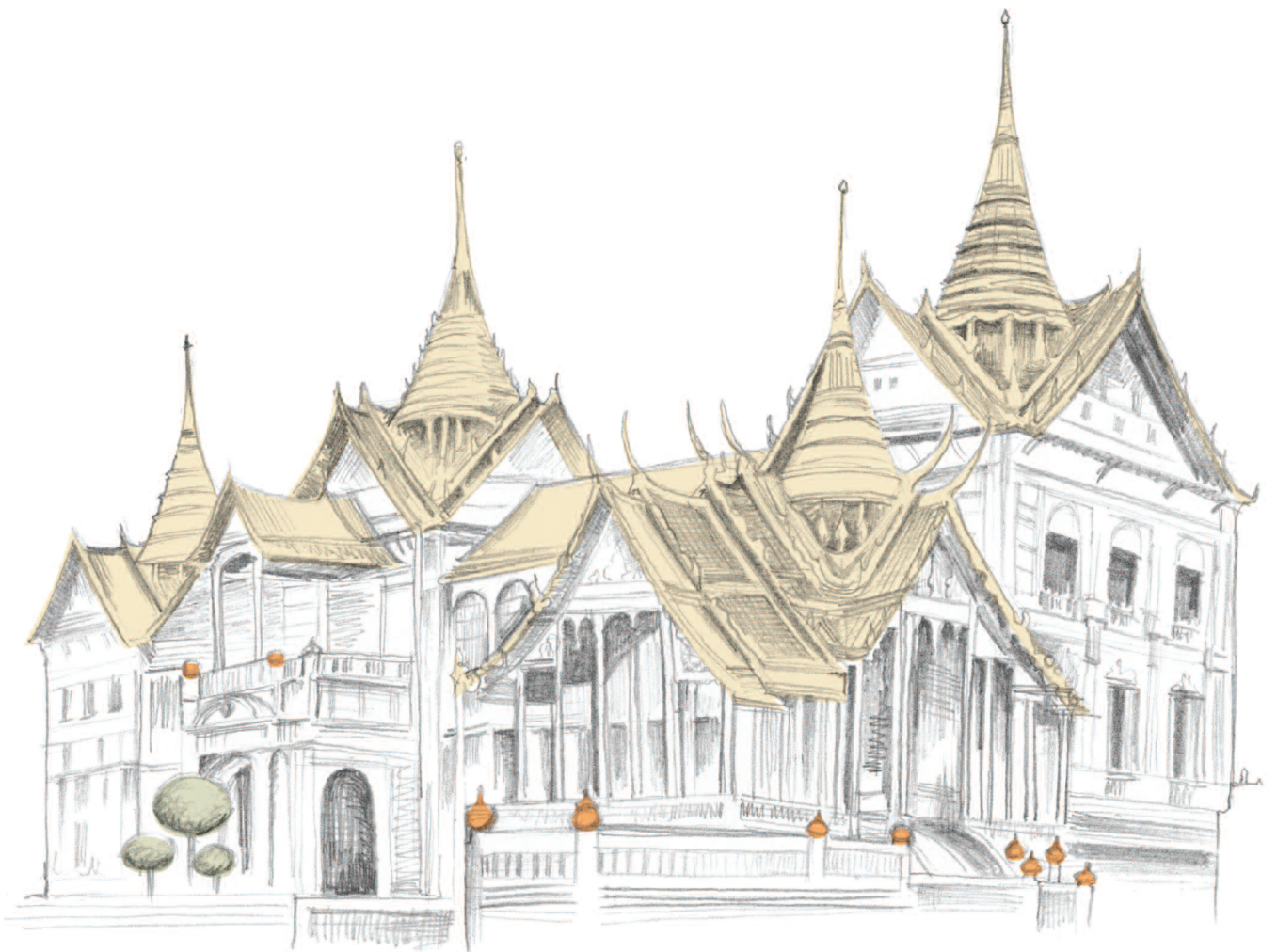


Focus on: Thailand

International Business Report 2010 – Country focus series



Introduction

The recovery

Driven by exports, the Thai economy achieved double-digit year-on-year GDP growth in the first quarter of 2010. However, this has been marred by red shirt protests in March 2010 which have had a significant impact on the tourist sector. Meanwhile, increased international competition means Thailand will have to increase both its skilled labour and productivity in order to effectively compete in the long-run.

