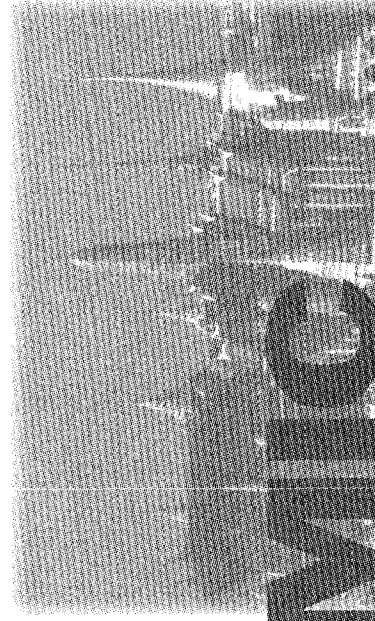




The World Bank

18938



Thailand ECONOMY MONITOR

DECEMBER 1998

Internal World Bank Document



Thailand Economic Monitor: Executive Summary

Recent developments

- On December 1, the government announced the Sixth Letter of Intent under the IMF program. The LOI contains fiscal policy measures to stimulate economic recovery in 1999 and to alleviate the impact of the crisis on the most vulnerable groups of society. The public sector deficit will be widened to 5 percent of GDP by increasing central government spending, which will be foreign-financed.
- The results of the FRA auction of December 15 were below expectations. Twelve bids were submitted covering 39 loan tranches, out of a total of 45. The FRA has announced that 9 tranches have been sold, covering 8 percent of the total portfolio auctioned. The sale of a further four tranches is under negotiations. The remaining bids have been rejected by the FRA board.
- Siam Commercial Bank (SCB) is preparing to seek at least B 22 billion in new capital under the Tier-1 official August Banking Restructuring scheme. The bank had previously joined the Tier-2 scheme.
- The stock market index has lost ground again in recent weeks, as investors responded to uncertainty over the delay in parliamentary approval of the foreclosure and bankruptcy laws.
- On December 8, PM Chuan (Leekpai) defended the key reform bills currently being debated in Parliament before a gathering of foreign journalists. This was followed the next day by a televised question-and-answering session. The campaign is intended to put pressure on Thailand's upper house, the Senate, to approve the bills. Chuan's coalition has a majority in the lower house, but has less influence in the Senate, which is not elected. The bankruptcy and foreclosure legislation and the Corporatization Law are expected to be adopted in this parliamentary session.
- There are increasing signs that manufacturing production is bottoming out. The manufacturing production index declined by 5.4 percent year-on-year in October, from declines of 8.9 percent in September and 10.4 percent in August. Capacity utilization rose in October but remains low at 52 percent. The 12-months moving average of BOT's private investment index declined by a record 22 percent.
- Consumer prices continued to fall for a third month in November. Price pressures were contained by sluggish domestic demand and the stronger baht which lowered prices of imported goods such as oil and grain. The CPI inflation rate slowed to 4.7 % in November, the lowest since June 1997.
- Preliminary unemployment numbers from the August round of the Labor Force Survey conducted by the National Statistics Office

show that unemployment has fallen from 5.0 percent (recorded in the May survey) to 3.4 percent of the current labor force, or from 1.6 million to 1.1 million. The decline in unemployment can be explained by two factors: (i) seasonal employment; (ii) underemployment (people working less than 20 hours a week) has risen from 363,000 to 938,000 during the same period.

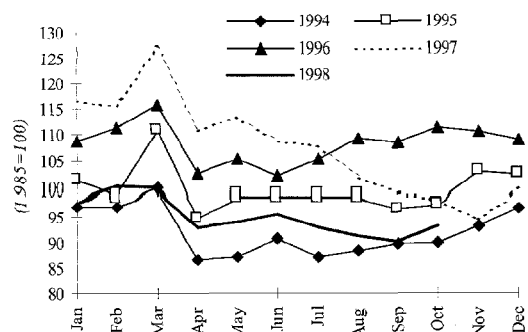
- The Government and the World Bank are holding negotiations on the second \$600 million Economic and Financial Adjustment Loan (EFALII), which will be co-financed by Japan.
- Financial support for Thailand as a part of Japan's planned \$30 billion Miyazawa Initiative for the region is likely to amount to \$1,850 million. This will cover funding from JEXIM for a loan for manufacturing sector support and EFALII, as well as OECF support for an Economic Recovery and Social Sector Program Loan and an Agricultural Sector Program Loan. In addition, a trade insurance facility of about \$500 million is being considered.
- To improve legal provisions and regulations for supervision, the BOT is in the process of reviewing the legal and regulatory framework for commercial banks and finance companies. Based on this review, MOF and BOT will present to the Cabinet a new Financial Institutions law in the first quarter of 1999.
- **Assessment.** The economy is still in the midst of a recession, with net exports as the only positive expenditure component of GDP during 1998. The prospects for growth in 1999 looked dim until one month ago but there are increasingly encouraging signs. The large fiscal stimulus package, lower interest rates and exchange rate stability provide the basis for a cautious optimism. The combined effect of increased deficit spending, increasingly supportive monetary policy, and overall macroeconomic stability reflected in the strengthening baht and rising stock prices will trigger positive growth in private consumption in the latter part of 1999. Thus, the Government and the IMF expect growth to be modest for all of 1999, around 1 percent.
- However, the risk of external shocks and the debt overhang are still threatening the recovery process and structural reforms remain a priority to provide the basis for sustained growth. Without progress in corporate and financial sector restructuring, the B 75 billion additional government spending will have a limited effect in jump starting the economy. Moreover, major progress in the restructuring process will require the adoption of effective bankruptcy and foreclosure legislation.

ECONOMIC ACTIVITY

Sings of bottoming out are become more visible...

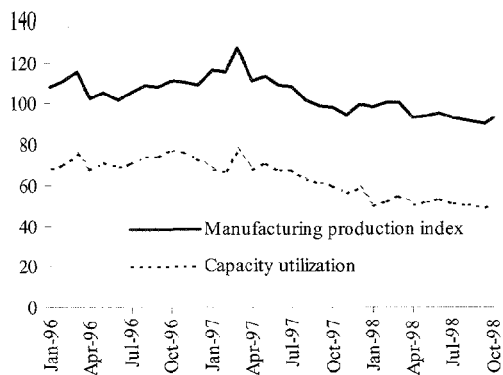
Consolidation in the manufacturing sector.
 The large contraction in the manufacturing sector during the second half of 1997 has slowed down considerably in recent months (Figure 1). In October 1998 the manufacturing index rose slightly compared with September. Manufacturing production declined by only 5.4 percent year-on-year, compared with 8.9 percent in September.

Figure 1: Manufacturing production index



Capacity utilization improved slightly in October. The large contraction in the manufacturing sector is clearly reflected in the capacity utilization figures. On average, manufacturing firms reported that they were only using 52 percent of their total capacity in October, up from 49 percent in September (Figure 2). The low capacity utilization also means that if exports starts rising, Thai firms have plenty of capacity to meet the increased demand.

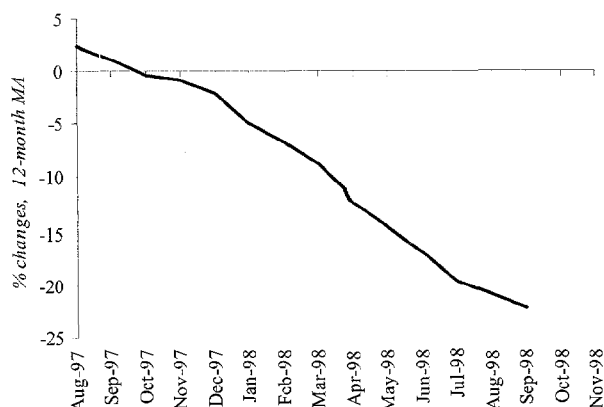
Figure 2: Manufacturing production and capacity utilization



...but excess capacity means little new investment.

Some signs of stabilization in private investment. The 12-months moving average of BOT's private investment index contracted by 22.2 percent, the largest contraction ever (Figure 3). However, key components of the index such as domestic cement consumption and galvanized iron sheet sales have increased slightly since April. The large amount of excess capacity suggests that private investment is unlikely to grow in 1999. The sixth LOI assumes a contraction of private investment by 14.8 percent in 1999.

Figure 3: Private investment index



Domestic consumption has stabilized...

The decline in domestic demand is bottoming out. Key indicators of domestic consumption continue to confirm that the decline in consumption is decelerating. Real retail sales have reached a much lower level than in 1997 but the sharp drop seems to have been halted (Figure 4). This year, the usual surge in retail sales during the summer months did not take place, as was the case in 1997. It remains to be seen whether the large influx of tourists and the hosting of the Asian games from December 6-20, will fuel the usual end-of-year shopping spree.

...and is showing some signs of improvement.

Weak signs of recovery in domestic demand. Sales of passenger car sales are showing signs of recovery after the collapse in demand during the past eighteen. Sales were boosted by 4.6% in November compared to a year ago, building on a 0.2% increase in October. This year, the average monthly car sales reached 3,635 compared with 14,628 in the first half of 1997 (Figure 5). Sales of motorcycles are still

declining (averaging 42,401 this year compared to 97,494 in the first half of 1997) but sales of beer are higher than ever.

