

# SME SPEED UP

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**Executive Summary**  
White Paper on SME

**2019**



# Executive Summary

## White Paper on SME 2019

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# Chapter 1

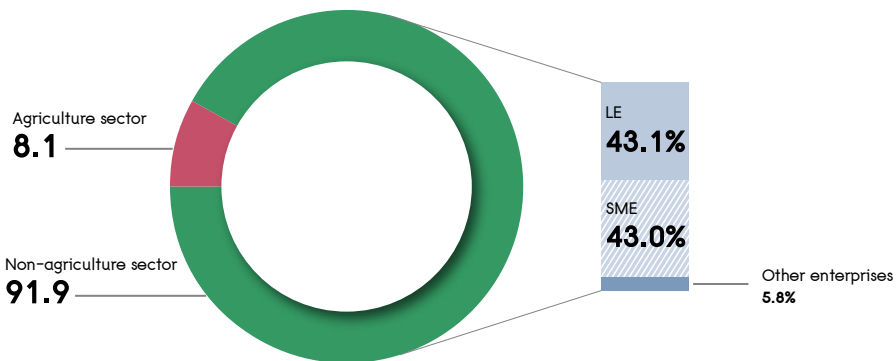
## Gross Domestic Product of Thai SME



Thailand's Gross Domestic Product (GDP) in 2018 stood at 16,318,033 bt mn, increasing by 866,078 bt mn from 2017. This represented an expansion of 4.1% compared with the 2017 rate of 4.0%. Growth was attributed to the revival of the country's export trade, ongoing boom in tourism, and the continuing growth of the agriculture sector from the previous year. Contribution of the agriculture sector to the 2018 GDP made up some 8.1% of the total or 1,324,140 bt mn in value, or a 5.1% increase indicating further growth from the 2017 rate of 3.9%. Meanwhile, contribution from the non-agriculture sector amounted to 14,993,893 bt mn or 91.9% of GDP, with the sum signifying a 4.0% expansion — slightly slower growth than the 4.1% rate of the previous year.

Thai SME's contribution to the 2018 GDP amounted to 7,013,971 bt mn, or 43.0% of the country's overall production — surpassing the 2017 rate of 42.4%. In terms of expansion rate, this was 5.0%; while that for 2017, 4.8%. With their GDP building performance, the SME's respective contributions in terms of enterprise size were: Small Enterprises (SE) contributed 5,010,991 bt mn or 30.7% of GDP; Medium Enterprises (ME), 2,002,980 bt mn or 12.3% of GDP. These figures represented YoY increases of 5.4% and 3.9% respectively. Factors supporting the SME-generated GDP growth had been due largely to the continued expansion of domestic demand, notably growth in government and private-sector consumption, improved agriculture-sector earnings, and revenue from inbound tourism. All of this had helped to boost the growth of two key economic performers: the Trade and Services sectors.

## Composition of Thailand's GDP in 2018



Source: Office of the National Economic & Social Development Board (NESDB)

Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

## Contribution of SME to Thailand's GDP in 2018 (Unit: Trillion baht)

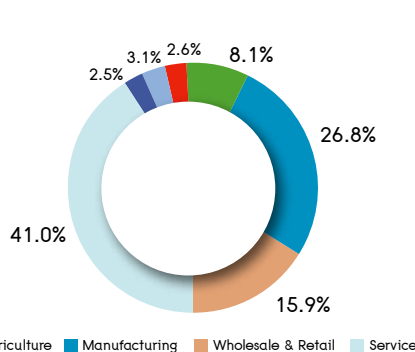
	Agriculture Sector	Small (SE)	Medium (ME)	SME	Large (LE)	Overall
Value to GDP (Trillion baht)	1.33	5.01	2.00	7.01	7.03	16.32
Percentage of GDP (%)	8.1	30.7	12.3	43.0	43.1	100.0
Growth Rate (%)	+5.1	+5.4	+3.9	+5.0	+4.0	+4.1

Source: Office of the National Economic & Social Development Board (NESDB)

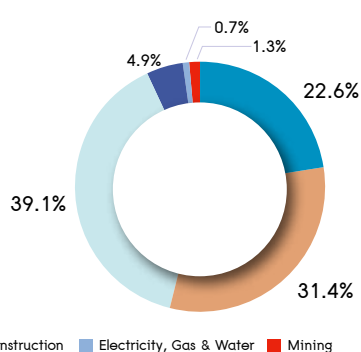
Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

## Thailand's GDP and SME-generated GDP in 2018, by Economic Sector

Thailand's GDP by Economic Sector in 2018



SME-generated GDP by Economic Sector in 2018



Source: Office of the National Economic & Social Development Board (NESDB)

Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

On the basis of its contribution to the economy, the Services sector played the largest role by far in enriching the country's GDP. It was trailed by two other high performing sectors, namely: Manufacturing and Wholesale & Retail. Altogether, the three sectors were responsible for contributions to GDP at 41.0%, 26.8% and 15.9% respectively.

Similarly, in terms of contribution to SME GDP, the Services sector was ahead of the others while the next two key players were the Trade & Repairs and Manufacturing sectors. Altogether, these sectors contributed to SME GDP in 2018 at 39.1%, 31.4% and 22.6% respectively.

## Contributions to SME-generated GDP, by Key Economic Sector

Economic Sector	National GDP		SME GDP	
	Percentage Contribution (%)	Rate of Growth (%)	Percentage Contribution (%)	Rate of Growth (%)
Agriculture sector	8.1	+5.1	N/A	N/A
Manufacturing sector	26.8	+3.0	22.6	+3.1
Wholesale & Retail sector	15.9	+7.3	31.4	+7.6
Services sector	41.0	+4.3	39.1	+4.6
Other*	8.2	+1.8	6.9	+2.5

**Source:** Office of the National Economic and Social Development Board (NESDB)

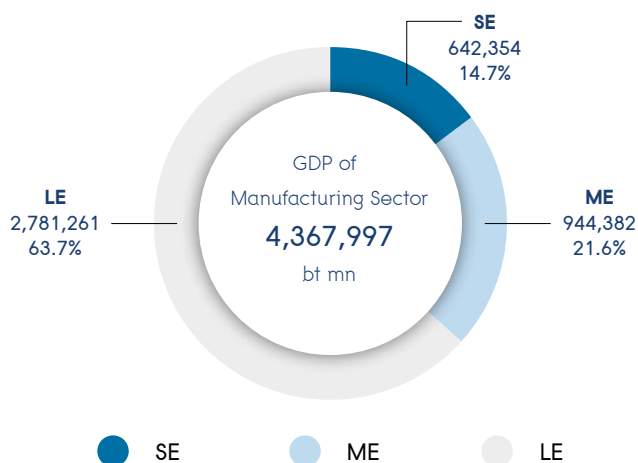
**Compiled by:** Office of Small & Medium Enterprises Promotion (OSMEP)

**Note:** Other sectors are Mining, Construction, Power Generation and Water Utilities

## Thailand's GDP Breakdown, by Key Economic Sector

### Manufacturing Sector

Unit: Million baht



Thailand's manufacturing sector was responsible for a production value of 4,367,997 bt mn for the year 2018. Some 1,586,736 bt mn, or 36.3% of this value, came from SME.

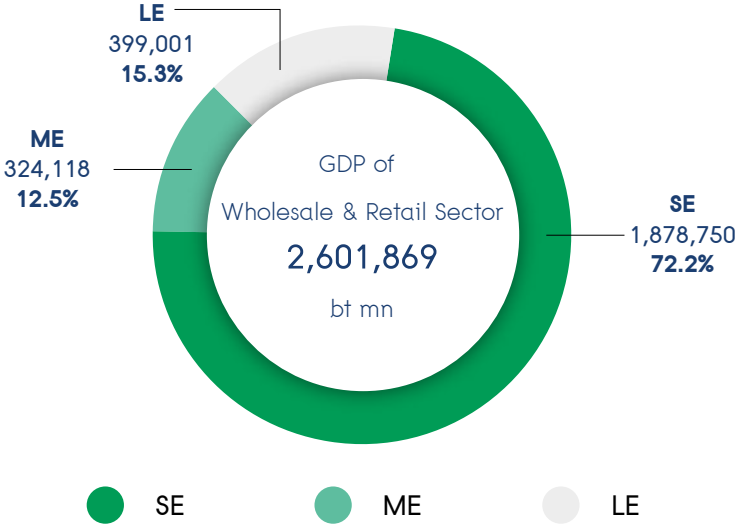
Top-three categories, in terms of contribution to SME GDP, were: Food & Beverages (258,941 bt mn), Chemicals (239,606 bt mn), and Petroleum-derived articles (198,748 bt mn). The figures represented 40.1%, 72.2%, and 67.1% of their respective category production.

**Trade Sector – Wholesale & Retail**

**GDP of Wholesale & Retail Sector in 2018**

by Size of Enterprise

Unit: Million baht



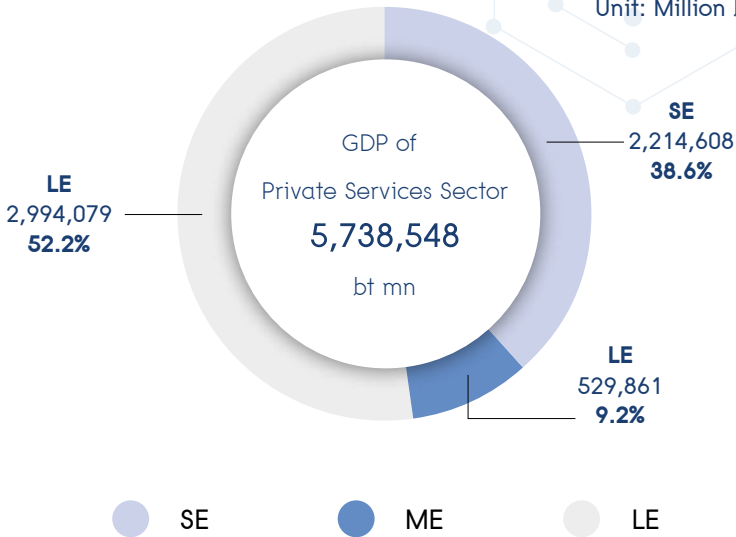
For 2018, the Wholesale & Retail Sector was responsible for 2,601,869 bt mn in overall production. SME in this sector contributed some 2,202,868 bt mn, or 84.7%, to sector GDP.



### GDP of Private Services Sector in 2018

by Size of Enterprise

Unit: Million baht



Thailand's domestic production in the Private Services sector in 2018 amounted to 5,738,548 bt mn. The figure incorporated an SME-derived portion of 2,744,469 bt mn, or 47.8% of the total.

Top-three categories with highest SME GDPs were: Accommodation & Catering, Freight Delivery & Storage Service, and Financial Service & Insurance. Contributions of these categories to their respective sector GDPs amounted to 70.6%, 42.2% and 33.4%.

# Chapter 2

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## International Trade of SME

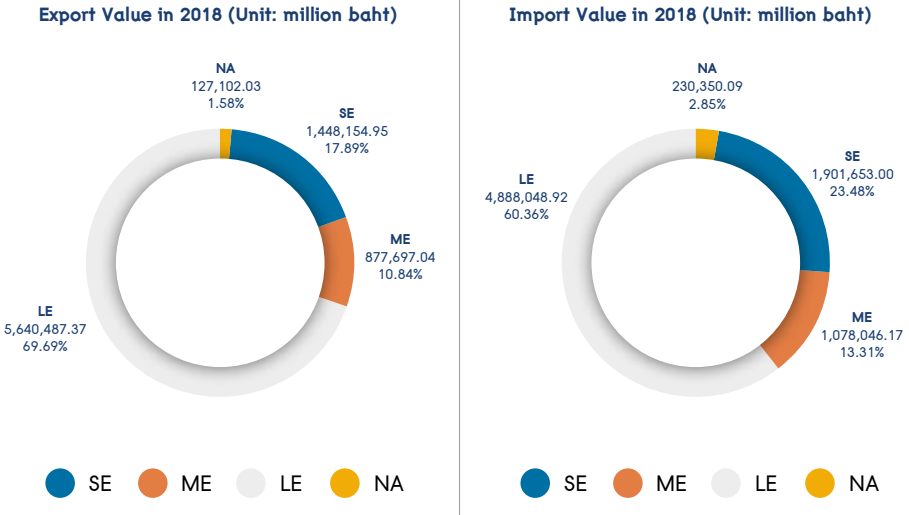


# Overview of International Trade Situation in 2018

In 2018, Thailand's overall export value stood at 8,093,441.39 bt mn which represented a 1.09% year-on-year growth. In this regard, SME share was 2,325,851.98 bt mn, or 28.74% of the export total, and a growth of 0.51% from 2017. Thailand's total import value reached 8,098,098.18 bt mn or a growth of 6.73% with SME share of 2,979,699.17 bt mn, or 36.80% of the import total. The figure represented an increase of 8.51% over the year before. The country's overall trade balance showed a deficit of 4,656.79 bt mn while SME had a trade deficit of 653,847.19 bt mn, a very much bigger negative trade balance than the overall's. This was due to their larger imports in compared with the large enterprises, especially in the categories of gems & jewelry (including gold); electrical appliances and parts; and machinery, computers & accessories which were brought in for use as capital goods and raw material and for domestic consumption.

