

Situation and Economic
Indicators of SMEs in
2011 and 2012



Part

01

OSMEP
Office of
Small and Medium
Enterprises Promotion

Gross Domestic Product of SMEs



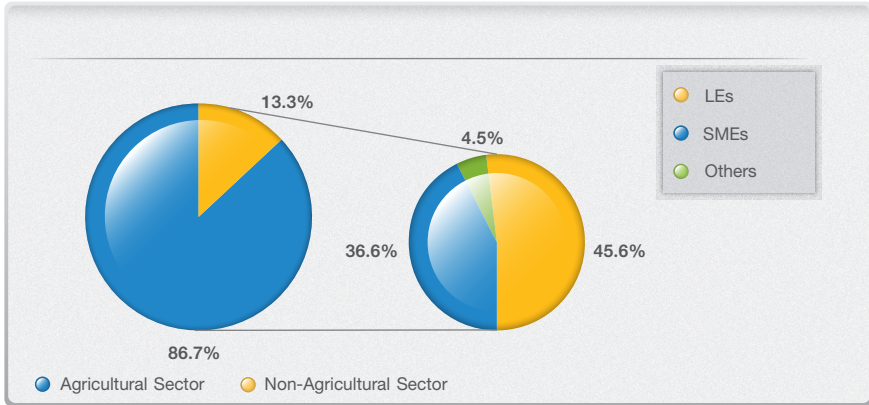
Chapter 1

Gross Domestic Product of SMEs

Due to the recent heavy flooding, overall gross domestic product (GDP) growth for 2011 decreased 0.1% - a considerable shrink compared to the increase of 7.8% the previous year. With a decrease of 434,626 million baht from the previous year, 2011 GDP's value stood at 10,539,446.0 million baht, of which 13.3% (1,406,504 million baht) was attributable to the agricultural GDP. Agricultural performance in 2011 was considered to have risen compared to the previous year. As regards non-agricultural GDP, this constituted 9,132,942.0 million baht or 86.7% of the total GDP, a contraction of 0.3% compared to a growth of 8.6% per annum the year earlier.

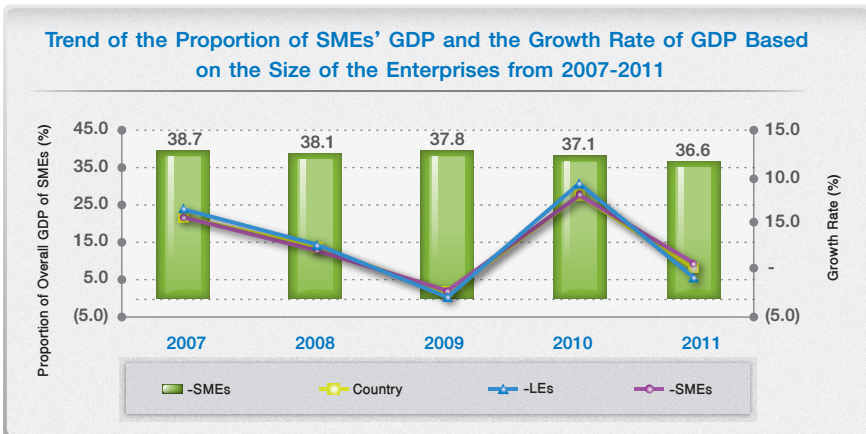
The GDP value of small and medium enterprises (SMEs) in 2011 was 3,859,587.6 million baht or 36.6% of the country's GDP whereby the GDP value of SMEs expanded 0.6% per annum, a decrease from the 7.9% rise in the previous year. When considering the GDP value according to the size of the enterprise, it was found that small enterprises (SEs) contributed more to the GDP than medium enterprises (MEs) with the value of SEs in 2011 standing at 2,583,873.4 million baht, an expansion rate decreasing from the previous year by 1.7%, equivalent to 24.5% of the total GDP. Regarding the value of MEs in 2011, this totalled 1,275,714.3 million baht, a 1.5% contraction from the previous year, equivalent to 12.1% of the overall GDP.

Figure 1.1 Structure of Gross Domestic Product (GDP) in 2011



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

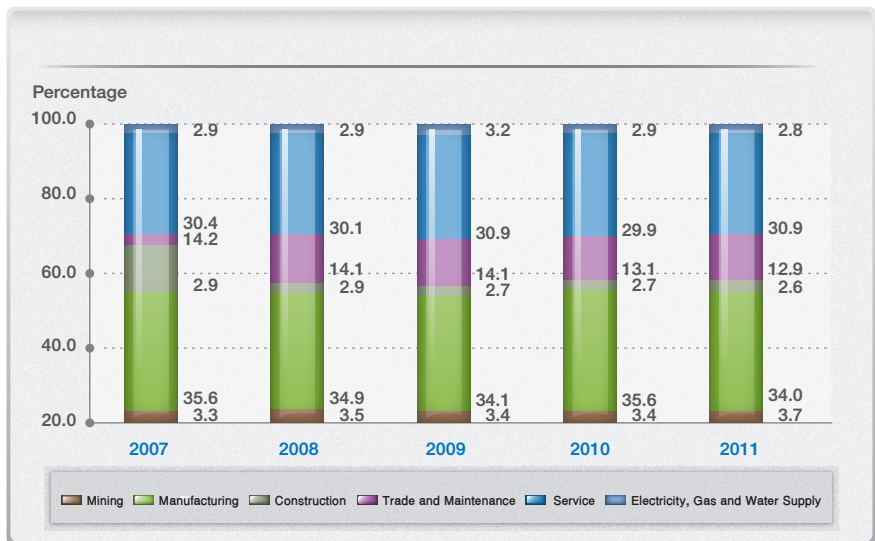
Figure 1.2 Trend of the Proportion of SMEs' GDP and the Growth Rate of GDP Based on the Size of the Enterprises from 2007 - 2011



