

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

As of 31 March 2008

From the Economic/Business Information Exchange Programme between the Bank of Thailand and 110 business firms throughout the country during 2008 Q1, it was revealed that overall sales and private consumption improved slightly from the previous quarter. Private investment revived marginally as some businesses still postponed their investment plans till an economic stimulus package under the new government would be materialised. As for an economic outlook in 2008, businesses expected that domestic demand, both consumption and investment, would gradually improve.

Private Consumption

Overall private consumption improved slightly from the previous quarter, as could be reflected from higher sales of goods and services in this quarter. This was partly due to relaxing concerns of consumers towards domestic political situation after the new government was successfully formed. Nevertheless, consumers had altered their consumption behaviour by purchasing more necessity goods and discount products and became more cautious in their spending habits. In this quarter, businesses with favorable sales growth included retailing businesses, particularly modern trade, car and motorcycle dealers, etc. As for 2008, businesses expected that private consumption tended to revive gradually in line with improving domestic confidence.

Private Investment

In this quarter, **overall private investment showed sluggish expansion as most businesses still wanted to wait for greater clarity regarding economic policies and upcoming stimulus package under the new government**, particularly mega-projects on transportation and infrastructure, which would have significant impact upon private investment plans including economics trend. Most businesses, nevertheless, indicated their readiness to invest. Therefore, private investment is expected to regain its momentum gradually going forward.

Export Conditions

Overall exports continued to expand well in this quarter despite the slowdown of the US economy caused by the prolonged sub-prime problem as well as the strengthening of the baht during the recent months. This favorable export condition was due partly to growing demand from external markets, particularly from the European, Asia, and Middle East markets. Moreover, during the recent periods most businesses had also adjusted themselves by expanding to new export markets, while relying more on forward contract, and setting prices in terms of other currencies, i.e. Euro and Yen, in order to minimize exchange rate risk associated with the US dollars.

Business costs

Business costs still mounted continuously from the previous quarter, driven mainly by rising oil prices and raw material costs. Whereas, adjustment of prices was still limited due to the government's price control and intensified competition as well as the remained low purchasing power. This, subsequently, resulted in a decline in profit margins for some businesses. However, businesses were forced to adjust themselves by increasing production efficiency, minimizing operating costs, and accumulating more raw material inventories as well as expanding to new domestic and foreign markets.

Business limitations and risk factors

From the business survey, it revealed that **most businesses still had ongoing concerns about oil price hikes and mounting raw material prices, which led to the continued rising of business costs and a decline in profit margins.** This would eventually force businesses to cut costs in order to mitigate their burden in times of fragile domestic demand.