When accounted for in US dollars, Thailand's overall export trade saw an expansion of 6.70%; while in baht terms, the expansion was 1.09%. However, SME's export value expanded 6.14% in US dollar terms; while in Thai baht, only 0.51%. This was due to the exchange rate volatility and the baht appreciation throughout 2018, causing just small growth in baht terms.

**Fig 1: Value of Exports and Imports, 2018 (Unit: million baht)**



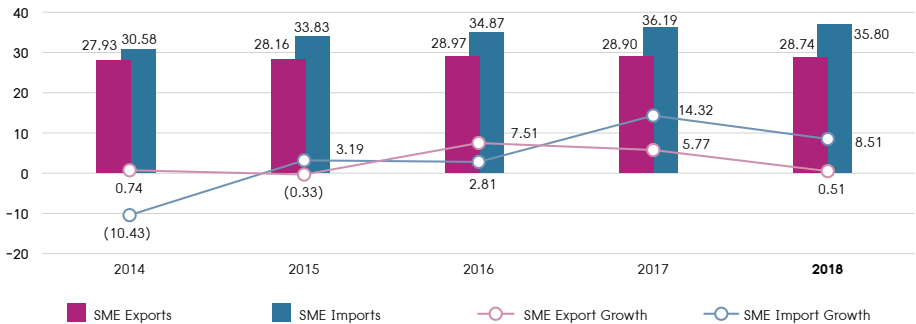
Source: Thai Customs Department

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

Regarding SME's export and import trend, their share in the overall exports in 2014-2018 had a peak at 28.97% in 2016 and the lowest point at 27.93% in 2014. By contrast, their imports continually increased every year with the lowest point occurring in 2014 at 30.58% and the highest arising in 2018 at 36.80%. Nonetheless, SME's foreign trade was in deficit throughout the past five years.

In terms of expansion trend over the same five years, SME made positive export growths almost every year, except the 0.33% contraction in 2015. Meanwhile, SME's import growths remained positive from 2015 through 2018. In 2018, SME's exports and imports expanded 0.51% and 8.51% respectively.

**Fig 2: Trends of SME Share in Exports and Imports and Expansion Rates, 2014 - 2018 (Unit: Percentage)**



Source: Thai Customs Department

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

## International Trade Overview, by Trading Partner Country

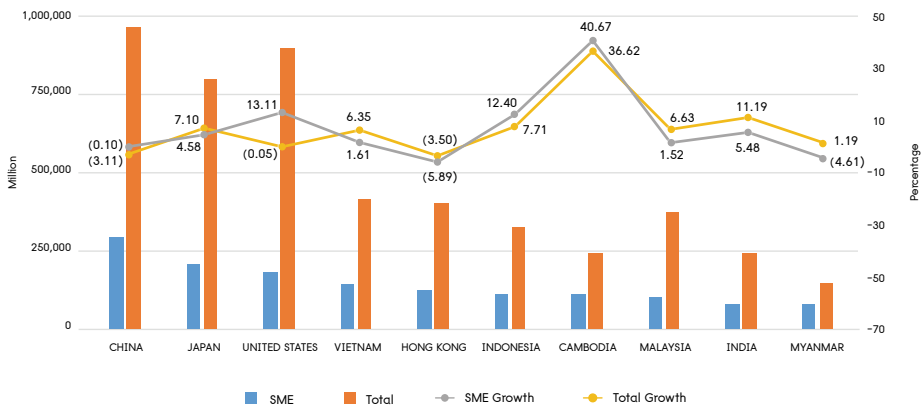
Overall SME exports to top-ten trading partners accounting for 61.54% of the total expanded by 5.17% while Thailand's overall exports from the same top-ten group made a growth of 3.66%.

When considering export partners by country, the major markets of both the overall and the SME consisted of China, Japan and the USA. In 2018, they accounted for 11.95%, 9.88% and 11.10% of Thailand's total export value respectively. At the same time, they respectively accounted for 12.69%, 8.95% and 7.95% of the SME's total export value, amounting to 687,995.82 bt mn. SME's exports to China saw a contraction of 0.10% while those to Japan and the USA, a growth of 4.58% and 13.11% respectively. Cambodia was where highest SME's export growth was, reported at 40.67% with the Philippines, the second highest, at 18.64%. Significant SME's trade contractions occurred in Switzerland where SME's export value had the largest plummet of 50.04%.

In 2018, the situation of SME exports to the key trading partners, such as ASEAN, Japan and the USA was in positive expansion due to the countries' continuing economic growth, in particular, those in ASEAN. However, their exports to the EU and China contracted owing to a slowdown in these economies and the impact from US-China trade war.

Overall SME imports from top-ten source countries making up 71.89% of the importing total increased by 7.43% while the country's overall imports from the same top-ten group rose by 5.31%. When considering import partners by country, the major import sources included China, Japan and the USA which accounted for 20.05%, 14.14% and 6.06% of the 2018's total import value respectively. At the same time, SME's main import partners consisted of China, Japan and Switzerland which respectively accounted for 27.01%, 11.62% and 6.56% of the SME's total import value, amounting to 1,346,228.55 bt mn. While the imports from China and Japan expanded 11.34% and 6.68% respectively, the imports from Switzerland plunged 13.32%. Trade partners with highest import growth were the United Arab Emirates and Saudi Arabia with the hikes of 257.82% and 130.12% respectively. Imported goods with huge value and high growth rates from these countries consisted of commodities in the HS code of Chapter 27: fuels, mineral oils and derivatives.

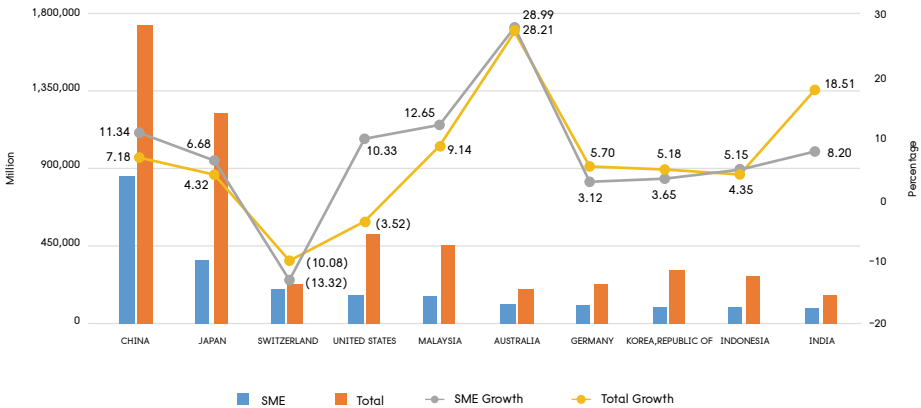
**Fig 3: Value and Growth Rate of SME Exports to Top-10 Trading Partners, 2018**



Source: Thai Customs Department

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

**Fig 4: Value and Growth Rate of SME Imports from Top-10 Trading Partners, 2018**



Source: Thai Customs Department

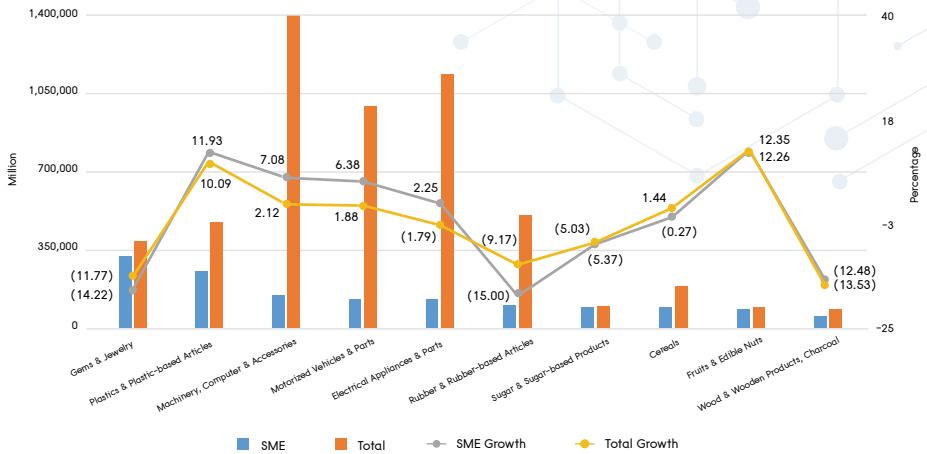
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

## International Trade Overview, by HS Code

When considering foreign trade in line with the harmonized system code, in 2018, Thailand's exports showed highest values in Chapter 84 (goods classified as machinery, computers and accessories), Chapter 85 (electrical appliances and parts), and Chapter 87 (motorized vehicles and parts). Their shares were 17.21%, 13.99% and 12.18% of the country's total exports respectively. For SME, percentage of export value in Chapter 84, Chapter 85 and Chapter 87 was 6.40%, 5.49% and 5.51% respectively. HS classifications with SME's highest exports comprised of Chapter 71 (gems & jewelry) at 13.81% of SME's total exports, Chapter 39 (plastics & plastic-based articles) at 10.84%, and Chapter 84 (machinery, computer & accessories) at 6.40%. Exports of Chapter 71 reduced by 14.22% while those of Chapter 39 and Chapter 84 increased by 11.23% and 7.08% respectively.

As regards imports, the highest value in 2018 occurred in Chapter 85 (electrical appliances & parts) at 18.22% of the country's total imports. The next highest groups were in Chapter 27 (fuels, mineral oils and derivatives) at 16.88%, and Chapter 84 (machinery, computer & accessories) at 11.80%. For SME, the largest import volume occurred in Chapter 71 (gems & jewelry) at 16.05% of SME's total imports, Chapter 85 (electrical appliances & parts) at 13.26%, and Chapter 84 (machinery, computer and accessories) at 11.83%. Imports of Chapter 71 reduced from 2017 by 0.71% while those of Chapter 85 and Chapter 84 increased by 2.51% and 7.84% respectively.

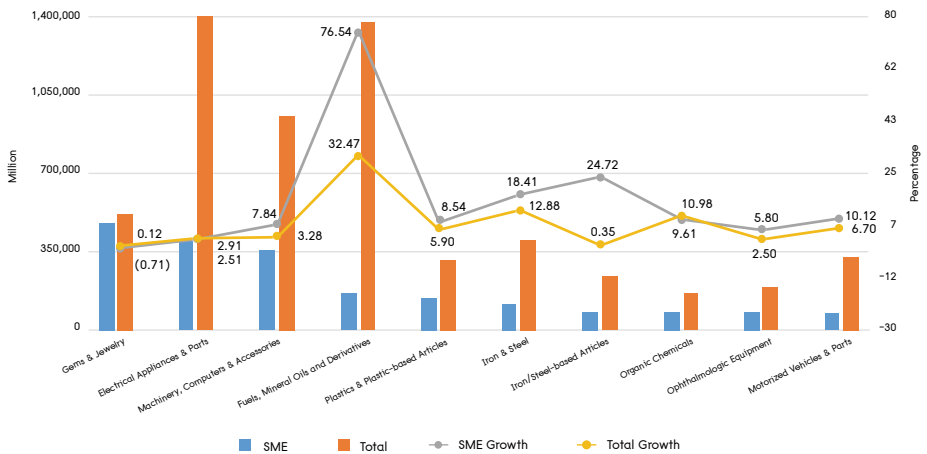
### Fig 5: Export value and growth by 2-digit HS Code, 2018



Source: Thai Customs Department

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

### Fig 6: Import value and growth by 2-digit HS Code, 2018



Source: Thai Customs Department

Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

# Chapter 3

## Sentiment Indices of SME in 2018 and 2019



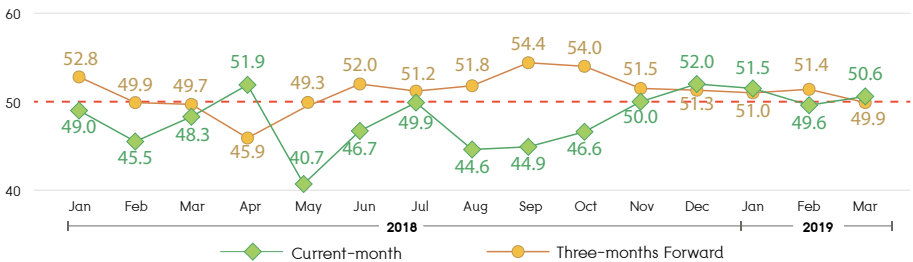


### 3.1 SME Composite Index in 2018 and 2019

The Composite Index for SME is a statistical compilation prepared by the Office of Small & Medium Enterprises Promotion, or OSMEP. Derivation of this indicator involves the analysis and application of data from the SME Trade and Service Sentiment Index (TSSI) and the SME Manufacturing Sentiment Index (SMSI).

