

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

**As of 30 June 2008**

*From the Economic/Business Information Exchange Programme between the Bank of Thailand and 87 business firms throughout the country during 2008 Q2, it was revealed that overall sales of the business, private consumption and investment declined from the previous quarter due to the continuous increase in the cost of raw materials. In addition, unstable political situation by protests against the government decreases businesses’ confidence. As for an economic outlook for the second half of 2008, businesses expected that domestic demand, both consumption and private investment, would slow down from the first half of 2008. With an unstable economic situation, businesses would give priority to increasing productivity as well as being more cautious in operating their businesses.*

***Private Consumption***

Overall private consumption declined from the previous quarter, reflecting from lower sales of goods and services. This was due to a decline in consumers’ purchasing power resulting from increasing cost of living and concern about inflation. As a result, consumers became more cautious in their spending and selectively purchased focusing on quality products. As for the second half of 2008, businesses anticipated that private consumption would decline compared to the first half of the year. Businesses had made an

upward adjustment in their prices and expected to keep the price unchanged until end of the year.

### **Private Investment**

Overall private investment showed sluggish expansion as most businesses still lack of confidence given that increased several risk factors including a continuous rise in production costs and oil prices and unstable political situation. Consequently, businesses became more cautious in operating their businesses. As for real estate sector in the first half of 2008, businesses expanded moderately due to government's measures to reduce property transfer fees and Specific Business Tax. However, in the second half of 2008, the new supply was expected to decline as a result of increases in construction material costs and competition.

### **Export Conditions**

Overall exports continued to favourably expand in this quarter in line with the continuous expanded demand, in particular, in European, Asian and Middle East markets. In response to the slowdown of US economy caused by the prolonged sub-prime problem as well as the strengthening of the baht, most exporting firms improved their business strategies by diversifying into new export markets, widely engaging in forward contracts and setting prices in terms of other currencies apart from US dollars such as Euro or Yen. Provided a continuous increase in production costs and oil prices, businesses searched for reasonable cost of raw materials, improved their productivity, and diversified their products to serve consumers'

demand. As for electronics industry, our main export, businesses still expanded well.

### **Costs and Prices**

Business costs mainly from raw materials and energy climbed continuously from the previous quarter resulted in price adjustments by businesses. However, because of the government's price administration and a slight decline in consumers' overall demand, the price adjustments were still limited. To deal with this situation, businesses put a lot of effort to improve their productivity and expand their distribution channels in both new domestic and foreign markets.

### **Business limitations and risk factors**

Like in the last quarter, most businesses viewed that production costs especially cost of raw materials that have been rising had pressure on selling prices and reduced profit margins. Besides, unstable political situation also greatly shaken businesses' and consumers' confidence.

---