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

Regarding the contribution of SMEs to the country's overall GDP since 2007, the role of SMEs has continuously decreased whereas the role of large enterprises (LEs) and other enterprises has tended to remain stable or show a slight increase. Meanwhile, the agricultural sector has seen continuous growth especially over the last two years owing to the unceasing increase in demand for agricultural products in the world market. When considering the growth rate of enterprises of different sizes, SMEs, in 2011, still held their ground as the engine of growth in the economic system of the country as shown by the higher growth rate of SMEs compared to that of the country and the LEs.

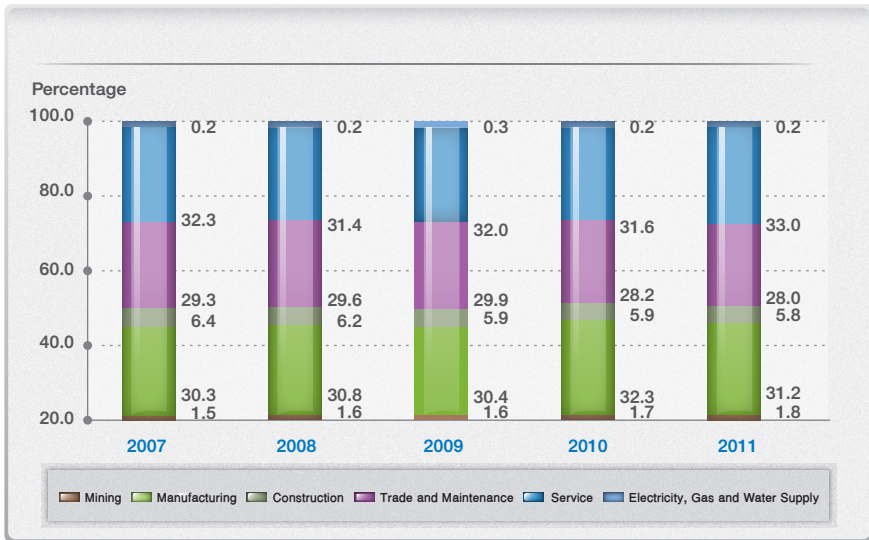
Figure 1.3 GDP Structure of the Country Categorized by Economic Activity from 2007 - 2011



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

The GDP structure of the country as categorized by economic activity shows that the agricultural sector constituted 13.3% while the non-agricultural sector constituted 86.7%. A breakdown of the GDP structure of the non-agricultural sector reveals that the manufacturing sector made the most significant contribution to the economic system at 34.0% of the total GDP. Second was the service sector with 30.9%, followed by the trade and maintenance sectors with 12.9%. The combined worth of these three economic activities totalled 77.8% of the overall GDP.

Figure 1.4 GDP Structure of SMEs Categorized by Economic Activity from 2007-2011



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

Similar to the overall GDP structure of the country, the GDP structure of SMEs in 2011 was still greatly related to the service, manufacturing, and trade and maintenance sectors. The service sector was the most important economic activity with 33.0% of GDP, an expansion of 5.4%. Second was the manufacturing factor with 31.2%, a 4.3% contraction in 2011. The third sector was trade and maintenance with 28.0% and an expansion rate of 1.8%.

When comparing Figure 1.4, which shows the GDP structure of SMEs, to Figure 1.3, which details the GDP structure of the country, it can be seen that the GDP structure of the country and that of SMEs are different. Concerning the country's GDP, the manufacturing sector proved to be the most significant economic activity. However, for the GDP of SMEs, the service sector was most important.

Nonetheless, in 2011, the country's economy experienced a slowdown compared to the previous year since the manufacturing sector was greatly affected by the disaster in Japan, resulting in a shortage in parts. Moreover, the severe flooding in Thailand that spread over the large area of the central part of the country caused the industrial sector a great deal of damage and difficulties in product distributions. This resulted in a contraction in exports, consumption and private investment during the last quarter of the year.

International Trade of SMEs



Chapter 2

International Trade of SMEs

2.1 Overview of International Trade Situation from 2007 to 2010

In 2011, the total export value of Thai goods was 6,910,297.20 million baht, equivalent to an increase of 11.88% from the year 2010. SME exports reached 2,068,859.09 million baht, accounting for 29.94% of the total export value, an increase of 27.68%.

As regards imports, the total import value stood at 6,974,414.32 million baht, increasing from 2010 by 19.43%. SMEs imports were worth 2,159,105.40 million baht, accounting for 30.96% of the total import value, an increase of 21.63%.

In 2011, as concerns international trade, the country's balance of trade showed a deficit of 64,117.13 million baht. However, the trade balance of SMEs showed a deficit of 90,246.31 million baht.

