

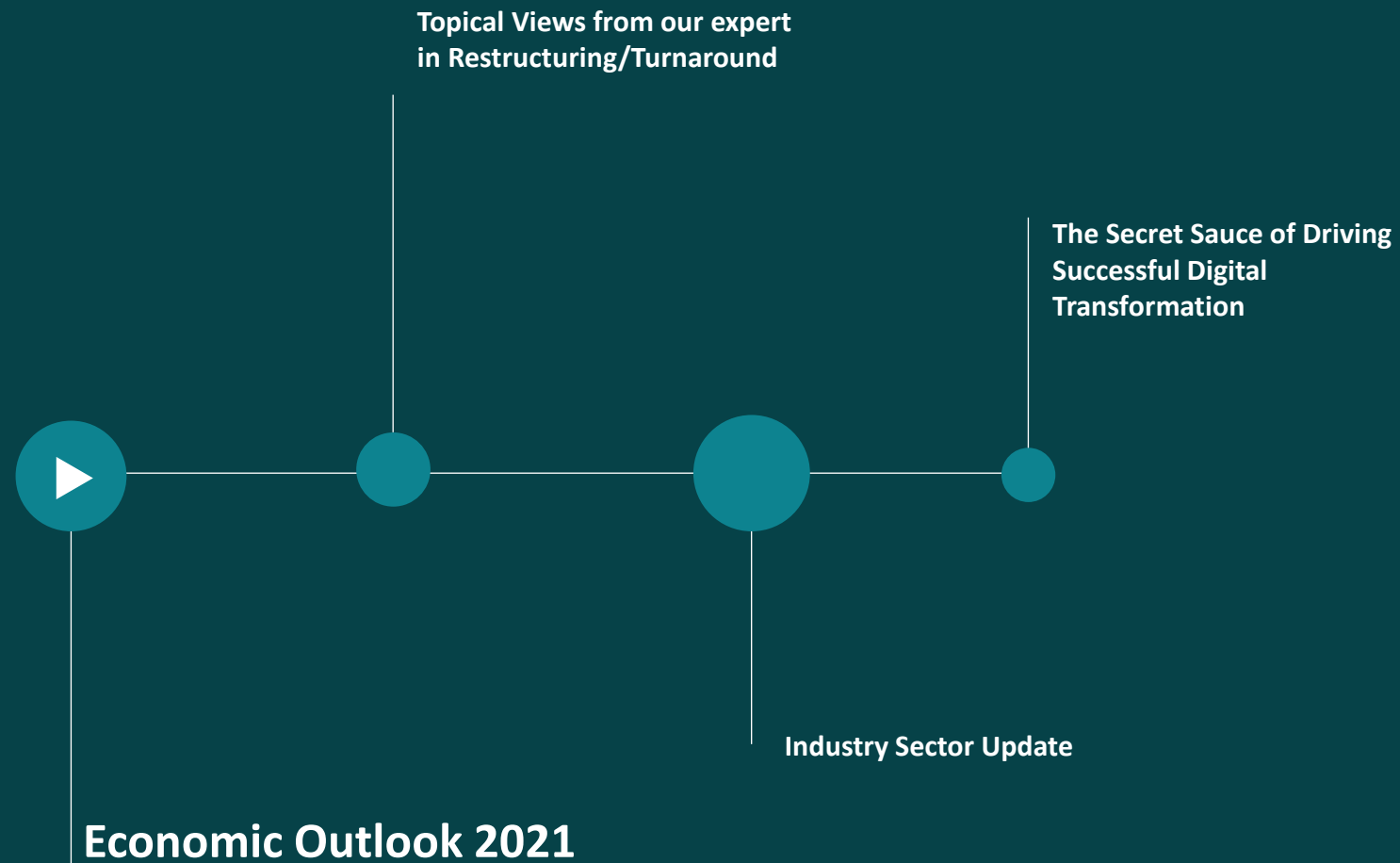


Economic Business Review

1H 2021

Clients and Industries, July 2021





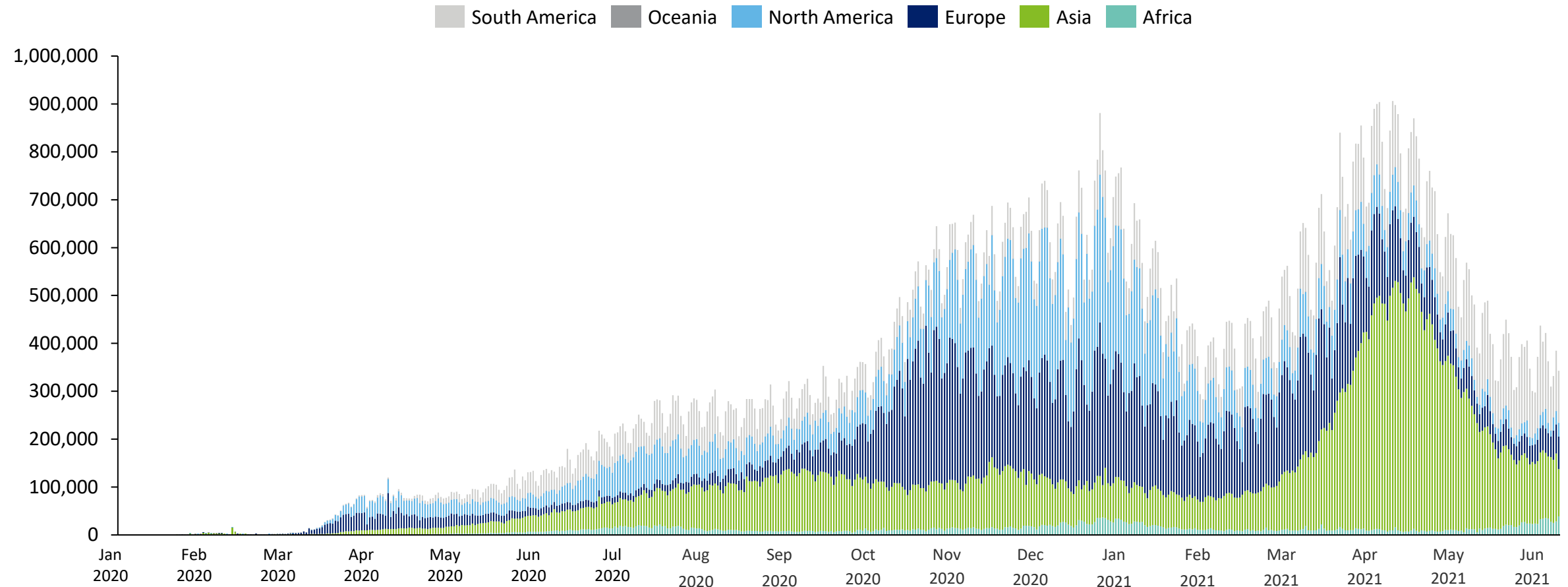
COVID-19 update



Thanks to the ongoing vaccinations, especially in the United States, the daily new confirmed COVID-19 cases are finally dropping. However, path of recovery remains uneven across the world. Cases are rising across Asia again amid new waves.

Daily new confirmed COVID-19 cases

Unit: Cases per day



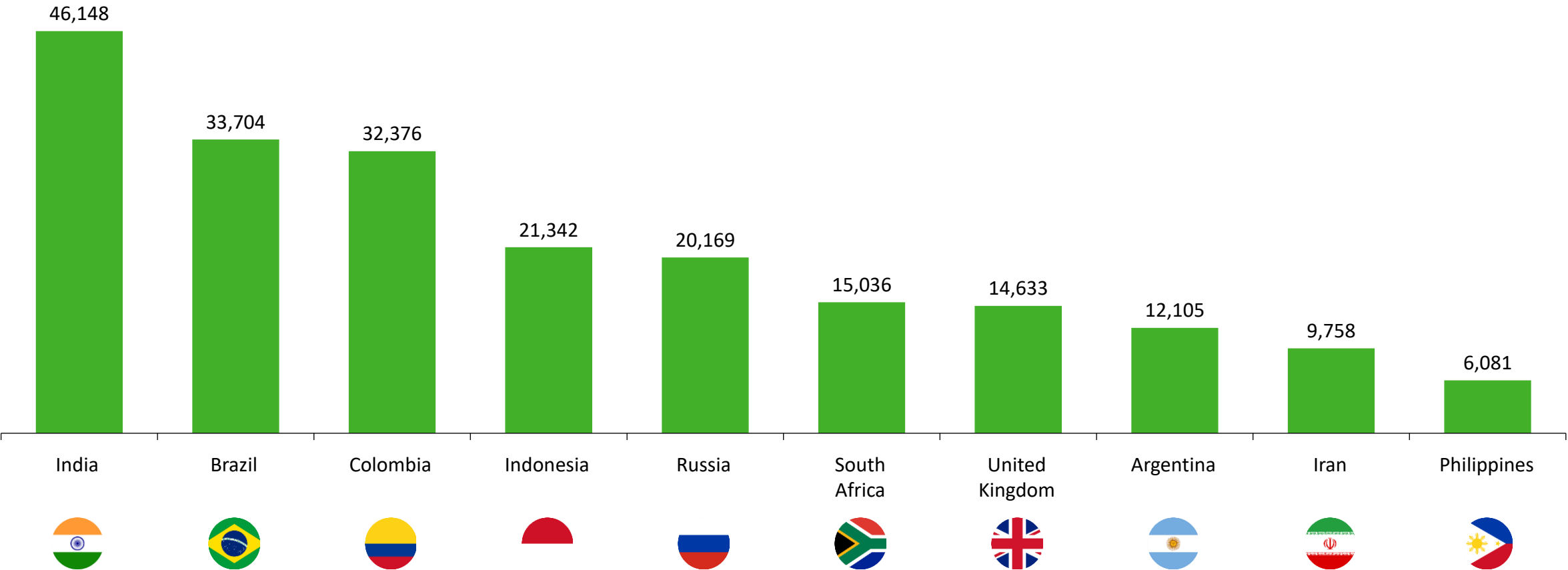
Note: Information as of June 27, 2021

Source: WHO

Top 10 new confirmed COVID-19 cases in the world, with India facing the highest number, replacing the US.

Top 10 new confirmed COVID-19 cases in the world on June 27, 2021

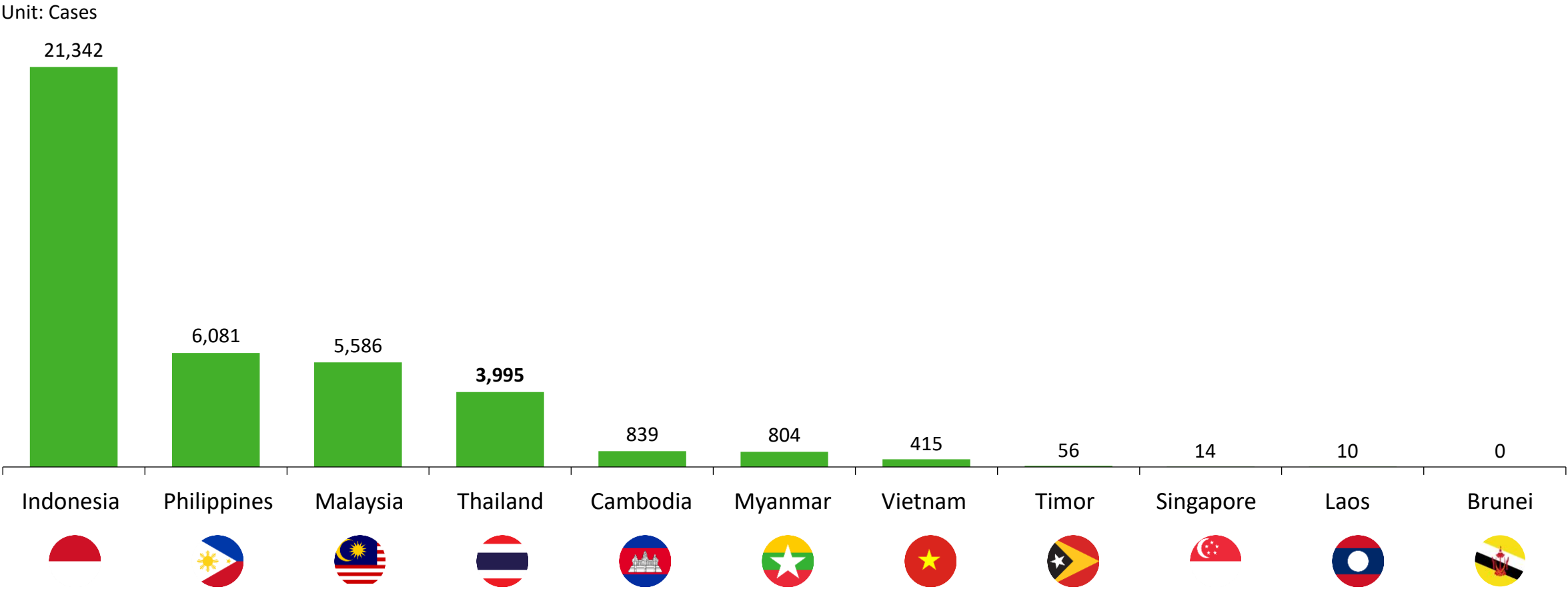
Unit: Cases



Source: WHO

Among Southeast Asia, Indonesia witnesses the highest number of new cases. Thailand ranks at 4th place with cases hovering around 4,000—5,000 cases per day.

Southeast Asia New confirmed COVID-19 cases on June 27, 2021



Source: WHO

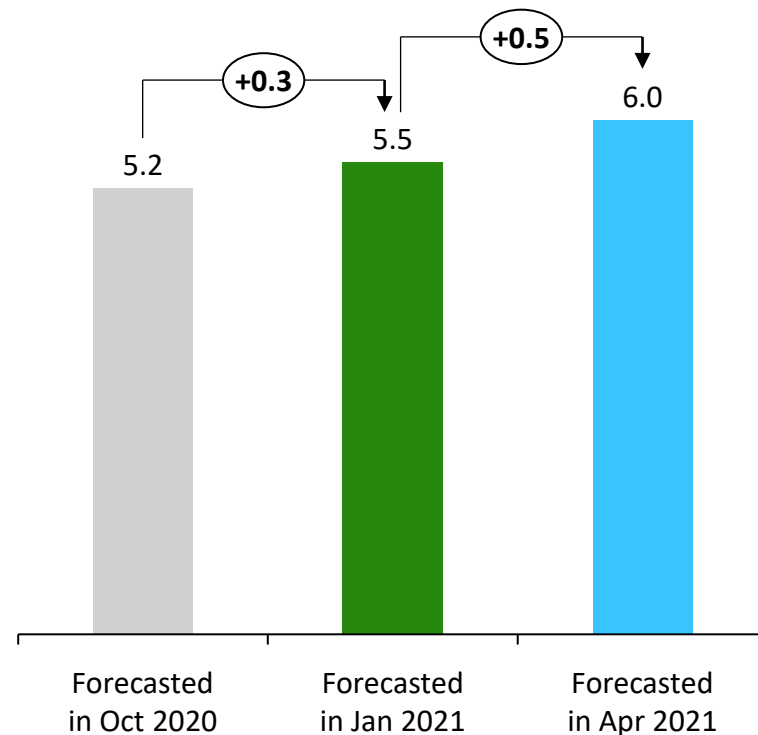
Global Economy



As a result of the COVID-19 pandemic, 2020 was the worst-hit to global GDP since the Great Depression. However, the IMF projects stronger 2021 growth by 6% amid pandemic rebound.

2021 Real GDP Growth Projections

Unit: Year-on-year percentage change (%)



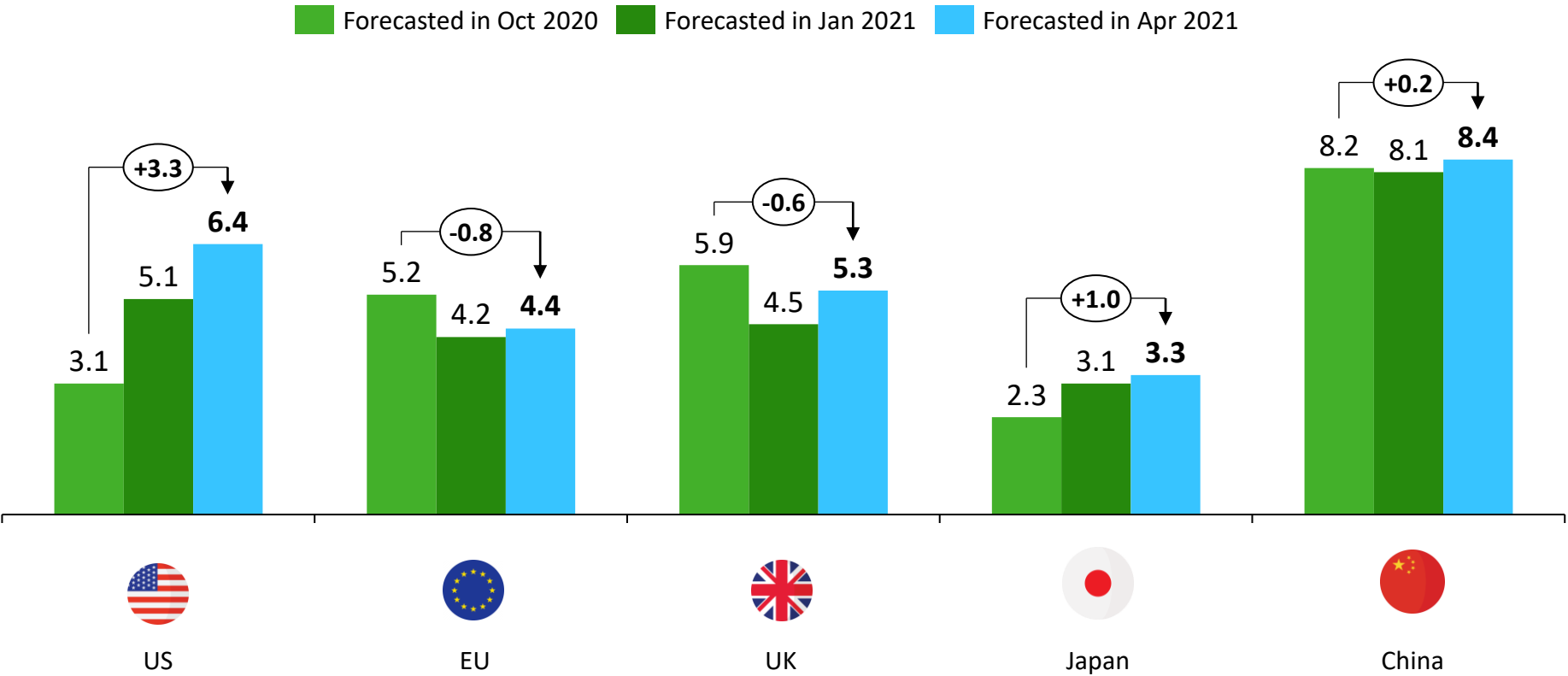
- Global growth is projected to grow at 6% in 2021.
- Thanks to the ongoing vaccination, re-openings and various policy supports, global growth has been upwardly upgraded.
- The positive revision is mainly due to upgrades for advanced economies, especially the United States.

Source: IMF WEO Apr 2021

The positive revision in global growth for 2021 is mainly due to upgrades for advanced economies, particularly to a sizable upgrade for the United States. China’s growth forecast remains the highest among major economies.

2021 Real GDP Growth Projections

Unit: Year-on-year percentage change (%)



Source: IMF WEO April 2021

Thai Economy



Thailand

Following the new outbreak, BOT slashed its Thailand's GDP growth forecast for 2021 down to 1-2%. Depending on the procurement and distribution of COVID-19 vaccines as well as foreign tourism.

GDP Forecast under three scenarios of estimated vaccinations and time to reach Herd Immunity



Base Case

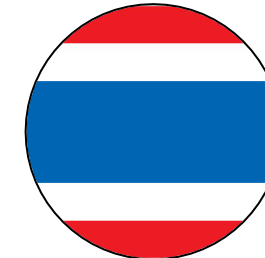
Procurement and distribution of **100** million doses of vaccines in 2021

Worse Case

Procurement and distribution of **64.6** million doses of vaccines in 2021

Worst Case

Procurement and distribution of **< 64.6** million doses of vaccines in 2021



Herd Immunity	Q1/2022		Q3/2022		Q4/2022	
	2021	2022	2021	2022	2021	2022
International Tourist Arrivals (millions)	1.2	15	1	12	0.8	8
GDP (%YoY)	2	4.7	1.5	2.8	1	1.1

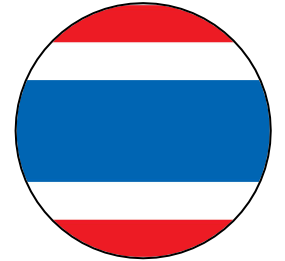
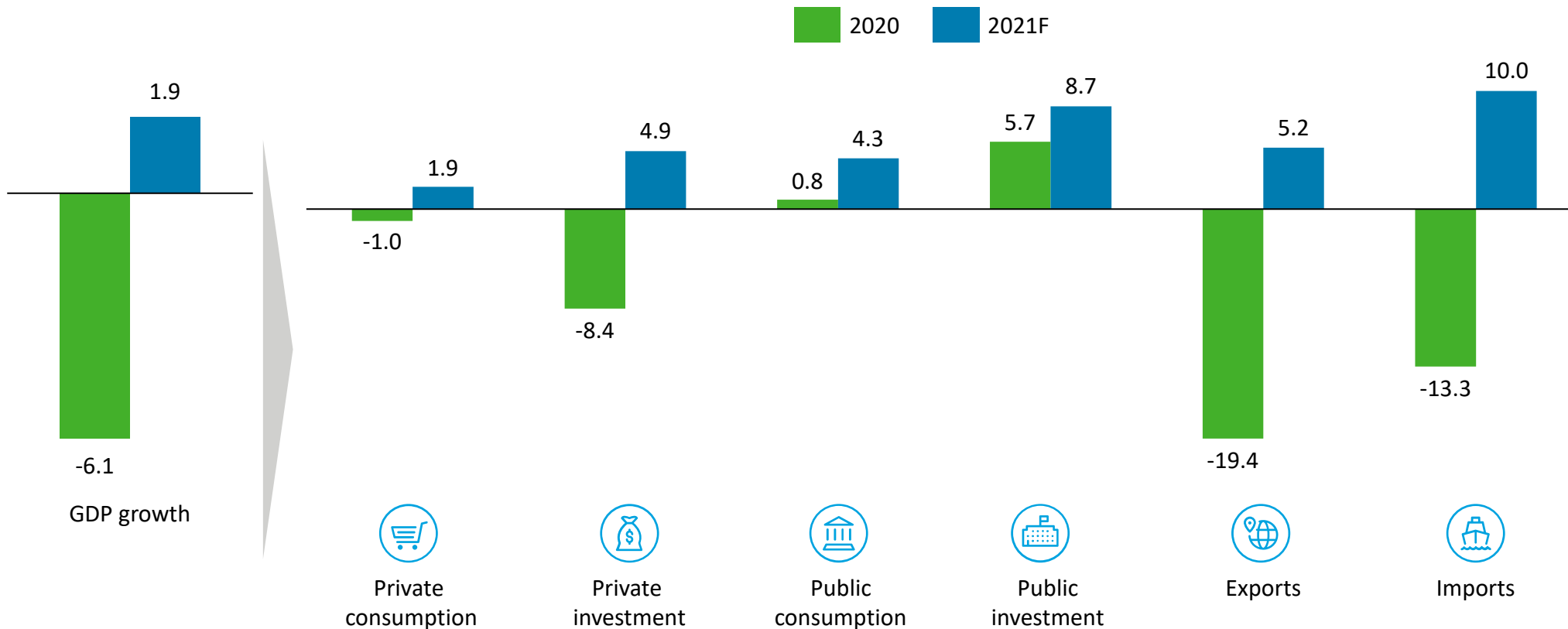
Source: Bank of Thailand as of May 6

Thailand

In 2020, Thailand's GDP registered a contraction of 6.1%, its deepest slump since the 1997 Asian Financial Crisis. In 2021, it is expected to recover at a slow pace due to a sluggish tourism recovery and scarring effects from the crisis. However, it will receive support from export recovery and government spending.

