

Chapter 9 SMEs Outlook in 2005

9.1 Key Factors in SMEs Outlook

9.1.1 Fuel Prices

Oil prices in 2004

World demand for crude oil in 2004 grew by 2.2 million barrels per day from 82.6 million barrels per day in 2003. The Organization for Economic Co-operation and Development (OECD) countries' consumption of oil increased 0.6 million barrels per day, equivalent to 1.2 percent, to 49.4 million barrels per day, while non-OECD countries' consumption grew by 1.6 million barrels per day, equivalent to 5.1 percent, to 33.2 million barrels per day.

World crude oil production in 2004 grew by 3.6 million barrels per day over the previous year. The Organization of Petroleum Exporting Countries (OPEC) increased their production by 2.2 million barrels per day, or equivalent to 8.0 percent, to 29.2 million barrels per day. On December 10th, 2004, OPEC issued a resolution to limit its production level at 27 million barrels per day by having member countries impose an excess capacity reduction of 1 million barrels per day. The resolution was to enter into effect on January 1st, 2005.

Thai Retail Oil Prices

Retail oil prices in Thailand rose in 2004; the ULG 95, ULG 91, and HSD prices were THB 2.42, 2.61, and 0.57 higher than a year ago. The Thai Baht appreciated against USD by THB 1.23 per USD from 2003 to reach THB 40.38 per USD making the rise of oil costs for Thailand lower than that of global markets. To mitigate the impacts of high oil prices, the government decided to stabilize the retail prices of ULG 95, 91, and HSD in Bangkok at THB 16.99, 16.19, and 14.59 per liter, respectively, starting January 10th, 2004. The prices were later floated on October 21st, 2004.

Changes in Bangkok retail oil prices in each quarter were as follows:

Quarter 1: ULG 95 and 91 prices climbed to THB 17.79 and 16.99 per liter, respectively. Such high level of oil prices will eventually deteriorate the economy; therefore, the government introduced the price supporting scheme on January 10th, 2004. ULG 95, 91, and HSD prices in Bangkok were capped at THB 16.99, 16.19, and 14.59 per liter, respectively. Average prices for ULG 95, 91, and HSD in Q1 were at THB 17.03, 16.23, and 14.58 per liter, respectively.

Quarter 2: Retail prices of both types of ULG were adjusted upward 3 times, each by THB 0.60 per liter. ULG 95, 91, and HSD prices in Bangkok stood at THB 18.79, 17.99, and 14.59 per liter, respectively. Average prices for ULG 95, 91, and HSD in this quarter were at THB 17.59, 16.79, and 14.59 per liter, respectively.

Quarter 3: Retail prices of both types of ULG were adjusted upward 5 times, each by THB 0.60 per liter, making a total increase of THB 3 per liter. ULG 95, 91, and HSD prices in Bangkok were THB 21.79, 20.99, and 14.59 per liter, respectively. Average prices for ULG 95, 91, and HSD in this quarter were at THB 20.45, 19.62, and 14.59 per liter, respectively.

Quarter 4: Retail prices of both types of ULG increasing by THB 0.60 per liter on October 20th, 2004, and then fully floated from October 21st, 2004 onward. ULG 95, 91, and HSD prices in Bangkok stood at THB 22.39, 21.59, and 14.59 per liter, respectively. Average prices for ULG 95, 91, and HSD in this quarter were at THB 21.16, 20.36, and 14.59 per liter, respectively.

Table 9.1 Average Retail Price of ULG 95, 91, and High Speed Diesel

(Unit : THB per liter)

Period	ULG 95		ULG 91		High Speed Diesel	
	price	difference	price	difference	price	difference
2003	16.65		15.65		14.02	
2004	19.07	2.42	18.27	2.62	14.59	0.57
Q4/2003	16.65		15.82		14.08	
Q1/2004	17.03	0.38	16.23	0.41	14.58	0.50
Q2/2004	17.59	0.56	16.79	0.56	14.59	0.01
Q3/2004	20.45	2.86	19.62	2.83	14.59	0
Q4/2004	21.16	0.71	20.36	0.74	14.59	0

Source: Energy Policy Journal Volume 66, October - December 2004

Overview and Trends of Oil Consumption in 2004

Overall consumption of oil reached 41.665 million liters in 2004, increased by 3,679 million liters from 2003 or equivalent to 9.7 percent. The top consumed type of oil was the high speed diesel with 1,9535 million liters, 46.9 percent of overall consumption. HSD consumption rose 2,085 million liters, or equivalent to 11.9 percent compared to 2003.