In 2018, the SME Composite Index produced an average current-month sentiment score of 47.5 and its average three-months forward (F3) sentiment score of 51.1. Across the entire year, the current-month sentiment of this particular index displayed an increasing trend with rising nodes occurring in March, April, June, July, September, October, November and December. By contrast, the F3 sentiment showed a declining trend with dips in February, March, April, July, October, November and December. It should be noted, however, that the scores of the current-month index were largely below the 50-point baseline; while those of the three-months forward, above it. This may be explained as the combined effect of a range of factors at home and abroad whose negative influence had worked to pull down the Composite Index; in particular natural disasters, global trade competition, and Thailand's surplus agricultural production at a time of shrinking global demand, which had worked to depress key produce prices. Additional factors include the uncertainty of political situations at home, the looming trade wars between the US and China, changes in the US monetary policy, the unsettling effects of Brexit — all of which had compounded to disturb currency values in key trading regions, thus creating an unfavorable climate for trade — hence a depressed SME trade sentiment.

**Fig 3.1: SME Composite Index, 2018 and 2019**



**Source:** Office of Small & Medium Enterprises Promotion (OSMEP)

**Interpretation of the results:**

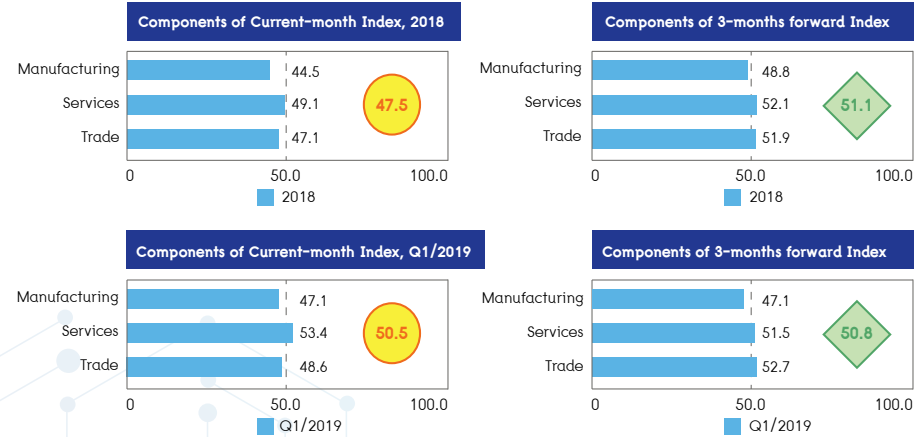
TSSI < so means business situation is deteriorating

TSSI = so means business situation is stabilizing

TSSI > so means business situation is improving

For the first quarter of 2019, the Current-month index for this interval averaged at 50.5; while the three-months forward value, at 50.8. Index movements showed dips in value during January and February, and a rise in March; so for the quarter it was largely above the 50-point base value. For the three-months forward index, its graph showed dips in January and March, but a small gain in February. The line indicated confidence values over the 50-point baseline. Factors that had combined to depress the composite index over Q1 of 2019 were as follows: Uncertainties in the global economy, in particular the on-going trade protection activities and their effects on the global money and capital markets, which in turn, had dampened Thai exports. Impacts of the US-Chinese trade wars had disrupted many economies causing a slowdown in tourism spending. In addition, effects of bad weather and natural adversities at home had acted to upset the balance of Thailand's production in terms of quantity and quality – a condition that had continued to depreciate the prices of key agricultural commodities. Political situations at home had been mired in disagreement and uncertainty. All of this had compounded to erode the trade confidence of Thai SME.

**Fig 3.2: Components of Averaged TSSI Index for all 2018 and Q1 of 2019**



Source: Office of Small & Medium Enterprises Promotion (OSMEP)

## 3.2 SME Trade and Service Sentiment Index (TSSI), 2018 and 2019

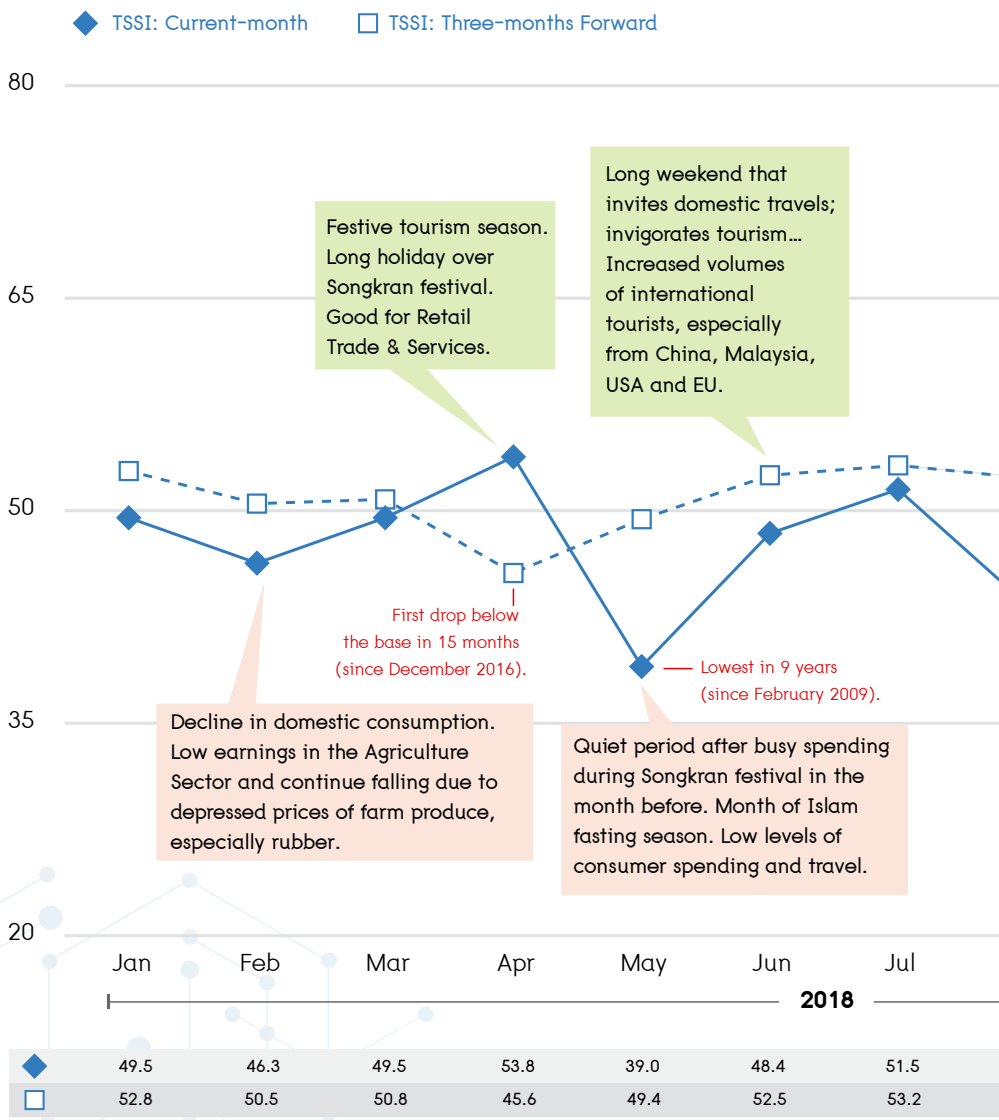
In 2018, the TSSI profile hovered above the 50-point baseline in the months of April, July, November and December; for the remaining eight months, it was below the baseline. Its value dropped lowest in May after a highest of 53.8 in April. As of December 2018, the index was at 53.1.

A number of positive and negative factors acted together to erode the confidence of the SME, as follows:

**Positive factors** consisted of the following: The boom in tourism that remained throughout 2018 due to on-going promotional efforts from the Thai government. A faster export growth rate relative to the year before. Improving trends in private investment, albeit still at a low level. Cost-of-living subsidies for low-income earners that had helped to spur domestic consumption. Encouraging public sector investment, especially investment in large-scale transport projects and distributed provincial investment schemes many of which were in the process of receiving expedited budgetary allocations and Government's loan assistance to SME. Declining prices of fuel oils, which worked to reduce the FT tariff for power generation to a low 0.159 baht per unit, thereby leading to lower electricity prices.

**Negative factors** comprised the following: Dismally low prices of farm produce caused by market oversupply and declining overseas demand. Domestic concerns over the disproportionately rising cost of living. The negative effects of global political developments, such as the looming US-China trade wars and Brexit; which had some repercussion on the EU markets, and hence, on Thailand's export trade. Scattered flooding in several provinces during the second half of 2018, which had disrupted domestic activities in farming, transportation and tourism.

**Fig 3.3: Trade and Service Sentiment Index (TSSI), 2018 to March 2019**



Source: Office of Small and Medium Enterprises Promotion (OSMEP)

(No Change = 50)

Promotional packages to boost sales and tourism. Increased income and higher-than-normal spending from the masses. Public and private investment and construction schemes underway. Retail oil price drops. All are factors that benefit SME operating cost.

New Year, festive holidays. Increased consumer spending, celebratory events, gift buying. Migrant workers return home. Approaching travel season for the masses.

Period of General Elections. Retail promotional and sale events. Approaching the Songkran festival.

Rising above the 50-point base after 3 months drop.

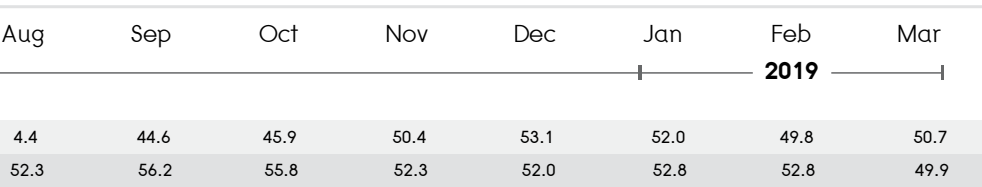
First drop below the 50-pt base in 4 months

First drop below the 50-pt base in 10 months (since May 2018)

Flash floods in many localities caused by "Son-Tin" tropical storm. Emerging the US-China trade wars. Volatility of the baht currency.

Heightened levels of consumer spending in the lead up to New Year. Flash floods in many localities, especially areas in the South, caused by "Pabuek" tropical storm. Continuing the US-China trade wars. Volatility of the baht currency.

Consumer spending returns to normal after accelerated purchasing in the month before. Prevalence of health threatening PM2.5 smog particles in Bangkok Metropolitan Region and the North.



## SME Trade and Service Sentiment Index (TSSI), 2018 by Business Sector

The TSSI is based on entrepreneur confidence in 16 categories of business. During 2018, averaged TSSI scores for the Trade and Services Sectors underwent many changes from its averages for 2017, as described below:


- Categories with rising confidence and TSSI scores over 50. These were in the businesses of Petrol service station, Health & Beauty service, and Freight delivery service.
- Categories with rising confidence but with TSSI scores still below 50. Only found in the sector of Building Construction business.
- Categories with declining confidence but with TSSI scores rising above 50. These comprised three categories: Tourism & Public Transport, Accommodation & Hospitality businesses, and Food Catering/Restaurant.
- Categories with declining confidence and with TSSI scores under 50. These comprised nine categories: Wholesales of farm produce, General consumer commodities, Building materials, Retail sales of automobile, Motorcycle, Modern-trade retailing, Traditional retailing, Services in property, and Recreation/cultural and sporting activities.

**Parameters defining the current-month index:** These comprised sales turnover, staff hiring, production cost, investment cost and realized profits. These factors were employed for calculating the TSSI. Confidence in Sales turnover and confidence in Profitability were the two factors having a significant influence on the resulting values of the SME Composite Index.

**Parameters defining the Three-months Forward index:** In the same manner as those for the current-month scores, confidence in Sales turnover and confidence in Profitability were the two with an influence on the resulting values of the SME Composite Index. The F3 confidence levels of most entrepreneurs were above the 50-point baseline.

## SME Composite Index, by Region

Breakdown of the SME Regional Composite Index for 2018 indicated trends following those of the nationwide composite scores. Exceptions were noted for April and May of 2018 where the index for Bangkok and Environs moved in an opposite direction. In September, while the scores showed some improvement in the Northeast region and the Central, Eastern & Western provinces, the nationwide figure exhibited a drop. And for October of 2018, the score for the Southern region experienced a drop as opposed to the nationwide score in the same month that showed a gain.



SME in 2018 were largely operating with a low level of confidence as indicated by the below-baseline scores. In particular, the confidence levels for the region of Bangkok & Environs had remained low all through the year. The index dropped below 50 for all regions in the months of February, May, August, September and October. By contrast, the score rose over 50 during April, November and December for all regions other than Bangkok & Environs.

- **Bangkok & Environs:** In April 2018, confidence scores showed a drop for all business groups except the sectors of freight transport, tourist and public transport. The gain in the transport businesses was due to the huge travel volumes of migrant workers returning home during the April festive season, as well as summer-holiday tourism. With the large numbers of people leaving the city, sales of products and services in Bangkok experienced a brief downturn for the month.

Sales in Bangkok resumed in the following month of May as the volumes of migrant workers returned to work in the capital after the long holidays. For some businesses in the Trade and Services sectors, however, the confidence levels reverted to low in May; these were: retail sales of automobile and motorcycle, tourism, freight and passenger transport, and services in recreation, cultural and sporting events.

