



# Summary of Business Conditions and Outlook Q1/2018

## Business Conditions and Outlook

Overall, the Thai economy continued to grow yet to be sufficiently broad-based. The expansion in export-oriented manufacturing businesses was widespread across almost all product categories and regions, resulting in increased investment for productivity enhancement in machinery and equipment. On the other hand, domestic-oriented manufacturing businesses improved to some extent, particularly the products that served the middle-to-high income group. The tourism sector remained strong, thanks to increased number of foreign tourists due to new direct flight routes and more domestic flights. Regarding the trade business, overall trade expanded, mainly attributed to sales in durable goods. Meanwhile, sales of semi-durable goods continued to expand in Bangkok and vicinities, and major cities but slightly moderated in the upcountry areas, while sales of non-durable goods remained stable. For the real estate sector, the expansion was observed in Bangkok and vicinities, and major cities, while the construction sector benefited from the infrastructure investment projects. In general, the improvement in the overall economic activities resulted in confidence of most businesses in the economic expansion for a year ahead, as reflected in business confidence index in the first quarter of 2018 at the continuous level above 50.

## Employment

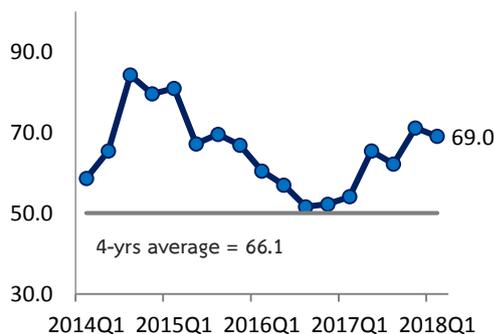
Overall employment remained stable, despite improvements in manufacturing sector especially in the export-oriented industry. Nevertheless, there was still no conspicuous sign of employment or increase in number of working hours, partly due to more efficient resource management with increasing adoption of automation especially in manufacturing sector. Meanwhile, businesses in the trade and service sector keep hiring new employees for business expansion. However, most of the businesses still encountered with the lack of high skilled labor, especially for doing the complicated tasks.

## Costs and Prices

Operating cost generally increased contributed to the raw material prices and labour wages. Cost of businesses in the manufacturing sector was affected by the upward trend of commodity and crude oil prices. Nevertheless, most businesses experienced difficulties in price adjustment due to intense competition and gradual domestic demand growth.

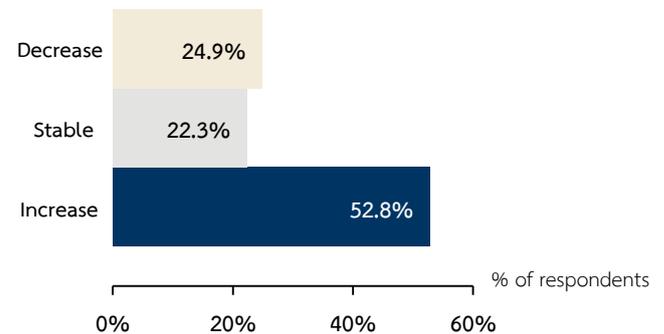
### Business Confidence in the next 12 months

Diffusion Index (unchanged = 50)



### Expected Revenue in Q2/ 2018

Expected revenue



Note: Information gathered from the Business Liaison Program (BLP) in Q1/2018, including 272 business contacts in various sectors throughout the country.

Diffusion Index Calculation

$$\text{Index} = (100 \times \text{percentage of respondents indicating "improvement"}) + (50 \times \text{percentage of respondents indicating "stable"}) + (0 \times \text{percentage of respondents indicating "deterioration"})$$



## About this report

Recognizing the importance of real business insights from all stakeholders, the Bank of Thailand (BOT) established the Business Liaison Program in 2004. Under this program, the BOT delegates from its Headquarters as well as its Offices of the Northern, Northeastern, and Southern regions conduct phone interviews and regular visits to businesses, associations, and government agencies to exchange information on current and long-term issues relevant to each participant. With over 800 visits each year, the program provides a channel for the BOT to exchange views and gain first-hand perspectives meaningful to assessing the health of the aggregate economy and particular business sectors.

In this program, our business contacts range from small to large enterprises, as well as spanning across various regions and industries. The BOT delegates collect anecdotal evidence from participants. Then the information is used by BOT staffs to supplement the quantitative data for evaluating economic conditions. Therefore, our analysis is more comprehensive and well-rounded, which equitably supports the BOT policy formulations.

With the information obtained, the "Business Outlook Report" is published on a quarterly basis at the BOT website. The BOT hopes that this report would communicate business views and also promote the understanding of current and future business conditions in Thailand. Furthermore, it would help relaying policy suggestions from participants back to the BOT or any relevant government agencies.

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