BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN THAILAND 2022

A REPORT FROM TEAM SWEDEN IN THAILAND

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REPORT IN KEY FIGURES

COVERAGE

71%

Of the invited Swedish companies responded to the survey

BUSINESS AREAS

of the responding Swedish companies

14% Consumer

41% Industrial

27% Professional Services

SWEDISH BRAND

57%

Report that the Swedish brand contributes positively to their business

PROFITABILITY

57%

Of respondents reported profitability the past year

BUSINESS CLIMATE

Poor / neutral

Potential in the market

47%

Of the responding companies will increase investments in Thailand in the following 12 months, only 9% will reduce investments

ADVANTAGES

***Top 3 advantages** of doing business in Thailand:*

1. *Personal safety*
2. *Suppliers & service providers*
3. *Distributors*

CHALLENGES

***Top 3 challenges** of doing business in Thailand:*

1. *Customs procedures*
2. *Customs duties*
3. *Regulations*

SUCCESS FACTORS

of Swedish companies

- ✓ *Cost efficiency*
- ✓ *Customer feedback*
- ✓ *Staff development / training*

EXECUTIVE SUMMARY

Thailand, just like most economies across the globe, has gone through a rough couple of years. With its high dependency on tourism, it is no surprise that the Thai economy was hit the hardest in the region. While Covid-19 steadily morphs towards an endemic disease, we can see that the financial outlook among Swedish companies is positive.

Interestingly, the companies' view on the Thai business climate does not correspond with their rather strong financial performance. Only 16 per cent of the respondents stated that they perceive the current business climate is good or very good – the lowest reported figure in Southeast Asia and the second lowest globally, after Hong Kong. This goes to show that the challenges on the market are other than strictly financial.

Swedish companies in Thailand mostly remain profitable (57 per cent of the surveyed companies in Thailand stated profitability projections for 2022) and foresee an increased turnover in the upcoming 12 months (77 per cent believe in an increased turnover), the latter being second-most positive outlook among the surveyed Southeast Asian markets. A large number of companies state that they plan to increase their investments in Thailand in the near future. The Thai economy is recovering but not as fast as in the other ASEAN countries casting a shadow of stagnation over Thailand.

The Swedish companies see Thailand as a predominantly sales- and customer-oriented market, where cost-efficiency and customer feedback were listed as the most important factors in order to maintain competitiveness. We can also observe a slight, however not significant, shift in the importance of sustainability as a purchase criterion among Thai customers.

Those challenges are reflected in this year's Business Climate Survey too. Swedish companies experience the biggest hardships when dealing with customs duties and customs procedures. One third of Swedish respondents also state that they have experienced corruption in one form or another when conducting business in the country. Low English proficiency in combination with complex bureaucracy and lack of renewable energy sources further add to the challenges reported in the survey.

In summary, the Swedish industry in Thailand is doing well from a purely financial point of view, but it is not a market without its challenges and shortcomings.

FOREWORD

The purpose of this report is to help the reader in increasing the understanding of Swedish companies' recent performance in Thailand and further explore the opportunities and challenges that the Thai market poses. In addition, it will hopefully serve as a reference in bilateral trade relations between Sweden and Thailand.

Team Sweden has carried out the Business Climate Survey, calling on Swedish companies active in Thailand, regardless of size or industry, to report back on how they perceive economic and market conditions, and to comment on factors such as sustainability and innovation. Of the identified Swedish companies in Thailand, 71 per cent participated in this report – a high response rate which should thus provide a nuanced outlook of the Swedish business in the Thai market.

Considering the global health crisis, geo-political turbulence, component & raw material shortages, and the untangling of global supply chains during the last three years, Swedish companies are resilient in their economic endeavours and show a continued willingness to economically engage with Thailand and establish new subsidiaries in the market. It is no secret that the pandemic has greatly affected Thailand. Being a country heavily reliant on tourism in combination with strict Covid-19 restrictions, the Thai economy was significantly affected, in many areas more so than its Southeast Asian neighbours. The Thai economy is expected to rebound to pre-pandemic levels only by 2023 and while the tourism is recovering, it is however uncertain whether it will ever reach the 2019 all-time-high of nearly 40 million arrivals.

Swedish companies currently have a predominantly neutral or negative outlook on the current Thai market, in stark contrast to all the Southeast Asian neighbours surveyed during 2022 (Malaysia, Singapore, Vietnam, Indonesia). This can be explained by not only a stagnated economy but also a growing positivism toward the rapid development of neighbouring nations in the region.

48 per cent of the respondents have a neutral view on the Thai business climate while 31 per cent view it as poor. Only 16 per cent of the participating companies have a positive or very positive perception of the Thai business climate. In this respect, the sentiment toward Thailand is the lowest amongst the surveyed Southeast Asian countries.

This business climate survey aims at showcasing the current state of Swedish business and industry engagements in Thailand and shed a light upon how to best tackle the apparent challenges that the Swedish industry is currently facing. It's our sincerest hope that based on this report we can further strengthen and stabilise our bi-lateral trade and investment relations for the upcoming years.

Lastly, we would like to extend our most sincere gratitude to the participating companies and respondents who have contributed to this report.

Jon Åström Gröndahl
Swedish Ambassador to Thailand

Carl Lindwall
Swedish Trade Commissioner to Thailand

Peter Björk
President, Thai-Swedish Chamber of Commerce

ABOUT THE SURVEY

A high participation rate among Swedish companies provides a nuanced view on the Thai business climate

Business Climate Surveys aim to map the opportunities and challenges that Swedish companies face when doing business around the world. The Thailand survey was conducted in May of 2022 to ascertain how Swedish companies performed in 2021 as well as their expectations for 2022 and onwards.

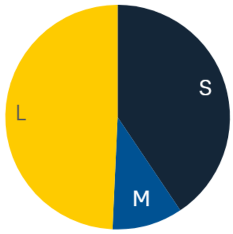
Team Sweden in Thailand has prior to the 2022 Business climate survey produced two prior reports, one in early 2018 and the latest in early 2020. These reports were both conducted prior to the outbreak of the Covid-19 pandemic. Each report has offered Swedish companies, representing all industries, ages, and sizes, to participate in the survey. This has allowed the survey to cover a large range of companies, industries, and various points of views. The participants are presented with an opportunity to elaborate on how they perceive the economic environment, market conditions as well as comment on the regulatory and legal frameworks and their opinion on the ease of doing business in Thailand.

In 2022, Team Sweden identified 104 Swedish companies present in Thailand, of which contact information could be acquired to 98. The respondents were local MDs, CEOs, Country Managers, or otherwise the most senior officer locally present in the country. Of these 98 contacted companies, complete responses were received from 70, implying a response rate of 71 per cent.

It is seldom easy to define what constitutes a 'Swedish' company – Team Sweden here used a pragmatic and liberal definition, where companies with majority-Swedish ownership, foreign-owned but with a strong Swedish legacy and/or significant employment in Sweden (e.g. Volvo Cars), or majority-Thai distributors working primarily on behalf of Swedish companies were all invited to participate. Passive companies (not filing financial results in the last years) were excluded, as well as holding entities, and one-man entities without active operations. In addition to the quantitative data collection, nine companies were invited to in-depth interviews during July and August, to provide deeper nuance and greater granularity. These companies were hand-picked with the purpose of securing a good spread of size, industry, and age. On top of answering questions related to their performance and perceived business climate, the respondents are also asked to comment on factors such as their perceived importance of sustainability and innovation while conducting their operations in Thailand.

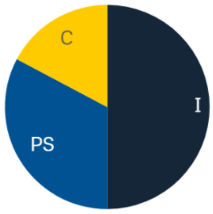
It should be highlighted that any data presented in this report solely mirrors an insight on the Thai market from our respondents' point of view – the Team Sweden authors are to the extent possible not speculating behind reasons behind specific responses. It should also be noted that the responses were collected shortly after Russia's invasion of Ukraine and the subsequent ongoing war, therefore responses should be interpreted considering these recent developments and the impact it may have on global supply chains.

