Resilience as the New Competitive Advantage

Opening Remarks at the Bangkok Business Summit September 3, 2026

It’s a pleasure to join the Bangkok Business Summit. Thank organizers, especially the Joint Standing Committee on Commerce, Industry and Banking (JSCCIB) for inviting me to give opening remarks in this track focusing on building resilience.

[Slide2] Talk today about resilience, **not as a way to survive but to thrive** in shock-prone world. We are living in an age of global shocks: oil, tariffs, geopolitical tensions, AI, climate transition. All countries face the same shocks. Those that cope with them better and faster get a head start. So **resilience is the new competitiveness**.

Resilience is essentially about **ability to bounce back from shocks**. If do this well, can be a competitive edge. If don’t do well, at best fall behind, at worst stuck in low growth trap.

[Slide3] Let me start by contrasting US and Thailand GDP/capita over the last 30 years. For Thailand, we can see that after each major shock – Asian financial crisis, GFC, Covid pandemic – our trend growth rate slowed down and never returns back to pre-crisis rate. **In the post-AFC era (2000–2007), Thailand’s GDP growth averaged 8.3%. Following the GFC (2010–2019), it slowed to 3.5%, and in the post-COVID period (2021–2025), it has decelerated further to just 2.7%.** By contrast, the US also experienced large shocks, notably the GFC, but its growth rate always returns to roughly **2%**. So you can see the contrast between resilience between the two countries

[Slide4] Taking a longer turn perspective, over 150 years, the resilience of the US economy has been remarkable! Per capita GDP growth is a linear trend around 2%. The great depression of the 1930s shows up as a particularly long slump, but even then growth eventually recovered. A caveat to note is that not only has US growth been resilient to negative shocks, it has also been resilient to positive technological shocks. Think about all the innovations over the last 150 years – the internal combustion engine, airplanes, antibiotics, transistors, semiconductors, personal computers, and the internet – despite all that, growth stays the same. This is relevant to the discussions around AI today: history is stacked against AI lifting growth sustainably beyond 2%. But that’s a discussion for another day.

[Slide5] Importantly, resilience doesn’t matter simply because we are hurt less when facing bad shocks. Being resilient means one can take **higher risks** in return for **higher average growth**. We can reap the fruits of being exposed to more uncertainty. **This is first order.**

[Slide6] Ability to bounce back rests on 2 dimensions:

- **Adaptability/agility** (low adjustment costs, able to move quickly)

- **Shock absorption capacity** (buffers, redundancies)

Will focus today mostly on adaptability, but let me say a few words about absorption capacity. From a macro-financial stability perspective, we have over the years built strong buffers. Our financial sector pillar is strong: **external stability, banks, capital market**.

Our **fiscal buffers** have also traditionally been strong, notably allowing us to weather the Covid shock. Going forward we must work actively to ensure that this remains so into the future. At the same time, the importance of strengthening financial buffers for **household and SMEs** is a priority.

[Slide7] Turning to adaptability. Argue that a critical component of **economic adaptability** is how the system allocates resources dynamically. This is reflected in **firm dynamism**: entry of new firms, the growth and contraction of existing ones, and the exit of uncompetitive ones. Good firm dynamism characterized by:

- **High churn** (lots of start-ups given low entry costs; swift efficient exits)
- **Fluid flow of resources** to productive firms who gain market share
- **Healthy firm life-cycle**: productive young firms can scale

High firm dynamism supports **flexible reallocation of resources** in response to shocks: associated with an **open, competitive business climate** that drives aggregate productivity growth.

Low firm dynamism implies muted adjustment to shocks: associated with **market concentration**, low productivity, and the survival of **"zombie" firms**.

[Slide8] As a matter of fact , **Thailand suffers from declining firm dynamism, hurting our adaptability.** The counterpart of declining trend GDP is decline in firm revenue growth and productivity.

[Slide9] Our corporate revenue growth plummeted from 15.7% in the post-AFC era to 8.1% post-GFC, and collapsed to only 4.4% post-COVID. Corporate asset growth, representing our investment rate, similarly slid from 11.8% to 10.8% and then to 8.8% over the same periods. Also over the last three decades, our productivity, measured by corporate Return on Assets (ROA), has also steadily declined from 8.2% to 7.9%, and further to 6.2%.

[Slide10] Furthermore, rate of churns has fallen: low circulation, population of firms not changing. **The average churning rate fell from 29.1% during 2005–2012 to 25.1% during 2013–2019, and dragged down further to just 19.7% during 2020–2024.** This shows that the population of firms is not turning over or changing as fast as it used to be.

[Slide11] More importantly, **the quality of the flow itself has deteriorated** – resources don't flow to efficient ones. **Instead, we see a wrong-way flow of capital.** Between **2013 and 2024, firms experiencing a decline in productivity saw their assets grow by 17.6%. Meanwhile, firms that actually become more productive saw negative asset growth of -10.0% to -17.8% for the highly productive cohorts. In other words, firms that are doing better are actually shrinking, and resources are failing to flow to efficient businesses.**

[Slide12] And here, I would like to note the role and the importance of young firms. Young firms tend to be nimble, innovative, and more productive. **SMEs aged 10 years or less generate the highest productivity, with an average Return on Assets (ROA) of 5 to 6.5% during 2013–2024, compared to 4.2% for firms aged 11–20, and below 4% for those older than 20.** But they play a smaller role.

[Slide13] The contribution of young firms to overall revenue growth has shrunk: they drove 4.4% of the total 15.7% growth in the post-AFC period, which fell to 1.2% post-GFC, and just 0.2% post-COVID. There are two reasons why the contribution of young firms has fallen.

[Slide14] First, because there are less of them. Firm demographics show **firm population aging**. **In 2005, most of the assets of Thailand were around 7 to 10 years old; but by 2024, the assets have shifted to being heavily concentrated in firms aged 20 years and older.**

Second, they **cannot scale**. **SMEs in earlier cohorts (2001–2012) scaled their revenue by 75% (reaching an index of 175 relative to a start of 100) after 10 years in business, whereas newer cohorts (2013–2024) saw stunted growth, reaching an average revenue index of only 127—a mere 27% increase over the last 10 years.** The result is stunted growth, or what I would like to call "Bonsai firms"

[Slide15] Result is if one looks **only at small firms**: yes we have a lot of young productive ones. But we also have a lot of old ones—**37% of small firms are old.** More worryingly, **25% (or 1 in 4)** of very old small firms **(those in business for over 20 years)** are unprofitable **with negative EBIT.** Problem is not that we have **too many SMEs.** Problem is we have **productive young firms that can't scale** – over time they get old and stagnate. Lots of small old firms. When it comes to firms in Thailand, **small is not beautiful**.

[Slide16] The low firm dynamism is compounded by the slow exit of inefficient firms – 'zombies'. **The share of zombie firms in Thailand rose from 2.7% in 2013 to 4.7% in 2017. During the pandemic, it climbed to peak at 6.4% in 2022.** Coming back to resilience, note the **fallacy of composition with respect to micro and macro resilience.** Resilience at the micro level, ie zombie firms, may mean less resilience at the macro level by inhibiting system adjustment. **Prevents creative destruction**.

[Slide17-18] Given low firm dynamism, our adaptability/agility is low. Prone to shocks that hurt our competitive standing. One example highlight today given the panels this afternoon is resilience to **climate transition.** Often climate transition is framed in terms of being more green. This is **NOT about being green**. Forget mitigation. It's about **adaptation**. It's about competitiveness.

Being green is defensive. Adaptation is offensive.

Eg. IKEA climate footprint down approximately **30.1% since FY16**, while staying competitive with revenue increasing **23.7%** over the same period.

[Slide19] Environmentally motivated trade measures proliferating around the world – rules governing international trade increasingly embed them. **The number of environment-related trade policies globally has soared from around 200 in 2020 to more than 700 in 2025.** Take EU as example, our 4th largest trading partner.

- **CBAM (Carbon Border Adjustment Mechanism)** announced in 2020 came into implementation in 2023 (report embedded emissions). CBAM certificate from 2026. Covered products: iron/steel, aluminium, cement, fertilizer, hydrogen, electricity.
- **EUDR (EU Deforestation Regulation)** - ensure that products sold in the EU are not linked to deforestation. In force 2027.
- **PPWR (Packaging and Packaging Waste Regulation)** - reduce packaging waste and improve packaging sustainability in the EU. Started 2026 in phases.