ULG 95 and 91 consumption in 2004 were at 3,029 and 4,631 million liters, or equivalent to 7.3 and 11.1 percent of overall oil consumption, respectively. Compared to 2003, their consumption grew by -1.8 and 1.8 percent, respectively.

Fuel oil was generally considered the backbone of the manufacturing sector. Its annual consumption was 6,064 million liters or equivalent to 14.6 percent of overall consumption in 2004. This was 1,075 million liters increase compared to the previous year, a growth of 21.5 percent.

Consumption of LPG, consisted of automobile and cooking gas, totaling 4,035 million liters or equivalent to 9.7 of overall, up by 60 million liter or 1.5 percent rise over 2003 (Table 9.2).

Table 9.1 also illustrated the trends found in consumption of different types of fuel. HSD and LPG showed a tendency to grow since September, while consumption of other decreased, including ULG 95 and 91, Low Speed Diesel, and Fuel Oil.

Table 9.2 Monthly Oil Consumption in 2004

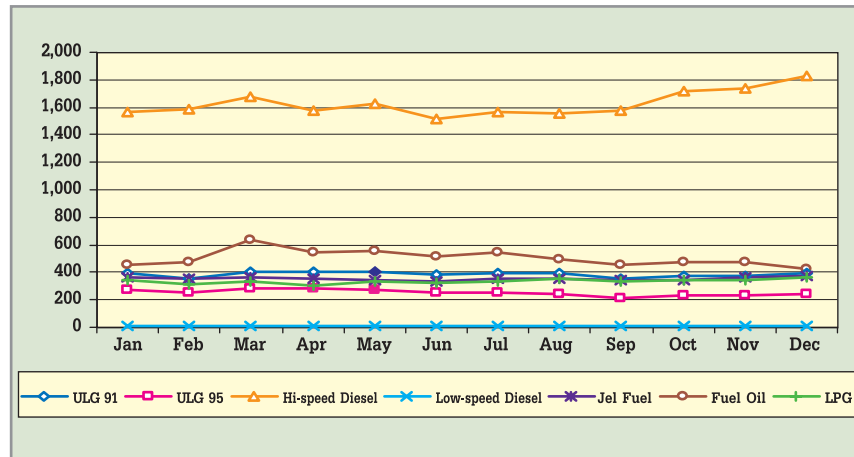
(Unit : million liters)

Month	ULG 91	ULG 95	Kerosine	HSD	LSD	Jet Fuel	Fuel Oil	LPG	Total
Jan	397.3	274.5	1.9	1,563.9	7.6	362.6	454.9	342.0	3,404.6
Feb	358.5	250.9	1.9	1,588.2	8.4	356.5	478.6	314.3	3,357.4
Mar	402.1	279.4	2.1	1,680.4	10.2	360.0	641.1	335.8	3,711.0
Apr	401.8	281.3	1.9	1,573.9	8.7	351.9	542.5	306.7	3,468.7
May	402.8	276.2	2.0	1,630.4	10.4	344.7	559.6	336.7	3,562.7
Jun	385.0	254.5	1.8	1,512.9	9.8	334.8	513.5	325.5	3,337.9
Jul	394.8	254.7	2.0	1,566.0	10.0	349.9	547.0	332.2	3,456.6
Aug	392.6	241.4	1.9	1,559.6	8.8	353.7	492.7	348.8	3,399.6
Sep	353.6	215.1	2.0	1,579.6	8.5	339.8	453.3	335.6	3,287.4
Oct	375.7	229.5	2.0	1,715.4	9.3	347.9	479.5	347.7	3,506.9
Nov	377.5	228.5	1.8	1,736.6	5.6	363.4	476.2	346.1	3,535.7
Dec	389.6	243.4	1.9	1,828.5	7.2	376.8	425.3	363.8	3,636.5
Total	4,631.2	3,029.4	23.3	19,535.4	104.6	4,241.9	6,064.2	4,035.1	41,665.0

Source : Energy Policy and Planning Office

Figure 9.1 Trends in Fuel Consumption in 2004

(Unit : million liters)



Source : Energy Policy and Planning Office

Oil Consumption by Economic Activity

According to tables 9.3 and 9.4, oil consumption by economic activity in 2004 was heavily biased towards the transport sector. It consumed 27,817 million liters or equivalent to 66.8 percent of the country's overall consumption. High Speed Diesel held the greatest share in the sector's consumption at 51.0 percent, with ULG 91, Jet fuel, and ULG 95 following suit.

