

2.3) Services Sector

Table 4.13 2003-2004 Distribution of Gross Domestic Product in Private Services Sector

	2000	2001	2002	2003	2004
GDP (THB million)					
National	4,922,731	5,133,502	5,446,043	5,930,362	6,576,834
Private Services	1,352,833	1,423,004	1,513,200	1,577,406	1,766,589
- SMEs	561,645	589,884	626,808	644,051	722,598
• Small Enterprises	363,226	380,543	405,582	415,293	467,376
• Medium Enterprises	198,419	209,341	221,226	228,758	255,222
- Large Enterprises and Others	791,189	833,120	886,392	933,355	1,043,991
Contribution of Private Services Sector to GDP					
	27.5%	27.7%	27.8%	26.6%	26.9%
Contribution of Different Sizes of Enterprises to Private Services Sector's GDP					
- SMEs	41.5%	41.5%	41.4%	40.8%	40.9%
• Small Enterprises	26.8%	26.7%	26.8%	26.3%	26.5%
• Medium Enterprises	14.7%	14.7%	14.6%	14.5%	14.4%
- Large Enterprises and Others	58.5%	58.5%	58.6%	59.2%	59.1%

Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

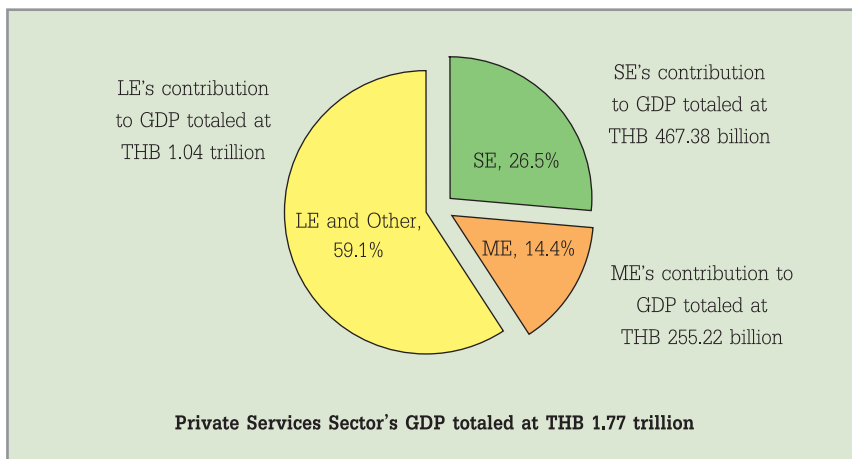
• Overview of GDP Structure in Services Sector

This part discusses the structure of contribution to GDP by all sizes of enterprises found in various divisions of services sector without taking into account the government services sector which comprised mainly public, education, and health care services. The proportion illustrated therefore represents only GDP of the private services sector.

In 2004, the private services sector was able to generate a total of THB 1,766.6 billion GDP, a contribution of 26.9 percent to the country's GDP. It was also a gain of THB 189.2 billion over that of 2003, resulting in a real GDP growth of 10 percent.

The structure of GDP in the services sector showed that large enterprises and others were accounted for as much as 59.1 percent of the sector's GDP, at THB 1,044 billion in value. SMEs, with its 40.9 percent share, made a total of THB 722.6 billion contribution to GDP. About 26.5 percent of this was created by the small enterprises, valued at THB 467.4 billion, while the medium enterprises shared 14.4 percent or THB 255.2 billion in value.

Figure 4.25 Structure of Services Sector's GDP in 2004 by Size of Enterprise



Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

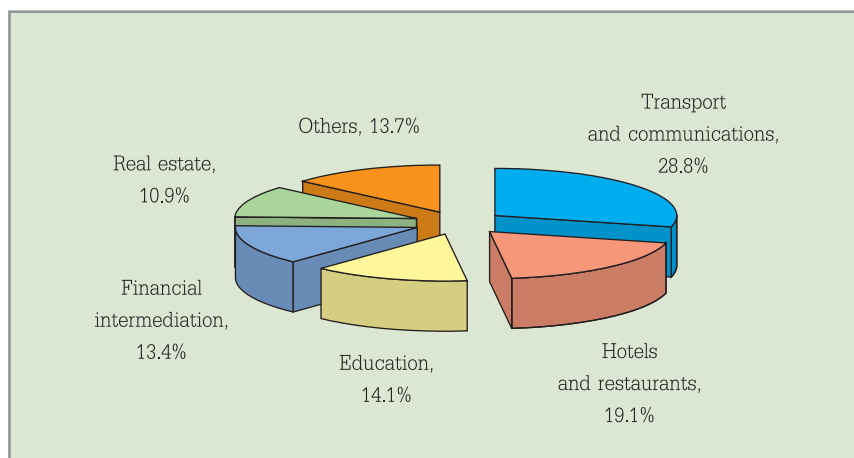
Table 4.14 Structure of Services Sector in 2004

(Unit: THB million)

Industries	Small Enterprises			Medium Enterprises			SMEs			Large Enterprises			Total	
	Value	Contribution to Net GDP	Contribution to Sector's GDP	Value	Contribution to Net GDP	Contribution to Sector's GDP	Value	Contribution to Net GDP	Contribution to Sector's GDP	Value	Contribution to Net GDP	Contribution to Sector's GDP	Value	Contribution to Net GDP
Transport & communications	68,811	14.7%	13.5%	124,816	48.9%	24.5%	193,627	26.8%	38.0%	315,390	30.2%	62.0%	509,017	28.8%
Hotels & restaurants	210,217	45.0%	62.3%	66,334	26.0%	19.7%	276,551	38.3%	82.0%	60,792	5.8%	18.0%	337,343	19.1%
Education	8,533	1.8%	3.4%	9,779	3.8%	3.9%	18,313	2.5%	7.4%	230,545	22.1%	92.6%	248,858	14.1%
Financial intermediation	42,050	9.0%	17.7%	24,495	9.6%	10.3%	66,546	9.2%	28.1%	170,583	16.3%	71.9%	237,129	13.4%
Real estate	51,008	10.9%	26.4%	7,538	3.0%	3.9%	58,546	8.1%	30.3%	134,396	12.9%	69.7%	192,942	10.9%
Health services	23,753	5.1%	20.0%	4,355	1.7%	3.7%	28,108	3.9%	23.7%	90,692	8.7%	76.3%	118,800	6.7%
Recreational activities	59,651	12.7%	52.2%	16,863	6.6%	14.8%	76,514	10.6%	66.9%	37,793	3.6%	33.1%	114,308	6.5%
Private household with employed person	3,352	0.7%	41.0%	1,041	0.4%	12.7%	4,393	0.6%	53.8%	3,799	0.4%	46.2%	8,192	0.5%
Total	467,376	100.0%	26.5%	255,222	100.0%	14.4%	722,598	100.0%	40.9%	1,043,991	100.0%	59.1%	1,766,589	100.0%

Source: the Office of National Economic and Social Development Board
Compiled by: the Office of Small and Medium Enterprises Promotion

Figure 4.26 Top 5 Services Business in terms of GDP Contribution in 2004



Source: the Office of National Economic and Social Development Board

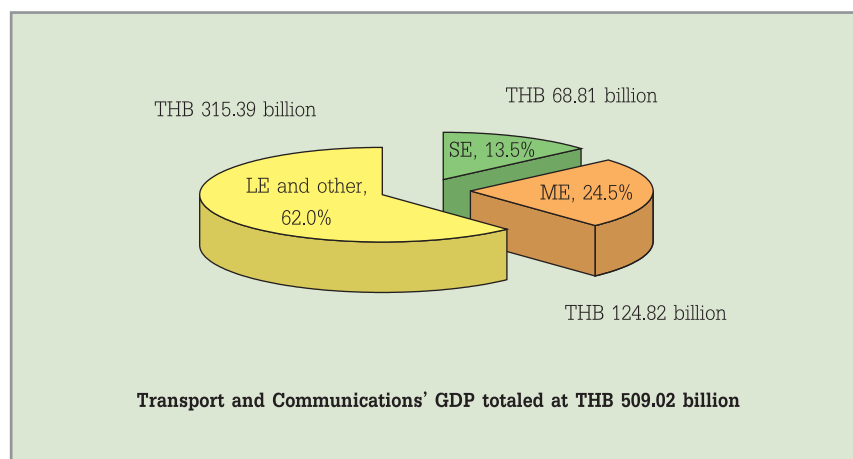
Compiled by: the Office of Small and Medium Enterprises Promotion

- **Structure of the Services Sector by Size of Enterprise and Services Division (ISIC - 2 digit codes)**

- 1) Transport and communications**

The transport and communications industry generated THB 509 billion or 28.8 percent of the entire sector's GDP. Large enterprises held 62 percent share of it at THB 315.4 billion, while 38.8 percent or THB 193.6 billion belonged to SMEs. The SMEs contribution to GDP could be divided into 13.5 percent generated by small enterprises, and 24.5 percent by medium enterprises. Large enterprises, therefore, were the major player in transport and communications services, followed by medium and small enterprises respectively. This was partially due to the fact that some of the transport and communications state enterprises have been privatized, especially ones in communications services, thus adding more large enterprises to the industry. On the contrary, most of goods transport services and passenger vehicles were operated by SMEs.

Figure 4.27 Structure of Transport and Communications Industry's GDP in 2004 by Size of Enterprise



Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

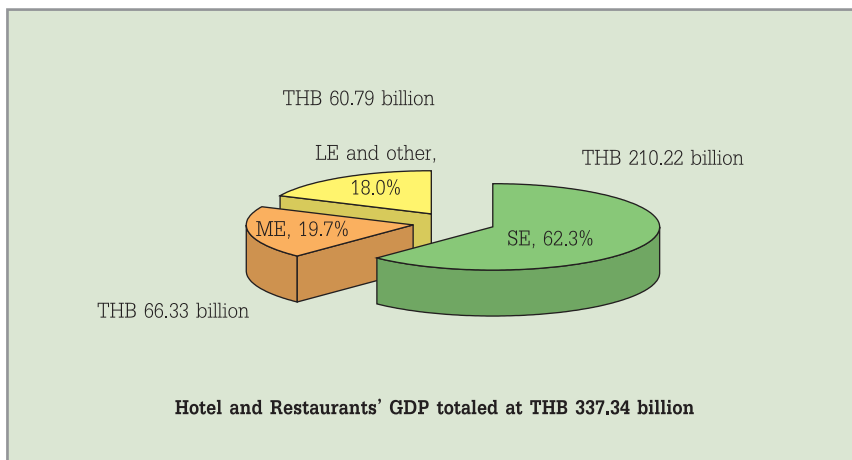
2) Hotels and Restaurants

The GDP accounted for by hotels and restaurants services business in 2004 valued at THB 337.3 billion, a contribution of 19.1 percent to the entire services sector's GDP. SMEs in the industry were accounted for 82 percent of its GDP, with the value of THB 276.6 billion. Their contribution could be divided to 62.3 percent or THB 210.2 billion generated by small enterprises, and 19.7 percent or THB 66.3 billion by medium enterprises. Large enterprises also generated THB 60.8 billion in GDP, a contribution of 18 percent.