The key indicators¹ are highlighted below:

- GDP unexpectedly grew by 0.2 per cent in Q2; against earlier forecasts of a 3.5 per cent contraction which was expected to follow the severe political unrest experienced in the country
- the violent riots contributed to a drop in tourism of 3.6 per cent in Q2, although this was below the 15-20 per cent forecast contraction
- Thai exports for June rose by a reported 46 per cent year-on-year to US\$18 billion; imports increased by 40 per cent at US\$16 billion, to give Thailand a US\$2.3 billion trade surplus
- the unemployment rate rose to 1.54 per cent in May 2010, up from 1.4 per cent at the start of the year
- the headline inflation rate stood at three per cent in September 2010.

Impact on privately held businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Thailand, the experiences and attitudes of its businesses and how they have been affected by the economic crisis along with how they are dealing with the recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Thailand are considerably more optimistic this year as regards the outlook for the economy over the next 12 months, although less than half expect to see an upturn in the global economy by the end of 2010. Businesses are more optimistic regarding employment growth, but regulations/red tape has become a major constraint on potential expansion.



¹ source: International Monetary Fund, The Economist and Experian.

Looking ahead

Thai GDP is forecast to expand by 5.5 per cent in 2010, boosted by growth of the Thailand's trading partners, especially Asia which is expected to drive export growth to 11.3 per cent in 2010. Imports are also expected to increase by nearly 15 per cent as demand from manufacturing industries and private consumption rises. Tourism is expected to pick up towards the end of the year as it is believed it will take six months to recover from the protests.

In 2011, GDP is forecast to slow as exports are not expected to grow at the same fast pace seen in 2010. A general election is to be called in 2011 and if the recent unrest resurges, economic confidence could be hit. As a result, both consumer spending and investment are set to grow but with no significant improvement compared to 2010.

As the economy exits recession, all businesses will face new challenges and will need to take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for businesses

Thailand compared to the Asia Pacific average	2008 TH	2009 TH	2010 TH	2010 Asia Pacific
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	-30%	-63%	+12%	+33%
Change in employment levels				
Balance of businesses expecting an increase over those expecting a reduction	-15%	-1%	+28%	+33%
Constraints on expansion				
Regulations/red tape	39%	13%	47%	29%
Shortage of orders/reduced demand	92%	18%	44%	44%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.



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International Business Report results

The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Thailand are considerably more optimistic about prospects for 2010; their optimism/pessimism balance² has increased dramatically from -63 per cent in 2009 to +12 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

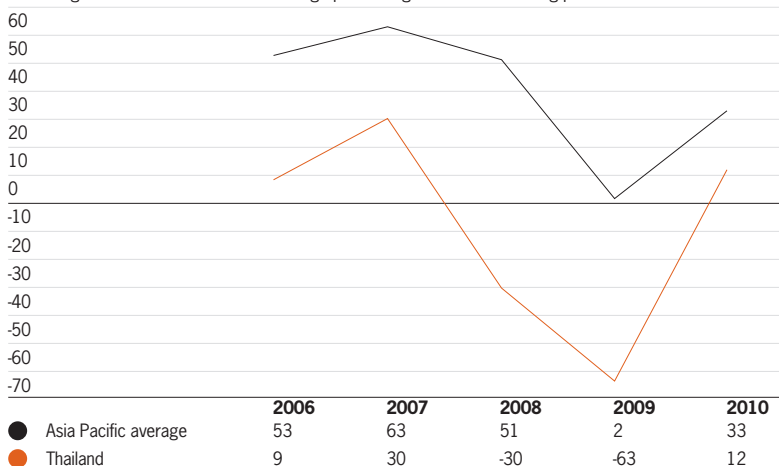
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