The manufacturing sector consumed 6,484 million liters of all types of oil, or equivalent to 15.6 of overall consumption. Fuel oil accounted for the largest part of the sector's consumption at 72.3 percent, followed by HSD and LPG at 15.1 and 11.8 percent, respectively.

Oil consumption for the agricultural sector amounted 4,293 million liters of all types of oil, or equivalent to 10.3 percent of the country's overall consumption. In this sector,

HSD accounted for as much as 98.0 percent of its consumption.

The trade sector's consumption of all types of oil was 1,216 million liters, or equivalent to 2.9 percent of the overall. The most consumed fuel for the sector was LPG at 99.7 percent of the sector's consumption.

High speed diesel, ULG 95, and ULG 91 are indeed the most important fuel economically. They are the basic fuel used in the transport sector which is considered an essential part of the country's economy. Increasing costs from rising oil prices directly and widely put pressure on both the entrepreneurs and consumers, especially SMEs in the transport sector which are the most affected group.

Table 9.3 Oil Consumption in 2004 by Economic Activity

(Unit : million liters)

Activities	LPG	ULG 91	ULG 95	Jet Fuel	Kerosine	HSD	LSD	Fuel Oil	Total
Agriculture	4	74	3			4,206		6	4,293
Mining						12		15	27
Manufacturing	768	7	11		18	979	14	4,687	6,484
Construction						164		51	215
Residential	1,609				3				1,612
Commercial	1,213				1		1	1	1,216
Transport	441	4,550	3,015	4,242		14,175	90	1,304	27,817
- Land	441	4,550	3,015			13,917			21,923
- Railway						166			166
- Air				4,242		0			4,242
- Water						92	90	1,304	1,486
Total	4,035	4,631	3,029	4,242	23	19,535	105	6,064	41,664

Source : Energy Policy and Planning Office

Table 9.4 Proportion of Oil Consumption in 2004 by Economic Activity

Activities	LPG	ULG 91	ULG 95	Jet Fuel	Kerosine	HSD	LSD	Fuel Oil	Total
Agriculture	0.1%	1.7%	0.1%			98.0%		0.1%	100.0%
Mining						44.4%		55.6%	100.0%
Manufacturing	11.8%	0.1%	0.2%		0.3%	15.1%	0.2%	72.3%	100.0%
Construction						76.3%		23.7%	100.0%
Residential	99.8%				0.2%				100.0%
Commercial	99.7%				0.1%		0.1%	0.1%	100.0%
Transport	1.6%	16.4%	10.8%	15.2%		51.0%	0.3%	4.7%	100.0%
- Land	2.0%	20.8%	13.8%			63.5%			100.0%
- Railway						100.0%			100.0%
- Air				100.0%					100.0%
- Water						6.2%	6.0%	87.8%	100.0%

Source : Energy Policy and Planning Office

Table 9.5 Retail Oil Prices Comparison

(Unit for oil : THB/liter, Unit for LPG : THB/kg)

	27 Jun 05	8 Jan 04	change	% change
ULG 95	24.54	16.99	7.55	44.4%
ULG 91	23.74	16.19	7.55	46.6%
Kerosine	23.86	17.44	6.42	36.8%
High Speed Diesel	20.99	14.59	6.40	43.9%
Low Speed Diesel	20.36	14.32	6.04	42.2%
Fuel Oil 600	14.66	10.76	3.90	36.3%
Fuel Oil 1500	14.28	9.97	4.31	43.2%
LPG	16.81	15.81	1.00	6.3%

Source: Energy Policy and Planning Office

Table 9.5 compares the retail prices of different types of fuel between early 2004 to present. ULG 95, 91, and High Speed Diesel prices were the top 3 most fluctuated with as much change as 46.6, 44.4, and 43.9 percent, respectively. Their prices therefore rose by THB 7.55, 7.55, and 6.40 per liter, respectively. Throughout 2004, the Thai government continued to carry out its policy in fixing diesel oil prices,

especially HSD, to alleviate the impacts on economic conditions. Over THB 35 billion of subsidy was spent for this purpose. Nevertheless, the diesel retail price was adjusted upward by Baht 0.60 per liter on February 22nd, 2005, to reduce the burden for the Oil Fund. Diesel price continued to rise 8 times until present. Recently, as of June 2005, the diesel subsidy accounted for over THB 84 billion of the fund's debt.

