



ธนาคารแห่งประเทศไทย
BANK OF THAILAND

Quarter 4/2023



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 business across Thailand during 1 October – 31 December 2023)

Overall, business conditions modestly expanded compared to the same period last year, supported by ongoing economic activities and the sustained recovery of the tourism sector. However, high cost of production remained a challenge for the business sectors.

Balance of opinion



Retail Income*

6%

Slightly expanded, driven by expanding economic activities and the recovering tourism sector. However, the high cost of living remained a pressure on purchasing power, especially among low-income households.



Manufacturing Income*

-8%

Slightly contracted, most notably in the electrical appliances and electronics segment, due to delayed orders and high inventory levels among trading partners.



Real Estate and Construction Income*

-15%

Contracted, due to accelerated property transfers before the end of government support measures last year. High debt levels and cautious lending practices by financial institutions further exacerbated the decline.



Services Income *

70%

Expanded, following the continuous recovery of both Thai and foreign tourists, particularly among Free Independent Travelers. (F.I.T)

*Balance of opinion is calculated from survey responses as percentage differences between respondents stating "income increased" and "income decreased" compared with the same period last year.

Percentage of respondents



Confidence in the Economy

62%

of businesses expected an improvement in economic conditions in the next 12 months, owing to the recovery of economic activities, but there were concerns about purchasing power due to high living costs and household debt.



Cost of Doing Business

59%

of businesses indicated that their cost increased, mainly due to high raw material and oil prices. Meanwhile, cost pass-through was still limited amid the still-recovering purchasing power of the middle and lower-income households and high market competition.



Business challenges

30%

of businesses mentioned that labor costs were a constraint in business operations. These businesses suggested that a gradual increase in the minimum wage could lead to better cost management.



Labor Market

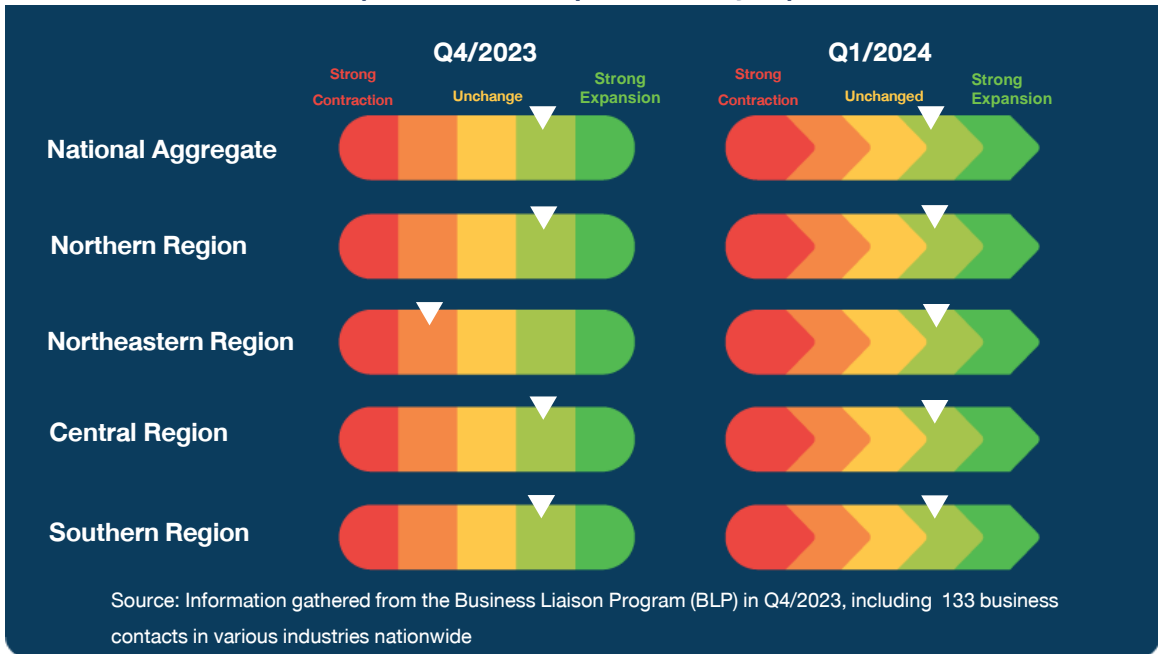
44%

of businesses viewed that the number of current workers was sufficient. However, the service and tourism industries were hiring more to met the demands of the high season of tourism.