Hotels and restaurants was the business where SMEs were able to surpass large enterprises in their contribution. Small enterprises dominated the scene with their 62 percent share, followed by medium enterprises and large enterprises respectively. These two groups had the same level of contribution in GDP. However, large

enterprises were found to hold the least important role in hotels and restaurants compared to the other 7 industries in the sector.

Figure 4.28 Structure of Hotels and Restaurants' GDP in 2004 by Size of Enterprises



Source: the Office of National Economic and Social Development Board
Compiled by: the Office of Small and Medium Enterprises Promotion

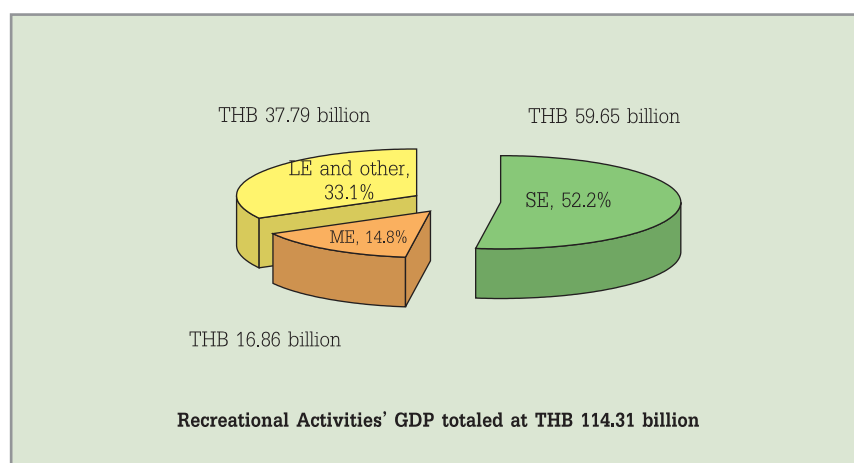
3) Recreational Activities

Though recreational activities only accounted for 6.5 percent of the services sector's GDP at THB 114.3 billion in value, the SMEs in this industry were the source of as much as 66.9 percent of it. Small enterprises accounted for 52.2 percent of the SMEs contribution to GDP, while the remaining 14.8 percent was medium enterprises' contribution. Large enterprises in the industry had 33.1 percent share in the entire industry's GDP.

While SMEs had crucial roles in recreational activities industry, most of their contribution was generated by small enterprises. Medium enterprises in this industry

tended to hold a limited proportion of contribution compared to their small and large counterparts.

**Figure 4.29 Structure of Recreational Activities' GDP in 2004
by Size of Enterprise**



Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

- **Structure of Services Sector's GDP by Size of Enterprise**

- 1) **Small Enterprise - SE**

Table 4.15 Top 5 Contribution of SE to Services Sector's GDP in 2004

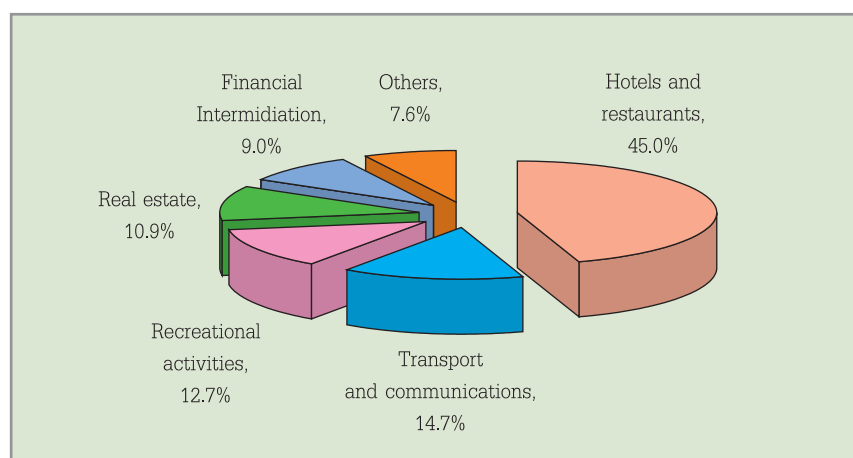
Industries	Contribution of SE in value (THB million)	Contribution of SE to the Sector's GDP
Hotels and restaurants	210,217	45.0%
Transport and communications	68,811	14.7%
Recreational activities	59,651	12.7%
Real estate	51,008	10.9%
Financial intermediation	42,050	9.0%
Total of top 5 business	431,737	92.4%
Others	35,639	7.6%
Total	467,376	100.0%

Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

Table 4.15 shows that the small enterprises' contribution to the service sector's GDP valued at THB 467.38 billion, a share of 26.3 percent of the sector's total. The service industry in which small enterprises were able to add the highest value to was hotels and restaurants. A little over 45 percent of entire sector's GDP, or THB 210.22 billion in value, was attributable by the small enterprises. Their counterparts in transport and communications also held 14.7 percent share in their sector's GDP. Most of this were passengers and goods transport services. In the recreational activities services industry, despite the fact that small enterprises in this sector held only 12.7 percent of total small enterprises' contribution to GDP, the roles of small enterprises in it was the most significant, sharing 52.2 percent of the sector's GDP.

Figure 4.30 Structure of Top 5 Contribution of SE to GDP in 2004



Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

2) Medium Enterprises - ME

Table 4.16 Top 5 Contribution of ME to Services Sector's GDP in 2004

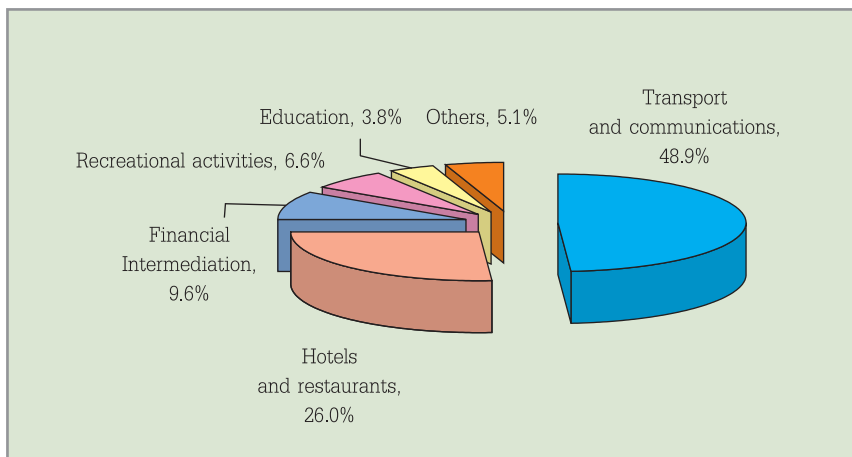
Industries	Contribution of ME in value (THB million)	Contribution of ME to the Sector's GDP
Transport and communications	124,816	48.9%
Hotels and restaurants	66,334	26.0%
Financial intermediation	24,495	9.6%
Recreational activities	16,863	6.6%
Education	9,779	3.8%
Total of top 5 business	242,287	94.9%
Others	12,935	5.1%
Total	255,222	100.0%

Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

In 2004, medium enterprises' contribution to the services sector's GDP valued at THB 255.2 billion, a 14.4 percent share of total services' GDP. Transport and communications was the industry with the highest proportion of medium enterprises' contribution to GDP at 48.9 percent or THB 124.8 billion in value. Hotels and restaurants industry shared 26.0 percent of medium enterprises' contribution at THB 66.3 billion. In conclusion, there were only two industries where the medium enterprises played the most crucial roles, namely, transport and communications and hotels and restaurants. This structure is different from that of their small counterparts since small enterprises are indiscriminately found in a variety of industries.

Figure 4.31 Structure of Top 5 ME Contributions to GDP in 2004



Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

3) Small and Medium Enterprises - SMEs

Table 4.17 Top 5 Contribution of SMEs Services Sector's GDP in 2004

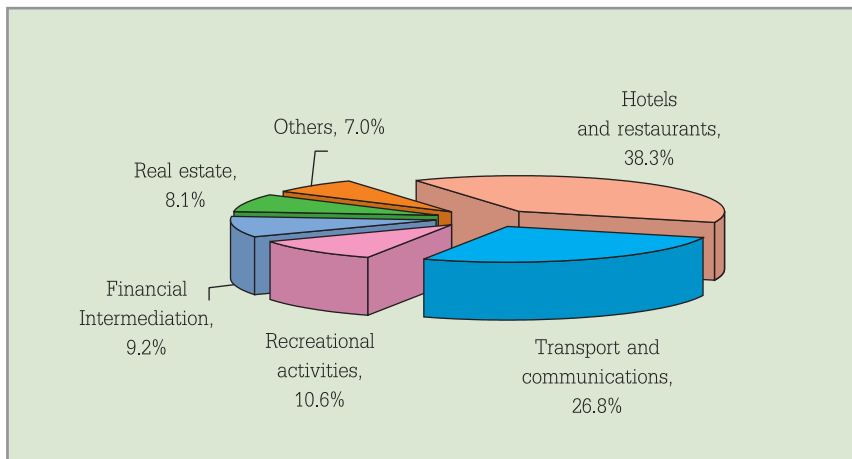
Industries	Contribution of SMEs in value (THB million)	Contribution of SMEs to the Sector's GDP
Hotels and restaurants	276,551	38.3%
Transport and communications	193,627	26.8%
Recreational activities	76,514	10.6%
Financial intermediation	66,546	9.2%
Real estate	58,546	8.1%
Total of top 5 business	491,784	93.0%
Others	230,814	7.0%
Total	722,598	100.0%

Source: the Office of National Economic and Social Development Board

Compiled by: the Office of Small and Medium Enterprises Promotion

The SMEs contribution to GDP generated by the services sector in 2004 valued at THB 722.6 billion or 40.9 percent of the sector's total GDP. Hotels and restaurants was the industry with the highest value added by SMEs at 38.3 percent of its total, or THB 276.6 billion in value. Over 76 percent of it was attributable by small enterprises. Transport and communications ranked second, having the GDP of THB 193.6 billion, or 26.8 percent of total SMEs contribution to GDP. Over 64 percent of this was generated by medium enterprises. The third industry in terms of contribution was recreational activities where its GDP amounted to THB 76.5 billion or 10.6 percent of the sector's total. Over 78 percent of it belonged to small enterprises. In short, for SMEs in the services sector, small enterprises held greater share of contribution to GDP than their medium counterparts, at the proportion of 65 to 35 percent.

