

Chapter

3

**Economic Indicators of SMEs
for 2015 and 2016**

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The Trade and Service

Sentiment Index (TSSI) in **2015**

was at a low level and reached the highest value in December Owing to tourism.

Chapter 3

Economic Indicators of SMEs for 2015 and 2016

Trade and Service Sentiment Index (TSSI) 2015

The Trade and Service Sentiment Index (TSSI) of SMEs entrepreneurs in 2015 indicates that the index value was successively below the base level of 50 for 9 months out of the 12. In 2015, there were positive and negative factors in several aspects greatly affecting confidence.

- **Positive Factors** : The Baht's value became considerably weak during the end of the year, positively influencing the price of domestic goods and services for tourists as Thai goods became cheaper. The price of goods partly stimulated spending among foreigners. Tourism was booming throughout 2015 with a total of 29.8 million tourists travelling to Thailand, an increase of 20.3% compared to the same period the previous year. This number was record-breaking. The government sector has continually implemented economic stimulus measures during the fourth quarter, and the measures assisting farmers and relieving the impacts arising from drought. In addition, the oil price was successively stable at a low rate and the FT cost in 2015 decreased, resulting in the low inflation rate of the country.

- **Negative Factors** : The global economic situation, especially of the key trade partners of Thailand, caused the exports of the country to shrink throughout the year 2015 due to a decrease in demand. The agricultural sector saw a continual slowdown, leaving farmers with a fall in income from the beginning of 2015 as a result of a decrease in the prices of agricultural products since 2014. This led to higher household debt among farmers and affected the consumption of the country since farmers constitute a large group of consumers. The result was a slowdown almost throughout 2015.

The components of factors indicating the index value at that time were those such as sales volume, employment, cost, investment, and profits. These components were used in calculating the Trade and Service Sentiment Index (TSSI) and the results were:

- The movement and value of the sentiment index regarding sales volume and profits followed the same direction. However, operators' confidence in sales volume and profits was not good as the index was below the base value of 50 for 10 months out of 18. The index value was above the base value of 50 only during March 2015, October 2015, December 2015, January 2016 and March 2016.

- As regards the components in terms of employment and investment, the sentiment index moved stably with the index value close to the base value of 50 at all times.

- The sentiment index regarding cost was the only one component that moved below the base value at all times.

The sentiment indices having influence on the specifications of the overall sentiment index value were mainly confidence in sales volume and profits.

Considering the Trade and Service Sentiment Index (TSSI) during the first half of 2016, the index during the first quarter moved at a higher level than the previous year before heading downwards during the second quarter. The components influencing an increase or decrease in the index value were mainly sales volume and profits. The component causing most worry among operators was cost.

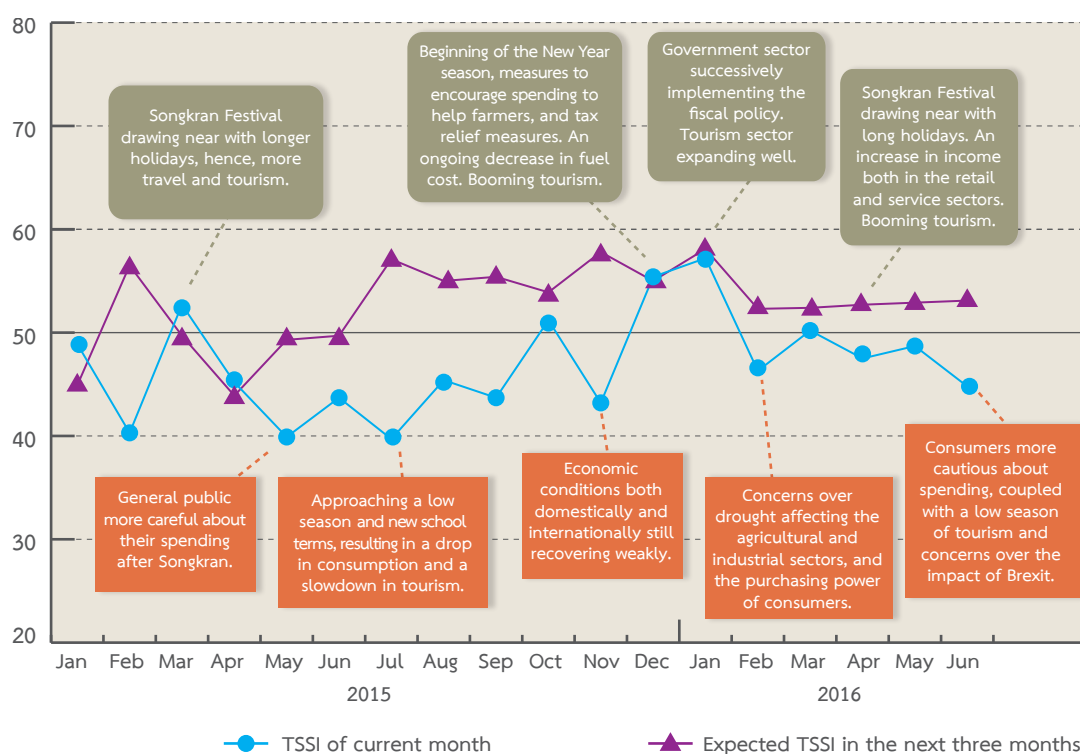
- Factors having impact on the sentiment index during the second quarter of 2016

