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World Bank Thailand Office

14th Floor Tower A  
Diethelm Towers  
93/1 Wireless Road  
Bangkok 10330, Thailand  
(662) 256-7792  
<http://www.worldbank.or.th>

Country Director: J. Shivakumar  
Comments to:  
Kirida Bhaopichitr  
Ejaz Ghani  
[EGhani@worldbank.org](mailto:EGhani@worldbank.org)  
[KBhaopichitr@worldbank.org](mailto:KBhaopichitr@worldbank.org)



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Thailand Economic Monitor: Executive Summary

- **Economic prospects have improved.** Recovery has been helped by fiscal stimulus, growing exports in line with the regional recovery, and the rebound in the manufacturing sector. Real GDP is now projected to grow by 3-4 percent in 1999.
- **But recovery is still in its early stages.** Evidence of a broad based recovery is only now emerging. Investment and consumption indicators are strengthening. While both investment and consumption contracted on a year on year basis in the first quarter of 1999, they both grew quarter on quarter when seasonally adjusted.
- **Exports have picked up.** Export volumes grew by 7.3 percent in the second quarter of 1999 on a year on year basis. Exports of high-tech goods and resource-based goods are reported to be expanding while exports of agricultural and fishery products are contracting. Import volumes are also expanding rapidly. In US dollar terms, imports of capital goods and imports of raw materials and intermediate are growing. The current account surplus remains strong at \$5.5 billion in the first of 5 months of 1999, \$800 million less than in the same period in 1998.
- **External vulnerability reduced although some downside risks remain.** Short-term debt has come down to approximately \$18.3 billion by May 1999. Total debt declined from \$93.4 billion at the end of 1997 to \$80.7 billion in June 1999. Net international reserves are estimated at \$28.8 billion in mid-August, considerably above short-term debt estimated at \$18.3 billion. Other external risks include a slow down of the US economy, delayed recovery in Japan, and currency devaluation by China. These risks are manageable.
- **Non-performing loans are down but more active measures are needed to resolve the still large NPL problem.** Bank stocks doubled in value during the first half of the year. More recently, investor sentiment has

been dampened by the slow progress in reducing NPLs and inadequate capital in state owned banks.

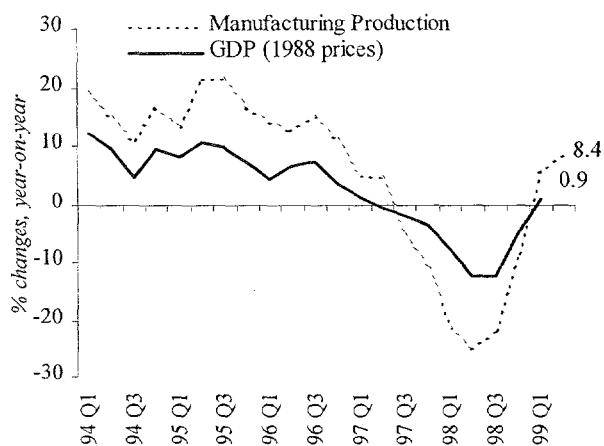
- **Pace of corporate restructuring is picking up but much more needs to be done.** CDRAC's role in improving both the quality and speed of restructuring needs further strengthening. Utilization of Court-Supervised Bankruptcy and Rehabilitation remains low.
- **Impact of the crisis on social sectors has been significant but less than originally anticipated.** Poverty incidence rose from 11.3 percent in 1996 to 12.7 percent in 1998. Its adverse impact has been cushioned by the protection of government expenditure, wide availability of public services and coping mechanisms employed by families (notably in reallocating spending towards education, see also the Social Monitor prepared by the World Bank office).
- **Sustaining recovery will require accelerated implementation of the Government's social and structural program.** While there are early signs of recovery, sustaining future growth will depend on a number of factors. First, the momentum on corporate and financial sector restructuring need to be accelerated to ensure that the size of NPLs do not become a barrier to recovery. Second, public sector reform will need to remain at the center of the agenda to ensure improved governance, decentralization and transparency. Finally, Thailand will need to continue to strengthen its competitive position to ensure that future growth is productivity driven. Nearly 1.1 million additional Thai people fell below the poverty line in 1998 as a result of the crisis, and a sustained recovery is needed to pull them and the others out of poverty in the future.

**ECONOMIC ACTIVITY**

**Recovery is underway...**

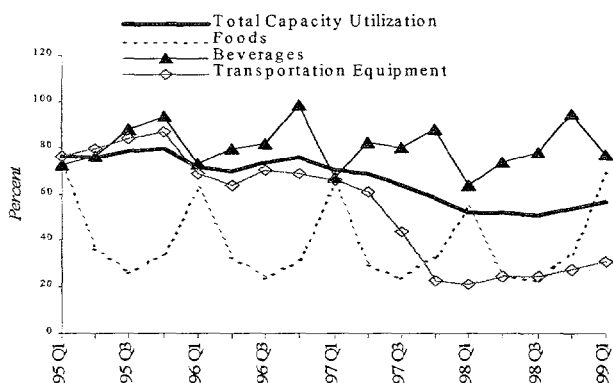
Real GDP recorded the first growth since the second quarter of 1997. Real GDP grew by 0.9 percent in the first quarter of 1999 year-on-year (Figure 1). The signs of recovery are most visible in the manufacturing sector (accounting for 35 percent of GDP) which grew by 4.7 percent and 8.4 percent in the first and second quarters of 1999, respectively.

**Figure 1: Quarterly Production Figure**



Capacity utilization has increased. Average total capacity utilization rose to 59.2 percent in the second quarter, compared with the average of 52.1 percent in all of 1998. Food, beverages, and transportation and equipment industries, which includes the production of vehicles, recorded the largest improvements in capacity utilization (Figure 2).

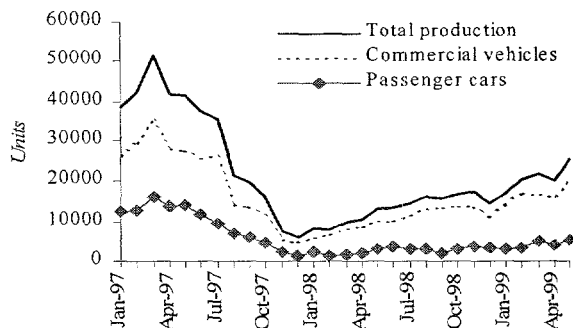
**Figure 2: Capacity Utilization**



**...with high growth in the vehicle production.**

Vehicles production continued to grow rapidly. Fueled by exports, commercial vehicle production increased by 100 percent on a year-on-year basis in the first quarter of 1999. Passenger car production, primarily for domestic consumption, expanded at similar rates which may be the first sign of improved consumer confidence (Figure 3).

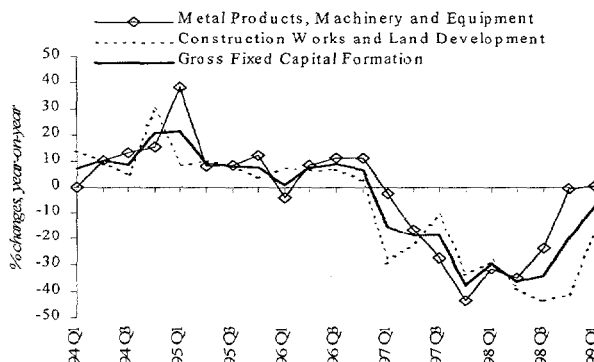
**Figure 3: Vehicles Production**



**Domestic demand is showing early signs of recovery ....**

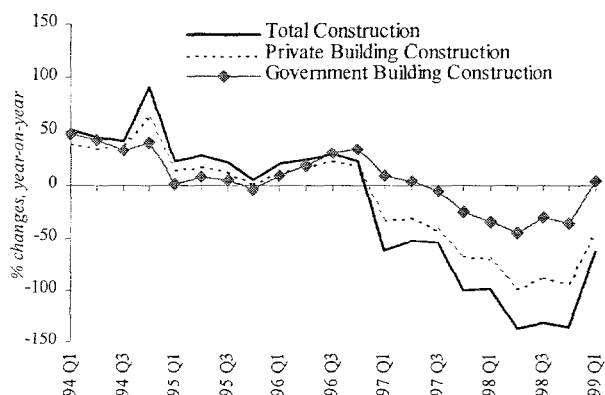
Investment is improving. While investment was still contracting on a year-on-year basis, the seasonally adjusted level is rising. Gross fixed capital formation contracted by 7.1 percent on a year-on-year basis in the first quarter of 1999. But, when seasonally adjusted, investment has been on the rise since the third quarter of 1998 (Figure 4). One factor contributing to the more positive investment picture is government construction investments. These investment rose for the first time in the first quarter of 1999 on a year-on-year basis after having declined since the third quarter of 1997 (Figure 5).

**Figure 4: Quarterly Investment Figures**

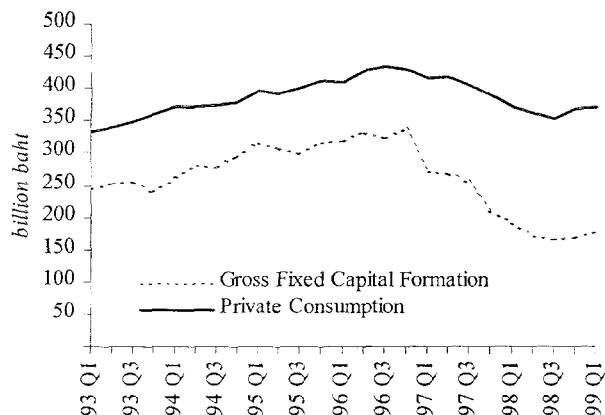


Contraction in private investment is moderating. While most of the monthly investment indicators are still contracting on a year-on-year basis, they seem to have bottomed out, and one indicator, domestic galvanized iron sales, is now expanding on a year-on-year basis. Going forward, the depth of recovery in private investment will depend on the speed of corporate restructuring.

**Figure 5: Private and Government Construction Activities**



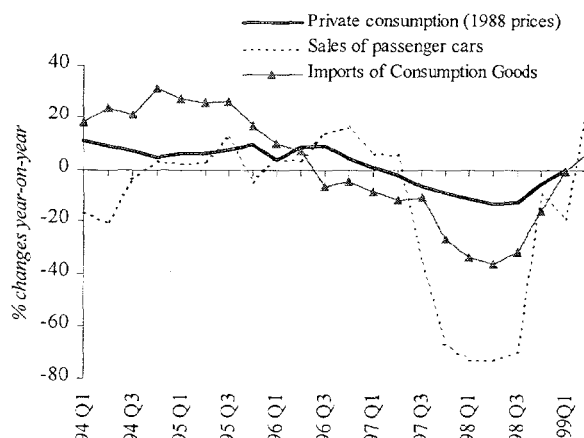
**Figure 6: Real Private Investment and Consumption (Seasonally Adjusted)**



Private consumption has been rising since the third quarter 1998. Private domestic consumption (41 percent of GDP) contracted by only 0.2 percent year-on-year in the first quarter of 1999 when compared to a more than 10 percent contraction in each quarter of 1998. This more positive trend was also reflected in several other private consumption indicators, including imports of consumption goods and domestic sales of passenger cars (Figure 7). Passenger car sales rose to more than 6,000 in June compared to an average monthly figure of 3,400 in 1998. Similar

positive trends were visible in sales of motorcycles and commercial vehicles.

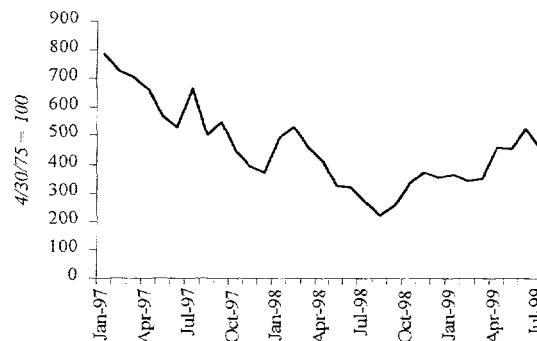
**Figure 7: Private Consumption Indicators**



...helped by the rising stock market.

The SET index rose from 459.35 to 521.77 in June, before falling to 440.27 by August 3st. The growing confidence in the Thai economy has helped the stock market. Most credit rating agencies have improved the outlook for the economy, although downside risks remain.

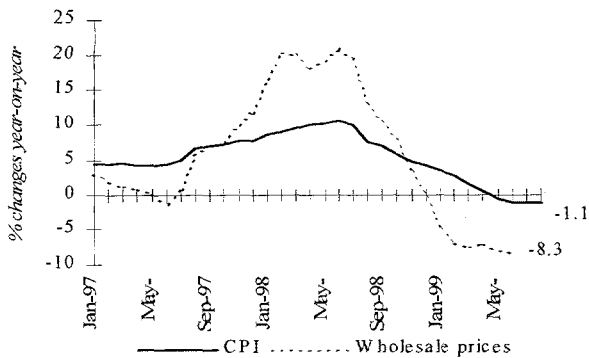
**Figure 8: Stock Index (End of Period)**



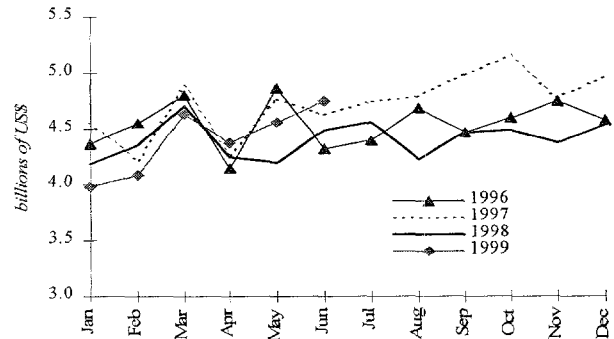
...while inflation continued to fall.

Consumer prices fell by 1.1 year-on-year in July and August. This was in line with the fall in prices of rice and cereals and fruits and vegetables. Rice and cereal prices dropped as a result of the decrease in their exports leaving more supply in the local economy. Non-food prices fell by 0.7 percent year-on-year in July and rose by 0.2 percent in August from the rise in fuel and electricity prices (Figure 9).

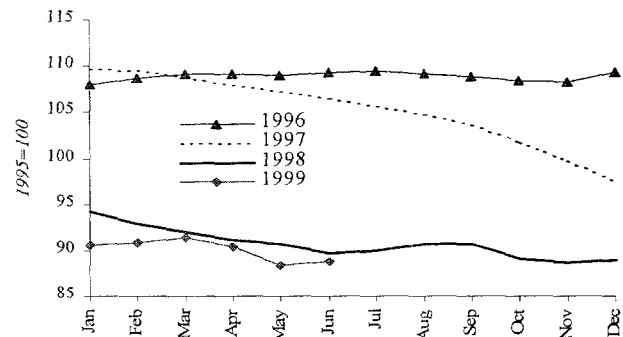
**Figure 9: Consumer and Wholesale Price Indexes**



**Figure 11: Exports in US\$**



**Figure 12: Export Prices**



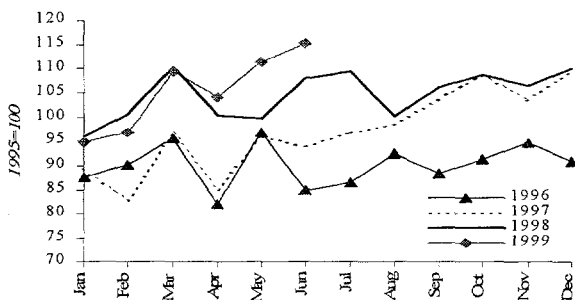
**EXTERNAL SECTOR**

**Exports are increasing.**

Export volumes are expanding again. After a disappointing first quarter of 1999, export volumes grew by 7.3 percent in the second quarter of 1999 when compared with the same period in 1998. In the month of May, volumes expanded by an impressive 11.5 percent, the highest rate of growth since July 1998 (Figure 10). Volumes are estimated to have grown by 6.8 percent in June. While agricultural and fishery exports are still contracting on a year-on-year basis, exports of high-tech and resource-based manufacturing goods are expanding.

In US dollar terms, exports rose to \$4.8 billion in July, the highest level since December 1997. Exports in dollar terms have only grown a modest 0.7 percent in the first half of the year when compared with the same period last year. However, the now expanding export volumes and more stable export prices (Figure 10) suggest that export value growth could improve in the coming months.

