

# Thailand's External Debt<sup>1</sup> as at end-September 2011

International Investment Position Statistics Team,  
Statistics and Information Systems Department

## 1. Thailand's Overall External Debt

At the end of the third quarter of 2011, Thailand's external debt outstanding amounted to US\$115.6 billion, an increase of US\$3.6 billion or 3.2%. This increase was observed in almost every sector. General government registered with the highest uprise of US\$1.8 billion. This was mainly due to an increase of long-term debt securities as non-residents' holding of government bond increases. The increase of other depository corporations' (ODC) external debt was mostly a result of long-term loans to enhance liquidity needs for the expansion of credit facilities. Nonfinancial corporations, households, and NPISHs (NC) resulted with an overall increase external debt of US\$0.7 billion, mainly from trade credits and the issuing of debt securities. Central bank's (BOT) external debt increased by US\$0.3, all was attributed to an increase in foreign holdings of the BOT's bond. Other financial corporations (OFC) was the only sector which recorded a decline in external debt. The decrease was attributed to both short-term and long-term debt securities.

When classified by original maturity, short-term debt was more or less the same as the previous quarter, while long-term debt has increased. Therefore, proportion of short-term debt declined to 50.8% of the total outstanding amount, the first fall after it has constantly risen in the past 8 quarters. When classified by remaining maturity, short-term debt accounted for 56.8% of the total, mostly in the form of loans and trade credits.

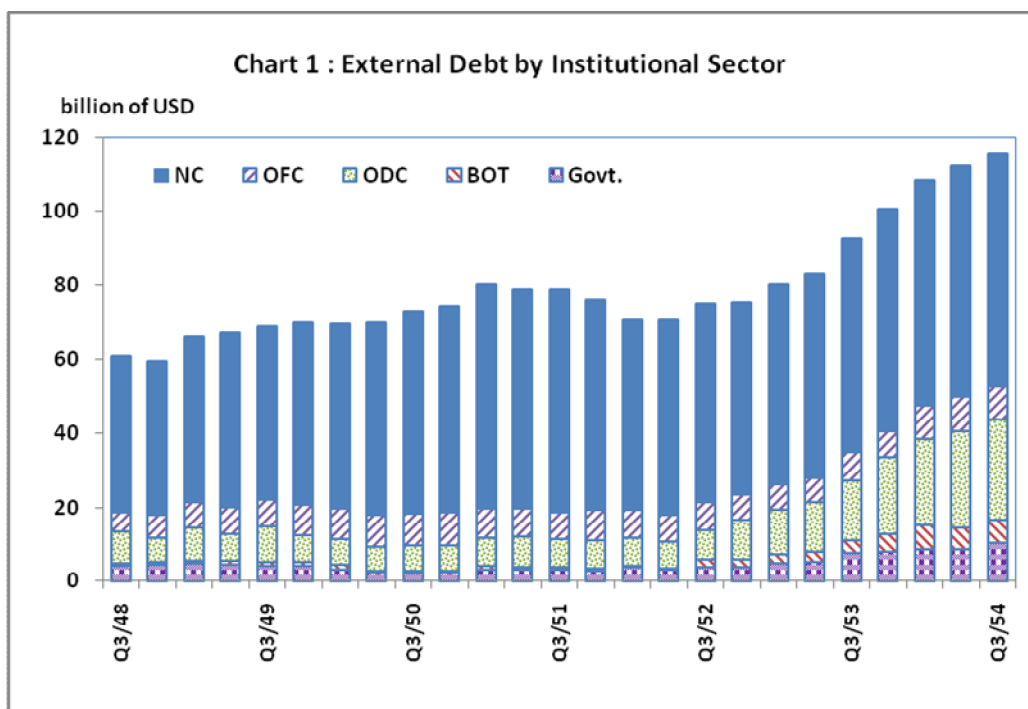
## 2. Thailand' External Debt Structure

### 2.1 External Debt Classified by Institutional Sector

The institutional sector with the highest external debt outstanding is nonfinancial corporations with an amount of US\$62.9 billion or 54.4% of the country's total outstanding. Of this amount, major debtors were in transportation, telecommunication, property, electricity, chemicals, and petroleum. The next 2 sector with major external debt outstanding were other depository corporations and general government with the amount of US\$27.0 and 10.4 billion or 23.3% and 9.0% of the total outstanding amount, respectively.