Figure 4: Real retail sales index (1993=100)

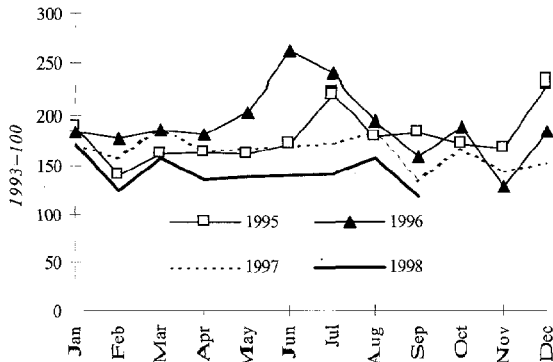


Figure 5: Passenger car sales (seasonally adjusted)

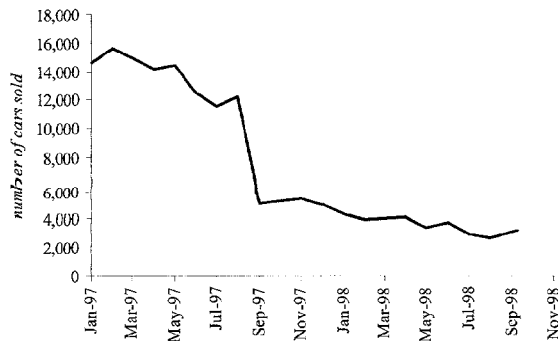


Figure 6: Household electricity consumption (seasonally adjusted)

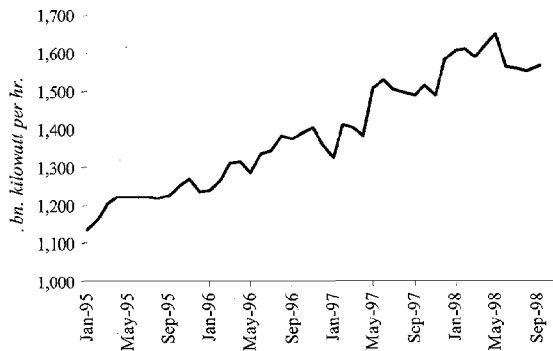
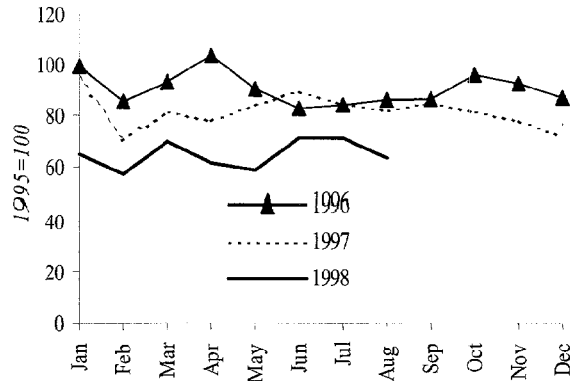


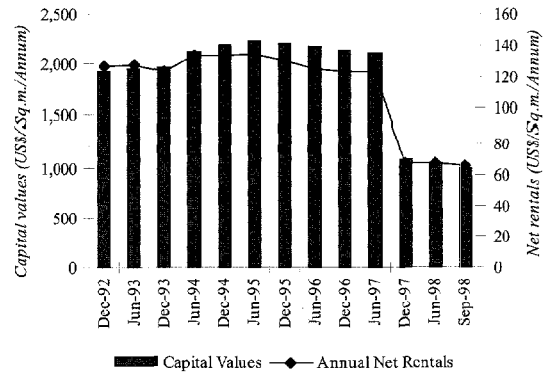
Figure 7: Imports of consumer goods (volume index, 1995=100)



Real estate faces substantial losses.

Vacancy rates are rising and prices are gradually adjusting downwards. Several large construction projects have been postponed or cancelled and few real estate sales are taking place. In the third quarter, vacancy rates in the office market rose slightly to 28.7 percent in the office market as additional space was added to the market. In the markets for office space, condos, and retail space, capital values and rentals have fallen substantially since June 1997 but few sales are taking place.

Figure 8: Average rentals and capital values of high class condominiums (US\$ Terms)



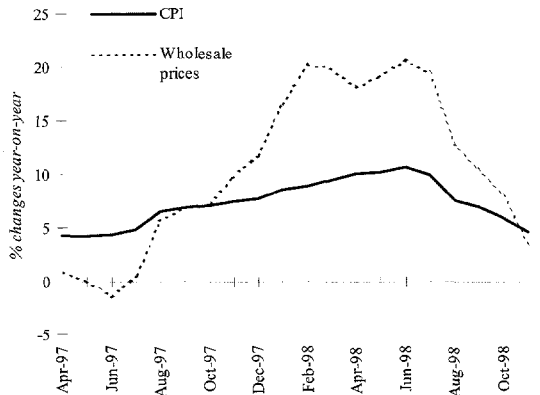
Source: Jones Lang Wotton

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.

Inflation has fallen to pre-crisis levels.

Consumer price inflation in November was reduced for the third month in a row. The CPI inflation rate slowed to 4.7 percent in November, the lowest since June 1997 (Figure 9). The reduced price pressure largely reflects the large slump in domestic demand. In addition, the reduced inflation in November can be attributed to the stronger baht which lowered prices of imported goods such as oil and grain. Since July, annual CPI inflation has fallen by more than 5 percent. Wholesale price inflation had initially surged ahead during the crisis and reduced retail margins, but has now fallen by more than 16 percent during the same period. The Government now predicts average inflation of about 8 percent this year. For next year, the latest estimate puts inflation at 2.5 to 3.5 percent.

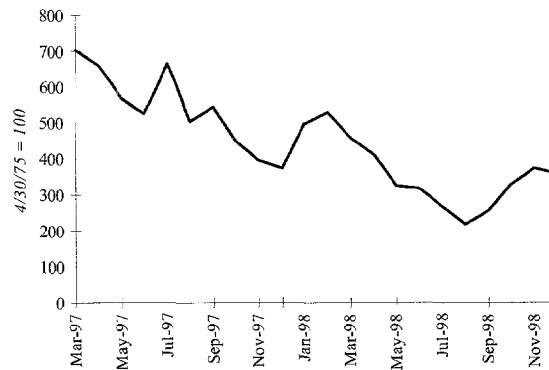
Figure 9: Changes in prices



The stock market reacts to delays in passing key reform bills.

Thai stocks fell after the release of the Sixth LOI. Thai stocks came under pressure as investors reacted to uncertainty over the Government's resolve to obtain parliamentary approval for key foreclosure and bankruptcy legislation. On December 16, the SET was at 349, down from 373 on November 29, 1998. Local investors have described the last months' rebound in Thai stocks, with financial and banking assets leading the rally, as a speculative response to the perceived return of investor confidence.

Figure 10: Stock market index (end of month)



EXTERNAL SECTOR

Exports volumes continue to grow but at a lower pace...

Growth of export volumes is slowing down. The volume of exports grew by only 2.5 percent year-on-year in September, and 1.9 percent in August, compared to a monthly average of 12 percent prior to August. The slowdown in year-on-year growth rates is partly a result of a base effect, since August and September 1998 numbers are now being compared with months in 1997 where exports were already growing rapidly (Figure 11). In US dollar terms, exports were still declining in September (-10.3 percent, year-on-year) as a result of falling export unit prices. Export prices have fallen continuously since January 1998 but seem to have stabilized in recent months. Preliminary numbers for October suggest that exports continued to contract by 12.5 percent in US dollar terms year-on-year. The large decline in US dollar terms suggests that volumes have slowed down further.

Despite the slowdown in overall volume growth, exports of industrial products are still performing well. In September, export volumes of high-technology products expanded by 12 percent year-on-year. However, as world market prices have dropped significantly, their export value in US dollar terms remained close to the level recorded last year.

Figure 11: Export volume index (1995=100)

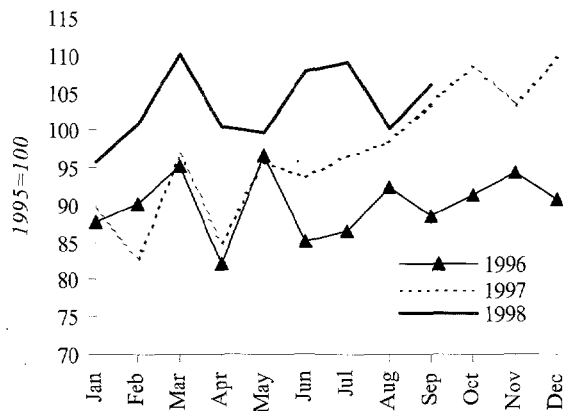
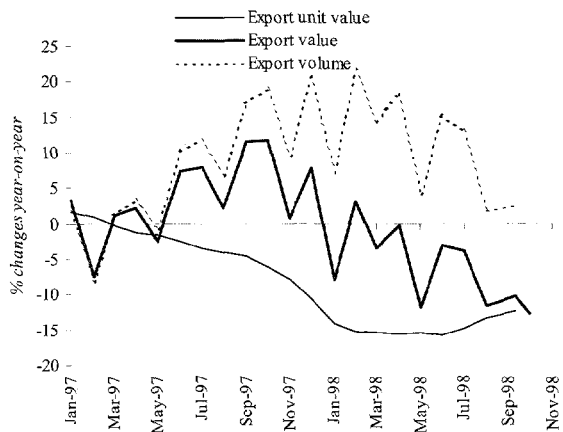


Figure 12: Changes in exports



Export volume growth has been disappointing given the size of the devaluation. As expected, the large devaluation in July last year sent export volumes soaring. From July 1997-July 1998, export volumes grew on average 13.7 percent per month. However, this expansion has been disappointing given the size of the devaluation. A 40 percent depreciation should have increased export volumes by 20 to 30 percent based on typical elasticities.¹ A key explanation for the disappointing performance is that Thailand exports more than 40 percent to the crisis-hit region. The lack of credit has been an obstacle to export recovery although the drop in demand has been singled out as a key factor.²

...and imports are picking up in line with the stronger baht.

Imports of raw materials are growing. The value of imports decreased by 32.3 percent in September from the same period last year. Unit prices dropped by 10 percent and volumes contracted by 24.8 percent. The value of imports dropped in almost every category with the exception of certain raw materials. Since February, the volume of imports of raw materials have been steadily growing.

Figure 13: Changes in imports

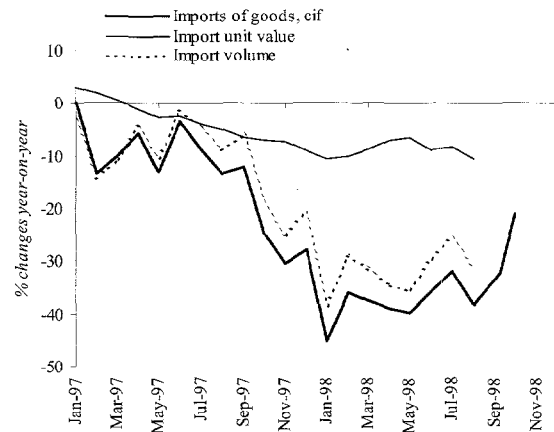
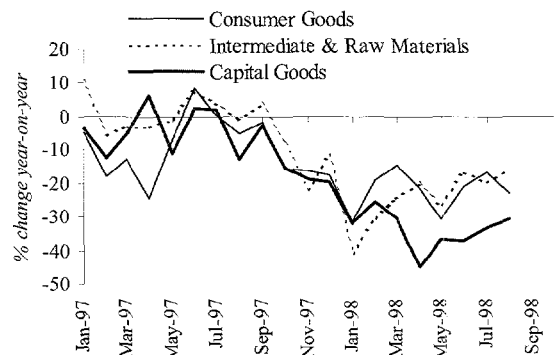


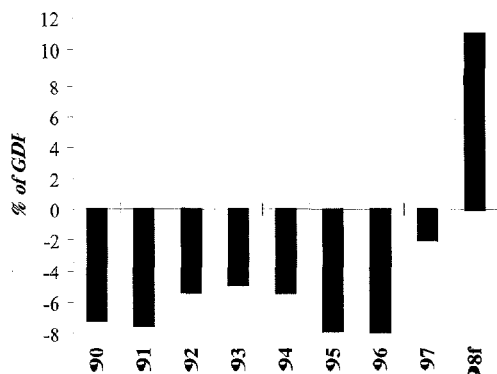
Figure 14: Percentage changes in volume of imports



The large current account surpluses have brought stability...

