

Business Report
“Economic/Business Information Exchange Program
between the Bank of Thailand and the Business Sector”
Third Quarter, 2012

Overall Summary

According to the Economic/Business Information Exchange Program between the Bank of Thailand and 257 firms nationwide in 2012 Q3, business activities expanded from the previous quarter but the slowdown of exports was more pronounced. Domestic demand grew continuously following an expansion in private consumption due to improved consumer confidence and increased income. While private investment expanded at a slower pace after businesses had accelerated their reconstruction-related investment in the previous period. On the production side, most businesses resumed their normal production level but export-orientated businesses were affected by the global economic slowdown. However, sign of negative impact from the slowdown in exports on overall employment and consumption had not been observed so far. In 2012 Q4, business activities were expected to expand continuously. Businesses anticipated that domestic spending would expand favorably while exports continued to be affected by the global economic slowdown.

The economy recovered with overall production return to normal after being affected by the flood last year. Overall supply-chain constraints were resolved except in electronics industries where some businesses still waited for installation of new machines. As a result, domestic-oriented industries were able to fully accelerate their production in response to consumption. Consumption expanded favorable nationwide reflected in the increase in sales of goods, both durable and non-durable. Main supporting factors were improved consumer confidence and increased income on the back of favorable employment conditions, the government’s stimulus measures as well as accommodative financial conditions with low interest rate and easier access to credit.

However, impact on exports from the global economic slowdown was more severe. Most export businesses experienced a decline in sales and lower booking orders for the rest of the year comparing to the previous years, especially in hard disk drive, integrated circuit, jewelry and textile and garment industries. While processed food and automobile industries continued to show favorable export trend. Nevertheless, wide-spread layoff in export-related businesses had not been observed. As businesses in most sectors was currently experiencing labor shortage. Some could not produce to fully meet their orders. Therefore, export businesses kept current employment level but reducing number of working days and hours of overtime together with increasing productivity in order to lower their costs.

Tourism was not much affected by the global economic slowdown. The number of foreign tourists increased, especially from China and ASEAN, but many businesses viewed, in term of revenue, that this could not compensate for the decrease in European tourists. However, businesses received support from the increase in demand for meetings and conferences by the government and private sectors. Moreover, businesses anticipated favorable prospect of tourism

industry after the country enter into the ASEAN Economic Community (AEC). This led many hotel businesses to extend their investment in order to expand conference halls and increase number of rooms.

Overall private investment grew moderately from the previous quarter.

Reconstruction-related investment had already been implemented by most businesses during the first half of the year, resulting in a moderation of investment in this quarter. The slowdown in exports had not clearly affected investment. Most businesses gradually extended investment in order to substitute labor and increase production efficiency such as those in plastic, processed agricultural products and automobile parts industries. Furthermore, some businesses in integrated circuit and automobile industries introduced new investment plans which were beneficial from the relocation of production base from Japan to diversify risk and from China due to higher labor cost. Regarding wholesale and retail industry, businesses continued to extend number of branches to meet increasing trend of consumption in the future.

As for risks going forward, most businesses viewed that current domestic spending had not been affected by the slowdown in exports but risk could be higher in the future.

While the nationwide implementation of 300 bath minimum wage at the beginning of next year was not expected to cause wide-spread layoff. Because most businesses currently faced labor shortage and already paid above that rate. Therefore, businesses had to increase productivity in order to cope with increasing labor cost. However, they expected that small and medium enterprise (SMEs), particularly labor-intensive businesses, would be most affected. As a result, some SMEs moved their production base to neighboring countries and more SMEs were expected to follow in the future.

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