SIZE OF COMPANIES



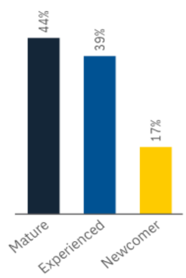
NOTE:
Global employees.
Large >1000 49%
Medium 250-1000 10%
Small 0-249 41%

MAIN INDUSTRY



NOTE:
Industrial 41%
Professional services 27%
Consumer 14%

AGE OF COMPANIES



NOTE:
Mature (-2000)
Experienced (2001-2015)
Newcomer (2016-)

We hope that this report will allow you to explore how different companies within various industries are affected by the ever-changing business climate, both on a global and national level. With this report, Team Sweden aims to better uncover the current market conditions and situation to help the reader navigate and understand the Thai market, as well as predict future outlook.

Should you be interested in discussing the results, or to obtain access to Business Climate Surveys for other markets, please contact Business Sweden at ask.thailand@business-sweden.se.

> **We have had operations in Thailand since the 1970’s.**
>
> **CEO**
> Swedish Industrial Company

Swedish footprint in Thailand

The early Swedish entrants into the Thai market entered in the 1960s and the 1970s, following a general uptake in foreign direct investments into Thailand, driven in no small part by Japanese players. These companies were often large Swedish multinational companies with global reach. The rate of establishments halted somewhat during and immediately following the 1997 Asian Financial Crisis. With an uptake during the 21st century, the number of Swedish companies in Thailand have been growing steadily each year during the last two decades. These companies with a more recent footprint generally operate in a diverse field of sectors and in general tend to be slightly smaller players, often in specialised fields and supplying to Thailand’s most significant industrial sectors – especially manufacturing equipment and automotive.

Looking at establishment data, it is clear that the number of new entrants during and immediately following years of uncertainty (e.g., aforementioned 1997 Asian Financial Crisis and the 2006 and 2014 coup d'état) tend to temporarily decrease. A total of 18 per cent of the respondents mentioned that they have entered the market during the last five years which shows that Thailand remains an interesting destination for Swedish companies to establish new businesses. We see a steady influx of new businesses being established in Thailand after 2016 and onwards. A total of 43 per cent of the respondents is said to have entered the market already before the year of 2000 indicating the importance and longevity of the Thai market for Swedish businesses.

41 per cent of the responses came from small companies (less than 250 global employees), 10 per cent from medium-sized (between 250 – 1000), and 49 per cent were larger corporations (more than 1000 global employees).

As for the various industry sectors, 41 per cent of the companies reported primarily working in the Industrial sector, 27 per cent in the Professional Services and 14 per cent from the Consumer sector.

ECONOMIC OUTLOOK

A harsher market laced with growing optimism characterises the Swedish economic outlook perception

The results of the 2022 Business Climate Survey indicated that the Swedish companies have not been unaffected by a more difficult business climate during the last three years.

During the turn of the millennium, Thailand experienced significant economic growth that has stagnated during the recent years, especially after the 2014 coup d'état. Thailand remains the second largest economy in Southeast Asia, serving as an important regional hub. The economic turbulence of the past few years induced by Covid-19 has been significant and has hit Thailand especially hard. However, as flows of people, goods and ideas resume and Thailand re-opens, together with the recovering world economy, most financial analysts expect Thailand's economy to reach pre-pandemic levels by 2023, barring any unexpected black swan-type of events. The Thai economy is heavily reliant on tourism and manufacturing (including but not limited to the important automotive sector, electronics, and heavy industry), and financial services, and more than 58 per cent of Thailand's GDP stems from services.

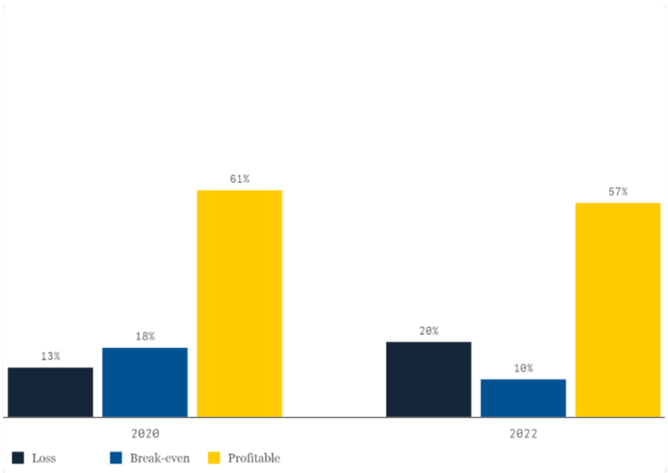
"We believe there is still a lot of potential in the Thai market.

CEO
Swedish agricultural company

Swedish companies remain profitable in Thailand

Building on the previous Business Climate Survey from 2020, the financial performance of the Swedish companies in Thailand is stable. A total of 57 per cent of the respondents reported a profitable operation, 10 per cent reported break-even results while 20 per cent reported a loss (it should be noted that all figures in this report do not necessarily add up to 100 percent, due to rounding or incomplete responses). This could be compared to the last report's results where 61 per cent of the surveyed companies reported profitability, 18 per cent reported break-even results and only 13 per cent reported a loss on their operation.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN THAILAND IN 2022?



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022

It is important to bear in mind that the surveyed companies in 2020 reviewed the pre-pandemic year of 2019. We can see this as an indication that the Swedish companies are continuing their financial recovery and are slowly reaching pre-pandemic results.

When breaking down the results it can observed that profitability is significantly higher among large corporations, 76 per cent, while only 29 per cent of the medium sized companies and 39 per cent of the small sized companies reported profits. Smaller and medium sized companies have fewer resources to fall back on and thus are more sensitive to market fluctuations. Moreover, the higher percentage of smaller sized companies being more profitable could, perhaps, be explained by their lower costs, higher flexibility and agility on the market.

Similarly, when analysing the length of time that the company has been established in Thailand, mature and experienced firms fared the best, with the vast majority reporting profitable operations. In comparison, newcomer firms faced with the wide-ranging challenges of entering a new market had a less profitable year, with 27 per cent reporting a profitable operation.

Lastly, looking at the results, we can conclude that the Swedish industrial companies have achieved the best financial returns compared to their counterparts in the service and consumer goods sectors.

“

Growth rates in comparison to regional neighbours are lacking.

Market Manager
Swedish SaaS company

Thailand is lagging in comparison to its neighbours in terms of GDP recovery

The Thai economy has been through some turmoil during the pandemic years, foreseeing a full recovery from pre-pandemic times by late 2023. We can observe a clear and sustained recovery in the country, yet this recovery is not as rapid as in the markets of its Southeast Asian neighbours.

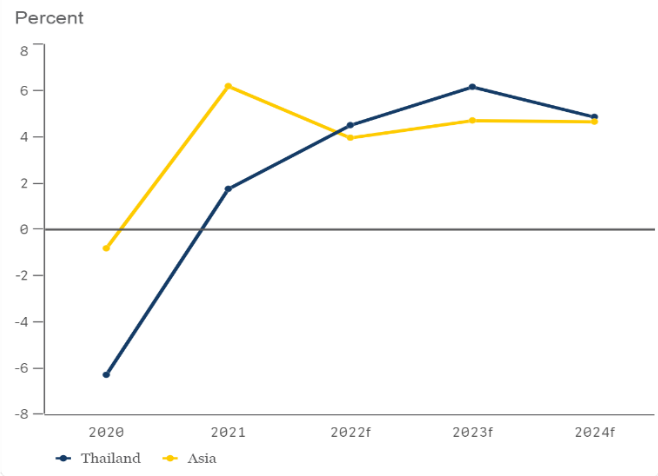
The slower than anticipated recovery can be attributed to a weaker domestic spending caused by high inflation and resulting in a lower purchasing power. The changed patterns in tourist behaviour are also a major contribution to the country’s lagging recovery. An increase in domestic or inter-union travel in Europe and the United States combined with closed Chinese borders hits heavily on the, still, highly tourist-dependent country.

