

**Report: “Economic/Business Information Exchange Programme
Between the Bank of Thailand and the Business Sector”
As of 30 December 2008**

From the Economic/Business Information Exchange Programme between the Bank of Thailand and 137 business firms throughout the country during 2008 Q4*, it was revealed that overall economic conditions continued to slow down. The deterioration of world economic conditions and domestic political uncertainties significantly affected businesses’ operations and investment decisions. Meanwhile, the signal of the weakening in labor market conditions was surfacing. As for the economic outlook for the fourth quarter of 2008, businesses expected that domestic demand, both consumption and private investment, would continue to slow down as a result of fragile consumer confidence and a continued decline in overall exports although demand from emerging economies were still on the rise.

Private Consumption Private consumption slowed down continuously from the previous quarter due to the deteriorating economic conditions and fragile consumer confidence, reflecting from lower sales of goods and services.

Private Investment Private investment contracted from the previous quarter due to political problems and weakened world economic conditions which resulted in a decline in business sentiment. Furthermore, financial institutions continued to tighten their credit standards for corporate loans and it caused businesses to postpone their investment.

Export Conditions Overall exports began to shrink in 2008 Q4, following a considerable fall in demand from our major trading partners in world markets. It was noted that exporters in small and medium-sized enterprises (SMEs) were comparatively more affected from the decline in exports than large exporters.

Employment In 2008 Q4, businesses affected by the deteriorating economic conditions attempted to sustain themselves by reducing working hours and the numbers of subcontract workers, not retrenching permanent workers. Nonetheless, workers that had been laid off from closed down factories could be reemployed by new factories. Besides, some of those workers who became unemployed increasingly moved to work in the agricultural sector.

Costs and Prices The business operating costs decreased from the previous quarter mainly due to the falling of oil prices and businesses’ attempts to reduce their operating costs. However, prices of goods and services had not been significantly adjusted downward because businesses had been carrying cost burden in the previous period and could not afford to reduce much price.

Real Estate Demand from real estate market marginally slowed down, following the worsening overall economic conditions and declining consumer confidence. Similarly, supply for the market also declined, in line with cement sales that had been dropping continuously since 2007. As for credit standard policy, financial institutions were more cautious in granting loans to real estate developers.

Credit Demand for large corporate loans in 2008 Q4 remained at almost the same level as in the previous quarter while the demand for loans to small and medium enterprises (SMEs) expanded slightly from the previous quarter. Nonetheless, financial institutions continued to tighten their credit standard more than the previous quarter, resulting in a decrease in overall approval of all types of loans.

Business limitations and risk factors Businesses had become more concerned regarding a decrease in demand from both domestic and foreign markets even though the pressure from production costs had been dramatically eased due to the falling oil prices. This led some businesses to try adapting by reducing production costs, increasing production efficiency, searching for new markets, diversifying export destinations as well as increasing market shares of domestic market.

* Including responses from business sentiment index survey and special surveys from more than 572 businesses.