

**Report: “Economic/Business Information Exchange Programme
between the Bank of Thailand and the Business Sector”
As of 30 September 2010**

According to the Economic/Business Information Exchange Programme between the Bank of Thailand and 186 firms nationwide during 2010 Q3^{1/}, overall business conditions showed continued economic growth following an expansion of domestic demand due to rising farm income, low unemployment, and credit expansion from financial institutions, in accordance with strengthened consumer and business sentiment. Going forward, overall business activities were expected to grow, as public investment projects crowded in private investment. However, difficulties in price adjustment owing to intense competition remained while oil price, raw material cost, and wage tended to increase. Risks to the business outlook were the appreciation of Thai baht and the uncertainty in the global economy.

Private Consumption continued to expand from the previous quarter. Sales of household products and durable goods such as automobiles, electrical appliances, and furniture remained high. This was a result from the ongoing economic recovery, rising farm income from higher crop prices, various marketing schemes, expansion in consumer credit by financial institutions, and the continuously improved consumer confidence.

Real estate market slowed down from the previous quarter due to the expiration of the stimulus measures in June 2010. The newly-launched condominium projects had increased its share in the market, particularly those in medium and low price segments and those located near the mass transit system. This was in line with life style of the new metropolitan workers and investors seeking for higher return in low interest rate environment.

Production and Exports increased from the previous quarter. Nonetheless, the output of some products, namely hard disk drives and electronic parts, was moderating towards the normal level after significantly expanding owing to inventory build-up in the previous quarters. Export continuously increased following high level of backlog orders, in particular, automobiles, electrical appliances, and processed food.

Private Investment continued to increase from the previous quarter as improved economic condition. The industries, particularly automobiles, electronics, and electrical appliances invested for both efficiency enhancement and capacity expansion, reflecting in an increase in imports of capital goods.

Employment conditions improved from the previous quarter. Trade, construction, and service sectors absorbed some underemployed workers from agricultural sector during the drought period. However, industrial sector still experienced labour shortage due to education mismatch and the preference of new-entry labour which did not willing to work in the difficult, dirty, and dangerous job.

Cost of production tended to increase from the rising prices of oil and raw material, especially the agricultural commodity prices due to the supply shortage associated with drought and pest outbreak. Moreover, wage tended to increase in the light of labour market tightness.

Credits granted to businesses increased from the previous quarter due to the growing demand for working capital, especially export sectors such as electronics and agricultural products. Household credit continued to expand owing to an increase in housing loan and hire purchase loan for vehicles. While financial institutions competed more on loan conditions, the credit standard remained almost unchanged from the previous quarter. NPL ratio tended to decrease.

Business constraints and risks. Business concerns on political stability had much alleviated. Meanwhile, the concerns on production cost aggravated. As oil price, raw material cost, and wage tended to increase whereas price adjustment was difficult in the light of intense competition. Going forward, the appreciation of Thai baht and the uncertainty in the global economy were perceived as risks to businesses.

^{1/}Including responses from business sentiment survey (about 520 business firms per month).