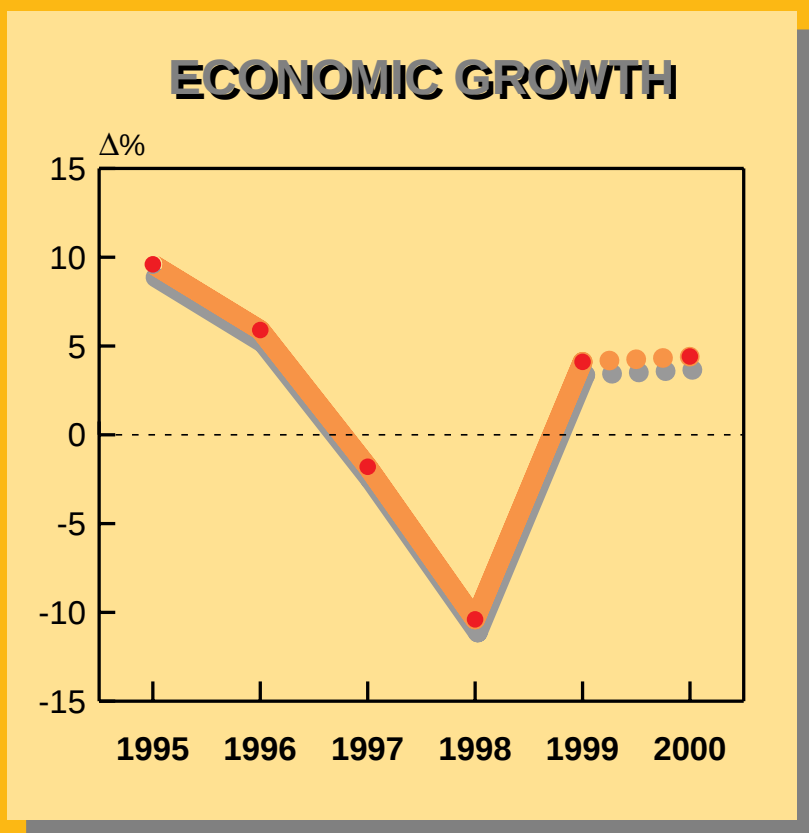


ANNUAL ECONOMIC REPORT 1999



BANK OF THAILAND



ANNUAL ECONOMIC REPORT

1999

B  T Dedicated to change for a better Thailand

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Bank of Thailand Governor's Statement

The past year was considered a year of positive change in the world economy, both of the developed and developing countries. The International Monetary Fund projected the growth of world economy to increase from 2.5 percent in 1998 to 3.3 percent in 1999. Many Asian countries saw improvement in their economic performance after being hit by deep economic and financial crisis that occurred in the region. Developed countries also showed improvement in economic growth from 2.4 percent to 3.1 percent in line with the U.S. economy, which continued to expand well, and the Japanese economy, which showed sign of recovery.

As for Thailand, at the beginning of 1999 there were much discussion and criticism by various groups of people including researchers, bankers, businessmen and the general public whether the Thai economy had reached the bottom of its recession and whether the economy would recover this year or not. As time passed, together with announcements of official economic growth figures, which showed some improvement from the first to last quarter of the year, the economy signalled some changes for the better at a certain level. Namely, the overall economy expanded after two consecutive years of recession. The main positive factors supporting the recovery were domestic demand, which saw an expansion in both private and public spending attributed by measures to accelerate expenditure to stimulate the economy. Production increased in most sectors. Growth in manufacturing production sector accelerated in almost industrial groups especially vehicle and parts, beverages, food production, iron and steel productions and "others"- most of which were export-oriented industries, supported by the strengthening of the export sector resulting from the changes in business strategies in exporting goods to external markets. Moreover, debt-restructuring problem alleviated to a certain level leading many businesses to start operation once again. Agricultural production also increased due to favourable weather condition.

Economic stability remained firm. Inflation rate was at the lowest level for the first time in many years, in spite of the pressure from the rising world oil prices in the second half of the year. On the monetary front, stability also improved. Low inflation rate and high overall liquidity allowed interest rates to be at low levels, both for deposit and lending rates. These were factors, which helped to support the recovery of the economy and the debt restructuring process. Stability in the external sectors also improved. The rise in exports and the inflows of foreign direct investment have resulted in continued surpluses in both the current account and balance of payments, although declined marginally from the previous year. This

was due to the repayment of external debts by BIBF and converted to baht denominated credits instead, leading to the decline of external debt. Concurrently, international reserves stood at a secured level, allowing the Thai authority to forgo further disbursement from the International Monetary Fund (IMF).

For the year 2000, many institutions projected that world economy and trade will expand, with growth being experienced in almost all regions. These will induce higher Thai economic growth than in the year 1999, in line with the recovery in the manufacturing sector, particularly export-oriented industries. Domestic demand is projected to accelerate slightly despite the Government's role in stimulating the economy recedes. Performance on the economic stability front should remain firm with inflation rate to be at low levels but may rise with the increase in prices of world commodity and oil prices. On the external front, import rate is expected to accelerate at a higher rate than export growth, causing both trade and balance of payments surpluses to decline. However, international reserves will remain firm. Risk factors still exist, which may affect the recovery of the Thai economy, these are: the progress in the restructuring of financial institutions and private sector external debt, problems of rising public sector external debt, and unemployment, including external risk factors such as the economy of the trading partners.

In the past year one of the main task for the Bank of Thailand was to regain faith, as a central bank could survive only with the faith and confidence given by the general public. The only way was to create successful out-comes that would be accepted, beneficial to the country, and able to solve problems enabling the country to move forward. Most important, must be successful in eliminating the "blind point" at which the country was experiencing high interest rate while inflation rate was low or having high real interest rate. This situation gravely affected the investment and trading of those who were not even facing debt problem. In solving the problem of high interest rate, explanations were made to foreign investors as well as Thai creditors in order to create understanding of the necessity to reduce interest rate to enable the economy to move forward. If interest rate declined, the economy would prosper which would be beneficial to those investors from abroad. This was quite different from the original idea that interest rate was to be increased to encourage capital inflows which was considered as short-term measure only. If interest rate remained high for a long time it would halt businesses. Investors would then draw back their investment capital due to the fear that they would not be able to gain both principle and interest of their investment when business faced bankruptcy, as a consequence of high interest rate. The former practice was widely welcome, and expanded up to a satisfactorily level. At the same time a parallel practise was pursued such as the setting up of a system to control at the macro level by setting up the Money Market Committee consisting of concerned team works by having close discussion on the matter. Database was created with accurate, extensive and real figures thus enabling the immediate following up of

abnormality in the monetary data. When abnormality actually occurred it would be noticed and solved out right away. As a result, the market gained stability. In this regard, when the process becomes effective, the reduction in interest rates was possible thus enabling the economy to start moving forward.

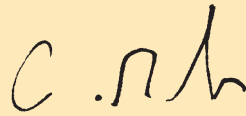
On the internal development, the Bank of Thailand recognised the importance of its role and responsibility for ensuring financial system stability and the soundness of financial institutions. To achieve the objectives, the Bank of Thailand was determined to strengthen its capability in proactively adapting and responding to the changing environment of the world financial situation, with the implementation of many significant projects.

The modernisation of the organisation structure was the most important project, which was started in March 1999. The starting point was to focus on the direction of the Bank of Thailand's role, by stipulating Core Purpose, Vision, and Value. The organisation structure became flatter with shorter lines of command for fast and efficient decision-making. Related works were grouped together into 6 main sectors as follows: monetary stability, financial institution stability, corporate support services, financial institution rehabilitation, legal and strategic capabilities. The new organisation, which had already been implemented, consists of 25 operating groups, being 21 groups, 1 office, 3 regional offices and 1 department. New groups were set up namely Data Management Group, Information & Public Relations Group and Strategic Services Group. The Bank of Thailand has also implemented many Modernisation Projects to help strengthen bases for modernisation of organisation structure, the significant ones were, the restructuring of organisation to be in line with the new structure, the restructuring of data collection system and the set up of Data Management Group, the development of new strategic plans for human resources management, the improvement in lines of command system, the change in corporate culture, the improvement of technology and risk management of official reserves, the improvement of financial institution examination system, the set up of School for Examiners, and the development of early warning system from other financial reports. The next phase will start next year by emphasising on reengineering, starting off with 4 main groups: namely, Supervision Group- to create confidence in the supervision and examination system of financial institutions; Financial Markets Operative Group- to increase the potential in maintaining financial stability under rapid change in the financial conditions, to increase working efficiency and to create public confidence; Deposits & Bonds Group- to increase work efficiency in the financial system, and able to react instantly to the rapid change in the financial system, and to be able to create customers' contentment with correct, instant, and transparent services; and Note Issuance Group- to increase work efficiency and productivity, employ technology suitable for management of bank notes and data management, to improve working environment, and to increase commercial banks' role in bank notes sorting process.

To increase efficiency in supervision of financial institution in many aspects, to achieve long-term objective in human resource development and to create confidence in the eyes of outsiders, led to the establishment of the training institute for financial institution examiners by setting up group of consultants and invited experts from abroad to develop the course of study with the Bank of Thailand officials. The School for Examiners was officially established on 18 February 1999 at Surawongse Office. The basic course was set up by combining theory and skill together; there are altogether 5 courses. In 1999 the first course was carried out (basic knowledge on financial institution examination). Those attended the course came from within and outside the Bank of Thailand such as: The Fiscal Policy Office, The Office of the Securities and Exchange Commission, Bank for Agriculture and Agricultural Co-operatives, The Small Industry Finance Corporation (SIFC), The Industrial Finance Corporation of Thailand (IFCT), The Government Savings Bank and The Government Housing Bank. The remaining 4 courses will be carried out in the year 2000 and will provide the opportunity for other financial institutions to send their staff to attend the courses.

As for the implementation of monetary policy in the next decade, the change from basket system to float rate system had caused the monetary policy, which monitor monetary base and quantity of money, to be less effective. After much analysis, the Bank of Thailand came to an agreement that a new monetary policy framework should be implemented instead, namely "Inflation Targeting" or to be exact "Flexible Inflation Targeting", with the aim to support continuous economic growth and stability. In this regard, the authority will project target inflation rate in the 1-2 years ahead, while a model to forecast inflation rate will be used. If the forecasted inflation rate does not coincide with the targeted inflation rate, this means that the authority should implement monetary policy more tightly or more relaxed, in order to attain the economic sector's target of stable growth. However, to achieve successful monetary policy under the framework of Inflation Targeting, depends very much on four main factors. First, the central bank must be independent and good administration must have protected armour to be able to make changes in monetary instruments. Second, the Government must not directly borrow from the central bank for debt payment and large deficit of the public sector in order that the implementation of monetary policy does not have objectives for other commitments apart from maintaining price stability. Third, the central bank must have the ability to forecast inflation rate and be able to implement monetary policy to achieve the set target. Fourth, must have institutional backgrounds in many aspects that are of beneficial to the implementation of monetary policy, and open market operation such as secondary market for debt-instrument etc. Therefore, future implementation of monetary policy must put emphasis on sending signal through the interest rate which is an important factor which the market must watch for direction of the monetary policy and adjust liquidity and basic operations to be in accordance with the capital cost which will occur, for both short and long-

term lending. Lastly, I wish to summarise that a country with an independent and stable central bank, with confidence given by those outside and inside the country, will achieve effective growth in economic and monetary development, such is the ultimate goal of all countries.

A handwritten signature in black ink, consisting of stylized cursive letters that appear to read 'C. n h'.

M.R. Chatu Mongol Sonakul
Governor
23 May 2000

SUMMARY REPORT

Thailand's Key Economic Indicators

$\Delta\%$ compared with the previous year	1998	1999 ^P	2000 ^E
GDP at current year price	-1.9	1.1	6.6
GDP at 1988 prices	-10.2	4.2	4.5
Agriculture	-1.4	3.9	2.1
Nonagriculture	-11.2	4.2	5.4
– Industry	-10.8	11.1	7.0
Domestic demand	-23.9	5.4	7.0
– Overall investment	-44.2	-3.7	8.5
– Overall consumption	-10.5	3.4	5.3
Exports and services	6.7	8.9	6.8
Imports and services	-22.3	20.2	12.7
Price level			
Inflation (Consumer Price Index: average)	8.1	0.3	2.5-3.0
External Sector			
Exports value (in US dollar terms)	-6.8	7.4	9.6
– Export volume	8.1	11.5	8.0
– Export prices	-13.8	-3.7	1.5
Imports value (in US dollar terms)	-33.8	17.7	19.0
– Import volume	-27.4	23.8	16.3
– Import prices	-8.8	-4.9	2.3
Money and Banking			
Commercial bank credits (including BIBF)*	-3.2	-2.8	2.0
Commercial bank deposit	8.8	-0.5	3.0
Broad money (M2a)	6.1	1.3	7.5
Monetary base	0.3	30.8	-10.5
Public finance			
Expenditure budget (baht billions)	830.0	825.0	860.0
(percentage change)	-10.3	-0.6	4.2
Government cash balance in the FY (% of GDP)	-5.2	-5.3	-5.0

Notes : P = Preliminary

E = Estimates

* Excluding the valuation change from exchange rate changes on BIBF credits (using exchange rate on 30 June 1997)

Thailand's Key Economic Indicators *(continued)*

	1998	1999 ^P	2000 ^E
GDP at 1988 prices (baht billions)	2,746.1	2,860.3	2,989.0
(percentage change)	-10.2	4.2	4.5
GDP at current year prices (baht billions)	4,635.9	4,688.4	4,997.8
(percentage change)	-1.9	1.1	6.6
Domestic demand	3,969.2	4,118.5	4,406.8
– Overall investment	1,027.9	998.7	1,083.6
– Overall consumption	3,030.0	3,148.6	3,315.5
Exports and services	2,717.5	2,683.0	2,865.4
Imports and services	1,977.7	2,141.9	2,413.9
External Sector (US\$ billions)			
Export value	52.9	56.8	62.2
Import value	40.6	47.8	56.9
Trade balance	12.2	8.9	5.3
Current account balance	14.3	11.3	7.7
Balance of payments	1.7	4.6	0.2
Total outstanding external debt	86.2	75.6	68.8
International reserves	29.5	34.8	35.0
Monetary and banking (baht billions)			
Commercial bank credits (including BIBF)*	5,244.5	5,096.1	5,198.0
Commercial bank deposits	4,595.9	4,575.0	4,712.3
Broad money (M2a)	5,118.1	5,182.5	5,571.2
Monetary base	475.3	621.8	556.5
Public finance (baht billions) (FY)			
Expenditure budget	830.0	825.0	860.0
Government cash balance in the FY	-223.1	-212.2	-248.8
Exchange rate (baht per US dollar)	41.37	37.84	n.a.

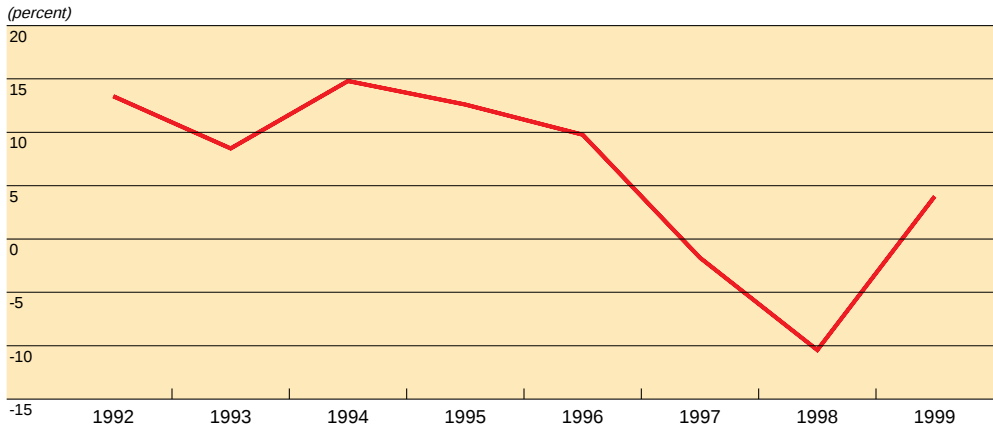
Notes : P = Preliminary

E = Estimates

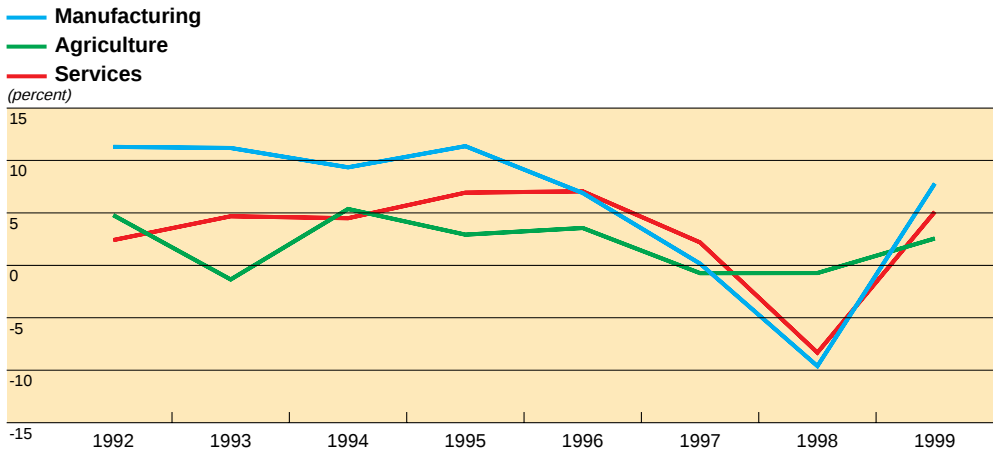
* Excluding the valuation change from exchange rate changes on BIBF credits (using exchange rate on 30 June 1997)

Economic Growth

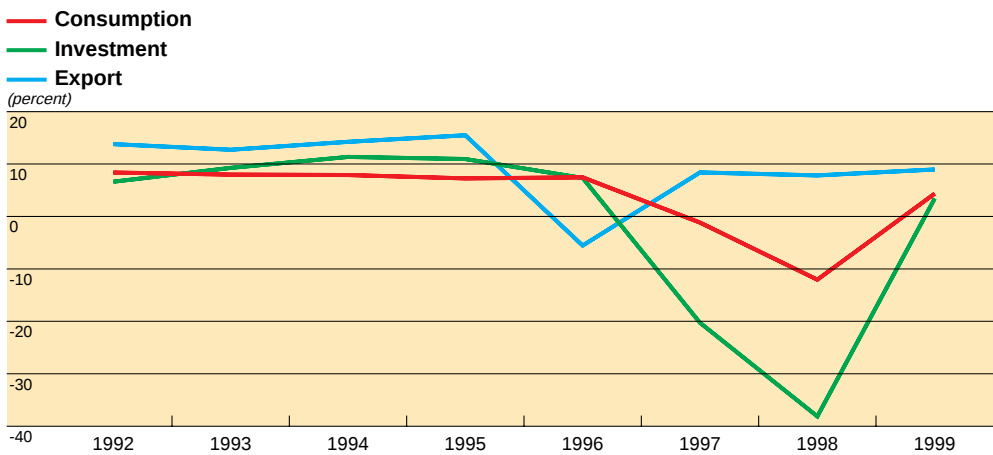
at 1988 prices



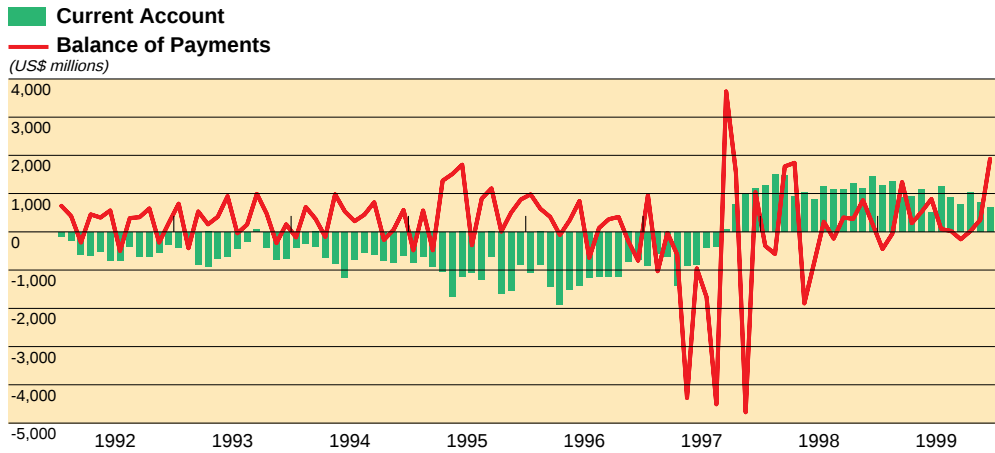
Growth Rates of Major Real Sectors



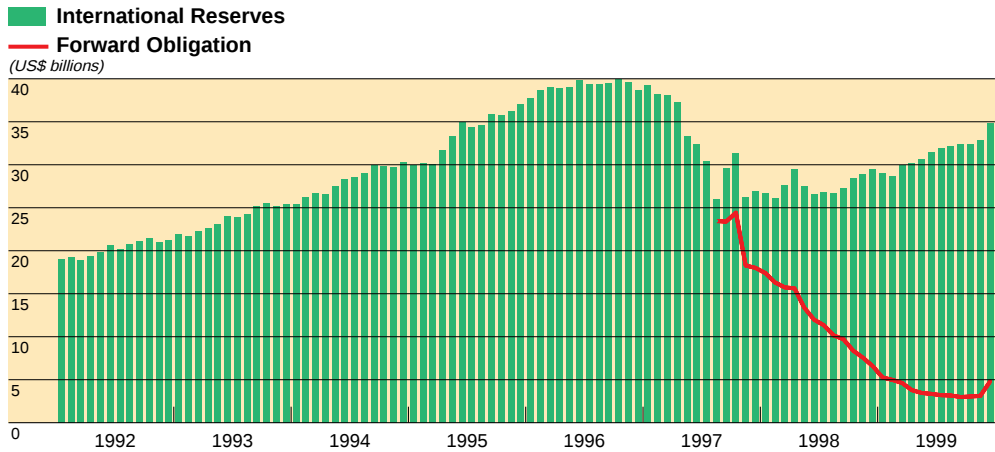
Growth Rates of Major Expenditures



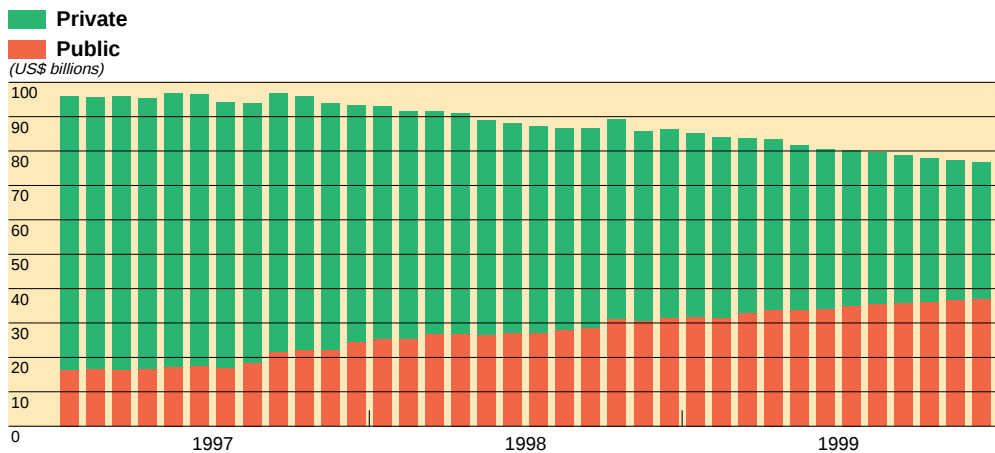
External Stability



International Reserves and Forward Obligation



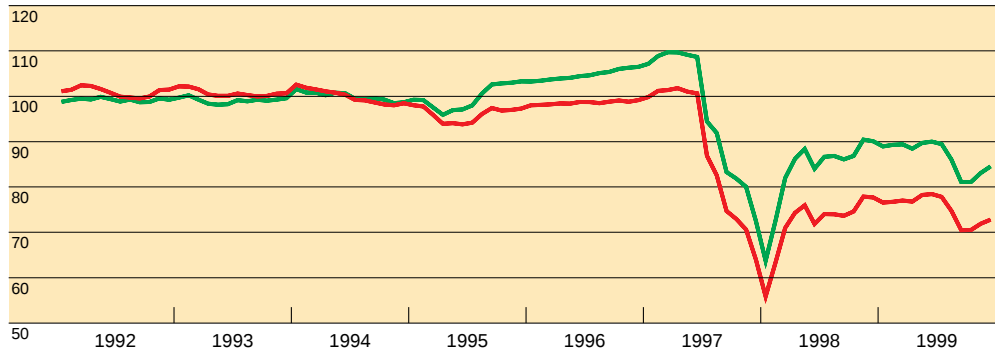
External Debt Outstanding



Nominal Effective Exchange Rate and Real Effective Exchange Rate

(Thai baht, Trade Weighted, 1994 = 100)

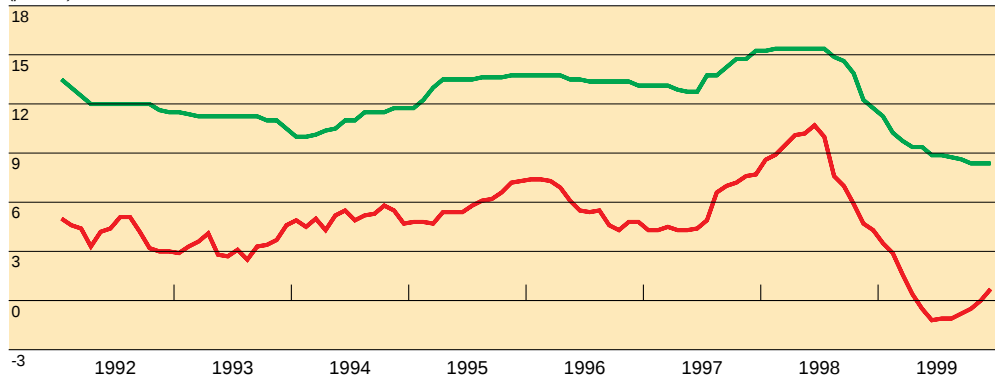
- Nominal Effective Exchange Rate (NEER)
- Real Effective Exchange Rate (REER)



Inflation and Minimum Lending Rates : MLR

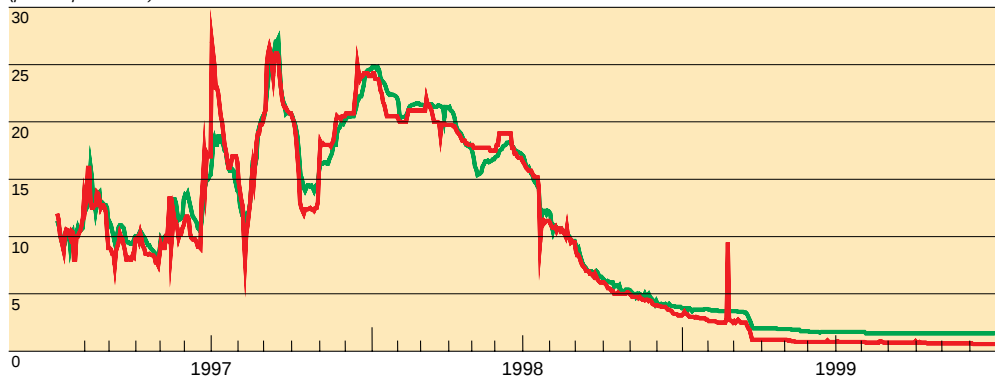
- MLR (% p.a.)
- CPI (% yoy)

(percent)

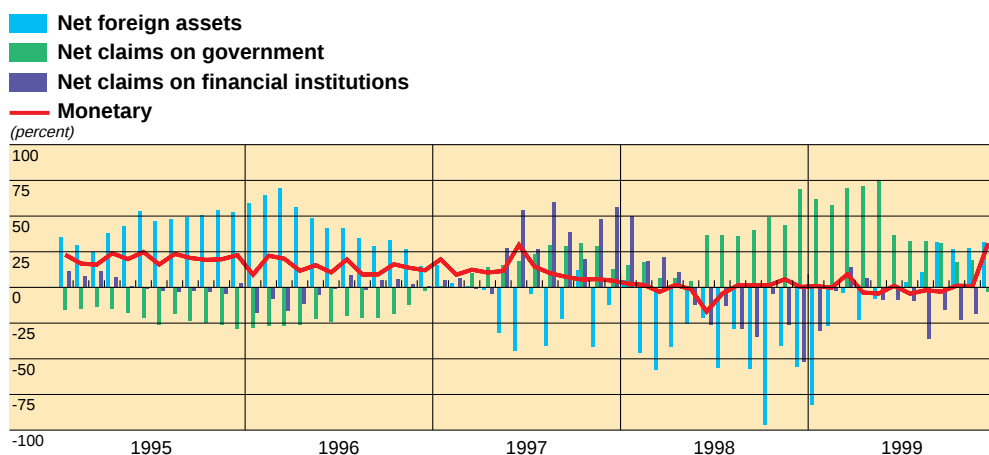


Repurchase Rates

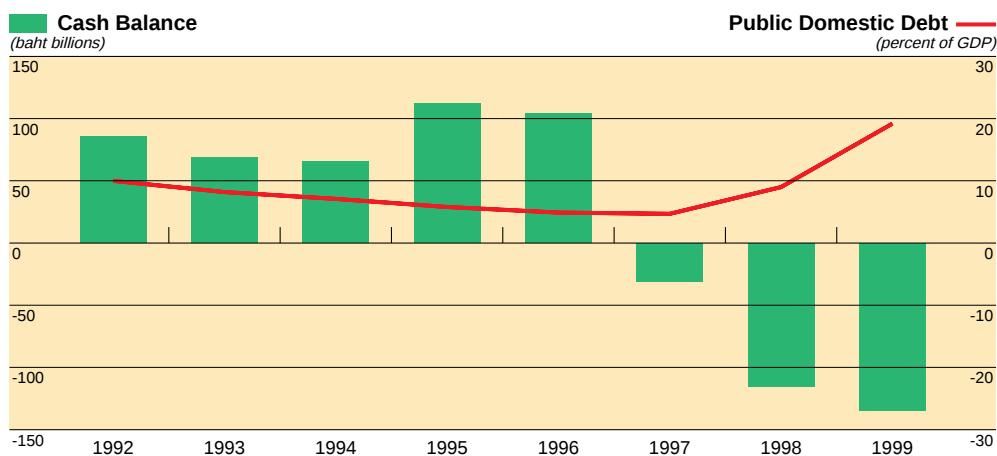
- 1 - Day
 - 14 - Day
- (percent per annum)



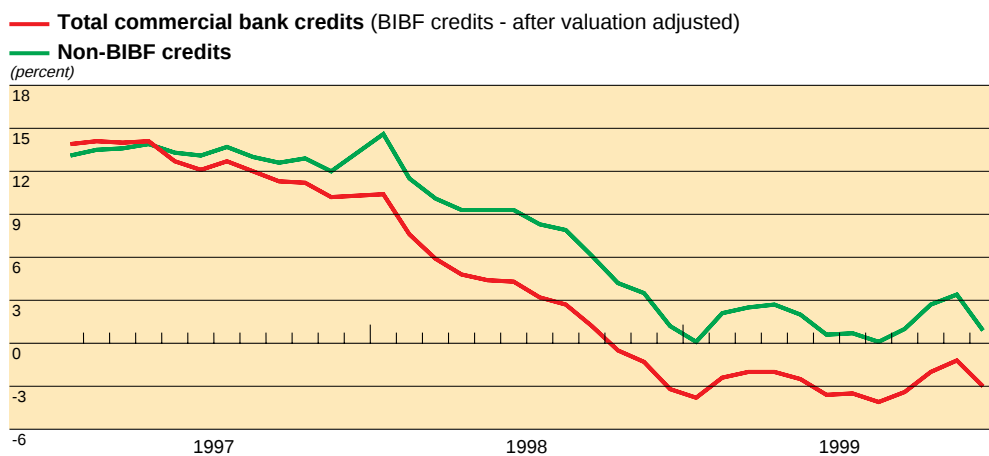
Growth Rate of Monetary Base and Factors Contributing to Growth of Monetary Base



Cash Balance and Public Domestic Debt (Fiscal Year)



Growth Rate of Total Commercial Bank Credits and Non-BIBF Credits



Date	NPL outstanding (baht billions)	% of total loan (percent)
June 1997	2150	38
September 1997	2250	40
December 1997	2350	42
March 1998	2500	45
June 1998	2600	47
September 1998	2750	48
December 1998	2750	48
March 1999	2750	48
June 1999	2150	42

Month	Monthly change in successful debt restructuring (baht billions)	Outstanding of successful debt restructuring (baht billions)
Jan.	35	200
Feb.	32	250
Mar.	68	350
Apr.	108	450
May	50	480
Jun.	142	550
Jul.	65	600
Aug.	55	650
Sept.	88	750
Oct.	68	800
Nov.	88	950
Dec.	168	1,100

Economic Performance in 1999

1. The Thai economy in the year 1999 expanded by 4.2 percent showing continued improvement of the economic performance. Production in almost all sectors expanded well in line with the improved performance in export market and the recovery in the domestic demand, which was attributed by the government's stimulus measures, while concurrently private consumption also improved. Two additional factors contributing to the recovery included: the private sector's abilities to adapt strategies in order to increase competitiveness and gain access to the growing markets especially in the export market; and the revival of the businesses which have once ceased operation but have then been able to resume their production following the progress in debt restructuring. Notwithstanding the expansion of exports, net national income from export of goods and services fell compared to the previous year as import growth exceeded that of exports due to an increase in imports of raw materials and intermediate goods for export production and domestic consumption. As regards labour market, employment adjusted gradually in line with the economic recovery. Unemployment rate in 1999 stood at 4.2 percent, posing some limitations on consumption growth in the private sector.

