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Thailand Economic Monitor

November 1998

**Bangkok,
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World Bank Thailand Office

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Thailand Economic Monitor: Executive Summary

Recent developments

- The decline in economic activity seems to be bottoming out. The manufacturing production index in August fell 11.2 percent year-on-year but the level of the index has remained remarkably stable since January. The new level suggests that drop in manufacturing sector has stabilized at 1994-95 levels.
- The Thai stock exchange has increased substantially in the last two months. Since the beginning of September, the SET has risen by 66 percent. The baht has strengthened slightly against the dollar, trading at B/US\$ 36.33 on November 18.
- Export values in US dollar terms continued to decline, by 11.7 percent year on year in August and 8.5 percent in September. Export volumes rose by only 1.9% in August compared with August 1997. Export volumes rose by over 13% in July. Imports are considerably lower than one ago but the new level appears to be stable. Thailand is now importing an average of US\$ 3.4 billion per month, compared with US\$ 5-6 billion before the crisis.
- The central government's cumulative cash deficit for FY 1997/98 totaled 115 billion baht, close to the IMF target of 117 billion baht. To reach the targeted deficit, the government spent more than 100 billion baht in the month of September, the highest amount spent in a single month for years.
- Corporate debt restructuring is progressing slowly. Restructured Thai corporate debt as of September 30 amounted to 16.7 billion baht (463.9 million dollars), or 0.7 percent of total non-performing loans in the financial sector. Thai corporate debt of 437.7 billion baht (12.2 billion dollars) is yet to be restructured, with more than half in the manufacturing sector. Further declines in interest rates should help facilitate debt restructuring.
- Some of the country's major banks, including Bank of Ayudhya, Siam City Bank and Thai Farmers Bank, cut lending rates further. In nominal terms, the prime lending rate (MLR) offered by the four largest commercial banks was 12.5 percent on November 17. The Bank of Thailand expects a decline to 12 percent by the end of the year.
- There have been delays in parliamentary approval of critical amendments to the Alien Business Law, foreclosure and bankruptcy legislation and the Corporatization Law in the parliamentary session which ended on October 21. The amendments being debated are considered crucial by international financial institutions and investors to speed up debt restructuring and put Thailand on the path for a speedy recovery.

- The Thai government is engaged in discussions regarding Thailand's portion of Japan's planned \$30 billion Miyazawa Initiative for the region.
- The IMF is finalizing the fifth review of the Stand-By Arrangement. Key issues include widening the fiscal stance to revive the economy and adopting critical legislation on bankruptcy and foreclosure. The Sixth Letter of Intent will be made public in the beginning of December.

Points to watch

- ⇒ The Bank of Thailand is preparing a \$2.5 billion domestic long term bond issue to deepen the country's long-term bond market and provide a benchmark for long-term rates.
- ⇒ The FRA auction of December 2, 1998 will be the world's largest auction ever. The sale would mean the FRA had disposed of 90 percent of the assets within its one year mandate.
- ⇒ To improve legal provisions and regulations for supervision, the BOT is in the process of reviewing the legal and regulatory framework for the supervision of commercial banks and finance companies. Based on this review, by December this year, MOF and BOT will present to the Cabinet legal amendments to the Banking Act and the Finance Companies Act.
- ⇒ To provide appropriate legislative and institutional frameworks for corporate bankruptcies and reorganizations, the government will try to have amendments to the Bankruptcy Act B.E. 2483 (1940) approved by Parliament.
- ⇒ To facilitate the implementation of the Privatization Masterplan, the Government is attempting to have the Corporatization Law approved.

Assessment

- A cautious optimism has returned to Thailand. Hopes are fueled by the recovery of the stock market index, the strengthening baht, reduced inflation and declining interest rates. Investor optimism is reinforced by positive trends in the current account surplus, revived foreign direct investment and the perception that the government is resolutely dealing with the crisis.
- Investor confidence is slowly returning as the contraction of real economic activity shows signs of bottoming out. Nonetheless, declining investment, the slump in domestic demand, and sluggish exports suggest that the turnaround has not arrived yet. Although stability in external accounts has been restored, the sharp import compression, the large debt overhang and declining dollar export revenues impair the prospects of a quick recovery.

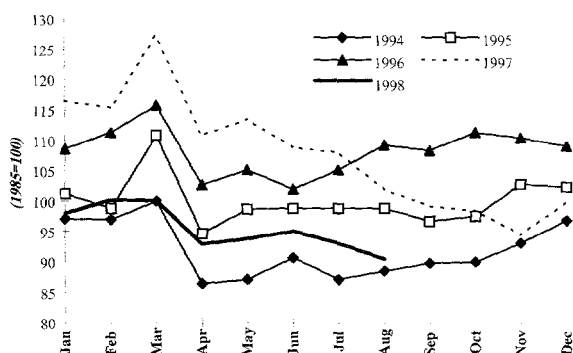
ECONOMIC ACTIVITY

The decline in economic activity is bottoming out...

Manufacturing production appears to have stabilized. While there are still no signs of recovery, the plunge in manufacturing seems to have bottomed out (Figure 1). Although manufacturing production is still showing double-digit declines on a year-on-year basis, the rate of decline has decelerated, and output seems to have stabilized at a level of production equal to 1994 and 1995 levels.

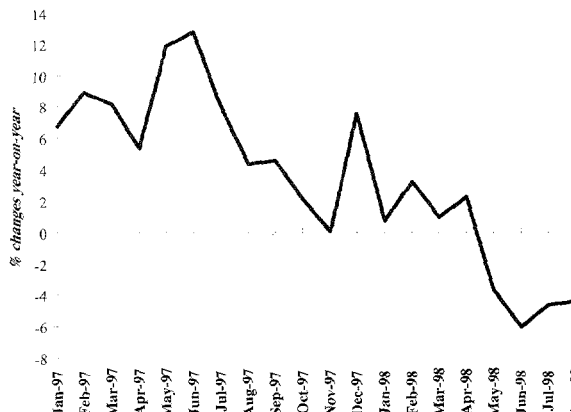
Sectors with low import content are performing better. Textiles, food products and beverages have weathered the crisis much better than sectors vulnerable to the sharp drop in demand, including the production of vehicles, equipment and construction materials (Table 4). The textiles industry is one of the few manufacturing industries which has expanded continuously throughout the crisis. Manufacturers of textiles and vehicles are increasingly shifting their production to service export markets. Similarly, the food industry is expanding its production of tradable canned and frozen seafood.

Figure 1: Manufacturing production index



Producing at 1994-levels means that only 50.7 percent of total capacity is used. Only the textiles industry is producing near full capacity. Most other manufacturing sectors are producing between 24 to 58 percent of full capacity (Table 6). The depressed level of economic activity is also reflected in electricity consumption, which shrank by 4.6 percent in August 1998 compared to a year earlier.

Figure 2: Electricity consumption



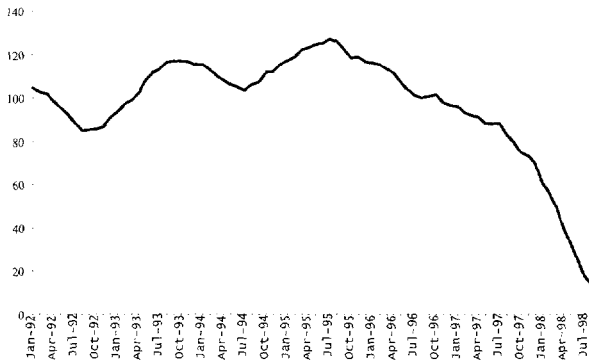
...but the recession has already resulted in many company closures.

During the first 9 months of this year, 9,543 companies with a total registered capital of 23 billion baht closed, according to the Department of Commerce Registration. By comparison, 9,925 companies with registered capital of 26.5 billion baht closed during the whole of 1997. Most of the shuttered companies are of small to medium size (registered capital of 1-4.9 million baht and total assets excluding land of less than 50 million baht). Closures were most frequent in the wholesale & retail and restaurant sectors, followed by construction and manufacturing.

Private investment is still declining...

Private investment is still declining in view of large overcapacities. The 12-month moving average of the BOT's private investment index continues to register record-low levels of investment, declining by 20.8 percent in August. The large declines in the investment index are being driven by falling demand for construction materials and imported capital goods (Table 5).

Figure 3: Private investment index

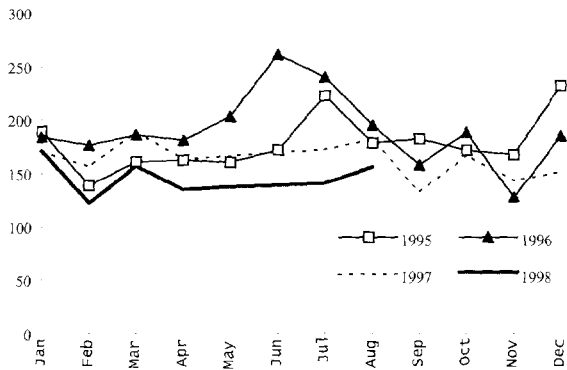


... but domestic consumption has already stabilized.

Retail sales are stabilizing at a reduced level.

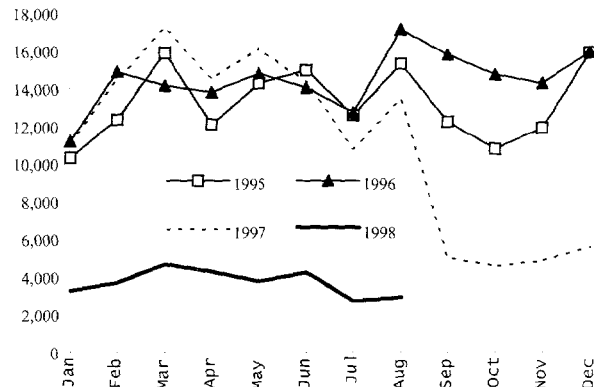
Real retail sales peaked in the summer of 1996 and have fallen almost continuously since then. Domestic consumption is subject to large seasonal variation, but has not deteriorated further in recent months. Real sales in 1998 show signs of remaining stable at a level corresponding to about 82 percent of sales in 1997 (Figure 4), with a possible upward trend.

Figure 4: Real retail sales index (1193=100)



The contraction in car sales has also stabilized. The year-on-year decline continues at a staggering 70 percent, but it appears that sales have settled at a monthly average of approximately 4,000 cars, compared to approximately 14,000 prior to the crisis (Figure 5). While domestic demand for cars is low, exports of cars is one the best performing export sectors.

Figure 5: Domestic car sales



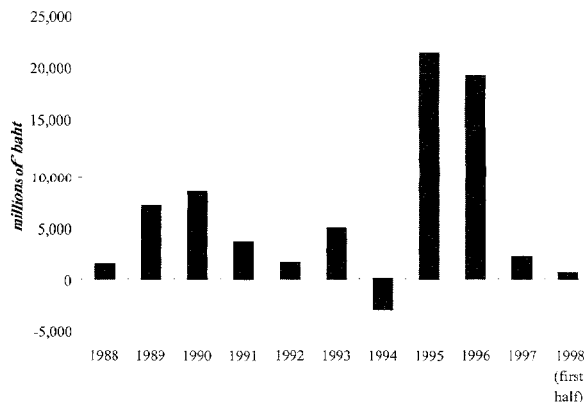
The real estate sector is still facing a painful adjustment process .

Rental prices and values are falling and occupancy rates are expected to increase in the coming months. Based on projections of future supply of office space, vacant office space in Bangkok is estimated to increase to 40 percent by the end of the year.

Despite continued interest from overseas investors, mainly US-based funds, there have been few actual property sales (Figure 6). Real estate analysts report that sales are not taking place because few properties for sale are available at attractive prices. Prices offered by prospective buyers are in many cases less than the value of outstanding loans. Moreover, the absence of an effective bankruptcy and foreclosure process prevents lenders from forcing debtors to sell their assets.