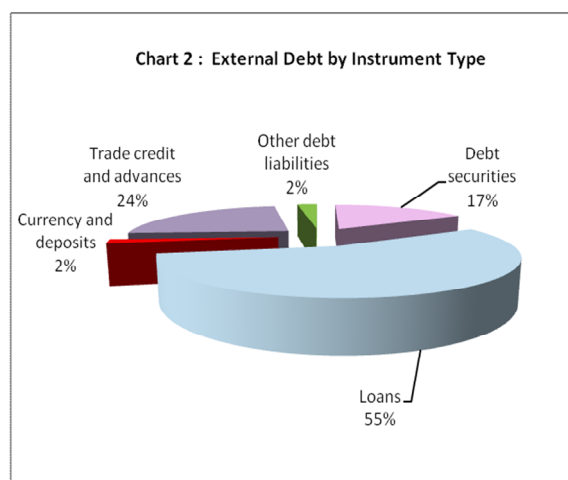
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<sup>1</sup> Part of the external debt data was compiled from the external debt survey on private non-bank sector (details of the survey can be found in Appendix)



## 2.2 Instrument Type

External Debt was attributed mostly to loans, with an amount of US\$63.9 billion or 55.3% of the total outstanding. Half of which were external loans in nonfinancial corporations sector, followed by loans of other depository corporations and other financial corporations, respectively. The second largest portion were trade credits and advances, accounted for



23.5% of total outstanding amount, mostly were nonfinancial corporations' short-term trade credits.

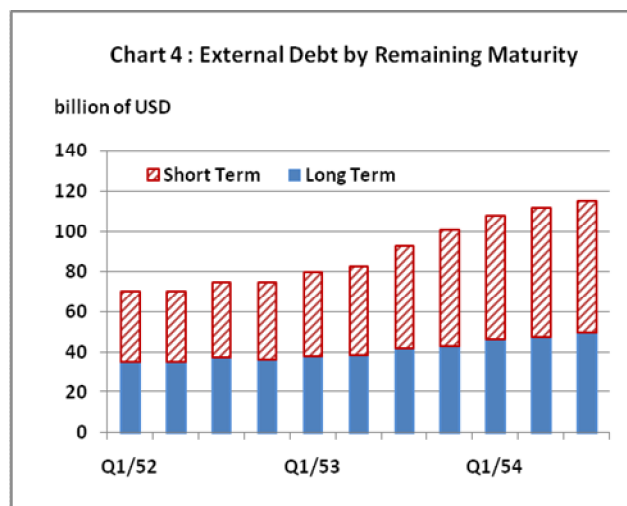
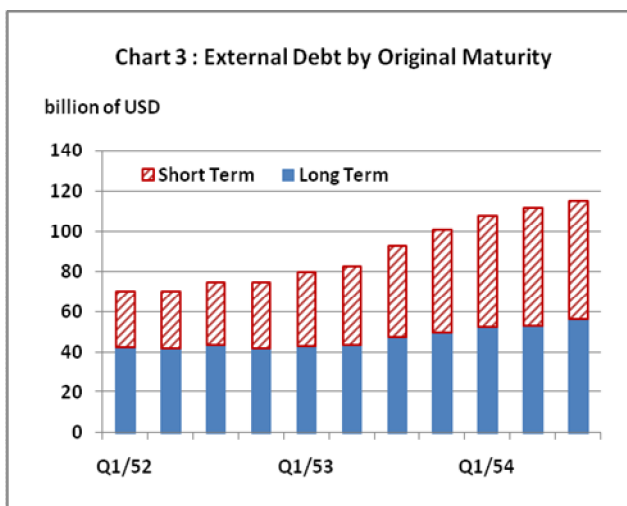
External debt in the form of debt securities registered a position of US\$19.4 billion or 16.8% of total external debt. This was mostly long-term debt securities of general government and non financial corporations. Short-term debt securities were all attributed to the BOT.