Figure 4.32 Structure of Top 5 Services SMEs GDP in 2004



Source: the Office of National Economic and Social Development Board

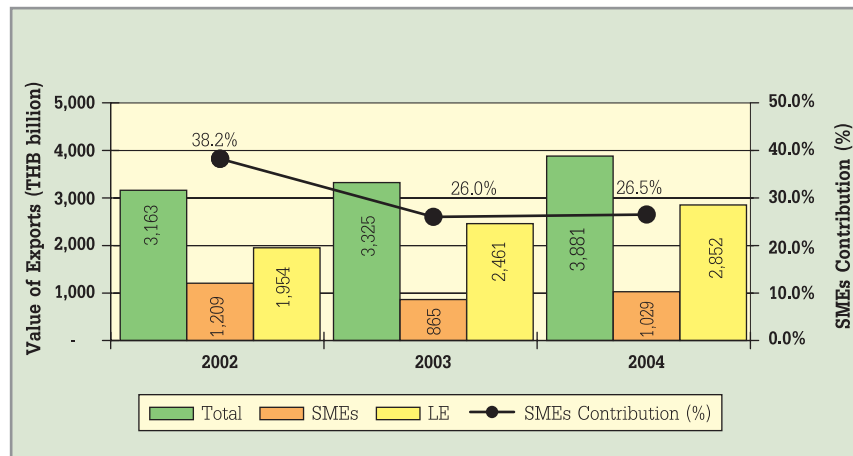
Compiled by: the Office of Small and Medium Enterprises Promotion

4.2 Role of SMEs in 2004 Exports

4.2.1 Role of SMEs in Total Thai Exports in 2004

Considering the structure of Thai export, it is obvious that large enterprises still had a dominant role. The value of exports in 2004 was THB 3,881 billion, a 16.7 percent increase from the previous year. Thai SMEs exports valued at THB 1,029 billion, expanding by 19.1 percent, slightly higher than the country's rate. This made the SMEs contribution to Thai export increase from 26.0 percent in 2003 to 26.5 percent in 2004.

Figure 4.33 Value of Exports by SMEs and their Contribution 2002-2004



Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Note: SMEs contribution to export decreased in 2003 due to updating of SMEs exporter data for 2003-2004 from the 2002 base

In the top 10 exports, SMEs were able to increase their exports in each of them. Cereals posted the highest growth, increasing in value by as much as 63.0 percent.

Its share in the total export receipts also rose from 52.7 percent in 2003 to 58.5 percent in 2004.

Plastics and articles thereof was the second top contributor to export growth. Its export value grew by 32.3 percent, increasing its contribution to export earnings from 28.9 percent in 2003 to 29.5 percent in 2004.

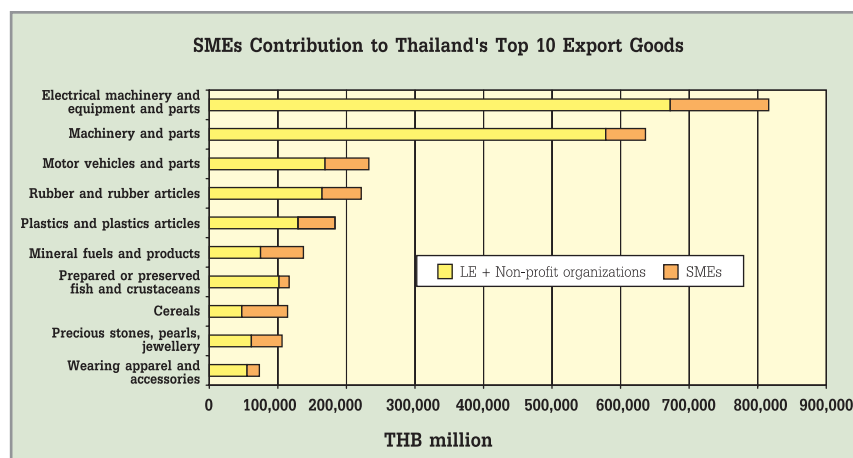
Table 4.18 SMEs Contribution in top 10 Exports, 2003-2004

Exports	2003 (THB million)			2004 (THB million)			SMEs Growth
	Total	SMEs	SMEs Contribution	Total	SMEs	SMEs Contribution	
Electrical machinery and equipment and parts	709,754.0	110,822.2	15.6%	816,270.4	143,876.9	17.6%	29.8%
Machinery and mechanical appliances and parts	533,537.3	46,353.1	8.7%	636,429.3	58,014.5	9.1%	25.2%
Motor vehicles and parts	171,621.3	54,761.7	31.9%	232,984.0	64,194.9	27.5%	17.2%
Rubber and articles thereof	184,617.0	50,702.5	27.5%	221,931.5	57,399.4	25.9%	13.2%
Plastics and articles thereof	141,680.4	40,945.6	28.9%	183,617.0	54,171.6	29.5%	32.3%
Mineral fuels, mineral oils and products	88,054.7	47,704.3	54.2%	137,513.3	62,751.6	45.6%	31.5%
Prepared or preserved fish and crustaceans	110,279.6	13,807.1	12.5%	116,645.6	14,929.1	12.8%	8.1%
Cereals	77,752.2	41,002.8	52.7%	114,349.5	66,838.3	58.5%	63.0%
Precious stones, pearls, jewelry, and precious metals	104,539.9	44,673.3	42.7%	106,289.1	44,895.7	42.2%	0.5%
Wearing apparel and accessories, knitted or crocheted	66,476.5	17,275.2	26.0%	73,298.2	18,231.2	24.9%	5.5%

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Figure 4.34 SMEs Contribution to Thailand's Major Export Goods in 2004



Source: the Customs Department

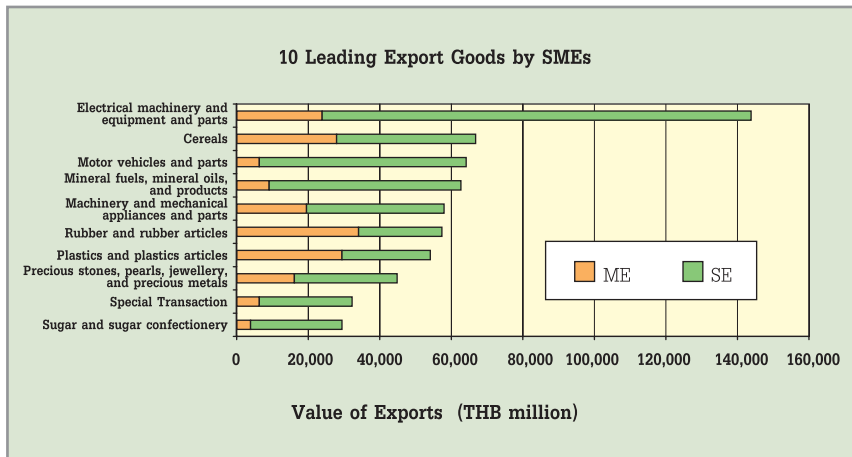
Compiled by: the Office of Small and Medium Enterprises Promotion

Table 4.18 and Figure 4.34 illustrated roles of SMEs in Thailand's top 10 exports in 2004. Despite the fact that the highest value of SMEs exports was in electrical machinery and equipment and parts, amounting to THB 143.9 billion, the greatest proportion of SMEs in exports was instead found in cereals at 58.5 percent. Mineral fuels, mineral oils and products, and precious stones and jewelry were among the exports with higher SMEs contribution of 45.6 and 42.2 percent, respectively. The share of SMEs in other major exports was at minimal level.

4.2.2 SMEs Major Export Goods

The list of top 10 exports by SMEs is different from the country's list. Electrical machinery and equipment and parts remained as the top export, followed by cereals and motor vehicles and parts. In many exports the small enterprises held remarkably larger share than medium enterprises, except in rubber and articles thereof as well as plastics and articles thereof.

Figure 4.35 top 10 Export Goods by SMEs in 2004



Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

1) Electrical Machinery and Equipment and Parts

**Table 4.19 Exports of Electrical Machinery and Equipment and Parts
by SMEs, 2003-2004**

Export Markets	2003 (THB million)			2004 (THB million)			SMEs % change from 2003
	SE	ME	SMEs	SE	ME	SMEs	
UNITED STATES	32,559.2	12,312.9	44,872.1	39,530.3	11,012.1	50,542.4	12.6%
JAPAN	17,282.1	4,271.3	21,553.4	21,645.7	7,101.1	28,746.8	33.4%
SINGAPORE	14,677.1	538.0	15,215.1	21,317.7	649.8	21,967.5	44.4%
MALAYSIA	1,684.8	321.3	2,006.1	4,835.1	465.8	5,300.9	164.2%
IRELAND	3,203.8	40.4	3,244.2	3,814.6	96.1	3,910.7	20.5%
CHINA	1,821.9	197.4	2,019.3	3,441.0	135.8	3,576.8	77.1%
UNITED KINGDOM	949.1	76.6	1,025.7	3,207.6	97.2	3,304.8	222.2%
CANADA	2,653.3	12.6	2,665.9	3,181.8	64.5	3,246.4	21.8%
HONG KONG	2,175.0	841.4	3,016.4	2,535.2	344.3	2,879.5	-4.5%
INDONESIA	1,510.1	115.5	1,625.6	2,019.1	190.6	2,209.7	35.9%
GERMANY	547.6	322.0	869.6	1,097.3	385.0	1,482.3	70.5%
DENMARK	1,049.4	119.5	1,168.9	1,105.0	253.6	1,358.6	16.2%
LAO REPUBLIC	1,024.0	34.3	1,058.3	1,160.2	42.4	1,202.6	13.6%
CZECH REPUBLIC	118.7	0.3	119.0	1,134.6	1.1	1,135.7	854.5%
SWEDEN	310.2	4.6	314.8	971.9	10.1	982.0	212.0%
NETHERLANDS	1,054.5	124.3	1,178.8	752.5	228.5	981.0	-16.8%
CAMBODIA	445.1	158.7	603.8	791.3	177.4	968.7	60.4%
VIETNAM	432.3	158.2	590.5	767.8	200.5	968.3	64.0%
BELGIUM	933.9	16.2	950.1	863.3	69.3	932.6	-1.9%
TAIWAN	298.0	379.0	677.0	482.1	380.4	862.5	27.4%
Total of electrical machinery export to 10 top markets	78,516.3	18,727.3	97,243.6	105,528.2	20,157.2	125,685.4	29.3%
Contribution to all markets exports	87.9%	87.1%	87.8%	88.0%	84.4%	87.4%	
Electrical machinery export to all markets	89,331.0	21,491.2	110,822.2	119,984.2	23,892.7	143,876.9	29.8%