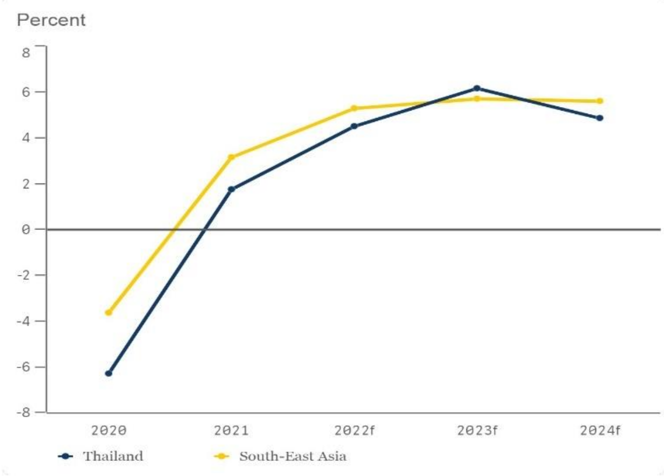
Compared with other Southeast Asian currencies, the Thai Baht is forecasted to remain weak towards the American Dollar and the Euro, while the Malaysian, Singaporean and Philippine currencies would gain in value. This further contributes to a lower Thai purchasing power but parries the economic consequences with increased exports.

It is important to bear in mind that Thailand is doing well in sectors such as IC & Semiconductor, Electronic Appliance and Chemicals. Those segments exceeded pre-pandemic levels already in Q3 2021.

Thailand’s automotive sector remains one of their main GDP contributors amounting to around 12% of GDP. The government has recently announced plans to counteract increasing manufacturing competition in the region with investments and infrastructural reforms to shift parts of its industry towards EV manufacturing.

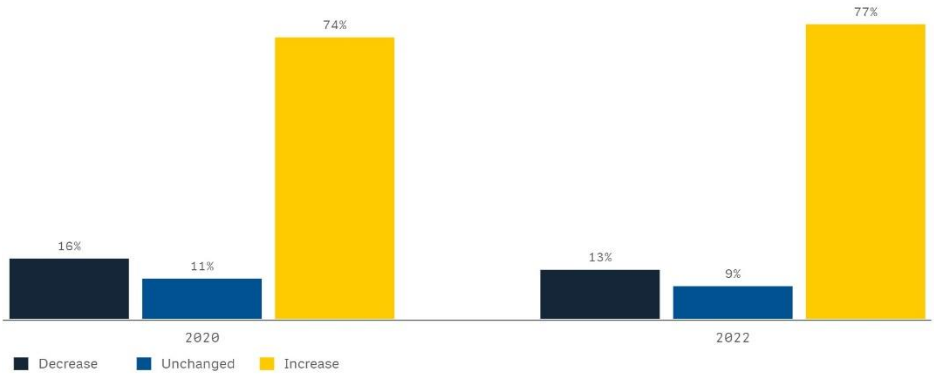
PROJECTED GDP GROWTH IN THAILAND





NOTE: Constant prices.
SOURCE: Oxford Economics 23 May 2022

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN THAILAND REGARDING TURNOVER?



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

Most Swedish Companies predict a higher turnover as the pandemic fades

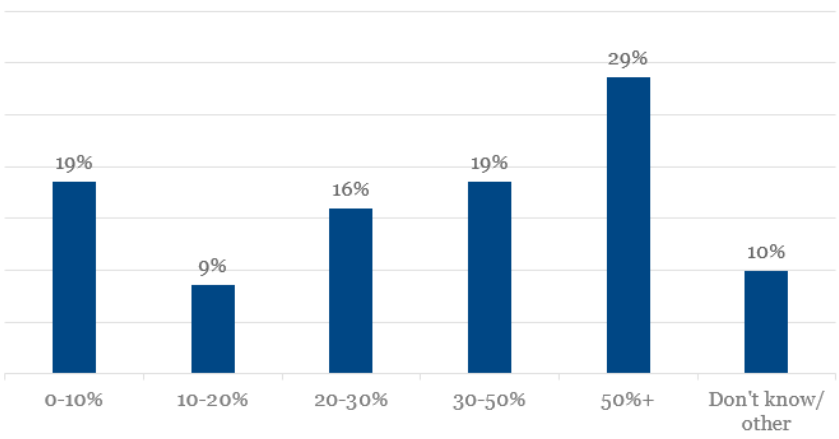
The turnover expectations in Thailand are currently showcasing a strong positivism towards the future. Of the surveyed companies, 77 per cent believe that their turnover will increase slightly or increase significantly in the upcoming 12 months. When analysing the results deeper we can see that the positivism is equally distributed among the industries.

These positive expectations are reasonably uniform across company size and sector. The mature and experienced companies on the Thai market are most positive towards an increased turnover in the future and can be explained by a better and more stable financial performance during the last years.

Interestingly enough, the positivism connected with an increased turnover is significantly higher in Thailand than, for example, the neighbouring Indonesia (53 per cent of the surveyed companies in Indonesia believe in an increased turnover this year). The business climate is however still perceived as better in Indonesia (39 per cent of the companies viewed the business climate as good or very good) showing that Thailand faces other, structural challenges, rather than purely economic ones.

> **“Thailand is a profitable market for us, and we intend to stay and invest.**
>
> **General Manager**
> Swedish Industrial Company

APPROXIMATELY WHAT SHARE OF YOUR REVENUE IN THE SOUTHEAST ASIA REGION COMES FROM THAILAND?



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

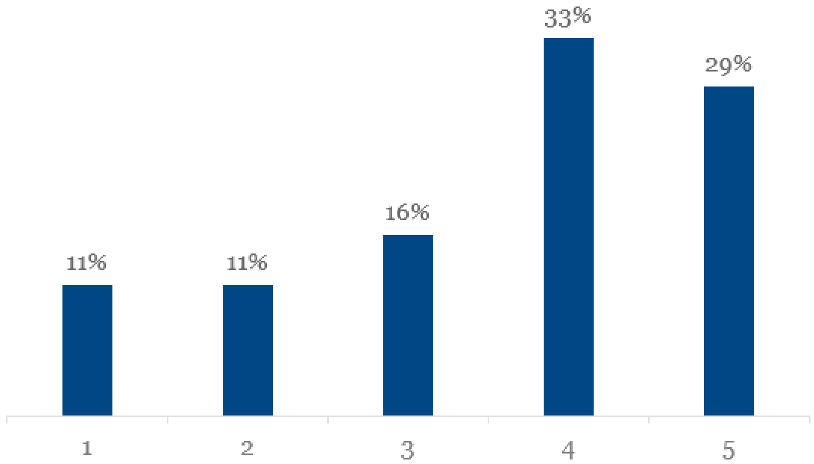
The Covid-19 pandemic has greatly affected the Swedish companies in Thailand

While Europe and the United States has entered the endemic stage of the Covid-19 outbreak, the virus is still widespread. Even in Southeast Asia, the Covid-19 virus has mutated to a less fatal one and the entire region is or already has eased most societal restrictions. It is safe to say, unless new immunity-evading mutations occur, that we have that worst behind us. But how did the pandemic affect the Swedish companies in Thailand? Significantly, according to the survey, 62 per cent of the respondents answered that they have been greatly affected by the Covid-19 outbreak. Only 22 per cent stated that they haven't been affected or to a limited degree affected.

At the same time the Swedish companies in Thailand are generally profitable in the kingdom, showing that the negative effects of the pandemic must be other than financial. During our interviews with chosen respondents, several people mentioned a disrupted supply chain as a major effect of the pandemic together with closed borders and socio-psychological factors.

