



Economic Outlook Report Mid-Year 2022

Clients & Markets, July 2022



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Global Economy 1H2022

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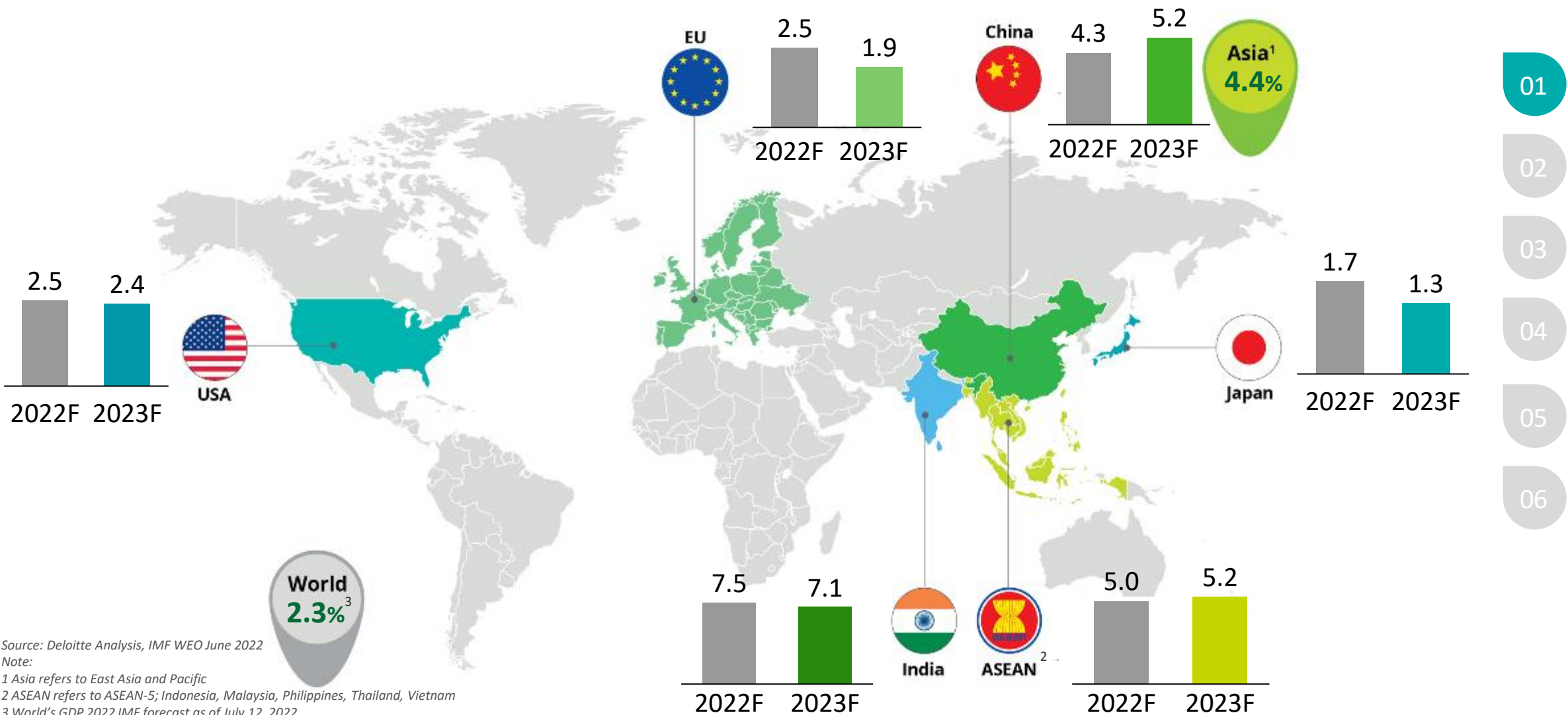
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The 2022 Global economy will grow more slowly than expected, largely as a consequence of the war in Ukraine. The downgrade also reflects revisions of inflation pressures, tighter financial condition, bottlenecks in global supply chains, and significant increases in price of many commodities.



Source: Deloitte Analysis, IMF WEO June 2022
Note:
1 Asia refers to East Asia and Pacific
2 ASEAN refers to ASEAN-5; Indonesia, Malaysia, Philippines, Thailand, Vietnam
3 World's GDP 2022 IMF forecast as of July 12, 2022
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Key Takeaway and Watch List in 2022

		Key Takeaway	Watch List
		+	-
 US	<ul style="list-style-type: none"> Recovering job market Strong consumer demand 	<ul style="list-style-type: none"> Surge in inflation (9.1% in June 22) Soaring housing prices despite weakness in housing market Fed aggressively raised 0.5% of interest rate in May. 	<ul style="list-style-type: none">  Fed potentially to raise more interest rate in 2022, and reducing asset holdings on its \$9 trillion balance sheet  Bond yield movement and recession watch list
 EU	<ul style="list-style-type: none"> Ending asset purchase 	<ul style="list-style-type: none"> Surge in inflation rate (Forecasted 8.6% in June 22) High gas price from receiving less gas from Russia, rising in demand, and its limited gas reserve The euro hit parity with the US dollar 	<ul style="list-style-type: none">  ECB to raise interest rate in July and might accelerate increases in September  Impact from Russia's Ukraine invasion, and potential limiting imports of oil from Russia
 Japan	<ul style="list-style-type: none"> Rising retail sales Rise in machinery, robotics and electronics industries demand from overseas 	<ul style="list-style-type: none"> The sharp decline in the value of the yen Rising material costs Sluggish consumer spending Aging society 	<ul style="list-style-type: none">  Potential maintaining ultra-accommodative policy stance  \$940 billion budget for economic growth and wealth distribution
 China	<ul style="list-style-type: none"> Increased investment in infrastructure Easing Covid lockdown Improving trade volume 	<ul style="list-style-type: none"> Continuing weakness in the property and construction sectors Rising prices of imported commodities China's zero-covid policy 	<ul style="list-style-type: none">  On-going US-China tensions, and Russia-China relations  Potential increase restriction to contain Covid-19

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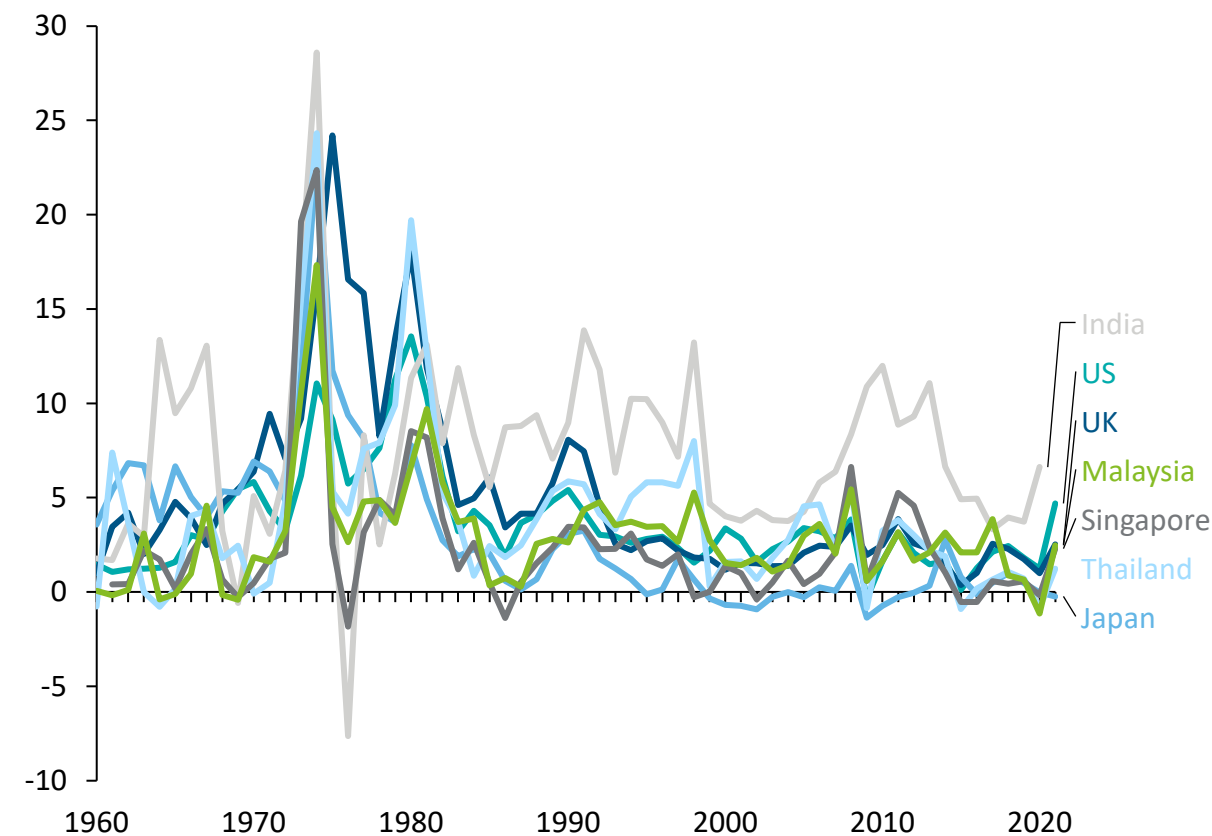
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Source: Deloitte Analysis, CNN, Reuters, ECB, Japantimes

Global Stagflation, a period of both weak growth and elevated inflation, could cause damages to the global economy and, especially, to emerging market and developing economies.

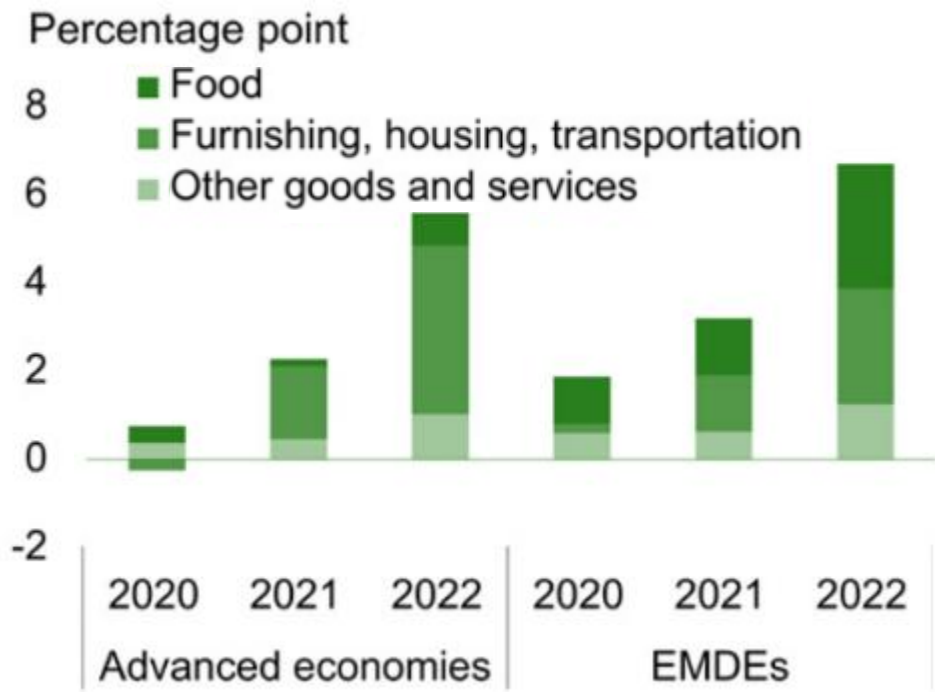
The rate has dropped dramatically since its peak in the mid-1970s; however, it has risen sharply in 2021-22 as a result of the rebound in global demand following the pandemic and rising commodity prices, especially since the war between Russia and Ukraine.

CPI Inflation (%)



Source: Deloitte Analysis, IMF WEO June 2022, Ministry of Trade and Industry Singapore, CNBC

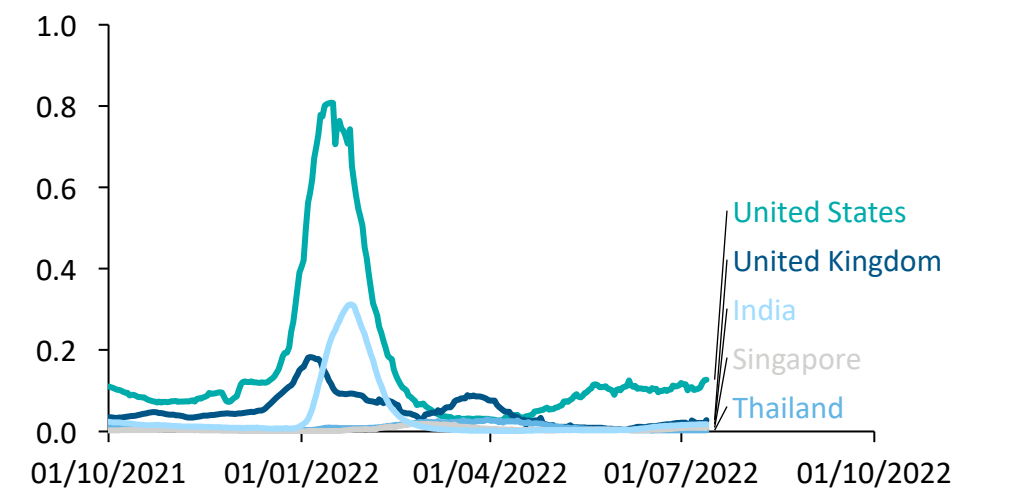
Sectoral Contributions to Headline CPI



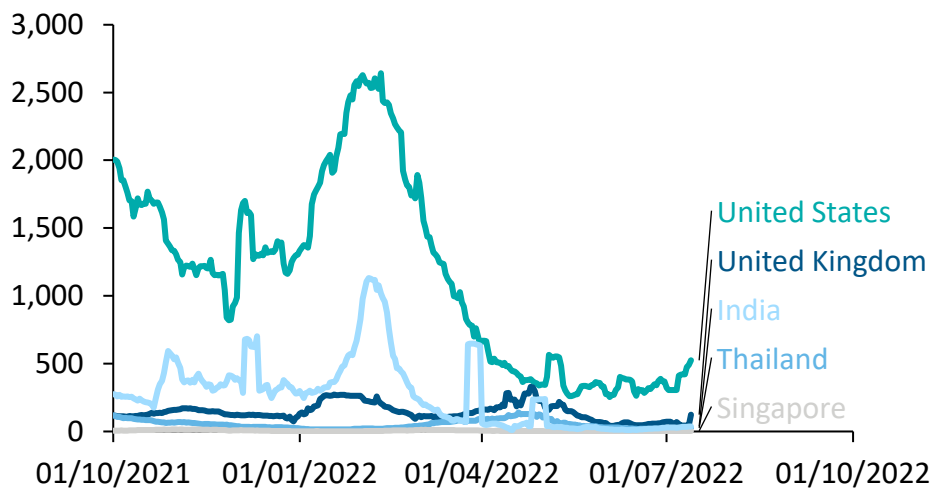
*EMDEs = emerging market and developing economies

Covid-19 vaccine booster might be the key factor to prevent death from the pandemic.

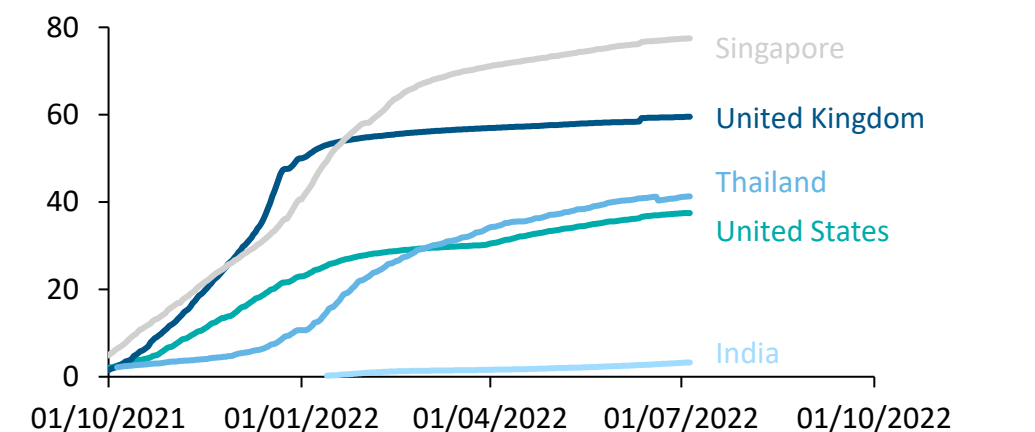
7-Day rolling average Daily confirmed Covid-19 cases (million)



7-Day rolling average Daily confirmed Covid-19 deaths



Covid-19 vaccine boosters administered per 100 people



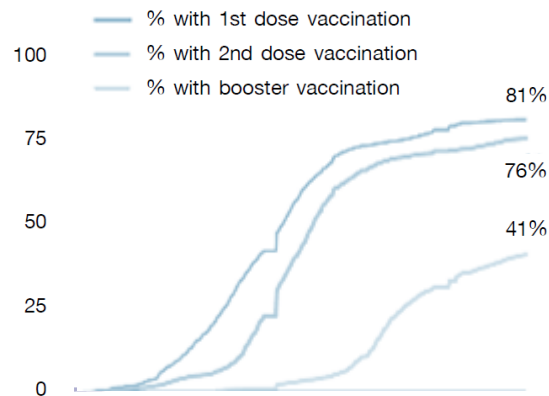
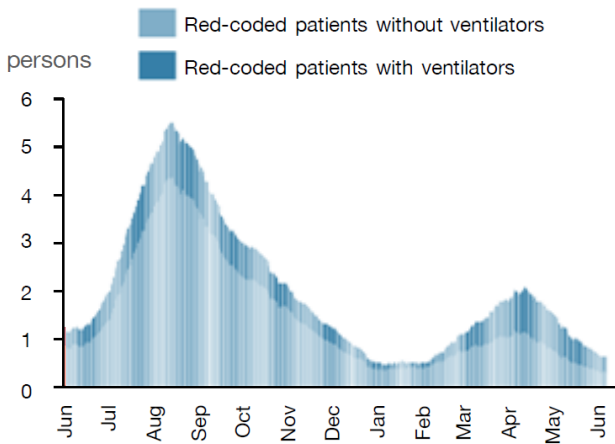
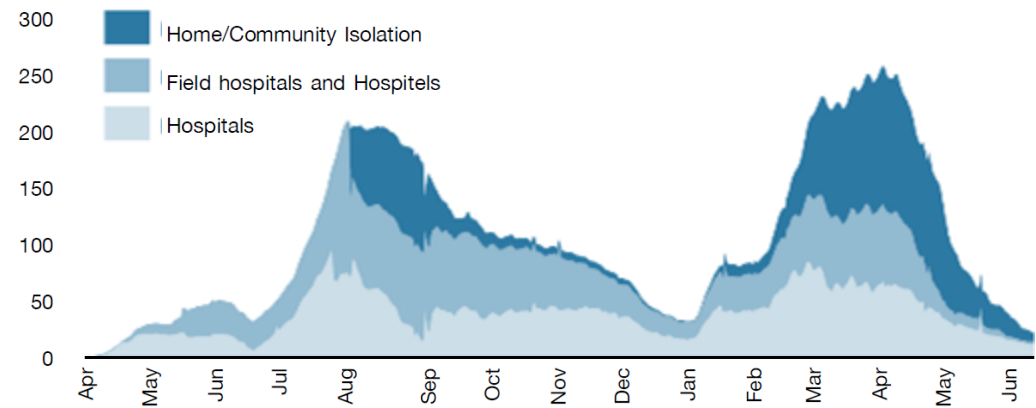
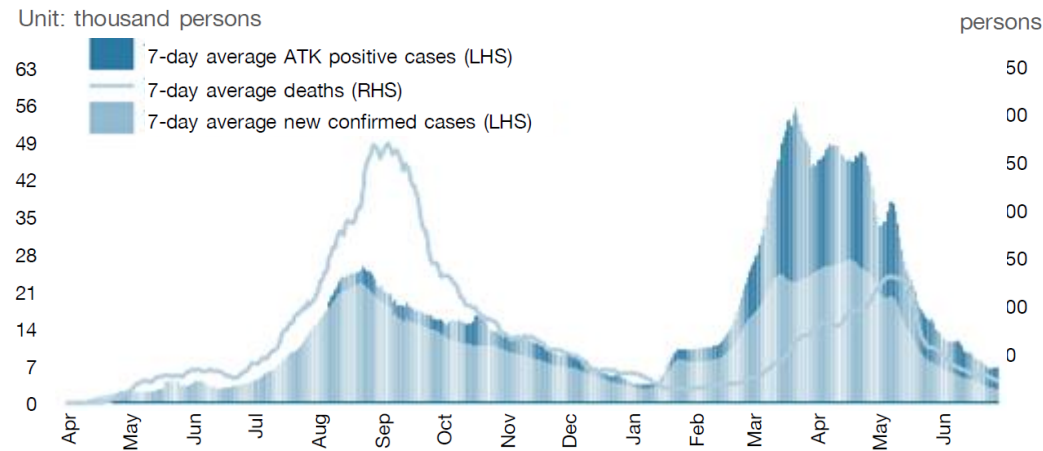
Source: Deloitte Analysis based on Our World in Data, retrieved on 15th July 22



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Thai new cases, death rate, and vulnerable-risk group proportionally saw lower compared to March 22.

Thailand's COVID-19 Situation



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Thai Economy 1H2022

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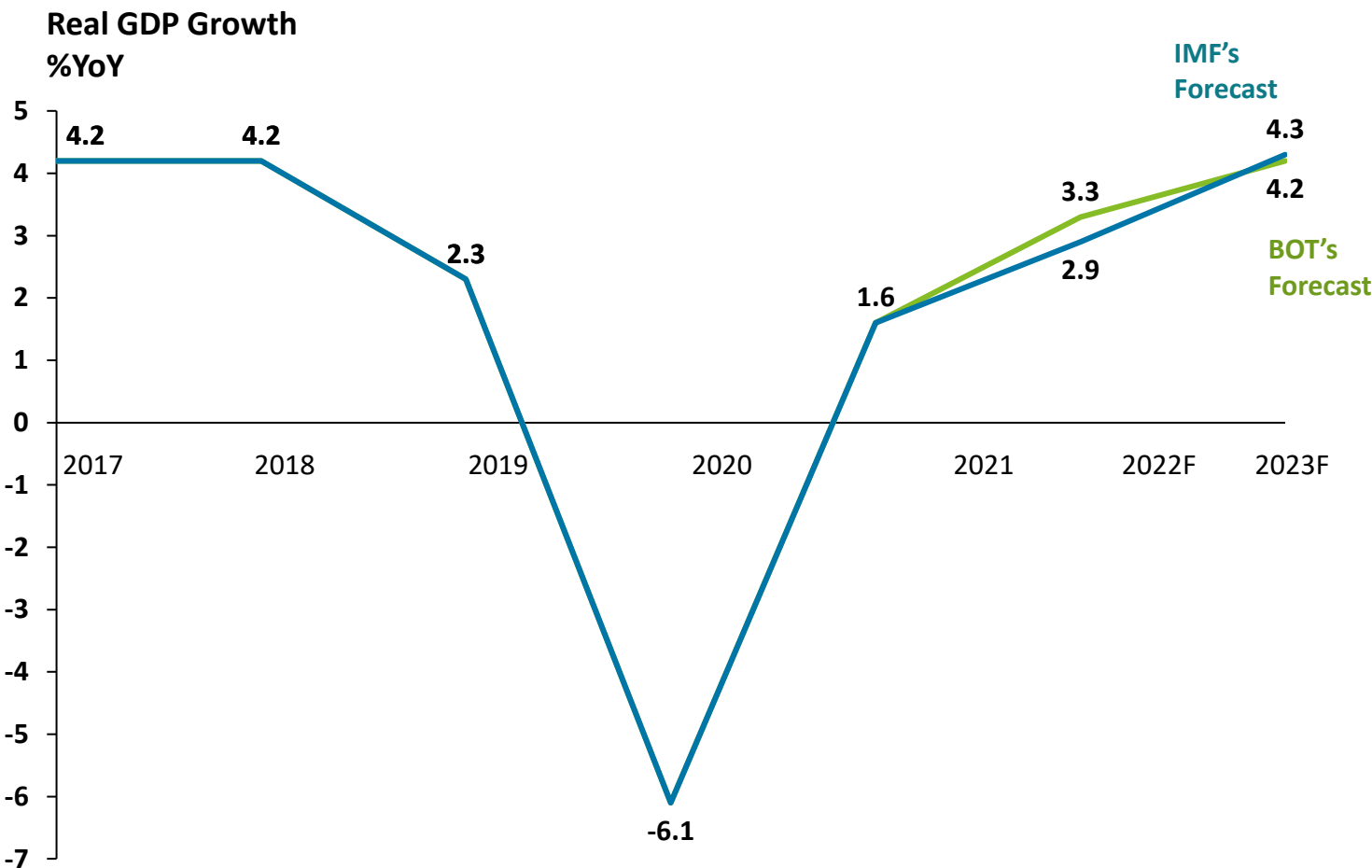
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Thailand Economic Outlook

Recovering domestic demand and rising tourist arrival would mainly contribute to Thai economic expansion.



Source: Deloitte Analysis, Bank of Thailand, IMF WEO June 2022

Key Factors to be Monitored



- Export saw expanding
- Rising tourist arrivals from reopening country and easing Covid-19 measures
- Increase in domestic demand



- Surge in inflation
- Lower consumer and private confidence
- Impact from Russia-Ukraine war
- Potential extended supply chain disruption

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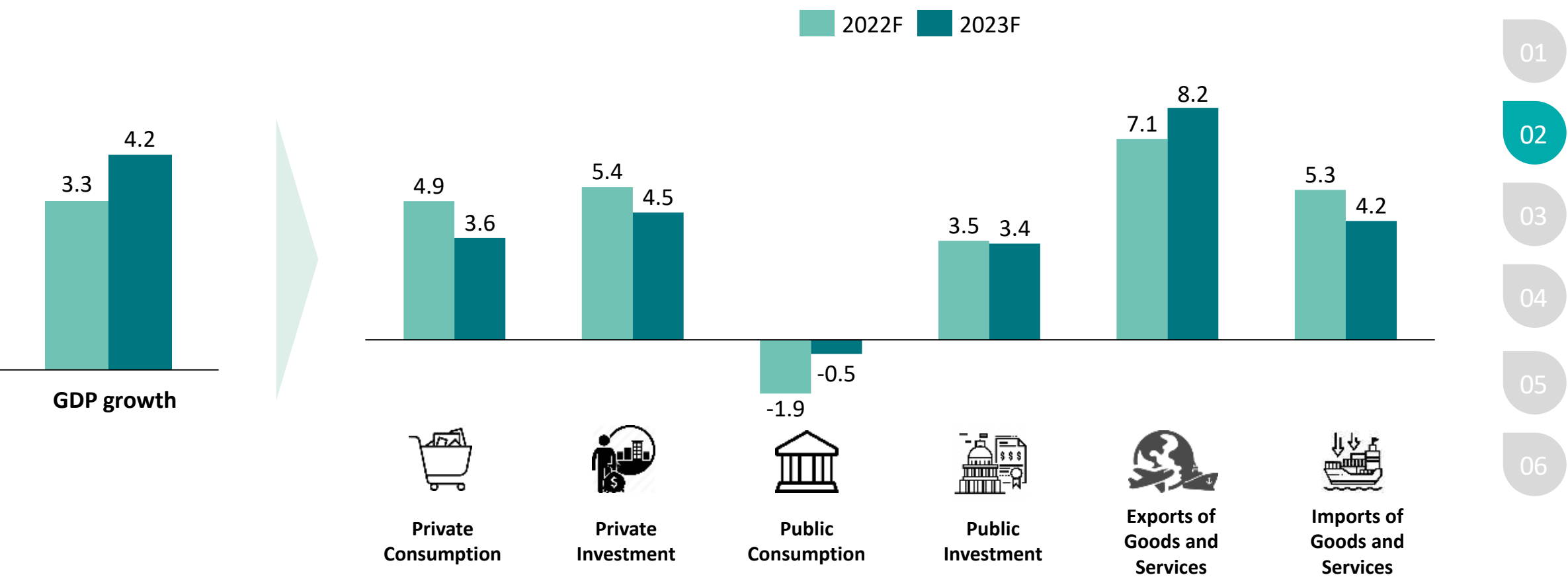
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Thai economy is forecasted a recovery owing to less concern on impact of Omicron, and reopening country. However, under Thai economy’s uncertainty, inflation pressure, supply disruption, tourism returns, and the Russia-Ukraine war are crucial factors for economic recovery.