## 2.3 Maturity

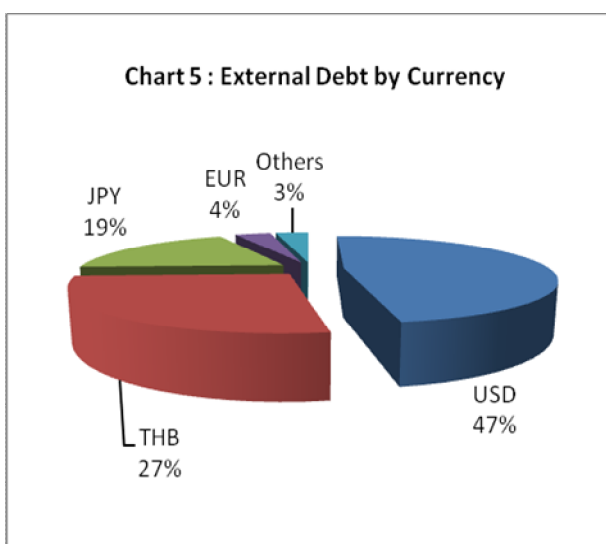
When classified by original maturity, short-term debt has shown a slight decline for the first time after it has constantly risen since the third quarter of 2009, while long-term debt has increased. Hence, the proportion of short-term debt decreased to 50.8% of the total amount from that in the previous quarter of 52.7%. The majority of short-term debt

was attributed to nonfinancial corporations' trade credit, followed by short-term loans of other depository corporations.

The majority of long-term debt was in the form of loans with an outstanding amount of US\$39.2 billion, which were mostly loans from nonfinancial corporations, other financial corporations and other depository corporations. Second in line were debt securities, most of which were that of general government. Maturitywise, short-term debt (base on remaining maturity) has declined slightly and accounted for 56.8% of the total outstanding amount



## 2.4 Currency Composition



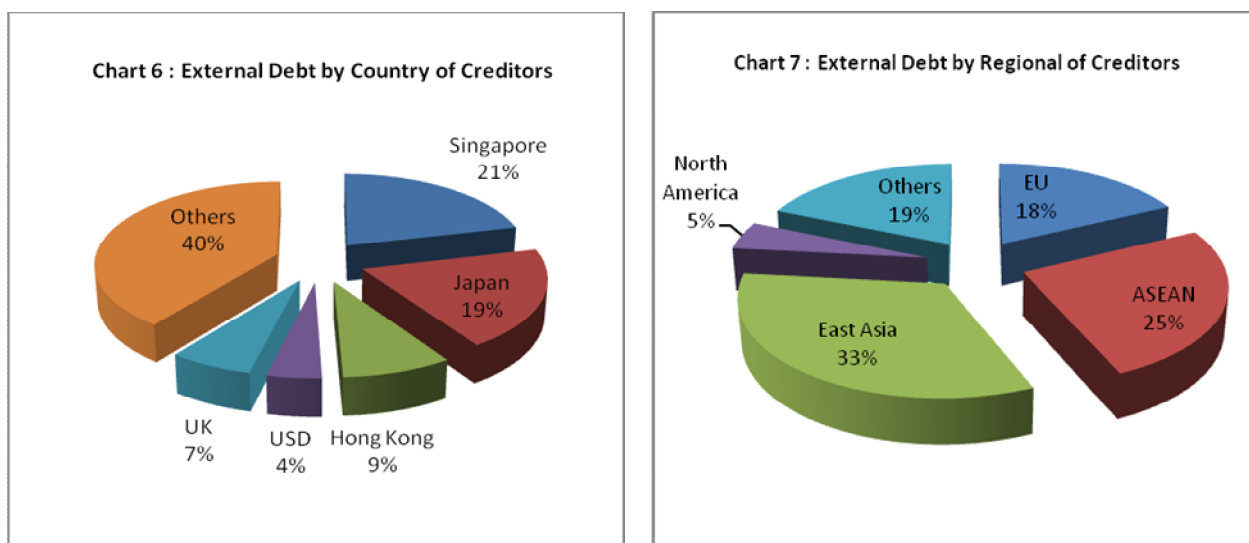
The currency composition of external debt in Thailand remained relatively unchanged with 4 dominating currencies accounting for 96.7% of total external debt; i.e., US dollar amounted to US\$ 54.6 billion (47.3%), followed by Thai baht, Japanese yen, and Euro, representing 27.0, 18.8, and 3.6% of total external debt, respectively. Although the Thai baht and Euro have depreciated against the US dollar, the increase in debt incurrence more than offset the effect of currency depreciation, hence resulting in an increase in