For ULG 95 and 91, as many as 36 price adjustments were made in the period between January 10th, 2004 and June 2005. Subsidy for both types of gasoline amounted over THB 7 billion.

As retail oil prices continued to increase, the Ministry of Transport conducted a study on the impact of oil and automotive LPG prices on costs of bus, train, and taxi services, as well as cost of goods transport. The results are:

Regarding bus & train fare, Baht 1-2 per liter increase in HSD price will affect the passengers using BMTA bus and State Railway of Thailand's services as follow;

Table 9.6 Impact of High Speed Diesel Price on Cost of Bus & Train Fare

Cost of Fare	1 Baht/liter	1.50 Baht/liter	2 Baht/liter
BMTA bus (Baht per passenger)	+1.3% (0.11)	+1.9% (0.16)	+2.6% (0.22)
BMTA air-conditioned bus (Baht per passenger)	+1.4% (0.25)	+2.2% (0.38)	+2.9% (0.51)
State Railway of Thailand (THB million/year)	+1.7% (170.7)	- NA -	- NA -

Source: Ministry of Transport

Regarding taxi services, Baht 1-2 per liter increase in LPG price will affect the taxi operators as follow;

Table 9.7 Impact of Liquefied Petroleum Gas Price on Costs of Taxi

Type of Taxi Service Operators	1 Baht/liter	2 Baht/liter
owner-driver or daily lease (Baht/day)	+4.0% (42.8)	+8.0% (85.6)
Shift lease (Baht/shift)	+4.1% (39.3)	+8.2 % (78.5)

Source: Ministry of Transport

Regarding transport cost, Baht 1-2 increase in HSD price will affect the cost of transport by the Express Transportation Organization of Thailand as follow;

Table 9.8 Impact of High Speed Diesel Price on Costs of Transport by The Express Transportation Organization of Thailand

Oil prices	fuel/transport cost	increase in transport costs
Current HSD price	28.6%	-
Baht 1 increase	30.5%	+1.95%
Baht 1.5 increase	31.5%	+2.93%
Baht 2.0 increase	32.5%	+3.90%

Source: Ministry of Transport

For the manufacturing sector, the Office of Industrial Economics has conducted an analysis of energy costs for different industries in the manufacturing sector as follows:

Table 9.9 Structure of Energy Costs in Manufacturing Sector

(Unit : %)

Manufacturing Industries	Diesel	Fuel Oil	LPG	Electric	Total
Cars	0.04%			0.18%	0.22%
Motorcycles			0.45%	0.12%	0.57%
Car parts (rubber)				0.90%	0.90%
Motor vehicles parts (pressed metal)	0.21%	0.18%	0.25%	0.99%	1.63%
Motor vehicles parts (cast metal)	0.03%	0.01%	3.46%	4.61%	8.11%
Long products steel (without furnace)		2.00%		2.40%	4.40%
Long products steel (with furnace)		5.00%		12.00%	17.00%
Flat products steel		2.75%		1.97%	4.72%
Cathode ray tube		1.20%		3.60%	4.80%
Power cord		1.85%		7.50%	9.35%
Fertilizer		2.92%		1.91%	4.83%
Sulfuric acid		3.69%		4.45%	8.14%
Citric acid		18.96%		16.79%	35.75%
Canned tuna		0.61%		0.18%	0.79%
Tapioca starch		0.55%		3.78%	4.33%
Frozen tiger prawn		9.13%		5.80%	14.93%
Starch		13.00%		7.80%	20.80%
Wooden furniture		2.00%		3.60%	5.60%
Yarn		3.00%		6.89%	9.89%
Bleaching & dyeing		10.00%		6.00%	16.00%
Ceramics			6.67%	3.60%	10.27%
Ceramic tableware			7.85%	3.10%	10.95%
Sheet glass		12.60%	5.52%	3.53%	21.65%
Cement		19.00%		7.02%	26.02%

Source: the Office of Industrial Economics

Table 9.9 indicates that a number of industries in this sector use fuel oil and electricity as their main energy. Consequently, as the Fuel Oil 1500 price increased by Baht 4.3 per liter, or equivalent to 43.2 percent, many industries which consumed large amount of fuel oil i.e. manufacturing of citric acid, modified starch, bleaching and dyeing, sheet glass, and cement, were heavily affected.