[Slide20] Thai exporters are **highly exposed**. Carbon-related measures (CBAM) expose **859** Thai exporters. When we include the EU Deforestation Regulation (EUDR), an additional **1,018** firms fall within scope. The Packaging and Packaging Waste Regulation (PPWR) further broadens exposure, affecting another **1,467** firms. In total, **3,344** Thai exporters, or **53% of Thai firms exporting to the EU**, are exposed to at least one of these measures. Worry about adaptability. **31%** of firms have their primary export product affected and **23%** export primarily to the EU, pointing to extremely limited capability to diversify away from these environmental shocks**.**

[Slide21] The impact is real. In a PIER study, after the CBAM announcement in 2020, treated firms experienced a **14.4%** decline in EU exports relative to control firms. These same treated firms experienced a severe **24.2%** decline in export values post-CBAM implementation in 2023, with the burden falling disproportionately on small exporters due to weaker finance, technology, and compliance capacity**.**

[Slide22] This is just the beginning. The EU is only the starting point. Environmental trade measures are increasingly becoming global, with the **UK planning to launch its regime in**

January 2027, Australia's policy proposals well-advanced, and active discussions developing across other major jurisdictions.

[Slide23] So what needs to be done? Importantly, one **can't just buy resilience. One must invest in resilience.** It requires building adaptability and buffers today to be resilient in the future.

[Slide24] Going back to firm dynamism. That's all about efficient allocation of resources. **Financial sector plays a key role.** We have a good system but improvements are needed. Funds need to flow to those with capabilities, especially young firms. I'd like to highlight 3 things:

- **Credit risk**: Improve data infrastructure by establishing a **Data Bureau** and launching the **SME Credit Portal** to overcome information asymmetry and give banks better visibility into SME risks. We also need to help insure undiversifiable risk through credit guarantees and lower default costs by streamlining the bankruptcy and foreclosure process, making it cheaper and more timely. This lower cost of default directly drives the churning rate—facilitating both easier exits and entries, and encouraging banks to extend credit with lower loss-given-default rates.
- **Funding diversity**: **Virtual banks** will soon come online to lower operating costs and introduce new screening technologies. At the same time, non-bank, market-based financing—including **venture capital, private equity, private debt, and crowdfunding**—must play a much more important role.
- **Efficient and secure**: Leverage digital innovation, tokenization, and prevent illicit finance and scams to ensure secure, rapid transactions.

[Slide25-26] More broadly, we need structural reforms. **The good news: we have reached a stage where everyone fully recognizes this.** We need a "whole-of-nation" approach, and the stars are aligned. We have a window of opportunity:

- **OECD** membership: Currently helping us revamp our legal framework.
- **14th National Economic and Social Development Plan**: In its final stages to launch next year, putting productivity and economic transformation front and center. It emphasizes an environment that supports efficient resource allocation, adaptability, inclusivity, and execution, execution, execution.
- **Reinvent Thailand Initiative**: Launched late last year in conjunction with government agencies and the JSCCIB. This framework drives a private-sector-led, public-sector-enabled, and financial-sector-supported transformation across **7 strategic sectors**: *Automotive, Medical and Wellness, Tourism, Retail & Commerce,*

Creative Economy, Agriculture & Agro-Processing, and *Smart Electronics & Digital Services*.

Moving to implementation, PIER, together with industry bodies, has drafted a sectoral **blueprint for agriculture and agro-processing** as a satellite of the Reinvent Thailand mothership. This blueprint identifies specific pain points, articulates a market-led and innovation-driven transformation model, integrates the whole value chain, and offers ready-to-go cases to launch later this month.

The 14th Plan, Reinvent Thailand, and the World Bank report launched today share major common ground and focus areas, especially regarding the target sectors.

[Slide27] Much of these reforms tackle the root problems causing low firm dynamism.

The end goal of all this is raising productivity: the true essence of economic resilience.

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Resilience as the New Competitive Advantage

Piti Disyatat
Bank of Thailand

Bangkok Business Summit, 3 September 2026

RESILIENCE = COMPETITIVENESS

not just a way to **survive**…

…but a way to **thrive** in a shock-prone world

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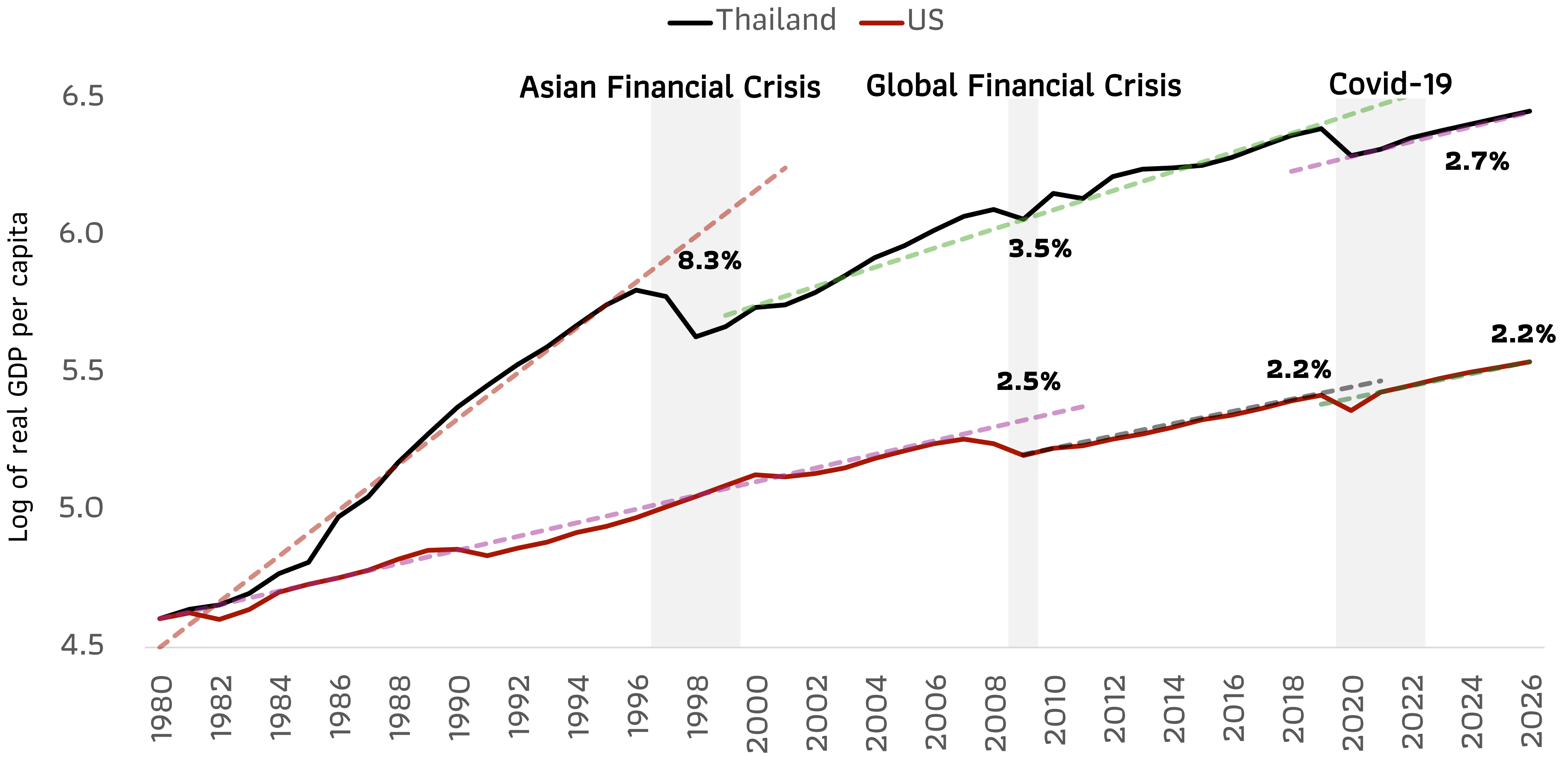
The ability to bounce back after shocks

Resilience in contrast

Thailand vs US GDP per capita



Source: World Bank WDI (NY.GDP.PCAP.KD, constant 2015 USD) from 1980 to 2024, IMF WEO April 2025 from 2025 to 2026