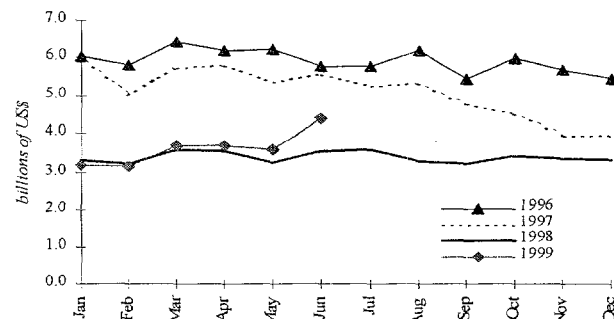
**Figure 10: Export Volumes**



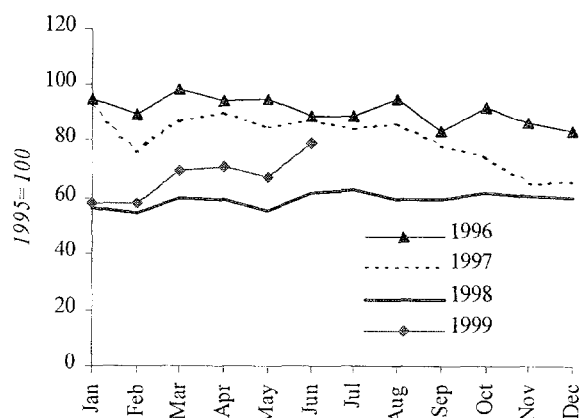
**Imports have also increased**

Imports are also expanding in line with the economic recovery. Imports in US dollar terms jumped to \$4.3 billion in June and \$3.8 billion in July, after having averaged \$3.3-3.4 throughout 1998. The volume of imports rose by 16 percent in the first half of 1999 when compared with the first half of 1998. The increases are being driven by rising imports of intermediate goods and capital goods. In line with the pickup in vehicles production, imports of vehicles and parts is growing fast, by more than 130 percent on a year-on-year basis in the first quarter of 1999. Imports of consumer goods is still declining in US dollar terms.

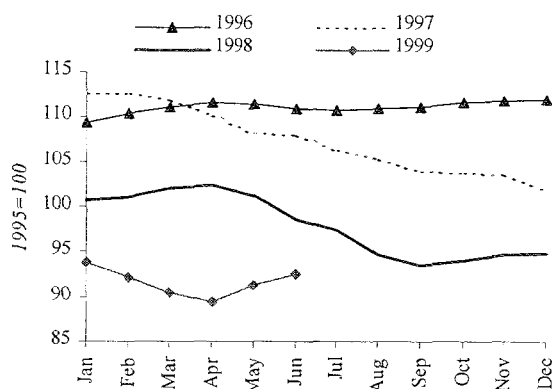
**Figure 13: Imports in US\$**



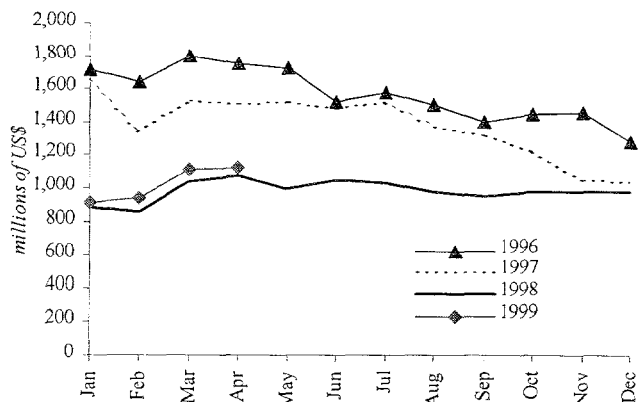
**Figure 14: Import Volume Index**



**Figure 15: Import Price Index**



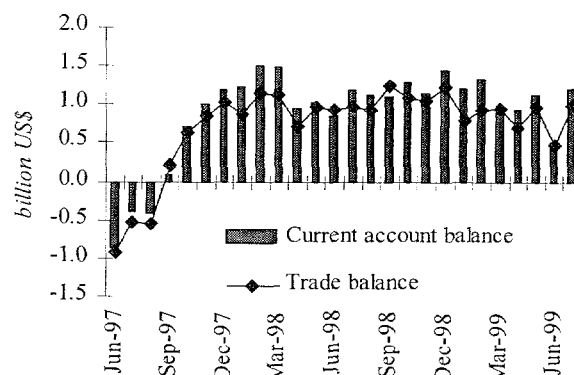
**Figure 16: Imports of intermediate goods and raw materials (million US\$)**



**The current account surplus was almost \$6 billion in the first six months of 1999...**

Trade surplus widened in July after narrowing down in June. The trade surplus has hovered around \$1 billion in each month of 1998 and the first quarter of 1999. However, in the second quarter imports were rising faster than exports leading to a narrowed surplus of approximately \$500 million in June. In July, imports slowed down while services and transfers accounts receipts increased significantly from that of June. Current account surplus in July jumped to \$1.2 billion while trade surplus was almost \$1 billion. Current account surplus totaled \$7 billion from January to July compared with over \$7 billion in the same period in 1998.

**Figure 17: Current account and trade balance**

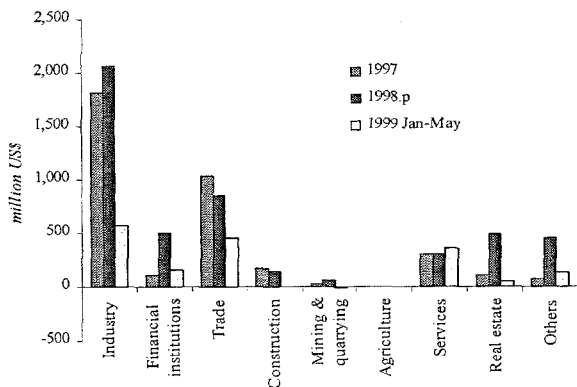


**...and foreign direct investment remains strong...**

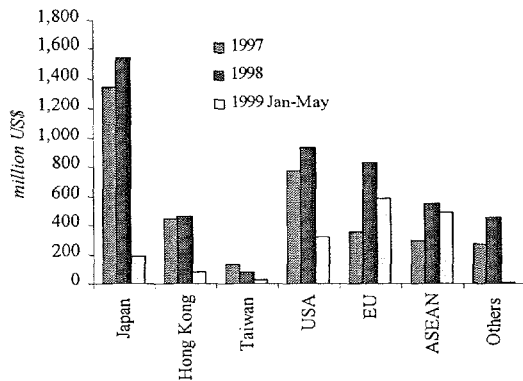
Foreign direct investment flows remain high. Throughout the crisis, foreign direct investment has been one of the only private capital inflows (Figure 18). FDI in the first five months of 1999 \$2.7 billion with almost \$1 billion bank recapitalization inflow in May 1999. FDI for all of 1998 totaled \$7.0 billion.

The majority of foreign direct investment in 1998 went to financial institutions, mainly due to the \$2.1 billion for bank recapitalization. The same distribution was repeated in the first five months of 1999. Excluding bank recapitalization, the industrial sector has absorbed much of the FDI. Japan has been replaced as the largest investor by investors from the EU and ASEAN in the first five months of 1999 (Figure 19).

**Figure 18: Foreign Direct Investment by Sector (Excluding Bank Recapitalization)**



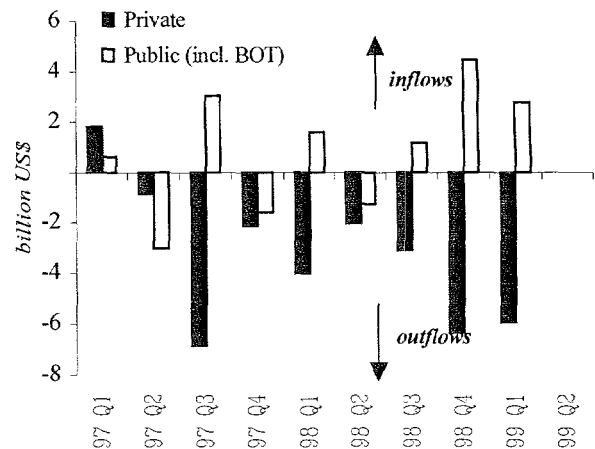
**Figure 19: Foreign direct investment by country (Excluding Bank Recapitalization)**



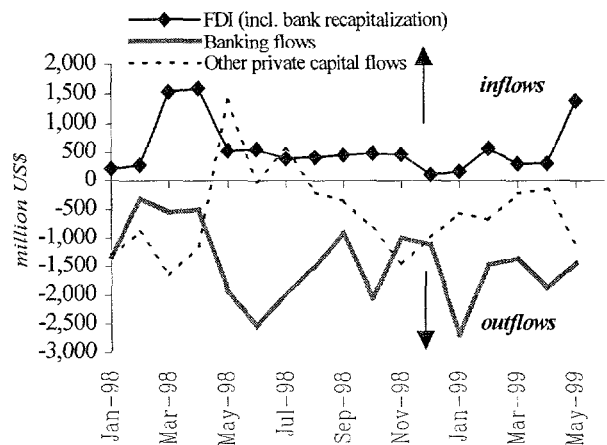
...and the external debt structure is becoming less vulnerable.

Net private capital outflows remains high at over \$8 billion in the first six months of 1999. High foreign direct investment inflows are still being more than offset by large capital outflows which are mainly due to large banking outflows used to repay short-term debt, and increase foreign assets held by commercial banks. In the first five months of 1999, net capital outflows from the banking sector totaled \$8.8 billion, compared with \$8.5 billion in second half of 1998.

**Figure 20: Private and public capital flows**

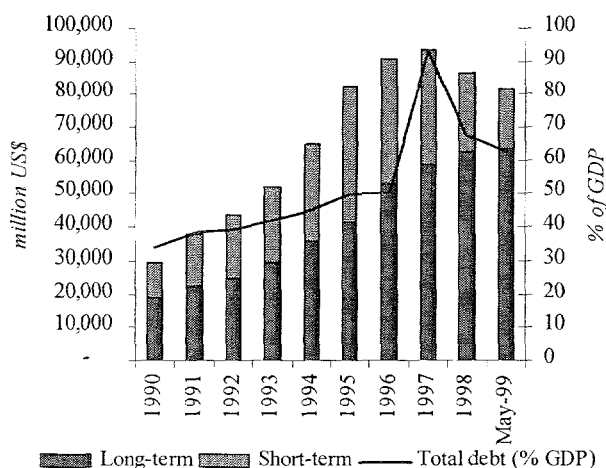


**Figure 21: Private capital flows**



The large amount of capital outflows has been used to decrease short-term debt. During the years of economic boom, Thailand's private sector had to a large extent depended on short-term borrowing. When the economic crisis was triggered in June 1997, short-term debt had reached a total of almost \$43 billion, compared with total gross reserves of \$32.3 billion, and extremely low net reserves. The external vulnerability of the Thai economy has been strongly reduced since then, with short-term debt coming down to approximately \$18.3 billion by May 1999. Total debt declined from \$93.4 billion at the end of 1997 to \$80.7 billion in June 1999 (Figure 22).

Figure 22: Long- and short term external debt<sup>1</sup>



**The build-up of international reserves continues.**

Gross reserves grew further to \$31.9 billion on August 13. Total forward obligations were brought further down to \$3.1 billion on August 13 from \$18 billion at the end of 1997, and the remainder is reported to be onshore obligations. Net international reserves are estimated at \$28.8 billion, considerably above short-term debt at \$18.3 billion at the end of May (Figure 23).<sup>2</sup> Thailand has drawn approximately \$13.5 billion in loans and standby-credits (Figure 24).

Figure 23: Official reserves and short-term debt

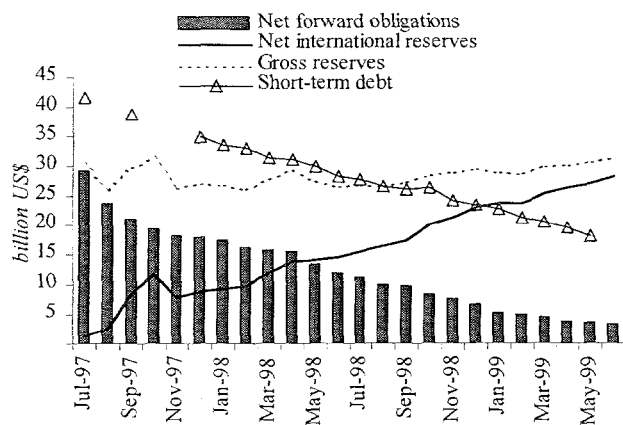
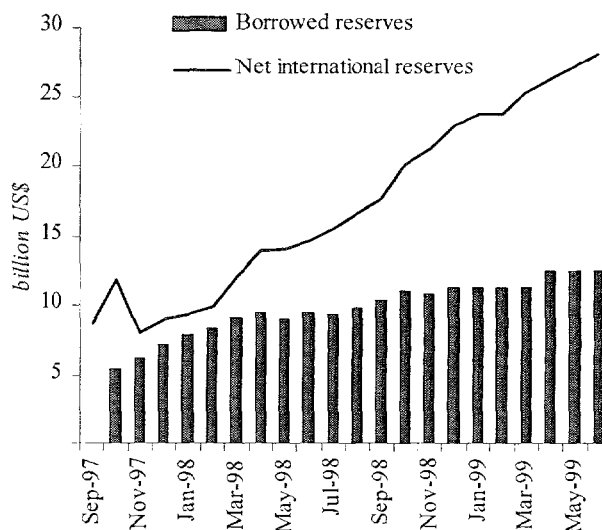


Figure 24: Estimate of amount of borrowed reserves



**MACROECONOMIC POLICIES**

**With output still well below potential, the government launched a second fiscal stimulus package to boost private investment.**

The second stimulus package aims to encourage private investment. The new set of measures consists of four parts: (1) tax and tariff measures; (2) equity investment measures; (3) measures to promote the recovery of the real estate sector; and (4) measures to improve financing for small and medium enterprises (SMEs). The tariff measures, estimated to result in a baht 5 billion short-fall in revenues, will focus on reducing rates on capital goods, raw materials, and products that are not being produced domestically. The tariff reductions are in part implemented to fulfill international commitments under the ASEAN Free Trade Area agreement.

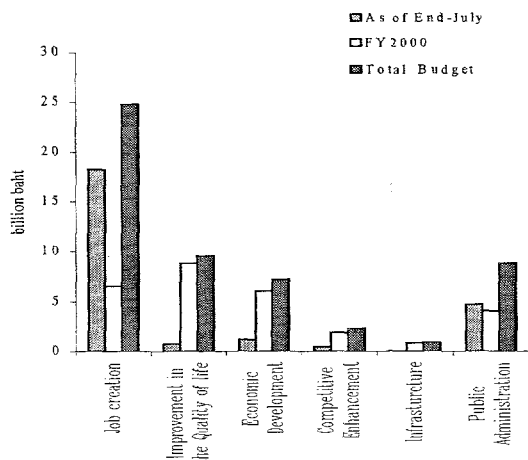
**One-half of the WB/Miyazawa funds have been disbursed...**

The majority of the disbursement of the first stimulus package have been used to create jobs. The government has used 18 billion baht out of 24.8 billion baht spent by end-July to create jobs and alleviate the social impact of the economic crisis (Figure 25). The money were spent under the April 1 stimulus package and financed by the 53 billion baht



(\$1.4 billion) WB/Miyazawa funds. In addition to the 53 billion baht additional expenditures, the April 1 stimulus package consisted of tax measures estimated to result in a short-fall of revenue of 54.7 billion baht, and measures to lower energy prices.<sup>3</sup>

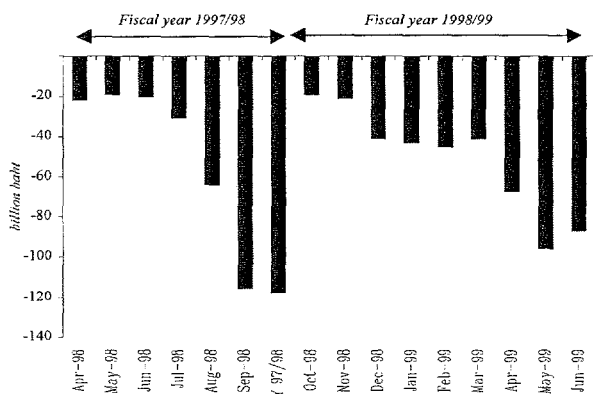
**Figure 25: Allocation of Bt53 billion stimulus package<sup>4</sup>**



**...but there are still delays in spending the original budget.**

*Fiscal expenditures continue to be behind Government program targets.* While expenditures have risen in the second quarter of 1999, expenditures are behind the programmed targets set to stimulate the economy, and the increases in the central government's expenditures are partly due to interest expenses on the FIDF bonds worth baht 500 billion.

