

The calculation and interpretation of the Business Sentiment Index of The Bank of Thailand (Updated February 2016)

- 1) The information from returned questionnaire, distributed during the first week of the survey month and compiled by the fifth working day of the following month, is divided into 2 main parts:

The first part includes information used to compute the index.

- i. The business performance
- ii. Total order books
- iii. Investment
- iv. Employment
- v. Production
- vi. Cost of production or the cost of business

The second part includes information that reflects business confidences, however, is not used as component of the index.

1. Inventories
2. Financial conditions
3. Financial market outlook
4. Selling price
5. Export
6. Production capacity
7. Expected inflation and expected production cost
8. Limits of business

Each question contains three measurement scales (i.e. improved, unchanged, and worsened). Respondents are asked to compare current situation with that in the last month and tendency in the next 3 months.

- 2) The representative firms (samples) are mainly acquired from the Stock Exchange of Thailand and Department of Business Development. The samples are large medium and small firms, which have registered capital of <50 million baht, 50 to <200 million baht, and over 200 million baht, respectively. The samples include businesses in production, trade, and service sectors. The proportions of the selected firms in Bangkok Metropolitan area and the provincial areas are 83:17. The response rate between Bangkok Metropolitan area and the provincial areas are around 80:20, the overall response rate is approximately 60%.

- 3) The qualitative data (opinion) obtained from returned questionnaire are converted into the quantitative data (number). Survey results are presented in the form of diffusion indexes, varying from the minimum value of 0 to the maximum value of 100.

The index is equal to 50 means business sentiment is unchanged.

The index is above 50 means business sentiment improved.

The index is below 50 means business sentiment worsened.

- 4) The calculation process is as follow:

1. Transform the qualitative data into quantitative data.

- If the answer is “improved”, the score is 1
- If the answer is “unchanged”, the score is 0.5
- If the answer is “worsened”, the score is 0

2. Processing of the survey is performed by simple addition of individual answers to all questions, i.e. equal weighting is applied. To calculate the indices corresponding to each question (6 questions), the scores are summed and is divide by the number of respondents and multiplied by 100. The business sentiment index is obtained by summing up the index of each question and dividing them by the number of questions (6). The indices include

- The Present Business Sentiment Index
- The Future Business Sentiment Index (3 months ahead)