



# ANNUAL ECONOMIC REPORT 2004

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# Dedicated to change for a better Thailand

## Core Purpose

To provide a stable financial environment in order to support sustainable economic growth, resulting in the continuous improvement of the standards of living of the people of Thailand

## Vision

A reputable organization commanding public trust and respect

## Values

Open Communication  
Teamwork  
Efficiency and Economy  
Accountability  
Competence  
Honesty, Fairness and Integrity



# ANNUAL ECONOMIC REPORT

2004

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## **SUMMARY REPORT**

## Economic Performance in 2004

**The Thai Economy** grew by 6.1 percent in 2004, decelerating slightly from 6.9 percent growth in 2003, due to the slowdown in domestic demand especially in private consumption and private investment. External demand remained satisfactory with export value attaining record levels. The engines of growth in 2004 proved to be private investment and exports. The Private Investment Indicator expanded by 12.8 percent, decelerating from 13.6 percent growth in the previous year. Exports, on the other hand, grew by 23.0 percent, up from 18.2 percent in the previous year.

The Private Consumption Index grew by 3.7 percent in 2004, moderating from 5.4 percent in the previous year. This is partly contributable to the fulfillment of the pent-up demand for household durables and the continued weakening in consumer confidence since the beginning of the year. Risk factors comprised high world oil prices, the unrest in the three southernmost provinces, and the outbreak of avian flu in poultry. Government expenditure grew by 17.8 percent in Fiscal Year 2004, accelerating in terms of both current expenditure and investment. Government revenue expanded by 17.1 percent in FY2004, commensurate with continued economic expansion and strong corporate profits. As a result, the government registered a cash surplus in the amount of B17.2 billion.

The deceleration in domestic demand resulted in the slowdown of domestic supply. The Manufacturing Production Index grew by 8.1 percent in 2004, decelerating from 12.3 percent growth in the previous year in tandem with the decrease in the production of food and beverage for domestic consumption and export goods such as block rubber, and integrated circuits. As for the agricultural sector, drought reduced output growth of main crops from 10.5 percent in the previous year to 1.2 percent. Nevertheless, crop prices remained at a high level especially the prices of jasmine rice and rubber. As a consequence, farm income still expanding well at 15.4 percent.

As for the services sector, the number of foreign tourists grew by 16.5 percent in 2004 despite the adverse impact of (1) the outbreak of avian flu in poultry in the first quarter and (2) the unrest in the three southernmost provinces from the second quarter onwards. Despite these unfavorable events, the year-on-year growth in the number of foreign tourists in 2004 proved to be satisfactory owing to the low-base effect from the sharp fall in the number of foreign tourists in 2003 given concerns over the outbreak of severe acute respiratory syndrome (SARS). Furthermore, the economic impact of the natural disaster that beset the six provinces on the Andaman coast during the last week of the year did not affect overall economic growth in 2004.

The expansion of the manufacturing sector, the construction sector, and the service sector is consistent with the expansion of private investment. Together, they led to a 6.0 percent rise in non-agricultural employment. This observed increase was partly due to the migration of labor away from the agricultural sector following the drought. For 2004, agricultural employment declined by 2.3 percent.

Short-term interest rates in the money market rose in tandem with the three-time upwards adjustment of the Bank of Thailand's policy rate during the latter half of the year. Nevertheless, liquidity in the financial sector remained high and, as a result, the interest rates on the loans and deposits of large commercial banks remained unchanged from the previous year. Meanwhile, commercial bank credit to both the corporate and household sectors expanded favorably.

The baht strengthened over the course of the year and averaged at 40.28 baht per US dollar, appreciating by 3.0 percent from the previous year average despite the baht being adversely affected by the outbreak of avian flu. The baht appreciation was contributable to the following factors: (1) the appreciation of regional currencies due to diminished confidence in the US dollar given rising concerns over the US current account and fiscal deficits, (2) the upwards adjustment of the Bank of Thailand's policy rate in August, October, and December, (3) the rise in foreign investment into the Thai stock market and (4) rumours of an adjustment in the value of the Chinese renminbi.

Overall economic stability remained satisfactory with headline inflation in 2004 averaging only 2.7 percent, accelerating from 1.8 percent in the previous year in line with the rise in the prices of raw food and energy. Core inflation averaged 0.4 percent, compared with 0.2 percent in the previous year. The unemployment rate remained low at 2.1 percent. Public debt also remained low at 47.8 percent of gross domestic product (GDP)<sup>1/</sup>. As for external stability, the current account continued to be in a surplus in terms of both the trade balance and the services and transfers balance. External debt declined over the course of the year. At end-2004, the foreign reserves position was strong at US\$49.8 billion or roughly four times that of short-term foreign debt.

## Outlook for 2005

The Thai economy in 2005 is expected to continue its growth trend but at a more decelerated pace as compared to the previous year. This is in line with the expected moderation in external demand, private consumption, and private investment. Private and public investment will prove to be key drivers of growth.

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1/ as of end of November 2004, Public Debt Management Office

As for export of services, the adverse impact of the natural disaster in the six provinces along the Andaman coast on tourism is expected to be mostly felt in the first quarter of 2005. And the impact will subsequently lessen in the second half of the year. Meanwhile, the export of goods - after having expanded considerably in 2004 - is likely to decelerate in line with the global economy especially with respect to electronics goods such as integrated circuits which will decelerate following the downwards IT cycle in the global market. Imports, however, will accelerate in tandem with the rise in overall investment.

Regarding risks to growth in the coming period, external risks include (1) the slowdown in the global economy especially with regards to China and key industrialized economies, (2) the upwards adjustment of interest rates in foreign markets, (3) the US current account and fiscal deficits. Internal risks include the unresolved unrest in the three southernmost provinces of Thailand, the outbreak of avian flu, and drought.

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## **ECONOMIC DEVELOPMENTS IN 2004**

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## Economic Conditions in 2004

### Agricultural Sector

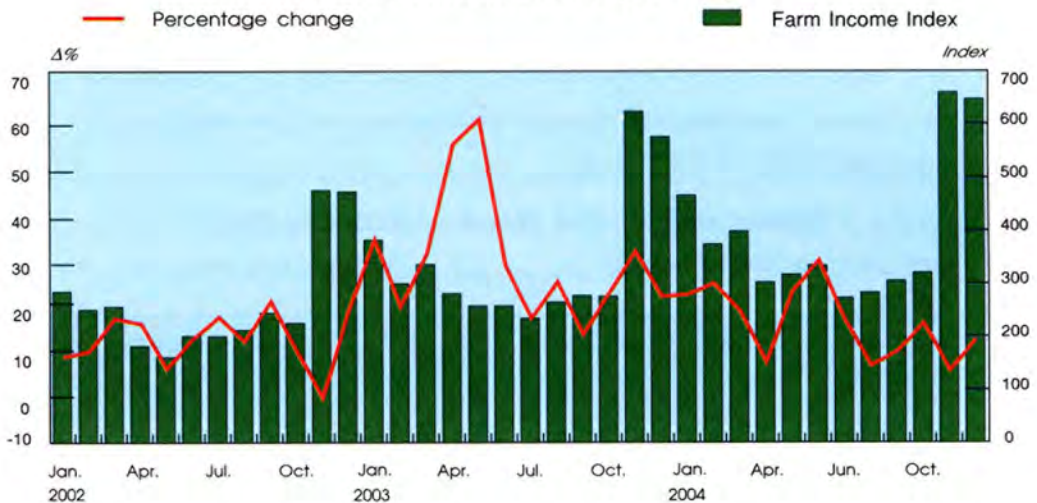
#### Overall Developments in Year 2004

**Farm income from major crop** increased by 15.4 percent, decelerating from previous year's growth of 28.7 percent, which was the highest annual growth recorded. The **major crop price index** maintained its high expansion trend, growing at the rate of 16.9 percent, which was close to that of 2003. Favourable increases were observed in prices of rice, rubber, sugar cane, and cassava as a result of high world demand. On the other hand, the **major crop production index** declined by 1.2 percent due to lack of rainfall, which adversely affected the production of rice, sugar cane, and cassava.

**Table 1 : Farm Income from Major Crops,  
Crop Production and Crop Prices**

Δ%	2003	2004				
		Total	Q1	Q2	Q3	Q4
Farm Income	28.7	15.4	17.4	19.3	14.6	12.0
Crop Production	10.5	-1.2	-0.6	-3.3	3.1	-2.9
Crop Prices	16.4	16.9	18.1	23.4	11.1	15.3

#### Farm Income from Major Crops



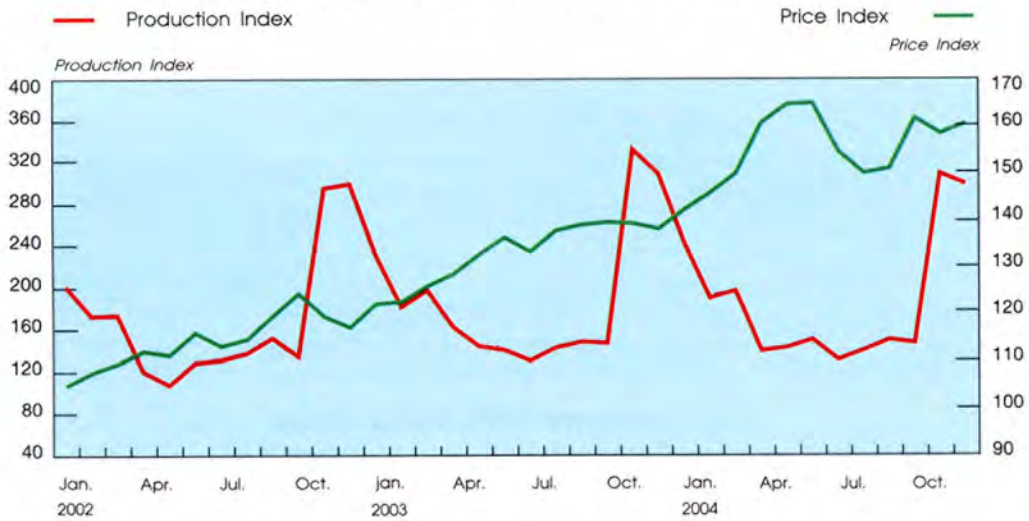
Note : Calculated by the Bank of Thailand

Farm income from livestock and fishery benefited from the increase in prices as well. The **price of livestock** increased by 19.3 percent year-on-year, owing to the increase in the price of swine in response to higher demand as some consumers substituted away from poultry. In addition, the price of eggs rose, partly as a result of the diminished supply of chicken following the outbreak of avian flu. Although the price of poultry declined from the level in 2003, it showed improvement toward the end of 2004.

**Fishery price** increased by 5.8 percent compared to the level in 2003, as a result of higher prices in almost all major fishery products with the exception of crab. Price of shrimp, which had been declining since 2003, improved around the middle of 2004 following the US announcement that the US anti-dumping (AD) duty for shrimp products from Thailand would be levied at a lower rate compared to those from most other competitors. The announcement had improved the pricing condition in the shrimp industry, leading to a price increase of 0.3 percent year-on-year.

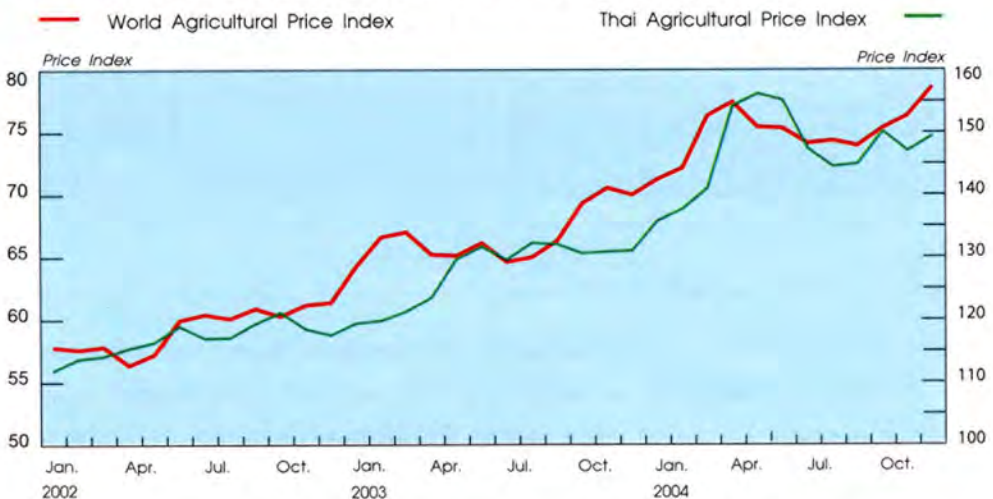
**World agricultural price (covering only 12 commodities particularly important to the Thai economy)** continued to expand. In 2004, the world agricultural price index increased by 12.5 percent year-on-year, mainly from the increase in prices of rice, rubber and cassava.

**Indices of Major Crop Production and Crop Prices**



Note : The Major Crop Production Index is constructed from data of the Ministry of Agriculture and Cooperatives.

**Indices of Thai and World Commodity Prices<sup>1/</sup>**



Note : 1/ Comprising rice, shrimp, rubber, sugar, maize, cassava, coffee, soybean, oil palm, tobacco, cotton and sorghum.

Source : Ministry of Agriculture and Cooperatives and World Bank.

## Major Commodities

**Paddy.** Paddy production in 2004 decreased by 11.6 percent due to the low amount of rainfall as well as the early ending of this year's rainy season, which contributed to a significant reduction of water level in major reservoirs. The unfavourable drought condition had led to a decline in the production of paddy, during both the first and second crop seasons. Nevertheless, the smaller paddy's supply coupled with the government's price subsidy programme helped contribute to a significant increase in the price of paddy.

Thailand's export of rice in 2004 stood at 10 metric tons, expanding by 36.1 percent year-on-year, as a result of large domestic production during the 2003/2004 harvest. Meanwhile, the world price of rice rose considerably due to lower supply from other rice producing countries, as their production was affected by unfavourable climate condition. As a result, Thailand's rice export value reached B108 billion in 2004, increasing by 43.1 percent year-on-year.

**Cassava.** The price of cassava in 2004 remained satisfactory, rising by 9.1 percent from the previous year. The price increase was partly attributable to a 19.3 percent decline in domestic production on account of drought as well as increased world demand for cassava starch and cassava chips.

**Rubber.** The production of natural rubber increased by 5.0 percent year-on-year as a result of the expansion of cultivation area, induced by favourable rubber price increase. Average rubber price in 2004 rose by 18.4 percent year-on-year in response to higher world demand, especially the accelerating demand from China's automobile industry. However, the price of rubber decreased slightly toward the end of 2004, partly as result of Chinese government's tightening measures to slow down its economy.

**Sugar cane.** The production of sugar cane in 2004 declined significantly as a result of the drought condition. Nevertheless, high sugar cane price helped lessen the impact on income of sugar cane farmers. Partly, the high price of sugar cane was attributable to government price guarantees, which set the final sugar cane price of the 2003/2004 harvest season and the preliminary sugar cane price of the 2004/2005 harvest season at a much higher level compared to previous year's prices.

**Poultry.** The poultry industry endured severe damage on both production and price in 2004, owing to (a) the outbreak of avian flu, which adversely affected the industry throughout the whole year. The damage was particularly due to the ban on exports of frozen fresh chicken from Thailand to several major markets.

**Shrimp.** Exports of Thai shrimp decelerated partly as a result of a temporary pause of export to the US during the US investigation of possible dumping by several shrimp exporting countries. Nevertheless, the announcement that the rate of antidumping duty (AD), which the US will levy on export products from Thailand would be lower than those being charged to products from other competing countries had helped improve both the production and price conditions toward the end of 2004.

#### **Outlook for 2005**

**Farm income from major crop** was expected to continue its expansion albeit at a decelerating rate, as a result of both production and price factors. **Production** would be adversely affected by anticipated drought condition due to little rainfall during 2004, leading to a much lower amount of water available for agriculture. Meanwhile, the **price of major crops** was expected to increase but at a decelerated pace, partly because prices had already risen much in 2004, especially those of rice and rubber.

**Price of livestock** was expected to improve following the anticipated rise in the prices of swine and eggs. Poultry price was expected to benefit from the poultry consumption promotion campaign. Nevertheless, poultry price would remain sensitive to a possible return of avian flu. On the other hand, **the price of fishery products** was anticipated to remain at a satisfactory level. In particular, the price of shrimp would likely benefit from the expected increase in shrimp exports to both the US and EU markets, which granted special tax privileges for shrimp exports from Thailand.

Overall, **the price of major agricultural commodities** would likely to expand at a decelerated rate in all product categories including major crops, livestock, and fishery.

As for **the agricultural price (covering only the 12 commodities particularly important to the Thai economy)**, it was expected to rise, albeit at a decelerated rate because it had already risen much in 2004.

**Table 2 : Major Crop Production, Trade, and Consumption***(Unit : Million tonnes)*

	2000/2001	2001/2002	2002/2003	2003/2004 <sup>P</sup>	2004/2005 <sup>E</sup>	Δ%
<b>Thai crops</b>						
Paddy	25.84	26.52	26.06	27.24	23.86	-12.4
First crop	19.79	20.90	19.64	20.91	18.65	-10.8
Second crop	6.06	5.62	6.43	6.33	5.22	-17.6
Rubber	2.38	2.56	2.63	2.86	3.01	5.0
Maize	4.46	4.47	4.23	4.18	4.20	0.6
Cassava	18.40	16.87	19.72	21.44	16.98	-20.8
Sugarcane	52.03	62.64	77.56	67.90	52.52	-22.7
Mungbean	0.23	0.24	0.22	0.18	0.16	-10.4
Soybean	0.31	0.26	0.26	0.23	0.24	5.3
Oil Palm	3.26	4.10	4.00	4.90	5.18	5.7
Coffee	0.09	0.05	0.05	0.06	0.06	-3.6
<b>World crops</b>						
Grains						
Production	1,840.7	1,870.8	1,816.8	1,852.1	2,028.6	9.5
Trade	232.9	240.9	242.0	233.9	230.5	-1.4
Rice (milled)						
Production	398.2	398.6	377.8	389.2	401.7	3.2
Trade	24.4	27.8	27.6	26.3	25.4	-3.4
Maize						
Production	589.5	598.5	601.1	621.9	705.9	13.5
Trade	76.5	74.5	78.1	78.5	74.1	-5.6
Soybean						
Production	176.0	185.1	197.1	189.8	219.2	15.5
Trade	53.8	53.6	61.7	55.2	62.4	13.1
Rubber						
Production	7.0	7.2	7.5	8.0	8.6	7.5
Consumption	7.2	7.2	7.5	7.8	8.2	5.1

**Notes :** P = Preliminary

E = Estimated

**Sources :** Office of Agricultural Economics;

World Production, Market and Trade Reports, Foreign Agriculture Service, United States

Department of Agriculture; and LMC Commodity Bulletin, November 2004.

**Table 3 : Thai Farm Prices***(Unit : Baht/tonne)*

	2003	2004				
		Year	Q1	Q2	Q3	Q4
<b>Farm Price Index<sup>1/</sup></b>	<b>127.6</b>	<b>146.9</b>	<b>138.2</b>	<b>155.2</b>	<b>145.6</b>	<b>148.8</b>
(1995 = 100)						
Δ%	9.3	15.1	14.9	21.0	10.9	13.8
<b>Crop Price Index<sup>1/</sup></b>	<b>132.9</b>	<b>155.3</b>	<b>145.9</b>	<b>163.4</b>	<b>151.8</b>	<b>160.2</b>
Δ%	16.4	16.9	18.1	23.4	11.1	15.3
Hom mall paddy	7,477	8,255	8,854	9,048	7,614	7,506
Δ%	34.0	10.4	44.2	17.9	-9.8	-2.0
Paddy class1(5%)	5,105	5,586	5,124	5,325	5,691	6,204
Δ%	2.7	9.4	0.8	3.5	9.1	24.7
Rubber	37,631	44,567	42,440	47,770	45,096	42,969
Δ%	38.8	18.4	20.3	31.9	22.0	2.2
Maize	4,480	4,971	4,181	6,273	4,861	4,569
Δ%	7.5	11.0	-3.2	38.4	5.4	2.6
Cassava	871	950	767	869	1,051	1,113
Δ%	-15.7	9.1	-17.9	-5.5	25.6	40.4
<b>Livestock Price Index<sup>1/</sup></b>	<b>109.6</b>	<b>130.8</b>	<b>117.6</b>	<b>144.5</b>	<b>134.4</b>	<b>126.6</b>
Δ%	-2.0	19.3	18.6	29.3	16.0	13.5
<b>Fishery Price Index<sup>1/</sup></b>	<b>129.0</b>	<b>136.5</b>	<b>134.1</b>	<b>140.0</b>	<b>137.0</b>	<b>135.0</b>
Δ%	-0.8	5.8	2.6	6.4	5.7	8.7
<b>Wood Price Index<sup>1/</sup></b>	<b>108.8</b>	<b>113.7</b>	<b>111.0</b>	<b>114.6</b>	<b>114.6</b>	<b>114.6</b>
Δ%	4.2	4.5	3.1	4.9	4.9	4.9

**Notes :** 1/ Base year is 1995.

Δ%represents percentage change from the same period last year.

**Sources :** The Farm Price Index is constructed from data of the Fish Marketing Organization, the Ministry of Agriculture and Cooperatives, and the Ministry of Commerce.

**Table 4 : World Agricultural Prices<sup>1/</sup>**  
(Unit : US\$/tonne)

	2003	2004				
		Year	Q1	Q2	Q3	Q4
<b>World Agricultural Price Index</b>	<b>66.6</b>	<b>75.0</b>	<b>73.2</b>	<b>76.0</b>	<b>74.1</b>	<b>76.8</b>
(1995=100)						
Δ %	12.5	12.6	11.1	16.1	13.5	9.9
Rice 5%	198.0	238	221	234	235	260
Δ%	3.0	20.2	11.3	17.7	19.1	33.0
Shrimp	11,456	11,143	10,900	11,193	11,240	11,240
Δ%	8.9	-2.7	-7.6	-4.2	-1.0	2.2
Rubber	1,056	1,280	1,281	1,356	1,254	1,230
Δ%	37.0	21.2	34.2	38.7	23.0	-3.4
Sugar	156	158	133	146	170	183
Δ%	2.9	1.2	-28.6	-8.2	17.9	35.5
Cassava	111.1	126	123	113	128	139
Δ%	26.6	12.5	29.0	14.1	13.2	-0.6
Maize	105	112	122	128	102	94
Δ%	6.2	6.1	15.5	20.2	1.8	-13.0
Oil Palm	443	471	525	497	432	429
Δ%	13.6	6.2	17.8	18.4	5.8	-14.2

**Notes :** 1/ Only 12 commodities related to Thai agricultural commodities are included, namely, rice, shrimp, rubber, sugar, maize, cassava, coffee, soybean, oil palm, tobacco, cotton and sorghum.

Δ% represents percentage change from the same period last year.

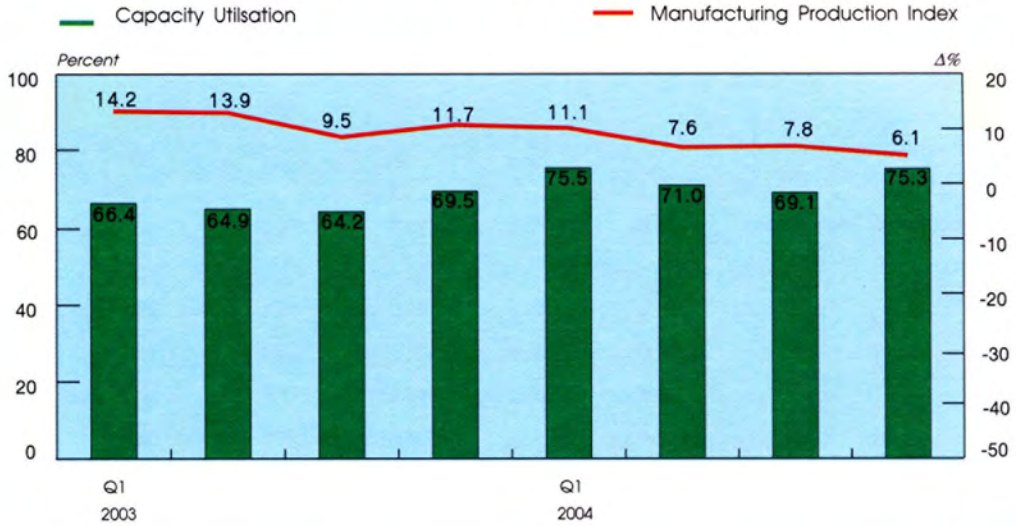
**Sources :** The World Agricultural Price Index is constructed from data of the World Bank.

## Manufacturing Sector

In 2004, the **manufacturing sector** continued to expand but at a decelerated pace compared to the previous year. The slowdown was particularly marked in export-oriented industries, whereas productions in domestic-oriented industries, though slowed down a bit, continued to expand satisfactory.

**Overall, the Manufacturing Production Index (MPI)** grew by 8.1 percent year-on-year, down from 12.3 percent growth recorded in the previous year. The slowdown was partly attributable to higher production costs as well as shortage of raw materials, which resulted in lower growth rates of productions in many industries, particularly those in export-oriented industries.

## Manufacturing Production



**Table 5: Manufacturing Production Index<sup>1/</sup>**  
(Percentage change)

Industry	Weight			2004 <sup>P</sup>		
	1995	2002	2003	H1	H2	Year
Textiles	14.2	-0.4	0.0	2.9	4.1	3.5
Vehicles and Equipment	10.2	19.8	32.2	24.9	17.3	20.9
Petroleum Products	7.2	1.9	4.3	5.9	10.4	8.2
Beverages	6.6	20.0	17.6	7.2	3.1	5.1
Electronics and Electrical	6.4	24.1	23.1	27.2	1.8	13.2
Appliances	6.0	2.8	16.8	-5.5	1.3	-2.9
Food	3.3	0.0	2.0	3.2	2.4	2.8
Setting Jewellery	2.6	13.4	1.5	8.7	9.6	9.1
Construction Materials	2.1	24.3	2.1	12.1	9.4	10.7
Tobacco	1.9	3.2	3.7	14.3	3.9	8.9
Others	1.9	2.3	13.2	-3.5	2.1	-0.7
<b>Total<sup>1/</sup></b>	<b>62.4</b>	<b>8.5</b>	<b>12.3</b>	<b>9.4</b>	<b>6.9</b>	<b>8.1</b>
<b>(Excluding Vehicles)</b>	<b>52.2</b>	<b>6.6</b>	<b>8.6</b>	<b>6.1</b>	<b>4.5</b>	<b>5.3</b>

**Notes :** 1/ Covering 45 products with 62.4 percent of the overall value added in the manufacturing sector.

P = Preliminary data

**Source :** BOT surveys

Production of **electronics and electrical appliances industry**, one of our main export-oriented industries, had decelerated significantly from the previous year. Even though the production of integrated circuits expanded well in the first half of 2004 in line with global demand for electronics products, its production in the second half of the year declined considerably due to contracted global demand for integrated circuits as well as their relatively high level of inventories. On the other hand, production of television sets rose owing to strong exports demand. The capacity utilisation rate in the electronics and electrical appliances industry increased slightly from 62.1 percent in 2003 to 63.8 percent in 2004.

Production of **food** declined due to the shortage of raw materials, especially those for frozen and canned seafood production. Production of sugar also decreased due to drought condition, which had lowered sugar cane output. The capacity utilisation rate of the food industry stood at 52.9 percent, close to last year's rate.

Production of **beverage** expanded at a decelerated pace due to continued high inventories of beer since end-2003. The capacity utilisation rate of this industry rose slightly from 56.6 percent in 2003 to 61.1 percent in 2004.

Production of **vehicles and equipment** decelerated slightly from the previous year, growing by 20.9 percent year-on-year in line with strong demand from both exports and domestic markets. The favourable growth was particularly strong in productions of commercial cars produced for external markets. In addition, lower excise tax on cars further stimulated domestic demand. As a result, the capacity utilisation rate of this industry rose significantly from 69.6 percent in 2003 to 84.4 percent in 2004.

Nevertheless, there are a number of industries that registered accelerated growth in 2004 such as:

Production of **steel products** accelerated from last year due to increased domestic demand. In the first half of the year, steel producers stepped up production to increase their inventories in anticipation of higher prices of steel due to rising demand from China. And in the second half of the year, steel production also benefited from strong exports of hot rolled sheets to North America. Nevertheless, the capacity utilisation rate of this industry rose only slightly from 63.2 percent in 2003 to 65.7 percent in 2004 owing partly to expansion of production capacity that had been completed during the course of the year.

Production of **construction materials** expanded well in line with domestic demand. In the first half of the year, the level of construction activities was particularly high as housing developers were trying to complete housing projects in order to deliver finished properties to home buyers, following the acceleration of real estate transactions towards

**Table 6 : Capacity Utilization<sup>1/</sup>**  
(Unit : Percentage)

Industry	Average 1995-1996	2002	2003	2004 <sup>P</sup>		
				H1	H2	Year
Vehicles and Equipment	74.5	54.7	69.6	82.9	86.0	84.4
Petroleum Products	89.5	76.2	79.4	83.5	88.4	85.9
Beverages	82.6	50.5	56.6	61.8	60.4	61.1
Electronics and Electrical Appliances	65.9	55.4	62.1	63.2	64.8	63.8
Food	40.3	45.1	53.9	61.7	44.1	52.9
Construction	88.0	56.9	57.6	62.9	63.2	63.1
Iron and Steel Products	64.7	60.6	63.2	67.4	63.9	65.7
Tobacco	79.7	53.8	55.8	62.1	59.4	60.7
Others	78.9	71.4	73.9	83.3	75.3	79.3
<b>Total<sup>1/</sup></b>	75.0	59.3	66.3	73.2	72.2	72.7

**Notes :** 1/ Covering 43 products with 44.5 percent of the overall value added in the manufacturing sector.

P = Preliminary data

**Source :** BOT surveys

the end of 2003, when the property transfer fee reduction was ended. In addition, the industry also benefited from increased demand from government projects. As a result, the capacity utilisation rate of this industry rose from 57.6 percent in 2003 to 63.1 percent in 2004.

Production of **petroleum** accelerated, growing by 8.2 per cent year-on-year due to rising domestic demand. The capacity utilisation rate of this industry rose from 79.4 per cent in 2003 to 85.9 percent in 2004.

The manufacturing capacity utilisation rate averaged at 72.7 percent, up from 66.3 percent in 2003.

## Services

### A. Tourism and Hotel Industry

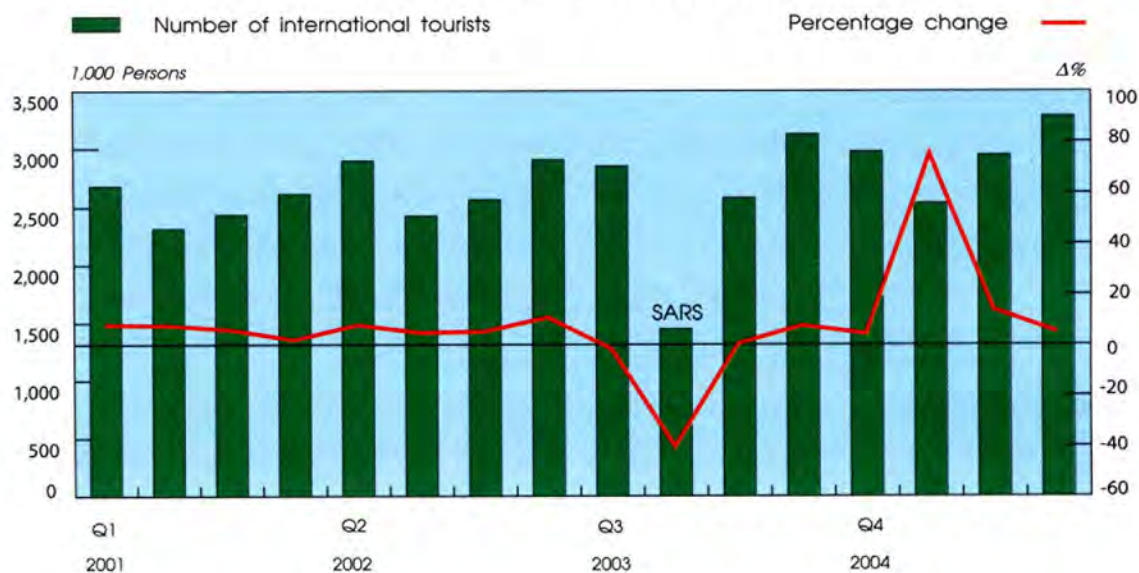
In 2004, despite the spread of avian flu and the unrest in the three southernmost provinces, the tourism industry still expanded favourably. The contributing factors included

various promotion measures initiated by the government and the opening and addition of routes by low-cost airlines.

For the entire year, the number of foreign tourists totalled 11.7 millions, growing by 16.5 percent from the previous year, which was adversely affected by the outbreak of SARS. Hotel occupancy rate averaged at 64.0 percent, and foreign revenue from tourism amounted to B386.1 billion, up by 18.9 percent from the previous year.

The first round of avian flu affected tourism only in the first quarter of 2004, resulting in a modest decline in the number of inbound tourists from East Asia. The second round saw some countries issuing travel warnings on Thailand, and rumours of possible human-to-human transmission. Nevertheless, the impact on tourism in the third quarter of 2004 was small because of the improved ability of the Thai authorities to control the epidemic as well as the better understanding of the situation by foreign tourists.

### Number of International Tourists



Source: Tourism Authority of Thailand

The unrest in the three southernmost provinces began to affect tourism in the second quarter of 2004, with greater impact in the fourth quarter. However, the impact on tourism was limited to those provinces and Hat Yai, which relied mainly on tourists from Malaysia. Nevertheless, the unrest did not significantly discourage Malaysian tourists from visiting other parts of Thailand, as availability of services offered by low-cost airlines increased. In addition, the impact of the tidal waves on tourism was negligible in 2004, as the event occurred during the final week of the year (on 26 December 2004).

## Occupancy Rate



Source : Bank of Thailand

**Table 7 : International Tourists Classified by Nationality**

Country	$\Delta\%$		Market share (%)	
	2003	2004	2003	2004
	Year	Year	Year	Year
East Asia	-5.6	14.9	57.7	56.5
- Malaysia	3.3	3.7	13.5	12.0
- Japan	-17.0	16.3	10.4	10.3
- South Korea	-3.1	29.3	7.0	7.7
Europe	-7.9	13.3	25.2	24.3
USA	-9.9	21.3	6.8	7.0
Others	-14.6	30.0	10.3	12.2

**Note :**  $\Delta\%$  represents percentage change from the same period last year.

**Source :** Tourism Authority of Thailand

The country-of-origin pattern of foreign tourists in 2004 did not change significantly. At 56.5 per cent, tourists from East Asia continued to account for the largest share of all foreign tourists to Thailand, followed by those from Europe and the US, which accounted for 24.3 and 7.0 per cent, respectively. The number of tourists from all countries grew significantly after the decline in 2003 as a result of the SARS outbreak.

In 2005, tourism activities in the tsunami-hit provinces were expected to slow down primarily in the first quarter. Furthermore, the prolonged unrest in the south would affect tourism in the three southernmost provinces and Hat Yai, whereas tourism in other areas was expected to increase.

**Table 8 : Tourism Indicators**

	2002 Year	2003 <sup>P</sup> Year	2004			
			Q1	Q2	Q3	Q4
1. Number of foreign tourists (million persons)	10.0	11.7	3.0	2.5	2.9	3.2
Δ%	-7.4	16.5	4.4	75.1	14.0	2.3
2. Income from tourism (billion baht)	324.7	386.1	107.5	84.8	90.2	103.6
3. Occupancy rate (percent)	57.2	64.0	67.3	56.5	64.0	68.3
4. Room rates (baht)	1,178	1,238	1,358	1,136	1,131	1,327

**Notes :** P = Preliminary data

Δ% represents percentage change from the same period last year.

**Sources :** Tourism Authority of Thailand and Bank of Thailand

## B. Real Estate

In 2004, the real estate market continued to grow satisfactorily, albeit at a slower pace than in 2003, when housing and land transaction was recorded as accelerating, chiefly owing to the advantage taken before the termination of the property tax reduction measure at end-2003. The new housing registrations in Bangkok and its vicinity grew by 24.1 percent from the previous year. Permitted housing construction area increased by 21.8 percent. The number of land transactions and land and structure transaction value in 2004 were satisfactory, although they declined by 4.1 and 5.3 percent, respectively from 2003 when the property tax reduction measure expired.

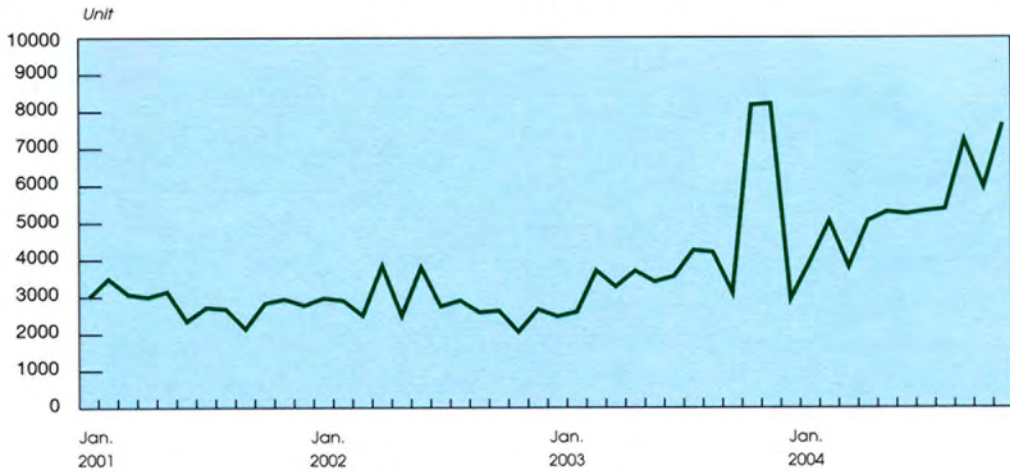
House prices continued to rise, reflecting persistent housing demand. In 2004, the Single-detached House Price Index (including land) increased by 5.4 percent year-on-year, and the Townhouse Price Index (including land) expanded by 3.5 percent year-on-year. However, the increase in housing price was modest given the increase in the construction cost, with the Construction Material Price Index increasing by 10.2 percent year-on-year in 2004. This suggested a highly competitive market environment.

### Outlook for 2005

Demand for houses was expected to grow, especially on future mass transportation coverage area in Bangkok and its vicinities. The cost of business will be increased by the expected higher prices of construction materials, yet it is expected to be minimal price pressure on housing since there will be more housing supply next year.

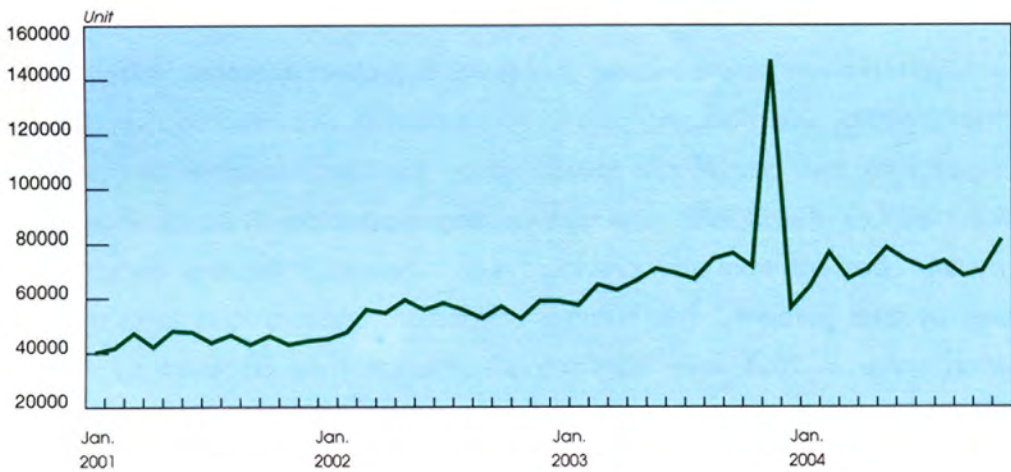
### New Housing Registrations

(Bangkok and Vicinities)



Source : Government Housing Bank

### Number of Land Transactions



Source : Departement of Lands.

### Housing Price Index



Source : Bank of Thailand calculation using the Government Housing Bank appraisal database

**Table 9 : Real Estate Indicators**

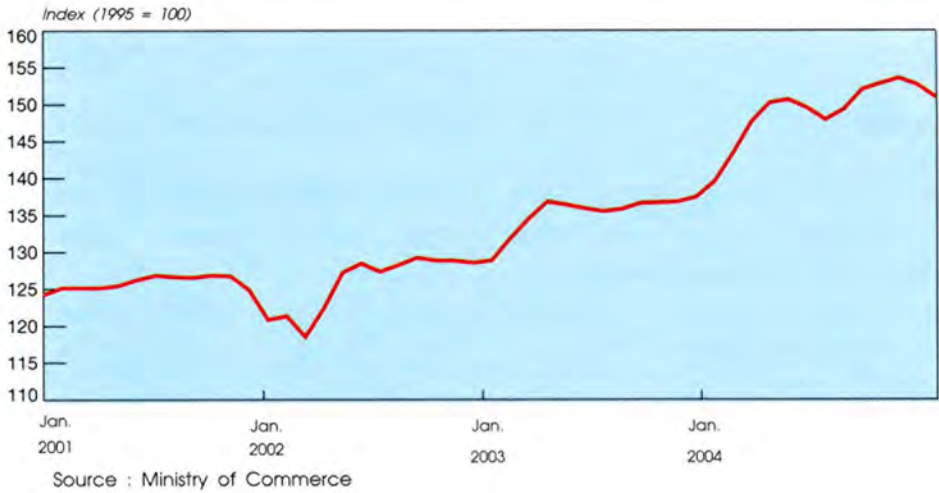
	2003	2004				
		year	Q1	Q2	Q3	Q4
<b>Land Transaction Value<sup>1/</sup></b> (Million baht)	<b>762,579</b>	<b>721,795</b>	<b>126,506</b>	<b>153,243</b>	<b>189,131</b>	<b>252,916</b>
Δ%	109.5	-5.3	-25.5	-11.5	21.7	-4.2
<b>Juristic Act and Right</b> <b>Registration Fee 2%<sup>2/</sup></b> (Million baht)	<b>8,740</b>	<b>11,168</b>	<b>2,171</b>	<b>2,689</b>	<b>2,888</b>	<b>3,425</b>
Δ%	64.4	28.3	46.4	58.6	58.6	-4.0
<b>Juristic Act and Right Registration</b> <b>Fee 0.01%<sup>3/</sup></b> (Million baht)	<b>32.7</b>	<b>16.3</b>	<b>1.8</b>	<b>1.9</b>	<b>4.5</b>	<b>8.2</b>
Δ%	231.3	-50.1	-81.2	-78.7	-21.8	-4.7
<b>Number of Land Transactions (Unit)</b>	<b>886,294</b>	<b>850,116</b>	<b>197,151</b>	<b>215,653</b>	<b>217,978</b>	<b>219,334</b>
Δ%	35.7	-4.1	8.8	7.8	3.6	-25.6
<b>Permitted Construction Areas</b> (1,000 square meters)	<b>18,572</b>	<b>22,702</b>	<b>4,843</b>	<b>5,935</b>	<b>5,713</b>	<b>6,210</b>
Δ%	33.7	22.2	39.7	41.9	18.9	1.5
<b>Permitted Housing Construction Areas</b>	<b>13,206</b>	<b>16,084</b>	<b>3,502</b>	<b>3,970</b>	<b>4,203</b>	<b>4,409</b>
Δ%	29.3	21.8	33.2	35.4	29.7	0.1
<b>New Housing Registrations (Bangkok</b> <b>and Vicinities) (Unit)</b>	<b>50,594</b>	<b>62,796</b>	<b>11,931</b>	<b>14,143</b>	<b>15,904</b>	<b>20,818</b>
Δ%	48.7	24.1	36.1	36.5	32.6	6.9
- Housing Projects	30,088	40,752	6,846	9,462	10,586	13,858
- Flats/Condominiums	1,908	2,185	598	407	132	1,048
- Self-built Houses	18,598	19,859	4,487	4,274	5,186	5,912
<b>Cement Sale (1,000 Metric Tons)</b>	<b>24,227</b>	<b>27,191</b>	<b>7,137</b>	<b>6,596</b>	<b>6,596</b>	<b>6,862</b>
Δ%	5.2	12.2	12.9	11.4	11.0	13.6
<b>Single-detached House Price Index</b> (Including Land) (1991=100)	<b>135.7</b>	<b>143.0</b>	<b>140.3</b>	<b>142.1</b>	<b>142.9</b>	<b>146.8</b>
Δ%	3.0	5.4	5.0	6.1	5.1	5.5
<b>Town House Price Index</b> (Including Land) (1991=100)	<b>131.5</b>	<b>136.0</b>	<b>134.7</b>	<b>135.0</b>	<b>135.8</b>	<b>138.6</b>
Δ%	2.2	3.5	2.1	3.9	2.8	5.0
<b>Construction Material Price Index</b> (1991=100)	<b>112.8</b>	<b>124.3</b>	<b>121.8</b>	<b>123.7</b>	<b>125.4</b>	<b>126.2</b>
Δ%	7.7	10.2	9.4	9.9	11.0	10.5

**Notes :** Δ% represents percentage change from the same period last year.

- 1/ Regarding the estimation for overall land transactions nationwide, the Bank of Thailand derives the figures from the amount of the Juristic Act and Right Registration Fee, separately classified into 2 percent and 0.01 percent categories.
- 2/ The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 2 percent, in accordance with Ministerial Regulation No.47 (BE 2541), which was issued under the Land Code Amendment Act B.E.2497 article 2(7).
- 3/ The Juristic Act and Right Registration Fee for immovable property is charged at a rate of 0.01 percent as specified by the Cabinet.