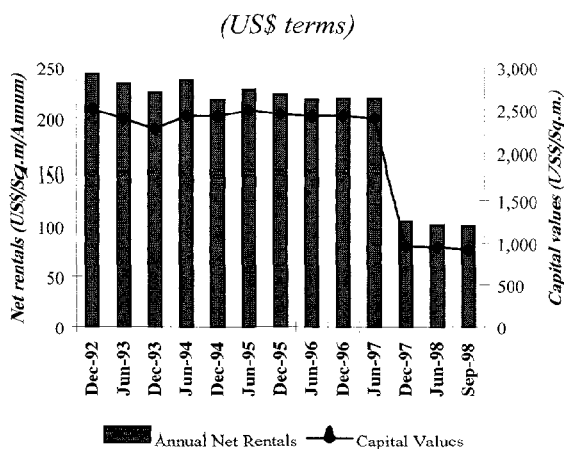
Growing public confidence in the economy was underscored by the success of the property auction held on November 8 by the Financial Sector Restructuring Authority (FRA). Seventy-five percent of the Bangkok properties on the block were sold. Out of all the 318 lots, 61.8% were auctioned off. Revenues of the one-day event exceeded expectations, generating a total of 1.54 billion baht- 44.6% higher than the floor prices the FRA had set.

Figure 6: Net FDI in the real estate sector



The Bangkok property market is expected to emerge as a more mature market after the crisis. The crisis has spurred the development of new investment vehicles, particularly the introduction of property funds. Property funds allowing full foreign ownership were established in April this year and have attracted substantial attention from foreign investors. So far, no major purchases have been made by these new property funds.

Figure 7: Average rental and capital value of grade A office space (Bangkok CBD)



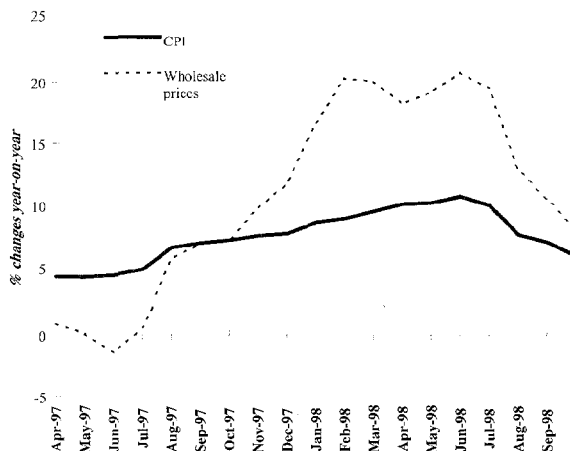
Source: Jones Lang Wotton

Inflation is further decelerating...

Consumer prices rose by only 5.9 percent in October, considerably lower than the last IMF target. Consumer prices in October declined 0.2 percent month-on-month for the second month in a row. The declining trend in inflation reflects the collapse in domestic demand, and should allow a further reduction in interest rates. Average CPI inflation for all of 1998 is now expected to increase by 8.0 percent,

a downward adjustment from the IMF estimate of 9.2 percent in August. The gap between whole sale prices and consumer prices is narrowing. (Figure 8).

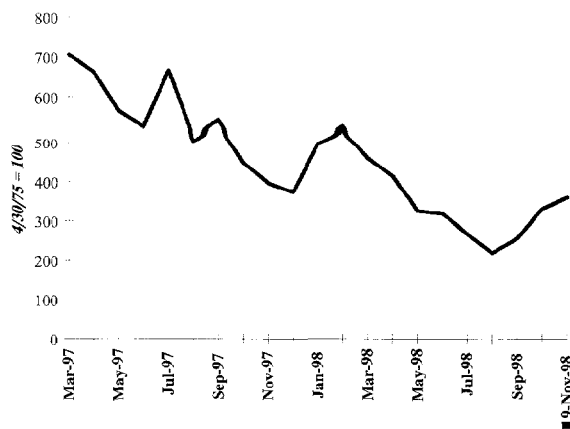
Figure 8: Changes in prices



...and Thai stocks are rebounding.

Falling interest rates, easing of inflation, and the strengthening of the baht are driving Thai stocks up. The Stock Exchange of Thailand index has rallied to 358.56 by November 19, 1998 (Figure 9) compared to a low of around 200 in September 1998. Analysts attributed the rally to retail investors' search for higher yield in light of declining retail bank deposit rates, to optimism regarding debt restructuring, and the strengthening baht (which reduces debt service). Despite severe third quarter losses in the banking sector, the rally was strongest in the finance, insurance, building and energy sectors.

Figure 9: Stock market index (end of month)



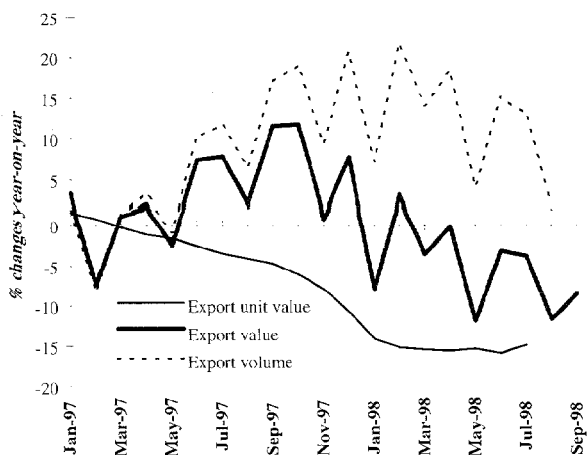
EXTERNAL SECTOR

Exports remain sluggish...

Export volumes continue to grow, albeit at the lowest rate since May 1997. In August, export volumes grew by only 1.9 percent compared with August 1997. Export volumes had been growing much faster in the first seven months this year, on average 13.2 percent compared with the same period last year. The slower growth in August has been attributed to increased competition from neighboring countries affected by the crisis.

The growth in export volumes was offset by a 13.4 percent year-on-year decline in export prices. Preliminary numbers for September show that export values declined by 8.5 percent compared with September 1997 (Figure 10).

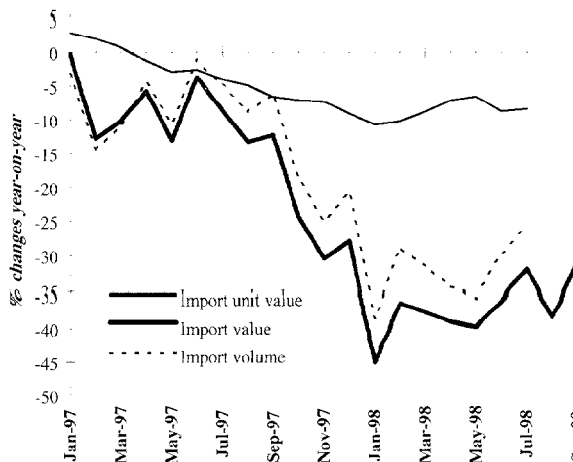
Figure 10: Percentage changes in exports



...imports are stagnating at low levels...

Imports are stagnating at low levels. Imports have been contracting sharply since the large devaluation of the baht in July 1997. The sharp import compression reached its lowest point in December 1997-January 1998 when the baht had depreciated to record depths. Since January 1998, the level of imports has stabilized at an average of US\$ 3.4 billion per month, compared with US\$ 5-6 billion before the crisis. In August and September, imports totaled US\$ 3.3 each month, compared with US\$ 5.3 and 4.8 billion, respectively, in 1997 (Figure 11).

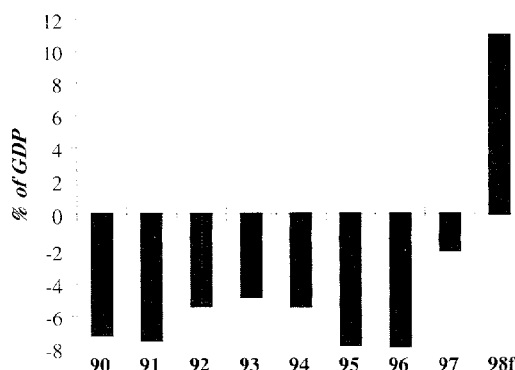
Figure 11: Percentage changes in imports



...generating a large current account surplus.

A US\$ 13 billion current account surplus is expected in 1998. On average, the current account surplus has been more than US\$ 1 billion every month this year. This sharp adjustment compared to previous years has been the result of a drastic contraction in imports rather than an expansion in exports. In August, the current account registered a surplus of US\$ 1.1 billion.

Figure 12: Current account to GDP ratio



The tourist industry is expanding...

Tourists continue to arrive in large numbers. More tourists are expected in December and January as Thailand is hosting the Asian Games. Tourist arrivals have increased by 5.6 percent in the first 9 months of 1998 compared with the same period last year. The larger number of visitors is reflected in rising hotel occupancy rates. For example, in the southern beach resort Phuket, occupancy rates rose to 83.3 percent from 71.3 percent last year. The net

balance in tourism has been favorable since outbound tourism has been dramatically curtailed.

... foreign direct investment is rising...

Foreign direct investment (FDI) totaled 0.4 billion in August. FDI totaled US\$ 3.7 billion for the first eight months of 1998, compared with US\$ 3.6 billion for all of 1997 (Table 8). Japanese investment, the largest component of FDI in Thailand, jumped by nearly 50 percent in the first half of 1998 over all of 1997.

Thailand is expected to attract the highest amount -- an estimated US\$5.9 billion -- of foreign direct investment this year among the five battered Asian economies, according to the United Nations' World Investment Report 1998. Ranking second behind Thailand is South Korea with US\$4.7 billion, followed by Malaysia with US\$3.6 billion. In 1997, the FDI inflows to Thailand were US\$3.6 billion while South Korea registered US\$2.3 billion and Malaysia US\$3.7 billion. The increases could be attributed to FDI flows among developed countries, mostly in connection with cross-border merger and acquisitions.

... and the reserve position remains robust.

The large inflow of capital in the form of FDI is being off-set by large private capital outflows in the banking sector, which amounted to US\$ 8.5 billion for the first eight months of 1998. As a result, the capital account deficit widened in August from July to US\$ 1.081 million (Table 8). The large outflow can be explained by: (i) an increase in BIBF outflows due to debt repayments, especially to Japan in conjunction with the end of Japan's accounting period; (ii) capital outflows from commercial banks for both investments in foreign assets and debt repayments, and (iii) the narrowing surplus of the non-banking sector due to the increased foreign debt repayments. Gross official reserves stood at 28.7 on November 6, 1998.

MACROECONOMIC POLICIES

Disbursements were accelerated to meet the fiscal deficit target...

Public spending was stepped up sharply at the end of the fiscal year. Surprisingly, the government managed to meet the IMF targeted spending in the fiscal year ending on September 30 (Figure 14). Disbursement levels reached 104 billion baht in September, the highest amount spent in a single month for years. Government agencies traditionally rush to meet fiscal year deadlines to prevent cuts future allocation. As fiscal policy moved from austerity towards a fiscal stimulus over the last months, the government also reduced its arrears and instead made use of advance payments to contractors. The Comptroller General's office agreed to accept petitions for spending after the normal deadline on the 20th of each month. Coupled with a large contraction in tax revenues, this lead to a deficit on the central government balance of 44.3 billion baht in September.

Figure 13: FDI and portfolio flows

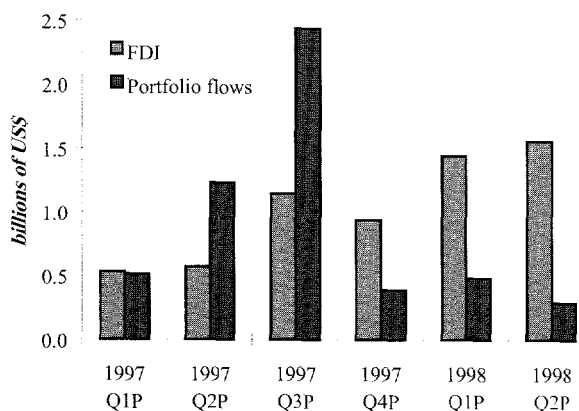
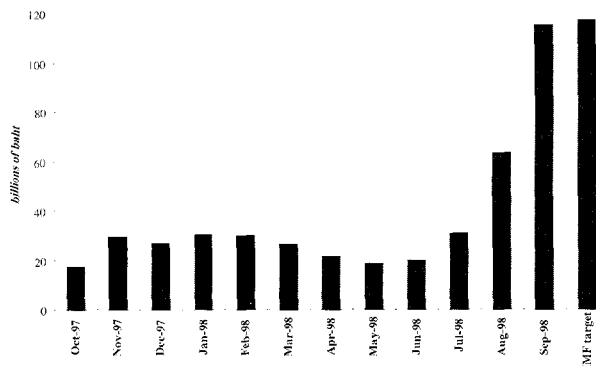


Figure 14: Cumulative government deficit



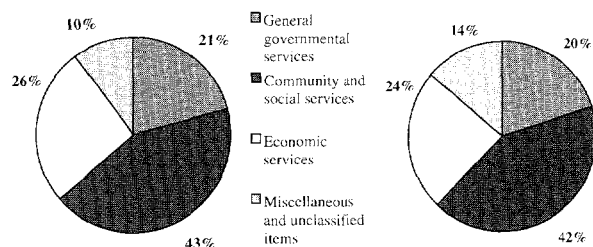
...but fiscal policy for most of fiscal year 1997/98 remained contractionary.