The import compression has generated a surplus of US\$ 9 billion in the trade balance during January-October. The large inflow of tourists and the large decline of outbound tourism contributed to a comfortable surplus on the services account. Thus, the current account is expected to generate a surplus of \$13.5 billion in 1998, or 11 percent of GDP, a large turn-around from the US\$ 3 billion deficit in 1997 and US\$ 14.4 billion deficit in 1996.

Figure 15: Current account to GDP ratio



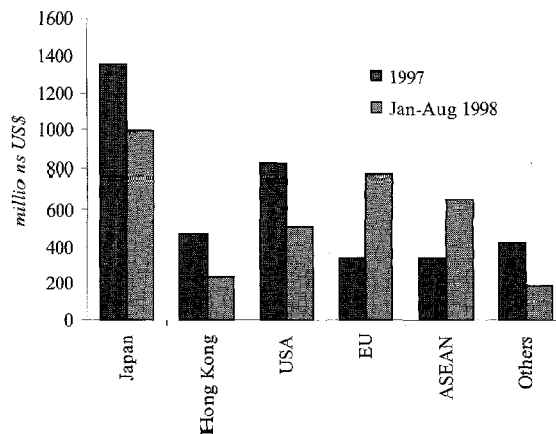
...capital inflows are returning...

Capital flows are still pouring out of the banking sector but massive inflows have entered the non-banking sector. In September, capital outflows from commercial banks amounted to US\$ 700 million and US\$ 200 million from BIBFs. In the non-banking sector, foreign direct investment is still rising. During the first nine months of 1998, foreign direct investment (FDI) totaled US\$ 4.1 billion and is expected to reach US\$ 5.3 billion by the end of the year. Including bank recapitalization, which the BOT categorizes as a banking capital inflow, FDI will total more than US\$ 7 billion this year.

FDI from Europe is rising rapidly while the US share is declining. FDI from the EU has been the fastest growing category, with five European countries (UK, Belgium, the Netherlands, Germany and France) accounting for approximately 23 percent of the total FDI that flowed into Thailand from January to August. One quarter of the FDI from the EU occurred in August, with the Netherlands committing to total investments of US\$ 155 million (81 percent of FDI from EU in August). FDI from ASEAN countries, especially Malaysia and Singapore, has also risen.

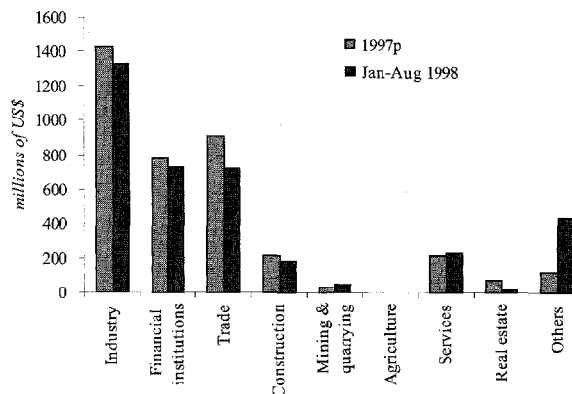
American and Japanese investors have been more cautious.

Figure 16: FDI by country



Where is foreign investment going? By August, FDI had nearly surpassed FDI for all of 1997. Fewer investment commitments have been registered in real estate, trade, financial institutions, and industry, while the fastest growing category is in "other" sectors.

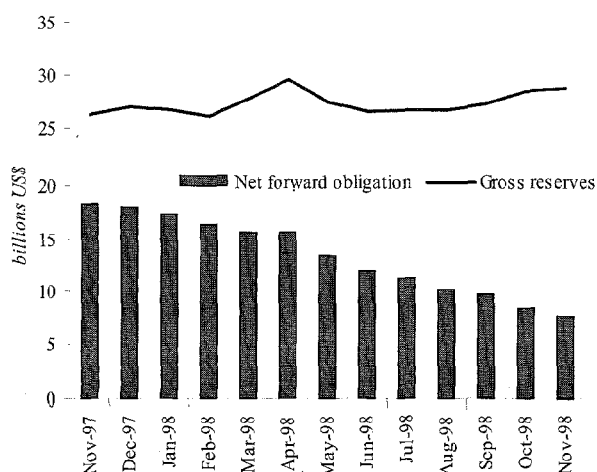
Figure 17: FDI by sector



...leading to a build-up of foreign reserves.

As a result of the large current account surpluses, foreign reserves are growing. On December 4, gross foreign reserves totaled US\$ 29.2 billion, up from US\$ 28.7 billion on November 6. There is no official numbers for net reserves but the BOT has announced that its total forward obligations at the beginning of 1998 amounted to US\$ 18 billion. This year, the BOT has been gradually unwinding these obligations to US\$ 7.5 billion on December 4, 1998.

Figure 18: Gross official reserves



MACROECONOMIC POLICIES

The fiscal deficit is widened to support recovery...

A larger fiscal stimulus will play a key role in the government's recovery plan. Under the Sixth Letter of Intent (LOI), the fiscal deficit will be widened to 5 percent of GDP (excluding interest cost of financial sector restructuring), from a deficit of 3 percent in the Fifth LOI. The deficit will be increased by allowing the central government to spend an additional B 75 billion (1.5 percent of GDP) which will be foreign-financed (through the World Bank, ADB, OECF and JEXIM). The remaining 0.5 percent of GDP deficit is a result of a downward adjustment in expected revenues.

	1997/98e	1998/99e	
		5 th	6 th
		LOI LOI	
		(percent of GDP)	
Central government balance	-2.4	-1.0	-3.0
Local government	0.0	0.0	0.0
State-owned enterprises	-0.7	-2.0	-2.0
Public sector deficit	-3.1	-3.0	-5.0
Interest cost of financial sector restructuring	3.0	4.0	3.0
Public sector deficit (incl. Interest cost of financial sector restructuring)	-6.1	-7.0	-8.0

Source: 5th and 6th Letter of Intent

The bulk of the additional spending of B 75 billion will be used to cushion the social impact of the crisis, in addition to the B 825 billion budgeted for

this fiscal year.³ Several existing projects will receive additional funding, including job creation and labor-intensive work fare projects envisioned to create at least 200,000 new jobs. Moreover, responding to a rise in the dropout rate of students, the government has allocated additional funds for the secondary education loan program. The extent of the supplementary fiscal stimulus was determined in consultation with the IMF at the end of November and there is an expected lag in expenditures until February 1999.

The government spent more than 100 billion baht to meet disbursement targets at the end of the fiscal year in September. It ran a budgetary deficit in October for the fifth consecutive month, reflecting its resolve to tackle institutional obstacles to augment spending. In October, expenditures were substantially lower than in September at B 70.7 billion while revenues totaled B 47.4 billion. The government's cash balance recorded a deficit of 18.8 billion baht.

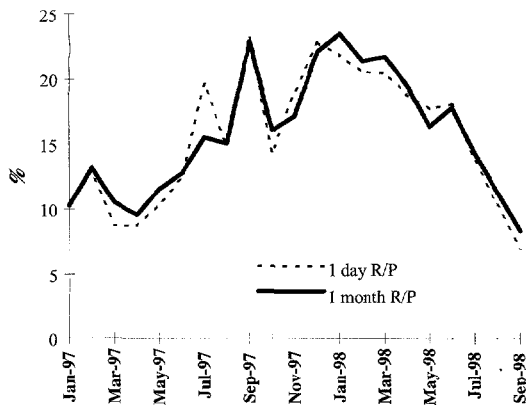
...and there is room for a more accommodating monetary policy.

With inflation below pre-crisis levels and the baht strengthening despite falling interest rates, there is room for a more relaxed monetary policy. BOT has announced that its more relaxed monetary policy stance is aimed at facilitating economic recovery. 1-day and 7-day repurchase rates have fallen to 4 percent while lending rates have fallen to 11.50-12.75 percent. Lending rates are expected to fall even further by the end of the year. Despite falling lending rates, commercial bank credit (including BIBF) contracted by 4.3 percent year-on-year in October (+4.2 percent when BIBF credit is excluded).

In October, the monetary base expanded by 1.5 percent from the same period last year following the expansion of credit to the public sector. Narrow money (M1) increased slightly from the previous month, but decreased by 3.9 percent during the same period last year. Broad money (M2) increased by 11.2 percent year-on-year in line with the expansion of commercial bank deposits, and credit to the public sector.

Commercial banks are cautious about expanding credit to the private sector. Weighted down by an estimated non-performing portfolio of 40 percent of outstanding loans, commercial banks' credit to the private sector declined further in October (Figure 22). In real terms, private credit contracted by 9.7 percent in October when compared with October last year. In nominal terms (and when BIBFs are excluded), private credit still expanded by 4.2 percent, down from 6.1 percent in September and 7.3 percent in August.

Figure 19: Money market rates
(1-day and 1-month repurchase rates, daily average)



Increased spread between lending and deposit rates. The spread between the minimum lending rate and a weighted deposit rate has widened from 5-5.5 percent in August to more than 7 percent in September and October. Banks are reported to use the widened spread as an easy way to recapitalize rather than entering the government recapitalization schemes involving new management and dilution of ownership.