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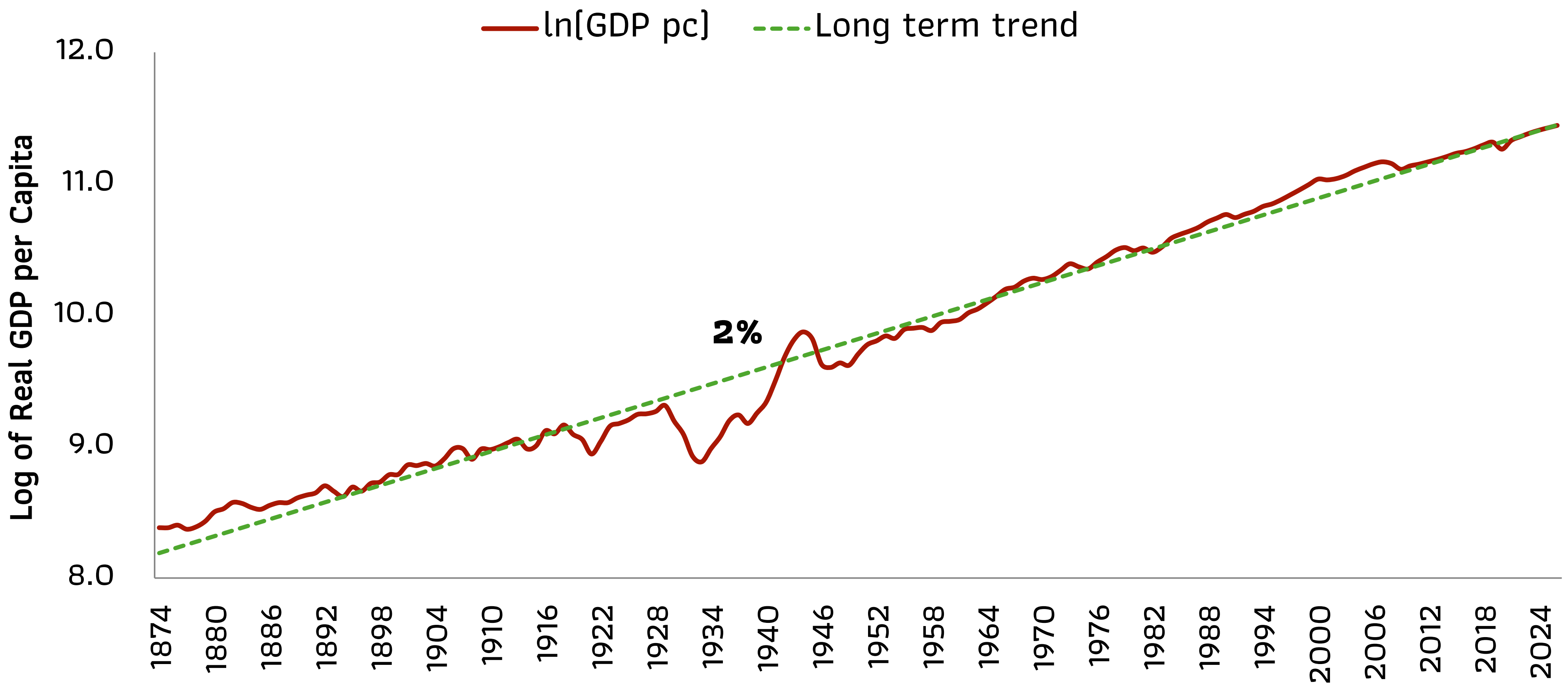
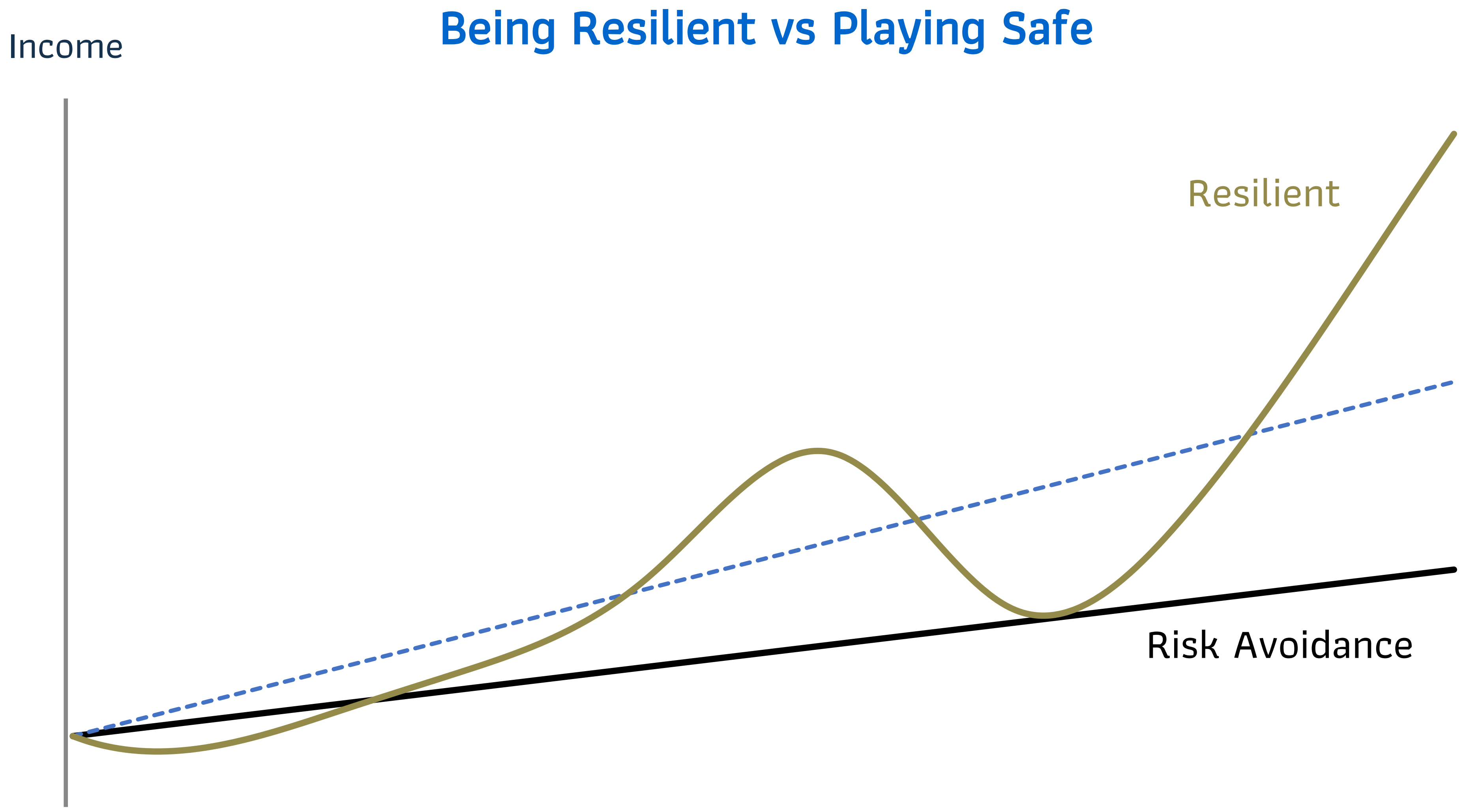
A picture of long-run resilience

US Real GDP per capita over 150 years



Source: Barro and Ursua (2010) from 1874 to 1990 ,World Bank WDI (NY.GDP.PCAP.KD, constant 2015 USD) from 1990 to 2024, IMF WEO April 2025 from 2025 to 2026

Resilience allows higher trend growth



Ability to "bounce back" requires…

Adaptability + Shock Absorption

Economic Adaptability

Dynamic (re)allocation of resources

Firm dynamism

Entry of new firms, growth and contraction of existing ones, exit of uncompetitive ones

Good firm dynamism

- High churn – lots of start-ups + efficient exits
- Fluid flow of resources to productive firms who gain market share
- Healthy firm life-cycle – productive young firms can scale

