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# THE WORLD BANK

## Thailand Office

INTERNAL WORLD BANK DOCUMENT

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# Thailand Economic Monitor

October 1998

Bangkok,  
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World Bank Thailand Office

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## Thailand Economic Monitor: Executive Summary

### Recent developments

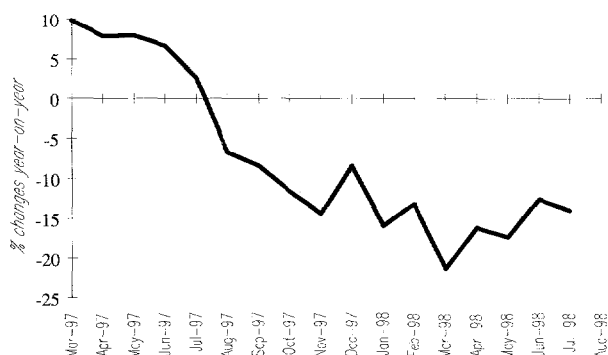
- The King has appointed Prime Minister Chuan Leekpai's new cabinet, which brings in the opposition party Chart Pattana. The new coalition gives the government a broader majority in parliament. The Prime Minister's Democratic Party maintained most key economic posts, while Chart Pattana members received the position of Minister of Industry, as well as Minister and Deputy Minister of Health, among others.
- The Thai stock exchange continues its three-week rally, in part caused by the depreciation of the dollar against the yen amid expectations of Japan's new financial package.
- The baht reached a six-month high against the dollar at 38.3 following announcements of fiscal measures in Japan. September price inflation declined to 7 percent year-on-year from 7.6 percent in August and 10 percent in July. This good inflation performance leaves further room for interest rate cuts. Deposit rates have already come down from more than 20 percent to 6-8 percent and lending rates are expected to fall to 12.5% by year-end, from highs of up to 15.75 earlier this year.
- The Thai Electricity Generating Authority's (EGAT) issue of \$300 million in bonds with a ten year maturity, backed by the World Bank's guarantee, has received a positive market response. It is the first major international bond issue for an Asian country since April. The issue was oversubscribed at 285 basis points above U.S. treasuries.
- Economic activity is still shrinking. Manufacturing production continued to decline sharply in July, with a drop in the index by 14% from the year before. Capacity use at Thai factories has declined from 53.4% in the first quarter of 1998 to 53% in the first half of the year.
- The prospects for export-led recovery remain elusive: July export revenue in US\$ terms declined by 3.8% from the year before. Export prices fell by 14.9% y.o.y., wiping out the gains of a 13.1% increase in export volumes.
- Import compression of raw materials and intermediate products seems to have slowed down somewhat. In dollar terms, imports in July showed a 31.9% drop from the year before, versus a 35.9% drop in June. With services and transfer accounts gaining from declining interest rates and increased tourism, the July balance of payments again registered a massive surplus of \$266 million. Outstanding foreign debt as of July declined to \$87 billion, with \$60 billion belonging to the private sector. Excluding international banking facilities, August bank credits grew by 7.7% compared with the year before.
- While the economy remains mired in recession, several indicators of external balance show encouraging trends: foreign direct investment, export volumes and tourism are increasing.
- The country's cumulative cash deficit for fiscal 1998 totaled 115.58 billion baht, falling short of the 117 billion baht limit set by the IMF. Revenues for the fiscal year totaled 727.51 billion baht, versus expenditures of 835.57 billion baht and a deficit in extra-budgetary accounts of 7.52 billion. Disbursements totaled 687.1 billion baht, or 82.8% of the total budget, the highest disbursement rate since 1990.
- There are doubts that parliament will be able to pass in its present session, ending October 21, critical laws/amendments to the: (a) Alien Business Law to facilitate foreign ownership of land; (b) foreclosure and bankruptcy legislation; and (c) Corporatization Law to facilitate privatization.
- The second round of the labor force survey conducted by the National Statistics Office shows that unemployment has jumped to five percent of the current labor force (excluding seasonal inactive workers), or 1.6 million.
- **Assessment.** Overall economic recovery remains contingent on the prospects for the world economy. Despite adverse pressures, the baht has remained stable, the stock market is rebounding, inflation is under control, and interest rates are declining. The recent strengthening of the yen may prove to be a turning point, making Thai exports more competitive, and widening the room for interest rate cuts. The economy remains weak, with dampened expectations for export led recovery in the short term. Corporate failures are on the rise, resulting in widespread layoffs.
- The government remains committed to continued implementation of the adjustment program, but remains vulnerable to social pressures, coalition politics and a possible backlash against globalized capital markets. The government recently developed a contingency plan in the case of a second round crisis or a Chinese devaluation.
- Progress in corporate restructuring must be accelerated for a sustained economic recovery; and the implementation of the August 14 financial restructuring package will be critically observed by the market. Actions to mitigate the social impact of the crisis due to unemployment, income losses and reduced public services have become a key priority. A key concern is to increase public spending with a high employment impact.

**ECONOMIC ACTIVITY**

**The decline in economic activity is slowing down...**

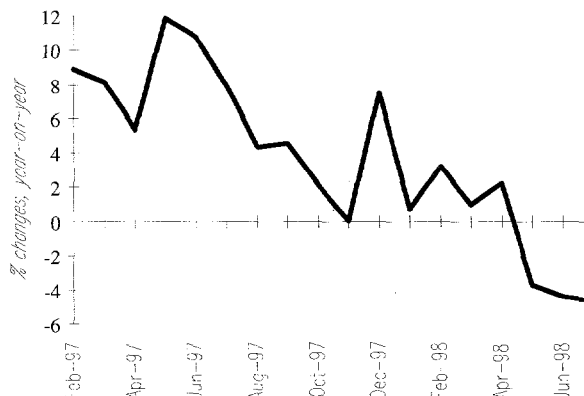
*Manufacturing production continues its downward slide.* Production in most manufacturing sectors continued to decline in July, albeit less sharply than in the first quarter of 1998 (Table 4). The manufacturing index which captures changes in 59 percent of the manufacturing industry contracted by 14 percent year-on-year in July, down from 13.5 percent in June. The only sector that has continued to expand throughout the crisis is textiles. The most severely affected sectors are construction materials as well as vehicles and equipment. While car producers don't expect to sell more cars domestically, exports of cars are among the fastest growing export commodities (Table 11).

**Figure 1: Manufacturing production index**



*Manufacturing firms are working at only 53 percent of full capacity.* In the construction sector, where production has contracted for 11 consecutive months, firms operated at only 41.5 percent of full capacity in the second quarter of 1998, down from 75.2 percent at the same time last year (Table 6). The large contraction in economic activity is reflected in the use of electricity. Electricity consumption shrank by 4.7 percent in July compared with July last year.

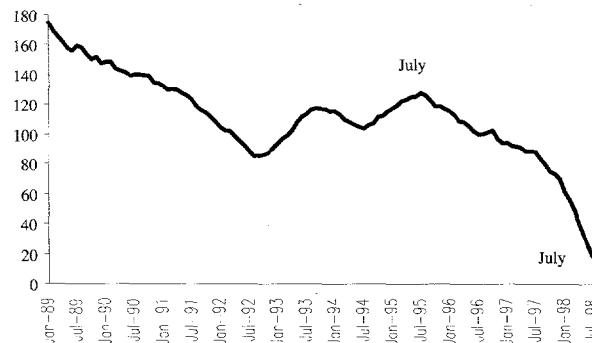
**Figure 2: Electricity consumption**



**...but investors remain pessimistic...**

*Private investment keeps declining.* Key components of domestic investment such as domestic cement consumption, imports of capital goods and domestic iron sheet sales continued to decline in July. The 12-month moving average of the private investment index reported by the BOT shrank by 19.3 percent in July, down from 16.9 percent in June (Table 5). Other data from the Ministry of Commerce and the Board of Investment are equally depressing: Capital investment by firms registered at the Ministry of Commerce has contracted by 23 percent this year.

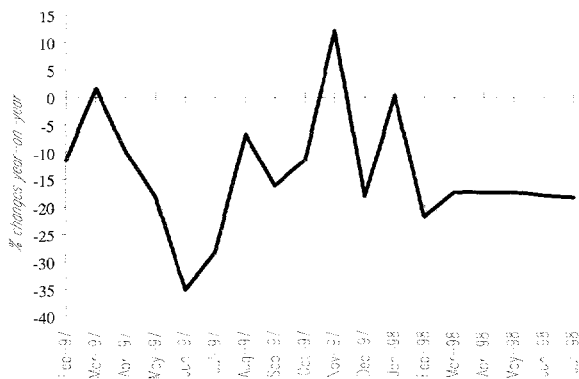
**Figure 3: Private investment index**



**...and domestic consumers lack confidence.**

*Domestic demand remains sluggish.* Two proxies of domestic demand, real retail sales and number of sold vehicles, continue to illustrate the continued lack of consumer confidence. Real retail sales contracted by 18.2 percent year-on-year in July (Figure 4), down from 17.9 percent in June. Only 2,728 cars were sold in July, compared with 10,812 in July 1997. While retail sales and car sales do not fully capture consumer confidence, both indicators suggest that growth is not likely to be generated from domestic demand in the near future. The rising number of corporate bankruptcies, the increasing number of people unemployed, and the fall in real wages are all factors working against a private-led domestic recovery.

**Figure 4: Real retail sales**

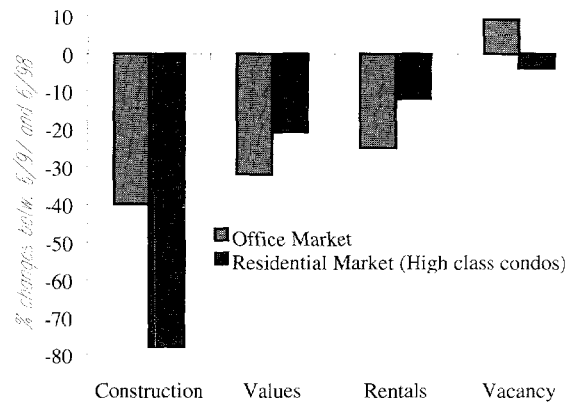


**Real estate faces substantial losses.**

*The real estate market is undergoing a tough adjustment process.* Because of the lack of transactions in the market, it is not clear to what extent capital values have fallen in the face of the huge oversupply in office space and accommodation. Jones Lang Wotton estimates that the average capital value for Grade A office space in Bangkok has fallen by over 37 percent during the year to July 1998 and that the current value is almost 50 percent below that experienced at the peak in 1991/92.