Optimism/pessimism

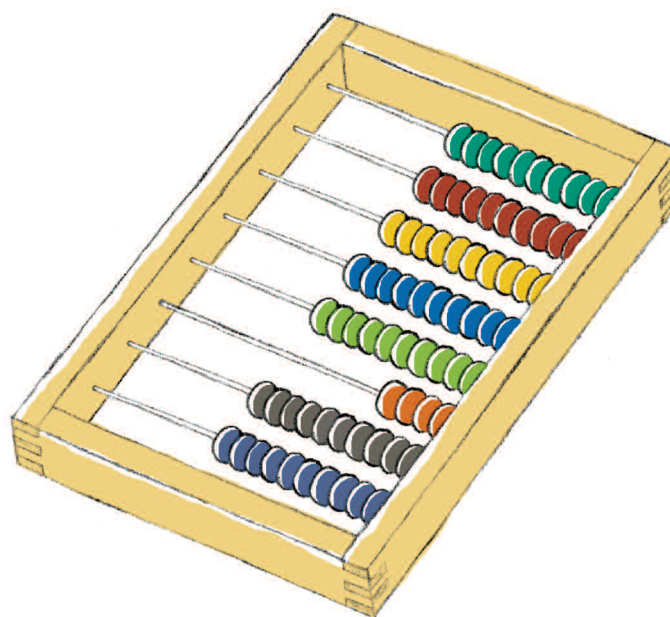
- businesses in Thailand are considerably more optimistic about their economy this year (+12 per cent) compared with 2009 (-63 per cent)
- however optimism still lags the Asia Pacific³ average (+33 per cent)
- optimism amongst businesses in the Asia Pacific region has risen by 31 percentage points this year, from just +2 per cent in 2009 to +33 per cent.

Figure 2: Outlook for the economy over the next 12 months: 2006-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

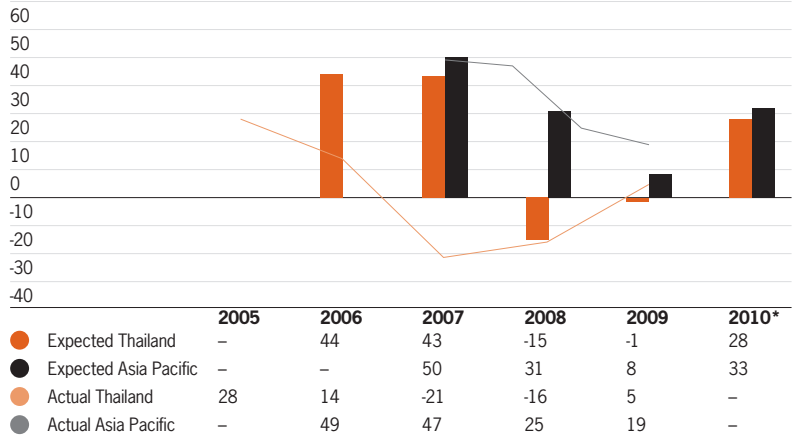
³ for the purposes of IBR, the term 'Asia Pacific' refers to those Asia Pacific economies covered by our survey – Australia, mainland China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam.

Employment

- a balance of +28 per cent of businesses in Thailand expect employment to grow in 2010, compared to -1 per cent 12 months previously
- the Asia Pacific average has risen by 25 percentage points, from +8 per cent in 2009 to +33 per cent
- actual employment growth reported by businesses in Thailand for 2009 (+5 per cent) was better than expected 12 months previously.

Figure 3: Employment history: 2005-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



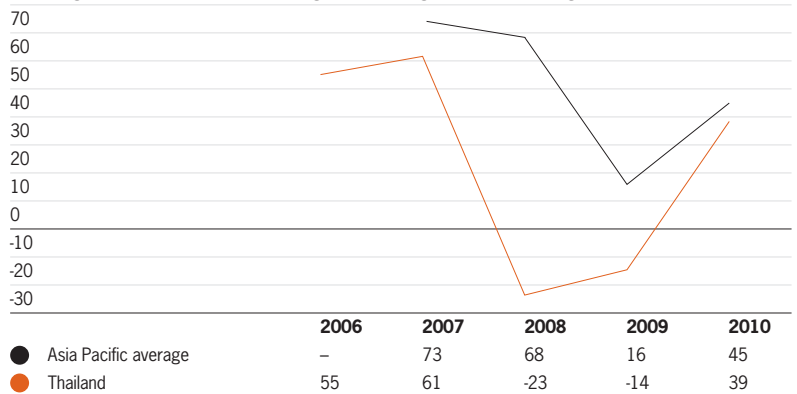
*actual 2010 data will be documented in IBR 2011
Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue have risen by 53 percentage points to +39 per cent this year, up from -14 per cent 12 months previously
- however, this is slightly below the Asia Pacific average of 45 per cent
- the Asia Pacific average has also risen – but less steeply – by 29 percentage points.