Table 2.1 The Export and Import Value from 2007 to 2011 Categorized by the Size of the Enterprises (Unit: Million Baht)

	2007	2008	2009	2010	2011	Proportion (Total/ 2011, %)	Growth 54/53 (%)
Export (Million Baht)							
SE	915,228.60	963,104.80	933,494.46	962,352.52	1,194,075.12	17.28	24.08
ME	660,743.00	728,040.10	630,204.96	658,010.13	874,783.97	12.66	32.94
LE	3,634,414.40	4,042,799.40	3,442,839.71	3,744,073.29	4,310,120.72	62.37	15.12
n/a	31,576.60	119,683.90	188,057.61	811,866.12	531,317.38	7.69	-34.56
SMEs	1,575,971.60	1,691,144.90	1,563,699.42	1,620,362.65	2,068,859.09	29.94	27.68
Total	5,241,962.60	5,853,628.20	5,194,596.73	6,176,302.06	6,910,297.20	100.00	11.88
Proportion of SMEs to Total (%) Export	30.06	28.89	30.10	26.24	29.94		
SME Export Growth (%)		7.31	-7.54	3.62	27.68		
Import (Million Baht)							
SE	894,316.20	1,084,192.30	860,195.56	1,091,567.09	1,320,574.94	18.93	20.98
ME	558,418.20	687,309.70	523,379.96	683,524.49	838,530.46	12.02	22.68
LE	3,331,475.60	3,985,081.60	2,963,975.80	3,642,298.01	4,051,342.52	58.09	11.23
n/a	85,976.20	187,424.00	254,430.47	422,585.89	763,966.41	10.95	80.78
SMEs	1,452,734.40	1,771,502.00	1,383,575.53	1,775,091.59	2,159,105.40	30.96	21.63
Total	4,870,186.20	5,944,007.60	4,601,981.80	5,839,975.49	6,974,414.32	100.00	19.43
Proportion of SMEs to Total (%) Import	29.83	29.80	30.06	30.40	30.96		
SME Import Growth (%)		21.94	-21.90	28.30	21.63		
Trade Balance (Million Baht)							
Trade Balance of SMEs	123,237.20	- 80,357.10	180,123.89	- 154,728.94	- 90,246.31		
Trade Value of SMEs	3,028,706.00	3,462,646.90	2,947,274.95	3,395,454.24	4,227,964.49		
Total Trade Balance	371,776.40	- 90,379.40	592,614.94	336,326.57	- 64,117.13		
Total Trade Value	10,112,148.80	11,797,635.80	9,796,578.53	12,016,277.54	13,884,711.52		
Proportion of SME Export to Trade Value of SMEs (%)	52.03	48.84	53.06	47.72	48.93		
Proportion of SME Import to Trade Value of SMEs (%)	47.97	51.16	46.94	52.28	51.07		

Source : Thai Customs Department

Compiled by The Office of Small and Medium Enterprises Promotion (OSMEP)

Regarding the proportion of exports to overall GDP, the economy of the country depended greatly on exports as export value constituted 65.57% of the country's GDP in 2011. SME export value accounted for 53.60% of GDP, a reasonable increase from 43.24% in 2010, however. SME export value accounted for 29.94% of the overall exports of the country.

Table 2.2 Ratio of SME Exports to International Trade of Thailand and GDP

	2007	2008	2009	2010	2011
Total Export (Million Baht)	5,241,962.60	5,853,628.20	5,194,596.73	6,176,302.06	6,910,297.20
SME Export (Million Baht)	1,575,971.60	1,691,144.90	1,563,699.42	1,620,362.65	2,068,859.09
Overall GDP at Annual Price (Million Baht)	8,529,836.00	9,075,493.00	9,050,715.00	10,104,821.00	10,539,446.00
GDP of SMEs at Annual Price (Million Baht)	3,298,529.40	3,457,685.30	3,417,860.70	3,747,694.10	3,859,587.60
Ratio of SME Exports to Overall Exports (%)	30.06	28.89	30.10	26.24	29.94
Ratio of Overall Exports to Overall GDP (%)	61.45	64.50	57.39	61.12	65.57
Ratio of SME Exports to GDP of SMEs (%)	47.78	48.91	45.75	43.24	53.60

Source: Thai Customs Department/ The Office of the National Economic and Social Development Board
Compiled by The Office of Small and Medium Enterprises Promotion (OSMEP)

International Trade Situation of SMEs in Key Trade Partner Countries

Overall SME exports to the first 20 trade partner countries (with the export ratio of 81.42% of total exports) expanded 29.76% while the overall exports of the country to the first 20 trade partner countries rose 12.21%.

Considering export markets, the major destinations of Thai exports were China, Japan, the United States and Hong Kong with export ratios of 11.95 %, 10.68%, 9.53 %, and 7.19 % of the total export value in 2011 respectively. The main markets of SMEs were China, Hong Kong, Japan, and the United States with export ratios of 11.60%, 11.42%, 10.71%, and 7.71 respectively, and considerable growth of 52.01%, 48.71%, 37.67%, and 17.84% respectively.

In 2011, the market with the highest growth in exports for SMEs was South Korea, experiencing a rise of 56.52%. Second to South Korea was Taiwan with an increase of 55.89%. As concerns the export markets of SMEs experiencing a decrease, these included Australia, with a 19.30% fall, and the Philippines, with a 1.16% decrease from the previous year.