- **The North** was where the indices for the first quarter of 2018 showed a drop for all sectors, except the categories of fuel retailing, building construction services, and property trading. The depressed climate was due largely to the continued slowdown of private investment activities, as well as it being a rest interval following high consumption over the New Year period. By May, confidence levels picked up well except for the sectors of construction materials wholesale, and construction services. The boost in business was brought about by the resumption of consumer spending after the quiet period during the festive season in the preceding month of April when masses of consumers traveled outside the region. The last quarter of the year — high season for domestic tourism — is normally a time for peaking confidence since the North would attract large numbers of visitors, thereby giving rise to high public consumption and spending. Confidence levels were up for most business sectors, except automobile and motorcycle retailing, construction services, freight transport, services in property trading, and recreation, cultural and sporting events.

- **Northeastern Region:** The area's confidence figure over September 2018 managed an increase that was attributable to activities in modern-trade retailing in commodities and consumer products, travel services and freight transport.

- **Central, including Eastern and Western provinces:** The area's confidence figure over September 2018 managed an increase that was attributable to activities in farm produce wholesaling, modern/traditional modes of retailing in commodities and consumer products, construction services, and services in property trading, and tourism recreation/cultural and sporting events. Orders from small businesses saw an increase in September as they were stocking up for a wave of busy sales in October, a time for a series of long weekends and special holidays – including the remembrance of His Majesty King Rama IX – and public-sector promotional schemes such as the "Thais Travel Thailand" program. Such tourism-related events had helped to attract visitors and boost sales.

- **Southern Region:** Confidence levels were down during October 2018 for most sectors due to the much reduced earnings in the farming sectors – where raw rubber and palm oil prices had continued to be severely depressed. For the categories of construction materials wholesale, touring services, recreation/cultural and sporting activities, health and beauty treatment, passenger transport, hotel & accommodation and freight transport, entrepreneur sentiment saw an improvement.

## Movements of the Confidence Index over Q1/2019

The current-month index showed an improvement during Q1 of 2019; it being raised by seasonal hikes in sales, investment, and profitability. The three-months forward score, however, exhibited a decline, it being dragged down by negative expectations in sales and profitability for the coming months. Factors having an influence over the index movements in the quarter were as follows:

**Positive Factors** include the following: Pegging of policy interest rate at 1.75% per annum, which helped to ease the pressures on capital cost and investment of the entrepreneurs. Announcement of the long-awaited general elections, scheduled for 24 March 2019, plus associated campaigning activities, set a buoyant mood for trade and services. Increases in farm productivity for Q1/2019 (productivity index at 146.1, or a 0.63% gain over the previous quarter), especially for profitable crops/livestock such as unhusked grains, tapioca, durian, longan, cornmeal and swine, led to increased earnings. The FT tariff on power production over Q1/2019 remained low (at 0.1130 baht per unit of electricity). Value-added tax collected over the quarter showed a 2.1% gain over the same interval of 2018, which indicated a rise in consumer spending. Tourism sector continued to expand with inbound visitor volumes showing a gain of 1.76% over the same period of 2018; this had meant increased earnings despite the declining visitor volumes of from China.

**Negative Factors** over the same interval were as follows: Unresolved the US-China trade war and the issue of Brexit had compounded to drag down Thailand's exports trade, which slid down 1.6% in Q1/2019. The falling prices of key agricultural commodities had continued to push down farm earnings; thereby raising concerns among the low-to-medium earners over the rising cost of living. Household debt levels also remained on the high side.



### 3.3 SME Manufacturing Sentiment Index (SMSI), 2018 and 2019

Business sentiment of SME in the Manufacturing sector over the period covering the entire 2018 and extending to March of 2019 indicated that the SMSI scores persisted on the low side (scores less than 50). The index reached its lowest point in February, at 43.1; while its highest peak of 48.4 occurred in December of 2018. Accordingly, the sentiment of Thai SME in the manufacturing sector was confined to the low side and trending downwards.

In general, the corresponding three-months forward index displayed higher confidence scores while also showing a downward trend. Nonetheless, most of the scores lay above the 50-point baseline.

Breakdown of the SMSI scores by region indicated that SME were largely operating with low confidence except those in the Central region where the index was showing relatively stable movements with their scores hovering over the baseline. Scores were moving upwards for the Northeast Region in the latter half of 2018. Confidence scores for other regions remained vulnerable to changes by positive and negative influences. The North was where the lowest confidence was seen; its scores averaged a low of 39.2 (year 2018). Better scores occurred for the South, at 42.1; the Northeast, 48.2; and the Central region, 51.7.

Compared with other regions, **the North** was where the SMSI averaged the lowest over the study period (2018). The area's manufacturing sentiment had its highest peak at 44.5 in May 2018 due to growth of export-oriented manufacturing activities such as production of electronic components for the automobile and parts for electrical appliances; expansion of the tourism sector prompted by rising volumes of tourists from China; and thriving activities in the local and international conference business.

Improvement of the SMSI was seen during the first quarter of 2019 with its average rising to 45.8. Although the index had yet to reach the baseline value, the gains reflected an improvement over the same quarter as well as Q4 of 2018. It was buoyed by the continued expansion of tourist volumes from China, which helped to boost earnings in businesses relating to accommodation and food catering. At the same time, the region was affected by the prevalence of health threatening PM2.5 smog particles over many cities.

Factors with possible impacts on the region's manufacturing operations span the whole range; from fuel and transportation costs, labor wages, to the rise and fall of domestic economy and changes in market demand. It should be noted that despite the rather low scores of the Current-month index, the region's Three-months forward sentiment level was unexpectedly high which reflected the entrepreneurs' optimistic outlook.

Manufacturing activities that contributed towards raising the indices are mainly in the production of computers, electronic components and electrical appliances where demand and production have been increasing. This group of businesses, by virtue of its being the prime economic driver for the region, has helped to induce the highest level of entrepreneur confidence leading to a positive overall adjustment in its sentiment. Meanwhile, industries in textile and clothing production tended to have negative influences on the region's SMSI due to the slump in buyer's demand locally and abroad. Production of woven fabrics is being replaced by imports of inexpensive substitutes from China.

**Northeastern Region:** Average SMSI for the region over 2018 was at 48.2. For the first half of the year, the index dropped below 50, being pushed down by factors including slowdown of demand, rising prices of fuel oils, falling prices of farm produce — all of which had acted to depress consumer spending. By August, confidence level began to turn around and the more positive outlook thus continued until December. The turnaround had been caused by the arrival of several long-weekends leading up to the New Year, which helped to boost local consumption. Following this peak, the index was down from January until March 2019. The downturn was the result of a break in local consumption following the busy period around the New Year, as well as it being the time that farmers prepared their funds for upcoming planting season.

**Southern Region:** Average SMSI for the region over 2018 was below the baseline and lower than that for the North. The index had been on a declining trend all the way from March 2018 to February 2019. This was precipitated by a slump in global demand for its traditional harvests such as rubber-based and oil-palm products and white prawn. China, traditionally a key buyer of these items, had curbed its demand during the trade conflict with the US. Tourism in the South also suffered as visitors from China were losing confidence in the region. The SMSI revived in March 2019 after the situation of produce oversupply had eased. The glut of palm oil and rubber products (raw sheet and smoked sheet) subsided, leading to improved prices for the commodities. Domestic demand for these items also increased given that palm oil is needed in the production of bio-fuels that are meant as a substitute of expensive crude petroleum.

Improvement of the SMSI for the South reoccurred in March 2019, this time covering all manufacturing categories although its scores were largely below 50. Only the business of timber and furniture production had its index above the baseline. The gain was prompted by the greater availability of raw materials and rising demand for furniture items from overseas buyers.

**Central and Eastern provinces (excluding Bangkok):** This province grouping was the single region where its SMSI has been quite stable and consistently hovering above the baseline. Key factors supporting the index comprised the uptrend of demand from our overseas trading partners, as well as a new wave of public-sector investment, such as the Eastern Economic Corridor project that was designed to create trickling benefits to SME. The year's average SMSI peaked at 51.7. Sentiment scores for trading demand, inventory, production capacity and realized profits for the first quarter of 2019 were strong,

averaging a satisfactory 51.3. This score reflected a good confidence level despite its slight drop from the score for March 2019 — which was 53.0. The drop had been caused by economic slowdown in the trading partner countries. In addition, the region's favorable sentiment was also helped by concurrent growth in most manufacturing industries — except some categories of export-oriented production. Government stimulus policies had helped to spurred growth in the sectors of trade, investment, property development and building construction, while the tourism sector had benefited from increasing volumes of visitors from China, especially the Free Independent Traveler (FIT) category of tourists.

Manufacturing activities that contributed towards raising the sentiment indices for the year were mainly in the production of computers, electronic and electrical appliances. A downward trend, however, was noted in Q4/2018 and continuing to Q1/2019. This was due to contraction of the export-oriented manufacturing activity, especially in the production of electronic components (circuit boards and sensors), and commodities on supply chain to China, such as processed rubber. The contraction was caused by the slowdown of the global economy and the looming US-China trade conflicts. Confidence scores were poorest for the motorized vehicle and semi-trailer industries given the sluggish market for pick-up trucks and motorcycles; this was where sales were dampened by the declining purchasing power of the farmers who had yet to recover from pricing slump in the produce market.

**Components of the SMSI Index:** In the period from January 2018 to March 2019, the average SMSI confidence in operating capital exhibited the lowest score. The next ascending components of confidence were noted for profits & sales turnover, and inventory. Confidence scores for production capacity and wage hiring managed to approach the 50-point base value. Nonetheless, the monthly confidence levels of nearly all parameters invariably fell below the baseline.

## Entrepreneurs Feedback: What they hope for in 2019 policies/measures

The list below indicates the kinds of support Thai SME look for in the government's planned policies and measures for 2019. It is based on findings from OSMEP's opinion surveys on 1,400 SME in Trade and Services across the country.

- **SME Loan Policy:** The issue garnered the highest response rate of 25.2%. Good loans will help increase an SME's liquidity; improve investment capital; and enable small businesses to grow at a lower cost.
- **Second Highest Want:** Economic stimulus packages that should help to boost consumer spending; and a range of programs for the provinces in order to create jobs and distribute income.
- **Third Highest Want:** Government programs to stimulate tourism. Programs to publicize Thailand's attractions; strengthen tourist confidence in order to attract more travel business; that should bring about year-round revenue for tourism-related SME. Emphasis should be on visitors with good purchasing power.

# Chapter 4

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## Number of SME and Associated Hiring Statistics in 2018



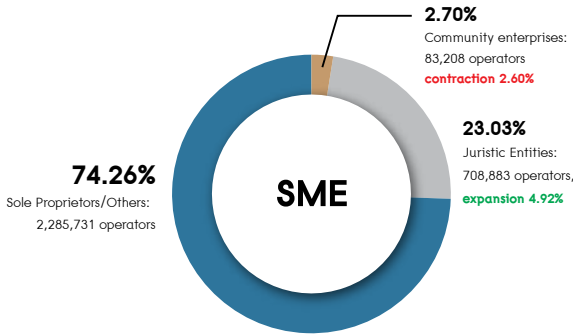
# 4.1 Number of SME

Business enterprises in Thailand as of end-2018 reached a total number of 3,077,822 which represented a volume growth of 1.02% over the previous year. As high as 99.79% of this entrepreneurial base was composed of small and medium enterprises or SME wherein the small enterprises (SE), comprising 3,063,651 operators, occupy some 99.33% of this base. Almost the entire SME domain was composed of SEs which made up 99.54%, leaving a mere 0.46% to be taken up by 14,171 medium-size enterprises (ME).

## 4.1.1 Composition of the SME

Based on the types of business registration, the SME established during 2018 can be grouped into three categories each with its respective number as follows: **Juristic Entities**, numbering 708,883 or 23.03% of the nation-wide total; **Sole Proprietors & Other Types** numbering 2,285,731, or 74.26% of the same total; and **Community-enterprises**, which made up the smallest portion at 83,208 or a mere 2.70% of the entire SME landscape. The proportions are shown in Figure 4.1 below.

**Fig 4.1: Number of SME by Type of Business Establishment, 2018**



Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

Table 4.1 below lists the number of Thai SME by business sector. The largest SME concentration, with 1,279,557 enterprises, was found in the trade sector. The figure represented a year-on-year growth of 1.90%; and 41.57% of the nation-wide SME total. Next in terms of enterprise density was in the services sector with 1,224,563 operators, representing a 1.48% growth and 39.79% of the nation's SME population. Some 527,485 SME were found in the manufacturing sector, which amounted to a growth of 0.29%, and making up 17.14% of the nation-wide total. The agri-business sector had remained relatively small having only 46,217 operators, or a mere 1.50% of the SME population. This sector's growth over the previous year's amounted to 0.79%.

