

**Report: “Economic/Business Information Exchange Programme  
between the Bank of Thailand and the Business Sector”  
As of 31 March 2010**

From the Economic/Business Information Exchange Programme between the Bank of Thailand and 204 business firms throughout the country during 2010 Q1<sup>1/</sup>, it was revealed that overall business conditions continued to improve from the previous quarter, especially in manufacturing, agricultural, tourism, and real estate sectors, corresponding to increased order books from both domestic and foreign markets, increasing in farm income, and improved confidence of both consumers and businesses. Looking ahead, businesses perceived that overall business conditions would continue to improve as the fiscal stimulus packages provided support to the recovery. Nonetheless, domestic political instability was the risk factor to businesses for the next quarter.

**Private Consumption.** Private consumption improved continuously from the previous quarter, as reflected in increased sales of household products and durable goods, e.g., cars and electrical appliances. Among supporting factors were shored up consumer confidence, improved farm income, and various businesses’ sale promotion. Furthermore, the sales of real estate property also increased in this quarter due to expected termination of property stimulus measures.

**Tourism.** Tourism businesses recovered continuously from the previous quarter, owing to the global economic recovery and sale promotion from the tourism authority and businesses such as room price discount. Hence, the number of tourists increased noticeably, particularly from Asian countries, e.g., China, Hong Kong, Taiwan, and Japan. Nevertheless, at the end of quarter, the number of tourists dropped as Asian tourists were relatively sensitive to domestic political instability.

**Production and Exports.** Production and exports improved, in response to increases in order books from both domestic and foreign markets. Consequently, this led to an increase in capacity utilization rate in export-oriented industries, e.g., electronic parts, hard disk drive, television, air conditioner, vehicle, and sportswear. The markedly expanded export markets were ASEAN countries, China, and Australia.

**Private Investment.** Private investment continued to expand from the previous quarter, especially in hi-tech industries including electronics, electrical appliances, and vehicles. The investment was driven by increasing demand, high rate of current capacity utilization, and supporting policy from both the government and business headquarters. Nonetheless, the domestic political instability and unclear resolution in Mab Ta Phut area remained risk factors to private investment.

**Employment.** Employment remained strong. Businesses began to experience tightened labour condition in several industries with accelerated production, particularly electronic, vehicle, and textile, corresponding to an increase in the ratio of vacancy to unemployment. However, businesses had mitigated the problem by increasing overtime work hours, outsourcing additional workers, and employing legal alien workers. Meanwhile, the wage and compensation had tendency to adjust upward in order to attract more labour.

**Cost and Prices.** Businesses incurred higher production costs compared to the previous quarter as a result of increasing demand for raw material and rising trend of commodity and oil prices. Moreover, the cost of marine transportation also increased as the international trade quickly resumed causing tightened shipping market condition.

**Credit Conditions.** Corporate demand for credit, from both large corporations and SMEs, increased from the previous quarter, owing to a better prospect of economic recovery and a favorable impact of fiscal stimulus packages. Meanwhile, the credit standards for corporate loans remained almost unchanged from the previous quarter. The overall private credit expanded, largely from mortgage lending and car leasing credit. As for the credit quality, the NPL ratio and the delinquency rate remained at a low level.

**Business Constraints and Risk Factors.** Domestic political instability could potentially interrupt the continuity of government stimulus package and deteriorate both consumer and business confidence. In the meantime, high competition among businesses and price controls from the authority led to difficulties in price adjustment. However, businesses perceived that the uncertainties in economic condition had alleviated.

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