2. Stability remained robust despite pressure from rising oil price in the world market in the second half of the year. This year's average inflation stood at a low 0.3 percent enabling a decline in interest rate both deposit and lending, which in turn supported the economic recovery, the debt restructuring process, and reforms in the financial sector. However, the real interest rates remained high.

As regards stability on the external front, current account and balance of payments continued to register a surplus as a result of export expansion and an increase in FDI as well as capital inflow to the public sector. However, import growth also accelerated, while repayment of foreign debts especially by BIBF continued. Thus, despite an increase in foreign debts in the public sector, the total stock of debts decreased due to the debt repayment by the private sector. Maturity profile of the debt outstanding also lengthened. International reserves remained stable at a secured level, as a result the Thai authorities chose to forgo further financial support from the IMF.

3. Production sector: agricultural production expanded by 3.9 percent in line with crops and livestock output. Manufacturing production increased by 11.1 percent, following the recovery of export and domestic demand, expanding in almost all categories including vehicles and transport equipment, food, beverages, construction materials, iron and steel products and other industries, particu-

larly export-oriented such as integrated circuits and jewellery. Capacity utilisation rate^{1/} stood at 60 percent, up from 52.1 percent in the previous year.

4. Domestic demand expanded by 5.4 percent resulting from expansion of private consumption by 3.5 percent, supported by lower value added tax rate as well as low interest and inflation rates. However, risk of employment termination and falling farm income continued to restrict consumption growth. Private investment has bottomed out and began to see improvement in investment in machinery and equipment. Meanwhile, investment in construction remained low.

5. Fiscal stimulus package remained a cornerstone in the government budget in the fiscal year 2000. The government cash deficit stood at B134.3 billion or equivalent to 2.9 percent of GDP, meeting the fiscal deficit target set for stimulating the economy. The deficit was one of the main channels for injecting liquidity into the system while credit extension remained subdued.

The Government used treasury reserves together with the issuance of bonds and treasury bills to finance the deficit. The expansionary fiscal policy, however, had not led to a crowding-out effect of private investment this year. This was due to the excess liquidity in banking system resulting in declining inter-bank rate and commercial bank interest rates.

Government revenue amounted to B709.9 billion, achieving the target but declined from the previous year by 2.4 percent due to: the effects from 30 March, and 10 August, 1999 measures, the postponement of corporate income tax collection, a temporary decrease in VAT rate; and decreased personal income tax due to reduced deposit rates. As for expenditure, the actual disbursement amounted to B821.5 billion, a decline from last year by 1.7 percent, comprising budgetary disbursement of B690.8 billion or equivalent to a disbursement rate of 85.5 percent from the total expenditure budget (excluding the repayment of the principal).

6. Monetary conditions: liquidity remained high resulting in low interest rates in the money market, contributing to the commercial bank deposit and lending rates successive downward adjustments, in line with accommodative monetary and fiscal policy stance. Interest rates in the repurchase market continued to decline with the 7-day and 14-day rates dropping from 3.75 and 3.98 percent per annum at the end of 1998 to 0.94 and 1.48 percent per annum, respectively. As at year-end 1999, the minimum lending rate (MLR) of the five large commercial banks fell from 11.5-12.0 percent from the previous year-end to 8.25-8.75 percent as at end-1999. The 3-month deposit rate also dropped from 6.0-6.25 percent to 3.75 percent per annum compared to the same period last year.

1/ *Comprising the industries with combined weight of 44.5 percent of total value added of manufacturing sector.*

Commercial bank deposits in 1999 contracted by 0.5 percent compared to the expansion of 8.8 percent in the previous year owing to shift from deposits to other financial instrument which yielded higher returns. **Total commercial bank credits** (excluding the valuation changes from exchange rate changes on BIBF credits) at year-end 1999 declined by 2.8 percent due to decreased BIBF credits, which dropped by 37.8 percent year-on-year in line with low domestic interest rates, leading the private sector to repay the BIBF foreign currency denominated debts and turn to baht denominated credits. Moreover, some corporations switched to direct financing. Furthermore, commercial banks wrote off bad debts and transferred some portions of their NPL to Asset Management Companies (AMCs). However, non-BIBF credits expanded by 1.2 percent year-on-year. **Broad money (M2a)** increased by 1.3 percent, though moderating from the previous year, this, however, was sufficient to support the 1.1 percent expansion of gross domestic product at current prices (nominal GDP).

7. Progress in recapitalisation and provisioning of NPL: the Thai banks raised new capital amounting to B896 billion in 1999, some parts of which were raised through the supporting schemes from the Government. However, it was expected that further recapitalisation would be necessary. Provisioning of NPL reached over 60 percent of NPL. Moreover, progress was seen in establishment of the five private AMCs, and the Credit Bureau which would provide information on potential borrowers to the creditors, thereby paving way for credit extension for commercial banks once the economy recovered.

8. International trade: export value in US dollar terms increased by 7.4 percent, following the expansion of export volume by 11.5 percent in line with the economic recovery of trading partners especially in the Asian region. Meanwhile, import value in US dollar terms increased by 17.7 percent with the expansion in import volume of 23.8 percent, in line with the economic recovery and the growth in export production. Overall, the trade balance recorded a surplus of US\$8.9 billion, while the service and transfer account also recorded a surplus owing to increased income from tourism, resulting in a current account surplus of US\$11.3 billion or 9.1 percent of GDP.

9. Capital account saw a deficit of US\$6.1 billion resulting from repayment of foreign debts by commercial banks, especially by the BIBFs. As a result, foreign debt outstanding continued to decline from US\$86.2 billion as at end-1998 to US\$75.6 billion at end-1999 with the ratio of the short-term debt declining to 18.1 percent compared to 27.3 percent at previous year-end. Overall balance of payments recorded a surplus of US\$4.6 billion. International reserves rose to US\$34.8 billion at the end of 1999.

10. Exchange rate: the baht moved in the narrow range of 36.59-37.60 baht per US dollar in the first half of the year, partly reflecting the improved

economic conditions in Thailand and those of other countries in the region. In the second half of the year, the baht gradually depreciated due to: the strengthening US dollar; market concerns over the possible depreciation of the Chinese renminbi, the NPL problem of Thai commercial banks, and political and civil unrest in the East Timor. The exchange rate for the year 1999 averaged at 37.84 baht per US dollar, appreciating by 9.3 percent from the previous year.

11. Privatisation of the intervened banks continued to progress. Two out of the six intervened banks have been privatised; Nakornthon Bank PLC. was bought by Standard Chartered Bank and Radanasin Bank by United Overseas Bank. Further privatisation will be carried out and is expected to be completed by the first half of year 2000.

12. Debt restructuring continued to progress. At the end of December 1999, financial institutions reported restructured debts amounting to B1,072.1 billion, up by B915.2 billion from the previous year-end or an average increase of B76.3 billion per month. Total number of debtors involved were 173,709, up from 164,694, resulting in the 3-month NPL outstanding of the banking system at end-December 1999 to amount to B2,074 billion or equivalent to 38.54 percent of total credits, a decline of B600.6 billion, on a net basis, from previous year-end. The reduction in the NPL was attributed to the following factors: (1) progress in debt restructuring; (2) the debt write-off for those classified as bad and doubtful debt for which full provisioning has been made, (3) the transfer of the NPLs to AMCs, and (4) repayment by debtors.

13. As regard debt restructuring within the targeted debtor group assigned under the supervision of CDRAC which comprises total number of debtors of 5,570, with debt outstanding of approximately B2,325.3 billion. Of this, 1,694 or 92 percent of total debts were large debtors, while small debtors numbered 3,876 or accounting for 8 percent of total debt. Of this, 1,088 debtors have completed debt restructuring, accounting for B511.8 billion of the debt stock.

14. Capital market: primary market issuance of securities in the domestic market amounted to B1,172.4 billion, an increase from the previous year by 42.9 percent. Of this, the government securities valued B505.8 billion, which mainly comprised special government bonds issued for the purpose of financial restructuring. As for the private sector, major securities issued included : preferred shares, and subordinated debentures and ordinary debenture, in the form of SLIPS and CAPS issued by commercial banks in the first half of the year together with debt-equity swap; and debentures issued by some corporations to refinance repayments of loans from financial institutions.

Although Thai economy remained on a progressive recovery path, there were risk factors which needed prudent policy framework from authorities as follows: (1) progress in financial institution reform and corporate debt restructuring

needed to be managed in conjunction with restructuring in the real sector; (2) the rising government debt; (3) prolonged unemployment problems; (4) recovery in the manufacturing sector which depended on the growth in domestic expenditure given the unemployment situation; and (5) external risk factors such as volatility of the world economy in both international trade and international finance, and impact from the oil prices on the expansion of world economy and inflation rate.

Economic Outlook for 2000

1. The Thai economy in the year 2000 is projected to expand by 4.5 percent in response to the recovery in the manufacturing production, especially in export-oriented industries. While the Government's role in stimulating the economy recedes, private investment and consumption are expected to expand well in line with the recovery in manufacturing production especially in the export-oriented industries which were expected to improve their competitiveness in the markets, thereby supporting the recovery of the private investment. The world economy is projected to grow by 3.8 percent, with expansion in almost all regions, with the world trade volume expanding at 6.5 percent, from which Thai exports can reap benefit.

2. Stability will remain robust with inflation rate expected to stay moderate at 2.5-3.0 percent; a slight increase in the price level is due to rising prices of primary commodity and oil in the world market. As for the external stability, export growth will continue to accelerate while imports expand well, resulting in smaller current account surplus of US\$7.7 billion, and a slight decrease in balance of payment surplus. However, international reserves should continue to be secured at US\$35 billion.

3. International trade: the export value in US dollar terms is expected to expand at a faster rate of 9.6 percent due to the economic recovery of the trading partners particularly in the region and the advantage from competitive prices as inflation rate in Thailand remains low. Given that the growth of the import value at 19.0 percent surpasses that of export, trade balance surplus and current account surplus are expected to decline compared with the same period last year.

4. Monetary conditions: liquidity is projected to remain high especially in the first half of the year, implying that the credit extension of the financial institutions will not impose a constraint to the economic recovery. In the second half of the year, the demand for capital is projected to mount, a portion of it is expected to be met by credit expansion while the other portion is projected to be met by the issuance of equity and debt securities. Furthermore, problems in the financial institutions are expected to be resolved, following the recapitalisation in the banking sector and the continued progress in the debt restructuring in the private sector, thereby assisting the recovery of the economy.

Economic Policies for 2000

1. Monetary and exchange rate policy aims at fully supporting the economic recovery by ensuring appropriate and sufficient liquidity for the real sector in the economy. Concurrently, the Bank of Thailand aims to strengthen the financial sector and ensure the normal functioning as well as the stability in the sector as it is the crucial factor that will support the credit market and investment activities, the key resource allocation mechanism in the financial system, to be fully supportive of a sustainable economic recovery. To this end, monetary policy will continue to emphasise controlling inflationary pressure, and ensuring that exchange rates under the floating regime adjusts smoothly with market mechanism and in line with the country's economic fundamentals. As for the commercial bank interest rates, the authorities will continue to monitor the market mechanism to ensure that interest rates adjust in an efficient manner and implement policies to narrow interest spread, for instance, keeping NPL low, and implement measures to help bring down commercial banks' cost such as permitting closing down of branches which make no profits. These measures are intended to encourage commercial banks to lower their lending rates to be in line with their lower operational cost which, in turn, will contribute to the continued economic recovery.

At the same time, the Bank of Thailand is developing a new policy framework with the aim to strengthen credibility by heightening transparency, accountability, efficiency and effectiveness. The concept of this policy framework is to develop framework for inflation targeting which will help reduce volatility in the monetary system, induced by uncertainty, which leads to risks. Once the dead-weight-loss associated with the uncertainties are diminished, economic conditions will be more stable and hence more conducive to long-term forecast and planning in both public and private sectors, which eventually will increase efficiency and growth potential of the economy in the long run. Thus, economic stability in the long run is a necessary condition for efficiency and long-term growth of the economy. Concurrently, major laws will be amended together with implementation of organisation and institutional restructuring, importantly the establishment of the Monetary Policy Board, part of the drive to reinforce and institutionalise good governance of the Bank of Thailand. Furthermore, there will be a new Bank of Thailand law, which is expected to be passed in the middle of the year 2000.

2. Fiscal policy: the authorities should continue to implement policy stance supportive of the recovery of domestic demand from the previous year. To this end, the Government should speed up the expenditure from the budget and the foreign loans in accordance with the budgetary plan to avoid premature withdrawal of the fiscal stimulus. As for the state enterprises, investment for which expenditures have been carried over from the previous year should be expedited. However, if demand

for capital in the private sector increases in the second half of the year, the recovery path of the economy must be closely monitored to avoid the crowding-out effect from the government expenditure competing for capital with the private sector. Thus, fiscal and monetary policies as well as government debt management policy must be carefully managed. Furthermore, particular attention should be paid to ensuring stability of fiscal position in the medium-term in order to avoid it posing as a burden while the economy recovers and starts to return to its long-term potential growth path.

3. Policy on capital market development: With a relatively large amount of government bonds having been issued recently, and the fiscal stimulus in terms of a budget deficit needed to be maintained for the near term, the authorities should thus accord importance to the development of the capital market. In line with this, emphasis should be given to the development of both the primary and secondary markets for the government bond, as well as the bench-mark yield, all of which constitute the foundation for the conduct of monetary policy through open market operation, as well as being important for the development of the private sector securities. Such development, together with work done on improvements in other financial infrastructure—such as accounting system, ethical code, data dissemination, trading, and payment settlement system—would improve efficiency of the financial system.

4. Structural policy and the financial sector reform policy. It is essential that the authorities expedite the implementation of the structural adjustment policy to upgrade the international competitiveness of the economy. Such measures include, in particular, the measures to reform the financial system, the corporate debt restructuring, and the measures to deal with the non-performing loans in the financial system. To take a forward view of the development of the Thai financial system, the lessons of the economic and financial crisis in Asia pointed to the fundamental problems of the financial system, and many countries including Thailand have pushed for reforms in the financial systems. These reforms are targeted at raising the competitiveness and business potential of the financial system, and raising the supervisory regulatory standards of the financial institutions as well as strengthening the financial institutions. These would facilitate the resumption of each institution as the financial intermediary between savers and investors, in order to ensure an efficient allocation of resources. In addition, there have been opening up to the entry of foreign financial institutions into Asia via many channels, for example, through joint ventures, and the acquisitions of the state intervened financial institutions.

Looking ahead, with the progress in reforming the financial institutions, as well as the regulations of the financial systems in a number of countries, it is expected that major international financial institutions will play an increasing role in the financial system in Asia as well as in Thailand. This is in line with the advent of globalisation and progress in information technology.

In this regard, the Bank of Thailand has responded by making the necessary preparation and adjustments in the financial supervision. In particular, the switch away from direct control on or the limitation of business scope of the financial institutions, towards the supervision via risk management instead, reinforced by the requirements of the capital adequacy. Moreover, looking ahead, the Bank of Thailand has laid down the foundation for the regulations of the financial systems for the future under the new draft of the financial law. The new law is aimed at creating greater unity in regulations of different types of the financial institutions, embodying a faster and responsive problem resolutions, thus also more transparent. In addition, the business scopes of the commercial banks will also be broadened, for example, to embrace such activities as leasing. Such developments would provide new choices to the clients of the financial system, and will help aid the recovery of the corporate sector and the return of investors' confidence in a sustained manner.

5. International trade policy. Though with the world economy and world trade expanding, competition intensifies. While world trade moves towards greater liberalisation, new forms of trade barriers are also gaining significance, for example, product standards, environmental standards, and labour standards. Meanwhile, the Thai government will be lowering import tariffs in accordance with international obligations, for instance, under the AFTA. Therefore, the authorities should urge businesses to reduce their cost and improve their products quality to be competitive in the world market. Meanwhile, emphasis should continue to be given to the development of small- and medium-scale industries.

6. Policies to enhance the potential of the Thai economy. The economic crisis has shed light on the vulnerability in certain sectors of the economy as well as society. During the past two years, the private sector as well as the public sector have endeavoured to tackle some of these weaknesses, for example, adopting regulatory reforms to remove obstacles to businesses as well as to aid business restructuring. It is critical that these developments continue to be pursued, in order to upgrade the potential of the economy as well as the social fabric, in particularly, to expedite the human resource developments, for example, through the upgrading of labour skills, and the technology absorption capacity of the Thai businesses, and to quickly tackle the unemployment problem to avoid it becoming prolonged and thus causing further social problem which would, in turn, affect the economy. Moreover, it is important to quickly instil good governance, both in the public and private sectors, to help restore credibility, not just to the public sector but also private sector potential. Under this framework, the foundation will be laid down for developing and upgrading economic potential, encompassing the enhancing of competitiveness for all economic sectors, not just the financial system. These are aimed to not merely restore the country to its pre-crisis state, but to raise the efficiency to pave way for future developments.

ECONOMIC DEVELOPMENTS IN 1999

Overall Developments

Production

In 1999, both agricultural and non-agricultural production improved noticeably due to favourable weather conditions which led to output expansion in the agricultural sector by 3.9 percent. Non-agricultural sector, which experienced the contraction in the previous year, expanded by 4.2 percent due to the following factors: (1) The stepping up of fiscal spending to stimulate the economy; (2) The introduction of government's capital funds assistance scheme for small-and medium-size enterprises; (3) progress in corporate debt restructuring; (4) improved export as well as increased domestic expenditure especially in the second half of the year; (5) increased foreign tourists due to tourism promoting measures; and (6) the progressively declining real interest rates. The sectors experiencing significant improvement were: manufacturing; wholesale and retail trade; transportation and telecommunications; and service sector, with the expansion of 11.1, 5.5, 4.4 and 3.6 percent, respectively. The sector experiencing decline from the previous year were: banking and finance, insurance and real estate, and construction, which contracted by 30 and 8.5 percent respectively.

Agriculture

Agricultural output (including simple agricultural processing products category) in 1999 rose by 3.9 percent in line with the expansion of **crop** and **livestock** outputs due to ample rainfall and favourable weather conditions. **Fishery** and **forestry** output decreased as a result of the deterioration of marine fishery resource and the conservationists' protest against deforestation in forest plantation of the Forestry Industry Organisation.

Agricultural Production (percentage change)			
	1997	1998	1999 ^E
Agricultural	0.4	-1.4	3.9
Crops	2.5	-2.3	4.7
Livestock	-1.1	-5.6	4.0
Fishery	-3.8	6.5	-3.0
Forestry	-9.9	-14.3	-28.6
E = Estimates.			

Crop output increased by 4.7 percent in 1999, owing to favourable weather conditions and higher- than-average rainfall which helped resolve shortage of irrigation at the beginning of the year. Moreover, improved agricultural prices from the previous year induced farmers to expand their planting areas resulting in an increase in output of major crops such as sugar-cane, tapioca, oil palm and fruits.

Livestock production expanded by 4.0 percent in line with increased broiler and swine outputs. Exports of processed broiler, increased in both quantity and value terms, as Thai producers turned to production of higher value added products for export, while swine output increased due to more attractive price. Production of buffaloes and cattle fell owing to less demand.

Fishery output declined by 3.0 percent following the repeal of fishing concession by Myanmar authorities in the fourth quarter and the deteriorating natural resource caused by acceleration of fishing. **Forestry** fell by 28.6 percent due to the demonstration of conservationists against woodcutting by the Forestry Industry Organisation in forest plantation areas.

Agricultural prices : Farm Price Index in 1999 declined from the year before by 13.9 percent, reflecting the decline in virtually every category, especially marine products, crops and wood, in response to declining world prices resulting from excess supply and strengthened baht. Substantial decrease in prices were observed for prawn, and tapioca, paddy, rubber, oil palm, maize, vegetables and fruits. Wood prices also declined, as the construction sector has not recovered. With the exception of livestock, prices of livestock as a whole rose from the previous year on account of an increase in the price of swine, induced by a shortage of swine output in the first half of 1999.

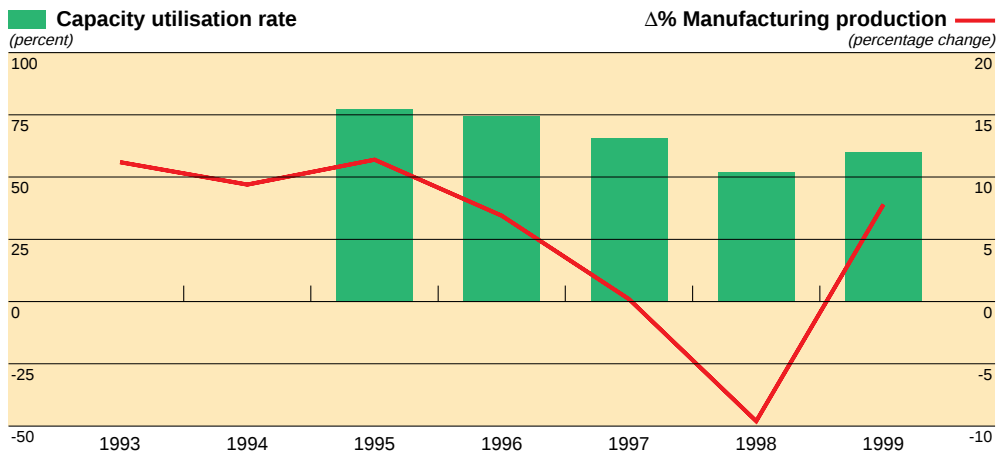
Farm Price Index (percentage change)			
	1997	1998	1999
Farm Price Index	1.5	24.5	-13.9
1. Crops	1.1	30.4	-17.6
2. Livestock	1.7	6.9	6.3
3. Fishery	4.0	24.3	-16.2
4. Wood	0.7	-0.5	-8.2

Farm income declined by 10.0 percent compared to an increase of 23.1 percent in the previous year. This decline was seen in nearly every category. Farm income arising from major crops dropped by 20.7 percent, resulting from a considerable reduction in crop prices. Large decrease in farm income was from oil palm (-48.4%), second paddy crop (-33.5%), tapioca (-33.4%), rubber (-19.5%), and first paddy crop (-16.9%). Income from fishery fell by 21.6 percent in line with the drop of black tiger shrimp production, which faced intense price competition in major export markets. Forestry income dropped by 36.8 percent. On the other hand, farm income arising from livestock increased by 10.3 percent, resulting from an increase in prices of swine.

Manufacturing

In 1999, manufacturing production (excluding simple agricultural processing product category) expanded by 11.1 percent, in contrast to a contraction of 10.8 percent in previous year. The expansion was consistent with an increase in capacity utilisation rate from 52.1 percent in 1998 to 60.0 percent in 1999. Production—

Manufacturing Production Growth Rate and Capacity Utilisation Rate



with the exception of tobacco and textiles—rose in all categories due to the export recovery and increased domestic demand brought about by government measures to stimulate domestic spending.

Sectors in Manufacturing Production Index experiencing expansion in 1999 were as follows:

Vehicles and transport equipment production increased by 78.8 percent, with expansion observed in both passenger cars and commercial vehicles production, in line with recovery in domestic market, due to the following favourable factors: reduction of value added tax; the relaxation of conditions in car hire-purchase business; and the assistance in export market penetration from parent companies which led to increase in export volume to almost double the previous year's volume. However, capacity utilisation rate for this industry remained low at 35.4 percent.

Construction materials production expanded by 12.3 percent due to the expansion into overseas market, especially cement which exported up to 30 percent of its total production owing to the assistance from the joint venture partner. Capacity utilisation rate in this industry rose to 49.8 percent.

Iron and steel products production grew by 13.3 percent in response to the demand from related manufacturing industries, especially vehicle parts and electrical appliances.

Food production expanded by 15.7 percent, due to favourable conditions with respect to supply and prices of raw materials. This was particularly the case for production of sugar, canned-seafood, and canned-pineapple. Capacity utilisation rate rose to 42.7 percent in 1999.

Beverage production rose by 22.4 percent with the capacity utilisation rate reaching 101.9 percent due to: the acceleration of liquor production for inven-

tory building in response to termination of liquor concession at the end of the year and in order to benefit from the subsequent upward adjustment of excise tax on 28-degree liquor effective on 1 January 2000. In addition, there was an increase in beer production induced by intensified competition for market share in the region.

Others : production in this category expanded by 3.2 percent due mainly to the increase of export-oriented products such as computer parts, compressors, glass sheets, integrated circuit, precious stones and jewellery.

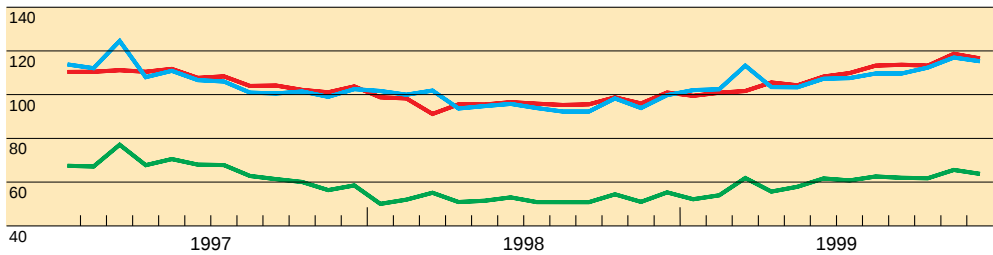
Manufacturing Production (percentage change)			
	1997	1998	1999
Food	1.8	-5.2	15.7
Beverages	14.3	2.1	22.4
Tobacco	-9.9	-20.3	-9.9
Textile	1.8	2.9	-1.2
Petroleum products	15.9	-6.4	3.2
Construction materials	-3.2	-38.2	12.3
Iron and steel products	-2.5	-30.5	13.3
Vehicles and transport equipment	-26.5	-54.1	78.8
Others	1.1	-6.6	3.2
Total	0.2	-9.6	7.8

Capacity Utilisation Rate * (percent)			
	1997	1998	1999
Food	37.5	33.7	42.7
Beverages	79.1	77.2	101.9
Tobacco	75.8	60.4	54.4
Construction materials	72.9	44.6	49.8
Iron and steel products	51.9	33.1	34.4
Vehicles and transport equipment	48.6	23.4	35.4
Petroleum	90.1	84.0	86.7
Others	66.4	54.7	58.1
Average	65.5	52.1	60.0
Note * <i>Comprising the industries with combined weight of 44.5% of total value added of manufacturing sector</i>			

Key Indicators of Manufacturing Production

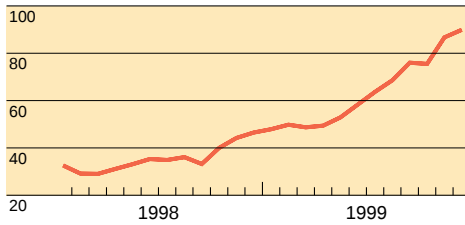
Manufacturing Production Index (MPI) and Capacity Utilisation Rate

- Manufacturing Production Index (MPI)
- Manufacturing Production Index (seasonally adjusted)
- Capacity Utilisation Rate

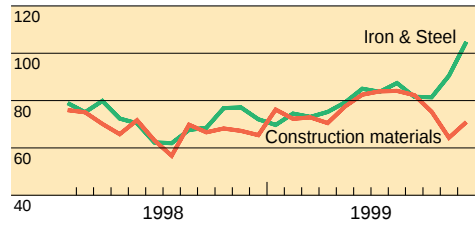


Manufacturing Production Index (seasonally adjusted) by Sector

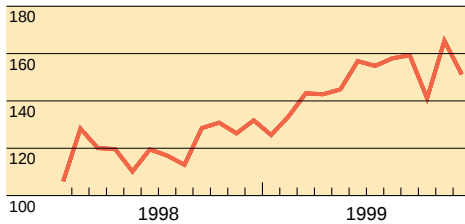
Vehicles and transport equipment



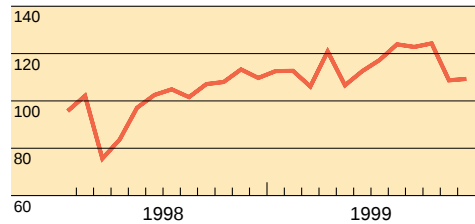
Construction materials and Iron & Steel



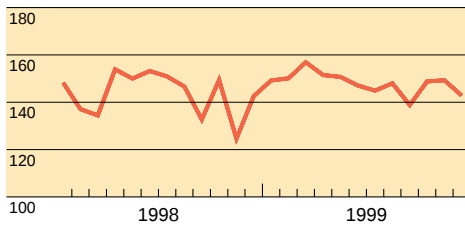
Beverages



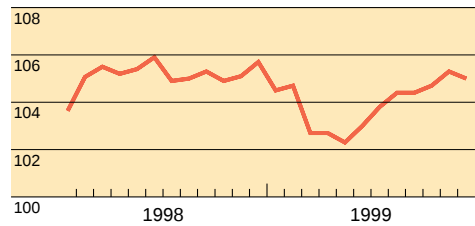
Food



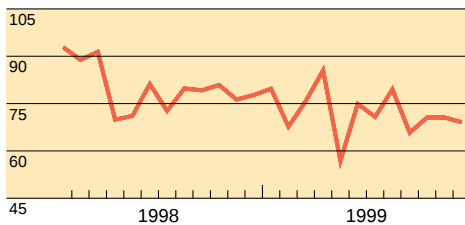
Petroleum products



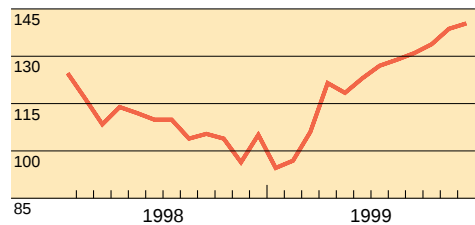
Textiles



Tobacco



"Others" group



Sectors experiencing decline in production were:

Tobacco production fell by 9.9 percent due to the shift of consumer preference to imported cigarettes.

Textile production declined by 1.2 percent due to eroded competitiveness in mid-and-low-end textile products.

Mining and quarrying

Output in 1999 rose by 6.8 percent with outputs of natural gas and crude oil, the major components in this sector, growing by 9.5 and 16.3 percent, respectively, after three newly-opened sites, namely—*Benjamas, Trad and Pailin*— started operation. Mining output for other ores mainly increased in response to domestic and export demands, particularly limestone used in cement industry rose by 29.2 percent in line with increased cement production for export. In addition, gypsum production improved following the economic recovery in Asian countries which are Thailand's main export markets. In contrast, production of quarry used in construction sector and lignite remained sluggish since the previous year.

Construction (at constant prices)

Construction in 1999 contracted by 8.5 percent, compared with a reduction of 38.3 percent in the previous year. The contraction was due to a fall in both private and public construction despite benefit from measures to resolve problems in the real estate sector, and government's policies of economic stimulus and job creation in rural areas.

Trade

In 1999, output of the trade sector increased by 5.5 percent, compared with a contraction of 14.6 percent in the previous year, due to the expansion in related production sectors and domestic expenditure as well as exports especially in the second quarter onward. The trade expansion was brought about by: measures to stimulate domestic expenditure; measures to support private investment; and measures to solve problems in the financial sector.

Retail trade was rather active particularly in the second half of the year, with department store sales in 1999 amounting to B108,691 million, up by 2.2 percent compared with a contraction of 7.2 percent in the previous year. The active growth in retail trade was due to: the entry of the major international large retailers from England, the Netherlands and France into Thailand through merger and take-over, to form their retail-trade base in Asian region since previous year-end, thus resulting in more intense competition. In addition, many existing retailers accelerated their branch expansion and sales promotions in several forms to increase market share and to prepare for consumption growth when the overall economy recovered.

Banking, insurance and real estate

Outputs declined by 30.0 percent in line with the reduction in commercial bank credits and interest spread. Real estate had not fully recovered because there was no striking prices to clear the excess supply.

Services

The service sector rose by 3.6 percent compared with a reduction of 0.6 percent in the previous year. This was attributable to growth in hotel and restaurant business, induced by the continuing tourism promotion and the improved economic conditions in the East-Asian region, Thailand's main tourist markets, leading to a 10.5 percent increase in the number of tourists from the previous year. Other service sectors such as educational and health services grew in line of improvement in the overall economy and the outcome of government spending scheme under Miyazawa loan.

Labour Market Conditions

Population, labour force, employment and unemployment

Thailand's population at end-1999 totalled 61.8 million, up from the previous year by 1.0 percent. The total labour force (aged 13 and above, and available for work) numbered 32.9 million, up by 1.0 percent from the previous year.

The economic recovery resulted in the increase in number of employed person to 30.8 million, up by 1.9 percent from the previous year. Employment in the non-agricultural sector increased by 0.8 percent. High employment uptake was observed in the mining and quarrying, services, transportation, trade and manufacturing sectors, while employment in the construction and public utilities sectors continued to decline. At the same time, employment in the agricultural sector grew by 3.1 percent. The number of underemployed workers (i.e., workers who work less than 35 hours per week and were willing to take up additional work) stood at 1.2 million, up from 1.0 million from the previous year.

Unemployment numbered 1.38 million or equivalent to 4.2 percent unemployment rate, down from 1.42 million in the previous year or 4.4 percent unemployment rate. Unemployment rate remained high since the improvement of employment was slower than production recovery.