During the period between February 2004, and June 2005, the Subcommittee on the Automatic Adjustment Mechanism (Ft) agreed to adjust the Ft charge 5 times, with details as follow:

Table 9.10 Automatic Adjustment Mechanism (Ft) February 2004 - June 2005

(Unit : satang per unit)

	Feb-May. 04	Jun-Sep 04	Oct 04-Jan 05	Feb-May 05	Jun-Sep 05
Generation	45.89	45.35	49.82	50.35	53.35
Transmission	-2.57	-2.55	-2.11	-2.41	-2.41
Distribution	-5.04	-4.52	-4.43	-4.66	-4.11
Total	38.28	38.28	43.28	43.28	46.83

Source: the Energy Policy and Planning Office

Table 9.10 showed that adjustment of the Ft charge directly affected manufacturing costs since electricity was the sector's primary energy source, particularly in the manufacturing of motor vehicle parts (cast metal), long product steel (with furnace), citric acid, starch, bleaching and dyeing, sheet glass, and cement.

Therefore, oil prices are a major factor affecting SMEs in manufacturing, trade, and service sectors by either direct or indirect impacts it had on costs. Consequently, the industrial sentiment index, as well as the trade and services sentiment index, dropped sharply. Impacts of oil prices are indeed an acute and urgent problem that requires relevant agencies to collaborate and work towards solutions and measures to help those who are affected.

9.1.2 Investment in Mega Projects

The cabinet meeting on June 14th, 2005 came to the decision to acknowledge investment plans and guidelines for the government's Public Mega-Projects to be undertaken between 2005-2009. These gigantic scale government investment projects consist of:

1. Mass Transit System
2. Communication and Transport System
3. Housing System
4. Water Resource System
5. Education System
6. Public Health System
7. Others

The government's investment plan for the Mega-Projects to be carried out from 2005 to 2009, is as follows:

Table 9.11 Government Mega - Projects Investment Plan 2005-2009

(Unit : THB billion)

Scheme	2005	2006	2007	2008	2009	2005-2009	%
Mass Transit	1.13	46.61	98.06	143.64	133.99	423.43	25%
Communications & Transport	34.72	48.42	81.40	80.24	83.83	328.61	19%
Housing	14.81	54.32	64.06	57.18	23.43	213.80	12%
Water Resources	0.00	38.12	53.96	53.96	53.96	200.00	12%
Education	0.20	13.98	27.44	27.43	27.38	96.43	6%
Public Health	1.60	12.00	29.21	27.31	26.27	96.39	6%
Others	14.83	41.90	73.39	96.40	115.57	342.09	20%
Total	67.29	255.35	427.52	486.16	464.43	1,700.75	100%

Source : preliminary data, as of June 7th, 2005

This investment plan, to be carried out between 2005-2009, involves a total investment of THB 1.7 trillion. It is expected to help spur the economy by increasing the GDP by at least 0.5 percent a year from 2005 to 2009. It will also create positive effects on SMEs entrepreneurs in construction and manufacturing of construction materials and equipment industries i.e. iron and cement. While SMEs' chance of success in Mega-Project biddings is minimal, it is possible for them to benefit as subcontractors for larger construction enterprises.

Besides, goods transport enterprises could also profit from the investment plan since it requires a great deal of transportation of construction equipment.

9.2 Outlook of Thai SMEs

In this section, the data used in analysis of the SMEs' economic outlook was gathered from the annual financial statements submitted to the Department of Business Development, Ministry of Commerce, by enterprises registered as juristic persons. This data, however, was presented by business operators approximately 6 months after the annual closing of their accounts. Consequently, their 2004 financial statements were usually completed and provided to the Ministry of Commerce around the month of July, 2005.

According to this restraint, the 2003 financial statements provided by 227,787 SMEs registered as juristic person were gathered as a basis for analyzing the outlook of Thai SMEs. They were categorized as manufacturing, services, and trade sectors, in order to analyze: 1) Roles of SMEs in different industries towards the three sectors. Their sales, growth of sales, profits, and profit growth were analyzed in order to determine the outlook. 2) SMEs' operation ability, by considering their profit to sales ratios which reflect the SMEs' ability to generate added value.

