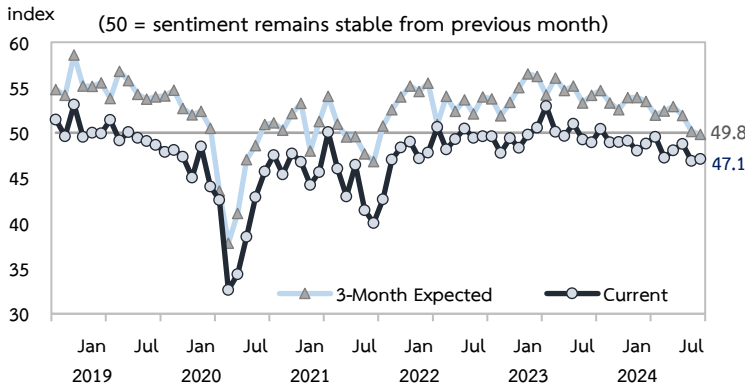




Business Sentiment Index

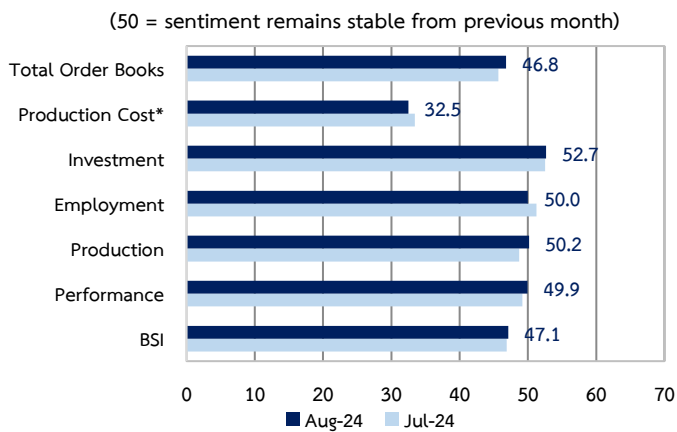


Key points:

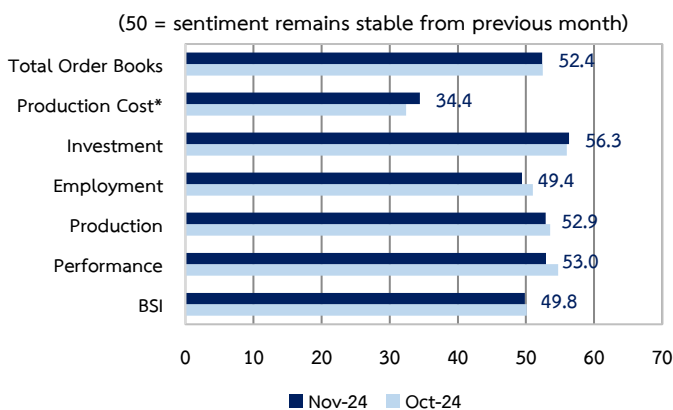
- In August, the Business Sentiment Index (BSI) was stable below the 50- threshold, mainly from a rise in the manufacturing index, while the non-manufacturing index declined. However, the 3-month expected BSI dropped to below the 50-threshold for the first time in 3 years, reflecting worsening economic outlook.

In August 2024, the overall BSI remained at 47.1 with increases in production and total order books' sub-indices but employment's sub-index declined. The manufacturing index soared, particularly in the automotive and the rubber and plastic sectors, as production and performance sub-indices rose after falling significantly in the prior month. However, other businesses' confidence deteriorated, and most indices were below the 50-threshold, implying an uneven recovery of the manufacturing sector. Meanwhile, the non-manufacturing index dipped across various businesses, led by the automotive and fast-moving consumer goods (FMCG) retail sectors, since customers became more cautious about spending. Therefore, traders' confidence in trading volume and total order books plummeted. Also, respondents in the construction sector expressed lower confidence as a result of the government's delayed disbursement of large projects (worth more than 100 million baht). Nevertheless, the hotel and restaurant sector were the only one where respondents reported consistent improved confidence, primarily from the total order books, thanks to an increase in foreign tourists due to long holidays in many countries such as Japan, India, and Malaysia.