> "We will feel the impact of today's supply chain disruptions next year.
>
> **General Manager**
> Swedish Pharmaceutical Company

HOW HAS THE COVID-19 PANDEMIC NEGATIVELY AFFECTED YOUR FINANCIAL PERFORMANCE?
(1: Not at all, 5: To a great extent)



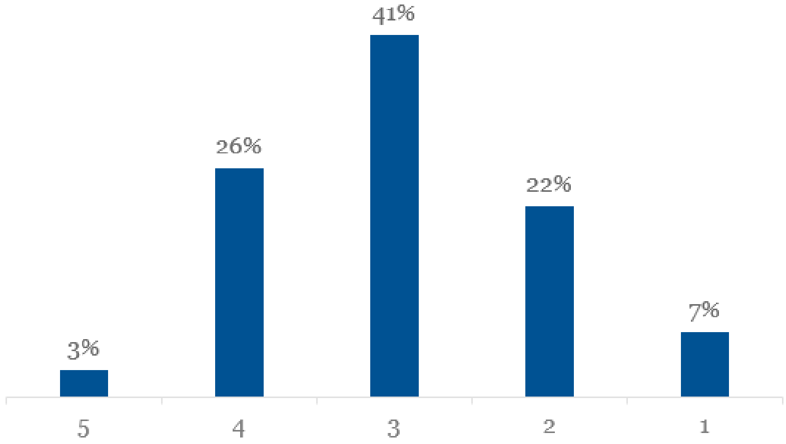
NOTE: The number of respondents for this question was 70. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

> "Covid-19 impacted our business mostly from employee perspective.
>
> **General Manager**
> Swedish Industrial Company

Furthermore, Swedish companies are divided in their satisfaction with the Thai government's handling of the Covid-19 pandemic. Of the surveyed companies, 29 per cent were satisfied or very satisfied with the government's efforts, while the precise same number of respondents stated the exact opposite. One could argue that this shows that the Thai Covid action plan was more beneficial for some sectors and business while disregarding others.

41 per cent of the respondents had, however, a neutral view on the Thai government's pandemic efforts, which is not a negative result by any means.

HOW DO YOU FEEL THAT THE OVERALL COVID-19 PANDEMIC HAS BEEN HANDLED IN THAILAND
(1: VERY POORLY, 5: VERY WELL)



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

Swedish companies plan to increase investments in Thailand

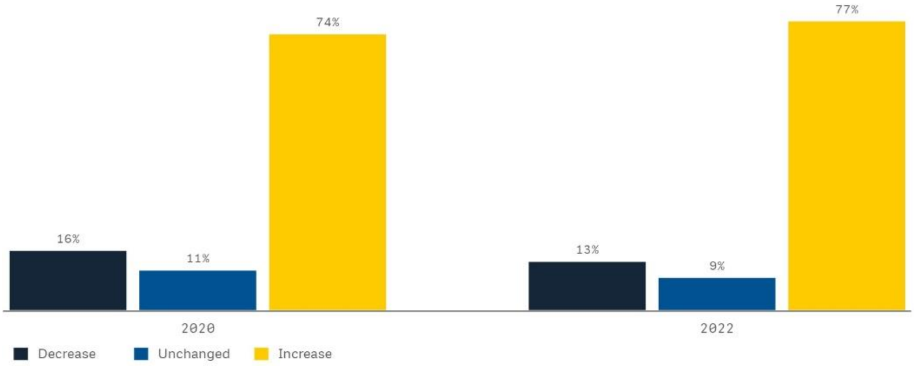
Almost 50 per cent of the respondents plan to increase their investments during the upcoming year compared to 32 per cent in 2020. This corresponds and mirrors the overall positivism in this report regarding increased turnover in the upcoming 12 months.

The medium-sized companies show the largest will to increase their investments, with 71 per cent of the surveyed companies expressing that they plan to increase investments. That needs to be analysed cautiously due to the fact that mid-sized companies only represent 10 per cent of the statistical population.

When digging deeper into that data and the interviews carried out by Team Sweden, it can be concluded that the majority of the investments being made in Thailand are focused on increased production capabilities and the strengthening of after-sales support which perhaps indicates a belief in increased demand in the upcoming years.

It can also be observed that 35 per cent of the mature and experienced companies have not planned any further investments during the upcoming year showing that a significant portion of the large respondents are keeping a status quo on the market.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN THAILAND, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

> **We have an English teacher coming to the office once a week for every employee that wishes to improve their proficiency.**
>
> **General Manager**
> Swedish Industrial Company

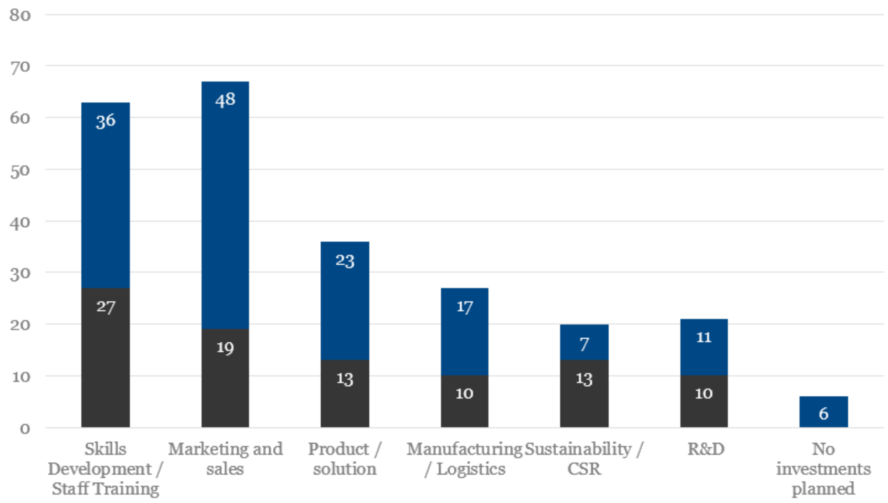
Skills development and marketing and sales are the most common planned further investment areas by Swedish companies in Thailand

The participants of this study were asked to list in what areas they are planning investments in Thailand. They could further pick their top-3 areas and rank them as a prioritised planned investment or just a potential one. It turned out that skill development and staff training was the most often prioritised investment by Swedish companies, showing the importance of the labour force within the surveyed companies.

Marketing and sales, however, was most commonly listed in the top-three priority list. Sixty-seven per cent of the respondents said that they plan investments in that area. This result mirrors and corresponds with this survey’s result that Swedish companies in Thailand sees the Thai market as a predominantly customer-oriented one.

Furthermore, only 10 per cent of the surveyed companies listed R&D as a key investment in 2022, corresponding with the voices from the market that lack of top-ranked universities, one of the lowest levels in the world of English proficiency and a, globally speaking, low governmental spending on R&D, gives little incentives for Swedish companies to establish research centres in Thailand.

PRIORITISED INVESTMENTS AREAS BY SWEDISH COMPANIES IN THAILAND IN PER CENTAGE OF RESPONDENTS



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

> **Uncertainties in China shifts focus on Southeast Asia where Thailand is a natural consideration.**
>
> **Market Manager**
> Swedish Industrial Company

THE MARKET

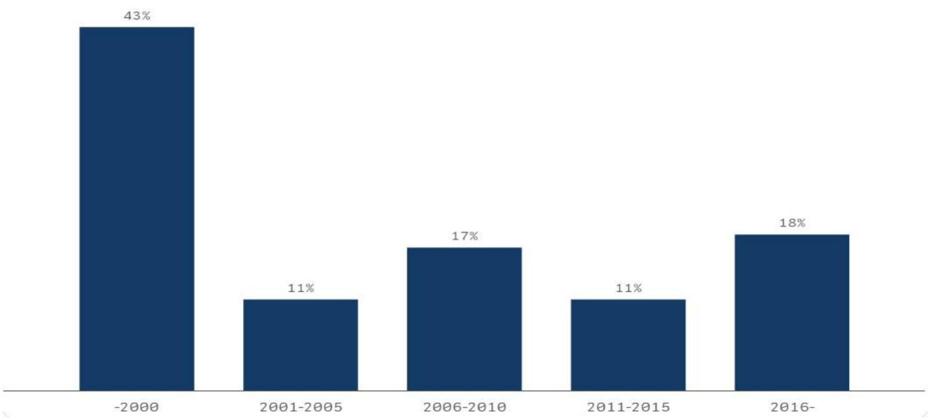
The Thai market remains an attractive destination for Swedish business

Thailand is the second largest economy in ASEAN and Sweden’s third biggest trading partner in the region – and Sweden’s second largest regional export market.

The last years were highly turbulent and the national and global economy have thus undergone major changes. There is a strong trend in moving the global economy away from being mainly dependent on one sourcing and service location and instead venture out to a more diversified sourcing portfolio.

In Thailand, the service sector comprised 58 per cent of the economy in 2020, up from 50 per cent in 2008. In Thailand’s neighbour Vietnam, the service sector generated 42 per cent of the national GDP in 2020, whereas in Singapore the service sector generated a total of 71 per cent in 2020. The service sector tends to generate a larger portion of the GDP once the country maintains a higher level of development, with a greater portion coming from IT, finance, and professional service sectors. However, in Thailand only 14 per cent are composed of more advanced services such as telecom and finance, whereas the majority of the GDP in the services sector is still generated from the hospitality industry.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN THAILAND?

