

## Location Spotlight – Thailand

August 2023: Complimentary Abstract / Table of Contents



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# This report provides perspectives on key aspects of the global sourcing market in Thailand

Location Spotlight – Thailand

## Thailand | at a glance



Emerging offshore location for IT-ADM services with a favorable operating and business environment

### KEY FACTOIDS

**320,000-325,000**  
annual tertiary graduates

**70-75%** annual operating cost per employee  
**40-45%** savings over tier-2 locations  
**40-45%** costlier than tier-1 locations

### Current overview

- Emerging location for offshore services delivery with evidence of small/mid-sized operations (50-150 FTEs)
- Bangkok is predominantly leveraged, with some tier-2 cities (such as Chiang Mai and Khon Kaen) emerging as locations of interest for services delivery
- Primarily leveraged for IT-ADM services by Global Business Services (GBS) centers as well as service providers; mainly serving domestic and regional markets

### Key drivers

- Positive business environment supported by favorable government policies and incentives; robust infrastructure to support both IT and BP delivery
- Stable macroeconomic conditions, comparable with peer South Asian countries. Presence of government and private associations to promote start-ups and ventures
- Lower inflation and attrition compared to peer locations in the region. Hiring and retention are smoother owing to lower competition for talent and a relatively less saturated market

### Key challenges

- Some concerns around a relatively unstable political environment in the country, marked by continuous protests and freedom of expression. Declining growth rate and decrease in enrollment in tertiary education
- Higher cost of operations compared with other tier-2 locations in nearby geographies such as India and the Philippines
- Limited availability of English-speaking talent in tier-2 locations; some concerns around quality of education in the country

KEY PLAYERS:

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## Thailand | risk profile (page 1 of 2)

Stable macroeconomic conditions and infrastructure availability; however, some concerns around corruption and transparency in the overall government functioning

■ Highly favorable ■ Favorable, some concerns ■ Least favorable

Parameter	Everest Group rating	Comments
Geopolitical	Favorable, some concerns	<ul style="list-style-type: none"> <li>Thailand ranks 55th among 167 countries recording the biggest score increase (+0.62), as the space for political opposition opened and the insurgency threat to the country receded, in the Democracy Index 2022 compiled by the Economist Intelligence Unit (EIU)</li> <li>Thailand ranks 101st out of 180 countries according to the 2022 Corruption Perceptions Index reported by Transparency International, indicating challenges related to transparency in the overall government functioning</li> </ul>
Macroeconomic	Favorable, some concerns	<ul style="list-style-type: none"> <li>Thailand's real GDP growth rose from 1.5% in 2021 to 2.6% in 2022, which was primarily due to the rising international tourism arrivals as the tourism industry in the country ramps up, contributing ~20% to Thailand's GDP. Thailand's first quarter GDP growth was up by 2.7% YoY, compared with 1.4% YoY growth in the fourth quarter of 2022, showing further improvement of GDP growth in 2023</li> <li>The unemployment rate in Thailand fell to ~1.05% in the first quarter of 2023, which was the lowest since 2020</li> <li>The country has high vulnerability to global economic shocks considering its high reliance on exports. For instance, the Thai baht depreciated by 9% in 2022 due to weaker demand for Thai exports</li> <li>Moody's has maintained Baa1 rating in 2022, indicating a moderate credit risk</li> </ul>
Infrastructure	Favorable, some concerns	<ul style="list-style-type: none"> <li>The country ranks 44th among 63 countries in terms of overall quality of infrastructure by the World Competitiveness Index 2022 of International Institute for Management Development</li> <li>Thailand announced an investment of approximately US\$15 billion (or 524 billion baht) in transport infrastructure including upgrades to its key container port, Laem Chabang, expansion of an airport southeast of Bangkok, and a high-speed railway line connecting three airports in order to boost economic growth (2023)</li> <li>Thailand has a good overall telecom infrastructure, high technology readiness, and high internet quality</li> </ul>

Source: Everest Group (2023); EIU; Transparency International; WRR; WEF; interviews with market participants

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## Locations Insider™

■ Published
 ■ Planned
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