- **Positive factors** : The tourism sector was still the major mechanism in driving the country's economy with the number of foreign tourists during the second quarter of 2016 totalling 7.56 million, a rise of 8.2% from the same period of the year before. As relates to the FT cost, this dropped to 8.29 satang per unit. As for the period extension of a tax relief measure for corporate income tax to 20%, this had a positive effect on the operational cost of operators that was likely to decrease. This was coupled with the government sector's economic stimulus measures through the government's expenditure on sub-districts, a measure to help those with limited income, a village fund measure, a measure assisting farmers suffering from drought, a measure strengthening the competence of the agricultural sector, disbursement acceleration program of investment budget, small investment projects of the government sector, PGS 5 project, an SMEs supporting measure through co-investment, a low interest rate loan project, a credit guarantee scheme for micro entrepreneurs phase 2, Ban Pracharat Housing Project, and tax measures to stimulate the economy during Songkran Festival. This stimulated greater spending among the household sector and more private investment. The agricultural sector saw a positive sign of recovery, with farmers' income rising significantly owing to an increase in price especially of palm oil and fruit.

- **Negative factors** influencing the confidence during the second quarter of 2016 included the export sector, which was once again shrinking. In addition to this, fuel costs increased with the retail price of gasoline 95 at 31.56 baht and diesel at 24.69 baht per litre, a respective rise of 0.40 and 2.80 baht from the end of the first quarter of 2016.

As regards the sentiment index during the third quarter of 2016, it was expected that the index in every aspect maintain its balance or increase slightly since measures of the government sector have been previously implemented. In addition, the large projects of the government sector and the country's infrastructure have been continually operated. The condition of the domestic economy recovered from drought, resulting in increased income among farmers owing to the price of major agricultural crops and fruit that began to enter the market. As concerns the tourism sector, this was another factor strengthening confidence among operators. The tourism-related government agencies have progressively organized tourism promotion activities.

Trade and Service Sentiment Index from 2015 to June 2016



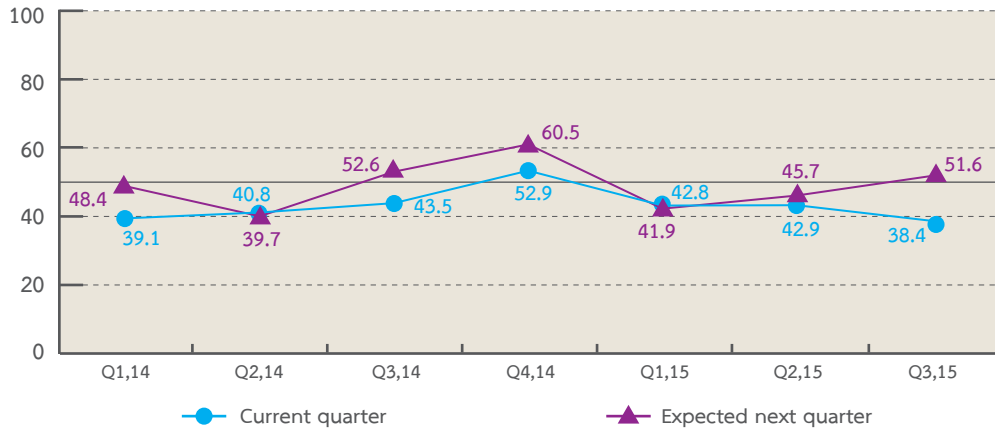
Source : The Office of Small and Medium Enterprises Promotion (OSMEP)