**Sources :** Department of Lands, Government Housing Bank, Ministry and Bank of Thailand

### Construction Material Price Index

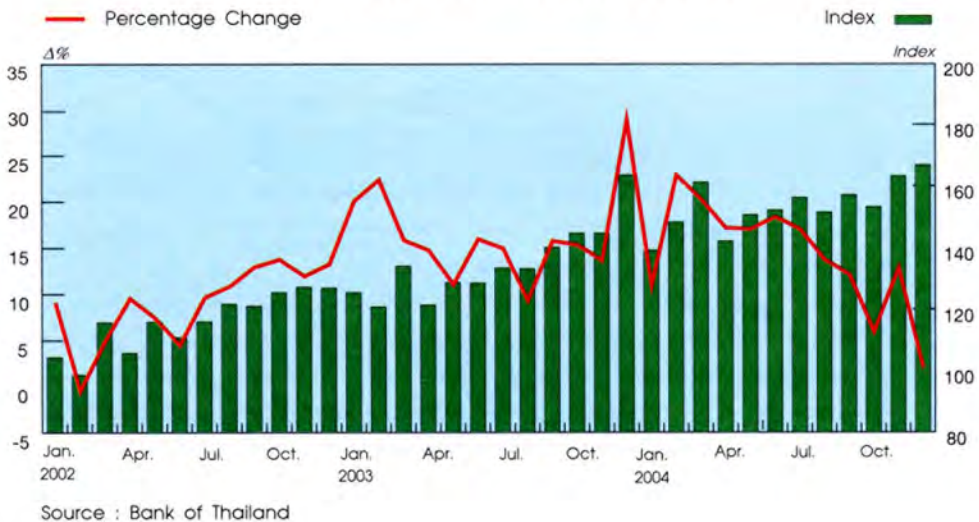


### C. Trade

Trading sector expanded well in 2004, both in the retail and wholesale businesses, owing to expanding economy and higher farm income in line with increase in the price of farm products. Growth in the retail sector accelerated despite the introduction of energy saving measures on the opening hours of department stores towards the end of the year. Product groups that experienced accelerated activities were housing decorative items and electronics, benefiting from growing real estate businesses.

The trading sector in 2005 is expected to grow at a decelerated pace as a result of anticipated slowdown of the economy as well as expected increase in goods prices. Nevertheless, a number of trading businesses are expected to grow. New stores are likely to have smaller size in response to the new land usage measure for retail and wholesale sector, which was effective since September 2004. The Tsunami disaster in the six southern provinces is not expected to cause significant impact to the overall outlook of the sector.

### Wholesale Trade Index (2000 Prices)



### Retail Trade Index (2000 Prices)

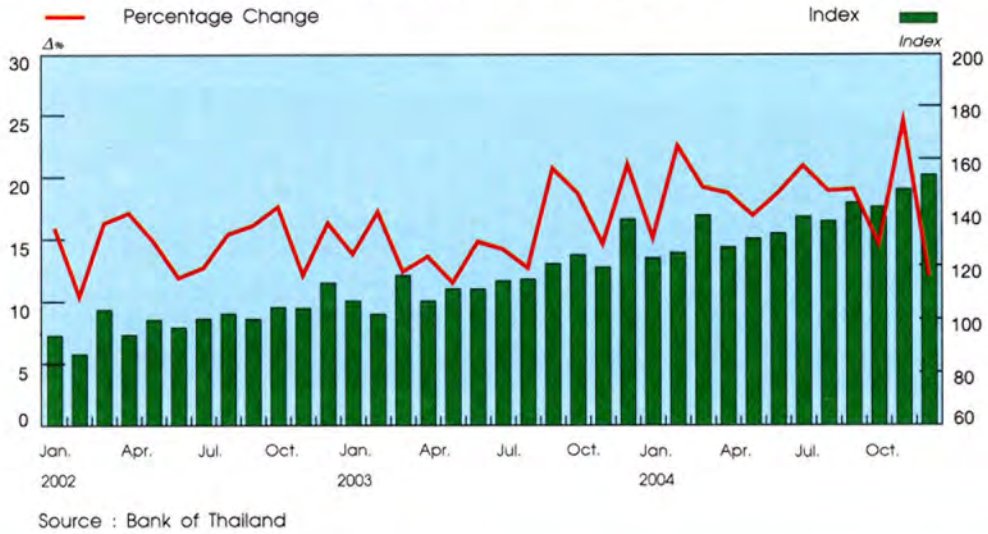


Table 10 : Retail and Wholesale Trade Indices

	2003	2004	2004			
			Q1	Q2	Q3	Q4 <sup>E</sup>
Retail Trade Index	115.5	136.6	128.9	129.7	139.6	148.3
Δ%	15.5	18.3	18.9	18.1	19.6	16.8
Wholesale Trade Index	134.9	153.5	149.6	148.4	154.9	161.1
Δ%	16.4	13.8	17.9	17.5	14.2	6.7

Note : E = Estimated

Δ% represents percentage change from the same period last year.

Source : Bank of Thailand

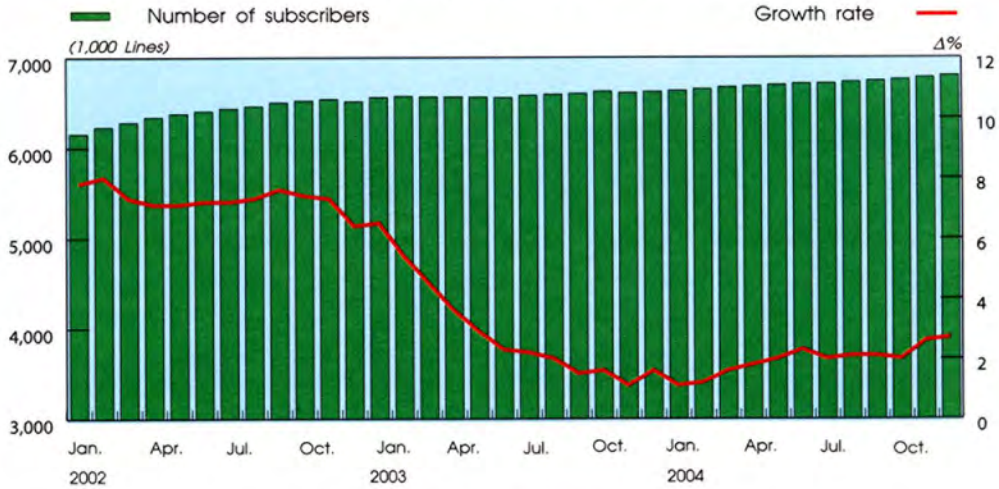
#### D. Telecommunications

In 2004, telecommunication sector continued to expand well with their subscription numbers increased almost by 5,000,000 for mobile telephone and around 200,000 for fixed-line telephone. This was supported by strong economic expansion and rising consumer's purchasing power.

Though the growth of mobile telephone service businesses decelerated slightly from the previous year, it continued to expand well, partly as a result of varieties of promotional campaign, aiming at different groups of customers, both in terms of pricing and quality of services. For example, the introduction of refill cards for prepaid services at lower denominations was aiming at inducing more subscribers among the existing and large pools of low-and-middle income customers. Meanwhile, the calling rate reduction for monthly post-paid customers was introduced so as to boost airtime usages among middle-to-high income customers. In addition, there were also new real-time information services being offered in the markets.

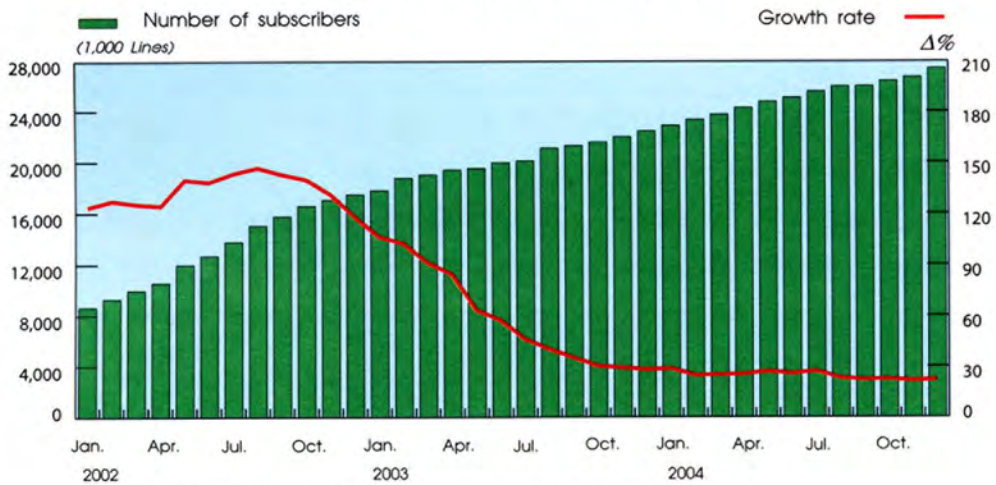
As for fixed-line telephone businesses, the expansion concentrated mostly in the regional areas, where there still exists high demand for fixed-line services.

### Subscribers to Fixed-line Telephones



Source : TOT Corporation Public Company Limited and CAT Telecom Public Company Limited

### Subscribers to Mobile Phones



Sources : TOT Corporation Public Company Limited and CAT Telecom Public Company Limited

**Table 11 : Telecommunication Services**

(Unit : Million lines)

	2003	2004	2004			
			Q1	Q2	Q3	Q4
Fixed-line Telephones <sup>1/</sup>	6.6	6.8	6.7	6.7	6.8	6.8
Δ%	1.6	2.7	1.6	2.3	2.1	2.7
Mobile Phones <sup>1/</sup>	22.4	27.3	23.7	25.1	25.9	27.3
Δ%	28.4	21.9	24.9	25.6	21.9	21.9

**Notes :** 1/ Data as of end - period

Δ% represents percentage change from the same period last year.

**Sources :** TOT Corporation Public Company Limited and Communications Authority of Thailand Telecom Public Company Limited.

In 2005, telecommunication sector is likely to continue its expansion in tandem with the increase in the demand from both business and household sectors. With varieties of new supplementary services made possible by recent advancements in telecommunications technology, a greater portion of mobile telephone service provider revenues will likely to come from their fee-based incomes. Meanwhile, fixed-line businesses are also expected to expand further owing mainly to the planned expansion of up to 560,000 new fixed-line numbers, mostly in regional areas.

## Private Consumption

Private consumption expanded favourably in 2004, albeit decelerating from 2003. In the first nine months of 2004 private consumption increased by 5.8 percent, a rate similar to that of the same period in 2003. Consumption of both durable and non-durable goods slowed down while household expenditures on services grew at a similar rate as that of 2003.

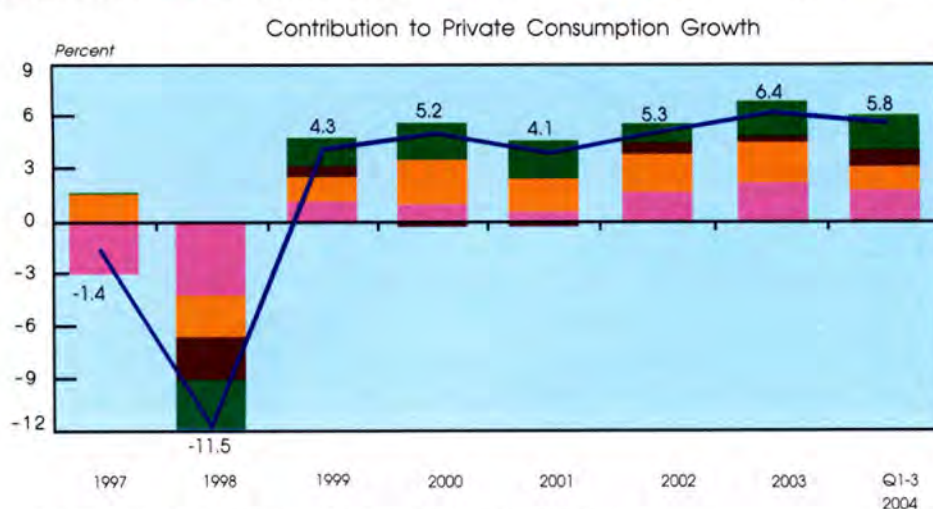
The factors that contributed to the overall slowdown of private consumption were the deceleration in farm income increases, rising consumer prices in line with higher domestic retail benzene prices, the downward trend in consumer confidence, concerns over avian flu, unrest in the three southernmost provinces, and the interest rate hike. These factors reduced consumers' purchasing power and sapped consumers' optimism, rendering private consumption growth to slow down throughout the first nine months of 2004.

In the fourth quarter of 2004, the BOT's Private Consumption Index (PCI) expanded by 1.4 percent, down from 3.8 percent in the previous quarter. The abovementioned factors and in particular rising consumer and oil prices together with the effect of the

### Private Consumption at Constant Prices

	2003	2004			
		H1	Q1	Q2	Q3
Private Consumption	6.4	5.9	6.2	5.7	5.5

■ Durable Goods ■ Semi-durable Goods ■ Services ■ Non-durable Goods — Private Consumption

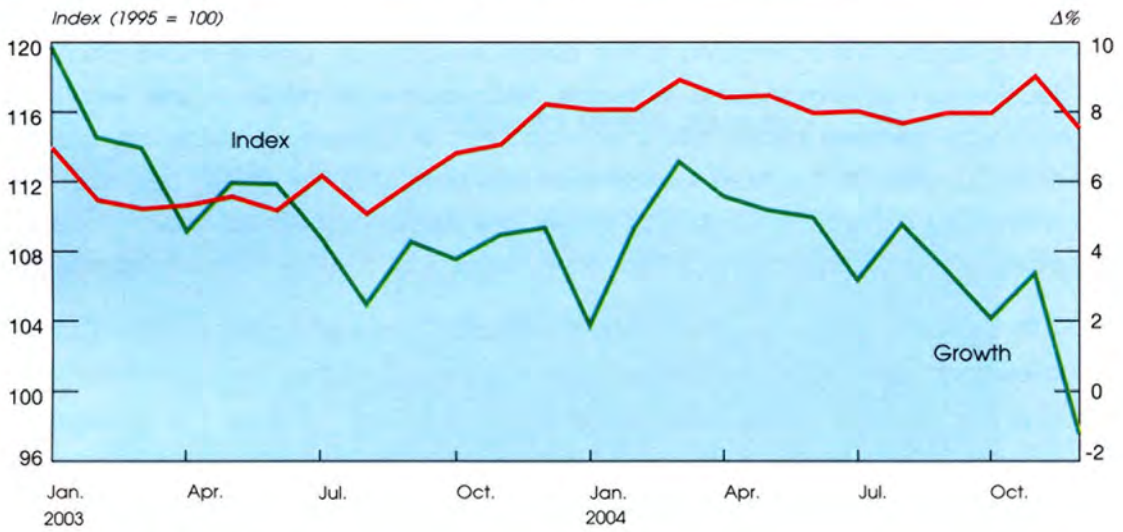


Source : National Economic and Social Development Board

tidal waves in the six southern provinces curtailed household consumption expenditures during the period leading up to the New Year. The PCI was consistent with other private consumption indicators that exhibited lower growth, such as the sales of beer, liquor, and soft drinks. Other private consumption indicators, however, showed favourable expansion. For example, retail sales accelerated in 2004.

### Private Consumption Index

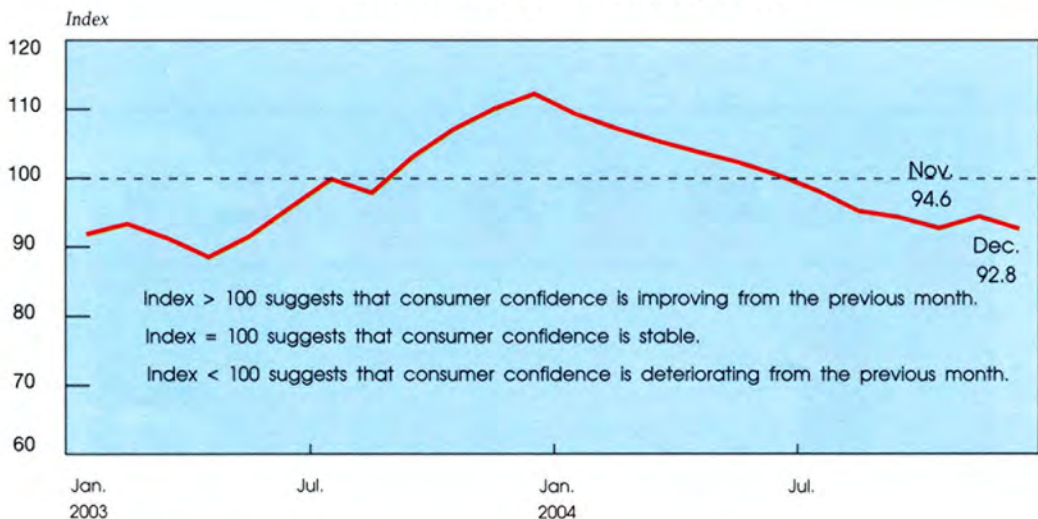
	2003	2004 <sup>P</sup>	2004			
			Q1	Q2	Q3	Q4 <sup>P</sup>
Index	112.2	116.4	116.8	116.6	115.8	116.4
Δ%	5.4	3.7	4.4	5.3	3.8	1.4



Note : P = Preliminary data

Source : Bank of Thailand

### Consumer Confidence Index



Source : The University of the Thai Chamber of Commerce

Table 12 : Private Consumption Indicators

	2003	2004 <sup>P</sup>	2004			
			Q1	Q2	Q3	Q4 <sup>P</sup>
<b>Passenger Car Sales</b>	179.4	209.1	52.5	50.1	50.2	56.3
(Unit:1,000 units)						
Δ%	42.0	16.6	19.3	18.3	19.1	10.6
<b>Motorcycle Car Sales</b>	1,687.0	1,942.8	507.2	493.9	431.3	510.4
(Unit:1,000 units)						
Δ%	28.2	15.2	13.0	14.2	11.7	21.7
<b>Sales of Benzene</b>	7.6	7.7	2.0	2.0	1.9	1.8
(Unit:billion liters)						
Δ%	4.3	0.3	4.7	5.1	-1.4	-6.7
<b>Household's Usage of Electricity Power</b>	23.3	24.5	5.6	6.7	6.3	5.9
(Unit:billion kilowatts)						
Δ%	6.2	5.2	5.1	5.7	6.0	3.8
<b>Imports of Consumer Goods at 1995 prices</b>	8,107.0	8,986.5	2,263.0	2,257.6	2,276.0	2,189.9
(Unit:billion USD)						
Δ%	10.5	10.8	16.5	18.7	12.5	-2.3
<b>VAT at 1995 prices</b>	216.1	257.8	62.1	62.3	64.7	68.7
(Unit:billion baht)						
Δ%	15.5	19.3	21.6	18.8	19.3	17.8

**Note :** Number in parenthesis is a year-on-year growth rate

P = Preliminary data

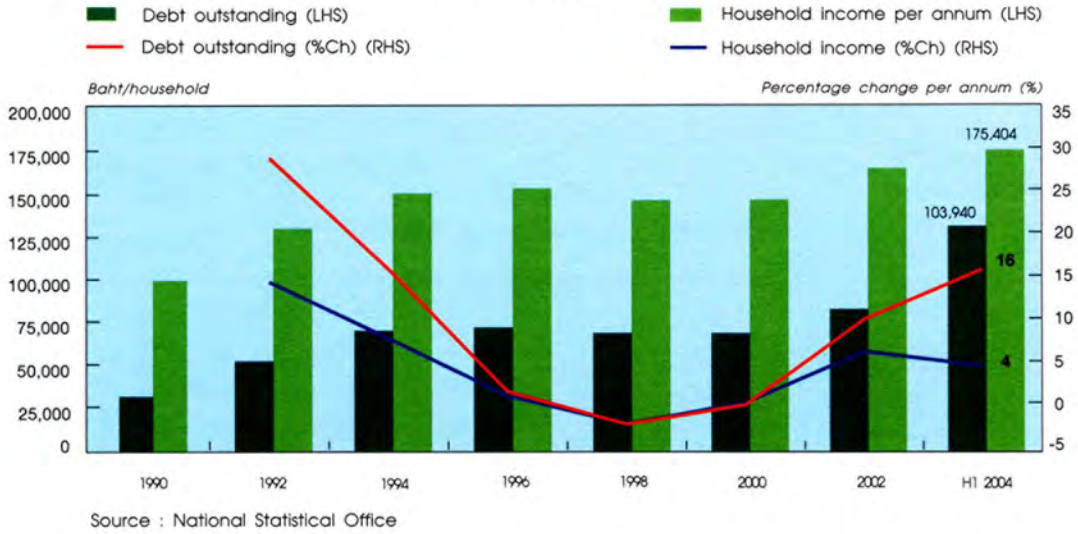
Δ% represents percentage change from the same period last year.

**Source :** Bank of Thailand

Household consumption growth in recent years was partly due to rising household debt, which increased in line with the economic recovery. Other factors contributing to rising household expenditures and therefore debt included the low interest rate environment, easing consumer credit constraint as well as government stimulus policy at the grass-root level. According to the National Statistical Office (NSO), average debt per household in the first half of 2004 had increased to 103,940 baht from 82,485 baht in 2002.

Although household debt had increased, there was no evident adverse effect on economic stability. This was because part of the household debt increase was to finance asset accumulation such as residential property. In addition, the upward trend of interest rates should discourage further debt accumulation. Moreover, the BOT's measures to limit the mortgage loan-to-value ratio and control credit card loans in November 2003 and April 2004, respectively, should raise consumer awareness of the importance of financial discipline and encourage financial institutions to be more cautious in lending to households.

### Household Debt



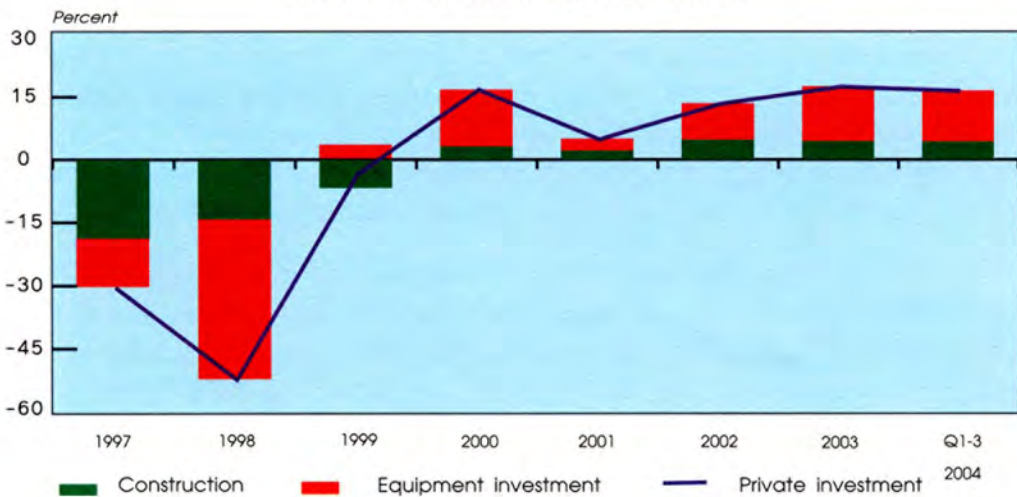
### Private Investment

Private investment expanded robustly in 2004 with 17.3 percent growth in the second half of the year, comparable to its annual growth rate in 2003. Nevertheless, private investment decelerated in the latter half of the year with third-quarter growth registering 14.6 percent, as compared to 15.8 percent growth in the same period of 2003. The deceleration was due to the increased cost of investment and the significant rise in the price of construction materials.

#### Private Investment at Constant Price

	2003	2004			
		H1	Q1	Q2	Q3
Private Investment	17.5	17.3	18.6	16.1	14.6
- Equipment	17.4	17.0	18.5	15.5	14.9
- Construction	17.8	18.4	19.1	17.8	13.9

Contribution to Private Investment Growth



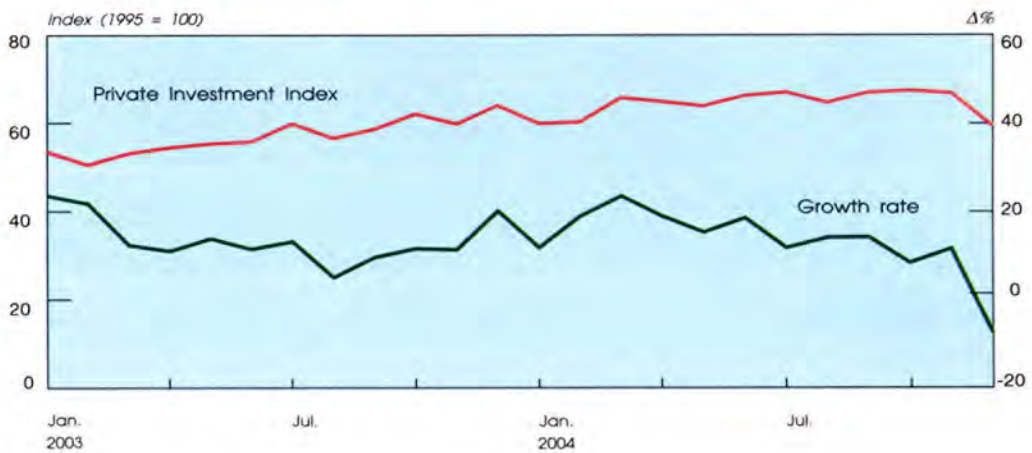
Source : National Economic and Social Development Board

During the first three quarters of 2004, despite some deceleration in growth, investment expanded mostly due to increases in investment in equipment and machinery. Meanwhile, construction served as an important source of investment growth with its contribution to growth remaining stable from the previous year.

As for the fourth quarter of 2004, private investment indicators pointed to a slowdown from the third quarter in line with the Private Investment Index (PII), which grew at 3.4 percent in the fourth quarter of 2004, slowed down from 13.2 percent growth in the third quarter. As a result, private investment over the year was expected to decelerate somewhat from 2003, but will nevertheless attain a satisfactory growth rate. Factors accounting for most of the deceleration included (1) the upward trend in the cost of production, especially the pickup in oil prices during the third quarter of 2004 and (2) the continuing decline in business sentiments since the beginning of the year owing to concerns over rising production costs, the unrest in the three southernmost provinces, the outbreak of avian flu, as well as the appreciation of the baht.

### Private Investment Index

	2003	2004 <sup>P</sup>	2004			
			Q1	Q2	Q3	Q4 <sup>P</sup>
Private Investment Index	57.0	64.3	62.0	65.0	66.1	64.1
Δ%	13.6	12.8	18.2	17.7	13.2	3.4



Note : P = Preliminary data

Source : Bank of Thailand

Private investment indicators in 2004 such as corporate income tax revenue, registered capital of new businesses, and foreign direct investment also showed signs of deceleration. Nevertheless, the value of investment projects approved by the Board of Investment (BOI) expanded at a faster pace in 2004 and indicated continued expansion of investment in 2005.

### Business Sentiment Index (BSI)

	2003	2004	2004			
			Q1	Q2	Q3	Q4
BSI	50.0	49.0	50.5	49.8	47.5	48.0
Expected BSI (3-month forward)	55.7	53.9	54.0	53.9	52.8	53.2

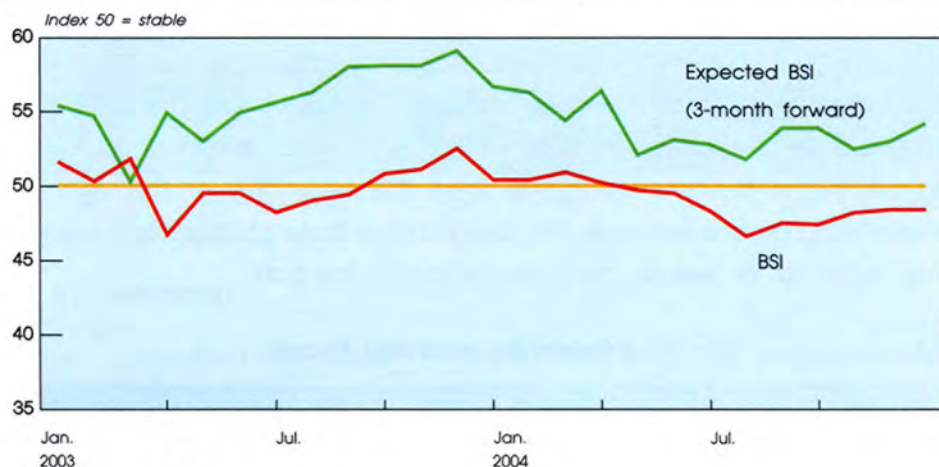


Table 13 : Private Investment Indicators

	2003	2004 <sup>P</sup>	2004			
			Q1	Q2	Q3	Q4 <sup>P</sup>
<b>Domestic Cement Sales</b> (Unit:1,000 units)	24,227	27,191	7,137	6,596	6,596	6,862
Δ%	5.2	12.2	12.9	11.4	11.0	13.6
<b>Construction Area Permitted in Municipal Zone</b> <b>(a 12-month backward moving average)</b> (Unit:1,000 square meters)	15.7	21.5	4.9	5.3	5.6	5.7
Δ%	35.6	37.1	37.0	42.8	40.3	29.6
<b>Domestic Commercial Car Sales</b> (Unit: 1,000 units)	354.0	416.8	95.1	100.9	89.9	130.9
Δ%	25.1	17.7	26.5	18.8	-1.0	27.0
<b>Imports of Capital Goods at 1995 prices</b> (Unit:billion baht)	257.1	272.0	66.7	69.3	71.5	64.5
Δ%	5.3	5.8	12.6	7.6	7.6	-6.4

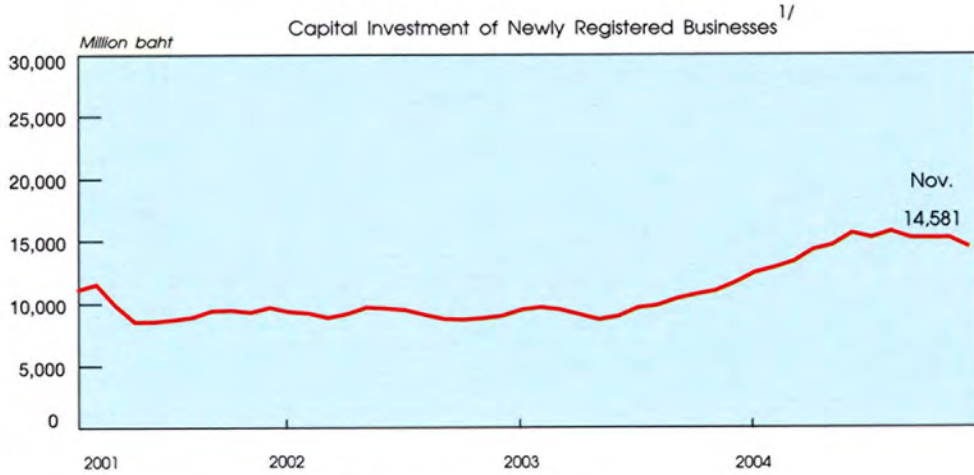
Note : Number in parenthesis is a year-on-year growth rate

P = Preliminary data

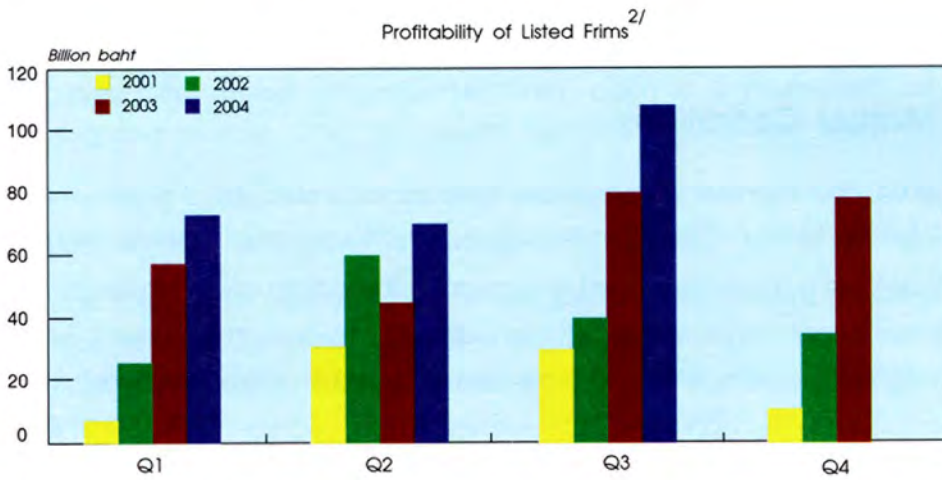
Δ% represents percentage change from the same period last year.

Source : Bank of Thailand

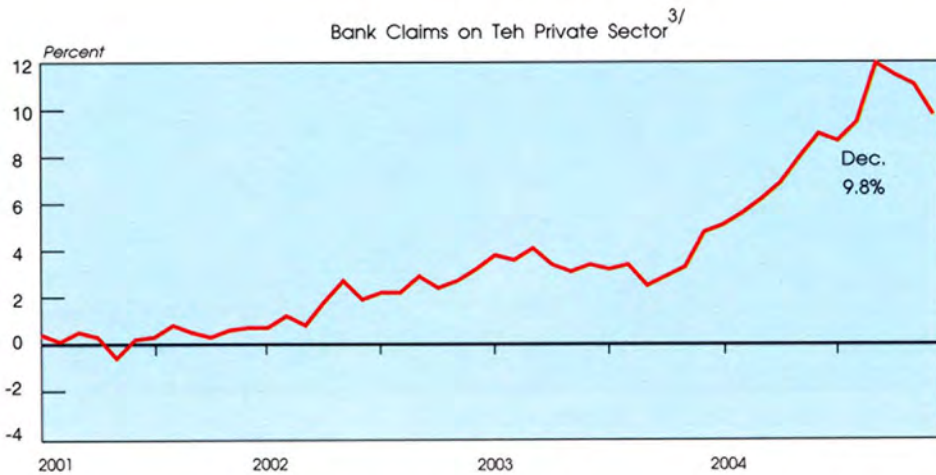
### Private Investment Indicators



Note : 1/ 12-Month moving average  
 Source : Ministry of Commerce



Note : 2/ Non-financial firms  
 Source : The Stock Exchange of Thailand



Note : 3/ Including investment in private securities and adding back debt write-offs and loans transferred to AMC's but excluding credit extended to AMC's.

Source : Bank of Thailand

**Table 14 : Investment Promotion Certificates Issued**

Jan-Dec 2004 ( $\Delta\%$ )	No. of Projects	Value
Agriculture	70.2	104.1
Mining ceramics and metals	116.7	682.6
Light industry	44.4	143.9
Metal machinery and equipment	49.1	20.8
Electronics and electrical products	36.5	115.8
Chemicals paper and plastic	31.0	53.9
Services and infrastructure	39.3	27.4
Total	46.9	62.4

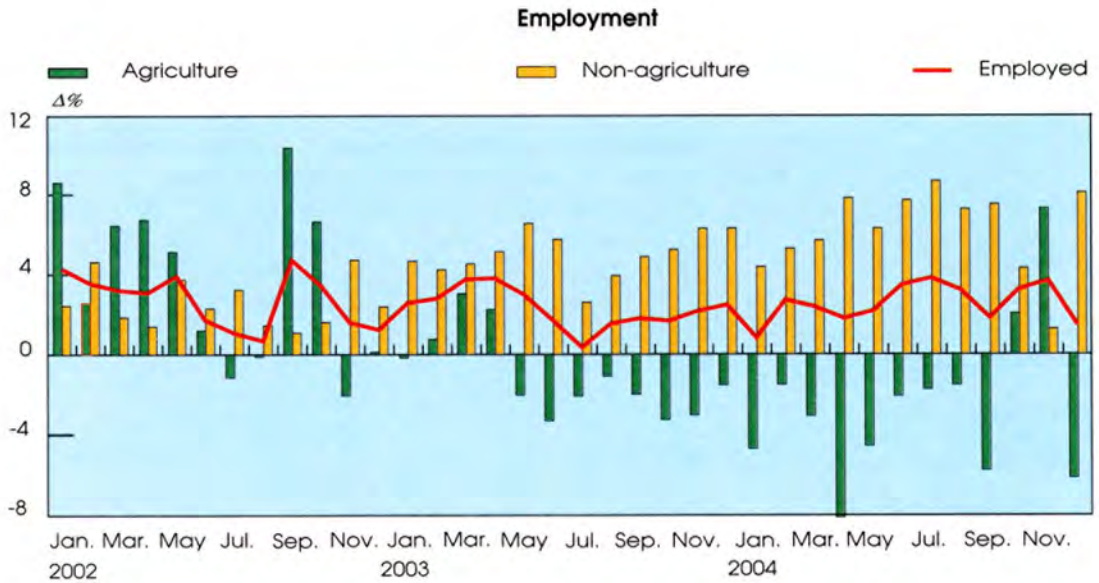
Source : Office of The Board of Investment

## Labour Market Conditions

In 2004, the number of employed persons increased by 2.6 percent from the previous year due to the increase in non-agricultural employment, which rose by 6.0 per cent, in tandem with the employment expansion in the construction, wholesale and retail, hotel and restaurant, and manufacturing sectors. However, agricultural employment declined from the previous year by 2.3 percent as a result of drought and the increased demand for labour in the non-agricultural sectors, which resulted in the flow of labour from the agricultural sector to the non-agricultural sectors.



Note : The number of employed persons is highest during the periods of June-August and November-December as these are farming and harvest seasons, respectively.



Source : National Statistical Office

Employment rose in all regions of Thailand especially in the North. The Central Region registered the lowest unemployment rate, partly due to the shift of labour to manufacturing and services within the greater Bangkok metropolitan area.

Private hiring in the formal sector as measured by social insurance coverage rose by 7.83 million persons, increasing from end-2003 by around 0.4 million or 5.3 percent.

A labour issue that merited attention was the possible pressure on wages from the onset of labour market tightening. Over the course of the year, the low unemployment and underemployment rates, which continued from 2003, together with the job vacancy growth that outpaced the unemployment growth, might reflect a tightening labour market in the future. This trend was confirmed by a BOT survey of private business, which reported labour shortage problems in the construction, real estate, hotels, and tourism sectors.

**Table 15 : Labour Market Conditions by Sector**

(Unit : Percent)

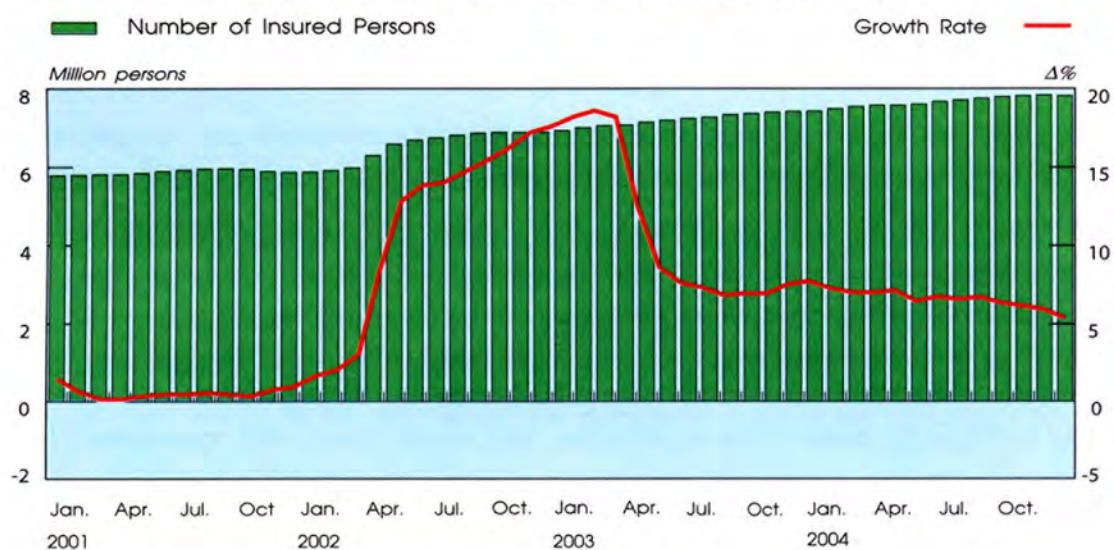
	Share of Employed Persons in 2004	Growth Rate of Employed Persons in 2004
Agriculture	40.3	-2.3
Non-agriculture	59.7	6.0
Manufacturing	16.4	3.9
Wholesale and retail trade	15.3	6.3
Hotel and restaurant services	6.4	5.6
Construction	5.5	11.4
Others	16.0	5.2
Total	100.0	2.6

Source : Bank of Thailand

**Table 16 : Labour Market Conditions by Region***(Unit : Percent)*

	Share of Employed Persons in 2004	Growth Rate of Employed Persons in 2004	Unemployment Rate 2003	Unemployment Rate 2004
Central region	24.0	3.5	1.7	1.5
Bangkok	13.0	0.8	2.3	2.1
Northern region	18.7	4.6	2.1	2.1
Northeastern region	31.6	2.5	2.6	2.5
Southern region	12.8	0.5	1.9	1.9
Whole Kingdom	100.0	2.6	2.2	2.1

Source : National Statistical Office

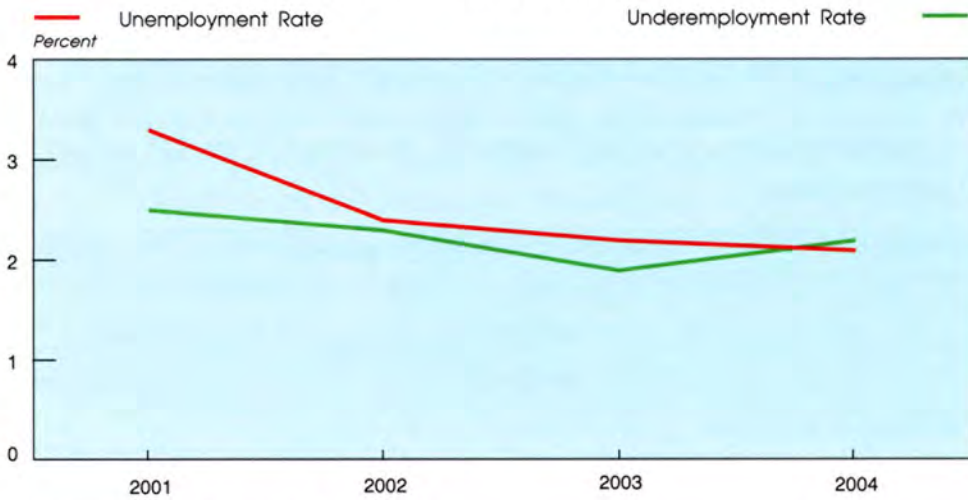
**Number of Insured Persons in the Social Security System**

Note : Since April 2002, the Social Security Office expanded Social insurance coverage to establishments with less than 10 persons, resulting in the unusually large increase in the number of insured persons during the period of April 2002 to March 2003.