Figure 20: Spread between lending and deposit rates

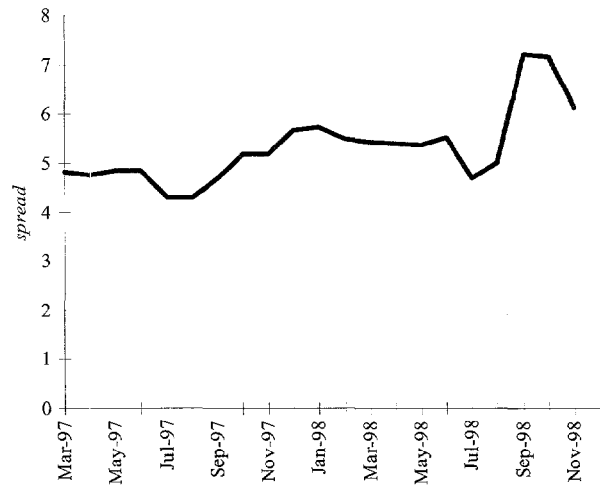


Figure 21: Real lending rate⁴

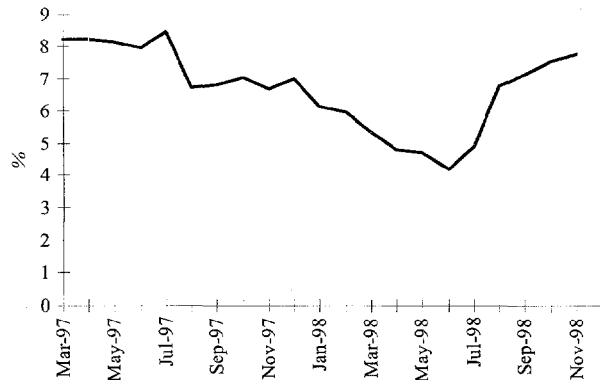


Figure 22: Commercial bank real private credit growth (incl. BIBF)

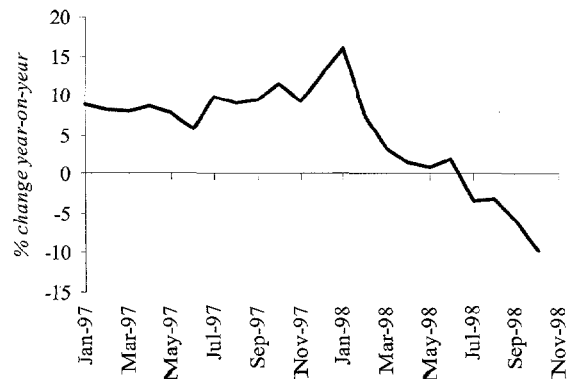
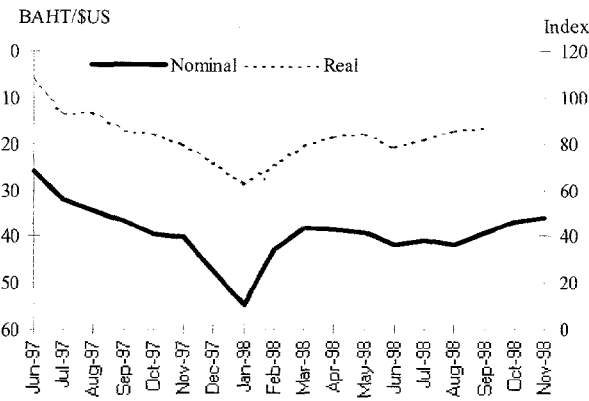


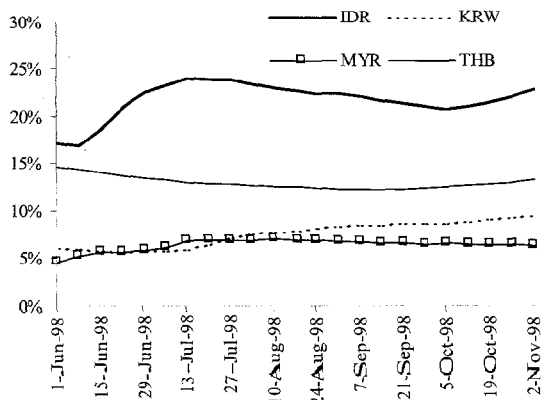
Figure 23: Exchange rates



Further baht strengthening raises competitiveness concerns

In November, the Thai baht appreciated by 5 percent from the previous month, averaging baht 38.35 to the US dollar. The baht has been appreciating for three consecutive months and strengthened further in the first two weeks of December to 35.97. The appreciation was driven by an increased demand for baht before the FRA auction on December 15, but weakened somewhat thereafter. The currency has now appreciated by over 30% since its low of 55 Bt/\$ in January 1998, and the stabilization of forward rates indicates a return of confidence. Although this makes the baht one of the best performing currencies in the world, it may also undermine export competitiveness. For all of 1998, the BOT estimates that average exchange rate will be B/US\$ 41.0.

Figure 24: Volatility of forward rates



PERCEPTIONS OF THAILAND

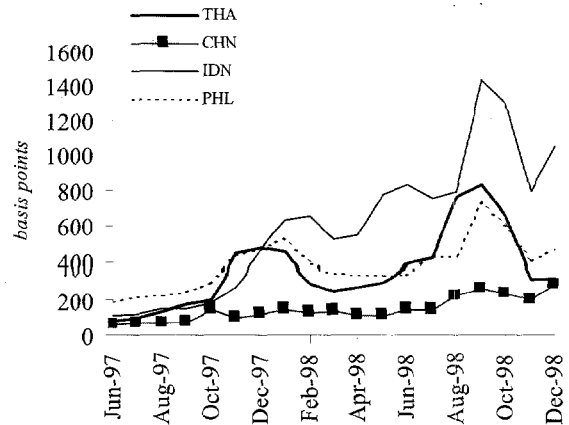
Thailand's sovereign rating remains impaired...

Credit rating agencies continue to watch Thailand with caution, particularly with respect to domestic banks (Table 11). 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 the risk premium for Thailand has been declining fast.

Sovereign bond spreads declined by 50 percent in November. After peaking around 800 basis points during the Russia crisis, Thai spreads over US treasuries have declined substantially to around 300 basis points as the perception of Thailand's risk has improved relative to its East Asian neighbors.

Figure 25: International spreads⁵



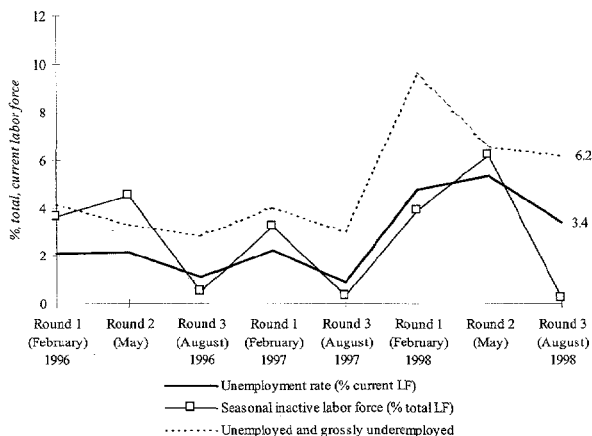
Source: Bloomberg

SOCIAL IMPACT

On the surface unemployment appears to have been falling...

Overall unemployment has fallen from 1.6 million to 1.1 million. While data on unemployment are subject to controversy (see section on data issues), the most reliable source of information is the Labor Force Survey conducted three times a year by the National Statistical Office.⁶ According to the most recent number from the August 1998 survey, the total number of unemployed declined from 1.6 million recorded in the May survey to 1.1 million, or from 5.0 percent of the current labor force to 3.4 percent. The new LFS numbers are not easy to reconcile with the economic recession, the manufacturing sector working at only 50 percent of full capacity, and with newspapers reporting increasing layoffs.

Figure 26: Unemployment rates

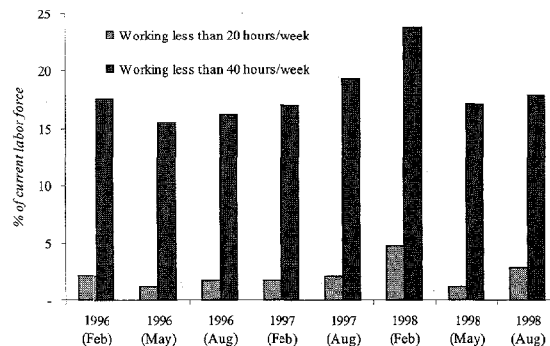


...but a closer look reveals that unemployment is still high...

A narrow definition of unemployment, seasonal employment, and a rise in underemployment explains the majority of the drop. According to the LFS, a person is considered unemployed if he or she, during the survey week did not work even for one hour. With no unemployment benefits or other incentives to stay unemployed, few Thais can afford to stay in this category for long and are forced to find a source of income. A better measure of unemployment would be to add the employed persons who are willing to work additional hours but actually is working less than 40 hours a week, i.e. taking the underemployed people into account.⁷

When the number of underemployment is taken into account, more people were either unemployed or grossly underemployed in August. People working less than 20 hours a week are grossly underemployed. In the May survey there were 1,613,000 unemployed and 363,000 employed people working less than 20 hours a week (a total of 1,975,000). In the August survey, taken during the peak of the agricultural season⁸, the number of unemployed fell to 1,138,000 as is usually the case in the August survey (Table 17). Even so, this means 3.9 times more unemployed people than a year ago. However the number of underemployed rose to 938,000. Thus, unemployment and underemployment rose from 1,975,000 in May to 2,076,000 in August, compared to only 1 million people in that category a year ago.

Figure 27: Underemployment (% of current labor force)

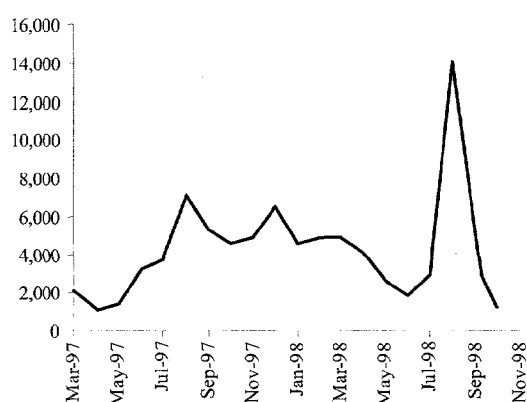


...and the lower- and semi-skilled urban workers are being affected the most.

Two major groups have been affected by the growing unemployment. Two distinct groups have been affected by the crisis⁹: The first includes higher-skilled, educated new entrants to the labor force as well as those laid off from the formal or organized sector. The second and much larger group comprises lower-skilled and semi-skilled urban workers laid off from the construction sector and lower-level service and manufacturing sector jobs. The sectors most badly affected, both in terms of layoffs and in terms of expectations for 1998, have been construction materials, automotive, construction contractors, real estate, wholesale and retail, and finance.

One proxy for measuring the impact on labor market released by the Ministry of Labor and Social Welfare, reports the number of laid off workers complaining about not receiving severance payments (Figure 28). The number of such complaints rose sharply in August as a result of the new Labor Protection Act (LPA). The LPA increased severance payments to long-serving employees (more than six years of tenure) from six months to ten months. The law became effective on August 20, 1998 and, as expected, firms laid off a large number of workers before the law became effective, resulting in an increased number of workers complaining.