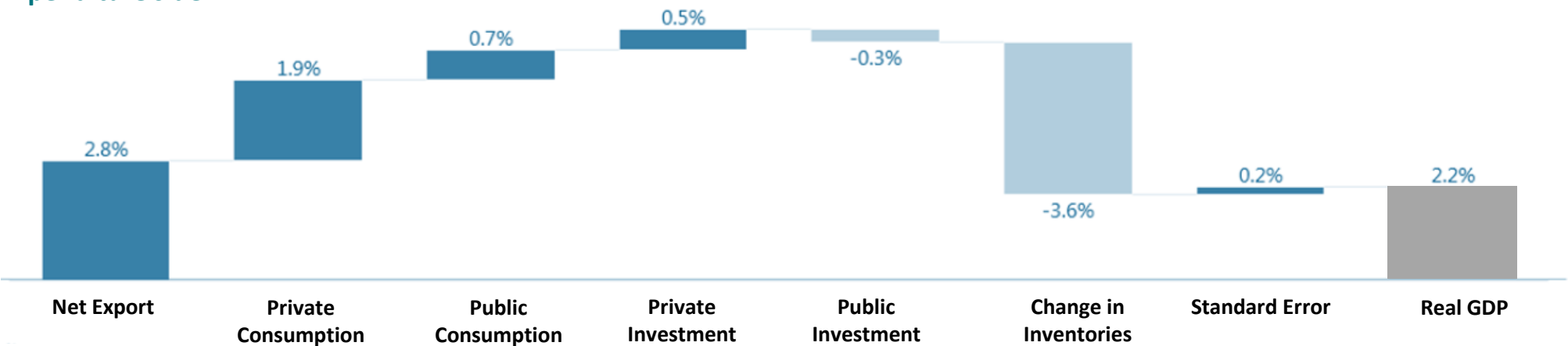
Source: Deloitte Analysis, Bank of Thailand

Thailand 1Q2022 economy grew 2.2% YoY

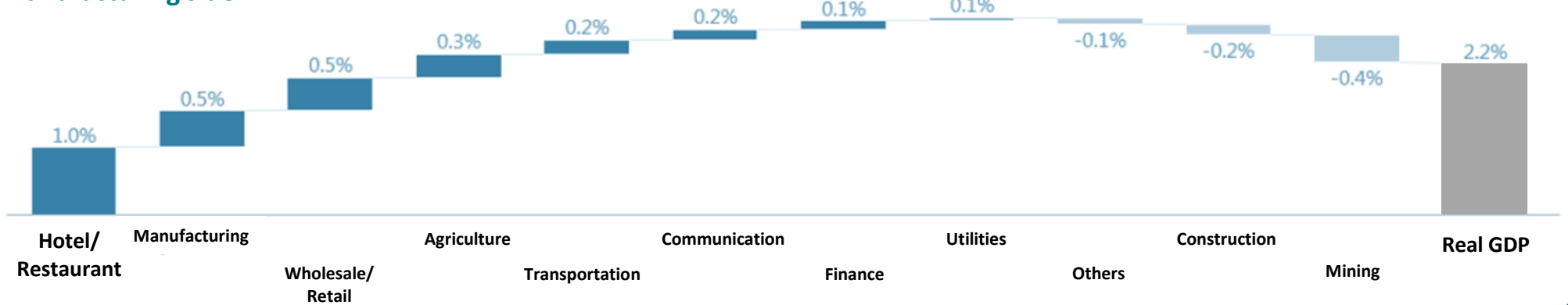
Overall components saw expanding except public investment

Contribution to Growth of Real GDP 1Q2022

Expenditure side



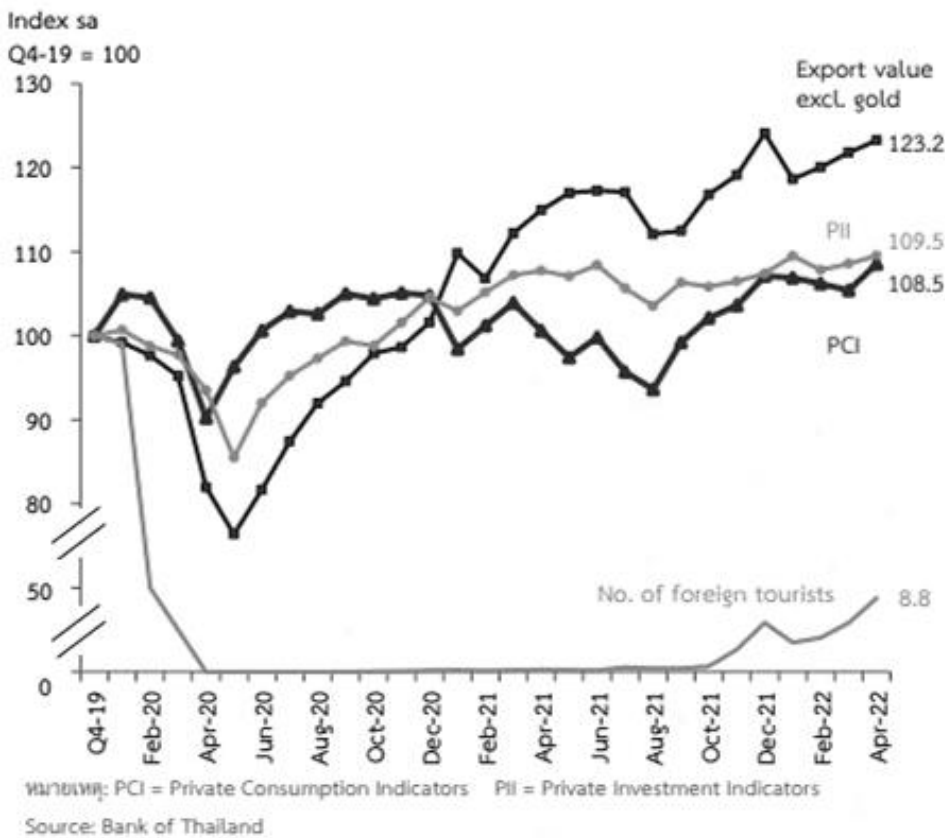
Manufacturing side



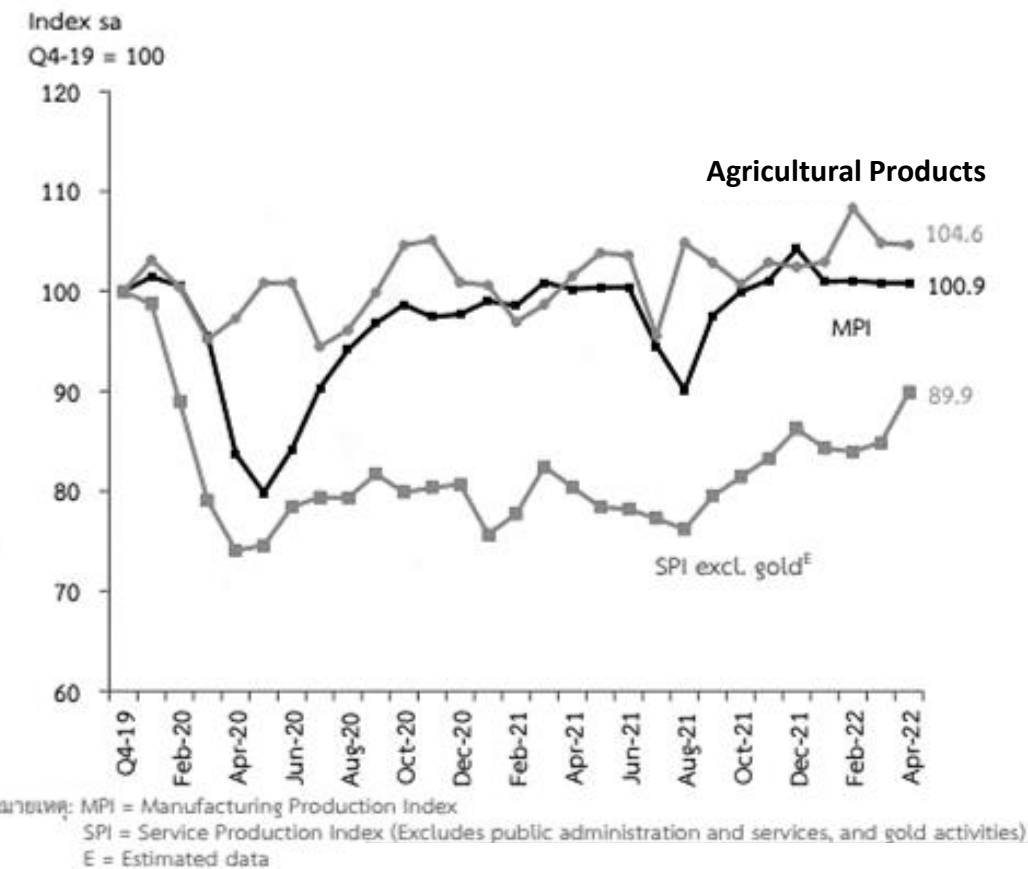
Source: Deloitte Analysis, SCB EIC May 2022

Thai economy's gradually recovering as reflected in most economic indicators in April 2022 following relaxation of containment measures, increase in tourist arrivals, and export.

Demand-side Economic Indicators

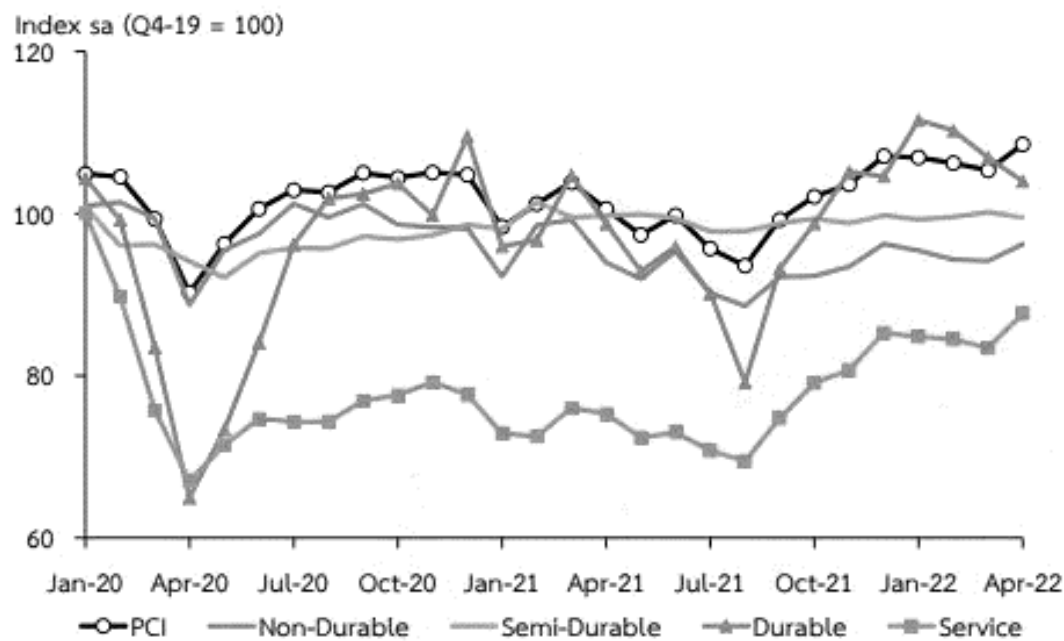


Supply-side Economic Indicators

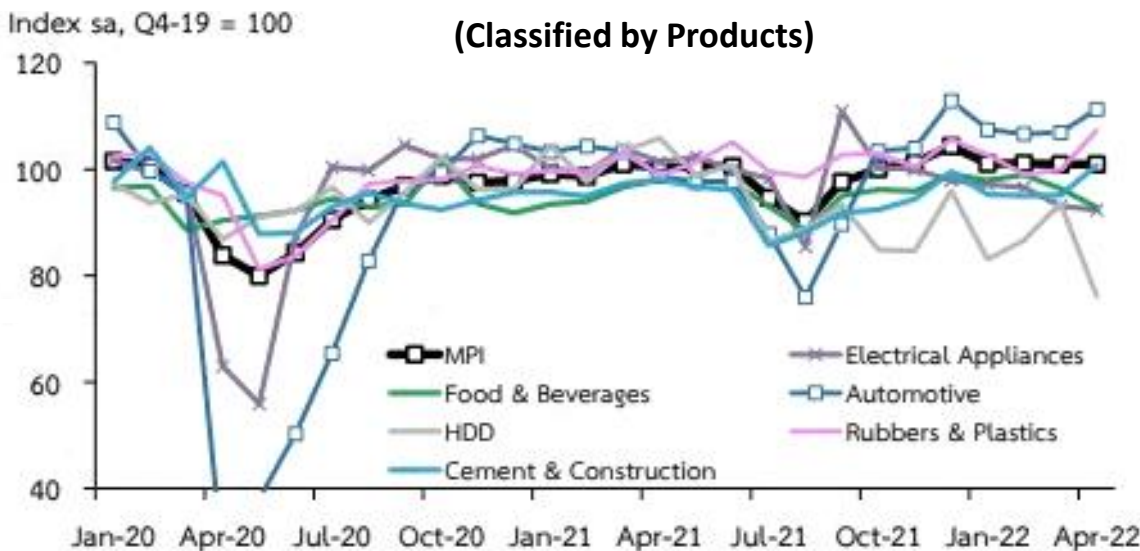


Private Consumption Index and Manufacturing Production Index in several industries saw improving, especially the service, aligning with rising foreign arrivals. However, durable products saw declining due to lower sales of passenger cars and motorcycles from production parts shortage.

Private Consumption Index



Manufacturing Production Index

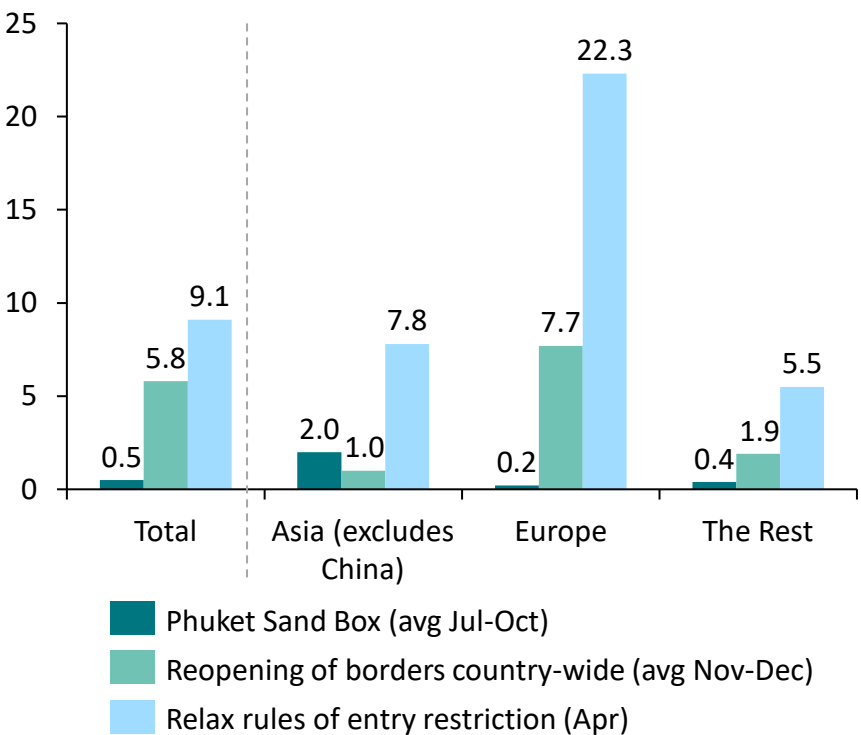


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Tourism, Thailand’s key engine for economic growth since pre-Covid, is recovering from more relax measurements and reopening of the border. The number of foreign tourist arrivals increased substantially, especially the arrivals from Europe and Asia (excluding China). The establishment of Air Travel Bubble between Thailand and India resulted in rise of Indian tourists. However, visitors from Europe are still limited due to war between Russia and Ukraine.

Substantially increased in foreign tourist arrivals

(Percent of 2019’s level)



Source: Deloitte Analysis, Bank of Thailand, Ministry of Tourism and Sports, World Bank

Foreign Tourist Arrivals by Months

Foreign Tourist Arrivals - April

293,350 persons
(Up by 82,514 in March)

Foreign Tourist Arrivals from 1-Jan to 28-June

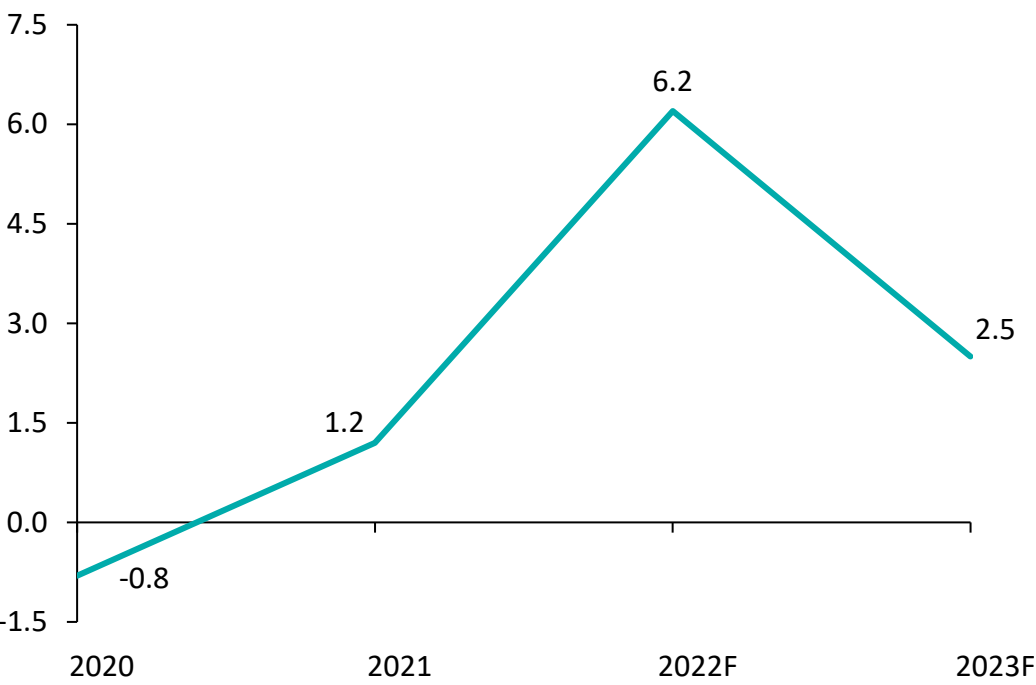
1.98 million persons



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Inflation situation Thailand saw concerned.
Headline inflation has increased sharply in 2022 but would return to the target range in 2023.

Headline Inflation (%)

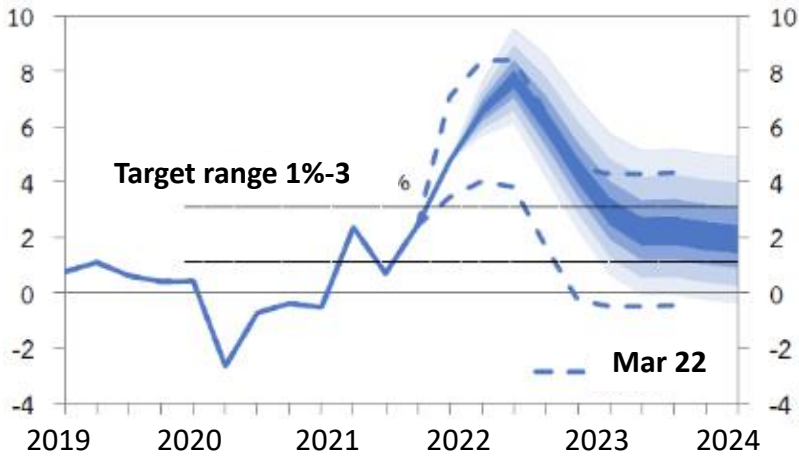


Inflation in June 22 = 7.66%

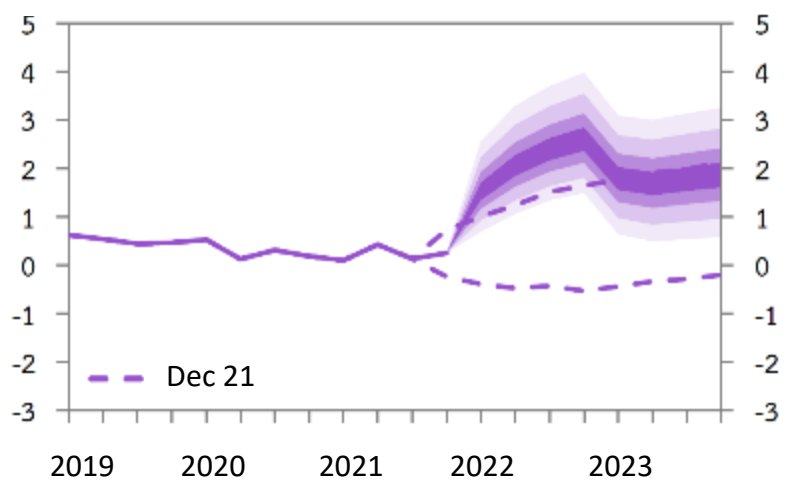
- Contributed by
- Rising crude oil and energy prices
 - Rising fresh food prices
 - Low base of the last year's rate

Source: Deloitte Analysis, Bank of Thailand, Trade Policy and Strategy Office

Headline Inflation (%)

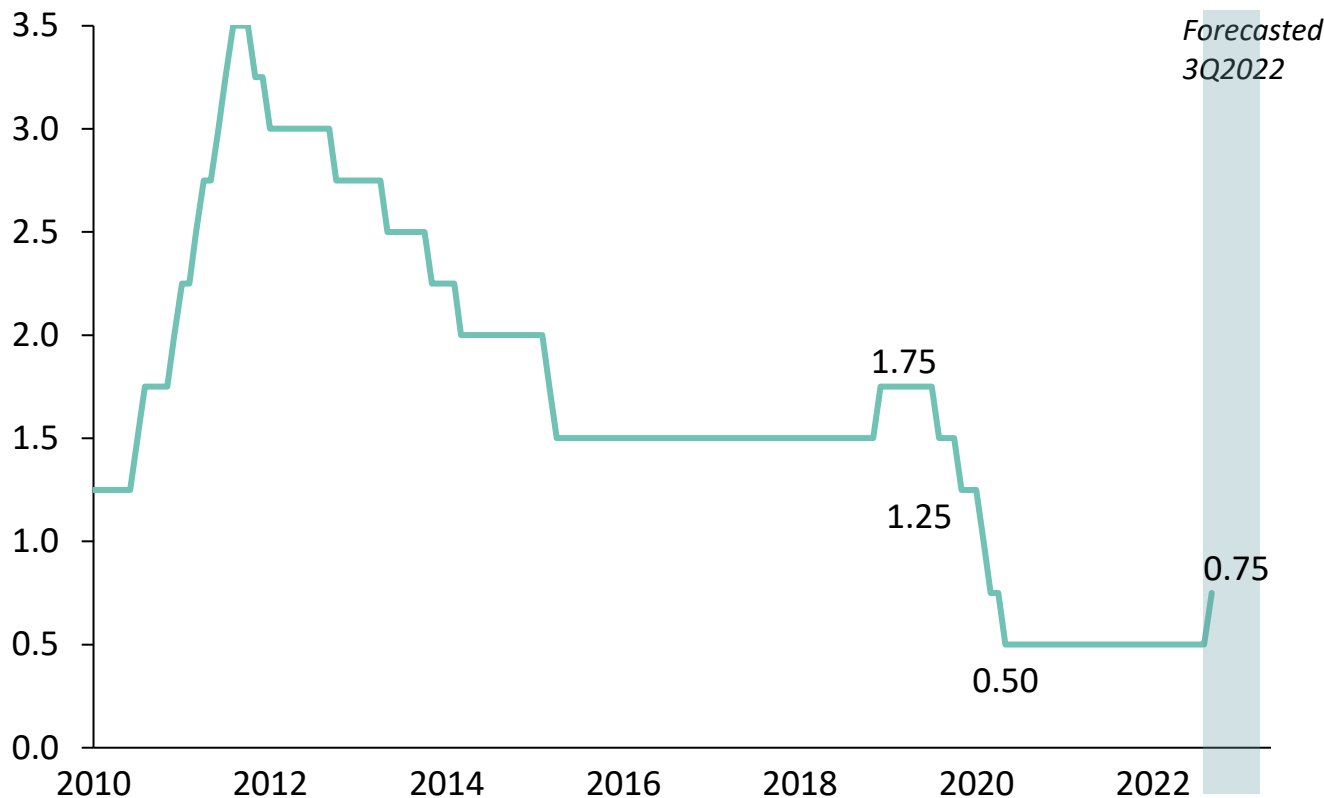


Core Inflation (%)



The Monetary Policy Committee (MPC) voted to maintain the policy rate at 0.5 percent. However, this time, 3 out of 4 divided voted to raise the rate by 0.25 percent per year.

Policy Rate (%)



Source: Deloitte Analysis, Bank of Thailand's Monetary Policy Committee's Decision 3/2022, SCB EIC, Bangkok Post

The Committee assessed that the Thai economy would continue to recover and could expand faster than previously expected owing to stronger domestic demand and the pickup in foreign tourists.

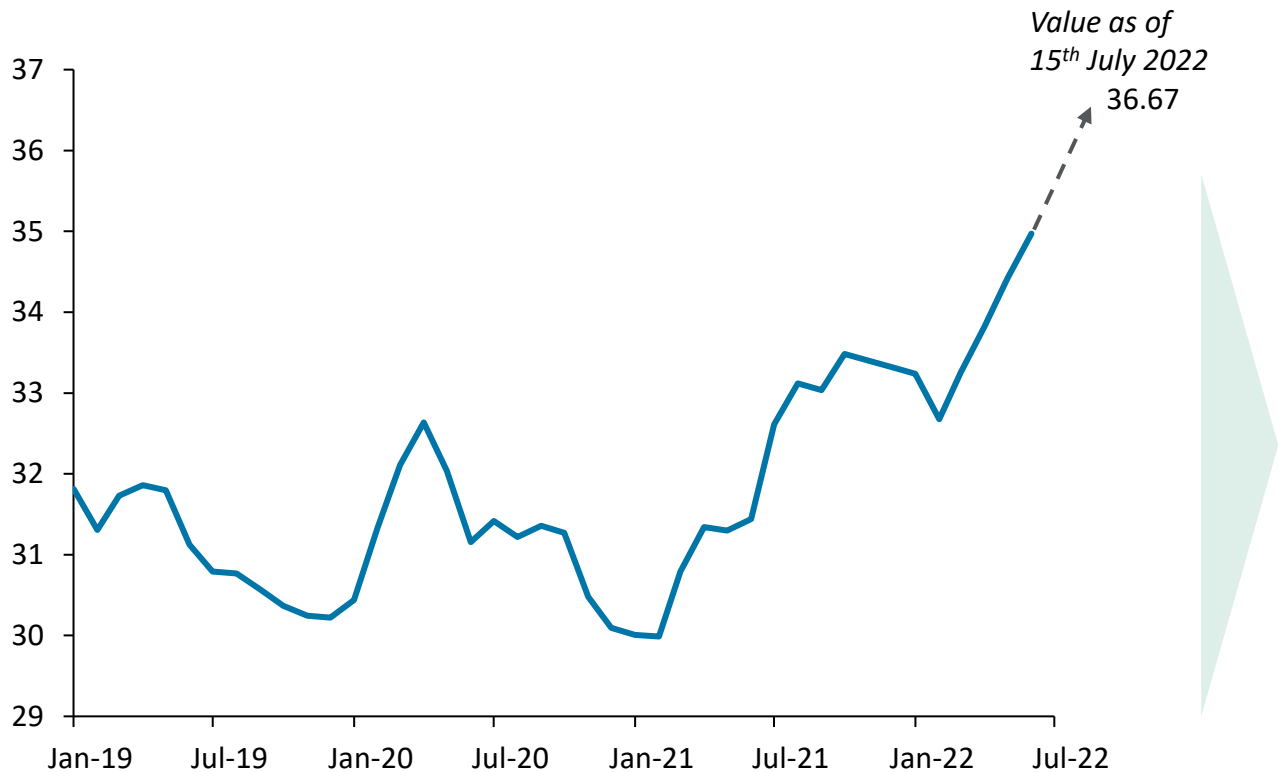
The Committee also viewed that the economic recovery has continued to gain more traction, while the upside inflationary risks continued to increase. Thus, the Committee deemed that a very accommodative monetary policy will be less needed going forward.