Vacant office space in Bangkok is expected to increase to 40 percent in the second half of the year. At the end of April, the average vacancy rate in Bangkok's central business district was 22 percent, compared with 11 percent in Kuala Lumpur and 4 percent in Manila.

**Figure 5: Changes in Bangkok property market (June 1997 - June 1998)**

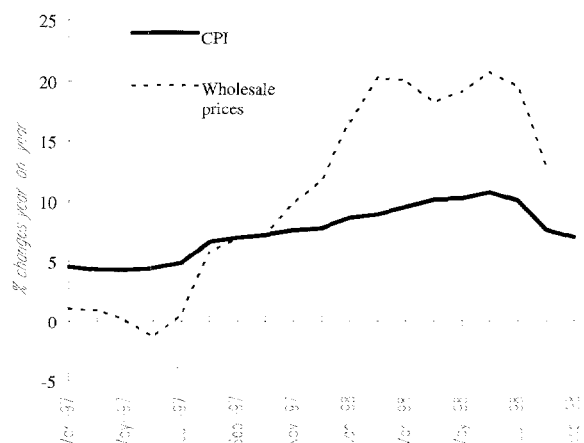


Source: Jones Lang Wotton

**The increase in consumer prices is slowing down...**

*Inflation eases further in September.* Consumer prices rose by 7 percent year-on-year in September, down from 7.6 percent in August and double-digit growth rates in the first half of the year. The declining trend in inflation reflects the collapse in domestic demand, and should allow a further reduction in interest rates. Wholesale prices had been increasing twice as fast as the consumer price index, thus suggesting that profit margins must be squeezed.

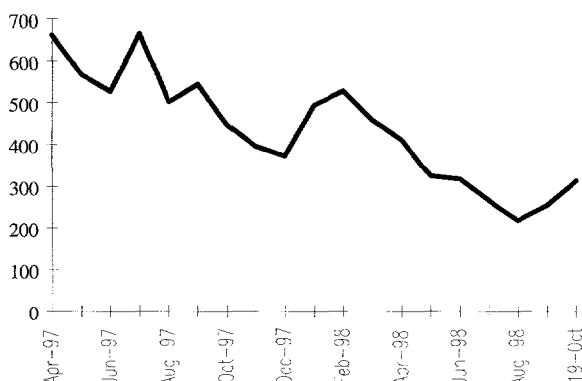
**Figure 6: Changes in prices**



**...and bargain hunting revives the stock market.**

Cuts in U.S. interest rates and increased foreign interest in Thai banks drive market up by 51 percent. The stock market has rebounded from the 11-year low on September 3 (at 207.4) to 314.1 on October 19, a 51 percent increase. Lower local interest rates and signs that Thailand is making solid progress toward economic recovery have attracted sizable foreign buying for the first time since February. While the real sector has still to show improvements, investors perceive Thailand as a possible first candidate for recovery among crisis-hit neighbors.

**Figure 7: Stock market index (end of month)**




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**EXTERNAL SECTOR**

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**Exports in US dollar terms are contracting...**

Export prices continue to drop while shipment volumes expand. Exports in US dollars shrank by 3.8 percent year-on-year in July. The decline was due to a 14.9 percent fall in export prices that more than offset the 13.1 percent rise in export volumes. Based on customs numbers, exports contracted by 12.5 percent in August year-on-year and 9.4 percent in September.

Export volumes have increased substantially since June last year. However, these increases are not translating into higher export earnings in US dollar terms as export prices have been falling.

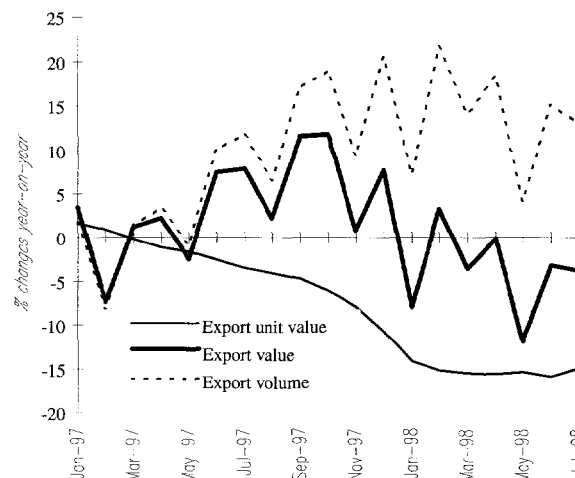
**...but some export sectors are thriving.**

Thai exports are increasingly diversifying away from the weak Asian markets. Thai exports to the European Union (about 16 percent of total Thai

exports), increased by 12.1 percent during the first half of 1998. Exports to the United States were also up sharply.

Key sectors increase dollar exports. Exports of products such as computers, canned seafood, rubber products and automobile and components are showing double-digit growth in dollar terms and traditional exports such as rice and garments are ahead of last year (Table 11).

**Figure 8: Percentage changes in exports**

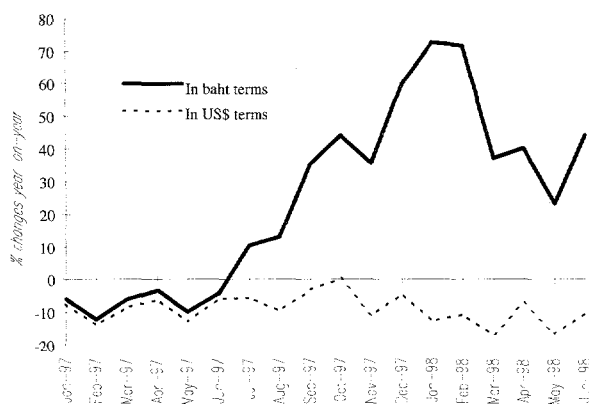


Increasing baht export revenues benefits labor intensive manufacturing. In terms of domestic currency, exports have surged with the baht devaluation since mid 1997. Exports of agricultural products have risen by 50.5 percent while manufactured goods have grown by 60.5 percent in the first half of 1998 compared with the first half of 1997.

Increased baht export revenues particularly benefit domestic production with a low import requirement and limited foreign debt exposure, which can be mostly found in labor-intensive manufacturing and agricultural firms.

While labor-intensive manufacturing has contracted in US dollar terms (-12.8 percent, year-on-year), it expanded dramatically in baht terms in the first half of the year (47.3 percent, year-on-year) (Table 10 and Figure 9). Regardless of the development in volumes and falling exports in US dollar terms, expanding exports in baht terms help many firms compensate for the slump in domestic demand.

**Figure 9: Exports of labor intensive manufactured goods (in baht and US\$ terms)**



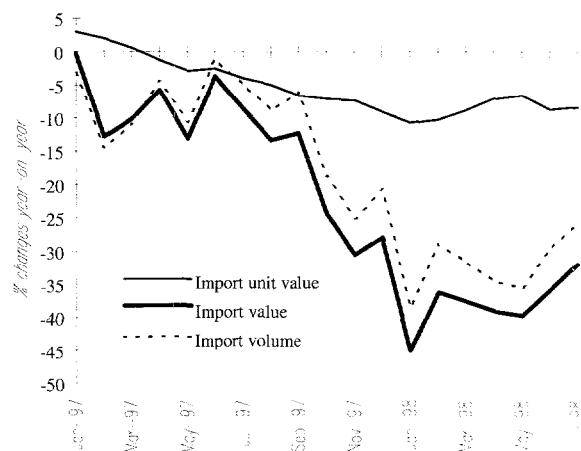
*Leather is expanding.* One of the few examples of a labor intensive manufactured good that is doing well both in US dollar terms and in baht terms is leather products (0.4 percent of total exports in June 1998). In the first seven months of this year, leather exports totaled \$250 million, up 12 percent year-on-year. The elimination of import duties on raw materials used by the leather and garment industries – which had ranged from 5 percent to 40 percent – in October is expected to improve the competitiveness of these two key export sectors. All companies manufacturing leather goods and garments for export will receive the duty waiver, even without Board of Investment promotion.

#### **Export finance is still weak.**

*Exporters will get more help from the Export-Import Bank of Thailand.* Due to the prolonged reluctance of commercial banks to extend loans to private exporters, the Export-Import Bank of Thailand (EXIM Bank) is stepping in with an allocation of \$250 million worth of loans provided by the Asian Development Bank (ADB). From October 1, this loan will be disbursed among exporters in the form of trust receipt (T/R) financing, to facilitate imports of raw material meant specifically for export-oriented manufacturing. The ADB requires that exporters eligible for loans must not be non-performing debtors of any bank.

During the first half of this year, Thai exporters used letters of credit (L/Cs) worth only 90 billion baht to import raw materials. In comparison, Thai exporters used L/Cs to import raw materials worth 276 billion for the whole of last year and 280 billion in 1996.

**Figure 10: Percentage changes in imports**



#### **The import compression is slowing down...**

*Volume of imports contracted less sharply than in previous months.* In July 1998, imports still shrank by a hefty 31.9 percent in US dollar terms and by 25.7 percent in volumes. It is worth noting that import volumes had already begun to decline prior to the crisis. In January 1997, imports were contracting compared with January 1996. Imports then plummeted dramatically following the devaluation in July 1997 as the economy contracted (Figure 10). Both imports in volumes and in US dollar terms hit the bottom in January 1998 when the baht was at its lowest point. According to BOT, the seasonally adjusted import volume of raw materials and intermediate products (not published) has exhibited an upward trend since February this year.

#### **...and the current account surplus keeps rising.**

*The current account surplus rose in July,* buoyed by increased revenue from tourism and the drastic import slump. The current account registered a surplus of US\$ 1,185 million compared with US\$ 853 million in June. The increase was attributed to a surplus on the services and transfers account due to increased revenue from tourism, a decline in interest and dividend payments, and the trade surplus generated by contracting imports.