**Figure 26: Cumulative cash balance**



**The government plans to continue its deficit spending to support recovery...**

*The budget of Bt860 billion for fiscal year 2000 was approved by Cabinet on April 20, 1999.*

The budget is Bt35 billion, or 4.2 percent larger than in fiscal year 1999. The budget deficit will be 5 percent of GDP for the fiscal year 2000. The declining deficit is based on projections of increased revenues as the economy revives. The expenditure of Bt860,000 million can be classified as follows:

Expenditure	Amount (million baht)	+/-	+/- (%)	ratio to budget
Investment Exp.	219,373.7	-13,490.3	-5.8%	25.5%
Regular Exp.	633,306.1	+46,520.3	+7.9%	73.6%
Loan payment	7,320.2	+1,970.0	+36.8%	0.9%

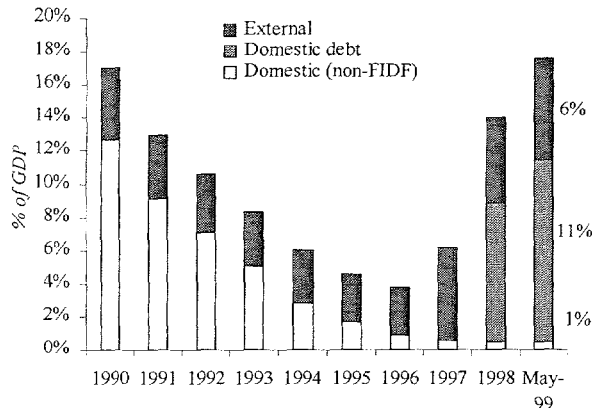
**...and public debt is sustainable but it will require increasing attention in the medium term**

*Central government debt has increased during the crisis.* Central government (CG) debt as a percent of GDP had been declining in the past decade as a result of fiscal surpluses and rapid GDP growth. CG debt has risen from baht 176 billion (4 percent of GDP) at the end of 1996 to almost baht 861 billion (approx. 18 percent of GDP) by May 1999. CG debt has soared because of the issuance of baht 500 billion worth of bonds to cover losses incurred by the FIDF. Future issuance of additional baht 350 billion worth of FIDF bonds in the coming years may be necessary to cover the remaining of FIDF losses. The bond issuance combined with this year's and next year's planned CG deficits, could raise CG debt to more than 25 percent by the end of year 2000. Interest expenses as a percent of the central government's budget has already risen from less than 2 percent in 1996 to 5 percent in 1998 and is likely to rise 9 percent or more in the medium term.

*With interest expenses rising, concerns regarding the inflexibility of the central government's budget may increase.* Non-compressible items, such as wages, salaries and interest payments could rise to 11 percent of GDP. With revenues historically averaging only 16-17 percent of GDP, there is concern that investment will fall to unacceptable levels. In the medium term, taxes must rise to restore flexibility to fiscal policy. Alternatively, or in

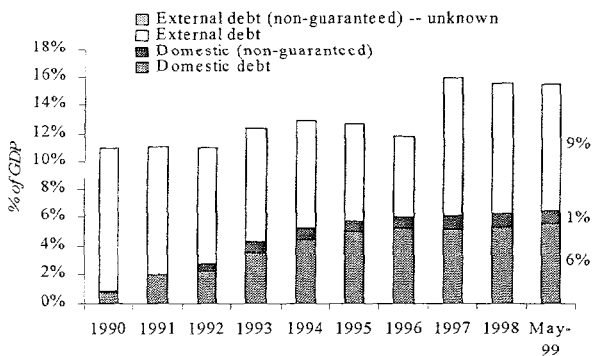
addition, state-owned enterprise reform will need to be accelerated to reduce debt and thereby reduce interest expenses. External financing of investment projects, or general budgetary support, can also help maintain acceptable levels.

**Figure 27: Central government debt**

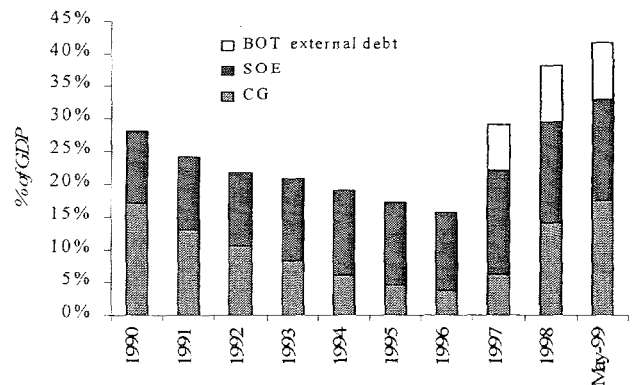


Other types of public sector debt have also risen sharply. Debt held by non-financial state-owned enterprises, both guaranteed and non-guaranteed by the central government, has also risen during the crises, from 12 percent of GDP at the end of 1996 to 15.5 percent of GDP by May 1999. While this type of debt does not pose an immediate squeeze on the central government's budget, there are close linkages between SOEs and the CG budget which may warrant a closer monitoring of SOE debt. Finally, public debt has risen through the Bank of Thailand's external borrowing of \$13.5 billion under the IMF-sponsored rescue package. Similar to the SOE's debt, the CG are not immediately responsible for setting aside budgets to service and repay this debt.

**Figure 28: Non-financial SOE debt**



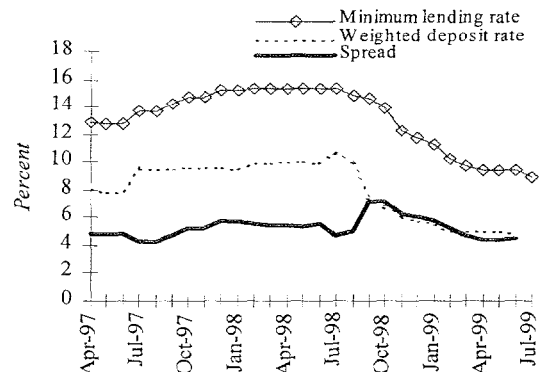
**Figure 29: Consolidated Public sector debt**



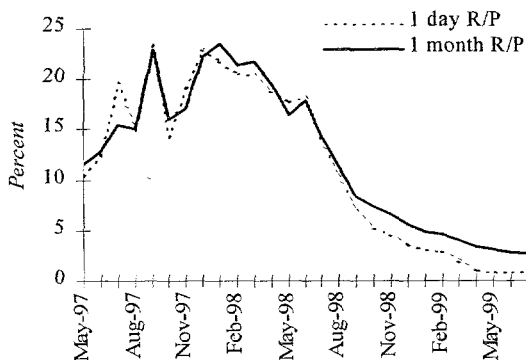
Nominal interest rates continued to fall while real interest rates rose.

Commercial bank prime lending rate (MLR) continued to fall. MLR was 8.8 percent by the end of the second quarter of this year. The weighted deposit rate fell slightly to 4.9 percent. High liquidity conditions in the money market led to a further decline in one-day and 1-month repurchase rates (Figure 30).

**Figure 30: Interest Rates and Spread**

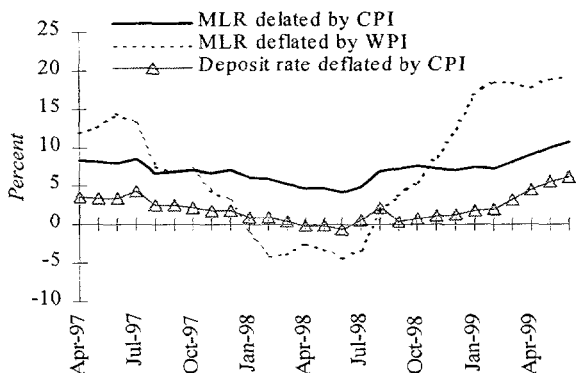


**Figure 31: Money Market Rates  
(1-Day and 1-Month Repurchase Rates)**



Real interest rates, however, were rising. Real lending rates rose by 0.8 percent from the end of the first quarter to 19.3 percent in the end of the second quarter, while real deposit rates rose by 2.8 percent to 6.1 percent. This reflected a more rapid decline in the levels of prices than those of nominal interest rates.

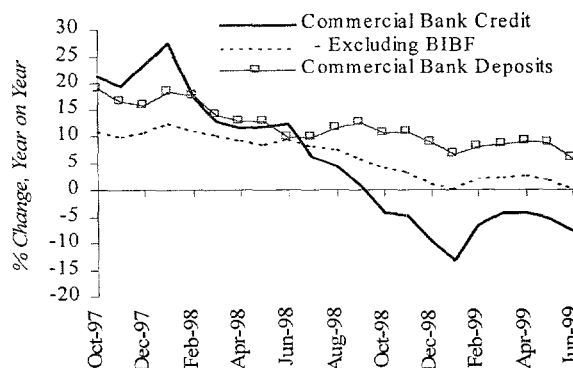
**Figure 32: Real Interest Rates**



**Commercial bank credit growth is still negative.**

Commercial bank credit declined by 6.1 percent on a year-on-year basis in July. This was mostly due to the debt write-off by some commercial banks in the first half of the accounting year and the decline in BIBF credits which was caused by debt repayments. Excluding BIBF's contraction in credit, commercial bank credit grew by 1.3 percent (Figure 33). Deposits in commercial banks grew by 5.9 percent in June on a year-on-year basis. In July, the monetary base contracted by 4.4 percent on a year-on-year basis after having expanded by 1.1 percent in June. Narrow money (M1) increased by 14.4 percent while broad money (M2) grew by 6.1 percent when compared to the end of the second quarter of 1998.

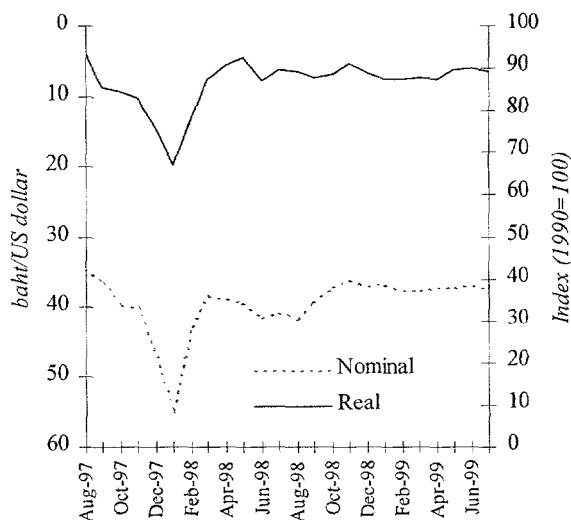
**Figure 33: Commercial Bank Credit and Deposit Growths**



**The baht strengthened in June and July but weakened in August.**

Average exchange in July appreciated by 1 percent from March. The baht was to 36.91 to the US dollar in June. This was the result of an increase in net capital inflows in the second quarter of 1999. By end of August, with rumor and speculation of the Chinese Renminbi devaluation and uncertainties about the growth of the U.S. economy, the baht weakened to 37.91. Real effective exchange rates have depreciated slightly by approximately 2 percent from the same period in 1998 since inflation had fallen by more than nominal appreciation in the baht. (Figure 34).

**Figure 34: Average Exchange Rates**

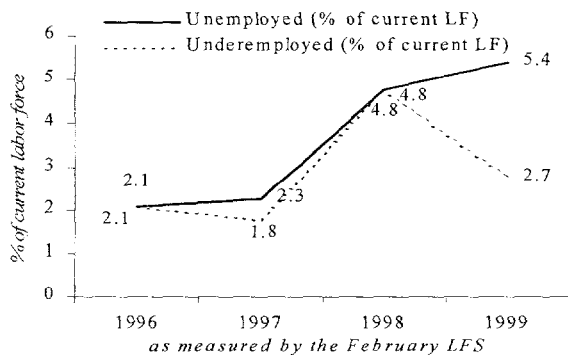


**SOCIAL IMPACT**

**Unemployment increased further reflecting lags in adjustment.**

Unemployment rose to 5.6 percent of the current labor force in May 1999. According to the May 1999 Labor Force Survey (LFS) conducted by the National Statistical Office (NSO), the number of unemployed had increased slightly to 1.7 million in May 1999 (5.6 percent of the current labor force) from 1.6 million in May 1998 (5.3 percent of the current labor force).

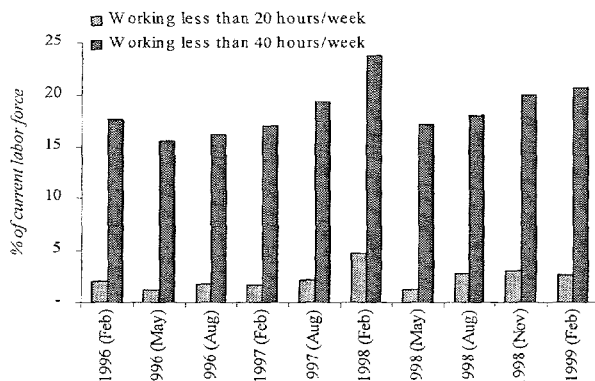
**Figure 35: Unemployment and underemployment (<20 hours a week)**



**Underemployment has fallen.**

The number of Thais working less than 20 hours a week has declined since the peak last February. In the February LFS, 862,600 people were reported to have worked only 20 hours a week (2.7 percent of the current labor force) compared with 1,477,000 people in February 1998 (4.8 percent of the current labor force).

**Figure 36: Underemployment**



Despite the government's efforts to create new jobs, unemployment can be expected to rise in 1999 because output growth will not be strong enough to absorb new entrants to the labor force. Approximately Bt24.8 billion of the fiscal stimulus package will be used to create 86,000 jobs for skilled workers and 400,000 jobs for unskilled workers. The total level of employment has been increasing. Unemployment is expected to increase from the new entrants to the labor force rather than fall in employment level.

**FINANCIAL SECTOR**

**Non-performing loans (NPLs) were down slightly in June...**

June NPLs in the Thai financial system fell to Bt2.66 trillion (\$72 billion) from Bt2.73 trillion (\$73.9 billion) in May, a 2.6-percent decline, which is the largest drop in the past six months. Loan restructuring and write-offs are believed to be the key contributor to the reduction in NPLs. However the decline in the system-wide NPL ratio (NPLs divided by total outstanding loans) improved only slightly, from 47.7 percent in May to 47.5 percent in June. Total loans outstanding fell (2.3 percent) in June, month on month (MoM), a consequence of loan write-downs by large banks and by loan repayments.

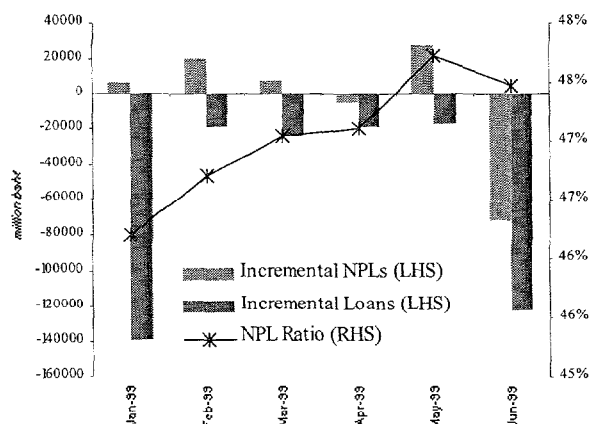
Non-performing loans of private banks and finance companies have slightly fallen. Private banks saw the largest monthly decrease in NPLs outstanding at 6.1 percent, and their loans outstanding also declined by 2 percent MoM, with the result that their NPL ratio held at 41 percent. The NPL ratio of foreign banks and finance companies appeared to have increased in June because their outstanding loans fell to a greater extent than their outstanding NPLs. In fact NPLs of foreign banks and finance companies fell by 0.3 percent and 1.9 percent respectively. Only state banks' NPLs continued to increase in June by 1 percent while their loans outstanding have decreased slightly in June by 0.8 percent (See Table 15 and the chart below).

**...but more active measures are needed to resolve the still large NPL problem.**

Sustained and complete recovery could be delayed as long as the financial system is loaded with

*bad loans*. It is to be expected and bankers confirm that banks with a high level of NPLs are risk averse and will not lend, even on sound loan applications. Their resources and management time are devoted to NPL resolution and survival, and a significant portion of their borrowers are in default and therefore are ineligible for consideration.