Figure 28: Disputed number of lay-offs¹⁰



Source: Ministry of Labor and Social Welfare

The spectre of a water shortage overshadows agricultural production.

The agricultural sector may be adversely affected by a severe water shortage next year. Officials point out that water levels in irrigation dams are very low, primarily because there was not the normal recovery during the July-September period. This occurred in part due to low rainfall and unusually high releases during that period. This raises the risk of a drought in the next season, which brings the growing problem of allocation and scarcity to the fore. While the agricultural sector only accounts for 11-12 percent of GDP, it employs around 50 percent of the labor force. A key challenge for the government will be to ensure that there is income and employment for the large group of people who turned to the agricultural sector when the urban industries collapsed.

CORPORATE SECTOR

Corporate debt restructuring is progressing slowly. Among the 200 large debt restructuring cases monitored by the *Bank of Thailand Corporate Debt Restructuring Advisory Committee* (CDRAC), Corporate debt of 437.7 billion baht (12.2 billion dollars) only around 4% of the debt has reached the implementation stage. BOT's current assessment shows an increase in completed restructuring, not including bankruptcy or liquidation cases, to 44 billion baht (\$1.2 billion). While these figures underestimate progress, it is clear that the more resolute measures are needed to address the large debt overhang. Further declines in interest rates should help facilitate debt restructuring, but Thailand's voluntary, market-based corporate restructuring approach has still not taken hold on a scale necessary for economic revival.

While the passage of an improved legal framework for corporate restructuring remains a fundamental requirement, several new concepts are under consideration in Thailand. First, the banking sector may limit the growth of NPLs by dealing with more recent cases which are now appearing as banks covert to three-month, rather than six-month loss recognition criteria. Second, the private sector is beginning to move toward a streamlined treatment, dividing company debt into three tranches, A, B & C, with the first tranche repaid out of the liquidation of non-core assets, the second tranche out of future cashflows, and the third converted to equity. Third, streamlined voting procedures including intercreditor arbitration instead of the present requirement for unanimous approval may accelerate restructuring. Finally, efforts to building technical capacity for restructuring and providing subsidized assistance to both banks and debtors preparing restructuring plans is being considered.

**Progress in restructuring the 200 firms selected by the CDRAC
(BOT Estimate)
(billion baht)**

	In process of negotiations			Completed Restructuring			
	June	Sept	Oct	June	Sept	Oct	Nov
Manufacturing	131	228	266	2	6	10	n.a.
Construction	6	14	20		1	3	n.a.
Real estate	29	61	99	0	1	6	n.a.
Exports	6	8	9			0	n.a.
Other	45	133	175	1	8	17	n.a.
Total	217	438	569	4	17	37	44

Source: Bank of Thailand

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

The progress in some debt restructuring cases has received attention (Table 20). The first large scale restructuring occurred in December, as Jalapathan Cement signed an agreement with 22 creditors to restructure about 4.2 billion baht (\$116 million) of outstanding debt. The IFC has also reported some success in restructuring several of its current non-performing investments, including a Thai paper company, a poultry producer, and Siam City Cement Company. Foreign banks also report that a number of creditors have rescheduled or restructured outstanding debts to them, while not necessarily restructuring all debts to local banks.

STRUCTURAL REFORMS

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

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

FINANCIAL SECTOR

Progress on bank restructuring—notably through the Financial Sector Restructuring plan announced in mid-August—remains mixed. The process of mergers among intervened and other state-owned institutions as part of the August 14 Restructuring Plan is on track despite some delays. On the other hand, private banks remain reluctant to take advantage of the recapitalization schemes -- particularly the Tier 1 scheme that requires banks to first write down their capital and change management in return for official money.

Siam Commercial Bank (SCB) is preparing to seek at least B22 billion in new capital under the Tier 1 scheme. SCB plans to raise B11 billion in preferred stocks from its existing shareholders and employees, to be matched by the Government in exchange for full provisioning and loan-loss recognition upfront. SCB had previously joined the Tier 2 scheme. Thai Farmers Bank and Thai Military Bank have also announced their intention to apply for the Tier 2 scheme, which provides incremental government capital to individual banks, tied to the bank's corporate restructuring initiatives.

BOT is stepping up pressure on bank recapitalization efforts. According to press reports, BOT Governor Chatumongkol recently outlined steps the government may take to encourage banks to use the August 14 financial sector reform package. He stated that the BOT would consider using its legal powers to intervene in the recapitalization of financial institutions if their voluntary actions do not meet the central bank's expectations. All banks and finance companies will be targeted, regardless of whether they have negative net worth or have borrowed from the BOT's Financial Institutions Development Fund (FIDF). The Governor also indicated that he expected Thai banks to expand their lending next year by 4-8%.

Initiatives are also taking shape outside of the August plan. The government's majority-owned Krung Thai Bank (KTB) has invited the Asian Development Bank and the International Finance Corporation (IFC) to buy into it. The two institutions were asked to consider taking stakes of about US\$30 million each.

The stability of the banking system continues to be undermined by escalating non-performing loans (NPLs). Official numbers are not available, but some estimates place NPLs exceed 40 percent of total loans, based on the 3-month overdue definition.

Resolution of closed finance companies.

The FRA auction on December 15, 1998 fell below the very high expectations that had been built up in the run-up to what was billed as the "world's largest auction". The auction included 45 tranches of commercial and real estate loans—20,000 loan 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). The sale consisted of 13,192 contracts with outstanding loans worth Bt371 billion, and 542 contracts for unsolicited bids worth Bt17 billion. A dozen bidders submitted proposals for the auction of 39 tranches, including three unsolicited bids. The bidders included both foreign (Goldman Sachs, Global Thai Finance & Securities, Starwood Thailand Holdings, GE Capital, Morgan Stanley Real Estate Fund III) and Thai bidders (Kiatnakin Finance & Securities, Phra Nakorn Automobile, National Finance, Siam Commercial Bank, The Pavilion Fund (CP Group), V Conglomerate (Pornprapa Family) and a joint bid between Global Thai Finance and Securities, and Starwood Thailand Holdings.

The sale of loans was disappointing given that only nine out of 45 tranches reached acceptable bids. This reflected the combined effect of the limited absorptive capacity of the market, investor cautiousness in the face of delays in adopting bankruptcy legislation and high minimum thresholds. The 13,000 loans had a combined face value of Bt371 billion, but the auction fetched only Bt11.66 billion for the nine tranches. This result is unlikely to undermine the progress achieved by the FRA so far: the task will now be to repackage the remaining Bt340 billion of assets to make them more attractive to bidders, including through profit-sharing schemes.

Strengthening supervision. The BOT is in the process of strengthening its supervisory capacity. An initial focus is on enhancing off-site supervision; examiners from international central banks are delivering training for examiners on credit risk. In addition, the BOT is upgrading prudential regulations and reviewing compliance with the Basle Core Principles. International bank supervisors will also hold training courses with BOT examiners on Y2K compliance.

Banking Law Reform. The BOT has completed a review of the legal framework for the supervision of commercial banks and finance companies. The BOT has been working to strengthen these laws utilizing the lessons learned from the financial sector crisis and incorporating best international practices. Based on the review, a new Financial Institutions Act is expected to be submitted to the Cabinet in early 1999.

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

A private credit bureau. The Thai Bankers' Association is planning the development of a private credit bureau open to all financial institutions, with some guidance from the Bank of Thailand. The credit bureau is expected to facilitate lending decisions, improve competition among financial institutions, and limit access to credit for 'strategic defaulters'. The operation of the bureau will require crucial amendment to existing legislation which prevents the disclosure of credit information.

ASSESSMENT

Cautious optimism has returned to Thailand.

The economy is still in the midst of a recession, but there are encouraging signs that the bottom of the crisis has been reached. Net exports were the only positive expenditure component of GDP during 1998, mainly because imports dropped sharply.

The prospects for growth in 1999 remains uncertain but the large fiscal stimulus package, lower interest rates and exchange rate stability provide the basis for a cautious optimism. The combined effect of increased deficit spending, increasingly supportive monetary policy, and overall macroeconomic stability reflected in the strengthening baht and rising stock prices will trigger positive growth in private consumption in the latter part of 1999. The Government and the IMF expect growth to be modest for all of 1999, around 1 percent, compared to the consensus forecast which still expects a overall decline next year.

However, as long as the macroeconomic optimism outstrips the progress in overdue structural reforms, there is a persistent risk of an unexpected downward adjustment in investor confidence. Policy makers are facing the challenge to build the foundations of a sustained recovery process by resolutely addressing difficult reform choices before the window of opportunity presented by the present crisis slips away. First, without progress in corporate and financial sector restructuring, the B 75 billion additional government spending will not be enough to jump start the economy. Second, the restructuring process will not speed up unless a bankruptcy and foreclosure legislation with teeth is passed. Finally, a consistent implementation of the Masterplan for State Enterprise Reform adopted by Cabinet in September would provide a strong regulatory framework for the private provision of infrastructure services to protect the interests of consumers.

Thailand remains vulnerable to external developments

Although global economic prospects seem to have thrown off the sense of gloom in the last two months, and the reserve position provides a buffer, Thailand's prospects remain vulnerable to external shocks. 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.

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. The Government's move towards a more expansionary fiscal stance with public investment targeted toward job creation is an

encouraging milestone for recovery.

