Dear Thai and international investors,

The Faculty of Business Administration, Huachiew Chalermprakiet University (http://ba.hcu.ac.th) is proud to be part of a working team for Business Optimism Index – Thailand (BOI-Thailand) in conjunction with D&B and BOL in the same manner as BOI – Singapore and BOI - India. Huachiew Chalermprakiet University is a not-for-profit university and committed to providing high quality education to Thai society. The BOI – Thailand is a part of Huachiew Chalermprakiet University’s obligation to contribute its knowledge to the public.

The Faculty of Business Administration, Huachiew Chalermprakiet University, as an academic center of business administration, is aware that analysis and preparation in various aspects are crucial for businesses to operate smoothly in this dynamic environment. The Business Optimism Index – Thailand (BOI-Thailand) quarterly is to provide useful information and help businesses prepare to cope with unexpected changes. BOI-Thailand is useful for every sector involved. For public sectors, BOI-Thailand can help the government efficiently establish and utilize various policies that promote economic growth. Meanwhile, private sectors can rely on this analysis to be prepared and to operate their businesses wisely.

The working team would like to thank everyone for making this issue possible and future cooperation for many issues to come.

Sincerely,

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Dean, Faculty of Business Administration
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Business Optimism Index – Thailand

Defined in accordance with an international standard for comparative purposes,

BOI-T represents the difference between the number of companies reporting expansion and those reporting contraction in various business angles from the levels experienced in the same quarter of the preceding year. Such difference is then measured as a percentage of total sample size. This BOI-T therefore reflects shifts of market components and sentiments. Consequently, it should help both private and public entities to prepare themselves well so as to successfully cope with plausible and dynamic changes.

Actual experiences of businesses in Q1-2013 as compared with Q1-2012:

**Volume of Sales:** Companies in most sectors attained higher sales volume, raising BOI-T in this respect to 34% Top – ranked were hotels and restaurants, while the opposite were in mining and quarrying.

**Net Profit after Taxes:** The business performance in this aspect was similar to the sales volume, with BOI-T climbing to 27%. However, it is notable that mining and quarrying was far worse off (-38%).

**Level of Selling Prices:** Most companies reported higher selling prices, thus boosting BOI-T to 30%. The fishing sector was outstanding whereas mining and quarrying encountered a standstill.

**Level of Stock:** All sectors except fishing experienced lower levels of stock, depressing BOI-T to -13%.

**New Order Received (Mfrs. Only):** Actual increase of new orders exceeded decrease by 29%.

**Total Number of Employees:** Most sectors coped with strong demand and sales volume by hiring more employees despite the wage rise. Such willingness, together with BOI-T gain to 31%, certified an economic upturn in the first quarter of 2013.
Expectation of businesses on economic environment in Q3-2013 as compared with Q3-2012

Volume of Sales:
Companies of all categories, except mining, anticipate higher sales volume, which should uplift BOI-T to 34%. The construction sector contributes most. (Figure 1)

Net Profit after Taxes:
Those expected gains from sales volume encourage companies in most industries, especially construction, to forecast higher profits. The BOI-T of net profit after taxes is 30%. (Figure 2)
Level of Selling Prices:
Most companies under survey believe that their selling prices will rise considerably, especially those in fishing and real estate. Such optimism pushes BOI-T up to 27%. (Figure 3)

![Figure 3 - Level of Selling Price](image)

Level of Stock:
All companies other than fishing foresee a decrease in inventory as a result of energetic operations, reducing BOI-T to -10%. (Figure 4)

![Figure 4 - Level of Stock](image)
Total Number of Employees:
In light of economic strains in other continents, all surveyed companies express readiness to hire more employees, raising BOI-T to 37%. (Figure 5)

The BOI-Thailand team expects the Thai economic expansion to slow down to 4.0-4.5% range in the third quarter of 2013 from a healthy pace of 5.5% GDP growth in the first quarter. This slackening is caused by several domestic and foreign factors. On the domestic front, purchasing power is losing its momentum to a large extent, as household debts have grown menacingly, from 28% of GDP in 2002 to 78% of GDP in 2012. These debts are attributed to voluminous purchases of properties such as real estate and first cars. Consequently, large debt service weakens domestic consumption. In addition, several investment projects are postponed, especially the public ones due to political obstacles. On the foreign front, lingering economic crisis in Euro area and growing tension in China darkens the prospects of Thai exports. And the chances of rapid recovery in these countries are slim. Therefore, the growth of Thai exports, which represent roughly 70% of GDP, is widely expected to slow down notably. Unsurprisingly, both private businesses and financial institutions have become more cautious before making commitments.

Commentary and Analysis by Asst.Prof.Pannarai Sangvichien, Pakorn Vichyano, Ph.D., Sanya Yimsiri, Ph.D., Ms.Sariya Nuchanong, Ms.Banjertsak Sannhapuckdee, Ms.Korrakot Vanakomkul, Mr.Somnuk Assadornviseth (Faculty of Business Administration, Huachiew Chalermprakiet University, Thailand)