**Table 37: Incremental NPLs and Loans of Financial Institutions**



*Rescheduling NPLs by banks may lead to NPLs rising in the future.* Anecdotal evidence and the statistics on the reversion of restructured loans to NPL status suggest that banks are mostly rescheduling their NPLs in order to reduce provisions for losses required by the regulator. The Bank of Thailand allows a rescheduled loan to immediately be reclassified as performing, without any repayment history. Rescheduling involves stretching out due dates on loan payments. Instead, the NPLs need to be restructured such that loan payments are reduced to levels sustainable by the borrower's underlying cash flows, which may require a write down substantially beyond the current provisions for loan losses. Rescheduling will turn a bad loan into performing status in the short-term, but NPLs might reappear a few months later. See the "Assessment" section of the "Corporate Sector" chapter.

*A more proactive strategy to deal with NPLs is planned by Thai Farmers Bank (TFB) through establishment of a private AMC.* Thai Farmers Bank plans to transfer one third of its NPLs to a wholly owned asset management company at approximately 55% of book value. Foreign asset managers – Goldman Sachs and GE Capital – will be compensated based upon net recoveries from the assets. These

loans were fully provisioned to the level required by the regulator, but this is not enough to cover the incremental loss from marking the loans to approximately market value. To cover this incremental loss, the bank plans to increase its tier 1 capital by one third through the issuance of baht 24 billion in common shares behind the preferred innovative capital instruments that they issued early in 1999. The common shares issued in the concurrent recapitalization have been offered to existing shareholders at a substantial discount from market price.

### Bank Recapitalization – Half Way Through?

*Private commercial banks are recapitalizing faster than the state banks.* The BoT reported that from April 98 to July 99, the 13 commercial banks have raised a total Bt642.7 billion (\$17.4 billion) in tier-1 capital. The seven private banks have raised Bt281.6 billion (\$7.6 billion) tier-1 capital while six state banks have received Bt361.1 billion (\$9.8 billion) in tier-1 subsidy from the government. Under one set of assumptions (i.e. a 60 percent loss rate on NPLs in state banks and a 40 percent loss rate on NPLs in private banks), the 13 commercial banks have completed about half of their minimum recapitalization needs, estimated to be Bt1.1 trillion (\$29.8 billion).<sup>5</sup> To date, state banks have raised only 45 percent of their total projected recapitalization. Private bank recapitalization have moved faster, with 86 percent of their projected minimum tier-1 capital raised to date. (See table 16). However, a third of the private banks' tier-1 capital increases were in the form of innovative capital (SLIPS or CAPS), which needs to be refinanced after five years.

*Thai Farmers Bank will raise another Bt24 billion in tier-1 capital in order to finance the establishment of its AMC.* The third round of TFB's capital increase showed that NPL recovery rates are lower than was expected. According to analysts, banks share prices currently imply a NPL recovery rate of approximately 70 percent. In the wake of more negative market sentiment, Thai Military Bank (TMB) increased the number of its preferred shares to be raised from 548 million shares to 2 billion shares. The bank expected to raise total Bt30 billion (\$0.8 billion) tier-1 capital – about Bt15 billion (\$0.4 billion) capital is projected to come from the August 14 capital support program.

*The recapitalization plan of Bank of Ayudhya (BAY) suffered a setback after its potential partner, Southeast Asia Investment Holding Corp (SAI), failed to make the payment.* Like other major Thai banks, BAY raised a significant portion of tier 1 capital via preferred instruments (SLIPS), which have a first call on all potential profits in the medium term. BAY raised Bt17 billion (\$0.46 billion) equity from the public in June and expected to receive another Bt3 billion (\$0.08 billion) from its Taiwanese partner, SAI. But on August 16, this transaction did not close as planned.

*The restructuring and privatization of KTB is further delayed.* After a long delay, on August 13 the regulators approved a Bt108 billion (\$2.9 billion) capital injection into Krungthai Bank (KTB) without a write-down of existing capital. This is the second tranche of a total Bt185 billion (\$5 billion) of capital that the government agreed to inject into KTB as a compensation for KTB's acquisition of First Bangkok City Bank (FBCB) and good assets of Bangkok Bank of Commerce (BBC). Even after this injection, stock analysts expect that KTB will need significantly more capital later to cover its NPLs. The Finance Ministry and the BoT are now investigating KTB after a preliminary report by PricewaterhouseCoopers regarding the poor state of the loan portfolio was leaked following a Senate hearing. The Board of Directors resigned over the fall-out from the release of this report; restructuring and privatization waits for the new team.

#### **The privatization of intervened banks was postponed.**

*The delay in privatization of the intervened banks may lead to higher losses to the FIDF and taxpayer because asset quality continues to deteriorate.* The Bank of Thailand (BOT) postponed an announcement of the winner to buy Radanasin Bank (RSB) to September. The central bank delayed its decision because the bidders asked for more time to conduct due-diligence, and some bidders submitted bids for more than one bank. Citibank, United Oversea Bank of Singapore, and Standard Chartered Bank are reported to be among the bidders for RSB.

*Bidding for Nakornthon Bank (NTB) is also being postponed.* The Authorities decided to open the bidding for NTB after reaching a preliminary deal with Standard Chartered Bank. In July, the Authorities

intervened and ordered a capital write-down from Bt2 billion to Bt2 million before the Financial Institutions Development Fund (FIDF) injected Bt7 billion into the bank. NTB is scheduled to be sold within 60 days from July 12. Postponed from August 11, the bid opening for NTB is scheduled for September 10, the same date for RSB.

#### **Problem continues for finance companies.**

The Bank of Thailand appointed a liquidator for Ocean Finance, a small and insolvent firm. This brings the total number of closed finance companies to 57; 22 remain. Concurrent with trying to raise capital for the core bank, Thai Farmers Bank asked the Government to take over Phatra Thanakit, a loss making finance company in which TFB took a controlling stake earlier in the crisis.

#### **The last auction of assets from the closed finance companies was sold at a 76% discount.**

*The FRA completed the last auction of core assets from the closed finance companies on August 11-13.* The auction prices ranged from 8 percent to 40 percent of outstanding principal balance and averaged 24 percent of a total of Bt127 billion (\$3.4 billion) in book value. The total Bt584 billion (\$15.8 billion) book value of core assets have been auctioned at Bt146.8 billion (\$4 billion) – 25 percent of outstanding principal balance. While the FRA's work is well perceived by most investors, it was viewed differently by many Thais because the total proceeds from the asset auction were lower than the FRA's earlier estimate at 42-69 percent recovery. Including the Bt34 billion (\$0.9 billion) sales of non-core assets, total proceeds from the asset sales by the FRA totaled Bt180 billion (\$4.9 billion) (See Table 18).

#### **Effective plan to develop the domestic Government bond market moves into implementation stage.**

*The Ministry of Finance in collaboration with the World Bank, has established the Domestic Bond Market Committee to build a domestic bond market, with a primary focus on government securities market.* The issuance of 500 billion baht (almost 10% of the country's GDP or the assets of the banking sector) of government bonds to refinance short-term liabilities of the Financial Institution Development Fund necessitated this urgent effort. The Government's long-standing development policy vision is to enable

borrowers to diversify financing sources, banks to manage term mismatches, portfolio investors to manage risks, and to offer long-term financing for capital intensive investment beyond bank loans. The Committee started working from the beginning of 1999 and established seven task forces comprised of experts from both the public and private sectors. The task forces includes the following: 1) Primary Market and Debt Management group, 2) Secondary Market Development group, 3) Settlement group, 4) Taxation group, 5) Information System group, 6) Market Convention group and 7) Repo Market Development group. The task forces identified by the end of August 1999 specific issues to be addressed and are now working on implementation.

### Assessment and Implementation

**The financial sector appeared to have passed its maximum stress period when NPLs were surging and operating performance continued to deteriorate.**

*NPLs of the financial system have stabilized and are likely to head down as a result of loan restructuring.* Second quarter profitability of the banking system showed improvement, but earnings potential remains fragile due to the heavy burden of massive NPLs. Moreover, there is growing concern that the speed of NPL reduction has been slow and the quality of loan restructuring is questionable after large banks revealed that 16 percent of their restructured loans failed to meet payment under the new terms. Transfers of NPLs from banks to private AMC's at fair market value will accelerate the recognition of losses.

*The August 14, 1998 capital support program has been amended.* Although the government has provided Bt300 billion (\$8.1 billion) through August 14, 1998 capital support program to assist recapitalization of private financial institutions, the program has drawn little interest from private institutions due to its conditions; existing shareholders lose ownership and control due to recognition of existing losses and dilution. Since its inauguration, only 13 percent of total capital set aside for the program has been used. The Ministry of Finance amended the program in June to make it more attractive but so far only 27 percent of total capital has been utilized (See Table 17). The key change was to expand the types of capital which qualify to match the injection of public funds to include any tier 1 capital

already raised via SLIPS and CAPS. The program improved market sentiment by signaling that public funds were available if the banks were unable to raise sufficient capital by themselves.

Some agreement on recapitalization will have to be reached among the current owners and providers of new capital. Otherwise it will be difficult for Thai banks to compete with new competition from foreign banks.

### Bank Instruments

*Lending.* The Financial Sector Implementation Assistance Loan (9/97, \$15 million) funds technical support to a range Government agencies for financial sector reform. The Finance Companies Restructuring Loan (12/97, \$350 million) was associated with the Government's plan to restructure the finance company sector and to liquidate the assets from the closed finance companies. The Economic and Financial Adjustment Loan I (EFAL I, 7/98, \$400 million) and EFAL II (4/99, \$600 million) were associated with a wide range of financial, corporate, economic and social sector reforms.

*Trust Funds.* (i) PHRD (Japanese): A \$1.3 million grant has funded substantial technical support to the regulatory and supervisory regime through the Bank of Thailand. A \$0.75 million grant was recently approved to enhance technical support for enhanced corporate governance in Thailand. A \$2.4 million grant was recently approved to provide technical support for a wide range of financial sector reforms, as well as institutional strengthening of CDRAC. (ii) ASEM (European Community): A \$.7 million grant has funded the development of the domestic government bond market, as well as the development of a five year plan for the financial sector by the Thai Authorities. (iii) IDF: A \$0.3 million grant has funded technical support to enhance financial accountability and good governance.

*Direct Assistance.* The Bank provides direct assistance from in-house specialists in financial sector reform from a budget of over \$2.1 million per year. In addition, the Bank performs a periodic Financial Sector review of Thailand. Finally, the Bank conducts various workshops and seminars to provide knowledge sharing regarding financial sector reform.

*Coordination of Technical Support.* The Bank is assisting with the coordination among partners (donors and bi-laterals) and clients regarding the broad range of technical support to the Thai authorities in the financial and corporate sectors.<sup>6</sup>

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### CORPORATE SECTOR

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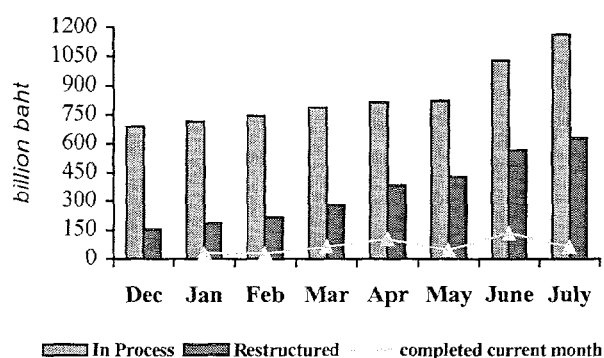
**Despite an increasing monthly pace of completed debt restructuring, non-performing loans remain high.**

*Corporate debt restructuring made rapid progress in June.* The central bank reported its largest monthly increase in restructured debt in June, as 136 billion baht (\$3.6 billion) of distressed debt was restructured, bringing the cumulative total restructured debt from Bt 430 billion (\$11.3 billion) to 566 billion baht (\$14.8 billion), or 21% of total reported NPLs. The total amount of debt in the restructuring process exceed one trillion baht for the first time. The pace of restructuring in July and August is expected to exceed the current average of 68 billion baht per month for 1999.

**CDRAC efforts begin to yield results.**

The Office of CDRAC reports that 52 of its target cases have restructured debts, and 21 have reached agreement with creditors and are in the legal documentation process.

**Figure 38: Progress in Corporate Debt Restructuring**



**The pipeline of corporate restructuring is active, due to high participation in the CDRAC-endorsed Debtor-Creditor Agreement.**

CDRAC has targeted 689 cases for debt restructuring under the accelerated DCA process. These 689 companies represent nearly 1.5 trillion baht, or 56% of the total non-performing loans in Thailand. The remainder of Thai NPLs are in SME or individual cases. Of these companies, 370 (54%) have signed the Debtor-Creditor Agreement. 319 have not signed, or were exempted from signing (see table). By July, 1999, 84 Thai and foreign financial institutions had signed the Inter-Creditor Agreement, including all Thai commercial banks, all finance and securities companies, all foreign banks and BIBF offices, eleven foreign bank representative offices, and two specialized financial institutions.

The Corporate Debt Restructuring Advisory Committee's program utilizes a set of two civil contracts: Debtor Creditor Agreement (DCA) and Intercreditor Agreements (ICA). Signatories agree to adhere to a process with defined procedures for case entry, information sharing, negotiations, and 75% majority voting approval. It includes options for CDRAC-provided mediation, as well as intercreditor arbitration. The agreements empower the Bank of Thailand to enforce compliance by creditors through warnings and monetary penalties, and creditor enforcement of debtor compliance through legal filings.

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### Participation in CDRAC-Sponsored Intercreditor Agreement and Debtor-Creditor Agreement

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Category	No.	Outstanding Debt
Financial Institutions (Creditors)	84	
Signed		
Total Target Companies (Debtors)	689	Bt 1,483 billion
Target Companies Signed Debtor-Creditor Agreement	370	Bt 787 billion
Did not Sign	319	
<i>Of which:</i>		
<i>Restructuring completed</i>	52	Bt 244 billion
<i>Near completion</i>	21	
<i>In Bankruptcy Rehabilitation</i>	21	Bt 103 billion (est)
<i>Liquidation</i>	14	
<i>Returned to normal status</i>	61	
<i>Non-cooperative (estimated)</i>	150	

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**... but utilization of Court-Supervised Bankruptcy and Rehabilitation remains low. Bankers appear unwilling to use the bankruptcy option frequently.**

As of August 1999, 30 petitions for bankruptcy reorganization received by the Thai courts, of which 22 were in the process of business reorganization. These represent total outstanding debts of Bt120 billion (\$3.2 billion). Eight have been rejected by the court or were withdrawn by petitioners – and none since the passage of legal amendments in March. The pace of reorganization filings increased considerably after passage of the 1999 amendment to the Bankruptcy Act, but appears to have stabilized at 2-3 reorganization cases per month. This suggests that Thai creditors are still reluctant to use formal reorganization as a restructuring vehicle despite the many advantages built into the Amendment. The revised framework, though, has incentivized out of court settlements.

**CDRAC's role in improving both the quality and speed of restructuring should be strengthened**

Uneconomic restructuring – rescheduling of payment schedules without adequate regard to the repayment ability or risk of default of the borrower – characterize a large portion of corporate debt restructuring in Thailand. Appropriate write-downs are often not taken. This is particularly true in small and medium-sized cases, restructuring outside of Bangkok, and cases involving state-owned financial institutions. The latter appear constrained by interpretations of civil service regulations for losses of state-owned companies, in addition to the capital and human resources constraints faced by other institutions.

CDRAC has already had an important effect in creating an effective forum for debt resolution. Fewer large debtors are choosing to restructure debts on an individual basis, and participants in larger cases have learned the analytical process. CDRAC's promulgation of the Inter-creditor and Debtor-Creditor Agreements have accelerated the pace of ongoing restructuring cases. As the guidelines allow a 6-8 month restructuring process, the pace of restructuring is expected to pick up in the short term. There is scope for a greater role by CDRAC in providing resources which help guide creditor committees toward economic outcomes. As the trained staff in banks tend to work on larger cases,

there is still a considerable training need in banks at the smaller company level, and more generally among state-owned financial institutions.

### **Program Implementation and Assessment**

Technical assistance to CDRAC to support implementation of the accelerated restructuring program as proposed in the World Bank's Corporate Restructuring Implementation Loan remains in negotiations with the Ministry of Finance. The package was reduced to \$7.5 million focused entirely on support to CDRAC target cases.