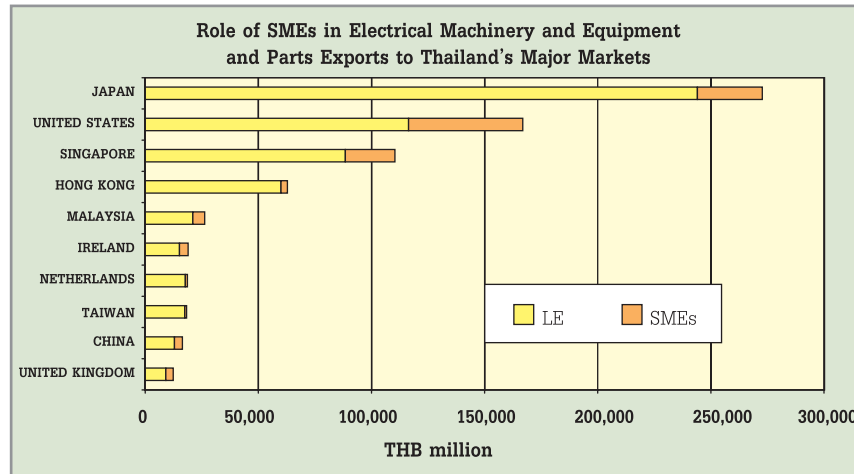
Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Electrical machinery and equipment and parts export had the highest contribution in both SMEs' and national lists. Records also showed that exports by small enterprises surpassed that of medium enterprises in every market. Major goods in this group comprised air conditioners, reception apparatus for television and computer equipment and accessories. The SMEs exports grew by 29.8 percent in 2004, with a rather significant increase in proportion of goods manufactured by small enterprises. The top 10 markets for SMEs export of electrical machinery and equipment and parts, by order of export value, were the US, Japan, Singapore, Malaysia, Ireland, China, the UK, Canada, Hong Kong and Indonesia respectively. The list remained unchanged compared to 2003 SMEs export market list. These 10 major markets accounted for 87.4 percent of SMEs export of this group of goods; the majority of them exported to the top 3 markets comprising the US, Japan, and Singapore.

The market where export of this group of goods rose sharply was Malaysia at a surge of 164.2 percent from the previous year. The United Kingdom market jumped even higher at 222.2 percent, while export to China grew by 77.1 percent. Besides these top 10 markets, export growth in some markets was notable though its volume was small compared to the major ones. For instance, Thai electrical machinery and equipment and parts export to the Czech Republic leaped by 854.5 percent, receipts from Sweden went up by 212.0 percent, sales to Cambodia went up by 60.4 percent, and export to Vietnam grew by 64.0 percent. Records also showed that SMEs exports increased both in European countries and in ASEAN, Thailand's neighboring countries. In addition, the leading 10 markets for Thai large enterprises exports, which were also the country's leading 10 export markets, were Japan, the US, Singapore, Hong Kong, Malaysia, Ireland, the Netherlands, Taiwan, China and the United Kingdom. Comparing markets taken by different sizes of enterprises, it is found that most of the top ones are the same group of countries. However, the share of SMEs in export of this group of goods to each country was still very small compared to that of larger enterprises.

Figure 4.36 Role of SMEs in Electrical Machinery and Equipment and Parts Exports to Thailand's Major Markets



Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

2) Cereals

The top markets for SMEs export of cereals were similar to that of 2003, while changes happened in lower ranking markets. Japan moved down from 10 to 19, while Indonesia, Switzerland, the Philippines, and Italy were no longer at the top 20. New markets entering the top 20 in 2004 included the British Virgin Islands, Russia, Yemen, and Brunei with export growth rates of 1,509.6, 1,665.6, 214.3 and 258.4 percent, respectively.

SMEs export of cereals expanded rapidly in many of the top 10 markets, namely Iran, the UK, China, and Singapore. Export to Hong Kong registered a slight fall, while a larger decrease was recorded for Japan and Taiwan. Cereals tended to have a wide and well-balanced distribution. Its exports to the top 10 markets accounted for 70.7 percent of total SMEs exports, about the same proportion as the previous year.

For overall cereal exports, meaning large enterprises and SMEs exports combined, the top 10 markets were as follow: Singapore, China, Malaysia, the US, Iraq, France, Hong Kong, the UK, Iran, and the British Virgin Islands. SMEs exports held considerable share in many of these countries, in contrast to Switzerland, Nigeria, Iran, and South Africa, where large enterprises obviously dominated the market.

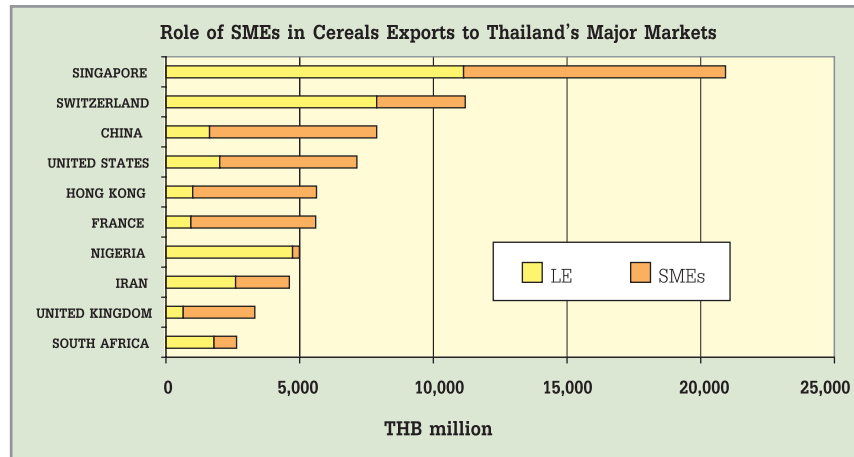
Table 4.20 Export of Cereals by SMEs to Different Markets, 2003-2004

Export Markets	2003 (THB million)			2004 (THB million)			SMEs % change from 2003
	SE	ME	SMEs	SE	ME	SMEs	
SINGAPORE	3,075.7	2,088.9	5,164.6	3,355.5	6,444.1	9,799.6	89.8%
CHINA	1,568.8	1,106.6	2,675.4	4,817.7	1,436.6	6,254.3	133.8%
MALAYSIA	2,178.4	1,756.9	3,935.3	3,919.9	2,097.1	6,017.0	52.9%
UNITED STATES	1,734.6	2,750.2	4,484.8	1,989.5	3,147.3	5,136.8	14.5%
IRAQ	686.3	2,890.3	3,576.6	1,733.0	3,183.2	4,916.2	37.5%
FRANCE	2,561.0	206.3	2,767.3	4,350.7	323.6	4,674.3	68.9%
HONG KONG	3,564.7	1,128.3	4,693.0	3,540.1	1,093.3	4,633.4	-1.3%
UNITED KINGDOM	960.6	141.9	1,102.5	2,229.2	450.9	2,680.1	143.1%
IRAN	273.1	-	273.1	1,673.2	344.1	2,017.3	638.5%
VIRGIN ISLANDS (BRITISH)	70.0	1.5	71.5	1,056.8	93.1	1,149.9	1509.7%
CANADA	310.7	540.9	851.6	416.0	711.1	1,127.1	32.4%
SOUTH AFRICA	404.4	37.7	442.1	801.5	47.1	848.6	91.9%
AUSTRALIA	254.3	305.1	559.4	509.5	310.3	819.8	46.6%
RUSSIAN FEDERATION	42.2	1.8	44.0	652.8	124.4	777.2	1665.6%
YEMEN	194.3	15.9	210.2	478.6	181.9	660.5	214.3%
BRUNEI	179.6	-	179.6	643.5	-	643.5	258.4%
SAUDI ARABIA	234.3	108.1	342.4	455.0	182.5	637.5	86.2%
TAIWAN	367.7	371.6	739.3	492.6	139.9	632.5	-14.4%
JAPAN	705.4	206.9	912.3	447.8	66.2	514.0	-43.7%
UNITED ARAB EMIRATES	367.0	12.6	379.6	457.6	55.9	513.5	35.3%
Total of cereals export to 10 top markets	16,673.1	12,070.7	28,743.8	28,665.3	18,613.0	47,278.3	64.5%
Contribution to all markets exports	68.9%	71.8%	70.1%	7375%	66.7%	70.7%	
Cereals export to all markets	24,188.1	16,814.7	41,002.8	38,918.7	27,919.5	66,838.0	63.0%

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Figures 4.37 Role of SMEs in Cereals Exports to Thailand's Major Markets



Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

3) Motor Vehicles and Parts

Top performers in this group i.e. motorcycles and cars and parts were generally produced by large enterprises since they required higher levels of technology and capital. Consequently, the SMEs assumed the roles of suppliers for automobile parts, accessories, and spare parts for their large counterparts. Major markets for SMEs exports included the Netherlands, Japan, Singapore, Australia, Indonesia, Sweden, Cambodia, Myanmar, the US, and Laos. About 89.0 percent of SMEs exports of motor vehicles and parts went to these markets. Countries with higher growth of this group of export goods included: Myanmar, Indonesia, and the US. Though most of the top markets for SMEs were similar to those on the country's list, the proportion of SMEs exports, compared to large enterprises, was very limited in every market except the Netherlands.