Overall imports of SMEs from the first 20 countries with the import ratio of 80.97% of the total imports expanded 20.09% while overall imports of the country from the first 20 countries increased 17.91%.

When considering import markets, the main import sources of Thailand were Japan, China, Singapore and the United Arab Emirates with import ratios of 17.75%, 10.02%, 6.86% and 6.46% of the total import value in 2011, respectively. The main sources of SMEs were Japan, China, Switzerland and Singapore with import ratios of 15.38%, 14.16%, 8.33% and 7.66% respectively, and an expansion of 13.34%, 18.96%, 45.36% and 13.00% respectively.

Imports of Thai SMEs increased from 2010 at a high rate. Imports from the United Arab Emirates rose 243.11%. Second to the United Arab Emirates was South Africa, with 223.42% growth.

Table 2.3 Export Value to the First 20 Countries from 2009 to 2011 (Unit: Million baht)

No.	Destination	2009		2010		2011		Ratio/ Total (2011, %)		Growth 54/53 (%)	
		SMEs	Total	SMEs	Total	SMEs	Total	SMEs	Total	SMEs	Total
1	CHINA	132,418.48	548,760.05	157,846.01	678,631.83	239,938.20	825,778.77	11.60	11.95	52.01	21.68
2	HONG KONG	144,254.56	323,220.23	158,809.41	413,785.01	236,168.73	496,736.90	11.42	7.19	48.71	20.05
3	JAPAN	149,981.79	535,880.34	160,946.95	645,210.24	221,569.96	738,046.94	10.71	10.68	37.67	14.39
4	UNITED STATES	141,640.55	567,698.96	135,368.13	638,820.07	159,513.24	658,853.75	7.71	9.53	17.84	3.14
5	SWITZERLAND	90,504.79	107,821.35	90,610.33	129,270.02	104,865.22	143,477.63	5.07	2.08	15.73	10.99
6	MALAYSIA	71,650.98	260,837.29	77,154.39	334,598.81	99,897.09	373,609.78	4.83	5.41	29.48	11.66
7	INDONESIA	47,357.81	158,917.86	65,741.40	232,856.21	91,957.65	303,875.30	4.44	4.40	39.88	30.50
8	VIETNAM	51,668.00	159,224.41	54,221.00	184,463.07	62,881.77	212,700.59	3.04	3.08	15.97	15.31
9	AUSTRALIA	77,444.66	291,955.77	71,649.43	297,098.72	57,821.47	241,038.90	2.79	3.49	-19.30	-18.87
10	SINGAPORE	46,300.10	257,967.52	42,717.32	285,187.15	56,713.33	344,783.25	2.74	4.99	32.76	20.90
11	INDIA	35,235.29	109,863.06	41,004.58	139,178.33	41,963.96	156,290.47	2.03	2.26	2.34	12.30
12	KOREA,REPUBLIC	23,376.34	96,110.38	26,737.85	114,267.82	41,851.38	137,928.74	2.02	2.00	56.52	20.71
13	CAMBODIA	24,872.61	53,917.76	28,145.30	74,265.08	40,918.55	87,779.70	1.98	1.27	45.38	18.20
14	MYANMAR	26,745.74	52,652.37	28,987.58	65,631.18	37,925.50	85,888.23	1.83	1.24	30.83	30.86
15	UNITED KINGDOM	36,871.60	110,310.58	33,440.02	115,717.08	36,449.68	117,140.01	1.76	1.70	9.00	1.23
16	GERMANY	26,836.61	89,503.94	28,407.28	104,373.69	35,408.33	113,426.65	1.71	1.64	24.65	8.67
17	TAIWAN	23,052.11	76,677.60	20,598.57	101,978.79	32,111.48	117,413.99	1.55	1.70	55.89	15.14
18	PHILIPPINES	22,496.43	102,928.49	32,421.89	154,914.88	32,044.90	140,085.13	1.55	2.03	-1.16	-9.57
19	LAO REPUBLIC	22,071.92	56,045.36	23,723.33	67,606.02	29,965.32	84,201.73	1.45	1.22	26.31	24.55
20	UNITED ARAB EMIRATES	26,361.22	83,870.56	19,717.53	90,057.79	24,596.55	83,209.24	1.19	1.20	24.74	-7.60
First Total of First 20 Countries		1,221,141.59	4,044,163.90	1,298,248.28	4,867,911.78	1,684,562.33	5,462,265.69	81.42	79.05	29.76	12.21
Ratio to Total (%)		78.09	77.85	80.12	78.82	81.42	79.05				
Total		1,563,699.42	5,194,596.73	1,620,362.65	6,176,302.06	2,068,859.09	6,910,297.20	100.00	100.00	27.68	11.88

Source : Thai Customs Department

Compiled by The Office of Small and Medium Enterprises Promotion (OSMEP)

Table 2.4 Import Value from the First 20 Countries from 2009 to 2011 (Unit: Million Baht)