Source : Social Security Office

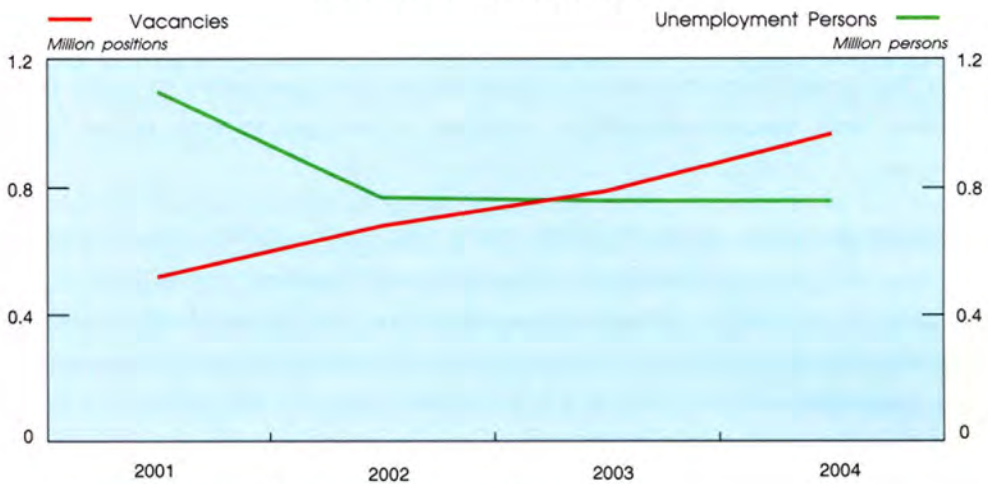
However, wage pressure had thus far been nonexistent due to the availability of surplus labor in the agricultural sector that could shift into the non-agricultural sectors. In any event, there were signals that the influx of surplus agricultural labor would not be enough to stave off wage pressure, especially if there was skill mismatch between the type of labor demanded and those in the surplus labor pool.

### Unemployment and Underemployment Rates



Source : National Statistical Office

### Vacancies and Unemployment



Source : Department of Employment, Ministry of Labor

## Price Level

In 2004, the **Consumer Price Index (CPI)** rose by 2.7 percent, accelerating from the previous year's rate of 1.8 percent as a result of a 4.5 percent increase in food and beverage prices and a 1.7 percent increase in non-food prices. **Core CPI** (excluding fresh food and energy prices) rose by 0.4 percent, remaining well within the target inflation bracket of 0-3.5 percent.

Despite the surge in fuel and world commodity prices, inflation was modest due to a number of factors:

(1) The government administered the prices of basic necessities, the most important of which being the retail prices of gasoline, which were kept well below market prices. Consequently, the high price of world crude oil, which had traditionally been an important cost of production, had yet to be fully reflected in the domestic prices of goods and services.

(2) Residential rents, which accounted for 18 percent of the CPI basket, fell by 0.6 percent year-on-year.

**Table 17 : Consumer Price Index**  
(Percentage change from the same period last year)

	Weight (Percent)	2003	2004	2004			
				Q1	Q2	Q3	Q4
Headline Consumer Price Index	100.0	1.8	2.7	1.9	2.6	3.3	3.1
Food and beverages	38.5	3.6	4.5	4.8	5.0	4.5	3.6
Non-food and beverages	61.5	0.7	1.7	0.2	1.2	2.6	2.8
Core Consumer Price Index	75.3	0.2	0.4	0.1	0.4	0.6	0.6

Source : Bureau of Trade and Economic Indices, Ministry of Commerce

(3) The baht appreciated from the average of 41.53 baht per US dollar in 2003 to 40.28 baht per US dollar in 2004. As a result, the prices of imported items fell in baht terms.

(4) The government requested co-operations from businesses to delay price hikes. At the same time, fierce competition pressured producers to cap prices to maintain market shares.

Nevertheless, the prices of some items rose quite significantly in 2004, such as those of rice, flour and flour products increased by 8.1 percent in the face of increased external demand for Hom Mali rice. At the same time, the prices of vegetables and fruits as well as meat, poultry, and fish increased by 10.5 and 9.3 percent, respectively, due to increased domestic consumption. In the non-food category, the prices of fuel rose from higher world crude oil prices. This led to an upward adjustment in electricity fees, cooking gas prices, and public transportation fares.

**Table 18 : Producer Price Index**  
(Percentage change from the same period last year)

	Weight (Percent)	2003	2004	2004			
				Q1	Q2	Q3	Q4
Producer Price Index	100.0	4.0	6.7	2.5	5.6	8.2	10.5
Agricultural Products	9.5	10.8	14.9	13.5	18.4	12.7	14.8
Mining Products	2.4	5.8	12.8	1.9	10.2	15.8	23.0
Manufactured Products	88.1	2.8	5.4	0.9	3.8	7.3	9.6

Source : Bureau of Trade and Economic Indices, Ministry of Commerce

As most of the general price increase came from fresh food and energy, headline inflation continued to differ significantly from core inflation.

The **Producer Price Index (PPI)** increased by 6.7 percent in 2004, accelerating from the previous year's increase of 4.0 percent. The acceleration in PPI was due to higher prices in all categories, namely, agricultural, mining, and manufactured products, which rose by 14.9, 12.8 and 5.4 percent, respectively. While agricultural prices rose with the increase in the prices of paddy and rubber due to strong external demand, manufactured product prices rose following the increase in the prices of petroleum products and chemical and metal products, and mining products rose in line with the increase in the prices of crude oil, natural gas, and metal ore.

## External Sector

### A. World Economy

The world economy expanded favourably in 2004. As of September 2004, the IMF projected the world economic growth rate at 5.0 percent, the highest in 20 years. Nevertheless, growth momentum decelerated during the second half of the year in some regions, namely Europe and Japan, on account of a slowdown in global industrial production, which occurred partly as inventory accumulation had passed its cyclical peak.

World economic growth continued to be driven by the United States, with support from Asia, particularly China and Japan. The IMF forecasted the world economic growth rate to be 4.3 percent in 2005.

In the **US**, the expansion remained generally strong especially in the second half of 2004. The economy hit a soft patch in the second quarter owing to a slow down in private consumption, which reflected a combination of factors namely 1) waning effects of fiscal stimulus 2) higher oil prices and 3) weaker-than-expected employment growth. In the second half of the year, the pickup in growth was attributed to expanded personal consumption, business fixed investment as well as improved employment conditions. However, excess capacity in the US economy remained, with the capacity utilization rate still below its long-run average and the unemployment rate higher than the natural rate.

**Euro area** economic recovery continued to gather momentum. The upturn remained primarily dependent on external demand. Private consumption had been relatively stable, partly due to continued high unemployment rates and increased household savings in response to future cuts in benefits under recent pension reforms.

**Japan's economy** was particularly buoyant in 2004, with strong growth in exports and business fixed investment as key driving factors. However, the recovery was less brisk in the second half of the year, compared to the first, partly on account of adjustments in industrial production and inventory correction in the IT sector. Though there was progress in addressing financial and corporate sector weaknesses, the adjustment might not be sufficient and these sectors continued to pose challenges to economic expansion in the period ahead. Japan remained in the state of deflation, albeit with easing deflationary pressure.

Growth had been particularly strong in **the Asian region**, underpinned by the global recovery, strong growth in China, supportive macroeconomic and competitiveness-enhancing exchange rate policies. Economic expansion was expected to continue at a weaker pace than earlier.

The IMF expected **world trade volume** to increase at the rate of 8.8 percent in 2004, compared to 5.1 percent in 2003, as a result of continued global demand recovery.

World **inflation** rose, with inflationary pressure coming from higher commodity and oil prices. The inflationary impact of higher oil prices appeared to have been more substantial in developing Asia than in developed economies, owing to higher oil dependency.

Developed countries' inflation rates averaged around 2.0 percent, while those of developing countries registered at 3.9 percent. Given substantial excess capacity in many countries, risk to inflation appeared moderate.

In 2004, **world interest rates** were largely on an upward path. The US Federal Reserve raised the Fed Fund rate 5 times in 25-basis-point increments to 2.25 percent in December 2004 to maintain price stability and return interest rates to neutral levels. The ECB, on the other hand, had left the Refinancing Rate, its policy rate, on hold at 2.0 per cent throughout the year, after its last reduction in June 2003 by 25 basis points. Meanwhile, the Bank of England had raised the Base Rate four times in 2004 to 4.75 per cent in an attempt to reign in the brisk economic activity and credit expansion.

## **B. International Trade and the Balance of Payments**

Export value grew significantly in 2004, in line with major trading partners' demand growth. Nevertheless, more rapid import growth, mainly due to domestic demand and rising oil prices, led to a smaller trade surplus compared to the previous year. The services, income and transfers account recorded a larger surplus as a result of an increase in tourism revenue. Overall, the smaller surplus in the trade account led to a smaller current account surplus in 2004. Meanwhile, the net capital movement recorded a small surplus compared to a large deficit in 2003 because of the slowdown in private capital outflow. As a result, the balance of payments registered a bigger surplus this year.

### **Exports**

Export value attained a record sum of US\$96.1 billion, an increase by 23.0 percent year-on-year, as export price and volume expanded by 15.8 and 6.2 percent, respectively. The expansion of export volume was primarily underpinned by the growth of major trading partners' economies, particularly the US, ASEAN, the EU and Japan, which altogether accounted for 66.0 percent of total Thai exports. Export price surged in line with the increase in raw material price as a result of a substantial increase in world demand for the past year.

The categories of export products with high growth rates in value were high-technology and agriculture. Export value of agricultural products expanded on account of continuing increase in prices.

Details of Thailand's major export items are as follows:

**Agricultural Products.** Export value of agricultural products grew by 20.5 percent, as price increased by 22.7 percent while volume dropped by 1.8 percent from the previous year. The decrease in volume was primarily due to a decline in the export of rubber and frozen fowl. Export volume of **rubber** to major markets, namely ASEAN, China and Japan, decreased. In particular, China, a major importer, imported more from Indonesia because of lower price. Export volume of **Frozen fowl** decreased by 92.8 percent as a result of avian flu while the reduction in the world supply pushed up the price slightly. On the contrary, export volume of rice increased substantially by 36.0 percent, higher than 0.2 percent increase in the previous year. Other major rice exporting countries such as India and China experienced drought, which in turn led to a decline in the world stock of rice and hence higher price. As a result, export price of rice rose by 8.0 percent, rendering the export value of rice to increase by 46.9 percent in 2004. Export value of **tapioca** increased by 36.5 percent due to a 31.1 percent surge in export volume, in line with demand for tapioca chips and pellets from China for alcohol production and from the EU for animal feed.

**Fishery Products.** Export value of fishery products increased by 1.3 percent, particularly that of fresh and frozen fish and cuttlefish, which benefited from the increase in price. Export value of **frozen shrimp** dropped by 6.5 percent because of the decline in its export volume following the anti-dumping investigation by the US, and also because of the continuing decline in its export price.

**Manufactured Products.** Export value of manufactured products grew by 23.4 percent. Consequently, the share of manufactured products in total export value increased to 86.8 percent from 85.8 percent in 2003. Export of high-technology products still experienced high growth in 2004.

Export value of **high-technology products** grew by 28.6 percent. Consequently, their share of total export value increased from 59.4 percent in 2003 to 62.6 percent in 2004. The major products still were **electronics products** especially computers and parts, the export value of which rose by 12.4 percent, in line with trading partners' demand for raw materials used in the production of final goods for re-export to the third country. The major export markets were ASEAN, the US, the EU and China. Export value of **integrated circuits (IC) and parts** rose by 7.6 percent. At the beginning of the year, it rose significantly because the importing countries prepared to build up their inventories for the anticipated increase in world demand for final products. But at the end of the year, export value showed a declining trend following lower than expected demand for such final products. Meanwhile, export value of **electrical appliances** rose by 31.8 percent, particularly to the US, the EU, Japan and ASEAN. The increase was due to the EURO 2004 event, the Olympic games and also because of growing popularity of Thai air conditioners in Italy.

In addition, trading partners' growth contributed to the continuing expansion of export value of base metal, petroleum, chemical and plastic products. Higher export price was in line with increasing oil price and raw material price in response to world demand. Export value of **base metal products, petroleum products, chemical products and plastic products** increased by 46.5, 75.3, 32.3 and 36.2 percent, respectively. As for **vehicles and parts**, its export value soared by 44.9 percent due to exports to ASEAN, the EU and Australia.

Exports of major **labour-intensive products** such as garment and precious stones and jewellery also rose in value. Export value of garments grew by 11.2 percent. The growth rate was particularly high for quality garments, which were exported to major markets, namely the US and the EU. Moreover, Thailand benefited from the quota restriction on China's export to the US market. At the same time, export value of **precious stones and jewellery** expanded by 18.0 percent with particularly robust growth in exports to the US, the EU and the Middle East.

As for the **resource-based products**, its export value rose by 8.6 percent, primarily due to the increase in price whereas volume declined, particularly in food products such as sugar, canned pineapple and canned seafood because of raw material shortage. As a result, export value of **sugar** fell by 10.4 percent. However, as the export price of **canned pineapple and canned seafood** still increased, export value of those products increased by 8.1 and 3.8 percent, respectively. For other products in this category, export value of **furniture and parts** rose by 17.3 percent mostly to the US, the EU and Japan, which together accounted for more than 80 percent of total exports of furniture and parts. The key factor behind this value growth was the anti-dumping measure applied to Chinese export to the US market. Meanwhile, export value of **rubber products** rose by 23.3 percent particularly in pneumatic tire case, in line with growth of the automobile industry.

### Imports

Import value reached a record high of US\$94.4 billion. It surged by 27.0 percent as import price rose by 13.3 percent while import volume rose by 12.0 percent from the same period the previous year, in line with the expansion of imports of raw material for export goods production and increase in domestic demand.

Details of Thailand's major import items are as followed:

**Consumer goods.** Import value of consumer goods rose by 15.5 percent as a result of durable goods imports, such as electrical appliances and household goods. Import value of non-durable goods that rose were those of food and beverages in the categories of dairy products and cereal products. In particular, fruits and vegetables imports grew as rapidly as 31.3 percent, continuing on a trend after the free trade agreement in fruits and vegetables between Thailand and China came into effect in October 2003. The major products were garlic, carrot and fruits such as apple and pear.

**Intermediate goods and raw materials.** Import value of this category recorded a robust growth of 32.5 percent, primarily from base metal product imports. In particular, **iron and steel** surged by 55.2 percent, in tandem with the continuing expansion of demand for construction, investment in various industries and exports.

**Capital goods.** Import value of capital goods increased by 20.8 percent. The important items were **non-electrical machinery and parts**, which grew by 20.8 percent and were primarily those used in automobile, construction, office equipment, paper, transportation and communications, food as well as metal industries. **Import value of electrical machinery and parts**, which were mainly used in the electronics sector, increased by 19.9 percent while those of **computer components, IC and IC parts** used for export production grew at 34.0, 40.0 and 10.2 percent, respectively. Nevertheless, imports of IC slowed down in the second half of the year following the slowdown in electronics export. In addition, the Thai Airways International Company Limited purchased six aircrafts, which had been on lease since 1998, and the Royal Thai Air Force imported one aircraft, the total value of which was US\$347 million.

**Vehicles and Parts.** Import value of vehicles and parts rose by 17.5 percent, mostly due to the imports of chassis and tires, in line with domestic demand and export growth.

**Crude Oil.** Crude oil import value rose by 50.8 percent as a result of a sharp rise of 30.8 percent in import price. The causes of high oil prices originated in both the demand and supply sides. On the demand side, the key factor was the robust economic growth in China and India as well as speculative buying of oil from hedge funds. The crucial supply-side factors were the reduction in production in the Gulf of Mexico following a hurricane, a protest in Nigeria against increased domestic oil price and continued violence in Iraq. The average import price of crude oil was US\$34 per barrel, compared with US\$26 per barrel in the previous year. Meanwhile, import volume of crude oil increased by 15.3 percent, in line with domestic demand expansion.

### **Trade, Services and Current Account Balances**

With import growth greater than export growth, the **trade surplus** declined from US\$3.8 billion in the previous year to US\$1.7 billion. However, the **services, income and transfers account** registered a higher surplus of US\$5.6 billion compared to US\$4.2 billion in 2003. Of this, tourism revenue amounted to US\$9.5 billion, growing by 20.8 percent from 2003 when it had been impacted by the outbreak of SARS. On the contrary, tourism expenditures totalled US\$3.4 billion, growing by 15.8 percent. The increase in revenues and payments in tourism came mainly from the rise in the number of inbound and outbound tourists.

Investment income receipts slightly increased from the previous year, both in the private and public sectors, while investment income payments rose as a result of dividend remittances by the private sector.

As the reduction in the trade surplus was greater than the increase in the surplus in the services, income and transfers account, **the current account surplus** fell from US\$8.0 billion in 2003 to US\$7.3 billion this year.

## **Net Capital Movements**

**Net capital movements** returned to a modest surplus of US\$0.1 billion this year from a deficit of US\$8.0 billion in 2003, owing mainly to the reduction of capital outflow from the private sector. Details of net capital movements in 2004 are as follows.

**Capital flows of the private sector** recorded a deficit of US\$0.8 billion, down from that of US\$8.8 billion the previous year. The banking sector registered a surplus of US\$0.7 billion in 2004, compared to a deficit of US\$2.4 billion in 2003. This reversal occurred as a result of a reduction by US\$0.9 billion in commercial banks' net foreign assets, as opposed to an increase of US\$1.3 billion in the previous year, owing to a decline in the forward sales of foreign currencies to non-residents and a reduction in swap transactions with the BOT. At the same time, external debt repayment of the BIBF, mostly in the form of short-term debt repayment, decreased from the previous year by US\$1.0 billion. As for the non-bank private sector, a deficit of US\$1.5 billion was registered, owing mainly to a deficit in the non-resident baht accounts. Meanwhile, foreign direct investment (FDI) recorded a surplus of US\$0.4 billion. This figure was contributed by direct loans repayment in the amount of US\$0.9 billion, as some foreign companies switched from external to domestic debt, and a surplus of US\$1.3 billion in equity investment. Portfolio investment recorded a deficit of US\$0.4 billion, due to foreign investment outflows in equity securities. Other loan repayments fell from US\$1.5 billion in 2003 to US\$0.1 billion this year, largely in the form of net debt repayment by the petroleum product and machinery and transport equipment industries.

**Capital flows of the public sector (including the BOT)** recorded a surplus of US\$0.9 billion. The BOT registered a net surplus of US\$3.1 billion. The public sector deficit of US\$2.2 billion was due to the repayment of long-term loans, as both the government and state enterprises restructured their external debt obligations, most of which were refinanced through domestic loans. In addition, there was a prepayment by the Thai Airways International Public Company Limited for eight aircrafts in the amount of US\$0.2 billion.

## **Balance of Payments**

A large current account surplus coupled with a small surplus in the net capital movements, compared to a large deficit last year, resulted in a balance of payments surplus of US\$5.7 billion, up from a surplus of US\$0.1 billion in 2003. Therefore, international reserves at end-2004 rose from US\$42.1 billion at end-2003 to US\$49.8 billion, equivalent to 6.3 months of imports. Net outstanding forward obligations of the BOT stood at US\$4.6 billion.

**Table 19 : Balance of Payments**  
(Unit : Million US\$)

	2003			2004 <sup>1/</sup>		
	Year	H1	H2	Year	H1	H2
<b>Exports, f.o.b.</b>	<b>78,105</b>	<b>36,788</b>	<b>41,317</b>	<b>96,064</b>	<b>45,359</b>	<b>50,705</b>
Δ%	18.2	18.6	17.8	23.0	23.3	22.7
<b>Imports, c.i.f.</b>	<b>74,346</b>	<b>34,625</b>	<b>39,721</b>	<b>94,382</b>	<b>45,306</b>	<b>49,077</b>
Δ%	17.4	16.0	18.6	27.0	30.8	23.6
<b>Trade Balance</b>	<b>3,759</b>	<b>2,163</b>	<b>1,596</b>	<b>1,682</b>	<b>54</b>	<b>1,628</b>
<b>Services and Transfers</b>	<b>4,206</b>	<b>1,530</b>	<b>2,676</b>	<b>5,607</b>	<b>2,739</b>	<b>2,868</b>
<b>Current Account Balance</b>	<b>7,965</b>	<b>3,693</b>	<b>4,272</b>	<b>7,289</b>	<b>2,793</b>	<b>4,496</b>
<b>Capital Movements (net)</b>	<b>-8,000</b>	<b>-4,497</b>	<b>-3,503</b>	<b>124</b>	<b>-1,133</b>	<b>-1,257</b>
Private Sector	-8,766	-4,539	-4,227	-760	-1,039	279
- Bank	-2,381	-2,369	-12	695	618	77
Commercial Banks	-1,295	-2,007	712	912	572	340
BIBF	-1,086	-362	-724	-217	46	-263
- Non-banks	-6,385	-2,170	-4,215	-1,455	-1,657	202
Direct Investment	1,460	666	794	171	268	-97
Other Loans	-1,470	-298	-1,172	-80	-9	-71
Portfolio Investment	-244	-227	-17	-449	-425	-24
Nonresident Baht Account	-6,006	-2,432	-3,574	-1,307	-1,841	534
Others	-125	121	-246	210	350	-140
Public sector	766	42	724	884	-94	978
Government & State enterprise	-1,903	-73	-1,830	-2,181	-1,341	-840
BOT	2,669	115	2,554	3,065	1,247	1,818
Errors and Omissions	178	-249	427	-1,678	191	-1,869
<b>Overall Balance<sup>2/</sup></b>	<b>143</b>	<b>-1,053</b>	<b>1,196</b>	<b>5,735</b>	<b>1,851</b>	<b>3,884</b>

Notes : 1/ Preliminary data

2/ Actual data

Δ% represents percentage change from the same period last year.

Sources : Customs Department and Bank of Thailand

## External Debt

**External Debt** outstanding stood at US\$50.6 billion as of end-2004, declining from US\$51.8 billion as of end-2003, as a result of the debt repayment of US\$2.2 billion. However, total external debt fell by only US\$1.2 billion over the year due to an appreciation of the yen that resulted in a higher value of yen-denominated debt in US dollar terms. The details of the external debt can be summarized as follows:

**Table 20: External Debt Outstanding<sup>1/</sup>**  
(Unit : Million US\$)

	2002	2003	2004	Dec.-04 Compared to Dec.-03
<b>1. Public Sector</b>	<b>23,305</b>	<b>16,959</b>	<b>14,848</b>	<b>-2,111</b>
<b>1.1 BOT (Long-term)</b>	<b>4,902</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1.2 Govt and State Enterprises</b>	<b>18,403</b>	<b>16,959</b>	<b>14,848</b>	<b>-2,111</b>
Long-term	18,016	16,574	14,560	-2,014
Short-term	387	385	288	-97
<b>2. Private Sector</b>	<b>36,154</b>	<b>34,824</b>	<b>35,744</b>	<b>920</b>
Long-term	24,622	24,305	24,725	420
Short-term	11,532	10,519	11,019	500
<b>2.1 Banks</b>	<b>8,136</b>	<b>7,045</b>	<b>7,081</b>	<b>36</b>
Long-term	3,929	3,729	4,447	718
Short-term	4,207	3,316	2,634	-682
<b>2.1.1 Commercial Banks</b>	<b>2,963</b>	<b>2,790</b>	<b>3,036</b>	<b>246</b>
Long-term	1,529	1,271	1,733	462
Short-term	1,434	1,519	1,303	-216
<b>2.1.2 BIBFs</b>	<b>5,173</b>	<b>4,255</b>	<b>4,045</b>	<b>-210</b>
Long-term	2,400	2,458	2,715	257
Short-term	2,773	1,797	1,331	-466
<b>2.2 Non-Banks</b>	<b>28,018</b>	<b>27,779</b>	<b>28,663</b>	<b>884</b>
Long-term	20,693	20,576	20,278	-298
Short term	7,325	7,203	8,385	1,182
<b>Total Debt (1+2)</b>	<b>59,459</b>	<b>51,783</b>	<b>50,592</b>	<b>-1,191</b>
Long-term	47,540	40,879	39,285	-1,594
Short-term	11,919	10,904	11,307	403
<b>Share (%)</b>	100.0	100.0	100.0	
Long-term	80.0	78.9	77.7	
Short-term	20.0	21.1	22.3	
<b>Share (%)</b>	100.0	100.0	100.0	
Private	60.8	67.2	70.7	
Public	39.2	32.8	29.3	

**Note :** 1/ Including valuation change

**Source :** Bank of Thailand

**External debt of the private sector** stood at US\$35.7 billion, rising by US\$0.9 billion from end-2003 due to (1) the debt transfer from the public to the banking sector as a result of the merger between Industrial Finance Cooperation of Thailand (IFCT) and Thai Military Bank, (2) an inflow of trade credit of the petroleum related businesses. Nonetheless, the other non-bank businesses continued to make a repayment for its short-term and long-term loans. In addition, a higher value of yen-denominated debt in US dollar term resulted in higher value of external debt of the private sector.

**External debt of the public sector** amounted to US\$14.9 billion, falling by US\$2.1 billion from end-2003 due to (1) the government and state enterprises' loan repayment and prepayment in the amount of US\$2.3 billion, (2) the debt transfer of IFCT from the public to the banking sector in the amount of US\$0.6 billion. Nonetheless, there was an inflow of US\$0.3 billion from the issuance of long-term Floating Rate Notes (FRNs) by government and the debentures by state enterprises. Part of it was for refinancing the redemption of maturing debt securities. However, these debt securities were partly purchased by the Thai commercial banks. The external debt of the public sector declined by US\$2.6 due to the above factors. However, the appreciation of the yen caused the stock of external debt of public sector to decline by only US\$2.1 billion.

#### **External Debt Structure**

The short-term debt as of end-2004 accounted for 22.3 percent of all external debt, rising from 21.1 at end-2003 due to an inflow of short-term loans, especially in the form of trade credit. Meanwhile, the private debt as of end-2004 accounted for 70.7 percent of all external debt, rising from 67.2 at end-2003.

### **Fiscal Conditions**

According to the Budget Act B.E. 2547 (2004), the government's net revenue was estimated at B928.1 billion while government expenditure was budgeted at B1,028 billion, resulting in a planned budget deficit of B99.9 billion. However, in the beginning of FY2004, the Ministry of Finance revised its revenue projection upwards by B135.5 billion and proposed additional budget expenditure of the matching amount to maintain the same degree of fiscal impulse as the original budget.

In FY2004, the government revenue was higher than anticipated owing to the higher-than-expected economic growth, improved tax administration, and expanded tax base. At the same time, government was able to achieve the near-target expenditure. As a result, the government recorded a cash surplus for the entire fiscal year.

For FY2005, the government's macroeconomic policy will aim at maintaining economic stability while encouraging private sectors to play greater roles in the economic development process. The government thus planned a balanced budget in FY2005 with budget expenditure of B1,200 billion. The balanced budget will help containing the level of public debt, resulting in a decrease in the ratio of public debt to GDP in the medium term.

As for the first quarter of FY2005, the government registered a cash deficit of B46.7 billion.

**Table 21: Treasury Account Position**

(Unit : Billion baht)

Fiscal Year	2003	2004	2005			
			Q1	Oct.	Nov.	Dec. <sup>P</sup>
<b>Revenue *</b>	<b>960.6</b>	<b>1,125.1</b>	<b>n.a.</b>	<b>63.1</b>	<b>80.5</b>	<b>n.a.</b>
Δ%	13.6	17.1		-22.9	16.7	
<b>Expenditure</b>	<b>938.4</b>	<b>1,105.8</b>	<b>n.a.</b>	<b>99.1</b>	<b>94.6</b>	<b>n.a.</b>
Δ%	-3.5	17.8		17.7	13.4	
: Disbursement rate (%) (not including debt principal repayment)	89.1	89.5	n.a.	7.3	7.2	n.a.
Budgetary Deficit (-) or Surplus (+)	22.2	19.4	n.a.	-36.0	-14.1	n.a.
Non-budgetary Deficit (-) or Surplus (+)	12.1	-2.2	n.a.	28.5	-7.1	n.a.
<b>Cash Deficit (-) or Surplus (+)</b>	<b>34.3</b>	<b>17.2</b>	<b>-46.7</b>	<b>-7.5</b>	<b>-21.3</b>	<b>-17.9</b>
: % of GDP	0.6	0.3				
<b>Financing</b>						
Net Domestic Borrowing	45.0	30.9	-42.7	-45.0	-5.4	7.6
Net Foreign Borrowing	-38.9	-24.1	-7.3	-5.9	-0.9	-0.4
Use of Treasury Cash Balance	-40.5	-24.0	96.6	58.3	27.6	10.7
<b>Treasury Cash Balance (end-period)</b>	<b>123.3</b>	<b>147.2</b>	<b>50.6</b>	<b>88.9</b>	<b>61.3</b>	<b>50.6</b>

**Notes :** Δ% represents percentage change from the same period last year.

\* Revenue remitted to Treasury (Cash basis)

n.a. = no data available

P = Preliminary data

**Sources :** Comptroller-General's Department, Ministry of Finance

Data Management Group, Bank of Thailand

## A. Fiscal Position

### Government Revenue

In FY2004, government's net collected revenue totalled B1,289.7 billion, up by 16.8 percent from the previous fiscal year. Of this amount, taxes comprised B1,154.1 billion, increasing by 17.0 percent from the previous fiscal year. More specifically corporate income tax revenue rose by 25.4 percent, personal income tax revenue by 14.4 percent, and value-added tax (VAT) revenue by 21.0 percent in tandem with economic growth, improved tax administration, and expanded tax base. Meanwhile, excise tax revenue rose by 11.8 percent due partly to the higher-than-expected tax collection on automobiles, tobaccos, and telecommunications. On the other hand, tax revenue on foreign trade base declined by 5.8 percent due to continued trade liberalization and the WTO agreement in tariff reduction.

The collected non-tax revenue equalled B135.5 billion, up by 14.4 percent from the previous fiscal year, albeit lower-than-expected due to the delay in state enterprises' privatization.

In the first quarter of FY2005, collected government revenue equalled B293.0 billion, increasing by 4.6 percent year-on-year. Of this total, taxes increased by 13.1 percent year-on-year due to an expansion in both income base and consumption base. However, collected non-tax revenue declined by 44.2 percent. This was contributable to the high revenue base in the same period of FY2004 from the sale of state-owned shares to Vayupak Fund 1 for B25.1 billion.

**Table 22 : Government Revenue<sup>1/</sup>**  
(Unit : Billion baht)

Fiscal Year			2005			
	2003	2004	Q1	Oct.	Nov.	Dec. <sup>P</sup>
<b>Total Revenue</b>	<b>1,104.6</b>	<b>1,289.7</b>	<b>293.0</b>	<b>90.6</b>	<b>105.5</b>	<b>96.9</b>
Δ%	15.1	16.8	4.6	7.8	30.7	16.1
<b>Taxes</b>	<b>986.1</b>	<b>1,154.1</b>	<b>269.7</b>	<b>82.9</b>	<b>97.5</b>	<b>89.3</b>
Δ%	15.9	17.0	13.1	8.7	28.3	3.6
- <b>Income base</b>	<b>347.9</b>	<b>428.1</b>	<b>72.3</b>	<b>21.7</b>	<b>29.4</b>	<b>21.2</b>
Δ%	16.8	23.0	16.0	8.0	38.3	1.1
Personal income tax	117.3	134.2	30.1	10.7	9.9	9.5
Δ%	8.2	14.4	3.1	10.9	8.9	-9.3
Corporate income tax	208.9	261.9	40.0	10.9	19.2	9.9
Δ%	22.6	25.4	23.5	4.1	61.6	-1.3
- <b>Consumption base</b>	<b>520.8</b>	<b>612.0</b>	<b>166.7</b>	<b>52.0</b>	<b>57.1</b>	<b>57.6</b>
Δ%	15.7	17.5	14.1	10.8	26.5	6.8
Value added tax	261.3	316.1	88.6	27.8	30.6	30.2
Δ%	14.5	21.0	19.9	16.7	32.3	12.0
Excise tax	246.6	275.8	71.8	22.2	24.6	25.0
Δ%	18.5	11.8	4.6	2.1	17.8	-3.8
- <b>Foreign trade base</b>	<b>110.3</b>	<b>103.9</b>	<b>28.4</b>	<b>8.4</b>	<b>10.3</b>	<b>9.7</b>
Δ%	14.3	-5.8	3.1	-2.4	15.1	-2.8
<b>Other Incomes</b>	<b>118.5</b>	<b>135.5</b>	<b>23.3</b>	<b>7.7</b>	<b>8.0</b>	<b>7.5</b>
Δ%	9.3	14.4	-44.2	-0.4	70.1	-74.2

**Note :** 1/ Revenue on a collection basis

P = Preliminary data

Δ% represents percentage change from the same period last year.

**Sources :** Comptroller-General's Department, Ministry of Finance

Data Management Group, Bank of Thailand

## Government Expenditure

In FY2004, government expenditure totalled B1,105.8 billion, increasing by 17.8 percent from the previous fiscal year in tandem with acceleration in current and capital expenditures by 16.7 percent and 23.3 percent, respectively. This was attributable to a higher-than-expected disbursement especially from additional government expenditure on pension and gratuities, as well as early retirement programme for civil servants. As a result, the annual disbursement rate for the entire fiscal year was 89.5 percent, compare to 89.1 percent in FY2003.

**Table 23 : Government Expenditure by Economic Classification**  
(Unit : Billion baht)

Fiscal Year	2003	2004	2005			
			Oct.-Nov. 04	Oct.	Nov.	Dec.
<b>Total Expenditure</b>	<b>938.4</b>	<b>1,105.8</b>	<b>193.7</b>	<b>99.1</b>	<b>94.6</b>	<b>n.a.</b>
Δ%	-3.5	17.8	15.6	17.7	13.4	n.a.
<b>Current Expenditure</b>	<b>775.2</b>	<b>904.5</b>	<b>173.7</b>	<b>91.3</b>	<b>82.4</b>	<b>n.a.</b>
Δ%	1.8	16.7	19.4	24.9	13.7	n.a.
- Wages and salaries	338.7	365.9	67.6	32.3	35.3	n.a.
Δ%	6.7	8.1	18.2	11.7	24.8	n.a.
- Purchases of goods and services	168.9	186.1	31.9	11.7	20.2	n.a.
Δ%	-2.5	10.2	32.6	4.5	57.0	n.a.
- Interest payment	65.1	84.4	18.2	10.9	7.3	n.a.
Δ%	-5.7	29.6	72.5	51.2	118.2	n.a.
- Subsidies and transfers	202.5	268.1	55.9	36.4	19.5	n.a.
Δ%	0.2	32.4	4.2	41.3	-30.1	n.a.
<b>Capital Expenditure</b>	<b>163.2</b>	<b>201.3</b>	<b>20.1</b>	<b>7.8</b>	<b>12.3</b>	<b>n.a.</b>
Δ%	-22.5	23.3	-9.3	-29.9	11.6	n.a.
- Acquisition of fixed capital assets	112.1	107.0	11.5	4.1	7.5	n.a.
Δ%	-19.3	-4.6	4.8	-3.1	9.7	n.a.
- Capital transfers	51.0	91.8	8.1	3.8	4.3	n.a.
Δ%	-28.6	80.2	-27.5	-46.0	3.2	n.a.
- Lending and purchases of share and financial assets	0.1	2.4	0.5	0.0	0.5	n.a.
Δ%	-17.9	n.a.	n.a.	n.a.	n.a.	n.a.

**Notes :** Δ% represents percentage change from the same period last year.  
n.a. = no data available

**Sources :** Comptroller-General's Department, Ministry of Finance  
Data Management Group, Bank of Thailand

In the first two months of FY2005, government expenditure totalled B193.7 billion, increasing by 15.6 percent year-on-year. The expenditure accelerated both in October and November. Important expenditures include the B17.9 billion to the National Health Security Fund, the B6.9 billion to the Social Security Fund, and the B3.3 billion to the finance of the national election in the early February 2005. As a result, the disbursement rate in these first two months of FY2005 equalled 14.5 percent, higher than the 12.6 percent in the same period of the previous fiscal year.

### Government Financing

In FY2004, the government recorded a cash surplus of B17.2 billion, equivalent to 0.3 percent of GDP. At the same time, the government's net domestic borrowing totalled B30.9 billion with net foreign loan repayment totaling of B24.1 billion. Consequently, treasury reserves increased from B123.3 billion at end-FY2003 to B147.2 billion at end-FY2004.

In the first quarter of FY2005, the government financed its cash deficit of B46.7 billion as well as its net domestic and external debt repayments in the amount of B42.7 billion and B7.3 billion, respectively, with a reduction of B96.6 billion in its treasury reserves. As a result, treasury reserves fell to B50.6 billion by the end of this quarter.

### State Enterprises

In FY2004, the net operating profits of state enterprises increased from the previous fiscal year. Consequently, state enterprises' retained income increased to B179.1 billion, up by 30.2 percent from the previous fiscal year. At the same time, state enterprises disbursed B134.8 billion of capital expenditure, increasing from the previous fiscal year by 44.9 percent. This acceleration in disbursement was partly due to the acceleration in capital expenditure especially during the second half of the fiscal year to finance mega-projects such as the construction of Suvarnabhumi Airport and housing project for low and medium income groups. As a result, State enterprises recorded a surplus of B44.3 billion, equivalent to 0.7 percent of GDP.

**Table 24 : State Enterprises' Balances**  
(Unit : Billion baht)

Fiscal Year	2002	2003	2004 <sup>E</sup>
Retained Income	158.5	137.5	179.1
Δ%	-5.8	-13.2	30.2
Investment Expenditure	118.5	93.0	134.8
Δ%	-22.2	-21.5	44.9
State Enterprises' Balances	40.0	44.5	44.3
% of GDP	0.7	0.8	0.7

**Note** : Δ% represents percentage change from the same period last year.

E = Estimated data

**Source** : National Economic and Social Development Board (NESDB)

### B. Public Debt

At the end of FY2004, total public debt stood at B3,110.0 billion or 48.2 percent of GDP, declining from 49.6 percent at the end of FY2003. Public debt in the form of direct government borrowing amounted to B1,828.4 billion while government-guaranteed and non-guaranteed debt of non-financial state enterprises totalled B653.9 billion and B228.7 billion, respectively. Debt outstanding of the Financial Institutions Development Fund (FIDF) amounted to B398.9 billion.

The decline in the ratio of public debt to GDP was partly due to the government recorded cash surplus. Furthermore, strong economic growth in FY2004 resulted in collected revenue exceeding its expected target. As a result, the government's actual domestic borrowing was lowered than the cabinet approval by B9.9 billion, with the domestic borrowing amounted to B90 billion. The government also gradually repaid some of its foreign debt ahead of its schedule.

In addition, the Ministry of Finance, with the purpose of achieving fiscal sustainability, established the following objectives: (1) to maintain public debt such that it does not exceed 50 percent of GDP; (2) to contain government debt services such that it does not exceed 15 percent of budgeted expenditures; (3) to achieve a balanced budget for FY2005; and (4) to maintain the level of capital expenditure such that it is not lower than 25 percent of total expenditure.

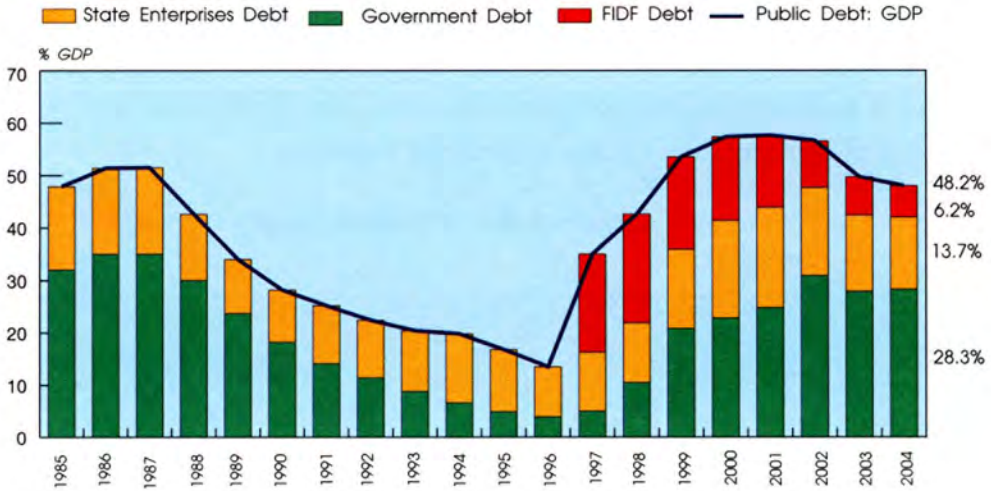
**Table 25 : Public Debt**  
(Unit : Billion baht)

Fiscal Year	2002	2003	2004 <sup>P/</sup>
<b>1. Debt incurred from direct borrowing</b>	<b>1,670.5</b>	<b>1,651.6</b>	<b>1,828.4</b>
% of GDP	30.9	28.0	28.3
1.1 Foreign debt	409.6	344.3	321.9
1.2 Domestic debt	1,261.0	1,307.4	1,506.5
<b>2. Debt of non-financial state enterprises</b>	<b>907.1</b>	<b>851.0</b>	<b>882.7</b>
% of GDP	16.8	14.4	13.7
2.1 Government-guaranteed debt	772.0	694.6	653.9
Foreign debt	351.4	305.1	271.2
Domestic debt	420.6	389.5	382.7
2.2 Non-government-guaranteed debt	135.2	156.5	228.7
Foreign debt	63.2	61.1	60.9
Domestic debt	71.9	95.3	167.8
<b>3. Financial Institutions Development Fund (FIDF)</b>	<b>357.3</b>	<b>427.4</b>	<b>398.9</b>
% of GDP	6.6	7.2	6.2
3.1 Government-guaranteed debt	112.0	62.0	40.0
3.2 Non-government-guaranteed debt	245.3	365.4	358.9
<b>4. Total (1+2+3)</b>	<b>2,934.9</b>	<b>2,930.0</b>	<b>3,110.0</b>
% of GDP	54.4	49.6	48.2

Notes : P/ = Preliminary data

Source : Office of Public Debt Management

### Public Debt



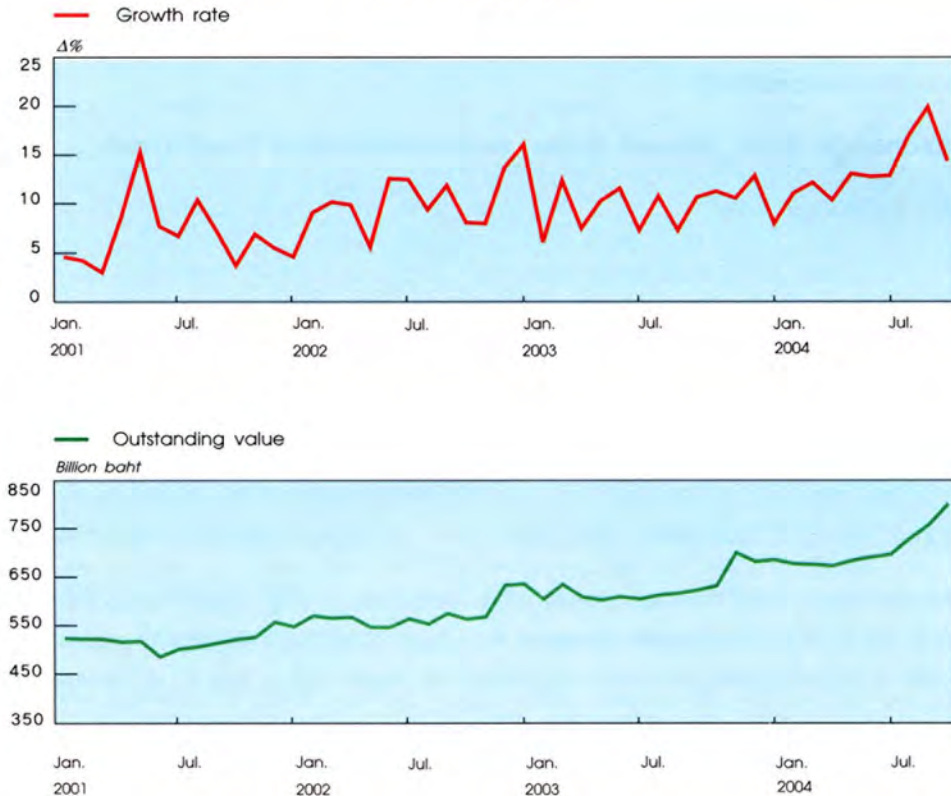
Source : Office of Public Debt Management

## Monetary Conditions and the Exchange Rate

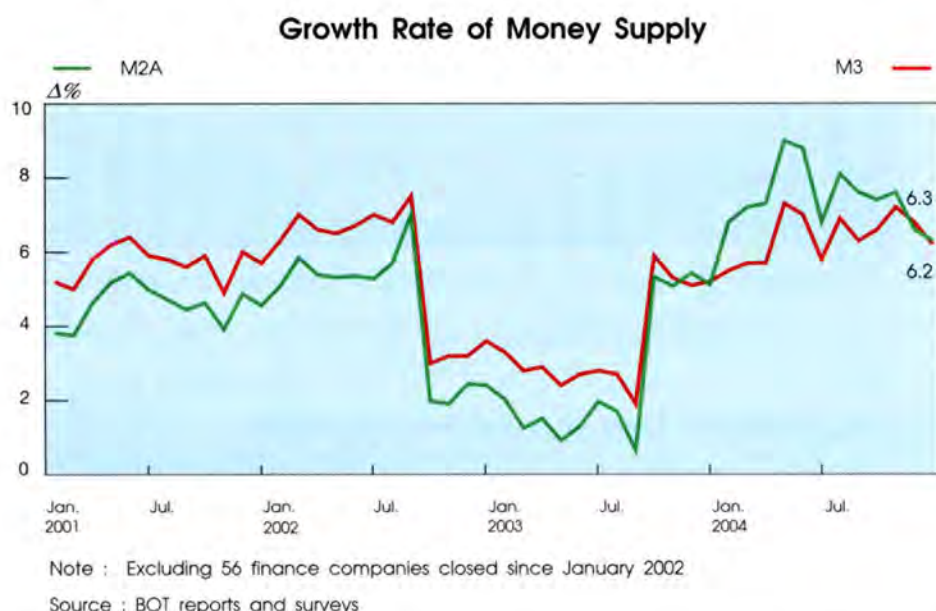
### A. Monetary Base and Money Supply

Monetary base expanded in line with economic growth, reaching to B800.7 billion at end-2004 from B699.7 billion at end-2003 or growing by 14.4 percent year-on-year.