Figure 4: Revenue expectations: 2006-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



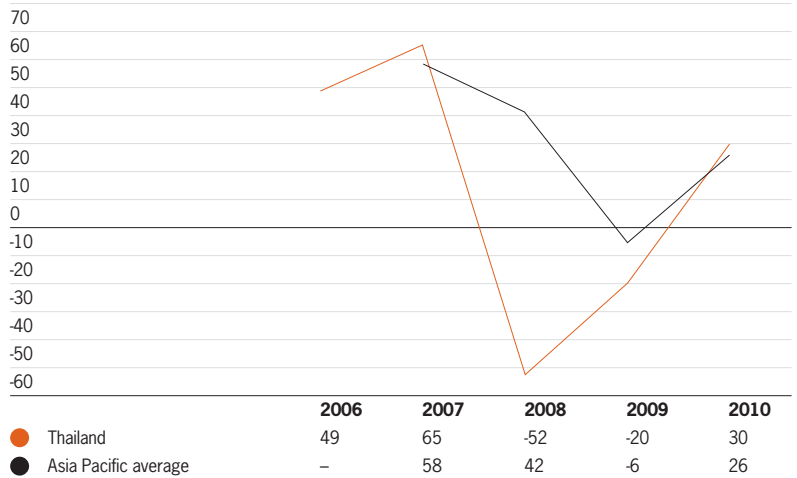
Source: Grant Thornton IBR 2010

Profitability expectations

- the balance of businesses expecting to increase profits in Thailand has also risen this year, by 50 percentage points to +30 per cent
- expectations for profitability are now higher than the Asia Pacific average (+26 per cent)
- the Asia Pacific average has risen by 32 percentage points this year to +26 per cent.

Figure 5: Profitability expectations: 2006-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



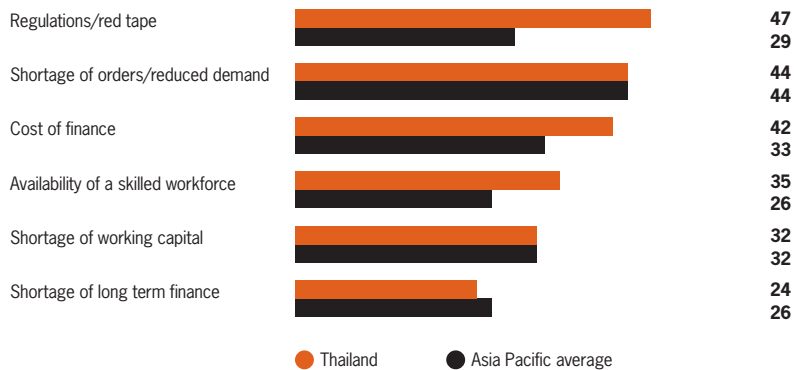
Source: Grant Thornton IBR 2010

Constraints

- regulations/red tape is cited as the biggest constraint on growth for businesses in Thailand (47 per cent), well above the regional average (29 per cent)
- a shortage of orders/reduced demand is cited as the greatest constraint by businesses in the Asia Pacific region as a whole, whilst it is the second greatest constraint for businesses in Thailand (both 44 per cent)
- the proportion of businesses in Thailand citing a lack of availability of a skilled workforce is nine per cent above the regional average.