the overall external debt outstanding (in US dollar equivalent) over the past quarter

## 2.5 Country (Location) of Creditor

Thai enterprises borrowed mostly from Singapore with the share of US\$ 24.4 billion (21.1%), followed by Japan, Hong Kong, United Kingdom, United States with corresponding shares of 19.6, 8.7, 6.6, 4.3%, respectively.

Geographically, East Asian countries<sup>2</sup> are major creditors accounting for 33.1% of total external debt, followed by ASEAN and European countries, respectively.



### 3. Thailand's External Debt Indicators

Thailand's overall external stability was still in line with internationally recommended criteria, with high liquidity and financial soundness.

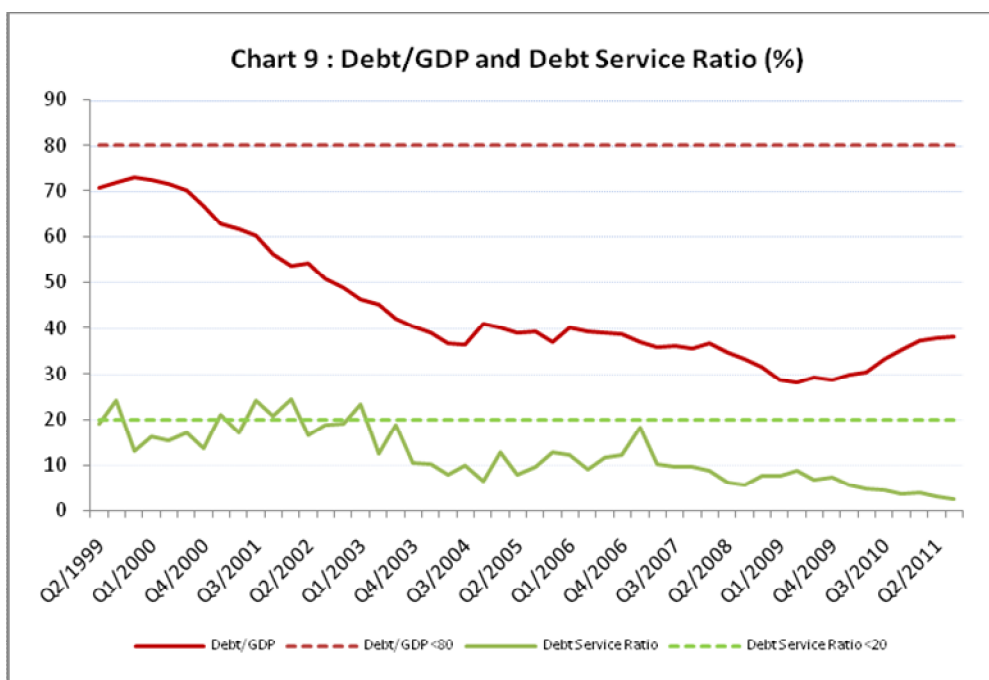
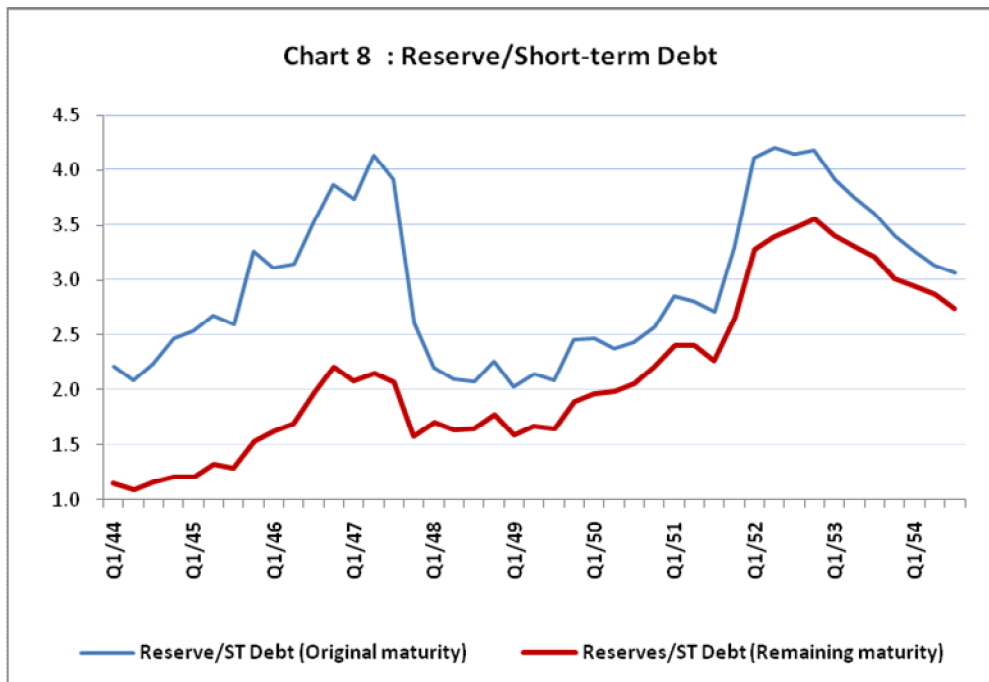
**3.1 Ratio between Reserves and Short-term Debt on Remaining Maturity** measures a country's foreign exchange liquidity adequacy in the short run. For Thailand, this ratio for 2011Q3 was at 274% or 2.74 times, compared to 287% or 2.87 times in the last quarter, a continuing decline since 2010Q1. This fall was due mainly to the decline of international reserves position. Still, the ratio stood well above the World Bank's recommended threshold of 150% or 1.5 times. Therefore, Thailand's liquidity adequacy in the short run and external stability are still in good shape and well above the international standard.