### Monetary Base



Important factors contributing to the changes in money supply were (1) a continued increase in net foreign assets of the Bank of Thailand in line with a surplus in the balance of payments; (2) an increase in the Bank of Thailand's net claims on the government as a result of a decline in government deposits at the Bank of Thailand; and (3) a decline in the Bank of Thailand's net claims on financial institutions.



In 2004, M2A and M3 expanded by 6.3 and 6.2 percent, respectively. During the first half of the year, money supply expanded faster than toward the end of 2003 as deposits rose from SLIPS and CAPS redemption. However, from August onwards, money supply growth decelerated due in part to deposit withdrawals by the public for the purchases of saving bonds.

## B. Exchange Rate, Interest Rates, and Government Bond Yields

### 1. Exchange Rate

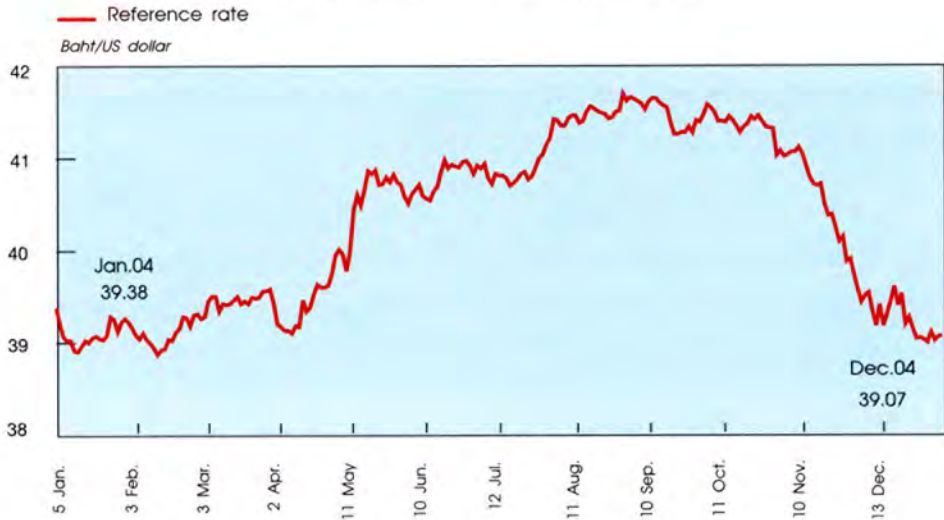
In 2004, the baht fluctuated between 38.87 and 41.70 baht per US dollar and averaged at 40.28 baht per US dollar, appreciating by 3 percent from the average in 2003.

Factors contributing to the baht appreciation vis-à-vis the US dollar were (1) weak sentiments of the US dollar due to concerns over the US current account and fiscal deficits that prompted sales of the US dollar and purchases of Asian currencies; (2) news about a revaluation of the Chinese renminbi; (3) increased foreign investments in the Thai stock market; and (4) domestic policy rate hikes in August, October, and December.

Nonetheless, over the year there were episodes during which the baht weakened briefly as a result of (1) outbreaks of avian flu which affected the export sector; (2) unrest in the three southern-most provinces; (3) rising oil prices which led to increased demand for the US dollar by local oil companies; and (4) temporary appreciation of the US dollar that occurred, for instance, after the announcement of better-than-expected US economic figures or in anticipation of federal funds rate hikes.

### Exchange Rate

(5 January 2004 - 30 December 2004)

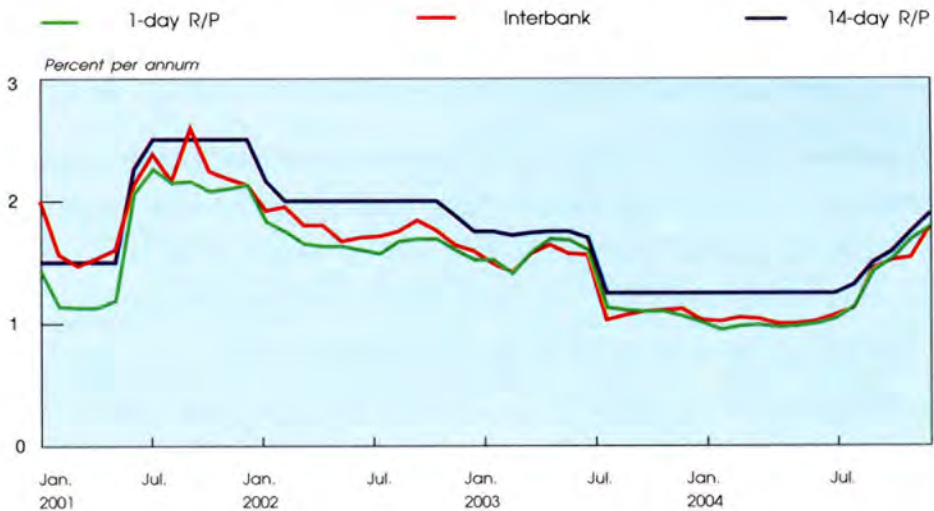


Source : Bank of Thailand

### 2. Money Market Interest Rates

Short-term money market rates rose throughout 2004, in part because of the three policy interest rate hikes. However, for the entire year money market rates still averaged below those in 2003 as overall liquidity in the money market remained high. The 1-day repurchase rate and the overnight interbank rate averaged at 1.21 and 1.23 percent per annum, respectively, compared with 1.33 and 1.31 percent per annum, respectively, in the previous year.

### Money Market Interest Rates



Source : Bank of Thailand

In the first half of 2004, money market rates edged up slightly but remained low nevertheless as liquidity in the banking system stayed high and commercial banks invested excess liquidity in the money market. However, liquidity tightened occasionally, for

example, over long weekends, toward the end of each liquidity reserves fortnight, and when commercial banks arranged for liquidity needs in preparation for dividend payments, corporate income tax payments, and SLIPS redemption. Over the first half of 2004, the 1-day repurchase rate averaged at 0.98 percent per annum, while the overnight interbank rate averaged at 1.02 percent per annum.

In the latter half of 2004, money market rates rose substantially in tandem with the three policy rate hikes, which altogether pushed the policy rate upward from 1.25 to 2 percent per annum. Thus, during this period the 1-day repurchase rate averaged at 1.43 percent per annum, while the overnight interbank rate averaged at 1.44 percent per annum.

### **3. Government Bond Yields**

In 2004, overall government bond yields rose from the previous year in line with movements in US government bond yields and domestic policy interest rate hikes. Nonetheless, toward the end of the year, medium-and long-term yields fell as there was a significant increase in demand for bonds of those maturities from life insurance companies.

In the first quarter of 2004, government bond yields fell from around the end of 2003, as the outbreak of avian flu caused the market to expect the policy interest rate to remain accommodative. At the same time, a downward adjustment in the stock market index prompted investors to switch to the bond market.

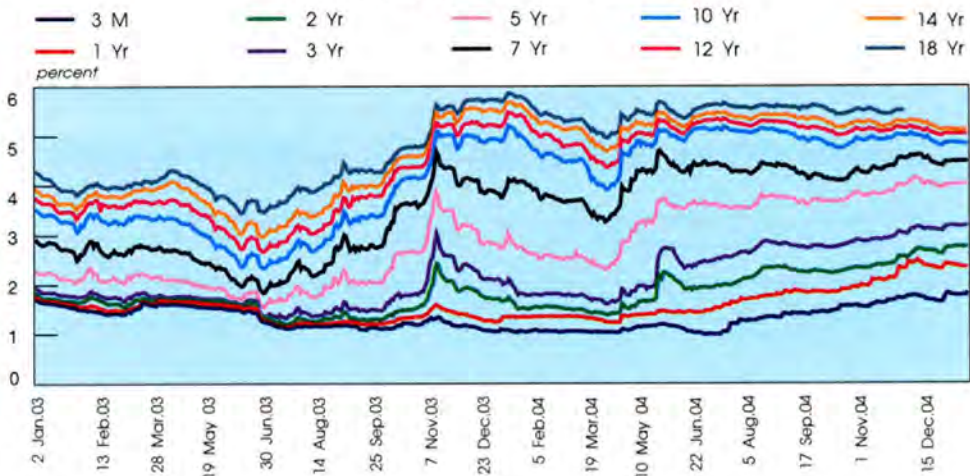
In the second quarter of 2004, yields across all maturities rose in line with US government bond yields, which edged up as US economic figures were better than market expectation and the rise in US underlying inflation led the market to anticipate the US policy interest rate to move upward.

In the third quarter of 2004, short-term bond yields rose substantially as investors expected a rise in domestic policy interest rate. Medium- and long-term yields, however, rose only slightly as a result of increased demand by foreign investors as well as strong demand in the primary market auction. Moreover, it reflected a market expectation that inflation would fall after an increase in the policy interest rate.

In the last quarter of 2004, government bond yields rose steadily in accordance with the increase in US government bond yields and domestic policy interest rate. However, medium- and long-term yields fell toward the end of the year due to increased demand by life insurance companies in anticipation of higher demand for life insurance from the government's measure to raise tax allowances for life insurance policy holders to 300,000 baht per person.

## Government Bond Yields

(2 January 2003 - 30 December 2004)



Source : Bank of Thailand

## C. Commercial Bank Deposits and Private Credits

### 1. Commercial Bank Deposits

In 2004, commercial bank deposits grew at a slower pace compared to the previous year, with the year-end outstanding deposits rising by 2.6 percent year-on-year in contrast with 4.4 percent year-on-year at end-2003.

Between January and July, the growth rate of commercial bank deposits remained high as commercial banks deposited funds from SLIPS and CAPS redemption into their clients' accounts and the depositors subsequently withdrew these funds only partially. From August onwards, however, the growth rate of deposits moderated, in part because of deposit withdrawals for the purchases of saving bonds.

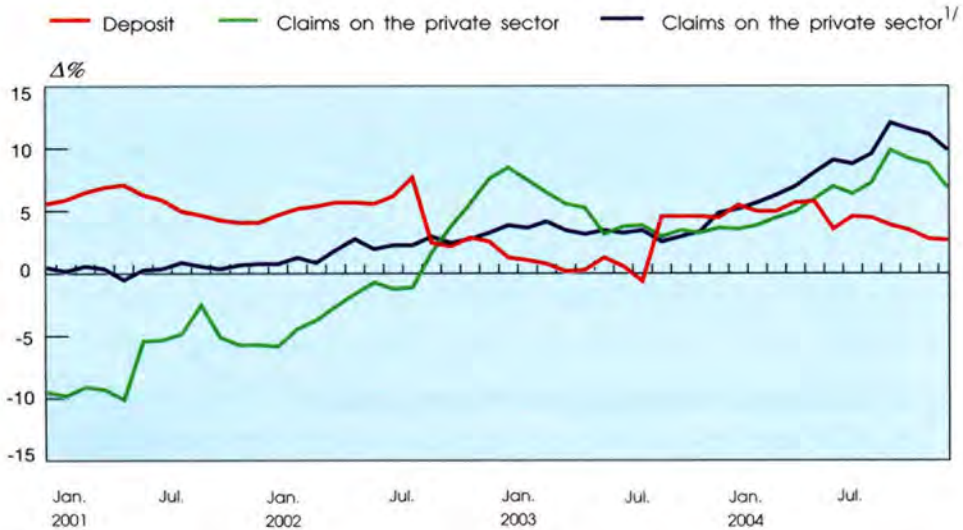
### 2. Private Credits (Including Investment in Private Securities)

Private credits (including investment in private securities) of commercial banks accelerated in line with the economic recovery in 2004, with the majority of credit growth coming from credits extended by large commercial banks to the household and corporate sectors. The growth rate of credits to the household sector remained high as private consumption continued to expand while commercial banks also wanted to diversify their risks. In addition, the growth of private credits from September onwards was due in part to the merger of Industrial Finance Corporation of Thailand (IFCT) with Thai Military Bank and DBS Thai Danu Bank, thereby counting IFCT credits as commercial bank credits from that point on.

The acceleration in private credit growth from the preceding years reflected an improvement in the intermediation function of commercial banks. At the end of 2004, private credits grew by 6.8 percent year-on-year, while private credits adding back debt write-offs and loans transferred to AMCs, but excluding loans extended to AMCs, grew by 9.8 percent.

Looking at private credits by sector, credits to the household sector continued to expand at a fast pace, though moderating somewhat from before as a result of government measures to prevent household debt from growing too fast. At the same time, the growth of credits to the manufacturing sector showed an improving trend.

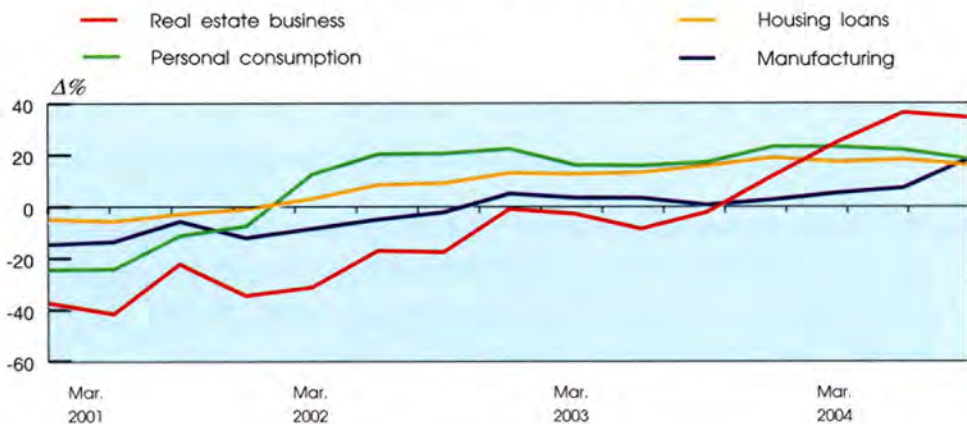
### Commercial Bank Deposits and Claims on the Private Sector



Note : 1/ Claims on the private sector with debt write-offs and loans transferred to AMCs added back, but exclusive of loans extended to AMCs.

Source : BOT reports and surveys (including data from Thanachart Bank)

### Commercial Bank Credits Classified by Economic Sector



### 3. Commercial Bank Interest Rates

Despite increases in the policy interest rate in August, October, and December 2004, deposit and lending rates of large commercial banks were unchanged, owing mainly to the high level of excess liquidity in the banking system. However, several smaller banks already began to raise long-term deposit rates to expand their deposit bases in keeping with credit expansion. The 12-month fixed deposit rates of the four largest Thai commercial banks averaged at 1.00 percent per annum throughout 2004, while their minimum lending rates (MLRs) averaged at 5.69 percent per annum. The 12-month

fixed deposit rates and MLRs of eight other Thai banks (after the merger of Thai Military Bank, DBS Thai Danu Bank, and IFCT) averaged at 1.31 and 6.03 percent per annum, respectively, compared to the previous year's averages of 1.08 and 6.08 percent per annum, respectively.

**Table 26 : Commercial Bank Interest Rates**

Percent per annum	2003	2004			
	End of Dec.	Q1	Q2	Q3	Q4
<b>Deposit rates, 12-month fixed</b>					
Four largest banks, average	1.00	1.00	1.00	1.00	1.00
Eight other banks, average <sup>1/</sup>	1.08	1.15	1.19	1.27	1.31
<b>Minimum lending rates</b>					
Four largest banks, average <sup>1/</sup>	5.69	5.69	5.69	5.69	5.69
Eight other banks, average	6.08	6.08	6.08	6.03 <sup>2/</sup>	6.03

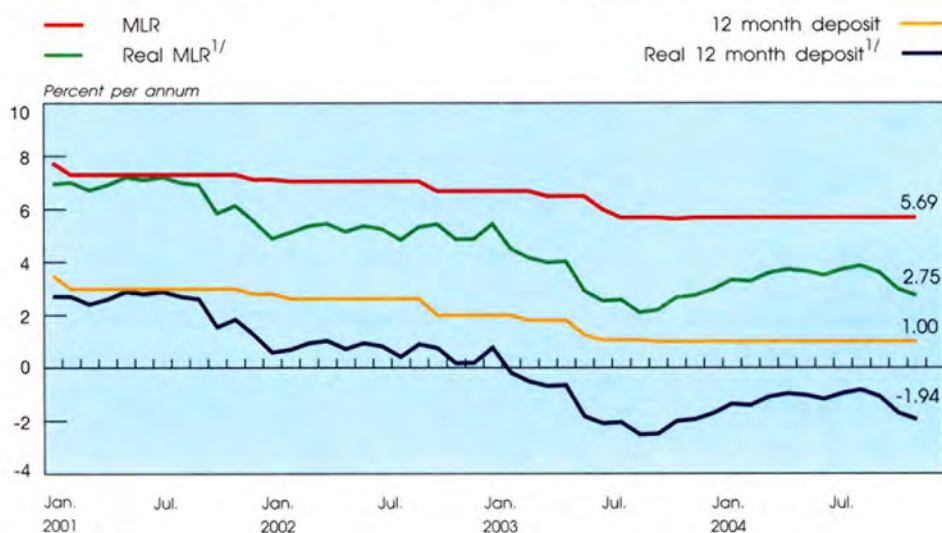
**Notes :** 1/ Average of eight commercial banks. The merger of Thai Military Bank, DBS Thai Danu Bank, and Industrial Finance Corporation of Thailand in September 2004 reduced the number of commercial bank other than the four largest banks to eight.

2/ A decrease in the average MLR was due to the decline in the number of commercial banks to eight

**Source :** Bank of Thailand

The fact that large commercial banks did not adjust their interest rates caused, under an environment of rising inflation, real interest rates to remain low and conducive to growth. At the end of 2004, real 12-month fixed deposit rates and real MLRs of the four largest Thai commercial banks averaged at -1.94 and 2.75 percent per annum, respectively.

### Commercial Bank Deposit and Lending Interest Rates



Note : 1/ Expected inflation is the average change in the price level over the next 12 months.

Source : four largest commercial banks

## D. Business Performance of Commercial Banks

Business performance of commercial banks, especially Thai commercial banks, improved throughout 2004 as a result of a substantial rise in operating profits and a decline in loan loss provisions. The increased profits were attributable in part to an increase in interest incomes from credit expansion and in part to a substantial decline in interest expenses as SLIPS and CAPS, which paid out high interest rates, were redeemed.

Operating profits (before loan loss provisions) of the entire banking system during the first nine months of 2004 amounted to B87.15 billion, compared with B67.04 billion during the comparable period a year earlier. Operating profits of Thai banks and foreign bank branches were B79.37 and B7.78 billion, respectively, compared with B61.30 and B5.74 billion, respectively, during the first nine months of 2003.

**Table 27 : Business Performance of the Banking Sector**

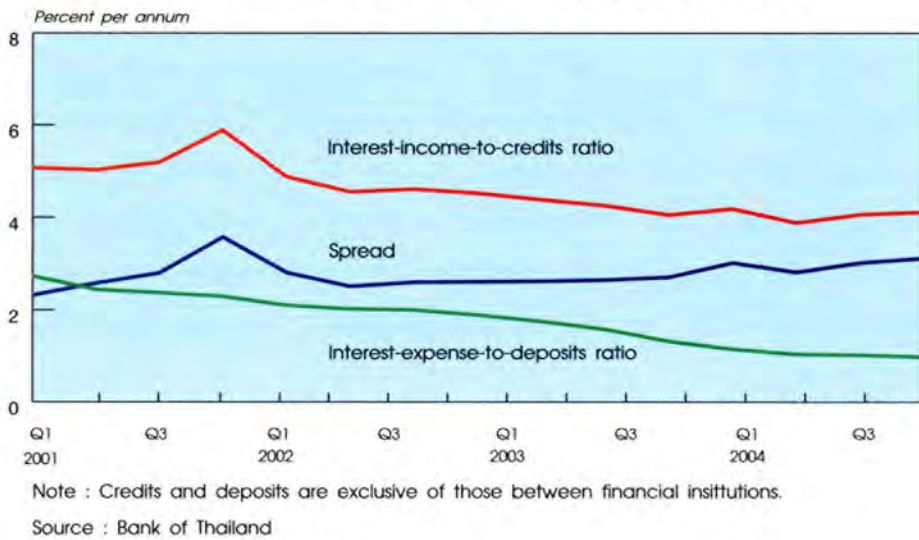
(Unit: billion baht)

	2003	2003	2004		
		Q4	Q1	Q2	Q3
<b>Banking system</b>					
- Operating profits	90.29	23.25	34.15	27.83	26.76
- Loan loss provision	-36.55	-7.03	0.06	-3.09	1.64
- Net profits (before tax)	53.74	16.22	29.46	23.60	26.03
<b>Thai banks</b>					
- Operating profits	81.25	19.95	30.73	24.44	24.85
- Loan loss provision	-41.51	-7.06	-0.20	-4.11	-2.85
- Net profits (before tax)	39.73	12.88	25.86	19.24	19.78
<b>Foreign banks</b>					
- Operating profits	9.04	3.30	3.42	3.38	1.91
- Loan loss provision	4.96	0.03	0.25	1.03	4.49
- Net profits (before tax)	14.0	3.34	3.61	4.36	6.25

Source : Bank of Thailand

The effective interest rate spread of commercial banks in 2004 averaged at 3.14 percent at the end of the third quarter, up from 2.73 percent a year earlier, owing largely to the reduction in interest payments of Thai banks with the redemption of SLIPS and CAPS.

## Interest Rate Spread of the Banking Sector



## Capital Market

### Non-bank Financing to the Private Sector

Principal non-bank financing sources for the corporate and household sectors in 2004 were as follows:

**1. Equity and debt securities.** In 2004, the issuance of equity and debt securities slowed down from 2003. Most of the common stocks and debentures issued belonged to the transportation, construction and furnishing materials, energy and utilities, communication, property development, and agribusiness sectors.

**2. Credits extended by specialized financial institutions (SFIs).** At the end of 2004, SFI credits rose by B175.7 billion from the end of 2003, or up by 17.3 percent year-on-year. Of the total increase, 36.0 percent was from the Government Housing Bank, 33.0 percent from the Government Savings Bank, 21.5 percent from the Bank for Agriculture and Agricultural Cooperatives, and 6.2 percent from the SME Bank. The expansion in SFI credits was very much in line with government policies to assist homeowners and provide farmers and small and medium business entrepreneurs with investment funds and working capital.

**3. Consumption credits, personal loans, and trade credits.** In 2004, consumption credits, personal loans, and trade credits continued to rise, buoyed by a number of factors: (1) competition among service providers to offer convenient and fast services, allowing consumers to access loans more easily, especially credit card loans; (2) expansion of lending services to the provinces; and (3) emergence of new credit providers. Moreover, low interest rates facilitated credit expansion in line with increased sales of durable goods, especially automobiles.

## Secondary Bond Market

The total trading volume in 2004 was B2,969.5 billion, up 13.9 percent from 2003. The daily trading volume averaged at B12.1 billion, compared with B10.6 billion in the previous year. Trading of government bonds accounted for 35.5 percent of the total trading volume. Treasury bills and state enterprise bonds constituted the next largest groups, comprising 31.2 and 25.9 percent of the total trading volume, respectively. Debentures, however, accounted for only 3.9 percent of the trading volume, with most of them being debentures of financial institutions, securities companies, and communication and energy firms.

**Table 28 : Non-bank Financing to the Private Sector**  
(Unit : Billion baht)

Sources of Financing	2003	2004 <sup>P</sup>
<b>1. Credits from Non-bank Financial Institutions<sup>1/</sup></b>	<b>213.2</b>	<b>286.7</b>
Finance companies	52.0	60.2
Specialized financial institutions	102.3	175.7
Listed companies that provide consumer credits and hire-purchase services <sup>2/</sup>	58.8	50.8
<b>2. Capital Market (Non-financial Institutions)<sup>3/</sup></b>	<b>231.8</b>	<b>200.5</b>
Equity (common and preferred stocks)	107.7	98.8
Domestic debt instruments	124.1	101.7
<b>Total</b>	<b>445.0</b>	<b>487.2</b>

**Notes :** 1/ Change in the outstanding balance from the end of last year

2/ Change in the year to September of the outstanding value of ten loan-providing firms listed in the stock market

3/ Value of newly issued securities

P = Preliminary data

**Sources :** Bank of Thailand, Securities Exchange Commission, and Stock Exchange of Thailand

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## **IMPORTANT POLICIES AND MEASURES**

## IMPORTANT POLICIES AND MEASURES

### Monetary Measures

Measures	Party Involved	Salient Points	Effective Dates	Source
<b>A. Interest Rate Policy</b>				
1. Policy rate 1) MPC decisions on the following dates: - 21 January 2004 - 17 March 2004 - 21 April 2004 - 9 June 2004 - 21 July 2004 - 25 August 2004 - 20 October 2004 - 15 December 2004		The MPC decided to raise the 14-day repurchase rate on 25 August, 20 October, and 15 December, by 25 basis points each meeting. As a result, the policy interest rate rose from 1.25 percent to close the year at 2 percent per annum. The MPC was of the view that interest rates should rise to safeguard economic stability going forward, as low interest rates were no longer needed to support growth and may add upward pressure on inflation and thus become an obstacle to sustainable economic growth.		BOT News No. 2/2547, 8/2547, 12/2547, 16/2547, 21/2547, 30/2547, 39/2547, 46/2547
2. Other interest rates 1) Interests and discounts that financial institutions may offer or charge	- Commercial banks - Finance companies, finance and securities companies	The BOT removed interest rate ceilings on deposits and allowed financial institutions to set interest rates as announced. For certain customers, financial institutions may offer higher rates but by no more than 0.5 percent above the rates offered to general customers.	17 February 2004	BOT Circulars No. FPG (22)C. 41/2547 and 42/2547, dated 3 March 2004 and announced on 25 February 2004
2) Rates on bond repurchase agreements with financial institutions to maintain end-of-day liquidity	- All financial institutions except securities companies and IBFs	The BOT raised the bond repurchase rates pursuant to the BOT regulation on sale and repurchase agreements with financial institutions to maintain end-of-day liquidity, B.E. 2544, to 3.5 percent per annum.	15 December 2004	BOT Circular No. FMOG(13)C. 28/2547 and BOT Notification dated 15 December 2004

Measures	Party Involved	Salient Points	Effective Dates	Source
<p><b>B. Money Market Measures</b></p> <p>1. Issuance of bonds or debentures denominated in baht by international financial institutions</p>	<ul style="list-style-type: none"> <li>- Commercial banks (excluding BIBFs)</li> <li>- Islamic Bank of Thailand</li> <li>- Export and Import Bank of Thailand</li> <li>- Industrial Finance Corporation of Thailand</li> <li>- Finance companies, finance and securities companies</li> </ul>	<p>International financial institutions issuing bonds or debentures denominated in baht were required to deposit the proceeds in the Special Nonresident Baht Account (SNA). Financial institutions were allowed to invest in such bonds and debentures.</p>	<p>–</p>	<p>BOT Circular No. FMOG (03)C. 1109/2547, dated 14 June 2004</p>
<p>2. Appointment of financial institutions as primary dealers to engage in bilateral repurchases</p>		<p>Financial institutions appointed as primary dealers to engage in bilateral repurchases with the BOT were Bangkok Bank, Kasikorn Bank, Citibank Thailand, Siam Commercial Bank, Standard Chartered Bank Thailand, Government Savings Bank, Bank of Asia, and Hong Kong and Shanghai Banking Corporation Thailand. The BOT would review the list of appointed primary dealers at least annually.</p>	<p>15 June 2004</p>	<p>BOT News No. 17/2547, dated 14 June 2004</p>
<p>3. Permission for commercial banks to engage in private repurchase transactions</p>	<ul style="list-style-type: none"> <li>- Commercial banks (excluding BIBFs)</li> </ul>	<p>1. The BOT extended the scope of contractual parties and the types of instruments for private repurchase transactions.</p> <p>2. The BOT clarified supervision rules such as those on the maintenance of capital funds and liquid assets.</p>	<p>16 September 2004</p>	<p>BOT Circular No. FPG (11)C. 1647/2547, dated 29 September 2004; BOT Notification dated 9 September 2004</p>

Measures	Party Involved	Salient Points	Effective Dates	Source
<b>C. Foreign Exchange Controls</b>				
1. Modification of regulations on foreign exchange controls	<ul style="list-style-type: none"> <li>- Commercial banks (excluding BIBFs)</li> <li>- Export and Import Bank of Thailand</li> <li>- Islamic Bank of Thailand</li> <li>- Asia Credit Plc.</li> </ul>	<p>1. The BOT raised the limit on foreign exchange sales, purchases, deposits, and withdrawals beyond which permission must be obtained from 10,000 to 20,000 US dollars, or equivalent.</p> <p>2. The BOT modified the limit on export and import values beyond which a list of goods must be provided from 500,000 baht to 20,000 US dollars, or equivalent.</p>	1 April 2004	BOT Circular No. FMOG (03)C. 700/2547 dated 31 March 2004
2. Notification of the Ministry of Finance and Notice of the Competent Officer Overseeing Foreign Exchanges with regard to international funds transfer licenses	<ul style="list-style-type: none"> <li>- Licensees</li> <li>- International funds transfer agents</li> </ul>	<p>1. Licenses were extended to small-scale juristic persons with registered funds of at least one million baht and whose stockholders were entirely of Thai nationality.</p> <p>2. The international funds transfers business was permitted to undertake only the following: transfer of foreign currency funds from abroad to pay out to residents in baht, and transfer of foreign currency funds by request of residents to overseas receivers.</p>	11 August 2004	BOT Circular No. FMOG (31)C. 3-4/2547, dated 11 August 2004; Notifications of the Ministry of Finance dated 30 July and 4 August 2004; Notice of the Competent Officer dated 6 August 2004; BOT News No. 26-27/2547, dated 11 August 2004
<b>D. Payment Measures</b>				
1. Policy guidelines on the supervision of electronic money services	<ul style="list-style-type: none"> <li>- Commercial banks</li> </ul>	<p>The BOT provided guidelines on the assessment of risks and impacts of electronic money, including guidelines on supervision. Interested commercial banks must seek permission from the BOT to become service providers.</p>	10 February 2004	BOT Circular No. FPG(11)C. 378/2547, dated 10 February 2004

Measures	Party Involved	Salient Points	Effective Dates	Source
2. Rules, procedures, and conditions for the undertaking of the electronic money card business	- Providers of electronic money cards other than financial institutions	The BOT provided rules, procedures, and conditions for the undertaking of the electronic money card business, e.g., management of funds received in advance from customers, stipulation of fees, and security assessment.	13 December 2004	BOT Circular No. FPG (11)C. 2074/2547, dated 13 December 2004
<b>E. Credit Measures</b>				
1. Rules, procedures, and conditions for the undertaking of the credit card business	- Commercial banks - Providers of credit cards other than financial institutions	1. The minimum payment was increased from 5 per cent to at least 10 per cent of outstanding debts. 2. The credit line granted to each cardholder was to be within five times of his/her average monthly income. 3. Credit cards must be cancelled in case of delinquency by over three months since the due date of payment.	1 April 2004 (1 April 2007 for existing cardholders) (1 April 2005 for existing cardholders)	BOT Circular No. FPG (21)C. 47/2547 and 48/2547, dated 26 March 2004
2. Extension of credits to or investment in beneficial businesses; Extension of credits to shareholders of financial institutions	- Thai commercial banks Foreign commercial banks (excluding IBFs) - Finance companies, finance and securities companies, credit foncier companies	The BOT announced addenda to the previous notification such that extension of credits to or investment in (1) beneficial businesses in which the Ministry of Finance had a vested interest pursuant to 4.3(B) and (2) investment in mutual funds set up by government offices pursuant to 4.3(C) were exempted.	5 June 2004	BOT Circular No. FPG (21)C. 80/2547 and 81/2547, dated 9 June 2004 and announced on 28 May 2004
<b>F. Supervision and Financial Institutions Development Measures</b>				
<b>1. Supervision of financial institutions</b>				

Measures	Party Involved	Salient Points	Effective Dates	Source
1) Amendment of regulations pertaining to the purchase or holding of shares of limited companies in excess of the amount prescribed by law	<ul style="list-style-type: none"> <li>- Commercial banks</li> <li>- Finance companies, finance and securities companies, credit foncier companies</li> </ul>	<p>The BOT allowed financial institutions to hold common and preferred shares of limited companies in excess of the amount prescribed by law following debt restructuring until 31 December 2004.</p> <p>Common and preferred shares transferred to financial institutions in 2004 must be reduced to a level not exceeding the amount prescribed by law by 31 December 2007.</p>	1 January 2004	BOT Circular No. FPG (21)C. 188/2547 and 189/2547, dated 5 February 2004
2) Extension of the holding period of foreclosed real estate properties awaiting sale	<ul style="list-style-type: none"> <li>- Commercial banks</li> <li>- Foreign commercial banks (excluding IBFs)</li> <li>- Finance companies, finance and securities companies, credit foncier companies</li> </ul>	<p>The BOT extended the possession period of foreclosed real estate properties, which had been transferred to financial institutions between 1 January 1997 and 31 December 2004, beyond the period stipulated by regulations. However, the properties must be sold within 10 years of the transfer date.</p>	1 January 2004	BOT Circular No. FPG (21)C. 190/2547 and 191/2547, dated 5 February 2004
3) Designation of the Thai Asset Management Corporation as a financial institution	<ul style="list-style-type: none"> <li>- Commercial banks</li> <li>- Finance companies, credit foncier companies</li> <li>- Asset management companies</li> <li>- Thai Asset Management Corporation</li> </ul>	<p>The Minister of Finance designated the Thai Asset Management Corporation (TAMC) as a financial institution by virtue of the Emergency Decree on the Asset Management Company, B.E. 2541. This enabled asset management companies to purchase or transfer assets from TAMC.</p>	7 May 2004	BOT Circular No. FPG (31)C. 61/2547, dated 13 May 2004; Notification of the Ministry of Finance dated 27 April 2004

Measures	Party Involved	Salient Points	Effective Dates	Source
4) Appointment of executives and senior executives of commercial banks as directors	- Thai commercial banks	The BOT prescribed attributes of directors unfit for the positions of executive and senior executive, to facilitate clearance prior to appointment.	30 July 2004	BOT Circular No. FPG (31)C. 1326/2547, dated 29 July 2004; BOT Notification dated 27 July 2004
5) Classification of data on losses due to operational risks	- Commercial banks	The BOT issued guidelines on the management of operational risks of commercial banks and illustrated how to classify data on losses due to operational risks. Relevant Notifications and Circulars were also provided.	17 August 2004	BOT Circulars No. FPG (31) C. 1410/2547, dated 17 August 2004
6) Worthless or irrecoverable assets and doubtful assets that may be worthless or irrecoverable of financial institutions	- Commercial banks (excluding IBFs) - Finance companies - Credit foncier companies	The BOT amended regulations on the provisioning for assets classified as doubtful of loss, in case commercial banks had not undertaken debt restructuring or legal action.	26 August 2004	BOT Circulars No. FPG (21)C. 125-126/2547, dated 26 August 2004
7) Maintenance of liquid assets by commercial banks	- Commercial banks	1. The BOT changed the proportions of commercial banks' required liquid assets. Commercial banks must maintain liquid assets by no less than 6 percent of the combined deposits and certain types of borrowings, as follows:  1.1 Deposits at the BOT must be no less than 0.8 percent.	8 October 2004	BOT Circular No. FPG (21)C.166/2547, dated 22 September 2004; BOT Notification dated 16 September 2004

Measures	Party Involved	Salient Points	Effective Dates	Source
		<p>1.2 Cash deposits at commercial banks' cash centres must average no less than 0.2 percent, except in the case where deposits at the BOT already exceed 0.8 percent, under which the amount in excess may be used to deduct from the required 0.2 percent. In any case, 1.1) and 1.2) combined must be no less than 1 percent.</p> <p>1.3 The sum of  (1) cash on hand at commercial banks;  (2) cash at commercial banks' cash centres in excess of the amount stipulated under clause 1.2) may be counted as liquid assets by no more than 2.5 percent.</p> <p>1.4 Stipulations on unencumbered assets were unchanged.</p> <p>2. The BOT modified the stipulations on liquid assets. Commercial banks were required to maintain liquid assets for borrowings with embedded financial derivatives, regardless of whether they were in the form of deposits or borrowings.</p>		

Measures	Party Involved	Salient Points	Effective Dates	Source
		<p>3. Off-shore lending international banking facilities (IBFs) were required to maintain liquid assets in a similar manner as commercial banks and domestic lending IBFs. Incidentally, the BOT revoked the use of debentures, bonds, and debt instruments of the Bangchak Petroleum Plc. as liquid assets, given that the company was no longer a state enterprise. However, debentures, bonds, and debt instruments issued by the Industrial Finance Corporation of Thailand (IFCT), which had merged with the Thai Military Bank, could still be used as liquid assets up to maturity.</p>	23 December 2004	BOT Circular No. FPG (21)C. 2004/2547, dated 29 November 2004
<p>8) Rules on the conversion and realisation of profits and losses from foreign exchange positions; rules on the assessment of fair values of financial derivatives</p>	<p>- Commercial banks (excluding retail commercial banks)</p>	<p>The conversion and realisation of profits and losses from foreign exchange and financial derivatives involving foreign exchange must be in accordance with the Thai accounting standards or internationally accepted standards. The procedures must be applied to the settling of accounts on a monthly basis.</p>	Accounting period beginning 1 January 2005	BOT Circular No. FPG (21)C. 1974/2547, dated 22 November 2004

Measures	Party Involved	Salient Points	Effective Dates	Source
<p>9) Supervision of financial institutions' interest rate risk management; relevant forms and documents</p>	<ul style="list-style-type: none"> <li>- Commercial banks (excluding IBFs)</li> <li>- Finance companies</li> <li>- Credit foncier companies</li> </ul>	<p>The BOT issued guidelines on the management of interest rate risks, including guidelines on the roles and duties of board members and senior executives of financial institutions, interest rate risk management policy, and proper operation procedures.</p>	<p>January 2006</p>	<p>BOT Circular No. FPG (21)C. 2141/2547, dated 27 December 2004</p>
<p><b>2. Financial institutions development</b></p>				
<p>Establishment of financial institutions in accordance with the Financial Sector Master Plan</p>				
<p>1) Application for the establishment of a commercial bank as a subsidiary of a foreign bank</p>	<ul style="list-style-type: none"> <li>- Foreign bank branches</li> <li>- IBFs of foreign banks</li> </ul>	<p>The Minister of Finance allowed any foreign bank with an IBF or branch in Thailand that met the required criteria to submit to the BOT an application for the establishment of a commercial bank as a subsidiary of the foreign bank between 1 February 2004 and 31 July 2004.</p> <p>Once in operation, the newly established bank's paid-up capital must be no less than B4 billion. The bank may request to set up one branch in Bangkok and its vicinity and three more branches outside the Bangkok metropolis area. However, only one branch can be requested for opening each year.</p>	<p>1 February 2004</p>	<p>BOT Circular No. FPG (11)C. 139/2547, dated 30 January 2004; Notification of the Ministry of Finance dated 23 January 2004</p>

Measures	Party Involved	Salient Points	Effective Dates	Source
2) Application for the establishment of a commercial bank	<ul style="list-style-type: none"> <li>- Finance companies</li> <li>- Finance and securities companies</li> <li>- Credit foncier companies</li> </ul>	<p>Finance companies, finance and securities companies, and credit foncier companies with the required qualifications as specified in the Notification of the Ministry of Finance were allowed to submit to the BOT an application to establish a bank, which can be either a commercial bank or a retail bank. Once in operation, the newly established commercial or retail bank must have first-tier capital funds of no less than B5 billion or B250 million, respectively.</p>	1 February 2004	BOT Circular No. FPG (12)C. 137/2547, dated 30 January 2004; Notification of the Ministry of Finance dated 23 January 2004
3) Application for the establishment of a foreign bank branch	- IBFs of foreign banks	<p>Foreign banks operating IBFs in Thailand with the required qualifications as specified in the Notification of the Ministry of Finance were allowed to submit to the BOT an application for the establishment of a foreign bank branch between 1 February 2004 and 31 July 2004. Once established, the foreign bank branch must retain assets of no less than B3 billion within Thailand.</p>	1 February 2004	BOT Circular No. FPG (11)C. 138/2547, dated 30 January 2004; Notification of the Ministry of Finance dated 23 January 2004

Measures	Party Involved	Salient Points	Effective Dates	Source
<p>4) Guidelines on the assessment of management quality of finance companies and credit foncier companies interested in establishing a commercial bank</p>	<ul style="list-style-type: none"> <li>- Finance companies</li> <li>- Credit foncier companies</li> </ul>	<p>Finance companies or credit foncier companies were assessed on two areas:</p> <ol style="list-style-type: none"> <li>1. Compliance with good governance, e.g., supervision by the board of directors, transparent and sufficient disclosure of information.</li> <li>2. Management quality, e.g., roles and conduct of directors and executives.</li> </ol>		<p>BOT Circular No. FPG (12)C. 840/2547, dated 30 April 2004</p>
<p>5) Rules, procedures, and conditions for a merger or an acquisition of financial institutions to establish a commercial bank</p>	<ul style="list-style-type: none"> <li>- Finance companies</li> <li>- Credit foncier companies</li> </ul>	<p>A finance company or a credit foncier company qualified to submit an application for the establishment of a commercial bank or a retail bank must merge with, acquire, or accept transfers of all or most assets and liabilities of at least one other finance company or credit foncier company (in accordance with Article 5 of the Notification of the Ministry of Finance dated 23 January 2004).</p>	<p>8 April 2004</p>	<p>BOT Circular No. FPG (12)C. 764/2547, dated 16 April 2004; BOT Notification dated 2 April 2004</p>
<p>6) Rules, procedures, and conditions for the establishment of a commercial bank as a subsidiary of a foreign bank</p>	<ul style="list-style-type: none"> <li>- Foreign bank branches</li> <li>- International banking facilities (IBFs) of foreign banks</li> </ul>	<p>A foreign bank interested in doing so must designate one company as the core for the merger with, acquisition of, or acceptance of transfers of all or most assets and liabilities from at least one other commercial bank or financial institution.</p>	<p>8 April 2004</p>	<p>BOT Circular No. FPG (11)C. 765/2547, dated 16 April 2004; BOT Notification dated 2 April 2004</p>

Measures	Party Involved	Salient Points	Effective Dates	Source
7) Clarification on the One Presence Policy	<ul style="list-style-type: none"> <li>- Commercial banks</li> <li>- Finance companies</li> <li>- Credit foncier companies</li> </ul>	<p>Deposit-taking financial institutions within the same business group and with no intention to or not qualified to establish a foreign bank branch or a commercial bank as a subsidiary of a foreign bank must submit detailed action plans in compliance with the One Presence Policy. Once approved by the Ministry of Finance, financial institutions must proceed within the proposed timeframe.</p>	-	<p>BOT Circular No. FPG (12)C. 1157/2547, dated 28 June 2004</p>
8) Establishment of a treasury centre in Thailand		<p>Thai or multinational corporations with affiliates or business-related companies of three companies or more could seek permission to operate a treasury centre from the Minister of Finance through the BOT and acquire a status of juristic person in Thailand. The treasury centre was allowed to conduct foreign exchange businesses, engage in risk and liquidity management, and prepare financial statements for companies within the conglomerate.</p>	5 July 2004	<p>BOT News No. 20/2547, dated 6 July 2004</p>

Measures	Party Involved	Salient Points	Effective Dates	Source
<b>G. Financial Assistance to Priority Economic sectors</b>				
1. Financial assistance to chicken farmers affected by avian flu	<ul style="list-style-type: none"> <li>- Commercial banks</li> <li>- Industrial Finance Corporation of Thailand</li> <li>- Small and Medium Enterprise Development Bank of Thailand</li> <li>- Export and Import Bank of Thailand</li> <li>- Government Savings Bank</li> <li>- Bank for Agriculture and Agricultural Cooperatives</li> </ul>	<p>The BOT granted special financial assistance to chicken farmers by providing them with working capital through financial institutions at the interest rate of 0.01 percent per annum and requiring that financial institutions charge chicken farmers no more than 2 percent per annum on such loans extended for one year. Interested financial institutions were required to submit detailed proposals to the BOT by 20 February 2004.</p> <p>The BOT would agree to purchase promissory notes at face values on the conditions that the maturity date be within 360 days since the date the BOT agreed to purchase and be no later than 10 March 2005.</p>	-	BOT Circular No. FMOG (06)C. 375/2547, dated 10 February 2004
2. Financial assistance to chicken farmers affected by avian flu	<ul style="list-style-type: none"> <li>- Commercial banks</li> </ul>	<p>The BOT provided financial assistance to chicken farmers by virtue of BOT regulations regarding the purchase of promissory notes in connection with the animal farming business, B.E. 2531, and amendments.</p>	-	BOT Circular No. FMOG (06)C. 524/2547, dated 10 March 2004