GDP

Unit: Year-on-year percentage change (%)

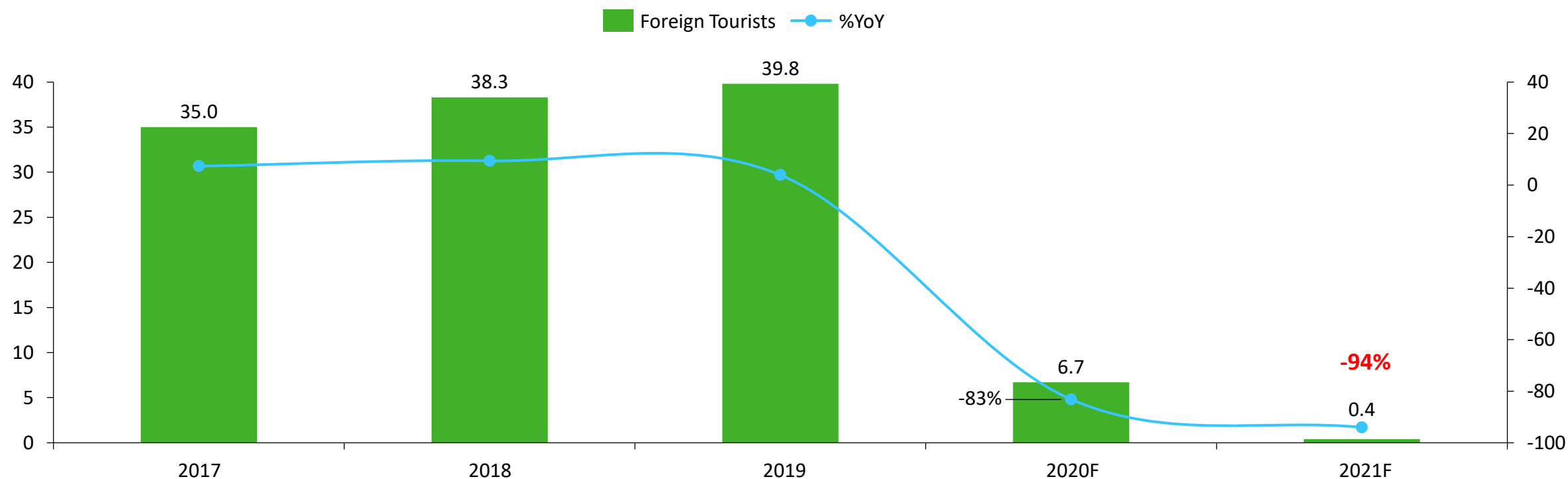


Source: NESDC and SCB EIC (Outlook Q2/2021)

Tourism, a key engine of Thailand's economic growth, has been one of the hardest-hit sectors by the crisis. Despite vaccination rollouts in many countries, foreign tourist arrivals are expected to reach only 0.4 millions in 2021 due to new variant concerns and gradual reopening policy stance from other economies.

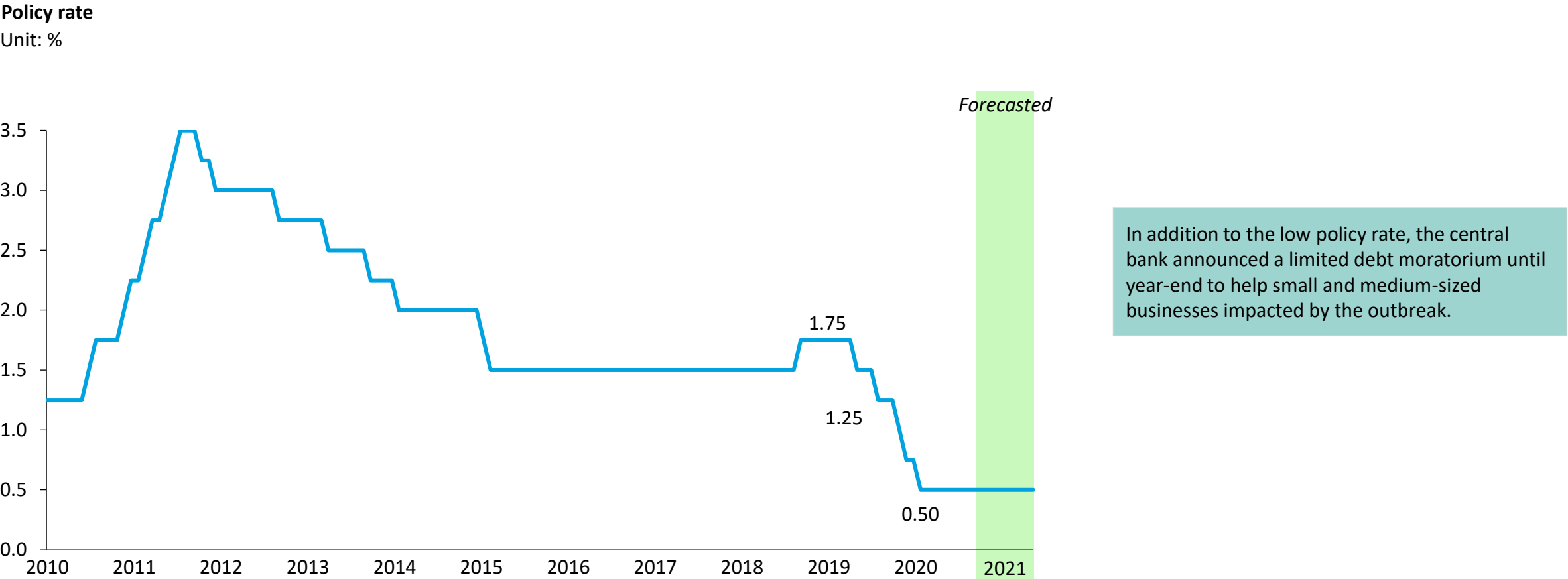
Foreign Tourist arrivals

Unit: Million persons, %YoY



Source: BOT and SCB EIC (Outlook Q2/2021)

Bank of Thailand cuts its key interest rate by 75 basis points to its all time low of 0.5 percent and is expected to keep at this rate at 0.5% throughout 2021.

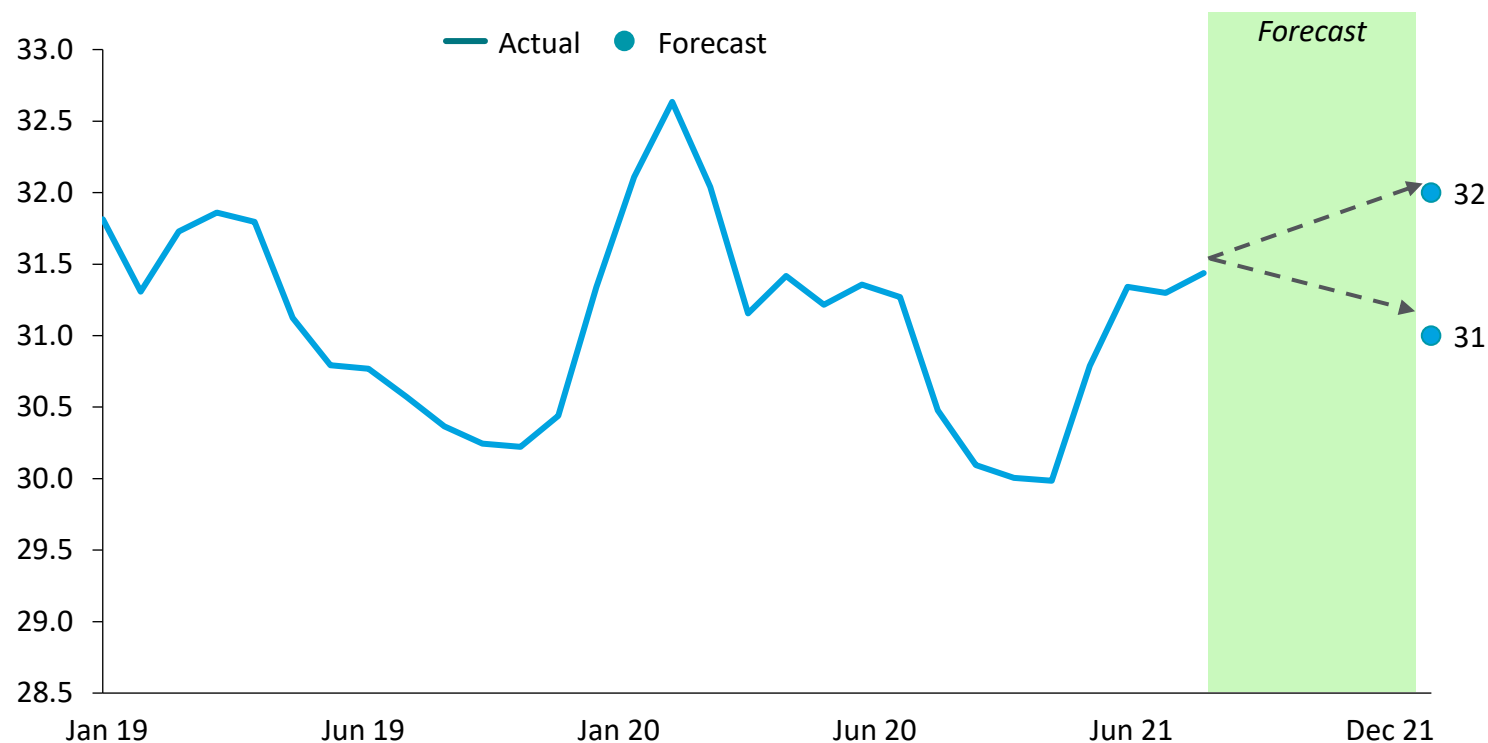


Source: BOT and SCB EIC (Outlook 2Q/2021)

In the remaining year of 2021, the baht is expected to depreciate due to slower-than-expected recovery of the Thai economy and current account deficits.

Exchange rate

Unit: THB/USD



- The Thai baht has already weakened by 4% since the beginning of the year to close at 31.2 baht per USD on May 31, 2021.
- The depreciation degree is considered significant compared to other regional currencies.

Source: BOT and SCB EIC (Outlook 2Q/2021)

Topical Views from our expert in Restructuring/Turnaround



Views from our expert—Restructuring/Turnaround Activities

What have been the common actions taken by companies in order to sustain their balance sheet and preserve liquidity in response to the current economic conditions during the past 12 months?

As part of the government relief measures, financial institutions have been the first port of call for struggling corporates to request for waivers and payment holidays on principal and interest. In my view, this may not be the most sustainable solution for generating liquidity as the obligation to make payment against debt facilities remains and future repayments are likely to be higher because of the deferrals. The ability to further amend and extend debt facilities remains to be seen, especially given the more stringent capital requirements for distressed positions. It is clear that the financial institutions have taken a pragmatic view and waived events of default to avoid systemic failure and widespread insolvency.

Most companies also rationalize operating costs by deferring non-essential and major capital expenditure regarded as ‘quick fixes’ rather than sustainable measures to improve the balance sheet. This should be carefully considered as the long-term strategic consequence of the delayed or cancelled capital expenditure projects is

unknown. Only a few companies have recognized working capital optimization, which is an example of a more sustainable measure to improve cash flow despite longer timelines for implementation.

In addition, some companies have considered selling their assets for liquidity. It is undeniable that the sale of non-core assets is one of the options that all restructurings practitioners have advised companies. However, identifying non-core assets for sale is crucial and can have a significant impact on the future strategic position. As a result, I would suggest companies redefine their strategic priorities first. Moreover, questions on the timing and sale process should be rephrased -- whether it is the right time, whether there is sufficient market appetite. Structured well-prepared sale processes take time from the decision to divest until the completion -- whether the sale proceeds are worth time and effort spent.

Also, this might not be common under this situation but there are few companies successfully accessing to the new fund by drawdown on existing debt facilities, issuance of new instruments, or shareholders’ support to improve liquidity position.



Views from our expert—Restructuring/Turnaround Activities (cont.)

What restructuring/turnaround actions would you suggest companies to consider?

In fact, whatever actions companies take, those should be carried strategically. Two companies may execute exact same actions with different approaches yet achieve completely different results. The current downturns are challenging with many unknowns -- overall uncertainty around global conditions, the vaccine rollout, the path of recovery of the virus, supply chain risks, ongoing weak businesses, and consumer confidence. Thus, doing nothing is not an option.

For some businesses, the need for immediate action may be painfully obvious. For instance, for an international airline, its operating model has been severely damaged. Some have been in deep trouble and sought for court protection in order to reorganize and shed liabilities. For these companies, the approach is more narrow and traditional sense of restructurings. Conversely, the companies with less financial stress should take more deliberate steps to reposition themselves and opt for long-term instead of short-term survival only.

Deloitte sees responsive actions grouped into three categories based on the spectrum of situations -- “Disrupted”, “Disadvantaged” and “Distressed”. These three categories are to highlight the available approaches a restructuring/turnaround mindset can bring. To avoid long-term disadvantages, these categories can help you see circumstances clearly and weigh through prudent approach in order to balance between fixing short-term problem and maintaining long-term competitiveness before taking any restructuring/turnaround action.

1. Disrupted Refresh, rethink, redesign



2. Disadvantaged Reset, rebalance, reconfigure



3. Distressed Reconnect, reconstruct, restore



Views from our expert—Restructuring/Turnaround Activities (cont.)

In the **disrupted** situation, a company may want to **refresh** its go-to-market model, brand positioning, or other parts of its strategy. By being willing to **rethink** the business, leadership may find new ways to thrive amid shifts in customer behaviors, supply chain disruptions, or changes in capital requirements or availability. Where impacts are lasting, they may consider reasons to **redesign** specific business processes. For instance, one of the responsive actions may be around optimization of its business portfolio. To ease liquidity pressure, a disrupted company should take a holistic approach when deciding cost saving. Rather than immediately cutting costs, such companies may **rethink** how spending can support their business value creation and by how much. Also, companies should **refresh** its communication on cost reduction program by promoting productivity -- not only money saving (efficiency) but also performance (effectiveness) -- and **redesign** how they spend budgets from a zero-based budgeting approach.

Some companies may find themselves in a **disadvantaged** situation where the disruption of a business or an industry has been more lasting or severe; hence, they require additional initiatives or a deeper transformation. There may be a need to **reset** relationships by making significant changes in the supply chain or developing market efforts. There may be a need to **rebalance** financial and tax condition by strengthening the balance sheet or making better use of available capital. Companies may need to **reconfigure** its workforce by reducing the number of employees or dramatically changing the mix of job titles. Also, actions companies may consider include putting themselves on a solid financial footing. For example, a disadvantaged company needs to shore up its finances through a divestiture or a managed exit. By identifying and shedding business units, a company should **reset** its strategic priorities with business

turnaround planning in order to categorize non-focused businesses with less competitiveness or profitability. The effort to **rebalance** and **reconfigure** might involve selling or even winding down a severely impaired unit that has little prospect of returning to profitability to help strengthen other operations.

Some **distressed** companies may reach a level of strain that requires difficult issues to be addressed urgently, using the tools and proceedings that fit the narrow and traditional restructuring. In addition, they should become vital to **reconnect** with shareholders, creditors, and other stakeholders such as employees, customers, and suppliers. Moreover, they have to **reconstruct** themselves by making changes in capital structure. If successful, these steps should lead directly to a long-term mandate to **restore** trust in the company and its purpose. Perhaps a distressed company that embraces a full reorganization will likely involve a pressing need to **reconstruct** the capital structure by renegotiating terms with existing debt holders and other creditors. To do this requires a viable plan to **restore** the company to viability. The plan has to take into account changes in the current business environment, or the structure of capital, debt and assets, along with the increased uncertainty. Any such plan or strategy needs to **reconnect** with the business's customers, including potential new investors. Selling assets may well be part of the effort to raise capital and restore the parts of the business that have the greatest value as a going concern. Practically, the Business Rehabilitation under Thai Bankruptcy Act can support a distressed company by shedding obligations that other options cannot. This plan should not be seen as the endpoint, but as an available approach that makes possible to restore things in ways that would not be possible any other way, reconstruct itself and reconnect to its purpose.

Views from our expert—Restructuring/Turnaround Activities (cont.)

In summary, when considering restructuring/turnaround actions, a company should understand the levers that can be applied across the spectrum of situations, whether the disruption is mild, or the distress is severe. This understanding can help you embrace changes, find opportunities in a longer term, anticipate what comes next, and thrive in the future through turnaround planning process with the different magnitude of mindset and actions -- “Refresh, Rethink, Redesign”, “Reset, Rebalance, Reconfigure”, or “Reconnect, Reconstruct, Restore”.

Under this economic downturn, it is expected to see a rise in restructuring or turnaround trend. Some companies may look for a talent to handle this particular work within a company. Can you provide suggestions about the characteristics and skills that a leader of restructuring/turnaround function should possess?

While it was not the case for Thailand, restructuring/turnaround activities trend has been on the rise around the world even before the COVID-19 crisis hit. With the recovery of the pandemic and re-openings, the government support and debt moratorium schemes will eventually be lifted. Companies that does not prepare for the end of support may face vulnerability. Thus, it is expected that restructuring/turnaround

activities will play an ever-increasing role. My concern is that there are now many restructuring tools and options businesses can choose from, this consequently may allow them to delay a holistic restructuring. Then, until they run out of cash and become up to the end, there would be too little time to do so. Based on recent studies of how companies came out of the last recession, the businesses that managed not only to survive but also to thrive outperforming peers.^[1] Hence, I would recommend companies to do this exercise for the long-term purpose.

In case you are looking for a talent to lead the restructuring/turnaround project in your organization, the top five critical skills and characteristics of such person are turnaround and crisis management, strategic thinking, reliability, decisiveness, and stakeholder communication. This person will be responsible for leading the development of the turnaround plan, negotiating terms of restructuring (both financial and operational terms) on behalf of the company, and implementing the plan. Importantly, you should ensure that the major stakeholders can work well with this person. As developing the professional career in this field, the personality fit with the client is another key criteria for the resource assignment.

^[1] Kevin Laczkowski and Mihir Mysore, “What Companies Should Do to Prepare for a Recession”, Harvard Business Review, May 2019

Views from our expert—Restructuring/Turnaround Activities














Kamolwan Chunhagsikarn

Partner, Restructuring and Value Creation Services



Executive summary

Based on 2020 performance, sectors can be grouped as Deceleration, Recovery and Expansion.

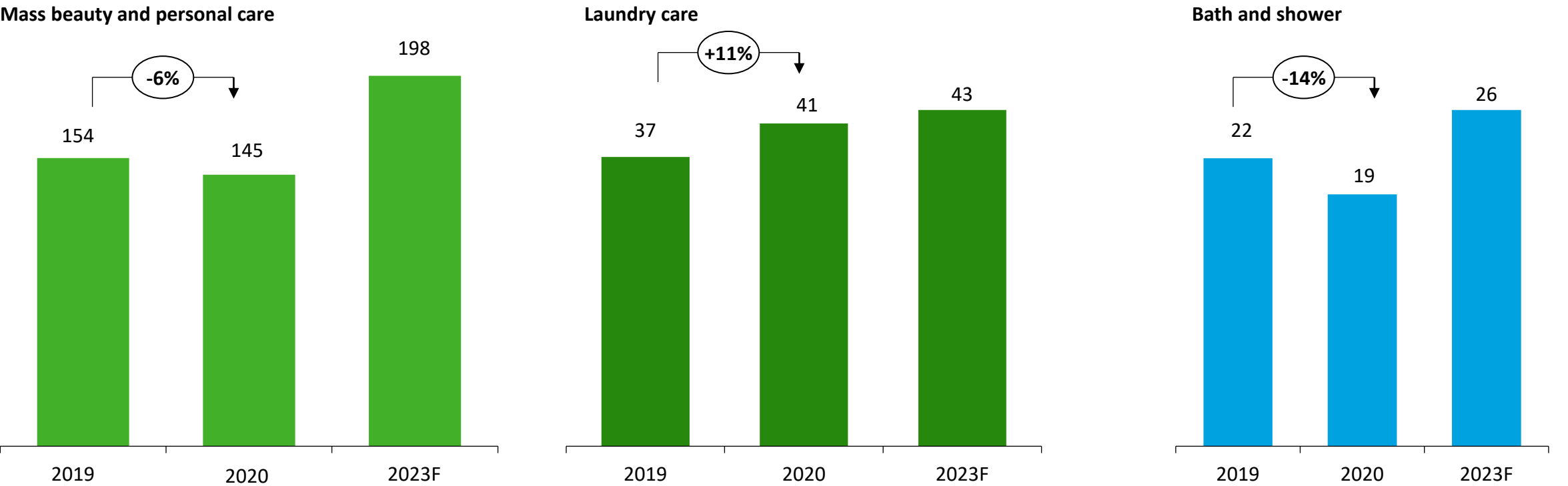
Deceleration		Recovery		Expansion	
	Oil & Gas	<p>In 2020, most of the consumer goods yielded lower market value because of COVID-19 pandemic.</p> <p>Automotive sales in Thailand decreased to 0.8 million in 2020, dropping by 21%.</p> <p>The COVID-19 pandemic and the national lockdown reduced annual electricity demand by 3% in 2020.</p> <p>Domestic consumption of petrochemicals dropped by 3.0% in 2020.</p> <p>In 2020, the modern trade industry experienced a historic contraction in sales, falling by 10.0-12.0%.</p>			Life Sciences
	Banking				Healthcare
	Insurance				Industrial Product & Construction
	Consumption of petroleum products dropped 12% in 2020 especially Jet fuel, due to airline service slowdown.		Consumer Product		Pharmaceutical sales increased by 4.5% in 2020 due to a higher number of medicines distributed through hospital.
	Banking market value in 2020 declined by 7% YoY.		Automotive		Healthcare spending increased substantially by 7% in 2020 partially due to the increasing trend of aging population.
	Insurance market dropped by -3.1% in 2020 while non-life insurance increased by 1.8% in 2020.		Power, Utilities & Renewables		Manufacturing PMI recovered from a rock bottom point in April 2020, which coincided with the beginning of the COVID-19 lockdown, to 50.7 in April 2021.
			Chemical		
			Wholesale & retail		

Consumer product



In 2020, most of the consumer goods faced with the lower market value because of COVID-19 pandemic. However, laundry care saw a positive value growth due to stockpiling behaviour due to COVID-19 lockdown.

