

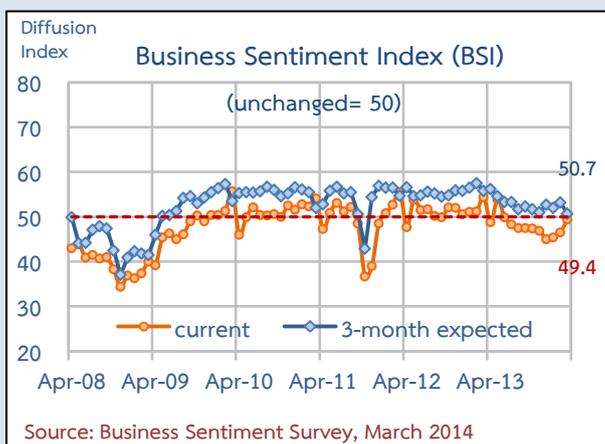


## Business Conditions in 2014 Q1 and Outlook

### Executive Summary

**Business activities in 2014 Q1 declined from contraction in domestic demand.** Purchases of consumer goods and residential properties contracted due to deteriorating consumers' purchasing power caused by high level of household debts and delayed payments in the rice pledging scheme, as well as further weakened consumer confidence caused by the political protests in this quarter. Meanwhile, private investment also declined as most businesses postponed new investment projects to assess both economic and political situations. Moreover, large investment projects were also postponed due to a delayed appointment process for the new Board of Investment (BOI). Nonetheless, businesses in automobile parts, processed foods and plastic industries continued to invest for efficiency enhancement and lowering production cost. Merchandise exports, particularly automobile parts, electrical parts, petrochemical products and electrical appliance, recovered slowly in line with gradual pickup in the global economy, and was not significantly affected by the political protests while maintaining their normal productions and delivery processes. However, tourism sector was significantly affected by the political situation. Although the number of tourists declined, most businesses deemed that the impacts were less than those from the 2010 political turmoil and 2011 Thailand flood.

**In 2014 Q2, business activities were not expected to return to normal.** According to Business Sentiment Survey, most businesses expected unchanged business conditions from present situation. Purchases of consumer goods would not yet recover while the political situation would still be the factor worsening consumer confidence. As for private investment, financial institutions expected loan demand from large corporate to decline for the third consecutive quarter, reflecting views on deteriorated private investment. However, current political situation was not yet to be a factor forcing foreign investors to move out their production bases or relocate investment to other countries, as Thailand was relatively stable with low risk factors comparing to other countries, in addition to having sound infrastructure and good geographical location as production bases after joining the AEC. Regarding exports, businesses expected merchandise exports to improve gradually following economic recovery of trading partners and would be economic driving force going forward. Tourism sector was expected to improve after the improvement in political situation.



**Disclaimer:** This report does not necessarily represent the Bank of Thailand's view and does not reflect the view of a specific firm or survey respondent. The Bank of Thailand uses the information together with other data sources to assess the economic conditions.

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Monetary Policy Group  
Bank of Thailand  
Tel: (+66) 2283 6920, 2356 7136  
E-mail: EconomicIntelligenceTeam@bot.or.th

The Business Outlook Report was compiled using information from the following sources:

- 1) Business Liaison Program, which conducted 176 company visits nationwide in 2013 Q4.
- 2) Business Sentiment Survey, which surveyed the opinion of 1,010 businesses nationwide with approximately 600 firms responding back each month. The latest survey was conducted in December 2013.
- 3) Senior Loan Officer Survey, which surveyed the opinion of senior loan officers from 50 financial institutions regarding credit conditions and outlook. The latest survey was conducted in 2013 Q4, covering a total of 45 respondents from 23 banks and 18 non-bank institutions, altogether accounting for 90.4 percent of loans in the financial system.