Even with the last minute increase in government expenditures, the fiscal policy during the fiscal year was contractionary. Over the course of 1997/98, the authorities have been loosening their fiscal policy stance as the depth of the collapse in consumption and investment became evident and external conditions weakened. While automatic stabilizers on the revenue side have provided a large stimulus, it was more than offset by the decline in expenditures. Our estimates suggest that fiscal policy, given a broad definition of the public sector, was contractionary during FY97/98.¹

Public sector spending will be increased to provide a greater stimulus...

The government is considering a supplementary allocation to be financed by increased inflows from the World Bank, OECF, and the Asian Development Bank. The size of the additional allocation will be announced in the Sixth Letter of Intent. In the original budget approved for the fiscal year 1998/1999, the government had planned to spend somewhat less on community and social services, both as a percentage of the total budget and the amount allocated (Figure 15). The original FY 1997/98 central government budget for 1998/99 was 830 billion baht, somewhat less than the FY 1998/99 budget at 825 billion baht (Table 16).

Figure 15: Budget allocations FY 1998 (left) and FY 1999 (right), by function



...while tax revenues are expected to decline.

Tax revenue collected in October, the first month of the FY 1998/99, fell short of the target by 15 percent. Tax revenue targets will have to be lowered particularly for value added tax (VAT) and corporate income tax. Overall revenues are expected to improve compared with last year as the economy recovers.

Monetary Policy allows interest rates to come down...

The government is putting pressure on commercial banks to lower lending rates. Repurchase and inter-bank rates have fallen substantially in the last couple of months (Figure 16) but lending rates have been adjusting more slowly. In fact, the decelerating inflation rate means that real lending rates have actually risen (Figure 17). Banks were accused of maintaining the widened spread between deposit and lending rates to cover losses from bad loans (Figure 18). Banks defended high spreads to cover high fixed costs, taxes, and contributions to the Financial Institutions Development Fund (FIDF). In nominal terms, the prime rate (MLR) offered by the four largest commercial banks stands at 12.5 percent², but the BOT expects a decline to 12 percent by the end of the year. At the same time, the recent stabilization has allowed the previously inverted yield curve to normalize (Figure 19).

Lower interest rates may not boost credit growth substantially, in view of rising non-performing loans (NPLs) and massive recapitalization needs. NPL ratios in the region have still not reached what are believed to be their peak levels - which according to some analysts may reach about 40% in Thailand. Commercial bank credit has contracted dramatically in the last few months (Figure 20).

Figure 16: Money market rates (1-day and 1-month R/P, daily average)

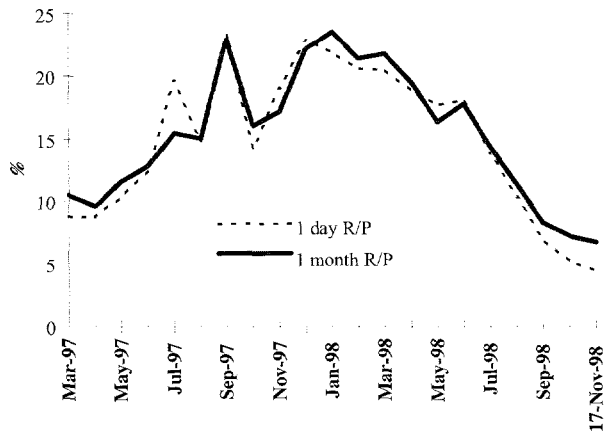


Figure 19: Yield curve⁵

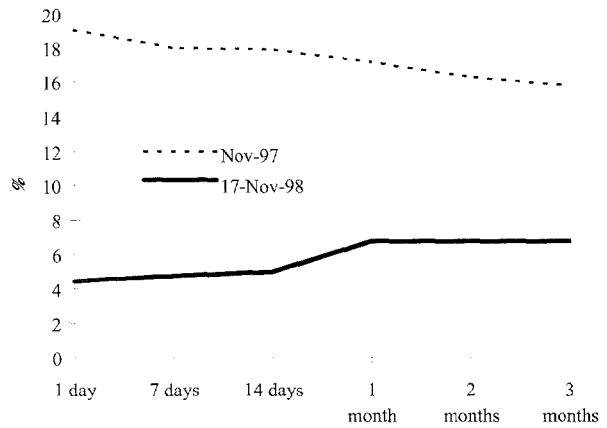


Figure 17: Real lending rate³

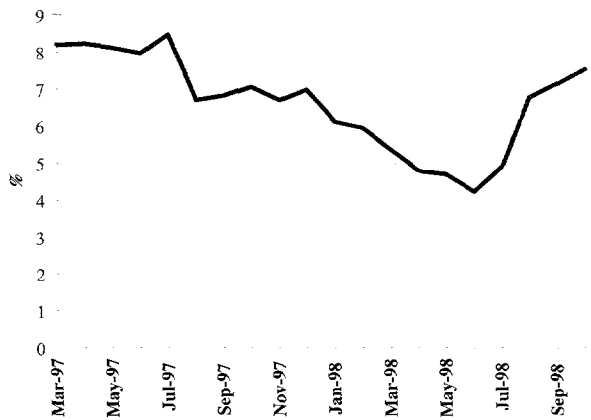


Figure 20: Commercial bank credit growth

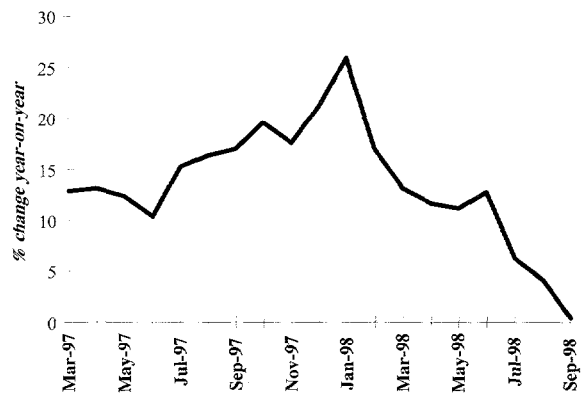


Figure 18: Spread between lending and deposit rates⁴

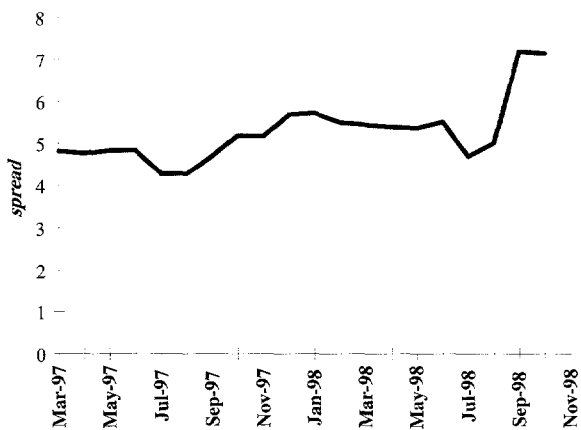
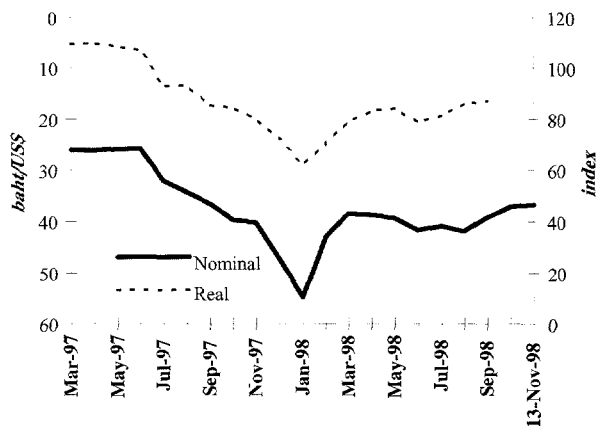


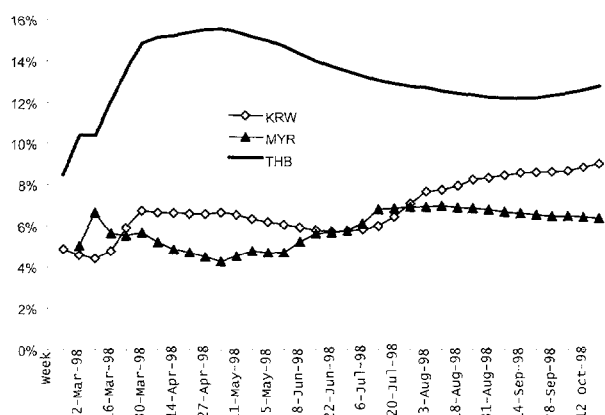
Figure 21: Exchange rates



...while the baht continues to strengthen.

The baht strengthened further to B/US\$ 36.33 on November 17. For the first time in months, the baht increased to around 36 per dollar at the end of October. The large current account surplus, improving debt rollover rates, and rising foreign direct investment are all factors that support the baht. Moreover, Thailand is working to unwinding its short-term debt obligations, thereby reducing fears of rapid capital outflows (Table 13).

Figure 22: Volatility of forward rates

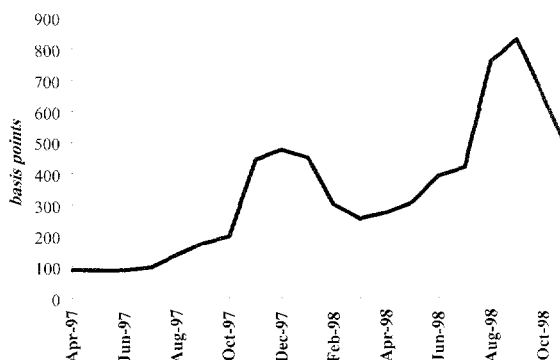


...and international spreads for Thailand are coming down.

Recent developments have reduced the fears of a global recession. First, two key policy decisions in the U.S. bolstered market confidence: the two interest rates cuts by the Federal Reserve, and the decision by U.S. Congress to approve replenishing of the IMF. Second, U.K. and Canada have also reduced their interest rates. Italy and some smaller members of the European Union have also reduced interest rates and are planning to cut them further before year-end to bring them in line with the rates prevailing in Germany and France. Finally, in Japan, Parliament has passed legislation on the banking sector, a major step forward in strengthening its financial system.

International investors still remain cautious about lending to emerging markets. While fears of a global recession may have been dampened, investors still place a prohibitively high premium on investing in emerging markets. The spread between the ten-year Thai sovereign bond and an equivalent US treasury remain extremely high. A US\$5 billion global bond issue was further postponed due to the continued uncertainty on international markets.

Figure 23: International spreads⁶



Source: Bloomberg

PERCEPTIONS OF THAILAND

Thailand's sovereign rating remains impaired...

Credit rating agencies continue to watch Thailand with caution, particularly with respect to domestic banks (Table 12). Moody's Investors Service rates the issue of the recent \$300 million EGAT bonds at A3 and Standard and Poor's at A-minus, three notches higher than the BBB-minus rating S&P assigns Thai sovereign debt. The EGAT issue received a higher issue than the sovereign debt due the World Bank's AAA partial credit guarantee of the principal payments and a single rolling coupon payment. The EGAT issue was priced on October 6 at 287.5 basis points above equivalent US treasuries.