Market Value by Sector in Thailand (THB billion)

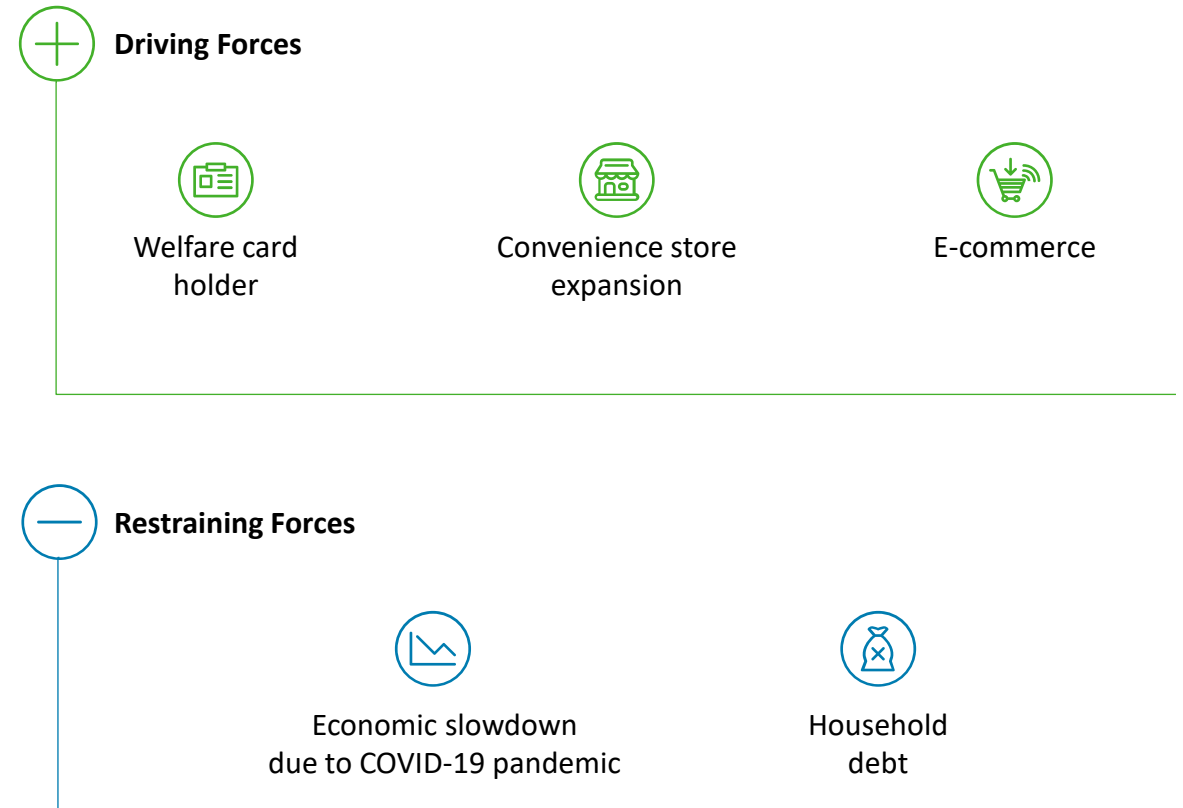
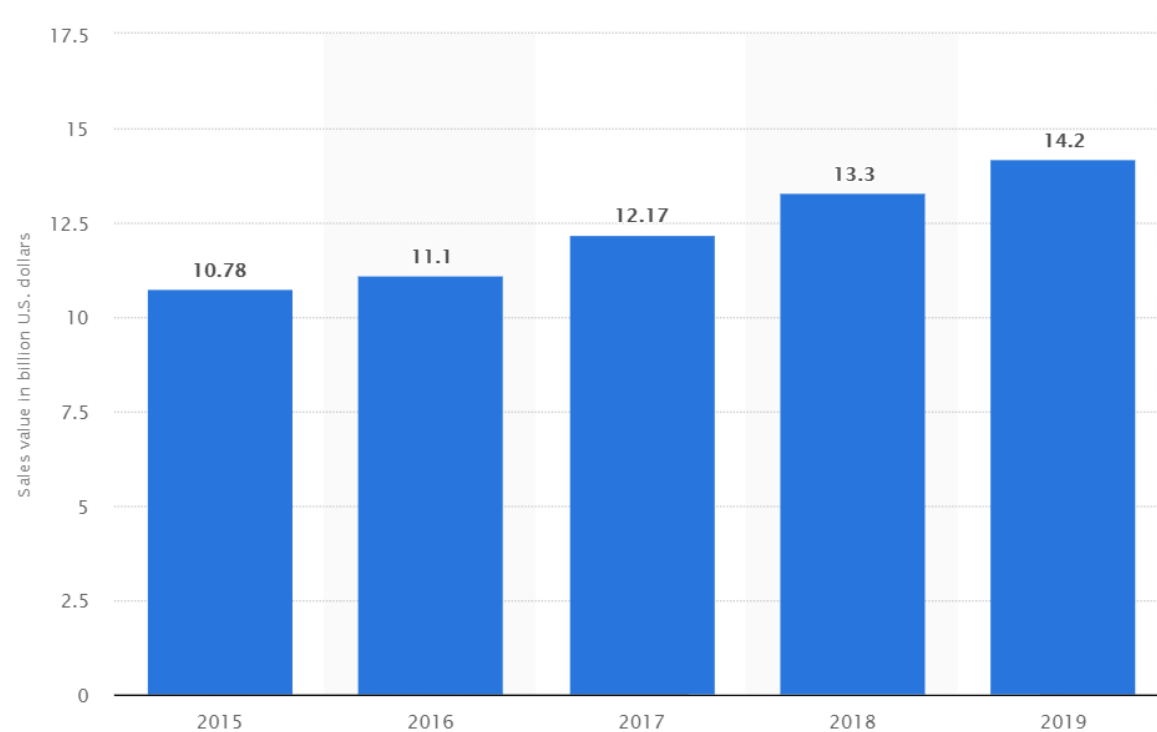


Source: Deloitte analysis based on *Euromonitor*

In 2019, the total sales value of packaged food in Thailand reached around 14.2 billion US dollars, increasing since 2015.

Packaged Food market in Thailand

Total Sales of Packaged Food in Thailand from 2015-2019 (\$ USD)



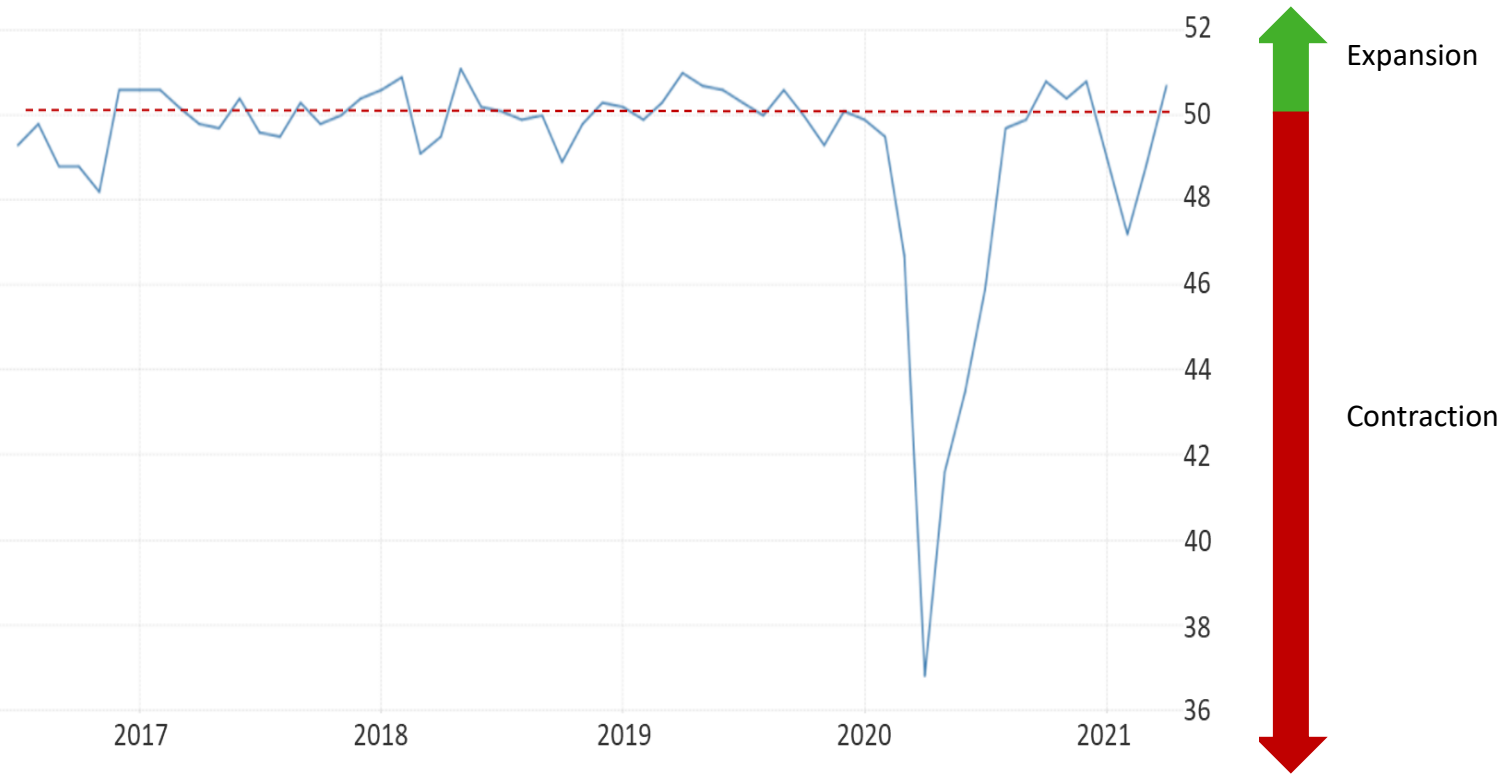
Source: Deloitte analysis based on *Kanar and Neilson, Statista*

Industrial Product & Construction



Manufacturing PMI recovered from a rock bottom point in April 2020

Manufacturing PMI (Index) 2017-4M2021

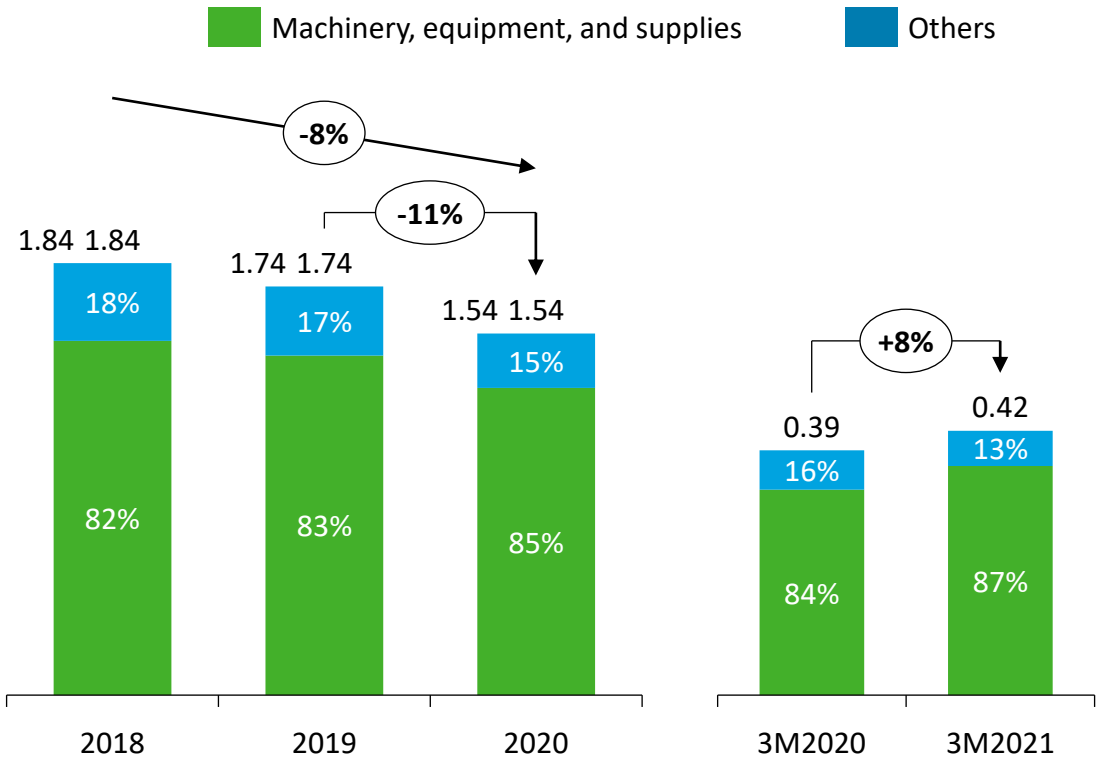


Manufacturing PMI recovered from a rock bottom point in April 2020, which coincided with the beginning of the COVID-19 lockdown, to 50.7 in April 2021, the highest rate since before COVID-19 period. However, the PMI number has not yet taken into account the current third wave which could lead to a lower number.

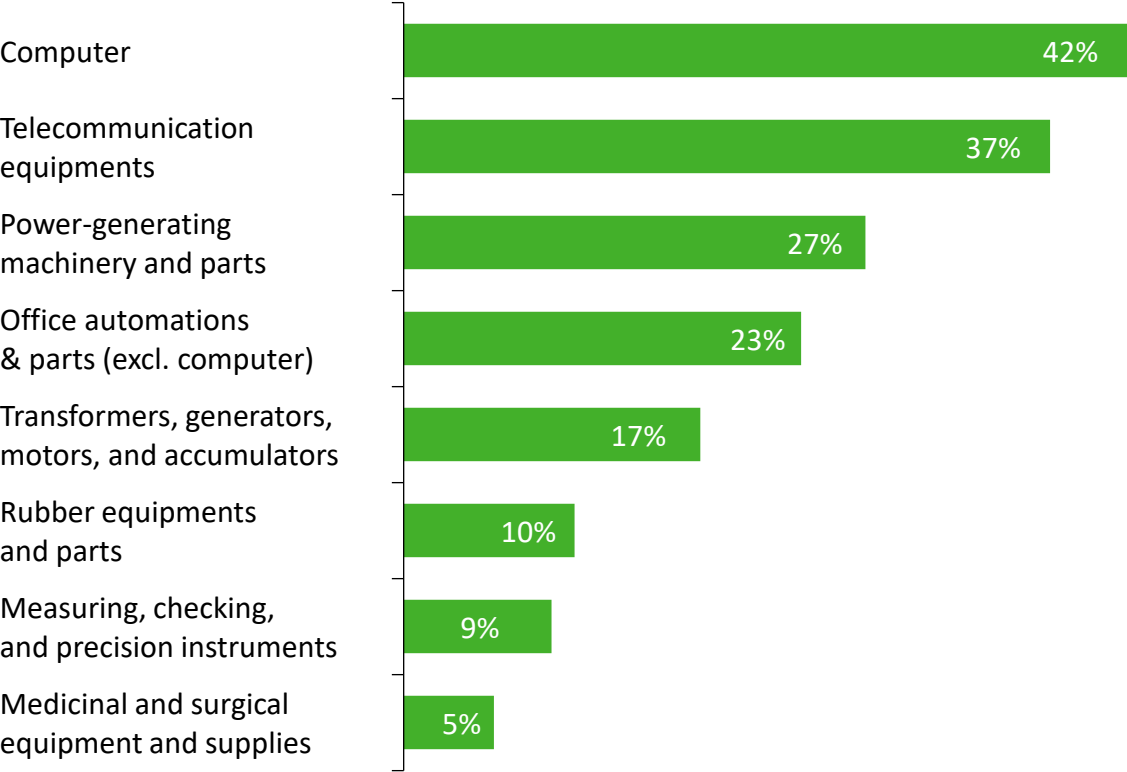
Source: Deloitte analysis based on *Trading economics*

Constant YoY decline in Capital Goods with 11% CAGR decrease in 2020. Nonetheless, a positive sign of 8% increase in Q1 2021 from Q1 2020 can be found.

Import value of Capital Goods (THB Trillion)

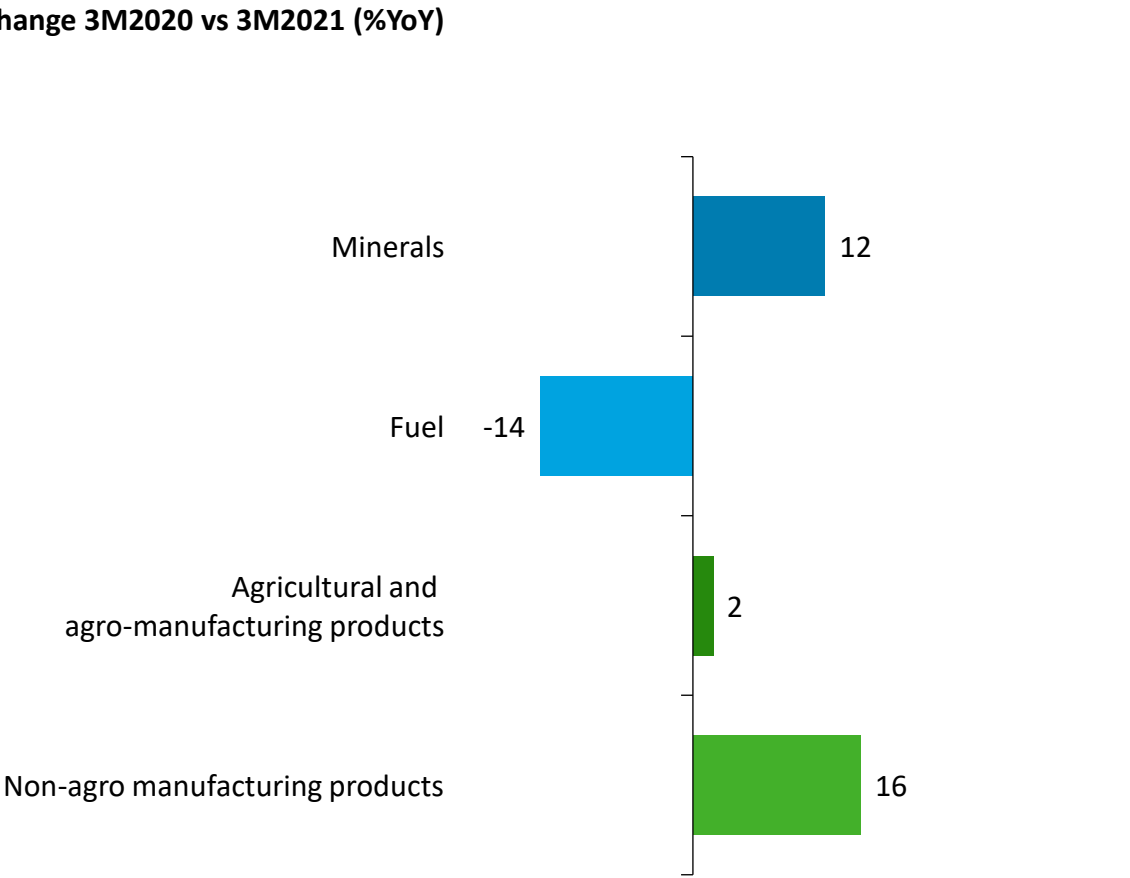
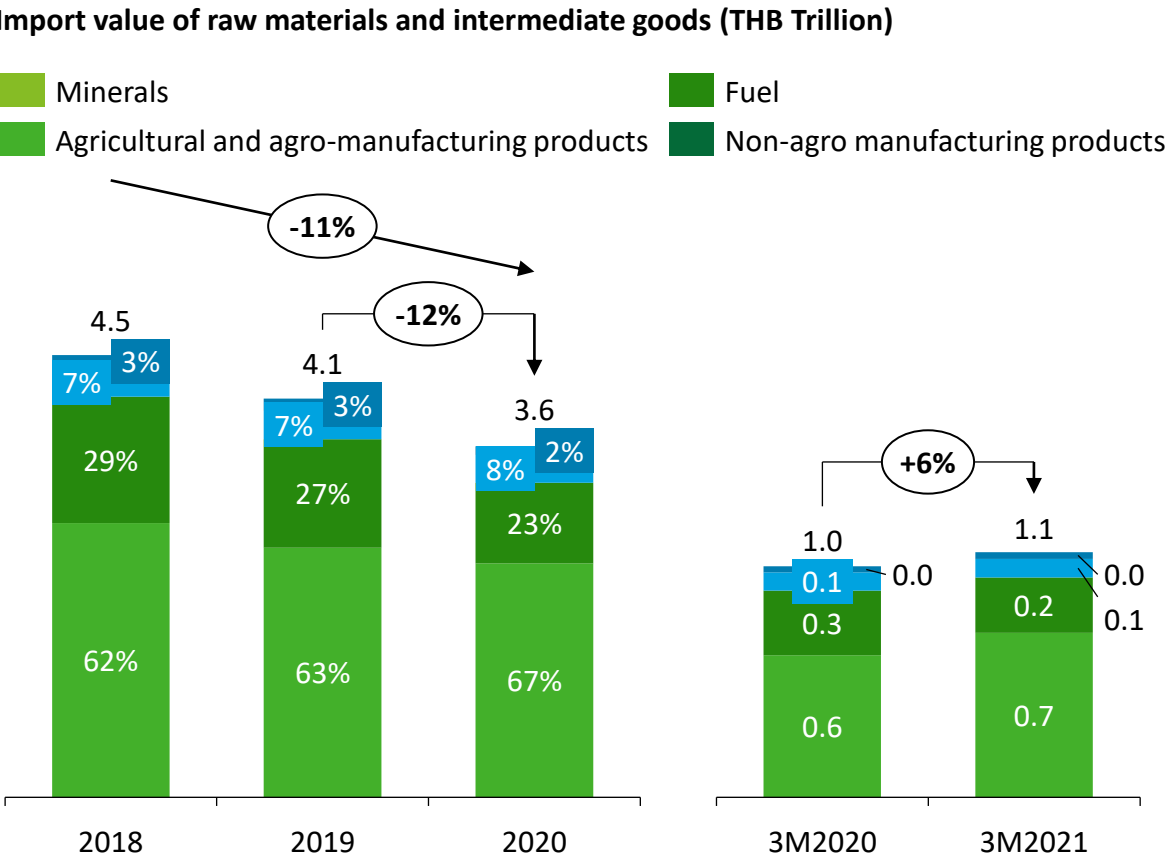


Change 3M2020 vs 3M2021 (%YoY)



Source: Deloitte analysis based on Bank of Thailand

Steady YoY decline in import value of raw materials and intermediate goods with -12% 2020 YoY decrease. However, there was an increase of 6% in Q1 2021 compared to Q1 2020.



