

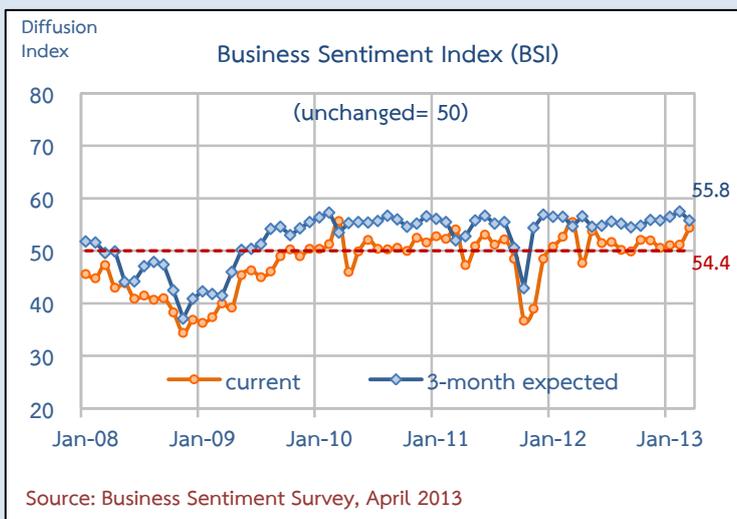


Business Conditions in 2013 Q1 and Outlook

Executive Summary

Business activities continued to expand in 2013 Q1, but at a slower pace compared to last quarter in line with softened domestic demand. Meanwhile, exports showed incipient signs of recovery.

Private consumption continued to expand nationwide but at a decelerated pace. Automobile sales rose as the delivery of backlog orders carried on, but the increase in new car purchases fell short of car dealers' expectation. Other durable goods, such as electrical appliances and furniture, also saw signs of slowdown, owing partly to greater caution in spending as farm income fell and household debt edged up. However, sales of necessity items continued to grow well.



At the same time, **private investment** moderated, in part because firms had already completed flood reconstruction since last year. Therefore, investment in this quarter was mainly for the purposes of improving productivity and substituting capital for labor. Nonetheless, some industries, such as automobile and electronics, indicated investment for capacity expansion. Going forward, businesses expected the government's infrastructure investment projects to stimulate the economy and crowd in private investment. **Exports** showed signs of recovery, including a gradual increase of new orders, especially in the electronics industry. The **real estate** and **tourism** sectors remained buoyant.

Business activities were expected grow at a decelerated pace in 2013 Q2, in line with the moderation in domestic demand growth. Private consumption and investment would still be supported by accommodative financial conditions and stimulative fiscal measures. Exports should continue to gain traction as the global economy gradually recovered. This was in line with the 3-month expected Business Sentiment Index of above 50, which suggested business confidence in a further improvement of overall business activities going forward. Meanwhile, housing demand was expected to expand well, but tourism would moderate due to seasonal factor.

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

- 1) Business Liaison Program, which conducted 198 company visits nationwide in 2013 Q1.
- 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 March 2013.
- 3) Senior Loan Officer Survey, which surveyed the opinion of senior loan officers from 48 financial institutions regarding credit conditions and outlook. The latest survey was conducted in 2013 Q1, covering a total of 42 respondents from 22 banks and 20 non-bank institutions, altogether accounting for 87 percent of loans in the financial system.

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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 firm or survey respondent. The Bank of Thailand uses the information together with other data sources to assess the economic conditions.