### **Rising tourism brings some sunshine...**

*Tourists visit Thailand in large numbers.* Thailand's revenue from foreign tourists shot up 19.4 percent in the first seven months of 1998 as visitors cashed in on a weaker baht. Tourist arrivals also rose 5.4 percent to just below 4.4 million over the same period last year. 1997 figures by the Tourism Authority of Thailand (TAT) showed the surplus in the country's travel and tourism accounts rising by 42.1 percent to some 162 billion baht (\$4.2 billion). The gain was due to a huge 44 percent decline in spending by Thais traveling overseas. Outbound travelers spent 59.1 billion baht, down from 105.6 billion in 1996. One of the most significant figures showing the impact of the regional economic crisis on tourism in 1997 was a 10.8 percent decline in spending on shopping to 75.8 billion baht.

Inbound tourists spent an average of 3,672 baht per person per day. Bangladeshis spent the most per day, averaging 7,759 baht per person and staying on average one week. The figure was attributed to "shopping tours" by merchants taking advantage of the cheaper baht. Saudi Arabian nationals came in second, spending 6,502 baht per day. Koreans spent 4,887 baht per day while Japanese spent 3,415 baht. The lowest average daily expenditure was by European nationals, led by British citizens, who spent an average of 2,055 baht per person.

The rising number of tourists will help cushion the drop in domestic demand, but their overall effect on growth is limited. Tourism accounts for approximately 3.4 percent of GDP in 1997 (and 6.9 percent of services). Tourism will have the largest impact on retail sales as visitors to Thailand spend between 30-40 percent of their budget on shopping and approximately 21-28 percent on accommodation.

### **... foreign direct investment returns cautiously...**

*Foreign direct investment continues to increase.* The dramatic outflow of private capital during the first 7 months of 1998 (US\$ 8.3 billion) occurred mostly in the banking sector (US\$ 7.8) (Table 7). The drastic decline in financial sector investments overshadows the positive development, which is taking place in the non-banking sector. Foreign direct investment (FDI) increased by US\$ 3.2 billion in Jan-Jul, more than twice the amount of FDI in the same period in 1997. The surge in FDI reflects the substitution by joint ventures and foreign firms of

debt with FDI equity and borrowing (from their headquarters abroad) as well as purchases by foreigners attracted by the sharp decline in asset prices over the past seven months.

Investments from Japan account for approximately 40 percent of the foreign direct investment. Most of the FDI has flown into trade, finance, and machinery and transportation sectors (Table 8). However, it is not clear whether the characteristics of foreign investments are changing (e.g., more mergers and acquisitions activities, foreign partners taking greater shares of joint ventures etc.).

### **... and the reserve position remains robust.**

The capital account registered a net deficit of US\$ 767 million in July. Net private capital outflows totaled US\$ 1,100 million while the public sector recorded an increase in net capital inflows due mainly to the disbursement of a World Bank Adjustment Loan (\$400 million). In August, the overall balance of payments recorded a deficit of US\$ 176 million, due in part to the settlement of BOT forward obligations. Gross foreign reserves rose to US\$ 27.2 billion on 25 Sep, from US\$ 26.7 billion at end-Aug, supported by a further draw-down from the IMF package. About US\$ 400 million in forward obligations were settled in September, lowering total obligations to US\$ 9.7 billion, mostly with onshore counterparts. Net reserves rose to US\$ 17.5 billion from US\$ 16.6 billion at end-Aug.

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## **MACROECONOMIC POLICIES**

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### **The fiscal deficit provides a feeble stimulus...**

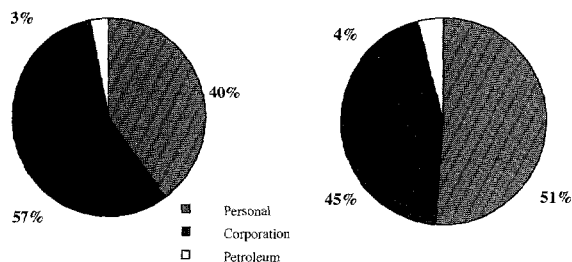
*Fiscal stimulus remains weak.* In the fiscal year 1998 ending on September 30, preliminary figures put the country's cumulative cash deficit for fiscal 1998 at total of 115.58 billion baht, falling short of the 117 billion baht limit set by the IMF. Revenues for the fiscal year totaled 727.51 billion baht, versus expenditures of 835.57 billion baht and a deficit in extra-budgetary accounts of 7.52 billion. Disbursements totaled 687.1 billion baht, or 82.8% of the total budget. While this would be the highest disbursement rate since 1990, the Government actually found it difficult to increase spending and restart previously curtailed projects to meet the 3% of GDP deficit under the IMF agreement.

The fiscal stimulus was not only dampened by delays but also because deficits are being driven by declines in revenue rather than increased spending. Budget revenues have declined by 10 percent in the fiscal year 1997/98 compared with same period in the previous fiscal year. Rather than boosting domestic demand, government expenditures have actually decreased by 8.8 percent in the same period. The deficit of baht 33.1 billion recorded in August was largely due to a 22.5 percent year-on-year decline in revenue, compared to an increase in expenditures of only 0.6 percent.

**...as corporate taxes dwindle.**

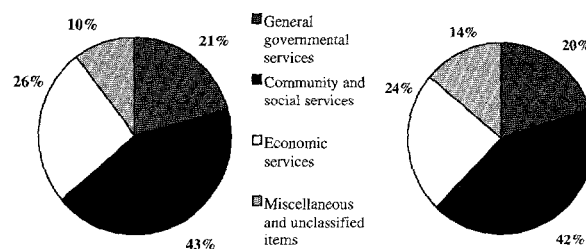
The composition of revenue categories has changed since the crisis due to a 30.5 percent contraction in corporate income tax collections. This reflects not only deteriorating corporate profits, but also the Government's policy to permit postponement first half-year corporate tax payments to February 1999. As a result, corporate taxes have fallen from 57 to 45 percent as a share of direct tax collections (which constitutes 32 percent of total revenue) (Figure 11).

**Figure 11: Composition of income taxes, first half of 1997 (left) and first half of 1998 (right)**



According to preliminary budget allocations for fiscal year 1998/1999 which began on October 1, the government plans to spend somewhat less on community and social services, both as a percentage of the total budget and the amount allocated (Figure 12 and Table 19). Fewer funds will be allocated to health, housing, and religious, cultural and recreational affairs, while spending on education and social security and welfare will increase.

**Figure 12: Budget allocations FY 1998 (left) and FY 1999 (right), by function**



**Monetary Policy allows rates to come down...**

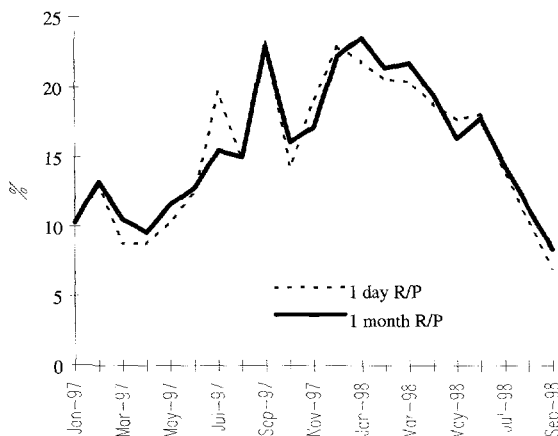
*Lending rates are expected to fall further.* Reducing interest rates has been a key priority for the government to ease liquidity constraints, reduce non-performing loans and make it easier for borrowers to repay debts. Lower US interest rates may be conducive to further reductions in domestic interest rates. Short-term rates in the money market have already come down with overnight and 30-day R/P rates falling from more than 20 percent to 7-8 percent in September (Figure 13). The rates have further lowered to 5-7 percent as of October 14, 1998. Local banks have now started to lower lending rates. While lower lending rates do not automatically lead to economic recovery, they will ease the burden of servicing debt and free capital to increase production. However, the cost of capital for corporates is unlikely to return to pre-crisis levels.

As in other countries in the region, Thailand's severe credit crunch was reflected in a sharp drop in credit growth and loan-deposit ratios of banks. Real private sector credit has contracted dramatically since the crisis (Figure 15).

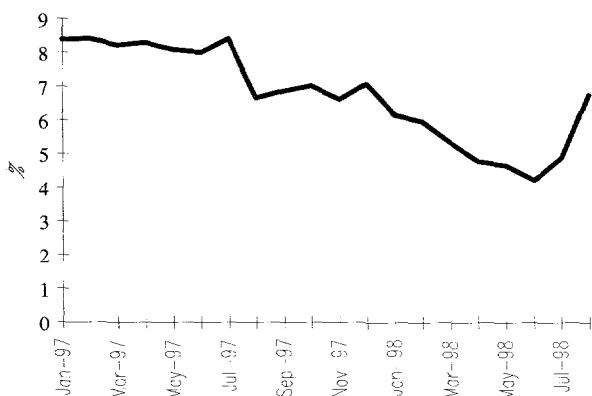
Lower interest rates may not boost credit growth substantially, given rising non-performing loans (NPLs) and massive recapitalization need (Table 12). NPL ratios in the region are still some way from their peak levels - which according to some analysts are likely to reach as high as 40-45% in Thailand. At the same time, the recent stabilization has allowed the previously inverted yield curve to normalize (Figure 16).