Thailand’s declining firm dynamism

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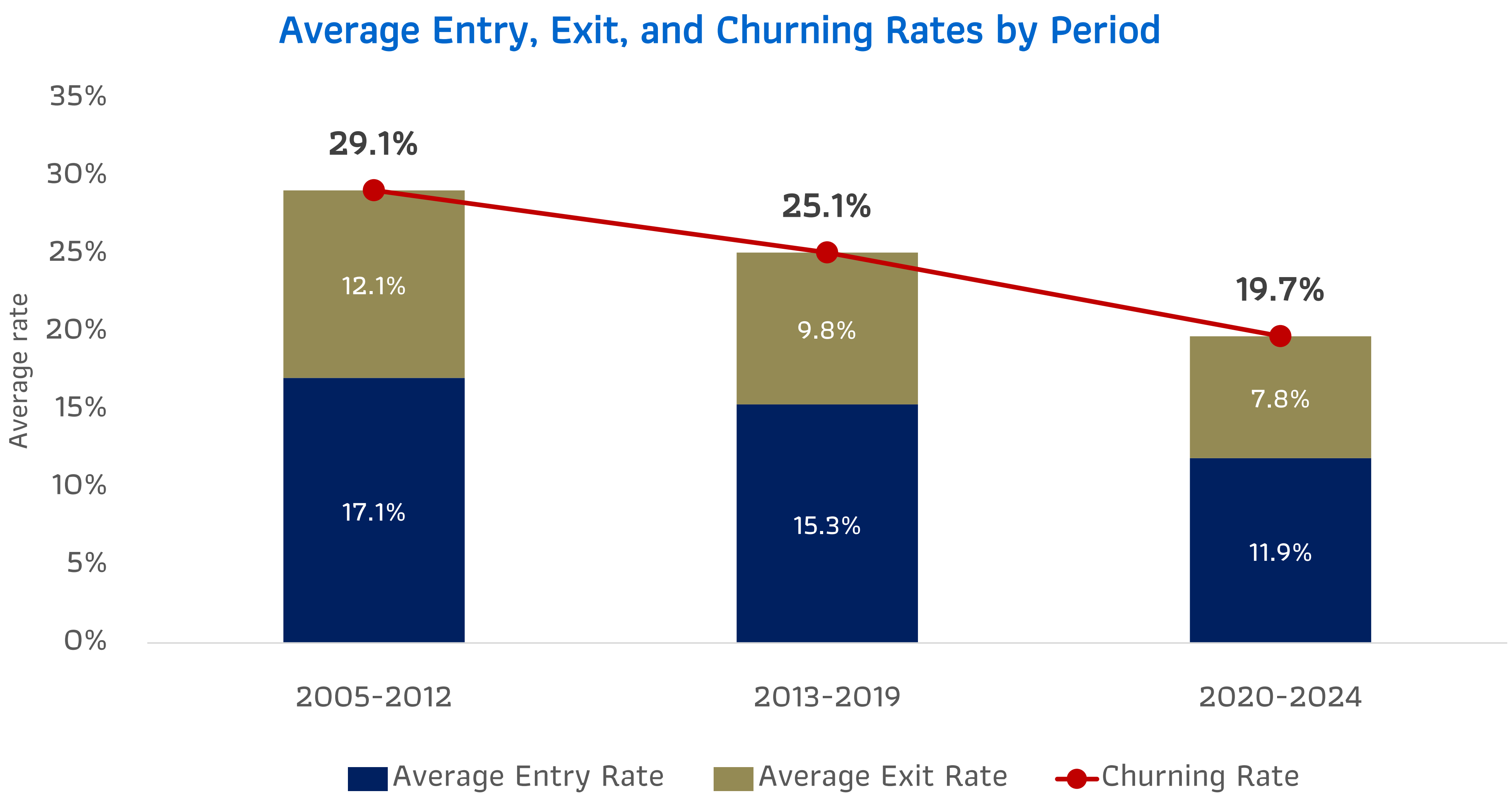
Weaker GDP growth mirrored in weaker firm growth and productivity

	Post-AFC 2000-2007	Post-GFC 2010-2019	Post-COVID 2021-2025
GDP growth	5.3 %	3.7 %	2.4 % ▼
Corporate revenue growth	15.7 %	8.1 %	4.4 % ▼
Corporate asset growth (investment rate)	11.8 %	10.8 %	8.8 % ▼
ROA	8.2 %	7.9 %	6.2 % ▼

Source: NESDC, financial statement data from DBD Ministry of Commerce, calculations by PIER
Note: averages across all sectors, ROA = Return on Asset = profit/total assets where profit is Earnings Before Interest and Taxes (EBIT), data through 2024

Decline in firm 'churning'



Source: Financial statements from the Department of Business Development (DBD), Ministry of Commerce, calculated by the Puey Ungphakorn Institute for Economic Research

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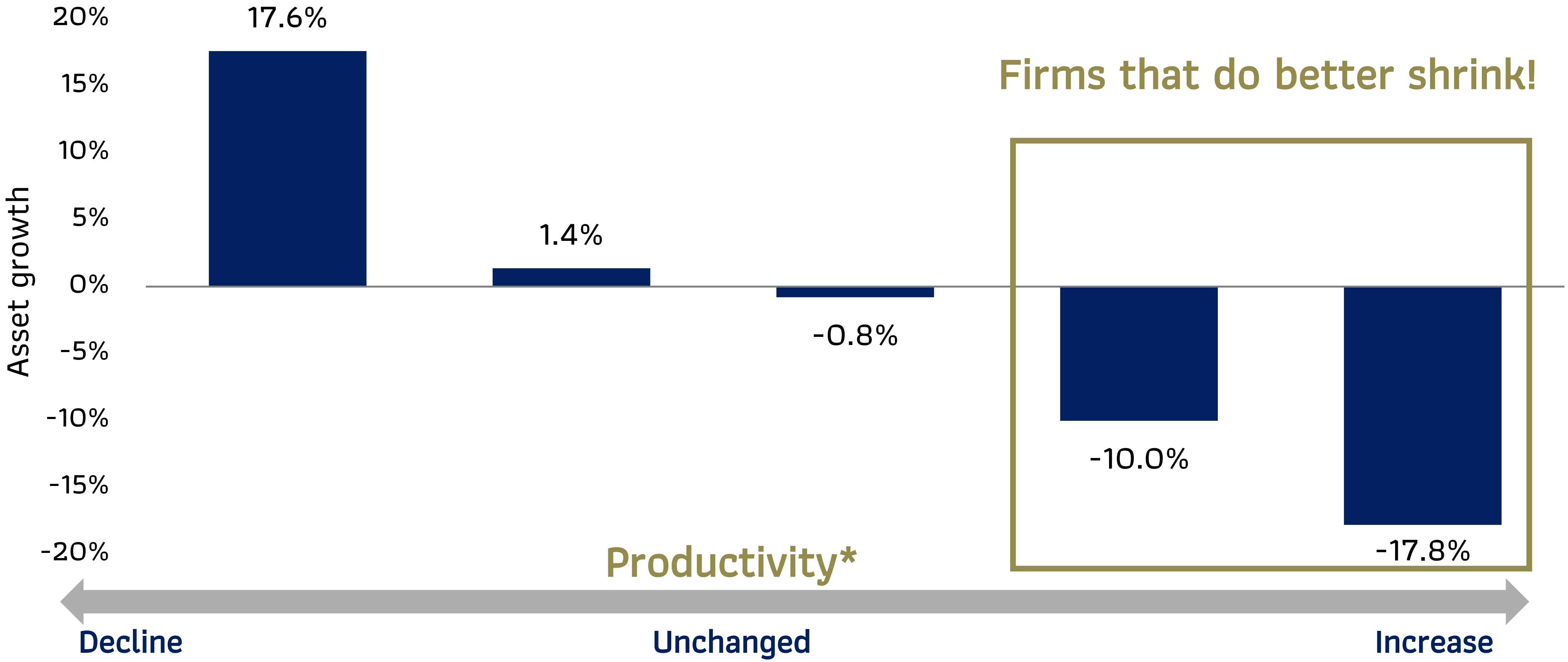
Wrong way flow: Resource Misallocation

Growth of asset by firm productivity (2013-2024)



Source: financial statement data from DBD Ministry of Commerce, calculations by PIER
Note: productivity is measured by Asset turnover ; firms grouped into 5 by productivity change: large decline to large increase, average over 2013-2024 (3-year rolling window)