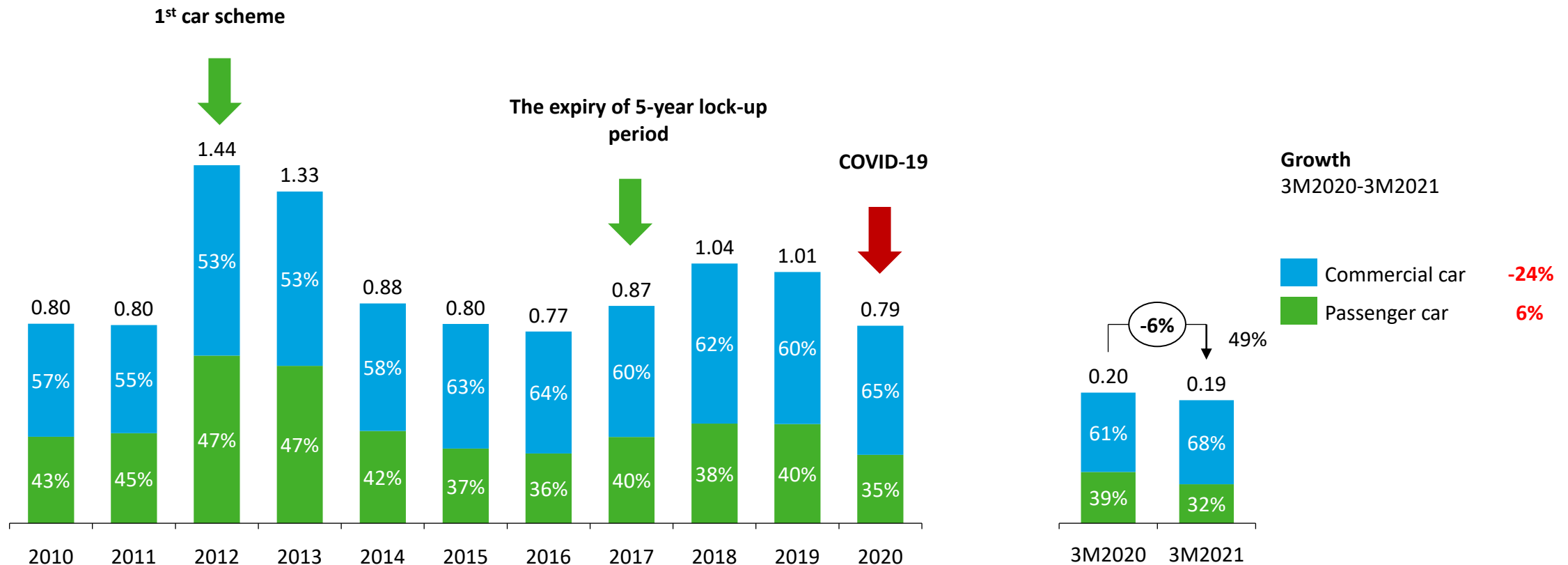
Source: Deloitte analysis based on Bank of Thailand

Automotive



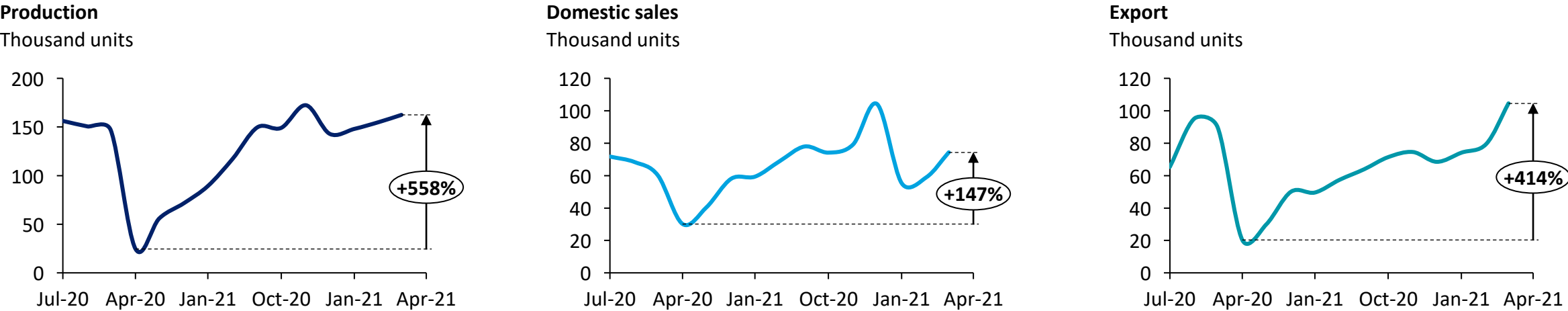
Automotive sales in Thailand decreased to 0.8 million in 2020, dropping by 21%YoY due to the COVID-19 crisis. A cumulative -6% decline during Q1 2021 YoY can be seen despite a substantial increase in Mar YoY at 33%, due to steep declines in Jan and Feb 2021 YoY, especially in commercial cars.

Thailand's Automotive Sales (THB million)

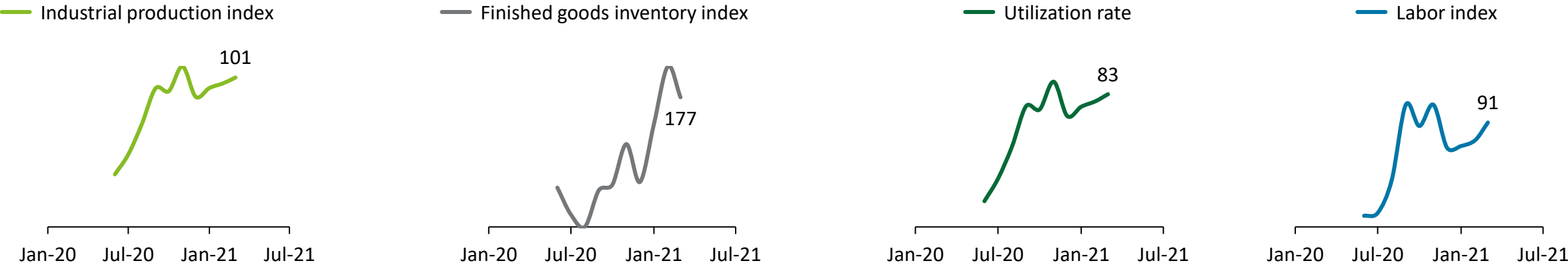


Source: Deloitte analysis based on FTI

All important key figures show signs of automotive sector recovery.



Motor Vehicle Parts and Accessories Manufacturing

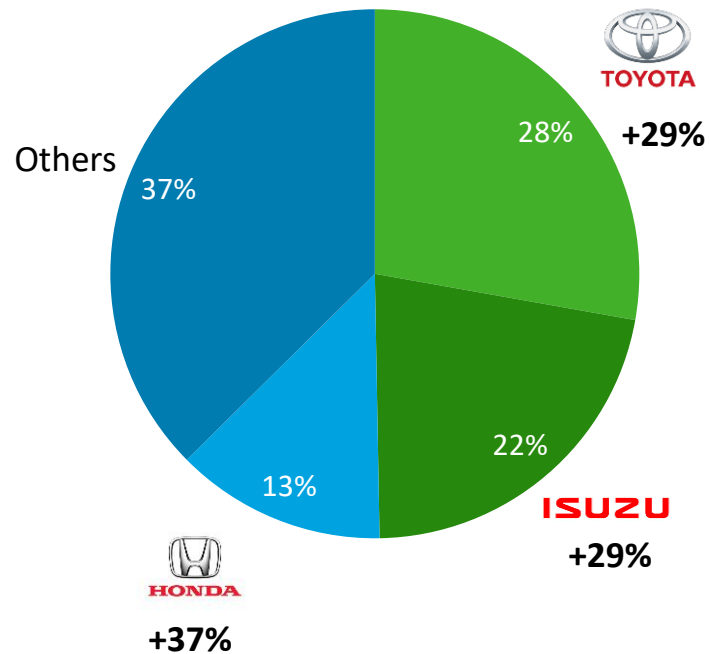


Source: Deloitte analysis based on OIE

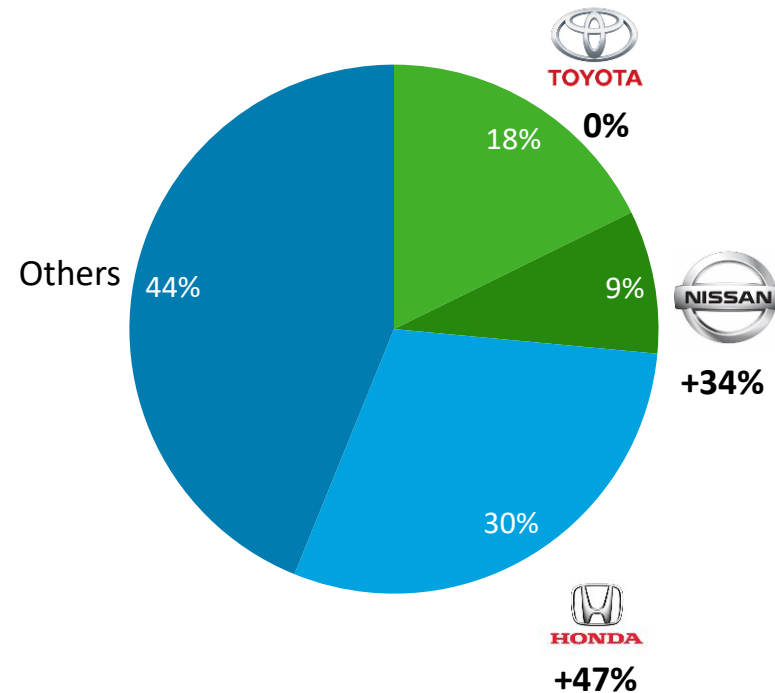
Vehicle sales increased by 33% YoY in March 2021 where Toyota remained the market leader. Honda had the highest overall growth at 37% YoY with a 47% increase in passenger cars. Toyota had the highest growth in commercial cars at 42%, nearly surpassing Isuzu, the market leader in commercial car sales.

Share of new vehicle sales in March 2021 (YoY %)

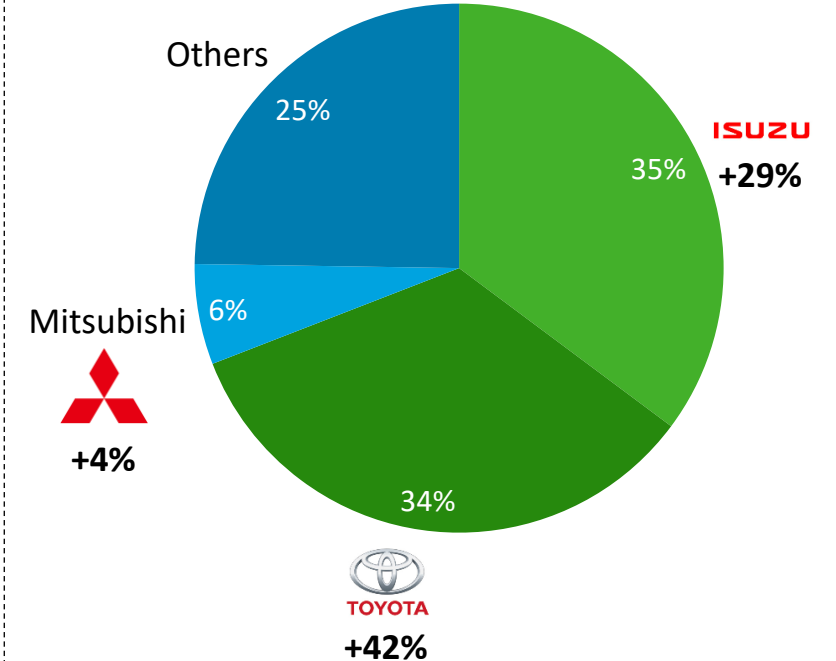
Total (+33%)



Passenger cars (+46%)

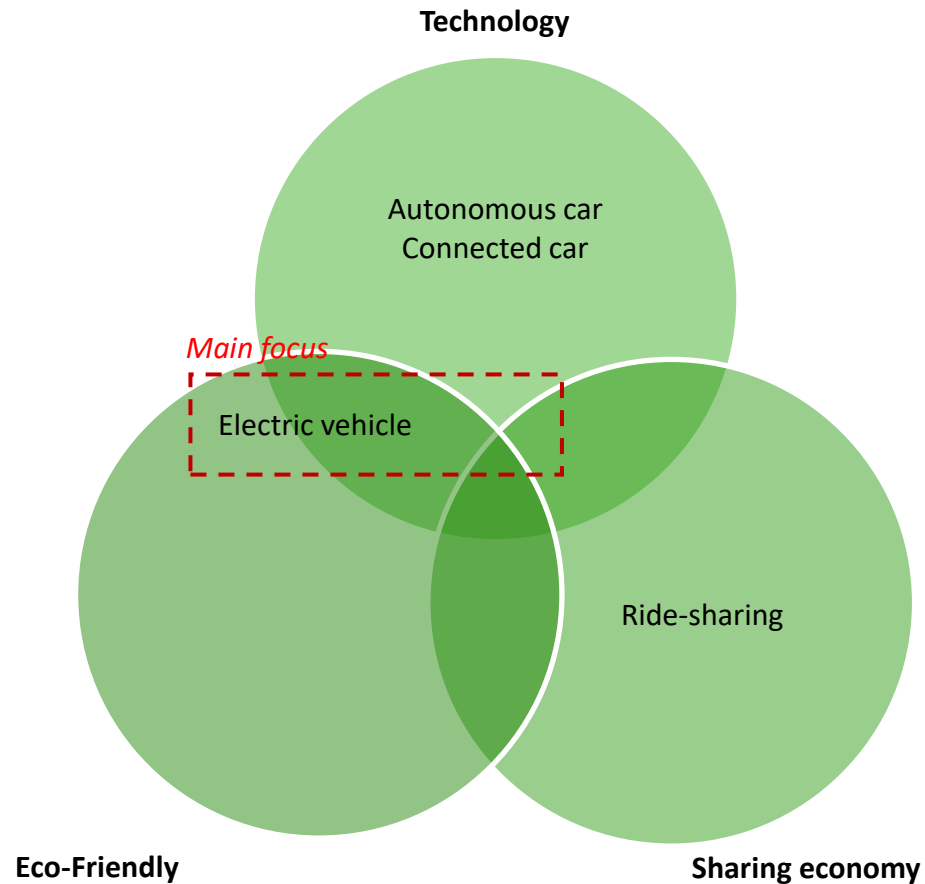


Commercial cars (+26%)



Source: Deloitte analysis based on Toyota Motor Thailand Co., Ltd. (TMT)

Technology, Eco-friendly and Sharing economy are key mega trends in the automotive industry.



EV has high potential in Thailand



EV roadmap

- A roadmap to make the country a hub of electrified vehicles in the ASEAN region in five years
- The EV master plan aims to increase EV production to 30% of total annual car production, or about 750,000 units out of 2.5 million units by 2030
- The government is working on developing EV charging infrastructure in the country. PTT and EGAT will help one another in building more charging stations in the country

Source: Deloitte analysis based on BOI

Note: Electrified vehicles—including hybrids, plug-in hybrids, and battery electric vehicles (BEVs)

In order to realise the full potential benefits of electrification, there are five different enablers that should be addressed to increase the feasibility and attractiveness of EV adoption.

Five enablers for electrification



Total cost of ownership



Battery range and life



Charging networks



Regulatory environment



Value chain potential

Despite a recent increase in EV adoption in Thailand, overall numbers remain low.

Overall, the cost of EV in Thailand is significantly higher compared to ICEV.

Increased incentives may be required, such as lower excise taxes and the introduction of EV-only lanes, to stimulate greater demand. Fleet use cases are also set to witness increased adoption.

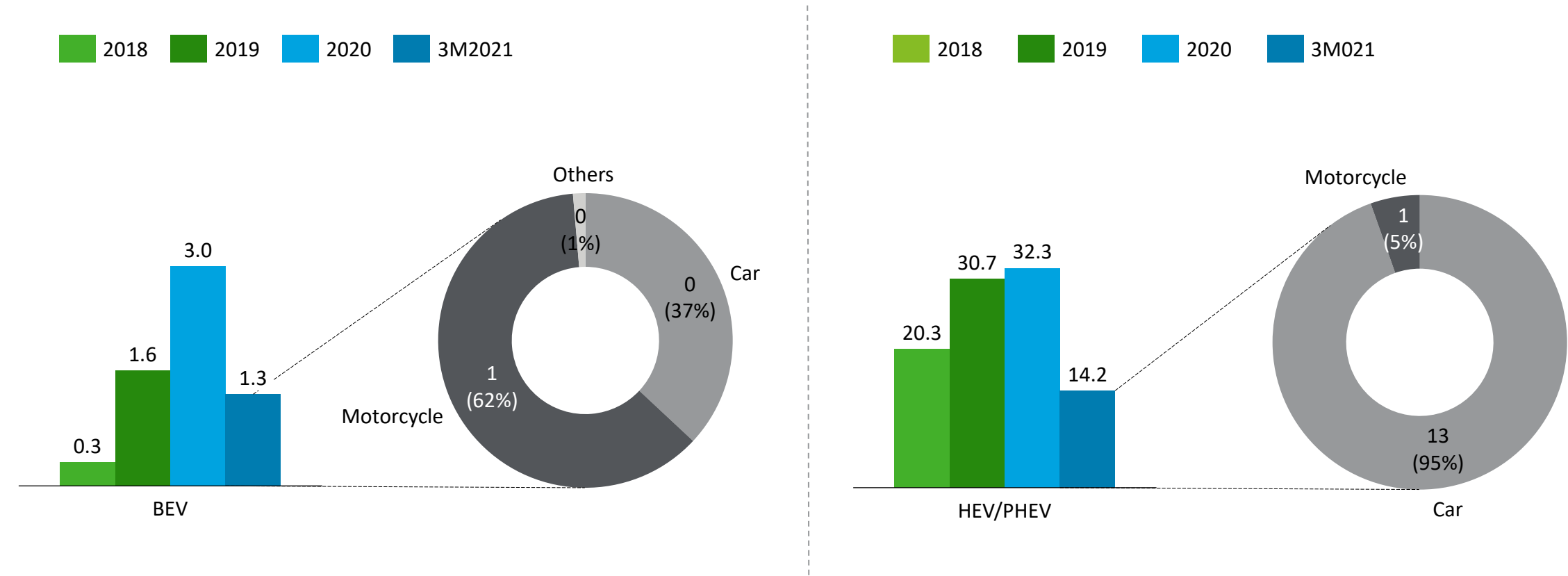
The challenge for EV in Thailand lies in limited fleet charging networks. The charging infrastructure needs to be improved, for example, by implementing battery swapping systems for two-wheelers, and adapting power grids for solar-powered chargers.

Currently, Thailand's value chain capabilities and customer demand are also mostly focused on PHEVs, rather than BEVs. Industry players should consider ways to leverage the initial interest in PHEVs to generate a stronger BEV network, by integrating EV charging infrastructure at existing gas stations.

Source: Deloitte analysis

Newly registered electric vehicles in Thailand skyrocketed in 2020, especially BEV.

Newly Registered Electric Vehicle in Thailand (Thousand Units)



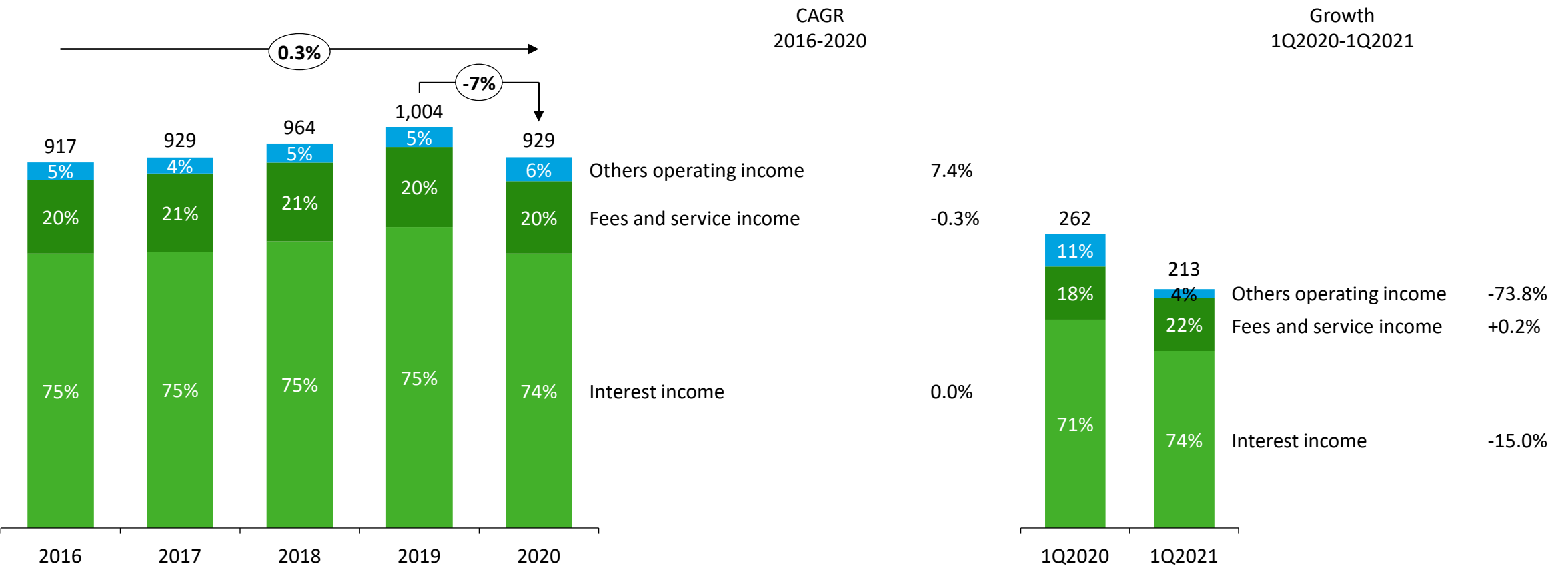
Source: Deloitte analysis based on EVAT

Banking



Banking market value in Thailand grew by 0.3% CAGR with a 7% decline 2020 YoY, mainly because of lower other operating and interest income.

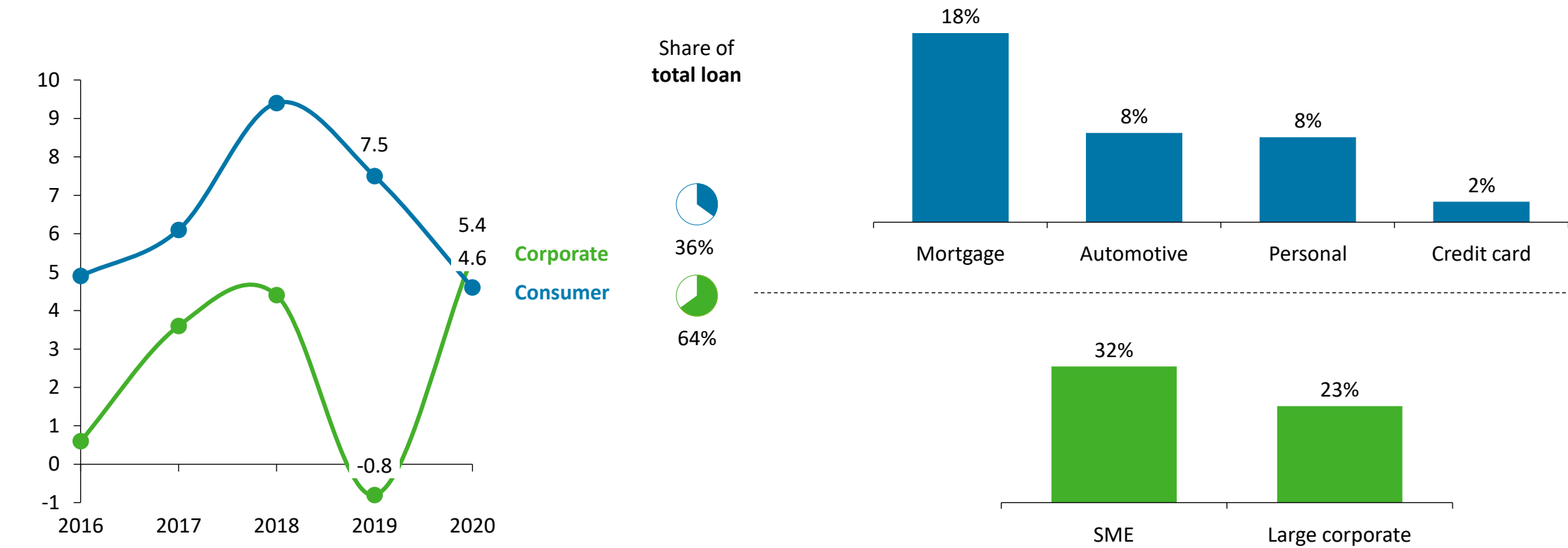
Banking market value
Unit: THB billion



Source: Deloitte analysis based on Bank of Thailand

In 2020, Corporate Loan growth surpassed that of Consumer Loan for the first time as a result of a weak household purchasing power due to COVID-19.