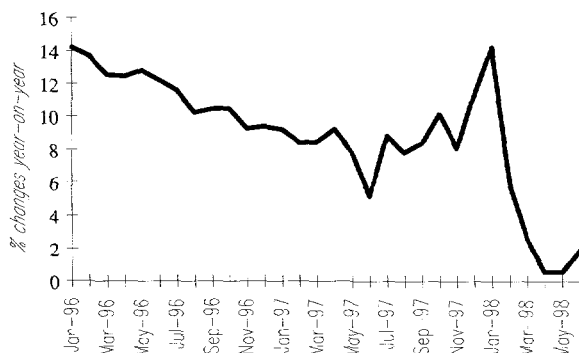
**Figure 13: Money market rates  
(1-day and 1-month repurchase rates, daily average)**



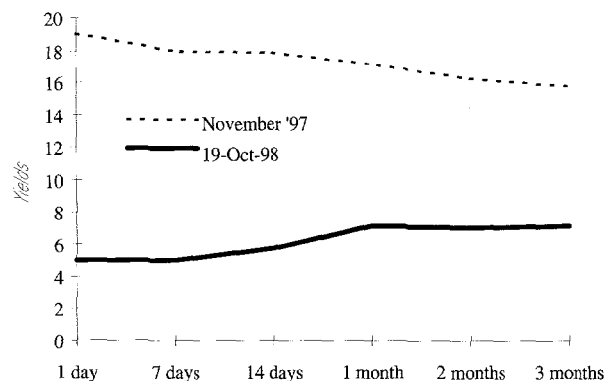
**Figure 14: Real lending rate<sup>1</sup>**



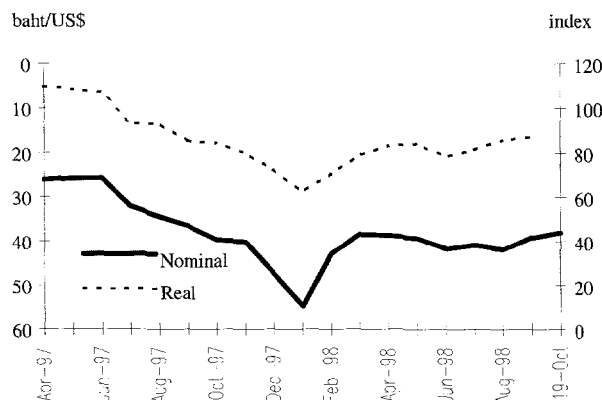
**Figure 15: Real private credit growth<sup>2</sup>**



**Figure 16: Yield curve<sup>3</sup>**



**Figure 17: Exchange rates**



**...and the currency gains strength.**

The baht strengthened at the beginning of October to baht 38.0 per US\$ as the yen climbed. Despite the recent turbulence in other emerging markets, the remarkable stability of the Thai baht is allowing room for further interest rates cuts. Japanese export competition for Thailand is limited, but a stronger yen may yield the benefit of increased Japanese investments in Thailand, and further debt roll-over by Japanese banks. Reduced Japanese export competition due to the yen revaluation also lowers the likelihood of a devaluation in China. However, Thai exporters are seeing some erosion of their recently gained competitiveness.

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**SOCIAL IMPACT**

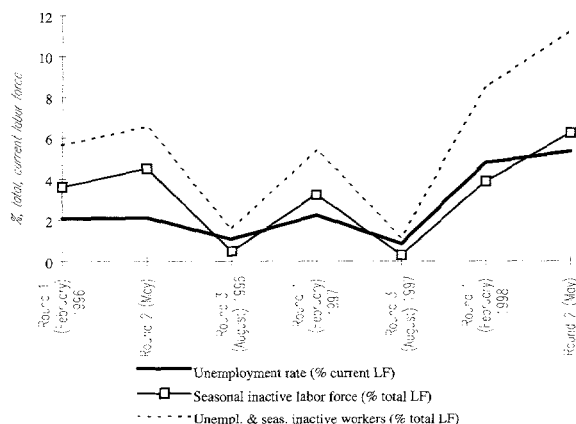

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**The social impact of the crisis worsens...**

*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 the 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 18).

**Figure 18: Unemployment rates**

**... unemployment and declining incomes worsen the plight of the poor...**

*The poor are taking the brunt of the crisis.* Increasing unemployment and declining real wages in urban areas have resulted in a large emigration back to rural areas, leading to a decline in household remittances, increased pressure on natural resources, and greater competition for agricultural land and limited off-farm employment. The impact has been particularly severe for the poor (particularly those receiving state welfare, such as pre-school children, the elderly and infirm, HIV patients, etc.), women (whose jobs have been taken over by returning men), and other vulnerable groups.

Recent research results<sup>4</sup> conclude that:

(i) The crisis is the main cause of the current unemployment, accounting for an increase of 810,000 unemployed since the crisis began. In addition, the crisis has also had a significant impact on underemployment.

(ii) The crisis has caused a significant shift of the labor force from formal sector-wage and salary earners- to farm income sector. The crisis has affected the unemployment rate in most sectors, but the construction sector has been worst hit.

(iii) The employment in the formal sector has suffered a large decline in income, due to lower base wages, bonuses and overtime. Surprisingly, average real incomes in the agricultural sector have not declined. One possible explanation is that the increase in agricultural prices has helped the agricultural sector maintain its real income.

(iv) The Northeast has been severely impacted by the crisis both in terms of income lost and unemployment. The study also shows that municipalities are the most affected areas when compared to sanitary districts and village areas.

**...but agriculture helps absorb the unemployed.**

The study also suggests that the agricultural sector has helped cushion the impact of the crisis by absorbing lay-off workers from urban areas. The significant impact of the crisis on the agricultural sector was confirmed by a recent World Bank field study which concluded that:

(i) There is a switch from production of low value agricultural commodities for the internal market to higher value commodities for exports, e.g. from feed corn to sweet corn, or from soya beans to green soya.

(ii) While there is not much scope for bringing new land into cultivation, there are possibilities for intensifying land use (short duration crops, before and after the main crop, or inter-cropping) and growing crops which require more labor (e.g. vegetables). But the reduced absorption of labor in urban employment will increase the pressure to convert forests into crop land.

(iii) To make the transition to higher value crops or more intensive land use, however, requires access to irrigation and/or capital.

(iv) Although vegetable production for the market has done well, it is subject to the problems of periodic gluts in the market.

(v) While prices of imported inputs for the all-important rice crop have gone up by about 40 percent, output prices have gone up by about 10 to 15 percent.

(vi) A large number of farmers and farm laborers dependent on rice purchases have suffered a real income loss due to price rises.

(vii) Despite the high reliance on off-farm incomes or cash crops, farmers in both the North-east and North Thailand exhibit a high risk minimizing behavior of growing their own rice for consumption. While some may have done this by renting their land to other farmers while themselves migrating to urban centers, farmers as a whole try to grow their own rice for family consumption. This protects them from the vagaries of the market, even if it does not maximize current income. Such risk avoidance is bound to further increase in the present volatile market situation.

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## CORPORATE SECTOR

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### **Pace of restructuring process is picking up....**

The pace of corporate restructuring has speeded up in recent weeks, with a number of large transactions involving foreign creditors moving closer to agreement (Table 22). Thai banks and finance companies, initially slow to build capacity commensurate with the magnitude of the debt

restructuring problem and unfamiliar with the technical process, have begun to develop dedicated workout departments. We expect the pace of restructuring of domestic debt to proceed accordingly.

### **...but legislation remains an obstacle.**

The enabling environment for restructuring is moving more slowly than desired, with important amendments to the bankruptcy and foreclosure law likely to not meet the October 31 deadline of IMF Letter of Intent #5. Tax and regulatory incentives for restructuring have been developed.

The Bank of Thailand announced a Framework for Corporate Debt Restructuring in Thailand, a guideline for voluntary workouts which was endorsed by the Federation of Thai Industries, Board of Trade, Association of Finance Companies, Foreign Banks' Association, and Thai Bankers' Association.

A new stimulus for restructuring emerged, as the Stock Exchange of Thailand warned firms with negative equity that they face possible delisting from the SET if they fail to raise capital. Currently, 47 listed firms have liabilities that exceed assets. Debt restructuring, to the extent that it involves write-down of debt to manageable levels or conversion to equity for those firms with viable core businesses, will provide a solution. However, this would entail significantly speeding the process, as the SET has announced that it will begin considering delisting in January 1999. The SET gives such firms two years to appoint advisors, restructure debt and rehabilitate operations. During this time, the shares are suspended from trade.

### **Corporate distress continues to deepen...**

Extending the analysis from last month's Thailand Economic Monitor of the operating performance of the Thai corporate sector, we created a model of the entire set of listed Thai stocks based on their operating performance in the first half of 1998. We treated this set of 340 firms (we eliminated firms who had gone bankrupt or for whom data was not available) as one large firm, to examine the type of restructuring actions which would be required to ensure its ability to service debt. In particular, we examined the potential for margin improvement to help solve the debt crisis.

It is commonly understood that the classical restructuring plan of the Thai corporate sector will involve asset sales. Last month, we examined asset turnover by sector within the Thai stock exchange, and found it to be universally low irrespective of industry. The average, .56 times, is essentially the result of large-scale debt-financed investment when both the corporate and banking sectors became accustomed to continuous rapid growth. Accordingly, operational restructuring plans would involve elimination of some non-core assets through direct sales or spin-offs, and using the cash generated by those sales to pay down some of the debt which was taken on to finance them.

But asset sales are only one of the two potential sources of cash to service debt. The other area is operating profit. In last month's Monitor, we noted that EBITDA was as low as five percent for some sectors, on average, and that restructuring would inevitably involve raising EBITDA. This month, we investigate this more deeply, and to isolate the impact of margin improvement on the corporate sector. We define margin improvement as improvement in the share of revenue which remains after operating costs (all labor and salary costs, energy costs, materials costs, and services consumed by the company), also known as earnings before interest, taxes, depreciation and amortization (EBITDA). For the 340 listed Thai stocks, our analysis indicates that EBITDA was 12.8 percent in the first half. A five percent increase in operating profits would be equal to raising EBITDA from 12.8 percent of sales to 17.8 percent of sales. In the current environment, we cannot assume that EBITDA will rise because of sales gains. Thai firms can nonetheless improve operating cashflow through such measures as productivity gains, rationalizing energy costs, focusing on high margin products, downsizing overhead costs, etc. The purpose of this analysis is to assess the impact of operational improvement on the debt restructuring position of the average firm on the Stock Exchange of Thailand.

We defined the debt problem by looking at the liabilities structure. We assumed that the average company must pay 10 percent interest on its total liabilities, since the vast majority of the liability structure of listed firms consists of short-term loans and overdrafts, and that it would need minimum debt service coverage ratio of 1.1. We consider these assumptions to be conservative, considering the average cost of capital in Thailand and the need to

repay principal as well as interest on short-term debt.

**...putting the onus for change on management as well as banks.**

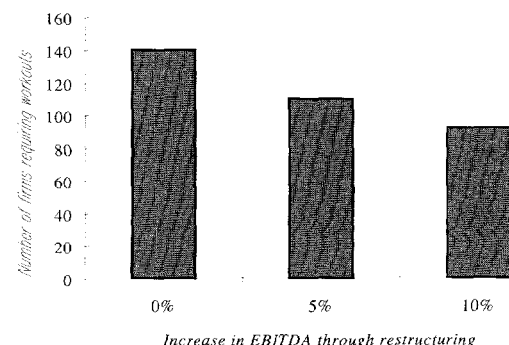
**Results.** The analysis indicated that, with no restructuring, cashflow available from operations, or EBITDA, (12.8 percent of sales) falls well below debt service needs (14.7 percent of sales). With no restructuring, 140 out of 340 listed firms cannot pay this estimated level of debt service. If only write-downs of debt were used, with no operational restructuring, than approximately 664 billion baht (\$17.5 billion @ 38 Baht = \$1) must be removed from the balance sheets of listed firms in order for debt to be serviceable under our assumptions.