**Table 4.1: Breakdown of SME Population  
by Business Sector and Establishment, Years 2017 - 2018**

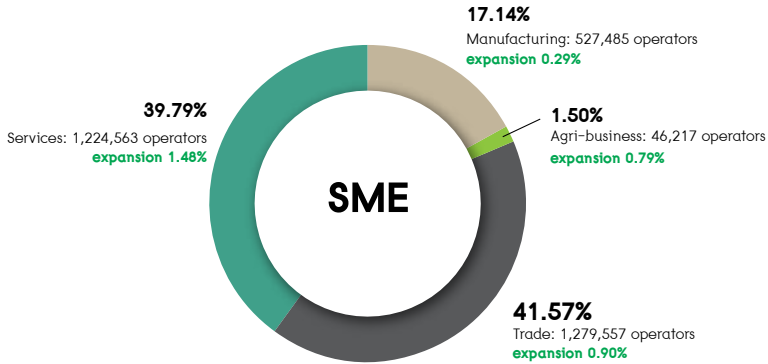
Business Sector	SE		ME	
	2017	2018	2017	2018
<b>Total entrepreneurs</b>	3,028,492	3,063,651	18,298	14,171
Trades	1,263,566	1,275,470	4,635	4,087
Services	1,199,170	1,219,347	7,592	5,216
Manufacturing	520,176	522,886	5,798	4,599
Agri-business	45,580	45,948	273	269
Undefined				
<b>Juristic Entities</b>	660,368	697,748	15,262	11,135
• Trades	227,637	239,598	2,776	2,228
• Services	344,147	364,301	7,007	4,631
• Manufacturing	84,995	89,834	5,206	4,007
• Agri-business	3,589	4,015	273	269
• Undefined				
<b>Sole Proprietors &amp; Others</b>	2,282,695	2,282,695	3,036	3,036
• Trades	1,033,267	1,033,267	1,859	1,859
• Services	850,721	850,721	585	585
• Manufacturing	398,707	398,707	592	592
<b>Community-enterprises</b>	85,429	83,208	0	0
• Trades	2,662	2,605		
• Services	4,302	4,325		
• Manufacturing	36,474	34,345		
• Agri-business	41,991	41,933		

**Sources:** Department of Business Development, National Statistical Office, Social Security Office, Department of Agricultural Extension  
**Note:** Agri-business covers enterprises in business Category A (01-03). Entries are data specific to juristic-entity SME and community enterprises, not including Sole-Proprietor SME.

**Compiled by:** Office of Small & Medium Enterprises Promotion (OSMEP)

SME		LE		Undefined		Total	
2017	2018	2017	2018	2017	2018	2017	2018
3,046,790	3,077,822	6,662	6,455	16	14	3,053,468	3,084,291
1,268,201	1,279,557	2,572	2,493			1,270,773	1,282,050
1,206,762	1,224,563	1,791	1,756			1,208,553	1,226,319
525,974	527,485	2,246	2,152			528,220	529,637
45,853	46,217	53	54			45,906	46,271
0	0			16	14	16	14
675,630	708,883	5,831	5,624	16	14	681,477	714,521
230,413	241,826	1,812	1,733			232,225	243,559
351,154	368,932	1,749	1,714			352,903	370,646
90,201	93,841	2,217	2,123			92,418	95,964
3,862	4,284	53	54			3,915	4,338
0	0			16	14	16	14
2,285,731	2,285,731	831	831	0	0	2,286,562	2,286,562
1,035,126	1,035,126	760	760			1,035,886	1,035,886
851,306	851,306	42	42			851,348	851,348
399,299	399,299	29	29			399,328	399,328
85,429	83,208	0	0	0	0	85,429	83,208
2,662	2,605					2,662	2,605
4,302	4,325					4,302	4,325
36,474	34,345					36,474	34,345
41,991	41,933					41,991	41,933

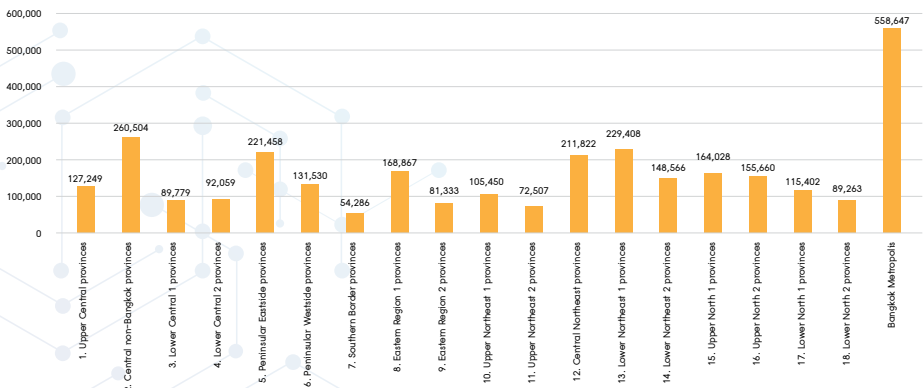
**Fig 4.2: SME Populations by Business Sector, 2018**



Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

Breakdown of SME concentration by province grouping for 2018 indicated that Bangkok Metropolis had the highest volume at 558,647 enterprises, or 18.15% of the country-wide population. For the provinces, the Central Non-Bangkok region, consisting of Nakhon Pathom, Nonthaburi, Pathum Thani, and Samut Prakan, was home to the highest density of 260,504 operators, or 8.46% of the country's SME total, and showing a 2.56% year-on-year growth. The next significant areas in terms of SME volume are the Lower Northeastern-1 region and Peninsular Eastside region. This breakdown is shown in Figure 4.3.

**Fig 4.3: SME Concentrations by Province Grouping, 2018**



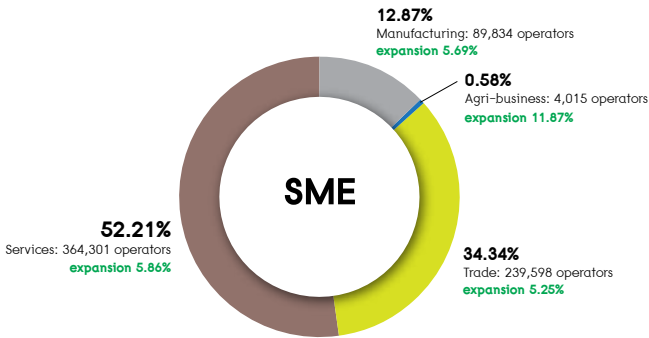
Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)



#### 4.1.1.1 Number of SME Juristic Entities

In 2018, the largest population of SME juristic entities was found in the services sector numbering 364,301 enterprises or 52.21% of the national juristic-entity SME volume. The figure represented a year-on-year growth of 5.86%. Operators in the trade sector, numbering 239,598 SME, accounted for 34.34% and a similar growth of 5.25%. Smaller numbers of juristic entities were found in the Manufacturing sector where 89,834 SME made up 12.87% with a growth rate of 5.69%; and the agri-business sector with only 4,015 juristic operators or 0.58% of the total volume. Figure 4.4 shows the sector volumes described above.

**Fig 4.4: Number of Juristic-Entity SME by Business Sector, 2018**



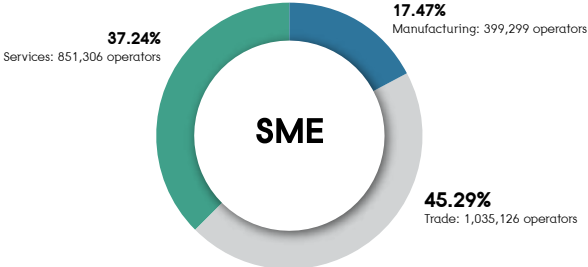
Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

Juristic-entity SME operating Wholesale & Retail businesses — or Category G of the trade sector — made up a volume of 241,826 operators. Of these, the largest proportions were found in the Wholesale sub-category — activities other than sales of automobile and motorcycle — at 146,071 operators. Category G enterprises showed an increase of 2,072 operators which represented a category growth of 1.44% over the previous year. Concentration of juristic-entity SME, found highest in Bangkok Metropolis, was at 281,112, or 39.66% of the nation-wide total. The next largest concentration was recorded for Chon Buri, while Mae Hong Son had the smallest number of juristic-entity SME.

#### 4.1.1.2 SME in the Category of Sole Proprietors & Others

SME registered in the category of Sole Proprietors & Others were found in the largest number within the trade sector; the latest count being 1,035,126, or 45.29% of the nationwide category total. The figure represented a 7.36% growth over the previous year. The next largest numbers of sole-proprietor SME were in the Services sector at 851,036, or 37.24%; and the manufacturing sector at 399,299, or 17.47%. These proportions are shown in Figure 4.5 below.

**Fig 4.5: Breakdown of SME Sole Proprietors & Others by Business Sector**



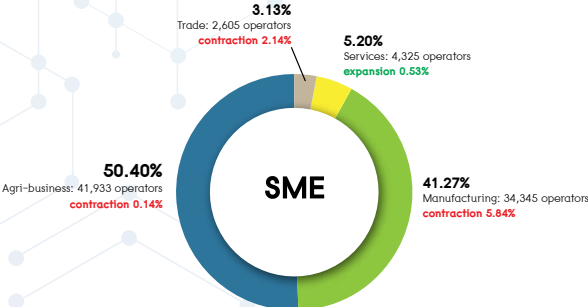
Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

Sole-proprietor SME operating Wholesale & Retail businesses — or Category G of the Trade sector — numbered some 1,035,126. Of these, 798,587 operators, or the largest proportion, were in the sub-category of Retail activities *excepting sales of automobile and motorcycle*. The sub-category represented 34.94% of the nationwide total for SME classified as *Sole Proprietors & Others* whose largest concentration, found in Bangkok Metropolis, had 277,374 operators, or 12.14% of the same total. The next largest concentration was found in Chiang Mai; while the lowest, in Samut Songkhram.

**4.1.1.3 Number of Community-based SME**

Community-enterprises recorded for 2018 amounted to 85,429 — all of which can be categorized as SME. They had the largest concentration in the agri-business sector numbering 41,933 operators or 50.40% of the nationwide total. The number represented a 0.14% reduction from 2017. Within the Manufacturing sector, 34,345 such SME were recorded, or 41.28% — a reduction of 5.84% from the previous year. Smaller concentrations were found in the services sector with 4,325 enterprises, or 5.20%; and in the Trade sector with 2,605 operators, or 3.13% of the total. The figures showed a 0.53% growth and a 2.14% contraction respectively. The percentage breakdown is shown in Figure 4.6.

**Fig 4.6: Breakdown of Community-enterprises by Business Sector, 2018**

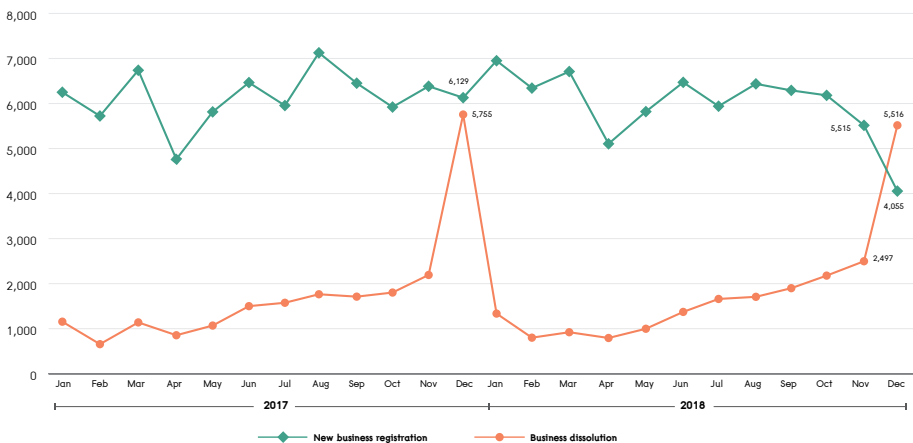


Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

Crop & Livestock Farming attracted the largest number of operators. This sub-category contained some 39,847 enterprises — an increase of 134, or 0.34% over the previous year — which accounted for 47.89% of all community-based SME across the country. Next in terms of volume were community-enterprises in the Food Items Production and Fabric Weaving sub-categories which had the largest operator base in Roi Et province numbering some 4,526 SME, or 5.44%; and the next largest base in Maha Sarakham. Community-enterprises had the smallest concentration in Samut Sakhon.

## 4.2 Business Establishments and Dissolutions in 2018

Fig 4.7: Establishment and Dissolution of SME Juristic Entities



Source: Department of Business Development

Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

New SME establishments in 2018 amounted to 71,815 — a decrease of 2,015 operators or 2.73% dip from the year before. In 2018, some 21,676 SME concluded their closure and liquidation; which represented a drop of 391, or 1.84% reduction in business closures, from the previous year.

The top-three categories of business start-ups in 2018 were: 1) Wholesale operations other than sales of motorized vehicle and motorcycle, 11,692 new entries; 2) Retail operations other than sales of motorized vehicle and motorcycle, 10,915 new entries; and 3) General Building Construction, 6,568 new operators.

Categories of business closure in the top-three rankings in 2018 were: 1) Wholesale operations other than sales of motorized vehicle and motorcycle, 4,884 closures; 2) Retail operations other than sales of motorized vehicle and motorcycle, 2,353 closures; and 3) General Building Construction, 2,034 closures.

