

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

From the Economic/Business Information Exchange Programme between the Bank of Thailand and 161 business firms throughout the country during 2009 Q3*, it revealed that overall economic conditions gradually improved, following global and domestic economic recovery, suggesting from higher total order books in electronics and electrical appliances. In real estate sector, there were some positive signs in both demand and supply which were the results of government stimulus measures, low interest rate and increased consumer confidence. Looking ahead, businesses expected that fiscal stimulus packages would continue to play an active role to support the economic recovery. Nevertheless, the uncertainty of global economic recovery, an upward trend of production costs mainly from oil prices, and the domestic political instability remained the risk factors to the economic recovery in the following period.

Private Consumption. Private consumption started to improve. Consumption of durable goods such as passenger cars improved from the previous quarter due to continual improvement of consumer confidence, launching of new car model, and sale promotions. Consumption of necessities remained steady, indicating from retail sales in department stores.

Private Investment. Private investment slightly recovered in this quarter. The gradual increase of private investment conformed to the increase of business sentiment index. In the forthcoming period, it was perceived that the government’s stimulus packages and mega projects investment, credit injection from specialized financial institutions (SFIs) and low interest rate would be contributory factors in the recovery of private investment.

Exports. Overall exports recorded a decline at a decelerating rate compared to the previous quarter, following the economic recovery of major trading partners. The improvement in export was mainly due to increasing new orders in electronics and electrical appliances.

Employment. Employment conditions improved from the previous quarter in hotels and restaurants of the service sector and in electronics, electrical appliances, food and beverages of the manufacturing sector. This was reflected by increases in over time working hours per day and increases in subcontracted workers in many factories. Notably, businesses who chose to reduce the working hours rather than laid off workers during recession, could promptly adjust their productions as their orders resumed in this quarter.

Cost and Prices. Businesses faced higher pressure from cost of production, caused by an upward trend of commodity and oil prices. However, businesses could adjust themselves by increasing their productivity and reducing their costs, as well as employing just-in-time inventory management. Meanwhile, overall price level did not increase due mainly to limitations in consumer purchasing power and high competitions among businesses.

Credit. Overall corporate demand for credit slightly increased from the previous quarter, mainly from SMEs, due to the need for working capital and refinancing. Meanwhile, large corporate demand for credit increased for the first time since the fourth quarter of 2008, resulting from the same factors as those for SMEs.

Business Constraints and Risk Factors. Business constraints and risk factors remained the same as in the previous quarter. They were uncertainties in economic conditions from global economy, difficulties in price adjustments in the midst of weakening domestic and foreign demand, pressures from higher costs of production, and domestic political instability.

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