In order for debt restructuring to proceed, many firms are considering debt to equity swaps. However, our analysis indicates that the level of debt swap required to achieve a manageable level of debt service (664 billion baht) exceeds the total equity of the 340 listed firms (571 billion baht, or \$15.0 billion). This suggests that debt to equity swaps, without any other form of restructuring, would likely result in a loss of control for these firms. Table 22 shows annualized results for some of the largest restructuring cases in Thailand. In all of these cases, our debt service estimate exceeded EBITDA.

**What would be the impact of a 5 percent or 10 percent increase in operating profit?**

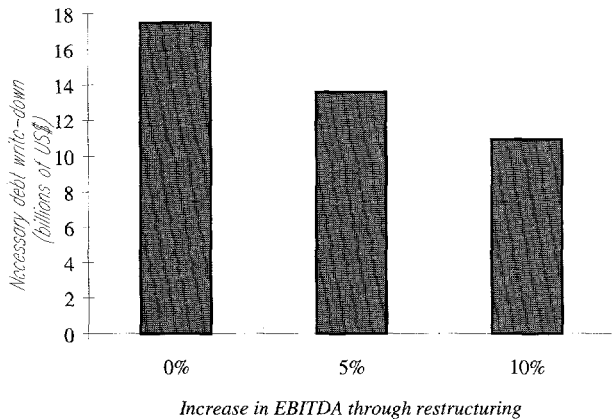
Our model indicated that the number of firms able to pay our estimated level of debt service out of operations would increase, so that the number requiring workouts would drop from 140 to 110 with a 5 percent average increase in EBITDA, and would further decrease to 92 with a 10 percent increase in EBITDA (Figure 19).

**Figure 19: Number of listed firms requiring workouts**



The cost of debt restructuring to the financial sector would drop similarly. With no increase in EBITDA, we estimate that approximately \$17.5 billion of debt would need to be reduced to achieve serviceability. With a 5 percent increase in EBITDA, the write-down drops to \$13.6 billion. With a 10 percent gain, the write-down estimate lowers to \$10.9 billion (Figure 20).

**Figure 20: Impact of increases in operating profit on necessary debt write-down.**



A 10 percent increase in average EBITDA figures is difficult, but not impossible. It would require many managers to make difficult restructuring decisions, focus intensively on cashflow-maximizing businesses, and reduce costs aggressively. Clearly, owners who would like to retain control of their companies should be thinking about both margin improvement and asset sales. In reality, most restructuring plans contain elements of both strategies. By eliminating non-core businesses, for example, a company will raise average margins by eliminating the weaker performers in its portfolio which are dragging down average unit profitability, and at the same time raise cash by selling assets. Siam Cement's restructuring, for example, includes a focus on the profit of its core business, and a decentralization plan which will enable it to sell majority positions in some of its nine businesses.

Our data indicates that for many firms, operational restructuring will not be enough, and asset sales and debt restructuring will be necessary. Serious efforts to increase margins, even for these firms, would reduce the volume of necessary asset sales, debt reductions and equity swaps. It would make it more likely that management of such firms would remain in place.

**PERCEPTIONS OF THAILAND**

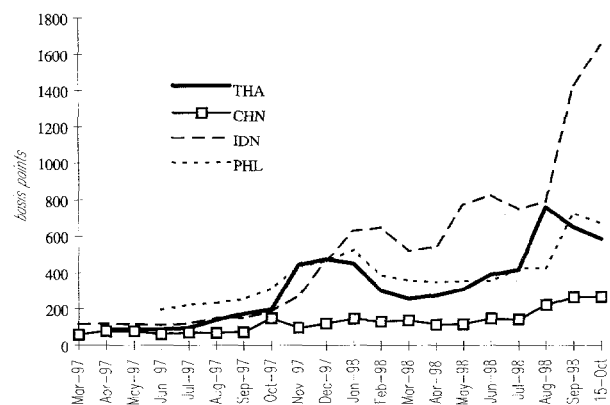
**Thailand's sovereign rating remains impaired...**

Credit rating agencies continue to watch Thailand with caution, particularly with respect to domestic banks (Table 15). 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.

**...and international spreads for Thailand remain high.**

International investors' interest in emerging markets has been seriously dampened over the last few weeks as the Annual IMF/WB Meetings in Washington failed to dispel the sense of gloom over world economic prospects. Although spreads of US treasuries have recently notched down for Thailand sovereign debt, the costs of international bond issues remain prohibitively high. A US\$5 billion global bond issue was further postponed due to the continued uncertainty on international markets.

**Figure 21: International spreads<sup>5</sup>**



Source: Bloomberg

**Transparency is perceived as a problem.**

Once a year, Transparency International conducts seven international surveys and ranks countries based on the perception of corruption by business people, political analysts and the general public perceived. This year, Thailand received a slightly poorer score than 1997. Thailand ranked 61 in a list of 85 countries. Last year, only 52 countries were ranked with Thailand placed at number 39.

**International Corruption Perception Index 1998**

Rank	1998	1997	Rank	1998	1997		
1	Denmark	10.0	9.9	29	Malaysia	5.3	5.0
7	Singapore	9.1	8.7	55	Philippines	3.3	3.1
16	Hong Kong	7.8	7.3	61	Thailand	3.0	3.1
17	USA	7.5	7.6	81	Nigeria	1.9	1.8
25	Japan	5.8	6.6	85	Cameroon	1.4	..

Source: Transparency International, 1998

**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 centre 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. Thus far, Siam Commercial Bank (SCB) and Bank of Ayudhya (BAY) have announced that they will take advantage of the Tier-2 scheme; Thai Military Bank (TMB) has announced it will apply to the Tier-1 scheme if not able to raise private capital.

The stability of the banking system, however, continues to be undermined by escalating NPLs; at end-June, NPLs amounted to 36 percent of total loans (Table 12), based on the 3-month overdue definition. 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 15). 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. An auction of real estate assets totaling US\$72 million will also be held on November 8. A recent Interior Ministry decision to reduce fees for real estate transfers (from 2.0 to 0.1 percent of purchase value) will help the sales.

**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 Government will issue up to 300 billion baht in return for preferred shares or subordinated bonds issued by financial institutions under the two schemes. The resolution of the 18 impaired financial institutions that have been nationalized (6 banks and 12 finance companies) is also part of the restructuring package.

**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 in the process of 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.

**Capital market development.** The authorities have established a Working Group focusing on the development of the Government bond market. The BOT, in the meantime, is preparing a \$2.5 billion domestic long-term bond issue to build the country's long-term bond market and provide a benchmark for long-term rates. It recently postponed a US\$5 billion global bond issue due to severe uncertainty on international markets following the worsening of Russia's economic situation.

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## ASSESSMENT

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### **Recovery is still a long way off.**

The recent surge in the stock market, the strengthening baht, declining interest rates and the announcement of financial sector restructuring measures give rise to the hope that the downward spiral of the economy is beginning to moderate. Expanding export volumes, revived foreign direct investment and the vigorous influx of tourists are all positive signs.

However, declining investment, the slump in domestic demand, and the contraction of real economic activity indicate that the economy is still shrinking and that investor confidence still has not fully returned. 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.**

Further painful adjustment, corporate failures and rising unemployment are to be expected before a sustained turnaround of the economy in 1999. The new consensus forecast predicts a contraction in real GDP of 7.2 percent in 1998. The decline in GDP was set at minus 7 percent for 1998 in the Fifth Letter of Intent under the IMF program, but may be revised to minus 8 percent. Manufacturing production is generally expected to reach the bottom by the end of 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 improve substantially until early 1999.

### **Financial and corporate restructuring are at the core of recovery.**

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.

The financial sector restructuring package of August 14 gives rise to the expectation that financial weaknesses are being resolutely addressed. Domestic and international investors will closely watch whether the complex program implementation proceeds as scheduled. The most crucial issue is whether the bank recapitalization scheme will encourage banks to resume lending to the real sector. With this reform package, the government has placed Thailand at the forefront amongst other crisis countries in dealing with the distressed banking sector.

### Government remains committed to reforms.

The Government's ability 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 ensuring a regulatory framework to ensure competition.

### 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?

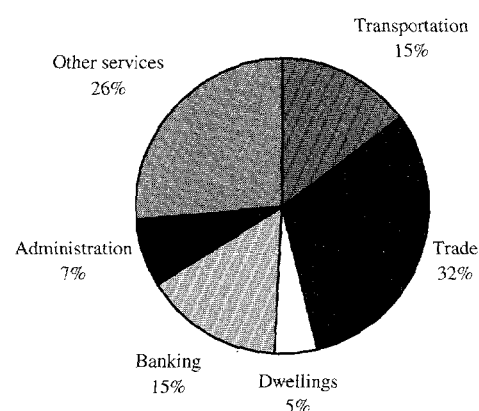
As long as the prospects for export-led recovery remain elusive due to the depressed East Asian market and low unit values, the hope for economic recovery will need to draw on a revival of domestic demand. A more expansionary fiscal stance with public investment targeted towards job creation may deserve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

Even as 1998 draws to a close, it is difficult to assess by how much GDP will contract. Table 3 breaks down sources of growth by industrial origin for the past five years and compares them with BOT data from January to July of 1998.

*Industry will contract, agriculture will expand.* Only BOT data on manufacturing production (an index that captures 59 percent of total manufacturing production) give a good estimate of the contraction in manufacturing production. For other industries, the picture is not as clear, but we estimate that construction and gas, electricity and water are likely to contract further while mining and quarrying appear to be expanding. The agricultural sector is likely to expand since it benefits from improved terms of trade. However, its overall effect on GDP will be moderate since the agricultural sector only accounts for 11 percent of GDP.

*What will happen in the service industry?* Thailand shifting production patterns over the last decade indicate that the service sector, not agriculture dominates the economy. Growth prospects will hinge on the impact of the crisis on the large service industry which accounts for 47 percent of GDP. In the national accounts, services are divided into transportation, trade, dwellings, banking, administration, and other services (Figure 22). Trade and the banking sector are likely to contract but it remains to be seen whether this will be outweighed by the expansion of tourism and other sub-categories.