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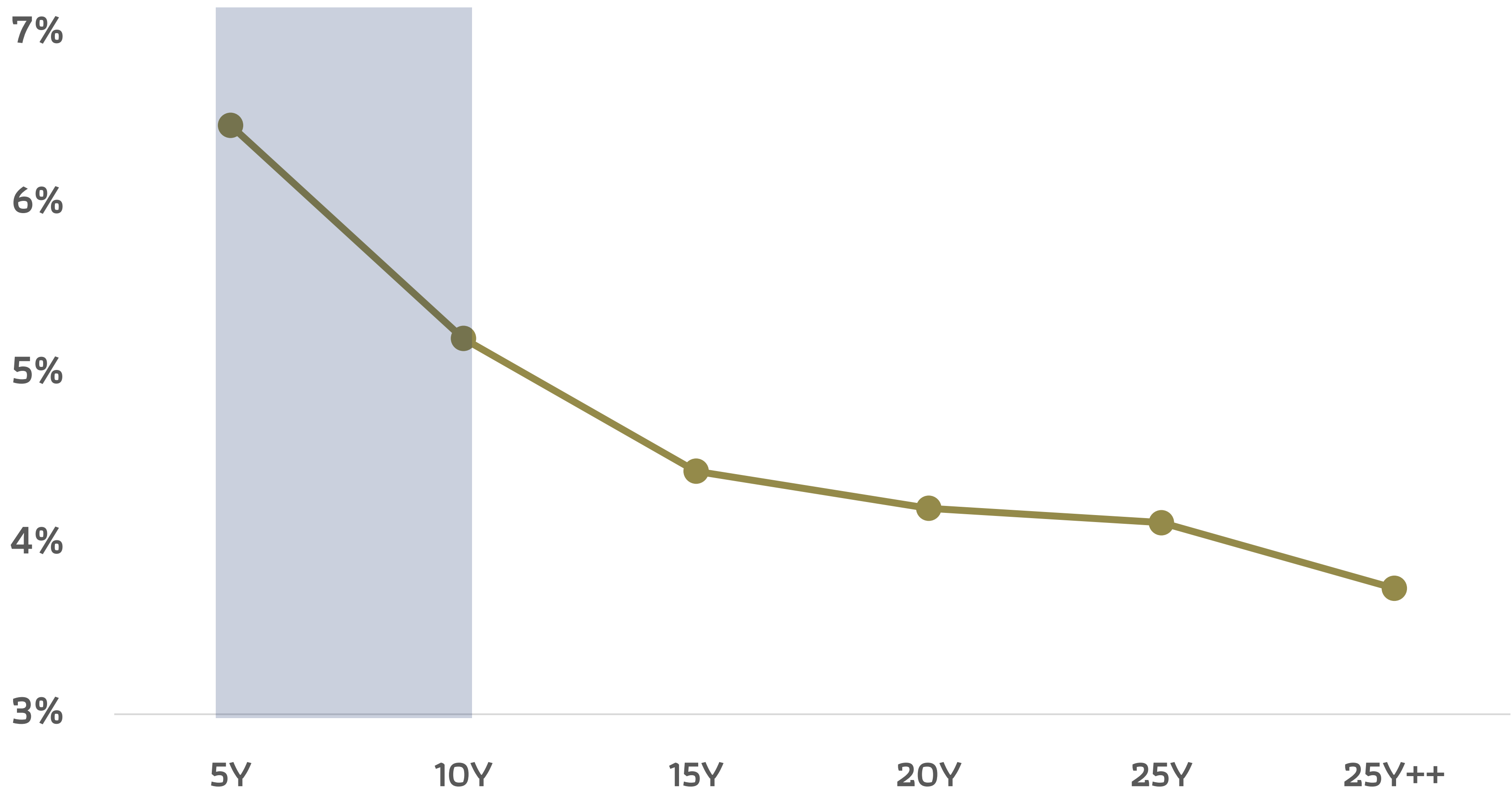
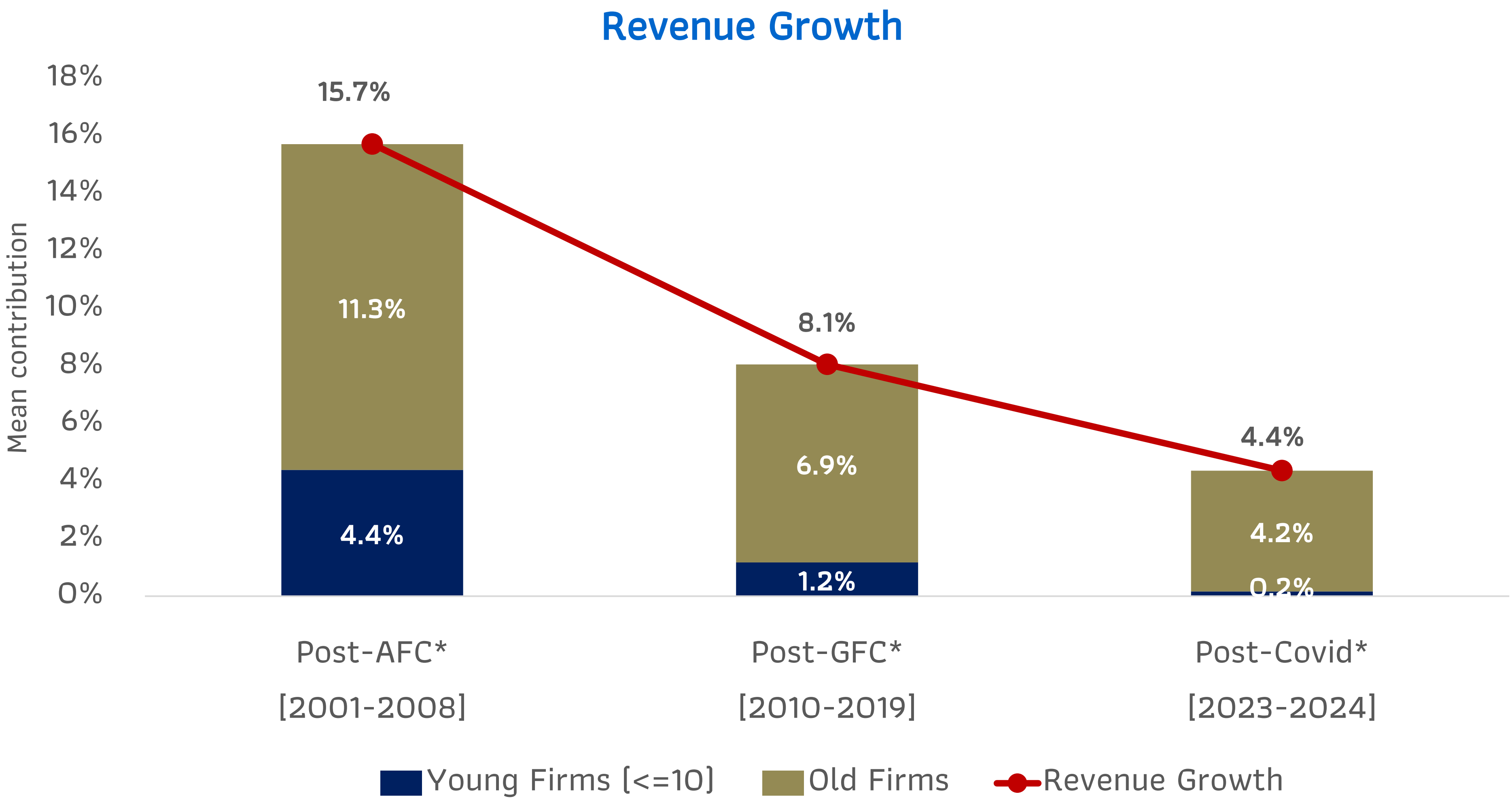
Younger firms more productive…

Return on asset (ROA) by age group (average 2013-2024)



Source: Financial statements from the Department of Business Development, Ministry of Commerce, calculated by the Puey Ungphakorn Institute for Economic Research
* EBIT-based ROA

...but play a declining role in the economy



Source: Financial statements from the Department of Business Development [DBD], Ministry of Commerce, calculated by the Puey Ungphakorn Institute for Economic Research
* Not Included 2015

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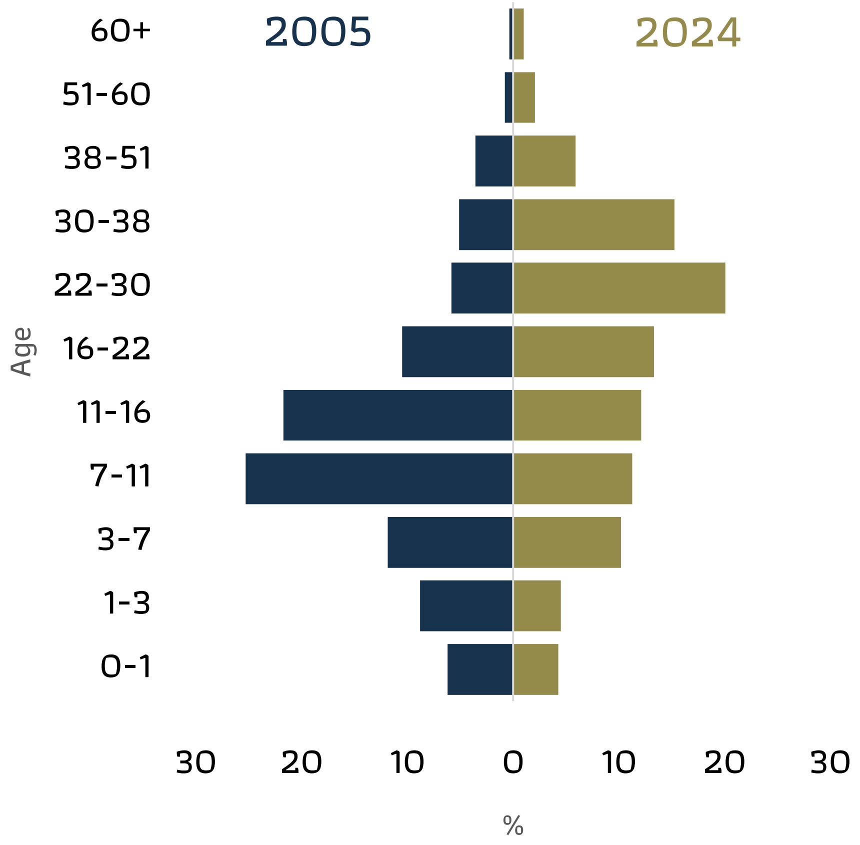
Resulting in stunted growth…"Bonsai" firms