**3.2 External Debt/GDP Ratio** In this quarter, the ratio between Thailand's external debt and gross domestic products stood at 38%, a slight increase from that of the previous quarter. The above ratio still meet the World Bank's criteria which states that this ratio should not exceed 80%, indicating that Thailand's external stability was in good form.

**3.3 Debt Service Ratio** is a measurement of a country's ability to repay its external debt due for payment relative to the size of its foreign currency earnings. During this quarter,

<sup>2</sup> Comprises; China, Hong Kong, South Korea, and Taiwan.

the ratio stood at 2.4%. This was a decline from that of the previous quarter as external debt burden decreases, while revenue on export of goods and services increase. The ratio was well below the World Bank's suggested cap of 20%, indicating that Thailand is highly capable of financing its debt service payments.



## Thailand's External Debt Outstanding

(in millions of USD)

	Q3/2552	Q4/2552	Q1/2553	Q2/2553	Q3/2553	Q4/2553	Q1/2554	Q2/2554	Q3/2554
General government	3,692	3,883	4,743	5,277	7,596	7,783	8,626	8,703	10,446
Short-term	244	364	234	99	352	195	51	0	0
Long-term	3,448	3,519	4,509	5,177	7,245	7,588	8,575	8,703	10,446
Central bank (BOT)	2,108	2,048	2,611	2,607	3,562	4,880	6,626	5,888	6,221
Short-term	300	419	835	1,017	1,692	2,574	4,217	3,557	3,165
Long-term	1,808	1,629	1,776	1,590	1,870	2,305	2,410	2,331	3,055
Other depository corporations	8,102	10,755	11,986	13,439	16,080	20,803	23,010	26,080	26,980
Short-term	5,687	8,570	9,605	10,921	13,485	16,688	18,260	20,556	20,723
Long-term	2,415	2,185	2,381	2,518	2,594	4,116	4,750	5,524	6,256
Other sectors	61,260	58,620	60,812	61,575	65,595	67,095	70,010	71,309	71,959
Other financial corporations	7,585	6,740	6,859	6,543	7,499	7,090	9,120	9,130	9,027
Short-term	2,436	2,351	2,316	2,068	2,372	1,966	1,667	2,115	2,111
Long-term	5,149	4,389	4,544	4,475	5,127	5,124	7,453	7,015	6,915
Nonfinancial corporations, Households, NPISHs	53,674	51,881	53,953	55,032	58,096	60,005	60,890	62,178	62,932
Short-term	23,088	21,424	23,761	24,975	27,255	29,232	31,478	32,715	32,731
Long-term	30,586	30,457	30,192	30,057	30,841	30,773	29,412	29,463	30,201
<b>Gross External Debt</b>	<b>75,162</b>	<b>75,306</b>	<b>80,152</b>	<b>82,898</b>	<b>92,833</b>	<b>100,561</b>	<b>108,272</b>	<b>111,979</b>	<b>115,605</b>
Short-term	31,756	33,127	36,751	39,080	45,156	50,655	55,672	58,943	58,731
Long-term	43,406	42,179	43,401	43,818	47,677	49,906	52,600	53,036	56,873