CDRAC's ability to implement and enforce the Intercreditor and Debtor-Creditor Agreement would be facilitated through professional advisory support. Mediators, accountants, and industry specialists would be available to creditor committees on a cost recovery basis.

**The second fiscal stimulus package should assist corporate performance**

*Tax measures and additional investment funds should have positive impacts on firms.* Import tariffs have been reduced for a number of imported commodities used as inputs in domestic manufacturing (see section on macroeconomic policies). Along with the previously announced reduction in Value-Added Tax, these measures will reduce production costs and therefore increase operating cashflow. The Ministry of Finance has given a blanket approval for use of accelerated depreciation schedules to minimize tax exposure and after-tax cashflow. Finally, three new investment funds were announced, the IFC's \$500 million fund for investments of \$10-\$25 million in large restructured firms, the Asian Development Bank's \$100 million fund for medium-sized enterprises, and the Government's \$27 million fund for investment in SMEs. Combined with the allocation of Bt100 million for advisory centers, the impact on restructuring at all levels of the problem should be positive.

### **World Bank Instruments**

The World Bank's work reflects an emphasis on implementation of the recently enacted economic reforms and a shift toward medium-term competitiveness issues.

*Adjustment Operations.* An identification mission for EFAL III, the fourth in a series of adjustment loans for Thailand, took place in July. The emphasis of EFAL III is competitiveness, including the trade, technology, logistics, financial and legal requirements for Thailand to enhance the ability of its corporate sector to enhance value-added exports.

*WB Corporate Restructuring TA Loan.* The loan was refocused and negotiated, and is pending final agreement of the Ministry of Finance.

*Trust Funds.* (i) ASEM Trust Fund Grant to establish a Business Advisory Center to help SMEs develop restructuring plans, \$1.56 million. The Ministry of Finance requested that this grant be allocated to support for CDRAC. (ii) PHRD: Corporate Restructuring component of Miyazawa Special Contribution. \$0.7 million. (ii) PHRD: Corporate Revival (\$0.2 million) (iii) ASEM: Revival of the Corporate Sector. \$0.75 million.

*Coordination with IMF, ADB and Bilateral Donors.* Several meetings were held with JEXIM, ADB and USAID in April on SME—related issues. Coordination in efforts to promote corporate restructuring was discussed. USAID is likely to provide executives, industry specialists and other resources for governance, bank training and corporate management.

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## PUBLIC ENTERPRISE REFORM

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**Studies and efforts have been undertaken to put in place the framework for reform of SOEs in Thailand although there are constraints.**

Since the approval of the Privatization Master Plan, progress has been made in setting regulatory guidelines, and transport, water, and energy sector detailed restructuring plans. The sales process has begun for certain key state-owned enterprises (SOEs), but employee concerns have emerged as an important factor in the shape and timing of privatization efforts. The program has faced a number of other constraints. There appears to be a growing recognition of the funding requirements to make the program successful.

**Progress has been made in the legal and regulatory reforms...**

*Legal Reforms.* Corporatization Act, which passed Parliament, remains in constitutional court. It has been challenged but it is expected that the law will pass through court without major objection within the next 30 to 60 days. Amendments are underway or being developed for alien business law, land law and other laws which will impact on privatization and investment efforts.

*Regulatory Reform/Development.* Substantial progress has been made in development of guidelines for creation of regulators in Thailand. The guidelines are expected to be passed by Cabinet in September or October and will provide an outline for legislation to be drafted by the line ministers. These set out the key foundations of regulation, namely, commission structure, appointment/dismissal procedures, qualifications, funding of the regulators, reporting responsibilities, and consumer protection, dispute resolution.

A series of seminars and conferences have been held on regulation as a means to educate members of the Regulatory Subcommittee, line ministries, members of parliament, the academic community, and enterprises. These have included a general seminar on regulatory principles, one on energy sector regulation, and two on telecommunications sector regulation. The Energy Sector has been selected to draft the first legislation under the guidelines. A drafting committee is now being formed. Legislation is expected to be presented to Parliament in the first half of 2000.

**... although the pace of reforms differ by sector.**

*Telecommunications sector.* Legislation establishing the regulator as well as a Telecommunications Act has been delayed since the fall of 1998. These are now being reviewed by Parliament and passage of the regulatory act at the least is expected before year-end 1999.

The issue of conversion of existing build-to-operate (BTO) concession contracts remains one of the most difficult issues in the sector. Thai telecommunications SOEs entered into BTO concession contracts with private sector companies in the early to mid-1990s. This led to substantial

expansion of network, cellular and, satellite services. The concessions provided for revenue sharing with the SOEs. With the economic downturn, the revenue sharing requirements became unsustainable burdens for many of the concessionaires. Further, the concessions, many of 20 plus years, provide concessionaires with exclusive rights to certain services and markets. A series of studies have been conducted on how/if to convert the concessions. It is now anticipated that concession conversion will be one of the key tasks of the regulator once established.

The Telephone Organization of Thailand (TOT) and Communications Authority of Thailand (CAT) continue their preparations for corporatization. They await final outcome of the Corporatization Act, but have undertaken most of the analysis necessary to commence the process once their plans are approved. Sale of strategic stake in TOT and CAT must await corporatization.

*Water sector.* Japanese PHRD funds have been allocated to fund a comprehensive water sector reform and privatization plan. The study has experienced a series of delays in getting started. But it is now expected that the RFP will be released in September.

*Transport sector.* A comprehensive Transport Sector Framework reform study was undertaken and completed in April 1999. The report provides a framework for improved policy and planning in the transport sector, development of transport subsector regulators, and the direction of reform for the 14 enterprises in the sector.

An SEPC subcommittee has been established, chaired by the Minister of Transport and Communication. The subcommittee will have three months to review, amend (if needed) and then forward report to Cabinet for approval as the reform design and action plan for the sector. Individual state enterprises will develop/refine their privatization plans in accordance with the sector plan.

*Energy.* NEPO has hired consultants to prepare the detailed plan for transition to a power pool. The study is expected to be completed in December.

The sale of the Ratchaburi power plant has been delayed for several months as a committee reviews employee issues and concerns. It is expected

that the sale will proceed by year end 1999 or in first quarter 2000.

### **Concerns have been raised on the employment impact of SOE reforms.**

With passage of the Corporatization Act, employees became much more vocal and active, perceiving a real threat to their jobs. After an initially slow start, the government has entered a dialogue with labor on key issues in the privatization program. As part of the effort to address employment impacts, the Ministry of Finance has been preparing a series of proposals on severance pay, early retirement, training, and share distribution to employees. These are being reviewed in turn by the SEPC.

### **Corporate governance and performance monitoring are keys to successful reforms.**

The Corporatization Act will enable appointment of new and more business oriented boards to the SOEs. Good governance of the SOEs will be important.

Standardized SOE data is not easily available. The Ministry of Finance is implementing a Management Information System to collect and report standardized SOE data. The system is expected to be operational in late 1999 and data available in 2000.

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## LEGAL REFORM

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### **Crucial bankruptcy legislation removes key obstacles for progress in corporate restructuring, but a new secured lending regime is needed.**

*Bankruptcy Act.* In March, 1999, Parliament approved a landmark amendment to the Bankruptcy Act which included improved security for new lending to financially distressed corporations, voting by creditor class, rescission of related party transfers, limits to discretion for court action, and conversion of foreign currency-denominated claims.

*Foreclosure Procedure.* In March 1999, Parliament approved amendments to the Code of Civil Procedure designed to expedite the process of claim, judgement, execution and collection in a foreclosure. Whereas debtors were previously able to appeal judgements delay execution indefinitely, appeals are

now limited to the court of first appeals, and discretionary power of judges to rescind auction sales is limited. Parliament also improved the simple case procedure in a manner that would expedite the enforcement of security interests.

*Corporatization Law.* In order to facilitate privatization, Parliament approved a Corporatization Law that prepares state enterprises for privatization by converting them to corporations. The Senate has approved the law with amendments, which requests consultations with employee representatives of state enterprises that will become corporations. Final adoption of the law has been held up by an appeal to the Constitutional Court, which is scheduled to review the law at the end of May. If the Court has no objection, the law will come into force.

*Secured Lending.* On 23 April, the Ministry of Justice held a public hearing on the issue of secured lending reform. This "second wave" of reform is focused on the establishment of a legal regime for non-possessory secured interests, which enables the placement and central registration of a security interest on a wide range of assets such as accounts receivables, inventory, intangible assets, and pools of income streams. The next steps are for the authorities to draft a modern law on secured lending, followed by the establishment of a centralized registry of security interests.

*Bankruptcy Court.* The Thai Central Bankruptcy Court opened on June 18, three months after the passage of critical legislation in March. The new court, with twelve courtrooms and 60 dedicated judges, will have expedited procedures for attaching evidence, hearings, depositions, and appeals. The court will adjudicate both liquidations proceedings and formal reorganization under Thailand's Bankruptcy Act, as amended in 1998 and 1999. The Prime Minister Chuan and Justice Minister Suthas presided over the opening ceremony. The first petition under the new court was accepted two days after its opening.

### **Key financial legislation is under preparation.**

The authorities plan to submit three laws to cabinet this year which will fundamentally affect the financial system. The "Financial Institutions Law" deals with the all aspects of the licensure, supervision, activities, ownership, form, governance and other aspects of

financial institutions. The "Central Bank Act" is also in draft, and deals with the role and activities of the Bank of Thailand. The law on deposit insurance is in development, and will establish the regime that will replace the current blanket guarantee of deposits by the Government.

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## **GOVERNMENT PUBLIC REFORM PROGRAM**

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### **The economic crisis highlighted the need for broad-based public sector reforms.**

*Questions are raised on the fundamental competence of the Government in managing economic affairs and, more broadly, in its ability to deliver services.* The fragility of public sector governance is highlighted by daily complaints about corruption, which erode the confidence of Thai people in public administration. Unstable coalition governments and the traditional lack of coordination among public agencies weaken the Government's capacity for policy planning and enforcement. Citizens are concerned about the access, timeliness and quality of government services and their continually rising costs. Public pressure is mounting for better management of the Government's -- and thus taxpayers' -- financial resources.

*Thailand's public finances have come under serious pressure as a result of large deficits and mounting public-sector debt.* After a decade of surpluses, the combination of recession-induced lower revenues, rising expenditures in response to the social needs of the crisis, and the public costs of restructuring the financial system have created huge deficits. Public debt as a share of GDP has more than doubled.

*The reform agenda received renewed impetus with the passage of the new Constitution in 1997.* The Constitution provides for increased citizen participation, enhanced transparency and decentralization -- tools that enhance voice and improve public sector governance.

*The Government has responded to these pressures by launching an ambitious program to reform the public sector.* Its core components include a more performance-oriented budget system, a flexible and effective civil service, and greater transparency. The reform efforts involve not only the Government's central agencies, but also line

ministries such as education and health which have embarked upon substantial reforms to deliver better services in their sectors.

*The World Bank has been supporting these efforts through intensive policy dialogue, technical assistance and knowledge sharing.* Through the proposed loan the Bank will support a coherent medium-term framework for reforming public sector institutions around Thailand's objectives of 1) better management of financial and human resources, 2) improved service delivery in all aspects of government, from health and education to commerce, and, 3) greater accountability and transparency to help restore confidence in Government.

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## OUTLOOK

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### Thailand is on the road to recovery...

*Recent economic indicators suggest early signs of recovery.* The first quarter 1999 GDP figure showed that the economy expanded by 0.9 percent when compared to the same period last year and the NESDB estimates that the economy could have expanded much faster in the second quarter. The manufacturing sector expanded rapidly in the first half of the year, driven in part by large increases in vehicles production for exports. The pace of financial and corporate sector restructuring is picking up with a record-high amount of debt restructured in the month of June. Consumption and investment are showing emerging early signs of recovery, helped by the second fiscal stimulus package aimed at boosting private investment. Finally, foreign direct investment continues to be strong, and tourist arrivals continue to grow.

### ...but recovery has yet to gain momentum.

Despite all the positive signs indicated above, growth is not sufficiently broad based. Investment indicators are still flat, and consumption has been slow to pick up

### The path to recovery entails social consequences.

*While the recovery process has commenced, there are fears that the social consequences of the crisis will continue to be significant.* Rapid output growth was literally Thailand's safety net in the past, which helped to pull millions of people out of poverty

in the past. The crisis has reversed this trend and poverty incidence rose from 11.3 percent in 1996 to 12.7 percent in 1998. Although recovery has begun, most economies in the region are unlikely to grow at such high rates in the future, slowing down the number of people coming out of poverty. Second, the crisis and the fall in real income per capita has led to a switch in demand for social services (e.g., health and education) away from the private and towards the public sector. Public sector will need to continue to play an important role in the provision of social services for some time to come. There is evidence that, despite the safety nets, a number of poor people fell through the cracks. This will also need to be addressed.

In 1998, the large devaluation translated into higher farm incomes for a large number of farmers, cushioning many rural families from adverse affects of the crisis and allowing the farm sector to absorb laid off workers from urban construction sites. In the latter half of 1998 and early 1999, the baht strengthened and the baht-denominated price of agricultural products began to decline. Combined with a poor second crop due to water shortage, there are concerns that poverty could rise in the rural areas in 1999. Second, unemployment is likely to rise given that output growth will not be sufficient to absorb the new entrants to the labor force in the short-run. Third, even with modest growth rates in the next three years, real GDP may not recover to its pre-crisis levels. Until production picks up substantially, a large number of Thais will remain unemployed or underemployed, and the real incomes of many Thai households will continue to be low.

### How quickly will Thailand recover?

*The depth and breath of recovery will depend on the how the rest of the region recovers, the effectiveness of the stimulus package, progress in corporate and financial system restructuring, and shifting towards a productivity based growth strategy.* Both domestic and external demand needs to rebound for recovery. A revival of domestic demand will in part depend on whether the fiscal stimulus package can restore confidence in domestic consumers. The growth in private investment will depend on the emerging competitiveness of the Thai economy. About 40 percent of Thai exports are still to regional markets – markets that are either in recession or showing only slight increases in demand for foreign

goods. Export figures for 1999 was disappointing in the first two months but looked more positive later on. Finally, corporate debt restructuring and bank recapitalization needs to maintain the momentum gained in recent months to ensure that a healthy financial system can accommodate increased demand for credit as production increases.

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### Consensus Forecast Summary

Average % Change on Previous Calendar Year,  
unless otherwise noted

	1997e	1998f	1999f	2000f
Gross Domestic Product	-0.4	-8.0	0.8	2.9
Private Consumption	0.1	-11.4	0.6	3.7
Gross Fixed Investment	-16.0	-28.7	-2.0	3.6
Manufacturing Production	-0.4	-11.6	2.9	5.8
Consumer Prices	5.6	8.1	2.3	3.6
Money Supply (End Year, % change)	16.4	9.0	8.8	10.2
Merchandise Exports (fob, US\$bn)	56.7	52.8	53.8	57.0
Growth rate (in dollar terms)	4.0	-6.9	1.9	5.9
Growth rate (in volume terms)	9.2	8.8	2.0	3.0
Merchandise Imports (cif, US\$bn)	61.3	40.8	43.4	48.0
Growth rate (in dollar terms)	-13.4	-33.4	6.4	10.6
Growth rate (in volume terms)	-11.8	-21.7		
Current account balance (US\$bn)	-3.0	13.8	10.5	9.0

Source: Forecast by Consensus Economics (May 1999), IMF, and historical data from BOT

e = estimate, f = forecast

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### ...and will the recovery be sustained?

*A successful implementation of structural reforms will be crucial in ensuring that the recovery is sustained.* The effectiveness of the financial sector supervisory and prudential framework will be important to ensure that high growth rates are sustained (and to reduce the likelihood of future crises). More broadly, sustained recovery will depend on how successfully the public and private sectors handle a broad array of new challenges, ranging from the enhancement of competitiveness to streamlining formal and informal safety nets for the poor.

