

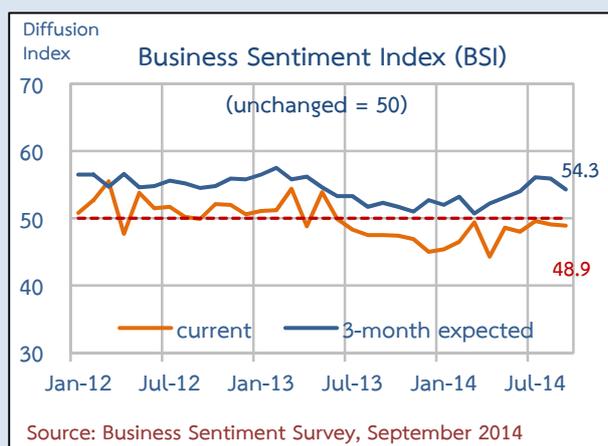


Business Conditions in 2014 Q3 and Outlook

Executive Summary

Business activities in 2014 Q3 remained unchanged from the previous quarter. Although business and consumer confidence had improved after the end of the prolonged political situation, sales of goods and services were roughly unchanged as consumer purchasing power remained fragile due to a high level of household debt and contracting farm income. For private investment, most businesses continued to postpone their large-scale investment projects because they had already invested prior to the economic slowdown. Therefore, their current capacity was still adequate to serve current demand. Exports of goods decelerated from the previous quarter following the economic slowdown in major trading partners except exports to CLMV countries which continued to expand well. Meanwhile, the tourism sector recovered slowly as the sector was still affected by the presence of martial laws and global economic slowdown. The real estate sector slightly improved. Many businesses re-launched their projects which had been postponed from the first half of this year. However, the booking grew less than expected because consumer confidence was not fully recovered. The demand for labor remained the same with no sign of layoffs albeit subdued economic condition because businesses had to maintain their labor force to serve purchase orders which were expected to rise in the near future.

Business activities expected to gradually improve in 2014 Q4. According to the Business Sentiment Survey, most respondents believed that business conditions in the next 3 months would improve from the present. Private consumption would continue to recover due to an increase in confidence of middle and high income consumers. Nevertheless, declining farm income and rising household debt of low income consumers posted a downside risk to overall private consumption. For private investment, businesses expected to delay their large-scale investment projects and wait for the clarity of government policies and full recovery in demand. Meanwhile, exports showed signs of slowdown after the global economy expanded at a slower-than-expected pace. However, the tourism sector would gradually improve from previous quarter as reflected by a slight pickup in advanced hotel bookings. Meanwhile, the real estate sector would continue to expand, especially for high-rise projects nearby the mass transit system resulting from the acceleration of government's investment plan on major infrastructure projects.



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 255 company visits nationwide in 2014 Q3.
- 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 September 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 Q3, covering a total of 39 respondents from 23 banks and 16 non-bank institutions, altogether accounting for 96.6 percent of loans in the financial system.