



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Quarter 1/2022



รายงานแนวโน้มธุรกิจ

BUSINESS OUTLOOK REPORT



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 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 staff to supplement the quantitative data for evaluating economic conditions, making our analysis more comprehensive and well-rounded, supporting Monetary Policy Committee (MPC) and other BOT policy formulations.

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

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National Summary of Business Conditions

(Survey result of businesses across Thailand during 1 January – 31 March 2022,

In the period of Omicron variant outbreak after the country's re-opening under the Test&Go program, and the Russia-Ukraine conflict.

Businesses viewed Thailand's economy slightly expanded from the same period of last year, but remained unchanged from the previous quarter. Overall, businesses faced less ramifications from the Omicron variant, compared to the previous outbreak.

Balance of opinion



Retail Income*

-3%

slightly contracted from the same period of last year and the previous quarter, due to the weak recovery of consumer purchasing power, despite the availability of government's stimulus programs.



Manufacturing Income*

38%

expanded from the same period of last year and the previous quarter as a result of trading partners' economic recoveries, leading to rising demand for import goods; despite the problems in shipping delay, semiconductor shortage, and the surging manufacturing cost.



Real Estate and Construction Income*

19%

expanded from the same period of last year but remained unchanged from the previous quarter. Real estate businesses saw moderate recovery in certain areas, notably the luxury low-rise housing market. Meanwhile, financial institutions continue to tightening lending standards.



Services Income *

18%

slightly expanded from the same period of last year and the previous quarter, due to the Test&Go re-opening program and increasing vaccination rates. However, a certain amount of tourists have avoided or postponed traveling as a result from the Russia-Ukraine conflict.

*Calculated from survey responses as the percentage difference between respondents saying "income increase" and respondents saying "income decrease" as compared with the previous year (balance of opinion)

Percentage of respondents



Confidence in the Economy

50%

of businesses projected that the economic conditions would improve in the next 12 months. The percentage is lower compared to previous quarter due to the fragile purchasing power, which is worsened by increasing price of goods and cost of running business.



Cost of Doing Business

87%

of businesses experienced rising costs, especially raw materials costs and freight charges, as a result of fluctuating commodities price and the Russia-Ukraine conflict. Including additional healthcare expenses such as the Antigen Test Kit for employees.



Challenges Faced by Business

34%

of businesses are challenged by the increased competition within the domestic market; as a result, most businesses need to develop new strategies continually.



Labor Market

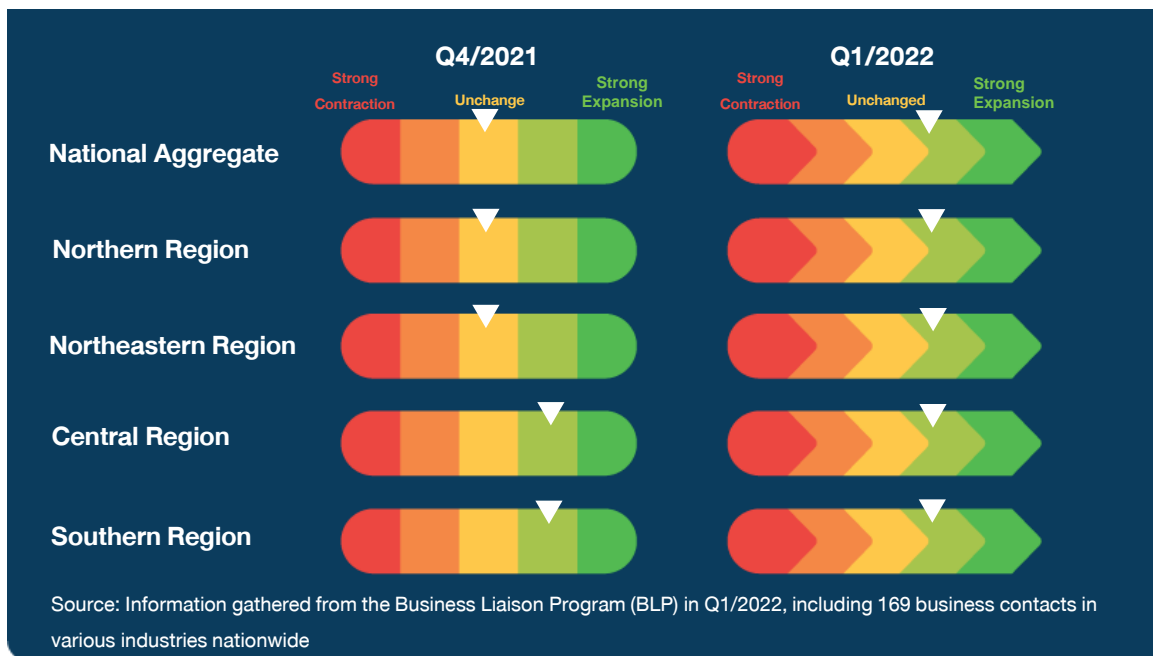
73%

of businesses would not hire more labours, while many preferred hiring part-time employees due to the greater flexibility under uncertain situations. Additionally, some businesses found that skilled workers shortage issue is becoming more severe in some sectors.

