Thai June consumer survey shows hope economy is improving
Malaysian Insider
July 3, 2014

A university's index of consumer confidence in Thailand jumped in June, pointing to a possible improvement in domestic demand after the army took power and promised to revitalise a stumbling economy.

The consumer confidence index of the University of the Thai Chamber of Commerce rose to 75.1 in June, from 70.7 in May.

The latest reading is the highest since October. Through April, the index fell 13 straight months, and from November, political tensions were a major factor in the steady decline, as protests and unrest hurt tourism and demand.

The June survey is the first that covers a full month following the May 22 coup the military said was necessary to restore order and get the economy moving. The previous survey – which showed the index rising to 70.7 from 67.8 – was conducted right after the coup.
"The confidence index clearly improved in June as the political situation was more stable and people believed the military government's measures would help revive the economy," Thanavath Phonvichai, an economics professor at the university told a briefing.

"People are happy, so we believe spending on expensive goods such as cars and houses will return," he said.

Thanavath said that next year, "if there is not any problem, consumer confidence is expected to rise."

Southeast Asia's second-largest economy shrank 2.1% in January-March from the previous three months. Exports, which account for more than half of the Thai economy, have long been weak. Some economists say growth won't pick up significantly until exports do.

Government economic data for June, other than for inflation, hasn't been reported yet. May data remained weak. Exports were 2.14% lower than a year earlier, according to the Commerce Ministry, and factory output – down for 14 straight months – declined 4.1%.

Analysts believe the military's intervention may have put a floor under the country's deteriorating conditions and shored up consumer confidence by defusing the threat of an escalation in political violence, but mending its deep-rooted political and economic malaise will take time.

The Bank of Thailand (BOT) recently slashed its 2014 economic growth forecast by nearly half to 1.5%, but it predicted growth of more than 1% in April-June from the previous three months, meaning there would not be a technical recession.

For next year, the central bank raised its growth estimate to 5.5% because political tensions have eased and there is a functioning government. In 2013, Thailand's economy expanded 2.9%.

In line with the university survey's finding, some Bangkok residents say are more optimistic about the economy.

"Sales are quite good," said Jintana Saetiew, a 52-year-old street vendor who sells beverages. "I'm selling 20-30% more, compared with during the unrest. I hope things will get better and better."

Sujitra Kipairote, a 28-year-old reporter, said she was more relaxed than previously. "I spend more. I think the junta's policies should help improve the economy in the second half," she said.

The junta quickly paid about 92 billion baht (RM9.11 billion) owned to hundreds of thousands of farmers under a controversial rice-buying scheme. It has outlined economic measures such as price caps on fuel and loan guarantee to help small firms to help get the economy going.

Tourism arrivals were down by 6% in the first five months of this year, but industry executives say they expect an improvement in the second half. Tourism accounts for about 10% of the economy.

Other economic problems remain. Exports are sluggish and Thai households are among the most indebted in Asia, which leaves the central bank little scope to cut rates to support growth.

Thanavath said that while demand in Bangkok is improving, "there has been still little spending in the provinces, partly because some rice payments are used to repay debts, while the prices of rice and rubber are falling". – Reuters, July 3, 2014.

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Source: http://www.themalaysianinsider.com/business/article/thai-june-consumer-survey-shows-hope-economy-is-improving