Forecast Summary

	Average % Change on Previous Calendar Year, unless otherwise noted			
	1996	1997e	1998f	1999f
Gross Domestic Product	5.5	-0.4	-8.2	-0.4
Private Consumption	6.7	0.1	-10.5	-1.5
Gross Fixed Investment	6.0	-16.0	-30.4	-2.2
Manufacturing Production	8.3	-0.4	-12.7	0.4
Consumer Prices	5.8	5.6	8.4	4.8
Money Supply (End Year, % change)	12.6	16.4	11.0	10.5
Merchandise Exports (fob, US\$bn)	54.5	56.7	54.7	55.9
Growth rate (in dollar terms)	-1.6	4.0	-3.6	2.2
Growth rate (in volume terms)	-5.1	9.2	7.9	4.6
Merchandise Imports (cif, US\$bn)	70.8	61.3	42.0	43.9
Growth rate (in dollar terms)	0.9	-13.4	-31.5	4.5
Growth rate (in volume terms)	-4.0	-11.8	-25.8	10.3
Current account balance (US\$bn)	-14.4	-3.0	13.5	11.3

Source: Consensus Economics (November 1998), BOT and IMF
e = estimate, f = forecast

Annex Tables

Table 1: Macroeconomic framework

	1995	1996	1997	1998f
GDP at current market prices (billions of bahts)	4189	4598	4827	4850
<i>Real GDP growth</i> (percent)	8.8	5.5	-0.4	-8.2
Consumption growth	7.1	6.7	0.1	-10.5
Gross fixed investment growth	11.2	6.0	-16.0	-30.4
<i>CPI inflation</i> (average period, percent)	5.8	5.9	5.6	8.4
<i>Savings and investment</i> (percent of GDP)				
Gross domestic investment	41.6	41.7	35.0	25.4
Private, incl. Stocks	32.7	31.5	23.5	14.1
Public	8.9	10.2	11.5	11.4
Gross national savings	33.3	33.2	32.6	37.0
Foreign savings	-7.9	-7.9	-2.0	-11.5
				Jan-Sep.
<i>Balance of payments</i> (billions of US\$)				
Exports, f.o.b.	55.7	54.7	56.7	39.5
Growth rate (in dollar terms)	24.8	-1.9	3.8	-5.7
Growth rate (in volume terms)	14.2	-4.5	7.3	10.5
Imports, c.i.f.	70.4	70.8	61.3	30.6
Growth rate (in dollar terms)	..	0.6	-13.4	-37.4
Growth rate (in volume terms)	16.1	-2.5	-10.4	-39.0
Current account balance	-13.2	-14.4	-3.1	10.4
(percent of GDP)	-7.9	-7.9	-7.9	...
Capital account balance				
Private	20.8	18.2	-7.3	-9.6
Bank	11.2	5.0	-5.4	-9.4
Non-bank	9.6	13.2	-1.9	-0.2
Foreign direct investment, net	1.2	1.5	3.2	4.0 2/
Public	1.1	1.3	1.6	1.4
Bank of Thailand 1/	0.0	0.0	-2.6	0.1
Errors and emissions	-1.5	-3.0	0.7	-0.3
Overall balance	7.2	2.2	-10.6	...
Gross official reserves	36.9	38.6	26.9	29.2 3/

Source: Bank of Thailand, IMF, and staff calculations

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

2/ Excluding bank recapitalization (US\$ 2.2 billion)

3/ As of December 4, 1998

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

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

Source: Bank of Thailand

1/ Investment income only

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

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

^P = Preliminary

Table 3: Manufacturing Production*(% changes since previous year)*

	Weight 1995	1998									
		Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sept.	Oct.	
Manufacturing Production Index 1/	58.59	-13.2	-21.3	-16.1	-17.3	-12.3	-13.9	-10.4	-8.9	-5.4	
<i>Food</i>	6.10	-1.2	-31.0	-18.4	-5.4	-0.2	1.0	1.4	5.6	7.3	
<i>Beverages</i>	6.77	14.0	5.9	3.5	-10.5	-1.4	-0.8	-8.8	16.4	5.5	
<i>Cigarettes</i>	1.90	-22.9	-16.0	-36.2	-39.9	5.0	-48.3	-21.5	-27.9	-9.1	
<i>Construction materials</i>	14.54	-32.5	-39.4	-42.9	-37.0	-46.3	-46.4	-36.1	-33.4	-31.8	
<i>Vehicles and equipment</i>	7.39	-75.9	-76.4	-73.2	-67.0	-60.1	-57.4	-39.3	-40.7	-14.1	
<i>Petroleum products</i>	3.68	-9.3	-13.1	2.3	-1.7	2.3	-0.9	0.4	-15.4	-8.2	
<i>Textiles</i>	10.08	4.5	4.4	3.0	3.5	4.4	2.6	2.7	2.2	2.0	
<i>Others</i>	8.13	3.4	-3.6	-3.4	-11.2	-11.1	-14.1	-19.2	-13.0	-14.6	

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

	1997		1998								
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept.	
Private investment index	69.7	61.0	55.8	49.4	40.1	32.9	25.4	17.4	13.7	9.6	
<i>(% changes of 12-month MA of the components)</i>	-2.1	-5.0	-6.8	-8.9	-12.0	-14.4	-16.9	-19.6	-20.8	-22.2	
<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	-15.0	-22.0	
<i>Import value of capital goods (in US\$)</i>						-37.8	-38.8	-34.4	-34.6	-34.6	
<i>Domestic cement consumption</i>	-28.7	-37.3	-34.6	-47.6	-50.6	-48.8	-51.7	-51.2	-34.4	-32.9	
<i>Domestic galvanized iron sheet sales</i>	-12.9	-16.3	-19.4	-36.8	-63.3	-50.7	-35.9	-52.7	-49.1	-32.7	

Source: Bank of Thailand

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

Table 5: Capacity Utilization*(percent)*

Products	Weight	1996				1997				1998			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Oct.	
<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	27.6	
<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	81.4	
<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	58.7	
<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	37.8	
<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	54.0	
<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	52.0	

Source: Bank of Thailand

Table 6: Changes in Consumer Prices
(year-on-year % changes)

	1998										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
All commodities	8.6	8.9	9.5	10.1	10.2	10.7	10.0	7.6	7.0	5.9	4.7
Food and beverages	9.7	10.4	11.6	12.1	13.1	13.6	11.8	7.4	7.3	6.7	
Rice and cereal products	42.2	47.1	46.7	41.6	37.9	34.0	27.0	15.3	11.2	8.6	
Meat, poultry and fish	1.3	2.0	3.9	4.1	4.2	4.0	4.4	3.6	4.1	4.5	
Vegetables and fruits	0.1	0.0	5.4	10.8	21.2	28.1	21.0	1.5	7.3	9.0	
Eggs and milk products	6.5	8.8	9.7	12.0	15.2	20.3	20.3	18.3	15.5	15.1	
Other food bought from the market	6.3	8.8	9.6	9.6	9.8	10.5	10.7	9.5	9.1	10.1	
Non-alcoholic beverages	7.7	7.9	8.3	8.6	9.0	8.6	9.4	11.8	11.4	11.6	
Prepared food	8.6	8.4	9.1	9.0	8.9	8.4	7.5	6.5	5.8	4.3	
Clothing	7.4	7.6	8.9	9.0	8.1	8.7	9.1	8.4	6.3	5.5	
Men's and boys'	7.0	7.8	9.5	9.8	8.1	8.0	8.1	7.3	4.7	4.7	
Women's and girls'	7.3	7.2	8.2	8.2	8.0	9.2	10.1	9.6	7.6	6.5	
Cloth and sewing services	8.5	8.1	9.0	8.6	8.9	9.1	9.5	8.7	6.6	5.0	
Housing and furnishing	6.0	6.0	5.4	6.0	6.1	6.4	6.6	6.9	6.4	5.3	
Shelter	2.6	2.6	2.5	2.5	2.4	2.5	2.5	2.1	1.5	1.3	
Furniture and equipment	4.5	5.1	7.0	7.3	7.4	7.7	8.0	7.6	7.1	6.8	
Housekeeping and cleaning supplies	0.4	1.9	3.8	5.6	6.2	6.3	9.9	11.9	12.3	8.6	
Household textiles	8.1	9.0	9.4	9.3	9.8	8.9	9.0	9.1	8.5	6.5	
Electricity, fuel and water	19.6	18.6	15.2	18.2	19.0	19.9	20.2	22.9	22.3	18.6	
Personal and medical care	6.1	6.4	7.2	7.9	8.7	9.5	10.2	9.2	9.7	9.9	
Medical care	6.3	6.4	6.4	6.2	6.3	5.9	6.0	5.1	5.7	5.3	
Personal care	5.9	6.3	8.1	9.7	11.3	13.8	15.2	14.0	14.3	15.2	
Transportation and communication	10.3	10.5	10.7	10.7	10.9	10.7	10.6	8.3	5.4	4.4	
Vehicles	13.4	14.1	12.2	10.7	12.9	12.3	12.2	8.0	2.7	0.7	
Public transportation	8.2	7.7	14.0	15.8	13.2	14.4	14.4	13.8	13.9	14.1	
Communication and equipment	0.0	0.0	0.0	8.8	8.8	8.8	8.8	8.8	8.8	8.8	
Recreation and education	6.6	6.9	7.7	7.7	5.2	4.6	4.6	4.3	3.9	3.9	
Recreation	4.2	5.0	6.3	6.8	6.8	7.5	7.5	6.5	5.9	5.8	
Reading and education	8.6	8.5	8.5	8.5	3.5	1.9	1.8	1.7	1.8	1.7	
Tobacco and alcoholic beverages	15.9	16.3	19.7	21.6	23.1	26.4	26.6	22.5	20.8	13.6	
Non-food and beverages	7.8	8.0	8.2	8.7	8.6	8.8	9.0	8.2	7.0	5.8	

Source: Bank of Thailand

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

	1997	1998						1998
	Year	Q1	Q2	June	July	August	Sept.	Jan-Sept
Banking sector	-6.3	-1.7	-4.0	-2.6	-2.1	-1.5	-0.9	-9.6
Commercial bank	-4.7	0.8	-1.7	-1.7	-1.2	-0.5	-0.7	-3.3
BIBFs	-1.6	-2.5	-2.3	-0.9	-0.8	-1.0	-0.2	-6.2
Non-banking sector	-1.8	-3.1	1.6	0.4	1.0	0.2	0.1	-0.2
Direct investment, net 1/	3.2	1.3	1.5	0.4	0.4	0.4	0.4	4.0
Others loans	-3.8	-2.1	-1.1	-0.3	0.0	-0.5	-0.2	-3.9
Portfolio investment	4.6	0.5	0.1	0.1	0.0	-0.1	0.1	0.6
Non-resident baht account	-5.8	-3.0	1.3	0.3	0.6	0.4	-0.2	-0.9
Trade credits	-	-0.1	-0.2	-0.1	0.0	-	-	-
Others	-	0.2	0.0	-0.1	0.0	-	-	-
Total	-8.1	-4.8	-2.4	-2.2	-1.1	-1.3	-0.2	-8.2

Source: Bank of Thailand

1/ FDI for all of 1997 was US\$ 3.6 billion.