However, according to the Department of Labour Protection and Welfare's terminated employment statistic, and the Social Securities Office's business closure statistics, layoffs showed a downward trend. Layoffs in 1999 totalled 84,415 against

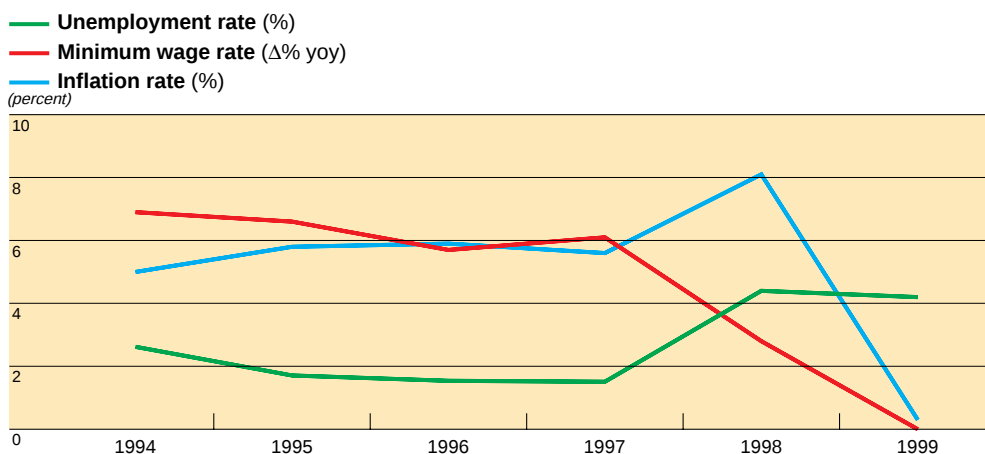
Labour Force, Employment and Unemployment <i>(unit : thousand persons)</i>			
(yearly average)	1997	1998	1999
Population	60,500	61,174	61,779
Labour force	32,780	32,595	32,911
1. The employed workers	31,714	30,270	30,835
The underemployed workers (work less than 35 hours per week and available for extra employment)	761	1,035	1,216
2. The unemployed	495	1,423	1,383
[unemployment rate (percent)]	1.5	4.4	4.2
3. Seasonal unemployment	571	902	693
Source : <i>National Statistical Office</i> Notes : <i>Average figures from the months of February and August</i>			

351,230 last year owing to the continuous improvement of the economy and the effects of social safety net programme, which placed emphasis on creating employment, stimulating investment and assisting small-scaled businesses.

Minimum Wage

In order to stimulate the economic recovery, the Minimum Wage Committee agreed to keep minimum wage unchanged in 1998 to prevent layoffs and to enhance competitiveness. As for 1999, the Committee agreed to defer the raise of minimum wage for 3 months in order to assure economic recovery.

Minimum Wage Rate, Inflation Rate, and Unemployment Rate



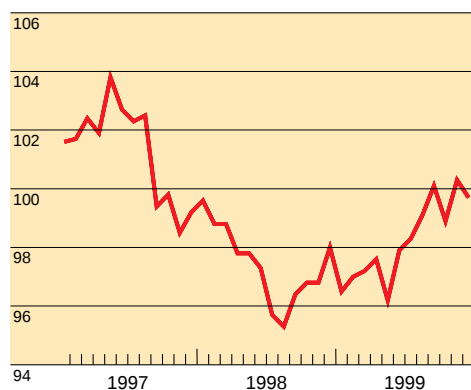
Domestic Expenditure

In 1999, domestic expenditure (at constant prices) expanded by 5.4 percent due to the recovery of private consumption, as well as the stimulus from public expenditure.

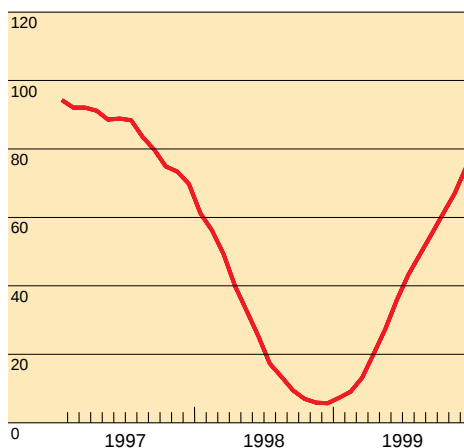
Private expenditure (at constant prices)

Private consumption in 1999 expanded by 3.5 percent mainly owing to: (1) the government's economic stimulus package to stimulate private consumption by reducing VAT and personal income tax; and expenditure measures to promote employment through Miyazawa loan; (2) a downward trend of interest rates; and (3) improved sign of the economic recovery restoring consumer confidence.

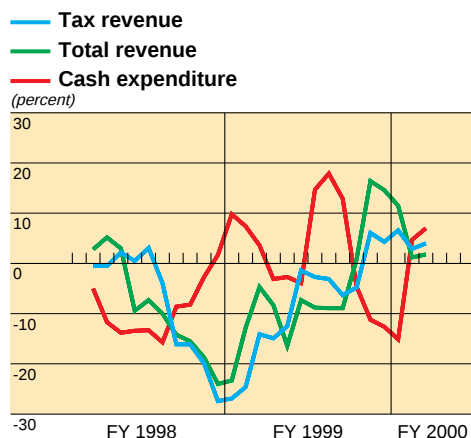
Private Consumption Index
(constructed from 10 private consumption indicators)
(seasonally adjusted 1995 = 100)



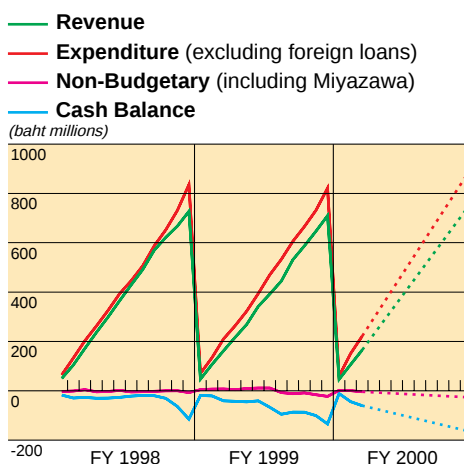
Private Investment Index



Revenue and Expenditure Growth
(3 months moving average)



Cumulative Fiscal Developments

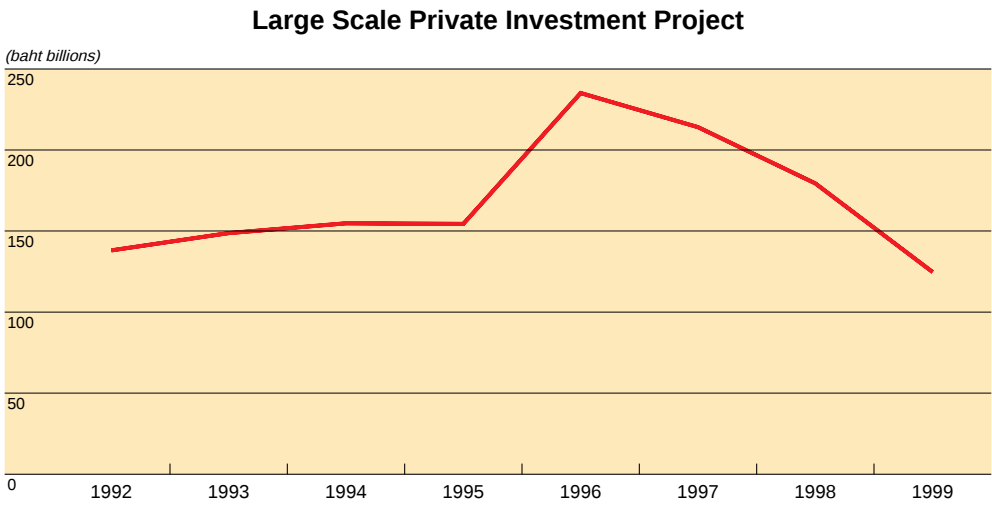
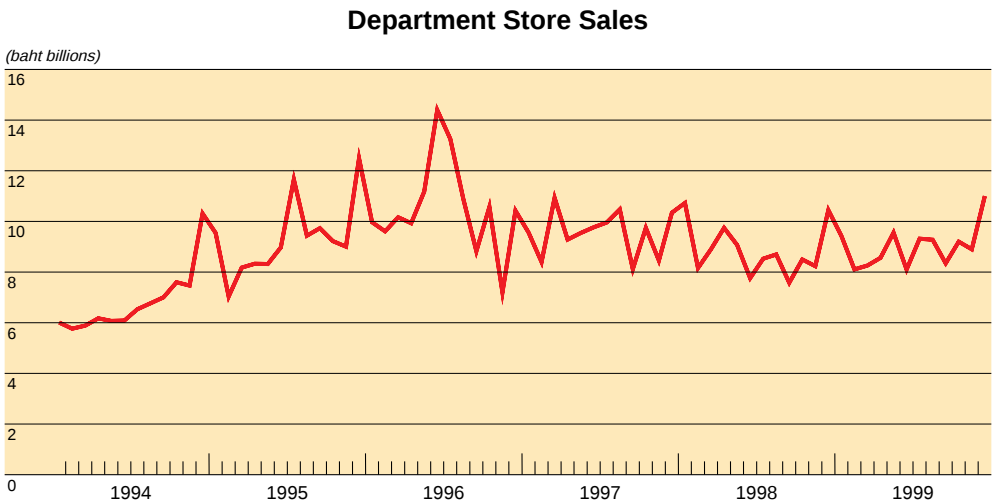


However, negative factors constraining the expansion of private consumption still prevailed, namely—high unemployment and underemployment rates. In addition, ongoing corporate restructuring in the private sector to cut down cost and improve efficiency caused a slowdown in employment.

Private investment in 1999 declined by 7.0 percent from the previous year, following a reduction of 52.4 percent last year. The contraction was observed in both investments in machinery & equipment and construction.

Public expenditure

Public consumption (at constant prices) accounting for 50.3 percent of total public expenditure rose by 2.8 percent, accelerating from 1.9 percent last year in accordance with fiscal policy to stimulate economic recovery. The Government launched a budget deficit and expedited budgetary expenditure as well as foreign loans.



Public investment (at constant prices) grew by 0.5 percent after experiencing a decline of 28.4 percent in the previous year when budgetary expenditure was cut down and disciplinary disbursement were imposed at early period of fiscal year. The expansion of the public investment was a result of the economic stimulus package. With regard to budgetary expenditure, disbursement rate reached 85.7 percent of total budgetary expenditure, the highest rate within ten-year period. As a result, investment expenditure contributed to the economic stimulus. As for investment of state-enterprises, the disbursement was close to the target. In addition to the ongoing investment projects in infrastructure and transportation, most of public investment this year placed emphasis on alleviating adverse social impacts from the crisis.

Price Level

The Consumer Price Index in 1999 increased by 0.3 percent, compared with the previous year's increase of 8.1 percent. This was due to the rise in prices of non-food items by 1.0 percent, while prices of food items fell by 0.9 percent. Inflation decelerated since early 1999 and was negative between May and October. The downward trend in inflation was mainly attributable to the reduction of the value added tax rate from 10 percent to 7 percent in April 1999.

There were other factors that contributed to the lower rate of inflation in 1999:

1) The baht remained strong in the first half of 1999 and was stable throughout the year. In addition, oil prices in the world market continued to decline since end-1998, which decreased the price of imports in baht terms.

Movements of Oil Price and Exchange Rate				
	Petroleum products Singapore (US\$/barrel)	Crude oil Oman (US\$/barrel)	Benzene 97 domestic use (baht/litre)	Exchange rate (baht/dollar)
1998 (yearly average)	18.17	12.07	11.87	41.37
1999				
First quarter	15.33	10.86	10.40	37.05
Second quarter	19.74	15.24	11.29	37.18
Third quarter	25.76	19.85	12.72	38.33
Fourth quarter	26.16	23.03	13.51	38.81
1999 (yearly average)	21.75	17.25	11.98	37.84

Consumer Price Index						
	1998	1999				
		Q1	Q2	Q3	Q4	Average
Consumer Price Index (CPI)	127.8	128.6	127.5	127.9	128.7	128.2
Consumer Price Index ($\Delta\%$)	8.1	2.6	-0.5	-1.0	0.1	0.3
Food and beverages	9.6	3.0	-1.2	-2.9	-2.1	-0.9
Others	7.3	2.4	0.0	0.2	1.4	1.0

2) The supply of agricultural products in 1999 increased following a natural disaster and less than expected output in the previous year, resulting in lower agricultural product prices.

3) Contracted domestic demand brought about risk in employment, thereby preventing pressure to raise the minimum wage.

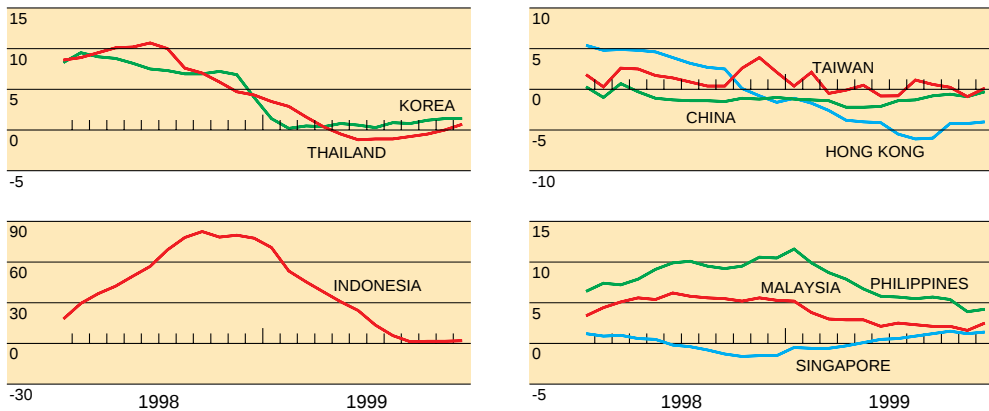
However, the agreement among OPEC countries to limit oil production from March 1999 onwards saw an upward spiral in world oil prices. This resulted in a rise in domestic fuel cost as evidenced by higher non-food prices, especially since July. Nonetheless, as the impact of rising oil prices on goods and services was not significant, the average inflation rate for 1999 was very modest.

The Wholesale Price Index in 1999 declined by 6.5 percent in contrast to the expansion of 13.8 percent in 1998, owing to the reduction in prices of both agricultural and food products and manufactured products by 12.1 percent and 2.7 percent, respectively. Factors underlying the drop in the Wholesale Price Index were the substantial increase of agricultural output compared to the year before due to favourable weather; declining demand for certain goods, especially rubber and rubber products; and strong and stable baht in early 1999, which brought down the production cost of certain goods.

Wholesale Price Index						
	1998	1999				
		Q1	Q2	Q3	Q4	Average
Wholesale Price Index (WPI)	183.4	173.0	171.1	170.6	171.3	171.5
Wholesale Price Index ($\Delta\%$)	13.8	-6.5	-7.8	-8.0	-3.5	-6.5
Agricultural products	17.0	-7.8	-12.3	-16.1	-12.2	-12.1
Manufactured products	11.6	-5.6	-4.8	-2.5	2.1	-2.7

Inflation Rates of Countries in the Region

(percentage changes from the previous year)



International comparisons show that inflation trends in Thailand and other countries in the region were similar. Most countries witnessed a fall in inflation since the second half of 1998, in line with the appreciation in regional currencies and the weakening of world commodity prices. However, the inflation rate in Thailand in 1999 was higher than those of Taiwan, Hong Kong, and China, but lower than those of Singapore, South Korea, Indonesia, the Philippines, and Malaysia.

Regional Economy

Southern Region Economy

In 1999, economy in the South of Thailand began to expand, mainly on account of the industrial and agricultural sectors, compared with the contraction of 2.5 percent in 1998.

Agricultural output

Due to ample rainfall throughout the year, period of rubber plant leaves shedding thus was shorter than the previous year. In the meantime, there was ample supply of oil palm output coming into the market which was the major factor bringing down its price. Rice and fruit-tree output declined due to flood in major planting areas. Furthermore, at the end of the year, there was heavy rainfall causing damage to fruit trees during the harvest season. Fishery output fell owing to monsoon, rising costs, and problems of fishing in all outside-territorial-waters.

Non-agricultural outputs rose slightly from the previous year. Most manufacturing productions expanded, including palm oil, rubber, and tin, with the exception of fishery-related products. **Construction sector** declined in line with a decrease in all types of construction sites except those linked to services. Trading

sector also grew, especially in automobile business, induced by the declining interest rates. Tourism remained high as a result of a large number of tourists from Europe and East Asia coming to the region.

Mining production expanded, especially in tin production.

Investment: there was an increase in the number of corporation registration in the private sector. However, the number of approved businesses under investment promotion scheme fell in line with a decrease in Thai investors while foreign investors continued to increase as the depreciated baht helped bring down the production cost.

Consumer Price Index fell with prices of food and beverages declining while those of non-food rising.

Monetary conditions: commercial bank credits did not expand due to apprehension link to NPL in the system. Thus, liquidity in the system remained high, and deposit interest rates declined continuously. Meanwhile, some portions of debt restructuring proceeded successfully.

Outlook for 2000

Economy in the South in 2000 is projected to expand due to: the continued government's measures to stimulate the economy, expediting budgetary disbursement to increase domestic demand and supply of liquidity for financial institutions, the benefit from these measures began to appear at end of 1999; progress of NPL solutions; and rising trend of both output and prices of agricultural products.

Northern Region Economy

Economy in the North in 1999 grew by 4.2 percent against the contraction of 5.4 percent last year. The significant factor bringing about expansion of economy in the North was owed partly to the economic structure and economic fundamentals in the North itself. Productions in important sectors mostly expanded. The details are as follows:

Agricultural sector, the main source of income, expanded by 2.1 percent compared with the expansion of 2.6 percent last year. Crops, the major category in this sector, grew by 2.0 percent due to favourable weather and continual high rainfall, compared with the expansion of 2.2 percent last year. Prices of most crops declined thus resulting in a decrease in farm income from last year by 16.6 percent, though still considered quite high level compared with the previous year.

Non-agricultural production increased by 4.8 percent, compared to the contraction of 7.3 percent last year, with growth observed in almost every category.

Manufacturing sector expanded by 16.3 percent, compared with the contraction of 6.5 percent in previous year, in line with production for export and aided by the increased raw materials.

Key Economic Indicators (percentage change)			
	1997	1998	1999
Growth	3.2	-5.4	4.2
Inflation	5.6	8.0	0.7
Credits	-2.0	-11.6	-7.7 ^{1/}
Deposits	7.5	2.8	0.8 ^{1/}
<i>1/ at-end November 1999</i>			

Mining sector grew by 0.5 percent due to increased outputs of major ore and mineral such as crude oil, gypsum and limestone.

Service sector continued to grow at a high rate of 6.7 percent in line with the growing number of foreign tourists.

Construction, the only sector which continued to decline, contracted moderately by 8.0 percent, compared

with the contraction of 17.7 percent the year before.

The economic growth was aided by supporting factors to **private expenditure**, which experienced growth since the second quarter. The factors were: the government's measures to stimulate the economy; declined interest rates; the growth of leasing businesses which helped to supplement commercial bank credits; higher employment in response to expansion in manufacturing sector; and relatively good farm income.

Public expenditure grew in line with increased budgetary expenditure of 1.8 percent from last year. This, together with the expenditure under government's programme for stimulating the economy (Miyazawa plan) led to an 8.3 percent increase in total expenditure from same period last year.

Export sector grew both in US dollar and baht terms by 22.7 percent and 13.2 percent respectively. This was observed through the customs clearance at Chiang Mai Airport, through which electronic components rose in response to the increased demand from abroad after the adjustment of production to produce high-tech products; as well as through Thai-border trade, especially with Myanmar. Despite the closing of checkpoint in October, Thai export to Myanmar was not much affected due to high demand for Thai products.

Investment though remained sluggish, began to show sign of improvement, especially private investment, with many indicators showing recovery. Meanwhile, public investment was close to that in last year as a result of the policy to cut down new capital expenditure especially for long-term construction projects.

Consumer Price Index rose by 0.7 percent against the increase of 8.0 percent last year.

Monetary conditions: commercial bank credits outstanding at the end of November 1999 totalled B204,256.9 million, a contraction of 7.7 percent, as against the contraction of 11.2 percent at the same period last year. This was due to the strict credit approval guideline of commercial banks, and declined interest rates which induced some borrowers to withdraw their deposits and use it for debt repay-

ment. However, progress in debt restructuring helped ease the tight credit to a certain extent. **Deposits** at the end of November 1999 totalled B267,291.5 million, up by 0.8 percent compared with the expansion of 4.7 percent at the same period last year as a result of decreased deposit interest rates.

Outlook for 2000

In 2000, the economy in the Northern region is projected to expand at a higher rate than this year due to improved supply-side fundamentals.

Agricultural production is projected to continue expanding from the previous year as 2 major dams—Sirikit Dam and Phumipol Dam—had ample water, sufficient for dried-season crops irrigation, especially: the second paddy crop. Sugar-cane output, which is to be harvested in the following year, benefited from the past year’s rainfall; as well as maize for animal feed. Moreover, last year, the record cold weather led to high growth of longans and lychees fruits output. Prices of crops are projected to rise in line with prices of exports.

Manufacturing sector is projected to expand, supported by raw material input and export production, as well as domestic sales which began to recover.

Export is projected to expand in response to demand in the world market, especially countries in Asia where the economy started to recover.

Service sector is expected to grow, especially boosted by domestic travellers partly due to the recovery of the economy and the cold weather lasting till early part of the following year, while the number of foreign tourists from both Europe and Asia should also grow.

North-eastern Region Economy

Economy in the North-East in 1999 began to improve after the contraction of 3.5 percent in previous year due to the economic crisis.

Agricultural outputs expanded by 3.0 percent despite a decline in crop prices. This year’s weather was favourable for farming and the distribution of rainfall is satisfactory with no problem of discontinuing rain except the lower part of the region.

Key Economic Indicators <i>(percentage change)</i>			
	1997	1998	1999
Growth	3.2	-3.5	1.0
Inflation	7.9	8.3	0.1
Credits	2.2	-5.9	-6.0
Deposits	5.1	3.5	-0.3

Non-agricultural outputs remained relatively unchanged from the year before especially manufacturing and trade sectors. There was reinvestment to increase production in existing businesses whereas investment in the new businesses was rare. Construction and

real estate remained sluggish. People in rural areas earned higher income from farming and income transferred from aboard. Meanwhile, baht was more stabilised.

Private investment: although the number of newly-opened industrial plants was less than last year investment in the existing businesses expanded leading to a rise in capacity utilisation.

General Consumer Price Index rose by 0.1 percent, compared with 8.3 percent of the previous year. Though price index of food and beverages decreased by 1.0 percent in tandem with wholesale price index, price index of non-food increased by 0.7 percent.

Monetary sector at the end of 1999 commercial-bank branches totalled 526 (including 56 sub-branches). There were merges of sub-branches and repeal of commercial bank license of Bangkok Bank of Commerce. Deposit declined by 0.3 percent while credit outstanding also fell from the preceding year by 6.0 percent. The credit to deposit ratio was 102 percent. Commercial banks, engaging in debt restructuring which was the urgent problem, still employed strict credit criteria to the new loans in order to prevent NPL problem.

At the end of October 1999, regarding debt restructuring in the region, there were 228 debtors under supervision of Corporate Debt Restructuring Advisory Committee, equivalent to B12,710 million worth of stock of debt. Of this, there were 21 debtors who must comply with Debtor-Creditor Agreement valued B10,398 million worth of stock of debt, and three had been through the contract of debt restructuring, valued B160 million. There were 207 debtors who must abide by Simplified Agreement valued B2,312 million. Sixty-three had proceeded through debt restructuring valued B642 million. However, there were major hindrances such as the agreements of co-operation; and current-cash-flow estimation of businesses which might affect income adequacy for interest repayment.

Trade value at Thai-Laos border in the North-East expanded by 30 percent with export growing by 25 percent and import increasing by 70 percent. Thailand had a trade surplus over Laos amounting to B12,000 million, a larger surplus than that of last year which was B6,753 million.

Outlook for 2000

In 2000, economy in the North-East is projected to expand due to non-agricultural production, entrepreneurs gain more confidence, production cost slightly increases, liquidity remains high and interest rates remain low. Debt restructuring will be accelerated and fiscal policy aims at expediting budgetary expenditure to stimulate private consumption. Agricultural output declines slightly due to unfavourable prices of major crops. However, there is an increase in planting areas and high potential production in farming and fishery.

Monetary Developments, Operation of Financial Institutions, and the Capital Market

Monetary Conditions and Interest Rate Movements

Liquidity of financial institutions in general remained high throughout 1999 due to continued relaxation of monetary and fiscal policies, as well as large current account surplus. This resulted in high level of money in circulation, leading to lower interest rates in the money market and a gradual decline in bank deposit and lending rates. Nevertheless, there were periods of temporary liquidity tighten-

Net Investment Position of Financial Institutions in the Repurchase Market

(baht billions)	1998	1999			
	Dec.	Mar.	Jun.	Sept.	Dec.
1. Commercial Banks					
– Foreign Banks	47.6	25.4	11.0	12.0	5.8
– 5 Large Thai Banks	259.5	220.4	223.5	228.4	72.6
– 8 Medium and Small Thai Banks ^{1/}	46.1	40.7	48.1	1.2	-23.7
2. Finance and Finance & Securities Companies still operating ^{2/}	5.4	2.3	0.1	-0.9	-0.5
3. 56 Closed-down Finance and Finance & Securities Companies	62.0	35.7	58.0	81.6	35.7
4. Specialised Financial Institutions ^{3/}	114.8	101.7	65.7	42.1	32.4
Total	535.4	426.2	406.4	364.4	122.3

1/ Since December 1998, the number of medium and small Thai commercial banks has decreased to 8.

- 2/ – Radhanatun Finance Public Company Limited began operating in April 1998, thus, increasing the number of finance companies to 36.
- 12 intervened finance companies were merged with Union Bank of Bangkok. The merged institution was renamed Bank Thai Public Co., Ltd. As a result, there were a total of 24 finance companies in February 1999.
- Oceans Finance Company and Phatra Thanakit Finance Public Co., Ltd. were closed down in August and October 1999, respectively.
- As of end-December 1999, there were a total of 22 finance companies still operating.

3/ Comprising the Government Savings Bank, the Government Housing Bank, the Bank for Agriculture and Agricultural Co-operatives, the Industrial Finance Corporation of Thailand, and the Export-Import Bank of Thailand

ing during the year; for example, during the Chinese New Year in February when demand for cash surged significantly, in the first week of June when the annual corporate income tax was due, and since early December towards the end of the year when the public and businesses withdrew cash for spending and preparing for the possible Y2K problem. As liquidity in the financial system became tight in December, the Bank of Thailand sufficiently injected liquidity through the repurchase and foreign exchange swap markets, thus preventing substantial rise in money market interest rates. The Bank of Thailand estimated that the unusual surge of cash in circulation reached its highest level of B165 billion above baseline projection on 31 December. This amount included extra cash held by commercial banks in preparation for withdrawals by the public.

Regarding investment position in the repurchase market at end-1999, most financial institutions remained net investors, reflecting persistent excess liquidity in the financial system. However, with the continuous decline in rate of returns in the repurchase market, most financial institutions had gradually reduced their investments in this market since late 1998 and increased their investments in bonds which offered higher rate of returns.

As for the **non-financial private sector**, liquidity condition in 1999 improved considerably from last year in which the liquidity shortage was considerable. Sources of liquidity were mostly from domestic debt securities, foreign direct investment, current account surplus, and government cash deficit. The private sector was able to issue more debt securities because domestic interest rates were low and government bond yields were available as benchmarks. There were still large capital outflows for foreign debt repayment, especially through the international banking facilities. However, continuous government cash deficit and large current account surplus helped to supply liquidity to the non-financial private sector.

Money market and repurchase market interest rates in 1999 remained low and tended to adjust downward in line with high liquidity. The 1-day repurchase rate decreased from 3.55 percent per annum at end-1998 to 0.63 percent per annum at end-1999, while the interbank lending rate fell from 2.63 percent per annum to 1.23 percent per annum during the same period. The interbank rate reached its highest level at 18.0 percent per annum on 22 February, as cash had yet to return to the banking system after the Chinese New Year holidays. Moreover, financial institutions were required to meet reserve requirement towards the end of the fortnight maintenance period, resulting in much tighter liquidity in the money market. Nonetheless, the interbank rate declined to 3.125 percent per annum by the end of February after the Bank of Thailand injected sufficient liquidity into the financial system and cash subsequently returned to the banking system. In December, the interbank rate rose slightly because financial institutions needed liquidity in preparation for the Y2K problem. However, the interbank rate declined to normal levels after the authorities sufficiently accommodated the rising demand for money.

Liquidity in the Non-Financial Institution Private Sector

(baht billions)	1998	1999				
		Q1	Q2	Q3	Q4	Total
1. Equity ^{1/}	54.4	12.0	16.5	7.5	10.1	46.1
2. Domestic Debentures ^{2/}	8.7	10.5	24.6	12.8	77.9	125.8
3. Non-bank Capital Inflow (net) :	-92.2	-17.2 ^P	-30.9 ^P	-0.3 ^P	-12.6 ^P	-60.9 ^P
of which Foreign Direct Investment (net)	198.3	37.0	36.6	32.3	15.2	121.0
4. Commercial Bank Credit	-174.2	14.2	-103.1	-126.9	-140.4	-356.3
4.1 Non-BIBF Credit ^{3/}	102.6	80.9	-21.4	-50.3	-86.2	-76.9
4.2 BIBF Credit ^{4/}	-276.8	-66.7	-81.7	-76.7	-54.3	-279.3
5. CB Credit Transferred to AMC		153.6			97.1 ^P	250.7 ^P
6. CB Loan Write-off		4.8	31.8	50.7	74.8 ^P	162.1 ^P
7. Finance Company Credit ^{5/}	-172.6	-198.5 ^P	-172.8 ^P	-258.1 ^P	-145.7 ^P	-775.1 ^P
8. FC Credit auctioned off		4.7	166.7	249.8	87.5	508.7
9. FC Credit Transferred to AMC					42.5 ^P	42.5 ^P
10. FC Loan Write-off					6.3 ^P	6.3 ^P
11. Specialised Financial Institution Credit ^{6/}	10.4	4.0	1.7	3.0	-3.8 ^P	4.9 ^P
Total (1. – 11.) Financial Market	-365.4	-11.8	-65.4	-61.5	93.8	-45.0
12. Government Cash Balance (Surplus -, Deficit +)	129.0	0.1	45.7	47.7	60.8	154.3 ^P
13. Current Account (surplus +, Deficit -)	591.6	127.1 ^P	94.9 ^P	106.3 ^P	98.3 ^P	426.6 ^P
Total (1. – 13.)	355.2	115.4	75.2	92.6	252.9	536.0
Monthly Average	29.6	38.5	25.1	30.9	84.3	44.7

P/ Preliminary

1/ Recapitalisation of listed companies in the Stock Exchange of Thailand, excluding stock issuance by financial institutions (commercial banks, finance companies, finance & securities companies, and the Industrial Finance Corporation of Thailand).

2/ Excluding debt instruments issued by commercial banks, finance and finance & securities companies, Industrial Finance Corporation of Thailand, and non-financial public enterprises.

3/ – Deducting B153.6 billion of Bangkok Bank of Commerce's loans transferred to Bangkok Commercial Assets Management Co., Ltd. in February 1999.

– Adding B197.6 billion of 12 finance companies' loans transferred to Bank Thai in February 1999.

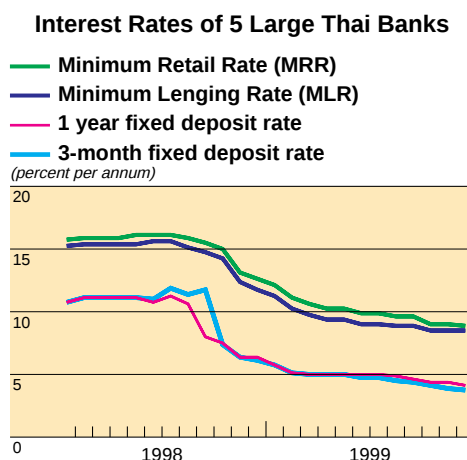
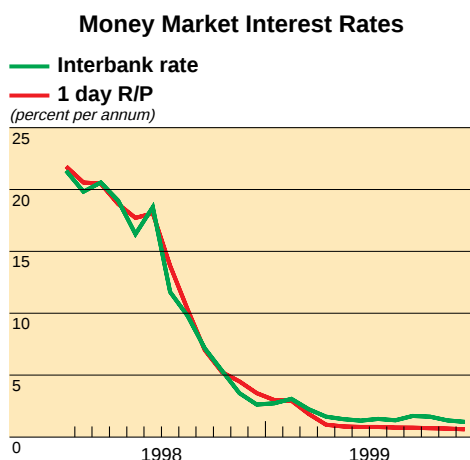
4/ Changes in BIBF credit are calculated by multiplying the average exchange rate in each month to change in BIBF credits (in US\$ terms) in the same month.

5/ Deducting B197.6 billion of 12 finance companies' loans transferred to Bank Thai in February 1999.

6/ Comprising the Government Housing Bank, the Bank for Agriculture and Agricultural Co-operatives, the Export-Import Bank of Thailand, the Government Savings Bank, the Industrial Finance Corporation of Thailand, and the Small Industry Finance Corporation.

NB Financial institution credit is "claim on business and household sector" deducted by "security investment".

Interest Rates



Commercial bank deposit and lending rates continued to decline in 1999 in line with high liquidity and decreased demand for commercial bank deposits. At end-1999, the 3-month time deposit rates of the 5 largest Thai commercial banks were 3.75 percent per annum (down from 6.0-6.25 percent per annum at end-1998), while the Minimum Lending Rate (MLR) of the 5 largest Thai commercial banks were 8.25-8.75 percent per annum (down from 11.50-12.0 percent per annum at end-1998).

