (which will ensure heavier rainfall and a plentiful supply of irrigation water), ongoing government and refineries support, and the incentive provided by high prices. **Outputs are thus expected to average 107-117m tonnes/year, which will be sufficient to produce 11.8-12.8m tonnes of sugar (growth of 7.0-9.0% annually).**
- **Exports of sugar and molasses will also grow strongly, expanding by 10.0-12.0% annually to a total of 9-11m tonnes.** This will be helped by: (i) the easing of problems with the supply shortage of sugarcane, which will then allow a greater volume of sugar to be diverted overseas; and (ii) stronger demand from industrial consumers in export markets. Recovery in the tourism sector and in the economy more generally will also mean that **domestic demand for sugar should rise by 2.0-4.0% per year to around 2.5-2.7m tonnes.**

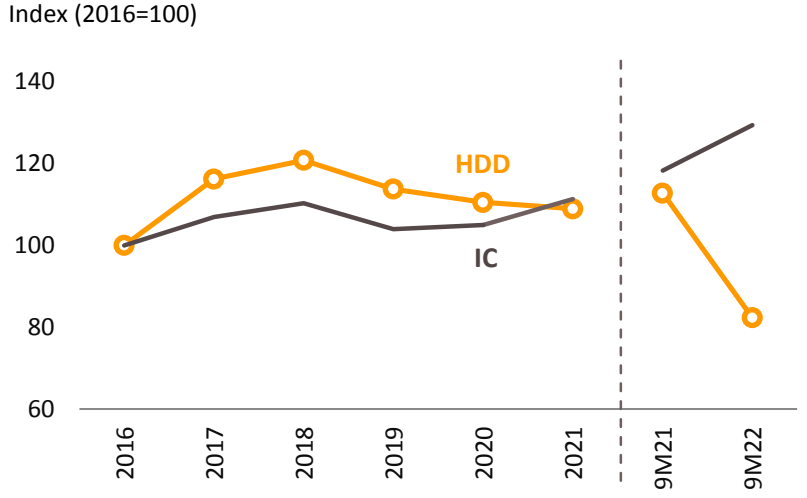
Source: USDA, OAE, MOC, World Bank, Compiled and Forecast by Krungsri Research

HDD and IC: Softer demand for HDD while IC exports strengthening going forward

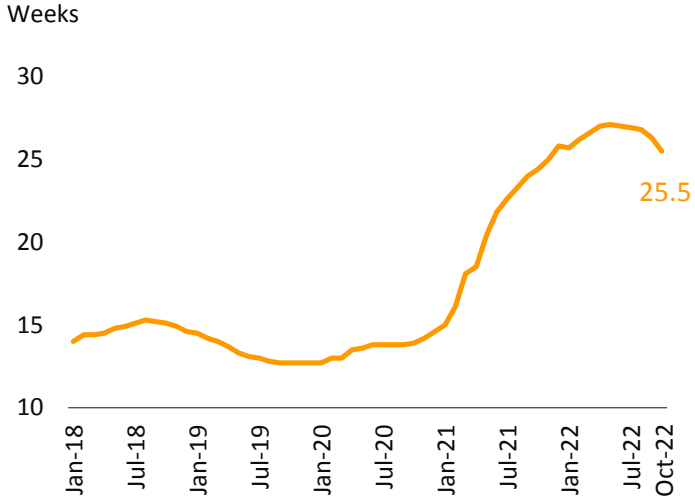
Electronics Exports



Electronics Manufacturing Production Index (MPI)