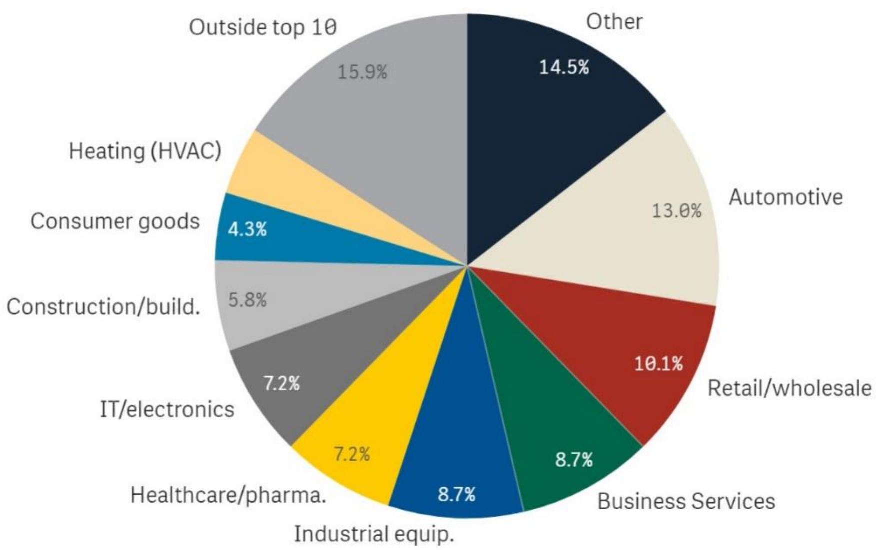


NOTE: The number of respondents for this question was 68. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

The survey respondents represent a wide range of industries, showcasing the diversity of Swedish firms within Thailand. Perhaps unsurprisingly given Thailand’s strong automotive manufacturing infrastructure (in 2021, 12 per cent of the Thai GDP stemmed from the automotive sector), the largest sector with 13 per cent of respondents was automotive. Other sectors represented in the survey include Retail and Wholesale (10 per cent), Business Services (almost nine per cent), Industrial Equipment (almost nine per cent) followed by Healthcare/Pharma (seven per cent), IT and Electronics (seven per cent).

An important observation can be made that more than 30 per cent of the respondents operated in sectors not specified in the survey or sectors that fell outside of the Top 10 listed ones. This shows how diversified the Swedish companies are within the Thai market and the width of their industrial coverage. Although these numbers may not be representative of the entire population of Swedish companies in Thailand, it is valuable for the results of this survey to have received input from such a variety of sectors.

WHAT IS YOUR COMPANY’S MAIN INDUSTRY IN THAILAND?



NOTE: The number of respondents for this question was 69. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

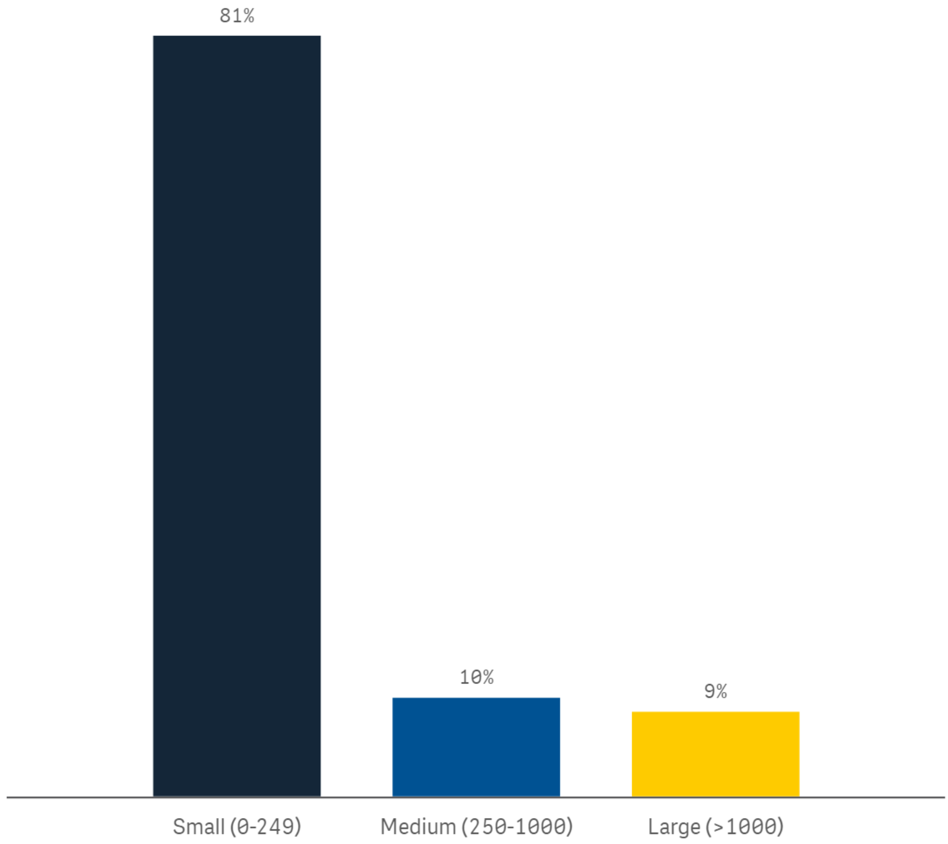
Almost half of all the Swedish companies present in Thailand are classified as large (employing more than 1000 employees globally). We can observe a clear underrepresentation of medium-sized companies in the market where these companies only amounted to 10 per cent of the statistical population.

The Swedish presence in Thailand being in the vast majority represented by large and small companies mirrors the results of the survey showing companies focusing on targeted sales and representation offices or, on the other hand, large industrial operations.

A total of 81 per cent of the local entities operated by Swedish companies employ less than 250 people.

> **Thailand used to be the beacon of light in the region. Businesses got spoiled.**
>
> **CEO**
> Swedish Think Tank

SWEDISH FIRMS’ LOCAL NUMBER OF EMPLOYEES IN THAILAND IN 2022



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

The professed business climate in Thailand continues to be perceived as worryingly bad and lags behind its regional peers

The companies having a positive perception of the current business climate in Thailand has slightly decreased, however very slightly. Only 16 per cent of the respondents view the business climate in Thailand as good or very good which is a two per cent decrease from the data collected in 2019/2020. This year's respondents also perceive the business climate to be one per cent less poor or very poor in comparison to the 2020 results.

Of the Swedish companies present in Thailand, 79 per cent view the market in a neutral or negative manner.

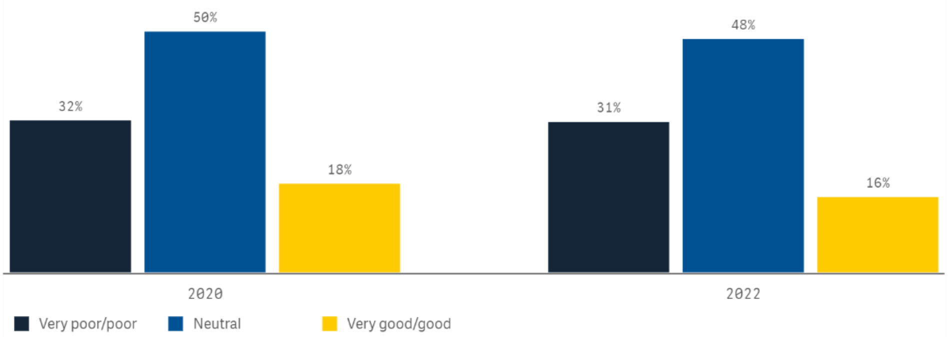
The results from the biggest market in the Southeast Asian region, Indonesia, are also more positive than in Thailand. Thirty-nine per cent of the respondents viewed the Indonesian business climate as good or very good, whereas 44 per cent of the surveyed companies on the same market perceived it as neutral.