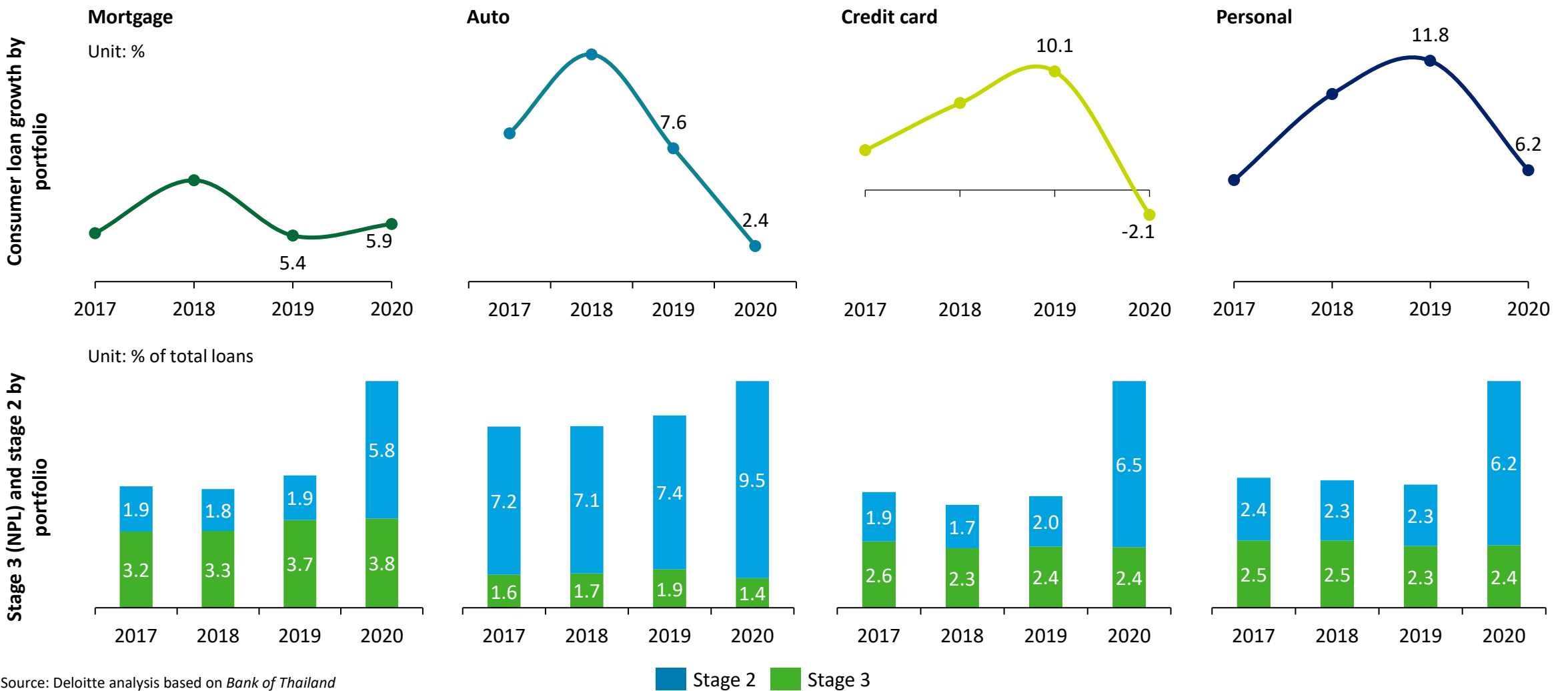
Loan growth classified by loan portfolios and Share of total loans
Unit: %



Note: Large corporate and SME are excluding financial business

Source: Deloitte analysis based on *Bank of Thailand*

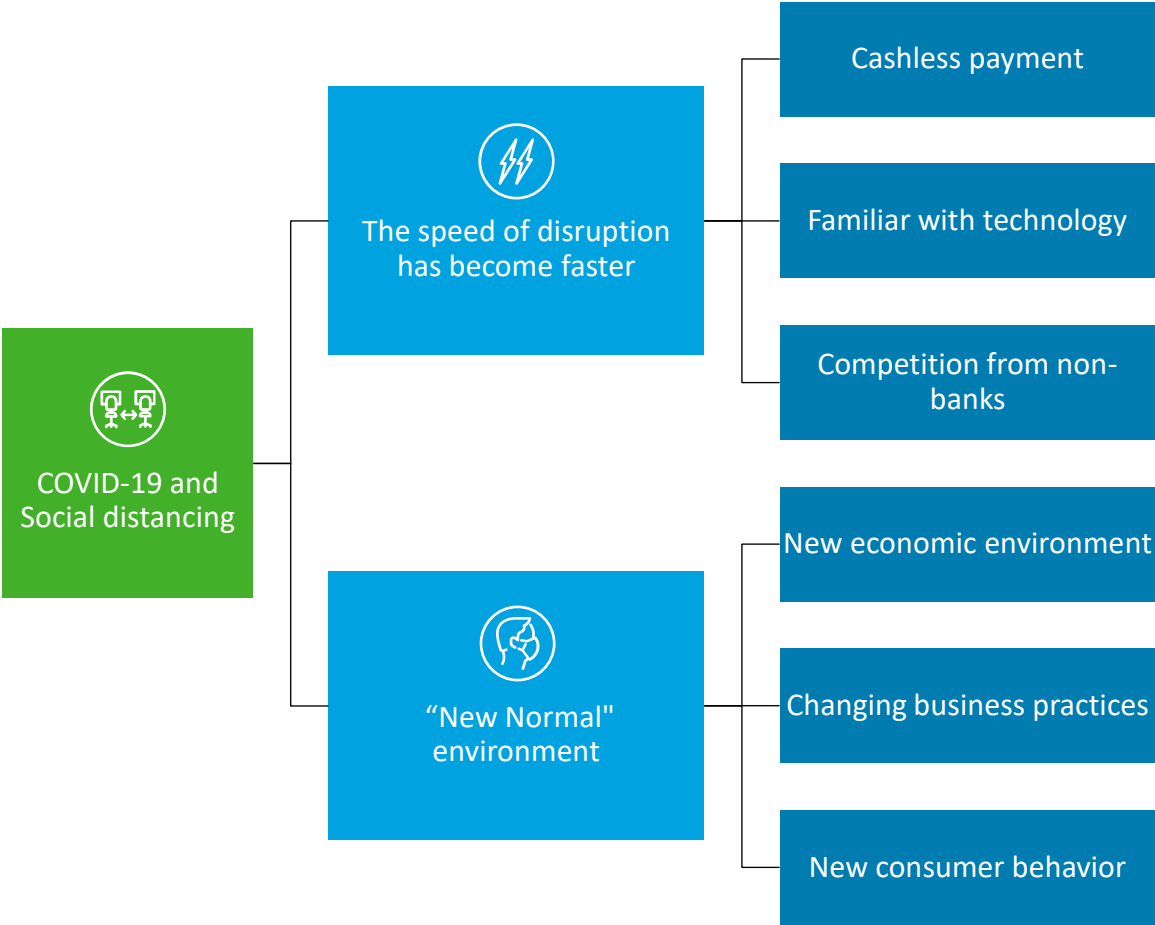
Consumer loan quality declined across all portfolios, except mortgage which showed a positive sign.



Source: Deloitte analysis based on Bank of Thailand

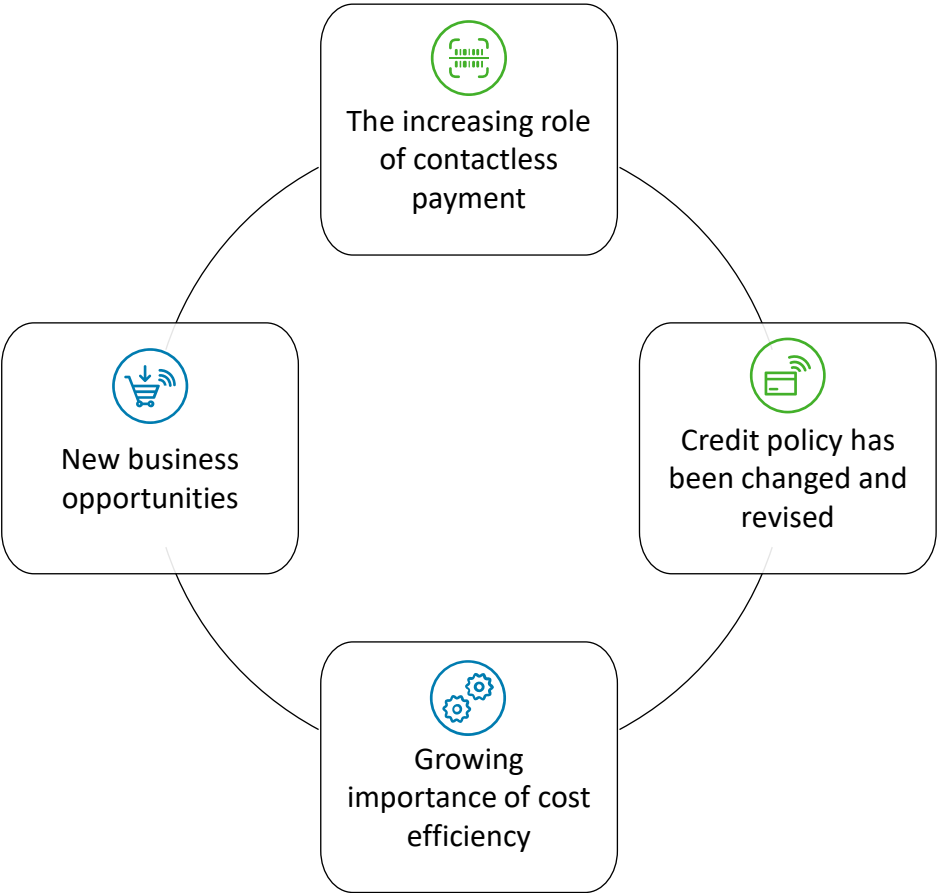
Commercial Banks must adjust to the New Normal era due to COVID-19.

The impacts of the COVID-19 pandemic on the commercial banking business



Source: Deloitte analysis based on *KResearch*

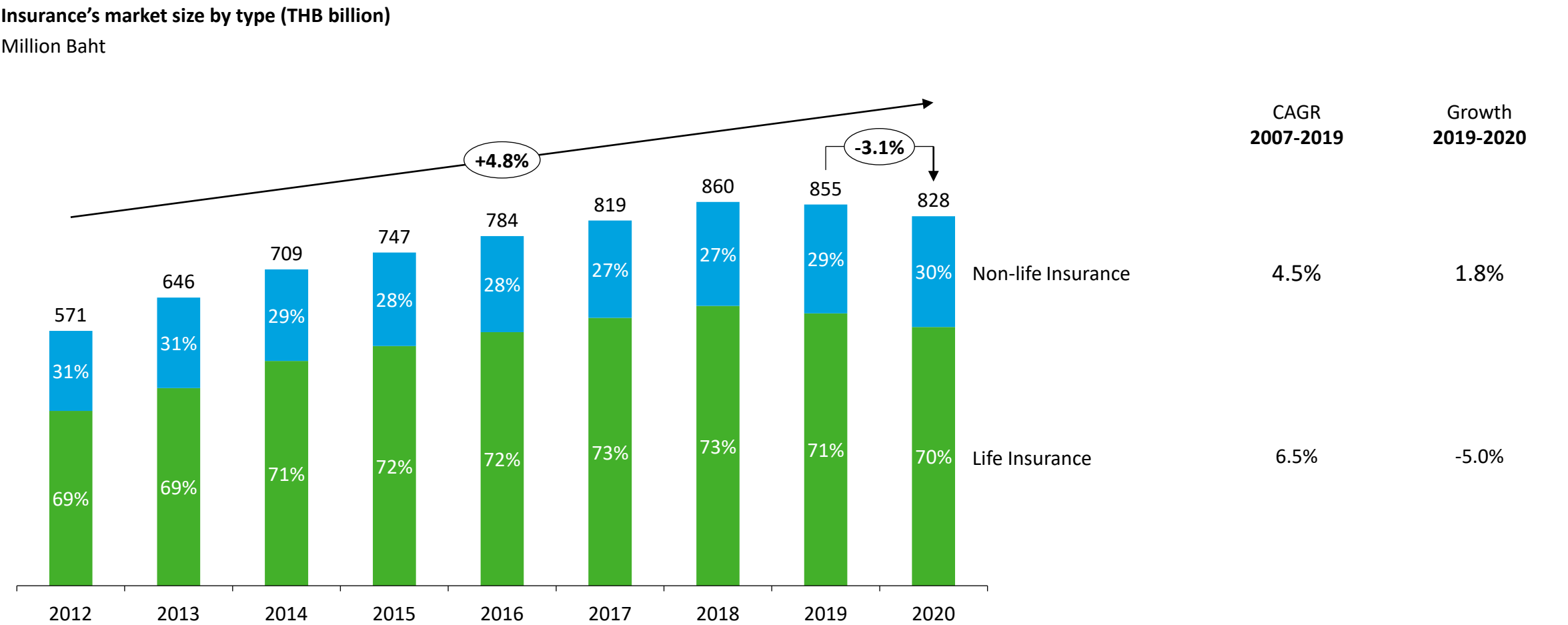
4 major developments



Insurance



Insurance market dropped by -3.1% in 2020 while non-life insurance increased by 1.8% in 2020 YoY.

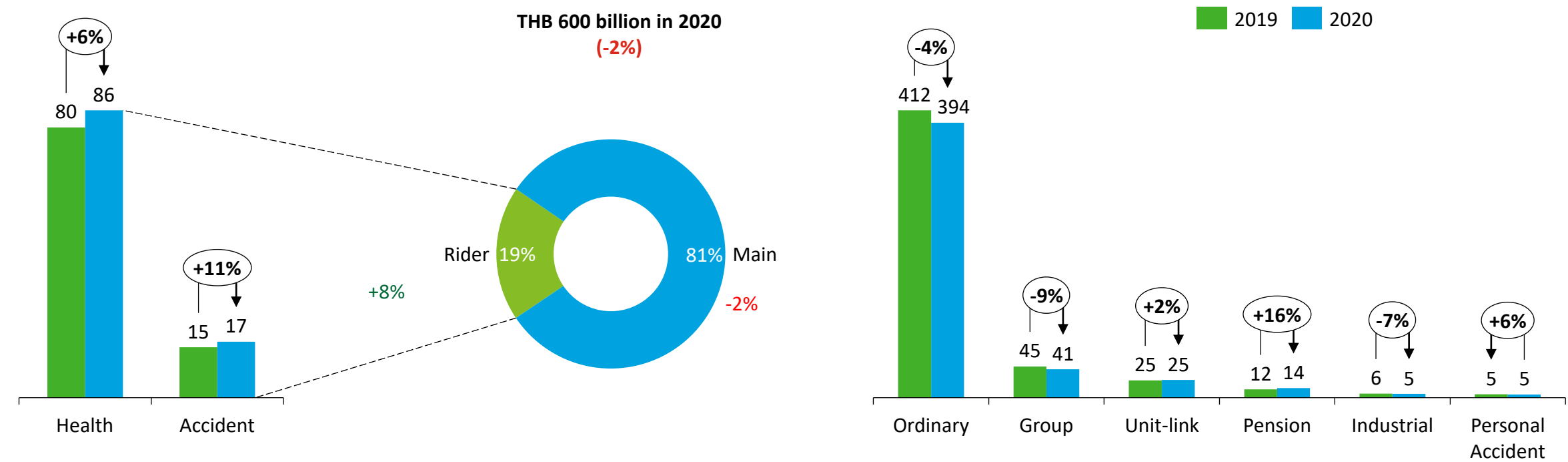


Source: Deloitte analysis based on OIC

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Total Life Insurance direct premium declined by -2% YoY despite an 8% increase among riders, as they accounted for only 19% of total Life Insurance direct premiums.

Life Insurance direct premium by type of contract (THB Billion)

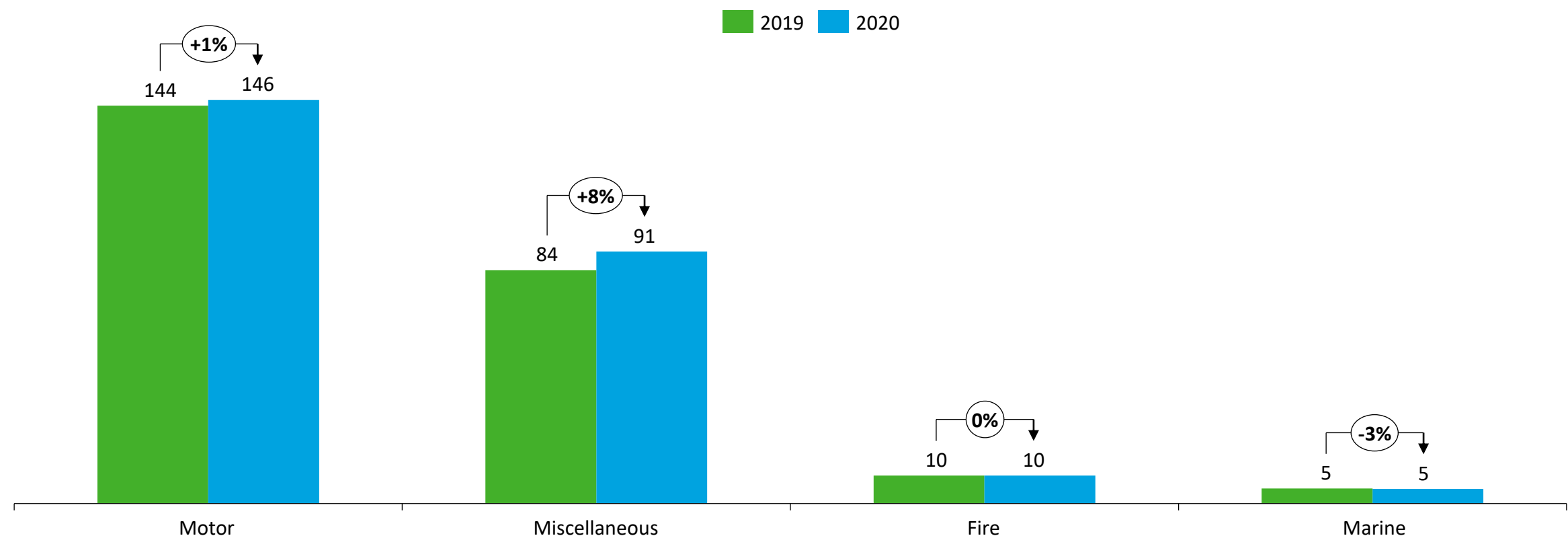


Note: Others refer to Annuity, Industrial, Personal Accident and Universal Life

Source: Deloitte analysis based on OIC

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

Non-life Insurance direct premium by type of contract (THB Billion)



Note: Others refer to Other Miscellaneous, Health, Fire and Marine

Source: Deloitte analysis based on OIC, EMIS and TGIA

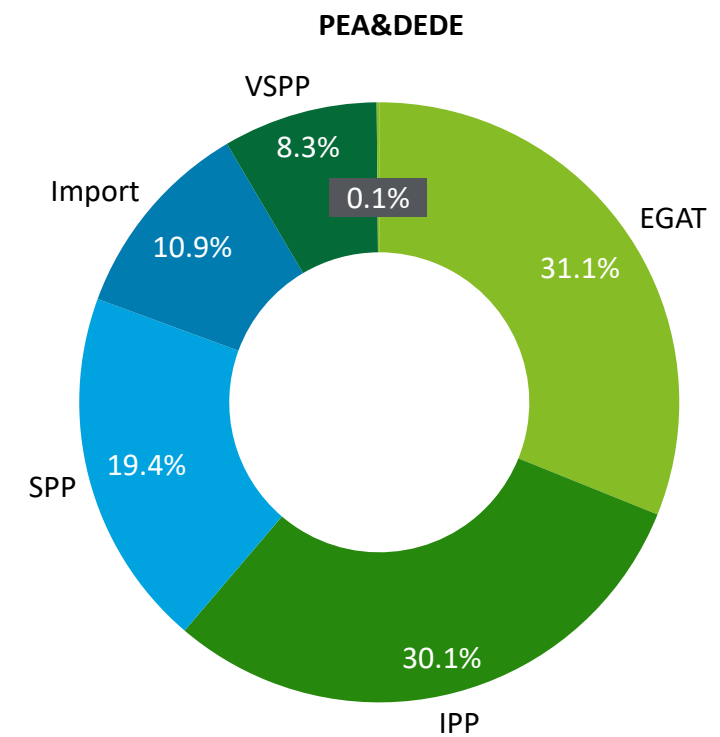
Power, Utilities & Renewables



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 61.2% as of Feb 2021.