Still, the Bank of Thailand has signaled to raise the rate in the future due to a faster than expected Thai economic recovery and aiming to control the rising inflation rate.

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Thai baht hit 7-year lowest against dollar and is expected to depreciate from Fed’s sign of raising interest rate.

Exchange Rate
Unit: THB/USD



Source: Deloitte Analysis, Bank of Thailand

Factors influencing Thai Baht	
Appreciation	Depreciation
<ul style="list-style-type: none">Expected recovery from tourismForeign demand for Thai bonds	<ul style="list-style-type: none">FED’s more increases in interest rate in 2022Impact from Russia’s invasion to Ukraine

In Thailand, given challenges from commodity prices surge and Covid-19, some sectors can quickly recover by this year, while some esp. foreign tourism related businesses and durable goods would wait until 2025 and beyond.

Year that revenue earned will recover to pre-COVID-19 level					
2021-2022		2023	2024	2025 Onwards	
Net impact of key factors*	High Impact	<div>Businesses with recovered income, but with high risks</div> <ul style="list-style-type: none"> Steel Petrochemical Plastic products Electronic components Trucking 	<div>Supporting factors</div> <ul style="list-style-type: none"> Service sector recovery Farm income recovery 	<div>Undermining factors</div> <ul style="list-style-type: none"> Inflation Slowing global economy and exports 	
	Moderate Impact	<ul style="list-style-type: none"> Food Public construction Home appliances Maritime Non-alcoholic beverages Cement Oil retail & marketing 	<ul style="list-style-type: none"> Alcoholic beverages Hotel (domestic tourists) 	<div>Businesses with slow income recovery and high risks</div> <ul style="list-style-type: none"> Residential: real estate (low-rise) Private construction Passenger transport Hospitality services Auto (Export) Auto part suppliers 	<ul style="list-style-type: none"> Air transport Residential real estate (Condo) Commercial real estate Auto (Domestic) Auto dealer
	Low Impact	<ul style="list-style-type: none"> Agricultural products Fruit & vegetable Warehouse Private hospital Telecom operator Refinery 	<ul style="list-style-type: none"> Wholesale & Retail (Grocery) Restaurant (Domestic) Industrial estate 	<ul style="list-style-type: none"> Wholesale & Retail (Non-Grocery) 	<div>Businesses with slow income recovery, but with supporting factors</div> <ul style="list-style-type: none"> Hotel (international tourists) Restaurant (Foreign)

On-going Covid-19 Stimulus Packages for Consumers

Stimulus packages aimed at supporting the economy amid the resurgence of Covid-19. The measures include cash handouts, co-payments, and cash rebates. Looking ahead, fiscal support would decline following the substantial stimulus earlier.

Monetary Measures		Fiscal Stimulus	
Existing Debts	Increase Liquidity	Feb – Apr 2022	May – July 2022
<ul style="list-style-type: none"> Debt Consolidation Refinance Measure - Exempt prepayment fee 	<ul style="list-style-type: none"> Loan Rehabilitation Asset Warehousing Reduce FIDF fee (terminates at 2022) Increase credit line of personal loan/ digital personal loan/ credit card loan Reduce minimum installment Digital Supply Chain Finance - dStatement (Digital Bank statement) 	<p>Increase Purchasing Power for State Welfare Card Holders Phase 4</p> <ul style="list-style-type: none"> Increased allowance and cashback of electricity/water bills <p>Increase Purchasing Power for Vulnerable Phase 2</p> <ul style="list-style-type: none"> 200 Baht monthly allowance <p>Half-half Scheme Phase 4</p>	<ul style="list-style-type: none"> Additional 100 THB credit per month for State Welfare Card Holders 100 THB discount per month for stalls 250 THB per month subsidy of gasohol for motorcycle taxis Maintaining retail price of NGV Privilege for membership taxis to purchase NGV at special price Lower electricity fee in May-Aug 22 for not exceeding 300 unit/ month users Controlling change in LPG price in April-June 22 Reduced employer's Social security Fund contribution rate to 1%
		Feb – Oct 2022	
		<p>We Travel Together Phase 4</p> <ul style="list-style-type: none"> 40% subsidy for hotel and flight 600 Baht subsidy for dining Covering additional 1.5 m people and extending to the last day of room reservation to October 22 	

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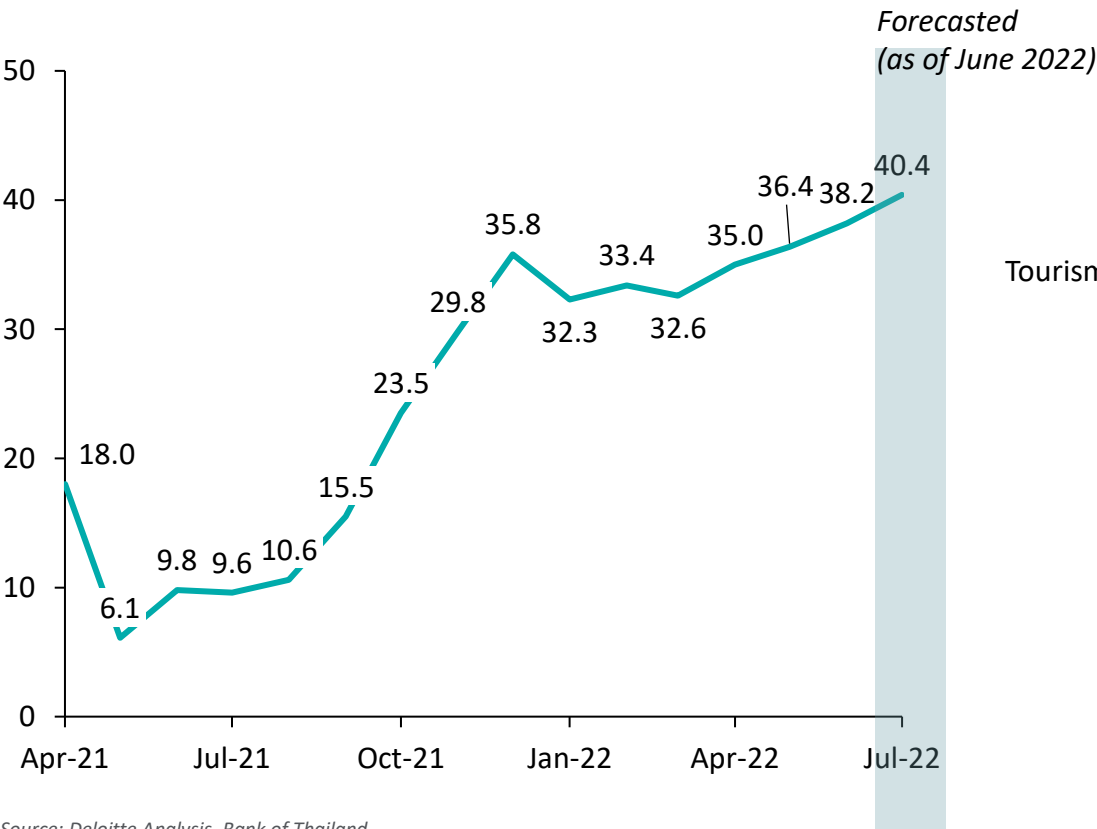
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Source: Deloitte Analysis, Ministry of Finance, Bank of Thailand

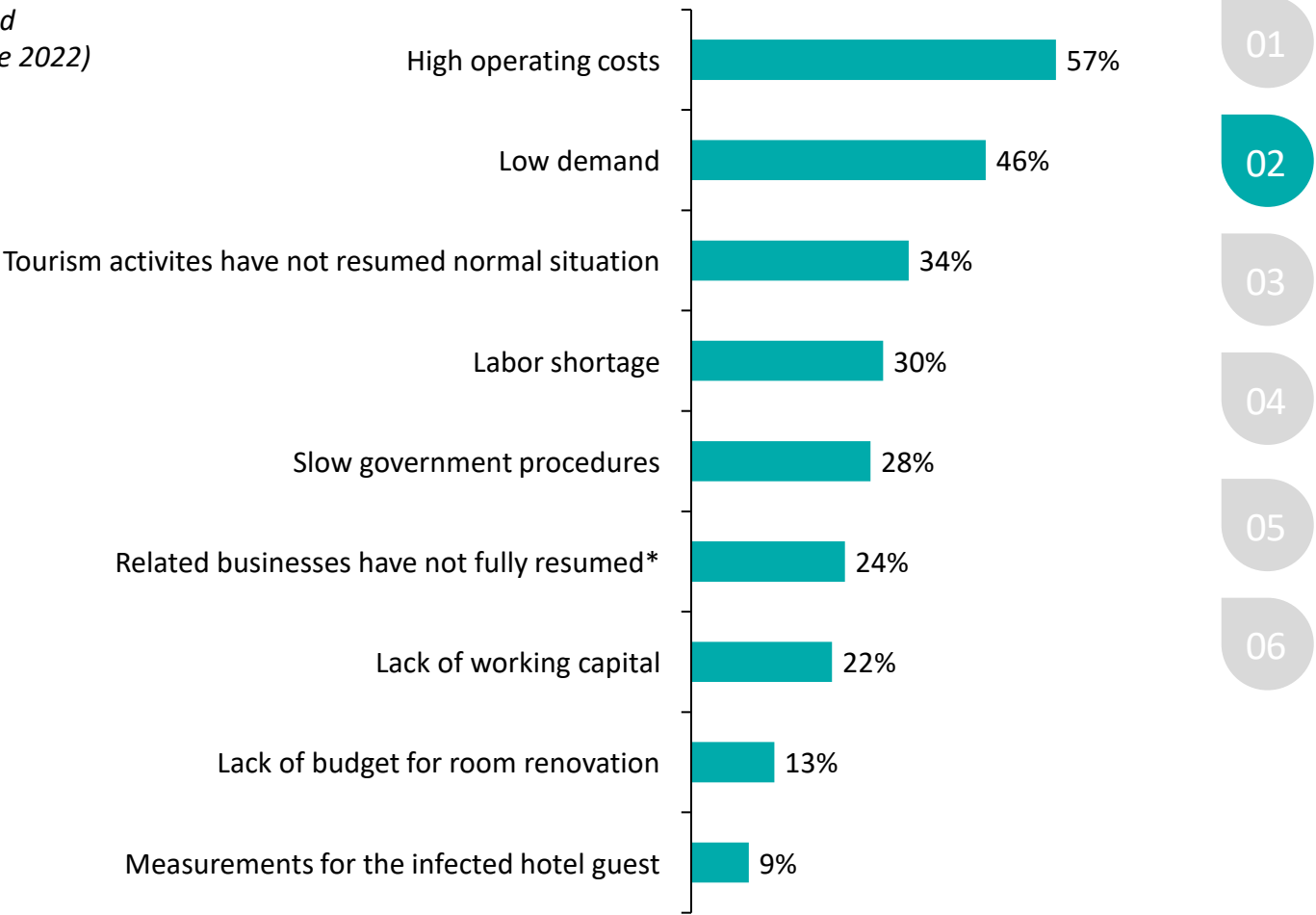
Occupancy rate saw increasing in May due to no quarantine requirement for vaccinated tourists. However, high operating costs and low demand are main factors from, hotels’ perspectives, hindering their operation.

Occupancy Rate



Source: Deloitte Analysis, Bank of Thailand

Headwinds for Hotels’ Returning Normal Operation



Note: 1) Unit = Percentage of 164 surveys hotel respondents during 11-25 May 2022
2) * i.e. Coaches



The Russia's invasion to Ukraine

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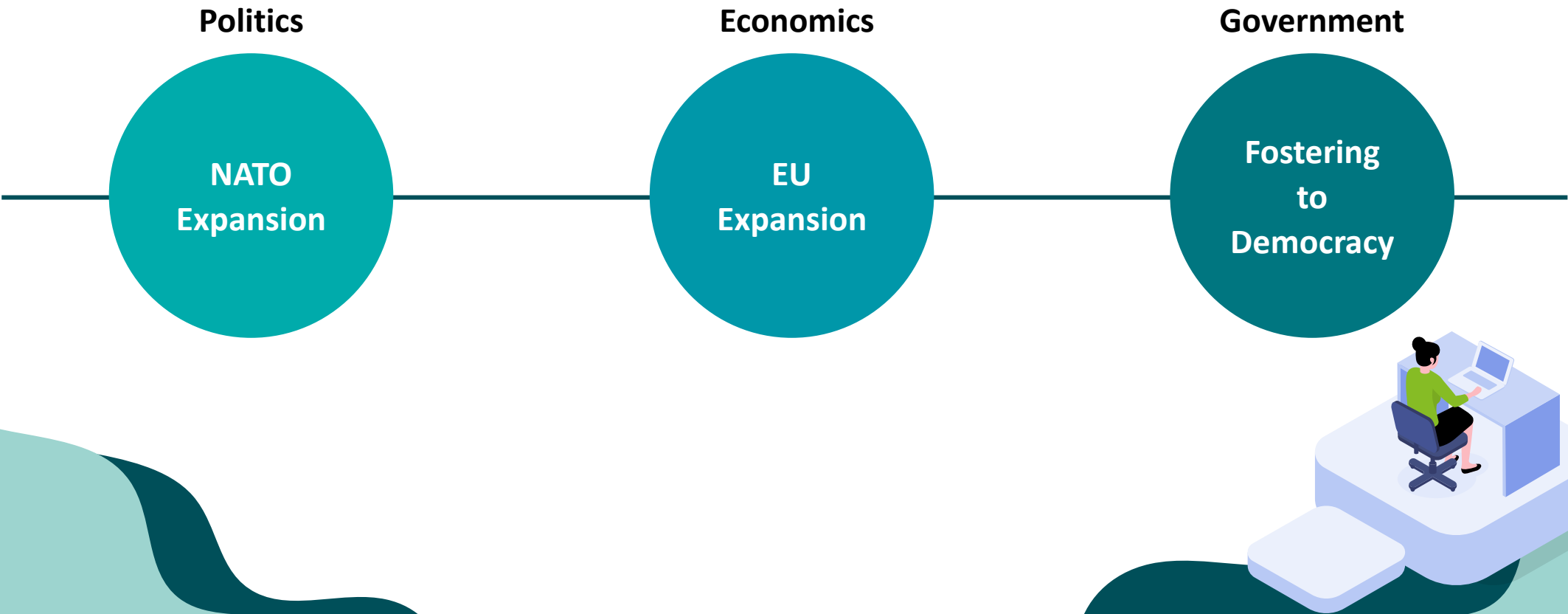
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Key elements initiating Russia’s invasion to Ukraine



Key elements initiating Russia’s invasion to Ukraine



1999 & 2004

Incorporated Poland, The Czech Republic, Hungary, Romania and Baltic Stages into NATO

Politics



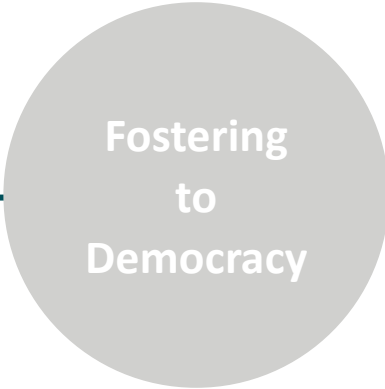
Putin’s Response to Bucharest Declaration

Russia stated that their becoming part of NATO is a “direct threat” to Russia.

Economics



Government



2008 - April

NATO Summit at Bucharest (Romania) – declared that NATO welcomes Ukraine’s and **Georgia’s** Euro Atlantic aspirations for membership in NATO.

2008 – Aug

Russo-Georgian War: Russia occupied Abkhazia and South Ossetia as independent countries within the Russian Federation.



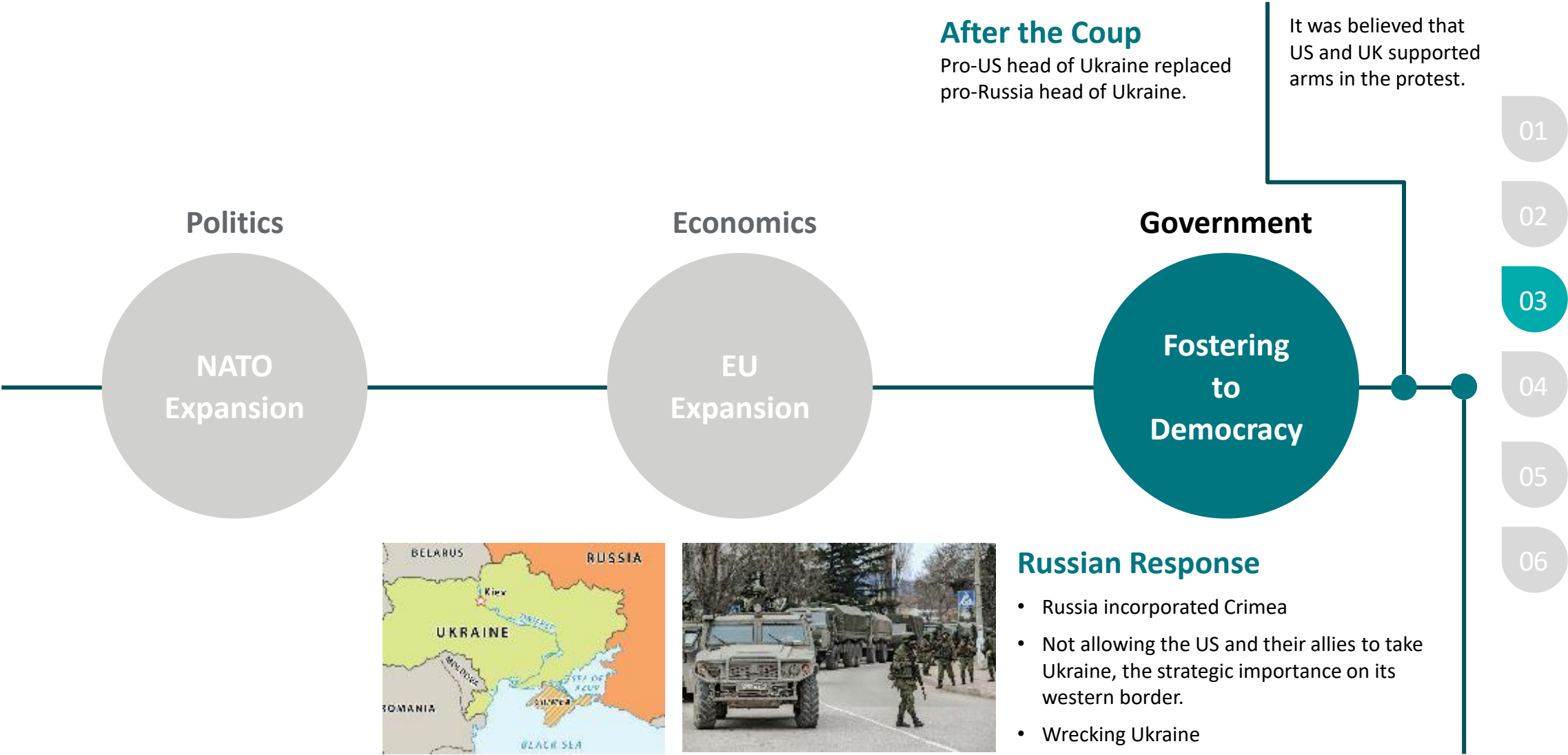
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Key elements initiating Russia's invasion to Ukraine



Source: Deloitte Analysis, The University of Chicago, Image - Mstyslav Chernov, Ilya

Key elements initiating Russia's invasion to Ukraine



Source: Deloitte Analysis, The University of Chicago, Image - Andrew Lubimov, The Conversation

Key elements initiating Russia's invasion to Ukraine

Government

Fostering
to
Democracy

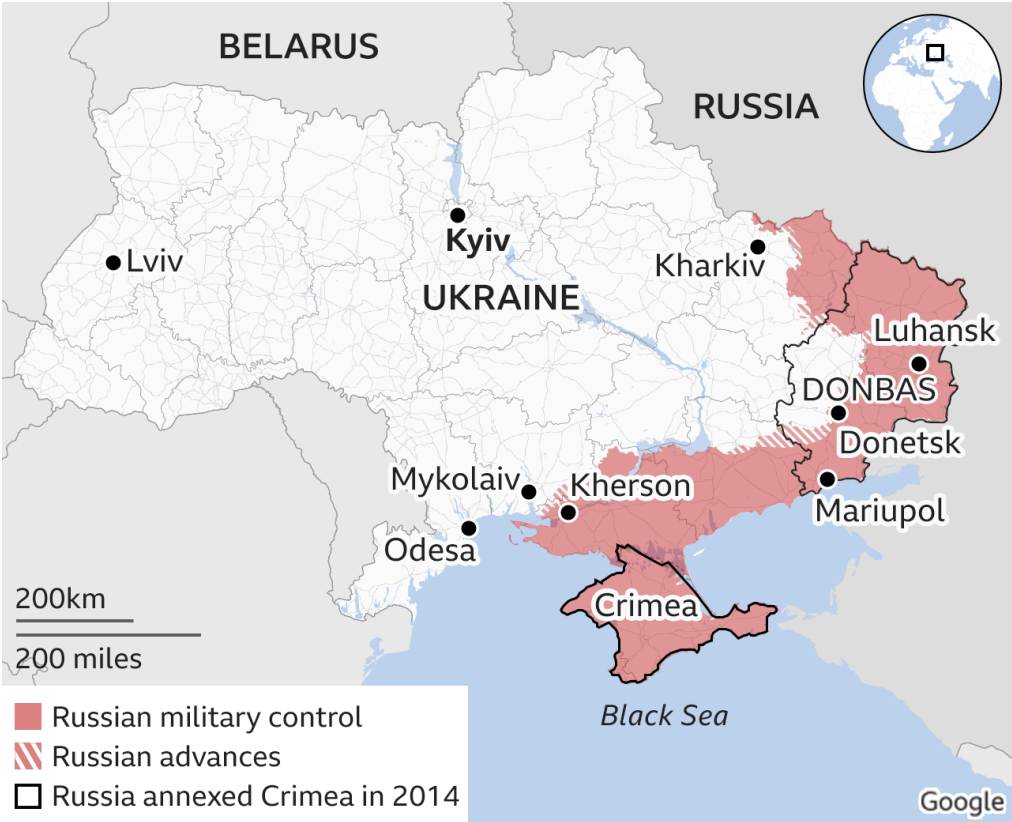
2021 Causes sparked the war between Russia and Ukraine

- US pushing Ukraine to incorporate NATO
- US supporting arm forces to Ukraine
- Ukraine's boarder is next to Russia. By incorporating to NATO would impact Russia's stability.
- Russia is now wrecking Ukraine prior to incorporate NATO.



Source: Deloitte Analysis, BBC, The Guardian

Areas of Russian military control in Ukraine



Source: Institute for the Study of War (21:00 GMT, 3 July)



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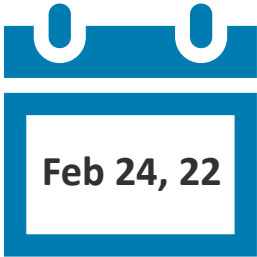
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Global Perspective – How Sanctions Impact Global Economy.



Russia invaded Ukraine.

Range of Sanctions on Russia

- Interaction with key Russian Banks
- Exports of critical technology
- Access to the SWIFT financial messaging system

Russian Ruble Plummeted

- Dropped 40% against the US dollar on the first day before bouncing back to a loss of about 28%
- The Central Bank of Russia (CBR) increased its benchmark interest rate from 9.5% to 20%
- the CBR suspended equities trading on the Moscow Exchange.
- Imposed capital controls
- The government ordered Russian exporters to sell 80% of the foreign currency they have earned this year to help support the ruble.

Russia Economy

- Although Russia will benefit from higher commodity prices, its economy is likely to suffer due to financial sanctions.
- Much higher interest rates will have a negative impact on credit market activity.
- Sanctions on Russian banks are causing some global companies to become averse to transacting with Russian companies for fear of running afoul of complex sanctions implemented by multiple regimes.

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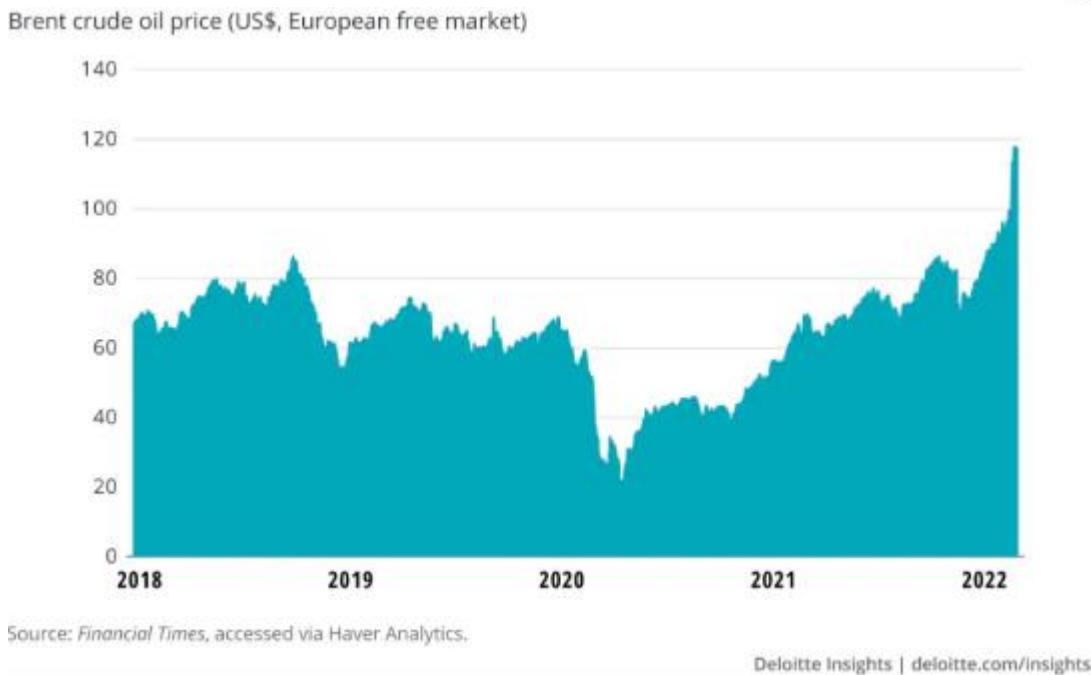
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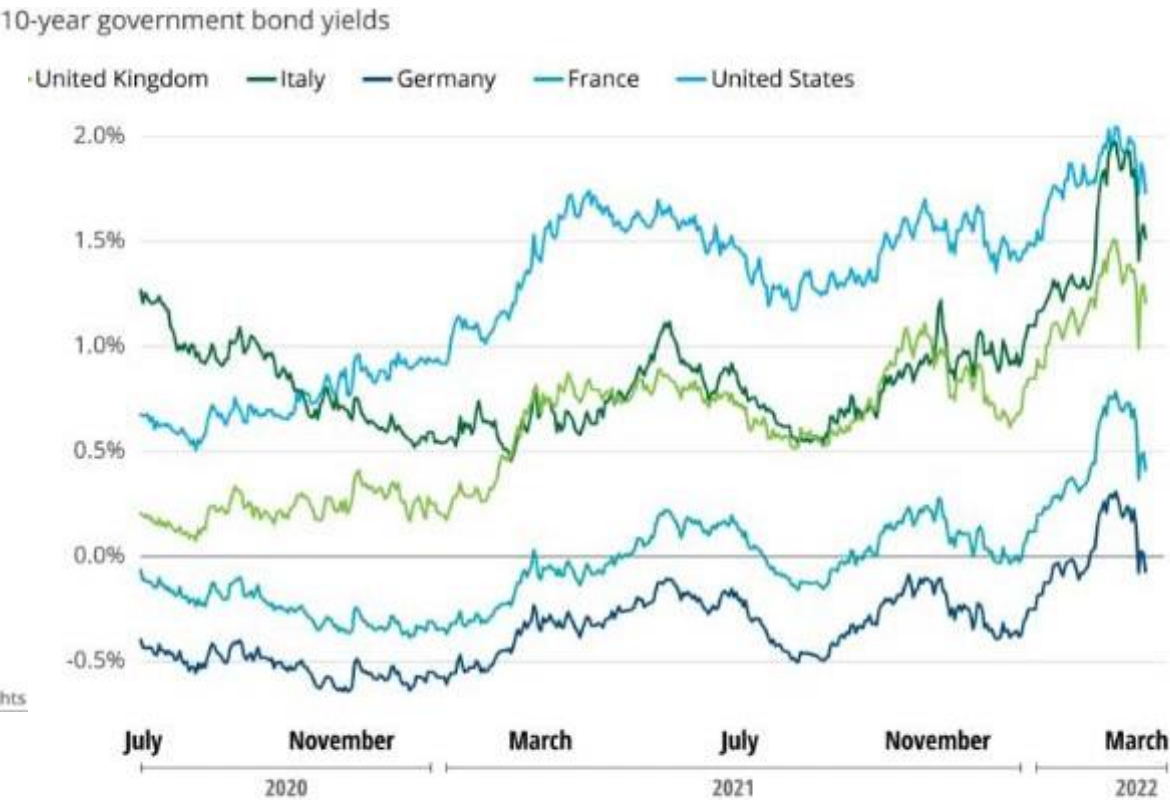
Global Perspective – How Sanctions Impact Global Economy.