Monetary Conditions

	Percentage change	
	1998	1999 ^P
Commercial Bank Deposit	8.8	-0.5
Commercial Bank Credit (include BIBF) (exclude effect of exchange rate valuation on BIBF credit)	-3.2	-2.8
Monetary Base	0.3	30.8
Money Supply, M1	3.0	30.1
Money Supply, M2	9.5	2.1
Money Supply, M2a ^{1/}	6.1	1.3
Commercial Bank Interest Rates (end-of-period) ^{2/} : percent per annum		
3-month time deposit	6.00-6.25	3.75
1-year time deposit	6.00-6.25	4.00 – 4.25
Minimum Lending Rate (MLR)	11.50-12.00	8.25 – 8.75
Minimum Retail Rate (MRR)	12.00-13.25	8.50 – 9.25

P = Preliminary

1/ Money supply in the banking and finance company systems

2/ Interest rates of the 5 largest Thai commercial banks

Interest Rate Structure in the Banking System (end-of-period)

(percent per annum)

	1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Deposit rates (5 Largest Banks)								
– Savings deposit rates	5.0	5.0	5.0	4.5	4.5	4.0	3.50-3.75	3.0
– (ceiling on saving deposit rates)*	(-)	(-)	(7.0)	(6.5)	(6.5)	(6.0)	(5.75)	(5.00)
– 3-month time deposit rates	10.0-12.25	10.0-12.0	7.25-9.0	6.0-6.25	5.0	4.75	4.25-4.50	3.75
– (ceiling on 3-month time deposit rates)**	(16.5)	(16.5)	(11.75)	(9.0)	(8.0)	(7.75)	(7.50)	(6.75)
– 1-year time deposit rates	10.0-12.25	10.0-11.5	7.0-9.0	6.0-6.25	5.0	5.0	4.5-4.75	4.0-4.25
– (ceiling on 1-year time deposit rates)**	(16.0)	(16.0)	(11.75)	(9.0)	(8.0)	(8.0)	(7.75)	(7.25)
Lending rates (5 Largest Banks)								
– Minimum Lending Rates (MLR)	15.25-15.5	15.25-16.0	14.5-15.0	11.5-12.0	9.5-10.0	8.75-9.25	8.5-9.25	8.25-8.75
– Minimum Overdraft Rates (MOR)	15.75-16.25	15.75-16.75	15.0-16.0	12.0-12.75	10.0-10.75	9.25-10.0	9.0-9.75	8.5-9.25
– Minimum Retail Rates (MRR)***	15.5-16.25	15.5-16.75	15.0-16.0	12.0-13.25	10.0-11.25	9.25-10.5	9.0-10.25	8.5-9.25
Interbank Lending Rates								
– Daily average in a quarter	20.64	18.03	9.56	3.84	2.69	1.48	1.51	1.41
– Min-Max (daily closing rates)	6.0-29.75	8.0-23.75	2.0-19.0	1.75-8.0	1.96-4.06	1.12-1.99	1.13-2.3	0.89-2.02
Repurchase rates (1 day)								
– Daily average in a quarter	20.97	18.20	10.40	4.43	2.60	0.89	0.78	0.68
– Min-max (daily closing rate)	19.75-24.25	16.625-19.75	6.0-16.44	3.13-6.0	1.0-9.5	0.81-1.0	0.75-0.88	0.63-0.81

Notes : * Since 14 July 1997, the authorities required commercial banks' savings deposit rates to be less than the BOT savings deposit reference rates plus 2 percentage points.

** On 30 June 1997, the authorities increased the ceiling on 3-month time deposit rates to 12 percent per annum and, on 18 July 1997, raised it further to 14 percent per annum. Then, a new regulation was imposed on 19 September 1997, requiring commercial banks' 3-month time deposit rates to be less than the average deposit rates of 5 largest banks plus 3 percentage points.

*** on 26 May 1997, the authorities revised the MRR formula from formerly basing on total deposit cost to be linked with the MLR plus maximum of 4 percentage points for general customers.

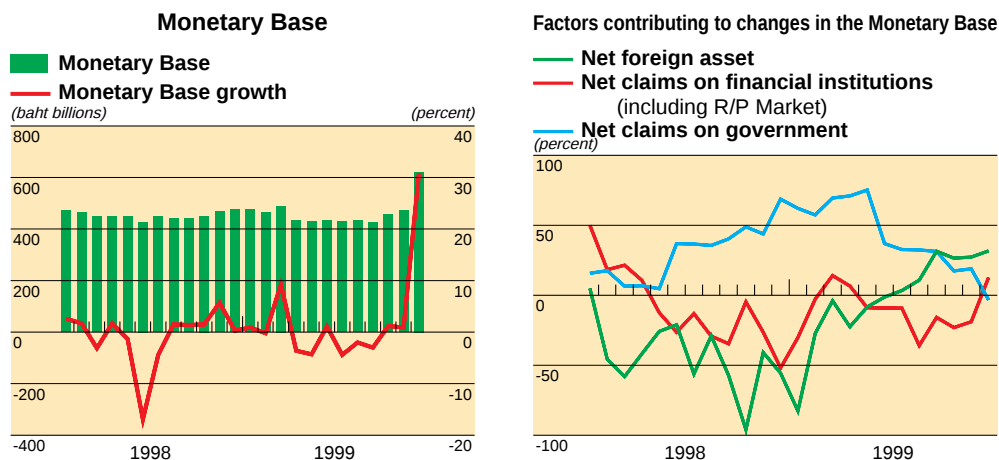
Commercial bank deposits in 1999 decreased by 0.5 percent compared with the increase of 8.8 percent in 1998. Continuous decline in deposit interest rates caused the shift of savings to specialised financial institutions and other financial instruments that offered higher rate of return. Deposits declined substantially in December due to large withdrawal of cash for spending during the New Year holidays and preparing for the Y2K problem.

Commercial bank credits in 1999 declined by 2.8 percent. Non-BIBF bank credits however increased by 1.2 percent, while BIBF credits decreased by 37.8 percent. (Foreign currency-denominated credits were converted into baht using the exchange rate on 30 June 1997.) The reduction in BIBF credits resulted from low domestic interest rates and stable exchange rates that provided incentives to repay BIBF debts and partially refinance them with non-BIBF loans. Some commercial banks introduced low-interest housing loan programmes to customers. However, commercial banks continued to be very conservative in extending credits after experiencing severe non-performing loan problem in 1998.

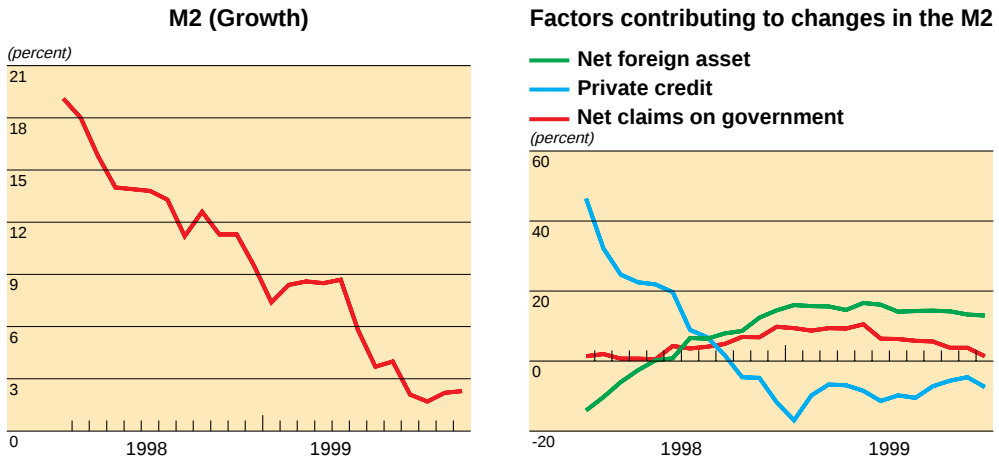
Monetary base and money supply

Monetary base expanded by B13.8 billion in the first quarter of 1999 due to seasonal factors, and dropped sharply by B56.5 billion in April following the reduction in the cash reserve requirement (balance at central bank) from 2 to 1 percent of deposits and short-term foreign borrowings on 23 April. This resulted in an immediate contraction in demand for monetary base of about B46 billion. The Bank of Thailand absorbed the resulted excess liquidity instantaneously. Monetary base subsequently stabilised until the end of the third quarter and rose considerably in the last quarter due to seasonal factors related to production and spending. In December, there was significant demand for cash in preparation for spending and the anticipated Y2K problem. The Bank of Thailand therefore accommodated

Monetary Base



Money Supply

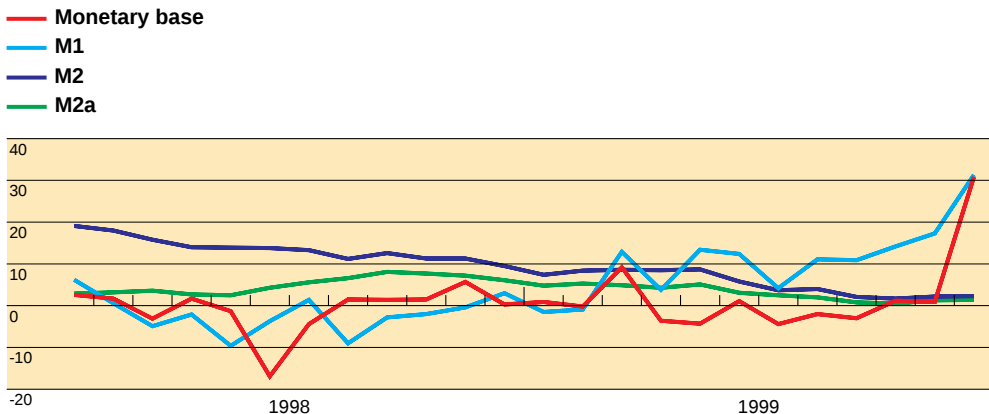


liquidity via the repurchase and foreign exchange swap markets, leading to a large increase in monetary base to B622 billion which exceeded the set target of B478 billion by B144 billion. This accelerated the year-on-year growth rate of monetary base, from 0.9 percent in November to 30.8 percent in December. Had the effects of the reduction in the cash reserve requirement in April and the extra liquidity injection in December been excluded, monetary base would have stood at B524 billion, equivalent to 10.2 percent growth rate at end-1999.

Major changes on the supply side of monetary base in 1999 were the decline in net claims on government of B16.0 billion and the increase in net claims on financial institutions of B60.4 billion. Net foreign assets rose significantly by B150.6 billion, mostly because the government sold foreign currencies from Miyazawa loan disbursement to the Bank of Thailand in March. In addition, the Bank of Thailand injected baht liquidity through the foreign exchange swap market in December.

Growth of Monetary Base and Money Supply

(percentage changes from the previous year)



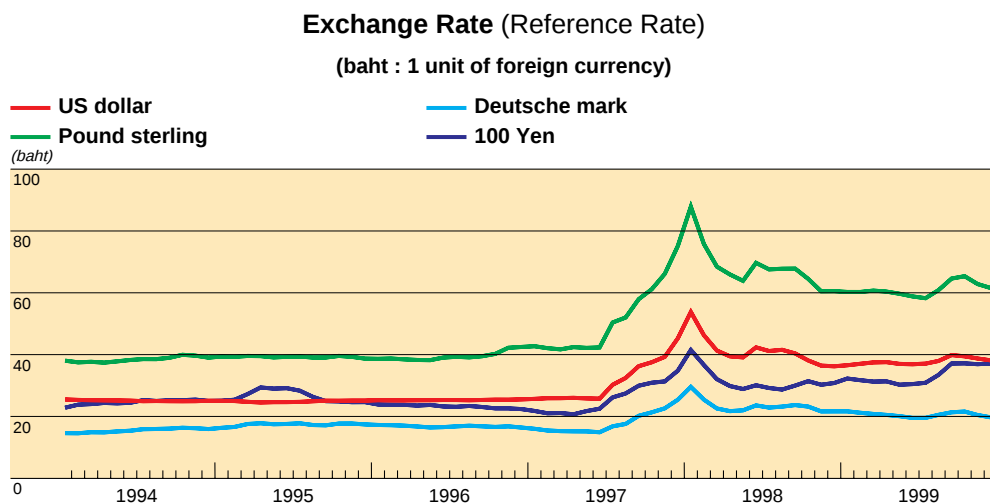
Narrow money (M1) grew by 30.1 percent at end-1999 compared with 3.0 percent at end-1998. Component driving M1 growth in the first and second quarter of 1999 was demand deposits at the banking system as money was shifted to demand deposit accounts for the settlement of financial securities trading. The driving factor in the third and fourth quarter was cash held by the private sector, especially in December when cash was withdrawn for spending and preparing for the Y2K problem.

Broad money (M2) expanded by 2.1 percent at end-1999 compared with 9.5 percent at end-1998. This was due to the slowdown in time and savings deposits in line with declining deposit interest rates. Likewise, **money supply in the banking and finance company system (M2a)** increased by 1.3 percent at end-1999 compared with 6.1 percent at end-1998 in line with the slowdown in commercial bank and finance company deposits.

Exchange Rate Movements

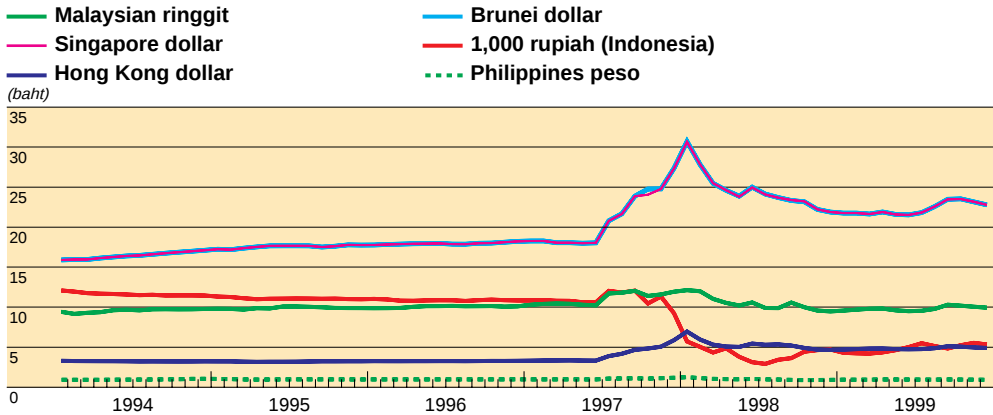
Foreign currencies movements in Bangkok

In 1999, the baht was more stable than in the previous year, with the monthly average reference exchange rates fluctuating between 36.59-39.88 baht per US dollar. For the whole year, the baht averaged 37.84 baht per US dollar, appreciating considerably from 41.37 baht per US dollar in 1998. However, the baht depreciated substantially in September, reaching the weakest level of the year at 41.44 baht per US dollar on September 29, but later regained its strength in the last quarter of the year. At end-December 1999, the baht stood at 37.18 baht per US dollar.



Exchange Rate (Reference Rate)

(baht : 1 unit of foreign currency)



In the first quarter, the baht depreciated slightly from external and internal factors. **External factors** were the financial crisis in Brazil, the news of Hong Kong dollar being attacked by speculators, and the market concern over a possible devaluation of the renminbi. The main **internal factor** was the market speculation that NPL ratios of large commercial banks would reach 48 percent by the end of the year and that large recapitalisation would be needed once again.

In the second quarter, the baht began to appreciate as several credit rating agencies upgraded the outlook for some Thai commercial banks from negative to stable on the basis of progress in recapitalisation, thus attracting short-term capital inflows into the stock market. Consequently, the SET index rose above 500 points. However, the baht appreciation was curbed by dollar buying to repay foreign debts approaching the end of the first half-year accounting period.

In the third quarter, the baht depreciated considerably due largely to external factors such as the statement made by Mr. Lawrence Summers, the US Secretary of Treasury, that the United States would continue its strong dollar policy, the conflict between China and Taiwan over the one-China policy, the market concern over the possibility of the devaluation of renminbi following a report by the State Planning Commission that China ought to adopt a more flexible exchange rate policy in 2000, the speculation that the US Federal Reserve System would raise interest rates to counter inflationary pressure, as well as the unrest in East Timor.

The internal factors that created negative impact on the baht in this third quarter were the concern of investors over commercial banks' NPL problem which had reached nearly 50 percent, the financial institution problems (for instance, the Krung Thai Bank and the Phatra Thanakit Finance Company) which caused alarm in the stock market and led some foreign investors to sell off their securities and bought the US dollars, as well as the release of the second quarter GDP figure growing by 3.5 percent which was below the 8 percent anticipated in the market.

In the fourth quarter, the baht regained its strength following the Bank of Thailand's issuance of circular to apply a sterner stance by clarification of the existing regulation limiting financial institutions' providing liquidity to non-residents without underlying transactions in order to restrict baht liquidity in the offshore market, and credit rating agencies' statement that the Thai financial sector had strengthened and some started to make profits in the third quarter. Moreover, the political unrest in Indonesia began to subside after a successful formation of new government which had positive impact on the baht and other currencies in the region. Foreign exchange trading volume decreased toward the end of the year as financial institutions wanted to reduce risks associated with the Y2K problem.

US dollar

In 1999, the US dollar appreciated from the previous year by 4.35 and 2.43 percent against the Deutsche mark and the Pound sterling respectively, but depreciated by 13.05 percent against the Japanese yen. For the whole year, the US dollar averaged 1.836 Deutsche mark per US dollar, 113.8 Japanese yen per US dollar, and 1.618 US dollar per Pound sterling.

Positive factors on the US dollar could be summarised as follows:

- 1) The US economy expanded at a high rate above 4 percent in 1999, while inflationary pressure remained low due to high productivity growth.
- 2) The Dow Jones Industrial Index soared above 11,000 points, the highest level in history, in line with large capital inflows into the US stock market, and despite the Federal Reserve's increasing the Fed Funds Rate target and Discount Rate by 75 and 50 basis points respectively to slow down the economic expansion and reduce pressure from rising securities values.
- 3) Major countries in the EMU such as Germany and France experienced sluggish economy, resulting in depreciation of the Euro by 15 percent against the US dollar. The Euro stood at 1.02 US dollar per Euro at year-end, compared with 1.17 US dollar per Euro in the beginning of the year.

Japanese yen

In 1999, the yen averaged 113.93 yen per US dollar, appreciating by 15.0 percent from 130.91 yen per US dollar in 1998. The yen reached its strongest level of the year in late December at 101 yen per US dollar. During the year, interventions to curb the yen appreciation were undertaken by the Japanese authorities, with the Bank of Japan's announcement that such interventions amounted to US\$69.33 billion for the whole year.

Positive factors leading to appreciation of the yen in 1999 were:

- 1) The Japanese trade and current account balances continued to record surpluses.

2) There were capital inflows into the Japanese stock market, leading to upsurge in the Nikkei index, as foreign investors believed that the Japanese economy had bottomed out and would gradually recover. Furthermore, the Japanese financial institutions showed signs of improvement, thus helping to boost investor confidence.

3) The regional economies emerged from the crisis, thus inducing trading partners in Asia to import more Japanese products than in the previous year.

Euro and Deutsche mark

The Deutsche mark averaged 1.836 Deutsche mark per US dollar in 1999, depreciating by 4.17 percent from 1.759 Deutsche mark per US dollar in the previous year. In 1999, the Euro weakened the most at 0.99 US dollar per Euro.

Negative factors affecting the Euro and the Deutsche mark were:

- 1) The European economy slowed down in general, especially Germany.
- 2) Some member countries in the EMU could not fulfil the requirement on fiscal deficit reduction specified by the Stability Pact within due time. Failure to do so reduced confidence in the Euro, leading the market to constantly test against the currency at different levels.
- 3) The unrest in Kosovo in the middle of the year hurt the economy of Eastern Europe and the EMU country members.

Pound sterling

In 1999, the Pound sterling averaged 1.618 US dollar per Pound sterling, depreciating by 2.36 percent from 1.657 US dollar per Pound sterling in the previous year.

The fact that the Euro depreciated also created a negative impact on the Pound sterling as the United Kingdom and the EMU country members were close trading partners. However, the Pound sterling was less volatile than local currencies within the EMU whose exchange rates were tied to the Euro.

Gold price

In 1999, gold price in the London market declined by 5.8 percent from the average of 294.36 US dollar per troy ounce in 1998 to 277.04 US dollar per troy ounce in 1999, reaching the lowest price in twenty years at 245.21 US dollar per troy ounce in August 1999.

Major factor leading to the declining gold price in the first nine months was the announcements by the Bank of England and other central banks in Europe, as well as some international financial organisations (for example, the IMF), to sell

their excess gold reserves, while demand for gold did not increase significantly. This led investors to engage in short-sale transactions.

However, gold price rose in the last quarter, following the European Central Bank's announcement in October to limit the quantity of gold to be sold by individual European national central banks. The ECB also stated that gold would remain an important component of international reserves. This caused gold price to soar to the highest level in 24 months at 311.1 US dollar per troy ounce, as short-sale positions were closed before delivery date to limit further losses.

Commercial Bank Operation

The impact of the economic crisis on financial institutions that started in 1997 began to resolve in the second half of 1999. Thai commercial banks increased capital and provisions on non-performing loans (NPL) substantially in order to strengthen themselves. The loosened monetary policy which led to a progressive decline in domestic interest rates also facilitated the economic recovery. Moreover, private debt restructuring administered by the Corporate Debt Restructuring Advisory Committee (CDRAC) began to show results in 1999, helping to reduce the NPL figures of the banking sector considerably in the last quarter.

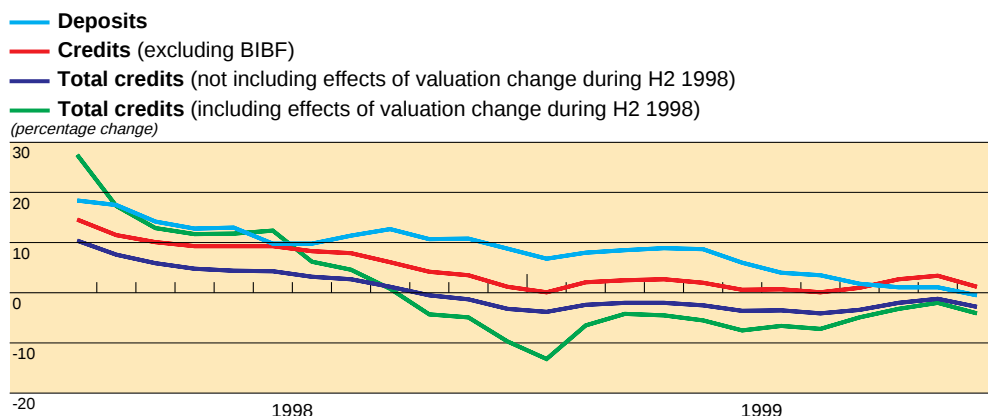
In 1999, domestic credits by commercial banks expanded in response to the government's programme to support small-and medium-enterprises (SME), though it was pursued with caution to prevent further NPL problem. This factor helped to sustain high liquidity throughout the year. The BIBF credits, however, continued to decrease from the previous year because of the baht appreciation and the declining domestic interest rates, which provided incentives for debtors to accelerate foreign debt repayments.

1. Commercial bank credits

In 1999, total commercial bank credits (excluding the effect of exchange rate valuation on BIBF credits) decreased by B148.4 billion, or a 2.8 percent contraction, a rate close to the previous year's contraction of 3.2 percent. This contraction was mainly due to the decline in out-in BIBF credits, which decreased from B538.8 billion at end-1998 to B334.9 billion at end-1999, or a contraction of 37.8 percent, compared with a contraction of 30.0 percent in 1998. This resulted from high domestic liquidity. Non-BIBF credits increased from B4,706 billion to B4,761 billion, or a 1.2 percent growth rate, which was the same as last year's growth. In summary, factors causing a decrease in overall bank credits in 1999 were debt write-off by commercial banks and foreign debt repayments as well as the transfer of some bad debts from commercial banks to Asset Management Companies (AMCs).

Commercial Bank Deposits and Credits

(percentage changes from the previous year)



2. Commercial bank deposits

Commercial bank deposits in 1999 decreased by B20.9 billion, or a 0.5 percent contraction. Deposits contracted by an average of B1.7 billion per month, a significant turn around from the previous year in which deposits increased by B30.9 billion per month on average. In the first half of 1999, state-owned commercial banks had a substantial increase in deposits due to the automatic conversion of promissory notes issued by the 13 financial companies, which were merged with the Bank Thai, into short-term time deposit accounts as the notes matured. In addition, state-owned banks increased deposit mobilisation efforts by offering higher interest rates than other banks by about 50 basis points in order to repay debts to the Financial Institution Development Fund (FIDF). Deposits at private commercial banks, on the other hand, decreased in general as some banks turned to mobilising funds by issuing subordinated debentures (SLIPS/CAPS) which offered higher returns than deposits. This partly resulted in the shifting of deposits at private banks to investments in debentures.

In the second half of 1999, deposits at the Thai commercial banks increased due to the increase in deposits at private banks. In the case of the Standard Chartered Bank, for example, the acquisition of Nakornthon Bank helped them to regain depositors' confidence. Towards the end of the year, the public withdrew a large amount of cash for New Year spending and preparation for the Y2K problem.

Regarding foreign bank branches (full branches), deposits adjusted downwards in the first half of the year as most customers deposited money in short-term accounts which were withdrawn at maturity. In the second half of the year, deposits adjusted upwards, mainly from the increase in business account deposits.

3. Commercial bank profits

In 1999, Thai banks continued experiencing a net loss, with the net interest income amounting to B33.84 billion, a decline from B38.31 billion in 1998. However, in the second half of the year, banks' performance improved and some banks started to make profits despite a contraction in income from credits extension, as commercial banks also lowered lending interest rates and began to comply with the new regulation on stopping of recognition of accrued interest. This is as a result of a substantial reduction in deposit interest payment, resulting from the progressive decline in deposits rates, together with increased interest income received from the on-going debt restructuring since the beginning of the year, which helped contribute to commercial banks' improved performance in 1999. The resulted widening of spread between lending and deposit rates, as well as the ability of private banks to manage the interest rate spread and operating cost more efficiently than state-owned banks, enabled them to lessen the burden in interest payments. These resulted in a slight improvement of Thai banks' operating profit (loss) from the net loss of B58.5 billion in 1998 to a net loss of B56.2 billion in 1999.

In 1999, Thai commercial banks made additional substantial loan loss provision of B5.8 billion. This resulted in a net loss of B322.8 billion, decreasing by B10.9 billion from last year's net loss of B333.7 billion.

Foreign bank branches' performance, though improved considerably, still experienced a net loss of B1.8 billion. This was a positive development from last year's net loss of B8.2 billion, due to a contraction in bad and doubtful debts in 1999.

4. Banking system soundness

Thai commercial banks continued making provisions in 1999 due to existing NPL problem. The provisions on NPL set aside in 1999 amounted to B197.4 billion^{1/}, thus increasing the total amount of loan loss provisions already set aside from B531.2 billion at end-1998 to B728.6 billion at end-1999. This was equivalent to 70.1 percent of total calculated provisions need, but still exceeded the minimum of 60 percent of NPL required by the authorities that commercial banks had to comply with by the end of 1999. However, there remained some commercial banks which could not meet the required level of provisions. In 1999, the Financial Institution Development Fund (FIDF) auctioned off the intervened Thai banks to new investors, while the FIDF continued to be a minority shareholder in these banks.

The BIS capital adequacy ratio of commercial banks improved in 1999 due to recapitalisation by private banks that issued subordinated debentures (SLIPS /

1/ NPL provisioning of Thai commercial banks was calculated from the provisions for doubtful debts.

CAPS), thus increasing the BIS capital-to-risk-asset ratio from 10.5 percent at end-1998 to 12.0 percent at end-1999. The ratio of Tier1 capital to risk assets of Thai commercial banks increased slightly from 7.9 percent in 1998 to 8.5 percent in 1999, while that of foreign bank branches decreased slightly from 17.3 percent in 1998 to 17.2 percent in 1999.

In addition, international credit rating agencies upgraded some Thai commercial banks following sufficient provisioning for NPL and the recapitalisation which met with the BIS standard, as well as the continual progress in debt restructuring of Thai commercial banks. These factors contributed towards enhancing the public confidence in financial institutions.

5. Number of commercial banks and International Banking Facilities

In 1999, there were 13 Thai commercial banks. The number of their branches increased by 31 in 1999 compared with a reduction of 37 in 1998. The FIDF auctioned off the intervened banks, namely Nakornthon Bank and Radanasin Bank, to new investors, which were the Standard Chartered Bank and The United Overseas Bank respectively. The merged banks were later renamed Standard Chartered Nakornthon Bank and UOB Radanasin respectively.

There were 11 Thai commercial banks engaging in BIBF businesses and 21 foreign bank branches (full branches), only 18 of which were granted authorisation to conduct IBF operations. There were 15 new BIBF units at end-December 1999, a decrease from 19 units from last year.

Net Profit (Loss) of Commercial Banks and IBF Operations <i>(baht billions)</i>						
	1998			1999		
	H1	H2	Total	H1	H2	Total
Thai banks						
(including IBF operations)	-143.7	-190.0	-333.7	-174.6	-148.3	-322.8
Foreign bank branches						
(including IBF operations)	-1.3	-6.9	-8.2	-5.4	3.6	-1.8
IBF not belonging to Thai banks and foreign bank branches	-1.4	-2.5	-3.9	-1.7	-0.5	-2.2
Total	-146.4	-199.4	-345.8	-181.7	-145.2	-326.8

BIS Capital and Risk Assets of Commercial Banks

	First-Tier Capital (baht billions)		Total Capital (baht billions)		Risk Assets (baht billions)		First-Tier Capital-to-Risk Assets Ratio (percent)		Total Capital-to-Risk Assets Ratio (percent)	
	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999
Thai banks (including IBF)	339.4	342.9	448.4	484.2	4,287.0	4,024.8	7.92 (4.25)	8.52 (4.25)	10.46 (8.5)	12.03 (8.5)
Foreign bank branch (excluding IBF)			48.3	55.1	279.6	320.7	– –	– –	17.29 (7.5)	17.19 (7.5)

Note : *Figures in parentheses are minimum required ratios*

Numbers of Branches and Offices of Commercial Banks and International Banking Facilities

	1997	1998	1999
Thai banks	16	13	13
– Branches of Thai banks (excluding headquarters)	3,268	3,234	3,254
Foreign bank branches	20	21	21
International Banking Facilities			
– Thai banks			
BIBF	12	11	11
– Foreign bank branches			
BIBF	17	18	18
PIBF	10	17	8
– International Banking Facilities of foreign financial institutions without branches in Thailand			
BIBF	19	17	15
PIBF	20	6	0

Note : BIBF = *Bangkok International Banking Facilities*
(situated in Bangkok Metropolitan Area)
PIBF = *Provincial International Banking Facilities*
(situated in large provinces outside Bangkok)

Operation of Finance and Securities Companies

Finance Companies (including finance & securities companies.)

At end-1999, there were 22 finance companies, a reduction from 36 companies in the previous year after 12 intervened finance companies were merged with part of the Krung Thai Thanakit Public Co. Ltd. and the Union Bank of Bangkok. The newly merged institution was named Bank Thai Public Co. Ltd. In addition, the Phatra Thanakit Public Co. Ltd. and the Ocean Finance Co. Ltd. were closed down in 1999. The 22 finance companies comprised 12 finance companies and 10 finance & securities companies. Regarding the progress on the separation of finance and securities businesses, 5 finance & securities companies formally separated their finance business from securities business in 1999. The National Finance Public Co. Ltd. is proceeding to get a restricted banking license. The process is being led by Ekachart Finance Public Co. Ltd.

In 1999, the 22 operating finance companies experienced a net loss of B25.1 billion, decreasing by 63.8 percent from the previous year's loss of B69.4 billion (36 finance companies). The loss occurred especially in the last quarter, when finance companies had to set aside provisions against doubtful debt (60 percent of total provisions actually needed) before the end of the accounting year. These provisions amounted to B13.6 billion. However, the operating performance in general improved as net interest income reversed from a net loss in 1998 to a net profit of B4 billion in 1999. Although interest income decreased

Finance Companies' Outstanding Borrowing and Deposit from the Public

(baht billions)

Classified by group	1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Finance companies								
in-operation ^{1/}	301.8	246.5	260.6	259.7	222.9	212.4	195.3	158.7
56 closed-down								
finance companies	214.1	205.5	202.9	202.6	201.7	201.2	201.1	201.1
Total ^{2/}	515.9	452.0	463.5	462.3	424.6	413.6	396.4	359.8

1/ 36 companies in-operation in 1998 and 22 companies in 1999

2/ 92 companies in 1998 and 78 companies in 1999

in line with declined credit extension, this was offset by decrease in interest expenditure due to decreased borrowing from public as well as lower borrowing rates. Moreover, the operating expense declined by B1.1 billion from the previous year and losses from securities activities and exchange rates also declined from the previous year.

At end-1999, total assets of 22 operating finance companies was B293.1 billion, decreasing from the previous year (36 finance companies) by 51.8 percent. Total credits outstanding at end-1999 was B187.1 billion decreasing from the previous year (36 companies) by 59.7 percent. On the liability side, borrowing by the 22 finance companies at end-1999 was B185.7 billion, decreasing from the previous year (36 companies) by 59.1 percent. This resulted from a large amount of foreign debt repayment, whereas total borrowings and deposits from the public also decreased by 38.9 percent to B158.7 billion at end-1999. This showed that contraction of the finance company system, in terms of size and role, was much faster than contraction of the commercial banking system. On the one hand, the large contraction was a normal downward adjustment following a financial crisis; and on the other hand, it was due to the reduction in the number of finance companies following mergers as well as changes in status to commercial bank.

As regards the debt restructuring of finance companies, 1,860 customers of finance companies had successfully restructured their debts by the end of 1999, amounting to B59,926 million. Other 878 customers were in the process of debt restructuring, with the total amount of B47,464 million.