Other types of business termination in 2018 were highest in the following sub-categories: 1) Lottery Ticket Sales, 3,209 firms; 2) Wholesale operations other than sales of motorized vehicle and motorcycle, 3,149 firms; and 3) General Building Construction, 1,700 firms.

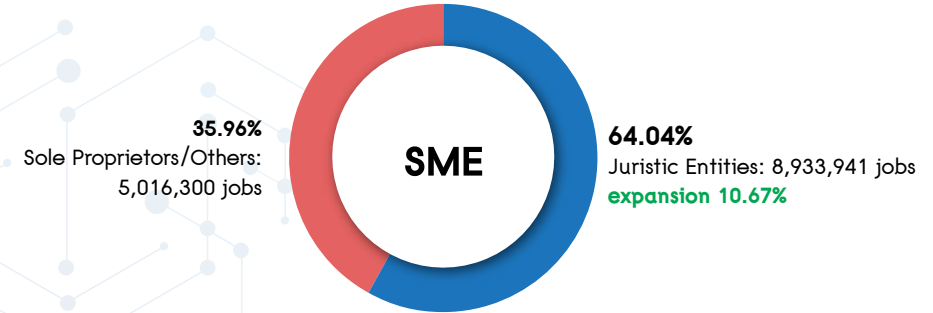
## 4.3 Extent of SME Hiring in 2018

### 4.3.1 Overview

Overall employment figure by all Thai enterprises in 2018 amounted to 16,322,746 jobs. Of these, only 2,372,491 came from the large enterprises (LE), while the SME accounted for a much larger portion of 13,950,241 jobs, or 85.47% of the nationwide hiring total. The largest number of job hires occurred in the Small Enterprises domain which accounted for 77.62% of the overall employment market, and equivalent to 90.83% of the SME hiring total.

SME hiring in 2018, broken down according to employer's business establishment, indicated that the Juristic-entirety SME were responsible for 8,933,941 jobs, or 64.04% of the nationwide SME hiring figure. The remaining portion came from the Sole Proprietors & Other SME which accounted for another 5,016,300 jobs, or 35.96% of the same SME hiring total. Figure 4.8 shows the hiring volumes discussed above.

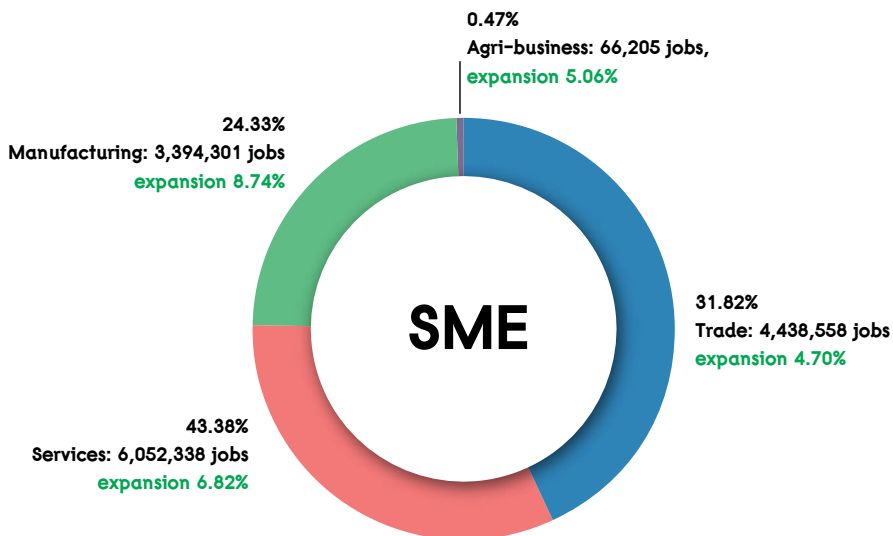
**Fig 4.8: SME Hiring Figures By Type of Business Establishment, 2018**



Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

Figure 4.9 and Table 4.3 below show the extent of SME hiring in key business sectors. Hiring volume was highest in the SME Services sector with 6,052,338 jobs, or 90.74% of nationwide sector hiring figure. The number represented an increase of 6.82% over the previous year. The next hiring levels, in descending order, were in the following sectors: the Trade sector, at 4,438,558 jobs, or 90.65% of nationwide total for the sector, and a 4.70% increase over the previous year; the manufacturing sector, at 3,394,301 jobs, representing 72.64% of nationwide sector total, and 8.74% increase over the previous year; and the agri-business sector (juristic operators), at 66,205 jobs which signified a hiring growth of 5.06% over the previous year.

**Fig 4.9: SME Hiring Figures by Business Sector, 2018**



Compiled by: Office of Small and Medium Enterprises Promotion (OSMEP)

**Table 4.2: Number and proportion of job hires by business sector, 2017 – 2018**

Business Sector	SE		ME	
	2017	2018	2017	2018
<b>Total entrepreneurs</b>	<b>12,033,375</b>	<b>12,670,351</b>	<b>1,055,427</b>	<b>1,279,890</b>
Trades	4,111,913	4,246,714	127,521	191,844
Services	5,312,647	5,589,194	353,370	463,144
Manufacturing	2,561,388	2,785,554	560,051	608,747
Agri-business	47,427	48,889	14,485	16,155
Undefined				
<b>Juristic Entities</b>	<b>7,148,677</b>	<b>7,785,653</b>	<b>923,825</b>	<b>1,148,288</b>
• Trades	2,071,749	2,206,550	85,893	150,216
• Services	3,443,508	3,720,055	309,526	419,300
• Manufacturing	1,585,993	1,810,159	513,921	562,617
• Agri-business	47,427	48,889	14,485	16,155
• Undefined				
<b>Sole Proprietors &amp; Others</b>	<b>4,884,698</b>	<b>4,884,698</b>	<b>131,602</b>	<b>131,602</b>
• Trades	2,040,164	2,040,164	41,628	41,628
• Services	1,869,139	1,869,139	43,844	43,844
• Manufacturing	975,395	975,395	46,130	46,130

**Sources:** Department of Business Development, National Statistical Office, Social Security Office, Department of Agricultural Extension

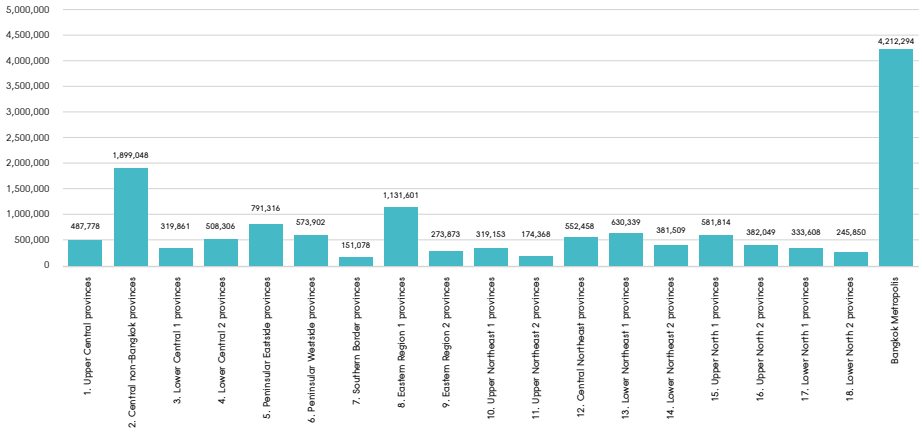
**Note:** Agri-business covers enterprises in business Category A (01-03). Entries are data specific to juristic-entity SME and community enterprises, not including Sole-Proprietor SME.

**Compiled by:** Office of Small & Medium Enterprises Promotion (OSMEP)

SME		LE		Undefined		Total	
2017	2018	2017	2018	2017	2018	2017	2018
13,088,802	13,950,241	2,211,047	2,372,491	16	14	15,299,865	16,322,746
4,239,434	4,438,558	415,261	458,037			4,654,695	4,896,595
5,666,017	6,052,338	583,924	617,428			6,249,941	6,669,766
3,121,439	3,394,301	1,191,979	1,278,544			4,313,418	4,672,845
61,912	65,044	19,883	18,482			81,795	83,526
				16	14	16	14
8,072,502	8,933,941	2,130,416	2,291,860	16	14	10,202,934	11,225,815
2,157,642	2,356,766	360,836	403,612			2,518,478	2,760,378
3,753,034	4,139,355	569,269	602,773			4,322,303	4,742,128
2,099,914	2,372,776	1,180,428	1,266,993			3,280,342	3,639,769
61,912	65,044	19,883	18,482			81,795	83,526
				16	14	16	14
5,016,300	5,016,300	80,631	80,631	0	0	5,096,931	5,096,931
2,081,792	2,081,792	54,425	54,425			2,136,217	2,136,217
1,912,983	1,912,983	14,655	14,655			1,927,638	1,927,638
1,021,525	1,021,525	11,551	11,551			1,033,076	1,033,076

SME employment breakdown by geographic region indicated Bangkok as the top hiring locale providing 4,212,294 jobs, or 30.20% of the nationwide SME hiring. Locales trailing Bangkok were: Central provinces surrounding the capital city, and the Eastern Region-1, as shown in Figure 4.10.

**Fig 4.10: SME Hiring Figures by Province Grouping, 2018**

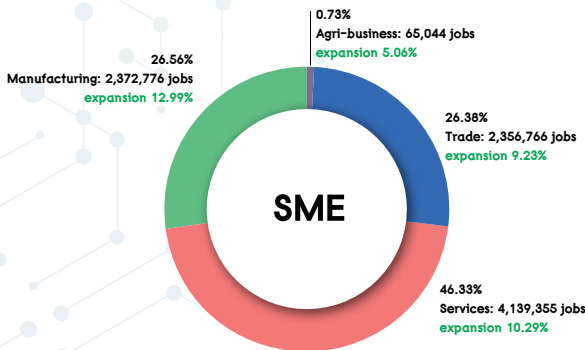


Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

**4.3.1.1 Job Hiring by Juristic-entity SME**

For 2018, job hires by juristic-entity SME totaled 8,993,941 with their largest proportion occurring in the services sector numbering 4,139,355 jobs, or 46.33% of the total. The figures represented a hiring growth of 10.29% year-on-year. The next active hiring was in the manufacturing sector that provided 2,372,776 jobs, or 26.56%, which represented a YoY growth of 12.99%. This was followed by the trade sector with 2,356,766 jobs, or 26.38% and a 9.23% YoY growth; and the agri-business sector with 65,044 jobs, or 0.73% and a 5.06% YoY growth. See Figure 4.11.

**Fig 4.11: Juristic-entity SME Hiring Figures by Business Sector, 2018**



Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

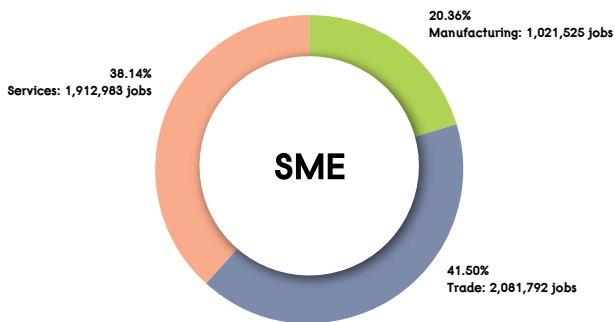


Juristic-entity SME within the Wholesale & Retail businesses — or Category G of the Trade sector — were responsible for the creation of 2,356,766 jobs. Of these, the largest proportions were found in Retail activities other than sales of motorized vehicle and motorcycle at 2,191,098 jobs or 15.71% of overall job hires by Juristic-entity SME nationwide. The figures represented a 3.68% YoY growth. The next significant hiring volumes occurred in the manufacturing sector (Category C), the Building Construction sector (Category F). Hiring volumes were largest in Bangkok Metropolis at 3,510,352 jobs, or some 39.29% of the nationwide total, followed by those for Chon Buri. Mae Hong Son had the smallest number of juristic-entity SME job hires.

#### 4.3.1.2 Job Hiring by Sole-Proprietor SME & Other SME

In 2018, hiring by SME operating as Sole Proprietors & Others reached 5,096,931 jobs having its highest concentration in the trade sector which provided 2,081,792 jobs, or 41.50% of the overall. The next clusters were in the services sector, with 1,912,983 jobs or 38.14%, and in the manufacturing sector, with 1,021,525 jobs or 20.36% of the hiring by the same employer base. See Figure 4.12.