**Table 1: Balance of Payments***(Million US\$)*

	1997		1998			1999				
	1997	1998	Q2 <sup>P</sup>	Q3 <sup>P</sup>	Q4 <sup>P</sup>	Q1 <sup>P</sup>	Q2 <sup>P</sup>	Q3 <sup>P</sup>	Q4 <sup>P</sup>	Q1 <sup>P</sup>
<b>Exports (f.o.b.)</b>	56,627	52,798	13,656	14,476	14,862	13,234	12,928	13,240	13,396	12,667
<b>Imports (c.i.f.)</b>	61,249	40,583	16,737	15,334	12,374	10,110	10,334	10,099	10,041	10,001
<b>Trade balance</b>	-4,622	12,214	-3,081	-859	2,488	3,124	2,594	3,142	3,355	2,666
Net services & transfers	1,512	2,057	-51	115	376	1,081	211	263	502	766
Current account balance	-3,110	14,271	-3,131	-744	2,865	4,205	2,805	3,404	3,857	3,432
<b>Capital and financial account</b>	-9,050	-9,635	-3,905	-3,830	-3,737	-2,437	-3,326	-1,952	-1,919	-3,195
Private	-8,081	-15,593	-869	-6,877	-2,131	-4,021	-2,067	-3,120	-6,385	-5,965
Public	1,584	1,975	338	592	789	569	204	649	553	1,579
Monetary authorities 1/	-2,553	3,983	-3,374	2,454	-2,394	1,015	-1,462	519	3,912	1,191
<b>Net errors &amp; omissions</b>	<b>1,531</b>	<b>-2,904</b>	<b>1,147</b>	<b>2,043</b>	<b>-1,245</b>	<b>-998</b>	<b>-346</b>	<b>-987</b>	<b>-573</b>	<b>571</b>
<b>Balance of payments</b>	<b>-10,629</b>	<b>1,733</b>	<b>-5,889</b>	<b>-2,531</b>	<b>-2,117</b>	<b>770</b>	<b>-868</b>	<b>466</b>	<b>1,364</b>	<b>808</b>

Source: Bank of Thailand and own calculations.

Remark: Figures are converted into U.S. dollars using the monthly average exchange rate.

1/ Including Bank of Thailand's borrowing and other offshore transactions.

**Table 2: Manufacturing Production***(% changes since previous year)*

	Weight	1998			1999				
		Oct.	Nov.	Dec.	Jan	Feb	Mar	Apr	May
Manufacturing production index	62.4	-3.1	-5.3	-2.6	0.4	2.5	11.1	8.9	7.2
<i>Food</i>	6.0	6.8	14.1	2.9	17.7	11.0	39.0	24.8	8.5
<i>Beverages</i>	6.6	11.6	11.7	12.4	16.7	3.3	18.8	19.7	17.4
<i>Tobacco</i>	1.9	-9.1	39.8	-15.1	-13.9	-24.1	-16.4	21.2	-21.1
<i>Construction materials</i>	2.6	-25.9	-35.2	-20.2	0.9	-0.3	-2.8	-2.3	-2.9
<i>Iron &amp; steel products</i>	2.1	-20.2	-6.1	-10.3	0.4	9.8	16.7	-1.5	0.8
<i>Vehicles and equipment</i>	10.2	-15.2	49.4	70.7	0.3	-4.1	2.9	5.1	5.7
<i>Petroleum products</i>	7.2	-2.2	-24.4	-8.2	-12.6	-1.0	-7.8	3.3	11.4
<i>Textiles</i>	14.2	1.4	1.3	1.1	45.5	69.9	66.4	59.3	59.9
<i>Others</i>	11.6	-8.7	-21.1	-21.2	-24.7	-17.9	-2.4	6.1	5.9

Source: Bank of Thailand

**Table 3: Key Private Investment Indicators***(% changes since previous year)*

	1998					1999				
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Private investment index	13.7	9.4	7.4	5.9	5.7	7.4	8.9	-73.3	-49.6	-16.7
<i>(% changes of 12-month MA)</i>	-20.9	-22.3	-23.0	-23.4	-23.5	-22.9	-22.4	-22.4	-21.4	-20.4
Import value of capital goods (baht)	-15.0	-22.0	-23.6	-17.6	-29.7	-36.8	-29.6	-15.0	-2.3	-9.3
Import value of capital goods (US\$)	-33.9	-30.6	-25.9	-11.1	-13.6	-8.5	-8.3	-5.4	2.9	-4.7
Domestic cement consumption	-34.4	-33.9	-36.4	-42.8	-32.6	-27.7	-29.6	-12.7	-12.7	-15.2
Commercial banks' credit for industry	-3.0	-6.3	-10.5	-13.7	-22.5	-27.7	..	-4.4	-2.9	-3.7
Commercial banks' credit for construction	11.0	9.9	6.7	2.1	-3.0	-5.2	..	3.6	7.1	5.6

Source: Bank of Thailand

**Table 4: Capacity Utilization***(percent)*

	Weight	1997	1998	1998				1999	1999	1999
				Q1	Q2	Q3	Q4			
Total capacity utilization	44.8	65.0	52.1	52.3	51.8	51.0	53.5	56.4	56.1	57.6
<i>Foods</i>	3.6	37.5	33.7	54.2	24.4	22.7	33.5	68.8	36.3	30.1
<i>Beverages</i>	5.7	79.1	77.2	63.5	73.2	77.8	94.4	76.9	96.7	86.5
<i>Tobacco</i>	1.9	75.8	60.4	72.7	58.5	53.1	57.4	59.8	64.9	44.3
<i>Construction materials</i>	4.3	72.9	44.6	51.3	44.9	42.8	39.5	50.6	46.0	50.0
<i>Iron and steel</i>	..	51.9	32.4	38.6	31.2	30.2	30.4	29.3	25.9	33.5
<i>Transportation equipment</i>	10.5	48.6	24.0	21.0	24.3	24.2	26.9	30.3	29.4	38.7
<i>Petroleum products</i>	7.4	90.1	83.9	79.7	90.7	85.3	79.8	86.7	90.1	92.4
<i>Others</i>	11.6	64.6	54.5	56.3	54.1	54.0	53.5	52.8	51.2	55.1

Source: Bank of Thailand



**Table 5: Changes in Consumer Prices**  
(year-on-year % changes)

	1998				1999							
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	
All commodities	7.6	7.0	5.9	4.7	4.3	3.5	2.9	1.6	0.4	-0.5	-1.2	
Food and beverages	7.4	7.3	6.7	5.8	6.0	4.7	3.4	0.9	-0.3	-1.4	-2.0	
Rice and cereal products	15.3	11.2	8.6	4.8	1.2	-4.7	-12.8	-15.5	-16.5	-18.1	-18.5	
Meat, poultry and fish	3.6	4.1	4.5	4.4	6.4	7.0	6.7	5.0	5.2	5.4	4.9	
Vegetables and fruits	1.5	7.3	9.0	11.5	13.6	9.1	9.2	-4.9	-9.3	-14.7	-15.8	
Eggs and milk products	18.3	15.5	15.1	13.6	12.1	11.4	9.8	8.1	3.6	0.6	-2.7	
Other food bought from the market	9.5	9.1	10.1	9.4	11.0	9.5	7.0	6.7	5.1	4.4	2.9	
Non-alcoholic beverages	11.8	11.4	11.6	10.3	10.0	9.7	9.1	8.6	7.0	7.1	3.2	
Prepared food	6.5	5.8	4.3	3.6	3.6	3.1	2.9	2.3	2.1	2.1	2.1	
Clothing	8.4	6.3	5.5	4.6	4.2	3.9	3.8	2.8	1.4	1.0	0.2	
Men's and boys'	7.3	4.7	4.7	4.6	3.9	3.6	3.4	1.8	-0.2	-0.6	-0.8	
Women's and girls'	9.6	7.6	6.5	4.6	4.3	4.2	4.1	3.4	2.2	1.7	0.5	
Cloth and sewing services	8.7	6.6	5.0	4.7	4.9	3.8	4.1	4.7	4.9	4.3	3.7	
Housing and furnishing	6.9	6.4	5.3	3.5	2.9	2.8	2.5	2.4	0.8	-0.7	-1.0	
Shelter	2.1	1.5	1.3	0.9	0.7	0.7	0.4	0.5	0.6	0.6	0.4	
Furniture and equipment	7.6	7.1	6.8	6.0	5.4	3.5	3.1	1.2	0.0	-0.1	-0.7	
Housekeeping and cleaning supplies	11.9	12.3	8.6	5.0	4.0	0.0	-0.9	-1.6	-4.4	-5.0	-4.5	
Household textiles	9.1	8.5	6.5	3.6	3.1	2.5	1.7	1.6	2.1	1.6	1.5	
Electricity, fuel and water	22.9	22.3	18.6	11.9	10.5	11.1	11.1	10.1	2.7	-3.8	-5.0	
Personal and medical care	9.2	9.7	9.9	9.0	7.8	6.4	6.1	5.3	3.9	3.3	2.4	
Medical care	5.1	5.7	5.3	4.1	3.2	2.0	2.1	2.5	2.5	2.4	2.4	
Personal care	14.0	14.3	15.2	14.3	13.3	11.6	10.6	8.6	5.5	4.5	2.2	
Transportation and communication	8.3	5.4	4.4	1.8	-0.1	-0.4	-1.0	-0.9	-1.1	-1.4	-1.7	
Vehicles	8.0	2.7	0.7	-2.1	-5.0	-5.3	-6.1	-4.2	-2.3	-2.7	-2.8	
Public transportation	13.8	13.9	14.1	11.9	12.2	11.2	11.4	5.1	2.6	2.5	1.4	
Communication and equipment	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.9	-2.6	-2.6	-2.6	
Recreation and education	4.3	3.9	3.9	3.2	3.2	3.1	2.8	2.0	1.5	-0.2	-0.5	
Recreation	6.5	5.9	5.8	5.3	5.2	4.8	4.3	2.8	1.4	1.5	0.9	
Reading and education	1.7	1.8	1.7	1.1	1.2	1.2	1.2	1.1	1.0	-2.0	-2.0	
Tobacco and alcoholic beverages	22.5	20.8	13.6	10.4	10.1	10.0	9.7	6.7	3.7	2.4	0.0	
Non-food and beverages	8.2	7.0	5.8	4.1	3.3	2.9	2.5	2.1	0.8	-0.1	-0.7	

Source: Bank of Thailand

**Table 6: Capital Flows to the Private Sector 1/**  
(million US\$)

	1997	1998	1998	1999					
			Q1	Q2	Q3	Q4	Q1	Apr <sup>e</sup>	May <sup>e</sup>
<b>Bank</b>	<b>-6,640</b>	<b>-13,944</b>	<b>-1,244</b>	<b>-3,799</b>	<b>-4,368</b>	<b>-4,163</b>	<b>-5,497</b>	<b>-1,871</b>	<b>-478</b>
Commercial bank	-4,727	-4,310	881	-1,680	-2,445	-684	-3,375	-760	47
of which Recapitalization	0	1,986	952	1,172	0	0	21	0	974
BIBFs	-1,913	-9,634	-2,125	-2,118	-1,924	-3,479	-2,123	-1,111	-525
<b>Non-bank</b>	<b>-1,912</b>	<b>-2,024</b>	<b>-2,777</b>	<b>1,731</b>	<b>1,248</b>	<b>-2,222</b>	<b>-469</b>	<b>155</b>	<b>-709</b>
Direct investment	3,201	4,688	1,066	1,478	1,218	965	902	295	222
Foreign direct investment 2/	3,641	4,810	1,067	1,489	1,248	1,045	996	303	403
Thai direct investment abroad	-440	-123	-1	-11	-30	-80	-94	-8	-181
Others loans	-3,783	-4,279	-1,981	-814	-734	-673	-1,239	-305	-333
Portfolio investment	4,494	539	437	40	-15	62	221	125	44
Equity securities	3,869	354	434	-150	-75	121	230	130	44
Debt securities	625	185	3	190	60	-59	-9	-5	0
Non-resident baht account	-5,839	-2,714	-2,269	1,177	779	-2,475	-315	-50	-628
Trade credits	-242	-494	-186	-101	-160	-57	0	30	-4
Others	256	237	156	-50	160	-43	-38	60	-10
<b>Total</b>	<b>-8,552</b>	<b>-15,967</b>	<b>-4,021</b>	<b>-2,067</b>	<b>-3,120</b>	<b>-6,385</b>	<b>-5,966</b>	<b>-1,716</b>	<b>-1,187</b>

Source: Bank of Thailand and own calculations.

1/ Data is from BOT's Data bank converted into US dollars using the monthly average exchange rate..

2/ Excluding \$2.1 billion in bank recapitalization. BOT will eventually update their tables so that the FDI figures for 1998 is consistently in the \$7 billion range.

Table 7: Trade Indexes and Terms of Trade 1/

1995=100	1997		(in terms of US\$)											
	1997	1997	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exports:</b>														
Export unit value	105.3	109.7	109.6	108.9	108.0	107.2	106.5	105.7	104.7	103.7	101.9	99.7	97.6	
Export value	101.8	98.0	90.7	105.1	91.8	102.7	99.9	102.1	103.1	107.4	110.7	103.0	106.9	
Export volume	96.7	89.3	82.8	96.5	85.0	95.8	93.8	96.6	98.5	103.5	108.7	103.3	109.6	
<b>Imports:</b>														
Import unit value	107.4	112.7	112.5	111.9	110.2	108.2	108.1	106.3	105.4	103.8	103.8	103.6	101.9	
Import value	86.8	103.1	85.7	98.0	99.1	91.8	94.8	89.9	91.0	81.3	77.1	67.2	67.1	
Import volume 2/	80.8	91.5	76.2	87.6	90.0	84.8	87.7	84.6	86.4	78.3	74.3	64.8	65.9	
<b>Terms of trade</b>	<b>98.0</b>	<b>97.3</b>	<b>97.4</b>	<b>97.3</b>	<b>98.0</b>	<b>99.0</b>	<b>98.6</b>	<b>99.4</b>	<b>99.4</b>	<b>99.8</b>	<b>98.2</b>	<b>96.2</b>	<b>95.8</b>	
		<b>1998</b>	<b>1998</b>											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exports:</b>														
Export unit value	90.7	94.2	93.0	92.1	91.2	90.8	89.6	89.9	90.7	90.7	89.1	88.7	89.0	
Export value	94.9	90.2	93.7	101.4	91.6	90.5	96.7	98.2	91.0	96.3	96.7	94.3	97.8	
Export volume	104.6	95.8	100.8	110.1	100.5	99.7	107.9	109.2	100.4	106.1	108.6	106.4	109.9	
<b>Imports:</b>														
Import unit value	98.0	100.6	101.1	102.0	102.4	101.2	98.6	97.4	94.7	93.5	94.1	94.8	94.9	
Import value	57.7	56.6	54.7	61.2	60.4	55.3	60.8	61.2	56.2	55.0	58.0	57.0	56.5	
Import volume 2/	59.0	56.3	54.2	60.0	59.0	54.7	61.6	62.8	59.3	58.9	61.6	60.1	59.5	
<b>Terms of trade</b>	<b>92.7</b>	<b>93.6</b>	<b>92.0</b>	<b>90.2</b>	<b>89.0</b>	<b>89.7</b>	<b>90.9</b>	<b>92.3</b>	<b>95.7</b>	<b>97.0</b>	<b>94.7</b>	<b>93.5</b>	<b>93.8</b>	
			<b>1999</b>											
			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exports:</b>														
Export unit value		90.5	90.9	91.4	90.5	88.3	88.8							
Export value		85.7	87.8	99.8	94.2	98.2	102.3							
Export volume		94.7	96.7	109.2	104.1	111.2	115.3							
<b>Imports:</b>														
Import unit value		93.9	92.1	90.4	89.4	91.4	92.6							
Import value		54.4	53.6	62.9	62.8	61.3	73.1							
Import volume 2/		57.9	58.2	69.6	70.3	67.1	78.9							
<b>Terms of trade</b>		<b>96.4</b>	<b>98.6</b>	<b>101.1</b>	<b>101.3</b>	<b>96.7</b>	<b>95.9</b>							

Source: Bank of Thailand

1/ From January 1996 onwards, base year was 1995 (1995=100) and the indexes are calculated using the Fisher chained method.

2/ Volume indexes are calculated based on the "factor reversal test".