SME Manufacturing Sentiment Index (SMSI) in 2015

SME Manufacturing Sentiment Index (SMSI) indicates the business condition of SME manufacturing operators. In 2015, confidence in business operations among SME manufacturing operators of the country was at a low level (below 50). In 2015, the index continued to move downward from the first to the third quarter, reaching the lowest point at 38.4 in the third quarter of 2015, lower than the same period of the previous year. It can be seen that confidence in operating business among SME manufacturing operators in each region tended to be at a low level and was likely to further fall.

As regards the expected index in the first two quarters of 2015, the index value was below 50. However, the expected index in the third quarter of 2015 reached the highest value at 51.6, indicating that operators saw better movement owing to a greater volume of sales orders during the last quarter of the year and the approach of the festive season.

SME Manufacturing Sentiment Index (SMSI) of SMEs in 2015

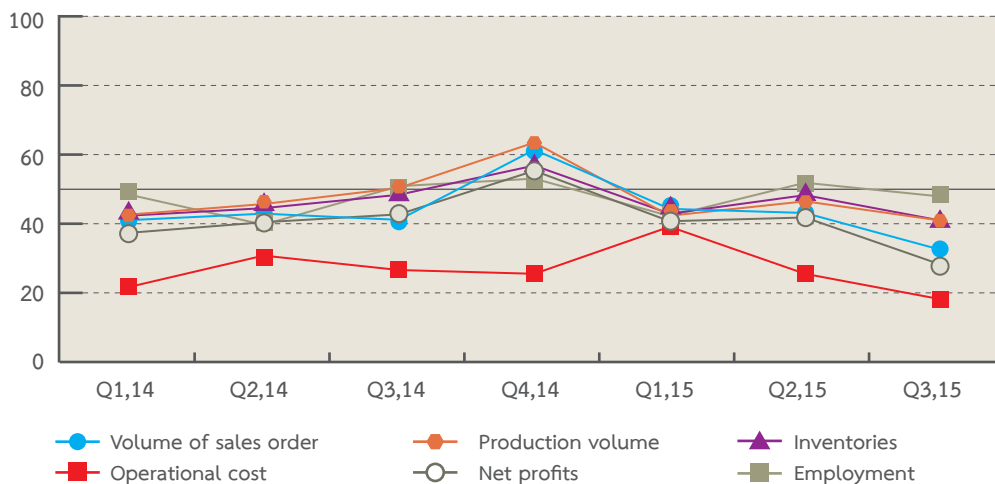


Source : The Office of Small and Medium Enterprises Promotion (OSMEP)

Considering confidence at the regional level, operators in the manufacturing sector in every region had low confidence in operating business whereby operators in the north had lower confidence than the rest, with the average index value of 33.9, followed by the northeast at 39.6, the central at 48.7, and the south at 49.5 (respectively).

As concerns **the north**, the highest confidence was in the first quarter of 2015 at 53.1 before continually falling and reaching the lowest point at 20.7 in the third quarter of 2015. As for **the northeast**, in the first quarter of 2015, the index stood at 43.7 and continued to fall every quarter until it reach its lowest point at 34.0 during the third quarter of 2015. In **the south**, the index was lowest in the first quarter of 2015 at 26.1 before rising in every quarter and reaching 57.5 in the third quarter of 2015. It was the only region having a sentiment index higher than the base value of 50 compared to other regions. In **the central, east and west (excluding Bangkok)**, in 2015 confidence tended to decrease continually, staying at 41.4 in the third quarter of 2015.

SME Manufacturing Sentiment Index (SMSI) of SMEs Categorized by Components



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

There are six components of the Manufacturing Sector Sentiment Index (MSSI) of SMEs: 1. Volume of sales orders; 2. Production volume; 3. Inventories; 4. Operational cost; 5. Net profits; and 6. Employment. In 2015, it was revealed that SMEs operators in the manufacturing sector had the lowest confidence in operational costs, followed by net profits and volume of sales orders. Employment tended to gain the most confidence and was the only component with the sentiment index value above 50 in the second quarter of 2015. The index value of the rest of the components was below the base value of 50. The index tended to further decrease since operators were still concerned about the slowdown of global economic conditions.