Note: The light-colored bars show data as of Q4/ 2021, while the dark-colored bars and the percentages show data as of Q1/ 2022

Business Views on Economic Conditions and Outlook

(% from the same period of last year)



Regional Highlights in Quarter 1/2022

Northern Region

The spread of the Covid-19 Omicron, and rising cost of living hampered the retail sector recovery. On the other hand, the services and tourism sectors showed gradual improvement from the loosening of Covid-19 restrictions and the country's re-opening program. In addition, recovering global demand caused export-oriented industry to expand. However, the industry was still pressured by rising costs, including oil and raw material price, which resulted from the Russia-Ukrain conflict.

Central Region

Overall business conditions slightly expanded from the same period of last year, but remained unchanged from the previous quarter. Export-oriented businesses experienced continual growth compared to the previous quarter due to the growing demand from trading partners. Similarly, businesses in the tourism and service industry showed gradual recovery after the launching of Test&Go program, and the improving consumer sentiment towards Covid-19 situation. Despite having positive outlook, the weakening purchasing power, production cost escalation, and fluctuation in price of goods and commodities from the Russia-Ukraine conflict still hinder the recovery of businesses.

Northeastern Region

Overall business conditions remained unchanged from both the same period of last year, and the previous quarter. While the hike in price of goods, decreasing consumer purchasing power, together with the Omicron variant outbreak impeded consumers' willingness to spend; export-oriented businesses continue to receive high number of orders from trading partners, although risks from increasing raw material and oil prices still prevail.

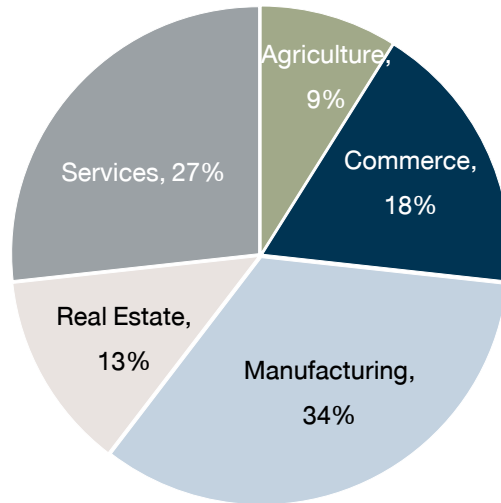
Southern Region

Overall business conditions expanded slightly from both the same period of last year, and the previous quarter owing to increasing economic activities and the country's re-opening. As a result, the tourism sector benefited from the higher number of travellers. Likewise, real estate businesses launched new construction project, and export-oriented manufacturers experienced business improvements from rising global demand. In contrast, the retail sector was not as optimistic, due to consumers being more cautious in spending from the fragile purchasing power. In spite of these positive conditions, the increasing raw materials cost has negatively affected the majority of business operations and productions.



Appendix

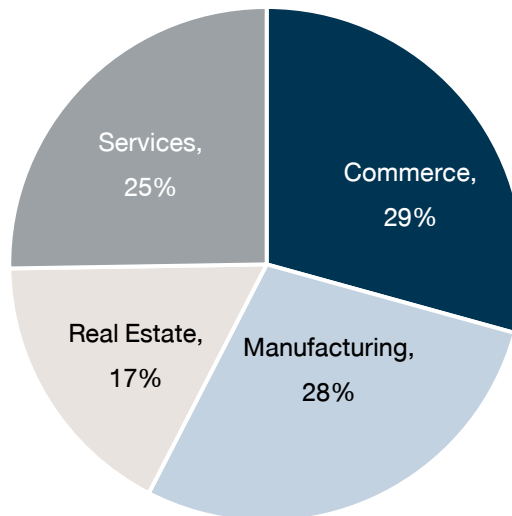
Thailand's Economic Structure



■ Agriculture ■ Commerce ■ Manufacturing ■ Real Estate ■ Services

Source: NESDB, calculated by BOT

Composition of businesses among BLP participants in Q1/2022



*Survey result of 169 business contacts from all regions of Thailand from 1 January – 31 March 2022

Note: Sample emphasizes the business sector, while views of agriculture stakeholders are partly reflected in the manufacturing sector, for example through the agro-manufacturing sector.



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By

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Disclaimer: This report assesses the views of surveyed businesses and organizations in Quarter 1/2022, which reflects real economic activity that occurred and certain economic indicators. Views in this report reflect overall business views, may not necessarily align with macroeconomic indicators, and do not necessarily reflect the views of Bank of Thailand.