Table 8: External Debt 1/

(million US\$)

	1996	1997	1998			1999		
			Q2	Q3	Q4	Q1	Apr	May
<b>Total Debt Stocks (End of Period)</b>								
<b>Public Sector</b>	<b>16,805</b>	<b>24,323</b>	<b>26,963</b>	<b>28,556</b>	<b>31,509</b>	<b>32,846</b>	<b>33,830</b>	<b>33,653</b>
<b>Govt and SOEs</b>	<b>16,805</b>	<b>17,166</b>	<b>17,524</b>	<b>18,268</b>	20,305	21,560	22,115	22,014
Long-term	16,751	17,146	17,504	18,118	20,155	21,410	21,965	21,864
Short-term <sup>1</sup>	54	20	20	150	150	150	150	150
<b>BOT (long term)</b>	<b>0</b>	<b>7,157</b>	<b>9,439</b>	<b>10,288</b>	<b>11,204</b>	<b>11,286</b>	<b>11,715</b>	<b>11,639</b>
Use of IMF credit	0	2,429	2,796	3,017	3,239	3,123	3,243	3,228
Others	0	4,728	6,643	7,271	7,965	8,163	8,472	8,411
<b>Private Sector</b>	<b>73,731</b>	<b>69,093</b>	<b>61,163</b>	<b>58,136</b>	<b>54,650</b>	<b>51,019</b>	<b>49,490</b>	<b>48,022</b>
Long-term	36,172	34,277	32,827	32,192	31,278	30,648	29,985	29,871
Short-term	37,559	34,816	28,336	25,944	23,372	20,371	19,505	18,151
Commercial Bank	10,682	9,488	8,747	7,823	7,059	6,848	6,696	6,125
Long-term	2,314	3,824	3,971	3,638	3,738	3,713	3,649	3,679
Short-term	8,368	5,664	4,776	4,185	3,321	3,135	3,047	2,446
BIBF <sup>2</sup>	31,187	30,079	25,679	23,679	21,892	19,244	18,128	17,579
Long-term	10,697	10,317	8,236	7,843	6,946	6,492	5,987	5,907
Short-term	20,490	19,762	17,443	15,836	14,946	12,752	12,141	11,672
Non-Bank <sup>3</sup>	31,862	29,526	26,737	26,634	25,700	24,927	24,666	24,318
Long-term	23,161	20,136	20,620	20,711	20,594	20,443	20,349	20,285
Short-term	8,701	9,390	6,117	5,923	5,106	4,484	4,317	4,033
<b>Total</b>	<b>90,536</b>	<b>93,416</b>	<b>88,126</b>	<b>86,692</b>	<b>86,159</b>	<b>83,865</b>	<b>83,320</b>	<b>81,675</b>
Long-term	52,923	58,580	59,770	60,598	62,637	63,344	63,665	63,374
Short-term <sup>1</sup>	37,613	34,836	28,356	26,094	23,522	20,521	19,655	18,301
<b>Bank foreign assets</b>	<b>7,362</b>	<b>8,887</b>	<b>11,201</b>	<b>12,564</b>	<b>12,836</b>	<b>15,933</b>	<b>16,393</b>	<b>16,802</b>
<b>Gross official reserves</b>	<b>38,725</b>	<b>26,968</b>	<b>26,572</b>	<b>27,291</b>	<b>29,536</b>	<b>29,936</b>	<b>30,204</b>	<b>31,434</b>
<b>Debt Service Payments</b>	<b>9,024</b>	<b>11,630</b>	<b>3,017</b>	<b>4,027</b>	<b>3,391</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
Principal	3,822	6,072	1,673	2,664	2,090	n.a.	n.a.	n.a.
Interest	5,202	5,558	1,344	1,363	1,300	n.a.	n.a.	n.a.
<b>Public sector</b>	<b>1,845</b>	<b>1,959</b>	<b>496</b>	<b>656</b>	<b>517</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Private sector</b>	<b>7,179</b>	<b>9,671</b>	<b>2,521</b>	<b>3,371</b>	<b>2,873</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Export of goods and services</b>	<b>73,497</b>	<b>74,431</b>	<b>16,291</b>	<b>16,624</b>	<b>17,533</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Debt Service Ratio</b>	<b>12</b>	<b>16</b>	<b>19</b>	<b>24</b>	<b>19</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

Source: Bank of Thailand

1/ Short-term external debt is defined as debt that has an original maturity of one year or less.

2/ BIBF's debt, which was compiled according to remaining maturity since the establishment of BIBF's activities in 1993 has been adjusted to original maturity basis since January, 1996, consistent with other external debt items.

3/ Non-bank debt is adjusted back to January 1997 based on the result of March 1998 survey and December 1997 bond data from IMF.

Notes: 1. The revised definition of private sector debt has been made since 1986. It consists of three parts, namely commercial bank, BIBF and non-bank debt. 2. Total monetary authority debt includes the use of IMF credits and bilateral loans under IMF package. Structural Adjustment Loans (SAL) of World Bank and Asian Development Bank under the same package, however, are included in public sector debt. 3. Debt service payments in private sector has also been revised to include principal and interest payments on BOT debt since 1986.

**Table 9: Central Government Balance***(million baht)*

	CY1996	CY1997	CY1998	1998				1999	
				Q1	Q2	Q3	Q4	Q1	Q2
Revenue(+)	853,201	847,696	717,779	189,460	189,460	189,460	189,460	189,460	189,460
Expenditures(-)	819,083	874,403	842,581	212,205	212,205	212,205	212,205	212,205	212,205
Budgetary deficit(-) or surplus(+)	34,118	-27,914	-124,802	-22,745	-22,745	-22,745	-22,745	-22,745	-22,745
Non-budgetary deficit / surplus(+)	9,185	12,855	-4,150	-22,818	-22,818	-22,818	-22,818	-22,818	-22,818
Cash deficit(-) or surplus(+)	43,303	-15,059	-128,952	-45,563	-45,563	-45,563	-45,563	-45,563	-45,563
Financing:				0	0	0	0	0	0
Net domestic borrowings(+):	-25,123	-16,380	-3,081	9,874	9,874	9,874	9,874	9,874	9,874
- Bank of Thailand 1/	2,054	-5,800	2,482	-7,364	-7,364	-7,364	-7,364	-7,364	-7,364
- Commercial banks	-21,320	-710	-1,651	1,065	1,065	1,065	1,065	1,065	1,065
- Government Savings Bank	-3,570	-8,200	-3,000	0	0	0	0	0	0
- Others	-2,287	-1,670	-912	16,173	16,173	16,173	16,173	16,173	16,173
Net foreign borrowings (+)	-3,665	-3,747	-4,403	437,345	437,345	437,345	437,345	437,345	437,345
Government Pension Fund	-	-55,991	-280	0	0	0	0	0	0
Gov't Bond for FIDF	0	0	400,000	101,408	101,408	101,408	101,408	101,408	101,408
Lending to FIDF	0	0	-400,000	-101,408	-101,408	-101,408	-101,408	-101,408	-101,408
Use of Treasury cash balances(+)	-14,515	91,177	136,715	5,013	5,013	5,013	5,013	5,013	5,013

Source : Comptroller-General's Department and the Bank of Thailand

1/ Including Exchange Equalization Fund.

The budgetary deficit/surplus is the balance between revenue and expenditure from the current year budget and carryover expenditure from the previous two budgets. The overall balance is a cash balance, which is composed of the budgetary balance and the non-budgetary balance. The non-budgetary balance, reported above the line, represents mainly changes in deposits of government agencies at the Ministry of Finance which are of revenue-related and expenditure-related types.

**Table 10: Budget Appropriation for FY 2000 by Economic Services**  
(million baht)

	Amount	ratio to budget	+/-	%
<b>Total</b>	<b>860,000</b>	<b>100.0</b>	<b>35,000</b>	<b>4.2</b>
1. Agriculture	66,656.9	7.7	5,224.6	8.5
2. Industry and mining	3,670.8	0.4	429.3	13.2
3. Transportation and Communication	59,907.5	7.0	-4,982.9	-7.7
4. Commerce and Tourism	5,615.7	0.7	-1,,79.3	-17.4
5. Sciences and Technology	15,240.5	1.8	2,609.0	20.7
6. Education	222,401.3	25.9	13,785.2	6.6
7. Public Health	65,760.2	7.6	3,292.8	5.3
8. Social and Public Welfare	93,646.2	10.9	-5,011.6	-5.1
9. Defense	88,608.6	10.3	1,690.2	1.9
10. Internal security	43,648.9	5.1	-905.7	-2.0
11. Public administration	115,777.1	13.5	16,183.7	16.3
12. Loan payment	79,066.3	9.2	3,864.7	5.1

Source: Government Spokesman Bureau

**Table 11: Budget Appropriation for FY 2000 by Ministry**  
(million baht)

	amount	ratio to budget	+/-	%
Total	860,000	100.0	35,000.0	4.2
1. Central fund		9.6	6,009.9	7.8
2. Office of the PM	8,003.8	0.9	998.8	14.3
3. Defense	77,299.8	9.0	232.9	0.3
4. Finance	76,961.5	9.0	1,747.3	2.3
5. Foreign Affairs	3,943.4	0.5	-163.2	-4.0
6. Agriculture	70,668.2	8.2	5,260.3	8.0
7. Transport and Communications	51,244.2	6.0	-5,679.6	-10.0
8. Commerce	4,359.1	0.5	416.6	10.6
9. Interior	93,209.4	10.8	-4,727.5	-4.8
10. Labor and Social Welfare	17,546.6	2.0	6,419.4	57.7
11. Justice	180.4	0.02	-4,887.7	-96.4
12. Sciences, Technology and Env.	13,886.7	1.6	2,641.9	23.5
13. Education	159,261.4	18.5	7,509.3	4.9
14. Public Health	59,183.6	6.9	2,012.3	3.5
15. Industry	4,483.0	0.5	602.2	15.5
16. University Affairs	34,420.0	4.0	151.8	0.4
17. Others except Office of the PM	47,025.7	5.5	4,432.9	10.4
18. State enterprises	24,326.8	2.8	3,266.4	15.5
19. Revolving fund	30,010.0	3.5	7,690.0	34.5
20. Independent agencies in line with the Constitution	1,066.0	0.1	1,066.0	100.0

Source: Government Spokesman Bureau

**Table 12: National Government Actual Revenue- Classified by Major Sources**  
(million baht)

	CY 1997	CY 1998	1998			1999		
			Q2	Q3	Q4	Q1	Apr	May
Taxation :	762,286	633,599	182,052	143,070	136,957	169,795	47,557	49,715
Income taxes :	276,365	213,435	71,499	46,223	40,904	60,395	14,546	16,604
Personal	111,682	123,058	30,316	30,130	28,441	30,478	9,395	6,944
Corporation	159,717	85,114	39,686	16,093	12,463	27,845	5,151	9,646
Petroleum	4,966	5,263	1,497	0	0	2,072	0	14
Indirect taxes :	485,921	420,164	110,553	96,847	96,053	109,400	33,011	33,111
Import duties	94,813	60,928	14,357	14,917	14,934	15,462	5,390	5,270
Export duties	14	18	4	8	3	17	4	15
Business tax	394	451	104	142	105	37	16	4
Value added tax 1/	185,942	176,392	48,430	35,761	35,471	48,530	12,688	11,460
Selective sales tax	175,159	158,908	41,348	38,429	40,872	40,733	14,142	13,130
Fiscal monopolies	12,133	8,906	2,614	4,252	1,029	1,524	314	1,314
Royalties	6,471	8,771	2,334	1,966	2,215	1,821	66	1,546
Licenses & fees	2,808	1,248	255	270	340	322	79	87
Other taxes	8,187	4,542	1,107	1,102	1,084	954	312	285
Sales and charges	8,710	9,422	1,812	3,447	1,838	2,556	714	698
State Enterprises	57,694	35,846	13,921	6,093	1,744	2,748	230	3,708
contribute & dividends								
Miscellaneous revenue	19,006	38,913	7,016	4,942	21,748	4,501	1,773	-1,465
and income								
Total revenue	847,696	717,780	204,801	157,552	162,287	179,600	50,274	52,656

1/ Including specific - business tax

Source: Bank of Thailand

**Table 13: Public Sector Debt**  
(billion baht)

	Central government			State-owned enterprises					BOT		Total	
	Domestic debt	External debt	Total	Domestic debt	Non-guaranteed domestic debt	External debt	Non-guaranteed external debt	Total	External debt (US\$)	External debt (baht)	Total debt	% of GDP
1979	90,166	23,210	113,376	..	..	32,181	121	32,302	..	..	..	..
1980	109,781	30,035	139,816	..	..	49,879	1,235	51,114	..	..	..	..
1981	127,455	41,383	168,838	..	..	72,880	2,757	75,637	..	..	..	..
1982	160,372	49,132	209,503	..	..	89,604	57	89,661	..	..	..	..
1983	185,815	56,717	242,532	..	..	101,430	91	101,522	..	..	..	..
1984	219,143	73,779	292,923	..	..	128,059	119	128,178	..	..	421,101	42.6%
1985	249,253	101,883	351,136	..	..	154,537	2,722	157,259	..	..	508,395	48.1%
1986	301,235	112,361	413,596	..	..	160,729	..	160,729	1,069	27,933	602,258	53.1%
1987	322,122	129,606	451,728	..	..	194,772	..	194,772	973	24,393	670,893	51.6%
1988	304,878	133,567	438,445	..	..	184,792	..	184,792	672	16,961	640,199	41.0%
1989	291,255	127,168	418,423	..	..	187,214	..	187,214	275	7,065	612,701	33.0%
1990	278,346	93,608	371,954	16,594	1,595	223,273	..	241,462	1	25	613,441	28.1%
1991	230,109	95,749	325,858	49,367	1,269	228,037	..	278,674	0	0	604,531	24.1%
1992	202,694	97,567	300,261	62,938	13,245	235,928	..	312,111	0	0	612,372	21.6%
1993	161,071	104,102	265,173	109,694	25,254	257,826	..	392,773	0	0	657,946	20.8%
1994	103,200	116,629	219,829	159,815	30,589	277,635	..	468,039	0	0	687,868	18.9%
1995	72,696	120,934	193,630	208,690	29,589	292,232	..	530,511	0	0	724,141	17.3%
1996	44,254	131,340	175,594	239,690	38,678	266,572	..	544,940	0	0	720,534	15.7%
1997	31,755	267,792	299,547	247,259	46,510	476,717	..	770,487	7,157	338,168	1,408,202	29.2%
1998	426,928	247,104	674,032	255,696	44,910	443,825	..	744,431	11,204	413,091	1,831,554	38.2%
2/99	528,869	278,500	807,369	257,996	44,910	443,825	..	746,731	11,301	424,353	1,978,453	40.4%

Source: MOF, BOT, NESDB, NSO, and author's calculations



Table 14: Summary Table on Unemployment

(thousands)

Labor force status	May-96	Aug-96	Feb-97	Aug-97	Feb-98	May-98	Aug-98	Feb-99	May-99
	Total	Total	Total	Total	Total	Total	Total	Total	Total
Total	59,903	60,045	60,351	60,649	60,949	61,098	61,248	61,551	..
Total labor force	32,504	32,750	32,000	33,561	32,143	32,170	33,353	32,810	32,971
1. Current labor force	31,035	32,586	30,964	33,455	30,892	30,168	33,276	31,740	31,591
1.1 Employed	30,375	32,232	30,266	33,162	29,413	28,555	32,138	30,025	29,832
Underemployed (<20 hours/week) <sup>1</sup>	373	581	544	721	1,477	363	938	863	..
% of total labor force	1.1	1.8	1.7	2.1	4.6	1.1	2.8	2.6	..
% of current labor force	1.2	1.8	1.8	2.2	4.8	1.2	2.8	2.7	..
1.2 Unemployed	660	354	698	293	1,479	1,613	1,138	1,716	1,759
% of total labor force	2.0	1.1	2.2	0.9	4.6	5.0	3.4	5.2	5.3
% of current labor force	2.1	1.1	2.3	0.9	4.8	5.3	3.4	5.4	5.6
1) Looking for work	159	110	180	96	403	492	477	476	..
2) Available / not looking for work	501	244	518	196	1,077	1,120	662	1,240	..
2. Seasonally inactive labor force	1,469	164	1,036	106	1,251	2,002	77	1,070	1,380
% of total labor force	4.5	0.5	3.2	0.3	3.9	6.2	0.2	3.3	4.2
Unemployed + seasonally inactive labor force	2,129	518	1,734	398	2,730	3,615	1,215	2,786	3,139
% of total labor force	6.5	1.6	5.4	1.2	8.5	11.2	3.6	8.5	9.5

Source: Labor Force Survey by National Statistical Office

1/ The May round was skipped in 1997.

2/ Line added by World Bank staff. Underemployment is (arbitrarily) defined here as those employed working less than 20 hours/week.