9.2.1 Trends among SMEs in the Manufacturing Sector

Table 9.12 Manufacturing SMEs Net Profit on Sales in 2003

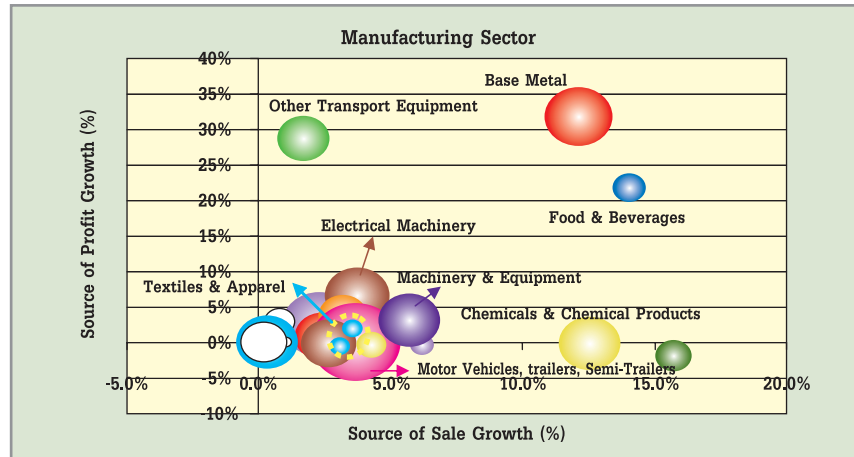
Manufacturing Industries	Sales				Profit				Net Profit on Sales
	Value (THB million)	Contribution to Total Sales	Growth compared to 2002	Source of Growth	Value (THB million)	Contribution to Total profit	Growth compared to 2002	Source of Growth	
Motor vehicles, trailers, and semi-trailers manufacturing	60,692	3.7%	20.0%	3.7%	4,333	12.3%	1.2%	0.1%	7.1%
Non-metal mineral product manufacturing	54,065	3.3%	14.0%	2.3%	2,812	8.0%	50.9%	2.6%	5.2%
Base metal manufacturing	98,001	5.9%	41.0%	12.2%	4,183	11.8%	424.4%	31.8%	4.3%
Electrical machinery and tools manufacturing	58,498	3.5%	21.2%	3.8%	2,218	6.3%	162.8%	6.5%	3.8%
Coke & products from petroleum distillation manufacturing	9,444	0.6%	11.2%	0.3%	350	1.0%	-12.3%	-0.1%	3.7%
Chemicals and chemical products manufacturing	145,298	8.8%	28.6%	12.6%	5,233	14.8%	-1.7%	-0.2%	3.6%
Machinery and equipment manufacturing	116,909	7.1%	16.2%	5.7%	4,088	11.6%	42.1%	3.1%	3.5%
Medical instruments, precision instruments manufacturing	4,766	0.3%	26.7%	0.4%	136	0.4%	33.3%	0.1%	2.9%
Paper and paper products manufacturing	51,052	3.1%	17.3%	2.7%	1,434	4.1%	-8.1%	-0.2%	2.8%
Printed matter, printing, and reproduction of media manufacturing	40,683	2.5%	19.7%	2.4%	1,120	3.2%	40.4%	0.8%	2.8%
Other transport equipment manufacturing	16,632	1.0%	34.0%	1.7%	438	1.2%	364.7%	28.7%	2.6%
Radio, television & communications equipment and tools manufacturing	60,544	3.7%	17.5%	3.2%	1,408	4.0%	142.5%	3.6%	2.3%
Rubber and plastic products manufacturing	196,785	11.9%	26.4%	15.7%	2,557	7.2%	-42.8%	-2.0%	1.3%
Food and beverages manufacturing	285,241	17.2%	16.3%	14.1%	3,261	9.2%	372.6%	21.8%	1.1%
Furniture and other non-categorized manufacturing	103,723	6.3%	13.6%	4.3%	915	2.6%	-27.8%	-0.5%	0.9%
Fabricated metal products manufacturing	81,919	4.9%	25.0%	6.2%	469	1.3%	-40.0%	-0.3%	0.6%
Clothing including prepared and dyed wool manufacturing	103,783	6.3%	9.8%	3.1%	522	1.5%	-66.2%	-0.6%	0.5%
Textiles manufacturing	77,297	4.7%	15.2%	3.6%	346	1.0%	314.9%	2.0%	0.4%
Wood and wood products manufacturing	40,105	2.4%	8.9%	1.1%	-33	-0.1%	-104.6%	0.1%	-0.1%
Tanned and prepared skins, including articles of leather manufacturing	45,764	2.8%	6.0%	0.8%	-372	-1.1%	-423.9%	2.8%	-0.8%
Office appliances, accounting machines, calculating machines manufacturing	4,828	0.3%	14.9%	0.2%	-82	-0.2%	24.8%	0.0%	-1.7%
Total	1,656,029	100.0%	40.3%	100.0%	35,336	100.0%	4,529.2%	100.0%	46.8%