**Fig 4.12: Hiring Figures of Sole-Proprietor SME & Other SME by Business Sector, 2018**



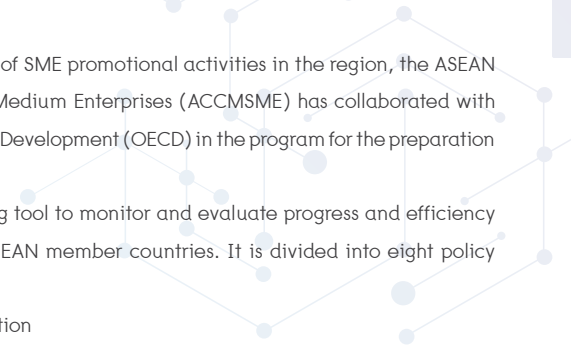
Compiled by: Office of Small & Medium Enterprises Promotion (OSMEP)

Job hires by sole-proprietor SME & other SME had the highest concentration in Wholesale & Retail — or Category G of the Trade sector — at 2,081,792 jobs or 29.55% of the nationwide total by non-juristic entrepreneurs. The next significant concentrations were in Manufacturing (Category C) and the Hospice & Food Service business (Category I). In terms of geographical distribution, the availability of jobs with sole-proprietor enterprises was highest in Bangkok Metropolis where 701,942 jobs were provided which made up 13.99% of the overall figure. The next significant hiring locale was Chiang Mai; while the number of similar job hires was smallest in Mae Hong Son.

# Chapter 5

## Overview: ASEAN SME Policy Index 2018





In its effort to strengthen the efficiency of SME promotional activities in the region, the ASEAN Coordinating Committee on Micro, Small and Medium Enterprises (ACCMSME) has collaborated with the Organisation for Economic Co-operation and Development (OECD) in the program for the preparation of an SME Policy Index 2018 for ASEAN.

The index is to serve as a benchmarking tool to monitor and evaluate progress and efficiency of SME developmental policies of individual ASEAN member countries. It is divided into eight policy dimensions as follows:

- Productivity, Technology and Innovation
- Environmental Policies and SME
- Access to Finance
- Access to Market and Internationalization
- Institutional Framework for SME Policy
- Legislation, Regulation and Tax
- Entrepreneurial Education and skills
- Social Enterprises and Inclusive entrepreneurship.

As measured by the index, Thailand's performance was above the region's median score in each of the eight dimensions. Thailand's scores, however, were lower in many areas than those of Malaysia even though the SME policy development of both countries closely paralleled each other. While it did outstandingly well in promoting access to market and internationalization, Thailand was lagging in the dimension of social enterprises and inclusive entrepreneurship. Recommendations were made by the OECD, host of the ASEAN SME Policy initiative, for Thailand to establish policy directions for promoting Thai enterprises in some specific dimensions in order to implement programs that address and respond more precisely to the needs of SME.

ASEAN regional production, in the sphere of micro, small and medium-sized enterprises (MSME), is comprised mostly of activities in Wholesale & Retail with the majority of trade operators being non-formal entities. In such a scenario, the availability of complete and reliable trade information remains a problem, and as a result, the region is still lacking a common working definition of what constitutes an SME. This, in turn, has added to the complexity in setting more precise policy directions.

SME promotional strategies of ASEAN countries should echo the targets set out under the Strategic Action Plan on SME Development, or SAP SMED 2016–2025. Governments of the region invariably regard SME policy as a tool for enhancing trade competitiveness. For Indonesia and the Philippines, promoting MSME has become a pillar policy in their effort to combat poverty. A greater importance is thus assigned to SME promotion than what is practiced in other ASEAN countries.

The efficiency scores of ASEAN in SME promotion as evaluated by the SME Policy Index 2018 are: access to market & internationalization, 4.55 pts; entrepreneurial education & skills, 4.27 pts; and institutional framework for SME, 4.20 pts. The scores are representative median values for ASEAN. The region scored lowest in its measures to encourage social enterprises & inclusive entrepreneurship – a low of 2.77. This is the dimension designed to promote the participation of various social/entrepreneur groups in helping to distribute income and narrow social gaps. The low score reflects the region's unfamiliarity with this policy concept.

# Chapter 6

## SME Opportunities in an Ageing Society






The transition of the global population into an ageing society signifies an important phase of societal development that poses new challenges for many countries — challenges in preparing to cope with forthcoming changes in people's social and economic setting, tradition and lifestyle, including the formulation of new strategies to support an expanding base of elderly citizens.

Internationally adopted definitions of an ageing society tend to focus on citizens' age of 60 years or more. The degree of seniority is indicated by the nomenclature denoting the age levels in three categories, namely Ageing Society, Complete-aged Society and Super-Aged Society. Indicator of a category is generally determined by the ratio of dependency the retired senior citizens of a society have upon its still working citizens. This dependency ratio varies from country to country due to the differences in geographical regions as well as the context of community settings, whether rural or urban.

Demographic profile of Thailand as reported in the 2018 ESCAP Population Data Sheet (compiled by the United Nations Economic and Social Commission for Asia Pacific) showed that as of mid-2018, Thailand's population count reached 69,183,000. Some 17.6% of this number comprises people in the 60+ age bracket. It is expected the proportion will expand to 35.1% in 2050, or within the next 32 years. Based on this timeline, the dependency ratio of those aged past 65 years to those typically still in the labor force would be 2.0%. It should be noted that this forecasted dependency ratio for 2050 is reduced from the current one, which is 6.0%.

Viewed in the context of potential for business, the arrival of an ageing society may well be a welcome change in terms of an expansion in the productive working age of Thailand's economic labor force; and especially in terms of an emerging multitude of senior consumers who possess substantial purchasing and spending capacity by virtue of their lifelong accumulation of assets. The ESCAP Population Data Sheet puts an estimate of the number of Thai senior citizens for 2018 at more than 12 million. This number makes up an important consumer base that should significantly offer a lucrative market for the SME to access and respond with timely offers of product and service that are specially tailored to suit the needs of this particular group of buyers.

Analysis of the spending capacity within the three senior groupings cited above, in terms of the people's averaged yearly earnings, has uncovered some interesting findings. Of primary interest is the clout in purchasing or spending on SME products and services; this is found among the seniors with an average income of 10,000 to 70,000 baht per year. This group makes up some 65% of the entire senior population, and their combined spending is estimated at 205,000 bt mn per year. Even more significant are seniors with average yearly earnings of 100,000 baht or larger, which make up some 16% of the entire aged population. Their combined spending power would amount to 290,000 bt mn per year. Such a huge spending capacity should pose exciting challenges for Thai SME to seek a means to access and benefit from this senior market.



Information gleaned from OSMEP's database shows that a large number of SME businesses already possess the capability to cater to the needs of the senior buyers. Their number is currently over 1,084,545 who are responsible for some 4,625,305 job hires. Relevant products and services are found in the following business sectors: Food & Beverages; Clothing & Textile; Touring Service & Travel Agency; Hotel & Accommodation; Health-related Service; Cosmetics & Skincare; Gems & Jewelry; Medical Service and Supplies; Basic Pharmaceuticals; Residential Design & Construction; Scientific R & D Services; Packaging & Logistics; Furniture & Decorative Items; Educational Services; Financial Products and Services; Aged Care and Health Services, and so on.

# Chapter 7

## Analysis of Micro-enterprise Cost and Income Structures by New Definition





The cost and income structures of micro-enterprises discussed herein are outcomes of a categorical analysis of survey data for the Manufacturing sector prepared by the National Statistical Office in 2017. The survey collected trade information from some 98,759 enterprises of all sizes covering various aspects of their economic activity such as size of business premises, form of incorporation, hiring structure by gender, duration of active operation, cost and income structures, problems encountered, and so on. This report focuses on the analysis of the micro-enterprise conducted on a significant sample with sizes and data adequate for the purpose.

A range of economic activities belonging to two-digit SIC Classification (Manufacturing) are analyzed. Class descriptors and the numbers of businesses investigated are as follows: Class 10: production of food products; Class 14: manufacture of wearing apparel; Class 23: manufacture of other non-metallic mineral products; Class 25: manufacture of fabricated metal products, except machinery and equipment; and Class 32: other manufacturing activities. The sample, consisting of 31,240 operators, has its representative numbers in the categories, as follows: in Activity Class 10: production of food products, 13,926 operators; Class 14: manufacture of wearing apparel, 4,551 operators; Class 23: manufacture of other non-metallic mineral products, 2,785 operators; Class 25: manufacture of fabricated metal products, except machinery and equipment, 5,668 operators; and Class 32: other manufacturing activities, 4,310 operators.

Micro-enterprise cost structure for manufacturing: This cost component comprises the following items: costs of fuels, electricity, merchandise safe-keeping, equipment installation & maintenance, and other manufacturing-related items.

Unit: Percentage

**Table 7.1: Micro-enterprise Cost Structure in Economic Manufacturing Activities**

Cost	Class 10	Class 14	Class 23	Class 25	Class 32
Raw materials purchased	90.7	84.4	84.3	85.5	86.5
Manufacturing expenses	7.3	11.5	13.1	11.6	7.3
Purchase of goods for resale in unaltered condition	1.8	1.3	2.4	1.8	4.2
Outsourcing to third-party manufacturers	0.2	2.8	0.1	1.1	2.0
Total cost: manufacturing and finished goods	100.0	100.0	100.0	100.0	100.0

Table 7.1 illustrates the cost incurred in micro-enterprise manufacturing activities for Class 10: production of food products. A high proportion of cost, up to 90.7%, involves the cost of raw materials purchased, while relatively small percentages incurred in manufacturing amounted to 7.3%; purchases of goods for same-condition resale, 1.8%, and cost of outsourcing to third-party manufacturers, a mere 0.2%.

For activities in Class 14: manufacture of wearing apparel, the most significant portion of cost is in raw materials purchased which amount to 84.4% of the total. Smaller portions include manufacturing cost, which takes up 11.5%, cost of outsourcing to third-party manufacturers, 2.8%, and purchases of commodities for same-condition resale, 1.3%.

For activities in Class 23: manufacture of non-metallic mineral products, the key cost components are: raw materials purchased which amount to 84.3%; manufacturing expenses, up to 13.1%; purchases of commodities for same-condition resale, 2.4%; and outsourcing to third-party manufacturers, 0.1%.

For activities in Class 25: manufacture of fabricated metal products, except machinery and equipment, the cost of raw materials purchased takes up a significant 85.5% while that for manufacturing expenses, up to 11.6%; purchases of commodities for same-condition resale, 1.8%; and outsourcing to third-party manufacturers, 1.1%.

For activities in Class 32: other manufacturing, the key cost items are: raw materials purchased which is the largest portion amounting to 86.5%; manufacturing expenses, up to 7.3%; and purchases of commodities for same-condition resale, 4.2%.

Unit: Percentage

**Table 7.2: Micro-enterprise Income in Economic Manufacturing Activities**

Income	Class 10	Class 14	Class 23	Class 25	Class 32
Sale of goods	68.3	10.2	67.0	25.6	43.1
Contract manufacturing	18.9	83.1	6.2	53.6	50.4
Provision of maintenance service	0.2	1.6	0.4	12.3	0.4
Land leasing	0.3	0.0	1.7	0.4	0.3
Building rent	1.3	0.1	3.1	1.0	0.5
Dividend receivables	0.0	-	-	0.2	-
Interest receivables	0.7	0.1	0.4	1.3	0.2
Profits from currency exchange rates	0.1	0.0	-	0.1	0.2
Other earnings	10.3	4.9	21.3	5.5	4.9
Total Income	100.0	100.0	100.0	100.0	100.0

Micro-enterprise cost structure in Sales: This cost component comprises the following items: costs of vehicle fuels, write-off debts, building & land rent, electricity, interest payables, water utility, postage, telephone, internet, stationery, forms, consumables, vehicle rents, equipment rents and fees (land rent, garbage disposal, security guards, insurance, accounting, legal fees, and research & development and planning).

Unit: Percentage

<b>Table 7.3: Cost of Sales in Economic Activities Class 10: Manufacture of food products</b>	
<b>Cost Item</b>	<b>Percentage</b>
Vehicle fuels	24.1
Write-off debts	16.4
Building & land rent	13.7
Electricity	10.9
Interest payables	9.0
Other expense items	8.2
Water utility	5.9
Postage/Telephone/Internet	4.9
Stationery/Printed forms/Consumables	2.7
Rental vehicle/Equipment/Appliances	1.4
Others	2.8

Micro-enterprise cost structure in Sales for economic activities of Class 10: production of food products, is shown in Figure 1. Most of the cost element comprises: expenses on vehicle fuels which account for 24.1%; write-off debts, 16.4%; building & land rent, 13.7%; electricity, 10.9% and interest payables, 9.0%.

**Table 7.4: Cost of Sales in Economic Activities Class 14:  
Manufacture of wearing apparel**

Cost Item	Percentage
Building & land rent	35.3
Vehicle fuels	17.1
Electricity	14.2
Postage/Telephone/Internet	8.9
Water utility	5.7
Other expense items	5.2
Rental vehicle/Equipment/Appliances	3.1
Interest payables	2.9
Stationery/Printed forms/Consumables	2.4
Land rent	2.0
Others	3.1

Micro-enterprise cost structure in Sales for economic activities of Class 14: manufacture of wearing apparel has its largest expense portion in rents for building cum land which makes up 35.3%. Smaller cost items are: vehicle fuels, 17.1%; electricity, 14.2%, postage/telephone/internet, 8.9% and water utility, 5.7%.

