

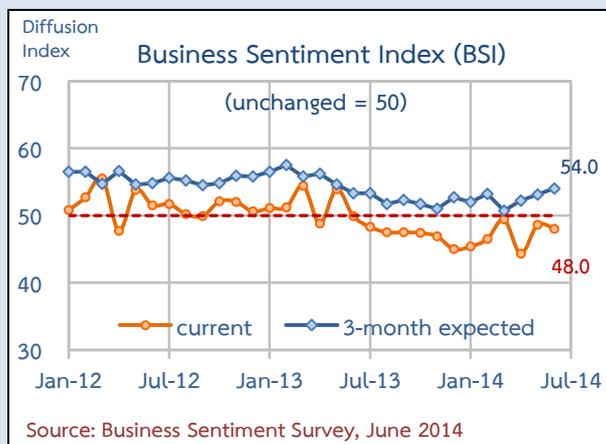


Business Conditions in 2014 Q2 and Outlook

Executive Summary

Business activities in 2013 Q4 continued to decelerate from the previous quarter. Political situation and economic slowdown still caused sales of consumer goods and residential properties continually contracted. Even though consumer confidence gradually improved after political situation became more stable at the end of May, a reduction in farm income and high level of household debts continued to restrict the expansion of sales of necessity goods while sales of durable goods started to improve but not yet returned to normal growth. Exports of goods remained stable from the previous quarter. Although exports of manufacture industry started to expand, exports of agricultural products industry remained in contraction. For private investment, most businesses still postponed their large investment projects because they already hastened their investment plan last year while some were affected by a delayed appointment process for the news Board of Investment (BOI). Meanwhile, some businesses decided to postpone investment projects to assess political development. The tourism sector received greater impacts after the announcement of martial laws and the coup which caused many countries to raise their travel warning for Thailand.

Business activities expected to gradually improve in 2014 Q3. According to the Business Sentiment Survey, most respondents believed that business conditions in the next 3 months would improve from the present. Sales of domestic goods would start to recover due to a rising trend in consumer confidence and a large number of sales promotion campaigns. Similarly, the real estate sector showed signs of improvement, reflecting from higher number of shopper visiting the sale sites toward the end of last quarter. However, overall domestic sales would not return to normal trend because high debt burdens still caused the consumers to remain cautious on spending. Meanwhile, exports were expected to gradually improve, due particularly to purchase orders from Europe which would increase substantially before the GSP rights are terminated at the end of this year. In addition, private investment was expected to increase slightly because most businesses would like to wait for clarity of government policies and full recovery in domestic demand in the meantime. The tourism sector would remain subdued, reflected by a reduction in advanced hotel bookings although it had been improving slightly from previous quarter.



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

- 1) Business Liaison Program, which conducted 198 company visits nationwide in 2014 Q2.
- 2) Business Sentiment Survey, which surveyed the opinion of 1,010 businesses nationwide with approximately 600-700 firms responding back each month. The latest survey was conducted in June 2014.
- 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 2014 Q2, covering a total of 40 respondents from 23 banks and 17 non-bank institutions, altogether accounting for 92 percent of loans in the financial system.