Measures	Party Involved	Salient Points	Effective Dates	Source
<p>3. Credit lines with promissory notes as collateral in connection with small and medium enterprises</p>	<ul style="list-style-type: none"> <li>- Commercial bank</li> <li>- Small and Medium Enterprise Development Bank of Thailand</li> <li>- Export and Import Bank of Thailand</li> <li>- Bank for Agriculture and Agricultural Cooperatives</li> <li>- Government Savings Bank</li> <li>- Finance companies</li> </ul>	<p>Financial institutions intending to borrow in accordance with the regulations on borrowing and lending, whereby promissory notes in connection with small and medium enterprises were to be used as collateral, B.E. 2546, were required to notify the BOT and submit a proposal for credit extension by 20 August 2004.</p>	<p>-</p>	<p>BOT Circular No. FMOG (04)C. 1363/2547, dated 9 August 2004</p>
<p>4. Financial assistance to poultry farmers and poultry business entrepreneurs affected by avian flu</p>	<ul style="list-style-type: none"> <li>- Commercial banks</li> </ul>	<p>The BOT expanded the scope and duration of assistance as follows. The BOT provided financial assistance through commercial banks to poultry farmers, in addition to chicken farmers, who were affected by avian flu. For another year, until 10 March 2006, the BOT would purchase promissory notes with an interest rate not exceeding 2 percent per annum.</p>	<p>4 November 2004</p>	<p>BOT Circular No. FMOG (04)C.1887/2547, dated 4 November 2004</p>

## Fiscal Measures

Measures	Source	Date of Announcement	Effective Dates	Link
<b>A. Tax Measures</b>				
1. Measures to support the establishment of Thailand as a regional energy centre as proposed by the Customs Department, the Excise Department and the Revenue Department	Cabinet Synopsis	20 January 2004 27 January 2004	-	
2. Draft Custom Bill No... (B.E...) amending some sections to accommodate the changing environment of international trade and investment	Cabinet Synopsis	17 February 2004	-	
3. Tax measures to develop the capital market	Cabinet Synopsis	27 April 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - Cabinet - Synopsis - Archive - Date
1) Extending the deadline of the corporate income tax rate reduction from 5 September 2004 to 31 December 2004				
2) Entitlement of tax-deductible investment for personal-income taxpayers in the Retirement Mutual Fund (RMF), the Provident Fund, and the Government Pension Fund (GPF). The tax deduction must not exceed either 15 percent of annual assessable income or 300,000 baht. In addition, all types of assessable income invested in these				

Measures	Source	Date of Announcement	Effective Dates	Link
<p>mutual funds are now tax-deductible, whereas previously only certain types of assessable income were eligible. Furthermore, any employees holding investments for at least five years can now receive tax benefits. Previously only employees aged 55 years or more could benefit</p> <p>3) Tax privileges for investment in long-term equity</p>				
<p>4. Allowance of tax deductions to contributions whose purposes are for supporting social education, sports, parenting, and the underprivileged.</p>	Cabinet Synopsis	22 June 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - Cabinet Synopsis - Archive
<p>5. Draft ministerial regulations on tax exemption No... (B.E...) (exemption of civil servants and members of Government Pension Fund who had retired under the early retirement programme from the personal income tax)</p>	Cabinet Synopsis	6 July 2004	-	
<p>6. Structural reform of automobile tax</p> <ul style="list-style-type: none"> <li>- New automobile tax schedules</li> <li>- Increase in automobile registration fee, license registration fee, and the annual automobile tax</li> </ul>	Cabinet Synopsis	27 July 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
<p>7. Measures to promote and support low-to-middle income earners as well as small enterprises as follows:</p> <p>1) Raising of the minimum level of assessable income after deducting expenditures and tax deduction from the personal income tax from the first 80,000 baht to the first 100,000 baht</p> <p>2) Reduction of the corporate income tax rate for entrepreneurs whose paid-up capital does not exceed B5 million, from the progressive rate of 20 per cent for the first B1 million of net profit to 15 percent. The tax rate for the remaining net profit remains unchanged.</p> <p>3) Expansion of the value added tax (VAT) exemption coverage to include small entrepreneurs whose annual income are less than B1.8 million, up from the previous limit of B1.2 million.</p>	Cabinet Synopsis	26 October 2004	-	
<p>8. Tax and fee structure to support the merger of financial institutions according to the Financial Sector Master Plan. In this respect, merger should be completed by 31 January 2006 and can be extended for six months until 31 July 2006.</p>	Cabinet Synopsis	23 November 2004	-	<p><a href="http://www.thaigov.go.th">www.thaigov.go.th</a></p> <p><b>Select</b></p> <ul style="list-style-type: none"> <li>- Cabinet Synopsis</li> <li>- Archive</li> <li>- Date</li> </ul>

Measures	Source	Date of Announcement	Effective Dates	Link
9. Measures to support the restructuring of non-performing loans (NLPs) by extending the deadline for: - Exemption of tax and deduction of registration fee - Exemption of tax from debt restructuring	Cabinet Synopsis	21 December 2004	-	
10. Measures to promote savings through exemption of the personal income tax from interest income on fixed deposits of at least one year maturity for savers who are at least 55 years old and have an annual assessable interest income not exceeding 30,000 baht	Cabinet Synopsis	21 December 2004	1 January 2005	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
<b>B. Expenditure Measures</b>	Cabinet Synopsis	6 January 2004	-	
1. Draft Additional Budget Act B.E. 2547 B.E... with an additional central budget of five items totalling B135,500 million	Cabinet Synopsis	6 January 2004	-	
2. Draft Royal Decree to financially support retired civil servants under the plans to improve and manage civil service management B.E...	Cabinet Synopsis	13 January 2004 21 September 2004 28 September 2004	-	
3. Strategic goals and measures to revise civil service salary and benefits	Cabinet Synopsis	9 March 2004	1 April 2004	

Measures	Source	Date of Announcement	Effective Dates	Link
<p>1) Increase of salary for all levels of civil servants by 3 percent and a 2-step promotion for civil servants between the rank of 1 and 7</p> <p>2) Budgeting of non-payroll benefit totalling B33,140 million (around B16,570 million for the first half of the fiscal year)</p>				
<p>4. Draft Royal Decree on allowances for pensioners (No...) B.E... (increasing the allowances by 3 percent)</p>	<p>Cabinet Synopsis</p>	<p>27 April 2004</p>	<p>1 April 2004</p>	<p><a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - Cabinet Synopsis - Archive - Date</p>
<p>5. Draft Budget Act B.E. 2548 with a total budget expenditure of B1,200 billion</p>	<p>Cabinet Synopsis</p>	<p>4 May 2004 18 May 2004 25 May 2004</p>	<p>-</p>	
<p>6. Plans to develop public infrastructure within the next five years with a budget of B827,978 million and the following 3 strategies:</p> <p>1) Strategy to support national competitiveness</p> <p>2) Strategy to promote sustainable development</p> <p>3) Strategy to promote good governance</p>	<p>Cabinet Synopsis</p>	<p>19 October 2004</p>	<p>-</p>	

Measures	Source	Date of Announcement	Effective Dates	Link
7. Draft Provincial Budget for FY2006 with the budget expenditure of B40,000 million	Cabinet Synopsis	21 December 2004	-	
<b>C. State Enterprise Measures</b>	Cabinet Synopsis	17 February 2004	-	
<p>1 - Privatisation procedure for the Electricity Generating Authority of Thailand (EGAT) as well as its establishment as a public limited company.</p> <p>- Procedure for transforming the Communications Authority of Thailand (CAT) into a public limited company.</p>	Cabinet Synopsis	17 February 2004	-	<p><a href="http://www.thaigov.go.th">www.thaigov.go.th</a></p> <p><b>Select</b></p> <ul style="list-style-type: none"> <li>- Cabinet Synopsis</li> <li>- Archive</li> <li>- Date</li> </ul>
<p>2. Criteria concerning the privatisation of state enterprises are as follows:</p> <p>1) Distribution of stocks among the public through random selection</p> <p>2) State enterprise employees to receive shares worth eight times of their salary as of one day prior to the state enterprise's registration as a public company.</p>	Cabinet Synopsis	7 April 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
<p>3) In safeguarding the interest of the nation, consumers, and state enterprise employees, the government will hold share of the privatised state enterprises at a minimum of 50 percent of their registered capital. With respect to the Electricity Generating Authority of Thailand and the Metropolitan Waterworks Authority, the minimum is set at 75 percent.</p>				
<p>3. Investment budget of 51 state enterprises for the year 2005 set at B315.5 billion with a disbursement limit of B248.9 billion.</p>	Cabinet Synopsis	21 September 2004	-	<a href="http://www.thai.gov.go.th">www.thai.gov.go.th</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
<p>4. Draft Regulations of the Ministry of Finance regarding the accounts and finances of state enterprises.</p>	Cabinet Synopsis	30 November 2004	-	-
<p>5. Policy to support investment in state enterprises' projects and the privatisation of state enterprises.</p>	Cabinet Synopsis	30 November 2004	-	
<p><b>D. Local Government Measures</b></p> <p>1. Allocation of revenue to local administrative authorities with the stipulation that the allotted revenue be equal to 23.5 percent of the fiscal revenue in FY2005.</p>	Cabinet Synopsis	10 February 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
<p>2. Draft Action Plan for the decentralisation of fiscal policy to the local administrative authorities and draft action plan for transferring personnel to the local administrative authorities (revised in accordance with cabinet synopsis, 24 June 2003)</p>	<p>Cabinet Synopsis</p>	<p>2 March 2004</p>	<p>-</p>	
<p>3. Monetary reward for economy in expenditure by local administrative authorities. Economy in expenditure is measured as the difference between the central government's standard procurement price and the actual price in the contract signed by the local administrative authority. This difference in the prices will be divided equally between (1) the local administrative authority and (2) the relevant administrators and officials.</p>	<p>Cabinet Synopsis</p>	<p>28 September 2004</p>	<p>-</p>	<p><a href="http://www.thaigov.go.th">www.thaigov.go.th</a>  <b>Select</b>  - Cabinet Synopsis  - Archive  - Date</p>
<p><b>E. Other Measures</b></p>				
<p>1. Approval of the borrowing by the Energy Fund Administration Institute (public organization) in the amount of B63,000 billion from domestic financial institutions with the Ministry of Finance as guarantor.</p>	<p>Cabinet Synopsis</p>	<p>4 May 2004  24 August 2004  21 December 2004</p>	<p>-</p>	

Measures	Source	Date of Announcement	Effective Dates	Link
2. Establishment of the Fund for Improving the Structure of the Manufacturing Sector so as to increase national competitiveness with a yearly budget of B1,000 billion over 10 years for a grand total of B10,000 billion beginning in FY2005.	Cabinet Synopsis	20 July 2004	-	
3. Draft Regulations for the Office of the Prime Minister regarding the management of the special service division	Cabinet Synopsis	27 July 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - Cabinet Synopsis - Archive - Date
4. Draft Act on national health regarding National Health System Reform Office (HSRO)	Cabinet Synopsis	10 August 2004	-	
5. Measure to aid victims of the natural disaster in the six southern provinces	Cabinet Synopsis	28 December 2004	-	

## Others Measures

Measures	Source	Date of Announcement	Effective Dates	Link
<b>A. Agricultural Measures</b>				
1. Securitization plan for rubber farms	Cabinet Synopsis	13 January 2004	-	
2. Measures for debt reduction and income enhancement for farmers	Cabinet Synopsis	20 January 2004 20 April 2004 25 May 2004 7 September 2004 16 November 2004	-	
3. Securitization project: Sea Food Bank Program	Cabinet Synopsis	24 January 2004	2004 - 2005	
4. Measures to relieve and resolve drought problem	Cabinet Synopsis	27 January 2004 3 February 2004 7 December 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis - Archive - Date
5. Measures to alleviate the impacts of the avian flu	Cabinet Synopsis	27 January 2004 10 February 2004 12 October 2004	-	
6. Plan to develop swine and all related products	Cabinet Synopsis	3 February 2004	-	
7. Strategy for pineapple sector	Cabinet Synopsis	2 March 2004	-	
8. Measures to alleviate the impacts of the flood problem	Cabinet Synopsis	9 March 2004, 1 June 2004, 19 October 2004, 14 December 2004	-	
9. Project promoting short-circled farm crop cultivation in lieu of second paddy crop in 2004	Cabinet Synopsis	23 March 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
10. Food safety measures	Cabinet Synopsis	30 March 2004	-	
11. Systematic solution to price problem of sugar and sugar cane	Cabinet Synopsis	20 April 2004	-	
12. Price setting for sugar and sugar cane	Cabinet Synopsis	27 April 2004, 22 June 2004, 16 November 2004	-	
13. Designation of promoted area for sugar cane farming	Cabinet Synopsis	11 May 2004	-	
14. Approval of budget supporting farmer institution on canned longan processing	Cabinet Synopsis	18 May 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis - Archive - Date
15. Hom Mali rice strategy	Cabinet Synopsis	31 August 2004	-	
16. Integrating solution on water resource management	Cabinet Synopsis	19 October 2004	-	
17. Project promoting deer breeding for commercial purpose	Cabinet Synopsis	19 October 2004	-	
18. Measure to assist farmer on 2005 crop year	Cabinet Synopsis	26 October 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
19. Project for career developing and income enhancement for citizens on the fresh-water shrimp farming area in Pakpanang	Cabinet Synopsis	26 October 2004	-	
20. Approval of National Office of Rice	Cabinet Synopsis	2 November 2004	-	
21. Approval of Special Purpose Vehicle (SPV) to support agribusiness	Cabinet Synopsis	9 November 2004	-	
22. Project to promote cattle breeding	Cabinet Synopsis	9 November 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis
23. Construction of water reservoirs outside irrigation area	Cabinet Synopsis	14 December 2004	-	- Archive - Date
24. Project to support low interest loan for cow breeding and complete rice production in Pattalung and construction of palm oil extraction factory in Satun.	Cabinet Synopsis	28 December 2004	-	
<b>B. International Trade Measures</b>				
1. Agreements on Bilateral Payment Arrangement (BPA) between Thailand and Bangladesh and between Thailand and Russia	Cabinet Synopsis	20 January 2004 23 March 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
2. Agreement on Special Trade Privilege between Thailand and Sri Lanka	Cabinet Synopsis	3 February 2004	-	
3. Draft Agreement on Free Trade Area under BIMST-EC (Bangladesh, India, Sri Lanka, Thailand Economic Cooperation). Free Trade Agreements between Thailand and India, Thailand and New Zealand, Thailand and Australia, and the ASEAN and China	Cabinet Synopsis	3 February 2004 10 August 2004 31 August 2004 14 September 2004 12 October 2004 16 November 2004	-	
4. Memorandum of Understanding between Thailand-China, Thailand-Brazil-Canada-Mexico-Sweden, and Thailand-Hungary	Cabinet Synopsis	10 and 17 February 2004 23 March 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a>
5. Establishment of the border economic zone in Chiang Rai	Cabinet Synopsis	2 March 2004	-	<b>Select</b> - News - Cabinet Synopsis - Archive - Date
6. Promotion for the establishment of joint-venture company for pineapple between Thailand, Indonesia and Philippines	Cabinet Synopsis	2 March 2004	-	
7. Basic agreement on the ASEAN Industrial Cooperation Scheme (AICO)	Cabinet Synopsis	7 April 2004	-	
8. Rationalization of the import duty structure for inputs used in the electrical appliance and electronic products.	Cabinet Synopsis	4 May 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
9. Accession of Singapore to the Agreement between China and Thailand on Accelerated Tariff Reduction under the Early Harvest Program	Cabinet Synopsis	1 June 2004	1 January 2005	
10. The economic partnership between Thailand and neighbouring countries and between Thailand and Japan	Cabinet Synopsis	7 and 28 September 2004	-	
11. Market expansion for fruits export	Cabinet Synopsis	12 October 2004	-	
12. The construction of the bridge over the Golok River at Buketa to promote trade and tourism between Thailand and Malaysia	Cabinet Synopsis	12 October 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis - Archive - Date
13. Finance agreement between the European Union and Thailand under Small Projects Facility	Cabinet Synopsis	16 November 2004	-	
14. Inclusion of Nakornsrithammarat, Trang and Pattalung in the Indonesia-Malaysia-Thailand Growth Triangle: IMT-GT	Cabinet Synopsis	14 December 2004	-	
<b>C. Industrial Measures</b>				
1. SME promotion strategy	Cabinet Synopsis	13 January 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
2. Solution to shortage of steel supply	Cabinet Synopsis	2 March 2004	-	
3. Gasohol promotion strategy	Cabinet Synopsis	23 March 2004	-	
4. Revision of annual fee exemption for international standard certified firms	Cabinet Synopsis	30 March 2004	-	
5. Approval of loan for gasoline subsidy	Cabinet Synopsis	4 May 2004	-	
6. Budget approval to support national competitiveness strategy	Cabinet Synopsis	18 May 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis - Archive - Date
7. Energy saving measure	Cabinet Synopsis	8 June 2004	-	- News - Cabinet Synopsis - Archive - Date
8. Approval on revision of the drafted investment promotion act	Cabinet Synopsis	14 September 2004	-	
9. Measure for energy saving and efficient usage in industrial sector	Cabinet Synopsis	23 November 2004	-	
10. Measures promoting investment in industrial zone in the 3 south -border provinces (Pattani, Yala, and Nara Thiwat)	Cabinet Synopsis	14 December 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
11. Drafted ministerial regulations on prohibition of CFCs usage in the production process	Cabinet Synopsis	28 December 2004	60 days after declaration in the government gazette	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis - Archive - Date
<b>D. Price Measures</b>				
1. Fare adjustment of Cream-Red regular buses and Euro-2 airbuses	Resolution by the Central Land Transport Control Board	30 December 2003 1 May 2004	1 February 2004 1 May 2004	<a href="http://www.dlt.go.th">www.dlt.go.th</a>
2. Electricity price adjustment (Ft) for the period of February - May 2004 and October 2004 - January 2005	Resolution by the Sub-committee on the Automatic Adjustment Mechanism	13 February 2004 12 October 2004	1 February 2004 1 October 2004	<a href="http://www.eppo.go.th">www.eppo.go.th</a>
3. Cooking gas price adjustment	Resolution by the National Energy Policy Council	6 May 2004	7 May 2004	<a href="http://www.eppo.go.th">www.eppo.go.th</a>
<b>E. Labour Measures</b>				
1. Measures to improve the potential of Thai labour for overseas employment opportunities, including the skill training and standard testing of Thai chefs	Cabinet Synopsis	13 January 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis - Archive - Date
2. Regulations on the set-up of hourly wage, promotion of employment opportunities, and tax incentives for private entities to hire students during non-schooling hours.	Cabinet Synopsis	27 January 2004 17 February 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
3. The Ministry of Labour's measures to assist workers affected by the avian flu	Cabinet Synopsis	27 January 2004	January-May 2004	
4. Extra payments to civil servants working in Yala, Pattani and Nara Thiwat	Cabinet Synopsis	2 March 2004 17 August 2004	-	
5. Establishment of goals and strategies for the improvement in the efficiency and remuneration of the civil servants	Cabinet Synopsis	9 March 2004 30 March 2004 31 August 2004	-	
6. Plan to assist workers affected by drought in 2004	Cabinet Synopsis	16 March 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis
7. Approval of Thai representatives to participate in the International Abilympics	Cabinet Synopsis	20 April 2004	-	- Archive - Date
8. Guidelines for the management of foreign labour	Cabinet Synopsis	27 April 2004	-	
9. Drafted Royal Decree on living allowance for pensioners (living allowances for pensioners raised by 3 percent)	Cabinet Synopsis	27 April 2004	-	
10. Two Drafted Royal Decrees on the occupations and professions prohibited to foreign labour	Cabinet Synopsis	27 July 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
11. Drafted notification of the Ministry of Interior on granting residency status to alien workers in 2004	Cabinet Synopsis	24 August 2004	-	
12. Approval of the lump-sum disbursements for the Universal Health Insurance Scheme for FY2005-2006	Cabinet Synopsis	2 November 2004	-	
13. Adjustment of the minimum wage for 2005	Cabinet Synopsis	21 December 2004	1 January 2005	
<b>F. Service Measures</b>				<a href="http://www.thaigov.go.th">www.thaigov.go.th</a>
1. Cooperation on Tourism in the Emerald Triangle among Thailand-Lao-Cambodia, Thailand France, and Thailand-Ukraine	Cabinet Synopsis	2 March 2004 30 March 2004 27 April 2004	-	<b>Select</b> - News - Cabinet Synopsis - Archive - Date
2. Low Cost Airline Project by Thai Airways Co.Ltd.	Cabinet Synopsis	4 May 2004	-	
3. Announcement of the Special Zone for Sustainable Tourism	Cabinet Synopsis	25 May 2004	-	
4. Negotiation on the aviation and air transportation between Thailand-South Korea, Thailand-Sri Lanka, Thailand-Malaysia, Thailand-Maldives, and Thailand-Lao	Cabinet Synopsis	22 June 2004 27 July 2004 7 and 14 September 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
5. Promoting the provincial airports as centers for aviation to facilitate the tourism industry	Cabinet Synopsis	29 June 2004	-	
6. The Tourism Strategy during 2004-2008	Cabinet Synopsis	29 June 2004	-	
7. The project on mobile phone system CDMA 2000 - 1X in the provincials	Cabinet Synopsis	3 August 2004	-	
8. Establishment of the Real Estate Data Center	Cabinet Synopsis	17 August 2004	-	
9. Liberalization of air travel services under ASEAN	Cabinet Synopsis	31 August 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis
10. Approval of the Bangkok Mass Transit System Project- the purple line (Bang Yai- Ratburana, and Bang Yai-Bang Sue section)	Cabinet Synopsis	28 September 2004	-	- Archive - Date
11. Organization of logistic system to enhance Thailand's competitiveness	Cabinet Synopsis	9 November 2004	-	
12. Development of tourism to promote the border economic zone in Chiang Rai	Cabinet Synopsis	23 November 2004	-	
13. Revision of the immigration and customs procedures for the foreign tourists	Cabinet Synopsis	14 December 2004	-	

Measures	Source	Date of Announcement	Effective Dates	Link
14. Special policy to promote investment in industrial estates or industrial zone in 3 southern provinces (Pattani, Yala and Nara Thiwas)	Cabinet Synopsis	14 December 2004	-	<a href="http://www.thaigov.go.th">www.thaigov.go.th</a> <b>Select</b> - News - Cabinet Synopsis - Archive - Date
15. Donation for replenishment for the Asian Development Fund (ADF)	Cabinet Synopsis	28 December 2004	-	
<b>G. Capital Market Measures</b>				
1. Additional designation of juristic persons as institutional investors	SEC	23 January 2004	6 January 2004	
2. Merger and acquisition of mutual funds (Issue No. 2)	SEC	9 February 2004	16 February 2004	
3. Strategic plans for supervising and developing the capital market during 2004-2007	SEC	16 February 2004	-	
4. Guidelines on IPO allocation	SEC	16 February 2004	-	<a href="http://www.sec.or.th">www.sec.or.th</a>
5. Guidelines on quality improvement of balance sheet data of listed firms	SEC	16 February 2004	-	
6. Guidelines on regulating pension funds	SEC	16 February 2004	-	
7. Revised procedures for the preparation of turnover lists	SEC	27 February 2004	8 March 2004	
8. Rules on futures trading for registered agents, traders, and advisers	SEC	8 March 2004	16 March 2004	
9. Rules on capital management for futures trading	SEC	16 April 2004	1 May 2004	

Measures	Source	Date of Announcement	Effective Dates	Link
10. Permission to sell newly issued derivative warrants (Issue No. 4)	SEC	16 April 2004	1 May 2004	
11. Permission to sell newly issued derivative debentures (Issue No. 2)	SEC	16 April 2004	1 May 2004	
12. Sales of foreign bonds and debentures in Thailand	SEC	25 May 2004	1 June 2004	
13. Assessing and reporting capital adequacy (Issue No. 9)	SEC	25 May 2004	1 June 2004	
14. Rules, conditions, and procedures for the establishment and management of mutual funds	SEC	10 June 2004	1 June 2004	<a href="http://www.sec.or.th">www.sec.or.th</a>
15. Designation of promissory notes that may be used as securities	SEC	15 June 2004	16 September 2004	
16. Permission to sell promissory notes, which are regarded as securities, and newly-issued short-term debentures	SEC	15 June 2004	16 September 2004	
17. Permission to sell newly-issued debentures (Issue No. 4)	SEC	15 June 2004	16 September 2004	
18. Promissory notes transactions by securities companies	SEC	15 June 2004	16 September 2004	
19. Rules, conditions, and procedures for trading securities that are bonds (Issue No. 8)	SEC	15 June 2004	16 September 2004	

Measures	Source	Date of Announcement	Effective Dates	Link
20. Maintenance of capital adequacy (Issue No. 4)	SEC	3 August 2004	16 August 2004	
21. Rules, conditions, and procedures for lending for securities purchases (Issue No. 6)	SEC	3 August 2004	16 August 2004	
22. Rules, conditions, and procedures for the application and permission to sell newly-issued debentures to nonresident investors (Issue No. 4)	SEC	15 September 2004	16 November 2004	
23. Rules for operating a futures exchange centre and a futures clearinghouse	SEC	11 October 2004	11 October 2004	<a href="http://www.sec.or.th">www.sec.or.th</a>
24. Reservation, sale, and allocation of newly-issued securities (Issue No. 7)	SEC	18 October 2004	1 November 2004	
25. Permission to sell newly-issued securities in exchange for negotiable stock warrants	SEC	29 November 2004	16 December 2004	
26. Rules, conditions, and procedures for the sale of securities (Issue No. 7)	SEC	22 December 2004	16 January 2005	
27. Collateral requirements for futures trading in a futures exchange centre	SEC	22 December 2004	16 January 2005	

หน้าว่าง

## **THE BANK OF THAILAND'S ACTIVITIES**

## The Bank of Thailand's activities

### Reserve Management Performance and Note Printing

#### A. Reserve Management and Operations

In managing the country's international reserves during the year 2004, the Bank of Thailand (BOT) exercised its duty based on the principle of risk-awareness, safety and sound rationality, as well as liquidity management in line with the BOT's foreign exchange policy and debt-servicing management framework. Within aforementioned framework, reserves management was aimed at maximizing return under investment guidelines and risk profiles set by the Top Management Committee and attentively monitored monthly by the Investment Sub-Committee.

To maximize investment returns within the framework of acceptable risk and appropriate liquidity, the Reserve Management Division has closely monitored economic and financial market developments that could affect asset price movements. In addition, the Division has tracked both short and long-term interest rates trend that influence both foreign exchange rates and government fixed income securities prices.

In 2004, international reserves under the management of the BOT comprised Liquidity portfolio, Investment portfolios, Exchange Equalization Fund Portfolio, and Liabilities Matching portfolios. In order to improve return prospects, the BOT expanded its investment guidelines by broadening asset class as well as adding more types of investment instruments during 2004.

#### B. Banknote Issue and Management

At the end of December 2004, the volume and value of issued banknotes were 3,006.8 million notes and B759,484.7 million, an increase of 9.6 and 16.6 percent from last year, respectively. The volume breakdown of issue banknotes is shown in Table 1.

In 2004, BOT issued 3 new series of banknote: 1) the commemorative series of 100-baht banknote to celebrate the auspicious occasion of the Sixth-Cycle (72nd) Birthday Anniversary of Her Majesty Queen Sirikit on 12 August B.E. 2547 (2004), 2) the new series of 50-baht banknote (modified series 15), and 3) the new series of 100-baht banknote series 15, which were launched to the public on 4 August 2004, 1 October 2004 and 25 November 2004, respectively.

Counterfeit banknotes that were detected all over the country in 2004, amounted to 24,535 notes, increased more than twice from last year. Most of the counterfeit banknotes were in 100-baht (64.9 percent) and 1000-baht (31.2 percent) denominations.

**Table 1: Banknote Issue in 2004**

Denominations	Number of notes
500000 baht	236
1000 baht	517.5 million
500 baht	286.8 million
100 baht	690.4 million
50 baht	162.6 million
20 baht	867.5 million
10 baht	324.4 million
5 baht	24.5 million
1 baht	106.6 million
50 satang	18.9 million
BOT Note 60 baht	7.5 million

## C. Currency Reserve

As of end 2004, the value of total assets of the Currency Reserve stood at B759,484.7 million, equivalent to the value of issued notes. The assets of the Currency Reserve are shown in Table 2.

**Table 2 : Currency Reserve Account As of 31 December 2004**

	Amount (Million baht)	Share (Percent)
1. Gold	39,551.8	5.2
2. Foreign Currencies	346,392.6	45.6
3. Foreign Securities	373,540.3	49.2
<b>Total</b>	<b>759,484.7</b>	<b>100.0</b>

## D. Note Printing Works

### 1. Banknote

#### 1.1 Production and Delivery

During the year, NPT produced a total of 2,004.65 million notes, and delivered a total of 2,166.803 million notes. The total sales amounted to B1,915.8 million.

#### 1.2 Product Cost

The average cost per note decreased from 0.8961 baht in 2003 to 0.8755 baht in 2004.

### 2. Non-banknote Security Products

#### 2.1 Revenue Stamp

NPT produced and delivered 56.4 million revenue stamps. The total sales amounted to B8.4 million.

#### 2.2 Excise Stamp

**2.2.1 Cigarette Stamp** NPT produced and delivered 845.84 million stamps. The total sales amounted to B40.6 million.

**2.2.2 Liquor Stamp** NPT produced and delivered 45.1 million stamps. The total sales amounted to B2.2 million.

#### 2.3 Bank of Thailand Cheque

NPT produced and delivered 17,350 chequebooks. The total sales amounted to B0.7 million.

#### 2.4 Business License

The total sales amounted to B0.07 million.

### 3. Ink Production

NPT produced a total of 303,970.6 kilograms of inks (Offset ink 13,819 kg, Intaglio ink 277,869 kg, Numbering Ink 347 kg, and Based ink 11,935.6 kg).

## Banking Business

### A. Cash Management

#### 1. Cash Received and Paid Out

In 2004, the BOT (including head office, Surawongse office, and regional offices) received cash from provincial treasury offices, commercial banks, financial institutions, government agencies and others totaling B1,266,336.5 million, a decline of B36,309.3 million or 2.79 percent compared with B1,302,645.8 million in the previous year. Cash paid out, on the other hand, totaled B1,344,479.2 million, a decline of B35,506.5 million or 2.57 percent compared with B1,379,985.7 million in the previous year. In sum, cash was paid out (net amount) B78,142.7 million for the year.

#### 2. Cash position

In 2004, the BOT transferred assets to the Currency Reserve Account totaling B189,000 million in order to increase note in circulation, and withdrew assets from the Currency Reserve Account totaling B80,959 million to reduce note in circulation. Overall, transferred assets were higher than withdrawn assets by B108,041 million, resulting in an increase of currency reserve assets from B651,443.7 million in 2003 to B759,484.7 million in 2004.

At the end of December 2004 balance in the "cash deposited with the Note Issue Department" account stood at B44,834.8 million, comprising

notes	B44,834.7	million
coins	B0.1	million

### B. Center of Funds Transfer

In 2004, the BOT carried out funds transfer totaling B4,489,208.9 million, consisting of funds transfer from provincial areas to Bangkok of B2,413,556.4 million and funds transfer from Bangkok to provincial areas of B2,075,652.5 million, resulting in net funds transfer to Bangkok of B337,903.9 million.

Part of the total amount of funds transfer comprised funds transfer via the BAHTNET system executed between head offices of commercial banks and their branches located in the provinces where the BOT's regional offices are established, totaling B768,203 million. This amount consisted of funds transfer from provinces to Bangkok B760,065.5 million and funds transfer from Bangkok to provinces B8,137.5 million, resulting in net funds transfer to Bangkok of B751,928 million.

As for transfer of the BOT deposits at the provincial treasury offices, funds transfer to Bangkok amounted to B462,643 million whereas funds transfer to provinces totaled B306,105 million, resulting in net funds transfer to Bangkok of B156,538 million.

All figures of funds transfer mentioned above are as of 31 October 2004. This is because the BOT has established its own banknote operation centers and has taken back the task of BOT provincial representatives previously assigned to the provincial treasury offices, since 1 November 2004.

### 1. Large Value Funds Transfer and Securities Transfer (BAHTNET)

As of 31 December 2004, there were 69 participants in BAHTNET system; these members comprised of 12 Thai commercial banks, 18 branches of foreign commercial banks, 22 finance companies/finance & securities companies and securities companies, 8 BOT divisions, 9 specialized financial institutions/government agencies and other institutions.

In 2004, the BOT provided additional funds transfer services through BAHTNET system. The Central Settlement System (CSS) through BAHTNET system was a service that the Thailand Securities Depository Co., Ltd. has been using to submit multilateral funds transfer instructions for net settlement of equity's transactions since 10 September 2004. Furthermore, BAHTNET system has also been enhanced to support Government Fiscal Management Information System (GFMIS) in making payments to creditors and government agencies through BAHTNET system. Also, the Comptroller General's Department began making payment to creditors and government agencies through BAHTNET system by sending out data files to 25 pilot agents starting 2 December 2004.

The volume and value of funds transfer through BAHTNET system in year 2004 totaled 1,209,491 transactions and B73.49 trillion, increased by 25.44 percent and dropped by 5.95 percent, respectively. The aforementioned total funds transfer transactions can be categorized as follows:

**Table 3 : Funds Transfer and Securities Transfer via BATHNET System**

Transaction	Volume (Transaction)			Value (trillion baht)		
	2003	2004	Δ%	2003	2004	Δ%
Interbank Funds Transfer <sup>1/</sup>	184,210	186,656	1.33	37.92	41.78	10.21
Third Party Funds Transfer	748,575	1,002,982	33.99	38.63	28.74	-25.61
Delivery Against Payment /						
Receive Against Payment	31,431	19,853	-36.84	1.59	2.97	86.46
Deliver Free / Receive Free	899	1,591	76.97	0.21	0.61	194.36
Total <sup>2/</sup>	964,216	1,209,491	23.44	78.14	73.49	-5.95

Notes : 1/ Includes Book Transfer and Multilateral Funds Transfer Transactions

2/ Excludes Deliver Free / Receive Transactions

Δ% represents percentage change from the same period last year.

**1.1 Interbank Funds Transfer** totaled 186,656 transactions, and valued at B41.78 trillion. The volume slightly increased from the previous year while the value increased from last year by 10.21 percent. Interbank Funds Transfer comprised of Multilateral Funds

Transfer through BAHTNET with the volume of 2,326 transactions, valued at B4.43 trillion, increased by 1.57 percent and 27.94 percent, respectively, and Book Transfer of commercial banks through BAHTNET with the volume of 12,213 transactions, valued at B10.04 trillion. The volume of book transfer decreased by 13.88 percent whereas the value increased by 6.54 percent.

**1.2 Third Party Funds Transfer** totaled 1,002,982 transactions, increased by 33.99 percent from last year and valued at B28.74 trillion, decreased from last year by 25.61 percent. The remarkable increase in third party funds transfer resulted mainly from non-resident baht transactions having value less than B500,000. The volume of transactions of non-resident baht doubled previous year's volume. Whilst the declining of high value non-resident baht transactions declined, resulting in the decreased total value of third party funds transfer transactions.

**1.3 Delivery versus Payment (DVP)/Receive versus Payment (RVP) of government securities transfer** totaled 19,853 transactions and valued at B2.97 trillion. Transfer volume decreased from the previous year by 36.84 percent but the value increased from the previous year by 86.46 percent. The decrease of government securities transfer transaction was caused by the diminishing investors' confidence in the bond market and also the uncertainty of domestic interest rate. However, most of government securities transfer transactions through BAHTNET were Institution Securities Trading.

**1.4 Deliver Free (DF)/Receive Free (RF) of securities transfer** totaled 1,591 transactions and valued at B0.61 trillion, increased from the previous year by 76.97 percent and 194.36 percent, respectively. Most of these transactions were Book Transfer and Securities Transfer among subsidiary/holding companies.

## **2. The Electronic Retail Funds Transfer (SMART)**

In the year 2004, the number of member banks in SMART (System for Managing Automated Retail Funds Transfer) decreased from last year due to the merger of the Thai Military Bank Plc. and DBS Thai Danu Bank Plc. on 1 September 2004. At the end of 2004 the total number of member banks was down to 27, consisting of 12 Thai commercial banks, 12 branches of foreign commercial banks, 2 specialized financial institutions, and the Bank of Thailand.

The electronic retail funds transfer in 2004 had the total volume of 11,861,782 transactions with the value of B552.5 billion, increased from last year by 25.5 and 43.5 percent, respectively. This resulted from stability in the Thai economy, mainly from continual expansion in export, private consumption and investment, government expenditure, and also the low interest rate environment.

Foreign banks were major senders with volume and value of 64.9 and 77.4 percent of all funds transfer, respectively. Meanwhile, Thai commercial banks, especially large banks, had the increased volume and value of 47.8 and 76.9 percent, respectively,

compared to those of last year. Large Thai commercial banks were still major receivers with volume and value of 92.8 and 81.5 percent of all funds transfer, respectively.

The major type of transactions in volume was salary and pension payment (59.8 percent of total volume) while the major type of transactions in value was goods and services payment (66.2 percent of total value).

**Table 4 : Value of Transactions Classified by Sending Institutions**

(Unit: Billion baht)

Year	Foreign Bank Branch	Thai Commercial Banks			Total
		Large	Medium & Small	Subtotal	
2001	161.0	12.7	10.8	23.5	184.5
Δ%	51.6	74.0	54.3	64.3	53.1
2002	224.8	30.7	18.8	49.5	274.3
Δ%	39.8	141.2	74.1	110.7	48.7
2003	299.0	47.6	38.5	86.2	385.2
Δ%	33.0	55.3	102.3	73.3	40.3
2004	427.8	84.3	40.5	124.8	552.5
Δ%	43.1	76.9	5.2	44.8	43.5

**Note :** Δ% represents percentage change from the same period last year.

**Source :** Payment System Departments, Bank of Thailand

### 3. Interbank Cheque Clearing System

#### 3.1 Interbank Cheque Clearing in Bangkok and Metropolitan Areas

In 2004, total out-clearing cheques in Bangkok and metropolitan areas operated via the Electronic Clearing House were 63.84 million items with the value of B22,652.6 billion. Compared to 2003, the volume and value increased by 2.9 and 13.7 percent, respectively. The average value of out-clearing cheques per item rose by 9.4 percent, from B0.32 million in 2003 to B0.35 million in 2004.

The volume of returned cheques in Bangkok and metropolitan areas was 1.47 million items, amounted to B170.85 billion. The volume of returned cheques slightly decreased by 0.2 percent from the previous year; however, the value of the returned cheques increased by 4.4 percent. The ratio of the volume of returned cheques to the volume of out-clearing cheques equaled to 2.3 percent and the ratio of the value of returned cheques to the value of out-clearing cheques remained stable at 0.8 percent.

In 2004, the number of returned cheques with the reasons of insufficient funds (including the returned cheques for the reasons of; 1 'Insufficient funds'; 2 'Refer to drawer'; 3 'No arrangement with the bank') was 0.93 million items, valued at B91.05 billion. The number of the returned cheques with insufficient funds decreased by 0.1 percent from the previous year while the value increased by 9.1 percent. The proportions of the volume and value of the returned cheques with insufficient funds to the volume and value of out-clearing cheques were 1.5 and 0.4 percent, respectively, which were equivalent to those in the previous year.

**Table 5 : Volume and Value of Interbank Cheque Clearing in the Bangkok and Metropolitan Areas Operated via ECS**

	Volume (items)			Value (million baht)		
	2003	2004	Δ%	2003	2004	Δ%
Cleared Cheques	62,020,051	63,844,802	2.9	19,915,500.60	22,652,600.73	13.7
Cleared Cheques amount per item				0.32	0.35	9.4
Returned Cheques	1,479,852	1,476,385	-0.2	163,603.93	170,849.41	4.4
	(2.4)	(2.3)		(0.8)	(0.8)	
Returned Cheques with insufficient funds	927,199	926,181	-0.1	83,474.57	91,049.70	9.1
	(1.5)	(1.5)		(0.4)	(0.4)	

**Note :** Δ% represents percentage change from the same period last year.

**Source :** Payment Systems Department, Bank of Thailand

### 3.2 Intra Provincial Cheque Clearing

In 2004, the intra provincial cheques cleared in 85 clearing areas nationwide were 16.44 million items, with B2,033.47 billion in value. The volume of the cheques went down by 17.2 percent from the previous year while the value rose up by 5.7 percent.

Throughout the year, the volume of the returned cheques was 0.41 million items, amounted to B36.12 billion, decreased by 25.8 and 8.7 percent, respectively. The ratios of the volume and value of returned cheques to those of the out-clearing cheques equaled to 2.5 and 1.8 percent, respectively.

**Table 6 : Volume and Value of Interbank Cheque Clearing in the Provincial Areas Operated via Provincial Cheque Clearing House**

	Volume (items)			Value (million baht)		
	2003	2004	Δ%	2003	2004	Δ%
Cleared Cheques	19,865,045	16,439,083	-17.2	1,923,708.81	2,033,473.00	5.7
Returned Cheques	549,090 (2.8)	407,535 (2.5)	-25.8	39,573.47 (2.1)	36,121.97 (1.8)	-8.7
Returned Cheques with insufficient funds	335,659 (1.7)	253,362 (1.5)	-24.5	18,856.50 (1.0)	17,233.29 (0.8)	-8.6

**Note :** Δ% represents percentage change from the same period last year.

**Source :** Payment Systems Department, Bank of Thailand

The returned cheques, of which the reason was insufficient funds, were 0.25 million items with the value of B17.23 billion, declined by 24.5 and 8.6 percent from the previous year. The proportions of the volume and value of the returned cheques with insufficient funds to those of the out-clearing cheques were 1.5 and 0.8 percent, respectively.

In 2004, the total value of the settlement of out-clearing cheques at 85 clearing houses operated by the Electronic Clearing House was B365.31 billion, increased by 25.3 percent from the previous year.

### 3.3 Inter Provincial Cheque Clearing

In 2004, the volume of the inter provincial cheque clearing operated via the Electronic Clearing House was 6.6 million items, amounted to B276.75 billion, increased continually from 2003 by 145.7 and 149.3 percent, respectively.

The volume of returned cheques was 0.28 million items with the value of B13.85 billion. The ratios of the volume and value of the returned cheques to the volume and value of the out-clearing cheques remained unchanged at 4.3 and 5.0 percent, respectively.

**Table 7 : Volume and Value of Bill for Collection (B/C) Operated via BOT**

	Volume (items)			Value (million baht)		
	2003	2004	Δ%	2003	2004	Δ%
Clearing Cheques	2,687,874	6,604,837	145.7	111,024.81	276,748.17	149.3
Returned Cheques	115,190 (4.3)	284,538 (4.3)	147.0	5,564.91 (5.0)	13,853.51 (5.0)	148.9
Returned Cheques with insufficient funds	77,268 (2.9)	222,387 (3.4)	187.8	3,731.89 (3.4)	10,527.69 (3.8)	182.1

**Notes :** Δ% represents percentage change from the same period last year.

**Source :** Payment Systems Department, Bank of Thailand

Total returned cheques of which the reasons were insufficient funds were 0.22 million items, valued at B10.53 billion. The proportions of the volume and value of the returned cheques with insufficient funds to the volume and value of out-clearing cheques were 3.4 and 3.8 percent, respectively.

## **C. Banker to the Government**

### **1. Repository of Government's and Government Agencies' Funds**

At the end of 2004, treasury's balance at the BOT was B35,494.3 million, an increase of B7,097.4 million or 24.99 percent compared to the previous year's end.

Balance in government agencies' and public organizations' accounts at the BOT, at the end of 2004, stood at B16,485.1 million, an increase of B2,906.6 million or 21.41 percent compared to the previous year's end.

### **2. Government and State Enterprise Securities Holding**

As of end-2004, the BOT's holding of public sector securities amounted to B110.5 billion, an increase of B2 billion from the previous year. Holding comprises 95 percent government bonds and 5 percent state-enterprise bonds. The number of primary dealers for outright transactions remained unchanged from last year at 9.

## **D. Banker to Commercial Banks and Financial Institutions**

### **1. Repository of Banks' Funds**

Balance in banks' accounts at the BOT head office at the end of 2004, was B53,538.2 million, an increase of B7,976.1 million or 15.68 percent compared to the previous year's end.