SOCIAL IMPACT

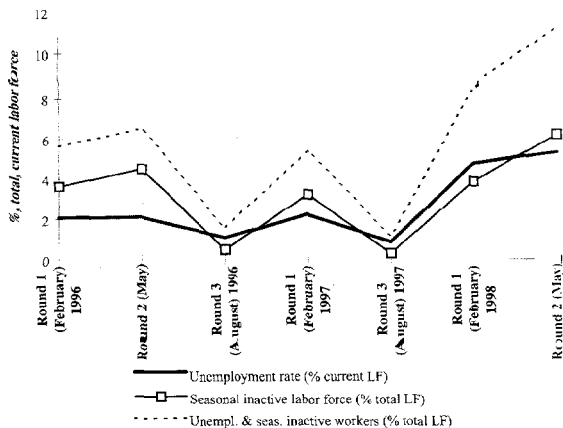
The social impact of the crisis worsens...

The impact of the crisis on employment continues to reverberate throughout Thailand. The total number of unemployed increased from 697,800 in February 1997 to 1.61 million in May 1998 (from 2.2% to 5.0% of the labor force). Based on numbers from February 1998, the increase in total unemployment was greatest in rural areas, where it rose from 0.49 to 1.04 million persons. The rural Northeast was hit hardest (with an increase from 3.5% to 8.2%), reflecting the return of unemployed workers from Bangkok to their home villages, increasing dependency ratios in rural areas. Declining incomes also lead to rising participation rates among women and children, thus further exacerbating social pressures.

Underemployment (defined as persons working from 1 to 20 hours per week) also increased, from 540,000 to 1.48 million (from 1.7% to 4.6% of the labor force). At a regional level, the increase in underemployment was greatest in Bangkok (from 0.3% to 12% of the labor force), reflecting the fact that many of the larger firms reduced work time in 1997 and only began laying off workers after the liquidity crunch hit in February/March 1998.

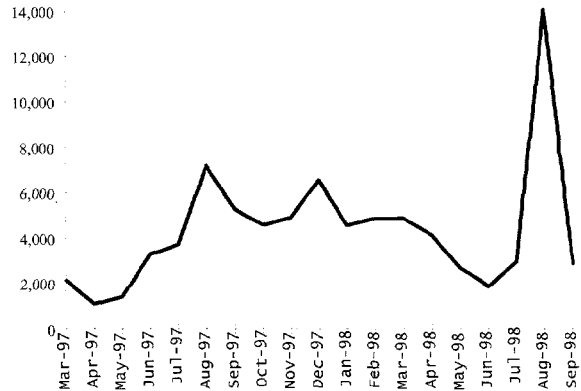
Data on unemployment are subject to controversy (see section on data issues). The most recent number is from the May 1998 Labor Force Survey (LFS). The unemployment rate, calculated as a percentage of current labor force, was 5.0 percent. (Figure 24).

Figure 24: Unemployment rates



The number of laid off employees increased in August as a result of the new Labor Protection Act (LPA). The LPA increased severance payments to long-serving employees (more than six years of tenure) from six months to ten months. The law became effective on August 20, 1998 and, as expected, firms laid off a large number of workers before the law became effective.

Figure 25: Number of employees laid off



Source: Ministry of Labor and Social Welfare

CORPORATE SECTOR

Corporate debt restructuring is progressing slowly. Among the 200 large debt restructuring cases monitored by the *Bank of Thailand Corporate Debt Restructuring Advisory Committee* (CDRAC), restructured corporate debt as of September 30 amounted to 16.7 billion baht (463.9 million dollars), or 0.7 percent of total non-performing loans. Corporate debt of 437.7 billion baht (12.2 billion dollars) is yet to be restructured, with more than half in the manufacturing sector.

Further declines in interest rates should help facilitate debt restructuring, but Thailand's voluntary, market-based corporate restructuring approach has still not taken hold on a scale necessary for economic revival. CDRAC has announced that the incentive package supporting restructuring, comprising a series of tax incentives developed over the last several months is now fully completed.

Progress in restructuring the 200 firms selected by the
CDRAC (totaling debt worth 300 billion baht)
(BOT Estimate)
(billion baht)

	Total debt	In-process (debt being negotiated)		Completed restructuring	
		June	Sept	June	Sept
Manufacturing		131	228	2	6
Construction		6	14		1
Real estate		29	61	0	1
Exports		6	8		
Other		45	133	1	8
Total	530	217	438	4	17

Source: Bank of Thailand

Restructuring is taking a small bite out of corporate debt ...

The progress in some debt restructuring cases has received attention (Table 21). *Thai Petrochemicals* (TPI), one of the largest and most protracted debt restructuring cases in Thailand, reached a decisive stage which may include some innovative liquidation options, without court procedures. The Government has devised a debt-restructuring plan for the labor-intensive *sugar industry*. The 46 mills in Thailand required debt restructuring as a result of arrears accumulated due to reductions in processing yield during the draught in the 1997-98 season.

STRUCTURAL REFORMS

Privatization. The implementation of the Master Plan for State Enterprise Reform approved by Cabinet on September 1, 1998, will require detailed sector studies for water, transportation, telecommunications and energy. These will be completed by the end of December 1998. In some cases, such as energy and telecommunications, individual enterprises or sectors have already begun to create, and in some instances have started to implement, a strategy for privatization with approval of line ministries. Critical issues remain: (i) the reforms in legislation needed to create an effective regulatory framework to ensure that public monopolies are replaced by competitive markets and to ensure consumer satisfaction; and (ii) the allocation of proceeds from privatization for social investment and financial sector restructuring.

Legal reform. Legislative reforms center around several critical issues: (i) improvements in the foreclosure procedures to speed up the process of foreclosing on collateral require three amendments to the Code of Civil Procedure; (ii) amendments to the Bankruptcy Act will need to remove restrictions to corporate restructuring, in particular the risk of unsecured credit being provided to financially distressed companies under section 94(2); (iii) capacity building in the judicial system for the resolution of commercial disputes; and (iv) the establishment of a bankruptcy court.

FINANCIAL SECTOR

The government's efforts to implement its Financial Sector Restructuring plan, announced in mid-August, are progressing. The Financial Restructuring Advisory Committee has been set up and Cabinet approved on September 29. Detailed guidelines to implement the plan, opening the way for local banks and finance companies to apply for government capital support have been announced. So far, banks have been reluctant to take advantage of the recapitalization schemes, particularly the tiers 1 scheme that requires banks to write down their capital and change management in return for official money. Finance companies are also eligible for the scheme, provided this is part of a consolidation process for the sector. Finance companies may apply to the scheme once BOT clarifies their entitlement to become full-fledged banks.

The stability of the banking system continues to be undermined by escalating non-performing loans (NPLs). Official numbers are not available but one estimate is that NPLs amounted to 38 percent of total loans, based on the 3-month overdue definition at end-September. In September, Moody's Investors Service downgraded long-term debt and bank financial strength ratings of the five largest commercial banks, and one Specialized Financial Institution (IFCT). S&P followed downgrading Bangkok Bank (BBL), SCB, BAY and IFCT in October (Table 12). Bank lending growth continues to decline, both from on-shore and off-shore banks. The latter, BIBF, have been decreasing their exposure to Thailand, with negative lending growth since 3Q97.

Resolution of closed finance companies.

The FRA has scheduled for auction on December 2, 1998, commercial and real estate loans comprising 20,000 accounts with an aggregate outstanding principal of over US\$11 billion -- in book value, roughly half of the core assets of the 56 now-defunct finance companies. Mounting political pressure to delay the auction has so far been resisted. A successful auction of real estate assets totaling US\$72 million was held on November 8.

Financial sector restructuring. The plan announced in August 14, 1998 centers on two capital support facilities. Under the Tier-1 scheme, the Government will match private investors' fresh capital to help recapitalize institutions that agree to clean up their bad loans up-front. Under the Tier-2 scheme the Government will inject capital to prompt debt restructuring and the credit creation process in an effort to stimulate economic recovery. The resolution of 18 intervened financial institutions (6 banks and 12 finance companies) through mergers or sales as part of the restructuring package is also underway.

A private credit bureau. The Thai Bankers' Association is planning the development of a private credit bureau, with some guidance from the Bank of Thailand. The preliminary strategy calls for development in two phases: a negative list (NPLs, reorganizations, foreclosures), and then an expansion to all firms.

Strengthening supervision. The BOT is in the process of strengthening its supervisory capacity, with help from a Steering Committee of international central bankers and the World Bank.

Strengthening market discipline. The Government is developing a plan for an explicit deposit protection scheme, to replace the comprehensive guarantee set in August 1997. Improvements are also underway in the area of corporate governance, and of accounting, auditing and disclosure standards for financial institutions.

ASSESSMENT

Cautious optimism has returned to Thailand.

The recovery of the stock market index, the strengthening baht, reduced inflation and declining interest rates are fueling hopes that these could be the first signs of recovery. Investor optimism is reinforced by positive trends in the current account surplus, revived foreign direct investment and the perception that the government is resolutely dealing with the crisis. Thailand's performance is regarded as more successful relative to its regional neighbors.

Investor confidence is slowly returning as the contraction of real economic activity shows signs of bottoming out. Nonetheless, declining investment, the slump in domestic demand, and sluggish exports indicate that the turnaround has not arrived yet. Although stability in external accounts has been restored, the sharp import compression, the large debt overhang and declining dollar export revenues impair the prospects of a quick recovery.

The growth outlook remains clouded.

Optimism needs to be balanced against medium-term uncertainties over exchange rate stability, fiscal sustainability and the timing of recovery. Further painful adjustment, corporate failures and rising unemployment are to be expected before a sustained turnaround of the economy in 1999. Real GDP is now expected to contract by minus 8 percent in 1998. Real estate analysts suggest that the big markets for condominiums, office and retail space will continue to see falling prices and rising vacancy rates during the second half of 1998. In sum, the economic situation is unlikely to turn around until early 1999.

Financial and corporate restructuring have been initiated.

Sustained progress in financial and corporate restructuring remain central to any prospects for reviving the economy. Increasing corporate distress will continue to undermine financial sector soundness without a resolute approach to debt workouts. Domestic and international investors will expect to see more progress in implementing the financial sector restructuring package of August 14. Bank

recapitalization remains crucial to resume lending to the real sector.

Forecast Summary

Average % Change on Previous Calendar Year,
unless otherwise noted

	1996	1997e	1998f	1999f
Gross Domestic Product	5.5	-0.4	-8.0	-0.4
Private Consumption	6.7	0.1	-9.3	-1.5
Gross Fixed Investment	6.0	-16.0	-29.6	-2.3
Manufacturing Production	8.3	-0.4	-14.7	0.1
Consumer Prices	5.8	5.6	8.0	5.6
Money Supply (End Year, % change)	12.6	16.4	10.8	10.9
Merchandise Exports (fob, US\$bn)	54.5	56.7	53.8	55.2
Growth rate (in dollar terms)	-1.6	4.0	-5.1	2.6
Growth rate (in volume terms)	-5.1	9.2	8.8	7.4
Merchandise Imports (cif, US\$bn)	70.8	61.3	42.2	44.2
Growth rate (in dollar terms)	0.9	-13.4	-31.2	4.7
Growth rate (in volume terms)	-4.0	-11.8	-21.7	11.1
Current account balance (US\$bn)	-14.4	-3.0	-13.0	10.7

Source: Consensus Economics (October 1998), BOT and IMF

e = estimate, f = forecast

External vulnerability sets the stage.

Thailand's recovery remains intrinsically linked to global economic prospects and regional developments. In particular, Japan, the market for 14 percent of Thailand's exports, bears a particular responsibility to support recovery in Asia by ensuring a resumption of solid growth in domestic demand.

Where will growth come from?

As long as the prospects for export-led recovery remain elusive due to the depressed East Asian market and low unit values, the hope for economic recovery will need to draw on a revival of domestic demand. A more expansionary fiscal stance with public investment targeted toward job creation is receiving deeper consideration.

Structural reforms are progressing slowly.