To facilitate the resolution of financial institution problems, the authorities had allowed finance companies to operate hire-purchase business and leasing,

Finance Companies' Outstanding Credits <i>(baht billions)</i>								
Classified by group	1998				1999			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Finance companies								
in-operation ^{1/}	513.1	489.8	483.9	465.2	263.6	254.0	244.0	187.1
56 closed-down								
finance companies	721.2	708.2	696.1	668.0	661.9	513.3	305.3	311.0
Total ^{2/}	1,234.3	1,198.0	1,180.0	1,133.2	925.5	767.3	549.3	498.1
1/ 36 companies in-operation in 1998 and 22 companies in 1999								
2/ 92 companies in 1998 and 78 companies in 1999								

Net Profit (Loss) of 22 Finance Companies

(baht billions)

	1998			1999		
	H1	H2	Total	H1	H2	Total
Profit (+)/ Loss (-) ^{1/}	-45.1	-24.3	-69.4	-10.1	-15.0	-25.1

1/ 36 companies in-operation in 1998 and 22 companies in 1999

which were transferred under the Financial Sector Restructuring Plan. Although the initial effective period was from 23 April to December 1999, it was extended for another 2 years until end-2001. They were also allowed to operate the securities borrowing and lending business as an agent with prior authorisation from the Bank of Thailand. Regarding the supervision of financial institutions, the authorities re-defined rules on asset classification and provisions in line with required conditions for debt restructuring. For example, once debtors had their debts restructured, financial institutions could immediately reclassify these debts as normal without having to comply with the previous condition of three consecutive months of payment. In addition, there was amendment to the rule regarding recognition of accrued interest as income, and the provision on re-classified assets were to be counted automatically as Tier2 capital but this must not exceed 1.25 percent of risk assets. On credit measures, credits backed by promissory notes issued by Krung Thai Thanakit or negotiable certificate of deposit issued by the Krung Thai Bank Public Co. Ltd. under the note-exchange scheme of 56 closed finance companies was allowed to have a zero risk-weight. Credit regulations on automobile hire-purchase was also relaxed, whereby conditions on down payment and install payment could be set freely and the minimum non-payment period before repossession was extended from 2 to 3 consecutive periods.

Operation of Credit Foncier Companies

At end-1999, total assets of credit foncier companies amounted to B4.8 billion, a decrease of 31.4 percent from the previous year. Total credits decreased by 33.9 percent to B3.7 billion. Most credits were housing loans and mortgages on real estates. Investment in securities decreased by 25 percent to B0.3 billion, most of which was investment in government bonds. On the liability side, credit foncier companies' borrowing amounted to B3.8 billion, a decrease of 17.4 percent from the previous year.

At end-1999, there remained 10 credit foncier companies, down from 12 in the previous year due to the closing down of Tarakorn Credit Foncier and L.P.N. Credit Foncier.

In 1999, the authorities permitted credit foncier companies to treat provision on hire-purchase debtors as expense in computing net profits for corporate income tax. There was also an amendment to asset classification and provision on debtors under debt restructuring. Regulation on housing loan was also issued to enhance transparency, whereby credit foncier companies must post notifications of interest rates on housing loans to inform the general public.

Capital Market

1. Primary Market

In 1999, the value of new securities issued domestically totalled B1,172.4 billion, an increase of 42.9 percent from the previous year. The government securities issued totalled B505.8 billion, most of which were the special issuances to finance losses and restructure liabilities of the Financial Institutions Development Fund (FIDF) and to strengthen financial institutions. Part of the new government bond issuance was to refinance the bonds that matured in June. The state enterprise bonds, mostly EGAT bonds, were issued mainly to refinance foreign borrowings.

Important issuance of private securities were preferred stocks (as SLIPS and CAPS), subordinated debentures and debentures issued by commercial banks and financial institutions, as well as debt-to-equity swaps by state-owned commercial banks, mainly the Krung Thai Bank and The Bank Thai. The corporate sector issued debentures as a substitute for borrowings from financial institutions due to lower interest rates, while financial institutions needed time to resolve the asset quality problem and recapitalisation. Most issuance of debentures were private placement by public and limited companies. Large companies listed in the stock exchange also issued unsecured debentures to raise capitals, for example, the Siam Cement Public Company issued debentures totalling B50 billion. On the other hand, the lesser-known public and limited companies preferred to issue secured debentures to raise investor confidence. Overall, the growth rate of debenture issuance in 1999 was more than 400 percent, mostly by the non-bank sector.

The amount of government bond issued in 1999 was B333.7 billion to finance losses and restructure liabilities of the FIDF, as well as financing budget deficits. Some of the bonds were sold directly to the public without auction to provide an alternative for them to invest. This amount included the issuance of bonds in exchange for preferred stocks for Tier1 capitals (B41.4 billion), and the issuance of bonds in exchange for subordinated debentures for Tier2 capitals (B7.4 billion) issued by financial institutions.

New Issuance of Securities (baht billions)

	1998					1999				Δ%yoy	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4		Total
Domestic Issues ^{1/}	112.6	262.4	116.7	328.8	820.5	239.5	505.3	222.1	205.5	1172.4	42.9
– Public securities	12.9	165.8	55.5	210.1	444.3	127.4	257.4	69.1	51.9	505.8	13.8
– Government bond	-	150	50	200	400	102.4	207.7 ^{2/}	4.2	19.4	333.7	-16.6
– State enterprise bond	12.9	15.8	5.5	10.1	44.3	25.0	49.7	64.9	32.5	172.1	288.5
– Private securities	99.7	96.6	61.2	118.7	376.2	112.1	247.9	153	153.6	666.6	77.2
– Common stocks	96.9	94.2	58.4	89	338.5	23.6	47.3	131.1	48.5	250.5	-26.0
– Preferred stocks	-	-	-	-	-	39.4	153.0	-	17.5	209.9	n.a.
– Debentures	2.8	2.4	2.8	29.7	37.7	49.1	47.6	21.9	87.6	206.2	446.9
Overseas issues	n.a.	n.a.	n.a.	n.a.	n.a.	26.5	9.4	n.a.	n.a.	35.9	n.a.

^{1/} Including preferred stocks, subordinated debentures, and government bonds issued under the Tier1 and Tier2 capital support programme.
(Under the programme, financial institutions issued preferred stocks and subordinated debentures in exchange for government bonds)

^{2/} Including government bonds issued to replace the ones that matured in June 1999, totalling B150 billion

2. Secondary Market

2.1 Stock Exchange of Thailand (SET)

The SET index closed at 481.92 points in 1999, up 35.4 percent from the previous year. The index slid under 400 points in the first four months then rebounded in the second half of the year. The average daily turnover volume was B6,570.56 million, more active than in the previous year, partly attributable to low stock prices attractive to investors, as well as the economic recovery and low interest rates. However, the overall market conditions were not favourable because the performance of financial institutions had not shown significant improvement due to non-performing loan problem, which, although declining, remained at unsatisfactory levels. Moreover, the increase in oil prices caused concerns over the sustainability of economic recovery.

An important measure implemented this year was the introduction of Market for Alternative Investment (MAI) in order to support small-and medium-enterprises. The implementation of Random Time and Auto Matching to calculate the closing index, effective from September 6, extended the market closing time by 10 minutes to close at 4.40 p.m. This helped to eliminate the problem arising from the fact that a surge in trading activities just before the market closing tended to lower stock prices, thus distorting the index to some extent. Moreover, the required capital for a newly listed company was increased from B100 million to B200 million. In November, the Securities and Exchange Commission modified the risk calculation for Net Capital Rule (NCR) of securities companies to include derivatives products such as options, futures, forwards and swaps.

2.2 Secondary Markets for Debt Instruments

In 1999, the secondary market for debt securities improved significantly, as shown by the trading volume in the Bond Dealing Centre (BDC) which totalled B431,197.07 million, a dramatic increase by 498 percent from the previous year. This was attributable to the following factors:

- 1) Liquidity in the financial market remained high, resulting in lower interest rates. In response, investors turned to alternative investments that yielded higher rate of returns, such as investment in debt securities,
- 2) The economy began to recover,
- 3) The stock of debt instruments increased markedly by 47.5 percent in 1999, bringing the total stock of public and private debt instruments to B1,388,606.71 million at end-1999.

In 1999, the average daily bond trading volume amounted to B1,760.0 million, more than 5 times the amount of B295.7 million in the previous year. This

was due to low interest rates throughout the year. The bond yields in every maturity dropped continuously during the first two quarters of 1999. In the third quarter, however, the bond yields in medium- and long-term maturity rose above the levels in the first quarter, following market expectation that interest rates would rise in 2000. Overall, the bond yield curve in 1999 shifted lower from the previous year.

Capital Market Development <i>(Secondary Market)</i>		
	1998	1999
I. Stock Exchange of Thailand (SET)		
Corporate securities		
Listed securities (at year end)		
– Number of companies ^{1/}	418	392
– Number of securities	494	450
– Total market capitalisation (baht millions)	1,268,198.50	2,193,067.04
– Average daily turnover (baht millions)	3,504.79	6,570.56
Securities' price index (at year-end)		
– SET index (30 April 1975 = 100)	355.81	481.92
– SET 50 Index (16 August 1995 = 100)	25.68	34.74
Market dividend yield ^{2/} (%)	1.34	0.61
Market P/E ratio ^{3/}	10.04	14.70
Ratio of foreigner to total transaction value (%)	34.62	29.18
II. The Thai Bond Dealing Centre (Thai BDC)		
– Number of securities	288	391
– Total market capitalisation (baht millions)	763,744.90	1,096,334.94
– Turnover value (baht millions)	72,143.03	431,197.08
– Average daily turnover (baht millions)	295.7	1,759.99
 ^{1/} Excluding mutual funds.		
 ^{2/} Market Dividend Yield = $\frac{\text{Latest 12 months' dividend payment}}{\text{Market capitalisation}} \times 100$		
 ^{3/} Market P/E ratio = $\frac{\text{Market capitalisation}}{\text{net earnings}}$		

Fiscal Developments

Fiscal Position

In fiscal year 1999, public sector recorded an overall deficit of 5.3 percent of GDP, with government deficit (including expenditure for foreign debt repayment and financial sector restructuring) and state enterprise deficit recording 3.4 percent and 1.9 percent of GDP, respectively. Government deficit indicated the moderation of fiscal stimulus by 1.1 percent of GDP, and contraction of fiscal impulse by 1.2 percent of GDP which is a fiscal stance that is less expansionary than that which would help restore the economy to potential output.

Government revenue declined by 2.4 percent from last year as the result of the revenue measures of 30 March and 10 August 1999 packages to stimulate the economy. However, revenue collection from a number of tax bases showed sign of improvement in the economy, especially when considering the revenue increase from consumption and export bases. Meanwhile, revenue from personal and corporate income remained low as: interest income declined in line with declining interest rates; the revenue loss from fiscal stimulus measures, especially from VAT collection; and the postponement of the corporate income tax payment.

Expenditure: in spite of the policy to step up the disbursement from both the budget and foreign loans, only the disbursement from the budget met the target, with the cumulative disbursement rate standing at 85.5 percent (excluding principal repayment, and 86.1 percent when include principal repayment). Disbursement from foreign loans, on the other hand, was very low especially from project loans due to the lack of continuity in project management and overall readiness of the project themselves, for example, the educational projects. With regard to expenditure from the budget, share of investment expenditure declined due to: substantial reduction of disbursement from carried-over budget and the budget constraint which reduced the investment expenditure from the previous year. However, the Miyazawa programme loan helped strengthen the fiscal impulse with disbursement recording B33.3 billion, but it is expected to be fully disbursed in the third quarter of fiscal year 2000, and if there were no additional stimulus measures, fiscal impulse is expected to decline.

Financial Position of State Enterprises

In fiscal year 1999, the state enterprise investment amounted to B201.7 billion, most of which were accounted for by investment in telecommunications, transportation, and energy sectors, by such state enterprises as the Electricity Generating Authority of Thailand, the Metropolitan Rapid Transit Authority, the Petroleum Authority of Thailand, with their expenditure share accounting for 14 per-

cent, 11.4 percent and 9.9 percent, respectively, of the state enterprise investment. The main sources of funds were the retained earning and capital increase from the government, which constituted only 59 percent compared with 75 percent in the past 5 years. The remaining was financed by domestic and foreign borrowing totalling B82.7 billion, up by over 200 percent from the year before. This was one of the factors which noticeably raised the public debt.

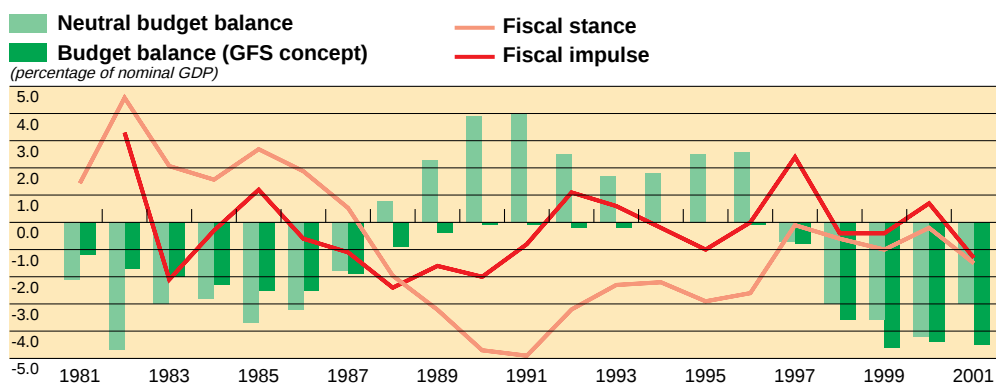
Public Sector Debt

Important domestic borrowing in fiscal year 1999 included the issuance of savings bonds and treasury bill, amounting to B25 billion and B15 billion, respectively, to finance the deficit. Other transactions included; special bond issuance for financial sector restructuring (Tier1 and Tier2 capital support scheme) amounting B39.3 billion; bond issuance to help finance the Financial Institution Development Fund (FIDF) for the remaining B300 billion; and finally the restructuring of bond structure issued to support FIDF, for the amount of bonds which matured. Of the total redemption of B6.7 billion, B0.8 billion were bonds issued for Tier1 capital support scheme belonged to Tier1. In addition, the Government also financed some of the deficit, B59.5 billion, through the draw-down on the treasury reserves, resulting in the decline in treasury reserves to B79.6 billion by the end of fiscal year 1999. Overall, domestic debt of the government rose by B371.5 billion. Foreign debt incurred by the government, net of principal repayment of foreign debt totalled B12.5 billion, resulted in a net increase of foreign debt outstanding of the government by B110.7 billion, and total debt outstanding rising to B359.6 billion. As for state enterprises (non-financial institutions), net increase of their domestic and foreign debts was B105 billion and B116.7 billion, respectively. This together with the government debt outstanding, resulted in the total debt outstanding in the public sector at the end of fiscal year 1999 of B1,732.6 billion, or approximately 37.0 percent of GDP. (Fiscal year)

Fiscal Policy for 2000

The fiscal policy for 2000 will continue to place emphasis on expansionary fiscal policy stance with a budget deficit to ensure a continued support for economic recovery. However, the authorities will be vigilant in fortifying fiscal discipline and public debt management as well as public spending operations, particularly the discipline on current expenditures such as wages and salaries of the public employees. Such a framework will allow rooms for the public sector to implement public investment which will enhance the economic potential and international competitiveness in the medium term.

Fiscal Stance and Fiscal Impulse



Neutral budget balance is the cash balance which generates the economics to use the full capacity of resource at full-employment in order to make actual output equal potential output

Fiscal stance is defined on the difference between the neutral budget balance and the actual budget balance (+ expansion, - contraction)

Fiscal impulse indicates changes in the fiscal policy over time by taking the difference between the fiscal stances in consecutive periods (+ expansion, - contraction)

Treasury Account Fiscal Position (baht billions)

	Fiscal Year		
	1997	1998	1999
Revenue	844.2	727.4	709.9
(percentage change)	(-0.7)	(-13.8)	(-2.4)
Expenditure ^{1/}	888.5	835.3	821.5
(percentage change)	(18.4)	(-6.0)	(-1.7)
Expenditure for interest repayment for FIDF	0.0	0.0	33.9
Budgetary cash balance	-44.2	-107.9	-111.6
Non-budgetary cash balance	13.1	-7.1	-22.7
Expenditure under Miyazawa loan	0.0	0.0	33.3
Cash balance	-31.1	-115.0	-134.3
(percent of GDP)	(-0.7)	(-2.5)	(-2.9)
Expenditure from external loan ^{2/}	13.4	65.0	21.6
(percent of GDP)	(0.3)	(1.4)	(0.5)
State enterprise balance	-59.4	-64.3	-90.2
(percent of GDP)	(-1.3)	(-1.4)	(-1.9)
Public balance	-103.9	-244.3	-246.1
(percent of GDP)	(-2.2)	(-5.2)	(-5.3)

1/ excluding principal repayment

2/ excluding Miyazawa loan

Source : Bank of Thailand

Government Revenues

(baht billions)

Types of Revenues	Fiscal Year			Percentage change		
	1997	1998	1999	1997	1998	1999
Total revenue	844.3	727.4	709.9	-0.7	-13.8	-2.4
Taxation	759.9	650.1	620.7	-2.1	-14.5	-4.5
Income base and profit taxes	276.2	214.9	213.7	-0.5	-22.2	-0.6
Personal income	111.6	118.9	101.2	5.9	6.6	-14.8
Corporate income	159.4	90.8	101.3	-5.6	-43.1	11.6
General asset taxes	9.5	5.1	4.4	-29.9	-45.9	-14.6
Consumption base tax	350.2	349.1	316.6	1.2	-0.3	-9.3
Trade tax and value added tax	139.0	162.7	132.3	-6.3	17.0	-18.7
Specific business tax	33.0	34.0	20.8	1.3	3.1	-38.9
Excise tax	178.1	152.4	163.6	7.8	-14.4	7.3
Sales tax from tobacco plant	7.1	1.9	7.7	-	-72.5	297.9
Export and import bases	103.6	66.1	66.6	-17.9	-36.2	0.7
Import base tax	103.6	66.1	66.5	-17.9	-36.2	0.7
Export base tax	0.0	0.0	0.1	0.0	100.0	200.0
Permitted business taxes and others	13.4	12.9	11.7	8.6	-3.6	-9.1
Non-tax income	84.4	77.3	89.2	13.6	-8.3	15.4

Source : Comptroller – General's Department, Ministry of Finance

Domestic Debt Position (by financial instrument classification)

(baht billions)

	Fiscal Year		
	1997	1998	1999
Government	35.5	227.2	598.8
Promissory notes	20.0	15.0	15.0
Treasury bills	0.0	0.0	15.0
Bonds	15.5	212.2	568.8
Other bonds	15.5	12.2	31.2
Special bonds	0.0	200.0	537.6
State enterprises	281.1	297.2	413.3
Bonds	281.1	297.2	327.0
Other loans	0.0	0.0	86.3

Source : Fiscal and Real Sector Statistic Team, Statistical Output, Data Management, Bank of Thailand

The Government Debt Position^{1/} (baht billions)

	Fiscal Year			
	1996	1997	1998	1999
Total debt outstanding at fiscal year end	644.5	763.3	1,028.7	1,732.6
(percent of GDP)	14.3	16.3	22.1	37.0
Domestic debt	219.5	218.8	419.6	896.1
Government's direct borrowing	50.3	35.5	227.2	598.8
State enterprises' borrowing ^{2/ 3/}	169.2	183.3	192.4	297.4
guarantee	141.3	145.6	154.7	248.4
no guarantee	27.9	37.7	37.7	49.0
Foreign debt	428.8	544.5	609.1	836.5
Government's direct borrowing	125.8	183.1	248.9	359.6
State enterprises' borrowing ^{2/}	299.0	361.4	360.2	476.9
guarantee ^{4/}	266.0	324.5	325.4	438.9
no guarantee	33.0	36.9	34.8	38.0

1/ Excluding Bank of Thailand's Debt

2/ Only the states enterprises which are non-financial institution

3/ Including state enterprises' bonds and loans from Government Savings Bank

4/ Only fiscal year 1996 including state enterprises which are non-financial institutions

Source : Fiscal and Real Sector Statistic Team, Statistical Output, Data Management, Bank of Thailand

Capital Expenditure and Sources of State Enterprises (baht billions)

	Fiscal Year		
	1997	1998	1999 ^P
Capital expenditure	186.1	197.8	201.7
(percentage change)	35.8	6.3	2.0
Capital sources (1+2)	186.1	197.8	201.7
1. Net loans	42.1	27.3	82.7
external loan	6.9	-10.9	59.9
domestic loan	35.2	38.2	22.8
2. Other sources of income of state enterprise	144.0	170.5	119.0
Retained Income	126.7	133.5	111.5
State enterprise balance	-59.4	-64.3	-90.2

P = Preliminary

International Trade, Balance of Payments, and External Debt

The World Economy

From the forecast of the IMF in October 1999, it is projected that the world economy expanded by 3.0 percent in 1999, up from 2.5 percent in 1998. This was the result of the expansion in both the developed and the developing countries. The economies of the developed countries expanded by 2.8 percent in 1999, accelerating from 2.2 percent in 1998. This was propelled by the continued high growth in the US economy, the Japanese economy which had also begun to recover, while on the other hand the major European Union economies such as Germany continued to experience an economic slowdown. As for the newly industrialised economies in Asia, it is projected that these economies have shown improved performance following the economic and financial crisis the region had experienced. The exchange rates of these countries have also shown a consolidation and greater stability.

Growth of world trade accelerated from 3.6 percent last year to 3.7 percent in 1999, as a result of the recovery of the Asian economies.

Inflation rates of the developed countries were low, averaging 1.4 percent. This resulted from the subdued commodity prices in the world market as a result of the excess supply. The Japanese economy experienced a negative inflation of

Economic Data by Groups of Countries

	Economic Growth		Inflation Rate		Unemployment Rate	
	1998	1999	1998	1999	1998	1999
The Developed Countries	2.2	2.8	1.5	1.4	6.7	6.5
The U.S.A.	3.9	3.7	1.6	2.2	4.5	4.3
Japan	-2.8	1.0	0.6	-0.4	4.1	5.0
Germany	2.3	1.4	0.6	0.4	9.4	9.1
Newly Industrialised Countries	-1.8	5.2			5.4	5.7
South Korea	-5.8	6.5	7.5	0.7	6.8	7.0
Singapore	0.3	4.5	-0.3	0.2	3.2	4.3
Hong Kong	-5.1	1.2	2.6	-3.1	4.7	6.1

Source : *World Economic Outlook, October 1999*

0.4 percent. Inflation rates in the developing countries were also low, declining from the average rate of 10.3 percent in 1998 to 6.7 percent in 1999 as a result of the decline in inflation rates of the developing countries in South East Asia, particularly Indonesia and Thailand which have begun to experience a consolidation of their exchange rate, while the economies have also begun to recover.

Interest rate: during the first half of 1999, US dollar deposit rate declined continuously as major industrial countries adopted a more relaxed monetary policy stance, thus reducing interest rate as from the end of 1998 onward. However, during the second half of 1999, interest rate began to rise, following the increase in Fed funds rate in the US in the months of June, August, and November, and it is expected that the interest rate will be on an upward trend for the future period. As for the European countries, the interest rate remained at a level of around 3.0 percent following the introduction of the Euro currency and the monetary union. On the part of Japan, the yen interest rate remained at a low level of 0.2 percent in order to help stimulate the economy.

Unemployment: in the developed countries, unemployment rates averaged around 6.5 percent, close to the previous year. For the Japanese economy, in spite of the signs of the economic recovery, unemployment remained high with the unemployment rate rising from 4.1 percent in 1998 to 5.0 percent in 1999. Unemployment rate in the US, on the other hand, remained close to that of the previous year at around 4.3 percent.

International Trade and Balance of Payments

The recovery of the Thai economy as well as the improvements in the global economy this year resulted in the pick-up in export and import volume of Thailand. This, in conjunction with improved stability of prices of exports and imports, contributed to a pick-up in the growth rates of the value of exports and imports to 7.4 percent and 17.7 percent, respectively. With the sharp acceleration in imports, the trade surplus declined to US\$8.9 billion, while the surplus on the services and transfer account rose from the year before to US\$2.3 billion, thus resulting in the current account surplus of US\$11.3 billion, down slightly from the surplus in the previous year, or equivalent to 9.1 percent of GDP. The capital account experienced a smaller deficit compared to the previous year, due to: (1) capital outflow from the private sector, especially the commercial banks, slowed down despite some private corporation's early repayment of external debt; and (2) public sector's capital account (including the Bank of Thailand) experienced a larger surplus from the previous year. Overall the balance of payments recorded a surplus of US\$4.6 billion, an improvement from the surplus of US\$1.7 billion in the previous year.

Exports

Value of exports in 1999, according to the balance of payments basis, amounted to US\$56.8 billion, a growth of 7.4 percent year-on-year, in line with the regional economic recovery which propelled an acceleration in the growth of export volume to 11.5 percent. Export prices for the whole year declined by 3.7 percent, a significant improvement from a large decline experienced in the previous year. The decline in export prices was in line with the subdued world commodity prices, while price competition, on the other hand was less severe than the previous year as the exchange rate of the currencies in the region including the baht have consolidated. The export value in baht terms, on the other hand, declined by 1.5 percent. The detailed developments are as follows:

Agricultural products

Exports of agricultural products declined by 3.6 percent in value term, as a result of the decline in export prices while export volume growth remained satisfactory. The major products experiencing a decline in export value were: (1) rice, experienced a decline in export value by 7.1 percent, as a result of the increased share of exports of low quality rice which world prices declined particularly in the second half of the year; (2) rubber, which experienced a decline in export value of 12.1 percent, as a result of the decline in world rubber prices owing to the return to normal production level of major producers such as Indonesia and Malaysia, but in the last quarter of the year export picked up in line with the increased vehicle production in the world market. Cassava exports, on the other hand rose by 15.3 percent, as a result of the acceleration in export to the European market, particularly Spain and the Netherlands, while export prices experienced a slight decline.

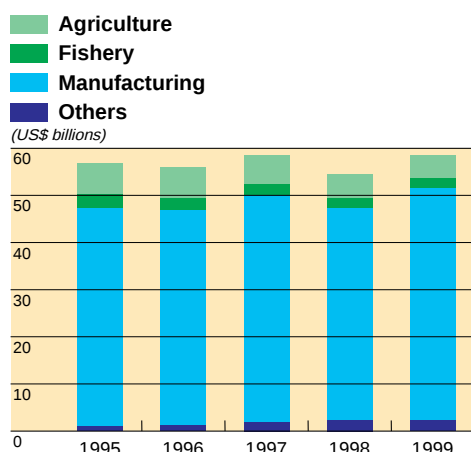
Fishery products

Export value of fishery products fell by 4.2 percent, attributable to the decline in export on frozen shrimp which fell by 10.2 percent, owing to the reduction in domestic supply linked to the law preventing shrimp farming in non-saline area, while export prices also declined significantly in the first half of the year. Export to the major markets in the ASEAN region, China, and the European Union dropped significantly.

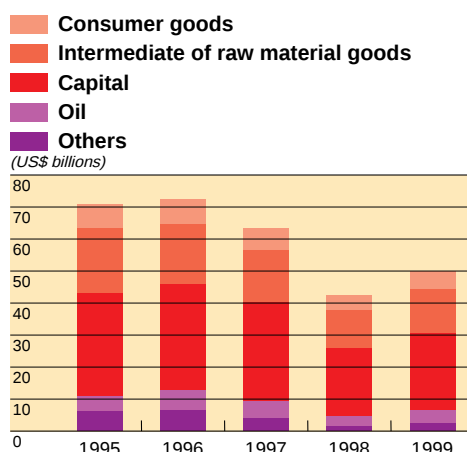
Manufactured products

Export value of manufactured products rose by 9.9 percent in 1999, (this constituted a share of 80 percent of total exports of Thailand) as a result of acceleration in export volume, while export prices remained soft in line with the world market prices. Manufactured exports which experienced a sharp increase were the high technology products. The labour intensive manufactured exports, on the other

Exports Classified by Sectors



Imports Classified by Sectors



hand, experienced encroachment from the international competition, particularly during the period when the baht exchange rate was strong, leading to a decline in the share of this group in the total exports of Thailand. Exports of resource-based product benefited from increased supply of domestic raw material, and the strategy to shift towards exporting to compensate for the decline in domestic demand.

The details are as follows:

1. **High-tech manufactured exports:** export value rose sharply by 11.5 percent, especially in the second half of the year. Major products were: **vehicles and parts**, particularly commercial vehicles due to financial and marketing assistance from the parent companies with significant markets being Australia; **integrated circuits**, the export value increased by 30.4 percent as the result of sharp expansion of export to the major markets, namely, USA, ASEAN, and European Union; **electrical appliances**, export value rose as the shift of production base, of certain types of the appliances such as microwave oven, from Japan to Thailand due to lower production cost, as well as owing to the assistance from the parent companies, as in the case of production of air-conditioner. As a result, the growth of export value accelerated significantly in the last quarter.

2. **Labour intensive products:** export value rose only slightly due to the relatively high elasticity with respect to the exchange rate, thus, in the first half of the year when the baht strengthened, the export of this product group faced strong competition, especially in the case of **textiles** and **footwear**. Export value of **jewellery and precious stones**, on the other hand, experienced an increase of 14.0 percent as a result of the international jewellery exhibition which induced much larger export to major markets as the USA, European Union, and the Middle East.

3. **Domestic raw material-based products:** export value rose by 12.0 percent. Major products experiencing considerable growth in export value were: **canned seafood**, and **canned pineapple** due to favourable conditions with respect

to production and raw materials. Cement export expanded by 56.7 percent, with an increase in both volume and price, owing to rising demand from abroad, especially the USA where construction sector had expanded considerably.

Imports

In 1999, according to the balance of payments basis, growth of imports rose considerably by 17.7 percent, accelerating since the second quarter due to: (1) the increased demand in importing raw materials used for export production; (2) expansion of domestic demand in line with the economic recovery; (3) stronger baht; and (4) measures to reduce import tariff in several items of finished products and raw materials, in line with the structural adjustment measures to enhance international competitiveness. As a result, **non-oil imports**, which constituted 91.4 percent of all imports in 1999, rose in every category, while import value of oil which made up 8.6 percent of all imports in 1999, also increased in both crude oil and oil products as described below:

Non-oil imports

Non-oil import value rose by 16.2 percent in line with the volume growth, while most import prices remained low.

1. Consumer goods: import value rose by 13.9 percent due to the rising domestic purchasing power in line with the recovery of the economy and the stronger baht. As a result, imports of major durable goods such as electrical appliances and household apparels increased considerably, while those which were non-durable goods such as food, beverages, medicine, clothing and footwear also rose.

2. Raw materials and intermediate products: import value rose by 20.0 percent, with the volume rising by 34.1 percent while the prices remained relatively low. Increase of imports was due in part to: the demand for the raw material used for export production, which expanded relatively well; and the production which had to respond to the rising domestic demand in line with the economic expansion. Imports experiencing considerable growth were: chemical products, base metal, animal and vegetables oil and fat, jewellery including silver bar, gold, pulp and wood.

3. Capital goods: import value rose by 10.2 percent in line with growing domestic investment after experiencing much contraction in the year before. Import volume grew by 17.7 percent. The major imports experiencing rapid growth were: machinery used in industry, such as auto assembly industry, metal, textiles, food; electric train and equipment used in the construction of mass transportation system in Bangkok; machinery and equipment used in agricultural sector; scientific instruments; and aeroplanes for Thai Airways PLC.

4. Others: import value grew by 57.8 percent due to the continual rise in imports of vehicles and parts which constituted 50 percent in this category, – with

imports of complete-built units growing by 2.5 times, chassis and body rose by 1.3 times, in line with the recovery of economy in the second half of the year. Imports of passenger vehicles and trucks grew from last year by 71.4 percent.

Oil imports

Import value of crude oil in 1999 was US\$3.9 billion, up from the previous year by 34.2 percent. This was attributed to rising oil prices in the world market since the end of March 1999, in line with reduced production of the OPEC countries to 23.0 million barrels per day, or by 6.9 percent, since 1 April 1999, resulting in crude oil prices averaging at US\$17.2 per barrel for the year, up from last year by 25.0 percent. In addition, the recovery of the domestic economy accelerated demand for oil. Moreover, in preparation for Y2K in the late 1999, oil import also rose.

As for diesel oil, petroleum products and lubricants, import value in 1999 recorded US\$312.9 million, up from the previous year by 49.7 percent in line with domestic demand.

Import-Export Price Indexes (1995=100)

Export Price Index in 1999 showed improved trend, declining from the year before only 3.7 percent compared with the contraction by 13.8 percent in 1998, resulting from substantial improvement of prices of manufactured products, particularly prices of high-tech products which remained stable, and small reduction in prices of labour intensive products, mainly because Thai baht and the currencies of other regional economies remained consolidated, thereby avoiding intense price competition experienced in the previous year. As regards agricultural and fishery outputs, the prices remained relatively low in parallel with world commodity prices.

Import Price Index declined by 4.9 percent, compared with the contraction of 8.8 percent in 1998, with price decline observed in every category, especially the capital goods, while prices of import goods in "others" category began to adjust in an upward trend especially in the second half of the year, in line with world market prices of manufactured products, inducing less reduction of import prices compared to the year before. This is with the exception of oil prices and petroleum products price which increased by 15.5 percent in line with oil prices in the world market.

Terms of trade (the ratio between export price and import price) in US dollar terms rose by 1.3 percent from last year, as prices of imports remained low in the first half of the year, while those of exports were relatively stable.

Direction of Trade

Export

In 1999, the USA continued to be the largest export market, constituting 21.6 percent share with a growth rate of 4.0 percent. This market is particularly

important for the export of high-tech manufactured products such as electrical apparatus for making and braking electrical circuit. However, labour intensive products, especially textile saw a significant decline due to the intense competition. As for the Asia Pacific market (comprising ASEAN, Indochina, China, Taiwan, Hong Kong and South Korea), export expanded considerably by 11.0 percent as a result of the recovery of the economy in the region. The majority of the exports to this market were computers and parts and electrical apparatus for making and braking electrical circuit. Export to European Union, however, rose only slightly as Thailand's GSP privilege in fishery products was repealed. Export to Japan grew by 10.3 percent with the following major products: electrical apparatus for making and braking electrical circuit, electrical appliances, and canned seafood.

Imports

Imports from Japan still recorded the highest share with expansion rate of 21.0 percent, and growth observed in every category, especially imports of vehicles and parts. The growing import was due in part to increasing domestic demand in line with the recovery of the economy, and another part to production for exports. Imports from the USA grew by 4.2 percent, also with growth observed in every category with major import including integrated circuits and parts as well as computers and parts. As for the European Union, import expanded by 11.8 percent, mainly comprising machinery and equipment for electric train project. Although imports from the ASEAN did not record a high share, the expansion was steady with major imports being electrical machine, integrated circuits and parts as well as computers and parts.

