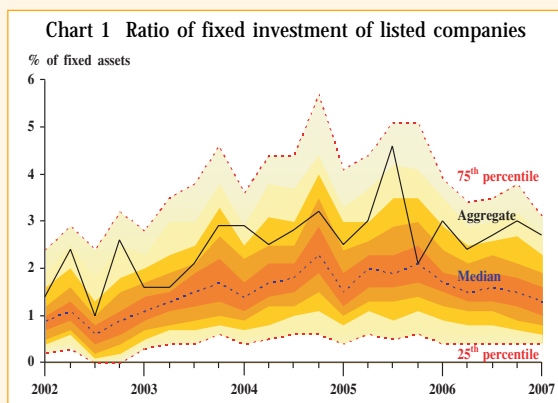
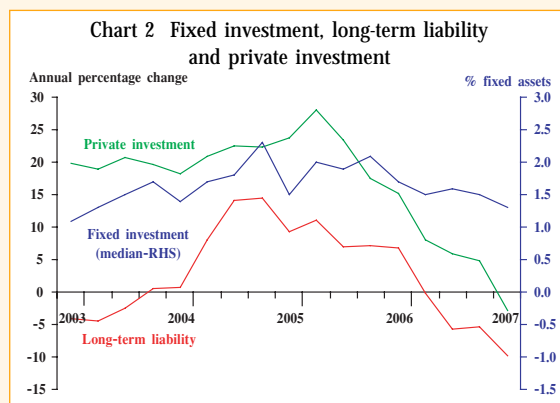


Current conditions and outlooks for investment by companies listed on the SET

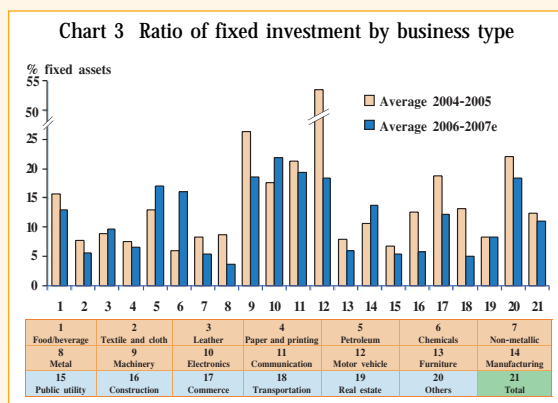
Although the overall ratio of fixed investment^{1/} by listed firms^{2/} remained relatively unchanged recently, this was in fact due to investment by certain large companies. Capital investment of the majority of listed firms, however, slowed down, as reflected by a continued decline in the ratio of fixed investment of the median firm since the beginning of 2006 (Chart 1) in line with the recent slowdown in private investment. On the financing side, which was the other side of the coin, external financing especially over the long term was also sluggish (Chart 2).



Source: Stock Exchange of Thailand, calculations by Bank of Thailand

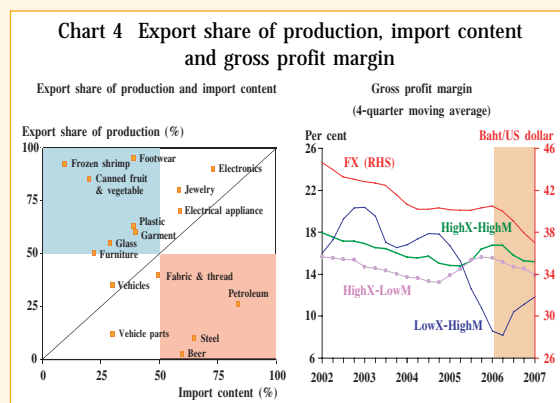


Sources: Stock Exchange of Thailand and National Economic and Social Development Board



Note: e = Estimated from the latest data of 2007 Q1.