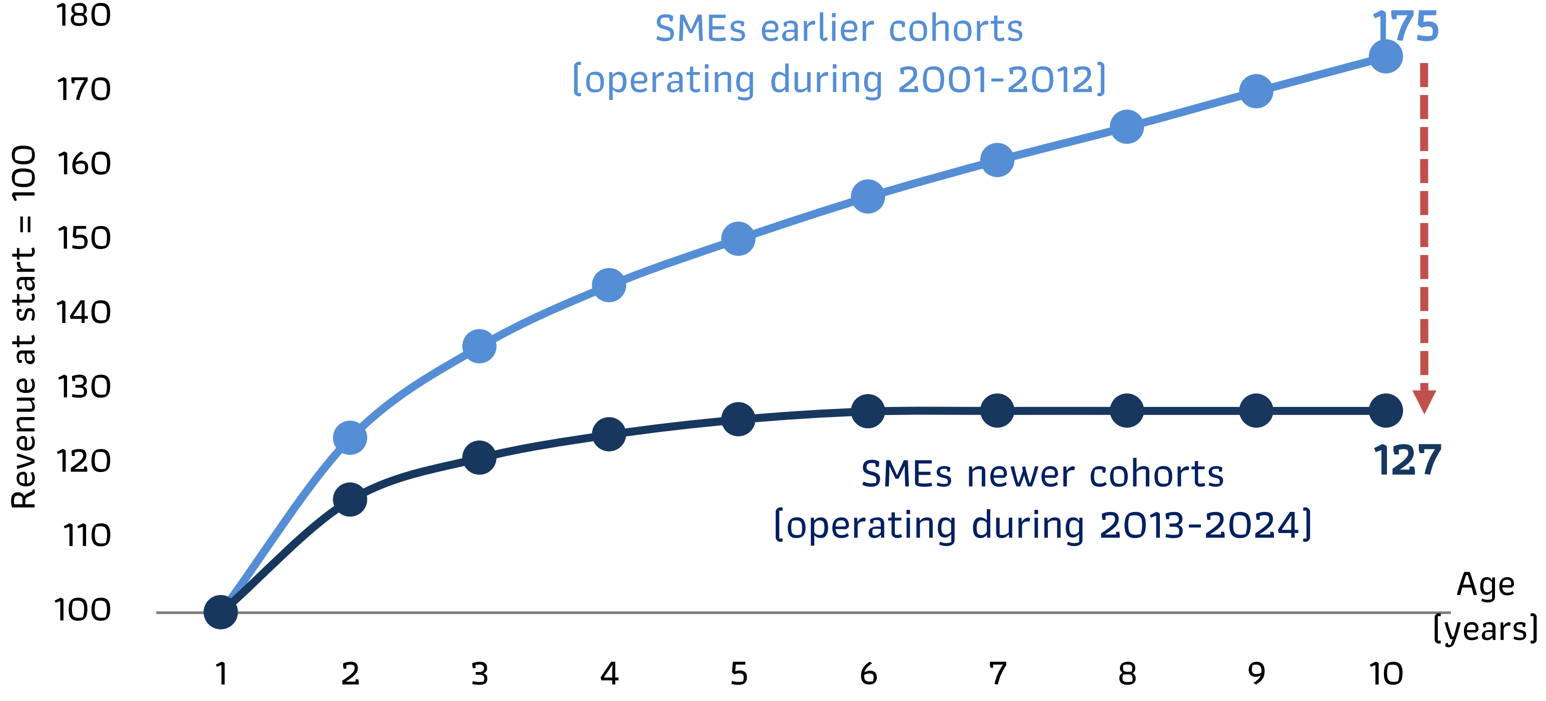
Thailand's business sector is aging

Asset share by age group



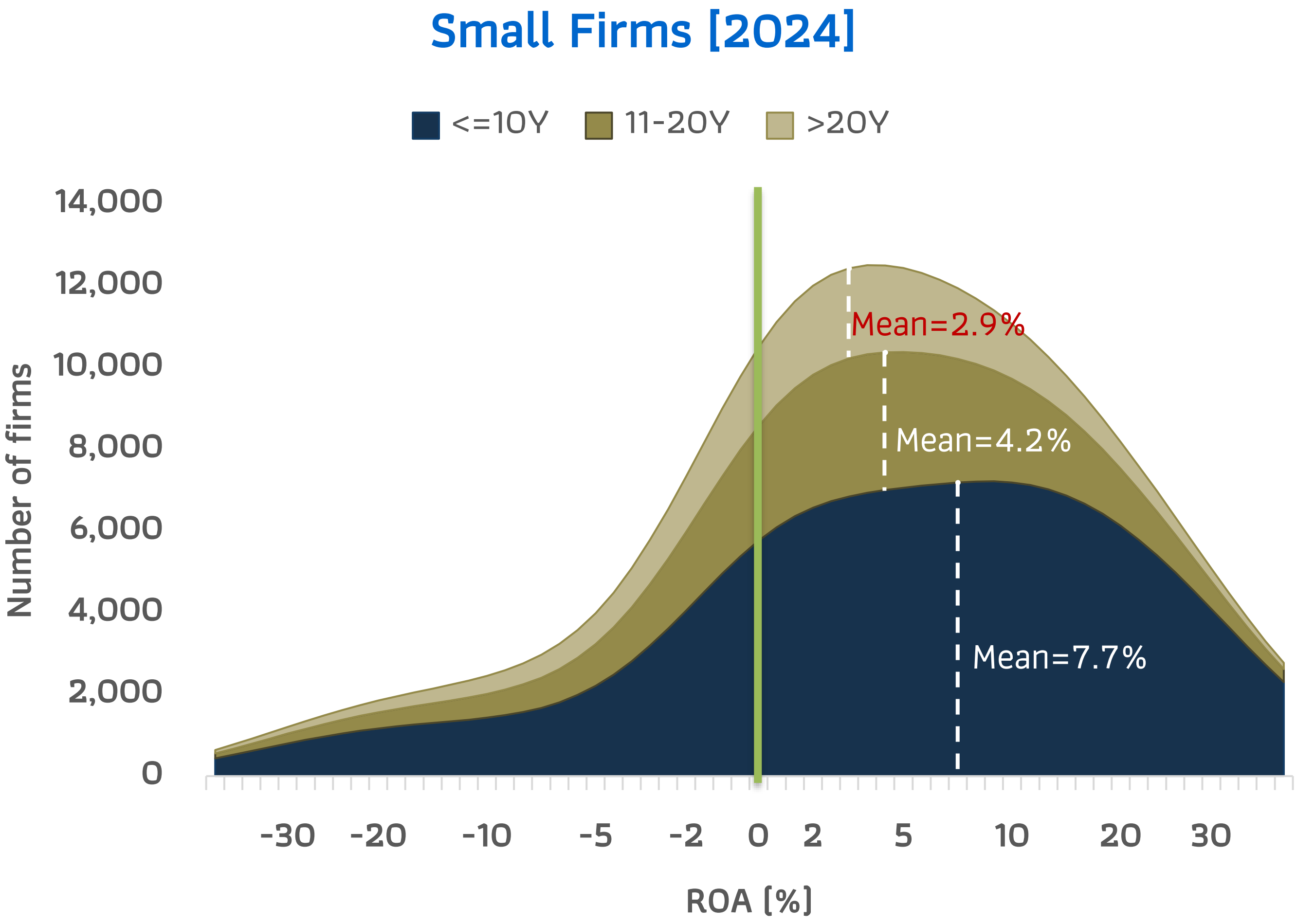
Young/small firms can't scale up

Average revenue of SMEs relative to start of business



Source: Financial statements from the Department of Business Development (DBD), Ministry of Commerce, calculated by the Puey Ungphakorn Institute for Economic Research