Prime Minister Chuan Leekpai's Government has completed a successful year in office. The inclusion of Chart Pattana has broadened majority the ruling coalition, but recent corruption scandals have threatened to undermine political stability. The Government's resolve to tackle reforms will continue to provide the underpinning for restored confidence. Thailand's government has meticulously adhered to the IMF macroeconomic program, and is working closely with the World Bank on structural reforms. It has also reaffirmed that imposing Malaysian-style external payments controls will not be considered as an option. Foreign investors are still cautious, waiting to see the Government reform the Alien Business Law to facilitate foreign ownership of land, speed up foreclosure and bankruptcy legislation, take large strides toward privatizing, and ensure a regulatory framework to ensure competition.

Annex Tables

Table 1: Macroeconomic framework

	1995	1996	1997	1998f
GDP at current market prices (billions of bahts)	4189	4598	4827	4850
<i>Real GDP growth</i> (percent)	8.8	5.5	-0.4	-8.0
Consumption growth	7.1	6.7	0.1	-9.3
Gross fixed investment growth	11.2	6.0	-16.0	-29.6
<i>CPI inflation</i> (average period, percent)	5.8	5.9	5.6	8.8
<i>Savings and investment</i> (percent of GDP)				
Gross domestic investment	41.6	41.7	35.0	26.9
Private, incl. stocks	32.7	31.5	23.5	15.0
Public	8.9	10.2	11.5	11.9
Gross national savings	33.3	33.2	32.6	36.9
Foreign savings	-7.9	-7.9	-2.0	-10.0
				Jan-Jul.
<i>Balance of payments</i> (billions of US\$)				
Exports, f.o.b.	55.7	54.7	56.7	30.8
Growth rate (in dollar terms)	24.8	-1.9	3.8	-4.0
Growth rate (in volume terms)	14.2	-4.5	7.3	13.2
Imports, c.i.f.	70.4	70.8	61.3	24.1
Growth rate (in dollar terms)	..	0.6	-13.4	-38.1
Growth rate (in volume terms)	16.1	-2.5	-10.4	-32.2
Current account balance	-13.2	-14.4	-3.1	8.2
(percent of GDP)	-7.9	-7.9	-7.9	...
Capital account balance				
Private	20.8	18.2	-7.3	-8.3
Bank	11.2	5.0	-5.4	-7.8
Non-bank	9.6	13.2	-1.9	-0.5
Foreign direct investment, net	1.2	1.5	3.2	3.2
Public	1.1	1.3	1.6	1.3
Bank of Thailand 1/	0.0	0.0	-2.6	-0.7
Errors and emissions	-1.5	-3.0	0.7	-0.3
Overall balance	7.2	2.2	-10.6	168.0
Gross official reserves	36.9	38.6	26.9	28.7 2/

Source: Bank of Thailand, IMF, and staff calculations

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

2/ As of November 6, 1998

Table 2: Balance of Payments

(billions of US\$)

	1996	1997	1997 Q1 ^P	Q2 ^P	Q3 ^P	Q4 ^P	1998 Q1 ^P	Q2 ^P
I. Current Account	-14.4	-3.1	-2.1	-3.1	-0.7	2.9	4.2	2.8
A. Goods and services	-11.7	-0.1	-1.5	-1.9	0.0	3.3	4.7	3.8
a. Goods	-16.1	-4.6	-3.2	-3.1	-0.9	2.5	3.1	2.6
Exports	54.7	56.7	13.6	13.7	14.5	14.9	13.2	13.0
Imports	-70.8	-61.3	-16.8	-16.8	-15.4	-12.4	-10.1	-10.4
b. Services (net)	4.4	4.5	1.7	1.2	0.8	0.8	1.6	1.2
Services receipts	17.0	15.8	4.6	4.4	3.4	3.4	3.2	3.0
Services payments	-12.6	-11.3	-3.0	-3.2	-2.6	-2.6	-1.6	-1.8
B. Income (net)	-3.4	-3.5	-0.7	-1.3	-0.9	-0.6	-0.6	-1.1
Income Receipts	4.0	3.7	1.0	1.0	0.8	0.9	0.9	0.7
Income Payments 1/	-7.4	-7.2	-1.7	-2.3	-1.7	-1.5	-1.5	-1.8
C. Current transfers	0.8	0.5	0.1	0.0	0.2	0.2	0.1	0.1
II. Capital and Financial Account	19.5	-8.2	2.5	-4.0	-1.8	-5.0	-2.5	-3.0
A. Capital account 2/								
B. Financial account	19.5	-8.2	2.5	-4.0	-1.8	-5.0	-2.5	-3.0
1. Private	18.2	-7.3	1.9	-1.0	-4.8	-3.4	-4.1	-1.7
Bank	5.0	-5.4	2.4	-0.1	-3.8	-4.0	-2.0	-4.5
Non-bank	13.2	-1.9	-0.6	-0.9	-1.0	0.6	-2.1	2.8
Direct investment	1.5	3.2	0.5	0.6	1.1	0.9	1.4	1.6
Foreign direct investment	2.3	3.6	0.7	0.8	1.2	1.0	1.5	1.6
Thai direct investment abroad	-0.8	-0.4	-0.1	-0.2	-0.1	0.0	0.0	0.0
Others loans	5.5	-3.9	-0.1	-0.8	-0.9	-2.1	-2.1	-1.1
Portfolio investment	3.5	4.6	0.5	1.2	2.4	0.4	0.5	0.3
Equity securities	1.1	4.0	0.4	0.9	2.2	0.5	0.5	0.1
Debt securities	2.4	0.6	0.1	0.3	0.3	-0.1	0.0	0.2
Non-resident baht account	2.9	-5.8	-1.7	-1.8	-4.0	1.7	-2.1	2.2
Trade credits	-0.1	-0.2	0.3	-0.1	0.0	-0.4	-0.1	-0.2
Others	0.0	0.2	-0.1	0.0	0.2	0.1	0.2	0.0
2. Public	1.3	1.6	-0.1	0.3	0.6	0.8	0.7	0.1
3. Monetary authorities 3/	0.0	-2.6	0.8	-3.4	2.5	-2.4	1.0	-1.5
III. Allocation of SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IV. Errors and omissions	-3.0	0.7	-0.5	1.2	0.0	0.0	-1.0	-0.6
V. Overall balance	2.2	-10.6	-0.1	-5.9	-2.5	-2.1	0.8	-0.9

Source: Bank of Thailand

1/ Investment income only

2/ Comprise debt forgiveness, migrants' transfers, acquisition/ disposal of non-produced, non-financial assets, etc. These items were previous, up to 1992, included in services and current transfers.

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

^P = Preliminary

Table 3: Growth rates of GDP by industrial origin and key BOT data series

NATIONAL ACCOUNTS:	% of total in 1997	1993	1994	1995	1996	1997	1998f
		(annual growth rates)					
GDP at market prices	100.0	8.4	8.9	8.8	5.5	-0.4	-8
Agriculture	10.8	-1.3	5.3	2.5	3.8	1.2	+2 to +4
Industry	42.2	10.5	10.2	10.5	7.0	-0.1	↓
Construction	5.9	8.7	14.3	7.4	6.2	-8.0	↓
Gas, electricity, water	2.8	9.0	10.7	14.6	4.7	5.0	↓
Mining and quarrying	1.9	7.4	7.2	2.2	17.0	14.0	↑
Manufacturing	31.6	11.2	9.3	11.2	6.9	0.2	-11 to -15
Services	47.0	9.3	8.9	9.0	4.6	-1.1	?
Value added trade	16.1	7.8	8.9	10.6	1.3	-0.2	↓
Value added banking	7.5	23.4	15.6	5.9	4.0	...	↓
Value added other	23.3	6.5	6.8	8.8	7.1	...	?
		1993	1994	1995	1996	1997	Jan-Jul.
Construction (National accounts)		8.7	14.2	7.4	6.1	-8.0	↓
BOT' s monthly numbers on construction:							
<i>Iron rods</i>		25.1	12.8	26.4	4.6	1.2	-28.8
<i>Galvanized iron sheets</i>		12.0	26.0	13.7	4.6	-0.1	-33.6
<i>Cement</i>		13.6	11.6	14.5	13.9	-4.2	-42.9
Manufacturing (National accounts)		11.2	9.3	11.2	6.9	0.2	-11 to -15
BOT' s monthly numbers on mfg. prod. (59% of total)							
<i>Manufacturing prod. index</i>		7.6	6.6	8.7	8.3	-0.4	-15.9
Mining and quarrying (National accounts)		7.4	7.2	2.2	17.0	14.0	↑
BOT' s monthly numbers on mining							
<i>Tin (tons)</i>		-44.6	-38.3	-44.0	-33.7	-48.0	130.0
<i>Natural gas (mil. cubic feet)</i>		12.8	10.2	6.4	16.3	21.8	8.0
<i>Crude oil (thousands barrels)</i>		-6.5	7.2	-9.0	10.3	3.8	7.0
<i>Condensate (thousands barrels)</i>		8.1	6.4	1.5	15.1	25.2	2.1
Gas, electricity and water (National accounts)		9.0	10.7	14.6	4.7	5.0	↓
BOT' s monthly numbers on electricity							
<i>Electricity consumption</i>		12.0	12.8	13.0	9.0	6.7	-1.2
Services (National accounts)							
Value added trade (National accounts)		7.8	8.9	10.6	1.3	-0.2	↓
BOT' s monthly numbers on retail trade							
<i>Real changes in retail sales</i>			24.0	29.5	6.7	-14.1	-15.6

Source: Bank of Thailand and World Bank data base.

Table 4: Manufacturing Production
(% changes since previous year)

	Weight 1995	1998								
		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.
Manufacturing Production Index 1/	58.59	-15.8	-13.2	-21.3	-16.0	-17.2	-12.6	-13.8	-11.2	-9.9
<i>Food</i>	6.10	-7.7	-1.2	-31.0	-18.4	-5.4	-0.2	1.0	1.4	5.1
<i>Beverages</i>	6.77	-16.0	14.0	5.9	3.5	-10.5	-1.4	-0.8	-8.8	1.7
<i>Cigarettes</i>	1.90	-8.3	-22.9	-16.0	-36.2	-39.9	5.0	-48.3	-21.5	-27.9
<i>Construction materials</i>	14.54	-35.7	-32.5	-39.4	-42.9	-37.0	-46.3	-46.4	-37.7	-35.8
<i>Vehicles and equipment</i>	7.39	-74.4	-75.9	-76.4	-73.2	-67.0	-60.1	-56.7	-39.3	-40.7
<i>Petroleum products</i>	3.68	-1.8	-9.4	-13.6	2.3	-1.8	1.5	-0.9	-3.1	-8.4
<i>Textiles</i>	10.08	3.3	4.5	4.4	3.3	3.8	3.8	2.9	2.8	2.4
<i>Others</i>	8.13	-2.9	3.4	-3.6	-3.4	-11.2	-11.1	-14.1	-19.2	-15.1

Source: Bank of Thailand (The Office of the Cane and Sugar Board, The Excise Department, Thailand Tobacco Monopoly, and the manufacturers of respective products)

1/ From 34 items which account for 59 percent of the manufacturing sector.

Table 5: Key Private Investment Indicators
(% changes since previous year)

	1997		1998							
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
Private investment index	69.7	61.0	55.8	49.4	40.1	32.9	25.4	17.4	13.8	
(% changes of 12-month MA of the components)	-2.1	-5.0	-6.8	-8.9	-12.0	-14.4	-16.9	-19.6	-20.8	
Import value of capital goods(in bahts)	26.5	19.1	24.2	4.5	-17.8	-7.0	-0.8	-9.7	-15.0	
Import value of capital goods (in US\$)						-37.8	-38.8	-34.4	-34.6	
Domestic cement consumption	-28.7	-37.3	-34.6	-47.6	-50.6	-48.8	-51.7	-51.2	-34.4	
Domestic galvanized iron sheet sales	-12.9	-16.3	-19.4	-36.8	-63.3	-50.7	-35.9	-49.1	-44.7	

Source: Bank of Thailand

Note: Components of private investment index (in order of importance): 1) Import value of capital goods, 2) Domestic cement consumption, 3) Commercial banks' credit for construction and manufacturing, 4) Construction areas permitted in municipal zones (whole kingdom), 5) Equity inflows, 6) Domestic sales of galvanized iron sheets.