No.	Destination	2009		2010		2011		Ratio/ Total (2011, %)		Growth 54/53 (%)	
		SMEs	Total	SMEs	Total	SMEs	Total	SMEs	Total	SMEs	Total
1	JAPAN	213,825.03	822,962.57	292,960.63	1,167,696.04	332,053.84	1,237,962.93	15.38	17.75	13.34	6.02
2	CHINA	192,183.61	403,569.92	257,032.06	553,380.74	305,760.52	698,829.18	14.16	10.02	18.96	26.28
3	SWITZERLAND	64,132.13	77,217.37	123,786.88	142,256.85	179,942.76	228,921.88	8.33	3.28	45.36	60.92
4	SINGAPORE	122,904.46	385,506.86	146,449.81	440,893.11	165,484.41	478,521.33	7.66	6.86	13.00	8.53
5	UNITED STATES	86,634.06	253,099.81	97,974.94	291,318.25	136,332.60	344,103.38	6.31	4.93	39.15	18.12
6	AUSTRALIA	63,861.43	131,328.02	71,703.15	178,832.38	112,025.56	235,780.64	5.19	3.38	56.24	31.84
7	HONG KONG	94,270.10	246,856.94	102,075.55	287,841.00	103,108.50	283,364.72	4.78	4.06	1.01	-1.56
8	MALAYSIA	70,144.31	321,375.11	82,004.63	373,623.21	92,632.81	410,440.49	4.29	5.88	12.96	9.85
9	KOREA,REPUBLIC	52,608.35	181,067.13	77,795.14	238,394.39	81,278.09	280,077.03	3.76	4.02	4.48	17.48
10	TAIWAN	50,087.48	147,552.93	66,226.78	192,457.79	68,919.39	202,648.88	3.19	2.91	4.07	5.30
11	INDONESIA	39,217.50	119,147.58	51,963.81	169,539.92	58,988.81	217,061.72	2.73	3.11	13.52	28.03
12	GERMANY	45,232.96	106,074.32	54,218.92	124,960.78	56,147.53	137,984.77	2.60	1.98	3.56	10.42
13	UNITED KINGDOM	18,147.47	45,824.43	43,238.58	73,383.03	44,765.27	96,502.45	2.07	1.38	3.53	31.51
14	INDIA	33,370.94	58,364.59	34,805.06	76,857.34	38,139.03	84,026.26	1.77	1.20	9.58	9.33
15	UNITED ARAB EMIRATES	5,629.47	233,098.88	7,292.42	279,613.14	25,020.67	450,639.63	1.16	6.46	243.11	61.17
16	ITALY	21,889.22	45,254.14	20,295.26	41,871.65	23,894.99	55,596.38	1.11	0.80	17.74	32.78
17	NETHERLANDS	19,656.19	52,780.26	20,707.66	58,020.72	21,809.92	59,545.83	1.01	0.85	5.32	2.63
18	BELGIUM	17,261.55	30,458.02	16,817.37	35,676.56	21,389.97	47,278.82	0.99	0.68	27.19	32.52
19	VIETNAM	12,285.15	49,158.90	14,401.42	46,422.85	19,585.71	64,625.69	0.91	0.93	36.00	39.21
20	SOUTH AFRICA	3,443.93	12,490.42	5,983.28	16,127.95	19,351.18	33,103.65	0.90	0.47	223.42	105.26
	First Total of First 20 Countries	1,226,785.33	3,723,188.20	1,587,733.34	4,789,167.69	1,906,631.58	5,647,015.66	88.31	80.97	20.09	17.91
	Ratio to Total (%)	88.67	80.90	89.45	82.01	88.31	80.97				
	Total	1,383,575.53	4,601,981.80	1,775,091.59	5,839,975.49	2,159,105.40	6,974,414.32	100.00	100.00	21.63	19.43

Source : Thai Customs Department

Compiled by The Office of Small and Medium Enterprises Promotion (OSMEP)

Overview of International Trade Classified by Good List

As concerns the international trade value of goods according to the Harmonized System Codes, in 2011 the worth of Thailand's overall exports was highest for those goods in HS Codes 84, 85 and 40, equivalent to 15.00%, 13.29% and 9.62% of the overall exports of the country respectively. HS Code 84 covers machinery and parts as well as computers and accessories while HS Code 85 covers electrical machinery and parts, and HS Code 40 covers rubber and rubber articles. The proportion of SME export value for goods in HS Codes 84, 85 and 40 stood at merely 4.39%, 4.19% and 8.53% respectively. In 2011, these exports increased by 10.86%, 8.43% and 50.24% from 2010 respectively.

Goods constituting the highest proportions of exports for SMEs were those in HS Code 71 covering gems and ornaments, HS Code 39 for plastics and plastic-made articles, and HS Code 40 for rubber and rubber articles, accounting for 13.17%, 9.04% and 8.83% respectively. These exports rose considerably by 2.21%, 52.00% and 50.24% respectively from 2010.

Regarding the import value of goods according to the Harmonized System Codes, in the year 2011 the worth of the country's overall imports was highest for those goods in HS Code 27 covering petroleum and coal, with the import proportion of 19.04%. Second was HS Code 85 covering electrical machinery and parts, constituting 15.37%. The third was goods from HS Code 84 covering machinery and parts as well as computers and accessories, accounting for 12.41%.

As for SMEs, goods constituting the highest proportion of imports were those in HS Code 71, gems and ornaments, HS Code 84, machinery and parts as well as computers and accessories, and HS Code 85, electrical machinery and parts, with the proportions of 23.66%, 11.20% and 11.02% respectively. These imports increased by 69.56%, 11.71%, and 10.53% respectively from 2010.