### **2. Repository of Other Financial Institutions' Funds**

Balance in other financial institutions' accounts at the BOT head office, at the end of 2004, was B1,672.5 million, up by B379.5 million or 29.35 percent compared to the previous year's end.

Also, at the end of 2004, balance in other accounts excluding accounts of the Government, government agencies, banks and other financial institutions totaled B228,288.4 million, an increase of B108,848.6 million or 91.13 percent compared to the previous year's end.

### **3. Securities Position Adjustment Facility**

The Securities Position Adjustment Window is provided as a privilege to outright primary dealers. To support their market making activities i.e. quoting a firm price for specified benchmark bonds, the window was introduced on 15 January 2004. Through this facility, primary dealers can temporarily acquire specific bonds to deliver to their counterparties if they are unable to acquire it from the market. To date the facility has had two transactions.

#### **4. Issuance of Bank of Thailand Bonds**

Since 2003, the Bank of Thailand Bonds have been issued as a discount instrument with maturities of 1-month, 3-months, 6-months, and 12-months. The outstanding figure at year-end for the Bank of Thailand Bonds stood at B272,340 million of which B225,000 million was issued to replace maturing bonds. The majority of bonds issued were in the 12-months tenor.

In an effort to enhance the efficiency and speed of the bidding system, an electronic bidding platform was introduced in December 2003.

#### **5. Repurchase Market Operations**

Transaction volume in the BOT-Repurchase Market amounted to B20.47 trillion in 2004, a rise of 16 percent from 2003, as liquidity remained high due to fiscal disbursement and foreign capital inflows. Transactions concentrated on the 1-day and 14-day tenors. The average composition of transactions by tenor was 54 percent in the 1-day, 10 percent in the 7-day, and 36 percent in the 14-day tenor. The BOT continues to be a net borrower in the market.

Commencing 1 June 2004, the BOT reduced the number of trading sessions to one afternoon session in an effort to expedite the development of the private repurchase market. In addition, the BOT increased the amount per call in the BOT Repurchase Market from B2,000 million to B3,000 million.

In 2004, the Monetary Policy Committee raised the policy rate (14-day repurchase rate) three times on 25 August, 20 October, and 15 December. The policy rate was raised in successive steps of 25 bps and at year-end stood at 2 percent per annum.

#### **6. Bilateral Repo with Primary Dealers**

With only one BOT-run repurchase market trading session in the afternoon, the BOT increased the number of bilateral repurchase-transactions (BRP) in the morning session. The total BRP volume increased more than 10 folds from B56,300 million in 2003 to B703,505 million in 2004 with transactions mainly in the 1-day tenor. Nevertheless, total BRP volume for 2004 remained relatively low in comparison to volume in the repurchase market.

To promote primary dealer's role in effectively transmitting monetary policy, primary dealers were evaluated for their performance during the period of 1 October 2002 to 31 March 2004. As a result, from 15 June 2004, the number of primary dealers was reduced to 8 from 10.

#### **7. End-of-Day Liquidity Window**

There was no activity through the end-of-day liquidity window in 2004. The interest rate charged for the facility stood at 3.50 percent at year-end 2004. (Policy rate plus 1.50 percent)

#### **8. Publication of a Short Term Reference Rate in the Bangkok Market**

In an effort to promote longer term lending and provide commercial banks and private companies with a benchmark rate for short-term funding in the Bangkok

interbank market, the BOT, in collaboration with the Thai Bankers' Association and the Foreign Banks' Association in contributing the daily lending rates, has published the Bangkok Interbank Offered Rate (BIBOR) daily on the BOT WebSite since 4 January 2005. BIBOR are quoted in seven tenors, namely 1 week, 1-month, 2-months, 3-months, 6-months, 9-months and 12-months.

## **9. Training Program for Market Participants**

The BOT had undertaken Investor Education Program for Bond Investment, which was granted by the ASEM Trust Fund II. During the year 2004, the BOT arranged 10 courses on the Private Repurchase Market, which was attended by 560 participants. 4 courses on Derivatives, held during the months of October and November, had a total of 345 participants.

## **10. The BOT's Financial Assistance to Priority Economic Sectors**

In 2004, the BOT provided financial assistance to priority economic sectors, i.e., manufacturing, agriculture, and others through financial institutions totaling B192,787 million, which was B83,580.5 million or 76.5 percent more than that of the previous year. The total credit outstanding by the end of 2004 was at B54,267.6 million, increased by B20,594.6 million or 61.2 percent from the end of 2003. The summary is as follows:

### **10.1 Export Sector**

The export credit facilities which the BOT provided through the Export-Import Bank of Thailand (EXIM Bank) had been terminated since the end of 2002.

### **10.2 Industrial Sector**

In 2004, the BOT provided credit to the industrial sector through commercial banks, Small and Medium Enterprise Development Bank of Thailand (SME BANK), the EXIM Bank, and the Industrial Finance Corporation of Thailand (IFCT) in the form of short-term loan and purchasing P/N issued by those entrepreneurs. The amount of loans and P/N purchased totaled B181,814.9 million, increased by B81,037.9 million or 80.4 percent from 2003. The increase of loans was due to relatively low interest rate charged by the BOT.

By the end of 2004, the outstanding loan was at B38,850.9 million, increased by B11,678.1 million or 43 percent from 2003.

### **10.3 Agricultural and Other Sectors**

In 2004, the BOT provided agricultural credit through commercial bank totaling B2,672.1 million, increased by B942.6 million or 54.5 percent from 2003. The entire amount of credit extended was to purchase P/N from chicken breeder suffered by avian flu.

In addition, there were four more special credit programs provided to other sectors, namely the rural development project, the rehabilitation of real estate business project, credit to private academic institutional project, and credit to housing project. In 2004, only the housing project has been disbursed totaled B8,300 million. The outstanding by the end of 2004 was at B14,405.7 million.

Table 8 : The BOT's Financial Assistance to Priority Economic Sectors

(Unit : Million baht)

Priority Economic Sectors	2003			2004			Change	
	Accumulative Value	Outstanding at year-end		Accumulative Value	Outstanding at year-end		Accumulative Value	Outstanding at year-end
	(1)	(2)	(3)	(3)	(4)	(3) - (1)	(4) - (2)	
<b>1. Exports</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
1.1 Credits through EXIM Bank	-	-	-	-	-	-	-	
1.2 Long-term credits to rice exports	221.8	-	-	-	-	-	-	
<b>2. Industrial</b>	100,777.0	27,172.8	181,814.9	38,850.9	11,678.1	81,037.9	11,678.1	
2.1 Credits through commercial banks	99,366.0	18,581.8	180,201.6	33,431.7	14,849.9	80,835.6	14,849.9	
2.2 Credits through IFCT	1,400.0	8,254.4	1,400.0	5,170.4	-3,084.0	-	-3,084.0	
2.3 Credits through EXIM Bank	11.0	336.6	213.3	248.8	-87.8	202.3	-87.8	
<b>3. Agriculture</b>	1,729.5	0.0	2,672.1	1,011.0	-1,011.0	942.6	-1,011.0	
3.1 Credits through commercial banks	1,729.5	-	2,672.1	1,011.0	-1,011.0	942.6	-1,011.0	
3.2 Credits through BAAC	-	-	-	-	-	-	-	
<b>4. Others</b>	6,700.0	6,500.2	8,300.0	14,405.7	7,905.5	1,600.0	7,905.5	
<b>Total</b>	109,206.5	33,673.0	192,787.0	54,267.6	20,594.6	83,580.5	20,594.6	

## Acting as Agent of the Government

### A. Exchange Control

#### 1. Issuances of Notifications, Notices, and Circulars Regarding Exchange Control Regulations

Issuances of Notifications, Notices, and Circulars regarding exchange control regulations in 2004 are as follows:

1.1 Notification of the Ministry of Finance on Exchange Control dated 31 March 2004 was issued to adjust the minimum amount of exports proceeds to US\$ 20,000 to be in line with the amount that financial institutions shall report to the Competent Officer. Previous Notifications (No. 1-3) were revoked and consolidated into one Notification for easy reference.

1.2 Notification of the Ministry of Finance on Directions to Authorized Agents dated 31 March 2004 was issued to revise the reporting requirements on foreign exchange transactions that financial institutions have to report to the Competent Officer as specified in the Notice of the Competent Officer. Previous Notifications (No. 1-5) were revoked and consolidated into one Notification for easy reference.

1.3 Notice of the Competent Officer on Principles and Procedures regarding the Currency Exchange dated 31 March 2004 was issued to revise the foreign exchange reporting form, and increase the reporting amount to US\$20,000. Reporting by financial institutions in hardcopy was replaced by electronic forms. Other procedures were also revised to be more flexible. Previous Notices (No. 1-13) were revoked and consolidated into one Notice for easy reference.

1.4 Notice of the Competent Officer on Principles and Procedures regarding International Banking Facilities (IBFs) dated 31 March 2004 was issued to change IBFs's reporting requirements on foreign exchange transactions from hardcopy to electronic forms.

1.5 Notification of the Ministry of Finance on Directions to Treasury Centers dated 30 June 2004 was issued to set the scope of the treasury center and its licensing procedures for the operation of the treasury center, allowing the companies in Thailand to be more flexible in managing their funds, reducing their financial cost and increasing competitiveness.

1.6 Notice of the Competent Officer on Principles and Procedures regarding Treasury Centers dated 5 July 2004 was issued to set principles and procedures regarding the operation of the treasury center.

1.7 Notification of the Ministry of Finance on Directions to Authorized Persons dated 30 June 2004 was issued to revise the qualification requirements of applicants for authorized persons licenses and to authorize the Competent Office to set the requirements and procedures on the operation of authorized persons in the Notice of the Competent Officer.

1.8 Notification of the Ministry of Finance on Directions to Money Transfer Agents dated 4 August 2004 was issued to set the scope of money transfer operation, licensing, and procedures on the operation of money transfer agents.

1.9 Notice of the Competent Officer on Principles and Procedures regarding Authorized Persons dated 6 August 2004 was issued to revise the qualifications of eligible applicants for the license, and the procedures in conducting the businesses of authorized persons.

1.10 Notice of the Competent Officer on Principles and Procedures regarding Money Transfer Agents dated 6 August 2004 was revised to set the principles and procedures regarding money transfer agents.

## 2. Inspection on Proceeds of Exports

In 2004, total export value amounted to US\$97,701 million while export proceeds received both in foreign currency and in Thai baht from non-resident baht accounts totaled US\$78,623 million, increasing by 22.05 percent and 13.58 percent from 2003, respectively. The foreign currency proceeds were either exchanged into Thai baht, deposited into foreign currency accounts, used for foreign currency loan repayment to authorized financial institutions, or used for payment of obligations to nonresidents. Total proceeds accounted for 80 percent of total export value. The difference was partly attributed to netting transactions and export transactions exempted from receiving foreign currency proceeds.

**Table 9 : Export Value VS Receipt of Export Proceeds**

(Unit : Million US\$)

	2003	2004 <sup>P</sup>
1. Exports <sup>1/</sup>	80,049	97,701
Δ%	17.44	22.05
2. Foreign currency received from exports	69,224	78,623
Δ%	14.70	13.58

**Notes :** 1/ Total value of export (Source : Customs Department)

P = Preliminary

Δ% represents percentage change from the same period last year.

## B. Foreign Exchange Transactions and Net Foreign Exchange Positions of Authorized Financial Institutions, International Banking Facilities (IBFs), Authorized Money Changers, Money Transfer Agents, and Currency Exchange Services

### 1. Authorized Financial Institutions

#### 1.1 Number of Authorized Financial Institutions

At end-2004, the number of authorized financial institutions totaled 35, consisting of 12 commercial banks registered in Thailand, 18 foreign bank branches, the Export-Import Bank of Thailand, Islamic Bank of Thailand, the Government Savings Bank, Small and Medium Enterprise Development Bank of Thailand and Asia Credit Finance Plc.

In 2004, three financial institutions (Thanachart Bank Public Company Limited, the Government Savings Bank, and Small and Medium Enterprise Development Bank of Thailand) were added to the list, while two (DBS Thai Danu Bank Public Company Limited and the Industrial Finance Corporation of Thailand) were removed.

**Table 10 : Purchase and Sale of Foreign Currencies to Customers**

(Unit : Million US\$)

	2003	2004	Δ%
<b>Purchase</b>	<b>358,577.6</b>	<b>174,246.8</b>	<b>-51.4</b>
Export	48,115.6	57,715.7	+20.0
Other	310,462.6	116,531.1	-62.5
<b>Sale</b>	<b>360,100.0</b>	<b>172,725.2</b>	<b>-52.0</b>
Import	48,319.3	61,999.7	+28.3
Other	311,780.7	110,725.5	-64.5
<b>Net Purchase and Sale</b>	<b>(1,522.4)</b>	<b>1,521.6</b>	<b>+199.9</b>
Foreign Trade	203.7	(4,284.0)	+2,003.1
Other	(1,318.7)	5,805.6	+540.3

**Notes :** Figures in parentheses indicate the amounts by which sale is greater than purchase.

Δ% represents percentage change from the same period last year.

**Source :** Jan. - Mar. 2004 : Based on Daily Report of Spot and Forward Exchange Transaction and Position.

Apr. - Dec. 2004 : Based on Data set received from financial institutions.

## 1.2 Volume of Transactions

In 2004, the purchase and sale of foreign currencies from/to customers amounted to US\$174,246.8 million and US\$172,725.2 million, decreased by 51.4 and 52.0 percent, respectively, from the previous year. This was due to the decrease in both purchase and sale volume with non-residents as a result of measures aimed to prevent Thai baht speculation. These measures require all foreign exchange swap transactions with maturities less than 3 months between non-residents and authorized financial institutions to have underlying transactions, as well as limit total daily outstanding balance in non-resident baht accounts of each non-residents at B300 million. In 2004, total purchase volume exceeded sale by US\$1,521.6 million, compared to the previous year when total sale volume exceeded purchase by US\$1,522.4 million.

## 1.3 Foreign Currencies Position

At end-2004, authorized financial institutions held a net long foreign currencies position of US\$1,091.1 million, an increase of 34.7 percent from end-2003. Their spot position was at long US\$13,084.8 million, an increase of 2.7 percent from the previous year. Total assets and liabilities increased by 5.1 and 10.5 percent, respectively. Forward position, on the other hand, was at short US\$11,993.7 million, an increase of 0.5 percent. Outstanding forward purchase increased by 17.4 percent from the previous year while outstanding forward sale increased by 13.4 percent.

**Table 11 : Foreign Currencies Position of Authorized Financial Institutions***(Unit : Million US\$)*

	<b>End 2003</b> <b>(+ Long, - Short)</b>	<b>End 2004</b> <b>(+ Long, - Short)</b>	<b>Δ%</b>
<b>1. Spot Position</b>	<b>+12,740.8</b>	<b>+13,084.8</b>	<b>+2.7</b>
Assets	18,333.2	19,266.9	+5.1
Liabilities	5,592.4	6,182.1	+10.5
<b>2. Forward Position</b>	<b>-11,930.7</b>	<b>-11,993.7</b>	<b>+0.5</b>
Bought	38,865.2	45,618.0	+17.4
Sold	50,795.9	57,611.7	+13.4
<b>3. Net Position (1+2)</b>	<b>+810.1</b>	<b>+1,091.1</b>	<b>+34.7</b>

**Note** : Δ% represents percentage change from the same period last year.

**Source** : Based on data set received from financial institutions.

## 2. International Banking Facilities (IBFs)

At end-2004, there was a total of 28 Bangkok International Banking Facilities (BIBFs), one less than at end-2003 as DBS Thai Danu Bank Public Company Limited was removed from the list. Out of the total number of BIBFs, 8 belonged to Thai banks, 15 to foreign banks with branches in Thailand, and 5 to foreign banks without branches in Thailand. The number of Provincial International Banking Facilities (PIBFs) totaled 5 nationwide, two less than in 2003. This was due to UFJ Chonburi Branch and Chiangmai Branch discontinuing their operation in 2004.

In 2004, IBFs' lending figure showed net repayments receipt of US\$129 million, attributable partly to customers' preference continuing to shift towards baht borrowing from commercial banks. Consequently, outstanding foreign currency lending declined by 16.9 percent from the previous year to US\$4,355.7 million. Of this amount, US\$3,607.7 million was attributable to Out-In lending and the remaining amount of US\$748 million to Out-Out lending. Approximately 67 percent of the lending was denominated in US dollar and 29.5 percent in yen. With respect to market share, lending of foreign bank branches' IBFs accounted for the largest market share (70.3 percent), followed by Thai bank IBFs (20.7 percent) and foreign bank IBFs (9.0 percent).

On the funding side of IBFs, which consists of borrowing from abroad and deposits received, outstanding foreign currency borrowing and deposits declined from the previous year to US\$4,248.6 million and US\$3.2 million, respectively.

**Table 12 : Net Lendings of IBFs**  
(Unit : Million US\$)

	2003			2004		
	Out - In	Out - Out	Total	Out - In	Out - Out	Total
<b>Thai IBFs</b>						
Lending	831.1	169.1	1,000.2	529.6	102.0	631.6
Receipt of repayments	929.7	234.9	1,164.6	558.7	117.8	676.5
Net	-98.6	-65.8	-164.4	-29.1	-15.8	-44.9
<b>Foreign Bank Branches IBFs</b>						
Lending	75,812.9	897.8	76,710.7	47,340.5	274.8	47,615.3
Receipt of repayments	76,636.5	969.5	77,606.0	47,416.0	304.6	47,720.6
Net	-823.6	-71.7	-895.3	-75.5	-29.8	-105.3
<b>Foreign IBFs<sup>1/</sup></b>						
Lending	813.0	33.6	846.6	971.4	20.6	992.0
Receipt of repayments	932.0	33.9	965.9	950.6	20.2	970.8
Net	-119.0	-0.3	-119.3	20.8	0.4	21.2
<b>Total</b>						
Lending	77,457.0	1,100.5	78,557.5	48,841.5	397.4	49,238.9
Receipt of repayments	78,498.2	1,238.3	79,736.5	48,925.3	442.6	49,367.9
Net	-1,041.2	-137.8	-1,179.0	-83.8	-45.2	-129.0

**Note** : 1/ IBFs of foreign financial institutions without branches in Thailand

**Source** : Jan. - Mar. 2004 : Based on Monthly Report of Foreign Exchange Transactions & Positions of Bangkok International Banking Facilities (FT. 100)

Apr. - Dec. 2004 : Based on Data set received from financial institutions.

**Table 13 : Outstanding Lending of IBFs**  
(Unit : Million US\$)

	End - 2003	End - 2004	Δ%
1. Out - In	4,519.0	3,607.7	-20.2
2. Out - Out	721.2	748.0	+3.7
<b>Total</b>	<b>5,240.2</b>	<b>4,355.7</b>	<b>-16.9</b>

**Note** : Δ% represents percentage change from the same period last year.

**Source** : Jan. - Mar. 2004 : Based on Monthly Report of Foreign Exchange Transactions & Positions of Bangkok International Banking Facilities (F.T.100)

Apr. - Dec. 2004 : Based on data set received from financial institutions.

### 3. Authorized Money Changers, Authorized Company, Money Transfer Agents, and Currency Exchange Services

#### 3.1 Foreign Exchange

At the end of 2004, the number of authorized money changers totaled 306 (160 offices in Bangkok and 146 offices in the provincial areas). Of this number, 29 money changers were granted new money changer licenses while three discontinued their operation (one due to cancellation of license by the authority, one due to expiration of license, and one returned its license back to the authority).

No authorized company existed in 2004. The number of money transfer agencies remained at four, unchanged from last year.

As a result of the new Ministry of Finance Notification to Authorized Financial Institutions dated 31 March 2004, the fortnightly report form (Thor Tor 60) on foreign currency sale/purchase volume of commercial banks' exchange currency service offices has been terminated. Therefore, foreign currency sale/purchase volume of commercial banks' exchange currency service offices was not included in 2004 statistics.

**Table 14 : Transaction Volume of Foreign Exchange through Authorized Money Changers, Authorized Companies and Money Transfer Agencies at end-December 2004**

Type	No.	Change from Previous Year	Purchase/ Remittance Volume		Sale/ Remittance Volume	
			Million US\$	Δ%	Million US\$	Δ%
Authorized Money Changer	306	26	182.80	18.77	182.75	18.06
Authorized Company	-	-	-	-	-	-
Money Transfer Agency	4	-	57.68	15.19	5.53	25.07

**Note :** Δ% represents percentage change from the same period last year.

#### 3.2 Authorized Money Changer and Money Transfer Agency Examination

In 2004, 99 authorized money changers (71 offices in Bangkok and 28 offices in the provincial areas) and 4 money transfer agencies were examined. Of this number, 29 authorized money changers failed to follow BOT's notifications. Two of them were given warning notice and the rest were informed verbally to comply accordingly as the violations were insignificant and were not intended.

#### 3.3 The Submission for Authorized Money Changer License

According to the new Ministry of Finance Notification to Authorized Money Changers dated 30 July 2004 and the Competent Officer's Notification on the Criteria for the Approval of Applications for Authorized Money Changer License dated 6 August 2004 which became effective on 11 August 2004, 357 applicants met the criteria.

### 3.4 The Submission for Money Transfer Agency License

According to the new Ministry of Finance Notification to Money Transfer Agencies dated 4 August 2004 and the Competent Officer's Notification on the Criteria for the Approval of Applications for Money Transfer Agency License dated 6 August 2004 which became effective on 11 August 2004, only one applicant, who applied to operate 28 offices, conformed to the criteria.

## C. Public Debt Management

### 1. Issuance, redemption and coupon payment of debt instruments

Types of Securities	Unit : Million baht							
	Issuance		Redemption		Coupon Payment		Outstanding (as of 31-Dec.04)	
	No. of issues	Value	No. of issues	Value	No. of issues	Value	No. of issues	Value
Government Bonds	19	271,487.9	7	116,598.7	102	65,732.9	76	1,262,135.8
State Owned Enterprise Bonds	29	40,036.0	29	50,479.3	553	21,496.5	276	33,988.7
Bank of Thailand Bonds	60	317,340.0	52	225,000.0	-	-	51	272,340.0
FIDF Bonds	26	465,000.0	28	447,000.0	5	2,018.0	28	505,000.0
PLMO Bonds	-	-	-	-	-	-	-	-
IFCT Bonds	-	-	2	2,480.0	9	280.0	3	2,320.0
Bangchank Petroleum Plc. Bonds (BCP Bonds)	-	-	-	-	1	52.0	-	-
Treasury Bills	134	528,000.0	133	482,960.0	-	-	37	152,040.0
Debt Restructuring Bills	8	41,000.0	9	45,000.0	-	-	3	16,000.0
<b>Total</b>	<b>276</b>	<b>1,662,863.9</b>	<b>260</b>	<b>1,369,518.0</b>	<b>670</b>	<b>89,579.4</b>	<b>474</b>	<b>2,541,824.5</b>

In 2004, the BOT conducted early redemption and amortization as follows:

#### 1.1 Early redemption

- 1 issue of BCP bonds totaling B3,000 million.

(B595.5 million was credited to 73 holders' accounts and B2,404.5 million was paid to BCP, the issuer.)

- 1 issue of PLMO bonds totaling B337.3 million credited to a holder's account.

**1.2 Principal payment totaling B17.3 million for 3 issues of specific-purposed government loan bonds issued in foreign currency and obliged to make annual amortization.**

- Government Bond in Fiscal Year B.E.2511/2 B1.8 million
- Government Bond for educational provision of private non-formal education schools <sup>1/</sup> B7.6 million
- Government Bond for vocational education development B7.9 million

**2. Outstanding value of debt instruments classified by holders as of 31 December 2004**

Unit : Million baht	
Types of Holders	Value
Bank of Thailand	107,747.3
Commercial Banks	595,824.3
Finance/Finance & Securities/Credit Foncier Companies/Securities	23,370.2
Government Savings Bank	188,711.7
FIDF	465,000.0
Others	1,161,171.0
<b>Total</b>	<b>2,541,824.5</b>

**3. Outstanding value of bonds deposited via BOT's counter for repurchase was B635,466.5 million.**

**4. Total transferring value of debt instruments in 2004 was B41,911,067.8 million.**

**5. Collecting fee for debt instruments management.**

Unit : Million baht		
Types of Securities	No. of Issues	Value
Government Bonds	114	117.9
State Enterprise Bonds	273	11.6
FIDF Bonds - MOF Guaranteed	2	1.2
Debentures	3	0.1
Treasury Bills	134	52.8
<b>Total</b>	<b>526</b>	<b>183.6</b>

Note: 1/ Educational provision of private non-formal education schools in art education and vocational education categories as of the program approved by the Ministry of Education.

## **D. Financial Institutions Supervision Policies**

### **1. Policies on Financial Institutions**

#### **1.1 Expanding the Scope of Banks' Business**

1.1.1 The BOT has permitted commercial banks to provide electronic money services, subject to prior approval from the BOT.

1.1.2 Commercial banks may engage in hire purchase and financial lease businesses in movable assets. They may also engage in the sale and lease back transaction, provided that lessees are juristic persons, and that assets in the transaction are not personal cars.

1.1.3 The scope of Private Repo transactions for commercial banks has been expanded both in terms of counterparties and instruments. They may lend/borrow in foreign currencies with financial institutions with foreign exchange license and non-residents, and borrow in Thai baht from all juristic persons resident in Thailand and non-residents who have outstanding baht- denominated debt instruments issued in Thailand. In addition, instruments that banks may repo have been expanded to include baht-denominated debt issued by international financial institutions, foreign governments, or financial institutions owned by foreign governments as prescribed by the Ministry of Finance, government bonds denominated in foreign currencies, and all debt instruments with credit rating of BBB or above.

1.1.4 Requirements on finance companies, finance and securities companies, and credit foncier companies to conduct the business of renting immovable properties have been relaxed for more flexibility in managing the rent of such properties.

1.1.5 Commercial banks may provide support services to (1) other financial institutions (2) other financial institutions' parents, subsidiaries, and affiliated companies, that are in financial business or support business (3) specialized financial institutions and (4) the BOT.

1.1.6 Commercial banks may engage in the factoring business provided that they have appropriate systems and personnel. They must also comply with prudential requirements for conducting this business and cooperate with the authorities with respect to the One Presence policy under the Financial Sector Master Plan.

1.1.7 Commercial banks may engage in plain-vanilla commodity-linked derivatives transactions with customers who need a hedge against commodity price risks. In providing the services, banks are required to immediately and completely hedge themselves through back-to-back transactions with other counterparties or through other types of permitted commodity-linked derivatives contracts.

1.1.8 Commercial banks are allowed to engage in Credit Derivatives transactions that are referenced to portfolio of assets, namely, First to Defaults Swaps, First to Default Notes/Deposits, Proportionate CDS, and Proportionate CLN/CLD. Transactions can be for the purpose of hedging or investment. Banks must comply with prudential guidelines on scope of the transactions, risk management system, capital requirement, and large exposure limit.

1.1.9 Commercial banks are allowed to extend the scope of business related to the deposits or borrowings with embedded derivatives to include those whose returns are linked to financial indices or set of variables permitted by the BOT. Banks may also engage in derivatives-embedded deposits/borrowings that give either counterparties the option to buy or sell foreign exchange at a pre-specified rate on the maturity date. Banks engaged in this business must meet the requisite risk-management standards and comply with prudential and monthly reporting requirements. If necessary, the BOT may in the future set a limit on the volume of these transactions.

1.1.10 Commercial banks may invest in Collateralized Debt Obligation (CDO) within the framework set by the BOT, provided that they have in place effective risk management system and comply with the capital adequacy and large exposure requirements.

#### 1.1.11 Encouraging Debt Restructuring

To further promote the debt restructuring process, the BOT extended the period for debt restructuring privileges for one more year, ending 31 December 2004:

(1) Allow financial institutions to purchase or hold shares of any limited company acquired through debt restructuring in the amount exceeding the legal limit.

(2) Permit financial institutions to conduct hire purchase and leasing business for properties acquired through debt restructuring.

(3) Extend the period for financial institutions to hold foreclosed immovable properties transferred during the period 1 January 1997 to 31 December 2004.

## 1.2 Supervision of Financial Institutions

### 1.2.1 Regulation on electronic money business conducted by non-banks

The BOT has set rules, procedures, and conditions for non-banks engaging in electronic money businesses. The issued guidelines cover float management, fees, technology security management, redemption of electronic money, consumers' information management, handling of consumers' complaints, accounting practices and reporting requirements.

### 1.2.2 Revision of regulations on maintenance of liquid assets:

(1) Reduce deposit with the BOT to 0.8 percent if commercial banks maintain cash at the central cash centers of commercial banks at no less than 0.2 percent.

(2) Commercial banks are required to maintain liquid assets against borrowings with embedded derivatives.

(3) International Banking Facilities for off-shore lending are required to maintain liquid assets against total deposits, short term foreign borrowings, and borrowings with embedded derivatives in the same way as commercial banks and International Banking Facilities for domestic lending.

1.2.3 Revision of regulations on revaluation and recognition of gain and loss on foreign exchange positions and assessment of fair value of financial derivatives:

(1) Spot foreign exchange position: Commercial banks shall revalue the assets and liabilities denominated in foreign currency by using the reference exchange rate announced by the BOT on the last working day of the month.

(2) Foreign exchange forward position: Commercial banks shall use a forward rate for the remaining period of each contract in assessing the value of foreign exchange forward position.

(3) For foreign exchange derivatives except those mentioned in Clause (2), commercial banks shall assess the fair value of those derivatives by applying any of the following methods:

A. Use the price of foreign exchange derivatives of the same type, identical characteristics and currency and with a term equivalent to the remaining term of the derivatives held, which are announced by a reliable source of information such as Bloomberg or Reuters; or

B. Use prices quoted by a counterparty for foreign exchange derivatives which are of the same type, identical characteristics and currency and have a term equivalent to the remaining term of the derivatives held; or

C. Use prices computed from a quantitative model that is theoretically sound and has been verified by an independent expert. Parameters used must be consistent with information available in an active market and be publicly disclosed.

(4) The gain or loss on revaluation of the foreign exchange positions or financial derivatives computed under (1) - (3) shall be recorded in accordance with the Thai accounting standards or guidelines, or the international accounting standards or internationally accepted accounting standards.

#### 1.2.4 Supervision Policy on Interest Rate Risk in Banking Book

To ensure that financial institutions (FIs) have in place an effective interest rate risk management and adequate capital consistent with the scope, risk level and complexity of their activities, the BOT issued Supervision Policy on Interest Rate Risk in Banking Book to all commercial banks (excluding IBFs), finance companies and credit foncier companies on 27 December 2004, which can be summarized as follows:

(1) Roles and responsibilities of board and senior management, including

A. Approve business strategies and policies on interest rate risk management and delegate authorities to senior management to measure, control, monitor and report risks.

B. Ensure that interest rate risk management is adequate and consistent with level of risks and complexity of activities, and that risk limits, policies and procedures to control risks are established.

C. Define individuals or committees responsible for managing interest rate risk and ensure that there is an appropriate separation of duties in key elements of the risk management process.

(2) FIs must have adequate policies and procedures in managing interest rate risk, and engaging in new products. These policies should be in writing and communicated throughout the institutions.

(3) FIs should measure interest rate risk, using Earning Approach and/or Economic Value of Equity Approach that are consistent with scope, volume and complexity of their activities. They should also establish limits and procedures to control risks, including stress testing. In addition, FIs should have adequate information systems to measure, monitor, control, and report their risks.

(4) FIs must have adequate internal controls on their interest rate risk management process which include regular independent reviews.

(5) FIs must have capital commensurate with their level of interest rate risk.

(6) FIs must comply with data requirement and related reports as prescribed by the BOT.

FIs must comply with the policy from January 2006 onwards and must submit related reports starting from the period ending June 2006.

1.2.5 Revision of assets classification and provisioning regulations. Collateralized portion of loans classified as doubtful or loss will be subject to incremental rate of provisioning based on the length of overdue period, unless the loans have been restructured or legal actions taken by FIs against the debtors.

1.2.6 Clarification has been made to FIs that they are free to use more stringent criteria than those prescribed by the BOT on asset classification, provisioning and write-off. However, for the benefits of internal control and fraud prevention, they should follow proper procedures set by the BOT.

1.2.7 Revision of regulations on credit card business effective as of 1 April 2004 :

(1) Definition of credit card and qualifications of credit cardholder

Set clearer definition of basic and supplementary credit cards and qualifications of each type of cardholders.

(2) Debt repayment

A. Increase minimum monthly payments from no less than 5 percent to 10 percent of outstanding debt. This regulation shall be effective for new cardholders from 1 April 2004 and for existing cardholders from 1 April 2007.

B. Cancel the credit cards that become delinquent for more than 3 months.

## (3) Change of debt form

Card issuers must comply with BOT regulation if they convert credit card debt into other forms of debt.

## (4) Credit limit

Limit credit line for each cardholder to no more than 5 times average monthly income or cash flows in deposit accounts. This regulation shall apply to existing cardholders from 1 January 2005.

## (5) Risk management

Credit card issuers are required to establish rules or procedures for their own staff and external outsourcees in soliciting new cardholders or contacting existing cardholders to offer new types of lending.

## 1.2.8 Waiver of connected lending rules.

Waiver of connected lending rules has been granted to FIs in the case that the Ministry of Finance is the connected party. Similar waiver is granted for lending to or investment in mutual funds set up by the government.

1.2.9 Revision of regulation on interest and discount rates to be observed by commercial banks and finance companies

- Interest rate ceilings on commercial banks' deposits and finance companies' borrowings, which had been determined by the BOT for some time, have been lifted. Commercial banks and finance companies shall, therefore, (1) set their own ceilings on the interest and discount rates, and (2) announce those ceilings and relevant conditions thereof to their customers.

- Each commercial bank and finance company is required to announce the maximum interest rates on loans charged to their customers, classified by customer and loan types, as well as maximum punitive interest rate, including any relevant charge or fee, when customers are in breach of contract. Accordingly, actual interest charge in either case shall not exceed the maximum rate as announced.

- Commercial banks and finance companies are required to keep the original copy of their interest rate announcements for no less than 10 years, in order to provide to their customers or the court upon request. A copy of such announcement shall also be sent to the BOT within 3 days of the announcement or the date of its revision.

1.2.10 For the purpose of calculating FIs' capital adequacy ratio, a risk weight of 0.2 has been assigned to investments in the Vayupak 1 Fund, a government-owned mutual fund with guaranteed return and other investment fund with similar characteristics.

1.2.11 FIs using deferred tax accounting are required to deduct deferred tax assets from retained earnings before including in the capital. Likewise, profits that can be repatriated by foreign bank branches must be net of deferred tax assets.

1.2.12 The BOT has issued guidelines for recognizing income from sales of foreclosed assets by commercial banks and asset management companies. The income recognition rules are divided into two types: (1) Sale to public and (2) Sale to related parties, which include affiliated companies, management and related persons and major shareholders.

1.2.13 The Ministry of Finance has designated the Asset Management Corporation a financial institution under the Emergency Decree on Asset Management Company B.E. 2541. Thus, asset management companies can now acquire assets from the Asset Management Corporation in order to speed up the resolution of impaired assets in the financial system.

1.2.14 Reporting of NPLs in asset management companies is required to give a full picture of NPLs in the financial system.

1.2.15 The BOT set a fit and proper criteria for banks' senior management by prohibiting commercial banks from appointing any person with specified attributes to the positions of Chairman of the Board of Directors, Chairman of the Executive Board, President or Senior Executive Vice President. Should a bank have any doubt or reservation regarding a particular candidate, it may seek advice from the BOT before the appointment. In the case that the BOT deems a person in any such position not fit and proper, the BOT may order banks to rectify the situation or impose any conditions as deemed appropriate.

1.2.16 The BOT has been making preparation for the implementation of the new Basel capital accord (Basel II). The commencement of Basel II capital charge in Thailand is scheduled at end-2008 for the simple approaches and end-2009 for the more advanced ones. Banks are encouraged to adopt approaches that are most appropriate for its size and complexity of its operations. The BOT's work plan for Basel II implementation in the short run includes:

- The release of a consultative paper with specific policy and guidelines for industry's comment and public hearing.
- Continual bilateral dialogue with commercial banks to ensure their readiness to adopt the Basel II.
- More intensive training for supervisors.

## **2. Enhancement of Supervisory Framework**

### **2.1 Promoting Better Risk Management**

2.1.1 The BOT issued guidelines on prevention of the ATM card fraud through the use of skimmers. Banks were warned to take necessary security precautions

in order to contain possible business impact and losses arising from such frauds and to preserve customers' confidence in using electronic banking services.

2.1.2 The BOT issued a standard template for commercial banks to collect operational loss data in a systematic and centralized manner. Guidelines on operational risk management were also issued to raise awareness of the bank's board of directors and senior management and to improve operational risk management discipline of commercial banks.

## **2.2 The Financial Sector Master Plan**

The BOT, in collaboration with the Ministry of Finance, formulated the Financial Sector Master Plan to enhance efficiency and stability of the financial system, promote competition broaden access to financial services, and ensure fairness and protection for customers. The Financial Sector Master Plan was presented to the cabinet on 6 January 2004 and the Ministry of Finance thereafter appointed a committee chaired by the Bank of Thailand's governor to oversee its implementation. The committee's remit was to set up rules and conditions for the establishment of new commercial banks, retail banks, and foreign banks full branches and subsidiaries. It is also tasked with reviewing the new license applications and implementation plans in compliance with the One-Presence policy. The results of the review process must then be submitted to the Minister of Finance for final decision.

Measures under the Financial Sector Master Plan comprise three broad groups:

### **2.2.1 Measures to increase efficiency of the financial institutions**

The Master Plan allows qualified existing financial institutions to apply for licenses to establish a commercial bank, a retail bank, a full branch, or a subsidiary. The BOT has issued detailed rules, procedures and conditions for these applications as well as the implementation process in accordance with the One-Presence policy.

Financial institutions must submit their applications within six months starting from 1 February 2004. The Committee would review the applications and submit the list of qualified applicants for the Minister of Finance's approval within three months from the date on the applications and all required documents are deemed complete (within 30 November 2004). The Minister of Finance would render a final decision within two months from the date on which the Committee's recommendation has been received (within 31 January 2004). Currently, all of the Committee's recommendations have been submitted to the Minister of Finance.

The BOT has proposed to the Ministry of Finance tax and fee measures to facilitate mergers and acquisitions under the Financial Sector Master Plan as well as a revocation of tax benefits for IBFs. The cabinet has approved the proposed measures on 23 November 2004. Meanwhile, the BOT aims to streamline rules and regulations that may hinder efficiency of financial institutions, such as by relaxing requirements that

commercial banks wishing to open branches in dense, well-served area to concomitantly open a branch in the rural areas as well as requirements that a provincial bank branch must lend within its operating region no less than 60 percent of the total amount of deposit.

#### 2.2.2 Measures to broaden general access to financial services

The Ministry of Finance has set up the Committee for Grass-Root Financial Services, chaired by the Minister of Finance and comprised the Bank of Thailand's governor as well as representatives from relevant agencies. This committee's aims are to improve the strength and efficiency of microfinance groups and to induce a sustainable development of grass-root financial services. In this connection, a Master Plan for Grass-Root Financial Services is being formulated which will enhance contribution of microfinance groups at grass-root level towards improving rural communities' capability. An appropriate agency will be assigned the role of a developmental center for various types of microfinance groups. Moreover, the BOT has set up a pilot project, in collaboration with interested commercial banks, to develop such financial products and services that are most appropriate for low-income customers.

#### 2.2.3 Measures to protect customers

Customer protection measures include: requiring FIs to set up a clear procedure for handling customer complaints, transparent information disclosure, and an adoption of deposit insurance scheme in Thailand at an appropriate time.

### 2.3 Preparation for an Assessment Under IMF's ROSCs Program.

As appointed by the Sub-committee to Enhance Corporate Governance for Commercial banks, Finance Companies and Insurance Companies under the National Corporate Governance Committee, the seven working groups, namely, Data Dissemination, Fiscal Transparency, Monetary and Financial Policy Transparency, Banking Supervision, Insurance Supervision, Payment Systems, and Anti-money Laundering and Combating the Financing Terrorism are making preparations for an assessment under the IMF's ROSCs Program. Each working group will make a final recommendation by 2005 as to whether to participate in the assessment.

## E. Financial Institutions Supervision

### 1. Financial Institutions Supervision Policy

The Bank of Thailand (BOT) has the responsibility to supervise continuously, and identify problems in any individual financial institution or financial system, and to ensure that such problems are appropriately corrected. Risk-based Supervision is used as the

guideline to provide the continuous supervision. The BOT conducts on-site examinations as well as closely monitor and analyse conditions and performance of financial institutions to be able to provide prompt corrective actions whenever there is a sign indicating potential problems in any financial institutions.

The BOT's examination policy is to conduct at least once a year on-site examinations on Thai commercial banks, foreign bank branches, finance companies, credit foncier companies, specialized financial institutions<sup>1/</sup> and asset management companies. Except for the branches of foreign banks that have overall composite rating of 1 or 2, the on-site examinations will be conducted once every other year.

## **2. Financial Institutions Examination**

### **2.1 The examination of financial conditions, performance and risk management**

The examination of commercial banks, finance companies, and credit foncier companies is to assess their financial conditions, performance and their risk management by emphasizing on the risk level and risk management's quality in five areas; Strategic Risk, Credit Risk, Market Risk, Liquidity Risk, and Operational Risk and then estimate the impact of such risks on their financial conditions and performance in the future. Simultaneously, the examinations on capital adequacy and compliance with law and the BOT's regulations.

In 2004, the BOT focused on strategic risk and credit risk because of the credit extension from the previous year. The BOT emphasized to assess corporate governance, strategy, policy and procedure of approving credit and an adequacy of provision reserve for the real quality of loan in order to comply with international standard.

Specialized financial institutions examination, delegated from the Ministry of Finance, focuses on assessing financial conditions, performance and risk management while the examination of Asset Management Companies emphasizes on management of acquiring or transferring assets.

In 2004 the BOT had examined 43 financial institutions. The examination results indicated that most of financial institutions' composite ratings were satisfactory. Every financial institution reserved provisions for classified assets at the level higher than the

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1/ Specialized financial institutions consist of the Bank for Agriculture and Agricultural Cooperatives, the Export-Import Bank of Thailand, the Government Savings Bank, the Government Housing Bank, the Small and Medium Enterprise Development Bank of Thailand, the Islamic Bank of Thailand, the Secondary Mortgage Corporation, the Small Industry Credit Guarantee Corporation, the Asset Management Corporation and the Thai Asset Management Corporation.

regulatory requirement. Most of them were able to earn net profits. All financial institutions' capital adequacy ratios were above the minimum regulatory requirement. In the mean time, most asset management companies were able to reduce non-performing loans, as targeted, by debt restructuring.

**Table 15 : The Number of Financial Institutions Examined by the BOT in 2004**

Financial Institutions	Number of Financial Institutions Examinations
Domestic Commercial Banks	10*
Foreign Bank Branches	12
Specialized Financial Institutions	10
Asset Management Companies	11
<b>Total</b>	<b>43</b>

In case of financial institutions with ratings lower than satisfactory, the BOT has ordered the financial institutions to improve their financial conditions, performance and risk management system and report the result of corrective action to the BOT within the timeline. Besides, the BOT has concerned about the ethic of the management of financial institutions and therefore set up the qualification for the management and senior management positions of financial institutions in order to ensure good corporate governance in the financial institution system.

## 2.2 The examination of financial institutions for the Financial Sector Master Plan

The BOT had examined finance companies and credit foncier companies that had applied for new commercial licenses, namely commercial banks and retail banks, including foreign bank branches and International Banking Facilities (IBF) that had applied to upgrade to be full branches or subsidiaries under the Financial Sector Master Plan. The BOT focused on assessing the quality of management in the past and the business plan in the future. The result of the application is in process by the Ministry of Finance.

## 2.3 Special Examinations

The BOT had examined loans to real estate sector and credit cards because the rapid growth of loans to these sectors may significantly affect financial institutions' position and the stability of Thai economic system. The results of examination indicated that financial institutions had managed risk at the acceptable levels. Both of commercial banks and non-banks had been examined by the BOT that they operated credit card business with the compliance with law and the BOT's regulation in order to take preventive measures for overheating of household debt.

\* Two domestic commercial banks were not examined due to being in the process of merger or acquisition

## **2.4 Other Examination**

The BOT performs some other on-site examinations, for example, the Information System Examination, Market Risk and Credit Risk Model Validation Examination.

## **3. Financial Institutions Monitoring and Analysis**

Like on-site examination, the off-site monitoring and analysis focuses on financial conditions, performance, capital adequacy, and risk management. The analysis reports are created quarterly for Thai financial institutions and semi-annually for foreign bank branches, IBFs and specialized financial institutions. Moreover, the BOT has driven financial institutions to be ready for the Financial Sector Master Plan especially for good corporate governance and risk management system.