Current Business Sentiment Index



3-Month Expected Business Sentiment Index



*Index value above 50 reflects reduction in production cost

The 3-month expected BSI trended downward to 49.8, staying below the 50-threshold for the first time in 3 years, indicating deteriorated sentiment going forward. This was owing to a considerable drop in the manufacturing index since mid-2024, largely driven by the electronics industry. The respondents' confidence in performance and total order books had dwindled, as trade volumes for PCB and IC fell, due to trading partner's high inventories. Also, respondents in the steel sector addressed worsen confidence because of weak demand in related sectors such as the automotive and real estate sectors. The non-manufacturing index increased in almost all sectors, headed by the construction sector, where respondents reported better confidence on the back of anticipated government disbursement of high-value projects in Q4/67. Moreover, in the retail sector, respondents were more confident in total order books and the amount of trade, especially in the department stores.

Notes:

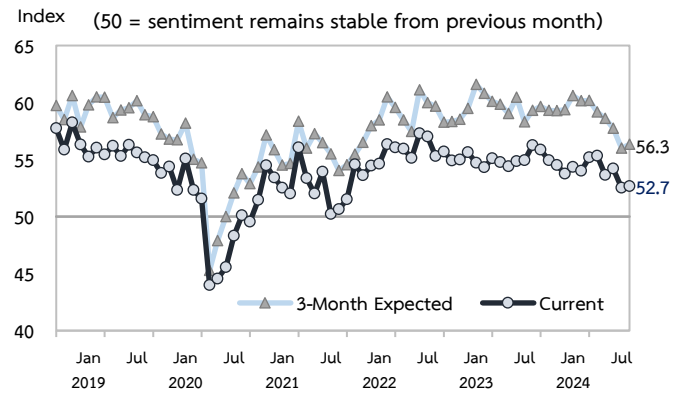
- The BSI was developed by the Bank of Thailand (BOT). The diffusion index is made up of six components: production, total order books, investment, production cost, performance, and employment. Each component is applied with equal weight to calculate the monthly composite index. Each component index is calculated according to the following formula:

$$\text{Index} = 100 \times \{ (1.0 \times \text{percentage of respondents indicating "improvement"}) + (0.5 \times \text{percentage of respondents indicating "stable"}) + (0 \times \text{percentage of respondents indicating "deterioration"}) \}$$
 Interpretation of the index is as follows:
 Index = 50 indicates that the respondents' business sentiment remains stable from the previous month;
 Index > 50 indicates that the respondents' business sentiment has improved from the previous month;
 Index < 50 indicates that the respondents' business sentiment has deteriorated from the previous month.
- For this month, the survey had 802 respondents, or a response rate of 75.1 percent from a sample of large and medium-size firms that received the survey form.
- The questionnaires were distributed during the first week of the survey month and compiled by the first working day of the following month.

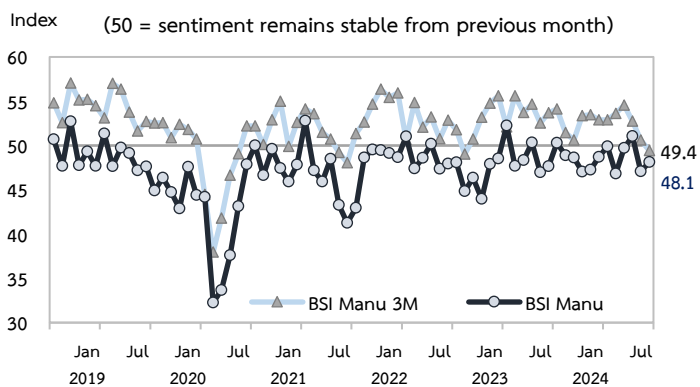
Other sentiment indices:

- The current and the 3-month expected investment confidences have continuously declined, signifying that most businesses tended to postpone their investments, especially in the automotive, steel, and real estate industries. This is partly due to ambiguous recovery of total order books and performance, reflecting from the indices, which lingered around the 50-threshold.
- High production cost was still the first limitation of doing business, but it continuously eased, resulting in lower pressure for businesses to adjust prices. In contrast, since mid-2023, low domestic demand and economic uncertainty have become increasing concerns. Lastly, the 12-month inflation expectation slightly declined to 2.5% from 2.6% in the previous month.