Net service and transfer account

In 1999, net service and transfer account recorded a larger surplus from last year by US\$0.2 billion due mainly to surplus of service account. **Service receipts** experienced a larger surplus than last year by 5.2 percent as receipts from tourism and travelling increased in response to increased number of tourists. **Service payments** increased slightly by 3.5 percent as a result of increased travelling spending of the Thais which rose noticeably by 51.0 percent in line with overall economic recovery, and the relatively more expensive price for some local destination as compared to overseas destination. However, investment income payments of private sector declined due mainly to falling interest payments.

Capital Movement

In 1999, capital movement recorded net outflows of US\$6.1 billion, a significant drop from last year.

Private capital

Private capital flows recorded a smaller deficit from last year approximately by US\$3 billion despite continual foreign debt repayment. This was attrib-

utable to the following factors: (1) as large inflows for recapitalisation of commercial banks; (2) improved foreign investors' confidence in the Thai economy, which induced increased portfolio investment and (3) the foreign exchange transaction carried out by the Bank of Thailand at the end of the year to help supplement sufficient baht liquidity for foreign commercial banks in the country in preparation for Y2K. Overall net capital inflow via commercial banks increased by US\$1.7 billion. On the side of **non-bank sector**, especially the capital inflow via the non-resident baht accounts recorded a much smaller deficit than the year before. This was due to the capital inflow this year in relation to the FRA's asset auctioning and to invest in the stock exchange market as well as to seek benefits from foreign exchange transactions.

Direct Investment

In 1999, liquidity conditions in the private sector improved, the need for capital inflow from the parent companies for liquidity support thus declined. Net Foreign Direct Investment (FDI) recorded a smaller surplus of US\$5.7 billion, down from last year by 20 percent due mainly to the lower FDI from the USA and Japan in **non-bank sector** during the corporate debt restructuring period. Although FDI from some other foreign investor groups increased owing to the recapitalisation and rehabilitation, of affiliated companies with the expectation of an overall improved economy in 1999. These were seen in the following cases (1) FDI from Singapore rose from the year before by over one fold; (2) FDI from the Netherlands increased by over three folds; and (3) FDI from France increased by over thirteen folds. As for the **bank sector**, FDI inflows were induced by recapitalisation to comply with the provisioning as required by law, and the payments for purchase of shares in government's intervened banks (Nakornthon Bank and Radhanasin Bank) which FIDF sold to foreigners amounting US\$2.5 billion.

In 1999, FDI (including that of bank sector) was invested mostly in major business sectors such as: (1) financial institutions, which accounted for 48 percent of the entire FDI; (2) manufacturing sector, which received the share of 23 percent, with the industry receiving the largest amount being electrical appliances; and (3) other sectors which also saw significant increase in FDI were trade sector, services, and holding companies. **Overseas direct investments by Thais** also rose from last year, with the major part comprising FDI in Hong Kong, food industry in the USA and China, electrical appliances industry in the U.K., and holding company at British Virgin Island for example. Apart from these, there were also outflows of loan extended to overseas affiliated companies.

Portfolio Investment

Portfolio investment switched from net outflow of US\$0.2 billion to net inflow of US\$1.0 billion, mainly on account of investment in the stock market after the trading conditions improved in the second and third quarters. In addition, there

were some inflows associated with the liquidation of foreign asset holding by commercial banks.

Loan

Private sector continued to repay foreign debt in a larger amount of US\$1.8 billion, or an increase by 12.3 percent from the year before. BIBF repayment constituted 55 percent as some customers switched from foreign currency loan to baht denominated loan, (while others resorted to baht credit in the domestic market instead) as the baht strengthened and domestic interest rates declined significantly from last year. Total repayment of the commercial banks increased slightly with an increase in repayment of long-term loans, while the repayment of short-term loans dropped by over 50 percent. As for the non-bank sectors, 60 percent of debt was repaid by manufacturing sector, such as cement industry, electrical appliance industry, chemical industry, food industry, and petrochemical industry. Debt repayment also included those of financial institutions and telecommunications sectors.

Capital movement via baht deposit accounts of overseas residents (non-resident account)

Net outflow from this channel totalled only US\$0.3 billion, down from last year outflow which stood at US\$2.8 billion due to inflow to pay for FRA's auctioned assets and investment in the stock market, as well as to settle foreign exchange transaction with the commercial banks in Thailand.

Public capital

Public capital recorded a surplus of US\$2.1 billion, up slightly from the year before as there was a much larger inflow of foreign loans to finance the budget deficit. Over 80 percent of the loans were long-term loans of the Government, comprising mainly: (1) the Structural Adjustment Loan (SAL) from the World Bank and Asian Development Bank amounting to US\$0.6 billion and US\$0.4 billion, respectively; (2) loan for Social Investment Project (SIP), totalling US\$0.1 billion; and (3) loan from the Japanese Government (Miyazawa Plan) amounting to US\$0.9 billion. Major loans disbursement by state enterprises were those of: Electricity Generating Authority of Thailand, and Metropolitan Rapid Transit Authority. These were mainly sourced from Japan Bank for International Co-operation (JBIC), from which total disbursement this year was US\$0.5 billion from each of the above mentioned loans.

Bank of Thailand's capital

The Bank of Thailand recorded a net capital inflow with a surplus of a similar size as that of last year, despite the decline of IMF loan disbursement to only US\$1.3 billion compared with US\$3.5 billion in the previous year. This resulted from Thailand's decision to forgo further disbursement from the IMF since August

1999, as a large amount of foreign currencies were bought during the first half of the year, allowing a robust international reserves standing.

International reserves

At end-December 1999, international reserves totalled US\$34.8 billion, up from the previous year by US\$5.3 billion. This was the combined results of the balance of payment surplus of US\$4.6 billion and valuation change of US\$0.7 billion from reserve holdings in other assets valued in US dollar.

Bank of Thailand's net forward position

At end-December 1999, the Bank of Thailand's net foreign exchange forward position totalled US\$4.8 billion, declining from end-1998 by US\$1.8 billion, as the Bank of Thailand had unwound its foreign exchange forward position with on-shore financial institutions (onshore swap) throughout the year—except for the last two months when the Bank of Thailand carried out large swap transaction to supply liquidity for foreign bank branches in Thailand in preparation for Y2K at year-end.

External Debt

At end-1999, total external debt outstanding amounted to US\$75.6 billion, declining from the previous year by 12.3 percent, the combined reduction of private debt both short and long terms. However, public external debt expanded. Detailed debt movement was as follows:

External Debt Outstanding at end-Period (US\$ millions)		
	1998	1999 ^P
Public and Bank of		
Thailand's debt	31,494	36,527
Long term debt	31,344	36,397
Short term debt	150	130
Private debt	54,666	39,052
Long term debt	31,293	25,506
Short term debt	23,373	13,546
Total foreign debt	86,160	75,579
Long term debt	62,637	61,903
Short term debt	23,523	13,676
P = Preliminary		

Private External Debt

Private external debt: at end-1999, total external debt outstanding fell from the previous year by 28.6 percent, a sizeable reduction both in banking and non-banking sectors. This reduction was due to: declining interest rates; value of baht which induced both early and on due repayment rather than debt roll over; and, high liquidity in the banking system. Consequently, **bank sector debt** declined significantly by over US\$10 billion, continually from the year before, especially in the case of BIBF where borrowers continued to switch their borrowings to baht loans. Meanwhile, **non-bank**

sector debt declined by 18.3 percent following the rise in repayment, both at maturity and early, especially by those corporate which were able to mobilise funds by issuing domestic debentures.

Public External Debt

At end-December 1999, public debt outstanding amounted to US\$36.5 billion, up from the year before by 16.0 percent, resulting from larger amount of disbursement of Japanese loan under economic restoration plan (Miyazawa), and of Structural Adjustment Loan. Moreover, the stronger yen resulted in a rise in debt value in US dollar terms.

Public External Debt (excluding Bank of Thailand)

At end-1999, public debt outstanding amounted to US\$23.7 billion, up from the previous year by 16.9 percent. The increase was due to: disbursement of Structural Adjustment Loan, loans associated with fiscal stimulus package from the World Bank, Asian Development Bank, the Japanese Government loans and stronger yen. Government debt rose by 27.7 percent, accelerating from the year before. The state enterprise debt rose by 10.8 percent despite larger amount of early repayment, and a large redemption of bonds on maturity this year. The increase in debt was mainly attributable to valuation change from stronger yen.

New public loan contract was signed in 1999 for 22 projects totalling US\$4.8 billion. The Structural Adjustment Loan constituted 52 percent of the contract loan. Projects in telecommunications & transportation as well as en-

Private Debt (US\$ millions)

	1998	1999 ^P
1. Bank sector	28,966	18,067
Long term debt	10,699	8,225
Short term debt	18,267	9,842
Commercial banks	7,074	4,957
Long term debt	3,753	2,988
Short term debt	3,321	1,969
BIBF	21,892	13,110
Long term debt	6,946	5,237
Short term debt	14,946	7,873
2. Non-bank sector	25,700	20,985
Long term debt	20,594	17,281
Short term debt	5,106	3,704
3. Combined (1+2)	54,666	39,052
Long term debt	31,293	25,506
Short term debt	23,373	13,546

P = Preliminary

Public and Bank of Thailand's Debt Outstanding at End-Period (US\$ millions)

	1998	1999
Public and Bank of Thailand's debt	31,494	36,527
Long term debt	31,344	36,397
Short term debt	150	130
Private debt	20,290	23,710
Long term debt	20,140	23,580
Short term debt	150	130
Government's debt	7,287	9,307
Long term debt	7,287	9,307
Short term debt	0	0
State enterprises' debt	13,003	14,403
Long term debt	12,853	14,273
Short term debt	150	130
Bank of Thailand's debt ^{1/}	11,204	12,817

^{1/} = All long term debt

ergy made up for 19 percent and 10 percent, respectively.

Bank of Thailand's External Debt

At end of 1999, Bank of Thailand's external debt outstanding amounted to US\$12.8 billion, up from the previous year by 14.4 percent following the disbursement of IMF loan and the stronger yen and SDR, consequently, debt value rose in US dollar terms. Since August 1999, after the economic review meeting between Thailand and IMF, Thailand had forgone disbursement of the remaining loan of US\$2.4 billion.

External Debt Structure

In 1999, external debt structure improved due to large private debt repayment especially short-term debt, while the public debt, most of which were long term, increased. As a result, the ratio of public debt to private debt at end 1999 rose to 48: 52 from 37:63 at end-1998. Long-term debt share rose to 82 percent. Japanese yen denominated debt increased from 33 percent share in 1998 to 39 percent in 1999, while the share of US dollar denominated debt dropped significantly from 62 percent to 55 percent. This was the result of larger amount of loan in yen term of the public sector, together with the fact that yen appreciated from yen 115.0 per US dollar at end-1998 to yen 102.4 per US dollar, leading to rising debt value in yen terms after conversion to US dollar.

Debt Servicing

In 1999, debt servicing amounted to US\$14.8 billion. Private debt made

Bank of Thailand's External Debt (US\$ millions)

Loan source	1998	1999
1. IMF	3,239	3,431
2. Bilateral	7,965	9,386
2.1 J-EXIM	3,217	4,048
2.2 Central Banks	4,748	5,338
Total	11,204	12,817

Debt Structure at End-Period

	1998	1999 ^P
Percentage share (%)	100.0	100.0
Long term debt	72.7	81.9
Short term debt	27.3	18.1
Percentage share (%)	100.0	100.0
Public and Bank of		
Thailand's debt	36.6	48.3
Private debt	63.4	51.7

P = Preliminary

External Debt Servicing^{1/} (US\$ millions)

	1998	1999 ^E
Public sector (incl. BOT)	2,191	2,956
Principal	906	1,429
Interest	1,285	1,527
Private sector	11,853	11,889
Principal	7,788	8,516
Interest	4,065	3,373
Total debt service	14,044	14,845
Principal	8,694	9,945
Interest	5,350	4,900
Export earnings in foreign^{2/}		
currencies	67,513	72,545
Debt service ratio	20.8	20.5
Public sector	3.2	4.1
Private sector	17.6	16.4

1/ Excluding loan prepayments, principal repayment on short term loans

2/ Income from exports of goods and services (excluding investment income)

E = Estimates

up for 80 percent share, up from last year by 5.7 percent. As for public debt , public sector, debt servicing of principal repayment rose by 57.5 percent, partly due to redemption of matured bonds. Interest servicing increased by 18.8 percent attributable to IMF loan servicing. Private debt servicing remained close to that of the year before, despite declining interest servicing in line with the reduction of external debt outstanding and lower interest rate in the world market, as principal repayment of matured debt rose. Compared with earnings from export of goods and services in foreign currency, total debt servicing ratio stood at 20.5 percent, close to that of last year.

Non-Performing Loans (NPL)

The economic crisis since mid-1997 led to deteriorating asset quality, hence the ability of bank customers to service their loans. Non-performing loans (NPL) (loans where principal and or interest is over three months past due) rose continuously and as at end 1998 stood at B2,675 billion or 45.02 percent of total loans. Most of these NPL were in the industrial sector, followed, respectively, by wholesale and retail trade, and property-related, respectively. Notwithstanding the continued increase in the NPL level during the early part of 1999, the rate of increase has slowed. As at end of May 1999, NPL peaked at B2,729 billion, or 47.70 percent of total loans. Since then, NPL declined progressively until end of 1999, when outstanding stood at only B2,074 billion, or 38.54 percent of total loans, with net decline of B601 billion from the level at end of the previous year, and net reduction of B655 billion from the peak. By types of financial institutions, the greatest reduction in NPL has been observed in the group of privately-owned banks, whilst state-owned banks have the highest outstanding NPL of B1,036 billion, or 49.95 percent of total NPL in the financial system (this in part is attributable to the transfer of assets of 13 finance companies to merge with state-owned bank groups).

The large reduction in NPL in 1999 stemmed from the rising progress in debt restructuring attributable, in part, to the tax incentives provided by the state to encourage restructuring of debt among financial institutions and debtors. Laws and regulations have also been issued to facilitate the setting up of Asset Management Companies (AMC) to purchase non-performing assets from financial institutions, while incentives and benefits comparable to that granted to financial institutions have also been accorded to AMCs. This has contributed to the setting up of 5 AMCs, which took over of B220 billion in NPL from financial institutions. A total of B154 billion have also been written off for losses and doubtful loans which have been fully provisioned at 100 percent.

When considering NPL by categories of businesses, as at end of 1999, the industrial sector recorded the highest outstanding level at B541 billion, followed by property-related sectors at B363 billion and retail wholesale and trade at B328 billion. As percentage of total loans granted to each category of business, NPL in the property-related sectors recorded the highest level at 64.47 percent, followed by the service sector at 50.48 percent.

In 2000, efforts to resolve NPL were expedited, with the Bank of Thailand pressing on the debt restructuring process under the Corporate Debt Restructuring

NPL Classified by Sector

Sector	Dec. 98		Dec. 99	
	baht millions	% of total loan	baht millions	% of total loan
1. Agriculture fishing and forestry	61,316	39.36	45,670	33.09
2. Mining	11,127	32.12	9,516	29.79
3. Manufacturing	711,595	41.56	541,475	34.54
4. Construction	142,346	49.57	112,950	47.39
5. Wholesale and retail trade	468,115	48.85	328,044	40.28
6. Import	69,956	44.31	96,200	47.43
7. Export	72,390	45.30	59,029	38.40
8. Banking and financial business	110,677	29.72	70,061	15.40
9. Real estate business	436,024	68.18	362,751	64.47
10. Public utilities	42,001	20.35	33,480	16.29
11. Services	259,628	53.41	214,840	50.48
12. Personal consumption	284,360	37.37	199,709	34.20
13. Leasing	4,998	50.45	242	19.89
Total	2,674,533	45.02	2,073,967	38.54

Group of the Bank of Thailand. Establishment of new asset management companies were also encouraged, to transfer NPLs from the books of financial institutions. As financial institutions move towards full provisioning by the end of 2000 and write off losses and doubtful loans which have been fully provisioned at 100 percent, NPLs should continue to decline to a level that would not pose a burden on their operations, and enable them to resume their intermediation function and extend new loans to the economic system more efficiently.

Measures to Revive Financial Institutions

Since the announcement of the 14 August 1998 measures to strengthen and recapitalise financial institutions to internationally accepted standards, the reform measures have been progressing continuously to ensure the resumption of financial institutions intermediation function and operational efficiency to support the economic recovery.

Major reform measures included recapitalisation of financial institutions to ensure viability of operation, in particular the ability to meet Bank of Thailand's provisioning requirements, support for the merger of financial institutions in order to strengthen their operation, privatisation of intervened banks to ensure that their

management comes under private operations, and support for the establishment of Asset Management Companies (AMC) to ensure the resolution of non-performing loans. Details are as follows:

1. Recapitalisation of financial institutions

A number of financial institutions facing problems of rapidly deteriorating asset quality have been successful in recapitalisation by means of issuing equity securities, as well as launching of new financial instruments such as SLIPS/CAPS as well as seeking foreign strategic investors. They have also been able to avail themselves of the assistance from the Ministry of Finance's capital support scheme to increase their Tier1 and Tier2 capital. By end-1999, Thai financial institutions had recapitalised in total up to B895.8 billion. Of these, private banks account for B394.6 billion, state-owned banks B449.6 billion, and finance companies B51.6 billion. Capital support scheme from the Ministry of Finance amounted to B48.8 billion.

State-owned banks which have been sold to foreign investors through yield maintenance and loss sharing agreement need not raise capital funds to provision for the NPLs as they have been compensated by the authorities.

2. Support for merger of financial institution

In order to strengthen the operation of small and medium financial institutions thereby enabling them to compete with large financial institutions, support were given to facilitate the establishment of restricted licensed bank, while legislations have been amended to remove obstacles and facilitate the processes and steps to the merger and acquisition. On 1 February 1999, 12 finance and securities companies intervened by the authorities, together with KrungThai Thanakit Finance Company and Union Bank were merged and changed the name to Bank Thai.

3. Privatisation of commercial banks intervened by the authorities

The authorities never intended to operate the intervened banks, not only because it would be a competition against private sector operation, but also because the running of a bank within the rigidity of governmental rules would not be efficient, and benefits would not fully be passed on to the general public. Moreover, it might be necessary, in the future, to make further investments, thus incurring costs on the government. Privatisation of intervened banks through selection of strategic partners thus needed to proceed as soon as possible in order to minimise government costs so that the banks could quickly resume services to their customers in a most efficient way.

Privatisation strategy emphasised transparency of the process as well as cost and benefit incurring to the authorities. The intervened banks unfortunately had a large amount of NPL, which unavoidably had to be subsidised by the authori-

ties. The selection of modalities to subsidise the NPL was based on one that can extend the time horizon in order to maximise repayments by debtors and allow debtors to rehabilitate in the more favourable economic conditions, thus minimising the loss which was borne by the authorities.

In 1999, the authorities had successfully sold the majority of shares of 2 intervened banks; namely, Nakornthon Bank sold to Standard Chartered Bank on 10 September 1999; and Radanasin Bank sold to United Overseas Bank on 29 November 1999. The other 2 banks in process of the privatisation are Bangkok Metropolitan Bank and Siam City Bank which are expected to be completed by the first half of 2000.

4. Establishment of AMCs

The high level of non-performing assets affected public confidence in financial institutions and if not resolved, would have systemic effect on the confidence of the overall economy. The authorities therefore encouraged financial institutions to sell or transfer non-performing assets to AMCs so that they can be further managed or liquidated. The AMCs can avail themselves of the benefits from waiver from fees and taxes occurring from such asset transfers in line with the Emergency Decree on the setting up of Asset Management Company.

Problems and difficulties in establishing AMCs unfortunately deterred the process in solving NPLs. The Bank of Thailand, on 7 January 2000, issued another Bank of Thailand notification and directives which gave more flexibility in managing non-performing assets to AMCs than to financial institutions. These include the abilities to manage and rehabilitate debtor, and to operate leasing, renting, sale of debt as well as development of properties so transferred for rehabilitation or for settlement of debt. The authorities also issued an AMC regulation as well as provided tax benefit from debt restructuring. Since the beginning of 1999, there have been a total of 5 registered AMCs.

The Bank of Thailand has granted 5 AMC licenses:

AMC	Major Shareholder	Registered Capital (baht millions)	Registered date	Operation Starts	Asset Transferred (baht millions)
Bangkok Commercial AMC	BBC	13,675	Jan. 28,99	Jan. 28,99	55,204
Radanasin AMC	UOB Radanasin	25	Aug. 31,99	Nov. 29,99	44,974
Thonburi AMC	TFB	8,000	Oct. 13,99	Oct. 13,99	28,800
Chanhaburi AMC	TFB	5,000	Oct. 13,99	Oct. 13,99	25,361
Tavee AMC	BBL	500	Dec. 30,99	—	

The above above-mentioned process demonstrates the clear and systematic approach of the authorities in resolving the problems in NPLs and the financial system.

5. Closure of Financial Institutions

Certain financial institutions faced severe financial troubles which made them unviable and could pose a threat to the public. The Ministry of Finance and the Bank of Thailand thus agreed on the closing down of the 2 financial institutions; namely, L.P.N. Credit Foncier Company on 12 February 1999 and Ocean Finance Company on 25 August 1999. Creditors and depositors of these 2 financial institutions were guaranteed by the FIDF.

Moreover, the Ministry of Finance revoked the license of BBC on 31 August, following the transfer of good asset to KTB, and NPLs to BBC AMC. The Bank's depositors and creditors received guarantee from FIDF. The above measures in developing financial institutions, together with changes in the relevant rules and regulations, will guide the operation of financial institutions towards international practice and internationally competitive.

Corporate Debt Restructuring

Corporate debt restructuring were among the measures used to resolve the rising NPL level following the onset of the economic crisis in mid 1997. The Bank of Thailand issued regulations on restructuring of debt in mid 1998 and set up the Corporate Debt Restructuring Advisory Committee (CDRAC) to expedite the process of debt restructuring.

Debt restructuring has made it possible for performing debtors to avoid becoming NPLs, and NPL debtors returning to performing status thereby enabling businesses to continue to run. Financial institutions, in turn, will be in a position to extend more credit. Throughout 1999, debt restructuring has contributed to the reduction in NPL which have been increasing rapidly and peaking in May 1999. Notwithstanding the re-entry of certain restructured debt into NPL, overall the reduction in NPL has been faster than its increase. Debtors now have a better understanding of debt restructuring process, and have come forward to the negotiating table with their creditor financial institutions. Financial institutions, on their part, have also expedited the process of debt restructuring. CDRAC has also earmarked a target group of debtors to adopt the framework of debt restructuring under specified conditions and within certain time-bound, thus contributing to the rise in debt restructuring throughout 1999.

CDRAC's role in promoting debt restructuring

CDRAC targeted a pilot group of debtors so that the authorities could follow their problems and obstacles, and be able to assist in the negotiation process. CDRAC supported the signing of the agreement between debtor and creditor, inter-creditor and memorandum of understanding of debt restructuring. These will provide a roadmap for the restructuring of targeted groups of large and small debtors, respectively. The agreements and memorandum of understanding clearly spell out a time-bound process and steps of operation. CDRAC also co-ordinated with other agencies to push for measures to support restructuring, namely tax incentives, reduction in fee for the transfer of properties and condominiums, and relaxation of supervisory rules relating to debt restructuring.

Progress in debt restructuring

1. Debt restructuring in the financial system

1) Completed cases of restructuring: in 1999 total of debt and number of cases which have been restructured rose continuously. Overall, financial institutions completed restructuring rising from 164,694 cases, with total debt of B156,865 million as at end of 1998, to 173,709 cases, totalling B1,072,095 million as at end of 1999. This is equivalent to a monthly average of B76,000 million, with the highest amount at B162,132 million in December 1999.

Continued progress in debt restructuring is attributable to the tax incentives, and improved understanding between creditor and debtor. The low interest rate level also provided an environment conducive to the resolution of the problem of debt overhang. Institutions involved in this process, including Bank of Thailand, has facilitated the process of negotiations through organising seminars, clarification sessions, and distributing pamphlets detailing the incentives and benefits from restructuring of debt and outlining the process of inter-creditor agreements and memorandum of understanding on debt restructuring. Clarifications were also provided through telephone replies, automatic fax replies, and dissemination through the websites. Further selection of target debtor companies, both large and small debtors, have been added from time to time, to the process of time-bound schedule of commitment, which have further given a boost to the restructuring process, especially at the end of 1999.

a. Restructured debt by business sectors:

In 1999, business sectors where debt restructuring have been most successful were in the industrial sector, accounting for 30 percent, followed respectively by the construction and property related sectors amounting to 19 percent, wholesale and retail trade accounting for 13 percent and services, 12 percent.

b. Restructured debt by geographic distribution:

Debt restructuring rose progressively in the regional areas. As at end-1998, restructuring in the regional areas which amounted to about 12 percent, rose to 23 percent at end-1999 in line with the intensified efforts of financial institutions and assistance of the Bank of Thailand's 3 regional branch offices. The Central region recorded the highest number of successful restructuring of about 10 percent, followed by the Northern region 5 percent, and the North-eastern and Southern regions, each at 4 percent.

2) Debtors in process of restructuring: as at end 1999, cases in process of restructuring totalled 26,199 cases, amounting to B1,120,513 million, increasing from 18,794 cases, amounting to B433,033 million as at end-1998.

Completed cases of restructuring and ongoing cases combined amounted to 199,908 cases, totalling B2,192,608 million.

2. Restructuring of the targeted cases

As at end-1999 targeted cases under monitoring of CDRAC amounted to 5,570 cases, with debt outstanding of B2,325,266 million, where large Debtor-Credit Agreement (DCA) cases totalled 1,694 cases, amounting to B2,141,179 million. Small debtor cases which are using the Simplified Agreement (SA) amounted to 3,876 cases, with debt totalling B184,087 million. Of these, targeted cases, both large and small, which have completed restructuring totalled 1,088 cases, amounting in total to B511,843 million, an increase of 1,077 cases and B464,106 million in debt in 1998.

1) Targeted large debtors: of the total of 1,694 cases, 824 have entered the process of debt restructuring, amounting to B1,584,063 million. The remaining 870 cases, amounting to B600,000 million are awaiting the process of Debtor Accession.

Of the 824 debtors which have entered the process of restructuring, 178 have completed the restructuring process, with debt amounting to B495,519 million. Another 370 cases are in the process of restructuring, with debt amounting to B524,419 million, and another 216 cases, with debt outstanding of B404,463 million are in the court procedure. The rest are performing loans which need not be restructured.

Completed restructuring of the targeted group of 178 cases amounting to a total domestic debt of B215,454 million, represents 65 percent of debt restructured. Categorised by business sectors, the industrial sector such as petrochemical, textile, cement, steel, food and sugar, list among the highest success cases of 91 cases, totalling B286,140 million, equivalent to 57.75 percent. This is followed by the construction and property sector of 16.53 percent, utilities such as telecommunication of 15.12 percent, services sector such as hotel, restaurants, and hospitals amounting to 5.84 percent, respectively.

2) Targeted small debtors' cases: of the total of 3,876 cases, 1,948 cases have signed the MOU and 910 cases have completed debt restructuring, totalling B16,324 million. Most of them are in the construction and property sectors amounting to 112 cases, totalling B4,991 million, amounting to 30.57 percent, followed by the industrial sector, 24 percent, wholesale and retail trade 19.37 percent, and services 13.53 percent, respectively.

3) Another 884 cases, amounting to B77,967 million will have to settle in court. Of these 688 cases are debtors who have refused to sign MOU, with debt outstanding B73,919 million, and another 196 cases are cases where debt restructuring have not been completed as scheduled.

Important Measures In 1999

A. Monetary Policy

The authorities have given priority to ensuring that financial system liquidity is supportive of economic recovery. Various measures have also been implemented to resolve financial institutions' problems to ensure the resumption of smooth functioning in the credit system. Three rounds of Bank Rate reduction were announced with the aim to lower financial institutions' operating costs. In addition there were measures to oversee a smooth and stable exchange rate developments, market development, and to provide financial assistance to small-and medium – enterprises (SME's). Details are as follow:

1. Interest rate policy

1.1 Bank Rate reduction

In 1999, the Bank of Thailand reduced the Bank Rate, which is applied to commercial banks, finance companies, and finance & securities companies, through the loan window. The rate was reduced three times from 12.5 percent to 4 percent. Details are as the following.

Bank Rate (percent)	Effective Date
7.0	1 February 1999
5.5	25 June 1999
4.0	9 July 1999

The rate reductions constituted a signal from the Bank of Thailand of the continued relaxed monetary policy, in line with declining money market interest rate. This enabled financial institutions to adjust their liquidity position more effectively, thereby lowering their costs of operation.

1.2 Interest rate or discount rate paid or charged by finance companies

The Bank of Thailand issued notification on interest rate or discount rates paid or charged by finance companies for borrowed funds or funds accepted from the public at call as follows:

1) In case of callable funds, normal rates (as specified by institutions) are applied. However, the rates must not exceed the average rates on saving deposit of large commercial banks (in accordance with the benchmark rate specified by the Bank of Thailand) plus 3 percent per annum.

2) In case of funds with callable term of less than seven days, rates announced by the institutions are applied, but must not exceed 5 percent per annum, except where it is deemed to be in the public interest and the economy at large, the Bank of Thailand may grant a waiver.

3) In case of funds with repayment terms of seven days but less than three months, rates announced by the financial institutions are applied, but must not exceed the average 3-month rate used by large commercial banks announced by the Bank of Thailand as benchmark rate, plus 3 percent per annum.

4) In case of funds with repayment terms of longer than 3 months; rates announced by the financial institution are applied, but must not exceed rate used by large commercial banks for the deposit of the same maturity, as announced by the Bank of Thailand as benchmark rate plus 3 percent per annum.

(Measures are announced on 18 October 1999, and effective on 20 October 1999. This is with the exception of (2) above where the Bank of Thailand may grant a waiver, the measures are effective on 14 October 1999.)

2. Liquidity Measures

2.1 Relaxation of liquidity reserve requirement

The Bank of Thailand announced new rules on liquidity reserve requirement composition and procedure as follows:

1. Commercial Banks and BIBFs

1) Modify the composition of liquidity reserve assets, by lowering the deposit at the Bank of Thailand from not less than 2 percent to 1 percent of deposit and short-term foreign borrowing. The change is made to reduce costs of fund which are borne by commercial banks and BIBFs, since reserves at the central bank is unremunerated.

2) Changes are made to the definitions of foreign short-term borrowings and non-resident baht deposit. These are now defined as those borrowings and with maturing equal to or less than 365 days from the date of deposit or borrowing, as compared to the former case where they were defined to cover, those with maturity less than 365 days, but not including the 365 day, in line with international practice.

3) Modify the procedure in complying with reserve maintenance, in order to enhance flexibility. The Bank of Thailand permitted commercial banks and BIBFs which have maintained excess reserve in form of deposit at the Bank of Thailand in the current two-week maintenance period to count the excess amount as part of the required maintenance for the next fortnight maintenance period, but not in an amount exceeding 5 percent of the required amount in the deficient period.

2. Finance companies

1) Changes of definitions of short-term foreign loan are applicable. Short-term foreign borrowing now include those with repayment date due in 365 days, and any foreign borrowings that must be repaid upon request within 365 days after the date of borrowing. The former definition includes foreign loan payable in less than 365 days.

(Announced on 1 April 1999, and effective on 23 April 1999).

2) Changes of definitions of short-term foreign borrowings and short-term non-resident deposit. The Bank of Thailand, with the approval of the Minister of Finance, announced the revision to definition of short-term foreign borrowing and short-term deposits of non-residents (previously announced on the 1 April 1999 issue). The changes from the revisions are made to ensure consistency with international standards. These items now include foreign borrowing and deposits of non-residents payable in 366 days in a leap year or those with the due date falling on bank holiday.

(Announced on 3 November 1999, effective on 23 November 1999)

3. Credit Measures

3.1 Relaxation of car hire purchase rules

The Bank of Thailand announced the relaxation of financial institution hire purchase rules for a seven-seater passenger car of private vehicles, such that they may define their own terms and conditions, including down payments and repayment terms. In addition, relaxations were made to financial institution conditions for car repossessions and withholding of past instalment payments. Repossessions will be made after three deadline of payments are missed (formerly two). The maximum loan for hire purchase undertaken by financial institutions is increased from not exceeding 5 percent of total capital to not exceeding 5 percent of total credit of that financial institution.

(Announced on 16 March 1999, and effective on 19 March 1999 for finance companies and finance & securities companies. Announced and effective on 29 March 1999 for commercial banks and BIBFs)

3.2 Housing Loans

1) Financial institutions are required to make public their loan policies, including rates and repayment conditions, at every branch. In case where loans carry fixed-float conditions, such as fixed rate at the start of repayments and floating rate in the subsequent period, financial institutions must specify their detailed conditions with respect to (i) fixed rate, and (ii) benchmark rates and the maximum mark up, and to provide prospective borrowers with projected cash flow prior to finalising loan request.

2) Financial institutions are required to extend repayment period instead of increasing the outstanding loan, except for the case of requests from their clients. On the contrary, in case of improved repayment ability, the increased instalment payment must also observe the guideline.

3) Financial institutions can only exact penalty fees on prepayment that falls within 3 years of the signing dates. They must also specify and publish the conditions when fees become applicable.

(Announced and effective on 27 July 1999)

3.3 Submission for projected credit plan for 2000

The Bank of Thailand requires that commercial banks report their projected credit extension plans for the year 2000. The reports are to be made bi-annually, with the first report submitted by 30 December 1999, and the second report by May 2000. The Bank of Thailand requests that commercial banks put emphasis on credit for the manufacturing, export, public utilities, public constructions, commerce, and housing loans, consistent with their liquidity condition and capital base.