Table 6: Capacity Utilization
(percent)

Products	Weight	1996				1997				1998			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Sep	
<i>Food</i>	3.6	62.5	31.0	23.6	30.5	64.5	26.5	23.7	32.6	54.6	24.6		
<i>Beverages</i>	5.7	81.8	87.2	88.9	107.6	68.1	83.9	81.8	89.3	61.6	69.9		
<i>Cigarettes</i>	1.9	88.2	88.7	76.3	83.4	86.4	80.1	79.6	57.3	72.7	58.5		
<i>Construction materials</i>	4.3	75.3	72.3	73.0	72.4	77.5	75.2	66.7	52.7	54.3	41.5		
<i>Petroleum products</i>	10.5	68.2	63.4	70.3	68.6	65.6	61.0	43.6	22.3	21.1	25.4		
<i>Textiles</i>	7.4	70.8	81.3	94.3	96.4	88.1	91.2	91.4	89.9	79.5	90.4		
<i>Others</i>	11.6	73.0	70.3	49.6	72.0	64.2	65.4	67.5	67.9	60.4	58.2		
<i>Total</i>	44.9	72.7	70.5	68.1	76.9	71.2	69.4	64.6	58.8	53.4	53.0	50.7	

Source: Bank of Thailand

Table 7: Changes in Consumer Prices
(year-on-year % changes)

	1998									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
All commodities	8.6	8.9	9.5	10.1	10.2	10.7	10.0	7.6	7.0	5.9
Food and beverages	9.7	10.4	11.6	12.1	13.1	13.6	11.8	7.4	7.3	6.7
Rice and cereal products	42.2	47.1	46.7	41.6	37.9	34.0	27.0	15.3	11.2	
Meat, poultry and fish	1.3	2.0	3.9	4.1	4.2	4.0	4.4	3.6	4.1	
Vegetables and fruits	0.1	0.0	5.4	10.8	21.2	28.1	21.0	1.5	7.3	
Eggs and milk products	6.5	8.8	9.7	12.0	15.2	20.3	20.3	18.3	15.5	
Other food bought from the market	6.3	8.8	9.6	9.6	9.8	10.5	10.7	9.5	9.1	
Non-alcoholic beverages	7.7	7.9	8.3	8.6	9.0	8.6	9.4	11.8	11.4	
Prepared food	8.6	8.4	9.1	9.0	8.9	8.4	7.5	6.5	5.8	
Clothing	7.4	7.6	8.9	9.0	8.1	8.7	9.1	8.4	6.3	
Men's and boys'	7.0	7.8	9.5	9.8	8.1	8.0	8.1	7.3	4.7	
Women's and girls'	7.3	7.2	8.2	8.2	8.0	9.2	10.1	9.6	7.6	
Cloth and sewing services	8.5	8.1	9.0	8.6	8.9	9.1	9.5	8.7	6.6	
Housing and furnishing	6.0	6.0	5.4	6.0	6.1	6.4	6.6	6.9	6.4	
Shelter	2.6	2.6	2.5	2.5	2.4	2.5	2.5	2.1	1.5	
Furniture and equipment	4.5	5.1	7.0	7.3	7.4	7.7	8.0	7.6	7.1	
Housekeeping and cleaning supplies	0.4	1.9	3.8	5.6	6.2	6.3	9.9	11.9	12.3	
Household textiles	8.1	9.0	9.4	9.3	9.8	8.9	9.0	9.1	8.5	
Electricity, fuel and water	19.6	18.6	15.2	18.2	19.0	19.9	20.2	22.9	22.3	
Personal and medical care	6.1	6.4	7.2	7.0	8.7	9.5	10.2	9.2	9.7	
Medical care	6.3	6.4	6.4	6.2	6.3	5.9	6.0	5.1	5.7	
Personal care	5.9	6.3	8.1	9.7	11.3	13.8	15.2	14.0	14.3	
Transportation and communication	10.3	10.5	10.7	10.7	10.9	10.7	10.6	8.3	5.4	
Vehicles	13.4	14.1	12.2	10.7	12.9	12.3	12.2	8.0	2.7	
Public transportation	8.2	7.7	14.0	15.8	13.2	14.4	14.4	13.8	13.9	
Communication and equipment	0.0	0.0	0.0	8.8	8.8	8.8	8.8	8.8	8.8	
Recreation and education	6.6	6.9	7.7	7.7	5.2	4.6	4.6	4.3	3.9	
Recreation	4.2	5.0	6.3	6.8	6.8	7.5	7.5	6.5	5.9	
Reading and education	8.6	8.5	8.5	8.5	3.5	1.9	1.8	1.7	1.8	
Tobacco and alcoholic beverages	15.9	16.3	19.7	21.6	23.1	26.4	26.6	22.5	20.8	
Non-food and beverages	7.8	8.0	8.2	8.7	8.6	8.8	9.0	8.2	7.0	

Source: Bank of Thailand

Table 8: Capital Flows to the Private Sector
(millions of US\$)

	1997	1998					1998
	Year	Q1	Q2	June	July	August	Jan-Aug
Banking sector	-6.3	-1.7	-4.0	-2.6	-2.1	-1.5	-8.5
Commercial bank	-4.7	0.8	-1.7	-1.7	-1.2	-0.5	-2.6
BIBFs	-1.6	-2.5	-2.3	-0.9	-0.8	-1.0	-5.9
Non-banking sector	-1.8	-3.1	1.6	0.4	1.0	0.2	-0.3
Direct investment	3.2	1.3	1.5	0.4	0.4	0.4	3.6
Others loans	-3.8	-2.1	-1.1	-0.3	0.0	-0.5	-3.6
Portfolio investment	4.6	0.5	0.1	0.1	0.0	-0.1	0.5
Non-resident baht account	-5.8	-3.0	1.3	0.3	0.6	0.4	-0.7
Trade credits	-	-0.1	-0.2	-0.1	0.0	-	-
Others	-	0.2	0.0	-0.1	0.0	-	-0.1
Total	-8.1	-4.8	-2.4	-2.2	-1.1	-1.3	-8.8

Source: Bank of Thailand

Table 9: Foreign Direct Investment by Sector 1/
(millions of baht)

	1995	1996	1997p	1998				
				Q1 p	Q2 p	Apr p	May p	Jun p
1. Industry	14114.3	17941.8	44652.0	20354.0	20916.0	5699.0	3271.0	11946.0
1.1 Food & sugar	973.0	1142.6	4017.0	433.0	1585.0	377.0	71.0	1137.0
1.2 Textiles	941.1	1247.3	1106.0	-722.0	781.0	27.0	123.0	631.0
1.3 Metal & non metallic	2302.1	2850.9	4641.0	4602.0	2828.0	1115.0	822.0	891.0
1.4 Electrical appliances	5812.3	6095.0	13821.0	1170.0	3613.0	1374.0	107.0	2132.0
1.5 Machinery & transport equipment	3597.1	2749.1	11259.0	4648.0	8310.0	2043.0	1253.0	5014.0
1.6 Chemicals	2333.0	4631.5	4979.0	2172.0	2968.0	398.0	742.0	1828.0
1.7 Petroleum products	-4019.0	-6332.0	299.0	5819.0	-85.0	0.0	0.0	-85.0
1.8 Construction materials	625.9	87.8	-168.0	0.0	93.0	-8.0	100.0	1.0
1.9 Others	1548.8	5469.6	4698.0	2232.0	823.0	373.0	53.0	397.0
2. Financial institutions	642.8	1822.7	24559.0	9832.0	6683.0	6154.0	174.0	355.0
3. Trade	11111.6	13797.6	28440.0	8875.0	12969.0	4047.0	5166.0	3756.0
4. Construction	906.1	1782.5	6648.0	2845.0	3057.0	223.0	2486.0	348.0
5. Mining & quarrying	1418.6	489.6	934.0	293.0	635.0	492.0	293.0	-150.0
6. Agriculture	232.3	51.2	71.0	15.0	0.0	0.0	0.0	0.0
7. Services	2186.1	3162.2	6675.0	2405.0	4362.0	538.0	517.0	3307.0
8. Real estate	21245.8	19054.0	2107.0	216.0	303.0	112.0	100.0	91.0
9. Others	-1970.6	-629.6	3466.0	3088.0	6134.0	4293.0	583.0	1258.0
Total	49887.0	57472.0	117552.0	47923.0	55059.0	21558.0	12590.0	20911.0

Source: Bank of Thailand

1/ Direct Investment = Equity Investment plus loans from related companies.

P = preliminary (as of August 5, 1998)

Table 10: Trade Indexes and Terms of Trade 1/

1995=100	1996		(in terms of US\$)										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Exports:													
Export unit value	108.88	107.90	108.66	109.09	109.21	108.99	109.29	109.44	109.15	108.81	108.47	108.28	109.27
Export value	98.09	94.75	97.98	103.91	89.74	105.26	93.03	94.66	100.89	96.27	99.09	102.27	99.28
Export volume 2/	90.09	87.81	90.17	95.26	82.17	96.58	85.12	86.49	92.44	88.47	91.35	94.45	90.86
Imports:													
Import unit value	111.08	109.44	110.36	111.14	111.60	111.37	110.88	110.73	110.83	111.09	111.66	111.78	112.01
Import value	100.15	102.90	97.82	108.60	104.62	105.04	97.88	97.96	104.40	92.16	101.57	96.16	92.63
Import volume 2/	90.16	94.02	88.63	97.71	93.75	94.31	88.28	88.47	94.20	82.96	90.96	86.02	82.70
Terms of trade	98.02	98.59	98.46	98.15	97.86	97.86	98.57	98.83	98.48	97.94	97.14	96.86	97.55
	1997	1997											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Exports:													
Export unit value	105.26	109.69	109.58	108.87	107.98	107.21	106.53	105.66	104.71	103.68	101.88	99.72	97.57
Export value	101.78	97.98	90.74	105.10	91.75	102.68	99.89	102.06	103.11	107.35	110.71	103.04	106.90
Export volume	96.70	89.33	82.81	96.54	84.98	95.77	93.77	96.60	98.47	103.54	108.67	103.32	109.56
Imports:													
Import unit value	107.37	112.69	112.55	111.87	110.17	108.24	108.08	106.33	105.36	103.84	103.79	103.64	101.88
Import value	86.76	102.57	85.32	97.55	98.64	91.32	94.33	89.48	90.55	80.89	76.71	66.89	66.81
Import volume 2/	80.80	91.02	75.81	87.20	89.54	84.37	87.27	84.16	85.95	77.90	73.91	64.54	65.58
Terms of trade	98.03	97.34	97.36	97.32	98.01	99.05	98.56	99.37	99.38	99.84	98.16	96.22	95.78
	1998												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Exports:													
Export unit value	94.22	92.97	92.05	91.16	90.75	89.64	89.94						
Export value	90.22	93.69	101.38	91.60	90.50	96.75	98.22	91.04	98.23				
Export volume	95.75	100.78	110.14	100.49	99.72	107.93	109.20	100.30					
Imports:													
Import unit value	100.63	101.07	102.02	102.41	101.21	98.65	97.45						
Import value	56.35	54.49	60.91	60.12	55.06	60.49	60.93	55.87	55.90				
Import volume 2/	56.00	53.91	59.71	58.71	54.40	61.32	62.52						
Terms of trade	93.63	91.98	90.23	89.02	89.67	90.87	92.29						

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 11: Secondary Market Spreads
(basis points)

	8/97	9/97	10/97	11/97	12/97	1/98	2/98	3/98	4/98	5/98	6/98	7/98	8/98	9/98	10/98	11/11
Thailand	139	176	197	445	476	452	300	254	274	308	392	419	760	650	545	460
China	68	73	149	96	121	147	132	137	116	117	147	144	220	265	235	195
Indonesia	150	153	187	274	469	629	649	520	543	773	826	751	790	1430	1300	900
Philippines	232	255	310	436	466	526	390	357	349	355	355	428	428	730	595	480