System Generating Capacity

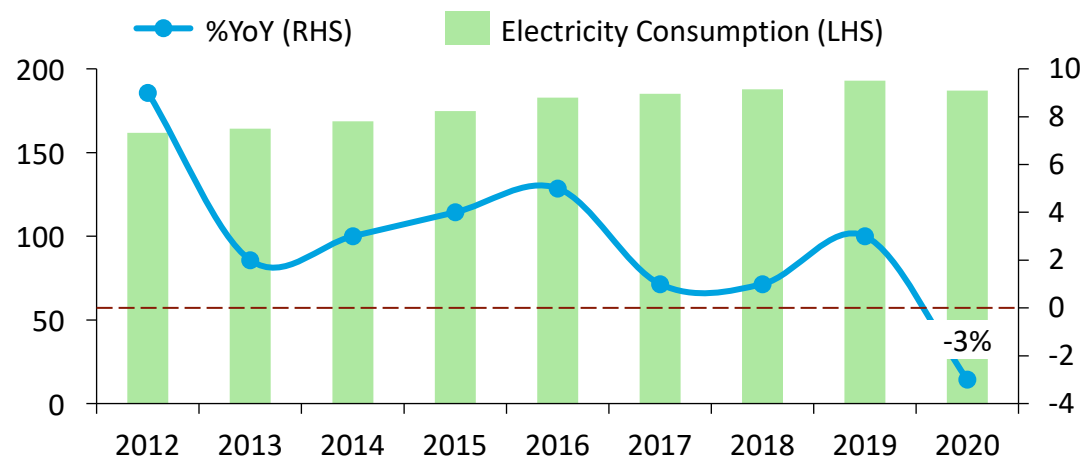
Total 49,600 MW As of Feb 2021



Source: Deloitte analysis based on EPPO

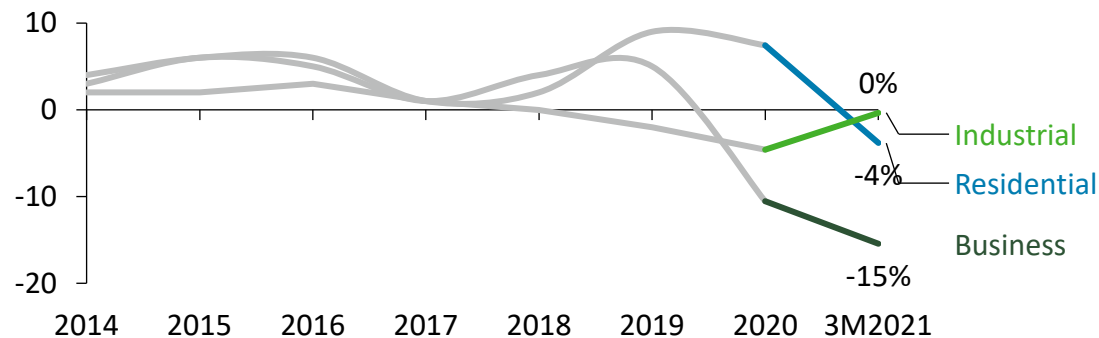
Key Figures Update: Power, Utilities & Renewables

Electricity Consumption Growth



For full-year 2020, the COVID-19 pandemic and the national lockdown reduced annual electricity demand by 3%

Electricity Consumption Classified by Sector



The Business sector saw the most drastic decline since the start of 2020 due to COVID-19 and generated the lowest consumption compared to industrial and residential sector

Source: Deloitte analysis based on EPPO and Krungsri Research

Oil & Gas

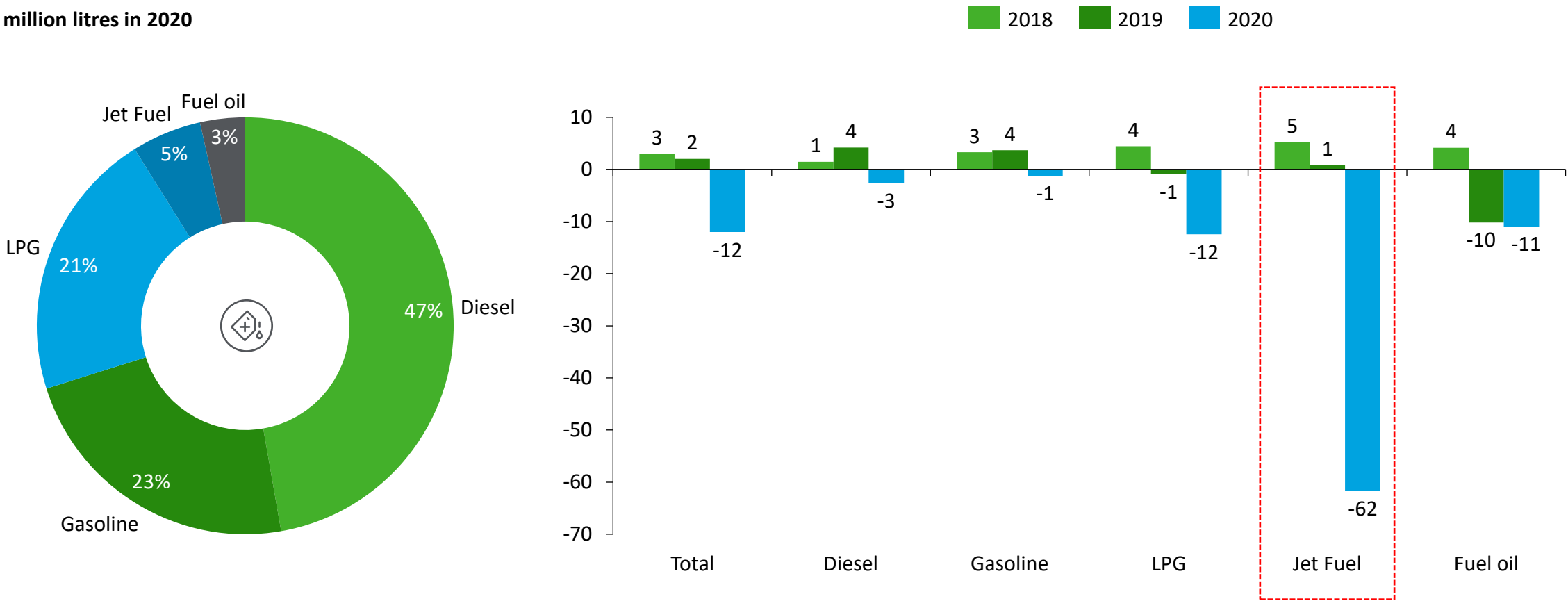


Consumption of petroleum products dropped by 12% in 2020, especially Jet fuel due to airline services slowdown.

Consumption of petroleum products

Unit: %

50,722 million litres in 2020

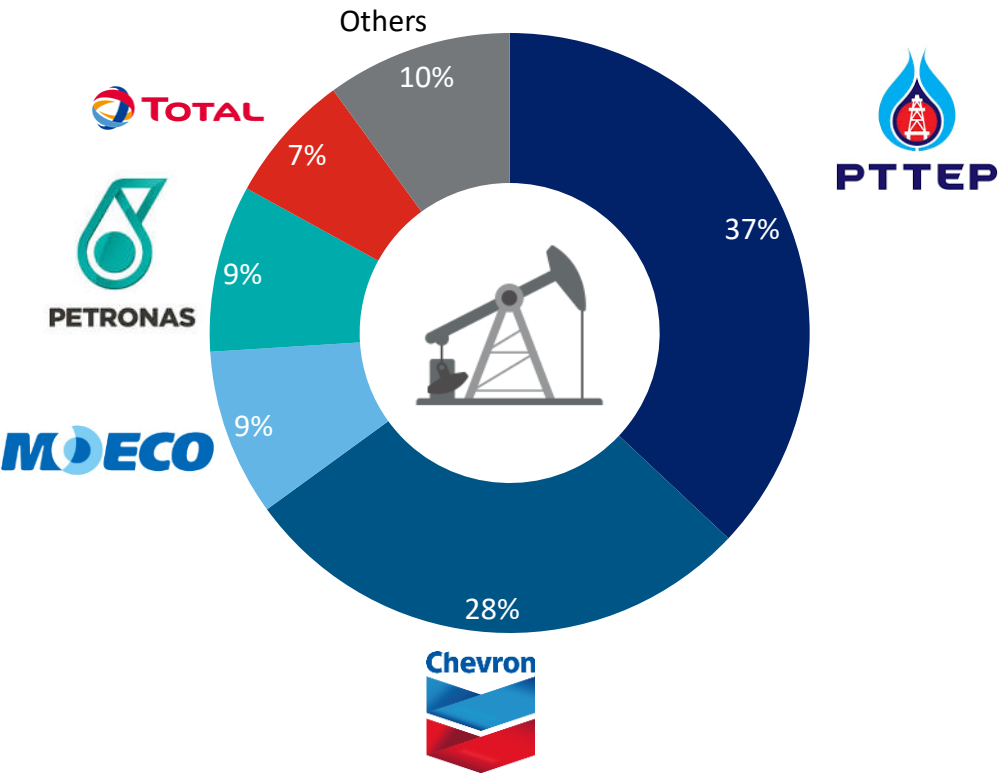


Source: Deloitte analysis based on EPPO

PTTEP is the largest E&P company in Thailand, while Thai Oil maintained its position as the leading domestic refinery.

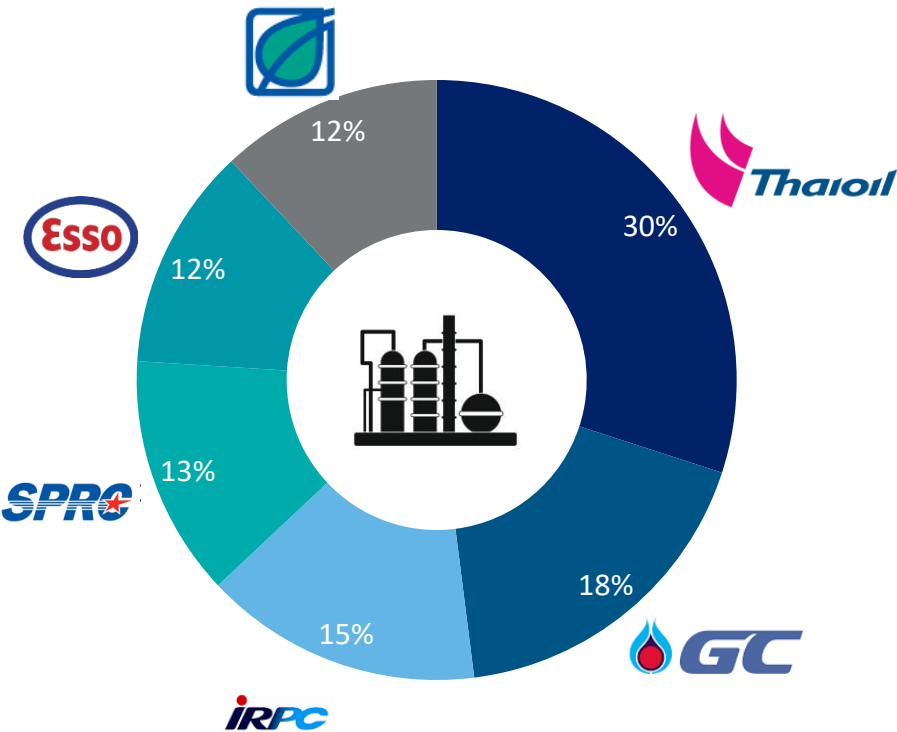
Top E&P Companies by Production Volume, 2019

Unit: %



Top Petroleum Refining Companies by Refining Output, 2019

Unit: %



Source: Deloitte analysis based on EMIS

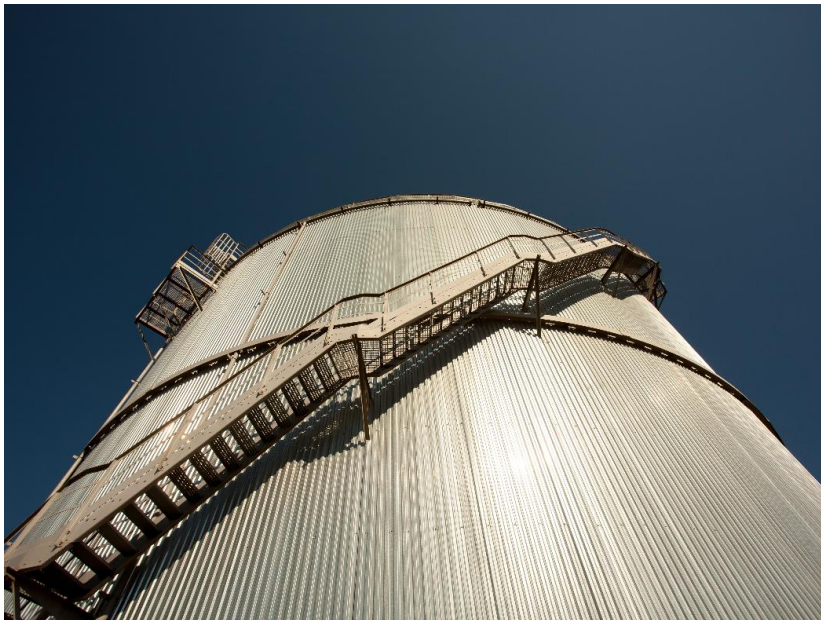
Chemicals



Players in Chemicals will be exposed to several risks and challenges in the upcoming 2020-2022 period that could rein in on growth in the Thai petrochemicals industry

Risks

- **US-China** trade tension
- Fluctuations in **oil prices**
- Plans to **increase production capacity** for some petrochemical products, especially PX and Benzene, largely in China, Vietnam, and the Middle East.
 - This would cap prices of these products despite stronger demand
 - **Thai producers will see weaker demand for their goods.**



Source: Deloitte analysis based on *Krungsri Research*

Challenges



Internal
factors

1. New technology and Circular Economy

- The use of new technology to add value to their processes, especially in packaging, automobiles and electronics in response to the emergence of the circular economy.
- Demand to **shift from commodity-grade goods to a greater need for specialty products** and the petrochemical industry would be forced to change.
- Deloitte estimates that although over the next 15 years (from 2018), the global market for petrochemicals will grow by about 3% per year, demand for **specialty petrochemical** products will expand by **4.5%**

2. Self-sufficiency plan in major export destinations

Shift from supply-driven consumption to demand-driven production.



Before—Ability to source inputs and control costs



After—Ability to produce a wide variety of products to meet market needs, to build relationships with businesses in other sectors, and to develop and exploit new technologies and processes.



External
factors

Life Sciences

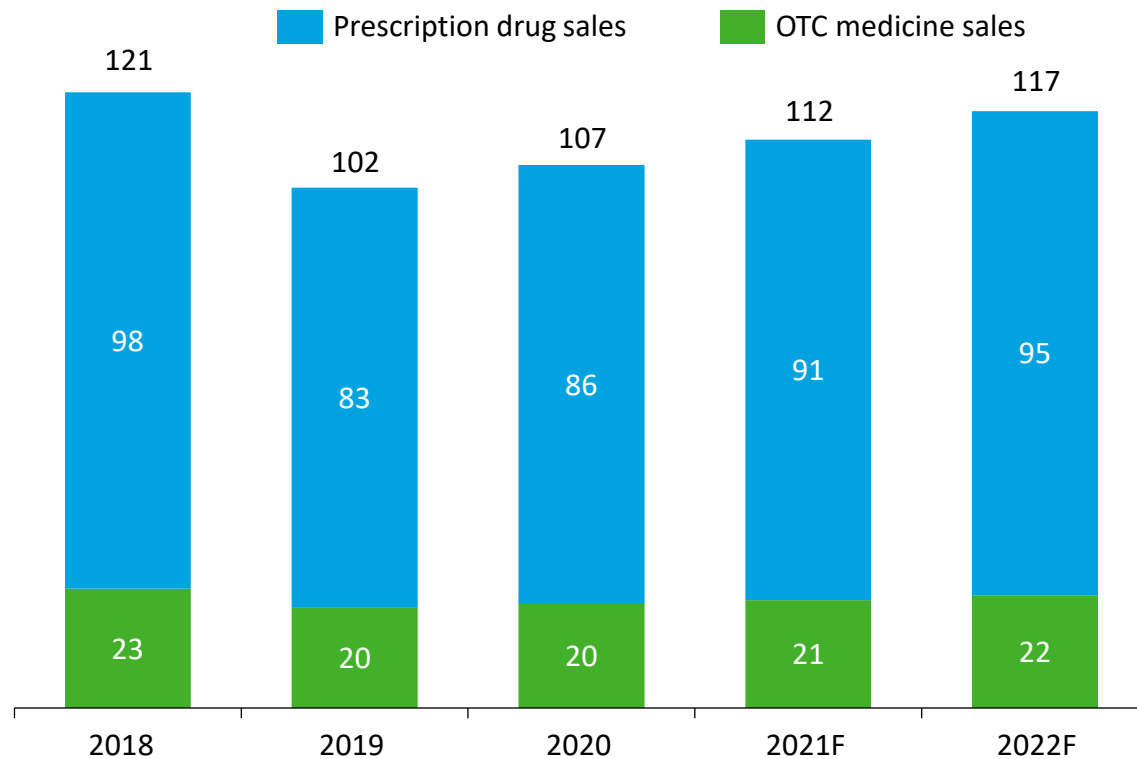


Pharmaceutical Overview

- Increasing pharmaceutical sales are arising from the implementation of universal health insurance, and growing number of medicines distributed through hospital.
- Export values continue to rise due to expanding markets in ASEAN, especially Vietnam. However, import values dipped in 2019 due to strong THB relative to main import countries such as Germany, USA and India.

Pharmaceutical sales

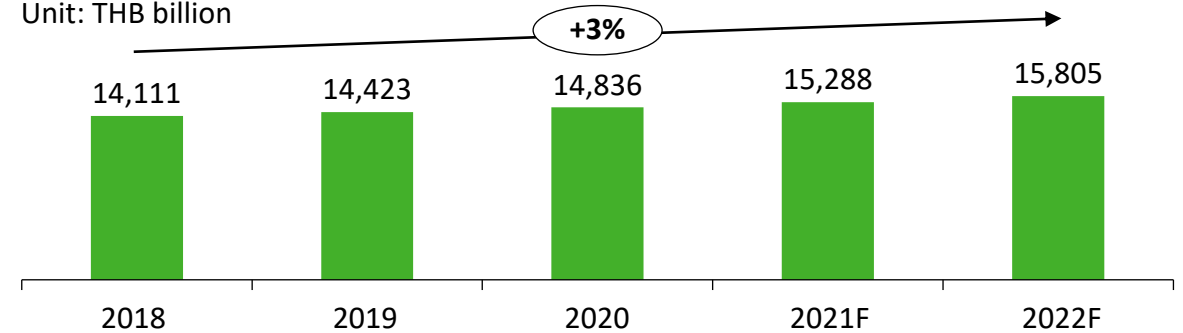
Unit: THB million



Source: Deloitte analysis based on *Fitch Solution*

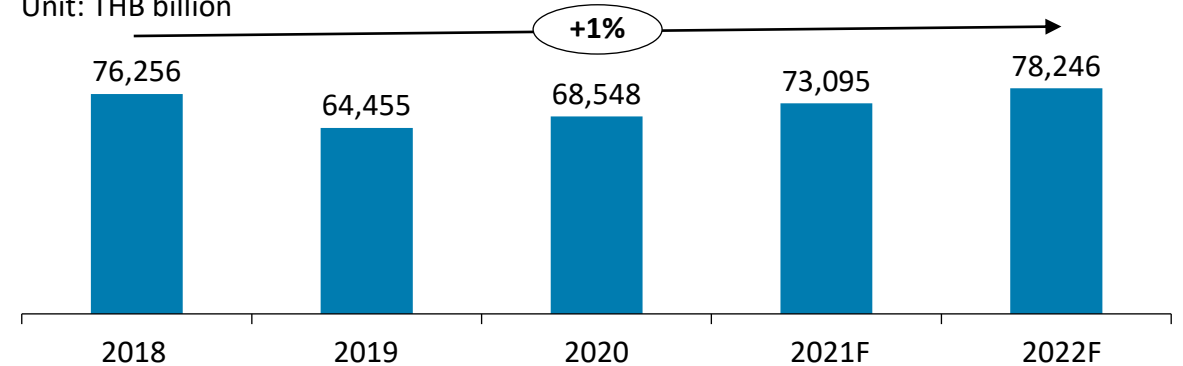
Pharmaceutical Exports

Unit: THB billion



Pharmaceutical Imports

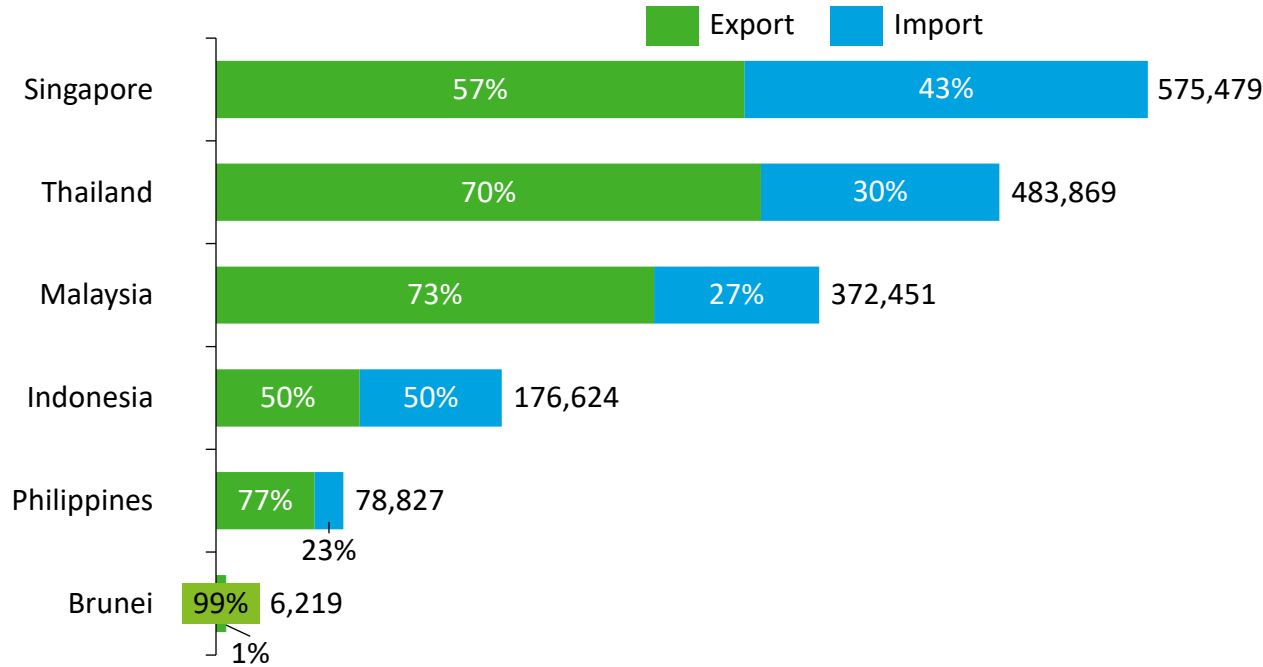
Unit: THB billion



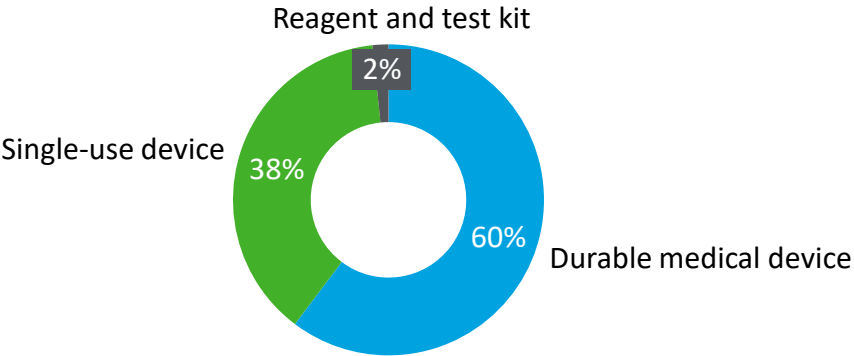
Thailand is the leading importer and exporter of medical devices (by value) in ASEAN with durable medical devices accounting for most of the exports and single-use devices for most of the imports

ASEAN Top 5 Markets for Medical Devices
10M2020

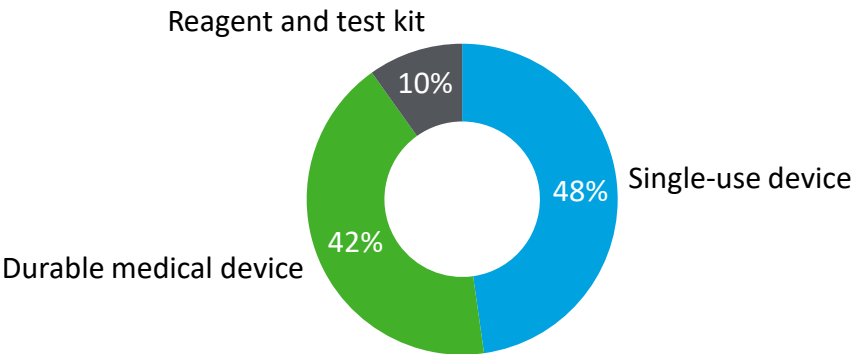
Unit: THB million



Thailand Export 10M2020



Thailand Import 10M2020

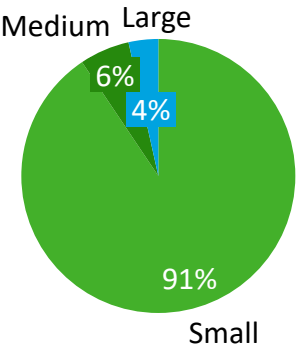


Source: Deloitte analysis based on *Medical Device Intelligence Unit (MeDIU)*

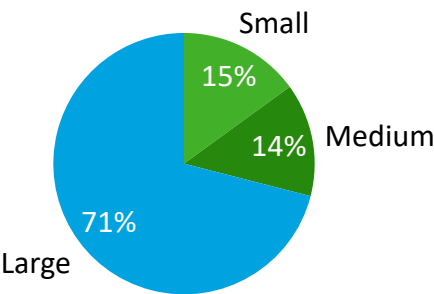
Thailand consists mostly of small manufacturers. However, large manufactures receive the greatest proportion of revenues

Medical Device Manufacturers

Number by size (2020)