A landscape with many small, old, unproductive firms…

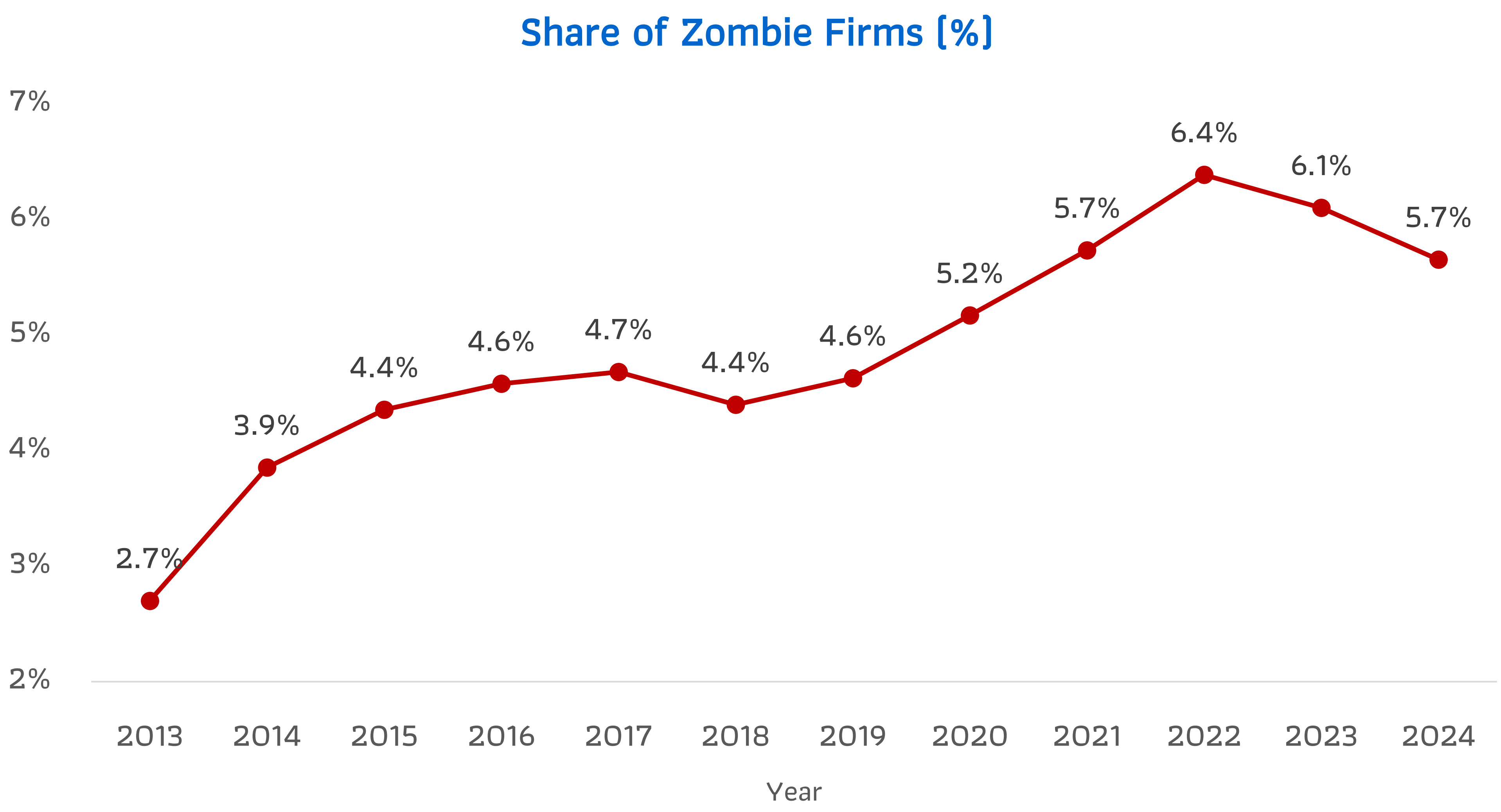


37% of small firms are old and 25% of those over 20Y are unprofitable [negative EBIT]

Small firms = revenue < 50 million baht for services and <100 million baht for manufacturing.

Source: Financial statements from the Department of Business Development, Ministry of Commerce, calculated by the Puey Ungphakorn Institute for Economic Research
* EBIT-based ROA

...as unproductive firms don't exit



Source: Financial statements from the Department of Business Development (DBD), Ministry of Commerce, calculated by the Puey Ungphakorn Institute for Economic Research
* Zombie firm refers to a business with an interest coverage ratio (ICR) of less than 1 for 3 consecutive years.

Thailand's vulnerability to climate transition

Climate transition is a competitiveness challenge

"Be greener"

Costly mitigation to help slow climate change

VS

Adapt to stay competitive

- Retain/gain market access
- Reduce costs
- Stay in global value chains

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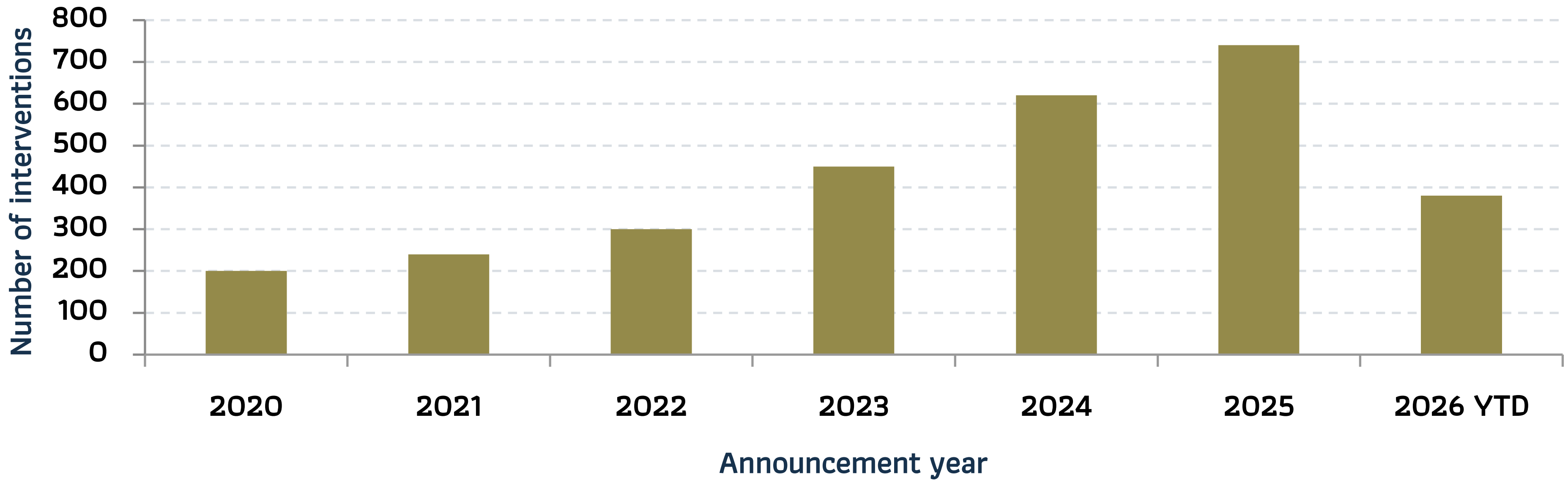
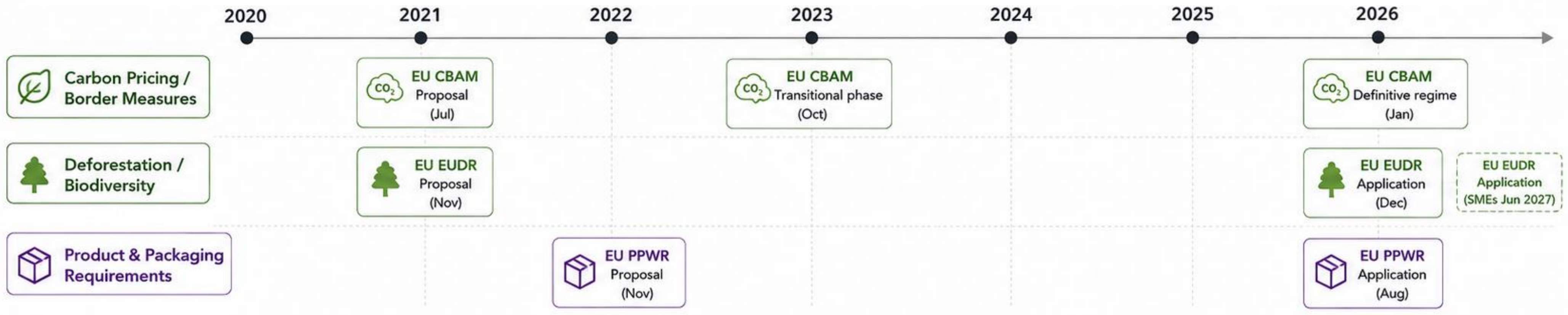
Environment-related trade measures proliferating globally