<b>Debt / GDP (%)</b>	<b>29.4</b>	<b>28.8</b>	<b>29.9</b>	<b>30.3</b>	<b>33.3</b>	<b>35.2</b>	<b>37.1</b>	<b>37.6</b>	<b>38.0</b>
<b>Reserves / Short-term debt (%)</b>	<b>347.7</b>	<b>355.9</b>	<b>341.1</b>	<b>330.1</b>	<b>321.5</b>	<b>300.9</b>	<b>294.3</b>	<b>287.2</b>	<b>274.3</b>
<b>Debt service ratio (%)</b>	<b>6.90</b>	<b>7.27</b>	<b>5.65</b>	<b>4.88</b>	<b>4.55</b>	<b>3.68</b>	<b>3.87</b>	<b>3.02</b>	<b>2.42</b>
Public sector	0.05	0.06	0.05	0.11	0.11	0.20	0.11	0.15	0.13
Private sector	6.84	7.21	5.60	4.77	4.44	3.48	3.76	2.88	2.29

## Appendix

### Survey on Private Non-bank External Debt as at end-September 2011

#### Survey Population and Samples

The survey population encompassed all private enterprises or individuals with external debt outstanding (5,728 companies). Of this, 363 companies were sample units (representing approximately 77 percent of total external debt outstanding), with details as follows:

- o There were 229 borrowers or lenders with outstanding amount exceeding US\$20 million as at end-June 2011.

- o Fifty companies with end-June 2011 external debt outstanding between US\$3.5 – 19.9 million were sampled for the purpose of statistical quality control.

- o There were 49 companies with other types of external debt outstanding.

- o New entries incorporated into this survey consisted of 34 companies whose transactions on debt incurrence, principal repayment, or interest payment/receipt were reported through ITRS in the previous quarter, but have never been covered in any of the previous surveys.

The BOT sent out survey forms to 362 private companies, of which 71 companies received the form by mail while the remaining 291 received via e-mail. Responses from 320 companies were obtained, representing a 88.2 percent response rate.

#### Data Verification and Estimation

The end-September 2011 external debt outstanding data obtained from the survey was crosschecked with corresponding records from foreign exchange reports (ITRS-FX) and non-resident baht account transaction (ITRS-NRB) reported by commercial banks. The expected end-September 2011 outstanding data used as crosschecking benchmark can be estimated using the equation shown below. If any inconsistency occurred, respondents were requested to validate the data and corrections would be made, accordingly.

$$\text{End-Jun. 2011 outstanding} + \text{Inflow}_{2011\text{Q3}} - \text{Outflow}_{2011\text{Q3}} = \text{End-Sept. 2011}$$

For non- sampled units and non-responses, the estimated external debt outstanding data based on the above equation were used.