



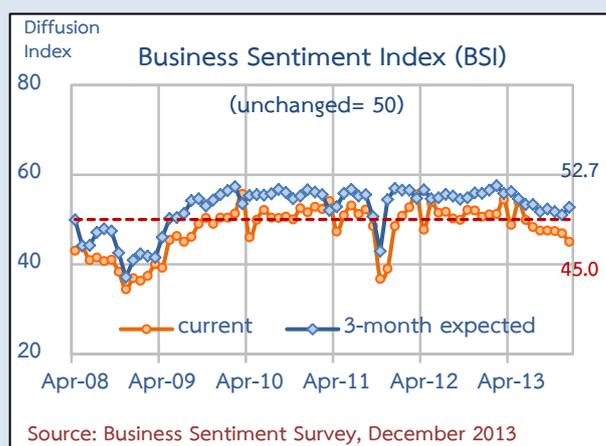
Business Conditions in 2013 Q4 and Outlook

Executive Summary

Business activities decelerated in 2013 Q4 due to soft domestic demand and slow recovery in exports. Nevertheless, the tourism sector continued to expand albeit at a slower pace.

Private consumption slowed down in all regions of the country. Purchases of necessity goods continued to expand while purchases of durable goods consumption, especially motor vehicles, electrical appliances and furniture remained subdued. According to the dialogue with businesses, the slowdown in private spending was due partly to deteriorating consumers' purchasing power caused by delayed payments of the rice pledging scheme and a high level of household debt burden. Meanwhile, exports of many industries, particularly in the electronics industry showed signs of slow improvement, but this could not fully offset the declines in exports of hard disk drive and frozen foods industries which still faced with supply-side constraints. In the light of weak private consumption and exports that had not yet fully recovered, most firms postponed new investment projects, only carrying on ongoing investment projects, most of which aimed to enhance productivity and substitute capital for labor. However, retail and hotel sectors continued to invest for new branches and room capacity expansion in anticipation of favorable spending and tourism prospects. The latter was supported by the fact that the tourism sector continued to expand well despite being weighed down by the enforcement of China's new tourism law and domestic political protests during the end of the quarter.

Business activities continue their softening trend in 2014 Q1. According to the Business Sentiment Survey, the respondent firms believed that future business conditions would slightly improve from current conditions. This was consistent with most firms' views that consumption would remain soft as households' purchasing power was limited on the back of high level of debt burdens and declining trend of farm income. Moreover, the political protests might further delay the pace of private consumption recovery. Exports were expected to gradually improve following global economic recovery, particularly in electronics, motor vehicles and parts, and processed foods. Private



The Business Outlook Report was compiled using information from the following sources:

- 1) Business Liaison Program, which conducted 176 company visits nationwide in 2013 Q4.
- 2) Business Sentiment Survey, which surveyed the opinion of 1,010 businesses nationwide with approximately 600 firms responding back each month. The latest survey was conducted in December 2013.
- 3) Senior Loan Officer Survey, which surveyed the opinion of senior loan officers from 50 financial institutions regarding credit conditions and outlook. The latest survey was conducted in 2013 Q4, covering a total of 45 respondents from 23 banks and 18 non-bank institutions, altogether accounting for 90.4 percent of loans in the financial system.

investment, nonetheless, would continue to moderate as firms were likely to postpone new investment projects and preferred to wait for a more evident improvement of domestic economic conditions and political situations as well as of the global economy. Tourism was expected to grow at a slower pace due to prolonged political protests and the imposing of state of emergency decree which caused many countries to raise their level of travel warnings.

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Disclaimer: This report does not necessarily represent the Bank of Thailand's view and does not reflect the view of a specific firm or survey respondent. The Bank of Thailand uses the information together with other data sources to assess the economic conditions.