Business views on economic conditions and outlook

(% from the same period of last year)



Regional Highlights in Quarter 4/2023

Northern Region

Overall businesses expanded from the same period last year, driven by expanding economic activities and the recovering tourism sector, resulting in growth in service and trade businesses. However, the manufacturing sector contracted, particularly in processed agricultural products as prior overproduction resulting in high inventory levels. Additionally, some manufacturers faced intense price competition from Chinese products.

Central Region

Overall businesses slightly expanded from the same period last year, driven by improvements in the manufacturing and service sectors due to the gradual normalization of economic activities and a rise in foreign tourist arrivals. However, trade and real estate businesses remained stable due to the still-recovering purchasing power of the middle and lower-income households. Despite persistent high cost of production, price adjustments across most businesses remained limited by the purchasing constraints of low-income earners and high business competition. Consequently, most businesses adopted alternative strategies instead of price adjustments.

Northeastern Region

Overall businesses contracted from the same period last year, due to a decline in electronics manufacturing resulting in slow economic recovery in trading partner countries. Trade and real estate businesses also contracted, weighed down by the still-recovering purchasing power of the middle and lower-income households, high cost of living, and cautious lending practice by financial institutions. However, the service sector expanded, driven by increasing activities and a rise in Thai tourists.

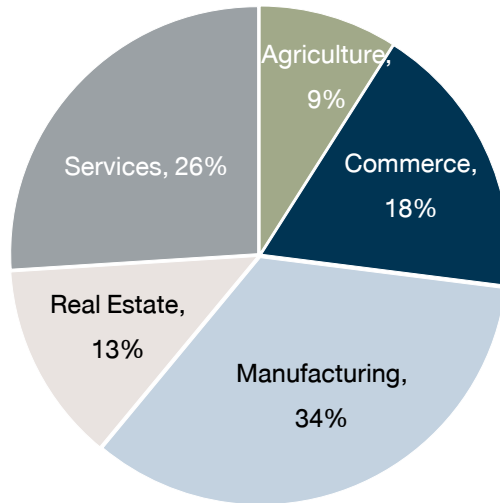
Southern Region

Overall businesses slightly expanded from the same period last year, driven by an increase in foreign tourists during the high season, which benefited service, tourism, and trade businesses, and employment. Nevertheless, the manufacturing and export sectors contracted slightly. As for prior adjustment, businesses, particularly in service and tourism, were able to adopt more significant price adjustments due to the heightened demand.



Appendix

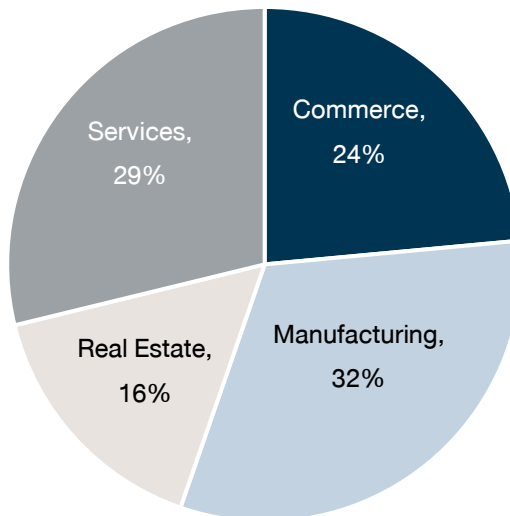
Thailand's Economic Structure



■ Agriculture ■ Commerce ■ Manufacturing ■ Real Estate ■ Services

Source: NESDB, calculated by BOT

Composition of businesses among BLP participants in Q4/2023



*Survey result of 133 business contacts from all regions of Thailand from 1 October – 31 December 2023

Note: Sample emphasizes the business sector, while views of agriculture stakeholders are in part 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 4/2023, 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.