In addition to rising commodity prices, and crude oil prices, bond yields in many advanced economies saw sharp declines.

Brent crude oil price has reached its highest level since 2014

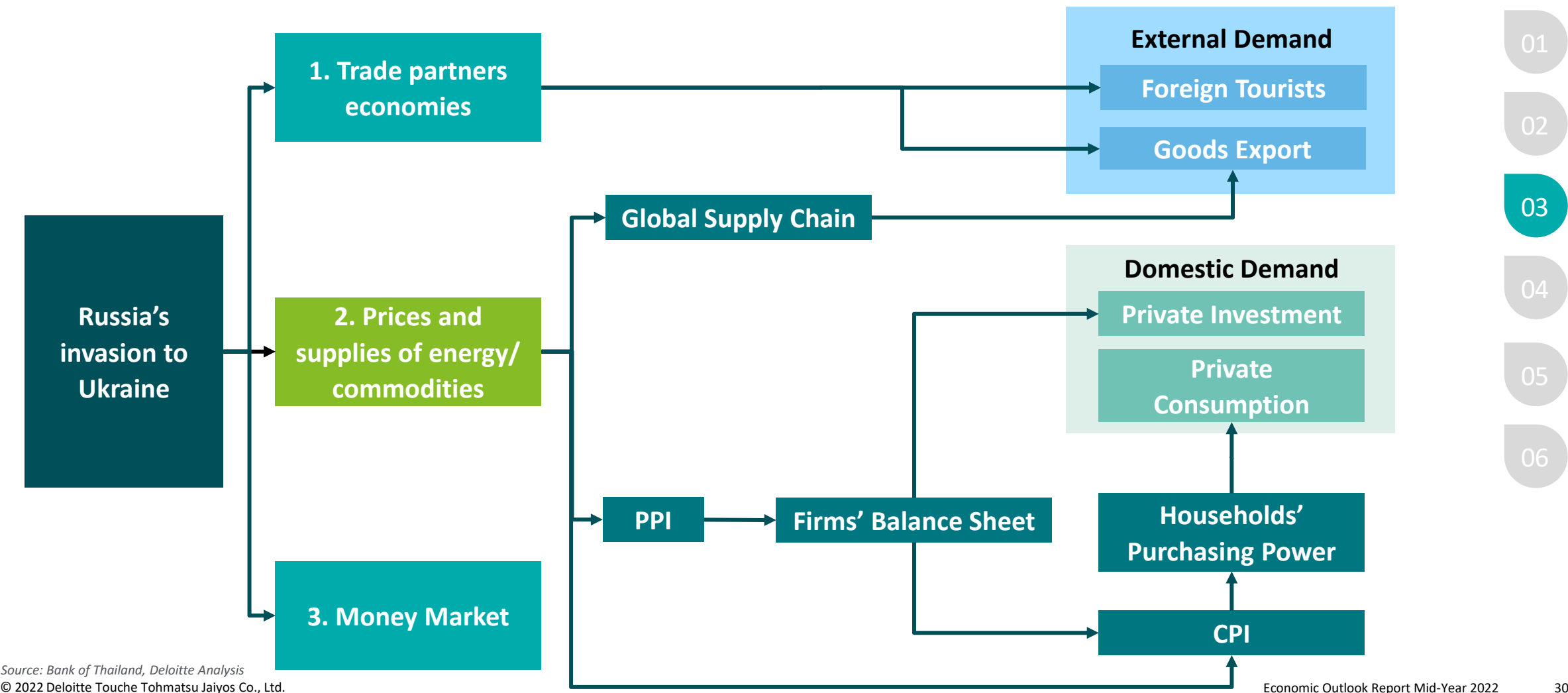


Bond yields in many advanced economies saw sharp declines



Impact from The War in Ukraine on Thailand Economy

Trade partners and money market would not be severely impacted as Thailand has low export volume to Russia and has high foreign reserves. However, prices and supplies of energy and commodities would be highly impacted in terms of costs of production, inflation, and cost of living.



Impact of the war to Thailand Export

Direct impact from the war is limited to Thailand’s overall economy as the country has minor export portion to Russia and Ukraine. However, Thai export to Russia in April 2022 was plummeted to 16.6 m USD or -76.8% YoY as a result of the war.

2021 Import and Export to Russia and Ukraine

	Russia (% of Thai Total Export)	Ukraine (% of Thai Total Export)
Thai’s Export	1,028 m USD (0.4%)	135 m USD (0.1%)
Thai’s Import	1,752 m USD (0.7%)	252 m USD (0.1%)
Major Export	Automotive and parts (1.1%) Rubble (0.7%)	Automotive and parts (0.1%) Rubble (0.2%)
Major Import	Fertilisers and pesticides (5.6%) Crude oil (3.4%)	Vegetable and vegetable products (1.5%)

Thai’s Top 5 Export to Russia in April 2022

	Value (m USD)	YoY%	% of Total Export to Russia
Rubble products	2.8	-65.9	16.8
Rice	1.3	3,119.6	7.9
Electric switch and control panel	1.0	-51.7	6.3
Rubble	1.0	-58.0	6.2
Food seasoning products	1.0	17.5	6.1

Source: Deloitte Analysis, SCB EIC, DITP

Impact to Thailand by Businesses

Majority of businesses that have direct impact from the war are transportation and aviation due to rise in energy costs. Moderate to low impact businesses are such as construction and automotive, facing higher raw material prices.

Low

- Primary petrochemical
- Industrial
- Retail (grocery)
- Other goods and services



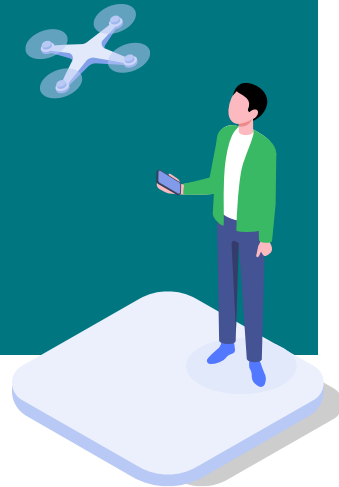
Moderate

- Construction
- Automotive and parts
- Electronic parts
- Electrical appliance
- Plastic products
- Water freight
- Hotels
- Food and beverage
- Rice
- Retail (non-grocery)
- Restaurants
- Real estate



High

- Metropolitan Transit
- Land and Air Transportation
- Aviation and Airport
- Animal Feed



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Topical View from Our Expert

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ESG Reporting is here to stay: the trends and how to maximize your ESG reporting process.



Kasiti Ketsuriyonk
Partner | Audit
Deloitte Thailand

The landscape of sustainability and ESG reporting changes very quickly in recent years, particularly last year at the inauguration of International Sustainability Standard Board (ISSB) at COP26 in November 2021 which signaled the integration of various reporting frameworks into its development.

ISSB is set to develop comprehensive global baseline of sustainability disclosure standards, with the focus on investors’ information needs. Earlier this year, ISSB has issued exposure drafts of IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures, which are in their public hearing period. The ISSB standard will not be complete until end of 2022; however, many countries have signaled their intention to adopt the standards as requirements for their corporate sustainability reporting framework.

At the regional level, in the EU ‘s proposal for a Corporate Sustainability Reporting Directive is expected to become fully enforced by 2024 among EU large companies, listed companies (except micro-enterprises), and non-EU companies with branches or subsidiaries in the EU above certain thresholds. At the national level, we see the upward trend of mandatory ESG reporting and mandatory disclosures in line with Task Force on Climate-related Financial Disclosures (TCFD) in many jurisdictions.

For Thailand, 56-1 One Report has been fully enforced earlier this year, with the new requirements for listed companies to disclose their ESG commitments, stakeholders, and value chains, as well as management approaches and performances of Governance, Social, and Environmental aspects (including companies’ GHG emissions (scope 1 & scope 2), and the verified carbon emission amounts).

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What to do to get ready for ESG reporting

The very fast changing landscape of ESG reporting requirements and its standardizations will soon affect Thai companies, or what our regulators and investors expect from ESG disclosures. With this context, the following viewpoints are what Thai companies should prepare to get ready:

1. Explore the possibility of applying ESG reporting standards to ensure the quality of your ESG disclosures

Many widely used standards, such as GRI and SASB provide detailed matrix and explanation of the expected quantitative and qualitative ESG data to be disclosed. The new standards, particularly the mentioned ISSB, are developed on the basis or in consultation with these disclosure frameworks, it is therefore expected that companies who can comply with the existing standards will have more readiness to adapt to the new standard once it is enforced.

Moreover, if required by buyers from jurisdictions with more advanced reporting requirements that reach supply chain, companies whose ESG data disclosure are in line with reporting standards will be more ready for ESG performance assessment and disclosures.

2. Always disclose your policy, commitment and management approach clearly and ensure feedback loop for further improvements

Non-financial reporting requirements may get more organized and integrative with financial reporting. However, the non-financial part will always be the main requirements, as international standards expect to see corporates' commitment and policies.

Therefore, companies should set up their management approach to address their ESG material issues; and ensure that the management approach is periodically reviewed and improved in line with new ESG best practices and standards.

3. Look deeper to systemize your quantitative data collection and get ready for climate-related disclosures

Soon, investors will look closer for a better-quality and comparable quantitative performance data to ensure a good use for their analysis of companies' ESG performances.

Companies should therefore prepare data collection matrix and develop an effective data collection system, while ensuring that functions across the company understand the significant of data collection, and in-process ESG improvements.

It is also very important to disclose how companies understand climate risks, and the measures in place to mitigate and adapt to such risks. As reflected in TCFD, it is expected that companies should set up strategies or plans to at least build their resilience to climate change, and its economic impact to the company.

4. Assure or verify your data for public disclosures

From investors' point of view, it is very clear that assured or verified ESG performance data gain more trust in the companies' ESG performances.

Data assurance helps readers, particularly investors, make sense of what companies' ESG initiatives have achieved. At the same time, it helps companies in identify their data collection gaps, strengthen capacities and trust of data system among internal stakeholders, and ensure that the companies' internal controls are effective in identifying data flaws and irregularity at the front line of operations for effective improvements.

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Maximize your ESG reporting process

For companies starting from reporting, Deloitte encourages you to think strategically to get most out of your reporting exercise, to inform your corporate sustainability strategy and directions. The reporting cycle comprises four important steps that companies should ensure they are executed effectively:

- 1. Materiality assessment:** Identifying ESG priorities from materiality assessment exercise will help companies ensure they have effective management approach (as they will be required to explain the approach in ESG reporting, and report on performances). The company can focus or prioritize its resources in managing these topics, which will contribute to creating real values for stakeholders.
- 2. Data Collection:** Ensure you have the right template that helps focal points to collect the right data, while easing the work in consolidating data at the end of the reporting cycle. It is important for all data collection focal points and the main data controller to understand the requirements of the reporting standards and system of the data collection, to ensure the right data collected effectively through the system from the front line.
- 3. Report development:** The report structure should be thoroughly planned to disclose all qualitative and quantitative data required and outline all information they need in line with standards they use. Companies can use this step to leverage and follow up progress of ESG initiatives and in-process improvement from each focal points on each material issues to gain insights in their current performances and inputs to strengthen their ESG strategy and planning.



- 4. Data Assurance:** The data assurance can be done by the company’s internal ESG audit team or by external parties. External data assurance may have more affects in leveraging the trustworthiness of the company’s ESG data. To maximize from assurance exercise, the company can check if relevant officers have understandings of the standards used, recheck if the data system can streamline data from front line to consolidated level in line with the standard, recheck if relevant data focal points can explain clear line of command in data collection, and if the focal points can provide effective evidence for the data recorded.

References:
Deloitte: Globally Consistent ESG Reporting ([URL](#))
The European Commission (2022). Corporate Sustainability Reporting Directive.
Accessed 4 July 2022 ([URL](#))

Explore more on:
Our sustainability services: [Here](#)
Our ESG related services: [Here](#)

Thailand Digital Transformation Survey Report 2022 – Year 3



At a glance

Global businesses have been impacted by digital disruption especially over the past few years with the digital adoption rate expedited due to the COVID-19 pandemic. Understanding of digital implementation perspectives and trends is important for companies in Thailand to gain insights on company positioning in comparison to the market.

Deloitte Thailand has been conducted a Digital Transformation survey during the past 3 years (2020-2022) with the objective to examine the attitudes towards digital transformation among companies. In 2020 and 2021, quantitative methodology was adopted with the survey questionnaires while we perceived 2022 as a critical stage of the digital transformation hence additional in-depth interviews with c-suite level respondents were applied on top of a questionnaire.

The surveys emphasize on the following topics in order to draw developments of digital transformation implementation before and during the COVID-19 pandemic:

- Exploring digital transformation implementations
- Unlocking success in digital transformations
- Understanding industry snapshots

After the analysis for 2022, we found that digital transformation has a moderate impact for businesses. The digital transformation adopted during the Covid-19 pandemic was a survival mechanic in response to the situation and as a tool for future differentiation.

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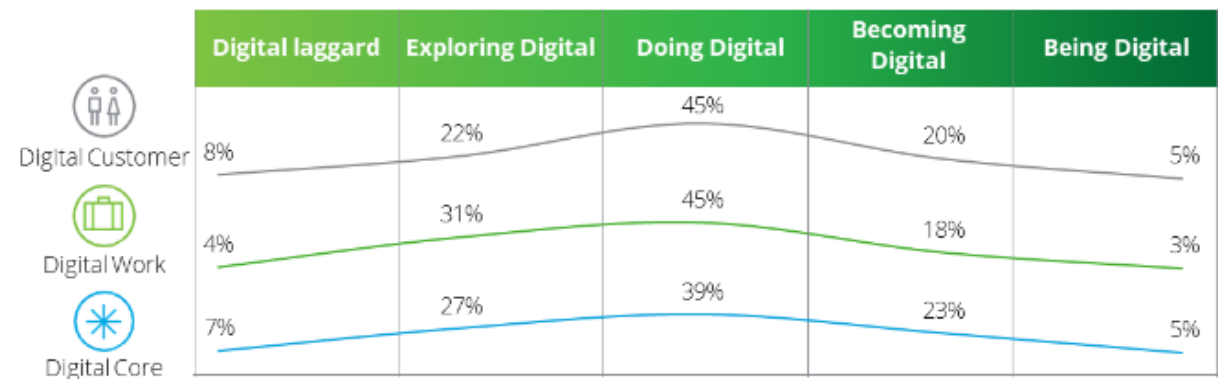
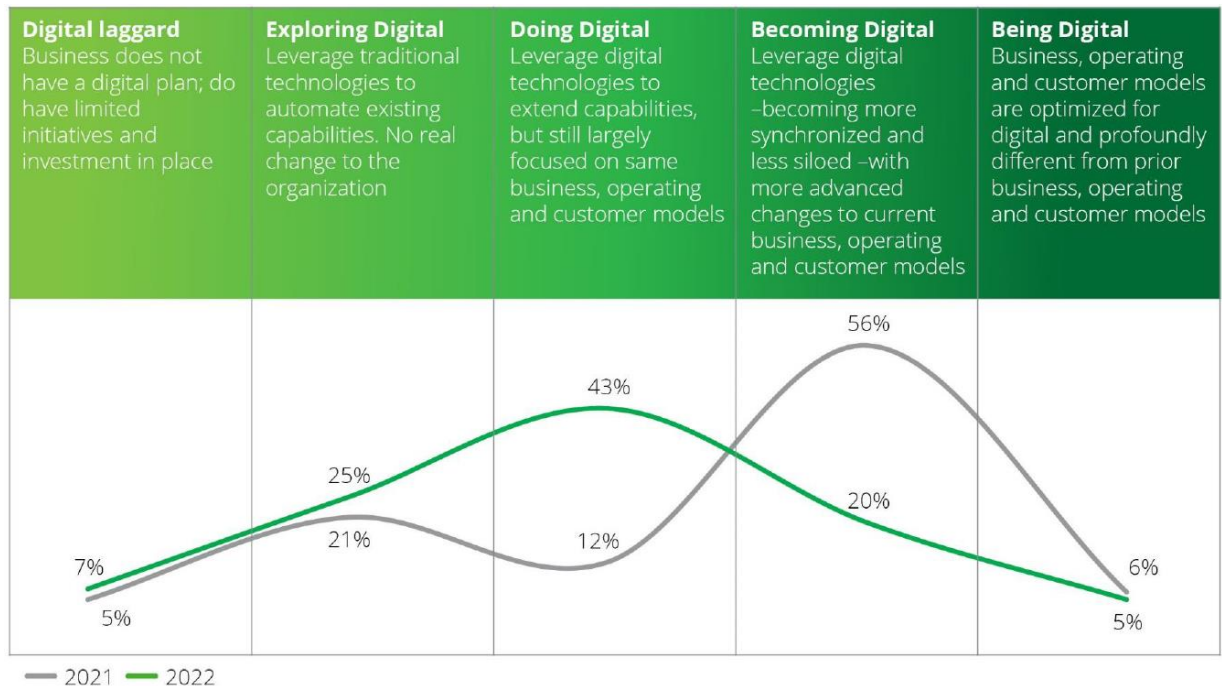
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Thailand Digital Transformation Survey Report 2022 – Year 3

Digital Transformation Journey



- After the analysis for 2022, we found that 41% of the companies perceived that digital transformation has a moderate impact for businesses. The digital transformation adopted during the COVID-19 pandemic was rather a survival mechanic in response to the situation and as a tool for future differentiation.
- The rapid adoption during the early COVID-19 period with 20% companies entering ‘Becoming Digital’ phase was a reactive adoption while in 2022, 43% companies shifted back to the ‘Doing Digital’ phase as they realized that not all technologies are applicable to the situation and are more selective in the implementation process across digital for customers, internal assets, and backend processes.
- The correlation between the bigger companies and the wider range of technologies invested can be found.
- Moreover, since 2020 human resource and digital mindset have faced challenges as in lack of internal and external expertise, immature digital culture and organization silo found in 41%, 31% and 29% of the companies respectively. It is further found that most people still separate digital and IT from one another when discussing digital disruption with the majority perceiving the disruption as concerning only the IT personnel more than the overall responsibility.

Read full article: [Deloitte TH DX Survey](#)

Industry Sector Update

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Industry Sector Update

Banking

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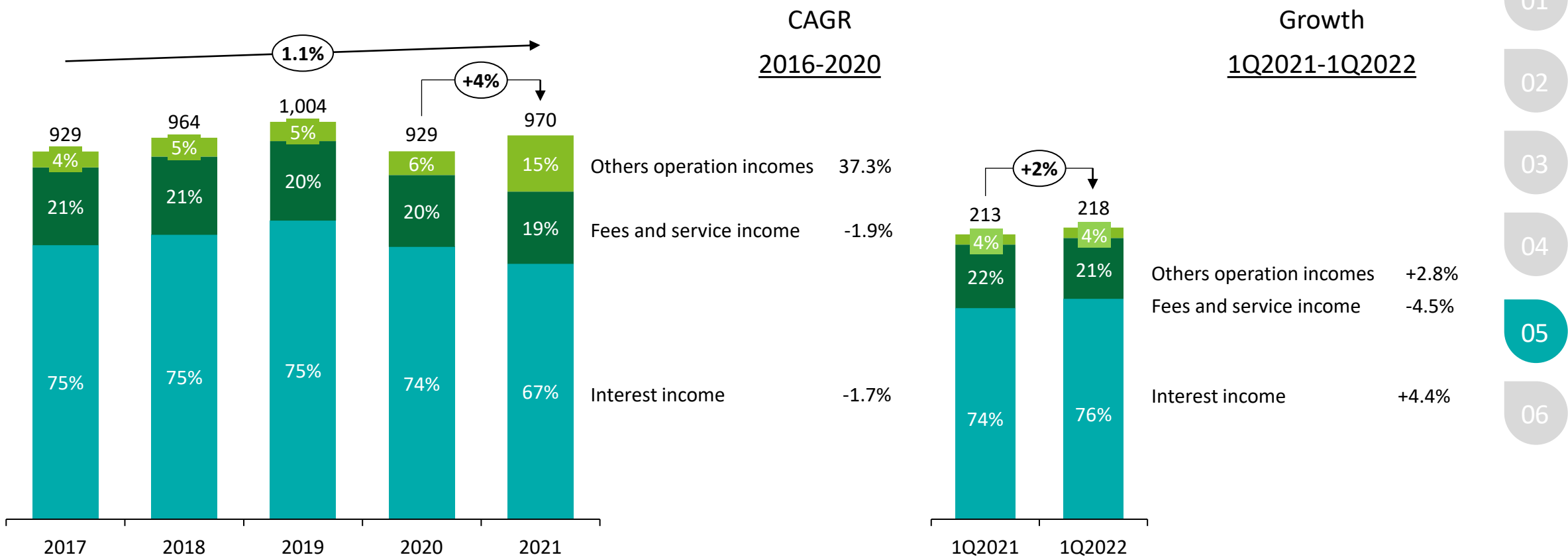
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Banking market value in Thailand grew by 1.1% CAGR with a 4% increase 2021 YoY.

Banking market value

Unit: THB billion

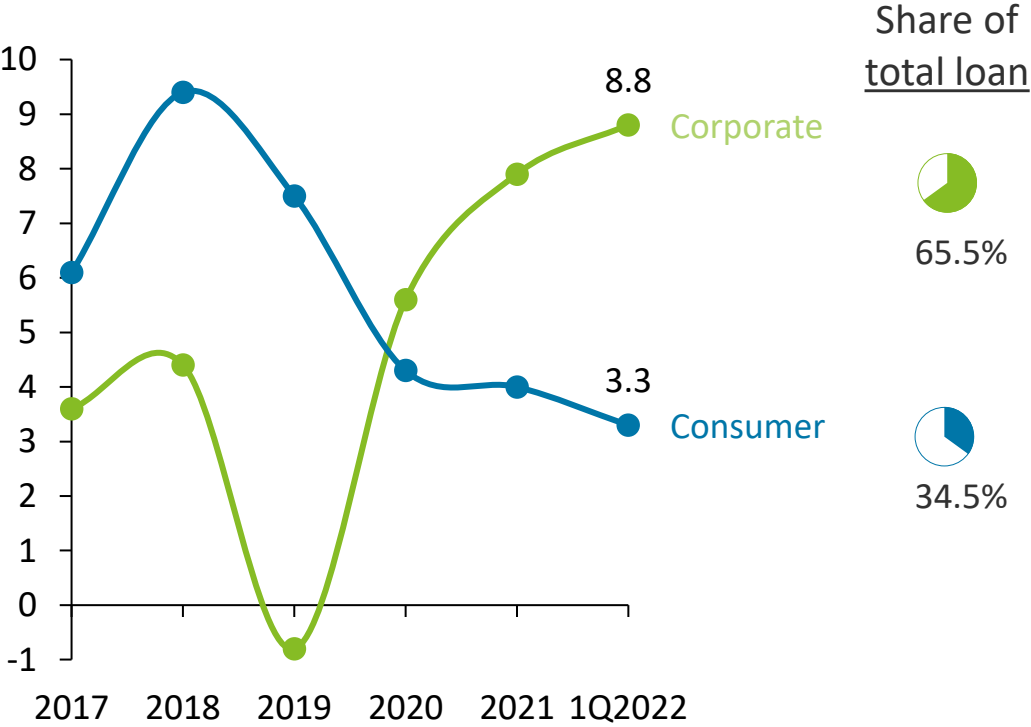


Source: Deloitte analysis and Bank of Thailand

Banks' overall loan quality in 1Q2022 stabilize QoQ, mainly due to debt restructuring and financial assistance measures.

Loan growth classified by loan portfolios and Share of total loans

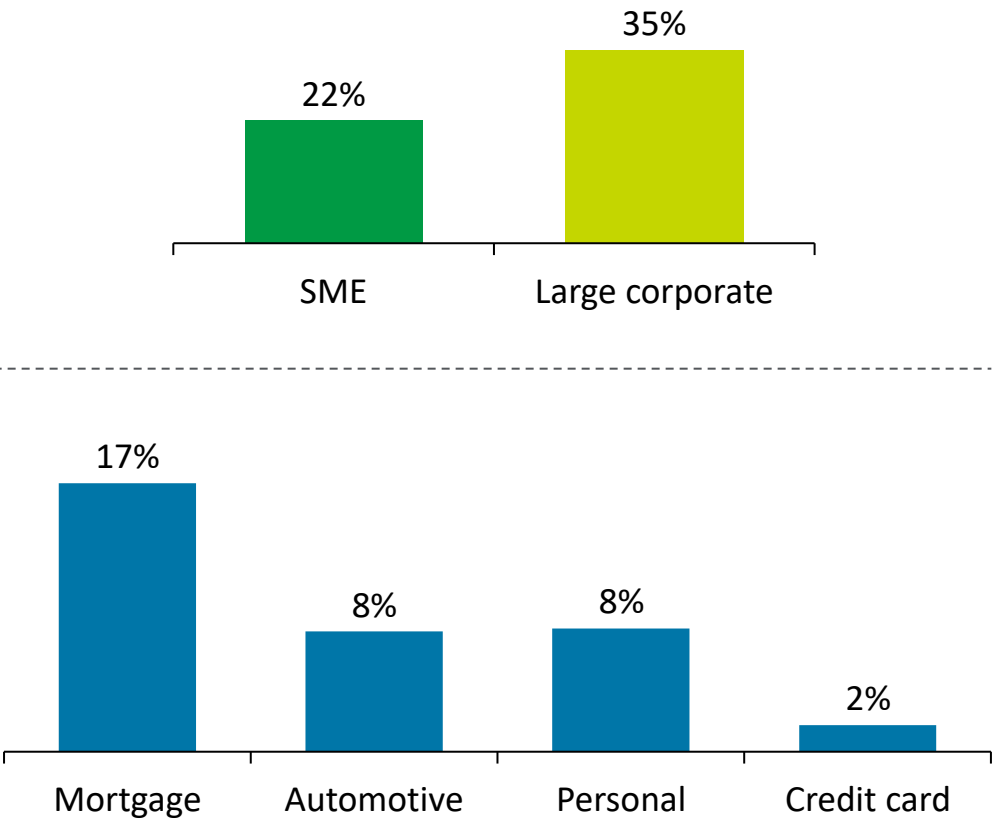
Unit: % YoY



65.5%

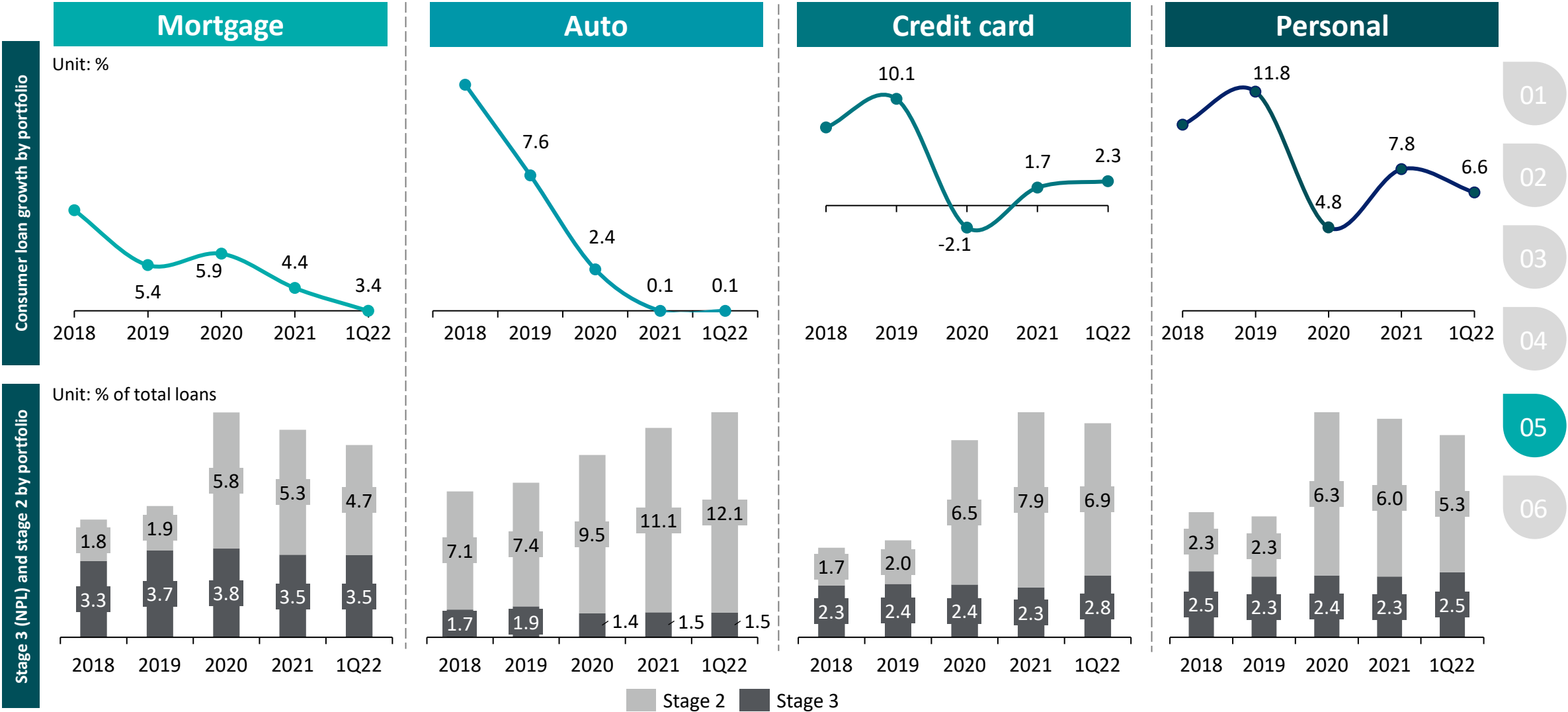


34.5%



Note: Large corporate and SME are excluding financial business
Source: Deloitte analysis and Bank of Thailand

The decline in mortgage loan is in line with housing demand deduction. Domestic car sale increased while auto loan stabilise. Credit card loan increased in line with increase in credit card usage. Personal loans continued to grow due to households' liquidity needs.