Lead times for semiconductors

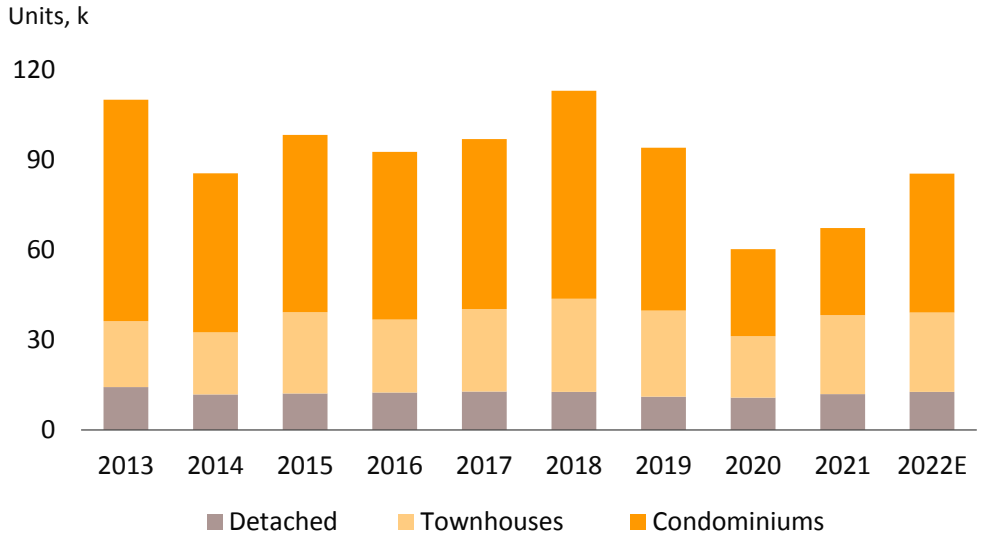


- **Over the next 3 years, HDD exports will return to growth, but the value of these will edge up by an annual average of just 1.0-2.0%.** Indeed, IDC (September 2022) sees global PC sales dipping by -2.6% in 2023 on a weaker economic outlook, but sales should return to growth in 2024 and 2025 as the situation improves. Sales of high-capacity HDDs will remain firmer, given growing demand for big data-related uses in cloud computing and data center applications. However, lower-capacity HDDs will gradually be replaced by solid state drives (SSDs), especially in notebooks.
- **The value of IC exports will strengthen by 3.0-4.0% annually over the next 3 years**. This view is supported by WSTS (August 2022), that global semiconductor sales will rise 4.7% in 2023, down from an anticipated 13.9% growth in 2022, driven by economic weakness that will undercut demand for electronic goods. The situation, however, should improve again in 2024. Demand for ICs for use in automobile electronics will remain strong, and Gartner (July 2022) predicts that due to the increase in sales of EVs and self-driving cars, the value of the semiconductors used in each vehicle will climb from USD 712/vehicle in 2022 to USD 931/vehicle in 2025. However, worsening US-China tensions are expected to impact chip production and so problems with chip shortages will continue to periodically affect the supply of ICs through 2023. Nevertheless, heavy investment by major manufacturers in Taiwan, the US, China and Japan should begin to bear fruit in 2023 and so by the end of the year, problems with supply should begin to be resolved.

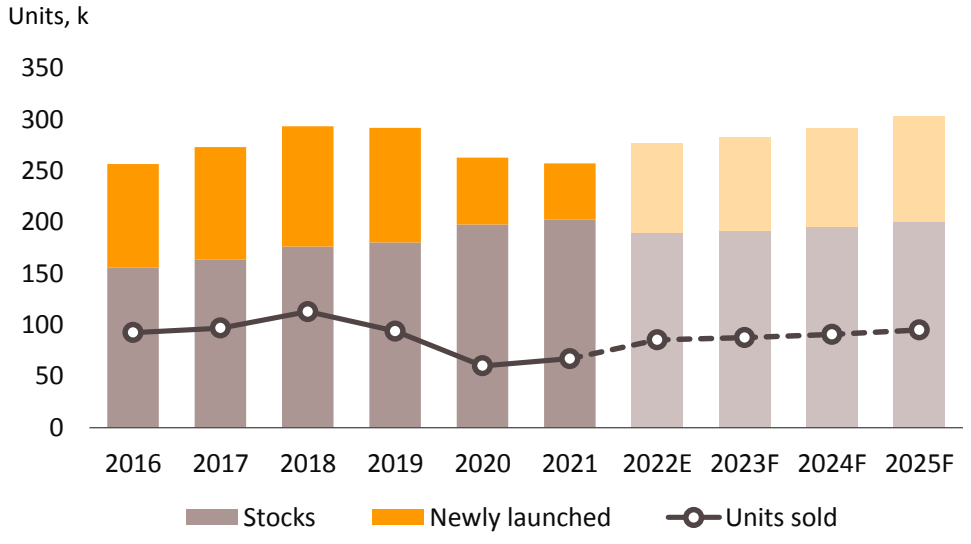
Source: Ministry of Commerce (MOC), Office of Industrial Economics (OIE), Susquehanna Financial Group, Krungsri Research