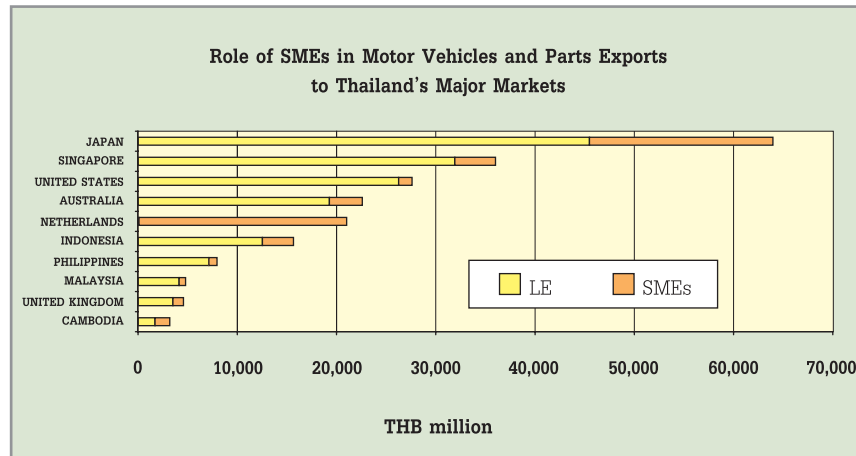
Table 4.21 Export of Motor Vehicle and Parts by SMEs to Different Markets, 2003-2004

Export Markets	2003 (THB million)			2004 (THB million)			SMEs % change from 2003
	SE	ME	SMEs	SE	ME	SMEs	
NETHERLANDS	21,115.3	19.1	21,134.4	20,933.5	12.1	20,945.6	-0.9%
JAPAN	12,392.5	1,869.6	14,262.1	16,354.3	2,139.9	18,494.2	29.7%
SINGAPORE	2,848.6	423.6	3,272.2	3,683.8	425.6	4,109.4	25.6%
AUSTRALIA	2,754.7	215.3	2,970.0	3,056.5	273.4	3,329.9	12.1%
INDONESIA	1,478.9	334.2	1,813.1	2,417.1	717.3	3,134.4	72.9%
SWEDEN	1,610.1	2.9	1,613.0	1,733.8	1.5	1,735.3	7.6%
CAMBODIA	1,390.2	55.3	1,445.5	1,485.8	5.2	1,491.0	3.2%
MYANMAR	680.9	67.4	748.3	1,325.5	106.8	1,432.3	91.4%
UNITED STATES	302.2	537.0	839.2	391.9	975.5	1,367.4	62.9%
LAO REPUBLIC	1,009.1	14.4	1,023.5	1,089.5	33.5	1,123.0	9.7%
UNITED KINGDOM	546.4	139.7	686.1	919.5	155.0	1,074.5	56.6%
PHILIPPINES	965.7	28.2	993.9	790.6	40.7	831.3	-16.4%
MALAYSIA	380.1	243.4	623.5	377.4	282.8	660.2	5.9%
CHINA	474.9	35.9	510.8	436.3	44.5	480.8	-5.9%
PAKISTAN	118.9	20.9	139.8	285.7	28.0	313.7	124.5%
UNITED ARAB EMIRATES	177.4	95.8	273.2	170.3	102.6	272.9	-0.5%
SOUTH AFRICA	29.9	12.6	42.5	189.6	26.5	216.1	408.9%
HONG KONG	36.9	47.4	84.3	182.5	22.9	205.4	143.7%
TAIWAN	79.0	64.6	143.6	95.9	104.6	200.5	39.7%
ITALY	57.6	55.5	113.1	127.8	67.9	195.7	73.0%
Total of motor vehicles and parts export to 10 top markets	45,582.3	3,538.7	49,121.0	52,471.7	4,690.8	57,162.5	16.4%
Contribution to all markets exports	91.7%	70.2%	89.7%	90.7%	74.0%	89.0%	
Motor vehicles and parts export to all markets	49,721.1	5,040.7	54,761.7	57,854.2	6,340.6	64,194.9	17.2%

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Figure 4.38 Role of SMEs in Motor Vehicles and Parts Exports to Thailand's Major Market



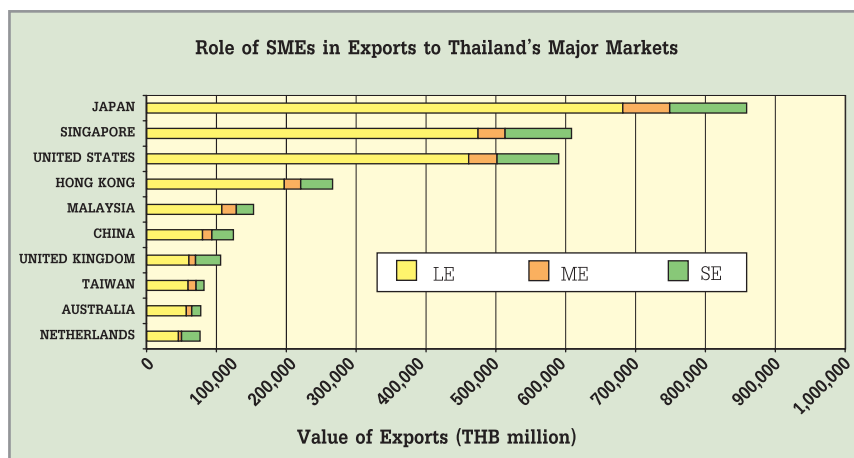
Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

4.2.3 Major SMEs Export Markets

The top 5 SMEs export markets were similar to the country's top 5 i.e. Japan, Singapore, the US, Hong Kong, and Malaysia. SMEs' share, however, were very small compared to large enterprises. In almost all of the top markets, small enterprises had a larger share than their medium counterparts. The smaller markets' list was also similar to the country's list, with some difference in order, and more exports to neighboring countries such as Cambodia, Myanmar, and Laos. These countries, by value of exports, were not listed in the country's top 20 export markets.

Figure 4.39 Role of SMEs in Exports to Thailand's Major Markets in 2004



Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Table 4.22 Leading Markets for Exports by SMEs in 2004

Export Markets	Value of Exports (THB million)		
	SE	ME	SMEs
JAPAN	67,233.0	110,217.9	177,450.9
SINGAPORE	38,748.1	95,234.9	133,983.0
UNITED STATES	40,843.0	88,468.4	129,311.4
HONG KONG	23,698.0	45,729.7	69,427.7
MALAYSIA	20,834.2	24,792.7	45,626.9
UNITED KINGDOM	9,554.4	36,016.4	45,570.8
CHINA	13,351.3	30,891.2	44,242.5
NETHERLANDS	4,306.9	26,820.4	31,127.3
TAIWAN	11,461.8	11,553.2	23,015.0
AUSTRALIA	7,860.2	13,044.5	20,904.7
INDONESIA	7,041.1	11,458.5	18,499.6
GERMANY	5,743.3	11,078.7	16,822.0
VIETNAM	4,674.2	11,645.4	16,319.6
CAMBODIA	2,896.4	11,544.2	14,440.6
FRANCE	3,561.8	10,856.6	14,418.4
UNITED ARAB EMIRATES	4,040.1	9,262.4	13,302.5

Export Markets	Value of Exports (THB million)		
	SE	ME	SMEs
MYANMAR	2,100.9	11,118.1	13,219.0
KOREA, REPUBLIC OF	7,319.4	5,686.0	13,005.4
SWITZERLAND	6,556.0	6,288.3	12,844.3
LAO REPUBLIC	1,315.4	10,716.1	12,031.5
Total of leading markets	283,139.5	582,423.5	865,563.0
Total exports by SMEs	329,879.1	699,628.4	1,029,507.5

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

1) Japan

Top performers in exports by Thai small enterprises to Japan included: organic chemicals, electrical machinery and equipment, machinery and mechanical appliances, plastics and articles thereof, and mineral fuels, mineral oils and products. These top 10 products accounted for 67.4 percent of overall exports by medium enterprises to Japan.

Table 4.23 Exports by ME to Japan in 2004

Export Goods	Value (THB million)
Organic chemicals	9,834.3
Electrical machinery and equipment and parts	7,101.0
Machinery and mechanical appliances and parts	6,091.6
Plastics and articles thereof	5,576.7
Mineral fuels, mineral oils and products	4,103.0
Furniture, mattresses, and lamps and lighting fittings	3,314.7
Rubber and articles thereof	2,948.1
Articles of iron or steel	2,906.3
Motor vehicles and parts	2,139.9
Tin and tin articles	1,282.8
Total exports by ME in top 10 goods	45,298.5
Total exports by ME to Japan	67,233.0

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

As for exports by small enterprises, top contributors were different from those of medium enterprises, with electrical machinery and equipment and parts, machinery and mechanical appliances and parts, and motor vehicles and parts topping the list. These top ten export goods together contributed to 77.7 percent of overall exports by small enterprises to Japan.

Table 4.24 Exports by SE to Japan in 2004

Export Goods	Value (THB million)
Electrical machinery and equipment and parts	21,645.7
Machinery and mechanical appliances and parts	18,056.1
Motor vehicles and parts	16,354.3
Mineral fuels, mineral oils and products	10,082.7
Optical, Medical, and Photographic Instruments and apparatus	7,854.4
Ceramic products	3,054.9
Plastic and plastic articles	2,831.9
Fish, crustaceans, and other aquatic invertebrates	2,421.0
Furniture, mattresses, and lamps and lighting fittings	1,679.2
Precious stones, pearls, jewelry, and precious metals	1,656.6
Total exports by SE in top 10 goods	85,636.8
Total exports by SE to Japan	110,217.9

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

2) Singapore

Singapore was the second top market for exports by Thai SMEs. The leading exports by medium enterprises to Singapore comprised rubber and articles thereof and cereals. The top 10 performers accounted for as high as 76.4 percent of overall exports by medium enterprises to the island state.

Table 4.25 Exports by ME to Singapore in 2004

Export Goods	Value (THB million)
Rubber and articles thereof	9,557.3
Cereals	6,444.0
Plastics and articles thereof	2,976.9
Machinery and mechanical appliances and parts	2,576.2
Furniture, mattresses, and lamps and lighting fittings	1,919.8
Special Transaction	1,426.5
Mineral fuels, mineral oils and products	1,417.8
Organic chemicals	1,298.8
Articles of iron or steel	1,134.2
Paper and paperboard and articles thereof	869.7
Total exports by ME in top 10 goods	29,621.4
Total exports by ME to Singapore	38,748.1

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Records showed that about a half of exports by small enterprises to Singapore was from its top 2 groups of goods i.e. fuels and electrical machinery and equipment. The top 10 exports by small enterprises accounted for 81.6 percent of their overall exports to Singapore.