Recommended Deloitte POVs and Key Information

Article



The open revolution is here

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Key Information

- APIs are the key to a plug-and-play enterprise platform model that would enable the banking experience to become more invisible and seamless by allowing different applications to communicate and synchronise with one another across organisations.
- Banking is becoming more invisible and open as APIs take centre stage in this latest revolution. By supporting interoperability and design modularity, APIs are increasingly becoming a strategic mandate – and not an option – for many banks in Southeast Asia.



Getting ahead of the curve

[Read more](#)

- Credit cards are still a highly profitable business, even though many issuers have relied too much on rewards to attract and retain customers.
- Millennial and Gen Z consumers may pose the biggest challenges to the credit card market.
- To revive their relevance, credit card issuers should revisit their value proposition and find ways to offer more personalization and a frictionless payment experience.



The rise of newly empowered retail investors

[Read more](#)

- Recent dynamics in retail investing suggest that there is an emerging class of individual investors with distinctive motivations and behaviors.
- Financial institutions should also challenge themselves to reimagine the customer experience they are providing across the full investment life cycle.
- While many empowered investors are self-reliant and well-versed in digital tools, they can also benefit from good, old-fashioned human interaction.

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Industry Sector Update

Insurance

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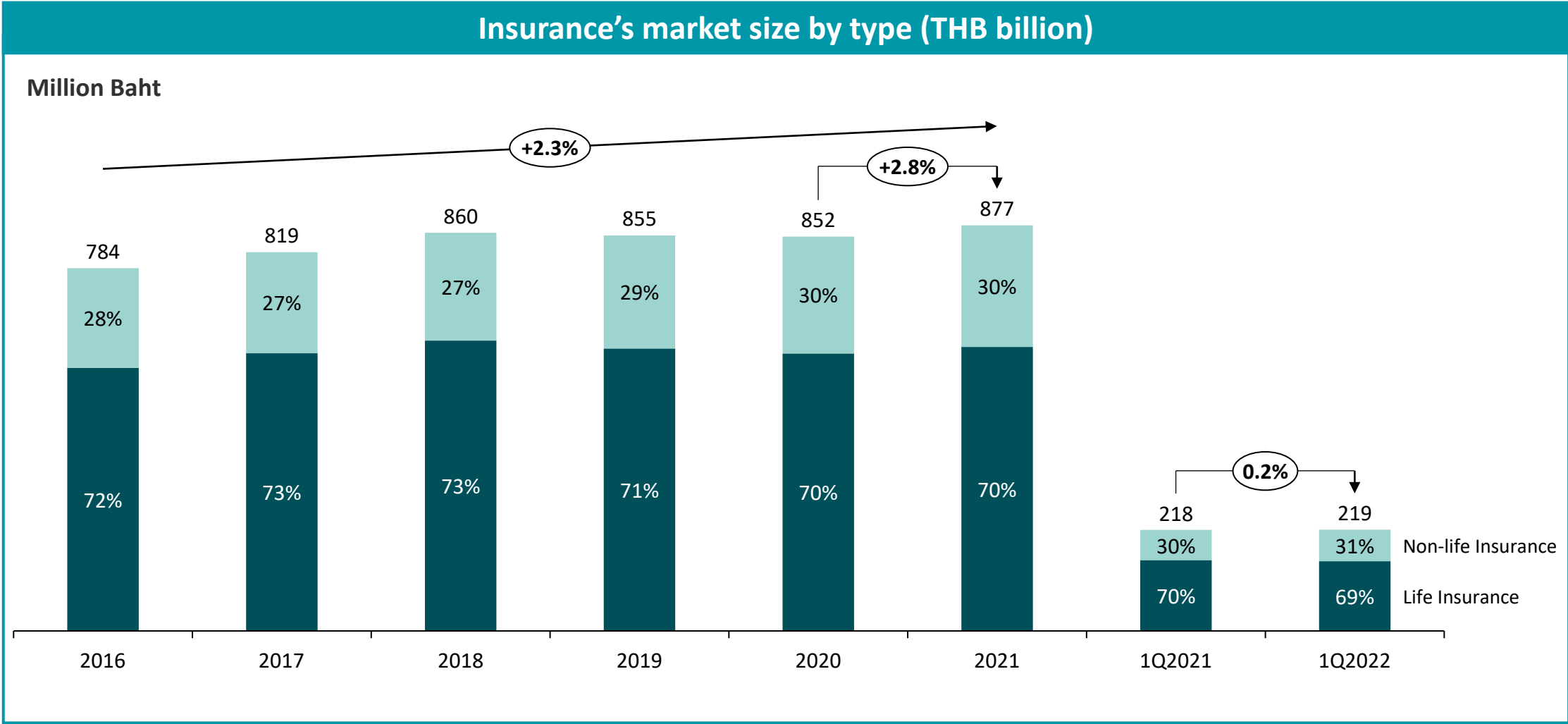
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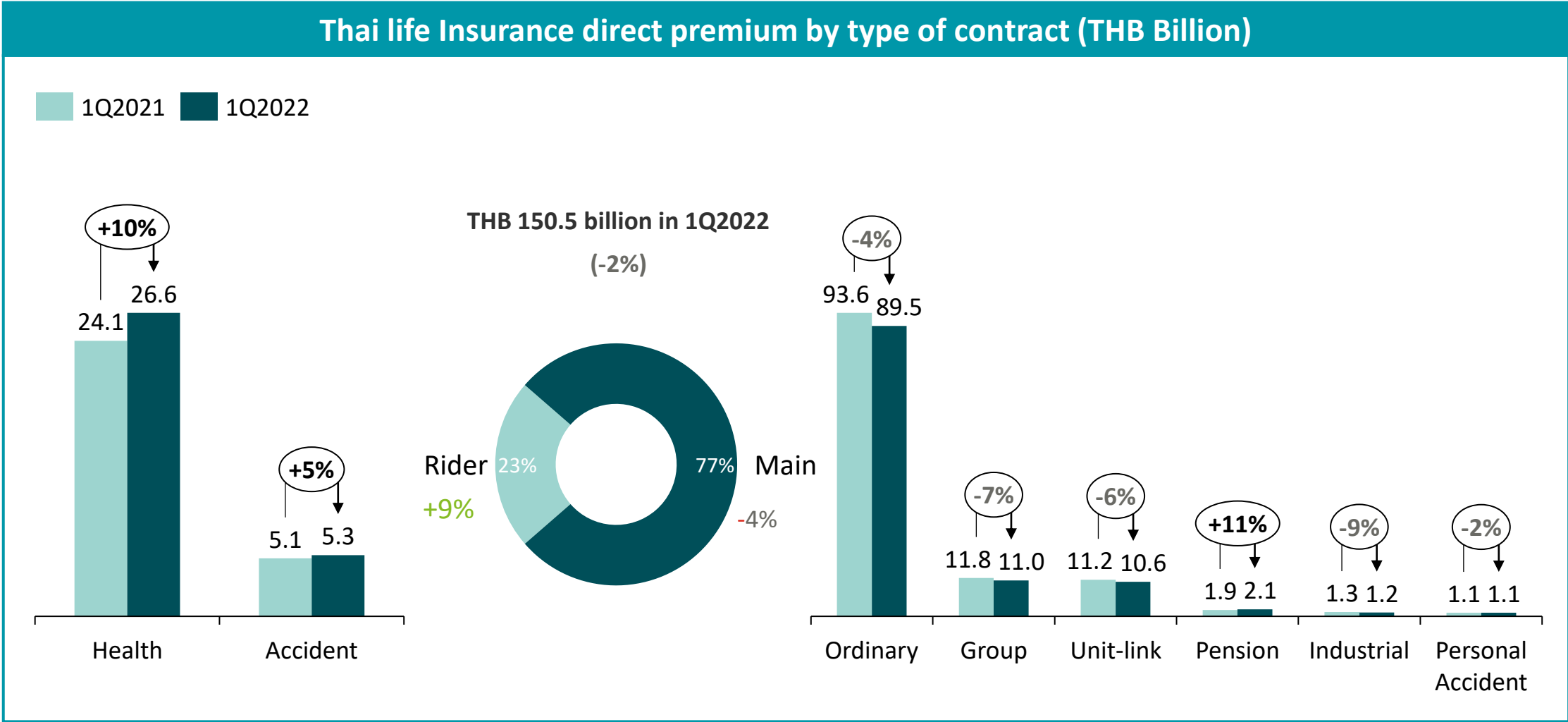
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Insurance market increased by 2.8% in 2021 while a 0.2% increase in 1Q2021 YoY is seen.

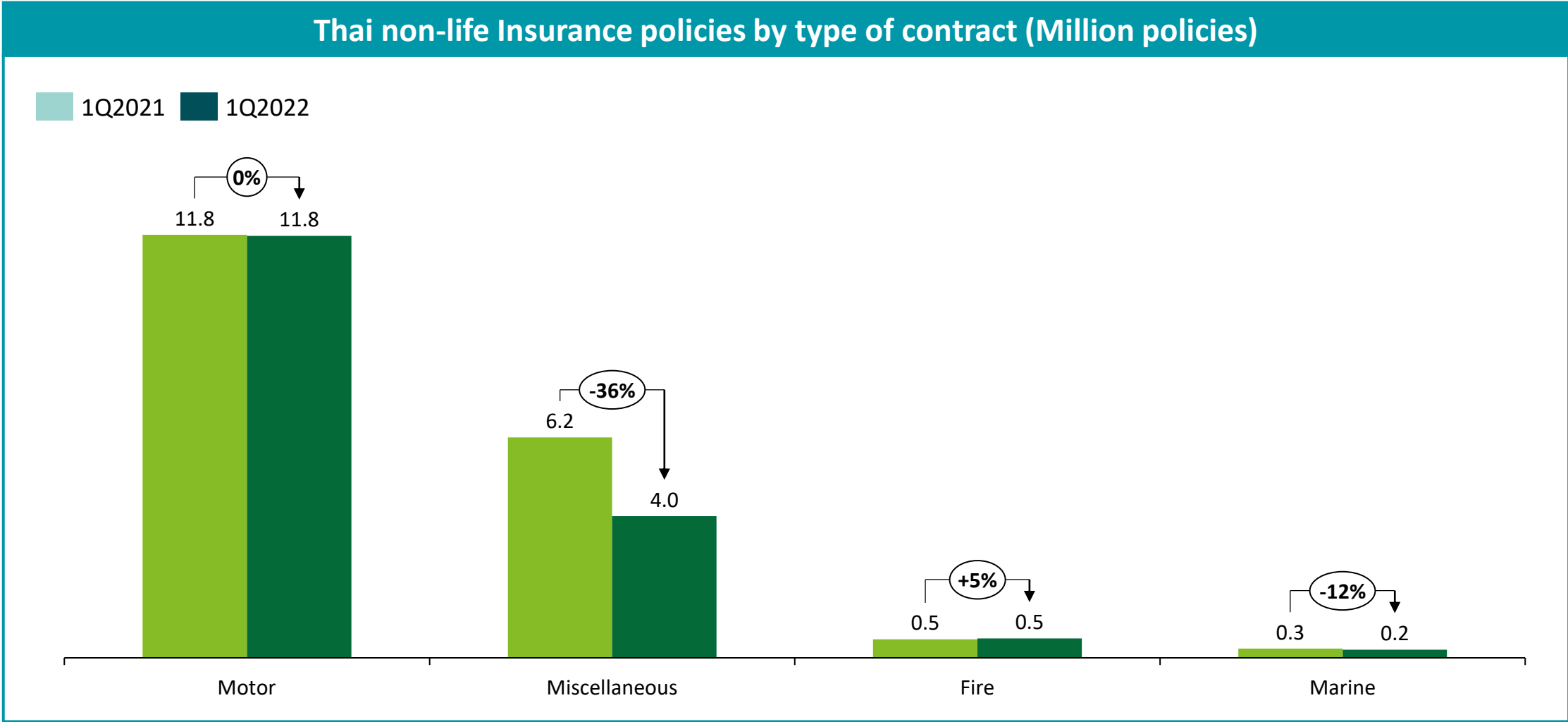


Source: Deloitte Analysis, OIC

Total Thai life Insurance direct premium declined by -2% YoY despite +8% among rider as rider accounted for only 19% of total Thai life Insurance direct premiums.



Miscellaneous business saw the highest YoY growth at 8% across non-life insurance portfolio mix while marine is the only business with a -3% decline.



Note: Others refer to Other Miscellaneous, Health, Fire and Marine
Source: Deloitte Analysis, OIC, EMIS and TGIA

Recommended Deloitte POVs and Key Information

Article



2022 insurance industry outlook

[Read more](#)



Building a more sustainable insurance industry

[Read more](#)



Preserving the human touch in insurance claims transformation

[Read more](#)

Key Information

- Despite ongoing COVID-19 concerns, insurers in general expect more rapid growth next year—although non-pandemic challenges around regulation, talent, sustainability, and evolving consumer preferences may present speed bumps.
 - A lot will depend on how effectively insurers manage their investments in people and emerging technologies.
-
- In response to rising demands from stakeholders to disclose and address environmental, social, and governance (ESG) issues, a growing number of insurance companies have appointed chief sustainability officers (CSOs) or their equivalent.
 - Many insurer CSOs are struggling to overcome common organizational hurdles—such as insufficient resources, an uncertain governance structure, and the lack of individual accountability—to implement an effective sustainability agenda.
-
- Mobile apps, virtual appraisals, and artificial intelligence-driven straight-through processing are among the innovations reinventing the claims value chain and helping insurers meet rising service expectations of tech-savvy customers.
 - However, while freeing up adjusters and managers to do higher value work, many chief claims officers are concerned that overreliance on technology might undermine customer experience in the moments that matter most, requiring insurers to balance integration of efficiency-enhancing automation with differentiating personal service.

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Industry Sector Update

Consumer product

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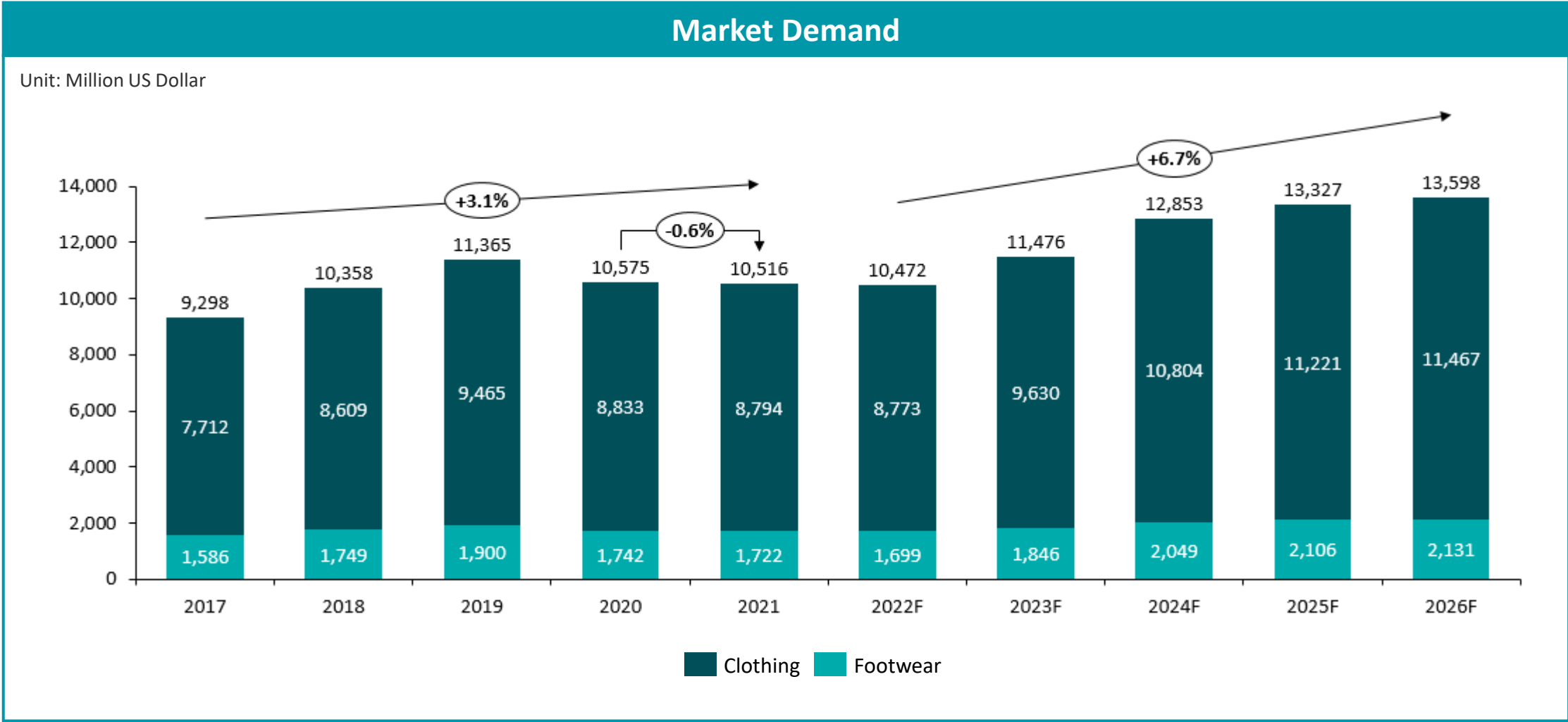
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Consumer Product:

Cloth and Footwear



Source: Deloitte Analysis, EIU

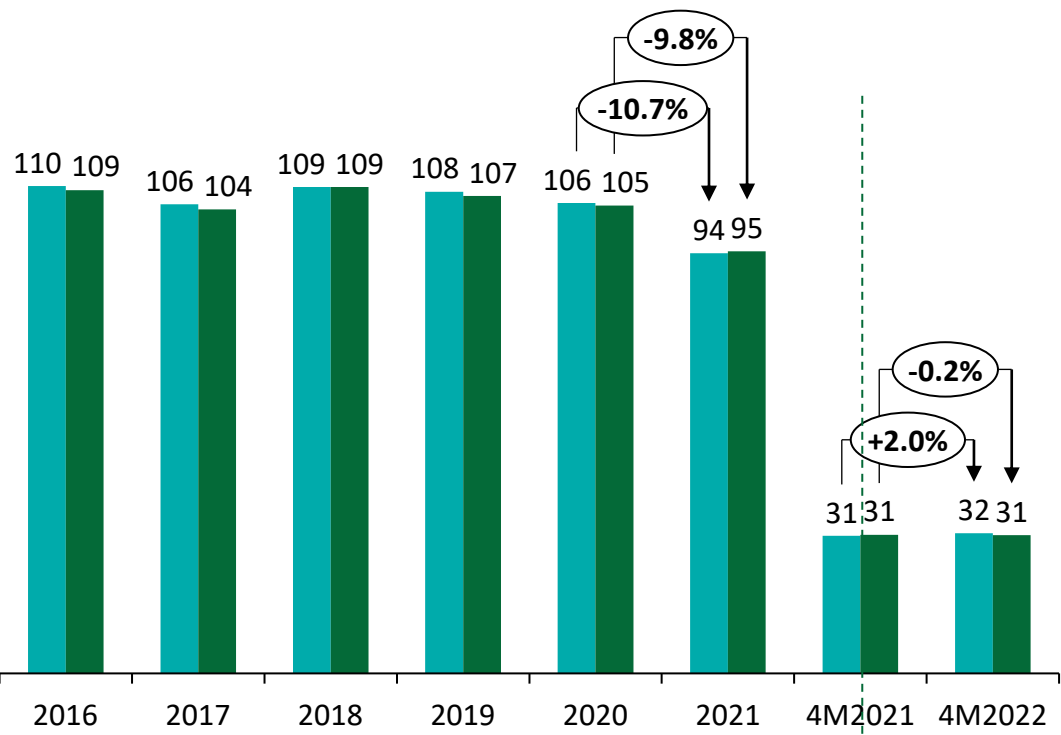
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Consumer Product:

Personal Care

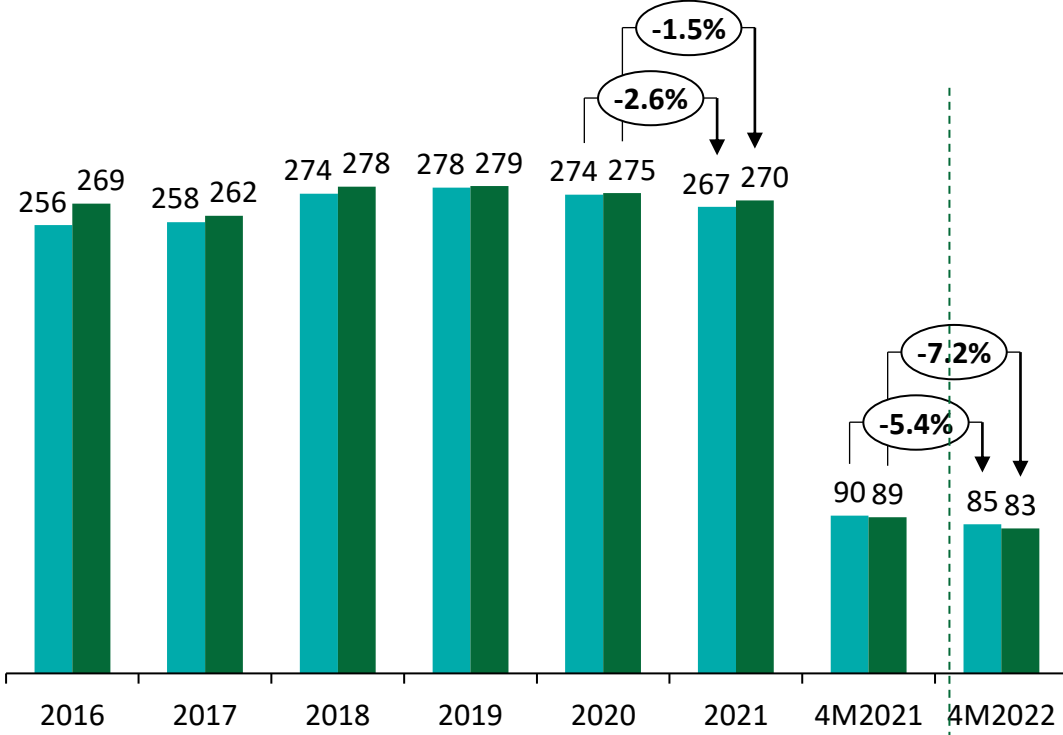
Soap and moisturizer product

Unit: Thousand Tons



Source: Deloitte Analysis, OIE

Shampoo



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Recommended Deloitte POVs and Key Information

Article



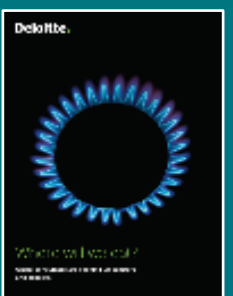
The future is coming...but still one day at a time

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The consumer data give and take

[Read more](#)



Where will we eat?

[Read more](#)

Key Information

- While digital spending is becoming more expensive, it is not becoming more effective.
 - Product labeled as “health” or “sustainable” tend to market to higher income consumers who have the means to spend more such products.
 - Data shows that high-income consumers spend roughly three times more of their disposable income dollars on food-related expenses than low-income company.
-
- Grocery retailers are seen as highly trustworthy, and there is above-average willingness to share data with them—more favorable than for non-grocery retailers, financial institutions, digital platforms, and social media platforms. The only other organizations consumers trust more with their data are medical services
 - Consumers have high expectations when it comes to transparency, choice, and control, over what data is being collected and how it is used.
-
- There are high hopes that things will go back to normal once a vaccine is in enough arms, including dining out.
 - However, a full return to normal may not be in the cards for the food services and restaurant industries as there will likely be continued interest in cooking at home and buying fresh food.