Table 8: Foreign Direct Investment by Sector 1/
(millions of US\$) 2/

	1995	1996	1997p	1998				
				May p	Jun p	Jul p	Aug p	Jan-Aug
1. Industry	566.5	707.9	1423.3	83.6	282.5	102.9	151.4	1327.0
1.1 Food & sugar	39.1	45.1	128.0	1.8	26.8	3.5	1.9	57.7
1.2 Textiles	37.8	49.2	35.3	3.1	14.9	3.5	46.2	56.4
1.3 Metal & non metallic	92.4	112.5	147.9	21.0	21.0	23.8	67.9	289.6
1.4 Electrical appliances	233.3	240.5	440.5	2.7	50.3	30.9	10.6	165.8
1.5 Machinery & transport equipment	144.4	108.5	358.9	32.0	118.5	27.6	15.6	394.4
1.6 Chemicals	93.6	182.7	158.7	19.0	43.1	8.7	13.4	152.7
1.7 Petroleum products	-161.3	-249.8	9.5	0.0	-2.0	0.8	0.7	134.4
1.8 Construction materials	25.1	3.5	-5.4	2.6	0.0	0.8	0.2	3.4
1.9 Others	62.2	215.8	149.7	1.4	9.7	3.4	-5.2	72.6
2. Financial institutions	25.8	71.9	782.8	4.4	8.5	226.9	9.5	726.7
3. Trade	446.0	544.4	906.5	132.0	88.7	100.9	56.6	722.7
4. Construction	36.4	70.3	211.9	63.5	9.8	8.6	16.7	181.1
5. Mining & quarrying	56.9	19.3	29.8	7.5	-3.2	4.8	10.1	44.9
6. Agriculture	9.3	2.0	2.3	0.0	0.0	0.1	0.0	0.5
7. Services	87.7	124.8	212.8	13.2	78.2	26.2	16.1	230.1
8. Real estate	852.7	751.8	67.2	2.6	2.1	1.4	0.5	14.7
9. Others	-79.1	-24.8	110.5	14.9	39.0	38.0	155.8	430.2
Total	2002.3	2267.7	3747.0	321.7	505.6	509.9	416.6	3678.0

Source: Bank of Thailand

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

2/ Converted to US\$ by average period exchange rate. As a result, the 1997 figure is slightly higher than US\$ FDI reported elsewhere (a yearly average of B/US\$ 31.37 was used here).

P = preliminary

Table 9: Trade Indexes and Terms of Trade 1/

1995=100	(in terms of US\$)												
	1996	1996											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Exports:													
Export unit value	108.9	107.9	108.7	109.1	109.2	109.0	109.3	109.4	109.1	108.8	108.5	108.3	109.3
Export value	98.1	94.7	98.0	103.9	89.7	105.3	93.0	94.7	100.9	96.3	99.1	102.3	99.3
Export volume 2/	90.1	87.8	90.2	95.3	82.2	96.6	85.1	86.5	92.4	88.5	91.4	94.5	90.9
Imports:													
Import unit value	111.1	109.4	110.4	111.1	111.6	111.4	110.9	110.7	110.8	111.1	111.7	111.8	112.0
Import value	100.2	103.4	98.3	109.1	105.1	105.5	98.3	98.4	104.9	92.6	102.0	96.6	93.1
Import volume 2/	90.2	94.5	89.1	98.2	94.2	94.8	88.7	88.9	94.7	83.4	91.4	86.4	83.1
Terms of trade	98.0	98.6	98.5	98.2	97.9	97.9	98.6	98.8	98.5	97.9	97.1	96.9	97.5
	1997	1997											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Exports:													
Export unit value	105.3	109.7	109.6	108.9	108.0	107.2	106.5	105.7	104.7	103.7	101.9	99.7	97.6
Export value	101.8	98.0	90.7	105.1	91.8	102.7	99.9	102.1	103.1	107.4	110.7	103.0	106.9
Export volume	96.7	89.3	82.8	96.5	85.0	95.8	93.8	96.6	98.5	103.5	108.7	103.3	109.6
Imports:													
Import unit value	107.4	112.7	112.5	111.9	110.2	108.2	108.1	106.3	105.4	103.8	103.8	103.6	101.9
Import value	86.8	103.1	85.7	98.0	99.1	91.8	94.8	89.9	91.0	81.3	77.1	67.2	67.1
Import volume 2/	80.8	91.5	76.2	87.6	90.0	84.8	87.7	84.6	86.4	78.3	74.3	64.8	65.9
Terms of trade	98.0	97.3	97.4	97.3	98.0	99.0	98.6	99.4	99.4	99.8	98.2	96.2	95.8
	1998	1998											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Exports:													
Export unit value	94.2	93.0	92.1	91.2	90.8	89.6	89.9	90.7	90.7				
Export value	90.2	93.7	101.4	91.6	90.5	96.7	98.2	91.1	96.3				
Export volume	95.8	100.8	110.1	100.5	99.7	107.9	109.2	100.4	106.1				
Imports:													
Import unit value	100.6	101.1	102.0	102.4	101.2	98.6	97.4	94.7	93.5				
Import value	56.6	54.7	61.2	60.4	55.3	60.8	61.2	56.2	55.0				
Import volume 2/	56.3	54.2	60.0	59.0	54.7	61.6	62.8	59.3	58.9				
Terms of trade	93.6	92.0	90.2	89.0	89.7	90.9	92.3	95.7	97.0				

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: Secondary Market Spreads
(basis points)

	9/97	10/97	11/97	12/97	1/98	2/98	3/98	4/98	5/98	6/98	7/98	8/98	9/98	10/98	11/98	12/15
Thailand	176	197	445	476	452	300	254	274	308	392	419	760	650	545	325	330
China	73	149	96	121	147	132	137	116	117	147	144	220	265	235	200	293
Indonesia	153	187	274	469	629	649	520	543	773	826	751	790	1430	1300	788	1050
Philippines	255	310	436	466	526	390	357	349	355	355	428	428	730	595	405	465

Source: Bloomberg

Table 11: Sovereign credit ratings

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

Source: Paribas, December 7, 1998 (Moody's and Standard & Poor)

Table 12: External Debt 1/*(millions of US\$)*

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

Source: Bank of Thailand

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

Table 13: Central Government Balance*(millions of baht)*

	1996	1997	1998						
			Apr	May	Jun	Jul	Aug	Sep	Oct.
Revenue(+)	853,20	847,696	63,915	62,276	78,610	52,296	45,300	60,023	47,360
Expenditures(-)	819,08	874,403	52,653	60,297	81,349	64,901	78,400	104,324	70,683
Budgetary deficit(-) or surplus(+)	34,118	-27,914	11,262	1,979	-2,739	-12,605	-33,100	-44,301	-23,323
Non-budgetary deficit / surplus(+)	9,185	12,855	-6,306	991	1,477	1,923	300	-7,281	4,549
Cash deficit(-) or surplus(+)	43,303	-15,059	4,956	2,970	-1,262	-10,682	-32,800	-51,582	-18,774
Financing:									
Net domestic borrowings(+):	-25,123	-16,380	-8,573	3,787	1,539	-2,793	4,580	-1,747	19,045
- Bank of Thailand 1/	2,054	-5,800	-7,775	3,932	1,546	-2,559	4,594	-1,695	
- Commercial banks	-21,320	-710	-567	323	43	-163	-32	38	
- Government Savings Bank	-3,570	-8,200	0	0	0	0	0	0	
- Others	-2,287	-1,670	-231	-468	-50	-71	18	-90	
Net foreign borrowings (+)	-3,665	-3,747	-108	-291	-411	-375	-178	-1,032	-271
Government Pension Fund	-	-55,991	0	0	0	0	-160	-120	
Gov't Bond for FIDF	0	0	0	0	150,000	0	50,000	0	
Lending to FIDF	0	0	0	0	-150,000	0	-50,000	0	
Use of Treasury cash balances(+)	-14,515	91,177	3,724	-6,466	134	13,850	28,545	54,481	

1/ Including Exchange Equalization Fund.

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

Table 14: 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 15: Budget Appropriations by Function*(millions of bahts)*

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

Source: Bureau of the Budget

Table 16: 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 contribute & dividends	45,697	57,694	33,721	15,251	4,366	4,356	14,089	13,921
Miscellaneous revenue and income	13,081	19,006	4,466	4,691	4,640	5,209	5,206	7,016
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 17: Summary Table on Unemployment

(thousands)

	1996			1997 1/		1998		
	Feb-96 Total	May-96 Total	Aug-96 Total	Feb-97 Total	Aug-97 Total	Feb-98 Total	May-98 Total	Aug-98 Total
Total	59,750.4	59,902.6	60,045.3	60,350.6	60,648.9	60,949.0	61,098.0	61,248.4
Total labor force	31,898.4	32,504.1	32,750.0	32,000.2	33,560.7	32,143.1	32,169.8	33,352.9
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	33,275.9
1.1 Employed	30,099.2	30,375.4	32,232.3	30,266.3	33,162.3	29,412.9	28,554.9	32,138.0
Underemployed (<20 hours/week) 2/	638.8	373.4	580.6	543.9	721.3	1,477.1	362.5	938.3
% of total labor force	2.0	1.1	1.8	1.7	2.1	4.6	1.1	2.8
% of current labor force	2.1	1.2	1.8	1.8	2.2	4.8	1.2	2.8
1.2 Unemployed	641.3	659.6	353.9	697.8	292.5	1,479.3	1,612.9	1,137.9
% of total labor force	2.0	2.0	1.1	2.2	0.9	4.6	5.0	3.4
% of current labor force	2.1	2.1	1.1	2.3	0.9	4.8	5.3	3.4
1) Looking for work	119.6	158.8	110.1	179.5	96.4	402.8	491.9	476.9
2) Available / not looking for work	521.6	500.8	243.7	518.3	196.1	1,076.5	1,120.0	661.6
2. Seasonally inactive labor force	1,157.8	1,469.0	163.7	1,035.9	105.7	1,250.8	2,002.0	76.9
% of total labor force	3.6	4.5	0.5	3.2	0.3	3.9	6.2	0.2
Unemployed + seasonally inactive labor force	1,799.1	2,128.6	517.6	1,733.7	398.2	2,730.1	3,614.9	1,214.8
% of total labor force	5.6	6.5	1.6	5.4	1.2	8.5	11.2	3.6

Source: Labor Force Survey by National Statistical Office

1/ The May round was skipped in 1997.