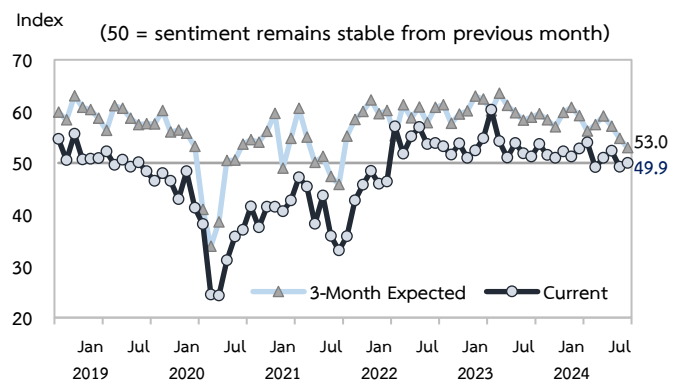
Investment Sentiment Index



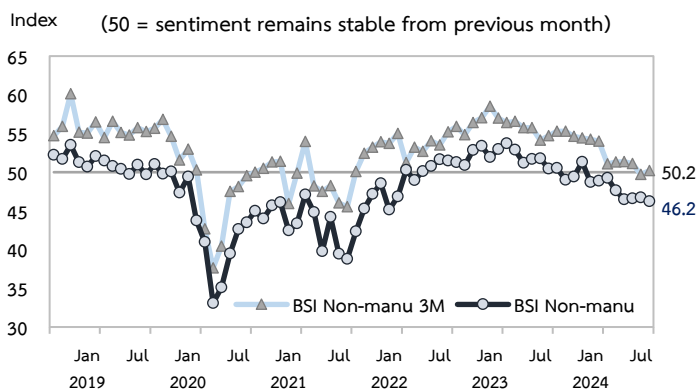
Business Sentiment Index (Manufacturing)



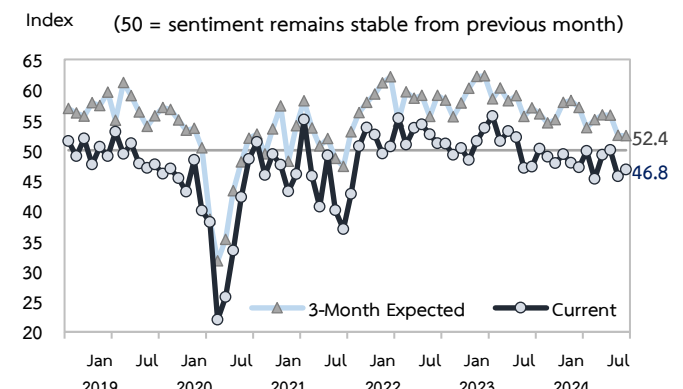
Performance Sentiment Index



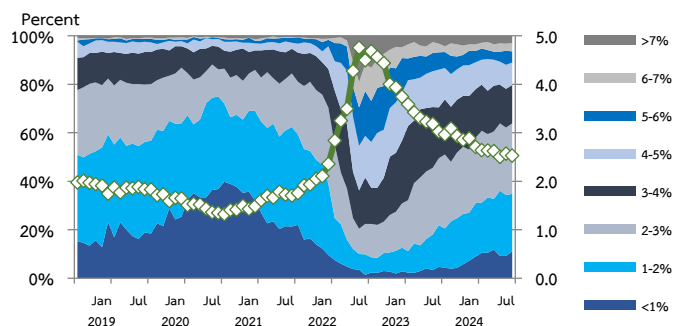
Business Sentiment Index (Non-Manufacturing)



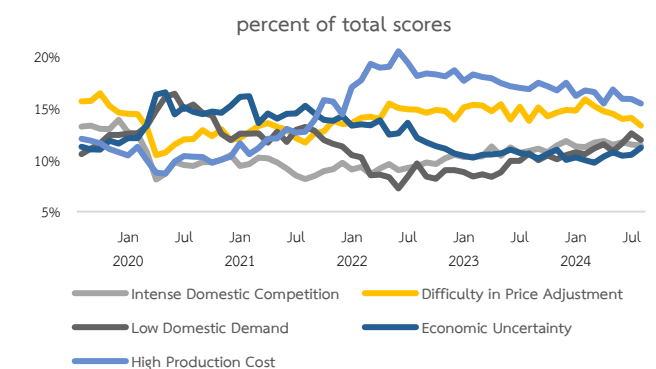
Total Order Books Sentiment Index



Expected Inflation in the next 12 months



Top constraints for doing business



Percent	<1	1-2	2-3	3-4	4-5	5-6	6-7	>7	Median
Aug-24	11.1	23.7	29.1	15.8	9.2	4.6	3.4	3.1	2.5
Jul-24	9.1	25.1	27.9	15.9	9.9	5.8	2.8	3.3	2.6

Business Intelligence Division
 Monetary Policy Group
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