Figure 22: Services by sub-category (1996)



### Forecast Summary

Average % Change on Previous Calendar Year,  
unless otherwise noted

	1996	1997e	1998f	1999f
Gross Domestic Product	5.5	-0.4	-7.0	-0.2
Private Consumption	6.7	0.1	-8.7	-1.8
Gross Fixed Investment	6.0	-16.0	-27.5	-0.9
Manufacturing Production	8.3	-0.4	-11.1	1.0
Consumer Prices	5.8	5.6	8.0	7.4
Money Supply (End Year, % change)	12.6	16.4	10.9	11.2
Merchandise Exports (fob, US\$bn)	54.5	56.7	54.8	59.7
Growth rate (in dollar terms)	-1.6	3.8	-3.4	8.9
Growth rate (in volume terms)	-5.1	7.3	8.8	7.4
Merchandise Imports (cif, US\$bn)	70.8	61.3	45.1	48.7
Growth rate (in dollar terms)	0.9	-13.4	-26.4	8.0
Growth rate (in volume terms)	-4.0	-10.4	-21.7	11.1

Source: Consensus Economics, July 13, 1998, BOT and IMF

e = estimate, f = forecast



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**POINTS TO WATCH**

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- ⇒ 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.

## Annex Tables

Table 1: Macroeconomic framework

	1995	1996	1997	1998f
GDP at current market prices (billions of bahts)	4189	4598	4827	...
<i>Real GDP growth</i> (percent)	8.8	5.5	-0.4	-7.0
Consumption growth	7.1	6.7	0.1	-10.7
Gross fixed investment growth	11.2	6.0	-16.0	-27.5
<i>CPI inflation</i> (end period, percent)	5.8	5.8	5.6	8.0
<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	27.4 2/

Source: Bank of Thailand, IMF, and staff calculations

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

2/ As of October 2, 1998

**Table 2: Balance of Payments***(billions of US\$)*

	1996	1997	1997 Q1 <sup>P</sup>	Q2 <sup>P</sup>	Q3 <sup>P</sup>	Q4 <sup>P</sup>	1998 Q1 <sup>P</sup>	Q2 <sup>P</sup>
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.

<sup>P</sup> = Preliminary

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

<b>NATIONAL ACCOUNTS:</b>	<b>% of total in 1997</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998f</b>
		(annual growth rates)					
GDP at market prices	100.0	8.4	8.9	8.8	5.5	-0.4	-7
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	...	?
		<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>Jan-Jul.</b>
Construction (National accounts)		8.7	14.2	7.4	6.1	-8.0	↓
BOT's monthly numbers on construction:							
Iron rods		25.1	12.8	26.4	4.6	1.2	-28.8
Galvanized iron sheets		12.0	26.0	13.7	4.6	-0.1	-33.6
Cement		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)							
Manufacturing prod. index		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							
Tin (tons)		-44.6	-38.3	-44.0	-33.7	-48.9	130.9
Natural gas (mil. cubic feet)		12.8	10.2	6.4	16.3	21.8	8.0
Crude oil (thousands barrels)		-6.5	7.2	-9.0	10.3	3.8	7.0
Condensate (thousands barrels)		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							
Electricity consumption		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							
Real changes in retail sales			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							
		Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Manufacturing Production Index 1/	58.59	-8.4	-15.9	-13.3	-21.3	-16.1	-17.3	-12.6	-14.0
<i>Food</i>	6.10	8.0	-7.8	-1.4	-31.1	-18.5	-5.5	-0.3	0.9
<i>Beverages</i>	6.77	18	-16.0	14.0	5.9	3.5	-10.5	-1.4	-0.8
<i>Cigarettes</i>	1.90	-15.5	-8.3	-22.9	-16.0	-36.2	-39.9	5.0	-48.3
<i>Construction materials</i>	14.54	-32.8	-35.7	-32.5	-39.4	-42.9	-37.5	-46.3	-45.0
<i>Vehicles and equipment</i>	7.39	-78.8	-74.4	-75.9	-76.4	-73.2	-67.0	-60.1	-56.7
<i>Petroleum products</i>	3.68	0.9	-1.8	-9.4	-13.6	2.3	-1.8	1.5	-1.8
<i>Textiles</i>	10.08	4.3	3.3	4.5	4.4	3.3	3.8	3.8	3.0
<i>Others</i>	8.13	13.2	-2.9	3.4	-3.6	-4.1	-11.1	-10.9	-14.9

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)

	1998							
	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
Private investment index	69.7	61.0	55.8	49.4	40.1	32.9	25.2	18.2
(% changes of 12-month moving average of the components)	-2.1	-5.0	-6.8	-8.9	-12.0	-14.4	-16.9	-19.3
<i>Import value of capital goods (in bahts)</i>	26.5	19.1	24.2	4.5	-17.8	-7.0	-0.8	-9.7
<i>Import value of capital goods (in US\$)</i>	...	...	...	...	...	-37.8	-38.8	-34.4
<i>Domestic cement consumption</i>	-28.7	-37.3	-34.6	-47.6	-50.6	-48.8	-51.7	-51.2
<i>Domestic galvanized iron sheet sales</i>	-12.9	-16.3	-19.4	-36.8	-63.3	-50.7	-34.6	-50.1

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
<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

Source: Bank of Thailand

**Table 7: Capital Flows to the Private Sector**  
(millions of US\$)

	1997	1998				1998
	Jan-Jul	Q1	Q2	June	July	Jan-Jul
<b>Banking sector</b>	<b>721</b>	<b>-1,746</b>	<b>-4,014</b>	<b>-2,553</b>	<b>-2,050</b>	<b>-7,810</b>
Commercial bank	407	761	-1,692	-1,665	-1,241	-2,172
Changes in assets	-10	51	-2,438	-1,404	-696	-3,083
Changes in liabilities	417	-244	-428	-279	-545	-1,217
Recapitalization	0	954	1,174	18	0	2,128
BIBFs	314	-2,507	-2,322	-888	-809	-5,638
<b>Non-banking sector</b>	<b>-2,603</b>	<b>-3,080</b>	<b>1,626</b>	<b>382</b>	<b>950</b>	<b>-504</b>
Direct investment	1,381	1,325	1,499	440	380	3,204
Foreign direct investment	1,759	1,338	1,534	450	390	3,262
Thai direct investment abroad	-378	-13	-35	-10	-10	-58
Others loans	-1,350	-2,051	-1,070	-300	-20	-3,141
Portfolio investment	3,132	482	140	100	-15	607
Equity securities	2,784	480	-30	40	-60	390
Debt securities	348	2	170	60	45	217
Non-resident baht account	-5,972	-2,955	1,272	262	600	-1,083
Trade credits	245	-94	-170	-50	-40	-304
Others	-39	213	-45	-70	45	213
<b>Total</b>	<b>-1,882</b>	<b>-4,826</b>	<b>-2,388</b>	<b>-2,171</b>	<b>-1,100</b>	<b>-8,314</b>

Source: Bank of Thailand

**Table 8: 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 9: 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	
<b>Exports:</b>													
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
<b>Imports:</b>													
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
<b>Terms of trade</b>	<b>98.02</b>	<b>98.59</b>	<b>98.46</b>	<b>98.15</b>	<b>97.86</b>	<b>97.86</b>	<b>98.57</b>	<b>98.83</b>	<b>98.48</b>	<b>97.94</b>	<b>97.14</b>	<b>96.86</b>	<b>97.55</b>
		<b>1997</b>	<b>1997</b>										
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exports:</b>													
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
<b>Imports:</b>													
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
<b>Terms of trade</b>	<b>98.03</b>	<b>97.34</b>	<b>97.36</b>	<b>97.32</b>	<b>98.01</b>	<b>99.05</b>	<b>98.56</b>	<b>99.37</b>	<b>99.38</b>	<b>99.84</b>	<b>98.16</b>	<b>96.22</b>	<b>95.78</b>
		<b>1998</b>											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Exports:</b>													
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					
Export volume		95.75	100.78	110.14	100.49	99.72	107.93	109.20					
<b>Imports:</b>													
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					
Import volume 2/		56.00	53.91	59.71	58.71	54.40	61.32	62.52					
<b>Terms of trade</b>		<b>93.63</b>	<b>91.98</b>	<b>90.23</b>	<b>89.02</b>	<b>89.67</b>	<b>90.87</b>	<b>92.29</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 10: Percentage Changes in Labor Intensive Manufactured Goods (bahts, US\$)