Source: Stock Exchange of Thailand, calculations by Bank of Thailand



Note: HighX-HighM comprises Electronics, Electrical Appliance and Jewelry
HighX-LowM comprises Frozen and Canned Food, Footwear, Plastic, Garment, Glass and Furniture

LowX-HighM comprises Steel, Beverage and Petroleum

Sources: Ministry of Commerce, Ministry of Industry and Stock Exchange of Thailand, calculations by Bank of Thailand

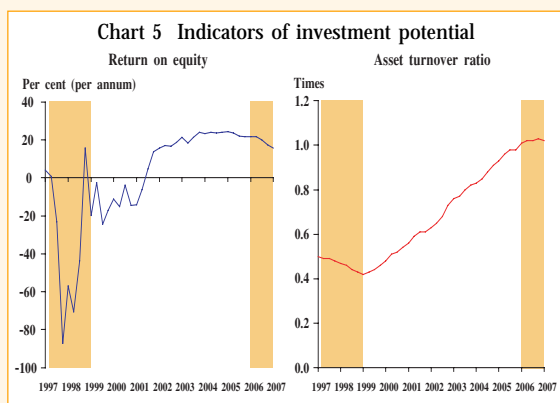
^{1/} Ratio of fixed investment = (Purchase of fixed assets at time t)/(Stock of fixed assets at time t-1) x 100

^{2/} Fixed investment by non-financial firms only, which accounted for a quarter of total private investment

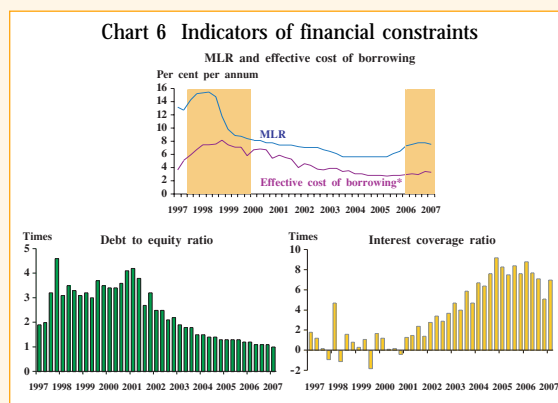
On a sector-by-sector basis, the ratio of fixed investment during 2006 and 2007 Q1 also declined relative to 2004-2005 in most sectors (Chart 3), especially in construction, commerce, transportation, and public utilities. Although the manufacturing sector exhibited an upward trend in fixed investment, that was due largely to long-term investment undertaken by the chemical and petroleum industries. The ratio of fixed assets in other industries, however, mostly declined.

The strengthening of the baht since the beginning of 2006 was one of the factors weakening the gross profit ratio in industries with strong export orientation and low import content (Chart 4). This directly affected the investment decision of such firms, in particular the textile and garment industries as well as the furniture industry. On the other hand, industries that are less export-oriented but with high import content, such as the petroleum industry, benefited from a strong baht and thus tended to increase their investment relatively more.

Nevertheless, overall investment fundamentals remained strong, both in terms of profitability as well as efficiency with which firms use their assets (Chart 5). Despite a slight decline in the return on equity (ROE) ratio recently, it stood well above the immediate post-crisis period when it was negative. The asset turnover ratio meanwhile edged higher, indicating a greater efficiency in asset utilization. Furthermore, current financial conditions were far from weighing on investment as in the post-crisis period (Chart 6), with costs of capital substantially lower and likely to fall further in line with monetary policy easing since the beginning of 2007. Also, a decrease in the debt to equity ratio and a high level of the interest coverage ratio reflected a healthy financial position of the corporate sector. All these factors constituted a favourable environment for capital spending.



Source: Stock Exchange of Thailand, calculations by Bank of Thailand



Note: *Effective cost of borrowing = interest payment/total liability
Source: Stock Exchange of Thailand, calculations by Bank of Thailand

With investment fundamentals expected to be firming during the second half of 2007, investment was thus likely to resume a stronger pace of expansion going forward.