Table 4.26 Exports by SE to Singapore in 2004

Export Goods	Value (THB million)
Mineral fuels, mineral oils and products	26,932.9
Electrical machinery and equipment and parts	21,317.7
Special Transaction	5,245.6
Rubber and articles thereof	4,662.1
Machinery and mechanical appliances and parts	4,172.4
Motor vehicles and parts	3,683.8
Plastics and articles thereof	3,429.9
Cereals	3,355.5
Sugars and sugar confectionery	2,722.3
Edible vegetables and certain roots and tubers	2,225.5
Total exports by SE in top 10 goods	77,747.7
Total exports by SE to Singapore	95,234.9

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

3) the US

Electrical machinery and equipment and parts, precious stones and jewelry, cereals, wearing apparel and accessories, knitted or crocheted, and machinery and mechanical appliances and parts, were among Thai medium enterprises' top performers in US market. These top 10 goods accounted for 74.4 percent of overall exports by Thai medium enterprises to the US.

Table 4.27 Exports by ME to the US in 2004

Export Goods	Value (THB million)
Electrical machinery and equipment and parts	11,012.1
Precious stones, pearls, jewelry, and precious metals	3,890.7
Cereals	3,147.3
Wearing apparel and accessories, knitted or crocheted	2,362.7
Machinery and mechanical appliances and parts	2,359.4
Furniture, mattresses, and lamps and lighting fittings	1,998.1
Rubber and articles thereof	1,855.6
Plastics and articles thereof	1,340.4
Wearing apparel and accessories, not knitted or crocheted	1,301.7
Miscellaneous articles of base metal	1,101.5
Total exports by ME in top 10 goods	30,369.5
Total exports by ME to the US	40,843.0

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

Electrical machinery and equipment and parts, textiles and fashion products such as wearing apparel and accessories, precious stones and jewelry, and prepared or preserved fish and crustaceans were among the top exports by small enterprises to the US. The top 10 contributors together shared 77.9 percent of overall exports by small enterprises to the US.

Table 4.28 Exports by SE to the US in 2004

Export Goods	Value (THB million)
Electrical machinery and equipment and parts	39,530.3
Wearing apparel and accessories, not knitted or crocheted	7,487.3
Precious stones, pearls, jewelry, and precious metals	5,702.3
Wearing apparel and accessories, knitted or crocheted	3,612.5
Prepared or preserved fish and crustaceans	3,219.1
Special Transaction	2,439.1
Cereals	1,989.5
Machinery and mechanical appliances and parts	1,778.7
Furniture, mattresses, and lamps and lighting fittings	1,667.4
Iron and steel	1,568.4
Total exports by SE in top 10 goods	68,994.7
Total exports by SE to the US	88,468.4

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

4) Hong Kong

Exports by medium enterprises to Hong Kong tended to enjoy a great diversity with top performers comprising of plastics and articles thereof, precious stones and jewelry, and iron and steel. The top 10 exports by medium enterprises accounted for 67.2 percent of their overall exports to Hong Kong.

Table 4.29 Exports by ME to Hong Kong in 2004

Export Goods	Value (THB million)
Plastics and articles thereof	4,214.1
Precious stones, pearls, jewelry, and precious metals	2,603.0
Iron and steel	1,542.6
Raw hides and skins (other than furskins) and leather	1,431.0
Paper and paperboard and articles thereof	1,420.0
Rubber and articles thereof	1,241.4
Cereals	1,093.3
Special Transaction	897.4
Cotton	776.0
Wood and articles of wood; wood charcoal	710.6
Total exports by ME in top 10 goods	15,929.4
Total exports by ME to Hong Kong	23,698.0

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

The structure of exports by Thai small enterprises to Hong Kong was as diverse as that of medium enterprises. The top contributors were plastics and articles thereof, cereals, rubber and articles thereof, precious stones, pearls, jewelry, and precious metals. These top 10 products accounted for 67.4 percent of exports by small enterprises to Hong Kong.

Table 4.30 Exports by SE to Hong Kong in 2004

Export Goods	Value (THB million)
Plastics and articles thereof	6,092.6
Cereals	3,540.1
Rubber and articles thereof	3,424.0
Precious stones, pearls, jewelry, and precious metals	3,011.8
Special Transaction	2,687.4
Iron and steel	2,666.7
Edible vegetables and certain roots and tubers	2,554.4
Electrical machinery and equipment and parts	2,535.2
Sugars and sugar confectionery	2,402.2
Wood and articles of wood; wood charcoal	1,903.5
Total exports by SE in top 10 goods	30,817.9
Total exports by SE to Hong Kong	45,729.7

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

5) Malaysia

Export by Thai medium enterprises to Malaysia was simply dominated by rubber and articles thereof. This group of product alone accounted for as much as 40 percent of the total exports by medium enterprises to the country. Cereals, plastics and articles thereof, and paper and paperboard were among the top performers. The 10 of them together accounted for 77.1 percent of all exports by medium enterprises to Malaysia.

Table 4.31 Exports by ME to Malaysia in 2004

Export Goods	Value (THB million)
Rubber and articles thereof	8,105.4
Cereals	2,097.1
Plastics and articles thereof	1,648.7
Paper and paperboard and articles thereof	1,203.5
Machinery and mechanical appliances and parts	660.3
Wood and articles of wood; wood charcoal	567.1
Raw hides and skins (other than furskins) and leather	506.0
Electrical machinery and equipment and parts	465.8
Fish, crustaceans, and other aquatic invertebrates	458.5
Salt; sulfur; earths and stone; plastering materials	359.1
Total exports by ME in top 10 goods	16,071.4
Total exports by ME to Malaysia	20,834.2

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

The top contributors in exports of small enterprises were electrical machinery and equipment and parts, cereals, rubber and articles thereof. This differed greatly from what was found in exports by medium enterprises. The 10 top export goods by small enterprises accounted for 70.1 percent of their overall exports to Malaysia.

Table 4.32 Exports by SE to Malaysia in 2004

Export Goods	Value (THB million)
Electrical machinery and equipment and parts	4,835.1
Cereals	3,919.9
Rubber and articles thereof	2,674.5
Fish, crustaceans, and other aquatic invertebrates	1,219.5
Machinery and mechanical appliances and parts	1,191.3
Plastics and articles thereof	1,040.1
Special Transaction	705.2
Articles of iron or steel	639.3
Soap, washing preparations, artificial waxes, candles	590.2
Wood and articles of wood; wood charcoal	552.3
Total exports by SE in top 10 goods	17,367.5
Total exports by SE to Malaysia	24,792.7

Source: the Customs Department

Compiled by: the Office of Small and Medium Enterprises Promotion

4.3 Trade and Service Sentiment Index by Quarter in 2004 and 2005 Outlook

The Office of Small and Medium Enterprises Promotion, in collaboration with the Bureau of Trade and Economic Indices, Ministry of Commerce, the Thai Chamber of Commerce, and the Center for Economic and Business Forecasting, the University of Thai Chamber of Commerce, developed the Trade and Service Sentiment Index - TSSI as a tool to monitor sentiments among Thai entrepreneurs in the trade and services sectors. The survey used a total of 4,550 participants as its sample group. These entrepreneurs are based in 25 provinces across the country including Bangkok, Pathum Thani, Samut Prakan, Nonthaburi, Samut Sakhon, Phra Nakhon Si Ayutthaya, Chon Buri, Kanchanaburi, Phetchaburi, Chanthaburi, Sa Kaeo, Prachin Buri, Khon Kaen, Nakhon Ratchasima, Udon Thani, Ubon Ratchathani, Nong Khai, Phitsanulok, Chiang Mai, Chiang Rai, Tak, Phuket, Trang, Surat Thani, and Songkhla.

The TSSI reflects entrepreneurs' perceptions of certain aspects of their own business compared to the recent period. A reading of 50 represents a stable situation where entrepreneurs see no changes affecting their business. The sentiment index of greater than 50 represents the state where entrepreneurs are being optimistic, while ones below 50 reflect that they have negative perceptions towards situations facing them.

4.3.1 The 2004 Sentiment Index

The Thai economy expanded by 6.1 percent in 2004, down from 6.9 the previous year, with a quarterly growth of 6.7, 6.4, 6.1 and 5.3 percent, respectively. This was due mainly to the slowing domestic demands both in private consumptions and private investments. The Trade and Service Sentiment Index (TSSI), which reflected impacts caused by a variety of important economic factors, continued to decline

between Q1 to Q3, then recovered in Q4 owing to the tourism season cycle which helped improve situations facing the trade and service sectors.

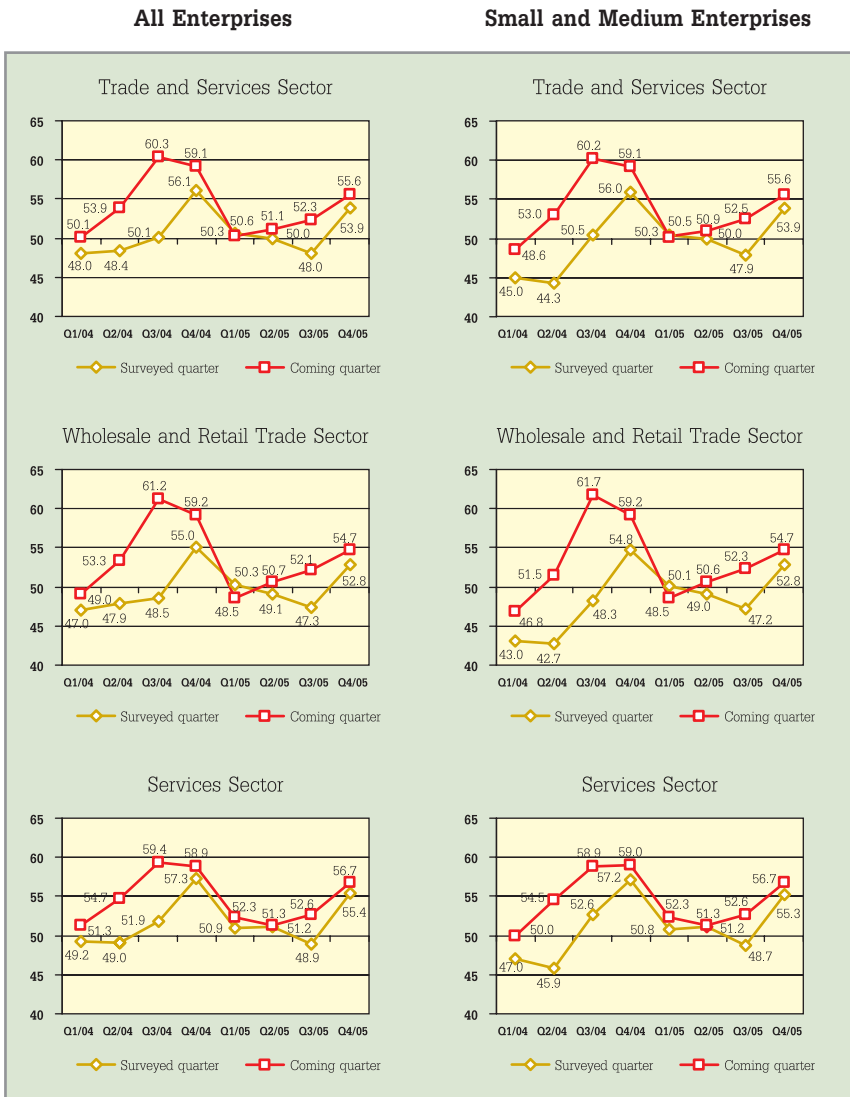
In the first quarter of 2004, the Thai economy experienced some difficulties including the outbreak of bird flu, unrest in Southernmost provinces affecting consumer confidence and obstructing routine economic activities in the areas, as well as the excess of imports over exports. These factors put pressures on the entrepreneurs' confidence resulting in SMEs Trade and Service Sentiment Index of 50.3. This continued through the second quarter when the index lowered to 50.0 due to rising energy costs, particularly affected the entrepreneurs in the trade sector (wholesale and retail).