Competence in Exporting Products of SMEs Classified by Intensity of Production Factors

When considering goods lists Classified by intensity of production factors, in 2011 export goods in the category of medium skill and technology intensive manufactures such as automobiles and parts, electrical appliances, electrical motors, plastic-made products, and rubber articles had the highest export value at 1,589,356.34 million baht or 23.00% of the total exports. These exports expanded 4.67%. Second were non-fuel primary commodities such as flour, rice, sugar, natural rubber liquid, ribbed smoked sheets (RSS), frozen aquatic animals and cassava accounting for 20.79%. The third was high skill and technology intensive manufactures such as plastic resin and chemical supplies constituting 16.17%. As concerns the international trade of SMEs, SME exports were highest in the products in the category of non-fuel primary commodities accounting for 624,106.64 million baht or 30.17% of the total exports of SMEs, and an expansion of 37.55%. Products from high skill and technology intensive manufactures came second, constituting 15.61% and an increase of 38.88%, followed by medium skill and technology intensive manufactures at 12.32% and a 16.73% growth.

Structure of SMEs' Import of Goods According to Categories of Production Factors

Regarding SME imports according to categories of production factors, in 2011 the goods constituting the highest proportion of SME imports were industrial supplies worth 1,322,554.51 million baht or 61.25% of the overall SME imports, the highest increase of 28.84%. Second were capital goods at 23.13%, and consumer goods at 6.56%. As for the country, likewise, the import of industrial supplies accounted for the highest proportion with the value of 2,661,064.30 million baht or 38.15% of the total imports, and an expansion of 23.05%. Second were capital goods, equivalent to 28.09% of imports, and fuels and lubricants with 17.45% of the total imports into the country.

Economic Indicators of SMEs



Chapter 3

Economic Indicators of SMEs

3.1 Private Consumption

The Private Consumption Index (PCI) indicated the consumption situation of Thailand in 2011. It had been on the rise but tended to decrease again from January 2011 to August 2011. However, the trend was one of a continuous fall from September 2011 to November 2011 before progressively increasing until the beginning of the year 2012. The Private Consumption Index (PCI) in January 2012 rose by 0.40% from the previous month. When compared to the same period of the year before, it expanded by 2.64%. The private consumption of the country still showed continuous growth in response to incomes which were set to be increased as stipulated by government policy. In addition, unemployment remained low.

As concerns the minor components of the PCI in January 2012, almost all were still on the increase compared to the previous month, with sales of automobiles, and imports of consumer goods at constant prices, and sales of fuel expanding continuously. Nonetheless, sales of diesel slightly dropped as well as household consumption of electricity and value added tax at constant prices.

Figure 3.1 Thai Industries Sentiment Index regarding the overall number of orders between January 2011 and January 2012



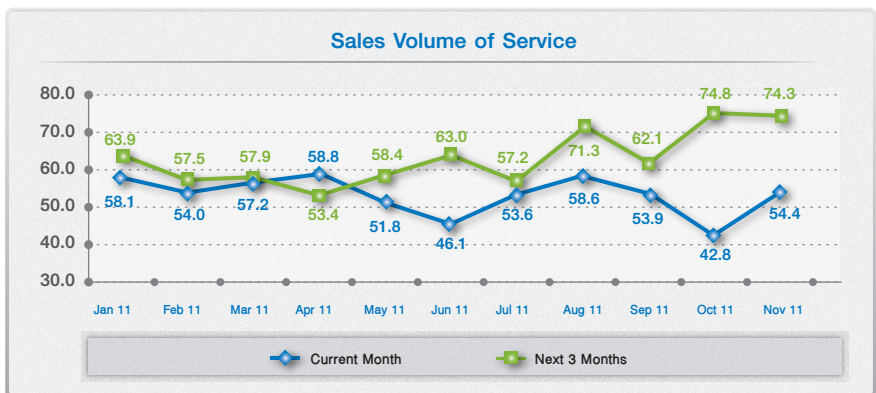
Source : The Federation of Thai Industries
 Compiled by The Office of Small and Medium Enterprises Promotion (OSMEP)

The Thai Industries Sentiment Index (TISI) for the overall number of orders between January 2011 and January 2012 reflected the strong confidence of the majority of the industry operators. Despite experiencing a slight decline, the TISI value was higher than the base value of 100 for nine of the past 13 months. It was only in September, October, November and December that the index was under the base value of 100, similar to the index of overall sales volume, sharing the similar level, direction and trends. These two components of the index were very closely related. In January 2011, the index of the overall number of orders dropped from the previous month in terms of international orders. Meanwhile, the index of overall sales volume slightly increased from the previous month in terms of national sales volume.

The TISI for operating results indicated that the industry operators had less confidence, as shown by the industrial confidence index, in operating results that continued to decrease since the beginning of the year 2011. However, towards the end of 2011 to the beginning of 2012, an increase did occur. Such a trend was in accordance with the direction of the index regarding the overall number of orders and that of sales volume but was at a lower base value. As displayed in Figure 3.10, from December 2011 to January 2012, confidence in operating results, the overall number of orders and the overall sales volume took on very similar directions and trends. The high level of confidence also indicated the confidence of industry operators who had experienced a growing amount of domestic and international orders as a result of the recovering national and international economy. However, concerns still persisted over the political situation and natural disasters.