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Industry Sector Update

Wholesale, retail and distribution

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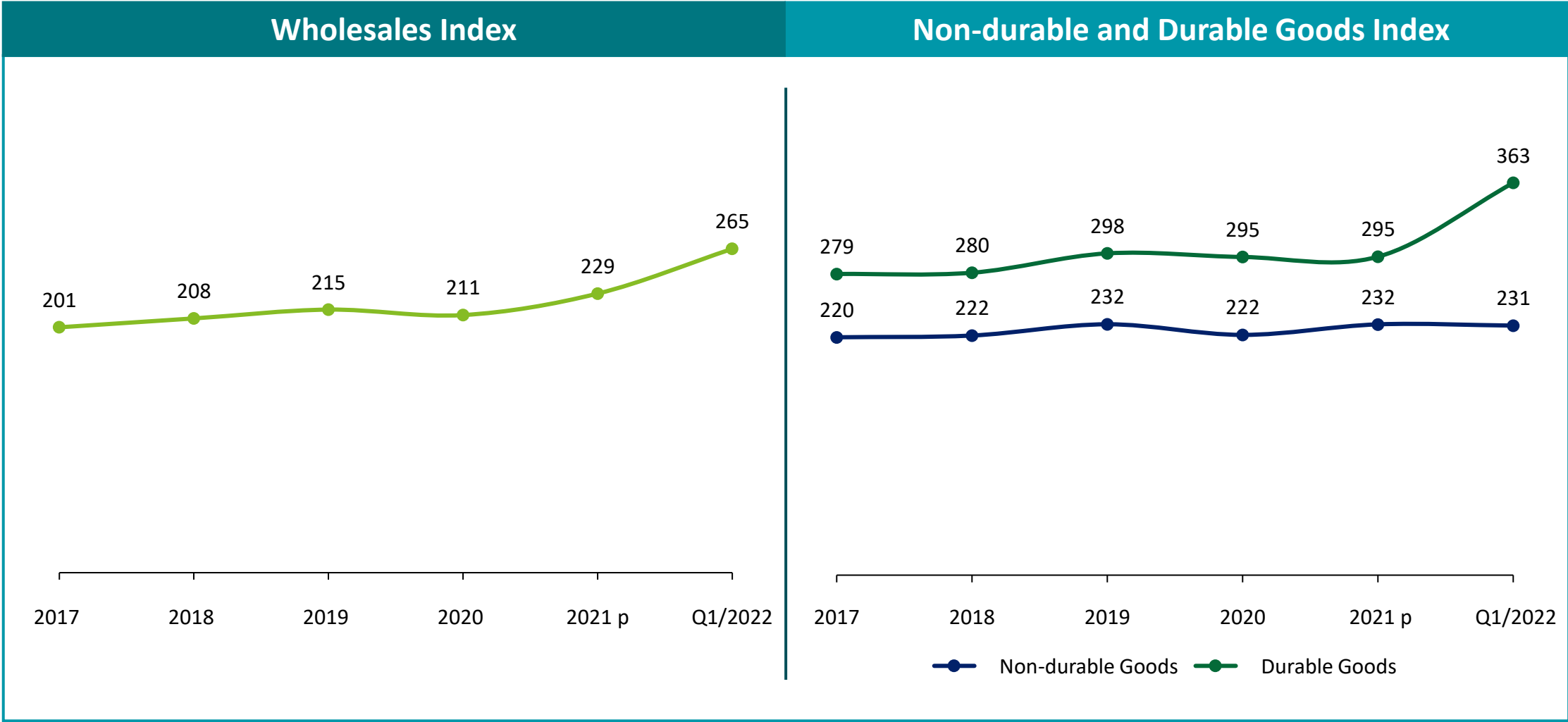
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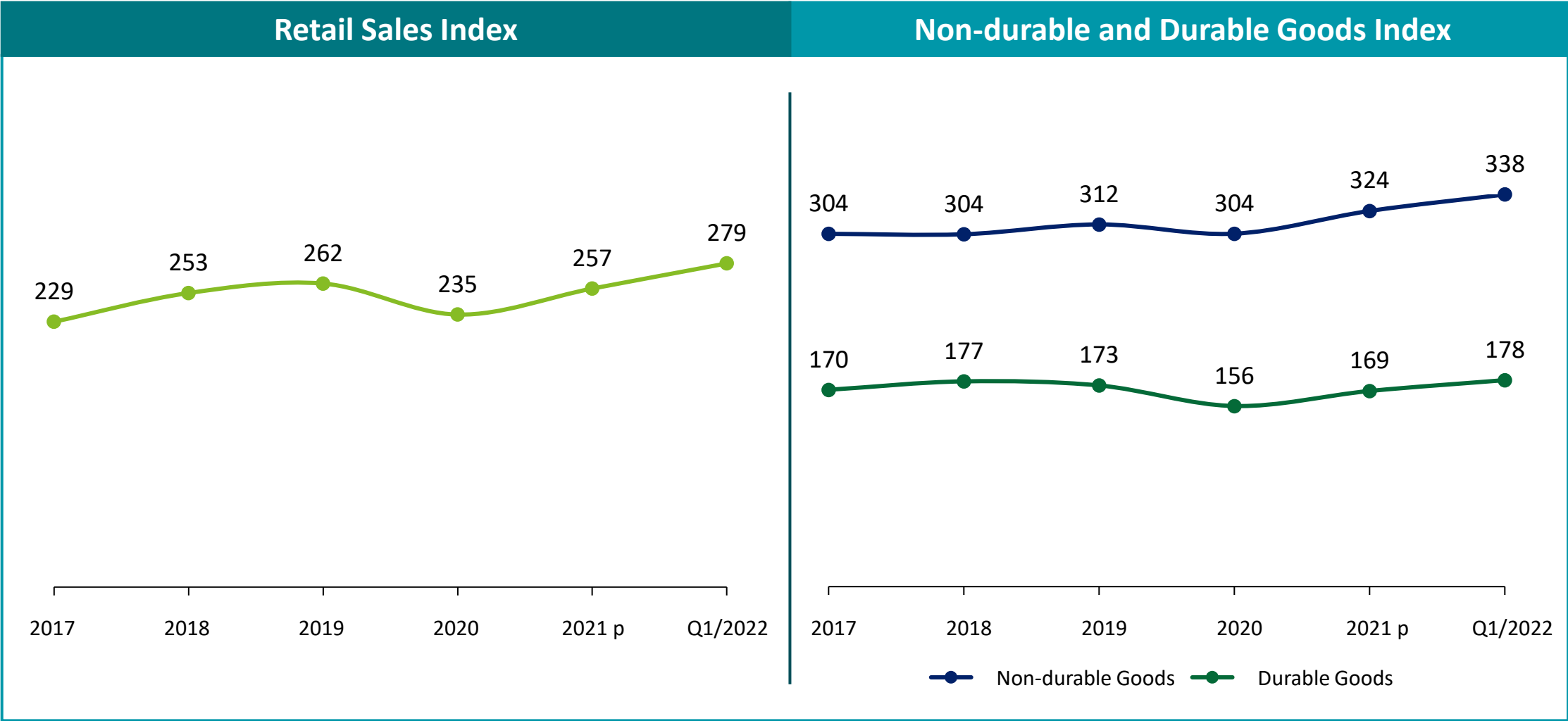
Wholesales Overview



Note: Base year 2002=100
Source: Deloitte Analysis, Bank of Thailand

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Retail Sales Overview



Note: Base year 2002=100
Source: Deloitte Analysis, Bank of Thailand

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Article



The future of the mall

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Digital commerce transformation

[Read more](#)



A road map for omnichannel fulfillment

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Key Information

- COVID-19 has changed consumer expectations further. The ongoing transition to online purchasing was given a boost by the lockdown, and the concerns of customers for their health and safety is taking business away from physical stores and making consumers less confident about visiting enclosed malls.
 - For some time now, the customer journey has been evolving. It's no longer simply about visiting a store. It now involves an overall brand experience through the omnichannel platform
-
- We are emerging from the global COVID-19 crisis, but so much has changed. Wholesalers and retailers must understand the fundamental changes in consumer shopping behaviors and transform their ecosystems and supply chains to meet new consumer expectations.
 - Relaxed restrictions and a pent-up desire to shop for pleasure has increased consumer intent to purchase apparel, footwear, and other nonessential products. However, for the foreseeable future, customers will continue to shop online more frequently.
-
- As retailers have started to recover from the disruption caused by the pandemic, they are adapting to the increase in fulfillment volume from stores, resulting from a significant increase in online sales and corresponding service options like store fulfillment, in-store pickup or curbside.
 - However, many retailers with small backrooms could consider complementing their store network by using the closed store assets as local fulfillment centers (dark stores) or micro fulfillment centers, enabling a rapid increase in their fulfillment capacity effectively.

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Industry Sector Update

Automotive

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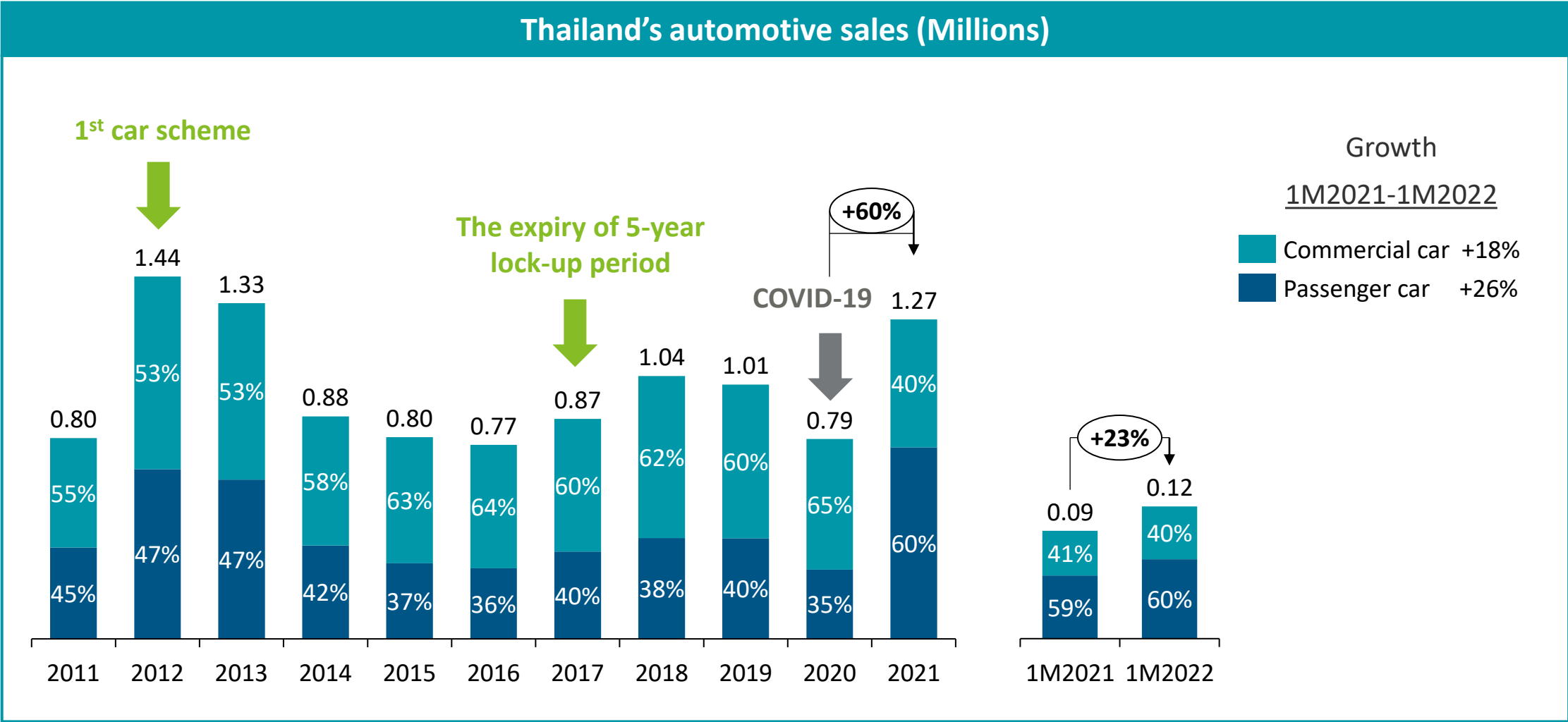
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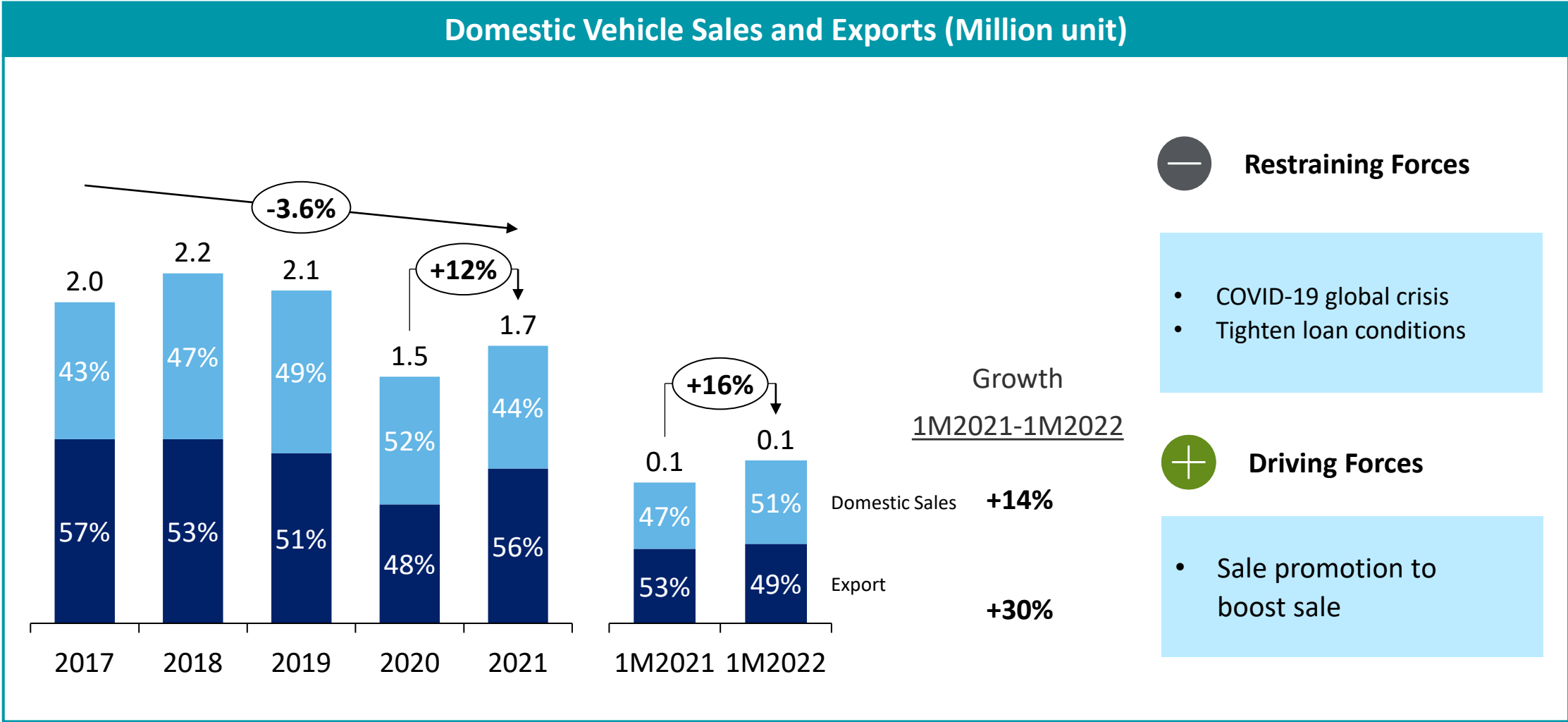
Automotive sales in Thailand increased to 1.27 million in 2021 due to significant sales in passenger car.



Source: Deloitte Analysis, FTI

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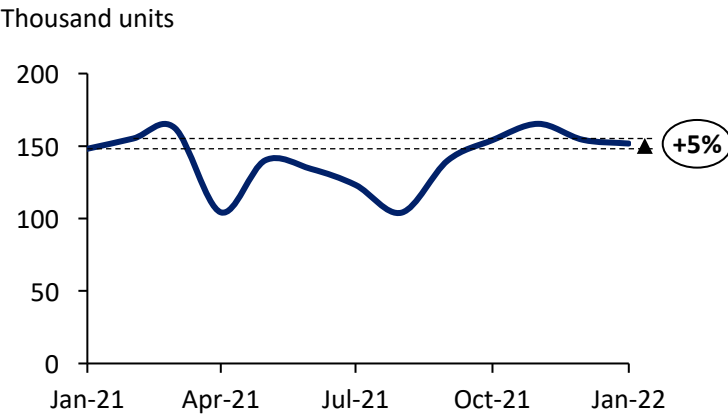
Automotive sector increased to 12% especially the export market. A positive sign can be seen continuously in the beginning of 2022



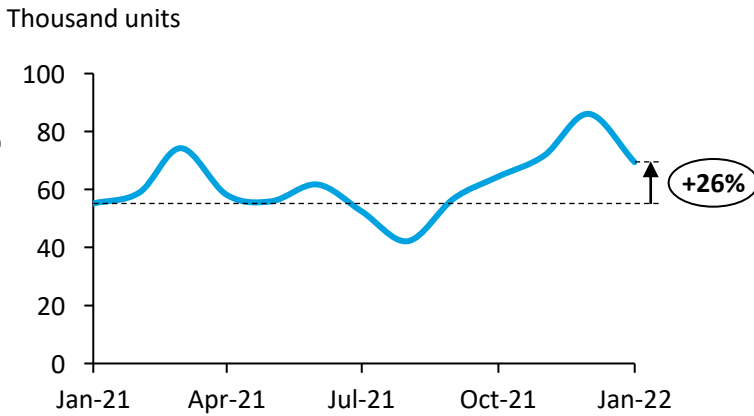
Source: Deloitte Analysis, FTI and KResearch

Key Figure Update: Automotive

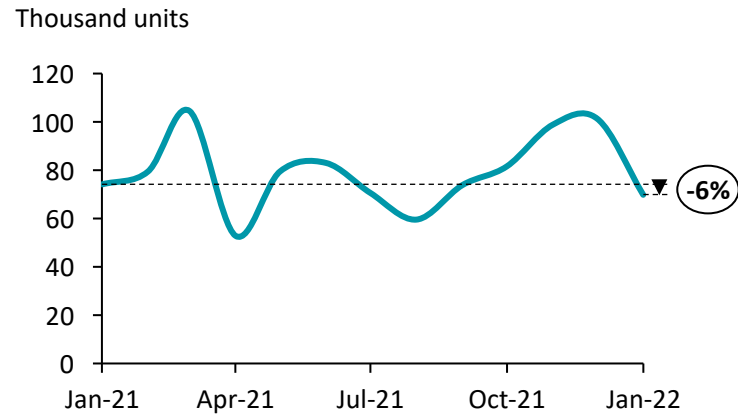
Production



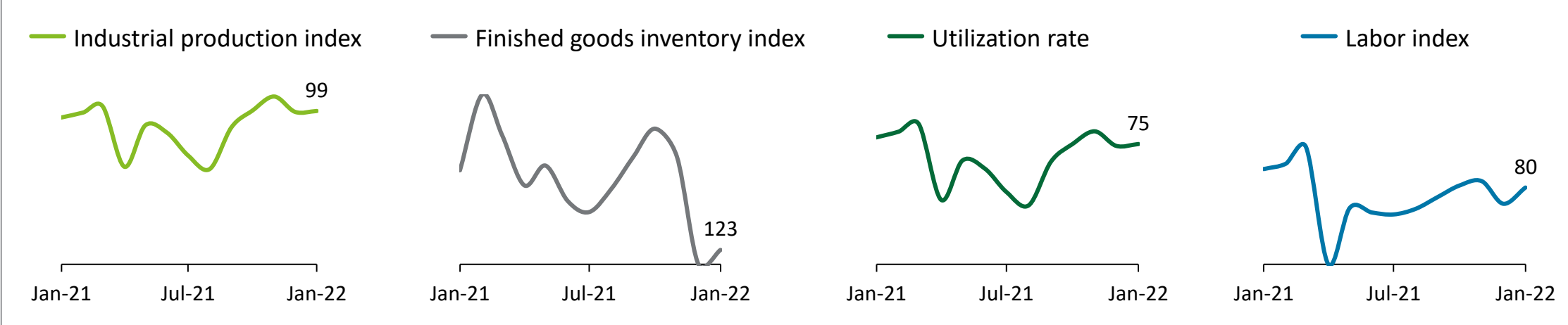
Domestic sales



Export

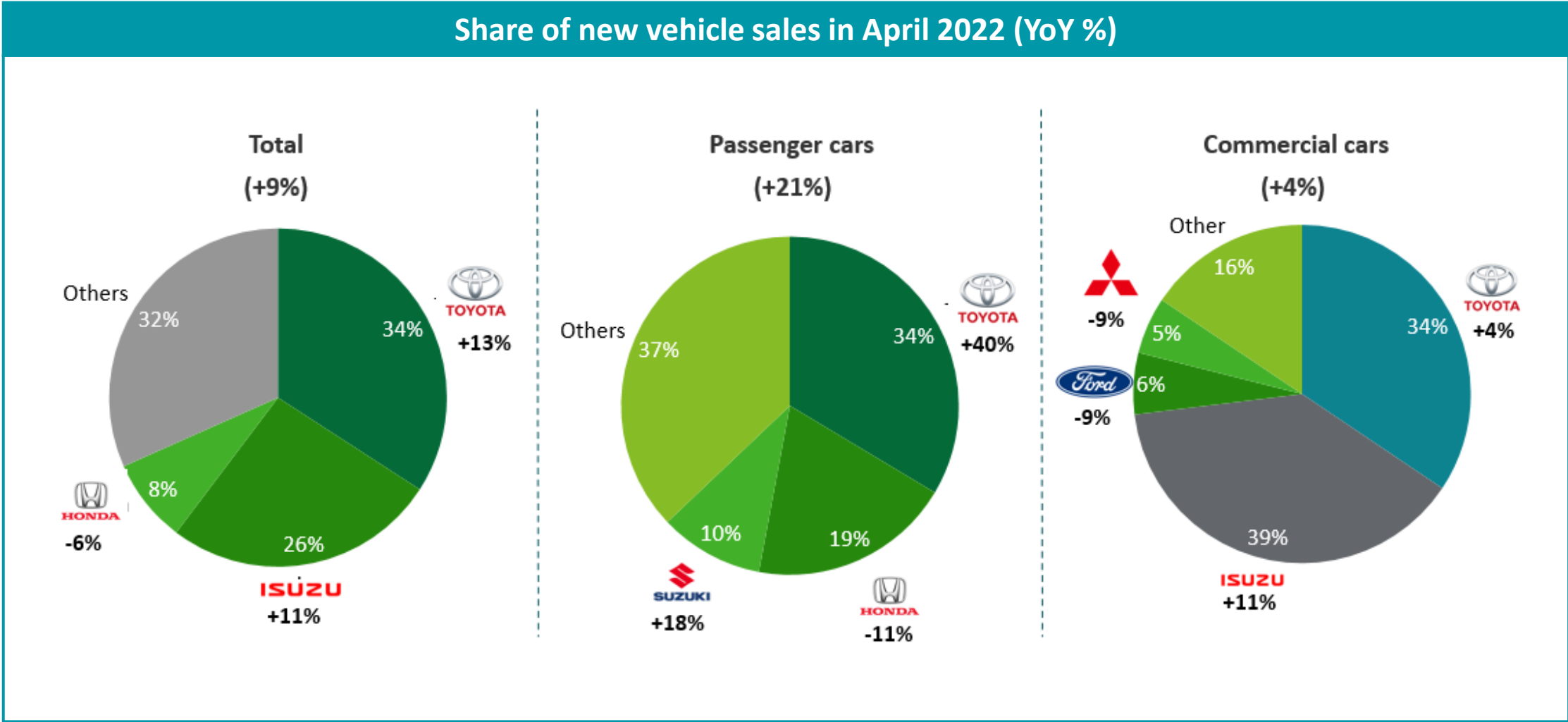


Motor Vehicle Parts and Accessories Manufacturing



Source: Deloitte Analysis, OIE

New vehicle sales YoY increases in April can be seen in both passenger and commercial cars. Toyota saw the most up lift in passenger cars while Isuzu saw the most up lift in commercial cars.

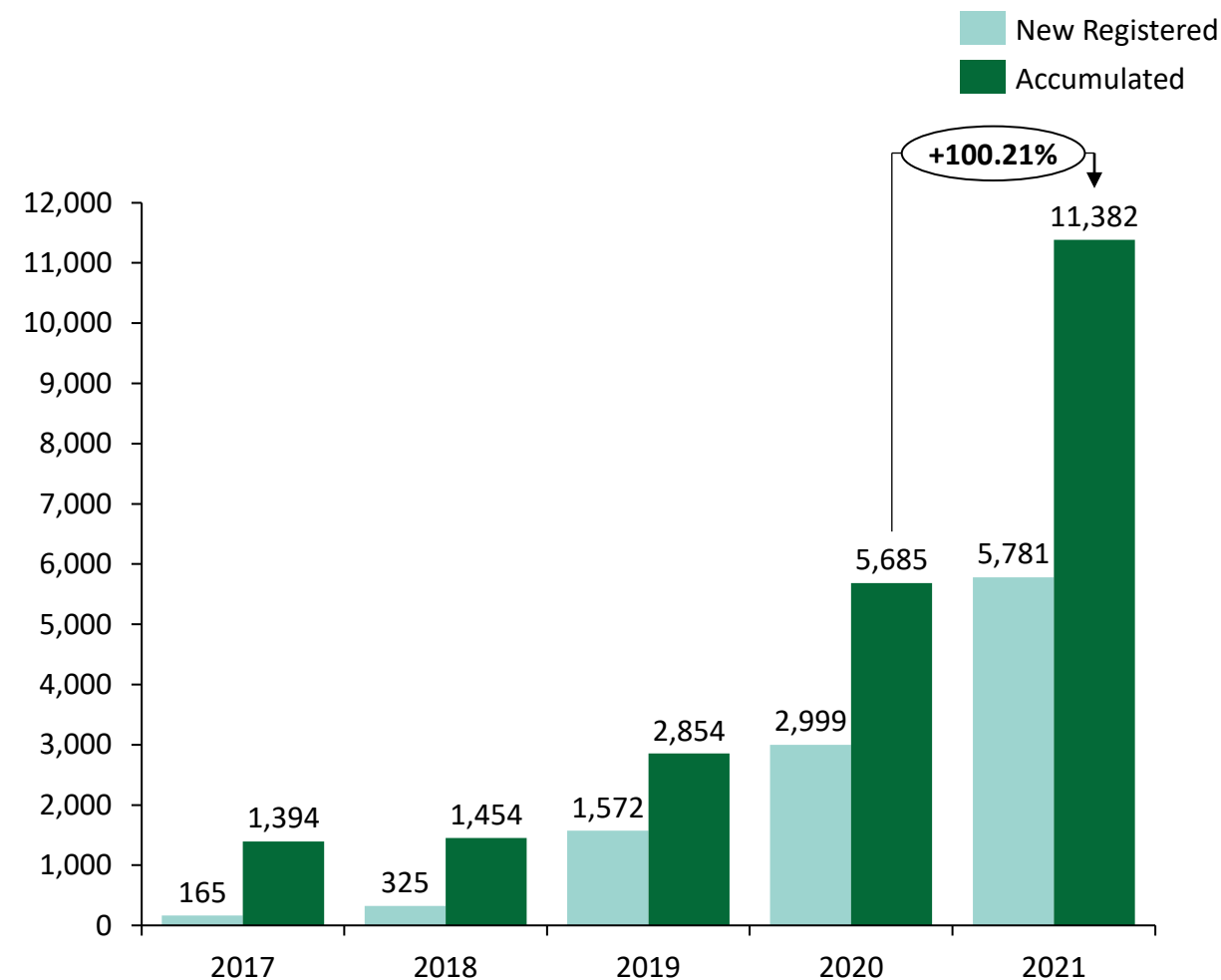


Source: Deloitte Analysis, Toyota Motor Thailand Co., Ltd. (TMT)

Thailand's EV Current Situation

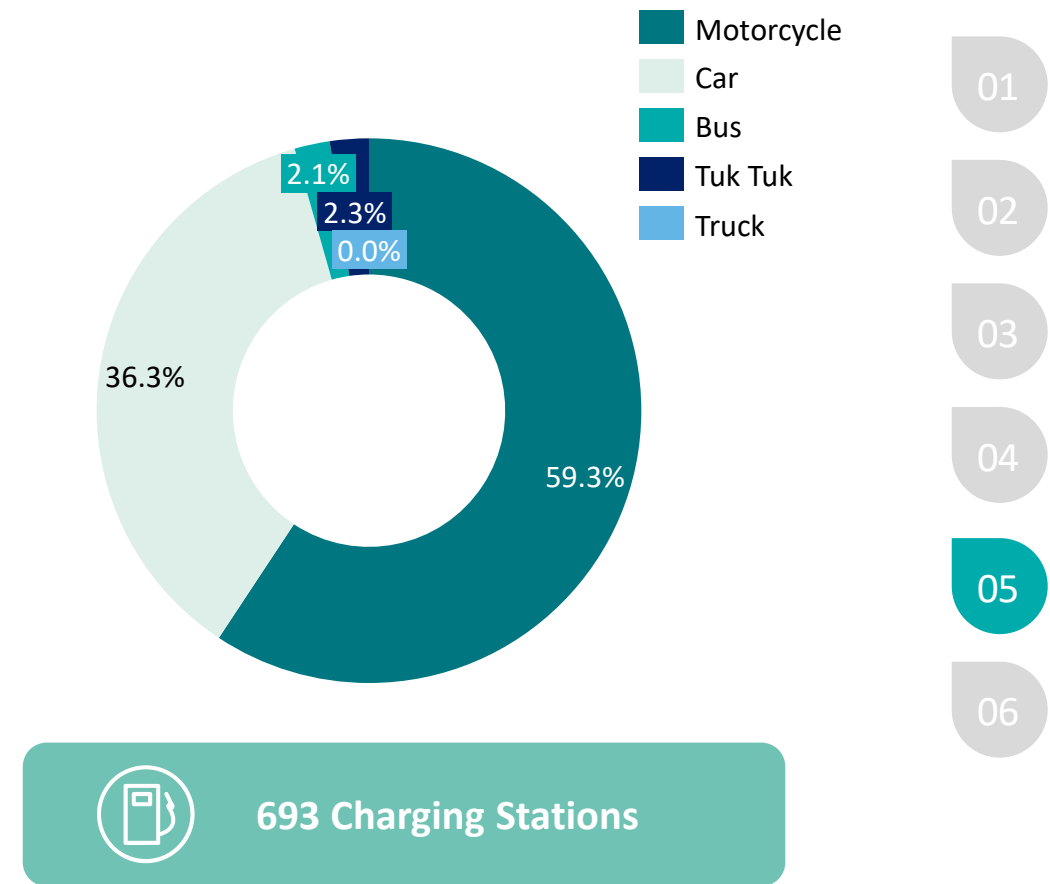
The growth in BEV is about 100% y-o-y in 2021 and motorcycle contributed more than half of total BEV.

