



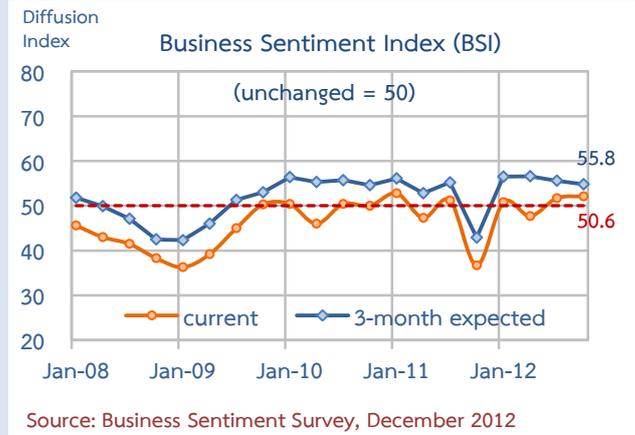
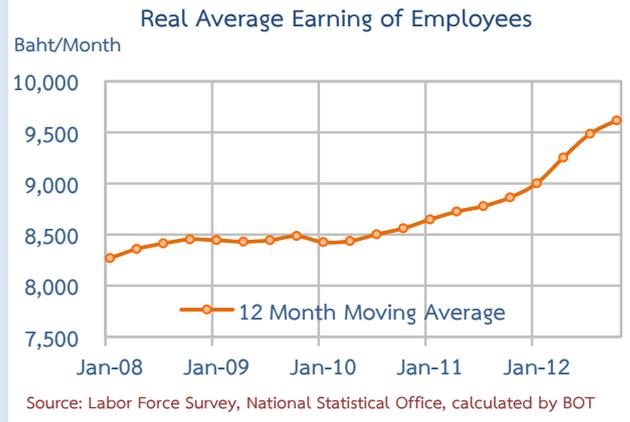
Business Conditions in 2012 Q4 and Outlook

Executive Summary

Business activities in 2012 Q4 continued to expand from the previous quarter in tandem with growth in domestic demand. Private consumption picked up nationwide due to increased purchasing power and improved consumer confidence as reflected by a broad-based increase in retail sales. Incidentally, the acceleration in automobile purchase did not visibly crowd out consumption of other products.

In the mean time, the Business Sentiment Survey confirmed a pick-up in current business confidence and an expected improvement of business conditions going forward. Such outlook encouraged businesses to carry out investment to improve productivity, substitute capital for labor, and prepare for growing demand. However, as in the previous quarter, the export sector has been affected by the global economic slowdown. Nevertheless,

signs of gradual recovery in exports began to emerge in several industries, namely hard disk drives, electrical appliances, and electronic parts. Most export firms thus decided to maintain their level of employment, with just a few – mostly SMEs manufacturing textiles, ceramic products, and camera parts – deciding to lay off some employees. Given current tightness in the labor market, laid-off workers were well absorbed by other firms.



* *Business Outlook Report* was compiled from information gathered from the following sources:

- 1) **Business Liaison Program**, which conducted 196 company visits nationwide in the 4th quarter of 2012.
- 2) **Business Sentiment Survey**, which surveys the opinion of 1,010 businesses nationwide with approximately 600 firms responding back per month. The latest survey was conducted in December 2012.
- 3) **Senior Loan Officer Survey**, which surveys the opinion on credit conditions and outlook of senior loan officers from 48 financial institutions. The latest survey was conducted in the 4th quarter of 2012, covering 44 respondents from 23 banks and 21 non-bank institutions which altogether provided 89.4 per cent of loans in the financial system.

Business activities were anticipated to expand further in 2013 Q1 on the back of favorable domestic demand and expected improvement in exports. Firms expected domestic spending to rise in all regions of the country, supported by higher purchasing power from the direct as well as indirect impact of the nationwide implementation of the 300 baht minimum wage scheme in January 2013. Meanwhile, investment for capacity expansion and efficiency improvement was expected to carry on. Exports looked to recover gradually as export order books in some industries started to pick up, for instance hard disk drives, electronic parts especially for smartphones and tablets, rubber and rubber wood products, and plastic products. Export firms with buoyant demand, namely those in the automobile, processed and frozen poultry, and canned tuna industries, expected more order books going forward.

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