Source: Bloomberg

Table 12: Sovereign credit ratings

	Moody' s		Standard & Poor' s		
	Foreign	Bank Deposits	Foreign	Local	Outlook
China	A3 watch-neg	Baa2 watch-neg	BBB+	not rated	negative
Hong Kong	A3 watch-neg	A3 watch-neg	A	A+	negative
Indonesia	B3	Ca	CCC+	B-	negative
South Korea	Ba1	Caa1	BB+	BBB+	stable
Malaysia	Baa3 watch-neg	Ba1 watch-neg	BBB-	A-	negative
Philippines	Ba1	Ba2	BB+	BBB+	negative
Singapore	Aa1	Aa1	AAA	AAA	stable
Thailand	Ba1	B1	BBB-	A-	negative

Source: Paribas, November 9, 1998 (Moody' s and Standard & Poor)

Table 13: External Debt 1/*(millions of US\$)*

	1996	1997 P	1998							
			Jan. ^P	Feb. ^P	Mar. ^P	Apr. ^P	May ^P	Jun ^P	Jul ^P	Aug ^P
Public Sector	16,805	24,323	25,359	25,448	26,814	26,877	26,411	26,963	27,184	27,800
Gov't and SOEs	16,805	17,166	17,390	17,476	17,695	17,742	17,420	17,524	17,830	18,000
BOT (long-term)	-	7,157	7,969	7,972	9,119	9,135	8,991	9,439	9,354	9,800
Private Sector	73,731	69,093	67,577	66,232	64,922	64,138	62,796	61,163	59,982	58,500
Banks	41,869	39,567	38,651	38,035	36,966	36,572	35,569	34,426	33,015	32,000
Non-Bank	31,862	29,526	28,926	28,197	27,956	27,566	27,227	26,737	26,967	26,500
Total debt stock (end period)	90,536	93,416	92,936	91,680	91,736	91,015	89,207	88,126	87,166	86,400
Share (%) public	18.6	26.0	27.3	27.8	29.2	29.5	29.6	30.6	31.2	32.2
Share (%) private	81.4	74.0	72.7	72.2	70.8	70.5	70.4	69.4	68.8	67.7
Long-term	52,923	58,581	59,439	58,691	60,369	59,932	59,345	59,770	59,370	59,789
Share (%)	58.5	62.7	64.0	64.0	65.8	65.8	66.5	67.8	68.1	69.2
Short-term	37,613	34,835	33,497	32,989	31,367	31,083	29,862	28,356	27,796	26,611
Share (%)	41.5	37.3	36.0	36.0	34.2	34.2	33.5	32.2	31.9	30.8

Source: Bank of Thailand

1/ On September 30, 1998, the Bank of Thailand released this revised external debt table. In the revised table, the end-1997 external debt outstanding increased from the US\$ 91.8 billion to US\$ 93.4 billion.

Table 14: Central Government Balance*(millions of baht)*

	1996	1997	1998							
			Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Revenue(+)	853,201	847,696	61,708	66,261	63,915	62,276	78,610	52,296	45,300	60,023
Expenditures(-)	819,083	874,403	62,571	67,744	52,653	60,297	81,349	64,901	78,400	104,324
Budgetary deficit(-) or surplus(+)	34,118	-27,914	-863	-1,483	11,262	1,979	-2,739	-12,605	-33,100	-44,301
Non-budgetary deficit / surplus(+)	9,185	12,855	1,298	4,637	-6,306	991	1,477	1,923	300	-7,281
Cash deficit(-) or surplus(+)	43,303	-15,059	435	3,154	4,956	2,970	-1,262	-10,682	-32,800	-51,582
Financing:										
Net domestic borrowings(+):	-25,123	-16,380	-2,042	2,022	-8,573	3,787	1,539	-2,793	4,580	-1,747
- Bank of Thailand 1/	2,054	-5,800	-2,006	2,023	-7,775	3,932	1,546	-2,559	4,594	-1,695
- Commercial banks	-21,320	-710	-55	14	-567	323	43	-163	-32	38
- Government Savings Bank	-3,570	-8,200	0	0	0	0	0	0	0	0
- Others	-2,287	-1,670	19	-15	-231	-468	-50	-71	18	-90
Net foreign borrowings (+)	-3,665	-3,747	-229	-449	-108	-291	-411	-375	-178	-1,032
Government Pension Fund	-	-55,991	0	0	0	0	0	0	-160	-120
Gov't Bond for FIDF	0	0	0	0	0	0	150,000	0	50,000	0
Lending to FIDF	0	0	0	0	0	0	-150,000	0	-50,000	0
Use of Treasury cash balances(+)	-14,515	91,177	1,836	-4,727	3,724	-6,466	134	13,850	28,545	54,481

1/ Including Exchange Equalization Fund.

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

Table 15: Consolidated Public Sector 1/*(billions of baht)*

	1992/93	1993/94	1994/95	1995/96 R	1996/97 P
Total revenue and grants	681.3	809.4	949.7	1060.7	1033.0
Total revenue	677.7	805.5	945.9	1057.6	1030.0
Central government	569.3	667.4	779.4	873.0	870.4
Local administrations 2/	34.4	39.4	44.5	58.1	60.9
Non-financial public enterprises 3/	74.0	98.7	122.0	126.5	98.7
Grants to central government	3.6	3.9	3.8	3.1	3.0
Total Expenditure and net lending	655.1	744.6	839.9	934.4	1133.4
Current expenditures	367.3	415.1	464.1	503.0	554.9
Central government 4/	345.2	391.8	431.9	471.5	515.7
Local administrations	22.1	23.3	32.2	31.5	39.2
Capital expenditures	282.7	325.2	385.5	427.2	566.8
Central government 5/	136.6	179.0	210.0	243.8	337.7
Local administrations	18.3	24.2	27.4	46.3	50.4
Non-financial public enterprises	127.8	122.0	148.1	137.1	178.7
Net lending 6/	5.1	4.3	-9.7	4.2	11.7
Overall balance	26.2	64.8	109.8	126.3	-100.4
Financing	-26.3	-64.8	-109.8	-126.3	100.4
Foreign 7/	2.8	-1.7	16.9	15.8	14.8
Domestic	-29.0	-63.1	-126.7	-142.1	85.6
Banking system 8/	-44.0	-53.9	-121.8	-141.3	133.1
Non-bank	15.0	-9.2	-4.9	-0.8	-47.5

Source: Bank of Thailand

1/ Comprising consolidated central government, local administration, and non-financial public enterprises.

2/ Total revenue and grants of local government less transfers from central government.

3/ Retained income of non-financial state enterprises less transfers from central government.

4/ Excludes current transfers to local government and non-financial public enterprises.

5/ Excludes capital transfers to local government and non-financial public enterprises.

6/ Net lending of central government less domestic financing of public enterprises by central government.

7/ External financing of central government plus external financing of non-financial public enterprises.

8/ As recorded in the monetary survey.

Table 16: Budget Appropriations by Function*(millions of bahts)*

	FY 1998	FY 1999
General governmental services	172,079	164,261
General public services	39,987	36,855
Defense	83,103	77,140
Public order and safety	48,989	50,266
Community and social services	357,022	348,848
Education	206,945	208,614
Health	64,071	60,180
Social security and welfare	34,048	36,636
Housing and community amenity affairs	39,538	35,105
Religious, cultural and recreational affairs	12,421	8,315
Economic services	215,517	196,257
Fuel and energy	2,004	2,482
Agriculture, forestry and fishery	63,284	61,288
Mining and mineral resources, manufacturing, and construction	4,167	4,715
Transportation and communication	115,953	92,852
Other economic services	30,110	34,920
Miscellaneous and unclassified items	85,382	115,633
Total	830,000	825,000

Source: Bureau of the Budget

Table 17: National Government Actual Revenue- Classified by Major Sources
(millions of baht)

	1996	1997	1997				1998	
			Q1	Q2	Q3	Q4	Q1	Q2
Taxation :	785,797	762,286	172,945	222,205	206,998	160,138	171,520	182,052
Income taxes :	281,528	276,365	50,466	103,682	79,858	42,359	54,809	71,499
Personal	107,727	111,682	33,107	28,722	25,599	24,254	34,172	30,316
Corporation	170,178	159,717	16,556	71,240	53,816	18,105	16,871	39,686
Petroleum	3,623	4,966	803	3,720	443	0	3,766	1,497
Indirect taxes :	504,269	485,921	122,479	118,523	127,140	117,779	116,711	110,553
Import duties	121,783	94,813	26,328	24,682	24,121	19,682	16,720	14,357
Export duties	9	14	3	3	3	5	4	4
Business tax	520	394	74	66	167	87	100	104
Value added tax 1/	180,911	185,942	39,125	41,416	50,045	55,356	56,729	48,430
Selective sales tax	173,737	175,159	45,609	46,334	45,934	37,282	38,258	41,348
Fiscal monopolies	4,027	12,133	5,488	2,134	3,112	1,399	1,014	2,614
Royalties	5,056	6,471	1,482	1,495	1,551	1,943	2,257	2,334
Licenses & fees	2,084	2,808	1,896	239	308	365	384	255
Other taxes	16,142	8,187	2,474	2,154	1,899	1,660	1,245	1,107
Sales and charges	8,626	8,710	2,591	1,743	2,178	2,198	2,325	1,812
State Enterprises	45,697	57,694	33,721	15,251	4,366	4,356	14,089	13,921
contribute & dividends								
Miscellaneous revenue	13,081	19,006	4,466	4,691	4,640	5,209	5,206	7,016
and income								
Total revenue	853,201	847,696	213,723	243,890	218,182	171,901	193,140	204,801

Source: Bank of Thailand

1/ Including specific - business tax

Table 18: Summary Table on Unemployment

Labor force status	1996			1997 1/		1998	
	Round 1	Round 2	Round 3	Round 1	Round 3	Round 1	Round 2
	(Feb) Total	(May) Total	(Aug) Total	(Feb) Total	(Aug) Total	(Feb) Total	(May) Total
Total	59,750.4	59,902.6	60,045.3	60,350.6	60,648.9	60,949.0	61,098.0
Total labor force	31,898.4	32,504.1	32,750.0	32,000.2	33,560.7	32,143.1	32,169.8
1. Current labor force	30,740.5	31,035.0	32,586.3	30,964.2	33,454.9	30,892.2	30,167.8
1.1 Employed	30,099.2	30,375.4	32,232.3	30,266.3	33,162.3	29,412.9	28,554.9
Underemployed (<20 hours/week) 2/	638.8	373.4	580.6	543.9	721.3	1,477.1	362.5
% of total labor force	2.0	1.1	1.8	1.7	2.1	4.6	1.1
% of current labor force	2.1	1.2	1.8	1.8	2.2	4.8	1.2
1.2 Unemployed	641.3	659.6	353.9	697.8	292.5	1,479.3	1,612.9
% of total labor force	2.0	2.0	1.1	2.2	0.9	4.6	5.0
% of current labor force	2.1	2.1	1.1	2.3	0.9	4.8	5.3
1) Looking for work	119.6	158.8	110.1	179.5	96.4	402.8	491.9
2) Available / not looking for work	521.6	500.8	243.7	518.3	196.1	1,076.5	1,120.0
2. Seasonally inactive labor force	1,157.8	1,469.0	163.7	1,035.9	105.7	1,250.8	2,002.0
% of total labor force	3.6	4.5	0.5	3.2	0.3	3.9	6.2
Unemployed + seasonally inactive labor force	1,799.1	2,128.6	517.6	1,733.7	398.2	2,730.1	3,614.9
% of total labor force	5.6	6.5	1.6	5.4	1.2	8.5	11.2

Source: Labor Force Survey by the 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 (see section on data issues).

