



# Summary of Business Conditions and Outlook Q2/2018

## Business Conditions and Outlook

The Thai economy continued to improve. Export-oriented manufacturing businesses expanded across most of the industries in all regions while improvements in domestic-oriented businesses were still limited to those products serving middle to high income consumers. This was consistent with the continuous but uneven growth in the trading sector, in which the purchasing power of people with middle to low income was still weak. This was reflected by the substantial growth in consumption of durable goods and services from the high-income group unlike the consumption of overall consumer products that was somewhat stagnant. The tourism sector sustained high growth and was more distributed to the secondary-tier tourist provinces as a result of the government promotion campaign and the fact that there were more foreign FIT travelers who preferred visiting destination areas other than the usual tourism spots. There was a concern of Chinese travelers' cancellation of travel bookings as a result of the Phuket boat accident but entrepreneurs expected this impact to be short-lived with needs to positively communicate on safety ecosystem from authorities and the industry. For investment, business tended to invest mainly in machineries and equipment to enhance their productivity and planned to invest more in automation systems. The real estate and construction sector related to private investment continued to grow, especially in Bangkok Metropolitan region and major tourism areas. However, constructions related to public investment improved sluggishly in both big and small government projects as the new government procurement procedure resulted in some delay. In general, the improvement in overall economic activities resulted in higher confidence for future economic expansion of most businesses, as illustrated in the Business Confidence Index which have been consistently above 50.

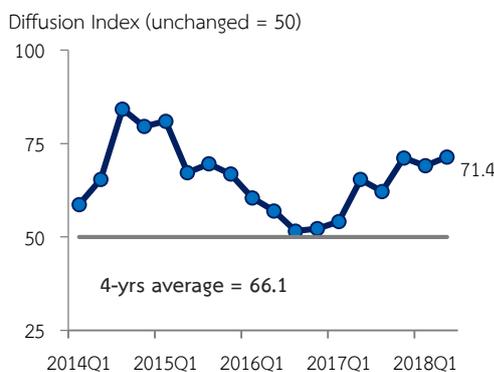
## Employment

The overall employment showed sign of improvement, as overtime employment in the manufacturing sector increased. Also, demand for labor in trading and service sectors grew along with businesses' branch expansion. Nevertheless, the continuing upward trend of labor cost drove entrepreneurs to invest more in automation systems and/or start considering relocation to neighbor countries with cheaper labor cost.

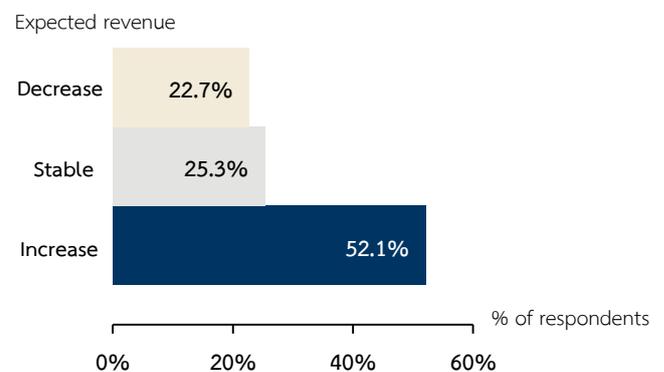
## Costs and Prices

In general, operating cost increased due to the minimum wage hike back in April 2018, along with higher raw material and oil prices. However, only some large businesses were able to pass their costs onto their goods and services while most of small and medium firms were unable to adjust prices due to intense competition.

**Business Confidence in the next 12 months**



**Expected Revenue in Q3/ 2018**



Note: Information gathered from the Business Liaison Program (BLP) in Q2/2018, including 259 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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