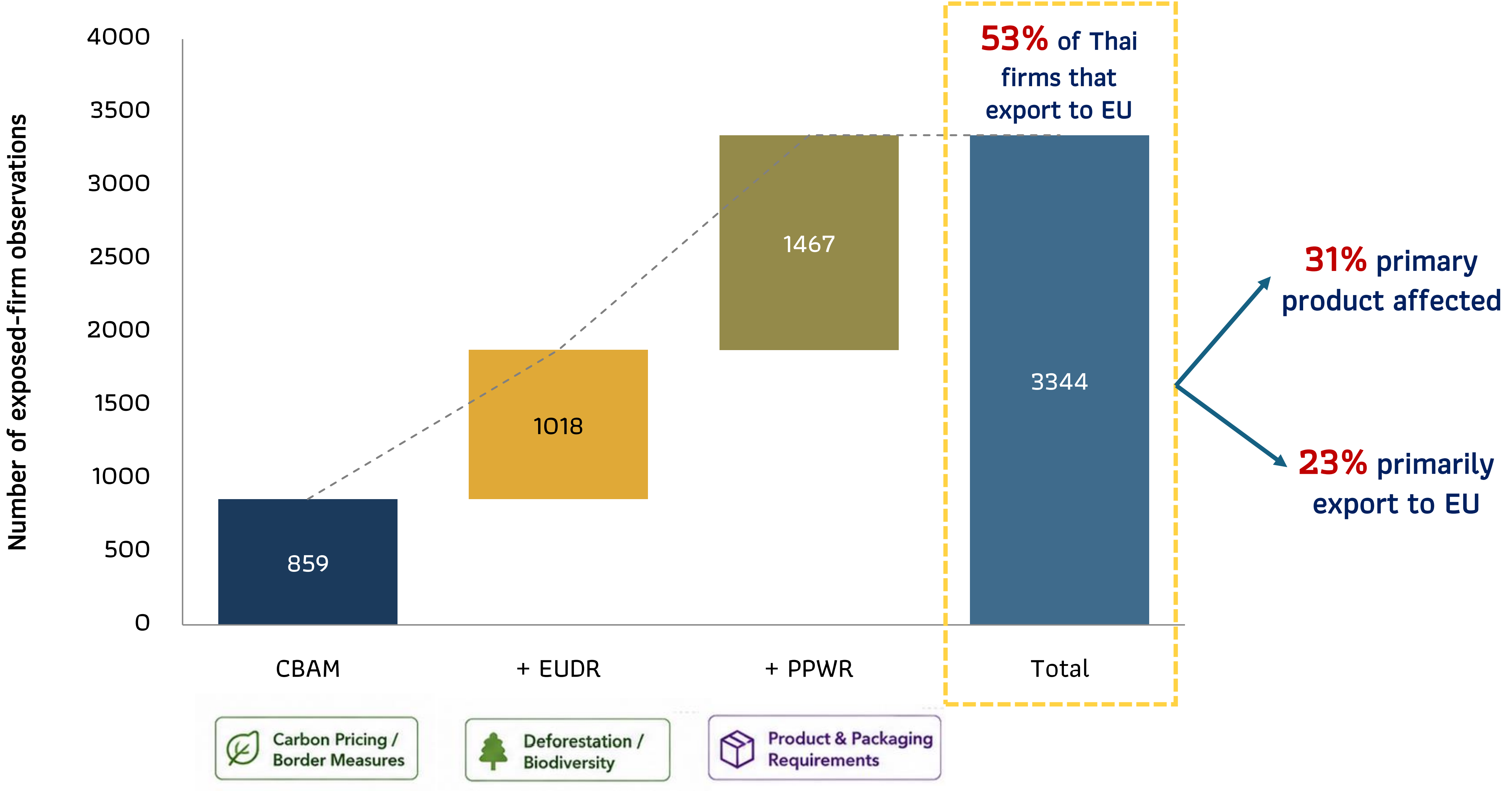
Number of environment-related trade policies globally





Note: 2026 data are year-to-date (up to June 2026).
Source: Global Trade Alert (GTA) – Growth of Environmentally Motivated Trade Policy (May 2026)

Large number of Thai exporters are exposed as climate-related trade measures expand beyond carbon



Source: firm-level customs data during 2016–2024, calculated by the Puey Ungphakorn Institute for Economic Research

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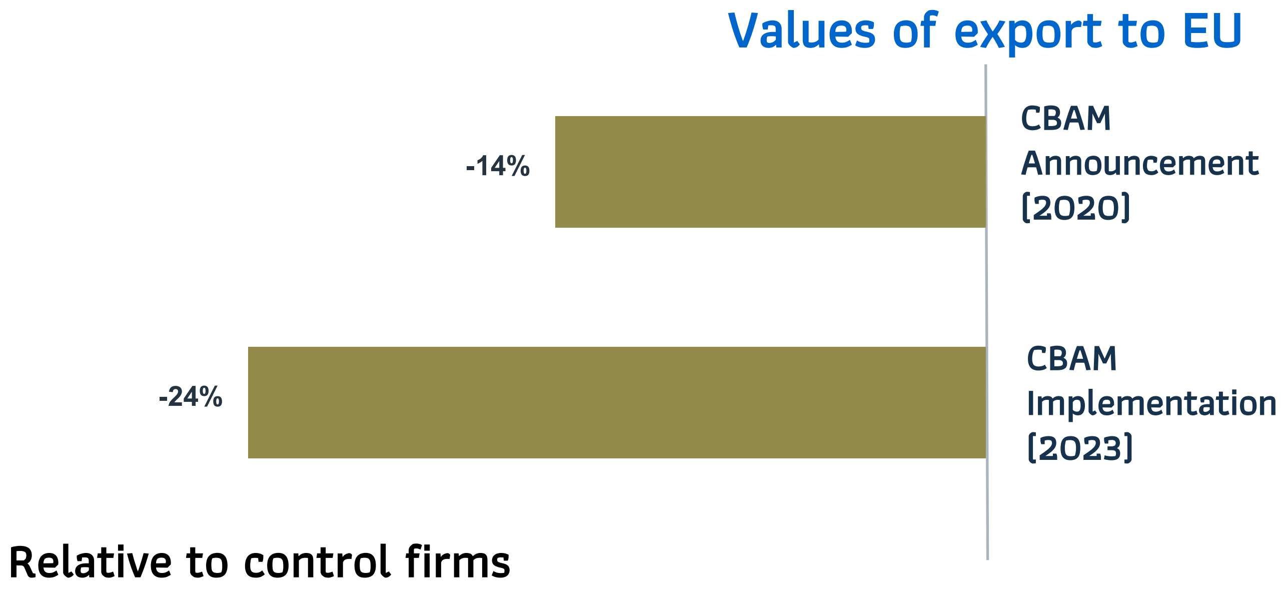
CBAM non-compliance translates into export losses



Uneven burden: small exporters more negatively affected, given weaker finance, technology and compliance capacity

Design: treated firms exported CBAM goods to the EU before the announcement; outcomes compared with control firms before and after the policy shifts
Data: firm-level customs data and financial data from DBD, 2016–2024, calculated by the Puey Ungphakorn Institute for Economic Research
Method: difference-in-difference.
In the other analysis, using UN Comtrade data, EU imports of CBAM goods from high-carbon countries declined by 6% after the CBAM announcement, relative to the low-carbon countries.

Much much more to come!

OPERATIONAL

EU

Definitive regime from 1 Jan 2026

NEXT

UK

Legislation in place; launch planned for January 2027

DEVELOPING

Australia

Policy proposals and review continue

WATCH

Other markets

Active discussions across multiple jurisdictions

Thai exporting firms should prepare for multiple regimes, timelines and verification requirements

Must invest in resilience

…through building adaptability and buffers

Financial sector can contribute to better resource allocation

Credit Risk

- Data Bureau, SMEs Credit Portal
- Loan guarantee
- Bankruptcy/foreclosure process

Funding diversity

- Market-based funding
  - ❑ Venture capital, private equity/debt, crowdfunding
- Virtual Bank

Efficient + Secure

- Digital innovation
- Prevent scam/illicit finance

The 14th National Economic and Social Development Plan

Economic Transformation

❶ Raise productivity + competitiveness

❷ Productivity; Inclusivity; Adaptability; Immunity

❸ Execution!

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Economic Transformation in Action

Guiding Principles

- Private sector leads transformation
- Public sector enables adaptation and restructuring
- Financial sector allocates resources efficiently

Apply Reinvent Thailand framework to transform Agriculture/agro-processing

- Identify pain points
- Practical transformation model
  - market-led
  - innovation-driven
  - whole value chain integration
- Ready-to-go cases

7 Strategic Sectors

- Automotive
- Tourism
- Retail & Commerce
- Creative Economy
- Smart Electronics & Digital Services
- Agriculture & Agro Processing
- Medical and Wellness

Ultimately…

Uplifting productivity = Resilience