Similarly, it can be observed that 48 per cent of the surveyed companies in the neighbouring Vietnam viewed the market as good or very good and an additional 48 per cent viewed it in a neutral way. It is clear that the Swedish business community maintains a more positive attitude towards the business climates in the neighbouring markets than in Thailand. Complicated custom procedures and bureaucratic regulations can be identified as contributing factors.

Interestingly, only 58 per cent of the Swedish companies in Indonesia stated that they are profitable and 63 per cent of the companies surveyed on the Vietnamese market reported the same results, which leads to a potential conclusion that a profitable business operation does not necessarily lead to a well perceived business climate considering that 71 per cent of the Swedish companies in Thailand were profitable.

> We have no problems finding reliable partners in Thailand.
>
> **Market Manager**
> Swedish Service Company

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN THAILAND?



NOTE: The number of respondents for this question was 64. “Don't know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

Swedish companies in Thailand list access to suppliers services as well met, but experience IP, transparency and bureaucracy as problematic

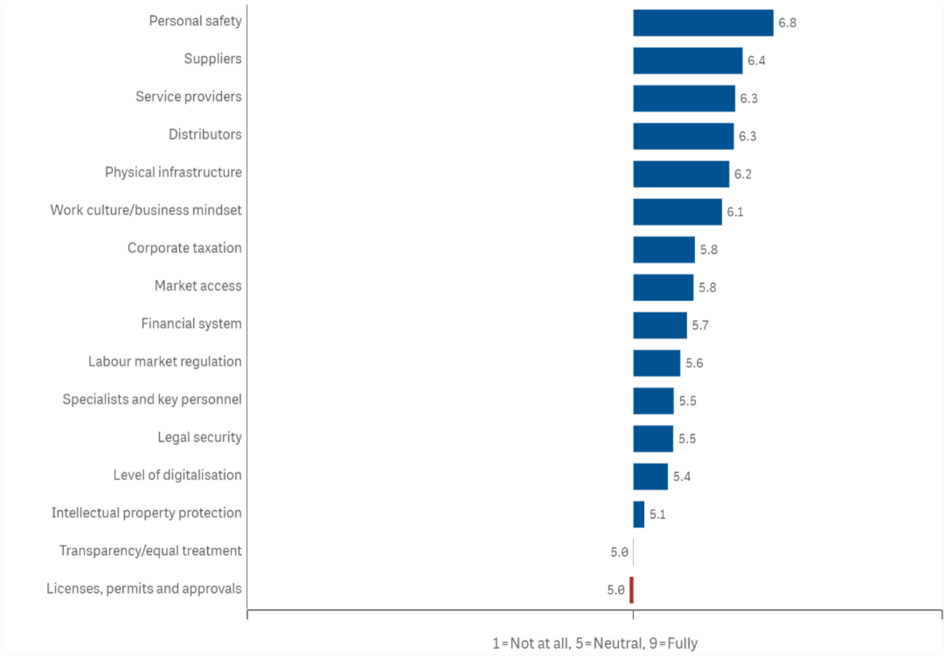
The Swedish business community seems to be mostly content with the cooperation with local and regional stakeholders listing personal safety, suppliers, service providers and distributors as the most satisfactory counterparts.

The personal safety aspect can in some regard be attributed to the standard operating practices set in place by the Swedish companies and their requirements on local partners.

Bureaucracy-related topics such as licences, permits and approvals, together with transparency/equal treatment and intellectual property, are sectors where the fewest conditions were met on the market.

These topics are not specific to the Thai market and similar trends such as lack of transparency and complication connected with licences, permits and approvals can be seen across the neighbouring Southeast Asian markets.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN THAILAND?



NOTE: The number of respondents for this question was 70.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

Dealing with the customs is the biggest pain point for the Swedish business community

Complicated procedures in combination with the duties itself create the biggest headache for Swedish companies operating on the Thai market. Similarly, the same pain point can be observed on the neighbouring Vietnamese market where the companies list customs duties and custom procedures as the biggest obstacle when conducting business in the region. The Swedish business community in Indonesia faces similar challenges on its local market concluding that these are structural challenges across the Southeast Asian region, with the exception of Singapore.

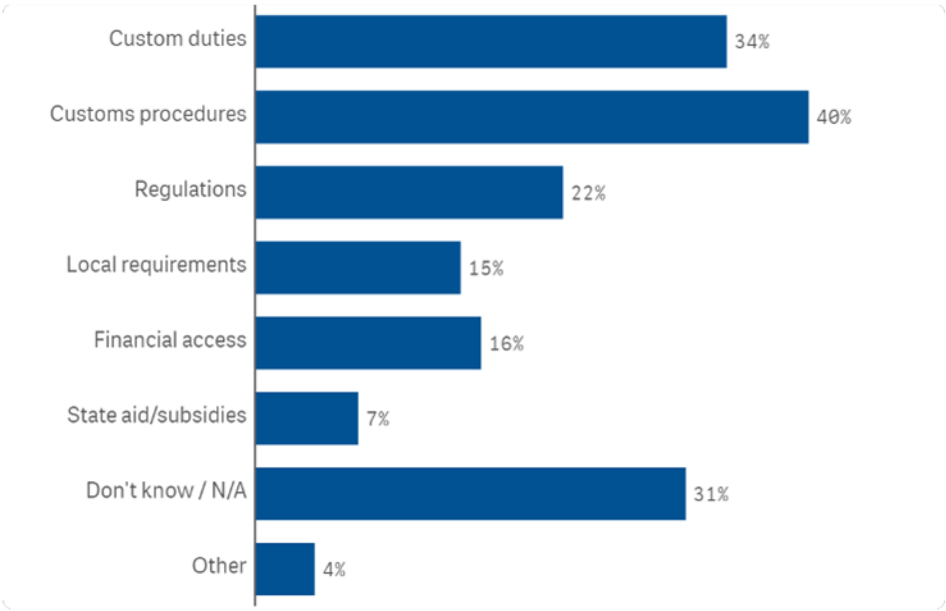
Furthermore, we can observe that the large corporations are the ones predominantly affected by the trade barriers caused by customs procedures and custom duties. Another observation can be made that smaller companies experience challenges connected to "financial access" to a larger extent compared to the larger companies. This could, perhaps, be caused by smaller financial muscles and therefore a lower level of personal service granted with the financial sector, e.g., banks and institutions.

Not surprisingly, the respondents representing companies operating in the field of producing consumer products reported to have been most affected by the Thai bureaucracy associated with the customs.

Additionally, "regulations" were listed as the third most commonly experienced trade barrier on the Thai market. When interviewing some of the participating companies, complicated and inefficient company legal structures were mentioned as a roadblock for efficient business.

> "It's hard to understand the logic behind Thai customs sometimes.
>
> **General Manager**
> Swedish Industrial Corporation

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN THAILAND WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 70.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

HOW SWEDISH COMPANIES SUCCEED IN THAILAND

Swedish companies established in Thailand view the country as a sales market

Sweden and its Swedish industry, continues to stay competitive in international markets due to its high level of innovation, sustainability, and technological advancements. All of the above qualities rely on a competent workforce that promote and market Swedish offerings.

A majority of Swedish firms established in Thailand reported that they are currently operating within the field of marketing and sales. A total of 72 per cent of the respondents mentioned that they operate in this area. Another 39 per cent of the respondents stated that they additionally work with after-sales and support and 32 per cent within the field of provision of services. From earlier reports, 45 per cent of the respondents stated that they, among others, operate in the field of marketing, and about 30 per cent of the respondents in the field of after-sales support. Hence, it can be identified that Swedish companies are focusing all the more on the service sector, aiming to sell services as their main product.

The export from Sweden to Thailand generated approximately 530 million USD in 2021 and consisted mostly of telecommunication services and equipment, energy generation and transmission services and equipment. About 20 per cent of all the respondents stated that they have their manufacturing and assembly in Thailand. This indicates that Swedish companies view Thailand as a sales-oriented market, as opposed to being a predominantly manufacturing hub.

We can also observe that only 16 per cent of the surveyed companies stated that they are conducting operations connected to R&D, which is lower than in neighbouring Vietnam (23%). This can be attributed to the relatively low level of education throughout the entire scholar system and the low level of English proficiency in the country.