## **4. Financial Institutions Application**

The BOT supervises financial institutions through approving, waiving, and responding to questions raised by the financial institutions. The BOT also follows up the financial institutions' compliance with the approved condition, notifications and circulars.

## **5. Supervision Efficiency Enhancement**

Several activities were conducted in 2004 to enhance the efficiency of supervision function as follows:

### **5.1 Examiners Development**

The School for Examiners, established in 1999, provides training for examiners to have sufficient knowledge and readiness to perform supervisory tasks according to the policy and in the standardized practice. The BOT consistently updates the course of study to correspond with the international standard.

In addition, the BOT examiners and management participate in overseas trainings and seminars. Several in-house seminars, lectures and workshops on new knowledge are also held to broaden the examiners' skills and knowledge in order to match the international standard. The guest speakers, both domestic professionals and international technical assistant from other countries' regulatory agencies, are invited for those training programs.

### **5.2 Supervision Development regarding International Standard**

The BOT consistently develops the examination manuals for examiners and improves the procedures of examination to enhance efficiency of supervision function. In addition, the BOT prepares the examiners for the implementation of the New Basel Capital Accord, and participates in the Financial Sector Assessment Program (FSAP). The BOT develops sound risk management practices for financial institutions to use as a guideline. The BOT publicizes the examination manuals to financial institutions to use as self assessment tool. Furthermore, the Risk Rating Review Committee is put in place to ensure the standard of all financial institutions' examinations.

### **5.3 Development of the BOT's Database for Supervision**

The BOT develops the database of financial institutions in order to standardize the data deriving from financial institutions and provide more dimensions in retrieving the data which support supervision, examination, analysis and monitoring function. In addition, the BOT has been developing the systems for examination management by using information technology to enhance the efficiency of examination procedures.

## **BOT's participation in International Organizations**

### **A. Association of Southeast Asian Nations – ASEAN**

The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 with the objectives to accelerate economic growth, social progress and cultural development; and to promote peace and stability in the region.

In working towards the objective of financial and monetary integration, the ASEAN Secretariat has prepared a Roadmap for Financial and Monetary Integration proposing steps and timeframe of cooperation in 4 areas namely: (1) Roadmap on Capital Market Development; (2) Roadmap on Liberalization of Financial Services; (3) Roadmap on Capital Account Liberalization; and (4) Roadmap on ASEAN Currency Cooperation.

In 2004, the BOT hosted a seminar on Capital Account Liberalization and the 4th Meeting of the Working Committee on Capital Account Liberalization during 26-27 August in Bangkok. The objective of the meeting is to share the experiences of members in liberalizing their capital accounts. The ASEAN Secretariat is in the process of providing a one-stop service of rules and regulations on the website for the use of external investors.

In addition, ASEAN finance ministers approved the ASEAN Finance Ministers Roadshow to showcase the success of ASEAN to international investors. The 1st ASEAN Finance Ministers Roadshow was held during the IMF Annual Meeting in September 2004.

### **B. Bank for International Settlements – BIS**

BIS acts as banker to the central banks and international financial organizations, and provides a forum to promote international cooperation, information exchange, and research on economics and finance.

The BOT participated in the Annual General Meetings and in the Bi-monthly Governors' Meetings, which serve as fora for governors of central banks to address present concerns and issues of importance to global economic and financial developments.

The BIS's Asian Consultative Council, comprising members of the Asia-Pacific region, provides an opportunity for governors of central banks to discuss issues of regional concern. In 2004, the Special Governors' Meeting was held during 8- 9 February 2004 in Hong Kong. The Governor and Assistant Governor, Monetary Policy Group attended the meeting as the BOT representatives.

In addition, the BIS provided a forum for discussion of different issues, for instance, in June 2004, the BIS organized a Working Party on Monetary Policy in Sydney, Australia. The Deputy Governor, Monetary Stability attended the meeting as the BOT representative.

### **C. The Executives' Meeting of East Asia-Pacific Central Banks – EMEAP**

The Executives' Meeting of East Asia-Pacific Central Banks, or EMEAP, established in 1991, provides forum for central banks and monetary authorities to strengthen cooperative relationship among its members.

In December 2004, 11 EMEAP members announced the launch of the Asian Bond Fund 2 (ABF2) with the initial size of US\$ 2 billion. This is in continuation from the success of the Asian Bond Fund 1 (ABF1). The ABF2 will be passively managed and will invest in sovereign and quasi-sovereign bonds of EMEAP economies denominated in local currencies.

The ABF2 would help expedite market development and regulatory reforms at both domestic and regional levels, which would benefit potential issuers and investors in the region. Moreover, the ABF2 would play a catalytic role in introducing into Asia a new set of transparent, replicable and credible Asian bond indices, which are an important element of the market infrastructure.

### **D. International Monetary Fund – IMF**

The primary objective of the IMF is to strengthen the stability of the international financial system in order to promote growth and expansion of international trade. The BOT represents Thailand in the Fund and expresses its opinions, in a concerted effort with 12 other members, to the IMF's Executive Board through the Southeast Asian Voting Group (SEAVG). Recently, IMF has increased its emphasis on the role of surveillance and the use of standards and codes of sound economic and financial practices. Thailand has therefore used these occasions to provide inputs to the formulation of policy agendas.

In 2004, Thailand represented SEAVG in various IMF meetings.<sup>2/</sup> Throughout the year, the BOT representatives attended 4 meetings on behalf of the SEAVG as follows:

- Two meetings of the International Monetary and Financial Committee (IMFC) Deputies Meetings. The Assistant Governor, Monetary Policy Group attended the 9th IMFC Deputies' Meeting and the Deputy Governor, Monetary Stability attended the 10th IMFC Deputies' Meeting;

- The IMFC Spring Meeting, the IMFC Fall Meeting and the Annual Meeting of the Board of Governors. The Governor attended both meetings.

In the meetings, Thailand delivered the views that surveillance system should be applied with equal treatment to both developed and emerging countries, and that the

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2/ This position is circulated among the three largest voting rights in the SEAVG, namely Indonesia, Malaysia and Thailand. From 2005 onwards, Singapore will also be included.

process of internal reform and governance of the IMF should be expedited. On behalf of the SEAVG, Thailand highlighted the stated issues with the following emphasis.

(1) On the resolution of the global economic imbalance, a collective effort by all regions although the period of adjustment may take longer for countries in Asia, particularly on the issues of exchange rate policy and system.

(2) On strengthening the surveillance system, it is necessary for the Fund to monitor closely and assess the impact that large complex economies have on small emerging economies.

(3) On the internal reform and governance of the IMF, it is necessary and urgent for the Fund to expedite the reform of its internal work and governance structure. In particular, the structure of the voting rights for emerging countries needed to be reformed to better reflect the interest of smaller member countries. Additionally, the nomination and appointment of the managing directors should be more transparent and afford equal opportunities for capable candidates globally.

The IMF continues to monitor and assess the Thai economy as part of the annual Article IV Consultations. In 2004, the mission was in Thailand for this purpose during 31 May-15 June. Regarding financial relationship, Thailand has re-entered as a member of the Financial Transaction Plan (FTP) since September 2003, enabling Thailand to participate as a creditor to other IMF members.

### **E. South-East Asian Central Banks' – SEACEN**

SEACEN was established in 1966. The SEACEN Centre for research and training was established in 1973. Its members have grown to the total of 13 members. The Centre has been implementing the following core objectives:

1. To promote a better understanding of the financial, monetary, banking and economic development matters which are of interest to the central banks and monetary authorities; and
2. To stimulate and facilitate cooperation among central banks and monetary authorities in the area of research and training.

Central Bank of Sri Lanka hosted the 39th SEACEN Governors' Conference and the 23rd Meeting of SEACEN Board of Governors during 12-13 February 2004 in Colombo, Sri Lanka. The theme of the Conference was "How Central Banks in Emerging Economies Can Respond to External Shocks". The meeting arrived at the consensus that there is no single appropriate structure for an organization undertaking supervisory function of financial institutions. Member countries should consider their individual economic and institutional structure for the appropriate structure of their supervisory organization.

At the 23rd Meeting of the SEACEN Board of Governors, the Board of Governors unanimously agreed to admit the Reserve Bank of Fiji as the thirteenth member of SEACEN. As for the research and training programmes of the SEACEN Centre, the Board of Governors approved 18 training programmes, 5 research programmes and 4 meetings for the operating year 2004 (1 April 2004 - 31 March 2005).

The BOT hosted the 26th Meeting of SEACEN Directors of Research and Training during 13-14 October 2004 in Bangkok. On 13 October, the meeting discussed and exchanged views on the issue of "Household Debt". On 14 October, it was the meeting of directors of research and training decided on the training issues and venues, including other administrative matters.

## **Corporate Debt Restructuring**

In 2004, debt restructuring of the Corporate Debt Restructuring Advisory Committee's (CDRAC) target debtors continued to progress from the previous year. As of December 2004, 11,469 cases with credits outstanding of B1,497,952 million have been successfully restructured since 1998. In 2004 alone, there were 549 successful restructured cases with B54,330 million credits outstanding or 81 percent of resolved cases.

Apart from the growth of credit extension of financial institutions, progress in corporate debt restructuring was another important factor contributable to the continued drop in NPL level. These two factors led to the continued downward trend of the ratio of NPL to total credits from 12.74 percent in December 2003 to 11.45 percent in September 2004 and reduced further to 10.86 percent at the end of 2004 (preliminary data).

### **A. Key Aspects of Successful Resolution of CDRAC Target Cases in 2004**

#### **1. Preamble**

The Corporate Debt Restructuring Advisory Committee (CDRAC) has played a significant role in facilitating/mediating and expediting the debt restructuring process between creditors and target debtors who are on the NPL list as of December 2003. For credit card, re-entry NPL, and New NPL debtors, they have to negotiate directly with the financial creditors.

However, according to CDRAC's resolution no. 4/2547 dated 28 October 2004, non-NPL debtor, who is supposed to face repayment ability problem with multiple creditors in the near future, can negotiate under the CDRAC's process, providing that debtor and all creditors enter the process on a voluntary basis.

#### **2. Strategies for Resolving NPL in 2004**

The CDRAC's strategies for facilitating and expediting the debt restructuring case in 2004 have continued from the previous year that has focused on resolving specific problems of each group of debtors:

**Group 1: Debtors that have restructured their debts and in the process of repayment**

Financial institutions are to monitor debt repayment until the debt is qualified to perform loans within June 2004 and report to the BOT on a monthly basis.

**Group 2: Debtors in the process of restructuring**

CDRAC closely monitor this group of debtor for which financial institutions are to resolve the debt restructuring process within February 2005 and report to the BOT on a monthly basis.

**Group 3: Debtors in the court process**

Financial institutions may submit additional list of debtors for which they would like the BOT or CDRAC to serve as the facilitator/mediator on a monthly basis.

**Group 4: Debtors in the legal execution process**

Financial institutions may submit additional list of debtors for which they would like the BOT or CDRAC to serve as the facilitator/mediator on a monthly basis.

To encourage financial institutions to tackle the remained NPL cases BOT will submit quarterly progress report of Group 1 and Group 2 debtors to top executive of financial institutions.

**3. Measures to support debt restructuring in 2004**

To provide the continuity of corporate debt restructuring support, the existing tax and land transfer fee benefits were extended, including some revision of the central bank's financial supervision measures. The details are as follows:

(1) The Revenue Department extended the exemption period for income tax, value-added tax, specific business tax and stamp duties related to debt restructuring (including revenue from assets transfer, sale of goods and services, and issuance of instruments).

The Land Department also extended the reduction of the land transfer fee and buildings to 0.01 percent for cases that were restructured in compliance with the BOT guidelines.

(2) The BOT allowed commercial bank to conduct rent and leasing activities involved in debt restructuring and relaxed regulations concerning the holding period of foreclosed properties and holding of the shares of a debtor's company.

To speed up resolving the NPL problem, effective on 26 August 2004, BOT amended provisioning policy for NPLs that have long been pending without proper restructuring or legal actions. Financial institutions are required to set aside provisions for the collateral at an increasing rate, depending on the overdue period.

(3) The Legal Execution Department amended the regulations pertaining to the legal execution process in order to expedite the process. According to the amendment, the initial prices for the first and the second auctions will be 80 percent and 50 percent of the appraised value, respectively.

#### **4. Progress in the Debt Restructuring**

In 2004, CDRAC resolved 1,628 target debtors with credits outstanding of B50,884 million, comprising of 517 cases with credits outstanding of B41,765 million remaining from 2003 and 1,111 new cases with B9,119 million credits outstanding. Of these, 1,323 cases with credits outstanding of B49,395 million were successfully resolved and 305 cases with credits outstanding of B1,489 million remained in the restructuring process to be resolved by 2005.

#### **5. Progress in NPL Resolution : continued to be on a declining trend**

##### **5.1 NPL in the financial system**

As of September 2004, the outstanding of NPL in the financial institution remained at B627,741 million (11.45 percent of total credits). In addition, NPL is still on a declining trend and supposed to reduce to B591,873 million (10.76 percent of total credits) at the end of 2004.

##### **5.2 NPL : Classified by group of debtors**

NPL in December 2004 of B591,873 million can be classified into three groups as follow;

(1) NPL of restructured debtors that are in the process of repayment amounted to B92,819 million (declined by B10,386 million from December 2003).

(2) NPL of debtors in the process of restructuring amounted to B251,894 million (declined by B29,736 million from the end of 2003).

(3) NPL of debtors in the legal process, debtors in the court process and debtors in legal execution process amounted to B247,160 million (decreased by B9,885 million from December 2003).

### **B. Strategies and Guidelines for Debt Restructuring in 2005**

To achieve the target NPL of below 10 percent of total credits in 2005 (CDRAC's resolution no. 1/2547 dated 16 January 2004), the following strategies and guidelines for encouraging debt restructuring are as follows :

(1) Expedite the remaining unresolved targeted cases from 2004 within September 2005.

(2) Closely monitor the NPL, as of December 2004, of Group 1(debtors that have restructured their debt and in the process of repayment) and Group 2 (debtors in the process of restructuring), to be carried out by financial institutions.

(3) Facilitate the negotiations of Group 3 debtors (debtors in the court process), Group 4 debtors (debtors in legal execution process), and debtor with multiple creditors, including Walk-in debtors.

(4) Closely coordinate with other relevant agencies to expedite the debt restructuring process, such as the court, the Legal Execution Department, the Court Mediation Center, the Subcommittee on the National Non-performance Loan Policy to the Prime Minister, and the Office of Farmer Rehabilitation and Development Fund.

### **C. Concluding Remarks : Outlook of NPL**

In 2005, the implementation of CDRAC's strategies and guidelines for debt restructuring, couple with the extension of other governmental benefits, such as, the exemption of income tax, value-added tax, specific business tax and stamp duties of the Revenue Department, the reduction of the land transfer fee of the Land Department, and the revised provisioning policy of the BOT, will enhance the success of debt restructuring. In addition, the extension of new credit from financial institutions will be another positive factor, contributable to the success in Thailand NPL resolution. Accordingly, NPL to total credits is expected to stay below 10 percent of total credits by the end of 2005, the CDRAC's milestone set in the year 2003.

## **Information Technology Development**

In 2004, the BOT managed 44 IT projects organized into eight IT programs, each supervised by a Computer Steering Sub-Committee (CSSC) who further reported to the Computer Steering Committee (CSC). Program management methodology is used to align IT-related projects with BOT strategic directions. The overall budget for all projects is approximately B615 million, with most of the projects spanning longer than one year. By the end of 2004, the BOT has completed 15 projects. A brief outline of each strategic program is summarized below:

### **Program 1: Enterprise Knowledge Portal**

This program aims to provide a single portal that will centralize common infrastructure and repository to acquire, store, disseminate, and share data, information, as well as knowledge among business users and external stakeholders. This program covers both statistical data for supervision and policy-making, and corporate data for internal decision-making. It also enhances delivery channels for regulatory reporting to reduce manual interaction between financial institutions and the BOT.

The most significant project in this program is the Data Management System (DMS), which aims to serve as the single point to acquire, store, and disseminate information mainly to support supervision and policy-formulation activities. The project has been divided into 3 phases. The first phase (Financial Institution Data Set) and the second phase (Financial Market) have been operational in October 2003 and April 2004, respectively. The remaining phase (Economic Data Set) is expected to be operational in mid 2005.

The Lessons Learned project aims to collect experiences and anecdotes from high-level executives. These are transferred and used as educational references and a knowledge base. The system has been operational since September 2004.

### **Program 2: Financial Market Excellence**

This program focuses on developing the Dealing Room System (DRS) that supports the operations of the front-, middle- and back-offices in a full "straight-through processing" manner and enhance overall risk management and benchmarking capabilities. The primary development has been completed and operational since 2003. In 2004, scopes of work and business requirements for the secondary phase have been developed. The BOT will sign a contract with a vendor at the beginning of 2005.

### **Program 3: Payment Excellence**

This program aims to establish national payment and cash management strategies, and to develop an appropriate payment and cash management infrastructure to support the BOT as a service provider, regulator, and facilitator of the payment industry.

The National Payment Information System aims to collect payment system information into a database, which can be used to create payment-related statistical reports for distribution to the public, including local and international organizations. The system has been partially deployed since July 2004.

BAHTNET Phase 2 has been enhanced by integration with the Government Fiscal Management Information System (GFMS), which allows GFMS to send payment instructions to BAHTNET. Under discussion is a linkage with Thailand Securities Depository (TSD) to enable delivery-versus-payment of corporate debt securities and equities in an RTGS-DVP fashion.

The System for Managing Automated Retail Funds Transfer (SMART) has included governmental transactions and enables integration between GFMS and SMART.

The Cross Border Linkage project aims to integrate Retail Payment, Payment Versus Payment (PVP), and Delivery Versus Payment (DVP) with other countries' payment systems. This will improve competitiveness and promote trade, investment, and cooperation among ASEAN countries.

The Cheque Truncation project aims to improve efficiency of cheque clearing system in Bangkok Metropolitan area and upcountry by reducing the cheque traveling time and speeding up the clearinghouses' collection time across districts. In 2004, the project has successfully delivered the following deliverables:

1. B/C - 3D system can now accommodate business continuity plans for Electronic Clearing House.
2. Business requirements for the Improving Efficiency of Provincial Cheque Clearing Systems (Provincial B/C) project are being prepared.

The Central Settlement System aims to facilitate treasury management of member banks and enables the net settlement services provided by the BOT and other parties. The system is operational since June 2004.

The Banknote Management System project is the management for complete lifecycle of the BOT banknote logistics starting from the transportation of banknotes from the Note Printing Works to cash centers, banknote verification, and examination through banknote destruction. The system will help the BOT plan and analyse banknote data more efficiently and precisely. This project has been in operation since May 2004.

#### **Program 4 & 5 : Financial Excellence and Human Resource Excellence**

These programs aim to improve the efficiency of the BOT's financial system, administrative operations, human resource management, and banknote production by implementing integrated enterprise resource planning (ERP) software packages. The ERP system has been operational since October 2003.

In 2004, the system has been enhanced to support Monetary Reserve Accounting system and business transactions of Banknote Management Group, and to improve operational work and employee self-services. Workflows and Web-applications have been developed. Some management reports have been completed since August 2004. The remaining will be completed in 2005.

#### **Program 6 & 7 : IT Transformation & Performance Support Excellence**

These programs promote internal use of information technology and improve IT services and infrastructure to enable efficiency and enhance overall performance of the BOT employees.

During the past year, we have enhanced the internal electronic mail systems to accommodate increasing demand. The IP phone systems have been implemented for cash management centers.

The Quality Management project has been deployed to improve and develop IT internal processes, policies, and expectation so that the processes and procedures are clearly defined and standardized using templates, quality control procedures, risk management, pertinent rules and regulation and code of practices.

The Enterprise Systems Management has been implemented to facilitate the operation management, network management, systems management, and service management, etc., and to enhance efficiency and security in the use of IT in the BOT.

#### **Program 8 : Supervision Excellence**

This program aims to improve the efficiency of IT system management in the Supervision Group by leveraging information technology to enhance operational work in the Group. The highlighted projects in this program are outlined below:

The Financial Institution Supervision System project aims to support supervision process preparation, onsite examination, analysis, and reports. A computer notebook is provided for each examiner to use as a tool for supervision work. In 2004, the first phase of the system is being developed; the system will be partially deployed at the beginning of 2005.

The Financial Institution Applications System project aims to develop a system to handle various requests from financial institutions. The first phase of this project involves the information about financial institution executives and their wrongdoings. The system will be operational in mid 2005.

Moreover, a Web portal will be used as a central repository for sharing supervision data and documents among departments.

## **Bank of Thailand Regional Offices**

### **A. Northern Region Office**

Since 1 November 2004, the Banknote Division of Northern Region Office has become the Banknote Management Department, as the result of the BOT's reengineering and reorganization projects, which continued from the previous year. Three Banknote Operation Centers were established in 3 provinces in the Northern Region, namely, Chiangmai Banknote Operation Center, Lampang Banknote Operation Center and Phitsanulok Banknote Operation Center. At present, the Northern Region Office has 4 divisions namely: Banking Division, Financial Business Investigation Division, Economic Research Division Accountant Team and Administration Team. Functional performances in 2004 are as follows:

#### **1. Cash management : Cash deposit, cash withdrawal, and banknote sorting during January - October 2004**

The amount of cash deposit and cash withdrawal totaled B93,138.3 million and B82,919.1 million, decreasing from the previous year by the same rate of 4.6 percent. Banknote sorting dropped by 9.3 percent to B211.4 million, with the ratio of good banknotes to total banknotes of 43.6 percent. Counterfeit banknotes were found mostly in face value of B100.

#### **2. Banking business facility : declined from structural change in functions**

##### **2.1 Funds deposit and funds withdrawal (January-October 2004)**

Funds deposited to current accounts by commercial banks, provincial treasuries, government agencies, and others, decreased from the previous year by 16.9 and 16.7 percent. At BOT's provincial representatives, commercial banks' funds deposit and funds withdrawal decreased from last year by the same rate of 14.1 percent. As for BOT's accounts at provincial treasuries, funds deposit and funds withdrawal decreased from the previous year by 10.9 and 9.8 percent, respectively.

## **2.2 Funds transfer (January-October 2004)**

Between the Head Office and Northern Region Office/BOT provincial representatives, net funds transferred to Northern Region Office/BOT representatives from the Head Office was totaled B141,825.3 million, compared with the contrary net funds transferred to B133,049 million in 2003. Within northern region, funds transferred from BOT provincial representatives to Northern Region Office decreased from the previous year by 14.0 percent. While funds transferred from Lampang Branch to Northern Region Office at Chiangmai increased from the previous year by 3.2 percent.

## **2.3 Cheque clearing**

In 2004, volume and value of provincial cheques processed by clearinghouses in northern region decreased by 19.2 percent while volume increased from the previous year by 1.3 percent. Volume and value of returned cheques decreased from last year by 20.5 and 13.4 percent, respectively, and ratio of returned cheques to processed cheques dropped to 1.7 percent by volume and to 1.0 percent by value.

## **2.4 Priority economic sectors financial assistance**

In 2004, financial assistance credit loan of B10,162.8 million were provided, via financial institutions, to 221 businesses in the north. The outstanding of credit totaled B2,273.1 million, increased from the previous year by 66.4 percent, owing to borrowing loan from Head Office of some commercial banks for assistance to SMEs and financial assistance to poultry farmers and poultry breeder entrepreneurs affected by the outbreak of avian flu.

## **2.5 Foreign exchange monitoring**

In 2004, foreign currencies sold and purchased by 31 authorized money changers totaled US\$21.6 million. The value of buy and sell increased by 26.0 and 24.5 percent, respectively.

## **2.6 Government bonds agent**

In 2004, the number of privileged bondholders totaled 16,630, amounting to B26,242 million, increased by 77.8 and 38.2 percent, respectively. Sums of interest payment totaled B1,657.5 million for Government Saving Bonds of 19,548 bondholders, decreased by 3.4 and 0.2 percent, respectively, while bond redemption totaled B1,140.6 million for 645 bondholders.

**3. Financial Business Investigation: Conducting and examining non financial institutions, analysing dominant debtors, monitoring and corporate debt restructuring were carried out concurrently.**

Since 1 May 2004, the role and functions of Financial Supervision Division has been changed to Financial Business Investigation Division. The responsibilities of the new Division are mainly: 1) financial business (FB), conducting data and supervisory performance of financial business in Northern region, particularly in non financial institutions, which have not been undertaken by any other institutions, 2) financial health (FH), monitoring financial

health of large businesses, and 3) debt restructuring of CDRAC's target debtors. The amount of target debt restructuring at end-December 2004 amounted to B4,364 million of 1,148 cases. Of this, B2,733 million of 585 cases were voluntary applies and B1,425 million of 362 cases remained under the restructuring process. However, unresolved NPL cases totaled 223, amounting to B1,308 million.

**4. Economic research** : Conducting northern region economic conditions and recent economic issues to be supplied to Monetary Policy Group on a continual basis, while current economic information contributing to development of northern region economy were disseminated and shared with the public via various channels, including press release.

In 2004, Economic Research Division monitored and analysed economic conditions of the northern region and disseminated information to the public via various channels as press releases, economic and business reports on the monthly, quarterly, and yearly basis, reports on economic conditions of neighbouring countries, quarterly survey on investors' behaviour in regional capital market and quarterly survey on real estate in northern region.

7 special project studies were in progress, namely (1) Economic survey in Myanmar investment opportunities, (2) Economic survey in Southern China investment opportunities, (3) Cross-Border Trade between Thailand and Myanmar : Payment system, (4) Cross-Border Trade between Thailand and Southern China : Payment system, (5) Rising Thai household debt : Attitude survey and policy implication in northern region, (6) Study in Northern Manufacturing Production Index (MPI), and (7) Economic Tourism in Chiangmai Province.

In 2004, there was a seminar for the public on the topic of "Financial Sector Master Plan : The effects on financial institutions and public in northern region". Moreover; there were 2 academic disseminations on northern economic issues, namely, "Currency exchange and border trade", and "Rising Thai household debt : Attitude survey and policy implication in northern region". There were also 3 conferences to provide a stage for exchanging ideas and information, as well as sharing knowledge between participants and significant entrepreneurs.

## **B. Southern Region Office**

As a central bank in southern area, Southern Region Office undertakes the following: cash management, banking business facility, financial business investigation and economic research.

Since September 2004, the offices of provincial treasury have changed the responsibility to be the Chief Financial Officer. As the Chief Financial Officer, offices of provincial treasury could not act as the BOT's representative; therefore, the BOT developed cash management system by setting up the Banknote Operation Centers and transferred the duties of offices of provincial treasury as BOT's representative and those of Currency Division to the Banknote Operation Centers. In 2004, the activities as BOT's representative and operation of currency division had been in charge of Southern Region Office just for 10 months.

**Functional performances in 2004 are summarized as follows :**

### **1. Currency Division Management**

Within 10 months of year 2004, Southern Region Office received and paid out cash from provincial treasury offices, commercial banks, financial institutions, and government agencies and others totaling B83,299.1 million and B100,541.5 million, increased from same period of the previous year by 1.1 and 6.7 percent, respectively.

Banknote sorting amounted to 241.8 million notes, dropped by 1.7 percent from the same period last year. The counterfeit banknotes amounted to 1,790 notes. Most of the counterfeit banknotes were B1,000, B100 and B500, respectively.

### **2. Banking business facility :**

#### **2.1 Funds deposit and fund withdrawal**

Within 10 months of year 2004, fund deposited to current accounts by commercial banks, provincial treasuries, government agencies, and others, increased from the same period last year by 12.3 percent to B660,674.4 million. At the same time, funds withdrew from the current accounts rose by 12.4 percent to B661,172.9 million. At the BOT's provincial representatives, commercial banks deposited and withdrew funds of B434,353.4 million and B435,016.4 million, increased by 13.1 and 13.2 percent, respectively, from the same period last year. As for BOT's accounts at provincial treasuries, fund deposit and funds withdrawal totaled B228,413.6 million and B226,481.3 million, grew by 10.7 and 10.5 percent, respectively.

#### **2.2 Fund Transfer**

Two fund transfer systems between Southern Region Office/ BOT representatives and Bangkok; were the provincial fund transfer system and the BAHTNET system. Within 10 months of 2004, net funds transferred from Southern Region Office/ BOT representatives and Bangkok totaling B44,106.7 million, dropped from the same period last year by 15.0 percent. Moreover, fund transferred from BOT's provincial representatives to Southern Region Office netted B44,480.5 million, dropped by 5.4 percent.

#### **2.3 Cheque clearing**

In 2004, total volume of provincial cheques processed by 22 of clearinghouses in southern region were 4.5 million issues, dropped from 2003 by 16.6 percent while total value were B536,339.2 million, increased by 5.3 percent. The proportion of returned cheques volume and value to processed cheques were 1.7 and 0.9 percent, respectively, dropped from 1.9 and 1.0 percent of last year.

#### **2.4 Priority economic sectors financial assistance**

In 2004, Southern Region Office provided financial assistance to SMEs through financial institutions totaling B7,403.3 million, increased from last year by 61.3 percent. The total credit outstanding by the end of 2004 was at B1,596.6 million.

## **2.5 Foreign exchange monitoring**

At the end of 2004, there were 98 authorized money changers. The purchase of foreign currencies from customers totaled US\$29.6 million, an increase of 28.0 percent from last year, whereas the sale totaled US\$29.5 million, an increase of 25.7 percent.

## **2.6 Government bond agent**

In 2004, the amount of interest payment of Government Bonds totaled B637.6 million were paid to 15,056 bondholders.

## **3. Financial business investigation**

At end -2004, a total of 540 debtors with credit outstanding of B1,847.7 million willingly participated in the Trouble Debt Restructuring Process. Of the 540 debtors, 288 debtors with credit outstanding of B1,103.3 million were in the legal process, and 252 debtors with credit outstanding of B744.4 million were in the legal execution process. A total of 536 debtors, credit outstanding of B1,835.3 million already commenced negotiations. Of these, 309 debtors, successfully resolved or signed the debt restructuring contracts/ court approved plan/ repaid debts and closed account, with credit outstanding of B1,062.9 million, or 57.6 percent of the total number of debtors that entered into the process or 57.9 percent of the total amount of credit outstanding of the debtors that entered into the process.

## **4. Economic Research**

In 2004, the Economic Research Division monitored and analysed economic conditions of the southern region and key regional economic issues on a continual basis for contributing into Monetary Policy Group's monthly macroeconomic meetings, for press releasing on a monthly basis, and for disseminating information to the public. Moreover, the division also monitored and analysed economic conditions of 14 provinces under the Office's responsibility and handled the business report under the Economic/Business Information Exchange Program.

In 2004, there were 2 special project studies, namely "Rubber Marketing and Price Mechanism" and " Opportunity for Export Food to Malaysia"

As for promoting economic knowledge to the public, two main seminars were held at Songkhla and Phuket province. Some economic seminars among the BOT, government agent and prominent entrepreneurs were also held, aiming to exchange information and to share knowledge among participants.

## **C. Northeastern Region Office**

As the result of BOT's reorganization projects from provincial treasury offices, BOT's provincial representatives, to Banknote Operation Center since 1 November 2004, Banknote

Division of Northeastern Region Office has become the Banknote Management Department. Three Banknote Operation Center offices were established in three provinces, namely Khonkaen Banknote Operation Center, Nakhonratchasima Banknote Operation Center and Ubonratchathani Banknote Operation Center. At present, Northeastern Region Office has 3 Divisions and 2 Teams, namely, Banking Division, Financial Business Investigation Division, Economic Research Division, Accounting Team, and Administration Team.

**Functional performances in 2004 are summarized as follows :**

**1. Cash Management : Cash deposit, cash withdrawal, and banknote sorting during January-October 2004**

Cash deposit and cash withdrawal (included data from Khonkaen Banknote Operation Center) totaled B124,174.5 million and B83,291.9 million, decreased from the previous year by 6.7 and 1.7 percent, respectively. Banknote sorting totaled 417.67 million banknotes, increased by 5.9 percent. The exchange of damaged banknote totaled 61,789 banknotes, valued B5.9 million, decreased by 19.0 and 5.9 percent, respectively. Counterfeit banknotes totaled 1,882 banknotes, mostly at face value of B100 and B1000, respectively.

**2. Banking Business Facilities**

**2.1 Funds Deposit and Funds Withdrawal (January-October 2004)**

Funds deposited and withdrawal to current account at Northeastern Region Office decreased from the previous year by 15.3 percent in the same level of both items. Funds deposited and withdrawal to current account by commercial banks at the provincial treasuries, BOT's provincial representatives, and withdrawal at provincial treasuries decreased by 13.8 and 12.9 percent, respectively.

**2.2 Funds Transfer (January-October 2004)**

Funds transferred between Northeastern Region Office and BOT's provincial representative to the Head Office as follows: funds transferred from Northeastern Region Office to Head Office totaled B315,514 million, while funds transferred from Head Office to Northeastern Region Office totaled B179,753.4 million. In addition, funds transferred in region from BOT's representative to Northeastern Region Office and the contrary funds transferred, increased from the previous year by 2.9 and 2.7 percent, respectively.

**2.3 Cheque Clearing**

In 2004, volume and value of provincial cheques processed by clearinghouses in northeastern region, decreased by 25.9 percent by volume and rose by 2.6 percent by value. Volume and value of returned cheques, decreased by 37.5 and 10.0 percent, respectively. The ratio of volume and value of cheques to out-clearing cheques decreased by the same rate of 2.2 percent.

## **2.4 Priority Economic Sectors Financial Assistance**

Northeastern Region Office provided financial assistance credit via financial institutions for SMEs and to poultry farmers and poultry breeder entrepreneurs affected by the outbreak of avian flu totaled B17,280.1 million. The repayment totaled B16,836.1 million, while outstanding of credit totaled B3,007 million, increased from the previous year by 35.8, 54.5 and 17.3 percent, respectively.

## **2.5 Foreign Exchange Monitoring**

In northeastern region, foreign currencies sold by 5 authorized money changers totaled US\$279,319, the value of sell decreased by 5.3 percent.

## **2.6 Government Bonds Agent**

In 2004, the number of 11,664 privileged bondholders totaled B18,827.9 million, increased by 52.9 and 36.9 percent, respectively. Sum of interest payment totaled B874.5 million for Government Saving Bonds of 15,382 bondholders, decreased by 3.9 and 3.0 percent, respectively, while bond redemption totaled B858.6 million for 556 bondholders.

## **3. Financial Business Investigation**

In 2004, the Financial Business Investigation monitored and analysed as follows :

**3.1 Monitoring and collecting the performance** of the financial institutions in the region, namely, data of hire purchasing and leasing, mortgage, personal loan, saving organization and private moneylender, including monitoring the performance of non-financial institution that impacted on the region economy.

**3.2 Monitoring and analysing the financial health** of the first 20 orders of dominant debtors by collecting data and reporting the issues that impacted on the key industries in northeastern region.

**3.3 Corporate debt restructuring**, the target debtors at the end of December 2004, amounted to B3,044 million of 448 cases. Of these, B83 million of 46 cases remained under the restructuring process, while B1,189 million of 256 cases were completely restructured, increased from the previous year by B426 million of 70 cases. Otherwise, B595 million of 128 cases were unsuccessfully resolved.

Northeastern Region Office also undertook additional tasks in response to the BOT's needs especially in the areas of Supervision Group and FIDF Management and Debt Restructuring Group, such as on-site examinations of the Yield Maintenance & Gain and Loss Sharing in each quarter and carried out critical field surveys about the collateral securities of 56 closed financial institutions in the region.

## **4. Economic Research**

In 2004, Economic Research Division monitored and analysed economic conditions of the northeastern region and key regional economic issues on a continual

basis for contributing to Monetary Policy Group's monthly macroeconomic meetings, and for disseminating information to the northeastern public on monthly, quarterly and annual basis.

There are 4 special researches, namely 1) "The Horn Mali Rice Market in Northeastern Region", 2) "Non-Resident Baht Deposit on Cross-Border between Thailand and LPDR", 3) "The Behaviour of Payment on Cross-Border between Thailand and LPDR", and 4) "The Behaviour of Payment on Cross-Border between Thailand and Cambodia". Moreover, Northeastern Region Office carried out 2 special project studies about the pros and cons of using the native currency on Cross-Border Trade at the ChongMek-Wang Tao Customs in Ubonratchathani Province and field survey on debts and savings in Northeastern Region, which were undertaken in response to BOT's urgent needs especially in the areas of monetary policy.

In addition, the Country Desk closely monitored and analysed economic conditions of LPDR, Cambodia and Vietnam and carried out field surveys on trade situation between Thailand-LPDR and Thailand-Cambodia. The Office also made reports on trade and investment opportunities in case of Phnom Penh and Siem Reap of Cambodia, and in case of Hochimin City and Hanoi of Vietnam as well as reported the economic conditions of LPDR, Cambodia, and Vietnam to the public.

The Northeastern Region Office also arranged academic seminar on the occasion of the 36th anniversary of the Office, press conference and thanks the media. Economic seminars among the BOT, government officers and prominent entrepreneurs were also held at the Office, aiming to exchange information and to share knowledge among participants.

## **Strategic Planning**

The BOT has continuously developed strategic planning and budgeting process as well as strategic performance management process. In 2004, these processes were aimed to develop for supporting BOT's good governance.

1. In strategic planning process, the top executives have major role in determining policies and strategic direction for the BOT. The schedule of strategy review is clearly set annually.

2. In 2004, the BOT's planning process was improved to integrated planning process.

3. The BOT has improved its budgeting process in order to align with strategic planning process. Moreover it has improved budgeting rules and regulations including continuously studied cost management system in order to increase effectiveness, worthiness, and usefulness of resource allocation and consumption. In addition, the BOT has adjusted SAP (Systems, Applications, & Products In data processing), applied since 2003, to be

more user-friendly and an effective budgeting management and controlling tool for the top executives.

4. The BOT has continuously developed performance management system. In 2004, performance measurement system was systematically implemented. As a result, key performance indicators (KPIs) and targets were set. In order to ensure reliability and transparency of the measurement on KPIs, the BOT conducted a survey on stakeholders' satisfaction by outsourcing. The report on KPIs and progression of all projects were presented to the Court of Directors.

## **Risk Management**

### **1. Financial Risk Management**

**1.1 Financial risk management operations over international reserves in 2004 include the following:**

#### 1.1.1 Benchmark Review

##### (1) Investment Portfolio Benchmark Review

The BOT reviewed the benchmark for the Investment Portfolio by taking into account current market information, resulting in a change from a strategic benchmark to a neutral benchmark. In this regard, the BOT has continued applying the modified Black-Litterman asset allocation model in constructing the benchmark.

##### (2) Externally Managed Portfolios' Benchmark Review

In reviewing the benchmark for externally managed portfolios, the BOT replaced the JP Morgan Hedged Index by the JP Morgan Unhedged Index, which is more in line with the objectives in investment portfolio management to maximise risk-adjusted returns in SDR at an acceptable level of risk.

(3) Benchmark Reviews of the Yen Liability Portfolio, Liquidity Portfolio, and the Exchange Equalisation Fund Portfolio

The BOT reviewed the benchmark for the Yen Liability Portfolio, Liquidity Portfolio, and the Exchange Equalisation Fund Portfolio to update the benchmarks following current market information.

#### 1.1.2 The Risk Management Framework and Investment Guidelines

The BOT expanded the investment universe to widen the scope of investment opportunities, maintaining risk controls at the same level of risks. Stress tests were carried out to ensure that current financial risk controls are equally effective over the return distribution including the skewness and kurtosis, for additional investable countries/markets in which managers may invest in currency, bonds, and other instruments.

### 1.1.3 Optimal Portfolio Size and Investment Universe for External Fund Managers

The size of externally managed portfolios are determined based on portfolio management returns, provision of data and information to promote learning of reserve management procedures and methodologies including new financial instruments, and diversification benefits.

## 1.2 Evaluation of Risks from Policy Implementation in Financial Markets

The BOT continuously evaluated financial risks from activities relating to policy implementation through the money market and the foreign exchange market, and assessed the impact and the significance of interest rate and foreign exchange policy implementation on market expectations. The BOT also assessed the effectiveness and appropriateness of currency stabilisation measures in order to provide feedback for the decision-making process, for policy implementation through financial markets under the BOT's oversight.

## 1.3 Research Studies

In order to develop financial risk management operations at the BOT in 2004, the BOT has continuously carried out studies and research in a number of areas as follows:

- (1) Yield Curve Construction, in order to calculate prices of financial instruments and carry out analyses for policy implementation.
- (2) The study of credit risk management concepts and construction of credit risk models in order to set out a credit risk framework appropriate to the BOT.
- (3) Analysis of the transmission mechanism of interest rates, the exchange rate, and volatility in the financial market and the relationships among those variables.
- (4) Analysis and investigation of options risk management procedures to study the ways in which the BOT may use options to support or implement various policies.

## 2. Operational Risk Management

### 2.1 The Control Self-Assessment (CSA)

In 2004, the Control Self-Assessment (CSA) project under the COSO framework was implemented in five groups (Information Technology Group, Payment Systems Group, Security Group, Deposits and Debt Instruments Group, and Note Printing Works). The applied CSA framework broadly examines and evaluates internal control in each group from two perspectives, the General controls and the Process-specific controls.

The CSA process yields two sets of results. First, the process identifies and assesses inherent risks as well as the effectiveness of existing controls. Second, once key

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risk and control issues are addressed; action plans for improving the inappropriate control areas can be determined and implemented. Upon the completion of a group CSA, the Internal Audit Group verifies the reliability and accuracy of the assessment results and monitors the group's implementation of the finalized CSA action plans.

## **2.2 Risk Awareness**

During the second half of 2004, the BOT initiated a risk awareness program called the "Plan for Success with Risk Awareness" project, to enhance risk awareness within the BOT. The initiatives included publishing or featuring risk management and CSA-related articles in various BOT circulars and media, as well as inviting experts from different industries to be guest speakers at seminars on private sector risk management.

## **2.3 Strategic Risk Management**

In the bank-wide strategic risk assessment process, top BOT executives jointly reviewed key risks and threats that the BOT is exposed to, and that might deviate the BOT from achieving the desired strategic objectives. Appropriate risk mitigation and control options were determined and developed. Furthermore, head of groups considered the risks of the groups not being able to carry out strategic plans under their responsibilities. Action plans to reduce such risks were developed and subsequently incorporated into the annual strategic and budgeting plans.

## **2.4 Contingency Plan for Disaster**

In 2004, the Business Continuity Planning Steering Committee was set up to oversee the bank-wide drafting and implementing of contingency plans. When contingency plans were completed, the Risk Management Group coordinated an integrated contingency plan exercise for all critical systems. Contingency plan testing provides reasonable assurance that the BOT is prepared for disaster events; and that the key functions can recover and resume business operations within specified time period.

**THE REPORT OF THE CHAIRMAN OF THE  
AUDIT COMMITTEE**

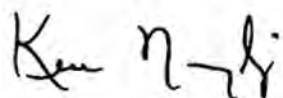
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## The Report of the Chairman of the Audit Committee

The Bank of Thailand's Court of Directors agreed to appoint Professor Kesree Narongdej as the Chairperson of the Audit Committee, Mr. Jaroong Nookhwun as a member on April 1, 2003, and Professor Dr. Thienchay Kiranandana as the other member on November 1, 2003, with Mr. Krish Follett, Senior Director of Internal Audit Department as the Secretary of the Committee. Later, Dr. Thienchay Kiranandana resigned from the Audit Committee member on August 13, 2004 since his term on the Bank of Thailand's Court of Directors had already expired.

The Committee has consistently adhered to "The Audit Committee Charter", authorized by the Bank of Thailand's Court of Directors. During the past year, the Committee convened 6 meetings under normal sessions and reviewed the internal control system of the Bank of Thailand according to the internal audit reports, especially of the core functions, such as the Supervision Group, the Financial Institutions Policy Group and the Financial Markets Operations Group. Furthermore, the Committee also reviewed the financial reports with respect to accuracy, integrity and reliability, and the independence of external and internal auditors.

In reviewing the operational functions, the Committee raised suggestions to the Bank of Thailand executives covering the awareness of Good Corporate Governance and Risk Management System so that to fulfil BOT objectives. The Committee also observed that the Control Self Assessment being undertaken at the Bank of Thailand would be the basis for sound efficiency of the Internal Control System. In reviewing the independence of both external and internal auditors, the Committee is of the opinion that both groups of auditors are fully independent in performing their duties in accordance with their professional standard and code of conducts.



(Professor Kesree Narongdej)

Chairperson, Audit Committee

26th January 2005

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**REPORT OF THE AUDITORS  
AND  
BANK OF THAILAND  
FINANCIAL STATEMENTS  
FOR THE YEARS 2004 AND 2003**

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## Report of the Auditors

### To the Minister of Finance

We have audited the Balance Sheet as of December 31, 2004 and 2003, the Profit and Loss Account, and the Statements of Changes in Capital and Cash Flows for each year then ended of the Bank of Thailand. These financial statements are the responsibility of the Bank of Thailand's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position as of December 31, 2004 and 2003, the results of operations, the changes in capital, and the cash flows for each year then ended of the Bank of Thailand, in accordance with generally accepted accounting principles.