The TSSI in the third quarter continued to decline, dropping under 50 for the first time in the past 5 quarters. It was due to the rise in oil prices, the second outbreak of bird flu, and the trend of slowdown in Thai economy. The TSSI readings of all enterprises and SMEs TSSI were at 48.0 and 47.9, respectively. It was recorded that confidence deterioration among SMEs was more rapid than that experienced by large enterprises. This reflected the fact that in any economy experiencing changes, the smaller enterprises were the ones getting the impacts, either positive or negative, before their larger counterparts.

In the final quarter of 2004, Thai economy grew at a slower pace than the previous quarter due to oil prices, drought, and increasing interest rates. Rising prices in agricultural goods and oil prices caused inflation to surge. However, entrepreneurs were still positive about the country's overall economy and the confidence in trade and services sectors remained stable. Some positive factors were also added by the government i.e. supplementary budget and investments in large- scaled infrastructure projects. With the Christmas and New Year festivals approaching, most trade and services entrepreneurs gained confidence in their business. The TSSI bounced to above 50, with general TSSI rising from 48.0 to 53.9. The SMEs TSSI also registered

an increase from 47.9 to 53.9. However, a couple of downside factors lingered in this quarter such as high oil and gas prices and a rising trend in public utility prices.

Figure 4.40 The 2004 Sentiment Index



Compiled by: the Office of Small and Medium Enterprises Promotion

Table 4.33 showed the trade and services entrepreneurs sentiment in each industry. This comprised wholesale with wholesales of construction materials, consumer products, and agricultural products, and retails with traditional retail shops, modern retail shops, and cars/motorcycles retail shops, and services; comprising restaurants, hotels, transport, recreational/cultural/sports activities, tourism, health, real estate, and construction.

Table 4.33 Sentiment Index by Industry; Q1-4, 2004

Indexes	Current				Outlook			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1. Wholesale Sector	50.9	50.0	47.0	53.4	48.8	51.3	52.2	54.6
1.1 Construction materials	53.7	52.2	45.9	56.7	46.5	50.1	51.9	55.9
1.2 Consumer products	49.9	48.5	49.0	52.1	49.9	52.0	52.6	53.6
1.3 Agricultural products	50.9	54.3	44.2	56.7	47.8	49.5	52.8	55.9
2. Retail Sector	49.7	48.5	47.6	52.4	48.2	50.2	52.5	54.7
2.1 Traditional retail shop	49.5	47.2	46.5	51.8	47.7	49.6	51.2	53.5
2.2 Modern retail shop	48.2	49.3	47.5	52.3	49.4	50.7	55.3	57.6
2.3 Cars/motorcycles	53.9	52.5	46.5	54.7	48.8	51.3	51.4	54.8
3. Services Sector	50.8	51.3	48.7	55.3	52.3	51.2	52.5	56.7
3.1 Restaurants	47.9	46.2	47.5	56.8	51.1	50.4	53.9	57.9
3.2 Hotels	52.2	51.6	50.5	62.9	53.3	54.2	52.4	58.6
3.3 Transport	55.4	53.7	51.0	55.2	52.2	51.2	53.4	55.9
3.4 Recreational/cultural/ sports activities	50.1	53.0	48.6	52.1	51.6	50.6	52.9	56.1
3.5 Tourism	51.5	57.7	48.6	63.4	54.0	49.0	59.8	63.3
3.6 Health	50.5	49.5	49.3	51.8	52.6	53.1	51.8	54.0
3.7 Real estate	48.2	48.4	49.3	53.2	50.1	50.8	50.9	51.7
3.8 Construction	52.2	55.7	47.7	52.6	53.4	51.2	51.1	59.6

Compiled by: the Office of Small and Medium Enterprises Promotion

In the first quarter of 2004, entrepreneurs in wholesale of construction materials and retail of cars/motorcycles showed confidence in their business, while those in modern retail shops had a lower sentiment index. In services sector, records showed that entrepreneurs with TSSI lower than 50 were those in restaurants and real estate services. Hotels and construction entrepreneurs were more positive, while those

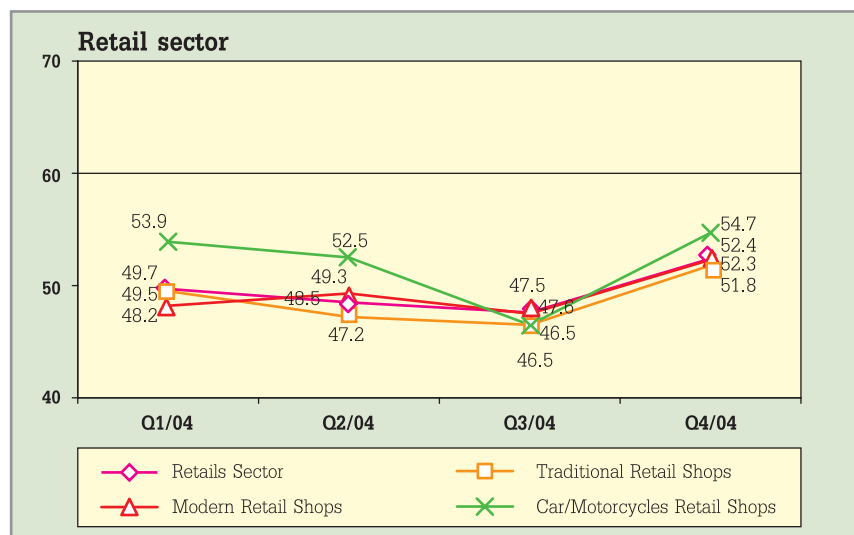
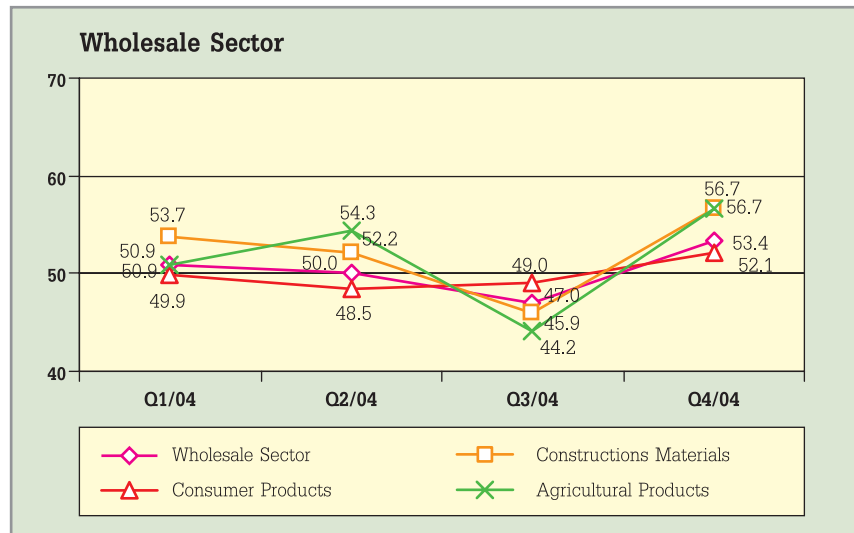
with stable TSSI included recreational/cultural/sports activities, tourism, and health services.

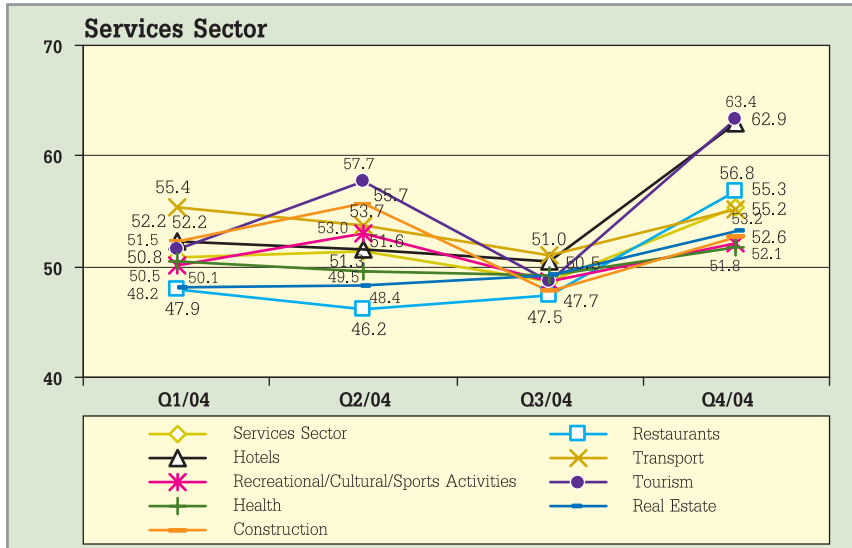
During the second quarter, confidence remained high among trade and services entrepreneurs. The TSSI in wholesale of consumer products and retail slightly lowered. On the contrary, the sentiment index among services entrepreneurs i.e. recreational/cultural/sports activities, tourism, and construction increased, coincided with the expansion in tourism industry in this quarter.

In the third quarter, the TSSI fell to under 50 for almost all industries except hotels and transport. Entrepreneurs in every industry under trade and services sectors experienced the impact of rising oil prices and the second outbreak of bird flu. Those in wholesale of agricultural products were seriously affected by the sector's shrinkage which continued for 3 consecutive quarters, resulting in weakened purchasing power and the TSSI reading of 44.2.