Thailand also has the lowest level English proficiency in Southeast Asia and the third lowest in the entire Asia. A stronger focus on improving this condition would be beneficial for the Thai economy and attract more sophisticated and advanced investments. This, together with a general lack of top-tier research universities in the country, further contributes to the country's challenges to be perceived as an innovation hub in the region.

Lastly, these results are similar to the previous years' surveys, with similar numbers recorded in every category, illustrating that despite global uncertainty, companies are not altering their operational focus.

> "The English proficiency is much higher now than 15 years ago. The new generation brings hope.
>
> **General Manager**
> Sourcing Company with Swedish ties

OPERATIONS OF SWEDISH FIRMS IN THE MARKET

NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

> “The Thai job market has changed drastically after Covid. We experience a vast salary inflation.
>
> **General Manager**
> Recruitment firm with Swedish ties

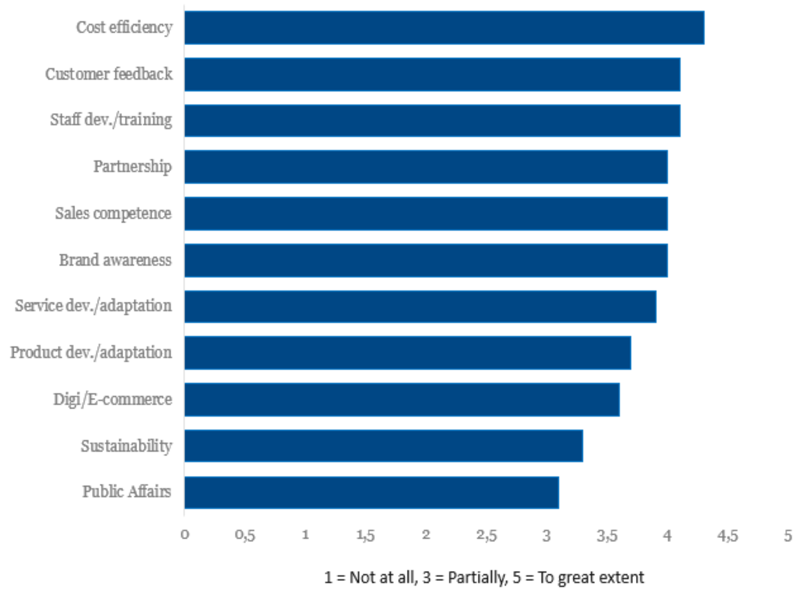
Cost efficiency most vital to remain competitive on the Thai market

Cost efficiency, customer feedback and staff training are considered the top three focus areas in order to maintain competitiveness in the Thai market. This is closely followed by partnerships and sales competence. We can in reality conclude that all areas from cost efficiency to service adaptation are equally important for the Swedish companies present in Thailand.

In the 2020 survey, respondents ranked brand awareness as the most important aspect in order to maintain competitiveness. This shift can probably be mainly attributed to the higher response rate among large companies in this year’s survey. It can be concluded that bigger companies are more focused on cost efficiency and customer feedback in comparison to their smaller counterparts.

While more companies reported losses since 2020, this in combination with the entire global market having undergone an economic downturn, it seems obvious that cost efficiency is prioritised and of high importance.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN THAILAND?



NOTE: The number of respondents for this question was 70. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

It’s good to be Swedish in Thailand!

For many years, Sweden has maintained a well-respected global reputation of being a sustainable, forward-thinking, and reliable industrial partner. Furthermore, Sweden projects democratic values and enjoys an established welfare system which it exports abroad. It is no surprise that 57 per cent of the respondents stated that being a “Swedish Brand” has contributed to the overall success of their business. These figures correspond with the general perception of the “Swedish Brand” in the Southeast Asian region.

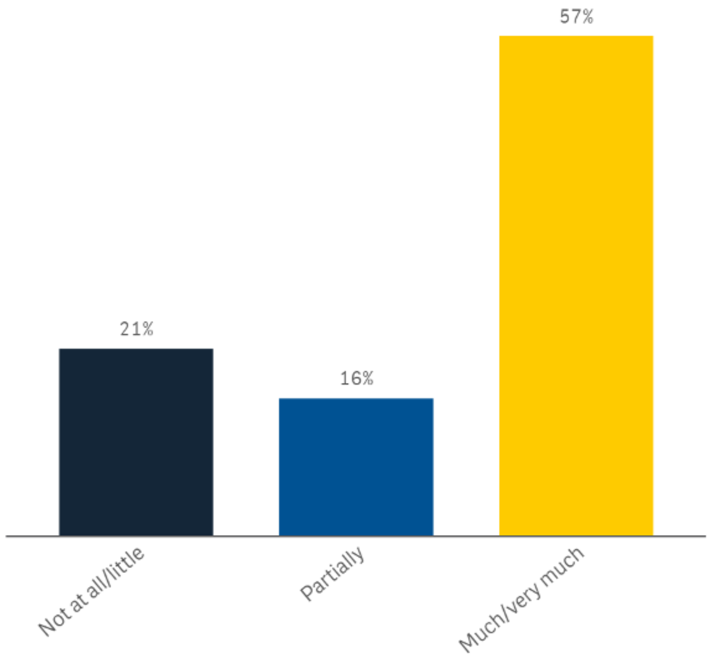
This numbers represent a four per cent increase since 2020. However, at the same time it is interesting to note that 21 per cent of respondents mentioned that the Swedish Brand has not contributed to their success representing a six per cent increase from 2020, leading to the conclusion that the Swedish brand is a fragmented asset amongst different sectors and industries.

During Team Sweden’s interviews with local Swedish companies, several firms pointed out that Sweden is associated with a reliable industry, production efficiency and transparency throughout the supply chain.

Deep diving into the statistics, it can be noted that the Swedish industrial companies experience a bigger advantage of being Swedish compared to the other categories.

This further strengthens the above-mentioned voices from the market. Lastly, the number of respondents stating their operation as consumer goods related were too few, hence it is difficult to draw any certain statistical conclusion on the effects of the Swedish Brand in that specific segment.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE "SWEDISH BRAND" CONTRIBUTES TO YOUR BUSINESS IN THAILAND?



NOTE: The number of respondents for this question was 70. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

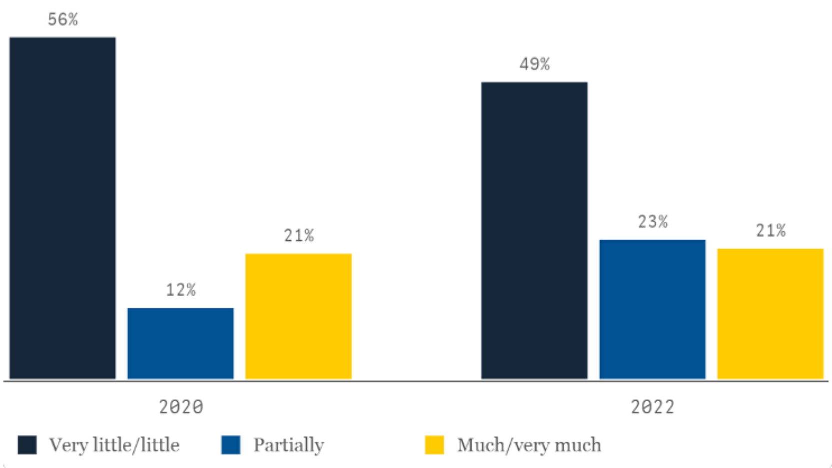
ACTING SUSTAINABLY

Legislation enforcement is still a top priority in Thailand

In 2020, Thailand was ranked 78th place in the world on the Environmental Performance Index, having improved from 128th place in 2018. However, since then Thailand has dropped to 108th place in 2022. This decrease is mainly due to poor air quality, improper waste-management, and a low degree of eco-preservation. The area where Thailand has seen slight improvements is within the space of natural habitat and biodiversity conservation. Thailand has announced that a budget of 287 million USD will be allocated towards environmental conservation during 2023, creating business opportunities for Swedish companies within that sector. Positively, Thailand aims at reducing its Green House Gas emissions by 40 per cent by 2030. This drive and agenda, if realised, is a business opportunity, especially for newcomers looking to enter the sustainability market and corresponds with Team Sweden's "Sweden+Thailand Energy Alliance" focusing on increasing energy efficiency throughout the Thai market.

