

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

From the Economic/Business Information Exchange Programme between the Bank of Thailand and 242 business firms throughout the country during 2009 Q2*, it was revealed that overall economic conditions continued to slow down; however, a slight improvement was shown for some exporting sectors such as electronics and electrical appliances. In addition, businesses were able to adjust themselves to continually deteriorating economy since 2008 Q4, by reducing production costs and increasing productivity, managing inventory level to be consistent with the fall in demand, and operating businesses more cautiously. Looking ahead, businesses expected that overall economic conditions for both consumption and exports would improve, except for private investment outlook which would continue to slow down due to the weak demand and low investors' confidence. As for business constraints, businesses expressed on-going concerns about political instability, as well as a rising trend of production costs, especially from oil prices.

Private Consumption. Private consumption continued to slow down, especially for luxury and durable goods, e.g., electronics and electrical appliances and cars. The decline was a result of fragile consumer confidence and increasing caution in consumer spending. In contrast, consumption of necessity goods slightly improved from the previous quarter, reflecting from retail and food service sales in department stores, due in part to government's stimulus package.

Private Investment. Private investment continued to contract from the previous quarter, following considerably weak domestic and foreign demands, reflecting from decreases in sales. With fragile confidence and continued tightening credit standards by financial institutions, businesses tried to maintain their healthy liquidity position, thus delayed their investment plans and mostly made replacement investments.

Exports. Overall exports continued to decline, especially in major trading partners, namely U.S., Europe and Japan. Nonetheless, there were some signs of recovery in exports of electronics and electrical appliances sector, illustrating from slight improved total order books, especially from Asian countries.

Employment. Employment condition remained weak; however, an average over time working hour per day slightly improved at the end of this quarter. In order to retain skilled workers at the company, businesses adjusted their employment policy by not laying off workers, instead reduced numbers of working hours, employed salary freeze measure, or increased salary in decelerating rates. Notably, workers in the business sector with improved total order books had been reemployed.

Cost and Prices. Businesses faced higher pressure from cost of production following the trend of high oil prices since the end of this quarter. Businesses had limitations in increasing prices since intense competition within the market, resulting in a drop in businesses' profit margin. Nevertheless, businesses made adjustments by reducing production costs and increasing productivity, managing inventory level to be consistent with the fall in demand, and operating businesses more cautiously.

Credit. Demand for credit, from both large corporate and SMEs, in terms of fixed investment, working capital, and inventory build-up declined from the previous quarter following weak demand from both domestic and foreign markets. In addition, financial institutions tightened their credit standards due to concerns regarding credits' quality and businesses' ability to pay back loans amid deteriorated global economy. Meanwhile, large corporate turned to other sources of financing such as internal financing and bond issuance.

Business Constraints and Risk Factors. Business constraints and risk factors for businesses in this quarter were uncertainties in economic conditions resulted from deteriorating global economy,

difficulties in price adjustments in the midst of weakening domestic and foreign demand, low level of consumer confidence, pressure from higher cost of production resulting from an increase in oil price, appreciation of the THB, as well as domestic political instabilities.

* Including responses from business sentiment survey (about 520 business firms per month) and responses from special survey (297 business firms).