Thai BEV registration

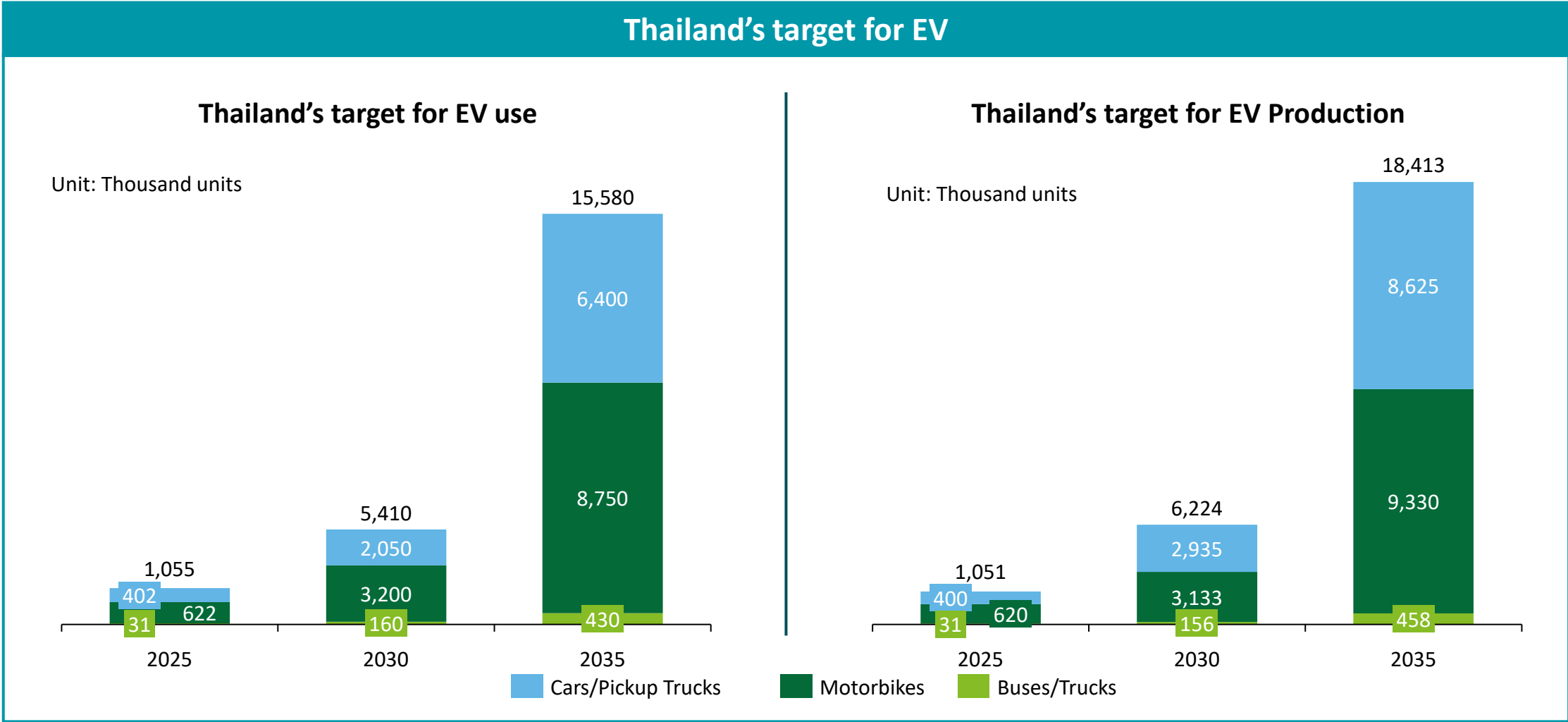


Source: Deloitte Analysis, EVAT

BEV by type



Thailand's target for EV use and production



Source: Deloitte Analysis, Yuanta Research

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Article



2021 Global Automotive Consumer Study

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Reimagining a more resilient automotive supply chain

[Read more](#)



Value recovery in the automotive industry

[Read more](#)

Key Information

- The preference to commute by personal vehicles has increased as a result of the COVID-19 pandemic, but Southeast Asian consumers are rethinking the type of vehicle they will buy next and their need for credit protection.
 - Southeast Asian consumers continue to prefer hybrid electric vehicles (HEVs) over battery electric vehicles (BEVs).
 - Most Southeast Asian consumers prefer an in-person buying process
-
- The global semiconductor shortage is driving companies across several industries, including automotive original equipment manufacturers (OEMs), to make large production cuts that may persist into next year.
 - Many companies are beginning to recognize that rebuilding supply networks around the core principles of efficiency and resilience is not only possible, but long overdue and imperative to remain viable in a rapidly transforming global automotive sector.
-
- A radically different value chain is emerging in the automotive industry where mobility is purchased as a flexible service and vehicles are connected, autonomous and electric.
 - This is the opposite of the traditional automotive business model where privately purchased, hardware-focused, human-driven vehicles powered by internal combustion engine (ICE) are the norm.

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Industry Sector Update

Industrial Product & Construction

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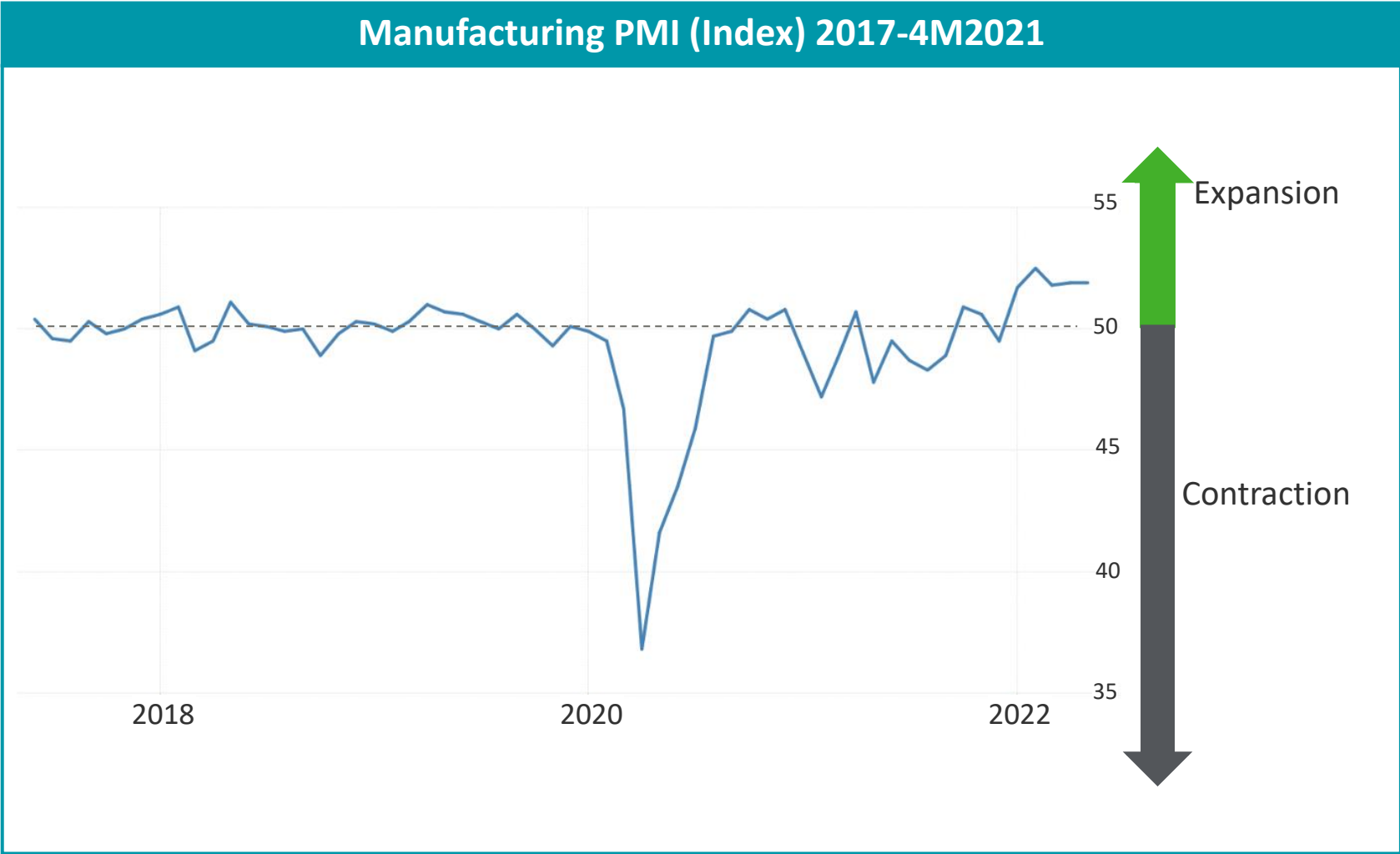
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Manufacturing PMI

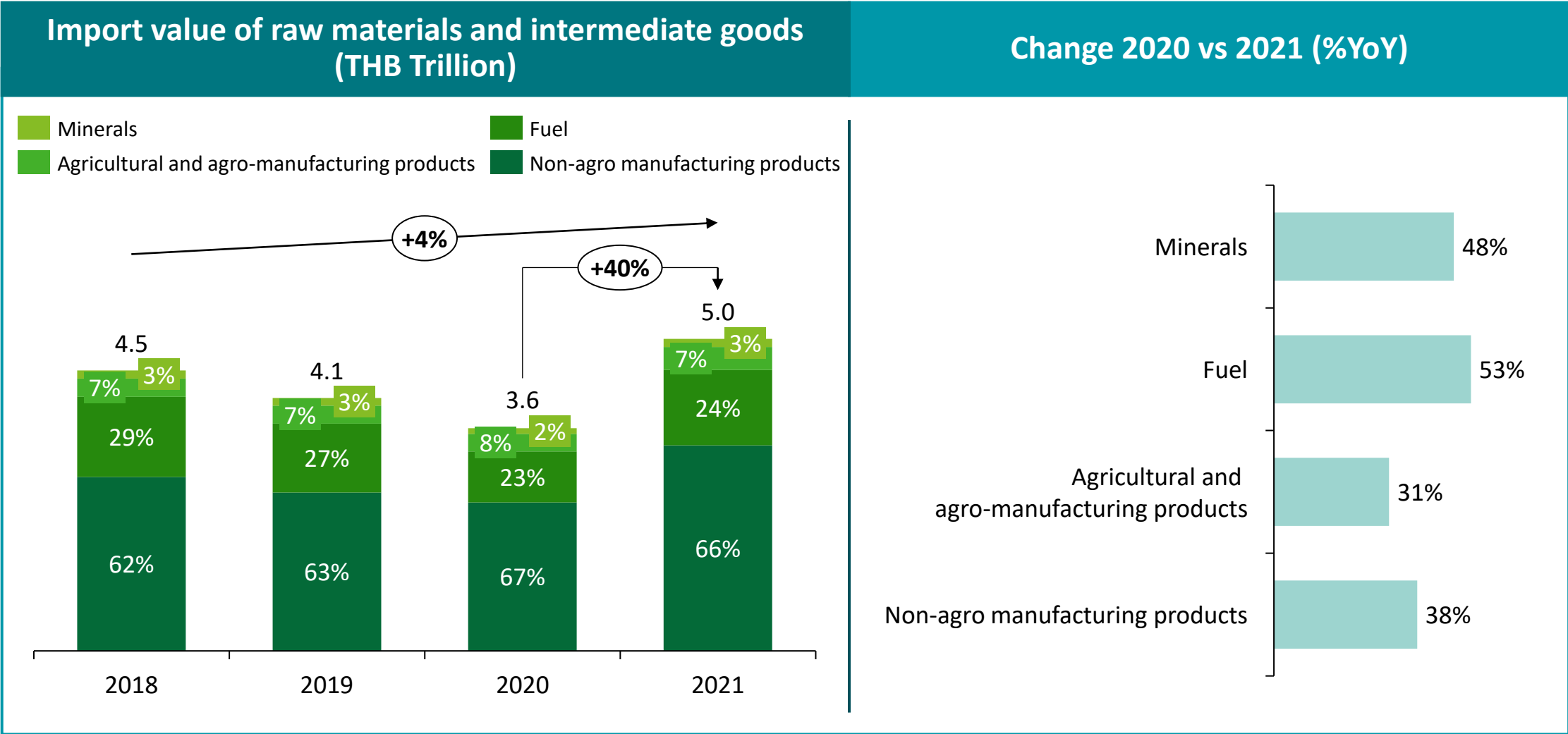


Source: Deloitte Analysis, Trading economics

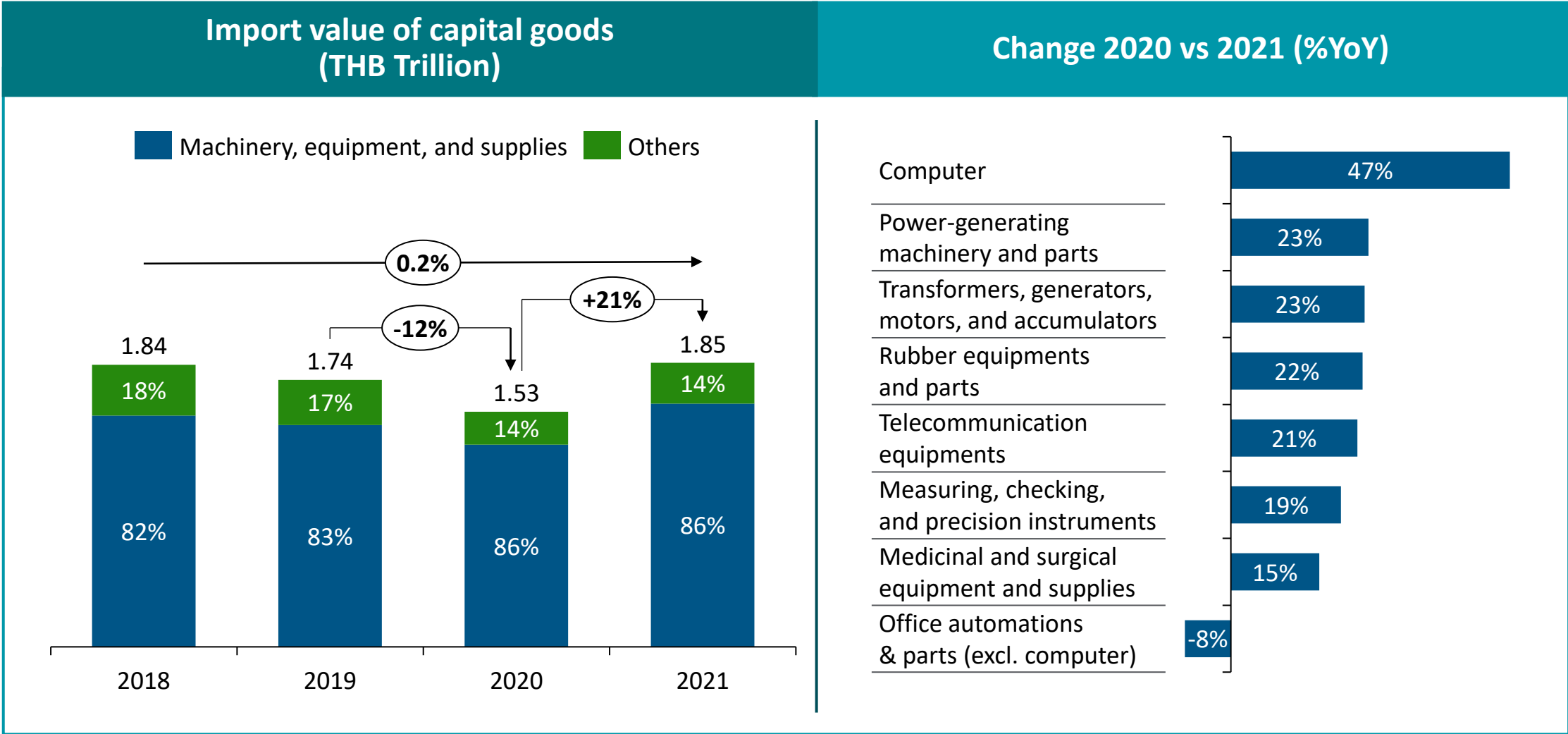
Thailand's manufacturing sector returned to expansion in January 2022 according to the IHS Markit Thailand Manufacturing PMI. Despite overall demand falling, output growth improved while employment levels were almost unchanged in January, picking up from a state of decline.

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Despite the continual YoY decrease of raw material and intermediate good import value since 2018, a sign of recovery is found with a 40% increase from 2020 to 2021. Fuel contributed the most to the import.




A decrease 12% YoY in 2020 is recorded. Nonetheless, a positive recovery sign of 21% increase in 2021 from 2020 can be found mainly because of the import of computer. However. Office automations & parts (excl. computer) decreased YoY



Recommended Deloitte POVs and Key Information

Article



Navigating disruption
Five trends influencing tomorrow's manufacturing industry
Paul Weller, Brian Untermyer, Ben Cohen, Jon Dale, and Heather Ashton

Navigating disruption

[Read more](#)

Key Information

- There is no doubt that the manufacturing industry is facing a number of disruptive forces and that the new normal will likely be one of creating resilience ahead of it, using digital technology to anticipate the changes coming as early as possible.
- Specifically, manufacturing leaders will likely need to understand economic cycles, trade and tariff, digitization, workforce and electrification adoption to differentiate themselves



The future of construction is digital
Key trends shaping engineering and construction

The future of construction is digital

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- The constructions industry represents the building blocks of our communities and is, from a wider point of view, a cornerstone of the economy.
- However, emerging trends as sustainability and climate change form challenges for the industry.
- Ever-growing demand means the sector not only has the potential to create jobs and boost the economy, but also to facilitate the growth of other industries by laying the foundations for infrastructure, sites and offices, among other things.

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Industry Sector Update

Power, Utilities & Renewables

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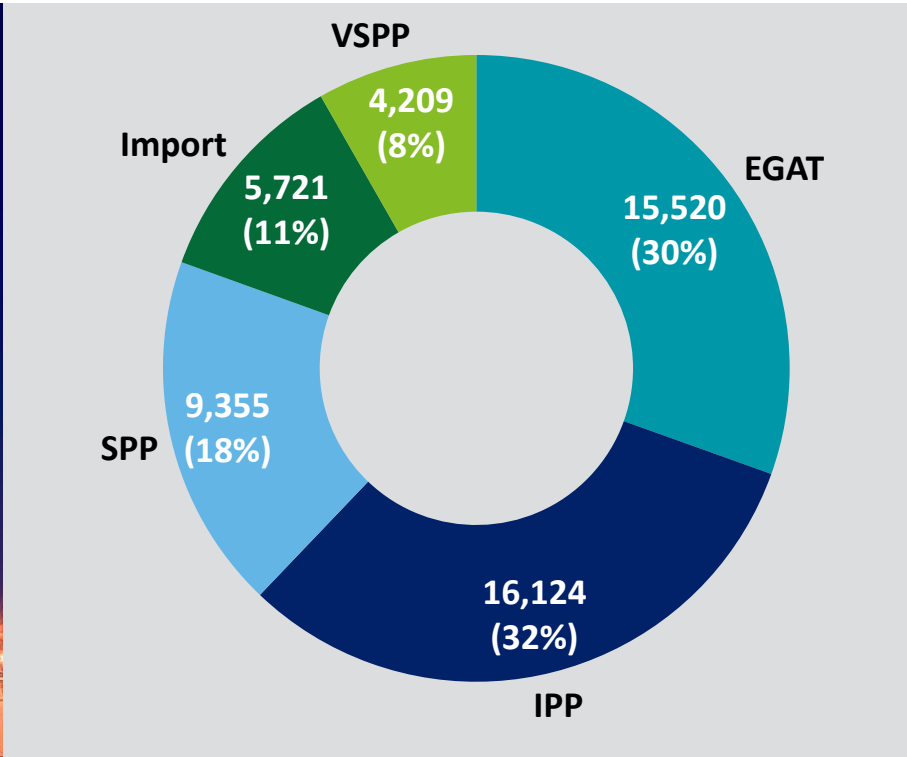
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The state-owned Electricity Generating Authority of Thailand (EGAT) and Independent Power Producers (IPPs) dominate electricity generation in Thailand with a combined market share of 62% as of March 2022

System Generating Capacity Market Share
(MW, as of Mar 22)



Source: Deloitte Analysis, EPPO



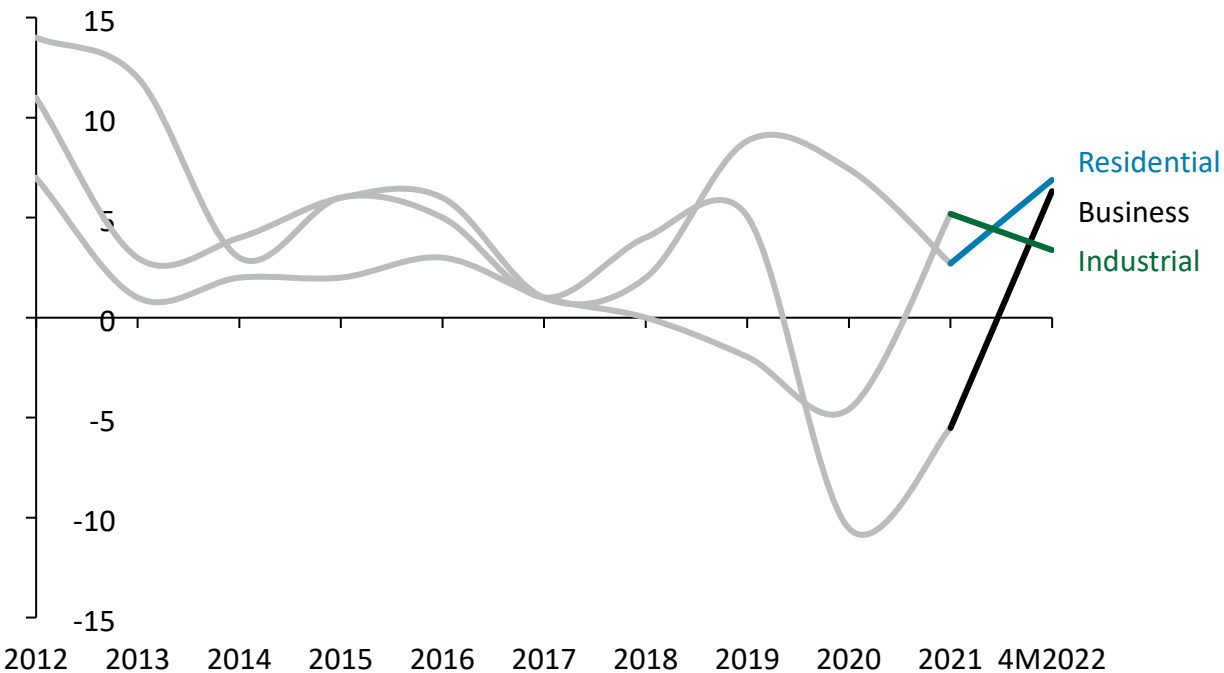
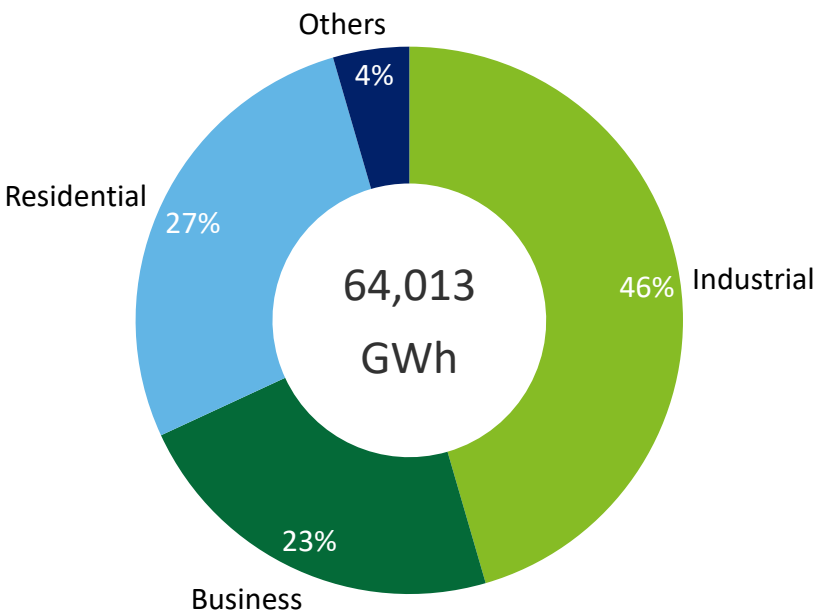
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Electricity Consumption

Electricity consumption among residential increased with the eased lockdown measure in line with the increases in business electricity consumption with business reopening

Electricity Consumption Classified by Sector (Jan-Arp 22)

Unit: %



Source: Deloitte Analysis, EPPO
Note: Others = Agriculture, Government and Non-Profit and others

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Article



The 2030 decarbonization challenge

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Key Information

- The transition toward a clean energy future is underway and it will change almost every aspect of E&R companies’ assets and operations.
- Younger employees increasingly want to work for companies that benefit society in addition to producing a profit. The recent rise in employee activism suggests that employees are increasingly monitoring company responses to issues, ranging from gun control to climate change to the coronavirus pandemic.



Renewable transition

[Read more](#)

- At the end of 2020, the country had more than 100 gigawatts (GW) of solar and 122.5 GW of wind power capacity but will need to add as much as 70–100 GW each of solar and wind per year to decarbonize the power sector between 2035 and 2050.
- There are five challenges that most raised which are comparing costs of wind and solar versus conventional generation, integrating variable renewables, managing supply chain constraints, addressing disaster vulnerability, and meeting future electricity and renewable electricity demand.

