

**Report: “Economic/Business Information Exchange Programme  
between the Bank of Thailand and the Business Sector”  
As of 30 December 2009**

From the Economic/Business Information Exchange Programme between the Bank of Thailand and 200 business firms throughout the country during 2009 Q4<sup>1/</sup>, it was revealed that overall business conditions improved from the previous quarter, reflecting from higher production due to increased order books from both domestic and foreign markets. Private consumption noticeably improved, reflecting from increased consumption expenditures in durable goods. Meanwhile, private investment mostly concentrated in machinery replacement and efficiency improvement. Looking ahead, businesses perceived that overall business conditions would continue to improve, following the global economic recovery trend. Fiscal stimulus packages would continue to play an active role to support the economic recovery. Nonetheless, uncertainties in economic conditions, difficulties in price adjustment, and domestic political instability remained the risk factors to the economic recovery in the following period.

**Private Consumption.** Private consumption showed clear signs of recovery from the previous quarter, reflecting from increased personal consumption expenditures in durable goods e.g. cars and electrical appliances. This was a result of improved income and consumer confidence, following the overall economic recovery trend and sales promotion such as Motor Exposition and launches of new car models. Besides, consumption of necessity goods also continued to expand from the previous quarter.

**Private Investment.** Private investment continued to expand from last quarter, partly from the revival of electronics, vehicles and parts, construction and renewable energy industries. However, most businesses' investment decision served for machinery replacement and efficiency improvement, rather than capacity expansion. The investment decision largely depended on the trend of demand, the current capacity utilization rate, and the break-even period. As for the outlook, the recovery of private investment remained vulnerable from uncertainties regarding trend in production cost, sustainability of global economic recovery, political instability, and the government action towards the resolution of suspended projects in Map Ta Phut.

**Production and Exports.** Production and exports improved from the previous quarter due to increased order books from both domestic and foreign markets. The improvement seemed to be driven by final demand rather than inventory build-up. It was also partly due to fiscal stimulus packages in many countries, especially in the emerging markets, as well as seasonal demand towards end of the year. Consequently, this led to an increase in capacity utilization rate in export-oriented industries e.g. electronics and electrical appliances in this quarter.

**Employment.** Employment condition in the fourth quarter improved and rebounded back to its pre-crisis normal level. The improvement was due to an expansion in non-agricultural sector, especially in retail and service. Meanwhile, employment in manufacturing sector contracted at a decreasing rate from the same period of last year. At the end of January 2010, minimum wage was raised up, ranging from 1-8 Baht in 71 provinces, including Bangkok.

**Cost and Prices.** The pressure from production cost remained almost the same. However, the continued rising trend of oil prices would increase the pressure for production cost in the near future, potentially followed by increased cost for raw materials e.g. steel, copper, and plastic.

**Credit Conditions.** Corporate demand for credit, from both large corporate and SMEs, slightly increased from the previous quarter, reflecting the economic recovery from both production and investment dimensions. Meanwhile, the credit standard for corporate loans remained unchanged from the previous quarter, showing lower risk perception of financial institutions towards improved general economic and business conditions.

**Business Constraints and Risk Factors.** Uncertainties in economic conditions, difficulties in price adjustment resulting from high competition in both domestic and foreign markets, domestic political instability, including the delayed of clear laws and regulations towards the resolution of suspended projects in Map Ta Phut were the critical determinants of investment direction and economic recovery in the forthcoming year 2010.

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<sup>1/</sup>Including responses from business sentiment survey (about 520 business firms per month).