(signed) Watcharee Siriprasert  
(Ms. Watcharee Siriprasert)  
Director of Audit Office

(signed) Pongchan Laosutiwong  
(Ms. Pongchan Laosutiwong)  
Auditor In-charge

**Bank of Thailand  
Balance Sheet  
As of December 31, 2004 and 2003**

ASSETS	Notes	2004 Baht	2003 Baht
Cash and Deposits			
Cash		44,835,767,085.06	14,937,788,039.94
Balance at the Treasury	3	2,216,720.32	13,642,465,146.24
Foreign Deposits		<u>140,889,192,613.82</u>	<u>80,947,283,144.84</u>
		<u>185,727,176,419.20</u>	<u>109,527,536,331.02</u>
Reserve Tranche and Holdings of Special Drawing Rights	4	<u>6,504,842,057.05</u>	<u>4,430,957,735.11</u>
Investments	5		
Domestic Securities		114,097,917,856.53	111,968,487,888.14
Foreign Securities		<u>333,434,188,224.57</u>	<u>172,020,714,672.18</u>
		<u>447,532,106,081.10</u>	<u>283,989,202,560.32</u>
Securities Purchased under Resale Agreements	6	309,282,654,865.66	362,929,408,643.07
Loans	7	54,267,541,561.90	33,673,040,312.92
Premises and Equipment, net	8	4,212,789,016.32	4,089,141,670.54
Other Assets	9	<u>70,137,826,420.51</u>	<u>66,930,557,729.63</u>
Total Assets		<u>1,077,664,936,421.74</u>	<u>865,569,844,982.61</u>

The accompanying notes form part of these financial statements.

**Bank of Thailand  
Balance Sheet  
As of December 31, 2004 and 2003**

LIABILITIES AND CAPITAL	Notes	2004 Baht	2003 Baht
Deposits			
Government		52,236,344,632.81	45,528,262,201.18
Financial Institutions		55,210,672,269.84	52,167,569,099.87
Others	10	196,522,772,309.98	84,413,658,626.69
		<u>303,969,789,212.63</u>	<u>182,109,489,927.74</u>
Allocations of Special Drawing Rights	11	5,135,827,414.85	4,984,064,551.94
Securities Sold under Repurchase Agreements	6	382,747,740,308.73	401,881,497,578.34
Bank of Thailand Bonds		270,020,653,144.54	178,854,711,565.49
Other Liabilities	12	62,835,008,298.07	62,862,994,953.42
Total Liabilities		<u>1,024,709,018,378.82</u>	<u>830,692,758,576.93</u>
Capital			
Initial Capital		20,000,000.00	20,000,000.00
General Reserve	13	4,222,697,954.10	2,973,449,575.10
Reserve for Stabilization of Profit Payable to the Government		624,075,747.53	624,075,747.53
Revaluation Deficit on Investments		(47,909,609.20)	(1,045,363,560.60)
Retained Earnings		27,307,931,127.67	27,307,931,127.67
Net Profit for the Year		<u>20,829,122,822.82</u>	<u>4,996,993,515.98</u>
Total Capital		<u>52,955,918,042.92</u>	<u>34,877,086,405.68</u>
Total Liabilities and Capital		<u>1,077,664,936,421.74</u>	<u>865,569,844,982.61</u>

The accompanying notes form part of these financial statements.

(signed) Pridiyathorn Devakula

(M.R. Pridiyathorn Devakula)

Governor

(signed) Chetthavee Charoenpitaks

(Mr. Chetthavee Charoenpitaks)

Deputy Governor, Corporate Support Services

(signed) Charinya Kaewmanee

(Ms. Charinya Kaewmanee)

Director, Accounting Department

**Bank of Thailand**  
**Profit and Loss Account**  
**For the Year Ended December 31, 2004 and 2003**

	Notes	2004 Baht	2003 Baht
<b>Revenues</b>			
Interest Income		20,729,107,478.52	18,873,859,580.02
Commission		477,847,724.41	409,585,558.05
Net Gains on Foreign Exchange		12,037,771,517.63	0.00
Others		425,480,811.46	1,506,637,804.57
Total Revenues		33,670,207,532.02	20,790,082,942.64
<b>Expenses</b>			
Interest Expenses		8,733,367,191.94	8,117,726,587.47
Net Losses on Foreign Exchange		0.00	3,968,371,023.72
Personnel Expenses		2,870,434,691.12	2,851,734,821.79
Others		1,237,282,826.14	855,256,993.68
Total Expenses		12,841,084,709.20	15,793,089,426.66
Net Profit		20,829,122,822.82	4,996,993,515.98

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Changes in Capital**  
**For the Year Ended December 31, 2004 and 2003**

	Initial Capital	General Reserve	Reserve for Stabilization of Profit Payable to the Government	Revaluation Surplus (Deficit) on Investments	Retained Earnings	Baht	
						Net Profit (Loss) for the Year	Total
Balance as of January 1, 2003	20,000,000.00	-	624,075,747.53	-	27,307,931,127.67	11,893,798,300.39	39,845,805,175.59
Changes during the Year							
Net Profit Transferred to General Reserve	-	2,973,449,575.10	-	-	-	(2,973,449,575.10)	-
Payment of Net Profit to the Government	-	-	-	-	-	(8,920,348,725.29)	(8,920,348,725.29)
Revaluation Deficit on Investments	-	-	-	(1,045,363,560.60)	-	-	(1,045,363,560.60)
Net Profit for the Year	-	-	-	-	-	4,996,993,515.98	4,996,993,515.98
Balance as of December 31, 2003	20,000,000.00	2,973,449,575.10	624,075,747.53	(1,045,363,560.60)	27,307,931,127.67	4,996,993,515.98	34,877,086,405.68
Changes during the Year							
Net Profit Transferred to General Reserve	-	1,249,248,379.00	-	-	-	(1,249,248,379.00)	-
Payment of Net Profit to the Government	-	-	-	-	-	(3,747,745,136.98)	(3,747,745,136.98)
Revaluation Surplus on Investments	-	-	-	997,453,951.40	-	-	997,453,951.40
Net Profit for the Year	-	-	-	-	-	20,829,122,822.82	20,829,122,822.82
Balance as of December 31, 2004	<u>20,000,000.00</u>	<u>4,222,697,954.10</u>	<u>624,075,747.53</u>	<u>(47,909,609.20)</u>	<u>27,307,931,127.67</u>	<u>20,829,122,822.82</u>	<u>52,955,918,042.92</u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004 and 2003**

	2004 Baht	2003 Baht
Cash Flow from Operating Activities		
Net Profit	20,829,122,822.82	4,996,993,515.98
Adjustments to Reconcile Net Profit to		
Net Cash Flow from Operating Activities:		
Net (Increase) Decrease in Accrued Revenues	(2,937,194,737.05)	1,301,662,640.48
Net Increase (Decrease) in Accrued Expenses	50,302,210.40	(835,725,851.66)
Amortization of Premiums (Discounts) on Securities	1,080,682,485.80	(3,494,593,431.51)
Depreciation and Amortization Expenses	268,836,781.72	215,831,701.28
Gain on Disposal of Premises and Equipment	(2,517,522.22)	(331,024.00)
(Gain) Loss on Foreign Exchange	9,810,833,934.09	(9,194,192,685.45)
Profit (Loss) from Operation before Changing in		
Operating Assets/Liabilities	29,100,065,975.56	(7,010,355,134.88)
(Increase) Decrease in Operating Assets		
Foreign Deposits	(72,923,704,302.53)	9,534,783,964.36
Reserve Tranche and Holdings of Special Drawing Rights	(23,806,319.39)	120,884,959.10
Securities Purchased under Resale Agreements	53,377,461,348.03	(198,747,963,043.30)
Loans	(20,594,501,248.98)	(14,842,898,067.51)
Other Assets	(356,942,822.13)	93,553,841.62
Increase (Decrease) in Operating Liabilities		
Deposits	121,564,859,597.20	(58,568,584,611.42)
Securities Sold under Repurchase Agreements	(18,439,546,550.16)	192,473,188,528.49
Bank of Thailand Bonds	90,467,516,546.12	180,000,000,000.00
Other Liabilities	(3,279,420,814.74)	372,246,950.18)
Net Cash Flow from Operating Activities	<u>178,891,981,408.98</u>	<u>102,680,363,486.28</u>

The accompanying notes form part of these financial statements.

**Bank of Thailand**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004 and 2003**

	2004 Baht	2003 Baht
Cash Flow from Investing Activities		
Net (Increase) Decrease in Investments in Domestic Securities	(2,659,221,324.91)	7,097,615,567.57
Net (Increase) Decrease in Investments in Foreign Securities	(166,295,695,262.33)	114,991,682,670.41
Net Increase in Premises and Equipment	(357,920,718.78)	(482,332,110.07)
Net Cash Flow from Investing Activities	<u>(169,312,837,306.02)</u>	<u>121,606,966,127.91</u>
Cash Flow from Financing Activities		
Net Decrease in Loans under the IMF Program	0.00	(210,488,352,699.72)
Payment of Net Profit to the Government	(3,747,745,136.98)	(8,920,348,725.29)
Net Cash Flow from Financing Activities	<u>(3,747,745,136.98)</u>	<u>(219,408,701,425.01)</u>
Effects of Foreign Exchange Changes on Cash	<u>(88,467,299.41)</u>	<u>1,232,962,901.12</u>
Net Cash Flow from All Activities	5,742,931,666.57	6,111,591,090.30
Cash as of January 1	44,553,921,871.67	38,442,330,781.37
Cash as of December 31	<u>50,296,853,538.24</u>	<u>44,553,921,871.67</u>
Supplementary Information for Cash Flows		
Cash Paid during the Year		
Interest Expenses	7,996,555,622.00	7,650,206,762.29
Cash and Cash Equivalents		
Cash	44,835,767,085.06	14,937,788,039.94
Balance at the Treasury	2,216,720.32	13,642,465,146.24
Foreign Deposits (at call)	5,458,869,732.86	15,973,668,685.49
Total	<u>50,296,853,538.24</u>	<u>44,553,921,871.67</u>

The accompanying notes form part of these financial statements.

**BANK OF THAILAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2004 AND 2003**

**1. Form of Presentation of Accounts**

The financial statements of the Bank of Thailand (BOT) have been prepared in compliance with Chapter 5 of the Royal Decree Regulating the Affairs of the Bank of Thailand B.E. 2485, which are the accounts of the Banking Department excluding those of the Issue Department, the Exchange Equalization Fund and the Financial Institutions Development Fund.

**2. Summary of Significant Accounting Policies**

**2.1 Revenues Recognition**

Interest revenue is recognized on a time proportion basis that takes into account the effective yield on the asset. Other revenues are accounted for on an accrual basis.

**2.2 Expenses Recognition**

Expenses are accounted for on an accrual basis.

**2.3 Investments**

Domestic securities are held for the purpose of monetary policy implementation and are stated at cost after amortization of premiums or discounts.

Foreign securities are held for the purpose of international reserve management and are stated at fair value. Unrealized gains and losses from revaluation are shown as a separate component of capital, and are recognized in the profit and loss account on disposal.

**2.4 Loans**

Loans are stated at carrying balances of principals.

**2.5 Premises and Equipment**

Land is stated at cost. Buildings and equipment are stated at cost after depreciation.

Buildings and equipment are capitalized when their useful lives are over one year. The depreciation is calculated by the straight-line method, based on the estimated useful lives of the assets, as follows:

Buildings	20	years
Temporary Buildings and Improvements	5	years
Equipment	3 -15	years

The cost of fixed assets jointly used by the Banking Department, the Issue Department, the Exchange Equalization Fund and the Financial Institutions Development Fund is allocated to each department according to an asset usage proportion basis.

## **2.6 Intangible Assets**

Intangible assets are stated at cost after amortization. The amortization is allocated by the straight-line method over five years.

## **2.7 Foreign Currency Transactions**

All transactions in foreign currencies are recorded in baht at the preceding month-end exchange rates. Discrepancies of the actual and the book exchange rates are recorded in the profit and loss account.

At year-end, the balances of foreign assets and liabilities are converted into baht at new exchange rates prevailing on the balance sheet date. Unrealized gains and losses from conversion are also recorded in the profit and loss account.

## **2.8 Provision for Contingent Loss on Forward Exchange Contracts**

At year-end, commitments under forward exchange contracts with government agencies and state enterprises are valued by comparing the year-end exchange rates with the contracted rates. The difference, which is a contingent loss, has been fully provided by the BOT. This provision is calculated from the contracts with contingent loss only.

## **2.9 Pension Fund and Provident Fund**

### **2.9.1 Pension Fund**

The BOT's Rules and Regulations for Pension Fund B.E. 2539 including the amendments in B.E. 2543 and 2545 state that the employees who joined the BOT before December 1, 1996 and are not the members of the "Provident Fund" have the rights to receive pension according to the stipulated conditions and calculation basis. The BOT has maintained provisions in accordance with these rules and regulations.

### **2.9.2 Provident Fund**

The BOT's Rules and Regulations for Provident Fund B.E. 2539 state that the BOT and the employees who are the members of Provident Fund have to make contributions to the Provident Fund according to the stipulated conditions. This Provident Fund has already been registered under the Provident Fund Act B.E. 2530.

## **3. Balance at the Treasury**

In the year 2004, the banknote management system was developed and since November 1, 2004, the BOT has established its own 11 banknote operation centers throughout the country in order to undertake cash depositing and withdrawal service, and simultaneously taken back the task of being the provincial representatives from all provincial treasury offices. All commercial bank accounts existed at the BOT's provincial representatives were closed as services were transferred to the banknote operation centers. Consequently, the majority balance of B13,640.2 million at the treasury was reduced. The remaining balance is reserved for operating expenses that might occur from the task transferring process.

#### 4. Reserve Tranche and Holdings of Special Drawing Rights

	Unit : Million Baht	
	<u>2004</u>	<u>2003</u>
Quota Subscribed to International Monetary Fund (IMF)	65,638.8	63,699.1
<u>Less: IMF Current Account No.1</u>	<u>(33,246.8)</u>	<u>(34,632.6)</u>
Non-Negotiable with Non-Interest Bearing		
Promissory Notes payable to IMF	(25,926.9)	(24,649.6)
Reserve Tranche	6,465.1	4,416.9
Holdings of Special Drawing Rights	<u>39.7</u>	<u>14.0</u>
Total	<u><u>6,504.8</u></u>	<u><u>4,430.9</u></u>

Reserve Tranche is classified as the international reserves, calculated from the Quota Subscribed to IMF after deduction of the baht balances existing in the form of IMF Current Account No.1, and Non-Negotiable with Non-Interest Bearing Promissory Notes payable to IMF.

"Quota Subscribed to IMF-Baht" is presented in "Other Assets" (Note 9). The aforementioned IMF Current Account No. 1, and Non-Negotiable with Non-Interest Bearing Promissory Notes, and IMF Current Account No. 2 for administrative expenses are stated under "Other Liabilities" (Note 12).

Holdings of Special Drawing Rights are also classified as the international reserves.

#### 5. Investments

	Unit : Million Baht	
	<u>2004</u>	<u>2003</u>
Domestic Securities		
Cost after amortization of premiums or discounts	114,097.9	111,968.5
Foreign Securities		
Cost after amortization of premiums or discounts	333,482.1	173,066.1
Less : Revaluation Deficit on Investments	(47.9)	(1,045.4)
	<u>333,434.2</u>	<u>172,020.7</u>
Total	<u><u>447,532.1</u></u>	<u><u>283,989.2</u></u>

#### 6. Securities Purchased under Resale Agreements and Securities Sold under Repurchase Agreements

	Unit : Million Baht	
	<u>2004</u>	<u>2003</u>
Securities Purchased under Resale Agreements		
Domestic Securities	<u>274,394.0</u>	<u>337,185.0</u>
Foreign Securities	<u>34,888.7</u>	<u>25,744.4</u>
Total	<u><u>309,282.7</u></u>	<u><u>362,929.4</u></u>
Securities Sold under Repurchase Agreements		
Domestic Securities	<u>347,860.0</u>	<u>376,187.0</u>
Foreign Securities	<u>34,887.7</u>	<u>25,694.5</u>
Total	<u><u>382,747.7</u></u>	<u><u>401,881.5</u></u>

## 7. Loans

	Unit : Million Baht	
	<u>2004</u>	<u>2003</u>
Programs guaranteed by the Ministry of Finance	19,824.9	15,091.2
Programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions	<u>34,442.6</u>	<u>18,581.8</u>
Total	<u>54,267.5</u>	<u>33,673.0</u>

As of December 31, 2004, the outstanding loans represents 8 lending programs to financial institutions in order to finance priority economic sectors. These included 6 programs guaranteed by the Ministry of Finance and 2 programs collateralized with entrepreneur promissory notes endorsed for the BOT by financial institutions.

## 8. Premises and Equipment, net

	Unit : Million Baht			
	Balance	Changing in Book Value		Balance
	<u>Jan 1, 2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Dec 31, 2004</u>
Land	2,630.6	-	(166.6)	2,464.0
Buildings	1,836.8	-	(0.0)	1,836.8
Temporary Buildings and Improvements	55.4	61.1	(0.2)	116.3
Equipment	491.9	136.3	(0.7)	627.5
Assets under Construction	<u>376.8</u>	<u>553.4</u>	<u>(223.0)</u>	<u>707.2</u>
Total	5,391.5	750.8	(390.5)	5,751.8
Less : Accumulated Depreciation	<u>(1,302.4)</u>	<u>(236.8)</u>	<u>0.2</u>	<u>(1,539.0)</u>
Premises and Equipment, net	<u>4,089.1</u>	<u>514.0</u>	<u>(390.3)</u>	<u>4,212.8</u>

The depreciation of buildings and equipment for the year was B236.8 million.

## 9. Other Assets

	Unit : Million Baht	
	<u>2004</u>	<u>2003</u>
Quota Subscribed to IMF - Baht	59,173.7	59,282.2
Investment in Other Organizations	1,820.0	1,766.3
Staff Loans	2,041.9	1,899.0
Intangible Assets	169.0	94.8
Others	<u>6,933.2</u>	<u>3,888.3</u>
Total	<u>70,137.8</u>	<u>66,930.6</u>

## 10. Other Deposits

The outstanding balance of other deposits as of December 31, 2004 was B196,522.8 million. This included the balance of the "Account for Amortization of the Principal to Fiscalize the Financial Institutions Development Fund Losses" which was set up in accordance with the Emergency Decree Empowering the Ministry of Finance to Borrow Money and Manage the Borrowed Money for the Financial Institutions Development Fund, Phase 2, B.E. 2545. In 2004, assets amounting to B22,314.9 million were transferred to the account. Together with the balance of B0.5 million already outstanding in the account, the combined total balance of B22,315.4 million amount was later used for FIDF bond redemption as stipulated in the decree and thus resulting in the account having a zero balance as of December 31, 2004.

## 11. Allocations of Special Drawing Rights

International Monetary Fund (IMF) member countries are allocated Special Drawing Rights in proportion to their subscriptions to the IMF. For the year ended 2004, the BOT was allocated the balance of SDR 84.7 million, an equivalent of B5,135.8 million.

## 12. Other Liabilities

	Unit : Million Baht	
	<u>2004</u>	<u>2003</u>
IMF Current Accounts No. 1 and 2	33,247.3	34,632.7
Non-Negotiable with Non-Interest Bearing		
Promissory Notes Payable to IMF	25,926.9	24,649.6
Others	<u>3,660.8</u>	<u>3,580.7</u>
Total	<u><u>62,835.0</u></u>	<u><u>62,863.0</u></u>

## 13. General Reserve

The General Reserve is accumulated from the net profit distribution of each year, in accordance with Chapter 2 of the Bank of Thailand Act B.E. 2485. Movements in the General Reserve are set out in the Statement of Changes in Capital.

## 14. Commitments and Contingencies

As of December 31, 2004, the BOT had outstanding forward contracts and legal claims as follows:

**14.1** The BOT had net position of outstanding dollar-baht forward contracts to buy US\$4,600 million due in 2005. By comparing the forward rate to the 2004 year-end rate, the BOT would have a contingent loss of B3,543.2 million, which would be recorded in the profit and loss account when the contracts become due.

**14.2** The BOT had net position of outstanding cross currency forward contracts to buy Yen 19,231.6 million, Euro 105.7 million and Pound Sterling 10.5 million and to sell US\$344.8 million due in 2005. After applying the 2004 prevailing year-end rate, the BOT would have a contingent gain of B266.3 million, which would be recorded in the profit and loss account when the contracts become due.

**14.3** As of December 31, 2004, the BOT, in the normal course of business, has been taken legal action at the amount of the claims totaling B22,577.5 million. However, since the cases are in process of court trial, it is unable to anticipate the exact amount of compensation.

## **15. Risk Management at the Bank of Thailand**

### **15.1 Financial Risk Management**

The BOT's key financial risks come from the investment of international reserves in foreign assets. In addition, there are financial risks from foreign liabilities, although nowadays, foreign liabilities constitute only a small proportion of total foreign assets.

The aforementioned assets and liabilities result in several types of financial risks including market risks comprising interest rate risk and foreign exchange rate risk, credit risk and liquidity risk. Notably, the level of BOT's credit risk and liquidity risk is much lower than its market risk due to the BOT's investment policy particularly in liquid assets with high credit ratings.

The main objectives of financial risk management of international reserves consist of:

i. Preserving the value of international reserves in terms of the SDR currency as the SDR is the most stable and well diversified currency numeraire compared to other major currencies.

ii. Ensuring an acceptable and well diversified level of overall financial risk of international reserves.

The BOT's financial risks management are as follows:

#### **(i) Market Risk**

Market risk is the risk of loss due to changes in the market value of assets and currencies, affecting the BOT's income and net worth.

The BOT's most important tool in controlling market risk is benchmarking. Benchmarks represent asset and currency allocations corresponding to the BOT's objectives stated above. The BOT uses the Black-Litterman Asset Allocation Model in the benchmark construction process, carrying out benchmark reviews on an annual basis. In addition, stress tests are carried out to estimate potential impacts of various market scenarios on the benchmark.

**(ii) Credit Risk**

Credit risk is the risk of loss arising from a financial contract whereby the counterparty or issuer of financial instruments fails to discharge its obligations.

The BOT's credit risk management tools include the following:

- a) Minimum Credit Ratings of counterparties and issuers set to limit the level of credit value-at-risk of each counterparty and issuer to a very low level.
- b) Aggregate Credit Exposure Limits, set for counterparties and issuers in the form of deposit equivalent exposure based on the credit rating and number of counterparties.
- c) Sovereign Credit Limits set based on country credit ratings. Sovereign credit limits are input as constraints in benchmark construction.

**(iii) Liquidity Risk**

Liquidity risk is the risk of loss arising from the inability to liquidate assets at a reasonable cost within the given period.

The management of BOT's liquidity risk emphasizes on setting appropriate levels for illiquid assets such as bank deposits by taking into account two factors: the liquidity needs and the cost-benefit comparisons between returns from illiquid assets in the form of liquidity premiums and costs of liquidation.

**15.2 Enterprise -Wide Risk Management**

The enterprise-wide risk management framework at BOT is categorized into three levels, as follows:

1. Organization Risks: Organization risk management begins with risk identification and prioritization by the Top Management Committee. Appropriate strategies are then set to mitigate these risks. The Internal Audit Department will assess the adequacy and effectiveness of controls of the operation units associated with the organization risks in order to prevent such incidents and mitigate the impacts possibly occur.
2. Strategic Risks: Risks of failure to achieve BOT's strategic objectives are identified and managed by the head of each group. Simultaneously, action plans are formulated to reduce such risks and will be evaluated on their effectiveness annually.
3. Procedure Risks: Procedure risks are the risks incur from the BOT's incapability to achieve the main objectives of each procedure. The impacts on the BOT's balance sheet, the overall financial system and economy as well as on BOT's reputation of those risks will be assessed. Moreover, the existing controls are evaluated according to COSO framework by the executives and officials of each group and action plans are formulated if existing controls are viewed to be either inadequate or too strict.

BOT's risk management policy is to conduct risk assessments of all three levels consistently, taking into account internal factors including operation procedures, personnel, technology, as well as external factors such as disasters, terrorism, legal structures and government policies, etc. BOT also has put in place business continuity plans for its critical systems, which are tested periodically to ensure the staffs' capability in handling emergencies and to ensure that the plans would be effective and efficient in real situations. The risk management framework is being supervised by BOT's Top Management Committee, the Audit Committee, and the Board of Directors, respectively.

## **16. Financial Restatements**

Financial statements for the year ended December 31, 2003 have been restated in line with the presentation of financial statements for the year 2004 without causing an effect on net income presented herein.

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## **MANAGEMENT AND PERSONNEL**

หน้าว่าง

## Management and Personnel

### Work System, Work Process and Organization Structure

Throughout 2004, the BOT continuously improved the roles, responsibilities, work system, work process, management, structure and workforce of each department. The BOT also amended related regulations, rules and orders to facilitate more efficient approaches to supervision, empowerment and decision-making. State-of-the-art information technologies were applied to enhance the overall operations of the entire organization. All of the above strongly supported the BOT directions and strategic objectives to become an excellent and reputable organization that commands public trust in conducting monetary policies, supervising financial institutions, and developing reliable payment systems. The improvements in 2004 can be summarized as follows:

#### 1. Work System / Work Process Restructuring :

(1) Empowerment and Delegation of Authority Restructuring : The code of practice for empowering representatives and delegating authority was launched to support the decision-making process. All associated rules and regulations were revised accordingly.

(2) Work System/Work Processes Development : During the year, a new integrated banknote management system was launched under the supervision of Note Issue Committee. A Banknote Operation Center in Bangkok and ten Banknote Operation Centers in other regions across the country were established to distribute new banknotes to local commercial banks. Most of the Banknote Operation Centers have already started operation since November 2004. Latest technologies and management techniques such as Supply Chain Management, Banknote Ordering System, Banknote Management System were adopted to accommodate customer requirements.

The BOT also developed the Data Management System (DMS) that optimized the transfer of financial market data and started operating this system in April 2004.

**2. BOT Reorganization :** The BOT organization structure was divided into two main levels as follows.

(1) Policy Level or High Level : as directed by three Deputy Governors (Monetary Stability, Financial Institutions Stability and Corporate Support) and nine Assistant Governors supervising group level.

(2) Departmental Level : as directed by Senior Directors and Directors or reports directly to the Governor. Currently, the BOT possesses forty departments.

**3. Lean Organization Project :** During the year, the BOT prepared itself to be a lean organization with flexible and agile operations by 2007. The BOT considered the

appropriate number of employees for each operating department during 2004-2007 in order to promote efficiency and adaptability. Besides, the BOT successfully modernized the work process, organization structure, and workforce of the Financial Institutions Policy Group, Financial Markets Operations Group, Deposits and Debt Instruments Department, General Administration Department, Banknote Management Department, etc. The BOT also conducted post implementation reviews of previous work processes and structure reengineering projects to ensure continuous improvement and value creation.

### **Workforce Status and Distribution**

At the end of December 2004, the BOT totaled 4,434 employees. There was a decrease of 140 employees or 3.2 percent compared to the same period last year.

Of the 140 employees, 75 resigned of their own volition under the BOT's Mutual Separation Plan, 38 obligatorily retired, 20 resigned, 3 early retired, 3 passed away, and 1 was terminated.

Of the 4,434 employees, the proportion of male to female was 2,082 : 2,352 or 47 percent : 53 percent. Regarding education level, 3,495 employees or 79 percent had a bachelor's degree or higher. In other words, 2,287 or 52 percent had a bachelor's degree, 1,160 or 26 percent master's and 48 or 1 percent doctorate.

### **Human Resources Management**

One of the BOT's strategic objectives is to be an organization of excellence committed to good corporate governance. To achieve the objective, the BOT aims to have staff of high caliber and competence, as well as to have highly efficient work systems and processes enhanced by advanced and reliable technology in order to become a lean organization within 2007.

Concerning good corporate governance, every department has launched its plans striving to be an organization of good management both in terms of work processes and resources utilization. Those plans include implementations on process and productivity improvement, learning and development programs, and resources and energy usage reduction schemes. These programs were regularly evaluated and reported to the top management.

As for HR development, the BOT has provided its staff with a competency-based HR development system in which each employee's competencies are evaluated against a set of competencies required by the job. This evaluation results in the creation of Individual Development Plan (IDP) for each staff. This year, HR department has also introduced the Competency Development Guide (CDG) as a tool to help line managers in working on their subordinates' IDPs. In addition, the BOT has emphasized on developing managerial skills of managers at all levels. Sample of the programs conducted are

Human Resources Management Programs and Coaching & Counseling Programs. These managers have also been trained, encouraged, and supported to become competent HR managers. In doing so, Shared Services teams have been acting as HR coordinators providing all managers in each department with technical assistance and coordination regarding HR management and practices.

Introducing the Enterprise Resources Portal (ERP) in the organization, the BOT has significantly improved its work processes. ERP has made HR information management an easier task. Currently, Employee's Record System, Time and Attendance System; Performance Evaluation System; and Payroll System are completely synchronized, leading to more efficient information storage and usage. Furthermore, HR department has launched E-Learning and E-Counseling programs to develop required competencies for all employees and to give consultancy service to the ones who need help respectively.

External factors, especially the changes of economic structure, financial markets and financial institutions, have brought the BOT to the time of change and improvement in order to increase both its efficiency and effectiveness. The need to re-engineer the BOT's work processes and flatten its organizational structure by reducing unnecessary jobs and processes to be fit with the present situation and environment and to be prepared for the future is apparent.

With its clear objective of being a lean organization within 2007, the Mutual Separation Plan (MSP) was approved as another choice for the employees who were affected by the organizational changes and wished to leave. On the other hand, the employees who were classified as surplus workforce but prefer to stay and continue to work with the organization has been trained to improve their knowledge and skills in preparation for future workforce supplementation i.e. replace retired employees. In this regard, the BOT has thoroughly considered every factor that might affect the organizational management and developed qualitative and quantitative manpower planning to support any organizational changes.

The BOT extensively supports and promotes participative management within the organization by establishing the Joint Consultation Committee (JCC). (The Committee's opinion on environmental development and recreational activities of the organization is taken into account.) Many activities, such as exhibitions on emotional intelligence (EI) and on health care, have also been arranged to build the employees' understanding concerning work / life balance and quality.

Finally, employees can also socially participate in recreational activities in a variety of clubs.

## Court of Directors

### As of 31 December 2004

Chairman	M.R. Pridiyathorn Devakula
Vice Chairman	Mrs. Tarisa Watanagase
	Mr. Bandid Nijathaworn
	Mr. Chetthavee Charoenpitaks
Director	Mr. Borwornsak Uwanno
	Mr. Prasit Kovilaikool
	Mr. Karun Kittisataporn
	Mr. Naris Chaiyasoot
	Mr. Ampon Kittiampon
	Mr. Somchai Kruansombat
	Mr. Nontaphon Nimsomboon

## Executives of the Bank of Thailand As of 31 December 2004

<b>Governor</b>	M.R. Pridiyathorn Devakula
<b>Deputy Governor,</b>	
<b>Financial Institutions Stability</b>	Mrs. Tarisa Watanagase
<b>Deputy Governor, Monetary Stability</b>	Mr. Bandid Nijathaworn
<b>Deputy Governor, Corporate Support Services</b>	Mr. Chetthavee Charoenpitaks
<b>Assistant Governor, Supervision Group</b>	Ms. Udomsup Techakampuch
<b>Assistant Governor, Strategic Capabilities Group</b>	Mrs. Nopamart Manoleehagul
<b>Assistant Governor, Financial Institutions Policy Group</b>	Mr. Krirk Vanikkul
<b>Assistant Governor, FIDF Management and Debt     Restructuring Group</b>	Mrs. Swangchit Chaiyawat
<b>Assistant Governor, Management Assistance Group</b>	Mrs. Thanya Suraswadi
<b>Assistant Governor, Monetary Policy Group</b>	Mrs. Atchana Waiquamdee
<b>Assistant Governor, Information Technology Group</b>	Ms. Aroonsri Tivakul
<b>Assistant Governor, Financial Markets Operations Group</b>	Ms. Nitaya Pibulratanaagit
<b>Assistant Governor, Operations Group</b>	Sub.Lt.Yodchai Choosri

<b>Deputy Governor, Monetary Stability</b>	Mr. Bandid Nijathaworn
<b>Assistant Governor, Monetary Policy Group</b>	Mrs. Atchana Waiquamdee
Senior Director, Domestic Economy Department	(Vacant).....
Director, Monetary Policy Department	Mrs. Amara Sriphayak
Director, International Economics Department	Mrs. Chantavarn Sucharitakul
Director, Department of Central Banking Studies	(Vacant).....
<b>Assistant Governor, Financial Markets Operations Group</b>	<b>Ms. Nitaya Pibulratanaagit</b>
Senior Director, Financial Markets and Reserve Management Department	Mrs. Suchada Kirakul
Director, Financial Markets Office	Ms. Nopawan Mahamusik
Director, Treasury Services Department	Mr. Wichai Hirunwong
Director, Strategy and Exchange Control Department	Mr. Suchart Sakkankosone
<b>Overseas Representative Offices</b>	
Chief, New York Representative Office	Mrs. Supawadee Punsri
Chief, London Representative Office	Ms. Nawaporn Maharagkaga

**Deputy Governor,****Financial Institutions Stability****Mrs. Tarisa Watanagase****Assistant Governor,****Financial Institutions Policy Group****Mr. Krirk Vanikkul**

Senior Director, Financial Institutions

Strategy Department

Mrs. Tongurai Limpiti

Director, International Banking Policy Office

Mr. Palboon Kittisrikangwan

Senior Director, Risk Supervision Policy

and Analysis Department

Mr. Samart Buranawatanachoke

**Assistant Governor, Supervision Group****Ms. Udomsup Techakampuch**

Director, Planning and Development Department

Mrs. Eamchit Chanpraipayak

Director, Financial Institution Applications

and Special Examination Department

Mr. Phong-Adul Kristnaraj

Senior Director, Risk Management and

Information System Examination Department

Mr. Preecha Poramapojn

Senior Director, Financial Institutions Monitoring

and Analysis Department

Mr. Sorasit Soontornkes

Senior Director, Onsite Examination Department 1

Mrs. Salinee Wangtal

Senior Director, Onsite Examination Department 2

Ms. Pimpa Thawarayut

**Deputy Governor, Corporate Support Services****Mr. Chethavee Charoenpitaks****Assistant Governor, Strategic Capabilities Group****Mrs. Nopamart Manoleehagul**

Senior Director, Human Resources Department

Ms. Duangmanee Vongpradhip

Director, Human Resources Development Office

M.R. Nopkatemanee Tengniyom

Director, Human Resources Management Office

Mr. Somchai Setakornnukul

Director, Human Resources Shared Services Office

Mrs. Piengta Dattanonda

Director, Strategic Services Department

Mrs. Soontara Pussayanavin

Director, Organization Development Department

Mr. Niruth Raksaseree

**Assistant Governor, Operations Group****Sub.Lt.Yodchai Choosri**

Director, Deposits and Debt Instruments Group

(Vacant).....

Director, Provincial Deposits

and Debt Instruments Office

Mr. Sumart Nukunphadit

Senior Director, General Administration Department

Mrs. Suwannee Jenpanichkarn

Director, Building Construction and Maintenance Office	Mr. Chalit Agkanidad
Director, Accounting Department	Ms. Charinya Kaewmanee
Director, Security Department	Mr. Senesiri Siriwattanakul
Senior Director, Northern Region Office	Mr. Jirapong Dibyamondol
Director, Operations Department	Mr. Prapas Sothornnopabutr
Senior Director, Southern Region Office	Mr. Phairoj Hengsakul
Director, Operations Department	Mr. Somkid Lamart
Senior Director, Northeastern Region Office	Mr. Tanin Mukdaprakorn
Director, Operations Department	Mr. Lertsilp Angkatapimon
Director, Library and Archives	Mrs. Solsukon Niyomvanich
Senior Director, Banknote Management Department	Mr. Ithichai Chanthrindhu
Director, Banknote Operation - Bangkok Office	Mrs. Juntana Chanpawat
Director, Banknote Operation - Regional Office	Mr. Paisarn Piyabunditgul
Director, Banknote Planning and Controlling Office	Ms. Duengdao Sombutsiri
Managing Director, Note Printing Works	Mr. Nopporn Pramojaney
Director, Second Note Printing Works Project	Mr. Somchai Sringkarrinkul
Director, Production Office	Mr. Boonsong Chaisa-ard
Director, Administration Office	Ms. Vipaporn Veerayavarangkul
Director, Product Development and Technical Support Office	Mr. Anuchart Chotimongkol

#### **Assistant Governor, FIDF Management**

##### **and Debt Restructuring Group**

Senior Director, Fund Operation Department	<b>Mrs. Swangchit Chaiyawat</b>
Director, Business and Financial Operation Office	Mr. Vichan Amorojanavong
Director, Legal and Asset Collection Office	Mrs. Povongtip Poramapojn
Senior Director, Project and Assets Management Department	Mr. Satorn Topothai
Director, Project Management Office	Mrs. Sunet Ratanavanich
Director, Corporate Debt Restructuring Department	Mrs. Ruchukorn Sangsubhan
	Mr. Tumngong Dasri

**Assistant Governor, Management Assistance Group**

Senior Director, Management Assistance Department  
 Director, Office of the Governor  
 Director, Communications and Relations Office  
 Senior Director, Legal Department  
 Director, Legal Department  
 Specialised Chief Legal Officer  
 Senior Director, Litigation Department  
 Director, Legal Proceedings Office  
 Director, Risk Management Department  
 Director, Bank of Thailand Museum

**Mrs. Thanya Suraswadi**

Mr. Oubaur Kruthanooch  
 Mrs. Nual-anong Angsurat  
 Mr. Yootaphol Singhaumpai  
 Mr. Sermsingh Sinhaseni  
 Mr. Chanchai Boonritchaisri  
 (Vacant).....  
 Mr. Arkabusik Krairiksh  
 Mr. Weerachat Sribunma  
 Mrs. Pongpen Ruengvirayudh  
 Mr. Sumart Nukunphadit

**Assistant Governor, Information Technology Group**

Senior Director, Payment Systems Department  
 Director, Payment Systems Development Office  
 Director, Payment Operations Office  
 Senior Director, Data Management Department  
 Director Statistics office  
 Director, Strategic Planning  
 and System Support Office  
 Senior Director, Information Technology Department  
 (A.) Director, Business Integration Office  
 Director, Business Solution Delivery Office 1  
 Director, Business Solution Delivery Office 2  
 Director, Technical Management and Operation Office

**Ms. Aroonsri Tivakul**

Mr. Sayan Pariwat  
 Ms. Sibporn Thavornchan  
 Mrs. Wantana Hengsakul  
 Ms. Prangtip Busayasiri  
 Mrs. Pusadee Ganjarermdee  
 Ms. Chalalai Jiwasukapimat  
 Mr. Chim Tantiyaswasdikul  
 Mrs. Bhusadi Muhpayak  
 Mrs. Jintana Tinburanakul  
 Mr. Permsuk Sutthinoon  
 Mrs. Tipavan Nookhwun

Senior Director, Internal Audit Department

Director, Office of Internal Audit

and Development Work Audit

Director, OFIT Audit

Mr. Krish Follett

Ms. Panida Oonyawong

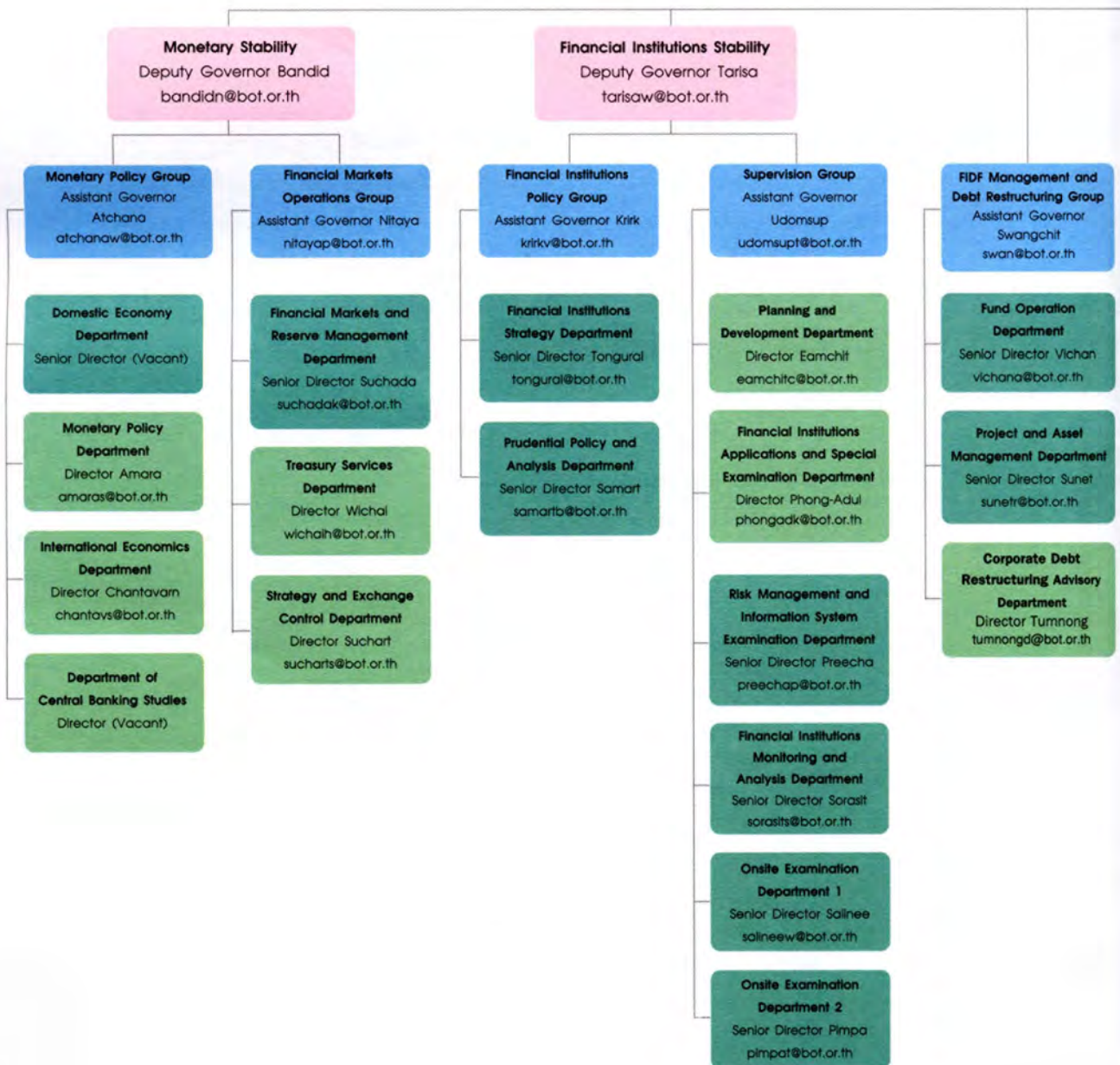
Mr. Sukhum Tantrachin

## **BANK OF THAILAND'S ORGANIZATION CHART**

# Bank of Thailand's Organization

Court of D

Gove  
M.R. Pridiyath  
pridiyad@



# Chart as of 31 December 2004

## Directors

Director  
 Governor  
 Anuram Devakula  
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**Internal Audit Department**  
 Senior Director Krisk  
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**Corporate Support Services**  
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**Management Assistance Group**  
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**Management Assistance Department**  
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**Litigation Department**  
 Senior Director Arkabus  
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**Risk Management Department**  
 Director Pongpen  
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**Bank of Thailand Museum**  
 Director Sumart  
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**Information Technology Group**  
 Assistant Governor Aroonsri  
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**Payment Systems Department**  
 Senior Director Sayan  
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**Data Management Department**  
 Senior Director Prangtip  
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**Information Technology Department**  
 Senior Director Chim  
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**Strategic Capabilities Group**  
 Deputy Governor Nopamart  
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**Human Resources Department**  
 Senior Director Duangmanee  
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**Strategic Services Department**  
 Director Soontara  
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**Organization Development Department**  
 Director Niruth  
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**Library and Archives**  
 Director Solsukon  
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**Operations Group**  
 Assistant Governor Yodchai  
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**Deposits and Debt Instruments Department**  
 Director (vacant)

**General Administration Department**  
 Senior Director Suwannee  
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**Accounting Department**  
 Director Charinya  
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**Security Department**  
 Director Senesri  
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**Northern Region Office**  
 Senior Director Jirapong  
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**Northeastern Region Office**  
 Senior Director Tanin  
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**Southern Region Office**  
 Senior Director Phairoj  
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**Banknote Management Department**  
 Senior Director Itthichai  
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**Note Printing Works**  
 Managing Director Nopporn  
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