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Industry Sector Update

Oil & Gas

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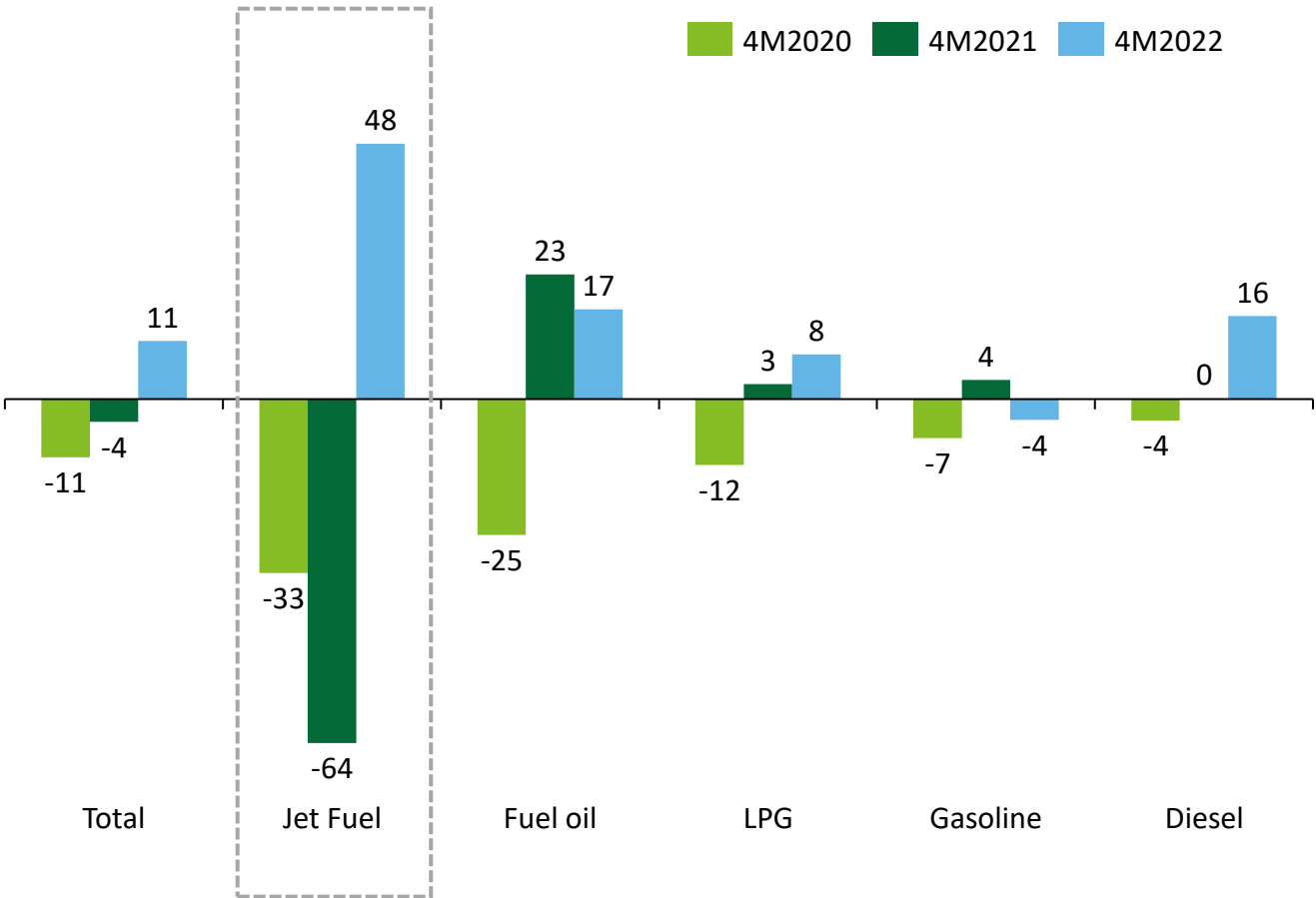
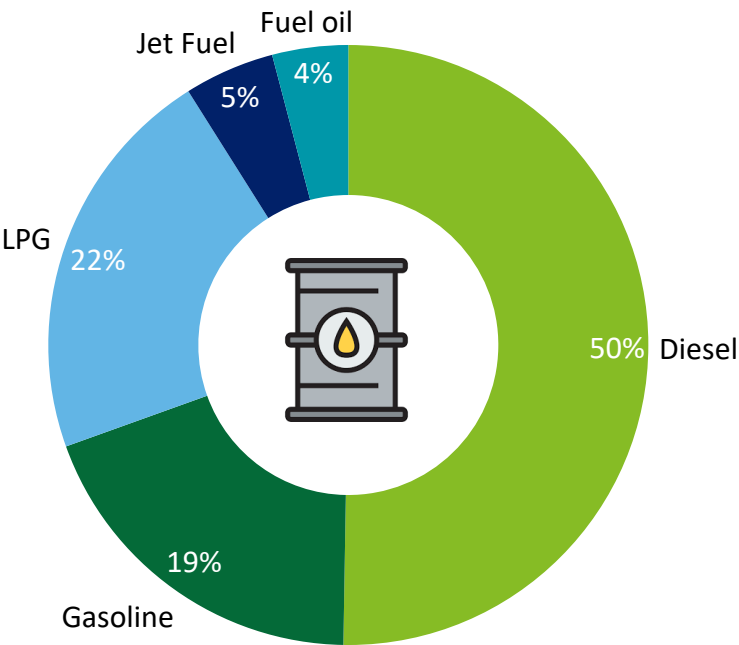
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Every petroleum products recovered in the first four months of 2022 except gasoline

Consumption of petroleum products 4M2021

Unit: %

18,458.8 million liters in 4M2022



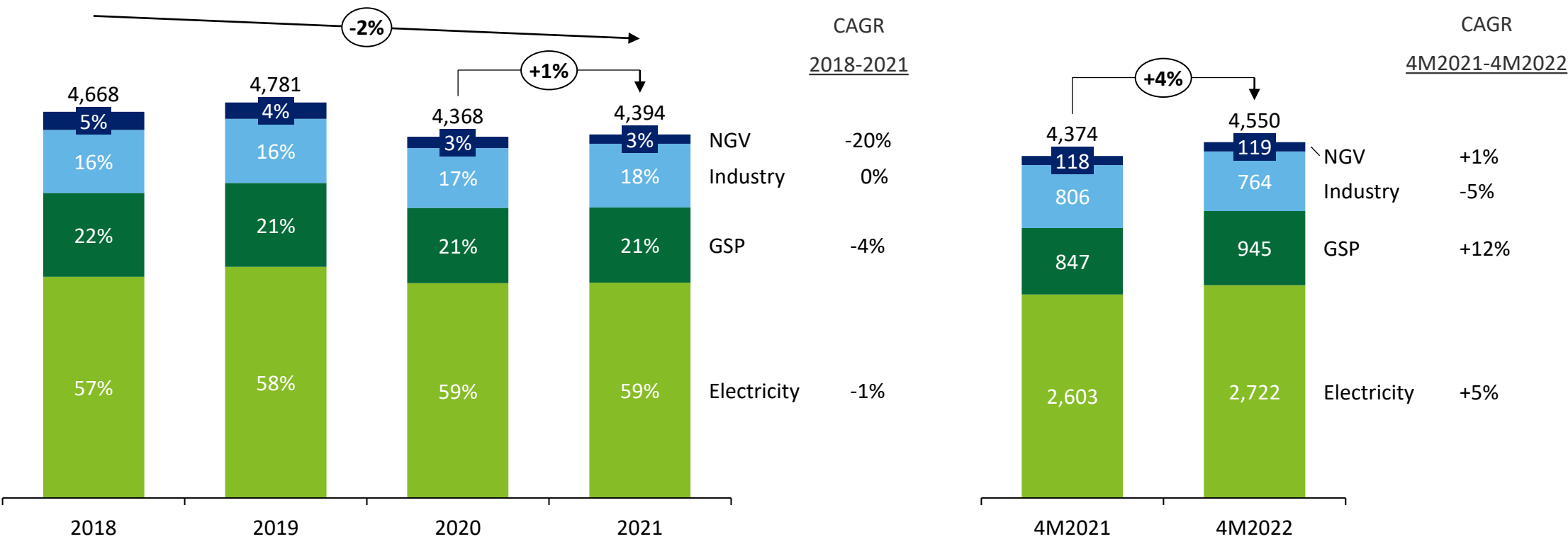
Source: Deloitte Analysis, EPPO

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Consumption of natural gas was stable in 2021

Consumption of Natural Gas by Sector

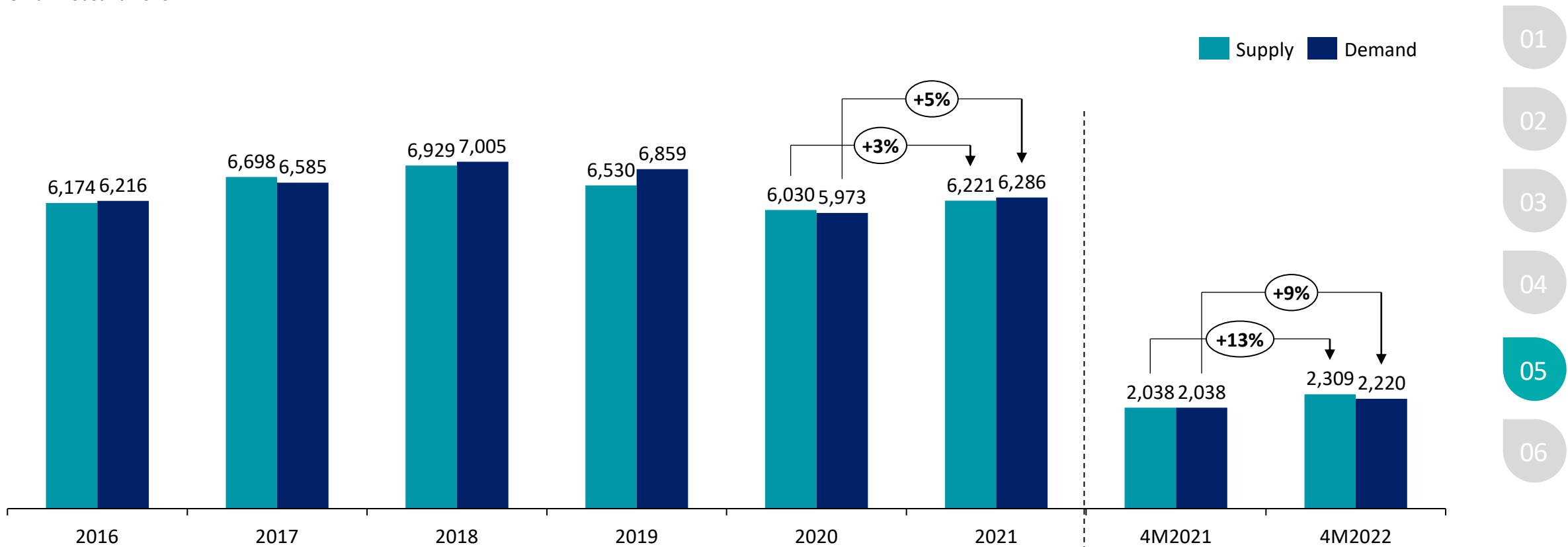
Unit: MMSCFD per day



Source: Deloitte Analysis, EPPO

LPG, Propane and Butane supply and demand similarly rebounded in 2021 and continued in first four months of 2022.

Unit: Thousand Tons



Source: Deloitte Analysis, EPPO

Recommended Deloitte POVs and Key Information

Article



Addressing the challenge of decarbonization

Addressing the challenge of decarbonization
An oil and gas perspective

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2022 oil and gas industry outlook

2022 oil and gas industry outlook

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Key Information

- Government rhetoric in response to climate related economic impacts points to the increasing probability of new policies that will alter the relative competitiveness of carbon-intensive products.
- The cost-competitiveness of clean technologies today is vastly different than only a few years ago.
- Technological improvements reduce the cost of competing energy production methods and drive increased adoption.

- Five oil and gas industry trends to watch
 - High oil prices boost energy transition plans, challenging conventional wisdom
 - ESG plays a larger role in M&A transactions
 - Business models shift to enable a new energy era
 - Convenience and experience supersede fuel as the new anchor to attract customers
 - Greener jobs and differentiated benefits can help secure return and retention of workforce

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Industry Sector Update

Life Sciences and Healthcare

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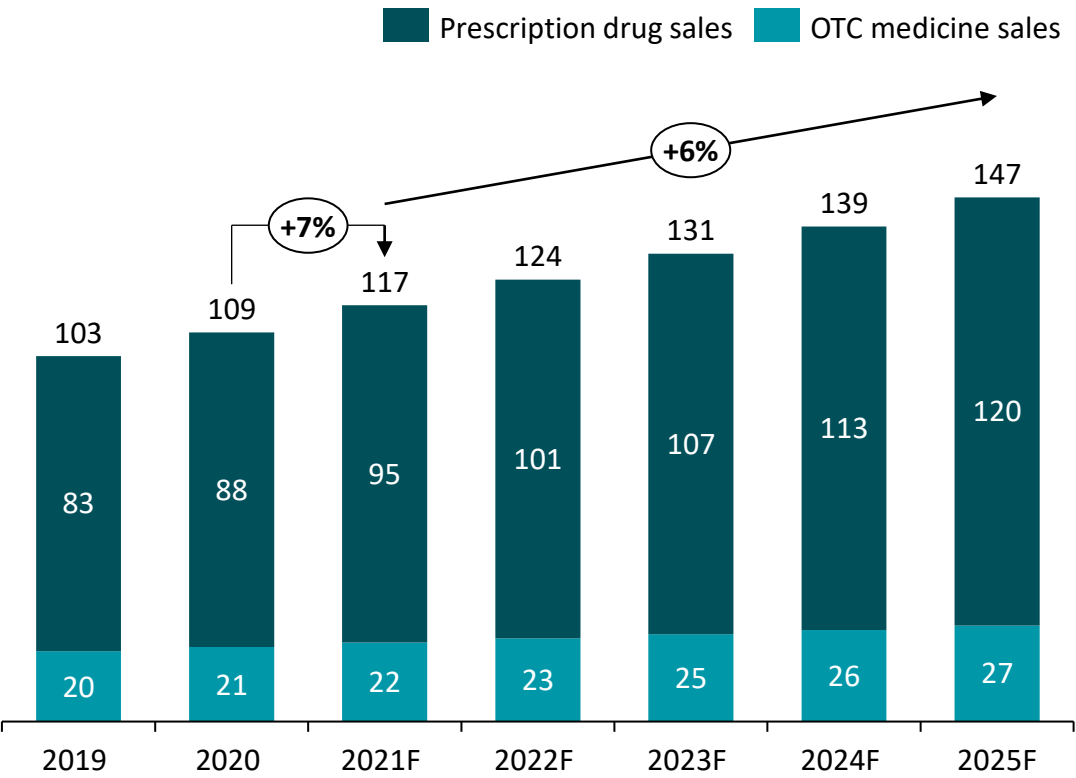
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Pharmaceutical Overview

Increasing pharmaceutical sales account from implementation of universal health insurance and growing number of medicines distribution through hospital

Pharmaceutical sales

Unit: THBbn

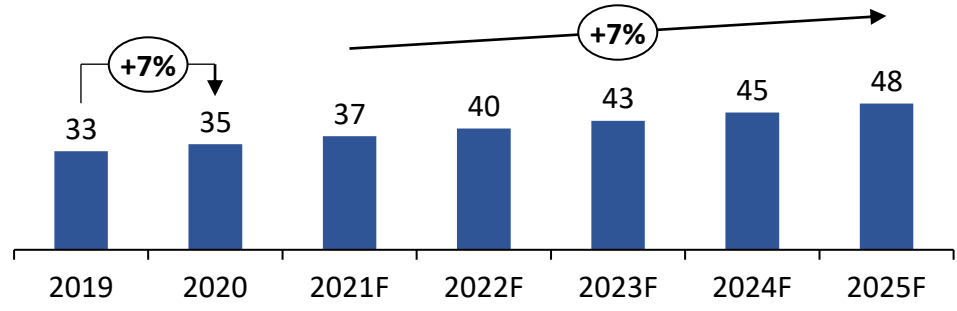


Source: Deloitte Analysis, Fitch Solutions and Krungsri research
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Original and generic drug expected to see continuous annual sales uplifts due to therapeutic area such as chronic diseases and government support respectively

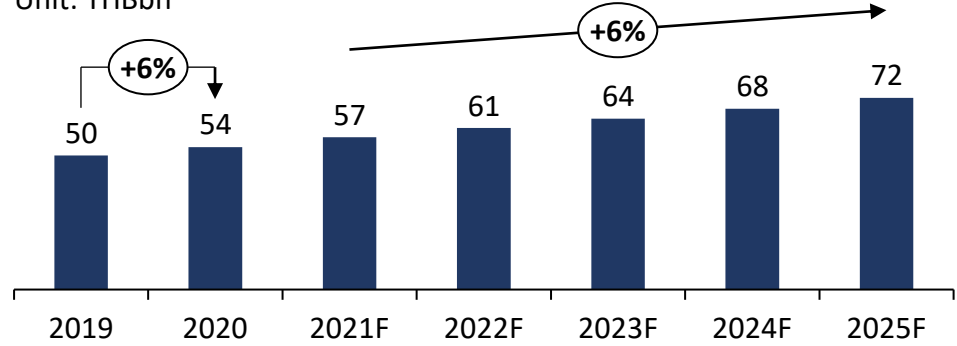
Domestic Original drug/patented sales

Unit: THBbn



Domestic Generic drug sales

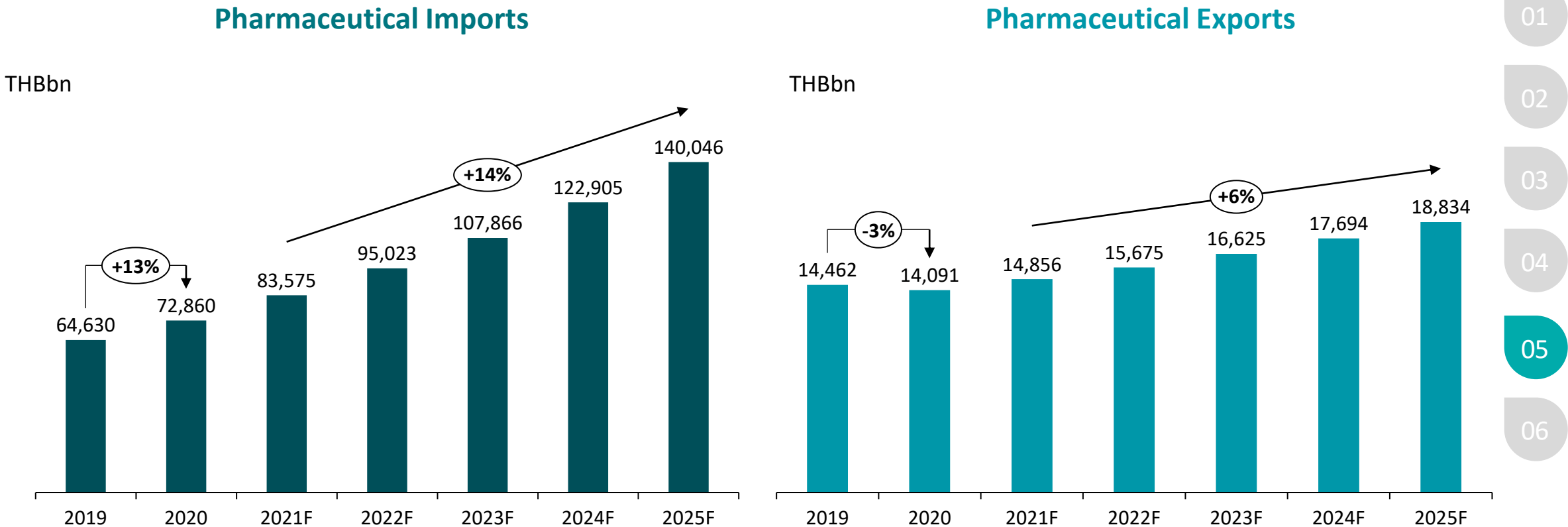
Unit: THBbn



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Pharmaceutical Trade

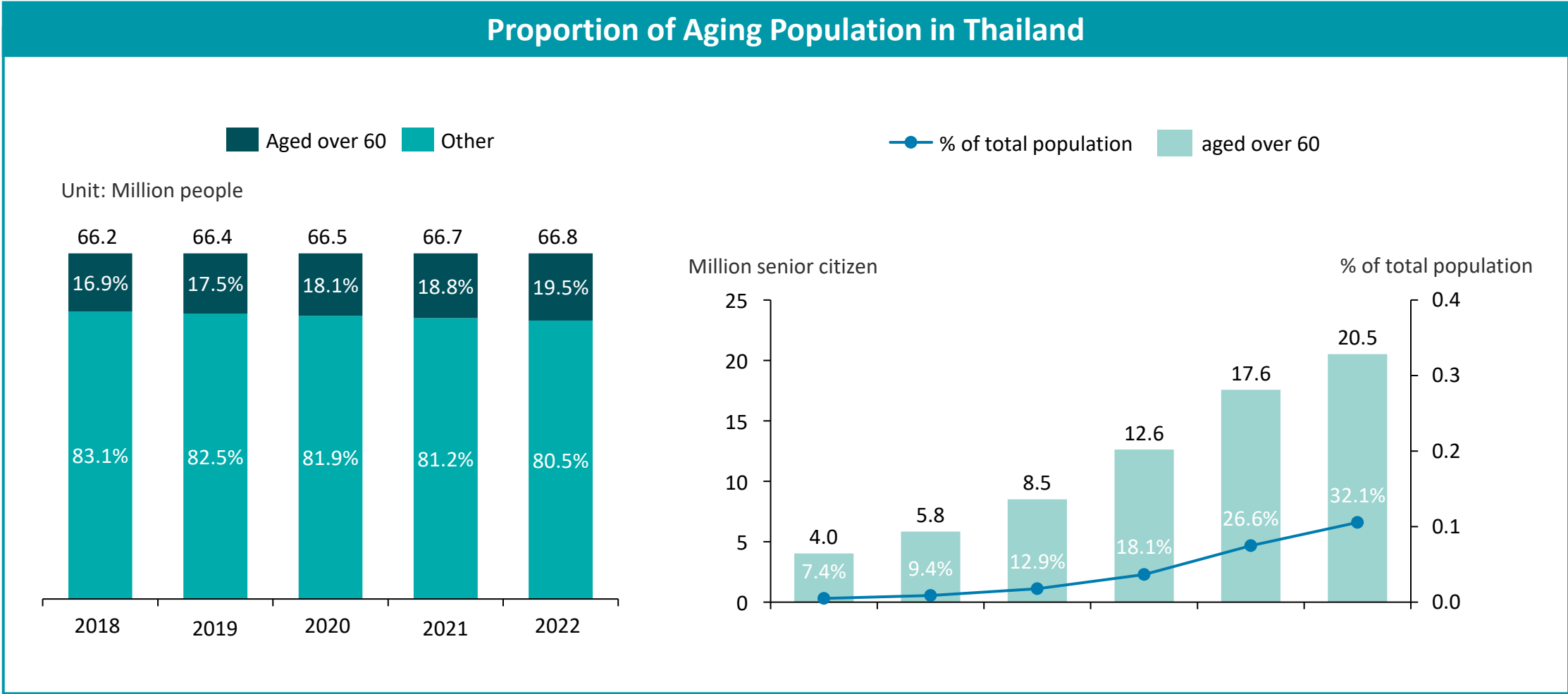
Thailand is heavily dependent on imports, largely reflecting the lack of domestic manufacturers and local preference for patented medicines, many of which can only be imported from abroad. Exports will increase due to high demand for generic medicines in both regional and global markets



Source: Deloitte Analysis, Fitch Solution

Aging Population

In 2022, Thailand is closing in on becoming an aged society with 19.5% of total population aged 60 or more. By 2030, it is expected that the population group will be at 26.6%



Source: Deloitte Analysis, NESDC

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Recommended Deloitte POVs and Key Information

Article



Biopharma leaders prioritize R&D, technological transformation, and global market presence

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Securing trust in the global COVID-19 supply chain

[Read more](#)

Key Information

- The direct effects of the pandemic include suspended trials for drugs other than those for COVID-19, delayed product launches, inability of the sales force to carry out in-person visits, supply chain disruption, and overall delays in drug commercialization.
 - Consumers are changing their attitudes and behaviors in numerous ways—from increased use of technology and willingness to share data, to their interest in using tools to make decisions about prescriptions and care.
-
- The pandemic has led to unparalleled collaboration between life sciences organisations, academia, and other health care stakeholder around the world to advance a COVID-19 vaccine.
 - To secure public trust, organisations and governments will need to:
 - Advance industry collaboration across the value chain
 - Embrace and promote global standards for supply chain security
 - Anticipate challenges for safe and efficacious delivery of vaccines
 - Use clear and transparent communications for vaccine confidence

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Thought Leadership

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Trending Articles

Thailand's boardrooms are bringing sustainability to the top

As the global climate crisis continues to unfold, companies are acknowledging the high stakes of sustainability not only for the benefit of the environment, but also for their own productivity and competitiveness. It is now time for the board to revisit their policies covering sustainability, and consider how they can prioritise sustainability for long term value creation.

[Read full article](#)



2022 Renewable Energy Outlook

The change in renewable energy industry has been accelerated more than before. In just a decade, renewable energy's contribution to US electricity generation has doubled—from 10% in 2010 to 20% in 2020.

For Thailand's electricity generation in 2021, renewable energy had contributed to about 10% which increased from that of in 2011 at 2%.

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Trending Articles

The Future of Automotive for Thailand

Over the years, we have seen extensive development of electric vehicles (EV), starting from the Hybrids Vehicle era to the Plug-in Hybrids Electric Vehicle (PHEV). Recently, Battery Electric vehicles (BEV) have surprisingly gained the most attention from customers. The aggressive competition between carmakers is saw. What would the automotive industry in Thailand look like in the long-run?

The forecasted trends for automotive have been grouped under four major categories, a.k.a. CASA Trends. CASA is simply an acronym for C-connectivity, A-alternative drivetrain, S-shared mobility, and A-Autonomous Driving.

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Impact to Automotive Supply Chains in Thailand

Supply chain challenges are increasingly daunting, with suppliers and relationships constantly shifting. Auto suppliers navigate new terrain. A recent analysis of financial data from nearly 300 top global automotive suppliers makes this point even more evident. The projections for the 2020–2025-time frame found that the transition from ICE to BEV will affect the market size of the supply chain in various dimensions, including growth, stagnant, and decline.

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Trending Articles

Metaverse: Applications and Business Opportunities

Metaverse, which is aimed to continually optimize users' digital life experiences through XR, is also becoming a topic for executives to address as they consider their companies' growth, talent strategies, and opportunities. Their downstream application scenarios are increasing, such as in the industrial field.

Metaverse is currently in its initial stage, spanning 2021-2030. But at the mature stage from 2031, industries would gradually share data and develop unified standards, and accomplish integration.

Unlimited reality blurs the line between offline and online channels and represents rapidly growing opportunities in almost all industries from hardline products to services like education and healthcare.

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Metaverse on the board's agenda

Boards may benefit from exploring their possible uses to familiarize themselves with the technology and better understand its applicability to the broader organization. Two key drivers of the metaverse are advancing technology which promoting connectivity and immersive experiences through high-speed advanced networking, and people are spending more time than ever before interacting with digital systems and socializing in digital environments, especially expedited by the pandemic.

There are questions on metaverse that for the board to consider asking.

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Trending Articles

IPO Readiness

Initial Public Offering (IPO) is a process to offer shares of a private corporation to the public in a new stock issuance, a journey that is continuity from preparation, filing, and maintaining systems. Many companies see the IPO as one of the finish lines in creating growth and sustainability for the organization. Advantages and challenges for IPO are crucial factors for leaders making decision to go public.

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Cryptocurrencies: To control the Uncontrollable?

The use of cryptocurrencies has become a true test of strength in the debates of advantages in using cryptocurrencies over the traditional 'money'. The kick-start event of the regulations in Thailand comes from the fundraising of J-fin coin in 2018 which were sold out within a few days. In response to that, the royal emergency decree governing digital assets was enacted. Since then, Thai regulators have been following up with the development of the industry and gradually issued sub-regulations in response to the action of players in digital assets network.

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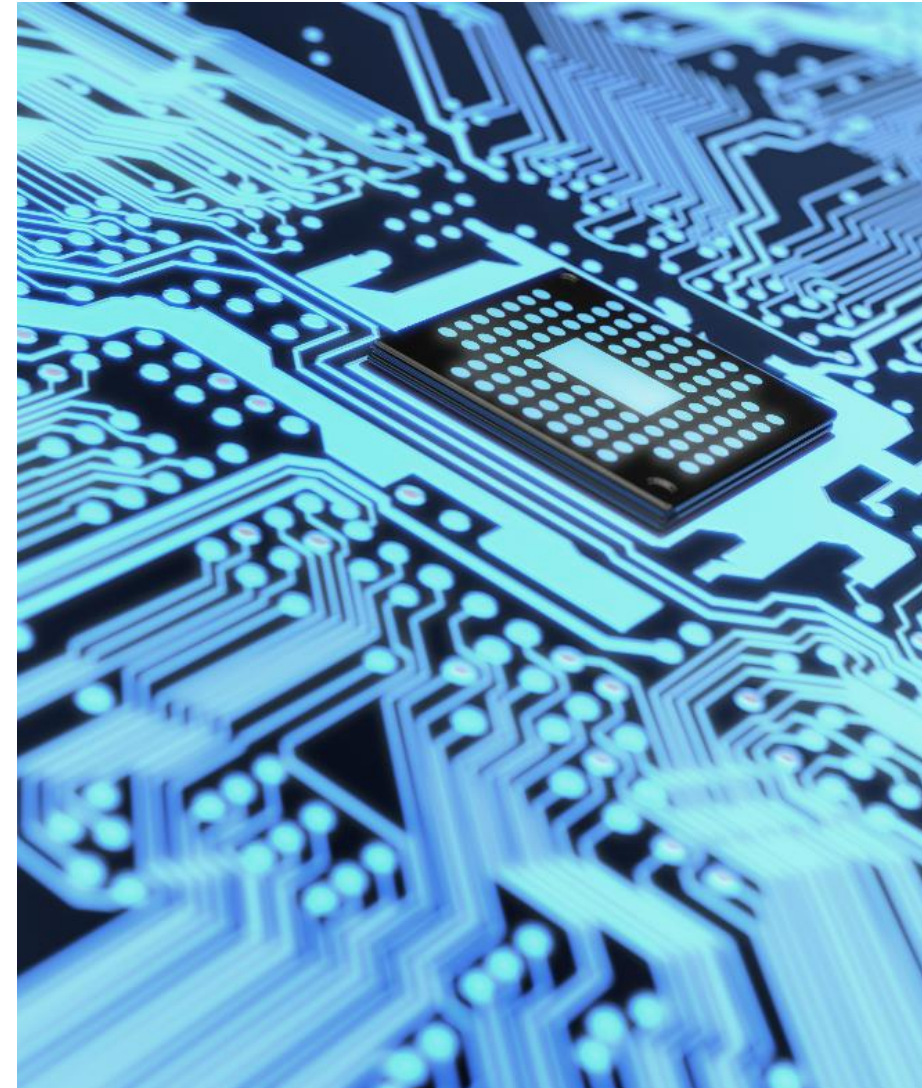
Trending Articles

How semiconductor plays as a crucial element for economy

The surge in demand of smart devices, automotive, and other products enhanced by chips has caused a series of manufacturing delays and shutdowns. Many kinds of chips are also predicted to be in short supply throughout 2022, with some component lead times pushing into 2023. Meanwhile in Thailand, as an export hub for semiconductor parts, the industry seems promising as a result of rising global demand.

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