**Table 7.5: Cost of Sales in Economic Activities Class 23:  
Manufacture of other non-metallic mineral products**

Cost Item	Percentage
Advertising expenses	49.3
Goods delivery expenses	23.7
Rental vehicle/Equipment/Appliances	10.2
Agent's commission	4.5
Other expense items	2.8
Stationery/Printed forms/Consumables	2.7
Training expenses	2.0
Land rent	1.2
Write-off debts	1.1
Interest payables	0.8
Others	1.8

Micro-enterprise cost structure in Sales for economic activities of Class 23: manufacture of other non-metallic mineral products, has its largest expense portion in advertising fees which make up 49.3%. Smaller cost items are: goods delivery expenses, 23.7%; rentals for vehicle/equipment/appliances, 10.2%; and agent's commission, 4.5%.

Unit: Percentage

<b>Table 7.6: Cost of Sales in Economic Activities Class 25: Manufacture of fabricated metal products, except machinery and equipment</b>	
<b>Cost Item</b>	<b>Percentage</b>
Vehicle fuels	25.8
Building & land rent	24.9
Electricity	10.0
Other expense items	7.6
Postage/Telephone/Internet	7.4
Write-off debts	4.7
Interest payables	4.7
Water utility	4.1
Land rent	3.6
Stationery/Printed forms/Consumables	2.6
Others	4.5

Micro-enterprise cost structure in Sales for economic activities of Class 25: manufacture of fabricated metal products, except machinery and equipment, has its largest expense portion in vehicle fuels which makes up 25.7%. Next descending cost items are: building & land rent, 24.8%; electricity, 9.9%; and other expenses, 7.6%.

**Table 7.7: Cost of Sales in Economic Activities Class 32:  
Other Manufacturing**

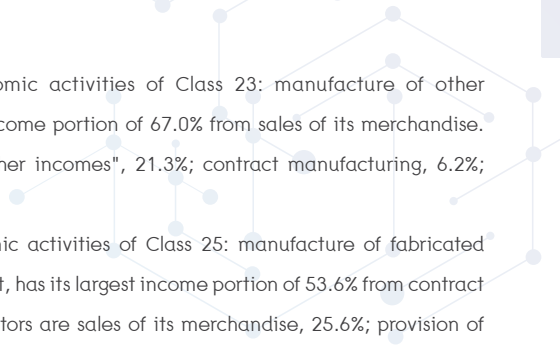
Cost Item	Percentage
Building & land rent	34.4
Vehicle fuels	19.8
Electricity	11.4
Postage/Telephone/Internet	8.2
Other expense items	6.6
Water utility	5.1
Stationery/Printed forms/Consumables	4.0
Write-off debts	3.3
Interest payables	2.5
Land rent	1.9
Others	2.9

Micro-enterprise cost structure in Sales for economic activities of Class 32: other manufacturing, has its largest expense portion in rent of building cum land which makes up 34.4%. Next descending cost items are: vehicle fuels, 19.8%; electricity cost, 11.4%; and communication expenses, comprising postage, telephone, internet, at 8.2%.

**Micro-enterprise Income Structure:** A micro-enterprise's income streams are as follows: income from contract manufacturing; revenue from merchandise sales; from provision of maintenance services; rental from building leases; interest receivables, rental from land leasing; profits from currency exchange rates; and dividend receivables.

A micro-enterprise engaged in economic activities of Class 10: production of food products, has its largest income portion of 68.3% from sales of its merchandise. Next descending income generators are in contract manufacturing, 18.9%; other incomes, 10.3%; and rental from building leases, 1.3%.

A micro-enterprise engaged in economic activities of Class 14: manufacture of wearing apparel, has its largest income portion of 83.1% from contract manufacturing. Next descending income generators are sales of its merchandise, 10.2%; other incomes, 4.9%; and provision of maintenance services, 1.6%.



A micro-enterprise engaged in economic activities of Class 23: manufacture of other non-metallic mineral products, has its largest income portion of 67.0% from sales of its merchandise. Next descending income generators are in "other incomes", 21.3%; contract manufacturing, 6.2%; and rental from land leasing, 1.7%.

A micro-enterprise engaged in economic activities of Class 25: manufacture of fabricated metal products, except machinery and equipment, has its largest income portion of 53.6% from contract manufacturing. Next descending income generators are sales of its merchandise, 25.6%; provision of maintenance services, 12.3%; and other incomes, 5.5%.

A micro-enterprise engaged in economic activities of Class 32: other manufacturing activities, has its largest income portion of 50.4% from contract manufacturing. Next descending income generators are sales of its merchandise, 43.1%; and other incomes, 4.9%.

## Problem Issues and Need for Assistance

For the majority of micro-enterprises in all economic production classes, the foremost concern facing them has to do with the slowing down of the economy. Apart from that, the rising costs of production, increasing industry competition, and shortages in investment finance and liquidity are other frequently reported issues.

Their need for assistance is primarily in measures to help lower production cost. Other areas where assistance is sought are in investment promotional packages for entrepreneurs; sourcing of low-interest loans; and help in developing market growth as well as exporting avenues.

# Chapter 8

## Analysis of SME Structures by New Definition





Definitions for small and medium-sized enterprises were first established pursuant to Thailand's Ministry of Industry regulations on 11 September 2002, whose criteria for judging by an enterprise's size were based on the extent of its wage hiring and permanent assets. Thereafter, proposals were made to modify the old size definition by adding an enterprise's income as another of the judging criteria. The new proposal was approved by the ad hoc Board of SME in its 2/2019 meeting on 12 October 2018. At the time of this report (June 2019), the modification proposal is under reviews by the Council of State for subsequent tabling to the Thai Cabinet for final approval. The new definition should provide a more comprehensive means for classifying the sizes of Thai SME by also putting an enterprise's business income and wage hiring levels into consideration.

Adoption of the New Definition will bring about changes in the determination of economic ingredients attributable to enterprises of all sizes – small, medium and large – for example, the overall number of enterprises, job hires, and extent of exports and imports. Three key issues will become relevant upon the introduction of the New Definition. The first issue: an enterprise's income will be looked at, instead of the old measure of net permanent assets excluding land. Secondly, another business size, i.e. the micro-enterprise, is to be included in the SME domain. And thirdly, the same sizing criteria will apply to enterprises in both sectors – Trade and Services.

Analysis of changes in the overall number of enterprises, job hires, and extent of exports/ imports in the transition from Old to New Definition is summarized below:

**Table 8.1: Comparison of Numbers of Enterprises under Old and New Definitions**

					Unit: Enterprise
Enterprise Size	Total (Old Def)	Total (New Def)	% of Overall (Old Def)	% of Overall (New Def)	% CHANGE New Def/ Old Def (Negative)
Micro	–	2,644,561	–	85.7	–
S	3,063,651	384,964	99.3	12.5	-87.4
M	14,171	40,652	0.5	1.3	186.8
Micro+S+M	3,077,822	3,070,177	99.8	99.5	-0.2
L	6,455	14,102	0.2	0.5	118.4
NA	14	12	0.0	0.0	-14.3
Grand Total	3,084,291	3,084,291	100.0	100.0	–

Table 8.1 indicates that in the transition from Old to New Definition, the combined SME population exhibits a slight drop in terms of their ratio to all-enterprises total. Under the New Def, the SME number makes up 99.5% of all-enterprises total; while under the Old Def, it was 99.8%. This represents a 0.3% reduction. The changes are caused by movement of the enterprises across size definitions; for example, the 2,644,561 enterprises that appear in the new Micro classification is largely a downward shift from the old SE group, which loses some 87.4% of its population to the new classification. The SEs under the New Def now make up only 12.5% of the all-industry population. Meanwhile, the ME and LE groups also undergo changes under the new definition. The ME's newly-defined population makes up 1.3% of the overall figure, compared to its previous ratio of 0.5%, or a large gain of 186.8%; while the new LEs, a 0.5% of the overall figure, compared to its previous ratio of 0.2%, or a 118.4% population gain.

**Table 8.2: Comparison of Numbers of Job Hires under Old and New Definitions**

**Unit: Enterprise**

Enterprise Size	Total job hires (Old Def)	Total job hires (New Def)	% of Overall (Old Def)	% of Overall (New Def)	% CHANGE New Def/ Old Def (Negative)
Micro		4,974,613	-	30.5	-
S	12,670,351	4,140,563	77.6	25.4	-67.3
M	1,279,890	2,070,936	7.8	12.7	61.8
Micro+S+M	13,950,241	11,186,112	85.5	68.5	-19.8
L	2,372,491	5,136,622	14.5	31.5	116.5
NA	14	12	0.0	0.0	-14.3
Total	16,322,746	16,322,746	100.0	100.0	-

Wage hiring statistics will also change based on the old and new definitions of enterprise size. In all, the hiring level of SME including the micro-enterprises under the New Def has a negative growth of 19.8%, which leaves the ratio to overall hiring figure at only 68.5%. This decline in hiring is caused by the reallocation of businesses under the new classification system whereby a 30.5% portion of the SEs manages to shift to the new Micro segment. Accordingly, SE hiring level drops to 25.4% under the New Def from its old score of 77.6%, or equivalent to a negative growth of 67.3%. Wage hiring levels are seen to rise in the ME and LE groups where, under the New Def, the figures are 12.7% and 31.5% respectively — or corresponding growths of 61.8% and 116.5% over the Old-Def levels.

**Table 8.3: Comparison of Industry Exports Levels under Old and New Definitions**

**Unit: USD**

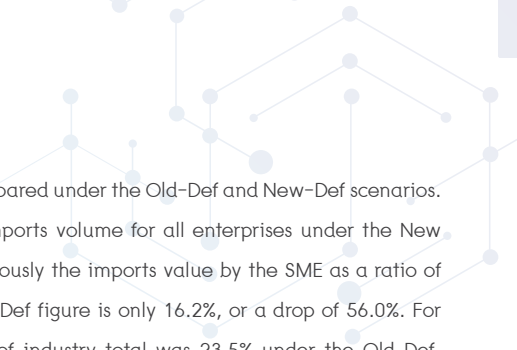
	Total Value (Old Def) (USD)	Total Value (New Def) (USD)	% of Overall (Old Def)	% of Overall (New Def)	% CHANGE New Def/ Old Def (Negative)
Micro		2,286,586,346	-	0.9	-
S	45,187,072,691	8,846,689,764	17.9	3.5	-80.4
M	27,381,765,719	20,303,577,735	10.8	8.0	-25.9
SME	72,568,838,410	31,436,853,845	28.7	12.5	-56.7
L	175,942,124,916	217,074,109,481	69.7	86.0	23.4
NA	3,975,421,275	3,975,421,275	1.6	1.6	-
Total	252,486,384,601	252,486,384,601	100.0	100.0	-

Exporting performances of the SME under the Old-Def and New-Def scenarios are compared. In general, a declining performance is noted for the SME of the New Def. Whereas previously the exports value as a ratio of all-industry total was 28.7%, the same figure by the SME under New Def is now only 12.5%, or a drop of 56.7%. For the Small Enterprises (SE) alone, their output as a percentage of industry total was 17.9% under the Old Def. By contrast, under the New Def, similar output by the SEs is now a low 3.5%, or a huge slide of 80.4%. Similarly for the MEs; the exports ratio achieved under the Old Def was 10.8%, while it is only 8.0% under the New Def. On the contrary, the large enterprises (LE) fare reasonably better in the New Def scenario. Their export ratio is 86.0% for the new definition, an improvement over the Old Def performance of 69.7%, or a gain of 23.4% in favor of the new scenario. The newly formed micro-enterprises group is responsible for 0.9% of the overall exports value.

**Table 8.4: Comparison of Industry Imports Levels under Old and New Definitions**

**Unit: USD**

	Total Value (Old Def) (USD)	Total Value (New Def) (USD)	% of Overall (Old Def)	% of Overall (New Def)	% CHANGE New Def/ Old Def (Negative)
Micro		3,898,729,863	-	1.6	-
S	58,517,008,747	12,351,665,404	23.5	5.0	-78.9
M	33,159,574,210	24,121,444,284	13.3	9.7	-27.3
SME	91,676,582,957	40,371,839,551	36.8	16.2	-56.0
L	150,460,912,911	201,765,656,317	60.4	81.0	34.1
NA	7,094,422,769	7,094,422,769	2.8	2.8	-
Total	249,231,918,637	249,231,918,637	100.0	100.0	-



Volumes of imports by all enterprises are compared under the Old-Def and New-Def scenarios. In general, an encouraging reduction is noted in imports volume for all enterprises under the New Def regardless of their size allocation. Whereas previously the imports value by the SME as a ratio of all-industry total was 36.8%, the corresponding New Def figure is only 16.2%, or a drop of 56.0%. For the SEs alone, their imports level as a percentage of industry total was 23.5% under the Old Def. Corresponding value by SEs under New Def is a low 5.0%, or a huge reduction of 78.9%. Similarly for the MEs; their imports ratio under the Old Def was 13.3%, while it is only 9.7% under the New Def, or a drop of 27.3%. By contrast, the large enterprises exhibit bigger purchases given that their imports ratio is 60.4% under the old definition; while that for the New Def, it is 81.0%, or an imports hike of 34.1%. The newly formed micro-enterprises group is responsible for 1.6% of the overall imports value.



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