(Announced on 17 November, 1999)

4. Measures to Resolve Financial Institution Problems

The Government has carried out measures to strengthen viable financial institutions, as well as to resolve problems of closed or intervened financial institutions as follows:

Measure to enhance financial institutions' stability

4.1 Criteria for asset classification and provisioning requirements

1) The Bank of Thailand revised criteria for financial institutions' asset classification and reserve provisioning for debtors who have undergone debt restructuring. For example, where debtors have their debts restructured and met one of the announced criteria, commercial banks can immediately reclassify these debts as "Normal" or "Pass" which will no longer be subject to three consecutive months of instalments repayment conditions. Based on the classifying definitions as follows:

- "Worthless or irrecoverable assets" means loss assets.
- "Other doubtful assets means asset classified as (1) doubtful of loss, (2) doubtful, (3) sub-standard, (4) special mentioned and (5) pass
- Reserves means reserve provisioning for loss or doubtful debtors, and for the reduction in price deterioration in value, and value adjustment of worthless or irrecoverable assets.

(Announced on 30 March 1999, effective on 1 January 1999)

2) The Bank of Thailand announced the relaxation of criteria for the deduction of collateral value from an outstanding amount of classified debtors' account. For example, no more than 90 percent of the value of the collateral can be deducted from the outstanding amount of the classified debtor's account, in the case where the collateral has been re-appraised within a period of 12 months; and no more than 50 percent can be deducted where the collateral value has been re-appraised for more than 12 months. This revised criteria aimed at making collateral appraisal more suitable for the current condition.

(Announced on 28 June 1999, effective in the first accounting period of 1999)

4.2 Criteria, procedures and conditions for financial institutions participating in the Tier1 and Tier2 capital support schemes of the Ministry of Finance.

The Bank of Thailand circulated the Ministry of Finance's announcement concerning criteria, procedures, and conditions for financial institutions participating in Tier1 and Tier2 capital support schemes in order to assist them in raising their Tier1 and Tier2 capitals to strengthen their financial position as follows:

1) Financial institutions which raised capital by selling SLIPS and CAPS are able to count their SLIPS and CAPS as Tier1 capital since the starting date of the Tier1 capital support scheme (29 September 1998) and can submit application for support from the Ministry of Finance to purchase their preferred shares in the amount no less than the amount of increased Tier1 capital obtained therefrom, whilst such financial institutions must sell some of their preferred share to private investors.

2) The Ministry of Finance will not allow private holders of SLIPS and CAPS to purchase preferred shares owned by the Ministry of Finance at the acquired cost. This is because such private investors will receive higher rate of return than that received by those private investors who purchased the preferred shares jointly with the Ministry of Finance under the condition that they cannot receive any return until such financial institution turn profit and pay out dividend.

3) Financial institutions which raised capital by selling innovative capital instruments such as by selling preferred stocks together with subordinated debenture are allowed, according to BIS standard, to count the preferred stocks placed in conjunction with subordinated debenture as Tier1 capital. However, such preferred stocks can be counted as Tier1 capital for a ratio of not more than one third of the total amount of Tier1 capital (33.33 percent). The ratio has subsequently been reduced to not more than 25 percent of Tier1 capital as the improvement in stock market conditions helped lessen reliance on innovative capital instruments as an instrument for increasing financial institutions' capital.

4) The Ministry of Finance will purchase preferred shares of financial institutions at the mutually determined fair value. This price can be different from the book value to ensure fairness to previous shareholders of financial institutions. Thus price could be obtained from average price in the stock market, or determined by independent appraisers accredited by the Securities and Exchange Commission. The Financial Sector Restructuring Advisory Committee (FRAC) shall determine the suitability of the price.

(Announced on 15 June 1999 following the Notification of the Ministry of Finance dated 12 June 1999, effective on 12 June 1999, the Ministry of Finance news volume 74/ 1999, dated 8 June 1999, announced and effective on 31 March 1999, announced on 15 June 1999 effective on 1 January 2000)

4.3 Capital adequacy requirements

The Bank of Thailand improved the criteria on capital adequacy requirements, thereby allowing financial institutions to immediately count their loan loss reserve for performing loans as Tier2 capital without setting aside provision for assets classified as doubtful of loss, doubtful, sub-standard and special mentioned in full amount according to each category of asset. However, financial institutions can count their loan loss reserve for performing loans as Tier2 capital for up to a maximum of 1.25 percent of risk-weighted assets.

In addition, the Bank of Thailand also relaxed the criteria on capital adequacy requirements by allowing credit collateralised by promissory notes of Krungthai Thanakit PCL. or certificates of deposit issued by Krung Thai Bank under the Note Exchange Programme of the 56 closed finance companies to carry 0 percent risk weight.

(Announced on 26 July 1999, effective on 5 August 1999, announced on 11 June 1999, effective on 3 June 1999)

Transactions of closed or intervened institutions or those suspending selective part of their businesses

4.4 Progress in selling shares of intervened banks

1) Nakornthon Bank (public company limited)

The Bank of Thailand ordered Nakornthon Bank to reduce registered paid up capital from B2,016 million to B2 million, and to increase capital by B7,001 million by selling shares to the Financial Institutions Development Fund (FIDF) and replacing the management team of the bank in order to ensure continuity of operation.

The Bank of Thailand allowed other institutional investors to bid for the shares of Nakornthon Bank from FIDF against the bid of Standard Chartered Bank

to ensure fairness to other institutional investors, and the highest possible price for the authorities. Standard Chartered Bank offered the highest bid amounting to B12,377.25 million or 75 percent of total shares. FIDF is therefore left with 24.79 percent of the shares, with 0.03 percent belonging to previous shareholders. The name of Nakornthon Bank has been changed to Standard Chartered Nakornthon Bank (public company limited).

2) Radanasin Bank (public company limited)

The Bank of Thailand announced that the United Overseas Bank of Singapore won the bid for 75.02 percent of the shares as a strategic investor in Radanasin Bank. The United Overseas Bank of Singapore purchased Radanasin Bank's from FIDF in an amount of B15,089 million and agreed to sign related contracts in November 1999. The policy is to preserve the status of the bank as a listed company in the Stock Exchange of Thailand, and remaining a Thai bank locally incorporated with foreigners as its major shareholders.

(Notification of the Bank of Thailand volume 63/1999 dated 6 October 1999. Announced and effective on 12 July 1999. Notification of the Bank of Thailand volume 35/1999, dated 12 July 1999 the Bank of Thailand news volume 52/1999 and the Bank of Thailand news volume 56/1999 dated 3 and 10 September 1999.)

4.5 Permission for financial institutions to operate hire purchase business and leasing business arising from debt restructuring process

The authorities extended, for another two-year period, permission for financial institutions to operate hire purchase and leasing of assets so transferred in accordance with debt restructuring agreement, from 31 December 1999 to 31 December 2001. This extended period is in line with the Cabinet's resolution which extended the period of incentives for tax and fee for debt restructuring according to the Bank of Thailand's criteria.

(Announced on 20 January 1999, effective on 20 January – 31 December 1999. For commercial banks, Bank of Thailand notification dated 23 April 1999, effective 23 April – 31 December 1999. Finance companies announcement was made on 9 December 1999, effective 9 December 1999– 31 December 2001)

4.6 Request for temporary suspension of Provincial International Banking Facilities (PIBF) operation

Following the floatation of the exchange rate, international banking facilities experienced substantial debt repayment and reduction in the volume of business. Therefore, the Bank of Thailand allowed PIBF located in the provincial areas to submit the request for suspension of their operation and to temporarily close down the office for a period of not more than 2 years. The Bank of Thailand will consider

the request on a case-by-case basis, after which, the PIBFs are required to notify the Bank of Thailand within a period of no less than 7 days in advance before the date of resumption of business operation.

(Announced on 20 January 1999 and effective on 21 January 1999.)

4.7 Scope of BIBFs' businesses

The Bank of Thailand announced the criteria, procedures and conditions of commercial banks BIBFs business by merging five previous announcements into a new announcement, details are as follows:

1) BIBFs conducting out-in business are allowed to extend credit amounting to less than US\$2 million per contract, in the case of the previous borrowing contract, as related to debt restructuring according to the criteria of the Bank of Thailand.

2) BIBFs that have transferred the profit or loss after tax deduction on end of accounting period must notify the transfer to the Bank of Thailand within 30 days from the transfer date.

(Announced and effective on 9 December 1999)

4.8 The closure of finance companies and credit foncier companies.

The Bank of Thailand clarified the steps of financial assistance to be extended through the FIDF, to depositors, creditors, debtors, and related parties of the Ocean Finance Public Company Limited and L.P.N Credit Foncier Company since 25 August 1999 and since 12 September 1999.

(Notification of the Bank of Thailand volume 48/1999 dated 25 August 1999, announced and effective on 12 February 1999)

5. Prudential regulation and development of financial institutions

5.1 Provision for hire purchase debtors.

The Bank of Thailand allowed financial institutions to treat provision for hire purchase debtors as an expense in computing net profit for corporate income tax. In computing provision for hire purchase debtors, financial institutions are required to calculate the provision for hire purchase debtor on net balance, deducting the balance of deferred interest on hire purchase.

(Announced and effective on 2 March 1999)

5.2 Cross-directorship of commercial bank directors and senior executives in debtor companies

The Bank of Thailand issued a circular to commercial banks (excluding BIBFs) on the conduct of their credit extension and shareholding operations in

debtors' companies where commercial banks' directors or senior executives sit on their boards as follows:

1) Stipulating the maximum amount of credit commercial bank can extend under these three conditions — not exceeding 50 percent of shareholders' equity of debtor company, or 25 percent of total liability of that company, or 5 percent of Tier1 capital of that commercial bank, whichever is smaller.

2) Directors or senior executives of commercial banks appointed as director in a company can hold no more than 1.0 percent of the total shares sold of that company.

3) Directors or senior executives of commercial banks should devote their knowledge, their competence and time for the operation of commercial banks. They should not be appointed as directors of more than three companies and should not be director who can exercise power, especially in the position of chief executive officers (CEO).

(Announced on 17 September 1999, effective on 24 September 1999)

5.3 Granting permission to financial institutions to operate the securities borrowing and lending business as agent or broker

The Bank of Thailand issued notification providing further detail to financial institutions which submit a request to the Bank of Thailand to operate the securities borrowing and lending business as agent or broker and communicated the Ministry of Finance's announcement dated 12 April 1999 to commercial banks, finance companies, and finance and securities companies seeking to operate the securities borrowing and lending business to submit the request to the Bank of Thailand. In the event that financial institutions short-sell securities not in their possession, financial institutions are allowed to do so only for the purpose of hedging their risk position with a strong evidence to support that financial institutions will hold the title to such securities in the future.

(Announced and effective on 1 June 1999)

6. Exchange Rate Measures

6.1 Prevention of baht speculation

The Bank of Thailand requested the co-operation from commercial banks through Thai Forex Club to cease some types of foreign exchange transaction with non-residents in order to prevent baht speculation in the case of foreign exchange transactions which have no underlying trade or investment activities. Thai Forex Club issued circular to its members to cease transaction with settlement period less than that for spot transaction, i.e. with less than 2 days settlement period and baht borrowing through short-term Sell-Buy swap transaction with non-residents.

(Announced and effective on 9 March 1999)

6.2 Operational guidelines for measure to prevent baht speculation

The Bank of Thailand requested the co-operation of financial institutions, Export-Import Bank of Thailand, Industrial Finance Corporation of Thailand to limit the provision of baht liquidity or create any contingent liabilities which may result in paying foreign exchange in the future to non-resident, where such transactions have no underlying trade or investment activities, to an amount not exceeding B50 million per counterparty. In addition, the Bank of Thailand also provided clarification on some definition of this measure, such as the term “per counterparty” shall refer to all transactions undertaken together by the head office, branches, representative offices and all affiliated companies located overseas of a particular non-resident. Moreover, the Bank of Thailand has no policy to allow any financial institutions to extend clean loan in baht to non-resident.

(Announced on 4 October 1999 and effective on 5 October 1999)

7. Financial assistance to priority economic sectors

7.1 Financial assistance to rice mills

To facilitate domestic and export rice trading, the Bank of Thailand provided financial assistance to the rice traders in addition to assistance for paddy rice trading as follows:

1) Refinancing facility to commercial banks that extend credit to rice miller, against promissory notes issued by rice exporters at 60 percent of the P/N face value. The Bank of Thailand will charge commercial banks 5 percent per annum for the amount purchased while commercial banks are allowed to charge the rice millers not more than MLR-2.75 percent per annum.

(Effective from 20 December 1999 to 31 March 2000)

2) Refinancing facility to commercial banks that extend credit to rice millers having sold rice to exporters against Domestic Letter of Credit (DLC) and inspector certificate issued by surveyors. The Bank of Thailand will purchase promissory note (P/N) or Bill of Exchange (B/E) with maturity of not more than 45 days at the amount of 60 percent of face value. The Bank of Thailand will charge commercial banks 3 percent per annum while commercial banks are allowed to charge their clients not more than MLR-2.75 percent per annum.

(Announced and effective from 20 December 1999)

7.2 Financial assistance to small-and medium-size industries (SMEs)

Bank of Thailand announced the guideline for financial assistance to small-and medium-size industries (SMEs) through financial institutions in accordance with the Cabinet's resolution as follows:

Financial Institution	Amount (baht millions)
The Industrial Finance Corporation of Thailand	12,000
The Small Industry Finance Corporation	3,000
The Bank for Agriculture and Agricultural Co-operatives	2,000
The Government Savings Bank	1,000
The Export-Import Bank of Thailand	5,000
The Bank of Thailand	12,000
The Small Industry Credit Guarantee Corporation	500 (loan guaranty)

From 12 January 1999, the Bank of Thailand modified refinancing facility to SMEs as follows:

- 1) Increase the interest rate which financial institutions may charge in extending credit to SMEs from MLR -2.75 percent per annum to MLR -1 percent per annum.
- 2) Change the filing system by streamlining documents required to be submitted to the Bank of Thailand from 14 items to 3 items.
- 3) Extend the maturity of the 5 year credits which have already been provided to SMEs by another 5 years.

In 1999, the Bank of Thailand provided credit line of B42,463 million to commercial banks for on-lending to SMEs, with commercial banks co-financing 40 percent of each loan amount.

(Announced on 13 December 1999)

8. Money market development measure

8.1 Measure to promote bond market development

1) Government bond repurchase market regulations. The Bank of Thailand streamlined the regulations and operations of the repurchase market regulations as follows:

(1) Financial institution's authorised personnel can telephone in to leave buy/sell orders for not more than 2 transactions per call and each transaction must not exceed B2,000 million.

(2) In each round of market trading hours, the total amount of purchasing order sent by each member must not exceed the amount of funds available in member's current account at the Bank of Thailand except where the financial institutions can provide evidence of an in-coming cash-flow for the amount of difference in the near term.

(3) Where a financial institution cannot observe the regulations under item (1) and/or (2) or operates in a manner that is deemed counter to an efficient operation of the market as specified in regulation on government bond repurchase agreement, the Bank of Thailand reserves the right to turn down the buy-sell order of such member temporary and/or permanently, as the case may be.

(Announced on 24 May 1999, effective on 14 June 1999)

2) Appointment of the Bank of Thailand's government bond trading counterparties in the bond repurchase market

The Bank of Thailand announced the appointment of 9 government bond trading counterparties comprising 5 Thai commercial banks, 3 foreign banks and 1 securities company. The selection criteria included: the financial institution must be granted debt instrument trading license, must participate in government bond auctions regularly and must be a successful bidder in accordance with guideline set by the Bank of Thailand.

In order to induce improvement of competence of appointed counterparties, the Bank of Thailand will evaluate their performance in line with set criteria and will revise the list of Bank of Thailand's counterparties periodically.

(Announced and effective on 16 August 1999)

3) Additional asset eligible as liquidity assets to be maintained by commercial banks.

The Bank of Thailand has included the Export-Import Bank of Thailand into the list of organisation whose debt instrument (bonds, debentures) qualify as liquidity asset of the commercial bank and BIBF.

(Announced and effective on 20 April 1999)

4) The acceptance of treasury bills into bond repurchase market and Loan Window facility.

In order to facilitate liquidity adjustment for the financial institutions, the Bank of Thailand announced the acceptance of treasury bills as eligible securities in bond repurchase market and as collateral for borrowing through the Loan Window.

(Announced on 3 December 1999, effective on 1 December 1999)

8.2 Clearing and settlement system development measure

1) The improvement of the Inter-Provincial Cheque Collection System

The Bank of Thailand announced the improvement of the Inter-Provincial Cheque Collection System enabling the commercial banks' clients to transfer funds within 7 working days from the deposit date (reducing from 15 days). This

procedure is implemented to cover inter-provincial cheques to be paid in Bangkok, its vicinity, and the coverage area of 39 provincial cheque clearing centres that have been upgraded. The process will expand its coverage nation-wide when all provincial clearing centres have been upgraded.

(Announced on 3 March 1999, effective on 2 March 1999)

2) Maximum fee for fund transfer to third party through BAHTNET system

The Bank of Thailand announced that

(1) The transfer fee burden is borne by transferor and transferee, whereby transferor pays not more than 150 baht per transaction and the transferee pays not more than 100 baht per transaction. This is a modification from the previous regulation whereby the transfer fee burden was paid by the transferor at not more than 250 baht per transaction.

(2) In case of transferring of funds between Bangkok and vicinity area and other provinces, and between the provinces, the commercial banks are allowed to charge additional transfer fee of not more than B10 per every B10,000 but the maximum charge must not exceed B750 per transaction. As for the incidence of the transfer fees, the guideline applies is that the party residing in the province is to bear the cost, unless both parties reside in the province, then transferor is to bear the cost.

(Announced on 14 May 1999, effective on 1 July 1999.)

9. Capital Market Measures

Issues	Agencies responsible	Detail of Measures	Announce Date / Effective Date
1. Expand category of securities	SEC	Derivative warrants are considered as a type of securities.	14 Jan. 99/ 15 Jan. 99
2. Adding additional category of securities	SEC	Options are considered as a type of securities. (do not classify options as warrant)	22 Feb. 99/ 17 Mar. 99
3. Disclosure by government agency issuing warrants	SET	Disclosure requirement is imposed, including purpose of issuance, by SET.	23 Apr. 99/ 23 Apr. 99
4. Imposing ratio for securities investment on mutual fund	SEC	● Each fund of any mutual fund company are allowed to invest in securities amounting to not more than 25% of the amount of its unit trust.	29 Apr. 99/ 19 May 99

Issues	Agencies responsible	Detail of Measures	Announce Date / Effective Date
		● Non-equity securities; warrants; government bond; debt instruments of certain state enterprises, of listed firms, and of some foreign commercial bank branches, together shall not exceed 15% of Net Asset Value (NAV). ● Deposits or certificate of deposit in commercial banks, finance companies, and specialised banks, together not exceeding 45% of NAV.	
5. Derivative warrant to be traded on the SET	SET	Trading rules has been established.	4 May 99/ 4 May 99
6. The relaxation of listed criteria for companies undergoing debt restructuring.	SET	SET allows the relaxation of listing criteria for companies which will be listed as new securities following the changing of its operations, merger and asset acquisition of non-listed companies.	7 May 99/ 7 May 99
7. Amending the regulation on securities borrowing and lending.	SEC	SEC allows securities borrowing and lending (SBL) to be undertaken by financial institutions, mutual funds, and other juristic entities.	26 May 99/ 11 Jun. 99
8. Termination of Bangkok Stock Dealing Center's operation	SEC	In line with SEC's Board of Director, as from 28 May 1999	28 May 99/ 28 May 99
9. Announcement of listing criteria for securities for Market for Alternative Investment: MAI.	SET	Criteria Status: Public companies or juristic entity which have been specifically established by a law. Business features: brings benefit to economic and social developments. Paid up capital: exceeding B40 million. Share divestiture: small shareholders should number more than 150, or have holdings not less than 20 % of paid-up capital. Performance: operation to come under the management of majority of executive directors for a consecutive period of at least 2 years before submitting the application.	9 Jul. 99/ 9 Jul. 99
10. Shift to a call market system to calculate daily buy/sell prices.	SET	Introduce the system of random time in determining opening or closing time to reduce volatility of price index in early and late trading sessions, as a result, the SET is closed at 16.40 (previously 16.30)	31 Aug. 99/ 6 Sept. 99

Issues	Agencies responsible	Detail of Measures	Announce Date / Effective Date
11. New listing criteria for ordinary shares and preferred shares	SET	Criteria Status: Public companies or juristic entity which have been specifically established by a law. Business features: brings benefit to economic and social developments. Paid up capital: exceeding B200 million. Share divestiture: number of small shareholders should not be less than 600. Performance: operation to come under the management of majority of executive directors for a consecutive period of at least 3 years before submitting the application and generate net profit of no less than B30 million for the two most recent years prior to listing, as for state-enterprise which has been privatised their operation prior to privatisation should be counted as part of continuous operation.	9 Dec 99/ 16 Dec. 99

B. Fiscal Measures

In 1999, the Government implemented a number of measures in order to revive the economy. The fiscal measures included: economic stimulus measure, for example, the increase in government expenditure and the reduction in taxes, and the measures to promote private investment. In addition, there were also measures to support resolution of the financial sector problem, the measures to support the corporate debt restructuring, as well as the measures towards corporatisation of state enterprises. The details are as follows:

1. Measures to support the real sector

1.1 Economic stimulus measures :

- 1) the exemption of the personal income tax for the first B50,000;
- 2) reduction in VAT rate from 10 percent to 7 percent for the period of two years (2 April 1999 - 31 March 2001);
- 3) the exemption of the value added tax rate of 1.5 percent on the sales of businesses with revenue exceeding B600,000 but not exceeding B1,200,000 per year; and

4) reduction in excise tax on fuel from 17.5 percent to 5 percent, in order to reduce distortion on the taxes on fuel and to reduce the cost of electricity and industries using fuel, in addition, there was also a reduction of tax on diesel from 50 satangs/litre for three months beginning 4 October 1999 to 3 January 2000. However, in order to avoid too large a loss of government revenues, the Government increases the excise tax rates on benzene by 10 satang/litre and on diesel by 9 satang/litre, effective on 1 April 1999.

1.2 Measures to increase government expenditure through funding by Miyazawa programme, in order to stimulate the economy and reduce adverse social effects from the crisis, which amounted to B53.4 billion. The funds were allocated for:

1) social investment to reduce adverse social effects from the crisis in an amount of B24.8 billion;

2) programmes for enhancing quality of life, by B9.6 billion;

3) programmes to enhance the national development, by B7.0 billion;

4) programmes to raise competitiveness of exports, by B2.3 billion;

5) programmes to improve infrastructure and regional developments, by B0.9 billion;

6) programmes to improve efficiency of public management, by B8.8 billion, and an increase in government expenditure by B884 million, which were the undisbursed amount of Miyazawa project, to be used for extending the period of the programme for voluntary education on the constitution and for the senatorial election by B0.4 billion, and the remaining B521 million was assigned to a sub-committee to seek out appropriate project.

1.3 Measures to reduce energy cost to help stimulate the economy.

1) the reduction in electricity charges and the reduction in excise tax on fuel; and

2) the reduction in wholesale price of liquefied petroleum gas (LPG).

1.4 Measures to help revive the real estate sector. This included the exemption of personal income tax on the interest paid to real estate trust funds and the funds to resolve the financial institution problems.

1.5 Measures to promote private investment.

These included measures under 4 main categories as follows:

1) Tax measure. This included, for example, the reduction in import duties for imported capital goods and raw materials, the exemption from special duties, the allowance for accelerated depreciation, and the removal of the requirement for registration of importer or exporter of gold.

2) Financial measure. This included the setting up of three funds which were equity funds with the size of US\$500 million, Thailand Recovery Funds amounting to US\$100 million and the funds for investing in SMEs of B1,000 million.

3) Measures to help revive the real estate sector. This included: (i) Establishment of a credit line through the Government Housing Bank, and the Secondary Mortgage Corporations, which provided credits of long-term fixed rates for purchases of residential housing; (ii) Increasing the role of the National Housing Authority (NHA) in purchasing the incomplete residential housing projects; (iii) Reduction of the transferred fee on real estate.

4) Measures to support the financial restructuring of SMEs. This included, for example, the improvement in credit guarantee scheme for SMEs, measures to promote restructuring of Small-and Medium-Enterprise Finance Corporation, and the measures to set up business clinic for SMEs.

1.6 The measures to liberalise open up imports in line with the WTO obligations. This included the measure to open up for imports of milk powder, raw milk, drinking milk, maize for animal feed. The restructuring of the import duties for the auto and parts industries, by reducing the import duties in line with the WTO as well as lifting the local content requirements for the passenger car parts as well as for the small pick-up trucks, and for the car engines and motorcycle engines, not exceeding 150 cc.

1.7 The extension of the disbursement period from the 1997 fiscal year budget, for the cases of the carried over expenditure which have been approved by the Cabinet. These measures were to help support those government contractors in the construction industry as well as in other fields.

1.8 Improvements in tax on petrol, including the reduction in excise tax on diesel by 42 satang/litre for period of three months (6 October 1999 – 5 January 2000).

1.9 The increase in stamp duty on tobacco, which is expected to help raise an additional B2.2 billion revenues per year.

2. Measures relating to the state enterprises

The privatisation of state enterprises

1) The Government has set up funds for the state enterprise employees affected by privatisation. The funds will be paid out as compensations or as pension, and the Ministry of Finance is instructed to draw up the regulations of the funds.

2) The setting up of the independent supervisory and regulatory body which would help oversee the consumers' interest and is in line with the public corporation law of 1999.

3) The privatisation of the state enterprise for glass, Dairy Farming Promotion Organisation of Thailand, Thai Maritime Navigation Company Limited and the set up of the master plan for the privatisation of Thailand Tobacco Monopoly, and the corporatisation of The Transport Company Limited and The Express Transportation Organisation of Thailand.

3. The public debt management measures

1) The Government has permitted the Ministry of Finance to borrow to finance the budget deficit for fiscal year 1999/2000 and 2000/2001 in an amount not exceeding B40 billion and B110 billion, respectively, through the issuance of borrowing instruments not exceeding 15 years maturity, at the market interest rates.

2) The restructuring of the government's bonds which were issued in order to restructure the liabilities of FIDF. The liabilities restructuring was implemented through the exchange offer programme with the issuance of new bonds which are placed through private placement, with the specialised financial institutions in an amount not exceeding B150 billion with the maturity of 2, 3, and 5 years, and the market interest rates.

3) Permitting the Electricity Generating Authority of Thailand (EGAT), the Metropolitan Electricity Authority (MEA), the Industrial Estate Authority of Thailand (IEAT), and the Provincial Electricity Authority (PEA) to borrow B16 billion domestically to use for co-financing of the foreign loan projects for fiscal year 1999/2000, with the guaranty by the Ministry of Finance.

4) The external borrowing plan for fiscal year 2000/2001 has been set with the revolving credit line limit of US\$5,000 million, comprising: US\$3,368 million set for 31 major projects, and US\$598.5 million for 6 tentative projects.

4. Measures to support the resolution of the problems of financial institutions.

1) Issuance of bonds for Tier1 capital support scheme for fiscal year 2000/2001, comprising: B8,884 million for recapitalisation of finance and finance & securities companies; and B32,500 million for the recapitalisation of commercial banks.

2) Issuance of bonds for Tier2 capital support scheme comprising: B849 million for recapitalisation of finance and finance & securities companies; and B6,529 million for the recapitalisation of commercial banks.

3) Measures to facilitate corporate debt restructuring:

(1) Exemption of VAT and special business tax and stamp duties for public companies and limited companies incurred in asset transfer within 31 December 2000.

(2) Reduction of transfer and registration fees for real estate to 0.01 percent of value for public companies and limited companies incurred in the process of restructuring.

(3) Reduce registration fees for condominium to 0.01 percent of value.

(4) Exemption of corporate income tax on asset transfer under a repurchase agreement, in order to provide liquidity to the market and support the development of the repurchase market.

C. Real Estate Measures

1. Real estate law

In 1999, three new real estate laws were amended/introduced as follows:

1) The Condominium Act No.3 (Third issue) B.E. 2542 (1999). The Act permitted a maximum of 49 percent (previously 40 percent) of foreign ownership in the total area of condominium project. The exceptions are condominiums in Bangkok metropolitan, municipal areas and other local government areas as specified in the ministerial regulations, where more than 49 percent of foreign ownership is allowed. This was effective on 28 April 1999.

2) The Amendment of the Land Code (No.8) B.E. 2542 (1999). The Act permitted foreigners bringing in no-less-than B40 million of investment funds to own land not more than 1 rai for residential purpose. This, however, requires approval from the Minister. This was effective on 19 May 1999.

3) The Leasing of Immovable Property for Commercial and Industrial Purposes Act B.E. 2542 (1999). The Act permitted leaseholders of property for commercial and industrial businesses, with the lease term over 30 years but less than 50 years and holding certificate registration, to use the leasing contract as a collateral for mortgage. Right of leasing can be transferred to heirs. Leaseholders can sub-lease a portion or the entire property or transfer the lease right, wholly or partly, to any persons. This was effective on 19 May 1999.

2. Measures to promote the recovery of the real estate sector

The Cabinet approved on 10 August 1999 the measures proposed by the Ministry of Finance to support recovery of real estate businesses:

1) The Government Housing Bank (GHB) issued bonds amounting to B46,000 million to accommodate housing loan, with the terms of 30-year repayment, and fixed interest rates for every three or five years. Of this amount, B21,000 million of housing loans was extended by GHB, the remainder of funds was lent to other financial institutions to on-lend in housing loan scheme under the same terms.

2) The Secondary Mortgage Corporation (SMC) issued bonds amounting to B4,000 million to finance purchase of housing loans of the same terms as specified in 1) from other financial institutions.

3) The National Housing Authority (NHA) was directed to purchase incomplete housing projects, where over 50 percent of construction have been completed and to proceed with the projects until completion. The total funding involved under this scheme should not exceed B15,000 million, with acquisition period open for 2 years (closing date is 31 December 2001). The projects for which the purchasers have paid up to more than 60 percent are given priority.

4) The real estate transfer fees are reduced from 2 percent of the appraised value to 0.01 percent for: (a) buildings; (b) land with building of a single house, duplex houses, townhouses, commercial buildings, or condominiums with entire-project registration; and (c) transfer of condominium ownership. This measure was effective from the day following the announcement in Royal Gazette until 31 December 2000.

3. Support to the Asset Management Companies (AMC)

The Cabinet approved on 5 October 1999 a reduction in transfer fees and mortgage fees of immovable property from 2 percent of the appraised value to 0.01 percent (until the end of 31 December 2001). This aimed at encouraging the establishment of AMC for:

1) the transfer of immovable property /condominium between AMC or co-creditor and AMC or co-debtor

2) the transfer of immovable property /condominium belonging to debtor to the third party in order to repay AMC's debt.

3) the collection of registration fees of immovable property/condominium mortgage by debtor (mortgager).

4. Extension of the immovable property holding period of financial institutions

The Bank of Thailand issued a circulation letter dated 24 December 1999, permitting commercial banks (excluding BIBF activities), finance companies, finance and securities companies and credit fonciers to extend their holding period of immovable property that has been transferred since 1 January 1997 to 31 December 2001. The transferred property, however, must be gradually sold after 5 years of holding and must be entirely sold within 10 years from the transfer date.

D. Labour Measures

1. Measures to step up public expenditure to stimulate economy with emphasis on employment and social safety net programme

To stimulate investment and employment, the Cabinet approved the budget of B24,827.3 million to be used in employment projects throughout the country by emphasising : (1) Direct employment of 86,000 persons at all educational levels of the unemployed and the new graduates. In addition, 400,000 of workers were employed mostly in rural areas with emphasis on irrigation, small infrastructure, and local administration projects; and (2) Helping the needy and the poor in both urban and rural areas by providing more welfare and aids to the poor and the underprivileged such as increase in welfare benefits for the elderly poor, expansion of free lunch for students, and providing free uniform for the poor students.

2. Social safety net programme

Measures to alleviate adverse social impacts from economic crisis

1) Further extend social security benefits including medical, disability, maternity, and death to 12 months for the insured person who was laid off within 1 July - 31 December 1999.

2) Reduce contribution rate for child allowance and old-age pension scheme to the Social Security Fund for tripartite, namely—government, employers and the insured person as follows:

Period	Contribution rate (percent of monthly wage)
31 December 1998 - 31 December 1999	1 percent (each)
1 January 2000 - 31 December 2000	2 percent (each)
1 January 2001 onwards	3 percent (each)

3) Improve the benefits for the insured person. For child allowance programme, the insured person could receive a flat rate of B150 per month per child, not exceeding 6 years of age. If the insured person pass away, the child will receive the benefits until 6 years of age. However, no more than two children can be covered at any one time. As for old-age programme, the insured person who has contributed for 180 months is eligible for an old-age pension in accordance with regulations and rates specified. Those who contributed less than 180 months or pass away or were disable could also be eligible for an old-age gratuity according to the regulations and rates specified.

3. Measures to promote upgrading of labour skill

Under the Asian Development Bank's Social Adjustment Loans, the programme loan placed emphasis on private sector participation in upgrading labour skill. Should the relevant private sector party possess no training or were unable to complete the training as specified by the programme loan, they were to contribute instead to the Workmanship Development Fund. In addition, more benefits are

granted to employers who join the workmanship development programmes. These are such as import tariffs exemption for equipment and tools used in the training, and allowance for double deduction on the cost of electricity and water charges incurred during the training for the purpose of computation of corporate income tax.

4. Measure regarding illegal alien workers

To alleviate unemployment problem and reduce reliance on illegal alien workers, an announcement was made on 4 August 1999 for illegal aliens in all provinces to report within 90 days and be expatriated from the country.

E. Price Measures

1. Electricity price adjustment

The Sub-committee on Electricity Price Restructuring adjusts the electricity price in line with the cost of fuel every four months. In 1999, there were three such adjustments as follows: (1) reducing the price by 3 percent in April; (2) raising the price by 2.5 percent in August; and (3) increasing the price by 11 percent in December.