Trade and Service Sentiment Index (TSSI)

Figure 3.2 Trade and Service Sentiment Index of Sales Volume from January 2011 to November 2011



Source : The Office of Small and Medium Enterprises Promotion (OSMEP)

The Trade and Service Sentiment Index (TSSI) between January 2011 and November 2011 indicated that the overall confidence of operators in terms of sales volume in 2011 was at a satisfactory level as the index was above the base level of 50. The overall trend in confidence was upward, however, it still fluctuated. During the second quarter of 2011, operators lacked confidence in their sales due to an increase in cost of operators, oil price, expense on utility, expense on transportation, and interest rate. This was also combined with a drop in the purchasing power of consumers. Nonetheless, approaching the end of 2011, the TSSI of sales volume rose due to increasing public consumption both in the trade and service sectors.

In October 2011, the TSSI was at the lowest point, especially the retail trade and service sectors due to the severe flooding. Overall business and industries decelerated. It was speculated that after the flooding crisis started to alleviate the confidence of operators would increase owing to recovery of the manufacturing sector and an increase in production capacity to meet the demand of consumers, and rising public demand in goods to replace properties damaged by the floods.

3.2 Private Investment

The report on the private investment situation takes into account a number of indicators to reflect the overall investments of Thailand in 2011 and the trends in 2012. These factors are:

Private Investment

In January 2012, the Private Investment Index (PII) went up by 7.8% from the previous month and slightly increased by 0.70% compared to the same period of the prior year. Improvement in private investment was brought about by the expansion of all investment indicators, particularly the import of capital goods which soared 9.7% from the same period last year. This was partly due to the import of machinery to compensate and strengthen the production capacity in industries related to exports with ongoing orders such as those in electronics, automobiles and electrical appliances. However, an expansion of the domestic sales volume of commercial cars

dropped by 28.4% from the same period last year. Having been affected by a long term flooding crisis, factories were unable to produce cars due to a shortage in parts. As regards investment in the construction sector, this increased by 12.7% from the same period of the prior year due to the construction and repair of residences damaged by the floods.

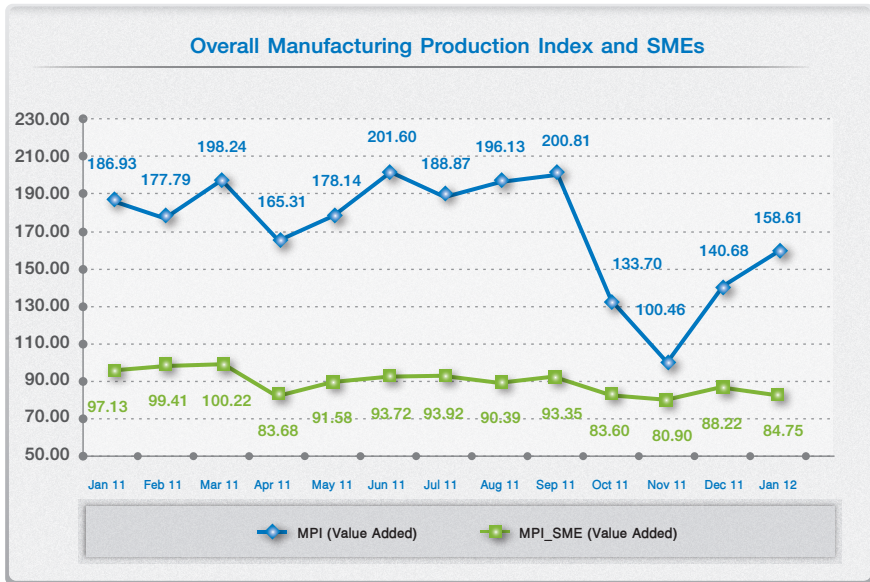
Overall in 2011, the Private Investment Index (PII) increased by 7.02% from the previous year. Improvement of PII was a result of the expansion of the import of capital goods, and machinery and parts having been affected by the global economic crisis. Another reason was the expansion of domestic and international demand resulting in a rise of the capacity utilization in several industries, and relaxations in the lending criteria offered by commercial banks as well as good investor confidence. The import of capital goods expanded by 41.02% from the same period of the prior year. This has been beneficial to the investment and import of machinery to increase production capacity. Investment trends in the next phase are expected to grow according to the ongoing investment plans of the business sector to meet domestic and international demands for goods in new markets. However, expansion will slow down due to a higher base value.

Manufacturing Production Index

The Manufacturing Production Index (MPI), reflecting the production levels of the industrial sector, is used to indicate the trends of the production of industrial goods. The index will rise when the economy expands and drop when the economy slows down. Figure 3.20 shows the changing rate of the Manufacturing Production Index (Value Added) of the overall level of the country and in the context of SMEs. It clearly indicates that the Manufacturing Production Index continued to grow, especially at the overall level of the country. Since January 2011, the changing rate moved upward. The Index reached its highest point at 201.60 in June and slightly decreased until November 2011 when the Index plummeted to 100.46, or a decline of 47.25% compared to the same month of the year before. The Index continued to fall from October 2011 due to the flood situation affecting the country's economy on a wider level, especially manufacturing production which faced shortages in raw materials for the parts

necessary for production. In addition, domestic private consumption in terms of the expenses of people living in the flood-hit areas slowed down. This resulted in workers having less income due to the lack of employment by industrial factories affected by the flood.

