

## **Less Volatility in Northeast**

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As the global economic outlook is uncertain, businesses are looking for helpful answers about how they should plan their business for next year. This prompted the Bank of Thailand's Northeastern Region Office in Khon Kaen to hold its annual symposium 2009, entitled "How should the business sector prepare for next year given the economic outlook?", on 18 September.

BOT Governor Tarisa Watanagase opened the event by highlighting the risks to a global economic recovery in the absence of an alternative world growth engine to replace the US economy. This situation means any recovery in world trade is likely to be fragile. Thailand will have to upgrade its productivity to remain competitive.

As the overall Thai economy still relies on exports for growth, the business sector should seek new potential markets that recover more rapidly than traditional export destinations. In particular, both the private and public sector should enhance national productivity by investing in infrastructure and new machinery, improving product quality and enhancing labour skills. These improvements will enhance economic potential and support sustainable long-term growth. At the same time, these efforts will enlarge domestic demand and ensure more balanced economic growth.

This central bank's regional symposium also heard from other panelists, including Amara Sriphayak, senior director of the BOT, Naris Cheykin, senior executive vice president and CFO of Central Pattana, and Somchai Kitmerasameyodhin, president of the Northeastern region's Federation of Thai Industries. While these panelists shared a common view that the global and Thai economy have bottomed out, the speed of recovery is still unknown, as many uncertainties remain. Nevertheless, the panelists stressed that this global crisis renders opportunity for business enterprises to look at their own financial health and improve efficiencies of cost and operational management in order to better manage risks.

The growth of the northeastern economy has generally been less volatile compared to the overall Thai economy, as evidenced by the smaller impact of this crisis on the region. One main

reason is that the Northeast has a better balance in terms of its economic growth engines between its export and agricultural bases. In fact, signs of the region's economic recovery have already been observed in many areas, such as real estate, construction and sales of non-durables as well as greater demand for labor in many industries, namely, the fishing-net weaving industry, textiles and electronics.

Looking ahead, in light of its abundant agricultural resources, there are many investment opportunities in the region, such as in processed agricultural products and bio-energy industries in addition to tourism and services. As a gateway to Indochina with high growth potential, supported by connecting road infrastructure and free trade agreements, windows of business opportunity have been broadened. This said, the region's private sector remains concerned about political stability and the continuity of coherent policies. Improvement in these areas would ensure the confidence of investors and long-term economic growth.

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**(The views expressed are the author's own.)**

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