Source: Business Online Public Company Limited (BOL)

Compiled by: the Office of Small and Medium Enterprises Promotion

Note: 'Source of Growth' represents the proportion of each industry's growth in the entire manufacturing sector's growth. This was achieved by multiplying the particular industry's growth with contribution to its own sales, using the result from each industry to calculate its proportion in the sector's overall growth.

Figure 9.2 Position Plot of Manufacturing SMEs in 2003



Source: Business Online Public Company Limited (BOL)

Compiled by: the Office of Small and Medium Enterprises Promotion

Figure 9.2 illustrated roles of manufacturing SMEs in different industries toward the sector's sales and profit. The X axis represents the growth of sales, while the Y axis represents the growth of profit. The spheres' size represents the net profit on sales ratio, which reflects the SMEs ability to generate added value. Some notable industries in the manufacturing sector include:

1) Manufacture of Base Metal

Regarding the contribution made by different manufacturing SMEs toward the sector's overall performance in table 9.2, the base metal manufacturing industry held a significant role. This industry consisted of the base iron and steel manufacturing which accounted for 19.7 percent of its sales, the manufacturing of precious metal and base non-ferrous metal which accounted for 24.5 percent, and the casting of metal which held the greatest contribution of 55.8 percent of the industry's overall sales. The base metal manufacturing industry accounted for 31.8 percent of the manufacturing sector's profit growth, the highest proportion among different

manufacturing industries. It also had 4.3 percent value adding ability, the third greatest among the manufacturing industries.

To analyze trends among the base metal manufacturing SMEs, their sales, profit, and net profit on sales were taken into account. Records showed that the SMEs' sales grew steadily from 1999 to 2003, at the average of 28.7 percent. Therefore, it was expected that their sales would continue to accelerate through to 2005, underpinned by domestic demands, especially construction irons required by the government's infrastructure projects as well as growing private housing estate projects.

The trend of expansion was also found in profit, with an average of 44.3 percent from 1999 to 2003. Though the SMEs experienced a loss between 1999-2000, in the present year, they were able to make THB 4.18 billion in profit, a surge of 424.4 percent in growth. Continuing growth in both sales and profit led to a positive projection of net profit on sales.

In conclusion, the base metal manufacture industry held a significant role in the sector's sales and profit growth. The SMEs' ability to generate profit was also in a satisfactory level (Table 9.13 and Figure 9.3).

Table 9.13 Base Metal Manufacturing SMEs Sales, Profit, and Net Profit on Sales

Base metal Manufacture	1999	2000	2001	2002	2003
Sales (THB million)	45,604	57,802	71,442	69,749	98,001
Profit (THB million)	-5,394	-5,094	115	798	4,183
Growth of Sales		226.1%	23.6%	-2.4%	40.5%
Growth of Profit		0.7%	102.3%	593.9%	424.2%
Net Profit on Sales	-11.8%	-8.8%	0.2%	1.1%	4.3%

Source: Business Online Public Company Limited (BOL)

Compiled by: the Office of Small and Medium Enterprises Promotion

Figure 9.3 Base Metal Manufacturing SMEs Trends of Sales, Profit, and Net Profit on Sales



Source: Business Online Public Company Limited (BOL)

Compiled by: the Office of Small and Medium Enterprises Promotion

2) Manufacture of Food and Beverage Products

Manufacture of food and beverage products was among the most important industries, having the highest sales in the manufacturing sector in 2003. Its contribution to expansion of sales was 14.1 percent, the second highest in the sector, and it also accounted for 21.8 percent of the sector's profit. However, in manufacturing, the SMEs' value adding ability was at 1.1 percent of their total sales, lower than the sector's average of 2.2 percent.

According to the past records of sales and profit since 1999, it was found that, in 2000, the manufacturing SMEs were faced with difficulties causing their sales and profit to fall to a record low. Despite this, their sales and profit posed a continuing growth at the average of 3.8 percent annually. Particularly in 2003 where sales