> **"We often receive different instructions from two different branches of the same authority.**
>
> **Owner and CEO**
> Swedish Entrepreneur in Thailand

TO WHAT EXTENT DO CUSTOMERS IN THAILAND CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 70. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022

When the surveyed companies were asked to elaborate upon their customer's sustainability considerations during the purchasing process, the respondents stated that sustainability is not a top priority for most of its customers. Compared to the results from 2020, it can be seen that the responses have shifted slightly from “very little” towards a “partial” consideration, especially amongst larger corporations. A total of 23 per cent of respondents answered that they consider environmental aspects partially when purchasing items, compared to 12 per cent in 2020. Changes are modestly happening, especially amongst international companies that experience not only an international push towards sustainability, but also usually stricter internal sustainability guidelines.

Interestingly, companies operating in the industrial sector valued the importance of environmental aspects in regard to purchasing decisions higher compared to other sectors. This highlights the importance of access to green energy and a sustainable supply chain for the leading Swedish companies. It can also be concluded that access to green and sustainable energy is a crucial factor in order to attract Swedish businesses and investments into the country.

Furthermore, 64 per cent of newcomers (companies established after 2016) responded that environmental aspects have “very little to little” influence on their customer's purchasing decisions. Based on the data, it may be concluded that the newcomers are struck by how few initiatives are taken to promote and enhance sustainable business practices, both in terms of the public and private sectors.

“We experienced a slight change in customer behaviour during the last few years. Some companies ask about environmental aspects.

General Manager
Newly Established Swedish Entity

Corruption challenges increased during the last few years

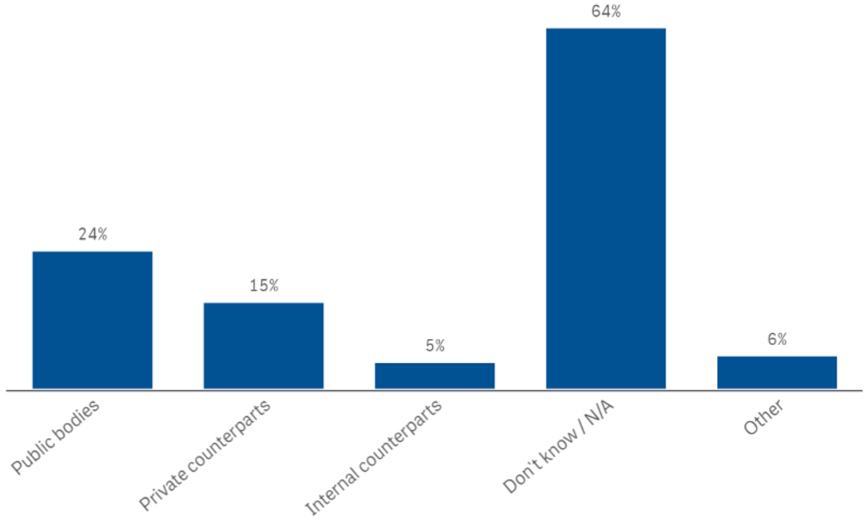
Corruption has for the longest time been a fighting issue for the Thai Government. The stated reason for the military coup in 2014 was to end corruption within the lines of the central and local administrations. The government has spoken about the importance of fighting corruption, both within the private and public sectors. During the United Nations Convention Against Corruption in 2021, it was established that Thailand needs to continue to focus on enhancing the integrity of public sector officials, introducing measures to prevent corruption involving the private sector, and promoting citizen participation in the societal fight against corruption. Since 2014, the corruption rate has worsened in Thailand, resulting in a ranking drop in the global Corruption Perception Index.

Thailand was authorised with 35 out of 100 points in the 2021 Corruption Perception Index compared to 36 points in 2020. This slight decrease in total score results in Thailand being ranked at 110th place out of 180 analysed countries in the 2021 report. This marks a drop from last year’s 104th position in the 2020 ranking. The ASEAN neighbouring countries ranking in 2021 were as follows: Vietnam (87th), Indonesia (96th), Malaysia (62nd), and Singapore (4th). Thus, Thailand had the worst performance in this category in the region in 2021.

Out of all the surveyed respondents, one fourth of the companies stated that they have experienced corruption when dealing with public Thai bodies. A total 15 per cent of the respondents stated that they had been victims of corruption with their private counterparts, and a mere five per cent mentioned that they have experienced corruption with internal counterparts.

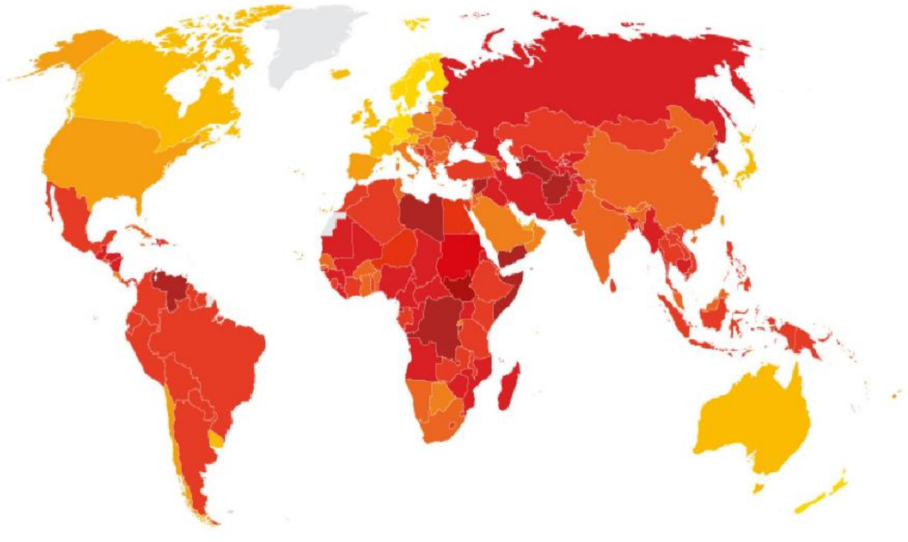
This shows that Swedish companies are successful in operating a corruption free business in the country. A total of 44 per cent of respondents stated that they have been subjected to corruption in one way or another. Thus, this indicates that Thailand still has quite a long way to go to fully combat corruption. These observations further emphasise the importance of the Thai government’s fight against corruption.

HAS YOUR COMPANY IN THAILAND BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 68. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Thailand 2022.

CORRUPTION PERCEPTION INDEX 2021



SOURCE: Transparency International.

Moderate perceived risk of human rights violations

Thailand has a long history of battling human rights issues. Since the start of the Covid-19 Pandemic, Thailand needed to face new human rights challenges, such as suppression of freedom and domestic violence. The government enforced an emergency decree on public administration in emergency situations. However, it is important to note that the intention behind this enforcement was to protect the country and the Thai people during the most uncertain times of the pandemic. Although this was done to protect the health of Thai citizens, it did ultimately affect the economic outlook and many companies struggled to maintain business as usual during this period.

Thailand is famously home to many migrant workers. Based on predictions from 2021, an estimated number of 4.5 million migrant workers are currently living in Thailand. Out of this number, it is estimated that only 2.5 million of these workers are officially registered. Most of these workers are employed in the fields of construction, manufacturing, fishing industries or domestic help. The Thai Government is trying to increase the identification process, which allows the workers to be granted the acceptable minimum wage and access to proper healthcare.

Thailand was downgraded and placed on the watch list for the tier 2 ranking in the US state department 2021 Trafficking in Persons (TIP) report. The 2022 report has not been released as of the time of writing (June 2022); however, Thailand aims to be promoted back to placing on the TIP tier 2 list. Thailand has increased its efforts to combat human trafficking and forced labour work. In order to do so successfully, the Kingdom wishes to conduct improvements in the area of identifying and protecting victims, notably those subjected to forced labour.

The steps taken by Thailand are encouraged and all efforts made towards decreasing trafficking, combating corruption and increasing human rights are welcomed by the Swedish business community. Addressing these challenges is crucial for Swedish companies, and the Swedish industry’s decision on whether or not to enter a foreign market is highly influenced by the level and current state of these above-mentioned challenges.

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