Figure 3.3 Overall Manufacturing Production Index and SMEs (Value Added)



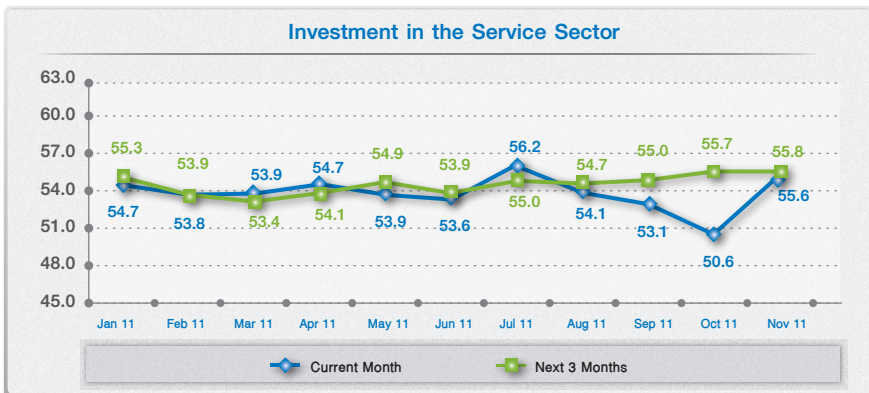
Source : The Office of Industrial Economics
Compiled by The Office of Small and Medium Enterprises Promotion (OSMEP)

The Manufacturing Production Index (MPI) continued to grow, especially at the overall level of the country. Since January 2011, the changing rate moved upward. The Index reached its highest point at 201.60 in June and slightly decreased until November 2011 when the Index plummeted to 100.46, a decline of 47.25% compared to the same month of the year before. The Index continued to fall from October 2011 due to the flood situation affecting the country's economy on a wider level, especially manufacturing production which faced shortages in raw materials for the parts necessary for production. In addition, domestic private consumption in terms of the expenses of people living in the flood hit areas slowed down. This resulted in workers having less income due to the lack of employment by industrial factories affected by the flood.

The Rate of Capacity Utilization of Thailand increased to over 60% from January 2011, reached its highest point at 66.08% in March 2011 and dropped to 40.50% in November 2011 due to the floods before rising to 58.48% in January 2012. Nonetheless, the Capacity Utilization Rate of SMEs was lower than that of the rest of the country at between 47.0% and 55.0%. The capacity utilization rate of SMEs followed the same direction as that of the overall level of the country, particularly the major industries of which Thailand is the base of production for export such as automobiles, electricity and electronics and textiles. It was also a supporting factor for the expansion of the Capacity Utilization Rate.

Trade and Service Sentiment Index regarding Investment

Figure 3.4 Investment Confidence Index from January 2011 to November 2011



Source : The Office of Small and Medium Enterprises Promotion (OSMEP)

The Trade and Service Sentiment Index (TSSI) indicated that the investment confidence among operators from July to October 2011 continued to decrease, especially in October 2011 when it declined to the lowest point due to the impact caused by the slowdown of the global economic situation and the country's economic situation, and the higher price of crude oil in the world market. It was, furthermore, coupled with the severe floods causing an increase in the cost of goods, a decrease in purchasing power, and a slowdown in spending among people. It was also due to the political violence and uncertainty that resulted in the critical investment situation, directly impacting the service sector regarding tourism. However, the Index rose in November 2011.

The TSSI for employment among trade and service operators indicated that employment confidence was normal (50). This indicated confidence among the operators. The index value was normal, particularly during the first three quarters of 2011. Nonetheless, the index value was below the base level of 50 during October to November 2011. This showed a lack of confidence among the operators in the country's economic situation in Thailand. This was a result of the flooding crisis that caused loss to the properties of the public as well as damage to business, especially industrial factories. A number of laborers also found themselves unemployed. This brought about economic loss for the country and could be an ongoing negative factor having an impact until the beginning of 2012.

3.3 Foreign Direct Investment

To increase the economic competitiveness of Thailand in the current economic situation, and especially for developing countries and emerging-market economies, Foreign Direct Investment (FDI) is required to encourage the smooth operations of economic activities. During economic recession, FDI in Thailand becomes a significant tool for economic recovery as it enables more capital to flow into the country, promoting the liquidity of the country's money market as well as any businesses beset with financial difficulties. FDI also encourages business expansion and new investments leading to more employment. Additionally, it creates the transfer

of technology, management knowledge, and product development to meet the quality standards needed to compete in the global market.

The volume of Foreign Direct Investment in Thailand in times of economic normality can indicate the economic status of the country. When the country's economy grows, there are several positive factors supporting economic expansion. Foreign investors have confidence making investments resulting in a greater flow of capital into the country. On the other hand, when the economy starts to slow down and takes a downturn, foreign investment decreases accordingly.

Net FDI in 2009, 2010 and 2011

Statistics from the Bank of Thailand demonstrated that net FDI in Thailand in 2011 was 257,259.74 million baht in total, decreasing from 2010 by 51,147.41 million baht or a 16.58% fall. The country with the highest net FDI was Japan accounting for 110,752.13 million baht or 43.05% of the total investment value but with a lower growth rate from 2010 of 2.46%. Moving up to second highest was Singapore with an increase in FDI of 1,083.01 million baht, or 11.89% of the total investment value, with a higher expansion rate than 2010 of 3.67%. Dropping to third was South Korea with an increase in FDI of 15,163.82 million baht or 8.57%, with a higher growth rate from 2010 of 220.51%.