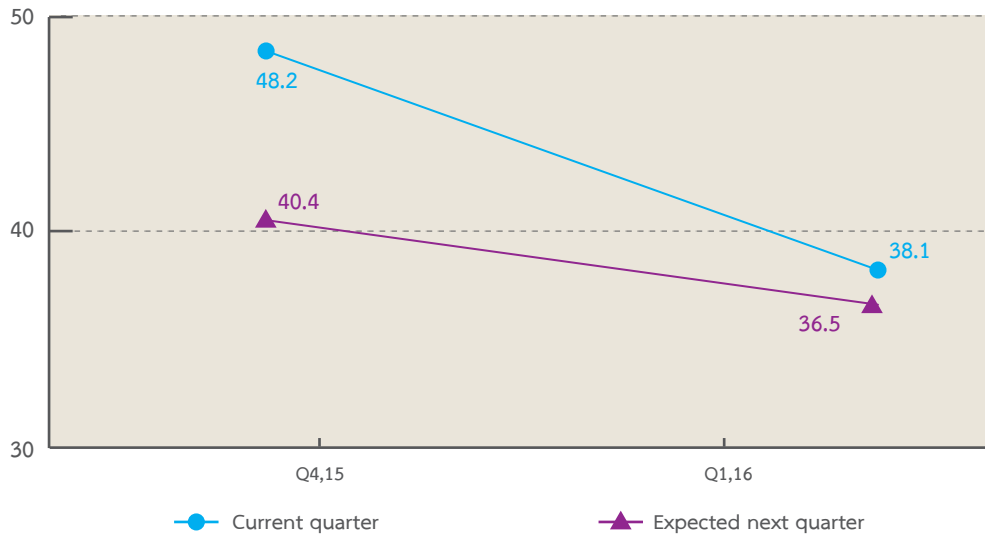
As regards the factors influencing SMEs' business operations in the manufacturing sector in Thailand used in a survey of SMSI, there were 11 as follows: 1. oil price and transportation cost, 2. product cost and wage, 3. economic conditions and public purchasing power, 4. decrease in demand in products and services, 5. competition in industry, 6. condition of global economy, 7. assisting and promoting measures from the government sector, 8. political situation, 9. quality of public utility service, 10. exchange rate, and 11. loan interest rate.

The factor having substantial effect on business in every region except the south was economic conditions and public purchasing power. In **the north**, there were other factors posing high impact: oil price and transportation cost, and product cost and wage. In **the south**, the factors were as follows: oil price and transportation cost, product cost and wage, decrease in demand in product and service, and competition in industry.

For the fourth quarter of 2016, in compiling the SMSI of SMEs, sample groups have been adjusted through selection according to a number of SMEs operators (juristic persons) and the ratio of average income of the highest five industrial categories out of six of the region so that each category in each region can be compared. There was a sample group of 500 per quarter per region as follows:

1. Manufacturing of food and beverage products.
2. Manufacturing of textiles and garments.
3. Manufacturing of rubber and plastic made products.
4. Manufacturing of computers, electronics, and electrical appliances.
5. Manufacturing of automobiles and semi-trailers.
6. Manufacturing of wood, wood products and furniture.

Total SMSI of Four Regions for the Fourth Quarter of 2015 and the First Quarter of 2016



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

As regards the survey result of SME Manufacturing Sentiment Index (SMSI) of SMEs in 4 regions in the first quarter of 2016, this stood at 38.1, a drop from 48.2 in the fourth quarter of 2015. The decrease in the index value was caused by these components: volume of sales orders, production volume, inventories, net profits and employment. However, the cost index increased. The expected index in the next quarter was at 36.5, a fall from 40.4 in the fourth quarter of 2015. The index at that time followed a downward movement since the manufacturing categories, especially food and beverage which is the largest manufacturing category, experienced a drastic drop in the volume of sales orders. This was in accordance with the economic conditions of the country and general public's income, especially of farmers affected by the price of agricultural goods and drought. There was also a slowdown in the textile and garments due to lower demand.