2. Water price adjustment

The Metropolitan Waterworks Authority (MWA) Committee gradually raised the water charge by B0.25 per cubic metre per month for six months, between July and December 1999. In addition, there were other adjustments with respect to the minimum water rate and the wholesale water rate as follows:

- Minimum water rate for residence was adjusted from B40 per month to B45 per month and for businesses from B80 per month to B90 per month, respectively.

- Wholesale water rate for residence was raised from B7.50 per cubic metre to B9 per cubic metre and for businesses from B10 per cubic metre to B11.50 per cubic metre, respectively.

F. Industrial Measures

As a continuation of effort the Government carried out measures aiming at solving structural problems in the manufacturing sector and strengthening ability to compete in the international market to ensure sustainable recovery in the long run. Major measures were as follows:

1. Devising a master development plan for electrical appliances, electronic, and information technology industries

The Cabinet approved on 5 January 1999 the devising of master development plan for these industries to enhance international competitiveness by means of studying structural problems, technology, and industrial management.

2. Establishing development institute for small- and-medium-enterprises

The Cabinet approved on 5 April 1999 the establishment of development institute for small and-medium enterprises to be an independent organisation under a foundation, which through its network regional centre imparts academic knowledge, gives training and supporting services to the operators of small and medium enterprises. Operational cost for this institution is funded by annual budget, Fund for Small and Medium Enterprises Promotion, and international organisations, within the amount of B2,100 million for 5-year-operation. (1999-2003)

3. Restructuring tax measures on vehicles and parts

The Cabinet approved on 23 February 1999 the restructuring of tax measure on vehicles and parts as proposed by the Ministry of Finance. Meanwhile excise tax rate for different types of automobile was also reduced to 29- 48 percent. This measure was effective as of 1 January 2000.

G. Agricultural measures

The Government continued to place emphasis on measures to solve agricultural sector problem, to stabilise agricultural prices, and to enhance production efficiency. Significant measures were seen as follows:

1. Measures for price intervention in the agricultural products and assistance in factor of production.

The authorities undertook price intervention of agricultural products in response to the decline in agricultural prices from the year before by 14.5 percent. To this end, a fund of B12,845.9 million was allocated, in the forms of non- interest bearing sum of B9,470.6 million, and outright grant of B3,375.3 million for use in the price intervention of 16 major products. Among these, allotments were made for price intervention of tapioca, rice, rubber, and palm oil amounting to B4,539 million, B3,201 million, B2,000 million, and B1,300 million, respectively. The rest of the funds amounting to B1,805.9 million was set aside for the remaining twelve products.

Furthermore, the funds amounting to B2,430.3 million was allocated for the assistance of factor of production – in the forms of non-interest bearing sum of B2,427.1 million and outright grant of B3.2 million—with B2,010.9 million being reserved for procurement of fertiliser for farmers and the other B419.4 million set apart for other projects.

2. Establishment of agricultural commodity exchange of Thailand

The Parliament passed the Agricultural Commodity Exchange of Thailand Act on 14 October 1999 and deemed that the completion of the market be completed in September 2000.

3. Withdrawal from the International Natural Rubber Organisation (INRO)

On 26 March 1999, Thailand notified her withdrawal from the membership of the International Natural Rubber Organisation which would take effect within one year as of the notification date. The reason behind the resignation was that INRO's operation appeared to be biased in favour of consuming nations at the expense of producing nations. The resignation resulted in INRO's dissolution on 13 October 1999, and the clearance sale of 138,000 metric tons of rubber stored in buffer stock, which may have affected the rubber price in the market around that time. As a result, Association of Natural Rubber Producing Countries: ANRPC agreed to find ways to maintain price stability in place of INRO.

H. International Trade Measures

Export measures

1. Measures to reduce the effect from the termination of Generalised System of Preference (GSP) by European Union

1) Measure to the export linked to GSP by reducing the production cost by means of: cutting down utilities expense, lowering transportation expense for transporting agricultural goods; considering tax exemption for imports of raw material; expediting VAT return; and identifying low-interest loan from abroad to be loaned to business operators and exporters.

2) Reviewed counter trade policy by reducing procurement budget and recruitment from foreign countries in which counter trade is employed. The former requirement which applied to the project of over B500 million was modified to B300 million. In addition, the ratio of counter trade was raised from 20-50 percent to at least 50 percent.

3) Measure to help new market penetration of those products for which GSP privileges were removed for 5 years (1999-2003). To this end, the Government would support the exporters who joined this scheme with 3 measures: financial measure, tax measure, and export promotion measure. This project was approved by the Cabinet on 13 March 1999, and by 25 July 1999 there were 82 exporters participating in the programme with 20 of whom having been approved.

2. Co-operation between Thailand and Malaysia over the rubber issue

The Cabinet approved on 8 June 1999 the co-operation between Thailand and Malaysia on rubber issue as follows: (1) To co-operate in the price intervention by jointly determining the time and the price of intervention, basing the intervention price on those in 4 markets, namely—Singapore, Tokyo, Hat Yai and Kuala Lumpur; (2) To employ intervention method consistent with needs and suitability of each country; (3) To manage the production volume of both countries by – (i) co-buying rubber directly from farmers for inventory during the short term; (ii) implementing measure to expedite and promote the growing of other plants in place of rubber trees during the medium term co-operation, with Thailand being in charge for the measure; and (iii) implementing measure to grow rubber trees with the purpose for wood resource during the long term co-operation, with Malaysia taking charge of this measure; (4) To establish a ministerial committee titled Thailand-Malaysia Ministerial Committee on Rubber (TMMCR).

Import Measures

1. Measures and policies on importing raw material for animal feeds

The Cabinet approved on 5 January 1999 the measures on importing of raw material for animal feeds from member and non-member countries of the World Trade Organisation. These policies and measures were effective from 1 January - 31 December 1999 as follows:

1) Soybean meal: importers under quota scheme who were allowed the free import were the following five associations: The Association of Thai Broiler Processing, the Association of Meat-Chicken Raiser for Export Association, the Association of Duck Raisers for Trade and Export Association, Thai Feed Mill Association and Raw Animal Feeds Users Association. However, they must purchase all soybean meal produced from home-grown seeds from vegetable - oil - extraction plants at the Bangkok factory price, which must not be less than B9.50 per kilogram, with tariff of 5 percent within the quota, with the same rate from the past years. While the tariff of 119 percent was imposed on importers outside the quota.

2) Maize for animal feeds. The quota scheme for the import of maize for animal feeds totalled 53,253 tons within 1 March - 30 June 1999 with the inside quota tariff of 20 percent. However, those importers not conforming to the quota scheme are allowed free trade with the tariff of 77 percent, and surcharge of B180 per ton.

2. Opening import market for skimmed powdered milk, raw milk and UHT drinking milk under the obligation with the World Trade Organisation

The Cabinet approved on 19 January 1999 the market opening for import of skimmed powdered milk, raw milk and UHT drinking milk under the obligation with the World Trade Organisation 1999 as follows: (1) To open the import market for skimmed powdered milk under tariff quota of 68,500 tons with tariff of 5 percent, however, tariff of 22.8 percent would be imposed on import outside the tariff quota; (2) To open the import market for raw milk and UHT drinking milk under tariff quota of 2,336.67 tons. These comprise (i) raw milk tariff quota of 2,310.11 tons and inside quota tariff rate of 20 percent and outside quota tariff rate of 43.5 percent (ii) UHT Drinking milk tariff quota of 26.56 tons with inside quota tariff rate of 20 percent, outside quota tariff rate of 88.5 percent.

3. Opening import market for soybeans under the obligation with the World Trade Organisation

The Cabinet approved on 26 January 1999 the measures to open market for import of soybeans consistent with the obligation with the World Trade Organisation 1999 to open market for non-member countries of the World Trade Organisation. The measure was aimed to: reduce import price; reduce cost of related industries; and to hold down the cost of living for domestic consumers without affecting farmers. Apart from these, the measure is expected to bring benefit by means of non-member countries of the World Trade Organisation may as a returned favour, buy other Thai goods and reduce their tariff to promote the mutual trade contact.

4. Opening market for potatoes and onion seeds

The Cabinet approved on 9 March 1999 to open agricultural market under the Obligation with the World Trade Organisation as follows:

1) Open the market for potatoes under quota scheme of free import - volume within 1999-2004, with the tariff of 0 percent. Tax rate for those outside tariff quota would be in accordance with the obligation.

2) Open the market for onion seeds under the tariff quota of 6.311 tons, with inside quota tariff rate of 0 percent. Outside quota tariff would comply to the obligation. These are aimed at ensuring adequate supply of onion seeds for planting, and reducing the production cost.

I. Measures on the Services Sector

1. Tourism and maritime measures

The Cabinet approved on 5 January 1999 the development plan for Regional Airport under Department of Aviation's supervision which permits private operation of all Regional Airport under Department of Aviation's supervision.

2. Measures to raise the income from tourism

The Cabinet on 25 May 1999 acknowledged the progress of measures to raise the income from tourism which is the result of the measures approved by the Cabinet on 20 October 1998 as follows:

1) To promote the establishment of duty-free shops in the tourists areas and major towns situated at the borders with no closing date for request to set up bonded warehouse under duty-free shop.

2) To promote the private investment in building convention and exhibition centres in the major tourist towns.

3) To introduce the system of VAT rebate for tourists, effective on 1 January 1999.

4) Tourism Authority of Thailand to acquire loan of yen 3,602 from the Overseas Economic Co-operation Fund of Japan (OECF) to restore and improve tourists attractions and develop hotel and tourism training institutes.

**REPORT OF THE AUDITORS
AND
FINANCIAL STATEMENTS
FOR THE YEARS 1999 AND 1998**

Report of the Auditors

To the Court of Directors of the Bank of Thailand

We have audited the Balance Sheet as of December 31, 1999 and 1998, and the Profit and Loss Account for each year then ended of the Bank of Thailand (excluding the Issue Department). These financial statements are the responsibility of the Bank of Thailand's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 3 to the financial statements, the Bank of Thailand recorded the unrealized loss from foreign exchange revaluation, under managed float system, of foreign assets and liabilities as deferred assets which will be amortized over 5 years. This decision is reasonable and conforms to certain central banks practice. However, if the Bank of Thailand followed generally accepted accounting principles, total assets would be decreased by Baht 33,367.1 million and Baht 50,050.7 million in 1999 and 1998, respectively. Additionally, if the Bank of Thailand recorded the unrealized loss as expense in 1997, the loss from foreign exchange and net loss of 1999 would be decreased by Baht 16,683.6 million, resulting in net profit of Baht 3,485.1 million, and those of 1998 would be decreased by Baht 16,683.6 million.

In our opinion, except for the effects of the proper accounting practice in the third paragraph, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 1999 and 1998, and the results of operations for each year then ended of the Bank of Thailand (excluding the Issue Department), in accordance with generally accepted accounting principles.

We notice the correction of year 2000 problem on computers, as described in Note 5 to the financial statements. The matter does not affect our opinion.

(signed) Nontaphon Nimsomboon
(Mr. Nontaphon Nimsomboon)
Auditor General

(signed) Wibulpen Hitapan
(Ms. Wibulpen Hitapan)
Auditor In-charge

Office of the Auditor General
March 17, 2000

Balance Sheet

As at December 31,1999 and 1998

	1999 (baht)	1998 (baht)
ASSETS		
Cash and Deposits		
Cash	9,347,062,649.97	4,112,234,491.85
Balance at the Treasury	29,936,714,750.94	12,601,689,991.71
Deposits at banks abroad	80,970,730,823.64	45,313,363,280.09
	120,254,508,224.55	62,027,287,763.65
Holdings of Special Drawing Rights	9,673,633,988.13	14,353,686,138.18
Investments		
Securities bought outright	170,244,384,519.65	153,123,700,632.39
Securities purchased under resale agreements	362,409,000,000.00	694,988,000,000.00
Foreign Securities	60,207,322,426.45	156,066,783,739.18
	592,860,706,946.10	1,004,178,484,371.57
Loans and Promissory Notes		
Loans	3,216,741,733.41	7,875,748,133.41
Promissory Notes	6,344,961,920.00	3,625,566,725.00
	9,561,703,653.41	11,501,314,858.41
Other Assets	94,640,642,056.28	88,991,432,738.01
Deferred Unrealized Loss from Foreign Exchange under Managed Float System	33,367,148,165.52	50,050,722,248.27
Total Assets	860,358,343,033.99	1,231,102,928,118.09

(signed) **Chatu Mongol Sonakul**
(M.R. Chatu Mongol Sonakul)
Governor

(signed) **Tanya Sirivedhin**
(Mrs. Tanya Sirivedhin)
Deputy Governor

	1999 (baht)	1998 (baht)
LIABILITIES AND CAPITAL		
Deposits		
Government	52,087,755,236.29	85,204,163,113.57
Banks	59,705,748,767.22	101,134,547,264.02
Others	430,125,746,751.93	402,991,605,939.74
	<u>541,919,250,755.44</u>	<u>589,330,316,317.33</u>
Allocations of Special Drawing Rights	4,354,325,159.84	4,372,927,234.97
Special Drawing Right Certificates	9,527,851,076.85	9,930,158,795.76
Securities sold under repurchase agreements	172,877,000,000.00	541,629,000,000.00
Bank of Thailand Bonds	5,268,762,410.97	10,706,218,961.16
Other Liabilities	201,893,596,977.28	137,418,259,258.92
Total Liabilities	935,840,786,380.38	1,293,386,880,568.14
Capital		
Initial Capital	20,000,000.00	20,000,000.00
General Reserve	0.00	0.00
Deficit	(62,928,028,197.58)	(38,056,531,035.88)
Reserve for Stabilization of Profit payable to the Government	624,075,747.53	624,075,747.53
Profit and Loss for the year	(13,198,490,896.34)	(24,871,497,161.70)
Total Capital	(75,482,443,346.39)	(62,283,952,450.05)
Total Liabilities and Capital	860,358,343,033.99	1,231,102,928,118.09

(signed) **Nongnart Sondysuvan**
(Mrs. Nongnart Sondysuvan)
Senior Director, Accounting Group

Profit and Loss Account

for the year ended December 31, 1999 and 1998

	1999 (baht)	1998 (baht)
REVENUES		
Interest	21,376,099,848.12	14,078,264,380.70
Discount	2,177,233,490.01	6,507,458,411.99
Commission	141,504,610.82	100,438,164.94
Others	5,830,887,063.01	43,006,222,470.92
Total Revenues	29,525,725,011.96	63,692,383,428.55
EXPENSES		
Salaries, wages and remunerations	2,073,527,716.08	1,823,127,138.63
Other expenses	23,645,717,415.73	69,916,324,440.99
Provision for provident fund and pension fund	321,396,693.74	140,854,927.88
Total Expenses	26,040,641,825.55	71,880,306,507.50
Net Operating Profit (Loss)	3,485,083,186.41	(8,187,923,078.95)
Less : Amortization of deferred unrealized loss from foreign exchange under managed float system	16,683,574,082.75	16,683,574,082.75
Net Profit (Loss)	(13,198,490,896.34)	(24,871,497,161.70)

(signed) **Chatu Mongol Sonakul**

(M.R. Chatu Mongol Sonakul)

Governor

(signed) **Tanya Sirivedhin**

(Mrs. Tanya Sirivedhin)

Deputy Governor

(signed) **Nongnart Sondysuvan**

(Mrs. Nongnart Sondysuvan)

Senior Director, Accounting Group

Notes to Financial Statements

for the year ended December 31, 1999

1. Form of Presentation of Accounts

The financial statements have been prepared in compliance with Chapter 5 of the Royal Decree Regulating the Affairs of the Bank of Thailand B.E. 2485, excluding the accounts of the Issue Department, the Note Printing Works and the Financial Institution Development Fund.

2. Summary of Significant Accounting Policies

2.1 Revenues and Expenses Recognition

Revenues and expenses are accounted for on an accrual basis. All the accrued receivables and accrued payables at year-end are shown under "Other Assets" or "Other Liabilities".

2.2 Interest Revenue

Interest is recognized on a time proportion basis that takes into account the effective yield on the asset.

2.3 Valuation of Investments, Loans and Promissory Notes

Investments in securities, Loans and Promissory Notes are stated at cost and carrying balances of principals respectively.

From fiscal year 1996, the investments in foreign securities are reported on the balance sheet at cost after amortization of the premium or discount.

2.4 Accounting for Fixed Assets and Depreciation

Premises, capital expenditures and other fixed assets over Baht 10 million were capitalized. The depreciation is allocated by the straight-line method over the estimated useful lives of the assets.

The cost of fixed assets jointly used by the Banking Department, the Issue Department, the Note Printing Works, the Exchange Equalization Fund and the Financial Institution Development Fund were allocated to each department according to space proportion basis and actual usage.

2.5 Translation of Foreign Currencies

During the year then ended, all transactions in foreign currencies are recorded at annual book rates. The annual book rates of USD and other currencies use the reference rate announced by the Bank of Thailand and the average New York closing of buying and selling rates on the last working day of the preceding year respectively. Discrepancies of the actual and the book rates are recognized as gain or loss from foreign exchange transactions. At year-end, the balance of foreign assets and liabilities are translated into Baht at new exchange rates prevailing on the balance sheet date. (These new rates will also be quoted as book rates for the following year.) The discrepancies derived from the translation are also recorded in the "Gain or Loss from Foreign Exchange" account and this account will be shown on the profit and loss account.

2.6 Provision for Contingent Loss on Forward Exchange Contracts

At year-end, commitments under forward exchange contracts with government and government enterprise agencies are valued by comparing the year-end exchange rates with the contracted rates. The excess of the year-end value over the contract value which is a contingent loss on forward exchange contracts has been fully provided for and charged it to the expense account. This loss had been recorded in the "Provision for Contingent Loss on Forward Exchange Contract" account which is included in "Other Liabilities" on the balance sheet. This provision is calculated from the contracts with contingent loss only. In case that the provision for contingent loss is overestimated, the excess will be transferred to the revenue account.

2.7 Pension Fund and Provident Fund

In 1996, the "Provision for Provident Fund II and III" was changed to "Provision for Pension Fund" according to the Bank of Thailand's Rules and Regulations for Pension Fund B.E. 2539. Since December 1, 1996, the Bank has started implementing "Provident Fund" for its employees. For the employees who joined the Bank before December 1, 1996, they may choose between the "Pension Fund" and the "Provident Fund". As for those employees who joined the Bank after December 1, 1996, they must enter the "Provident Fund" scheme. Details of the "Pension Fund" and the "Provident Fund" are as follows:

2.7.1 Pension Fund The Bank of Thailand's Rules and Regulations for Pension Fund B.E. 2539 stated that the employees who joined the Bank

before December 1, 1996, and are not in the “Provident Fund” has the right to receive pension when leaving the Bank according to conditions set by the Bank. “Lump-sum Payment Pension” is the one time payment when the employees leave the job. “Monthly Payment Pension” is a monthly life-time payment after the employees leave the Bank. In 1999, The Bank changed the provision basis from “10% of the yearly salary of the employees who joined the Bank before December 1, 1996, and are not in the Provident Fund” to “10% of the yearly salary of all employees”. The change was in accordance with Court of Directors’ resolution on October 14, 1999 and March 10, 2000. This provision is accumulated to the “Provision for Pension Fund” account.

2.7.2 Provident Fund The Bank of Thailand’s Rules and Regulations for Provident Fund B.E. 2539 stated that the Bank makes a monthly contribution of 12% of employees’ salary for employees who are members of Provident Fund. On the other hand, these employees have to contribute 5-12% of their monthly salary. These rates will be determined by the employees.

3. Deferred Unrealized Loss from Foreign Exchange under Managed Float System

In 1997, The Bank of Thailand introduced Managed Float System and had the unrealized loss from foreign exchange revaluation of Baht 83,417.9 million. From 1997 fiscal period, this unrealized loss was amortized over 5 years, approximately Baht 16,683.6 million per year. As of December 31, 1999, deferred unrealized loss from foreign exchange under managed float system account in balance sheet had an outstanding amount of Baht 33,367.1 million.

4. Contingency

4.1 The Bank of Thailand has outstanding forward contracts to sell USD 4,794.2 million, which were traded in 1999 and will be due in 2000. The weighted average forward rate is 38.059 baht per dollar. Comparing the forward rate to the 1999 prevailing year-end rate of 37.52 baht per dollar, the Bank would have the contingency gain of Baht 2,584.9 million. The Bank did not include this contingency gain in the current year Profit and Loss Account as it was unrealized and still had some uncertainties. The gain from the forward transactions will be recorded upon execution at the maturity with the certain amount.

4.2 In 1998, the Bank of Thailand entered into a swap agreement with a state agency to sell Yen 4,000 million and buy USD 39 million in 2003. After

applying the 1999 prevailing year-end rate, the bank would have a contingent loss of Baht 2.7 million that was not include in the current year Profit and Loss Account as it was unrealized and still had some uncertainties. The bank will recognize certain loss when such agreement is delivered.

5. Correction of year 2000 problem (Unaudited)

The Bank of Thailand completed its year 2000 remediation program in 1999, at a total cost of Baht 11.5 million. This cost was charged to Profit and Loss Account as incurred. Events subsequent to the balance sheet date, up to March 17, 2000, have not revealed any adverse effect of year 2000 problem on the bank's operation.

ADMINISTRATION AND PERSONNEL

Administration and Personnel

Organisation Structure and Working System

In 1999, the Bank of Thailand modernised its organisation by arranging its structure into 6 main business functions, namely monetary stability, financial institution stability, corporate support services, financial institution rehabilitation, legal and strategic capabilities under the management of the Governor, three Deputy Governors, and eight Assistant Governors. The organisation structure became flatter with shorter line and wider range of command, for fast decision-making. There were also improvement in the interchange of internal data and arrangement of similar works together under the same operation group. The internal structure of the Bank of Thailand consisted of 21 groups, 1 office, 3 regional offices, and 1 department. New groups were set up namely Data Management Group, Information and Public Relations Group and Strategic Services Group.

The Bank of Thailand has also implemented many projects to strengthen bases for modernisation of organisation structure, the significant ones were: the restructuring of organisation in line with the new structure; the restructuring of data collection system and the set up of Data Management Group; the set up of programme office; the improvement in internal lines of command system; the initiation in the change of corporate culture; the development of human resource management strategy; the pricing of payment system, the development of debt-instruments market; the improvement of technology and risk management of official reserves; the set up of school for examiners; the improvement of financial institution examination system and the development of early warning system; the improvement of data collection on financial institutions and the real economic sector; the improvement of public relation system on data and information dissemination both internally and externally; the improvement of accounting and budgeting system; the improvement of information technology system; the improvement of administration system and internal auditing; and the improvement of employees' career planning system.

Employees Distribution

At end-1999 the number of employees totalled 5,256 and the proportion of male to female was 49:51. Of the total, 68.53 percent hold Bachelor's degree and higher: 50.95 percent with Bachelor 's degree, 16.93 percent with Master's degree

and 0.6 percent with Doctoral degree. During the year, 61 employees resigned, accounting for 1.16 percent of the total workforce, not including 6 employees who resigned under the early retirement programme.

Administration and Human Resource Development

In 1999, the Bank of Thailand implemented various measures to enhance efficiency in human resource administration and development system. These projects included the appointment of Team Executive position by examination system, the improvement of annual salary increase assessment with the introduction of substantive performance evaluation system; the implementation of Mutual Separation Plan (MSP) with the aim to reduce the size of the organisation and to solve problem of employee distribution in some sector (under the MSP project, a total of 175 employees resigned, effective 1 January 2000); the improvement of compensation method; the appointment of Human Resource Manager and committee for personnel development and management; the set up of Human Resource Committee; and the improvement in information technology on personnel for administrative purposes.

On personnel development, there were arrangements of study courses, study visit and scholarships to officers. Further more, a system was set up to develop personnel with high potential to be at management level in the future. There were arrangements of job-rotation, on the job training in other institutions, on the job training at the Bank of Thailand for personnel from outside and to increase knowledge and experiences for officers at the Bank of Thailand regional offices. Also, in co-operation with the consulting company, systems of performance and potential evaluations were set up together with personnel development system to be in line with personnel career path and the set up of school for examiners.

Members of the Court of Directors

As at December 31, 1999

Chairman	M.R. Chatu Mongol Sonakul
Vice Chairmen	Mrs. Tanya Sirivedhin Mr. Kitti Patpong-pibul
Members	Mr. Wissanu Krea-ngam Mr. Ackaratorn Chularat Mr. Sompol Kiatphaibool Mr. Ekamol Kiriwat Mr. Thienchay Kiranandana Mr. Kiattisak Jelatianranat Mr. Sansern Wongcha-um Mr. Visut Montriwat

Executive Staff

Governor

M.R. Chatu Mongol Sonakul

Deputy Governor

Corporate Support Services
Financial Institutions Stability

Mrs. Tanya Sirivedhin
Mr. Kitti Patpong-pibul

Assistant Governor

Operations
Legal
Monetary Policy Group
Financial Markets Operations Group
Financial Institutions Policy Group
Supervision Group
Fund Management Group

Mr. Techapit Sangsingkeo
Mr. Rathakorn Nimwatana
Mr. Thirachai Phuvanatanarubala
Mr. Chetthavee Charoenpitaks
Mrs. Tarisa Watanagase
Mr. Kiattisak Meecharoen
Mr. Chaktip Nitibhon

Senior Directors

Economic Policy
Financial Markets and Reserve Management
Financial Institutions Policy
Supervision 2
Supervision 5
Corporate Debt Restructuring Group
Information and Public Relations Group
Modernization Program Office
Data Management Group
General Administration Group
Payment Systems Group
Human Resources Group
Internal Audit Group
Litigation Group
Accounting Group
Deposits and Debt Instruments Group
Legal Group
Information Technology Group
Note Issue Group
Southern Region Office
Northeastern Region Office
Northern Region Office
Note Printing Works

Mrs. Atchana Waiquamdee
Mrs. Tasna Rajatabhothi
Mr. Kiatchai Sophastienphong
Mr. Adul Dulyapiradit
Mr. Weerasak Rujirakul
Sub-Lt. Yodchai Choosri
Mrs. Thanya Suraswadi
Mrs. Nopamart Manoleehagul
Mrs. Swangchit Chaiyawat
Ms. Aroonsri Tivakul
Mrs. Saowanee Suwannacheep
Mr. Chittiphan Sukhakij
Ms. Udomsap Techakampuch
Mr. Uttaya Limchumroon
Mrs. Nongnart Sondysuvan
Mr. Kumron Kumkeo
Mr. Krirk Vanikkul
Mrs. Niyada Kanishtararat
Mrs. Uthaivana Hansongkitpong
Mr. Navarat Lekhakula
Mr. Sermsingh Sinhaseni
Mr. Bandid Nijathaworn
Mr. Metha Suvanasarn

Senior Expert

Mrs. Kleo-Thong Hetrakul

Directors

Real Sector
International Economics
Treasury Risk Management and Operations
Financial Institutions Resolution
Special Projects and Analysis
Supervision 1

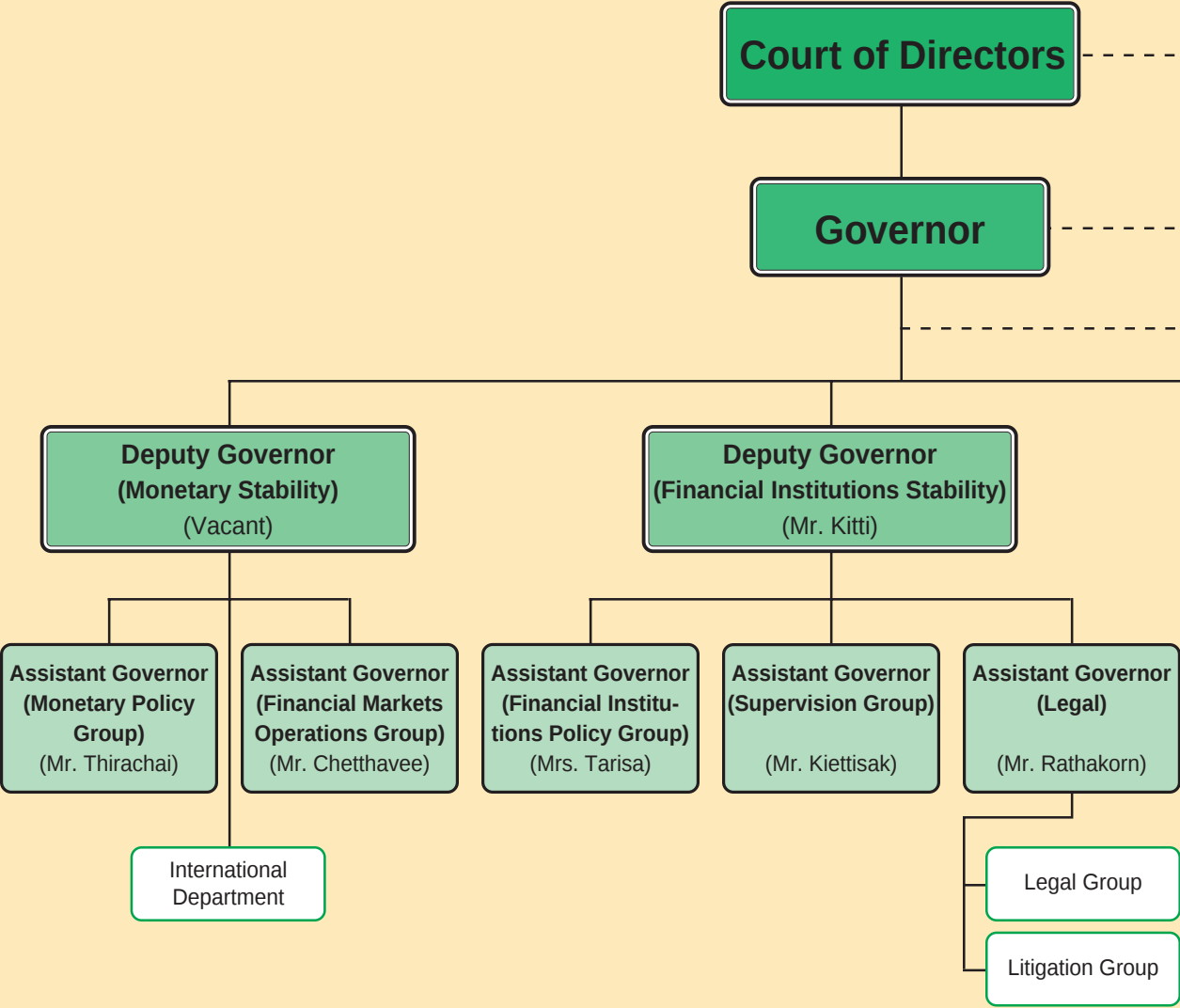
Mrs. Poonsin Chalermpong
Ms. Nitaya Pibulratanagit
Ms. Duangmanee Vongpradhip
Mrs. Salinee Wangtal
Mr. Samart Buranawatanachoke
Mr. Preecha Poramapojn

Supervision 3	Mr. Somkiat Pongtippun
Supervision 4	Mr. Smarn Rompho
Supervision 6	Mr. Wiset Taengnoi
Supervision 7	Mrs. Sunet Ratanavanich
Corporate Debt Restructuring 1	Mr. Pisit Samahito
Corporate Debt Restructuring 2	Mrs. Porntip Gongsakdi
Corporate Debt Restructuring 3	Mr. Sumart Nukunphadit
Corporate Debt Restructuring 4	Mr. Chumpol Donsakul
Corporate Debt Restructuring 5	Ms. Prangtip Busayasiri
Corporate Debt Restructuring 6	Mr. Oubaur Kruthanooch
Corporate Debt Restructuring 7	Mr. Tumnong Dasri
Corporate Debt Restructuring 8	Mr. Boonlerd Leongnarktongdee
Corporate Debt Restructuring 9	Ms. Prapai Suwanrat
Public Relations	Mrs. Chaemcharas Benjanuwat
Library and Information Centre	Mrs. Sirima Srisomwong
Bank of Thailand Museum	Mr. Tanin Mukdaprakorn
Strategic Capabilities	Ms. Bhimolban Bavovada
Security Group	Mr. Kitti Pichairuth
Building Construction and Renovation	Mrs. Suwannee Jenpanichkarn
Procurement	Mrs. Anchaneekorn Kulachote
Payment Operations	Mr. Sayan Pariwat
Human Resource Planning and Development	M.R. Nopkatemanee Tengniyom
Compensation and Benefits Administration	Ms. Porntipaya Chulanuka
Training Institute	Mrs. Vorasulisi Songcharoen
Information Technology and Note Operations Audit	Ms. Anotai Permvudivoranand
Legal Proceedings	Mr. Arkabuth Krairikh
Accounting Group	Mr. Temsuk Bundittham
Provincial Deposits and Debt Instruments	Mrs. Pensri Boonteykul
International Department	Mrs. Vasana Kwanchan
Legal Group	Mr. Piroj Hengsakul
Financial Systems Development and Technology Management	Mr. Chim Tantiyaswasdikul
Information and Administration Systems	Ms. Napajorn Hemachandra
Cash (Note Issue Group)	Ms. Sompong Yongvanich
Note Handling (Note Issue Group)	Mr. Ithichai Chanthrindhu
Fund Operations (Fund Management Group)	Mr. Vichan Amorojanavong
Operations (Southern Region Office)	Mr. Sommart Sangchanthamane
Operations (Northeastern Region Office)	Mr. Krish Follett
Operations (Northern Region Office)	Mr. Sorasit Soontornkes
Lampang Branch	Mr. Jirapong Dibyamondol
Research and Support (Note Printing Works)	Mr. Nopporn Pramojaney
Engineering and Projects (Note Printing Works)	Mr. Boonchao Wongchaowat
Note Production (Note Printing Works)	Mr. Boonsong Chaisa-ard
General Administration (Note Printing Works)	Ms. Duengdao Sombutsiri

Chiefs

Representative Office (New York)	Mrs. Suchada Kirakul
Representative Office (London)	Ms. Nopawan Mahamusik

Bank of Thailand's Organisation Chart



As of December 31, 1999