	Change (%) 1997/1996 (baht terms)										1998/97					
	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun
<b>Labor intensive goods</b>	-6.0	-3.4	-9.9	-4.3	10.5	13.1	35.5	44.1	35.6	59.8	72.6	71.7	37.2	40.2	23.2	44.1
Garments	-4.8	0.4	3.9	4.5	20.3	27.8	48.5	70.4	48.4	70.5	98.5	97.9	49.3	64.8	40.0	58.8
Footwear	-19.0	-7.6	-27.2	-16.2	6.6	11.5	34.9	30.7	18.2	38.9	19.9	53.2	49.1	35.6	20.4	32.1
Toys, games	-9.8	13.3	5.1	11.2	-0.4	-9.4	8.3	29.0	11.4	6.5	14.9	34.2	45.3	19.4	-5.8	29.8
Precious stones and jewelry	-7.7	-18.6	-13.3	-19.7	-10.0	-8.9	21.3	28.1	29.4	56.2	93.3	45.0	1.6	12.2	4.2	20.3
travel goods	-4.0	-0.8	6.0	1.0	13.0	22.0	36.7	59.2	53.5	80.0	100.8	138.6	77.8	74.2	45.2	88.4
Artificial flowers, foliage	-2.6	-3.8	-22.4	-27.6	-7.6	6.5	43.9	19.7	49.1	70.7	67.3	102.3	68.1	68.0	14.8	79.4
Sports requisites	-17.3	-3.2	-17.9	-16.9	-7.0	-1.6	22.2	40.9	55.2	69.4	43.0	42.8	36.6	11.4	-7.3	38.5
Other textile products	0.6	-1.4	-38.6	3.1	32.1	18.8	45.8	32.8	33.5	73.5	79.5	71.1	49.6	38.6	18.6	45.7
Leather products	34.9	68.2	42.0	20.3	13.9	32.1	40.2	42.2	23.6	41.0	43.9	28.3	19.7	-2.2	-19.0	-3.8
Wood products	10.8	14.6	-3.6	6.4	33.7	8.5	32.9	30.0	33.0	62.7	62.7	78.6	52.8	50.3	49.5	51.8
	Change (%) 1997/1996 (US\$ terms)										1998/97					
	Mar.	Apr.	May	Jun	Jul	Aug	Sept	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun
<b>Labor intensive products</b>	-8.6	-6.2	-12.8	-6.0	-5.6	-9.6	-3.1	0.2	-10.9	-4.4	-12.8	-10.7	-17.2	-7.2	-16.9	-10.4
Garments	-7.3	-2.5	0.6	2.6	2.7	2.2	6.2	18.5	-2.5	2.0	0.2	2.9	-9.9	9.0	-5.5	-1.3
Footwear	-21.2	-10.3	-29.5	-17.7	-9.0	-10.9	-3.6	-9.1	-22.3	-16.9	-39.4	-20.3	-10.0	-10.2	-18.8	-17.8
Toys, games	-12.3	10.0	1.7	9.2	-14.9	-27.6	-22.6	-10.3	-26.8	-36.3	-42.0	-30.2	-12.3	-21.0	-36.5	-19.4
Precious stones and jewelry	-10.2	-21.0	-16.1	-21.1	-23.1	-27.2	-13.3	-10.9	-15.0	-6.5	-2.4	-24.6	-38.7	-25.8	-29.7	-25.3
Travel goods	-6.6	-3.7	2.6	-0.8	-3.4	-2.5	-2.3	10.7	0.8	7.7	1.4	24.1	7.3	15.3	-2.0	17.1
Artificial flower	-5.2	-6.6	-24.9	-28.9	-21.0	-14.9	2.8	-16.8	-2.0	2.2	-15.5	5.2	1.5	11.2	-22.9	12.3
Sport requisites	-19.5	-6.0	-20.5	-18.4	-20.4	-21.3	-12.7	-2.1	2.0	1.4	-27.8	-25.7	-17.6	-26.2	-37.3	-13.9
Other	7.2	10.5	-22.7	5.7	10.3	-5.5	0.8	-6.9	-13.8	-2.9	-15.9	-15.1	-13.8	-12.8	-21.7	-16.0

Source: Bank of Thailand

Table 11: Changes in Exports (US\$ terms)

Change (%) 1998/1997 (US\$ terms)	Jan	Feb	Mar	Apr	May	Jun
<b>Agricultural Products</b>	-15.2	11.6	-5.5	-16.9	-25.4	-18.8
- Rice	15.5	53.0	35.5	-3.1	-17.8	-11.8
- Rubber	-42.7	-18.9	-29.4	-41.9	-34.8	-13.1
- Tapioca products	-21.2	20.5	-21.5	-35.0	-45.4	-28.1
- Frozen fowl	-5.3	26.1	12.3	1.8	1.2	11.6
- Others	10.3	12.3	-14.1	7.7	-21.8	-43.4
<b>Fishery Products</b>	-4.5	31.3	0.8	-2.5	-19.7	-15.5
- Shrimp, fresh and frozen	1.0	48.3	1.7	-6.5	-24.6	-21.4
- Fish, fresh and frozen	-30.1	-15.7	-2.4	-5.0	-17.7	-8.7
- Cuttle fish, fresh and frozen	21.2	48.8	5.4	20.1	0.5	2.8
- Others	-24.7	-13.5	-10.0	7.4	-9.0	-5.1
<b>Manufactured Products</b>	-8.9	-0.6	-5.4	-0.8	-10.7	-2.8
<b>Labor intensive mfg. products</b>	-12.8	-10.7	-17.2	-7.2	-16.9	-10.4
- Garments	0.2	2.9	-9.9	9.0	-5.5	-1.3
- Footwear	-39.4	-20.3	-10.0	-10.2	-18.8	-17.8
- Toys, games	-42.0	-30.2	-12.3	-21.0	-36.5	-19.4
- Precious stones and jewellery	-2.4	-24.6	-38.7	-25.8	-29.7	-25.3
- Travel goods	1.4	24.1	7.3	15.3	-2.0	17.1
- Artificial flower, foliage	-15.5	5.2	1.5	11.2	-22.9	12.3
- Sport requisities	-27.8	-25.7	-17.6	-26.2	-37.3	-13.9
- Other	-15.9	-15.1	-13.8	-12.8	-21.7	-16.0
<b>High-tech mfg. products</b>	-6.8	2.1	4.1	2.8	-3.2	4.2
- Computer and parts	-7.9	15.1	19.7	8.6	8.5	14.8
- Integrated circuits and parts	-14.4	-10.3	-10.0	-10.7	-9.8	-15.3
- Telecommunication equipment	4.6	-6.2	-7.1	-14.8	-3.2	-1.6
- Electrical Appliance	-11.2	-14.1	-10.8	-10.7	-13.4	-6.6
- Transformers, generator, and motors	-8.4	-8.6	-9.3	-23.1	-33.7	-32.4
- Chemical products	-28.5	-9.5	-18.7	-8.6	-20.8	-13.0
- Plastic products	28.1	36.6	19.6	30.3	18.0	17.3
- Spinning	-16.2	-1.0	-10.0	-17.1	-20.3	-16.8
- Fabrics	-6.8	8.5	-9.0	2.1	-7.9	-4.6
- Vehicle parts and accessories	17.3	2.9	15.3	55.4	15.1	47.9
- Base metal products	3.9	5.7	19.7	10.6	6.0	16.4
- Ball bearing	-34.9	-44.0	-36.6	-40.3	-44.3	-37.0
- Insulated electric wire cable	-20.6	-17.6	-12.5	-8.4	6.3	-4.6
- Petroleum products	-47.7	-30.5	-22.3	-27.1	-48.6	20.2
- Other	8.2	12.5	14.9	21.0	9.3	15.7
<b>Resource based mfg. products</b>	-21.5	3.0	-20.2	3.8	-21.0	-18.6
- Sugar	-53.4	-17.1	-57.2	-4.4	-61.8	-65.2
- Molasses	14.9	-57.3	-7.9	-40.6	-38.6	34.2
- Canned seafood	15.2	46.9	19.6	18.3	7.8	8.6
- Cements	-4.0	-1.6	17.3	-15.8	-10.4	5.3
- Rubber products	-2.4	16.1	18.2	23.2	16.2	16.9
- Canned pineapple	-31.8	-1.0	-6.8	0.7	-22.3	-47.2
- Furniture and parts	-37.9	-15.9	-19.8	-7.7	-21.5	-22.6
- Other	-17.5	-3.9	-16.7	-12.0	-22.3	-34.8
<b>Other manufactured goods</b>	0.8	-5.0	-24.7	-16.3	-30.2	-12.9
<b>Others exports</b>	118.2	22.2	49.1	56.6	2.9	84.8
<b>Total Exports (Customs basis)</b>	-6.9	2.4	-3.7	-0.8	-12.0	-2.9

Source: Bank of Thailand

**Table 12: Non-performing Loans Held by Commercial Banks**  
(billions of baht)

	6-months past due				3-months past due			
	Jun-98		Dec-98		Jun-98		Dec-98	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Thai banks	1367.64	27.58	837.24	16.18	1780.2	35.89	1170.9	22.62

Source: BBK Post (9/23/98), BOT

**Table 13: Rollover Rates**  
(percent)

	Q4 '97	Q1 '98	*Q2 '98	** Jul '98	**Aug '98
Banking sector	84.3	78	73.3	71.6	75.5
Commercial banks	76.4	97	91.6	66	98.9
BIBFs	88.4	69	64.1	72.9	71.5
Non-bank sector ***	50.5	47.9	75.9	104.5	47.3
Total	77.8	71.3	73.8	76.7	70.2

Notes: \* preliminary figures \*\* estimated \*\*\* including finance companies

Source: BBK Post (9/23/98), BOT

**Table 14: Secondary Market Spreads**  
(basis points)

	6/97	7/97	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
Thailand	88	98	139	176	197	445	476	452	300	254	274	308	392	419	760	650
China	61	71	68	73	149	96	121	147	132	137	116	117	147	144	220	265
Indonesia	112	121	150	153	187	274	469	629	649	520	543	773	826	751	790	1430
Philippines	195	223	232	255	310	436	466	526	390	357	349	355	355	428	428	730

Source: Bloomberg

**Table 15: 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, October 5, 1998 (Moody's and Standard & Poor)

**Table 16: External Debt 1/***(millions of US\$)*

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

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 17: Central Government Balance***(millions of baht)*

	1996	1997	1998							
			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Revenue(+)	853,201	847,696	65,141	61,708	66,261	63,915	62,276	78,610	52,296	45,300
Expenditures(-)	819,083	874,403	59,998	62,571	67,744	52,653	60,297	81,349	64,901	78,400
Budgetary deficit(-) or surplus(+)	34,118	-27,914	5,143	-863	-1,483	11,262	1,979	-2,739	-12,605	-33,100
Non-budgetary deficit / surplus(+)	9,185	12,855	-8,599	1,298	4,637	-6,306	991	1,477	1,923	300
Cash deficit(-) or surplus(+)	43,303	-15,059	-3,456	435	3,154	4,956	2,970	-1,262	-10,682	-32,800
Financing:										
Net domestic borrowings(+):	-25,123	-16,380	1,651	-2,042	2,022	-8,573	3,787	151,539	-2,793	-
Bank of Thailand 1/	2,054	-5,800	4,923	-2,036	2,022	-7,772	3,787	4,539	-2,793	-
Commercial banks	-21,320	-710	-272	0	0	-604	0	1,278	-	-
Government Savings Bank	-3,570	-8,200	-3,000	0	0	0	0	0	-	-
Others	-2,287	-1,670	0	-6	0	-197	0	145,722	-	-
Net foreign borrowings (+)	-3,665	-3,747	-395	-229	-449	-108	-291	-411	-375	-200
Government Pension Fund	-	-55,991	0	0	0	3,724	-6,466	134	-	-
Financial Institutions Development Fund	0	0	0	0	0	0	0	-150,000	-	-
Use of Treasury cash balances(+)	-14,515	91,177	2,200	1,836	-4,727	-4,956	-2,970	1,262	13,850	-

1/ Including Exchange Equalization Fund.