Housing (BMR): Sales gradually strengthening with emphasis on usable space of low-rise housing

Units Sold



Total Supply



The BMR residential housing will gradually strengthen with sales expected to increase by 3-5% annually on (i) government investment on megaprojects, especially new metro lines, (ii) accelerating recovery in tourism, (iii) stimulus measures such as allowing non-Thais to purchase land for residential purposes, and (iv) stronger demand from expatriate market. However, headwinds include the extended Russia-Ukraine war putting pressures on costs, the current cycle of rate hike and high levels of household debt.

New housing supply is expected to rise by 5-8% with developers focusing more on low-rise projects to meet real demand. Meanwhile, the condominium segment is recovering steadily, especially in areas that meet the needs of tourists, near educational institutions and workplaces, and at the cheaper end of the market.

- **Low-rise housing:** There will be greater demand from buyers looking for usable space to support WFH, and so low-rise developments in more suburban areas are gaining in popularity.
- **Condominiums:** The market will improve mainly from stronger demand for buy-to-let purchases as consumer purchasing power eroded from the rising costs of living and interest rates. The rebound in the tourism market (esp. in Chinese arrivals) will add to demand, especially in central parts and along metro lines.

Source: AREA, forecast by Krungsri Research

Thailand Industry Outlook 2023-2025

Macroeconomic environment: Slow global economic growth, recovery in domestic economy

- **Global economy (2023-2025):** The major economies will slow, while trends towards deglobalization are likely to gather strength.
- **The Thai economy(2023-2025):** The effects of the global slowdown will be countered by recovery in the tourism sector and a rebound in domestic economic activity after the country has fully reopened to foreign arrivals.

Structural changes: Modern technology, servicification, shortening global value chains, ESG trends, and government's infrastructure investment are the dominant themes for Thailand's industry outlook.

- Modern technology is a key driver transforming Thailand's industry towards growth sustainability amid competitive pressures from shortening global value chain and regional trade blocs. New technology and innovation will also add greater value to products in the form of servicification. With some structural problems eroding competitiveness of Thai industry, spending on government-backed megaprojects, especially works on EEC-related projects that fall under phase 2 of the Action Plan on EEC Infrastructure and Public Utilities (2023-2027), will provide opportunities for investment in downstream and related industries.

2023-25 Thai industry outlook: tipping towards a gradual recovery

- Following the COVID-19 pandemic in 2020-22, Thailand's industries could be heading for a gradual recovery in 2023-25 but at varying degree. Of the 96 industries covered in this report, 28 are given a "rather positive" outlook. Meanwhile, industries tagged "rather negative" and "negative" outlook numbered at 19 and 1, respectively.

Hits and Misses

- With a path of recovery, we select some industries that are expected to benefit from the reopening of the country, demand from downstream industries, modern technology transformation, a strong position in global value chains and national infrastructure development. **They include Automobile, Private Hospitals, Industrial Estates, Hotels, Modern Trade, Construction, and Cassava.**
- However, some businesses, despite gradually recovering, may still face some challenges from sluggish global demands, excess capacity, and other uncertainties.

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