Despite the slowing economy of 2004, the last quarter saw a number of supporting factors including measures taken by the government such as the supplementary budget and the approaching Christmas and New Year festivals. Entrepreneurs' confidence in the trade sector was boosted by the customers' spending, while services entered the tourism high season. All industries in trade and services gave the TSSI of higher than 50. The greatest rise was found in the services sector, either in health services, recreational activities, construction, or real estate, especially in hotels and tourism where it jumped to above 60, by far the highest among groups of entrepreneurs (Figure 4.41).

Figure 4.41 Trade and Services Sentiment Index among SMEs
Q1-Q4 2004 by Sector:





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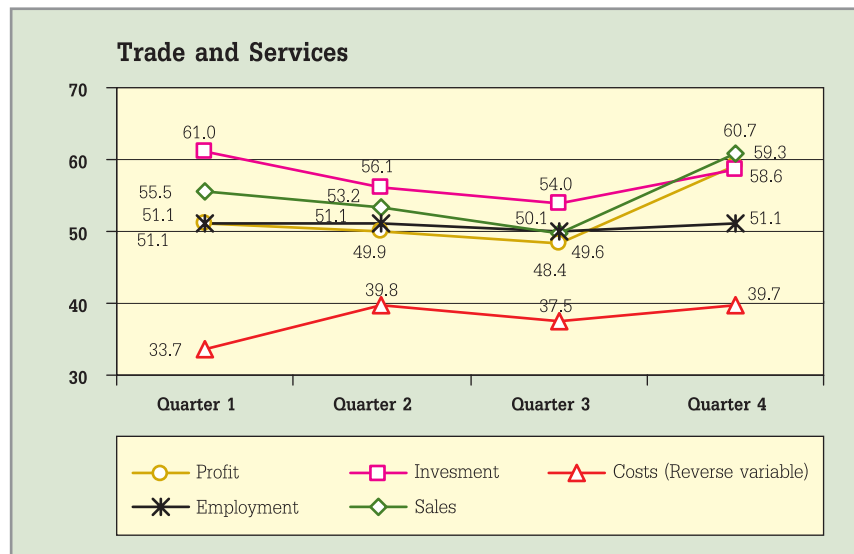
4.3.2 Sentiment Index among SMEs by Index Component

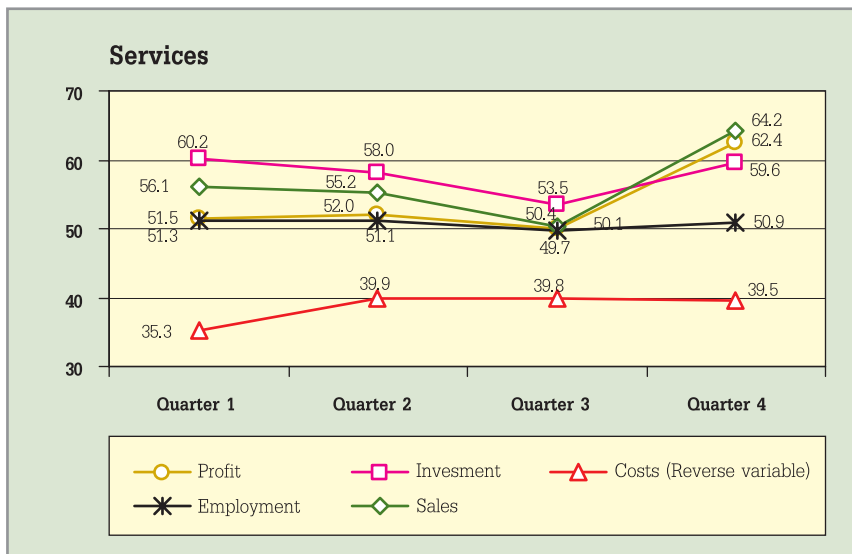
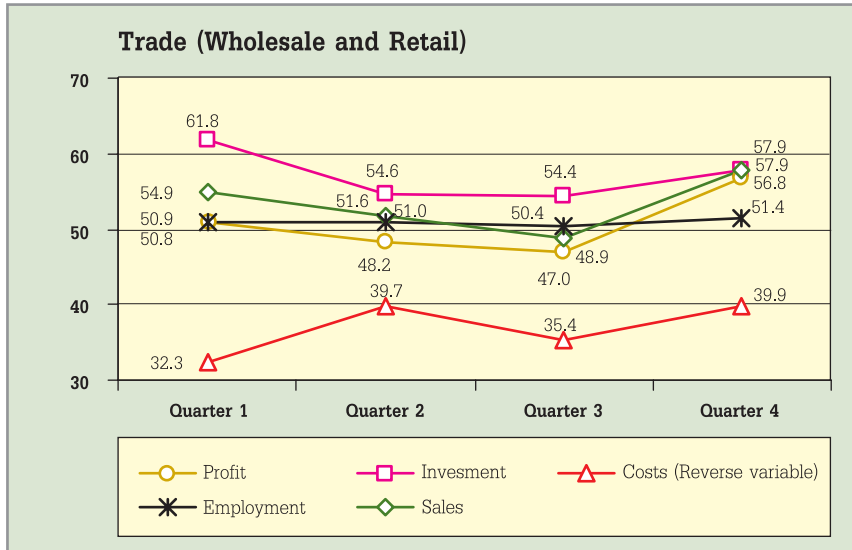
The sentiment index components comprise profit, investment, costs, employment, and sales. These factors were used to measure business confidence. It was found that confidence in performance, investment, and order books were responsive to each other in both direction and level. They are also the most important factors affecting the entrepreneurs' confidence in their business. In general, the employment confidence index did not undergo great changes between the quarters owing to the fact that investment expansion decision making required time. The entrepreneurs needed to explore their plans thoroughly and be well-prepared on capital and business timing in order to make such decision.

SMEs confidence levels in each component, namely profit, investment, costs, employment, and sales, continued to decline throughout the first, second, and third quarters. The most important factor affecting this was oil prices, which caused impacts on major industries in trade and services including wholesale, retail of

cars/motorcycles, and services businesses, especially tourism and construction. Index reading on employment also slightly decreased. In the fourth quarter, however, all components bounced back owing to economic cycle when approaching the end of the year. Increase in sales helped boost business performance despite the relatively low costs index which kept on affecting business. In summary, the investment and employment indexes went through the changes as did the country's economy, but only at moderate levels. The costs index remained low throughout the year, reflecting the trade and services entrepreneurs' concerns over the impact of rising oil prices on their costs (Figure 4.42).

Figure 4.42 Trade and Services Sentiment Index among SMEs in 2004 by Index Component



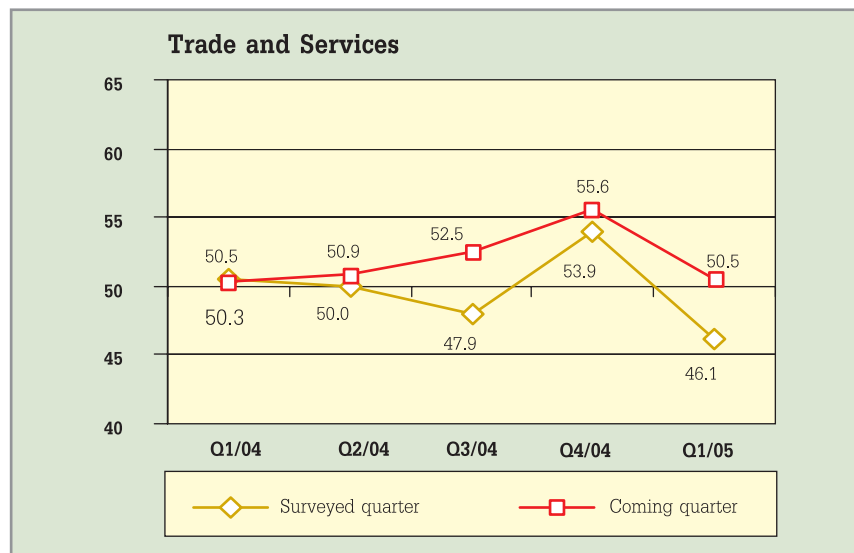


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4.3.3 Trade and Services Sentiment Index among SMEs in Q1, 2005

In 2004, the TSSI surveys were conducted on the monthly basis in order to create a quick, continuous, updated, and precise monitoring system to keep track of situations facing trade and services. The number of samples was expanded to 2,350 entrepreneurs, located in 14 provinces across the country namely, Bangkok, Samut Prakan, Phra Nakhon Si Ayutthaya, Saraburi, Chon Buri, Khon Kaen, Nakhon Ratchasima, Ubon Ratchathani, Lampang, Phitsanulok, Chiang Mai, Phuket, Surat Thani, and Songkhla. The SMEs TSSI reading for the first quarter of 2005 was 46.1, down from 53.9 the last quarter of 2003. The outlook index for the following quarter also declined from 55.6 the fourth quarter of 2003 to 50.5. This proved that business sentiment among trade and services entrepreneurs was not on the optimistic side since oil prices continued to climb, putting pressures on public utility prices or even causing a sluggish economy (Figure 4.43).

Figure 4.43 Trade and Maintenance Sentiment Index among SMEs in Q1 2005



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4.3.4 Conclusions and Entrepreneurs' Recommendations

In 2004 the TSSI clearly reflected the entrepreneurs' concerns over the downside factors affecting Thai economy in each quarter. The direction of SMEs entrepreneurs' confidence was found to be in accordance with that of the overall enterprises (SMEs and large enterprises combined), a downward trend caused by factors such as increasing costs of operations from rising oil and gas prices, and high competition within the industry. The entrepreneurs agreed that industry-oriented groups should be formed in order to avoid a fierce price war.

Other recommendations the entrepreneurs had for the government sector included state control of public utility prices, and suggestion that the government should provide business competition supervision so, when large enterprises entered the scene, smaller players were still able to compete and not forced to abandon their businesses. This also happened when smaller businesses were confronted with imported goods of lower price.

Oil prices were expected to remain an important downside factor affecting the confidence of trade and services entrepreneurs in 2005, even more significantly than in 2004. The same remark held true to both consumer and industrial confidence indexes. Still, it was an external, uncontrollable factor likely to continue. Therefore, the government agencies should come up with other measures to help ease the entrepreneurs' burden from oil prices and trade deficit. The economy could be stimulated, and confidence rebuilt, by measures including determined energy saving, social and economical restructuring aiming at value creation, accelerating export and investment, as well as tourism promotion to generate income to offset a surge in the value of imports.