Table 19: CDRAC-monitored Debt Restructuring Cases by Sector*(millions of baht)*

	% of total number of firms	Total debts			% of total
		Credit	Obligation	Total	
Agriculture, hunting and forestry	0.6	860		860	0.1
Fishery	0.3	335		335	0.0
Mineral and rock mining	0.8	6,721	386	7,107	1.1
Production	48.2	343,279	86,315	429,594	63.7
Electricity, gas and water distribution	0.6	5,893	524	6,417	1.0
Construction	5.9	20,972	8,891	29,863	4.4
Wholesale and retail	11.6	21,890	2,539	24,429	3.6
Hotel and restaurant	3.7	13,158	18	13,176	2.0
Transport, warehouse and communication	5.4	34,011	23,317	57,328	8.5
Financial brokering	2.3	4,061	44	4,105	0.6
Real estate, leasing and business	18.4	72,185	21,953	94,138	14.0
Health and social welfare service	1.7	5,438	61	5,499	0.8
Community, social and personal service	0.6	1,407	72	1,479	0.2
Total	100.0	530,210	144,120	674,330	100.0

Source: Bank of Thailand

Table 20: CDRAC-monitored Debt Restructuring Cases by Type of Creditor*(millions of baht)*

Type of creditor	Credit outstanding	% of total
Thai banks	237,238	44.7
Foreign banks	14,584	2.8
Finance companies (36 open)	53,657	10.1
Finance companies (56 closed)	41,001	7.7
Bangkok International Banking Facility (Thai)	34,530	6.5
Bangkok International Banking Facility (foreign)	43,052	8.1
Representatives Office	89,404	16.9
IFCT and EXIM	16,741	3.2
Total	530,207	100.0
of which: Foreign	147,040	27.7
of which: Thai	383,167	72.3

Source: Bank of Thailand

Table 21: Results of large restructuring cases in Thailand 1/
(in million baht)

Company	Revenue 1/	Liabilities	Operating Cashflow /EBITDA (% of revenue) 1/	Debt Service (estimate)
TPI - Thai Petrochemicals	77,860	137,264	473 (1% of rev)	15,099
UCOM - United Communications	34,415	91,988	3,248 (9.4% of rev)	10,119
NSM - Nakorthai Strip Mill	4,098	35,010	688 (16.8% of rev)	3,851
TPIPL - TPI Polene	26,252	62,537	4,344 (16.5% of rev)	6,879
TT&T- Thai Telephone & Telegraph	10,354	46,067	2,131 (20.6% of rev)	5,067
LH - Land & House Public Co.	11,848	24,630	693 (5.9% of rev)	2,709
TYONG- Tanayong Public, property sector	1,926	34,087	-1,240	3,829
SCC - Siam Cement	147,493	246,187	25,658 (17.4% of rev)	27,081

Source: Unaudited data. Revenue and liability data is from the Stock Exchange of Thailand and EBITDA estimated are from Merrill Lynch Phatra Securities.

1/ Revenue and EBITDA figures have been annualized from 6/30/98

Thailand at a glance

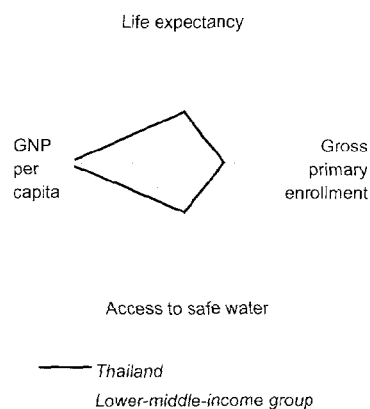
9/8/98

POVERTY and SOCIAL	Thailand	East Asia & Pacific	Lower-middle-income
1997			
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

Average annual growth, 1991-97	Thailand	East Asia & Pacific	Lower-middle-income
Population (%)	1.2	1.3	1.2
Labor force (%)	1.5	1.4	1.3

Most recent estimate (latest year available, 1991-97)	Thailand	East Asia & Pacific	Lower-middle-income
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

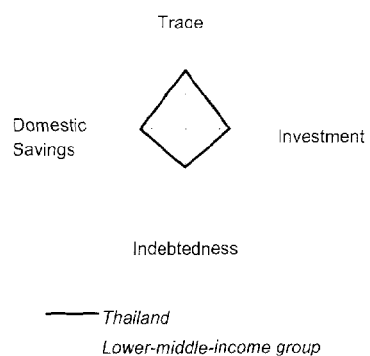
Development diamond*



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	..

Economic ratios*

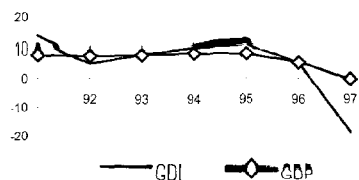


(average annual growth)	1976-86	1987-97	1996	1997	1998-02
GDP	6.0	8.7	5.5	-0.4	..
GNP per capita	3.7	7.2	4.0	-2.1	..
Exports of goods and services	8.9	13.5	-1.8	6.6	..

STRUCTURE of the ECONOMY

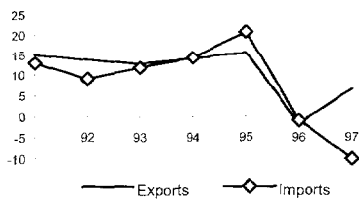
(% of GDP)	1976	1986	1996	1997
Agriculture	26.7	15.7	11.0	11.2
Industry	27.6	33.1	39.5	39.8
Manufacturing	19.7	23.9	28.4	28.8
Services	45.7	51.3	49.5	48.9
Private consumption	67.5	59.3	53.9	54.1
General government consumption	11.0	12.8	10.2	10.3
Imports of goods and services	22.7	23.6	45.1	46.4

Growth rates of output and investment (%)



(average annual growth)	1976-86	1987-97	1996	1997
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

Growth rates of exports and imports (%)

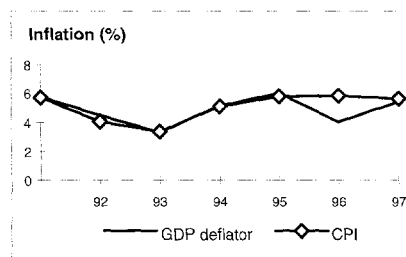


Note: 1997 data are preliminary estimates.

* 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.

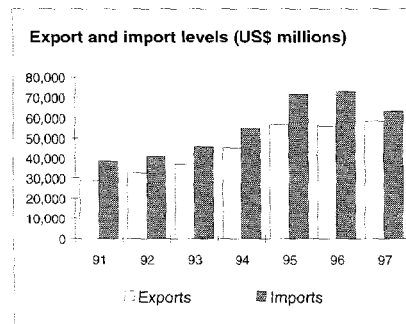
PRICES and GOVERNMENT FINANCE

	1976	1986	1996	1997
Domestic prices				
<i>(% change)</i>				
Consumer prices	4.1	1.8	5.8	5.6
Implicit GDP deflator	4.5	1.7	4.0	5.4
Government finance				
<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	..



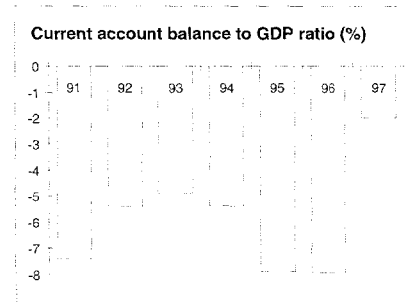
TRADE

	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	..



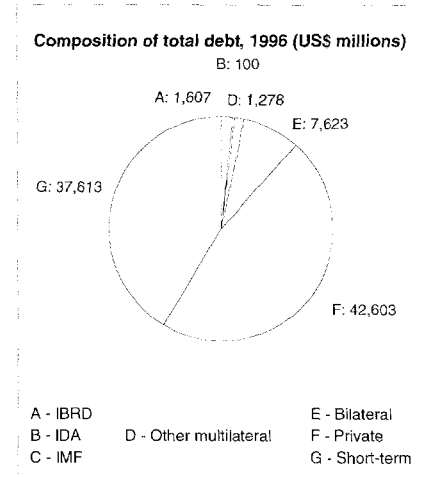
BALANCE of PAYMENTS

	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
Memo:				
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
Composition of net resource flows				
Official grants	84	152	96	..
Official creditors	109	294	634	..
Private creditors	139	-505	9,630	..
Foreign direct investment	79	263	2,336	..
Portfolio equity	0	31	1,551	..
World Bank program				
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



SOURCES

- 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>.)
- The data from BOT are supplemented with various newspaper articles from the Bangkok Post (<http://www.bangkokpost.net/>), the Nation (<http://www.nationmultimedia.com/>) and Business Day (<http://www.bday.net/>).
- Unemployment data 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 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.
- Data on tourism is from the Bangkok Post, Jones Lang Wootton and Travel Impact Newswire (imtiazi@loxinfo.co.th)
- Real estate data is provided by Jones Lang Wootton (<http://www.jlwthai.com/>) in their monthly newsletter "Insight."
- Forecasts based on IMF and Consensus Economics.
- Other sources of information include (i) Warburg Dillon Read: "The Asian Adviser," (monthly report); (ii) Institute of International Finance, Inc.; (iii) Embassy of the United States: "Economic Trends and Forecast for 1998."
- Discussion of sovereign ratings draws on Richard Cantor and Frank Packer in "Determinants and Impact of Sovereign Credit Ratings," FRBNY Economic Policy Review, 1996
- 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.

LINKS

Other Web sites on Thailand worth visiting:

- BOT's Economic Research Department: www.bot.or.th/research/public/econpage.htm
- Privatization Masterplan: www.mof.go.th/SEPC/
- Fiscal data: www.mof.go.th/fiscal/
- Board of Investment: 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/
- Stock Exchange of Thailand: www.set.or.th
- Customs data: www.customs.th

DATA ISSUES

Confidence. Thailand does not have good data on domestic consumer confidence. As a proxy we are looking at retail sales and sales of vehicles which the Bank of Thailand report on a monthly basis. We are planning to expand these data with series on outward tourism and some measure of traffic.

Fiscal data: In reporting developments in the fiscal position of the government, BOT usually focuses on the sum of both the budgetary cash balance and the non-budgetary cash balance and calls this number the overall government cash balance. However, to compare the balance with the IMF targets, we are looking only at the budgetary (or treasury accounts) balance.

Unemployment. There is no consensus in Thailand on which data source is more accurate and which definition of unemployment should be used. For example, the unemployment rate varies greatly whether it is calculated as a percentage of the current labor force (that is, excluding the seasonally inactive labor force) or as a percentage of the total labor force. More importantly, should seasonally inactive workers be counted as unemployed or not? The seasonal impact on employment is highly significant in Thailand, with the dry season on average leading to a reduction in employment by 3 million people.

Sovereign ratings. Like other credit ratings, sovereign ratings are assessments of the relative likelihood that a borrower will default on its obligations. Governments generally seek credit ratings to ease their own access to international capital markets, where many investors, particularly U.S. investors, prefer rated securities over unrated securities of apparently similar credit risk. In the past, governments tended to seek ratings on their foreign currency obligations exclusively, because foreign currency bonds were more likely than domestic currency offerings to be placed with international investors. In recent years, however, international investors have increased their demand for bonds issued in currencies other than traditional global currencies, leading more sovereigns to obtain domestic currency bond ratings as well.

¹ The public sector definition includes the central and local governments, and state owned enterprises. Taking into account that capacity constraints delayed many expenditures until the end of the fiscal year, fiscal policy must have been significantly contractionary during much of the fiscal year.

² Lending and deposit rates in Thailand are reported as ranges, even by the banks. The Bank of Thailand report these ranges on a daily basis and we compute a lending and deposit rate by taking the midpoint of the range.

³ The midpoint of the range of the minimum lending rate (MLR), as offered by the four largest commercial bank and deflated by CPI.

⁴ IMF data on private credit is from the monetary survey of the International Financial Statistics data base. Real private credit growth is calculated as 12-month percentage changes and deflated by CPI.

⁵ Constructed from R/P interest rates.

⁶ For Thailand, the graph is measuring Thailand's sovereign bond coupon of 7 3/4 percent maturing on 04/15/07 spread's above equivalent US Treasuries.

⁷ The graph is somewhat misleading. The data is from the Labor Protection Department of the Ministry of Labor and Social Welfare who registers the number of laid off people who complain about not receiving their severance payment.

The views in Thailand Economic Monitor are those of the authors and do not necessarily reflect the position of the World Bank. The material contained herein has been obtained from sources believed reliable but is not necessarily complete and cannot be guaranteed.

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