



# BANK OF THAILAND NEWS

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## **Clarification on the Bank of Thailand's Accounting Losses in 2006**

At the end of 2006, Thailand's international reserves amounted to 67 billion US dollars of which 29 billion US dollars was in the BOT's account while 36.6 billion US dollars was in the Currency Reserve. The remaining belonged to the Exchange Equalization Fund.

For the year 2006, the Bank of Thailand's account and the Currency Reserve recorded a total loss of approximately 174 billion baht (preliminary figures). Nevertheless, as much as 173 billion baht was due to FX valuation loss.

Despite diversification of foreign assets into various foreign currencies, valuation of international reserves in terms of baht still resulted in a loss as the baht had appreciated considerably against all these currencies.

The increase in international reserves by approximately 15 billion US dollars was mainly a result of foreign exchange market operation to stem the rapid pace of the baht's appreciation against currencies of Thailand's main trading partners and competitors. Such operation in the foreign exchange market did not differ from those undertaken by other regional central banks.

If the BOT had refrained from such operation and the baht persisted on its rapid and significant pace of appreciation,

- Thailand's competitiveness would be adversely impacted, thus affecting economic growth as well as overall employment which would ultimately affect the public at large.
- the 52 billion US dollars international reserves at the beginning of 2006 would still be worth less when valued in terms of baht and valuation loss may be greater than the actual figure.

In any case, the loss incurred did not arise from operational inefficiency but was merely a result of valuation of international reserves in accordance with accounting standards. The foreign assets which comprise the international reserves remain intact and have gained in value when measured in foreign currency terms.

The aforementioned loss did not inflict any damage at all. The Bank of Thailand continues to be able to perform its role in safeguarding monetary stability.

Bank of Thailand  
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