**Table 15: Reported Non-Performing Loans to Loans***(percent)*

	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99
Private banks	42.0	42.5	42.3	42.5	42.8	41.0
State banks	65.1	67.8	68.2	67.7	69.4	70.6
Foreign banks	10.1	10.3	11.5	11.6	11.7	12.3
<b>Commercial banks</b>	<b>44.0</b>	<b>45.8</b>	<b>46.2</b>	<b>46.2</b>	<b>46.8</b>	<b>46.5</b>
Fincos	71.9	65.4	65.5	65.7	67.0	67.4
<b>Financial institutions</b>	<b>46.2</b>	<b>46.7</b>	<b>47.0</b>	<b>47.1</b>	<b>47.7</b>	<b>47.5</b>

Source: Bank of Thailand

**Table 16: August 14 Capital Support Utilization***(million baht)*

	Tier-1	Tier-2	Total
Approved	35,500	2,922	38,422
Applied	21,000	21,450	42,450
	<b>56,500</b>	<b>24,372</b>	<b>80,872</b>

Source: Bank of Thailand

**Table 17: Recapitalization Progress***(million baht)*

	State Banks	Private Banks	Total
Additional recapitalization needed*	432,700	45,881	478,581
Capital raised from April 98 to July 99	361,100	281,600	642,700
<b>Total Recap Need</b>	<b>793,800</b>	<b>327,481</b>	<b>1,121,281</b>
Completion (Percentage)	45	86	57

Source: The World Bank and Bank of Thailand

\* Based on 1Q 1999 financial statement

\* Assume 60 and 45 NPL recovery rate for private banks and state banks, respectively

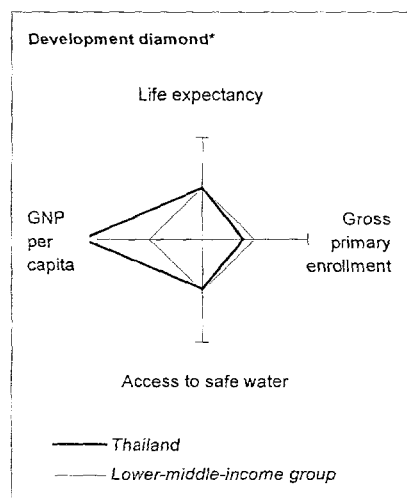
**Table 18: Financial Sector Restructuring Authority Auction Results**

Bid Date	Core Assets	Book Value	Recovery	Percent
		(Billion Bt)	(Billion baht)	
25-Jun-98	Auto hire purchase contracts	52.0	25.0	48
13-Aug-98	Residential mortgage loans	24.6	11.6	47
15-Dec-98	Business loans (1st round)	155.7	38.9	25
19-Mar-99	Business loans (2nd round)	221.5	39.9	18
6-Jul-99	Construction loans	1.9	0.2	8
11-Aug-99	Commercial and other loans	129.0	31.0	24
	<b>Total</b>	<b>584.7</b>	<b>146.4</b>	<b>25</b>

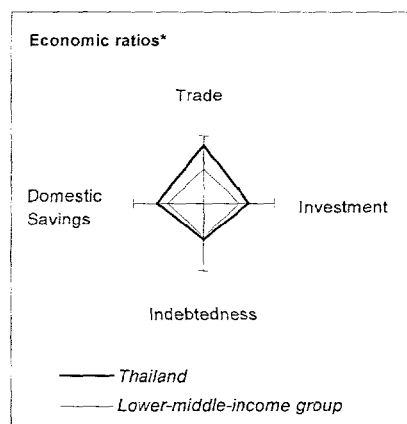
# Thailand at a glance

9/8/98

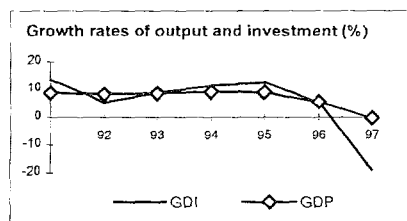
POVERTY and SOCIAL	Thailand	East Asia & Pacific	Lower-middle-income
<b>1997</b>			
Population, mid-year (millions)	60.6	1,753	2,285
GNP per capita (Atlas method, US\$)	2,800	970	1,230
GNP (Atlas method, US\$ billions)	169.7	1,707	2,818
<b>Average annual growth, 1991-97</b>			
Population (%)	1.2	1.3	1.2
Labor force (%)	1.5	1.4	1.3
<b>Most recent estimate (latest year available, 1991-97)</b>			
Poverty (% of population below national poverty line)	13	..	..
Urban population (% of total population)	21	32	42
Life expectancy at birth (years)	69	69	69
Infant mortality (per 1,000 live births)	33	38	36
Child malnutrition (% of children under 5)	..	16	..
Access to safe water (% of population)	81	84	84
Illiteracy (% of population age 15+)	6	17	19
Gross primary enrollment (% of school-age population)	87	115	111
Male	..	118	116
Female	..	116	113



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1976	1986	1996	1997	
GDP (US\$ billions)	17.0	43.1	181.4	153.9	
Gross domestic investment/GDP	24.0	25.9	41.7	35.0	
Exports of goods and services/GDP	20.2	25.6	39.3	47.0	
Gross domestic savings/GDP	21.5	27.9	35.9	35.7	
Gross national savings/GDP	21.2	25.9	33.2	32.6	
Current account balance/GDP	-2.6	0.6	-7.9	-2.0	
Interest payments/GDP	0.6	2.4	1.2	2.0	
Total debt/GDP	13.7	42.9	50.1	..	
Total debt service/exports	10.4	30.1	11.4	..	
Present value of debt/GDP	..	..	50.1	..	
Present value of debt/exports	..	..	120.0	..	
<b>(average annual growth)</b>					
GDP	6.0	8.7	5.5	-0.4	..
GNP per capita	3.7	7.2	4.0	-2.1	..
Exports of goods and services	8.9	13.5	-1.8	6.6	..



STRUCTURE of the ECONOMY	1976	1986	1996	1997
<b>(% of GDP)</b>				
Agriculture	26.7	15.7	11.0	11.2
Industry	27.6	33.1	39.5	39.8
Manufacturing	19.7	23.9	28.4	28.8
Services	45.7	51.3	49.5	48.9
Private consumption	67.5	59.3	53.9	54.1
General government consumption	11.0	12.8	10.2	10.3
Imports of goods and services	22.7	23.6	45.1	46.4
<b>(average annual growth)</b>				
Agriculture	3.8	3.4	3.8	1.2
Industry	7.1	11.2	7.0	-0.1
Manufacturing	6.2	11.3	6.9	0.2
Services	6.3	8.2	4.6	-1.1
Private consumption	4.7	7.6	5.2	0.0
General government consumption	7.8	5.9	9.5	-0.7
Gross domestic investment	5.0	11.5	5.4	-19.0
Imports of goods and services	4.7	13.7	-0.9	-10.0
Gross national product	5.8	8.5	5.0	-1.1

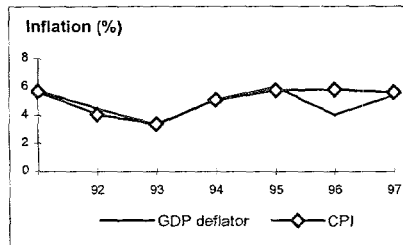


Note: 1997 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

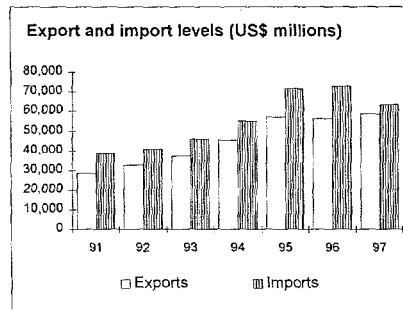
**PRICES and GOVERNMENT FINANCE**

	1976	1986	1996	1997
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	4.1	1.8	5.8	5.6
Implicit GDP deflator	4.5	1.7	4.0	5.4
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	12.4	15.0	18.9	..
Current budget balance	0.7	-0.5	8.5	..
Overall surplus/deficit	-3.6	-4.5	2.2	..



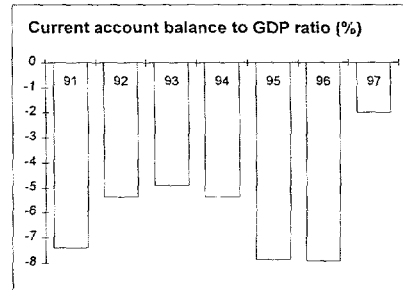
**TRADE**

	1976	1986	1996	1997
<i>(US\$ millions)</i>				
Total exports (fob)	2,980	8,872	56,001	58,431
Rice	422	775	2,012	2,080
Rubber	260	577	2,513	1,900
Manufactures	..	4,649	45,646	48,182
Total imports (cif)	..	9,448	72,768	63,286
Food	..	..	1,660	1,366
Fuel and energy	..	1,225	6,248	5,536
Capital goods	..	..	34,222	31,367
Export price index (1995=100)	..	62	99	..
Import price index (1995=100)	..	50	99	..
Terms of trade (1995=100)	..	124	100	..



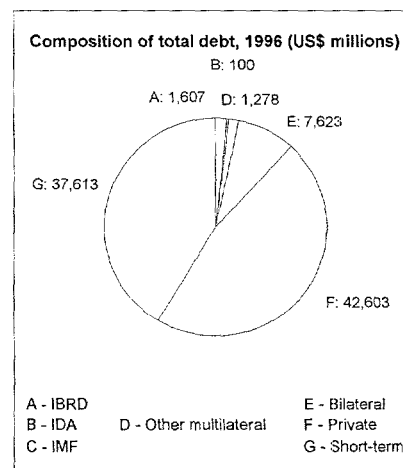
**BALANCE of PAYMENTS**

	1976	1986	1996	1997
<i>(US\$ millions)</i>				
Exports of goods and services	3,467	11,105	71,687	72,740
Imports of goods and services	3,900	10,219	83,422	72,673
Resource balance	-433	887	-11,735	67
Net income	-54	-864	-3,386	-3,576
Net current transfers	47	225	761	446
Current account balance	-440	247	-14,360	-3,063
Financing items (net)	521	436	16,529	13,712
Changes in net reserves	-81	-684	-2,169	-10,649
<b>Memo:</b>				
Reserves including gold (US\$ millions)	1,893	3,776	38,645	26,893
Conversion rate (DEC, local/US\$)	20.4	26.3	25.3	31.4



**EXTERNAL DEBT and RESOURCE FLOWS**

	1976	1986	1996	1997
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	2,326	18,505	90,824	..
IBRD	298	2,781	1,607	1,715
IDA	11	109	100	98
Total debt service	378	3,655	8,652	..
IBRD	36	358	318	257
IDA	0	1	3	3
<b>Composition of net resource flows</b>				
Official grants	84	152	96	..
Official creditors	109	294	634	..
Private creditors	139	-505	9,830	..
Foreign direct investment	79	263	2,336	..
Portfolio equity	0	31	1,551	..
<b>World Bank program</b>				
Commitments	158	93	250	767
Disbursements	50	206	138	443
Principal repayments	15	129	198	155
Net flows	35	77	-60	288
Interest payments	22	230	122	105
Net transfers	13	-154	-183	184



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**SOURCES**


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- Data on investment, manufacturing, expenditure, balance of payments, monetary variables, and trade are from the Bank of Thailand's (BOT) web page (monthly statistical update, Key Economic Indicators, Databank, all available at <http://www.bot.or.th>.) Other sources of data include: Clarion Capital Asia: AsiaClock.
- Unemployment data in Thailand come from different sources, including (i) the national Labor Force Survey (LFS) which is conducted by the National Statistical Office (NSO) three times a year, (ii) the number of persons complaining about not getting severance payments after being laid off reported by the Ministry of Labor and Social Welfare (MoLSW), (iii) national censuses (three so far) conducted by the Department of Local Administration (DOLA), and (iv) NESDB estimates of the number of new graduates entering the labor force. The Labor Force Survey is considered the most reliable source and have chosen to focus on those numbers (BOT publishes the numbers on their website).
- Data on tourism is from the Bangkok Post, Jones Lang Wotton and Travel Impact Newswire ([imtiaaz@loxinfo.co.th](mailto:imtiaaz@loxinfo.co.th))
- Real estate data is provided by Jones Lang LaSalle (<http://www.jlwthai.com/>) in their monthly newsletter "Insight."
- The "Thailand at a Glance" tables are generated from the World Bank's "live data base." Some of the numbers may differ from BOT tables because of differences in definitions and the use of different exchange rates to convert baht numbers into US dollars.

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**LINKS**


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Other Web sites on Thailand worth visiting:

- BOT's Economic Research Department: [www.bot.or.th/research/public/econpage.htm](http://www.bot.or.th/research/public/econpage.htm)
- Privatization Masterplan: [www.mof.go.th/SEPC/](http://www.mof.go.th/SEPC/)
- Fiscal data: [www.mof.go.th/fiscal/](http://www.mof.go.th/fiscal/) and <http://www.fpo.mof.go.th/other5/engd5.htm>
- Board of Investment: [www.boi.go.th/](http://www.boi.go.th/)
- Social Sector Program Loan: <http://www.sspl.org/>
- National Statistical Office (for employment data): <http://www.nso.go.th/>
- Thai Rating and Information Services: [www.tris.tnet.co.th/](http://www.tris.tnet.co.th/)
- Stock Exchange of Thailand: [www.set.or.th](http://www.set.or.th)
- Customs data: <http://www.customs.go.th/> (the Customs Department's web site contains a data base with

volume and baht value numbers for all export and import commodities.)

- Ministry of Commerce: [http://www.moc.go.th/thai/dbe/dbe\\_engkk1.htm](http://www.moc.go.th/thai/dbe/dbe_engkk1.htm)
- Government's spokesman bureau: <http://www.spokesman.go.th/index/what-e.htm>

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**DATA ISSUES**


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**The agricultural sector.** Thai agriculture is dominated by extensive cultivation of rain-fed crops (the first crop), most significantly wet rice which in 1993 accounted for 50 percent of the cropped area. Given that only 18 percent of the cultivated area is classed as irrigated, the main constraints on agricultural production are the levels and marked seasonality of rainfall. The second crop is grown in the dry season and is therefore depending upon irrigation.<sup>11</sup>

<sup>1</sup> Short-term external debt is defined as debt that has an original maturity of one year or less.

<sup>2</sup> Net international reserves are defined here as gross reserves (the sum of gold, SDRs, the reserve position at the IMF and foreign exchange) minus the net forward position. In previous issues of the Monitor, we have been using the IMF Thailand program definition which subtracts IMF borrowing under the rescue package (currently at \$3.1 billion of the \$4 billion has been disbursed).

<sup>3</sup> For details, see Thailand Economic Monitor April 1999, available online at <http://www.worldbank.or.th/monitor/>

<sup>4</sup> These are preliminary data from the Comptroller General's Office.

<sup>5</sup> This is not a World Bank estimate, but is based on a set of assumptions for illustrative purposes only.

<sup>6</sup> A listing of all the different projects in Thailand will be updated quarterly and is available on the web at [www.worldbank.or.th/ta](http://www.worldbank.or.th/ta).

<sup>7</sup> In BOT's online Databank, total FDI 1998 adds up to approximately \$4.8 billion. However, in their monthly investor's brief (not published) total FDI 1998 equals \$6.9 billion, of which \$2.1 billion are spelled out as "bank recapitalization." Our figures are based on the online tables which excludes bank recapitalization. This means that FDI into industry appears as the largest category. When including the \$2.1 billion, "financial institutions" would be the biggest recipient of FDI.

<sup>8</sup> Short-term external debt is defined as debt that has an original maturity of one year or less.

<sup>9</sup> Net international reserves are defined here as gross reserves (the sum of gold, SDRs, the reserve position at the IMF and foreign exchange) minus the net forward position. In previous issues of the Monitor, we have been using the IMF Thailand program definition which subtracts IMF borrowing under the rescue package (currently at \$3.1

billion of the \$4 billion has been disbursed).

<sup>10</sup> For details, see Thailand Economic Monitor April 1999, available online at <http://www.worldbank.or.th/monitor/>

<sup>11</sup> From Chris Dixon's "The Thai Economy: Uneven development and internationalisation," Routledge, London 1999, page 153)



## **THE WORLD BANK**

### **Thailand Office**

Diethelm Towers  
14th Floor Tower A  
93/1 Wireless Road  
Bangkok 10330, Thailand  
Tel. (662) 256-7792  
Fax (662) 256-7794-5

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