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

Table 18: CDRAC-monitored Debt Restructuring Cases by Sector*(millions of baht)*

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

Source: Bank of Thailand**Table 19: CDRAC-monitored Debt Restructuring Cases by Type of Creditor***(millions of baht)*

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

Source: Bank of Thailand

Table 20: Results of large restructuring cases in Thailand 1/
(in million baht)

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

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

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

Thailand at a glance

9/8/98

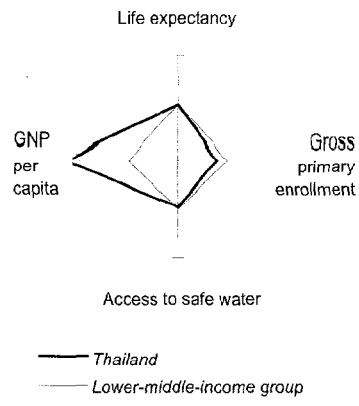
POVERTY and SOCIAL	Thailand	East Asia & Pacific	Lower-middle-income
1997			
Population, mid-year (millions)	60.6	1.753	2.285
GNP per capita (Atlas method, US\$)	2.800	970	1.230
GNP (Atlas method, US\$ billions)	169.7	1.707	2.818

Average annual growth, 1991-97

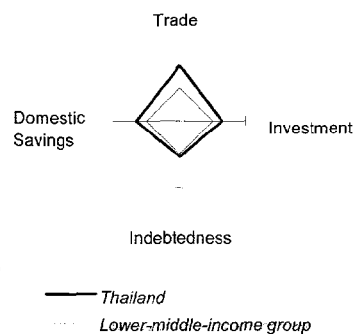
Population (%)	1.2	1.3	1.2
Labor force (%)	1.5	1.4	1.3

Most recent estimate (latest year available, 1991-97)

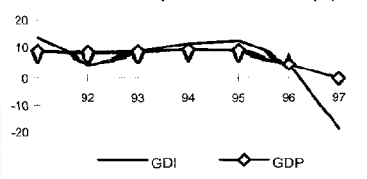
Poverty (% of population below national poverty line)	13	..	..
Urban population (% of total population)	21	32	42
Life expectancy at birth (years)	69	69	69
Infant mortality (per 1,000 live births)	33	38	36
Child malnutrition (% of children under 5)	..	16	..
Access to safe water (% of population)	81	84	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**

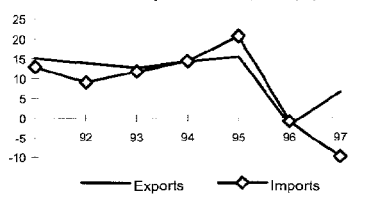
	1976	1986	1996	1997
GDP (US\$ billions)	17.0	43.1	181.4	153.9
Gross domestic investment/GDP	24.0	25.9	41.7	35.0
Exports of goods and services/GDP	20.2	25.6	39.3	47.0
Gross domestic savings/GDP	21.5	27.9	35.9	35.7
Gross national savings/GDP	21.2	25.9	33.2	32.6
Current account balance/GDP	-2.6	0.6	-7.9	-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	..
	1976-86	1987-97	1996	1997
(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

Economic ratios***STRUCTURE of the ECONOMY**

(% of GDP)	1976	1986	1996	1997
Agriculture	26.7	15.7	11.0	11.2
Industry	27.0	33.1	39.5	39.0
Manufacturing	19.7	23.9	28.4	28.8
Services	45.7	51.3	49.5	48.9
Private consumption	67.5	59.3	53.9	54.1
General government consumption	11.0	12.8	10.2	10.3
Imports of goods and services	22.7	23.6	45.1	46.4

Growth rates of output and investment (%)

(average annual growth)	1976-86	1987-97	1996	1997
Agriculture	3.8	3.4	3.8	1.2
Industry	7.1	11.2	7.0	-0.1
Manufacturing	6.2	11.3	6.9	0.2
Services	6.3	8.2	4.6	-1.1
Private consumption	4.7	7.6	5.2	0.0
General government consumption	7.8	5.9	9.5	-0.7
Gross domestic investment	5.0	11.5	5.4	-19.0
Imports of goods and services	4.7	13.7	-0.9	-10.0
Gross national product	5.8	8.5	5.0	-1.1

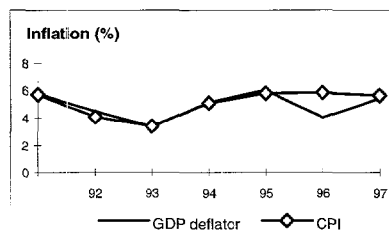
Growth rates of exports and imports (%)

Note: 1997 data are preliminary estimates.

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

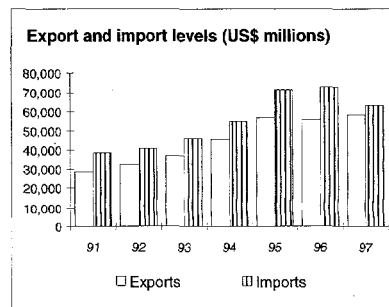
PRICES and GOVERNMENT FINANCE

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



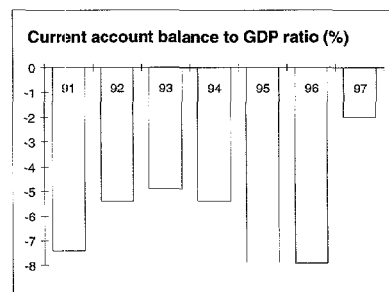
TRADE

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



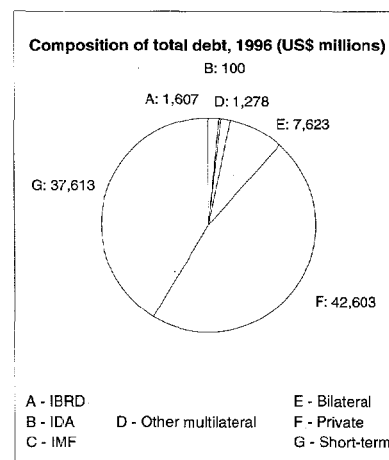
BALANCE of PAYMENTS

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



EXTERNAL DEBT and RESOURCE FLOWS

	1976	1986	1996	1997
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	2,326	18,505	90,824	..
IBRD	298	2,781	1,607	1,715
IDA	11	109	100	98
Total debt service	378	3,655	8,652	..
IBRD	36	358	318	257
IDA	0	1	3	3
Composition of net resource flows				
Official grants	84	152	96	..
Official creditors	109	294	634	..
Private creditors	139	-505	9,630	..
Foreign direct investment	79	263	2,336	..
Portfolio equity	0	31	1,551	..
World Bank program				
Commitments	158	93	250	767
Disbursements	50	206	138	443
Principal repayments	15	129	198	155
Net flows	35	77	-60	288
Interest payments	22	230	122	105
Net transfers	13	-154	-183	184



SOURCES

- Data on investment, manufacturing, expenditure, balance of payments, monetary variables, and trade are from the Bank of Thailand's (BOT) web page (monthly statistical update, Key Economic Indicators, Databank, all available at <http://www.bot.or.th>.)
- Unemployment data in Thailand come from different sources, including (i) the national Labor Force Survey (LFS) which is conducted by the National Statistical Office (NSO) three times a year, (ii) the number of persons 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. We consider the Labor Force Survey the most reliable source and have chosen to focus on those numbers.
- Data on tourism is from the Bangkok Post, Jones Lang Wootton and Travel Impact Newswire (imtiazi@loxinfo.co.th)
- Real estate data is provided by Jones Lang Wootton (<http://www.jlwthai.com/>) in their monthly newsletter "Insight."
- Forecasts based on IMF and Consensus Economics.
- Other sources of information include (i) Warburg Dillon Read: "The Asian Adviser," (monthly report); (ii) Institute of International Finance, Inc.; (iii) Embassy of the United States: "Economic Trends and Forecast for 1998."
- Discussion of sovereign ratings draws on Richard Cantor and Frank Packer in "Determinants and Impact of Sovereign Credit Ratings," FRBNY Economic Policy Review, 1996
- The "Thailand at a Glance" tables are generated from the World Bank's "live data base." Some of the numbers may differ from BOT tables because of differences in definitions and the use of different exchange rates to convert baht numbers into US dollars.

LINKS

- Other Web sites on Thailand worth visiting:
- BOT's Economic Research Department: www.bot.or.th/research/public/econpage.htm
 - Privatization Masterplan: www.mof.go.th/SEPC/
 - Fiscal data: www.mof.go.th/fiscal/
 - Board of Investment: www.boi.go.th/
 - Social Sector Program Loan: <http://www.sspl.org/>
 - National Statistical Office (for employment data): <http://www.nso.go.th/>
 - Thai Rating and Information Services: www.tris.tnet.co.th/
 - Stock Exchange of Thailand: www.set.or.th
 - Customs data: www.customs.th

DATA ISSUES

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

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

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

¹ The World Bank, "East Asia: The Road to Recovery," p. 28.

² In a World Bank survey (D. Dollar/ M. Hallward-Driemeier) of more than 2000 exporting firms in Thailand, lack of access to credit was not listed as the most important constraint. The Thailand Economic Monitor in August and September reported its findings and the paper is available on-line at <http://www.nesdb.go.th/compet>. Another recent survey ("The Impact of the East Asian Crisis on Thai Firms" by F.G. Adams and H. Vernon, e-mail: adams@sas.econ.upenn.edu) singled out depreciation and foreign exchange loss as key constraints.

³ In addition to carry over from last fiscal year.

⁴ The midpoint of the range of the minimum lending rate

(MLR), as offered by the four largest commercial bank and deflated by CPI.

⁵ 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.

⁶ The survey is nationwide and provides information on about 190,000 individuals. The numbers are reported on the NSO web site (www.nso.go.th) and on the BOT web site.

⁷ This approach has been advocated by a recent study of LFS data: Nanak Kakwani, "Impact of Economic Crisis on Employment, Unemployment and Real Income," September 1998.

⁸ Thailand has two main seasons – the dry season covering February, March and April and the wet season covering August, September and October. When the survey is conducted in August, two-three months after the rain has started to fall, large numbers of workers have been absorbed by the agricultural sector and, thus, the amount of "seasonal inactive workers" is at it lowest point of the year. Conversely, when the survey is conducted in May, after months of no rain, the agricultural sector employs few workers and, thus, the number of seasonally inactive workers peaks.

⁹ According to initial findings from the Social Sector Program Loan (SSPL). The SSPL has the most comprehensive web site on social issues in Thailand at <http://www.sspl.org/>. The initial findings are summarized in the SSPL Quarterly Newsletter - October 1998 Issue, available online.

¹⁰ Number of laid off employees complaining about not being paid severance payments. The data is from the Labor Protection Department of the Ministry of Labor and Social Welfare who registers the number of laid off people who complain about not receiving their severance payment.



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