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

**Table 18: 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 19: Budget Appropriations by Function***(millions of bahts)*

	FY 1998	FY 1999
<b>General governmental services</b>	<b>172,079</b>	<b>164,261</b>
General public services	39,987	36,855
Defense	83,103	77,140
Public order and safety	48,989	50,266
<b>Community and social services</b>	<b>357,022</b>	<b>348,848</b>
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
<b>Economic services</b>	<b>215,517</b>	<b>196,257</b>
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
<b>Miscellaneous and unclassified items</b>	<b>85,382</b>	<b>115,633</b>
<b>Total</b>	<b>830,000</b>	<b>825,000</b>

*Source:* Bureau of the Budget

1/ It is not clear what the budget allocation of 1998 was, even within the Bureau of the Budget. The total expenditure ranges between 800,000 to 830,000 million while there can be even greater variation in the allocations between the subcategories. The numbers that we report in this table is from a fax from the Bureau of the Budget, dated October 8, 1998.

**Table 20: 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 21: Summary Table on Unemployment

Labor force status	1996			1997 1/		1998	
	Round 1 (Feb) Total	Round 2 (May) Total	Round 3 (Aug) Total	Round 1 (Feb) Total	Round 3 (Aug) Total	Round 1 (Feb) Total	Round 2 (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 22: 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

## 1997

	Thailand	East Asia & Pacific	Lower-middle-income
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

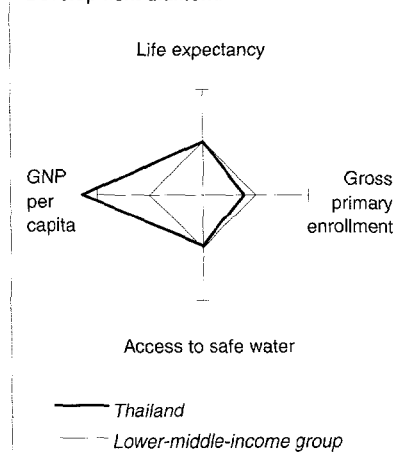
## Average annual growth, 1991-97

	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

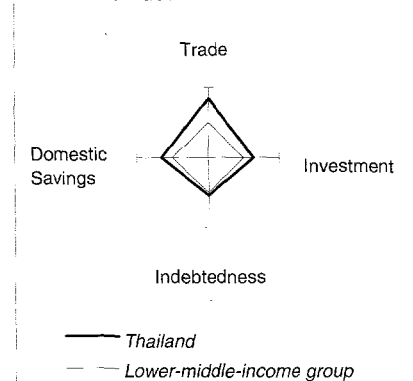
## Development diamond\*



## 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\*

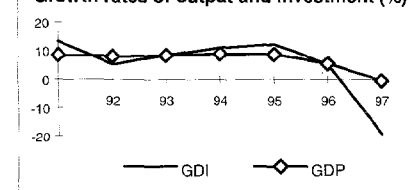


	1976-86	1987-97	1996	1997	1998-02
(average annual growth)					
GDP	6.0	8.7	5.5	-0.4	..
GNP per capita	3.7	7.2	4.0	-2.1	..
Exports of goods and services	8.9	13.5	-1.8	6.6	..

## STRUCTURE of the ECONOMY

	1976	1986	1996	1997
(% of GDP)				
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 (%)



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

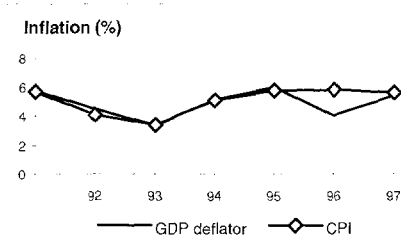


Note: 1997 data are preliminary estimates.

\* 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.

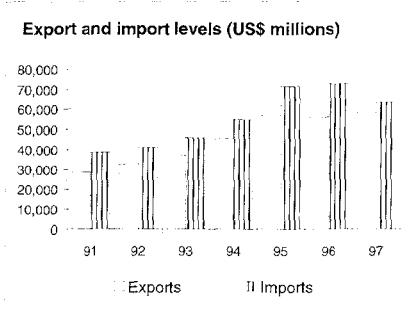
## PRICES and GOVERNMENT FINANCE

	1976	1986	1996	1997
<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	..



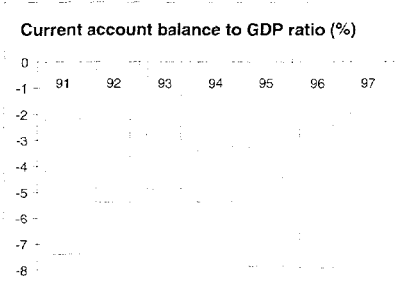
## TRADE

	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	..



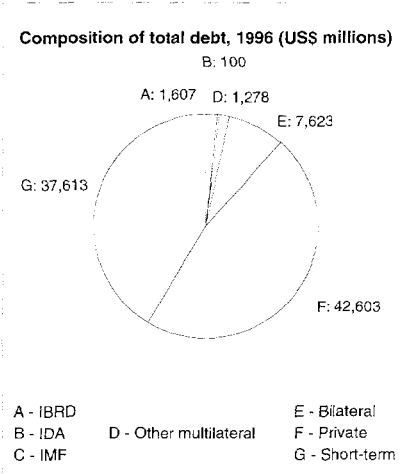
## BALANCE of PAYMENTS

	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
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



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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>.)
- 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](mailto: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.

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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/)
- 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: [www.customs.th](http://www.customs.th)

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## DATA ISSUES

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**Export Data.** The lack of detailed data makes it difficult to determine in which sectors export volumes are expanding or export prices falling. Export *volume* numbers show the "real" changes in exports, i.e. how many bags of rice, computer hard disks, or T-shirts are being shipped this year compared with last year.

Most analysts have focused on *exports in US dollar terms* since changes in *exports in bahts* imply several problems. First, they do not address Thailand's ability to build foreign reserves. Second, exports in baht appear to be expanding faster simply due to the devaluation. In the absence of disaggregated volume numbers, the export numbers converted into US dollar serve like a deflator, thus indicating "real" changes. However, for a Thai exporter with no foreign debt and no imported raw material, it is the baht earnings net of inflation that matter, not necessarily the US dollar earnings.

**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.

There is no international definition of "underemployed." People working less than 20 hours a week (5.0 percent of the employed people in February and 1.3 percent in May 1998) can be regarded as grossly underemployed. International experts (led by ILO) are presently trying to establish guidelines for underemployment in Geneva. (<http://www.ilo.org/public/english/120stat/techmeet/16thicls/index.htm>).

The most reliable source of data on unemployment is the LFS conducted three times every year. Because the seasonal factor is so dominant, the unemployment rate should not include the seasonal inactive workers and, thus, the rate of unemployment should be calculated as a percentage of current labor force, not total labor force.

The government has established a national committee to prepare accurate labor force, employment and unemployment information. The committee has representatives from Department of Local Administration (DOLA), Ministry of Labor and Social Welfare (MoLSW), the Bank of Thailand (BOT), NSO, the National Economic and Social Development Board (NESDB), and the Thai Development Research Institute (TDRI). Another boost to the consistency and reliability of data to track the social impacts of the crisis will come under the Social Sector Program Loan of the Asian Development Bank.

**Labor Force Survey.** Labor force statistics have been compiled by the National Statistical Office (NSO) (<http://www.nso.go.th/>) since 1963 when the Labor Force Survey (LFS) was initiated. Beginning 1971, two rounds of the survey for the whole Kingdom had been conducted each year; the first round enumeration was held from January to March coinciding with the non-agricultural season, and the second round was from July to September, during the agricultural season. Commencing from the year 1984, another round of the survey in May has been conducted. Ideally, the 1998 number should be compared with the May 1997 round of the LFS but this round was skipped.

The NSO has just released the results of the second round (May) survey. Since the LFS figures are based on a sample survey, they can only provide estimates down to the regional level.

The main objective of this survey is to estimate the number and characteristics of the labor force in the country and in different regions periodically. Some of the main definitions used in the survey are as follows:

**Employed persons:** Persons, 13 years of age and over, who during the survey week: 1) worked for at least one hour for wages, salaries, profits, dividends or any other kind of payment, in cash or kind or 2) did not work at all but had regular jobs, business enterprises or farms from which they were temporarily absent because of illness or injury, vacation or holiday, strike or lockout, bad weather, off season or other reasons, such as temporary closure of the work place whether or not they were paid by their

employers during their period of absence, provided that in the case of a temporary closure of the work place, the expectation was that it would be reopened within 30 days from the date of closure and they would be recalled to their former job; or 3) worker for at least one hour without pay in business enterprises or on farms owned or operated by household heads or members.

**Unemployed persons:** Persons, 13 years of age and over, who during the survey week did not work even for one hour, had no jobs, business enterprises, or farms of their own, from which they were temporarily absent, but were available for work. Persons in this category include: 1) those who had been looking for work during the preceding 30 days; 2) those who have not been looking for work because of illness or belief that no suitable work was available, waiting to take up a new job, waiting for agricultural season or other reasons.

**Current labor force:** All persons, 13 years of age and over, who during the survey week, were either employed or unemployed as defined above.

**Seasonally inactive labor force:** Persons, 13 year of age or over, who during the survey week, were neither employed nor unemployed as defined above, but were waiting for the appropriate season, being persons who usually worked without pay on farms, or in business enterprises engaged in seasonal activities owned or operated by the head of the household or any other member of the household.

**Total labor force:** All persons, 13 years of age and over, who during the survey week were in the current labor force as defined above or were classified as seasonally inactive labor force as defined above.

**Persons not in labor force:** Persons classified in this category are those who were neither employed nor unemployed nor classified as seasonally inactive labor force. They include: persons under the age of 13 or above 60 years of age, students, people engaged in household work, incapable of work because of physical or mental disability or chronic illness, voluntary idle, or other people working without pay.

**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.

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<sup>1</sup> The midpoint of the range of the minimum lending rate (MLR), as offered by the four largest commercial bank and deflated by CPI.

<sup>2</sup> 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.

<sup>3</sup> Constructed from R/P interest rates.

<sup>4</sup> Nanak Kakwani "Impact of Economic Crisis on Employment, Unemployment and Real Income", Development Evaluation Division, NESDB. The study is funded as part of the ADB Social Sector Program Loan (SSPL). Kakwani used six years of data from the labor force survey to separate out the impact of the crisis on unemployment, employment and real wages from other annual factors.

<sup>5</sup> 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.

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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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