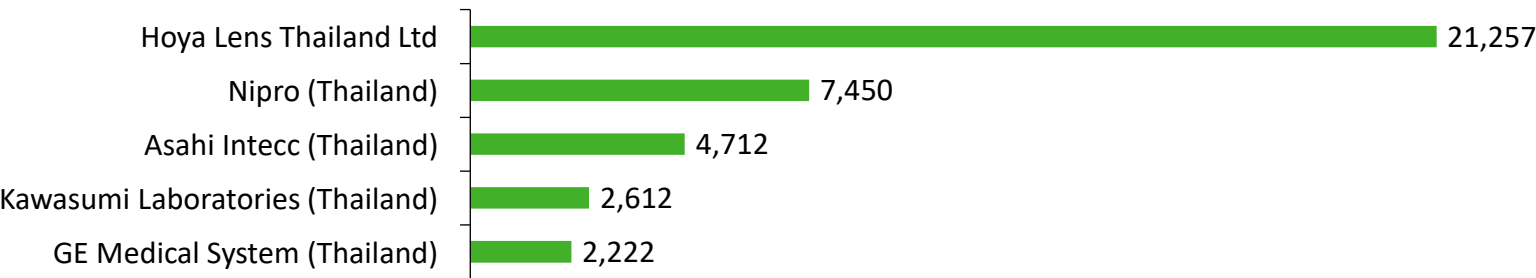


Revenue by size (2018)



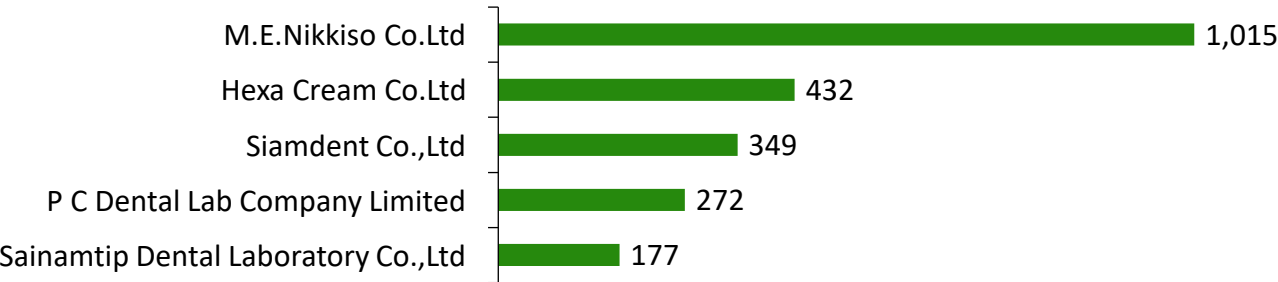
Revenue of manufacturer of medical instruments and supplies (except dental instruments and supplies) in 2019

Unit: THB mn



Revenue of manufacturer of dental instruments and supplies in 2019

Unit: THB mn



Source: Deloitte analysis based on BOL and Krungsri Research

Healthcare

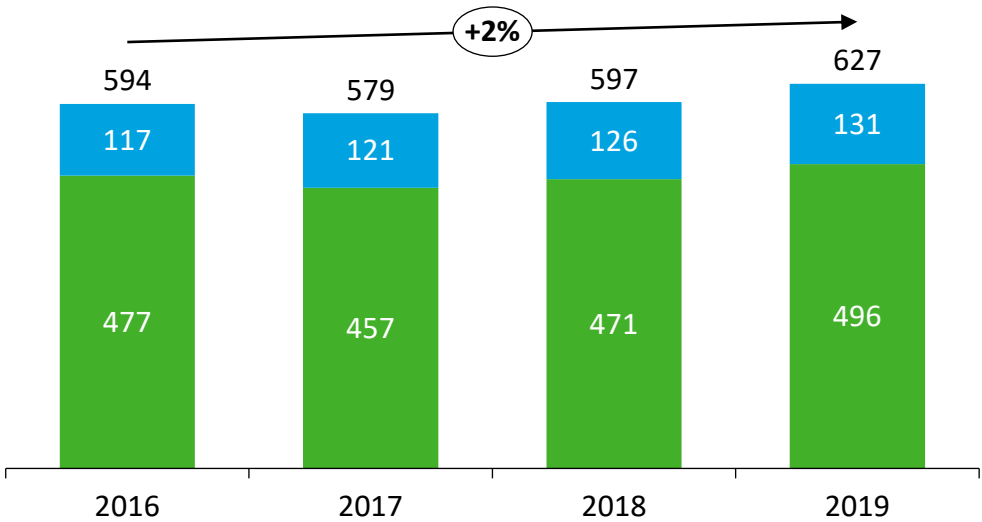


The government's further commitment to the development and improvement of the healthcare system is expected to contribute to the government continuous expenditure growth

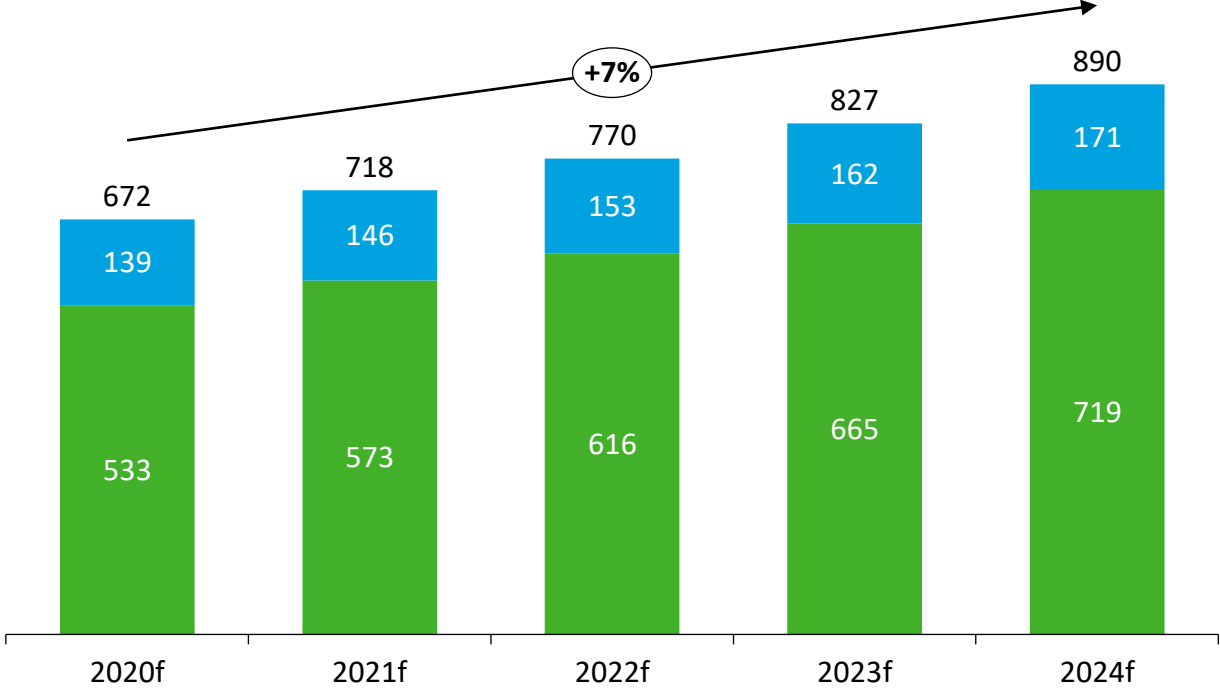
Healthcare Expenditure Trends

Historical Data

Unit: THB million



Forecast Data



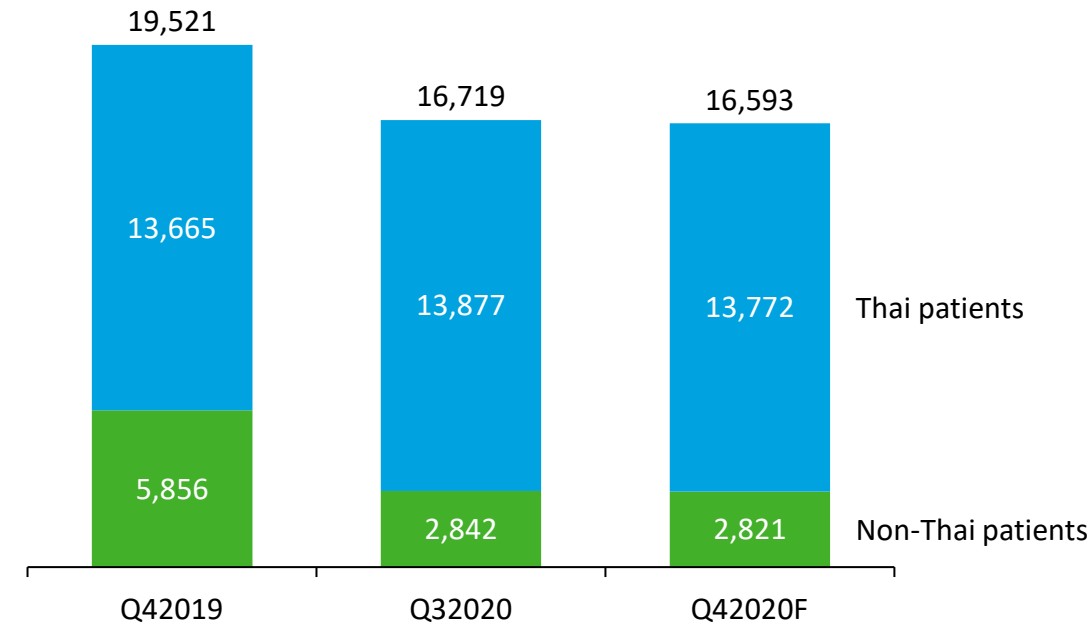
Private health spend Government health spend

Source: Deloitte analysis based on WHO and Fitch Solutions

Total revenue of the Healthcare sector is expected to decrease solely because of significantly lower revenue from non-Thai patients due to the Covid-19 pandemic

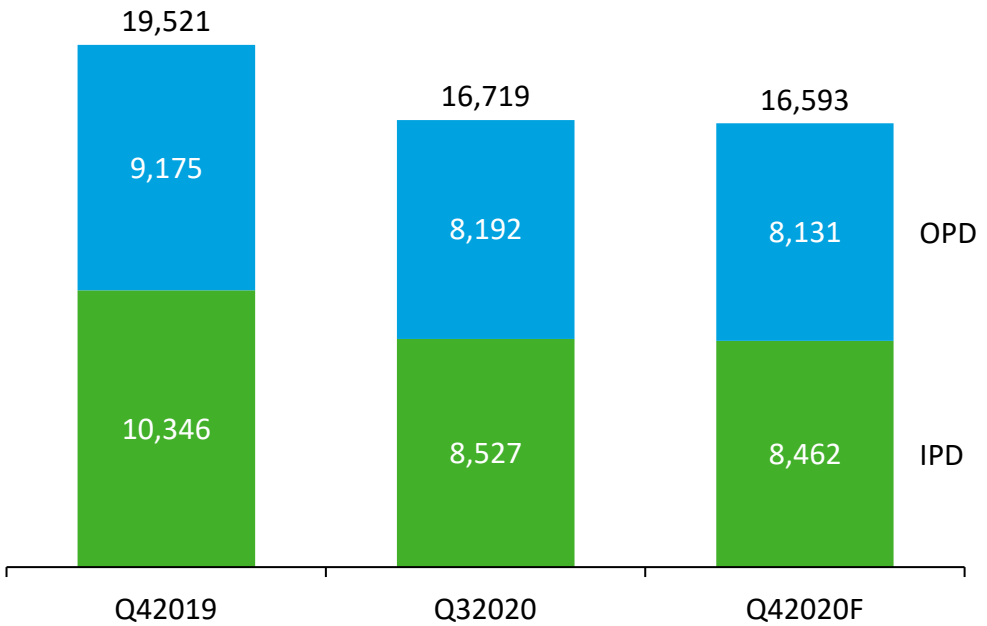
Revenue breakdown by nation

Unit: THB million



Revenue breakdown by patient type

Unit: THB million

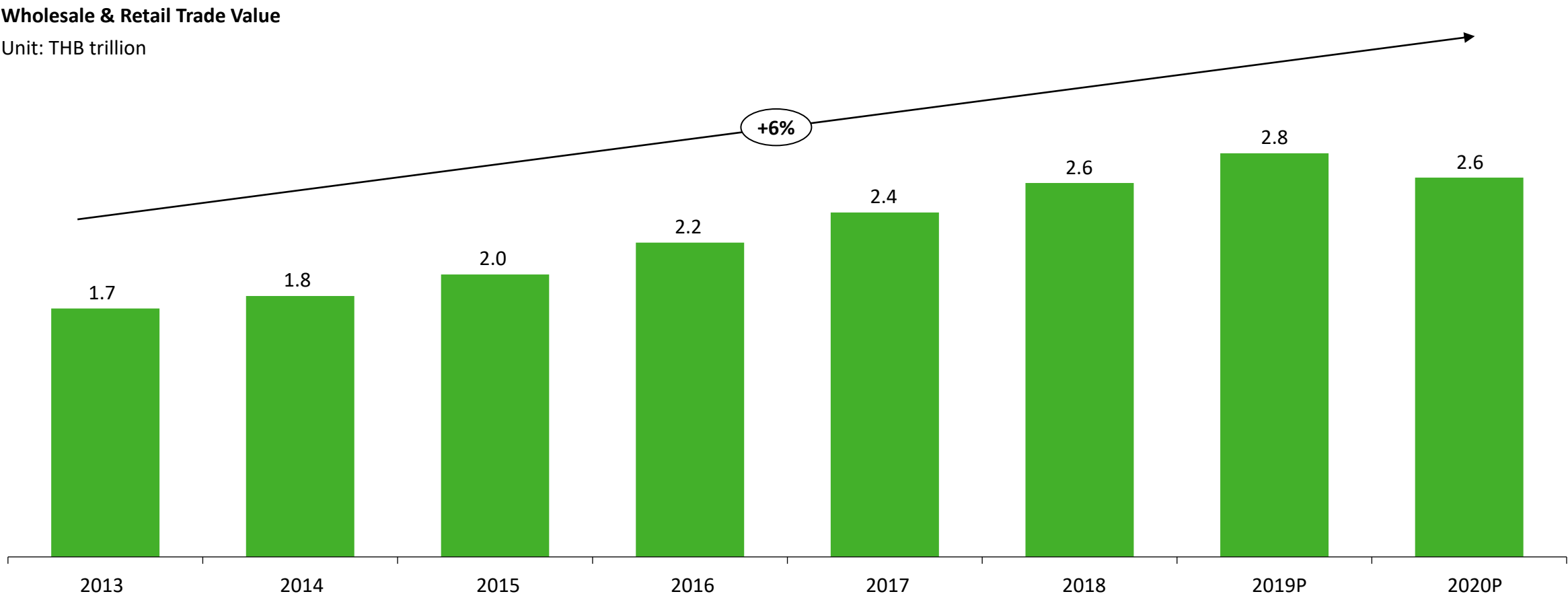


Source: Deloitte analysis based on KGI research

Wholesale, Retail and Distribution



Wholesale and retail trade value increased by 6% CAGR. However, in 2020 the value decreased by 7% due to economic slow down

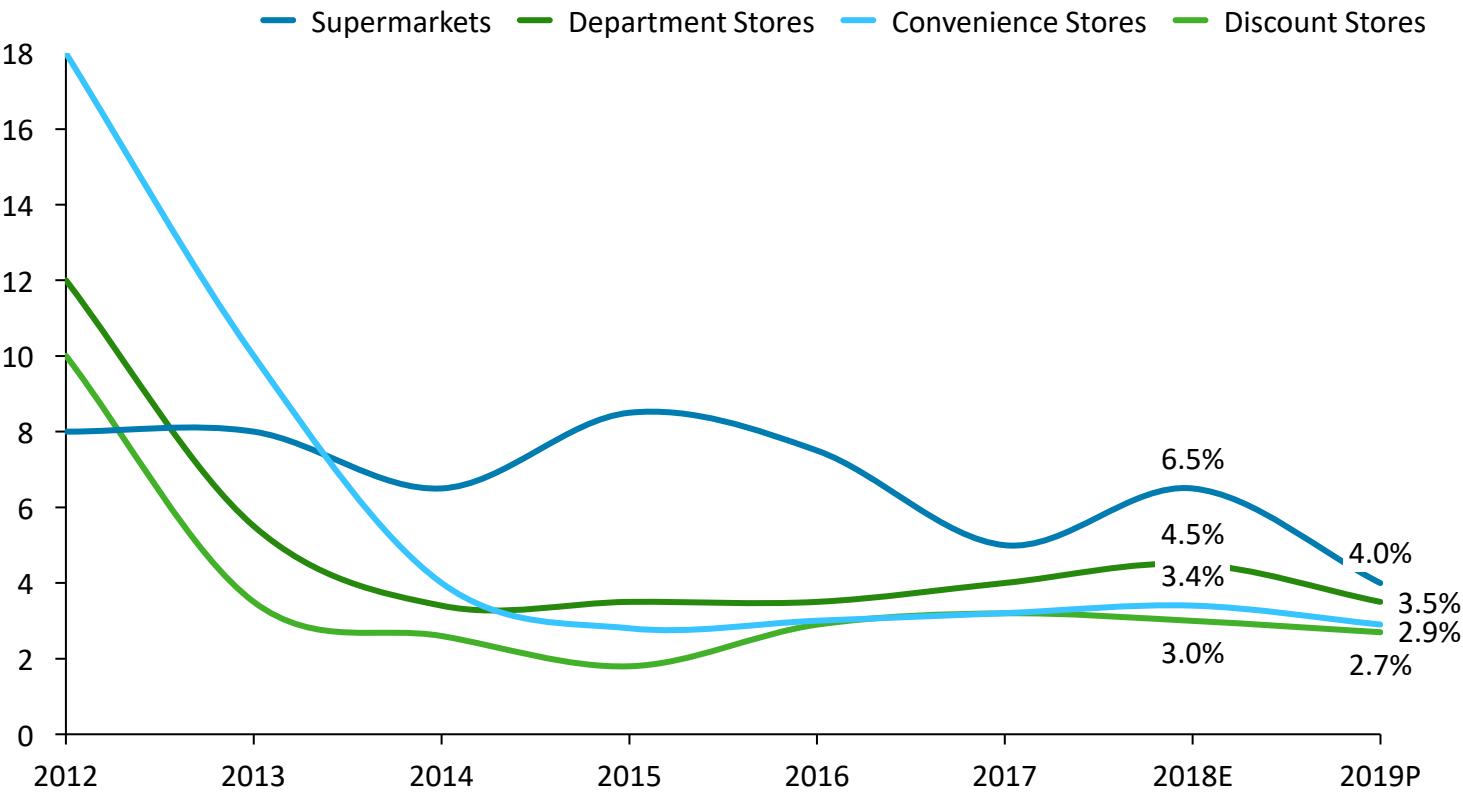


Source: Deloitte analysis based on NESDC

Due to the global COVID-19 pandemic in 2020, the modern trade industry experienced a historic contraction in sales, falling by 10.0-12.0%

Retail business growth by type of store

Unit: % YoY

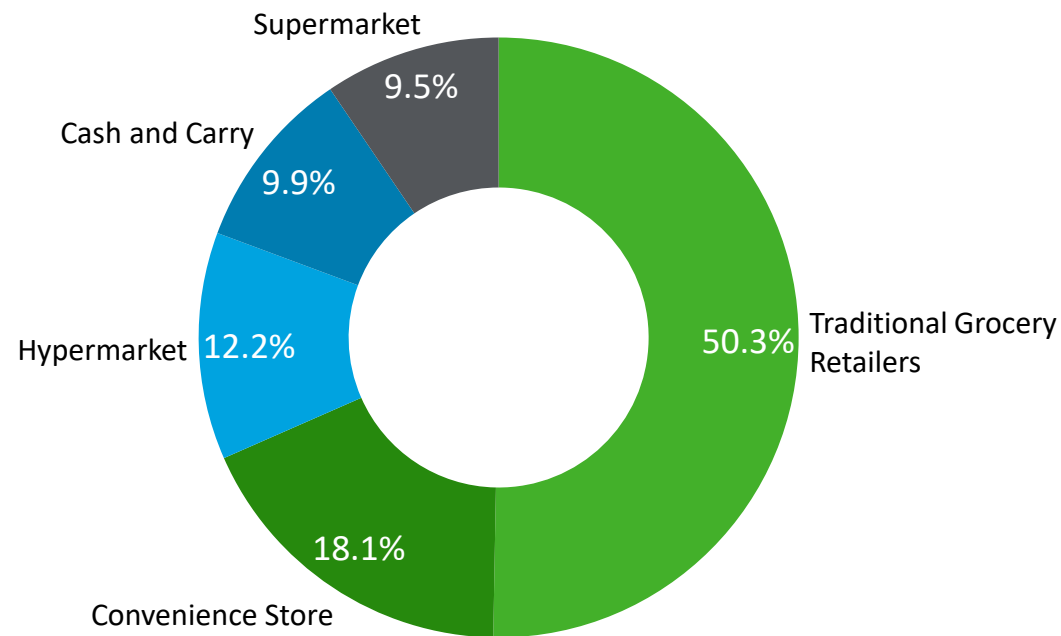


Store type	2020E	2021-23F
Supermarkets	-10 to -12	2.8-4.7
Department Stores	-13 to -15	2.0-3.0
Convenience Stores	-9 to -10	1.7-2.8
Discount Stores	-10 to -12	1.3-2.3

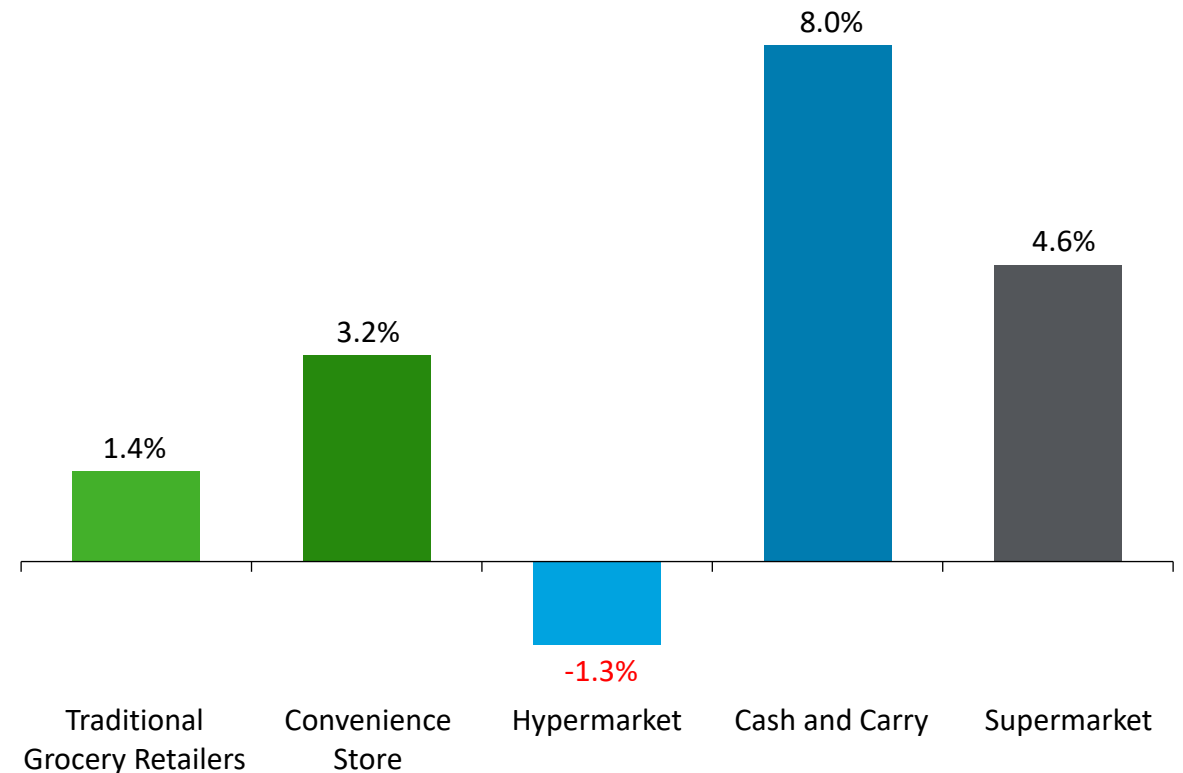
Source: Deloitte analysis based on Krungsri research