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



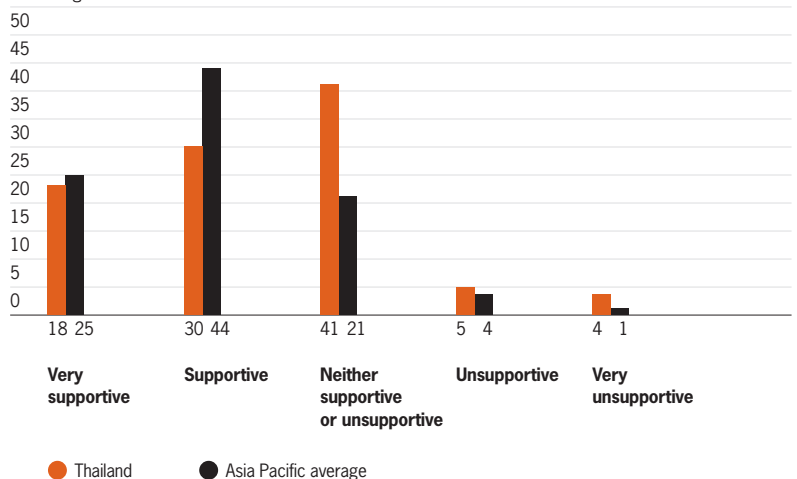
Source: Grant Thornton IBR 2010

Support of lender

- less than half of businesses in Thailand are happy with the level of support provided by lenders; just 48 per cent class lenders as supportive or very supportive towards their business
- this compares with 69 per cent of businesses in the Asia Pacific region as a whole
- nine per cent of businesses in Thailand believe that lenders are unsupportive or very unsupportive of their business, compared to just five per cent across the Asia Pacific region.

Figure 7: Level of support provided by lenders

Percentage of businesses

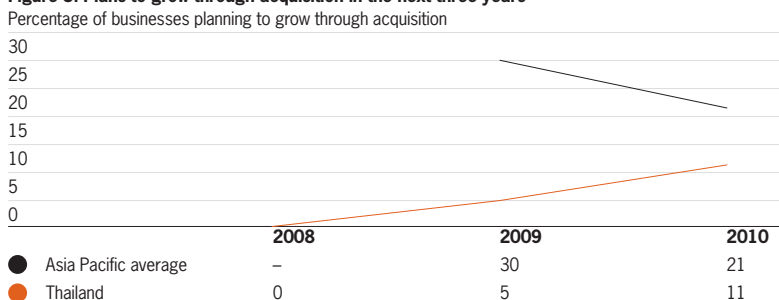


Source: Grant Thornton IBR 2010

Mergers and acquisitions

- the proportion of businesses in Thailand planning to grow through acquisition has risen from just five per cent in 2009 to 11 per cent this year
- however, this figure remains well below the regional average, which dropped nine percentage points to 21 per cent this year.

Figure 8: Plans to grow through acquisition in the next three years

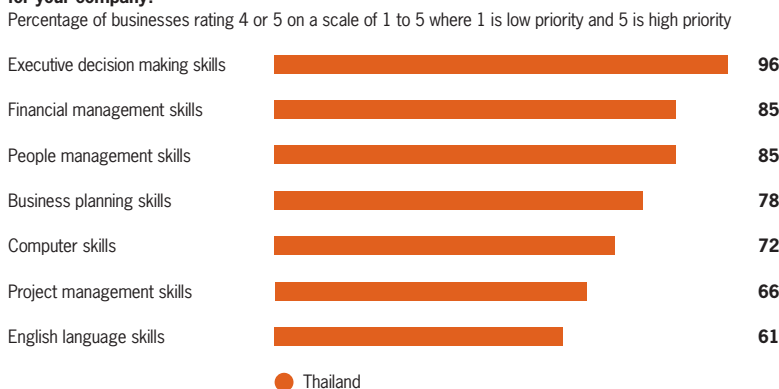


Source: Grant Thornton IBR 2010

Foreign talent

- executive decision-making skills (96 per cent) are the area businesses in Thailand believe are in most need of development
- this is followed by perceived need for financial management and people management skills (both 85 per cent).

Figure 9: What level of priority would you place on each of the following skills development areas for your company?



Source: Grant Thornton IBR 2010

About Grant Thornton Thailand

Grant Thornton Thailand is well recognised by the business community as one of the leading professional service firms in Thailand since 1991. We have helped many clients successfully navigate the Asian economic crisis of the late 1990s, applying a mixture of techniques including debt restructuring, cost cutting and business plan revision. We have also helped many clients grow through acquisition and look into expansion opportunities.

Our services include business consulting, external and internal auditing service, domestic and international tax planning, corporate finance advisory, restructuring and reorganization, merger and acquisition, forensic/investigation, risk management, finance & tax due diligence, transaction support, valuation, exit strategies, executive recruitment, succession planning and remuneration planning.

To learn more about our firm, please visit our website www.grantthornton.co.th

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