Traditional grocery retailers remain the biggest players in Thai grocery retailing subsector, accounting for approximately half of the total subsector sales in 2019. However, modern retail has a gradual market share increase

Grocery Market Share by Value (2019)

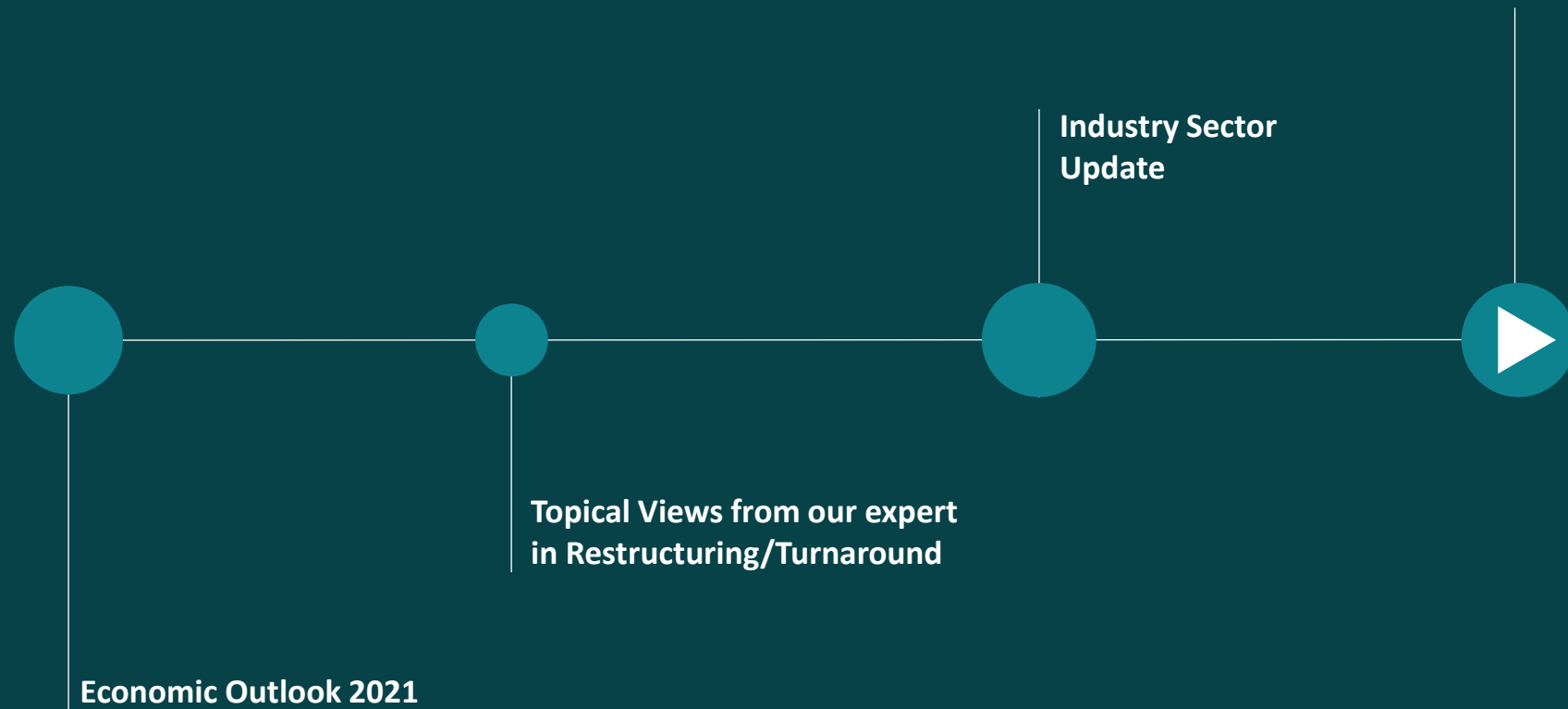


Grocery Sale Growth (2019)



Source: Deloitte analysis based on EMIS

The Secret Sauce of Driving Successful Digital Transformation



The Secret Sauce of Driving Successful Digital Transformation

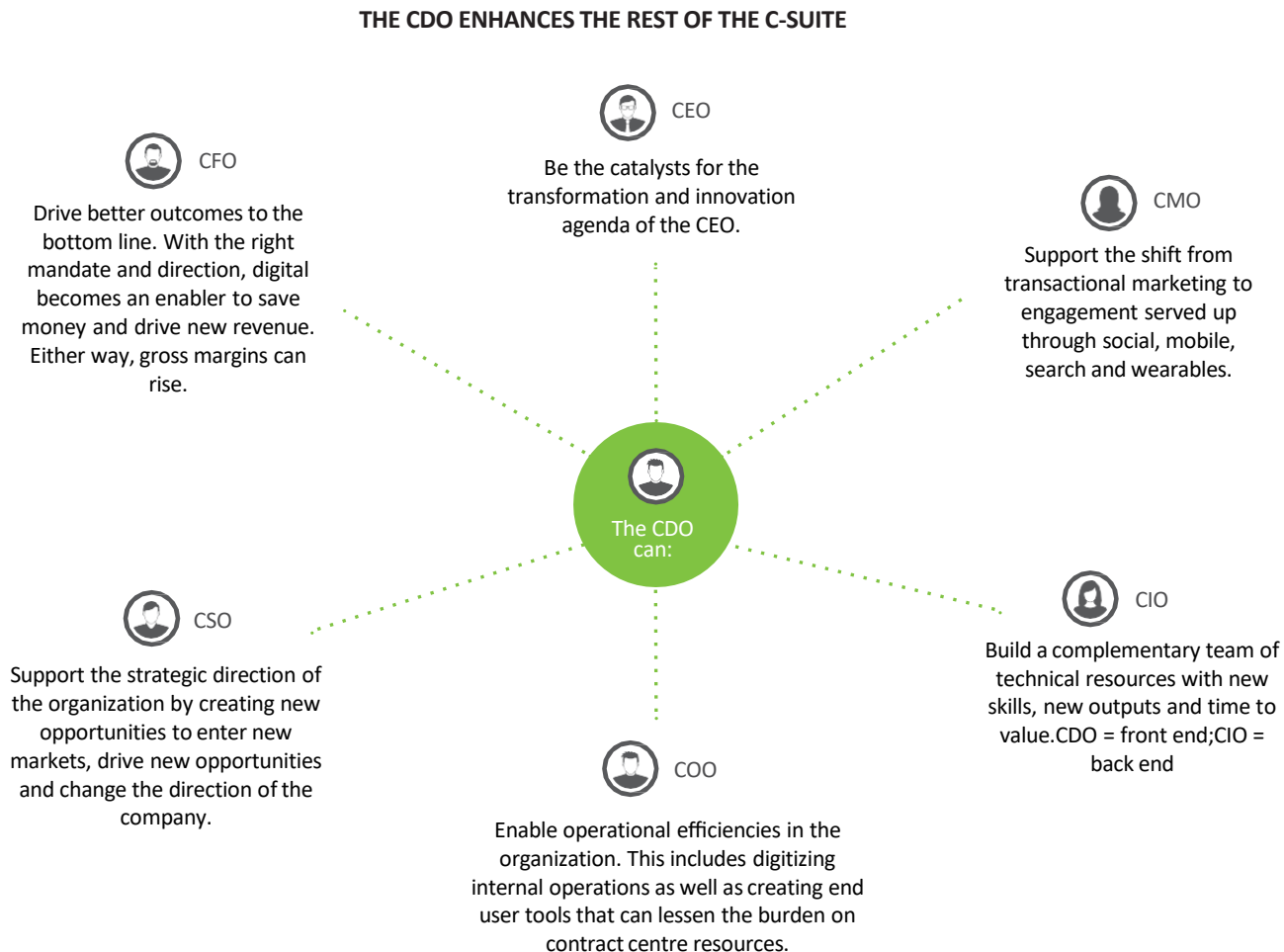
The roles and characteristics of Chief Digital Officer (CDO) and how CDO can help orchestrate the digital transformation journey

As information technology has dramatically reshaped all industries, many companies are pursuing and driving the digital transformation initiatives, in an effort to capture the benefits of these trends or simply catch up their peers. Yet, success in these transformations is not guaranteed, and in fact, facing a highly challenging as being observed from Deloitte's Thailand Digital Transformation survey.



The Secret Sauce of Driving Successful Digital Transformation

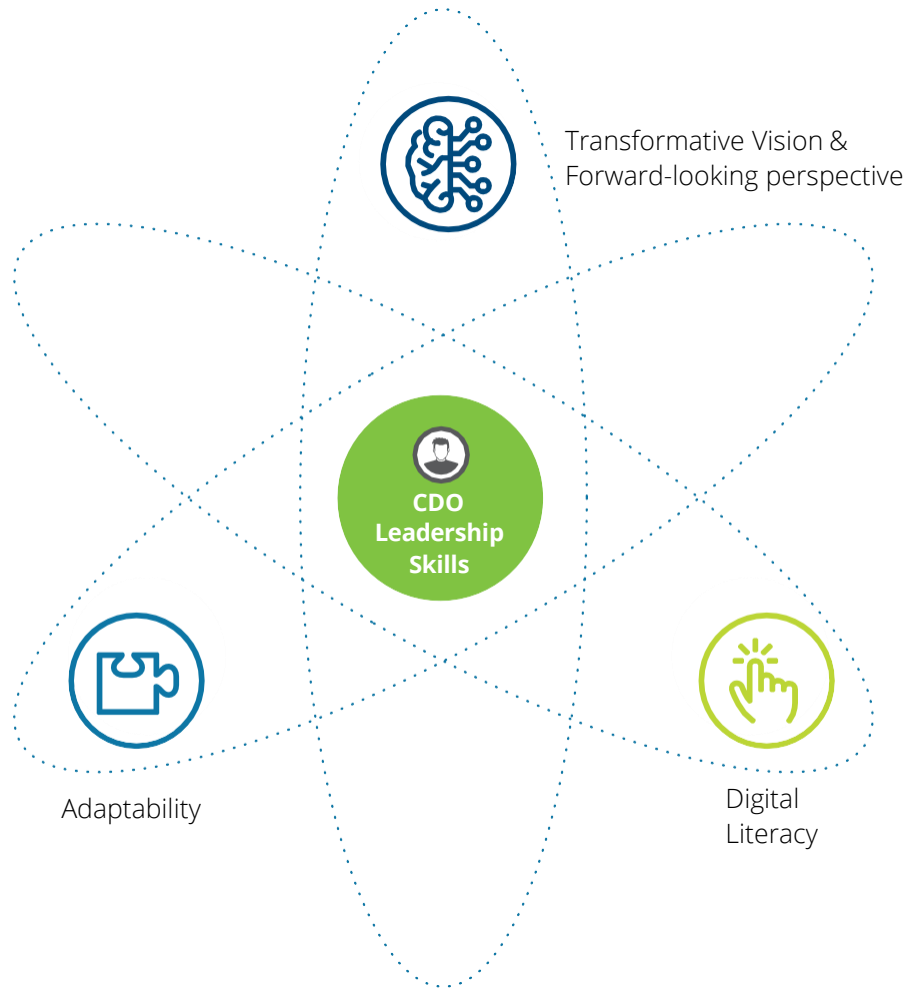
The roles and characteristics of Chief Digital Officer (CDO) and how CDO can help orchestrate the digital transformation journey



- To make digital industrial transformation a reality, a company needs both a nerve center and a dedicated digital function.
- Creating an operational structure with digital leader is key to drive the transformation successfully.
- The organization would need to appoint so-called a *chief digital officer (CDO)*, a senior leader responsible for the organization's long-term digital vision and the subsequent execution of the transformation efforts.
- CDO think holistically about how a company's strategy is executed across all digital channels. They own and drive digital strategy throughout the organization to help business unit leaders unlock value.

Core leadership skills for CDO





Many required core leadership skills remain the same whether it is a business or digital leader, there are some demands of digital disruption call for certain new skills.



- **Transformative vision and forward-looking perspective**—the most important skill which includes the ability to anticipate markets and trends, make savvy business decisions and solve tough problems in turbulent times.
- **Digital literacy**—a must-have skill, the leader needs to have general digital literacy, as opposed to hard-core technical skills. It is often much easier and more effective to equip the business leaders become digitally literate than it is to teach technologists the strategic and business knowledge.
- **Adaptability**—as the pace of change in digital world, a leader must also be change oriented—that is open-minded, adaptable, and innovative.

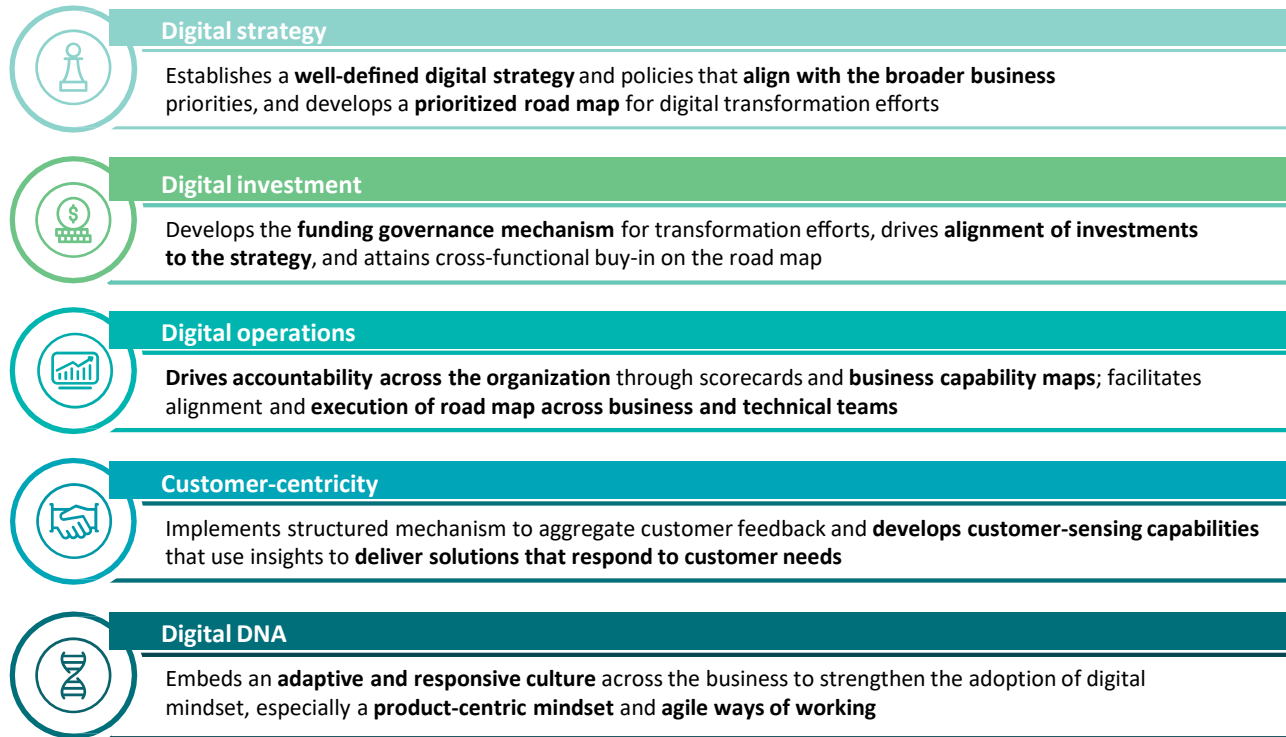
Chief Digital Officer Archetypes

Digital Leaders are categorized into one of the four archetypes, with each driving distinct strategic objectives

The disrupter	The innovative integrator	The market-minded maven	The technology integrator	
				
ARCHETYPE DESCRIPTION CDO has mandate to transform existing business models and ways of working	ARCHETYPE DESCRIPTION CDO integrates customer sensing and insights with operational capability improvements	ARCHETYPE DESCRIPTION CDO drives new digital solutions for customer-facing channels and routes to market	ARCHETYPE DESCRIPTION CDO is technology-centric and uses digital innovation to accelerate change	<ul style="list-style-type: none">• The Disrupter—focus on transforming existing business models and ways of working who typically reporting to the CEO• The innovative integrator—integrates customer sensing and insights with operational capability improvements. Primarily focus on the highest-priority innovations and may lack of full control over all digital execution.• The market-minded maven—drives digital initiatives for customer-facing channels and routes to market. Focus on customer growth and customer experience, downsides may be disconnected from other ‘non’ front-end business units.• The technology integrator—technology-centric and uses digital innovation to accelerate change in the organization. Usually report to CIO or CTO with single-outcome initiatives and highly stable workplans, might be limit perspective and not quick enough to adapt to the changing business needs.
REPORTING INTO CEO	REPORTING INTO CEO	REPORTING INTO CMO/CRO	REPORTING INTO CIO/CTO	
PROS <ul style="list-style-type: none">• High decision efficiency• Very agile and responsive to customer demands	PROS <ul style="list-style-type: none">• Focused on highest-priority innovations• Able to respond with agility to customer need	PROS <ul style="list-style-type: none">• Digital initiatives prioritized on customer and growth impact• Accountability for end-to-end customer experience	PROS <ul style="list-style-type: none">• Stable demands and work plans increase development efficiency• Focus on single outcomes can result in optimized operations	
CONS <ul style="list-style-type: none">• Too many changes at once may overwhelm the organization• Accountability falls all on the CDO	CONS <ul style="list-style-type: none">• May not have full control over all digital execution (e.g., product RandD)	CONS <ul style="list-style-type: none">• Removed from CEO, which could restrict large investments• Disconnected from business units, which may limit adoption	CONS <ul style="list-style-type: none">• Less adaptable to changing business needs• Key components of business strategy may be overlooked	

Digital Function

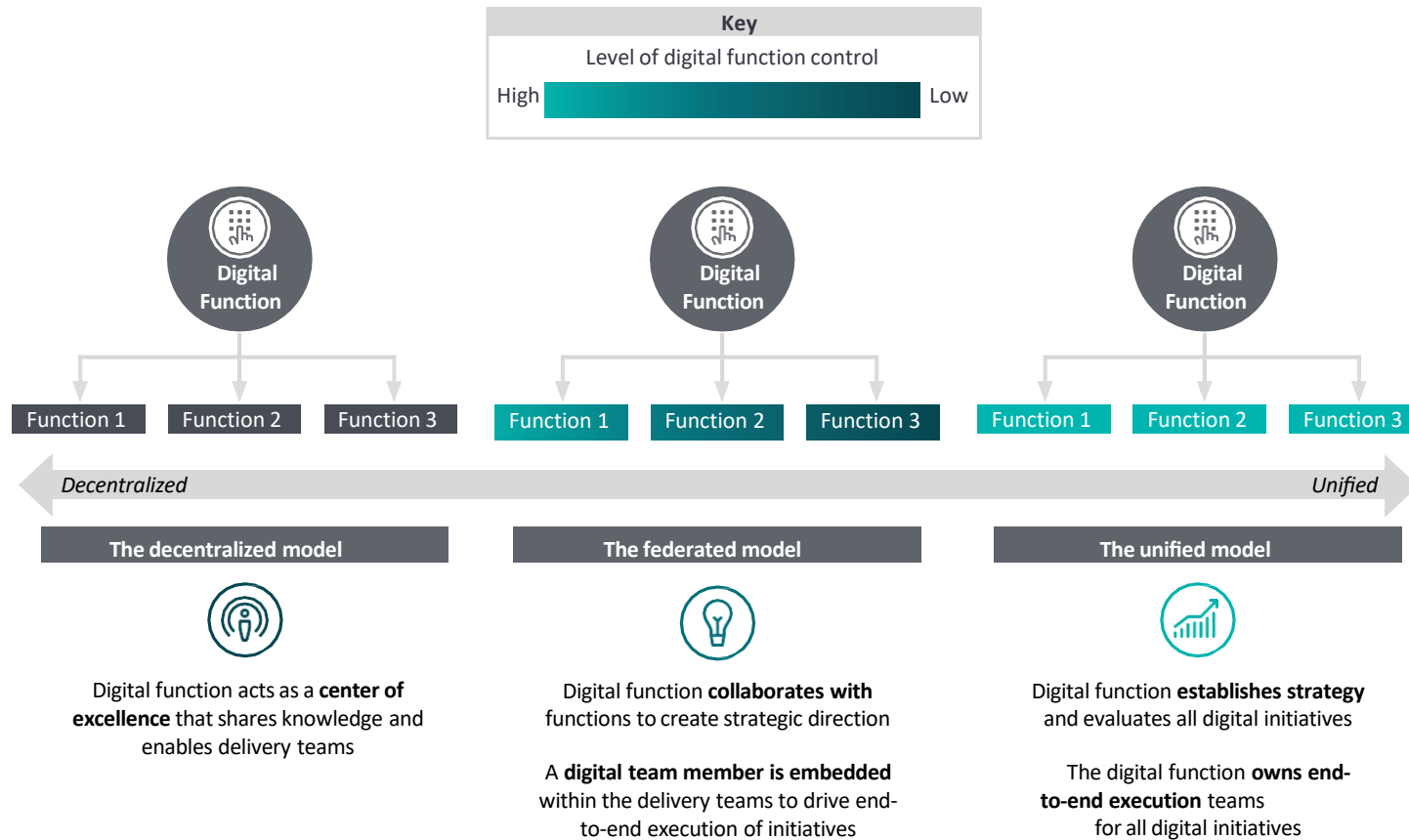
The key elements that will help CDOs achieving their vision and goals delivery of transformation initiatives across the company.



- **Digital strategy**—acts as a digital North star to help better communicate and guide all digital initiatives across the enterprise. Organization should seek inputs from various stakeholders (customers, partners, shareholders, communities), prioritize and schedule the plan and finally get validated.
- **Digital investment**—CDO should oversee the investment governance model to help creating influence across the organization.
- **Digital operations**—served as a backbone of all digital activities. It must be clearly lay out governance, accountability and metrics to consistently monitor digital initiatives' efficiency and execution.
- **Digitalization of customer journey**—may begin with the development of a sense-and-respond capability to gather customer information and leverage feedback to take action to deliver business capability improvements.
- **Digital DNA**—which is centered around embedded a digital-first mindset and ways of working into an organization. It can serve as a blueprint for bringing a digital transformation to life, to help companies to organize, operate and behave in digital ways.

Digital Operations

Three primary operating models are used during digital transformations



- **The decentralized model**—for well-communicated and relatively high maturity of digital literacy in an openness and trusted environment. CDO team acts as a center of excellence that shares knowledge and enables delivery teams.
- **Federated model**—for organizations that executives in other units are mandated to deliver sustainable operational change plus the initiatives that affect and require multiple or cross-functional collaboration team for success. In this model, digital team member is embedded within the business unit's delivery teams.
- **Unified model**—for organizations that has relatively low levels of digital capability maturity or the digital strategy is focused on specific and limited scope in less complex organizational structure. The CDO team will own end-to-end execution teams for all initiatives.

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